Alcoa Corporation

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CORPORATE PARTICIPANTS

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PRESENTATION

Roy Harvey

I realize this is probably a breakfast slot for many people, so feel free to have your breakfast. What I'd like to do is give you a quick spin around Alcoa. Tell you very briefly who Alcoa is and what we're doing. Connect that to what's happening in our industry and particularly around some of the decarbonization efforts that are happening both inside of Alcoa and more broadly for the industry. And then, tell you a little bit about why Alcoa is the right company when you think about the future world that we're quickly approaching, and so that's a lot to cover over about 20 minutes. But I want to make sure that everybody has a good base load understanding of who Alcoa is, and then we'll jump into questions and answers.

I spent a little bit of time last night trying to think about, first of all, the last time I was on this stage and I actually think it was this ballroom two years ago. I think we're in the same one-on-one room that we've had for the last several years. So two years ago, we did this conference physically. Last year, we did this conference virtually. Dave, it's a great conference, so thank you for hosting us. As I looked back at those presentations, what struck me were two things. Number one, we covered a lot of the same themes. So two years ago, we were just getting started on this new revitalization push for Alcoa. We've been a standalone company now for more than five years, but we hit a lot of the same themes. Obviously, we were just getting started on the COVID express train. So that was all relatively new. We were in the midst of talking about how that could impact our business. And in fact, it was our last physical interaction for our company for a very long time outside of operations.

Last year was about really starting to get into that vaccination moment. And then this year, while we're talking about the same themes, while we're covering a lot of the same topics, I would argue, and I'll show you a little bit why Alcoa is fundamentally different. It's fundamentally different from two years ago, and it is almost a different company from five years ago. A lot of this is the blocking and tackling and work that we've been doing operationally, financially, across the ESG spectrum as well. But I would also say that the markets that we see today, the push towards decarbonization, towards how you make sure that you're doing the right thing in all of your activities as a company is absolutely critical to success in the aluminum industry today and metals and mining industry today as well. And so, again, it's been a pretty interesting road, but the changes that we've made, the dynamics in our market really convinced me that this is a great opportunity for Alcoa. It's a great opportunity for aluminum in general.

So let me start out with just a brief reflection about Alcoa, one of the great things that I've seen, and this is something that I've been able to experience traveling around and meeting Alcoans around the world, is that our Alcoans are focused on making this company better. They're focused on taking our bauxite resources, on making sure that our talented individuals can improve, on ensuring that our operations, the workforce looks like our

communities, but they bring a strength of resolve to transform the potential strengths that we have and to turn it into real improvements to turn it improvements for our shareholders, improvements for our communities and to really strengthen Alcoa. That is fundamentally what makes our Alcoans special.

We stretch around the world, Dave gave a good introduction. You can see the map up here. A lot of what we can bring to how we operate our refineries, our smelters, our bauxite mines is that the specialization, the intelligence, the intellectual capacity we can bring from around the world. On the right side, just a very brief overview of who we are from a product standpoint, we go all the way from the bauxite mines to alumina refineries into aluminum. That is a fundamental opportunity for us, given the fact that as we look to decarbonization, to decarbonize these pathways in the production of aluminum, it gives us the opportunity to actually make improvements along that chain. And we're going to talk more about that here in a few minutes.

Bauxite, very briefly, it's a first quartile cost curve position. It tends to be focused on serving our own refineries, that allows us to optimize the resource for the long term and it also helps us to optimize the refineries themselves. Technologically, technically, to really run, drive that forward, make improvements and fundamentally ensure that we are cost efficient across everything that we do. I'm also very proud of the way that we interact with our communities. We operate in sensitive areas in Bauxite. I think it's a core competence of Alcoa.

From an alumina perspective, we're also in the first quartile in alumina. We are the largest third-party seller. We're the largest operator outside of China. We have a depth of experience and the team from Western Australia to Spain to Brazil, a team that really knows how to run these refineries very well. It is a complex process. We are the lowest emitter of carbon dioxide per ton across all global refiners; that is a core competence for us right now, but is also going to help be that pathway to the future.
A lot of our alumina business, while some of it we use internally for our aluminum business, a lot of that is also sold to third parties.

From an aluminum perspective, this is the place where we have more transformation still ahead of us. Right now, we find ourselves in the second quartile of the cost curve. We're pushing our way down to the first quartile. We're currently at 81 percent renewable energy sourced. We're moving that up to 85 percent, and this is where we can more closely connect with our customers and drive towards those products, those expectations around ESG of the future.

So, that brings me to a very brief description of some of the new green products that we've been working on. And let me start at the very bottom right of this slide just to briefly mention that when we think about our products, when we think about our footprint and the way that we approach our markets, it's absolutely critical to think about all those different interactions that happen. The way that we are working with our

communities, the social programs that we run, how we then certify, doing the right thing each and every day, we work through the Aluminium Stewardship Initiative, ASI, this is a certification process that looks at the connection of the flow chain, but also individual operations. It helps to certify that from an aluminum perspective, we're doing things in the right way.

We're also a member of the International Council on Metals and Mining. Very much part of all the work that's being done, tailings and residue to make sure that we are future safing the mining business for this world. To me, those helped to represent our commitment to doing things the right way.

From a product perspective, let me start with alumina and work my way down. We are the first low carbon alumina brand, the first supplier of low carbon alumina around the world. We call it EcoSource™. It is really the only way that a smelter, a third party smelter, can fundamentally shift their carbon footprint just by choosing the right alumina. We're just in the midst of building this business right now.

On the aluminum side, we have two sets of products. We have EcoLum™, which is low carbon and that is low carbon across the value chain, from bauxite to alumina to aluminum. That is something you should very much have in mind, and I can tell you is very much on our customers' minds. And EcoDura™, which is recycled content. These products are helping to create and form and build that customer demand for a decarbonized set of products, decarbonized or recycled content. The great thing about aluminum is that it's absolutely part of this new expectation around a circular economy. It has been that way for years driving recycling and driving reuse and trying to upscale these products as well.

On the right, and again, very briefly, these are the carbon curves of our alumina and aluminum industries. The aluminum chart shows it perfectly. When you think about the amount of carbon in the different producers, in the aluminum that they produce, there is a cliff and almost half or more of the industry is carbon heavy and that carbon heaviness is driven by coal-fired power. Now, a lot of that sits in China, not all of it. But as we look at the changes and developments in our industry, we need to very clearly realize that as we work to decarbonize, as we work to fundamentally shift this industry and as our customers expect low carbon products, there's a bunch of smelters that simply cannot meet that demand. You can see where EcoSource and EcoLum, where they rank in those two graphs, extremely low. And we're not satisfied with where we find ourselves there either. We have more work to do and we're going to talk more about that also.

I talked about this in the beginning, so I'm not going to belabor the point. The Alcoa you see today when we launched five years ago is fundamentally different. All I want to say here is that we started out with a very simple idea to really get rid of all the complexities because we needed to be cost efficient, we needed to be as low on the cost curve as we possibly

could. That's the mantra that we have inside of our operations. But more importantly, in all of our overhead functions, we ask ourselves each and every day, does this contribute to making our operations and our companies stronger, because it is such a competitive marketplace, we need to be low cost. We also look at how we can take advantage of the Alcoa way of trying to do things right from an environmental, social and governance perspective. We always make sure that these values are represented no matter where we work.

And as we look at those ESG trends and we think about the strengths that Alcoa has and how we've done things for these many years and we look at how the world is changing and adapting, how dynamic it is and the expectations now that we have inside of our communities, the expectations we're hearing in the one-on-one rooms and with investor meetings, they are skyrocketing. And so, the fact that we built on this firm foundation of ESG values and western style governance, we have this solid foundation. We have more to do. There's no doubt about it. We see that as we interact with ASI and ICMM, but we have the opportunity to continue to take advantage of these core strengths of Alcoa and then adapt them to this dynamic and changing marketplace.

Which brings me to the next section of my talk. Again, it's going to be relatively quick. We are focused not just on looking at who we are today. We've got this great platform, this great springboard, a significantly improved balance sheet, but we're looking about how we can take those strengths, understand the market as it exists today, think about where that market is going and then make sure that we have tooled and prepared and driven Alcoa to be successful in tomorrow's world. We are not happy with where we find ourselves today. We choose to recreate, to reinvent and to really run forward, so we can show our customers, we can show the world, what really good, great low carbon aluminum can look like.

Let me start with some very simple facts about the market. Important to keep in mind and it's always interesting at the BMO conference is what metals are the favorites. From an aluminum perspective, it is infinitely recyclable. It is up scalable when you recycle. It is lightweight. It can be made incredibly strong. And we happen to find ourselves in a position where supply and demand, we're sitting in a small deficit when it comes to aluminum. That means, we're continuing to drawdown on inventories. You can see the pricing environment behind me. You can also see that ratcheting down of inventories to a point, where we expect to find ourselves, at the end of this year, at 42 days of inventory, which we have not seen since before the global financial crisis back in 2009.

A fundamental shift in the industry, it demonstrates the resilience and strength of demand. It also demonstrates that it's becoming harder and harder to find where that next supply will be coming on. So again, a few more facts about our industry to show you a little bit about what's happening. On the left side, really, just to illustrate over the course of this decade what's happened from a new supply standpoint. You can see for the first half of the decade, supply was coming on very quickly. This second

half, it's becoming more difficult, more challenging to bring that new supply on. And this is really before you started to see these de-carbonization expectations.

So many new facilities were brought online next to a coal fired power station. That was the way that this industry grew so quickly. Luckily, we had very strong demand as well, but that's where the new supply has come from. Taking that lever away and really thinking about how we drive forward as an industry to the supply that's needed is the fundamental question that we have in front of us. On the bottom here, we're also illustrating the excitement, the uncertainty that sits inside of our energy markets. Think about European energy right now, and I realize there's a whole set of reasons around this, but in the end, that increase in costs fundamentally shifts the competitiveness of European smelters. And that is just emblematic and symbolic of the types of uncertainties that we could see over these next decades, and it makes the ability to bring on new supply very difficult. On the right side here, you can see we're looking out at demand in 2030, thinking about what exists today from a production standpoint, how much new capacity needs to come online. You can see that new capacity in the bottom right. What you need to read from here: A, there's not enough capacity currently in the drawing book, and it takes a few years to bring a new smelter online; and B, there's a number of new coal-fired facilities that are still in the planning stages. Will those actually come to fruition? The world has fundamentally changed. We see it changing in front of our eyes day after day. It means that from a supply demand perspective, this is a very healthy industry.

So, this gets to the heart of where we think Alcoa can make a fundamental difference long into the future for our company and for our industry. Again, I talk a lot about decarbonization. I realize climate change, what companies are doing in order to reinvent themselves, is on everybody's mind. As we thought through the trends that we were seeing in the external marketplace, as we saw our ambition to reach net zero in 2050, as we thought through what we need to do to decarbonize that next ton of aluminum. We sat down and thought about what do we need to do as a company to make this happen? And that's what you see here in this chart. It's a very simple, simple demonstration broken into a few different pieces. Portfolio change, I think everybody can get your mind around. That's essentially as you repower a smelter, you choose the right renewable fuel source. You find optionality inside of your existing assets, you change your portfolio to make sure that you are moving away from carbon fuels and moving into renewable fuels. It's a big chunk, there's still more work that we need to do on that aspect. But we understand how to do it. And in fact, Alcoa is pretty good at working to improve our operating smelters and refineries as they stand. It's one of the things I'm most proud of.

The next column is ELYSIS™. For those who've not heard of ELYSIS, it is the joint venture we have with Rio Tinto that is creating the new technology to eliminate carbon completely as a direct emission from aluminum smelting. So, if you connect ELYSIS to a renewable power source, you have decarbonized the production of aluminum, instead of emitting carbon

dioxide because you use carbon anodes, you're now emitting pure oxygen. This is a fundamental shift, and I'll tell you, Alcoa, this is the original way Alcoa wanted to start this process 130 ago, we just never were able to figure it out. We've been actively working on this project for decades. We have been able to really run forward and build acceleration and momentum recently to drive forward and solve the problems, the problems of quality and the problems of cost and efficiency.

When we started putting this project together, the expectation was to be able to build a technology that could compete with conventional technology from a financial perspective, without assuming that carbon prices would be high or that the world would demand decarbonization. As we built this process, we're able to reduce our operating costs by 15 percent. We can drive 15 percent more productivity in the size and location of those cells, and we're looking to also find ways to lower the capital cost, which means this is a winning process. Even before you start to consider green premiums, or start to think about what carbon pricing could do from a cost curve perspective. That is our next lever and is a very important one that we'll be driving in order to drive carbon out of our products. The next one is what we call Refinery of the Future. This is really a couple technologies at a very simple level, as well as some other activities that we're doing. Mechanical vapor recompression, where we capture the process heat, turn it into steam, and therefore can take away carbon-based fuels; or electrical calcination, where you essentially move your calciners over to an electrical grid. That allows us to squeeze the carbon emissions out of the refinery process.

And on the mining side, although this is very small, obviously, there's a lot of really good development from a technology perspective in order to electrify those mining trucks and squeeze carbon out of there.

The important thing here, the important thing is that we have a roadmap based on research and development. So, there is a lot of work that has to go in here in order for us to solve these problems and to solve them economically and financially. We have a roadmap to get down to zero and we are running forward on that roadmap.

And I would also argue that, as we think about this, this opportunity to build our circular economy, we're also focused on scrap. We have a project called ASTRAEA™. It is our next generation of taking post-consumer scrap, which there is plenty, and turning that into a better quality aluminum than even we can produce inside of our smelters. That again, it's in the very early stages, the bench scale R&D testing. It has the opportunity to create a great business for Alcoa, has the opportunity in order to help drive this future circular economy inside of aluminum.

Capital allocation, I would say one of the one of the favorite questions we're getting in all of our one-on-one meetings is what we do with the excess cash. In the world that we're living in today, yes, we're spending on R&D. Yes, we're spending on sustaining capital. We're keeping our plants as well well-tuned as we possibly can. A lot of commitments, but in today's world,

in the pricing environment where we find ourselves, we're also generating a lot of cash. So, we've tried to make our capital allocation policy very simple. It is a real debate and discussion inside of our boardroom, how we approach capital allocation. You've seen our first steps. Not only have we declared last quarter our first $0.10 dividend. We just declared our second quarterly dividend. You should read into that and my CFO Bill says this very nicely: you should read into that an expectation that we have fundamentally changed the company to be able to provide this dividend consistently into the future.

And on top of that, we've built a share buyback program $150 million. That was a program that we completed by the end of last year, another $500 million that we have outstanding. Returning cash to shareholders is critically important to us. There's two other levers though: we continue the portfolio transformation. We've talked a little bit about that already. And finally, we need to prepare our platform. We need to push forward our R&D projects, so that we can be prepared for growth and not growth for growth's sake, not whatever growth that we can do so we can be a bigger company. We're focused on simplicity, we're focused on shareholder value. We want that growth to be economically, financially, attractive and to deliver on what our customers and our markets require.

So, bring it all together, we'll jump into Q&A. In the end, when I think about how we've changed this company, Alcoa is so much stronger than it has been. It is the right platform. We are the right company. When I look at how this industry is changing and in fact, what our market now expects of us, that just happens to fit with who Alcoa is today and who we're going to be tomorrow as we work through these R&D projects. We are in the right industry, and we are the right company. And as we see these things change so quickly, now is the right time to be working on each of these projects. Now is the time to really take advantage of this incredibly strong foundation that we've built. I'm so proud of what Alcoa has been able to do, but man, there's so much more coming. So, stick with us and you're going to see these changes happen very quickly.

Dave, ready for some questions.

David Gagliano All right. Thanks very much, very compelling presentation. Appreciate all the information. We are taking questions from the app. We also only have three minutes left, so I'm going to try and fly through. I got three questions I'd love to address, also consolidating those that have come in on the app. One secular, one cyclical, one cost related. Okay. So, on the secular side, very compelling story on primary aluminum deficits that we're starting to see play out. Alcoa, historically, has been part of the solution for that. In recent presentations, recent meetings, the focus has been ELYSIS. No new capacity, and that's probably, I don't know, three to five years out. Is there any potential for either fast tracking ELYSIS or, in fact, adding capacity from the conventional way from an Alcoa perspective in the interim?

Roy Harvey Okay. Perfect. So, from an Alcoa perspective, we're working on ELYSIS as quickly as we possibly can. We're right now in the phase of scaling it up, where we're constructing our first three industrial-sized pots that will demonstrate that this technology will be ready. Now, can we move that more quickly; we're going to move as quickly as we possibly can because this is the technology of the future. And we are so certain that ELYSIS is the technology of the future that we choose not to invest in conventional technology, be that brownfield or greenfield capacity. We're just not going to do it because by the time you design and start to construct, ELYSIS as a package will be ready to go.

David Gagliano Okay. Thanks very much. On the cyclical side, lot of talk now with the supply interruptions out of Europe. Can you comment indirectly what the impact and/or perhaps directly what the impact is for Alcoa and your views on the market in general for aluminum?

Roy Harvey Yeah. So, from an Alcoa perspective, and just to deal very clearly with the invasion of Ukraine, from Alcoa, we don't have many direct impacts. We do have some sales that happen into some Russian companies. We're in the midst of determining how we deal with that as a company. So, direct impacts, relatively small and immaterial. From an indirect standpoint, in what happens with the market if sanctions change, as we see that market developing, of course, Alcoa is going to react to that. It has the potential to tighten the markets in both North America and Europe because you have so much Russian metal that comes in. You have the knock on impacts of what's happening from a power price standpoint inside of Europe, that also has some impact on Alcoa, but also more so on operating smelters that don't have the protection of long term contracts. And then the broader demand equation as well.

Structurally, so stepping away from the current uncertainty in this environment, structurally, we've seen so many changes and a lot of those coming from China, where we really see improvements. We see that there simply isn't enough new supply coming on to satisfy what is very strong demand and very strong demand across the entire economy.

David Gagliano And then the follow-up, the early read on implications through the supply chain. In your opinion, more impactful in terms of the Russia situation, more impactful for alumina or aluminum?

Roy Harvey Yeah, I mean, that's a good question. I think early indications are that right now, alumina is impacted. We have seen one refinery come down, so that in a world of alumina where you have very little inventory, that means you already have a tight environment. Alumina is a pricing mechanism where you can see each one of those vessels being priced as the production is happening. And so, I think we can see that response happened very quickly. And I think that will feed into what overall happens to our market. But at the same time, and I don't mean to go over, at the same time, what could happen from the metal standpoint is going to depend on how the sanctions regimes develop and then how that logistics chain might change.

David Gagliano Okay. And then just one last question on cost pressures. Can you just comment on the just generally speaking, cost pressures. And if you can drill down into timing and how it flows through your results?

Roy Harvey Yeah, and I'll keep this pretty high level. The fact is there is inflation that is occurring across this environment. There's just no way about it from a raw material standpoint. You can see that cost inflation to a certain extent inside of alumina for aluminum smelters. That's part of the cyclicality that we have in our business and typically within one or two quarters, as you see, aluminum prices coming up, you tend to see that cost inflation occur. And so, that is part of doing business in aluminum. One of the great things about being a global supply chain is that we're able to adapt. We're able to adapt to uncertainties. We can change our suppliers, but at the same time, it allows us to make sure that we can try and find what is the lowest priced material that we possibly can.

David Gagliano Okay. I'm going to throw in – there's a bonus question. We'll skip the cost stuff. The last question. I know we're running, we're getting close, but we got time for one more. This is from the app obviously. Current price is generating a lot of cash, a lot of EBITDA. I know you've generally talked, touched on it. But is there a way to frame more about how you would weight near term allocation of free cash flow in terms of managing investor expectations in the near term?

Roy Harvey Yeah, I think you should read into our policies and you should read into what we've been doing with our cash to date. We have a debate inside the boardroom. We tend to always go back to our capital allocation policy to look at those three buckets and make sure that we're living up to what we say. And so, our balance sheet is fixed. It's actually where we want it, we have the opportunity then to decide in this interim before we have any large projects, because we need ELYSIS to be successful and refinery of the future to be successful. In the interim, we're going to follow that policy. And you should look at the dividend and the share buybacks that we started in the fourth quarter. You should look at that as what is a good predictor of things to come.

David Gagliano Okay. On that note, we're going to wrap it up. Thanks very much.

Roy Harvey Good. Thank you, everybody**.**