

Alcoa Corporation

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Conference

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CORPORATE PARTICIPANTS

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

OTHER PARTICIPANTS

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

Katja Jancic: Hi, everyone. Next up, we have Alcoa, which is one of the leading aluminum and alumina producers globally.

William F. Oplinger: One of?

Katja Jancic: The leading. With us today is CEO, Bill Oplinger. We will do this as a fireside chat, but before we start, I'll turn it over to you, Bill.

William F. Oplinger: Sure. Thanks, Katja. So, hopefully you know Alcoa. If you don't know Alcoa, we're, I believe, the leading aluminum company in the world, vertically integrated, global company. We mine around 40 million metric tons of bauxite on three separate continents. We refine 10 million metric tons of alumina, and we smelt 2.5 million metric tons of metal. So, we're all over the world. And really, as we go into 2026, there's a couple of things that I'd like to convey to you in today's presentation.

We have a strong balance sheet going into 2026. The balance sheet over the last number of years has been significantly improved. Pensions are under control. Net debt is at the target – at our top end of our target range. Operations ran well in 2025. So, we're entering 2026 with strong operations. We're driving – dropping metal price to the bottom line. And so, aluminum prices are strong currently, and you're seeing that in our financials. In alumina, we have a large alumina business. Alumina prices are very low currently. So, we're working on driving costs lower and focused on overall cost picture for alumina.

Secondly, in 2026, we're planning on executing on our key strategic initiatives. We're in the midst of ramping up our Spain operations. That's at around 80%. We have a target of delivering \$500 million to \$1 billion of proceeds from select asset sales, especially in our curtailed assets, and we will have that first sale, we believe, in the first half of 2026. That will be a curtailed site that we will repurpose for a data center installation. And we anticipate that to be in the first half.

And thirdly, we continue to make progress on our permits in Australia. And so, we anticipate that we will have our Part IV approvals in 2026. So, we continue to make progress there. That's critically important that that gets completed in 2026. So, exciting times. Exciting times for Alcoa, and looks like 2026 will be a strong year.

Katja Jancic: So, just a reminder, if anyone has questions, please send them in through the app, but maybe starting with the Western Australia permitting. Last week, you announced that you agreed with the Australian government to further modernize the approval framework. Can you talk about why that is important?

William F. Oplinger: So, it's critically important. You've probably heard often around the permitting process that we're going through for our two new mine locations, North Myara and Holyoake, that we've had the discussion publicly around

the – really the state permitting process in Western Australia, that's called a Part IV permitting process. That's what we anticipate should be resolved in 2026. What we announced last week is around the federal permitting process. So, there's three components to the announcement last week. The first is what's called a strategic assessment. That strategic assessment will be an assessment of the impacts of our mining operations on the mining locations that we anticipate entering through 2045. And that strategic assessment will be run with the federal EPA and that will be done over the course of 18 months.

The second component is what's called a national interest exemption. That national interest exemption allows us to continue to mine at Huntly and Willowdale for the next 18 months. And the third is what's called an enforceable undertaking. Enforceable undertaking is an agreement between us and the federal government that reconciles our view with their view around past EPBC potential breaches. We assert that we've not breached the federal legislation. And as part of that, we have agreed to a AUD 55 million Aussie payment, in part to three NGOs, another part to buy land offsets. So, that's the key of the three parts of the announcement from last week.

Katja Jancic: Perfect. And you mentioned the process continues on the new areas. Does this agreement change that in any way?

William F. Oplinger: No, this agreement doesn't have any impact on the Part IV approvals that we continue to seek. And many of you know, we went through a public comment period, and as I said, we still anticipate having those approvals by the end of 2026.

Katja Jancic: I think the EPA is supposed to put their side out by June, if I'm not mistaken.

William F. Oplinger: I'll let the EPA speak for themselves. Our anticipation is that we'll support them with all the information we possibly can, as quickly as we can, in order to achieve a 2026 approval.

Katja Jancic: And then kind of moving back to the bigger picture, the markets, you mentioned aluminum is healthy, the price, alumina, not so much. How are you thinking, when you look at the rest of the year, do you think are there any moving pieces on the aluminum side that could impact the pricing and any potential catalyst on the alumina side that could help the pricing there?

William F. Oplinger: So, let me just really quickly run down supply/demand, globally, both on alumina and aluminum. And I'll start with aluminum. If you take a geographic perspective, and then I'll drill down into submarkets, if you look at it from a geographic perspective, North America continues to remain strong. Europe continues to remain steady, which isn't bad. And then on top of that – and that's really on the demand side. On the supply side, we

continue to see that the Chinese are sticking to the 45 million metric ton cap. I know it's a question that many investors have of us. We see them sticking to that cap, and they've stuck to it over the last four or five years, which is really important for the aluminum industry.

Then if we continue down the path of supply, we are seeing Indonesia ramp up. So, we're seeing an additional, we believe, 450,000 tons of Indonesian capacity come online on an annual basis in 2026. However, a big piece of that will be offset on a year-over-year basis by the potential for Mozal to be curtailed, and you'll have to ask South32 whether they still think that'll be curtailed. But we have that baked into our numbers and the impact in Iceland from the Century curtailment. So, a lot of that new capacity coming online is going to be absorbed through those two curtailments.

We see demand being strong. And if I then drill down into the submarkets on demand, and I kind of sound like a broken record over the last couple of years, North America, we see strength in packaging, very good packaging market. Electrical conductor is very strong from a rod and bar perspective. Construction is maintaining, right? So, potentially, if we see lower interest rates toward the end of 2026, we could see an uptick in construction. And then, on the automotive side, it's the only place that we're seeing weakness in North America, is in automotive, specifically in the foundry markets.

And then Europe, to some extent, is a mirror of that. We continue to see good, strong packaging demand. Building construction is steady, it's not falling, and automotive is weak. It's probably a little bit weaker in Europe than it is in North America. So when you step back on the aluminum side, it shapes up to be in balance, if not in a slight deficit for 2026 again, and global inventories are pretty low.

Now, let's transition to alumina. It's a little bit different story on the alumina side. We have seen Indonesian capacity ramp up on refining. The Indonesian smelters have not ramped up nearly as quickly. And therefore, we have an excess of alumina. We have a surplus of alumina in the world. Alumina is very price-sensitive to inventory levels, because it's hard to store a large quantity of alumina. So when you have a surplus, alumina prices fall.

However, globally, we think that around 50% of the global refineries are cash negative today. Now, it's a very flat cost curve, but at some point, when 50% of an industry is cash negative, you will see curtailments. I can't say when you'll see curtailments. They won't be coming from Alcoa because we have fairly low cost assets, but we would envision that there are parts of the world that will curtail. I think, roughly half of the refining

capacity in China is cash negative at this point, and we'll see whether they do something about that coming out of Chinese New Year.

Katja Jancic: And you mentioned the North American market, which is very healthy right now. Given how high the price of the aluminum in the US market specifically is, are you hearing any pushback from customers or that there could be demand destruction because of it?

William F. Oplinger: We are not seeing it and we haven't seen it. And so as I ran through the submarkets, we see strength, and at this point, we're not seeing demand destruction.

Katja Jancic: And then specifically to the Midwest premium, it more than covers the cost of tariffs right now. Can you talk a bit about what's driving that and is there a risk that this is going to attract more imports into the US market?

William F. Oplinger: I think the answer is yes. Yes, it will attract more imports. We, along with other companies, are always looking at the profit impact of either importing into the United States or importing into Europe. Today, the Midwest premium is high. It covers the tariffs. It's higher than just covering the tariffs, and we think that's representative of the strength of the demand that we're seeing in North America. That strength pulls the Midwest premium up. And as you arbitrage between where you're going to ship, that strength also pulls up the Rotterdam premium. Now, the Rotterdam premium, we also believe, is being positively impacted by CBAM. Hard to say how much of the Rotterdam premium increase has been driven by CBAM, but we estimated that we thought CBAM would drive around a \$40 per ton increase in the Rotterdam premium. And we've seen Rotterdam premiums increase since the beginning of the year.

Katja Jancic: And then maybe shifting gears to the asset monetization that you spoke about, you have a target of \$500 million to \$1 billion over the next 5 years. You're in ongoing discussions with – about the sales. Has these discussions changed anything how you view the longer-term opportunity?

William F. Oplinger: They haven't changed since the last time we talked, Katja, but our view has changed slightly. Historically, for closed and curtailed assets, we were always looking at selling those assets to maximize value and minimize the liabilities. What has changed over the last couple of years, obviously, stating the obvious, is the advent of AI and the data centers. What we're really trying to understand is the value in a data center world or an AI world of our individual sites. We have 10 sites currently that we're focused on selling into that space. We think we'll have that first sale in the first half of this year. There are two that could quickly follow after that.

And the difference, as I said, is really focused on where is the value in that chain and how do we make sure that we capture the right value for the asset that we're giving up? And each site has its own variables, right? And so, if you look at some of the closed and curtailed sites, what a developer is looking at is how close are they to major metropolitan markets? What's the temperature level, right, if it's a cold area? How much access to megawatts of power that they have? And what infrastructure is in place currently? So, those are all the things that get baked into a decision. And in each one of those, we're going to try to maximize the value.

Katja Jancic: Then moving to capital allocation, you mentioned a very healthy balance sheet, which gives you a lot of optionality, and excess cash is going to compete between growth and shareholder returns. Can you talk about what potential growth opportunities you could have, or what would you like to grow?

William F. Oplinger: So, on the organic side, we have very targeted growth opportunities on the organic side. So, we will look at investments in our casthouses around the world, where it supports a direct near-term customer need. So for instance, in Europe and in Norway, we are looking at opportunities to add scrap into the mix in Norway for our customers who demand recycled content. And so that is an example of a very targeted, return-seeking investment that would have a customer contract backing it up. So, we'll be looking at those type of opportunities in all three parts of the value chain: bauxite, refining, and smelting.

On the inorganic side, we will look at opportunities from an inorganic perspective. But what we will do is, on inorganic opportunities, we'll be very disciplined and we will only make an investment in inorganic opportunity where we can unlock synergies that shareholders can't unlock on their own. So, there has to be direct cost synergies between us and someone else in order to do an inorganic opportunity.

Katja Jancic: And then this question comes a lot is would you – let's say, beyond that, on the shareholder's return side, do you have preference for dividends or share buybacks?

William F. Oplinger: It is such a difficult calculation to do. And clearly, the strength of our balance sheet, if you assume that metal prices stay where they're at, we should have very – we had strong cash generation in 2025 that allowed us to pay down debt in 2026. If metal prices and the environment stays where it's at, we should have strong cash generation again. We are at the top of our debt target. We didn't give a single pinpoint on debt target. We gave a range. The reason why we gave that range is that we will come into that range. So, the first priority again this year is to continue to pay down debt into that range. And then as you mentioned, kind of the next two priorities, and we'll

look at not necessarily in these order, is growth and returns. And then on the return side, we've had some robust discussion, over the last 24 hours, around whether that looks like share buyback versus a special dividend. We'll run the sums, make a recommendation to the board and go from there.

Katja Jancic: And maybe kind of back on the organic growth side, would you look at building on the smelting side?

William F. Oplinger: We don't have any active projects currently for building on the smelting side, so we don't have any greenfields, any substantial brownfields...

[Audio Gap]

Katja Jancic: ...operating or are there – have there been any further challenges there?

William F. Oplinger: So, we had a great 11 months in Brazil in 2025. We had gotten that site up to 93%, 94% capacity. In December, we had a series of power outages that caused instability in the plant. And I'm not going to blame it exclusively on the power outages. We have some opportunities around building the knowledge that we have in Brazil and some equipment reliability. That has then taken Brazil down to about 80% today. We're ramping back up. We're seeing that over the last couple of weeks. I follow it on a daily basis. We're seeing it on the last couple of weeks. We're ramping back up, getting better stability. And like I said, we're at about 80%. Keep in mind, the smelter in Brazil did hit profitability in the second half of last year. So, it's still contributing to the bottom line.

Katja Jancic: And then San Ciprián restart continues by midyear. It still feels like it's going to be, this year, a drag on earnings. Are you still comfortable in saying that by 2027, you're trying to neutralize the asset, or is there a potential opportunity to speed up, given the pricing environment?

William F. Oplinger: So, I'm comfortable saying that it is our plan, our target, to have cash neutralization in 2027. We're not there yet. The smelter is ramping up very nicely. And really kudos to our local labor force there that we're at about 80% ramp-up on the smelter. The refinery's running at around 50% capacity. The broader issue in San Ciprián, and I think everyone knows this, is the energy situation in Europe. Historically, that plant has been a very well-run plant. After the Ukraine war, energy prices spiked in Europe, and energy prices haven't completely come back down yet. So, we're focused on the cash neutrality position for 2027. We're doing everything we can to get to that spot.

Katja Jancic: And then, can you talk about the longer-term plans there?

William F. Oplinger: So, the longer-term plans are to make that a competitive asset, a viable asset. And today, the refinery really struggles. And with alumina prices at \$305, their cost structure is substantially higher than \$305. Also keep in mind that there's a residue deposit area that will run out of capacity in the early 2030s. So, there's more work to be done strategically to try to make that a viable asset for the long term. The smelter's all going to come down to can we get an energy contract that will make it competitive globally? That's a tough spot right now. Energy in Europe is not competitive for global smelting.

Katja Jancic: Are there any signs that that could change at all? Are there any plans from the government side?

William F. Oplinger: I'll tell you, Katja, we're focused on what we can control. And that is run the plant safely, stably, improve on a day-over-day basis, continue to test the market around energy. I can't control energy prices in Europe, but we'll try to make it a viable site so that if we get the ability to get energy to make it successful, we will.

Katja Jancic: And then one question we get here and there is about potential end of Russia-Ukraine war.

William F. Oplinger: ...Potential [clarifying the question] ?

Katja Jancic: End of Russia-Ukraine war. How do you think that could impact the aluminum markets?

William F. Oplinger: I don't think it impacts overall supply and demand. The Russian metal has found places to go around the world. Just really high-level numbers, before the war, Russia was making about 4 million metric tons. We believe Russia is still making about 4 million metric tons. Approximately 2 million of it is going into China, 1 million is still going into Europe, one way or another, and 1 million is being consumed in Russia. So, let's say, in a very happy situation, we have Russia and Ukraine war resolved, we see those trade flows probably changing, but the overall supply/demand doesn't change.

So, what does that mean? Underlying LME price probably shouldn't be impacted by it. But we do see that premiums, both value-add premiums and Rotterdam premiums, could go down as some of that metal comes into Europe and doesn't go to China. So, well, that's the view.

Katja Jancic: And then there's a lot of discussion about AI and data centers from a demand perspective, but can you maybe talk about, is Alcoa using AI within your own operations?

William F. Oplinger: We are. We're probably like a lot of your industrial companies. Where we're using AI, first of all, is we've had a rollout of AI with our white-collar workforce. Anyone who wants to have access to Microsoft Copilot can have access to Microsoft Copilot. Secondly, we're rolling out agents within Microsoft Copilot. Anyone who wants to develop an agent can develop agents. That agentic work is continuing to go at the headquarters level and at the sites. And then at the plants, we're boiling up use cases. We have around 80 use cases around the world, where we're prioritizing those use cases to see where we can get the best bang for the buck.

Some of this, very exciting opportunities that we have are around maintenance planning and actual maintenance work, an exciting opportunity around anticipating anode effects. If you can anticipate an anode effect by a minute, you can stop that anode effect from happening in places like Norway. If you can do that, it actually has both a greenhouse gas benefit, but a financial benefit, because you're not emitting as much greenhouse gases. So, we are not spending a huge amount of money. We're being very selective, but yeah, we're using it.

Katja Jancic: So, it's going to be an eventful year, a good year. Is there any last thing you would want to say to investors?

William F. Oplinger: I think it's an exciting time to be an aluminum company. I've said that for 26 years now. So, take that for what it's worth. Supply/demand is in good shape on metal. I think alumina, some changes will happen in the market. We have a much better balance sheet than we've ever had. That gives us tremendous flexibility, whether that's for growth or returns to shareholders. So, we're excited about what 2025 was and going into 2026.

Katja Jancic: Perfect.

William F. Oplinger: Thanks.

Katja Jancic: Bill, thank you so much for being with us.

William F. Oplinger: Thank you.