Alcoa Corporation

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CORPORATE PARTICIPANTS

William Oplinger - *Executive Vice President and Chief Financial Officer*

Matthew Korn (Goldman Sachs):
It's still—it's only 10:30. It's still the morning. Good morning, everybody. Again, thanks for your participation. We've got another really great session here. I'm sure, as you all know, Alcoa Corporation, long-established name, although in your current incarnation, a little bit different—

William Oplinger:
Fairly new.

Matthew Korn:
—history, so somewhat a fairly new company, right?

William Oplinger:
We like to think of it as a startup with about 130 years of history.

Matthew Korn:
—which is, I think, effective. Bill, thank you very much for joining us.

William Oplinger:
Thanks for having me.

Matthew Korn:
You're, of course, CFO of Alcoa Corporation who has seen you through a good number of changes and the fluctuations within the Alcoa company and corporation itself.

Folks, the way that I like to run these, as ever, is you know, I have a couple questions that I'm going to ask Bill, see if we can prime the pump a little bit, get the juices flowing. I'm going to open that up. I'm sure that many of you—and I encourage you—again, I'm sure that many of you have questions. We invite those coming in from the audience, as well, and then we'll hopefully have a nice conversation. All right?

William Oplinger:
Good.

Matthew Korn:
With that, let's get through here and there. So, interesting time in the macro environment; interesting time in the commodity markets, as well. My question, I think the first one I'd ask you this. Input costs for aluminum are high, okay?

William Oplinger:
They are. They are. Coke and pitch and—

Matthew Korn:
Coke, pitch, alumina of course is fluctuating, but it's still—we're not in the 300s anymore in terms of alumina. Input costs are high. Demand, from all indications that we can see, has remained fairly strong, right, in terms of the end markets we can see, developed and emerging markets. Inventories are light. Chinese production seems to be falling, you know, from what we can see over the last couple of months, and you're projecting global aluminum deficit. So why, in your mind, have aluminum prices been, in terms of the LME price—all-in is different, but LME price—why have they been so stubbornly low?

William Oplinger:
It's good to start with a very easy question.

Matthew Korn:
Okay, right.

William Oplinger:
It's not. I say that jokingly. That's not an easy question, and I guess how we think about it is short term and long term. In the short term, I believe some of the things that have driven aluminum prices down really are twofold. One is we've actually lowered our projected growth, demand growth, in the world a little bit, and I think demand growth globally is being recognized as slowing a little bit. We're not talking about no growth; we're talking about slower growth. And then, secondly, some of the supply-side discipline that we saw in China last year is not recurring this year, all right? So, specifically, the winter heating curtailments, both on the alumina side and on the aluminum side, are not to the extent that we saw in 2017. That's the near term.

In the longer term, the relationship between alumina and aluminum prices is not sustainable. Something has to give. I can't tell you what will give, but having an alumina price at $420 a ton, by the time you factor in shipping costs, two tons of alumina for every ton of aluminum, talking about $900 a ton. You're talking about a ratio of almost 45 to 50 percent, just for alumina costs, and so over time, something's got to change there.

In September this year, we were saying that 50 percent of the rest of the world's smelters outside of China were cash negative. We've not updated those numbers, but I think that, if anything, has gotten worse since September, and potentially similar numbers in China.

Matthew Korn:
Yeah.

William Oplinger:
So at some point, either because of the high costs, smelters curtail, prices go up, or alumina prices come down. So, but just over the long term, I don't think the current situation's sustainable.

Matthew Korn:
For the Chinese smelters, because I've seen a lot of different estimates about how many of them are actually cash-flow neutral—and in some ways, it takes me back to when I was covering the sector as a smaller analyst, in the last decade, and there was the idea of, like, all right, eventually, economics have to provide the gravity. You know, right now, the way that they're producing, they're doing this for employment. They're doing this to keep the GDP numbers up, et cetera, et cetera, but eventually, this is going to have to stay true. And it seemed as though, over the last year, the changes in the winter cuts and the blue sky policies, that this might be that supply-side discipline that we were all looking for. You said that they haven't shown the same type this year, with some of the loosening and some of the decision made at the provincial levels, at the national level, right?

William Oplinger:
That’s the big item.

Matthew Korn:
So, you know, what is—I guess that's a part of it. But, so expectations over this current year is that we won't see, or we'll see a little bit greater capacity utilization for the whole, you know, Chinese supply side. Where are we, though, in terms of new capacity, replacement capacity, the licensing system that they seem to put in place? Are there other surprises in there? I mean, are they acting more rationally overall, or you think this is a temporary, we need more growth so we need to behave a little bit different in the interim, or is there something else underlying?

William Oplinger:
A lot baked into that question. There are a lot of dynamics going on in China. You alluded to the fact that some of the winter heating season regulations were pushed out to the provinces, subsequently haven't been enforced quite as much. We've seen that Chinese industry is very economic. You know, when there's an arbitrage opportunity to sell alumina, they typically will take that arbitrage opportunity to sell alumina. So over time, we see that they will be economic, and as I said on the aluminum pricing, something will give.

We think that over time, all the dynamics that we've seen in China over the last decade are still there. Blue sky policy—I was on the phone this morning with China, and they were saying hey, looking out the window in Shanghai—no, I'm sorry, in Beijing—the weather today in Beijing is terrible; the air today is terrible. So I think all that continues to persist; just in the near term, we've seen a little bit less enforcement of the winter heating curtailments.

As we go into next year, it will be interesting to see how enforced the environmental permitting is. You know, I was in China a couple of weeks ago. There was a lot of discussion around a hard cap of aluminum smelting capacity. Some people put it at 40 million metric tons of a hard cap. You know, we'll see. Things are changing very rapidly in China, that's for sure. And you probably follow Chalco; you see that Chalco is buying Yunnan Aluminum, so there's a lot of changes occurring in the country.

Matthew Korn:
I'm going to open it up at this point. We've opened up a lot. Questions? Early part of the questions from the audience?

William Oplinger:
There's one up there.

Matthew Korn:
Yes, sir?

Unidentified Audience Member:
Can you just explain the first leg of what you were talking about with aluminum prices going up or alumina going down? I presume alumina goes down because smelters close, so they demand less alumina. But when smelters close, shouldn't that send aluminum prices up in its own accord? So can you just try and explain the first leg of that, how aluminum prices would go up without smelters closing? I just didn't really follow you.

William Oplinger:
Well, I think smelting has to be curtailed, right? So I think your point's a valid one. There will be capacity that is under water that will be curtailed that will then drive aluminum prices up, or should drive aluminum prices up, theoretically.

Unidentified Audience Member:
Okay, thanks. And just on supply as you look out for the next 18 months, you know, we saw an announcement from Guinea building a new plant, alumina refinery, some of the restarts in Jamaica, you know, your labor issues, which—sorry, labor issues, your South American Alunorte. Where do you kind of see prices, if you're kind of able to kind of—together going out the 18 months?

William Oplinger:
Yeah, so just to be clear, we don't project prices. We provide a supply/demand view. In '18, both for alumina and aluminum, we are projecting both to be in deficit. There was a range given for both of those, but approximately 1 million metric ton to be in deficit. We'll provide an updated guidance for supply/demand for the industry in January of '19. We've not gone out with our view.

Some of the things that are going on in the industry: We've seen less supply growth in China, you know, absolute supply growth in China than what we had seen in prior years, and that's new capacity coming online. In net, net I think we'll see about 1 million metric tons of new supply growth in China, year-over-year. We're seeing the Chinese go farther afield for bauxite, and that's your reference to the new refinery potential in Guinea. We're starting to see the Chinese build extensive supply networks to Guinea to bring bauxite in, and now they're discussing potential refineries in Guinea.

And then, the other big impact on the global balance of alumina is what happens with Alunorte, right? So you know Alunorte has been down at a 50 percent capacity level during the course of this year. That takes about 3 million metric tons out of the market. That's 3 million metric tons out of a 130 metric ton market, so it's fairly sizeable. We'll provide better insight in January.

Unidentified Audience Member:
Sure. And the Guinea development, is that funded—when China buy and funds that, is that on a cost of capital, or is that on some 5 percent IRR or 0 percent IRR type China investment?

William Oplinger:
I don't know. You'd have to ask them what they're thinking as far as what type of returns they're expecting in Guinea.

Unidentified Audience Member:
Okay, thank you very much.

William Oplinger:
Sure.

Matthew Korn:
Ma'am, I think you had a question.

Unidentified Audience Member:
Hi. Can you talk about your expectation for demand for next year—this year, as well as next year? If you could give us a little bit more color of each underlying sector and then your expectation of the current trade war, or trade discussion, that's going on between China and the US. And then, I do have another follow-up in terms of environment regulation-driven CapEx spending in China after your demand comment. Thanks.

William Oplinger:
Right, so we lowered our global demand growth by 0.5 percentage point. My recollection is we took it down to around 4 percent globally in the third quarter. The reason why we took that global demand growth down is that we saw, specifically in the transportation side in Asia, transportation demand growth was down, and we saw a couple of other sectors that negatively impacted some of that demand growth.

As far as some of the trade items that are ongoing, you know, I guess our view is that we are heavily pro-free trade. We believe that we can be successful globally without tariffs. And our view is that some of the trade wars have put a damper on some of the demand growth that we've—that we were projecting. Specifically, if you're wondering around how the Section 232 sanctions impact us, we get a little bit of a benefit in the near term from the Section 232 sanctions because Midwest premiums are a little bit higher, but we would actually like to see Canada be exempted from the 232 premiums—from 232 tariffs, also.

So, in the end, we would like to see a level playing field between us and China, and you know, we thought we were getting some progress with some of the winter curtailments that were ongoing and some of the environmental restrictions that were put into place. We've seen a little bit of that backslide this year.

Unidentified Audience Member:
And 2019?

William Oplinger:
Again, we'll come out with our 2019 view in early January.

Unidentified Audience Member:
Got it. And then, just back to the environmental upgrades that we are seeing, at least in the steel space, and I was wondering if something similar has been happening in the smelter or even refinery space. And if so, is that CapEx, on a per-ton scale, large enough to impact margins, both for refineries and smelters across China? Thank you.

William Oplinger:
The overall story in China is around both the winter heating season curtailments and a focus on trying to become more environmentally compliant. The big costs that new capacity has been facing in China—and just to put it in perspective, the Chinese have a significant capital advantage in both smelting and refining versus the rest of the world. You know, I was in a smelter, a competitive smelter, probably a year ago that they were claiming was built at $1,000 to $1,500 a ton of smelting capacity. Globally, competitive smelting capacity is probably costing $5,000 to $6,000 a ton outside of China, so they have significant advantages.

However, as they become—need to become more environmentally compliant, that will add capital costs. We don't have a definite answer of how much capital cost that is. And then, just recently, the transferring of environmental quotas, right, to be able to run the plants, is adding additional cost to their new capacity. The most recent quotas were sold at close to $1,000 a ton for new capacity. So if you think about that, if their capital cost is $1,000 to $1,500 a ton, and they're having to buy quotas for the environmental side, right to operate, they're spending an additional $1,000. Their capital costs are coming up, but still not approaching Western world capital costs.

Matthew Korn:
How do you feel right now about Alcoa's position on the smelter cost curve? I mean, that's been a big part of your strategy in terms of simplifying, reducing costs of the new company has been to get you an advantaged place in the cost curve. So, like alumina aside, and with things like what you're doing in Spain—and if there's any update there, we'd love to hear that, too—you know, how do you feel about where you are today? How much more work do you think you need to do? How much work could you do at this point?

William Oplinger:
Yeah, so currently, we're sitting in the third quartile on the smelting cost curve. We were in the second quartile last year this time. We've moved up on the cost curve. The big driver behind that is that the historical relationship of alumina costs, inside and outside of China, has flipped, right? Historically, China was more expensive to have alumina in China. That has flipped to be less expensive than the rest of the world. That moved us up on the cost curve, moved them down on the cost curve. If that relationship were to flip back, we'll go right back to the second quartile.

I would say we're never completely pleased with where we are on the cost curve. We would like to see improvement on the cost curve. However, a lot of the big moves that we've made on the cost curve have been made over the last decade. We closed roughly 1 million—closed or curtailed roughly 1 million metric tons of capacity over the last 10 years.

Regarding Spain, no update on Spain. To be clear, we've entered into a dialogue with the unions around collective dismissal. It's a very formal process. We will follow that formal process and see it through to the end. But at this point, we're just in dialogue with the unions around collective dismissal.

Matthew Korn:
On that same front, could you remind us, as we think about your smelting portfolio, we think about the assets you have around the globe, how are you positioned in terms of stability in your power contracts, right, which outside of alumina, are I think one of the more distinguishing forces is putting you at the different stages and different places along the cost curve. Is there anywhere where you face expiration, renegotiations, where there might be an opportunity, you know, let's say over the next year or two? Anything there?

William Oplinger:
So, smelting is a big piece of the cost for—I'm sorry, power is a big piece of the cost for smelting. We're in a pretty good shape on our smelting—on our power contracts. We have a couple of upcoming negotiations—a couple of upcoming expirations of power contracts. One's in Massena, New York. That expires in the first half of next year. We'll have to go into

negotiations with the New York Power Authority to see where we get there. You know that New York has been very committed to maintaining a smelting capacity in New York, so I'm confident that we should be able to get a reasonable deal there.

Our big power contracts in Norway expire next year. You've probably seen in the press that we've done a lot with wind power to reposition those power contracts, so we should be in pretty good shape in that area, also.

You know, we've talked at length about the smelting cost curve. Just to be clear, so that everybody knows, we have three businesses, right? So we've got the three businesses, Bauxite—we ship around 48 million metric tons of bauxite globally, have a first-quartile cost position in bauxite. In refining, we ship around 13 million metric tons annually. We've got a strong first-quartile refining position, and then the smelting position is third quartile. And should not forget that we have one rolling mill that we own 100 percent and another rolling mill that we own 25 percent, so we do our rolling in North America and Saudi Arabia.

Matthew Korn:
I think that prompts an interesting question, which is, you know, when we look upon your EBITDA sensitivity to the various volatile commodities to which you have exposure, I still find that a lot of investors are actually quite surprised just how sensitive you are to the alumina price. And they're also sensitive to see just how net long you are and how much alumina you're actually moving into the market. Am I correct in saying, ex-China , you are the largest merchant supplier of alumina?

William Oplinger:
Yeah, I believe so. I mean, I think we used to be the largest in the world. I think Chalco has probably surpassed us at this point. And to put it in perspective just real briefly, we make 13—and when I say we, I refer to AWAC, which is a 60/40 joint venture between us and our partner, Alumina Limited. We make 13 million metric tons of alumina a year. We use around, depending on what year it is, between 4.5 and 5 million metric tons within the Alcoa system. That makes us long by 8 million metric tons. Can be somewhat misleading in that, you know, we only get the benefit of 60 percent, whereas we use, you know, the 5 million metric tons, but you have to work through that math.

Matthew Korn:
For all that we've seen with the aluminum market this year, RUSAL, Alunorte, the flip in terms of the Chinese positioning in terms of import and export, it seems as though the market has somewhat gotten a realization that the amount of spare capacity within the aluminum and refining sector itself is not as broad, right? And people had always focused on smelter capacity and utilization rates and what China had, and everything else, but alumina I think had been—attention had been paid under—has been too low. Does this, does the potential for alumina prices, no matter what may happen down in Brazil, being higher for longer—or does this offer you any potential or any thought around expanding, increasing the leverage that you've got? It's a very, very profitable division for you and your partner. You know, what could you do? What would you do? Does this year—brought that to the forefront at all?

William Oplinger:
Yeah, so let me back up just one step, because it's interesting dynamics that you kind of touched upon. When you look at the smelting business versus the refining business, people will

often say to us, why did you change the pricing mechanism between the refineries and the smelters?

Matthew Korn:
The old 18 percent.

William Oplinger:
The old percent of LME that existed for the first 100 years of this industry, or 120 years of this industry. Last year was a great example of why we changed the pricing mechanism between the two. Last year was a year where you clearly see there was very different dynamic—I say last year; 2018—very different dynamics between the refining business and the smelting business. And the real difference between the two businesses—I mean, there's loads of differences, but one of the defining differences between the two businesses is the ability to store inventory, right? So when you look at the smelting business, you can build inventories, and we saw massive inventory builds during the global financial crisis, and we have come down off of those consistently over the last decade, all right? So we have significantly less inventory in the world than what we used to have, especially on a days basis.

But on the alumina side, you can't store inventory, right? It's very, very difficult to store inventory. So you see in a year like this year, where you have some supply issues, specifically at Alunorte, potentially at RUSAL, even our own, right? We've had some production issues in the last couple of quarters. You can see fly-ups in alumina prices.

So to get to your question, we look at a long-term pricing assumption, all right? So we build in a long-term pricing assumption into any of our analysis to look at potential growth opportunities, and that long-term pricing assumption doesn't really fluctuate that much over the years. Right? I mean, we analyze it from time to time, but we're not making big investments based on current alumina prices.

To give you an even more longwinded answer, I mean, we've got brownfield opportunities, so we've got brownfield opportunities at two refineries in Western Australia, Wagerup and Pinjarra. We've got a brownfield opportunity in Sao Luis down in Brazil. And we'll look—over the coming years, we'll look at greenfield opportunities, and the logical places for greenfield opportunities are places like Indonesia, potentially Guinea. Those are the two that jump to mind.

Matthew Korn:
Okay. I'm going to again scan to see if we have any questions that have come up, again, from the audience, per chance. Yes, sir.

Unidentified Audience Member:
You didn't mention your curtailed alumina asset in the US Gulf. Is that permanently shuttered, or is that curtailed?

William Oplinger:
It is curtailed. It is not permanently closed. We constantly evaluate whether we would restart that facility, but a lot of parameters go into that decision. What are some of the parameters in that decision? It would be fairly expensive to restart that facility. We haven't put a number out there, but I think it would be fair to say it would be $50 to $100 million to restart that facility. Once we restart that facility—well, once we start restarting it, it would probably take us a year to

fully ramp up, and we would have to be projecting, you know, continued deficits in the alumina market to get comfortable. And at the end, that was a fairly high-cost facility, right? It's a six-unit facility. It's got a fair amount of complexity to it, and it uses imported bauxite, right? So you know the most cost-competitive refineries in the world sit right in the mine mouth of bauxite. They don't ship dirt all around the world to get to them, and in the case of Point Comfort, it used imported bauxite.

So those are the things that go into our decision to either hold it, restart it, or close it. At this point, it's in a curtailed state. We'll continue to evaluate whether we restart, keep it curtailed, or close it.

Matthew Korn:
Anything else in the room? All right, I'm going to build up on that question and ask, you know, I have—there are a lot of smart people who have very, very different views on where they believe the tariffs and the quotas would actually go, and their persistence, and their extensions. I'm not going to ask you your view on what you think is going to happen there, but I do wonder—

William Oplinger:
You can ask that. I might not answer.

Matthew Korn:
Yeah, true; I may try you later. Do you believe that conditions within the States, given the way that they currently have been outlined, given the current—how do I say—willingness of the power companies to accommodate and maybe look and see, expand their own customer base—I don't know how they see it. One thing that you had pointed out, and I think you pointed it out consistently over the past few quarters, is like, look, whereas you appreciate the attempts from the administration to support the business, we don't necessarily think this is the best way to go about doing it, and that basically, there's other, much more important fundamental questions that have to be answered, particularly I think on the power and the cost side, before you see a real buildout in terms of the US's smelter capacity.

William Oplinger:
Right.

Matthew Korn:
You know, do you see anything taking shape? Are there any early innings? Is there any indication that you can see, which to say, you know what, this is something that could get some momentum, that we could see more than the restarts seen before, or even for yourself? You know, you've talked about the potential restart for one of these assets and some of the others, where, again, you may not be advantaged in terms of your power contracts. But, greenfield elsewhere, I mean, are these things that you think are—have any potential?

William Oplinger:
Yeah, so you almost have to—you always have to look at the US in relation to the entire global industry. There are a series of things that you need to build any greenfield smelter, and so, let's put aside the US for a second, but what do you need to build a successful greenfield smelter? You need a good energy contract. All right? When I think of the US, that's potentially there today. You know, energy situation has gotten pretty favorable in the US. You need a good administrative, legislative system, right? The US has that. The big one that the industry has yet

to solve is low enough capital costs in order to make a return in the smelting business on greenfields, outside of China. Right?

We've seen most of the greenfields that are built in smelting all to be in China, and that's because they've had significantly lower capital costs. When you compare a capital cost, and let's inflate it a little bit—let's say the capital cost for a smelter in China is $2,000 a ton, versus a capital cost in the Middle East, in other parts of the world that's $5,000, $6,000, $7,000 a ton. Hard to get a return on $5,000 or $6,000 a ton.

And so then, when you bring it back to the US, the US has the legislative framework, the administrative framework. The US has pretty good energy, but like the rest of the world, ex-China, capital costs have to come down. And, you know, we just launched a joint venture partnership between us and Rio, with Apple's assistance, on a low-carbon solution. That would bring capital costs down. That would bring operating costs down and potentially could change the game, but it's still a few years away.

Matthew Korn:
Okay. Talk a little bit as we're kind of winding down the time, a little bit on capital allocation, balance sheet—your area. You just reinstituted a buyback program this past quarter. So, you know, how, as we think about over the next year, year and a half, you know, do you prioritize those kind of capital returns versus continued deleveraging, versus the continued work that you're doing on the pension? And then, you know, frame it this way: I think next year, whatever things happen with terms of price, you generate another $3 billion in EBITDA, you know, what kind of free cash flow would that kind of throw off, and then, how would you go about using that?

William Oplinger:
Yeah, well let's go back to November of '16. We launched the company in November of '16 when we broke up Alcoa Inc. Just for those of you who don't follow us closely, we used to be Alcoa Inc. We broke into Arconic and Alcoa Corp. We had three strategic priorities coming out of that separation. One of those strategic priorities was to strengthen the balance sheet. We did a lot of that over the last couple of years. We've done so much of that, that we actually took a little bit of a pivot toward the beginning of this year, where we actually started to talk about returning cash to shareholders. It was fundamentally different than what we had said back in November of '16, so we've made a lot of progress on our balance sheet.

So, specifically, what have we done? When we started the company, we probably had pension/ OPEB liability of $3.5 billion and another $1.5 billion or so of funded debt, and at the time, we had $1 billion of EBITDA, so we had a rough ratio of 5x debt-to-EBITDA.

Fast forward to today. We have our pension and OPEB liability down to $2.2 billion, so this year, we've been able to take out over $1 billion of pension and OPEB liability. Funded debt sits at about $1.8 billion, so the combination of the two is now down to about $4 billion, but yet our EBITDA guidance this year has been—I think the last guidance we gave was $3.1 to $3.2 billion, so significantly improved the company.

When—at the beginning of this year, we came out with a capital allocation program. It had a half a dozen items to it. First is to maintain cash on the balance sheet of $1 billion. We're in a cyclical business. Aluminum and alumina prices go up and down. We want to have the flexibility to be able to weather the downturn when it comes again. Secondly, sustain the operations. We spent about $300 million of sustaining capital each year. We have small-return growth projects. These small-return projects generally deliver between 20 and 40 percent IRRs. Wanted to spend $150 million this year; we're probably only going to spend $100 million.

We wanted to spend $300 million on optimizing the liabilities that we had. All right, what does that mean? We've put $200 million extra into the pension and did an annuitization in the pension. To be clear, we started the year with around 50,000 retirees, right? Put that in perspective. We've got 16,000 active Alcoans, we've got 50,000 retirees. We went through an annuitization program in our pension this year that eliminated 10,000 of those retirees, and when I say eliminated, took them to insurance companies, so they're very well taken care of, but put that liability and the assets to the insurance companies.

So, we've been able to do all of that, and at the end of the third quarter, we said hey, we've achieved all of our items on our capital allocation program. At this point, we announced the $200 million share buyback. As we roll into 2019, all right—that program that we put in place was a 2018 program—we are in the process of evaluating what capital allocation program we will launch in 2019, and we'll announce that in 2019. But if I had to give you a hint, I think it will still be some balance between delevering and potential return to shareholders. And I would like to see us delever a little bit more, just because we run the company fairly conservatively.

Matthew Korn:
Last one I have from me is this: You mentioned before, again, your partner in terms of the alumina through AWAC. Any change in the relationship with Alumina Ltd. that would either be desirable or expected? You know, one of the things that I—a question that I often get from investors is, it's been interesting, right? You've got a JV partner who's publicly traded, right? And, you know, they have their own multiple—they have their reasons for it, again, in Australia. So people wonder, like, you know, how much—when we value Alcoa, when we look at all the different pieces, we look at this 100 percent basis, we look at the attributable basis, we look at the balance sheet on an attributable basis and all the rest, and I think it adds a little bit of noise, but I think people are somewhat aware of it. But is there any change that you think that we should see, anything that you would like to see? Would you like one day for this to be all Alcoa? What's your view there?

William Oplinger:
Yeah. Really, there's kind of two questions embedded in that, and I'll try to address both those questions.

Matthew Korn:
Okay. All right.

William Oplinger:
We have a good relationship with the Alumina Limited guys. You know, there was a little bit of strain on the relationship in the separation. If you go back and do the research, there was some strain during the separation in that there was a contention that they had the right to consent.

Yeah. We worked through that, and we got to separation. In that process, they gained some rights, and it's all clear. They gained a better dividend policy, which quite honestly, is better for both of us, and they gained some supermajority rights.

That's long history. That's two years ago. We've got a good relationship with them. Quite honestly, in their current configuration, I think they add some value to the JV, right? We meet with them a couple times a year. They've got good ideas. They canvass the world on what's going on in the world. They spend a lot of time trying to understand what goes on in the market, and I think they add value to the joint venture. So, never say never, but at this point, you know, things are pretty good.

The question that was embedded in there, right, is a valuation question, and you know, we listen to our shareholders, and we've had a lot of questions around how do we help people better understand the valuation of the company. So if you go back and look at our decks over the last year, we have started to go out with a valuation model that essentially says, this is how you should value our company, all right? And there's a slide that we use consistently that essentially says, hey, you know, look at the bauxite and the alumina business, and there's a very good comparable out there, and that's Alumina Limited. And we should at least get their valuation, right? And I say at least get their valuation because we've got control, right? So that's easy to do.

On our smelting business, you know what the EBITDA of our smelting business is. You know how that disaggregates between smelting, energy, and rolling, because we provide all that information to you. Go out and look at comparables on smelting and rolling, and you can easily do the math there.

And then, people sometimes get confused below that. You've got corporate costs, which are very easy to identify. We've given you much better guidance and transparency around the pension costs, the minority interest piece, and so we've laid out that valuation framework.

Is it perfect? Probably not, but at least allows you to be able to look at the valuation and determine whether you think the price on the screen is a fair valuation.

Matthew Korn:
Fair enough. And with that, with just a few minutes before the next session is one last chance. If there's any questions for Bill from Alcoa, we'll take them. Yes, sir, one more back here.

Unidentified Audience Member:
You said you couldn't make a prediction on Canada's duty status into the US, but can you at least speak to whether there are still discussions ongoing with the Treasury?

William Oplinger:
I can't speak to that because I don't know, but let me give you a couple of data points that may be of interest. We firmly believe that, as part of the USMCA, Canada should have the 232 tariffs—be exempted from those tariffs. The US is what—the US consumes around 5 million metric tons of aluminum. I think we're about 4 million metric tons short. Most of that aluminum comes from Canada, and we think that it's better for the US industry to be able to get that aluminum from Canada, tariff-free.

Put it in perspective for us, you know, if we were to get those tariffs eliminated, if we were to get exempted from the Canadian tariffs, it's probably about $150 million annually of EBITDA, so it would be favorable for us, and we also believe it's good for the industry.

Matthew Korn:
Thank you very much for being here.

William Oplinger:
Thank you.

Matthew Korn:
Everyone, thank you for participation.

William Oplinger:
Thank you very much.

Matthew Korn:
Again, much appreciate you being here and participating in the conference. Thank you.