

Alcoa Corporation

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CORPORATE PARTICIPANTS

William F. Oplinger – *President and Chief Executive Officer*

OTHER PARTICIPANTS

Katja Jancic – *Analyst, BMO Capital Markets Corp.*

Katja Jancic: Good morning, everyone. Next up is Alcoa, which ranks among the largest aluminum and alumina producers globally with assets in Australia, Europe, Iceland, South America, and North America. This week, Alcoa also announced that it's going to be purchasing its JV partner, Alumina Limited. And with that, today with us is President and CEO, Bill Oplinger, and now I'll turn it over to you, Bill.

William F. Oplinger: Thanks, Katja. Can you hear me? Good. So, as Katja said, we announced a big transaction on Sunday night and if I'm not careful, I'm going to fall off this, but that's okay. So, I figured probably a lot of questions in your mind around the transaction. So, I talk specifically around the transaction, trying to take some of the questions off the table for you, and then I'll sit down and have the fireside with Katja.

First of all, the transaction: we announced that we're acquiring Alumina Limited; with the transaction ratio, Alumina Limited shareholders would own 31.25% of the combined company, the Alcoa shareholders would own 68.75% of the combined company. We will list our CDIs in Australia, so it will be exchanged between our shares and their shares, and we'll have a listed CDI in Australia. We will pick up a small amount of debt, around \$300 million of Alumina Limited debt. Enterprise value is roughly \$2.5 billion for the transaction.

I've been asked numerous times in the last 24 hours, why now? So, let me address the why now as the first part.

If you understand the nature of the joint venture, both of these organizations were spun out of larger organizations over time. So, Alumina Limited was spun out of Western Mining back in, I believe, 2002. Alcoa Corp. was spun out of Alcoa, Inc. back in 2016. The joint venture used to be a small part of a large organization called Alcoa, Inc. When we spun out of Alcoa, Inc., the joint venture became a very large part of a smaller company.

We've looked at the transaction a number of times over the last seven years. Both sides have actually engaged in looking at the transaction. And essentially there comes down to a small window of opportunity to get a transaction like this done. Both shares have traded in concert over the last few months, and there was an opportunity for both sets of shareholders to have value created. And I'll talk about why that is, but a very small window to get a transaction like this done.

So, if I were talking to Alumina Limited shareholders, this transaction is good for Alumina Limited shareholders for a number of reasons. First of all, they get a premium on closing price from the shares on Friday. So, the exchange ratio as of Friday represented about a 13 percent premium.

The transaction is also a premium on the one-year VWAP on the exchange ratio, the two-year VWAP on the exchange ratio. In addition to that, they get exposure to the entirety of the aluminum value chain. So, as they look at the ownership that they will have in Alcoa Corp., they will be owning 31.25% of a fully integrated upstream aluminum company. So, it's important for them to understand that they will get that value also.

In addition to that, they will get exposure to the new technologies that we're coming out with in the metal space. So, in my view, it's a good deal for the Alumina Limited shareholders.

It's also a good deal for the Alcoa shareholders. What it does is it provides us, Alcoa, exposure, a greater exposure to the upstream part of the business. So, mining and refining, we will get the economic interests associated with those tonnes that previously Alumina Limited would get.

There's real synergies in the deal. So, there's overhead reductions, but there's also capital structure synergies in the transaction. So, we will be able to generate those synergies once the deal is completed.

And then, I guess lastly and most importantly, it really simplifies the equity story for Alcoa Corp. If you're buying Alcoa Corp. today, you need to thoroughly understand the joint venture structure. In the future, once this joint venture is rolled up into Alcoa Corp., it just makes it a whole lot easier to understand our financials and our overall equity story.

And before I leave that, so it's good for Alumina Limited shareholders, it's good for Alcoa shareholders. But in addition to that, I think it's good for the stakeholders in the various communities. It's essentially for us a doubling down in places like Western Australia and Brazil and in Guinea. So, we'll be able to do really good things for the stakeholders in the community.

Couple of points on the transaction before I move on. We have support from the largest shareholder of Alumina Limited. So, Allan Gray has agreed to support the transaction. And the Alumina Limited Board is going to recommend the transaction to their shareholders. So, I think we're in good shape there.

And if you were to ask me, what are the next steps? Next steps are, we'll agree on a scheme of implementation agreement, so that'll take us a little while. Both shareholders will vote on both sides, and then we expect to close probably around six months from now. So, overall, we think it's great transaction for both sets of shareholders. We think it'll get done and we're really pleased.

So, with that, Katja, I will turn it over to you to ask me questions.

Katja Jancic: Okay. Thank you, Bill. And if anyone has questions, please send them through the app. But the one I had regarding the deal on – you previously on the call you mentioned, it will open opportunity for growth. Can you talk a bit more about that?

William F. Oplinger: So, it will – and I didn't highlight this, but it gives us – gives Alcoa some flexibility around key strategic portfolio decisions. Right now, both parties have to agree on those portfolio decisions. So, those portfolio decisions that have to be agreed on by both parties are curtailments, closures, but also growth.

As I look forward into the future, one of the areas that we will be very focused on, on growth, is in the upstream, part of the upstream, both in bauxite mining and refining, and I think there will be growth opportunities and this is not next month, it's not next quarter. So, I don't want investors to be concerned that we're rushing out to a huge growth story.

But when you look at the growth of the primary aluminum business over the next 10 or 20 years, there will be opportunities for us to plant the flag on more bauxite and potentially grow in the refining business, and this gives us the opportunity to do that.

Katja Jancic: And maybe just looking three to five years out, how much growth do you think you could achieve?

William F. Oplinger: In the near term, three to five years, and I consider that the near term, we're really focused on incremental growth opportunities in the company. So, we have two restarts on the smelting side that are ongoing. The smelter restart down in Brazil, the smelter restart in Indiana. We have an incremental creep project that will add a few hundred tonnes per day down in Brazil in the refinery.

We've got a couple of growth projects that are small, but important, for instance, in Norway to creep the Mosjøen facility, but also in Québec to increase our casthouse capability. Those are the things that we'll be doing over the next three to five years.

If I then look into the next decade, and I know that's a long ways out, we've got two breakthrough – we've got three breakthrough technologies that will come into existence in the next decade. We've got a partnership with Rio Tinto on carbon-free aluminum manufacturing, which is called ELYSIS™. We have our own breakthrough technology called ASTRAEA™, which will take twitch and convert that into high-purity aluminum. And then, we have a suite of technologies called Refinery of the Future that will come into play in the 2030 and beyond timeframe.

- Katja Jancic:** And maybe staying on these development projects, especially ELYSIS. What's the update there? What are some of the next milestones?
- William F. Oplinger:** So, again, it's a joint venture between Alcoa, Rio Tinto, and the Government of Québec. We continue to make progress. We will be starting a commercial size cell this year, and we've run cells that are smaller than commercial size. And so, we continue to make progress. We have to make sure that people understand, though, it's still research and development. We're in the process of stepping it out to commercial size and we continue to make progress.
- Katja Jancic:** Let's say looking out, when do you think you could reach commercialization?
- William F. Oplinger:** So, I think the latest that the partnership has said is that there could be first hot metal in 2026. Alcoa would be looking at implementation later in the early part of the 20 of the next decade.
- Katja Jancic:** And I think in the past it was said you wouldn't build new smelters unless ELYSIS was...
- William F. Oplinger:** That's true.
- Katja Jancic:** Is that...
- William F. Oplinger:** That's still the case.
- Katja Jancic:** Does that still stand?
- William F. Oplinger:** That's still the case. We're not looking to build a new Hall-Hérout line, and we would be waiting for ELYSIS. We truly believe that ELYSIS will be the solution for primary metal in the future.
- Katja Jancic:** And we do have a question from the app. Many of your peers have invested in scrap recycling versus aluminum. How do you view returns in upstream businesses through cycle?
- William F. Oplinger:** So, that's two very different questions and we think that, well, if we step back, the returns in upstream aluminum have been very challenged over the last two decades, and that's really because of the emergence of the Chinese in the industry. The Chinese have committed to a 45 million metric tonne cap, which will limit their growth. So, my view is it gives us an opportunity to earn returns in the future in the upstream primary business.
- The secondary business is a very different question from that. We understand that the growth of primary metal will be in the 2 percent to 3 percent range over the next two decades. The growth of secondary metal will be in the 3 percent to 4 percent range, and so therefore secondary growth is going to be – the secondary market will be large and growing over

the next couple of decades. We have yet to figure out how we enter the secondary market in the near term and are able to generate returns that our shareholders would expect.

Over the long term, the secondary entry for us is ASTRAEA, right? ASTRAEA allows us to process post-consumer scrap and create very high-purity aluminum, and it would be our ability to get in with a technological advantage that may allow us to generate excess returns in the industry. But on the secondary market, we've looked at it for a long time and it's just hard to figure out how to generate good returns; not saying that we won't get into it, but we're evaluating.

Katja Jancic:

And then, maybe staying more near term, you're taking a couple of actions to improve your EBITDA. Combined you're expecting to reach \$645 million by the end of 2025. Maybe starting with some of those actions, especially on the raw material side, you expect to reach over \$300 million. Can you update us on how is that progressing?

William F. Oplinger:

So, we outlined – in January, we outlined a half a dozen actions that should add over \$600 million to our EBITDA. We use a basis of 2023 where we made a little over \$500 million in EBITDA. The first action is around raw material costs. We talked about \$310 million of raw material improvement, about a third of that was already locked in when we made the announcement based on the lags.

That was based on our view of where the year would go on raw material costs. And sitting here today, that hasn't necessarily changed. And so, we have, in my view, very good line of sight to making that \$300 million.

We announced something called Advancing Competitiveness, which is \$100 million take-out of overall cost structure. It represents a 5 percent decrease in controllable costs. This is the first step toward making Alcoa more competitive in the future. And we are really trying to change the culture within Alcoa to be extremely laser focused on competitiveness, at the plant level, at the department level, and this is the first step. So, it's across the organization. Each plant, each department knows what the targets are and they're deploying on it, and they'll get that \$100 million on a run rate basis by the end of 2024.

In addition to that, we outlined improvements at Warrick, and so Warrick we are ramping up. In addition, we are looking at trying to get additional 45X savings from the US government. So that was the Warrick difference. On top of that, we're looking at the improvement coming out of the restart in Alumar. And so, as Alumar restarts, that tonnage will be incremental tonnage, incremental EBITDA.

And I know I'm going through all the items off the top of my head, but Kwinana curtailment will occur at the end of the second quarter of this year. So, that provides economic benefits. And then, there are benefits associated with improvements at San Ciprián, given that the San Ciprián situation is difficult to determine exactly where we'll end. We did not quantify that in the near term.

Katja Jancic: And maybe just a couple of follow-ups on the Warrick, you're restarting potline. How is that progressing right now?

William F. Oplinger: It's progressing very well. So, when I can compare that versus some of the other restarts that we've had, we had anticipated that we would be halfway through that restart. At the end of the fourth quarter, we met that milestone. We did it in a way that was safe and efficient.

As we got into the first part of January, we saw an uptick in some of our safety incidents in the plant. Nothing serious, no FSI-As or fatal or serious injuries. But we said, let's pause it for a little while and restart – delay the restart by a couple of weeks.

We're back on the track of the restart. It's going extremely well. I really commend the team in Warrick, first of all, for having taken the action to say, let's slow down for a little while, while we make sure the safety culture is right. And now they're progressing further. So, that's going very well.

Katja Jancic: And then, when we look at the US market, we see the Midwest premium continues to drift lower, and you're bringing incremental capacity. Is this the right time to bring capacity?

William F. Oplinger: The capacity that we're bringing online is economic for us. And so, we look at it and say, hey, it helps to dilute the fixed costs in Warrick. The incremental tonnes are EBITDA positive. So, that's why we're doing it.

Katja Jancic: And maybe on the Alumar smelter restart, it had some issues in the past. How is that progressing right now?

William F. Oplinger: It's moving forward on a measured pace. And so, we're taking it slowly. As I reflect on the Alumar restart, very different than, for instance, the Warrick restart. The Warrick line that we're restarting had been down for maybe a year. The Alumar smelter had been down for, I believe, eight years.

I think we fundamentally underestimated three key components to the Alumar restart. The first was the condition of the equipment. In that part of the world, if a plant doesn't have heat in it, it was in more of a state of deterioration than we had probably anticipated.

Secondly was the availability of clean bath, and we've resolved that issue. But probably most importantly, recently is the availability and knowledge of

the workforce. We had lost a good deal of the workforce after being curtailed for eight years. And bringing in an entirely new workforce has meant that we've had to go slower than what we anticipated. That's not the case in Warrick. In Warrick, we had a workforce that was ready to go.

Katja Jancic: And then on San Ciprián, you mentioned it's been a challenge. How are the discussions with the stakeholders there progressing?

William F. Oplinger: So, the discussions are ongoing with the various stakeholders, and in this case the key stakeholders are the union, really the employees, but also the governments, both the local and the federal governments. So, those discussions are ongoing. One thing that I have made it clear is that Alcoa will not be putting more cash into that entity. That cash has around – I'm sorry, that entity has around \$200 million of cash left in it.

And we will be going through a process with our stakeholders for them to understand the situation that the facility is in. We are going to do everything that is within our control to make that facility a viable facility, but we will need support from the union and the government to do so. But we are clear that we won't be putting more money into the facility over time.

Katja Jancic: Now, the energy prices in Europe have been coming lower. Does that help?

William F. Oplinger: A lower gas price helps the refinery and gas pricing has come down. Long-term electricity pricing, which you know, for the viability of a smelter, you need long-term low cost sustainable energy, that has not come down nearly as much as the gas prices. And at this point, we don't view the smelter as being long-term viable with the current electricity prices.

Katja Jancic: Do you have any timeline when you expect the conversations or a solution?

William F. Oplinger: It's ongoing. It will take some time, but we're really working against the fact that the cash flow is negative at this point. And the cash outflow will really vary depending on market rates, metal prices, but more importantly, alumina prices and raw material costs.

Katja Jancic: And we have another question from the app. Is aluminum's contribution to the energy transition understood in your view?

William F. Oplinger: No. How about that? Hey, there's a lot of talk about energy transition minerals. And one of the things that I think doesn't get enough focus is the importance of aluminum in energy transition. You look at the aluminum intensity in usage in wind energy, solar energy, there's massive amounts of increasing consumption of aluminum associated with those.

One of the biggest market increases that we're seeing in 2024 is around electrical cabling. So, as I look at the markets in the regions around – in 2024, probably the largest growth area is in electric cabling. I'm sure that

many of you have heard that the electric vehicles use about 100 kilograms per car more than an internal combustion engine vehicle.

So, as we see greater penetration of electric vehicles, we'll see greater growth in aluminum. So, a lot of times I think we get forgotten in the discussion around the energy transition around the world. But our metal will be critical to the transition.

Katja Jancic: And we have another one. How quickly could you bring gallium to market if the US government was to ask for it?

William F. Oplinger: That's a great question. In our residue deposit areas, there is a good deal of gallium. However, we have not yet figured out a way to economically extract that from the residue deposit areas. So, I think that there's something like 100 years of gallium in our residue deposit areas compared to the current market size of gallium. But it has to be economically processed. And at this point, it's not one of our priorities.

Katja Jancic: And I'm assuming that would require incremental CapEx, too?

William F. Oplinger: Incremental CapEx, but there's got to be a technological solution that makes it economic to extract it. I look forward 50 years from now, there will be value in our residue deposit areas. There's gallium, there's other minerals, there's rutile. There will be value there. But it has to be economically extracted, and that will come. As part of the Refinery of the Future, we have a work stream that's very focused on not only current by-products, but harvesting the materials that are in the RDAs, but it's in the future.

Katja Jancic: Then maybe can you provide any update on the current quarter, how it's progressing, what are some of the puts and takes there?

William F. Oplinger: So the current – we given a qualitative outlook in January. Based on that qualitative outlook, we're seeing not a lot of changes in the first quarter. I would tell you, our order book for value added products is maybe coming in – it's in line, maybe a little bit better than what we had anticipated.

Our costs, as we outlined in some of the improvements, costs are coming in line. Overall, taxes may be a little bit higher than what we had anticipated because of the change in jurisdictions around profitability between alumina and aluminum. But overall, the quarter is coming in very similar to how we had outlined it in January.

Katja Jancic: And then maybe shifting gears quickly to the permitting in Western Australia, especially for the new mining regions. How is that progressing? And does it change in any ways if or when you acquire Alumina Limited?

William F. Oplinger: So, I'll take the second question first. Really no impact on the acquisition of Alumina Limited on day-to-day operations in AWAC. So, our engagement

with customers, with employees, with various stakeholders is not going to change.

If I bifurcate the permitting issue between what we went through last year and what process we're going to be going through for the Part 4, we ended up getting our permits at the end of 2023 for continuing operations. As part of that, we had to make a number of agreements with stakeholders around improvements in our processes.

Those have begun immediately.

So, we agreed to limiting the amount of open areas in our pits, so we are implementing that now. We agreed to stepping back from key water supply areas. We've done that. We've agreed to a number of monitoring protocols and we've done that also.

So, we feel good about where we got to at the end of 2023. As we then transition to the Part 4 requirements that we'll have for the next mining areas, we don't anticipate being in those mining areas before 2027, and we continue to make progress on those Part 4 permits and feel comfortable with where we're at.

Katja Jancic: But when do you have to receive the new permits to be able to move or get to the new mining areas by 2027?

William F. Oplinger: We anticipate getting the new permits by the end of 2025. That gives us a couple of years to get to those new mining areas.

Katja Jancic: You mentioned you had to take some concessions on getting the current approvals. Is there a risk that you will have to take incremental concessions for the new mining areas?

William F. Oplinger: I wouldn't rule out incremental concessions. However, what I would tell you is that the process that we went through last year really made us understand what stakeholder expectations are today and how we work within that new set of stakeholder expectations. I think we probably understand permitting in Western Australia as well as any company in the world now, and we'll be able to apply those learnings as we go through the Part 4 process.

Katja Jancic: Perfect. So we're close to our time.

William F. Oplinger: Thank you very much.

Katja Jancic: Thank you, Bill.

William F. Oplinger: And thank you for attending.