

Arconic Supplemental Information

February 12, 2020



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Important Information

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 Arconic'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, industrials, commercial transportation and other end markets; statements and guidance regarding future financial results or operating performance; statements regarding future strategic actions, including share repurchases, which may be subject to market conditions, legal requirements and other considerations; and statements about Arconic's strategies, outlook, business and financial prospects. These statements reflect beliefs and assumptions that are based on Arconic's perception of historical trends, current conditions and expected future developments, as well as other factors Arconic 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) uncertainties regarding the planned separation, including whether it will be completed pursuant to the targeted timing, asset perimeters, and other anticipated terms, if at all; (b) the impact of the separation on the businesses of Arconic; (c) the risk that the businesses will not be separated successfully or such separation may be more difficult, time-consuming or costly than expected, which could result in additional demands on Arconic's resources, systems, procedures and controls, disruption of its ongoing business, and diversion of management's attention from other business concerns; (d) deterioration in global economic and financial market conditions generally; (e) unfavorable changes in the markets served by Arconic; (f) 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; (g) competition from new product offerings, disruptive technologies or other developments; (h) political, economic, and regulatory risks relating to Arconic's global operations, including compliance with U.S. and foreign trade and tax laws, sanctions, embargoes and other regulations; (i) manufacturing difficulties or other issues that impact product performance, quality or safety; (j) Arconic'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; (k) the impact of potential cyber attacks and information technology or data security breaches; (l) the loss of significant customers or adverse changes in customers' business or financial conditions; (m) adverse changes in discount rates or investment returns on pension assets; (n) the impact of changes in aluminum prices and foreign currency exchange rates on costs and results; (o) the outcome of contingencies, including legal proceedings, government or regulatory investigations, and environmental remediation, which can expose Arconic to substantial costs and liabilities; and (p) the other risk factors summarized in Arconic's Form 10-K for the year ended December 31, 2018 and other reports filed with the U.S. Securities and Exchange Commission (SEC). 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 Arconic on its website or otherwise. Arconic 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)

Forward-looking information set forth in the following slides (including 2020 outlook and estimates on revenue, organic revenue growth, EPS excluding special items, and adjusted free cash flow) is being presented for background purposes and speaks as of the date it was originally presented to the public. Arconic is not updating or affirming any of the information as of the date of this presentation. The provision of this information shall not create any implication that the information has not changed since it was originally presented.

Non-GAAP Financial Measures

Some of the information included in this presentation is derived from Arconic's consolidated financial information but is not presented in Arconic'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. Arconic has not provided reconciliations of any forward-looking non-GAAP financial measures, such as earnings per share excluding special items, adjusted free cash flow and adjusted EBITDA excluding special items, 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. Arconic believes such reconciliations would imply a degree of precision that would be confusing or misleading to investors.

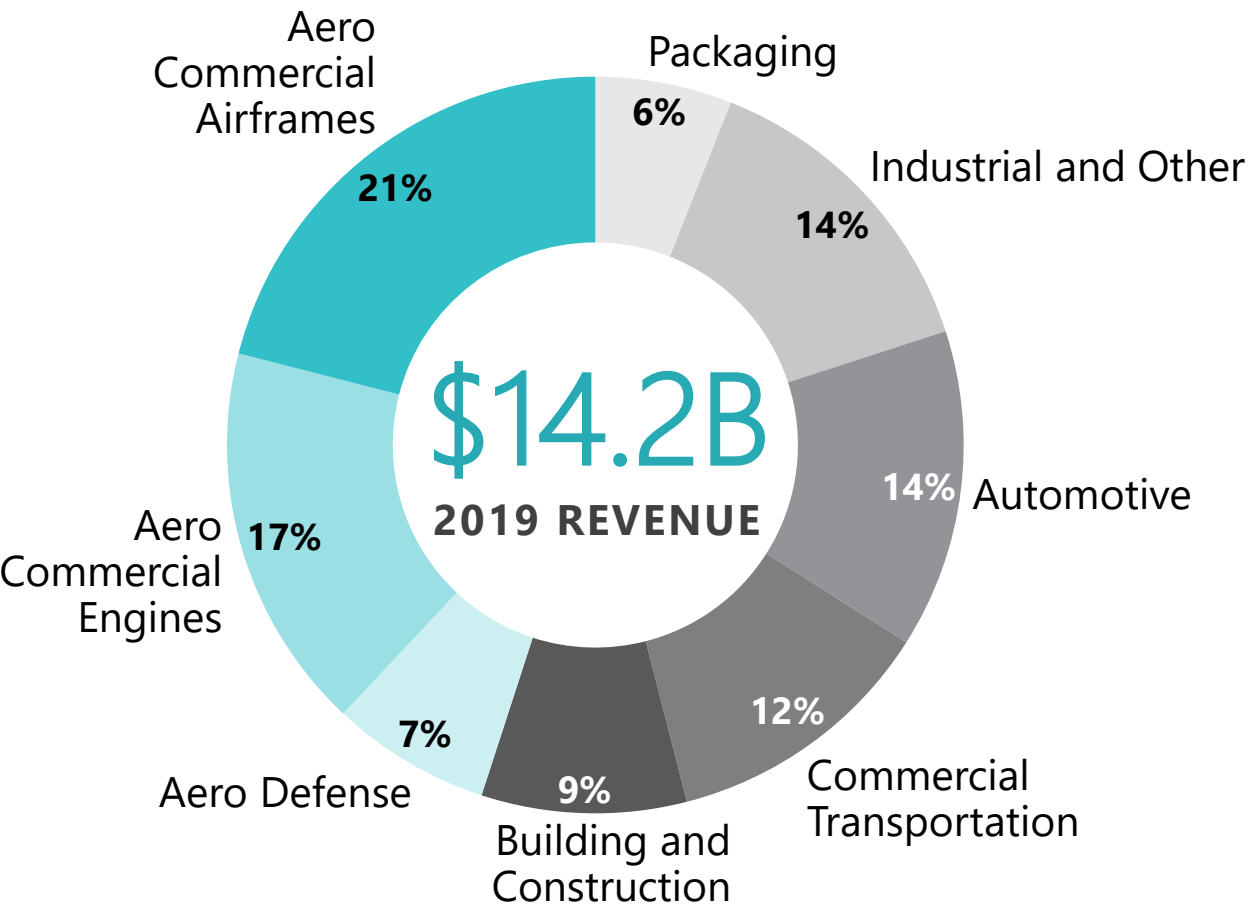
"Organic revenue" is GAAP revenue adjusted for Tennessee Packaging (which completed its phase-down as of year-end 2018), divestitures, and changes in aluminum prices and foreign currency exchange rates relative to prior year period. "Adjusted free cash flow" is cash provided from (used for) operations, 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

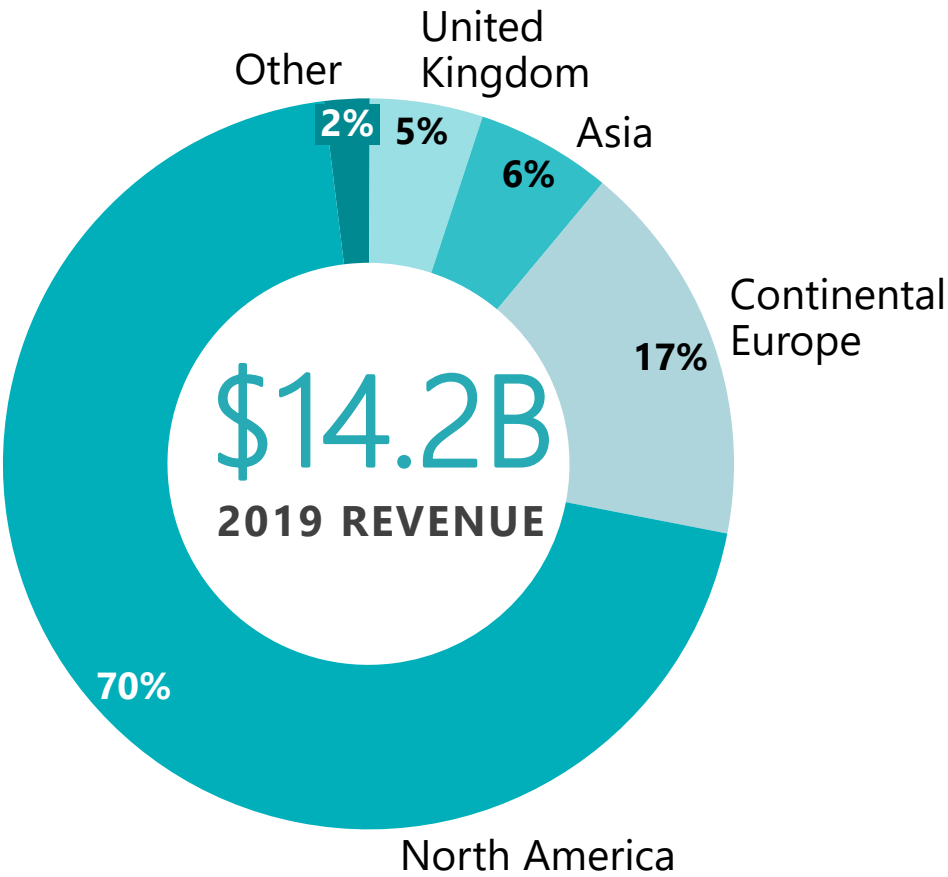
In the third quarter of 2019, Arconic realigned its operations by eliminating its Transportation and Construction Solutions (TCS) segment and transferring the Forged Wheels business to the Engineered Products and Forgings (EP&F) segment (formerly named the Engineered Products and Solutions segment) and 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, Arconic 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.

Arconic Overview

2019 Revenue by End-Market
(% of total)



2019 Revenue by Region
(% of total)



Focused on our key priorities to drive growth

Organic growth above market

**Capturing value
through innovation**

Cost reduction

Capital efficiency

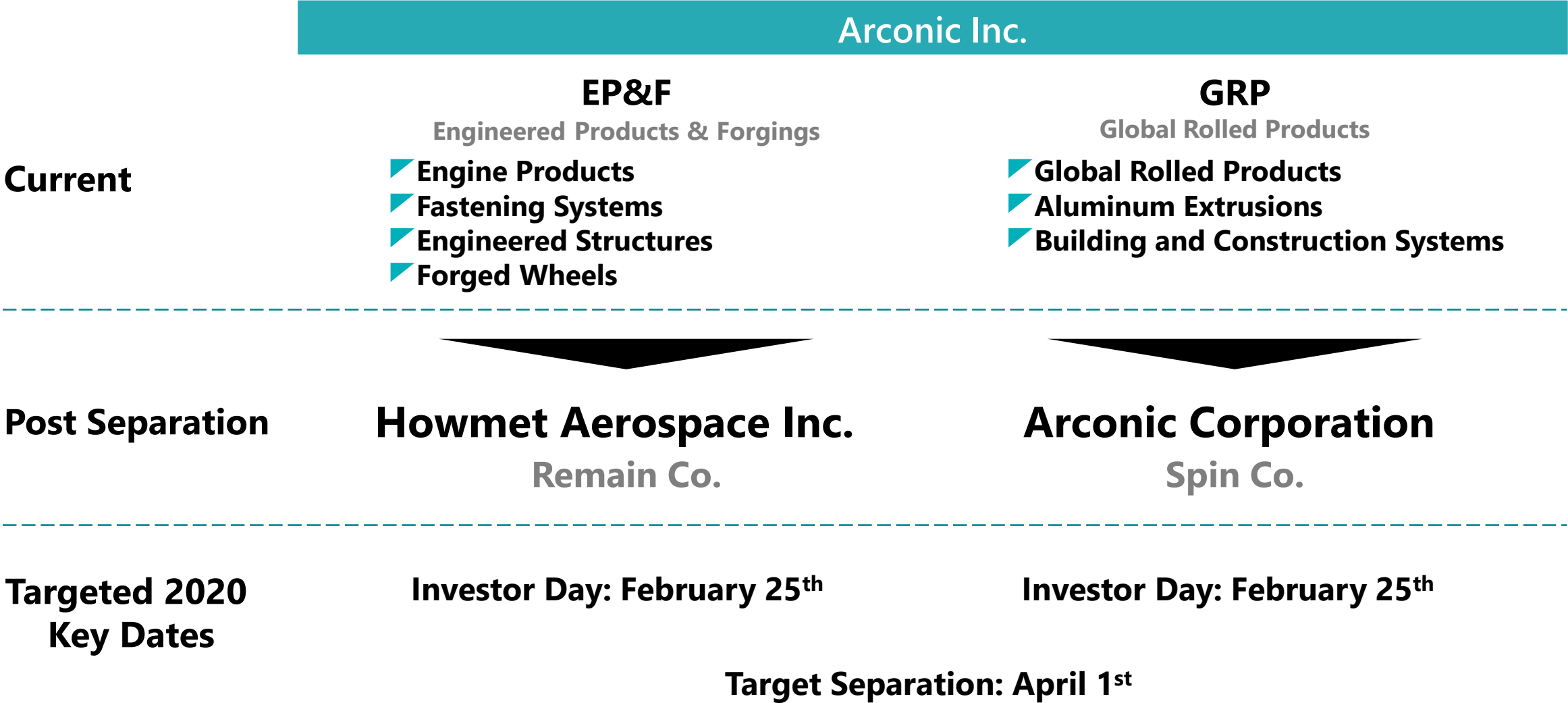
2020 Guidance¹

Organic Revenue Growth	1%-3% YoY
Revenue	\$13.9B – \$14.2B
EPS excluding special items	\$2.22 – \$2.42
Adjusted Free Cash Flow FCF Conversion ²	\$800M – \$900M ~ 80%

1) Based on status quo Arconic Inc. consolidated entity. All Guidance excludes Separation impacts. Guidance provided with Arconic 4Q19 earnings on January 27, 2020

2) FCF Conversion = Adjusted Free Cash Flow excluding separation costs divided by Net Income excluding special items

Arconic Inc. Reporting Structure



Arconic Business Segments

Two strong, customer-focused segments



EP&F **\$7.1B** ²⁰¹⁹ **REVENUE**
\$1.39B ^{SEGMENT} **OPERATING PROFIT**

Engineered Products and Forgings

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



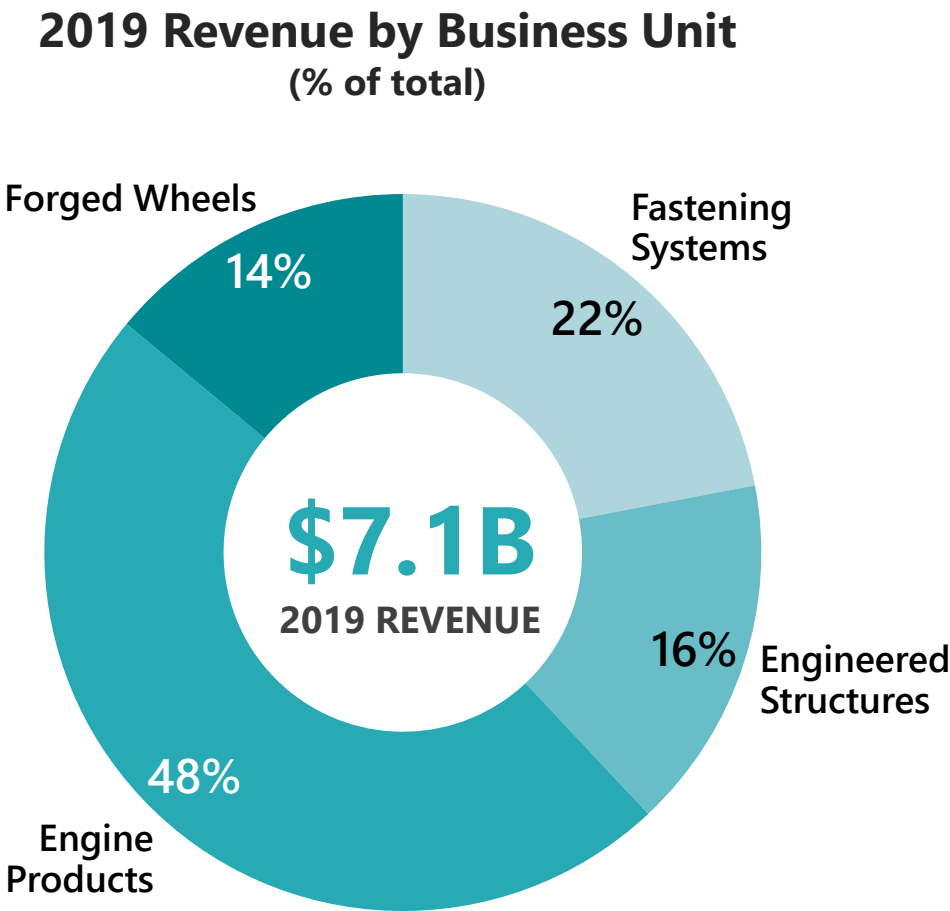
GRP **\$7.1B** ²⁰¹⁹ **REVENUE**
\$625M ^{SEGMENT} **OPERATING PROFIT**

Global Rolled Products

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

In the third quarter of 2019, Arconic 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, Arconic 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.

Engineered Products & Forgings (EP&F): Broad portfolio across aerospace



70%+ of Revenue Aerospace



Inspection of a forged front fan blade for aero engine.



Production of titanium rings for aero engines.



Robotics used in investment cast mold production.



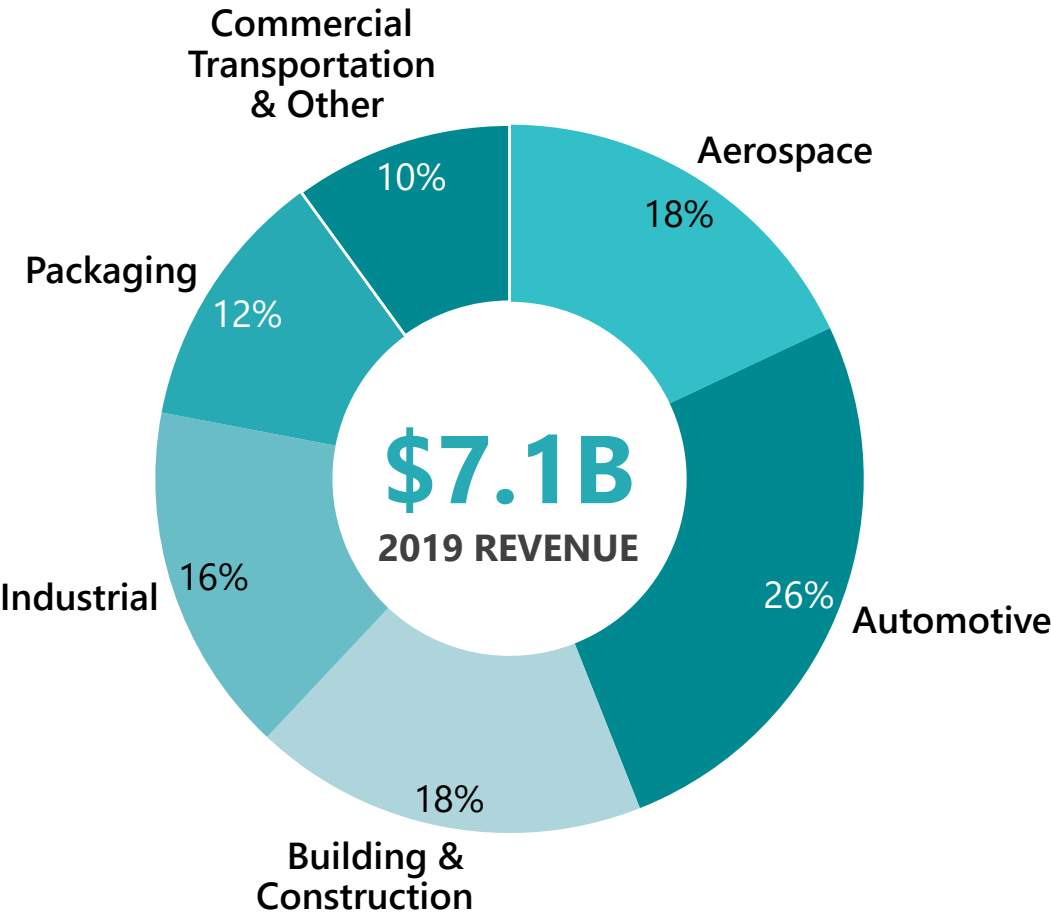
Flite-Tite® fasteners offer lightning strike protection on carbon fiber reinforced aircraft.



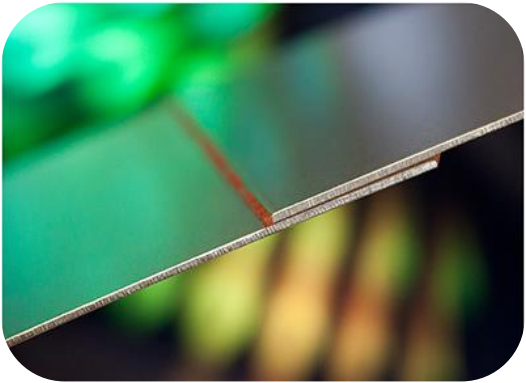
Arconic makes among lightest, strongest heavy-duty truck wheels on the road.

Global Rolled Products (GRP): Strong position in growing markets

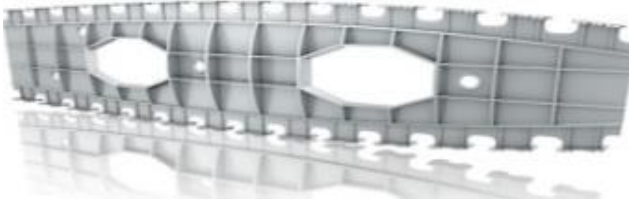
2019 Revenue by End-Market
(% of total)



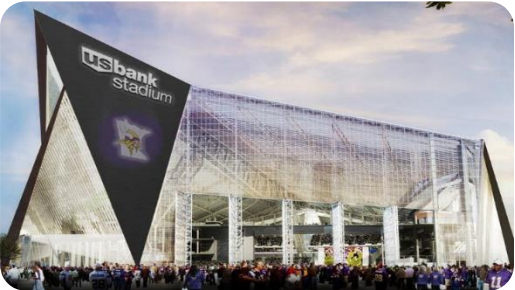
Arconic supplies brazing sheet used in the production of automotive and commercial transportation radiators



Arconic bonding technologies offer greater strength, durability and consistency than traditional conversion coatings



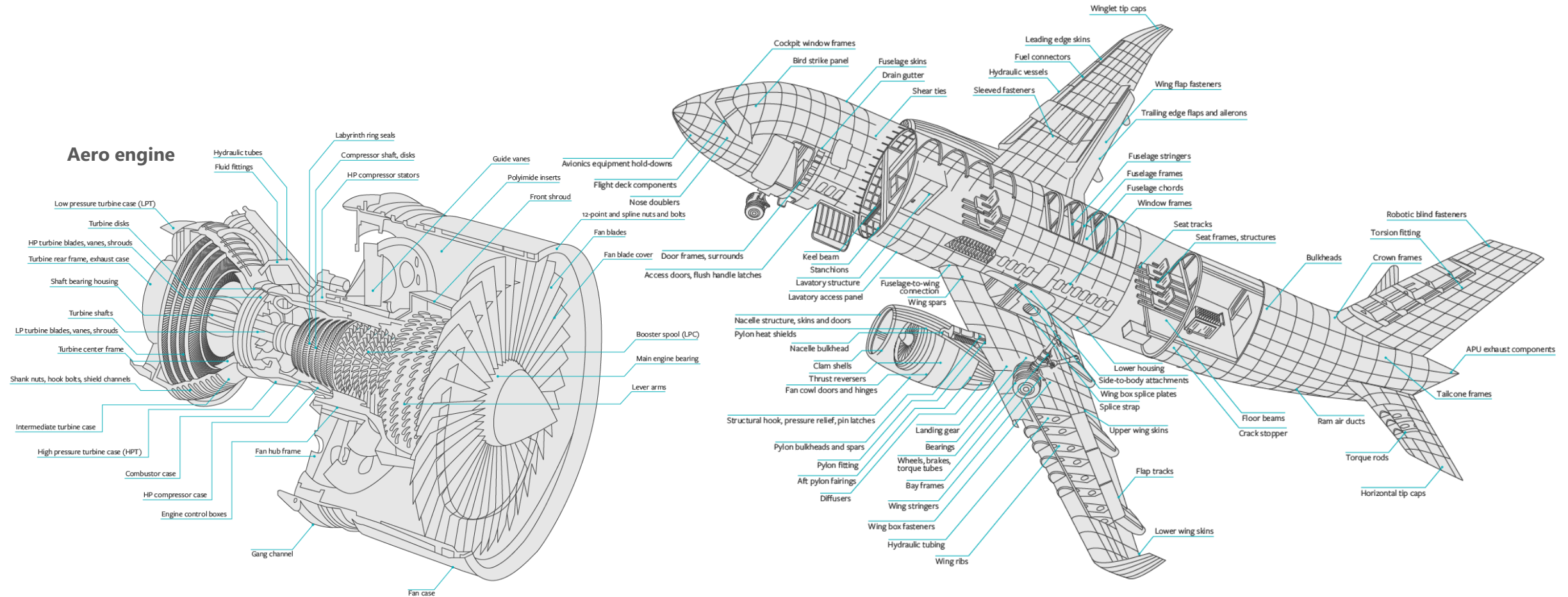
Single-piece aero wing spar



Arconic's Kawneer curtain wall and entrances of the Minnesota Vikings stadium

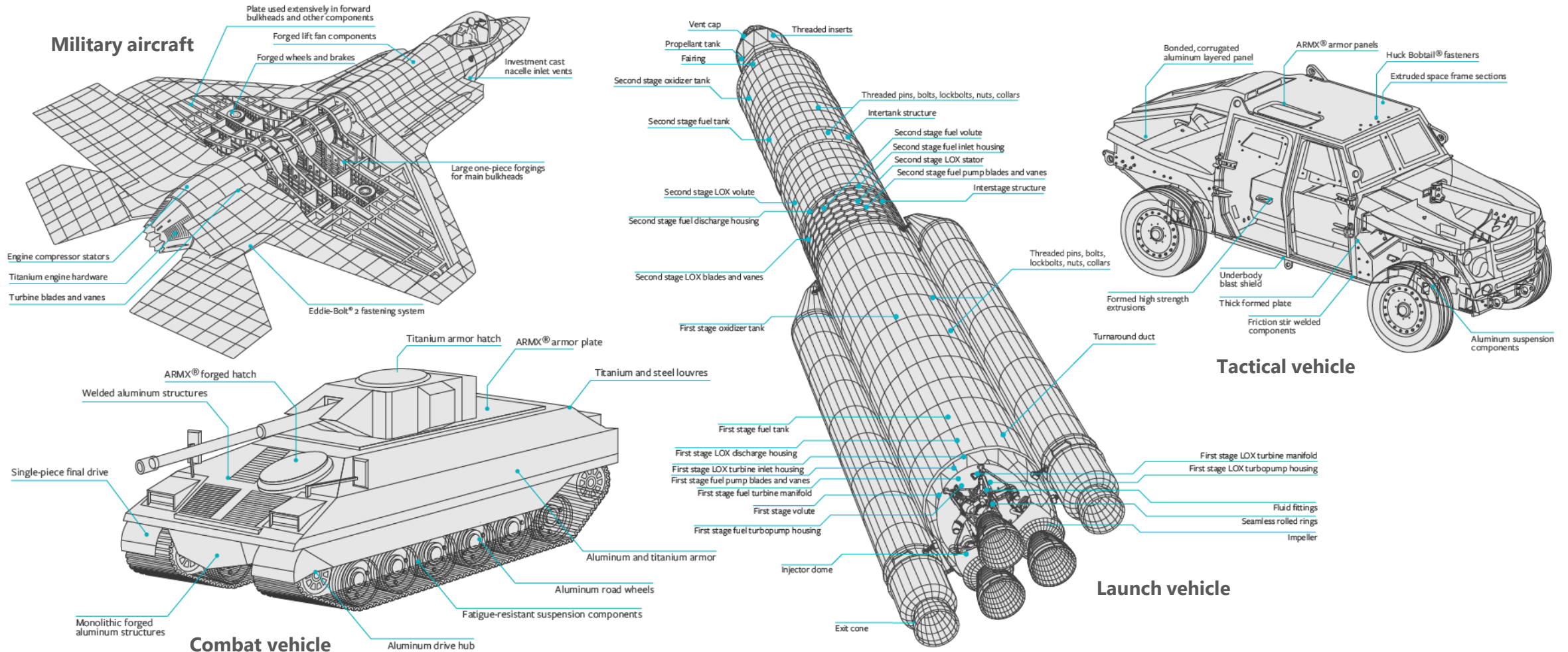
Arconic Aerospace Products and Solutions

Participation across airframe and aero engine platforms



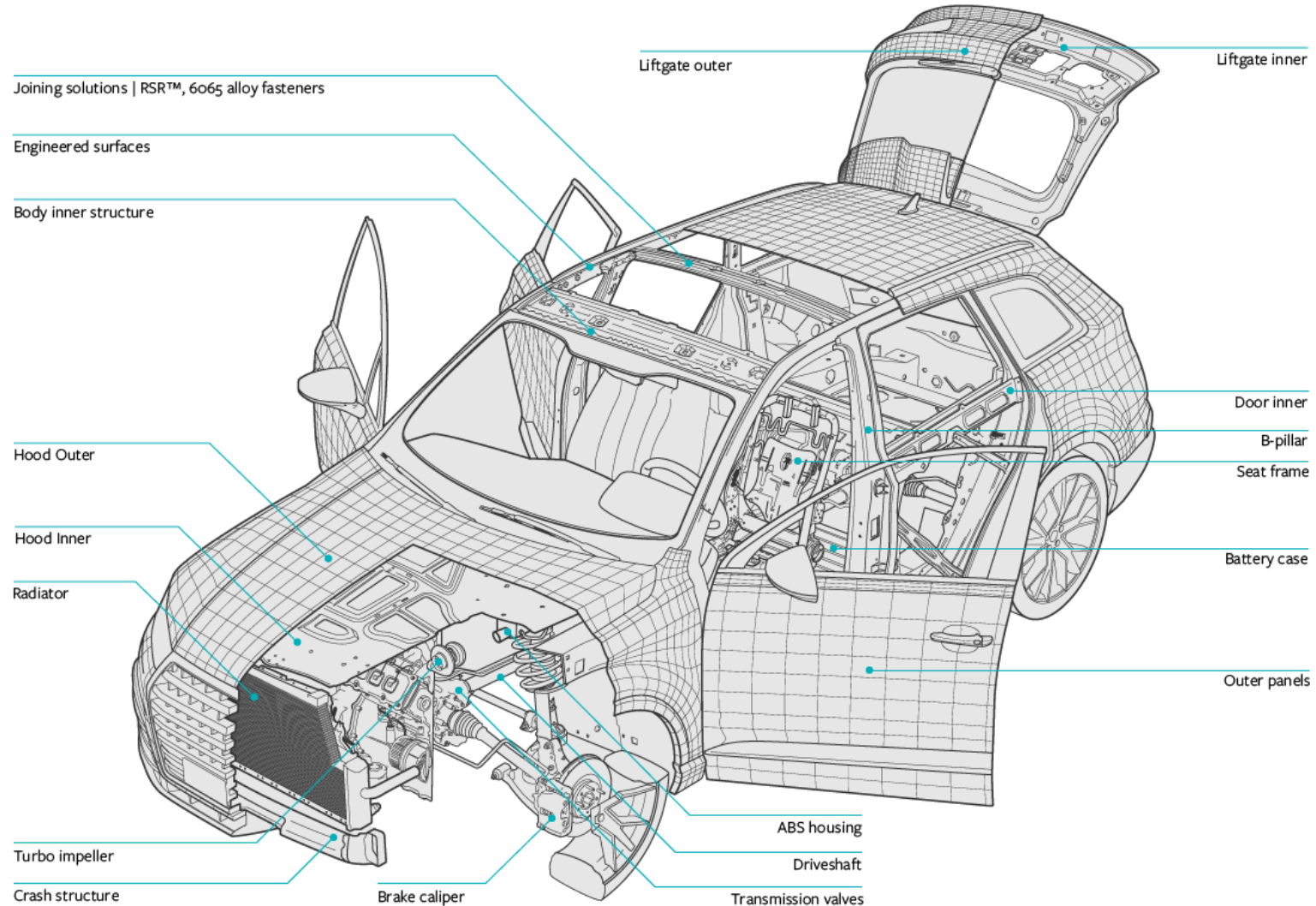
Arconic Defense and Space Products and Solutions

Arconic material and product applications across air, space, land and sea



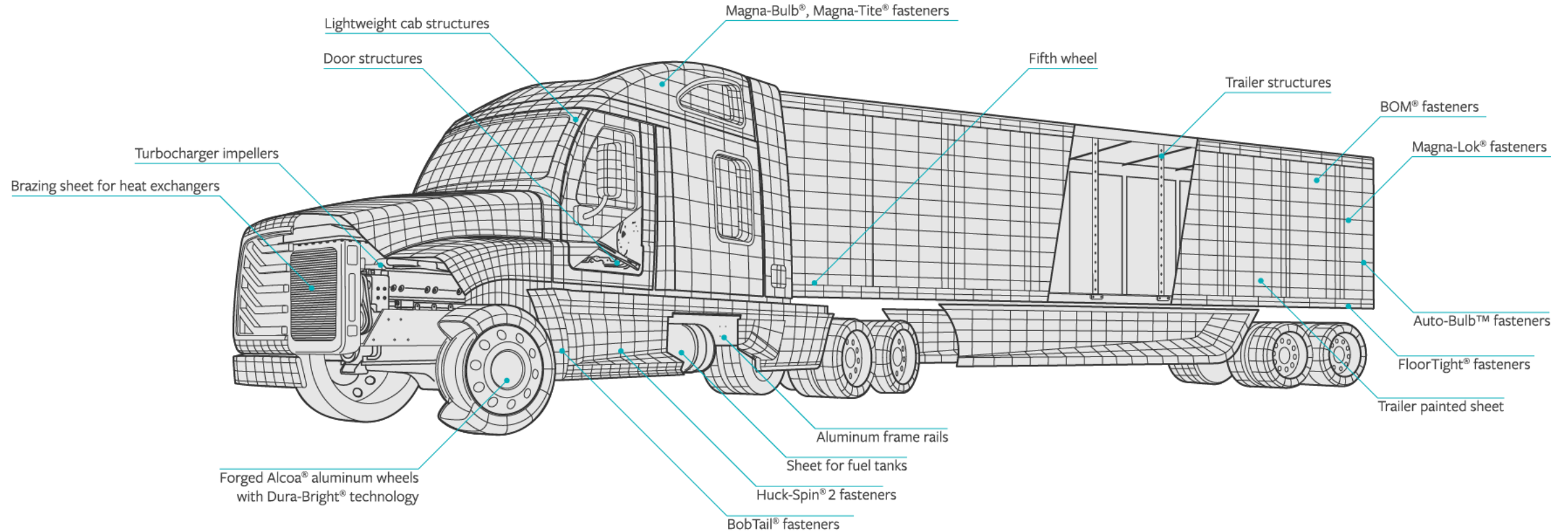
Arconic Automotive Products and Solutions

Arconic lightweight alloys and aluminum sheet solutions are found bumper to bumper



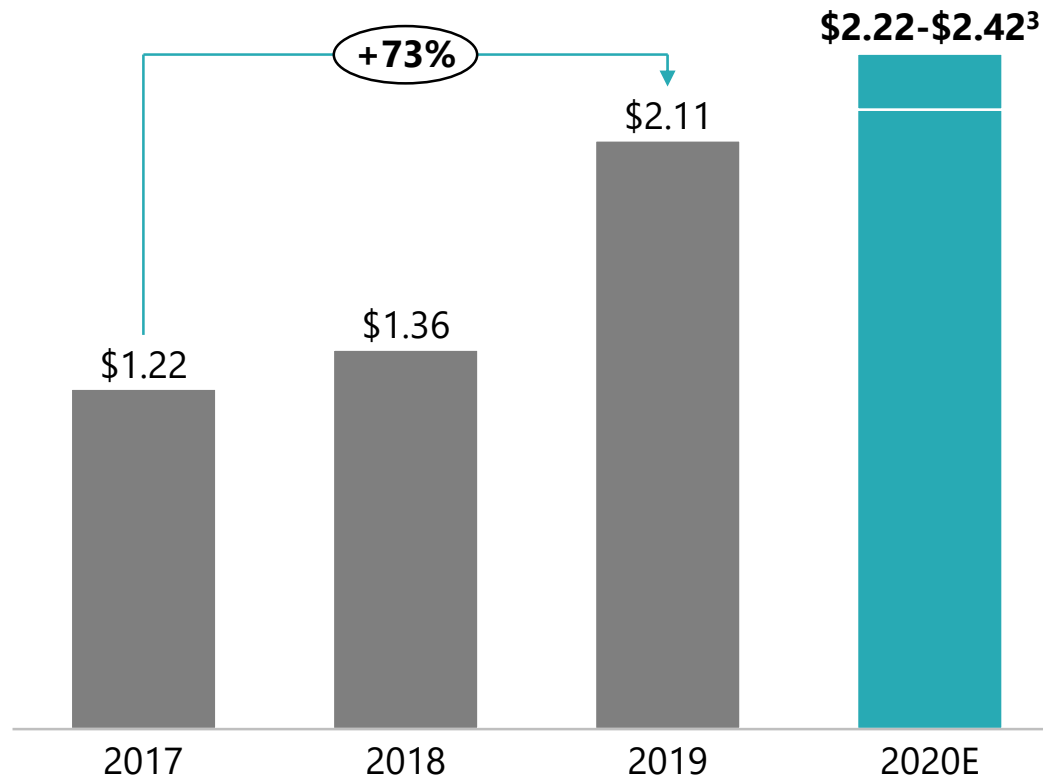
Arconic Commercial Transportation Products and Solutions

Arconic solutions support fuel efficiency in commercial transportation

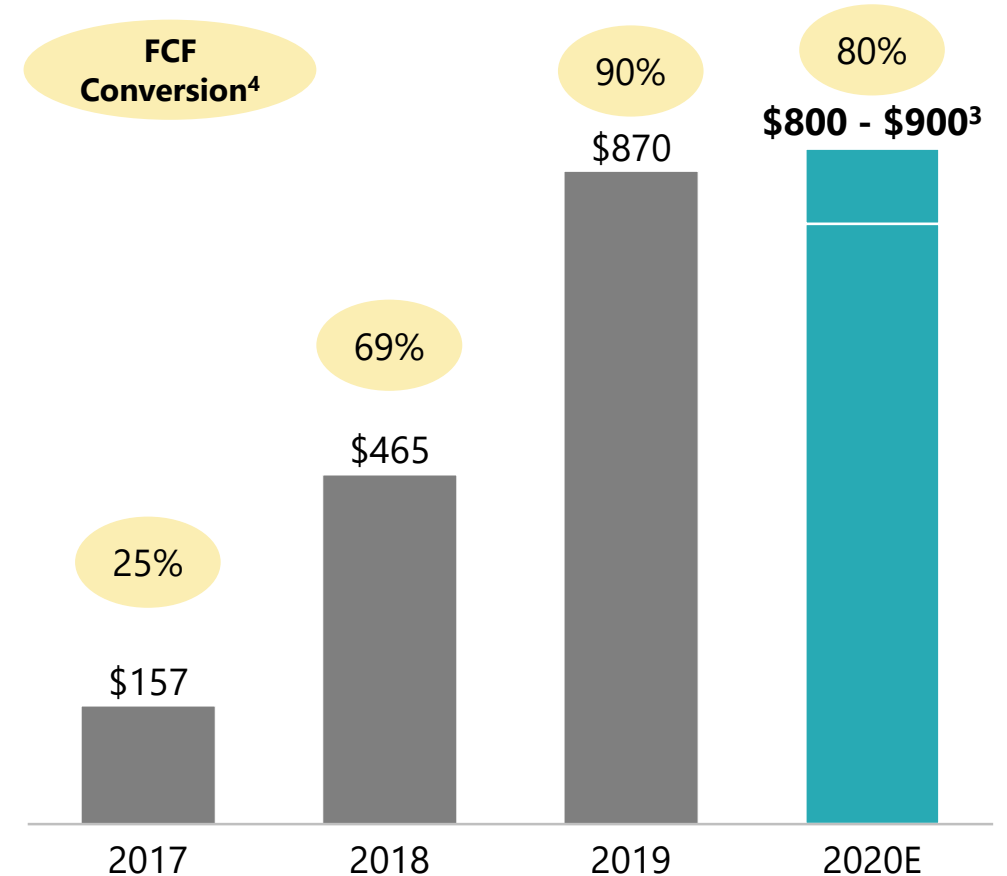


Earnings and Cash Flow Improvement Expected

EPS Excluding Special Items¹



Adjusted Free Cash Flow (\$M)²

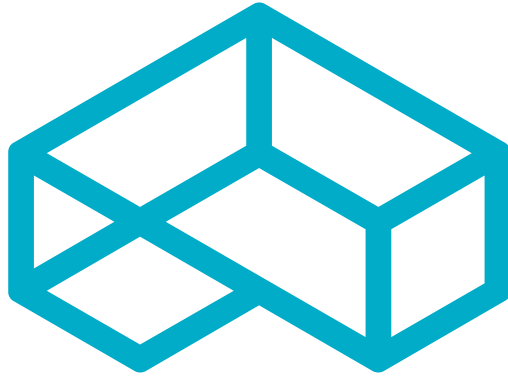


1) 2017 EPS (GAAP) = (\$0.28), 2018 EPS (GAAP) = \$1.30, FY 2019 EPS (GAAP) = \$1.03

2) 2017 (GAAP): Cash used for operations = (\$39M), Cash used for financing activities = (\$1,015M), Cash provided from investing activities = \$1,320M; 2018 (GAAP): Cash provided from operations = \$217M, Cash used for financing activities = (\$649M), Cash provided from investing activities = \$565M, FY 2019 (GAAP): Cash provided from operations = \$406M, Cash used for financing activities = (\$1,568M), Cash provided from investing activities = \$583M

3) Guidance provided with Arconic 4Q19 earnings on January 27, 2020

4) FCF Conversion = Adjusted Free Cash Flow excluding Arconic Inc. separation costs divided by Net Income excluding special items



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Reconciliation of Net income excluding Special items

(\$ in millions, except per-share amounts)	Net income excluding Special items		Diluted EPS excluding Special items	
	Year ended		Year ended	
	December 31, 2018	December 31, 2019	December 31, 2018	December 31, 2019
Net income	\$642	\$470	\$1.30	\$1.03
Special items:				
Restructuring and other charges	9	620		
Discrete tax items ⁽¹⁾	(15)	(167)		
Other special items ⁽²⁾	59	188		
Tax impact ⁽³⁾	(19)	(140)		
Net income excluding Special items	\$676	\$971	\$1.36	\$2.11

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 Arconic 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 year ended December 31, 2018, a benefit related to certain prior year foreign investment losses no longer recapturable (\$74), a benefit to reverse a foreign tax reserve that is effectively settled (\$38), a benefit to release valuation allowances and revalue deferred taxes due to current year tax law and tax rate changes in various U.S. states (\$12), a benefit to record prior year adjustments in various jurisdictions (\$7), and a benefit to recognize the tax impact of prior year foreign losses in continuing operations that were supported by foreign income in other comprehensive income (\$6), partially offset by a charge to establish a tax reserve in Spain (\$60), a net charge resulting from the Company’s finalized analysis of the U.S. Tax Cuts and Jobs Acts of 2017 (\$59), and a net charge for a number of small items (\$3); and
- for the year ended December 31, 2019, a benefit related to a U.S. tax election which caused the deemed liquidation of a foreign subsidiary’s assets into its U.S. tax parent (\$139), a benefit associated with the deduction of foreign taxes that were previously claimed as a U.S. foreign tax credit (\$24), a net benefit for foreign tax rate changes (\$12), and a benefit for a number of small tax items (\$1), partially offset by a net charge related to the adjustment of prior year taxes (\$6) and a charge for interest accruals for potential underpayment of taxes (\$3).

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

- for the year ended December 31, 2018, costs related to settlements of certain customer claims primarily related to product introductions (\$38), costs related to the early redemption of the Company’s then outstanding 5.720% Senior Notes due 2019 (\$19), legal and other advisory costs related to Grenfell Tower (\$18), strategy and portfolio review costs (\$7), a charge for a number of small tax items (\$5), other charges (\$1), and a benefit from establishing a tax indemnification receivable (\$29) reflecting Alcoa Corporation’s 49% share of the Spanish tax reserve; and
- for the year ended December 31, 2019, costs associated with the planned separation of Arconic (\$78), a non-discrete GILTI tax cost related to a U.S. tax election which caused the deemed liquidation of a foreign subsidiary’s assets into its U.S. tax parent (\$45), costs associated with ongoing environmental remediation (\$25), an impairment of assets of the energy business (\$10), costs associated with negotiation of the collective bargaining agreement with the USW (\$9), net costs related to a fire at a fasteners plant (net of insurance reimbursements) (\$9), legal and other advisory costs related to Grenfell Tower (\$8), strategy and portfolio review costs (\$6), and other charges (\$1), partially offset by other favorable tax items (\$3).

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

Reconciliation of Net income excluding Special items

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

	Net income excluding Special items	Diluted EPS excluding Special items
	Year ended	Year ended
	December 31, 2017	December 31, 2017
Net loss	\$(74)	\$(0.28)
Special items:		
Restructuring and other charges	165	
Discrete tax items ⁽¹⁾	223	
Other special items ⁽²⁾	264	
Tax impact ⁽³⁾	40	
Net income excluding Special items	\$618	\$1.22

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 Arconic 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 included the following:

- for the year ended December 31, 2017, a charge resulting from the enactment of the US Tax Cuts and Jobs Acts of 2017 that principally relates to the revaluation of US deferred tax assets and liabilities from 35% to 21% (\$272), charge for a reserve against a foreign attribute resulting from the Company’s Delaware reincorporation (\$23), partially offset by a benefit for the reversal of state valuation allowances (\$69) and a number of small items (\$3).

⁽²⁾ Other special items included the following:

- for the year ended December 31, 2017, an impairment of goodwill related to the forgings and extrusions business (\$719), a gain on the sale of a portion of Arconic’s investment in Alcoa Corporation common stock (\$351), and a gain on the exchange of the remaining portion of Arconic’s investment in Alcoa Corporation common stock (\$167), a favorable adjustment to the Firth Rixson earn-out (\$81), costs associated with the Company’s early redemption of \$1,250 of outstanding senior notes (\$76), proxy, advisory, and governance-related costs (\$58), a favorable adjustment to a separation-related guarantee liability (\$25), costs associated with the separation of Alcoa Inc. (\$18), legal and other advisory costs related to Grenfell Tower (\$14), and costs associated with the Company’s Delaware reincorporation (\$3).

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

The average number of shares applicable to diluted EPS excluding Special items, includes certain share equivalents as their effect was dilutive. For all periods presented, share equivalents associated with outstanding employee stock options and awards and shares underlying outstanding convertible debt (acquired through the acquisition of RTI) were dilutive based on Net income excluding Special items.

For the year ended December 31, 2017, share equivalents associated with mandatory convertible preferred stock were anti-dilutive based on Net income excluding Special items.

Reconciliation of Adjusted Free Cash Flow and Free Cash Flow Conversion

(\$ in millions)	2017	2018	2019
Cash (used for) provided from operations	\$(39)	\$217	\$406
Cash receipts from sold receivables	792	1,016	995
Capital expenditures	(596)	(768)	(586)
Adjusted free cash flow	157	465	815
Costs associated with planned separation of Arconic Inc.	—	—	55
Adjusted free cash flow, excluding costs associated with planned separation of Arconic Inc.	\$157	\$465	\$870
Net income excluding Special items ⁽¹⁾	\$618	\$676	971
Free cash flow conversion	25%	69%	90%

Accounting guidance effective in 2018 changed the classification of Cash receipts from sold receivables in the cash flow statement, reclassifying it from operating activities to investing activities. Under the prior accounting guidance, Cash receipts from sold receivables were included in (increase) decrease in receivables in the operating activities section of the statement of cash flows.

Net cash funding from the sale of accounts receivables has remained unchanged at \$350 million each quarter since the first quarter of 2016.

There has been no change in the net cash funding in the sale of accounts receivable program in the fourth quarter of 2019. It remains at \$350.

Adjusted free cash flow, Adjusted free cash flow, excluding costs associated with planned separation, and Free cash flow conversion are non-GAAP financial measures. Management believes that these measures are meaningful to investors because management reviews cash flows generated from operations after taking into consideration capital expenditures (due to the fact that these expenditures are considered necessary to maintain and expand Arconic's asset base and are expected to generate future cash flows from operations), cash receipts from net sales of beneficial interest in sold receivables, as well as costs associated with the planned separation of Arconic Inc. It is important to note that Adjusted free cash flow, Adjusted free cash flow, excluding costs associated with the planned separation, and Free cash flow conversion measures do not represent the residual cash flow available for discretionary expenditures since other non-discretionary expenditures, such as mandatory debt service requirements, are not deducted from the measure.

⁽¹⁾ See Reconciliation of Net income excluding Special items for a description of Special items.