

Final Transcript

Q4 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 morning, everyone and welcome to the Ramaco Resources Incorporated Fourth Quarter 2022 Earnings Conference Call.

[Operator instructions]

At this time, I'd like to turn the floor over to Jeremy Sussman, Chief Financial Officer. Sir, 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 fourth 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 statement 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, which can be viewed on our website at ramacoresources.com. 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. Good morning to everyone, and thanks for joining the call. The fourth quarter was another challenging quarter. Indeed, last year was one of the most volatile market environments the company has faced. We experienced two impactful operational setbacks.

One was sudden. That was the ignition of Berwind that closed the mine and cost us 20% of our '22 production. The other was more long lasting. That was the continued logistical and rail performance issues we encountered throughout the year. Despite those headwinds, '22 was easily our best year financially. We generated more than \$200 million in adjusted EBITDA. It was almost three times higher than '21. This was also more than we did cumulatively over the past five years as a public company. I can think of no other public coal group that has achieved that level of growth in that shorter period and also starting from scratch.

Looking ahead for '23, our goal is quite simple. We want to get back on track and execute. This year, we hope to print some meaningful increases not only in production, but also in overall processing and sales capacity. We will continue to focus on cost reduction and despite a great deal of macro uncertainty, this year has already started with encouraging signs and sales and pricing.

Since we went public, we always spoke about the primary goal of returning capital back to our shareholder. We took the first steps there in '22 with our first regular base dividend. We promptly doubled that payout amount and recently increased it again last December by a further 10%. We expect to discuss dividends again as the year progresses.

We also have our tracking stock now in registration, which we will discuss once that is permitted. But overall, we have tried to design our capital return policies to appeal to long term investors. Simply put, as we grow, we intend to have regular steady increases in the amount of cash headed back to shareholders.

I'm also extremely pleased that despite a volatile macro environment, our marketing team has booked significant new metallurgic sales since our last update in late '22. We previously guided we would tailor our

sales strategy to those markets that would yield the best netbacks and with a bias to retaining price optionality. We have now done that. Just over 20% of sales this year are committed to traditional domestic steel mills at fixed prizes. At the high end of guidance, we have two thirds of sales priced for export and mainly at floating index pricing. Our view is that in this market cycle, index prices will achieve higher margins than traditional fixed prices.

Adding more optionality, we still have almost one million uncommitted tons left to place. This represents about 30% of our total sales guidance again at the high end of the range. Again, these tons are expected to be sold for export and at index. Summing up our '23 book, we have already placed 1.6 million tons at fixed prices over \$200 a ton. This nets back to triple digit margins based on the midpoint of our cost guidance. At the same time, as I said, approximately two million tons or two thirds of total sales will be priced at mostly index-based export business.

On financial performance, while '22 was a record year, we encountered headwinds. First, of course, was the unfortunate technician at our Berwind No. 1 mine in July. [Static] and the West Virginia state regulators have recently confirmed that it was probably called by a lightning strike near its surface mine portal. Fortunately, that mine restarted last week. We expect by the third quarter, Berwind will hit full production from the first section. We also anticipate Berwind complex become the second largest mine complex at over 1.5 million tons once we reach full production.

Another issue was that last time when we sold some tons into the niche crossover business of selling US met coal to European utilities. This was for thermal use, but at that time priced much higher than met realizations. When we concluded a floating deal against the API2 index in July, the pricing was around \$400 a ton. Unfortunately, the API2 drop by roughly two thirds during the contract term and we took a large hit on that sale.

We also estimate that the litany of rail and logistic issues negatively impacted adjusted EBITDA by an average of \$14 million each quarter. It was almost like Murphy's Law. We always seem to get rail delays just at a quarter's end. We are now hopeful that in '23 logistics will return to a more normalized cadence based on what we're hearing from our railroad partners.

Looking forward, based on simple fundamentals, '23 is poised to be a very positive year. Starting in the second quarter and building throughout the year, we have several near-term developments which will begin to impact earnings. First is the one million ton expansion in processing and shipping capacity at the Elk Creek complex, which is maxed with an increase in production to three million tons. Another is the reopening of the Berwind #1 mine. Lastly, in the second quarter, we also expect to begin initial production at our new Maven mine. This will be a 250,000 ton per year low-vol mine mined at very attractive coal.

In '23 at the high end of guidance, we now anticipate a 825,000 ton increase in production over '22. We also expect a one million ton increase in sales enhanced by the roughly 150,000 tons of carryover coal we did not ship by year end because of rail logistics.

By the third quarter, we anticipate producing, shipping, and selling north of a four million ton per annum run rate. This of course sets us up for some solid growth in 2024. In addition, this year we hope to decrease cash mine cost by 5% or about \$1 to \$2 per quarter, as well as have a significant \$50 million or 43% decrease in capital expenditures versus '22.

Over the past 18 months, we've made three accretive reserved royalty and infrastructure acquisitions. At this point, we do not contemplate further acquisitions to reach our optimal level of 6.5 million tons of production over the coming years. By fundamentals alone, from adding additional production, processing and sales capacity that we expect, we are competent that '23 will be another record year on both net income and adjusted EBITDA.

We anticipate sufficient internal cash generation to meet all capital requirements for our production growth as well as for repayment of all term and acquisition debt by later this year. As I said, we also expect to revisit our dividend levels as the year moves forward.

In closing, our goal for '23 again is simply to execute. We have two main objectives: production growth and a steady increase in capital return to our shareholders. With that, I would like to turn the floor over to the rest of the team, discuss more detail on finances, operations and markets. So Jeremy, please start with a rundown on our financial metrics.

Jeremy R. Sussman — Chief Financial Officer

Thank you, Randy. I'll start by going over our fourth quarter 2022 financial highlights.

Adjusted EBITDA of \$32 million was up 1% year over year. Quarterly net income of \$14 million was down from \$19 million in the same period of 2021. Adjusted EBITDA was negatively impacted by \$4.4 million due to idle costs at our Berwind mine plus the July ignition. Net income was negatively affected by \$4 million.

On a full year basis, 2022 adjusted EBITDA was \$205 million compared to our previous record adjusted EBITDA of \$79 million in 2021. Adjusted EBITDA was negatively affected by roughly \$9.5 million of Berwind idle costs. On a full year basis, net income was \$116 million, and diluted earnings per share were \$2.50. These were both up by roughly 190% year on year.

Our fourth quarter results were negatively affected by extreme cold temperatures compared to expectations set in early December 2022, which caused almost 150,000 tons of shipments to be pushed into January of 2023 due to logistical challenges. We also saw a monthly 50% drop in API2 index pricing, which impacted margins on a large seaborne sale to Europe.

Turning to our full year 2023 outlook, I would like to touch on a few of the key areas in our guidance tables. First, we anticipate production of 3 million tons to 3.5 million tons with sales roughly 200,000 tons above production due to the impact of carryover tonnage. At the high end of sales guidance, we anticipate more than a 50% increase in year-over-year sales.

Second, we anticipate cash cost per ton of \$97 million to \$103 million, which is a roughly 5% decrease from 2022 cash cost. Third, we anticipate CapEx of \$60 million to \$80 million down from \$123 million in 2022. I would note that all of these annual figures are unchanged from the guidance we gave in December.

One thing I want to point out is that given the ramp of production in sales expected in 2023, we are giving more granular quarterly guidance than normal. Specifically, we expect Q1 production of 625,000 tons to 700,000 tons and sales of 625,000 tons to 675,000 tons with realized pricing of \$180 to \$185 per ton and cash costs of \$103 per ton to \$109 per ton.

Q1 realized pricing guidance, as a whole, is negatively impacted by roughly \$7 a ton due to the final January API2 index linked cargo. Clearly, we anticipate Q1 to be the lowest quarter of the year in terms of adjusted EBITDA and net income. Our production and sales should increase meaningfully throughout the year on the back of Elk Creek's plant capacity increasing by 50% in the second quarter, as well as on the back of the return of the Berwind mine, which occurred last week. We will also initiate production on the Maven Mine in the second quarter. We would expect cash costs to decline as production and sales increase due to economies of scale.

Now turning to our longer-term growth outlook, we are maintaining our medium-term target of 6.5 million tons of production. I would like to point you to Slide six and seven in our presentation. As a reminder, we believe we can get to 6.5 million tons of production at a very favorable CapEx intensity. Specifically, for a total of \$121 million of growth capital split between 2023, 2024 and 2025, we anticipate completing the full buildout to 6.5 million tons of annual production. This is almost triple 2021 production of 2.2 million tons.

At these levels, we would envision Elk Creek growing to almost 3.5 million tons from two million tons last year, the Berwind complex as a whole growing to almost two million tons from 400,000 tons last year and the Knox Creek complex growing to more than a million tons from 200,000 tons last year.

I would remind everyone that 2022 was peak CapEx for us with over \$90 million of growth capital. We anticipate growth capital of less than \$30 million this year with overall CapEx down by more than \$50 million. Importantly, as Randy detailed, in addition to our industry-leading production growth profile, we continue to anticipate returning increasing amounts of cash to shareholders, while also paying down the majority of our remaining debt this year in order to maintain our strong 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 peers.

I would now like to turn the call over to our Chief Operating Officer, Chris Blanchard.

Chris Blanchard — Chief Operating Officer

Thanks, Jeremy. As Randy indicated in his remarks, we have had a number of transformational changes in the operations portfolio that have been completed recently or are imminent. Most importantly is the restart of the Berwind mine in just the past several days. The recovery of the mine was completed safely without any

accidents to any employees or contractors. We want to thank MSHA and the State of West Virginia for their professionalism and working with us to recover the mine and complete our joint investigations. We also thank and recognize the efforts of the mine rescue personnel and our own miners who work tirelessly through challenging conditions.

All of the mine infrastructure has been repaired and all section mining equipment is active and in production. During our extended outage, we took several additional steps to upgrade and add redundancies to our ventilation system. As a reminder, the accident occurred during scheduled routine maintenance while the mine was idle.

Although the mine is just returned to production, we are encouraged by the productivity levels reached in just the first few days. We have modeled a conservative ramp up of production at the mine, but expect to be back at fully ratable levels by the third quarter of 2023.

Staying at the Berwind complex, during the fourth quarter of '22, we completed the upgrade and the modernization of the Berwind preparation plant. We commissioned the plant in November and saw overall immediate cost per ton reduction from the logistics savings. As the Berwind mine itself's production ramps, these cost savings will become substantial. Given the scarcity of on-road coal trucks, eliminating the haul to our Knox Creek preparation plant also eliminates another logistics problem.

Turning to Elk Creek, the 50% capacity upgrade of our preparation plant by up to one million clean tons per year is reaching the final stretch. We will complete the upgrade in the second quarter and should see an immediate improvement in processing throughput. The expansion of production at our mines at Elk Creek, which we put in place during the second half of '22, have all completed the ramp up periods and are all now operating at full capacity. No additional growth capital or hiring will be required at these mines in 2023 to serve the larger preparation plant.

Importantly, we are seeing the financial impact of the full productivity of these mines. All of the 2022 advanced hiring and training of our coal miners is now bearing fruit in higher productivity and lower costs. We also continue to work closely with the CSX Railroad and are confident that their systems are prepared for our

additional trains and shipments from Elk Creek, which will start during the second half of the second quarter this year.

Finally, we'll bring the Maven property acquired last year into production early in the second quarter this year. Our initial surface and high wall mine production is planned for processing and shipment from the Berwind plant. We are excited about the long-term potential on the Maven property and the high quality of the coals in this reserve. We continue to execute on our multi-year growth trajectory and our expanding portfolio of mining complexes to ultimately in excess of six million tons with today's historically robust pricing supporting us.

For a deeper discussion of the coal markets, I'd like to turn the call over to our Chief Commercial Officer, Jason Fannin. Jason?

Jason Fannin — Chief Operating Officer

Thanks Chris, and good morning, everyone. I will share what we are seeing in the markets in our current and forward sales outlook.

As we begin. 2023, global steel demand and pricing and rebounded. Hot rolled pricing is up to \$1,100 per ton in the US. Lead times have extended to eight weeks, which is the highest level since Q3 of 2021.

Blast furnace capacity has started to return, which was idle during the second half of '22 in the US, Europe, and parts of Asia. China has ended its zero-Covid policy and is instituting growth initiatives, pushing its manufacturing PMI to a 10-year high last week, and also ended its two year de facto ban on Australian coals, all positives for coking coal markets.

At the same time, the supply response remains muted due to years long under investment in the coal space. Indeed supplied side tightness remains the dominant driver of elevated pricing for the foreseeable future. Since the start of the year, we have seen coking coal prices improve 25%. Forward curves point to continued strong pricing for metallurgical coal through '23 and '24. Exports from the US saw negligible growth during 2022. Output is still below pre pandemic levels.

In the year already fraught with rail challenges, extreme temperatures in the US in December of '22 caused even further logistical delays. Our railroad partners faced many of the same challenges we did during 2022, particularly on the labor front. We applaud their hiring efforts and service improvement initiatives and continue to see improving performance.

Looking ahead to 2023, as Randy said, we have focused on attaining index price, export met-coal business to take advantage of what we feel will be a strengthening market as the year progresses. Roughly two thirds of our forecasted sales will be sold into the export market. We currently have committed sales of 2.6 million tons of which 1.6 million tons are booked at a fixed price just over \$200 per net ton at the mine. With the remaining one million tons priced against metallurgical indices.

This leaves us with about one million tons of unpriced export volume remaining to sell at the upper end of our forecasted sales volume. We have also executed on our plan to grow our position with domestic specialty and niche coal consumers, and this attractive market now represents over 10% of our forecasted sales.

Just over 20% of our forecasted sales volume is placed with traditional coal makers in North America. Additionally, we have recently performed our first trial shipment into India with excellent results and strong net pricing, and are in discussions with other Pacific market consumers for additional near-term test cargos. In line with that, we are now seeing increasing interest from customers in Japan and other Pacific destinations. As Ramaco continues to expand production, we view the Pacific market as a long-term strategic consumer, especially considering our growing portfolio of low ash, low sulfur metallurgical coal, which spans the full spectrum of quality: low, medium, and high volatile coking coals.

Overall, we like the current market conditions as they apply to Ramaco. We continue to see a protracted imbalance of coking coal supply and demand, which is supportive of a prolonged period of elevated coking coal pricing levels. We also see a Pacific market lacking certainly of supply as their demand continues to grow, providing opportunities for expansion of US market share.

With 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]

And our first question today comes from Lucas Pipes from B. Riley Securities. Please go ahead with your question.

Lucas Pipes — Analyst, B. Riley

Thank you very much, operator. Good morning, everyone, and it's good to hear about the progress at Berwind. My first question is about 2023 guidance in the context of the delays in Q4. Should we think about a degree of conservatism embedded in the guidance, especially for Q1 again, kind of thinking about the tons that were stuck at the end of the fourth quarter. Thank you very much for your perspective.

Jeremy R. Sussman — Chief Financial Officer

Thanks Lucas. It's Jeremy here. So, I think, Randy mentioned in his prepared remarks that we basically had on average about a \$14 million EBITDA impact from carry over tons each quarter. So, certainly we hope this trend reverses, but I'd say we're taking a bit of a wait and see approach there.

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

And Lucas, this is Randy. I would call it a trust and verify approach. \$14 million per quarter is a pretty decent hit to us, so we're definitely trying to approach this year with a little bit more conservatism toward what we expect on rail performance.

Lucas Pipes — Analyst, B. Riley

That's helpful, thank you. And then I may come back to that later in the queue, but for my second question, I wanted to focus a bit on the market, and sorry if I missed it. What is the API2 exposure in your 2023 sales today, and then with the strength of the domestic steel market, are you seeing any increased inquiries from domestic steel makers. Would appreciate your perspective on those two points. Thank you very much.

Jeremy R. Sussman — Chief Financial Officer

Lucas. I'll take the first part and then let Jason handle the second. So we have, after January, we had zero API2 exposure, and frankly, we weren't even supposed to have any this year, but we had some carryover tons of about 50,000 tons that got shipped in January that were linked to the API2 index. So you certainly see an impact to our Q1 pricing guidance on the back of that. Jason?

Jason Fannin — Chief Operating Officer

Yeah, Lucas, this is Jason. On the domestic inquiry, certainly seen those pick up in the last, I would say, four to six weeks for additional volumes in Q2 and through the back half, certainly, in step with what we're seeing on the pricing side and demand side and the lead times there. Yes.

Lucas Pipes — Analyst, B. Riley

All right. I really appreciate the color. I'll turn it over for now. Thank you, and best of luck.

Operator

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

David Gagliano — Analyst, BMO Capital Markets

Hi, thank you for taking my questions. I just, I wanted to ask about the '24, '25 outlook in the bar charts. It looks like the volumes in 2024 used to be, or last quarter were 5.5 million tons, now 4.5 million tons. Can you explain what's changed in the last three months to reduce the targeted production growth in 2024?

Jeremy R. Sussman — Chief Financial Officer

So hey David, it's Jeremy. So, I'd say right, right now we're targeting 4.5 million tons in '24, but we certainly have the ability to increase that to over five million tons, should we pull forward some of the capital projects that we deferred. So we'll just kind of see how the -- how the year plays out, but, that the reality is, is it's based on the fact that we've deferred a few projects.

David Gagliano — Analyst, BMO Capital Markets

Okay. All right. That's helpful. And then just on the near term just a clarification question, for the full year 2023, the commentary was about pricing, that's open to index pricing on a go-forward basis. And I think there's, what is it, I'm going to get these numbers wrong, but I think there's 1.6 million tons priced at \$200 a ton or something like that. And then the comment was another million open for pricing. But obviously the shipment volume is 3.2 million tons to 3.7 million tons. So that only adds up to 2.6 million tons. What's the... isn't the rest also open for pricing or is some of this already sold under domestic contracts?

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

Yeah, I think, I think Dave, this is Randy. I think the million is open tons uncommitted. We've got another million tons that's committed, but it's at index. So that gets you to the higher end of our guidance.

David Gagliano — Analyst, BMO Capital Markets

Got it. Okay. I just want to make sure that...okay, perfect. Thank you. That's all I needed.

Operator

And our next question comes from Nathan Martin from The Benchmark Company. Please go ahead with your question.

Nathan Martin — Analyst, Benchmark Company

Hey, thanks operator. Good morning, guys. Thanks for taking the questions. I appreciate the extra guidance for the first quarter as it relates to shipments, I think 625,000 tons to 675,000 tons, including some purchased coal. Did you guys say you already shipped the 150,000 tons of carryover coal in January? I think Jeremy, you just mentioned that about 50,000 tons of the API2-linked coal that carried over have already been shipped as well. Is that, is that correct?

Jason Fannin — Chief Operating Officer

Yeah, Nathan, this is Jason. Yes, essentially within the first, I'd say 10 days to 15 days of January, all the carryover tons were shipped and completed.

Nathan Martin — Analyst, Benchmark Company

Got it. I appreciate that clarification, Jason. And then, it would appear you guys are estimating domestic sales, about third of shipments this year around 1.2 million tons, at least for now. And then obviously that would mean two thirds of shipments going to the export market, which I think will be the largest portion to date. Jason, I appreciate some of the color in the prepared remarks there on the new markets. I know you mentioned the first vessel into India, test shipments in the Asia.

Any more color there? And may be curious, which met-coal indices you guys are pricing your various export shipments at today? Is it still mainly US East Coast or do you have some tie to off-sea indexes now? Thanks.

Jason Fannin — Chief Operating Officer

Sure. Yeah, I guess an overarching comment would be in slide 12 in the presentation, we have the geographic layout of where our shipments are heading. Breaking down your question a little bit there, we have seen increasing, certainly, interest in the Pacific is that market continues to grow.

The challenges we faced last year, I think executing on some of the larger potentials we had at that time, didn't occur, so we're breaking into that market now with good success I would say early here in Q1.

In terms of the breakout, I think, Europe will remain our probably our heaviest concentration for seaborne sales. Also Brazil as well, where we'll continue to maintain what we do have now and potentially grow that too. So in terms of the index bases, I don't have a percentage breakout on each, but I would say the majority will remain off the US Coast, the US East Coast indices and certainly in the Pacific, most of that business is based on the Pacific indices.

Nathan Martin — Analyst, Benchmark Company

Appreciate that, Jason. And then maybe coming back to the cost side, full year company produced cost for return guidance maintained \$97 ton to \$103 a ton, down from \$105 ton in 2022, so that's nice. Obviously you guys put that target out there before the recent runup in met indices the last few months. Curious, could you share kind of what met prices you assumed in that range and could there be any pressure, if we continue to see prices stay well above \$300?

Jeremy R. Sussman — Chief Financial Officer

Nate, it's Jeremy. So, we generally look at the forward curve based on that range. So, obviously the spot prices stay where they are, I'd probably point you towards the higher end of the range. That'd be a good problem to have, of course.

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

Yeah, I think Nate, even though we've seen a run up in prices, I don't think that we've seen any real increases in cost pressure in the intervening period. If anything, I think to the extent that there are those that forecast a much more recessionary environment, if the Fed continues to increase rates, we think that that's at least put a damper on cost increases.

Nathan Martin — Analyst, The Benchmark

Great, appreciate those comments guys. And then maybe just on the labor front as well, I think that was a big piece of some of the cost increases we've seen. Has that moderated a little bit it sounds like Randy, or how are

things on the labor front in general? I think Chris mentioned you guys are pretty well stocked on the labor front, at least from the Elk Creek perspective. But just any final thoughts here would be great.

Jeremy R. Sussman — Chief Financial Officer

Yeah, we, we staffed up last year clearly in anticipation of both Berwind as well as increasing production at Elk. So this year we do not anticipate adding to that number, and I think also with respect to just wage increases, we expected that to kind of ameliorate from the pressures that we got last year certainly earlier in the year.

Nathan Martin — Analyst, The Benchmark

Great. Very helpful guys. Thanks for those thoughts. Appreciate the time and best of luck in '23.

Jeremy R. Sussman — Chief Financial Officer

Thanks Nate.

Operator

And our next question is a follow up from Lucas Pipes from B Riley Securities. Please go ahead with your follow up.

Lucas Pipes — Analyst, B. Riley

Thank you very much, operators. Thank you for taking my follow up question. I wanted to follow up on the rail side. It's been a little bit more mixed recently in terms of commentary about performance. Obviously there's been some tragic incidents recently, and so I wondered if you could comment on how you see rail performance today for you and what your outlook is kind of over the course of the year specifically as it relates to rail? Thank you very much.

Jason Fannin — Chief Operating Officer

Yeah, Lucas, this is Jason. Certainly just referring quickly back to the carryover tons there at the end of the year, we'd seen, kind of slow and steady improvement all year long as a right size of labor and the rolling stock to meet the demand. Just a series of unfortunate incidents right at the end of the year, one was an unplanned outage at one pier that we had a vessel in the queue and the other was just, the extreme, extreme cold temperatures there around Christmas, just slow dumping and vessel loading to a crawl at another, we happen to have vessels on each of those two piers right at the end of the year.

Since the start of the year of course we, talked up those shipments very quickly and I'll say, our railroad partners have done an excellent job of keeping trains up against us at all three locations we're shipping from. And as Chris mentioned in his remarks, thinking about the rest of the year we've stayed close to both the eastern railroads there as we're served by both at one at Berwind and one at Elk, where we, our expansions coming this year and we're very confident in the meetings we've had since last year and going forward here, that they're anxious and ready as we are to bring these tons on and get them moved.

So again, you already mentioned we're cautiously optimistic here to come out this quarter, but certainly the cadence is much improved here in Q1 already, and the plans are there and the systems are there to make it happen here Q2 forward.

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

Yeah. And Lucas, this is Randy. Again, echoing Jason, the feedback we've gotten from the rails is that a lot of the issues that they had with us last year related to manpower issues, which they have now stepped forward and have done a great deal of hiring, particularly in the specific market area where the trains are serving us.

We've seen the stats and so therefore we're hopeful with the additional manpower that they've got that the service levels will improve. Certainly, it's not like anything going to happen overnight, but we think it's definitely moving in the correct direction.

Lucas Pipes — Analyst, B. Riley

That's very helpful to hear. Thank you. And then, I do have a follow up question on labor and sorry if I missed the response there to Nate's question, but do you still need to hire additional folks as you ramp up at Berwind? If so, what's roughly the magnitude? And then as it relates to Berwind any equipment requirements or dependencies to hit the numbers there. Some of your peers have noted really long lead times on the equipment side. So wanted to follow up on that as well. Thank you very much.

Jeremy R. Sussman — Chief Financial Officer

So Lucas, on the waiver front, we do have a little bit of hiring that we'll do to fill a few slots at the Berwind complex. But we're talking less than a dozen miners to hit our guidance at Berwind. The bulk of our hiring that remains this year will be as we ramp up Maven in the second half of the year.

And then on the equipment front, we do not have any dependencies on equipment deliveries for the Berwind ramp up or for the ramp up at any of the other locations. But the lead times on new equipment and rebuild equipment have been accurately portrayed as extremely long. Fortunately, we were far enough out in front of that, that we don't have any impact this year.

Jason Fannin — Chief Operating Officer

And I, and I'll add to that, Lucas, last year I can think of at least two occasions where we forward purchased equipment frankly in anticipation of production that was going to happen in '23. Obviously we had a pretty heavy CapEx last year, and hopefully that's one of the reasons why we'll see a decrease in that for '23.

Lucas Pipes — Analyst, B. Riley

Very clear. Thank you very much for taking my follow up questions and again, best of luck.

Operator

Yeah. Ladies and gentlemen, with that we'll conclude today's question-and-answer session. I'd like to turn the floor back over to the management team for any closing remarks.

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

Well, once again, we appreciate everyone being on the call this morning. We look forward to getting together in a few months. And as I said in my earlier remarks, we look forward to executing. Thank you very much.

Operator

And ladies and gentlemen, with that, we'll conclude today's conference call and presentation. We do thank you for joining. You may now disconnect your lines.