



**Real Industry's Second Quarter 2017 Earnings Call  
August 9, 2017**

**Operator:** Greetings and welcome to the Real Industry fiscal 2017 second quarter financial results 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 \*0 on your telephone keypad. As a reminder, this conference is being recorded.

I would now like to turn the conference over to your host Jeehae Shin, Vice President of Real Industry. Thank you, you may begin.

**Ms. Jeehae Shin:** Thank you, operator, and good morning. For anyone who is not able to listen to today's entire call, an archived version of the call will be available shortly. Please visit the Investor Relations section of our website under events in order to access the replay. Additionally, we've posted a new presentation on the website relating to our second quarter earnings that contains new information that may be discussed or referenced on our call today.

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 statement made by us. The words believe, expect, anticipate, estimate and other similar statements of expectation identify forward-looking statements. Information concerning factors that could cause actual results to differ from those in the forward-looking statements may be found in the company's SEC filings under the Risk Factors section.

Please be advised that the contents of this conference call contain time-sensitive information that's only accurate as of the date of this live broadcast. Real Industry undertakes no obligation to revise or undertake any forward-looking statements to reflect events or circumstances after the date of this conference call except as required by law.

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

**Mr. Kyle Ross:** Thanks, Jeehae, and good morning, everyone. Thank you for joining us. On our first quarter call in May, I described our vision for value creation, reviewing both our long and short term initiatives. For those of you who are new to our story, thank you for your time today. I'd encourage you to read that transcript of our first quarter earnings call as I'm not going to review those matters here today. Of course, feel free to reach out to us at any time for a copy.

But I do want to begin by reiterating to everyone that we remain committed to our long-term strategy of diversifying our cash flows, creating a sustainably profitable enterprise and unlocking the value of our tax assets for the benefit of our shareholders, which we expect to come from a disciplined M&A initiative.

As the corporate team works on our M&A strategy, the Real Alloy team is driving value creation within our existing portfolio, and as you've seen, the Real Alloy team did a very nice job this quarter. We've been pleased with the progression throughout the first half of 2017 in a highly competitive market environment.

The market plays an important role in our buy/sell business. When our alloy prices rise at a faster rate than scrap metal costs, a trend that we have experienced since the middle of Q1, our business performs better. We are pleased to see the more favorable market and pricing trends impacting Real Alloy that we discussed during our Q1 call continue here into the second quarter. These trends helped drive a nearly 40% increase in Segment Adjusted EBITDA sequentially in both our North American and European segments.

Our management team's objective is to proactively drive the business for optimal performance no matter where the market is and, importantly, to position for where it is going. Europe continued to deliver strong performance in Q2 with significantly improved EBITDA per tonne both quarter over quarter and year over year, thanks in part to efforts that we started several quarters ago. In particular, the team has kept a close eye on detailed planning with customers to drive high plant utilization, delivering high quality levels and metal recoveries for customers, and reducing operating costs. In North America where we have more than three times the number of plants as Europe, we believe that the opportunities for management to influence the business are even greater, and our productivity efforts year to date have shown very good results.

Admittedly, we've experienced a few operational challenges with implementing some of these productivity initiatives in North America, but we believe that most of that is behind us today, and we are moving ahead to optimize our operations to meet our evolving customer demands. While alloy prices and scrap spreads have improved considerably since the second half of 2016, we still aren't back to recent historical averages, so we'd certainly like to see more progress there.

In our outlook, we noted that we expect a similar market price and scrap spread environment in North America to continue for the near term with some tightening in Europe as we come off some very good recent market conditions. On the volume side, we're expecting a return to normal summer and holiday slowdowns from our auto customers as has traditionally been the case in the second half of the year, even though we haven't experienced it much in the past two years.

Before turning things over to Terry to give a more detailed report on Real Alloy, I wanted to add just a few comments on our capital structure. As we discussed last quarter, we are paying close attention to opportunities to refinance our debt, namely the \$305 million of senior secured notes due in January 2019. Even though we are currently in a non-call period, we have had and we will continue to have discussions with existing and prospective investors so that we are best positioned to have attractive financing optionality for our business and its long-term prospects. We are being proactive and will move forward when and with a structure that we believe to be the most advantageous to our shareholders.

With that, Terry?

**Mr. Terry Hogan:** Thank you, Kyle.

We were pleased with the quarter-over-quarter improvement that we had at Real Alloy from a results standpoint in the second quarter. The improvements were largely driven by the more favorable pricing in metal spreads that we spoke about in Q1 and that Kyle just mentioned, which continued into the second quarter. Our European operations had an excellent second quarter with

consistent volumes, improved margins and a positive impact from productivity initiatives, producing the best results that we've seen since 2011.

In North America, overall results were more than 35% better than the first quarter, again driven primarily by improved metal spreads and significant reductions in SG&A costs. As we mentioned before, there is a lag between when pricing and margin changes show up in our results due to the nature of our customer arrangements. It also is worth noting that in the second quarter, like the first quarter, scrap prices continued to increase at a slower rate than published sales price indices, which generally leads to higher scrap spreads in the following quarter.

Somewhat offsetting that positive trend as we look to Q3 is the normal seasonality of the business related to scheduled automotive summer shutdowns. All the North American customers that took shutdowns are back up and running at this point, and we're in the midst of our European shutdown season, which will wrap up over the next two weeks. Overall, we expect third quarter volumes to be flat to slightly down when compared to volumes in the first two quarters.

For the second quarter of 2017, Real Alloy North America Segment Adjusted EBITDA was \$8.7 million, up from \$6.3 million in the first quarter. Overall volumes for the quarter were down about 2% year over year with a higher mix of buy/sell volumes, including the volumes acquired with the Beck acquisition offsetting lower tolling volumes. The year-over-year decrease in scrap spreads as well as the product mix changes impacted our margins for the period, but strong productivity initiatives continue to play a key part in buffering that lower margin environment. Some of this work led to reduced SG&A expenditures of \$1.1 million for the quarter compared to the first quarter of this year and \$1.3 million less than the second quarter of last year.

Real Alloy Europe continued to deliver outstanding results throughout the second quarter with \$8.5 million in Segment Adjusted EBITDA, improving upon both year over year and sequential quarter results. Volumes were essentially flat while the revenue mix stayed about the same as in the second quarter of 2016 with 56% toll and 44% buy/sell.

The scrap spread environment remained strong and showed improvement from the prior period, and that combined with the effect of some of the productivity initiatives resulted in a year-over-year increase in EBITDA of \$19 per tonne.

Looking a bit closer at the pricing environment, in the second quarter, you can see from slide 7 of our investor deck that P1020—the P1020 price in North America—for primary aluminum rose slightly, averaging \$2,110/tonne in the second quarter, up \$47/tonne from the first quarter average. The Platts Metals Week price for 380 material also continued to rise from the first quarter, up \$64/tonne from the first quarter average. And as in the first quarter, pricing in Europe with LME, duty paid Rotterdam premium, and the Metal Bulletin 226 prices also showed significant year-over-year improvement, although they were relatively flat to first quarter numbers.

Since the end of June, we've seen LME, NASAAC and Metal Bulletin 226 prices all increase as of this morning's prices while Platts Metals Week has decreased slightly as have North American scrap prices. From a scrap availability standpoint, material flow has been quite good in both regions over the past few months, and at this point, we expect that to continue.

We have also seen significantly less volume of foreign NASAAC qualified material coming into the U.S. as a result of higher metal prices in Europe and a weaker U.S. dollar in relation to the euro. I think the big news recently has been on the headline front, and things there been quite busy. There's been a lot of news recently about U.S. auto sales being off of prior year numbers,

largely driven and impacted by lower car sales. However, the larger aluminum containing SUV and truck sales have remained quite strong.

Ducker also published a new report in the past couple of weeks that calls for a continuing increase in the volume of aluminum content in vehicles through 2028, which appears likely to more than offset any projected falloff in vehicle production rates in the foreseeable future, although they did also note that the mix of aluminum used throughout the period is expected to shift to more wrought and high purity alloys than it currently is.

In addition, there's been a lot of focus on potential regulation that could impact both the United States and Europe. In the U.S., the focus of the industry has been on regulatory changes that could possibly impact the flow of aluminum and aluminum products into the U.S. You may have seen yesterday's announcement that the Commerce Department issued a preliminary determination related to some aluminum foil products being imported from China. There's also been a lot of attention paid to the possible restriction of scrap material exports to China by the Chinese government.

In Europe, there's been some recent headlines related to new restrictions on diesel and gasoline engines and the promotion of electric vehicles. At this point, we're watching all of these areas carefully to see if they happen, and if so, what form they will take. Our general view is that both U.S.-related cases, any actions being discussed would likely have a positive impact on our business in the near term if they were implemented.

As it relates to Europe the overall impact remains to be seen as things get sorted out. However, we are being told that the overall aluminum content in the electric vehicles is expected to be higher than internal combustion models currently on the market. So, stay tuned as things develop.

With that, I'd like to turn it over to Mike Hobey. Mike?

**Mr. Mike Hobey:** Thanks, Terry.

I'll give a brief update on our financial results for the second quarter and welcome any of you to review our filings or reach out to me directly with any questions.

On a consolidated basis for the three months ended June 30, 2017, Real Industry recorded sales of \$350.2 million, an operating loss of \$6.2 million, and net loss attributable to Real Industry of \$6.5 million. Loss available to common shareholders was \$0.25 per share.

Our revenue is derived almost entirely from our Real Alloy subsidiary, which generated Segment Adjusted EBITDA of \$17.2 million during the quarter on approximately 289,900 invoiced tonnes. Second quarter volumes were essentially flat with that of the first quarter, decreasing approximately 2,000 tonnes on a global basis. Year-over-year volumes were down 4,000 tonnes with buy/sell volumes driven by the Beck acquisition and commercial efforts replacing most of the decrease in toll volumes.

Revenues were higher sequentially by approximately \$13 million and increased year over year by approximately \$29 million due to the higher metal price environment and increased mix of buy/sell volumes. Real Alloy's mix of tolling versus buy/sell was 48% and 52% of total volume, which was a 1% change from the prior quarter and a 3% change year over year.

Adjusted EBITDA per tonne of \$59 increased 40% from \$42 in the first quarter of 2017 with both regions showing sequential improvement, a decrease 17% year over year as a result of tighter scrap spreads during the quarter primarily in North America. The relationship between sales prices and scrap cost progressively improved throughout the second quarter. In addition, productivity improvements continue to augment the business' performance.

CapEx in the second quarter was \$4.9 million compared to \$5.8 million year over year, and year to date CapEx was \$10.5 million versus \$11.1 million year-to-date 2016. As of June 30, 2017, on a consolidated basis, Real Industry had approximately \$18 million in cash and \$380 million in total debt. Liquidity remained strong with the company maintaining \$71 million in liquidity with approximately \$67 relating to Real Alloy from a combination of cash on hand and available borrowings under its North American ABL and German factoring lines.

Outside of Real Alloy, operating costs of corporate and other were down \$1.1 million versus the prior year and prior quarter, and we think Q2 represents a reasonable run rate going forward.

This completes the second quarter financial report, and I will pass things back to Kyle.

**Mr. Kyle Ross:** Thanks, Mike.

In summary, I believe that our Q2 results largely echo what we reported in Q1 with pricing in the metal markets continuing to improve and volumes remaining stable. We remain focused on positioning Real Alloy for optimal performance regardless of the macro environment, all the while actively working to execute on our longer term M&A diversification strategy.

With that, operator, we can open things up for Q&A.

**Q&A Session**

**Operator:** {prompts} Our first question comes from the line of Daniel Moore with CJS Securities. Please proceed with your question.

**Mr. Daniel Moore:** Good morning. Thanks for taking the questions.

**Mr. Kyle Ross:** Morning.

**Mr. Daniel Moore:** Kyle, just trying to triangulate a couple of the comments you had made during the prepared remarks. You know, you mentioned spreads, and Mike mentioned spreads improved in North America as we went through the quarter and that they typically--you see a bit of a lag, you know, between change in fundamentals and when it shows up in your P&L. So, should we expect North America spreads to maybe get a little bit better in Q3 versus Q2, or is kind of flattish the better way to be thinking about that?

**Mr. Kyle Ross:** Dan, I think--and I'll let Terry add to this--I think from an overall market standpoint, we would expect that the environment will improve as it rolls into our P&L. When you get to actually, though, the full results for Q3, a lot of that--and the reason why I'm hesitating is because part of it drives off of volume. So, where we don't have that guidance out just yet in terms of where North America is gonna be from a volume standpoint, you know, you're going to have better--a better environment with higher volumes is gonna lead to a stronger P&L, of course. And so, that's where I think the balance. The overall spread dynamic I think is going to be positive, and it's going to ultimately translate into the financials once that's also matched with, you know, how volume comes through.

Terry, anything you want to add there?

**Mr. Terry Hogan:** No, I think you captured it pretty well. I mean, typically, Dan, the, you know, the summer months, there's better flow. Better weather means better scrap flow typically. So, normally, the spreads are gonna be better in the third quarter than probably any other quarter historically.

**Mr. Daniel Moore:** Got it. That's helpful. And then in terms of volume, the other part of the equation you just touched on, it's--you referenced the more normal seasonal auto shutdowns, but I assume that's more on a year-over-year basis because you did say overall you expect volumes to be relatively flat kind of sequentially from Q2. Is that the right way to think about it?

**Mr. Terry Hogan:** Yeah, I would say year over year, the shutdowns were a little more extensive this year than we've seen the past couple of years, and I think the volumes will be flat to slightly down. I think it--they're not likely to be up, I guess I would say, but I don't expect them to be way off of what we've seen in the first two quarters.

**Mr. Daniel Moore:** Sequentially, got it. That's helpful, okay. And then maybe just look at North America and Europe separately in terms of scrap flows, you know, help us talk about the overall macro environment, what the drivers are, demand for steel, how things are turning back on and what your expectations are for--you know, if--to the extent that you have visibility for now and the rest of the year.

**Mr. Terry Hogan:** Yeah, I think from a European standpoint, the flow has been quite good, the demand has been good, and the spreads have been good. So, I mean, I think as you saw in our

second quarter numbers, we had a great second quarter in Europe with the market situation being positive and just some great execution by the team there.

On the North American side, certainly, the flow has picked up dramatically from what we were seeing in the first quarter, which again is pretty normal from a seasonality point. I think the steel mills have been ramping up, and so as a result, it is driving some additional non-ferrous scrap through the marketplace. And so, again, I think that's--we would normally expect to see improved flow, which we have, and I think that the fact that the steel industry has gotten a boost is a positive to that whole dynamics.

**Mr. Daniel Moore:** Got it. One more, and I'll jump out and hand it over - just in terms of discussions around refinancing, the--you know, I know your bond's not callable until early '18, but given current environment, you know, is it possible potential for you to think about starting to think about refinancing those ahead of when that non-call period ends? Just talk about the gives and takes there.

**Mr. Kyle Ross:** Yeah, Dan, I don't think we're looking at the non-call period saying we wouldn't do anything. We talked a little bit about this on the last quarter call. You know, certainly, we know that there's been pretty good demand in the metals and mining sector, and so that's why we believe it makes a lot of sense for us to be out discussing and meeting with people, telling our story so that if the right opportunity was there and it makes sense, that we would go after it. So we're not trying to look at that date and sort of create any sort of waiting environment. We want to be ready. This business is all about opportunistic strategy, that includes on the financing side. So, that's sort of our objective there.

**Mr. Daniel Moore:** And are there any smaller tuck-ins in terms of M&A that you could or would execute ahead of that, or are those mutually exclusive?

**Mr. Kyle Ross:** Yeah, as far as the tuck-in side—and this is something that we generally talk about each quarter—there's generally a question. I mean, we again don't have an overall plan of attack to grab any sort of additional capacity at this time for capacity's sake. It would be opportunistic. And so, I do think we'd look at how that opportunity fits in with the current capital structure. So, I don't think it keeps us from doing anything, but I also don't want to suggest that that's where we're targeting our efforts right now. We'll be ready if the right opportunity showed up.

**Mr. Daniel Moore:** Appreciate it. Thanks for the color.

**Mr. Terry Hogan:** Thanks.

**Operator:** Thank you. Our next question comes from the line of Josh Nichols with B. Riley. Please proceed with your question.

**Mr. Josh Nichols:** Yeah, thanks for taking the question. So, European operations have obviously been doing quite well. And could you help quantify what exactly it is you're seeing that you think--makes you think spreads might tighten a bit in Q3, and could you help frame the level of tightening that you are expecting?

**Mr. Kyle Ross:** Josh, maybe I'll start, and Terry can echo. I think what we're just trying to be is reasonable with guidance. As we look at Europe, quarter over quarter, the last several quarters, it's continued to outperform, and we're at levels that, from an EBITDA per tonne standpoint, that

we haven't seen in five plus years. So, with the normal summer slowdown activity that we're sort of expecting to see out of Europe, I think we just wanted to be mindful of our commentary there. I don't think there's anything--any dynamic in the market that has changed that's giving us any cause for concern - more just as we consider the business and the environment, one of those things where you just say, can it continue to get better and better, we'd rather be a little more conservative from that side of thing. So, that's why we've got it the way we have. But, then again, nothing that I think we've seen that directly is giving us that feel. Terry?

**Mr. Terry Hogan:** Yeah, I would agree, Kyle. I mean, there's--just in general, there seems to be maybe greater demand. The value of the euro and the dollar has switched up some certainly from an exchange rate standpoint. And so, as we look at it, we think that there is more potential that it gets squeezed slightly, but again, we're not looking for wholesale changes in spreads. But, I think the increases that we've seen recently are--probably should not be expected to keep bumping up.

**Mr. Josh Nichols:** No, that's fair given the strong performance. And then do you expect for Q3 the mix shift to continue where you see more buy/sell volume and a little bit less tolling given that you're expecting volumes in Q3 to be relatively flat, but you're seeing a number of auto plant shutdowns? Is this typical for the season?

**Mr. Terry Hogan:** Yeah, I mean, I think in general, the mix would stay about flat. I mean, most of the contracts in North America are done on an annual basis, and so I would expect that mix to stay relatively consistent.

**Mr. Josh Nichols:** And then last question from me. I was wondering, could you just mention expectations as far as CapEx for the back half of the year?

**Mr. Mike Hobey:** Yeah, I mean, pretty consistent, Josh, with what we said in the first quarter--kind of, you know, high 20s is where we're targeting for the year.

**Mr. Josh Nichols:** Sounds good. Thank you.

**Mr. Mike Hobey:** Thank you.

**Mr. Kyle Ross:** Thanks, Josh.

**Operator:** Thank you. Our next question comes from the line of Andrew Shapiro with Lawndale Capital Management. Please proceed with your question.

**Mr. Andrew Shapiro:** Hi. Thank you. A few follow-up questions if I could on what was just asked. With respect to the around 20 in the CapEx for the rest of the year, are there any major projects that entails, or is this mostly maintenance CapEx?

**Mr. Mike Hobey:** You know, nothing, no large projects specifically, right? This business--it's a mix--it's not all maintenance. It's a mix of maintenance and productivity efforts. But generally, this business, the projects are in the less than \$1 million range, million euro range typically. So, it's a mix of maintenance and productivity-driven CapEx, but no substantial projects.

**Mr. Andrew Shapiro:** Okay. And then has there been any progress in coming to a decision to either restart or divest the idled Beck plant in Pennsylvania?



**Mr. Terry Hogan:** Yeah, that Beck plant remains idled, and it actually has a for-sale sign in front of it. So, right at this point, we're not expecting to restart it.

**Mr. Andrew Shapiro:** Okay. And I might--I was late to the call, so it might have been in prepared comments, but since the end of Q2 and into the current Q3, which we're in the middle of, what's been the trend in scrap prices and spreads and if you have any outlook for them going forward?

**Mr. Terry Hogan:** Yeah, hang on one second... You know, from the end of the quarter, LME, NASAAC and Metal Bulletin 226 prices have all moved up since the end of the quarter while Platts 380 is down slightly. Much of the increase in LME, NASAAC has come in the last few days. And on the scrap side, I think Platts is down about \$22 a tonne since the end of the quarter, and the scrap basket mix that we published is down about \$45 a tonne. So, it's continued to widen slightly since the end of the quarter in North America.

**Mr. Andrew Shapiro:** Okay. And on prior calls, arguably secondary alloy output lost market share to primary because of the pricing movements, and things have kind of reversed themselves, but things are you said done on annual contracts a little bit later in the fall, and I was just wondering if your views are whether or not secondary alloy output might gain back some of the market share from primary in the Can Sheet market as we come up to the annual contract roll-off in the next several months?

**Mr. Terry Hogan:** I mean, I think as a general statement I would say that, with the market dynamics the way they are, I think there definitely will be opportunities as we look forward that didn't--that haven't existed for the past two, two and a half years, yeah.

**Mr. Andrew Shapiro:** Okay. And when you do those kind of contracts, do they tend to be then buy/sell or the mix with tolling?

**Mr. Terry Hogan:** They really could be either, Andrew. It just depends on the customer and what the opportunity is as to whether they're long units or have scrap units. But, if they're in control of them, it typically would be tolling, and if they just have a metal need, then with our capabilities, we'd be happy to go out and buy the scrap, and then they'd come through as buy/sell.

**Mr. Andrew Shapiro:** Okay. And with the company's improvements in its operating results off the trough, where does the company stand with respect to its debt covenants and any kind of covenant risk or mix measurement?

**Mr. Mike Hobe:** Yeah, we're in compliance with all covenants as we stated in the Q, Andrew.

**Mr. Andrew Shapiro:** Well, that I would assume, because otherwise, you'd have to state otherwise and current basis. But, in terms of the room, what are the two covenants or what are the covenants that exist in our debt agreements that you're watching most closely?

**Mr. Mike Hobe:** Well, really, on the bonds, we're--that's--you know, they're mostly negative covenants. So, we--that's not much to worry about. The--you know, we pay attention to our availability on our ABL and our fixed-charge coverage ratio.

**Mr. Andrew Shapiro:** And lastly, what are the upcoming conferences or non-deal road shows, IR presentations for the next three to six months or so?

**Mr. Kyle Ross:** Andrew, we've got a couple of leveraged finance conferences we're going to be hitting up, so we'll get that out to the sort of community when those dates are set. And then as far as on the equity side, we're just sort of actively out taking meetings and taking calls at any time. So, I'd encourage anyone that is interested or has questions to please let us know any time.

**Mr. Andrew Shapiro:** Great. Thank you guys.

**Mr. Kyle Ross:** Thanks, Andrew.

**Operator:** Thank you. Our next question comes from the line of Matthew Cheyney, Private Investor. Please proceed with your question.

**Mr. Matthew Cheyney:** Hi, guys. Question for you about the productivity improvements at the Real Industry business, the Alloy business - so, I think you've previously talked about productivity increases of about 15 million a year. Is that still the right number?

**Mr. Terry Hogan:** Yeah, the number is pretty close to that. I don't have it off the top of my head, but it's pretty much that number, plus or minus \$1 million.

**Mr. Matthew Cheyney:** Okay. And how early are we in the game on that? So, is it 15 million in 2017, and then something substantially different after that, or you think it's 15 million this year and another 15 million next year and another 15 million in 2019?

**Mr. Terry Hogan:** Yeah, I don't know if it's the exact number, certainly, year-over-year, but, look, with each year, different things happen that provide new opportunities to save. We're constantly fighting inflation, constantly looking for ways to combat, you know, higher operating costs that are natural in the business. And so, I think it remains a pretty substantial number on a going forward basis.

**Mr. Kyle Ross:** Matthew, the other thing I'd add is, where--when we started talking about productivity, I think coming out two years ago after the acquisition was announced, there was a target of I want to say 17, which was then followed in '16 by, you know, a slightly smaller but generally in-line number and 15. So, you know, we've now sort of--this being the third year post acquisition, a teen sort of productivity target is something that we would look to try and implement, you know, each year.

**Mr. Matthew Cheyney:** Gotcha. And how much of that is cost decreases versus how much of that is avoidance of cost increases? So, if everything else was even, you know, the volumes were the same, the spreads were the same, your EBITDA would be 15 million higher, or some of that is just avoidance of expected cost increases?

**Mr. Kyle Ross:** Yeah, it certainly doesn't all drop to the bottom line, as Terry noted. You've got natural inflation in a business, and so most industrial businesses are looking on a productivity side of the house to offset those natural cost inflators that are occurring and to, you know, beat that. So, the beat is really where the amount's dropping to the bottom line.

**Mr. Matthew Cheyney:** And how much of the 15 do you think the beat is?

**Mr. Kyle Ross:** You know, it's hard for us to put a number on that. Each year is gonna be a little bit different, so--you know, and I don't have that number right here with me. So, we'll do some digging, and we can follow up with you on that point.

**Mr. Matthew Cheyney:** Okay, thank you.

**Operator:** Thank you. Our next question comes from the line of Du Xu with HPS Investment Partners. Please proceed with your question.

**Mr. Du Xu:** Hi, guys. Appreciate you taking my question. Just one real quick one in terms of working capital. I think, historically, Q2 has been a source of cash from the working capital perspective. It looks like in the most recent quarter... [Unintelligible due to line cutting out.]

**Mr. Mike Hobey:** This is Mike. I--the connection was bad, so I'm gonna try to answer your question as best I can. You're asking--if I heard you right, you're asking about the increase in working capital. And that was primarily the result of the increased price environment. So, that was the typical work--that was the working capital use that we saw in Q2.

**Mr. Du Xu:** Got it.

**Mr. Mike Hobey:** And then, yeah, I mean, listen--and generally, what--you know, the way we're structured with the ABL and the factoring facility, ABL in the U.S. or North America and the factoring facility in Germany, our availability flexes with the needs of working capital.

**Mr. Du Xu:** I appreciate that. And do you expect working capital to continue to increase in Q3 [unintelligible] seasonality with regards to working capital? I was wondering if you could kind of talk about that a little bit.

**Mr. Mike Hobey:** I think, you know, without giving specific guidance, typically, if you think about the drivers of working capital are the price environment and volume. And so, you know, you can do the math yourself, but I would assume that Q2 to Q3 would not be a major use of working capital and possibly a source, depending upon volume.

**Mr. Du Xu:** Got it. What about the mix in terms of buy/sell and it being greater, does that impact it in terms of the working capital shift?

**Mr. Mike Hobey:** Yes, it does, the mix of toll versus buy/sell also impacts it.

**Mr. Du Xu:** Okay. Thank you. That's all for me.

**Mr. Mike Hobey:** Okay, thank you.

**Operator:** Thank you, ladies and gentlemen. That concludes our Q&A session. I'll now turn the floor back to management for any final remarks.

**Mr. Kyle Ross:** Thanks again to all of you for joining today. As I noted in my response to Andrew, we are going to be actively out meeting with shareholders and investors, potential investors for the financing side of the house. So, please stay tuned. And if you have any follow-up questions, you can hit our IR line or call Mike directly - happy to engage with you. Thank you very much.

**Operator:** Thank you, this concludes today's teleconference. You can disconnect your lines at this time. Thank you for your participation.