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PRESENTATION

Operator

Good morning. My name is Polly, and I will be your conference facilitator. At this time, I would like to welcome everyone to the Harsco Corporation's Third Quarter Release Conference Call. (Operator Instructions)

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I would now like to introduce Dave Martin of Harsco Corporation. Mr. Martin, sir, you may begin your call.

David Scott Martin - *Harsco Corporation - Director of IR*

Thank you, Polly, and welcome to everyone joining us today. I'm Dave Martin of Harsco. With me today is Nick Grasberger, our Chairman and Chief Executive Officer; and Anshooman Aga, Harsco's Senior Vice President and CFO.

This morning, we will discuss our results for the third quarter of 2021 and our outlook for the remainder of the year. We'll then take your questions.

Before our presentation, let me mention a few items. First, our quarterly earnings release as well as the slide presentation for the call are available on our website. Secondly, 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 those forward-looking statements. For a discussion of such risks and uncertainties, see the Risk Factors section in our most recent 10-K and 10-Q. The company undertakes no obligation to revise or update any forward-looking statement.

Lastly, on this call, we may refer to adjusted financial results that are considered non-GAAP for SEC reporting purposes. A reconciliation to GAAP results is included in the earnings release as well as the slide presentation.

With that said, I'll turn it over to Nick.

F. Nicholas Grasberger - *Harsco Corporation - Chairman, President & CEO*

Good morning, everyone, and thanks for joining us.

I would like to further acknowledge that our new CFO, Anshooman Aga, is with us today. As previously noted, we're very fortunate to have recruited Anshooman to Harsco. He has held significant financial and operational roles at Siemens, AECOM and Cubic, and he's already adding tremendous value to our company.

Turning to our results. The third quarter was characterized by a healthy underlying demand in our 2 core businesses: Harsco Environmental and Clean Earth. It also reflected cost inflation and supply chain disruptions across all 3 business units. Overall, Harsco consolidated revenue was up 7% versus Q3 of 2020, while adjusted EBITDA was up 22% on the same basis. Demand in our Rail segment was dampened by continued weakness in transit ridership, a slowdown in domestic freight traffic and uncertainty as customers wait for the passage of the U.S. infrastructure bill.

Another headline from this morning's announcement is our intent to divest our Rail segment during the first half of next year. As we have indicated in the past, Harsco Rail is not aligned with our long-term strategy to focus on and drive growth in businesses that provide environmental solutions to a broad mix of end markets. However, Harsco Rail is a unique business with innovative solutions and a global reach with meaningful growth opportunities ahead. We have received solicited expressions of interest from many parties over the past several months and expect a very competitive sale process.

I'll comment on each of our segments, beginning with Harsco Environmental. Harsco Environmental continued to perform in line with our expectations, and we are pleased with its momentum. Capacity utilization of the steel mills we support remains lower than the levels of the first half of 2019, and analysts expect low to mid-single-digit LST growth through next year. Commodity prices, along with the contributions from our so-called eco-products, previously referred to as applied products, remains strong.

Looking ahead to 2022, against the continued positive outlook for the global steel industry and a decline to normalized levels of capital spending in our business, we expect the Environmental business to deliver the highest EBITDA and free cash flow in many years.

Clean Earth experienced a moderate impact in the third quarter from cost inflation and an excessive of backlog of material requiring incineration, which negatively affected volume. The recovery in contaminated soil continues to be a bit slower than anticipated due to delays in certain infrastructure projects. Nonetheless, Clean Earth's EBITDA in Q3 was close to our expectations, and these pressures should abate throughout Q4 and become de minimis by Q1 of 2022.

Similar to Harsco Environmental, we believe that Clean Earth is set up to deliver another strong year of growth in 2022. Underlying market demand, new business and yet higher benefits from the ESOL turnaround and integration will be the primary drivers.

As noted, our Rail business had a challenging quarter due to cost inflation and the timing of equipment orders and shipments. Many of our customers have been affected by their own supply chain issues, and as a result, maintenance programs are being put on hold. While we expect to see some continued impact from these inflationary and supply chain issues in Q4, we expect the situation to improve as we move through the first half of next year.

The passage of the U.S. infrastructure bill and the introduction of new products aimed at improving efficiency of rail maintenance activities should also support growth. The other components of our business, those being aftermarket, technology and contracted services are performing in line with expectations, and the outlook is encouraging. Therefore, we believe the timing of the divestiture of the Rail business should coincide with improving market fundamentals and deliver the value we expect for our shareholders.

I'll now turn the call over to Anshooman.

Anshooman Aga - *Harsco Corporation - Senior VP & CFO*

Thanks, Nick, and good morning, everyone.

Let me start by saying I am very excited to be here and a part of the Harsco team. I joined Harsco because I saw the promise of the company's ongoing transformation to a single investment thesis environmental solutions company and the value creation opportunities. I've enjoyed getting to know and working with the Harsco team over the past 3 months, and my time with Harsco so far has strengthened my optimism.

Harsco's strategy is well defined, and our financial priorities are unchanged. Strengthening our free cash flow and reducing our leverage remain paramount to Harsco and the key priorities for me as CFO. There is strong underlying momentum within our businesses, and the opportunities to grow both organically and inorganically are significant.

Now let me turn to our results for the quarter and our outlook for Q4. Harsco consolidated revenues in the third quarter increased 7% compared with the prior year quarter to $544 million, and adjusted EBITDA increased 22% to $72 million. The year-on-year improvement can be attributed to steady operational execution, strong performance in our Harsco Environmental segment as well as growth and improvements within the hazardous waste line of business of Clean Earth. Harsco's adjusted EBITDA margin, as a result, reached 13.2% in the third quarter versus 11.6% in the comparable quarter of 2020. Despite the strong year-on-year improvement, our adjusted EBITDA was below guidance, driven by new project delays from rail customers, cost inflation and supply chain constraints.

Transit ridership remains weak. Freight traffic has slowed, and the uncertainty related to the infrastructure bill has put pressure on customer capital and operating budgets. The majority of the deferred sales for Rail in the third quarter are now expected to be realized in Q4 or in early 2022.

Materials cost inflation and supply chain pressures had a mid-single-digit EBITDA impact in the quarter relative to prior expectations. Harsco's adjusted earnings per share from continuing operations for the third quarter was $0.20. This figure compares favorably to adjusted EPS of $0.08 in the prior year quarter.

Lastly, our free cash flow for the quarter was nominal. This outcome was lower than anticipated for the quarter with Rail and related delayed projects as the primary driver.

Please turn to Slide 5 and our Environmental segment. Our Environmental segment performed very well in the quarter. Revenues totaled $270 million, and adjusted EBITDA was $56 million. Revenues were 21% higher than the prior year quarter, and EBITDA increased 40% year-on-year. These details illustrate the positive operating leverage in this business. Compared with Q3 of 2020, the EBITDA improvement is primarily attributable to increased demand for environmental services and applied products on a global basis.

Steel market fundamentals remain strong. Liquid steel tonnage, or LST, increased roughly 20% versus the prior year. The outlook for steel consumption remains positive. We expect to see some modest disruptions in the fourth quarter due to normal seasonality, but the industry and market observers are predicting another year of growth in 2022.

Next, please turn to Slide 6 to discuss our Clean Earth segment. Compared to the second (sic) [third] quarter of 2020, revenues increased 3% to $200 million with the hazardous materials business driving this growth. With hazardous materials, retail and health care activity was strong, while volumes from the industrial sector were modestly lower than the prior year quarter due to disposal market constraints.

Also, activity within our soil, dredged materials business was modestly lower year-on-year. However, we did see sequential improvement. With that said, the improvement has been slow, and recall that soil remediation is a late cycle business that then trough until the fourth quarter of 2020.

Segment EBITDA increased to $21 million in Q3 of this year supported by higher hazardous material volumes and ESOL integration benefits. These positive impacts were offset by investments to support Clean Earth and inflation related to containers and transportation. We have seen a significant increase in the cost of steel containers and transportation and have taken action already, which I will discuss in more detail later.

Lastly on Clean Earth, I'd highlight that our year-to-date free cash flow now totals $39 million. This total represents more than 70% of segment EBITDA.

Now please turn to Slide 7 and our Rail business. Rail revenues totaled $74 million, and its EBITDA totaled $3 million in the second quarter. These figures are below those realized in Q3 of 2020. The change in EBITDA can be attributed to lower equipment sales volume and higher costs. As mentioned earlier, most of the deferred sales are expected to be realized in the next few quarters. Also, higher material costs impacted results. We incurred a negative LIFO adjustment in the quarter of approximately $2 million, which had not been anticipated. These impacts were partially offset by higher contributions from aftermarket parts and contracted services both in U.S. and Asia.

Turning to Slide 8, which is our consolidated 2021 outlook. As noted earlier by Nick and in our press release, these figures now exclude Rail, which we will report as discontinued operations beginning in the fourth quarter. Our adjusted EBITDA guidance is now $248 million to $256 million for the year, while adjusted EPS is anticipated to be within a range of $0.51 to $0.54. These figures consider $4 million of stranded corporate costs that were previously allocated to Rail. This outlook also includes 100% of Harsco's interest costs and a pro forma estimated tax rate.

Our detailed segment outlook is included in the appendix of the slide deck. And from a business segment point of view, our adjusted EBITDA outlook for Environmental is essentially unchanged.

Meanwhile, outlook for Clean Earth's adjusted EBITDA is lowered by $5 million at the midpoint. This change reflects the impacts of higher container and transportation costs as well as a volume impact from end-disposal constraints. Last quarter, we noted certain risks related to Clean Earth, including the impacts related to incineration and inflation. These impacts, however, are larger than what we previously anticipated for the second half of the year.

Looking forward, we do expect these pressures to abate. There are a number of disposal assets that have restarted or are increasing output. Also, we have been pushing through price increases to offset the inflation. Price initiatives take time, as you're aware, driven by timing of contractual annual price increases in many cases, and we expect to fully offset the cost increases we've seen year-to-date during the first quarter of 2022.

Also, we remain very diligent on our cost structure, including corporate costs, and the need for continuous improvement. In this regard, we recently launched a cost improvement program, which includes targeted reductions at both Clean Earth and Rail. These efforts are anticipated to provide annual run rate benefits of $10 million to $15 million when fully realized in the second half of 2022. Any nonrecurring costs related to this program as well as our recently announced decision to move our corporate office to Philadelphia are excluded from this outlook.

Let me conclude on Slide 9 with our fourth quarter guidance. Q4 adjusted EBITDA is expected to range from $55 million to $62 million. Again, this range excludes Rail. Clean Earth is expected to see a nice improvement year-on-year as a result of integration benefits and higher volumes, including in the soil, dredged materials business line. These impacts are expected to be partially offset by inflation and investments.

Environmental EBITDA is anticipated to be similar or slightly below the prior year quarter. This guidance contemplates a negative FX impact, some contract exit costs and a less favorable services mix compared to Q4 of 2020. Sequentially, we anticipate that some seasonality will reemerge across our businesses.

And before opening the call to questions, let me again reiterate our focus on reducing leverage and strengthening free cash flow. We ended the quarter with a leverage ratio of 4.48x. Importantly, we are targeting a leverage ratio of approximately 3x at the end of 2022. This outcome would be consistent with our long-term targets and reflects our optimism about our businesses and ability to sell Rail.

Thanks, and I will now hand the call back to the operator for Q&A.

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) And your first question comes from the line of Larry Solow with CJS Securities.

Lawrence Scott Solow - *CJS Securities, Inc. - Senior Research Analyst*

Just a quick clarification, Anshooman. So essentially, the guidance for the year from continued operations basis, essentially, is -- the $248 million to $256 million, is that comparative to like a $255 million to $265 million number or somewhere around there? Am I in the right ballpark if we sort of add back what your original guidance was for Rail?

Anshooman Aga - *Harsco Corporation - Senior VP & CFO*

Yes. Just if you take the 3 segments, essentially, Environmental is unchanged. Clean Earth, as I mentioned, at the midpoint, is $5 million lower. Corporate cost, when you add back the stranded cost is a couple of million better. So overall, relatively close to our previous guidance when you exclude Rail.

Lawrence Scott Solow - *CJS Securities, Inc. - Senior Research Analyst*

Okay. And you mentioned Environmental sounds like there's no real change there. Obviously, cost pressures are sure hitting that segment as well, though it seems more focused on the Clean Earth piece. But has there been any real change in terms of your outlook in terms of demand on the Environmental side? Perhaps demand is a little bit better than you expected but impact offset by cost pressures. Is that a fair statement?

F. Nicholas Grasberger - *Harsco Corporation - Chairman, President & CEO*

Yes. Larry, it's Nick. Yes, I think that's a fair statement. The market continues to develop largely as we expected it to. The cost pressures in that business are not as acute as they are in Clean Earth or Rail, and we do have some ability through escalation clauses to recapture that inflation.

Lawrence Scott Solow - *CJS Securities, Inc. - Senior Research Analyst*

Okay. And the question on sort of the end-disposal bottlenecks, and I realize that, that's sort of the incinerator piece or the inability to incinerate some of your waste. Have you -- do you see any improvement over the last 90 days? I believe some of this waste that you guys were referring to was actually being -- was also not only being sent to incinerators but also to cement kilns who can use this waste as fuel and essentially incinerate it. So if I'm not mistaken, there was a particular customer that there was a hold out there. Has that started to improve in Q4?

F. Nicholas Grasberger - *Harsco Corporation - Chairman, President & CEO*

It has. In fact, it's gotten a good bit better. I'd say the biggest negative impact was realized in July and August. Since then, it's improved a good bit. And I think there's a lot of optimism that if not in Q4, certainly by Q1 that supply chain, if you will, should be back to its normal functioning.

Lawrence Scott Solow - *CJS Securities, Inc. - Senior Research Analyst*

Okay. And on the project side, is that -- I thought you weren't building in much on the dredging side, right, on the wet soil, if you will. It's more delays, and we're hopeful that the dredged piece does pick up as well, but I assume sort of a little push out is more -- or at least relative to your guidance was more on the dry soil or the infrastructure piece, projects and stuff. Is that what you're more referring to?

F. Nicholas Grasberger - *Harsco Corporation - Chairman, President & CEO*

Yes, that's correct as well. The dredged business actually is performing quite well. As you know, on the, as you call it, dry soil projects for us, it's generally focused in the Mid-Atlantic, New England area, and there are a few large projects that we're tracking and have good reason to believe that will be a significant processor of that material, but they've been delayed.

Operator

And your next question comes from the line of Jeff Hammond with KeyBanc Capital Markets.

Jeffrey David Hammond - *KeyBanc Capital Markets Inc., Research Division - MD & Equity Research Analyst*

Just on Rail, I wanted to get a sense of -- I know you're selling that, but just to get a sense of kind of run rate, are you -- is the growth rate in EBITDA growth about the same as what you thought before? Or is there a substantial amount pushing to 2022?

F. Nicholas Grasberger - *Harsco Corporation - Chairman, President & CEO*

Yes. I guess what I -- how I'd characterize it, Jeff, is that the near-term kind of earnings potential of that business really has not changed. But as you know, on the equipment side, it can vary from quarter-to-quarter. And I think currently, we're seeing some delays. So our view is by the time we begin to market the business that the trailing 12-month EBITDA at that time should approximate what we had been thinking.

Jeffrey David Hammond - *KeyBanc Capital Markets Inc., Research Division - MD & Equity Research Analyst*

Okay. That's helpful. And then just on Clean Earth, can you just talk about what you're doing from a pricing standpoint to kind of deal with some of the added cost and inflationary pressures?

Anshooman Aga - *Harsco Corporation - Senior VP & CFO*

Yes. So from a Clean Earth perspective, for the piece of business that doesn't have annual contracts or long-term contracts in place, we have pushed through price increases. These do depend on the category code, but we've pushed through price increases and are definitely recovering our cost for the contracts, which have annual escalations built in. As these contracts come up for the renewal, we are pushing through price increases, and those will get priced in. And as I mentioned that we expect in Q1 to have recovered from any inflation headwinds through then passing the price increases.

Jeffrey David Hammond - *KeyBanc Capital Markets Inc., Research Division - MD & Equity Research Analyst*

Okay. And then just last one. You took down your free cash flow fairly substantially. Just talk through the moving pieces to the new free cash flow guidance.

Anshooman Aga - *Harsco Corporation - Senior VP & CFO*

Yes. So keep in mind, the previous free cash flow guidance was including Rail. The new free cash flow guidance is pro forma without Rail, and the new guidance also includes 100% of the interest cost for Harsco. Having said that, in Q3, we did see some delays in projects and milestones related to rail payments. But again, the 2 guidance isn't comparable. Our Environmental business and our Clean Earth business continue to generate good cash flow.

Jeffrey David Hammond - *KeyBanc Capital Markets Inc., Research Division - MD & Equity Research Analyst*

Okay. So the vast majority of the decline is Rail, either a shortfall in 3Q or what you're pulling out for 4Q?

Anshooman Aga - *Harsco Corporation - Senior VP & CFO*

That's correct. It's some slowdown in payments that are on our balance sheet as working capital and then also stripping out Rail for the year.

Operator

And your next question comes from the line of Rob Brown with Lake Street Capital.

Robert Duncan Brown - *Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst*

On the Environmental business, just wanted to get your view on kind of the growth rate that, that business should see over the next year or 2. And I think you mentioned pretty positive guidance. How do you view the margin in that business getting to in terms of EBITDA margin?

F. Nicholas Grasberger - *Harsco Corporation - Chairman, President & CEO*

Yes. So from a top line perspective, let's really focus on volume, we're looking at 3% to 5% top line growth in that business balanced between the mill services contracts and our ability to continue to expand the volume growth in our eco-products.

The EBITDA margins, I think, are pretty close to being all-time highs, but we would expect to continue to see margin expansion in that business through 2022. The mix should improve as we sell more eco-products relative to the mill service business. But again, I think the -- as I've indicated before, and I think you're aware that the best way to look at the business is really EBITDA minus kind of maintenance CapEx in terms of a margin. So if you look at the capital that we'll spend next year for maintenance as well as for renewal of existing contracts, subtract that from EBITDA and look at the margin, that should expand 1 to 2 points next year.

Robert Duncan Brown - *Lake Street Capital Markets, LLC, Research Division - Senior Research Analyst*

Okay. Great. And then on the Clean Earth business, maybe just a little bit more about the constraints in the hazardous waste processing. Is that something that you have control over? Or is it really just something that you're waiting for the market to loosen, which you've indicated it is? But just help me understand the things you can do there. Or is it just waiting for the supply chain to open up?

F. Nicholas Grasberger - *Harsco Corporation - Chairman, President & CEO*

Well, the vast majority, 80% to 90% of the material that we process in Clean Earth hazardous waste is either recycled or repurposed. The remainder does need to go to either a landfill or an incinerator. For that portion that goes to incineration, there have been capacity constraints at those facilities where we ship our material. Now that was a combination of a number of different factors that led to that situation. And as I indicated, that constraint was really at its peak in July and August, and it's getting better. Facilities are reopening that were closed for maintenance. New capacity is coming online and so forth. So we really do believe that situation to get better here in Q4 and certainly be behind us in Q1. And we estimate that on the industrial hazardous waste that we process, that incineration capacity challenge affected revenue by about 2 percentage points or $1 million to $2 million of EBITDA.

Operator

And your next question comes from the line of Brian Butler with Stifel.

Brian Joseph Butler - *Stifel, Nicolaus & Company, Incorporated, Research Division - Research Analyst*

Just kind of on that disposal, you said it was about $1 million to $2 million of EBITDA. When you think of the other issues being the labor, could you maybe give some quantification on kind of what the labor headwind was in 3Q and how to think about that in the 4Q into -- and then into 2022?

Anshooman Aga - *Harsco Corporation - Senior VP & CFO*

Our bigger headwind from a cost perspective was the containers and transportation. Labor as such, we've had some issues as the whole industry in terms of drivers. We've made some positive progress over the third quarter in that, but the big cost issue for us was the steel containers where we've seen the cost of the containers go up significantly over the last few months.

Brian Joseph Butler - *Stifel, Nicolaus & Company, Incorporated, Research Division - Research Analyst*

And how much of the headwind was that maybe on EBITDA margin in the quarter?

Anshooman Aga - *Harsco Corporation - Senior VP & CFO*

$2 million to $3 million on the containers and some of the transportation stuff.

Brian Joseph Butler - *Stifel, Nicolaus & Company, Incorporated, Research Division - Research Analyst*

And is that improving in the fourth quarter like some of the other items like disposal? Or is that continuing?

Anshooman Aga - *Harsco Corporation - Senior VP & CFO*

The price is continuing, but keep in mind, we're pushing through price increases to our customers to offset the higher inflation.

Brian Joseph Butler - *Stifel, Nicolaus & Company, Incorporated, Research Division - Research Analyst*

Okay. And then a follow-up question just on -- can you talk maybe about some of the possible potential impact from China's rolling blackout on the steel business and/or how that kind of maybe trickles on to other parts of your business?

F. Nicholas Grasberger - *Harsco Corporation - Chairman, President & CEO*

Yes. Brian, we're fortunate in that the few mills that we service in China, where we have quite sizable and long-term contracts, have achieved what's called in China AAA certification from an environmental standpoint. And what that means is that they will be much less subject to some of those closure of the temporary risks that other mills will be subject to. So we really do not expect there to be a significant issue in our China business through the winter months by these rolling blackouts.

Brian Joseph Butler - *Stifel, Nicolaus & Company, Incorporated, Research Division - Research Analyst*

Okay. And then one last one just on the financials. Do you have a year-to-date free cash flow, excluding the Rail business?

Anshooman Aga - *Harsco Corporation - Senior VP & CFO*

Yes, that's $6 million, and that includes 100% of the interest costs.

Brian Joseph Butler - *Stifel, Nicolaus & Company, Incorporated, Research Division - Research Analyst*

So $6 million, so your forecast for the third quarter is negative 1 to a positive $14 million. Is that the right way to think about it?

Anshooman Aga - *Harsco Corporation - Senior VP & CFO*

That's correct. That's basically 0 to $9 million positive to get to the $5 million to $15 million.

Operator

(Operator Instructions) Your next question comes from the line of Chris Howe with Barrington Research.

Huang Howe - *Barrington Research Associates, Inc., Research Division - Senior Investment Analyst & Research Analyst*

I wanted to, first off, talk about the applied products, your expectations as we head into fiscal year 2022. I was thinking of this in the context of some of your recent announcements surrounding sustainable asphalt products, what you've been doing, your work in the U.K. and what your thoughts are on applied products overall and what the potential is for the SteelPhalt business.

F. Nicholas Grasberger - *Harsco Corporation - Chairman, President & CEO*

Well, it's a very good question, and I'm glad you raised it because it's a component of our business that we're very excited about, both in terms of its revenue and profit potential as well as, of course, the benefits that such products provide to the environment, which, as you know, is what we're primarily focused on. You're correct with respect to the asphalt business in the U.K. We had, for years, had a single facility that really generated the benefits that I just mentioned as well as quite good margins.

And we're now -- one of our many initiatives in eco-products is to understand other geographies where the requirements would be satisfied to build new facilities. And so there are 3 that we've identified that we will be gaining the permits and beginning construction of in 2022. But that's a part of the business that if you look at the return on capital and the consistency of that product with our environmental goals is aligned very, very nicely.

There are other similar initiatives around salt cakes in the aluminum industry and the ability of our AluSalt technology to process those salt cakes. Our new full-scale facility in Bahrain is up and running in achieving all of our milestones, and now customers, potential customers are able to visit a full-scale operation that's performing quite well as opposed to what had been just a single pilot plant in the U.K. There's a lot of optimism around our AluSalt technology as well.

So those are just 2. But I really believe that over the next year, 2, 3, you will see from a mix standpoint, revenue mix standpoint, that shifting for us more and more towards eco-products relative to the core mill services, although, of course, they are closely linked.

Huang Howe - *Barrington Research Associates, Inc., Research Division - Senior Investment Analyst & Research Analyst*

And one follow-up. It seems like over the course of fiscal year 2022, there's going to be room for additional capital priorities as we consider the formal process that's undergoing for Rail. Not talking about that specifically, but can you kind of outline how you see capital priorities for the business, if we think about the growth opportunities here in applied products or other opportunities that you see across the business?

F. Nicholas Grasberger - *Harsco Corporation - Chairman, President & CEO*

Well, as Anshooman mentioned, and of course, we're very aligned on this, that the priority in 2022 will be free cash flow generation and reducing our leverage. And at the same time, we expect the operational performance of both Harsco Environmental and Clean Earth to be quite strong. So we're really looking forward to a strong cash flow year. And together with the proceeds from the divestiture of Rail, getting our balance sheet where we'd like it to be at around 3x levered. Now there are, I'm happy to say, very attractive capital opportunities, investment opportunities for growth in both HE and in Clean Earth. But those in 2022 will likely be secondary to the balance sheet.

Huang Howe - *Barrington Research Associates, Inc., Research Division - Senior Investment Analyst & Research Analyst*

Okay. And if I may squeeze one more in here really quickly, apologies. The infrastructure program as it relates to Rail, with the sale process undergoing, how should we think about the inclusion or exclusion of that program as we consider the timing of that formal process?

F. Nicholas Grasberger - *Harsco Corporation - Chairman, President & CEO*

Well, in the short term, there are a handful of projects with customers that are somewhat dependent upon clarity around the infrastructure bill, both in terms of what's included and also kind of the timing. And that's part of our commentary around some of the pushouts in revenue and profit on the equipment side of that business. Clearly, in the medium to longer term, there are components of the infrastructure bill that would be very attractive to many of our customers and we believe will ultimately flow to a higher revenue between us and those customers. But between now and when the sale process commences and, let's say, is completed, we expect with the passage of the bill, that handful of related projects to be realized in revenue.

Operator

And you do have a follow-up question from the line of Larry Solow with CJS Securities.

Lawrence Scott Solow - *CJS Securities, Inc. - Senior Research Analyst*

Actually, most of my questions were answered there. But along the lines of the sort of sustainable stuff, I think you also announced a little JV with Magsort, I guess, on sort of a new process for steel slag. Is that something that over time could move the needle?

F. Nicholas Grasberger - *Harsco Corporation - Chairman, President & CEO*

Yes, we think so. Of course, it's a $1 billion business or so and so moving the needle. It's a technology that allows us to improve the metal recovery from the slag that we process for our customers, and it's a technology that provides a much better return on investments. It's probably more applicable to new contracts or contracts where existing technology needs to be replaced. So it's significant in that it's a very sound environmental solution with a good return. But I would expect its adoption and rollout to be over the next 2 or 3 years.

Lawrence Scott Solow - *CJS Securities, Inc. - Senior Research Analyst*

Got you. And then, Nick, just what have you. Just last question or thoughts just on the timing of a potential sale of the Rail business. Do you think it could be a little bit of a challenge considering that the business has sort of underperformed the last couple of years? Maybe perhaps, it would be wiser just thinking out loud to have a couple of quarters under your belt where the business is performing and more in line with expectations and in its growth trajectory. Or -- and obviously, I'm not privy to your conversations. I don't expect you to discuss them in a public forum. But I'm just curious if the recent performance in the Rail business could potentially push out or impact an inevitable sale of the business.

F. Nicholas Grasberger - *Harsco Corporation - Chairman, President & CEO*

Yes. Well, it's a good question, of course. It's something that we've thought a good bit about. We do believe that the underperformance in the Rail business is really driven by the market challenges that much of those we expect to diminish here over the next few quarters. We also, of course, have to balance the outlook for the business and the expected proceeds of a divestiture against the need to bring our balance sheet to where we'd like it to be and also to move ahead with our corporate strategy that we adopted 2 years ago to become a single thesis environmental solutions company. So balancing all of those items, we obviously have decided that we need to commit to divesting the business in the first half of next year, and we do believe that we will get good value for the business.

Operator

And at this time, there are no more audio questions. We'll now turn the call back over to Mr. Martin for closing remarks.

David Scott Martin - *Harsco Corporation - Director of IR*

Thank you for joining the call. Please feel free to contact me with any follow-up questions you may have. As always, we appreciate your interest in Harsco and look forward to speaking with you in the near future. Have a great day.

Operator

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