EVRAZ plc

FY 2017 financial results conference call
1 March 2018

Speakers:
• Alexander Frolov
• Nikolay Ivanov

MANAGEMENT DISCUSSION

Operator
Good afternoon, ladies and gentlemen, and thank you for standing by. Welcome to today's EVRAZ Full Year 2017 Financial Results Conference Call. At this time, all participants are in a listen-only mode.

[Operator Instructions]
I must advise you that this conference is being recorded today, Thursday, 1st of March, 2018.
I would now like to hand the conference over for your speaker today, Mr. Alexander Frolov. Please go ahead, sir.

Alexander Frolov
Hello, thank you. Good morning, ladies and gentlemen. My name is Alexander Frolov, the CEO of EVRAZ. It's my great pleasure to welcome you all to our 2017 full year results presentation. I'm joined today by EVRAZ's CFO,

Nikolay Ivanov. I would like to start by providing some opening comments supported by a few slides. I will then turn the call over to Nikolay. He will go through 2017 financial results in detail.

Let's start at slide 5. 2017 was a good year for EVRAZ. Good market conditions and also our efforts in product development and cost cutting have led us to had material improvement of all our financial metrics. Robust free cash flow had allowed us to reduce net debt below $4 billion. Based on that, we now announced a formal dividend policy and made decision to pay the second interim dividend for 2017 equal to $0.30 per share.

Now, slide 6. Safety remains our top priority. Despite some reduction in lost time injury frequency rate, we had 10 fatalities last year. We have made all necessary efforts to analyze all these tragic events to make sure that relevant risks are minimal.

By slide 7, I would like to remind you that vertically integrated business model is one of the key advantages of our company. Our cost remains very competitive through the whole value chain in coal, iron ore and in steel.
Then moving to slides 8 and 9, we show here our strategic priorities. Slide 9 explains them in more detail. We believe that expanding and diversifying our product portfolio and customer base is the foundation of robust development. This year, our product development and customer focus initiatives had an incremental effect on EBITDA of $104 million.

We also believe that retention of low-cost position is critically important for the company and we're putting a lot of efforts into that.

Our cost-cutting initiative generated additional $163 million of EBITDA effect. The measures that we undertake on cost-cutting and product development are discussed in detail in our press release and in our Annual Report, which was also published today. I would be happy to answer any questions concerning that in our Q&A session.

Now, a few words on CapEx, our CapEx strategy continues to concentrate on prudent investments. In 2017, our capital expenditures totaled $603 million. More than 50% of our development CapEx was spent on constructing the new blast furnace number 7 in Nizhniy Tagil and around $25 million went towards [indiscernible] (00:03:30) projects in EVRAZ North America. In 2018, we expect CapEx to be at around $650 million. Our four strategic priorities has seen a slight change in view of positive market development and our strong performance in 2017. We will continue to work on deleveraging and we will remain - we will maintain regular dividend payments to our shareholders.

As you can see on slide 10, we have achieved material progress in managing our net debt. It's now below $4 billion and ratio to EBITDA is just 1.5x. As you know, on the back of strong free cash flow and debt reduction, we have resumed dividend payments already last year.

As it is shown on slide 11, we now want to introduce more detailed dividend policy. It states a minimum payment of $300 million per year to be paid in semi-annual installments of minimum $150 million each following interim and full year results. As I have already mentioned earlier, we have also decided to pay another interim dividend for 2017 equal to the first one and it will be $0.30 per share.

Now, before I hand over to Nikolay Ivanov, I would like to say a few words about our view on the market. Our outlook is positive in general. We expect that demand will grow further on both Russian and North American steel markets, with the prices stabilizing at relatively high levels. At the same time, we don't exclude the risk of negative development because of China and also because of potential import restrictions in the United States.
So now, Nikolay, please continue.

Nikolay Ivanov

Thank you, Alexander, and good afternoon, everybody. There's a couple of points that I would like to touch on in my today's presentation. First of all, I would like to say that we demonstrated very strong results in 2017, supported by the positive market sentiment and our efficiency measures that we continue to implement.

Secondly, we were able to deliver strong positive free cash flow and demonstrated an ongoing discipline with debt reduction. Our maturity profile has improved significantly. Our EBITDA increased by 70% year-on-year and we were able to reach net leverage of 1.5x, which in the end allow us to consider second interim dividend and announce a dividend policy.

Now, let's turn to slide number 13. Our EBITDA in 2017 is a record high for the last four years and reached $2.6 billion. In Steel segment, revenues increased by almost 41% year-on-year to $7.7 billion or 63% of the group's total before elimination. The growth was mainly attributable to higher revenues from sales of steel products, due to an upturn in average sales prices. The Steel segment's EBITDA improved reflecting higher steel and vanadium prices and the effect on cost-cutting initiatives implemented in 2017.

In Coal segment, revenues surged by 67.5% year-on-year, supported largely by higher sales prices. Volumes also increased by 4.6% due to the stable demand and the improved productivity at mines. The Coal segment's EBITDA is about $1.2 billion, reflecting this positive trend.

In our North American segment, revenues also went up by more than 27% year-on-year. Prices rose by 18.7% and volumes climbed by 12.7%, boosting the segment's revenues from sales of steel products. The key drivers of this growth were an improved demand for oil country tubular goods following a recovery in oil prices and a stronger demand for railway products. The Steel North America segment's EBITDA also increased year-on-year.

Moving to slide 14, our free cash flow for 2017 was strong, $1.3 billion. Net cash flow from operating activities amounted to almost $2 billion in 2017, affected by the cash outflow for working capital financing. Changes in working capital are largely explained by the increase in inventories and receivables at EVRAZ North America, driven by output expansion in the view of positive market sentiment for pipes and rails.

Our free cash flow was also impacted by the proceeds from the disposal of some of our non-core assets, in particular Nakhodka Trade Sea Port, Sukha Balka at Ukraine, and Vametco, our Vanadium operations in South Africa.

Moving to the next slide, slide 15. Alexander has already elaborated on our CapEx, so I will stop on this slide just to summarize some results of the key projects that we have. In 2017, our capital expenditure increased to $603 million compared with $428 million a year earlier, due to significant expenses on major projects and the strengthening of the ruble exchange rate against the U.S. dollar.

EVRAZ NTMK continued to implement its two main construction projects during 2017, the blast furnace number 7 and the new grinding ball mill, both of which are scheduled to be launched in the near future. In 2017, the degasser was installed at EVRAZ Regina's steel mill. This was the last important module of the upgrade project, making it possible to achieve the project's full planned effect.

Going to the next slide, slide number 16. In 2017, the group continued to focus on deleveraging and reduced its total debt by $529 million through the repayment of maturities scheduled for current and closest years. Throughout the year, we prepaid and refinanced several of our bank financing facilities, further reducing our financial leverage and debt service costs.

There are few additional comments I would like to make on this slide. Due to the decreasing total debt and our efforts to refinance existing facilities in 2017, interest expenses in respect of loans, bonds and notes decreased to $394 million versus $439 million a year earlier. Our net debt to EBITDA stood at 1.5 times at the year-end versus 3.1 times at 31st of December 2016. Our maturity profile is in a good shape, and only $63 million maturing in 2018. We are also in full compliance with all our financial covenants.

Cash on hand and committed credit facilities at the year-end are more than sufficient to cover all of our debt principal maturing in 2018 and 2019. And as a year-end highlight, I would also like to mention that in December Standard & Poor's recognized leverage improvements and strong business performance with an upgrade of corporate credit ratings to BB stable. We're very comfortable with these developments, and we continue to expect positive free cash flow and progress towards reducing our debt in absolute terms.

With this, I would like to thank you for listening to our presentation. We have a few slides on our operational performance, of course, in the presentation which we decided not to talk through, but instead give you more time for your questions. And now, we are ready to take your questions. Thank you.

Q&A

Operator
Thank you. Ladies and gentlemen, we will now begin the question-and-answer session. [Operator Instructions] And your first question is coming from the line of Seth Rosenfeld from Jefferies. Please go ahead.

<Q - Seth Rosenfeld>: Good afternoon. Thanks for taking my call. I have a couple of questions on the outlook for the Russian construction steel market. I guess I was a bit surprised in the release today to read your comments about continued price competition despite rising demand expectations. I know it's something that you touched on last half as well. Can you give us an update on what's happening in that market and whether you expect that sort of price competition to persist into 2018 or are you beginning to see any alleviation and perhaps you can quantify what sort of margin you lost as a result of this? Thank you.

<A - Alexander Frolov>: It's Alexander Frolov. You know, it's probably a little bit complex, let's say, area to give you a short and straight forward answer. I guess the situation is [ph] as following (00:12:58). So market is growing, I mean it's not a huge, let's say, growth base, but depending on the product, last year we have seen growth for various products let's say ranging from 3% to 7% per year. We expect probably similar numbers on the consumption side, we will also see in 2018.

At the same time, we are - as you said correctly, there's competition around and what it practically means, it means that we, let's say, reduce, for example, sales of some of our - material for construction last year, because, let's say, in order to reach, let's say, remote destinations for example, central part of Russia because of relatively high transportation cost. Now, all that didn't make a lot of sense for us and we had better alternatives to convert this material, let's say, to export sales, which we actually did.

And we do not exclude that similar situation may happen in 2018 and we would decide kind of opportunistically what to do. But all of that, it's mostly related to kind of simple commodity products like rebars. At the same time, for kind of higher value added products like beams, let's say, other sections, we have to say more or less strategic growth there. We are, let's say, trying to develop better use of those profiles as a replacement of use of concrete, for example, in construction. I think that we are making certain progress in that, which at the same time, of course, is not an easy issue and takes some time. So in combination, I think that again same factors would exist in 2018 like in 2017 and in general, I would not expect any major move either, let's say, to price improvement or price deterioration.

<Q - Seth Rosenfeld>: That's great. Thank you very much. If I can ask a second question, please, on your coal price realizations. I believe at the time of the Capital Markets Day last summer, you guided to a full year price realization I think 57% to the benchmark hard coking coal, but [indiscernible] (00:15:36) coming in south of 50%, can you walk us through what drove that somewhat disappointing price realization and how you expect that to progress into 2018 as your volumes grow?

<A - Alexander Frolov>: Well, you know, again, not an easy question to answer, because basically what we are trying to achieve, we are trying to sell based on price formulas, which are basically blend of two indices. One is hard coking coal and one is semi-soft coking coal. And historically, we were trying, let's say, to increase the portion of hard coking coal in this formula.

And what has happened actually hard coking coal was more volatile than semi-finished and that's why effective price has gone a little bit down. So, this is basically an explanation, but I think that in the future, what we see is that, in general, demand for high-quality coal stays high. And from that point of view, let's say, our logic in the formula when we are trying to push for better portion of hard coking coal in that is probably a formula which should long-term work in the right direction for us. At the same time, again, short-term deviation may exist.

<Q - Seth Rosenfeld>: Great. Thank you very much.

Operator
Thank you. Your next question is coming from the line of Dan Shaw. Please go ahead.

<Q - Dan Shaw>: Hi. Thanks for taking my questions. First one is just on the U.S. division. So, if we look at 2017, it generated almost 20% of your good revenues, but less than 5% of your EBITDA. Can you talk about the path to a more acceptable level of profitability there, how much CapEx is required and what the scope is to reduce costs there?

The second one is just on your capital structure. Are you happy with your current level of debt? Do you see that increasing going forward? Can you give us a bit of color around how you see your capital allocation from a split between debt reduction, dividends and CapEx going forward? Thank you.

<A - Alexander Frolov>: Well, first of all, speaking about capital expenditures in North America, I think what Nikolay has mentioned in his part of the presentation, we have completed major, let's say, [ph] ramping (00:18:20) of our steel mill in Regina. And we have also built new large-diameter pipe mills there and we also added, let's say, coating line to our operations, which we have done with one of - with global leaders in this area.

So we believe that, let's say, our value chain in North America at least in terms of large-diameter pipe and OCTG is more or less complete and does not require any material CapEx, even though we have some, let's say, few value creative, let's say, projects which would further enhance our profitability and sales volume. So I guess that nothing major should be done there and we should see, let's say, a significant improvement in 2018 in comparison with the last year.

Then, regarding capital structure, I think that I would ask Nikolay to give enough to you.

<A - Nikolay Ivanov>: Yes. Speaking of capital structure and allocation of free cash, we believe that it's going to be a balanced approach between both deleveraging and healthy return to the shareholders and prudent CapEx story.

So with regards to the debt, you all know that by the middle of last year, we reached our target of net debt to EBITDA of being 2.0, and at the year-end, that ratio stood at 1.5, so we are very comfortable with this level. However, it's still some further room for improvement and for decreasing our debt in absolute terms. We believe that the right level of debt is somewhere between $3 billion and $4 billion, I'm talking about that net debt.

Speaking about the CapEx, we believe that the number is somewhere between $600 million and $700 million per year, is an adequate number in the near future. And as Alexander mentioned today, we are introducing a dividend policy, which calls for a minimum payment of $300 million of dividends per year. However, the board can consider a larger amount if we have available resources.

<Q - Dan Shaw>: All right. Thank you very much. And is it possible to give an indication just thinking about the U.S. division and the improvements and the CapEx that you've spend so far and the improvements you're mentioning. If we were to kind of have another year like 2017 again, what would be the percentage improvement in profitability kind of at the EBITDA level? Can you give any indication around that?

<A - Alexander Frolov>: No, I don't think that we are prepared to give any guidance as of now.

<Q - Dan Shaw>: Okay. Thank you.

Operator
Thank you. And your next question is coming from the line of Nikolay Sosnovskiy. Please ask your question.

<Q - Nikolay Sosnovskiy>: Yes. Thank you very much for the presentation, I've got several questions. On the strategic outlook and your view on the cycle, basically earnings have improved quite materially. Are you planning to somehow revise your development strategy adding more projects volumes in terms of steel mining or vanadium given the quite material changes to the market? That's my first part of the question.

<A - Alexander Frolov>: So I think they're speaking about volume where we expect certain changes in material changes, it's Nizhny Tagil where, let's say, right now, we are switching to new blast furnace no. 7, which would lead and this which was in whatever was there, few months should lead us for higher productivities than we had with our old blast furnace. And again, difficult to say right now what sort of percentage it would be. But I would say that it is an area where, let's say, steel production will increase. Speaking also in cooking coal, we expect certain volume increase this year. Again, I would prefer not to give guidance, but it will be material number. We don't see any improvement in vanadium because, well, to some extent, it would improve, but it could probably come little bit later on because our main source of vanadium feed stock, it is vanadium slag from Nizhny Tagil. So by creating pig iron productions there, we would increase also production of vanadium, but then it would take some time to get this vanadium source available to processing and deliver it to the clients take some time.

<Q - Nikolay Sosnovskiy>: Okay. So we should not expect any kind of major CapEx gross, let's say, in 2019 with introduction of new big projects after the new blast furnace at NTMK is done?

<A - Alexander Frolov>: 2019 no probably not. There was always some room for us for the development CapEx, which over the last few years was on the level of whatever $150 million to $200 million a year.

<Q - Nikolay Sosnovskiy>: So, the same scope, okay, super. And my second question is on dividend policy, which is kind of a new thing for EVRAZ, but still can you share with us your thoughts and the way how you got to this particular number because your dividend policy differs quite materially from I would call it an industry practice in Russia where companies link their dividends to or free cash flow generation or profit and what this kind of not frustrating but bit strange in a way that the minimal number introduced somehow relates I think to the bottom of the cycle earnings of EVRAZ and not the current quite healthy free cash flow generation and profit. So it's a little bit confusing in a way that the $300 million number relates to kind of different part of the cycle. So what are your thoughts on this dividend policy, and are there any potential changes to the policy we might expect in the future. Thank you.

<A - Alexander Frolov>: Well, first of all, I want to emphasize that we're speaking about minimum amount, okay? And I guess this is important. In general, let's say, if I speak about the reasons why we decided to introduce such a policy, our main target was to give more predictability to the investors and basically by producing the number less than fixed number, we as a company certainly take some commitment, let's say, to be able to pay this minimum amount through the cycle. And if you also look at our projection for cash flow, which we see realistic, again for a longer period of time, I would say that this number would represent 30% to 40% of free cash flow, which we would expect again longer-term.

And I think that this is a reasonable number in terms of, let's say, satisfying the needs of the company for development. Also, let's say, debt management in the interest of our shareholders. And just to finalize, again, this is minimum amount and you have seen yourselves at interim dividend, we're just paying in order, let's say, to satisfy to the best in our view possible balance between our creditors and shareholders.

<Q - Nikolay Sosnovskiy>: That's very clear, some explanations for the number, and just a small follow-up if I may on this [indiscernible] (00:27:13). Are you planning any kind of special dividends in the first half this year similar to what you did last year with [indiscernible] (00:27:25) assets included in the [ph] first half 2017 (00:27:27) dividend. Thank you.

<A - Nikolay Ivanov>: First of all, we did not make any special dividend last year. It was just an interim dividend, which was based on good and healthy free cash flow. Of course, let's say, disposal of [indiscernible] (00:27:44) we can make some contribution to that. So I don't think that we expect to make any special dividends just in relation with the disposal of [indiscernible] (00:28:01). By the way, it's not done [indiscernible] (00:28:08).

<Q - Nikolay Sosnovskiy>: Yeah. Thank you. Thanks a lot.

Operator
Thank you. Your next question is coming from the line of Barry Ehrlich. Please go ahead.

<Q - Barry Lee Ehrlich>: Yes. Hello Thank you very much. I have three or four quite different questions if I may. So just to start with vanadium, do you expect (00:28:36) production to return to the 2016 level, so about 10% lower. And does that mean sales volumes will also fall by 10%? And when we look at the average of vanadium benchmarks in Western Europe and North America in the second half of last year is about $40 a kilogram. Spot, looks like it's about $60 a kilogram. If spot remains at this higher level, does that mean you're going to see approximately 50% higher realized price compared to the second half of last year? Those are my first two questions. And if I can, I'd like to come back with an additional two.

<A - Alexander Frolov>: First of all, I would probably be not able to comment on the volume dynamics, because I don't have this information in front of me. Speaking about realized, let's say, price for us, I think that all sales we make, it is some sort of, let's say, very straightforward link, let's say, to the benchmark. So if we move from $40 a kilogram to the current price which is $62.5 a kilogram or whatever it is [indiscernible] (00:30:00), then of course, it is increase in revenue (00:30:02). Did I answer your question?

Operator
And your next question comes from the line of [indiscernible] (00:30:25).

<Q>: Hello. Can you hear me? Hello?

<A - Alexander Frolov>: Yeah. Yeah, please.

<Q>: Yeah, my line was not so good, I'd like to repeat the question, maybe it was already asked, about the rumors about the possible sale of DMZ [indiscernible] (00:30:47). Are there any plans for the company to sell this asset or it still not decided yet?

<A - Alexander Frolov>: I think that we have announced just few hours ago that we have signed agreement with the buyer to sell this business. You can see the details on our website.

<Q>: Thank you. Thank you. And regarding the customer buyer, is it the same that brought your raw material assets earlier this year?

<A - Alexander Frolov>: This is same group of companies, who bought [indiscernible] (00:31:30).

<Q>: Okay, great. Thanks a lot. And may I ask a couple of more questions?

<A - Alexander Frolov>: Yeah, sure.

<Q>: Yeah. My second question is regarding your expectations for the situation with Section 232 in the U.S. Well, do you consider that such employers can really be banned because you [indiscernible] (00:31:52) lot of search to its assets in the United States. And if the [indiscernible] (00:31:58) will be implemented, what will be the strategy of the company, will the assets be reallocated and where that will be taken for American assets?

<A - Alexander Frolov>: Well, our understanding is that announcement about this Section 232 will be made basically within less than couple of hours. So I would rather prefer, let's say, to wait and to see what this announcement would tell us, and then based on the result I guess we would be able let's say to give more preferred comments. Right now, I prefer not to guess.

<Q>: I got you, I got you. Thanks a lot. One more question is regarding the blast furnace number 7 at NTMK. You said that the steelmaking capacity will increase. In case of - if Section 232 doesn't - will that influence direct supplies to the USA and you will have more steel volumes at NTMK. Will you increase supplies to your own assets or you will be exporting to - in the free markets because this year we didn't see much [indiscernible] (00:33:23) being sold from NTMK for free market?

<A - Alexander Frolov>: Well, I think that slabs we are producing in Nizhny Tagil sort of premium slabs, especially for plate makers. So, we don't see any problem, let's say, to place this material to the market. And just to give you an idea, for example, our own mill in Italy, Palini e Bertol, which is now running at full capacity is not buying any slabs from Nizhny Tagil it just buy slab from the market. So, it would be let's say one of the potential, let's say, way to process our Nizhny Tagil slab and sell the [ph] plates to Europe (00:34:08), for example.

<Q>: Thank you. Thank you. It's very interesting. And one last question is regarding China. What are your expectations regarding the litigation in the country? Do you expect that China will be exporting [indiscernible] (00:34:27) this year, because last year we did not see much volumes and this helped a lot of supply it's like you guys and others in Southeast Asia to increase sales and increase sales prices. So, what do you expect for this year from their side?

<A - Alexander Frolov>: Again, it's difficult to make long-term projections. What we can see - we will see that [indiscernible] (00:34:55), let's say, which the government is making there in order to improve ecological situation first of all. And because of that closure of inefficient or let's say polluted steel making facilities, we see that it's kind of a real effort which leads to a real reduction of steel volumes. At the same time consumption in China is improving. So, hopefully, this trend will continue and under these conditions, again, we would not see a lot of - hopefully, we would not see a lot of export material from China [indiscernible] (00:35:35).

<Q>: Okay. I got it. Thanks a lot. Thank you.

Operator
Your next question is coming from Barry Ehrlich. Please go ahead.

<Q - Barry Lee Ehrlich>: Hi. Yes. Hello. In President Putin's address today to the Federal Assembly, he suggested that industrial users were not implementing existing ecological policies and now those policies would be strictly enforced. And on the screen he put the entire Russian steel industry cities including Nizhny Tagil. So I guess my question is, are there any key projects that would need to be implemented and what would be the related CapEx to conform to the ecological regulations that perhaps who are being referred to?

<A - Alexander Frolov>: Well, first of all, I can say that we comply with existing ecological regulation, and if let's say you have done, you could read, let's say, our Annual Report which I think has sufficient amount of information on that subject. It doesn't mean that, let's say, regulation will not become stricter in the future, because there is a lot of work, let's say, going on I think in Russian government. I mean they are trying, let's say, to introduce new concepts based on kind of new - the best available technologies, and we are trying, let's say, to change some of the [indiscernible] (00:38:06). But again, I can't say that because of that, we expect any major CapEx, major, let's say, spendings there. It's probably a bit longer term issue, which is again legitimate issue, but not an immediate one.

<Q - Barry Lee Ehrlich>: Okay. Thank you.

Operator
Thank you. And your next question is coming from Andrew Jones. Please go ahead.

<Q - Andrew I. Jones>: Hi, I've got a few questions. Around the Section 232 regulations, I'm not asking you to speculate on the outcome of this, but clearly your business in the past is, you say, 3 million tons compared to less than 3 million tons today. So clearly, you have spare capacity potentially to boost the output. Could you give us an idea for - not to speculate on what's likely to happen, but if there is a greater [indiscernible] (00:39:06) pushed out of the market, how quickly do you think you could kind of ramp up and potentially increase your levels seen in the past? That's my first question. Then related to that...

<A - Alexander Frolov>: Excuse me. Could you repeat your question, because I really didn't understand?

<Q - Andrew I. Jones>: Sorry. So, in response to reduction in import that may arise from the Section 232 Regulation, what potential do you see for growing volumes back to more towards the sort of levels that you've done in the past, about 3 million tonnes, rather than the less than 3 million tonnes you're doing at the moment? Do you see the potential to return to 2013 or 2014 levels of volumes in response to this? That's my first question. And then, just on your exposure in terms of semi-products sales to the U.S., in 2017, what volume of semi-products that you actually export to the U.S. from your Russian plant? And what spare capacity do you have in your electric-arc steelmaking in the U.S. to potentially offset those volumes, if they were actually [indiscernible] (00:40:17) them? Thank you.

<A - Alexander Frolov>: I'm sorry, again, I would probably just repeat what I have said earlier. We would rather prefer to see the outcome of this Section 232 and then we will analyze and give comments on all the questions you have been asking, not at the moment.

<Q - Andrew I. Jones>: Okay. But could you give us some numbers around, A, what was your absolute level of semi-product sales from Russia to the U.S. in 2017?

<A - Alexander Frolov>: No, I'm not ready. I don't have these numbers on the top of my head.

<Q - Andrew I. Jones>: Okay. Thank you. And do you have the number of your total AIS steelmaking capacity in the U.S., compared - and how much spare capacity you have to potentially increase output in this scenario and how much spare capacity do you have in the U.S. for steelmaking now?

<A - Alexander Frolov>: Again, it all depends, because we have two steel plants, two in U.S., one is in Regina and I think right now it's more or less fully utilized, then we have another electric-arc furnace which is in Rocky Mountain, which is less utilized, I guess current utilization is on whatever let's say, sort of market average, it's about 70%. But then, again, it's not at the level because, for example, in Rocky Mountains we have - we're cutting, let's say, round billets, I mean basically for long products, in Regina we are cutting slabs and so on and so forth. That's like in, I mean, for me, it's just too early to build all this potential [indiscernible] (00:42:11).

<Q - Andrew I. Jones>: Okay. And just another question on dividends. You - I apologize, my line was cutoff earlier, but you may have been asked this already. But could you give us any clear idea in terms of some sort of guidance around how you will think about dividends going forward? You've given us a minimum level, but let's - and you've said broadly where you want your debt to be. But if we assume that you average between $3 billion and $4 billion of net debt and you've maybe about $3.5 billion is a target, if you get down to the $3.5 billion sort of level which you believe is kind of a reasonable level going forward, would you then be open to potentially paying up to like 100% free cash at that point as some of your peers have been doing in recent times?

<A - Alexander Frolov>: Well, for sure, we will not see it on the cash, that's for sure, then whereas our board would decide what to do.

<Q - Andrew I. Jones>: Okay, thank you.

Operator
Thank you.
[Operator Instructions]
We seem to have no further questions coming through. Please continue.

Unidentified Participant
If there are no further questions, we thank you for taking your time and joining us today. And this concludes the call. Thank you.

Alexander Frolov

Thank you.
Nikolay Ivanov

Thank you.

Operator
That does conclude our conference for today. Thank you for participating. You may all disconnect.

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