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PRESENTATION

Operator

Good morning. My name is Mary, and I will be your conference facilitator. At this time, I would like to welcome everyone to the Harsco Corporation Fourth Quarter Earnings Release Conference Call. (Operator Instructions) Also, this telephone conference presentation and accompanying webcast made on behalf of Harsco Corporation are subject to copyright by Harsco Corporation and all rights are reserved. Harsco Corporation will be recording this teleconference. No other recordings or redistributions of this telephone conference by any other party are permitted without the expressed written consent of Harsco Corporation. Your participation indicates your agreement.

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

David Scott Martin - *Harsco Corporation - Vice President of IR*

Thank you, Mary, and welcome to everyone joining us this morning. I'm Dave Martin from Harsco. With me today is Nick Grasberger, our Chairman and Chief Executive Officer; and Pete Minan, Harsco's Senior Vice President and CFO.

This morning, we will discuss our results for the fourth quarter of 2018 and our outlook for 2019. We will then take your questions. Before our presentation, however, let me highlight a few items. First, the PDF of our earnings release as well as the slide presentation for the call have been posted to our website. Second, this call is being recorded and webcast. A replay will be available on our website later today. Thirdly, we'll make statements 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 those forward-looking statements. For a discussion of such risks and uncertainties, see the Risk Factors section in our most recent 10-K. The company undertakes no obligation to revise or update any forward-looking statement. Fourth, on our 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 our earnings release as well as the slide presentation.

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

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

Good morning, everyone, and thanks for joining us. I will start with a brief summary of 2018 and then share my perspective on this year and beyond. We finished the year on a positive note and overall 2018 marked yet another year of Harsco delivering strong improvements in our financial results. Our full year results were solid across the portfolio, and we expect to again post double-digit profit growth this year, as reflected in our guidance. Importantly, each segment contributed to the better results, highlighting the consistency across our portfolio and the progress we have made on our objective to drive more of a balanced performance.

Our adjusted operating income increased about 25% for the year on revenue that was up 7%. Our operating margins increased 150 basis points to 11%, with each of our segments realizing double-digit operating margins. And perhaps most importantly, return on capital was up nearly 5 points to 16%. We also ended the year with a strong balance sheet, providing us the flexibility to continue executing against our growth strategy of returning capital to shareholders as we did in the fourth quarter.

Our largest segment, Metals & Minerals, profits grew for the third consecutive year. We continue to make significant investments in people and technology, as we expand our portfolio of new innovations in response to customer needs. More than ever before, our customers are seeking solutions to become more efficient, environmentally responsible. As a result, there is a growing recognition and demand for M&M's services as environmental solutions.

2018 renewals and new wins were awarded to M&M at approximately 40 sites. In the fourth quarter, we saw an acceleration in the number of wins for M&M, some of which are yet to be publicly announced. We are also realizing positive results with Altek, which was acquired last May. M&M's first acquisition in more than a decade has further strengthened Harsco's environmental solutions platform, serving the global aluminum space. We are encouraged by the progress we have made thus far and expect to further scale this offering.

It's clear the industry sees the AluSalt technology as a novel solution to manage and efficiently extract value from critical byproducts, reduce waste and improve operating productivity. Overall, our performance at M&M is a result of proven execution, the building of a pipeline of growth opportunities, and in parallel, creating a new growth strategy focused on our suites of environmental solutions.

Our Industrial segment, we experienced our second consecutive year of strong growth, driven by improved demand for all 3 of our major product lines. Profit was up over 50% and margins were up nearly 300 basis points to 15%, largely due to the improved competitive positions of Air-X-Changers and IKG, increased demand in the energy space and a more favorable product mix.

Based on feedback from our customers at Industrial, our confidence in the continued strong market environment for the year ahead remains high. Our confidence is further supported by a very healthy order book and a record backlog. We believe this record backlog positions us well to weather any potential short-term corrections of volatility in the energy markets, and furthermore our market exposures are more diverse than in prior years and oil has already rebounded into the middle to upper $50 range.

At Harsco Rail, profit was up 15% and margins were up 250 basis points to about 14%. Importantly, we have built a significant backlog for 2019 delivery and expect this year to be a breakout year for the business with strong double-digit profit growth. During the second half of last year, Rail also experienced an acceleration of contracts, including with the New York Metropolitan Transit Authority, the government of Singapore and the Washington Metro Area Transit Authority. Over the past couple of years, Rail has also strengthened its manufacturing capabilities. And more recently, we have decided to expand our South Carolina facility and consolidate substantially all of our domestic production into this facility. This should be completed around mid-year and will provide significant benefits beyond that point.

Overall, we are seeing meaningful growth opportunities in both the North American market and overseas and across all segments of the business, equipment, aftermarket and safety and diagnostic solutions. We also expect to benefit from several major new product launches in 2019. So without question, the outlook for our Rail business has never been brighter.

In summary, then, we continue to experience the benefits of our transformation efforts over the past few years and these will continue to drive our growth in 2019. On a consolidated basis, our outlook for the year is consistent with our commentary provided several months ago despite weaker commodity prices and foreign exchange rate impacts.

Looking further ahead, I'm very optimistic about our future. We are performing ahead of our long-range plan and the 2021 targets we communicated early last year. Furthermore, I believe, we have a compelling strategy and the right team in place to create significant value for our shareholders. So with that said, we are raising our outlook for 2021 to $2.5 billion of revenue and more than $500 million of EBITDA.

I'll now turn the call over to Pete.

Peter Francis Minan - *Harsco Corporation - Senior VP & CFO*

Thanks, Nick, and good morning, everybody. So let me start with a consolidated summary for the quarter on Slide 4. Harsco's adjusted operating income in the fourth quarter was $41 million, which was in the middle of our guidance range, and this total represented an increase from operating income of $39 million in the fourth quarter of 2017.

Each of our businesses delivered a strong performance in the quarter, including year-on-year margin improvement, despite the impact from slight commodity headwinds toward the end of the quarter.

Harsco's revenues totaled $437 million in Q4. And if you exclude our zero margin sales to SBB, revenues increased 5% year-on-year. Our growth was most pronounced in our Industrial segment, where revenues increased 29% due to the continued strength within our heat exchanger business. Foreign exchange translation was a modest headwind in the quarter. It reduced revenues by $14 million and operating income by just over $1 million compared with last year's quarter.

Earnings relative to the fourth quarter of 2017 increased significantly for both the Metals & Minerals and Industrial segments. For Rail, adjusted operating income declined from a very strong Q4 2017 as anticipated. However, as Nick highlight a few minutes ago, we are experiencing very meaningful growth opportunities in Rail and our optimism about Rail segment has never been stronger.

Our adjusted earnings per share was $0.33, representing a 65% increase versus last year's quarter. This result exceeded our guidance range of $0.26 to $0.31, due mainly to new tax reform details and the true up of our effective tax rate for the year.

There were a few unusual items in the quarter. First, we had a positive amendment to our provisional deferred tax asset adjustment linked to U.S. tax reform. And secondly, as was the case last quarter, we had a purchase accounting adjustment related to the Altek earn out. The final unusual item is the result of our latest productivity improvement actions of Harsco Rail, where as Nick said, we decided to invest in and consolidate production at our Columbia, South Carolina operations. This change will better enable us to serve customers and will generate annualized operating income benefits of $7 million once the move is fully implemented in the second half of this year. The Q4 costs related to this decision totaled $600,000. Total project costs, including capital expenditures and severance, will be approximately $10 million. And the P&L impacted from this action, approximately $4 million to $5 million, will mostly impact first half of 2019.

Lastly, on this slide, free cash flow in the quarter reached $60 million, essentially unchanged from the fourth quarter of 2017. Consistent with our commitment to return value to shareholders, during the quarter, we used $30 million of our cash to repurchase roughly 1.3 million Harsco shares in the open market as part of our $75 million repurchase program, which we announced earlier in 2018. Our buyback activity was most pronounced during the most volatile periods in the quarter, underscoring our confidence in the positive outlook for Harsco and the strength of our strategic initiatives, that we believe will drive further earnings growth. We used our remaining free cash flow in Q4 to reduce our leverage, and we ended the year with a leverage ratio of 1.7x and total liquidity of over $470 million.

So please turn to Slide 5 in our Metals & Minerals segment. M&M revenues in the fourth quarter increased 5% after foreign exchange translation headwinds, which I mentioned earlier. The revenue increase resulted from higher service levels and the inclusion of Altek. Steel output at our customer sites was 2% higher than the prior year quarter on a same site basis. The 5% top line increase led to a 17% increase in adjusted operating income. In addition to higher services demand, M&M benefited from increased contributions from new contracts as well as from our Reed Minerals and metal additives business. These positives were partially offset by our planned growth investments included in SG&A and also foreign exchange translation impacts. Lastly, M&M's adjusted operating income margin rose 100 basis points and reached 9.6% during the fourth quarter, which is typically a week seasonal quarter for the business.

Let's turn to Industrial on Slide 6. Revenues increased 28% for the segment versus the comparable period in 2017 and operating income rose 35%. Increased demand mainly for air-cooled heat exchangers and higher product pricing accounted for the revenue change. In addition to improved volumes, the segment's earnings also benefited from a better revenue mix, which was mainly related to some specific project work within our industrial grading operation. As a result, the segment's consolidated operating income margin increased 60 basis points to 13.4% in the fourth quarter.

Lastly, let me comment on backlog. The Industrial segment ended the year with backlog of $209 million, nearly all of this total relates to our Air-X-Changers business, which generated revenues of just over $200 million for the full year in 2018. Quarter-on-quarter, sequentially, our Industrial backlog increased nearly 10%, and our bookings rose approximately 50% year-on-year in Q4. These trends are very positive, given our view that some customer orders have been accelerated into the third quarter and given the volatility of late in energy prices. It's also worth noting that these trends reflect a recent and positive inflection in orders and business activity for our legacy Hammco business, which is traditionally exposed to downstream markets. Hammco orders in Q4 were the highest since we acquired it in 2014. And as a result, this business is projected to be a major contributor to the segment's growth in 2019.

Next, please turn to Slide 7 on our Rail segment. Rail had a very solid quarter. Revenues and adjusted operating income did decline year-on-year, but this was expected and reflects the comparison to an extremely strong 2017 quarter. You'll recall that Rail's best quarter in 2018 was the third quarter, and while in 2017, it was the fourth. Revenues from SBB totaled $4 million this quarter as compared with $42 million in the prior year quarter. The change in earnings is attributed to international equipment volumes and incremental engineering and development costs. And these impacts were partially offset by higher contributions from aftermarket parts and from Protran Technology. Lastly, as I alluded to earlier, the underlying business activity and outlook for Harsco Rail continues to strengthen. We ended the year with backlog of $232 million, excluding SBB amounts. This total rose more than 30% in the fourth quarter sequentially and represents an increase of over 120% relative to year-end 2017.

So turning to Slide 8, which is a high-level summary of our full year 2018 results. What I'd like to highlight here is that the 7% revenue increase led to a 24% increase in adjusted operating income. Incremental margins on this revenue change were roughly 30% as a result. Each business contributed to the improvement and each again realized double-digit margins for the year. Meanwhile, our adjusted 2018 earnings per share increased 77% compared with 2017. Overall, these growth and improvement statistics for 2018 are very similar to the figures we presented a year ago with our 2017 results relative to 2016. These positive trends reflect our continued momentum against our strategic actions, including our work towards our long-term 2021 financial targets that we introduced towards the beginning of 2018 and which are positioning Harsco for long-term stability and growth.

To emphasize what Nick said earlier, we think Harsco's best years are still ahead of us, and our earnings potential, as we execute against our growth strategy, is far greater even than our recent results. As Nick briefly highlighted, our Industrial and Rail businesses continue to target new markets and gain market share. Each also continues to introduce new innovations or products within their markets, and we expect more innovations in the year ahead, particularly in Rail.

And in M&M, our site portfolio remains strong and our execution against our growth initiatives continues to accelerate. To illustrate, as Nick said, M&M signed 28 renewals and 12 new contracts during 2018. You may have seen press releases on a number of these wins. These totals are a substantial increase over 2017 and the benefits of these new contracts will increase as 2019 progresses.

Turning to our summary 2019 outlook on Slide 9. First, we expect double-digit revenue growth for the entire company. Second, operating income for the year is projected to be between $200 million and $220 million, an improvement of over 12% versus 2018 at the guidance midpoint. Our overall margins are expected to be comparable to or slightly better than 2018. And further margin improvement will be somewhat limited by SG&A investments linked to growth in M&M and Rail, which will total approximately $9 million and R&D spending in Rail connected with new product development, which is expected to be between $5 million and $10 million. The benefits of these investments will materialize later in 2019 and certainly in 2020. And we expect our incremental margins to normalize as this occurs.

Next, we're expecting adjusted earnings per share of between $1.29 and $1.47. This range assumes our effective tax rate and interest expense will rise modestly compared with 2018. Also, the range reflects that pension expense will be a $9 million headwind versus 2018. Furthermore, the guidance range does not reflect any stock repurchases which may occur. Free cash flow is anticipated to be between $50 million and $70 million, and any change in free cash flow versus 2018 is expected to be the result of higher growth-oriented spending in Metals.

Our net CapEx spending is anticipated to be between a range of $170 million and $180 million, including growth spending of approximately $80 million. Our free cash flow before growth CapEx, as a result, is expected to increase to $130 million to $150 million versus $104 million in 2018. Any excess cash flow beyond buybacks and any acquisitions this year will be used to further strengthen our balance sheet. We expect our leverage ratio to be at 1.5x or better at year-end 2019 in this context.

Slide 10 provides high-level details that support our outlook for each business unit. Starting with Metals & Minerals, we expect adjusted operating income to increase high single digits at the midpoint of our guidance. Customer steel output is anticipated to increase 3% to 4% on a continuing site basis. We assume the commodity price changes will have a slight headwind to earnings for the year relative to 2018. We also expect Metals' operating income to benefit from new sites and contracts to the tune of $5 million to $10 million, and this positive net impact will grow as the year progresses. These positives will be partially offset by less favorable mix of services, additional SG&A investments to support growth and foreign exchange translation.

For Industrial, we project high-teens revenue growth. Each underlying business within the segment is expected to see double-digit top line growth. And as I mentioned earlier, the anticipated growth for Air-X-Changers will be more weighted toward Hammco products in 2019. Earnings growth for Industrial is expected to outpace the revenue change, with roughly a 20% increase expected at the guidance midpoint. This change reflects that earnings and margins will be somewhat impacted by a less favorable mix as well as higher commissions and health care costs.

In our Rail segment, revenues are projected to increase roughly 30% and our earnings growth should be similar. Product line growth is expected to range from 15% for aftermarket parts to over 50% for our Protran Technology business. Equipment sales growth will be meaningful and our overall equipment sales are expected to exceed aftermarket revenues for the year. The improvement will be broad-based geographically as well, although a bit more pronounced in North American market. Also, as I mentioned earlier, we anticipate nearly $4 million of benefits from facility consolidation actions this year, as I mentioned earlier.

These positives will be partially offset by R&D and SG&A investments of just over $10 million and lower contracting services earnings. Also, our Rail margins will be impacted by a less favorable mix. And for Corporate, costs are projected to increase $3 million to $5 million, mainly due to growth investments and professional fees.

My last topic I'll mention here is phasing. We do expect the earnings will be higher in the second half of this year as was the case in 2017 and 2018. This year, the second half improvements will be largely attributable to Rail and the ramp up of growth in M&M.

So let me conclude with our first quarter guidance on Slide 11. In the first quarter, we expect operating income to be between $36 million and $43 million as compared with adjusted operating income of $37 million in the first quarter of 2018. Among our segments, Industrial and Rail are projected to see earnings improvement. And these benefits will mostly offset by higher Corporate costs and modestly lower M&M results. In M&M, the impacts of foreign exchange translation, lower commodity prices and investments will contribute to lower earnings relative to the prior year quarter. These items should be less impactful in future quarters.

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

QUESTIONS AND ANSWERS

Operator

(Operator Instructions) Your first question is from the line of Rob Brown from Lake Street Capital Markets.

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

First, on the Rail segment, you gave some color on the growth drivers there, it sounds like a pretty bullish outlook, but just wondering some of the drivers in terms of -- is it new products? Is it a market uplift? Is it -- just maybe some color on what's driving that pretty solid growth there?

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

It's a number of things, Rob. I'll start with a rebound in the core North American market, where we have our leadership position. So that's the major driver. We also -- as noted, we'll be introducing a number of new products. We've had -- and some relatively new markets for us, some significant wins, both in North American Metro as well as in Southeast Asia. We expect China to continue to be strong and probably strengthen further. And the aftermarket and technology businesses also given new products and further geographic penetration, we expect to be significant contributors to the growth in the next 2 years.

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

Okay, okay. Good. And then on the Industrial side, you talked about a pretty strong uptick in order growth in the fourth quarter, I guess, surprising given the price volatility. But maybe some further color on the order book there and how you see sort of the oil price volatility impacting it, I guess, you had. So maybe some further color on what's driving the order book there?

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

Yes. Well, no question, we are impacted by the volatility of the price of oil. As Pete and I both mentioned, we've done a nice job, further penetrating the downstream segment of the market. We've also, I think, picked up some healthy market share in the core Air-X-Changers business, given some of our operational metrics that have improved a good bit. But -- so I -- as noted, I think, we feel very confident in delivering the guidance for the full year, much of it is already in backlog.

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

Okay, good. I guess, the third question is sort of a big picture on your environmental solutions strategy. I guess, as you today, is that, I guess, maybe there's some sense on the mix of new products versus acquisitions and how you view that growth driver there?

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

Well, first of all, between 2/3 and 75% of what we do today for customers on their sites in M&M is really an environmental service. And I think there's been a greater recognition of that. And when you couple that with what's driving the strategies of our customers, it's a very good fit, and certainly we expect to serve us well over the next 2 years. With that said, really all of our -- vast majority of our innovation that's either been introduced or is in a pipeline is related to environmental solutions. So I think that will continue to drive our business relative to competition. We also, as you know, have a very strong market position in India and China, where there's an awful lot of organic growth opportunity. And -- so I think really all of those together, I think, will support quite strong growth in M&M over the next 2 or 3 years.

Operator

Your next question is from the line of Jeff Hammond from KeyBanc.

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

Can you hear me?

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

Yes.

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

Okay. Just on -- I wanted to kind of unpack the growth in Metals. It looks like -- I think, you'd been saying, kind of, 10% growth, now mid to high. And can you just talk about how much Altek contributes? I think, you said 3% to 4% for the LSTs and then what we can expect from new contracts versus exits?

Peter Francis Minan - *Harsco Corporation - Senior VP & CFO*

Jeff, it's Pete. Thanks for your question. Yes, so first with respect to Altek, I mean, we see Altek incrementally contributing about $25 million or more in terms of top line growth for us in 2019. The new contracts is -- actually we're expecting to add about $20 million of revenue. The contract churn -- the net contract change, Jeff, showed about $20 million to the top line and between $5 million and $10 million to operating income. Again, when you look at that is kind of looking at the trends over the last few years from a net contract change: in 2016, it was a net fairly large negative; 2017, very small negative; 2018, positive; about $3 million or $4 million. We continue to see that trend moving in the right direction, as I just mentioned. Those are the big drivers. You do recall that there's an FX headwind, a pretty substantive one for us. We're seeing about a $30 million top line year-on-year headwind 2019 versus '18 for revenue, which is going to translate also into about a $3 million operating income headwind, Jeff.

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

Okay. So I guess, what's the change versus like the 10% before. Are you ultimately exiting more contracts than you had previously thought because I thought the, kind of, new contract win number was like $50 million to $70 million?

Peter Francis Minan - *Harsco Corporation - Senior VP & CFO*

Yes, it's largely a question of ramp-ups. It's just the ramp-up has slowed a little bit from what we had thought about a year ago. So there are there -- the contracts are there. It's really question of when the timing of their start date occurs in terms of revenue-generating activity, which is, in some respects, a little bit pushed from where it was about this time last year. But in terms of visibility, the number of contracts signed, the number of contracts very close to signing is actually quite a bit larger. So it's something we're going to see accelerate pretty quickly starting in 2019, Jeff.

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

Okay. So yes, speaking of that, so if those kind of ramp a little bit slower and then it looks like you're increasing your growth CapEx, which speaks to the visibility. I mean, maybe just speak to the set up into '20, I know we're kind of early in '19, but it just seems like there's good visibility for continued growth into '20 for Metals, just given all those new wins?

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

Yes, I think that's right, Jeff. We're fairly confident at this point given the pipeline and the underlying fundamentals of the market that we will reach the 10% double-digit top line growth in M&M in 2020.

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

Okay. And then just -- can we go through the buckets again of kind of -- so incremental investment spend is $9 million and incremental R&D is $5 million to $10 million. Is that the right way to think about it in that math some of the -- otherwise good underlying incrementals?

Peter Francis Minan - *Harsco Corporation - Senior VP & CFO*

Yes, that's right, Jeff.

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

Okay. So -- and remind me what the total spend was in Metals in '18?

Peter Francis Minan - *Harsco Corporation - Senior VP & CFO*

It was just about $10 million in total. So this -- that number I just quoted to you, Jeff, is both M&M and Rail. So there's incremental spend. It's not as great as the amount that we spent in 2018 in Metals. It's coming down, but it's still incremental to 2018.

Operator

(Operator Instructions) Your next question is from the line of Chris Sakai of Singular Research.

Christopher J. Sakai

Just wanted to see if you could shed some color on, I guess, your number of contract or contract growth and that's in China? And over the last month, you guys had a new -- or entered into a new contract with HBIS. Just wanted to see going forward if you could let us know about anything in the growth you see there?

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

Yes, I think it's looked at on a geographic basis. We expect higher growth in China over the next 2 or 3 years than in any other market based on the pipeline that we have today and the investments that we've made in people largely, followed by India, then I would say. So the outlook for China, even if the steelmaking output in China begins to slow, that really shouldn't affect us because of the significant opportunity to further penetrate the market.

Christopher J. Sakai

Okay. Great. And just so I understand for Rail, for the contracts with SBB, so what exactly happened there. I mean, did you guys -- did they end? And is that what recently has happened to the decrease?

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

Yes. Well, there are 2 contracts that were awarded several years ago. The first contract has largely been delivered against, 95-plus percent of that contract has been completed. We are maybe 1/3 of the way through if that the second contract. And so I think Pete shared with you some of the phasing of the revenues on that.

Peter Francis Minan - *Harsco Corporation - Senior VP & CFO*

Yes, Chris, I think -- this is Pete. I think you're asking about perhaps the revenue change and it's really just the way the accounting works. It's percentage of completion accounting. As Nick said, the first contract is largely complete. In fact, it is essentially complete. So the revenue that we've already recorded in the past, that's done on that one. So going forward, we'll be recording about $20 million of revenue this year and maybe another

$20 million in the following year. That's all at zero margin because it's a loss contract that we recorded a few years ago. So there is no incremental margin associated with that revenue.

Christopher J. Sakai

Okay. And then as far as continued contracts, are there going to be continuing contracts from -- with the Federal Railway of Switzerland?

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

I think the opportunity beyond these 2 contracts is -- will be the aftermarket parts that we supply to the railway, which we expect to be at healthy margins and will be a nice component of the growth -- profit growth in the Rail business over the next few years.

Operator

(Operator Instructions) There are no further questions. I turn the call back over to Mr. Dave Martin.

David Scott Martin - *Harsco Corporation - Vice President of IR*

Thanks, Mary, and thank you, everyone, for joining us today. A replay of this call will be available through March 8 and the replay details are included in our release. Also, please contact me with any follow-up questions. And as always, we appreciate your interest in Harsco and look forward to speaking with you again in a few months. Have a great day.

Operator

This concludes today's conference call. Thank you all for joining. You may now disconnect.
