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NVRI.N - Q3 2025 Enviri Corp Earnings Call

EVENT DATE/TIME: NOVEMBER 10, 2025 / 2:00PM GMT

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PRESENTATION

Operator

Good morning, everyone. My name is Jamie, and I will be your conference facilitator. At this time, I would like to welcome everyone to the Enviri Corporation third-quarter release conference call. (Operator Instructions)

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I would now like to turn the conference call over to Dave Martin of Enviri Corporation. Mr. Martin, you may begin your call.

David Martin - *Enviri Corp - Vice President of Investor Relations*

Thank you, Jamie, and welcome to everyone joining us today. With me is Nick Grasberger, our Chairman and Chief Executive Officer; and Tom Vadaketh, our Senior Vice President and Chief Financial Officer. On the call, we will discuss our results for the third quarter and our outlook for the remainder of the year. We'll then take your questions. Our quarterly earnings release and slide presentation for this call are available on our website.

During today's call, we will make statements 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 those forward-looking statements. For a discussion of such risks and uncertainties, see the Risk Factors section in our most recent 10-K and as updated in subsequent 10-Qs. 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 GAAP results is included in our earnings release as well as a slide presentation.

With that being said, I'll turn the call to Nick.

F. Nicholas Grasberger - *Enviri Corp - Chairman of the Board, President, Chief Executive Officer*

Thank you, Dave, and good morning, everyone. Before we dive into our Q3 results, I will take a moment to provide a brief update on our strategic review process that we announced a few months ago. Recall that this process is aimed at identifying and executing alternatives to unlock the inherent value of our business portfolio. In our view, this value is not yet reflected in our market value.

Throughout our process and as expected, we have seen strong and definitive interest in our Clean Earth business from both strategic parties as well as others. While nothing can be certain, we believe that there is a path to crystallizing its value in a tax-efficient manner for our shareholders.

We have spent considerable time with our advisers thinking through structures that work, one of which involves a simultaneous sale of Clean Earth together with a taxable spin to our shareholders of our Harsco Environmental and Rail businesses.

We believe this structure would result in minimal tax leakage for our investors and would allow for a sizable cash payment to shareholders upon the sale of Clean Earth. In fact, we have recently amended our credit agreement to allow for this transaction. Tom will comment further on this amendment. We will update you further when appropriate, but we believe we should be in a position to conclude our process review prior to the end of this year.

Now let me turn to our third-quarter earnings, starting with Clean Earth, and Tom will cover our financial results in detail shortly.

Clean Earth's revenue and earnings grew single digits and its margins exceeded 17%, translating to a record quarterly performance for the business. The degree of execution delivered by the Clean Earth team remains very high despite various distractions as it focuses on its key priorities. Our investments in new capabilities continue and CE's IT implementation is on track and nearing completion.

Commercially, the team committed to a new growth strategy a year ago, and we've built a strong business backlog since, and CE is now seeing healthy volume growth as a result. We expect strong performance or more of the same from Clean Earth in Q4.

Turning to Harsco Environmental. Results improved in Q3 with HE's margin reaching 17% and the business generating \$30 million in free cash flow in the quarter. Looking back, we believe this business troughed in the first half of 2025. New contracts are in place to replace those exited over the past year and improvements in underperforming sites, while slower than we'd like, are ongoing with benefits expected in coming quarters.

HE has also experienced some cost inflation in recent quarters, and we've implemented cost-out actions to absorb this impact. These added costs should be offset in 2026 through these efforts and also through price increases.

We're also hopeful that the steel industry volumes are set to improve. In early October, the European Commission proposed new and significant safeguard measures to protect its steel industry. These actions include higher import tariffs and lower quotas among other changes. These measures are likely to lift volumes in a key market for HE if implemented next year. Overall, HE remains the industry leader and we expect 2026 to be a better year for the business.

Moving to Harsco Rail. Our challenges in Rail are clear. And I'm pleased with how our new management team, which is operationally focused and has considerable ETO experience within the broader rail industry, is taking aggressive and appropriate action to move the business forward. Shop floor bottlenecks have lessened, and supply chain pressures are improved. Overhead costs are being addressed as well.

Confident this management team can transform the business over the next year or two. On the commercial side, demand for standard equipment and aftermarket parts remains weak and at unprecedented levels. We're hopeful that this downturn will be short-lived given that maintenance spending can only be deferred for so long, but we've yet to see signs of upcoming improvement.

Importantly rail-based business is profitable and cash generative despite this market situation and Harsco Rail remains a technology and industry leader. Rail is also making good progress with its ETO contracts, which continue to consume cash.

Our discussions with Network Rail to amend or exit that contract are ongoing. Deliveries and development work on SBB and DB are on track with few surprises in recent months. As we've discussed previously, Rail's cash flow profile is anticipated to turn positive in 2027 as our ETO contracts mature, and we are paid for the machines that we deliver.

As a result of the demand weakness in Rail and other impacts in HE, we have lowered our outlook for the year. Looking further ahead, we are optimistic about 2026 and confident in the earnings and cash flow potential of our company. The evaluation of strategic alternatives is to address this disconnect and we will update you further on this review when appropriate.

I will now turn the call over to Tom.

Thomas Vadaketh - Enviri Corp - Senior Vice President and Chief Financial Officer.

Thank you, Nick, and good morning, everyone. In the third quarter, total revenue was \$575 million, and adjusted EBITDA was \$74 million. Both figures are high for the year, but lower than our expectations at the beginning of the quarter. Rail accounted for much of the shortfall, whereas we discussed last quarter and as Nick just mentioned, demand for standard products and aftermarket parts remain very sluggish.

Also, some contract services work for certain US customers was deferred into future quarters. Our product orders did improve somewhat from the prior quarter, but the increase was from a low base and this activity will not benefit Rail in 2025.

Performance at Harsco Environmental was also slightly lower than expectations due to higher operating costs and lower contributions from new sites. Actions are underway that are expected to help offset the challenges in both segments, as Nick mentioned. Still, we have lowered our outlook for the fourth quarter, which I'll provide details on shortly.

Now let me turn to our third-quarter performance details on slide 4. In the third quarter, our revenues were unchanged as reported and 1% higher on an organic basis. Adjusted EBITDA was lower year on year as anticipated, with record earnings at Clean Earth, offset by our other segments. The impact of divestitures on EBITDA within HE was \$3 million with the prior year.

Our adjusted diluted loss per share was \$0.08 for the quarter, excluding the impact of unusual items. These unusual items totaled \$12 million pretax with most of this related to strategic project costs and various restructuring actions across the company.

Adjustments on our large ETO contracts in Rail were less than \$2 million and much lower than in recent quarters. We believe this illustrates our progress in derisking these projects. Our adjusted free cash flow for the quarter was \$6 million which was \$20 million above Q2 and in line with our expectations. Working capital management and capital spending controls offset the impact of lower earnings for the quarter.

Before moving on to segment performance, let me add to Nick's comments on the amendment to our credit agreement. First, I'd like to thank our bank group for their continued support of the company and their flexibility to support our strategic initiatives and changing financial situation.

In addition to allowing for the potential sale or separation of Clean Earth we modified our financial governance to provide additional flexibility. The credit agreement also now provides a capital structure framework for our remaining businesses if we complete the Clean Earth sale. Under this scenario, our initial net leverage ratio post the transaction would be 2 times or less, and our maximum net leverage would be 3 times. Further details on this amendment are available in our SEC filings this morning.

Please turn to slide 5 and our Harsco Environmental segment. Segment revenues totaled \$261 million and adjusted EBITDA totaled \$44 million. The year-over-year change in earnings is the result of divestitures and site exits or closures. Eco product contributions were also slightly lower with this impact attributable to our Excel operations in the US and steel felt business in Europe. Steel production at our customer locations on a continuing site basis rose modestly compared with prior year with puts and takes across our global portfolio, as you'd expect.

Higher output in the US, India, and the Middle East was mostly offset by lower production in Canada and Brazil. Volumes in our largest market, Europe were unchanged year over year. And while quarterly revenues and steel output was the highest this year, overall production rates remain subdued. Customer utilization rates remain in the mid-70s as a percentage of capacity with our largest market, Europe, being below 70%. So we see lots of room for improvement across our service portfolio.

Next, please turn to slide 6 to discuss Clean Earth. For the quarter, revenues totaled \$250 million, which was up 6% compared with the 2024 quarter, and adjusted EBITDA reached \$43 million. CE's adjusted EBITDA margin was 17.3% in the quarter.

The revenue growth was slightly more weighted to volume over price. CE's volume growth was realized across end markets in hazardous waste and reflects the team's success executing on a commercial growth plan that had developed over a year ago. Meanwhile, contributions from CE's soil and dredge business were lower compared with the prior year quarter as anticipated. This change reflects the timing of work activity and business mix.

Now please turn to slide 7 and our Rail business. Rail revenues totaled \$64 million and its adjusted EBITDA loss was \$4 million in the quarter. Compared with the prior year quarter, lower equipment and service volumes as well as higher manufacturing costs and a weaker business mix were partially offset by higher aftermarket sales. Operationally, Rail continues to make steady progress, as Nick mentioned, although further manufacturing and supply chain improvements are needed and targeted to strengthen the business.

On Rail's large European ETOs, we continue to make steady progress as well, particularly with Deutsche Bahn and SBB. For Deutsche Bahn or DB, the next key milestone is for the first three vehicles to progress through homologation or the formal acceptance process. The first vehicle has already started this process, and we expect that all three vehicles will be undergoing homologation as we move into the first half of 2026.

As we've said before, once we complete homologation, the risk on this project from a cost and schedule perspective will significantly diminish and we would move into a repeatable manufacturing process for the remaining vehicles.

For SBB, delivery of the first group of vehicles is to be completed by January 2026. The second vehicle type is currently undergoing homologation and we expect to complete all deliveries of this second group of vehicles in early 2027. On the network rail contract, negotiations with the customers have continued to progress. Although progress has been slower than we would like, our customer is focused on the delivery of the machines and is negotiating in good faith.

Good progress has been made recently to gain alignment on several technical design areas, which had been open. This is an important step for us to be able to complete manufacturing the machines. Additionally, we are seeking a meaningful improvement in the economics of this contract in order for us to continue or we will negotiate a mutually acceptable exit from the contract.

Now let me turn to our full-year outlook on slide 8. The midpoint of EBITDA guidance is reduced by \$27 million, and the point for free cash flow is reduced by \$50 million. The EBITDA change is largely driven to by Rail and to a lesser extent, HE. For Rail, we have removed from our outlook certain unsold equipment and parts that aren't supported by our order books and pipelines, and for HE, we anticipate that the challenges in Q3 will persist through year-end.

Our updated free cash flow guidance reflects this revised earnings outlook as well as some previously anticipated milestone payments on certain rail contracts being deferred into 2026.

Let me conclude on slide 9 with our fourth quarter guidance. Q4 adjusted EBITDA is expected to range from \$62 million to \$72 million. Clean Earth is again expected to show nice year-over-year growth in Q4. Harsco Environmental earnings are anticipated to be modestly below the prior year quarter due to contract exits and Rail results are projected to be lower due mainly to volumes.

Thanks, and I'll now hand the call back to the operator of Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions)

Larry Solow, CJS Securities.

Lawrence Solow - CJS Securities Inc - Analyst

Great. Nick, wondering if you could -- I know you can't give us too much detail, but just any more color on the you sound pretty confident, at least on the process that the process is nearing an end or you'll have some kind of something in the next few weeks, it sounds like by year-end. So can

you just give us any more -- is it you're confident that we'll -- will we actually hear something before year-end? Or just anything will be great on that front.

F. Nicholas Grasberger - *Enviri Corp - Chairman of the Board, President, Chief Executive Officer*

Yeah. Hi, Larry. Honestly, there's not much more we can say at this point. As I indicated, we've had, as we expected, very strong interest in the business. We've created a tremendous amount of value in Clean Earth over the past couple of years. It's not in our share price. We need to find a way to unlock that. That's what we've been doing.

The specialty waste industry is consolidating, and you've likely seen some of the values that have been paid for like businesses that have transacted over the past couple of years. So we're happy with where we are. It's been a strong process, and we're well supported by our advisers and of course, and most importantly, the Clean Earth leadership team has just been doing a tremendous job.

Lawrence Solow - *CJS Securities Inc - Analyst*

Great. I appreciate that. Just on the guidance and the outlook, a pretty significant drop. It looks like a lot more actually, Q3 was a bit of a miss, but the outlook Q4 is even looks like it's somewhat even worse. And you mentioned it's predominantly Rail, but just trying to Tom, maybe you can help us a little bit with that \$27 million delta? Is it like mostly Rail there? I'm just trying to get a little more granularity there.

Thomas Vadaketh - *Enviri Corp - Senior Vice President and Chief Financial Officer.*

Yes. versus our last guidance, Larry. The bulk the highest variation is on Rail. And as I said in my remarks, what that consists of is we're trying to kind of derisk our outlook for the remainder of the year. So we took out from that any volume that is currently unsupported by either firm orders or good visibility in our pipeline. And so that's what that is mainly.

And then on HE, we've also taken it down somewhat partially most of it is basically the miss in Q3. But just reflecting the pace that we're on in Q3 expected to largely continue into Q4.

Lawrence Solow - *CJS Securities Inc - Analyst*

Okay. If I can just squeeze one more in. Just on Clean Earth. Another good quarter, especially on the hazardous side. Was the soil -- did they have an exceptionally good year last year? It looks a pretty good year-over-year drop in EBITDA contribution in the quarter for kind of a minority part of the business. And then you mentioned various distractions. Any more color on that on Clean Earth?

F. Nicholas Grasberger - *Enviri Corp - Chairman of the Board, President, Chief Executive Officer*

Yeah. Just maybe for context for the full year, we're expecting EBITDA in hazardous waste to be up about 15% and down 15% in SDM. Likely, hazardous waste is 5 to 6 times the size of SDM. But SDM, as we've indicated before, can be a very lumpy business. We have a very attractive backlog of projects and we try to anticipate when they're going to begin. And oftentimes, they're delayed. And that's what we're facing now.

There's also a mix component within SDM. There are some projects that have margins that are 15 to 20 points higher than others. And so what we've seen in the second half of this year is both a mix challenge as well as the starts of the projects being pushed out. But again, the backlog is very good. The mix is good in the backlog. It's not an overall demand issue. It's not a market share issue. It's just a timing issue in SDM.

Operator

(Operator Instructions) Rob Brown, Lake Street Capital Markets.

Robert Brown - *Lake Street Capital Markets LLC - Analyst*

Congrats on the sale process. I think you talked about sort of a peer group that's with consolidation, the multiples that are in the peer group, I guess. Are you sort of comfortable that those multiples are sustaining out there in the industry? And just a sense on [peer] multiples?

F. Nicholas Grasberger - *Enviri Corp - Chairman of the Board, President, Chief Executive Officer*

Yeah. Yeah. I would say if you look at precedent transactions, the multiple that we would expect would certainly be consistent with those.

Robert Brown - *Lake Street Capital Markets LLC - Analyst*

Okay. Great. And then in terms of the -- I think at one point you talked about Rail kind of the baseline business, excluding ETO contracts of sort of \$30 million to \$35 million or so. Maybe things are a little weaker now. But what's sort of the baseline Rail business kind of run rate in the current environment in terms of EBITDA?

F. Nicholas Grasberger - *Enviri Corp - Chairman of the Board, President, Chief Executive Officer*

Yeah. So it is -- Larry, it is a little lower, reflecting the current drop in demand. We don't expect that to be long-standing and it should be short-lived because we think the demand will come back at some point during 2026. So on a longer-term basis, on a sustainable basis, if you're trying to model this it would be in that \$35 million to \$40 million range on a standalone base business. Today, you're probably looking at a range of -- in the 30s.

Thomas Vadaketh - *Enviri Corp - Senior Vice President and Chief Financial Officer.*

And again, the visibility to that is fairly good because we have a good sense of when these ETO contracts are going to be completed and when we'll get paid for them. Yes, that can slip by a quarter or two, as we've seen recently on some of the smaller contracts.

And there's a good bit of overhead cost in our business that supports those contracts that will be removed. So it's not difficult to adjust the current performance of the business for what will happen at the end of those ETO contracts. And it's there's just a lot of costs embedded in the business that will be removed.

Operator

And ladies and gentlemen, with that, we'll be ending today's question-and-answer session. I'd like to turn the floor back over to Dave Martin for any closing remarks.

David Martin - *Enviri Corp - Vice President of Investor Relations*

Thank you all that joined us today, and thanks, Jamie for hosting our call. Feel free to reach out to me with any follow-up questions. And as always, appreciate your interest in Enviri and look forward to speaking with many of you shortly. Take care.

Operator

And with that, we'll conclude today's conference call. We do thank you for attending today's presentation. You may now disconnect your lines.

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