Alcoa Corporation

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CORPORATE PARTICIPANTS

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

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Albert Realini – *Analyst, Jefferies LLC*

Albert Realini: All right. Good, I guess, late morning, everybody. Thank you for attending here at the Jefferies Industrial Conference. We have Alcoa Corporation, CFO, Molly Beerman. Alcoa is a global producer of aluminum, alumina, and bauxite. And I think Molly has some just opening prepared remarks, and then we'll get into some Q&A here.

Molly Beerman: So welcome, everyone. Thanks for your time and interest to those in the room and those joining online. It's an exciting time for Alcoa. We are approaching our 10-year anniversary as a standalone company, and a lot going on. We're carrying great momentum from the second quarter into the third. Second quarter, we saw strong production, strong realization of prices dropping to the bottom line, stability throughout the portfolio. We hit production records in five of our operations, and again, continuing that into the third quarter.

We also are making the most of strong market fundamentals. We serve customers primarily in North America and Europe, where the demand has remained strong. Customers are actively looking for our supply, because they're looking for alternatives to the uncertainty with the Middle East supply. And third, we announced an acquisition, the largest in our company's history, of South32's bauxite, alumina and aluminum assets, transaction we call AliGroup. We are on track to close that transaction in the second half of 2027. [Editor's Note: The speaker misspoke. The closing is expected to occur in the first half of 2027.]

So lots going on, and open to your questions, Albert.

Albert Realini: Great. Thank you for that, Molly. So, I guess, maybe we'll start higher level on maybe the more macro front with just the alumina and aluminum markets. A lot of moving parts. You mentioned the war in the Middle East, obviously, a good amount, or maybe 10-ish-percent of global supply has come from the Middle East in recent years. Maybe production being impacted there has impacted some of the global alumina supply/demand dynamics. So just what you're kind of seeing high level in each of those markets on the global front, and then maybe we'll get into regional premiums a little bit later.

Molly Beerman: So, in alumina, we still see the market in surplus. You've seen some price rebound recently, getting to about that $350 level. There was some disruption at Alunorte, which initially brought the price up. However, we're also seeing we're approaching the date with the Yarwun curtailment, so that will be taking 40% of that supply out. That's announced for October of 2026. You're also seeing sentiment about the Middle East smelters increasingly consuming alumina. So a little bit more supply, control, demand pick up, but alumina as a whole is still in surplus and expected to remain so for the rest of this year, and probably into next year until the Indonesian smelters start to come online and consume more of the alumina.

In aluminum, we are still in a global deficit, again, with the Middle East out. For Alcoa, this is showing up as very strong demand, as I mentioned in opening comments from our North American and European customers. They are preferring supply that's regionally located. You see that showing up in the Midwest premium as well as the Rotterdam premium competition for tons. Now, units are still available, but from our value-add perspective, our order book is almost completely sold out for the rest of 2026, and we're heading into the 2027 contracting season on a good basis to secure good premiums into 2027.

Albert Realini: So, I definitely want to go to maybe some of those regional premiums and how the tariffs have impacted that and maybe some of the headlines on recent tariff changes. But I guess broader, so in the aluminum industry, do you think we're – and it looks like this is the case, but we're continuing to move to maybe a developed economy aluminum market in North America, maybe Europe, some of the regions you play in, and then maybe kind of like rest of world where China and some of the growth in Southeast Asia like Indonesia would more so play?

Molly Beerman: I'm sorry, the question in?

Albert Realini: I guess, are you seeing continued trends into kind of like a divergence like between China, Southeast Asia, other global aluminum supply, and then North America and Europe? I assume as time goes on, you're seeing a more divergence between those two markets, right?

Molly Beerman: Yeah. We do see an aluminum divergence in the markets because China is largely self-sufficient. They have been exporting a small amount yet, but that's not material to the global market. So ex-China, the markets are, again, overall in deficit with North America and Europe at the greatest levels of deficit.

Albert Realini: Okay. And then I guess moving to some of the recent tariff headlines, obviously, you mentioned the Midwest premium. I think, you guys have talked about how you're a net beneficiary of that, but maybe just speak on a lot of your production is in Canada, or a good amount of it is, and some of the recent headlines of maybe reducing Canadian tariffs to 25% into the US on steel and aluminum. How would that impact your business? I mean, I would assume maybe that would impact the Midwest premium, but maybe you could talk about how you would be maybe a net beneficiary or how that would overall impact the business.

Molly Beerman: Alcoa is in a fortunate and unique position in that we can benefit almost from any of the trade proposals that are currently open. Even in the current environment with a 50% tariff, we have 900,000 Canadian tons. The majority of that is coming into the US. We're paying a tariff that's over $1 billion. However, the Midwest is fully compensating us for that, as well as returning a margin because of the tightness in the tons. If we were to

receive a favorable tariff rate on Canada, think of that $1 billion in tariff being cut in half, so that'd be a major benefit to Alcoa. So, a favorable rate for Canada works in our favor. Some of the proposals even had a quota rate that would also be favorable to us. We have a good history of supplying Canadian metal into the US. So we are well positioned for whatever the trade negotiations land on.

Albert Realini: And we've kind of talked in our research where, and I think most in the market would agree that, maybe more so on the steel side, but the steel and aluminum, it seems like the administrator is kind of treating them the same with respect to tariff policy that Canada and Mexico would eventually kind of get some type of exemption, whether that's a reduction to 25%, whether that's some type of quota system, just given how intertwined those kind of metal industries have become since Trump originally gave them free trade. I guess, what we've talked about is maybe the risk that this could expand to other trading partners, right, in Europe, in Southeast Asia. So, how would your business be impacted if we start to see, tariff reductions coming from Japan or South Korea or Europe, things of that nature?

Molly Beerman: So the US needs to import 4 million metric tons of supply. Canada only has the possibility to supply about 3 million metric tons of that. If additional trade partners get tariff relief or waivers, and the last 1 million metric tons is covered, then you can expect Midwest premium to reduce in response to essentially wipe out the tariff benefit. But with the US still needing to incent the import of 1 million tons, even if we were to have a favorable rate with Canada, we don't see Midwest dropping significantly. It might come off a little bit, but we wouldn't see it returning to pre-tariff levels.

Albert Realini: Got it. So kind of a longer term structural, higher Midwest premium. And I think that's kind of the message we've heard from some other producers, even in maybe the recycled aluminum space. Moving on from maybe macro, again, if there's any questions in the audience, feel free to just raise your hand, we'll bring you over a mic. But I guess moving more specifically into some of the initiatives at Alcoa, you mentioned some of the drivers of Alcoa's Q2 EBITDA improvement. Just wondering if maybe you could expand on that a little bit, the operational enhancements you believe that are positioning the business to perform through the cycle.

Molly Beerman: Yeah. We had a very strong second quarter, really took advantage of the high prices and getting those to the bottom line. EBITDA over $900 million. Included in that, it's not just a price story. We made operational improvements. We brought about 30,000 metric tons of smelting capacity back online. So, we had ramp-ups at our San Ciprián smelter in Spain, Alumar in Brazil, Lista in Norway, and Portland in Australia. So, all of those sites bringing on any pots that have been idled, trying to take advantage of the high pricing. We also moved production out of prime metal and into our value-add products, about 25,000 tons additional VAP production in the

second quarter. We get the higher margin on those, so we love selling that instead of the prime metal. So sustainable improvements that we expect to carry into the third quarter.

Albert Realini: And that's kind of something that'll help kind of reduce the earnings volatility going forward, right? I think most in the market maybe expect some downside to aluminum prices just with the resolution of the war. Maybe not so us as we think kind of the longer term base metal kind of demand growth with copper as well. But so those operational improvements would obviously help improve through cycle earnings, right?

Molly Beerman: Yes, absolutely. The production, the flexibility in our casthouse, we can adapt to the market movements and customer requirements.

Albert Realini: So, I guess, on some of those operational improvements, obviously, you guys have recently announced kind of a transformative acquisition with the South32 aluminum and alumina assets. I guess maybe if you could walk us through your strategic thinking there, and maybe how these assets would compete for capital with the rest of the business, right? Is there a certain amount of capital you expect to deploy to these assets to maybe get them up to the Alcoa operating standard? And would that defer some of the CapEx across the rest of the profile that you had slated for maybe operational improvements?

Molly Beerman: So, when you step back and look at the AliGroup acquisition, we are acquiring assets of the type that we're already very familiar with. This is a great fit. We're purchasing a mine and refinery in Western Australia. They're located right next to our current operations. We're buying out the minority interests in our Alumar smelter and refinery in Brazil, again, assets that we're very familiar with. We're buying Hillside smelter in South Africa. That's running technology that's the same as the technology that we're running in two of our smelters. So, it's a very logical grouping of assets in terms of fit and ability to leverage our expertise in those assets. That's giving us scale, will make us more resilient throughout all the market cycles. The profile of the asset is high in cash generation that'll give us additional financial flexibility. The acquisition is also moving us down on the cost curve. We're bringing in assets that are slightly better positioned than Alcoa assets, so we'll be more competitive from that perspective as well. We have synergies, also expectations. I talked about the like assets and deploying our expertise across the newly acquired assets. We expect to get notable synergies to create shareholder value as well.

I didn't address your CapEx question, sorry about that. As we went through due diligence and looking at these assets, we were able to make a great assessment about the quality of the assets, loved meeting the teams, very strong operating teams, look forward to welcoming them into the Alcoa family. As we did the evaluation of CapEx needs, these are not assets that have been deprived of capital. They're well-functioning, value-accretive

immediately. We anticipate increasing our CapEx spend about $350 million to $450 million per year with these assets that's on top of Alcoa's outlook for CapEx, which this year is $750 million. So we expect to fully support their operating plans and their CapEx needs, the projects that they have underway today as well as their future plans. But this is not a group of assets that needs any catch-up capital. They're well-structured.

Albert Realini: Okay. And I guess, at the Investor Day in December, when you guys had maybe announced some of that elevated CapEx in the years ahead, the acquisition of the South32 assets wouldn't impact that at all, right? You'd be able to manage maybe the maintenance CapEx with the South32 assets, to your point, they don't need incremental maybe growth CapEx, but while also deploying the additional CapEx you had previously guided to.

Molly Beerman: Yeah. We had guided to $750 million for this year and then $800 million for the next three years, and then stepping back down to $750 million. And we go up in the next years because we're planning mine moves on the Alcoa assets. So our Western Australia mines will be moving over this time period. We also have residue storage area work to do, and we're making some investment in bake furnaces at the same time as well across our portfolio. But then we'll step back down to the $750 million level.

Albert Realini: And I think you made a good point earlier where you highlighted the synergies, and I think that's a response into maybe what some might think, hey, is this an acquisition just to grow, right, growth for the sake of growth, but there's clear synergies here. Would you be able to outline maybe on some of those synergies and maybe reiterate or your expectation on some of the timing of the realization of those synergies?

Molly Beerman: Sure. So, we've estimated and announced in announcing the transaction that we have $900 million of net present value synergies to realize. And we think of those in three groupings. The first is more near term, and that comes from the benefits from procurement, logistics, and commercial synergies. So, think of those as combining the best of both in terms of raw material supply contracts, indirect contracts, logistics. We both are operating rails, ports, warehouses, facilities, there's many opportunities there. And then in commercial, we'll be able to absorb their sales right within our teams and start to use our practices for direct outreach to end customers. That near-term grouping of synergies, we put an initial value at $50 million per year for that, and we'll get that within the first 12 months of close. If you think about that on an NPV basis, that's about 30% of the $900 million in synergies. And that will be, again, starting to realize that immediately.

The second group of synergies are process technology, and these will start in two to three years. So this is taking our operating expertise into the South32 assets. At Worsley, they've held production fairly flat over the last

period of time. If you look at our refineries, we continue to add production year-over-year-over-year, not necessarily with massive CapEx projects. It's more about disciplined incremental growth using our best practice coming out of our COE. We will do the same at Hillside. It's kind of the same story. They haven't had the massive smelting experience, so Hillside has remained relatively flat, where our smelters using that same technology have been able to incrementally add each year. So that's the second piece of synergies.

And then the last piece of synergies, and this is the biggest, is the life of asset planning for the mines in Western Australia. So, the mine leases sit right next to each other, and if you think about it, the refineries are running in a row, north-south down that mine lease. Today, we're trying to map all of the mines to get the ore to the refinery that makes the most economic sense. When we now have three refineries and two mines sitting next to each other, we'll rework the entire mine plan. We will be able to avoid or defer mine moves. Each mine move is hundreds of millions of dollars. So, if you think about this, over the 20 to 40 years life of a mine, it's massive amounts of savings. So we look at that, we've NPV-ed it back to today's dollars. That's 40% of the $900 million that we'll get through the rework of the mine plans.

Albert Realini: And I think that's maybe a good segue into updates maybe on the mining operations. So, you mentioned maybe there's some opportunity there for enhancement of maybe original plans or current plans, but any update on some of the permitting processes with some of the bauxite operations in Australia?

Molly Beerman: We gave an update during our second quarter earnings call. Bill Oplinger had shared he had been in Australia for five weeks right before earnings. He was able to meet with all of the ministers as well as the regulatory authority officials and really came away feeling very confident that we will secure our mine approvals. However, there is still a tremendous amount of work to do for the approvals. So, we do see a bit of risk on timing. We were originally expecting to have the approvals by the end of the year that could slip into 2027. We have a good contingency period, about six months. So, as long as we get the approvals within that six-month period, by mid-2027, you will not see any impact either on our production or our financials related to that. If they get delayed for some reason beyond that, then we'd start to look at production changes in the operations of the refineries. However, I want to leave you with very confident that we will get the approvals, but there is certainly more work to be done in terms of the ministerial and the regulators' processes. They're moving through their review, and we're responding to any questions that are asked very promptly.

Albert Realini: Okay. And then maybe last one on the transaction before maybe moving on to the balance sheet and some of the financial items. But I think lately

in the industry, there's obviously been a lot of consolidation, not just in aluminum, just broadly in kind of the metals and mining space. And just this week, you saw EU maybe pushing back on the Anglo-American MMG Nickel sale, there's maybe concerns of the Chinese with the Anglo-American and Teck Resources transaction. So, any kind of regulatory hurdles maybe you envision with the South32 transaction? And just, I guess, yeah, maybe what you see as the biggest risks going into closing.

Molly Beerman: So we do have a number of regulatory approvals that are in process. So far, it's going very well. South Africa is a new region for us, so a lot of focus there. On the day that we made the announcement, our Chief Operating Officer and our Chief External Affairs Officer were already on the ground. They were waiting at the President's office. They were able to speak with his Chief of Staff, make sure that they were able to personally introduce Alcoa, our intentions for the asset, our commitment to run the asset. Kind of behind the scenes, we were delighted with their response. They liked the fact that it was a US company coming in. They're trying to build their relationships with the US government. The US government has a very favorable view to South Africa. They're interested in critical minerals. So, there was kind of a natural building and momentum from both governments about the transaction, so very well-received. So, in addition to South Africa and the US approvals, we'll need Australia, that's going very well. We had good support from the Minister of Mines in Australia, and we need approvals in the EU. And who am I forgetting? One more big one that's so now escaped me. Brazil, so sorry. How can I forget my Brazil friends? But those are the big ones that we are pursuing now. There's a couple other filings that will be made, but those are the ones receiving the most attention, but on track.

Albert Realini: Okay. And obviously, I think with the integration of these assets and just maybe the longer term uplift of some of the regional premiums you spoke about earlier, I think Alcoa's free cash flow profile will be improving in the years ahead. Right now, I think in the near term, you guys have maybe some seasonality in the business with respect to working capital, with CapEx spend. So I think there was a bit of a working capital build in the first half. So, maybe just how you're thinking about that in the second half, and just maybe an overview on kind of the seasonality of cash flow in the business.

Molly Beerman: Yes. If you look at our working capital over time by quarter, you will see that we always build working capital in the first quarter and then through the rest of the year, we work it down. We are on that path. We generated solid cash in the second quarter on track to do the same in the third, and typically by the fourth quarter of the year. We're anxious to get all those shipments out and we'll have our best numbers on working capital at year end. You can track this because on sales day – day sales basis, it's pretty much tracks in history across the four quarters. Our working capital now is over $2

billion, so there is a large source of cash within that number.

Albert Realini: And then over the longer term, right, how do you guys think about – I would assume maybe the priority once the closing of the assets will be to deleverage down to that target range. But how, I guess, bigger picture is Alcoa envisioning deleveraging them maybe growth versus shareholder returns. And with that mix being dividend and buybacks and on the growth front, how you guys maybe think about further M&A in the aluminum or alumina space versus weighing that against organic growth?

Molly Beerman: So Alcoa will focus on de-levering, we issued debt yesterday in connection with the acquisition $2.6 billion. So, that does take our adjusted net debt on a pro forma basis up to $4.7 billion, but that is in comparison to pro forma EBITDA of $3.2 billion. As you mentioned, Albert, the acquired assets along with the strong Alcoa portfolio have a great cash generation profile. We believe at the current levels of pricing, we'll be generating cash that will help us to accelerate de-levering. Additionally, we have other levers available to us. Recall, we have the Ma'aden investment that's worth $1.6 billion. We will be set to monetize those shares in one-third each year starting in 2028. We've also announced a program for the sale of our transformation assets. That's about 10 assets. We are expecting between $500 million and $1 billion in proceeds from those sales by 2030, and so, we're well on the way. But as we look at the cash generation profile of the new portfolio, the Ma'aden shares and the transformation sites, we see a path to quick de-levering. That will put us back into capital allocation framework. It remains the same before and after acquisition. We'll continue to have a strong balance sheet as a priority. We'll continue to invest in our operations both to maintain them and to improve them. And then we go across the other three priorities in no particular order that is shareholder returns, any more work that we need to do to transform the portfolio, as well as additional growth opportunities. As we close, we will introduce an updated adjusted net debt target, it's currently $1 billion to $1.5 billion. With the new profile of assets, with the additional cash generation, and even higher, lower cycle EBITDA, we will increase that level, and that we'll announce as we get closer to closing. So we will have competition between shareholder returns and growth again in the future. But as we've said, even with this acquisition, Alcoa will only pursue M&A when we see possibilities for real synergies that can deliver value to shareholders. We're going to stay within our industry. We like aluminum. You will not see us branching off into other base metals. We're going to stay focused on what we do best, but we will look at opportunities in our industry when we see rates of return that are above our threshold.

Albert Realini: And then on the capital returns framework, of course, on the buybacks, probably conscious of where you're trading in the market. We've talked in our research about even on a pro forma level at spot prices, you guys are pretty undervalued versus aluminum peers and especially pure play copper

peers given similar kind of end market demand trajectories. Any thinking there in terms of maybe a formal capital return process or you would be kind of be strategic more so when you guys think your shares are more undervalued, would pursue more so on the buybacks than the maybe extra dividend front?

Molly Beerman: Yeah. The way we look at it is we're really focused on when we have excess cash to return and then looking at the best way to do that. We like having our targeted adjusted net debt because it allows for the commodity cycles versus a hard set threshold. It's worked well for us across the 10 years of our existence as a standalone.

Albert Realini: Makes sense. And so, I guess, maybe transitioning a bit. I want to talk about power costs, right? Obviously, we know aluminum is an incredibly energy intensive process. Right? And especially in the US, tons of demand for power expected in the years coming with data centers, renewable energy, things of that nature. So just wanted to talk about what you guys are thinking both on securing your power and energy requirements to produce your aluminum in the years ahead. But then also maybe if there are any opportunities within the portfolio, you could see to maybe outsource some power or leverage some of your infrastructure.

Molly Beerman: So Alcoa is very well positioned today. 99% of our power needs are covered by long-term contracts, fixed contracts, or self-generation. Only 1% is exposed, and that's in Norway. So, very manageable there. We tend to go after long-term contracts. We recently renegotiated the contract for our Massena smelter in New York. We got a favorable economic contract there for 10 years, plus two five-year renewals. Those are the types of contracts we go after. Fully renewable energy. Massena is a great location in that it's a state-owned power source. They like our business. They like the fact that we employ in the community. And so it's a great situation for us. In fact, if you just even look at the smelters that we have, they generally have the same story, available hydro power, committed state-owned entities to the employment that we provide. So, it makes a good situation for our power security.

Albert Realini: And then any opportunities within the portfolio to maybe like monetize some existing infrastructure for external power requirements?

Molly Beerman: So we're not looking at that across our operating smelters, except in a couple of little unique cases. The majority of what we're trying to do there, Albert, is on the closed transformation site. So, these are closed smelters that still have very interesting energy infrastructure. And those transaction are part of our program now to get the $500 million to $1 billion in proceeds. The one that we've been talking about recently is Massena East, so a closed smelter that sits next door to our operating Massena smelter, very close there to announcing a deal with a data center developer. They're in process of getting all of the approvals. That has not been impacted by any

of the New York changes in law. So that one continues to move forward, and we'll be expecting an announcement on that one shortly.

Albert Realini: And proceeds there would be used to de-lever, right, especially with the closing of the South32 business, right?

Molly Beerman: Yes. That we will be focused on de-levering there. And that will likely have an upfront payment as well as some contingent future payments, depending on the final size of the data center, and how that gets configured.

Albert Realini: Okay. Well, we have a few minutes here. I want to give a chance if there's any in the room with a question. But I guess from me, on the demand front, I think we started, talked maybe high level, but just if you can maybe see some of the trends you're seeing, is there any particular points of strength, whether it's transportation, packaging? I know on maybe the steel side, a lot of them talk about construction seems to be a bright spot. So, maybe what you're seeing in both the North American and European markets in terms of specific demand?

Molly Beerman: So packaging is very strong in both markets. You think about nobody wants these plastic bottles anymore. We should all be drinking our water out of cans. So, really high demand there. Lots of slab volumes going out in both regions to packaging customers. Very strong on rod, and think about that as part of the electrical infrastructure build-out. So, we're completely sold out on rod. We actually would like to have some more capacity there. And foundry for auto also still a strong product for us. And even though maybe some of the decarbonization and the EVs are slightly backseat in today's political environment, we still want the lightweighting. Everyone still wants to save on the gas or the EVs, so we still see the foundry products very popular across both regions. I'll just mention, the only area of any weakness is billet in Europe. And there, the customers are being very mindful of the geopolitical environment and also just uncertainty on their end customers' demand in the long term. So, some hesitancy there. But that's about the only sign of any weakness that we're seeing, it's really strong across our markets, and our products.

Albert Realini: Thank you for that. And maybe just a question out of personal interest of my own. We're starting to see more recycled kind of aluminum growth, especially in the North American market. Just maybe how do you see the North American, I guess, aluminum market evolving with respect to recycled and maybe competing with some products for primary? Definitely on maybe the beverage can side, but are there still kind of hurdles for them for the recycled aluminum to be used in some of the higher grade applications?

Molly Beerman: So we've looked at recycling opportunities, but Alcoa also recognizes that we are not collectors or sorters. Remelt is the area of recycling that we

have the most expertise. So we have looked at recycling opportunities. We're primarily focused on our customer needs. There is, within our European customer base, a need for more recycled content in our foundry products. So, this is where we're investing and focusing for Alcoa in the recycling space.

Albert Realini: Okay. Well, I think we're pretty much there on time. Thank you very much for attending, and thank you for your time, Molly.

Molly Beerman: Thank you.