CENTURY ALUMINUM COMPANY: 3rd Quarter 2020 Earnings Call

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SPEAKERS

Craig Conti, CFO
Michael Bless, President, CEO & Director
Peter Trpkovski, Finance Director

ANALYSTS

David Gagliano, Analyst
John Tumazos, Analyst
Lucas Pipes, Analyst
Paretosh Misra, Analyst

PRESENTATION

Operator

Ladies and gentlemen, thank you for standing by and welcome to the Century Aluminum Company, 3rd Quarter 2020 Earnings Conference Call. At this time, all participants are in a listen-only mode. (Operator instructions) I would like to now hand the conference over to your speaker today, Peter Trpkovski. Thank you. Please go ahead, sir.

Peter Trpkovski

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

As a brief reminder, today's presentation is available on our website at 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 of today's presentation. 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.

Michael Bless

Thanks Pete. Thanks to all of you for joining us this afternoon and we appreciate your time as always. If we could just flip to page 3, please, I'll take you through a quick rundown of the last couple of months. First, the plants continue to operate without any interruption, most importantly, the safety performance has been really good across the whole company during the last couple of months. And we're really pleased and proud of this achievement.

Running these plants safely and sustainably is always more challenging in an environment that is different than people are accustomed to. Even the daily scheduling and execution of the work needs to be done consistent with our health and safety protocols. And human nature says that certainly people are at risk of focusing on too many other things, first in the job at hand in a complex environment like we're dealing with today. All that means that we continue to remain vigilant every day. In bottom line, the health environment of all the locations remains under control. That said, we've got no intention at all to throttle back in the foreseeable future on any of the protocols we put in place back in March and April and the fact, as you would expect, we're prepared anytime to tighten things up as the public health situation or any of our operations dictates.

Just in a couple of minutes, Pete's going to give you some detail on the industry balance, pricing, and other fundamentals but let me just make a couple of quick comments now on what we're seeing directly on the ground. Our end markets in the U.S. have continued to improve over the summer and into the fall. Most of the sectors are near or even above their levels of January and February obviously, before the impact of the health crisis. For example, the automotive and durable goods and machinery markets have fully recovered. This is all consistent with the data that you've seen more broadly. Packaging and consumer sectors have remained quite strong. Construction on the other hand, a bit further to go with residential quite strong and relatively weaker activity on the commercial side.

In Europe, we're seeing more or less the same trends. You've at least seen the general recovery is behind that of the U.S. It goes without saying at all this has been rest to developments on the public health situation over the coming months. Looking at our own specific customers, we see similar trends. If you take our six largest value-added products, customers, for example, that group has broad exposure to automotive, to construction, to communications amongst other sectors. As we previously told you, the daily sales rate for that group of customers was down 35% in Q2 over Q1. In Q3, it was up 45% over Q2 and thus far, order rates for October and November are up a further 10% versus Q3. So we're now moving at a rate that's up 60% over the Q2 low and actually up 5% over the first quarter. We obviously had some degradation towards the end of the first quarter as the pandemic began to have effect.

Moving along, our 3rd quarter financial performance came in as we expected. As we forecast, the lower realized metal prices coupled with higher seasonal power prices drove the vast majority of the drop in quarter-to-quarter EBITDA. As you well know, our sales contracts are priced on a two to three months lag and in that context, the realized cash LME during the quarter was $1550

per ton. As I said, seasonal power prices were higher as usual over the summer. More than the rest of the decline in EBITDA came from our decision to start catching up on the relining cells with Kentucky plants. As you will recall, we seized all relining activity of these plants during the first few months of the pandemic and a variety of other items taken altogether actually improved profit a bit. The financial picture of course is much stronger at current commodity prices and Craig will go into detail and all this in just a couple of minutes.

Let me just make some remarks about Mount Holly. You've obviously seen the WARN notice we were regrettably forced to issue last week. We were shocked to see the South Carolina court's ruling in the litigation between the City of Goose Creek and Santee Cooper. We've talked to you about this of course over the year. First, our analysis indicated that Goose Creek had every right under both federal and state law to form a utility and to serve Mount Holly. And then FERC agreed fully in an order issued in August and importantly, the determination of this order in fact was made with reference to both federal and state law. Lastly, the actual hearing in front of the judge, then finally the judge strongly suggested in our opinion that Goose Creek's position was the correct one. When the court's order was finally issued weeks ago, it said regrettably the opposite, the City has asked the judge to reconsider the ruling and if that's not granted, Goose Creek has informed us that they are planning to appeal though.

The City had told us they are letting the court to move quickly, but the appeal process would likely take at least a year to fully play out. Just to go back, most of you've been following the company know all of this, but as a reminder, under the arrangements we've had over the last couple of years, Mount Holly has been buying 75% of the electric power requirements from the competitive wholesale market and 25% from Santee Cooper's own resources. Mount Holly also pays Cooper transmission fee for the power brought in from the 3rd parties. The 3rd party rates for the 75% of the power requirement is very competitive, as we said, frankly just on par with what we paid at the Kentucky plants. The 25% we buy from Santee Cooper is regrettably the killer, it comes at two times of the delivered price in the 3rd party power and that's the way the average price is simply uncompetitive.

The evidence that the market price is competitive, can easily be seen in the status of the Kentucky plants. As you know, we've doubled the capacity of Hawesville and added billet capacity at Sebree during the last two years. The sum of those investments is over $100 million. At 100% market power and full capacity, Mount Holly's cost structure and revenue profile would be actually superior to that of the Kentucky plants. Regrettably, the opposite enforces during the current blended power prices to give you a sense Mount Holly YTD (9-month EBITDA) has been a $10 million loss and the plant will also be unprofitable in the 4th quarter. Looking at next year, importantly, the loss would be worse.

On the one-year, the average metal price of course should be higher, at least if you look at today’s forward prices, but this is much more than overcome by the requirement to begin relining cells even to maintain production at 50% of capacity. As you know, due to the uncompetitive

power price we haven't relined any cells at Mount Holly for over four years. Over the last several weeks, we've been in direct discussions with Santee Cooper and we're also speaking with all the relevant constituencies including local, state, and federal authorities. We're really hopeful now that all the parties can come together and find a commonsensical solution that's fair to all.

First and foremost, this includes no harm done to any other Santee Cooper customer. At stake here are 300 direct jobs and 600 to 700 additional jobs currently supported by the plant, along with $0.5 billion in annual economic activity in South Carolina, that's with the plant's current half capacity. So achievement in that competitive price would allow us to restart the second potline and rebuild the line that has been continuously operating, with which as I said needs a rebuild. We would not only preserve the current jobs, but of course, will offer further 300 jobs and additional 600 to 700 support jobs and then you get to realize the full $1 billion annual economic impact in South Carolina. This is all due to a complex situation, but one that can truly solve overnight with a rational and logical approach and with that, I will turn it back to Pete.

Peter Trpkovski

Thanks, Mike. If we move on to Slide 4, I'll briefly take you through the current state of the global aluminum market. The cash LME price averaged just over $1,700 per ton in the 3rd quarter, which was up approximately 14% or about $215 per ton from the second quarter that we saw a strong recovery on the global economy in the quarter. Industry conditions continue to improve and the LME price has average approximately $1,800 dollars per ton for the month of October. And that is right about where the current price is sitting.

In the 3rd quarter, regional premiums averaged approximately $0.13 per pound in the US, a 5% increase quarter-over-quarter and approximately $120 per ton in Europe, an increase of 2% from the prior quarter. Current spot prices are around $0.13 per pound U.S. Midwest and about $130 per ton in Europe. In the 3rd quarter of 2020, global aluminum demand was down about 3.5% compared to the 3rd quarter of 2019. In the world excluding China, we saw demand contraction of approximately 11.5% from the prior-year quarter. This is a significant recovery from what we saw in the second quarter as manufacturing activity in the U.S. and Europe continue to improve. In China, we saw demand growth of 3% as compared to the prior-year quarter.

Global production was up approximately 2% in the 3rd quarter as compared to the previous year. We saw approximately 4.5% production growth in China versus the same quarter last year. Which is offset by about 1.5% decline from rest of the world in the same period. As demand continues to strengthen in our markets, we've seen the LME price continue to rally to levels pre-pandemic. We continue to see strength and support in the LME price driven by a weaker US dollar, low-interest rates, and global manufacturing expansion led by the US, China and Europe.

Briefly, looking at our key raw materials the alumina index price average approximately $275 per ton in the 3rd quarter which is right now the spot today. And with that, I'll hand the call over to Craig.

Craig Conti

Thanks, Pete. Let's turn to slide 5 and I'll take you through the results for the 3rd quarter. On a consolidated basis, global shipments were down 3% quarter-over-quarter and realized prices were down 5% primarily as a result of lower lagged LME and regional premiums.

Looking at operating results, adjusted EBITDA was a loss of $31.4 million in this quarter and we had an adjusted net loss of $64.4 million or $0.67 a share. In Q3, the primary adjusting items were $15.4 million for the net realizable value of inventory. $8 million for the unrealized impacts forward contracts and $1.2 million for the early extinguishment of debt.

Our liquidity remains solid with $169 million of funds available via a mix of cash on hand and credit facilities. As we will discuss on the cash shortly in addition to refinancing our long-term debt and extending the maturity of our revolving credit facilities we paid down about $45 million of short-term borrowings in the 3rd quarter as our end markets continue to improve.

Let's turn to slide 6 and I can walk you through quarter-over-quarter bridge of adjusted EBITDA. As we forecasted on our last call, lower lagged LME prices in delivery premiums coupled with seasonal power cost increase comprise the majority of the EBITDA reduction versus Q2 levels.

The Q3 realized LME of $1,550 per tonne, was down $80 per ton from Q2 levels but realized European delivery premiums of $107 ton were down $34 per tonne, over the same period. U.S. Midwest premiums were largely flat quarter-on-quarter. Average domestic energy prices were up over 15% while the Nord Pool price which we referenced for approximately 30% of our Icelandic power needs was up about $4.50 per megawatt hour.

Finally, as Mike mentioned earlier, we began to catch up on previously deferred pot relines at our Kentucky plants, which as you may recall we paused at the onset of pandemic. This catch spend amounted to $6 million of Q3 cost and will normalized as we proceed into the first quarter.

Looking ahead to Q4 specifically the lagged LME need of $1,725 per ton is expected to be up $175 per tonne from Q3 realized prices. The Q4 realized the U.S. Midwest Premium is forecast to be $300 per tonne, or up about $50 per tonne. In the European delivery premiums is expected at $125 per tonne or up about $20 per ton versus the 3rd quarter.

Realized alumina is expected to be $290 per tonne or up about $10 per tonne versus prior quarter. Taken together the LME, alumina, and delivery premium pricing moves are expected increased Q4 EBITDA by about $35 million $40 million versus Q3 levels.

As a reminder, these forecasts contain at least one month of unpriced LME and delivery premiums. We've assumed the unpriced months at current spot values. Additionally, we expect a more levelized pot reline spend versus the higher levels required to catch up in Q3, given the cessation of relines through mid-summer of this year.

We expect the reduced spend will increase sequential EBITDA by about $5 million in the 4th quarter. Finally realized power prices are expected to rise based on current forward curve projections, particularly in Europe and will negatively impact Q4 EBITDA by about $10 million versus Q3.

Please keep in mind that we buy power on the day ahead market and we still have two months of unpriced purchases assumed in the incremental impact. In sum, we expect these items in isolation will equate to an approximate EBITDA increase of $30 to $35 million versus Q3.

Okay let's turn the slide 7. And we'll take a quick look at our major cash flow items over the last quarter. We started the quarter with $174 million in cash and ended June with $81 million. Refinancing costs associated with our $250 million note were a $9 million usage in the quarter.

As a reminder, the newly refinanced notes mature in 2025. In addition, we paid down the vast majority of our outstanding US revolver, which was the largest driver of our $45 million repayment usage. Finally, normal shipment timing drove a small working capital usage of $5 million during the 3rd quarter.

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

Questions and Answers

Operator

Yeah, sir. (Operator instructions) and your first question comes from the line of David Gagliano from BMO Capital Markets. David, your line is open.

Craig Conti

David, we can't hear you, might be on mute there. Still can't hear you David.

Peter Trpkovski

April, going to, I think Lucas is in the queue. I think, we go into that question and hopefully David can get back in the queue.

Operator

David, (inaudible) and next question from Lucas Pipes from Riley Securities.

Craig Conti

We are not hearing Lucas either.

Operator

Let me try something here and Lucas if you can re-queue as well and we'll go back to David. David, your line is open.

Peter Trpkovski

No, we still can't hear them.

Operator

Let's turn, John, John. Your line is open.

Peter Trpkovski

April, do we have a backup line or anything else that we could try to get those questions.

Operator

Give me one moment I will try something else. Okay David, I have your line open. See if you can hear you now. Give me one moment

David Gagliano

Try now

Operator

Here we go.

David Gagliano

I believe everybody on the call could hear us through the questions except (inaudible) just for what it's worth, but nevertheless, I just really wanted to drill down a little bit. I may have missed

it on the prepared remarks, I apologize, but on the Mount Holly situation, what are the next steps in the near term and what sort of a drop-dead date when you have to make a decision to completely idle facility or go up to 100%?

Michael Bless

Sure, David. Thanks, it's Mike. An apology to you and all, thanks for staying with it. Next on your questions in order. So I would like to say the next steps are, we're in discussions with Santee Cooper, obviously, just based on the circumstances, they are going to be a supplier or the supplier or a major supplier this coming year and so we are in productive discussions with them, which is encouraging enough itself and that's really at this point in time. to answer your question the next step. It is hard to predict where those go and into your second question if we get to, let's call the end of the month of November, that's the time where you really have to start early shutdown of the reduction cells of the pots. It goes without saying you know, each time working on all these businesses work each successive day a week gets more difficult, this product that will be produced in January and February hopefully that we haven't sold yet. We have customers who are very concerned, we have employees most importantly, and families in the community who are very concerned. We have to come out of all those things, can be dealt with that, it's not easy but they can all be dealt with and we have contingency plans for everything on the hope that assumption that we can find a path to the competitive power price.

David Gagliano

Okay. And then on the resumed potline -- pot reline spending presumably, I guess it is the Hawesville, I'm not sure though, but can you remind me again what the plan is with regards to the 5th potline at Hawesville and does that potentially mitigate or offset if not, Mt. Holly does shut?

Michael Bless

Sure, no no. I'll answer your second. There is no connection between it and Hawesville. So, it is a key point on relines of the Kentucky plant. There is a short-term issue, which is behind us as Craig said and a medium-term issue, but the short-term issue is simply that we stopped relining the cells, I don't remember when it was March or April, but during the early days of the pandemic, somewhat because it's kind of financial cost to it, but mostly because we were concerned at that point in time about having enough people to just run the cells and we didn't want to take any risks and that's what we didn't want to have any activities inside those plants, and it was just planning to running the plants every day, setting carbon, testing metal, et cetera, et cetera.

So you know how it is, about a fifth of the cells fail every year on a schedule and that's their economic or the practical lives and so you have a couple of cells fail every week, so we have a

bunch of those built up, we had a backlog of those and we got that done in the 3rd quarter, and as Craig said, that's behind us. On the rebuild of the final potline there, we are ready to go. There is some long lead time supply that to a new cathode, collective rod cathodes and some other cell relining materials. And so those would be a couple of months to get in and if you were to ask what you are waiting for, the answer is the obvious one, which is waiting for a little bit more stability here. Two to three weeks ago if you have asked us we would have said, pull the trigger right after Christmas. Today, I think we're just all doing now is some watchful waiting here on the situation over the coming couple of months that probably goes without saying.

David Gagliano

Okay, it's helpful. Thanks.

Michael Bless

Thanks, David.

Operator

Alright and I'm sorry about those technical delays. (Operator instructions) And the next one is from Lucas Pipes. Please go ahead

Lucas Pipes

Hey good afternoon, everybody. For what its worth its my second conference call today, where there were technical issues. So maybe something bad in the system. But I wanted to ask another question on Mount Holly. Back of the envelope, it appears that maybe like around $1 billion in economic activity is on the line over tens of millions of millions of dollars of electricity cost, I wonder if that seems roughly accurate and then secondly, just to follow up on David's question not so much on the timing, but just kind of what are the options on the table here? Is it really just coming to an agreement with the Santee or shutting down or are you even though this multiple option kind of are you still considering the 3rd, 4th, 5th options here at this time. I would appreciate your answer.

Michael Bless

Thanks, Lucas. My answer to just your first question, yes the study was done by a professor that at the University of South Carolina. It's not our study and that the study came up with the specific $985 million was the annual economic activity that is in South Carolina that's produced by the plant. So your understanding of the situation. I thought you put it frankly, so simply and well.

Number two is, you've got it right on the backend on your second question as well. At this point in time, it is all about coming to an agreement that works for the supplier, that works for Santee Cooper and that they feel is fair and equitable. And of course that can get us to a competitive price we can rebuild those potlines and give the plant back to full capacity and there can reasonably economic return, of course, over the cycle. And so that really is it. In terms of our partners Goose Creek, of course, we will watch with interest the legal proceedings and the reconsideration request and really the appeal of that if the first isn't granted. They've been great partners, they're important neighbors, their city is a lovely city, that's right up on to our site. I don't know if you know we have almost 5,000 acres, on which only 300 acres is used for the plant itself in the required purpose in the dispersion zones, so there's quite a lot of interesting things that can happen there over the years and the city has been great partners and we will continue to dig in, in many respects.

Asking your question, I don't want to speculate about what you might have in mind 3rd or 4th or 5th options, but at that point that really is it. I don't want to oversimplify. There are a lot of complexities in the current situation, but that's it today.

Lucas Pipes

That's very helpful and I wish you and everybody involved best of luck and (inaudible).

Michael Bless

Thanks.

Lucas Pipes

I wanted to, in my second question, try to get a little bit of a clear understanding on the current state of Canadian import tariffs, there is a little bit of back and forth over the past quarter. I just wanted to make sure I understand, investors understand kind of what's the status quo and alongside this question, there has been a little bit of volatility in the Midwest premium, which should be able to comment on that in the outlook from here. Thank you very much.

Michael Bless

Of course, thanks for the question. So on the first part of your question, the current situation is as follows. The USTR put out an announcement, I guess four weeks ago, plus or minus. And that announcement said if that Canadian imports of primary aluminum on unrod would be exempted from the tariff after September 1st as long as imports met or lower than certain threshold amounts that USD are included and that really (inaudible) shy of 100,000 tons on a monthly basis, which we would be a meaningful significant reduction from the run rate over the last year.

Yesterday or two days ago, I can't recall now, the president's official proclamation confirming that was issued, but it was simply a repetition of what USTR put out four or five weeks ago. You may ask are the imports going to be below that threshold and the answer is, no one knows yet those data for September and won't be published for another two weeks or so and so we'll see the market to your point one could look at the movement in the Midwest and take the position at the market perhaps, believe that the imports are coming down, metal is very tight, we view it as traders and customers most importantly. I'd say there are a lot of prompt units in the U.S. specifically especially in the Midwest, you've seen the Midwest premium ticked up here and to have posted a level of just a little bit shy of $0.13 to $0.12 and three quarters and that's up from a level of (inaudible) before the tariffs came back on Canada, then came back off, so it's up significantly since bad. It's off the recent high that it reached of around $0.15 and so the market for the delivery premium has, as you described, strengthened here over the last three or four weeks.

Lucas Pipes

Very helpful. I appreciate all the color and best of luck for everything. Thank you.

Michael Bless

Thank you so much. Appreciate that.

Operator

Next question comes from the line of John Tumazos from Very Independent Research.

John Tumazos

Thank you. We realize Century bought a lot of the assets very economically often for the value of working capital. So, there's negative goodwill in most cases, big discounts to real value. Your $899.4 million of net PP&E could you just explain how much is Mouth Holly, how much is in Kentucky, how much is in Iceland, how much is in carbon anode plant or real estate so we get a flavor of what would be the financial exposure if you idled or abandoned in Mount Holly?

Craig Conti

Sure, John. This is Craig. Thanks again for the question. I won't break down the whole balance sheet, but just to give you the sense for Mount Holly, the gross PP&E there is between $150 million and $175 million and that's again gross on a net basis, it's roughly half of that.

Michael Bless

You can recall, John, it's Mike. Thanks for the question. The purchase price that we paid for half of the plant six years ago was just a little over $50 million. So that puts Craig's quantification into context.

John Tumazos

So it might be I'm just thinking out loud and South Carolina 5,000 acres of timberland, it's just timber would be worth about 2,000 an acre or $10 million. I'm assuming a buffer land around there is (inaudible) pine, but this is on the bay and it's a beautiful area and developable. So there is a chance that the idle land is worth more for development than you're carrying it is an aluminum smelter.

Michael Bless

John, that your point is well taken, it's lovely land, it's right in the middle of a very fast growing area that Goose Creek has been exploring, it's a really well-run municipality that's really grown right up to, if you've been to the plant, sort of from the South, up sort of West border of our property there. And there's other industry around, some good partners and customers of ours. So a good chunk of that land as you say is developable, but right now, we think the best use of that property is under a competitive power price is to run that smelter. I mean that's under the competitive power price if you want to just get very economic about it that's the highest NPV. If you could get a power price in the same zip code as our delivered price in our Kentucky plants over a cycle that plant produces a nice economic value. And so that's what we're going for there and that's what makes economic sense for the shareholders in our strong view.

John Tumazos

Mike, even in current recession tough climate, your operating cash flow of $33 million was more than the CapEx of 11, which all things considered is better than U.S. Steel or a lot of other companies. You borrowed a little bit of money and did some refinancings. Could you explain the practical reasons why you're a small net borrower in the nine months even with positive cash flow?

Michael Bless

Sure, that's a great question John, and thank you for the comment. There are two reasons, one is, as you may recall in April so early in the second quarter, we drew down on both revolvers, we didn't think we need the cash, so as we all remember just thinking back to 2008-2009 the concern post Lehman and what not with the funding costs there are extremely well. So we took down that cash and as Craig said, we paid off roughly half of it, so it is third quarter and we'll likely do the rest coming up here. On the other, it was our term debt issue was coming up to its one-year from maturity, it was due on June 1, 2021, and again this is taking yourself back to the April-May

timeframe. No one know is sort of where this thing was going and we thought again out of an abundance of caution, it made sense for the shareowners to pay a bit of insurance premium. There is the way we looked at it, to get that note refinanced. And so that's what we did. Obviously, with things attached to that tender. We had a tender for the outstanding issue, we could have called that the economics is slightly big or tender for it. And that's why you see you put all that together and started up and you see that net position that you've correctly described.

John Tumazos

Thank you very much and good luck.

Michael Bless

Thank you so much, John.

Operator

And your next question comes from line of Paretosh Misra from Berenberg.

Paretosh Misra

Great, thanks for taking my question. I was just curious, are there any major moving parts in your cost structure, as you look at next year, at least the first half I mean, except for the things for which you provide sensitivities. And I guess it related to that, have you given any thoughts on your alumina supply for next year, what kind of pricing structure are you contemplating right now?

Michael Bless

Thank you, Paretosh for the question. You want Craig go ahead on the cost structure?

Craig Conti

Yeah, sure. So for the cost structure about, I'll split it into two pieces. So for the balance of the year, it should be very much like we talked about when we came out in April. As we look out for 2021, we really use our Q4 call what will do in January to lay out any big changes. I think if you look from the third and fourth quarters we talked about, we continue to see power forwards increased that trend could just as easily. it's pretty far in the future for power forwards and that could just as easily revert. So, I don't anticipate any major changes coming in 2021 that had visibility to today. Certainly, get back to you in January the rest.

Michael Bless

From an operation standpoint, the big one would be assuming we're able to find a solution on Mount Holly. As I've said, there has been no pot relining expense in that cost structure Paretosh over the last couple of years. And as you know, unlike some of our peers GAAP (inaudible) treatment and unlike some of our peers, we expense rather than capitalize that pot rebuilt cost and so it will be a big dose of that in our cost of sales next year and a smaller amount in 2022, assuming that we can solve the power problems, that would be the major mover amongst the plants. And answer to your second question. Yes, we have concluded the negotiations for the vast majority of our alumina supply in 2021 and even more so than 2020 the vast, vast majority will be percentage LME priced and I can't really quote the specifics, but what we've decided to be the fair value range of alumina as a percentage of LME and we've said it, for our say it again, we wouldn't agree to any contract that wasn't priced in that range that we define its fair value.

Paretosh Misra

Got it. That's great color. And then I guess the other, I don't know if you've covered that and apologize if you already did, any color you could provide on share premiums that you're seeing in the market and I guess any discussion you've had recently for next year, as you have to think of that part of the price?

Michael Bless

Yeah, that's a great question. The short, simple answer is they're back to about where they were frankly 12 months ago as we were concluding filling other contracts for this year for 2020 in commodity billet premiums or some sort of these are all delivering prices, now above the Midwest of course, they were sort of $0.08 to $0.10 plus or minus 12 months ago, they went to truly zero or very little bit above zero and they're back to high single-digits right now. And that's kind of what we are expecting without any major changes into the situation today.

Paretosh Misra

Got it. All right, that's all I had. Thanks, Mike and good luck with the negotiations at Mount Holly.

Michael Bless

Thank you so much. We really do appreciate that.

Operator

You've answered all the questions I have assigned.

Michael Bless

Okay. Again, we appreciate the interest everybody's very good questions and I hope everybody is continuing to keep safe. We'll talk to you soon. Thank you.

Operator

That does conclude today's conference call. Thank you for you participation. You may now disconnect.