Warrior Updates 2023 Outlook

Jun 13, 2023

Sales volumes expected to increase 8%, driving higher profitability and cash flows

BROOKWOOD, Ala.--(BUSINESS WIRE)-- Warrior Met Coal, Inc. (NYSE: HCC) (“Warrior” or the “Company”) today announced revised guidance for the fiscal year 2023 in light of the end of the labor strike and resulting incremental production volume as eligible employees return to work. Warrior is the leading dedicated U.S.-based producer and exporter of high quality metallurgical (“met”) coal for the global steel industry.

As previously disclosed, on February 16, 2023, the labor union representing certain of the Company’s hourly employees announced that they were ending the labor strike that started in April 2021 and made an unconditional offer to return to work. The Company began the return-to-work process with the eligible employees who wished to return while continuing to engage in good faith efforts with the labor union to reach an agreement on a new contract. The return-to-work process has been ongoing since February and is now substantially complete.

Approximately 250 eligible union-represented employees returned to work following the end of the strike, and therefore the Company adjusted work schedules to maximize the amount of incremental production and revised the budget and outlook for the full year. The incremental production and sales volume is approximately 500,000 short tons, primarily occurring in the second half of 2023. As a result of the incremental volumes, the Company has revised its overall outlook and financial targets for 2023.

“We are pleased to welcome back the returning employees and look forward to the incremental impact on our sales and production volumes this year,” commented Walt Scheller, CEO of Warrior. “Despite our ability to continue to operate our business successfully during the labor strike, the upside to an increased workforce is material, but we are still short of our historical staffing levels. Moving forward, we believe that Warrior remains well positioned to capitalize on its low-cost position and strong production volumes to drive enhanced stockholder value, including through investment in the world-class Blue Creek reserves.”

Company Outlook

The Company's revised guidance for the full year 2023 is outlined below.

Coal sales	7.1 - 7.7 million short tons
Coal production	6.8 – 7.4 million short tons
Cash cost of sales (free-on-board port)	$113 - $125 per short ton
Capital expenditures for existing mines	$95 - $105 million
Blue Creek project and other discretionary capital expenditures	$325 - $345 million
Mine development costs	$25 - $30 million

Selling, general and administrative expenses	$42 - $48 million
Interest income, net	$10 - $15 million
Income tax expense	14% - 18%

Key factors that may affect outlook include:

- Two planned longwall moves in Q3,
- HCC index pricing,
- Exclusion of other non-recurring costs,
- Terms of labor contract, and
- Inflationary pressures.

The Company's revised guidance for its capital expenditures consists of sustaining capital spending of approximately $95 - $105 million, including regulatory and gas requirements, and discretionary capital spending of $325 - $345 million for the development of the Blue Creek reserves ($250 million), final payments on two new sets of longwall shields originally purchased in 2022, and the final 4 North bunker construction.

The Company does not provide reconciliations of its outlook for cash cost of sales (free-on-board port) to cost of sales in reliance on the unreasonable efforts exception provided for under Rule 100(a)(2) of Regulation G. The Company is unable, without unreasonable efforts, to forecast certain items required to develop the meaningful comparable Generally Accepted Accounting Principles ("GAAP") cost of sales. These items typically include non-cash asset retirement obligation accretion expenses, mine idling expenses and other non-recurring indirect mining expenses that are difficult to predict in advance in order to include in a GAAP estimate.

The Company's revised outlook and guidance for 2023 is subject to many risks that may impact performance, including the labor matters noted above, ongoing mechanical issues at the McDuffie Terminal at the Port of Mobile, ongoing rail transportation issues, market conditions in the steel and met coal industries and overall global economic and competitive conditions, all as more fully described under Forward-Looking Statements below.

Use of Non-GAAP Financial Measures

This release contains the use of certain non-GAAP financial measures. These non-GAAP financial measures are provided as supplemental information for financial measures prepared in accordance with GAAP. Management believes that these non-GAAP financial measures provide additional insights into the performance of the Company, and they reflect how management analyzes Company performance and compares that performance against other companies. These non-GAAP financial measures may not be comparable to other similarly titled measures used by other entities. The definition of these non-GAAP financial measures and a reconciliation of non-GAAP to GAAP financial measures is provided in the financial tables section of this release.

About Warrior

Warrior is a U.S.-based, environmentally and socially minded supplier to the global steel industry. It is dedicated entirely to mining non-thermal met coal used as a critical component of steel production by metal manufacturers in Europe, South America and Asia. Warrior is a large-scale, low-cost producer and exporter of premium met coal, also known as hard-coking coal (HCC), operating highly efficient longwall operations in its underground mines based in Alabama. The HCC that Warrior produces from the Blue Creek coal seam contains very low sulfur, has strong coking properties and is of a similar quality to coal referred to as the premium HCC produced in Australia. The premium nature of Warrior’s HCC makes it

ideally suited as a base feed coal for steel makers and results in price realizations near the Platts Index price. For more information, please visit www.warriormetcoal.com.

Forward-Looking Statements

This press release contains, and the Company's officers and representatives may from time to time make, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended and Section 21E of the Securities Exchange Act of 1934, as amended. All statements, other than statements of historical facts, included in this press release that address activities, events or developments that the Company expects, believes or anticipates will or may occur in the future are forward-looking statements, including statements regarding 2023 guidance, sales and production growth, cost structure, demand, the future direction of prices, cash flows, expenses and expected capital expenditures and working capital, the Company's pursuit of strategic growth opportunities, the Company's future ability to drive enhanced stockholder value, future tax expenses, as well as statements regarding production, the Company's ability to withstand economic instability, the development of the Blue Creek and 4 North Portal Projects, the outcome of negotiations with the labor union representing certain of our hourly employees, including any potential changes to our production and sales volumes as a result of such outcome, and the impact of the substantially complete return to work process for the labor union representing certain of our hourly employees. The words "believe," "expect," "anticipate," "plan," "intend," "estimate," "project," "target," "foresee," "should," "would," "could," "potential," "outlook," "guidance" or other similar expressions are intended to identify forward-looking statements. However, the absence of these words does not mean that the statements are not forward-looking. These forward-looking statements represent management's good faith expectations, projections, guidance, or beliefs concerning future events, and it is possible that the results described in this press release will not be achieved. These forward-looking statements are subject to risks, uncertainties and other factors, many of which are outside of the Company's control, that could cause actual results to differ materially from the results discussed in the forward-looking statements, including, without limitation, fluctuations or changes in the pricing or demand for the Company's coal (or met coal generally) by the global steel industry; the impact of COVID-19 on its business and that of its customers, including the risk of a decline in demand for the Company's met coal due to the impact of COVID-19 on steel manufacturers; the impact of inflation on the Company, the impact of geopolitical events, including the effects of the Russia-Ukraine war; the inability of the Company to effectively operate its mines and the resulting decrease in production; the inability of the Company to transport its products to customers due to rail performance issues or the impact of weather and mechanical failures at the McDuffie Terminal at the Port of Mobile; federal and state tax legislation; changes in interpretation or assumptions and/or updated regulatory guidance regarding the Tax Cuts and Jobs Act of 2017; legislation and regulations relating to the Clean Air Act and other environmental initiatives; regulatory requirements associated with federal, state and local regulatory agencies, and such agencies' authority to order temporary or permanent closure of the Company's mines; operational, logistical, geological, permit, license, labor and weather-related factors, including equipment, permitting, site access, operational risks and new technologies related to mining and labor strikes or slowdowns; the timing and impact of planned longwall moves; the Company's obligations surrounding reclamation and mine closure; inaccuracies in the Company's estimates of its met coal reserves; any projections or estimates regarding Blue Creek, including the expected returns from this project, if any, and the ability of Blue Creek to enhance the Company's portfolio of assets, the Company's expectations regarding its future tax rate as well as its ability to effectively utilize its net operating losses to reduce or eliminate its cash taxes; the Company's ability to develop Blue Creek; the Company's ability to develop or acquire met coal reserves in an economically feasible manner; significant cost increases and fluctuations, and delay in the delivery of raw materials, mining equipment and purchased components; competition and foreign currency fluctuations; fluctuations in the amount of cash the Company generates from operations, including cash necessary to pay any special or quarterly dividend; the Company's ability to comply with covenants in its Amended and Restated Asset-Based Revolving Credit Agreement or indenture relating to its senior secured notes; integration of businesses that the Company may acquire in the future; adequate liquidity and the cost, availability and access to capital and financial markets; failure to obtain or renew surety bonds on acceptable terms, which could affect the Company's ability to secure reclamation and coal lease obligations; costs associated with litigation, including claims not yet asserted; and other factors described in the Company's Form 10-K for the year ended December 31, 2022 and other reports filed from time to time with the Securities and Exchange Commission (the "SEC"), which could cause the Company's actual results to differ materially from those contained in any forward-looking statement. 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Company's filings with the SEC are available on its website at www.warriormetcoal.com and on the SEC's website at www.sec.gov.

Any forward-looking statement speaks only as of the date on which it is made, and, except as required by law, the Company does not undertake any obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise. New factors emerge from time to time, and it is not possible for the Company to predict all such factors.

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