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# EDITED TRANSCRIPT

NOR - Q4 2014 Noranda Aluminum Holding Corp Earnings Call

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**Brett Levy** *Jefferies & Company - Analyst*

**David Olkovetsky** *Jefferies & Company - Analyst*

## PRESENTATION

### Operator

It is now my pleasure to turn the call over to Gail Lehman.

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**Gail Lehman** - *Noranda Aluminum Holding Corporation - Chief Administrative Officer, General Counsel, Corporate Secretary*

Thank you, Operator. Good morning and welcome to today's conference call. I want to remind listeners that some of our comments during this call constitute forward-looking statements, related to future events and expectations. Actual results may differ materially from any of our forward-looking statements.

In our earnings release and in our most recent SEC filings, you can find important factors that could cause actual results to differ materially from those in the forward-looking statements. Except as required by applicable securities laws, we undertake no obligation to publicly update or revise any forward-looking statement.

During the call, we will be using certain non-GAAP financial measures. We have provided a reconciliation of these non-GAAP measures to the comparable GAAP measures in our press release, which is available on the Investor Relations page of our website at [www.norandaaluminum.com](http://www.norandaaluminum.com). We will take questions today after the discussion of our results.

Now I will turn the call over to our President and CEO, Kip Smith.

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**Kip Smith** - *Noranda Aluminum Holding Corporation - President,CEO*

Thank you, Gail, and welcome to those joining today's earnings call. As an overview, let me outline the key takeaways for this quarter's results discussion.

First, we are pleased to report fourth quarter 2014 results that reflect sequential and year-over-year improvement in our operating results. This improvement came from a combination of higher integrated upstream margin per pound, strong flat rolled product volumes and margins, and lower corporate costs.

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The second takeaway is that we are on schedule to return the smelter to full production by the end of first quarter 2015. Our fourth-quarter results demonstrate improvement, despite the \$11 million pretax negative impact of production issues at New Madrid.

Most notably, these issues revolved around an unusually high concentration of reduction of cell failures which began in mid-third quarter 2014 at our New Madrid smelter. We expect the smelter to be back to full production by the end of March 2015, that facility is currently running at nearly 95% of capacity.

Our third takeaway is that we have taken actions to improve our cash flow generation while making necessary investments in the business. These investments include those necessary to return the smelter to full operation and to fund the construction of new rod mill at the smelter.

We have substantially completed an important phase of expanding our port in Jamaica and we continue to improve the reliability of our operations, particularly in alumina and primary segments by strengthening the technical and process talent of our workforce. We are also collaborating with our power provider and consumer groups to develop a global settlement that would include a reduction of our electricity rate at New Madrid.

The fourth takeaway is that our expected key 2015 operating metrics reflect improved performance and reliability building on the improved results we produced in the fourth quarter.

With that context, let's start with our financial highlights on slide three of today's call materials. For the quarter, we reported earnings excluding special items of \$0.14 per share. This is an improvement from the \$0.15 per share loss in fourth quarter last year and the \$0.04 loss from the third quarter of 2014.

Total segment profit was \$50 million in the fourth 2014. This is an improvement over the \$21 million of total segment profit we reported in fourth quarter 2013. It's also a sequential improvement over the \$37 million of total segment profit we reported last quarter.

Our improved financial results start with stable demand for our aluminum products combined with improved aluminum prices. I will touch briefly here on slide four and five which summarize a few factors we believe are important in developing an outlook for demand and price.

Slide four summarizes what we feel a favorable growth outlook for a primary aluminum consumption in United States. Besides driving our own order book, we believe strong demand is the key fundamental driver of sustainable all-in aluminum prices over the medium and long-term.

On slide five, you see key data points on aluminum fundamentals. While our current supply/demand trends suggests we are not likely to see tight global market conditions in the near-term, we also don't see conditions that we point to significant deterioration in pricing.

However, macroeconomic conditions will continue to drive volatility just as they always have. However, in the medium and long-term, we believe aluminum demand fundamentals continued to be strong.

That takes us to slide 6, which illustrates the stable demand we are seeing for aluminum products. Our stable Flat-Rolled shipment volumes have been consistent with the strength of overall demand for Flat-Rolled finstock products in the U.S. Demand for Primary Aluminum products has also been strong in 2014, although our ability to meet that demand was limited because of our production issues in New Madrid.

Now, we have made encouraging progress in addressing those issues and we expect the smelter to return to full production by the end of first quarter 2015. Working through this issue and getting our pot count back to normal levels has been and continues to be a top company-wide priority. It is also an ongoing success story led by the dedicated operations employees at New Madrid.

That story includes reallocating resources within the plant to increase the pace of our pot rebuilding activities and the efforts to do so have been very effective. We've recovered from a low of just over 88% of capacity in early December to operating at near 95% of capacity as of yesterday.

We must remain diligent in all these activities but we believe that we are in position to accomplish what is needed to be done to get the smelter back to full capacity. Running the business well is a foundation to achieving the transformation and vision in our 2014 through 2016 productivity program.

This brings us now to slide 7. Here we highlight the actions we've taken and are taking to improve our cash flow generation, while also investing in the business. Over a year ago, we outlined the three-year journey to transform or (inaudible) cash flow and earnings generation capabilities. This three-year plan was build on a foundation to stable operations from 2013.

To that foundation, we added key projects to arrive at a target of improving our segment profit by \$85 million and that's relative to 2013 by the end of 2016. In 2014, however, we did experienced operating disruptions in the Aluminum Primary businesses. And those disruptions were inconsistent with our foundation of stable operations. So, we've taken actions to apply the lessons that we learned from 2014, one of which was that we needed to strengthen our internal technical resources.

In the third quarter call, we talked about how we've added the Vice President of Manufacturing to our team. Further, at the plant level, we strengthened the process and technical skills of our teams, particularly in Gramercy. We've also taken steps to apply lessons learned about how our operations performed during severe weather conditions.

These steps include a range of activities such as rechecking installations, installing room screens and other barriers to protect sensitive mining equipment, as well as installing desk towers and hydraulic tankers to prevent air in hydraulic volumes from freezing. So as to the foundation of our three-year plan, we've taken the right kind of steps to improve the reliability and the stability of our CORE operations.

Now, let's move to some of our larger projects in the slide seven, which describes the roadmap for our \$85 million segment profit improvement story. Since we covered this list in some detail on our third quarter call, I will only highlight a few items where we've done recent developments.

The first such development relates to our efforts to reduce our electricity rate in New Madrid. Let's level set where we are in that process. The Missouri Public Service Commission denied the relief we sought under the Rate Design petition we procured in 2014.

It encouraged the parties to our petition to continue to pursue negotiations for a rate that could be presented for consideration as part of Ameren's July 2014 general rate case. That general rate case is expected to be decided by May 2015 or the June 1, 2015 effective date for whatever rate and rate structure the PSC approves.

So indeed, we are collaborating with Ameren and consumer groups to develop a global settlement that would include a reduction in New Madrid's electricity rate. We have no additional timetable or specifics to announce at this point, but we are working to accomplish some important goal as part of the public service commission process.

The second development relates to our port expansion project in Jamaica where we recently achieved substantial completion. Through this port expansion project, we have completed significant dredging in both the Berth area where the ships were loaded and in the shipping channel through which ships pass as they head through the Caribbean Sea on their way to the Gulf of Mexico.

We expect this project to generate over \$5 million of annual savings, split between the Alumina business, which goes straight past to ship Bauxite from Jamaica to Gramercy and the Bauxite business, which goes to merge in [other significant] expenses.

Although the economics of this investment are supported by the savings and shipping costs, the project also provides the opportunity to increase our third-party Bauxite volume based on demand at sufficient price, as well as approval by the Government of Jamaica.

To recap before I turn the call over to Dale, we withstood many challenges during 2014. Aluminum prices were unsustainably at low levels in the first part of the year, as well as improved supply side fundamentals, pricing improved during the second half of the year. At the same time, we are seeing modest tailwinds in several of our major commodity input prices.

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In our Aluminum Primary businesses, we didn't operate with the stability and reliability we expect of ourselves. It was worth noting that our Flat-Rolled products business operated reliably during 2014 and continues to perform well in 2015. We are also encouraged that our other businesses, including Aluminum Primary are an improving trend.

Now, I will turn the call over to Dale for more detailed discussion of fourth quarter operating results and our financial position. Dale?

**Dale Boyles** - *Noranda Aluminum Holding Corporation - CFO*

Thanks, Kip and good morning everyone. We accomplished a great deal and showed improved financial results in the fourth quarter. We posted solid improvements in our sequential and year-over-year P&L metrics.

As we are focused on improving the performance and reliability of our operations, we have also maintained a focus on managing our cash flow. We have over a \$158 million of total liquidity at the end of the fourth quarter and our ABL facility was undrawn at quarter end.

Available liquidity supports our ability to withstand the unexpected. But as prudent managers, we are extremely focused on cash flow management. Working capital improvements have been an important part of improving our cash flow performance in 2014, and we have reduced our cash convergent cycle by a full week compared to 2013. We have also prudently invested in the business for the near and long-term, consistent with the expectations we communicated at the beginning of 2014.

So, let's turn to the results. Beginning with slide 9 of the materials, let's review the components of segment profit for the fourth quarter of 2014. We reported nearly \$50 million of total segment profit, consisting of \$42 million from our integrated upstream business, about \$12 million from our Flat-Rolled product segment, less \$5 million of corporate costs.

Our upstream results for the product of 131 million pounds, of total Primary Aluminum shipments at a net margin of \$0.32 per pound. We realized only a \$0.01 sequential increase in the LME aluminum price, but a \$0.03 sequential improvement in Midwest premiums.

All together from the third quarter to the fourth quarter, our average realized Midwest transaction price rose from \$1.08 to \$1.12 per pound. Sequentially, our net cash cost decreased by \$0.10 per pound. The most significant factor in this decrease was the seasonal peak power surcharge in the primary segment.

Turning to slide 10, at the top of the chart you will see the bridge of net cash costs and then segment profit from the third quarter to the fourth quarter. Let's start with the net cash costs in the top chart. The relief from seasonal peak power rates at New Madrid contributed \$0.12 per pound reduction compared to the third quarter.

As a reminder, a peak power surcharge is in place at New Madrid from June through September. This expected seasonal reduction was partially offset by the further impact of operating below capacity in New Madrid during the quarter.

The segment profit bridge at the bottom of the chart follows the net cash cost bridge. From a total dollar standpoint, relief from the seasonal peak power rate at New Madrid added over \$15 million of sequential improvement.

Companywide higher prices, especially the Midwest premium contributed over \$6 million to our sequential segment profit improvement. These benefits were partially offset by the seasonal decline in segment profit from the Flat-Rolled product segment and by the impact of production issues at New Madrid.

Turning to slide 11, you will see two similar bridges for net cash cost and segment profit for the full year comparing 2014 to 2013. Taking these two charts together, you will see a couple of things.

First, high aluminum prices had a \$46 million favorable impact on 2014 results. This year-over-year impact came almost exclusively from higher Midwest premiums which averaged \$0.19 per pound in 2014 compared to \$0.11 per pound in 2013. Second, natural gas was more expensive in 2014 than in 2013.

Natural gas prices in the second half of 2014 were lower than in the first half but still above average 2013 prices. These prices have continued to trend lower in early 2015 and will provide some tailwinds.

Other raw material input costs were lower in 2014 which offset the negative impact of higher natural gas prices. Continued to the right of the segment profit chart, our productivity program had a positive impact to 2014 contributing over \$16 million of cost savings in the year. These items result in a total of \$160 million of total segment profit before the impact of operating disruptions.

As Kip mentioned in 2014, we didn't operate with the stability and reliability we expect of ourselves. Getting these issues behind us, we'll have a positive impact on our results in 2015. As you can see the combined effects of these issues were nearly \$33 million in 2014. We have a clear path to put these issues behind us.

Now, let's walk through how profit reconciled to net income, excluding special items. Please see slide 12 on the deck. We incurred almost \$2 million of additional expense from the difference between LIFO and FIFO inventory valuation, which was comparable to the third quarter.

Besides the LIFO cost, other recurring non-cash cost were approximately \$2 million, down slightly from the third quarter. Depreciation and amortization expenses totaled nearly \$24 million while interest expense was nearly \$13 million, both at comparable levels to the third quarter. The combination of these items brings us to a pretax profit of \$10 million in the fourth quarter of 2014.

Our annual effective tax rate was 7.4% this year. For the year, we have a consolidated net loss which includes the loss in Jamaica for which we receive no tax benefit. The tax status in Jamaica combined with the effects of tax law changes in U.S. resulted recognizing only a 7% tax rate.

A portion of the law changes were related to bonus depreciation from the so-called tax extenders passed by Congress for 2014 only. Our after-tax profit excluding special items was nearly \$10 million in the fourth quarter this year or \$0.14 per share, compared to \$0.15 loss in last year's fourth quarter.

Now let's move to our fourth quarter cash and financial management results. Slide 13 bridges cash from the end of the third quarter to the end of the fourth quarter. We ended the quarter with \$20 million of cash and \$138 million of availability under our ABL facilities.

Cash provided by operating activities was \$26 million in the fourth quarter compared to \$21 million in the third quarter of 2014 and \$23 million in the fourth quarter of 2013. However, the absolute value of operating working capital is affected by rising or falling prices. To see how underlying improvement in our operating cash flow, it's helpful to strip out the effects of operating working capital from this comparison.

In the fourth quarter of 2014, excluding operating working capital, we generated over \$22 million from operations, compared to \$19 million in the third quarter of 2014 and negative \$2 million in the fourth quarter of 2013. For the full year 2014 excluding operating working capital, we generated \$43 million of operating cash flow compared to \$44 million in 2013.

During the fourth quarter we invested nearly \$34 million in capital expenditures for sustaining growth projects on top of nearly \$29 million in the third quarter of 2014. For the full year, we invested nearly \$94 million in capital. The \$34 million of fourth quarter capital spending included \$19 million invested in the new rod mill at the New Madrid facility.

This brought the project today investment of \$41 million leaving approximately \$15 million of spending in 2015 to complete construction of the rod mill. We also invested nearly \$4 million in the port expansion in Jamaica in the fourth quarter which is now substantially complete pending final inspections.

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Let's turn to slide 14 to highlight our outlook and expectations for 2015 and the key metrics that drive our performance. Before I get into this, let's not attempt to forecast the prices of key commodity inputs such as aluminum or natural gas.

We've noted at the bottom of slide 14, certain prices upon which our expectations are based but these amounts are for reference purposes only. Also note that we do not intend to update these expectations each quarter.

Now let me review some of the key metrics for 2015. The demand environment in U.S. remains positive and production continues to be our key volume constraint. For the smelter returning to full production by the end of the first quarter 2015, we expect primary aluminum shipments to improve by a range of 15 million to 18 million pounds in 2015 over actual 2014 levels.

We also expect modest growth in the Flat-Rolled product segment on top of a strong 2014. This will put our Flat-Rolled shipments in the range of 385 million pounds to 389 million pounds in 2015.

Now turning to our integrated net cash cost. Excluding any power rate relief in New Madrid, we expect to integrate net cash cost for 2015 to be \$0.08 to \$0.11 lower than in 2014 or to range from \$0.75 to \$0.78 per pound. Our cash cost expectations include the cost savings associated with the completion of the port expansion in Jamaica.

Our expectations also reflect that New Madrid will return to full production by the end of the first quarter. Lastly, we expect to invest up to \$100 million in 2015. As we seek to improve our reliability, a larger portion of that capital plan will be devoted to sustaining projects in 2015 between \$70 million and \$75 million invested for those purposes, including work on the Midstream Bauxite unloading platform in the alumina business.

We also expect to spend between \$20 million and \$25 million to complete the rod mill and the port expansion. We're maintaining our commitments to making prudent investments in growth projects such as the new rod mill and port expansions in Jamaica. We've already secured project financing -- project specific financing for the port expansion and in the process of obtaining financing for the rod mill.

In summary, we have taken actions to improve the performance and reliability of our operations, have effectively managed our working capital and made prudent investments in the business. Through these activities, we believe we are positioned to build shareholder value and improving our profitability and generating positive cash flow in 2015.

With that, I will turn it back over to Kip.

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**Kip Smith** - *Noranda Aluminum Holding Corporation - President, CEO*

Thanks, Dale. Closing on our call today, I want to frame the key takeaways detailed on slide 15. We responded to many challenges during 2014 and because of what we accomplished working through those challenges, we are well positioned for a successful 2015.

Combining our progress in returning the Smelter to full production, the investments we are making in the business, and our expectations for what we will accomplish we are positioned to build shareholder value by improving our profitability and generating positive cash flow in 2015.

Success in 2015 will put us on pace to achieve our three-year journey to improve our cost structure and transform our cash flow and earnings generation capabilities. The completion of this journey will be measured by the achievement of an \$85 million improvement in segment profit over 2013 levels by the end of 2016, but we aren't waiting on 2016. We are taking the actions now to make 2015 a success. We have plenty of work to do. We also have a plan and a playbook for success.

That concludes our prepared remarks. Operator, I will turn the call over now for questions.

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## QUESTIONS AND ANSWERS

### Operator

(Operator Instructions) Brett Levy, Jefferies. Your line is now open.

### Brett Levy - Jefferies & Company - Analyst

Hey, Kip, Hey, Dale. Guys, it feels like a lot of the tailwinds you're getting is also from the Midwest premium. It's getting even better now. That's obviously going to help you in 2015. Can you just sort of give me a good defense for why the Midwest premium is as high as it is and why it might stay there?

### Kip Smith - Noranda Aluminum Holding Corporation - President, CEO

Brett, this is Kip here. And I would be happy to respond to that question. And thank you for it. And this is going to be a very, if you will, a bit of a repetitive story in terms of our view of pricing in the Midwest premium is, as we believe, like all other elements of pricing, we believe that and we stated this before that the key fundamental driver for mid and long-term pricing is fundamental demand. And if you look at the performance of our business this quarter, and if you believe that the U.S. economy is going to remain strong, we are a U.S. company selling to U.S. based customers.

And so when you look at that, that demand picture, and where we are with the Midwest right now I think that that in many respects is very consistent with our view of the fundamental drivers. Clearly, volatility happens, this is a commodity business and we all understand that. But right now that demand marker and our view on that I believe would -- is very consistent with what you're seeing in the Midwest premium.

### Brett Levy - Jefferies & Company - Analyst

Okay. Just in time or stuff like that. And then the follow-up question would be, with respect to this rate case, I mean my sense is that there was a lot resistance to sort of making the citizens of Missouri pay more to let new Madrid pay less. And I mean, it sounds like this current process might be a little less, I don't know public forum oriented. I guess if you can give some sense as to why the kind of the more public forum version of this met with a lot of resistance and now you are optimistic about this new potential solution and the amount of savings. Can you tell a little bit about the process? Obviously, it's a sensitive negotiation but talk a little bit about the process that makes you sort of more optimistic about this year's effort than last year's effort.

### Kip Smith - Noranda Aluminum Holding Corporation - President, CEO

Yes, I will ask Gail to comment on that, because she and I have both been very involved in this process, but -- and then perhaps makes some remarks at the end. But Gail please?

### Gail Lehman - Noranda Aluminum Holding Corporation - Chief Administrative Officer, General Counsel, Corporate Secretary

Sure. When we filed our rate complaint to just look at our rate separately, it was a little bit of an unusual process and it was not a lot of precedent for that. We were urged at the end of that to continue to pursue our request for release in this larger and broader Ameren rate case, which we're doing. For that reason, we think that there is -- it's an easier process to get something done. I think it does engage all of the parties more at the same time on a number of issues, including our rate. And we have been encouraged by the dialogue that we have been able to have. We do have a history of working together with all of the parties in the case and we are following that approach here.

As Kip said, our bias is to have a global settlement. And we talked as we have in the past now to all of the parties, including Ameren. And we can't -- as you say, we can't comment too much on the specifics of those negotiations, but we are favoring attempting to work out a global settlement



and we think that the dialogue has been very good and very helpful thus far. So we were urged to this forum with an Ameren rate case was a more suitable place to bring our request and that's why we are encouraged and encouraged by the dialogue.

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**Operator**

Timna Tanners, Bank of America.

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**Timna Tanners - Bank of America - Analyst**

Yes. Sure. Thanks. Good morning, guys.

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**Kip Smith - Noranda Aluminum Holding Corporation - President, CEO**

Good morning.

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**Dale Boyles - Noranda Aluminum Holding Corporation - CFO**

Good morning.

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**Timna Tanners - Bank of America - Analyst**

Just want a little guidance on the alumina side and our assumptions as well with the new lower oil and diesel prices could see a big flip in your alumina profitability. So I just wanted to get a little more color, your guidance talks more about the aluminum in downstream. Can you talk about what we might see in the upstream side?

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**Dale Boyles - Noranda Aluminum Holding Corporation - CFO**

Thanks, Timna. On the crude oil prices that does have direct affect on the diesel and heavy fuel oil prices, which is primarily used in our bauxite business in Jamaica. So a lot of factors play into the lag of that pricing relationship, particularly in the fact that we typically purchase diesel and heavy fuel oil in bulk.

So, on an annual basis, if you take a \$10 per barrel change and the price of Brent crude, we would expect a little under \$3 million change in our segment profit in the bauxite business. That's kind of the sensitivity to oil price. So those are some nice tailwinds, it remains to be seen how long those prices stay as low as they are right now.

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**Timna Tanners - Bank of America - Analyst**

Got you. But is that included in your -- that's not included in your 2015 expectations, right?

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**Dale Boyles - Noranda Aluminum Holding Corporation - CFO**

Those are. Yes, we have built some of that in, not all of that to where they are today, but we have built some of that in.

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**Timna Tanners** - Bank of America - Analyst

What oil price are you assuming? Can you tell us that?

**Dale Boyles** - Noranda Aluminum Holding Corporation - CFO

No, really not get into the specifics of that, because today it's one thing, and tomorrow it's something else. So I will try to take a little bit of just kind of an average of where things are.

**Timna Tanners** - Bank of America - Analyst

Sorry, it's humbling. Okay. My second question is, if I could, just on the tax rates. I don't really know what to model for that, any guidance that you can offer us?

**Dale Boyles** - Noranda Aluminum Holding Corporation - CFO

Well, this year was highly unusual and the fourth quarter with tax extenders that Congress passed late and so that allowed us to have some additional bonus depreciation this year. And we also implemented some new tangible personal property regulations that allowed us some additional. So that drove our way down, as well as Jamaica changed their tax rate, but we are not getting any benefit there. We've typically been in that 30 to 35 range and we kind of expect that to be the general range on a go-forward basis.

**Operator**

Steve McManus, of Sidoti & Company.

**Steve McManus** - Sidoti & Company - Analyst

Hi, everyone. Thanks for taking my questions. So my first question is, can you talk a little bit about the progress with respect to the rod mill, any changes there?

**Dale Boyles** - Noranda Aluminum Holding Corporation - CFO

No. We did at the end of our third quarter and then we talked about it in our call that we did temporarily suspend the construction to slow the pace of the remaining work. We expect initial production still to begin in the fourth quarter of 2015 and as I said earlier in my opening remarks, we expect to spend approximately another \$15 million to complete that construction this year.

**Steve McManus** - Sidoti & Company - Analyst

Okay. Great. Thanks. And then, regarding SG&A for the quarter is that a sustainable run rate you think moving forward into 2015?

**Dale Boyles** - Noranda Aluminum Holding Corporation - CFO

Yes. It's a little better to compare versus last year, when we had some impairment, if you remember last year we wrote-off some assets, we impaired some assets, we had the headcount reduction that we implemented last year in the fourth quarter. But there is also some lower spending in this fourth quarter versus last year. So that's more generally in direction of our SG&A.

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**Steve McManus** - *Sidoti & Company - Analyst*

Okay. Great. Thanks, guys.

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**Operator**

Swaraj Chowdhury.

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**Swaraj Chowdhury** - *Dalton Investments - Analyst*

Hi. Good morning. The -- my question about 2015 CapEx? The core CapEx of \$70 million to \$75 million, can you tell us exactly why you want to spend that?

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**Dale Boyles** - *Noranda Aluminum Holding Corporation - CFO*

Well, that's where we believe to be our run rate CapEx spending to maintain the business and the operations and improve our reliability. When you look at our sustaining capital, these are continues slow facilities that where our pumps, valves and drives that run 24x7 all day long every day of the year.

So those things wear out pretty quickly. So that's why you see such a high spin number when you look at a total dollar number, because you just have the basics that we are out. And then, this year we are going to be spending a little more to replace our box item loading system in Gramercy. So those are two other key drivers in that number.

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**Swaraj Chowdhury** - *Dalton Investments - Analyst*

Okay, okay. And in terms of your flat product -- production volume, as well as the segment profit? Is it a seasonal low or is it -- there were some issues on the flat product side in fourth quarter?

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**Dale Boyles** - *Noranda Aluminum Holding Corporation - CFO*

No. Actually we had a good fourth quarter in the flat rolled business. We saw less destocking this year than we did in 2013. And also in 2013 we had some more mill outages for some key turnarounds that we were doing. So this fourth quarter this year was much better over 2013.

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**Swaraj Chowdhury** - *Dalton Investments - Analyst*

How comfortable you are about the liquidity situation as of today?

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**Dale Boyles** - *Noranda Aluminum Holding Corporation - CFO*

Well, we are very focused on cash flow management and as we indicated before, we've kind of slowed down the rod mills. So we are very focused on managing our capital. As I have said in my prepared remarks, we are focused on driving our working capital down and being as efficient as we can, we've reduced week out of our cash conversion cycle this year.



So we are managing through, if you look here this year versus where we were sitting here last year, things look a little better, aluminum prices where they are, we think we are in a better position to put some of things in 2014 that occurred behind us and look forward to generating some incremental value and cash flow in 2015.

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**Operator**

(Operator Instructions) Brian Yu, Citi.

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**Brian Yu - Citigroup - Analyst**

Great. Thanks and good morning. My first question is on the flat-rolled business, we've been hearing that there seems like the canned sheet market maybe tightening up a little bit as more producers converted over auto. I was wondering when are your contracts up for renewal, any comments you might be able to provide.

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**Kip Smith - Noranda Aluminum Holding Corporation - President,CEO**

Well, I will take a kick at that one and then pass it over to Dale for any further comments. But we operate and we've disclosed previously that our cycle tends to be a cycle where we do. Now, this is a business where we do focus on getting our business under contract that typically happens near the end of the calendar year. So, we're in a position where we're pretty well set for the year. And we are pleased with the market segments that we are in and the customers that we have. We have a very low customer base, pleased with the participation in those market and glad for the stability that the flat-rolled business brings to the company.

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**Brian Yu - Citigroup - Analyst**

Okay, Kip, so I understand it, these are essentially calendar year contracts. So, your guidance for 2015 would reflect any updated rates, is that correct?

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**Dale Boyles - Noranda Aluminum Holding Corporation - CFO**

Yes. It does.

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**Brian Yu - Citigroup - Analyst**

Okay.

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**Dale Boyles - Noranda Aluminum Holding Corporation - CFO**

We had a strong 2014, so we're building up on that again in 2015.

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**Brian Yu - Citigroup - Analyst**

Okay. Second questions just a quick one on taxes. If I have this correct, it seem like you paid \$11 million in cash taxes in 2014 versus income statement tax benefit. And could you help me understand what's happening -- is that an exchange in '15 where the lineup, are you still going to be a cash taxpayer in that severity?

So we are managing through, if you look here this year versus where we were sitting here last year, things look a little better, aluminum prices where they are, we think we are in a better position to put some of things in 2014 that occurred behind us and look forward to generating some incremental value and cash flow in 2015.

**Operator**

(Operator Instructions) Brian Yu, Citi.

**Brian Yu - Citigroup - Analyst**

Great. Thanks and good morning. My first question is on the flat-rolled business, we've been hearing that there seems like the canned sheet market maybe tightening up a little bit as more producers converted over auto. I was wondering when are your contracts up for renewal, any comments you might be able to provide.

**Kip Smith - Noranda Aluminum Holding Corporation - President,CEO**

Well, I will take a kick at that one and then pass it over to Dale for any further comments. But we operate and we've disclosed previously that our cycle tends to be a cycle where we do. Now, this is a business where we do focus on getting our business under contract that typically happens near the end of the calendar year. So, we're in a position where we're pretty well set for the year. And we are pleased with the market segments that we are in and the customers that we have. We have a very low customer base, pleased with the participation in those market and glad for the stability that the flat-rolled business brings to the company.

**Brian Yu - Citigroup - Analyst**

Okay, Kip, so I understand it, these are essentially calendar year contracts. So, your guidance for 2015 would reflect any updated rates, is that correct?

**Dale Boyles - Noranda Aluminum Holding Corporation - CFO**

Yes. It does.

**Brian Yu - Citigroup - Analyst**

Okay.

**Dale Boyles - Noranda Aluminum Holding Corporation - CFO**

We had a strong 2014, so we're building up on that again in 2015.

**Brian Yu - Citigroup - Analyst**

Okay. Second questions just a quick one on taxes. If I have this correct, it seem like you paid \$11 million in cash taxes in 2014 versus income statement tax benefit. And could you help me understand what's happening -- is that an exchange in '15 where the lineup, are you still going to be a cash taxpayer in that severity?

**Dale Boyles** - *Noranda Aluminum Holding Corporation - CFO*

Based on our 2015 expectations and assuming aluminum prices are where they are today and there is no other significant changes, yes, we would still expect to be a cash taxpayer in 2015. 2014, we paid approximately \$10 million for the year. We did make a payment late December and probably estimate taxes. And then if you remember, the tax extender legislation came out after that date. So, we have about \$3 million or \$4 million of refunds available for 2014. So that number is a little -- what we paid is a little skewed because we did overpay a little bit.

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**Operator**

David Olkovetsky, Jefferies.

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**David Olkovetsky** - *Jefferies & Company - Analyst*

Hey guys. Congrats on a good quarter and being cash flow positive for the quarter. I wanted to just drill down into your guidance for being cash flow positive in 2015, which was on the commentary. You guys talked about \$90 million to \$100 million in CapEx. Interest here is about \$50 million, is that correct?

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**Kip Smith** - *Noranda Aluminum Holding Corporation - President, CEO*

That is correct.

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**David Olkovetsky** - *Jefferies & Company - Analyst*

Okay. So that's a \$150 million of fixed charges. You've got a small dividend of about \$3 million and you've got potentially -- tax is anywhere from -- cash tax is anywhere from \$10 million to \$20 million. So that's \$163 million to \$173 million of fixed charges. This year, I think you guys, on your numbers did \$127 million of EBITDA. So that -- call it \$35 million burn. But you're talking about decreasing your cash cost by about \$0.10 year-over-year, \$0.10 on \$575 million is \$57 million, so \$127 million plus \$57 million is a \$184 million.

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**Dale Boyles** - *Noranda Aluminum Holding Corporation - CFO*

There was a lot of math to kind of go through there, David, maybe we could discuss that later. But we're really assuming that prices stay where they are especially, where they were here in the later half at 2014. We would expect to be cash flow positive in the first half of this year and that could be as early as the first quarter.

But what you have to remember keep in mind, the first quarter for us is traditionally a quarter where we have heavy working capital usage as we're building up our business and getting ready for the key selling season. So we're very focused on our working capital.

And as I said earlier, we did kind of stock our cash conversion cycle. So we're investing the money we feel like we need to do this year and that target of a \$100 million that will vary depending on the macro economic factors and where our aluminum prices are. So we feel good about 2015, eliminating some of the mistake or the impact that we had last year of \$33 million that I talked about earlier, some of that being the weather last year. So we feel good about 2015.

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**David Olkovetsky** - *Jefferies & Company - Analyst*

And then with respect to the rod mill, I think two quarters ago, the thought was well, maybe we're going to do it out of State, I guess now its coming back in State, next to the smelter, I'm guessing. Is that correct? Does that still -- is that dependent upon getting this rate case done?

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