Participants

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Interview Transcript

Nate: Jimmy and Dave with CONSOL Energy, thank you so very much for joining the IwtB Podcast, it's gonna be a real pleasure talking about your business.

Jimmy: Well thanks for having us, and we enjoy doing it.

Dave: Its great to be here on this podcast.

Nate: Well I'm really happy to have you guys. And I start out all these interviews just asking about my guests' backgrounds, so if the two of you wouldn't mind just sharing just a little bit about yourselves, and your background in the coal industry, and specifically with CONSOL.

Jimmy: Okay. First question, I'll start out. All of my working career has practically been with CONSOL Energy. I started in the late '70s as a summer student, working there as I was going to school. And then when I graduated, I went to work full time. I've been with CONSOL from the P and M Workforce, which is production and maintenance, working as a union worker then working as a typical alley worker, and then worked my way into management. And in the management roles, I've had just about every one that we have in the company. I started out as an engineer, then I worked some as a Assistant Foreman, a Foreman, Shift Foreman, Mine Foreman, Assistant Superintendant, Super Intendant, VP of Operations, Senior VP of Operations, Chief Operating Officer, all the way up to the CEO position which I currently hold today. It's been a great career for me, got to meet many, many different people. But what was interesting about the coal industry is I quickly wanted to not only be able to supervise people, but I wanted to understand what they do. And I think with me having the opportunity to run and operate the equipment for the first few years in my career was a great advantage for me because people that are in the workforce know that when they're telling me about a problem, I understand what it is and I can provide help if needed.

Jimmy: Also, I was very lucky to be surrounded by a great team my entire career. I have a lot of experience in putting in a singular coal mine, a simple straight in, mine cut, all the way up to a very complex mining longwall complex that we have in the Pennsylvania Mining Complex. So not only do I have the experience and have been able to do that in seven different states in my career, I've also been around from the start, from ground up, to building these large mining complexes, which I think has served me really, really well. So that's a real quick take on my background.

Nate: Yeah, thanks for that, Jimmy.

Dave: And my background's a little different, which is very I guess say complimentary to what Jimmy does. I came, really, from Wall Street, and I started following coal at Lehman Brothers in 1993, so I've gotten to see a lot of coal mining cycles. I also followed oil and gas, iron ore, steel, and I spent a lot of my career mapping out the globe, and really understanding a lot of the trends that drive the coal mining markets, and so we spent a lot of time trying to make sure we understand these trends, whether it's our competition against natural gas, the global story for coal and cycles, and so I spent about almost 20 years before I came to CONSOL.

Dave: And then when I came into CONSOL in 2011, I was the understudy to the CFO for a couple of years, and then I became the CFO. And so if you looked and see what we've done, where a lot of restructuring created multiple different companies, we've done a lot of refinancing, and put I guess this company in a position to be able to be spun out in November 2017. And so we did a lot of financing on that. And now we're off and running as a separately, publicly traded company.

Nate: Would you mind just providing the listeners with a history of CONSOL Energy? And then also if you could just highlight the relationship between ... well, I guess just starting out with the history would be nice first, and then we can talk about the MLP that you guys have.

Jimmy: Sure. Well if you look at CONSOL Energy, we are 150 year plus year coal company. And back in, I guess it was the mid '90s, we spun out and created a little CNX gas company that was there. So primarily, we've operated as a coal producer in seven to eight states. And we've had continuous miners, we came into the longwall business in the late '70s, early '80s, we started building long term coal mines with great infrastructure that we saw was gonna be around for the long run. For an example, the Pennsylvania Mining Complex, we actually started development on that in 1982, and we started longwall mining there in 1985. It's the best complex, I think, in North America today, when you look at it, it's built to operate and sustain itself in any regulatory environment.

Jimmy: We've spent over $2 billion in capital to build it, but when we take on project like this, they are built for the long term, we don't have a short term vision for coal. We like to think of long term, and we like to build the infrastructure that has the capacity to add more, and that's what we do at the Pennsylvania Mining Complex.

Jimmy: We had a significant event for the company in 2013. It was the first time that we had sold a large portion of our coal company, and we had the divestiture of our northern West Virginia longwall coal mines, which was five coal mines at the time, that we sold. We continued to operate Buchanan Pennsylvania Mining Complex, and the other coal operations that we had. Now the reason for that was, at the time, we were looking at how we could grow the E&P business, the E&P business is CONSOL Energy, at that time we had an E&P business, and we had a coal business. A lot of the investors were a little bit confused about what they owned, and what they had.

Jimmy: So we started thinking around 2012 or 2011, how we could get more clarity to that. So we began to sell off some of the coal assets, we kept the ones that were obviously very important to us, and important to our strategy going forward. If you look at our market strategy, it's unique and different from others. We actually saw the MATS rule coming 10 to 12 years ago. We started a process very early of targeting those power plants that not only were they gonna run, they had made significant investments in environmental controls, whether it be scrubbers or other means. And they were gonna run at a higher capacity factor than others. So that was one driver.

Jimmy: The second driver was those that we would have transportation advantage with. We're serviced by both rails, Norfolk Southern as well as CSX, and we wanted to primarily operate on the East Coast which is in close proximity to where we operate, and where we have those advantages. So we did that, and then of course in 2015, we were looking for ways to continue down that path and that's when we created the MLP, or the master limited partnership. Now the thinking behind that process was, this is a way that we can devest the rest of the coal properties that's in the Pennsylvania mining complex, and we can do that through this vehicle which is the MLP, we will drop 20% a year in, so it could take us up to five years, but maybe sooner depending upon if we could do a larger drop.

Jimmy: So we went out and successfully had an IPO, we formed that company in June or July of 2015, and we were up and running. Now, as you know, second half of '15, first part of '16, there was a huge downturn in price, and we had to make decisions there that it was just very hard to do a drop of the Pennsylvania mining complex that was both accretive to CCR and CONSOL Energy, the parent company at the same time. So we kind of put that on hold, we did do one small drop of 5%, and that's currently where it sits today. They own a 25% undivided interest in the Pennsylvania mining complex. And that's kind of a real quick history of where we are.

Jimmy: We also try to do an outright sale process of the coal assets. I will tell you, there was a lot of interest. There was interest from the institutional buyers, there was interest from the private equity folks. Problem was, most of the institutional buyers that really wanted the operations and understood how great it was, didn't really have the wherewithal to buy it because they had been through bankruptcies, and other things. So they didn't have it. The private equities who honestly had the money and could afford to buy the complex were looking for a much lower price, or valuation than CONSOL Energy was able to take. And thus, that's how we got to the spin process, which we successfully pulled off in November of '17, last year.

Nate: Yeah, that's great. I appreciate that explanation, and as somebody who is a value investor, and who keeps an eye on what some of the other well known value investors are doing, I do remember Greenlight and David Einhorn being really big investors in CONSOL. And I just remember seeing some of the investment slides that he put out, he would go to conferences and talk about the names that he was really interested in, or that they owned. And CONSOL was one of those, and it was ... I just remember, always keeping an eye on CONSOL because I knew that if a really great investor is invested in this company, maybe there's something there. And a lot has changed since then, and so I really appreciate you providing that explanation.

Jimmy: Yeah, and going back to that point. Yeah, that was the Sohn presentation he put out, I believe, in 2016 and ...

Nate: Yeah.

Dave: He highlighted the underlying value of the E&P and the coal side of the business, yeah.

Nate: And is there a reason, was it because you felt like investors just didn't understand the complica- I mean, it's not that complicated, it's natural gas and it's coal, they're both resources that you produce and you have rights to, mineral rights to. So was it-

Dave: Yeah, I could tell you, 'cause I spent a lot of time with the investor relations function trying to illuminate the value of both sides of the company. And so we spent, we probably spent three years putting out a lot of detailed transparency, but what it came down to really is two different type of investors. One was more of a growth investor for the E&P side, where the coal side was being viewed more as a value investor. And so the value investor wanted free cash flow, the growth investor wanted more growth, and so you had almost a little bit of a dichotomy of investment strategies that were together as this one company. And so we tried, and I think what we found and successful, as you see how Spin, CEIX had jumped up and doubled in price not too long after the IPO. CNX Resources was up about 25% or 30%. So when you split them apart, the thesis of uplift in value did actually occur.

Nate: Yeah. That's a good point, and I appreciate you highlighting that.

Jimmy: There's always the concern of how we would unlock the value of both, because at the time if you owned CONSOL Energy, whether or not you wanted to or not, you owned a piece of both. You owned a piece of the coal side, as well as a piece of the E&P side.

Nate: Yeah. I think that there are a lot of investors out there you know, maybe they're growth investors, or maybe they think of themselves as forward looking, and the concept of investing in coal is just you know, it's not something that is attractive to them. And I think part of that has to do with the fact that well, the history of the coal history, the recent history, there'd been some bankruptcies, and there'd been a lot of concern around long term coal prices, and whether or not coal fire powered facilities are going to shut their doors, and all we're gonna do is just consume green energy. And that's obviously not the case, but I think it would be helpful just to highlight just a little bit of the historical context of the bankruptcies in the space, what went wrong, and what is different now.

Jimmy: I think, historically, when you look at the coal business, coal industry just supplied to utilities, and they need long term contracts to go do that. Now, there's a couple things that happened. One you've hit on, but the export market, utility regulations, and China-led commodity boom drove up the interest in the met coal, and away from the steam coal in the mid 2000s. The other one was you talked about it, that was acquisitions that I'm gonna tell you were made at the peak of a cycle, and then when the downturn came, they could no longer afford the price that was paid for those. So that led to some of the realizations that the coal industry went through. And then there is the talk out there, and you mentioned it earlier, that people just did not want to invest in coal.

Jimmy: Well, we know we had an administration in office that was very critical of coal, and that didn't help either. But here's what I will tell you, and I tell people this all the time, coal is going to remain a vital part of the energy mix. What percent that's gonna be? I don't know. But I'll take you to a couple recent events that are gonna make us sustainable.

Jimmy: If you look at the, everybody wanted to call it the polar vortex in 2014, I call it Winter, it's just supposed to be very cold in the winter, coal saved the day then. Our generation went up to 44% during that polar vortex. And recently, in the bomb cyclone they wanna call this last coal even, if you remember it was the last week of December up to I think January 9th, we had this bomb cyclone, the incremental power that was needed, coal supplied 55% of it. That was in the PJM. So every time there's a need, or a big uptick in demand, coal saves the day. I think that we are a nation that should use all of the abundant resources that we have, and coal is certainly one of them.

Nate: I really appreciate that. I didn't realize that 55% of the incremental power was generated from coal, so that's fascinating. Could you talk a little bit about the history of coal prices? So for somebody who people talk about the price of a barrel of oil all the time, and people I think, a lot of investors and people who are cognizant of the energy markets know what the natural gas price is, but I don't know if people know what the price is for a ton of coal. So could you just walk us through, what is pricing today, and kind of what has the trend been over the last decade?

Jimmy: Yeah, well due to the sensitive nature of our contracts, we don't disclose singular prices. But I will tell you this, the coal markets have always been very, very cyclical, there are down times in price, and there up times in pricing, and coal prices typically follow oil prices. They're correlated fairly closely. But what we watch, as I said before, our market strategy has been different. We like about 60% to 80% of our coal domestically, and then we like about 20% to 30% of our coal going internationally. Now we are a very market driven company, so we will run to the market. We have the flexibility and optionality in our complex to be able to do that.

Jimmy: So I will tell you pricing is sometimes very hard. We have come up with some creative ways that we have called netback pricing, where we work with certain utilities that are out there that we share in the power price, and we put a floor in that covers our all in cost, that ranges up and down. And then that's one thing that we've done, that we'll let that utility be able to get onto capacity, they'll be able to run, they'll be able to survive the auction prices and run.

Jimmy: The second thing that really drives the prices up, of course, is demand. So when you have cold weather, or you have weather events, we always choose for a cold winter and a hot summer because it helps drive that demand. But really, the key to coal sales and coal price is demand, the same as it is in everything else. As long as electrical demand is increasing, we think we'll be just fine in pricing. Now we'll tell you, we had to make adjustments in the second half of '15 and first half of '16, but our complex here, and we're very proud of this, we like to tell people we kind of restructure without the help of the courts. We were able to produce coal during that down turn at a profit. And we think that's the advantage we have with our complex in Pennsylvania.

Nate: Yeah. No, I appreciate that. Could you talk about, you mentioned the Pennsylvania coal mine, could you just talk about the asset portfolio? And so what coal mines do you own, and what other related infrastructure do you own?

Jimmy: Sure. The Pennsylvania Mining Complex consists really of three longwall coal mines. We have our Enlow Fork Mine, which is a two longwall coal mine, we have our Bailey Mine which is a two longwall coal mine, and then we have the Harvey Mine which is a one longwall coal mine that we brought online in March of 2014. All the infrastructure we own, so I will tell you that we, CEIX, we have a 90% economic ownership in Pennsylvania Mining Complex. Now the reason I say that, is you heard me talk earlier about CCR owns 25% of it. Well, we own 61% of CCR, when you take into fact that the subordinated units we own, as well as general partnership.

Jimmy: So that's what gives us the ownership. Now we also own, outside of that, we own 100% of the Baltimore Marine Terminal, which is a critical asset for us. It has a 15 million ton throughput capacity, it has a 1 million ton storage, and the Pennsylvania mining complex on site does not have any ground storage, we depend on silos. We have 132,000 tons of clean coal storage, and we have 152,000 tons of raw coal storage, so about 285,000 tons of storage we have. So it's critical that we keep those trains moving, and Baltimore is a place that if we need to, we can have storage on the ground there.

Jimmy: We also own 1.6 billion tons of undeveloped reserves. Now, those reserves as we've mentioned on our news calls before, we look at those as opportunities to JV, opportunities to swap reserves or opportunities just to mine those reserves. In today's market and uncertainty it's tough to put in a Greenfield operation. It requires a lot of capital to do that and we would need some certainly as well as long term contracts. So that's why we believe that we may actually end up swapping some of those reserves, selling them outright to somebody who would get to 'em that wouldn't have to be a Greenfield operation, could be a Brownfield or we would just continue to hold those until the opportunity come.

Nate: Yeah. Okay I appreciate that. You mentioned longwall. What are the different types of coal mines out there today and just to help people understand some of the terminology that you're using. So a longwall mine is what exactly?

Jimmy: A longwall mine is really high productive. It's a machine that cuts the face width. It goes back and forth, makes passes of three and a half feet in depth and then you have the other coal mines that are run just by continuous miners. For example, one mine just may do room and pillar and that would be with continuous mining machines that they would drive up. It's usually more expensive mining to do that.

Jimmy: A longwall mine we only use those continuous miners to drive up the setup entries to allow us to get into the longwall and then the longwall retrieves a block of coal out which requires no supports other than the shields themselves. That panel can last anywhere from seven months to a year depending upon how long the panels are driven.

Jimmy: So typically I would tell you that longwall mining is low cost mining, it's what we do best. Then the continuous miners, there are place change miners, there's continuous haulage miners that are under the ground. But those typically run a little higher cost structure and a little less productive than the longwall mines. There's also some high wall mining or surface mining. High wall mining is where you would take an auger and go straight into the coal seam on a hillside and bring it out and then surface mining there's several types. There's cast and blast and there's mountaintop removal which we do not do any mountaintop removal.

Nate: You also mentioned met coal. Could you highlight the differences between thermal and met?

Jimmy: Okay let's start with thermal coal first. Thermal coal is typically used for power generations by the utility companies. So it's used for power generation. It's also used in cement, in the making of cement. It's used in brick kiln. Some of 'em use that to make bricks. There are a few new end user products, new streamline products that are coming online for coal as well.

Jimmy: So metallurgical coal is primarily used for steel and the demand for the thermal coal side is obviously electricity, cement which is used as huge market globally, bricks, and other uses. Then the metallurgical side is primarily used for steel making. That would be for infrastructure if people wanted to develop a country, infrastructure to do that. It'd be used for bridges or anything that would require infrastructure.

Nate: Okay. I appreciate that. What are the characteristics of a really efficient mine? I mean you guys have such a low cost of production. What is it about your mines that positions them in such an advantageous situation relative to other coal mines?

Jimmy: Let's start at the very beginning. To be able to produce at the rates we do you have to have a great workforce. We have that. It's a nonunion workforce that's very adaptable to change and very open to innovation and technology. So that's very important to have that.

Jimmy: Secondly, we have a very consistent contiguous block of coal. There's 735 million tons that I talked about. Each one of these three coal mines are operating within that footprint. Really the big drivers, the third thing is, we significantly reduce the operating footprint of those coal mines by sealing off old works. In other words instead of leaving the sections of the mine that we'd already mined the reserves out, we build 120 PSI fields there.

Jimmy: Now when I say that, that reduces any risk to our employees. They don't have to go back there. It reduces all the cost associated with that other than building the seals and then inspecting them once a week for integrity of those seals. So to give you an example we reduce the footprint of our Enlow Fort Mine by 85%. So we no longer had to maintain any of those old workings, we only focus on the new reserves that we're developing now. So that was a big part that allowed us to be low cost.

Jimmy: Then I will tell you our longwalls are very efficient, very automated. We use the latest technology and we've continued to invest the capital in those coal mines. The $2 billion that I talked about in the last decade, 1.6 billion of that have been in the last eight years. So it's been a significant amount of capital spent. We reduced all of our underground haulage, take most of the coal overland to our train load out facility. We built a brand new train load out facility that has capacity of 9,000 tons per hour and it's very, very efficient. We can load trains quicker than anybody else on the east coast to get those away.

Jimmy: We operate quite frankly by our core values. Every P&M employee knows that, every management employee knows that. Safety, compliance, continuous improvement and by the way any incentive, bonuses or any incentive payments that we pay out are all paid on unit cost, no volume. It's all the unit cost.

Nate: How are you thinking about the longer term or midterm trends with respect to supply and demand? What are some of the maybe data points or indicators that you keep your eye on or you would point potential investors to just be cognizant of when they're thinking about an investment in a coal company?

Jimmy: I'll start out and then turn that over to Dave but I think one of the big misconceptions out there from investors and others are just exactly how big the coal markets are. The coal industry is seven billion tons annually. It's a huge market. Here in the US a lot of that is seaborne obviously that goes over there but people don't understand the magnitude of what coal actually supplies. Again when you get back to what's gonna drive the demand for coal, I think it's always gonna be the demand for electricity, the demand for steel, and then all of the other streamed products that can be, whether it be bricks, cement, or chemicals or something else that we can do.

Jimmy: So we will have to find other uses for coal to gain back some of the market share that we're actually losing in the power generation side. Dave probably has some more he'd like to add to that.

Dave: Yeah. So if you look the supply side on that seven billion tons has been relatively flat to actually declining if you adjust for the BTU content that it's been deteriorating over time. The demand side has been growing somewhere between 1 to 3%. Steel has been actually running above that this year. Power generation is probably running between one and one and a half percent. So you've had supply not grow and actually achieved decline on a BTU basis and yet you have power plants being built around the world and you have steel consumption growing close to 5%.

Dave: So that's what's created sort of this uplift in coal prices that we saw from the bottom of 2016. There's not a lot of capital being spent to create new supply. At the peak we were spending about $18 billion globally in coal.

Today that number is closer to $6 billion so capital's declined by two thirds. Mines are depleting somewhere between 5 and 10% a year. So with the lack of capital spend you're seeing more and more pressure on the supply side going forward.

Dave: So as the global continues to grow and obviously with trade wars and looks like we're right on the midst of a small global slow down but if the globe just continues to grow 3%, 2 to 3% the demand for power, demand for steel will continue to grow. The question is where will that supply be in the next let's call it three to five years.

Nate: I thank you very much for that explanation. I appreciate it from both of you. It's helpful. I guess the next question then is just how much thermal and met coal do you have exposure to? Are you primarily thermal, primarily met?

Jimmy: We're mainly thermal coal. Now our thermal coal is very high in BTUs, low in sulfur which travels very well. So what we can do is we can move anywhere from two to two and a half million tons of our coal annual over into that crossover met market. Now it doesn't quite meet a metallurgical A or B coal but due to the fluidity of the coal they'll actually use it for blending purposes and it trades at a premium to the thermal coal.

Jimmy: So I would say again two to two and a half million tons of that can go over to that met crossover coal. We do the rest of our coal is primarily thermal.

Dave: About 10% is met roughly.

Nate: Okay. What is your total capacity, your production capacity?

Jimmy: If you look at the complex of Pennsylvania Mining Complex, we have 735 million tons of reserve there. If you look at our annualized forecast that we put out there we have the capacity to run to 28 and a half million tons out of the complex. Now we have organic growth strategies there that we could add, that could boost that number even higher but to do that we have to go out to our preparation plant and logistics work and do something that can process that coal to get through.

Jimmy: So I would say currently what we've set today we're at about a 28 and a half million ton capacity coming out of Pennsylvania Mining Complex. With that being said, we can invest capital in a plant, add another circuit to that and we could add additional capacity tons but again we'd have to have certain in the market before we went and spent that capital. Dave and his team have spent a lot of time developing a strategy on how we allocate our capital and it's always on a highest rate of return.

Jimmy: So I would tell you today it's about a 28 and a half million ton capacity out of Pennsylvania Mining Complex and then if the market turned for whatever reason we have the capacity to take about half of that coal or 15 million tons to our Baltimore Terminal to the export market if we wanted to.

Nate: Yeah. You guys talk about, and you also get a lot of questions about committed volumes. I was just curious if you could provide just a little bit of insight into your visibility into the, or the level of committed volumes over the next few years or just how you think about what you think you need to have good visibility into your volume outlook.

Jimmy: Yeah that's a great question because it's a driver for what we do. So I would tell you for 2018 every ton of coal we can produce is sold. That's a great place to be. For 2019 currently where we set today we're 90% contracted, that's what we said on our Q3 earnings release. Then for 2020 we're about 44% contracted out there now. Our marketing team works every day to look at these, as I said earlier we are pretty much market driven.

Jimmy: So we look for every opportunity that we can get that's going to allow us to enhance our overall portfolio where we can raise that overall price of the overall portfolio. We do that in three different ways. One of course is high prices. Secondly is we have an international contract with X Coal that moves all of our international coal and then third is the netback deals that we talked about earlier. So it's a unique marketing strategy. Our team does a really good job of going out there and trying to attract the highest prices that we can get for our very high quality coal that we produce at a low cost.

Dave: Just to add onto that a little bit 'cause you asked about visibility so Jimmy gave you some numbers but then let me give you a little bit of sort of trends that have been going on. So if you go back in time coal companies and particularly thermal coal companies like us, we sign multi-year coal contracts. So as opposed to metallurgical coal which is mostly priced quarter to quarter so you have less visibility there.

Dave: So in the downturn where there was plenty of natural gas and low pricing the utilities really moved to shorter term contracts. Now as the economies have turned up, as demand for power has grown and does utility stock piles have done to coal very low levels now with rising natural gas prices, the appetite for the utilities to go out and sign multi-year deals has picked back up to where coal peak crisis mode back into where 2011. So that's giving us a greater visibility.

Dave: These coal contracts are signed in contango so we have a good price and then it only gets better into the future. So it's the mindset of utility is definitely improved. So that's helping us to give us greater visibility and sustainability in our business.

Nate: Okay so I mean the both of you already indicated what the CONSOL business strategy is but if you could frame it up in just a few sentences just what the overall strategy and goal is for your shareholders and for the business, what would that business strategy, how would you categorize that business strategy?

Jimmy: I think we spend a lot of time developing that and we laid it out in our first earnings calls that we did as a publicly traded company. Our number one priority was to create a very healthy balance sheet. Our second priority was to grow opportunistically. Now when I say grow opportunistically that means that we wanna take an in house look at what we already own and are we getting all the efficiency gains that we can, are we running that at a maximum efficiency output for what we have?

Jimmy: We have gained significant grounds there by using automation, technology and other controls that's really helped us so we feel pretty good about where we are there. Then third priority was to return capital back to shareholders. Now we said we would do that in one of three ways. We would pay down debt, we would repurchase shares of CEIX, or CCR that we added and to prove that our board authorized $100 million share buyback that we had.

Jimmy: Then the last thing we said if the time's right we would institute a dividend. Again all three of these things would compete for return of capital so that would determine if we bought CCR, if we bought CEIX, or if we decided to pay down debt of institute a dividend. So whichever one of those would have the highest rate of return for our shareholders, that's what we would be focused on and what we would attempt to do.

Nate: Yeah. I would love to get back to that really healthy and really attractive free cashflow yield in your stock. But maybe we should save that for a little bit later. Competition. Could you talk about the competitive landscape and then just what some of your strengths and advantages are relative to the competition?

Jimmy: Yeah I think currently today we focus on natural gas the most from a competition standpoint. We feel pretty good about our peers in the coal spaces out there. Amongst the coal peers we're in northern App and we compete obviously with Murray Energy and Conture for the most part. There is some competition from Illinois base particularly in the southeast. Internationally I would say we compete against Australian, Colombian, and South African coals for the most part.

Jimmy: But what I will tell you is when you look at our complex with our high BTU coal, low sulfur, our transportation advantages and being served by both rails, we feel pretty good about that 60 to 80% domestic markets that we talked about earlier.

Jimmy: With the low cost that we have and the high quality of coal we continue to be successful in doing those things.

Dave: Just to give you a little bit of numbers here just on an MMBTU basis our fully loaded costs to produce coal, that's cash operating costs, cash cutbacks and corporate overhead, is about $1.45 per MMBTU. So if you think about where gas is trading today around $4 in a spot market village called $3 plus in the forward curve, our pull is very, very competitive against the current gas market.

Nate: Yeah wow. That is impressive. I didn't realize your costs were that low on an MMBTU basis and I appreciate you framing it that way. So from a regulatory standpoint are there ... obviously the current administration has said a lot of positive things about coal and the previous administration instituted as you said Jimmy MATS and I think a few other things that were kind of headwinds for coal. What is your outlook right now from a regulatory standpoint?

Jimmy: Keep in mind I tell you this earlier, we feel really good about our Pennsylvania Mining Complex because it's built to operate in any regulatory environment but I will say this. The Trump administration, I think the most important thing that he did for the coal space was he created a lot of optimism. Now that optimism was among our employees at the mine. We had Scott Pruit when he was administrator of the EPA he had a mine visit here and their theme was the war on coal is over. We wanna take an approach of all of the above to look at all these resources. So he created a lot of optimism there.

Jimmy: Now they have rolled back some regulations. I would say they didn't really have as much of an impact on us particularly but on the coal space in general they certainly did. More importantly I think he's just stopped the onslaught on regulations that were coming at us every day. It's like they had their foot on our throats and they just were not gonna let up. But the Trump administration has come in and stopped that onslaught. He's put a stay on the clean power plant. Some of the other things that he's done was he actually wants coal to be part of the power generation source movement forward.

Nate: Yeah. Apart from removing the call it the federal foot from your throats from a regulatory standpoint do you think that there's been the steel tariffs, have you seen an impact already with respect to just some of the things that the Trump administration has done from a demand standpoint for your product?

Jimmy: I would say we definitely have. We definitely seen an increase in the demand. I would think that one thing that's created a little bit of uncertainty and I think that might be why you're seeing some of the volatility in the market today is honestly the trade tariffs. How they're gonna settle out and who's gonna be effected the most. For us at some point in time you saw a little bit, we saw some pressure on our own share price because as I stated before we're planning on sending about 10% of our coal that will go to international markets. So 20 to 30% could go to international markets when you include thermal side.

Jimmy: So with those tariffs being uncertain on how they were gonna shake out and that could have had a negative impact. But I will say in the long term I think this will all balance out and I think it'll be a benefit to us.

Nate: Thanks. I appreciate that explanation. So could we talk about the financials a little bit and I'm curious about how you're thinking about just the stability of cashflows when you look at the entire portfolio, especially within the context of variations in coal prices and variations in some of your costs? I mean how would you characterize the stability of cashflows for CONSOL?

Dave: If you listen to Jimmy Brock on our last earnings call, one of the themes that we wanted to make sure from the investment world understood is the sustainability of our business model. First and foremost is the production and the cost structure that we have in place is very predictable. It'll move around a little bit, there's always some bit of volatility. The second is the marketing strategy that Jimmy talked about.

Dave: So one of the benefits that we get as a coal producer that has great coal and low cost structure and export capacity and the ability to sell coal all around the world as well as domestically and selling to the right power plants, so as a result we are locking in this multi-year deals to give us that good view on the commodity price. We have a partnership with our customers at the end of the day. We want our customers to be happy. They need to run, they need to run well, they need to make money and we can make money. So if you're customers aren't happy we're not happy.

Dave: So we have a business model that works with the customers, we have an active base that's very well capitalized. We have a core set of values that really focuses on the employee and taking care of the employee. So we're built to run really on maintenance capital for the next 26 years. So as a result it doesn't come any better than that for sustainability in the coal space, which littered with a lot of volatility around it.

Nate: I find that last comment extremely interesting. You just said that your business has been built to run basically on maintenance cap ex for the next 26 years. So if you just look at your free cashflow profile ... I'm sorry I have to go back to your free cashflow yield 'cause that's very important for me and just seeing that it's north of 20% at least for 2018, a 20% free cashflow yield over the next 26 years is really compelling.

Nate: A lot of market observers are talking about a recession. How much are your volumes impacted at least historically when you think about the previous recessions? How much are volumes impacted whenever you see sort of an economic downturn?

Jimmy: It's a good question and again as I said earlier we run to the market. We made a conscious decision in late 2015. We had contracts for 23 and a half million tons so we ran to 23 and a half million tons. Now when you do that obviously you can't do it with the same structure you have. So you have to take on serious decisions such as idling a coal mine or idling a longwall or doing something required. But the one thing about this complex is it's fairly consistent when you look at the quality of the coal.

Jimmy: There are some walls that have lower sulfur depending upon where they're located but the BTU content is pretty consistent throughout. So we would choose which ones we run and we would run to whatever that market demand is. We like to run to protect our margins so that's a structure that we have in place. We have a lot of optionality and flexibility to quickly adapt to that. Now with that being said we talk about running to MOP capital, maintenance of production capital for the next 26 years. Obviously if we do some of these organic growth products that we talked about earlier we would have to increase that number because we would be putting in, for an example, an additional circuit at the plant to clean the additional volumes that are coming through.

Jimmy: But Dave is absolutely correct. If we run at 28 and a half tons we pretty much can run that on maintenance of production.

Nate: So you've been able to raise guidance for this year. What are the big drivers there and are any of those drivers, do you think of some of those drivers are being long term trends for your business?

Jimmy: I think some of the biggest drivers quite frankly is productivity. When you look at the productivity we've been able to use some of those efficiency that I've talked about earlier such as automation some other things that has beat the productivity forecast that we had out there. We try our best to forecast as accurately as we can but these guys are young, energetic and a very good workforce and they run extremely well this year.

Jimmy: We think we can continue to do that. There are some hurdles that get in the way such as geology every once in a while but I will tell you every single pound they mine they're getting better. Our Harvey longwall is a perfect example of that. Very, very young workforce but they're getting better with every longwall panel they mine. They're currently in their fourth longwall panel and we see them improving every panel they mine.

Dave: Yeah so we raise guidance three times this year. We started off with our initial guidance at the end of fourth quarter last year and we just have a methodology where we have our internal plan and then we have our upsides and our downsides. We need to understand what is the variation around our plan and so we go through as much of a scientific process to be able to quantify each of those pieces. Then we spend time really trying to minimize that downside risk and trying to capture that upside.

Dave: So we put the best that we know in the plan but then we spend time really trying to improve upon that plan over time. So we've actually raised our guidance about 26% when you account for the whole three raises that we've done this year. So it's a very conscious effort to make sure we provide to the outside world a very high confidence level that we really understand our numbers. Again that ties again to the fact of sustainability concept and so that the investor might have a volatile stock price but at the end of the day has a much, much less volatile fundamental story underneath them.

Nate: Yeah definitely. The balance sheet is something that again I think a lot of investors, going back to what I was saying previously about, would never look at coal and the reason why is they think about the future in terms of whatever it is, whatever technology that we develop that can supplant something else that is more efficient and cleaner for the environment. That's something that they will invest in but so just going back to those conversations that I would have with those portfolio managers, they would have been adverse to investing in coal because they think that coal is something of the past. But then on top of that if they saw coal company that had any debt then they're even more averse to the idea of investing in a coal company because they think that well there's a greater possibility that their investment in CONSOL for example could end up being a doughnut.

Nate: I'm just curious what your thoughts are on the appropriate debt levels for your business and how you're thinking about leverage longer term.

Jimmy: That's an interesting question. We have quite a few internal debates here about that. I think honestly as I've said earlier our number one priority was to create a healthy balance sheet. We've done that. But I also will tell you I'm not quite certain we will get value in our share price and what I mean by that is how much credit do you get for being say levered at one times versus one point five times? I'm not sure it's recognized as true value in the marketplace by the investors.

Jimmy: So we are starting to see a very familiar trend though in the commodity cycle and that is investors are starting to focus more on return on capital than they are growth projects. So you would think that some of that's been driven by investors being burned in the past, particularly on the coal space. But we do think it's critically important that we generate free cash flow to be able to sustain our business plan going forward and obviously you can't do that if you're loaded up and levered up on debt.

Jimmy: So it is important to control that. I think Dave and his team do an excellent job of keeping myself and the board members updated on where we are. But we don't really have a magical number per se that we would like to get to. Obviously if you had no debt that would probably be the best but for us it's just maintaining a healthy balance sheet with the appropriate amount of liquidity that we can get through that down cycle if need be.

Dave: Yeah just I'll be a little numbers around it just right now because of all the bankruptcies out there that happened in the past, the balance sheets for the whole coal space for the most part, not all of them but for the most part, are sitting very low at sort of one times kind of debt and sometimes under that number. But I think what you have to understand is if you're a metallurgical coal producer sitting with high coal prices but no pricing duration around it, okay you're gonna generate probably a lot of free cashflow but you run the risk of the volatility that the commodity price turns down.

Dave: So you need to keep your balance sheet probably extra under levered because of that. So that's important. As a multi-year thermal coal contracted company for the most part 90% thermal, 10% met we have a lot more visibility. Again going back to that sustainability comment. So we could in theory have more leverage than the met coal player because of that visibility to those cashflows. So for us we always mention to our investment world that be careful about measuring us against the metallurgical coal players because we have a lot more visibility and we're contracting out for purpose.

Dave: So our leverage range sits between probably one and two times right now and we have covenants in place that we have to follow. It gives us more flexibility as we take our net leverage down. We also wanna keep our liquidity in tact between let's call it 350 to $500 million range. That's kinda the rough fairway we're in. So we feel that between those two metrics that should give a lot of comfort to the investment world as well as all our operating and capital providers.

Nate: Yeah okay. I appreciate that. So the one question that I could ask on cap ex though is just maintenance cap ex. We've talked about it a couple times already. Could you just describe what maintenance cap ex is for CONSOL and what's included in that? What is sustaining cap ex for a coal company like CONSOL energy?

Jimmy: We here at CONSOL, we like to say our maintenance of production cap ex is gonna be between four and $5 a ton. We've run historically numbers lower than that. We've run slightly higher than that but it depends on what we're doing in that particular year. Obviously if the market is not there then we're scaling back capital. That's in our control. That's Dave's allocation plan that he has with capital spending that we always go through.

Jimmy: So typically for us you would see our cap ex numbers somewhere between 135 and $145 million a year. It's been significantly lower than that the past few years but keep in mind we've been in a downturn market.

Nate: What do you have to spend capital on? Is it just fixing equipment that breaks? Is it-

Jimmy: It's rebuilding equipment. It can be new equipment. It can be ... the biggest capital driver that CONSOL energy currently has today is our course refuse area that we're building for life of mine as well as air shafts. Those are things that you have to have going forward to mine and that's our biggest driver of capital for the next two to three years. There are some leases that are included in that. That's about it.

Nate: So now to my favorite subject is free cashflow and CONSOL generates a really healthy amount of free cashflow. You just mentioned that maintenance cap ex has been lower due to the fact that the industry has gone through a downturn. Could you just provide the listeners with what you guys think a good range for steady state free cashflow is?

Jimmy: We don't provide free cashflow guidance but I can tell you what we've done so far year to date that we've announced on our Q3 earnings call. CEIX generated organic free cashflow net to the CEIX shareholders of $217 million for the nine months ending on 9/30 of '18. The coal prices averaged $49.11 for that period and we sell approximately 27 million tons per year so depending on your view on pricing and everything else stays equal you can in theory say that $27 million of additional free cashflow a year for every $1 change in pricing.

Nate: That's really helpful to know. Apart from coal prices is there anything else that's important for potential investors that maybe they should focus on or consider that have an impact on your free cashflow? I mean obviously costs but what do you think is important?

Dave: Yeah cost is probably the right one to focus on because right now when you have higher prices it inherently causes inflation to kick in. So we've been talking about inflation of zero to 5% on our unit costs from rising steel prices, rising diesel, rising labor costs we're seeing. So some of these things as the market looks like it's starting to pull back a little bit here to date but we've been living with inflation and I'd call the second half of this year. We anticipate having inflation into 2019.

Nate: Okay all right.

Jimmy: I would just add to that that one of the biggest changes can effect that we control is working capital.

Nate: Okay. So I'd just like to ask about capital allocation philosophy. Jimmy you highlighted your capital allocation strategy earlier with respect to buying back shares of either CEIX, CCR, paying down debt, or instituting a dividend. Then I indicated that this is something I would really like to hear from you guys in terms of just how you're thinking about that outlook based on where your share price is today.

Nate: Even if it's just theoretical or philosophically how you're thinking about the share price today and what you think the best capital allocation strategy is or shareholder return strategy is for the business and for the shareholders.

Dave: Yeah so our job as management team is to make sure that we have the biggest opportunity set. So also included in there just to make sure we have the opportunity sets framed properly, we have some of our potential growth projects like Itmann. We have some of our new technology projects potentially like Omnis which is a clean coal refinery basically. Some of our debottlenecking projects that Jimmy talked about that can actually take some of our current capacity up as well as taking our cost structure down.

Dave: So those things will all compete on a rate of return basis against share buyback of CEIX, unit buyback of CCR, going in and buying in the open market some of our second lien debt that was at one point trading at 11%. So we have a very, I call it strict methodology that's very clinically based upon rates return. So with one of the problems with the commodity stocks is that you go and you wanna buy back stock when you have a lot of free cashflow and you end up buying it at the wrong time. So one of the things that I think helps us with a sustainability thesis here having more visibility on those cashflows really gives us a benefit of understanding better what we think the value of our underlying value of our stock is.

Dave: So if we were a met coal player I'd say not sure you really know what the value of your company is because of the lack of visibility of what that coal price is gonna be two, three, four years down the road. For us we have now layering in these multi-year contracts, we start to frame out a much stronger value of our underlying stock. So that gives us ability to figure out what the rate of return is on our stock and obviously as we're signing in contracts with Contango and we're strengthening the view of what we think and yet our stock price falls that creates more upside in that simple math calculation.

Dave: So our goal is to overall take our return of capital employed up over time and the way we're gonna do that is by making sure that we allocate capital to the highest rate of return things. So in there implicitly obviously is buying back stock.

Nate: Very helpful. Is there a different philosophy for CCR? I mean how are you guys thinking about the longer term ... so I covered MLP so there's been a pretty significant shift change in terms of how management teams are thinking about dropdown stories and also conversions to C-corps. Because they wanna either get into the indexes or they wanna make the investment proposition a little more palatable for retail investors. There's a number of reasons why they're doing it but I'm curious if you guys are rethinking the MLP structure that you have and whether or not your capital allocation strategy may include something related to CCR longer term.

Nate: Or are you just thinking about CCR as an opportunity for retail investors you really like income to buy and hold and see, assuming the share place doesn't do anything they'll still get a 12% return every year?

Jimmy: That's fair. So looking at CCR as you well know Dave and I, he's the CFO of that company as well as I'm the CFO of this company. So really we look at all opportunities and we like optionality. CCR creates that for us. So first of all we look at our forecast, we generate plenty free cashflow to pay all the distributions. So timing's on our side there. We can just simply wait this out.

Jimmy: Now it simply is very expensive to grow the business right now because it could not compete with some of these other, to Dave's point earlier, every capital dollar we spend competes. So it goes to the highest rate of return. But we like to keep the optionality there for CCR. So today as you mentioned already those unit holders are earning a 12% yield on the share price plus the IPO price was $15 and today it's $18.

Jimmy: So I think it's a win for those unit holders. We will continue to look at it. Obviously it would simplify our structure a lot to your point if it was brought back in to CEIX but again it has to be accretive to the CEIX unit holders as well as the CCR unit holders. That'll drive our decision at the end of the day.

Nate: Yeah okay. I really appreciate that. That's helpful. Then what about M&A. I mean is M&A something that you guys are interested in and do you think the environment is such that it's a good environment for M&A to happen in the space right now given the fact that a lot of these coal companies are trading at depressed values, valuations especially relative to other sectors? But even historically I mean do you think that M&A is something that, an M&A boom or an M&A cycle is on the horizon?

Jimmy: I think you will and are seeing some M&A happening. For an example you just saw Conture merge back with Alpha. That's one that's out there. I think the important thing about M&A and obviously we have had a one year strategy where we executed on one, two and three and we got a very healthy balance sheet. Our plan next year moving forward is we're gonna look at a growth out of the business. We always have but we'll probably put more emphasis on that moving forward.

Jimmy: But I will tell you M&A to be very, very careful about due diligence. You can go out and acquire something that you think is gonna generate an additional $100 million in the EBITDA for you and all of a sudden you find that yeah it can do that but to do it I have to put 75 million of capital into it because of Dave's point earlier there hasn't been a lot of capital in the M&A space out there. It's pretty much been survivor mode for the last two to three years.

Jimmy: So I think you will see some M&A. We certainly would have interest at the right price and right valuation which if fair to both. But I think for us we talked about it before, we have a lot of growth opportunities organically. We control a lot of reserves. We announced on our last earnings call that we're looking at the Itmann project. We have started full permitting on that. That'll be a low vol metallurgical coal that will be in great demand that should be low cost of capital to get in.

Jimmy: So we have the opportunity to look at what we currently own, maximize those assets first. But if the right M&A comes along for us we certainly would have interest and we would do the due diligence. If it makes sense we would certainly be on board as part of the growth strategy.

Nate: Is it just price or what other considerations do you think about when looking at opportunities to bring a new mine or a new asset into the portfolio?

Jimmy: I think it's really three things. It's number one valuation, make sure that we get a fair valuation for both the buyer and the seller. Secondly it's contracted positions. Do you have a contract that is sustainable for that business model that you'd put in. Then third is sensitivity. We like to run sensitivity around the markets. What happens to this new M&A if we do it and all of a sudden the price falls 10 to $20 a ton? How does it look there?

Jimmy: So that's what weighs in on our side. But at the same time if you can create additional EBITDA and it doesn't really inflate your balance sheet or get your debt ratio out of calculation we would certainly be open to doing any of those things.

Nate: With respect to valuation what do you think the key valuation metrics are for your business? What do you think investors should pay attention to? Is it just free cashflow yield? Is it dividend yield for CCR? Is it PE, multiples? What do you think is most important?

Dave: I think what we've seen over time I think the metrics that seem to resonate with the investment world is the EV to EBITDA multiple as well as the free cashflow yield. The only thing I would just say is if we're trying to make sure that people understand really the sustainability in our business model EV multiples generally go out one or two years and then people don't have a clear picture beyond that.

Dave: So ultimately having more of a discounted cashflow view of what the company would be worth would be great for the investment world to go and go through. Obviously we'd have to provide maybe a little bit more duration to be able for them to do it. But right now the two metrics that stick are EV to EBITDA and free cashflow yield.

Nate: If you had to ask the replacement cost for the entire CONSOL portfolio, could you put a number on that?

Dave: I don't know if it could actually be replicated. Because if you look at our coal seams there's no place around the world behind the northern App region that that coal seam is. So coal is not a perfect commodity. Where are you gonna find the 13,000 BTU coal where the seams run for miles? So that's one. We spent a lot of capital over the years in a different commodity price environment so I'm not sure what it would be today but my guess would be higher, significantly higher.

Dave: Then third like our Baltimore port I don't think you could ever build another Baltimore port ever again. I don't think, and where it's location and so I think you'd be very, very hard pressed to be able to duplicate this set of assets.

Nate: That's fascinating. Having you guys on the program is, the reason why I wanted to start doing this podcast. Because it's fascinating. You guys trade at, you mentioned EV to EBITDA multiples and just looking at 2018 based on the financial data platform that I'm looking at right now, estimates show you're trading at less than four times. You just mentioned that it's impossible to replace the business, the assets in the portfolio.

Nate: So clearly the market is missing something. I would love to hear your thoughts on what you think is most misunderstood or maybe just what you hear from investors that is something that you hear maybe too frequently and something that is just in both of your views just a massive misconception or misunderstanding.

Jimmy: Okay that's fair. We have heard in several investor meetings that the coal industry is going away. We don't believe so and I'll take you back to my points earlier where every time there's a huge incremental demand coal saves the day. The renewables didn't respond this last time so we don't think it's going away. As I said before, I think coal will continue to be a vital part of the energy mix.

Jimmy: Coal is the largest source of electricity generation in the world. There are challenges but as we stand today we do not see any other cost effective way to replace the entire coal generation fleet. The demand for coal is still growing globally and producers are not invested in the supply. So we think the supply is gonna stay relatively flat as the demand continues to grow.

Jimmy: From a concern standpoint, I think investors are recognizing the quality of our asset base but there is still some doubt out there on how we will keep on generating strong free cashflows several years from now. That ties to sustainability. We are building our market strategy that ensure stability production of a PMC. I talked a little bit earlier about that, about our strategy whereas we want 60 to 80% of our coal to go domestically. We'll send the other 20% international or 30%, whatever the market demands that's what we're gonna run to.

Jimmy: Our finance team is focused on deleveraging, focusing on allocating capital to the right projects out there. I think that our operations team is focused on making sure that we're able to run the complex day in and day out with reliability that gives our marketing team the ability to maintain existing customers and capture newer ones. So said another way, we're very dependable. When we tell them we're gonna deliver two million tons we deliver two million tons. We're very cost effective. Our employee base is very open to technology and innovation. So I think all of those things combined, our close proximity to these markets to where we're selling coal and keep in mind we sell coal today in five of the seven continents.

Jimmy: 90% of our business is repeat so we've delivered on what we have told customers we can do and we have great relationships with them and we think we can be sustainable for many years to come.

Dave: Just one last thing I'll just add is from an environmental standpoint, I know that the ESG investing has become a very increasing way to filter and look at stocks. We consider ourselves environmentalists. We spend a lot of dollars. Compliance is our second most important core value behind safety and so we will be putting out our corporate responsibility report shortly. When we go and benchmark ourselves against our brethren and our large global miners, we do very well. We still have some work to do but again we are very focused on keeping our environment as clean as possible 'cause this is our backyard where we live.

Nate: Yeah absolutely. What are some of the headwinds? What are some of the risks that you're keeping your eyes on and that you're maybe just more focused on or more concerned about today relative to last year?

Dave: We keep our eye on gas production and gas pricing levels. Gas is gonna grow probably somewhere between 10 and 12% this year. Coal demand within the US is probably gonna be down 4% or so, maybe four and a half percent. So the domestic story for coal has been down and the expectations is over time there will be more coal retirements, there will be more gas production growth, and on top of that you'll have more renewable growth.

Dave: So to Jimmy's point what is the market share for coal gonna be within the US is kinda the question mark. We basically mitigate a lot of that issue by our long term contracting strategy and picking the right power plants that we believe will stay online for many years. So we spend times with their integrated resource planning modules to make sure we know which plants are gonna flick off and which ones are not.

Dave: But that's a headwind that we keep our eye on. So if gas prices fall it puts pressure on our coal pricing, on our open tons. That's a question mark that we face in meetings that we go and meet with investors.

Nate: Yeah. Knowing what you know about your business and assuming both of you weren't shareholders, and I'd also be curious to know proportionally how much you guys own but assuming you weren't shareholder what do you think is the most important thing you'd need to get comfortable with or learn more about before making an investment in CONSOL?

Jimmy: I think it's just the belief in coal because if coal is gonna be there we're certainly gonna be there. We're low cost producer, we've got a great marketing strategy, we're in close proximity to our customers. So I think those are critical things. Other than that, it's the management team, the expanse of the team here. Not only can we operate and run, we can build new mine complexes as well. The senior leadership team here, and I'll go all the way down to our mine superintendents, probably has anywhere from 25 to 35 years of experience.

Jimmy: So we have a very experienced team. We have vision looking forward and I think we're in a great position.

Nate: Thanks. Thank you for that. Would you like to share anything Dave? It's up to you. No expectation or obligation here.

Dave: So I think between Jimmy and I, I think the shares it's all in the public so you can see how many shares we have.

Jimmy: It's in the proxy.

Dave: It's in the proxy out there which will come out again. The majority of our net worth is tied up in our ownership in CEIX. I will just say personally I've probably purchased several hundred thousand dollars of stock myself so I've personally put my own money into it. So that's the kind of share of faith that I've had in this company.

Dave: Really what makes this company very unique is the assets and the people and the location. It is again you can't replicate this and over time as the quality of coal deteriorates and our quality just stays flat, the value of our assets just go up over time.

Nate: Okay thank you for that. Then last question is just whether or not, if you guys have a funny or interesting story from an investor conference or a meeting with investors either current shareholders or potential shareholders that you'd be willing to share.

Jimmy: Yeah I will tell you that every investor conference I've went to, sat down in front of a group is very helpful and educational to me. 'Cause as you said before, you find out a lot of things. I find it kind of interesting a lot of times we'll go into a group of investors that don't own any of our shares, obviously we're trying to pitch our story. But one of the things that they wanna know a lot about is our competitors. What we think of them, how we see them operate and how they run.

Jimmy: I can tell you from a funny standpoint one time we were talking to a group and they were talking about our concern, our worries about the very thing you mentioned earlier and that is EVs. Ironically we're for EVs because what people fail to realize is those batteries, they require charging. Kind of a bell went off in their heads when we said that and they understand, they saw lights on. Yeah I guess they do have to charge those batteries and that requires electricity which will drive the demand up.

Jimmy: But basically most of the investors that we've been in front of or I've been associated with have been educational and helpful for me.

Nate: Yeah. Just as a side, I do think that the EV story is really interesting and really it's something that I'm surprised that the management teams out there just don't talk about it as much as they probably should because it could be a massive growth driver for them. It's just fascinating that they don't really talk that much about it. I appreciate you highlighting that.

Dave: Another thing about that Nate, the demand for oil comes down and the demand for coal and natural gas come up, as demand for oil comes down it actually puts extra pressure on associated gas. So you're indirectly putting some extra pressure on gas supply when all that happens. So there's a lot of moving parts in all that which ultimately helps coal.

Nate: Yeah definitely. I really appreciate you highlighting that because yeah the associated gas component is critical. Well hey guys, I just wanna say that yesterday I sat down with somebody that I have an enormous amount of respect for and he's somebody that really highlighted how critical it is in when you make an investment, when a shareholder buys a stock they really need to know whether or not they're getting a quality management team.

Nate: I really do feel like I've had a really high quality management team on the program. So just I think it's really important and I think it's awesome that you guys came on the program to talk about your business. So thank you so very much for coming onto the podcast. It's been a really great pleasure talking to you guys.

Jimmy: Thank you for showing interest in our company and we were happy to do it. Thank you Nate.

Dave: Yeah thank you Nate.

Nate: Thank you guys.