# CENTURY ALUMINUM COMPANY: 1st Quarter 2023 Earnings Call

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## SPEAKERS

Jesse Gary, President, Chief Executive Officer & Director
Peter Trpkovski, Vice President, Head of Investor Relations & Director of Financial Planning and Analysis
Gerald Bialek, Executive Vice President and Chief Financial Officer

## ANALYSTS

John Tumazos, Analyst
Katja Jancic, Analyst
Lucas Pipes, Analyst
Timna Tanners, Analyst

## PRESENTATION

**Operator**

Good afternoon. Thank you for attending today's Century Aluminum Company First Quarter 2023 Earnings Conference Call. All lines will be muted during the presentation portion of the call with an opportunity for questions and answers at the end. (Operator Instructions).

I would now like to pass the conference over to your host, Peter Trpkovski, Vice President, Finance and Investor Relations with Century Aluminum. You may proceed.

**Peter Trpkovski**

Thank you, operator. Good afternoon, everyone, and welcome to the conference call. I'm joined here today by Jesse Gary, Century's President and Chief Executive Officer; Jerry Bialek, 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 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. Please take a moment to review the cautionary statements shown here with respect to forward-looking statements and non- GAAP financial measures contained in today's discussion.

And with that, I'll hand the call to Jesse.

**Jesse Gary**

Thanks, Pete, and thanks to everyone for joining. I'll start today by quickly reviewing our strong first quarter financial performance before turning to a brief summary of market conditions. Jerry will then take you through the financial results and I'll finish with a discussion of our exciting new acquisition of a controlling interest in the Jamalco alumina refinery and bauxite mines.

Turning to slide 3. Market conditions for aluminum improved in the first quarter with both LME prices and regional premiums increasing from Q4 levels driven by further supply side reductions in Europe and China. At the same time, input costs largely decreased quarter-over-quarter with U.S. power prices falling most significantly.

These improving market conditions paired with strong operating results drove Q1 adjusted EBITDA of $24 million, which is an improvement of approximately $36 million over Q4. These good results were enabled by a tremendous effort by our operators across our locations.

Safe and stable operations are a core requirement for success at Century and I'd like to commend all of my colleagues for their excellent operating performance they delivered in Q1. This begins first and foremost with health and safety, which is our most important priority here at Century.

While we continue to strive towards our ultimate goal of an injury free environment, I'm pleased to report a continued reduction in total recordable incidents from 2021 levels when we first implemented our new safety initiatives. We still have room for improvement and will remain dedicated towards reaching our ultimate goal. Finally, I'd like to welcome all of our new colleagues at Jamalco to the Century team. On May 2nd we closed our acquisition of a 55% stake in the Jamalco alumina refinery and bauxite mines located in Clarendon, Jamaica where we now become the operating partner.

Century has long been one of the largest customers of Jamalco due to the high quality of the alumina that it produces and its strategic location and close proximity to our smelter locations in the Atlantic. We are very pleased to add this excellent facility to the Century portfolio and to reduce our short position in bauxite and alumina to more closely match our smelter capacity.

I'll return to Jamalco at the end of my remarks to further discuss the strategic rationale for this transaction and what to expect from Jamalco going forward. Turning to the market environment on page 4. You can see the global supply and demand were roughly balanced as we entered the second quarter with additional smelter curtailments in Europe and Yunnan offsetting restarts elsewhere in China.

In Europe, two additional smelters announced curtailments in Q1 due to continued high-energy prices. In total 1.2 million tonnes of capacity has now been curtailed in Europe since energy crisis began representing over 50% of the total EU capacity. As you can see from the graph on the bottom right of page 5, EU energy prices are expected to increase further from here and we therefore see risk of an additional 250,000 tonnes to 500,000 tonnes of European curtailments over the next 12 months.

We do not anticipate any significant restarts during this time period as forward energy prices above $150 per megawatt hour remain well above levels needed for economic restarts. In China, continued low reservoir levels in Yunnan drove an additional 600,000 metric tonnes of curtailments in the province in the first quarter, partially offsetting restarts in Sichuan and other provinces.

In addition, increasing water shortages in Yunnan and Qinghai present continuing risk of further Chinese output cuts in 2023. These supply side headwinds continue to reduce global inventories, which are now below 50 days of global consumption. With inventories at these historically low levels, LME prices and regional premiums that should respond swiftly once demand conditions improve.

In Q1, the three month aluminum price averaged $2,438 per tonne, up nearly $100 from Q4 levels. Regional delivery premiums witnessed quarter-over-quarter improvements as well propelled by better-than-anticipated demand and low inventories. US premiums have recently receded slightly but remain elevated, while EDPP strengthened throughout the quarter given the EU supply curtailments.

As discussed in our previous call, billet demand was muted during Q1 in the US and Europe with the market seeing a gradual recovery in demand after January as customers have largely concluded destocking and tight secondary margins support the market. Building and construction demand was the most challenging of our markets in the first quarter likely dampened by rising interest rates. Automotive and renewable energy markets on the other hand experienced the strongest demand improvements as automotive supply chain issues were alleviated and increasing government support for renewable energy projects started to boost the sector.

Despite this recent weakness, we continue to anticipate very constructive long-term billet and slab demand growth in both the US and Europe driven by the global macro trends towards sustainability, light weighting, and electrification. Automotive demand will benefit from all three trends as aluminum content per vehicle has steadily increased in order to meet the industry and regulator's requirements for fuel efficiency, lower emissions, and increased production of electric vehicles. For example, the US EPA's announcements last month proposing new emissions reduction requirements that would be measured on a total fleet basis will require significant EV conversion with the EPA estimating that more than two-thirds of all light vehicles produced in 2032 needing to be electric vehicles in order to meet the standard.

The automotive industry continues to turn towards high-performance aluminum alloys advance extruded enrolled solutions in place of heavier traditional steel components, driving long-term billet and slab demand. Turning to the cost side. US energy prices returned to normalized levels in Q1 with Indy Hub averaging around $33 per megawatt hour a nearly 50% reduction over Q4.

US energy supply and demand fundamentals remained constructive with natural gas reserves sitting 35% above year-ago levels and utility coal stockpiles 28% above year-ago levels. Aluminum prices did rise during the quarter, the API averaging $360 for the first quarter from an average of $317 million in the fourth quarter.

Prices have been supported by alumina production curtailments in Australia due to a natural gas supply shortage and bauxite mine permitting challenges. I'll return to alumina at the end of the call when I discuss our Jamalco acquisition after Jerry walks you through the quarter and our Q2 outlook.

Jerry?

**Gerald “Jerry” Bialek**

Thank you, Jesse. Let's turn to Slide 6 and I'll walk you through the results for the first quarter. On a consolidated basis, Q1 global shipments were 181,000 tonnes, supported by higher plant utilization levels and sell-through of finished goods. Realized metal prices improved to help deliver net sales for the quarter of $552 million, a 4% increase sequentially.

Looking at Q1 operating results, adjusted EBITDA was $24 million, an improvement of $36 million sequentially. Adjusted net loss was $11.3 million or $0.11 per share. This was an improvement of $20 million compared with prior quarter. In Q1, the major adjusting items were $47.8 million for the unrealized impacts of forward contracts, partially offset by $25.6 million for lower of cost or net realizable value on inventory, and $5.4 million of capacity charges due to the curtailment of Hawesville, the latter of which were reduced to zero by the end of this month.

Liquidity remained strong at $241 million at the end of the quarter, consisting of $30 million in cash and $211 million available on our credit facilities. Turning to Slide 7 to further explain the $36 million sequential improvement in adjusted EBITDA. Realized lagged LME prices were slightly better than anticipated in the outlook we provided during our last call. First quarter realized LME was $2,350 per ton, up $42 versus prior quarter while realized US Midwest premiums of $573 per tonne were up $104. Realized European delivery premiums of $290 per tonne were down $209, reflecting a full three month lag. Together, these factors contributed a $3 million benefit in the quarter. Realized alumina cost was $390 per tonne, $10 lower on a sequential basis. Realized coke prices decreased 5% while realized pitch prices increased 10% in line with expectations.

Together, alumina and other raw material costs contributed $7 million to EBITDA. Power costs nearly halved from prior quarter for our MISO Indiana Hub exposure as well as a 34% reduction in Nord Pool market prices, adding $35 million of incremental EBITDA, slightly better than expectations. Finally, sales mix was unfavorable resulting from the customer destocking that Jesse referenced and that we had forecasted on our last call. In total, adjusted EBITDA for the first quarter was $24 million, a $36 million improvement sequentially.

Now, let's turn to Slide 8 for a look at cash flow. We started the quarter with $54 million in cash and have a $24 million in adjusted EBITDA. Borrowing against our casthouse facility offset $10 million in CapEx for the Grundartangi casthouse project. All other CapEx totaled $4 million.

Hedge settlements contributed $10 million. We repaid $19 million on our revolvers and other debt and the Hawesville curtailment power charge was $5 million. Working capital other used $29 million of cash during the period, about $20 million of which can be explained by normal fluctuations in inventory and accounts payable, leaving us with Q1 ending cash of $30 million.

Now, let's move to Slide 9 for insight into our expectations for the second quarter. For Q2, the lagged LME of $2,380 per tonne is expected to be up about $30 versus Q1 realized prices. The Q2 lagged US Midwest premium is forecast to be $570 per tonne, down slightly and the European delivery premium is expected at $305 per tonne or up about $15 per tonne versus the first quarter.

Lagged realized alumina is expected to be $400 per tonne, up slightly. Taken together, the LME delivery premium pricing and alumina changes are expected to increase Q2 EBITDA by approximately $5 million versus Q1 level. Power prices continue to show signs of moderation and we expect a slight reduction in total energy costs to contribute approximately $5 million of improvement to EBITDA compared with Q1. We expect the impact from coke and pitch to be neutral to EBITDA compared with the first quarter as a reduction in coke prices is expected to be offset by stubbornly elevated pitch prices.

With respect to Jamalco, we expect to breakeven or better impact to adjusted EBITDA for the second quarter. We're excited about future benefits related to increased volume and cost efficiencies and expect Jamalco to be accretive to our financial results at current spot prices beginning in the third quarter. Jesse will elaborate on this in a moment.

OpEx and other costs are expected to increase $5 million to $10 million due to maintenance cycles, wage inflation, and the addition of seasonal labor to maintain smelter stability during the summer months. All factors considered, our outlook for Q2 adjusted EBITDA is expected to be in a range of between $25 million to $30 million.

Just a few more points to make. From a hedge impact standpoint, we expect a realized gain of between $5 million to $10 million in the second quarter. We expect tax expense of approximately $5 million to $10 million. As a reminder, both of these items fall below EBITDA and impact adjusted net income.

Finally, I'd like to point out that we do expect to fund between $10 million to $20 million in working capital at Jamalco during Q2 as we continue to ramp up production there. With that, I'll turn the call back over to Jesse.

**Jesse Gary**

Thanks, Jerry. Turning to slide 10. I'll walk you through the key details from our exciting Jamalco acquisition, which closed last week. This transaction is highly strategic for Century as it secures the long-term supply of high-quality alumina and bauxite for our smelters and achieves increased transparency in our alumina purchases.

This will create a more balanced, consistent, and robust operational footprint and better position us to deliver strong performance through commodity cycles. Jamalco was originally built by Alcoa and went through a series of major investment and expansion programs in the late 2000 to bring it to its current nameplate capacity of 1.4 million tons.

The refinery operates as a joint venture with the remaining 45% stake owned by the Government of Jamaica through its holding company Clarendon Alumina Production Limited. We are very pleased to have both as partners at Jamalco. We've long identified Jamalco as a strategic asset for Century given the high quality of its alumina, long term access to domestic bauxite, and excellent workforce.

Its strategic location in the Atlantic Basin is in close proximity to all of Century's operating locations, providing short and secure supply lines and low logistics costs to each of Century's smelters. Jamalco also has existing mining and exploratory licenses to provide sufficient high quality bauxite for over 30 years of nameplate refinery production providing a clear runway for long-term operations of the refinery.

Perhaps most importantly, Jamalco has a very experienced and talented workforce that shares Century's cultural focus on operating safe and sustainable facilities with first class environmental stewardship and community engagement. The refinery has recently been through some difficult times, but it's well on its way to regaining its full potential.

In August 2021, a fire broke out in the plant's powerhouse which halted production of alumina for about a year before it resumed partial operations with only one of its two digesters this last summer. Given these challenges, it was very important to us that we have time to conduct thorough due diligence process to ensure the full recovery of the refinery.

Due to the unique acquisition structure where we've provided interim funding to allow for the restart of the second digester in exchange for an option to purchase a 55% ownership interest for $1, Century teams have been able to conduct extensive due diligence and have an almost continual presence on site at Jamalco since early February.

This allowed us to confirm our expectations that despite the 2021 fire Jamalco retain the potential to return to a second quartile asset. The team at Jamalco has done a fantastic job restarting the second digester with the plant now running near in annualized production rate of 1.2 million tons.

We expect production to continue to increase and exceed 1.2 million tons over the next several months. The additional volume and efficiency has already significantly lowered Jamalco's cost structure and we expect further improvements as the volumes continue to increase. As Jerry mentioned, at current spot prices, we expect Jamalco to be roughly breakeven or better in the second quarter and to be accretive to our financial results, beginning in the third quarter.

Finally, in order to return the asset to its full potential and 1.4 million tons of capacity, we have identified a series of operational improvements and investment opportunities, which we are calling Project Restore, which should return Jamalco to its historical location in the second quartile of the global cost curve and drive further improved profitability.

We expect approximately $10 million to $20 million in Project Restore CapEx over the balance of the year, which should begin driving additional cost savings and production increases as soon as Q4 2023. The bulk of the remaining Project Restore investments and volume gains will occur over 2024 to 2026.

All Project Restore investments are expected to have double-digit unlevered IRRs that meet Century's investment requirements. We will provide you additional detail on the full scope of Project Restore later this year. We are very excited to add Jamalco to the Century team and believe strongly that Jamalco will provide Century a meaningful opportunity for long-term value creation for all of our stakeholders. We look forward to your questions today and we'll turn the call over now to the operator.

**Questions and Answers**

**Operator**

We will now begin the Q&A session. (Operator Instructions) The first question is from the line of Lucas Pipes with B. Riley. You may proceed.

**Lucas Pipes**

Thank you very much, operator. Good afternoon, everyone, and congratulations on the announcement regarding Jamalco. And I do have a few more questions on that and thank you for the detail already on the call. But my first question is, why now? Is there anything that has changed in your view of the strategic landscape that makes vertical integration more attractive today than maybe in the past? Thank you very much.

**Jesse Gary**

Thanks, Lucas. It's Jesse. This is something that we've been looking at and talking about for quite a while now and being backward integration up into the alumina and bauxite supply chain but we've been patient and waiting for the right opportunity to arise. In Jamalco we found an asset that we knew well. As I mentioned, we've long been the largest customer there and we're very familiar with the high quality of the alumina that they produce.

Also fits well within our footprint, so we can take and have taken Jamalco alumina to all of our operating smelters. It works well in all of them and we also found an asset that has high potential. We know it has long operated in the second quartile and had sort of an exogenous event that created at part times and -- but given the sort of unique acquisition structure, we were able to set up here, we're really able to get our arms around the asset and feel very confident that we can put it back into the second quartile and then ultimately just derisk Century from another exogenous risk of high alumina prices over the long term.

So it fits with what we've always said on M&A that we'd like to find assets that fit those factors and we'll also be opportunistic and look for the right opportunity. And for those reasons, we felt like this was the right time at Jamalco.

**Lucas Pipes**

Very helpful, thank you for that. And my follow-up question is on some of the points you just raised. Putting the asset back into the second quartile, could you comment on what sort of capital may still be necessary in addition to what you outlined for the second quarter? I think that's $20 million to $30 million of working capital and then more broadly, you mentioned that the asset will be accretive to your financial metrics. I think you said Q3, and I wondered if you could hone in on what the incremental improvements are that drive that accretion in Q3 versus Q2. Thank you very much.

**Jesse Gary**

Yeah, sure. So I'll just start with the second question first and then I'll get to your CapEx question. So most of the beneficial gains will come in two factors. One, as we continue to ramp up the volume over the back half, these will occur both from capital projects that we will implement but also continued operational improvements that come with the restart of the second digester and the stabilization of operations at the site.

And so as we add that volume along with it will come lower cost as we spread our fixed costs over that additional volume, but also a variety of operational improvement programs, which will further push the cost down. So it's really twofold, both volume and cost savings on the incremental benefits.

On the CapEx side, we did mentioned that we expect about $10 million to $20 million over the back half of this year. And go forward, there'll be a number of capital projects remaining for the 2024 to 2026 timeframe and we'll come back and give you additional guidance there as we go into the back half of the year.

**Lucas Pipes**

Got it. I appreciate that color. I'll turn it over for now. Thank you very much.

**Jesse Gary**

Thanks, Lucas.

**Operator**

Thank you. The next question is from the line of Timna Tanners with Wolfe Research. You may proceed.

**Timna Tanners**

Hey, good afternoon. Wanted to ask about some items I didn't hear you mentioned. First off we had in our notes, $28.5 million from the sale of land from Mt. Holly, so did that -- is that going to appear in the second quarter or am I missing something there?

**Jesse Gary**

No. Thanks, Timna. Yeah. That transaction continues to move forward. There is a little bit of zoning issues that are going on with the sale. Just normal process and so we now expect that will close in the second half, but it should be the rest of the metrics for that transaction should be the same.

**Timna Tanners**

Okay, thanks. Land sale closure second half. And then the other question is just going back to Hawesville. I was just reading some of the news and you -- it was late June where you said it was closing for 9 months to 12 months and you have some positive commentary on the market environment and lower Kentucky energy prices, so just wanted updated thoughts on the future of Hawesville?

**Jesse Gary**

Yeah, sure. It's a great question. And as we mentioned when we curtailed that we did curtail it in a very controlled manner and we continue to maintain the site as necessary in order to enable a restart. That restart decision obviously, the decision that we will look at in the context of the totality of the circumstances.

So for Hawesville specifically, we're talking about main drivers being a prolonged period of power prices at historical levels and then an aluminum price that can maintain levels to justify the restart expenses required, and also the costs required to bring that plant back to full capacity.

So while we have seen conditions improve, we're continuing to wait to see the volatility reduce in both of those components and then ultimately just finding a level that will drive those long-term burden of returns that we need to undertake the expense.

One item just to note is that on the holding costs there. Sorry Timna, just one item to note on the holding costs there. We do expect that the existing power capacity that was purchased last year for this facility, those costs will now roll off, so that's about $2 million a month for Hawesville that will roll off.

**Timna Tanners**

Okay, thanks. So in other words, there is no specific commitment or requirement to restart and you're waiting for more accommodating power prices and then aluminum prices, is that what you're saying?

**Jesse Gary**

That's a good summary, Timna. Yeah, it's a holistic decision. We need everything to align, it's something that we'd really like to do, but we just need to wait for the right market conditions in order to move that forward.

**Timna Tanners**

Understood. And then if I could just a follow-up lastly on the last line of questioning around Jamalco. I guess that the thing that makes me nervous is whenever you get something for a $1 you wonder okay what's along with that. And so just was there any specific commitment given to the Jamaican government or anything that we should be aware of in terms of the amount of CapEx anything else that we should be thinking about in terms of cash requirements going forward? And thanks again for all the detail.

**Jesse Gary**

No, it's a fair question, Timna. And just as a reminder to start, we did not purchase our 55% interest from the Jamaican Government. We purchased that from Noble, who is the former owners and -- but the Jamaican Government does on the other 45% of the asset. Yeah, just to your question about the $1, it was really unique set of circumstances that enabled this to happen. So just give maybe a little bit more color. We've, as you might imagine, as a major customers of that facility, we've been watching the financial situation there closely and post-fire, they had a difficult period with some long time frames in order to rebuild the facility and get it restarted after 2021.

And as they started to enter into, once they restarted that last year in 2022 they started a single digester as you know with these sorts of assets, it really is important to get them back to full production in order to bring the cost structure down. But they found themselves in a situation where they couldn't fund the additional monies that we needed to restart the second digester, and so we worked out a situation where we we're able to provide some interim funding.

But as you might imagine, before we agreed to put the funding in we wanted to be sure that there was a return there for ourselves, and so we're able to negotiate this option structure, which gave us a few months to watch the second digester come up, and make sure that we're comfortable with the rest of the due diligence around the asset and then have the right to exercise that option for a $1.

And so that's really the sort of reasoning around that dollar structure and some of that interim funding, you'll see that's a part of the $10 million to $20 million that Jerry mentioned that will be contributing as part of the working capital build. It came in the form of a prepaid for alumina and so some of that will then be reflected in that $10 million to $20 million in working capital build going forward.

But just to your ultimate question, no obligations on the CapEx side. Although we are excited about those projects, we think they're very good projects and no sort of liabilities assume, there's no debt at the asset or anything like that. So it is what it looks like, and we're really excited about the asset.

**Timna Tanners**

Thanks again.

**Jesse Gary**

Yeah.

**Operator**

Thank you. The next question is from the line of John Tumazos with John Tumazos Very Independent Research. You may proceed.

**John Tumazos**

Thank you. Staying with Jamalco, are you going to have any on balance sheet liabilities assumed for reclamation, post-employment costs, or other issues, and can you give us some guidance as to those amounts?

**Jesse Gary**

Yeah, sure. Sure, John. And so all of the liabilities assumed are what I would call ordinary course liabilities for alumina refinery. So as you mentioned, there are reclamation liabilities associated with the bauxite mining and ultimately some of the residual storage areas. But the great part about this asset is that it does have significant mine life left. So we view it as a very long-term asset and has over 30 years of mine life left of high quality bauxite with their existing mining licenses. So we think this is an asset that we will be operating especially given its place in the second quartile on the cost curve for a very long time.

**John Tumazos**

There might be consolidated liability we see after closing be more like $50 million or $100 million?

**Jesse Gary**

Yeah, we'll give you the exact detail when we come to the back half of the year here after we work through all the accounting, but it's more towards the -- your first assumption than your latter assumption. Still running to the final accounting on that, but that's good news.

**John Tumazos**

You have the right to buy all the output. Great. Thank you.

**Jesse Gary**

Sorry, John, could you just repeat the question?

**John Tumazos**

You have the right to buy a 100% of the output?

**Jesse Gary**

Oh. The Jamalco structured is an unincorporated joint venture where each of the partners takes their share of the output at cost. And so we take our 55% of the output and CAP takes their 45%.

**John Tumazos**

Thank you.

**Jesse Gary**

Thanks, John.

**Operator**

Thank you. The next question is from the line of Katja Jancic with BMO Capital Markets. You may proceed.

**Katja Jancic**

Hi, thank you for taking my question. Just first a little bit of clarification. You said the $10 million to $20 million in working capital, that's considered what was pre-funding for the second digester?

**Jesse Gary**

Yeah, a portion of that was part of a prepayment for alumina which will now be delivered in the second quarter and will be part of that $10 million to $20 million in working capital build.

**Katja Jancic**

And how much was the total pre-funding? Can you provide that number?

**Jesse Gary**

We're not disclosing that but it is within the $10 million to $20 million and the rest of that $10 million to $20 million is represents a buildup in inventory payables and receivables as the production has increased at the facility.

**Katja Jancic**

Okay. Then on Slide 17, you typically provide your sensitivities and it's clear that it doesn't include Jamalco. But can you provide any direction as to how the contracts, how the sensitivities especially for alumina are going to change going forward?

**Jesse Gary**

Yeah, sure, Katja, no problem. So for Q2 and given there's sort of an existing cargo mix and sales coming out of Jamalco, our internal mix will stay roughly the same as what you see on Page 17. As we integrate and take our share of the Jamalco production going forward, what you'll see is our mix will change towards roughly half LME linked and half at Jamalco's production cost and that sort of our 55% share of Jamalco is about 650,000 tonnes of alumina, which is roughly half of our requirements.

And so that gives you a sense, and we'll give you some additional detail there going forward, but hopefully that roughly balanced half LME percentage, half Jamalco production costs will be pretty close.

**Katja Jancic**

And you can’t you provide the information about the production cost is right now?

**Jesse Gary**

No, we don't break down production costs by an asset-by-individual asset level, but we will provide some sort of additional input on the Q3 call as to what -- how Jamalco is integrated into the system just given the transaction closed last week, need a lot more time to give the specifics there.

**Katja Jancic**

Okay, thank you very much.

**Jesse Gary**

Thanks, Katja.

**Operator**

Thank you. The next question is a follow-up from Lucas with B. Riley. You may proceed.

**Lucas Pipes**

Thank you very much. Just a few quick follow-ups. First one is on Slide 9. OpEx other head of $10 million to $5 million in Q2, can you remind us what that headwind is and is it a one-off or would it repeat or stay in the segments through the end of the year? Thank you.

**Gerald "Jerry" Bialek**

Hey, Lucas, it's Jerry. As I said in my prepared remarks that the $5 million to $10 million is made up of maintenance cycles. We had some wage inflation there and we've also had some seasonal labor. If you think back to the fourth quarter of last year, we did a fair amount of cost cutting and we've had some efficiencies that flow through the fourth quarter into the first quarter.

We're now approaching a cycle where we're going to invest a little bit of additional OpEx just to help us through the summer months and manage the seasonality the difficult timeframe during. Stability is an important aspect in that timeframe and so we will put a little bit of seasonal labor in there as well.

**Lucas Pipes**

Got it. So we shouldn't expect a reversal in Q3, but maybe in Q4?

**Gerald "Jerry" Bialek**

Correct.

**Lucas Pipes**

That's helpful. Thank you. And then back to Timna's questions on Hawesville, two part question. The first is what is your sense for restart costs for Hawesville, how much capital could be required? And then second part, would you hedge possible output with price mechanisms as you did in the past? I think the market was somewhat skeptical of that approach but would appreciate your thoughts on that matter today. Thank you.

**Jesse Gary**

Thanks, Lucas. Yeah, we'll obviously once we make the decision to restart we'll give additional detail probably on both those questions at that time. Obviously, both of those are specific to the exact operating environment that you find yourself in when you make that restart decision. But maybe to give you a little bit of context, when we last started lines at Hawesville back in 2018, you'll remember there was about $25 million per potlines that we brought back on. That if you remember that time those lines have been down and required full relines of the cells, which is much more capital intensive and then the manner in which it would be restart at this time. Because all of those cells were recently relined from the more recent restart, when we restart the next time around we will have significantly less relining costs.

And so I would expect those restart costs to be significantly lower than that $25 million for potline but we'll give you additional detail once we actually make the decision.

**Operator**

Thank you. (Operator Instructions) There are no further questions waiting in queue. I would like to turn the call back over to Jesse Gary for concluding remarks.

**Jesse Gary**

Thanks everybody for dialing into the call this quarter and we look forward to talking to you on the third quarter call. Thanks.

**Operator**

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