

Alcoa Corporation

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CORPORATE PARTICIPANTS

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

OTHER PARTICIPANTS

Lawson Winder – *Analyst, Bank of America Global Research*

Lawson Winder:

Welcome, everybody. I'm excited to have with me here today from Alcoa, Molly Beerman, who's been the CFO now for well over a year. And I think it's always interesting to have somebody that's newer to a company, because we tend to get a bit of a different perspective on the company. Your boss and colleague had been with the company for 30-plus years and so there's a different way of thinking about the business.

And with that as context, would you mind kicking us off with a brief overview of Alcoa and thinking about the objectives for 2025, the state of the business, and some of the key catalysts upcoming?

Molly Beerman:

Glad to. Thanks, Lawson. So, first of all, many of you may have expected Bill Oplinger to be here today, our CEO. Bill was invited to join the U.S.-Saudi Investment Summit, which President Trump is attending with his U.S. Administration in Saudi Arabia this week. So, Bill is there, increasing the understanding of aluminum as a critical mineral, very important for us. He's also using absolutely every opportunity that we get to be in front of the U.S. Administration right now. So, separate from the Investment Summit, we have been aggressively working with the administration on tariff relief for Alcoa that has a value of about \$400 million for our business annually.

Alcoa is a pure-play aluminum company. We're integrated and organized in two business segments, Alumina and Aluminum. We operate 26 locations across nine countries on six continents and we employ 13,900 employees. In Alumina, we have five bauxite mines and five alumina refineries. In Aluminum, we operate our 11 smelters on 87% renewable energy and our carbon intensity is one-third of the industry average. We have logistical advantages with our smelters in that they're located in our customers' primary markets, in North America and Europe.

We had a strong first quarter. We generated cash from operations well in excess of our historical first quarter when we typically consume cash. We had strong operations in terms of production levels as well as safety, and we will continue that trajectory in 2025. We also recently announced a new adjusted net debt target of \$1 billion to \$1.5 billion. We closed the first quarter at \$2.1 billion, so we have a bit more delevering work to do, and we'll stay focused on that during 2025.

We'll also, during the second quarter of 2025, continue our dialogue with the U.S. Administration on tariff relief as well as working with global policymakers and the aluminum associations, both in the U.S. and Canada, to advocate. The U.S. Administration, we really appreciate their support of the aluminum industry in trying to increase domestic production. However, that will take time. And until then, we'll focus on tariff relief and operating safely and stably as well as increasing our competitiveness.

So with that, we're ready for questions.

Lawson Winder: Well, I think that's a great place to start off from the tariffs. To date, maybe you could give us a little bit of additional color on your view of those tariffs, and then can you share with us some progress you may or may not have made with your engagement with both the U.S. and Canadian administration?

Molly Beerman: So first, I want to say this week we welcomed the news coming out of the UK, that was actually last week, making progress on their trade agreement, and then China, of course, this week. That's really changed the sentiment, decreased some of the fears about demand destruction and trade tensions going forward. That gives us hope for where we'd like to get with the tariffs for aluminum, which we still have some work to do. So since the tariffs have been announced, the LME has dropped over \$200, and the Midwest premium has not risen sufficiently to cover that. So, now, the net price, particularly for U.S. producers, hurts us, and it's actually working against the point of the tariffs, which are to incent investment in the U.S. business. So, we haven't seen that price uplift that we had hoped for.

Our engagement with the U.S. Administration has been across multi-dimensions. At first, the conversations were about education. The U.S. is importing over 4 million metric tonnes of aluminum a year. About two-thirds of that is coming from Canada. We only have 600,000 metric tonnes of curtailed capacity. So, the U.S. right now has no ability to meet the current import need. We would need four to five new smelters. So, think about that in terms of the investment that would be required. It would take five to seven years to build those smelters. We're looking for a payback period, probably over 15 years on that. And then think about the power that's needed, about 12 terawatt hours of power needed for each smelter.

So, these are points that initially the U.S. Administration was not fully aware of. So as we're talking to them about the Canadian exemption, really stressing the importance of enabling that flow to continue without tariffs, like it did under the 232 Section before this latest tariff.

Lawson Winder: Fantastic. On your Q1 call, you guided to a rough impact of \$400 million to \$425 million. Now, that was in the context of what you've just highlighted in terms of pricing. One key factor there, which you touched on, is the Midwest premium. What do you see as the elements keeping the Midwest premium from appreciating? And what do you think would be the next steps to get that Midwest premium up to an acceptable level?

Molly Beerman: So, we see two things. So, first, it's the negative market uncertainty and sentiment that's holding it back. Second, before the tariffs were enacted, we saw a significant amount of metal move into the country right before, we estimate that could be somewhere between 800,000 tonnes and 1 million tonnes. So, it will take some time for that aluminum to be consumed and allow the uptick in the pricing. As we look at our contracts and how we're able to shift flows, our annual contracts for the U.S. customers are

being met by Canadian metal, so that flow will continue into the U.S. However, we do have a certain amount of spot volumes, and there we are aggressively – our commercial team is calculating the net-backs to see where the proper region, and we have sent a small amount of Canadian volume already into Europe, because the net-backs were favoring. We were getting a better margin to send it into Europe. Now, not huge amounts of supply, but that's what you could expect to see over time if the Midwest does not respond and really incent metal to flow into the U.S. from other regions.

Lawson Winder:

Okay. It makes a lot of sense. Now, pivoting to another geopolitical situation, we have the Russia-Ukraine war. The initial impacts were spoken about at length on the Alcoa conference calls and in venues like this. Now, with the potential for a peace agreement in Russia-Ukraine, do you see any potential impact on the global market again or a reverse of some of the flows that we've seen since 2022?

Molly Beerman:

So, Russia has been under both formal and informal sanctions, because we see customers self-sanctioning away from Russian metal. But despite that, Russia's continued to produce, and they've simply changed their trade flows. So rather than feeding metal into Europe or North America, it has gone to China. So, the overall global picture of supply and demand has not changed materially. If you look at those sanctions being released, we would see an alumina, if Russia were competing for alumina tonnes, that actually could raise the price of the FOB Australia, and we could see an uptick in the alumina price there. That would be favorable for us. On the converse, we would expect that the Chinese domestic alumina price would drop.

If you look across the next set of regional premiums that might be affected by that, the Rotterdam premium could go down even further, if you have excess, your – Russian tonnes coming into Europe, but you could see CIF Japan increase when the Russian tonnes leave Asia. We don't believe we'd see much impact at all on the U.S. Midwest, because Russia has not been supplying material quantities to the U.S. since probably 2018. And I missed LME, we really don't see LME responding too dramatically, again, because the global supply and demand won't have changed. It's just a shifting East-West.

Lawson Winder:

Okay. I'd like to pivot to the bauxite markets. What are you hearing from your third-party customers about the availability of bauxite globally, particularly higher-quality bauxite? And when you think about the ramp-up of new supply in alumina in China, India, Indonesia, how do you think that impacts the bauxite? And is there sufficient bauxite availability to satisfy those ramp-ups?

Molly Beerman:

The tightness in the bauxite market has eased. Our customers are reporting they're having no problems getting orders. A lot of that is coming from the players in Guinea, as well as we're seeing spot bids from Australia

and Brazil as well. So despite the export bans on GAC bauxite, China is still increasing its supply from Guinea. If we looked at the first quarter of 2025, you're seeing about a 35% year-over-year increase of bauxite flowing from Guinea into China.

For China's expansion projects, that bauxite is primarily coming from refineries – the high-cost refineries that are coming offline, and they're also using stockpiled bauxite as well. For Indonesia and India, we expect that they will be using domestic integrated supply for their expansions.

Lawson Winder: Okay. Fantastic. And then just pivoting from there to the alumina markets naturally, so price is obviously corrected extremely materially since last year's enormous historical run-up. From here, with that new capacity ramping up that we've just spoken about, do you see sufficient demand to help support that new supply? And how do you think about the risk of alumina pricing potentially falling further still?

Molly Beerman: As we look at the current market right around \$350, we see price support at that level, primarily because China is acting economically minded and taking supply off. So even though they ramped up, and for a period during the first quarter, they had both the inland refineries and the coastal refineries running, we saw about 1 million tonnes come off in the first quarter. We've seen about 10 million tonnes come out of the Chinese refineries just in April. So, we believe they'll act economically going forward, and that is stabilizing the market maybe at that \$350 as a floor level.

Lawson Winder: I just wanted to remind the audience that if any of you had any questions, we'd be happy to take them. And if that is the case, if you just put up your hand, we'll ensure that you get a microphone. Perhaps while you're thinking of potential questions, I wanted to ask about the idea of building new greenfield aluminum, particularly in your key markets of Europe and the United States. How do you think about the CapEx intensity of new construction? We actually do get this question from time to time, and we think about it a lot in terms of our models. Or put another way, what is the incentive price necessary to sort of justify that level of CapEx intensity?

Molly Beerman: Okay. First, I'll start with we do believe the Chinese will stick to the 45 million cap so that any expansion smelting will come outside of China. The prices for the capital – the CapEx needed, I think, differ dramatically by region. If you look at the other Asian players, they could be anywhere from \$2,000 to \$3,500 per tonne. Beyond that, outside of Asia, you could see prices over \$5,000 in terms of CapEx. We believe an incentive price now might be between \$2,500 and \$2,900 LME.

Lawson Winder: Okay. Thank you for that. I'd like to ask about your assets in Australia, your bauxite assets in particular. So, there's this extensive permitting process ongoing. Right now, the anticipation is that you'll have your license to access the higher grade bauxite by 2027. There's been some movement

on this front so far this year. There was a public comment period in Q1. Could you just update us on where that process is? Are you still on track to get those permits for 2027? Is there a chance it could go earlier? If it's later, what does that mean for the alumina business?

Molly Beerman:

So, we're still on track for approvals in early 2026. However, the Western Australia EPA did delay the public comment period. So we've supplied all of our materials. They're still reviewing it. We do expect it's going to move into public comment very soon. And that'll be a 10- to 12-week period that the public will be able to weigh in on their views of the mining plan. We're encouraged, though, in that the EPA is still telling us that they're committed to the schedule that we agreed early on, which is approvals in the first quarter of 2026. That would allow us to execute our mine moves and move into the new region with the higher quality bauxite no earlier than 2027. So, a mine move is about an 18-month process.

When we reach the new mine areas, we will have a phase-in. When we're fully phased in, we would expect to pick up about 1 million metric tonnes of alumina production per year. So, that's how much the poor bauxite quality is hurting us now. We also expect to improve our costs by about \$15 to \$20 per tonne of alumina. So, we'll have a nice financial uptick, both in terms of volume and as well as the cost profile.

Lawson Winder:

Okay. Fantastic. Being in Spain, I'd be remiss not to ask about your Spanish assets. So, San Ciprián, and they actually remain a focus of a lot of the conversations that we have, what is the path to profitability of those assets? And can you speak to the current agreement you have with IGNIS, how that functions and how that might evolve to help these assets ultimately become profitable?

Molly Beerman:

Let me tell you a little bit of what's happening at our operation there now. So, we had committed to restarting the smelter this year. We began that at the end of the first quarter. We had about 40 pots running when the power outage, remember nationwide power outage in Spain, both the refinery and the smelter did go down. They were without power for nine hours. We were able to save a small group of pots, four or five pots initially. The team on site did a fantastic job to then extend that to be able to save 14 pots. But 14 of the 40 pots we had running was all that was saved. Full capacity for that site is 512 pots. We were very thankful that we were not fully running. That would have been a safety incident, could have been environmental issues, not to mention the financial consequences of a loss of a full production.

At this point, we're waiting to get assurances from the Spanish government as well as the operator of the electrical grid there to find out the root cause, what actions will be taken to prevent a future power outage as well as associated costs. And so, our ramp up plans will wait pending the feedback from the government and the grid operator.

- Lawson Winder:** And then just following up on the IGNIS partnership, I mean, how do you foresee that ultimately functioning in the long term and helping that asset work?
- Molly Beerman:** So, IGNIS is a local power expert and they have various renewable energy projects. They have been very helpful in changing the discussion within Spain. With the government, we're seeking permits for our renewable power. Remember, we signed PPAs years ago with the expectation that we'd start to get power from them in 2024. They didn't get permitted. They didn't get developed. IGNIS is now helping us to get those permits through. They have their own projects and they're helping us to navigate. At this point, probably the earliest that we would see renewable power under those agreements is 2028.
- So in Spain, the key to profitability is energy. We've got to find an energy solution that works not only for the smelter, but for the refinery as well. I just want to go back to the power outage and say the refinery has almost fully recovered from the power outage. They've got a small bit of quality issues that they're sorting through, but we're well on the way to recovery on the refinery side.
- Lawson Winder:** Okay. Fantastic.
- Molly Beerman:** Can I make one more statement?
- Lawson Winder:** Of course.
- Molly Beerman:** I just want to say, because we've been asked about the financial impacts of the smelter going down in the second quarter, we do not see that as material to the second quarter because we only had so few pots running, but we don't have an outlook for the rest of the year yet.
- Lawson Winder:** Good. We have a question from the audience. So, we're going to take that right now.
- Audience member:** Thank you, Molly. I just had a question about the ELYSIS technology. Could you just remind us how that's going, what the rollout looks like and what the cost of – as you refurbish, how that's going to work? Thank you.
- Molly Beerman:** So for Alcoa now, we are continuing to support the ELYSIS partnership in its R&D phase. We make about a \$50 million contribution to the partnership on an annual basis, and we're continuing that. We have several projects going on now at Rio's. So, one is at the Arvida smelter where we're testing the 100 KA cells. Alcoa is producing the electrodes for that in our Alcoa technology center in Pittsburgh. So, we're continuing to participate in work, gaining the knowledge, also having access to some of the offtake. However, Rio is really – has the financial burden now because we're testing the next step, the smaller cells at Arvida and then the commercial cells at one of their other smelters. And so they're funding that.

For Alcoa, it was a great way for us to continue to participate in the ELYSIS joint venture, but in a cash – a level of cash that's more appropriate for us. We've already stated we are not going to make major investments to retrofit any of our smelters this decade. We will wait -we will wait a bit longer on that.

Lawson Winder: Thank you for the question. I would like to ask about the potential to repurpose some of your old properties, particularly those that have electrical grade connectivity. We get asked this question a lot, I mean, really what investors want to know is what the potential is of those type of properties and to what extent is your corporate development team getting interest in those, despite the recent de-emphasis from investors on data centers and hyperscalers?

Molly Beerman: So, it's actually our transformation team. So within Alcoa, we have a group of remediation specialists that work on our closed sites as well as work on redevelopment opportunities. We have about 20 closed sites that are currently in their portfolio. A handful of those still have the kind of energy structure that might be applicable for hyperscalers or data centers. One in particular, Massena East, we have our smelter running on the West side. But on the East side, we do have a lease now with a Bitcoin miner, so we're already using the infrastructure, we see ability to grow that. So, that's one that's active.

These are deals that we've had a lot of interest. I mean, folks had heard that we had been talking to some of the big hyperscalers. You have to understand they're talking to everyone about projects. So, we're continuing to move them with pace, but there's really nothing to announce now. And I'll just remind you, when we did some of our big monetizations back in 2021, a couple of those were years in the making. Like Rockdale, the first offer for Rockdale was only \$60 million, and we held out for almost three years and got \$250 million. So, these things don't always come on a schedule that investors would like to know with certainty. We work them and make sure we get top value.

Lawson Winder: Very good to hear. So speaking of top value, you sold your Middle Eastern smelting assets to Ma'aden. As part of that transaction, you received a fairly significant equity position in the company. First of all, are we still on track to close? And then second of all, what are the options that are being considered for a potential monetization of that? Or do you just sit on those shares until the lockup period ends?

Molly Beerman: So, we are on track to close as of now in June. The value of the transaction is now \$1.3 billion. When we originally announced that it was \$1.1 billion, so the shares have increased in value. Part of that transaction includes \$150 million in cash. We'll use more than half of that to pay the capital gains tax as well as the fees on the transaction. As a part of the agreement, we structured it so that we would have the flexibility to be able to monetize it in

advance of the lockup period. So, we've got a lockup period that allows us to sell a third on the third, fourth, and fifth anniversary of the transaction closing. If we would choose to monetize earlier, we know that we'll have a significant discount and it will also look like debt. Now, we wanted to keep that option open to us if we needed the cash or if we had a strategic opportunity that we wanted to fund. So, we have that opportunity. Right now, no plans, though, to monetize it.

We don't necessarily see ourselves being holders of Ma'aden shares in the long term. We understand that investors, if they want to own Ma'aden shares directly, they can do that. They don't need to do that through us. But we'll also, when we do monetize them, if it is according to the three-year schedule, do it in a way that's most economically advantageous.

Lawson Winder: Okay. Wanted to also touch on your capital allocation. I'd be totally remiss not to, given I'm sitting here with the Chief Financial Officer. So, you have this new net debt target. When you think about that in the context of the other investment opportunity sets, including capital return, how do you balance it all?

Molly Beerman: So we still have some delevering to do. I mentioned in the opening comments, we're at – or sorry at \$2.1 billion adjusted net debt, and for us that includes our pension and OPEB liabilities. And we're working toward the top end of \$1.5 billion. When we originally started 2025, we had plans that we were going to be aggressively delevering. The tariff uncertainty has jostled that a little bit, but we hope that we'll be back on delevering later this year.

As we start to approach the top end of our target, we'll absolutely start looking across our capital allocation framework. So returns to shareholders, any additional portfolio actions that we might need to take, and also considering our growth opportunities.

Lawson Winder: Fantastic. We're right on time. This has been a lot of fun. Thank you for being here, joining us in Barcelona, and thank you all for being here to listen.

Molly Beerman: Thank you.