

# Alcoa Corporation

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## Alcoa Agreement with Alumina Limited Conference Call

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February 25, 2024, 6:00 PM

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### **CORPORATE PARTICIPANTS**

**James Dwyer** - *Vice President, Investor Relations & Pension Investments*

**William Oplinger** - *President & Chief Executive Officer*

**Molly Beerman** - *Executive Vice President & Chief Financial Officer*

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## **PRESENTATION**

### **Operator**

Welcome to the Alcoa Agreement with Alumina Limited Conference Call. All participants will be in listen-only mode. Should you need assistance, please signal a conference specialist by pressing the star key followed by zero. After today's presentation, there will be an opportunity to ask questions by phone. To ask a question, please dial in or click the link on the webcast to connect your phone. You may then press star then one on your telephone keypad. To withdraw your question, please press star then two. Please note, this event is being recorded.

I'd now like to turn the conference over to Jim Dwyer, Vice President, Investor Relations and Pension Investments. Please go ahead.

### **James Dwyer**

Thank you everyone for joining us on short notice to discuss our announcement that we have entered into an agreement with Alumina Limited on terms and process for the acquisition of Alumina Limited in an all-stock transaction, subject to entry into a scheme implementation agreement. 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.

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.

A press release regarding this announcement and the referenced slide presentation are both available on the investor relations section of our website and on a microsite, [www.strongawacfuture.com](http://www.strongawacfuture.com), all one word.

With that, here's Bill.

### **William Oplinger**

Thanks, Jim, and welcome everyone. I'm excited to announce that we have entered into an agreement on terms and process to acquire Alumina Limited in an all-stock transaction. We believe the acquisition is in the best interest of Alcoa and Alumina Limited shareholders. This proposal would give Alcoa full 100% ownership in the Alcoa World Alumina and Chemicals, or AWAC, Joint Venture.

I'll start by taking you through an overview of our agreement, an overview of our AWAC Joint Venture, and then get into the strategic and financial benefits of this transaction. Molly and I will take questions at the end.

We have entered into an exclusivity and transaction process deed, and the Alumina Limited Board of Directors has confirmed that, subject to entry into a scheme implementation agreement, it intends to recommend the transaction to Alumina Limited shareholders. Under the all-scrip, or all-

stock transaction, Alumina Limited shareholders would receive consideration of 0.02854 Alcoa shares for each Alumina Limited share.

Based on Alcoa's closing share price as of February 23, 2024, the agreed ratio implies an equity value of approximately \$2.2 billion for Alumina Limited. This also represents a premium of 13.1% to the closing price of Alumina Limited's shares on February 23, 2024. Upon completion of the agreement, Alumina Limited shareholders would own 31.25%, and Alcoa shareholders would own 68.75% of the combined company on a fully diluted share basis.

We believe the acquisition would deliver significant value for both companies' shareholders. The transaction would increase Alcoa's economic interest in its core business and simplify governance, resulting in greater operational flexibility and strategic optionality. It would also allow Alumina Limited shareholders to participate in the upside potential of a stronger, better-capitalized company with a larger and more diversified portfolio.

Other key points are that under the terms of the transaction, two new mutually agreed upon directors from Alumina Limited's Board would be appointed to Alcoa's Board of Directors upon closing. We also see a clear path for executing and completing the transaction. Additionally, Alcoa would apply to establish a secondary listing on the Australian Securities Exchange to allow Alumina Limited shareholders to trade Alcoa common stock via CHESSE Depository Interests, CDI, on the ASX.

Before I move on, I want to highlight that Allan Gray Australia, Alumina Limited's largest holder, has entered into an agreement with us to give Alcoa the right to acquire up to 19.9 percent of Alumina Limited for 0.02854 Alcoa shares for each Alumina Limited share. Allan Gray's support of our proposal underscores our mutual belief in the value creation potential of this transaction.

To better understand the value creation of this transaction for Alcoa and Alumina Limited shareholders, let's review the current ownership structure of AWAC. This joint venture was formed in 2002 and the Alumina Limited-Alcoa relationship dates back to 1961. AWAC is one of the world's largest producers of alumina, the feedstock for producing aluminum, as well as miners of bauxite. Alumina Limited is an ASX-listed company and its sole investment is in AWAC as a non-operating, non-controlling interest.

Today, Alcoa owns 60 percent and Alumina Limited owns 40 percent of the AWAC joint venture. Alcoa is the operator of AWAC and AWAC's financial results are fully consolidated by Alcoa. So it is more than fair to say we know this asset extremely well. You can see the specific assets AWAC owns on our slide presentation. The proposed transaction will collapse and substantially simplify this structure so that Alcoa is the 100% owner of AWAC.

We believe this transaction, which is underpinned by strong industrial logic, is the right path forward for Alcoa, Alumina Limited, and AWAC. For Alumina Limited shareholders, the transaction would diversify their ownership to a large-scale, global upstream aluminum company through a meaningful position in Alcoa.

For Alcoa shareholders, the acquisition would advance our strength, stability, and flexibility even further to create a better investment. Alcoa shareholders would also benefit from the reduced

complexity at AWAC, opening up opportunities for greater operational efficiency while also enabling more efficient funding and capital allocation decisions. Ultimately, those are what will drive our stockholder returns.

With ownership in the combined entity, Alumina Limited shareholders will be entitled to the same ownership benefits that are available to Alcoa shareholders. Alumina Limited shareholders will exchange their shares in a non-operating passive investment vehicle for an ownership position in Alcoa. The simplified structure enables Alumina Limited shareholders an opportunity to gain exposure to the wider Alcoa portfolio.

Today, Alumina Limited shareholders have exposure to 40% of only AWAC's bauxite, alumina and aluminum assets. This exposure comes through an extremely complex ownership at a sub-segment level in Alcoa's structure.

This transaction would change that structure substantially. Upon completion, Alumina Limited ownership would be completely streamlined. Alumina Limited shareholders would elevate their ownership to the combined company level, owning 31.25% of the pro forma combined company.

This is a unique opportunity for Alumina Limited shareholders. Operationally, Alumina Limited shareholders will gain exposure to a globally diversified business mix across bauxite, alumina and aluminum. In addition, Alcoa is a sector innovation leader with a full suite of low-carbon and recycled content products and long-term technology projects under development to address the upstream aluminum value chain.

From a financial perspective, Alumina Limited shareholders would own shares in a larger scaled business and have stock with meaningfully greater trading liquidity. Alumina Limited shareholders would also participate in Alcoa's capital returns program, including the current dividend, and would have access to a larger, stronger balance sheet that will be better able to fund portfolio actions, maintenance capital, and growth capital.

This transaction would provide exposure to our low carbon smelting portfolio. Today, Alcoa is a top five global producer, excluding China, with smelters in close proximity to major customer markets. It has 87% of smelting tonnes powered by renewables energy and our carbon emission intensity is currently less than one third the industry average.

Turning to the next slide, the acquisition would advance our leading position as the global, pure play upstream aluminum company. A combination of Alcoa and Alumina Limited enhances Alcoa's vertical integration across the value chain with leading positions across mining, refining, and smelting, with tier 1 assets at every step. The increased vertical integration in a combined company also provides more stability throughout the commodity cycle.

With a strong balance sheet and the financial flexibility to self-fund both upcoming capital requirements and our pipeline of technology development projects, we are well positioned to navigate volatile market conditions.

AWAC's mining operations are strategically located proximate to Alcoa's refineries and major Atlantic and Pacific markets. The proposal enables us to continue to be a sector leader as the

largest bauxite miner among publicly listed pure plays and second largest globally, the largest alumina producer among publicly listed pure plays and third largest globally, excluding China, and the second largest aluminum producer among publicly-listed pure plays and fifth largest globally, excluding China.

Alumina Limited is an Australian company, so I want to take a moment to discuss our history in Australia. For the past 60 years, Alcoa has been a responsible, long-term investor – [interruption] – sorry, we had an alert here, so I just wanted to make sure that we go back. It's an important point because we're addressing Australia.

For the past 60 years, Alcoa has been a responsible, long-term investor and operator in Australian bauxite mining and alumina processing, as well as aluminum smelting. Our annual spend in Australia is more than A\$3 billion locally through wages, taxes, royalties, procurement, and community investment. In addition, our Australian business was the first mining company to receive recognition from the United Nations for rehabilitation excellence.

We believe now is the right time to consolidate ownership in AWAC, which would build on our commitment to the region and provide significant benefits to employees, customers, host communities, and others who rely on the continued success of our global business.

Following this transaction, we would be better positioned to continue, and have intention of continuing, our long-term plan of investing in Australian bauxite mining and alumina refining. Upon completion of the proposed transaction, we would unite Alcoa's core bauxite and alumina business. The consolidation of the AWAC joint venture would substantially increase Alcoa's economic interest in AWAC's production of the pro forma company.

This proposal would strengthen our portfolio of tier 1 bauxite and alumina assets. Following completion of the transaction, Alcoa would significantly increase its ownership in five of the 20 largest bauxite mines and five of the 20 largest alumina refineries globally, excluding China. Both the bauxite mines and alumina refineries are currently in the first quartile of cash costs for bauxite assets and alumina assets, respectively.

Alcoa and Alumina Limited shareholders will benefit from a simplified structure and governance. Going forward, we would be able to be more efficient in executing decisions with a view to maximizing returns. The benefits would include tangible near-term cost synergies with potential for further organizational optimization, expanded scope of future strategic options, centralized decision-making, allowing critical operational and financial decisions to take place on an accelerated basis, and access to 100% of cash flow from AWAC for Alcoa shareholders.

In addition, by simplifying the corporate structure, we will align interests among Alcoa and Alumina Limited shareholders, replace the complex JV arrangement with a single ownership structure, reduce governance complexity and administrative costs, and simplify financial reporting. The upside potential for AWAC as a simpler organization is clear and unlocks value for shareholders.

Lastly and importantly, Alcoa and our shareholders will benefit from increased efficiency in financial decisions. Our all-stock transaction preserves Alcoa's balance sheet strength going forward and provides more capital structure flexibility. As one company, we will continue to have

opportunities to pay distributions to shareholders while also better transforming the portfolio and positioning ourselves for growth.

With a transformed portfolio, Alcoa would have increased exposure to what has historically been our highest margin and highest return on capital business. It would also reduce volatility of our earnings profile and provide improved flexibility in managing liabilities. Then, with the ability to make autonomous decisions with completely aligned interests, enhanced financial flexibility, and de-risked funding obligations related to AWAC portfolio actions, we look forward to accelerating our growth.

We remain fully committed to our capital allocation framework to maintain a strong balance sheet through the cycle while expending capital to sustain and improve our existing operations. And then when we have excess cash, in no particular order, we'll use it for portfolio actions, preparing for growth, and returning cash to shareholders. Of course, we will deploy capital to what we believe reflects the best opportunity to maximize value creation.

To conclude, this is the right deal for Alumina Limited shareholders and Alcoa shareholders. Alcoa's agreement on the terms and process to acquire Alumina Limited would provide significant and long-term benefits to both Alcoa and Alumina Limited shareholders and our broader stakeholders and communities. We are confident the transaction would enable us to build on our industry-leading position and better allow Alcoa to execute on our long-term growth strategy.

With that I'll open it up for questions. Operator?

## **QUESTION AND ANSWER**

### **Operator**

Thank you very much. We will now begin the question and answer session. To ask a question please dial in or click the link on the webcast to connect your phone. You may press star then one on your telephone keypad. If you are using a speakerphone, please pick up your handset before pressing the keys. To withdraw your question, please press star then two.

Our first question comes from Timna Tanners with Wolfe Research. Please go ahead.

### **Timna Tanners**

Hey, thanks for all the great detail.

### **William Oplinger**

Hi, Timna.

### **Timna Tanners**

Hey. Just wondering if you could explain a little bit more. Why now, first off, and then any way to quantify any of these cost savings, synergies. You already operate the asset so just trying to understand what really changes from that vantage point. Thank you.

**William Oplinger**

So let me address the why now. You have followed us for a long time. And since separation, we have taken significant steps to improve the company. The first was really handling the pension/OPEB and debt related liabilities that we had. And we significantly improved the balance sheet over time. The second was dealing with legacy assets. And you've seen us deal with legacy assets over the last seven years, and we continue to do so.

To me, really the third was to try to streamline this structure. When investors look at this structure, they don't always understand it. It can be complex. And so we're really looking at the opportunity now to do that.

And the Alumina Limited team engaged in really meaningful discussion that allowed a transaction to be agreed upon that creates value for both sets of shareholders.

As far as the synergies go, clearly, you can look at their overhead costs. And I think that's about \$12 million a year. So we would be looking at eliminating duplication of overhead. There would potentially be financial synergies in the way we handle our capital structure. So could be tax synergies associated with debt in certain jurisdictions in the world. So those would be the two big ones. Molly, anything else you would want to say?

**Molly Beerman**

No, you covered it

**Timna Tanners**

Hey, thanks. And just to wrap up, I guess streamlining and --

**William Oplinger**

We can barely hear you, Timna.

**James Dwyer**

Timna, can you speak up?

**Timna Tanners**

Sorry about that. Is that better?

**William Oplinger**

A little bit. Yeah.

**Timna Tanners**

Okay, sorry. So appreciate the streamlining and simplification, always helpful. But we would expect this similar operating footprint and anything to change there about how you would operate the assets. I know, we've had some updates with Kwinana and San Ciprián. And you've talked about, but is it expected that you would continue to kind of keep the same operating footprint?

**William Oplinger**

Yes. And so, you know, we've operated the assets -- we're the operating partner of the asset, so the footprint wouldn't necessarily change. However, as we look forward, this gives us a

tremendous amount of flexibility on how we can manage the operations. So, you know, as we look forward to growth opportunities, for instance, the streamlining of this venture allows us to grow more easily.

**Timna Tanners**

Okay, great. Thank you.

**William Oplinger**

Thank you.

**Operator**

Thank you. The next question comes from Curt Woodworth with UBS. Please go ahead.

**Curt Woodworth**

Yeah. Thank you. Hey, good morning. Good afternoon. So Bill, in terms of thinking about strategically what you maybe would like to do differently or how you're would approach managing these assets on a consolidated basis. Like, I get in the near term, you know, what would be some of the differences you would look to do? And then with respect to -- Timna kind of took my question, but in terms of changing the scope or growth, how do you see that playing out and respective still, you know, transitioning from the low bauxite grade and trying to pivot into North Myara. Thank you.

**William Oplinger**

Curt, as I said to Timna, you know, we've been the operating partner for quite a while. But you have seen recently some of the real progress that we've made in the joint venture. For instance, at the end of the year, we got our WA permits. So that we continue to operate in WA. We've announced the Kwinana curtailment, and that's a hard announcement to make, but Kwinana based on its age and its complexity is a high cost facility, and we needed to make that announcement. In addition, you see that we are taking action in Spain. We've begun to engage the stakeholders in Spain to determine a path forward there. So we've made a lot of progress.

As I look forward to growth, I probably won't give you any specifics, but look at our footprint globally. We have a very strong footprint in Western Australia, we have a strong footprint in Europe, and I'm specifically speaking just about the AWAC assets now, strong footprint in Brazil, and mining in Guinea, and obviously in Spain. It gives us the opportunity to choose growth programs over the years and so we have the ability, that geographic diversity, to be able to choose where we want to grow and have been successful in those jurisdictions over a long period of time.

**Curt Woodworth**

Okay. Thank you. And I guess I'm not totally familiar with some of the off balance sheet or pension, ARO as specific to AWAC so what do you view as the kind of the total enterprise value of what you're paying for?

**Molly Beerman**

So, Curt, the pension obligations and OPEB obligations, there are practically none in AWAC. So you will see the debts that Alumina Limited is carrying, it's about 300 million, just shy of that.



**Curt Woodworth**

So the combination enterprise value would be around \$2.5 billion?

**Molly Beerman**

Yes.

**Curt Woodworth**

Understood. Thank you.

**William Oplinger**

Thank you, Curt.

**Operator**

Thank you. The next question comes from Glyn Lawcock with Barrenjoey. Please go ahead.

**Glyn Lawcock**

Good afternoon, Bill. Bill, I'm guess I'm gonna come at it from the AWC side a little bit. I mean, firstly, just was there any consideration to the franking credits. I think there's like 450 million of franking credits trapped on the AWAC balance sheet. Is there any thought to getting that to AWC shareholders at all?

**William Oplinger**

The franking credits will remain with the combined entity and we will be able to use them higher up in the organization and the organizational structure. So it will remain – they will remain within the new entity.

**Glyn Lawcock**

All right. So you don't think there's any chances the Australian shareholders could benefit from that in this deal or is the deal finalized at the current rate?

**William Oplinger**

We have an agreement with Alumina Limited and the agreement with Alumina Limited is to proceed towards a scheme implementation, and they have agreed that their Board will support the exchange ratio that we have agreed to.

**Glyn Lawcock**

Okay. I guess, obviously shareholders will get a vote on it no doubt. Secondly, you've obviously spoken to Allan Gray, the other major shareholder is CITIC. Have you had similar discussions or any discussions with CITIC?

**William Oplinger**

We've engaged with CITIC in this process. Yes, we've engaged with CITIC, and Alumina Limited obviously is engaged with CITIC in the process also.

**Glyn Lawcock**

Any comments you can offer from those discussions? So like, yeah, we'll see Allan Gray's accepted. Any comments you can offer from the CITIC discussions?

**William Oplinger**

No comments from a CITIC perspective, you would have to ask CITIC. They have a process and procedure of getting approval for these types of transactions. And I'm sure they will go through that process.

**CONCLUSION****Operator**

Thank you. This concludes our question and answer session. I would like to turn the conference back over to Bill Oplinger for closing remarks.

**William Oplinger**

Thank you, operator. I appreciate everyone getting on this call fairly quickly. I know we didn't give you a whole lot of notice on a Sunday afternoon. If you can't tell, we're extremely excited about this opportunity. We think that this positions the company for the long term. We think it's the right transaction for both Alcoa and the Alumina Limited shareholders. And I appreciate you taking the time on your Sunday afternoon to listen to the benefits of the transaction. So thank you very much. That concludes my remarks. Operator?

**Operator**

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