

Corsa Coal Corp. Announces Financial Results for Second Quarter 2020

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FRIEDENS, Aug. 7, 2020 - [Corsa Coal Corp.](#) (TSXV: CSO) (OTCQX: CRSXF) ("Corsa" or the "Company"), a premium quality metallurgical coal producer, today reported financial results for the three and six months ended June 30, 2020. Corsa has filed its unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2020 and 2019 and related management's discussion and analysis under its profile on [www.sedar.com](#).

Unless otherwise noted, all dollar amounts in this news release are expressed in United States dollars and all ton amounts are short tons (2,000 pounds per ton). Pricing and cost per ton information is expressed on a free-on-board, or FOB, mine site basis, unless otherwise noted.

Second Quarter 2020 Highlights

- Due primarily to a non-cash adjustment of \$41.7 million related to an asset impairment, Corsa reported net and comprehensive loss of \$41.3 million and \$47.1 million, or \$(0.36) and \$(0.43) per share attributable to shareholders, for the three and six months ended June 30, 2020, respectively, compared to income of \$3.6 million and \$6.6 million, or \$0.03 and \$0.05 per share attributable to shareholders, for the three and six months ended June 30, 2019, respectively.
- In response to the deterioration of both the domestic and export metallurgical coal markets, driven in large part by the COVID-19 pandemic, Corsa announces operational changes which include, among other things, a reduction in the operating shifts which will result in layoffs of a significant number of employees, thereby reducing coal production. The reduction in operating shifts is expected to reduce metallurgical coal sales tons in the second half of 2020 by 45% to 55% when compared to the first half of 2020.
- Corsa's adjusted EBITDA⁽¹⁾ was \$4.3 million and \$10.7 million for the three and six months ended June 30, 2020, respectively, compared to \$10.1 million and \$19.3 million for the three and six months ended June 30, 2019, respectively. Corsa's EBITDA⁽¹⁾ was a loss of \$35.7 million and \$34.4 million for the three and six months ended June 30, 2020, respectively, compared to income of \$10.2 million and \$19.8 million for the three and six months ended June 30, 2019, respectively.
- Cash production cost per ton sold⁽¹⁾ was \$63.04 for the three months ended June 30, 2020, a decrease of \$21.51 per ton, or 25%, as compared to the three months ended June 30, 2019. Cash production cost per ton sold⁽¹⁾ was \$67.35 for the six months ended June 30, 2020, a decrease of \$16.57 per ton, or 20%, as compared to the six months ended June 30, 2019.
- Cash flows provided by operating activities were \$12.9 million and \$21.2 million, for the three and six months ended June 30, 2020, respectively, compared to \$8.8 million and \$14.5 million for the three and six months ended June 30, 2019, respectively.
- Total revenues were \$40.9 million and \$87.6 million for the three and six months ended June 30, 2020, respectively, compared to \$63.0 million and \$120.3 million for the three and six months ended June 30, 2019, respectively.
- Low volatile metallurgical coal sales tons, comprised of "Company Produced" tons and "Value Added Services" purchased coal tons, were 336,928 and 2,426, respectively, in the three months ended June 30, 2020 compared to 319,202 and 94,903, respectively, in the three months ended June 30, 2019. In the three months ended June 30, 2020, Corsa sold a total of 102,076 "Sales and Trading" purchased coal tons, which are treated as pass-through from a profitability perspective, compared to 36,306 tons in the three months ended June 30, 2019.
- Corsa achieved an average realized price per ton of metallurgical coal sold⁽¹⁾ of \$82.72 for all metallurgical qualities in the three months ended June 30, 2020 compared to \$117.48 in the three months ended June 30, 2019. This average realized price for the second quarter 2020 is the approximate equivalent of \$119 to \$124 on an FOB vessel basis.⁽²⁾ For the second quarter 2020, Corsa's sales mix included 28% of sales to domestic customers and 72% of sales to international customers.

- In April 2020, certain wholly-owned subsidiaries of Corsa, as borrowers, entered into loan agreements with KeyBank National Association for an aggregate amount of approximately \$8.4 million under the Paycheck Protection Program, which amounts are guaranteed by the U.S. Small Business Administration and are expected to be fully or substantially forgiven under the terms of the Paycheck Protection Program.

(1) This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below.

(2) Similar to most U.S. metallurgical coal producers, Corsa reports sales and costs per ton on an FOB mine site basis and denominated in short tons. Many international metallurgical coal producers report prices and costs on a delivered-to-the-port basis (or "FOB vessel basis"), thereby including freight costs between the mine and the port. Additionally, Corsa reports sales and costs per short ton, which is approximately 10% lower than a metric ton. For the purposes of this figure, we have used an illustrative freight rate of \$25-\$30 per short ton. Historically, freight rates rise and fall as market prices rise and fall. As a note, most published indices for metallurgical coal report prices on a delivered-to-the-port basis and denominated in metric tons. Peter Merritts, Chief Executive Officer of Corsa, commented, "Corsa's strong and talented work force responded, as expected, to meet the challenges of the COVID-19 pandemic in the second quarter of 2020. Although we experienced some disruptions due to the virus, our employees and facilities operated safely and efficiently throughout the quarter. Our cash production cost per ton sold of \$63 for the second quarter of 2020 and \$67 for the first half of 2020 demonstrate the capabilities of our operations to meet challenging market conditions.

Unfortunately, the impact of the pandemic on the metallurgical coal market continues to put near-term downward pressure on metallurgical coal spot sales and also delays in recovery to pre-pandemic levels. As a result of the market dynamics, we recorded a significant non-cash asset impairment charge in our second quarter results and today announced the difficult decision to reduce our operations as a result of weakness in the domestic and export markets that we serve.

The operational discipline to reduce coal production is necessary as spot market prices are not sustainable and are often below production costs. The reduced output from our mines will align our operations to fulfill our current contracts and minimize the number of sales tons subject to the weakened spot market prices. We will continue to monitor pricing and opportunities in the market and have positioned the Company to quickly respond to increased prices and profitable opportunities as they arise."

2020 Second Quarter Sales Metrics

Corsa's metallurgical coal sales figures are comprised of three types of sales: (i) selling coal that Corsa produces ("Company Produced"); (ii) selling coal that Corsa purchases and provides value added services (storing, washing, blending, loading) to make the coal saleable ("Valued Added Services"); and (iii) selling coal that Corsa purchases on a clean or finished basis from suppliers outside the Northern Appalachia region ("Sales and Trading"). For the three and six months ended June 30, 2020, Corsa's sales were broken down into the following categories.

Metallurgical Coal Sales by Category (Tons)			
	Q1 2020	Q2 2020	YTD 2020
Company Produced	384,750	336,928	721,678
Purchased - Value Added Services	29,576	2,426	32,002
Purchased - Sales and Trading	34,587	102,076	136,663
Total	448,913	441,430	890,343

Financial and Operations Summary

	For the three months ended			For the six months ended		
	June 30,			June 30,		
			Increase			Increase
(in thousands)	2020	2019	(Decrease)	2020	2019	(Decrease)
Revenues	\$ 40,908	\$ 62,974	\$ (22,066)	\$ 87,633	\$ 120,308	\$ (32,675)
Cost of sales	\$ 40,075	\$ 55,017	\$ (14,942)	\$ 85,158	\$ 104,919	\$ (19,761)
Cost of sales - asset impairment	41,684	—	41,684	41,684	—	41,684
Total cost of sales ⁽²⁾	\$ 81,759	\$ 55,017	\$ 26,742	\$ 126,842	\$ 104,919	\$ 21,923
Selling, general and administrative expense	\$ 2,444	\$ 4,155	\$ (1,711)	\$ 4,553	\$ 8,710	\$ (4,157)
Net and comprehensive (loss) income for the period	\$ (41,313)	\$ 3,603	\$ (44,916)	\$ (47,102)	\$ 6,605	\$ (53,707)
Cash provided by operating activities	\$ 12,902	\$ 8,754	\$ 4,148	\$ 21,209	\$ 14,472	\$ 6,737
EBITDA ⁽¹⁾	\$ (35,704)	\$ 10,236	\$ (45,940)	\$ (34,383)	\$ 19,754	\$ (54,137)
Adjusted EBITDA ⁽¹⁾	\$ 4,268	\$ 10,088	\$ (5,820)	\$ 10,660	\$ 19,272	\$ (8,612)
Coal sold - tons						
NAPP – metallurgical coal	441	450	(9)	890	859	31

(1) This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below.

(2) Cost of sales consists of the following:

For the three months ended For the six months ended

	June 30,		June 30,	
	2020	2019	2020	2019
(thousands)				
Mining	1,493	\$ 25,249	\$ 45,135	\$ 47,299
and				
Processing	12,928		13,574	24,946
costs				
Royalty	1,826		3,695	3,406
expense				
Amortization	5,667		11,524	11,160
expense				
Transportation	8,281		9,409	15,482
costs				
Preparation	323		165	795
plant				
costs	802		572	1,871
Change	—		278	—
in				
Goodwill	—		419	—
of				
Intangible	(59)		387	(40)
assets				
Cost	75	55,017	85,158	104,919
of				
Other	—		41,684	—
costs				
of				
Goodwill	759	\$ 55,017	\$ 126,842	\$ 104,919
cost				
asset				
impairment				

	For the three months ended			For the six months ended		
	June 30,			June 30,		
	2020	2019	Variance	2020	2019	Variance
Realized price per ton sold ⁽¹⁾						
NAPP – metallurgical coal	\$ 82.72	\$ 117.48	\$ (34.76)	\$ 86.64	\$ 117.00	\$ (30.36)
Cash production cost per ton sold ⁽¹⁾⁽²⁾						
NAPP – metallurgical coal	\$ 63.04	\$ 84.55	\$ 21.51	\$ 67.35	\$ 83.92	\$ 16.57
Cash cost per ton sold ⁽¹⁾⁽³⁾						
NAPP – metallurgical coal	\$ 68.12	\$ 88.66	\$ 20.54	\$ 69.88	\$ 87.48	\$ 17.60
Cash margin per ton sold ⁽¹⁾						
NAPP – metallurgical coal	\$ 14.60	\$ 28.82	\$ (14.22)	\$ 16.76	\$ 29.52	\$ (12.76)
EBITDA ⁽¹⁾ (000's)						
NAPP	\$ (34,886)	\$ 11,865	\$ (46,751)	\$ (32,709)	\$ 23,280	\$ (55,989)
Corporate	(818)	(1,629)	811	(1,674)	(3,526)	1,852
Total	\$ (35,704)	\$ 10,236	\$ (45,940)	\$ (34,383)	\$ 19,754	\$ (54,137)
Adjusted EBITDA ⁽¹⁾ (000's)						
NAPP	\$ 4,914	\$ 11,155	\$ (6,241)	\$ 12,075	\$ 21,615	\$ (9,540)
Corporate	(646)	(1,067)	421	(1,415)	(2,343)	928
Total	\$ 4,268	\$ 10,088	\$ (5,820)	\$ 10,660	\$ 19,272	\$ (8,612)

(1) This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below.

(2) Cash production cost per ton sold excludes purchased coal. This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below.

(3) Cash cost per ton sold includes purchased coal. This is a non-GAAP financial measure. See "Non-GAAP Financial Measures" below.

GUIDANCE

On January 30, 2020, the World Health Organization declared the COVID-19 outbreak a "Public Health Emergency of International Concern" and on March 11, 2020, declared COVID-19 a pandemic. The current COVID-19 pandemic is significantly impacting the global economy and commodity and financial markets. The full extent and impact of the COVID-19 pandemic remains unknown and continues to rapidly evolve. Given the extreme volatility in financial markets and commodity prices, along with uncertainty regarding the impact thereof on the future performance of the Company, the Company does not believe it is appropriate to issue full year guidance at this time for fiscal 2020. If the impacts of the COVID-19 outbreak, including the

decrease in economic activity or restrictions on certain business activities, continue for an extended period of time or worsen, it could have a negative impact on the demand for metallurgical coal and/or business activities, which would have a material adverse effect on our business, financial condition, cash flows and results of operations. The Company will continue to evaluate events and circumstances and will provide guidance when appropriate and as information is available.

Coal Pricing Trends and Outlook

Price levels opened the second quarter at \$145/metric ton ("mt") delivered-to-the-port based ("FOBT") for spot deliveries of Australian premium low volatile metallurgical coal and closed the quarter at \$116/mt FOBT. The quarterly average price for the second quarter of 2020 was \$118/mt FOBT for Australian premium low volatile metallurgical coal, compared to \$155/mt FOBT in the first quarter of 2020, and traded in a range from a high of \$145/mt FOBT to a low of \$106/mt FOBT.

Price volatility is expected as the metallurgical coal market responds to changes in both supply and demand across different geographical areas resulting from the workforce restrictions and economic impacts of the COVID-19 pandemic. Due to the uncertainty of the global business impact of COVID-19 on both metallurgical coal supply and demand, on March 30, 2020, Corsa suspended the provision of additional commentary regarding expectations for 2020 metallurgical coal prices. Metallurgical coal supply, demand and pricing outlook commentary will be resumed when deemed appropriate by the Company.

The World Steel Association reported that, through June 2020, global crude steel production fell by 6.0% in the first half of 2020 versus the first half of 2019. However, due to the impact of the COVID-19 pandemic on those submitting production data, the report cautioned that some estimates were used and that the number could be revised in the next update. For the first half of 2020, production was up 1.4% in China and was down 18.3% in the U.S., 17.4% in Japan and 24.2% in India. Crude steel production from the European Union and Brazil was down 18.7% and 17.8%, respectively. Regionally, Asia, which includes China and India, decreased by 3.0%, North America decreased by 17.6% and South America decreased by 19.9%. Following a first quarter 2020 decrease of 1.4% when compared to the first quarter of 2019, global crude steel production was down in April by 13.0%, down in May by 8.7% and down in June by 7.0% when compared to the same months in 2019. When comparing the month of June 2020 to June 2019, crude steel production was down 32.2% in North America, 30.4% in South America, 24.6% in the European Union and 3.0% in Asia. Individual country comparisons of June 2020 to June 2019 show China and Turkey up 4.5% and 4.1%, respectively, and the U.S. down 34.5%, Japan down 36.3%, Brazil down 27.1 % and India down 26.3%.

The World Steel Association released its Short Range Outlook in June and forecasted that steel demand will contract by 6.4% in 2020 and will increase by 3.8% in 2021 with 2021 global steel demand levels nearly returning to the level in 2019. Chinese steel demand is expected to increase by 1.0% in 2020 as compared to 2019 and remain flat in 2021. Excluding China, steel demand from the rest of the world will decrease by 14.2% in 2020 and increase by 8.6% in 2021. Regionally, the collective demand from the United States, Canada and Mexico is forecasted to decrease by 20% in 2020 and increase by 6.2% in 2021; demand from the European Union is forecasted to decrease by 15.8% in 2020 and increase by 10.4% in 2021; the collective demand from Asia and Oceania (excluding China) is forecasted to decrease by 12.6% in 2020 and increase by 8.1% in 2021; and the collective demand from Central and South America is forecasted to decrease by 17.3% in 2020 and increase by 12.2% in 2021. Future demand for metallurgical coal and the availability of supply will be impacted by, among other things, country specific and regional efforts to contain and control the spread of the COVID-19 virus, the economic stimulus activities of each country and global organizations and the operating status and capabilities of our customers and competitors.

Financial Statements and Management's Discussion and Analysis

Refer to Corsa's unaudited condensed interim consolidated financial statements for the three and six months ended June 30, 2020 and 2019 and related management's discussion and analysis, filed under Corsa's profile on www.sedar.com, for details of the financial performance of Corsa and the matters referred to in this news release.

Non-GAAP Financial Measures

Management uses realized price per ton sold, cash production cost per ton sold, cash cost per ton sold, cash

margin per ton sold, EBITDA and adjusted EBITDA, as both terms are defined below, as internal measurements of financial performance for Corsa's mining and processing operations. These measures are not recognized under International Financial Reporting Standards ("GAAP"). Corsa believes that, in addition to the conventional measures prepared in accordance with GAAP, certain investors and other stakeholders also use these non-GAAP financial measures to evaluate Corsa's operating and financial performance; however, these non-GAAP financial measures do not have any standardized meaning and therefore may not be comparable to similar measures presented by other issuers. Accordingly, these non-GAAP financial measures are intended to provide additional information and should not be considered in isolation or as a substitute for measures of performance prepared in accordance with GAAP. Reference is made to the management's discussion and analysis for the three and six months ended June 30, 2020 for a reconciliation and definitions of non-GAAP financial measures to GAAP measures.

Corsa defines adjusted EBITDA as EBITDA (earnings before deductions for interest, taxes, depreciation and amortization) adjusted for change in estimate of reclamation provision for non-operating properties, impairment and write-off of mineral properties and advance royalties, gain (loss) on sale of assets and other costs, stock-based compensation, non-cash finance expenses and other non-cash adjustments. Adjusted EBITDA is used as a supplemental financial measure by management and by external users of our financial statements to assess our performance as compared to the performance of other companies in the coal industry, without regard to financing methods, historical cost basis or capital structure; the ability of our assets to generate sufficient cash flow; and our ability to incur and service debt and fund capital expenditures.

Qualified Person

All scientific and technical information contained in this news release has been reviewed and approved by Peter Merritts, Professional Engineer and the Company's Chief Executive Officer, who is a qualified person within the meaning of National Instrument 43-101 – Standards of Disclosure for Mineral Projects.

Caution

Potential developments and market conditions discussed in this news release are considered to be forward looking information. Readers are cautioned that actual results may vary from this forward-looking information. See "Forward-Looking Statements" below.

Information about Corsa

Corsa is a coal mining company focused on the production and sales of metallurgical coal, an essential ingredient in the production of steel. Our core business is producing and selling metallurgical coal to domestic and international steel and coke producers in the Atlantic and Pacific basin markets.

Forward-Looking Statements

Certain information set forth in this press release contains "forward-looking statements" and "forward-looking information" (collectively, "forward-looking statements") under applicable securities laws. Except for statements of historical fact, certain information contained herein including, but not limited to, statements relating to price volatility of the metallurgical coal market, the future demand for steel and its production, the expected volatility in metallurgical coal prices and the availability of its supply constitutes forward-looking statements which include management's assessment of future plans and operations and are based on current internal expectations, assumptions and beliefs, which may prove to be incorrect. Some of the forward-looking statements may be identified by words such as "will", "estimates", "expects", "anticipates", "believes", "projects", "plans", "capacity", "hope", "forecast", "anticipate", "could" and similar expressions. These statements are not guarantees of future performance and undue reliance should not be placed on them. Such forward-looking statements necessarily involve known and unknown risks and uncertainties. These risks and uncertainties include, but are not limited to: changes in market conditions, governmental or regulatory developments as a result of the COVID-19 pandemic or otherwise, the operating status and capabilities of our customers and competitors; various events which could disrupt operations and/or the transportation of coal products, including labor stoppages, the outbreak of disease and severe weather conditions; and management's ability to anticipate and manage the foregoing factors and risks. There can be no assurance that forward-looking statements will prove to be accurate, as actual results and future events

could differ materially from those anticipated in such statements. The reader is cautioned not to place undue reliance on forward-looking statements. Corsa does not undertake to update any of the forward-looking statements contained in this press release unless required by law. The statements as to Corsa's capacity to produce coal are no assurance that it will achieve these levels of production or that it will be able to achieve these sales levels.

The TSX Venture Exchange has in no way passed on the merits of this news release. Neither the TSX Venture Exchange nor its Regulation Services Provider (as that term is defined in the policies of the TSX Venture Exchange) accepts responsibility for the adequacy or accuracy of this release.

SOURCE [Corsa Coal Corp.](#)

Contact

Kevin M. Harrigan, Chief Financial Officer and Corporate Secretary, [Corsa Coal Corp.](#), (724)754-0028, communication@corsacoal.com, www.corsacoal.com

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