PARTICIPANTS

Corporate Participants

Christina Kmetko – Investor Relations Consultant, NACCO Industries, Inc.
J.C. Butler, Jr. – President and Chief Executive Officer, NACCO Industries, Inc.

Other Participants

Andrew Kuhn – Analyst, Focused Compounding
Trey Henninger – Analyst, DIY Investing

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. And welcome to the NACCO Industries' Fourth Quarter and Full Year Earnings Conference Call. At this time, all participants are in listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions]

It is now my pleasure to turn the call over to your speaker today, Ms. Christina Kmetko. Please go ahead.

Christina Kmetko, Investor Relations Consultant, NACCO Industries, Inc.

Good morning, everyone, and welcome to our 2020 Fourth Quarter Earnings Call. I am Christina Kmetko, and I'm responsible for Investor Relations at NACCO Industries. Thank you for joining us this morning.

Joining me today are J.C. Butler, President and Chief Executive Officer of both NACCO and North American Coal; and Elizabeth Loveman, NACCO's Vice President and Controller. Yesterday, we published our fourth quarter and full year 2020 results and filed our 10-K. Copies of our earnings release and 10-K are available on our website. Anyone who is not able to listen to today's entire call, an archived version of this webcast will be on our website later this afternoon and available for approximately 12 months.

Our remarks that follow, including answers to your questions, contain forward-looking statements. These statements are subject to a number of risks and uncertainties that could cause actual results to differ materially from those expressed in the forward-looking statements made here today. These risks include, among others, matters that we have described in our earnings release issued last night and in our 10-Q and in other filings with the SEC. We disclaim any obligation to update these forward-looking statements, which may not be updated until our next quarterly earnings conference call, if at all.

In a moment, I'll discuss our fourth quarter and full year results. But first let me turn the call over to our President and CEO, J.C. Butler, for some opening remarks. J.C.?

J.C. Butler, Jr., President and Chief Executive Officer, NACCO Industries, Inc.

Thank you, Christy, and good morning everyone. As we put 2020 behind us, I'm pleased to be looking forward to the future. That said and I'm a big believer that changes make us stronger and I definitely believe that the challenges we faced in 2020 made both our team and our business stronger. I have to start today by recognizing our employees who are doing an incredible job for our customers and for the company. While a portion of our employees have been working remotely, a vast majority of our team has been coming to work to do their jobs every day since the pandemic started. As essential workers, they needed to come to work and they did and those working remotely seem to be putting in more hours and producing more output than ever before. I could not be more pleased with how well our entire team has managed through this situation and adapted to these constantly changing work environments. I truly appreciate our employees' commitment to supporting our customers, while also working to keep themselves and others safe. I simply cannot thank our team enough for their great work.

In addition to managing changes associated with the pandemic, we also have dealt with disappointing news from some of our customers in 2020, which affected both our fourth quarter and full year results. Christy will cover this more in detail in a moment, but it's safe to say that our 2020 financial results were disappointing. In our Minerals Management segment, we expected lower royalty income to the natural decline in production of existing natural gas wells in Ohio, but the COVID related collapse in natural gas prices made this worse than expected. Prices have recovered quite a bit from the lows in the early 2020, but the pace of new well development has slowed down quite a lot. We also experienced a significant reduction in the earnings that our Coal Mining segment. Our Camino Real mine in South Texas and our Caddo Creek mine in East Texas ceased production in 2020 and we generally saw modestly lower levels of coal requirements from our customers. Some of the reduced demand for coal was COVID related, which somehow reduced demand – somewhat reduced demand for electricity, but it was perhaps even more so related to extremely low natural gas prices.

Despite the challenges experienced in 2020, we continue to have a positive view of our long-term business prospects given our strategies to grow and diversify a strong pipeline of business development opportunities and the quality of our team. We continue to believe that coal is going to be an important part of electric generation capacity in the US. I think the recent events in Texas show us how important it is to have generation capacity that is readily dispatchable. We're very actively engaged in helping our coal customers be competitive and will continue to do so. We are fully aware of the challenges faced by our legacy coal mining business. That's why we continue to push forward on key initiatives to grow and diversify. We're deliberately diversifying into other businesses that leverage our core skills, our capabilities, our reputation. North American Mining has been growing quite rapidly over the last several years and I was pleased to see improved operating profits from this business in 2020. We've expanded the scope of North American Mining's business development activities to include a broad range of minerals and materials and by leveraging our core mining skills to expand the range of contract mining services we can provide. We can provide specialized services like operating draglines or other specialized pieces of equipment or we can run an entire mine, like we would do with the new lithium mine that we are developing for Lithium Americas in Nevada. There's no question that the pandemic slowed the pace of North American Mining's business development activities in 2020. But our outlook for growth in 2021, including growth outside Florida, is strong. While North American Mining getting close on any – on many new projects in 2020, their pipeline of potential new projects is bigger and better than ever.

Shifting to our Minerals Management segment, we're growing and diversifying by buying mineral and royalty interest in premier basins in the US. While COVID reduced our oil and gas income, depressed oil and gas prices in the OPEC price war created a buyers' market in 2020, making this a good time to launch our acquisition program. In 2020, we were able to acquire mineral and royalty interest in the Permian Basin in Texas for a total purchase price of about $14 million. These acquisitions align with our strategy to grow and diversify, where we're acquiring mineral and royalty interest in oil-rich basins with a balance of near-term cash flow yields and long-term growth potential. This offers diversification from our legacy mineral interest, which are predominately in natural gas rich basins, largely in Southern Ohio.

Mitigation Resources of North America is making great progress expanding its business model, with a number of banks in development in the Southeast. We're finding that we can create real value by leveraging our company's strong environmental skills and reputation for doing quality work to preserve and protect streams and wetlands. Mitigation Resources has demonstrated good success in its first few years in business and has a very strong pipeline of potential new projects. We certainly will evaluate new coal mining projects, but I don't see a lot of those coming available. And even if they do, we will be very careful to stick with our management fee business model and think carefully about the risks and opportunities of any new project.

I do want to mention the voluntary separation program that took place in the fourth quarter. This was focused on reducing employee costs at the headquarters level, which directly affects our total G&A costs. This came about in response to some of the challenges we faced in our Coal Mining segment, but also in recognition of the investments we've made in new information platforms and IT systems over the last several years. Between the VSP program and some voluntary departures we've reduced our head count by about 25% at the headquarters level. This wasn't an easy decision. All of our employees are important part of our team and many of these were very long-term employees. But it was what we needed to do.

We'll end up filling a few of these positions. But overall our plan is to leverage our new IT tools and modify processes to operate more efficiency. So with that, I'd just say again that while 2020 was not an easy year for us, I'm impressed by the tremendous accomplishments of our incredible team of employees. And I'm proud of the progress we made to advance our goals in spite of the challenges that 2020 threw us. And of course all of us are excited about building on this progress in 2021. We're purposefully diversifying into three strong businesses that leverage our core skills, capabilities and reputation. And I've got a lot of confidence in what these businesses can become in the future.

Now let me turn the call back over to Christy to cover our results for the quarter.

Christina Kmetko, Investor Relations Consultant, NACCO Industries, Inc.

Thank you J.C. I'll start with the consolidated quarter and full year results and then provide additional details at the segment level. As J.C. mentioned, we faced many challenges in 2020 which culminated in disappointing fourth quarter and full year results. For the fourth quarter, we reported a consolidated operating loss of $8 million and a net loss of $5.4 million or $0.77 per share. There were $9.8 million of charges taken during the 2020 fourth quarter, which I'll cover in more detail in the individual segments that contributed to the losses in the quarter. For the 2020 full year, we reported consolidated operating profit of $13.4 million and net income of $14.8 million or $2.10 per diluted share and that compared with consolidated operating profit of $38.8 million and net income of $39.6 million or $5.66 per share for the 2019 full year.

Now let me provide a bit more detail on certain segment results. In the 2020 fourth quarter, the Coal Mining segment had an operating loss of $400,000 compared with operating profit of $6.4 million in the 2019 fourth quarter. The current year operating loss includes the following: A non-cash charge of $2 million for the write-down in Mississippi Lignite Mining Company's coal inventory to net realizable value, a $1.5 million charge for costs associated with our voluntary separation program implemented in the fourth quarter of 2020 and a $1.1 million non-cash asset impairment charge for Legacy Database acquired in the 1919 with information on coal reserves. If we exclude these charges, the Coal Mining segment's operating profit still declined from last year's fourth quarter primarily because of substantially lower results at Mississippi Lignite Mining Company, resulting from a reduction in tons delivered during the fourth quarter. This reduction in tons contributed to an increase in the cost per ton delivered. Also contributing to the lower operating results were additional wind down costs at Camino Real Fuels not covered by Camino's former customers, higher operating expenses and reduced earnings of unconsolidated operations.

The Minerals Management segment reported an operating loss in 2020 compared with operating profit in 2019 despite an increase in fourth quarter 2020 revenue. During the fourth quarter, we wrote off $6.7 million of capitalized leasehold costs and prepaid royalties on legacy coal reserves where prospects for development deteriorated in 2020. Excluding the asset impairment charge, the 2020 fourth quarter operating results in the Minerals Management segment increased over the 2019 fourth quarter, primarily because of new Ohio natural gas wells and an increase in natural gas prices. Those are the significant factors affecting the fourth quarter results. Now let me turn to our outlook.

In the Coal Mining segment, we expect 2020 coal deliveries to be comparable to 2020 based on current expectations of current customer requirements. However, the coal Mining segment's 2020 operating profit is expected to decrease significantly from 2020. This decrease is primarily because of substantially lower earnings expected at Mississippi Lignite Mining Company and a reduction in earnings at the unconsolidated coal mining operations. The lower Mississippi Lignite Mining Company results are because of an anticipated increase in the cost per ton of coal delivered in 2021 compared with last year, due in part to an increase in depreciation expense associated with development of a new mine area. The anticipated reduction in earnings at the unconsolidated coal mining operations is expected to be mainly driven by a reduction in fee based earnings at the Liberty Mine as the scope of final mine reclamation activities there have been reduced. This lower operating profit is expected to be partially offset by a decrease in operating expenses primarily due to lower employee related costs resulting from the 2020 voluntary separation program, partially offset by higher insurance expense.

In 2021, we expect North American mining operating profit to increase moderately over this year with its existing customer contracts. However, we are pursuing a number of growth initiatives that if successful, would be accretive to future earnings. In addition, I would like to highlight that in January of this year, the Thacker Pass project received a Record of Decision from the US Bureau of Land Management following the completion of the National Environmental Policy Act process. This decision represents an important milestone in the development and the permitting of the Thacker Pass project and more permitting decisions are expected later in 2021 with production expected to begin in the second half of 2022. Excluding the impacts of the $6.7 million write-off taken, in 2020, we expect Minerals Management operating profit to be down substantially in 2021 from 2020. This decrease is primarily related to a reduction in royalty income from existing higher mineral and royalty assets as a result of expected lower natural gas prices, fewer expected new wells in Ohio, lower commodity prices and the natural production decline that occurred early in the life of a well.

Let me spend a minute talking about our investment plans for Minerals Management. As J.C. mentioned, we acquired approximately $40 million of mineral assets in 2020 and we are targeting an additional $10 million in investments this year. While we expect these investments to be accretive to earnings, each investment contribution will be dependent on the timing, size and stage of mineral development of the reserves acquired. On a consolidated basis, excluding the favorable impact of potential business development activities, we expect substantially lower 2021 pre-tax earnings as a result of lower consolidated operating profit, an anticipated increase in interest expense and a reduction in interest income. These lower pre-tax results are expected to be partially offset by an increase in the benefit from income taxes primarily due to a benefit from percentage depletion at certain mining operations.

Consolidated pre-tax income and net income are expected to be higher in the second half of 2020 than in the first half of 2021 primarily due to direct and current expectations on the timing of customer requirements in the Coal Mining segment. Overall while we expect consolidated net income this year to decrease significantly from last year, as J.C. mentioned, we will still continue to be long – we still continue to view the long-term business outlook positively because of a strong pipeline of potential new projects.

The COVID-19 pandemic [indiscernible] (00:16:42) certain business development initiatives in 2020, but the outlook for growth in the North American Mining and Minerals Management segment and in our Mitigation Resources in the North American business remained strong. In addition, the voluntary separation program that occurred in the fourth quarter was substantially completed by the end of the year. As a result of this program, we are expecting estimated net benefits of between $1.5 million and $2.5 million [indiscernible] (00:17:10) beginning in 2021.

Moving away from results, let me briefly provide some cash flow information. We ended the year with consolidated cash of $88.5 million and debt of $46.5 million compared with consolidated cash of $97.6 million and debt of $23.1 million at the end of the third quarter. In addition, at the end of the year, we had availability of $117 million under our $150 million revolving credit facility. We believe that a conservative capital structure and liquidity are important given our strategic initiatives to grow and diversify as well as the changing trends occurring in energy markets. That said, our cash flow before financing activities varies with changes in customer demand, particularly in the Coal Mining segment as well as changes in earnings of the Minerals Management segment, working capital changes, capital expenditures, investments and royalty and mineral interest as well as changes in income taxes and other factors. For the 2020 full year, NACCO's consolidated cash flow before financing activities was a use of cash of $48.5 million and included a significant use of cash related to working capital, capital expenditures and the acquisition of Mineral Royalty interest. We are anticipating positive cash flow before financing this year, but at a level still below the cash we generated back in 2019.

Now let me open up the call for your questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from Andrew Kuhn from Focused Compounding. Your line is open.

<Q – Andrew Kuhn – Focused Compounding>: Hello. Good morning.

<A – J.C. Butler – NACCO Industries, Inc.>: Good morning.

<Q – Andrew Kuhn – Focused Compounding>: My first question is because you entered a new mine area, capital expenditures at Mississippi Lignite Mining Company were high in 2019, 2020, it'll be high again in 2021. Since you're not expecting to enter another new mine area between now and the end of that contract, how much lower do you expect annual CapEx at MLMC to be starting in 2022?

<A – J.C. Butler – NACCO Industries, Inc.>: Now I mean the trick to the question is how much, right? I mean we've – we don't provide forecast that far out, which is any specific numbers, but I will tell you that the spending that's been going on to develop that mine area has been very, very substantial, as you obviously know. If you look back to some prior years and sort out where we'd call out some other capital projects, I think you can see that the capital spending at Red Hills drops to a pretty low level. Now, as I'd mentioned before, from time to time, you have to replace things. We don't see much of that once we get into this new mine area with regards to equipment or anything else. But if you need to buy a new hull truck, I mean they're expensive and if you need to add a significant new piece of equipment, that takes a fair amount of capital. But otherwise, it's going to be pretty low maintenance capital expenditures going forward at Red Hills.

<Q – Andrew Kuhn – Focused Compounding>: Got it. Next question is you said you believe the current market for mineral and royalty interest in the US is a buyer-friendly market. I was wondering if you could maybe tell us why you think that, maybe what you're seeing and do you think that buyer-friendly market is reflected in the price you paid for your Permian Basin investments?

<A – J.C. Butler – NACCO Industries, Inc.>: Well, I mean, I'll answer the last question first. Yes, we think the current market environment is good compared to where it was a year ago or two. We're now a year into the pandemic, right. So you got to say more than a year ago, two years ago. But the combination of COVID that affected demand for oil primarily and gas and the OPEC price war, which crushed demand for oil – which crushed prices for oil slowed down development of both oil and gas and really put a damper on that market. Those two things, plus if you read kind of popular press, The Journal I think does a pretty good job. Wall Street Journal does a pretty good job covering this, the amount of money that's being poured into oil and gas development in the United States right now is quite a bit lower.

We're entering at a point – we're entering the business with a strategy that we are not competing with people that are out looking for acquisitions that are hundreds of millions of dollars or smaller bite size than that but we are bigger than the things that individual investors are looking for. So we're – we've got a very small, very small team, but a sophisticated team who is I think really coming at this in a pretty strategic, surgical way in thinking about what we acquire. The other thing I think is helping us is a lot of people make investments in the oil and gas in a kind of do-or-die approach. They buy – they're looking to buy things that need to service debt or have immediate needs for production coming out of those. And as you know the nature of our company, we take a very long-term view and I think we're able to acquire some things that are attractive to us that might not be as attractive to some other investors. Is that helpful?

<Q – Andrew Kuhn – Focused Compounding>: Yeah. No I think that's a great explanation actually. And then my last question is if you could talk a little bit about Mitigation Resources of North America, like what it does, what successes it has had so far and why you think it could grow and whether you think that business will ever be material to NACCO's overall results? And I'll jump back in the queue.

<A – J.C. Butler – NACCO Industries, Inc.>: So, Mitigation Resources of North America is a business that we created to develop stream and wetland initially, stream and wetland mitigation banks. If you think about anybody that's building a road or expanding a road or building an apartment complex or a shopping center or anything else that might in any way disturb a stream or wetland. In order for them to get a permit to do that construction work, they need to acquire and this is true of most states, not every state. But in most states, they have to acquire stream or wetland mitigation credits somewhere else. This is all managed by the Army Corps of Engineers on both sides of the ledger. And so, we've got a very, very strong history, over decades, for the quality of our environmental work at our mine sites.

And this business was really borne out of the quality of the work that we've done there and our own experience, seeing when we are – our customers needed to go buy stream or wetland mitigation credits, it's a market that needed – it's a market that provided opportunity for somebody to come in with really good technical capabilities, really thinking about doing what's right and being sensitive to how we can best serve customer needs. So, we established this business a few years ago. The response I think has been kind of universally terrific from potential customers, from people we have relationships with. We've received very positive feedback from the Army Corps of Engineers themselves about our participation in this market.

So what Mitigation Resources does is, they've got three business models. One is, we will acquire a piece of land that has – the best way to do this is to buy a piece of land that has some streams that are in bad shape or some wetlands that in, for prior reasons, have been damaged. And we go in and working with the Army Corps of Engineers, we enhance these streams and wetlands with our good mitigation work that we know how to do and then we permanently protect those. You put a conservation easement on the property so that no one can ever disturb it. We then – with the Army Corps create these credits that can be sold to other people.

Now the primary model is kind of a merchant bank approach where we develop the credits and sell them. And there's a private – they're all private transactions when you're selling those. There's also a model we have whereby we will work with a landowner to develop stream and wetland mitigation banks on a landowners property or will actually do it as a service. If somebody has a piece of property and they want to do their own mitigation bank for their own project, we can help them do that. We're seeing great – we're primarily operating in the Southeast part of the United States. Most of the people that are staffing this business right now came out of our mining operations in the South. And so we're primarily in Mississippi and Tennessee and we have several banks that are in development. We have started selling credits and we're seeing great success and I'm really optimistic about this. Can it become a meaningful part of our business? I mean, every one of these businesses that we are investing in, we think can become a meaningful part of the business. Timing is of course a part of the question and it's really balancing growth. You want to grow as fast as you can, but you don't want to grow so fast that you create problems for – we create problems for ourselves, we get into risks that we don't really understand. So we're going to grow aggressively, but cautiously. I would, I'm hopeful that this business at some point in the future will turn into its own segment, just like we did with our Minerals Management business and North American Mining, but right now it's small and it's inside our Unallocated segment. Does that answer your question?

<Q – Andrew Kuhn – Focused Compounding>: Yeah. That was – that was great. Thank you so much.

<A – J.C. Butler – NACCO Industries, Inc.>: All right. Thank you.

Operator: Again [Operator Instructions] Your next question comes from Trey Henninger from DIY Investing. Your line is open.

<Q – Trey Henninger – DIY Investing>: Hello and good morning.

<A – J.C. Butler – NACCO Industries, Inc.>: Good morning.

<Q – Trey Henninger – DIY Investing>: I would like to ask my first question around your overall sentiment going into 2021. When I read the earnings release that you put out yesterday, if I had to describe the tone of it from an outsider's point of view with one word, I would describe it with the word, bleak. And so the first question is, do you consider the future of NACCO bleak or is that maybe – or was I reading it wrong or what am I missing there?

<A – J.C. Butler – NACCO Industries, Inc.>: I mean I can see why you would say bleak, right. If you look at the outlook which really just kind of looks at 2021 and no further, sure, there's a lot of things that are going to be down in 2021. But what you – what is not in there and what we are not going to predict an outlook is what can come from our business development opportunities. We talk a lot in our earnings release and then – as you will see when our annual report comes out in a couple weeks. We were talking a lot about what we're doing to transform the business, building these three new businesses. And each one of them is already contributing significantly to this transition that we're in. And I really see great opportunities in all these businesses to continue to grow.

And when you look at the face of it, North American Mining made a little bit of money, made actually decent money in 2020. That business, if you really look at it, has grown a lot in the last few years. We've kind of got over the – covering our overhead costs hurdle. So anything we add to that business now is largely going to be accretive on top of that. And we're not – none of the benefits of business development are in outlook directly with respect to results. So the extent that we can be successful signing new projects for North American Mining about buying more reserves in Minerals Management or expanding Mitigation Resources will all contribute to upside in the grow and diversify side of our business. I think it's too early to tell exactly how the situation in Texas, that we're all still reading about, plays out. But I'm sure hopeful that people are going to see that all of these RTOs across the country like ERCOT manage the grid on a regional basis, need to think very carefully about how they are managing their capacity reserves. And I got to believe that's not a bad thing for coal as you look into the future. There's just not enough remaining capacity in a number of these markets and it's not just in ERCOT around the country. So you describe it as bleak, I'm incredibly optimistic. You know that we take a very long-term view of our business and I really think the long-term prospects of this company are great. Is that helpful? Did I...

<Q – Trey Henninger – DIY Investing>: No, that is helpful.

<A – J.C. Butler – NACCO Industries, Inc.>: Did I touch on what you were looking for?

<Q – Trey Henninger – DIY Investing>: Yeah, no that's helpful. I think so both Andrew and myself, we spend a lot of time thinking about this business. And of course we're outside of the business while you're inside of it. So you have some insights that we don't. And I think my next question really to kind of of – you let into it really well is about guidance. So you say you take a really long-term view, but at the same time you give pretty regular quarterly and annual guidance. That's just looking forward to the next three months, the next 12 months. And so it's really around do you – what is the purpose of providing that guidance. Who do you – what's the target audience? Is that helping you as a manager plan for it or is it potentially a distraction because when I look at it, I see at the same time, you say we're thinking long-term, but we're only going to forecast the next 12 months.

And when I look at my needs as an outside shareholder, I don't need the short-term guidance. What I want to see more of is what are your long-term plans, how do you see this business 5 years from now or 10 years from now? How many limestone mines do you want to have in 5 years? How many lithium mines do you want to have? What do you want to do, how many minerals do you want to be mining, those sorts of things? And so I'm just trying to understand maybe why do you have the current strategy on guidance? Would you consider changing it or do you not think – or I guess I hope that provides the [indiscernible] (00:34:33) background to kind of understand where the question is coming from?

<A – J.C. Butler – NACCO Industries, Inc.>: Yeah, it's a good question. So the short-term guidance, I think there are very few of us that like surprises. So, I think the short-term guidance, whether it's the next quarter or the balance of the year or the coming year, depending on what quarter we're in. I think the short-term guidance is there to help people understand what we're seeing in the short term and not be surprised by it. This is what we are seeing based on what we know. Obviously to go a year ago, right, I mean I think in January and February, nobody could really predict what was going to happen with this pandemic that's been going on. You can't predict that, but can you predict what which you about the business? Sure. So I think – I do believe that the purpose of our near-term financial guidance is so that people aren't surprised, wait for some time, I'm going to tie this answer to the prior answer.

You talked about bleak. One of the things we've been saying for a while is that operating profit in the Coal Mining segment is going to be significantly affected by the increased level of depreciation at MLMC. There's no question that's coming. We wanted people to understand that operating profit is going to be going down. But we're also talking about where we're headed with cash flows, where we for some time have been saying we're in this cash flow. There's capital expenditure bubble there, that's going to come to an end. And if you can look past operating profit, I happen to be an EBITDA guy. I think it's a good measurement. You get past some of those things. So that's – I mean those are really my thoughts about the short-term outlook.

As for long term, I think it would be disingenuous of me to – or us to put in our outlook that we want to have seven lithium mines and we won four mines that are mining a specific kind of mineral and we're going to be in these states because I think that's just entirely too specifically targeted. You don't really know how those are going to develop. And I'm – majority of my career has been in business development. And I think you need to approach growing these businesses opportunistically, see how one lead turns into a second lead, see how we got this lithium project. That has changed the way that we are perceived by potential customers. That has changed our perspectives on how we can think about approaching others. And it takes time to do this, developing a new project, it's not like we're in sales where it's transactional. We typically want to go in and run a mine or perform a service for somebody for a number of years, prefer decades. So it takes a while to develop these relationships. So to say, gee, I want to have this many lithium mines or be in these specific states or this number of states, I just – I think that's too specific. I think it would be unfair. I think it would be setting our development teams up with unfair goals because gee, if we said we're going to have three mines in Texas, but they're seeing their best opportunities in New Mexico. But we stayed in Texas, well then we got to go chase Texas instead of New Mexico. I don't think that's the way to do it.

Now I can tell you that we will be increasingly talking about these businesses. I think you probably saw some of that in the annual report or in the earnings release; probably some of it in the 10-K, you're going to see a lot more of it in the annual report. And as I discussed at the last quarterly call, which I think is a question that Andrew asked about how do we view ourselves, you're going to see us talking a lot more about viewing ourselves as a collection of affiliated businesses in the mining and natural resources industry and that's what we're turning ourselves into by growing these other businesses. Is that helpful?

<Q – Trey Henninger – DIY Investing>: That's very helpful. Yeah. I think what I was trying to differentiate between is I'm not seeking a forecast. I don't want you to forecast and try and pigeonhole yourself. But I think what is helpful to me and might be helpful to other outside investors is just understanding your vision and not necessarily projecting certain numbers, but kind of just saying we want to hit certain things. And I think while the current talk of the future is quite vague and that's okay. I think just a little more clarity of kind of where we're going as a business can be helpful. So that's the only way to close that piece out. I had one question about Thacker Pass specifically. Can you give any idea of – and I understand you might not. But can you give any idea of perhaps the magnitude of this impact to the business? Are we talking about – is this the size of a Freedom Mine? Is it the size of a Falkirk Mine or perhaps a Sabine Mine in terms of impact to the operating profit of North American Mining if it's online, if it becomes online?

<A – J.C. Butler – NACCO Industries, Inc.>: When it's up and running kind of it's full – fully operating mine, it's going to be similar to kind of a modest mid-sized mine. It is not going to be a Coteau or a Falkirk. Those are very, very large mines. It's going to be a modest mid-sized mine in terms of, really in terms of the operation and in terms of its impact on our financials.

<Q – Trey Henninger – DIY Investing>: Okay. That helps. Thank you. The last question – yeah, go ahead.

<A – J.C. Butler – NACCO Industries, Inc.>: Yeah go ahead.

<Q – Trey Henninger – DIY Investing>: Yeah, I mean if you have more color on that, please feel free, but I'll just give the last question I had before jumping back in the queue, which was around the Mississippi Lignite Mining Company. And it's basically just – is there any prospect or interest on the side of management in selling the Mississippi Lignite Mining Company and only operating unconsolidated coal mines because you talk about how you wouldn't take on a new consolidated coal mine. And so I wonder if there's any interest in moving quicker to only operating unconsolidated coal mines?

<A – J.C. Butler – NACCO Industries, Inc.>: I mean with respect to Red Hills, which is our one operating consolidated coal mine, I would just state the nature of all of the contractual relationships that are in what is actually a pretty complex structure would make selling it nearly impossible. It is a very complex structure that makes the ability to do that very unlikely.

<Q – Trey Henninger – DIY Investing>: Understood. Thank you for taking the time to speak with me.

<A – J.C. Butler – NACCO Industries, Inc.>: Great. Thank you. Appreciate your interest.

Operator: There is no further question at this time. You may continue.

Christina Kmetko, Investor Relations Consultant, NACCO Industries, Inc.

Okay, thank you very much for your interest J.C. Did you have any closing comments? Okay.

J.C. Butler, Jr., President and Chief Executive Officer, NACCO Industries, Inc.

No, thank you.

Christina Kmetko, Investor Relations Consultant, NACCO Industries, Inc.

Thank you. If you guys have any follow-up questions, please feel free to reach out. My phone number is at the top of the earnings release. Have a great day.

Operator: Ladies and gentlemen, this concludes today's conference call. For [ph] Oncor (00:43:28) replay, it will be available up until 11th of March. And you can access it by dialing 800-585-8367 or 416-621-4642, with conference ID 326-3907. Again, thank you for joining. You may now disconnect.