Real Industry, Inc.
Form 10-K
April 05, 2018
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10 K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the Fiscal Year Ended December 31, 2017

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission File Number 001 08007

REAL INDUSTRY, INC.

(Exact Name of Registrant as Specified in its Charter)

Delaware	46 3783818
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification Number)
3700 Park East Drive, Suite 300 Beachwood, OH 44122	(805) 435 1255
(Address of Principal Executive Offices) (Zip Code)	(Registrant's Telephone Number, including Area Code)

Securities Registered Pursuant to Section 12(b) of the Act:

None

Securities Registered Pursuant to Section 12(g) of the Act:

(Title of Each Class)

Common Stock, $0.001 par value

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act of 1933. Yes No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934. Yes No

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.
Yes No

Indicate by checkmark whether the Registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10 K or any amendment to this Form 10 K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, a smaller reporting company, or an emerging growth company. See the definitions of "large accelerated filer," "accelerated filer," "smaller reporting company" "emerging growth company" in Rule 12b 2 of the Securities Exchange Act of 1934.

Large Accelerated Filer	Accelerated Filer
Non-Accelerated Filer (Do not check if a smaller reporting company)	Smaller Reporting Company
Emerging Growth Company	

If an emerging growth company, indicate by check mark if the Registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b 2 of the Securities Exchange Act of 1934). Yes No

The aggregate market value of the Registrant's common stock held by non-affiliates of the Registrant was $69,560,586 on June 30, 2017, the last business day of the Registrant's most recently completed second fiscal quarter, based on the closing sales price of the Registrant's common stock on the Nasdaq Stock Exchange, on that date. Shares of the Registrant's common stock held by each officer, director and each person known to the Registrant to own 10% or more of the outstanding voting power of the Registrant, as of that date, have been excluded since such persons may be deemed to be affiliates. This determination of affiliate status is not a determination for any other purpose.

On March 29, 2018, 29,613,396 shares of the Registrant’s common stock were outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

None.

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REAL INDUSTRY, INC.

ANNUAL REPORT ON FORM 10 K

For the Fiscal Year Ended December 31, 2017

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EXPLANATORY NOTE

Real Industry, Inc. (“Real Industry” or the “Company”, “we,” “us” or “our”) is filing this Annual Report on Form 10-K for the fiscal year ended December 31, 2017 (the “Annual Report”) while Real Industry and the Real Alloy Debtors (defined below) are operating as debtors-in-possession under the jurisdiction of the Bankruptcy Court (defined below) and in accordance with the applicable provisions and orders of the Bankruptcy Code (defined below).

On November 17, 2017 (the “Petition Date”), Real Industry, Real Alloy Intermediate Holding, LLC (“RAIH”), Real Alloy Holding, Inc. (“Real Alloy”), and six of Real Alloy’s wholly owned domestic subsidiaries (collectively with RAIH and Real Alloy, the “Real Alloy Debtors,” and the Real Alloy Debtors with Real Industry, the “Debtors”), filed voluntary petitions for relief under Chapter 11 of Title 11 of the United States Code (the “Bankruptcy Code”) in the United States Bankruptcy Court for the District of Delaware (the “Bankruptcy Court”). The Debtors’ Chapter 11 cases are being jointly administered and procedurally consolidated in the Bankruptcy Court under the case of Real Industry, Case No. 17-12464 (KJC), and the caption “In re: Real Industry, Inc., et al.,” (with respect to Real Industry only, the “RI Chapter 11 Case,” with respect to the Real Alloy Debtors, the “RA Chapter 11 Case,” and together the “Chapter 11 Cases,” or the “Bankruptcy Proceedings”).

Court filings and other information related to the Chapter 11 Cases are available at a website administered by the Company’s claims and noticing agent, Prime Clerk LLC, at https://cases.primeclerk.com/realindustry.

Also on November 17, 2017, the Company received written notice from the Nasdaq Stock Market LLC (“Nasdaq”) stating that in accordance with Nasdaq Listing Rules 5101, 5110(b) and IM-5101-1, Nasdaq had determined that the Company’s common stock would be delisted from Nasdaq. On November 28, 2017, the Company’s common stock was removed from listing and registration on Nasdaq and began trading on the OTC Pink Sheets under the symbol “RELYQ” thereafter.

This Annual Report presents the historical results of operations and business condition for the Company as of and for the year ended December 31, 2017. Subsequent to December 31, 2017, the Chapter 11 Cases have progressed to a stage where the Company currently expects that significant changes in the organization, structure and operations of Real Industry on a consolidated basis will be finalized in 2018. As such, the historical results of operations and business condition described herein will likely be materially different for the fiscal year ended December 31, 2018.

On March 1, 2018, Real Industry filed a plan of reorganization pursuant to Chapter 11 of the Bankruptcy Code (as further modified, the “RI Plan”), and a disclosure statement (the “RI Disclosure Statement”) with respect thereto, with the Bankruptcy Court, pursuant to which the lenders providing Real Industry’s debtor-in-possession financing (“RELY DIP Facility”), along with affiliated investors (collectively, the “Plan Sponsor”), are willing to provide \$17.5 million of capital in exchange for 49% of the newly issued and outstanding equity in the reorganized Real Industry (“Reorganized RELY”). Under the RI Plan, as proposed, the holder of the Company’s Series B Redeemable Preferred Stock (the “Redeemable Preferred Stock”), will receive, in exchange for full settlement of its \$28.5 million liquidation preference and \$1.8 million of accrued dividends (as of December 31, 2017), a \$2.0 million cash payment plus either a) 31% of the newly issued equity in Reorganized RELY if stockholders vote as a class to approve the RI Plan; or b) 35% of the newly issued equity in Reorganized RELY if the common stockholders do not vote to approve the RI Plan as a class. The holder of the Redeemable Preferred Stock has agreed to support the RI Plan pursuant to a separate agreement with the Plan Sponsor. On March 29, 2018, the Bankruptcy Court approved the RI Disclosure Statement and authorized Real Industry to solicit votes on the RI Plan pursuant to Bankruptcy Court-approved procedures. Real Industry commenced solicitation of the RI Plan on March 30, 2018.

On March 28, 2018, the Real Alloy Debtors agreed to sell all their assets, including their equity interests in the non-debtor Real Alloy subsidiaries (the “Real Alloy Sale”) pursuant to an Asset Purchase Agreement (the “Asset

Purchase Agreement"), by and among RA Acquisition Purchaser LLC (the "Real Alloy Purchaser"), an entity formed at the direction of an ad hoc group of the Real Alloy Debtors' secured noteholders, and each of the Real Alloy Debtors. The Bankruptcy Court approved the Real Alloy Sale on March 29, 2018, upon the close of which, Real Industry will no longer have any economic interest in the Real Alloy business operations, including the operations of the non-debtor Real Alloy' subsidiaries. The Real Alloy Sale is expected to be consummated in the second quarter of 2018. Concurrent with such closing, Real Industry expects to enter into a services agreement with the Real Alloy Purchaser, such that after the Real Alloy Sale, Real Alloy personnel will continue to provide limited assistance to Real Industry for certain administrative activities.

These significant changes in the organization, structure and operations of Real Industry, which are expected to be finalized in 2018, should be factored into reading this Annual Report, as the RI Plan, if confirmed by the Bankruptcy Court, is likely to materially change the amounts and classifications of assets and liabilities reported in the Company's consolidated financial statements.

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SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Certain statements in this Annual Report, including, without limitation, matters discussed under Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" ("MD&A") should be read in conjunction with the consolidated financial statements, related notes, and other detailed information included elsewhere in this Annual Report. We are including this cautionary statement to make applicable and take advantage of the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Certain statements that are not historical fact are forward-looking statements. These forward-looking statements can be identified by the use of words such as "believes," "anticipates," "expects," "intends," "plans," "projects," "strategy," "estimates," "assumes," "may," "should "could" or other similar expressions. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause actual results, performance or achievements to differ materially from the forward-looking statements. These forward-looking statements are based on our current beliefs, intentions and expectations. These statements are neither guarantees nor indicative of future performance. Important assumptions and other important factors that could cause changes in our financial condition or results of operations or could cause actual results to differ materially from those forward-looking statements include, but are not limited to:

- decisions of the Bankruptcy Court;
- negotiations with Real Alloy debtholders, our creditors, any committee approved by the Bankruptcy Court, and other stakeholders;
- our ability to have the RI Plan confirmed and effectuated and Real Alloy's ability to consummate the Real Alloy Sale;
- the Company's negotiations regarding equity investment and post-emergence credit facility documents and ability to meet the closing conditions of such transactions;
- the Debtors' ability to meet the requirements, and comply with the terms, including restrictive covenants, of their respective debtor-in-possession financing arrangements and any other financial arrangement while in the Bankruptcy Proceedings;
- changes in our operational or cash needs from the assumptions underlying our debtor-in-possession budgets imposed by our lenders and forecasts or as compared to our historical operations or our planned reductions in operating expense;
- changes in domestic and international demand for recycled aluminum, including in the automotive, consumer packaging, aerospace, building and construction, steel, and durable goods manufacturing industries;
- the cyclical nature of the aluminum industry, material adverse changes in the aluminum industry or end-use segments, such as global and regional supply and demand conditions for aluminum and aluminum products, and changes in our customers' industries;
- commodity price fluctuations in the aluminum market, including for metallic scrap, and the ability of Real Alloy to enter into effective commodity derivatives or arrangements to effectively manage our exposure to such commodity price fluctuations;
- inventory and energy risks associated with Real Alloy's buy/sell business model;
- the impact of tariffs and trade regulations on our operations;
- our ability to use our United States ("U.S.") net operating loss tax carryforwards ("NOLs") and recognize future tax benefits;
- the impact of the recently approved U.S. tax legislation and any other changes in U.S. or non-U.S. tax laws on our operations or the value of our NOLs;
- the servicing of, and the high-leverage associated with, the indebtedness from the financings associated with the Real Alloy Acquisition (defined below), security interests in the assets associated with such indebtedness, and compliance with the terms of the indebtedness, including the restrictive covenants that constrain the operation of our business and the businesses of our subsidiaries;
- disruption in relationships with customers, employees and suppliers of the Real Alloy business and our other businesses;

- the ability of Real Alloy to maintain favorable credit ratings and commercial terms with suppliers, customers, ratings agencies and credit insurers;
- our ability to successfully identify, acquire and integrate additional companies and businesses that perform and meet expectations after completion of such acquisitions;
- our ability to achieve future profitability;
- our ability to control operating costs and other expenses;

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- the ability of Real Alloy to service and meet the obligations of its existing financings, maintain liquidity and its ability to secure additional financing;
- our dependence, as a holding company, on funding from our operating subsidiaries;
- general economic conditions may be worse than expected;
- competition among other companies with whom we compete may increase significantly;
- the loss of key personnel or the ability to cost-effectively attract, retain and motivate key personnel, especially in light of the Bankruptcy Proceedings;
- our ability to maintain effective disclosure controls and procedures and internal control over financial reporting to ensure timely, effective and accurate financial reporting;
- changes in accounting policies and practices, as may be adopted by regulatory agencies and other organizations, including without limitation the Securities and Exchange Commission (the "SEC" or "Commission") and the Financial Accounting Standards Board ("FASB");
- changes in laws or government regulations or policies affecting our current business operations and/or the legacy businesses, including those related to residential mortgage lending and servicing, which are now a part of discontinued operations;
- the impact of current or new litigation matters, or changes in litigation strategies brought against us in our current businesses, or the former businesses of our subsidiary SGGH, LLC ("SGGH");
- our ability to successfully defend against demands by investment banks for defense, indemnity and contribution where the banks have been sued in actions concerning their activities relating to securitizations involving residential mortgage loans originated by SGGH's former businesses; and
- other factors, risks and uncertainties described in this Annual Report under Part I, Item 1A "Risk Factors," as may be supplemented in our other filings with the Commission from time to time.

All forward-looking statements set forth herein are qualified by these cautionary statements and are made only as of the date hereof. We undertake no obligation to update or revise the information contained herein including, without limitation, any forward-looking statements whether as a result of new information, subsequent events or circumstances, or otherwise, unless otherwise required by law.

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PART I

Item 1. Business

Overview

As discussed in detail in the Explanatory Note, which precedes this Part I of the Annual Report, and elsewhere in this document, Real Industry is operating as a debtor-in-possession under the jurisdiction, and pursuant to the orders, of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code. As of the date of the filing of this Annual Report, Real Industry expects to emerge from Bankruptcy Proceedings in 2018 as Reorganized RELY.

Real Industry is a Delaware holding company that has historically operated through subsidiaries. Prior to the Petition Date, our business focus was identifying acquisition opportunities and supporting the performance of our primary operating subsidiary, a global leader in aluminum recycling doing business as Real Alloy, and to make acquisitions of additional operating companies. As discussed further herein, on March 29, 2018, the Bankruptcy Court approved the Real Alloy Sale pursuant to the Asset Purchase Agreement. Upon closing of the Real Alloy Sale, Real Industry will no longer have any economic interest in the Real Alloy business operations. The sale is expected to close in the second quarter of 2018.

The RI Disclosure Statement discloses that upon emergence from bankruptcy, the Company expects, with the financial support of the Plan Sponsor, to continue executing its business strategy of identifying and acquiring controlling interests in operating companies. The RI Plan remains subject to approval by the Bankruptcy Court.

A key element to our business strategy is utilizing our considerable U.S. NOLs. Our U.S. NOLs were predominantly generated by the legacy businesses of Fremont General Corporation ("Fremont"), and as of December 31, 2017, we have U.S. NOLs of approximately $960.5 million, which begin to expire if not used before our 2027 tax year. The ultimate realization of our deferred tax assets, including our U.S. NOLs, depends on our ability to generate future U.S. federal taxable income through the implementation of our business plan.

Pre-Bankruptcy Operations

In our effort to achieve our business objective of becoming a consistently profitable enterprise, in February 2015, we acquired Real Alloy. While our management team continued to evaluate additional acquisitions of operating businesses after Real Alloy was successfully integrated into our operations, from February 2015 thru December 2017, Real Alloy has provided substantially all of the operating activities of the Company. Headquartered in Beachwood, Ohio, Real Alloy is a global leader in third-party aluminum recycling, which includes the processing of scrap aluminum and by-products, and the manufacturing of wrought, cast, and specification or foundry alloys. Real Alloy offers a broad range of products and services to wrought alloy processors, automotive original equipment manufacturers, foundries, and casters. Further, it delivers recycled metal in liquid or solid form according to customer specifications. Real Alloy serves the automotive, consumer packaging, aerospace, building and construction, steel, and durable goods industries. Real Alloy's facilities are capable of processing industrial (new) scrap, post-consumer (old/obsolete) scrap, and various aluminum by-products, providing it a great degree of flexibility in reclaiming high-quality recycled aluminum. Prior to the Petition Date, Real Alloy operated twenty-one facilities strategically located throughout North America and six facilities in Europe. More information on Real Alloy's business can be found below under "Our Reportable Segments – RANA and RAEU."

Operations During Bankruptcy

Following the Petition Date, the Debtors have continued to operate their businesses as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court. Material events that have transpired during the Chapter 11 Cases through the date of the filing of this Annual Report are summarized below.

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Real Industry Bankruptcy Proceedings

Limitation on Transfer of Equity Interest in Real Industry. On January 17, 2018, the Bankruptcy Court entered a final order, approving procedures that require prior notice to the Bankruptcy Court of certain proposed transfers of beneficial ownership in the Company's equity securities by persons who hold 4.5% of the Company's outstanding common stock or any shares of the Redeemable Preferred Stock, or by persons who would own in excess of such levels upon such transfer. The trading order also imposes certain procedures on holders of 50% or more of any class of the Company's equity securities to report such status and to provide advance notice of planned tax deductions based on the worthlessness of such stock. This trading order serves to limit certain sales or purchases of the Company's common or preferred equity or other actions that could reduce or eliminate the value of any NOLs under existing Section 382 of the Internal Revenue Code of 1986, as amended (the "Tax Code"). Any transfers of shares or declarations of worthlessness in violation of the procedures in the trading order are null and void ab initio.

Real Industry DIP Financing Facility. On January 24, 2018, with Bankruptcy Court approval, the Company's entered into the RELY DIP Facility credit agreement (the "RELY DIP Credit Agreement") in an aggregate principal amount of $5.5 million, of which the $4.0 million was available for immediate borrowing and an additional $1.5 million became available to be borrowed on January 31, 2018. The RELY DIP Facility bears interest at an annual rate of 11%, and matures on the earliest of, among other things, November 17, 2018, the effective date of a Chapter 11 plan of reorganization that has been confirmed by the Bankruptcy Court, or acceleration and termination of the RELY DIP Facility due to an event of default under the RELY DIP Credit Agreement or Bankruptcy Court order for the RELY DIP Facility. An additional 2% interest applies upon and during the continuation of an event of default. The RELY DIP Facility is secured by the assets of Real Industry and its subsidiaries, SGGH and Cosmedicine, LLC ("Cosmedicine"), but excludes any assets of the Real Alloy Debtors. Real Industry has drawn the entire amount of such facility as of the date of the filing of this Annual Report.

The terms of the RELY DIP Credit Agreement provide for the lenders of the RELY DIP Facility or affiliates thereof (the "RELY DIP Lenders") to sponsor a plan of reorganization for Real Industry. They further contemplate the RELY DIP Lenders' entry into definitive equity purchase agreements pursuant to which the RELY DIP Lenders, or their affiliates, will purchase up to 49% of the Company's common stock at emergence from the RI Chapter 11 Case for $17.5 million (the "Equity Commitment"), inclusive of the repayment of the RELY DIP Facility. In the event that the Company terminates the Equity Commitment without the RELY DIP Lenders' consent, the Company will owe $0.3 million and 4.9% of the Company's outstanding stock as a break-up fee.

Plan of Reorganization. On March 1, 2018, Real Industry filed the RI Plan and RI Disclosure Statement, each as amended thereafter, with the Bankruptcy Court, whereby the Plan Sponsor is to provide $17.5 million of capital in exchange for 49% of newly issued equity in Reorganized RELY. In addition, the RI Plan also contemplates a commitment by the Plan Sponsor to provide a credit facility of up to $500 million for the Company to pursue its business plan post-emergence from the RI Chapter 11 Case. If the RI Plan, as proposed and amended, is confirmed by the Bankruptcy Court, Real Industry's existing common stockholders will receive their pro rata share of 20% of the newly issued equity in Reorganized RELY, assuming the Company's stockholders vote to accept the RI Plan as a class. Similarly, the holder of the Redeemable Preferred Stock, who has agreed to vote in favor of the RI Plan, will receive a $2.0 million cash payment plus 31% of the newly issued equity in Reorganized RELY, in exchange for full settlement of its $28.5 million liquidation preference and $1.8 million of accrued dividends. If the stockholders do not vote to approve the RI Plan as a class, then, upon confirmation of the RI Plan by the Bankruptcy Court, the existing common stockholders will receive 16% of the newly issued equity in Reorganized RELY, with 35% being issued to the holder of the Redeemable Preferred Stock, plus the aforementioned $2.0 million cash payment. As disclosed in the RI Disclosure Statement, the holder of the Redeemable Preferred Stock and three holders of approximately 15% of the Company's common stock have entered into restructuring support agreements with the Plan Sponsor to support the RI Plan.

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Real Alloy Bankruptcy Proceedings

Real Alloy DIP Financing Facility. On the Petition Date, the Real Alloy Debtors secured a commitment for debtor-in-possession financing (the “RA DIP Financing Facility”), which was approved on an interim basis by the Bankruptcy Court on November 20, 2017, and on a final basis on January 17, 2018. On January 19, 2018, the Real Alloy Debtors closed the transactions under which the RA DIP Financing Facility has been provided. The RA DIP Financing Facility is comprised of (i) up to $85 million in new money senior-secured priming and super-priority post-petition debtor-in-possession notes issued by Real Alloy and guaranteed by RAIH and the other Real Alloy Debtors (the “New Money DIP Term Notes”), (ii) an additional series of senior-secured priming and super-priority post-petition debtor-in-possession notes issued by Real Alloy and guaranteed by RAIH and the other Real Alloy Debtors in the aggregate principal amount of $170 million (the “Roll Up DIP Term Notes” and collectively with the New Money DIP Term Notes, the “RA DIP Notes Facility”) in exchange for $170 million of the Senior Secured Notes (as defined below), and (iii) up to $110 million in borrowing by certain of the Real Alloy Debtors under a senior secured priming and super-priority post-petition financing in the form of a revolving credit facility (“RA DIP ABL Facility”). The purchasers of the New Money DIP Term Notes were entitled to exchange, on a pro rata basis, up to $170 million of their existing Senior Secured Notes for Roll Up DIP Term Notes.

Proceeds of up to $65 million of the New Money DIP Term Notes are being used exclusively by the Real Alloy Debtors to fund their operations, and proceeds of up to $20 million of the New Money DIP Term Notes can be used exclusively to fund the operations of the Real Alloy foreign subsidiaries.

The $110 million RA DIP ABL Facility includes a letter of credit sub-facility for up to $20 million.

Real Alloy Sale Process. In connection with the RA DIP Financing Facility, the Real Alloy Debtors agreed to pursue a sale of substantially all of their assets pursuant to Section 363 of the Bankruptcy Code (a “Section 363 Sale”). Pursuant to the RA DIP Financing Facility, among other things, the Real Alloy Debtors were required to meet certain milestones related to the Section 363 Sale and to obtain the prior written consent of a majority of certain required holders under the RA DIP Notes Facility and Bank of America, N.A. as administrative agent and collateral agent under the RA DIP ABL Facility in order to sell, or enter into a binding agreement to sell, the assets of the Real Alloy Debtors, unless the obligations under the RA DIP Financing Facility, the Senior Secured Notes and the Prior ABL Facility (defined below) are repaid in full in cash upon the closing of such sale. Under the Real Alloy bidding procedures order, a bid deadline of March 19, 2018 was set with an auction, if necessary, to occur on March 27, 2018, and a sale hearing to occur on March 29, 2018.

On February 2, 2018, an ad hoc group of Real Alloy Debtors’ secured noteholders stated their intention to provide a cash and credit bid for substantially all of the assets of the Real Alloy Debtors (the “Credit Bid Proposal”), to be documented in a definitive agreement. On March 7, 2018, the noteholder group, the Real Alloy Debtors, and the unsecured creditors committee in Chapter 11 Cases (the “UCC”) agreed upon the terms of the Asset Purchase Agreement. The Asset Purchase Agreement, and a proposed form of order authorizing, among other things, the Real Alloy Debtors’ entry into the Asset Purchase Agreement, were filed with the Bankruptcy Court on March 8, 2018 and were amended thereafter.

Under the Asset Purchase Agreement, the ad hoc noteholder group agreed to acquire substantially all of the assets of the Real Alloy Debtors and the equity of their joint ventures and international subsidiaries for an estimated total purchase consideration of approximately $364 million, plus the assumption of certain liabilities. As part of reaching an agreement with the UCC, the Asset Purchase Agreement provides for the assumption by the buyer of up to $18.6 million of priority and unsecured claims against the Real Alloy Debtors’ estates. Under the Asset Purchase Agreement, holders of claims against the Real Alloy Debtors that are entitled to priority under section 503(b)(9) of the Bankruptcy Code may receive as much as a 100% recovery on such claims as an upfront payment at closing in exchange for terms including negotiated credit limits, volume, and pricing. Vendors holding general unsecured claims against the Real Alloy Debtors may also receive recoveries on their claims, depending upon credit and other commercial terms offered. Real Industry does not expect that the transaction contemplated by the Asset Purchase Agreement will result in any recovery from Real Industry's equity interest in RAIH.

The auction was cancelled when no topping bids were received by the bid deadline. On March 29, 2018, the Bankruptcy Court approved the Asset Purchase Agreement. The transaction contemplated by the Asset Purchase Agreement is expected to close in the second quarter of 2018.

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Corporate History and Structure

Real Industry is the successor to Signature Group Holdings, Inc., a Delaware corporation ("Signature Delaware"), which on January 2, 2014, completed a holding company reorganization and reincorporation from Nevada to Delaware (the "Reincorporation"). The Reincorporation was completed to take advantage of the benefits of Delaware corporate law and to provide a better organizational structure for our future acquisitions and the management of existing operations. To accomplish the Reincorporation, in late 2013, Signature Group Holdings, Inc. a Nevada corporation ("Signature Nevada") formed SGH Holdco, Inc., a Delaware corporation, and its subsidiary, SGGH. In the Reincorporation, following the approval of Signature Nevada's stockholders, Signature Nevada merged with and into SGGH, with Signature Nevada ceasing to exist and SGGH continuing as the surviving entity and as a wholly owned subsidiary of SGH Holdco, Inc. Concurrently with the merger, SGH Holdco, Inc. was renamed Signature Group Holdings, Inc. In the Reincorporation, each outstanding share of common stock of Signature Nevada was automatically converted into one share of common stock of Signature Delaware.

Signature Nevada was originally incorporated as Fremont in 1972. Fremont operated as a financial services holding company until its bankruptcy filing in June 2008. On June 11, 2010 (the "Fremont Reorganization Date"), Fremont completed a plan of reorganization and emerged from a nearly two-year reorganization under Chapter 11 bankruptcy proceedings (the "Fremont Bankruptcy Proceedings") as a renamed public company, with significant cash resources and a substantial amount of U.S. NOLs.

After the Fremont Reorganization Date, Signature Nevada was repositioned through the divestiture of non-core legacy assets and the settlement and resolution of a significant number of legacy legal actions. Additionally, Signature Nevada made select investments through a former specialty lending business segment and acquired a specialty circuit breaker distributor doing business as North American Breaker, Co. ("NABCO"). More information on these historic corporate activities, which are classified as discontinued operations in this Annual Report can be found below under "Corporate and Other."

In order to preserve the availability of our U.S. NOLs, our Amended and Restated Bylaws include trading restrictions (the "Tax Benefit Preservation Provision") imposed on any persons who own, or as a result of a transaction would own, 4.9% or more of our common stock in order to reduce the risk that any change in ownership might limit our ability to utilize the U.S. NOLs under Section 382 of the Tax Code, and thereby suffer limitations on our ability to utilize our U.S. NOLs in the future. For more information on the Tax Benefit Preservation Provision, see "Risk Factors—Risks Related to Our Business—Our ability to use our U.S. NOLs to offset future U.S. taxable income may be limited as a result of past events, the Real Alloy Acquisition, the financings related to the Real Alloy Acquisition, or as the result of future acquisitions, financings or other issuances or transfers of our common stock." Additionally, we have a Rights Agreement, dated October 23, 2007, as amended, between Fremont and Computershare NA, as successor to Mellon Investor Services LLC, as Rights Agent (the "Rights Agreement"), which was adopted to protect the value of our U.S. NOLs and continues to remain in effect. The Rights Agreement was approved by the Company's stockholders through the Reincorporation and effective November 2, 2017, the Rights Agreement was amended to expire on November 2, 2020 (the "Amended and Restated Rights Agreement"). Under the currently contemplated RI Plan, which remains subject to Bankruptcy Court approval, a new rights agreement would be adopted on substantially the same terms as the current Amended and Restated Rights Agreement, updated to reflect the share count of Reorganized RELY common stock. Furthermore, as set forth in the currently contemplated RI Plan, which remains subject to Bankruptcy Court approval, we intend to include provisions substantially identical to the Tax Benefit Preservation Provision from our Amended and Restated Bylaws in the Amended and Restated Certificate of Incorporation for Reorganized RELY to be adopted in connection with the emergence of Real Industry from the RI Chapter 11 Case.

Our Reportable Segments – RANA and RAEU

As of December 31, 2017, we had two reportable segments, both related to Real Alloy: Real Alloy North America ("RANA") and Real Alloy Europe ("RAEU"). As discussed in the Explanatory Note and elsewhere in this Annual Report, we expect that the Real Alloy Debtors' assets, which include RANA operations and the Real Alloy Debtors' equity interest in RAEU, will be sold pursuant to a Bankruptcy Court order in the second quarter of 2018.

RANA's operations include aluminum melting, processing, recycling, and alloying activities conducted in twenty-one facilities located in the U.S., Canada and Mexico, serving to customers in the automotive, consumer packaging, construction, transportation, and steel industries. Similar to RANA, RAEU's operations primarily convert aluminum scrap, dross and other alloying agents, as needed, and deliver the recycled metal in solid or molten form to customers from six facilities located in Germany, Norway and Wales. RAEU supplies the European automobile industry, as well as other aluminum producers and manufacturers serving other European aluminum industries.

In both RANA and RAEU, Real Alloy conducts business with its customers primarily through tolling and buy/sell arrangements. Under tolling arrangements, customers deliver their own aluminum scrap and by-products and pay Real Alloy a fee to convert the material into usable recycled metal. Tolling arrangements provide Real Alloy benefits through commodity price risk reduction, earnings stability, and consistent returns on invested capital given the reduced working capital needs associated with tolling arrangements. Under buy/sell arrangements, scrap units are purchased in the open market, including from scrap dealers, customers, and other producers, and are processed and sold as wrought or cast alloys to customer specifications. The buy/sell portion of Real Alloy's business has a more significant impact on reported revenues and cost of sales compared to tolling arrangements, as the cost of metal is included in both revenues and cost of sales.

Real Alloy's margins for its buy/sell arrangements are significantly impacted by scrap spreads and conversion costs, and margins for tolling arrangements are principally impacted by the fees charged to customers to process their metal and conversion costs. Scrap spreads represent the difference between the cost of the aluminum scrap purchased by Real Alloy for processing and the selling prices of the aluminum alloys Real Alloy produces and sell as part of the buy/sell arrangements. Real Alloy strives to maximize scrap spreads by utilizing all grades of aluminum scrap and optimizing metal blends and recovery. Aluminum scrap prices tend to be determined regionally and are typically impacted by supply and demand dynamics. While prices for aluminum scrap and processed secondary alloy may each trend in a similar direction as prices for primary aluminum, the extent of these price movement is not highly correlated, and the sales price for secondary alloy may lag increases in scrap purchase prices. These market fluctuations can result in unpredictable movements in metal spreads. Further, recycling operations are labor intensive and require a significant amount of energy (primarily natural gas and electricity) to melt aluminum, which are the two largest components of conversion costs.

In addition to scrap spreads, two other important drivers of the financial performance of Real Alloy are the volume of metal processed and invoiced and the business mix between tolling and buy/sell arrangements. Increased production volume will normally result in lower per unit costs, while higher invoiced volumes will normally result in additional revenue and associated margins. Increased processing under tolling arrangements results in lower revenues and generally also results in higher gross profit margins compared to buy/sell arrangements. The percentage of Real Alloy's capacity under tolling arrangements is limited by the amount of metal its customers own and the extent to which they are willing to enter into such arrangements.

In addition to focusing on tolling relationships and carefully managing the size of its commercial inventory position related to its buy/sell business, Real Alloy also utilizes various derivative financial instruments designed to reduce the impact of changing aluminum prices on these net physical purchases and sales, particularly in its European operations. While aluminum scrap is typically priced in relation to prevailing aluminum index prices (LME, Platts, Metal Bulletin, etc.), certain scrap types used in Real Alloy's operations are not highly correlated to an underlying index and, therefore, are not hedged. Real Alloy's risk management practices reduce, but do not eliminate exposure to changing aluminum prices. While these practices may limit exposure to unfavorable aluminum price changes, they also limit Real Alloy's ability to benefit from favorable price changes.

Customers

Real Alloy serves the automotive, consumer packaging, aerospace, building and construction, steel, and durable goods industries, as well as wrought alloy producers, foundries and casters. For the year ended December 31, 2017, no single customer accounted for more than 10% of consolidated revenues. For the years ended December 31, 2016 and 2015, 12% and 14%, respectively, of our consolidated revenues were attributable to Nemak who is serviced from both our RANA and RAEU segments, and 11% and 10%, respectively, of our consolidated revenues were attributable to Honda Motor Company who is serviced from our RANA segment.

Competition

The third-party aluminum recycling industry is highly fragmented, with a few participants in North America and in Europe operating multiple facilities, and many smaller aluminum recyclers that are single plant, family-owned businesses. We believe Real Alloy is the largest third-party aluminum recycler in both North America and Europe. Real Alloy's main competitors in North America are Scepter Inc., Smelter Service Corporation, Tennessee Aluminum Processors, Inc., Owl's Head Alloys Inc., Imperial Aluminum, Superior Aluminum Alloys, LLC, Allied Metal Company, Audubon Metals LLC, Spectro Alloys Corporation, and Timco, a division of TST Inc. Main competitors in Europe are Oetinger Aluminum, AMAG Austria Metall AG, Raffmetal SpA, Trimet Aluminum, and Befesa. Additionally, many of Real Alloy's customers and potential customers also recycle their own scrap. Suppliers of primary aluminum can also act as competition under certain market conditions.

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Real Alloy volumes may be impacted by factors other than competition within its own industry. Because Real Alloy serves the automotive, consumer packaging, aerospace, building and construction, steel, and durable goods industries, as well as wrought alloy producers, foundries and casters, changes in the competitive profile of its customers can rapidly change the volume of secondary aluminum purchased from Real Alloy under both tolling and buy/sell arrangements.

Raw Materials and Supplies

The buy/sell portion of Real Alloy's business requires the purchase of aluminum scrap, primary aluminum, and hardeners. Metallics (primary aluminum metal, aluminum scrap, and aluminum dross) represent the largest component of Real Alloy's cost of sales. The availability and price of these raw materials depends on a number of factors outside of Real Alloy's control, including general economic conditions, international demand for metallics and internal recycling activities by primary aluminum producers and other consumers of aluminum. Real Alloy purchases its raw materials from a wide spectrum of aluminum scrap dealers, primary aluminum producers, aluminum fabricators, casters and processors, and other intermediaries, and the diffuse nature of these suppliers requires that Real Alloy maintain constant procurement efforts, and generally is unable to lock in long-term scrap pricing. During the years ended December 31, 2017, 2016 and 2015, no supplier provided more than 10% of Real Alloy's metal purchases. The top ten suppliers represented approximately 17%, 25% and 22% of total metal purchases in the years ended December 31, 2017, 2016 and 2015, respectively.

Energy Supplies

Real Alloy's operations are dependent on natural gas and electricity, which represent the third largest component of cost of sales after metal and labor costs. Real Alloy purchases the majority of its natural gas and electricity on a spot-market basis. In an effort to acquire the most favorable energy costs, Real Alloy secures a portion of its natural gas and electricity at fixed price commitments. Real Alloy uses forward contracts, as well as contractual price escalators and pass-through mechanics in customer contracts, to reduce the risks associated with natural gas price volatility.

Patents and Other Intellectual Property

Real Alloy holds patents registered in the U.S. and other countries relating to its business. In addition to patents, it also possesses other intellectual property, including trademarks, trade names, know-how, developed technology and trade secrets. Although we believe these intellectual property rights are important to the operations of Real Alloy, we do not consider any single patent, trademark, trade name, know-how, developed technology, trade secret or any group of patents, trademarks, trade names, know-how, developed technology or trade secrets to be material to Real Alloy as a whole.

Seasonality

Demand for certain of Real Alloy's products can be seasonal, depending on market demand related to its automotive customers and rolling mill customers that serve automotive manufacturers. Additionally, Real Alloy's margins can be influenced by weather due to its impact on scrap availability. Specifically, in regions subject to freezing temperatures and snowfall, the aluminum scrap supply can become temporarily limited during the winter months, putting pressure on margins.

Employees

As of December 31, 2017, Real Alloy had a total of approximately 1,850 employees, including approximately 1,200 in North America and 650 in Europe. Approximately 22% of our U.S. employees and substantially all of our non-U.S. employees are covered by collective bargaining agreements. We believe employee relations are satisfactory.

Environmental

Real Alloy's operations are subject to U.S. federal, state, local, and foreign environmental laws and regulations, which govern, among other things, air emissions, wastewater discharges, the handling, storage, and disposal of hazardous substances and wastes, the investigation or remediation of contaminated sites, and employee health and safety. These laws can impose joint and several liability for releases, or threatened releases, of hazardous substances upon statutorily defined parties, including Real Alloy, regardless of fault or the lawfulness of the original activity or disposal. Given the changing nature of environmental legal requirements, Real Alloy may be required, from time to time, to install additional pollution control equipment, make process changes, or take other environmental control measures at some of its facilities to meet future requirements. Currently, and from time to time, Real Alloy is a party to notices of violation brought by environmental agencies concerning laws governing air emissions.

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Processing scrap aluminum generates solid waste in the form of salt cake and baghouse dust. For RANA, salt cake is further processed for recycling at milling operations or disposed of in landfills with baghouse dust. For RAEU, salt cake is processed for recycling and baghouse dust is disposed of in underground deposits in Europe. If salt cake was ever classified as a hazardous waste in the U.S., the costs to manage and dispose of salt cake would increase, which could result in significant increased expenditures.

As of December 31, 2017, Real Alloy has $13.7 million of accrued environmental liabilities and $5.8 million of asset retirement obligations. See Note 11—Asset Retirement Obligations and Note 23—Commitments and Contingencies in the note to consolidated financial statements included in Part IV, Item 15 of this Annual Report for additional information about environmental and asset retirement obligations.

Financial Information about Segments and Geographic Areas

The chief operating decision-maker ("CODM"), our Interim Chief Executive Officer, evaluates Real Alloy largely by geographic area. Our reporting segments of RANA and RAEU have, accordingly, been created representing the Real Alloy businesses in North America and Europe. In addition to analyzing our consolidated operating performance based on volumes, our CODM measures the financial performance of our reportable segments utilizing adjusted earnings before interest, taxes, depreciation and amortization ("Segment Adjusted EBITDA"). Segment Adjusted EBITDA is a non-GAAP financial measure that has limitations as an analytical tool and should be considered in addition to, and not in isolation, or as a substitute for, or as superior to, our measures of financial performance prepared in accordance with GAAP. Management, including our CODM, uses Segment Adjusted EBITDA to manage and assess the performance of our business segments and overall business, and believes that Segment Adjusted EBITDA provides investors and other users of our financial information with additional useful information regarding the ongoing performance of the underlying business activities of our segments, as well as comparisons between our current results and results in prior periods. For additional information regarding non-GAAP financial measures, see "Non-GAAP Financial Measures" in Part II, Item 7 of this Annual Report.

Corporate and Other

As a holding company, we report the administrative, financial and human resource activities related to the oversight of our operating segments, implementation of our acquisition strategies, maintenance of our public company status and management of our discontinued operations as "Corporate and Other." As of December 31, 2017, our corporate staff was comprised of six employees, none of which are under a collective bargaining agreement and management believes its relationships are good.

Corporate and Other also includes the assets, liabilities, and results of operations of operating segments that do not meet the criteria of a reportable segment, generally as a result of the size of the segment, including the operations of our subsidiaries, Cosmedicine and Signature Credit Partners, Inc. ("SCP"). In September 2016, with authorization from the Board of Directors, management initiated a process to sell Cosmedicine or liquidate its assets. Ultimately, this small operation was wound down and, as of December 31, 2017, Cosmedicine's only asset was the intellectual property associated with its product formulations with no carrying value. Terminating the operations of Cosmedicine did not represent a strategic shift in operations and did not have a significant effect on the consolidated financial results of Real Industry. As of December 31, 2017, SCP has assets of approximately $0.7 million, which are primarily comprised of a participation interest in a pool of commercial mortgage loans.

Discontinued Operations

Discontinued operations presents the financial condition and results of operations of the businesses and operations of SGGH that have been sold, or have been discontinued, including NABCO and certain of Fremont's former operations where SGGH is still engaged in various legal proceedings, primarily with homeowners seeking to avoid foreclosure on loans originated by Fremont Investment & Loan (“FIL”). During the first quarter of 2015, NABCO was sold for a pretax gain of $39.7 million and, as a result of a strategic shift in operations, its results of operations have been reclassified to discontinued operations for all periods presented.

See Note 20—Discontinued Operations in Part IV, Item 15 of this Annual Report for additional information about our discontinued operations.

Available Information: Website Access to Periodic Reports

The following information can be found on Real Industry’s website at www.realindustryinc.com:

· the most recent Annual Report on Form 10 K, Quarterly Reports on Form 10 Q, Current Reports on Form 8 K and amendments to those reports filed or furnished pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), as soon as reasonably practicable after the reports have been filed with the Commission.

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Copies of all of Real Industry's Form 10 Ks, Form 10 Qs and other reports filed with the Commission can also be obtained from the Commission's website at https://www.sec.gov;

· information relating to corporate governance at Real Industry, including our Code of Conduct (for directors and all employees, including executive officers), which also complies with the definition of a "code of ethics" set forth in Section 406(c) of the Sarbanes-Oxley Act of 2002, as required by Nasdaq's corporate governance requirements. We intend to disclose any amendments to or waivers from these governance documents on our website, in lieu of disclosure on Form 8 K in accordance with Item 5.05(c) of Form 8 K;
· information about membership on Board committees, as well as the charters of standing committees of the Board; and
· information relating to transactions in Real Industry's securities by its directors, executive officers and significant stockholders reportable on Forms 3, 4 and 5, and Schedules 13D and 13G.

The information contained on our website is not incorporated herein.

Additionally, copies of any of this information will be provided, free of charge, upon written request to the Company's principal executive offices, Real Industry, Inc., Investor Relations, 3700 Park East Drive, Suite 300, Beachwood, OH 44122, or by email request to investor.relations@realindustryinc.com. Our telephone number is (805) 435 1255.

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Item 1A. Risk Factors

Before deciding to purchase, hold or sell our common stock, you should carefully consider the risks described below in addition to other information contained in this Annual Report and in our other filings with the SEC, including our subsequent reports on Forms 10 Q and 8 K. The risks and uncertainties described below are in addition to risks that apply to most businesses and are not the only ones we face. The order in which the risks appear is not intended as an indication of their relative weight, likelihood or importance. Additional risks and uncertainties that are not presently known to us or that we currently deem immaterial may also affect our business. If any of these known or unknown risks or uncertainties actually occurs, our business, financial condition, results of operations and/or liquidity could be materially and adversely affected. In that event, the market price for our common stock will likely decline and you may lose all or part of your investment.

We note that since the Company's acquisition of Real Alloy in February 2015 (the "Real Alloy Acquisition"), given the significance of Real Alloy's financial results, operations and business to the Company's financial results and operations, we have reported risks associated with the Company, Real Alloy and its operations, the Company's ownership and holding company structure, and the Company's common stock generally. On March 29, 2018, the Bankruptcy Court approved the Real Alloy Sale – namely, the sale of the assets of the Real Alloy Debtors and the equity interests in their non-U.S. Real Alloy subsidiaries to the Real Alloy Purchaser. Following closing of the Real Alloy Sale, Real Industry will no longer have any economic interest in the Real Alloy business operations, including Real Alloy's operations that are not a part of the Chapter 11 Cases. We do not anticipate any recovery to Real Industry from its equity interest in RAIH in connection with the Real Alloy Sale. The Real Alloy Sale is expected to be consummated in the second quarter of 2018. As a result, the risk factors discussed below may not reflect all risks that Real Alloy may face following the Real Alloy Sale.

Risks Associated with Our Chapter 11 Cases

We are subject to risks and uncertainties associated with our Chapter 11 Cases. On the Petition Date, we and a majority of our wholly owned domestic subsidiaries filed voluntary petitions for relief under Chapter 11 of the Bankruptcy Code in the Bankruptcy Court. Our European, Canadian and Mexican operations, as well as the Goodyear, Arizona joint venture are not included in the filings. Our Chapter 11 Cases are being jointly administered and procedurally consolidated in the Bankruptcy Court under the case of Real Industry, Case No. 17-12464 (KJC), and the caption "In re: Real Industry, Inc., et al.". On March 1, 2018, Real Industry filed the RI Plan with the Bankruptcy Court. There can be no assurance that the RI Plan will be approved by the Bankruptcy Court or implemented successfully. Subject to the effective date of the RI Plan (with respect to Real Industry) or the closing of the Real Alloy Sale (with respect to Real Alloy), or other reorganization or resolution of the Chapter 11 Cases, each of the Debtors will continue to operate their businesses as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

We are subject to a number of risks and uncertainties associated with the Chapter 11 Cases, which may lead to potential adverse effects on our liquidity, results of operations, condition (financial or otherwise), ability to attract acquisition opportunities or business prospects. Our operations, our ability to develop and execute our business plan, our financial condition, our liquidity, and our continuation as a going concern, are all subject to the risks and uncertainties associated with our Chapter 11 Cases. These risks and uncertainties include, but are not limited to, the following:

- whether the conditions to consummate the transactions contemplated by the RI Plan and Real Alloy Sale will be satisfied or waived;
- our ability to comply with and operate under any cash management orders entered by the Bankruptcy Court from time to time;

- the high costs of the Bankruptcy Proceedings and related professional costs and fees;
- our ability to attract, motivate, and retain key personnel, especially in our current environment;
- our ability to maintain our relationships with our suppliers, service providers, customers, employees, and other third-parties;
- our ability to maintain critical contracts on reasonably acceptable terms and conditions;
- the ability of third-parties to seek and obtain relief from the automatic stay to terminate contracts and other agreements with us;
- the actions and decisions of our creditors and other third-parties who have interests in our Chapter 11 Cases that may be inconsistent with our plans; and
- the possibility that the Chapter 11 Cases will disrupt or impede Real Alloy's operations.

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These risks and uncertainties could affect our business and operations in various ways. For example, negative events or publicity associated with our Chapter 11 Cases could adversely affect our relationships with potential acquisition targets and financing sources. Further, critical suppliers, vendors and customers may determine not to do business with Real Alloy due to the Bankruptcy Proceedings, and Real Alloy may not be successful in securing alternative sources or markets. Under Chapter 11 of the Bankruptcy Code, transactions outside the ordinary course of business are subject to the prior approval of the Bankruptcy Court, which may limit our ability to respond in a timely manner to certain events or take advantage of certain opportunities. A long period of operations under Bankruptcy Court protection could have a material adverse effect on our business, financial condition, results of operations, and liquidity. Additionally, further losses of key personnel or erosion of employee morale could have a material adverse effect on our ability to conduct our operations as normal, thereby adversely affecting our business and results of operations. So long as the proceedings related to these cases continue, our management will be required to spend a significant amount of time and effort dealing with the reorganization instead of focusing exclusively on business operations. The failure to retain or attract and maintain members of our management team, and other key personnel could impair our ability to execute our strategy and implement operational initiatives, thereby having a material adverse effect on our financial condition and results of operations. So long as the proceedings related to these cases continue, we will be required to incur substantial costs for professional fees and other expenses associated with the administration of the Chapter 11 Cases, including the cost of litigation. In general, litigation can be expensive and time consuming to bring or defend against. Such litigation could result in settlements or damages that could significantly affect our financial results. It is also possible that certain parties will commence litigation with respect to the treatment of their claims. It is not possible to predict the potential litigation that we may become party to, nor the final resolution of such litigation. The impact of any such litigation on our business and financial stability, however, could be material.

As a result of these risks and uncertainties, we cannot predict the ultimate impact that events occurring during the Chapter 11 Cases may have on our business, financial condition and results of operations.

The RI Plan may not become effective as proposed or at all, and the Real Alloy Sale may not be consummated, in which case we may require additional funding. While the RI Plan has been filed with the Bankruptcy Court, it may not become effective because it is subject to the satisfaction of certain conditions precedent; some of which are beyond our control and may not be satisfied. Further, parties in interest to the RI Plan may object to, or the Bankruptcy Court may not otherwise approve, the RI Plan's classification of claims and interests or other terms or treatment of claims and interests under the RI Plan. We may not have our plan of reorganization confirmed prior to the end of our exclusivity period under the Bankruptcy Code, or the Bankruptcy Court may permit competing plans.

The Bankruptcy Code provides that a class of interest has accepted a plan of reorganization if it has been accepted by at least two-thirds in amount of allowed interest in such class that have voted to accept or reject such plan. In the event that we do not receive sufficient votes in support of the RI Plan, we will likely seek an alternative plan of reorganization; however, it is uncertain whether the terms of such alternative plan will be similar to the terms of the RI Plan.

Therefore, there can be no assurance that the RI Plan will become effective, that the Bankruptcy Court or necessary parties in interest will approve the RI Plan, or that RI Plan or any necessary alternative plan of reorganization as approved by the Bankruptcy Court contains terms as favorable as the RI Plan and that the Company will emerge from its Chapter 11 Case as contemplated by the RI Plan.

Similarly, while the Bankruptcy Court has approved the sale to, and Real Alloy's entry into the Asset Purchase Agreement with the Real Alloy Purchaser, there are conditions precedent to the Real Alloy Sale. Some of these conditions precedent may be out of Real Alloy's control, and there can be no assurance that these will be satisfied or that the Real Alloy Sale will be consummated.

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Delays or other hurdles to confirmation of the RI Plan or the consummation of the Real Alloy Sale may require us or Real Alloy to seek additional financing during the pendency of the Bankruptcy Proceedings or may prompt a default under the RI DIP Financing Facility or RA DIP Financing Facility. If sufficient funds are not available, we may be required to liquidate. If the RI Plan effective date is delayed or does not occur, or if the Real Alloy Sale is delayed or not consummated, the Company or the Real Alloy Debtors, as the case may be, may not have sufficient cash available in order to operate their respective businesses. In that case, the Company or the Real Alloy Debtors may need new or additional post-petition financing, which may increase the costs of consummating the RI Plan or Real Alloy's exit from bankruptcy. There can be no assurance of the terms on which such financing may be available or if such financing will be available. If the transactions contemplated by the RI Plan or the Real Alloy Sale are not completed, it may become necessary to amend the RI Plan or the Asset Purchase Agreement and related sale procedures. The terms of any such amendments are uncertain and could result in material additional expense and result in material delays in the Chapter 11 Cases. If either the RI Plan or Real Alloy Sale do not become effective, if current financing is insufficient, or if other financing is not available, the Company and the Real Alloy Debtors could be required to liquidate under Chapter 7 of the Bankruptcy Code.

In order to successfully emerge from Chapter 11 bankruptcy protection, a plan under Chapter 11 of the Bankruptcy Code must become effective or other exit arrangement must be consummated. There can be no assurance that the RI Plan will be approved by the Bankruptcy Court or that the effective date of the RI Plan will occur, which would permit the Company to emerge from our Chapter 11 Case and continue operations. Likewise, there can be no assurance that the Real Alloy Sale can be consummated, or that a plan of reorganization for Real Alloy could be developed or consummated. If the RI Plan is not confirmed or a substantially identical plan of reorganization is not confirmed with the support of our stakeholders, including the holder of the Redeemable Preferred Stock or lenders under the RI DIP Financing Facility, and we are unable to meet our liquidity needs, we may have to take other actions to seek additional financing to the extent available or we could be forced to consider other alternatives to maximize potential recovery for stakeholders, including liquidation under Chapter 7 of the Bankruptcy Code.

There can be no assurance that the current cash positions of the Company and Real Alloy, as well as funds available from the RI DIP Financing Facility, or RA DIP Financing Facility, and amounts of cash from future operations, will be sufficient to fund ongoing operations during the Chapter 11 Cases. In the event that the Company or Real Alloy do not have sufficient cash to meet their respective liquidity requirements, and the current financing for the Company or Real Alloy is insufficient or exit financing is not available in connection with the resolution of the Company's or Real Alloy's Chapter 11 Cases, the Company or Real Alloy, as the case may be, may be required to seek additional financing. There can be no assurance that such additional financing would be available, or, if available, would be available on reasonably acceptable terms. Failure to secure any necessary exit financing, or additional financing, would have a material adverse effect on the operations and ability of the Company or Real Alloy to continue as a going concern.

Any Chapter 11 plan that we or Real Alloy may implement will be based in large part upon assumptions and analyses developed by us. If these assumptions and analyses prove to be incorrect, or adverse market conditions exist or worsen, such plan may be unsuccessful in its execution. Any Chapter 11 plan or other strategy that we may implement, including the RI Plan and Real Alloy Sale, will affect our capital and the ownership and structure of our business, and will reflect assumptions and analyses based on our experience and perception of historical trends, current conditions, and expected future developments, as well as other factors that we consider appropriate under the circumstances. Similar risks apply in the event that Real Alloy instead pursues a Chapter 11 plan rather than the Real Alloy Sale. Whether actual future results and developments will be consistent with our expectations and assumptions depends on a number of factors, including but not limited to:

- our ability to substantially change our capital structure;
- our ability to obtain adequate liquidity and financing sources;

- our ability to maintain customers' confidence in our viability as a continuing entity and to attract and retain sufficient business from them;
- our ability to retain key employees, and
- the overall strength and stability of general economic conditions of the financial and aluminum industries, both in the U.S. and in global markets.

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The failure of any of these factors could materially and adversely affect the successful reorganization of our business. In addition, any Chapter 11 plan or other exit strategy, including the RI Plan and Real Alloy Sale, will rely upon financial projections, including with respect to revenues, Adjusted EBITDA, capital expenditures, debt service, cash flow and aluminum price projections. Financial projections are necessarily speculative, and it is likely that one or more of the assumptions and estimates that are the basis of these financial forecasts will not be realized. In the case of the Company or Real Alloy, the forecasts will be even more speculative than normal, because they may involve fundamental changes in the nature of the capital structure of the Company or Real Alloy. Accordingly, we expect that our actual financial condition and results of operations will differ, perhaps materially, from what we have anticipated. Consequently, there can be no assurance that the results or developments contemplated by any resolution of the Chapter 11 Cases that we or Real Alloy may implement will occur or, even if they do occur, that they will have the anticipated effects on us, Real Alloy or our respective businesses or operations. The failure of any such results or developments to materialize as anticipated could materially and adversely affect the successful execution of such resolution.

Certain claims may not be discharged and could have a material adverse effect on our financial condition and results of operations. The Bankruptcy Code provides that the confirmation of a Chapter 11 plan discharges a debtor from substantially all debts arising prior to the debtor’s filing for bankruptcy protection. Any claims not ultimately discharged through a Chapter 11 plan, or assumed by a third-party pursuant to an order of the Bankruptcy Court, could be asserted against us or Real Alloy, as the case may be, and may have an adverse effect on our financial condition and results of operations on a post-reorganization basis.

As a result of the Chapter 11 Cases, our historical financial information will not be indicative of our future financial performance and realization of assets and liquidation of liabilities are subject to uncertainty. Our capital structure will be significantly altered through the implementation of the RI Plan and the Real Alloy Sale. As a result of the consummation of the RI Plan, the Real Alloy Sale and the transactions contemplated thereby, we expect to be subject to the fresh start reporting rules required under the Accounting Standards Codification (“ASC”) 852, Reorganizations (“ASC 852”). Under applicable fresh start reporting rules that may apply to us upon the RI Plan’s effective date, our assets and liabilities would be adjusted to fair values and our accumulated deficit would be restated to zero. Accordingly, our consolidated financial condition and results of operations from and after the RI Plan effective date will not be comparable to the financial condition or results of operations reflected in our consolidated historical financial statements.

In connection with the implementation of the RI Plan, it is also possible that additional restructuring and related charges may be identified and recorded in future periods. Such sales, disposals, liquidations, settlements, or charges could be material to our consolidated financial position and the results of operations in any given period.

Our ability to use our pre-emergence tax attributes may be significantly limited under the U.S. federal income tax rules. We have generated NOL and certain tax credits for U.S. federal income tax purposes through the taxable year ending December 31, 2017. Our ability to use any NOLs and other tax attributes, including certain recognized built in losses, to offset future taxable income or taxes owed may be significantly limited if we undergo an “ownership change” as defined in section 382 of the Tax Code in connection with the RI Plan and do not qualify or elect to use a special bankruptcy rule. An entity that experiences an ownership change generally is subject to an annual limitation on its use of its pre-ownership change NOLs and other tax attributes after the ownership change equal to the equity value of the corporation immediately before the ownership change, multiplied by the long-term tax-exempt rate posted by the Internal Revenue Service (subject to certain adjustments). If we undergo an ownership change in connection with the consummation of the RI Plan, and don’t meet the qualifications of a special bankruptcy rule, however, the equity value for purposes of determining the limitation on NOLs and other tax attributes will reflect the increase in value resulting from the cancellation of claims. The annual limitation could also be increased each year to the extent that there is an unused limitation in a prior year. Alternatively, if we qualify for and elect to use a special bankruptcy rule that would prevent a limitation on use of the tax attributes from applying, our NOLs would first be reduced to the extent of certain prior interest deductions taken on account of indebtedness that will be converted into equity under the RI Plan, if any, in the event we experience another ownership change within two years after the RI Plan Effective Date the annual limitation would be zero and we will effectively lose the ability to use any of the NOLs. We anticipate that we will experience an ownership change as a result of the RI Plan.

Even if a RI Plan is consummated, we may not be able to achieve our stated goals and continue as a going concern. Even if the RI Plan or another Chapter 11 plan is consummated, we will continue to face a number of risks, including those related to changes in economic conditions and increasing expenses or as otherwise described in these Risk Factors under “Risks Related to Real Industry as a Holding Company.” Accordingly, we cannot guarantee that the RI Plan or any other Chapter 11 plan will achieve our stated goals.

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Under the terms of the RELY DIP Credit Agreement, the RELY DIP Lenders have agreed to enter into a definitive equity purchase agreement pursuant to which the RELY DIP Lenders, or their affiliates, will purchase up to 49% of the Company’s common stock at emergence from the RI Chapter 11 Case for $17.5 million. Likewise, pursuant to the RI Plan, the Plan Sponsor has committed to arrange for up to a $500 million credit facility for the Company to pursue its business plan post emergence from the RI Chapter 11 Case. However, if we are unable to obtain such a credit facility, we may need to raise additional funds through public or private debt or equity financing or other various means to fund our business upon emergence from the RI Chapter 11 Case. Our access to additional financing is, and for the foreseeable future will likely continue to be, extremely limited, if it is available at all. Therefore, adequate funds may not be available when needed or may not be available on favorable terms, if they are available at all. Our ability to continue as a going concern is dependent upon our ability to raise additional capital. As a result, we cannot give any assurance of our ability to continue as a going concern, even if a plan is confirmed.

Risks Related to Real Industry as a Holding Company

We face risks from our current operations, legacy operations and status as a holding company. The main risks we have faced in the past, at the time of filing of the Chapter 11 Cases and during the pendency of the Bankruptcy Proceedings may differ significantly from the risks we may face following emergency from the Bankruptcy Proceedings.

Following emergence from Bankruptcy Proceedings, we may not be able to effectively fund or execute on our business strategy. The RI Plan, subject to approval by the Bankruptcy Court, provides for a plan of reorganization with a restructured capital structure, including the elimination of the Redeemable Preferred Stock, and a commitment for an acquisition finance lending facility of up to $500 million. However, our future viability and utilization of our valuable tax attributes depend on execution on our business strategy. While we believe that the acquisition financing facility will assist in our needed financing, we may also need to conduct future rights offerings to existing equity holders, offerings of equity to the owners of target entities, or leveraged financing transactions to acquire target entities. There can be no assurance we will be able to secure adequate financing on acceptable terms or to otherwise execute on our business strategy, and the results of our operations and the value of the common stock in Reorganized RELY may suffer.

Our financial condition and results of operations will depend on our ability to acquire and integrate businesses that perform and meet expectations after closing. A key element of our business strategy involves the acquisition and integration of profitable operating businesses. We may experience challenges identifying, financing, consummating and integrating such acquisitions. Competition exists in the market for the acquisition of profitable operating companies. We may not be able to find suitable acquisition opportunities that are available at attractive valuations, if at all. Even if we do find suitable acquisition opportunities, we may not be able to consummate the acquisitions on commercially acceptable terms, as suitable financing arrangements may not be available on acceptable terms, on a timely basis, or at all.

Even if we are successful in completing additional acquisitions, these could require significant investments of capital, management attention, and integration effort. We may also encounter difficulties in assimilating and integrating the operations, personnel, technologies, products, and information systems of acquired companies, and retaining key personnel. Further, the acquired entities themselves must perform successfully subject to the risks of its business, industry, and other factors. These risks are applicable even for businesses we intend to run on a stand-alone basis. We recorded a noncash goodwill impairment charge of $61.8 million in the fourth quarter of 2016 and an additional $33.6 million charge in the year ended December 31, 2017. We may incur additional significant goodwill impairment charges in the future. Acquisitions could disrupt relationships with existing customers, suppliers, and strategic partners of the newly acquired entities and may create other contractual, intellectual property, or employment issues. The acquisition of another company or business may also require us to enter into a business, industry or geographic market in which we have little or no prior experience. These challenges could disrupt our ongoing business, distract our management and employees, harm our reputation and increase our operating costs, and these challenges could be magnified as the size of the acquisition increases.

There can be no assurance that we will be able to consummate any future acquisitions or that, if consummated, we will successfully integrate the businesses or otherwise realize the benefits anticipated from these acquisitions. Even if we are able to grow and build our operations, any failure to manage our growth effectively could have a material adverse effect on our business, financial condition, results of operations and prospects.

We may never realize the full value of assets we may sell. We may from time to time decide to sell operating subsidiaries or assets based on any number of factors, including a desire to monetize an asset to finance working capital or other strategic plans or because such operations may not perform as expected. There can be no assurance that we will be successful in completing such future transactions. If such a transaction is completed, it may reduce the size of our business or our cash flow. There is also no assurance that we will receive adequate consideration in the disposition of any operating subsidiary or asset. As a result, any future disposition of operating subsidiaries or assets could have a material adverse effect on our business, financial condition, and results of operations.

We have experienced substantial losses from continuing operations in recent years and may experience losses in the future. For the years ended December 31, 2017, 2016, 2015, and 2014, we reported losses from continuing operations of $120.8 million, $103.2 million, $31.7 million, and $0.1 million, respectively. We may experience operating losses and net losses in the future, which could make it difficult to fund our operations, finance acquisitions and achieve our business plan, any of which could cause the market price of our common stock to decline.

Our debt agreements as of December 31, 2017 and future debt financing arrangements into which we or our subsidiaries may enter, may contain various covenants that limit our ability to take certain actions and also require us to meet financial maintenance tests. Failure to comply with these covenants could have a material adverse effect on our operations, business and financial results. As of December 31, 2017, we had approximately $416.9 million of indebtedness outstanding under the RA DIP Financing Facility, the Senior Secured Notes and various capital leases related to Real Alloy. As of December 31, 2017, Real Alloy was in default under the Senior Secured Notes, which were subject to compromise. Further, Real Alloy has additional borrowing capacity under the RA DIP ABL Facility and its German subsidiary's €50 million nonrecourse factoring facility (the "Factoring Facility"). Interest costs related to this indebtedness, together with the dividends on the Redeemable Preferred Stock (which is also subject to compromise as of December 31, 2017), are substantial. The RA DIP Financing Facility, Senior Secured Notes, Factoring Facility and Redeemable Preferred Stock contain, and the instruments governing our other future indebtedness may contain, certain customary restrictions, covenants, and provisions for mandatory repayment upon the occurrence of certain events, and provisions for events of default that will require us, Real Alloy or other acquired entities to satisfy certain financial tests and maintain certain financial ratios, restrict the ability to engage in specified types of transactions, and otherwise limit the distributions of funds from Real Alloy or other entities acquired in the future to us. This overall leverage and the terms of our financing arrangements could:

- limit the ability to pay dividends or management fees, to make distributions or to repay intercompany loans, especially from Real Alloy, and future subsidiaries, to us;
- make it more difficult to satisfy obligations under the terms of our indebtedness;
- limit the ability to refinance this indebtedness on terms acceptable to Real Alloy, us, or at all;
- limit the flexibility to plan for and adjust to changing business and market conditions in the industries in which we or Real Alloy operate and increase the vulnerability to general adverse economic and industry conditions;
- require the dedication of a substantial portion of cash flow to make interest and principal payments on our indebtedness, thereby limiting the availability of cash flow to distribute to us or to fund future acquisitions, working capital, capital expenditures, business activities, and other general corporate requirements;
- restrict sales of key assets;
- limit the ability to substantially change our business or enter into new lines of business;
- limit the ability to obtain additional financing for working capital, to fund growth or acquisitions or for general corporate purposes, even when necessary to maintain adequate liquidity, particularly if any ratings assigned to our debt securities by rating organizations were revised downward; or
- cause a competitive disadvantage by reducing our flexibility in responding to increased competition.

Upon the occurrence of an event of default under any such financing arrangement, the relevant lenders could assess increased interest rates, accelerate the maturity of the debt or foreclose upon any collateral securing the debt, and events of default could be triggered under other financing arrangements with cross-default provisions. In this event, we may lack sufficient funds or other resources to satisfy all of our obligations. In addition, any limitations imposed by financing agreements on our ability to incur additional debt or to take other actions could significantly impair our ability to obtain other financing. We are currently in default under our Senior Secured Notes.

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Our ability to use our U.S. NOLs to offset future U.S. taxable income may be limited as a result of past events, the Real Alloy Acquisition, the financings related to the Real Alloy Acquisition, the Bankruptcy Proceedings, the RI Plan, the Real Alloy Sale, or as the result of future acquisitions, financings or other issuances or transfers of our common stock. As of December 31, 2017, we reported U.S. NOLs of approximately $960.5 million, which will begin to expire if not used before the tax year ending December 31, 2027. For accounting purposes, a valuation allowance is required to reduce our potential deferred tax assets if it is determined that it is more likely than not that all or some portion of such assets will not be realized due to the lack of sufficient taxable income. As a result of uncertainties about the timing and amount of future U.S. taxable income, we have a valuation allowance of $249.5 million recorded against our U.S. deferred tax assets as of December 31, 2017, and expect to continually review and evaluate the valuation allowance in future periods.

Our ability to fully utilize our existing U.S. NOLs could be limited or eliminated as a result of changes in U.S. federal tax laws and regulations or should we: i) be found by the Internal Revenue Service ("IRS") to not be able to avail ourselves of Section 382(l)(5) of the Tax Code in connection with the plan of reorganization following the Fremont Bankruptcy Proceedings or with the RI Plan following the current Bankruptcy Proceedings; ii) undergo an "ownership change" as described under Section 382 of the Tax Code; iii) be deemed to have abandoned an active business; or iv) not return to profitability or be only marginally profitable in the future.

Although we cannot assure you that the IRS will agree with our position, we believe that, both as of Fremont's emergence from its proceedings under Chapter 11 of the Bankruptcy Code through the Real Alloy Acquisition until the present time, Real Industry has met the criteria under Section 382(l)(5) of the Tax Code to be able to utilize its U.S. NOLs to offset future taxable income, if any.

Our ability to utilize our U.S. NOLs, however, will be subject to significant limitation for U.S. federal income tax purposes if, after the effectiveness of the RI Plan, the Company undergoes an "ownership change" as defined in Section 382 of the Tax Code. For this purpose, an "ownership change" is generally defined as greater than a 50% change in equity ownership by value, over a rolling three-year period. We may experience an ownership change in the future as a result of changes in our common stock ownership, which would result in a limitation on our ability to utilize our U.S. NOLs. Separately, any changes to tax rules or the interpretation of tax rules could negatively impact our ability to recognize benefits from our U.S. NOLs.

While there is no guarantee that the IRS will agree with our position, we believe that the Real Alloy Acquisition and related financings did not result in an "ownership change" for purposes of Section 382 of the Tax Code. The Company received an opinion letter (the "Section 382 Opinion Letter") from its U.S. tax counsel, Blank Rome LLP, substantially to the effect that the Real Alloy Acquisition and related financings should not result in an "ownership change" for U.S. federal income tax purposes and that the Company should be able to use its U.S. NOLs to offset U.S. taxable income generated by Real Alloy. The Section 382 Opinion Letter is restricted to the precise terms described therein and the Company or its stockholders may engage in subsequent transactions that would result in an "ownership change." Additionally, the Company adopted the Tax Benefit Preservation Provision in order to protect stockholder value by preserving our U.S. NOLs. There is no guarantee, however, that the Tax Benefit Preservation Provision will be effective in protecting our U.S. NOLs and other tax assets.

Further, our NOLs may be reduced as a result of the Real Alloy Sale and the resolution of the RA Chapter 11 Case to the extent of any discharge of indebtedness income or related tax attribute reduction related to cancellation of indebtedness of the Real Alloy Debtors.

The amount of our U.S. NOLs has not been audited or otherwise validated by the IRS. The IRS could challenge the amount of our U.S. NOLs and other tax assets, which could result in an increase in our liability for income taxes in the future. Further, our U.S. NOLs only have value to the extent we generate U.S. taxable income. If we are unable to generate U.S. taxable income prior to the expiration of the U.S. NOLs, or if we are only marginally profitable during such period, we will be limited in our ability to utilize the tax benefits related to our U.S. NOLs. There can be no assurance that we will have sufficient U.S. taxable income to be able to utilize our U.S. NOLs prior to their expiration. Finally, the use of U.S. NOLs is subject to various tax laws and regulations and any changes in such or the interpretations thereof.

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Funding for our future acquisitions and operations following emergence from Bankruptcy Proceedings could increase our liabilities, trigger negative tax consequences or dilute, or rank preferentially to, our stockholders. Following emergence from Bankruptcy Proceedings, we intend to fund any future acquisition through a mix of our available cash, use of leveraged financing, the sale of equity securities in private placements or in registered offerings, rights offerings to existing stockholders, and debt financings. Utilizing these funding sources can result in increased debt or contingent liabilities, adverse tax consequences, substantial capital commitments, loss of some of our U.S. NOLs, or dilution. Any of these events could negatively impact our financial condition and results of operations and could cause the price of our common stock to decline.

In order to fund our future operations or acquisitions, we may sell preferred equity securities or convertible debt securities with rights, preferences and privileges senior to our existing stockholders. In such event, future security holders could be entitled to dividends, liquidation or other transaction preferences, or voting rights that are not provided to our existing common stockholders. Further, with or without preferential terms, future issuances of securities could result in dilution to our stockholders.

Our Redeemable Preferred Stock issued as partial consideration in the Real Alloy Acquisition has superior rights to our common stock. In connection with the Real Alloy Acquisition, we issued $25.0 million, or 25,000 shares, of Redeemable Preferred Stock to Aleris Corporation (“Aleris”) to be held in an escrow to secure Aleris’ indemnification obligations in connection with the Real Alloy Acquisition. The Redeemable Preferred Stock generally has no voting rights, except, among other customary matters, for any merger (unless the Redeemable Preferred Stock remains outstanding or is purchased at the liquidation preference), or for any acquisition valued at more than 5% of the consolidated assets of the Company (so long as at least $10.0 million in aggregate principal amount of Redeemable Preferred Stock remain outstanding). We currently accrue quarterly dividends on the Redeemable Preferred Stock at a rate of 9%; after being payable in-kind for the first two years, dividends are currently payable in cash. Other than dividends or distributions payable on our common stock in shares of common stock, the Redeemable Preferred Stock ranks superior to our common stock in the payment of accrued and accumulated dividends, declaration and payment of new dividends and distributions, and making of redemptions. The Redeemable Preferred Stock could have a material impact on the rights of our common stockholders in terms of dividends, repurchases and redemptions by, or in the event of a liquidation of, the Company.

As of December 31, 2017, the liquidation value of the Redeemable Preferred Stock is $28.5 million and accrued dividends payable subject to compromise of $1.8 million. Under the RI Plan, as proposed, the holder of the Redeemable Preferred Stock will receive, in exchange for full settlement of its $28.5 million liquidation preference and $1.8 million of accrued dividends (as of December 31, 2017), a $2.0 million cash payment plus either a) 31% of the newly issued equity in Reorganized RELY, if stockholders vote as a class to approve the RI Plan; or b) 35% of the newly issued equity in Reorganized RELY, if the common stockholders do not vote to approve the RI Plan as a class. The holder of the Redeemable Preferred Stock has agreed to support the RI Plan pursuant to a separate agreement with the Plan Sponsor. On March 29, 2018, the Bankruptcy Court approved the RI Disclosure Statement and authorized Real Industry to solicit votes on the RI Plan pursuant to Bankruptcy Court-approved procedures. Real Industry commenced solicitation of the RI Plan on March 30, 2018.

We depend on key personnel to achieve our business and strategic objectives. As a holding company that seeks to identify, acquire and maintain operating companies with functioning management teams and operational support departments, Real Industry maintains a lean management and operations team. The size of our staff may limit the number of opportunities we may pursue in depth at any given time. In addition, we may from time to time need to consult with third-party strategic, financial, legal or other business advisors in order to assess and pursue operational matters, strategic objectives, transactions or financings, which may increase our general and administrative expense.

Further, we depend on the members of our senior management team to execute our business plan and strategy and to manage our business and day-to-day operations, including identifying, structuring, closing and monitoring business acquisitions. Our senior management team has critical industry experience and relationships that we rely upon to implement our business plan.

Our holding company organizational structure makes Real Industry largely dependent on funding from, and highly subject to the risks and uncertainties of, its operating subsidiaries. This holding company structure may not provide the benefits we expect. Real Industry is a holding company with no current business operations of its own. Beyond the companies that we have either formed or acquired, Real Industry's only significant assets are our NOLs, our cash and our equity interests in, and our obligations from, our subsidiaries. To the extent we operate subsidiaries as stand-alone businesses and such subsidiaries are substantially larger entities than our holding company, we are subject to the business, industry, geographic, and market risks, regulations and uncertainties of such

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subsidiaries. The impact of these may be significant to Real Industry and could have a negative effect on our financial condition, results of operations and stock price.

Further, we completed the Reincorporation and our past acquisitions to establish and maintain a holding company organizational structure, and we plan to make future acquisitions within this structure, because of the strategic, business and financing flexibility that we believe it affords us. Our holding company structure may not keep the assets and liabilities of the Company and any new businesses we acquire legally separate. In such case, the increased costs of maintaining a separate holding company, including the administrative costs and expenses associated with keeping separate records and separate corporate or regulatory filings, may be incurred without realizing the possible benefits.

In the future, following our emergence from the RI Chapter 11 Case, if we are unable to receive funds from our operating subsidiaries, we may not be able to fund holding company operations. As a result, we could experience a material adverse impact on our financial condition and results of operations, and result in the loss of our stockholders' entire investment in Reorganized RELY.

U.S. tax law changes have reduced the corporate tax rate and otherwise changed the corporate tax regime, which could impose new taxes on our operations, limit certain business deductions or negatively affect the value of our deferred tax assets. In December 2017, Congress passed the Tax Cuts and Jobs Act. The legislation includes a reduction of the corporate tax rate from 35% to 21%, a one-time tax imposed at a reduced rate on un-repatriated offshore earnings, limitations on the deduction for interest expense, and immediate tax deductions for the cost of certain qualified property instead of deductions for depreciation expense over time. Additionally, the new law generally precludes the carryback of NOLs; however, there is unlimited carryover of NOLs arising from and after 2018, but these NOLs cannot offset more than 80% of taxable income. Conversely, while pre-2018 NOLs remain subject to the prior twenty-year carryover period, there is not a corresponding limit on the percentage of a company's taxable income that can be offset by pre-2018 NOLs.

Pending legal proceedings and other contingent liabilities may impact our financial condition and results of operations, lowering our stock price, and limiting our ability to use our common stock as consideration in future transactions. Our subsidiary, SGGH, has been subject in the past to a number of lawsuits seeking monetary damages or injunctive relief and it has potential other contingent liabilities, including repurchase claims, which relate to Fremont's prior businesses and are presented in discontinued operations. For a summary of our material legal proceedings, see "Legal Proceedings" in Note 23—Commitments and Contingencies in the notes to consolidated financial statements, included in Part IV, Item 15 of this Annual Report. Additional litigation may be filed against us, or our subsidiaries, or disputes may arise in the future concerning matters involving the discontinued operations. We and SGGH have been and intend to continue to vigorously defend ourselves in all legal proceedings in which we are involved, however, the outcome of litigation and other legal matters is always uncertain and could materially adversely affect our liquidity, financial condition and results of operations. Furthermore, the costs to defend SGGH or the Company in these matters may be significant. In turn, these could have a material impact on the price of our common stock, which may limit our ability to utilize our common stock as consideration for potential future acquisitions and other transactions in which we may engage.

SGGH is subject to residential mortgage-backed securities defense, indemnity and contribution claims. In connection with residential mortgage-backed securities offerings ("RMBS Offerings") involving loans originated by one of Fremont's subsidiaries, Fremont Investment & Loan ("FIL"), either or both of FIL and its subsidiary entered into mortgage loan purchase agreements, underwriting agreements, and indemnification and contribution agreements, which contained various representations and warranties relating to the loans. Investment banks involved in these RMBS Offerings have been sued in a number of actions concerning their activities related to subprime mortgages ("RMBS Actions"), where neither FIL, nor its subsidiary, are a named defendant. FIL and its subsidiary have received demands for defense, indemnity and contribution from defendants in various RMBS Actions. Each of these demands has been rejected as we believe the demanding parties are being sued for conduct not chargeable to FIL or its subsidiary. There is no assurance that FIL or its subsidiary will not be named as a defendant in additional RMBS Actions or receive additional demands for defense, indemnity and contribution. We intend to vigorously defend any claims seeking defense, indemnity or contribution, but we cannot presently predict whether such claims will be pursued or what the outcome would be. However, if the investment banks suffer losses in connection with RMBS Actions and successfully pursue claims against FIL, its subsidiary or SGGH, this could have a material adverse effect on our consolidated financial position, results of operations and cash flows.

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Our data and information systems and network infrastructure may be subject to hacking or other cyber-security threats, giving unauthorized persons access to and the ability to misappropriate our customer data, and proprietary business information. In our operations, we store and transmit proprietary information for ourselves and for our customers. We have offices, operations and employees in various locations throughout the U.S., Europe, Canada and Mexico. Our operations are dependent upon the connectivity and continuity of our facilities and operations. Despite our security measures, our information systems and network infrastructure may be vulnerable to cyber-attacks or could be breached due to an employee error or other disruption that could result in unauthorized disclosure of sensitive information or an interruption of our networks that has the potential to significantly interfere with and disrupt our business operations. Breaches of our security measures could expose us to a risk of loss or misuse of this information, litigation, and potential liability. Since techniques used to obtain unauthorized access or to sabotage information systems change frequently and generally are not recognized until launched against a target, we may be unable to anticipate these techniques or to implement adequate preventive measures in advance of such an attack on our systems. In addition, although we attempt to validate the security of such services, because of vendors that use cyber or “cloud” storage of information as part of their service or product offerings, our proprietary information may be misappropriated by third-parties. In the event of an actual or perceived breach of our security, or the security of one of our vendors, the market perception of the effectiveness of our security measures and our attractiveness as a business partner could be harmed and we could suffer damage to our reputation or our business, or lose existing customers and lose our ability to obtain new customers. Additionally, misappropriation of our proprietary business information could prove competitively harmful to our business.

Compliance with laws or regulations governing our current or future operations may adversely affect our business or cause us to alter our business strategy. We and Real Alloy are subject to statutes and regulations at the U.S. federal, state and local, and foreign level, as may be any entity we acquire. The inability to comply with these statutes and regulations in the business segments, geographic regions and jurisdictions in which we, Real Alloy or future subsidiaries operate could result in substantial costs, including fines, civil penalties, and criminal sanctions or costs associated with upgrades to improve facilities or changes in manufacturing or other processes in order to achieve and maintain regulatory compliance, which could, depending on their magnitude, individually or in the aggregate have a material adverse impact on our financial condition, results of operations and our stock price. Further, new legislation may be enacted or new interpretations, rulings or regulations could be adopted, potentially with retroactive effect, any of which could harm us, our operations, our plans and our stockholders. We may seek to acquire new businesses subject to legislation or regulations with which we are not currently familiar. Compliance with existing laws and regulations, changes to laws and regulations or entering into new regulated industries may cause us to alter our operations or business strategy in order to minimize the adverse impact on our business and financial performance or to avail ourselves of new or different opportunities. Such changes could result in material differences in the strategies and plans set forth in this Annual Report. Thus, any such changes, if they occur, could have a material adverse effect on our financial condition and results of operations.

Risks Related to Real Alloy

As noted above, following the Real Alloy Sale, which was approved by the Bankruptcy Court on March 29, 2018 and is expected to close in the second quarter of 2018, we will not have an economic interest in the Real Alloy business. As a result, the risk factors discussed below may not impact Real Industry, nor may they reflect risks that Real Alloy may face in the event of a failed Real Alloy Sale. The main risks Real Alloy has faced in the past, at the time of the filing of the RA Chapter 11 Case, and during the pendency of the Bankruptcy Proceedings may differ significantly from the risks that Real Alloy may face following emergence from the Bankruptcy Proceedings.

Real Alloy suppliers may not be able to obtain sufficient credit insurance on Real Alloy, which could have a material adverse effect on Real Alloy's business and liquidity. Real Alloy purchases scrap aluminum and other goods and services from suppliers who may extend short-term credit to Real Alloy in the form of accounts receivables based on their ability to obtain credit insurance on Real Alloy. To the extent these suppliers are unable to obtain such insurance, they may be unwilling to extend credit to Real Alloy, thereby requiring payment from Real Alloy in advance or on delivery of products and services. Discussions and negotiations of trade terms are a regular matter with our suppliers, including those who do and do not use credit insurance, and because Real Alloy maintains hundreds of supply relationships, any change in terms for a single supplier generally does not impact the business, however, should multiple suppliers or credit insurers act at the same time, Real Alloy's liquidity, available capital, business and prospects could be adversely affected which could have a material impact on our financial condition and results of operations.

The cyclical nature of the metals industry, Real Alloy's end-use segments, and the industries of Real Alloy's customers could limit operating flexibility and could negatively affect Real Alloy's financial condition and results of operations. The metals industry is generally cyclical in nature. It tends to reflect and be amplified by changes in general macro and local economic conditions. These conditions include, but are not limited to, the level of economic growth, financing availability, the availability of affordable energy sources, employment levels, interest rates, consumer confidence, and demand for automobiles and housing. Historically, in periods of recession or periods of minimal economic growth, metals companies have tended to underperform other sectors. Real Alloy is particularly sensitive to trends in the automobile industry, which can be seasonal, highly cyclical, and dependent upon general economic conditions. For example, during recessions or periods of low growth, the automobile industry typically experiences major cutbacks in production, resulting in decreased demand for inputs such as aluminum. This may lead to significant fluctuations in demand and pricing for Real Alloy's products and services. Because Real Alloy generally has certain fixed costs, its near-term profitability can be significantly affected by decreased processing volume. Accordingly, reduced demand and pricing pressures may significantly reduce its profitability and adversely affect its financial condition. Economic downturns in regional and global economies or a prolonged recession in its principal industry segments have had a negative impact on the operations of Real Alloy and could have a negative impact on Real Alloy's future financial condition or results of operations. In addition, global economic and commodity trends have been increasingly correlated in recent years. There can be no assurance that diversification will significantly mitigate the effect of cyclical downturns.

Real Alloy requires substantial capital investments that it may be unable to fulfill. The loss of certain members of the management team of Real Alloy may have an adverse effect on its operating results. The operations of Real Alloy are capital intensive. During the years ended December 31, 2017, 2016 and 2015, the amount was approximately $23.8 million, $30.8 million and $34.2 million, respectively, including $26.0 million spent under Real Industry's ownership in the year ended December 31, 2015. Real Alloy may not generate sufficient operating cash flows and its external financing sources may not be available in amounts sufficient to enable it to make anticipated capital expenditures, service or refinance indebtedness or fund other liquidity needs. If Real Alloy is unable to make upgrades or purchase new equipment, its financial condition and results of operations could be affected by higher maintenance costs, lower sales volumes due to the impact of reduced product quality, and other competitive influences.

Changes in tariffs or other trade restrictions may increase our operating costs, and therefore decrease our gross margins. In March 2018, in connection with the findings of the U.S. Commerce Department under Section 232 of the Trade Expansion Act of 1962, by Presidential Proclamation, the U.S. imposed tariffs of 10% on certain aluminum articles imported into the United States. Until May 1, 2018, there is a temporary exemption for products of Australia, Argentina, South Korea, Brazil and E.U.-member countries, and there are no assurances that this exemption will continue. Further, the U.S. government has indicated that tariffs may be amended in the case of countries with whom the U.S. has a "security relationship." While unknown at this time, there are likely to be exclusions granted to the aluminum tariffs. Although these tariffs and other trade restrictions on imported aluminum, may have a positive impact on U.S. prime aluminum, primary based alloy and secondary based alloy producers, it is too early to determine the impact, if any, of any such action on our sales, competition and customers.

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At the same time, certain of the materials on which we depend to produce our alloys are imported and may be subject to tariffs or other trade restrictions, which could increase our costs of production and pricing for such alloys. For example, silicon metal imported into the U.S. from China is currently subject to antidumping duties, and there is a pending U.S. International Trade Commission investigation into imports from four other countries. We are a significant purchaser of silicon metal in order to produce many of our specification alloys, and half of the silicon metal used in our U.S. and Canadian plants is sourced internationally. If tariffs or other restrictions were imposed, the costs of our alloy production may increase, and such increase may not be fully offset by our pricing. In such event, our gross margins may be reduced.

Real Alloy may be unable to effectively manage its exposure to commodity price fluctuations, and its hedging activities may affect profitability in a changing metals price environment and subject its earnings to greater volatility from period-to-period. Significant increases in the price of primary aluminum, aluminum scrap, alloys, hardeners, commodity inputs, or energy would cause the cost of sales for Real Alloy to increase significantly and, if not offset by product price increases, would negatively affect its financial condition and results of operations. Real Alloy is a substantial consumer of raw materials, and by far the largest input cost in producing its goods is the cost of aluminum and aluminum scrap. In the case of buy/sell arrangements, customers pay for products based on the indexed prices or based on a fixed price. Under tolling arrangements, customers pay Real Alloy a processing fee. In general, Real Alloy uses these pricing mechanisms to pass changes in the price of aluminum and aluminum scrap, and, sometimes, energy, through to its customers. Buy/sell arrangements may require Real Alloy to purchase raw materials in future periods, exposing it to the risk that increased aluminum or energy prices will increase the cost of its products, thereby reducing or eliminating the margin Real Alloy receives when it delivers the product. These risks may be exacerbated by the failure of customers to pay for products on a timely basis, or at all.

Similarly, as Real Alloy maintains substantial quantities of raw material and finished goods inventories, significant decreases in the price of aluminum and aluminum scrap would reduce the realizable value of its inventory, negatively affecting its financial condition and results of operations. In addition, a drop in aluminum prices between the date of purchase and the final settlement date on derivative contracts used to mitigate the risk of price fluctuations may require Real Alloy to post additional margin, which, in turn, can be a significant demand on liquidity.

Real Alloy purchases and sells LME forwards, futures and options contracts to reduce its exposure to changes in aluminum prices in its European operations. The ability to realize the benefit of a hedging program is dependent upon factors beyond its control, such as counterparty risk, as well as its receiving timely payments from customers. The cost of energy used, however, is also substantial. In addition, at certain times, hedging options may be unavailable or not available on terms acceptable to Real Alloy. In certain scenarios when market price movements result in a decline in value of its current derivatives position, its mark-to-market expense may exceed its credit line and counterparties may request the posting of cash collateral. Despite the use of LME forwards, futures and options contracts, Real Alloy remains exposed to the variability in prices of aluminum scrap. While aluminum scrap is typically priced in relation to prevailing aluminum index prices (LME, Platts, Metal Bulletin, etc.), certain scrap types used in Real Alloy's operations are not highly correlated to an underlying index and, therefore, are not hedged. Aluminum scrap is also priced at a discount to selling prices. This discount is referred to in the industry as the "scrap spread" and fluctuates depending upon industry conditions. In addition, Real Alloy purchases forwards, futures or options contracts to reduce exposure to changes in natural gas prices. It does not account for forwards, futures, or options contracts as hedges of the underlying risks. As a result, unrealized gains and losses on these derivative financial instruments are reported in the consolidated statements of operations as current period earnings or loss. The inclusion of such unrealized gains and losses in earnings may produce significant period-to-period earnings volatility that is not necessarily reflective of underlying operating performance.

Real Alloy may encounter increases in the cost, or limited availability, of raw materials and energy, which could cause the cost of sales to increase thereby reducing operating results and limiting operating flexibility. Real Alloy requires substantial amounts of raw materials and energy in its business, consisting principally of aluminum scrap, primary aluminum, alloys, and other materials, and natural gas and electricity. Any substantial increases in the cost of raw materials or energy could cause operating costs to increase and negatively affect Real Alloy's financial condition and results of operations.

Aluminum scrap, primary aluminum, and hardener prices are subject to significant cyclical price fluctuations. Metallics (primary aluminum metal, aluminum scrap, and aluminum dross) represent the largest component of cost of sales. Real Alloy purchases aluminum primarily from aluminum scrap dealers, primary aluminum producers and other intermediaries. Real Alloy has limited control over the price or availability of these supplies.

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The availability and price of aluminum scrap depends on a number of factors outside of the control of Real Alloy, including general economic conditions, international demand for metallics and internal recycling activities by primary aluminum producers and other consumers of aluminum. Increased regional and global demand for aluminum scrap can have the effect of increasing the prices that Real Alloy pays for these raw materials thereby increasing the cost of sales. Real Alloy may not be able to adjust its selling prices to recover the increases in aluminum scrap prices. If aluminum scrap and dross prices were to increase significantly without a commensurate increase in the traded value of the primary metals or of the indices on which sales are made, the future financial condition and results of operations of Real Alloy could be affected by higher costs and lower profitability. In addition, a significant decrease in the pricing spread between aluminum scrap and primary aluminum could make recycling less attractive compared to primary production, and thereby reduce customer demand for Real Alloy's recycling services.

After raw material and labor costs, energy represents the third largest component of the cost of sales. The price of natural gas, and therefore the costs, can be particularly volatile. Price and volatility can differ by global region based on supply and demand, political issues, and government regulation, among other things. As a result, Real Alloy's natural gas costs may fluctuate dramatically, and it may not be able to reduce the effect of higher natural gas costs on its cost of sales. If natural gas costs increase, Real Alloy's financial condition and results of operations may be adversely affected. Although Real Alloy attempts to mitigate volatility in natural gas costs through the use of hedging and the inclusion of price escalators and pass-through mechanisms, it may not be able to eliminate the effects of such cost volatility. Furthermore, in an effort to offset the effect of increasing costs, it may have also limited its potential benefit from declining costs.

If Real Alloy were to lose order volumes from any of its largest customers, its revenues, earnings, and cash flows could be reduced. Real Alloy is exposed to risks related to customer concentration. Its ten largest customers were responsible for approximately 53%, 46% and 58% of its volume invoiced for the years ended December 31, 2017, 2016 and 2015, with no customer accounting for more than 10% in 2017, one customer accounting for approximately 12% in 2016, and one customer accounting for approximately 13% of those volumes in 2015. A loss of order volumes from, or a loss of industry share by, any major customer could negatively affect the financial condition and results of operations of Real Alloy by lowering sales volumes and lowering profitability. In addition, Real Alloy's strategy of having dedicated facilities and arrangements with customers subject it to the inherent risk of increased dependence on a single or a few customers with respect to these facilities. In such cases, the loss of such a customer, or the reduction of that customer's business at one or more of its facilities, could negatively affect its financial condition and results of operations, and Real Alloy may be unable to timely replace, or replace at all, lost order volumes. Certain Real Alloy customers have decided to reduce their dependence on single suppliers and have reduced the volume of their orders from Real Alloy. In addition, several of Real Alloy's customers have become involved in bankruptcy or insolvency proceedings and have defaulted on their obligations to Real Alloy in the last ten years. Similar incidents in the future would adversely impact the financial condition and results of operations of Real Alloy.

Real Alloy does not have long-term contractual arrangements with a substantial number of its customers, and sales volumes and revenues could be reduced if those customers switch their suppliers. A substantial amount of Real Alloy's volume is sold to customers under contractual arrangements of one year or less or on a purchase order basis. Customers may choose not to continue to purchase products and services from Real Alloy. Any significant loss of these customers or a significant reduction in their purchase orders could have a material negative impact on the sales volume and business of Real Alloy.

Real Alloy may not be able to compete successfully in the industries it serves and secondary aluminum may become less competitive with alternative materials, which could reduce Real Alloy's share of industry sales, sales volumes, and selling prices. Aluminum competes with other materials such as steel, plastic, composite materials, and glass for various applications, and recycled aluminum may also compete with prime aluminum. Higher aluminum prices tend to make aluminum products less competitive with these alternative materials. Lower aluminum prices can make prime aluminum more attractive than secondary aluminum in certain applications.

Real Alloy competes with other aluminum recyclers in segments that are highly fragmented and characterized by smaller, regional operators. The principal factors of competition in the aluminum recycling business include price, metal recovery rates, proximity to customers, customer service, molten metal delivery capability, environmental and safety regulatory compliance, and types of services offered. Many of Real Alloy's customers also have the capability to recycle scrap and may choose to bring more of their recycling volumes within their own operations.

With its international business, Real Alloy encounters the risk that non-U.S. governments could take actions to enhance local production or local ownership at its expense. Recently, there have been increased volumes of prime aluminum from China.

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Additional competition could result in a reduced share of industry sales or reduced prices for Real Alloy's products and services, which could decrease revenues or reduce volumes, either of which could have a negative effect on our financial condition and results of operations.

Real Alloy has been shaped by acquisitions, including the Beck Acquisition, and divestitures under former owners, and we will continue to evaluate future acquisitions and divestitures. Future acquisitions or divestitures may not be successful, which could adversely affect Real Alloy's financial condition. The future financial performance and success of Real Alloy will depend in part on its ability to successfully implement its business strategy on a stand-alone basis. Part of the business strategy for Real Alloy has been the opportunistic pursuit of strategic acquisitions and dispositions. However, there can be no assurance that any such growth efforts will be successful, or that if successful, Real Alloy will be able to effectively manage expanded or acquired operations. The ability of Real Alloy to achieve its expansion and acquisition needs and objectives and to effectively manage its growth depends on numerous risks commonly encountered in business combinations, including the following:

- its ability to identify appropriate acquisition targets and to negotiate acceptable terms for their acquisition;
- the ability to integrate new businesses into Real Alloy's operations;
- the availability of capital on acceptable terms to finance acquisitions (including in light of the terms of the indebtedness incurred during the Bankruptcy Proceedings);
- the ability to generate the cost savings or synergies anticipated;
- the inaccurate assessment of undisclosed liabilities;
- increasing demands on Real Alloy's operational systems; and
- the amortization of acquired intangible assets.

In addition, the process of integrating new businesses could cause the interruption of, or loss of momentum in, the activities of the existing Real Alloy business and the diversion of management's attention. Any delays or difficulties encountered in connection with the integration of new businesses or divestiture of existing businesses could negatively impact Real Alloy and its results of operations. Furthermore, any acquisition could result in significant increases in outstanding indebtedness and debt service requirements. The terms of this indebtedness may further limit Real Alloy's ability to pursue acquisitions.

Further aluminum industry consolidation could impact Real Alloy. The aluminum industry has experienced consolidation over the past several years, and there may be further industry consolidation in the future. Although recent industry consolidation has not negatively impacted Real Alloy, further consolidation in the aluminum industry could possibly have negative impacts that we cannot reliably predict.

A portion of Real Alloy's sales is derived from international operations, which exposes Real Alloy to certain risks inherent in doing business abroad. Real Alloy has aluminum recycling operations in Germany, the United Kingdom, Mexico, Norway and Canada and magnesium recycling operations in Germany. Real Alloy's international operations generally are subject to risks, including:

- changes in U.S. and foreign governmental regulations, trade restrictions and laws, including tax laws and regulations;
- compliance with U.S. and foreign anti-corruption and trade control laws, such as the Foreign Corrupt Practices Act and similar anti-corruption laws in the United Kingdom and Germany, and export controls and economic sanction programs, including those administered by the U.S. Treasury Department's Office of Foreign Assets Control;
- currency exchange rate fluctuations;
- tariffs and other trade barriers;
- the potential for nationalization of enterprises or government policies favoring local production;
- interest rate fluctuations;
- high rates of inflation;

- currency restrictions and limitations on repatriation of profits;
- differing protections for intellectual property and enforcement thereof;
- divergent environmental laws and regulations; and
- political, economic and social instability.

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The occurrence of any of these events could cause costs to rise, limit growth opportunities or have a negative effect on Real Alloy's operations and ability to plan for future periods, and subject it to risks not generally prevalent in the U.S.

The financial condition and results of operations of some of the operating entities of Real Alloy are reported in local currencies and then translated into U.S. dollars at the applicable exchange rate for inclusion in its and Real Industry's consolidated financial statements. As a result, appreciation of U.S. dollars against these currencies, generally, may have a negative impact on reported revenues and operating profit, and the resulting accounts receivable, while depreciation of U.S. dollars against these currencies, generally, may have a positive effect on reported revenues and operating profit. In addition, a portion of the revenues generated by its international operations are denominated in U.S. dollars, while the majority of costs incurred are denominated in local currencies. As a result, appreciation in the U.S. dollar may have a positive impact on earnings while depreciation of the U.S. dollar may have a negative impact on earnings.

Current environmental liabilities as well as the cost of compliance with, and liabilities under, health and safety laws could increase the operating costs of Real Alloy and negatively affect its financial condition and results of operations. Real Alloy's operations are subject to U.S. federal, state and local, and foreign environmental and safety laws and regulations, which govern, among other things, air emissions, wastewater discharges, the handling, storage, and disposal of hazardous substances and wastes, the remediation of contaminated sites, and employee health and safety. Future environmental regulations could impose stricter compliance requirements on the industries in which Real Alloy operates. Additional pollution control equipment, process changes, or other environmental control measures may be needed at some of its facilities to meet future requirements.

Real Alloy's financial liability for contaminated property can include the cost of investigating and remediating contaminated soil or ground water, fines and penalties sought by environmental authorities, and damages arising out of personal injury, contaminated property and other toxic tort claims, as well as lost or impaired natural resources. Certain environmental laws impose strict, and in certain circumstances joint and several, liability for certain kinds of matters, such that a person can be held liable without regard to fault for all of the costs of a matter even though others were also involved or responsible. Further, any future remedial requirements at currently owned or operated properties or adjacent areas could also result in significant liabilities. In addition, any failure by Real Alloy to operate within the requirements of applicable laws and regulations or environmental permits could lead to, among other things, a shutdown of a portion or all of a facility, which also could have a material adverse effect on our business, results of operation and financial condition.

Changes in environmental requirements or changes in their enforcement could materially increase costs. For example, if salt cake, a by-product of aluminum recycling operations, were to become classified as a hazardous waste in the U.S., the costs to manage and dispose of it would increase and could result in significant increased expenditures.

Real Alloy could experience labor disputes that could disrupt its business. Approximately 22% of Real Alloy employees in North America and substantially all of the employees located in Europe, where union membership is common, are represented by unions or equivalent bodies and are covered by collective bargaining or similar agreements that are subject to periodic renegotiation. Although Real Alloy believes they will successfully negotiate new collective bargaining agreements when the current agreements expire, these negotiations may not prove successful, may result in a significant increase in the cost of labor, or may break down and result in the disruption or cessation of its operations.

New government regulation of greenhouse gas emissions and other environmental issues may subject Real Alloy to significant new costs and restrictions on its operations. Climate change is receiving increasing attention worldwide, including recently announced, long-term greenhouse gas emission reduction commitments by the U.S. and China. Many scientists, legislators, and others attribute climate change to increased levels of greenhouse gases, including carbon dioxide, which has led to significant legislative and regulatory efforts to limit greenhouse gas emissions. There are legislative and regulatory initiatives in various jurisdictions, including the European Union, which would institute a cap-and-trade system, covering various sectors of the economy, under which emitters would be required to buy allowances to offset emissions of greenhouse gas. In addition, several states, including states where Real Alloy has manufacturing plants, are considering greenhouse gas registration and reduction programs. Certain of these plants use significant amounts of energy, including electricity derived from various sources, and natural gas. Greenhouse gas or other clean air or environmental regulations could increase the price of the electricity and natural gas that Real Alloy purchases, restrict access to or the use of natural gas, require Real Alloy to purchase allowances to offset its emissions, prompt significant capital expenditures to mitigate emissions, or result in an overall increase in the cost of raw materials. Any one of these developments could significantly increase Real Alloy’s costs, reduce its competitiveness in a global economy or otherwise negatively affect its business, operations or financial results. While future emissions regulation appears likely, it is too early to predict specifically how such regulation might affect Real Alloy’s business, operations, or financial results.

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The profitability of Real Alloy depends, in part, on the availability of an adequate source of raw materials. Real Alloy depends on aluminum scrap for its operations and acquires its aluminum scrap from numerous sources. These suppliers generally are not bound by long-term contracts and have no obligation to sell aluminum scrap to us. In periods of low industry prices, suppliers may elect to hold aluminum scrap waiting for higher prices. In addition, the slowdown in industrial production and consumer consumption in the U.S. and Europe during past economic crises may have reduced the supply of aluminum scrap available to Real Alloy. Further, exports of aluminum scrap out of North America and Europe can negatively impact availability and scrap spreads. If an adequate supply of aluminum scrap is not available, Real Alloy would be unable to recycle metals at desired volumes and its results of operations and financial condition would be materially and adversely affected.

The operations of Real Alloy present significant risk of injury or death. It may be subject to claims that are not covered by or exceed its insurance. Because of the heavy industrial activities conducted at its facilities, there exists a risk of injury or death to employees and visitors of Real Alloy, notwithstanding the safety precautions taken. These operations are subject to regulation by various U.S. federal, state and local, and foreign agencies responsible for employee health and safety, including the Occupational Safety and Health Administration. While Real Alloy has policies in place to minimize such risks, it may nevertheless be unable to avoid material liabilities for any employee death or injury that may occur in the future. These types of incidents may not be covered by or may exceed insurance coverage and may have a material adverse effect on Real Alloy’s results of operations and financial condition.

Recent derivatives legislation could have an adverse impact on the ability to hedge risks associated with Real Alloy’s operations and on the cost of its hedging activities. Real Alloy uses over-the-counter (“OTC”) derivatives products to hedge its metal commodity and natural gas risks and, historically, currency risks. Legislation in Europe and the U.S. has been adopted to increase the regulatory oversight of the OTC derivatives markets and impose restrictions on certain derivative transactions, which could affect the use of derivatives in hedging transactions. As a result of the regulation of the derivatives market under the Dodd-Frank Act, the parties with whom we enter into hedging transactions are subject to heightened requirements, and they could pass along their increased regulatory compliance burden in the form of higher costs or tighter the costs of hedging. Additional rules and regulations pursuant to this legislation are likely to be adopted and not all compliance dates have been reached. If future rules and regulations subject Real Alloy to additional capital or margin requirements, reduce the number of eligible derivatives counterparties, or impose other restrictions on its trading and commodity positions, they could have an adverse effect on the ability to hedge risks associated with Real Alloy and on the costs of its hedging activities.

Certain German pension and benefit obligations of Real Alloy are currently underfunded. Real Alloy may have to make significant cash payments to certain German pension plans, which would reduce the cash available for its business and have an adverse effect on its business financial condition, results of operations, prospects and ability to satisfy its obligations under its indebtedness.

Risks Related to Our Common Stock

In connection with the RI Plan, existing common stockholders face substantial dilution. The RI Plan provides for our common stockholders, in the aggregate, to receive 16% of the outstanding equity in the reorganized Company, following confirmation and effectiveness of the RI Plan. This percentage increases to 20% if the common stockholders vote to approve the RI Plan. The sponsor of the RI Plan will purchase 49% of the equity of the reorganized company for $17.5 million, less the repayment of the RI DIP Financing Facility. The remaining 31% or 35% of the outstanding equity in Reorganized RELY will be issued to the holder of the Redeemable Preferred Stock, who has agreed, pursuant to a separate agreement with the Plan Sponsor, to support the RI Plan and accept reduced recovery on its mandatory redemption obligation, in order to secure the Company’s emergence from the RI Chapter 11 Case.

Trading in our securities during the pendency of our Chapter 11 Case is highly speculative and poses substantial risks. We expect that the existing common stock of the Company will be extinguished and, if the RI Plan, or a comparable plan, is not approved, existing equity holders may receive no value in respect of their equity interests. On the Petition Date, the Company received written notice from the Listing Qualifications Department of the Nasdaq stating that in accordance with Nasdaq Listing Rules 5101, 5110(b) and IM-5101-1, Nasdaq had determined that the Company's common stock would be delisted from Nasdaq. On November 28, 2017, the Company's common stock was removed from listing and registration on Nasdaq and began trading on the OTC Pink Sheets under the symbol "RELYQ" thereafter. The delisting by the NASDAQ could result in significantly lower trading volumes and reduced liquidity for investors seeking to buy or sell shares of our common stock.

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The RI Plan provides, among other things, that upon our emergence from bankruptcy, our existing common stock will be canceled, and the holders of our existing common stock will receive 16% of the newly issued equity in Reorganized RELY if they do not vote to accept the RI Plan as a class, with such percentage increasing to 20% if they vote to approve the RI Plan as a class. If the RI Plan is confirmed by the Bankruptcy Court, upon emergence, shares of Reorganized RELY's common stock may be subject to further dilution due to subsequent capital raising activities. Additionally, the RI Plan may not be confirmed by the Bankruptcy Court, in which case, there is a material chance that the existing shareholders will receive little or no distribution in our Chapter 11 Case. Accordingly, any trading in shares of our common stock during the pendency of the Chapter 11 Case is highly speculative.

Following our expected emergence from our Chapter 11 Case, there may not be an established market for shares of Reorganized RELY common stock, which means there are uncertainties regarding the prices and terms on which holders could dispose of their shares, if at all. No established market exists for the new common stock of Reorganized RELY (the "Reorganized RELY common stock") to be issued pursuant to the RI Plan. We cannot provide any assurance that the Reorganized RELY common stock will be publicly tradable at any time after the effective date of the RI Plan. If no public market for the Reorganized RELY common stock develops, holders of such common stock may have difficulty selling or obtaining timely and accurate quotations with respect to such securities. There cannot be any assurance as to the degree of price volatility or liquidity in any market that develops for the Reorganized RELY common stock.

We and our predecessors have not paid cash dividends since 2006 and do not intend to pay cash dividends on our common stock in the foreseeable future. We are a holding company that does not operate any business that is separate from those of our subsidiaries. We are therefore dependent on our subsidiaries for any funds from which to pay dividends. We and our predecessors have not paid a dividend on our common stock since the fourth quarter of 2006. As a result of the Chapter 11 Cases we are currently prohibited from paying dividends.

Our Amended and Restated Bylaws and our Rights Agreement could discourage, delay, prevent, or deter takeover attempts and have an adverse impact on the price of our common stock. Each of our Rights Agreement and the Tax Benefit Preservation Provisions of our Amended and Restated Bylaws contain provisions that were adopted to prevent an "ownership change" within the meaning of Section 382 of the Tax Code and thereby preserve our ability to utilize our U.S. NOLs. Each has the effect of limiting beneficial ownership of our common stock to 4.9% (5.0% in the case of our Rights Agreement) without approval of our Board of Directors. Such provisions may have the effect of discouraging, delaying or preventing a third-party from making an acquisition proposal for us, which may inhibit a change in control in circumstances that could give the holders of our common stock the opportunity to realize a premium over the market price for our common stock.

In connection with the RI Chapter 11 Case, the Company obtained additional protections for the NOLs. The trading order requires prior notice to the Bankruptcy Court of certain transfers of beneficial ownership in the Company's equity securities by persons who hold 4.5% of the outstanding common stock of the Company or any shares of Redeemable Preferred Stock, or by persons who would own over such levels upon such transfer. The trading order also imposes certain procedures on holders of 50% or more of any class of the Company's equity securities to report such status and to provide advance notice of planned tax deductions based on the worthlessness of such stock. This trading order serves to limit certain sales or purchases of the Company's common or preferred equity or other actions that could reduce or eliminate the value of any NOLs under existing Section 382 of the Tax Code. Any transfers of shares or declarations of worthlessness in violation of the procedures in the trading order are null and void ab initio. Under the currently contemplated RI Plan, a new Rights Agreement will be adopted on substantially the same terms as the current Rights Agreement, provided that it will be updated to refer to the shares of Reorganized RELY common stock.

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

Real Alloy leases approximately 20,000 square feet of office space in Beachwood, Ohio for its principal executive and administrative offices, which lease expires in 2023, and which, as of December 31, 2017, also serves as Real Industry's principal executive and administrative offices. Real Alloy's principal European corporate office is located at its manufacturing facility in Grevenbroich, Germany. As of the Petition Date, Real Alloy operated twenty-seven facilities, most of which operated twenty-four hours a day, seven days a week. Real Alloy's production and manufacturing facilities, as of March 29, 2018, are listed below by reportable segment:

Reportable Segment	Location	Title	Lease Expiration
Real Alloy North America			
	Steele, Alabama	Owned	
	Goodyear, Arizona	Leased	2021
	Post Falls, Idaho	Owned	
	Chicago Heights, Illinois	Owned	
	Wabash, Indiana(1)	Owned	
	Morgantown, Kentucky	Owned	
	Coldwater, Michigan(1)	Owned	
	Saginaw, Michigan(2)	Owned	
	Elyria, Ohio	Owned	
	Macedonia, Ohio	Owned	
	Rock Creek, Ohio	Owned	
	Sapulpa, Oklahoma	Owned	
	Lebanon, Pennsylvania(2)	Owned	
	Loudon, Tennessee	Owned	
	Houston, Texas(2)	Leased	2030
	Bens Run, West Virginia(2)	Owned	
	Friendly, West Virginia	Owned	
	Mt. Pleasant, Wisconsin(2)	Leased	2021
	Mississauga, Canada	Owned	
	Monclova, Mexico	Owned	
Real Alloy Europe			
	Deizisau, Germany	Owned	
	Grevenbroich, Germany	Owned	
	Töging, Germany	Owned	
	Raudsand, Norway	Owned	
	Romsdal, Norway	Owned	
	Swansea, Wales	Leased	2030

(1) Two facilities at this location.
(2) Facility idled.

Item 3. Legal Proceedings

In addition to the Chapter 11 Cases, Real Industry, Real Alloy and SGGH are currently defendants in various legal actions and asserted claims arising in the normal course of business, and in connection with the prior businesses and operations of Fremont and its subsidiaries. We may become involved in new litigation matters from time to time in the future, in the ordinary course of business, and could incur legal and related costs concerning such litigation. From time to time, we may determine to settle some or all of the cases in which we are involved, regardless of the assessment of our legal position. The amount of legal defense costs and settlements in any period will depend on many factors, including the status of any cases, the number of cases that are in trial or about to be brought to trial, and the opposing parties' aggressiveness in pursuing their cases and their perception of their legal position. For information concerning material litigation actions and proceedings against the Company, see the information set forth under "Legal Proceedings" in Note 23—Commitments and Contingencies and Note 3—Liquidity and Bankruptcy Proceedings in the notes to consolidated financial statements, included in Part IV, Item 15 of this Annual Report, which is incorporated herein by reference.

Item 4. Mine Safety Disclosures.

Not Applicable.

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PART II

Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

Market Information

Our common stock was traded on the Nasdaq under the symbol “RELY” until November 28, 2017 and on the OTC Pink Sheets under the symbol “RELYQ” thereafter. The following table sets forth prices of the high and low completed trades of the Company’s common stock as reported on the Nasdaq and OTC Pink Sheets during each quarter in the years ended December 31, 2017 and 2016:

	2017		2016	
	High	Low	High	Low
First Quarter	$ 6.43	$ 2.55	$ 8.80	$ 5.30
Second Quarter	3.50	1.90	9.63	6.57
Third Quarter	3.00	1.55	9.29	5.86
Fourth Quarter	1.95	0.19	6.70	5.30

On March 29, 2018, there were 341 registered stockholders and the last reported trade of our common stock on the OTC Pink Sheets was $0.31 per share.

As discussed in detail in the Explanatory Note, and elsewhere in this document, Real Industry is operating as a debtor-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions and orders of the Bankruptcy Code. Trading prices for the Company’s securities may bear little or no relationship to the actual recovery, if any, by holders of such securities in the Bankruptcy Proceedings.

Dividends

There were no cash dividends declared on Real Industry’s common stock during the years ended December 31, 2017, 2016 and 2015. Prior to the Petition Date, the decision whether to pay dividends or not was made by the Board and was dependent on the earnings of Real Industry, management’s assessment of future capital needs, and other factors. Neither the Company, nor its predecessor, has paid a dividend since the fourth quarter of 2006. While operating as a debtor-in-possession, any cash dividends on Real Industry’s common stock is subject to Bankruptcy Court approval, which we do not expect to seek nor receive. As a result of the Chapter 11 Cases we are currently prohibited from paying dividends.

The terms of the Redeemable Preferred Stock issued in connection with the Real Alloy Acquisition provide for the payment of quarterly dividends. These dividends were 7% for the first eighteen months after the issue date; increased to 8% in August 2016 for the following twelve months; and increased to 9% in August 2017. Dividends were payable in-kind for the first two years following issuance, and thereafter were to be paid in cash or accrued beginning in 2017. Other than dividends or distributions payable on our common stock in shares of common stock, the Redeemable Preferred Stock will rank superior to our common stock in the payment of accrued and accumulated dividends, declaration and payment of new dividends and distributions, and making of redemptions. Under the RI Plan as proposed, the holder of the Company’s Redeemable Preferred Stock, who has agreed, under a separate agreement with the Plan Sponsor, to vote in favor of the RI Plan, will receive in exchange for full settlement of its $28.5 million liquidation preference and $1.8 million of accrued dividends, a $2.0 million cash payment plus either a) 31% of the newly issued equity in Reorganized RELY if common stockholders vote as a class to approve the RI Plan; or b) 35% of the newly issued equity in Reorganized RELY if the common stockholders do not vote to approve the RI Plan as a class.

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Stock Performance Graph

The following Stock Price Performance Graph includes comparisons required by the Commission. The graph does not constitute soliciting material and should not be deemed filed or incorporated by reference into any other Real Industry filings under the Securities Act of 1933, as amended (the “Securities Act”) or the Exchange Act.

The graph below compares cumulative total return (i.e., change in stock price plus reinvestment of dividends on Real Industry common stock) measured against the five-year cumulative total return of the Russell 2000 Index™ and the S&P 600 Materials Index™ from December 31, 2012 through December 31, 2017. The stock price performance shown in this graph is not necessarily indicative of, and not intended to suggest future stock price performance.

Comparison of Five-Year Total Returns Among

Real Industry, Inc., the Russell 2000 Index

and the S&P 600 Materials Index

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Equity Compensation Plan Information

The following table sets forth the number of shares of our common stock subject to outstanding common stock options, warrants and stock rights, the weighted average exercise price of outstanding common stock options, warrants and stock rights, and the number of shares remaining available for future award grants under our equity compensation plans ("Equity Plans") as of December 31, 2017:

	Number of Securities to be Issued Upon Exercise of Outstanding Common Stock Options, Warrants and Stock Rights (a)	Weighted Average Exercise Price of Outstanding Common Stock Options, Warrants and Stock Rights	Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans, Excluding Securities Reflected in Column (a)
Equity Plans approved by security holders	608,577	$ 7.06	861,222
Equity Plans not approved by security holders	—	—	—
	608,577	$ 7.06	861,222

Issuer Purchases of Equity Securities

The following table summarizes repurchases of the Company's equity securities during the year ended December 31, 2017, which resulted from the net settlement of a vesting restricted common stock award:

Period	Number of Shares Purchased	Average Price Paid per Share	Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs
January 1—January 31	—	$ —	—	—
February 1—February 28	—	—	—	—
March 1—March 31	—	—	—	—
April 1—April 30	—	—	—	—
May 1—May 31	—	—	—	—
June 1—June 30	5,909	2.80	—	—
July 1—July 31	—	—	—	—
August 1—August 31	—	—	—	—
September 1—September 30	—	—	—	—
October 1—October 31	—	—	—	—
November 1—November 30	—	—	—	—
December 1—December 31	—	—	—	—

Tax Benefit Preservation Provision and Rights Agreement

In order to preserve valuable tax attributes following emergence from the Fremont Bankruptcy Proceedings in June 2010, restrictions were included in our Amended and Restated Bylaws on transfers of Real Industry common stock. Unless approved by the Board, any attempted transfer of Real Industry common stock is prohibited and void to the extent that, as a result of such transfer (or any series of transfers) i) any person or group of persons shall become a 4.9% holder of Real Industry common stock or ii) the ownership interests of any “5% holder” (as defined in Section 1.382 2T(g) of the Tax Code) shall be increased or decreased. Persons wishing to become a 4.9% (or existing 5% holders wishing to increase or decrease their percentage ownership) must request a waiver of the restriction from Real Industry, and the Board may grant a waiver in its sole discretion. The Tax Benefit Preservation Provision is meant to reduce the potential for a “change of control” event, which, if it were to occur, would have the effect of limiting the amount of U.S. NOLs available for use in a particular year.

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Attempts to acquire control of the Company may be discouraged, delayed or prevented by the Rights Agreement, which was adopted to protect the value of our U.S. NOLs. Pursuant to our Restated and Amended Rights Agreement, ten whole rights will attach to each share of common stock outstanding. Each right entitles the registered holder to purchase from Real Industry a unit consisting of one one-thousandth (1/1000) of a share of Series A Junior Participating Preferred Stock, par value $0.001 per share, of Real Industry at a purchase price of $0.35 per unit, subject to adjustment. The rights do not become exercisable until the earlier to occur of: (i) 10 business days following a public announcement that a person or group has acquired beneficial ownership of 5% or more of outstanding Real Industry common stock (any such person or group is referred to as an acquiring person), or (ii) 10 business days (or a later date as determined by the Board) following the commencement of a tender offer or exchange offer that would result in a person or entity becoming an acquiring person. Our Restated and Amended Rights Agreement is designed to prevent an “ownership change” within the meaning of Section 382 of the Tax Code and thereby preserve our ability to utilize our U.S. NOLs.

In connection with the RI Chapter 11 Case, the Company obtained additional protections for the NOLs. The trading order requires prior notice to the Bankruptcy Court of certain transfers of beneficial ownership in the Company’s equity securities by persons who hold 4.5% of the outstanding common stock of the Company or any shares of Redeemable Preferred Stock, or by persons who would own over such levels upon such transfer. The trading order also imposes certain procedures on holders of 50% or more of any class of the Company’s equity securities to report such status and to provide advance notice of planned tax deductions based on the worthlessness of such stock. This trading order serves to limit certain sales or purchases of the Company’s common or preferred equity or other actions that could reduce or eliminate the value of any NOLs under existing Section 382 of the Tax Code. Any transfers of shares or declarations of worthlessness in violation of the procedures in the trading order are null and void ab initio.

Under the currently proposed RI Plan, a new Rights Agreement is expected to be adopted on substantially the same terms as the current Rights Agreement, updated to reflect the share count of Reorganized RELY common stock. Furthermore, as set forth in the currently contemplated RI Plan, which remains subject to Bankruptcy Court approval, we intend to include provisions substantially identical to the Tax Benefit Preservation Provision from our Amended and Restated Bylaws in the Amended and Restated Certificate of Incorporation for Reorganized RELY to be adopted in connection with the emergence of Real Industry from its Chapter 11 Case.

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Item 6. Selected Financial Data

(Dollars in millions, except share and per share amounts)	As of or for the Year Ended December 31, 2017	2016	2015	2014	2013
Statement of Operations Data:					
Operating revenues	$ 1,346.4	$ 1,249.7	$ 1,145.6	$ 2.1	$ 5.3
Operating profit (loss)	$ (84.5)	$ (64.7)	$ 10.2	$ (8.4)	$ (7.7)
Loss from continuing operations	$ (120.8)	$ (103.2)	$ (31.7)	$ (0.1)	$ (14.2)
Earnings (loss) from discontinued operations, net of income taxes	$ —	$ 0.6	$ 24.9	$ 5.5	$ 4.2
Net earnings (loss) attributable to Real Industry, Inc.	$ (121.7)	$ (102.9)	$ (6.9)	$ 5.5	$ (10.0)
Dividends on Redeemable Preferred Stock, in-kind	$ —	$ (2.0)	$ (1.5)	$ —	$ —
Dividends on Redeemable Preferred Stock, in cash or accrued	$ (2.4)	$ —	$ —	$ —	$ —
Accretion of fair value adjustment to Redeemable Preferred Stock	$ (3.6)	$ (1.0)	$ (0.8)	$ —	$ —
Net earnings (loss) available to common stockholders	$ (127.7)	$ (105.9)	$ (9.2)	$ 5.5	$ (10.0)
Basic and diluted earnings (loss) per share:					
Loss from continuing operations	$ (4.41)	$ (3.68)	$ (0.35)	$ —	$ (1.11)
Earnings (loss) from discontinued operations	—	—	—	0.41	0.32
Basic and diluted earnings (loss) per share	$ (4.41)	$ (3.68)	$ (0.35)	$ 0.41	$ (0.79)
Weighted average shares outstanding	28,968,363	28,719,098	26,657,832	13,403,083	12,836,071
Cash dividends per common share	$ —	$ —	$ —	$ —	$ —
Balance Sheet Data:					
Cash and cash equivalents	$ 24.9	$ 27.2	$ 35.7	$ 61.9	$ 47.8
Total assets	$ 592.1	$ 645.5	$ 700.9	$ 121.7	$ 90.1
Total stockholders' equity (deficit)	$ (80.9)	$ 34.5	$ 142.4	$ 85.6	$ 49.9
RA DIP Financing Facility, net	$ 103.9	$ —	$ —	$ —	$ —
Long-term obligations (including current portion):					
Senior Secured Notes and Roll Up DIP Term Notes (subject to compromise as of December 31, 2017)	$ 305.0	$ —	$ —	$ —	$ —
Long-term debt	8.0	356.5	314.4	—	—
Redeemable Preferred Stock	28.5	24.9	21.9	—	—
Total long-term obligations	$ 341.5	$ 381.4	$ 336.3	$ —	$ —
Other Financial Data:					
Net cash provided by (used in):					
Operating activities	$ (12.9)	$ 9.3	$ 93.2	$ (14.0)	$ 22.8
Investing activities	(24.4)	(54.5)	(473.3)	2.9	8.7
Financing activities	36.7	35.0	358.0	26.0	(34.5)
Foreign currency impact	0.7	(0.4)	(0.3)	—	—
Total increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	$ 0.1	$ (10.6)	$ (22.4)	$ 14.9	$ (3.0)
Expense (income) from change in fair value of common stock warrant liability	$ (4.4)	$ (2.4)	$ 1.5	$ (3.7)	$ 6.9
Depreciation and amortization	$ 45.1	$ 48.6	$ 32.5	$ 0.1	$ —
Goodwill impairment	$ 33.6	$ 61.8	$ —	$ —	$ —

Capital expenditures	$ 23.8	$ 30.8	$ 26.0	$ 0.1	$ —
U.S. net operating loss tax carryforwards	$ 960.5	$ 916.0	$ 871.8	$ 895.0	$ 890.5
Operating Information:					
Volume of aluminum invoiced:					
Tolling arrangements	589.3	591.7	551.5	N/A	N/A
Buy/sell arrangements	570.5	564.7	455.5	N/A	N/A
Total volume invoiced	1,159.8	1,156.4	1,007.0	N/A	N/A

As described throughout this Annual Report, during the year ended December 31, 2017, Real Industry and certain direct and indirect wholly owned subsidiaries filed for voluntary protection under Chapter 11 of the Bankruptcy Code. Prepetition liabilities deemed under-secured, including certain short- and long-term debt obligations, are reported as liabilities subject to compromise as of December 31, 2017. Subsequent to December 31, 2017, the Chapter 11 Cases have progressed to a stage where the Company currently expects that significant changes in the organization, structure and operations of Real Industry will be finalized in 2018. As such, the historical results of operation and business condition described herein will likely be materially different for the fiscal year ended December 31, 2018.

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Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Item 7 contains certain non-GAAP financial information. See "Non-GAAP Financial Measures" below for important information regarding the non-GAAP financial information included in this Item 7.

This MD&A is intended to provide readers of our consolidated financial statements with the perspectives of management. MD&A presents, in narrative form, information regarding our financial condition, results of operations, liquidity, and certain other factors that may affect our future results. This should allow readers of this Annual Report to obtain a comprehensive understanding of our business, strategy, current trends, and future prospects. MD&A should be read in conjunction with the consolidated financial statements and related notes included in Part IV, Item 15 of this Annual Report.

Overview

As discussed in detail in the Explanatory Note, which precedes Part I of this Annual Report, Real Industry and Real Alloy are operating as debtors-in-possession under the jurisdiction of the Bankruptcy Court and in accordance with the applicable provisions of the Bankruptcy Code and orders of the Bankruptcy Court.

Real Industry, formerly known as Signature Group Holdings, Inc., is a Delaware holding company that has historically operated through subsidiaries. Prior to the Petition Date, our business focus was identifying acquisition opportunities and supporting the performance of our primary subsidiary, Real Alloy, a global leader in aluminum recycling, and to make acquisitions of additional operating companies. On March 29, 2018, the Bankruptcy Court approved the Real Alloy Debtors' entry into an Asset Purchase Agreement for the sale of the Real Alloy Debtors' assets. Under the terms of the Asset Purchase Agreement, Real Industry will no longer have any economic interest in the Real Alloy business' operations. The sale is expected to close in the second quarter of 2018.

As of the date of the filing of this Annual Report, we expect the Company to emerge from the RI Chapter 11 Case in 2018. The RI Disclosure Statement discloses that, upon emergence from bankruptcy, the Company expects, with the financial support of the Plan Sponsor, to continue executing its business strategy of identifying and acquiring controlling interests in operating companies.

The Company's consolidated financial statements included in this Annual Report and MD&A present the Company's financial condition and results of operations by i) reportable segment (RANA and RAEU), ii) Corporate and Other, and iii) discontinued operations. As a result of the Real Alloy Acquisition in 2015, we are only reporting the results of our reportable segments for the period from February 27, 2015 to December 31, 2015, or approximately ten months, under the reference points described as "for the year ended December 31, 2015." As noted previously, subsequent to December 31, 2017, the Chapter 11 Cases have progressed to a stage where the Company currently expects that significant changes in the organization, structure and operations of Real Industry will be finalized and occur in 2018. As a result of the risks and uncertainties associated with our Chapter 11 Cases as described in Item 1A, "Risk Factors," our business could be significantly different following the outcome of the Bankruptcy Proceedings, and the description of our operations, properties and business included in this Annual Report may not accurately reflect our operations, properties and business following the resolution of the Chapter 11 Cases.

Our Segments—RANA and RAEU

Real Alloy North America (RANA)

Our RANA segment includes aluminum melting, processing, recycling, and alloying activities conducted in twenty-one facilities located in the U.S., Canada and Mexico. This segment's operations convert aluminum scrap and dross (a by-product of melting aluminum) in combination with other alloying agents, hardeners, or other additives, as needed, to produce recycled aluminum alloys with chemical compositions and specific properties, including increased strength, formability and wear resistance, as specified by customers for their particular applications. RANA services customers serving end-uses related to automotive, consumer packaging, construction, transportation and steel. We estimate that approximately 54%, 55% and 54% of RANA's invoiced sales volume was used in automotive applications in the years ended December 31, 2017, 2016 and 2015, respectively. A significant percentage of this segment's volume is sold through tolling arrangements, in which RANA converts, for a fee, customer-owned aluminum scrap and dross and returns the recycled metal in ingot or molten form to these same customers. The remainder of RANA's volume is sold under buy/sell arrangements with our customers whereby aluminum scrap is purchased from third-parties and we convert that material to our customers' specifications and deliver it in ingot or molten form. Buy/sell arrangements have a much more significant impact on reported revenues and cost of sales compared to tolling arrangements, as the cost of the third-party aluminum scrap purchases is included in both revenues and cost of sales.

Real Alloy Europe (RAEU)

We are a leading European recycler of aluminum scrap and magnesium through our RAEU segment. Similar to RANA, this segment's operations primarily convert aluminum scrap, dross and other alloying agents as needed and deliver recycled metal in ingot or molten form to customers from six facilities located in Germany, Norway and Wales, along with a small magnesium recycling operation. RAEU supplies the European automobile industry, which we estimate represented approximately 54%, 67% and 72% of this segment's invoiced sales volume in the years ended December 31, 2017, 2016 and 2015, respectively, and other aluminum producers and manufacturers serving other European aluminum industries. Also similar to RANA, RAEU services its customer via tolling and buy/sell arrangements.

Corporate and Other

Operating costs in Corporate and Other relate to administrative, financial and human resource activities related to the oversight of our operating segments, implementation of our acquisition and growth strategies, management of our discontinued operations, and maintenance of our public company status. We do not include such costs within our measure of segment earnings and they are, therefore, excluded from segment results of operations. Corporate and Other also includes the results of operating entities that do not meet the threshold of a reportable segment.

Discontinued Operations

Discontinued operations presents the financial condition and results of operations of the businesses and operations of our subsidiary SGGH that have been sold, or have been discontinued, including NABCO and certain of Fremont's former operations where SGGH is still engaged in various legal proceedings. During the first quarter of 2015, NABCO was sold for a pretax gain of $39.7 million and its results of operations have been reclassified to discontinued operations for all periods presented as a result of the strategic shift in our reported operations. See "Legal Proceedings" in Note 23—Commitments and Contingencies in the notes to consolidated financial statements included in Part IV, Item 15 of this Annual Report for more information about the material legal proceedings in which SGGH is involved, which are all related to Fremont's former operations.

Critical Measures of Our Financial Performance

We measure the financial performance of our operating segments, and in particular our CODM's measure of profitability, by reference to Segment Adjusted EBITDA, or earnings before interest, taxes, depreciation and amortization, excluding items of a nonoperational nature that may include unrealized and certain realized gains and losses on derivative financial instruments, charges and expenses related to acquisitions, management fees, and certain other gains and losses. Segment Adjusted EBITDA is evaluated by management in both gross dollars and on a per tonne basis. Although the business operations of our two operating segments are largely similar, the geographical competitive dynamics impact overall segment performance, including volume, tolling and buy/sell mix, and scrap spread performance as described below. See "Non-GAAP Financial Measures" below for a further discussion of our use of non-GAAP financial measures.

The financial performance of our operating segments, and in particular our CODM's measure of profitability, Segment Adjusted EBITDA, is the result of several factors, the most critical of which includes:

- Volumes invoiced;
- Tolling and buy/sell percentages; and
- Scrap spreads.

Revenues is not a meaningful measure of financial performance or profitability as the buy/sell portion of Real Alloy’s business has a more significant impact on reported revenues and cost of sales compared to tolling arrangements, which only includes processing fees and conversion costs. Rather, two of the most important drivers of financial performance for Real Alloy are the volume of metal processed and invoiced, and the mix of that volume between tolling and buy/sell arrangements. Increased production volume will normally result in lower per unit costs, while higher invoiced volumes will normally result in additional revenue and associated gross profit. Increased processing under tolling arrangements results in lower revenues and generally higher gross profit margins compared to buy/sell arrangements. Tolling arrangements also reduce exposure to the risk of changing metal prices and working capital requirements. Although tolling agreements are beneficial in these ways, the percentage of Real Alloy’s capacity under these arrangements is limited by the amount of metal their customers own and the extent to which they are willing to enter into such arrangements.

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Gross profit and gross margins are impacted by scrap spreads, as well as the fees charged to customers to process their metal, and conversion costs. Scrap spreads represent the difference between the cost of purchased aluminum scrap and the price of secondary metal produced and sold. An increase in scrap prices does not have a negative impact on margins, provided that secondary alloy prices have increased at a similar rate. Real Alloy strives to maximize its scrap spreads by utilizing all grades of aluminum scrap and optimizing metal blends and recovery rates. Aluminum scrap prices tend to be determined regionally and are typically impacted by supply and demand dynamics. While aluminum scrap and secondary aluminum alloy prices may trend in a similar direction as primary aluminum prices, the extent of price movements is not highly correlated in the short-term and the sales price for secondary alloy may lag changes in scrap prices. Real Alloy's financial results have been significantly impacted by a steady decline in scrap spreads in North America, which began in early 2015 and bottomed out in early 2017, roughly correlating to the decrease of secondary alloy prices. Secondary alloy prices rose for the third consecutive quarter in 2017 and have risen at a faster rate than indicative scrap prices during the period as well, resulting in an improved scrap spread environment, which is now near historical averages. While the scrap spread environment improved in the second half of 2017, the Company's actual results for that period reflect the impact of certain operating issues at specific plants of RANA during the third quarter and the impact of the bankruptcy filing of certain RANA entities during the fourth quarter.

Critical Accounting Policies and Estimates

Our accounting and reporting policies provide for our financial statements to be prepared and presented in accordance with GAAP and are fundamental to understanding our consolidated financial statements and this MD&A. Several of our policies are critical as they require management to make difficult, subjective and complex judgments about matters that are inherently uncertain and affect the reported amount of assets, liabilities, revenues and costs included in the consolidated financial statements. Circumstances and events that differ significantly from those underlying our estimates, assumptions, and judgments could cause the actual amounts reported to differ significantly from these estimates. These policies govern the following areas and are described below:

i. Revenue recognition;
ii. Inventories;
iii. Impairment of long-lived assets;
iv. Environmental and asset retirement obligations;
v. Pension benefits;
vi. Deferred tax asset valuation;
vii. Goodwill;
viii. Intangible assets; and
ix. Liabilities subject to compromise.

On an ongoing basis, we evaluate our estimates and assumptions based on historical experience and various other factors and circumstances. We believe our estimates and assumptions are reasonable under the circumstances; however, actual results may differ significantly from these estimates and assumptions, which could have a material impact on the carrying value of assets and liabilities as of the balance sheet dates, and our results of operations for the reporting periods in the future.

Revenue recognition

Revenues are recognized when title transfers and risk of loss passes to the customer, in accordance with SEC Staff Accounting Bulletin 104. This typically occurs when the goods reach their destination. For customer-owned toll material, revenue is recognized upon the performance of the tolling service for the customers. For material that is consigned, revenue is not recognized until the product is used by the customer. Shipping and handling costs and advertising costs, which are expensed as incurred, are included within cost of sales and selling general and administrative ("SG&A") expenses, respectively, in the consolidated statements of operations.

Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined primarily on the average cost identification method and includes material, labor and overhead related to the manufacturing process. We review our inventory values on a quarterly basis to ensure that their carrying values can be realized. In assessing the ultimate realization of inventories, we are required to make judgments as to future demand requirements and compare that with the current or committed inventory levels. As the ultimate realizable value of most inventory is based upon the price of aluminum, future changes in those prices may lead to the determination that the cost of some, or all, of our inventory will not be realized, which would lead to recording the appropriate adjustment to inventory values.

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Impairment of Long-Lived Assets

We review the carrying value of property, plant and equipment that is held and used when events or circumstances indicate that their carrying value may not be recoverable. Factors we consider that could trigger testing an asset, or asset group, for impairment include current period operating or cash flow losses, combined with a history of operating or cash flow losses, a projection or forecast that demonstrates continuing losses, significant adverse changes in the business climate within a particular business, or current expectations that a long-lived asset will be sold or otherwise disposed of significantly before the end of its estimated useful life.

We consider these factors quarterly and may test more frequently if changes in circumstances or the occurrence of events indicates that a potential impairment exists. To test for impairment, we compare the estimated undiscounted cash flows expected to be generated from the use and disposal of the asset, or asset group, to its carrying value. An asset group is established by identifying the lowest level of cash flows generated by the group of assets that are largely independent on cash flows of other assets. If cash flows cannot be separately and independently identified for a single asset, management will determine, for the asset group for which cash flows can be identified and projected, if an impairment has occurred. If these undiscounted cash flows are less than their respective carrying values, an impairment charge is recognized to the extent the carrying values exceed estimated fair values. Although third-party estimates of fair value are utilized when available, the estimation of undiscounted cash flows and fair value requires management to make assumptions regarding future operating results, as well as appropriate discount rates, where necessary. The results of our impairment testing are dependent on these estimates, which require significant judgment. The occurrence of certain events, including changes in economic and competitive conditions, could impact cash flows eventually realized and our ability to accurately assess whether an asset is impaired.

As a result of the Chapter 11 Cases, we determined that a triggering event had occurred. As a result of our impairment analysis, a $40.5 million of impairment on property, plant and equipment was recognized in the year ended December 31, 2017. The estimated fair value of the property, plant and equipment, as of December 31, 2017, was determined based on an analysis of the value in-use and the value in-exchange of the property, plant and equipment. Upon determining these values, an obsolescence factor to be applied to the value in-use was then calculated based upon the Level 3 input of the stalking horse bid to determine the amount of impairment to property, plant and equipment.

Environmental and asset retirement obligations

Environmental obligations that are not legal or contractual asset retirement obligations and that relate to existing conditions caused by past operations with no benefit to future operations are expensed, while expenditures that extend the life, increase the capacity, or improve the safety of an asset or that mitigate or prevent future environmental contamination are capitalized in property, plant and equipment. Our environmental engineers and consultants review and monitor environmental issues at our existing operating sites. This process includes investigation and remedial action selection and implementation, as well as negotiations with other potentially responsible parties and governmental agencies. Based on the results of this process, we provide reserves for environmental liabilities when and if environmental assessment and/or remediation cost are probable and can be reasonably estimated in accordance with GAAP. While our accruals are based on management’s current best estimate of the future costs of remedial action, these liabilities can change substantially due to factors such as the nature and extent of contamination, changes in the required remedial actions and technological advancements. Our existing environmental liabilities are not discounted to their present values as the amount and timing of the expenditures are not fixed or reliably determinable.

Asset retirement obligations represent obligations associated with the retirement of tangible long-lived assets. Our asset retirement obligations relate primarily to the requirement to cap our three landfills, as well as costs related to the future removal of asbestos and costs to remove underground storage tanks in our plants. The fair value of a liability for an asset retirement obligation is recognized in the period in which it is incurred and capitalized as part of the carrying amount of the associated long-lived asset. These fair values are based upon the present value of the future cash flows expected to be incurred to satisfy the obligation. Determining the fair value of asset retirement obligations requires judgment, including estimates of the discount rate and estimates of future cash expenditures. Estimates of future cash expenditures are obtained primarily from independent engineering consulting firms. The present value of the obligations is accreted over time, while the capitalized cost is depreciated over the remaining useful life of the related asset. Changes in the timing or amount of future cash expenditures or the discount rate would impact the estimated fair value of the obligations.

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Pension benefits

Pension benefit costs are accrued based on annual analyses performed by actuaries. These analyses are based on assumptions that include an assumed discount rate, an expected rate of return on plan assets, pension increase and turnover. These assumptions require estimates and projections by management and can fluctuate from period to period. Real Alloy's objective in selecting a discount rate is to select the best estimate of the rate at which the benefit obligations could be effectively settled. In making this estimate, projected cash flows are developed and matched with a yield curve based on an appropriate universe of high-quality corporate bonds. Assumptions for long-term rates of return on plan assets, pension increases and turnover are based upon historical returns, increases and turnover, and future expectations for these assumptions. See Note 15—Employee Benefit Plans in the notes to consolidated financial statements included in Part IV, Item 15 of this Annual Report for more information about the assumptions used to determine the pension benefit obligation as of December 31, 2017.

As of December 31, 2017, an increase in the discount rate of 0.5%, assuming inflation remains unchanged, would result in a decrease of $4.7 million in accrued pension benefits, and a $4.7 million increase in the actuarial gain for the period. A decrease in the discount rate of 0.5% as of December 31, 2017, assuming inflation remains unchanged, would result in an increase of $5.4 million in accrued pension benefits, and a $5.4 million decrease in the actuarial gain for the period.

The actuarial assumptions used to determine pension benefits may differ from actual results due to changing market and economic conditions, higher or lower withdrawal rates, or longer or shorter life spans of participants. We do not believe differences in actual experience or changes in assumptions will materially affect our financial position or results of operations.

Deferred tax asset valuation

Deferred tax assets and liabilities are recognized for the future tax consequences related to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases, and for tax credits and NOLs. As of December 31, 2017 and 2016, we had deferred tax assets of $267.6 million and $416.5 million, respectively. We evaluate our deferred tax assets for recoverability considering negative and positive evidence, including our historical financial performance, projections of future taxable income, and future reversals of existing taxable temporary differences. We are required to establish a valuation allowance for deferred tax assets if we determine, based on available evidence at the time the determination is made, that it is more likely than not that some portion or all of the deferred tax assets will not be realized. In evaluating the need for a valuation allowance, we estimate future taxable income based on management approved business plans, future capital requirements, and ongoing tax planning strategies. This process involves significant management judgment about assumptions that are subject to change from period to period. Because the recognition of deferred tax assets requires management to make significant judgments about future earnings, the periods in which items will impact taxable income, and the application of inherently complex tax laws, we have identified the assessment of deferred tax assets and the need for any related valuation allowance as a critical accounting estimate.

Our analysis of the realizability of deferred tax assets considers future taxable income expected from continuing operations. The use of different assumptions of future earnings, the periods in which items will affect taxable income and the application of inherently complex tax laws can result in changes in the amounts of deferred tax items recognized, which can result in equity and earnings volatility because such changes are reported in current period earnings. We will continue to update our assumptions and forecasts of future taxable income and assess the need for any adjustment to the valuation allowance.

Our interpretations of tax laws are subject to examination by the IRS, state and foreign taxing authorities. Resolution of disputes over interpretations of tax laws may result in us being assessed additional income taxes. We regularly review whether we may be assessed such additional income taxes and recognize liabilities for such potential future tax obligations as appropriate.

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Goodwill

As a result of acquisitions, we have historically carried goodwill. In business combinations, goodwill is generally determined as the excess of the fair value of the consideration transferred, plus the fair value of any noncontrolling interests in the acquiree, over the fair value of the net assets acquired and liabilities assumed as of the acquisition date. Accounting for acquired goodwill in accordance with GAAP requires significant judgment with respect to the valuation of acquired assets and liabilities assumed in order to determine the final amount of goodwill recorded in business combinations. Goodwill is not amortized, rather, it is evaluated for impairment on an annual basis, or more frequently when a triggering event occurs between annual tests that would more likely than not reduce the fair value of the reporting unit below its carrying value. Such impairment evaluations compare the reporting unit's estimated fair value to its carrying value.

Estimating the fair value of reporting units and the assets, liabilities and intangible assets of a reporting unit is a subjective process that involves the use of estimates and judgments, particularly related to cash flows, discount rates and a terminal multiple. Management judgment is required to assess whether the carrying value of the reporting unit can be supported by its fair value. There are widely accepted valuation methodologies, such as the market approach (earnings multiples and/or transaction multiples) and income approach (discounted cash flow approaches or "DCF"), and guideline public company approach ("GPC") that are used to estimate the fair value of reporting units. We utilize both the DCF and GPC methodologies and consider a number of factors, including actual operating results, future business plans, economic projections, and market data. Because of the significant judgment used in determining the estimated fair value of our reporting units and the material balances of our goodwill and identifiable intangible assets, we have identified estimating the fair value of our reporting units as a critical accounting estimate.

Goodwill is tested for impairment as of October 1 of each year and may be tested more frequently if changes in circumstances or the occurrence of events indicates that a potential impairment exists. We evaluate goodwill based upon our reporting units, which are defined as operating segments or, in certain situations, one level below the operating segment. The impairment test is a two-step process, which requires us to make judgments in determining what assumptions to use in the calculations. The first step of the process consists of estimating the fair value of each reporting unit based on DCF models and GPC information, using revenue and profit forecasts, and comparing those estimated fair values with the carrying values, which include allocated goodwill. These projections include assumptions about volumes, customer mix, metal prices, margins and other operating costs. Other key assumptions included in the fair value of our reporting units include estimated cash flow periods, terminal values based on our anticipated growth rate and the discount rate used, which is based on our current cost of capital, adjusted for the risks associated with our operations.

In the first quarter of 2017, the Company early adopted Accounting Standards Update ("ASU") 2017-04, Intangibles—Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment ("ASU 2017-04") on a prospective basis. ASU 2017-04 removed Step 2 of the goodwill impairment test, which required a hypothetical purchase price allocation. Under the new guidance, a goodwill impairment is measured as the amount by which a reporting unit's carrying value exceeds its fair value. The amendment is applied on a prospective basis, and as such Step 2 was applied as appropriate in 2016.

In step one of the goodwill impairment analysis (quantitative analysis), the fair value of each reporting unit is determined using a discounted cash flow analysis. Projecting discounted future cash flows requires the Company to make significant estimates and assumptions regarding future revenues and expenses, projected capital expenditures, changes in net working capital, and the appropriate discount rates.

In developing the discounted cash flow analysis, assumptions about the revenue growth rate, operating profit margin percentage, capital expenditures, and changes in net working capital reference our annual operating plan and long-term strategic plan for each of the Company’s reporting units, but also reflect the best available information at that time and, as appropriate, reflect market participant assumptions if such amounts might differ from the Company-specific assumptions for each of the Company’s reporting units.

Discount rate assumptions for each reporting unit are the weighted average cost of capital derived using both known and estimated customary market metrics and take into consideration management’s assessment of risks inherent in the future cash flows of the respective reporting unit.

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For goodwill impairment tests prior to 2017, the estimated fair value of the reporting unit was compared to the book value of its net assets. If the estimated fair value of the reporting unit was less than the book value of the net assets of the reporting unit, an impairment loss was possible and a more refined measurement of the impairment loss took place. This is the second step of the goodwill impairment testing (Step 2), in which management may use market comparisons and recent transactions to assign the fair value of the reporting unit to all of the assets and liabilities of that unit. The valuation methodologies in both steps of goodwill impairment testing use significant estimates and assumptions. Management evaluates the merits of each significant assumption and the overall basket of assumptions used to determine the fair value of the reporting unit.

We initiated a goodwill impairment test as of September 30, 2017, as we determined that a triggering event existed within the RANA operating segment. Similar to 2016, both in conducting this test for the RANA segment, as well as in conducting our annual goodwill impairment test for the RAEU operating segment, we utilized a combination of DCF and GPC approaches to estimate the fair value of our reporting units required to be tested for impairment. Each of the DCF and GPC approaches are weighted 50%. These nonrecurring fair value measurements are primarily determined using unobservable inputs and, accordingly, are categorized within Level 3 of the fair value hierarchy. The DCF and GPC analyses are based on our projected financial information, which includes a variety of estimates and assumptions. While we consider such estimates and assumptions reasonable, they are inherently subject to uncertainties and a wide variety of significant business, economic and competitive risks, many of which are beyond our control and may not materialize. Changes in these estimates and assumptions may have a significant effect on the estimation of the fair value of our reporting units.

Under the DCF approach, we estimate the fair value of a reporting unit based on the present value of future cash flows. Cash flow projections are based on management’s estimate of revenue growth rates and operating margins and take into consideration industry and market conditions, as well as company specific economic factors. The DCF calculations also include a terminal value calculation that is based on an expected long-term growth rate for the applicable reporting unit. The discount rate is based on the weighted average cost of capital adjusted for the relevant risk associated with the business specific characteristics and the uncertainty associated with the reporting unit’s ability to execute on the projected cash flows. Other significant assumptions include future capital expenditures and changes in working capital requirements. For the 2017 impairment test, the weighted average cost of capital was 9.7% for RANA and 10.4% for RAEU, and the residual growth rate was 3.0%, based on estimated future gross domestic product. For the 2016 impairment test, the weighted average cost of capital was 10.0% for RANA and 10.5% for RAEU, and the residual growth rate was 3.0%, based on estimated future gross domestic product.

Under the GPC approach, we identify a group of comparable companies giving consideration to, among other relevant characteristics, similar lines of business, business risks, growth prospects, business maturity, market presence, leverage, and size and scale of operations. The analysis compares the public market implied fair value for each comparable public company to its historical and projected revenues and EBITDA. The calculated range of multiples for the comparable companies used was applied to projected EBITDA and revenues to determine a range of fair values as of September 30, 2017 for RANA, October 1, 2017 for RAEU and October 1, 2016 for both RANA and RAEU.

Similar to our impairment testing in 2016, based on the results of step one of the 2017 goodwill impairment test, we determined that the estimated fair value of RAEU, including goodwill, exceeded its carrying value. We determined, however, that the estimated fair value of RANA, including goodwill, was lower than its carrying value. Accordingly, goodwill was not considered impaired for RAEU and the second step of the goodwill impairment test was not required in either year, but goodwill was considered impaired for RANA in both years. For 2017, step two of the goodwill impairment test resulted in a $33.6 million goodwill impairment charge.

For 2016, step two of the goodwill impairment test resulted in a $61.8 million goodwill impairment charge in RANA. There was no goodwill impairment as of December 31, 2015.

The following table provides information on the estimated fair value of goodwill and sensitivities to changes in certain key assumptions in the 2017 step one impairment test for RAEU:

(In millions)	
Excess (deficient) step one impairment test fair value	$ 24.8
Sensitivity to changes in certain key assumptions - decrease in estimated fair value:	
50 basis point increase in discount rate(1)	$ (8.0)
50 basis point decrease in residual growth rate(1)	(4.0)

(1) Assuming all other variables remain unchanged.

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Identifiable intangible assets

As a result of acquisitions, we have historically carried identifiable intangible assets. Valuation experts are utilized to assist management in estimating the fair value of identifiable intangible assets as of an acquisition date. Identifiable intangible assets with definite useful lives are amortized over their estimated lives and evaluated for potential impairment whenever events or changes in circumstances suggest that the carrying value of an identifiable intangible asset may not be fully recoverable. An impairment loss, generally calculated as the difference between the estimated fair value and the carrying value of the identifiable intangible asset, is recognized if the sum of the estimated undiscounted cash flows relating to the identifiable intangible asset is less than the corresponding carrying value.

In the fourth quarter of 2017, we identified triggering events that prompted us to perform an impairment analysis of identifiable intangible assets. As a result of our impairment analysis, we recognized a $10.1 million identifiable intangible asset impairment charge related to the customer relationships at RANA in the year ended December 31, 2017. We also recognized a $0.1 million identifiable intangible asset impairment charge related to the product formulations at Cosmedicine in the year ended December 31, 2016. No impairment was recognized on identifiable intangible assets in the year ended December 31, 2015. As of December 31, 2017 and 2016, identifiable intangible assets were zero and $12.5 million, respectively.

Liabilities subject to compromise

The Company accounts for the bankruptcy in accordance with ASC 852. The consolidated financial statements include amounts classified as liabilities subject to compromise. This amount represents estimates of known or potential prepetition claims that are expected to be resolved in connection with the Chapter 11 Cases. Differences between amounts we are reporting as liabilities subject to compromise in this Annual Report and the amounts attributable to such matters claimed by our creditors or approved by the Bankruptcy Court may be material. We continue to evaluate our liabilities throughout the bankruptcy process and may make adjustments in future periods as necessary and appropriate.

Non-GAAP Financial Measures

A non-GAAP financial measure is a numerical measure of historical or future financial performance, financial position or cash flows that excludes amounts, or is subject to adjustments that have the effect of excluding amounts, that are included in the most directly comparable measure calculated and presented in accordance with GAAP in the consolidated balance sheets, statements of operations, or statements of cash flows; or includes amounts, or is subject to adjustments that have the effect of including amounts, that are excluded from the most directly comparable measures so calculated and presented. We report our financial results in accordance with GAAP; however, our CODM and management use Segment Adjusted EBITDA as the primary performance metric for the Company’s segments and believe this measure provides additional information commonly used by holders of our common stock, as well as the holders of the Senior Secured Notes, Roll Up DIP Term Notes and parties to the RA DIP Financing Facility with respect to the ongoing performance of our underlying business activities.

Our Segment Adjusted EBITDA calculation represents segment net earnings (loss) before interest, taxes, depreciation and amortization, and certain other items including, unrealized gains and losses on derivative financial instruments, charges and expenses related to acquisitions, and certain other gains and losses.

Segment Adjusted EBITDA as we use it may not be comparable to similarly titled measures used by other companies. We calculate Segment Adjusted EBITDA by eliminating the impact of a number of items we do not consider indicative of our ongoing operating performance and certain other items. You are encouraged to evaluate each adjustment and the reasons we consider it appropriate for supplemental analysis. While we disclose Segment Adjusted

EBITDA as the primary performance metric of our segments in accordance with GAAP, it is not a financial measurement presented in accordance with GAAP, and when analyzing our operating performance, investors should use Segment Adjusted EBITDA in addition to, and not as an alternative for, net earnings (loss), operating profit (loss) or any other performance measure derived in accordance with GAAP. Segment Adjusted EBITDA has limitations as an analytical tool, and it should not be considered in isolation, or as a substitute for, or superior to, our measures of financial performance presented in accordance with GAAP.

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These limitations include, but are not limited to the following:

- Segment Adjusted EBITDA does not reflect our cash expenditures or future requirements for capital expenditures or contractual commitments;
- Segment Adjusted EBITDA does not reflect changes in, or cash requirements for, working capital needs;
- Segment Adjusted EBITDA does not reflect interest expense or cash requirements necessary to service interest and/or principal payments under our short- and long-term debt agreements;
- Segment Adjusted EBITDA does not reflect certain tax payments that may represent a reduction in cash available to us;
- Segment Adjusted EBITDA does not reflect the operating results of Corporate and Other; and
- Although depreciation and amortization are noncash charges, the assets being depreciated and amortized may have to be replaced in the future, and Segment Adjusted EBITDA does not reflect cash requirements for such replacements.

Other companies, including companies in our industry, may calculate these measures differently and the degree of their usefulness as a comparative measure correspondingly decreases as the number of differences in computations increases.

In addition, when evaluating Segment Adjusted EBITDA it should be noted that in the future we may incur expenses similar to the adjustments in the reconciliation provided below under “Segments’ Results of Operations.” Our presentation of Segment Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or nonrecurring items.

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RESULTS OF OPERATIONS

The following table presents selected components of our consolidated statements of operations for the years ended December 31, 2017, 2016 and 2015:

	Year Ended December 31,		
(In millions, except per share amounts)	2017	2016	2015
Revenues	$ 1,346.4	$ 1,249.7	$ 1,145.6
Cost of sales	1,287.3	1,183.0	1,070.7
Gross profit	59.1	66.7	74.9
Selling, general and administrative expenses	52.3	61.0	56.0
Losses on derivative financial instruments, net	2.1	0.2	4.2
Amortization of identifiable intangible assets	2.4	2.4	2.0
Goodwill impairment	33.6	61.8	—
Identifiable intangible asset impairment	10.1	0.1	—
Property, plant and equipment impairment	40.5	—	—
Other operating expense, net	2.6	5.9	2.5
Operating profit (loss)	(84.5)	(64.7)	10.2
Nonoperating expense, net	44.1	39.1	51.0
Loss from continuing operations before income taxes	(128.6)	(103.8)	(40.8)
Income tax benefit	(7.8)	(0.6)	(9.1)
Loss from continuing operations	(120.8)	(103.2)	(31.7)
Earnings (loss) from discontinued operations, net of income taxes	—	0.6	24.9
Net loss	(120.8)	(102.6)	(6.8)
Earnings from continuing operations attributable to noncontrolling interest	0.9	0.3	0.1
Net loss attributable to Real Industry, Inc.	$ (121.7)	$ (102.9)	$ (6.9)
LOSS PER SHARE:			
Net loss attributable to Real Industry, Inc.	$ (121.7)	$ (102.9)	$ (6.9)
Dividends on Redeemable Preferred Stock, in-kind	—	(2.0)	(1.5)
Dividends on Redeemable Preferred Stock, in cash or accrued	(2.4)	—	—
Accretion of fair value adjustment to Redeemable Preferred Stock	(3.6)	(1.0)	(0.8)
Net loss available to common stockholders	$ (127.7)	$ (105.9)	$ (9.2)
Basic and diluted loss per share:			
Continuing operations	$ (4.41)	$ (3.68)	$ (0.35)
Discontinued operations	—	—	—
Basic and diluted loss per share	$ (4.41)	$ (3.68)	$ (0.35)

Consolidated Results of Operations—Comparison of the Years Ended December 31, 2017 and 2016 and 2015

We reported net losses attributable to Real Industry of $121.7 million, $102.9 million and $6.9 million for the years ended December 31, 2017, 2016 and 2015, respectively. Net loss available to common stockholders was $127.7 million, $105.9 million and $9.2 million for the years ended December 31, 2017, 2016 and 2015, respectively. Basic and diluted loss per share for the years ended December 31, 2017, 2016 and 2015 was $4.41, $3.68 and $0.35, respectively.

As discussed further below in “Segments’ Results of Operations,” in 2017, Real Alloy experienced a decline in financial performance driven primarily by tighter scrap spreads in its RANA segment during the first half of the year, certain operational issues in the third quarter, and the impact of the bankruptcy filing in the fourth quarter when liquidity concerns further pressured scrap spreads. The continuing deterioration of RANA's performance in 2017 led the Company to record a goodwill impairment charge of $33.6 million in its RANA segment in the year ended December 31, 2017, plus $10.1 million and $40.5 million of impairment related to identifiable intangible assets and property, plant and equipment, respectively. This compares to a $61.8 million goodwill impairment charge in the year ended December 31, 2016. These increased noncash charges in 2017 are the most significant contributors to the $18.8 million increase in net loss attributable to Real Industry, Inc. year-over-year. In 2015, there were no such noncash charges and the Company recognized $24.9 million in earnings from discontinued operations, net of income taxes. These were the two primary drivers in the significantly lower losses when comparing 2015 results to 2016.

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Segments' Results of Operations—Comparison of the Years Ended December 31, 2017 and 2016

The following tables present the results of operations of our reportable segments for the years ended December 31, 2017 and 2016. A reconciliation of Segment Adjusted EBITDA to net loss is provided below. See "Non-GAAP Financial Measures" above for more information about Segment Adjusted EBITDA.

	Year Ended December 31, 2017			
(Dollars in millions, except per tonne information, tonnes in thousands)	RANA	RAEU	Corporate and Other	Total
Metric tonnes invoiced:				
Tolling arrangements	378.6	210.7		589.3
Buy/sell arrangements	405.9	164.6		570.5
Total metric tonnes invoiced	784.5	375.3		1,159.8
Revenues	$ 887.1	$ 459.3	$ —	$ 1,346.4
Cost of sales	857.6	429.7	—	1,287.3
Gross profit	$ 29.5	$ 29.6	$ —	$ 59.1
Selling, general and administrative expenses	$ 24.2	$ 17.8	$ 10.3	$ 52.3
Depreciation and amortization	$ 30.9	$ 14.2	$ —	$ 45.1
Capital expenditures	$ 12.2	$ 11.6	$ —	$ 23.8
Segment Adjusted EBITDA	$ 33.2	$ 26.4		$ 59.6
Segment Adjusted EBITDA per metric tonne invoiced	$ 42	$ 70		$ 51

	Year Ended December 31, 2016			
(Dollars in millions, except per tonne information, tonnes in thousands)	RANA	RAEU	Corporate and Other	Total
Metric tonnes invoiced:				
Tolling arrangements	392.7	199.0		591.7
Buy/sell arrangements	392.8	171.9		564.7
Total metric tonnes invoiced	785.5	370.9		1,156.4
Revenues	$ 821.0	$ 428.6	$ 0.1	$ 1,249.7
Cost of sales	777.0	405.8	0.2	1,183.0
Gross profit	$ 44.0	$ 22.8	$ (0.1)	$ 66.7
Selling, general and administrative expenses	$ 28.8	$ 16.7	$ 15.5	$ 61.0
Depreciation and amortization	$ 32.2	$ 16.3	$ 0.1	$ 48.6
Capital expenditures	$ 17.8	$ 13.0	$ —	$ 30.8
Segment Adjusted EBITDA	$ 44.0	$ 23.9		$ 67.9
Segment Adjusted EBITDA per metric tonne invoiced	$ 56	$ 64		$ 59

Real Alloy North America (RANA)

For the years ended December 31, 2017 and 2016, RANA generated $33.2 million and $44.0 million of Segment Adjusted EBITDA, respectively, on $887.1 million and $821.0 million of segment revenues, respectively. During 2017, buy/sell and tolling arrangements with its customers represented 52% and 48% of total invoiced volume, compared to 50% buy/sell arrangements and 50% tolling arrangements in 2016. Tolling versus buy/sell mix is driven by the amount of metal our customers own and their desire to toll with independent aluminum recyclers. The decrease in tolling arrangements from 2016 to 2017 was primarily caused by weak demand from wrought alloy customers.

Total reported volumes decreased 1.0 kt in 2017 compared to the amount reported in 2016. The year-over-year decrease in volume was primarily caused by the previously mentioned reduction in tolling volumes with wrought alloy customers, which was mostly offset by increased buy/sell volumes primarily from operations associated with the Beck Acquisition contributing a full twelve months of operations in 2017 compared to two months in 2016.

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Gross profit for RANA was $29.5 million for the year ended December 31, 2017, representing a margin of 3.3% of segment revenues, compared to gross profit of $44.0 million for the year ended December 31, 2016, representing a margin of 5.4% of segment revenues. Cost of sales consists primarily of metal costs and conversion costs. The increased percentage of buy/sell business drove the reduction in gross margin year-over-year as the gross profit associated with the arrangements is spread over a higher revenue base that includes the cost of metal.

RANA's Segment Adjusted EBITDA per tonne decreased from $56 to $42, as cost of sales per tonne increased from $989 to $1,093, while revenues per tonne increased slightly from $1,045 to $1,131. The increased cost per tonne was primarily driven by increased metal prices in general, and incremental pressure from lower scrap supply and pricing pressure due to Real Alloy's credit situation and Chapter 11 Case. Furthermore, RANA experienced a number of nonrecurring issues in the third quarter, including cost overruns and lower metal recoveries related to a series of start-up issues with new equipment installed at the Wabash, Indiana facility, plus the impact of Hurricane Harvey on Real Alloy's Houston, Texas and Monclova, Mexico operations. The increased revenue per tonne was primarily caused by higher market prices for RANA's alloys.

SG&A expenses were $24.2 million and $28.8 million for the years ended December 31, 2017 and 2016, respectively. The $4.6 million decrease is primarily due to lower compensation expense from lower bonuses earned and reduced professional fees. SG&A expenses are primarily comprised of compensation, professional fees, and IT expenses totaling $14.1 million, $5.5 million, and $1.3 million, respectively, in 2017 and $16.1 million, $7.4 million and $1.4 million, respectively, in fiscal 2016.

During the years ended December 31, 2017 and 2016, depreciation and amortization expense was $30.9 million and $32.2 million, respectively, and capital expenditures were $12.2 million and $17.8 million, respectively. Capital expenditures decreased $5.6 million in 2017 as a result of lower spending due to Real Alloy's liquidity situation.

Real Alloy Europe (RAEU)

For the year ended December 31, 2017, RAEU generated $26.4 million of Segment Adjusted EBITDA on $459.3 million of segment revenues, compared to $23.9 million of Segment Adjusted EBITDA on $428.6 million of segment revenues for the year ended December 31, 2016. RAEU's customer mix was relatively stable year-over-year. During the year ended December 31, 2017, buy/sell arrangements with its customers represented 44% of total invoiced volume, while tolling arrangements represented 56%, compared to 46% buy/sell arrangements and 54% tolling arrangements in the year ended December 31, 2016. The 4.4 kt year-over-year increase in volume was due to increased wrought alloy demand.

Gross profit for RAEU was $29.6 million for the year ended December 31, 2017, representing a margin of 6.4% of segment revenues, compared to gross profit of $22.8 million, representing a margin of 5.3% for the year ended December 31, 2016. During the year ended December 31, 2016, gross profit was negatively impacted as a result of a $3.7 million depreciation expense error adjustment from 2015 included in cost of sales.

Segment Adjusted EBITDA per tonne increased from $64 to $70 in the year ended December 31, 2017 driven by lower conversion costs, due to higher volumes, and improved metal margins from higher scrap spreads. Revenues per tonne increased to $1,224 in the year ended December 31, 2017, from $1,156 in the year ended December 31, 2016, and cost of sales per tonne increased from $1,094 in the year ended December 31, 2016 to $1,145 in the year ended December 31, 2017 largely due to a higher metal price environment.

SG&A expenses were $17.8 million and $16.7 million for the years ended December 31, 2017 and 2016, respectively. SG&A expenses are primarily comprised of compensation, professional fees, and IT expenses totaling $9.4 million, $0.8 million and $2.0 million, respectively, in 2017 and $9.1 million, $1.0 million, and $1.3 million, respectively, in fiscal 2016.

During the years ended December 31, 2017 and 2016, depreciation and amortization was $14.2 million and $16.3 million, respectively, including a $3.8 million correction of depreciation expense from 2015, effectively overstating depreciation expense in 2016 when the error was corrected. Capital expenditures were $11.6 million and $13.0 million in the years ended December 31, 2017 and 2016, respectively.

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Segments' Results of Operations—Comparison of the Years Ended December 31, 2016 and 2015

The 2015 results of operations of Real Alloy are included from the acquisition date, February 27, 2015, through December 31, 2015. As a result, references to Real Alloy performance for the "year ended December 31, 2015" should be considered ten months rather than twelve months. The following tables present the results of operations of our reportable segments for the years ended December 31, 2016 and 2015. A reconciliation of Segment Adjusted EBITDA to net loss is provided below. See "Non-GAAP Financial Measures" above for more information about Segment Adjusted EBITDA.

	Year Ended December 31, 2016			
(Dollars in millions, except per tonne information, tonnes in thousands)	RANA	RAEU	Corporate and Other	Total
Metric tonnes invoiced:				
Tolling arrangements	392.7	199.0		591.7
Buy/sell arrangements	392.8	171.9		564.7
Total metric tonnes invoiced	785.5	370.9		1,156.4
Revenues	$ 821.0	$ 428.6	$ 0.1	$ 1,249.7
Cost of sales	777.0	405.8	0.2	1,183.0
Gross profit	$ 44.0	$ 22.8	$ (0.1)	$ 66.7
Selling, general and administrative expenses	$ 28.8	$ 16.7	$ 15.5	$ 61.0
Depreciation and amortization	$ 32.2	$ 16.3	$ 0.1	$ 48.6
Capital expenditures	$ 17.8	$ 13.0	$ —	$ 30.8
Segment Adjusted EBITDA	$ 44.0	$ 23.9		$ 67.9
Segment Adjusted EBITDA per metric tonne invoiced	$ 56	$ 64		$ 59

	Year Ended December 31, 2015			
(Dollars in millions, except per tonne information, tonnes in thousands)	RANA	RAEU	Corporate and Other	Total
Metric tonnes invoiced:				
Tolling arrangements	375.4	176.1		551.5
Buy/sell arrangements	299.9	155.6		455.5
Total metric tonnes invoiced	675.3	331.7		1,007.0
Revenues	$ 711.4	$ 434.2	$ —	$ 1,145.6
Cost of sales	663.6	407.1	—	1,070.7
Gross profit	$ 47.8	$ 27.1	$ —	$ 74.9
Selling, general and administrative expenses	$ 27.3	$ 14.8	$ 13.9	$ 56.0
Depreciation and amortization	$ 26.1	$ 6.4	$ —	$ 32.5
Capital expenditures	$ 19.4	$ 6.6	$ —	$ 26.0
Segment Adjusted EBITDA	$ 49.0	$ 21.3		$ 70.3
	$ 73	$ 64		$ 70

Segment Adjusted EBITDA
per metric tonne invoiced

* Represents ten months of operations for RANA and RAEU from the February 27, 2015 acquisition date to December 31, 2015.

Real Alloy North America (RANA)

For the years ended December 31, 2016 and 2015, RANA generated $44.0 million and $49.0 million of Segment Adjusted EBITDA, respectively, on $821.0 million and $711.4 million of segment revenues, respectively. During 2016, buy/sell and tolling arrangements with its customers each represented 50% of total invoiced volume, compared to buy/sell arrangements of 44% and tolling arrangements of 56% in 2015. Tolling versus buy/sell mix is driven by the amount of metal our customers own and their desire to toll with independent aluminum recyclers. The four percentage point decline in tolling arrangements from 2015 to 2016 was primarily caused by customers that chose to utilize more primary aluminum as an alternative to secondary alloys in light of favorable price dynamics at the end of 2015.

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Total reported volumes increased 110.2 kt in 2016 compared to the amount reported in 2015 for ten months, however, 2016 volumes actually fell over the fully comparable twelve month period in 2015. The year over year reduction in volume was primarily caused by the previously mentioned reduction in tolling volumes from customers that took advantage of a unique aluminum price environment at the end of 2015 and into 2016, where the costs to convert primary aluminum into alloys was less expensive than secondary alloys prices.

Gross profit for RANA was $44.0 million for the year ended December 31, 2016, representing a margin of 5.4% of segment revenues, compared to gross profit of $47.8 million for the year ended December 31, 2015, representing a margin of 6.7% of segment revenues. Cost of sales consists primarily of metal costs and conversion costs. During the years ended December 31, 2016 and 2015, RANA's cost of sales included $0.2 million and $4.5 million of noncash expenses associated with the amortization of the fair value adjustment of acquired inventories and prepaid supplies in purchase accounting, respectively.

RANA's Segment Adjusted EBITDA per tonne decreased from $73 to $56, as cost of sales per tonne increased from $983 to $989, while revenues per tonne decreased slightly from $1,053 to $1,045. The increased cost per tonne was primarily driven by higher scrap metal prices due to reduced scrap availability, particularly post-consumer material, the flow of which is heavily correlated with the recycling conditions of ferrous scrap, which was weaker than 2015 due to continued challenges in the steel sector, and the corresponding stronger demand and higher prices for industrial scrap. The lower revenue per tonne was primarily caused by pricing pressure from increased imports of aluminum ingot, due to the strengthening of the U.S. dollar. Together, the dynamic of higher material costs and lower sales prices resulted in reduced gross profit per tonne of approximately $15 in 2016, compared to 2015. During the year ended December 31, 2015, gross profit was positively impacted by lower maintenance costs as a result of Real Alloy purchase accounting adjustments to prepaid maintenance, offset by amortization of the fair value adjustment of acquired inventories and prepaid supplies in purchase accounting related to the Real Alloy Acquisition.

SG&A expenses were $28.8 million and $27.3 million for the years ended December 31, 2016 and 2015, respectively. The $1.5 million increase is primarily due to two additional months of activity in 2016, compared to 2015, offset by lower expenses related to the Aleris Transition Services Agreement (the "TSA") that was terminated in April 2016. The lower TSA expense was partially offset by higher personnel costs associated with building out Real Alloy as a stand-alone entity. SG&A expenses are primarily comprised of compensation, professional fees, and IT expenses totaling $16.1 million, $7.4 million, and $1.4 million, respectively, in 2016 and $12.2 million, $5.7 million, and $0.9 million, respectively, in fiscal 2015. Additionally, SG&A expenses in 2015 included $5.6 million incurred under the TSA.

During the years ended December 31, 2016 and 2015, depreciation and amortization expense was $32.2 million and $26.1 million, respectively, and capital expenditures were $17.8 million and $19.4 million, respectively. The increase in depreciation and amortization expense in 2016 is primarily due to reporting a full year in 2016, compared to the ten months in 2015. Capital expenditures decreased $2.8 million in 2016 as a result of two major upgrade projects being completed in 2015.

Real Alloy Europe (RAEU)

For the year ended December 31, 2016, RAEU generated $23.9 million of Segment Adjusted EBITDA on $428.6 million of segment revenues, compared to $21.3 million of Segment Adjusted EBITDA on $434.2 million of segment revenues for the year ended December 31, 2015. RAEU's customer mix was relatively stable year over year. During the year ended December 31, 2016, buy/sell arrangements with its customers represented 46% of total invoiced volume, while tolling arrangements represented 54%, compared to 47% buy/sell arrangements and 53% tolling arrangements in the year ended December 31, 2015.

Although total reported volumes increased by 39.2 kt compared to 2015, 2016 volumes were lower than the comparable twelve month period in 2015. The year over year reduction in volume was primarily due to buy/sell volume decreases of 15.4 kt and tolling volume decreases of 12.1 kt, driven by increased downtime and customers taking longer holiday breaks compared to the prior year. These changes also drove the 1% change in tolling versus buy/sell mix.

Gross profit for RAEU was $22.8 million for the year ended December 31, 2016, representing a margin of 5.3% of segment revenues, compared to gross profit of $27.1 million, representing a margin of 6.2% for the year ended December 31, 2015. Gross profit decreased $4.3 million as a result of a $3.7 million depreciation expense correction recorded in 2016 that related to 2015.

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There was no change in Segment Adjusted EBITDA per tonne from the prior year, remaining at $64. Revenues per tonne decreased to $1,156 in the year ended December 31, 2016, from $1,309 in the year ended December 31, 2015, and cost of sales per tonne decreased from $1,227 in the year ended December 31, 2015 to $1,094 in the year ended December 31, 2016. Tighter scrap spreads in 2016 were partially offset by a reduction in natural gas costs of 15%. During the years ended December 31, 2016 and 2015, RAEU's cost of sales includes noncash expenses associated with the amortization of the fair value adjustment of acquired inventories and supplies in purchase accounting, totaling $0.9 million and $4.7 million, respectively. During the year ended December 31, 2015, gross profit was positively impacted by lower maintenance costs as a result of 2015 purchase accounting adjustments to prepaid maintenance costs and the $3.7 million depreciation expense error.

SG&A expenses were $16.7 million and $14.8 million for the years ended December 31, 2016 and 2015, respectively. SG&A expenses are primarily comprised of compensation, professional fees, and IT expenses totaling $9.1 million, $1.0 million and $1.3 million, respectively, in 2016 and $7.7 million, $0.7 million, and $0.7 million, respectively, in fiscal 2015. Additionally, SG&A expenses in fiscal 2015 included $1.8 million incurred under the Aleris TSA.

During the years ended December 31, 2016 and 2015, depreciation and amortization was $16.3 million and $6.4 million, respectively, including a $3.8 million understatement of depreciation expense in 2015 and the corresponding overstatement in 2016 when the error was corrected. Capital expenditures were $13.0 million and $6.6 million in the years ended December 31, 2016 and 2015, respectively.

Reconciliation of Segment Adjusted EBITDA to Net Loss for the Years Ended December 31, 2017, 2016 and 2015

The following table provides a reconciliation of Segment Adjusted EBITDA to net loss for the years ended December 31, 2017, 2016 and 2015:

	Year Ended December 31,		
(In millions)	2017	2016	2015
Segment Adjusted EBITDA	$ 59.6	$ 67.9	$ 70.3
Unrealized gains (losses) on derivative financial instruments	(0.2)	1.0	(0.8)
Segment depreciation and amortization	(45.1)	(48.5)	(32.5)
Amortization of inventories and supplies purchase accounting adjustments	—	(1.1)	(9.2)
Corporate and Other selling, general and administrative expenses	(10.3)	(15.5)	(13.9)
Goodwill impairment	(33.6)	(61.8)	—
Identifiable intangible asset impairment	(10.1)	(0.1)	—
Property, plant and equipment impairment	(40.5)	—	—
Other, net	(4.3)	(6.6)	(3.7)
Operating profit (loss)	(84.5)	(64.7)	10.2
Interest expense, net	(41.7)	(37.3)	(34.9)
Change in fair value of common stock warrant liability	4.4	2.4	(1.5)
Acquisition-related costs and expenses	—	(1.0)	(14.8)
Foreign exchange gains (losses) on intercompany loans	2.4	(2.4)	(1.3)
Earnings (loss) from equity method investment	2.9	(1.1)	—
Reorganization items, net	(11.7)	—	—
Other nonoperating expense (income), net	(0.4)	0.3	1.5
Income tax benefit	7.8	0.6	9.1
Earnings (loss) from discontinued operations, net of income taxes	—	0.6	24.9
Net loss	$ (120.8)	$ (102.6)	$ (6.8)

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Operating Costs Outside of Reportable Segments—Comparison of the Years Ended December 31, 2017, 2016 and 2015

The following table provides information about operating costs included in Corporate and Other, which generally relate to administrative, financial and human resource activities related to the oversight of our operating segments, implementation of our acquisition and growth strategies, management of our discontinued operations, and maintaining our public company status and operating segments that do not meet the criteria of a reportable segment, for the years ended December 31, 2017, 2016 and 2015:

	Year Ended December 31,		
(In millions)	2017	2016	2015
Selling, general and administrative expenses	$ 10.3	$ 15.5	$ 13.9
Other operating expense, net	—	3.2	1.5
Corporate and Other operating costs	$ 10.3	$ 18.7	$ 15.4

For the years ended December 31, 2017, 2016 and 2015, operating costs in Corporate and Other, including Cosmedicine, which does not meet the threshold of a reportable segment or a discontinued operation, were $10.3 million, $18.7 million and $15.4 million, respectively. In 2017, selling, general and administrative expenses were lower by $5.2 million compared to 2016, primarily due to lower compensation and other cost cutting efforts enacted as overall liquidity became tighter during the year. In 2016, in addition to $15.5 million of SG&A expenses, we also recorded other operating expenses of $3.2 million, including $0.8 million of impairment on Cosmedicine inventory and identifiable intangible assets, and $2.4 million of severance and post-employment termination benefits. Compensation is the largest operating cost included in Corporate and Other and was $4.5 million, $7.7 million and $5.4 million in the years ended December 31, 2017, 2016 and 2015.

Nonoperating expenses and income

The following table provides details of nonoperating expenses and income for the years ended December 31, 2017, 2016 and 2015:

	Year Ended December 31,		
(In millions)	2017	2016	2015
Interest expense, net	$ 41.7	$ 37.3	$ 34.9
Change in fair value of common stock warrant liability	(4.4)	(2.4)	1.5
Acquisition-related costs and expenses	—	1.0	14.8
Loss (earnings) from equity method investment	(2.9)	1.1	—
Foreign exchange losses (gains) on intercompany loans	(2.4)	2.4	1.3
Reorganization items, net	11.7	—	—
Other, net	0.4	(0.3)	(1.5)
Total nonoperating expense, net	$ 44.1	$ 39.1	$ 51.0

Interest expense, net

Interest expense, net for the years ended December 31, 2017, 2016 and 2015 was $41.7 million, $37.3 million and $34.9 million, respectively. Interest expense, net increased each year in line with higher average outstanding debt balances. Included in interest expense is the amortization of debt issuance costs, which represent original issue discounts, placement and advisory fees, legal, accounting and other costs associated with issuing such debt. The amortization of debt issuance costs included in interest expense for December 31, 2017, 2016 and 2015 was $7.6 million, $5.1 million and $4.3 million, respectively.

Acquisition and financing-related costs and expenses

Acquisition and financing-related costs and expenses for the years ended December 31, 2017, 2016 and 2015 were zero, $1.0 million and $14.8 million, respectively. All of the expenses in 2016 related to due diligence and professional fees associated with the Beck Aluminum acquisition, while the 2015 expenses related to due diligence, professional fees and expired commitments associated with certain financial arrangements related to our acquisition of Real Alloy.

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Earnings (loss) from equity method investment

The earnings (loss) from equity method investment in the years ended December 31, 2017 and 2016 is related to Real Alloy's interest in Beck Aluminum International, LLC ("Beck Trading"). As a result of the distribution waterfall in the Beck Trading operating agreement, 100% of the Beck Trading earnings (loss) in the period from November 1, 2016 to December 31, 2017 has been allocated to Real Alloy, with $2.9 million of earnings and $1.1 million of losses recognized in the years ended December 31, 2017 and 2016, respectively.

Reorganization items, net

As a result of Chapter 11 Cases, for the year ended December 31, 2017, the Company recognized $11.7 million of reorganization items, net as detailed in the following table:

	Debtor-in-Possession		
(In millions)	Real Industry	Real Alloy	Total
Professional fees	$ 0.2	$ 1.3	$ 1.5
Legal fees	1.6	2.6	4.2
Write-off of unamortized debt issuance costs on the Senior Secured Notes	—	6.0	6.0
Reorganization items, net	$ 1.8	$ 9.9	$ 11.7

Other nonoperating expenses and income

During the years ended December 31, 2017, 2016 and 2015, we reported $4.4 million of income, $2.4 million of income, and $1.5 million of expense, respectively, of other noncash nonoperating income/expense from the change in fair value of common stock warrant liability, driven primarily by the decrease/increase in the price of our common stock from the prior year. In 2017, we also reduced our assumption of the probability of future equity raises to zero, which further reduced the value of the common stock warrant liability and resulted in higher income.

During the years ended December 31, 2017, 2016 and 2015, we reported $2.4 million of gains, $2.4 million of losses and $1.3 million of losses, respectively, of noncash other nonoperating expense from the foreign exchange rate effect associated with Real Alloy's intercompany loans that are not considered long-term in nature. In the year ended December 31, 2015, we recognized a $0.9 million gain on the sale of a trademark owned by Cosmedicine.

Income taxes

We recognized income tax benefit of $7.8 million in the year ended December 31, 2017, including $10.2 million of benefit from domestic jurisdictions and $2.4 million of expense from international jurisdictions. In the year ended December 31, 2016 we recognized income tax benefit of $0.6 million, including income tax benefit of $2.7 million from domestic jurisdictions and expense of $2.1 million from international jurisdictions. In the year ended December 31, 2015, we recognized income tax benefit of $9.1 million, including income tax benefit of $12.3 million from domestic jurisdictions and expense of $3.2 million from international jurisdictions. The domestic income tax benefit is primarily related to the treatment of AMT credit carryforwards, which became fully refundable under the Tax Act. The domestic income tax benefit for the years ended December 31, 2016 and 2015 are based primarily on allocations between loss from continuing operations before income taxes and earnings from discontinued operations before income taxes.

Real Industry has valuation allowances recorded to reduce certain deferred tax assets to amounts that are more likely than not to be realized. The valuation allowances relate to the potential inability to realize our deferred tax assets associated with U.S. NOLs and net tax operating losses in certain other foreign jurisdictions. Real Industry intends to maintain its valuation allowances until sufficient positive evidence exists to support their reversal. As of December 31, 2017 and 2016, we had valuation allowances of $256.1 million and $406.0 million, respectively, of which $249.5 million and $400.6 million, respectively, relate to NOLs and other net deferred tax amounts in U.S. tax jurisdictions.

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Discontinued Operations

Discontinued operations presents the financial condition and results of operations of SGGH's former businesses, specifically, NABCO and certain of Fremont's former operations. Earnings from discontinued operations, net of income taxes decreased $0.6 million to a $25,000 loss, net of income taxes for the year ended December 31, 2017, as compared to earnings of $0.6 million and $24.9 million for the years ended December 31, 2016 and 2015. The earnings of discontinued operations, net of income taxes for the year ended December 31, 2016 is primarily related to the $0.7 million reversal of SGGH's repurchase reserve liability. The earnings of discontinued operations, net of income taxes in 2015 primarily represents the $39.7 million pretax gain on sale of NABCO and the $4.8 million recovery of allowance for repurchase reserve.

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FINANCIAL CONDITION

The following table presents selected components of the Company’s consolidated balance sheets as of December 31, 2017 and 2016:

(In millions)	December 31, 2017	December 31, 2016
ASSETS		
Current assets:		
Cash and cash equivalents	$ 24.9	$ 27.2
Trade accounts receivable, net	122.5	88.4
Financing receivable	16.5	28.4
Inventories	107.3	118.2
Prepaid expenses, supplies and other current assets	33.9	24.6
Total current assets	305.1	286.8
Property, plant and equipment, net	247.5	289.2
Equity method investment	7.9	5.0
Identifiable intangible assets, net	—	12.5
Goodwill	9.8	42.2
Deferred income taxes, net	9.0	—
Other noncurrent assets	12.8	9.8
TOTAL ASSETS	$ 592.1	$ 645.5
LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)		
Current liabilities:		
Trade payables	$ 96.4	$ 115.8
Accrued liabilities	28.1	46.4
RA DIP Financing, net	103.9	—
Long-term debt due within one year	3.6	2.3
Total current liabilities	232.0	164.5
Accrued pension benefits	46.9	42.0
Environmental liabilities	10.4	11.6
Long-term debt, net	4.4	354.2
Common stock warrant liability	—	4.4
Deferred income taxes, net	2.7	2.5
Other noncurrent liabilities	7.4	6.9
Liabilities not subject to compromise	303.8	586.1
Liabilities subject to compromise	340.7	—
TOTAL LIABILITIES	644.5	586.1
Redeemable Preferred Stock	28.5	24.9
TOTAL STOCKHOLDERS' EQUITY (DEFICIT)	(80.9)	34.5
TOTAL LIABILITIES, REDEEMABLE PREFERRED STOCK AND STOCKHOLDERS' EQUITY (DEFICIT)	$ 592.1	$ 645.5

General

Total assets decreased $53.4 million to $592.1 million as of December 31, 2017, from $645.5 million as of December 31, 2016; total liabilities increased $58.4 million to $644.5 million as of December 31, 2017, from $586.1 million as of December 31, 2016; and total stockholders’ equity decreased to a deficit of $80.9 million as of December 31, 2017, from $34.5 million as of December 31, 2016. Our balance sheet changed substantially from December 31, 2016 to

December 31, 2017 most significantly as a result of the Chapter 11 Cases, a much higher metal price environment at the end of the year, and our significant losses reported in 2017.

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The following tables present the assets and liabilities of our reportable segments as of December 31, 2017 and 2016, and reconciliations to our consolidated assets and liabilities as of those dates.

	December 31, 2017		December 31, 2016	
(In millions)	RANA	RAEU	RANA	RAEU
Segment Assets				
Current assets:				
Cash and cash equivalents	$ 14.4	$ 8.5	$ 11.5	$ 5.7
Trade accounts receivable, net	105.3	17.2	76.2	12.2
Financing receivable	—	16.5	—	28.4
Inventories	71.5	35.8	79.3	38.9
Prepaid expenses, supplies and other current assets	23.6	7.8	13.7	6.4
Total current assets	214.8	85.8	180.7	91.6
Property, plant and equipment, net	141.9	105.5	195.0	94.2
Equity method investment	7.9	—	5.0	—
Identifiable intangible assets, net	—	—	12.5	—
Goodwill	—	9.8	33.6	8.6
Other noncurrent assets	8.8	3.3	5.0	3.5
Total segment assets	$ 373.4	$ 204.4	$ 431.8	$ 197.9
Segment Liabilities				
Current liabilities:				
Trade payables	$ 60.3	$ 36.1	$ 73.8	$ 41.8
Accrued liabilities	15.1	12.2	30.0	13.4
Total current liabilities	75.4	48.3	103.8	55.2
Accrued pension benefits	—	46.9	—	42.0
Environmental liabilities	10.4	—	11.6	—
Other noncurrent liabilities	5.6	1.9	4.5	1.8
Segment liabilities not subject to compromise	91.4	97.1	119.9	99.0
Segment liabilities subject to compromise	337.6	—	—	—
Total segment liabilities	$ 429.0	$ 97.1	$ 119.9	$ 99.0

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	December 31,	
(In millions)	2017	2016
Assets:		
Real Alloy North America	$ 373.4	$ 431.8
Real Alloy Europe	204.4	197.9
Cash and cash equivalents - Corporate and Other	2.0	9.9
Deferred income taxes, net	9.0	—
Other unallocated assets	3.3	5.9
Total consolidated assets	$ 592.1	$ 645.5
Liabilities:		
Real Alloy North America	$ 429.0	$ 119.9
Real Alloy Europe	97.1	99.0
RA DIP Financing, net	103.9	—
Long-term debt, net	8.0	356.5
Common stock warrant liability	—	4.4
Deferred income taxes, net	2.7	2.5
Other unallocated liabilities	3.8	3.8
Total consolidated liabilities	$ 644.5	$ 586.1

Cash and cash equivalents

Cash and cash equivalents decreased $2.3 million to $24.9 million as of December 31, 2017, from $27.2 million as of December 31, 2016. Cash and cash equivalents maintained at Real Alloy totaled $22.9 million as of December 31, 2017, an increase of $5.6 million from the $17.3 million we reported as of December 31, 2016. The increase largely relates to higher cash balances at RANA associated with increased draws on the RA DIP Financing Facility. This cash is generally for working capital needs and general corporate purposes, including debt service payments. Cash at Corporate and Other decreased $7.9 million from December 31, 2016, to $2.0 million as of December 31, 2017, as a result of the payment of corporate expenses during the period.

Trade accounts receivable, net

Trade accounts receivable, net was $122.5 million as of December 31, 2017, compared to $88.4 million as of December 31, 2016. The $34.1 million increase in trade accounts receivable is primarily a result of increased metal prices, new contracts awarded in the fourth quarter of 2017, and slower customer collections as a result of the impact of the RA Chapter 11 Case.

Financing receivable

Financing receivable was $16.5 million as of December 31, 2017, compared to $28.4 million as of December 31, 2016. The decrease is primarily due to an increase in the advances taken against the receivable, under RAEU’s Factoring Facility, which were $25.1 million and $11.3 million as of December 31, 2017 and 2016, respectively, and a lower amount of eligible receivables as of December 31, 2017, compared to December 31, 2016.

Inventories

Inventories were $107.3 million as of December 31, 2017, compared to $118.2 million as of December 31, 2016. The value of inventories decreased primarily as a result of lower inventory levels carried at RANA associated with the RA Chapter 11 Case.

Prepaid expenses, supplies and other current assets

Prepaid expenses, supplies and other current assets were $33.9 million as of December 31, 2017, a $9.3 million increase from the $24.6 million reported as of December 31, 2016. The increase is primarily associated with prepayment arrangements with suppliers and professional services due to the Chapter 11 Cases.

Property, plant and equipment, net

Property, plant and equipment, net was $247.5 million as of December 31, 2017, compared to $289.2 million as of December 31, 2016. The $41.7 million decrease is primarily attributable to scheduled depreciation and amortization during the year and a $40.5 million impairment charge, partially offset by capital expenditures and currency translation effects.

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Goodwill and identifiable intangible assets, net

Identifiable intangible assets, net, were historically comprised primarily of customer relationships in RANA, which were written down to zero as of December 31, 2017, primarily due to a $10.1 million impairment charge.

Goodwill is reported at $9.8 million as of December 31, 2017, all of which is attributable to RAEU and reflects current period currency translation adjustments. The goodwill at RANA was written down to zero via a $33.6 million impairment charge. See "Critical Accounting Policies and Estimates" in this Item 7 for additional information about goodwill impairment testing and our goodwill impairment charge.

Trade payables and accrued liabilities

Trade payables and accrued liabilities were $96.4 million and $28.1 million as of December 31, 2017, respectively, compared to $115.8 million and $46.4 million as of December 31, 2016, respectively. The net decrease in the combination of trade payables and accrued liabilities as of December 31, 2017 is largely due to the Chapter 11 Cases, accounting in accordance with ASC 852, and suppliers' unwillingness to extend credit terms to RANA.

Accrued pension benefits

Accrued pension benefits were $46.9 million as of December 31, 2017, compared to $42.0 million as of December 31, 2016. The increase was primarily driven by currency translation adjustments and a $1.3 million actuarial gain computed by our actuarial firm, partially offset by $1.0 million of benefits paid out in 2017. The pension plans are no longer accepting new participants. See Note 15—Employee Benefit Plans in the notes to consolidated financial statements included in Part IV, Item 15 of this Annual Report for additional information about accrued pension benefits.

Environmental liabilities

Environmental liabilities were $13.7 million as of December 31, 2017, including $3.3 million classified in accrued liabilities, compared to $15.6 million, including $4.0 million classified in accrued liabilities as of December 31, 2016. The decrease is primarily related to revised assumptions, including reductions to the estimated costs of remediation of environmental issues at Real Alloy's landfills. See Note 23—Commitments and Contingencies in the notes to consolidated financial statements included in Part IV, Item 15 of this Annual Report for additional information about environmental liabilities.

RA DIP Financing Facility, Long-Term Debt, Liabilities Subject to Compromise and Redeemable Preferred Stock

As of the Petition Date, the Company accounts for the bankruptcy in accordance with ASC 852, which makes comparisons of our long-term debt to prior periods difficult. As of December 31, 2017, we reported $103.9 million of RA DIP Financing, new debt obligations entered into during the fourth quarter of 2017; $340.7 million in liabilities subject to compromise; and $28.5 million in Redeemable Preferred Stock. As of December 31, 2016, we reported $356.5 million of long-term debt, including an asset-based revolving credit facility that has been repaid in full from the RA DIP Financing and $305.0 million of Senior Secured Notes (excluding any original issue discount and deferred financing costs), which have been restructured as part of the RA DIP Financing Facility with the entire amount of $305.0 million classified as liabilities subject to compromise at December 31, 2017.

The carrying value of Redeemable Preferred Stock, issued in the Real Alloy acquisition, increased to $28.5 million as of December 31, 2017, compared to $24.9 million as of December 31, 2016. The $3.6 million increase is related to accretion of the fair value adjustment to Redeemable Preferred Stock.

See Note 10—Debt and Redeemable Preferred Stock in the notes to consolidated financial statements included in Part IV, Item 15 of this Annual Report for additional information about our historic debt arrangements and new DIP financing arrangements, liabilities subject to compromise and the Redeemable Preferred Stock.

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Common stock warrant liability

Common stock warrant liability decreased to zero as of December 31, 2017, from $4.4 million as of December 31, 2016. The $4.4 million change in fair value of common stock warrant liability during the year ended December 31, 2017 is primarily attributable to a decrease in the underlying market price of our common stock from December 31, 2016 and change in our assumption of the future probability of an equity raise to zero. See Note 18—Derivative and Other Financial Instruments and Fair Value Measurements in the notes to consolidated financial statements included in Part IV, Item 15 of this Annual Report for more information about the Warrants.

Liquidity and Capital Resources

Our primary capital needs are for working capital obligations, capital expenditures, other general corporate purposes, and prior to the Petition Date, to finance and fund acquisitions. Leading up to and since the Petition Date, we also have to fund considerable professional fees associated with the administration of our Chapter 11 Cases. We assess liquidity in terms of our ability to generate cash to fund our operating activities. Factors that could materially impact our liquidity include:

- cash flows generated from operating activities;
- professional expenses to administer the Chapter 11 Cases;
- adequacy of available lines of credit;
- our ability to attract long-term capital with satisfactory terms, whether debt or equity; and
- our acquisition activity prior to the Petition Date.

As of December 31, 2017, our consolidated liquidity was $108.1 million.

Corporate Liquidity

Our holding company assets are principally comprised of stock or membership interests of our subsidiaries, cash and cash equivalents totaling $2.0 million as of December 31, 2017, including cash held at SGGH, and receivables from our subsidiaries related to various intercompany arrangements, including management fees and tax sharing agreements. Prior to the Petition Date, our principal sources of liquidity included current cash and cash equivalents, public and private capital markets transactions, funds received from subsidiaries from management fees and tax sharing payments, tax refunds and repayments of advances, and borrowings and dividends from subsidiaries, as well as dispositions of existing businesses. Our shelf registration statement, which was effective as of December 31, 2016 with $700 million of availability, was not available for use as of December 31, 2017 due to Events of Default under certain long-term debt obligations. Our principal uses of liquidity, as of December 31, 2017, are the payment of operating costs of the holding company and to support our operating subsidiaries through the bankruptcy process. Any future acquisitions, joint ventures or other similar transactions will likely require additional capital and there can be no assurance that any such capital will be available to us on acceptable terms, if at all.

Assets of SGGH are principally comprised of stock or membership interests of its subsidiaries, cash and cash equivalents, and intercompany arrangements. Its current available liquidity is used to meet short-term cash requirements, which is principally the payment of professional fees associated with litigation in SGGH's former businesses and operations, including discontinued operations. SGGH's principal source of liquidity is its current cash and cash equivalents, collections of mortgage-related assets, funds received from subsidiaries from tax sharing payments and repayments of advances, and borrowings and dividends from affiliates.

On January 24, 2018, Real Industry entered into the RELY DIP Facility, which provided $5.5 million of liquidity to support our holding company's operations through the projected Bankruptcy Proceedings. The RELY DIP Facility matures on the earliest of, among other things, November 17, 2018, the effective date of a Chapter 11 plan of reorganization that has been confirmed by the Bankruptcy Court, or acceleration and termination of the RELY DIP Facility due to an event of default under the RELY DIP Credit Agreement or Bankruptcy Court order for the RELY DIP Facility. The terms of the RELY DIP Credit Agreement provide for the RELY DIP Lenders to sponsor a plan of reorganization for Real Industry. The terms further contemplate the RELY DIP Lenders' entry into definitive equity purchase agreements pursuant to which the RELY DIP Lenders, or their affiliates, will purchase up to 49% of the Company's common stock at emergence from the RI Chapter 11 Case for $17.5 million, inclusive of the repayment of the RELY DIP Facility. Such amount is believed to be sufficient to satisfy claims under the Bankruptcy Code and provide liquidity for the Company at present.

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Real Alloy Liquidity

As of December 31, 2017, Real Alloy had total liquidity of $106.1 million, including $22.9 million in cash and cash equivalents, $28.4 million in availability under the RA DIP ABL Facility, $45.0 million available under the New Money DIP Term Notes, and €8.2 million ($9.8 million) in availability under its Factoring Facility. Based on our current and anticipated levels of operations and the conditions in the markets and industry for Real Alloy, we believe that Real Alloy's cash and cash equivalents on hand, cash flows from operations, and availability under the RA DIP Financing and Factoring Facilities will enable it to meet its working capital, capital expenditures, debt service, and other funding requirements for the next twelve months. However, its ability to fund debt payments and other obligations, and to comply with the financial covenants under its current and future debt arrangements, depends on its future operating performance and cash flows and many factors outside of our control, including the costs of raw materials, the state of the overall aluminum industry, financial and economic conditions, and other factors, including those described under "Risk Factors" in Part 1, Item 1A of this Annual Report.

As of December 31, 2017, approximately $15.2 million of Real Alloy's cash and cash equivalents were held by its non-U.S. subsidiaries. We currently have no plans to repatriate foreign earnings, which are expected to be permanently reinvested.

If either the Real Alloy Debtors or the Company trigger an event of default under their respective DIP financing facilities, if their DIP financing proves insufficient to fund their respective operations, or if the Debtors are unable to timely consummate their contemplated Chapter 11 strategies, the Company and/or Real Alloy may not be able to continue as a going concern. There can be no assurances regarding the Company's ability to successfully develop, obtain approval for, and effectuate the RI Plan, an alternative plan of reorganization or an alternative restructuring transaction, which satisfies the conditions of the Bankruptcy Code and is authorized by the Bankruptcy Court. Similarly, there can be no assurance of Real Alloy's ability to successfully close the Section 363 Sale, or develop, obtain approval for, and have confirmed, a plan of reorganization or alternative restructuring transaction, which is approved by Real Alloy's DIP lenders and creditors, satisfies the conditions of the Bankruptcy Code, and is authorized by the Bankruptcy Court.

Cash Flows

The following table summarizes net cash provided by (used in) operating, investing and financing activities for the years ended December 31, 2017, 2016 and 2015. The following presentation and discussion of cash flows reflects the combined cash flows from our continuing operations and discontinued operations.

	Year Ended December 31,		
(In millions)	2017	2016	2015
Net cash provided by (used in) operating activities	$ (12.9)	$ 9.3	$ 93.2
Net cash used in investing activities	(24.4)	(54.5)	(473.3)
Net cash provided by financing activities	36.7	35.0	358.0
Effect of exchange rate changes on cash, cash equivalents, restricted cash and restricted cash equivalents	0.7	(0.4)	(0.3)
Increase (decrease) in cash, cash equivalents, restricted cash and restricted cash equivalents	0.1	(10.6)	(22.4)
Increase (decrease) in restricted cash and restricted cash equivalents	2.4	(2.0)	4.7
Decrease in cash and cash equivalents	$ (2.3)	$ (8.6)	$ (27.1)

Cash flows from operating activities

Cash flows used in operating activities were $12.9 million during the year ended December 31, 2017 as a result of a net loss of $120.8 million during the period, offset by significant noncash expenses, including depreciation and amortization of $45.1 million; $33.6 million of goodwill impairment; $10.1 million of identifiable intangible asset impairment; $40.5 million of property, plant and equipment impairment; the amortization of $7.6 million of debt issuance costs; $2.1 million of share-based compensation expense; and a $6.0 million noncash reorganization item. Partially offsetting those noncash charges, was $4.4 million of noncash income related to the change in fair value of the common stock warrant liability and a $8.9 million deferred income tax benefit. Additionally, there was $21.0 million of cash used in the changes in operating assets and liabilities, which are primarily related to the operations of Real Alloy.

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Cash flows provided by operating activities were $9.3 million during the year ended December 31, 2016. Despite a net loss of $102.6 million for the period, there were significant noncash expenses during the period, including depreciation and amortization of $48.6 million; $61.8 million of goodwill impairment; the amortization of $5.1 million of debt issuance costs; $3.6 million of share-based compensation expense; and the amortization of $1.1 million of the purchase accounting adjustment to inventories and prepaid supplies. Partially offsetting those noncash charges, was $2.4 million of noncash income related to the change in fair value of the common stock warrant liability. Additionally, there was $6.4 million of cash used in the changes in operating assets and liabilities; and $0.6 million of earnings from discontinued operations, net of income taxes and a $3.9 million deferred income tax benefit.

Cash flows provided by operating activities during the year ended December 31, 2015 were $93.2 million, and were primarily related to the operating results of Real Alloy and other changes associated with the Real Alloy Acquisition, including $89.8 million of cash provided by the changes in operating assets and liabilities.

Cash flows from investing activities

Cash flows used in investing activities were $24.4 million during the year ended December 31, 2017, primarily related to capital expenditures at Real Alloy.

Cash flows used in investing activities were $54.5 million during the year ended December 31, 2016, primarily related to the Beck Acquisition, which used $23.6 million, and $30.8 million of capital expenditures.

Cash flows used in investing activities during the year ended December 31, 2015 were $473.3 million, including $524.5 million to acquire Real Alloy and $26.0 million of capital expenditures, partially offset by $77.9 million of proceeds from the sale of NABCO.

Cash flows from financing activities

Cash flows provided by financing activities were $36.7 million during the year ended December 31, 2017, which included $103.2 million from the RA DIP Financing and $159.6 million of advances on the Prior ABL Facility, net of $219.8 million of repayments on the revolving credit facilities, term loan and capital leases.

Cash flows provided by financing activities were $35.0 million during the year ended December 31, 2016, which included $130.0 million of advances on the Asset-Based Facility, net of $97.8 million of repayments on the Asset-Based Facility, term loan and capital leases.

Cash flows provided by financing activities during the year ended December 31, 2015 were $358.0 million, which included $290.2 million of net proceeds from the issuance of the Senior Secured Notes, net of original issue discount and debt issuance costs, proceeds from the Asset-Based Facility of $126.1 million and $63.3 million of net proceeds from the issuance of common stock. These fundings were offset by the repayment of NABCO debt totaling $14.3 million, and $108.3 million of repayments on the Asset-Based Facility and capital leases.

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Contractual Obligations

Contractual obligations as of December 31, 2017 are summarized by contractual maturity in the following table:

(In millions)	2018	2019 - 2020	2021 - 2022	After 2022
Real Industry, Inc.:				
Redeemable Preferred Stock	$ 2.6	$ 32.8	$ —	$ —
Real Alloy:				
RA DIP Financing	107.9	—	—	—
Roll Up DIP Term Notes (subject to compromise)	170.0	—	—	—
Interest on RA DIP Financing Facility	9.4			