

Alcoa Corporation

Third Quarter 2025 Earnings Presentation and Conference Call

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PRESENTATION

Operator

Good afternoon and welcome to the Alcoa Corporation Third Quarter 2025 Earnings Presentation and Conference Call. All participants will be in a listen-only mode. [Operator Instructions] After today's presentation, there will be an opportunity to ask questions. [Operator Instructions] Please note that this event is being recorded.

I would now like to turn the conference over to Louis Langlois, Senior Vice President of Treasury and Capital Markets. Please go ahead, sir.

Louis Langlois

Thank you, and good day everyone. I'm joined today by William Oplinger, Alcoa Corporation President and Chief Executive Officer, and Molly Beerman, Executive Vice President and Chief Financial Officer. We will take your questions after comments by Bill and Molly.

As a reminder, today's discussion will contain forward looking statements relating to future events and expectations that are subject to various assumptions and caveats. Factors that may cause the Company's actual results to differ materially from these statements are included in today's presentation and in our SEC filings.

In addition, we have included some non-GAAP financial measures in this presentation. For historical non-GAAP financial measures, reconciliations to the most directly comparable GAAP financial measures can be found in the appendix to today's presentation. We have not presented quantitative reconciliations of certain forward-looking non-GAAP financial measures for reasons noted on this slide. Any reference in our discussion today to EBITDA means Adjusted EBITDA.

Finally, as previously announced, the earnings press release and slide presentation are available on our website.

Now, I'd like to turn over the call to Bill.

William Oplinger

Thank you, Louis, and welcome to our third quarter 2025 earnings conference call.

Let me begin with safety. In late July, we experienced a tragic loss with the passing of a colleague due to a fatal incident at the carbon plant of our Alumar smelter — our first workplace fatality since 2020. This event has deeply affected the entire Alcoa family, and our thoughts remain with his loved ones, friends, and colleagues.

Following the incident, safety leaders from across Alcoa, supported by independent external experts, conducted a comprehensive investigation.

We held a town hall with employees to share findings, address concerns, and reinforce our safety protocols. Already the implementation of the associated actions are well advanced at Alumar, and a series of global measures have been introduced to prevent such incidents in the future.

This loss is a solemn reminder of the critical importance of safety in everything we do. We remain steadfast in our commitment to provide a safe working environment.

In the third quarter, we delivered strong operational performance and stability, achieving year to date aluminum production records at five of our smelters. These additional metric tons are particularly valuable, as they carry higher margins and contribute meaningfully to our bottom line.

With increases in the Midwest premium this quarter, related revenue on our U.S. produced metric tons more than offset the net unfavorable tariff impacts on imports of aluminum to the U.S. from our Canadian smelters.

We had three one-time items impacting the quarter which Molly will cover: The permanent closure of the Kwinana refinery, the closing of the sale of our 25.1% interest in the Ma'aden Joint Venture, and a sizable increase to asset retirement obligations, primarily related to our Brazil operations.

Looking ahead to the fourth quarter, we anticipate higher shipments and a sequential release of working capital. The recent rise in Midwest premium is now sufficient to cover the full cost of logistics for importing aluminum into the U.S., including the 50% Section 232 Tariff. While we continue to evaluate the most profitable placement of our spot volumes and direct those shipments accordingly, the Midwest premium now covers costs on the shipments to our U.S. customers on contracts supplied by our Canadian smelters.

Earlier this week, we announced that the United States and Australian governments will provide funding to develop a gallium plant which will be co-located at our Wagerup alumina refinery in Australia. This follows the support by the Japanese government, which we announced in August. The partners will receive a gallium offtake in proportion to their interest.

This project has strategic benefits for Alcoa and the governments supporting it. The support from all three governments underscores Alcoa's role in the development of the critical mineral supply chain and enables us to provide maximum value from the bauxite resources we already extract in Australia. The continuity and competitiveness of Alcoa's Australian mining and refining operations not only support the aluminum industry, but also support manufacturing, technology, and defense industries.

Additionally, earlier today, we announced a new long-term energy contract for our Massena operations, as well as a \$60 million investment in the anode bake furnace. Securing long-term competitively priced energy is essential to supporting investments, like the rebuild and modernization of the furnace—an initiative that will enhance operational efficiency.

This energy contract and major investment commitment are a big deal. Alcoa is taking steps to further strengthen the United States' primary aluminum production capabilities. I made a commitment to the Massena employees to secure power and to invest in their operation. Now, I will ask them to respond with their commitment to continuously improve the operation's profitability. We look forward to celebrating this step and certainly welcome President Trump, Governor Hochul, Senator Schumer, and the entire New York Congressional Delegation, as well as members of the New York Power Authority, and Empire State Development to visit our Massena operation to see what great U.S. manufacturing looks like and to thank them for their support.

The Australia mine approvals process is moving forward with completion of the public comment period in August. We are preparing our responses and expect to submit to the Western Australia EPA by year-end. The Western Australia EPA has indicated that it will publish its assessment and recommendations by the end of the second quarter of 2026, and we anticipate Ministerial approvals by year-end 2026.

In summary, this quarter brought both sorrow and progress. The tragic event at the Alumar smelter underscores the importance of our unwavering commitment to safety. Despite challenges, we achieved record aluminum production and took strategic steps to strengthen our future. Looking ahead, we're focused on increasing profitability through higher shipments, improved operations, and key investments such as the Massena energy contract and anode bake furnace.

Now, I'll turn it over to Molly to take us through the financial results.

Molly Beerman

Thank you, Bill.

Revenue decreased 1% sequentially to \$3 billion. In the Alumina segment, third-party revenue decreased 9% on lower volumes and price of bauxite offtake and supply agreements.

In the Aluminum segment, third-party revenue increased 4% on an increase in average realized third-party price, partially offset by lower shipments and unfavorable currency impacts.

However, this was lower than our revenue expectation for the segment primarily due to certain aluminum shipments from Canada to U.S. customers which were in transit at quarter-end. This also explains why our tariff cost, sequentially, was lower than expected.

Third quarter net income attributable to Alcoa was \$232 million versus the prior quarter of \$164 million, with earnings per common share increasing to \$0.88 per share. The results reflect a \$786 million gain on the sale of our interest in the Ma'aden joint venture and a subsequent favorable mark-to-market change of \$267 million on the Ma'aden shares, partially offset by restructuring and related charges of \$895 million for the permanent closure of the Kwinana refinery in Australia. On an adjusted basis, net loss attributable to Alcoa was \$6 million, or \$0.02 per share. Adjusted EBITDA was \$270 million.

Let's look at the key drivers of EBITDA. The sequential decrease in Adjusted EBITDA of \$43 million is primarily due to increased U.S. Section 232 tariff costs on aluminum imported into the U.S. from our Canadian smelters, adjustments to asset retirement obligations, unfavorable currency impacts, and lower alumina prices, partially offset by higher aluminum prices.

The Alumina segment Adjusted EBITDA decreased \$72 million primarily due to adjustments to asset retirement obligations primarily in Brazil. Also, lower volumes and price of bauxite offtake and supply agreements, and lower alumina prices were only partially offset by lower production costs related to the timing of maintenance activities.

The Aluminum segment Adjusted EBITDA increased \$210 million. Higher metal prices and lower alumina costs were partially offset by tariff costs which reflect a full quarter at the 50% tariff rate, after its increase from 25% on June 4th. In addition, production costs improved due to the timing of maintenance activities.

Outside the segments, other corporate costs increased while intersegment eliminations changed unfavorably, primarily due to the absence of a benefit in the prior quarter resulting from a lower average alumina price requiring less inventory profit elimination.

Moving on to cash flow activities for the third quarter. We ended the third quarter with cash of \$1.5 billion. Cash used for operations was \$85 million, including a slight working capital use of \$25 million. We also received a tax refund of \$69 million from the Australian Tax Office for the deposit held during the five-year transfer price dispute that was resolved in our favor in April.

Cash from investing included \$150 million from sale of the Ma'aden joint venture, shown here net of transaction costs. Cash used for financing activities included a \$74 million full repayment on a term loan which was the last borrowing associated with the AWAC joint venture structure.

Let's look at the other key financial metrics. The year to date return on equity was 14.5%. Days working capital increased sequentially by three days due to an increase in accounts receivable days, primarily due to higher aluminum pricing. Our third quarter dividend added \$26 million to stockholder capital returns. We closed the quarter with \$1.635 billion in adjusted net debt, making progress toward the top end of our target of \$1 billion to \$1.5 billion. Cash flow for the quarter includes an increase in capital expenditures to \$151 million.

Turning to the outlook, we have a few adjustments to our full-year outlook. First, we are decreasing our annual outlook for Interest expense to \$175 million. Second, we have adjusted our total capex for 2025 to \$625 million, down from \$675 million, primarily due to less spending on mine moves in Australia. Third, we have adjusted our payment of prior year income taxes for 2025 to zero, previously \$50 million, to reflect the tax refund from the ATO matter mentioned earlier.

And last, the outlook for total ARO and environmental spend in 2025 is expected to increase by \$20 million to approximately \$260 million, consistent with the guidance update we provided in the Kwinana closure press release.

For the fourth quarter of 2025, in the Alumina segment, we expect performance to improve by approximately \$80 million due to the absence of charges recorded in the third quarter to increase asset retirement obligations, as well as higher shipments and lower maintenance costs. In the Aluminum segment, we expect sequential unfavorable impacts of approximately \$20 million due to restart inefficiencies at the San Ciprián smelter, and lower third-party energy sales, partially offset by higher shipments. While the current Midwest premium pricing and higher shipments of our Canadian metal into the U.S. are expected to have a favorable impact on the fourth quarter, we expect tariff costs to increase by approximately \$50 million due to the increased shipments. Further tariff impacts from changes in LME pricing during the quarter can be calculated from our tariff sensitivity. Alumina cost in the Aluminum segment is expected to be favorable by \$45 million.

Below EBITDA, other expenses in the third quarter included favorable foreign currency gains of approximately \$10 million, which may not recur. Based on last week's pricing, we expect fourth quarter operational tax expense of \$40 million to \$50 million. Now I'll turn it back to Bill.

William Oplinger

Thanks, Molly. Let's discuss our markets, starting with alumina.

Alumina prices have declined significantly over the past month, with recent prices around \$315/per metric ton, as the market remains under pressure due to ample spot availability and refinery expansions in Indonesia and China.

Outside China, the timing mismatch between new refining capacity coming online in Indonesia in 2025 and additional smelting capacity, expected only in late 2025 or into 2026, is creating a short-term imbalance.

In China, most previously curtailed capacity has been restarted since May, adding further supply pressure. Many Chinese refineries operate at the top of the cost curve; continued downward pressure on domestic prices may prompt further supply-side response resulting in curtailments.

Looking ahead, alumina demand will be supported by new smelting capacity in Indonesia, anticipated to come online in 2026. However, uncertainty around the Mozal smelter could weigh on demand and pricing. Meanwhile, bauxite prices remain firm, supported by seasonal supply disruptions in Guinea and the market working through stockpiles accumulated earlier in 2025.

Alcoa continues to deliver on strong fundamentals: consistent quality in our smelter-grade alumina products and preferred supplier status due to our reliability. We remain on track for a record year in third-party bauxite sales volumes. Let's now move on to aluminum.

LME prices rose approximately 7% sequentially and have continued to increase, recently reaching \$2,775 per metric ton, reflecting a combination of factors: a weaker U.S. dollar, expectations of monetary easing, and persistent supply tightness amid resilient global demand.

In the U.S., the Midwest premium continued to increase during the third quarter and recently reached import parity. This reflects declining inventories and reduced aluminum imports following the Section 232 tariff increase earlier this year. European premiums also rebounded from earlier lows, signaling improving market fundamentals.

Demand remains steady across Europe and North America. Packaging and electrical sectors continue to show healthy demand growth in both regions, while construction and transportation remain soft. The automotive sector is weak based on tariff uncertainty.

On the supply side, growth remains constrained.

Outside China, restarts and ramp-ups have been moderate, while China is approaching its smelter capacity ceiling. Additionally, potential disruptions at the Mozal smelter could further tighten the market.

Looking ahead to 2026, the impact of increasing supply from Indonesia is expected to be limited, given constrained growth elsewhere—including in China—and the expectation of continued demand resilience. Importantly, our core markets in Europe and North America are expected to remain in regional deficit.

Specific to Alcoa, we had an overall stable order book of value-added products in the third quarter, with the exception of foundry. In North America, demand for slab and wire rod remains strong, while billet demand is steady, but spot activity is subdued. In Europe, wire rod demand is robust, slab performance is mixed, with strength in packaging but weakness in automotive, and billet demand remains cautious, with customers maintaining short order visibility.

I am very excited to host you on October 30th, 2025 for our Investor Day 2025. It has been almost 4 years since Alcoa has had its last Investor Day.

It's a great opportunity to discuss why Alcoa is the investment choice in aluminum. We'll discuss our strategic vision and market position, operational excellence and innovation, talent, the long-term market and our financial outlook. We will also provide additional details on our Spanish operations and our Australia mine approval process. Please visit our website for additional details.

To conclude, in the third quarter, Alcoa maintained strong operational stability, took strategic actions to strengthen the company, and continued our engagement with trade policy makers. Looking ahead, we will focus on safety, stability and operational excellence, deliver fourth quarter financial improvement and progress our Australia mine approvals. I look forward to welcoming you to our Investor Day event on October 30th, 2025.

With that, let's open the floor for questions. Operator, please begin the Q&A session.

Operator

Thank you. We will now begin the question-and-answer session. [Operator Instructions] And our first question will come from Chris LaFemina with Jefferies. Please go ahead.

Chris LaFemina

Hey, guys. Thanks for taking my question. Hi, Bill. Just wanted to ask about, I guess, capital allocation. I mean, you're approaching your net debt target range.

You could be in a position where you're able to start returning capital a bit more aggressively in 2026. You're obviously focused on further operational upside. I know you're going to give us a lot more detail around this at the upcoming Investor Day. But just wondering about how you think about potential M&A opportunities in the market. And to the extent that you think about that at all, is it any particular spot in the supply chain that you'd be focused? Would you be interested in bauxite and alumina? Is it more in the downstream or is that really not even front of your mind right now because of all the stuff you have going on internally? Thank you.

William Oplinger

So, Chris, let me let Molly address the capital allocation and then we'll come back to the M&A question.

Chris LaFemina

Thanks.

Molly Beerman

Hi, Chris. We are \$135 million away from the top of our adjusted net debt target at \$1.6 billion, and the target is \$1.5 billion. We do have a priority to continue to pay down debt. We have notes, the 2027 notes, so \$141 million remaining, and on the 2028 notes, \$219 million remaining. So, that will be our first priority. But as we stay within the net debt target, we will certainly be evaluating additional returns to stockholders in parallel with pursuing some growth options.

William Oplinger

And Chris, to address the M&A question, we did the Alumina Limited transaction last year and that showed that we have the ability to successfully do M&A work. That transaction, if you look back upon it, allowed us to do the Ma'aden transaction where we're swapping out the Ma'aden equity interest for shares. As I look forward, we will look at opportunities for M&A across the spectrum of the product line. I would not say at this point that we have any particular part of the product line that we need to add to, but we will look at opportunities as they come up and we'll do the evaluation. And what we'll do is where we have opportunities to create significant synergies that aren't available to our shareholders otherwise, we would look at those opportunities from the acquisition perspective.

Chris LaFemina

That's very helpful. Thanks, Bill. See you next week in New York. Thank you.

William Oplinger

Yes, thanks.

Operator

Your next question today will come from Lawson Winder with Bank of America. Please go ahead.

Lawson Winder

Great. Thank you very much, operator. Good evening, Bill and Molly. Nice to hear from you both. Could I ask about the U.S.-Australia Alcoa partnership? Would you be able to provide some background on how this came together? Was that an initiative driven by Alcoa?

William Oplinger

It was an initiative that really began between Alcoa and the Japanese. The Japanese were looking for potential offtake of gallium. We got that joint development agreement together a little while back.

And we've been talking to both the U.S. and the Australian governments for a number of months now. The real strategic advantage of this deal is that it provides a supply chain outside of China for gallium that is around 10% of the world's gallium market. It will be at our Wagerup facility in Western Australia. That solidifies the importance of that facility in Australia, and it really strengthens the relationship between – and you saw this in the press conference yesterday and in the joint signing ceremony between President Trump and Prime Minister Albanese – strengthens the relationship between the U.S., Australia, Japan and really shows the importance of Alcoa in Australia.

Lawson Winder Thank you for that. And then as a follow up, could you give us an idea of what sort of approvals or permits might be needed and the timeline to first production on that facility?

William Oplinger So, the – that's one of the reasons why Wagerup was chosen. The approvals, we have line of sight to get the approvals done fairly quickly. We are pushing to have first metal by the end of 2026. We think we will be first to market outside of China and it's an aggressive schedule. We – the next step is that we need to get final documents signed, but we're pushing to be able to create – to extract gallium by the end of 2026.

Lawson Winder Okay. Thank you, Bill.

William Oplinger Thanks.

Operator And your next question today will come from Timna Tanners with Wells Fargo. Please go ahead.

Timna Tanners Yeah. Hey. Good evening. I'm looking forward to hearing more about Australia and Spain as you teased for next week's Investor Day. But didn't hear a mention of Canada or U.S. So, thought I would probe those topics. Didn't hear you mention in particular on the negotiations with Canada regarding any carve-out of aluminum. So, I would like to hear that export opportunity at the latest there. And then given that the U.S. now has arguably the lowest aluminum smelter production costs in the world, if there's any rethinking of expanding capacity domestically like at Warrick with that idle potline. Thanks.

William Oplinger There is a lot of questions there, Timna. So as far as the Canadian-U.S. negotiations that are going on, we are providing information to both sets of governments so that they have the right information, the right data to make the right decisions. And we're working with both administrations to ensure that they understand the trade flows because we're the – probably the world's expert on the trade flows between Canada and the U.S. when it comes to aluminum.

I'm a little bit surprised by your comment around the lowest cost in the world for aluminum production. We have not yet seen with the exception, and I'll cover the Massena project, we have not yet seen significantly competitive energy prices for – available for the long term in the United States.

You know that globally, we would be shooting for energy prices between \$30 and \$40 a megawatt hour, we've not seen those available yet for long-term packages in the U.S. In fact, the opposite of that is occurring because some of the data centers and the AI centers are able to pay \$100 a megawatt hour, whereas we're looking for \$30 to \$40 a megawatt hour.

And then lastly, around your question around Warrick, the Warrick restart is a complex restart for that fourth line. It will cost us probably about \$100 million and it'll take anywhere between one to two years to get that fourth line up. We will continue to evaluate it, but we won't make an investment decision simply on a tariff. Tariffs can and do change over time. So, we won't be ploughing \$100 million into the ground at this point to – based on a tariff cost. Did I answer all of them?

Timna Tanners

That's helpful. I think you did. And I should clarify that that comment on the lowest production cost is adjusted for tariff and actually came from CRU. But that's helpful detail. I appreciate it.

William Oplinger

And I should have highlighted Massena, and let me just take a second to highlight Massena. Really big deal. And I said this in our – in my prepared remarks, but maybe it didn't come out as exciting as I wanted it to. Really big deal at Massena. We have a 10-year contract that has two potential extensions of five years each. That allows us now to make long-term decisions associated with Massena. And we've decided to invest in the bake furnace in Massena. So, really excited for the people of Massena. And as I've said in my prepared remarks, I committed to them. We're going to get them a globally competitive long-term power contract. They've committed to me that they're going to work on the profitability of that plant, the safety of that plant and the production of that plant. And I'm looking forward to get up to Upstate New York and celebrate here soon.

Timna Tanners

Okay. Thanks again.

William Oplinger

Thanks.

Operator

Your next question today will come from Carlos De Alba with Morgan Stanley. Please go ahead.

Carlos De Alba

Yeah. Thank you, Bill and Molly. A question on gallium. Do you have any color that you can share on the economics of that project? And if it is too early, maybe when do you expect then you can report a feasibility study that you can share, given that it seems that it could come up rather quickly? And maybe related to that, does this project changes in any way the ongoing mining permitting process that you have going on in Western Australia?

William Oplinger

I missed the second half of that.

Molly Beerman

Does it impact approvals.

William Oplinger

Oh, approvals, approvals process.

- Carlos De Alba** If it changes the ongoing mining permit process, the permitting process that you have in Western Australia.
- William Oplinger** Right. So, let me go there fairly quickly. The approvals process that we're going through currently is related to Huntly and Pinjarra, Huntly the mine, Pinjarra the refinery. So, this would have no impact on that approvals process. In Wagerup, we will be going through an approvals process there at a later date, and this should have no impact on that approval process either. When it comes to the economics, Carlos, this is not a large plant. It is not a large investment. It is going to be financed via the – a couple of the Japanese entities, the U.S. government and the Australian government. Alcoa will have a small part of the financing. The really critically important thing here is to have a supply chain of gallium outside of China, and this is what the governments want, and they will be taking an offtake of that gallium. So, Japan, Australia and the U.S. will all have an offtake of the gallium.
- Molly Beerman** I'll just add that the structure for that offtake is a cost-plus margin, which is still in the process of negotiation.
- Carlos De Alba** All right. Great. Thank you for that. And then one more, if I may, maybe related to the last question that Timna asked. Any intention to maybe look at getting back into the rolling business? Unfortunately situations from some of the current producers there may be highlighted the need of having more robust supply chain.
- William Oplinger** Hey, Carlos, my attorneys always tell me not to make unequivocal statements, but I will make an unequivocal statement. No, there is no interest in getting back in the rolling business.
- Carlos De Alba** Fair enough. Thank you very much. See you next week.
- William Oplinger** See you.
- Operator** And your next question today will come from Daniel Major with UBS. Please go ahead.
- Daniel Major** Hi, Bill, Molly. Thanks for the questions. I think most have been answered, but you'll discuss most of the strategic elements next week. But just one follow-up just on the comment you made on gallium, would you – you said that the pricing would be an offtake agreement at a cost-plus or a fixed margin. Is that for all of – would that be for all of the volumes associated with the project? Is that the right way to think about it?
- William Oplinger** All of the volume Alcoa, and we still have to get through a definitive agreement, so we're making these comments based on the MOU that was signed. Alcoa will have a very small offtake, very small offtake, but the rest will be cost-plus.
- Daniel Major** Okay. And just one follow-up on the gallium dynamic, can you give any insight on the ownership structure of the JV and your equity participation in the 100 metric tons?

William Oplinger So, the ownership structure is two entities will own the plant. The Japanese will own 50%. The combination of the U.S., Australia and Alcoa will own the other 50%. We have not publicly said the ownership of that second 50% and the offtake will be similar in line with the ownership percentages.

Daniel Major Right. So Alcoa is, yeah, comfortably less than 50% of the economics of the joint venture.

William Oplinger Yes. To put it in perspective, we would anticipate taking, and again, this is all in negotiation, something like 5 metric tons of 100-metric ton capacity.

Daniel Major Okay. Thank you. And then second question, and again, not trying to front run next week, but can you still confirm the target for San Ciprián smelter running at steady state is mid-2026? Is that still correct?

Molly Beerman Yes, that is our target that we will have full run rate mid-2026 and trying to get to the level of profitability at the smelter in the back half of 2026.

Daniel Major Okay. And then, yeah, lastly we've seen a bit of an uptick recently in both Midwest and European premiums. Can you give any color what's sort of driving that? Are you seeing any green shoots and demand or is this some tightening in the supply chain? What would you attribute that uptick to?

William Oplinger So in the Midwest, the Midwest has finally risen to a level where it covers the full tariff cost. In Europe, we're seeing some uncertainty around Mozal, the potential Mozal shutdown, and then the Century shutdown that's occurred within the last day or two, that could put further pressure on the European premium.

Molly Beerman Both markets are still in deficit...

William Oplinger Yeah. It's a good point.

Molly Beerman ...and that supply is very tight. So, I think you're seeing the price react to that.

William Oplinger Yeah. In the U.S., I think our days or the days consumption have gone down to something like 35 days, which typically triggers – it's below a level where it typically triggers higher pricing.

Daniel Major Very clear. Thank you.

Operator And your next question today will come from Alex Hacking with Citi. Please go ahead.

Alex Hacking Yeah. Evening, Bill and Molly. Look forward to seeing you next week. Congratulations on the agreement at Massena. Just one question for me. Your geographic mix of shipments from your Canadian smelters, I know at one point, you're rerouting some of that material away from the U.S. With the MWP back where it is, are those kind of flows back to normal again? Thanks.

William Oplinger So, we had redirected about 135,000 metric tons during the course of the year so far. But at this point, with the Midwest premium as high as it is, it would be back to normal shipments in the United States.

Alex Hacking Thank you.

Operator And your next question today will come from Nick Giles with B. Riley Securities. Please go ahead.

Nick Giles Thank you, operator. Bill, coincidentally, net income attributable to Alcoa was \$232 million this quarter. So my question is, what do you think the administration needs to see from here to ultimately come to this agreement with Canada and reach a resolution on the tariffs?

William Oplinger Nick, I'm not going to speculate what the U.S. needs to see. The position that we're in – and I was in Washington over the last two days, and I was meeting with key decision makers on both sides of the table. The position that we're in is we're explaining to them the market flows. And just so everybody knows, and I'm sure you've heard these numbers, the U.S. is short roughly 4 million metric tons on an annual basis. Canada provides around 3 million metric tons out of that 4 million metric tons. I know there's been some discussions, and you've probably heard some of the rumors around lower tariffs or potentially a tariff wall around North America, potentially tariff rate quotas. We are a resource to both administrations to help them understand the impacts of those, and that's the function that we've been fulfilling.

Nick Giles Appreciate that, Bill. My second question was, you've noted some production records at several of your assets year-to-date, and I assume that's the result of all the productivity and competitiveness work over the past 12 months. But what assets would you still consider to be underperforming today? And any other commentary about how much more you could improve that at some of those other assets?

William Oplinger So, I am very pleased with the operations globally. It starts with stability and that gets reflected in generally the higher production levels, lower costs. When I look around the world, and if I just take you on a tour around the world, our Western Australian refineries have dealt with really, really poor bauxite quality. This is bauxite that we would have typically have thrown away in the past, and they've been able to offset a massive amount of that deterioration in better operating procedures and technology.

If I then go to – and I should have stopped in Spain just for a second. The startup in Spain is going really, really well. We've never questioned the ability of our workers in Spain to run that facility extremely well and the startup's going well. We've hit production records in Québec. We've hit some production records in Norway. And the U.S. is running well from a smelting perspective. It all starts with stability, a focus on the relaunched Alcoa Business System, really focused around maintenance and getting maintenance done right.

And I should have highlighted, down in Brazil, we hit a production record in our refinery, our Alumar refinery in September. Fantastic performance there. And the smelter is up to around 93%, 94% starting capacity, and every day, they just add a pot or two. So, are there areas? Yeah, there are definitely areas across the patch. As I look at opportunities for improvement, Brazil now has to get the stability and take the cost out. We still have opportunities to serve our customers better out of cast house in Massena, New York for one and Mosjøen in Norway. So, as I look across the system, there's still a lot of opportunity for improvement.

Nick Giles Bill, that was a great tour. I appreciate all the color and continued best of luck.

William Oplinger Thanks.

Operator Your next question today will come from John Tumazos with John Tumazos Very Independent Research. Please go ahead.

John Tumazos Thank you for taking my question.

William Oplinger Hi, John.

John Tumazos Could you give us some color on the continued 10-year agreement in Massena? Is it a region where the demand for electricity has risen or are there data centers or other new uses, new buyers? And is there new electricity capacity such as wind or natural gas or solar?

And then secondly, does any of the infrastructure from the old prior Massena West plant still exist? Is this a candidate or are there any candidates among your properties where old capacity could be brought back?

William Oplinger Oh, wow, you ended that in a different way than I thought you're going. So, let me address each one of those, and Molly, feel free to jump...

Molly Beerman Yeah.

William Oplinger ...in on any of this. The agreement that we have with the New York Power Authority extends the power contract for Massena out 10 years, plus two opportunities to extend it another 5 and 5 years. So, Massena can have very competitive, low-cost green energy for the next 20 years that allows us line of sight to be able to make the bake furnace investment. So, we're going to invest \$60 million in the bake furnace. So as I talk to people, for instance, in the U.S. administration, this is what aluminum needs in the United States. It's competitive – globally competitive electricity, preferably green, because at some point, we will get a green premium that's significant in the U.S. But this is exactly what's needed for investment in the United States, and that's why we've announced it and why we've done it.

Your second part of that question is, is there competition for the electricity in Upstate New York? There absolutely is.

But I think New York Power Authority and the State of New York, and you remember, New York Power Authority is part of the State of New York, understands the commitment to jobs in the north country. Unlike a data center, we actually employ people, and we have approximately 550, 600 direct employees up in Massena, and this solidifies the future for them. They have to now deliver on a lot of things that I'm going to ask them to deliver upon. You then went to Massena, you said West, it's actually Massena East, that's the curtailed capacity there. Massena East, there is no potline left. So, it is – we're not going to be restarting aluminum production. What we do have opportunities in Massena East is around data centers and AI, and there is electrical infrastructure still in place and we're looking at opportunities there, along with everywhere else in North America, but we're really looking at opportunities at Massena East because the electrical infrastructure is there.

John Tumazos Thanks, Bill. Congratulations.

William Oplinger Thanks, John. Good to hear from you.

Operator And your next question today will come from Glyn Lawcock with Barrenjoey. Please go ahead.

Glyn Lawcock Good morning from Australia, Bill.

William Oplinger Hey, Glyn.

Glyn Lawcock Bill, on the – hey. On the call, you said the public review period has closed. Have you been privy to what was in the public review period? And has there anything that you've seen been outside what your expectations, et cetera, in the review period that you have to respond to?

William Oplinger Thanks for the question, Glyn. Yes, the public review period is closed. We have received the comments from the EPA. Rough numbers, 60,000 comments, which is a very large number of comments to come in through a public review period. We had originally thought, out of those 60,000, about 5,500 were individual comments. We subsequently had the time to go through each of the comments and use a set of tools that can help us go through those comments. And there's probably around 2,000 individual comments that have been submitted. We have a very large team in Western Australia that is completely focused on replying to those comments and addressing those comments.

As you can imagine, there's probably two or three areas that those comments are focused on. One is proximity to water. And just so that everybody knows, we've been mining in Western Australia for 60 years. We've never impacted the water supply at Perth. But I understand the concern around proximity to water. That's why we've agreed to step back some of the mining farther away from the water sources.

The second is really around mining in the Jarrah Forest, and that's rehabilitation, any potential impact on black cockatoos. I think, Glyn, you were probably out on our tour that we took you through.

You've seen it for yourself. I would invite anybody else that wants to take a tour of Western Australia. We have public tours to show you the rehabilitation in Western Australia. It is world-class, and that's the – one of the two areas that people are focused on.

Glyn Lawcock

All right. Thanks, Bill. And if I could squeeze in a second...

William Oplinger

Yes.

Glyn Lawcock

...and staying in WA, you announced the Kwinana permanent closure the other day. You talked about potential for a significant offset from the land sale. Just two questions. One, \$600 million seemed a lot of money for the closure. Was there anything that's specific to the closure versus other refineries? And then secondly, when you say significant for the land sale, is it commercially zoned and could it be rezoned to make it more valuable or will it – you don't think there's a zoning opportunity change as well? Thanks.

William Oplinger

Molly?

Molly Beerman

So Glyn, I'll take this one. So the significance of the closure costs for Kwinana, we have a large water management with the RSAs there, and this is the largest that we've seen in any of our prior refinery closures. So, that's the accelerated – the higher cost that you're seeing and our accelerated attempts to remediate that as quickly as possible. As far as the land...

William Oplinger

The zoning.

Molly Beerman

...the zoning, it's in an industrial park. So, it is already part of a large complex. We do believe the land will be quite valuable. It has port access, rail access. And because in Kwinana, we have the residue areas physically separated from the refinery site, we will focus on remediating the refinery site and preparing that for redevelopment and resale there to try to get a full recovery of those closure costs and possibly exceed it.

Glyn Lawcock

All right. Thanks very much for the response.

Operator

And your next question today will come from Bill Peterson with JPMorgan. Please go ahead.

Bill Peterson

Yeah. Hi. Good afternoon, Bill and Molly. Look forward to the update next week on the longer-term areas. Maybe as a snapshot and picking up on an earlier response on hyperscalers and maybe interest in idled assets or some of the interconnections, have you seen hyperscaler interest pick up in recent months? You mentioned specifically Massena. So, I'm just wondering if how the dialogue is proceeding and is a snapshot relative to you earlier this year when you first started up.

William Oplinger

So, the interest in data centers and AI centers hasn't really mitigated at all, hasn't come off at all over the last six months.

We have spent a significant amount of time within the company trying to completely dimension what the opportunities are for our sites and how we aggressively market those sites to the right customers, the right developers for that land. So, more to come on that in the future, but a lot of work going into what are the opportunities that we have, what electrical infrastructure we have, what interconnections that we can provide and who the best developer or buyer of the site would be. And these are the closed and commissioned sites, not so much the active sites.

Bill Peterson

Yeah, understood. Earlier in your prepared remarks, you talked about the demand profile. And I guess specific to the U.S., you spoke of strength in packaging and electrical, weakness in construction and transportation. Is this a sign of demand destruction or potentially substitution given tariffs in high Midwest premium or is this kind of more of a cyclical statement? I'm trying to get a sense of how the higher Midwest premium could be contributing to some of this demand weakness, if at all?

William Oplinger

We don't think it's demand destruction at this point. When – and I think you ran through the end markets pretty well. When I look at the end markets, packaging and electrical conductor are very strong. Building construction hasn't gotten worse. We were expecting, as probably most people are expecting, lower interest rates in the second half of this year. Those have not materialized. That will spur residential construction. The real weakness that we're seeing both in Europe and in North America is the automotive. And is that demand destruction or is that, in the case of Europe, really substitution by electric vehicles coming out of China? It's really hard to say, but at this point, we're not seeing significant demand destruction.

Bill Peterson

Okay. Thanks for that, and again, look forward to next week.

William Oplinger

Thanks.

Operator

And your next question today will come from Nick Giles, with a follow-up, with B. Riley.

Nick Giles

Thanks for taking my follow-up. Obviously, we've gotten some updated measures in the EU on safeguards for steel. So, just curious if there are any updates you could share on what we could see on the aluminum side or how those discussions have progressed.

William Oplinger

No, I can't give you any update on that in Europe. The next big set of regulations that will be coming into Europe is CBAM, and our company's position is that we think CBAM will go into effect as of 2026. There are still some pretty big loopholes in CBAM. And anybody that wants to discuss that next week with me, we can, but the two big loopholes are scrap and user – and product production. We think that CBAM will raise the Midwest – not the Midwest, the European premium probably \$40 or \$50 per metric ton in 2026. That will be a slight positive for us. Ultimately, costs will go up, too, as carbon costs creep into the overall cost structure. So CBAM, we think, will be coming in in 2026, and at least in the near term, have a positive impact for Alcoa.

Nick Giles Thanks a lot, Bill. Appreciate it.

Operator This will conclude our question-and-answer session. I would like to turn the conference back over to Mr. Oplinger for any closing remarks.

William Oplinger Thanks, operator, and thanks to everybody for joining our call. We hope that you will join us for Investor Day next Thursday. I really look forward to seeing many of you there in New York. And that concludes the call. So, thank you.

Operator The conference has now concluded. Thank you for attending today's presentation. You may now disconnect.