CENTURY ALUMINUM COMPANY: 4th Quarter 2022 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

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

PRESENTATION

Operator

Good afternoon. Thank you for attending today's Century Aluminum Company Fourth Quarter 2022 Earnings Call. My name is Megan, and I'll be your moderator for today's 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, with Century Aluminum. Peter, please go ahead.

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 statement 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 over to Jesse.

Jesse Gary

Thanks, Pete, and thanks to everyone for joining. I'll start today by quickly reviewing our 2022 performance, before discussing the improving market conditions we have seen so far in 2023. Jerry will then take you through the details of the fourth quarter and full-year results and then I'll finish with an update on our Grundartangi casthouse project.

Turning to Slide 3, 2022 was a very volatile year in the commodity markets. Aluminum prices reached 30-year highs in the spring, driving strong financial performance across Century's businesses in Q1 and Q2. However, market conditions deteriorated over the back-half of the year as high global inflation was met with rising interest rates, resulting in a significant strengthening in U.S. dollar and pressuring aluminum prices downward. At the same time, the war in Ukraine and resulting energy crisis drove power prices to unsustainable levels across the world. All told, Century produced adjusted EBITDA of $144 million last year. In Q4, adjusted EBITDA was a loss of $12 million, which was an improvement of approximately $24 million over Q3 as the benefits of improving energy markets and cost cutting measures across our business improved results. We finished the year with strong liquidity of $245 million.

Our team completed several long-term projects last year, including the restart program at Mt. Holly, which returned smelter to 75% of capacity. We also completed the first phases of our U.S. casthouse debottlenecking programs, which increased our capacity to produce value-added products by 20,000 tonnes. To mitigate record high energy prices, we made the difficult decision in June to curtail our Hawesville smelter. Since the curtailment the team in Hawesville has done a good job reducing holding costs, while maintaining the assets in a condition that would allow for restart in the future. And assessing whether the conditions for restart have been met, we intend to be disciplined in our approach, and we'll wait to see energy costs and LME prices reach and sustain levels that will enable the profitable operation of the smelter for the long term.

Finally, we continue to focus on our most important priority, to return our employees home safely at the end of each and every day. While we will never be satisfied until we achieve zero workplace injuries, our team should be proud to have reduced injuries by 10% over 2021 levels. We hope to significantly improve on this trend in the coming year. Market conditions for Century's businesses have improved significantly so far in Q1 and continued to trend in a positive direction as we emerge from winter.

If you turn to Slide 4, you can see the global supply demand balances remained in deficit last year. This was driven most significantly by another year of energy-driven production curtailments in China, where low hydro reservoirs drove curtailments in several provinces. Global aluminum balances have now been in deficit four of the last five years with the COVID impacted year in 2020 the only exception. We currently estimate that approximately 2.5 million tonnes of Chinese capacity is offline due to energy curtailments in Yunnan, Sichuan and Guizhou, with an additional 500,000 to 1 million tonnes of capacity at risk in the near term due to continued water shortages. This is now the third year in a row of significant winter energy shortages in China, suggesting the Chinese production may be subject to increasing seasonality going forward, as the country seems to be consistently short energy across the winter months.

Given these continued Chinese production headwinds, we expect Global Markets to remain in deficit this year with risks leaning towards larger deficits should further capacity cuts in Yunnan materialize or restarts in Sichuan and Guizhou continue to be delayed. With global inventories averaging below 50 days, LME prices should respond favorably if additional supply curtailments confirm. In our markets in the U.S. and EU, supply deficits widened last year as high energy prices drove smelter curtailments, especially in Europe where 50% of remaining capacity has been curtailed due to high energy costs.

Fortunately, a relatively warm European winter has allowed EU energy prices to moderate somewhat. But while lower prices have helped sustain downstream aluminum demand, both spot and forward EU energy prices remain well above levels needed to drive widespread smelter restarts.

As you can see from the graph on Slide 5, EU energy prices remained in contango above $150 per megawatt-hour, with significantly higher prices expected to return later in the year. While one of our Icelandic energy contracts does have some exposure to EU energy prices through Nord Pool. We have hedged 95% of the remaining exposure at EUR30.
From 2024 onward, we do not have any Nord Pool or other EU energy market exposure.

Iceland energy markets remain well supplied in 2023 with hydro reservoirs near average levels across the Icelandic system. U.S. energy prices moderated in Q4 with Indy Hub averaging around $60, a 30% reduction over Q3. Price declines have accelerated significantly so far this year as record U.S. natural gas production paired with increasing renewable generation and recovering coal production have combined with a warmer than average winter to drive energy prices significantly lower. Indy Hub prices are now back below pre-crisis levels, with January averaging $37 per megawatt-hour, and February, averaging $29 month-to-date.

While, spot prices have declined significantly, Indy Hub forward-prices remain in contango with the forward-strip approximating $41 for the balance of 2023. Significantly improved supply and demand fundamentals have recently driven forward-prices lower with U.S. natural gas reserves and utility coal stockpiles now respectively sitting 17% and 40% above year-ago levels. Increasing natural gas reserves and continued record production could continue to pressure forwards down towards spot levels and begin to make power price hedging more attractive as we move into spring.

Turning to regional premiums, strong aluminum demand in both the EU and U.S. have driven premiums higher so far this quarter, with the spot Midwest premium of about $0.29 per pound, a 40% increase over Q4 levels, and EU duty paid premium returning to levels above $300 per tonne. This trend has continued affirmation of our long-term strategy to focus our production in these two short markets, which allow us to better serve our customers and benefit from these strong premiums. As a reminder, all of our remaining Midwest premium hedges matured in Q4. So we will realize the full cash benefit of increasing premiums in both the U.S. and Europe this quarter and going forward.

One area of relative weakness in the market has been in spot billet demand. While annual contract prices have remained well above historic levels, we did experience a measurable decline in spot billet orders in November and December as our customers look to destock their inventories. This has been buffered somewhat by relative strength in our HVAC markets and continued resilience in automotive demand. This destocking process appears to have bottomed in January, as we have seen increasing month-over-month orders in both February and March. We anticipate further improvement in April orders. The expected impact of this destocking process is included in our Q1 outlook on Slide 9, and Jerry will walk you through the impact on our Q4 results in a minute.

Despite these near-term headwinds, we continue to anticipate very constructive long-term billet demand trends in both the U.S. and in Europe as electric vehicle substitution drives increasing aluminum consumption. As we've discussed in the past, electric vehicles use 200 pounds more aluminum on an average than an internal combustion vehicle with an even larger increase in primary aluminum consumption as the secondary based internal combustion engine block is replaced by value-added primary aluminum intensive components like battery trays, HVAC and crash systems. We expect this trend to support significant long-term demand expansion for primary aluminum billet and slab in the EU and U.S.

Turning to operations, we saw a strong and stable performance across our smelters in Q4, while also exceeding expectations on our cost and headcount reduction programs. The strong operating performance combined with production creep programs at Sebree and Grundartangi and completion of Mt. Holly expansion project allowed us to offset a significant amount of the production lost from the Hawesville curtailment with total shipments last year down just 15,000 tonnes from 2021 levels.

In the U.S., we finished our first stages of our casthouse debottlenecking projects, increasing our billet and slab capacity by approximately 10,000 tonnes each. We will start the next phase of these programs in 2023, which we expect will expand our total billet and slab capacity by an additional 10,000 tonnes each by the end of 2024. Paired with expected completion of the Grundartangi billet casthouse by the end of this year, we should enter 2024 with the ability to sell approximately 80% of Century's total production as value-added product in the form of billet, slab, foundry alloys for a Natur-Al low carbon aluminum. On the raw material side, we continue to see slow decreases in coke prices in Q4, while pitch prices remain stubbornly elevated in both the U.S. and Europe. We do expect coke prices to slowly moderate over the course of this year as Chinese supply is expected to increase following relaxation of COVID protocols.

Jerry will now walk you through the quarter and our Q1 outlook.

Gerald “Jerry” Bialek

Thank you, Jesse. Let's turn to Slide 6, and I'll walk you through the results for the fourth quarter. On a consolidated basis, Q4 global shipments were down about 2% quarter-over-quarter driven by the Hawesville curtailment and partially offset by the completed Mt. Holly restart project. Realized prices decreased substantially versus prior quarter due primarily to significantly lower lagged LME prices and delivery premiums resulting in a 16% decrease in sequential net sales.

Looking at Q4 operating results, adjusted EBITDA was a $12 million loss, an improvement of $24 million compared with the third quarter, adjusted net loss was $31.3 million or $0.31 per share. In Q4, the major adjusting items were $82.9 million for the unrealized impacts of forward-contracts, $5.4 million related to excess power capacity charges associated with the Hawesville smelter and $2.2 million for share-based compensation. We had strong liquidity of $245 million at the end of the quarter, consisting of $54 million in cash and $191 million available on our credit facilities.

Now, turning to Slide 7 to explain the $24 million fourth quarter sequential improvement in adjusted EBITDA. Realized lagged LME prices were slightly better than anticipated in our outlook provided during our last call. Fourth quarter realized LME of $2,308 per tonne, was down $330 versus prior quarter while realized the U.S. Midwest premiums of $470 per tonne were down $168, and European delivery premiums of $499 per tonne were down $89. Together, these factors amounted to $79 million headwind in the quarter. Realized alumina cost was $397 per tonne, $99 lower on a sequential basis, contributing $36 million to EBITDA. Moderating power costs added $53 million, in line with expectations.

Finally, volume was off a bit, but our global cost savings initiatives, including the Hawesville curtailment actions and other headcount reductions and efficiencies contributed $18 million of incremental benefit as expected. We expect these efficiency programs also to benefit 2023 results, and have reflected those assumptions in our Q1 outlook, which I will speak to in a moment. In total, adjusted EBITDA for the fourth quarter was a loss of $12 million, again a $24 million improvement sequentially.

Let's turn to Slide 8 for a look at cash flow. We started the quarter with $65 million in cash and ended December with $54 million. CapEx spending totaled $17 million, $13 million of which relates to the Grundartangi casthouse project. Semiannual interest payments were $11 million, hedge settlements, net borrowings and working capital contributed $13 million, $12 million and $5 million respectively.

Now let's turn to Slide 9, and we'll give you some insight into our expectations for the first quarter. For Q1, the lagged LME of $2,350 per tonne is expected to be up about $45 million versus Q4 realized prices. The Q1 lagged U.S. Midwest premium is forecast to be $560 per tonne, up $90, and the European delivery premiums is expected at $275 per tonne, or down about $225 per tonne versus the fourth quarter. Lagged realized alumina is expected to be $395 per tonne, down slightly. Taken together, the LME delivery premium pricing and alumina changes are expected to decrease Q1 EBITDA by approximately $5 million versus Q4 levels.

Power prices have decreased substantially from what we experienced during the fourth quarter. In fact, Indiana Hub and Nord Pool markets are down 45% and 30% respectively in Q1 compared to Q4. We expect this reduction in total energy costs to contribute approximately $32 million of improvement to EBITDA compared with Q4.

Coke and pitch prices remain above historical averages, but we expect sequential improvement in realized coke prices to be about $110 better in Q1 at $670 per tonne. Realized pitch prices remains stubbornly high at $1,550 per tonne or about $140 higher than Q4. Together, we expect coke and pitch to contribute about $5 million to EBITDA improvement compared with the fourth quarter.

Finally, we expect the headwind from mix and other factors of between $5 million to $10 million, mainly driven by the near-term weakness of billet sales that Jesse mentioned earlier. All factors considered, our outlook for Q1 adjusted EBITDA is expected to be in a range of between $10 million to $15 million. From a hedge impact standpoint, we expect a realized gain of about $5 million in the first quarter. We expect tax expense of approximately $5 million. And as a reminder, both of these items fall below EBITDA and impact-adjusted net income.

Now, referring to Slide 15 for some full-year 2023 financial assumptions. We expect shipments to decrease by nearly 69,000 tonnes, down about 9% versus 2022, primarily due to the curtailment of our Hawesville, but partially offset by growth at our other three smelters.

From a cash standpoint, we expect to invest about $15 million to $20 million of sustaining CapEx in 2023. In addition, we expect to invest approximately $60 million to $75 million in our fully financed Iceland casthouse and $5 million to $10 million in other CapEx. The effect of the hedge book will vary with market conditions throughout the year, but to assist with anticipating these impacts on a go-forward basis, we have updated our previously reviewed financial hedge landscape, which can be found on Page 17 in the appendix. We have no remaining Midwest premium hedges, and for Nord Pool, we are 95% hedged in 2023.

With that, I'll turn the call back over to Jesse.

Jesse Gary

Thanks, Jerry. If you turn to Slide 10. I'd like to give a quick update on our Grundartangi casthouse project which when finished will produce a 150,000 tonnes of low carbon Natur-Al billet. The project will also increase our total foundry alloy capacity by 60,000 tonnes to a total capacity of 120,000 tonnes. All of this production will have the capability to be cast as Natur-Al, our low carbon aluminum brand which has total Scope 1, 2 and 3 emissions of less than 4 tonnes of CO_2 per tonne of aluminum, amongst the lowest carbon footprint in the world and less than 25% of industry average.

We expect to complete the casthouse by year-end, with its first commercial sales expected in January 2024. Our team has done an excellent job keeping this project on budget and on track through the difficult inflationary environment over the past 15 months. Europe, today, is over 1 million tonnes short of domestic billet production with over 300,000 tonnes of European billet capacity curtailed in the last two years. Given the shortage, the Grundartangi casthouse will be well timed to supply European customers that would otherwise be left to import higher carbon billet products from the Middle East or India.

We have already seen strong interest from our existing customer base to purchase billet from Grundartangi and expect to host customers in Iceland in the back-half of the year to finalize sales and qualification of our products. We believe that we will have no issue placing this billet to high-quality customers in the European market and the Natur-Al billet will receive an additional green premium in the marketplace.

We look forward to your questions today, I will turn the call over now to the operator.

Questions and Answers

Operator

Thank you. (Operator Instructions) Our first question comes from the line of David Gagliano with BMO. Your line is now open.

David Gagliano

Hello. Thanks for taking my questions. I appreciate the guidance as always. And I'm going to ask the usual questions about sort of annualized run rate EBITDA generation. If I do the math on Slide 9, $10 million to $15 million is the outlook for the first quarter, and then I compare to the spot prices, and I use the sensitivities, I think on Slide 16, I think the conclusion we're coming to is if you use spot pricing, quarterly EBITDA generation goes to maybe $20 million, $25 million to $30 million or $100 million and $120 million annualized, based on adjusting for spot for what's available.

$120 million annualized, is that a reasonable run rate in the world that we're in now? And what are- aside from restarting Hawesville, what are some of the additional EBITDA boosters that we should expect as the year progresses?

Jesse Gary

Yeah, hey, David. Thanks. Thanks for the question. As we've said in the past, we're going to provide expectations for one quarter out in general for modeling purposes. We've provided you with the sensitivities as you referenced. Obviously, we will be back in just about a month, only a month from now to talk about Q2, but if we continue some of the trends discussed already, you can start to see some improvement on a number of fronts.

First, we're already starting to see our sales mix improve from the customer destocking of inventories as I mentioned earlier. We expect that to ramp up, and it should hit our full run rate sometime in late Q2, early Q3.

Second, you mentioned the pricing convention with respect to revenue as the lagged spot prices, so you can use sensitivities to update that, and we're seeing regional premiums come up in both the U.S. and EU. So that's yet fall through the results. We also expect further cost pressure moderation, so energy prices continue to price below what we had in Q1, there are signs of other raw materials like coke should start to alleviate now as well.

And then if you just look at EBITDA, it obviously still reflects the market price for our remaining Nord Pool exposure. So once you factor in EUR30 per megawatt-hour hedged, you should see further improvement to hedging from our guide as those prices continue to show contango. And then if we start to see some China curtailments, and as I discussed in my prepared remarks, you could see a response in LME side, which will start to drive results.

Then going forward from there, I think you're asking a little bit broader question, obviously the Grundartangi casthouse is going to have a material impact to the positive on the business. We'll think -- we think we'll be amongst the lowest cost billet producers in the world with that new casthouse, and when you pair it with being amongst the lowest CO2 footprint in the world as well, we think that we'll have a very nice impact on margins at Grundartangi, and we think all that billet will be in very high demand, especially in the European market.

So maybe there's some thoughts. You can redirect me further. But as we look forward, we see a very nice future and some really nice opportunities in these two U.S. and EU markets as we move forward.

David Gagliano

Okay, that's helpful, qualitative list, and a number of those have actually been quantified in the math that I just went through, but some of them weren't. So I'll just maybe ask it again. Of the ones that are -- that you mentioned on that list that are not quantified, it seems like volume mix and other maybe, that line and maybe coke and pitch, have more upside potential in the near term. Can you quantify potential order of magnitude on EBITDA uplift for those two things as we get beyond the first quarter?

Jesse Gary

I don't really want to speculate as to where pricing will go on some of those. We do think coke prices are going relax, but it's been much more stubborn than maybe what we thought, for the past 12 months. And obviously, where coke prices have been historically, and there's no real reason, no fundamental change in reason why we can't start to approach those long-term historical levels. So you can start to model that in a bit. I think you can model out the run rates there.

And on the mix side, as we said, the pricing on the annual contracts for this year on the billet side, we're not so different than last year. It's mainly been a volume destocking impact over the quarter. So if you start to look towards the volume levels we saw last year, though, it could be a little bit of a sense of where the upside could be there. And then again on the long term, we will come back and talk more about the Grundartangi casthouse as we get closer to next year in terms of its impact on the business and the profitability of the business. But as I said, I think that's material upside for us and one that we're really excited about.

David Gagliano

Thanks. I'll turn it over to somebody else. Thanks.

Operator

Thank you, David. Our next question comes from the line of Lucas Pipes with B Riley. Your line is now open.

Lucas Pipes

Thank you very much, Operator. Good afternoon, everyone. I think you mentioned the potential for energy hedging in the prepared remarks, and I just wanted to make sure I understand the strategy there properly. Is that related in any way to Hawesville or is it more opportunistic for locking in what you might deem to be attractive energy prices now that power prices have corrected? Thank you very much for your perspective on this.

Jesse Gary

Sure, Lucas, Thanks. Well, it's relevant most immediately for Sebree because that's where our largest market exposure lies at this point. And as I mentioned, we have seen those Indy Hub prices come down quite significantly and the forwards are just a little bit more stubborn as they come down. So when we looked at that, you see a fairly expensive risk premium built into the forwards right now, but we continue to believe as you look at natural gas storage in the country, natural gas production in this country and Henry Hub has obviously come off significantly, and pair that with increasing renewable generation, especially as some of these new projects start to hit, and a stronger coal production on the back-end and utilities, if you remember this past year, we were a little bit short going into winter, this year they look much better situated and coke piles are quite high. So we continue to think that may collapse or that risk premium may collapse a little bit and come closer to spot, which could provide some opportunities for us.

So most relevant for Sebree, as we look to Hawesville going forward, that is also something that we can look at there. So on the Hawesville side, as I said, market conditions are definitely better than when we made the decision to curtail. But we would like to see both energy and metal prices reach and then sustain levels that enables the profitable operation for the long term.

Lucas Pipes

Okay, that's helpful. I appreciate that. I may come back to Hawesville later. In the presentation, you highlight opportunistic M&A, and - or you noted, rather, and I wondered if you could maybe comment on what sort of opportunities you've been looking at. Of course, wouldn't expect you to share specifics, but would be helpful to get a sense for the type of transactions that could make sense.

Thank you very much.

Jesse Gary

Yes, I think you're referencing the comment on the capital allocation page in the appendix. And obviously, as we look at capital allocation and we've talked about this at some length in the past, we've got some targets that we'd like to hit before we look at how we use our cashflow going forward. I think our immediate focus is going to be as the cashflow improves as we go into this year to put that on the balance sheet and start to improve the balance sheet from here.

But as the next step once we hit those targets and as we approach those, we'll definitely come back and talk to you more. We've laid out sort of our view on how would use the capital going forward. To your specific question on M&A, I think what we've said in the past and I'd stand by it is, if we are looking at opportunistic M&A, we'll further look what you've seen from us in the past. These are usually probably going to be smaller bolt-on transactions as we see assets become available, they have attractive long-term returns and fit within our general footprint and strategies that we've laid out. And so nothing really more exciting than that but when the opportunity is there, I think you've seen from us in the past, we're ready to act complete transaction as they offer those long-term returns.

Lucas Pipes

Okay, I appreciate that. Thank you. And I'll ask a final one. On Slide 20, you lay out the volumes for value-add products. With the increase in '24, is there kind of a good approach to quantifying how this would translate into revenue? Would appreciate your color on value-add product linked to the revenue. Thank you.

Jesse Gary

Sure. I think generally, if you look at this, obviously the big gain is coming as the Grundartangi casthouse comes online. I think you can sort of count on most of that billet going into the European market. And so you can take a look at the premiums that we're seeing in the European markets on billet over the past couple of years. Notably, that market has become much shorter and it's about 1 million tonnes short today with 300,000 tonnes of billet capacity coming offline over the past 18 months. So since we started that project, the market opportunities for it with our customers has actually gotten more attractive. So when looking at revenue, you can count that additional 150,000 metric tonnes at Grundartangi and the other big increment being 60,000 tonnes of additional foundry alloy capacity coming out of Grundartangi as well. So again, you should be able to look at European market prices. Obviously, they fluctuate, so I'm not going to speculate whether there'll be in 2024, but that should give you a good sense on the additional revenue opportunities. And from a margin perspective, I think as I said earlier, I think you can sort of count on this asset being a brand new, modern casthouse built in a low-cost locale being amongst the lowest cost producers. So you can use that to think about how the margin might look.

Lucas Pipes

I will. I will sharpen my pencil on that. I appreciate the color. I'll turn it over for now, and best of luck.

Jesse Gary

Thanks, Lucas.

Operator

Thank you Lucas, yes. Our next question comes from the line John Tumazos with Very Independent Research, LLC. Your line is now open.

John Tumazos

Thank you. Just looking at your cost of goods sold per pound shipped excluding depreciation, it calculates to $0.276 improvement or cost decline from the September quarter, is there any mix effects that might have been influencing that less alloy, less value-added product? And is that a reasonable expectation that power and other costs would improve in the March quarter, maybe not $0.276, but at least half that much?

Jesse Gary

Yeah, John. Thanks. It's a good question. I think you're right to point to energy. The majority of that impact is going to be on the energy side. As Jerry went through, we also saw much better alumina costs running through the results, and marginally lower coke price. Of that mix, as you mentioned, we expect to have continued improvement and really not far off the magnitude that you mentioned. We should see incremental coke improvements probably roughly flat. And then a little bit of course, we are natural gas consumers and so Henry Hub reducing (Technical Difficulty) producing results. Thanks.

John Tumazos

So maybe not $0.27, but at least half that much is a good guess for the March quarter?

Jesse Gary

Yeah, I think, I think it's... go ahead, John.

John Tumazos

Sometimes in the investment business, we don't know whether to buy or sell. Maybe we sell half a position or a quarter of a position, incrementally a little bit of time. It would seem like with gas falling almost to $2 a million, it's probably pretty close to the bottom. It could go negative like crude oil did three years ago because there's no storage capacity, but that's a pretty decent price. Why hasn't Henry Hub power fallen below $0.35 cents a kilowatt-hour, it had been roughly proportional to the fall in gas price and other rises and falls, the fluctuations.

Jesse Gary

Yeah. We agree with you, John, on this. So it does appear that there is a higher risk premium embedded in the forward Indy Hub prices than seen in years past. As you mentioned, if you just mark the gas price and you can also look to falling coal prices as well. And I mentioned references to the coal stockpiles in utilities, you can start to see that the marginal cost of energy production in actuality has gone down quite significantly. And of course, with the product, like energy, which can be stored, you can see that reflected in spot prices.

And so the sub $30 energy that we told you about it, Indy Hub for February, starts to reflect and look like those lower Henry Hub and lower thermal coal prices as we've discussed. So on balance, we think that's mostly risk premium and probably a lot due to the volatility we've seen in the past year, but we think that probably continues to collapse as we move forward into the year and storage continues to increase and we start to add a little more certainty about what 2023 looks like. So I think on balance, we're in agreement probably with your statement.

John Tumazos

So, is this a good enough price to maybe hedge a quarter of the power you'd use at Sebree?

Jesse Gary

Yes, I think I mentioned in my prepared remarks that's definitely something we're going to look at as we go into summer and we watch these forward-prices and hopefully start to collapse and a little bit of that risk premium starts to exit as we move a little bit further out to winter.

John Tumazos

Now, power is only one part of the equation but power is pretty, pretty low, and would certainly seem like it's possible that Hawesville comes back as long as autos are selling and houses are getting built.

Jesse Gary

Yeah, on Hawesville, as I said earlier, I think we're going to be disciplined here, and make sure that we've exited what's been an extremely volatile environment over the past 18 months. So we'll see that energy and metal prices both reach the same levels that work, and that we can be sure that if we take the effort and cost to restart Hawesville and that we'll see the returns and it will be profitable over the long run for us.

And, but certainly, the trends are favorable, as you mentioned, as energy prices have started to return towards normal and relatively, LME remains at relatively constructive levels.

John Tumazos

So one of the earlier questions was about M&A, and I always imagine like Century selling out - selling the company to another entity with a stronger balance sheet, to weather the volatility better -- be a better credit for renewable energy supplier to do a project financing of your purchase contract, buying -- you would buy power from them. Is that the way you think of M&A or is -- you're thinking about going out and buying things. Your balance sheet and earnings have been a little volatile. So I had imagine that you'd be shopping for acquisitions.

Jesse Gary

Yeah, John, I'm mostly going to punt on this question, but as you might imagine, we think there are very positive long-term opportunities for Century both in our current setup and we also think there's a number of opportunities for the business as we go forward. We've already mentioned the Grundartangi casthouse and we've got potential to restart the remaining capacity at Mt. Holly. Hopefully, we see market conditions that enables the long-term we start at Hawesville. So we're excited about this business, and we plan to be here for good long time.

Operator

Thank you, John. There are currently no further questions registered. (Operator Instructions) Our next...

Jesse Gary

Okay, well, we thank you, everyone for the time -- sorry, go ahead. We'll take it. Go ahead, Lucas.

Operator

I apologize. Our next question is from the line of Lucas Pipes with B Riley. Your line is now open.

Lucas Pipes

Thank you for taking my follow-up question. I appreciate it. I know that was last minute here. On the M&A side, you mentioned bolt-on and sometimes it's hard turn -- that could mean a few things. Would a smelter be considered bolt-on, for example?

Jesse Gary

Yes, I think that's the types of transactions you've seen from us before, right? So actually our entire footprint at one point or another was the bolt-on smelter transaction, each and every one of the operating smelters. And then we've added value, where we could. So, whether that be an expansion at Grundartangi or billet casthouse at Grundartangi or expanding to billet casthouse at Sebree and Mt. Holly. That's an area we think we have some expertise in and that we can add value. So I think that's the type of transaction that I mean in bolt-on transaction if such opportunities were to come up.

Lucas Pipes

I appreciate that. And then circling back on the Hawesville, so you noted economic's better today than they were when you made the idling decision and you're looking for -- it looks like a little bit more just clarity on mar -- is it clarity on margins or are you looking really for a wider margin and a greater margin of error to restart the facility? I'm just trying to get a better sense for what could trigger a decision to restart the facility? Thank you very much for the additional color.

Jesse Gary

Yes, sure. I think probably the key thing you're looking for there is, it's really both reached levels that work from a profitability standpoint, but also we need to see some period of sustainability at those levels. So really, the energy price decline here has been quite significant. It wasn't six months ago obviously that we saw high energy prices. And while we are quite confident that when you look at energy storage levels in the U.S. that we do see market conditions that should keep energy prices lower for longer here, that's something you might understand we'd like to be prudent and make sure that those are going to confirm for some period of time here. So really, it's both reach those levels and then importantly sustain those levels for a period of time that we can be confident before we make that decision.

Lucas Pipes

That's helpful. Thank you. And can you remind us what would be a reasonable level of restart costs for Hawesville to kind of return to near full-capacity utilization?

Jesse Gary

Yeah, we'll give you some direct guidance on that when we get closer to making that decision. But what I would say is, you've recently seen as we start a number of lines at Hawesville back in 2018, and just as a reminder, in that instance we basically had to reline all the pots in those potlines as we brought them back up. This time around, we would not have to do that. So it would be materially cheaper this time around than what you saw from us in 2018. But we'll give more direct guidance as we get closer to making that decision.

Lucas Pipes

That's helpful. Thank you. And then turning to Slide 9 and the outlook, you noted the headwind, $10 million to $5 million negative with volume mix, other -- looking out to Q2 and the remainder of the year, order of magnitude, which direction could this turn positively? Would appreciate your color on that.

Jesse Gary

Yeah, sure. I think as Jerry mentioned, the majority of this is really mix and really has to do with that billet destocking event we spoke about earlier. And we have already started to see that improve. Month-over-month orders are up both in February and then again in March. And we would expect to say in April, there's actually a number of our customers that have a March 31 calendar year, so we're looking forward to them reentering the market in April.

And so that's the one that we think could materially improve and have already started to see improve as we head into Q2. But really, it's probably going to see the most improvement as we get into the middle or back-half of the year.

Lucas Pipes

Okay, all right I appreciate the color. And again, best of luck. Thank you.

Operator

Thank you, Lucas. There are no additional questions waiting at this time. So I'll pass the conference back over to the Management team for any closing remarks.

Jesse Gary

Thank you, everyone, for your questions today, and we'll be talking to you again very soon.

Operator

That concludes the Century Aluminum Company Fourth Quarter 2022 Earnings Call. Thank you for your participation. I hope you have a wonderful day.