

Alcoa Corporation

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**CORPORATE PARTICIPANTS**

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**Sathish Kasinathan**

Okay. Good morning and good afternoon, everyone. Welcome to day one of Deutsche Bank's Global ESG conference. I'm Sathish Kasinathan, DB's US Metals and Mining analyst and I'm pleased to have with us Alcoa today. We have Alcoa's Chief Financial Officer, Bill Oplinger and Chief Innovation Officer, Ben Kahrs. This session will be structured as a fireside discussion and we will be covering a lot of topics. I just want to remind everyone that throughout this session, please feel free to submit your questions to the Q&A box. So, I'll just kick off and Bill and Ben, Alcoa's asset portfolio already has a competitive provision within the industry being one of the low carbon intensive producers in aluminum and the lowest carbon intensive producer in alumina. In addition, Alcoa also has a vision to reinvent the aluminum industry and is currently working on three breakthrough technologies.

Can you give us a brief overview of your ESG framework, including the S&G part as well as the road map to achieve the decarbonization goal? And then I'll come back with more follow-up questions. Thank you.

**Ben Kahrs**

Absolutely, so there's a lot there, so I'll take the beginning and Bill can finish. So, when you talk about the R&D projects themselves, they make up a huge portion of our decarbonization strategy. So when you think about our current carbon position, about half of our carbon is associated with indirect power and there's ways to solve that, you know that we expect to address over the coming years, whether it be, you know new wind projects, et cetera as we've shown in our Norway operations, but we also have these breakthrough technologies and they're three of them we want to talk about so the first one is ELYSIS™. ELYSIS is our joint venture with Rio Tinto and it's designed to bring forward inert anode smelting, which would completely eliminate all of the CO<sub>2</sub> associated with direct smelting and actually replace it with oxygen, so it becomes an oxygen producer rather than a CO<sub>2</sub> producer. We've, ELYSIS has announced that we are preparing to have a first technical package ready in 2024, with first time hot metal in 2026 for the first adopter. The second one is our Refinery of the Future. And the Refinery of the Future is actually a pretty broad project with a significant decarbonization component, but also some other elements within sustainability. So, on the decarbonization side, there's two nameplate projects, which is MVR, which is the mechanical vapor recompression, and electric calcination. Both of them have the same outcome in that they are allowing you to eliminate the input of fossil fuels and replace that with electric power. So, when you combine it with a renewable grid, completely eliminating all of the CO<sub>2</sub> associated with that, that the dual benefit that you get in both of those with a significant water improvement. So, when you think about the overall ESG framework, those two projects in total eliminate 70 percent of the water for a refinery, which is a huge advantage in areas like Western Australia, where water's starting to be more scarce.

Lastly, the last project is ASTRAEA™, and if you think about our total product that we bring to market, we have a great alumina position, we have a great aluminum position. But on the scrap side, we're missing the element

that kind of completes the picture. And ASTRAEA is that missing element, we think that we're, we're looking to bring forward. So, ASTRAEA is designed to be able to take any scrap of any combination of alloy, any impurities in it and to upgrade that up to a P0101 standard, which is more pure than any product made out of a smelter. And so, we think that if we're addressing that post-consumer scrap such as from a scrap yard, shredded up cars, et cetera, being able to take that product and converting up to a P0101 allows you to really be able to recycle anything, right, and it's a huge advantage, so we're looking forward to the progress to make on that project and we'll update as we go forward.

Lastly, we have projects like HPA. HPA is not a decarbonization, but it supports decarbonization goals in a couple of areas of the green economy. So, it's another addition. Next after decarbonization, you have to talk about renewable energy and we have an 81 percent renewable energy in our in our aluminum circuit already with a goal to get to 85 percent. Made progress recently by announcing the restart of Alumar and that's going to be 100 percent renewable. We've got basically 17 years of hydropower for that one, which is fantastic. And we're also venturing in now to wind power, as we talked about with areas like Norway, where we've entered into three PPAs in Norway for wind power. So, working to address that other component of our current CO<sub>2</sub>, which is about half the problem, it's about three point zero tonnes per tonne in our indirect that we have to address. For the social piece side, Alcoa acknowledges the importance of respecting the rights of all communities, especially those involving vulnerable groups such as indigenous people. And so, we work hard to establish and maintain respectful and mutually beneficial relationships with all of our neighboring communities. Bill, want to handle governance?

**William Oplinger**

Yeah, you did a great job of running through the E and the S piece. On the governance side when we originated the company back in 2016, we wanted to originate the company with world-class corporate governance. So, we ensured that we did a few things. We split the Chairman and the CEO role, which I think is a really, really good way to run the company. We have a completely declassified Board and that's different than what we've had in the past. So, we've got a declassified Board. We've got proxy access from the very start and we're Delaware incorporated, which is a shareholder friendly locale.

If I were to step back to summarize some of the things that Ben hit upon, if you consider Alcoa, Sathish, it's a pretty exciting story right now. We have first quartile bauxite cost position, 48 million metric tonnes roughly of bauxite production a year. We have a first quartile alumina refinery position from a cost perspective globally and one of the largest refineries in the world, probably second in the world. And then a smelting portfolio that's one of the largest smelting portfolios in the world that is currently 81 percent fired by renewable energy, going to 85 percent. We've done a tremendous amount of work to reposition the portfolio and on top of that, when you look at that asset portfolio, we've got three green products: EcoLum™, EcoDura™ and EcoSource™, so we've got the broadest green product portfolio out there. So, we're positioned well, I believe for some of the

changes that are occurring in the industry, and pretty exciting time to be an upstream aluminum company.

**Sathish Kasinathan** Yeah. Thank you for that. And you actually touched upon my next question, so what separates you versus the rest of the industry? I think you covered part of that and where do you see the push and pull coming from in terms of investors, or customers, or governments. So, anything you can share? Thank you.

**William Oplinger** So let me let me jump in and tell you what separates us. I think I hit on some of this, but large, low cost, extremely well-positioned from an ESG perspective, very broad green profile, product profile. However, as of tomorrow, we're going to be presenting at another industry conference and that presentation is available today, but we will outline a direct path to our ambition of being zero carbon in 2050. So, when you consider the R&D projects that Ben outlined and the portfolio transformation work that we still have ahead of us, we have the most direct path to a carbon zero ambition versus any other company out there in the industry. So, it's a really strong portfolio and a really strong framework to start from. As far as the push and pull from customers we are seeing a pull for green products. And Ben can talk about that a little bit. But you know when we launched ELYSIS we had Apple as part of the process. So, Apple is a user of the green aluminum. But we're seeing that especially in places like the automotive industry in Europe that are looking for lower carbon solutions on aluminum. And then on the alumina side, the EcoSource provides a smelter a significant advantage in reducing carbon emissions and in the process and it's a certified product that allows them to do that. Ben any other comments on that?

**Ben Kahrs** Yeah. I would say the last pull is really on the technology side. If you think of the products that we announced or the processes that we're pursuing in R&D that we announced last November I'll say the phone's been ringing off the hook in terms of people's interest in both ELYSIS and in ASTRAEA. And it's a combination of interest; it's an interest on the financial end, you know, when you think about ELYSIS eliminating the carbon value chain is a huge advantage and with decarbonization over time that material is going to get only more and more pricey. And so, the idea of eliminating the raw material itself and eliminating exposure to CO<sub>2</sub> pricing, there are several producers that are interested in that.

And then from the ASTRAEA side, we've seen an array of interest from all the way in customers, folks in the rolling business, folks in various different parts of the supply chain, just because of that ability to beneficiate any scrap and bring forward so, a huge amount of pull, even though we're at the R&D stage, on interest on those products.

**Sathish Kasinathan** Okay. Thanks for the color. And actually, that is an interesting slide in your presentation, slide 11, which clearly shows your net zero goal, which is amazing to see. And just a question on that I know there's a lot of moving parts. So, given the 2050 goal of net zero, it would be hard to quantify the CapEx required to achieve that kind of goal. But just if you look at the near-

term goal of 2025 where you want to reduce your emissions by 30 percent and by 2030 where you want to reduce the emissions by 50 percent. Would you be able to achieve these targets based on the ongoing portfolio review or is it dependent on success of any of these breakthrough technologies?

**Ben Kahrs**

Bill, you want to take that one?

**William Oplinger**

Well, let me address the money side first. As far as the 2025 goals we will be able to hit those goals with the capital spending that we have included in our outlook that goes through, I believe, 2024 so, we've provided a midterm outlook for CapEx that should allow us to hit that 2025 emissions goals. And Ben, do you want to hit it?

**Ben Kahrs**

Yeah, so you reference slide 11 of that deck, so if I just stay on that for a minute, about half of our emissions today, a total of six point two tonnes per tonne, about half of that comes from the indirect power side. So, when you think of three point two come from indirect power, that's predominantly at two plants and we're working on decarbonization options for those plants and so we'll update the market as we move forward there. But when you think about just that, like other producers, that typically dwarfs everybody else's options so, half of the problem is just the decarbonization of two plants. All the other CO<sub>2</sub> in the business is represented by the other half of the chart.

When you think of that remaining three point zero, it's about two-thirds, one third, with two of it coming from what would be eliminated by ELYSIS and one of it coming from what would be eliminated by the Refinery of the Future. And so, we have a suite of projects that are in place to take us all the way there to net zero. And so, when you talk about our 2025 goals and our 2030 goals, our 2025 goal is to get to five point four one and we have projects in place to get us there, as Bill mentioned, with, with no additional CapEx other than what we shared. And then the 2030 goal is a 50 percent reduction versus 2015, and that would be to three point five five. And as you can see from, from the chart, there is enough in the decarbonization by itself that if we're successful there, that alone will get us to that, that three point five five goal. We'll update more as we get further down the line, but we see good opportunities to close these gaps effectively.

**Sathish Kasinathan**

Perfect. Thanks for that. And staying on the same, same topic, I mean, the commodity prices have since rallied and assuming the prices remain elevated in the near-term, the free cash flow generation is going to be stronger. And given that strong cash flow, would Alcoa look to speed up or advance any of these projects timeframes that you outlined during the Investor Day last year?

**Ben Kahrs**

The R&D, and I'll let Bill answer in terms of capital allocation, but the R&D programs are defined based on a rigorous set of milestones that we're checking off as we go down the line. And so, we have not at this point put a capital limitation on that R&D program. It's set up based on the success of individual steps and we're working through those steps methodically to make sure that what we bring forward is robust and ready for the market

and that goes for both ELYSIS, it goes for Refinery of the Future, it goes for ASTRAEA and so beyond that, Bill I'll let you handle the other component.

**William Oplinger**

Sure. And again if we take a step back and consider where the company has been over the last five years, Sathish, we have done a tremendous amount of work to strengthen the balance sheet, to put the company in the position to be able to execute on the options that are ahead of us. So, if you consider where we were to where we are today at the end of the fourth quarter we were, essentially, net debt zero but slightly positive net cash. We've got the pension and OPEB under control and we have about a \$1 billion pension and OPEB combined. And so, the company is, today, in the position even without the strong tailwinds that we're seeing in the marketplace, to be able to choose on how we execute these projects over the next three years to four years. And do it in a way that maximizes value. The fact that the markets are as strong as they are just gives us greater optionality around capital allocation going forward.

**Sathish Kasinathan**

Yeah, it's interesting, I mean, given these are all in the R&D stage. I mean is there I mean – is there any leeway for you to like advance some of these projects or just you call on us on a set timeline as of now?

**William Oplinger**

Well, let me address it real quick and Ben you can jump in. With any R&D project, Sathish, there's a balance between de-risking the project and spending and spending money. And so, we are trying to take an approach where we are trying to do it at appropriate speed but at the same time de-risk these projects and if I were to tell Ben, hey unlimited funds, Ben, go and accelerate this, I think Ben has a hard time in accelerating these projects. There is a stage gates, there is a method to get this done to make sure that we are doing it appropriately and that's the situation that Ben's in.

**Ben Kahrs**

Yeah, and just to provide a little bit of color there, and if you take ELYSIS as an example, ELYSIS, is such a foundational change to smelting that it changes everything about it. I mean, the building stays the same, we still have cranes, we still have concrete, those types of things, but the pots are completely different, all of the supplemental equipment that supports the pots is completely different. And so, when you think about a project like this, you not only have to make the chemistry work, you not only have to make the pot work, but you also have to go through equipment design and, all the components to go around it, to make sure that whenever you have the full implantation, the entire ecosystem works. And so, for that reason, it's a significant amount of work and we're trying to be rigorous and as Bill said, risk balanced with how we go about it. But I will say that because of the strong demand that we've seen from consumers like Apple, from a variety of producers that are interested in ELYSIS, we're moving very quickly right now and we understand that this would be important and kind of foundational technologies that we can bring forward. We're excited about it, but we're not going to do it in a hasty manner. We're going to make sure we're using both risk based and financial discipline.

- Sathish Kasinathan** Okay. I'm going to ask the same question in a different way then, so assuming all projects turn successful and then how will Alcoa prioritize or sequence these three projects or five projects, how will you see it?
- William Oplinger** So if all of these projects are successful, first of all, we will be thrilled and investors will be thrilled. The reason being is that we're driving these projects based on economics. The fact that they lower our greenhouse gas footprint is a great benefit, but these projects are really economically focused. And so, we'll be very happy. We have a rollout program that we laid out in the November Investor Day. And it shows that roll out program and we would continue to follow that rollout program. In the mid-2020s if all these projects work, we will have to find a way to capitalize the projects. And so, we will ramp up in the mid to late 2020s capital spending, assuming that the projects work on an economic basis. So, if ELYSIS delivers the economic returns that we expect it to return, we would start rolling out ELYSIS toward the latter part of this decade.
- Sathish Kasinathan** Okay. Assuming this happens, I mean, that would mean that there could be a sizable uplift in CapEx from the mid-2020s, so would Alcoa be using its own cash flow or would also would the company look at alternative funding methods for the green bonds or look for partners or some of the support from or even spinoff subsidiary or something like that, anything you can share on that front?
- William Oplinger** I was with you to say all of the above until you said spin off an alternative subsidiary. At this point, that's not necessarily in the works but assuming that all of these projects are successful. First of all, it gives us the best path to our zero ambition but secondly, it will drive tremendous economics. We will be using cash from the balance sheet, cash from operations and looking at ways to finance them for a variety of different ways. But again, our balance sheet is actually in the position to be able to make that decision in the future. We wouldn't have been able to say that five years ago today, we are in the position to be able to say, how do we want to finance these and if they're value accretive, we're going to find a way to finance them.
- Sathish Kasinathan** Okay. That's helpful. And in terms of ELYSIS, the target here was 15 percent reduction in OpEx and volume and 15 percent improvement in volume and then that 10 percent reduction in CapEx. So, what are the key drivers and how confident are you in achieving these targets? I know it's still not any business just any color you can provide?
- Ben Kahrs** Yeah. Sure. So, when you think about the operating cost benefit we said in 2018 versus the average kind of cash statement at the time, a 15 percent improvement was about \$275 a tonne. And you get that from the net of there are some things that you add in terms of the proprietary materials that we use for our inert cathode technologies; but you take out a significant amount beyond that: you take out all the coke, all the pitch, all the bake furnace gas and plant property and equipment and maintenance. There's a labor component because you set anodes every two years rather than every 25 days. So that's what makes up that operating cost improvement, and we feel pretty confident in that improvement. And depending upon your

view on coke and pitch prices going forward and what decarbonization and the path to net zero will do to those businesses, you may have some aspirations that are great than that. But right now, we feel good about the 15 percent. On a volume side the ELYSIS pots ,flat out, for the same square footage, make more aluminum than a Hall- Héroult pot and so whenever you take a standard pot that's running an AP30 running at 390 kilo amps that same pot will run at 450 kilo amps with ELYSIS. And that's where you get that proportional 15 percent improvement in volume. So, we feel good about that as well and excited about that. And the last one is on the CapEx side. In the CapEx side is really a, what I would call, a mid-term goal for us right now. Because when you think about the elimination of the carbon plant in a Hall-Héroult , that's certainly where we expect to see the advantage once we get a couple projects under our belt. But when you think about the first couple of projects, there's a whole supply chain that doesn't exist today in terms of the proprietary materials as well as the equipment that I talked about earlier. And so, we expect the first few projects to be to be higher on CapEx just because of the need to establish the supply chains. But overall, as we get more robust and more projects under our belt, the complete elimination of a carbon plant in the bake furnace green mill, et cetera, should be a capital advantage that helps support that 10 percent goal reduction.

**Sathish Kasinathan** Okay. So, I think you're working toward that goal to achieve commercial package available by 2024, so at that timeframe, would the JV partners be looking to first use the technology to retrofit for your own plants or in order to gain a first mover advantage. Or would you simultaneously be working on licensing the technology?

**Ben Kahrs** Well, in terms of the view on licensing, ELYSIS is yet to announce their licensing model. But I will say, as I'll go back to Bill's comments a bit, we're only going to be deploying this when they make financial sense. And so, we're going to be looking at the financial performance of these projects and evaluating as such. But I will say that as owners of ELYSIS both Alcoa and Rio Tinto probably have a strong interest in supporting early deployment, but that's going to be predicated on financial performance and any capacity that ELYSIS has to support projects will likely be biased to its owners first.

**Sathish Kasinathan** Okay. Just one additional question on this side is that yes we've heard from your peers who are also working on similar technologies, but are you aware of any technological breakthroughs being undertaken by China? In the event they are successful in developing a version of their own carbon free smelting process, could we see a strong supply response from China or do you think China's structural energy or alumina or bauxite are constraints could continue to limit their capacity to grow to increase their own capacity?

**Ben Kahrs** Well, I firmly respect the Chinese companies as competitors and so I would expect them to be working to solve this problem as we are. I will say it's been relatively slim on information and public information in terms of what their interest, their goals, are and their progress to-date. We have seen some of the pickup in terms of you know IP, you know patents that they filed for, et cetera. But otherwise there's been relatively slim information on

that. You've also heard announcements from other companies; you've heard announcement from Hydro, from Rusal, on their aspirations of an inert anode technology. But we feel pretty clearly, with the progress we've made today and the roadmap we have in front of us, that we're going to be able to bring forward the first inert anode technology, that it will meet P1020 standards for metal purity, which is important, and that it'll be a financial success for both retrofits and greenfield as well. So, we think that's a great combination. But respecting competitors, we are always working to bring these products to market as fast and effectively as possible.

**Sathish Kasinathan** Okay. Just staying on that question, I mean, if you think that they will also be working on their own and they become successful, right now they have this 45 million tonne cap, do you think once they become successful on this technology, we could see a removal of the cap or they could look to do something on that side and increase supply?

**William Oplinger** So, Sathish, they have, over the last few years, we believe been pretty focused on maintaining the 45 million metric tonne cap and we'll be hitting that cap over the next couple of years. Our belief is that they're committed to ensuring that they don't go over that and the bigger issue for greenhouse gas emissions in China isn't necessarily the smelting process, but it's actually the indirect emissions associated with the power generation. So, they have something like over 80 percent of their smelting powered from coal sources. That was as high as 87 percent, 88 percent the last couple of years, but they've been able to transition some of that capacity down to Yunnan, which is then powered via hydro facilities, but the big issue for them is converting out the coal fired facilities and that's been slow going and we believe that they have limited capability to have significantly more hydro down in the southern part of China to be able to convert to. So, that's where they would get the biggest benefit from reduction in greenhouse gas.

**Ben Kahrs** On a relative basis when you, when you think of the two items, the process emissions is about two tonnes per tonne. The emissions coming from the power plant next to it is about 16 tonnes per tonne. So, it's eight times more of an issue and that's really the limiting factor from a CO<sub>2</sub> standpoint.

**Sathish Kasinathan** Okay. Understood. And in terms of Alcoa, specifically, do Alcoa have any plan in terms of organic growth or is it all tied to the success of ELYSIS or other innovation projects?

**William Oplinger** So in the near term, the organic growth that we're seeing is the restart of the Alumar smelter down in Brazil. And if you don't mind, I'll just take a minute to discuss that. We will start to see metal coming out of that restart in the second quarter of this year. It's 100 percent hydro based, it's a 100 percent renewable based energy. And then we have a long term contract that starts in 2024. That's also 100 percent renewable based energy. It's co-located with the refinery, and we have some value added tax credits that we're able to monetize. So, from a cash perspective, it makes the smelter even more attractive. So, that growth will be starting in the second quarter. Beyond that, we have small growth and return seeking projects that we continually invest in, to some extent focused around our casthouses, to

debottleneck our casthouses, but also opportunities in refining and smelting to spend some return seeking capital there, but not massive amounts of growth capital at this point, Sathish, that isn't based on the breakthrough technologies working.

**Sathish Kasinathan** Okay. Thank you. And just switching to the big picture in terms of demand and supply. So, aluminum does have distinct attributes. On one hand, aluminum production is highly energy intensive and it accounts for two percent of emissions, on the other hand aluminum also acts as a key enabler for global decarbonization, giving that, given its use in EV's and power generation. So, can you talk about how the green transition could drive the long-term demand for aluminum?

**William Oplinger** Do you want to take on Ben or do you want me to take that?

**Ben Kahrs** No I'll take that one. So, really two areas: one is transportation and one is energy. So, when you think of the transportation side, battery and electric vehicles, we're expecting to increase demand by 2.7 million tonnes versus 2015 by 2025 and that's bringing the total passenger vehicle market up to about 17 million tonnes. The latest Ducker study showed that the battery and electric vehicles use about 100 kilograms more, so a couple hundred pounds more aluminum per car. And then when you think of plug-in hybrids, they actually use more than battery than electric vehicles because they retain the original drive train. So, in both of those cases aluminum is an enabler to the green economy and transportation. And then when you think about energy, and you look at it on a per megawatt basis, solar requires 30 times more aluminum and wind requires around four to seven times more aluminum than traditional sources. So, in both of those cases as you – as you're going green – you're by definition using more aluminum. So, we expect demand across all of the end markets to grow, but specifically transportation and energy as well as packaging, foil products that move to incorporate more aluminum for recycling reasons.

**Sathish Kasinathan** Okay, understood. So, just wanted to switch to the current scenario that we are looking at – given continuous escalation and tensions between Russia and Ukraine and the potential for further sanctions. Any comments on the implications for the global aluminum and alumina market in the near-term?

**William Oplinger** Well, clearly, it's a fluid situation, Sathish, and so any comments that I make now could change very quickly. Also, it would make comment that really would depend on how long this drags out and how long the sanctions are in place. The near term impacts, our belief, is that the sanctions will require Rusal to probably get their bauxite from different locations. They may have to source some of the bauxite that they're getting out of Brazil, from, from Guinea or from Africa, and that will, in the near term, make a long alumina market slightly longer out of Brazil. However, on the alumina side, it will all depend on what is going on with Nikolaev and Aughinish. We have heard, over the weekend, that Nikolaev had suspended operations. I believe that has been announced since we've been on this call today. So, that will shorten up the alumina market and then will depend on what happens to their Aughinish refinery. If you recall, during the sanctions back in 2018,

they were able to maintain Aughinish running. But we'll see whether that's the case now.

When it comes to metal. We should see some higher premiums in Europe and North America. Midwest Premium as of this morning, was sitting around \$0.37, so the sanctions could drive that as we see the source of metal out of Russia not being able to fill the incremental needs in Europe and in the US, so we should see upward pressure on premiums.

**Sathish Kasinathan** Okay. And then given the higher aluminum price, I know we are still facing issues in Europe, given the higher power cost and the possible further curtailments over there. But any comments on potential for restarts in any other part of the region or within your own system?

**William Oplinger** Well, the curtailed capacity is in places like Warrick, has two lines that are curtailed, in Intalco is completely curtailed at this point, we announced the permanent closure of Wenatchee in the fourth quarter, so we run the economics, consider the potential for those restarts. However, at this point, we've not announced any incremental restarts other than what's going on down in Alumar. So, that's the restart that we're focused on, making sure that that's safe first of all and then financially successful.

**Sathish Kasinathan** Okay. And then a couple of questions on the near term so one is on the first quarter outlook. Any update to guidance that you provided in January given the higher pricing should benefit, but also could see any inflationary pressures in terms of raw materials or energy?

**William Oplinger** So, the first quarter, at the time back in January we gave an outlook that said something along the lines of we anticipated the first quarter from an EBITDA and an EPS perspective to be in line with the fourth quarter. At that time, we provided that estimate at a metal price that was around \$3,000 per tonne and alumina price that was around \$350 a tonne, \$355 a tonne. Subsequent to that metal prices and alumina prices have increased, so we would expect to be able to translate those higher prices to higher earnings in the first quarter. So, holding to the guidance from an operational perspective, but increasing the guidance from the perspective of being able to pass through higher prices and investors have the sensitivities to those prices so they can determine how much more they think we'll deliver in the first quarter. As we look out into the year, it's difficult at this point to give any prognosis. We will see some lagging higher raw material costs, going into the middle part of this year. But, but at this point, really strong alumina and aluminum pricing will fall to the bottom line.

**Sathish Kasinathan** Okay. We still have a couple of minutes. I would remind the listeners to type in their questions if they have any additional questions. One last question from my side is, any comments, I mean, you've been clear about your goals regarding capital allocation, positioning for growth, shareholder returns, and then repositioning your portfolio and where does M&A fit in within this market?

- William Oplinger** We consider opportunities for value creation, whether it's organic growth or inorganic growth. We run the sums on anything that comes to market as, as you know, we should and, and would consider it as, as you know, though our capital allocation program is really focused on three things. The first is repositioning the portfolio and these are not necessarily in rank order. The second is returning cash to shareholders, either through the dividend that we initiated in the fourth quarter or additional buybacks. We've got a \$500 million buyback authorization currently and the last is positioning the company for growth. And so, as Ben has alluded to earlier in this conversation, we have tremendous opportunities based on the breakthrough technologies that will be coming to fruition in the middle part of the decade. So, we're positioning the company to be able to take advantage of those growth opportunities.
- Sathish Kasinathan** Okay. Given the potential for higher cash generation this year, would you, I mean, and your intention to have capital available for the upcoming projects, how should we look at, is there any target, I mean, I know you recently removed your \$1 billion cash target, are you looking to build cash for that or should we expect more capital returns in at least 2022?
- William Oplinger** So, we had two targets that, that we have talked about historically. One was a proportional net debt target of \$2 billion to \$2.5 billion. We are under that proportional net debt target at this point, we're at \$1 billion and then the secondly, second target was that we like to keep a \$1 billion of cash on the balance sheet. As I look at the variability of our industry, the variability of our company, I think it's important to maintain at least a \$1 billion of cash on the balance sheet. And then, you know we will allocate, after doing that, we'll allocate capital the way we said we would. And that is looking at the three alternatives which is repositioning the portfolio, which as you saw in the case of Spain, costs us some money and so, that was important to make sure that we got that done, and giving money back to shareholders through the two options that we have and then on top of that positioning for growth in the future. So, we could, you know, today we're under that net debt target, we could strengthen the balance sheet a little bit further to position the company for the future, but that's the alternatives that we have and we'll do it in a way that maximizes the most value, Sathish.
- Sathish Kasinathan** Okay. We do have like one minute left. I don't see much, any further questions from the listeners. I would just turn it over to you for any closing remarks that you want to make. Thank you.
- William Oplinger** Yeah. I would just wrap it up Sathish with what's the value proposition for buying Alcoa and as I said earlier in the conference. Large, low cost portfolio in mining and refining, well-positioned smelting portfolio at the top of the second quartile of the cost curve, a pathway to a net zero ambition and probably the best pathway of any company in the industry, that we've outlined in the slides that are attached to this presentation. A portfolio of green products that meets the needs of customers, going forward. So, I think, the company, the last five years we spent trying to clean up the legacy liabilities, the company is now in a position to take advantage of these tailwinds that we see in the industry to be able to deliver on the low

carbon solutions that our customer needs and do it in a way that provides significant returns to our shareholders. So, an exciting time in the industry, very exciting time to be in the company. And we just very pleased with how well things have gone.

**Sathish Kasinathan** Okay. I think we have reached the end of the presentation and thank you everyone for your time, and hopefully we will talk again soon in the next conference. Thank you. Maybe next time it will be more in-person and hopefully we can have much more conversation. And thank you, thank you everyone for joining.

**William Oplinger** Thank you.

**Ben Kahrs** Bye.

**Sathish Kasinathan** Bye.