



***KAISER***  
***ALUMINUM***

**KAISER ALUMINUM TO  
ACQUIRE ALCOA  
WARRICK, LLC**

November 30, 2020



# FORWARD LOOKING STATEMENTS

The information contained in this presentation includes statements based on management’s current expectations, estimates and projections that constitute “forward-looking statements” within the meaning of the Private Securities Litigation Reform Act of 1995. Such statements include statements regarding the company’s anticipated financial and operating performance, relate to future events and expectations and involve known and unknown risks and uncertainties, including but not limited to (i) the satisfaction of closing conditions, (ii) the successful integration of the acquired operations and technologies, and (iii) the impact of extraordinary external events, such as the current COVID-19 pandemic, and their collateral consequences. The company cautions that such forward-looking statements are not guarantees of future performance or events and involve significant risks and uncertainties and actual events may vary materially from those expressed or implied in the forward-looking statements as a result of various factors. For a summary of specific risk factors that could cause results to differ materially from those expressed in the forward-looking statements, please refer to the company’s reports filed with the Securities and Exchange Commission, including the company’s most recent Forms 10-Q and 10-K. All information in this presentation is as of the date of the presentation. The company undertakes no duty to update any forward-looking statement to conform the statement to actual results or changes in the company’s expectations except as may be required by law.

# NON-RUN-RATE ITEMS

Non-run-rate items to us are items that, while they may recur from period to period, (1) are particularly material to results, (2) impact costs as a result of external market factors and (3) may not recur in future periods if the same level of underlying performance were to occur. These are part of our business and operating environment but are worthy of being highlighted for the benefit of the users of our financial statements.

Further, presentations including such terms as net income, operating income, or earnings before interest, tax, depreciation and amortization (“EBITDA”) “before non-run-rate”, “after adjustments” or “adjusted”, are not intended to be (and should not be relied on) in lieu of the comparable caption under generally accepted accounting principles (“GAAP”) to which it is reconciled. Such presentations are solely intended to provide greater clarity of the impact of certain material items on the GAAP measure and are not intended to imply such items should be excluded.

# NON-GAAP FINANCIAL MEASURES

This information contains certain non-GAAP financial measures. A “non-GAAP financial measure” is defined as a numerical measure of a company’s financial performance that excludes or includes amounts so as to be different than the most directly comparable measure calculated and presented in accordance with GAAP in the statements of income, balance sheets or statements of cash flow of the company. Pursuant to the requirements of Regulation G, the company has provided a reconciliation of non-GAAP financial measures to the most directly comparable financial measure in the accompanying tables.

The non-GAAP financial measures used within this presentation are value added revenue, EBITDA, Adjusted EBITDA, operating income excluding non-run-rate items, adjusted net income and earnings per diluted share, excluding non-run-rate items and ratios related thereto. These measures are presented because management uses this information to monitor and evaluate financial results and trends and believes this information to also be useful for investors.

# TRANSACTION SUMMARY

- Kaiser Aluminum (“Kaiser” or the “Company”) has signed a definitive agreement to acquire Alcoa Warrick LLC, containing all of the assets of the Warrick Rolling Mill (“Warrick”, or the “Rolling Mill”) for a purchase price of \$670 million
  - Implied multiple of ~7x LTM<sup>(2)</sup> Adjusted EBITDA<sup>(1)</sup>
  - Alcoa will be retaining the smelter, power plant and land assets at Warrick
- The transaction will be funded with ~\$587 million of existing cash on hand and the assumption of ~\$83 million of other post-employment benefits (OPEB) liabilities
- Kaiser will enter into agreements with Alcoa for the supply of molten metal at market prices, a long-term ground lease with provisions for utility services and a customary Transition Services Agreement
- The asset is highly strategic to Kaiser, providing the Company with an entry into the North American can and packaging industry
  - Represents non-cyclic end-market diversification to complement Kaiser’s existing cyclic end-markets
- Kaiser will maintain a conservative balance sheet, with pro forma LTM net debt leverage of 2.6x at close, expected to decline to below 2.0x by the end of 2023
- The transaction will be immediately accretive to earnings and provide positive free cash flow, with significant tax savings anticipated due to a step-up in tax basis
- Expected to close at the end of Q1 2021, following the completion of customary closing conditions and regulatory approvals

# WARRICK OVERVIEW

- Warrick is a leading producer of can stock for the beverage and food packaging industry in North America
- Warrick shipped over 675 million lbs. of aluminum in LTM<sup>(1)</sup>, of which ~60% was high-margin coated packaging products
- One of four major aluminum rolling mills currently dedicated to the packaging industry in North America
- Rolling mill includes one of the world's largest ingot casting facilities, hot and cold rolling and coated finishing capacity
- Products include: coated food stock, coated end stock, can body stock, bottle stock, tab stock, closure stock
- Annual finishing capacity: ~800 million lbs.
- Located adjacent to the Ohio River in Warrick County, IN

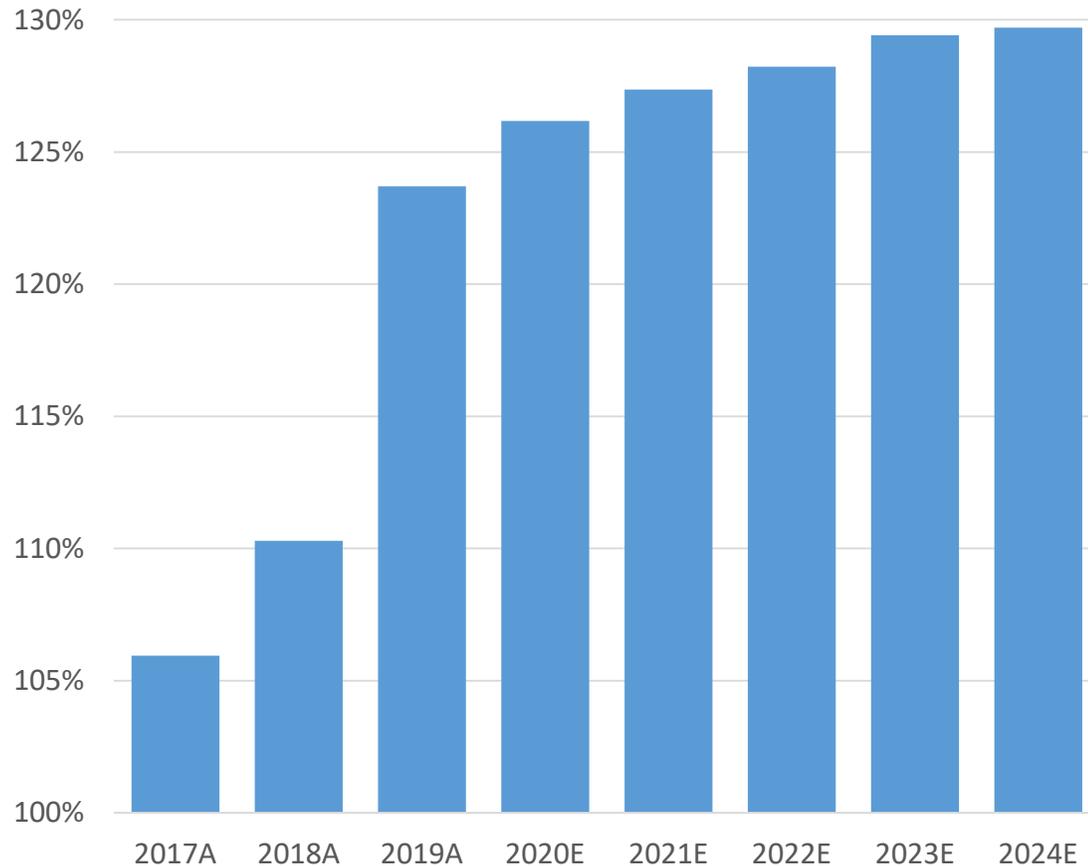


# STRATEGIC RATIONALE

- ✓ Provides Kaiser with non-cyclic end market diversification and entry into the packaging end market
- ✓ Strong secular demand growth with aluminum positioned as the leading recyclable material for the beverage and food industries
- ✓ Supply of North American can stock is expected to remain in deficit in part due to industry-wide shifting of capacity towards other end markets
- ✓ Generates more predictable earnings and cash flow due to non-cyclic nature of packaging business
- ✓ Secured by multi-year contracts with blue-chip customer base
- ✓ Pass-through metal pricing mechanisms provide for very stable cash flow generation
- ✓ The transaction will be immediately accretive to earnings and generate positive free cash flow
- ✓ Pro forma for the transaction, Kaiser will continue to maintain a strong balance sheet and with increased scale further strengthens its financial profile

# FAVORABLE INDUSTRY DYNAMICS

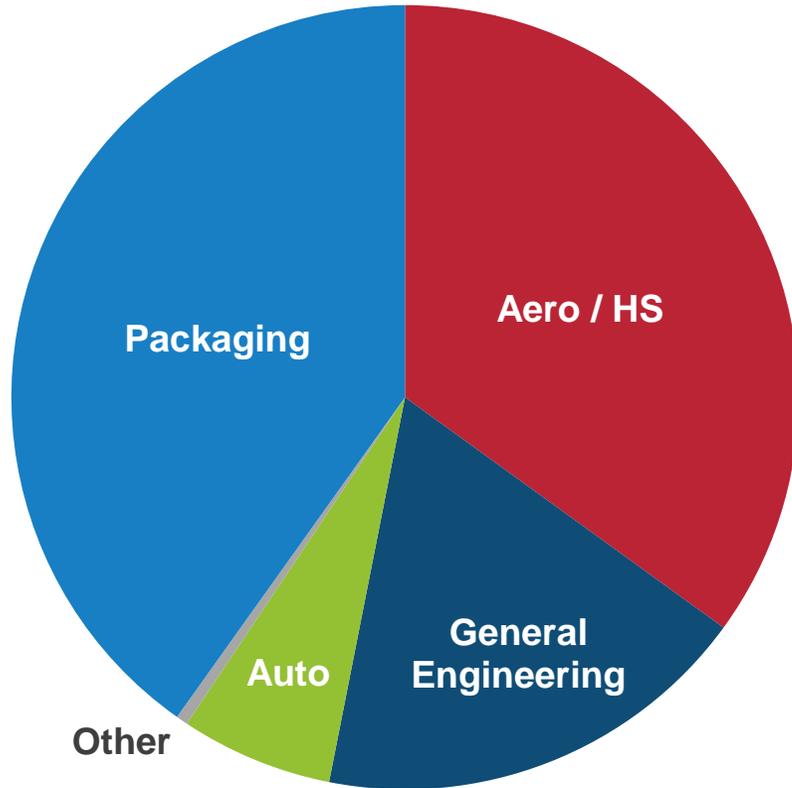
## North American Can Stock Consumption as % of Production



- Aluminum can stock demand is driven by the packaging industry's shift towards aluminum, which is infinitely recyclable and has the highest consumer recycling rate among beverage containers, as a more environmentally sustainable material
  - Major players have already transitioned some plastic bottled water and carbonated soft drink production to aluminum
  - Further growth underpinned by growing consumer preference for craft beer and spiked seltzer
- North American packaging capacity has been reallocated towards other end markets, including automotive and industrial

# DIVERSIFICATION OF END MARKETS

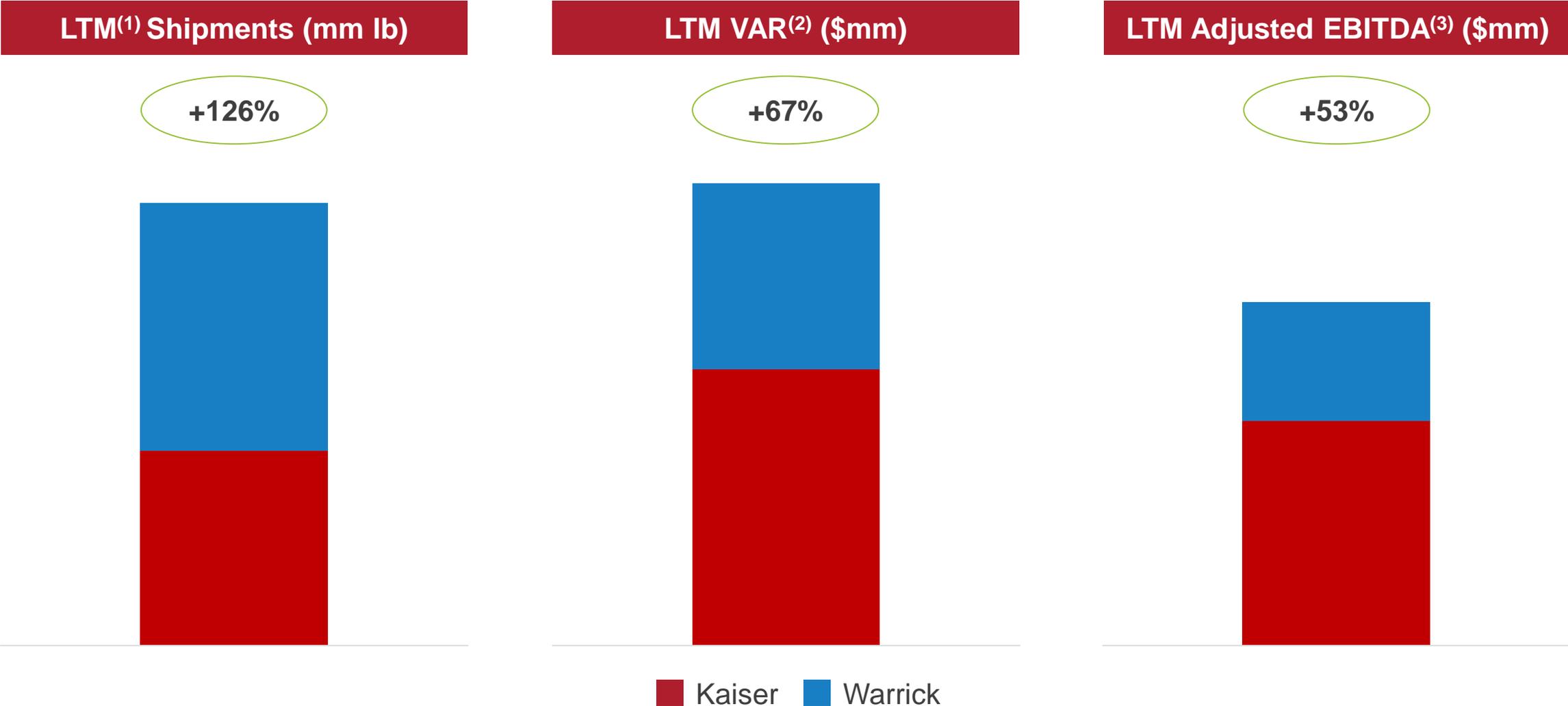
## Pro Forma LTM<sup>(1)</sup> VAR<sup>(2)</sup> by End Market



## End Market Drivers

- **Packaging:** Sustainability-driven conversion from plastic to aluminum beverage and food cans
- **Aerospace:** Secular growth in global passenger air travel
- **Automotive Extrusions:** Light weighting of vehicles to achieve increased fuel economy
- **General Engineering:** North American industrial demand and continued trend to re-shoring for domestic supply

# SIGNIFICANTLY INCREASES KAISER'S SCALE



Source: Company filings, Warrick materials.  
 (1) LTM = Last twelve months as of September 30, 2020  
 (2) Value Added Revenue (VAR) = Net Sales less the hedged cost of alloyed metal  
 (3) Adjusted EBITDA = Consolidated Operating Income before non-run-rate items plus Depreciation and Amortization

# CONSERVATIVE LEVERAGE, STRONG LIQUIDITY

<i>(\$mm, unless noted)</i>	Total Debt <sup>(1)</sup>	Net Debt <sup>(1)</sup>	LTM Adjusted EBITDA <sup>(2)</sup>	Net Debt/LTM Adjusted EBITDA Ratio (x)	9/30/2020 Liquidity <sup>(3)</sup>
<b>Current</b>	<b>\$858</b>	<b>\$108</b>	<b>\$176</b>	<b>0.6x</b>	<b>\$1,003</b>
<b>Pro Forma</b>	<b>\$858</b>	<b>\$695</b>	<b>\$269</b>	<b>2.6x</b>	<b>\$530</b>

- Acquisition funded with cash from the balance sheet and the assumption of certain liabilities
- Immediately accretive to earnings
- Pro Forma net debt leverage expected to decline to below 2.0x by the end of 2023

# SUMMARY COMMENTS

Provides Kaiser a highly attractive asset in the growing N.A. packaging end market

Complements existing aerospace, automotive and general engineering end markets

Significantly enhances, diversifies and reduces cyclicity of Kaiser's portfolio

Generates positive cash flow and is immediately accretive to earnings

Provides excellent long-term growth opportunities and synergy with existing operations



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The logo is set against a semi-transparent white background that covers the left half of the image. The background image shows a worker in a white hard hat and safety vest in an industrial setting.

**APPENDIX**

The text is centered on a semi-transparent white background that covers the left half of the image. The background image shows a worker in a white hard hat and safety vest in an industrial setting.

# RECONCILIATION OF NET SALES TO VALUE ADDED REVENUE (UNAUDITED)

	LTM <sup>4</sup>		
	Kaiser	Warrick	Combined
<b>Net Sales (\$mm)</b>			
Aero & High Strength	\$ 657.9	\$ -	\$ 657.9
General Engineering	442.4	-	442.4
Automotive Extrusions	154.8	-	154.8
Other Applications <sup>1</sup>	14.3	-	14.3
Packaging	-	1,113.4	1,113.4
<b>Total</b>	<b>\$ 1,269.4</b>	<b>\$ 1,113.4</b>	<b>\$ 2,382.8</b>
<b>Hedged Cost of Alloyed Metal<sup>2</sup> (\$mm)</b>			
Aero & High Strength	\$ 214.2	\$ -	\$ 214.2
General Engineering	212.9	-	212.9
Automotive Extrusions	75.4	-	75.4
Other Applications	8.2	-	8.2
Packaging	-	604.1	604.1
<b>Total</b>	<b>\$ 510.7</b>	<b>\$ 604.1</b>	<b>\$ 1,114.8</b>
<b>Value Added Revenue<sup>3</sup> (\$mm)</b>			
Aero & High Strength	\$ 443.7	\$ -	\$ 443.7
General Engineering	229.5	-	229.5
Automotive Extrusions	79.4	-	79.4
Other Applications	6.1	-	6.1
Packaging	-	509.3	509.3
<b>Total</b>	<b>\$ 758.7</b>	<b>\$ 509.3</b>	<b>\$ 1,268.0</b>

<sup>1</sup> Includes custom industrial products and billet

<sup>2</sup> Hedged cost of alloyed metal is our Midwest transaction price of aluminum plus the price of alloying elements plus any realized gains and/or losses on settled hedges, related to the metal sold in the referenced period. Note hedged cost of metal ~50% will be molten metal purchase from Alcoa Warrick smelter

<sup>3</sup> Value Added Revenue (VAR) = Net Sales less hedged cost of alloyed metal

<sup>4</sup> LTM = Last Twelve Months, as of September 30, 2020; Warrick LTM adjusted from GAAP for molten metal at market and estimated standalone operating costs, actual results may differ  
Totals may not sum due to rounding

# RECONCILIATION OF REPORTED NET INCOME TO ADJUSTED EBITDA (UNAUDITED)

(in \$ millions)	LTM <sup>1</sup>		
	Kaiser	Warrick	Combined
<b>Consolidated - Reported Net Income</b>	<b>\$12.3</b>	<b>\$65.0</b>	<b>\$77.3</b>
Interest Expense	36.0	0.1	36.1
Other Income	21.1	8.9	30.0
Income Tax Provision	2.8	0.0	2.8
<b>Consolidated - Reported Operating Income</b>	<b>\$72.2</b>	<b>\$74.0</b>	<b>\$146.2</b>
Operating NRR <sup>2</sup> Items			
Mark - to - Market (Gain) Loss <sup>3</sup>	(0.3)	-	(0.3)
Consolidated LIFO to Plant LIFO Adjustments	5.3	-	5.3
Workers' Compensation Discount Rate Effect	1.3	-	1.3
Goodwill Impairment	25.2	-	25.2
Restructuring Charge	12.4	-	12.4
Impairment Loss	1.3	-	1.3
Legacy Environmental	6.9	-	6.9
VEBA Net Periodic Benefit Cost	0.1	-	0.1
Other Income	-	(8.9)	(8.9)
Total Operating NRR Items	52.2	(8.9)	43.3
Consolidated Operating Income before operating NRR	124.4	65.1	189.5
Depreciation & Amortization - Consolidated	51.9	27.6	79.5
<b>Consolidated Adjusted EBITDA</b>	<b>\$176.3</b>	<b>\$92.7</b>	<b>\$269.0</b>

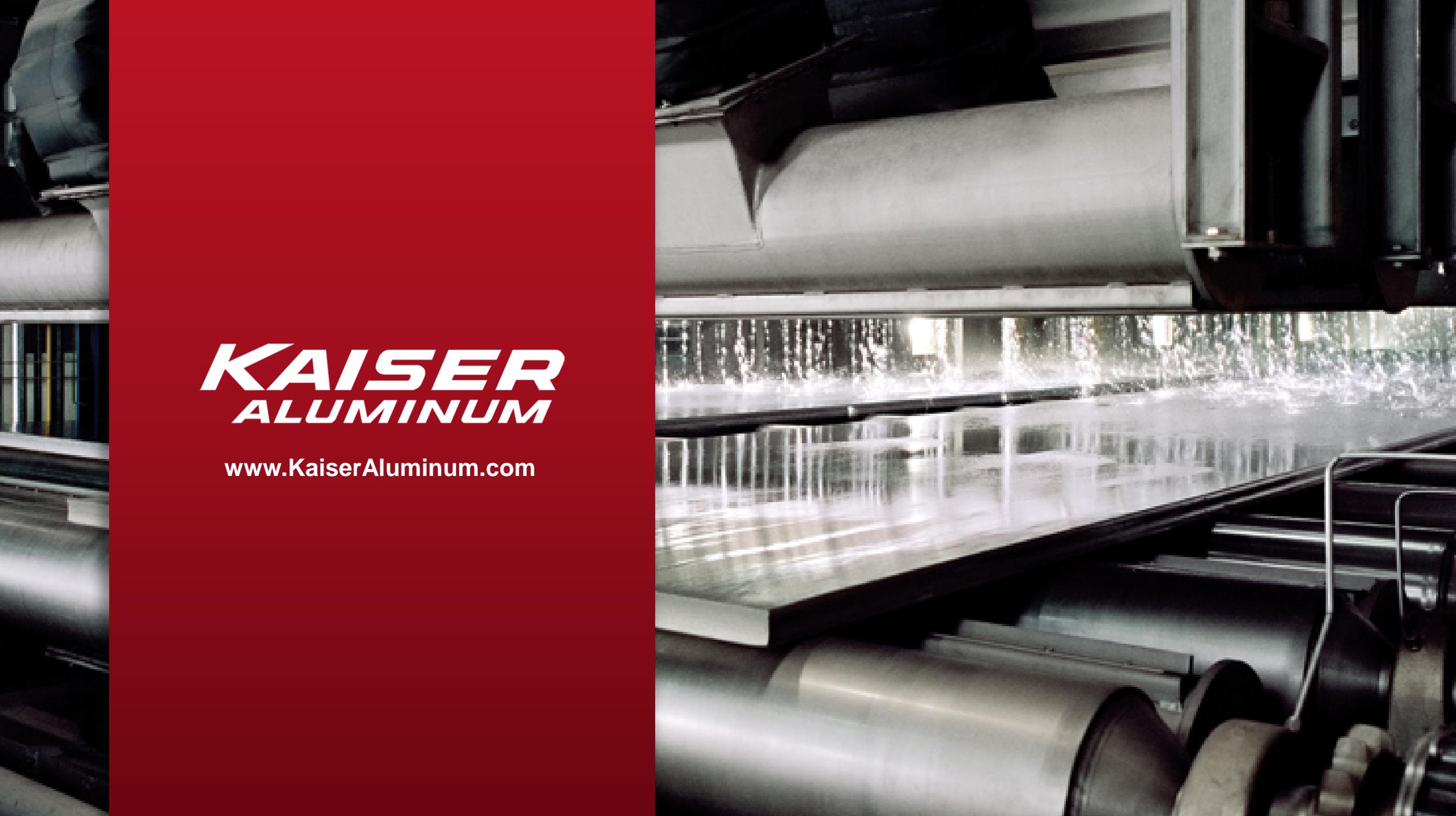
<sup>1</sup> LTM = Last Twelve Months, as of September 30, 2020; Warrick LTM adjusted from GAAP for molten metal at market and estimated standalone operating costs, actual results may differ

<sup>2</sup> NRR is an abbreviation for Non-Run-Rate; NRR items are pre-tax

<sup>3</sup> Mark-to-market (gain) loss on derivative instruments represents the reversal of mark-to-market loss (gain) on hedges entered into prior to the adoption of ASU 2017-12 and settled in LTM.

Operating income excluding non-run-rate items reflects the realized loss (gain) of such settlements.

Totals may not sum due to rounding

The image features a red vertical bar on the left side containing the Kaiser Aluminum logo and website address. The background is a black and white photograph of an industrial aluminum processing facility. Large rolls of aluminum are being processed by machinery, with water sprays visible, suggesting a cooling or cleaning stage in the manufacturing process.

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[www.KaiserAluminum.com](http://www.KaiserAluminum.com)