Alcoa Corporation

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CORPORATE PARTICIPANTS

Molly Beerman – *Executive Vice President and Chief Financial Officer*

OTHER PARTICIPANTS

Moderator – *Analyst, Citi*

Moderator: Alright, let's get this next one started. Thank you for joining. My name is John and I am Citi's Industrial's Specialist. I am joined with the CFO from Alcoa. Molly, great to have you with us.

I am going to open the floor with a very broad question on 2024. Very productive year, lots of stuff achieved across the portfolio, the Alumina acquisition, resolving the bauxite situation, the San Ciprián deal. As we think about 2025 and 2026, what's left?

Molly Beerman: To close out 2024 it was indeed a productive year for Alcoa. If you think back to this, this time last year we were just securing our mining permits in Western Australia. We announced taking action to find a solution for our San Ciprián operation in Spain. We announced the curtailment of the Kwinana refinery. We issued our first green bond. We also announced and closed the Alumina Limited acquisition. We announced our agreement to sell our stake in the Ma'aden joint venture. We also have started to really rebuild the culture for the company to be a high performance focused. As we look at closing out now 2024, we have three main focus areas. The first is safety. We've made some great improvements in safety in 2024. No fatalities, no serious or life-altering injuries and we intend to keep that throughout the rest of 2024 as well as into 2025.

Our operational stability has improved tremendously in 2024. We're going to meet our targets for production and shipments for the year, and we're taking advantage of the high sales prices and dropping that to the bottom line.

Last, if you saw the notice last week, we did start to repay some of our debt. We repaid $385 million. That was the debt that we acquired with the Alumina Limited acquisition. That was their revolving credit facility which we've since cancelled and we'll continue to de-lever as we go forward.

As you look ahead to 2025, safety will again be a priority. We'll need a step change. We made a lot of improvement in the last two years, and next year we want even more.

Operational excellence. We are relaunching our Alcoa business systems model internally in 2025. We're going to further progress Spain. So, we found a path forward and now we need to execute on that. We do have a growth plan, very targeted growth agenda, and we'll announce those as - when the time is right into next year.

We'll continue our journey to rebuild the high performance culture. And finally, we're going to focus on the execution of our capital allocation. Again, that repayment, repositioning of debt and then looking at when we do have excess cash, how do we deploy that through our framework, which has three principles. In no particular order, our returns to shareholders, our transformation of the portfolio as well as positioning for growth.

Moderator: All right. Touched on a lot of the questions as they will be our topics I will be following up on. But one specific thing that kind of jumped out the comment was the bottom line there. So, I'm going to start with the near-term question that everyone in the room always loves to hear is any specific comments on the quarter, near-term market conditions?

Molly Beerman: Okay. So, with regard to our outlook for the quarter in the current environment, as well as our expectations for the fourth quarter, we have included an updated business consideration slide. It's in the deck that we posted this morning on our website.

Using our sensitivities that you'll see that we have considerable sequential benefits related to the higher aluminum and alumina prices. But I'd like to highlight a couple changes to our performance items.

We expect a net unfavorable impact of $20 million in EBITDA performance within Alumina that includes a $50 million unfavorable impact from a non-cash write-down of certain inventories to their net realizable value. During the quarter, we determined that is no longer economically feasible to extract a raw material and recycle it from a residue storage area at one of our refineries.

Within Aluminum we have a $30 million favorable impact from the retroactive application of the IRA benefit that goes back to 2023 as well as the first nine months of 2024. We do expect to receive about half of the $30 million benefit that we had been discussing earlier, what we had hoped to get in the second tranche of IRA funding. We did not get the full amount because not all direct materials were included in that base calculation. Going forward, you will see the IRA benefit will deliver approximately $3 million to $4 million of benefit per quarter, and that goes directly to support our Massena, New York smelter, as well as our Warrick, Indiana operations.

As you're using your models to update with the sensitivities we provide, please consider the impacts from the higher average alumina price for the quarter, as well as the recent volatility in foreign currency rates. The aluminum segment will have additional alumina costs of about $30 million for the quarter. So, we're moving from our original estimate of $80 million to $110 million.

For intersegment eliminations, our previously stated guidance of an additional $30 million expense in the fourth quarter due to higher profit retained in inventory related to changes in production cost and volumes on hand still stands. But we'll also expect alumina price impacts to be on the lower end of the sensitivity provided, given the significant increase in price this quarter.

On the other expense that's below EBITDA, we have an unfavorable currency impact of about $35 million related to our BRL positions. Those

are the numbers realized through quarter-to-date November. That is separate from the currency benefits within EBITDA, which you can calculate based on the sensitivities provided.

Lastly, with the higher earnings for the quarter, we estimate that our tax expense will be $20 million higher. So originally, we guided from $120 million to $130 million. We're updating that to $140 million to $150 million, again on the higher earnings projection.

Moderator: With that, why don't we jump into some of, I guess, the market conditions? And maybe let's start with Guinea bauxite and what's going on there. Any, I guess, color and thoughts on what's happening in resolutions?

Molly Beerman: So EGA's bauxite mining subsidiary, GAC, does have an export restriction imposed by the customs group there. Just to put a size on that, so, GAC does produce 13 to 14 million metric tonnes of bauxite per year. That's about 10% of Guinea's entire supply and about 9% of the bauxite flowing into China. We did actually make a recent visit to Guinea. We do not have any of those restrictions coming out of our CBG joint venture, so we are able to export. But as you look at the impacts of that, the tight bauxite market and blow to China, that absolutely could further impact the alumina market and the tightness there. We don't have any detail on when that might resolve but beyond what you're already seeing in public.

Moderator: I guess to follow up on that, you know, broadly speaking, how is that $700-plus alumina affecting the aluminum market, in terms of smelters and price pressures?

Molly Beerman: Our calculations outside China, we think about 15% of the smelters are underwater with the API up over $700 and certainly at today's pricing around $785. When you look at the smelters on the higher end of the cost curve, they're going to be fully exposed to the alumina costs. The smelters at the lower end of the cost curve probably have either LME-linked contracts for their alumina supply or they're part of an integrated system where they're receiving alumina at cost.

When you look at when will the smelters start curtailing, RUSAL has already announced curtailments. Generally, historically, you will see producers hesitate to curtail because of the high costs. It costs a lot to take down the smelter. It's extremely expensive to restart a smelter. Alumina price spikes typically have not lasted that long, so that you'll see a lot of them hold on for a while, as long as they can before you'll start to see curtailments in smelting. However, I do think we will not see the ramp-ups and restarts that might have been planned into 2025 until you see the alumina price subside.

Moderator: I suppose the next question, does Alcoa plan to revisit any of your alumina curtailments?

Molly Beerman: So we have capacity. We just curtailed Kwinana and the decision there was really related to the low bauxite grade. So Kwinana is our oldest refinery in the WA system. It's running on old technology. It doesn't have the kind of efficiencies that we have at Pinjarra and Wagerup, that have still been able to run profitably with the diminished bauxite quality. For Kwinana to restart, we'd have to have access to the new mining regions. So, at this point, Kwinana has released all of its staff. For the most part those folks have gone on to retirement or other jobs. So, it would be difficult even to pull them back, but we don't see restarting Kwinana in today's scenario. We do have the San Ciprián refinery in Spain running at half capacity and there we would like to ramp up, but we are waiting on a permit to do some work on the residue storage area there. As soon as we have line of sight on getting that approval, we will restart there.

Moderator: Just, I guess with the world changing post the November elections, I'll start on some topics there. Maybe we will just start with the headline of what does Trump mean for your Untied States operations?

Molly Beerman: So, it's interesting. So, President elect Trump has indicated that he will impose a 25% tariff on any products coming in from Mexico and Canada, an additional 10% duty on Chinese goods. So, this will be interesting to see how this actually plays out over time. As you look at, typically tariffs and aluminum do raise the Midwest premium, we saw that with the Section 232 tariffs. Those have been very beneficial to us and we have about 960,000 metric tonnes being produced in Canada. We have just under 300,000 tonnes in the United States. All of that receiving the 10% tariff, say, on an average LME of $2,500 and you're looking at a benefit in premiums of about $300 million.

Now, this tariff and how it applies to Canada, we'll see how that that equates. It could end up being negative for us because we have three times the volume coming out of our Canadian system than we do our United States. But, Alcoa has 135-year history, we've worked with many administrations. We're very active in advocating with the legislators, with the contacts within the administration, as well as the Aluminum Association. So, we'll provide our data and we'll run our scenarios and make sure they're aware of the impacts to our business.

Moderator: Well, in the same vein, let’s go with China removing their 13% export tariffs on semis and maybe their views on China’s cap on aluminum capacity?

Molly Beerman: So, that action just starts in December and that will apply to about six million metric tonnes of semi-finished goods. So, your sheet, your plate, your rod, et cetera. Now, when the Chinese semis become basically less profitable, we expect to see less exports then coming out of China.

So, for Alcoa or producers outside of China, we do see generally higher LME prices related to this action or expecting lower imports. So, we should

have more demand to be filled by the producers outside of China. We do think about this though, on the long-term basis as well, though. We would expect that China would start to put out more finished products where they still will get the VAT rebate, and in turn, that over time could lower overall demand for aluminum. So perhaps short-term benefits, but long-term will remain to be seen how that balances out.

Moderator: And then sticking with regulations, maybe not tariffs. The impacts from 45x now that it's regulations have been solidified, how does that carry forward for you, 2025 and beyond?

Molly Beerman: So, we were delighted to see those rules come out well in advance of the end of the year as I mentioned earlier in my opening comments, we will have a $30 million pickup in the fourth quarter. That's our catchup from 2023 as well as the first nine months of 2024. If you think about that benefit going forward into 2025, it'll be about $3 million to $4 million per quarter, going forward.

Moderator: You touched on the San Ciprián smelter earlier. Just I guess, more detailed thoughts on the negotiations and timelines?

Molly Beerman: So, in October, we announced that we are working on a partnership with IGNIS. And IGNIS, they are a local integrated energy, renewable energy developer. We had gone through the sale process trying to sell the whole complex. It did not result in a successful buyer, but this partnership emerged as a potential solution for San Ciprián. We're continuing to progress our discussions. The partnership is conditioned on participation from all the stakeholders to achieve viability for the site.

We're working closely with the governments, trying to get the memorandum of understanding documented, and that will basically outline the benefits and support that they'll be providing in terms of CO2 compensation as well as the permit for the residue storage area that I mentioned.

We're speaking with the unions to enable access to restricted cash. We have about $85 million in restricted cash related to the restart and capital commitments. So, we'd like to be able to access that money as well as some flexibility on the timing of the CapEx deployments.

And then lastly, we're still working with IGNIS to finalize the Strategic Cooperation Agreement. So, those discussions are happening on a very urgent pace now and we expect to complete or at least progress those discussions materially and we'll have an update for you no later than our January earnings call.

Moderator: Going back to the Alumar, how is that progressing? Can you remind us of near-term targets and actionable steps that are required to get this running at firm utilization rates?

Molly Beerman: Yeah. So, the Alumar smelter has progressed. It's operating over 80% capacity and fortunately it's just slowly progressing forward. But at this point, slow and steady is a very good outcome there. We will stay focused on getting the refined or the -- sorry, the smelter back to full capacity and then we'll also work on taking out some additional costs. They are part of our program for $645 million in improvements. We had a $75 million target, we're progressing really well on that through about $60 million in improvements. That is an asset for us that we really believe in, it's got a great long-term energy contract, fully renewable energy, and it's allowing us to sell metal into the domestic market and to monetize some of our VAT credits that we didn't have and a method to do so in the past. So slow and steady for Alumar.

Moderator: And just to touch on, I guess, sticking with more regulations, how is the regulatory environment in Washington at the moment? Has it softened at all with some lithium shut downs? Are they concerned about competitiveness of processing facilities?

Molly Beerman: I think you mean Western Australia?

Moderator: Sorry, yes. I was thinking of your other smelter.

Molly Beerman: So, we are very actively working on our mine approvals in Western Australia. We have submitted our revised mine plan that will be for the new areas in North Myara and Holyoake. With the next milestone, there is a public comment period early 2025 and then looking to have our approvals by early 2026 and start mining in the new regions no earlier than 2027. We were just in Australia last month. Bill Oplinger had the opportunity to meet with many of the ministerial authorities as well as the government officials in Perth and Canberra and Sydney and he got feedback directly on our performance. Very good feedback. We actually have one of the agencies on our mine site seven days a week, two hours every day, just watching our practices. So, he was glad to hear that from their perception, we are doing well to abide by all of the conditions under our mining exemption currently.

Moderator: Let's just talk about profitability real quickly. You talked about profitability improvements on 3Q 2024. You stated you had $121 million remaining for the next 12 months. Can you talk through, I guess, cadence, where it's coming from?

Molly Beerman: So, we call this our $645 million improvement program and there's really three components to it. We have raw materials, which we've already exceeded. We have a $310 million target. We achieved $355 million through the end of the third quarter. We have a little bit left that we think we'll deliver in the fourth quarter, so we'll overshoot that one.

The second tranche is our Productivity and Competitiveness Program, and there we had set a $100 million run rate target to be achieved by the end

of the first quarter of 2025. So far, we've deployed initiatives that support $45 million of the $100 million. We've just developed our 2025 plan with the rest of those initiatives. So, we're on track to get the full $100 million there.

The last piece of it relates to portfolio actions. So, on Warrick, we were targeting $60 million improvement and we're through $45 million of that and we'll definitely get the rest of that before the end of 2025, which is the target for that one.

On Alumar, I already mentioned that we achieved $60 million of the $75 million target there and then Kwinana is the one, maybe that's working a little slower. We have hoped to deliver more savings there earlier. We have a $70 million target. We got through about $20 million of progress through the end of the third quarter, but we continue to work that one through 2025.

And then lastly, the last bucket of money is the $30 million that we talked about on the IRA, where we only got half of that. So we'll fall a little short on that one, Kwinana will be a challenge, but we think the overperformance of the other areas, we'll still be able to mark victory on the $645 million program as a whole.

Moderator: We'll circle back to kind of the starting point. Alcoa has a conservative balance sheet, you kind of mentioned you did some deleveraging recently to start with. Can you just remind us, where it stands right now and ultimately what the plans is to keep it in that range or thresholds?

Molly Beerman: So, our adjusted net debt at the end of the third quarter was $2.2 billion and for us that includes our pension and OPEB obligations. Now, as mentioned, we just repaid about $400 million of that and so we're down to about the $1.8 billion if you're just using the cash from the third quarter.

So, as we move into 2025, we are going to continue to de-lever. We're also going to reposition, though. With the sale of the, sorry, with the purchase of Alumina Limited and basically getting out of the JV agreement, that now gives us flexibility to place debt within the jurisdiction that need the cash where we have tax advantages. So, we will be both paying down and moving debt during 2025.

Moderator: And you alluded to a little bit earlier as well. How does Alcoa balance reinvestment for shareholder returns through a cycle?

Molly Beerman: So, our capital allocation program does require us to look at all three, the portfolio growth projects as well as shareholder returns. And for us, as we look at growth projects, we absolutely have to have projects that will deliver return above our WACC, we need to make sure we're doing the best for the shareholders. If you look at 2024, we actually increased our return-seeking spend. I think we originally started at about $90 million and we're going to spend about $135 million during this year. We had a number of

small CapEx projects that add either creep current production or add capacities or capabilities within our value-add products to really benefit our customers. So, all of those are earned favorable returns or targeted above WACC. So those were all approved.

When we look at shareholder returns, we work closely with our board on this. We have a modest dividend today. We feel that that's payable in all parts of the business cycle. We also have $500 million remaining on our authorization for share repurchases. We don't necessarily target a share price for those. We do repurchases when we have excess cash available.

Moderator: One last question here on my side, I would open it to the room if there's anything that people want to touch on. No? All right. You alluded to this earlier, I'd be interested to see how we extrapolate on this one. Does Alcoa aspire to be a growth company at some point in the future?

Molly Beerman: So, the terminology, we would not necessarily characterize ourselves as a growth commodity company. That doesn't mean that we do not have ambitions, though, to grow. We will grow, though organically and inorganically in the areas where we can return, provide returns to shareholders that are in excess of our WACC.

When we look at organic growth, again, I mentioned those return-seeking projects. We like to stay within our capabilities where we have expertise, where we have technological advantage and the areas that really serve our customers and their needs as well. So, it's likely that our organic growth will come in alignment with our customer needs.

As we look at other opportunities, we recognize the demand that's coming within the secondary aluminum needs. We do today have remelt capabilities. It could be that we look at possibilities of expanding remelt and recycling. That could come through commercial arrangements, joint ventures, or even pragmatic M&A. So, we will look at that going forward.

When we look at the expertise that we already have within refining and the expertise that we're developing within bauxite mining, we want to be known as the best miner. We feel that it can absolutely earn us the reputation to give us the license to go in, to do new exploration and new projects. So, we do have ambitions there. Of course, nothing to announce today, but we will keep you informed as we move along.

Moderator: And then I guess just one last one. What's your final message that you want to convey to everyone in the room or listening into the video?

Molly Beerman: So first, thanks for your interest in Alcoa. We really think the fourth quarter is going to be a strong result. I hope you pick up that Alcoa is a company of action. We've delivered a lot in 2024. I don't see us stopping. We have an aggressive agenda for 2025. So again, thank you for your time and interest. Appreciate it.

Moderator: Thank you for joining us.

Molly Beerman: Thank you.