Final Transcript

Q2 2022 Ramaco Resources, Inc. Earnings Call

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Corporate Participants

Randall Atkins *Ramaco Resources, Inc. – Founder, Chairman, Chief Executive Officer*

Chris Blanchard *Ramaco Resources, Inc. – Chief Operations Officer*

Jason Fannin *Ramaco Resources, Inc. – Chief Commercial Officer*

Jeremy Sussman *Ramaco Resources, Inc. – Chief Financial Officer*

Conference Call Participants

David Gagliano *BMO Capital Markets — Analyst*

Nathan Martin *The Benchmark — Analyst*

Lucas Pipes *B. Riley Securities — Analyst*

Presentation

Operator

Good day, and welcome to the Ramaco Resources 2Q 2022 Results Conference Call.

[Operator instructions]

I would now like to turn the conference over to Jeremy Sussman, CFO. Please go ahead.

Jeremy R. Sussman — Chief Financial Officer

Thank you. On behalf of Ramaco Resources, I'd like to welcome all of you to our second quarter 2022 earnings conference call. With me this morning is Randy Atkins, our Chairman and CEO; Chris Blanchard, our Chief Operating Officer; and Jason Fannin, our Chief Commercial Officer.

Before we start, I'd like to share our normal cautionary statement. Certain items discussed on today's call constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements represent Ramaco's expectations concerning future events. These statements are subject to risks, uncertainties and other factors, many of which are outside of Ramaco's control, which could cause actual results to differ materially from results discussed in the forward-looking statements. Any forward-looking statements speaks only as of the date on which it is made and except as required by law, Ramaco does not undertake any obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

I'd also like to remind you that you can find a reconciliation of the non-GAAP financial measures that we plan to discuss today in our press release. Lastly, I'd encourage everyone on this call to go onto our website ramacoresources.com and download today's investor presentation under the events calendar.

With that said, let me introduce our Chairman and CEO, Randy Atkins.

Randall W. Atkins — Founder, Chairman, and Chief Executive Officer

Thanks, Jeremy, and good morning to all. When we telegraphed our first half results in May, we expected to ramp to a significantly stronger second half. That's still the case, despite our recent, and we hope temporary, closing of one of the three Berwind mines. Based on the $121 million first half EBITDA print, 2022 safely looks to be a record year for us on about every metric by several multiples. We now only have about 200,000 tons left to sell for this year. Against sales to date, we have effectively generated earnings that currently guide to about $340 million of 2022 mine level EBITDA.

As you know, the 2023 domestic sales season is already now upon us, with an extra twist this year. Last year we had met prices moving north during this period. This year, European thermal customers currently seem willing to pay more than our traditional met coal buyers here in the States. We will soon see if our domestic steel customers adjust to the higher pricing dynamic. Like most producers, we will look to place our tons for next year for the best possible netback pricing. Indeed, we placed a sale a few weeks ago to a European thermal buyer at a price well north of met. This may turn out to be a very interesting fall.

And as we look at the first-half, 2022 has turned out to be the sort of "downer year of the rails" for almost every producer. We were dinged with about 200,000 ton first half inventory build, largely from missed or delayed rail shipments. We are currently hearing all the right notes from the rails that the second half deliveries will improve and all we can do is hope and see.

As I reviewed the peer group consensus earnings before this call, I noted how many of us had diminished rail capacity and mine tons we could not move. Similarly, when coal is mined but cannot be sold because of the delivery issues, the inventory build does not improve costs. We had some cost creep this quarter, which Jeremy will detail, but again we expect second half cost to come down meaningfully.

We are already starting to see improvements in some of the inflationary direct mine costs, like diesel fuels and roof bolts and of course the second half will see the full reduction on royalties from our recent Ramaco Coal purchase.

I think our main take away from the first half is, despite some current softening and benchmark prices, we take a longer-term view of continued strength in the met coal markets. There is still a multiyear mismatch between met coal supply availability and demand, and that is both in the U.S. as well as overseas. We are witnessing current global market dislocations, which we also do not see resolving themselves in the near term. Indeed, there may be several global events ahead, which could exacerbate these already stretched markets and logistical supply lines.

Despite the backdrop of recessionary economic sentiments, all this could lead to the same form of price volatility that we witnessed earlier this year. From our vantage, we feel perhaps confusion breeds opportunity. We are marching ahead in full growth mode to increase our long-term guidance to at least 6.5 million tons over the next two to three years. This triples our production level from where we ended 2021.

This year, on the back of the Berwind ignition incident, we will slightly miss an earlier production forecast of roughly 3 million tons. But we are now looking to a total of roughly 4.3 million tons of production next year and over 6.5 million tons in 2025.

We have taken two steps since our last call to enhance that future production. First, we have started an increase in the processing capacity at our Elk Creek preparation plant to now reach 3 million annualized tons by the middle of next year. We had previously announced an increase to 2.5 million tons and have now bumped that figure.

Next, we have entered into an agreement, which we just announced yesterday, to acquire the 33-million-ton Maben low-vol mine reserves in West Virginia for $30 million. After closing, we will begin mining later this year and expect 250,000 ton highwall production level by 2023. We also have the optionality in the future to build a permitted deep mine and prep plant to increase the Maben production capacity to over 1 million tons. The immediate spend involved in both the additional Elk Creek capacity increase and the Maben acquisition will add about $20 million in CapEx this year and $5 million next year.

For those interested in the metrics of our overall growth projects and the spend to get us above the 6.5 million ton annual level, they are outlined in some detail in the earnings presentation.

In addition to the Maben deep mine, we also have other options which might indeed take us north of the 6.5 million ton level dependent upon future market conditions and permitting. So with that, I would now like to turn the floor over to the rest of the team to discuss more detail on finances, operations and the market. So Jeremy, please rundown our financial metrics.

Jeremy R. Sussman — Chief Financial Officer

Thank you, Randy. I'll start by going over our second quarter 2022 financial highlights. Adjusted EBITDA of $58 million was 220% higher than our previous second quarter record. We have now generated almost $122 million in adjusted EBITDA through the first half of 2022, which is more than 50% higher than our adjusted EBITDA for all of 2021.

Unfortunately, as Randy mentioned, the rail transportation issues that we flagged on our last two earnings calls persisted throughout the second quarter. We continue to build inventory, taking our total first half of 2022 inventory build to more than 180,000 tons. As we noted in our press release, had that coal shipped, we believe earnings per share and adjusted EBITDA would have been higher by $0.65 and $40 million respectively. The good news is that a meaningful portion of this inventory is now booked for delivery, mostly in the fourth quarter against the API2 thermal coal index, which nets back to roughly $250 per short ton at the mine based on the curve.

Turning to our full-year 2022 outlook, I would like to touch on a few key areas in our guidance tables. First, on production and sales, we are lowering guidance to 2.8 million to 3.1 million tons, from 3.1 million to 3.4 million tons. Most of this decline of course comes from our Berwind Mining Complex where, for guidance purposes, we assume that the Berwind mine will be offline through year-end. I would note that we hope this turns out to be conservative and expect to know more over the coming weeks. We anticipate normal production from Laurel Fork and Triad at our Berwind complex.

Second, we are increasing our cost guidance to $89 to $97 per ton, up from $82 to $90 per ton. Looking at year-to-date cost of $104 per ton, this is up over $35 from full-year 2021. Putting this into a few buckets, roughly 40% of the increase is due to inflationary pressures, such as higher raw material costs. Roughly one-third is due to higher sales related costs and another 25% is due to the combination of higher labor costs and lower productivity as new mines ramp up. We continue to anticipate better second half costs on stronger production, moderating raw material prices, and the positive impacts from the Ramaco Coal transaction in the start-up of our Berwind preparation plant.

Lastly, on the 2022 guidance front, we are increasing our capital expenditure guidance to $105 million to $125 million, up from $80 million to $95 million. Almost 60% of this increase is due to CapEx associated with the Maben transaction, with another roughly 20% due to the increase of the Elk Creek preparation plant expansion to a total capacity of 3.0 million tons, up from 2.6 million tons previously.

The rest of this increase is due to some incremental production at our Triple S and Big Creek Jawbone mines. I would note that $70 million of our $115 million 2022 CapEx budget at the midpoint relates to growth.

This is perhaps a good segue to our new medium-term growth target of 6.5 million tons of production, up from 5 million tons previously. I would like to point you to Slide 6 and 7 in our presentation. We now show our multi-year production growth in detail with an expectation of producing 4.3 million tons in 2023, 5.5 million tons in 2024, and 6.5 million tons in 2025. I would note that some of this growth is still subject to Board approval, which of course is dependent on market conditions. That said, as we show on Slide 7, we believe we can get to 6.5 million tons of production in 2025 at a very favorable CapEx intensity.

Specifically, we are increasing our 2022 growth capital by roughly $25 million based largely on the Maben acquisition and Elk Creek prep plant expansion as previously discussed. Then, for a total of $95 million in growth capital split between 2023 and 2024, we anticipate completing our full build-out of the 6.5 million tons of annual production. This of course is almost triple 2021 production levels of 2.2 million tons.

Importantly, I would note that in addition to our improved production growth profile, we continue to anticipate returning increasing amounts of cash to our shareholders, while also maintaining a very conservative balance sheet. In short, we view Ramaco as both a growth story and a capital return story, which we believe positions us uniquely among our peer group. I'd now like to turn the call over to our Chief Operating Officer, Chris Blanchard.

Chris Blanchard — Chief Operating Officer

Thank you, Jeremy, and thanks everyone for joining us this morning. We've had a busy several months as we continue to both grow and we plan to increase the pace of that growth over the next several quarters. I'd like to touch on several of the milestones from the second quarter, before talking a bit more about our immediate growth plans and then about the Berwind mine specifically.

We ramped production at our new Laurel Fork mine at the Berwind complex during the quarter. This ramp will continue through the third quarter and should reach full production during the third quarter, as we expect all equipment deliveries to be made, and the full super section of equipment to be in place by late August. Also in the second quarter, we started a new underground mine at our Big Creek complex in the Jawbone seam of coal which will operate as a company mine now instead of as a contract mine. Ultimately this approach will give us higher overall productivity, as well as lower overall total cost.

Our Crucible mine at Elk Creek started in the second quarter and has ramped up and as largely reached its full production rate. We have also moved forward some of our capital spend and equipment purchases for the Ram No. 3 Surface mine and the Ram No. 3 Highwall miner units at Elk Creek. Finally, we have started to see the Berwind plant upgrade and rehabilitation pick up pace and we expect to be operational there by September, with anticipated loadings of our first trains out of the Berwind plant in the fourth quarter.

On costs, as Jeremy mentioned, we continue to see inflationary pressures throughout the organization. Raw material pricing generally continues to be elevated from historic levels, but we hope to see this moderate more in the second half. I would note, steel and diesel prices are down from the recent peaks. Labor scarcity is still impacting, not just the availability of coal miners, but all skilled laborers throughout the supply chain. All of these pressures are contributing to the cost creep in delays which Jeremy described.

Turning to the Berwind mine, as we previously released, sometime between July 6 and July 8, an apparent methane ignition occurred in the mine. There were no injuries. The mine was fully idle at the time for a scheduled ventilation fan upgrade, with all electrical power de-energized underground and no personnel present. Since discovery of the accident, no additional personnel have been in the coal mine. We are working with all the agencies to make the mine safe for mine rescue personnel to re-enter the mine and start the re-ventilation process. Once back in the mine, we will take steps in conjunction with the appropriate authorities to begin the investigation of the accident and the rehabilitation of the coal mine. Of course we will continue to keep everyone informed as we learn new information.

Finally, I'd just like to touch on the two major growth projects that we announced. At Elk Creek, we are increasing the annual throughput of our preparation plant from 2.1 million clean tons annually to approximately

3 million clean tons. We anticipate this work to be done while the plant is still running at full current capacity with minimal interruptions.

We are also very excited about the Maben acquisition, which is almost a low volatile mirror image of our Elk Creek acquisition from years ago. We are acquiring an idled development reserve asset, with surface and highwall miner permits that are immediately ready for production. We expect to bring the first tons off the property late in 2022.

In addition, we are acquiring other underground mine and preparation plant permits that are in place, as well as a proposed Norfolk southern loadout. The reserves acquired would easily support a future standalone complex capable of producing 1 million tons to 1.5 million clean tons annually at full buildout. With that, I'd like to turn the call over to Jason Fannin, our Chief Commercial Officer, to discuss the markets and our strategy and positioning there. Jason?

Jason Fannin — Chief Operating Officer

Thanks, Chris, and good morning everyone.

I will share what we are seeing in the markets and our current and forward sales outlook. The coking coal market has pulled back from its historic highs over the last several weeks. There are several reasons: slowing economic growth, seasonal slowdowns in steel production and steel markets, which appear to be pricing in some recessionary feel. Nonetheless, U.S. steel capacity utilization remains strong. Our steel customers are expecting strong auto demand to bolster forward production and pricing. The U.S. High-Vol A Spot Price is currently assessed at $245 per metric ton. Although that is down from its record highs immediately following the invasion of Ukraine, it is still up 20% over year-ago levels. The forward met curve remains in steep contango.

There remains a palpable supply-demand imbalance. There are a host of reasons for this. Australian met exports still lag 2021 levels. Shipments from Russia are both declining and will be outright banned by the EU later this week. And North American exports show little year-over-year improvement even with record high pricing. This overall imbalance is predicated by structural under-investment in the entirety of the coal sector. We believe this supports continued future strength in met prices. It also plays a large part in the current forward met pricing contango and support stronger for longer met coal prices.

As we have recently seen, strong domestic and seaborne thermal demand continues to underpin U.S. met prices. This is providing a price floor for U.S. High-Vol prices, which is currently more than 20% above Australian met prices. Like many of our peers, Ramaco has explored shifting met volumes to the thermal market. As Randy mentioned, we have already transacted for a significant volume of thermal sales into Europe for the back half of this year at prices well above current met values. We are also continuing to explore placing significant quantities of our planned 2023 metallurgical production into Europe. We have now committed roughly 95% of our planned 2022 production. Given current market dynamics, we look to put to place our remaining time in those markets, which will provide the highest margins.

As we look forward to our production growth in 2023, the focus of our sales efforts will likewise center around capitalizing on those markets most profitable to the Company, whether they be domestic or seaborne, metallurgical or thermal. Overall, we like to current market conditions as they apply to Ramaco. We see a protracted imbalance of coking coal supply and demand, which is supportive of a protracted period of elevated coking coal pricing levels. We also see a thermal market critically starved for certainty of supply and looking to the U.S. for solutions.

That said, I would now like to return the call to the Operator for the Q&A portion of the call. Operator?

Questions and Answers

Operator

[Operator instructions]

Our first question comes from Lucas Pipes with B. Riley Securities. Please go ahead.

Lucas Pipes — Analyst, B. Riley
Thank you very much, Operator, and good morning everyone. I first wanted to touch on the cost side a bit and apologies if I missed it, but is there a way to bridge the current guidance versus the prior one, in terms of what

the major components of the increase were, between the issues at Berwind, inflationary pressures and so on? How would you frame that up? Thank you very much.

Randall W. Atkins — Founder, Chairman, and Chief Executive Officer

Jeremy, you want to take that one?

Jeremy R. Sussman — Chief Financial Officer

Sure. Thanks, Lucas. So yes, I mean, I think, look, a good chunk obviously, when you lose about call it 300,000 tons of production at the midpoint, no change to our headcount plan, a lot of that is clearly going to be related to the impacts at Berwind. So maybe let me kind of walk you through where we do see things going in the second half, right?

So obviously we see second half costs coming down meaningfully at the midpoint. To give you a sense of headcount, we were over 600 people on June 30th, which was up over, call it 50% year-over-year. So when I look to the back half of the year, even despite that the Berwind ignition event, we do see production ramping certainly at a number of mines. So about half of the costs in the back half of the year decrease is going to come from labor and productivity gains. We think call it another 25% or so from kind of raw material costs and another, let's say, about 25% from the combination of sales related costs and trucking due to the Berwind plant start. So, hopefully that gives you a little bit of comfort about where we are today and where we see the costs going in the back half of the year.

Lucas Pipes — Analyst, B. Riley

That is very helpful. And I assume in 2023, you would continue to leverage the fixed cost, is that the right way to think about it?

Jeremy R. Sussman — Chief Financial Officer

Yes, that's correct. Obviously, we'll get more detailed with guidance as we go through the budgeting season, but that's a good way to think about it, Lucas.

Lucas Pipes — Analyst, B. Riley

Okay, that's helpful. And then switching topics on the volume side, you again built inventory in the second quarter. How confident are you about better rail performance the second half of the year and the ability to destock some of these levels here? Thank you very much.

Randall W. Atkins — Founder, Chairman, and Chief Executive Officer

Yes, I mean I think the reality on the rails Lucas, is we know they're trying. They've had issues I think with manpower, filling manpower requirements, which we gather they are in the process of trying to rectify that. As I said in my remarks, we've had a tough first half, I know everybody else has as well. So I know that they have a large focus on that. Jason, would you like to comment any further on some of the more granular aspects of the delivery issues?

Jason Fannin — Chief Operating Officer

Sure, Randy. As Randy mentioned, Lucas, we recognize certainly they struggled with labor, just as the industry has here as well. We're encouraged by the hiring numbers in both Eastern railroads that we've seen. We saw blips of improvement throughout Q2 and those continue onwards. Like our competitors, we stay close to the railroads, advising with forward schedules. Our back half shipment plan is in place with them both. We're confident they will continue to improve as we started to see here lately as we finalize these back half deliveries.

Lucas Pipes — Analyst, B. Riley

I appreciate the color. Thank you. Randy, I'll try to ask another question for you. Met coal contracting season for the North American market is upon us. Are you willing to venture any guesses as to prices for 2023 and more broadly what's your contracting strategy seaborne versus domestic? Thank you very much for your color.

Randall W. Atkins — Founder, Chairman, and Chief Executive Officer

Well, I think in general we see the market being a little stronger this year than we did last year. How much stronger will remain to be seen. But as I said in my remarks, the interesting kind of pressure, is that last year of course a number of the U.S. customers came out in early August and the settlement really didn't fully occur until sometime in mid-October, because prices kept rising.

This year, it's a slightly different dynamic, because the pressure really on pricing is coming from not only overseas, but from thermal, and although we've got a little softness right now I think on the API2 numbers based on some issues with the water level of the Rhine River and a few things of that nature, we think sometime this fall, that those pressures will be relieved and that the thermal prices in Europe will probably continue to go back up based on both factors such as that, as well as some of the geopolitical aspects.

So I think it's going to be an interesting season. And in terms of our approach to our book, we've historically sort of tended toward being a little over-weighted domestically. I think this year, we were probably about 55% domestic and 45% export, and I wouldn't be shocked if next year we kind of reverse that, that we're a little stronger on the seaborne side, than we would be on the domestic, but we will see. As I said, it will probably be in a very interesting month and a half.

Lucas Pipes — Analyst, B. Riley

Thank you very much, Randy and to you and the entire team, and best of luck.

Randall W. Atkins — Founder, Chairman, and Chief Executive Officer

Thanks, Lucas.

Operator

Our next question comes from David Gagliano with BMO Capital Markets. Please go ahead.

David Gagliano — Analyst, BMO Capital Markets

Hi, thanks for taking my questions. Just first of all on the 2023 volumes of production, 4.3 million tons and the interplay you just flagged with regards to thermal versus met, realistically in your opinion, how much of that 4.3 million tons would Ramaco shift into the thermal market?

Randall W. Atkins — Founder, Chairman, and Chief Executive Officer

Well, I would say, I'll let Jeremy get into some granular details, but the interesting part is that we've got some of our mid-vol that presents itself as a very good thermal product, that's frankly what we've been moving for the second half of the year and then some of our highwalls as well.

Jeremy R. Sussman — Chief Financial Officer

Yes, I mean I think that's right, Randy. I think the majority of our coal works in either market. So, as Randy said, David, we're going to go wherever the best netback lies.

Randall W. Atkins — Founder, Chairman, and Chief Executive Officer

Chris, do you have any comment you want to make on that?

Chris Blanchard — Chief Operating Officer

Perhaps maybe topside 1 million to 1.5 million tons that potentially could switch.

Jason Fannin — Chief Operating Officer

Yeah, this is Jason. Now with the reception we've seen for several of our coal qualities in the thermal market as well as the industrial market, and discussions we've got ongoing now towards 2023 shipments, it certainly the ability there to move 1 million tons to 1.5 million tons is out there.

David Gagliano — Analyst, BMO Capital Markets

Okay, that's helpful. Thank you. And then just shifting gears to the Maben acquisition, I just wanted to ask about the "the other 31 million tons" of the total 33 million tons of reserves. The press release indicated it could be developed in the near-term, I think it's what it said. Potential volumes of a 1 million tons per year or “up to.” What would that development entail? What are the capital costs associated with that development? And when should we expect a decision on developing the remaining reserves?

Randall W. Atkins — Founder, Chairman, and Chief Executive Officer

Sure. So I mean, the simple answer is that the thing that we greenlighted right now is to go ahead and start our highwall operation for a 0.25 million tons, and that's what we'll be doing next year. We've got the permits in place to do both the mine as well as the prep plant at the metrics that you set forth. We probably won't consider that until sometime I would say second half of next year, or maybe even in '24.

So I don't really want to get too far ahead of what the cost would be at this point, but they would be generally in line with building a plant that would be able to handle probably up 750 ton operation per day at the plant and then the operations will be at least one or more deep mines.

David Gagliano — Analyst, BMO Capital Markets

Okay. That's a full-on prep plant with an underground mine.

Randall W. Atkins — Founder, Chairman, and Chief Executive Officer

Yes, sir.

David Gagliano — Analyst, BMO Capital Markets

So, type of - okay. Got it, thanks. And then just the last question, just if you could just give us an update on the tracking stock that was announced I think or the plans for the tracking stock and the status of that?

Jason Fannin — Chief Operating Officer

You bet. So, I think on the tracking stock, as you can understand, we're a little bit hand-cuffed because we haven't filed the registration, which we frankly will probably do within the next few weeks. As soon as the registration is filed, we will - we'll be able to divulge a lot more about that, but we're hopeful that that process will go reasonably smoothly. Like most registrations, you don't know until you filed it. But we're hoping for something that would probably be in the October timeframe that we will be able to discuss that with a lot more detail.

David Gagliano — Analyst, BMO Capital Markets

Okay. That's helpful. Thank you.

Randall W. Atkins — Founder, Chairman, and Chief Executive Officer

Thank you, David.

Operator

Our next question comes from Nathan Martin with The Benchmark Company. Please go ahead.

Nathan Martin — Analyst, The Benchmark

Hey, good morning, guys. Thanks for taking my questions. I think a lot of the topics probably touch on this point. But maybe how should we think about the cadence of shipments over the back half? When do you expect to move with 180,000 tons or so of inventory you have? I know you mentioned a chunk is scheduled to go in the fourth quarter I believe to the thermal customer in Europe. Do you see any of those shipments of 180,000 tons kind of getting delayed into '23 at this point?

Jeremy R. Sussman — Chief Financial Officer

Good question, Nathan. So look, I mean if I think about the cadence, I mean, in the third quarter, I would say, certainly production sales and earnings will all be up from the second quarter. But I'd say the bigger move will be from Q4 to Q3, purely based onto your point, the unwind of the inventory build. So you'll see some of that unwind in Q3, but you'll see the majority of it in Q4, and certainly the 0.25 million ton shipment that we referenced in our prepared remarks and the press release, the majority of that is Q4. So hopefully that gives you a bit of a sense of the cadence.

Nathan Martin — Analyst, The Benchmark

That's very helpful, Jeremy, appreciate that. And then I think I asked a similar question last quarter and this goes along with my first question. Can you give me an idea of maybe the split between domestic and export sales in 3Q and 4Q? Again, just trying to figure out how that would affect your average realized pricing.

Jeremy R. Sussman — Chief Financial Officer

Yes, no - also a good question, Nate. So in Q3, domestic will still be a bit heavier than average, it will be, let's call it in the 65% to 70% range and in Q4, it should be a 50/50 split, again in line with sort of the inventory online, a lot of which is going to export.

Nathan Martin — Analyst, The Benchmark

Great. Thanks, Jeremy. And then maybe a question on production. Could you guys maybe bridge us kind of from the 3 million tons of production expected this year to the new targeted rate of 4.3 million in '23? Again, just to kind of summarize, it sounds like 250,000 from the highwall made the prep plant expansion at Elk Creek sounds like maybe middle of next year. Also, are you assuming full return of the Berwind mine, any color there would be great?

Randall W. Atkins — Founder, Chairman, and Chief Executive Officer

Chris, you want to handle that?

Chris Blanchard — Chief Operating Officer

Yes, I'll sort of hit the high points and of course, there is going to be some dogs and cats in there and if you go through the presentation, you might look on Slide 7. But the big chunks of that growth is, about 400,000 ton increase year-over-year from what we now expect out of Berwind to what we expect in 2023 out of the Berwind mine, assuming that we get back into production.

We've got the ramp up of our Ram No. 3 surface mine is a little less than 200,000 tons next year. We've got an additional section at our No. 2 gas mine at Elk Creek, which is about 300,000 tons. As you mentioned, the 250,000 tons from Maben and then we've got some of the mines that we started up this year, Triple S, the Big Creek underground mine in the Jawbone — those contribute another 400,000 tons combined. So you add up all those pieces and that gets you from the 3 million tons to 4.4 million tons, but the biggest chunk is the restart of Berwind.

Nathan Martin — Analyst, The Benchmark

Got it. Thanks, Chris. And maybe just one final one, kind of going back to the opportunity to sell met into the thermal market. I think you guys mentioned earlier that the reception has been pretty, pretty good so far. Just wanted to kind of dig into that a little bit, I mean from the chemical composition involves proof fulling properties, everything kind of looks like it's been, reception is pretty good there. And then maybe, is there any opportunity to kind of increase yields if you sell your met as thermal? Thanks.

Jason Fannin — Chief Operating Officer

Yes, Nate, this is Jason. On the reception and on the qualities of the met coal is certainly there are limitations particularly terms of swelling and volatile content and what we found is, you've got to find the right users for the right coals, either users are able to blend the swelling properties into their mix or users that are accustomed to using those sorts of coals and we've just been able to make the right inroads with the right folks on that end for our particular mid-vol and high-vol coals, both. I'll leave it to Chris on the efficiency gains.

Chris Blanchard — Chief Operating Officer

No, there definitely are some and we haven't budgeted those into those production numbers, but obviously we'd run our preparation plants at a little bit higher gravity, have a little bit higher recovery targeting thermal versus targeting metallurgical.

Nathan Martin — Analyst, The Benchmark

Great. Thanks. Thanks for that information, guys. I think I'll leave it there. I appreciate the time and best of luck for the second half.

Jeremy R. Sussman — Chief Financial Officer

Thanks Nate.

Operator

This concludes our question-and-answer session. I would like to turn the conference back over to Randall Atkins, Chairman and CEO, for any closing remarks.

Randall W. Atkins — Founder, Chairman, and Chief Executive Officer

Great. We appreciate everybody being on the call today and we look forward to communicating with you here as we move into the next quarter. Thanks very much.

Operator

The conference is now concluded. Thank you for attending today's presentation. You may now disconnect.