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PRESENTATION

Operator

Good morning. My name is Bonita, 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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I would now like to introduce Mr. David Martin. You may begin your call.

Dave Martin - *Harsco Corporation - Director of IR*

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

This morning, we will discuss our results for the fourth quarter of 2014 and our outlook for this year, as well as provide you an update on Project Orion. And then we will take your questions.

Before our formal presentation, however, let me take care of a few administrative items. First, our earnings release was issued this morning. A PDF file of the news release, as well as the slide presentation that supplements our remarks for this 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 security 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, please see the risk factors section in our most recent 10-K and 10-Q, as well as in certain of our other SEC filings. The Company undertakes no obligation to revise or update any forward-looking statement.

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 is included in our press release issued this morning, as well as our slide presentation. Now, I'll turn the call over to Nick to begin our prepared results.

Nick Grasberger - *Harsco Corporation - President & CEO*

Thank you, Dave, and good morning, everyone. I'll begin with an assessment of 2014, discuss our priorities and outlook for 2015, and then turn the call over to Pete to provide additional color. I will then provide a more in-depth perspective on Project Orion and our M&M division, after which, we'll be happy to take your questions.

So I'll start on slide 2. 2014 was a year of tremendous change at Harsco. Put simply, it was a year we focused on rebuilding our foundation to consistently deliver attractive returns moving forward. We discussed our objectives at the beginning of last year, and we executed against them throughout the year according to our plan.

So what did we accomplish? The cornerstone of our rebuilt foundation is our talented and dedicated new Leadership Team. As many of you know, Harsco has had considerable changes in our Senior Management over the past several years. With the experienced Team now firmly in place, we look forward to and expect much greater stability in the future.

Second, we launched a broad program in M&M to reduce costs, improve core processes, and address underperforming contracts. At the same time, we changed the organizational structure and brought in new leadership. The M&M Team has made significant progress toward their goals, so much so that Project Orion will soon cease to be a project and simply the new way of operating the business.

Third, our Rail segment has fundamentally changed its scope through international expansion and by penetrating the aftermarket parts segment. In the past, our activity in these markets was opportunistic and uneven. Now we have committed significant resources to these markets, our brand is strong, and our pipeline of opportunities is robust.

In both Rail and Industrial, we also began to execute on our strategy of growing these businesses through M&A. We made a small acquisition in our Air-X-Changer business early in the year, and very nearly made a sizable acquisition in the fourth quarter before we pulled back due to the weakness in the energy markets. Going forward, and as macro trends improve, we will continue to assess M&A opportunities in these businesses.

2014 was also the first full year of the Brand Energy joint venture formed late in 2013 from the sale of our infrastructure business. There is no question, the value of our minority stake increased last year, even though restructuring costs and FX translation needed the equity income we recorded. The two most important levers of value, EBITDA and cash flow, increased and were consistent with the acquisition plan.

Finally, but actually foremost, our recordable injury rate declined 20% to a record low level, and we are actively working with major customers to expand our relationships to EH&S matters.

As we anticipated at the beginning of 2014, this was also a transition year in financial terms. As expected, we recognized sizable charges as part of Project Orion, mostly severance and impairment costs related to underperforming contracts. We expect such charges to diminish dramatically in 2015 and beyond. Excluding these costs, earnings largely moved sideways in 2014, although importantly, cash flow and ROIC improved. Pete will provide more details in a minute.

I am now on slide 3. Turning to 2015, we fully expect to see the beginnings of the financial benefits derived from our actions last year. We anticipate notable improvements in cash flow and ROIC and double-digit growth in EPS.

But we are certainly not immune to the macro factors affecting other companies that serve the same end markets and geographies. Over the past several months, the decline in energy and other commodity prices, together with the stronger US dollar, have reduced our projections for 2015 operating income by $20 million, and earnings per share by $0.35. Nevertheless, our priorities this year remain solid and largely unchanged, and we look forward to even better execution now that the new Leadership Team is complete.

Cost reduction will continue to be a primary focus within M&M, but we believe the greater benefits will be from having smarter and more disciplined allocation of capital and the consistent application of our new operating standards and processes. So while we expect margin growth of about 150 basis points in 2015, we expect an equal or even greater margin lift in 2016, due to the ongoing improvement in contract mix and operational efficiency. And with Project Orion well in hand, we're able to turn our attention to the long-term strategy of the business.

As noted earlier, our Rail business is gaining significant momentum, and we see further opportunities to invest in building this business beyond its traditional scope throughout 2015. We will begin to ship units in the fourth quarter under the first of two $100 million-plus multi-year contracts with the Swiss National Railway. We will also be bidding on a few other large multi-year contracts in Europe that should be awarded this year. Finally, we have developed a dedicated Business Development Team in our Rail Group that is pursuing investment opportunities in related businesses.

Due to its exposure to the US energy markets, the Industrial segment will be challenged this year to maintain the level of profitability earned in 2014. The two largest businesses in this segment, Air-X-Changers and IKG, are the most exposed to both, and are taking meaningful cost reduction actions. Nonetheless, the long-term outlook for the Industrial segment remains bright given its strong market positions and the investments we have made in new products and more efficient manufacturing operations.

Turning lastly to Brand, their business will also continue to be affected by the strong dollar and weak energy prices. After growing 5% to 10% last year, Brand's EBITDA could decline 5% to 10% this year due to these factors. Nonetheless, cash flow in Brand remains strong, and we fully expect the business to achieve the equity value assumed when the deal was completed 15 months ago.

Before I turn the call over to Pete, just a few words about capital allocation. As indicated many times, our plan is to make a material reduction in capital allocated to M&M this year, while boosting spending in Rail and Industrial. Any M&A activity will also be aimed at providing further balance to our portfolio. But overall, we remain as committed as ever to the dividend paid to Harsco shareholders, and we're pleased with the outlook for cash flow and with our capital structure. Now, over to Pete.

Pete Minan - *Harsco Corporation - CFO*

So thanks, Nick. Let me start by saying that I am very happy and excited to be here and be part of your Leadership Team. I joined Harsco simply because I saw the promising and exciting future of Harsco, and have in the last three months been working with people that have only reconfirmed my optimism.

The strategy for Harsco was well-defined prior to my arrival, and its strategy is clearly in line with what I feel is most important, to further develop our capital return discipline, contribute to the development of our winning culture, and deliver the promises that we've made to our shareholders. In total, I look forward to helping revitalizing Harsco and realize its success.

With that said, let me begin with a brief recap of our Q4 and 2014 results, and I'll start with slide 4. Adjusted operating income in Q4 of $29 million was within our guidance range of $28 million to $33 million, and was comparable to adjusted operating income in the prior-year quarter. Versus the 2013 quarter, lower corporate spending and higher earnings in Industrial were offset by the lower income in Rail and Metals & Minerals. I will discuss about each business unit a bit later.

Revenues in the quarter were $492 million, which, as expected, represented a modest decline year over year. Industrial and Rail each showed an improvement in sales, while revenues in Metals & Minerals were impacted by foreign exchange rates and site exits. As a result, margins were similar to the prior period.

Adjusted EPS was $0.07, as compared to $0.20 in Q4 2014 and guidance range of $0.11 to $0.15. Lower adjusted EPS year over year was mainly attributable to a higher effective tax rate for the quarter and equity losses from our Brand investment, primarily owing to foreign exchange losses on certain of their inter-company loans.

Free cash flow was a use of $25 million in the quarter, as compared to use of $18 million in Q4, 2013, as an increase in cash provided by operating activities was offset by higher CapEx for the quarter. Lastly, adjusted return on invested capital improved to 6.6% from 6% in 2013.

If you look at the full year on slide 5, Harsco generated adjusted operating income of $153 million. This result, again, was consistent with our 2013 earnings. Our Industrial and Rail units each reported higher earnings through the year, while adjusted operating income in Metals & Minerals declined.

During the year, Industrial benefited from organic growth in commercial boiler and heat exchanger shipments, while Rail benefits from increased spare parts sales. Meanwhile, Metals was negatively impacted by site exits, bad debt expense, and higher maintenance costs. These items offset benefits from our early simplification work and higher nickel prices. Despite these challenges, we were pleased with Metals performance during the year, as actual earnings were comparable with our expectations at the beginning of last year on a like-for-like basis.

I will talk about our outlook for each business unit later, but at this point, it's worth me reinforcing our optimism for the Metals business. This business has been streamlined. The global functions within the business are driving greater accountability and best practice. And most importantly, the business will benefit more meaningfully in 2015 and 2016 from the key initiatives of Project Orion.

So next, adjusted EPS in 2014 was $0.72, as compared to $0.87 in 2013. And as I mentioned earlier, this comparison is impacted by taxes and Brand joint venture items. Lastly, free cash flow improved considerably during the year to $52 million, versus $20 million in the prior year, primarily as a result of the strong cash flow performance within our Rail unit.

As Nick and Dave mentioned on prior calls, as part of Project Orion, we have been looking in detail at of many of our sites, particularly those that have been underperforming, to identify opportunities to improve results, renegotiate contracts where we can, and even exit sites that don't deliver the returns we are expecting. As we will discuss later, we're proud of the accomplishments we've made here, clearly a lot of progress. And as expected, the site-by-site analysis resulted in various costs and charges. This slide, slide 6 summarizes the special items in the quarter and bridges our reported-to-adjusted results in Q4.

In total, the special items amounted to $50 million, or $0.63 per share for the quarter, and include, among other things, $3 million of severance costs tied to Phase II of Project Orion; $39 million of impairments and other costs at roughly a dozen underperforming sites, some of which we have or are exiting in 2015; $6 million for some potential labor claims, mostly related to a few of our sites we've exited in Brazil; $3 million for costs incurred for a potential acquisition that Nick alluded to that we have now decided no longer to pursue at this time; and $2 million favorable (technical difficulty) tied to the Infrastructure transaction. While we're still conducting our site-by-site analysis and other aspects of Orion, we believe these types of items are behind us.

Let me switch over to slide 7. This slide is the first of three which we believe will provide a balanced discussion of the key financial drivers and performance indicators for each of our business segments. We hope these disclosures will provide you with additional insights into our businesses.

In Q4, Metals & Minerals generated adjusted operating income of $19 million, as compared to $21 million in the prior quarter. During the quarter, benefits from organizational changes we made under Project Orion and some new contract and contract ramp ups were offset by foreign exchange impacts, site exits, and some lower manufacturing products income. Also during the quarter, LSTs at our customer locations were essentially unchanged on a, quote, same store basis.

Given the importance of our Project Orion initiatives to this business, we've included a few illustrations to summarize our progress under its key workstreams. The point here is that we've accelerated necessary workforce changes, made some very important and significant organizational and structural changes to our Metals business, and made tremendous progress at underperforming sites where the pace of finalized outcomes has quickened in recent months. Nick will talk more about Project Orion in a bit.

On slide 8, our Industrial business generated operating income of $14 million in Q4, which represented increase of 11%. This improvement was driven by strong demand for our commercial boiler and heat exchanger products. Also, it's worth highlighting that our backlogs grew during the quarter, with year-end backlogs up 75% versus prior-year backlogs, and again reaching record levels.

Given that a portion of our Industrial business is, as Nick mentioned, sensitive to or reliant upon US energy capital spending, it's worth highlighting that our exposures are heavily weighted to the natural gas market and that these backlogs will help to sustain financial performance in the face of supply chain corrections that have happened and may be likely to occur in the short term as a result of lower energy prices.

On slide 9, Rail results were consistent with our expectations. Revenues increased 7% versus the prior year quarter, while operating income declined to $4 million, as a result of mix as well as administrative costs to build out our offshore corporate structure. It's also important to note here that backlogs grew during the quarter and are now more than 50% higher than a year ago. This growth can mainly be attributed to our contracts with SBB, and we are on pace to begin shipping, as Nick mentioned, under these contracts later this year.

So let me highlight a few key items with respect to 2015 outlook on slide 10. First, let me start off by, again, summarizing the headwinds we'll be facing in 2015. Like many multinational industrial companies, lower energy prices and stronger US dollar will impact us during 2015. While the impact of lower oil prices is somewhat mitigated by our strong backlog in our Industrial business, there clearly will be negative impact on our revenue and operating income.

Similarly, given the location of our businesses around the world, the strengthening of the US dollar has a negative translation impact compared to 2014. In addition, we are seeing a decline in nickel and scrap pricing compared with 2014, which as you know, affects our Metals business. Despite these headwinds, we expect operating income growth to a range of $155 million to $170 million in 2015, versus $153 million in 2014.

Free cash flow is forecasted to improve between $75 million and $100 million as a result of reduced capital spending, as well as improved cash income and working capital performance. For the year, we are anticipating net CapEx of $175 million to $185 million, versus $193 million in 2014. The range reflects double-digit decline in CapEx within Metals and Minerals, partially offset by higher spending within our Industrial business to complete our facility consolidation in Tulsa. Beyond 2015, we expect capital expenditures to decline even further.

Adjusted earnings per share is anticipated to be within the range of $0.73 to $0.91, which represents an increase of 14% at the midpoint. Lastly, return on invested capital is expected to increase again in 2015 to between 7.5% and 8.5%.

If we switch over to slide 11, I won't walk through all the details here, but let me highlight our general expectation for operating income in each business unit and the key drivers. In Metals & Minerals, despite headwinds for foreign exchange, nickel and scrap pricing, operate income is expected to increase due to cost reductions and site triage progress under Project Orion, as well as a few new sites that are ramping up.

In Industrial, operating income is expected to remain stable versus 2014 or decline slightly single digits, as improved demand for commercial boilers and efficiency improvements are likely to be offset by energy market pressures within our heat exchanger and grating businesses. Also, in our exchangers business, we expect, as Nick mentioned, to complete the consolidation of our five facilities into one during the year, and thus, we'll be incurring moving and transition-related costs, recorded, for the most part, in the first and second quarters. We also expect to sell our existing facility at a gain, which should be recorded in the first quarter, which will offset those costs, all of which are included in our guidance.

For Rail we expect operating income to improve as a result of increased machine sales. Lastly, we expect corporate costs to decline modestly versus 2014, and equity income from our Brand JV to be between $4 million and $6 million.

Taking a look at the quarter, the first quarter on slide 12, for Q1, the current quarter, we expect operating income to be between $27 million and $32 million, and earnings per share of $0.09 to $0.13. These figures are below Q1 2014 results, which, if you remember, was a very strong quarter for each of our businesses in 2014 due to the timing of certain revenues and costs.

In Metals & Minerals, operating income will decline as a result of primarily foreign exchange impacts and exited sites. In Rail, operating income is expected to decrease due to lower parts and contract service revenues. And lastly, Industrial operating income and corporate costs will likely be comparable to the prior-year quarter. We will be happy to take your questions shortly, but before we do that, let me turn the call back to Nick for an update on Project Orion and his summary thoughts.

Nick Grasberger - *Harsco Corporation - President & CEO*

Thanks, Pete. The next few slides provide a bit more analysis on the progress of Orion. As mentioned earlier, (technical difficulty) process changes will generate the largest benefits over time, but let's first recap the cost-reduction component of the program.

The total estimated cost reduction of $35 million to $40 million across Phases I and II, $6 million was realized in 2014. Another $20 million is expected in 2015, with the balance in 2016. It's important to note that we've only included identified operational benefits in these figures. The implementation of our new operational standards will certainly generate additional benefits in the future that we have yet to quantify.

Turning to slide 14, we've made considerable progress in underperforming contracts. Our so-called Triage Teams have finalized their work on over 40% of the 68 contracts that generate unacceptable returns. Several others are in progress. Of those 30 that have been finalized, we expect 21 to become acceptable performers within the next 12 months, and the remainder either will be or have been exited, or have been improved but will remain underperforming until expiration since the cost of exiting exceeds that of continuation.

Slide 15, the chart on the top left shows the material difference in return on capital and margin between the underperforming and acceptable-performing contracts. The chart on the top right shows the financial improvement of the underperforming contracts over the past year. Once again, we expect these trends to continue over the next few years, and furthermore, our new bid and contract management process should mitigate poor contracts in the future.

So before we take questions, I think it's important to stress that we remain confident in our long-term financial targets and the expected value of our stake in Brand upon exit. Off of the 2014 base, we expect free cash flow, EBITDA minus CapEx, and ROIC to roughly double by 2017 through the consistent focus on the strategic, operational, and financial initiatives we have discussed over the past year. And despite the challenges that Brand is facing this year, we are confident that our eventual exit proceeds from our stake in the JV will be between $500 million and $700 million. So we are now happy to take your questions.

QUESTIONS AND ANSWERS

Operator

Thank you.

(Operator Instructions)

Your first question is from the line of Jeff Hammond with KeyBanc Capital Markets.

James Picariello - *KeyBanc Capital Markets - Analyst*

This is James filling in for Jeff.

David Martin - *Harsco Corporation - Director of IR*

Hey, James.

James Picariello - *KeyBanc Capital Markets - Analyst*

Quick question on the new contracts, the new sites that you mentioned that are ramping up early for the Metals & Minerals. Can you just speak to the process there and where those contracts -- these new contracts might rank in your existing portfolio in terms of ROIC?

Nick Grasberger - *Harsco Corporation - President & CEO*

Certainly, we expect the new contracts to be accretive to our -- or above our threshold target for return on capital. And they're in various stages of being commissioned and ramped up. And they're, as you might imagine, in many different geographies. So, yes, we do expect a contribution from those new contracts this year and going forward. But, again, in terms of 2015 performance, the larger driver is the cost reduction and the improved overall mix of our contracts.

James Picariello - *KeyBanc Capital Markets - Analyst*

Got it. And then, turning to the Industrial segment, can you size the oil and gas exposure for both Air-X-changers and IKG?

Nick Grasberger - *Harsco Corporation - President & CEO*

Yes, in terms of operating income, I'll put it in the simplest terms first. We're thinking that the impact on earnings, this year, from lower oil prices -- energy prices will be about $5 million.

James Picariello - *KeyBanc Capital Markets - Analyst*

Okay. And in terms of the breakdown between maybe upstream verses downstream, should IKG be a little more resilient, assuming a greater downstream exposure? How should we be thinking about it in terms of that?

Nick Grasberger - *Harsco Corporation - President & CEO*

Yes, that's certainly true. And, as you likely know, the Air-X-Changer business is much more exposed upstream.

James Picariello - *KeyBanc Capital Markets - Analyst*

Got it. Okay. I'll get back in queue. Thank you.

Operator

Your next question is from the line of Glenn Wortman with Sidoti Company.

Nick Grasberger - *Harsco Corporation - President & CEO*

Hey, Glenn.

Glenn Wortman - *Sidoti & Company - Analyst*

Can you just go into a little bit more detail on your various revenue assumptions for each of your Industrial businesses?

David Martin - *Harsco Corporation - Director of IR*

Sure.

Pete Minan - *Harsco Corporation - CFO*

With respect -- sorry, go ahead. Dave?

David Martin - *Harsco Corporation - Director of IR*

Just digging up those details. Not sure, Glenn. Our overriding revenue assumption for the business, which is on slide 11, is that Industrial revenues will be down mid-single digits in the year. That includes a number of moving parts. That assumes that our boiler business is going to continue to grow quite nicely, while there's going to be some modest decline in revenues, both at our IKG, or grating, business and our heat exchanger business.

Pete Minan - *Harsco Corporation - CFO*

In summary, both those businesses, as Nick mentioned, the energy-related impact of that is, say, roughly $5 million to $7 million. But we do anticipate that there is some cost cutting and other actions being taking place to mitigate some portion of that -- and that's encouraging -- predominantly at the Air-X-Changers and the IKG business.

Glenn Wortman - *Sidoti & Company - Analyst*

Okay. Thanks for that. And then, I'm not sure if I had this right, but it looks like you're expecting Industrial operating margin to be up a little bit in 2015, and I think you said you had a sale of a facility within that segment in your guidance. If so, what is the expected contribution there?

Pete Minan - *Harsco Corporation - CFO*

2015 operating margin is flat or decline single digits. But there is an expectation that we will sell our facility in Q1, which would be recognized in Q1, but it'll be more or less offsetting the costs that are expected to be resulting from the moving and transition costs as we consolidate our five facilities at Air-X-Changers into the one central manufacturing location.

Nick Grasberger - *Harsco Corporation - President & CEO*

I think the way to look at it, Glenn, is that the top line will be down mid-single digits, most likely, but operating income should be flat. And so, what's driving the margin is the cost reduction.

Pete Minan - *Harsco Corporation - CFO*

Correct.

Glenn Wortman - *Sidoti & Company - Analyst*

Okay. And then, just the rationing back of the expectations for Brand, can you break that down a little further between, say, the impact from FX, and then perhaps the exposure to the energy markets?

Nick Grasberger - *Harsco Corporation - President & CEO*

Sure.

Pete Minan - *Harsco Corporation - CFO*

Roughly -- first of all, the breakdown is for those factors, but roughly $0.06 is attributable to the foreign exchange translation aspect, and the rest of it is attributable to the decline in the expectations with respect to energy pressures.

Glenn Wortman - *Sidoti & Company - Analyst*

Okay. Thanks for taking my questions.

Operator

Your next question is from the line of Bhupinder [Bowah] with Jefferies.

Bhupinder Bowah - *Jefferies & Co. - Analyst*

Good morning, guys. I just wanted to -- if you can give us like what were the LSTs in the quarter, and what's the tone of the business in M&M actually going into -- we are like two months into 2015, if you can give us the color?

Nick Grasberger - *Harsco Corporation - President & CEO*

I think as we look at LSTs at our sites, we're expecting them to be largely unchanged in 2015 versus 2014. So, we don't expect that to really be a driver of performance at all one way or the other. Again, the big components in M&M year over year are the cost reduction and the improved contract mix of the business, offset by the impact of a stronger dollar, lower nickel prices, and some lost income from exited contracts.

Now, keep in mind that our threshold for a performing contract is return on capital. So, we have exited contracts that do contribute to operating income that are profitable. Given the capital that they consume, they don't meet our threshold for returns, so we've exited those. I think there's $5 million or $6 million of OI of a hit in 2015 versus 2014 from those contracts that we've exited.

Bhupinder Bowah - *Jefferies & Co. - Analyst*

Okay. And, can you give us the number -- what was the dollar number for exited contracts in the quarter?

David Martin - *Harsco Corporation - Director of IR*

Yes, I can -- hold on one moment. I'll look that up.

Bhupinder Bowah - *Jefferies & Co. - Analyst*

And, in the meantime, just wanted to wrap up this with the last question. The free cash flow -- we are seeing significant increase in the free cash flow, if you can discuss the uses of free cash flow in 2015. You talked about capital allocation, if you can just give us a little bit deeper color on that.

Nick Grasberger - *Harsco Corporation - President & CEO*

I think the increase is -- well, it's doubling, right, roughly from $50 million to, let's say, $90 million to $100 million or so. And it's really driven by cash income, which is higher because of business performance, but also because of lower restructuring spend in 2015 versus 2014. So, cash income is one component. CapEx, as we discussed, is also down year over year. And then, working capital should also improve. So, those are the three components that lead to the doubling of the free cash flow.

Pete Minan - *Harsco Corporation - CFO*

So the loss contracts in exiting businesses in the quarter is roughly $5 million.

Bhupinder Bowah - *Jefferies & Co. - Analyst*

$5 million, okay.

David Martin - *Harsco Corporation - Director of IR*

That would be OI impact.

Pete Minan - *Harsco Corporation - CFO*

Sorry, in OI.

David Martin - *Harsco Corporation - Director of IR*

Gross revenue impact, just to be clear, was about $25 million. Net of new contracts, it was about $15 million, and the net OI impact was a very small negative amount in the fourth quarter. For 2015, we expect net contract churn to be a modest positive to OI.

Bhupinder Bowah - *Jefferies & Co. - Analyst*

Okay. Thank you. And my question regarding free cash flow was, what are you thinking about the free cash flow used in 2015? Any color on, like, share buyback, or how does your M&A pipeline look, if you can just give us some color on that?

Nick Grasberger - *Harsco Corporation - President & CEO*

If you look at our free cash flow guidance in 2015, it's roughly equal to our common dividend, as well as the payment that we make to our joint venture partner in Brand. Beyond that, the focus would be M&A and, perhaps, some share repurchase. We have bought back some stock over the past several months. But the -- again, given our strategy to balance the portfolio over time and the fact that we pay a sizable dividend today, our priority would be M&A first, and then share repurchasing after that.

Bhupinder Bowah - *Jefferies & Co. - Analyst*

Okay. Thanks a lot.

Operator

(Operator Instructions)

There is a question from the line of Bryan Carlson with Atlantic Investment.

Bryan Carlson - *Atlantic Investment Management, Inc. - Analyst*

Good morning, guys. Can you hear me okay?

Nick Grasberger - *Harsco Corporation - President & CEO*

Yes, we can hear you, Bryan. Good morning.

Bryan Carlson - *Atlantic Investment Management, Inc. - Analyst*

Can you talk to us a little bit about how much restructuring charges you absorbed through the Brand joint venture in 2014 and what's anticipated in 2015?

Nick Grasberger - *Harsco Corporation - President & CEO*

In terms of the impact on our (multiple speakers) --

David Martin - *Harsco Corporation - Director of IR*

The -- just to give you a sense, there are impacts from the FX, the inter-company transaction, or translation impacts, and then there were some restructuring items in total. These totals for the full Company were about $30 million. So that means the share attributable to us was roughly $10 million.

Bryan Carlson - *Atlantic Investment Management, Inc. - Analyst*

That was in 2014, or that's in 2015?

David Martin - *Harsco Corporation - Director of IR*

That was 2014.

Bryan Carlson - *Atlantic Investment Management, Inc. - Analyst*

And my impression was that we were going to see much lower restructuring charges in 2015. Is that correct?

David Martin - *Harsco Corporation - Director of IR*

That is correct.

Nick Grasberger - *Harsco Corporation - President & CEO*

That is true. Yes, so we, in 2015, let's say, relative to where we would have been thinking about equity income several months ago, we're down $15 million to $20 million of equity income in 2015 versus what we had been thinking because of FX and oil. And again, the FX impact there is not only on its translation, but below the operating income line because they have foreign currency denominated inter-company loans as a translation effect of those as well, which affects our equity income.

Bryan Carlson - *Atlantic Investment Management, Inc. - Analyst*

Right.

Nick Grasberger - *Harsco Corporation - President & CEO*

So the combination of those items have reduced our outlook for equity income in 2015 by $15 million to $20 million. Most of that, of course, is not cash, and I don't think, longer term, will affect the EBITDA in the business upon exit.

Bryan Carlson - *Atlantic Investment Management, Inc. - Analyst*

Okay. You, as a Board member there, and the management team, would you characterize the situation as happy with the progress made at Brand, integration is going well, markets and FX a little but challenging right now, but on track and good trajectory?

Nick Grasberger - *Harsco Corporation - President & CEO*

Yes, I think absolutely. As I mentioned, they achieved their plan for EBITDA and cash flow in 2014. The integration, given my knowledge of the infrastructure business that they combined with, actually went much better, I would say, than any of us expected it to.

And, if not for these current challenges on energy and -- by the way, they are exposed -- about 50% of their business is downstream, about 10% is upstream, and they're exposed to both maintenance and CapEx. So the CapEx piece is providing the most significant challenge for them. As I mentioned earlier, I don't think any of what's happening today in the business really affects our long-term view of the business.

Bryan Carlson - *Atlantic Investment Management, Inc. - Analyst*

Okay. And then, I wanted to ask you about the backlog within Industrial as well. Is it possible for you to break that out for us? Is that largely Air-X-Changers, or is that like a third, a third, a third, or how should we think about that?

Nick Grasberger - *Harsco Corporation - President & CEO*

That would be largely Air-X-Changers. And again, given the lead times there, the order book is very full for the first six months of the year. It's the second half of the year that would be affected by the reduction in the order rate.

Bryan Carlson - *Atlantic Investment Management, Inc. - Analyst*

Okay. Thank you.

David Martin - *Harsco Corporation - Director of IR*

Thanks, Bryan.

Operator

And there appears to be no further questions. Are there any closing remarks? I apologize, we do have Jeff Hammond with KeyBanc Capital Markets.

Jeff Hammond - *KeyBanc Capital Markets - Analyst*

Hi, guys. Just a quick follow-up. Can you talk about what you're seeing in M&A, how the pipeline looks, and, ultimately, what incited the decision to forgo the sizable transaction in the fourth quarter?

Nick Grasberger - *Harsco Corporation - President & CEO*

Well, I'll take the second part first. Yes. As you can imagine, as we got late into the fourth quarter and we were feeling, at the time, quite good about the transaction -- certainly strategically, but also financially -- when oil began to decline rapidly, it was just clear to us that, given its exposure -- this business's exposure to oil, that the projections were really no longer valid. And, since we're in a similar business, of course, we had good insight into what was happening with their business.

So, the strategic merits of that business remain as valid as they were a few months ago. I think we just need to see some more stability in the markets so we have more confidence in the projections, and then, it's a transaction that could well come back. We'll see.

But beyond that, I would say the pipeline for M&A is probably most robust in the Rail business. I mentioned that we now have a dedicated Business Development Team there, and they've done a terrific job of building that pipeline. And, as you know, as we diversified that business -- both geographically, also in terms of products and services -- the landscape of businesses that might make sense is broadened as well.

Jeff Hammond - *KeyBanc Capital Markets - Analyst*

And what kind of leverage will you guys feel most comfortable with for M&A?

Nick Grasberger - *Harsco Corporation - President & CEO*

Over time, more comfortable in the 2.5 to 3.5 times EBITDA range. We would go higher for the right acquisition, but it would need to be one that was highly profitable with good cash flow such that we could deliver in a reasonable period of time.

Jeff Hammond - *KeyBanc Capital Markets - Analyst*

Got it. Thanks.

Operator

There are no further questions. Are there any closing remarks?

David Martin - *Harsco Corporation - Director of IR*

Yes, please. Thank you, Bonita. And to those that listened and participated in the call this morning, we appreciate your interest in Harsco. A replay of this call will be available later today through March 26, and the replay details are included in our press release this morning.

Lastly, if anyone has any follow-up questions, feel free to contact me. My contact details are included at the top of today's earnings release. And lastly, we look forward to speaking with you in the future. Have a great day.

Operator

And this concludes today's conference call. Thank you for your participation. You may now disconnect.