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HSC - Q4 2016 Harsco Corp Earnings Call

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PRESENTATION

Operator

Good morning. My name is Matthew and I will be your conference facilitator. At this time I would like to welcome everyone to the Harsco Corporation fourth quarter release conference call.

(Operator Instructions)

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Dave Martin *- Harsco Corporation - Director of IR*

Thank you, Matthew, and welcome to everyone joining us this morning. I'm Dave Martin, Director of IR for Harsco. With me today is Nick Grasberger, our President and Chief Executive Officer, as well as Pete Minan, our Senior Vice President and Chief Financial Officer.

This morning we will discuss our results for the fourth quarter of 2016 and our outlook for 2017. We will then take your questions. Before our presentation, however, let me take care of a few items.

First, our Q4 earnings release was issued this morning. A PDF of the release as well as the slide presentation for the call have been posted to the IR section of our website.

Secondly, this call is being recorded and webcast. A replay will be available on our website later today.

Next, we will make statements today that are considered forward-looking within the meaning of the federal securities laws. These statements are based on our current knowledge and expectations and are subject to certain risks and uncertainties that may cause actual results to differ materially from these forward-looking statements. For a discussion of such risks and uncertainties, see the risk factors section in our most recent 10-K as well as in our 10-Q for the period ending September 30, 2016.

The Company undertakes no obligation to revise or update any forward-looking statements. Lastly, on this call we will refer to adjusted financial results that are considered non-GAAP for SEC reporting purposes. A reconciliation to US GAAP results is included in our earnings release as well as the slide presentation today.

With that being said, I'll now turn the call over to Nick to begin his comments.

Nick Grasberger - *Harsco Corporation - President & CEO*

Good morning, everyone, and thanks for joining us. I will start with a brief summary of 2016 and then share my perspective on this year.

Put simply, 2016 was a very critical year for our Company. We realized the benefits of our efforts over the past few years in Metals and Minerals, generated cash flow well beyond our targets and produced the healthiest balance sheet at Harsco in many years.

Our key margins, including operating EBITDA and EBITDA minus CapEx margins, also expanded to their highest levels this decade. All of this occurred despite each of our major end-markets reaching the bottom of its respective economic cycle at some point during the year. In addition, we reduced corporate overhead costs at a double-digit rate for the third consecutive year and appointed talented and energetic new leaders in both M&M and in our rail business.

So with the solid foundation in place, I'm very confident entering 2017 that we can turn our attention to growing our businesses as end-markets recover and we capitalize on many new opportunities within our reach.

Our outlook for this reflects those dynamics. We expect profit growth in four of our five businesses on a constant currency basis and our cash flow projections assume funding several growth projects.

In Metals and Minerals we plan to sign more new contracts than we have been in the recent past and renew the vast majority of expiring contracts. The earnings from the new contracts will increase throughout the year as contracts are commissioned with the full year benefits realized in 2018.

While we anticipate modest volume growth at our existing sites, of greater importance is the improved financial condition of our customers as steel industry fundamentals have strengthened considerably over the past year. Our ongoing focus on operational efficiency and technology leadership will also contribute in a meaningful way to the performance of M&M this year. Perhaps above all, we fully expect to maintain and hopefully improve upon our profit margins of last year which were 300 to 400 basis points higher than in recent years.

Turning to Harsco Rail, we expect to recover from the most challenging year in some time as the North American markets begin to improve later this year and the business benefits from the leadership of its new president, Jeswant Gill. Our focus will continue to be improving the balance of the short cycle aftermarket business with a longer cycle and more volatile equipment business. Further expansion outside of North America and an aggressive push to boost operational efficiency are also priorities for Harsco Rail this year.

In terms of our contract with the Swiss National Railway, we continue to receive positive feedback on the quality of these complex and innovative vehicles and are confident the relationship will become profitable over time through the sale of additional equipment and replacement parts.

We also expect our Industrial segment to bounce back this year due primarily to higher upstream capital spending in the energy sector. At this time last year oil prices and the rig count were falling rapidly. Fortunately, those trends reversed several months ago and the backlog of our heat exchanger business is beginning to build again after reaching the lowest level in many years.

The investments we have made in operational efficiency, capacity and engineering capability will enable HSC to demonstrate significant operating leverage as shipments ramp up later in the year. We are projecting double digit revenue and profit growth at Patterson-Kelley as well. Improved fundamentals in the non-res construction market and new products will drive the growth. And customers increasingly see PK as an innovator for product efficiency and ease-of-use.

The most challenging business for Harsco this year will be our commercial grating business, IKG, where we do not expect customer funding for large projects to be released until much later in the year. We are also tracking several meaningful opportunities for a high security fencing product that we expect to break through this year following its introduction last year and the receipt of numerous awards.

When the leadership team at Harsco took shape a few years ago, we chose to focus on generating attractive returns on capital.

To be successful we identified the need to reinforce our foundation with upgrading our talents, improving core processes and changing the culture to reflect our values. From an operational perspective, we needed to fix the underperforming Metals and Minerals business, grow the higher return Rail and Industrial businesses and build a lean, active corporate center. While the markets have not supported growth in Rail and Industrial, the other objectives have been achieved. Our return on capital figure, which has languished in the mid-single digits for many, many years, should rise to 8% to 9% this year with the important 10% threshold within our sites.

So now that markets have stabilized and begun to improve and our balance sheet is healthy, we now turn our attention to growth, mindful of the overarching goal to generate double digit returns on capital investments. All the work we have done the past few years has prepared us for this next chapter. So I would like to thank the Harsco employees for supporting these objectives and executing at a high-level these past few years. We certainly all look forward to growing Harsco again and generating strong returns for our shareholders.

I will now turn the call over to Pete.

Pete Minan - *Harsco Corporation - SVP & CFO*

Thanks, Nick, and good morning, everyone. Let me start with slide 4. Reported operating income in the fourth quarter was $24 million and our adjusted operating income totaled $28 million which was within our guidance range of $20 million $29 million. Metals and Minerals had another strong quarter relative to our internal forecast. There was not one specific driver of M&M's performance in the quarter, although the leading contributors to our better results were increased steel output and service levels as well as better operating performance in Europe and North America. We also benefited from healthier demand for nickel related metallics in North American and China.

Also, consistent with recent quarters our corporate costs were lower than anticipated due to our ongoing control of staffing and other spending.

Compared to the 2015 quarter, our adjusted operating income increased 9%. Metals and minerals again realized a sizable increase in adjusted earnings and the segment's operating margin improved more than 300 basis points versus the prior-year quarter to 7.9%.

The fourth quarter is traditionally a seasonally weak quarter for M&M, although this year was the first time in a while that we experienced some year-over-year tailwind, albeit modest, from the external market. This was in the form of higher liquid steel tonnage, or LST, and commodity prices. Also, a large portion of the year-over-year increase in M&M is attributable to our internal improvements.

Also, compared with the prior year, Corporate spending was lower and these positive factors were only partially offset by lower earnings in Industrial as a result of the cycle-related weakness in that segment.

Regarding the Rail segment, its operating income was comparable to Q4 2015 and I'd highlight that this year Rail had its strongest revenue and earnings quarter for the year in the fourth quarter.

Total revenues for Harsco on the quarter declined to $360 million which represented a decrease of 7% year-over-year.

Foreign exchange rates and lower demand in the Industrial segment accounted for the majority of this change.

Harsco's reported diluted loss per share was $0.19 in Q4 which included an additional $5 million forward loss provision on our SBB contracts as well as debt retirement costs and refinancing charges. Excluding the unusual items, earnings per share would've been $0.16 in Q4. And this figure was above our guidance and was helped by a lower-than-anticipated tax rate in the fourth quarter.

These per share results compared to a GAAP loss of $0.08 and an adjusted earnings per share of $0.11 in the prior year.

Free cash flow in the fourth quarter was again very strong. It totaled $38 million compared with $6 million in the prior-year quarter and free cash flow reached $100 million for the full year. This total surpassed our guidance, which we had raised in November, mainly due to working capital benefits and lower capital spending in Metals. Compared to the prior-year quarter, both M&M and Rail contributed to the free cash flow improvements.

Let me turn to slide 5. For the full-year, reported operating income for Harsco was $63 million and adjusted operating income was $116 million. This adjusted figure compares with adjusted operating income of $135 million in 2015. As was the case in the fourth quarter, our M&M segment and Corporate costs were the highlights of 2016. Our Corporate cost declined roughly 40% in the year as a result of a reduction in professional fees, support functions and other general costs as well as lower net pension costs.

And despite exiting some underperforming yet profitable sites, as well as lower steel output and commodity prices, Metals and Minerals realized a 38% increase in adjusted operating income. And the segment's adjusted operating margin was approximately 9% compared with less than 6% in 2015.

We are certainly pleased with the performance of our Metals team and their success in addressing legacy issues and underperforming sites as well as in taking significant actions to reduce costs, strength operating performance and improve free cash flow.

Also the competitiveness in market position of M&M is greatly improved and we continue to strengthen our customer relationships.

In 2016 we made our first new site growth investment in some time in the segment. Also in this regard, we are pleased to have been awarded 23 renewal and growth contracts since the beginning of 2016 with an estimated total revenue value of roughly $500 million over the term of these arrangements. This revenue total includes a relatively equal mix of renewals and new contracts. And these new contracts consistent of add-on work at existing sites such as Evraz Pueblo and new sites such as Sadat City in Egypt and Tangshan Stainless in China, which we recently announced.

Moving on, the positive trends in Corporate costs and in Metals were offset by cycle pressures in Industrial and Rail business units. As a result, we took aggressive action in each of these businesses to reduce overhead and labor costs. There were some bright spots within these segments during 2016 which included spare parts and safety technology in Rail and product introductions in Industrial. These items helped support margins but, nevertheless, Rail and Industrial experienced a decrease in profitability during the year.

Our reported loss per share was $1.07 in 2016 and our adjusted earnings per share declined $0.08 to $0.48 per share as a result of the change in adjusted operating income. And lastly, as I mentioned earlier, free cash flow increased to $100 million for the year. Free cash flow was the highest it's been since 2010. Metals and Corporate contributed to the year-over-year increase and specific drivers included working capital improvements and reduced capital spending as well as lower severance payments and professional fees.

We move to slide 6. In the fourth quarter Metals and Minerals generated adjusted operating income of $19 million which compares to adjusted operating income of $12 million in the prior year. During the quarter, workforce and operating cost reductions, higher steel production and service levels and higher nickel demand led to the year-over-year improvement in adjusted operating earnings. The year-on-year impact of net site exits was nominal for the quarter, as expected.

Customer LST increased 3% year-over-year in absolute terms and increased 7% year-over-year on a continuing site basis. Also, nickel prices rose nearly 15% compared with the 2015 fourth quarter. It's important to note, however, that for the full-year same-store LST and average nickel price were down 2% and 20% respectively in the prior year. Lastly, in Metals free cash flow for the year rose to over $150 million.

Cash performance in Metals has been a major focus, as you know, and its free cash flow in 2016 benefited from increased attention to working capital and the introduction of certain processes and procedures. While free cash flow may decline some in the near future, these improvements support sustainable benefits and we're optimistic about the free cash flow potential in metals and minerals.

Slide 7 -- the operating income bridge presented here for Industrial is very similar to the one provided with our third quarter results.

Compared with the prior-year quarter, revenues and operating income in Industrial decreased mainly as a result of lower demand for heat exchangers and industrial grating. Also, product sales mix was less favorable compared with the fourth quarter of 2015.

Operating income was $3 million in the fourth quarter compared with operating income of $12 million in the fourth quarter of 2015 and the operating margin declined to 5.5%.

The performance in the quarter was in line with our implied guidance and, as we have noted in the past, the fourth quarter is traditionally a weak seasonal quarter for Industrial.

Overall, these results reflect a low energy market capital spending levels in the United States that were pervasive throughout 2016. While fourth quarter bookings at Air-X-Changers did decrease modestly compared with the third quarter, bookings remained above the run rate from the first half of the year which we believe indicate that this market likely touched bottom midway through 2016.

Also, for Air-X-Changers the fourth quarter was its best quarter of the year financially and customer orders for Air-X-Changers in early 2017 have been encouraging. Meanwhile our grating business continues to be pressured by a decline in new oil and gas capital projects and it realized lower fencing revenues compared with the early quarters of 2016. Also, the fourth quarter is a traditionally week seasonal period for IKG. Recent positive trends in the energy market will ultimately benefit IKG as well but IKG is a later cycle and more downstream exposed business.

And accordingly, our overall visibility remains limited. So we believe that current, stubbornly low levels of demand for industrial grating will persist for at least a couple more quarters.

Slide 8 -- adjusted operating income in Rail was $10 million in the fourth quarter which is essentially unchanged from the 2015 quarter. Revenue and segment margin were also little changed as a result of the small puts and takes among our product categories.

And, again, I'd like to highlight that for Rail the fourth quarter of 2016 was its best revenue and income quarter of the year, mainly due to higher equipment sales. Equipment volumes can be volatile, as you know, and while we are encouraged by indicators pointing to some stability in the North American rail market, this business continues to be pressured by sluggish demand for maintenance of way equipment from its domestic customers.

Regarding free cash flow, Rail did, again, generate positive free cash flow in the fourth quarter as expected and the full year change in free cash flow reflects that lower cash earnings were partially offset by cash from working capital.

On the first of our SBB contracts, we continue to make very good progress in our production schedule for this equipment. We completed a few additional base units in the fourth quarter under the first contract and these units are now going through missioning with the customer. Testing and commissioning by our customers has gone well. With that said, we did record an adjustment to our forward loss provision on our contracts. The $5 million adjustment in the fourth quarter, which pertains primarily to the second of our two contracts, related to the refinement of several estimates as we reached agreement with the customer on various conceptual design specifics.

The total full-year forward loss provision for these contracts of $45 million relates to the entire contract life which will continue through early 2021.

Lastly, in 2017 we expect to recognize approximately $50 million of SBB-related revenue. And as we have discussed previously, there will be no operating income impact from this revenue.

Let me turn to our 2017 outlook on slide 9. I will comment in each of the segments within the next slide but let me highlight a few items here.

First, we are expecting operating income of $100 million to $120 million and earnings per share between $0.32 and $0.50 per share.

These figures assume that our operating income during the year will be negatively impacted by at least $5 million of currency translation headwinds.

Secondly, we are forecasting free cash flow of $60 million to $80 million compared with $100 million in 2016. This change in free cash flow can largely be attributed to higher anticipated capital spending.

Our capital expenditures are expected to be between $80 million and $90 million for the year, and this range anticipates that we will spend $10 million to $15 million on growth investments. This year also includes some additional maintenance capital expenditures beyond what was spent in 2016. In total, our annual maintenance capital expenditures continue to be sustainably lower than in years past due in part to our asset utilization and preventative maintenance practices implemented over the past two years.

We expect to use our excess cash flow in 2017 to further reduce our net leverage which stood at less than $590 million at the end of 2016.

Slide 10 provides high-level outlook details for each of our segments.

Starting with Metals and Minerals, we expect operating income to be mostly unchanged at the midpoint of our guidance range. Customer steel output is expected to increase low single digits on a same-store basis and we assume that the benchmark nickel price will average approximately $4.75 per pound for the year.

Regarding the outlook for steel production, the rate of improvement anticipates -- anticipated varies across our portfolio. And while fundamentals within the industry are greatly improved and some observers point to higher potential growth rates in certain regions, we expect only modest growth in 2017. We certainly hope that steel consumption accelerates and, given that our customer sites operated at only 74% of capacity in 2016, we'd expect our Metals business to benefit financially if steel demand further strengthens.

In Metals we also expect operating income to benefit from the new sites that we recently announced in China and the Middle East and we are also targeting gross cost savings of approximately $5 million for the year. Our services mix is expected to be slightly less favorable in 2017 compared to 2016 but, overall, the underlying performance of our mill services business should continue to improve this year. Now these positives will be offset by foreign exchange and lower nickel and applied products volumes which totaled approximately $10 million.

Regarding nickel, we benefited in 2016 from a backlog of slag processing at our US and European operations linked to stainless steel which we don't expect to repeat in 2017. And regarding applied products, the roofing business within Reed Mineral benefited last year from some weather-linked demand that, again, we don't anticipate repeating this year.

For Industrial we're pointing to earnings that slightly increase on a modest increase in revenues.

We expect revenues to grow high single to low double digits for Air-X-Changers and Patterson-Kelly and this growth will be partially offset by trends in industrial grating.

As we have mentioned, given the nature of our Air-X-Changers business, we won't see the effect of an improving energy market until the second half of 2017. And as a result, segment margins for the full year should be comparable to 2016.

In our Rail segment, revenues are projected to increase single digits excluding the SBB related sales.

This growth can be attributed to aftermarket parts, intelligent solution sales and international equipment sales. Equipment sales within North America are expected to decline modestly during the year. Also, as a result adjusted operating margins should be comparable with the 2016 results, excluding the SBB impacts.

Lastly, we expect Corporate costs to increase roughly $4 million to $5 million in 2017.

Our controllable Corporate spending is to be largely unchanged versus 2016 while the increase is mainly attributable to pension costs and professional services.

Now to slide 11. Regarding our first quarter outlook, we expect operating income to be between $15 million and $20 million as compared to adjusted operating income of $18 million in the first quarter of 2016.

Operating income in Metals is expected to increase over the prior year as a result of cost improvements as well as higher steel output and nickel prices.

Industrial operating income is forecasted to decline on lower demand for industrial grating and less favorable mix.

Similarly, Rail income is forecasted to decrease as a result of lower equipment sales and product sales mix.

And lastly, looking forward to the balance of the year we expect earnings and also cash flow to strengthen later in the year. This cash flow dynamic occurred in 2016 and, as the year progresses, we anticipate better demand in Industrial and Rail as well as lower corporate spending.

So that concludes our prepared remarks and at this point we'd be happy to take your questions.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Jeff Hammond.

James Picariello - *KeyBanc Capital Markets - Analyst*

This is James Picariello. How are you? Just a quick question -- beginning with Metals, what are your LST industry volume assumptions for 2017? And then you also called out some one-time benefits in 2016 related to the applied products and roofing business and also backlog dynamic within stainless steel. Can you maybe quantify those two businesses just so we could get a better sense for what the year-over-year assumptions are for nickel and scrap prices? Thanks.

Pete Minan - *Harsco Corporation - SVP & CFO*

So our expectation with respect to LST in 2017 are kind of low to mid single digit increases on a same-store basis year-on-year. And nickel price you see -- as I mentioned earlier, we have got that assumed at roughly $4.75 a pound on average, which is about where it is now. With respect to the roofing increases in the second quarter last year and some of the volume related impacts that we had that were non-LST related, we had roughly about a $10 million impact of those two matters together which is a combination of non-LST related increases in volume last year, the roofing business as well as some other applied products related.

James Picariello - *KeyBanc Capital Markets - Analyst*

Is that sales or EBIT?

Pete Minan - *Harsco Corporation - SVP & CFO*

It's operating income.

James Picariello - *KeyBanc Capital Markets - Analyst*

Okay. For the nickel pricing, the $4.75 average -- what does that compare -- what was the average for 2016? Just to make sure that we're on the same page for that.

Dave Martin - *Harsco Corporation - Director of IR*

James, that averages is up about $0.50 or $0.60 versus 2016.

James Picariello - *KeyBanc Capital Markets - Analyst*

Got it. Okay. And then on to the IKG business, it seems like that's going to be a headwind for Industrial. Beyond just the businesses lack of visibility, is there anything going on from a competitive standpoint whether its pricing or something else that's affecting that business?

Nick Grasberger - *Harsco Corporation - President & CEO*

The industry is changing. There are some new players that have come in and some that have exited. And so there are many changes underway that we're still the leader in the industry. And the dynamics were challenging last year and we're expecting them to be again this year.

James Picariello - *KeyBanc Capital Markets - Analyst*

Okay. That's fair. And then in terms of maybe two businesses that you would be submitting bids for certain projects beginning with the IKG fencing, is there any timeframe as to when a new project might be announced? Are you expecting anything -- at least an announcement, not necessarily an award this year? And then also for Rail, there was some international projects that you were talking about last year -- just a follow-up on that would be helpful as well. Thanks.

Nick Grasberger - *Harsco Corporation - President & CEO*

Yes. So with regard to fencing, James, we certainly do expect to win some awards this year. That's assumed in our plan and in the guidance that we shared with you. Last year was the initial year of that product and there's an awful lot of activity underway, tracking opportunities and we are optimistic that we will receive a handful of awards this year. You may recall last year we won a sizable award in Mexico for the Mexico City airport.

So we certainly expect to do more in 2017 than we did in 2016. In terms of Rail international tenders, there is still a few that are options for us. A few have also been withdrawn by the potential customer. We clearly are, at this point, more focused on international opportunities outside of the long range multi-year tenders. And so we have announced and will likely announce further this year some international awards that would be of a different nature than the SBB contract.

James Picariello - *KeyBanc Capital Markets - Analyst*

Thanks, guys.

Operator

Rob Brown.

Rob Brown - - *Analyst*

Good morning. On your M&M business, you talked about a number of contracts you're sort of looking at. Could you outline how you look at adding growth in that business and the return profile that you are thinking about?

Nick Grasberger - *Harsco Corporation - President & CEO*

Yes, yes. Many of the growth opportunities that we are seeing are in developing markets -- predominantly India, China, the Middle East, Turkey where the rate of penetration of mill services into those markets is quite low. And we are really the only global provider of services in those markets. So we think we're in a quite strong competitive position there. One of the major changes that we have made in M&M is the process by which we allocate capital and all the rigor that's applied to those decisions.

So we are very confident that the outcomes will be much closer in the future to the original expectations. That, of course, is one of the problems we have had over recent years where we had 66 contracts that were performing below our target threshold. That figure is now in the single digits. So 66 down to seven or eight. But the return, of course, varies based upon the dynamics or the risk profile of the market. So they tend to be anywhere from kind of 10% to 20% would be the return thresholds for those contracts.

Rob Brown - - *Analyst*

Okay. Great. That's good overview. And then sort of on visibility throughout the year, I think you mentioned a back half weighted growth I guess. How would you characterize visibility in your growth markets or visibility in growth for the year? Is it now still developing? Do you feel very confident about it? Maybe give us a sense of how the visibility is at this point.

Nick Grasberger - *Harsco Corporation - President & CEO*

Well in M&M I think it's reasonably good. If steel prices remain stable and demand remains stable, as Pete mentioned earlier, we are expecting some modest uptick in demand which will help the business. But I think we are more confident in the outlook for M&M than we are in Industrial and Rail because we entered this year with rather low backlog.

So even though all of the commentary from customers in the broader market around energy and rail is quite supportive, we really haven't seen a lot of evidence of that in terms of order rates. We have had a good start to the year in terms of orders in those businesses. But for that reason, and given the relatively long cycle above the rail and the energy businesses, we really don't expect to see any meaningful pickup until the second half of the year.

Rob Brown - - *Analyst*

Okay. Great. Thank you. I will turn it over.

Operator

[Bhupender Bohra].

Bhupender Bohra - - *Analyst*

On M&M you did talk about some growth investments in 2017. Could you give us some color on where those investments are going to be? And can you talk about the Minerals portion of the business, what the strategy is for 2017 over the near term or over the next few years? That's a little bit less capital intensive business than was thinking. What are you guys thinking about how to grow that business?

Nick Grasberger - *Harsco Corporation - President & CEO*

So the first question -- the growth opportunities in M&M that we've referred to are mostly in India and China and the Middle East that we have visibility to today. There are, of course, many others that we are tracking but we're more confident in the outcome of those. So when I mentioned in my remarks that we expect to sign more new contracts this year than we have in some time, we feel pretty confident in that statement. With respect to applied products, last year was an exceptional year -- exceptionally good year for applied products for the reasons that Pete mentioned.

I think if you look at those one-time benefits and put them to the side, we certainly expect ongoing growth in applied products. And we have stepped up our investment. We now have regional product managers and sales managers in each of our major geographies. We are now coordinating the planning and the growth of applied products on a central level now.

So there's a lot of focus being applied to those products and we certainly expect a good bit of growth in the future. And as you mentioned, not only is it a capital light business, but it also provides significant environmental benefits to our customers. And we feel that we are in a somewhat unique position to expand that business and address those environmental issues that our customers have.

Bhupender Bohra - - *Analyst*

Okay. Got it. And you spoke about the fencing awards which you expect sometime this year. Did you say that some of that category in the guidance here for 2017?

Nick Grasberger - *Harsco Corporation - President & CEO*

Yes. We have some incremental security fencing revenue and profit assumed in our guidance.

Pete Minan - *Harsco Corporation - SVP & CFO*

You also recall, Bhupender, that we had some significant amount of revenue last year for fencing as well -- primarily from one large contract. So it's going to be a modest increase in our plan.

Bhupender Bohra - - *Analyst*

Okay. So the same customer or are we talking about a new award which you have included in the guidance this year?

Nick Grasberger - *Harsco Corporation - President & CEO*

Different customers.

Pete Minan - *Harsco Corporation - SVP & CFO*

Yes. Different customers.

Bhupender Bohra - - *Analyst*

Are you able to size that? Like how big is that?

Nick Grasberger - *Harsco Corporation - President & CEO*

I'd rather not. It's a large pipeline and -- but the range is, I would say, quite large.

Bhupender Bohra - - *Analyst*

Okay. That's good. That's fine. Lastly, on your thinking behind the strategic options which you had announced about more than a year -- and I am thinking about how M&M is split and how you're thinking about that all three businesses under the same umbrella or you still are onboard for splitting M&M going forward and looking for a buyout then? Thanks.

Nick Grasberger - *Harsco Corporation - President & CEO*

Well our judgment on our portfolio, both the management team and of course the Board, really has not changed in terms of how to address it. So nothing has changed with respect to our view on the portfolio. But as was the case throughout last year, we still don't believe the markets in rail and energy are yet sufficiently supportive to execute a transaction that would really yield the best outcome for shareholders.

So it's something that we continue to monitor. We still very much belief in. But the timing simply hasn't been appropriate.

Bhupender Bohra - - *Analyst*

That's all I have. Thank you.

Operator

(Operator Instructions)

There are no further questions at this time. I will turn the call back over to you.

Dave Martin - *Harsco Corporation - Director of IR*

Thank you, Matthew. And to those that participated on the call today, we certainly appreciate your interest in Harsco. A replay of this call will be available later today through March 10. And the replay details are included in our earnings release. Lastly, if you have any follow-up questions, please contact me. My contact details are at the top of the earnings release this morning. Again, thanks for joining and have a great day.

Operator

This concludes today's conference call. You may now disconnect.