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CORPORATE PARTICIPANTS

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

OTHER PARTICIPANTS

Timna Tanners – *Analyst, Wells Fargo Securities LLC*

Timna Tanners: Thanks for joining. I'm joined by Molly Beerman, the CFO of Alcoa. Today, we're being webcast, so game face on. Anyway, I'm Timna Tanners, metals and mining analyst and building materials analyst here at Wells Fargo. We are delighted to include Alcoa in our industrials and materials conference this year and I'm going to kick off with a question about the quarter.

So, of course, we're entering into Alcoa's another quiet period and we're finalizing the second quarter. So any updates on what you're seeing at this point would be great. Thank you.

Molly Beerman: Thanks, Timna, and thanks, everyone, for joining us. So Alcoa is having a strong second quarter, really focused on operating safely and stability so that we can deliver the metal tons and realize the high prices that we're seeing. Obviously, the Middle East conflict is top of mind. You see those supply constraints showing up in the high LME, high premiums and the competition that's going on in the regional premiums as they're competing for those scarce tons.

We do have a couple items to update on our second quarter performance, specifically. I'd like to call out that in the Alumina segment, we are now expecting additional fuel costs of \$15 million at our São Luís refinery related to higher pricing caused by the conflict. Higher production costs of \$30 million at our Pinjarra refinery as production instability was further complicated by LNG supply disruption from Cyclone Narelle. We estimate that Pinjarra's third-party shipments will be reduced by about 120,000 metric tons in the second quarter versus the first. Alumina costs in the aluminum segment are now expected to be favorable by \$10 million.

Additionally, in the presentation posted to our website this morning, we have updated business considerations covering the items just mentioned and we've added a bullet and a footnote to our sensitivity slide related to the impacts of LME-linked power contracts and San Ciprián metal hedge volumes on our LME sensitivities for revenue. Our EBITDA sensitivities already include the impacts of these LME-linked contracts. However, the linkage impacts our revenue recognition as those contracts are hedged against our sales for accounting purposes. So you'll see our annual revenue sensitivity is \$40 million per \$100 change in LME.

Timna Tanners: Okay. So trying to respond to any of that live, I wanted to say if alumina shipments are – are they lost or deferred at Pinjarra on the alumina side?

Molly Beerman: I would say, primarily, we will try to make up the volumes for the rest of the year when we'll have to update that at the end of the second quarter.

Timna Tanners: In light of the not ideal alumina prices, the impact of those tons is probably more limited than people might fear, I think.

Molly Beerman: It is limited now...

Timna Tanners: Okay.

- Molly Beerman:** ...but I wanted to give the guidance for revenue purposes.
- Timna Tanners:** I completely appreciate that. I'm just trying to think about if that were aluminum, I would be a little more worried...
- Molly Beerman:** Yes, yes.
- Timna Tanners:** ...but alumina is not doing that great here. So are you overall profitable in alumina? I mean, is that still going to be a hit, but a small one, or how do you think about that?
- Molly Beerman:** Our Alumina segment is very pressured right now. So the Alumar refinery is still profitable. It's running extremely well, hitting record production, great cost absorption, cost control there. That refinery also has the benefit of the Atlantic premium, which is about \$30 per metric ton. However, our refineries in Western Australia are really challenged. Remember, they're running the poor bauxite quality there, so under significant cost pressure at this low API. So the segment, as a whole, will be underwater.
- Timna Tanners:** Okay. So less production at losses, I guess, is something to factor in.
- Molly Beerman:** Yes.
- Timna Tanners:** Okay. Just wanted to call that out. All right. But then some of the other items are some cost pressures. The tariff costs, we kind of already baked in, I think. So that's not necessarily incremental. And then some – so net-net, unfavorable total versus prior guidance.
- Molly Beerman:** It's about \$45 million down.
- Timna Tanners:** \$45 million? Okay. Perfect. Thank you.
- Molly Beerman:** So think of that really as the \$15 million at the fuel oil at São Luís and then the \$30 million at Pinjarra.
- Timna Tanners:** Got you. Okay. These are really helpful updates. I think we were expecting some cost pressure because costs have been on the rise. It seems kind of strange to start out talking about high costs when the much bigger picture is the very high prices of aluminum.
- So just maybe taking a step back to put that in context. But part of the reason for the higher price in aluminum and the higher cost is all related to the Strait of Hormuz. So maybe for people that are less familiar with the aluminum story and for the Alcoa, there is what? 9% of supply, of course, comes from the Middle East and about 7% is vulnerable and maybe more than half of that is actually disrupted and – feel free to correct me at all in any of that.

Molly Beerman: Well, officially announced about 2.5 million metric tons, but we do believe it's probably higher than that. We serve customers in the region. We ship about 4 million metric tons of alumina into the region. We are assisting our customers now with redirecting some of those tons outside of the Middle East, primarily into China. All of those contracts are on API. So there's really no impact to us.

But our customers in the region, they have long-term supply agreements with us. They're interested in retaining those contracts, so they're continuing to accept the vessels. We obviously want to have a very strong relationship continuing with them, so we're helping them to adjust schedules, size of the vessels, destinations. But the alumina is still flowing, from our perspective, even though it's not going into the Middle East right now.

Timna Tanners: Okay. So Alcoa is an aluminum producer but is net long alumina and, even longer, bauxite. And so we're going to start bad news, good news maybe. But going to the alumina side, we've expressed concern and talked to you about this on the side that the alumina to the Middle East, which is – remind us how much that of your alumina sales?

Molly Beerman: So 4 million of our 12 million metric tons...

Timna Tanners: That's right. Yeah.

Molly Beerman: ...shipments is going into the Middle East.

Timna Tanners: Well, we've been kind of surprised to see that that price of alumina has been fairly resilient, and it's been somewhat on the customers to figure out what to do with those shipments. Is that fair?

Molly Beerman: Yeah, that's fair. And what you're seeing now is the alumina – well, I should say the smelters in the Middle East are being creative about how to get alumina in. So they're bringing – some of them are bringing it in through the port in Oman. They're having it bagged and then on truck or rail up to the smelters. We understand that Ma'aden is providing some supply, so they are getting alumina. We think that is supporting the price not to go below the \$300 per ton, but that seems to be the situation that we're in now.

As we look at alumina, obviously, the market is oversupplied. We have not seen that much capacity come offline recently, maybe about 4 million metric tons, primarily in China. At this level of API, we expect that 45% to 50% of the global refiners outside of China are underwater.

Timna Tanners: I think that that's been the case now for a while. If I remember your charts on your slides, like half the alumina supply has been underwater, but the

cost of production of alumina has gone up. So even though the price is up, there's still the same amount underwater. I think you've been clear that Alcoa doesn't intend to shut any of its alumina capacity, but are there other suppliers that you would expect that are higher cost that may need to shut?

Molly Beerman: Yeah. I don't necessarily want to speak for the others. As we look at ours, as I mentioned, Alumar is still profitable. Pinjarra and Wagerup, our Western Australia, they had traditionally been first quartile assets. We are not looking at curtailing them now during this short term. You don't want to give up your staffing, you don't want to give up your routines. Obviously, if the market changes dramatically, we could revisit that. But we fully expect those refineries are going to return to first quartile when they get the mine approvals and we're returning to the high bauxite quality. So we're not going to plan to curtail at this point.

Timna Tanners: And then in Spain, you can't, but you could exit Spain hypothetically at the end of 2027. Is that...

Molly Beerman: So in Spain, we're honoring the viability agreement that we have with the workers which required us to restart the smelter. We completed that in April. It's running extremely well. We've got a great team there. They really know how to operate the asset. On the refinery, we don't have the same commitment, but we do need the supply of alumina into the smelter.

So we have to run through 2027. After 2027, we expect to have more options. On both sides of the facility there, we're really working on productivity and cost savings. We have a goal to reach what we call cash neutrality by the end of 2027. That means that any cash generated by the smelter is fully covering the refinery's operating losses as well as the CapEx projects that we have going on there. We do have a residue storage area that needs CapEx, whether we run or close. So that work is underway. But again, beyond 2027, we think we're going to have much more optionality and we will – no decisions are made at this point, but we'll be working on the costs until then.

Timna Tanners: These aluminum prices probably make the combined Spain package look a bit more attractive, I would imagine as well.

Molly Beerman: Yeah. I mean, the smelter is really doing well. And if you look at – so in 2026, the production that we're recording now will also get a CO2 compensation payment at the end of 2027 for that and that looks to be about \$75 million. So the smelter is going to generate some cash. But again, the refinery is really incurring significant losses.

Timna Tanners: So finishing up on the alumina discussion. Recently, Guinea has been kind of taking a different stance toward its bauxite reserves and trying to

constrain them, I think, to the benefit of bauxite producers and potentially driving up the alumina price for those who don't have bauxite could maybe push them over the edge, I suppose. How do you see that dynamic or how could it impact Alcoa?

Molly Beerman: Yeah. So the Guinea Minister of Mines has communicated that he would like to have export restrictions. What this actually means that they have formally introduced the mechanics to monitor that, but it's really reminding producers to operate within your approved quota. So we do – if you look at the data, it appears that at least two of the miners there have exceeded their quotas, probably about – by about 20 million to 30 million metric tons a year.

Now, we participate in Guinea through our joint venture, CBG. We are operating at quota. So we don't believe this will impact us. But clearly, the government wants to control the exports and try to keep the bauxite price at a healthy level.

Timna Tanners: Okay. I think we've talked about some of the challenges enough and I want to talk about the aluminum price because this is a very unique situation. And we heard from Century yesterday in a very confident manner about tariffs. So we'd love to get your perspective. Last week in Chicago, Harbor Aluminum told us it's going to 4,500. I want to put you on the spot with a forecast, of course. But maybe how do you see the stickiness of some of these factors, like the perfect storm of the Iran – not to celebrate the Iran war, of course, but the constrained supply and the higher costs of production and what – you're well aware of in the market now.

Molly Beerman: Well, I won't make any predictions on the price. As you look at when we came into 2026, the aluminum market was already tight. I mean, we saw that we operate primarily in North America and Europe and both of those deficit markets. We had a very strong order book for the year already. But then when the conflict struck and we saw that over 2.5 millions metric tons of capacity come offline. You see the response in the LME, you see the regional premiums, not only the Midwest, but you see now the competition for tons and all of the regional premiums are up, reflecting that scarcity.

Inventories at record low levels globally, even though there seems to be some supply in China, that's not making its way out because of that export tariffs and taxes there that are disincenting that. So yeah, we are in a tight market as we're talking to our customers in North America. They're really trying to secure supply for the rest of the year and some of them even talking into 2027 because they're worried about the Middle East supply coming back on line.

In Europe, the order book is also strong, although the European customers, they contract every quarter. So they don't have quite the same level of urgency, but strong, strong books. And for us, we've been able to convert more of our sales from P1020 commodity grade where you're not getting the product premium into value-add product, and so we're seeing an uplift there that gives us an extra premium helping earnings.

Timna Tanners: In my 15 years of covering you, I've never seen anything like this. I don't know if your history in aluminum gives us any context of what happens in a market where you have this level of shortage or how do you think about how this plays out?

Molly Beerman: I wish I had a crystal ball to see. Again, I still believe in the long-term dynamics of aluminum, and I think we're going to have strong markets into the future. I do hope that Middle East gets resolved, the conflict gets resolved for the sake of everyone there. But I don't think that really impacts the long-term view of aluminum. I think we're going to continue the stronger for longer and the tightness.

You just don't see the smelting capacity coming online with any kind of mass. It's very controlled. And what we see coming online in Indonesia isn't going to be enough to fulfill the demand. So we're going to be probably in a deficit for a while.

Timna Tanners: Yeah, might be interesting to get your explanation of why aluminum smelters don't restart quickly. I don't know about how to think about the missile hit but even before that when – was it Qatalum was going to be down just because of the LNG supply when we talked last? It was helpful to get some context of why aluminum smelters don't restart with the switch. Maybe you can explain that a bit.

Molly Beerman: So if you are curtailed in what we call an uncontrolled fashion, like you lost your power, the potline was struck, you didn't have a chance then to drain the pot. So to take all the molten metal out, remove your anodes, really prepare the pot for an efficient restart.

So EGA's EMAL smelter went down. We don't know the exact circumstances of the hit there, but it was an uncontrolled. That's 1.6 million metric tons. That will take them at least a year to restart. So all of those pots have to be dug out. They have to be relined. It's a really expensive and time-consuming process.

Now, Qatalum and Alba, they curtailed in a controlled way, which mean they had the opportunity to slow production, drain the pots, remove the anodes. That will still take them three to six months. It's not a flip the switch. You've got to turn the pots on slowly. You can only add so many per day, per week until you get your full potline running and stable. So that's why it

takes so much longer and very expensive to restart a smelter, unlike a refinery, which is, I don't want to minimize the effort there, but it is more like flip a switch than what you're going to get on a smelter.

Timna Tanners: Got it. And then I've heard also that the Iranian smelters, we don't have a lot of information on those, could be offline, who knows controlled or uncontrolled, to your point, and that there may not be enough workers in the region that have the expertise to do some of this work. So I've heard actually some – at least 12 months on some of those projects. So if we think about the new capacity and you pointed to Indonesia, I think Svalco might restart now. That's 175,000 tons. I've heard Mag 7, maybe we'll see hundred-something thousand tons. But it's kind of small number.

So I think we could be in a shortage situation now for a bit of time. We haven't heard that much substitution. We heard a bit in the initial phases. But it does seem like Ford is sticking with aluminum. It seems like the switching is a little more modest. I don't know if you have any updates there.

Molly Beerman: No, we really don't. I mean, the story previously was that copper to aluminum and we think all that easy stuff has been done. There's probably not too much, maybe another 800,000 tons of substitution there. But when you look at aluminum now relative to steel, we saw a little bit of substitution, again in the parts that weren't highly engineered and those that weren't part of the five- to seven-year auto design, but not too much.

Timna Tanners: Okay. So any other areas where you could see volume come back or anything to kind of address this market tightness for the next 12 months that we might be missing? Is China able to do more volume? I've heard not that much but certainly appreciate your thoughts.

Molly Beerman: So, our view is that the Chinese smelters are running at full capacity now, and they may even be overproducing. They're staying under their license in terms of they're not adding new capacity, but we can run over our nameplate capacity if we're pushing amperage. So we do think that they're running at full tilt there. But again, there's difficulty in getting the prime metal out of China with the export. You saw a little bit more come out, I should say, in April, but not huge volumes.

On – maybe one insight on Indonesia. We have a team in Indonesia about two weeks ago visiting all of the smelters and refineries and what they're seeing there is constrains. So certainly, the builds are happening and most of the projects have what they call the phase 1 and the phase 2. So they're working through phase 1. But what they're finding is the builds in Indonesia are more difficult. Even though they're using the Chinese technology, they don't have the same power access, they don't have the same infrastructure. Even the rules of development in country are changing.

So I think there's more skepticism about phase 2 or beyond happening. But certainly, the phase 1, modest maybe and it deliveries 700,000 metric tons

of capacity this year. But we think those will happen, but it'll be slower probably than maybe we had been projecting.

Timna Tanners: Okay. Helpful. And then to take it down to an Alcoa level, you had talked on the last earnings call about ability to produce a bit more across your footprint. Can you remind us of those values and any upside there?

Molly Beerman: Yeah. So if you look at the second quarter, we finished the restart in San Ciprián. Alumina in Brazil is actually running better now. We've added some additional pots there. We had small restarts at Lista in Norway as well as our Portland smelter in Australia. All of those combined is adding about 20,000 metric tons to the second quarter. Yeah. So that's all baked into our annual guidance that we've given you. We had planned to do those, but I just wanted to call that out. It's important progress and the fact that we got all of that capacity restarted now when we have the higher metal prices bringing in additional earnings and cash.

Timna Tanners: So that gets Alcoa effectively to full capacity at the lines that you're running or is there a bit more to do? I know Warrick isn't – that fourth potline we always talk about isn't running. But at where you are running, you're effectively full out?

Molly Beerman: Except at Portland. We had a little bit more there. We could look at restarting couple other hurdles, but there'll be a little bit left at Portland that'll still be curtailed.

Timna Tanners: Okay.

Molly Beerman: And then the 50,000 tons at Warrick.

Timna Tanners: All right. Let's talk about those. It seems like – I think Bill had said 100 million tons over two years. Why? I know that's been cannibalized. I know that it's not that easy, but that seems like a lot of it. If you could rebuild a missile hit smelter in a year, why is it take two years at Warrick?

Molly Beerman: So when you look at Warrick, we have already guided to be \$100 million for that restart. It would take us about two years. There are long lead items that as we look at placing those orders now, I wouldn't even have them for a full year. And then you start the restart, which could take another nine months-ish. So that's why we're saying two years.

If you look at Warrick and you just run the numbers in a spreadsheet, you'd say, absolutely, yes, go do it. However, Warrick is a site, it's old technology, not much automation. We have problems staffing three lines. Think about it, Warrick in the summer, it's 100 degrees. You're standing over and not automated pot, that's 1,700 degrees. It is difficult to maintain full staffing. We're really conscious of safety there. So we're considering that. If we believe that Warrick – if we wanted to make that investment, we'd also want to look to invest in Warrick for the long term. That would be additional

investment, additional technology needs. We need much more improvement to the cast lines there.

And then lastly, we run a coal-fired power plant there for the smelter. If we were running all four lines, the power plant would be running at full tilt. So any time the power plant needs maintenance, then you've got to make sure you can get power access from the grid or attached to the grid because we sell excess power into it. But needing to get power to cover and it can't be interrupted power for us. So there's a lot of complexities to Warrick that make it not just a spreadsheet exercise so.

Timna Tanners: That is really helpful context because we all sit there behind our screens and do the math and think this makes perfect sense. So, that's helpful. But I guess, it does beg the question of so how do you make these capital allocation decisions? Do you plug in like \$3,500 aluminum or \$4,500, if you will, and just say like you should just upgrade and renovate, I don't know if the right word, but retool all your smelters in the US to produce more at lower costs at that level. I mean, it just seems like a challenging exercise. I'm curious about how the thought process is on those decisions.

Molly Beerman: It is both a science and an art. If you look at Massena, we were just able to – so Massena is in Upstate New York. We were just able to extend our power agreement there. Great economical price. We got a 10-year extension plus two 5-year renewals. So we're making investments there. We're upgrading certain of the equipment. We're looking at other projects not yet announced, but we think Massena, it has long-term power.

So for us in the US, it's really about power, Timna, where can we get power at rates and to be economical through all cycles for us that's like \$35 per megawatt hour. We're competing with data centers that are paying over \$100 per megawatt hour. So that's the decision process on from a US smelting investment.

Timna Tanners: Century says that it's worthwhile to build a \$6 billion smelter in Oklahoma. So – and I can imagine it's challenging and they have a different set of assumptions and risk tolerance perhaps. But no, I do wonder. It's kind of refreshing to hear Alcoa talking about growth over the years. It's been shrinking to grow we would say. So maybe that's a great pivot to capital allocation because although we talked about a lot of challenges, every \$100 move in LME is \$200 million. And so these recent prices, even with a little pullback, are enormous in terms of contribution. So high-quality problem for you. I'd love to hear about how you're thinking about the options and the, again, risk tolerance you have.

Molly Beerman: So at current pricing, we absolutely will be generating lots of cash for the rest of the year, both in the second quarter as well as through the end of the year. As we are looking at capital allocation, we're looking at growth projects. I'll give you one example. We recently announced just a \$65

million investment, but it is one example, in our Mosjøen smelter and casthouse. We're adding some foundry recycled content. That is in direct response to our auto customers in Europe. They have targets for higher recycled content in the autos by 2030, so we're helping them meet that need. For us, it's the sweet spot of increasing our capabilities to meet a customer need and also get a great return for shareholders.

So, we have other projects like that we're looking at in growth. There's M&A opportunities that we would look at. I will tell you that we're going to stay in aluminum. We're not looking to get into copper or lithium or anything else. We're going to stay in the aluminum value chain, so bauxite through alumina and aluminum.

We also recognize that we're going to focus where we have the expertise, and we're looking for assets where we can deliver synergies that the shareholders can't get on their own. So we're being very disciplined about this. We were actually asked to look at two other transactions that just happened. And we said, no, those don't meet our criteria. The returns aren't high enough. And so we walked away. We're being disciplined about the growth opportunities.

We're also looking at options for shareholder returns. So we've got a \$500 million authorization on our share buyback program. Today, we have a very modest quarterly dividend that we believe is payable across all market cycles. We can look at that. And then we also have options for special dividends.

I will add that when we think about share buybacks, we do not target a share price. We simply look at the excess cash on our balance sheet and return it to shareholders when we don't have a way to deploy it at a higher value.

Timna Tanners:

Okay. That's helpful. It'd be refreshing. I think people are eager to see some of those returns. Definitely been a while coming. I guess, before we delve into that a little bit more, I wanted to back up and talk about Canada because I'd be remiss to ignore you have a really strong Canadian presence. Senator Manchin yesterday said that the Canadians, of course, were offered to be the 51st state and did not like that. So it doesn't seem like these tariffs are coming off anytime soon, I don't know if you disagree. But the Canadian assets are still very attractive for you. Just curious about any insights you've heard on any progress, if I'm missing something.

Molly Beerman:

Yeah. On the US and Canadian administration, last fall when we were – thought we were close to a deal, we were very engaged in those conversations. We are providing information and data to both sides as they were negotiating. That all fell through. They couldn't reach a good agreement. But this next time around, we're really not as engaged in the middle of it, so I don't have that many insights to offer.

We are glad that they're speaking. They did have a US trade sponsored meeting of aluminum companies in Mexico City maybe two weeks ago. We participated in that but more general discussions about how to protect the industry, how to facilitate trade within North America, not specific to tariff rates or lowering tariffs or any kinds of quotas. So, that was not a part of the discussion.

Timna Tanners: And it's not a given that you're going to ship Canadian tons to the US. You follow the most attractive price, reflected by whatever the regional premiums are?

Molly Beerman: Yeah. So we run the netback calculations even now. Generally, that is favoring shipping from our Canadian smelters into the US. However, you've seen the increase in the Rotterdam premium, so our northernmost smelter, Baie-Comeau, does have good vessel transport over to Europe. So, some tons could go there on occasion. But for the most part, they're coming into the US.

Timna Tanners: Okay. Helpful. That makes sense. All right. So wanted to just circle back on the capital allocation side, because I think I just want to clarify, I think Bill's been really clear. He's not a fan of the downstream side, would probably stay more upstream. In the past, you talked about a variety of technological innovations that I think we're on the back burner. But having this additional cash, does that make those more attractive or is it more a question of the technologies themselves? If could you address that?

Molly Beerman: So we continue to be involved in our breakthrough technologies, particularly Elysis. Elysis at the end of last year had a great achievement. The first commercial scale cell was started and run at Rio's Alma smelter. That was a successful test of the first commercial. We're also supporting a demonstration plant. So this is happening at Rio's Arvida site and that's going to be multiple 100 kA cells. So Rio is primarily the sponsor there. They've just recently gotten Canadian government's support. Alcoa is producing the electrodes for both of the facilities, though, and we're participating in all of the technical knowledge and know how.

So for us, we have a pragmatic investment into the Elysis partnership. It's about \$50 million to \$60 million a year. That is giving us access to all of the technology and the IP related to it, but we're not fitting the big bill for that. We will not do any Elysis deployments this decade. We'll look at that into next. But for right now, the technology is working, but it's not yet economical. So there's still some work to do on getting the economics there to support it. But we're pleased with how Elysis is going. We're pleased with the partnership. It's working well, and we'll continue to fund into the partnership for now.

- Timna Tanners:** Okay. Great. Maybe I should check and make sure that we don't have any questions from the audience. We've got a few more minutes. Yeah, go ahead.
- Audience Member:** I didn't understand why you're no longer involved in those discussions, just because it's not as sensitive because aluminum prices have risen and your profitability is strong so you're staying out of it or is there some other reason?
- Molly Beerman:** So the question is for the webcast. The question is why aren't we involved in the US and Canada administration's negotiations now. Honestly, I don't think it has anything to do with us per se. We were asked to participate last fall. I don't know now if they've already set on aluminum. Maybe they're working on dairy and lumber and other topics. We honestly don't know. We're just know we're not getting the same pull that we got last fall.
- Timna Tanners:** Question in the back.
- Audience Member:** [indiscernible]
- Molly Beerman:** So the question is on our outlook for Pinjarra going into next quarter. Thank you for asking this because I should have said this. So Pinjarra is already running better today. We had the instability. It is impacting the second quarter, but as of currently they're back on track and we would expect them to perform well during the third quarter.
- Timna Tanners:** So did the Pinjarra refinery issue result in fewer tons but also higher costs as a combination then and so reversing that would be more tons but lower costs?
- Molly Beerman:** Yes. Definitely, you can look at it that way. Yes, we absolutely had cost impact this quarter because of the low production, so very poor cost absorption.
- Timna Tanners:** Got it. I'll ask another one on scrap. I'm fascinated about the secondary market opportunity. I feel like if we really wanted to address national security of aluminum, we could recycle more and might pitch for cans next year when we have this conference.
- Molly Beerman:** You notice I'm not drinking [referring to plastic water bottle on stage].
- Timna Tanners:** Oh, yeah. You're just boycotting it altogether. I've been to your headquarters. I know. But anyway, no, just curious if secondary is something that you could look at as a growth opportunity.
- Molly Beerman:** As we think about secondary, I'm going to go back to that Mosjøen example. We had an opportunity to deliver recycled content specific to a customer need with good returns. I do not see us announcing any big shift into recycling. I think we recognize recycling is a completely different business. You need volume and mass. We're not collectors. We're not sorters. We remelt. So for us to go into recycling in a big way would be

outside of our knowledge zone. Now, we'll continue to look at opportunities like Mosjøen where we can add recycled content. But I don't see us moving into recycling in a big way. And we don't honestly fear recycling either because when you recycle, you still need the prime content to get to the right quality levels. So we think a growth in recycling is still positive for primary aluminum.

Timna Tanners: You have a lot of applications can use recycled materials.

Molly Beerman: Yes.

Timna Tanners: Okay. I think that wraps it up. Thanks, everyone, for joining and thanks so much to Alcoa for participating today. Appreciate it.

Molly Beerman: Thank you.