

Final Transcript

CENTURY ALUMINUM COMPANY: 1st Quarter 2019 Earnings

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SPEAKERS

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Peter Trpkovski - Investor Relations

ANALYSTS

Jeremy Kliewer - Deutsche Bank
David Gagliano - BMO capital Markets
Lucas Pipes - B. Riley FBR

PRESENTATION

Moderator

Ladies and gentlemen, thank you for standing by. Welcome to the First Quarter 2019 Earnings call. [Operator instructions]. And as a reminder, the conference is being recorded.

And I'll now turn the conference over to our host Peter Trpkovski. Please go ahead, sir.

P. Trpkovski Thank you, Laurie. Good afternoon everyone and welcome to the conference call. I'm joined today by Mike Bless, Century's President and Chief Executive Officer; Craig Conti, Executive Vice President and Chief Financial Officer; and Shelly Harrison, Senior Vice President of Finance and Treasurer. After our prepared comments, we'll take your questions.

As a quick reminder, today's presentation is available on our website, www.centuryaluminum.com. We use our website as a means of disclosing material information about the company and for complying with Regulation FD.

Turning to slide 1, please take a moment to review the cautionary statement shown here with respect to forward-looking statements and non-GAAP financial measures contained in today's discussion.

With that, I'll hand the call to Mike.

M. Bless Thanks Pete, and thanks to all of you for joining us again late this afternoon. We always do appreciate it. If you'd turn to slide three please, I'll just give you a quick overview of the last couple months.

In just a couple of minutes Pete will give you some data as he normally does on the industry fundamentals, but let me just make a couple points here to set some context for the rest of my comments. It goes without saying, we've been operating in a reasonably uncertain environment over the last couple months since we talked to you. And consistent through with the recent data that we've all seen over the last couple weeks, our actual trading environment in the US and our markets continues to look good, both current and perspective.

That having been said, we continue to believe the metal price is going to be somewhat range bound here until investors get better direction on the various obvious macro issues that are overhanging us.

Importantly the alumina prices eased as we expected. As we've been saying, the market's been really well supplied since at least the latter part of 2018. Over the last month or two we've even seen an increasing number of available for sale cargoes looking for homes.

You've all noted the resent favorable developments regarding the Alunorte refinery in Brazil and we're confident we'll see a further price

reaction once final approval was received and a restart plan is understood by the market.

At that point the aluminum market, especially in the Atlantic basin will be meaningfully physically long, and as you know there is new production set to come online later this year around the world. Bottom line, we continue to see the alumina price at or below historical norms in the reasonably near term future.

Moving along, we had really good performance with the operations during the last few months, we are really proud of our operations books. I'll give you some detail in just a couple of minutes, but at a high level safety was really good. All the operations are stable and quiet with good production metrics and efficiencies, and we had a really strong performance on controllable costs.

We are really pleased to report that the last of the three curtailed potlines at Hawesville is now fully online, that happened a couple of months ago. This complex project was completed in just under a year, that's a bit ahead of schedule. As you know it also included some capital projects to renew

equipment in some of the support departments and the total project as we said has come in on budget.

The new cell design, the new technology that we've been talking to you about continues to perform above our expectations. We have some real industry veterans that have been helping us lead the restart process here as we've been moving up and down the potlines and these guys report that they've never seen cells start up and reach stability as quickly and easily and these have done. The efficiencies have been better than we've modeled. High purity production has been really strong and all this is really exciting for the future of this plant.

As we've planned, we are now turning our attention to rebuilding the two lines that have been continuously operating here for years and years. These cells as we've told you are way past their useful life. As planned, we have now taken down one of those two and are in the early stages of rebuilding it. We'll continue to run that last line as close as possible to full production until about the end of the year. At that time a line that we're now rebuilding will be nearly back in operations and then we'll take down that last line and rebuild it and then the plant will be at full

production. And all of this is consistent with the production forecast that Craig gave you a couple months ago.

Then we'll turn our attention to the last phase of the technology upgrade, the second half of the technology upgrade that we describe to you. As a reminder, this is enabled by switching to a more robust anode design. It will require a few capital projects to be completed in the anode rodding shop to enable the shop to handle that new larger anode. The return for this project continues to look very attractive and we'll be considering the timing of it over the coming months.

It goes without saying we've been working through this major investment project for our company during some pretty unusual times obviously. As you'll recall, Alunorte was forced to reduce to half capacity in the waning days of February last year, and that was literally a couple weeks before we began rebuilding the curtail capacity at Hawesville.

In a couple minutes Craig's going to share with you some alumina pricing data since the beginning of the decade, since that the alumina prices index came into being and you'll know those of you who are familiar with the industry, will know all this of course. You'll know that it's traded in a

reasonably tight range of 15% to 17% of the metal price, and obviously since early 2018 it's been trading at historically unprecedented levels. As I said earlier, we are convinced the alumina market is now moving back to pricing consistent with historical norms or below.

That said, we are still at a bit of an inflection point today. Obviously it's come down very nicely, it posted at 350 this morning, but we're still not all the way there yet and for that reason we decided to mitigate a little bit of risk here by largely fixing the economics of that one potline at Hawesville that we are now rebuilding.

Through derivatives contracts we've converted the revenue and alumina costs into fixed values. So synthetically we've essentially created a fixed EBITDA stream from the new line from the first year of its operation, that will be 2020 of course. We'll just give you a sense of what we have done here. Even at current prices, current commodities prices aluminum and alumina, the economics of doing this are favorable.

Just to give you a sense, if you take the restart cost itself, just the cost of rebuilding the cells and restarting them, the payback on that investment basis the EBITDA stream that we created here is just slightly over a year,

it's about 13 months and if you add in the capital projects that I just described to get the total amount that we'll spend, restart costs plus capital projects, a simple payback is just inside of two years.

It's important to note, we've only "fixed" that EBITDA stream in the first year of operation, but our view in the market is constructive. But if you just use the same EBITDA for both years, as I said you're talking about a payback with a full investment for this line plus capital projects of inside of two years and Craig will give you some more detail on spending in just a couple of minutes.

In the interest of some further conservatism here, we've also decided to create some incremental liquidity, again while the market is at a bit of a turning point here. As Craig will detail for you, our revolving credit facilities were fully paid in April.

That said, again in order to create a little bit of incremental liquidity we've entered into a new short term financing facility which will finance the potline at Hawesville that's currently being rebuilt, plus those related capital projects about which I spoke. This was by no means required, but

we again opted to do it just in the interest of conservative financial management.

A couple of quick comments on the trade environments. We spoke with you in February just after the OECD, that issue of that report that came out in January and hope many of you had a chance to read it or at least the executive summary. If so, you've seen in stark evidence of what we've been talking about here the last couple of years and of course that's the massive state subsidization in almost all primary aluminum producing regions.

Obviously the detailed confirmation by an independent inter-governmental organization like OECD of why the section 232 tariffs are so necessary and so appropriate. You can continue to see the validation of the administration's rationale behind the trade remedy. Investment and employment continues to pour into the upstream and downstream portions of this industry in the US, and of course this includes our project at Hawesville. And we've seen no evidence of the dire predictions that came from some regarding demand destruction and job losses and things like that in the downstream industries. In fact, as you've seen the data, growth in those sectors remains really robust.

Last, a really exciting development for the company. I hope you noted our announcement yesterday of Jesse Gary's appointment as Chief Operating Officer. Some of you know Jesse. He represented us long back when he was an attorney at Wachtell, Lipton. We convinced him somehow to leave the wilds of New York for the Central California Coast, those of you know the company again, know that we were once headquartered out there.

We're still not sure that he's figured out the bait and switch as he takes the train to Chicago every day, but we're happy we got him whether by honest means or otherwise. Jesse became our General Counsel in 2013. He's done a terrific job creating a modern, effective and efficient law department and most importantly, he's built an exceptional team under him, so he’s now able to take on this new challenge.

He has developed a great understanding of our business and our industry. He has built trusting relationships inside the company and out with a variety of constituencies. And he has built huge knowledge of the way the industry flows and operates around the globe. Most important, he is a passionate believer in fostering the long term safety, sustainability and

value of our operations, and our directors and I are really excited to see the value he is going to add working with our senior executive folks.

And with, I will give you back to Pete.

P. Trpkovski Thanks Mike. If we can move to slide 4 pleases. I'll take you through the current state of the global aluminum market.

The cash LME price averaged $1,859 per ton in the first quarter, which reflects a 6% decrease from the prior quarter. Aluminum prices have averaged just about $1,860 per ton so far in 2019 and are currently sitting right around $1,810.

In the first quarter regional premiums average approximately $0.192 per pound in the US, down 1% quarter-over-quarter and approximately $130 per ton in Europe, roughly flat from the prior quarter. Spot premiums are around $0.19 per pound in the US and $145 per ton in Europe.

In the first quarter of 2019, global aluminum demand was roughly flat as compared to the year ago quarter. We saw approximately 1% demand growth in the world ex-China, and 0.2% demand flowing in China.

Global production growth was up a modest 1% in Q1 year-over-year. We saw no net production increases in the world ex-China, while China increased production by 2.3% year-over-year. As a result, for the first quarter of 2019, the global aluminum market reported a slight surplus of approximately 300,000 tons.

As we usually see this time of year, this was driven entirely by the Chinese New Year holiday. We've already seen this trend start to reverse in the second quarter, an indication of Chinese demand picking up is evident in the current shifting price, which has breached 14,000 RMB for the first time since October of last year.

Looking forward, for the full year 2019 we continue to expect to see a global supply deficit of at least 1.5 million tons. This structural aluminum supply deficit should result in the continued destocking of inventory and drive higher LME prices over the long term.

With that, I'll hand the call back to Mike.

M. Bless Thanks Pete. If we could just move to slide five please, a couple of quick comments as normal on the operations during the last couple months. As I said, we've had a really nice quarter in all the businesses. As you see we are really pleased with the safety performance. Sebree bounced back from a couple of incidents that they did have during the fourth quarter. Hawesville continued just a remarkable performance here. So even more gratifying when you consider the complex restart activity that's been going on in that plant in the last year. Really, really proud of those folks.

Mt. Holly again has continued a very good performance. Grundartangi uncharacteristically had a couple of incidents, two to be specific, albeit not serious, in the first three days of the New Year, literally in the first three days of January. Since then the plant has bounced back to its normal excellent performance.

Moving down the page, production growth you can see is strong, you can see the impact of the Hawesville restart and you should look again in Q2 for incremental growth over Q1. At Grundartangi this year, we have a generation of cells up from normal reline activity, that's simply based on when the cells were put in service and the number that we need to be relined this year is bigger, about 50% bigger than a normal year.

That will impact at the margin production, production efficiencies and per metric ton cost throughout the year, and that of course was all built into the production and cost estimates Craig gave you a couple of months ago.

Production efficiency metrics again continue to be good, seeing continued consistent improvement from Sebree. We are starting to see some real efficiencies from the Hawesville restart.

Conversion costs again, we had an exceptionally good quarter. Just to give you some details, they are really across the broad as you can see. Sebree, maintenance and potlining expense down 20%. Hawesville, you are really starting to see the efficiencies of the additional volume that was part of the IRR in that project. So you are starting to see those efficiencies come through. I'll give you some examples: labor costs down 11% quarter over quarter, contract service reduced by half, maintenance and potlining expense down 30%.

The team at Mt. Holly continues to do a really fantastic job at that plant; labor costs down 7%, maintenance costs down 20%. As you remember we caught up on some deferred maintenance at Mt. Holly during the

fourth quarter and Grundartangi, a 100% all of that increase, again it's just the increase potlining expense due to the increased sales that are being realigned this year.

And with that, I'll give you to Craig.

C. Conti

Thanks Mike. Let's turn to slide 6 and I'll take you through the high level results for the first quarter.

On a consolidated basis, global shipments were up 4% quarter-over-quarter driven by continued progress on the Hawesville restart as Mike detailed earlier. Realized prices were down 6% as a result of lower-lag LME prices.

Looking at operating results, adjusted EBITDA was a loss of $44 million this quarter and we had an adjusted net loss of $67 million or $0.70 per share. In Q1 the primary adjusting items were $4.3 million related to the Sebree equipment failure and $35 million for net realizable value inventory adjustments.

Let me give you a little detail on the Sebree adjustment. As a reminder, we expect to fully recover all associated losses from our Q2 2018 line outage from our insurance policies, net of our $7 million deductible. As we mentioned last quarter, we will continue to call out the associated P&L impacts and cash receipts as they occur.

In Q1 we received $4.4 million worth of proceeds on our insurance claims, bringing our total recoveries to-date to $12.4 million. We expect to receive the balance of the claim proceeds in the coming month.

Our liquidity remains strong with $174 million of funds available via a mix of cash on hand and revolving credit facilities. As expected during Q1, our cash balance decreased by $17 million, partly driven by the investment and the restart of the idled Hawesville production. As a reminder, our lower adjusted EBITDA reflects the lag of alumina prices and was mostly offset by reductions in working capital as a result of fall in alumina prices. I will share more detail on the cash bridge shortly.

Availability under our revolving credit facilities is $152 million, which is largely flat with Q4. While we did have an outstanding balance at the close of Q1, our credit facility was fully repaid during the month of April.

Okay, let's go to slide 7, and I can walk you through our quarter to quarter bridge of adjusted EBITDA. The $26 million decrease versus Q4 adjusted EBITDA of -$18 million was largely driven by lower LME prices and regional premium as we forecast on our last call.

On a lag basis, LME was down $129 per ton and the US Midwest premium and European duty paid premium were both down about $26 per ton, which in sum drove $31 million of decreased EBITDA during the quarter.

Realized alumina prices was approximately $12 per ton higher than Q4 driven by timing of inventory receipts, which resulted in about $7 million of decreased EBITDA during the quarter. Power prices particularly in the US were a benefit to sequential EBITDA of $12 million versus Q4.

Looking ahead to the future, it's important to point out that alumina prices have dropped significantly in 2019 from our Q4 to Q1 realized prices of about $500 per ton to $350 per ton at current spot prices. The resulted $150 per ton reduction in alumina equates to an approximate $290 per ton decrease in aluminum production cost.

As a reminder, alumina impacts our P&L on an approximate three month lag, so we will see the favorable EBITDA impact of this cost reduction beginning in Q2 and continuing into Q3. I will share some additional details on alumina in a few moments.

Looking ahead to Q2 specifically, the lag LME is down $36 per ton in both the lag US Midwest and European delivering premiums are about flat to Q1 levels. Most notably, we expect our realized alumina price to be down $100 per ton to a realized value of approximately $400 per ton. These items translate to a net improvement of $35 million to $45 million in EBITDA from Q1 levels.

Let's turn to slide 8 and we'll take a quick look at cash flow. We started the quarter with $39 million in cash and ended March with $22 million. During the quarter we had $6 million of spending associated with the Hawesville restart and we spent $9 million for all other company wide capex.

We had $12 million of additional borrowings on our revolver during the quarter and while this was outstanding at quarter end, this facility was fully paid down within the month of April as I mentioned earlier. Finally, we saw a marked improvement in working capital in Q1 which helped generate $26 million of cash. The improvement was largely driven by a reduction in inventory.

Looking ahead on cash, we have commenced the rebuild of the first of the two continuously producing lines at Hawesville as Mike mentioned earlier. We anticipate spending approximately $40 million over the next several quarters, which will maintain a four line operation consistent with what we shared with you on our last call in terms of production volume and conversion costs for 2019. This investment is to both rebuild the line and to complete additional technical projects to further enhance productivity of the overall plant.

To close out today's presentation, we'd like to share a page on alumina and discuss how its pricing impacts our business.

Turning to page 9, you can see the alumina price and the resulted percentage of LME for the last nine years. As we have discussed in the

past, the historical relationship of alumina to the LME price has averaged 17%. As you can see on the chart, the data suggests that there has been a relatively narrow band around that relationship until recent history.

Two major event in early 2018, the Alunorte curtailment and the Rusal sanctions drove alumina to a historic high of over $700 per ton or about 32% of the LME price. Fast-forwarding to today, the spot price is $350 per ton or 19.3% of the LME spot price.

As we think about the spot price today, it's important to note that while it's come down from its 2018 peak, it is still significantly elevated from its historical level. Looking forward, we expect new alumina capacity to come online in 2019 in various places around the world.

In addition, as Mike mentioned earlier, there appears to have been significant regulatory process made towards a restart of the curtailed portion of the Alunorte refinery in Brazil. While we cannot predict how or when this will be resolved, we are confident that as production of the approximately 3 million tons of currently offline capacity comes back into the market, it will further reduce the global alumina price and help bring it back in line with the historical percentage of LME relationship.

Consistent with industry experts, we continue to believe that the long term value of alumina with respect to the LME is in the range of 17%. At today's LME spot price of $1,809 per ton and today's alumina spot price of $350 per ton, we are go forward EBITDA and free cash flow positive despite the relationship between alumina and aluminum still being well above historical norms at 19.3%.

To illustrate how alumina pricing impacts our business, let's take our last 12 months adjusted EBITDA which totals to $21 million. Over this period the alumina price averaged $480 per ton or about 23% of LME.

If we take that result and apply the historical 17% relationship of alumina and LME, it’s $192 million accretive over the same period. In other words, had the last 12 months been in line with historic alumina pricing, we would have had a trailing adjusted EBITDA of $213 million.

This concludes our prepared remarks. Thank you for your time and attention. I’d like to turn the call back over to Laurie to begin the question and answer session. Laurie?

Moderator [Operator instructions]. Our first question is from the line of Jeremy Kliewer with Deutsche Bank. Please go ahead.

J. Kliewer Hi, good evening.

M. Bless Hi Jeremy.

J. Kliewer You guys had some pretty good realized pricing on a per ton basis, a little bit better than what we were anticipating. I was just wondering, could you touch on how much value added products did you guys put out this quarter? Is it a little bit more than your typical like 84,000 per quarter or was there additional high purity out of Hawesville or what's going on there?

M. Bless No, thanks Jeremy. The only thing I can point to is that as we told you, sometime towards the latter parts of last year, we did make the small investment to create incremental value added capacity at Sebree, and so going forward you're going to see a richer mix, that was the point of it and we are realizing that in the marketplace today. So that’s on the volume side.

You didn't ask, but just to deconstruct it on the premium side, you know product premiums are holding up pretty well in the US and so through that kind of mixture of decent premiums and an incremental VAS, pardon me Value Added Sales, volumes sorry, perhaps you are seeing, that what you are seeing in comparison to what you have expected.

J. Kliewer Alright, and then to tag on to that, the CRU or the kind of industry demand that you guys pointed out, it's come down a little but so has supply. So I didn't know, has there been any increase for whether bill it or slab or anything in particular that you guys are producing that you may be able to see a little bit of a price appreciation later this year?

M. Bless I'm sorry, I didn't get the linkage in the question Jeremy from the CRU data to our mix.

J. Kliewer Yes, the global demand right, it's relatively flat. I mean the balance has come down a little bit. I didn't know if you are seeing any additional demand for a billet or a slab, some of your customers versus other products that you know wasn't there three months or two months ago.

M. Bless I see it. I'm sorry, I get it, I get it. No I guess, you know on bill it side the choosing business continues to be strong and that's what we're seeing and again that's reflected in spot premiums. As you know there is a not lot of product that's traded at spot, most of these trade at least one year contracts, but there is a decent sport market that is a reasonable gauge of you know, for what it's worth of the supply-demand equation and things have stayed you know reasonably good. And it's consistent with when you look at the data that's published on you know year-over-year growth in the downstream and all of sectors, you seeing evidence of it.

J. Kliewer Right thanks. I'll jump back in queue.

M. Bless Okay.

Coordinator Our next question is from the line of David Gagliano with BMO capital Markets. Please go ahead.

D. Gagliano Hi, thanks for taking my questions. First of all, the commentary about locking in volumes, can you just give us the EBITDA that you locked in. What the volume is for the first potline again?

M. Bless Sure, it's pretty easy. So we'll deconstruct it for you. So as you know each potline at Hawesville has as a rated capacity of 50,000 tons, so it's just a little bit shy of 50,000 tons.

As Craig told you the total project is $40 million of which just slightly over half is the cost of rebuilding and restarting the cells itself and the rest is the various capital projects, and then as we said, the simple payback in two years, so it's pretty simple math. It's about $20 million of incremental EBITDA.

Again I'll stress one more time, so first year only is what we've locked that in. We've let it, thus far let it flow for the second year, because again our view is and it has been and continues to be and has been proven correct thus far that not only will absolute alumina prices continue to fall, but as Craig correctly said, the relationship between LME and the alumina price will continue to improve from our basis.

So I guess I'll stop there, and you can redirect it, but I think that answers the question.

D. Gagliano Yes, that is helpful. So it's 50,000 tons I mean for lack of a better term on my side, effectively sold forward I guess?

M. Bless You got it.

D. Gagliano Starting when?

M. Bless Two-thousand twenty is when this line will be back.

D. Gagliano Two-thousand twenty?

M. Bless When this line will be back in production, right.

D. Gagliano Okay, alright, great. Thanks for that. And then just switching gears, if we go back to the fourth quarter presentation and call, there's just a couple of things I wanted to ask about just in terms of an update here. At the time there was an indication of annual EBITDA run rate of slightly below $150 million during 2Q to 4Q. I think that was the comment. Are those still your expectations?

M. Bless Number one, everything we had in there are still our expectations. Those cost estimates are still good, those production estimates are still good, everything we've done as I said is consistent with what we added in there, rebuild the line, etc., restarted the lines, everything else is still consistent.

That $150 million obviously I can't place it because it was basis, a price deck at the time that we were obviously talking about. I don't know what you're using there, but I can tell you everything in there is still consistent with our expectations. So if you use whatever price that you wish for metal and for alumina you should get that number, yes.

D. Gagliano Alright, that's helpful. So no change to the operating targets that you had laid out two months ago?

M. Bless I could have stopped right there, no change.

D. Gagliano Okay and then just the last question for me. When I look in the first quarter results just for a second, you know if I look at the table at in the press release, selected operating data that shows total net sales of $473 million and then on the income statements there is total net sales of $490 million. Historically those two numbers were much, much closer and I'm

just wondering why this quarter the income statement was $17 million higher on the revenue line?

C. Conti Sure, that's a good catch, David. So this is Craig, just quickly, what those are very low margin approaching pass through alumina sales. So given our unique relationships with alumina producers, it's a part a volume buying that we're doing. We'll procure on others behalf, and then send that alumina out into the market.

M. Bless There's always been, David, as you noted, a slight difference and that slight difference unit now has been scrap sales right as Craig correctly said. So you know the distinction is between "primarily aluminum and scrap sales." We don't process all of our own scrap or RSI. We do sell some of it in the merchant market. But then as Craig said with a new alumina contract we are doing some back to back here. It's complete pass-through as you said, so there's no margin on those sales. It just the accounting for results and a little bit of revenue.

D. Gagliano Alright, great. Thanks helpful. Thank you.

M. Bless Sure

Coordinator [Operator instructions]. And we'll go to Lucas Pipes with B. Riley FBR. Please go ahead.

L. Pipes Thank you and good afternoon everybody.

M. Bless Hi Lucas.

L. Pipes I wanted to follow-up a little bit on the second quarter comments that you made during the prepared remarks. It sounded like if I understood it correctly, that you expect to realize a $400 alumina price and that would be, again if I understood correctly, about a $30 million EBITDA benefit.

First, could you kind of confirm those and then secondly, what other moving pieces should we be considering just in terms of kind of a quarterly bridge for the second quarter versus the first quarter? Thank you.

M. Bless Yes sure. So I will confirm that $400 realized alumina and now remember we are at spot $350 today, but on a three month lag. We're coming off a quarter with realized price of $512, so that that is a large benefit.

As we look at where we expect EBITDA to fall in that $35 to $45 range, you know alumina is definitely a large part of that. I would say you're view on LME is as good as mine. So using the sensitivities that we gave you on our annual call last quarter would probably be a good way for you to triangulate that number.

L. Pipes Got it, got it and then kind of circling back on the alumina price. I think you also mentioned it's going to be down a $100 second quarter versus first quarter. So can we deduct that, the realized price of alumina in the first quarter was about $500 per ton?

M. Bless That's correct.

L. Pipes Got it, okay. That's helpful, thank you. And then switching to your outlook, I appreciated all the detail as it relates to the ratio of alumina to aluminum. What I wanted to maybe hone in a little bit is in regards to aluminum prices, I think there's a concern in the market that as alumina drops, aluminum kind of will drop and lockstep. What's your view on that

and how do you see the aluminum price kind of evolve over the course of this year? Thank you.

M. Bless Yes, thanks Lucas. There's been a lot written on both sides obviously. Our view is that the LME price and Craig commented on the shifting. The LME price, the aluminum prices is going to find its level of where it needs to be based on the supply-demand balance and there I guess one needs to looks to ones view of sort of the larger macro issues, the Chinese economy, trades, etc.

It was a very good article that—we don't usually like to cite publications, but there's a very timely article in the FT this morning actually, a print edition, talking about the case for a much higher LME price, again given both supply and demand with the emphasis as you would expect on China.

So the metal price is going to find where it believes it should be. Our view is that talking to market participants over the last month or so is that a bunch of technical factors, traders whatever, however one wishes to say it, have conspired here over the last couple of weeks to exert some pressure on it.

But our view is, I think consistent with a lot of market participants, but it's somewhat temporary. And then so put that aside, the metal price finds we're it's going to be and then I'd go back to Craig's comments, which are we believe strongly long term, is that a 17% ALA price. This is not a particularly proprietary view.

I think a lot of folks have this view. It is a pretty full ALA price and that given where we're heading on supply demand on ALA specifically in the Atlantic basin over the coming year, our view is even that it should trade reasonably well below that for a period of time, just because you are going to have a lot of alumina flooding the market, people are writing about tsunamis of alumina. We are not quite that boisterous in our commentary, but you are now seeing if you just following the daily trade. The data out there, if you subscribe to the services, you're seeing cargo is offered for sale that have no takers and the price is continuing to drop.

L. Pipes Very helpful. I'll take a flood of alumina to start.

M. Bless You and we both.

L. Pipes I appreciated it. Maybe if there's time, I'd quickly follow-up on my first question. Did you guide to $540 for alumina for Q1 and what would account for the difference if it came it at $500? Thank you.

C. Conti No, I don't think we've guided up. I think we guided flat to where we were in Q4.

P. Trpkovski So Lucas, this is Pete. On the last call we said that alumina realized prices would be flat quarter-over-quarter Q3 to Q4, and Craig commented they were slightly higher, about $10 per ton due to timing of shipments.

L. Pipes Okay so, it's flat and how about Q1 versus Q4? Is that what you meant?

C. Conti Yes Q1 for Q4 was flat; Q3 to Q4 flat as well. It's been at that $500 level, it's been within a $10 band on a realized basis for the last three quarters.

L. Pipes Got it.

C. Conti With the exception going into Q2 where we see it's getting down to $400 on a realized basis.

L. Pipes Perfect, excellent. Okay well, I appreciate all the detail. Thank you.

M. Bless Thank you.

Moderator We have no additional questions in the queue, so please continue.

M. Bless We thank very much as always for your interest and participation. We look forward to developments over the coming couple of months and talking to you again in July, it's not too far. Take care.

C. Conti Thank you.

Moderator Thank you. Ladies and gentlemen, this will conclude our teleconference for today. Thank you for using AT&T Executive Teleconference Service and you may now disconnect.