

Alcoa Corporation

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CORPORATE PARTICIPANTS

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

OTHER PARTICIPANTS

Bill Peterson– *Analyst, J.P. Morgan*

Bill Peterson:

Okay. Good morning, and welcome to second day of JP Morgan's Industrials Conference. My name is Bill Peterson, U.S. metals and mining analyst. I'm really pleased that Alcoa can join this year's conference, and we have Molly Beerman with us today. So thanks for joining our conference. And this is being webcast. But we'd like to start off.

It's always good to provide a brief overview of the business, maybe including the company's vertical integration, global footprint and maybe summarizing major developments over the past year. And maybe any other way you'd like to kick us off today. So thanks again.

Molly Beerman:

Okay. Thanks, Bill, and thank you, everyone, for your time today, and today's discussion about Alcoa. So let me start with that brief overview of the company. Alcoa is a pure-play aluminum company. We're integrated and organized across two business segments: Alumina and Aluminum. We have 26 locations across 9 countries and 13,900 employees. Within our alumina assets, of the top – our top 5 mines are among the 20 largest outside of China as well as our top 5 refineries.

Within aluminum, we have 11 smelters. They operate on 87% renewable energy. We have an advantage in the industry. Our carbon intensity is one-third of the industry average. Our locations have logistical advantages as well. They are located near our primary markets in North America and Europe.

We have many achievements in 2024. We hit great statistics on our safety. We had production records in five of our smelters. We delivered a \$645 million improvement program ahead of time. We announced and completed the acquisition of Alumina Limited. We initiated the sale of our stake in the Ma'aden joint venture. And at the end of the year, we started our program to delever. We repaid \$385 million of the debt brought on with the Alumina Limited acquisition.

We're really maintaining a good pace into 2025. We have strong operating results. We're generating cash from ops in excess of our normal first quarter. Typically, in the first quarter, we consume cash. Production is going well in terms of both safety and production volumes. When we look at our order book for value-add products is very strong, especially in North America.

You'll see that last week, we announced that we're refinancing \$1 billion of our debt. We have a new issue in Australia, and we're making a tender on our 2027 and 2028 notes in Netherlands. This is consistent with our strategy to place our debt closer to our operations. This will improve our tax efficiency and it also extends our maturities of it.

As you might imagine, with March 12, the tariff date, we're working quite closely with the U.S. administration as well as the aluminum associations

in both Canada and the U.S. to figure out the impacts of the tariffs and how they'll result on our industry.

We're presenting to the U.S. administration some of the practical issues with the tariffs, while we're very supportive of their efforts to improve the industry as well as strengthen U.S. manufacturing jobs. We do see that there could be some harm from the tariffs. We're particularly focused on gaining a Canadian exemption.

Also talking to the U.S. administration about energy policy because, as you all know, affordable access to energy, particularly renewable is critical in any decision for additional aluminum investment in the long term.

I want to make a comment on our outlook in the current market and our expectations for the first quarter. If you use our sensitivities, you'll calculate a considerable sequential change from the declining alumina price and higher aluminum prices, and that includes the Midwest premium, which is already reacting, of course, to the tariffs. These changes are net favorable to Alcoa.

We do not expect significant net EBITDA impact from tariffs in the first quarter. We do recognize that we'll need to provide guidance for next quarter as the tariff costs will show up in our bridge within the other bar as an additional cost of goods sold.

We do see the tariffs creating uncertainty with our customers right now. Some customers are rushing to secure supply ahead of the tariffs, while others are playing wait and see to see how the final tariff structure will exist. As a result, this quarter, we do have more uncertainty in both our revenue and our working capital that is more than normal. Overall, though, we are expecting a very strong first quarter.

And with that, I'll be happy to take your questions, Bill.

Bill Peterson:

Yes. And I think we do want to talk about some of the company's strategy and some of the things that you're doing on your side that are in your control, but I think we do need to stay on the topic of tariffs, at least for a moment to the extent that you're able to answer. And the developments are – we hit – like you say, we hit March 12 square in the nose when we planned this conference, and we planned Alcoa's attendance, we did not have that as part of the plan. But how is the company thinking about, I guess, impacts to trade flows, maybe pricing as it relates to the Midwest premium and then navigating not only Section 232, which took place today, but if there is additional, I guess, Canadian specific tariffs that could on top of that, whether it be doubling of Section 232 that was brought up briefly yesterday or just the broader blanket tariffs that have been discussed?

Molly Beerman:

Okay. So recall, the U.S. imports 85% of the aluminum that it needs and the majority of that comes out of Canada. Just looking at the statistics, the

U.S. has 4 million metric tonnes of imports, .08 – I'm sorry, 2.8 million metric tonnes of – 2.8 million metric tonnes of that coming from Canada. We only produce about 700,000 metric tonnes in the country.

When you look at the tariffs, you will see the Midwest premium, obviously, reacting – it was reacting ahead of the effective date today. That benefit from a higher Midwest premium, we will realize that on our U.S. tonnes produced. So we have two smelters producing about 290,000 metric tonnes, so we'll have the benefit of that. However, our Canadian operations produce 3 times that amount, so about 960,000 metric tonnes. They will lose the 10% exemption on the prior Section 232 tariffs. So now they'll be paying the tariff on 25%. So it's a net negative to Alcoa.

We're saying tens of millions now. It's not hundreds of millions, just tens of millions, but very little impact in the first quarter, but we will give you guidance as we go through the year on the second through the fourth quarter.

If the additional tariff that's coming up April 2, the 25% for energy and critical minerals that will only be 10%. If that tariff stacks on top of the current 25% for Canada, aluminum will have a 35% tariff there.

Now the Midwest won't rise to cover that. So essentially, you will have a change to trade flows because it will be less incentive for us to send the metal into Canada. Then we could be looking at options to send our Canadian metal into Europe. Europe currently receives metal from the Middle East and India. That supply may well make its way over to the U.S. And you can imagine, we're going to have ships crossing the Atlantic with the same product just to get the right tariff treatment. So it would be very disruptive, we believe, if we have any Canadian differential in the tariffs.

Bill Peterson:

Thanks to that. One of the goals of the administration appears to spur greater domestic production, whether it be through restarts or greenfields. I guess, how realistic or is this realistic? And I think Bill spoke to this at a previous conference a few weeks back, but what are the key barriers to making this happen? Is it permitting? Is it capital? Is it availability of energy or cost of energy? Like how should we think about that?

Molly Beerman:

Yeah. We would not make a decision on building a new smelter based on tariffs. These are decisions that you're looking out 20 to 40 years. You're looking at the economics, you're looking at the availability of energy, and for us, that means renewable energy as well. So very highly tied to energy policy, getting a lower energy cost before we could see significant investment in U.S. smelting.

We do have about 50,000 metric tonnes of capacity curtailed at our Warrick smelter, that has not run for a very long time. So that would be a very expensive restart for us. We are looking at the numbers, but we'll want to

see the cost to restart as well as how the tariffs stick before we'd make a decision on whether we'll bring that back online.

Bill Peterson: So 50,000 tonnes. Is there any other idle capacity? And I guess maybe double-clicking on an earlier comment, like what is Alcoa doing in terms of working with the government? Is there any more color you can provide on what – how it's working with the policymakers on that front?

Molly Beerman: So I think as we've been working with them, we've really been educating them on some of the differences between steel and aluminum. Steel, there is additional production capacity available. In aluminum, very little. The smelters that have been curtailed, obviously, we have part of one, the 50,000 that I talked about. But the other smelters that are curtailed, there really aren't plans to restart those. And some of them didn't go down very gracefully. So it would be very, very expensive to restart.

So we've been educating them on the trade flows, the amount of imports on aluminum, the amount of production capacity that we do have available and what it would take really to incent investment and that would be a great energy policy in the U.S. support for any development of additional renewables, but these are decisions that are long in length. If you look at building a smelter, it's a five-year-plus effort. So certainly would not be tied to tariffs.

Bill Peterson: Yeah, makes sense. I guess, turning to the markets more broadly. And in your intro comments, you talked about some strength in value add in North America. But I guess what are you seeing in terms of the global fundamentals for both aluminum and alumina markets? And I guess, more importantly, how does it vary by region, especially given it's not all about the U.S. and the tariff environment.

Molly Beerman: Yeah. So actually going to start with alumina. So in December of 2024, we saw the highest ever alumina price, and that was based on strong smelter demand as well as restricted supply, so very tight supply.

In January and February, we saw several of our peers ramp up production. You also saw the Chinese restarting and ramping up production, so has eased the supply somewhat. We also see market indications that some of the new projects coming online in Indonesia and India will be ready by midyear. So the outlook is for a much more balanced alumina market by the end of the year.

There are still risks in bauxite supply for all of that alumina production. We still have the restrictions for EGA coming out of their GAC mine in Guinea. They still are unable to export bauxite primarily for their Chinese customers. So there's still some risks that remain in alumina.

In aluminum, as we look at the market, it's an overall imbalance. The Chinese are still importing from the rest of the world. If you look at our

primary markets in North America and Europe, both of those are in deficit.

I brought a few notes just in talking to our customers on our value-added order book as it gives you a flavor of what we're seeing. In North America, the order book for value-add products is robust. We're showing a high single-digit growth quarter-over-quarter. The demand for the rolling mills and the extruders remains very healthy, although the tariff uncertainty is starting to affect some of our foundry spot activity.

The rod demand continues to be strong. In Europe, though, we are seeing the volume on value-add products slightly decrease, and that's primarily due to some of the spot orders that we got in the fourth quarter that aren't repeating. And also heavily influenced by the geopolitical changes there as well as the initiatives to relax some of the CO2 targets for 2025. Those are impacting the automotive sector in Europe. Rod demand remained strong in Europe and packaging strong as well.

Bill Peterson: Maybe just on the value-add in North America strength and I'm not sure the way, there's a way to parse out, but is there any indication that some of this could be pre-buying to get in front of tariffs or is there no way for you to really tell if that's a kind of true demand signal versus just the pre-buy?

Molly Beerman: We certainly did see some of that, trying to get inventories built quickly. But you have to remember, with the aluminum supply chain, there's been so much investment in the transportation and the trade flows. It's not something that you can move dynamically and quickly. So we've seen a limited amount of that, but not excessive.

Bill Peterson: Yeah. Maybe moving on to some of the company specific and you spoke in your opening comments about some of the profitability improvements, including you kind of exceeding targets, but maybe what areas would be, let's say, outstanding, where would be the next major opportunities for improvement as we look out maybe this year, but maybe also over the next few years?

Molly Beerman: So we had a \$645 million productivity improvement plan. We exceeded that, we reached \$675 million at the end of 2024, so we're actually closing off what was supposed to be a two-year program and that was positioned against the very low 2023 EBITDA of \$536 million.

If you look at the components, we did really overachieve in raw materials. We had \$385 million on a \$310 million target. We had an advancing competitiveness program that was targeted to get \$100 million and improvements by the end of the first quarter of 2025. We made decisions of about \$80 million on that \$100 million and the remaining \$20 million is built into the business plan for the first quarter of 2025, so we expect to reach that run rate target.

We had several portfolio initiatives running as a part of the program. Warrick did very well on their target. The Alumar smelter way over-exceeded that's its target and then Kwinana, the refinery that we curtailed last year, we're trying to get their holding costs down. We still have a bit more work to do on that one. Overall, though, again, we overachieved our \$645 million target and so that that program we're closing that out is a success. But we don't, we're not stopping efforts on the remaining pieces, we'll get those within the 2025 plan.

If you look beyond 2025 at some of the improvements that will come to our business, the most notable is getting into our new mining regions in Western Australia. So we're operating with the lower bauxite quality. When we complete those mine moves no earlier than 2027, we will pick up additional alumina volume as well as have a lower cost per tonne, so that's the most sizable improvement we have.

I mentioned the Brazil smelter that we've been restarting. We spent have spent a lot of money to get that smelter restarted. It's about 90% capacity now. We expect as soon as it moves to 100% and stable, we'll be able to take some significant costs out of Brazil. So we should have near-term improvements there.

A bit longer term, we talked last year about some of our investments in return seeking, primarily to add creep capacity as well as to focus on some customer value-add product needs and so those will add moderate improvement to the bottom line.

In a bit longer out, you know, we're working very actively on our San Ciprián operation and I do expect that within three years we will have some improvements through that operation as well.

Bill Peterson:

We'll come to San Ciprián in a bit, but maybe just on Western Australia, which should be a pretty good improvement in costs when you when you're able to get there, but how is permitting progressing for future access to the mine area and maybe what are the milestones we should look at between now and 2027?

Molly Beerman:

Yeah. The approval process is progressing very well. We actually have the Australian regulators on site daily observing our mining practices as well as our rehabilitation methods. We're getting very favorable feedback from them. So we're advancing our permitting process.

The next big timeline milestone is on the public comment period, this is when our mine plans will be made available to all of our stakeholders, that should start at the end of this month or early in the second quarter. And really staying on track for approvals in early 2026 and that would enable us to do our mine move no earlier than 2027.

Sorry. I should, I want to mention one more thing. So we have been in, in and out of Australia quite a bit in the last year and I do want to call out Bill Oplinger, our CEO, has made it a point to meet with the leaders in government just to make sure we're getting their view on our progress and they know our commitment to meeting the timeline. So very good feedback from those parties as well.

Bill Peterson:

Yeah. Thanks for that. Maybe switching to opportunities and somewhat it's relatively new, but maybe potential opportunities to monetize latent inter-connect capabilities. First of all, how should we think about the opportunity? How large of an opportunity is this for Alcoa? And, you know, are there parties showing interest and for back, this may be, for example, you know, data center customers maybe could be potentially interested in something like that, but I'll let you take it.

Molly Beerman:

So we do have a track record of monetizing former sites. Two of the most notable recently – well, it was 2021, the Eastalco former smelter in Maryland, we monetize that for about \$100 million. That did go to a data center, and that's under development now. Also, we had 31,000 acres around our Rockdale smelter in Texas. We sold that years ago, \$240 million, and that is a multiuse site, including data center. So good track record.

If you look at our current list of idle sites in our portfolio, there's about 20 sites. There are three that are being actively marketed now. We have – they're all former smelters. So the Point Henry, that's in Australia, near Geelong. It sits on a peninsula. It's a great piece of land. So we're marketing that for sale. We also have Longview, Tennessee, marketed for sale. And then the last one – I'm forgetting – Fusina. So we have a site that held a rolling mill and a smelter in Fusina, Italy, and that is also being marketed.

When we look at the whole list and what has the most value potential, though, it probably is our Massena West property. That has a bitcoin miner leasing part of it now. That does provide some offset for us on holding costs, but that site is still going through remediation, but we do see that one as having a good value potential in the future.

And then also our Point Comfort former refinery in Texas, that has a small amount of data center lease on it as well. But probably the most valuable part of that site is a deepwater port.

We're not in any hurry to sell these sites. We found in the past initially started marketing Rockdale, the initial offers were as low as \$60 million, we held out a while and got the \$240, so we have a team of experts within our company, we also use third-party experts and so when these are ready for sale and we're getting the price that we want, we'll go ahead and pull the trigger on those. So nothing to announce today, but certainly we're working actively on those.

- Bill Peterson:** When you get approached and, you know, obviously there's a key component is time to market for kind of doing a lot of these data centers, but what other – are there other hurdles like regulatory that need to be considered by you or by the potential buyer of these or how does that work?
- Molly Beerman:** So if we look across our current sites, there are not major regulatory hurdles. However, the environmental condition of the sites, the cost to remediate as well as the timing are what will hold those up.
- Bill Peterson:** I see. Okay. Coming back to San Ciprián and you could fill in the details, but you've outlined an MOU with the proposed party IGNIS and the government as well, is the partnerships still on track to be finalized or, I mean, we thought maybe we'll hear something fairly soon, but what's the feedback been from the local workforce since the MOU was announced earlier this year? And any sort of color on that would be helpful.
- Molly Beerman:** So we are working through the final stages of the JV agreement with IGNIS. That is going well. When we sign that agreement, Alcoa will make an initial funding into the Spanish operations of €75 million, IGNIS will put in €25 million for their 25% investment in the entity. Alcoa is still committed to, up to the next €100 million in funding need for the entities.
- We're continuing our dialogue with the with the local workers union on getting the release on the restricted cash. If you recall, we have cash held there for future CapEx commitments, we would like to use that money now though, to fund the operations. While the national branch of those unions have been supportive of our plan of using that for operations now. The local unions are really holding the authorization key there and so far they have not agreed to release that that money.
- We are, though, working on securing energy contracts for the site. Recall, we have a contractual commitment to restart the smelter by October of 2025 and so we're moving on those energy contracts. What we're trying to do now is to find energy contracts where we do incur losses, we will have losses for the site, but we're trying to keep them within the funding commitment. That's a part of basically this two- to three-year recovery plan for the operation.
- Bill Peterson:** And there's been some questions with, you know, higher alumina, higher aluminum pricing under the current pricing environment, how should we think about the viability of restarting some of these operations?
- Molly Beerman:** So it's difficult because you would not be we would not be restarting the smelter if it were not for the contractual commitment. The numbers aren't solving that. We don't have energy prices in Spain that that would work for in any normal economic situation.

- Bill Peterson:** I see. I want to stop and pause and see if there's any questions from the audience and if there is a please wait for the microphone. Any questions? Right here. Just wait for the microphone, please.
- Audience member:** Where would you go greenfield now? Clearly not the U.S., but where would you?
- Molly Beerman:** We are not, we're not looking at any major smelter development now. We are tied to ELYSIS, so we have the joint, the partnership, sorry, with Rio Tinto developing that technology. The earliest we would look at doing that is really into the next decade. We if we do build, we want to build or even a brownfield, we want to do it with the ELYSIS technology.
- Bill Peterson:** Thank you. Any other questions? Maybe just picking up on that last one, maybe you can outline maybe the broader low carbon strategy, you already have a very good renewable footprint, you talked about 87% and ELYSIS you just announced is still at least five years away, but you have the eco line of products, how should we think about the low carbon strategy as well as the interest from your customer base, where is that coming from?
- Molly Beerman:** Yeah. We continue to promote our low carbon products. We have products in alumina, both smelter grade and non-metallurgical. And then within aluminum, we have recycled content as well as the low carbon metal. We continue to invest there on capabilities to expand those products. We still see strong demand in Europe, especially the automakers, they have really aggressive goals for 2030, for recycled content and so we're continuing to develop in those areas as a line of growth.
- Bill Peterson:** Great. Maybe coming to capital allocation, you've been transparent, addressing debt remains kind of a key priority, would this be focused on paydown or repositioning following last year's AWC deal? How should we think about that?
- Molly Beerman:** Yeah. It's both. So first we had the repositioning which we're in the process of completing now with the new issue in Australia and the tender on our 2027 and 2028 notes.
- On the pay downs, as I mentioned earlier, we started at the end of last year with the pay down on the \$385 million for Alumina Limited's revolver. We expect to do more pay downs during the year. We're probably going to hold cash for a little while, while we see how the tariffs shake out, but we expect that as progress into 2025, we'll do some more pay downs.
- We do not have an externally stated net debt target now, but if we look back to 2021 and 2022, we had an adjusted net debt for us that includes our pension and OPEB right around a \$1 billion and that was a more comfortable level for us. At that time we were doing share buybacks. So while we don't have a stated target that we're working toward, we do know

at the current \$2.1 billion, we're a bit on the high side, so we will focus on delevering.

Bill Peterson: Kind of coming back to growth and, you know, the question about greenfield, you mentioned, you know, the eco ELYSIS would be out, but where do you see the biggest opportunities? Maybe expand on that a bit further, where does the company's, you know, low carbon you spoke to, but, what other value-add or you can you really focus on over the next several years ahead of a bigger investment such as ELYSIS?

Molly Beerman: So we do have ambitions for growth, but I'll say that Alcoa has a very pragmatic view. We're not going to invest in growth just for growth's sake, we do it when we can have returns that meets the thresholds for our shareholders and deliver value.

We like bauxite and alumina. We are becoming much better bauxite miners. We could absolutely look at other opportunities in the areas where we're already mining in Brazil, we can also look at opportunities in Guinea, we've been active in that space. We still feel like we're some of the best refiners in the industry and so that gives us a privilege and a right as well to expand there.

And then, as mentioned, we'll still take advantage of return seeking projects, especially within smelting, when we can grow value-add capacities.

Bill Peterson: Great. Going to pause again and see if there's questions. Do you have another question? Just there's two questions. We'll, right here and then we'll go over there.

Audience member: Just back on the tariffs, you know, you talked about how you're trying to explain, you know, your position and the position of aluminum, what could be the positive, like, how could there be a justification for the tariffs specifically on aluminum? Like, you know, you're not going to put smelter capacity back in the U.S., you're not, you could maybe restart but that even seems like ify-ify like what, what good other than it being a bargaining chip?

Molly Beerman: There's definitely a drive to restore U.S. manufacture excellence. And so the administration is really committed to that and we support that. We're just looking at the aluminum dynamics. So the question was, if it's just focused on aluminum, is there anything realistic that can be done, I would say that we don't necessarily have that answer either.

Audience member: Thank you.

Audience member: Yeah. Curious how the value your Ma'aden shares play into your debt reduction goals and the strategic value of that investment to Alcoa.

Molly Beerman: So the I'll just say in general, the Ma'aden transaction is still on track to close in the first half of 2025 when we signed that agreement to sell the

joint venture in exchange for modern shares, it was valued at about \$1.1 billion now it's up to about \$1.2 billion. We have the opportunity under the agreement to be able to hedge or to monetize ahead of the dates that we can sell the shares, which would occur on the third, fourth and fifth year anniversary.

To-date, we have made no decision on whether we will actually do the hedging. Almost any arrangement that we could do there to monetize is going to look like debt. We really don't want to add debt to the balance sheet, so we understand completely that our shareholders don't necessarily need to own Ma'aden through us, so it's not our long term goal to be a Ma'aden shareholder but we also want to look at what the economics are to monetize that in a way that's most efficient where we don't have to take a huge discount.

Audience member: Thanks for that. Any other questions? Maybe somewhat topical here today, you know, potential we're seeing for a cease fire in Russia and Ukraine, what would that do if we do see a full cease fire or peace agreement on flows of aluminum globally? Does that have any real impact on your business?

Molly Beerman: So we absolutely could see a change in the flows. Right now, almost all of the alumina and aluminum trading relationships with Russia are with China. So Russia would come back into the European market presumably China will then adapt, I think Chinese has been getting great discount, so it's just simply been a lucrative business for them to do business with Russia during this time.

I think there's a big unknown in that our customers, a lot of them self sanctioned away from Russian aluminum, how quickly will they be willing to migrate back, so we'll see there on the trade flows, we had very little Russian metal coming into the U.S., you know, pre-war, so I don't see it impacting the U.S. much.

Audience member: Okay.

Molly Beerman: Unless, of course, there's some deal made that we don't know about.

Bill Peterson: See if there's any last questions. Maybe just wrapping up, I guess, what would you say, the key sort of things to look out for over the next few years and as investors, what would be the areas where things maybe less understood or opportunities to really dig deeper to, you know, to make the investment case in Alcoa?

Molly Beerman: Yeah. I think we've touched on a lot of them today in terms of our Ma'aden monetization, that was an asset that was underappreciated on our books before we announced the transaction. We talked about WA, Western Australia, clearly our movement into the new mine regions is going to increase our profitability. We didn't really touch on though, remember, the

long-term aluminum demand is still very strong and there's going to need to be capacity additions to meet all of that demand and Alcoa is very well situated to take advantage of that as an integrated aluminum company.

Bill Peterson:

Well, Molly, we're coming near the end of the talk but really appreciate you sharing the insights and, you know, best of luck navigating a lot of these crosscurrents here this year and beyond. But I look forward to following the progress of certainly what you have under your control and Bill's control, so thanks again.

Molly Beerman:

Thank you, Bill. Thanks, everyone, for your interest.