Ampco-Pittsburgh Corporation

Fourth Quarter 2023 Earnings Results

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CORPORATE PARTICIPANTS

Kim Knox – *Corporate Secretary*
Brett McBrayer – *Chief Executive Officer*
Sam Lyon – *President, Union Electric Steel Corporation*
David Anderson – *President, Air & Liquid Systems Corporation*
Mike McAuley – *SVP, Chief Financial Officer and Treasurer*

PRESENTATION

Operator
Welcome to the Ampco-Pittsburgh Corporation Fourth Quarter 2023 Earnings Results Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal the conference specialist by pressing the star key followed by zero. After today's presentation, there will be [audio gap] ask questions. To ask a question, press star than one on your telephone keypad. To withdraw your question, please press star than two. Please note this call is being recorded.

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

Kim Knox
Thank you, Rocco and good morning to everyone joining us on today's Fourth Quarter 2023 Conference call. Joining me today are Brett McBrayer, our Chief Executive Officer and Mike McAuley, Senior Vice President, Chief Financial Officer and Treasurer. Also joining us on the call today are Sam Lyon, President of Union Electric Steel Corporation and Dave Anderson, President of Air & Liquid Systems Corporation.

Before we begin, I would like to remind everyone that participants on this call may make statements or comments that are forward-looking and may include financial projections or other statements of the Corporation's plans, objectives, expectations or intentions. These matters involve certain risks and uncertainties, many of which are outside the Corporation's control.

The Corporation's actual results may differ significantly from those projected or suggested in any forward-looking statements due to various risk factors, including those discussed in the Corporation's most recently filed Form 10-K and its subsequent filings with the Securities and Exchange Commission. We do not undertake any obligation to update or otherwise release publicly any revision to our forward-looking statements.

A replay of this call will be posted on our website. To access the earnings release or the webcast replay, please consult the Investor 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. As reported in our press release and 10-K filing, Ampco-Pittsburgh saw top-line growth versus the prior year quarter and prior year, with Air & Liquid Processing segment sales improving 35% and 31%, respectively. Our underlying businesses improved on a non-GAAP adjusted basis compared to prior year.

Although our US forged roll business performed well and our Air & Liquid Processing segment saw record backlog, record sales, and adjusted operating income during the year, excess plant capacity coupled with high energy costs in our European cast roll businesses weighed heavily on our 2023 results. With the conclusion of our equipment modernization in our U.S. forged roll business and the expansion of capacity in our Air & Liquid Processing segment, we are better positioned to selectively capture market opportunities.

A 2023 full-year loss of $34.6 million included a $40.9 million non-cash and undiscounted asbestos-related revaluation charge recorded in Q4 of 2023.

I'm now going to turn the call over to Sam Lyon, President of our Forged and Cast Engineered Products segment for further comments on his segment's performance. Sam?

Sam Lyon
Thank you, Brett and good morning. Q4 of 2023 operating income was about break even versus a loss of $1.6 million in Q4 of 2022 on revenues of $75.8 million and $69.6 million, respectively. We focused on reducing working capital across all operations in Q4 and ended the year with 18% lower inventory on flat COGS. These production outages affected our operating income negatively but improved our working capital in the quarter.

In 2023, operating income was $7.6 million versus $0.4 million in 2022. 2023 revenue was $303.8 million versus 2022 revenue of $299.5 million. Forged roll revenues increased 20% yearly, driven by North American manufacturers' reliance on domestic production to ensure stable supply reliability.

Cast roll revenues were lower than in 2022 and softness in this market is expected to continue throughout 2024 due to the current steel production levels in Europe. Despite base price increases, revenues were negatively impacted by our “pass-through” to customers of lower energy and raw material costs through surcharges, combined with a decrease in FEP demand. FEP revenues decreased in 2023 due to excess distributor inventories at year-end 2022 and lower domestic oil and gas drilling in 2023.

In 2023, escalating energy prices resulting from the Russia-Ukraine conflict retracted and stabilized due to government controls, lower activity in Europe and a mild winter. In addition, as the post-COVID supply chain issues experienced in 2022 stabilized, so did inflation.

Core inflation for 2023 was approximately 4% versus 6% in 2022. 2023 operating results benefited from the tailwind associated with deflation, positive surcharge recovery as higher cost inventory was sold through and a one-time foreign government energy reimbursement of $1.9 million, partially offset by higher medical costs.

2024 revenue looks to be roughly in line with 2023, as Europe is still depressed. We are starting commercial discussions for the 2025 business and will get a better look at the forward market in the coming months.

Q1 of 2024 will be adversely affected by an unplanned 3-week outage at our Sweden cast plant, resulting in an expected unfavorable $1.3 million to $1.6 million operating income impact in the quarter. All but $500,000 of this will be recovered in the coming quarters.

As stated on the last earnings call, the intermediate to long-term demand picture for flat rolled steel and aluminum remains strong and we are well positioned to supply our customers as this demand increases. Our North American customers are all bullish on the next decade and are investing in new capacity. Over the next decade, the global aluminum market is expected to grow, with estimates of approximately a 5.8% compounded annual growth rate through 2031, according to Allied Market Research, Next Market Research, Future Market Insights and SkyQuest.

Our strategic capital project for the FCEP segment is essentially complete, and we are ramping up the new equipment. The equipment is expected to be in full rate production in the third quarter of 2024. As stated in previous calls, this investment will provide many years of increased productivity, capacity and reduced maintenance spending.

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

David Anderson
Thank you, Brett. Good morning. 2023 was a record year for Air & Liquid, as sales increased 31% to a record high of $119 million. Even with the record sales, our backlog grew 12% in 2023 as we continue to see growth opportunities. All three businesses achieved at least 20% sales growth compared to prior year. I would like to thank all the Air & Liquid employees for their hard work and dedication to drive the business forward.

Operating income for Air & Liquid declined in the fourth quarter and for the full year due to the non-cash asbestos-related charge in the fourth quarter. Excluding the asbestos impact, operating income in 2023 improved versus prior year due to the higher volume of shipments, offset in part by higher operating costs, including those associated with the sales growth and plant expansions, as well as unfavorable product mix.

The additive manufacturing project we are working on with the U.S. Navy at Oak Ridge National Laboratory continues to make progress towards the goal of using additive technology to make parts for the pumps we provide to the U.S. Navy. This research and design work will allow us to manufacture parts that do not need to go through the traditional foundries that continue to have long lead times and quality issues. While this project is focused on parts for U.S. Navy pumps, the technology will also be applied to other pumps we sell. We expect to begin using additive parts in the second half of 2024.

As I discussed on the last earnings call, Air & Liquid has received a $1.6 million funding grant from the U.S. Navy for the purchase of new manufacturing equipment. The new equipment is expected to arrive at our facility in the second quarter of this year and will be operational in the third quarter of this year. The equipment will increase manufacturing capacity in our Buffalo Pumps facility.

Air & Liquid began our strategic growth plan in 2022. The first year of the plan saw our backlog grow substantially as our expanded sales force made an immediate impact on incoming orders. In 2023, we saw those orders turn into shipments as sales surged by more than 30%. We also increased our manufacturing capacity by adding an additional manufacturing location in Virginia and expanding our production workforce.

Air & Liquid entered 2024 with an even higher backlog than a year ago, along with more production capacity than we have ever had in our history. We have seen much success in the last two years, and it is just the beginning of what we are capable of doing.

Brett McBrayer
Thank you, Dave. At this time, Mike McAuley, our Chief Financial Officer, will now share more detail regarding our financial performance for the quarter. Mike?

Mike McAuley
Thank you, Brett. As indicated in our press release and in the Corporation's Form 10-K filed yesterday, Ampco's net sales for the fourth quarter of 2023 were $108.1 million, an increase of approximately 16% compared to net sales for the fourth quarter of 2022. Full year sales of $422.3 million rose approximately 8%.

The Air & Liquid Processing segment led the growth, increasing their sales by 35% for Q4 and 31% for full year compared to prior year. Forged and Cast Engineered Products segment sales grew nearly 9% for the quarter versus prior year, due mainly to higher mill roll shipment volumes. The segment sales were approximately flat for the full year, as higher forged roll shipment volumes and higher net roll pricing was offset by lower forged and engineered products and cast roll shipments.

The Corporation reported a loss from operations for the fourth quarter of 2023 of $41.6 million, which was heavily impacted by a $40.9 million non-cash charge associated with a revaluation of the asbestos liability and related insurance receivables. This charge reflects the net difference between the change in the undiscounted asbestos liability, including estimated defense costs and the change in undiscounted related insurance receivables, which both increased with the new valuation. The main drivers behind the higher valuations are unfavorable recent trends in claims experience, including higher average settlement values and a higher proportion of mesothelioma claims in the case mix, which typically have higher settlement values.

As disclosed in the non-GAAP Financial Measures reconciliation tables presented in the press release and in our Form 10-K for 2023, non-GAAP adjusted loss from operations was $0.7 million for Q4 2023, as the Forged and Cast Engineered Products segment experienced unfavorable cost absorption from the plant downtime that Sam described during the quarter. The Air & Liquid sales volume growth impact was more than offset by higher operating costs and unfavorable sales margin mix in the quarter.

Full year 2023 adjusted income from operations of $4.2 million improved by $4.5 million over full year 2022. The Forged and Cast Engineered Products segment led this improvement primarily as a result of improved net pricing and better product mix, overcoming lower shipment volumes of Forged Engineered Products and lower manufacturing cost absorption.

Full year selling and administrative expenses were approximately 12% of net sales for 2023 compared to 11.2% for 2022. The increase in selling and administrative expense is primarily due to higher employee-related costs, inclusive of short and long-term incentives, a rise in medical insurance and includes the full year effect of staff added last year to support Air & Liquid's commercial growth. In addition, the prior year benefited from a change in an employee benefit policy, which reduced 2022 selling and administrative expense by $1 million.

Interest expense for the quarter increased compared to prior year due to a rise in both interest rates and in total debt. This reflects interest on the sale and leaseback financing transaction and the equipment financing arrangement completed during the second half of 2022, the latter of which has been funding the equipment modernization project in the U.S. forged business. It also reflects higher average borrowings under the revolving credit facility to support growth in working capital and other cash needs in 2023.

“Other-net” improved for Q4 2023 primarily due to lower foreign exchange losses, partly offset by lower pension income. However, “Other-net” declined for the full year primarily due to fluctuations in foreign exchange and lower pension income, partly offset by unrealized gains in the rabbi trust investments compared to prior year unrealized losses.

The income tax provision for Q4 and full year 2023 includes a $1.3 million income tax benefit related to the asbestos-related charge, as well as a $0.3 million valuation allowance against the net deferred income tax assets of the Corporation's U.K. operations, which entered into a three-year cumulative loss position during the quarter, given the higher energy costs it experienced during that timeframe in the wake of the Russia-Ukraine conflict and the resulting shift in the majority of its production load to another facility.

Net income attributable to non-controlling interest rose for the quarter and full year due to higher operating results for our majority-owned Chinese joint venture. As a result, net loss attributable to Ampco-Pittsburgh for the three and twelve-month ended December 31, 2023 was $41.8 million or $2.12 per share and $39.9 million or $2.04 per share, respectively, which include approximately $2 per share and $2.02 per share, respectively for the after-tax impact of the asbestos-related charge recorded in Q4 2023.

Total backlog at December 31, 2023 of $378.9 million rose approximately 3% from December 31, 2022, with the Air & Liquid segment backlog up by $14.5 million or 12% based on record order intake for the year. The Forged and Cast Engineered Products segment backlog was down by $4.6 million or approximately 2% with lower FEP product demand and lower cast roll orders, partly offset by higher forged rolls backlog and the impact of foreign exchange.

Net cash flows provided by operating activities was a positive $6.6 million for Q4 2023 and was a use of $3.7 million for full year 2023. Investment in trade working capital stabilized in 2023 after a significant increase in 2022 in response to a higher level of business activity and higher costs associated with inflation and the impact of supply chain disruptions.

Asbestos-related settlements funded by the company in 2023 were $10.6 million. We expect asbestos-related payments to approximate $9 million in 2024.

Capital expenditures for the fourth quarter of 2023 were $6.3 million, primarily for the Forged and Cast Engineered Products segment, inclusive of the forged business' modernization capital program. Full-year capex of $20.4 million compared to $16.7 million in 2022.

At December 31, 2023, the Corporation's liquidity position included cash on hand of $7.3 million and undrawn availability on our revolving credit facility of $25.1 million. In addition, the equipment financing facility has remaining capacity of $3.3 million as of December 31, 2023, and is sufficient to finance the remaining expenditures of the modernization program, spending on which is expected to be completed approximately by the end of Q1 2024.

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

QUESTIONS AND ANSWERS

Operator
Thank you. If you'd like to ask a question, please press star than one on your telephone keypad. If your question has already been addressed personally like to withdraw your question, please press star than to once again that started and one of you have a question.

Today's first question comes from Justin Bergner with Gabelli Funds.

Justin Bergner
Good morning, Brett. Good morning, Mike. Good morning, everyone else that’s on the call.

Brett McBrayer
Morning.

Justin Bergner
My first question relates to capex. Given the modernization program coming to an end, what's a reasonable number for capex in 2024 and should we kind of expect a further step down in 2025 when the modernization program is fully complete?

Mike McAuley
Justin, we're going to spend a little bit more just to finish it out in Q1, but outside of that, when we think about the forward look for capex, we think that we're going to be in the $20-type million range for the

foreseeable future. I think if you think about that, we've been saying, and I think it's pretty consistent, that for our business, maintenance level of capex is somewhere in that $15 million to $20 million range. So that kind of is representative of pretty much maintenance capex going forward.

Justin Bergner
Okay, the follow-up there. You did $20 million in the year just completed with a fair amount of modernization. What is going to offset the modernization capex going away on the upside?

Mike McAuley
Jason, I misspoke. I was referring to projected depreciation expense. Excuse me. We're more in the line of $10 million, $11 million over the next couple of years for capex. Sorry about that.

Justin Bergner
Okay, that’s helpful. So, is that the maintenance capex or is that the total capex?

Mike McAuley
That's the total capex and it's also reflective of a step down reflecting primarily maintenance capex.

Justin Bergner
Okay, so there's a few million above that $10 million to $11 million this year with the completion of the modernization program and then a full step down of the level. Okay.

Secondly, the mix in Air & Liquid Processing, what drove the weaker mix in the fourth quarter and is the full year 2023, as a whole, reflective of a normalized mix for that business?

Brett McBrayer
Dave, do you want to take that?

David Anderson
Yeah, I can do that. Primarily in the fourth quarter, Justin, it was related to some older orders going to shipyards. Those orders were taken a couple years ago, and inflation eroded some of the margin there. So, our mix was not so great on that.

Same thing during the year, but I would say, overall, yeah, the year's mix was about correct. Slightly unfavorable due to the issue at pumps that I just described.

Justin Bergner
Gotcha, and then as we look in 2024, does that issue of kind of older backlog dissipate and does that have the potential to allow for some margin expansion in that business?

David Anderson
In 2024, we'll still have some of it, but my expectation is 2024 is the last of it. So yes, then going forward, you'll begin to see that issue will be gone.

Justin Bergner
Okay. I don't know if you guys are able to share, but any idea how much your margins might have been weighed down in Air & Liquid Processing by that old backlog in ’23 or looking into ’24?

David Anderson
I don't have those particular numbers, Justin, but I can look and see.

Justin Bergner
Okay. Thank you. Then lastly, with respect to Forged and Cast Engineered Products, the modernization program coming to an end in terms of the capex, should we expect a meaningful margin step up in that segment in ’24 as things ramp and come ’25 as the ramp is complete?

Sam Lyon
Justin, in the second half of ’24, as we're completing training and the people, it's really employee costs come out and some transportation costs go away between plants. So, the total savings was in the neighborhood of $3 million. So, in the second half of the year, we would expect to start seeing that in 2025 fully. The remaining savings that was quoted earlier was really expansion of business, so that will yet to be seen. So, we have more capacity available to expand our business in the ’25 timeframe.

Justin Bergner
Gotcha and is the $3 million a full year number? Just to make sure I'm on the same page.

Sam Lyon
Yeah, it's actually $2.9 million, I think is what we've been quoting, but yes, that's a full year number.

Justin Bergner
Okay, great. Thank you so much.

Operator
As a reminder, ladies and gentlemen, if you’d like to ask a question, please press star then one.

Our next question comes from David Wright with Henry Reinvestment Trust. Please go ahead.

David Wright
Yeah, hi. Good morning, everyone. Hey, Dave, a follow-up there on Justin's question. What kind of an overall operating margin is this kind of defined in the segment breakdown in the footnotes are you looking at for ’24? Is it kind of in the 11% to 12% range that we saw in the second and third quarter? Like what's the overall target?

David Anderson
I think it'll be similar, David, to what we saw in ’23 as we continue to work through some of the older backlog. Then we'll start seeing that number move up as we get into the more recent years in the backlog.

David Wright
So, move up from 11% to 12%?

David Anderson
Yes, it'll be in that neighborhood in the first part of the year and then we'll start edging our way upward from there.

David Wright
There had been some number of product for the Navy that was delayed because of delays in the whole submarine program. Are these the pumps that you're referring to presently?

David Anderson
These would be delayed more for the surface ships, but, yes, that's what we're talking about is there's been a lot of delays and it's pretty common in any of the work that you see the Navy releasing that they are quite a bit behind on their build schedule.

David Wright
So, this is the stuff that you had finished and now, as you're shipping it, is how it's hitting the P&L.

David Anderson
Correct.

David Wright
And you've got more of that to ship this year, correct?

David Anderson
Yes, sir. That's correct.

David Wright
Okay.

David Anderson
And we expect that will be over this year.

David Wright
Your backlog in your segment was down around $11 million from Q3 to Q4. You booked a lot of good business last year, I know. What's the booking environment been here in the first quarter for your business?

David Anderson
For Buffalo Pumps and for Aerofin, it's been really good, solid bookings. For Buffalo Air, lower just because we have booked so much that we're pretty far out now as far as using our capacity. Even with the expansion that we did last year, we've been able to sell that capacity quickly.

David Wright
Okay, well, that's encouraging.

Sam, help me out. The equipment, I guess, it was all going to be in by the fourth quarter and then it was all going to be in by the first quarter and then you said something here on the call about you won't be getting the full benefit of it until the third quarter. I know that most things take longer than one thinks they're going to, but just help me understand a little better kind of like when— what's happening between now and when the company is going to start getting the full benefit from the equipment.

Sam Lyon
There are really one of two things is going to happen. So we have extra— as we were training people on the new equipment, we were carrying extra people across the business and I'm hesitant to make a change in employment levels pending what we see happening in 2025 kind of business levels, just because of the time it takes to train and get people up to speed and disruption to the business. That's really— so either A) we'll have a pickup in business and the savings will flow through that way or B) we'll have to make an adjustment to staffing and we'll get it that way.

So, that's really what's happening. Everything's in with the exception of one last furnace being qualified. So, all the machine tools are in. They're all running. They're all meeting expectations, but that's the main issue.

David Wright

So, it's basically employee training is getting people up to speed to a level that you're comfortable with is what's determining when the equipment's going to be kind of all fully available and functioning.

Sam Lyon
Correct.

David Wright
Okay. Then one more thing will be my last. Company for mill rolls put in surcharges because of inflation, but it took time for them to get into the system. The company raised mill roll prices last year that were supposed to be good, that were going to help— hit in ’24. So now the surcharges are rolling off. The price increases are rolling in. Is the net effect going to be better or are things going to be the same that they were?

Mike McAuley
We will see. In the first quarter, the price increases are delayed, probably about half just because of backlog, so we're shipping 2023 orders out in 2024 and then the full effect of the price increases, we'll see in Q4. So, about half in Q1, half in Q2.

The surcharge, it is what it is. It's a pass-through or not. So that is covered on— the majority of our shipments are all surcharge protected. So, it's really just the price increase, offset by either the volume being up or down. So, we will see it pass-through or come through this year, David.

David Wright
So, are you still feeling that you're going to get the sequential quarterly improvement that you had been looking for previously, that it's just going to be a little delayed?

Mike McAuley
The answer is yes, except for I did mention we did have an outage in our Sweden facility that affected shipments and absorption that, again, we’ll recover the majority of that in Q2, Q3, but it will impact Q1.

David Wright
Okay. A lot of information in the call today. Thanks very much. Talk to you later.

Brett McBrayer
Thanks, David.

Mike McAuley
Thanks, David.

Operator
Our next question comes from Dennis Scannell with Rutabaga Capital.

Dennis Scannell
Good morning, gentlemen. Sam, I was wondering if you could give a little bit more color about forged engineered products. I understand the service centers were, I guess, looking to reduce their inventory and I guess that frac business kind of evaporated. I'm just kind of wondering, like how much visibility do you have on that business. Kind of what is the outlook? It does look like the sales really do— are pretty darn volatile, both on the upside and the downside. Obviously, recently, we've experienced on the downside. Just, yeah— if you can give a little more color and kind of where you think we are in that business and outlook for, say, ’24 and ’25.

Sam Lyon
Yeah, it is very volatile and we don't have a lot of visibility. It's more transactional business. On the frac side of it, we really are in the— we're selling to Tier 1s but the smaller Tier 1s. So, the Halliburton and Schlumberger, we don't sell to, so we're selling to Kerr and Gardner Denver and people like that. In the short term, we've kind of chosen to not have that business based on working capital requirements.

On the distribution bar, normal open die forge kind of other side of that business, we've been really finding where the market is from a pricing perspective. We have seen a recent uptick in order volumes for that kind of business. That's really a function of finding where the import pricing is and what we have to do to— and whether we want to participate at that particular price.

Dennis Scannell
And did I hear you that the pricing is such that it is at a level that you are looking to participate more in the service centers in the near term?

Sam Lyon
Yes, it's definitely positive from a contribution margin perspective. If we were 100% full, then probably no, but at where we're at, it's positive business for us.

Dennis Scannell
Yeah, okay. I think you said that with rolls being up and— forged rolls being up and cast rolls down, I guess, particularly in Europe, thinking overall flattish sales. So, we should be seeing margin improvement, though, in 2024 with— and I'm thinking particularly in the second half, with the investments we've made. Is that a fair kind of assumption?

Sam Lyon
Yeah, it's fair. The only offset would be the revenues flat but volumes down. So, we have an offset in activity in the second half with higher margins on what's going out the door, but yes, we'll see better margins in the second half.

Dennis Scannell
Okay, yep. Then, Dave, obviously, Air & Liquid Products has been just a really nice success story here, but following up on the previous questioner's comments, the fourth quarter orders did look really light relative to where we've been. Was that all Buffalo Air or was there other things going on? It doesn't look like there's a whole lot of seasonality in the business because last year's fourth quarter, I'm talking fourth quarter of 2022, was pretty strong. So just any more color on the lightness in orders in the fourth quarter of ’23.

David Anderson
Yeah, I can do that. The Buffalo Air, certainly, as I talked about, was one of the impacts. The other one, Buffalo Pumps, was light in the fourth quarter, which happens sometimes when you're dealing with government contracts. Sometimes they want to get them placed or don't. While that was slower in the fourth quarter, we saw it pick right back up in January and February. So, I think that for pumps, it was just a timing issue. For Buffalo Air, it's an issue of a bit of a product of our success in bookings that we have simply sold out a lot of our capacity.

Dennis Scannell
Yeah. Okay, great. Then, just for clarity, the grant from the US Navy for manufacturing equipment, is that for additive manufacturing or is it for a different process?

David Anderson

It's for a different process. These are CNC machines. This is separate from the funding they provided for the additive work we're doing with them.

Dennis Scannell
Got it. Okay, great. Thank you. Then, just, Mike, thinking about cash flow for 2024, it was very helpful, that first questioner, on kind of separating out the maintenance cap spending because that $15 million to $20 million was a lot higher than I had been penciling in.

Mike McAuley
Yeah, sorry about that.

Dennis Scannell
No worries, no worries. It's a sharp in-draw of breath, but I feel better now. But for 2024, it's going to be higher than that $10 million to $11 million. I'm guessing we have $4 million left in the forged businesses capital program. So, would we expect it closer to $15 million or $16 million or am I being too pessimistic there?

Mike McAuley
Well, first of all, we're probably going to spend about $18.5 million on the Forged and Cast modernization program, not the full $20 million. That's one piece.

Dennis Scannell
Okay.

Mike McAuley
That's how much we're going to use on the equipment financing facility. So that's one piece. And it's funded. So, yeah, we'll have capex. Our original business plan was something in the range of $10 million, $11 million. It might creep a little higher than that, Dennis, but it's not going to be much higher than that and it's definitely a big step down from 2023, where we had a lot of the spending going on for the major program.

Dennis Scannell
Absolutely. No, that's great. And working capital, would you think that would be a source of cash in '24, particularly kind of no growth on the roll business?

Mike McAuley
Yes, that's kind of the thought process for the construction of our 2024 outlook, is that we're expecting that working capital doesn't at least provide additional pressure in terms of cash flow from operating [audio gap],

Dennis Scannell
Great. Then just one last thing. And I know on the asbestos issue, and I know these calculations are very complicated, but just looking at your reported results, when you talk about the cost per case settled, it's actually gone down. It was like $22,000 in 2020 and 2021. In 2023, it was under $19,000. Just kind of curious, so the— but the actuaries or whomever are doing these calculations are saying, no, we're expecting that to go higher going forward.

Mike McAuley
Yeah, usually— that's a very good question, Dennis. But usually, we don't do revaluations every year. We do them every couple, several years because you hate to jump and do a whole revaluation and then suddenly things change in variables. And some of the most sensitive— the most sensitive variables in

the entire valuation are average settlement values and the claim mix. Those are the two things that have caused the increase here.

If you think about when we did the last valuation a few years ago, we were looking at a rolling average that pulled in multiple years prior to the current data. Those values were more in the range of 14, 15-ish kind of numbers. Now that they've stepped up, that's kind of the rationale.

Dennis Scannell
Yep, got it. Okay. I think I understand. Great. That’s all for me. Good luck for a strong 2024. Thank you.

Mike McAuley
Thanks, Dennis.

CONCLUSION

Operator
Thank you. This concludes our question and answer session. I'd like to turn the conference back over to Brett McBrayer for any closing remarks.

Brett McBrayer
I continue to be encouraged by our strengthening operational performance. As we work to mitigate the headwinds in our European cast roll business, we are very optimistic with the opportunities we see for a stronger financial performance moving forward.

I want to thank our employees for their tremendous hard work and dedication to the business. They've done an outstanding job and continue to do so. I also want to thank our shareholders.

Thank you for joining our call this morning.

Operator
Thank you. This concludes today's conference call. We thank you all for attending today's presentation. You may now disconnect your lines and have a wonderful day.