

Alcoa Corporation

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**Bill Peterson** – *Analyst, J.P. Morgan*

**Bill Peterson:** Good morning, and welcome to JPMorgan's Industrial Conference. Really pleased to have the team from Alcoa here and Molly Beerman's here for the fireside chat. Maybe starting off for those less familiar, can you provide a brief overview of the company's business, including the company's global footprint and vertical integration? And then there's a couple of things going on in the world that we might get to after that.

**Molly Beerman:** So, thanks, Bill. Good morning and welcome, everyone. So, Alcoa is an integrated aluminum company. In 2025, we recorded just under \$13 billion in revenue. We are organized in two business segments, Alumina and Aluminum. Within Alumina, we have five bauxite mines, five alumina refineries. We mine about 40 million metric tons of bauxite in a year and about 10 million metric tons of alumina.

In our Aluminum business, we consume about 40% of the alumina that we produce. We have 11 smelters. They are primarily located in markets that are close to our customer end markets. We run on 86% renewable energy. We have very little exposure to energy. We're on long-term contracts for the most part.

We have a strong start to 2026. We're operating stably. We're progressing our strategic initiatives, and we are really looking to capitalize on the high metal prices and dropping that profitability to the bottom line. Within Alumina, we're focused on cost. We are in the first quartile for cost curve based on CRU. We believe we're well-positioned to navigate some of the uncertainty going on now in the Middle East.

**Bill Peterson:** Okay. Maybe let's just go right there. So – no, go ahead.

**Molly Beerman:** Sorry. I'm going to make a couple of comments on our outlook update for the first quarter. So far in the quarter, our operations are really performing well and maintaining stability. Couple of updates though. In Alumina, our recently announced agreements to modernize the mining approvals framework in Australia included a post-earnings adjustment charge of \$19 million in the fourth quarter of 2025. The benefit of that is non-recurrence in the first quarter of 2026 and that reduces our outlook of \$30 million unfavorable to \$11 million unfavorable.

We have two items to share on revenue. First, aluminum shipments for the quarter are expected to be approximately 30,000 metric tons lower than anticipated as we are proactively repositioning inventory into the U.S. to optimize margins and minimize tariffs. This is a timing difference and will reduce revenue in the first quarter by approximately \$150 million and delay EBITDA recognition by about \$30 million until sold to end customers. This is not a sign of low demand. In fact, we are getting more inquiries from customers for the second quarter as well as for the second half of 2026 related to Middle East supply uncertainty. This is the most economical way for us to reposition metal to meet this demand, and it is by vessel that takes

longer than by rail. So, we will have this delay in recognition in the first quarter.

Additionally, aluminum revenue will be lower by approximately \$60 million due to the impact of increases in LME and Midwest premium on our metal-linked energy contracts. Those are accounted against revenue. Typically, any unfavorable impacts from those contracts is offset by other revenue such as our energy sales, but it is not this quarter due to the elevated metal price. The impact on EBITDA is already incorporated in our sensitivities, so no adjustment is needed for EBITDA. So, revenue will be overall higher with the LME, but we do give a portion of it back linked to our energy contracts.

Below EBITDA, currency gains and other income are \$50 million through the end of February. At current prices, we expect the first quarter operational tax expense to approximate \$45 million to \$55 million. That's lower than our previous outlook as more profits shift out of our Alumina segment where we have a higher tax rate in Australia and Brazil and into aluminum, where we have lower tax rates in North America and Europe.

So, thanks for that. Off to a strong start in 2026. Solid operations and good ability to drop high prices to the bottom line.

**Bill Peterson:**

Yeah. Thanks for all those updates. A lot to digest. And it's kind of alluded to earlier, there's a lot of things going on in the world. So, with the recent – the Middle East conflict, as well as the reported and noted impacts in the Middle East smelters, you have Qatalum curtailment, you have Alba force majeure. What are the impacts on the aluminum and alumina markets and where do you see the global fundamentals on aluminum and alumina?

**Molly Beerman:**

If you look at the Gulf smelters, they are producing just under 7 million metric tons of aluminum. That's about 9% of the global supply. And if you exclude China, it's over 20% of the global supply. As you mentioned, Alba is curtailing about 40% of their capacity. EGA has not yet made any changes. Sorry, I'm getting them confused. Qatalum curtailed 40%. Alba is declared force majeure on shipments and just yesterday announced 19% curtailment. So, their lines 1, 2 and 3 are coming down in a controlled manner.

So, impact on production, also shipments, the shipments are not getting out. We're seeing an immediate impact on the price, LME high regional premiums higher as well. And then think about raw materials going into the Gulf smelters. So two thirds of those smelters rely on imported alumina that cannot get in. One of the refineries in the region is fully dependent on external bauxite. So, navigating the strait is having an impact there as well. All of this is showing up in heightened LME and regional premiums.

**Bill Peterson:** How should we think about the potential impacts of this conflict for your business, specifically the Alcoa bauxite and alumina business?

**Molly Beerman:** So, we've announced we have long-term alumina supply contracts to both EGA and Alba. If you look at our total commitment of alumina into on long-term contracts into the Gulf, about 4 million metric tons annually, that's about a third of our all of our alumina shipments moving into the Gulf. So lots of impacts there on the supply of alumina, that is clearly impacting the price of alumina. We're already in an oversupply situation and you see the price pressure on API now. All of that supply that would have normally moved into the Middle East is now finding a home elsewhere will be and most of that probably will move into China, putting more cost pressure on the Chinese refineries.

**Bill Peterson:** Yeah. So, how should we think about your order book, especially considering the recent conflict and all these events coupled with high LME and regional premiums?

**Molly Beerman:** If you look at our aluminum order book, before the conflict, we were characterizing the demand is very stable with the markets that were strong in 2025 continuing into 2026. So, primarily packaging, electrical, construction, non-residential also strong. When you look at the build-out for data centers as well as renewable energy infrastructure, all of that has continued. We're actually seeing an uptick in orders from customers and inquiries related to the second quarter and the second half of the year, because these were customers that are taking a portion or a majority of supply from Middle East smelters, and they're now worried about getting supply for the second half. So, we do have additional spot orders coming in and that should help us in the later in the year.

**Bill Peterson:** I want to pivot here soon, but I want to see if anyone has any questions, I guess as it relates especially to the Middle East conflict before moving on. Okay.

**Molly Beerman:** Hey. I guess I could mention also just on the raw materials side. So far, we're not seeing impact, but we are expecting some price pressure there on raw materials. If you think about what freight costs are doing now with the heightened fuel costs, we will see impacts there if the war is prolonged.

**Bill Peterson:** Yeah. And I guess some other people have had questions on, for example, obviously smelting, these are pretty intensive, power-intensive businesses. But I believe you're primarily hedged or linked to LME. Is there any concerns on higher prices in terms of power?

**Molly Beerman:** On natural gas, we have long-term contracts in Western Australia, so we're secure there. For our Spanish refinery, we have hedged up through 2027,

so no exposure there. On energy, on electricity, we do have long-term contracts, very little exposure. Spain was exposed, but we did the hedge last year. There we have protection through 2027 as well.

**Bill Peterson:** Yeah.

**Molly Beerman:** So, very little exposure in our operations.

**Bill Peterson:** Okay. So, what are the concerns that the industry had, call it two, three years back, was whether or not China would adhere to its 45 million ton per annum production cap, and especially in light of maybe the whole globe losing some supply. What are the risks that they may supersede that or maybe move to even build faster outside of China, for example, in Indonesia or other places?

**Molly Beerman:** So far, we see China complying with the 45 million metric ton cap. We have seen reports of some of the smelters there producing above capacity, but they're not adding additional nameplate, they're simply running strong and producing at above capacity. We believe China will continue to build outside, outside the country as they are in Indonesia and India. Those projects are progressing. However, the demand for aluminum is so strong that we need that aluminum, the global marketplace does. So, that's not a negative in our view.

**Bill Peterson:** Maybe even if China were to try to exceed it, my understanding is that maybe some of these have been offline. What would it take to even to bring on this type of smelting capacity in terms of time? How long would it even take to even get to the market if people wanted to restart idle supply?

**Molly Beerman:** Well, I'll speak to our smelter in Warrick, Indiana, where we have one line curtailed, about 50,000 metric tons. For us, that would be a really long restart. Some of the equipment we've been idled since 2016. So, we have long lead times on equipment there. We estimate it would be \$100 million to restart that line at Warrick. It's something that we continuously look at, but right now, we have to secure energy for any restarts or build as everyone else does, that's difficult. And then looking at how long the tariff structure will be in place and will you finish it in time then to have your payback, depending on what happens with the tariffs. So, we are hesitant to make decisions just based on a tariff structure in the U.S.

**Bill Peterson:** Yeah. Well, I mean, maybe sticking on this. So, the 50% Section 232 tariffs have been in place since the summer of last year. And I guess it's anyone's guess on how the upcoming USMCA negotiations may impact this. But as of now, can you speak to the impact of tariffs are having on Alcoa's businesses as well as maybe the U.S. market fundamentals broadly?

**Molly Beerman:** So, for Alcoa, the tariffs are not harmful any longer. With the rise in the Midwest premium, they are fully covering the tariff costs on our Canadian tons and we're now seeing a margin even on those tons. So, that part is favorable. And of course, if you look at our U.S. production, that's pure benefit from the high Midwest premium related to the tariff.

So, for us, we've not seen demand destruction in our businesses, in our customers' businesses. So, the tariffs have been favorable to us at this point right now. When you look at the broader market, the market fundamentals for aluminum are really strong. Inventories are at a very low level. So, they're not harming the situation. The metal is needed. The premiums are responding. Market fundamentals are strong in terms of both demand and constrained supply.

**Bill Peterson:** And the expectations around USMCA. What may happen? What you're hoping for?

**Molly Beerman:** I'm not going to take any guesses there. We've been on this roller coaster thinking we're going to have a deal, not have a deal. So who knows?

**Bill Peterson:** Okay. Understood. Maybe shifting gears. So, at the Investor Day from last November, the team discussed plans to monetize \$500 million to \$1 billion of assets this decade. I think in part because there is an insatiable demand for power and infrastructure. But where does this stand today? What sort of arrangements are possible and what have you found to be, I guess, the most attractive components at these sites for any interested parties?

**Molly Beerman:** So, we call these our transformation sites and we have 10 priority sites. These are former operations. So, former smelters and refineries and mine sites that we're now looking to monetize. So, the former smelter sites have very interesting energy infrastructure. So, your data centers, your developers, lots of interest there in those sites. We have a lot of interest, a lot of activity in assessing value. We have one of our efforts is coming to fruition now. I expect we'll be able to announce that one in the next couple of months. We have two more closely following that.

These are interesting constructs though, working with the data center developers. Unlike the previous practice, was to simply sell the land, we now realize we get a lot more value if we work with the developers and now, we're looking at cash upfront, possibly a stream of payments and then even cash on the end of the project because the developers want to turn them over to the hyperscalers. So, very interesting and complicated constructs. But we're continuing to progress these efforts pretty rapidly, noting that how much demand there is now from the data centers for the energy.

**Bill Peterson:** Yeah.

**Molly Beerman:** I want to make one note on our goal that we set the \$500 million to \$1 billion as our target by 2030. That does not include our Kwinana property. So last year, we closed the Kwinana refinery. That's a site that we're really going to focus on the next five years and remediating that site as a really attractive piece of land. It's near Perth, it's right on the shore, it has a port, it has railway as part of a much broader industrial complex. We believe that will be a tremendous value on top of the \$0.5 billion to a \$1 billion that we're guiding to. But that one will come in the early 2030. So outside the range for our initial target.

**Bill Peterson:** Great. Thanks for that. So, looking at the – coming to your operations, so looking at the operating footprint today, where do you see the biggest opportunities for improvement? And mind you, there's been a lot of improvements that have been occurring over the past several years.

**Molly Beerman:** When we look at our business valuation, we recognize that the stability and continuous improvement in our operations is the biggest value driver we have within our control. So, we do focus on that. Last year, we had record production at five of our smelters in one of our refineries. As we look at the smelting portfolio, we're giving a lot of attention to our Alumar smelter. We are running profitably there. We have been on that restart path for a while. We have been running profitably there in the second half of 2025.

But in December, we did have some instability. And then on top of that, we were hit with two power outages back to back. And so, we did lose control. We're now down to about 80% of production where we had been and about the mid-90% prior to that time. So ready to declare victory on the restart when we had a stumble. We will continue to focus on Alumar this year. It has already been restabilized and now, we're working on adding the pots back and maintaining that stability. And 2026 was to be the year that Alumar focused on getting cost out and we will continue those efforts.

In Alumina, if you look at the refineries with the low API, we really are focused on cost there. Couple, we always have this continuous improvement culture. We have our Alcoa Business System. If you look inside the WA mines, we're focused on our haul operations, looking at activities that will improve the fleet productivity. How do we schedule? How do we minimize idle time? So, those efforts are underway. In refining, really focused on product recovery, optimization of contractors as well as spend controls there. So, those are some of the efforts that we have underway. We also in the refineries, Alumar, really solid production at the end of 2025 and just focused on continuing that progress at Alumar to get unit costs down there and production up.

**Bill Peterson:** Maybe on Alumar just to, I guess, on the smelter, how should we think about the ramp for the balance of the year coming off these outages?

**Molly Beerman:** Yeah. So, when we went down late in December, if you look at it sequentially, so between the fourth quarter of 2025 and the first quarter of 2026, not too much difference. But we will continue throughout 2026 to add some tons back. And I think we'll see improvement there through each forecast and we'll continue to give you some guidance on that as we move forward.

**Bill Peterson:** Great. So it's been a focus for some time now, but how's the ramp progressing at San Ciprián? And can you remind us of what cash burn looks like today and when or how you expect to achieve the cash neutrality?

**Molly Beerman:** So, the ramp up of the San Ciprián smelter is going extremely well. We're already over 90% and we had said that we would be at full capacity by the middle of 2026. So absolutely on schedule there. We've got a great workforce, a really knowledgeable team there. The assets have been well-maintained during their curtailment. So, that is progressing very well. All we need now for San Ciprián is a long-term power contract. So, we're hedged through 2027, but we'll be looking at power options for that facility for the longer-term.

**Bill Peterson:** So, that you just kind of spoke to it, but anything else that's necessary for long-term viability of the complex? And I guess what's the soonest if things push comes to shove, what's as soon as Alcoa could look to exit the business if it really did come down to that?

**Molly Beerman:** So, under the viability agreement that we signed several years ago with the workers, we have to run the smelter through 2027. And that's why we've hedged the smelter and the power contract there. We would hope that by 2027, the smelter is operating profitably, so much so that it's generating sufficient cash to cover the losses from the refinery.

The refinery is very challenged. It's only running at half capacity now. It is supplying alumina to the smelter. We need that. We need that supply to run the smelter under the viability agreement. But the refinery's life is limited. We have a residue storage area there that we are, we're doing CapEx work. That CapEx work will either prepare it to continue to run or to close. But we do expect that we'll hit capacity at the residue storage area by the early 2030s. So we're looking at options for the refinery because the life is limited there.

We have a goal in the near-term for cash neutrality. We really want the San Ciprián operations to not be consuming cash that we want to put into our

other capital allocation priorities. So, that's our initial focus. Getting the smelters cash generation to cover the refinery's cash losses.

**Bill Peterson:** Yeah. So pros and cons, the higher aluminum price is helping, but maybe challenge is more on the refining side for alumina?

**Molly Beerman:** Yeah.

**Bill Peterson:** Okay. Maybe turning to Western Australia, you've recently agreed upon a framework for modernizing the federal permitting process. Can you unpack this for us and how this differs from the ongoing efforts around state permitting?

**Molly Beerman:** Yeah. We talked most about our state permits. So, those are the permits that we're getting for Myara North and Holyoake, and that'll be our next major mine move into those regions. So, from a state perspective, we're continuing to progress our approvals and we do expect to have ministerial approvals by the end of 2026.

On the federal basis, what we announced recently was an agreement with the federal government under the Environment Protection and Conservation Act. I feel like I'm forgetting one of the acronym pieces, but the EPBC is what we call it. That framework really allows us to focus on how we will mine between now and 2045. So, gaining great visibility to our long-term mining approvals and construct. There are three pieces to that agreement. With the government, we are going to do a strategic assessment. That is where we review the mine plan with them through 2045 and we find out any constraints or limitations, that gives us a lot more certainty than of how we move through the mine. We also received a national interest exemption that allows us the certainty of continuity of operations during the strategic assessment.

And then last, we agreed to enforceable undertakings. This is basically a \$36 million payment that recognizes our past mining and clearing practices. We had a view that we were, our operations were in place well before the EPBC Act was enabled and we were applying those previous provisions to our mining practices. The federal government did not agree with us. So we agreed on the enforceable undertakings that cleans up the seven years of past mining and allows us really to move forward and pursue the strategic assessment.

So, for us, that was a good – it was a good outcome. And if you think about the \$36 million that applied over seven-year period, a very reasonable amount and those payments go to NGOs in Australia, focused on research, forest conservation as well as the purchase of land offsets. So, it really preserves the health and stability of the jarrah forest.

**Bill Peterson:** So, not sure what's remaining at this stage, but assuming you're able to move forward, how should investors think about the potential volume as well as margin uplift? You talked about this maybe leading to a lower cost structure. So, once you're able to access these new mining areas.

**Molly Beerman:** So, when we move into the new mining areas for Myara North and Holyoake, we have a couple improvements. With the low bauxite grade now, we're not producing even though we're putting the same amount of bauxite through the system, we get a reduced amount of alumina. So, as we do the mine move, take 2027 and 2028, but by 2029, we'll start to access the higher-grade bauxite and then we'll have the increased production. So, we expect to pick up 1 million metric tons of alumina volume. So that's a nice uplift. And then also we'll have savings of about \$15 to \$20 per ton when we start to process the higher-quality bauxite, we use less caustic soda, less energy consumption. So, a lot of financial improvement when we're fully into the new mine region and that will be the first full year would be 2030.

**Bill Peterson:** Great. So, it was announced last year. But Alcoa has plans to build a gallium plant with the backing of the U.S. government, as well as partners in Japan and Australia. Where does it stand? What are the key milestones? How much global supply will this account for? And I guess given the limited financial uplift, what's – and I think it may be obvious, but what is the strategic rationale for pursuing this project?

**Molly Beerman:** We are collaborating with the governments in the United States, Australia and Japan on the gallium plant. This will be an extension of our Wagerup refinery. So, gallium is present in bauxite and it can be economically extracted during the alumina processing if you have the side facility for the gallium extract. So, that's what we're building. The gallium plant will be co-located at our Wagerup facility.

We're working with the governments now to progress all of the agreements and to get production in place as soon as possible. While this is not a financial, a material financial investment or exposure for Alcoa, we're really doing this at the request of the governments where we do business, particularly Australia and the United States. We recognize that they want to secure gallium supply for national security interests. And so, we're honored to be providing that supply. The facility will produce about 100 tons of gallium, so really small, but that's almost 10% of the world's supply. So, again, we're doing this because we want to honor the governments that host us and is strategic to the relationships with those.

**Bill Peterson:** And how should we think about timing for this project?

**Molly Beerman:** The timing, we're still working through. We're in heavy discussions with the partners and getting the formal legal agreements done. So, we've not announced, but we are focused on getting it as soon as possible.

- Bill Peterson:** Great. I want to pause again and see if there's any questions before maybe over here. I can repeat it. It's a webcast. Go ahead.
- Bill Peterson:** [Audience member question] The question is, can you give an update on the ELYSIS technology?
- Molly Beerman:** Yeah. So, ELYSIS had a great milestone at the end of 2025. So, at Rio Tinto's Alma smelter, they brought up the first commercial scale cell and that ran well. They are going through kind of the debriefing now of all the learnings coming out of the cell. Alcoa is continuing to make pragmatic investments in the ELYSIS' R&D. That work continues. It does take a long time on R&D. We don't have a view that we're going to do material investment in CapEx for ELYSIS at any point during this decade. But we remain to supporting the R&D efforts.
- Bill Peterson:** Great. Any further questions? Okay. Let's pivot to capital allocation, capital allocation and liquidity. So, on capital allocation, the company has made major strides on improving the balance sheet to "position for growth". Where do we stand on this? Is this work complete?
- Molly Beerman:** So, we've done a good job at the end of 2025. We reached the high end of our adjusted net debt target, which is \$1 billion to \$1.5 billion. We were able to repay some of our debt at the end of 2025, about \$140 million. We're doing – looking at another de-levering action, we've got about \$220 million on other notes that are economically redeemable now. So, a little bit more work to do on de-levering. But as we think about our cash coming in and the position that we're in, in 2026 with the high prices, we do expect to generate cash. We will continue to look at opportunities for growth. We'll continue to look at the de-levering that I mentioned.
- One caveat in the first quarter, we always consume a lot of cash for working capital build. We'll see that. But I think for the rest of the year, we will be well-positioned to have our growth opportunities competing with returns to shareholders for excess cash.
- Bill Peterson:** So, I guess how should investors think about the potential excess cash from asset sales as well as the Ma'aden shares over the next few years competing with between disciplined growth and maybe shareholder returns, which ultimately maybe accelerated given where we are with pricing and your cash generation ahead?
- Molly Beerman:** Yeah. So, any of those proceeds either from the transformation asset sales or any monetization will come into our capital allocation framework. We talked about having the three prongs of capital. So, portfolio actions, returns to shareholders and growth projects. We're glad to announce that we don't have too much left to do on portfolio, so it really is the two returns to shareholders and growth projects competing.
- We would not look at growth projects that don't exceed our cost of capital.

So that's a priority for us. We look at both organic and inorganic opportunities. We're looking at – when we look at the creep projects and the projects that we're doing internally, we're looking at where do we have expertise and capabilities that we want to further leverage? Where do we have a customer need? Because we simply don't want to build capacity if it's not to serve a customer. One example here is, we're doing a work to evaluate an expansion in Norway directly tied to using more recycled content for our auto customers. But again, that is a project that would well exceed our cost of capital.

When we look at M&A, we're looking at items that are in our industry where we're using our expertise. We're not going to go into base metals. We're not going to go downstream. We're looking for opportunities where we can derive the synergies and provide value for the shareholders that you can't get on your own. So, that's where we would focus in the M&A space.

**Bill Peterson:**

So, you kind of touched on it, just now with your comment around Norway. Is there any opportunities in the low carbon front to invest in? You mentioned ELYSIS may be more of a next decade thing, but your Eco line of products, where does that stand and is that an area of investment as well?

**Molly Beerman:**

Yeah. We have many offerings of low-carbon products across both alumina and aluminum. They continue to be a focus for us, even though maybe some of the draw on the low-carbon projects I think is temporarily not as interested for us. It's still a long-term commitment. Our operations are well-positioned running on renewables. As I mentioned in the smelting discussion, 86% renewables. Even in our refining, we're using natural gas. So, we are naturally producing low-carbon products. It will continue to be an emphasis for us and we look at opportunities to decarbonize our operations. We don't do that just to decarbonize, we're looking for to both decarbonize and to get a return on those efforts, though, as well.

**Bill Peterson:**

As we get close to the end, I just want to make sure if anyone has any questions. Okay. Maybe just as we wrap up, so obviously a lot going on in the world, but companies made really great strides over the last few years. But is there any final thoughts you'd like to leave investors today, things that are maybe misunderstood or just other factors that investors should think about as part of the process?

**Molly Beerman:**

Just we're performing well in 2026, really strong operations. That's going to be our focal point. We want to take advantage of the high metal price, drop that to the bottom line and we'll continue on our strategic initiatives. So, the transformation asset sales, progressing San Ciprián, our WA mine approvals. So, we're continuing the momentum from 2025 and really look forward to a strong 2026.

**Bill Peterson:** Well, appreciate you sharing your insights. And good luck to the team with the operational performance as well as navigating these turbulent times.

So, Molly, thanks for supporting the conference and look forward to following the progress.

**Molly Beerman:** Thanks, Bill. Thanks to all of you.