

Alcoa Corporation

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CORPORATE PARTICIPANTS

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OTHER PARTICIPANTS

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QUESTION AND ANSWER

Alex Hacking

Afternoon and welcome to the Citi Basic Materials Conference. Very happy to be joined right now by Molly Beerman, EVP and Chief Financial Officer of Alcoa. Thank you so much for coming, spending time with us.

Now, I guess I will leave time at the end if there's any questions in the room. But just to start, so Molly, you guys just held your Investor Day a few weeks ago. I think one of the themes was how much progress the company has made since Bill Oplinger has moved into the CEO role. Could you maybe give us an overview there because Alcoa has been very busy over the last couple of years, give us an overview of like what's gone on? Thank you.

Molly Beerman

Thanks, Alex. And thanks to everyone in the room and on the webcast for joining us. Yes, we highlighted at our Investor Day a lot of the accomplishments since Bill Oplinger took over as CEO. We started at the end of 2023 when he took the helm and talked about the progress that we made on gaining IRA benefits under Section 45X, that's worth about \$60 million to our business. We also secured at the end of 2023, most notably, our transitional mine approvals for Western Australia. Into 2024, we had a big year. We announced and closed the Alumina Limited acquisition. We also ran a \$645 million profitability program, which we delivered early and exceeded our target.

Into 2025, we completed the sale of our Ma'aden joint venture and gained Ma'aden shares, which are now worth about \$1.5 billion and available to monetize over a five-year lockup period. We can start monetizing in the third, fourth and fifth anniversaries of the close. We also won our tax dispute with the Australian Tax Office and that was a claim that was over \$700 million. So a giant win there.

If you look at Bill's focus on operational strength, the company is really operating well. Matt Reed spoke at our Investor Day, highlighting the strength of our operations—that continues. Also, Bill has brought a renewed focus in commercial excellence. And that's benefiting not only Alcoa, but our customers. So our progress in 2025 continues. We are approaching the top end of our capital allocation. Our adjusted net debt target, \$1 billion to \$1.5 billion. And when we closed the third quarter, we were just over that – just at \$1.6 billion. So making progress on the capital allocation priorities as well under Bill.

Alex Hacking

Okay. Thanks, Molly. I guess, after that, maybe we'll start a little bit on the aluminum markets and then turn back to Alcoa's operations. So how is Alcoa viewing supply and demand for aluminum heading into 2026? Like, price has been coming up quite a bit recently.

Molly Beerman

Yeah. So as we look at the aluminum market, we see it really balanced globally. However, if you look regionally, China is still importing alumina and the deficits remain in North America and Europe where we focus on our business. As you look into the longer term, we see great growth in alumina.

The outlook still very strong across the key markets, primarily in transportation, not only for electric vehicles, but continued light-weighting and combustion. So the auto growth continues. Construction, a lot of focus on the build-out of the data centers, as well as urban growth, infrastructure investments by governments. So growth coming there. Packaging has been very strong. Consumers are preferring recyclable, sustainable options for packaging. And so aluminum is thriving in that part of the business in the sectors.

And last I'll focus on the electrical, because the demand there related to grid modernization, development of renewable energies, the aluminum used in solar panels, wind turbines and transmission lines, of course. So good long-term outlook for aluminum.

Alex Hacking Okay. Thanks. Just on aluminum, copper prices, very, very high. I'm not sure if you have a view on this, but are you sensing more appetite for switching to aluminum given how high copper is and how bullish everyone is on where copper is going to be over the next couple of years?

Molly Beerman We have seen a transition, but you have to understand it's a slow process. A lot of the applications for copper replacing with aluminum high technical specification that has to go through reengineering, quality assessment. So it's happening, but it's progressing slowly.

Alex Hacking Okay. And then, I guess, maybe the inverse. I'll ask about tariffs in a second. But in the U.S., now we have Midwest premiums, \$0.80, something like that. Are you concerned at all about U.S. uses switching out of aluminum and back into steel based on where Midwest premiums are?

Molly Beerman So you've heard a lot of this recently from the automakers. And steel is certainly more economical right now. However, it's a similar longer-term transition. The OEMs have built their designs, their processes, their production around using aluminum. So it would not happen overnight that they would revert back to steel. We also think that's unlikely in the longer term, because there's still overall goals to lightweight vehicles, get higher energy efficiency out of the vehicles. So we don't see that being a long-term threat; maybe a pause in the short term to ease some of the targets on decarbonization. But in the long term, we see aluminum still being a primary material preferred by the automakers.

Alex Hacking Thanks. And then, on the same topic, how do you see the Section 232 tariffs playing out, particularly with regards to Canada? I think most people in the market seem surprised that the U.S. has not made some deal on steel and aluminum with Canada or Mexico, but it still seems like everyone's base case. So I'm curious on Alcoa's view. Thank you.

Molly Beerman Yeah. So we recently announced that the tariffs no longer hurt Alcoa. So at this point in time, we're getting a benefit on our U.S. tons. If you look at the end of the third quarter, the benefit on our U.S. production more than offset any of the margin compression that we saw during the quarter on our Canadian tons. And, in fact, at current pricing, around \$0.88 to \$0.90 we're seeing recently, our Canadian tons are being fully covered for costs.

So at that level of Midwest premium, we're covering the tariff, we're covering the freight and the other logistics costs and even in some cases a small margin on the Canadian tons. So Alcoa is no longer complaining about tariffs.

Now that said, we'd love to see an agreement between the Canadian and U.S. administration related to the commodities, particularly aluminum, that gives some relief from tariffs. That could look like a full exemption. It could look like a preferred rate for Canada, may be a quota system. In any of those cases, it would be very favorable for Alcoa. We're paying over \$900 million a year in tariffs, if you annualize the current impact. And so even just a preferred rate at 25% would cut that in half. Now, the Midwest might react – I'm guessing that's where you're going to go next.

Alex Hacking

That was going to be my follow-up question, yeah.

Molly Beerman

So if you look at the aluminum needed by the U.S., they need over 4 million metric tons. Canada can only supply just under 3 million metric tons of that demand. So we would still need metal from producers outside of Canada. Today, that's coming primarily from the Middle Eastern smelters. To incent them to continue to send that over 1 million metric tons into the U.S., the Midwest is going to need to be high enough to cover at least a substantial portion of the tariff costs. So while we see that the Midwest might step down a little bit, we don't see it dropping to levels that we saw when everyone was at a 25% tariff rate than it was about \$0.40. So it will have to stay high to incent the extra million tons that are needed for the U.S.

Alex Hacking

Okay. And I guess, following up on that, the million tons that we need that's not coming from Canada, how much could scrap potentially fill that gap? I guess, on the short term, I'm guessing the answer is not much, but over the medium term, do you see potential there? Thank you.

Molly Beerman

I may be going a step back to the broader – because we get this question on scrap from investors and are we worried about – you look at the long-term aluminum growth and two-thirds of it is in secondary and one-third in primary. This does not concern us. Some of our best customers now are extruders and rolling mills who are invested in recycling capabilities significantly. They will generally need prime content to reach the kind of quality levels that they need for their products. So we see the two growing in tandem and not necessarily in competition with one another.

Alex Hacking

Yes, but a pushback.

Molly Beerman

Okay.

Alex Hacking

If we have 1 million metric tons coming in setting the MWP, but we can get that down to 0.5 million metric tons because we recycle 0.5 million metric tons more domestic scrap, because the U.S. exports quite a bit. Is that – if Midwest premium stayed at these levels, is that something you would expect to happen where the U.S. develops more recycling capability to basically capture that Midwest premium?

- Molly Beerman** I think that could happen, Alex. I don't necessarily have further insight for you on that one, though. We don't participate in a big way in the U.S. scrap market today.
- Alex Hacking** Okay. And then, I guess, you mentioned data centers earlier. It's obviously an opportunity for Alcoa on the demand side. But I think some investors also view it as a risk on the cost side, on the power cost in particular. And I think Alcoa has a lot of long-term contracts, energy-wise. But is this something that concerns you on the long term, like strategically, the cost of power?
- Molly Beerman** This is...
- Alex Hacking** Particularly in the U.S.
- Molly Beerman** Yeah. This is a good question, Alex. And I think it actually highlights our strategic strength in managing power. We have long-term energy contracts for over 65% of our smelters. The others are either on fixed term or self-gen. But the fact that we are negotiating our long-term contracts well in advance of their expiration, for instance, our Canadian power contracts will expire in 2029. We're already engaged in conversations on those. We just secured our Massena power contract. That's a 10-year contract with two five-year renewals. That was a great situation for us. In terms of competing with data centers, we're looking for a power price in the \$30 to \$40 per megawatt hour. Data centers are paying more than \$100 per megawatt hour.
- The smelters that remain today, and primarily, we'd start with the U.S., you can see our smelters that we have on the West Coast of the U.S. are closed. They're done. They're gone. They could not get the power. However, Massena is a great example of where smelters thrive. It is Massena is – Alcoa is the primary employer in that community. We're vital to the employment and the economic sustainability. We have a partner in the New York Power Authority. They recognize the importance. We have great political support. So I think where you see smelters thriving and surviving today, it's about where they are geographically located, how much they're contributing to the local economy, to employment, and how important the aluminum industry is. We see that in Québec, Canada, completely behind the aluminum industry. Iceland, the smelters, the power was actually developed for the aluminum industry there. So we have those advantages.
- So I don't think we're head-to-head competing with the data center on our existing smelters, but certainly, any new smelter capacity is going to have to struggle with that competition, because the other players are going to be paying a lot more than is needed for an economic smelter at that \$30 to \$40 per megawatt level.
- Alex Hacking** Yeah. And I suppose one conclusion of that would be that building a new aluminum smelter anywhere in the world is going to become more challenging, because anywhere in the world that has cheap power, hyperscalers are going to start looking at as potential sites for data centers.

- Molly Beerman** I think that's correct. But you also have to think about whether it's a renewable energy source or if it's coal-powered.
- Alex Hacking** So you mentioned a little bit there about the U.S. smelters. Alcoa has done a lot of work on its footprint over recent years, closing some facilities, reopening Alumina and so on. I mean, is the company happy with the current footprint? Not sure how loaded of a question that is or should we expect more portfolio adjustments going forward?
- Molly Beerman** We have done a tremendous amount of portfolio work over the last few years and we announced in Investor Day that we actually think we're drawing to a close. We are very happy with the portfolio that we have today, putting aside for a moment Spain, because we're still dealing with the situation there and finding a long-term solution.
- But the assets that we're running today, we are committed to, and we feel like we're going to continue to invest in them and driving this group of assets. As we look at potential to even grow from the assets that we have, we've talked quite a bit about the additional creep production that we're getting out of our Canadian smelters, but we're also restarting some idle capacity at Lista and at our Portland smelters.
- Now, those are small quantities. So we really haven't been speaking about those externally, but that's an example where the long-term economics are incenting us to grow the capacities that we do have. The one smelter where we have a notable amount of idle capacity is the Warrick smelter. We have 50,000 metric tons there. But honestly, that has been curtailed for so long since 2016, it would be a very expensive restart, and so we're not evaluating that one right now.
- Alex Hacking** I mean, what would you need to see to evaluate that? Because I would suspect that with this Midwest premium, it would make sense. But obviously, we don't know what tariffs are going to be next week, but we definitely don't know where they're going to be in five years. So...
- Molly Beerman** That is exactly part of our decision-making. Again, we think it would take one to two years to even get that line up and the tariff policy can and will change for sure. We know right now that Warrick is actually a very profitable smelter for us, but may not be for the long term.
- Alex Hacking** Okay. I guess, continuing on that theme, in Australia, you obviously announced the closure of the Kwinana. In terms of the other refineries there, could you just remind us where you stand with regards to the bauxite permitting process, what the timeline is? And if all goes to plan, like what that means for the future of those two refineries? Thank you.
- Molly Beerman** Yeah. Sure. So our Western Australia mine approval process, the next milestone is the end of December when we're responding to all the public comments that came in through the public consultation that was run on the middle of this year. So we're just finishing off those responses. We'll have them back to the Western Australia EPA before Christmas and then they'll take six months to evaluate our responses.

The independent studies that they've commissioned, they've had our mine plans for some time, but they'll finish off their review and make their recommendation by the middle of 2026.

Then it'll move to the ministers, both at the state and federal level to make their decisions on approvals, and we expect to get those at the end of 2026. Assuming we get the approvals and it moves forward, then that would position us to be moving into the new mine areas in 2029, and we would have our first full year of the benefits of the higher bauxite grade in 2030.

When we get to 2030 and we're running Pinjarra and Wagerup, our refineries there, on the higher quality bauxite, we will gain 1 million metric tons of production. So the low-quality bauxite has a low alumina content, thus, same level of throughputs but less output. So that will come back up by 1 million metric tons. So we'll have that benefit.

We also expect to have \$15 to \$20 per metric ton in cost improvements. We're using a lot of caustic soda now and refining the bauxite and also high energy consumption. So that should drop back down. So great economics for us when we do fully move into the new area – although as soon as we transition, we'll start to pick up improvements in profitability through the transition.

Alex Hacking

Okay. And could you just remind us what the critical path items are for permitting there? I think some of the hot button issues have been sort of the deforestation and the pace of reclamation, maybe, the proximity to watersheds. Those are the main issues or anything else that...

Molly Beerman

Yeah. So they asked us – sorry, they, meaning the EPA and the government authorities there, to accelerate our rehabilitation, which we've already done now. We've basically cut in half the life of a mine pit. So we're mining in smaller areas, closing them off and remediating more promptly. They also asked us to move back from the water catchment areas, which we've done. So the primary technical requests of the government, we believe, we've already responded to. We've been working with them quite diligently over the last two years now to make sure that we are complying with the mining practices and protocols as well as the rehabilitation quality and speed that's been asked.

Alex Hacking

Okay. And then, I mean, at the Australian refineries, I guess, the other announcement was around the new gallium recovery line there. I guess, could you maybe talk about that decision? From where I sit, it seems like a good way to build goodwill with government both in the U.S. and Australia. I don't know if that was part of your thought process or not. Thanks.

Molly Beerman

Yes, I think it's fair to say that Alcoa wasn't looking to go into gallium as a side business. But we do recognize, it's a very natural extension of our alumina refining process. We're simply going to divert from our refining stream the liquor. It will go into this gallium plant that will be co-located at the Wagerup refinery. The gallium will be extracted and the liquor will be returned to the alumina refining circuit. So it's not an invasive process for us.

And as we looked at the U.S., the Australia, as well as our Japanese partners trying to build out critical minerals supply, we wanted to respond to this request. These are governments that are obviously critical to key areas where we're operating. And so the partnership was initially formed with the Japanese joint venture. We announced that in August. Alcoa has 50% of that share.

And then, in October, we announced that from our share, we've granted the majority of that to the U.S. and Australian governments. All of the parties to the JV will provide capital and then take an offtake of gallium in proportion to their contribution.

It's interesting to think about we'll only produce 100 metric tons of gallium out of this process. If you look at Wagerup, they're processing 2.8 million metric tons of alumina. So it gives you an idea of the trace quantities that are available by extracting the gallium from bauxite. But this is 10% of the world's supply. And China today controls over 90% of it. So again, we're doing in response to government's request to help strengthen the supply chain. Gallium is critical to the semiconductor and defense industries.

Alex Hacking

Yeah. Rare earth markets are small. No further comment.

Molly Beerman

Can I just add one thing?

Alex Hacking

Yes, please.

Molly Beerman

Just to make it clear that Alcoa's financial commitment is not significant. Both our part of the capital contribution as well as our offtake, we're definitely in a minority position with the other partners.

Alex Hacking

Okay. Again, from the Investor Day, I think Bill was suggesting that Alcoa may be ready to pivot more towards growth over the coming years there. I guess, the Alumina Limited transaction added to the company, but otherwise you've been more retrenching. How do you see that growth – potential growth playing out organic or inorganic? What are the levers that you have to play with?

Molly Beerman

Alex, we have done a lot of work on our portfolio and on our balance sheet. So we do feel like we're in great position now. We have an ambition for growth, but also a recognition that it's going to be very pragmatic and disciplined. We're not going to grow simply for growth's sake. We know that we have to get projects done that deliver value for the shareholders.

And I think that we've proven that we have done that. Several of our growth projects recently we expanded capacity in Mosjøen. That added 7% to their production. That was a minimal investment, but with a high return. Similarly, we expanded casting capabilities at the Bécancour smelter. Very reasonable level of investment for high return. So we'll continue to look at growth opportunities like that within our own portfolio.

But we are looking at M&A and other opportunities. I think it's fair to say, though, we would look at opportunities that leverage our operational strengths that meet the needs of customers, particularly those that we already serve in North America and Europe, and also, looking for opportunities for synergies where we're leveraging our technical knowledge as well as our scalable solutions to gain those for value.

Alex Hacking

Okay, thanks. I guess, another issue that was highlighted at the Investor Day was potential for asset sales. I think between \$0.5 billion and \$1 billion. Could you maybe update us there on potential timing? And then, any comments around who likely buyers are, because I think the headline in aluminum is, well, it's going to be data center that's buying. Is that what you're seeing? Or are you also talking to other kinds of buyers? Thank you.

Molly Beerman

So our transformation sites, as we call them, these are former closed locations. We have about 20 of them, but we're highlighting and prioritizing about 10 now. The majority of those have electrical infrastructure remaining that would be attractive to a data center build. We're working aggressively on a handful of those now. I think versus the past when we maybe just went after them as asset sales, now we're looking at working with developers of data centers and we're getting much more interesting and attractive valuations.

One that we're working on now that will probably come to fruition first is a former smelter site where we do see that we may be able to get an upfront cash payment, possibly even a stream of cash payments, and then, another cash payment at the end. So as we think about our target that we announced, the \$500 million to \$1 billion, that was our best view of the cash that we would receive in the time period from Investor Day through to 2030.

So we will continue to work these. I think the data center, there's absolutely a recognition that the need is now between now and 2028. So we're working our ready sites so that we can deliver on that. Data centers can be built fairly expeditiously. So we're still in good line of sight to get some of these done in the near term.

Alex Hacking

Okay. Thanks. Just quickly, anyone in the room have a question? Okay. Yeah.

Molly Beerman

So the question is on ELYSIS. So we are continuing to work on ELYSIS as a part of our R&D investment program. The current status, the ELYSIS joint venture, is going through its first commercial scale sell trial right now. So, so far, so good. We've done many tests at lower levels, but this is the first proof of commercial scale that's happening at Rio's smelter. They are funding the majority of the development.

However, Alcoa is there participating in terms of gaining the knowledge, supporting the site with electrodes and basically getting a piece of the output. So we're still highly engaged in ELYSIS. Alcoa doesn't view that we will make our own investment in this decade. It would probably come next.

But we're pleased with the progress, maybe a little slower than all of us had originally imagined long ago. But the technology works, and now we're focused on getting it to commercial scale and economic.

Alex Hacking

Thanks. I guess, just one final one for me before we wrap up. A lot of headlines. The EU CBAM is coming in. Broad question, how does it affect Alcoa, if at all? I assume it does, but...

Molly Beerman

Yeah. So CBAM will become effective on January 1st of 2026. We have been in kind of a trial period through 2025 with the tracking, but it will be live next year. If you look at the analyst prediction when you have the carbon costs embedded, that regional premium needs to cover that. So on average, they're predicting about \$40 a ton in higher premiums.

CBAM will be gradually phased in. If you look at Alcoa's position, we're actually comparatively in good shape because of our low carbon profile and our ability to source from within Europe. So our smelters there will have a lower – free allowances that will fade out. But, again, comparatively, we'll be in better position from some of the others because of the high renewable content.

There's several items from CBAM that still need to be worked and fixed. And I think we're going to get some announcements from the Commission on December 10, still sorting some of the items like the scrap loophole. So if you send scrap into Europe, there's no carbon costs. So they need to fix that. Also, some of the downstream projects even declaring carbon content, there's the loophole there. And we could see more and more finished goods come into – finished goods with high aluminum content come into Europe to avoid the CBAM.

So they've got to shore up some of the loopholes. But it is coming. We'll see the higher premium. Alcoa well-positioned because of our low carbon profile.

Alex Hacking

Okay, thanks. I guess we're coming to the end of the time here. So thank you again for this time. Super helpful. And I'll open up to you if you had any closing remarks or business updates or anything that you wanted to leave us with. Thank you.

Molly Beerman

Yeah. Thanks, Alex. So, first of all, I appreciate everyone's time today. We do have one update on our guidance. Our fourth quarter operations, very strong. When we guide, we have been providing numbers on tariffs, and we had guided to about \$50 million for the fourth quarter. However, with the higher LME as well as we're shipping more into the U.S. with the high Midwest premium, tariff costs will come up about \$10 million to \$15 million more. So if you're modeling, add another \$10 million to \$15 million in your models. But, other than that, it's a strong quarter and we're looking forward to sharing the results in January.

Alex Hacking

Thanks. And just to clarify, that's a high quality problem, right?

Molly Beerman

It's a high quality problem.

Alex Hacking You're shipping more profitable tons.

Molly Beerman Yes, absolutely.

Alex Hacking Okay. All right. Thank you, Molly. And thanks, everyone that was here.
Thank you.

Molly Beerman Thank you.

Alex Hacking Thanks.