Alcoa Corporation

Fourth Quarter and Full Year 2019 Earnings Presentation and Conference Call

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CORPORATE PARTICIPANTS

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William Oplinger - *Executive Vice President and Chief Financial Officer*

James Dwyer - *Vice President, Investor Relations*

PRESENTATION

Operator

Good afternoon and welcome to the Alcoa Corporation Fourth Quarter and Full Year 2019 Earnings Presentation and Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the "*" key followed by "0." After today's presentation, there will be an opportunity to ask questions. To ask a question, you may press "*" then "1" on your touchtone phone, to withdraw your question, please press "*" then "2." Please note, this event is being recorded.

I would now like to turn the conference over to Mr. James Dwyer, Vice President of Investor Relations. Please go ahead.

James Dwyer

Thank you, Sean, and good day everyone. I'm joined today by Roy Harvey, Alcoa Corporation President and Chief Executive Officer, and William Oplinger, Executive Vice President and Chief Financial Officer. We will take your questions after comments by Roy and Bill.

As a reminder, today's discussion will contain forward-looking statements relating to future events and expectations that are subject to various assumptions and caveats. Factors that may cause the company's actual results to differ materially from these statements are included in today's presentation and in our SEC filings.

In addition, we have included some non-GAAP financial measures in this presentation. Reconciliations to the most directly comparable GAAP financial measures can be found in the appendix to today's presentation. Any reference in our discussion today to EBITDA means adjusted EBITDA.

Also, a note on our financial statements. Effective January 1, 2019, the Company changed its accounting method for valuing certain inventories from LIFO to average cost. The effects of the change in accounting principle have been retrospectively applied to all prior periods presented.

Finally, as previously announced, the earnings release and slide presentation are available on our website.

With that, here's Roy.

Roy Harvey

Thank you, Jim, and thanks to everyone for joining us today. We've got a lot to discuss, so let's start with a quick overview of the fourth quarter results. For the quarter, we reported a net loss of $303 million for a $1.63 per share. This includes charges associated with the closure of our Point Comfort refinery in Texas, which had been fully curtailed since 2016, and it includes the cost of additional actions we've taken to manage liabilities associated with pension and other postemployment benefits. Excluding special items, we reported an adjusted net loss of $57 million or $0.31 per share.

On an adjusted EBITDA basis, excluding special items, we generated $346 million. Lastly, we closed the fourth quarter with $879 million in cash, the second sequential quarterly increase in our cash balance. Now, as we prepare to close out 2019, let's review some of the actions we've taken and how our priorities are guiding us to make additional improvements.

Last quarter, we refreshed our company's three strategic priorities. First, we are focused on being a low-cost producer which means Reducing Complexity to better compete to all parts of the cycle in our commodity markets. Second, we intend to improve our margins and invest wisely to Drive Returns. And finally, we are working to Advance Sustainably which includes actions towards a strengthened balance sheet, a cycle proof portfolio and an enhanced reputation for environmental and social excellence.

We made quick progress last quarter with these refreshed priorities and more will be done in the quarters ahead to reinforce Alcoa's competitiveness. We have moved with speed to further reduce overhead with a new, leaner operating model. We are working to generate additional cash from the sales of non-core assets and we have started a comprehensive review of our current portfolio to improve long-term profitability.

Turning to our fourth quarter business update, most importantly, we had no serious injuries in the quarter. We also continued our strong operational performance with new quarterly production records from our bauxite mine in Juruti and our Wagerup refinery. In the fourth quarter, we also completed a modernized labor agreement in Australia covering more than half of our unionized employees there.

We also became members of the International Council of Mining and Metals, known as ICMM, which is dedicated to improving the sustainable development performance in the industry. We are working with ICMM to develop a global standard for the safe management of tailings dams and we're honored to be part of this very important effort.

Also in December, our joint venture ELYSIS™ shipped to Apple aluminum produced with a new carbon-free smelting process. Alcoa invented this technology which eliminates all direct greenhouse gas emissions. Instead, this breakthrough process produces pure oxygen.

As an early investor, Apple asked to purchase the first commercial batch of aluminum produced with this new process while ELYSIS™ works to scale up this technology so it can be licensed in 2024. In a world becoming more and more focused on sustainability, this technology has the potential to transform the conventional process used to produce aluminum.

Now let's turn to the full year 2019. In addition to closing another fatality free year, our 2019 accomplishments span across our business and throughout the year. We drove improved stability in our operations and set annual production records for both our Bauxite and Alumina portfolios. We reached several new modernized labor agreements with the Australian workers union in November and with unions in the United States and Canada earlier in the year. Taken together, these contracts cover almost 70% of the unionized employees in these three countries.

Importantly, they incorporate provisions that will allow our plants to better compete. The multiyear agreements feature improved salaried union collaboration and efficient work practices. In the U.S., we reached a four-year master agreement that covers approximately 1,600 active employees at five locations. In Canada, we reached agreements with the two separate unions that represent 100% of our unionized employees in that country.

First, at Baie-Comeau, we secured a six-year agreement that covers about 600 employees. Next, after an 18-month lockout we reached a six-year agreement at Bécancour smelter that was ratified on July 2. Today, the smelter's restart is progressing well under that new labor contract and is on schedule for completion in the second quarter. All employees eligible for recall are now back to work.

Also last year, we completed the divestiture of the historically unprofitable Avilés and La Coruña smelters in Spain after reaching an agreement with workers' representatives at these two facilities. In November, we also implemented our new operating model for a leaner company, which will provide annual savings beginning in the second quarter of this year.

Finally, in our markets, 2019 ended in a global deficit for aluminum and surpluses in bauxite and alumina. We see slight surplus ahead in 2020 for bauxite and aluminum and a balanced market for alumina. We will discuss more on the markets and these other topics after Bill provides a detailed review of the results.

So with that, I'll turn it over to Bill.

William Oplinger

Thanks Roy. Reviewing our income statement, revenues were down $131 million or 5% sequentially due to lower realized prices for alumina and aluminum, partially offset by improved volumes. Year-over-year, revenues declined $908 million compared to the fourth quarter of 2018, again, on lower alumina and aluminum prices. In the quarter, restructuring charges drove the net loss attributable to Alcoa Corporation of $303 million or $1.63 per share on 185.6 million average shares for the quarter.

Special items in the fourth quarter totaled $246 million after-tax and non-controlling interest. The key components this quarter were the $274 million charge related to the closing of our Point Comfort Texas alumina refinery, $75 million related to pension and OPEB changes, and $23 million of Bécancour restart costs partially offset by non-controlling interest and favorable interim tax impacts.

Now let’s look at the income statement excluding special items. Our fourth quarter adjusted net loss excluding special items was $57 million or $0.31 per share. Adjusted EBITDA excluding special items was $346 million. Our fourth quarter EBITDA margin was 14.2%. The full year operational tax rate ended the year at 67.9%, the higher annual rate required true-up of prior periods in the fourth quarter adding $28 million to the expense, or $0.15 per share and brought the operational rate for the quarter up to 99.5%.

Let's look closer at factors driving adjusted EBITDA. This quarter, lower raw materials cost partially offset the impact of lower alumina and aluminum prices. Lower market prices for alumina and aluminum drove adjusted EBITDA down $77 million and $23 million respectively. Taken together, all other impacts improved $58 million sequentially, partially offsetting the price impact.

Raw material costs, primarily our carbon at the smelters and caustic at the refineries continue their improvement but were partially offset by higher production costs at mines and smelters. Intersegment eliminations drove the change in Other category as lower alumina prices, changes in refinery cost structures, and lower alumina inventories released profits held in inventory.

Now let's move to the segments. In the segments Bauxite, adjusted EBITDA continued near its record high level at 42% EBITDA margin. Alumina adjusted EBITDA declined $90 million on lower sales prices. Aluminum adjusted EBITDA improved $32 million sequentially from better alumina costs, partially offset by lower aluminum prices and lower value-added product premiums. Non-segment impacts contributed $6 million, $18 million better than last quarter. Intersegment eliminations were favorable $15 million and Other corporate costs improved $3 million.

Turning to cash, in the fourth quarter, we ended the year with cash of $879 million, up $38 million sequentially. Year-over-year, cash declined $234 million. A quick review of our major cash sources and uses for 2019, our total cash sources were $2 billion consisting of $1.7 billion in adjusted EBITDA and approximately $300 million sourced from changes in working capital.

The largest outflows of cash were tax payments, including $351 million in payments of prior year income tax, net distributions to our joint venture minority interest partner of $421 million, $379 million of capital expenditures, as well as $240 million of required pension and postemployment benefits funding made in addition to the $52 million related expenses within adjusted EBITDA. Outflows also included $220 million in restructuring payments, primarily the Saudi rolling mill and the Spanish smelter divestitures.

Now let's take a look at the balance sheet. Our balance sheet remained strong and reflects solid management in 2019. Our fourth quarter days working capital was 27 days, down three days sequentially and even with last year's fourth quarter. We controlled total capital spending to $379 million, a level $20 million lower than in 2018. Our key balance sheet metric, proportional adjusted net debt, increased $135 million from last year, primarily due to a lower cash ending balance.

At year end, our consolidated pension and OPEB net liability rounded up to $2.4 billion, up only $40 million year-over-year in spite of lower discount rates increasing the net liability by approximately $600 million. Global pension asset returns were approximately 17% and actions taken to manage the pension and OPEB liabilities offset the increase related to the discount rate.

Now let's move to our outlook for 2020. First, let's look at the income statement impacts. We expect shipments to increase year-over-year in all three product segments as existing facilities creep production in Bauxite and Alumina and in Aluminum our Bécancour restart ramps up. With the divesture of the Afobaka hydroelectric dam in Suriname and the Gum Springs, Arkansas treatment facility, and the closure of the Point Comfort refinery, we expect Transformation EBITDA to be negative by approximately $85 million compared to negative $7 million in 2019. A majority of that impact is from the divestiture of the Suriname dam.

Part of the positive impact of our new operating model and overhead cost reductions can be seen in the lower Other corporate impacts expected to improve by roughly $13 million. The remainder of the impact we expect to see in the operating segments starting in the second quarter. DD&A expense is also estimated to improve, and we expect interest expense and our operational tax rate to be similar to 2019 levels, although market conditions can greatly impact the tax rate.

For cash flow impacts, minimum required pension and OPEB funding is planned to increase roughly $100 million as historical pension asset returns shortfalls are funded. Sustaining capital expenditures are expected to increase to approximately $400 million. The key reasons for the increase are mine moves. Willowdale mine in Australia will move major infrastructure several miles to a new reserve area, an elaborate process that occurs there roughly every 25 years. We are also starting a mine move at Juruti in Brazil expected to be complete in 2021.

We will target return seeking capital at $75 million. Prior period tax payments are expected to be roughly $300 million lower in 2020 as alumina prices were lower in 2019 and large prior year tax true-ups are not expected. We expect Environmental and ARO payments to increase to approximately $150 million reflecting the impact of the Point Comfort closure.

As usual, in the appendix we also list additional considerations expected for the first quarter. They include Bauxite adjusted EBITDA to be down approximately $35 million on lower sales prices and seasonal maintenance outages. In Alumina, we expect a $5 million sequential benefit from the Point Comfort closure while improvements from lower bauxite, energy and raw material costs will offset the unfavorable mix of sales contracts and impacts of scheduled maintenance overhauls.

In the Aluminum segment, an approximately $10 million benefit from lower alumina costs compared to the fourth quarter. Benefits from the Bécancour restart and lower raw material costs are expected to be more than offset by higher energy costs in Europe, lower shipments of rolled products and price and mix impacts in North America yielding an expected $5 [million] to $10 million sequential negative impact.

Also in the second half the year, we expect to see the impact of the higher cost natural gas contracts for Western Australia refineries that we announced in 2015 and 2018. These contracts cover 90% of Western Australia requirements and begin in the second half of 2020. In 2015 and 2016, we made $500 million in cash prepayments related to the 2015 contracts and net of those prepayments we expect 2020 cash payments for WA gas to increase our total Australian refining cash cost 2.5% or $50 million compared to 2019.

So with that, I'll turn it back to you, Roy.

Roy Harvey

Thanks Bill. As we start the New Year, I'd like to recap our final view of the 2019 markets and provide new estimates for 2020. In bauxite, the market ended the year with a smaller surplus than we estimated in the prior quarter. Decreased supply from Guinea, largely due to rainy season supply chain disruptions in the second half of the year is the primary reason for the lower surplus.

For 2020, we expect the market to be in a similarly sized surplus with increased supply from Guinea and Australia serving demand in China where we project bauxite imports will increase by close to 20 million tons year-on-year. Chinese refiners continue to build strategic stockpiles to mitigate their supply chain risks.

In alumina, the year also finished with a smaller market surplus than we estimated previously. This revision is due primarily to some delays in Chinese refinery restarts and expansion. In 2020, we expect a roughly balanced market globally. Increased demand from Chinese smelters is expected to outpace alumina supply increases. As such, we expect China to remain a net importer of alumina in 2020 bringing in tons from the rest of the world surplus to meet its deficit.

Finally, in the aluminum market, we maintain our estimate of a full-year deficit for 2019. In 2020, we expect the global market will turn to surplus driven by additional supply from smelter expansions and restarts more than offsetting modest global demand growth. We expect that China will continue to be a surplus market and in the world ex-China, we expect a balanced to slightly surplus market.

Last year, we lowered our expectation for 2019 world ex-China global aluminum demand growth, primarily due to trade tensions, lower trade volumes, and declining growth in manufacturing activity, most notably in Europe and North America. For 2020 however, we are anticipating a rebound in demand growth in both world ex-China and in China. We expect to see a recovery in key aluminum end use sectors, including such important markets as the European transport sector and the construction and transportation sectors in China.

In summary, while 2019 economic conditions posed real challenges to the aluminum market, we are cautiously optimistic about 2020 from a return to demand growth.

Now let's transition from the current state of our global markets to medium to long term market trends and connect these developments to the strategic programs we announced in October. In bauxite, China's appetite for imports is likely to continue unabated with its imports projected to double between 2018 and 2025 due to the continued depletion of its own domestic supply. China is also strategically stockpiling bauxite due to concerns about supply chain risks. Meanwhile, Alcoa has ownership in seven bauxite mines globally with a first quartile cost position. These assets are strategically located to supply our own top-tier alumina refining system and serve the third-party market.

As Bill mentioned, we are increasing CAPEX this year to fund additional mine moves which sustains our cost position and provides continued access to our long-lived bauxite reserves. We can provide high quality bauxite for both, our own internal refining system and to global customers, which we see as a competitive advantage.

In alumina, Chinese refineries will continue to face higher costs for bauxite relative to world ex-China refineries due to the higher costs associated with importing seaborne bauxite. This too illustrates the advantage of the low-cost position of our refining system which is fully served by our own bauxite mines and has a low-cost and highly dependable supply chain. Looking forward, the complexity in China's bauxite supply will support steepness in the global cost curve.

Alumina is notoriously difficult and costly to inventory, which tends to keep supply and demand closely linked to a market efficient and transparent pricing mechanism. And the management of bauxite residue is complex, and Alcoa has developed and deployed market-leading and cost-efficient best practices and that gives Alcoa another competitive advantage in this attractive market for our company.

Finally, in aluminum, Chinese overcapacity continues to challenge the global market in the form of increased exports of semi-fabricated products or semis. Chinese net semis exports are projected to increase from just under 3 million tonnes in 2018 to over 4 million tonnes in 2025. The excess supply of Chinese semis will be exported to the world ex-China effectively displacing primary aluminum in those markets. This trend of growing Chinese exports competing with aluminum produced outside of China is nothing new.

In fact, over the past five years, Chinese exports of aluminum semis and finished products have captured more of the ex-China total aluminum consumption growth than ex-China smelters did. This growth has been fueled by China's unfair subsidies, which were detailed in last year's report by the Organization for Economic Cooperation and Development or the OECD.

The report clearly demonstrates that non-market forces, including financial subsidies and value-added tax rebates have contributed to increases in aluminum smelting capacities and incentivized Chinese exports of semis, with negative impacts across the value chain.

As a company, we support free trade, but it needs to be fair. That is why we are encouraged by yesterday's agreement by the trade ministers for the United States, the European Union and Japan to strengthen existing World Trade Organization rules on industrial subsidies, which would include aluminum. This is a positive sign in our continued call for governments to address unfairly subsidized overcapacity in China and to ensure a level playing field.

While the rise of Chinese exports resulting from subsidies has become the single most important issue facing the aluminum industry, we are not waiting for government action or policy changes to transform our business. We are evaluating our portfolio to ensure that our locations are sustainable, financially and environmentally.

As I said earlier today, our strategic priorities will guide us to improved competitiveness with low-cost operations. At the end of our portfolio review, we expect not only to have an improved cost position, but also to lead in a world becoming even more focused on sustainably produced products. In aluminum, we currently hold a high second quartile position on the cost curve and once we complete the capacity review, we expect to enter the first quartile.

From an environmental perspective, we expect that our smelting portfolios carbon dioxide intensity will improve almost 50% due to the changes that we make as part of the portfolio review.

Today, we're already one of the lowest per tonne emitters of carbon dioxide among global producers and approximately 70% of our metal is produced with renewable energy. And once we've progressed through our portfolio review, we expect to be the lowest carbon emitter with 85% of our metal produced with renewable energy. We believe that this environmental footprint, strengthened by our continued portfolio actions, will provide a true advantage in a world focused on sustainability.

Now, let's spend a bit more time discussing our most recent actions to improve. First, at the top left of the chart, our new operating model took effect in the fourth quarter beginning in November. It is expected to result in annual savings of $60 million in operating costs beginning in the second quarter. We have eliminated our prior business unit structure and consolidated our sales, procurement and other commercial capabilities.

Importantly, we are bringing our operations closer to our management team, enabling faster decisions. Also, we are making quick progress in our plan to generate between $500 million and $1 billion in cash through the sale of non-core assets over the next 12 to 18 months.

A few weeks ago, we announced an agreement to sell our Gum Springs waste processing facility. While the team there expanded the scope of services this facility can provide, it is not a core function at Alcoa, so we have agreed to sell the location to a global environmental firm, in a transaction valued at $250 million. We will receive $200 million when the transaction closes this quarter, and another $50 million upon the satisfaction of post-closing conditions. The additional cash we generate from the sale of non-core assets will assist us in our work to reshape our existing portfolio.

As part of that multi-year portfolio review, we made the decision last month to permanently close the Point Comfort alumina refinery in Texas, which has been fully curtailed since 2016. This is the first action in a five-year review process, which is focused on 4 million metric tons of global refining capacity, or 27% of our current portfolio, and 1.5 million metric tons of smelting, or approximately 50% of that segment's capacity.

Finally, we marked an important milestone in Suriname, where we successfully completed the transfer of the Afobaka hydroelectric dam to the government effective December 31, 2019. This happened in accordance with closure agreements approved earlier in the year by Suriname's Parliament. While the transfer of the dam ends an important chapter in our history in the country, we will remain to work on remediation of the sites for years to come.

In closing, Alcoa has made significant progress since we launched as an independent company in 2016. We've resolved numerous legacy items and strengthened our balance sheet by managing our liabilities and eliminating high-cost, unprofitable capacity from our portfolio. There is still much work to do, and our strategic priorities will continue to guide us, as will our values.

We are focused on being low-cost, which means that we will consistently work to Reduce Complexity, so we can better compete in a global cyclical commodity industry. We will be margin focused. With our new operating model, we are streamlining our operations and will work to further improve our productivity across Alcoa, so we can Drive Returns across the value chain.

And finally, we aim to Advance Sustainably, capturing both financial and sustainability improvement to deliver value for Alcoa's stockholders. We have a clear roadmap for success, and we are determined to progress no matter where we find ourselves in the commodity cycle.

And with that, Bill and I are ready to take your questions.

QUESTIONS AND ANSWER

Operator

Thank you. We will now begin the question and answer session. To ask a question, you may press "*", then "1" on your touchtone phone. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press "*" then "2." When called upon, please limit yourselves to two questions.

Our first question today will come from Curt Woodworth with Credit Suisse. Please go ahead.

Curt Woodworth

Yes, thanks. Good evening.

Roy Harvey

Hi, Curt.

William Oplinger

Hey, Curt.

Curt Woodworth

Hi. So first one for you, Bill, could you just walk through some of the cash restructuring items this year between Point Comfort, the corporate restructuring, as well as any cash start-up costs from Bécancour to try to get a little bit of feel for what is normalized? And then you talked about Transformation being $85 million this year, how much of that would be non-recurring as well or what's in that number? It's my first question.

William Oplinger

Yes. So, if you look at the page that has the sources and uses of cash, and on that I think we talked about $200 million of cash outflow associated with restructuring items. The big numbers there are really two things: one is the Ma'aden rolling mill divestiture, in total that was $100 million in the second quarter. In addition to that, the exit of the Spanish smelters, the combination of the curtailment, the layoffs and then the subsequent divestiture to PARTER adds about $70 million. And then the rest is various restructuring activities, so about $200 million there. We've not disclosed how much…I guess, we have… I'm sorry, in the second half of this year, I'm sorry in 2019, we expended $25 million on an after-tax basis in Bécancour for the restart. So that's included in those numbers also. So those are the big items.

When you then go to Transformation, Transformation as you know, is approximately 22 sites around the world, where we manage the closure and curtailment of those sites. The big swing between 2019 and 2020 is that in 2019, we had the Afobaka dam that was producing revenues for our Suriname facility. We have subsequently handed that dam back to the Government of Suriname. And so, we won't have that. So, approximately $50 million of that difference between $7 million and $85 million is the impact from the Afobaka dam. In addition to that, we are now starting to spend money on Point Comfort. And so, as we take Point Comfort into closure, we will spend money and so that's the biggest driver in addition to the Afobaka dam that bridges that difference in '19 and '20. So hopefully I've given you enough color there to help you out.

Curt Woodworth

Yes, that helps. That helps a lot. And I guess, second question, just with respect to the market, entering the year, I think you had a forecast of 4%, 4.5% growth in China, and it came out to 1% which is a pretty meaningful downward revision and we're all well aware that they have plenty of the excess capacity, maybe not totally clear what the cost curve for that looks like. But when you look at what happened in China this year you had pretty dramatic inventory reduction, semis exports despite the worsening overcapacity situation arguably was flat and semis exports is actually down 14% in the fourth quarter and up until a couple days ago the SHFE price is at a 16 month high.

So now you're looking at this year forecasting a pretty sharp reacceleration in global demand, yet the supply seems to overwhelm that. And it seems like you still are very concerned on the China semis piece, but maybe if you could walk through how you think it could affect price and the China piece would be helpful. Because it seems like what you would have thought would have transpired in '19 certainly did not in terms of the pressure on the external market?

Roy Harvey

Yes, Curt, so let me try and hit a couple of pieces in that and make sure I'm answering your question. So, from the perspective of semis, when I look at that one of the concerns that I have is that essentially as you see these semis grow coming from China, and I recognize that there is some differences that happened quarter-on-quarter, but it essentially is pulling demand from rest of the world back into China.

And so the more that they tune up their business in semi-fabricated products and coming both from scrap and from primary, it tends to pull that demand growth or just pull basic demand from the rest of the world. And where I am mostly concerned comes to the fact that the way that they've built their industrial policies is not to incentivize the selling of primary metal, but rather is to incentivize the production and then export of these semi-fabricated products, just through the value-added taxes and the rebates offered for those products, essentially it's meant to capture those first basic set of products coming out of China. And so it comes down to the supply and demand across all of aluminum, and whether that is coming from both scrap or coming from primary aluminum, and then how that interacts with the actual consumption of aluminum inside of China or outside of China.

In the end, I think it's a global market and I think there are distortions between pricing inside of China and outside of China. But the distortions are economically motivated and are connected back with these policies. And so when we look at the two markets, they tend to operate with their own set of supply and demand fundamentals. But it is those semi-fabricated products and in the worst of cases, fake semis, which we have seen continue in smaller portions, but still there. It is what reconnects those markets back and brings essentially both the marginal capacity in China and connects it to the price setting that happens around the world. And we see that in aluminum into a certain extent, we also see China serving that role of marginal producer in alumina as well.

So, from a broader market perspective, the most important thing is that we see that demand ramp back up again. And as we look at this and as we look at the balance of risk both in trade policy and trade tensions, which obviously ratcheted down a little bit today. Certainly not back to where they were a couple of years ago. And as we look at the actual data coming out, whether it's in construction of housing inside of China, or automotive in Europe, I think we feel fairly confident with where we have projected out aluminum demand growth over this coming year. But as you highlighted and circling back to the very beginning of your question, Curt, that can change depending on how those metrics evolve. I would like to think that there are risks to the upside, but I also recognize the fact that this is the best estimate we have right now.

Curt Woodworth

In terms of the trade deal negotiations, has there been any communication with the government regarding the massive export rebate that they get on semis or any dialog around trying to make amends for what are pretty clear substantial subsidies on semis?

Roy Harvey

So we spend a good portion of our time trying to make sure that we educate all the jurisdictions where we happen to produce in the U.S., obviously as a very important set of discussions to make sure they understand how those subsidies in fact impact the market. I think one of the best things that we've had is the publishing of that OECD report, which has helped to put into numbers from an independent third-party, or as independent as it can be. I think that has helped to explain quantify and demonstrate how that subsidization works and how it then connects over into, not just into primary aluminum, but into those semi-fabricated markets as well.

So I think we've done a good job explaining it, but now we need to see real action that starts to correct it. And again, this announcement just yesterday with the agreement between Japan, the U.S. and the EU is a great first step. It pushes us in the right direction, but it is a first step, and doesn't necessarily have the actions yet delineated about what will make the difference. So it's a good beginning, but just the beginning.

Curt Woodworth

Great. I appreciate your comments. Thank you.

William Oplinger

Thanks, Curt.

Operator

Our next question will come from Carlos De Alba with Morgan Stanley. Please go ahead.

Carlos De Alba

Yes. Thank you very much for taking the question. So, first one is related to the USMCA. So given the concern that you just expressed on the imports or the exports of semis from China, maybe it did happen, but I'm not aware that in the new text it is required, even over time, that to receive the benefits of the new agreement, you need to pour and melt the aluminum in the region as they did for the steel. Was there any reason, why you know, that may not have been included in the final text, Roy? And would it still be possible to maybe add something similar to what they have done in steel, which, it's going to take seven years after the signing of the agreement is when it kicks in, but it definitely will protect some of the producers in the three countries?

And then my second question, if I may, you mentioned that the better demand growth outlook in 2020 versus last year, you alluded to Europe transport and construction and transport in China, but nothing in the U.S. I wonder if you could give us some comments as to how you see the different end markets here in North America.

Roy Harvey

Sure. So let me hit the USMCA first, and I'll probably steer clear of trying to look into the minds of the negotiators to figure out exactly how they came to their conclusions. I think there are incremental improvements. I think when you think about the expectations for growing that produced and manufactured in North America, I think it is positive on whole of USMCA, but it does, as you mentioned, fall short of where it could have been. Why that is the case, and the relative lobbying interests of how that law gets put into action, I think is beyond my ability to explain clearly. I think on the whole, it is positive. Of course, we would have liked to have been even more positive given our footprint in Canada and the U.S. particularly.

On your second question about the demand growth outlook and particularly in the U.S. you hit my main points. I think we're seeing some green shoots in Europe, particularly in transportation. I think China will come back. In the U.S., I think we've not yet seen that we've turned the corner, as far as, starting to see growth again in our end markets. I think there are the catalysts to perhaps start to see that improve. But from my perspective and as we look across each of these different markets, the fact is, we're not yet at a point where we're actually seeing that manufacturing pickup and therefore starting to see that turn into actual aluminum orders.

I think as we alluded to also, and Bill talked about it, from a value-added market standpoint as well, it's a difficult market out there with RUSAL back in the mix, because remember there were sanctions at the beginning of last year which was during the normal season where we signed all those contracts. And we've also, because of the elevated premiums, both Midwest and product premiums in the U.S. have started to see that some additional imports have been coming into the U.S. even though they have to pay the duty. So, we've not yet seen that demand turn and we're seeing headwinds when it comes to our value-added premiums in the U.S. as well. Again, I think there are catalysts for positive change.

I think the recent developments that we've seen with China and particularly as we start to advance towards Phase 2 part of the deal, I think that gives us the catalyst for improvements happening more quickly. However, right now, this is the best estimate we've got Carlos.

Carlos De Alba

Excellent. Thank you very much, Roy and all the best to you guys in 2020.

Roy Harvey

Thank you.

William Oplinger

Thanks Carlos.

Operator

Our next question will come from Matthew Korn with Goldman Sachs. Please go ahead.

Matthew Korn

Hey, good evening everybody.

Roy Harvey

Hey Matt.

William Oplinger

Hey Matt.

Matthew Korn

Hey question for you, Bill, next year the 70%-80% tax rate, little higher than we thought. I know the elevated levels last couple of quarters had included some catch up true up expense, currently speaking. Is the expectation for the next year, is that all jurisdictional mix, are there other pieces at play that we should know about?

William Oplinger

No, it's all jurisdictional mix. What it comes down to is we make money in Australia and we've got a tax rate in Australia that it gets applied to the PBT. We lose money in certain jurisdictions around the world where we are reserved for taxes. So we essentially have no tax benefit and that's how you end up getting to that, that high rate.

Matthew Korn

Got it. Second, I'm interested, you've moved more towards the sustainability, you made that as part of your framework, and you've got the emphasis here on the carbon-free aluminum. What can you tell us, technically, as fitting for this call, how the ELYSIS™ is actually produced? I've been on the website; I wasn't able to extract a whole lot of information. And I know it's early in the process, but it's also commercial, you made your first delivery. So anything you can say on how the economics for this compares, is a premium on price expected, does that make up for what I'd assume is additional cost? What can you tell us more about that as a commercial enterprise?

Roy Harvey

Yes, Matt, I thought you were asking about the technical aspects, and I was going to launch into a 45-minute discussion of how we do that. And then secrecy at the end of that. It sounds like you are looking more for parts of how we expect the economics to work.

We've been working on this for a while Matt. And the idea was always to find a process that is more economical and has a better invested capital cost versus what we saw as traditional smelting technology. In the meantime, of course, China has come roaring in with good technology and at the same time with pretty reduced capital costs. So the world has changed quite a bit. We still believe that when we think about the cost of installing capacity and the operating costs of then operating it and focused on projects outside of China, this process is going to be more economically efficient and because you are no longer changing anodes in such a short cycle, you end up having pretty significant savings on the operating side as well.

I would also argue, and where I think that this can become an even more powerful opportunity for the future is by nurturing and growing that what is today a niche market for premiums for sustainable metal, and particularly for what will be the lowest carbon metal on the planet when you connect this ELYSIS™ process to hydropower and to alumina and bauxite that is mined and then refined in low carbon intensity ways. When you bring this all together, it will be the lowest carbon metal on the planet. I think that is, we're comfortable with making that statement.

And so, you have to then determine what is that premium going to look like. I think it says a lot that Apple chose to invest with us. And I think it also means a lot that they wanted that first commercial production of metal, because there will be a demand. What we need do as an aluminum company, and I know some of our competitors are working on this as well, is nurture and develop that market, so that premium will exist. Or on the other side, a discount exists for carbon intense products that might be produced in other people's systems.

So I'd love to tell you that we have quantified what that number will be, but that's really that looming question that we need to decide not only for ELYSIS™ but for our portfolio. Because just transitioning back to the changes that we're making in Alcoa, in the existing portfolio that we have the benefit that we're making these changes because they're the right thing to do financially. Future proofing and cycle proofing our portfolio in smelting is the right thing to do. We need to be in the first quartile because it's a rough and tumble business.

But also having the added benefit of then being the lowest carbon emitter of all the smelting systems in the world, then positions us to capture that premium for ELYSIS™, yes, but even more importantly for the broader portfolio, which is a lot of tonnes as we emerge from there. So the reason we talk more about it is because I think it is a trend that is growing in importance. I believe that at some point, that premium or that discount will become more real, but would not hazard a guess as to what that number is going to be at this point.

Matthew Korn

Got it. Last quarter you did emphasize how much you saw sustainability as something tied in environment and also economics. So we'll be watching carefully as this market develops. Thanks very much guys, good luck.

Roy Harvey

Thanks Matt.

William Oplinger

Thanks Matt.

Operator

Our next question will come from Chris Terry with Deutsche Bank. Please go ahead.

Chris Terry

Hi, Roy and Bill. Thanks for taking my question. Hi. Yes, the first question I had just thinking big picture, slide 23 where you go through...it's not new, I don't think, but the target to get to $2 [billion] to $2.5 billion net debt, including the pension. Just wondered, given where you're at today, if you could just step through a few of the pieces there?

So maybe as a start, if you could split out, maybe the target on net debt as opposed to the target on the overall pension? And then, if I'd just do the math on that, you're trying to reduce it $0.8 [billion] to $1.3 [billion]. You should get another $200 million from the Gum Springs transaction.

And then if you do reach the upper end of your $500 [million] to $1 billion asset sales target, you take off most of that. So there's not a lot allowed for actual cash flow. Am I reading that correctly? I just wanted you to step through the latest and how you're seeing that that goal, that two to four-year goal.

William Oplinger

Yes. So one thing I would just start out by saying Chris is, if you look at page 40, that's the reconciliation of the net debt calculation. So if we start there, that would say that we're sitting at the end of 2019 at a $3.4 billion net debt calculation. So to get to that level that we're targeting, we would need to come off of that $3.4 [billion]. Essentially what we have said and first of all, that was originally a three to five-year target, we are now making that a two to four-year target because one year has passed. We can get to that level of net debt by simply making our required minimum pension contributions. There's a bunch of assumptions built into that and I'll tell you what those assumptions are: We hit our expected return on assets, 6.5% for the U.S., varies across other parts of the world, but the big number 6.5% in the U.S., and discount rates don't change substantially from where they are today.

So, simply by making our minimum contributions, we can do that. That should then lead you to the question, okay, you started going down the path of $200 million, at least in the near term, $200 million for Gum Springs, an extra $50 million once we meet those post-closing requirements, and the additional asset sales, and remember, I would tell you that Gum Springs, maybe we didn't say this, but Gum Springs was included in our asset sale list. So, we've executed now on nearly half of the bottom end layer, or level of that asset sale list. So, then we will use that cash and redeploy it in the capital allocation model that's on page 23.

So that capital allocation model is pretty clear, we want to have $1 billion cash on the balance sheet. We want to invest in the business in sustaining capital this year, that'll be $400 million. We want to do small return seeking projects of $75 million this year. And beyond that, any excess free cash flow will be used for the four items down at the bottom. Essentially the debt reduction, repositioning the portfolio, the mid-sized growth projects that we have, and then returning cash to shareholders. So, that's the way you should be thinking about it. And just to circle back to your original point, we think we can get to our net debt target simply by making our minimum pension contributions over the next few years.

Chris Terry

Okay, thanks. That's helpful. I just had a couple of follow-ups on the cost side. As we think about, you've gone through some of this already, but just thinking about over the course of 2020 and then into the future as you want to move down towards the first quartile in the aluminum business, just wondered if you could step through some of the opportunities, particularly on the cost side and that's across all your business. So, maybe if you could discuss caustic, carbon, energy, et cetera, just directionally over the next, say 12 to 18 months? Thanks.

William Oplinger

Sure. I'll hit the raw materials piece first and then we can talk more broadly about some of the other things that will help us drive towards that first quartile. You know, that back in 2018, we saw significant cost headwinds in raw materials and 2018 is ancient history at this point, but we did see large increases.

2019 was a year where we captured some of that back in raw materials. 2020, I would tell you that that is accelerating, the amount of reduction of raw materials in 2020 is larger than what we saw in 2019. I would project that we should see approximately $175 million of reduction in raw materials in 2020. That's coming from two areas. That's first in caustic prices and then the second is in lower carbon prices. So, we are seeing some of that come back that we have seen higher costs over the last few years.

As far as addressing the repositioning of the portfolio down to the first quartile, that's going to be a combination of two things. First is the asset review that we have. We've said that we have 1.5 million metric tons of smelting capacity that will be either improved significantly, sold or curtailed. And then, in addition to that, and Roy can speak more about this, we're looking to really energize the productivity side of our business and to start to drive incremental cost savings, not only in the smelters, but on the on the refineries also.

Roy Harvey

And Chris, just to add a little bit on to Bill's last point, and I won't belabor it, but I think as we look towards this year's market and last year's market, I think we've regained a lot of stability across the portfolio. But part of what we're trying to do with this operating model change is to make sure that we are being very clear and binary with each and every one of our plant managers about what success looks like for all of our plants.

And so, that I believe, will help us to drive a mentality about how to drive costs out of our plants as quickly as we possibly can. And that is raw materials first, and there's also a component of your usages of those raw materials and how smartly you can do that when compared with the price of what you're using. But it also connects over to maintenance costs, to how you drive your plants, to the choice about how you run electricity through your pots so that you are getting the best financial outcomes.

So, I think we're determined to see real improvements there. I actually have a lot of confidence in our new operating team, and we have some fresh people that are looking at problems that we've been working on for the last decade. And we're determined to make sure that that ends up being improvements in productivity and improvements in the end of our cost efficiencies. So, more to come on that, certainly Chris, but it is really one of the most important things we'll be doing in 2020 and beyond.

Chris Terry

Okay, so thanks, guys. Just one more, if I may. The CAPEX guidance of sustaining CAPEX of $400 million versus $290 [million] for 2019, is that $400 million, is that the go-forward rate we should expect in beyond 2020 as well or is there other items in that? Thanks.

William Oplinger

Yes. So just to put some characterization around the $400 million, spent $290 [million] in 2019. The big difference between 2019 and 2020 are the two mine moves. We've got one in full swing down in Australia in 2020 and we will just be starting one in Brazil, in 2020. Both of those will be wrapped up in 2021. We haven't provided an outlook past 2020, but I think at least in the Bauxite segment, we will have elevated spending on the mine moves for the next couple of years. So that's what's driving it.

Chris Terry

Okay, thanks. That's all from me.

Roy Harvey

Thanks Chris.

William Oplinger

Thanks Chris.

Operator

Our next question will come from David Gagliano with BMO. Please go ahead.

David Gagliano

Hi, thanks for taking my questions. I just have a couple of fairly quick ones. First, on the $35 million, quarter-over-quarter decline in EBITDA on the Bauxite business, how much of that is due to the seasonal volume decline and how much of that is due to the price decline?

William Oplinger

Let’s see here…the price decline is the biggest piece of that, Dave. Out of the $35 million, I would tell you probably two-thirds of that is coming from both intercompany and external pricing. And the intercompany clearly is picked up on the refining side, so out of the $35 million, two-thirds is price, and a third is seasonal lower volumes.

David Gagliano

Okay, and then just a related question. As we think about that moving forward just for segment modeling purposes, I'm assuming that that piece that's price decline driven is pretty much reasonable run rate moving forward at this point, correct?

William Oplinger

Yes, for 2020. We typically reset internal bauxite pricing once a year, unless there's a major move in the marketplace that changes, which we haven't really seen over the last couple of years. So, yes, I think assume that for 2020.

David Gagliano

Okay, great. And then just my other question, slightly bigger picture, when I look at the volume targets for 2020, they imply year-over-year growth of about 5% to 8%. Obviously, there's a fairly cautious backdrop in terms of calling for a global surplus in primary aluminum. I get the Bécancour restart, but my question really is without identifying specific assets, how much of that 3.0 [million] to 3.1 million tonnes of third-party shipments should we consider to be under review for curtailment realistically, as we move through 2020 if prices stay soft and premiums continue to fade?

William Oplinger

Yes, it's really, really difficult to answer, Dave. When we look at the portfolio, clearly, there are some plants that are fairly high cost and we'll be looking at those in 2020 in light of market dynamics, and those decisions will be made fairly quickly. I can only point you to the fact that 90 days in to our announced strategy, we already have closed or at least announced the closure of Point Comfort and have already executed on nearly half of the bottom end of the range on the asset sales. So, I would tell you, we look at each plant, we look at the run rate economics and we look at the current market environment and we'll make decisions fairly expeditiously.

Operator

Our next question will come from Lucas Pipes with B. Riley FBR. Please go ahead.

Lucas Pipes

Hey, good afternoon, everybody. I have a quick follow-up question on the Gum Springs transaction. Is that akin to a sale-leaseback? And if so, what sort of EBITDA contribution was this plant or would this plant be generating under the structure that you agreed to? I would appreciate any color on that. Thank you.

William Oplinger

Yes. It is not a sale-leaseback. It is an out and out sale, and it's a sale to Veolia. And as far as EBITDA contribution in 2019, the plant lost $12 million. We had views of improving the planet to be at breakeven in 2020. That gives you a pretty good indication of the contribution of Gum Springs to our financials.

We do have a mid-term contract for processing spent pot lining. So, we know that they will be taking our SPL for a number of years, but from my perspective, this is a really good deal. It gets the plant…it's a good deal for Alcoa, it's a good deal for our shareholders, but it's also a good deal for the plant. It gets the plant to be owned by a company that's going to grow the capabilities and our employees that are Alcoans today that are going to Veolia have a bright future. So, I think it's a really good transaction.

Lucas Pipes

That's very helpful. And it's not like you're guaranteeing a certain number of profitability to the plant?

William Oplinger

No, absolutely not. We will be sending our SPL there for a number of years, but we are not guaranteeing a profitability level.

Lucas Pipes

That’s very helpful. Appreciate it and best of luck.

William Oplinger

Thanks.

Roy Harvey

Thank Lucas.

Operator

Our next question will come from Timna Tanners with Bank of America. Please go ahead.

Timna Tanners

Hey, Happy New Year.

Roy Harvey

Thanks Timna.

William Oplinger

Thanks Timna..

Timna Tanners

Hi, there. Thanks. So just to follow up on a few points I wanted to clarify. If you could give us an update on talks for the Portland complex and energy subsidies how to think about that complex going forward? And then, along the same lines, how far along are we in terms of the benefit already being, or still yet to come in, terms of the Bécancour start-up and the Spanish smelter closure?

Roy Harvey

So let me start on Portland, essentially the deal that we agreed to was a 4.5-year deal, and that will go out to the middle of 2021. And so, in between now and that particular moment in time, we need to see if there is a repowering solution or if there is another eventuality for that plant. So in the midst of discussions with government, it's a plant that operates very stably, it is a good technology, it just happens to be one of the most highest energy price markets on the planet. So you'll not see action on that, in fact, part of that agreement is that we wouldn't take action until the middle of 2021.

On Bécancour, your second question, Timna, we're about halfway through the restart from a pot standpoint. We actually have, all employees will be back in the plant and back helping to tend those pots by the end of this month. So far we're having a good start-up, and I've been very pleased with it and it's an important situation where we've been following this lockout for 18 months, it is important for us to reestablish those connections with our employees, but also it is an environment that takes a lot of care. Those Bécancour workers happen to be some of best that we have around our system. So really positive to see how that is progressing. So on the right track.

William Oplinger

Yes and let me throw some numbers around that. On Bécancour, Timna, when we announced Bécancour restart, we said we would spend $30 [million] to $35 million after-tax in the second half of 2019 and an additional $30 [million] to $35 million in the first half of 2020. Actually, the spending has probably been a little bit more back-end loaded than what we anticipated. So we spent about $25 million in the second half at Bécancour that gets pushed to the first half of 2020. So at this point, we are not reducing our overall estimate of the spend.

Put Spain in a little bit of perspective for you. The fact that we have divested Spain, Spain was about a $40 million EBITDA hit in 2019 and that's before any of the special items that was just the operations, so we won't have that EBITDA hit in 2020, clearly since we don't own the asset. We still have some payments that have to go out to the people who bought it, who are known as PARTER, and that's about $68 million that has to be done over the next six quarters. So we still have that cash outflow over the next six quarters in that $68 million total.

Timna Tanners

Okay. Super helpful. Thank you.

William Oplinger

Hope that helps.

Timna Tanners

Yes. That's great. Thank you. And then the only other question I wanted to ask is, just taking a step back, I know in the past you've talked about thinking about cash returns to shareholders at above $1 billion in terms of cash in the balance sheet and it seems like you are getting close to that level, but obviously also a lot of cash requirements into next year. So I just wanted any updated thinking on, is it that you had $1 billion and you start to think about it or you want to position that for a couple of quarters or have those priorities changed or how you think about cash returns? Thanks.

William Oplinger

Yes, the priorities clearly haven't changed. The capital allocation model is the same as the one that we announced last quarter. If we get to the $1 billion level, we'll balance between those four items. And as you said there are some things that are going to cost us cash, the repositioning of the portfolio will cost us some cash, but we'll balance. What I would tell you is, I was personally pleased with the fact that we generated cash in the fourth quarter, again, we generated cash in the third quarter. These are fairly tough market environments and we generated cash. And at the same time, we made the contributions toward all the things that we needed to contribute toward. So for instance, we made our mandatory required pension contributions in the fourth quarter. So from an overall perspective, I would tell you that one of the bright spots in the quarter was the cash balance at the end of the year.

Timna Tanners

Okay. Fair enough. Thanks again.

Roy Harvey

Thanks, Timna.

Operator

Our next question comes from John Tumazos, Independent. Please go ahead.

John Tumazos

Thank you. Could you elaborate a little bit more on the Chinese aluminum demand? We read that vehicle sales fell 8.2% last year. Which of the markets were up in China, and which are the markets are the one or two biggest markets for aluminum in China?

Roy Harvey

So that's a pretty broad question, John. So let me couch it in terms of how we see that market growing into 2020. I don't know if I'll exactly hit where you were going with the question but hopefully, at least, it gives you the right direction.

William Oplinger

And after you've done that we'll put some numbers down on it.

Roy Harvey

Yes. So when you look across the board, the largest component sits inside of construction. I think one of the highlights that people saw in the Chinese market last year that you started to see building starts come back again. Unfortunately for last year, aluminum really comes in at the end of the process. So what we are hoping to see this year is that, those building starts turn into building completions. We have started to see that turn the corner as we come into 2020. And so, that's going to help drive some growth in the construction market and happily, that is the largest consumption of aluminum that happens inside of China.

From a transportation standpoint, that one is also an important market. We believe that the stimulus programs and what's happening in China is going to be driving that into a positive growth as well for this coming year. I think it was a difficult 2019. I don't particularly have the negative 8% that you referenced, but we should see that come back and in fact, come back to be one of the strongest growth in the markets that we'll see across China. I would just also mention that we continue to see some decent growth in packaging and foil. In fact, that growth will be down a little bit compared to the strong growth that we saw in 2019. That's a pretty big contributor to the overall aluminum consumption in China, but I think we continue to see that aluminum as a packaging material continues to be strong and continues to grow.

William Oplinger

No you hit all the things, largely, that I wanted to cover, Roy. The big market, John, is construction and Roy addressed that. The next bigger markets are packaging and foil, machinery, transportation. We did see transportation in a contraction like you did, probably not the same level that you're referencing, but we see that turning around pretty well in 2020. So those are the big markets.

John Tumazos

Thank you.

Roy Harvey

Yes. Thanks, John.

Operator

Our next question will come from Paretosh Misra with Berenberg. Please go ahead.

Paretosh Misra

Thanks for taking my question. Just to follow-up on couple of other questions. On the end market, how close are you to your end market customer now given that you don't have any downstream business? Do you know every shipment going out of your facility, whether it's going to construction or automotive, or is that more about you are having some market intelligence and market sources that's how you have a read in the end market demand?

Roy Harvey

Yes. I'd say, Paretosh that, when we get to the actual aluminum consumption that goes into the end markets, that is, because of who we are as Alcoa Corp, instead of Alcoa Inc., we are a step removed from that final end market. So we put our effort into trying to understand what's coming out from other analysts and from what we hear and what we see in our sales of value-added products or rolled products in aluminum. So I think it's more an interpretation and not so much driven by what's coming out of our smelters. We do have a pretty good idea of where our metal is going, particularly when it comes to value-added products. So typically it is very different, whether it's going into the can sheet or whether it's going into billet or extrusions, et cetera. But it's particularly for P1020 for the commodity grade that can go into any kind of use.

Paretosh Misra

Got it. And just a quick follow-up, on the aluminum shape premiums, has there been any change this year versus last year? That's mostly a contract business?

Roy Harvey

Yes. And the fact is that, there has been a change and unfortunately, it's not for the better. It is in fact, a decline. What we are seeing really, and remember that we are very skewed toward North America and Europe, but we're seeing pretty significant declines for two reasons: Number one, we've seen the Midwest premium come down; and number two, we've seen product shape and alloy premiums also come down. That, I would tie it over to two things: Number one, RUSAL has come back into the market. So if you remember at the end of 2018, beginning of 2019 with most of those contracts were set for the 2019 annual year, particularly in North America, RUSAL was still under sanction so they were not able to step into a lot of those value-added businesses. For 2020, obviously, the sanctions are behind them and thus, they are now fully participating and are really driving to recapture market share. So that is certainly having an impact on the amount of material that's available.

And number two, and also important, is because you had a period of such differentiated, higher Midwest premiums, I think it attracted a decent amount of imported material that we will really starting to see coming into the 2020 markets. You've seen that come in. I think that could change, as we've seen the best premiums come off their highs. But at the same time, we're seeing more imports both from RUSAL and from others in the 2020 value-added premium markets.

Operator

Thank you. This concludes our question and answer session. I would now like to turn the conference to Roy Harvey for any closing remarks.

CONCLUSION

Roy Harvey

Good. Thank you, Sean. And I would like to thank everybody for your time and attention today. We will continue to act aggressively to improve this company and to act on the strategic program that we've set out and to make sure that we position ourselves for success into the future. So thank you for joining us and we look forward to talking to you here, three months down the road.

Operator

The conference has now concluded. Thank you for attending today's presentation and you may now disconnect.