Alcoa Corporation

Fourth Quarter and Full Year 2024 Earnings Presentation and Conference Call

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PRESENTATION

Operator

Good afternoon and welcome to the Alcoa Corporation Fourth Quarter and Full Year 2024 Earnings Presentation and Conference Call. All participants will be in listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note this event is being recorded.

I would now like to turn the conference over to Louis Langlois, Senior Vice President of Treasury and Capital Markets. Please go ahead.

Louis Langlois

Thank you, and good day everyone. I'm joined today by William Oplinger, Alcoa Corporation President and Chief Executive Officer, and Molly Beerman, Executive Vice President and Chief Financial Officer. We will take your questions after comments by Bill and Molly.

As a reminder, today's discussion will contain forward-looking statements relating to future events and expectations that are subject to various assumptions and caveats. Factors that may cause the company's actual results to differ materially from these statements are included in today's presentation and in our SEC filings.

In addition, we have included some non-GAAP financial measures in this presentation. For historical non-GAAP financial measures, reconciliations to the most directly comparable GAAP financial measures can be found in the appendix to today's presentation. We have not presented quantitative reconciliations of certain forward-looking non-GAAP financial measures for reasons noted on this slide. Any reference in our discussion today to EBITDA means Adjusted EBITDA.

Finally, as previously announced, the earnings press release and slide presentation are available on our website.

Now I'd like to turn over the call to Bill.

William Oplinger

Thank you, Louis, and welcome everyone, to our fourth quarter 2024 earnings conference call. Today we'll review the substantial progress we made during 2024 on key objectives, the financial results, the market and our plans to continue to improve and strengthen our Company in 2025.

Let's start with a recap of 2024. I'm very pleased that we had no fatalities or life altering injuries and improved our key safety metrics. We successfully operated under our new mine conditions in Western Australia, which included daily observation of our mining and rehabilitation practices by certain regulators. 9 of our 11 smelters increased annual production, with 5 achieving annual production records.

On the people side, we onboarded and integrated new talent in several critical roles, and promoted a culture that prioritizes high performance and continuous improvement.

Commercially, we expanded a number of important customer and supplier relationships and invested in growth CapEx to enhance value add products needed by our customers to meet their manufacturing and sales objectives.

In our Sustana line of products, we announced our first sales of EcoSource non metallurgical alumina, and our low carbon EcoLum primary aluminum now makes up half of our sales of metal in Europe.

We delivered, and exceeded, our $645 million profitability improvement program ahead of schedule, through initiatives which included savings on raw materials, actions to improve profitability and competitiveness, as well as changes to improve the financial performance of our operating portfolio.

In November, we started de-levering the Company with the repayment of $385 million of debt while maintaining our quarterly dividend. We completed the Alumina Limited acquisition and initiated the sale of our investment in the Ma'aden Joint Ventures valued today at about $1.3 billion.

Also in the fourth quarter of 2024, we progressed the cooperation with stakeholders to improve the long-term outlook of our San Ciprian operations.

To sum it up, 2024 was a successful year at Alcoa.

Now I'll turn it over to Molly to take us through the strong financial results.

Molly Beerman Thank you, Bill.

Revenue was up 20 percent sequentially to $3.5 billion. In the Alumina segment, third-party revenue increased 45 percent on higher average realized third-party price and higher shipments.

In the Aluminum segment, third-party revenue increased 5 percent primarily due to the increase in average realized third-party price.

Fourth quarter net income attributable to Alcoa was $202 million versus the prior quarter of $90 million, with earnings per common share doubling to $0.76 per share. These results include an additional $82 million restructuring charge for the Kwinana curtailment. During the fourth quarter, we completed the technical evaluation of the water management requirements for the residue areas, and increased the duration of the transition and related equipment costs for ongoing water treatment.

On an adjusted basis, the net earnings attributable to Alcoa was $276 million, or $1.04 per share.

Adjusted EBITDA increased $222 million to $677 million.

Let's look at the key drivers of EBITDA. Fourth quarter Adjusted EBITDA reflects higher alumina and aluminum prices, higher shipments and lower energy costs, partially offset by increased other costs, primarily related to intersegment eliminations.

The Alumina segment increased $349 million primarily due to higher alumina prices, higher volume while all other cost increases were mostly offset by currency gains.

The Aluminum segment increased slightly with higher metal prices, production cost improvements, and lower energy costs being mostly offset by higher alumina costs.

Outside the segments, other corporate cost increased and the intersegment elimination expense increased as expected, with significantly higher average alumina price requiring more inventory profit elimination.

Moving on to cash flow activities for the fourth quarter and full year 2024.

We used cash from improved earnings in the fourth quarter, along with cash on the balance sheet, to repay the debt acquired in the Alumina Limited transaction. This repayment was partially offset by increased borrowings under an inventory repurchase program.

Working capital improved slightly in the quarter as lower inventories and higher year end accounts payables offset increased accounts receivables related to higher API and metal prices.

For the year, capital expenditures, working capital changes and environmental and ARO payments continue to be our largest uses of cash. Additionally in 2024, our restructuring payments included approximately $140 million related to the Kwinana curtailment and approximately $35 million related to our employee commitments in Spain.

Next, we'll review the performance on our profitability improvement program. We have already exceeded the $645 million target set for our profitability program, which was generally a two-year program to improve our financial results from full year 2023's low EBITDA of $536 million. Overall, the improvements are evident in our year over year bridge by program or location. During the fourth quarter, we added $150 million to the third quarter's YTD progress for a total of $675 million.

Through December 31st, 2024, the Company overachieved its $310 million target on raw materials with approximately $385 million in savings.

Within our productivity and competitiveness program, through December 31st, 2024, we implemented actions contributing approximately $80 million of savings and expect to deliver the $100 million run rate target by the end of the first quarter of 2025.

We have also progressed our portfolio improvements. To date, Warrick has achieved $45 million of its $60 million target. We also received the final ruling from the U.S. Treasury on the inclusion of direct materials in Section 45X of the IRA program, which adds roughly $15 million in annual credits or about half of the benefit we had expected. The Alumar smelter restart achieved approximately $105 million on its $75 million target, and is currently operating at nearly 85 percent capacity.

The Kwinana curtailment has been slow to deliver savings due to high transition and holding costs, but we will continue to work toward the $70 million improvement target.

Moving on to other key financial metrics. The year-to-date return on equity is positive 6.5 percent. Days working capital decreased 11 days sequentially to 34 days, primarily due to a decrease in inventory days due on increased sales. Our fourth quarter dividend added $27 million to stockholder capital returns. Free cash flow plus net noncontrolling interest contributions was positive for the quarter, resulting in a cash balance of $1.1 billion. As we look ahead to 2025, continuing to de-lever and reposition debt to the jurisdictions where cash is needed will be a priority for us.

Turning to the outlook for the full year and first quarter of 2025. To be clear, our outlook does not include any estimates for the impacts of potential tariffs. For the full year, we expect alumina production to range between 9.5 and 9.7 million tonnes and shipments to range between 13.1 and 13.3 million tonnes. The difference reflects our normal trading volumes, as well as externally sourced alumina.

The Aluminum segment is expected to produce 2.3 to 2.5 million tonnes, increasing on smelter restarts, while shipments are expected to range between 2.6 million and 2.8 million tonnes. In EBITDA items outside the segments, we expect Transformation costs to be $75 million, slightly increased from last year, and reflecting the work we are doing to accelerate remediation activity in order to take advantage of potential asset monetization opportunities.

Other corporate expense will improve to approximately $170 million reflecting continued efforts to control our overhead costs. Below EBITDA, we expect depreciation to remain at approximately $640 million. Non-operating pension and OPEB expense is expected to be up slightly at $25 million, and interest expense will be $165 million. For cash flow impacts we expect 2025 pension and OPEB required cash funding to be similar to 2024, at $70 million. The majority of that spend is for the U.S. OPEB plan. Our capital returns to stockholders will continue to be aligned with our capital allocation framework.

Our capital expenditure estimate is $700 million with $625 million in sustaining and $75 million in return seeking. The sustaining capital increase is $185 million over 2024, primarily due to a $70 million increase related to upcoming mine moves in Australia, as well as a number of major projects including energy transition projects in Juruti, a new ship unloader in Canada, and upgrades to a bauxite reclaiming system in Australia. We expect return seeking investments to decrease following our investment in the Brazil bauxite vessels in 2024. However, we continue to identify capacity expansion projects and remain open to fund those requests if they meet return criteria and market conditions allow.

We expect approximately $50 million of prior period income tax payments in 2025. That amount is lower than you might expect based on our 2024 higher earnings primarily due to the utilization of the Alumina Limited carryforward net operating loss which saved approximately $70 million on

2024 cash taxes. We have approximately $60 million of tax benefit related to that NOL remaining to use in future periods, subject to annual percentage limitations.

Environmental and ARO spending is expected to be similar to 2024 at approximately $240 million. We do not provide guidance on full year cash restructuring charges, but can share the portion attributable to the Kwinana curtailment. Approximately $140 million remain to be spent from the Kwinana restructuring reserve with a large majority of that to be disbursed in 2025.

For the first quarter of 2025 at the segment level, In Alumina, we expect performance to be favorable by approximately $30 million due to the non-recurring inventory adjustment recorded in the fourth quarter, partially offset by typical first quarter impacts from the beginning of maintenance cycles and lower shipping volumes.

In the Aluminum segment, we expect performance to be unfavorable by approximately $60 million due to the non-recurring IRA Section 45[X] true-up benefit recorded in the fourth quarter, lower seasonal pricing at the Brazil hydro-electric facilities, and the absence of Ma'aden offtake shipping volumes in accordance with the terms of the announced transaction. While the higher average price of alumina will increase overall Alcoa Adjusted EBITDA, alumina cost in the Aluminum segment is expected to be unfavorable by approximately $90 million.

Beyond the standard sensitivity provided for intersegment profit elimination, we anticipate an additional $20 million of income in the first quarter of 2025 due to a lower profit retained in inventory related to changes in production costs and volumes.

Below EBITDA, within Other expenses, contributions to ELYSIS in the first of quarter 2025 are expected to increase by $25 million which triggers loss recognition. The fourth quarter of 2024 included negative impacts of $50 million due to foreign currency losses, which may not recur. Based on last week's pricing, we expect the first quarter of 2025 operational tax expense to approximate $120 to $130 million. Note that the fourth quarter 2024 tax provision included a $55 million catch up expense.

Our sensitivities have been updated for our view of 2025. Please note that we revised our regional premium distribution due to the increase in the Alumar smelter shipments. Our pricing in Brazil is based on both index and fixed pricing. As a proxy for the average result of that pricing scheme, we see a high correlation to the Midwest Duty Unpaid Index and suggest using that index for your models.

Lastly, we have a new disclosure in the Appendix. At the request of our stockholders, particularly those in Australia where per unit disclosures are widely available, we are now including cost per unit measures for the Alumina and Aluminum segments as a whole for your reference.

Now I'll turn it back to Bill.

William Oplinger Thanks Molly.

We expect to maintain our fast pace in 2025. Let's cover some of our key areas of focus in 2025. We want a step change in safety. We've made great progress in the last two years, but we want more. We see a direct correlation between safety and operational stability. We are continuing our pursuit of operational excellence, supported by the modernization of the Alcoa Business System, and with particular attention on improving the performance of our Brazilian operations. Progressing our mining approvals in Australia remains of paramount importance. We expect to raise the bar on commercial excellence through customer focused decisions; we want to be positioned as the supplier of choice for customers in terms of product quality, innovation, sustainability, and security of supply.

We plan to pursue targeted areas for growth, via organic and inorganic opportunities. We will do that where returns exceed the cost of capital and deliver value to our shareholders. We are progressing our work on San Ciprian and expect to execute the first steps in 2025. Lastly, on capital allocation. De-levering and repositioning debt are a priority for us. Assuming prices retain their strength, we expect to generate sufficient cash to enable further debt reductions. We believe de-levering is another means to deliver value to our stockholders.

Now let's discuss our markets. In alumina, prices reached an all-time high in the fourth quarter as a result of a tight market on lower than expected supply. In Guinea, a force majeure on bauxite exports to China from a major player and protests in Boke region, all impacted the flow of bauxite exports. This is particularly relevant to the Chinese market that was already facing tight bauxite supply due to lower local production related to safety and environmental inspections at mines in Northern China. Meanwhile, demand remains strong from smelters, resulting in low stocks available in the alumina spot market, creating competition for alumina cargos, and increasing the cost to smelters.

Looking ahead to 2025, in order for the alumina market to come back to balance, several ramp up and new projects in China, Indonesia and India, must complete as planned. Also, bauxite availability is key to keeping refining projects in India and China on track.

In aluminum, global demand remained resilient in the fourth quarter. European and North American demand continues to be supported by the packaging and electrical sectors while building and construction and automotive remain challenged. For building and construction specifically, prior interest rate cuts in Europe and in the US are likely to provide support for recovery. In China, growth in all end uses, with exception of

building and construction, led to strong primary aluminum demand growth in 2024.

The increase in alumina price has outweighed the increase in aluminum price and resulted in tighter margins for smelters exposed to spot price. Announced smelter curtailments in Russia, frontloaded maintenance at smelters in China, together with delayed ramp ups in Indonesia, has tightened global aluminum supply. For 2025, aluminum demand outside China is expected to rebound, with North America and Europe supported by higher real incomes and lower average interest rates year over year.

Limited supply growth is expected globally in 2025, following recent curtailments and delayed ramp-ups, supported by China approaching the 45 million metric tonne capacity cap. And, of course, there is uncertainty related to the impact of any new U.S. tariffs which could have wide ranging effects on supply, demand and trade flows.

When we speak of the possibility of changing trade flows, it is important to point out Alcoa's competitive advantage as a vertically integrated primary aluminum player from mine-to-metal with bauxite mines, alumina refineries and aluminum smelters and casthouses located across the world. This positioning gives Alcoa the ability to maneuver and respond to challenging and changing market and policy conditions.

As I mentioned earlier, the tight supply in 2024 in bauxite and alumina caused alumina prices to rise to all-time highs and some smelters had to cut production or delay ramp ups. Our global network of mines and refineries enabled us to navigate these market conditions without significant operational issues while benefiting from the elevated alumina price.

In aluminum, Alcoa has close proximity to customers in North America and Europe, with smelters across the US, Canada and Europe. For both alumina and aluminum products, our customers value the security that comes with Alcoa-sourced products. They appreciate our close proximity, reliable delivery performance, as well as a variety of mature and stable transportation choices. Alcoa prides itself on offering high quality products across the value chain and continuing to innovate our products to meet customer needs, including low-carbon solutions.

When you transition from Alcoa's global footprint to look at the primary aluminum supply flows into the United States, you can see the U.S. currently has a significant inflow from Canada. The current discussions and proposals on tariffs by the U.S. government may have significant impacts on how metal is flowing from one country to another. Currently, the U.S. imports two-thirds of its primary aluminum from Canada.

This was true both before and after the Section 232 tariffs on aluminum implemented by President Trump in his first term, who also granted an exemption to the tariffs for Canada and select other countries.

If there were to be tariffs on Canadian aluminum imports to the U.S., this would represent a threat to U.S. industrial competitiveness. A 25 percent tariff on current Canadian export volume to the U.S. could represent $1.5 to $2 billion of additional annual cost for U.S. customers. In addition, increasing costs on trade with Canada and Mexico would particularly hurt the U.S. transportation supply chain, the largest end market in North America, and specifically the automotive market.

Trade flows would likely be impacted such that U.S. aluminum imports would increase from countries and regions that have a lower import duty level, like the Middle East and India, while Canadian metal could re-route to Europe and other countries. In Alcoa's case, we could re-route supply from our Canadian smelters to Europe. While it is an advantage to have this optionality, it certainly is not a benefit for our customers as supply chains lengthen.

That said, Alcoa is a 135 year-old global company which operates in markets all over the world and has worked with governments on many topics throughout our history. If the U.S. government decides to implement new tariffs for strategic purposes, we will work with the administration to protect Alcoa's interests.

Let's move on to talk about our work in Spain. We just announced further progress with our San Ciprian stakeholders. Alcoa Inespal, IGNIS EQT, the Spanish national and Xunta regional governments have entered into a Memorandum of Understanding to work cooperatively toward improving the long-term outlook for the complex.

There are four key elements of the MoU which include cooperation from the parties. First, support by the governments for our dialogue with San Ciprián's workers to prioritize restarting the smelter over capital investments that can be deferred to a later date. Second, streamline the authorization of renewable energy projects and deploy policies to achieve competitive energy costs. Third, provide materially higher CO2 compensation support. We have already seen the Spanish National Government increase the CO2 compensation program budget which will provide meaningful support when the San Ciprian smelter reaches full capacity. Last, support the approval by the regional government of the residue storage area capital projects which are needed to maintain production in the refinery.

We expect to use the momentum created by the MoU to continue advancing these key areas of cooperation, as well as the remaining conditions, including energy supply contracts. Additionally, Alcoa Inespal and IGNIS EQT are working to finalize the partnership agreement. We are working to complete these steps as early as possible in the first quarter of 2025.

As a Company, we are proud of the progress we have made in the fourth quarter and in 2024 on multiple fronts. Looking ahead, we plan to maintain a fast pace of execution on our 2025 key areas of focus and strategic initiatives, improve the competitiveness of our operations, and capitalize on strong market fundamentals to deliver value to our stockholders.

Operator, let's start the question and answer portion of the session.

Operator We will now begin the question-and-answer session. [Operator Instructions] When called upon, please limit yourself to two questions. The first question is from Katja Jancic with BMO Capital Markets. Please go ahead.

Katja Jancic Hi. Thanks for taking my questions. Maybe starting on tariffs. Bill, you mentioned if there are 25 percent tariffs on Canada, you would potentially divert that volume to European markets. Where do you think the Midwest premium could actually go if we do start seeing that volume being directed, then US would still have to attract the volume from somewhere else?

William Oplinger Yeah, Katja. The Midwest premium, we think, will go substantially higher. I don't have a number in front of me on what we think it will end up at, but it will go substantially higher in order to attract volumes into the US. Ultimately, if there's a differential between Canadian and non-Canadian metal, you're going to see trade flows disrupted such a way that us and other suppliers most likely will shift from Canadian metal into Europe and you'll see Middle Eastern metal, potentially Indian metal coming into North America because there would potentially be a 15 percent trade differential. Literally, you'd see ships passing in the Atlantic carrying the exact same product back and forth and it doesn't make a lot of sense. And so that's why we've shown the chart that we showed.

Katja Jancic And then maybe just for Alcoa specifically, would the increase in Midwest premium and your U.S. operation be enough to offset the negative impact from tariffs?

William Oplinger So, remember the differential between the size of production in the U.S. versus the size of production in Canada. We have roughly 900,000 metric tonnes in Canada and operating in the U.S., roughly 300,000 metric tonnes, so the differential would not offset.

Now, before we speculate too much, the tariff structure hasn't been set. We have been appreciative of the U.S. government taking the time to think

through these tariffs and we'll wait and see what it brings and then give you a view of the outlook at that point.

Katja Jancic Okay. Thank you. I'll hop back into the queue.

William Oplinger Thanks.

Operator The next question is from Lawson Winder with Bank of America Securities. Please go ahead.

Lawson Winder Thank you, operator. And good evening, Bill and Molly. Very nice to hear from you both and nice work on a solid 2024. If I could, I'd like to ask about your net debt position. Nice to see it fall during the quarter. Bill, I know you haven't done this in the recent past, but would you feel that you might be able to, in a position today, provide some sort of clarity on the net debt target for Alcoa? And then how do you think about the Ma'aden equity position and how does that factor into your thinking? And I'm coming from the point of view just to try to gauge the timing of when Alcoa might consider some sort of potential increase in capital return?

Molly Beerman Lawson, I'll take the first part on our net debt target. We no longer have a stated net debt target. However, we are currently higher than we've been in the last three years. We closed the year at $2.1 billion in adjusted net debt. If you recall back to 2021 and 2022, we were right around $1 billion in adjusted net debt and that was certainly a more comfortable level for us. We will have de-levering, as well as repositioning debt as a priority in 2025. If we find though that we have excess cash after maintaining our strong balance sheet and funding our operations to sustain them, we will look at our capital allocation framework and we'll look at shareholder returns, positioning for growth, as well as any further portfolio actions that we need to take.

William Oplinger And when we consider the Ma'aden transaction, it's important to remember that we've announced it, but we haven't closed it. We anticipate that it'll be closed in the first half of this year. The value on the day that we announced the transaction was roughly $1.1 billion. Subsequent to that time, the Ma'aden shares have increased, so the value is more like $1.3 billion. We're very focused on getting that transaction closed. Recall that it has a lockup period of roughly a third, a third, a third, three years, four years and five years. And so, over that time period, we'll consider what we do with those shares, but there is a lockup period. So, we'll have some time before we potentially recognize that value.

Lawson Winder Okay. Very helpful. Thank you for those comments. If I could actually jump to the bauxite market and just you provided some commentary and it's helpful and it sounded kind of, I guess, as a bit of a warning about – to some of these alumina refineries that are ramping up. And what are you hearing from your third-party customers in terms of bauxite availability? I mean, do you have a sense if there's sufficient, I would say, capacity in 2025 to see some of these new refineries, particularly in India and China ramp up?

William Oplinger So, the bauxite market currently is very tight. We see bauxite pricing in China at $120 per tonne, $130 per tonne, probably the highest bauxite has ever been. When a coastal refinery in China is looking at restarting, if they're using imported bauxite, their bauxite cost alone is between – somewhere between $250 per tonne and $300 per tonne. So, the market is tight and it's tight for the reasons that we discussed in the prepared remarks and that has a flow on impact on the alumina market. When we look at the alumina market, we think that alumina will remain tight, we believe, through the first half. Don't know what will happen after that. In order for the alumina market to loosen up, we need to see production coming online in India, Indonesia, but with a tight bauxite market and an expensive bauxite market that pressures the alumina market further.

Lawson Winder Okay. Thanks for your comments. Much appreciated.

William Oplinger Good.

Operator The next question is from Daniel Major with UBS. Please go ahead.

Daniel Major Hi there. Can you hear me okay?

Operator Yes, we can.

William Oplinger Yes, Daniel.

Daniel Major Great. Thanks. Yeah, two questions. The first one just on San Ciprián, I guess, good progress with the memorandum of understanding, couple of competitors. Can you confirm what the cash balance is at the end of the year at San Ciprián and any updated projection based on kind of market prices as to when effectively that would run out of cash? And as the memorandum of understanding, I guess, is encouraging, but it doesn't guarantee that a deal will be reached. Is that a way of thinking about it?

Molly Beerman Yeah. I'll take the first part on the cash balance. So, with recently high API prices, that has reduced our net cash consumption, but cash is still depleting weekly. And so, we do have a sense of urgency to complete our discussions and negotiations, primarily with the unions on the release of the restricted cash and with the energy suppliers on viable contracts. The decision for us to proceed with the JV formation and initial investments that will be made by Alcoa and our partner IGNIS will be based on the certainty that we have on each of the remaining items.

William Oplinger And as far as the MoU goes, we think the MoU is a step forward for the long-term viability of the site. The MoU provides essentially four things, as I outlined in my prepared remarks, both the national and the regional governments are supportive of prioritizing the smelter restart over the capital investments. They're supportive of streamlining the authorization of renewable energy projects, specifically wind farms. They're providing their support for materially higher CO2 compensation to support that. That's a big deal. Back in December 13, 2024, they talked about doubling compensation for CO2 that supports the long-term viability of the site. And

then lastly, we need – not least important, but we need support on approval of the residue storage area uplift.

With that said, Daniel, we continue to plan for the ramp-up of the smelter, but at this point, it can't be guaranteed. As we mentioned earlier, we still have a several key pieces that need to fall in place. Currently, the smelter is not viable, so ramping up production will accelerate the consumption of cash that Molly talked about from the proposed investment that must be preserved to support the long-term viability of the operations. We also need to hear from the Works Council on releasing the restricted cash. So, the MoU is a step forward, but it doesn't necessarily guarantee the restart of the smelter.

Daniel Major Very good. Thank you. And then second part of the question, lots of excitement around monetizing excess energy offtake that you have to feed the AI data center dynamic. Can you provide us with any numbers around megawatts to potential excess capacity and any steer around the upside to that?

William Oplinger You were breaking up on us. But I think the question that you're asking was that do we have excess energy that we can monetize around the world? And you know we have four positions down in Brazil that are of part ownership in hydros that we sell into the marketplace there. We saw the benefit of some higher pricing in the fourth quarter versus the third quarter. So that's a positive. That will fluctuate depending on what the rainfall essentially looks like and what the energy prices look like down in Brazil. The other place that we could potentially monetize energy is in Warrick, but Warrick is coal-fired power plant and currently, we're using that energy to run the smelting. But those are really the two areas that we could monetize energy other than making into aluminum.

Daniel Major Okay. Thank you. I'll go back to queue.

William Oplinger Thank you.

Operator The next question is from Carlos De Alba with Morgan Stanley. Please go ahead.

Carlos De Alba Yeah. Thank you very much. Hello, Molly and Bill. Maybe similar vein of the last question, but then slightly different. What is the opportunity that Alcoa has to potentially monetize idled sites, given the interest from data centers on that type of assets?

William Oplinger Thanks for the question, Carlos. And we actually have a history of monetizing legacy assets that has generated significant value over time. And so, while others may talk about it, we have actually done it. So, for instance, in Texas, if you remember the Rockdale site, I believe we sold it for right around $270 million a number of years ago and that has subsequently been redeveloped into certain areas. Again, we were able to monetize it and make good money. In advance of that, I should say, after that, we sold the Intalco site for $100 million that ultimately went to a data

center developer and it was long before this craze around AI and data centers and we were able to monetize $100 million there.

We have a number of sites around the country and around the world that are uniquely positioned to be able to take advantage of both the data center and the AI situation. Why do I say they are uniquely positioned? They have generally energy connections that are able to bring energy in. So, when I look at it, there are places like Wenatchee, Massena East, the one that's probably the most valuable is Point Comfort because it has access to a port. Globally, we have Point Henry, which is a site that's in Australia. So, while I'm not willing to put a value on it, you see our track record before the real craze around AI and data centers of multi-hundred million dollar sales generations from these sites.

Carlos De Alba Thanks, Bill. And maybe just a follow-up on that one and is there any timetable and you were focused obviously last year on closing the Alumina Limited, you have been making progress in San Ciprián that is an ongoing effort. But you have now this potential monetization of legacy assets in your agenda for the coming months, quarters. Any color as to when – exactly where the company is potentially in this process and where we could see some benefits?

William Oplinger No. And the reason why I say no, Carlos, is because these things take time and I want maximum value. We're not in a position where we need to do a fire sale on any of these assets. So, if you recall the saga of Rockdale from a number of years ago, we had offers in Rockdale that were as small as $40 million and we held out for a maximum value that was, again, my recollection, was greater than $250 million. So, I'm not going to lay out a timetable. We have assets that we can monetize. In the case of something like Point Comfort, we're going through the demolition. We're going to make sure that we get maximum value out of these sites. So, we're not in a rush to sell, but it is actually a good market right now. So, we'll let you know.

Carlos De Alba Fair enough. I'm going to cheat a little bit since that was technically one question. If I may just ask on San Ciprián, so if all these efforts that you are putting into restarting the asset and reaching a viable agreement don't work, don't play out, what would be like sort of maybe a range of the worst case for Alcoa and, Alcoa shareholders, how much money you would potentially lose or cash that would be stranded in the country? If you can provide some color or framework around that, that would be useful. Thank you very much.

William Oplinger So, Carlos, before Molly gives you some numbers, I will caution you that I don't want to speculate on the potential outcome here. We are focused on making San Ciprián a viable site. We just announced significant support that we're really pleased with from both the national and the regional government. So, we are focused on making that a viable site for the long-term. That's our priority outcome. However, Molly can give you some numbers around potential curtailment or closure costs.

Molly Beerman So, Carlos, these haven't updated from the last time, they remain the same. On the smelter without severance, we're looking at $40 million to $50

million in cash closure costs. On the refinery, again, without severance, we're about $200 million, but that does include about $80 million in the CapEx for the residue storage area. We're actually going to go ahead and do that work now that will be needed whether we're running or closing. And in a closure scenario.

Carlos de Alba Thank you very much.

Molly Beerman And in a closure scenario, again, we're not there, but we would be paying out those funds that I just spoke about over five years to seven years.

Carlos de Alba Thank you. Thank you, Molly.

William Oplinger Thanks, Carlos.

Operator The next question is from Nick Giles with B. Riley Securities. Please go ahead.

Nick Giles Thank you very much, operator. And good afternoon, everyone. Congrats on a really nice quarter here. I just wanted to follow up on some of your legacy power assets. What have conversations looked like to date? Have you been approached by any hyperscalers or similar datacenter developers or is due diligence really just on Alcoa's end at this stage?

William Oplinger Nick, we are in constant contact with developers on all of these sites and it takes time and it takes a lot of work with various groups. These are generally not – the landscape has changed a little bit with some of the hyperscalers. But historically, these are generally not well capitalized firms. So, you go through a lot of process and ultimately find out that that they don't have the money to be able to do it. But that's what we've done in places like Rockdale and at Intalco. So, we are in contact with folks and trying to move forward for the best value for our shareholders.

Nick Giles Well, Bill, I think it's safe to say everyone will be a little better capitalized after the Stargate announcement last night. My next question was, first of all, congratulations on the execution of the profitability improvement program. I was wondering if you could provide an update on your productivity and competitiveness program. I think you had reached $45 million as of Q3 2023. Should we still think about you exiting 1Q 2025 at the $100 million run rate? Thanks very much.

Molly Beerman Yes. By that point, we'll have executed all the actions to hit the $100 million run rate. We actually put all of the productivity initiatives into our 2025 plan. Well, I know externally that you guys like these profitability programs. Internally, they're actually hard to measure and hold accountable. So, we took the step of building all of our improvements into our plan. That way we can track it by operation, by department and know who's accountable. So, we're feeling good about going into 2025 with all of those actions locked down and accounted in the plan.

Nick Giles Bill and Molly, thank you so much for all the color and continued best of luck.

William Oplinger Thank you.

Molly Beerman Thank you.

Operator The next question is from Chris LaFemina with Jefferies. Please go ahead.

Chris LaFemina Thanks, operator. Hi, Bill and Molly. Thanks for taking my question.

Molly Beerman Hey, Chris.

Chris LaFemina I was going to ask about CapEx. But first, just on to that profitability improvement program. Molly, you mentioned that it's hard to monitor that stuff internally. Well, it's also hard for us to monitor it externally. So, if we look at what you've delivered there and we assume you get the full benefit from the Kwinana curtailment, we assume you get the full benefit of the productivity and competitiveness program that you just spoke about. We assume you get the full benefit of the work optimization, that would imply like $750 million in total benefits. And I think you did about $530 million roughly of EBITDA in 2023 before this program was implemented. So, does that mean effectively that if we go back to a 2023 commodity price environment, EBITDA instead of being $530 million would be $750 million more than that, so it's more like $1.3 billion in that sort of price environment, is that the way we should think about that program in terms of modeling it going forward?

Molly Beerman I hear what you're saying, Chris, but I kind of focus on the performance side of it. So, if you look at the numbers that we've listed in the chart on the progress that we've made, if you look at the year-over-year bridge, which is in the back of your appendix, you'll see that our initiatives have generated about $625 million of productivity that's showing up in the 2023 to 2024 bridge. That's on top of the market improvements of $740 million. So, when you look at the deltas, we do have about $50 million of headwinds related to lower value-add product premiums and about $250 million other headwinds related to inflation and costs outside the program. So, we have a net delivery that's very apparent in the bridge of over $300 million.

William Oplinger And that's the beauty of that bridge right, there's puts and takes. We have a massive effort in place to continuously improve the company, but the bridge spelled out exactly what we ended up getting. And so, it bridges the earnings to earnings and it's pretty clear there.

Chris LaFemina That's helpful. Thank you. And then secondly, just on CapEx, your 2025 CapEx guidance is probably a little bit higher than, I think, many in the market had expected. And, Bill, you mentioned that there is some substantial projects that are contributing to the high sustaining CapEx for 2025 and it's up nearly $200 million versus 2024. How do we think about where that trends after 2025? So, is it going to be a big lump of CapEx in 2025 and then it reverts back to some more normalized level in 2026? And then what is that more normalized level? How should we think about CapEx kind of through the cycle? Where should it be aside from your growth?

Molly Beerman So, Chris, let me take this one. There's a couple moving components because of the changes between sustaining and return-seeking. And if you think in 2024, we were guiding to about $600 million in expected CapEx, we did underspend that a bit. However, we're thinking of it as going from $600 million up to $700 million and we had been guiding that we would add at least $50 million in the next two years related to the mine moves. As it turns out, we're adding $70 million in 2025. I don't yet have the number for 2026 on the mine moves, but you can expect that that will be significant. The mine moves will take three-ish years to complete. So, we would be elevated during that time.

Chris LaFemina Okay. So that's $70 million of the – I think you said $185 million increase right? Is the other $115 million all kind of one-off 2025 items that we should expect to reverse in 2026 or are there just – I mean, I understand there's a lot of moving parts, just trying to think about where that might go, even with the mine CapEx that you're spending?

Molly Beerman Yeah. We have some opportunities with sustaining CapEx now to really improve our business. If you look at the projects that we mentioned, Juruti is going through an energy transition, we're connecting them to the grid there. We have a new ship unloader going in in Canada that's significant expense. And then we also have a bauxite reclaimer in Western Australia. So, maybe it's timing, but we absolutely have an opportunity now to really improve the business. And so, we are – while we have the cash available, we are going to put it into the business.

Chris LaFemina Great. Thank you for that. Good luck.

Molly Beerman Thank you.

Operator The next question is from Michael Dudas with Vertical Research. Please go ahead.

Michael Dudas Good evening, gentlemen, Molly.

William Oplinger Hey, Michael.

Michael Dudas Bill, as you put forth your outlook for 2025 with regard to volumes, et cetera, maybe you could share like are you anticipating in the cycle, tariffs aside, a recovery year, a more normalized year, like what's the sense from your – from the client base, what you're seeing about on the demand front, whether where the cycle might be here as we move forward just from the overall outlook for, say, the aluminum industry?

William Oplinger So, let me start with aluminum and we'll just briefly hit on alumina and bauxite. But as we look forward on aluminum, we are seeing global demand growth at roughly 2 percent on a – growth on a year-over-year basis. That breaks down roughly of rest of world of 3 percent and China at approximately 1 percent. I'm rounding these numbers a little bit from the exact numbers, but it gives you an indication of what type of growth that we're seeing. Rest of world growth is actually pretty strong. China growth at 1 percent is historically low, but we'll see whether China takes any action

around stimulus. And to me, potentially, that's upside. Then if I look at the rest of the world demand picture and we go kind of end market by end market, we continue to see demand strength in packaging. We continue to see demand strength in electrical conductor and electrical distribution. The automotive space is a little bit mixed. We are seeing strength in North America with a little bit of weakness in Europe. And then building and construction, which is the largest demand driver globally for aluminum, is still fairly weak, and building and construction will be based on what happens with interest rates. And I know a lot of people were anticipating that interest rates would be lower in 2025. Just from a mathematics perspective, it looks like it'll be on average a little bit lower unless rates go higher from here. And we think that potentially offers some upside on the demand side. So that's the markets.

Michael Dudas That's very helpful, Bill. And then maybe just to follow up, do you think the market – as you're seeing, as you're getting ready for it, do you think the market is expecting the tariffs that we're anticipating? Do you see signs of that from your client base, from market indices, how you're thinking about this? And how quickly or how rapidly can the industry kind of adjust to these dynamics since they seem to be happening at a pretty breakneck speed here as we start the new administration?

William Oplinger So, I'm going to give you a little bit of a non-answer, and that's just because there's not a lot of clarity around what the market is expecting. You look at the Midwest premium in the U.S., it has gone from something like $0.18 in November-December 2024 timeframe to $0.24 today. So, is it anticipating some type of tariff? It may be anticipating some type of tariff. What it's not anticipating is the 25 percent tariff that would have a massive step-up in overall Midwest premium. So, our customers and it's a question that Molly and I were just talking with our commercial team over the last couple of days. Our customers are in the same spot we're in. They don't know what to do as far as tariffs. They're not necessarily doing significant repositioning of metal because they just simply don't know. So, we'll wait to see what comes of it.

As far as how quickly things will turn, once the tariffs go into place, you will, I believe, immediately see a bump-up in the Midwest premium as soon as the tariffs take effect. And then over time, metal will flow. And we think it'll take, what do we say, one to two quarters that it'll take time for metal to flow out of other regions if there is a tariff differential. So, we're speaking about a situation where Canada has a 25 percent tariff and the rest of the world has a 10 percent tariff. We will see trade flows over the course of, let's say, half of the year have significant impacts, but it'll start immediately.

Michael Dudas Bill, that was a great non-answer. I appreciate it.

William Oplinger Thanks.

Operator The next question is from Timna Tanners with Wolfe Research. Please go ahead.

Timna Tanners Hey, team. Thanks for taking my question. I wanted to expand a little bit. I know you talked about uses of cash, debt paydown is a priority, but you did allude to some expansions. And I know you've talked in the past about opportunity to revisit Warrick or Lista and others. Given this really high aluminum price, is it just a matter of alumina prices, their balance not being compelling or what kind of decisions do you need to make to decide to restart in this environment?

William Oplinger So, thanks for the question, Timna. I hope you are doing well. The first and foremost is we need some clarity around the tariff structures before we do anything with the U.S. or Canadian assets or European assets. We need clarity around tariffs. And then you hit upon one that is big, aluminum prices. So, as we look at potential, the metal price may support additional capacity in a place like Lista, especially if we can get European energy prices at a reasonable level. But really factoring in phase alumina, there's an opportunity cost of consuming alumina in a place like Lista that we can turn around and sell it at $570 a tonne. So, as we always do, once we get clarity around the tariffs, we'll factor in exchange rates, alumina prices, aluminum prices, and most importantly, energy prices to make a determination specifically around Lista and Warrick. Those are the two places that we have excess capacity that could be restarted.

Timna Tanners Okay, helpful. Thank you. Also wanted to touch base on your technology initiatives as far as CapEx use. I know in the past, those were a big focus and there wasn't much emphasis in this presentation on some of the initiatives you've detailed in the past. So, any update can you provide for us? Would those be kind of in line for capital uses or are they pushed out of it? Thanks.

William Oplinger So, before Molly answers the numbers question, I do want to give you some insight into our thinking around our three key technology programs. ELYSIS in 2024 was a little bit of a disappointment in that it did not deliver the start of 450 kA cells in 2024. We anticipate that in 2025, we will have a 450 kA cell started in ELYSIS. So that's the anticipation there. When I look at ASTREA, we're making progress in ASTREA. We've gone from really a desktop side cell to a much larger cell, not commercially sized, not by any stretch. But we are stepping up the cell size in ASTREA. We're doing that at the Alcoa Technical Center. And then in the refinery side, we are making progress on key technologies, for instance, electric calcination that are promising. And so, we're seeing that technology and looking at how we can apply it to our existing refineries to have a step change in both energy usage and carbon emissions. So, Molly, do you want to address the dollar question?

Molly Beerman Yeah. Timna, we do not have significant technology dollars. I don't have the ASTREA specific rate handy, but recall is around $15 million.

William Oplinger And ELYSIS?

Molly Beerman No ELYSIS CapEx.

Timna Tanners Okay. Thank you. Helpful.

Operator The next question is from Bill Peterson with JPMorgan. Please go ahead.

Bennett Moore Good afternoon. This is Bennett on for Bill. If I could circle back to San Ciprián real quick. Wondering what that feedback has been from the union and workforce regarding the MoU and proposed JVs. Is this at all a bottleneck moving forward?

William Oplinger So, the MoU is really fresh, right. And so, we had meetings with our employees and informed them of the MoU. But we are also being very balanced in the discussion around the MoU. The MoU is, as I said, as I characterized it, is a real step forward in that we have support from the national and the regional governments, but there are still certain things that need to come into place in order for us to guarantee the restart of the smelter. So that's the communication that we've had with our employees and with the unions and they have heard – they've heard that directly from us at this point.

Bennett Moore Thanks for that. And then on permitting in Western Australia, has that public comment period begun and what are the next milestones we should watch for after that?

William Oplinger Go ahead, Molly.

Molly Beerman So, the public comment period, we expect to commence toward the end of the first quarter and go into the second quarter. At this point, we're still on track for our approvals in 2026 and then the mine move and access to the upgraded bauxite no earlier than 2027.

Bennett Moore Thank you. Congrats on the great quarter.

William Oplinger Thank you.

Molly Beerman Thank you.

Operator This concludes our question-and-answer session. I would like to turn the conference back over to Mr. Oplinger for his closing remarks.

William Oplinger Thanks, Gary, and thank you all for joining our call. Molly and I look forward to sharing further progress when we speak again in April. Thank you**.**

Operator The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.