

First Quarter 2020 Preliminary Earnings Call

John Plant – Chairman and Co-Chief Executive Officer
Ken Giacobbe – EVP and Chief Financial Officer

April 14, 2020



**HOWMET
AEROSPACE**

Formerly Arconic Inc.



Important Information

Preliminary Unaudited Financial Information for 1Q2020

The preliminary unaudited financial information presented herein is based upon information available as of April 14, 2020 and is subject to change and finalization based on completion of all quarter end close processes.

Forward-Looking Statements

This presentation contains statements that relate to future events and expectations and as such constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements include those containing such words as "anticipates," "believes," "could," "estimates," "expects," "forecasts," "goal," "guidance," "intends," "may," "outlook," "plans," "projects," "seeks," "sees," "should," "targets," "will," "would," or other words of similar meaning. All statements that reflect Howmet Aerospace's expectations, assumptions or projections about the future, other than statements of historical fact, are forward-looking statements, including, without limitation, forecasts and expectations relating to the growth of the aerospace, defense, automotive, commercial transportation and other end markets; statements and guidance regarding future financial results or operating performance, including first quarter 2020 results; statements regarding future strategic actions; and statements about Howmet Aerospace's strategies, outlook, business and financial prospects. These statements reflect beliefs and assumptions that are based on Howmet Aerospace's perception of historical trends, current conditions and expected future developments, as well as other factors Howmet Aerospace believes are appropriate in the circumstances. Forward-looking statements are not guarantees of future performance and are subject to risks, uncertainties and changes in circumstances that are difficult to predict, which could cause actual results to differ materially from those indicated by these statements. Such risks and uncertainties include, but are not limited to: (a) the impact of the separation on the businesses of Howmet Aerospace; (b) deterioration in global economic and financial market conditions generally (including coronavirus and its effects, among other things, on global supply, demand, and distribution disruptions as the coronavirus outbreak continues and results in an increasingly prolonged period of travel, commercial and/or other similar restrictions and limitations); (c) unfavorable changes in the markets served by Howmet Aerospace; (d) the inability to achieve the level of revenue growth, cash generation, cost savings, improvement in profitability and margins, fiscal discipline, or strengthening of competitiveness and operations anticipated or targeted; (e) competition from new product offerings, disruptive technologies or other developments; (f) political, economic, and regulatory risks relating to Howmet Aerospace's global operations, including compliance with U.S. and foreign trade and tax laws, sanctions, embargoes and other regulations; (g) manufacturing difficulties or other issues that impact product performance, quality or safety; (h) Howmet Aerospace's inability to realize expected benefits, in each case as planned and by targeted completion dates, from acquisitions, divestitures, facility closures, curtailments, expansions, or joint ventures; (i) the impact of potential cyber attacks and information technology or data security breaches; (j) the loss of significant customers or adverse changes in customers' business or financial conditions; (k) adverse changes in discount rates or investment returns on pension assets; (l) the impact of changes in aluminum prices and foreign currency exchange rates on costs and results; (m) the outcome of contingencies, including legal proceedings, government or regulatory investigations, and environmental remediation, which can expose Howmet Aerospace to substantial costs and liabilities; (n) the possible impacts and our preparedness to respond to implications of COVID-19; and (o) the other risk factors summarized in Howmet Aerospace's Form 10-K for the year ended December 31, 2019 and other reports filed with the U.S. Securities and Exchange Commission (SEC). Expected first quarter 2020 results are subject to change and finalization based on completion of all quarter end close processes. Market projections are subject to the risks discussed above and other risks in the market. The statements in this presentation are made as of the date of this presentation, even if subsequently made available by Howmet Aerospace on its website or otherwise. Howmet Aerospace disclaims any intention or obligation to update publicly any forward-looking statements, whether in response to new information, future events, or otherwise, except as required by applicable law.

Important Information (continued)

On April 1, 2020, Arconic Inc. completed the separation of its business into two independent, publicly-traded companies: Howmet Aerospace Inc. (the new name for Arconic Inc.) and Arconic Corporation. References herein to “Arconic Inc.” refer to Howmet Aerospace prior to the separation. The financial results of Howmet Aerospace prior to April 1, 2020 include the Global Rolled Products business (which became Arconic Corporation as of April 1, 2020).

Non-GAAP Financial Measures

Some of the information included in this presentation is derived from Howmet Aerospace’s consolidated financial information but is not presented in Howmet Aerospace’s financial statements prepared in accordance with accounting principles generally accepted in the United States of America (GAAP). Certain of these data are considered “non-GAAP financial measures” under SEC rules. These non-GAAP financial measures supplement our GAAP disclosures and should not be considered an alternative to the GAAP measure. Reconciliations to the most directly comparable GAAP financial measures and management’s rationale for the use of the non-GAAP financial measures can be found in the Appendix to this presentation. Howmet Aerospace has not provided reconciliations of any forward-looking non-GAAP financial measures to the most directly comparable GAAP financial measures because such reconciliations are not available without unreasonable efforts due to the variability and complexity with respect to the charges and other components excluded from the non-GAAP measures, such as the effects of foreign currency movements, equity income, gains or losses on sales of assets, taxes, and any future restructuring or impairment charges. These reconciling items are in addition to the inherent variability already included in the GAAP measures, which includes, but is not limited to, price/mix and volume. Howmet Aerospace believes such reconciliations would imply a degree of precision that would be confusing or misleading to investors.

“Organic revenue” is GAAP revenue adjusted for Tennessee Packaging (which completed its phase-down as of year-end 2018), divestitures, and changes in aluminum prices and foreign currency exchange rates relative to prior year period. “Adjusted free cash flow” is cash provided from (used for) operations, less capital expenditures, plus cash receipts from sold receivables. Any reference to historical EBITDA means adjusted EBITDA for which we have provided calculations and reconciliations in the Appendix.

Other Information

In the third quarter of 2019, Howmet Aerospace realigned its operations by eliminating its Transportation and Construction Solutions (TCS) segment and transferring the Forged Wheels business to the Engineered Products and Forgings (EP&F) segment (formerly named the Engineered Products and Solutions segment) and the Building and Construction Systems (BCS) business to the Global Rolled Products (GRP) segment. The Latin American extrusions business, formerly part of the TCS segment prior to its sale in April of 2018, was moved to Corporate. In the first quarter of 2019, Howmet Aerospace transferred its Aluminum Extrusions operations from the EP&F segment to the GRP segment. Prior period financial information has been recast to conform to current year presentation.

Legal Separation completed on April 1

Arconic Inc.

EP&F

Engineered Products & Forgings

- Engine Products
- Fastening Systems
- Engineered Structures
- Forged Wheels

GRP

Global Rolled Products

- Global Rolled Products
- Aluminum Extrusions
- Building and Construction Systems

Pre Separation
(1Q 2020)

Post Separation
(starting 2Q 2020)

Howmet Aerospace Inc.
Remain Co.



**HOWMET
AEROSPACE**

(NYSE: HWM)

Arconic Corporation
Spin Co.

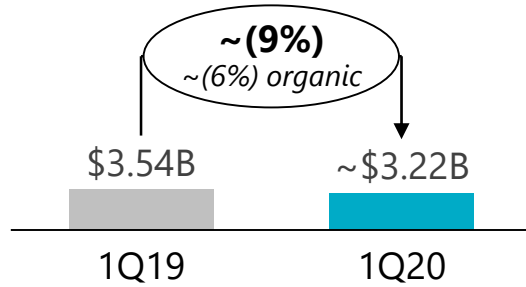


ARCONIC
Innovation, engineered.

(NYSE: ARNC)

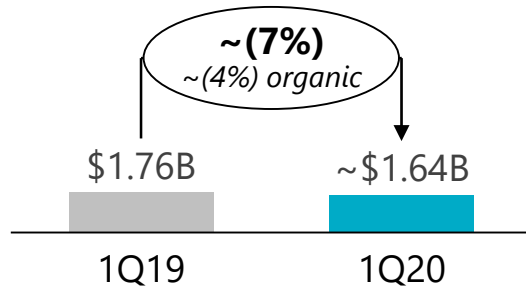
Revenue – 1Q 2020

Arconic Inc. Revenue



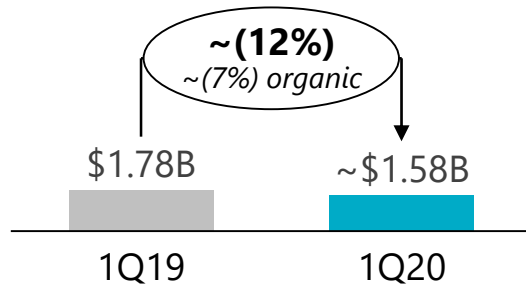
- Revenue expected to decrease ~9% YoY
- Organic Revenue expected to decrease ~6% YoY
- Declines in Commercial Trans, Automotive, and Aerospace driven by COVID-19 and 737 MAX production declines partially offset by growth in Industrial
- Disposals and lower aluminum price

EP&F Segment Revenue



- Revenue expected to decrease ~7% YoY
- Organic Revenue expected to decrease ~4% YoY
- Declines in Commercial Transportation and Aerospace
- Disposals

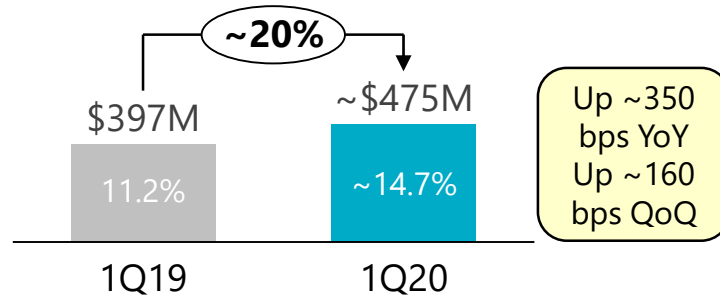
GRP Segment Revenue



- Revenue expected to decrease ~12% YoY
- Organic Revenue expected to decrease ~7% YoY
- Declines in Automotive, Commercial Transportation, and Aerospace partially offset by growth in Industrial
- Disposals and lower aluminum price

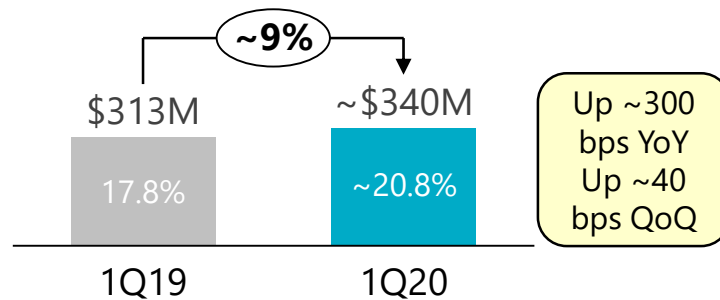
Operating Profit – 1Q 2020

Arconic Inc. Adjusted Operating Profit¹



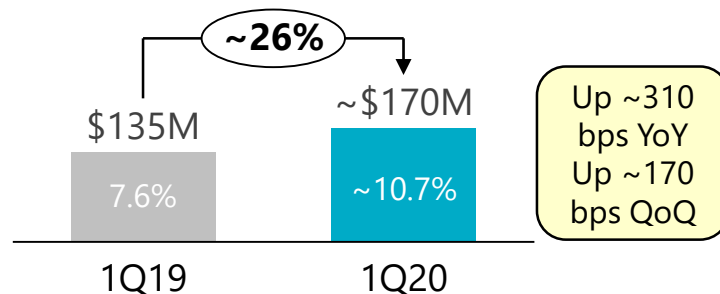
- + Net Cost reductions
- + Lower raw material costs including aluminum price
- + Growth in Industrial volume
- Declines in Commercial Transportation, Automotive, Aerospace
- COVID-19 disruptions in March
- 737 MAX production declines

EP&F Segment Operating Profit



- + Net Cost reductions
- + Lower raw material costs
- + Price increases
- Declines in Commercial Transportation
- Declines in Aerospace

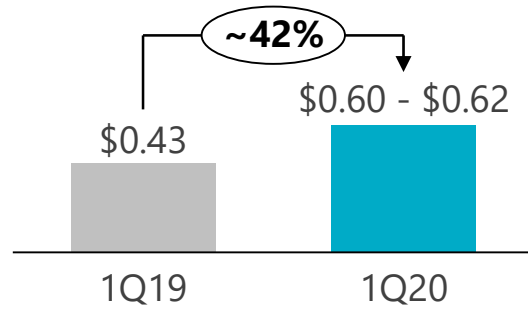
GRP Segment Operating Profit



- + Net Cost reductions
- + Lower aluminum price
- + Growth in Industrial volume
- Declines in Automotive
- Declines in Commercial Transportation
- Declines in Aerospace

Adjusted Earnings Per Share and Special Items – 1Q 2020

**Arconic Inc.
Adjusted
Earnings Per
Diluted Share¹**



- Above high end of guidance of \$0.47 - \$0.53

1Q 2020 Special Items (\$M)

	Income before income taxes ²	Net Income ²	Earnings per diluted share
Expected Preliminary Results To Be Reported		\$205 - \$215	\$0.47 - \$0.49
Costs associated with separation	~\$46	~\$50	
Cost-Out Program / Other:			
Severance costs	~\$20	~\$16	
St. Cosme fasteners / Barberton wheels plant fire costs	~\$11	~\$8	
Other	~\$1	~\$1	
Costs associated with divestitures and shutdowns	~\$2	~\$5	
Discrete and other special tax benefit	N/A	~(\$20)	
Subtotal: Special items	~\$80	~\$60	
Expected Preliminary Results Excluding Special Items		\$265 - \$275	\$0.60 - \$0.62



1) Arconic Inc. 1Q 2020 Diluted EPS (GAAP) expected to be in the range of \$0.47 to \$0.49, 1Q 2019 Diluted EPS (GAAP) = \$0.39

2) () = income to be deducted from Expected Preliminary Results To Be Reported number; + = expense to be added to Expected Preliminary Results To Be Reported number

See appendix for reconciliations

Liquidity

Arconic Inc. (pre-separation)

- 1Q 2020 ending cash balance of ~\$2.65B¹ prior to Separation

Howmet Aerospace (post-separation)

- Current cash balance of ~\$850M after \$1.3B early debt repayment and allocation of \$500M to Arconic Corporation at Separation. More than 2x the amount necessary to fund seasonal working capital changes
- Undrawn five year revolver of \$1.5B

2020 Outlook: Howmet Aerospace

- COVID-19 future impact uncertain and guidance withdrawn
- Commenced plans to reduce costs at Howmet Aerospace by a further \$100M on a run rate basis; incremental to 2019 cost reduction actions
- Evaluating capital expenditure reductions due to lower volumes
- Temporarily suspended dividend to preserve cash & provide additional flexibility



HOWMET
AEROSPACE

Appendix



Reconciliation of Net income excluding Special items

(\$ in millions, except per-share amounts)

	Net income excluding Special items		Diluted EPS excluding Special items	
	Quarter ended		Quarter ended	
	March 31, 2019	Estimated March 31, 2020	March 31, 2019	Estimated March 31, 2020
Net income	\$187	~\$205-215	\$0.39	~\$0.47-\$0.49
Special items:				
Restructuring and other charges	12	~20		
Discrete tax items ⁽¹⁾	1	~(8)		
Other special items ⁽²⁾	12	~55		
Tax impact ⁽³⁾	(4)	~(7)		
Net income excluding Special items	\$208	~\$265-275	\$0.43	~\$0.60-\$0.62

Net income excluding Special items and Diluted EPS excluding Special items are non-GAAP financial measures. Management believes that these measures are meaningful to investors because management reviews the operating results of Howmet excluding the impacts of Restructuring and other charges, Discrete tax items, and Other special items (collectively, “Special items”). There can be no assurances that additional special items will not occur in future periods. To compensate for this limitation, management believes that it is appropriate to consider both Net income determined under GAAP as well as Net income excluding Special items.

⁽¹⁾ Discrete tax items for each period included the following:

- for the quarter ended March 31, 2019, a charge for a number of small items (\$1); and
- for the quarter ended March 31, 2020, a benefit related to stock option windfalls ~(8).

⁽²⁾ Other special items for each period included the following:

- for the quarter ended March 31, 2019, strategy and portfolio review costs (\$6), costs associated with the planned separation of Howmet and Arconic (\$3), legal and other advisory costs related to Grenfell Tower (\$2), and a charge for a number of small tax items (\$1); and
- for the quarter ended March 31, 2020, costs associated with the planned separation of Howmet and Arconic (~\$38), net costs related to fires at two plants (net of insurance reimbursements) (~\$11), tax cost related to capital gains resulting from restructuring steps associated with the planned separation of Howmet and Arconic (~\$11), interest costs associated with the planned separation of Howmet and Arconic (~\$6), an unfavorable tax impact related to the interim period treatment of operational losses in certain foreign jurisdictions for which no tax benefit was recognized (~\$3), and impairment costs at shutdown facilities (~\$5), partially offset by a favorable tax impact resulting from the difference between Howmet’s consolidated estimated annual effective tax rate and the statutory rate applicable to special items (~\$15) and a non-discrete U.S. Global Intangible Low Tax Income (“GILTI”) tax benefit related to a sale of aluminum rolling mill in Itapissuma, Brazil (~\$3).

⁽³⁾ The tax impact on Special items is based on the applicable statutory rates whereby the difference between such rates and Howmet’s consolidated estimated annual effective tax rate is itself a Special item.

Calculation of Engineered Products and Forgings Segment Operating Profit Margin

(\$ in millions)	1Q19	Est. 1Q20
Segment operating profit	\$313	~\$340
Third-party sales	\$1,756	~\$1,640
Segment operating profit margin	17.8%	~20.8%

Segment performance under Howmet's management reporting system is evaluated based on a number of factors; however, the primary measure of performance is Segment operating profit. Howmet's definition of Segment operating profit is Operating income excluding Special items. Special items include Restructuring and other charges and Impairment of goodwill. Segment operating profit may not be comparable to similarly titled measures of other companies.

Calculation of Global Rolled Products Segment Operating Profit Margin

(\$ in millions)	1Q19	Est. 1Q20
Segment operating profit	\$135	~\$170
Third-party sales	\$1,784	~\$1,580
Segment operating profit margin	7.6%	~10.7%
Third-party aluminum shipments (kmt)	331	~312

Segment performance under Howmet's management reporting system is evaluated based on a number of factors; however, the primary measure of performance is Segment operating profit. Howmet's definition of Segment operating profit is Operating income excluding Special items. Special items include Restructuring and other charges and Impairment of goodwill. Segment operating profit may not be comparable to similarly titled measures of other companies.

Calculation of Total Segment Operating Profit Margin

(\$ in millions)	1Q19	Est. 1Q20
Sales – Engineered Products and Forgings	\$1,756	~\$1,640
Sales – Global Rolled Products	1,784	~1,580
Total segment sales	\$3,540	~\$3,220
Total segment operating profit ⁽¹⁾	\$448	~\$510
Total segment operating profit margin	12.7%	~15.9%

Segment performance under Howmet’s management reporting system is evaluated based on a number of factors; however, the primary measure of performance is Segment operating profit. Howmet’s definition of Segment operating profit is Operating income excluding Special items. Special items include Restructuring and other charges and Impairment of goodwill. Segment operating profit may not be comparable to similarly titled measures of other companies.

⁽¹⁾ See Reconciliation of Total segment operating profit to Consolidated income before income taxes.

Reconciliation of Total segment operating profit to Consolidated income before income taxes

(\$ in millions)	1Q19	Est. 1Q20
Total segment operating profit	\$448	~\$510
Unallocated amounts:		
Restructuring and other charges	(12)	~(20)
Corporate expense ⁽¹⁾	(62)	~(90)
Consolidated operating income (loss)	\$374	~\$400

Segment performance under Howmet's management reporting system is evaluated based on a number of factors; however, the primary measure of performance is Segment operating profit. Howmet's definition of Segment operating profit is Operating income excluding Special items. Special items include Restructuring and other charges and Impairment of goodwill. Segment operating profit may not be comparable to similarly titled measures of other companies. Differences between certain segment totals and consolidated Howmet are in Corporate.

⁽¹⁾ For the quarter ended March 31, 2020, Corporate expense included ~\$38 of costs associated with the planned separation of Howmet and Arconic, ~\$11 of net costs related to fires at two plants (net of insurance reimbursements), and ~\$5 for impairments of assets at shutdown facilities.

Reconciliation of Operating Income Excluding Special Items and Operating Income Margin, Excluding Special Items

(\$ in millions)	1Q19	4Q19	Est. 1Q20
Operating income (loss)	\$374	\$416	~\$400
Special items:			
Restructuring and other charges	12	(10)	~20
Costs associated with planned separation	3	34	38
Environmental remediation	—	—	—
Collective bargaining agreement negotiation	—	—	—
Impairment of energy business assets	—	1	—
Legal and other advisory costs related to Grenfell Tower	2	2	—
Strategy and portfolio review costs	6	—	—
Plant fire costs	—	1	11
Inventory disposal costs	—	—	3
Operating income excluding Special items	\$397	\$444	~\$475
Sales	\$3,541	\$3,401	~\$3,220
Operating income margin	10.6%	12.2%	~12.5%
Operating income margin, excluding Special items	11.2%	13.1%	~14.7%

Operating income excluding Special items and Operating income margin, excluding Special items are non-GAAP financial measures. Management believes that these measures are meaningful to investors because management reviews the operating results of Howmet excluding the impacts of Special items. There can be no assurances that additional Special items will not occur in future periods. To compensate for this limitation, management believes that it is appropriate to consider both Operating income determined under GAAP as well as Operating income excluding Special items.

Reconciliation of Organic Revenue

(\$ in millions)

	Quarter ended March 31,	
	2019	Est. 2020
Arconic		
Sales	\$3,541	~\$3,220
Less:		
Sales – UK forgings	32	—
Sales – Itapissuma	40	~11
Sales – South Korea	13	~8
Aluminum price impact	n/a	~(55)
Foreign currency impact	n/a	~(4)
Arconic Organic revenue	\$3,456	~\$3,260
Engineered Products and Forgings		
Sales	\$1,756	~\$1,640
Less:		
Sales – UK forgings	32	—
Aluminum price impact	n/a	~(9)
Foreign currency impact	n/a	~(7)
Engineered Products and Forgings Organic revenue	\$1,724	~\$1,656
Global Rolled Products		
Sales	\$1,784	~\$1,580
Less:		
Sales – Itapissuma	40	~11
Sales – South Korea	13	~8
Aluminum price impact	n/a	~(46)
Foreign currency impact	n/a	~3
Global Rolled Products Organic revenue	\$1,731	\$1,604

Organic revenue is a non-GAAP financial measure. Management believes this measure is meaningful to investors as it presents revenue on a comparable basis for all periods presented due to the impact of the sale of aluminum rolling mill in Itapissuma, Brazil (divested in February 2020), the sale of the hard alloy extrusions plant in South Korea (divested in March 2020), the sale of the forgings businesses in Eger, Hungary (divested in December 2018) and the United Kingdom (divested in December 2019), the ramp-down of Howmet's North American packaging business at its Tennessee operations (completed in December 2018), and the impact of changes in aluminum prices and foreign currency fluctuations relative to the prior year periods. The revenue from a small manufacturing facility that was divested in the second quarter of 2019 and the small energy business that was divested in the third quarter of 2019 was not material and therefore is included in Organic revenue.