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GSM - Q4 2019 Ferroglobe PLC Earnings Call

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**Marco Levi** *Ferroglobe PLC - CEO & Director*

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## PRESENTATION

### Operator

Good morning, ladies and gentlemen, and welcome to Ferroglobe's Fourth Quarter and Full Year 2019 Earnings Call. (Operator Instructions)

As a reminder, this conference call may be recorded. I would now like to turn the call over to Beatriz García-Cos, Ferroglobe's Chief Financial Officer. You may begin.

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### Beatriz García-Cos Muntañola - *Ferroglobe PLC - CFO*

Good morning, everyone, and thank you for joining Ferroglobe's Fourth Quarter and Full Year 2019 Conference Call. Joining me today are Marco Levi, our Chief Executive Officer; Gaurav Mehta, EVP of Strategy and Investor Relations; and Jorge Lavin, Group Controller. Before we get started with some prepared remarks, I'm going to read a brief statement. Please turn to Slide 1 at this time. Statements made by management during this conference call that are forward-looking are based on current expectations. Risk factors that could cause actual results to differ materially from these forward-looking statements can be found in Ferroglobe's most recent SEC filings and exhibits to those filings, which are available on our web page, [www.ferroglobe.com](http://www.ferroglobe.com).

In addition, this discussion includes reference to EBITDA, adjusted EBITDA, gross debt, net debt and adjusted diluted earnings per share, which are non-IFRS measures. Reconciliation of these non-IFRS measures may be found in our most recent SEC filings.

Next slide, please. During today's call, we will first review the highlights for Q4 and full year 2019, as well as our business and operating environment. I then will provide some additional details on our financial performance and key drivers behind our results. I would now like to turn the call over to Marco Levi, our Chief Executive Officer. Next slide, please.

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### Marco Levi - *Ferroglobe PLC - CEO & Director*

Thank you, Beatriz, and good morning, everyone. I would like to take this opportunity to thank the Board of Ferroglobe for giving me the exciting opportunity to lead this world-class organization. My initial focus will be to leverage our core competencies to turn our business around. I look forward to meeting you in the investment community over the coming weeks.

Before we get into the specifics for the quarter, please allow me to make some broad comments. As you have heard on previous calls, our business has been under pressure for all 2019, and this marks the worst financial year in our history.

There were a number of factors which have adversely impacted the company during 2019, led by a steady drop in prices and sharp decline in volumes. While we have been making operational, commercial and financial adjustments throughout the year, the fourth quarter results remain impacted by the same price and volume trends. Additionally, we had some incremental costs associated with the changes previously announced



as part of our rightsizing of the operational footprint. This resulted in some of expenses in addition to some higher production costs as we shut down furnaces and reallocated production.

We are closely monitoring the dynamics across our end markets and the behavior of our competitors and believe that much of the action which took place across the industry in late 2019 should set the stage for recovery in 2020. However, this will be gradual. At the onset of 2020, we are dealing with some of the same headwinds that we encountered during the back half of 2019. We remain confident that the operational changes we made, strengthened the company's ability to endure this environment. However, our financial results certainly highlight the impact of this downturn. Throughout the year, we closed on a number of non-core asset sales and other cash-generating initiatives to help offset the operating losses.

During the fourth quarter, we were able to continue this effort with 2 noteworthy financings, which increased our financial flexibility and enhanced the rate of cash conversion within our operations, primarily in Europe. Beatriz will get into these details later in the presentation.

While the results of this past year are clearly disappointing and unacceptable, the management team is diligently working on a new strategic plan aimed at returning the company to profitability. After spending the past few weeks meeting with senior management and other members throughout all levels of the organization, I am confident that we can turn this business around. Our technical capabilities, skilled workforce and global leadership needs to be aligned and leveraged to meet this common goal. We plan on updating the market and all stakeholders with our new strategic plan in due course.

Lastly, as this has dominated headlines in the past few weeks, let me add a few additional comments regarding the coronavirus and its impact on Ferroglobe. First of all, I am pleased to announce that no one in our organization has had any direct health impact from the virus, particularly in China, where we have our electrode manufacturing facility. While our direct exposure to China is limited from a supply and commercial standpoint, the activity from China impacts our global business. Today, we are seeing a net benefit from the activity slowdown in China, evidenced by lower exports of silicon metal into our markets.

Additionally, neighboring production hubs are beginning to curtail production, which is also a benefit to our silicon-based alloys and manganese-based alloys business. On the demand side, it is probably too early to tell what impact there will be. As the virus has expanded globally, there is a risk that customers outside Asia are impacted. To date, we have not seen any closure of facilities from our customers as a result of the coronavirus. But it is something that we continue to monitor. All in all, the impact of the coronavirus on our business and the broader financing markets is something we are tracking closely.

At this time, I will review our business and current operating environment. Moving to Slide 5, please. For the full year, sales were \$1.6 billion, which is 28% lower than the \$2.2 billion of sales generated in 2018. This is partially attributable to a slowdown across our business as well as significantly smaller operating footprint as we curtail capacity across all product areas beginning late 2018. The net loss for the full year 2019 is \$288 million, including a goodwill impairment charge of \$174 million, compared to net profit of \$24.6 million during full year 2018.

And lastly, our adjusted EBITDA of negative \$37 million during 2019, which compares to positive adjusted EBITDA of \$230 million during 2018. Once again, this variance highlights the drastic change in our industry and continuous decline in 2019.

During the fourth quarter, the company generated sales of \$364 million, a decrease of 4.5% compared to \$381 million of sales during the third quarter. The net loss for the fourth quarter was \$75.7 million, which compares to a net loss of \$140 million during the prior quarter. Adjusted EBITDA for fourth quarter was negative \$38.1 million, a decrease from negative \$7.2 million we reported for the third quarter.

Overall, Q4 was marked by lower sales and prices, coupled with higher costs, some of which are not recurring, resulting in further margin erosion. The shipped volume levels for the first quarter reflect the effort we previously announced around the reduction of our inventory levels. We had previously targeted \$75 million of cash release from inventory work down over the 2 quarters. In the fourth quarter alone, we were able to reduce our inventory balance by \$120 million.

The cash balance was \$128 million at the end of the year. This includes the consolidation of the new accounts receivable securitization program which had a cash balance of \$39 million at year-end. It is worth noting that while the new securitization program closed in December, subsequent steps provided a further inflow of cash, which was previously trapped in the amount of approximately \$31.5 million. Beatriz will go into some specifics on this later in the presentation. Next slide, please.

On the next 3 slides, we will discuss pricing and volume trends, earning contributions and market observations for each of our key products. Turning first to silicon metal on Slide 6. Ferroglobe's realized average selling price for silicon metal remained flat relative to the previous quarter at \$2,175 per metric ton. The index prices in U.S. -- pricing in U.S. gradually declined by approximately 5% over the quarter while the European index had a gradual recovery in prices during the quarter. The pricing pressure was largely driven by reduced customer activity as they work down their own stockpiles. We faced a similar dynamic in Europe. However, the pricing environment there has benefited from a drop in Chinese exports.

The volume trends chart on the top right of Slide 6 show a slight increase in silicon metal shipments over the previous quarter. Despite continued demand slowdown across our end markets, the company maintained the sales volume level due to our focus on working down finished goods inventory. We saw deterioration in our EBITDA from the silicon metal business quarter-over-quarter which was driven primarily by an increase in costs. Our silicon metal production was adversely impacted by higher winter electricity unit cost in France as well as greater specific consumption of energy at few locations.

Additionally, the planned production curtailments drove higher production costs. We confirm that the previously announced curtailments of 56,000 tons of silicon capacity was implemented during the quarter. On a positive note, we have seen both U.S. and European indices increase in early 2020. This is the result of a pickup in overall customer activity, following lower orders during the negotiation season and the positive impact of the capacity curtailments by Ferroglobe and several other suppliers in Q4, which is beginning to show through the indices.

For most of 2019, we spoke about destocking that was taking place along the sales channels, mainly in the end markets, like chemicals. We believe that most of this destocking has run its course and current inventory levels along the supply chain are light, setting the stage for a gradual recovery in 2020. That said, we anticipate that some of the headwinds from the year-end will linger into early part of the year as there is a lag before we will realize the benefit of the recent price increases.

Next slide, please. Turning to silicon-based alloys, on Slide 7. During the quarter, the average selling price decreased by 4.4% to \$1,424 per metric ton, down from \$1,490 per metric ton in the third quarter of 2019. Despite this decline, Ferroglobe's average realized price for silicon-based alloys remained above the U.S. and European indices. This is due to the weighting of our higher-margin specialty ferroalloy products, which accounted for 35% of the shipments during the fourth quarter.

In addition to the price decline, we also realized lower sales volumes during the quarter. Sales volumes of silicon-based alloys were approximately 65,000 metric tons in Q4, about 5,000 tons lower than the previous quarter. This decline is attributable to an overall slowdown in the steel sector, which negatively impacted sales of these products. Furthermore, our foundry sales also declined due to continued slowdown across the global automotive end market.

EBITDA for our silicon-based alloys business was adversely impacted by lower prices and volumes during the quarter. We realized a cost improvement of \$0.9 million, which is primarily attributable to production cost improvements following the idling of less competitive furnaces. Collectively, these factors resulted in a decline of EBITDA contribution from this segment to \$0.6 million in Q4, down from \$4.1 million in the third quarter.

As you can see in the pricing trends graph, pricing since the beginning of the year has recovered, primarily in Europe. Overall, ferrosilicon pricing has benefited from capacity rationalization, mainly in Asia. Recently, there have been reports of furnaces being idled in Malaysia as a result of the lower activity in Asia stemming from the coronavirus.

Next slide, please. Turning now to manganese-based alloys. During the quarter, the average selling price decreased by 7.5% to \$1,054 per metric ton, down from \$1,140 per metric ton in the third quarter of 2019. This decline in price is the result of a shift in product mix and a decline in the indices of our silicomanganese and for ferromanganese. During the fourth quarter, we had a greater weighting toward the sale of ferromanganese which generally has a lower average price relative to silicomanganese.



The overall decline in the index pricing for manganese-based alloys is the result of the global slowdown in steel production, as many of our customers have announced cutbacks. Shipments during the fourth quarter were up 1.3%, an increase of approximately 1,200 tons over the previous quarter. The improvement in shipments was driven by our effort to work down finished goods inventory as part of our cash generation plan. EBITDA contribution from this business was negative \$2.3 million in Q4 versus positive \$1.7 million in the third quarter.

On the cost side, there was a net improvement for the quarter of \$6.8 million, driven by electricity costs and product mix, partially offset by the cost of manganese ore, which had a negative impact of \$4.8 million. Driving our cost improvement was the benefit of lower Spanish electricity costs in Q4 as a result of increased CO2 compensations. We also sold a higher proportion of ferromanganese relative to silicomanganese in the fourth quarter. This resulted in both, lower overall prices and costs. The recent trend for manganese ore cost is positive for our business. In addition to a slight recovery in the index pricing for silicon ferromanganese, we think that manganese overpricing is prime for a pullback, given the slowdown of activity in China, which has led to growing inventory levels of ore at the port. We anticipate this trend would be favorable to our manganese business overall.

Next slide. On Slide 9, we provide an update on our cost savings achieved throughout the year across the 3 cost-cutting areas. For the year, we were expecting to realize \$10 million of savings through reduction of corporate overhead costs. Through 2019, we have achieved \$6.7 million of savings. The improvements in overhead costs are primarily attributable to a reduction in personnel costs, reduced use of third-party consultants and advisers, as more work has been handled in house, particularly relating to operational and legal matters.

The next category is KTM initiatives. The key technical metrics program is focused on achieving performance improvements through increased productivity and efficiencies, including changes to raw material mix and focus on byproduct recycling and changes in electrode technology. By year-end, we achieved \$4.9 million (sic) [\$14.9 million] of cost savings, in line with our target of \$15 million. Specifically, we achieved the largest benefit in our manganese-based alloy segment, which contributed \$10.9 million. The KTM effort delivered \$5.2 million for silicon-based alloys. And finally, we had disappointing results for our silicon metal business, which had negatively \$1.2 million of impact. The reason for the negative result in silicon is a combination of 2 main factors. First, while we implemented all the project we had targeted for the year, some of the plants, which were set to contribute the largest savings have now been idled. So the savings have been excluded from our analysis. Second, we experienced some difficulties with faulty electrodes from third parties, which resulted in operational disruptions at the furnace level and negatively impacted the cost of production.

This affected our Becancour alloy and (inaudible) facilities. These difficulties have been addressed, and we remain confident that the technical improvements implemented in 2019 will yield a positive impact in 2020.

Lastly, we have been focused on reducing fixed cost at the plant level. In 2019, we achieved savings for \$14.8 million, which compares to our full year target of \$15 million. While we were very close to hitting our \$40 million cost savings targeted for 2019, we recognize that this is not enough, particularly in light of the drop in our top line. Myself, along with Beatriz, and the rest of the management team, are focused on quickly developing a new strategy for returning the company to profitability. One critical component of this plan is further cost reduction through cutbacks and enhanced efficiencies.

I would like to turn the call over to Beatriz to review the financial results in more detail.

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**Beatriz García-Cos Muntañola** - *Ferroglobe PLC - CFO*

Beginning with Slide 11. Sales of \$364 million during Q4 were 4.7% lower than the \$381 million of sales in the prior quarter. This decrease in sales was driven by a 3.5% decrease in the average selling price and 1.2% decrease in shipments. During the quarter, our cost of sales increased by 8%. This is primarily attributable to expenses linked with planned temporary shutdowns of plants, higher volumes of silicon metal sales, which have higher production costs relative to other products, and third, inventory write-downs across all products, totaling \$4.8 million. The increase in other operating expenses of 18% or approximately \$8 million was due to a one-time charge for energy related to certain plants that have been idle. The net impact of lower sales and higher costs led to a larger operating loss for the quarter before adjustments of negative \$86.1 million, compared to negative \$34.9 million during the prior quarter.

Adjusted EBITDA was negative \$38.1 million, a significant decline from negative \$7.2 million in the third quarter.

Next slide. The significant drop in adjusted EBITDA quarter-over-quarter is attributed to a few key factors. Average realized price across all products decreased by 4.5%, resulting in a \$12.5 million hit to our adjusted EBITDA. An annual employment benefit valuation adjustment resulted in \$3.6 million charge and inventory write-downs increased by \$2 million over the prior quarter. The 1.2% decline in shipments quarter-over-quarter impacted adjusted EBITDA by \$2 million.

Next slide. For the full year, adjusted EBITDA declined from \$230 million in 2018 to negative \$37 million in 2019. The most significant factor impacting this large swing is pricing. During the year, average realized prices across all products declined by 16.8%, negatively impacting adjusted EBITDA by \$241 million. The 15% drop in volumes in 2019 negatively impacted adjusted EBITDA by \$35.5 million. Silicon metal shipments were down 32.4%, while silicon-based alloy shipments declined 5.2% and manganese-based alloy shipments declined 7.5% year-over-year.

The cost improvement of \$56.7 million is largely driven by savings arising from a decrease in the price of a number of key raw materials as well as from the KTM initiative, which Marco described earlier. The benefit of the KTM initiative was partially offset by a \$10 million increase in cost due to issues arising from third-party electrodes provided as well as an increase in fixed costs. With the divestiture of FerroAtlántica, we eliminated \$7.5 million in adjusted EBITDA.

Next slide. Turning now to Slide 14. I will review our balance sheet in greater detail. Well, we made improvements to our debt, available cash and working capital. With a challenging market environment, these improvements are critical for our business. Cash and restricted cash totaled \$127.6 million at the end of 2019 compared to \$188 million the prior quarter. In refinancing the former RCF with a smaller ABL, we consumed cash to plug the difference. Additional cash was used to fund a portion of the North American area, which needed to be released from the new ABL.

While gross debt decreased by approximately \$75 million over the quarter, net debt decreased by \$14.4 million over the same period. Total assets were approximately \$1.7 billion, representing a meaningful write-down of \$239 million in 2019. Ferroglobe's working capital improved by \$98 million in the fourth quarter, primarily as a result of our emphasis on lowering raw materials and finished goods inventories across the portfolio.

Next slide. While we have provided all the quarterly EBITDA for 2019 on this slide, let me first bring your attention to the Q4 2019 figure. The cash flow from operating activities was \$45.5 million. The negative \$56.2 million of reported EBITDA was offset by our working capital efforts, with yielded net cash inflows of \$102 million, with cash release from inventory being the biggest contributor. Cash flow from investing activities was positive \$3.8 million. Payments for maintenance CapEx were contained at a level of \$5.9 million. During the quarter, \$8.7 million of cash is tied to the sale of the Timberlands in South Africa, which closed on October 4.

And lastly, cash flow from financing activities was negative \$112 million for the quarter. This is primarily due to the net impact of the refinancings, as I mentioned. In aggregate, we had a free cash flow of \$39.6 million during Q4. For the full year, our cash flow or our cash from operations was negative \$65 million, and free cash flow was negative \$98 million.

Next slide. Now turning to Slide 16. We reduced working capital by \$98 million during the fourth quarter. This reduction was primarily driven by \$120 million closedown on inventory and a decrease in accounts receivable of \$31 million, and is offset by \$53 million decrease in accounts payable. The action we took to curtail capacity, along with an aggressive commercial strategy at year-end, resulted in a cash release, which surpassed our initial target.

Turning to the chart on the right, as I mentioned, our cash balance at year-end was \$128 million compared to \$188 million in the prior quarter. The year-end balance includes cash and cash equivalents of \$99.2 million, and the non-current restricted cash and cash equivalents of \$28.3 million. Cash and cash equivalents includes the cash balance of the securitization program of \$38.7 million.

In addition to the operating losses in the quarter, and as I also mentioned, we used cash on hand to delever the balance sheet when refinancing the former RCF in October. While the cash amount has go down over the quarter, it is important to remind everyone that the prior RCF had a minimum cash covenant of \$150 million, which constrained the available cash to the company, and replacing the RCF with the new ABL will significantly lower the restricted cash. Hence, available cash at year-end was an improvement over the prior quarter balance.

I would also like to reiterate that subsequent to year-end, we incorporated an additional intermediate SPV into the new accounts receivable facility, thereby releasing an incremental \$35.5 million of cash in early February.

Next slide, please. During the quarter, both our gross debt and net debt decreased. As I just mentioned, the refinancing of the RCF with a smaller ABL effectively resulted in a reduction of our gross debt. That said, we paid the difference with cash on hand.

Next slide, please. Lastly, I would like to reiterate a few key takeaways of the recent refinancings. The new asset-based revolver, which closed on October 11, 2019, is a 5-year facility and bears interest of LIBOR plus 3%, 50 basis points lower than the prior RCF. Aside from cost, the most important feature of the new ABL is that the revolver has no leverage-based and financial-based covenants. This has a significant impact on our liquidity.

Last quarter, we indicated we were working on a new account receivable securitization program in Europe. We closed the new program on December 10, 2019. The facility is \$150 million, of which only \$104 million was utilized at closing. This facility is committed for 2 years. At closing \$23.4 million was released, in line with our prior quarter comments. And as noted, we added an intermediate SPV to the facility in February 2020, allowing the release of an additional \$31.5 million. The flexibility we have gained as a result of this refinancing is significant, particularly in light of the macro environment we are currently facing. We are proud to have closed on all of the initiatives we announced in 2019, aimed at improved flexibility and increased liquidity, and we are focused on setting new targets for this year.

With that, I will ask the operator to open the lines for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions)

Our first question comes from Vincent Anderson with Stifel.

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**Vincent Alwardt Anderson** - *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*

Yes. So first question for Dr. Levi. You have a very strong background in specialty products, however, the products GSM sells would certainly appear quite a bit more commoditized than some of the portfolios you've managed in the past. I hear that you're focused on costs in the near term. But specifically, what are your plans for addressing the competitiveness of GSM's assets over the long term, given your background?

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**Marco Levi** - *Ferroglobe PLC - CEO & Director*

Yes, you're right. My background is -- has touched a lot of businesses, some more -- much more commoditized than others. And the point is always to use the experience that they have matured in the past in stripping out cost and bringing business back up to speed and applying it to a company like the Ferroglobe, which is mostly commodity focused. The -- still, it is rather premature to explain to you what I'm going to do to turn around the company, but I will do my best, not only focusing on cost, but also focusing on the way we price, and we go-to-market to improve the overall results of the company.

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**Vincent Alwardt Anderson** - *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*

And then just a quick update. I believe, we were expecting a decision on whether or not your prepayment of the Spanish project debt related to the UMG facility. Whether that would be accelerated? Was there an update on that?



**Marco Levi** - *Ferroglobe PLC - CEO & Director*

Well, the project is still alive and we will -- we are planning to satisfy our obligations during this year.

**Vincent Alwardt Anderson** - *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*

Okay. So is that -- would that entail capital expenditures related to the project in order to forego the mandatory prepayment?

**Beatriz García-Cos Muntañola** - *Ferroglobe PLC - CFO*

Well, of course, I think your question was related, if we're going to be incurring an additional CapEx in 2020 related to this project, right?

**Vincent Alwardt Anderson** - *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*

Yes.

**Beatriz García-Cos Muntañola** - *Ferroglobe PLC - CFO*

So -- well, I cannot disclose what we're going to be doing in 2020, but as Marco said, we're going to be honoring this project from the debt perspective. And allow me to do not elaborate on what we're going to be doing from a CapEx perspective on this project.

**Vincent Alwardt Anderson** - *Stifel, Nicolaus & Company, Incorporated, Research Division - Associate*

Okay. And then just one final one. I think the parent company, Grupo Villar Mir, recently monetized additional assets. I was hoping that you would be permitted to provide at least a high-level update on Grupo Villar Mir's balance sheet health and then any update on its commitment to maintaining GSM as the publicly traded stock.

**Marco Levi** - *Ferroglobe PLC - CEO & Director*

Grupo Villar Mir is our major shareholder, but we are totally focused on Ferroglobe and turning around

this company. So we are not prepared to disclose any information about Grupo Villar Mir at this stage.

**Operator**

Our next question comes from Nick Jarmoszuk with Stifel.

**Nicholas Jarmoszuk** - *Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst*

I was wondering if you could share what the current cash balances and total liquidity is?

**Beatriz García-Cos Muntañola** - *Ferroglobe PLC - CFO*

Yes. Thank you for your question. I think the -- as mentioned on the key highlights, our cash balance as of December is \$128 million. This includes -- is made of 2 things, \$99.2 million relates to cash and cash equivalents and \$28.3 million related to non-current restricted cash and cash equivalents. This \$99.2 million includes \$38.7 million related to the cash that is on our SPV related to the securitization program.





**Nicholas Jarmoszuk** - *Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst*

I was hoping if you could provide what the balance is as of today or even as of the end of February?

**Beatriz García-Cos Muntañola** - *Ferroglobe PLC - CFO*

Sorry, I cannot disclose this information as of today. The only thing that is mentioned across the presentation, you saw that when we closed the SPV on the 6th of February, there has been an additional release of \$31.5 million.

**Nicholas Jarmoszuk** - *Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst*

Okay. Could you discuss what the contracting environment looks like for 2020? And how we should think about -- how many contracts are looking on a year-over-year basis?

**Marco Levi** - *Ferroglobe PLC - CEO & Director*

Well, there are no major changes in our contracts between 2019 and 2020 as far as I could see in the last 6 weeks of my tenure. Of course, this -- a high percentage of our business is related to contracts but I must say that we are also focused in capturing the advantages coming from spot sales that are maturing -- seem to be maturing in the first part of this year.

**Nicholas Jarmoszuk** - *Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst*

And what -- how should we think about -- what percentage of the book is related to spot?

**Marco Levi** - *Ferroglobe PLC - CEO & Director*

Well, to give you a -- I can give you a range, I would say, a 70-30 range for the overall product mix between contracts and spot.

**Nicholas Jarmoszuk** - *Stifel, Nicolaus & Company, Incorporated, Research Division - Analyst*

Okay. And then could you give us a sense for what sustaining CapEx is going to be for 2020 as well?

**Marco Levi** - *Ferroglobe PLC - CEO & Director*

Yes, the CapEx, we're going to keep the CapEx more or less at the same level. We have done a thorough analysis to make sure that we satisfy our EH&S requirements to -- at all our operations. Somebody mentioned my previous experience, I have 22 years experience with Dow, running operations, and safety-first is the motto that I intend to expect also running Ferroglobe. So CapEx is enough to maintain all our operations running in a safe mode.

**Operator**

And our next question comes from Dan Klein with CAM.

**Unidentified Analyst**

I was wondering if the power pricing in France had alleviated, and if that was due to any one-time factors?

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**Marco Levi** - *Ferroglobe PLC - CEO & Director*

Well -- can you repeat your question, please?

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**Unidentified Analyst**

So one of the factors that increased cost was the price of power in France?

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**Marco Levi** - *Ferroglobe PLC - CEO & Director*

Okay, okay. Yes. Well, the -- in France, we -- as you know, we have a lot of our operations. And the point is the -- our contractual tariffs in France have a peak in the first part of the year and in winter basically. So this is the reason why we had to pay more for energy in France in quarter 4.

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**Unidentified Analyst**

Okay. So you would not see that -- you've not seen that continuing in Q1 of this year?

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**Marco Levi** - *Ferroglobe PLC - CEO & Director*

Well, they continued in Q1 of this year because in winter, the energy cost in France is higher than in the 2 central quarters of the year. This is the way energy price is structured in France.

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**Unidentified Analyst**

Okay. Okay. And the problem with the electrodes in France, is that fully repaired?

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**Marco Levi** - *Ferroglobe PLC - CEO & Director*

It's completely sorted out. Yes. We are not incurred into the same problem again.

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**Unidentified Analyst**

And roughly, what were the nonrecurring costs associated with the electrode problem?

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**Beatriz García-Cos Muntañola** - *Ferroglobe PLC - CFO*

Well, I don't think we have the breakdown exactly related to the electrodes specific. I think what I can guide you through the nonrecurring items adjustment into our EBITDA, and as we discussed, was \$9 million related to the energy cost in France. Basically, this is the main adjustment to our EBITDA, but we don't have the specific breakdown related to the electrodes.

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**Unidentified Analyst**

Okay. Got it. And two more quick questions. CapEx, you said it is similar to where it is now. Do you mean the run rate, which is roughly \$20 million? Or do you mean for 2019, which is a little higher?

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**Marco Levi - Ferroglobe PLC - CEO & Director**

2019.

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**Unidentified Analyst**

Okay, 2019. And so just looking at the spot prices that we see on Bloomberg, it looks like ferrosilicon and silicon metal have increased very meaningfully since the beginning of the year. And were -- did that have any impact in your contracted prices? Or did that all happen later? Do your contracted prices have some sort of escalator to capture that? And how do you intend to benefit from, hopefully, this continuation of significantly higher pricing on the spot?

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**Marco Levi - Ferroglobe PLC - CEO & Director**

Yes. On -- I can tell you, there is always a price lag both when the prices go up and the prices go down. In ferrosilicon, there are about 2 months price lag, in silicon is about 3 months lag.

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**Unidentified Analyst**

Okay. So the price increase that started -- it started, I guess, in Q4, but then gained momentum in Q1. So you'll see it more in a little bit in Q1...

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**Marco Levi - Ferroglobe PLC - CEO & Director**

Yes, we expect to see it much more in Q2. Yes.

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**Operator**

And I'm showing no further questions in the queue at this time. I'd like to turn the call back to Marco Levi for any closing remarks.

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**Marco Levi - Ferroglobe PLC - CEO & Director**

Thank you. That concludes our fourth quarter and full year 2019 earnings call. As I mentioned at the beginning of the call, we see some positive developments and meaningful market trends to monitor. This past year's results are not acceptable, and I am focused on areas of improvement to turn around our performance. We will be communicating our new strategic plan to all stakeholders in due course. Thanks again for your participation. We look forward to hearing from you on the next call. Have a great day.

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**Operator**

Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

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