Cleveland-Cliffs
First-Quarter 2025 Earnings Conference Call
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Presenters
Lourenco Goncalves, Chairman, President & Chief Executive Officer
Celso Goncalves, Executive Vice President & Chief Financial Officer

Q&A Participants
Nick Giles - B. Riley Securities, Inc.
Albert Realini - Jefferies
Lawson Winder - BofA Securities
Alexander Hacking - Citigroup Inc. Exchange Research
William Peterson - JPMorgan Chase & Co
Timna Tanners - Wolfe Research
Carlos de Alba - Morgan Stanley

Operator
Good morning, ladies and gentlemen. My name is Cheri, and I will be your conference facilitator today. I would like to welcome everybody to Cleveland-Cliffs First Quarter 2025 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session.

The company reminds you that certain comments made on today's call will include predictive statements that are intended to be made as forward-looking within the safe harbor protections of the Private Securities Litigation Reform Act of 1995. Although the company believes these forward-looking statements are based on reasonable assumptions, such statements are subject to risks and uncertainties that could cause actual results to differ materially.

Important factors that could cause results to differ materially are set forth in reports on the 10-K and 10-Q and the news release filed with the SEC, which are available on the company's website. Today's conference call is also available and being broadcast at clevelandcliffs.com. At the conclusion of the call, it will be archived on the website and available for replay.

The company will also discuss results, excluding certain special items. Reconciliation for Regulation G purposes can be found on the earnings release, which was published yesterday. At this time, I would like to introduce Lourenco Goncalves, Chairman, President and Chief Executive Officer. Thank you. You may begin.

Lourenco Goncalves
Thank you, Cheri, and good morning, everyone. Our first quarter results were unacceptable with worse-than-expected EBITDA and cash flow, mostly due to underperforming noncore

assets. Underlying these weak results was the lagged impact of very low steel prices that we were exposed to during the second half of 2024 and into the beginning of 2025.

The implementation of across-the-board tariffs on foreign steel under Section 232 executed by President Trump on March 12 was the most relevant and necessary action to eliminate unfairly priced competition. The entire domestic industry, Cleveland-Cliffs included, continues to suffer, and we're starting to see a more consistent business environment and improved pricing in April and May.

Besides pricing, our results over the past quarters have been significantly affected by three company-specific issues. In order to bring back consistent profitability and free cash flow generation through the balance of 2025 and into 2026, these three issues must be resolved.

Issue number one, underperformance from our core automotive end market; number two, loss-making operations that are not core to what we do; and issue number three, a very disadvantageous slab supply contract with ArcelorMittal/Nippon Steel Calvert.

Let's address each one of these three issues. On the first one, the numbers speak for themselves on the automotive industry in the United States. In 2024, only 50% of the cars sold in the United States were actually made in United States. Said another way, imported cars sold in our country basically split the market in half with domestically produced cars.

No one would argue that we don't need automotive production in the United States and that it is okay to import cars instead of produce them here in the U.S. Therefore, nobody should be surprised to see consequential policy work towards reshoring automotive production.

The Trump administration has shown strong support for both the American steel and the American automotive sectors. Fortunately, Cleveland-Cliffs is situated right there at the crossroads of these two sectors that are so critical to the U.S. national and economic security. Cliffs is not just a steel company that happens to make some automotive steel. Cliffs is the American steel company designed to supply domestically produced steel to the American automotive industry.

The actions taken by the administration are squarely aimed at boosting the production of cars and trucks in the United States using steel produced in the United States. The best suppliers of steel for these current situations are the ones that are well established with the highest OEM marks for quality, reliability and delivery performance.

As our automotive clients are now working to reshore their manufacturing footprint in the United States with a great sense of urgency, we are proactively engaging with these automotive customers and finding short-term solutions for them. There is plenty of spare capacity to increase car production here in the United States right away, and we are already seeing some of our most important customers shift overseas production back to made in USA vehicles.

We are enjoying meaningful success in working with both domestic and international auto OEMs in securing longer-term automotive steel supply as they run their existing factories in the U.S. at higher utilization rates and make plans to build new plants to expand domestic automotive production. We have also gained back market share from our key automotive OEM accounts.

At this point, it is very clear through our order book as well as a consequence of recently extended contracts with our well-established clients that profound changes are coming. Automotive remains a high-margin business for Cliffs, and we expect to see a benefit in the $250 million to $500 million EBITDA range annually starting to incrementally materialize in the second half of this year and fully impacting our results in 2026.

This brings us now to issue number two. We firmly believe that the Trump administration is spot on in its push to bring back manufacturing to the United States. And we know that in the long run, this will be good for the American steel industry and for Cleveland-Cliffs. However, in the short term, we need to do everything we can to make sure that we remain cost competitive.

In order to do so and to return to profitability, we are taking decisive actions to optimize our operating footprint. Several of the assets' impact have been loss-making for some time, but we have been absorbing these losses in anticipation of new business resulting from projects widely advertised, but never materialized, supported by the infrastructure bill, the CHIPS Act and the IRA.

Unfortunately, that never happened, creating a situation that we now need to fix. We don't take these decisions lightly, knowing that approximately 2,000 employees were impacted by these operational changes. That said, these are necessary actions, and we have made the following changes to our operations.

First action, we fully idled our Minorca mine and partially idled our Hibbing Taconite mine, both in Minnesota. These idles were necessary to rebalance working capital needs and consume excess pellet inventory that we produced in 2024, responding to the weak demand that plagued us during the final months of the Biden administration.

Second action, we're idling the hot end at Dearborn, Michigan. Dearborn Works has very modern downstream equipment with a PLTCM picking line tandem cold mill and an extra wide automotive-grade galvanizing line for exposed parts. These facilities will continue to operate with no interruption. But Dearborn also has a stranded blast furnace/BOF/caster without a hot strip mill.

We'll be replacing Dearborn current production of hot metal with the restart of our Cleveland #6 blast furnace, which should be back in operation by the time the Dearborn blast furnace is idle. The mines and the Dearborn blast furnace idles are geared toward efficiency gains, and these changes will not affect our ability to serve our OEM and service center customers. Outside of these, we still carry some legacy assets that are simply not competitive and loss-making. We will be idling these assets, which are included in the next three actions.

Third action is Steelton, Pennsylvania. Steelton is primarily an electric arc furnace rail mill. Unfortunately, our rail customers prefer artificially cheap imported rail. In one case, the customer imports 50% of his needs from Nippon Steel, who is continuing to ship rail from Japan right through the Section 232 tariffs. That creates substantial pricing pressure for the domestic portion or the other 50% of the business that we share with other two domestic suppliers, both of them with more equipment than Steelton.

Fourth action, Conshohocken, Pennsylvania. Conshohocken is a high-cost specialty plate finishing facility. We can perform the vast majority of the finishing work currently done at Conshohocken in our EAF facility located in Coatesville, Pennsylvania.

Fifth and final action, Riverdale, Illinois. Riverdale depends on liquid pig iron sent by railroads across the state line from Indiana, creating a significant cost disadvantage for the plant. There are several competitors for the Riverdale book of business, each of them with a more competitive cost profile. This action generates operational efficiencies related to logistics and fixed costs with no change in overall volume output.

The idle of Riverdale will allow us to keep the pig iron where it belongs at Indiana Harbor, a plant that currently has underutilized capacity in both steelmaking and rolling. With more tonnage of liquid pig iron available for internal use, we expect Indiana Harbor to be one of the biggest beneficiaries of the expected reshoring of automotive production into the United States.

These last three operational change solidify our move away from three markets that have not been profitable for us: rail, specialty plate and high carbon steel sheet. The situation can always change, but for now, this is the right thing to do. Taken together, this change represents savings of over $300 million annually, not including the reduction of associated overhead and improved efficiencies at other operations.

Very importantly, as we eliminate all this legacy inefficiency, it will become apparent that Cliffs is not a high-cost steel producer. By using pellets and HBI 100% made in USA in our steel plants at today's busheling scrap price, we produce hot-rolled coil in our integrated mills for a cost that is very competitive when compared to any EAF, flat-rolled mini mill. This is why the EAF mini mills are lobbying hard to exempt pig iron from tariffs.

They want to continue to enjoy a very unfair advantage by continuing to be able to buy dumped imported cheap pig iron from Brazil, Ukraine, South Africa, just like importers of steel prefer to buy cheap imported dumped steel over domestically produced steel. The level playing field rules should be applied to the EAF mini mills as much as it is applied to everyone else. And we fully expect that the EAF mini mills are treated by the Trump administration, the same way all other importers of dumped stuff are treated.

Issue number three is the contract with ArcelorMittal to supply slabs to their 50-50 joint venture with Nippon Steel in Calvert, Alabama. Most of you are aware that as part of our acquisition of ArcelorMittal USA in 2020, we signed a five-year agreement to supply the Calvert hot strip mill with up to 1.5 million tons of slabs per year, primarily from Indiana Harbor.

This slab supply agreement has become exceptionally burdensome in the current environment. The contract price for these slabs is driven by the Brazilian FOB index that usually correlated with U.S. flat-rolled steel pricing. So, when we guided to hot-rolled sensitivities, this slab volume was baked in.

However, the correlation with HRC has been disrupted significantly. Brazil, rightfully so, is now facing 25% tariffs in lieu of the previous Section 232 slab quota. With that, the buyer universe for their slabs in the U.S. has shrunk and the Brazilian slab mills have had to look elsewhere for buyers in other markets, which led them to dump their slabs at lower prices.

So, while the domestic flat-rolled prices have gone up, our realized prices under this particular Brazilian price-linked arrangement have declined, leaving us with a significant negative margin on this product that is reflected in our Q1 results.

We have discussed possible remedies with ArcelorMittal, but a mutually acceptable solution has not materialized. At this point, as the expiration date of the slab contract is getting closer, the best solution for Cliffs is to let the clock run out on December 9, 2025. Based on the current market for slabs and HRC, we expect to see a benefit of approximately $500 million in annualized EBITDA beginning in 2026, just by virtue of no longer having this onerous contract in place.

Let me now touch on the Stelco acquisition, which has proven to be well-aligned with our nonautomotive commercial strategy. Stelco is the steel company of Canada, and we, from day one, have taken deliberate steps to redirect Stelco's sales into the Canadian market where they belong. Stelco's operations offer an ideal platform to serve their home market with speed and efficiency.

With Stelco's favorable cost structure, they can compete for and win any business in Canada. Previously, as a participant in the U.S. market, Stelco was a major disruptor here in the Midwest of the United States. While Stelco has benefited from absorbing legacy Cliffs business in Canada, particularly in automotive, the strategic repositioning of Stelco as a Canadian supplier of steel to the Canadian market has given our U.S. mills more business opportunities, ultimately allowing us to restart Cleveland Works number six blast furnace.

On the strategic front, some of you have probably seen headlines about the uncertain future of our DOE-supported strategic projects at Middletown and Butler. President Trump's administration clearly has different energy policy priorities than the Biden administration. That said, we are in direct dialogue with Department of Energy leadership on these awards, and the agency wants to fully understand both projects and the benefits of each one.

As it relates to the larger Middletown project, we are working with the government to explore changes to the scope to better align with the administration's energy priorities. Such a change in scope would entail a substantially lower cost project, one that does not assume availability of massive amounts of hydrogen and would instead rely on readily available and more economical fossil fuels.

We will hopefully have more to share on this project in the near future, but it is fair to assume that the Middletown project, as announced in 2024, will be substantially altered. As for the Butler project, the induction reheat furnace project is highly accretive with a favorable payback. And at a $75 million DOE grant amount, it is not something we feel at risk. Importantly, the Butler project directly supports the U.S. energy dominance goals of President Trump's administration.

As the only grain-oriented electrical steel-producing mill in the United States, Butler Works is critical to energy security in our country. This project will expand the capacity and capabilities of Butler Works in response to the evolving demands of the transformer industry. We are still big fans of this project for its economics, low capital burden and the enhancement of our most profitable business: the production of GOES, grain-oriented electrical steels.

Lastly, the transformer plant at Weirton, West Virginia. Cliffs needed a partner that could supply the technology and licensing required to produce transformers. With our partner currently having second thoughts about the Weirton location and also considering a smaller plant than the one we had originally envisioned, we have made the decision to no longer pursue this investment.

I will now turn it over to Celso for his remarks.

Celso Goncalves
Good morning, everyone. Q1 reflected much of the lagged impact of the challenging pricing environment from late 2024 and pre-Section 232 steel tariff environment in early 2025 and the underperformance of noncore assets that we're now idling.

For the first quarter, we posted an adjusted EBITDA loss of $174 million. Total shipments in Q1 were 4.14 million tons, consistent with our guidance to break above the 4-million-ton mark with a full quarter contribution from Stelco.

Q1 price realization of $980 per net ton was only a slight improvement from Q4's $976, remaining weighed down by lower-than-expected realizations in plate and spreads for cold rolled. The inclusion of Stelco into our results continues to help manage our weighted average unit costs, but the underperformance of noncore assets in Q1 largely drove an increase in our unit costs of $15 per ton.

Quarters like Q4 2024 and Q1 2025 are completely unacceptable, nor are they a reflection of our typical run rate for us. Between improved pricing and the three factors that Lourenco laid out, automotive recovery, idling of loss-making assets and the end of the onerous slab contract, financial results should improve in the second half of 2025 and then reset higher in 2026 as all of these factors become fully baked.

The six separate asset idlings are the primary reason why we expect even greater cost reductions year-over-year. Our previous expectation was a $40 per ton year-over-year reduction in 2025 relative to 2024, and now we're at a $50 per ton year-over-year reduction. Because of the timing of the WARN notices, all of these reductions will come through in the second half of this year.

On our last call, I indicated that with the inclusion of Stelco, for every $100 increase in the HRC price on an annual basis, our yearly revenue would increase roughly $1 billion, all things equal. And after factoring in changes like profit sharing and historical scrap correlations, this $1 billion impact would largely flow directly down to EBITDA.

This correlation still applies, assuming all things equal. However, the current environment has resulted in some unusual dislocations that have challenged the all things equal assumption for the equation. For example, as previously mentioned, while the HRC prices have rebounded here early in 2025, slab prices have not moved up in tandem as you would typically expect.

The fact that we have kept Stelco tons primarily in Canada and other factors like lower-than-expected plate and cold-rolled correlations to hot-rolled prices, have also muted the impact of that $1 billion correlation for now.

With that said, even with the HRC curve currently in the $800s, you can still expect meaningful EBITDA improvement in performance in the second half of 2025 relative to the first half.

Something that often comes up in moments like this is divestitures of non-core assets, and this is a very asset-rich company. We have recently received several unsolicited inbounds from buyers interested in acquiring an array of assets in our portfolio.

While there's no assurance that any of these opportunities will ultimately lead to any transactions, we're always open to pursue a deal if the value is right, if competitive dynamics are not disrupted and if the sale does not compromise our key competitive advantages.

We also continue to take a serious look at capital expenditures and have further reduced our 2025 CapEx guidance from $700 million to $625 million, mostly due to reduced sustaining CapEx at our idled assets and canceling of our capital deployment at Weirton.

Beyond 2025, Lourenco has laid out the status of our three strategic projects. And based on that, it's fair to expect significant reductions in CapEx in 2026 and beyond as well, though we won't have exact numbers until our negotiations are more advanced.

From an SG&A standpoint, we have also taken a closer look and taken action to reduce overhead costs, and we're lowering our expected SG&A expense in 2025 from $625 million to $600 million.

From a balance sheet perspective, despite our elevated debt level, we have no meaningful debt maturities until at least 2027 and less than $700 million in total bond maturities over the next 4 years.

We remain in a healthy liquidity position following our latest well-timed capital raise. We have approximately $3 billion in available liquidity and another $3.3 billion in secured capacity.

Our leverage metrics remain above target, but we'll continue to look to meaningfully reduce debt and leverage as we return to profitability and deploy 100% of our cash flow generation towards debt reduction. To the extent that our inbound inquiries lead to successful divestitures, we'll also deploy cash proceeds from non-core asset sales for debt reduction as well.

American steel companies can compete and thrive as long as illegally dumped steel remains outside of our borders. President Trump's Section 232 steel tariffs are here just for that. Our priority now is to return to profitability and the strong free cash flow generation that we have delivered in the past. Our focus is on serving our customers, reducing costs, optimizing our operating footprint, generating free cash flow and lowering our debt. With that, I'll now turn it over back to Lourenco for his final remarks.

Lourenco Goncalves
Thank you, Celso. It's clear to us that our rebound from these weak quarters is coming mainly from our many self-help initiatives, but also from the proper enforcement of the trade laws of the United States. The pathway back to healthy EBITDA and cash flow generation is not a burdensome mountain to climb, but rather a matter of execution on actions that are largely already in motion.

With that, I'll turn it to Cheri for Q&A.

Operator
Thank you. If you would like to ask a question, please press star-1 on your telephone keypad. A confirmation tone will indicate your line is in the question queue. You may press star-2 if you

would like to remove your question from the queue, and for participants using speaker equipment, it may be necessary to pick up your handset before pressing the star keys. One moment while we poll for questions.

Our first question is from Nick Giles with B. Riley Securities. Please proceed.

Nick Giles
Thank you, operator. Good morning, everyone. My first question is around the $300 million savings. This is encouraging to see. And so, how should we think about the timing to achieve the full run rate of these savings? And I was curious if there are ultimately any additional actions that could still be taken to improve your through-cycle earnings. Thank you so much.

Lourenco Goncalves
Good morning, Nick. I'm going to transfer that to Celso to answer. Go ahead, Celso.

Celso Goncalves
Yes. Hey, Nick. Part of the reason that we took this action right now is if you think of the WARN notices, for example, it's a 60-day period. So, if you think of when we took action, in 60 days, you're into the beginning of the second half of the year. So, that's when you'll see the full impact of the $300 million in savings start to materialize.

And just to give some more detail around that, as we noted, we also posted a presentation on our website, by the way, which kind of lays out more of the details. But the majority of that $300 million is related to the Cleveland-Dearborn switch. That's about $125 million. And then you have $90 million, call it, $90 million to $100 million is related to the Riverdale fixed costs, $45 million for Conshohocken, about $30 million for Steelton and then the balance $20 million or so is the Minorca and Hibbing idles. But you should expect all of that to be realized here in the second half of 2025.

Nick Giles
So, this is super helpful. I really appreciate that. And my follow-up would be, you mentioned seeing it in the second half. And so, with that and with your incremental increase in cost savings of $10 per ton, can you just remind us of how we should think about cadence on the cost side? Obviously, we'll see some improvement in ASPs as well in -- that could begin in 2Q. So, just curious how you would quantify those two buckets. Thanks, a lot.

Celso Goncalves
Yes. I mean from a kind of Q1 to Q2 sequential standpoint, you won't see a material impact. Costs should actually be up a little bit, call it, $5 a ton from Q1 to Q2 because we're going to still have those non-core assets in our portfolio. But later in the year is when you're going to start to see a more meaningful impact from optimizing these -- the footprint, the reduction of the fixed costs and then the reduction of the overhead. So, we'll see a significant benefit in the second half relative to Q1 and Q2.

Nick Giles
I'll jump back in the queue, but continued best of luck.

Celso Goncalves
Thank you.

Lourenco Goncalves
Thank you, Nick. Appreciate it.

Operator
Our next question is from Albert Realini with Jefferies. Please proceed.

Albert Realini
Hey, good morning, Lourenco and Celso. Thank you for taking my question.

Lourenco Goncalves
Hi, Albert.

Albert Realini
I think, on Slide 10, just the impacts on Stelco from the steel tariffs. Just wondering any kind of -- would that coincide with any kind of changes to the planned synergies or maybe planned kind of EBITDA impact from Stelco on an annual basis?

Lourenco Goncalves
That's a very good question, Albert. It's -- we have to clarify when we talk about tariffs, which tariffs we're talking about because we -- by design, we acquired Stelco with the decision already made in our minds that we will take Stelco out of the domestic -- American domestic market as a disruptor like they were here, particularly in Cleveland and Chicago here in the Midwest. So, the Section 232 tariffs on steel were just a consolidation of what we're already doing.

So, not a change in our game plan. And also, it impacts other competitors from Canada that also do the same thing and the Section 232 create a situation that's completely impossible for any other Canadian trying to sell in the domestic market.

But this is baked in our plan not to sell Canadian steel produced at Stelco inside the United States. So, no change on that other than facilitating the competition against other Canadians inside the United States. However, the broader tariffs that hit Canada impacted our clients. And then our clients were impaired in terms of selling their product to the United States. That was not part of our plan. Absolutely not. Nobody saw that coming.

Otherwise, I would not have been so eager to buy Stelco if I knew that Canada would not be treated like a friend. So, I do believe, on the other hand, that this situation is completely temporary. I see the Carney-Trump meeting as a step in the right direction in terms of normalizing the relationship between the United States and Canada, and there's no other way to go.

We are tied by the hip, and we cannot go without each other. We need each other, and we should continue to work that way. Section 232, it's a different animal. But tariffs in general, will have to be reworked. And it's clear that the UCSA, the UCSA that I've always said that what's needed will be worked and it will be worked in the short order. Did that answer your question, Albert?

Albert Realini
Yes, thank you, Lourenco.

Lourenco Goncalves
Thank you.

Operator
Our next question is from Lawson Winder with Bank of America. Please proceed.

Lawson Winder
Thank you, operator. Good morning, Lourenco and Celso. Nice to hear from you both and thank you for the update. Could I ask about your assumptions around the increase in domestic auto production and whether there's any portion of that, that might be assumed to be a decline in imports from Canada? And the reason I'm asking is, is there some risk that should we -- should Canada go back to being exempt from an auto production point of view? Is there some risk around that outlook?

Lourenco Goncalves
Look, when I say normalization of trade between the U.S. and Canada, auto is included because there are parts that are produced in Canada that are necessary to assemble a car in the United States. I think this part has already been litigated by the car manufacturers, and they already got some relief.

As a matter of fact, we are starting to see a much more benign behavior from the auto OEMs regarding the opportunity to use parts, particularly parts from Canada and also from Mexico, but particularly parts from Canada. So, this is in the making and the car manufacturers are doing a good job in negotiating with the Trump administration. And we are seeing the benefits.

So, we're extremely excited with the new opportunities in delivering more steel to the car manufacturers here in the United States. Let's face it, Lawson, even if the number of cars sold in the United States or in North America for that matter, are lower in the near future as a result of the restrictions that were applied by President Trump, the overall number of cars produced in the United States will increase. And that for us is what matters. For us, suppliers of steel, that's what matters.

Let's put numbers on that. 16 million cars sold, let's call it, 8 million cars produced here and 8 million cars imported from somewhere. If the number goes from 8 million to 12 million for the car manufacturers is a reduction from 16 to 12 million in cars sold.

For us, suppliers of steel, particularly Cliffs, it's an increase of 50% from 8 million cars to 12 million cars. And that's what I'm preparing my company for. This will happen. And I'm being very conservative in my numbers. We are preparing Cleveland-Cliffs to be, by far, the biggest beneficiary of the increasing production of cars in the United States because we are a well-established producer of steel for the automotive industry.

Lawson Winder
Okay. Fantastic. That's very helpful. And then if I could follow up on the question on the quarterly bridge, Celso, just on ASP and costs. You mentioned costs could be up. And I just -- I didn't catch if you said the ASP, if that would be up. So, I just -- basically what I'm trying to get at is to understand like directionally or magnitude-wise, how much are we going to be up in terms of EBITDA in Q2 versus Q1?

Celso Goncalves
Yes, sure. Hey, Lawson. Yes. So, I mentioned cost should be up about $5 a ton from Q1 to Q2, but ASP should be up much higher than that, call it, about $40 a ton from Q1 to Q2. And if you break down kind of from product by product, the monthly lag contracts are way better, call it -- they're up, call it, $200 a ton in Q2 relative to Q1. The quarterly lag contracts will be up about $100 a ton. And spot pricing right now is generally much higher for the U.S. business. So, those are the sort of the biggest drivers of that $40 a ton ASP increase from Q1 to Q2.

Lawson Winder
Yes, that's great color. Thank you very much, Celso. Thank you, Lourenco.

Lourenco Goncalves
Thank you.

Operator
Our next question is from Alex Hacking with Citigroup. Please proceed.

Alexander Hacking
Yes, thanks. Good morning. Celso, you referenced the possibility of asset sales. I guess a couple of questions around that. Like one, can you remind us of what debt covenants that you have? And then secondly, on the asset sale side, to what -- to the extent that you can discuss this, I'm not sure if you can, like what kind of magnitude would we be talking about and what potential assets would we be talking about? Thank you very much.

Celso Goncalves
Yes, sure. Good morning. So, all of our covenants are springing covenants. So, there's nothing that we are too worried about. The leverage ratio does increase on our borrowing base by 25 basis points when you're over 4x levered. So, we're experiencing that now. But other than that, there's nothing that we're concerned about. And then in terms of asset sales, like I mentioned, we have a lot of assets that are non-core.

We're a very asset-rich company. I'm not going to go into specifics of which ones, but we have received unsolicited inbounds and we're talking assets that could bring several billion dollars of potential value. So, to the extent that those materialize and we're able to sell those for cash, all that cash will be used to pay down debt as well.

And we have a capital structure just kind of while we're on it, that is kind of predesigned for deleveraging, as you know, right? The ABL can be easily paid down with no breakup fees. And all of our bonds are staggered. We don't have any meaningful maturities. And some of those bond tranches are actually callable at par with no penalty either. So, there's a lot of avenues that we can deploy cash towards should we be successful in selling those assets.

Alexander Hacking
Okay. Thanks. That's clear. And just a follow-up. I mean, are these transactions that could potentially be announced in the next few months, or it's longer lead time than that? Thank you.

Celso Goncalves
Some of them are in advanced stages. I think there's some that we could announce still this year. Some are going to take longer. And like I said, nothing is guaranteed, but it's nice to see that there's a lot of inbound interest.

Alexander Hacking
Okay, thanks. Best of luck.

Celso Goncalves
Thank you.

Operator
Our next question is from Bill Peterson with JPMorgan. Please proceed.

William Peterson
Yes, hi, good morning, Lourenco and Celso. And thanks for taking our questions. Maybe rounding out the second quarter guidance, how should we think about shipment profile within the guidance?

Celso Goncalves
Yes. Hey, Bill. Good morning. Shipments should be up slightly from Q1 from the 4.1 million tons. We're bringing back C6 by the time Dearborn is idled. Auto volume should increase from Q1 to Q2. So, I'd say a slight uptick in Q2 relative to Q1. And then mix should also be pretty similar to Q1.

William Peterson
Okay. Yes. Thanks for that, Celso. And then I guess coming to Weirton, but also maybe a broader sort of question around GOES. I guess can you provide more detail on what changed given prior indications that equipment had been ordered and I guess, the partnership had been arranged?

Is there a chance that this could come back into the fray and actually could fire? Or is it pretty much not going to happen? And then on GOES directly, maybe outside of the commentary on Weirton, how should we think about demand trends and shipments in that given it still seems that there's some pretty long lead times across the transformer space?

Lourenco Goncalves
Yes. The demand for GOES continues to be red hot. And that plant will be built somewhere and by the partner alone. Because what I don't like about joint ventures is that when you have a joint venture, the partner has a sale, particularly in a 50-50 joint venture. And I can't build a plant alone. I don't have the license and I don't own the IP. And we are not Chinese. We don't steal IP from anyone.

So, I need the partner to work with me. So -- but if the partner wants to re-trade deals, then I'm out. And the location and size for me are very important because location implies throughput and also the size implies the number of jobs that we are going to be offering in Weirton. And the Weirton location for me is sacred because that's where everything started for me.

That said, the biggest motivation for me is to sell more grain-oriented electrical steels. And that commitment is there. That commitment is there. I'm going to supply when they go ahead by themselves with a project, hopefully, in Weirton. And for me, it's – I'm in if it's Weirton, I'm out if it's not Weirton. So -- but they'll build the plant.

They are fully committed to build a plant. And I will be supplying them and signing a long-term supply agreement because they can't import anymore, dumped grain-oriented electrical steels from Japan or from Korea or from China. So, they have to buy from me, but I will be right there to sell to them at market prices.

And if they want to go to Weirton, the plant is still available. And we will transact in a very friendly way with the partner and have them building the plant there. But they said that they are going to build. They're just having second thoughts about location and size.

So, I don't believe that size is an issue because we start small and then we grow. But location for me is sacred. For me, it's Weirton or I'm out. I'm going to just be a supplier of grain-oriented electrical steels and they have peace of mind on that. I mean for that. I hope the color helped, Bill.

William Peterson
No, that definitely helps. Thanks for sharing the insights, Lourenco and Celso, and good luck navigating this current environment we're in.

Lourenco Goncalves
Thank you.

Celso Goncalves
Thanks, Bill.

Operator
Our final question is from Timna Tanners with Wolfe Research. Please proceed.

Timna Tanners
Yes, hey, good morning. I wanted to ask if you could walk us through any exit costs or severance costs related to the actions at the different locations now, including maybe Weirton and the other ones that you called out.

Celso Goncalves
Yes, hey, Timna. So, cash charges related to the idles in the near term are pretty minimal, call it, $15 million in Q2. What we will have is some noncash accounting charges in Q2. Those should be close to, call it, $300 million. And those are mostly related to impairment, some employment accrual costs. And then we'll have kind of ongoing continued employment charges similar to what we have with Weirton, but that's kind of how you should think about it going forward.

And then from kind of an ongoing idle cost, those should also be minimal, less than $5 million per year for all of the idle actions.

Timna Tanners
So, the severance costs aren't a big cost hit either then?

Celso Goncalves
Correct, yes.

Timna Tanners
Okay. And then one more, if I could. On the CapEx comment you had for future years also coming down, can you just remind us where you stand with any blast furnace relines that I believe you've called out in the past? Any timing updates on those, please?

Lourenco Goncalves
Yes, we'll continue to rely on blast furnaces. Blast furnaces are necessary. Blast furnaces are here to stay, like they are there to stay in Japan, they have to stay in Korea, there to stay in Europe, there to stay in Brazil. They are here to stay.

And we are going to continue to compete against the EAFs. Like I said, with all the idles, all the noncontributors, noncore assets that we're shutting down, our cost to produce hot bed is extremely competitive with any EAF mini mills. So, we're going to prove that going forward now that I got rid of the noncontributors. So, this will be visible. And you should expect that.

And we have actually strengthened our position as supplier of automotive. And we will continue to deliver the results to the automotive industry that we delivered in the past, especially now that I prepared the company to be able to compete in cost and an equal footing by unloading these non-core assets, as long as we have a level playing field. Of course, I don't want to allow my competitors to import dumped pig iron because it's dumped the same way steel is dumped. Pig iron is dumped. And if you don't allow dumped steel should not allow dumped pig iron. Otherwise, it's not a level playing field.

Ours is 100% -- our feedstock is 100% made in USA. We have an HBI plant that is made in USA to produce HBI made in USA. So anyway, that's the landscape, a lot of competition. I'm a competitor. And we're going to compete and I'm going to win.

Timna Tanners
Okay. Sorry, I was just asking about blast furnace reline cost. I understand this.

Lourenco Goncalves
Yes, we're going to reline blast furnace. We will reline blast furnace. Blast furnace at Middletown will be relined now that the project is changing scope. Blast furnace at Burns Harbor will be relined. We just relined one in Cleveland. So, we'll continue to reline blast furnaces. This is not a question. It's beyond consideration.

It's part of the ongoing business. And the next one, if you want to know when the next one will be in 2027, because we operate well, so we can prolong the life of our blast furnace by operating more conservatively and doing short creek and things like that, that are normal operation blast furnaces. And the next one is 2027, we'll continue to do reliance. Reality is back. La la land is gone.

Timna Tanners
Okay, thank you.

Lourenco Goncalves
You're welcome.

Operator
We now have additional questions. Our next question is from Carlos De Alba with Morgan Stanley. Please proceed.

Carlos de Alba
Yes, good morning, Lourenco, Celso. A couple of questions. One follow-up on CapEx. Any update as you analyze or revise potentially your plans on what to do with the two projects that you have received some support from the different grants that the government put out. Would those be considered to maybe cancel them or delay them or at least do them in a more smooth way so that the CapEx is preserved -- the cash is preserved.

And the second question has to do with the imports and the Section 232. What is your sense as to the benefit of cutting all the quotas going to 0 and just keep the rates at 25% because what we're hearing is that some foreign countries that before were on quotas and now are not, are being quite aggressive in trying to send a material into the U.S., which in the past, they were not able to do. Thank you.

Celso Goncalves
Yes. Hey, Carlos, it's Celso here. Let me comment on the CapEx first and then Lourenco can talk about the tariffs. But we talked about this a little bit on the prepared remarks, but maybe it wasn't fully clear, or you didn't catch it. But the DOE-related CapEx stuff is still sort of in flux just given negotiations, but the bottom line is that it's going to be changed and it's going to be significantly lower than what we were talking about before. And then just some metrics around CapEx for this year. We're lowering our guidance to $625 million total from our previous $700 million. And that 2025 guide is inclusive of the $30 million that we're spending on Butler.

And then we're not moving forward with Weirton anymore, which saves us $50 million of CapEx in 2025. And then when you combine everything that we discussed in the prepared remarks related to Middletown, you can conclude that 2026 CapEx and beyond are going to be much lower than we had earlier anticipated. And then as Lourenco mentioned, the Burns Harbor reline, which we previously had slated for 2026, is now going to be in 2027. So, those are the main sort of changes to our CapEx expectations.

Lourenco Goncalves
Yes. Regarding the Section 232, you are talking about quotas and they were saying that -- if I got what you were saying, you are saying you are hearing that quotas are coming. Is that what you said, Carlos?

Carlos de Alba
Yes. No, no, sorry, Lourenco. What I was saying is that the quotas have been removed, a lot of foreign countries that in the past were capped as to how much steel they could send into the U.S. are now being very aggressive because the 25% existed before, they still can make a profit,

but with no limit as to how much they can import, they keep calling traders to sell material into the U.S.

Lourenco Goncalves
Yes. The biggest situation right now with the Section 232 is that are the countries that are selling through the tariffs. Let's take the example of Vietnam offering hot rolled duty paid at the port at $700-and-something. That's crazy. This is a country that doesn't even deserve a trade agreement because they did not get the underlying message of the administration.

The underlying message of the administration is don't dump because you're not going to be treated well if you continue to dump. It's not like I have 25%, I can't accommodate. My government will subsidize me to be able to go through the 25%. That's not the message. The message is stop dumping.

So, I hope -- I really hope that the Trump administration does not negotiate a very friendly deal in Vietnam because Vietnam is screw up in the market as they always do. The other example is Japan. Nippon Steel is selling rail through the tariffs. These things have consequences. And it's not like the case of going to the government and say, "You know what, Trump administration? Now, we need for rail, we need 50% or 100% tariffs," because it's clear that Nippon Steel has no limits. They will go through the end. If I go to 100%, they will sell through the tariffs. How they do that? I don't know. Maybe Morgan Stanley should know how Japan can do that, how Nippon Steel can continue to be so profitable selling at so low prices.

What's the mystery? They are capitalist markets, right? So -- and the banks don't question that. I have never seen a report questioning, "How do they make money?" So anyway, it's not my problem, this is not my problem anymore because like I said, dumping has consequences.

I don't shut down a mill that has been in operation for a couple of centuries producing rail in the United States, lightly. But I do what I have to do. And we did. It's done. And it's a direct consequence of Nippon Steel selling rail through the tariffs despite of Section 232. Did I answer your question, Carlos?

Carlos de Alba
Yes. Thank you, Lourenco. And thank you Celso for the clarification.

Lourenco Goncalves
All right.

Celso Goncalves
Thanks, Carlos.

Operator
We have reached the end of our question-and-answer session. This will conclude today's conference. You may disconnect your lines at this time, and thank you for your participation.