

Alcoa Corporation

Q4'23 miss, Q1'24E MTM EBITDA below consensus: reduce price objective

Reiterate Rating: NEUTRAL | PO: 33.00 USD | Price: 26.75 USD

Reiterate Neutral on weak Q1'24, San Ciprián uncertainty

Alcoa (AA) reported Q4'23 adjusted EBITDA of \$89 million (m), below BofAe and Bloomberg consensus of \$110m/\$111m. The miss versus BofAe was driven by lower profitability in the Alumina segment (FX/weaker mix) and higher intersegment eliminations. AA flagged that it is taking steps to improve profitability and sees up to \$645m of annualized EBITDA benefit from 2024-25. This is largely in line with our view but likely to be more back-end loaded. For Q1'24, AA expects \$40m in sequential headwinds across both segments, which largely offsets the anticipated benefit from the mark-to-market (MTM) higher on alumina pricing. As a result, we lower our Q1'24E / 2024E EBITDA estimates by 40% / 9% and reduce our price objective (PO) to \$33 per share from \$36 (methodology unchanged). We reiterate our Neutral rating given weaker near-term profitability and an uncertain outlook for San Ciprián, balanced by our medium-term positive aluminum view.

2024 alumina production guidance lower; spending higher

For 2024, AA guided for alumina/aluminum shipments to be consistent with last year. However, the alumina production guide was cut 9% lower year over year (YoY) on a previously announced full curtailment at Kwinana. Aluminum production is guided to increase 7% YoY due to the ongoing restart at the Alumar/Warrick smelters. 2024 capex, environmental and asset retirement obligation (ARO) payments are guided to increase by \$110m+ YoY. At San Ciprián, AA is negotiating with Spanish authorities, seeking a viable long-term solution. The refinery generated a \$150m+ loss in 2023. A restart of the smelter per the original agreement could quickly exhaust cash reserves. Globally, AA expects the alumina market to be net short but sees a slight surplus in aluminum (see page 3 for more details).

Q1'24 MTM EBITDA implies downside risk to consensus

For Q1'24, AA guided for \$40m of headwinds related to higher maintenance and hedge programs. This largely offsets the positive alumina pricing MTM. We lower our Q1'24E EBITDA estimate to \$97m (from \$162m), implying downside risk to Bloomberg consensus of \$133m. Our 2024E EBITDA estimate declines to \$1.35 billion (from \$1.48) and EPS estimate to \$1.26 (from \$1.99).

| Estimates (Dec) (US\$) | 2022A | 2023A | 2024E | 2025E | 2026E |
|---------------------------|--------|--------|-------|--------|-------|
| EPS | 4.93 | (2.27) | 1.26 | 5.61 | 7.51 |
| GAAP EPS | (0.56) | (3.65) | 1.26 | 5.61 | 7.51 |
| EPS Change (YoY) | -28.2% | NM | NM | 345.2% | 33.9% |
| Consensus EPS (Bloomberg) | | | 0.34 | 2.26 | 2.67 |
| DPS | 0.40 | 0.40 | 0.40 | 0.40 | 0.40 |
| Valuation (Dec) | | | | | |
| P/E | 5.4x | NM | 21.2x | 4.8x | 3.6x |
| GAAP P/E | NM | NM | 21.2x | 4.8x | 3.6x |
| Dividend Yield | 1.5% | 1.5% | 1.5% | 1.5% | 1.5% |
| EV / EBITDA* | 3.6x | 15.1x | 6.0x | 3.4x | 2.8x |
| Free Cash Flow Yield* | 7.2% | -9.2% | -0.6% | 17.2% | 25.9% |

* For full definitions of *IQmethod*SM measures, see page 6.

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Refer to important disclosures on page 7 to 9. Analyst Certification on page 5. Price Objective Basis/Risk on page 5.

12648250

Timestamp: 19 January 2024 09:11AM EST

19 January 2024

Equity

Key Changes

| (US\$) | Previous | Current |
|---------------|----------|----------|
| Price Obj. | 36.00 | 33.00 |
| 2024E Rev (m) | 11,391.4 | 11,231.0 |
| 2025E Rev (m) | 13,407.3 | 12,232.3 |
| 2026E Rev (m) | 14,211.0 | 12,828.8 |
| 2024E EPS | 1.99 | 1.26 |
| 2025E EPS | 5.39 | 5.61 |
| 2026E EPS | 7.54 | 7.51 |

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Stock Data

| | |
|---------------------------------|-----------------------|
| Price | 26.75 USD |
| Price Objective | 33.00 USD |
| Date Established | 19-Jan-2024 |
| Investment Opinion | C-2-7 |
| 52-Week Range | 23.07 USD - 55.74 USD |
| Mrkt Val (mn) / Shares Out (mn) | 4,774 USD / 178.5 |
| Free Float | 99.0% |
| Average Daily Value (mn) | 190.29 USD |
| BofA Ticker / Exchange | AA / NYS |
| Bloomberg / Reuters | AA US / AA.N |
| ROE (2024E) | 5.2% |
| Net Dbt to Eqty (Dec-2023A) | 14.8% |
| ESGMeter™ | High |

ESGMeter is not indicative of a company's future stock price performance and is not an investment recommendation or rating. ESGMeter is independent of BofA Global Research's equity investment rating, volatility risk rating, income rating, and price objective for that company. For full details, refer to "BofA ESGMeter Methodology".

iQprofileSM Alcoa Corporation

iQmethodSM – Bus Performance*

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|----------------------------|-------|-------|-------|-------|-------|
| Return on Capital Employed | 2.9% | -2.7% | 3.3% | 10.2% | 12.2% |
| Return on Equity | 18.4% | -8.7% | 5.2% | 20.8% | 22.7% |
| Operating Margin | 5.5% | -3.3% | 5.6% | 14.1% | 17.5% |
| Free Cash Flow | 342 | (440) | (30) | 823 | 1,236 |

iQmethodSM – Quality of Earnings*

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|--------------------------|-------|-------|-------|-------|--------|
| Cash Realization Ratio | 0.9x | NM | 2.3x | 1.4x | 1.4x |
| Asset Replacement Ratio | 0.8x | 0.8x | 0.8x | 0.9x | 1.0x |
| Tax Rate | 91.8% | NM | 41.7% | 30.0% | 30.0% |
| Net Debt-to-Equity Ratio | 6.8% | 14.8% | 14.9% | 3.0% | -10.6% |
| Interest Cover | 6.5x | -3.2x | 5.8x | 15.9x | 20.7x |

Income Statement Data (Dec)

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|------------------------------|---------------|--------------|------------|---------------|--------------|
| Sales | 12,451 | 10,551 | 11,231 | 12,232 | 12,829 |
| % Change | 2.5% | -15.3% | 6.4% | 8.9% | 4.9% |
| Gross Profit | 2,239 | 738 | 1,579 | 2,646 | 3,105 |
| % Change | -25.3% | -67.0% | 113.9% | 67.6% | 17.3% |
| EBITDA | 2,224 | 536 | 1,354 | 2,406 | 2,880 |
| % Change | -20.0% | -75.9% | 152.6% | 77.8% | 19.7% |
| Net Interest & Other Income | 33 | (241) | (197) | (174) | (174) |
| Net Income (Adjusted) | 890 | (405) | 226 | 1,016 | 1,359 |
| % Change | -31.4% | NM | NM | 348.5% | 33.7% |

Free Cash Flow Data (Dec)

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|--|---------------|-------------|--------------|------------|--------------|
| Net Income from Cont Operations (GAAP) | 59 | (773) | 253 | 1,088 | 1,453 |
| Depreciation & Amortization | 617 | 632 | 676 | 638 | 601 |
| Change in Working Capital | (903) | (262) | (48) | (69) | (118) |
| Deferred Taxation Charge | 257 | (54) | 0 | 0 | 0 |
| Other Adjustments, Net | 792 | 548 | (360) | (235) | (100) |
| Capital Expenditure | (480) | (531) | (550) | (600) | (600) |
| Free Cash Flow | 342 | -440 | -30 | 823 | 1,236 |
| % Change | -35.5% | NM | 93.3% | NM | 50.2% |
| Share / Issue Repurchase | (478) | 1 | 0 | 0 | 0 |
| Cost of Dividends Paid | (72) | (72) | (71) | (71) | (71) |
| Change in Debt | 3 | 55 | 0 | 0 | 0 |

Balance Sheet Data (Dec)

| (US\$ Millions) | 2022A | 2023A | 2024E | 2025E | 2026E |
|---------------------------------------|---------------|---------------|---------------|---------------|---------------|
| Cash & Equivalents | 1,363 | 944 | 903 | 1,602 | 2,702 |
| Trade Receivables | 778 | 656 | 640 | 670 | 703 |
| Other Current Assets | 3,109 | 2,805 | 2,645 | 2,640 | 2,701 |
| Property, Plant & Equipment | 6,493 | 6,785 | 6,659 | 6,621 | 6,620 |
| Other Non-Current Assets | 3,040 | 2,968 | 3,328 | 3,563 | 3,663 |
| Total Assets | 14,783 | 14,158 | 14,175 | 15,096 | 16,389 |
| Short-Term Debt | 1 | 79 | 79 | 79 | 79 |
| Other Current Liabilities | 3,003 | 2,951 | 2,796 | 2,819 | 2,859 |
| Long-Term Debt | 1,806 | 1,732 | 1,732 | 1,732 | 1,732 |
| Other Non-Current Liabilities | 3,401 | 3,550 | 3,480 | 3,414 | 3,350 |
| Total Liabilities | 8,211 | 8,312 | 8,087 | 8,044 | 8,020 |
| Total Equity | 6,572 | 5,846 | 6,088 | 7,052 | 8,369 |
| Total Equity & Liabilities | 14,783 | 14,158 | 14,175 | 15,096 | 16,389 |

* For full definitions of iQmethodSM measures, see page 6.

Company Sector

Non-Ferrous-Mining

Company Description

Alcoa (AA) is a vertically integrated aluminum company, involved in bauxite mining, alumina refining, and aluminum smelting, in addition to cast aluminum products and some energy assets. Revenue in 2022 was \$12.5bn.

Investment Rationale

We rate AA at Neutral. We are bullish aluminum, but cautious in the more immediate term. Further, AA is in a period of transition (cost reductions) that we think will take longer than previously expected. We like AA's first quartile costs in bauxite/alumina. But its aim to move to first quartile in aluminum is challenged in our view. AA also aims to be the lowest carbon emitter in the industry. It is well positioned given its proprietary technology Elysis, set to begin commercialization in 2024.

Key Drivers

2024E 2025E 2026E

Stock Data

Average Daily Volume 7,113,629

Quarterly Earnings Estimates

| | 2023 | 2024 |
|----|--------|--------|
| Q1 | -0.23A | -0.92E |
| Q2 | -0.35A | 0.32E |
| Q3 | -1.13A | 0.85E |
| Q4 | -0.56A | 0.99E |

Q4'23 Results

Exhibit 1: AA Q4'23 results versus consensus and recent quarters

Reported adjusted EBITDA of \$89m was below BofAe and consensus estimates; the miss versus BofAe was mainly due to lower profitability in Alumina segment (FX/weaker mix) and higher intersegment eliminations.

| (US\$m, US\$/share) | Q4'23A | Q4'22A | YoY | Q3'23A | QoQ | Q4'23E | Var. | Bloomberg Cons. | Var. |
|-----------------------------------|---------------|---------------|-------------|---------------|------------|---------------|-------------|-----------------|-------------|
| Net sales | 2,524 | 2,663 | -5% | 2,546 | -1% | 2,676 | -6% | 2,612 | -3% |
| SG&A | 64 | 64 | 0% | 56 | 14% | 65 | -1% | 52 | 24% |
| DD&A | 163 | 147 | 11% | 163 | 0% | 171 | -4% | 168 | -3% |
| Adj EBITDA | 89 | 29 | 207% | 70 | 27% | 110 | -19% | 111 | -20% |
| Diluted EPS, Adjusted | (0.56) | (0.70) | nm | (1.14) | nm | (1.13) | nm | (0.84) | nm |
| Operating Cash Flow | 198 | 118 | 68% | 69 | nm | 17 | nm | (23) | nm |
| FCF | 10 | (53) | nm | (76) | nm | (179) | nm | (164) | nm |
| Capex | 188 | 171 | 10% | 145 | 30% | 196 | -4% | 195 | -3% |
| Net Debt (cash) | 867 | 444 | 95% | 884 | -2% | 1,039 | -17% | 1,022 | -15% |
| Cash & equivalents | 944 | 1,363 | -31% | 926 | 2% | 771 | 22% | 730 | 29% |
| Bauxite | | | | | | | | | |
| Production (M dmt) | 10.4 | 10.6 | -2% | 10.7 | -3% | 11.0 | -5% | 10.5 | -1% |
| Alumina | | | | | | | | | |
| Production (kmt) | 2,789 | 3,017 | -8% | 2,805 | -1% | 3,000 | -7% | 3,140 | -11% |
| 3rd party shipments (kmt) | 2,259 | 2,210 | 2% | 2,374 | -5% | 2,380 | -5% | | |
| Intersegment shipments (kmt) | 1,176 | 1,029 | 14% | 966 | 22% | 1,020 | 15% | | |
| Total shipments | 3,435 | 3,239 | 6% | 3,340 | 3% | 3,400 | 1% | | |
| External realized price (\$/mt) | 344 | 342 | 0% | 354 | -3% | 357 | -4% | 339 | 1% |
| Aluminum | | | | | | | | | |
| Primary aluminum production (kmt) | 541 | 516 | 5% | 532 | 2% | 540 | 0% | 537 | 1% |
| Total shipments (kmt) | 623 | 641 | -3% | 623 | 0% | 650 | -4% | | |
| Avg price realization (\$/mt) | 2,678 | 2,889 | -7% | 2,647 | 1% | 2,719 | -2% | | |

Source: Company reports, BofA Global Research. Cons = consensus. Var = variance.

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2024 alumina production guidance lower; spending higher

For 2024, Alcoa guided for alumina/aluminum shipments to be largely consistent with the prior year. However, alumina production was guided to be 9% lower YoY due to previously announced full curtailment at Kwinana (see our 9 January 2024 [note](#)). Aluminum production is guided to increase 7% YoY due to ongoing restart of Alumar and Warrick smelters. 2024 capex is expected to be ~\$20m YoY higher at \$550m (but lower than \$650m guidance provided two years ago at the 2021 investor day). However, environmental and ARO payments are guided to increase >\$90m YoY to \$295m, due to accelerated mine rehabilitation in Australia and Brazil, higher spending at Kwinana and increased remediation at previously closed sites. In alumina, Alcoa expects the global market to be net short in 2024, given steady demand, low inventory and reduced supply (Kwinana closure, China refinery curtailments and Guinea bauxite supply concerns). In aluminum, Alcoa expects a slight surplus market, with supply constrained (by China capacity cap/ hydropower shortages) and potential moderate demand recovery in Western markets.

Exhibit 2: Alcoa 2024 guidance

Alumina production cut 9%; capex/environmental and ARO spending to increase YoY.

| | 2023 guidance | Actual | Var. | 2024 guidance | YoY |
|--------------------------------------|---------------|--------|------|---------------|-----|
| Alumina production (Mmt) | n/a | 10.9 | nm | 9.8 - 10.0 | -9% |
| Alumina shipments (Mmt) | 12.7 - 12.9 | 12.8 | 1% | 12.7 - 12.9 | 0% |
| Aluminum production (Mmt) | n/a | 2.1 | nm | 2.2 - 2.3 | 7% |
| Aluminum shipments (Mmt) | 2.5 - 2.6 | 2.5 | 0% | 2.5 - 2.6 | 2% |
| Sustaining Capex (\$M) | 450 | 447 | -1% | 460 | 3% |
| Return Seeking Capex (\$M) | 90 | 84 | -7% | 90 | 7% |
| Environmental and ARO payments (\$M) | 195 | 202 | 4% | 295 | 46% |

Source: Company reports.

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Model Changes

Exhibit 4: AA key estimate changes

2024E EBITDA is 9% lower mainly due to lower MTM pricing for Q1'24; EPS is down 26% due to lower EBITDA and higher depreciation.

| (US\$m, US\$/share) | 2023E | | | 2024E | | | 2025E | | |
|-----------------------------------|---------------|---------------|-------------|---------------|---------------|-------------|---------------|---------------|-------------|
| | Old | New | Var. | Old | New | Var. | Old | New | Var. |
| Net sales | 10,632 | 10,551 | -1% | 11,390 | 11,231 | -1% | 13,407 | 12,232 | -9% |
| SG&A | 227 | 226 | 0% | 240 | 205 | -15% | 220 | 220 | 0% |
| DD&A | 640 | 632 | -1% | 626 | 676 | 8% | 626 | 638 | 2% |
| Adj EBITDA | 557 | 536 | -4% | 1,481 | 1,354 | -9% | 2,408 | 2,406 | 0% |
| Diluted EPS, Adjusted | -2.84 | -2.27 | -20% | 1.99 | 1.26 | -37% | 5.39 | 5.61 | 4% |
| Operating Cash Flow | -90 | 91 | nm | 919 | 520 | -43% | 1,587 | 1,423 | -10% |
| FCF | -629 | -440 | -30% | 319 | -30 | nm | 1,102 | 823 | -25% |
| Capex | 539 | 531 | -1% | 600 | 550 | -8% | 485 | 600 | 24% |
| Net Debt (Cash) | 1,039 | 867 | -17% | 810 | 908 | 12% | -122 | 209 | nm |
| Bauxite | | | | | | | | | |
| Production (M dmt) | 41.6 | 41.0 | -1% | 43.3 | 38.9 | -10% | 44.1 | 38.5 | -13% |
| Alumina | | | | | | | | | |
| Production (kmt) | 11,119 | 10,908 | -2% | 11,850 | 9,975 | -16% | 12,050 | 9,500 | -21% |
| 3rd party shipments (kmt) | 8,819 | 8,698 | -1% | 8,820 | 8,960 | 2% | 8,960 | 8,750 | -2% |
| Intersegment shipments (kmt) | 3,969 | 4,125 | 4% | 3,780 | 3,840 | 2% | 3,840 | 3,750 | -2% |
| Total shipments | 12,788 | 12,823 | 0% | 12,600 | 12,800 | 2% | 12,800 | 12,500 | -2% |
| External realized price (\$/mt) | 363 | 360 | -1% | 346 | 350 | 1% | 356 | 356 | 0% |
| Cash costs (\$/mt) | 409 | 418 | 2% | 333 | 329 | -1% | 318 | 324 | 2% |
| Aluminum | | | | | | | | | |
| Primary aluminum production (kmt) | 2,113 | 2,114 | 0% | 2,150 | 2,250 | 5% | 2,300 | 2,250 | -2% |
| Total shipments (kmt) | 2,496 | 2,469 | -1% | 2,600 | 2,550 | -2% | 2,800 | 2,500 | -11% |
| Avg price realization (\$/mt) | 2,805 | 2,786 | -1% | 3,119 | 3,094 | -1% | 3,566 | 3,565 | 0% |
| Cash costs (\$/mt) | 2,625 | 2,601 | -1% | 2,698 | 2,667 | -1% | 2,900 | 2,760 | -5% |

Source: BofA Global Research, company reports.

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Price objective basis & risk

Alcoa Corporation (AA)

Our price objective of \$33 for AA is based on 4.5x 2024E EV/EBITDA, 3.5x 2025E EV/EBITDA and 1.0x net asset value (NAV), with each value equally weighted. The 4.5x 2024E EV/EBITDA target multiple is below the global aluminum producer peer average around 5x to reflect our view for an extended turnaround to return to higher-grade bauxite in Western Australia. The 4.5x is also below AA's historical trading average (since 2016 separation) of 5x. The 3.5x 2025E EV/EBITDA multiple is lower than the 2024E multiple to account for time value and significantly higher aluminum price forecast versus spot. The 1.0x price to NAV (P/NAV) target multiple is in line with our broad North American metals and mining coverage.

Downside risks to our price objective are 1) aluminum price weakness, 2) extended delays in getting its bauxite mine approvals in Western Australia, 3) remaining pension liabilities, 4) rising costs for raw materials including electricity, oil, caustic soda, coke, and pitch, 5) power contract negotiation risk (electricity is a large cost component), 6) power disruption risk and other unforeseen weather-related risks, 7) political, regulatory and country risks, 8) unfavorably currencies changes including in the BRL, CAD, EUR, ISK and NOK, and 9) the removal of protective tariffs in key markets.

Upside risks to our price objective are 1) higher aluminum prices, 2) better-than-expected cost containment, and 3) global demand growth.

Analyst Certification

I, Lawson Winder, CFA, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

North America - Metals and Mining Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|-------------------|----------------------|-------------|------------------|--------------------|
| BUY | | | | |
| | Agnico Eagle Mines | AEM | AEM US | Lawson Winder, CFA |
| | B2Gold Corp | YBTO | BTO CN | Harmen Puri |
| | B2Gold Corp | BTG | BTG US | Harmen Puri |
| | Barrick Gold | GOLD | GOLD US | Lawson Winder, CFA |
| | Cameco Corporation | YCCO | CCO CN | Lawson Winder, CFA |
| | Cameco Corporation | CCJ | CCJ US | Lawson Winder, CFA |
| | Commercial Metals | CMC | CMC US | Lawson Winder, CFA |
| | Endeavour Mining | YEDV | EDV CN | Harmen Puri |
| | Endeavour Mining | EDVMF | EDVMF US | Harmen Puri |
| | Endeavour Mining PLC | XEDVF | EDV LN | Harmen Puri |
| | Franco-Nevada | YFNV | FNV CN | Lawson Winder, CFA |
| | Franco-Nevada | FNV | FNV US | Lawson Winder, CFA |
| | IAMGOLD | YIMG | IMG CN | Lawson Winder, CFA |
| | IAMGOLD Corp. | IAG | IAG US | Lawson Winder, CFA |
| | Ivanhoe Mines | YIVN | IVN CN | Lawson Winder, CFA |
| | Ivanhoe Mines | IVPAF | IVPAF US | Lawson Winder, CFA |
| | Lundin Mining | XLPRF | LUMI SS | Lawson Winder, CFA |
| | Lundin Mining Corp | YLUN | LUN CN | Lawson Winder, CFA |
| | Lundin Mining Corp | LUNMF | LUNMF US | Lawson Winder, CFA |
| | MP Materials | MP | MP US | Lawson Winder, CFA |
| | Newmont Corporation | NEM | NEM US | Lawson Winder, CFA |
| | Newmont Corporation | XNCRF | NEM AU | Lawson Winder, CFA |
| | Nucor | NUE | NUE US | Lawson Winder, CFA |
| | Pan American Silver | PAAS | PAAS US | Lawson Winder, CFA |
| | Teck Resources | YTECK | TECK/B CN | Lawson Winder, CFA |
| | Teck Resources Ltd | TECK | TECK US | Lawson Winder, CFA |



North America - Metals and Mining Coverage Cluster

| Investment rating | Company | BofA Ticker | Bloomberg symbol | Analyst |
|---------------------|-----------------------------------|-------------|------------------|--------------------|
| | Triple Flag Precious Metals Corp. | YTFPM | TFPM CN | Lawson Winder, CFA |
| | Triple Flag Precious Metals Corp. | TFPM | TFPM US | Lawson Winder, CFA |
| | Wheaton Precious Metals | WPM | WPM US | Lawson Winder, CFA |
| NEUTRAL | | | | |
| | Alamos Gold | YAGI | AGI CN | Harmen Puri |
| | Alamos Gold | AGI | AGI US | Harmen Puri |
| | Alcoa Corporation | AA | AA US | Lawson Winder, CFA |
| | Cleveland-Cliffs | CLF | CLF US | Lawson Winder, CFA |
| | First Quantum | FQVLF | FQVLF US | Lawson Winder, CFA |
| | First Quantum Minerals | YFM | FM CN | Lawson Winder, CFA |
| | Freeport-McMoRan | FCX | FCX US | Lawson Winder, CFA |
| | Hudbay Minerals | YHBM | HBM CN | Lawson Winder, CFA |
| | HudBay Minerals | HBM | HBM US | Lawson Winder, CFA |
| | Reliance Steel & Aluminum | RS | RS US | Lawson Winder, CFA |
| | Steel Dynamics | STLD | STLD US | Lawson Winder, CFA |
| UNDERPERFORM | | | | |
| | Centerra Gold | YCG | CG CN | Lawson Winder, CFA |
| | Centerra Gold | CGAU | CGAU US | Lawson Winder, CFA |
| | Eldorado Gold | EGO | EGO US | Harmen Puri |
| | Eldorado Gold | YELD | ELD CN | Harmen Puri |
| | Kinross Gold | KGC | KGC US | Lawson Winder, CFA |
| | New Gold Inc. | YNGD | NGD CN | Harmen Puri |
| | New Gold Inc. | NGD | NGD US | Harmen Puri |
| | Nexa Resources | NEXA | NEXA US | Lawson Winder, CFA |
| | Royal Gold | RGLD | RGLD US | Lawson Winder, CFA |
| | SSR Mining Inc. | SSRM | SSRM US | Lawson Winder, CFA |
| | SSR Mining Inc. | YSSRM | SSRM CN | Lawson Winder, CFA |

iQmethodSM Measures Definitions

Business Performance

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization
Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

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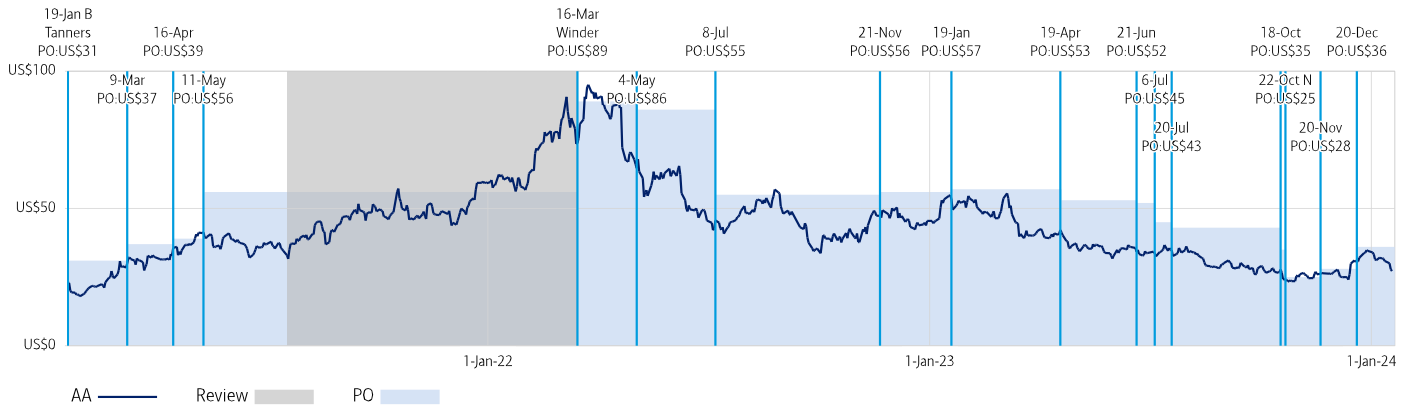
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Alcoa (AA) Price Chart



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Equity Investment Rating Distribution: Non-Ferrous Metals/Mining & Minerals Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy | 58 | 53.70% | Buy | 26 | 44.83% |
| Hold | 24 | 22.22% | Hold | 10 | 41.67% |
| Sell | 26 | 24.07% | Sell | 13 | 50.00% |

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

| Coverage Universe | Count | Percent | Inv. Banking Relationships ^{R1} | Count | Percent |
|-------------------|-------|---------|--|-------|---------|
| Buy | 1895 | 53.62% | Buy | 1083 | 57.15% |
| Hold | 832 | 23.54% | Hold | 454 | 54.57% |
| Sell | 807 | 22.84% | Sell | 383 | 47.46% |

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| Investment rating | Total return expectation (within 12-month period of date of initial rating) | Ratings dispersion guidelines for coverage cluster ^{R2} |
|-------------------|---|--|
| Buy | ≥ 10% | ≤ 70% |
| Neutral | ≥ 0% | ≤ 30% |
| Underperform | N/A | ≥ 20% |

^{R2} Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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