Real Industry's Fourth Quarter and Year-End 2015 Earnings Call
March 15, 2016

Operator: Greetings, and welcome to the Real Industry Fiscal 2015 Fourth Quarter and Year-End Final Results Conference Call. At this time, all participants are in a listen-only mode. A question-and-answer session will follow the formal presentation. If anyone should require operator assistance during the conference, please, press star-zero on your telephone keypad. As a reminder, this conference is being recorded. I would now like to turn the conference over to your host, Mr. Kyle Ross, Chief Financial Officer. Thank you. You may begin.

Mr. Kyle Ross: Thank you, operator. Welcome, all, to Real Industry's Fourth Quarter and Year-End 2015 Earnings Conference Call. I'm joined by Craig Bouchard, our Chairman and Chief Executive Officer; and Terry Hogan, President of Real Alloy. After comments by Craig, Terry, and myself, we'll take your questions.

For anyone who's not able to listen to today's entire call, an archived version will be available shortly. Please visit the IR section of our corporate website to access the replay.

Before beginning our discussion, we want to make you aware that our prepared remarks and responses to questions may include forward-looking statements that involve risks and uncertainties and that actual results could differ materially from any forward-looking statements made by us. Information concerning factors that could cause actual results to differ may be found in our filings with the SEC.

In addition, our comments today refer to non-GAAP financial measures such as segment adjusted EBITDA. Reconciliations to the most directly comparable GAAP financial measures are provided in our earnings release filed yesterday that we furnished with the SEC and posted to our website. We believe these non-GAAP measures provide useful information for evaluating our business performance. This information should be considered as supplemental in nature and should not be considered a substitute for the related financial information prepared in accordance with GAAP.

Please be advised that the contents of this conference call contain time sensitive information that is accurate only as of the day of this live broadcast, and we undertake no obligations to revise or update our statements except as required by law.

Now that we've covered these cautionary comments, I'd like to turn the call over to Craig.

Mr. Craig Bouchard: Kyle, thank you.

Welcome to all. I always like starting off saying thank you for being an investor in our company, whether that be in our stock or in our bonds. We have a strong appreciation for our investor base. It's now a blue blood base of great investors that are very knowledgeable and smart, and that's who I'll be talking to here.

What I'd like to do today is to talk a little bit about Real Alloy; a little bit about Real Industry, the parent; the macro economic outlook and how we're fitting in out there; and a little bit about 2016. I'll finish later in the call speaking about the acquisition platform and what it looks like out there in the marketplace today.

So, let's get started. And by the way, my annual letter to shareholders is live on our website today for those that want to hear a little bit more about each of the topics.

So, how did we do? 2015 was a remarkable year for our company. I think we all know that. Growing from roughly 40 million of revenue last year to in excess of an annualized 1.3 billion of revenue this year is something that doesn't happen to companies very often. It was a real challenge, and our team in my opinion performed magnificently as we pulled it off.

We have a great company as we sit here today, well managed, well disciplined, a Board of Directors who digs in all the time trying to help us improve it, and investors that have been supportive, and we know that it's on us to reward our investors as we go forward, and we feel confident that we will do that.

So, 2015, as I say that, remember we closed in February, I think we could all describe as the year of the commodity crash not only in the United States but in the world. I've lived through personally--unfortunately because I've worked so long, I've lived through a couple of business cycles now. And so, I've seen this before and in the metal segment. And my observation is when you get a crash that happened like 2015 across a sector, you know, there's a couple of ways you can go if you're running a company or a couple ways the company can go.

You can sit there. You can blame the market. You can blame the Chinese. You can hunker down and know that you got to just survive the storm and the sun will someday come out again. That's one way. And the second way is you take it head on. You call all your managers in the room. They call all of their employees in bigger rooms as you go forward. You take the entire team of your company, and you look at every expense you've got, every process that you run in your company. You look at your customers, your suppliers, and you head on in a difficult year. You take on all those topics and try to improve your company in every single category. And with our 1,700 employees in 2015, we took on what I refer to in our company as a Six Sigma tsunami. Everybody dug in. Almost all employees participated, and the results turned out to be fantastic.

Our company in a tough market was one of the best-performing aluminum companies in the world in 2015. Before I brag a little bit more about us, I'd like to just take a second because we got lots of employees in six countries listening to the call today and will listen to the recording. And I also want to thank every single one of those employees because they all contributed to us having this really good year in such a tough environment.

So, talking a little bit about Real Alloy and what those accomplishments were, first, you know, buying a company for $525 million and carving it out of a bigger company is a very challenging project. As we all know, we took it on in a unique way, a comprehensive Six Sigma program starting with 50 projects, succeeding that with another 50 projects. We set a budget for accomplishing this carve-out both in a reasonable cost and improving the quality of the company, and I'm very proud to say that we met our budget in 2015 for the carve-out. It's nearly over, not completely, but nearly over now.

And as all of that was going on--and by the way recording, as I say in the management letter, and I'll comment on this, for the year for 12 months, Real Alloy did roughly 81 million of adjusted

EBITDA. We only owned the company for 10 months. So, the first couple of months are unaudited numbers. They're taken from Aleris. I think they're reasonable numbers. But, I do want our investors to be able to compare the year-to-year both going back historically and as we go forward. So, therefore, we put that unaudited number out there, as well as the audited number, of course, for the 10 months.

That was one of the best years in this company's history in this incredible marketplace where aluminum on the LME fell 17 percent during the year throughout the year--consistently throughout the year and with the regional premiums falling by this very, very significant number both in the United States and in Europe, and through that recording, you know, just a really solid result for our team.

I've said before, we have a CEO Challenge that I put on our managers as we began this exercise. That was a 1 percent cost of goods sold percentage improvement for 2015. It was a $13.4 million target. The actual results came in roughly around 15 million of improvements.

Let me tell you something. I've been through Six Sigma on three occasions in my career. It's a difficult process because everybody likes the idea, but everybody points fingers and says, "Great idea. You do it. I'm doing my job today." And that's typical. When that happens it doesn't work very well. When everybody says, "We're all on the team. We're all gonna do it, and we're not taking no for an answer," and they jump in there, analyze, work together, and make the improvements happen it can be amazing. And that's what our 1,700 employees did. I want to complement John Miller here at the parent company who set up the program and Terry Hogan, and Russell Barr, Mike Hobey, a whole large team of people and all the employees under them at Real Alloy who just pulled this off. And to add to it just one note, is it a one-time event? The answer is no. I get asked that question frequently. No rest for the weary. We have upped the CEO Challenge in 2016 to a $17 million target, and I'm comfortable and confident that our team can accomplish it.

By the way, it's sort of a secret, but we're gonna have a target every year, and our employees will get used to it, and our employees will deliver because business is like that—continual improvement in every area in every year. That's what we believe in.

We had a free cash flow target for Real Alloy in our first year of $33 million of free cash flow. We very significantly exceeded that target. At the same time, we significantly beat our budget for liquidity, which is another great thing to have as a target when the world is tough out there. Real Alloy and the parent combined, our liquidity at the end of the year exceeds $100 million. And as we did that, we were also able to pay down $50 million worth of debt. We started this adventure with a debt to EBITDA at Real Alloy, where our bonds are held, at 4.5 times EBITDA, and our goal was to reduce that to a 4.0 or below within 18 months. We met that goal within 10 months. I want to congratulate everybody for that.

And as important as our stockholders are, there are bondholders out there, and we love you as well. And I want to say that we're very proud. We started the year with our bonds priced at 90. We finished the year with the bonds priced at 102. We're still hanging right in there at par right now, making us one of the very few industrial secured bonds in North America. It's a very large set of securities that finished the year at PAR. In a very difficult high yield market our bondholders did well. We're very proud of that, and we take our creditworthiness as an incredibly important objective in our company.

At the parent company we did some additional good things. And everybody's focused on Real Alloy because our investors are trying to learn the aluminum business and figuring out how that's gonna go, and it's tough world out there, etc., etc. But, the parent company also had a very good year, accomplishing this carve-out. Every single one of the small group of employees at the parent was wrapped up in the carve-out project, whether that be in the Six Sigma project, and the accounting required as we took on such a large investment, and other administrative types of things, and, of course, in looking at acquisitions, which where we were quite active. But, I want to congratulate our parent company employees for really stepping up and proving themselves and having a significantly good year.

So, a couple things that I get asked a bunch about as these numbers come out, I get phone calls. Kyle does as well. I'll just put a couple of them in here right now. CapEx--you know, how did CapEx go? What does CapEx look like? And as our investors realize, we have a goal that's around 30 million per year of CapEx. We are right in that vicinity for this year. So, Terry and team came in nicely there. We've projected, of course, the auto megatrend of substantial increases in aluminum flowing into auto, our principal customer component. And I often get the question, "Hey, is there a big CapEx number coming so that we can accommodate that growth?" And the answer is a definitive no. Our amount spent on CapEx this year, some of which was maintenance and some of which was growth is a number that I'm comfortable with. It could go up or down in various years, but we're in that ballpark, and 2016 should be year just like that.

The comments about our business on the tolling side, clearly this has been a good business model to be in, in this aluminum market. Our risk-mitigating strategy and the business model we operate Real Alloy under is the principal reason we came through this year with one of the best performances in the marketplace.

On the buy/sell side of the business, as we commented in the fourth quarter with roughly 17 million of EBITDA, it was a little bit less than the second and third quarters, but we anticipated that. I mentioned in the last call, you typically, and we did get some automotive shutdown around Christmas, and we had some compression of spreads out there in the marketplace, which we anticipated. Adding to that, okay, got it. How--historically how does that fit? Well, historically the fourth quarter is one of the weaker quarters because of those factors. The first quarter's a little bit weaker. Second and third quarters are typically the strongest. That's our seasonality. Our first quarter this year not gonna give guidance, but our first quarter this year looks pretty good. And as I stare here in this room at Terry and Mike, they are ahead of their financial plan for EBITDA thus far in this year 2016. Guys, you've done a really great job all the way through here.

So, at the subsidiary level Real Alloy, we like what we bought. We've got the industry leader both in the United States and in Europe. I haven't broken it out here, but I do want to give some kudos to Russell Barr and his entire team in Europe. They had an outstanding ahead-of-plan year, with Germany leading the way, but all of our European units did quite well for the year. And we're very proud of them. In the United States we had, you know, just a really solid year, and the team in the U.S. is well positioned as we go forward as well.

With that, I think I'm gonna move the conversation over to Terry, and he's gonna tell us a little bit more about Real Alloy. And I will come back and talk about the parent and the acquisition business towards the end of the call.

Mr. Terry Hogan: Thanks, Craig.

As you said, look, we're very pleased with the results of 2015, and that really goes from start to finish, from a safety front where we showed improvement year over year from 2014 to '15, operationally, commercially, financially, and so forth. So, appreciate the recognition to the team throughout, they've done a great job.

The fourth quarter was also, you know, finishing out the year another very good quarter for us, as you said, about where we expected to be taking into account the seasonality that does exist. Volumes were in line with our expectations. I would say, in general, we saw normal shutdowns, especially automotive related in Europe. And I would say we also saw normal shutdowns in North America where the last couple of years we have not seen normal shutdowns. They--a lot of companies ran straight through. And so, these were more typical couple week shutdowns as we got into the holidays and into the first part of the New Year.

There were some slowdowns in the aerospace industry in the fourth quarter as there was some inventory destocking that's been publicly reported from various companies and also the normal seasonality in the building and construction market that slowed things down a little bit, but again, all pretty much in line with expectations.

As we discussed back in the third quarter call, and as you just mentioned, margins tend to come in in the fourth quarter. Generally as winter begins to arrive, margins also tighten up; scrap doesn't flow as well. And in spite of a less than normal winter from a temperature standpoint in much of the northern U.S., it's been similar to what historically happens. So we have seen some margin compression. We saw some in the fourth quarter. And as we're happy to say that winter seems to be leaving as we approach St. Patrick's Day and hopefully get that behind us, and the warmer weather usually generates much better flow.

I think as far as the industry is concerned, we continue to see a pretty significant amount of prime aluminum coming into the U.S. from overseas. Again, as we talked about in the third quarter, there was an additional smelter shutdown announced by Alcoa with the shutdown of their Warrick smelter that'll take place here in a couple of weeks.

The auto market, as probably most everybody knows, remained very strong throughout 2015 with reported volumes at near 17.5 million units and some recent reports talking about higher values than that in 2016. The European market came in at about 18.5 million units, again, up from where the numbers were in 2014.

I would say, as I mentioned, aerospace was a little bit softer in the fourth quarter, but that industry continues to have strong backlogs, and the rolling mills are continuing to make investments--new investments to continue to serve that segment; so pretty well positioned as it relates to that.

The steel industry obviously had a rough year, as did the scrap market that supplies much of the steel industry and also our industry as well as a result of the significant slowdowns. There does seem to be some movement both from a regulatory standpoint, and we're starting to see some price increases. So, hopefully there's some optimism there as we look forward.

And then, as I mentioned, the building and construction market's slow in the fourth quarter tends to ramp up in the first quarter as people get ready for the construction season. And so, that's moving pretty normally.

Scrap exports have certainly been down, and there's been a lot of publicity related to that. But, with the strong dollar and softness in other economies around the world, especially in Asia, that's put a significant damper on overall scrap exports both ferrous and non-ferrous. On the non-ferrous side, that does give us the benefit of not having to compete with that material that goes overseas. On the other hand, because of the huge drop, especially on the ferrous side, it's caused a lot of shredders to be shutdown, which decreases the overall flow. So, there's some good news and bad news, I would say, in all of that.

The other thing that we're starting to see that we've not seen in quite some time is that with the strong dollar we have some secondary ingot being imported into the U.S. It's not huge amounts at this time, but we've seen a little bit coming in from southern Europe, Russia, and then a small amount from Brazil. So, you know, as you say, it's been certainly a year of turmoil within the commodities marketplace. I think we came through it very well and feel good about that. And as we look to 2016 many of those same challenges will exist, and we feel pretty well-positioned as we enter the New Year; certainly taking nothing for granted. And, as you mentioned, with the CEO Challenge and a strong focus on productivity, that's our way to offset, you know, what's going on in the marketplace by finding improvements throughout our business.

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

Mr. Kyle Ross: Thanks, Terry.

For the financial report for the fourth quarter on a consolidated basis, Real Industry reported sales of just over 300 million and an operating profit of 2.8 million, net loss of 4.1 million, or 16 cents per share, and that's all for the quarter ended December 31st. The results reflect the third full quarter performance for our Real Alloy business, which represents nearly all of our revenues. Aggregating the two reportable segments that are within Real Alloy, we generated $17.1 million in segment adjusted EBITDA in the quarter on 291,000 invoiced tons.

Compared to the third quarter, the fourth quarter volumes were down by 3 percent globally, which was in line with management's expectations due to normal seasonality that Terry just described of the business, driven by the downtime the automotive industry takes around the holidays. Last year under Aleris, the business realized a similar 3 percent reduction in volumes from their Q3 to Q4. So, confirming the expectation this past quarter.

Revenues in the fourth quarter were lower by 11 percent sequentially, driven by the lower volume and lower average aluminum alloy prices during the period. Real Alloy's mix of tolling to buy/sell was consistent in the fourth quarter, compared to the third at 55 percent of total volume.

As previously indicated during our third quarter earnings call, Real Alloy experienced tighter scrap spreads in the fourth quarter. These scrap spreads and lower volumes resulted in the reduction of segment adjusted EBITDA compared to the third quarter.

CapEx in the fourth quarter was $5.1 million. For those that are working with your own financial models, if you were just calculating CapEx by taking the year-end number in the K minus the nine months, you'd show a little larger number. But, five was for the fourth quarter the larger differential was really driven by prior periods, and we're now just cleaning that up here so that the year-end number is good in the fourth quarter at 5.1 is the correct number.

Drilling down to each of our segments, Real Alloy North America, or RANA, reported revenues of nearly 190 million and adjusted EBITDA of 12.7 million on almost 197,000 tons invoiced. We estimate that approximately 54 percent of RANA's invoiced sales volume was used in automotive applications. On a sequential basis, adjusted EBITDA was lower by 18 percent and volumes were down by 2 percent. The largest factor in the EBITDA reduction was the previously mentioned tighter scrap and volume drop.

Real Alloy Europe, or RAEU, reported revenues of nearly 111 million and adjusted EBITDA of 4.4 million on almost 95,000 tons invoiced. In Europe, we estimate that approximately 72 percent of invoiced sales volume was used in automotive applications. On a sequential basis, adjusted EBITDA was lower by 41 percent in Europe on 5 percent lower volume. It was a strong fourth quarter for Europe, but the third quarter was exceedingly strong. So, that was driving some of the reduction in the sequential period.

Real Industry's year-end financial statements now reflect the final purchase accounting for Real Alloy's acquisition. For those tracking our progress, we've broken out the $10.6 million in fair value adjustments between inventory, putting 4.2 million there, and then the remaining 6.4 million is in the supplies category, which is classified in prepaids.

We expensed $700,000 related to the amortization of the fair value in the fourth quarter. It's a non-cash item. And for the year we've expensed 9.2 million of the 10.6 million in total fair value adjustments.

Operating costs of corporate and other were 3.4 million, a slight increase compared to the third quarter. Of that amount $1 million relates to non-cash share-based compensation.

At year-end on a consolidated basis, Real Industry had $314 million in total debt and 35.7 million in cash. From a liquidity standpoint, Real Industry has in excess of a $100 million, of which Real Alloy maintained over 83 million in cash and availability under its ABL and factoring line.

And with that, I'd like to turn things back to Craig.

Mr. Craig Bouchard: Kyle, thanks.

So, Kyle and I speak with investors all the time, meeting and take phone calls. We like to do it. A frequent question that gets asked fairly often these days, "Hey, look, your stock price is trading below $8, and the high yield market is in turmoil. Do you have access to capital? Can you grow? Can you do the next acquisition?" The answer to that following a set of road show tours that Kyle and I did in December through January is a really strong yes. We've gotten a wonderful response in the market. Capital is readily available for us to grow. People believe in our model. On the credit side, it's one of those nice pluses when you can go out and say our bonds are trading at par. Believe me, the credit market likes that.

And so, whether it be ABL, bank term loan financings, mezzanine, the high yield market is still in turmoil, although doing a little better the last couple of weeks out there for others. On the equity side both common and preferred stock, we have access--strong access to capital and have actively have gone out there looking for our next opportunity.

As I mentioned in the CEO letter, we--failed isn't exactly the right word, but we tried to complete an acquisition post-Real Alloy three times. And we haven't gotten there. In two cases, we were outbid by others. That's never a tough one for us. Value is value for us. We typically don't change our minds when we decide what something's worth. So, when we lose to somebody that's willing to spend more money, then we move on quite nicely to the next project.

We had one target that we went to LOI on in the fourth quarter. During our typically very strenuous diligence process, we didn't like everything we saw, and we backed away from that opportunity. What we're looking at now is the typical list of about five opportunities. A couple that we're looking at actively, a couple for future purposes and toying around with a few ideas here and there. But, the marketplace with this turmoil out there has turned definitively to a buyer's market. Multiples aren't as strong as they were. Yeah, you have to pay a little bit more for debt to accomplish an acquisition. But, we continue to look for very well-managed companies that are profitable, that have an edge--a competitive edge to their business that we can apply our NOL to and where we can continually uptick the operating margins of the parent companies. It's one of the important objectives that we have.

We have had a good experience in what we have been and are looking at now. And I would be hopeful that we can complete a strong acquisition for the company in a reasonable period of time going forward. I'm always asked, "How much time is that?" And unfortunately the answer is always the same. When we start looking at something, there is an analytical process that happens. We're very strong in the analytics and modeling side. We go through that process. We start a conversation. If you get to a nonbinding LOI that agrees in value, then you go into a full diligence, and probably three months after that you would close a transaction. Nothing that we do cuts corners. We are not looking for fast acquisitions. We're only looking for the right pieces for us to build a very dynamic profitable company going forward. So, as much time as it takes, it takes. And it's not gonna--you're not gonna find us being impatient about it.

In my career, I've been lucky so far, about 12 acquisitions in 12 years. I'm 12 for 12. And I fully anticipate continuing that good record as we go forward with Real Industry. So, we've got a team that knows what they're doing. The team is very talented, and we have a consistent flow of opportunities being brought out way. So, I very much like the position we're in. This marketplace is not easy for some who don't have access to capital, but this is a pretty good market for us. And our Board, our management team, everybody wrapped up with us is, you know, very focused on how we build a great company, and I'm confident that we're gonna do it.

With that, I think we could take some questions.

Q&A Session

Operator: {prompts} Our first question comes from Anup Goswami with Odeon Capital. Please proceed with your question.

Mr. Anup Goswami: Yes, thank you. It looks like from the bondholder perspective, leverage has come down nicely, mid-four type range to roughly four. Do you have a target on that going forward, and any type of credit rating which you'd like to achieve?

Mr. Craig Bouchard: Well, we've actually spent a bunch of time with the rating agencies, as we normally would, because they're very important constituencies for us. You know, as a personal look on it, because we're in a turbulent world, if you said, "Hey, what's your ideal?" We don't want leverage to be zero because then you're not gonna get the best return on capital employed. But, if you say in a world of turmoil, "Where would I like the existing pieces of our company to get to?" it would be somewhere in the vicinity of three and a half times debt to EBITDA, maybe three if we in fact enter a more difficult world as we proceed into 2016.

As I said in the letter, I think there's a reasonable chance that there is a recession starting in the next 12 months. I think the chance is lesser in the United States than it is globally, but clearly there's such a chance. If we entered a tougher environment, I'd be closer to three as my target and in a normal environment between three and a half and four.

I will say, and it's not answering your question, but I'll throw it out there anyway if you don't mind. When you're in the commodity linked or industrial businesses, cycles are always out there. You're living in a cycle, so you have to know how to manage in the cycle. And one of the really critical ingredients of that is when you do your plan, your budget, you financial plan each year, which we complete in December, you know, you plan for not an upside case. You always plan for a base case. And then, if you're smart; and this is what our company does, you have a second plan, which is what I call the plan for the trough, what happens if the world goes bad in the next 12 months. And we do each of those.

And so, as an example for CapEx where we would spend about $30 million in the year for growth and maintenance CapEx, I don't empower the Real Alloy management team to spend 30. I empower them to spend 15 in the first half of the year. And then, we all sit down and talk about it based on how the year's going. But, at the same time, if recessionary environment or a negative environment were to hit us, we have material in writing and well-discussed plans about how we would adjust our business to accommodate it. And that's how you go into the year. Look, anything can happen, and you have to be prepared for all possibilities.

Mr. Anup Goswami: Great. Okay. And also just really quickly, if we could get roughly what maintenance CapEx is, as well as corporate expense. I may have just missed that one. Would you have those numbers?

Mr. Kyle Ross: We don't give details on the maintenance versus the CapEx figures--maintenance versus growth, excuse me. With our 24 plants across the globe, the larger component's obviously maintenance that is running into that number with a little bit of growth. And then, depending upon, as Craig has talked about previously, IRRs on a project basis, that's when kind of through the course of the year the management team would bring ideas to potentially get approval to go larger than that number depending upon the opportunity and what's available on the IRR spectrum.

And then, the second part of your question was?

Mr. Anup Goswami: Corporate expense.

Mr. Kyle Ross: So, corporate expense for the fourth quarter was $3.4 million. Of that amount, a million relates to stock compensation, and quarter over quarter, that number was slightly larger than the third quarter. I think that came in at $3.2 million.

Mr. Anup Goswami: Okay. And just the final thing is that I thought I saw that you bid on three companies. That's out of a total of--how many have you actually looked at there?

Mr. Craig Bouchard: Boy, I'd have to ask my wife how many late nights I spent and etc., but it would be a much larger number than that. We're set up to take in opportunities which come to us typically from the large banks--investment banks and boutique M&A shops. And so, they'll--they--all the big ones know what we're searching for, and they send us opportunities. We do a very quick cut of it. And we only put in work on up to five names at any point in time, and we won't take on more work than that because you can't do it well. But, you would consider typically of what we bid on a multiple of that. A large multiple of that will be opportunities presented to us.

Mr. Anup Goswami: Okay, thank you.

Mr. Craig Bouchard: Yeah. I'd also--just going back to Kyle's comment, corporate expenses, and this is a question I get, so I'll throw it out to everybody just for your interest. You know, Real Alloy doing roughly 17 million of EBITDA for the quarter, I often get the question, "Hey, how much of that did you take up to the parent?" And the answer is that we took zero cash to the parent from Real Alloy, not only in the fourth quarter but from the day we bought the company. So, that's a frequent question. I'd like to bury it if we could. It doesn't mean we can't take cash up at any time. We own the company. But, how do you get $50 million paid off during the year? Well, you focus. You take their excess cash and you send it to the bank and pay down the loan.

The next question please.

Operator: Our next question is from Daniel Moore with CJS Securities. Please proceed with your question.

Mr. Daniel Moore: Thank you. Good afternoon. Wanted to maybe just dig in a little bit further. You gave us a lot of detail around spreads in Q4. Can you talk a little bit as to where we stand today? Have spreads acted? Have they narrowed further in Q1 versus Q4?

And kind a two-part question, you also mentioned your EBITDA was above your internal targets. Maybe just remind us of the typical seasonal relationship of volumes and spreads from Q4 into Q1. Thank you.

Mr. Terry Hogan: Yeah, so I would say that, you know, spreads tend to follow winter. So, as, you know, the winter comes on and the fall spreads tend to tighten up. And as winter continues, you know, it tends to go that way. I'd say in generally we view winter typically to end sometime in April. And so, first quarter is typically a tough quarter from a spread standpoint, mostly due to flow--just, you know, general flow of scrap, you know, from--coming from the peddlers to the yards to--ultimately to our plant.

So, we typically see compression in the first quarter over the fourth historically as we look at it. And the second part was?

Mr. Daniel Moore: Just volumes as well, how that generally trends Q4 to Q1?

Mr. Terry Hogan: Yeah, as Craig said, two and three are certainly the big quarters, and it depends on the year. Sometimes Q1 will be slightly better than Q4, and other years Q4 will be slightly better than Q1. So, I would say that four and one are pretty similar historically and then two and three are higher.

Mr. Daniel Moore: Very helpful, thank you. And switching gears to the M&A front, Craig, what types of opportunities are you most focused on today from an M&A perspective and how has that perhaps changed in the year since you purchased Real Alloy given obviously the commodity tsunami and, you know, the general change in the outlook from a year ago?

Mr. Craig Bouchard: Yeah, it's a good question. Things have changed a little bit, not lots, but a little bit. One thing that I would say is that now that we've got, you know, a full year of Real Alloy under our belt, understand our team and its talents; and in our business we tend to see some interesting bolt-on opportunities to Real Alloy, whereas, that would have been a tough one to pull off right after we bought them. Now, a year later knowing what we know, I'm more interested in some bolt-on things that can improve the business, give us a defensible--a more defensible position in some markets, a more aggressive position in others, potentially increase the operating margins for one reason or another. So, that's a slight change in the process.

We continue to look for opportunities generally in the industrial space. That doesn't have to be the case, of course, because the NOL is, as we all know, a crown jewel asset that we wish to take full advantage of. But, most of the opportunities that we see are generally in the industrial space.

We have what I'll call a generic marker of industries where the customers tend to be transportation, food, water or energy. We know the bankers well in those sectors. We tend to see things from those sectors. And so, we've seen a number of opportunities there and some other things that just would potentially burn NOL very nicely with higher operating margins. It might be a little bit different.

So, we look broadly, and then we think about synergies to our existing businesses, and we also think to, are there ways to diversify and be somewhat counter cyclical so that we can go through the business cycle consistently profitable to burn NOL.

So, a little bit different, not lots different. What we're seeing, just one more comment on it, because of what's happened in the world out there, there are opportunities of companies that are very nice companies, well managed, do have good defensible, good competitive edge positions who aren't making quite as much money as they were before. They might be a little bit too leveraged now relative to what they were before. And so, in other words, they're wounded but good companies. And we're seeing some of those. And where we see a particular attractive opportunity for us, we will go in and take a look at things like that, and there's been a few sent our way in recent times.

Mr. Daniel Moore: Thank you for the color.

Mr. Craig Bouchard: You're welcome.

Operator: Our next question is from Josh Nichols with B. Riley Financial. Please proceed with your question.

Mr. Josh Nichols: Yeah, hi. You mentioned that you've met with a few capital providers over the last few months. Would you lean more towards debt financing for future acquisitions given that, you know, it seems like the equity might be potentially undervalued by a large margin? And if so, what are some of the creative financing options you might employ?

Mr. Craig Bouchard: Right, it's a very good question. Josh, thank you.

With our stock price below $8 or below a number higher than that, obviously, our interest is in growing, acquiring good assets, and using the fewest amount of common shares we can while establishing a good financial foundation for the company and the asset.

So, what Kyle and I have done is spend a lot of time with the large debt houses looking at instruments like preferred stock and, of course, looking at the mezzanine market and things like that. We also look to opportunities where we can inherit reasonably priced debt, which in some cases is possible, in others not possible. And we'll look at seller notes, and we'll look at such things. Preferred stock, for instance, could be an instrument with a coupon on it that has some warrants that are dated out long. The equity holders won't love the warrant idea, but if it ends up as 20 percent of the amount of shares being done that way instead of using common, then they sort of like that idea.

But, our goal is to be very conscious of using the fewest amount of common shares possible to accomplish accretive growth. Kyle and I, we don't look that clever, but actually we're pretty good about this. And we've cultivated, I'm not gonna say a few names, I'm gonna say a club of 20 names out there who could sit around the table and help us structure a good acquisition in a way that's beneficial on the common stock side.

I'll say one other thing. Some of these things are larger, some are smaller, and we really like the model of using stapled rights offerings. So, it is possible that we would use that in future acquisitions. The stapled rights offering is a way for our existing shareholders to buy their pro forma shares not be diluted as we grow. So, we like that, obviously. And typically issued at a discount, it's a chance for those investors to very quickly make a return on that new cash invested. So, we like that part.

That being said, investors should not anticipate that we will definitively do that every time we make an acquisition. If I could do an acquisition of a good company tomorrow morning and issue no common shares, I would. And so, we'll be creative. We'll do--we're all shareholders. We all understand accretiveness and dilution and the appropriate relationships. So, we're spending the time to prepare for good financial structure in the next deal.

Does that help--?

Mr. Josh Nichols: --Yeah. No, that's perfect actually. And last question, I know it's not a big part of the business, but I was curious Cosmedicine it looks like--I mean they're doing a relaunch with the TV distribution network, and they actually won like a $900,000 trademark dispute. Any commentary you could give surrounding that aspect of the business?

Mr. Craig Bouchard: Yeah. So, Cosmed's actually one of my favorites. It's today insignificant in revenue for us. It is starting to accumulate revenue. The website is live. We're selling product consistently on the website, but, of course, the future is the distribution of 50--the intellectual property around 50 products, of which 30 we could take live in a reasonably short period of time. In other words, they exist. And the quality of our intellectual property in our products is recognized as very substantial. And what we're now working on is distribution. The company's been repackaged and relaunched in every way. The products work. They're beautiful. They've been raved reviewed in things like Prevention magazine, Marie Claire, Bridal Guide. These might not be the complete fare for everybody sitting at this table, but my wife knows all of them and probably yours do, too, and maybe lots of you anyway. But--so we've gotten, you know, a fantastic start to a very low overhead but well managed business, which is Cosmedicine.

This isn't complete yet, but we are anticipating in the months of May or June, in that timeframe, we will go live selling our products on the best of the television shopping networks. That announcement has not been made yet, but it's coming, and I think it's likely to be in that time period. I expect that in the second half of the year we will enter one of the major upscale department stores, not completely done but working on it. And Cosmedicine is an asset that is costing us very, very little money to develop something with a very large potential. So, I like the optionality of it.

It's a legacy asset, by the way. I inherited it when I started with the company. It was gonna be sold for nothing at the time. So, we decided instead to just reinvest, get a great manager in there, and it's worked beautifully. So, I'm very optimistic about it, but, you know, it's all about money, and we'll see if our team there produces it.

Mr. Josh Nichols: Great. Thanks, Craig.

Mr. Craig Bouchard: Sure.

Operator: Our next question is from Steve Dyer with Craig-Hallum Capital Group. Please proceed with your question.

Mr. Steve Dyer: Thanks for taking my question, guys.

Mr. Craig Bouchard: Sure.

Mr. Steve Dyer: I think most of my questions on the parent and the acquisition strategy, etc. have been answered. So maybe I'll spend a little time on the underlying Real Alloy business. The tolling business has obviously been, you know, hugely beneficial in the last year and so forth. Do you anticipate going forward based on your book of business any change in mix between tolling and buy/sell? Just, you know, I think right now it's fairly even, but any significant changes going forward either designed or otherwise?

Mr. Terry Hogan: No, I would expect it to stay pretty consistent, Steve.

Mr. Steve Dyer: Okay. And then, as it relates to auto builds for 2016, what's sort of your baseline underlying, I guess, number you're using there based on estimates? And then any color--it sounds like you kind of alluded in your letter to GM's K2XX line or the subsidiary--or the subsequent version of that may be going in this direction. Any color there on what you're seeing near term?

Mr. Terry Hogan: Yeah, I would say, you know, as we looked at it from the business level, you know, we looked for a pretty consistent year over year. We've since heard some higher numbers in '16 versus '15, but we looked for--you know, from a planning standpoint we planned for a pretty flat year-over-year build rate.

And the other comments I think related to Craig's letter.

Mr. Craig Bouchard: Yeah, I mean, it's part in the physics and the engineering, but it's pretty clear that the megatrend is at or ahead of the plan that we invested into both--and by the way, we think the U.S. because we're Americans sitting here in the United States. But, the performance is very, very strong for us in Europe as well. And our car company customers have--has been just a fantastic business for us in the German marketplace particularly. But, look, the cars have to get lighter, and they got to do so in a safe way, and the F-150 is just one example of what's now turned into a big success. And everybody gets it, right?

So, as we hear rumors, as we talk to customers, you know, the trend is sooner or later they're all going there because you can't meet the standards if you don't. So, it's one of those megatrends that's sort of an easy one to play out and project. The numbers are very dramatic, of course. The amount of aluminum going into cars is rising at 15 to 20 percent a year, and it's not gonna change in the next bunch of years.

So, auto builds would have to take a pretty big hit for us to reach a breakeven on the negative side, right? Remember, please, that we feed today on the auto side basically engines and power trains, and we feed aluminum mills that make sheet and that sheet goes into auto. So, we have two ways to grow, but the megatrend for us, we don't consider it to be a 2016 gigantic homerun. It's just a good for us in 2016.

What it is, is a year by year by year build for us. This is a 10-year good thing for us. And every one of those next 10 years is gonna be good for us with the megatrend. So, we invested in a long-term proposition here. It just so happens that, you know, our auto business—remember, roughly 65 percent of our revenues direct or indirect are coming out of the auto component—is running stronger than what we expect it to be one year ago. So--.

Mr. Steve Dyer: --Yeah, okay, makes sense. I think that does it for me. Thanks very much.

Mr. Craig Bouchard: Thank you, Steve. I, by the way, feel embarrassed to be talking auto to you because you're one of the greatest analysts in the auto business, not only in the United States but in the world, but I'm humbled that you would even ask me a question about it.

Mr. Steve Dyer: You're too kind. But, for what it's it worth, I think, you know, your estimate seems pretty consistent and conservative. So, thanks, Craig.

Mr. Craig Bouchard: Thank you.

Operator: Our next question comes from Ken Silver with KLS Diversified. Please proceed with your question.

Mr. Ken Silver: Hi, guys. Thanks for the taking the questions. I have a few. I guess just sticking with the tolling business, are these mostly annual contracts?

Mr. Terry Hogan: Typically, yes, Ken.

Mr. Ken Silver: And do they file like throughout the year or at the end of the year?

Mr. Terry Hogan: They're more concentrated on a calendar year basis. They're not all that way, but generally that's more consistent.

Mr. Ken Silver: Okay. So, I mean, with LME aluminum prices lower, has there been any impact on the contract, you know, on the tolling fees you're getting as your renewed contracts?

Mr. Terry Hogan: There's a commodity element, especially related to energy, on some of the contracts. So, as commodity prices have dropped--tolling prices have dropped hasn't had a big impact or really hasn't had an impact on margins, but it does have an impact on revenue and obviously cost as well.

Mr. Ken Silver: So, I guess are we gonna notice that in the first quarter or it's not big enough? It's not material enough?

Mr. Terry Hogan: Honestly, I've not looked at it closely, but I would say you're not gonna notice it, or it'll be minimal.

Mr. Ken Silver: Okay, thanks. All right, a few more; just on the change in EBITDA from third quarter to fourth quarter, you mentioned the two main factors, you know, lower volume seasonally and tighter scrap spreads. Can you just maybe help us understand a little better, was one factor a lot lower than the other or they're sort of 50/50?

Mr. Terry Hogan: Yeah, I mean--well both of them obviously come into play. Volume always is gonna impact it, but clearly margins do as well. I would say that I don't know that it's 50/50, but it's probably something in that one-third volume, two-thirds margin or something like that range.

Mr. Ken Silver: Okay, great. And then, in terms of--I mean and you touched on this earlier in terms of sort of the seasonality in volumes fourth quarter versus first quarter. I mean, how about the first quarter '16, should we expect higher or lower volumes versus the fourth quarter?

Mr. Terry Hogan: I would think you're gonna see--things started out slow in January in general, but I would think you'll see flat to slightly higher volumes in the first quarter versus fourth.

Mr. Ken Silver: Okay, great. And then, this last one, and I know you haven't reported first quarter yet, but, you know, we're getting towards the end of the first quarter. So, do you have any visibility into the second quarter business trends or order of book, whatever, anything?

Mr. Craig Bouchard: Now, Ken, why not just include third and fourth in there?

Mr. Ken Silver: No. Well, it is March 15. Come on, it's March.

Mr. Craig Bouchard: No, look, we don't give guidance out that far. What we have said is that we're ahead of plan for the first quarter. That's a pretty darn good thing in that market that we're living in out there. And I'd just as soon not--you know, I'm generally not a guidance guy because in commodity markets things go up and down and you can be better or you can be worse, and it can have absolutely nothing to do with how well you performed for that particular short period of time because that's what commodity markets do. So we don't like throwing out guidance, and I'd just as soon under-promise and over-perform every single quarter if possible.

Mr. Ken Silver: Right, Craig, I wasn't looking for guidance. I was just looking for sort of order book, business trends, how things are looking out there, not specific numbers for you all.

Mr. Craig Bouchard: Well, yeah, I said, you know, here's one that I would say for you the--and it gets back, again, to, look, demand/supply. It's a commodity, and the demand/supply balance for aluminum (1) with all the commodity problems in the world, aluminums one of the very few places where consumption is rising. It was not falling last year. It rose last year. It's rising this year. So, we're in good shape there. And nicely there are some planned additional smelting capacity reductions coming up, and particularly if the Chinese deliver on the three million tons they're talking about taking off the market, we could enter in the second half of the year a deficit situation. That's on the supply side.

So, if that were to be the case, and if that turns out to be true, you could see a fairly significant reversal, meaning an uptick in prices, (1) because aluminum inventories are much lower than what they were going back over the last year, and if you arrive at a deficit situation like that you can get, what I call, the slingshot effect, which is things move faster than anybody thinks they can.

So, look, we don't like to predict. None of that stuff's in our budget, right? But, we don't--and we don't like to predict things. But, at least there is--I call the outlook for 2016 reasonable to positive as opposed to my outlook six months ago for where we are today, which nothing looked good, right? So, right now, I'd say it's an improving environment for us.

Mr. Ken Silver: Okay, great. Thank you.

Mr. Craig Bouchard: Thank you.

Operator: Our next question is from Owen Douglas with Robert W. Baird. Please proceed with your question.

Mr. Owen Douglas: Hi, guys. Thanks for taking a question here. I just wanna quickly get your thoughts as you actually just mentioned about supply/demand. You know, with this kind of weakness in the aluminum pricing, I know scrap has a slightly different dynamic going on. But, could you give me a sense for what are you guys seeing in terms of the availability for non-closed loops aluminum scrap?

Mr. Terry Hogan: Are you asking what the flow of scrap is? Or, I guess I'm not exactly understanding your question.

Mr. Owen Douglas: I'm trying to get a sense for whether you found that with pricing--you know, with primary pricing being weak is that starting to have a negative impact in terms of your ability to obtain aluminum scrap for your processes?

Mr. Craig Bouchard: It's not impacted our ability to get scrap per se, although I think it ultimately has had more of an impact on the large scrap dealers in that I think the flow is just generally less. And there's an article in the Wall Street Journal this morning it talks about--it shows a picture of a bunch of cars being stacked up and not being shredded. And so, as scrap dealers accumulate ferrous scrap, which is primarily driving that, you know, there's two or 300 pounds of aluminum in each of those cars. And so, if the guy in the paper has 300 cars sitting there that aren't being shredded then that 300 pounds per car is not coming out and coming into the stream.

So, I think there is some interruption in flow overall that over time could make scrap tighter, which presumably then would make it more expensive, and then you would expect sales prices to also rise.

Mr. Owen Douglas: Gotcha. But you guys aren't seeing that yet? It sounds like it's just something which you are aware of and monitoring. Is that a fair summation?

Mr. Terry Hogan: I would say that there's always some tightness in scrap if you compare January, February, March to June, July, August, for instance. And so, I mean, we are seeing that, but I would say it's no different than normal seasonality in what we're seeing currently.

Mr. Owen Douglas: Okay, so, nothing structural there. That's good to know.

And, you know, hopefully this isn't asking you guys to play too much of a sort of crystal ball kind of game. But, to the extent you guys have been having conversations with your customers, could you give me a sense for whether you think that they are generally coming out more constructive in terms of their own production volumes for 2016 versus 2015, or is the mood a little bit more cautious?

Mr. Terry Hogan: I would say Craig kind of captured it earlier. I mean, I think that there's--you know, the U.S. economy has held up quite well. And so, I don't think there's any segments--I shouldn't say that. I mean, the steel industry, obviously, I think is more optimistic today than they were a couple--or a few months ago, but I think the auto industry, the aerospace industry, it's now the season for building and construction to start ramping up. So, I would--and the extruders have generally been pretty busy. I would say in general throughout the aluminum industry where we're dealing with them people are not anticipating any fall off the cliff. But, I think they're looking around the world at the global economies and obviously keeping an eye on what's going on just to make sure that that doesn't change.

Mr. Owen Douglas: Great. I'll hop back in queue. Thanks a lot.

Operator: Our next question is from Andrew Shapiro with Lawndale Capital Management. Please proceed with your question.

Mr. Andrew Shapiro: Hi, thank you. I had a few that are filling in some of the blanks from other good questions that answered what we had. But, if you could, you said the scrap spreads had compressed in Q4 amongst other things. Did that compression continue into the current quarter that is almost completed, in terms of the scrap spreads?

Mr. Kyle Ross: Andrew, I think the story that we're trying to explain to people to understand over the longer term of this business, generally speaking your Q1 is going to have the margin impact from lower scrap availability from the winter months.

Mr. Andrew Shapiro: Got it. So, if seasonally it will have compression of scrap spreads regardless, let alone what else might be going on in the market?

Mr. Kyle Ross: I think that's a fair way to look at this business over the long term.

Mr. Andrew Shapiro: Okay. And even though you primarily do tolling and you still hold some aluminum inventory, to what degree were the recently reported fourth quarter results hurt by the aluminum that you were holding in this falling price environment, and to what extent did you hedge out that risk, and how long do those hedges last in place before you have to buy into some more hedges?

Mr. Terry Hogan: Yeah, I mean, the hedges are very short-term in nature generally quarterly, sometimes slightly lighter but not very much, certainly not beyond a year. And as far as the impact of the falling market or the tightening spreads, I would say that the overall impact on EBITDA results is also pretty minimal. We--where we hedge we offset, you know, one for one, and where we don't hedge we manage our physical position pretty tightly so that we're matching up our scrap purchases against our forward sales and maintaining a pretty flat inventory position where we're turning inventory about 12 times a year. So, overall the overall impact of a falling or a rising market, frankly, is not significant in most cases.

Mr. Andrew Shapiro: We saw that you're moving out of the Aleris headquarters in Beachwood and signed a deal to stay within Beachwood. Can you update us on the status of the transition service agreement with Aleris as to what still remains to be done in the integration and optimization of the Real Alloy business up and away from Aleris? And eventually on completion of that, are the steps to be taken further cost reduction steps or are they just steps to create the independence of our entity from Aleris and they won't reduce costs?

Mr. Terry Hogan: Yeah, the only thing we have left operating today under the transition service arrangement relates to the ERP system, which we would anticipate being off of that sometime probably in the next quarter or something like that. And so, as that happens, that finishes and completes the entire TSA. So, that's the only remaining item left. All the other items have been, you know, basically moved to where we're running independent on those.

And so, I would expect that we'll see a slight increase in our overall SG&A costs related to--or excuse me, in our overall SG&A costs once we're off of the TSA. It won't be huge numbers.

Mr. Andrew Shapiro: All right. And in prior release and in the script you guys have spoken of how the Six Sigma implementation was ahead of schedule, and I know it's a process of continual improvement. But, in terms of the schedule that you have on, we'll call it, the overall implementation, how complete would you say that process is? Is that part pretty much done?

Mr. Terry Hogan: Well, I think when Craig was talking about being ahead of schedule on the Six Sigma approach that was specifically related to the TSA and the transition services away from Aleris. As far as the Six Sigma continuous improvement, I mean it's just that, it's continuous.

Mr. Andrew Shapiro: Okay.

Mr. Terry Hogan: He talked about the program for this year, and that will continue. So we've got--John Miller came in at the start and did a great job for us in getting the program set up and getting us up to speed and has handed that off to an internal champion of that in Matt Houston. And, you know, John remains a resource but that'll be a continuing process throughout this year and into next and beyond.

Mr. Andrew Shapiro: Before I have a question or two about the overall I guess the holding company or corporate, one last Real Alloy one. What can be done or is being done to expand the current Real Alloy business, or is this a business that is now, because you're so large, one that it's basically growing demand is what's going to grow our business and that's obviously on our part a passive exercise?

Mr. Terry Hogan: Yeah, I think certainly that. I think as aluminum grows and aluminum consumption and use grows then our business you should expect to grow with that, but at the same time, I think there's some other opportunities out there were we can provide some value in the marketplace maybe beyond what customers are receiving today, and I think that creates some new opportunities for us going forward.

Mr. Andrew Shapiro: Great. Kyle and Craig, a question on the whole company and the holding company and stuff. So I haven't had a chance to go through all of the 10-K, but where are the bulk of the warrants in terms of strike price and expiration that remain outstanding?

Mr. Kyle Ross: They were 10-year warrants issued coming out of the bankruptcy in 2010. So they had a 10-year life, 2020 for expiration date. And then, they get reset. They have a ratchet provision for any stock issued at a price lower than the price at which they were currently struck, and so their exercise price is at the rights offering price.

Mr. Andrew Shapiro: Which remind me that last one was at what--?

Mr. Kyle Ross: --5.62--.

Mr. Craig Bouchard: --Four--.

Mr. Kyle Ross: --5.64.

Mr. Andrew Shapiro: Yeah. Okay, so all of those warrants reset at 5.64, right?

Mr. Kyle Ross: That's correct.

Mr. Andrew Shapiro: Okay, so they're at 5.64 and they're lasting for a while. And then, what I did get through was just the beginning of the 10-K. I noticed something and wanted to get clarification 'cause we're a company with a 900 million NOL seeking to make acquisitions, and your 10-K's talking about a continued material weakness in internal controls relating to acquisition accounting. So can you guys expand a little bit about the timing of when that will get remedied?

Mr. Kyle Ross: Good catch, Andrew. You got through more of the K than you're giving yourself credit for. So in Q2 you'll probably recall that we did flag a material weakness in internal controls. It was a larger, I think, set of circumstances that we identified in that Q. We reported in Q3 some of the progress we made towards remitting--remediating that and again here at year-end. It's--for those that haven't read it yet, item 9A will sort of identify all the different areas of remediation we've worked to bolster the internal control environment at the company. Ultimately though as we finalized purchase accounting and looked at where we completed a number of the initiatives really sort of rolling past 12/31 into '16, ultimately, internal control your mark is as of the period at which you report, not the date you report. And so, we graded ourselves at 12/31, and under the business combination process we continued to flag a material weakness.

9A then has a paragraph that explains some of the things we've done since year-end and since business combinations are a process that live and breathe in the year under which you have done a transaction, we do not expect that that material weakness continues into '16, however, '16 will likely have another acquisition in which case we'll be graded again in that business process. So, no question about what we dealt with as a parent company and understanding the complexity of purchase accounting, the reporting implications, and the control requirements. And so, I think it's one of those things we learn to time, and I can't promise that, you know, you don't have issues in the future, but I can tell you that you're dealing with a team that is far better equipped for that next one when it comes.

Mr. Andrew Shapiro: Okay. And in the change in goodwill Q3 into Q4 where goodwill went up about 19 million, is that part of this process or that was the finalization? I thought usually that kind of adjustment occurs sooner after the close of an acquisition. But, what's the goodwill increase in Q4--?

Mr. Kyle Ross: --Yeah, so, you're right. This is the finalization. So, at year-end that footnote that you are reading would be the final fair value adjustments that we are reflecting. The--some companies report immediately final through Q1, 2, and 3. We always reported our business combination footnote as preliminary and in process. And so, quarter over quarter, you did see movement and adjustments and--but at year-end here this what we're now locked down. And so, what you have is you have a year to make those adjustments if you're filing on a preliminary basis, and there's no P&L impact should something happen now in '16, and asset or liability values get changed they would run through, you know, P&L as opposed to this is revision work from a previously preliminary assessment.

Mr. Andrew Shapiro: Okay, last question, promise. You said in the past when the share price was over $12, and of course reiterated on the last call when I think it was less than $12, but when the value was much higher than it is now that you felt our equity was significantly undervalued, which we all agree here with, I'm sure. But, what are you guys doing in terms of planning to try to expand our valuation multiple, which would thus lower our company's cost of capital and make any acquisitions even more accretive? What IR presentations or plans do you guys have for the coming three to six months on your calendar?

Mr. Craig Bouchard: We have a number of our conferences that we'll speak at over the next three months. Andrew, the B. Riley, CJS, Craig-Hallum, each have conferences who do analyst coverage on us today, and we will present and, as we have in the past, meet all investors that are interested at those places. Generally, our ticket is sold out, and I expect that'll continue.

But, with respect to the topic, generally stock price from my perspective comes when you execute. And as we continue to build our business, to improve our business, and as we bring in acquisitions that increase operating margins while diversifying cash flow is the key to optimization of net operating loss carry forwards. If we start to burn them, people will value them, and--but you can sum it all down to we don't manage to the quarter; we manage to the medium to long-term, and our goal is to execute. If we execute, people will be happy with the value of their stock. That's how we think about it.

Mr. Andrew Shapiro: Do you feel that there are some acquisitions that you're looking at or are on the menu that won't require another either stapled rights equity issuance or a secondary? I mean, I think that's part--we have a low multiple and--.

Mr. Craig Bouchard: --Yeah. Andrew, I'm going to remind you that you just made a promise you broke because this is another question, but I'm gonna answer it anyway. We look at different capital structures every time an opportunity's in front of us. And they could go from small ones, to which we issue no equity whatsoever, to big ones, for which we issue debt and equity. And we'll do that if we find that it will be accretive to our stock price in our modeling efforts.

So, we can't answer that question. The answer is, it depends. But, as I stated, we always are conscious of trying to accomplish a structure with the least amount of common shares to get the job done.

Mr. Andrew Shapiro: Thanks for that follow-up. Thank you. I'm done.

Mr. Craig Bouchard: Sure, thank you. Last question because we are past our one-hour limit, but we got one more question we'll take.

Operator: Our last question comes from Howard Rosencrans with Value Advisory. Please proceed with your question.

Mr. Howard Rosencrans: Thank you. A quick question, you made a comment that this year you'll have greater Six Sigma-associated synergies this year. You were targeting, I don't know, 16, $17 million, which is consistent with what you guys have suggested in the past about sort of annual 1 percent expense reductions. So, maybe, I'm putting together math too simply, but should we simply assume that that 16, $17 million accretes on top of the 80, $81 million that you achieved in EBITDA at the Aleris level or am I misconstruing?

Mr. Craig Bouchard: Well, first, the target for 2016 is 17 million. The target last year was 13.5 million. We achieved a $15 million productivity improvement via a very large number of Six Sigma projects that unfolded across the company. We have 24 plants in six countries, and each of them and each of their managers and their teams have objectives which sum up to 17 million this year.

So, whatever the market delivers us in terms of revenue volume and profitability, whatever the market delivers to us via our performance this year, we hope to improve it by that $17 million of productivity improvement. If you took that last year 2015, we had a really tough market. We came in below our expected volumes and EBITDA numbers, and when you added the Six Sigma benefits, the improvements brought to us in productivity by the teams, we turned it into a year that was in the 12-month form 81+ million of EBITDA and in the 10 months, which we actually owned the company, 70+ million of EBITDA.

So, you'd consider it saved us a little bit in 2015. It could be an add-on to such a performance in 2016 if the marketplace is a good one for us. If it's not such a good one then, again, it allows us to kind of save our year and have a good performance. That's how I would view it.

I can't call what the year's gonna be in March. I have said that there's a possibility of a recession both globally and the United States in 2016 or in the next 12 months. If that happens, we've got to really struggle to make our plan. If in fact it turns into a pretty good year with supplies being cut on the smelting side via smelters being shut down, capacity being shut down, with prices coming up, we got a chance to have a really significant good benefit from that to which these things would be added to.

But I think the way that in the end to think about it all is we had a really great year. We're one of the few aluminum companies that's really made their plans. We beat our plan in all--lots of places in 2015. The reason we did that was because in that tough year, which was less than expected by every measure at the start of the year, we increased productivity and made up the difference.

Mr. Howard Rosencrans: Certainly had a great year and hats off for that. I just--so 12 months from today we're on the call in '16 and you believe that '16 has been a, let's say, an average year; we didn't get a recession; we didn't get all the cutbacks from China, but let's say you would describe 2016 as an average year, could we expect to see--I mean this is not taking into account the normal--I mean the biggest driver to our business is aluminum going deeper into the automobile business. So, let's say you only get a--without even the accretion associated with that, is it fair to say that a year from today in an average economic environment that at a minimum we would expect $15, $16 million of Six Sigma-driven accretion?

Mr. Craig Bouchard: So, in general, the answer to that is yes, but let me put it this way. We compensate our 1,700 employees at all different levels in different ways, of course, but think of it as having a salary and some incentive compensation at most levels, right? 80 percent of that incentive compensation is based on meeting our EBITDA target as a company. So, everybody rowing in the same direction on one boat. And 20 percent is soft stuff. Well, guess what the soft stuff is—this target, the CEO Challenge with a few other things sprinkled in this year. It was completely this last year.

So, every manager in our company of these 1,700 employees on six countries is working like heck to make that 20 percent of his or her incentive compensation, meaning reaching these productivity targets. So, will they do it? I don't know. My guess is they will, because it's a freaking great workforce, and they're really dedicated, hard-working, smart people. So, my guess is they make it. But, at the end of the year, Howard, we're going to talk about it because this call we're gonna bring this up in this call next year. We're gonna see if we made it for you.

Mr. Howard Rosencrans: Sounds great. Good luck and congrats again on a great year. Really appreciate it.

Mr. Craig Bouchard: Thank you. I would like to once again thank our investors. We're not happy with our stock price. We're actually very happy with our bond price, but we're not happy with our stock price. We are all dedicated to making it a much higher stock price. We all care. Everybody at this table's a shareholder. We have lots of employees who are shareholders. And so, one thing you can count on is us working every hour of the day that we're awake to make this a better company. And I like our position. I think we're number one at what we do, and we're getting better. And our competitors, by the way, in this tough environment are getting weaker. So, we're in a good position, and I think we're gonna be a larger, more profitable, and better company one year from today when we have this call again. But, in the interim thank you for participating.

Operator: This concludes today's teleconference. Thank you for your participation. You may disconnect your lines at this time.