ATI

# Proven to perform **anywhere.**

## Second Quarter 2023 Earnings

August 2, 2023

# Forward Looking Statements

This presentation contains forward-looking statements. Actual results may differ materially from results anticipated in the forward-looking statements due to various known and unknown risks, many of which we are unable to predict or control. These and additional risk factors are described from time to time in the Company's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2022.

# Key Takeaways

## Performance

*A&D growth driving continued results*

A&D climbed to 58% of sales in Q2, up from 56% in Q1’23 and 46% in Q2’22

- Commercial Aero Driving Growth
  - 10% sequential and 37% YoY growth in Jet Engine shipments driven by narrow body and wide body production rate improvements and elevated spares demand.
- Steady Defense growth across multiple sub-sectors
- Lower energy and automotive sales were partially offsetting

## Balance Sheet

*Deploying capital for shareholder returns, balance sheet strengthening*

- Cash and liquidity of ~$770M
- Net Debt to EBITDA of 2.7x[1]
- Positive Q2 Free Cash Flow generation [1]

(1) See appendix for reconciliation of non-GAAP financial measures.

## Strategic Progress

*Portfolio transformation driving product mix and cost benefits*

Titanium melt expansion underway

- Restarted Oregon melt capacity ramp underway, helping power a 35% expansion in capacity from current resources
  - At full run-rate production for 2H 2023
- Richland, Washington recently announced as location of new brownfield titanium melt investment, providing additional 35% incremental capacity.
  - Expected to produce 1st ingots in late ’24, qualifications in ‘25

# Strategic Markets & Diversified Applications

| Market | Q2 '23 Revenue | vs. Q2 '22 | vs. Q1 '23 | Near-term Market Outlook | Comments |
|---|---|---|---|---|---|
| **Jet Engine** | $341M | +37% | +10% | ↗ | • Ramping jet engine production driving strong demand for materials and forgings.<br>• Growth trend expected to continue, supported by narrowbody and widebody production rate increases and continued strong aftermarket demand. |
| **Airframe** | $164M | +55% | -3% | ↗ | • Continued strong OEM demand supporting widebody aircraft production.<br>• Demand to continue ramping in second half and beyond with production rate increases. |
| **Defense** | $102M | +25% | +7% | ↗ | • Ongoing growth driven by increased support of the carrier and submarine fleets, as well as elevated levels of titanium armor and military jet engine shipments.<br>• Expect robust demand to continue, led by pull for ground vehicle armor and continued grow in materials supporting the carrier and submarine fleets, as well as emergent applications such as hypersonics. |
| **Energy** | $180M | -10% | -15% | → | • Softer sequential and year over year demand in oil & gas and chemical/hydrocarbon processing materials.<br>• Demand for specialty energy materials, including for land-based gas turbines remains strong, with participation limited by allocation of capacity to higher-margin A&D markets. |
| **Medical** | $42M | +6% | +20% | ↗ | • Continued demand growth, positively impacted by reshoring trends in key materials.<br>• Growth expected to continue in second half and beyond. |
| **Electronics** | $36M | -27% | +5% | → | • Sequential growth driven by increased hafnium shipments for semiconductor applications.<br>• Asian Precision Rolled Strip business remains flat, showing positive signs of stabilization. |

# Second Quarter 2023 Financial Results

| *$M (excl. EPS)* | Q2 2023 | Q2 2022 | *% Chg.* | Q1 2023 | *% Chg.* |
|---|---|---|---|---|---|
| **Revenue** | **$1,046** | **$960** | **+9%** | **$1,038** | **+1%** |
| **Segment EBITDA** | **$171** | **$165** | **+4%** | **$153** | **+12%** |
| *HPMC Segment* | $108 | $60 | +79% | $80 | +35% |
| *Adj. EBITDA %* | *20.5%* | *15.2%* | *+530bps* | *17.0%* | *+350bps* |
| *AA&S Segment* | $63 | $105 | (40)% | $73 | (13)% |
| *Adj. EBITDA %* | *12.2%* | *18.6%* | *(640)bps* | *12.8%* | *(60)bps* |
| Adj. EBITDA (ex. special items ) | **$150** | **$143** | **+5%** | **$133** | **+13%** |
| *Adj. EBITDA %* | *14.3%* | *14.9%* | *-60bps* | *12.8%* | *+150bps* |
| **EPS*** | **$0.52** | **$(0.31)** | **NM** | **$0.48** | **+8%** |
| **Adj. EPS*** | **$0.59** | **$0.54** | **+9%** | **$0.49** | **+20%** |

*attributable to ATI

## HPMC Segment

- **Revenue: Sequential and YoY topline growth driven by:**
  - Ramping jet engine shipments.
  - Increased Defense activity supporting naval fleets, ground vehicle armor, and military jet engine applications.
- **EBITDA: Significant growth and 350 sequential basis point margin expansion driven by:**
  - Ramping jet engine shipments and elevated defense sales.
  - Results also reflect impact of ongoing operational efficiency and yield improvement efforts.

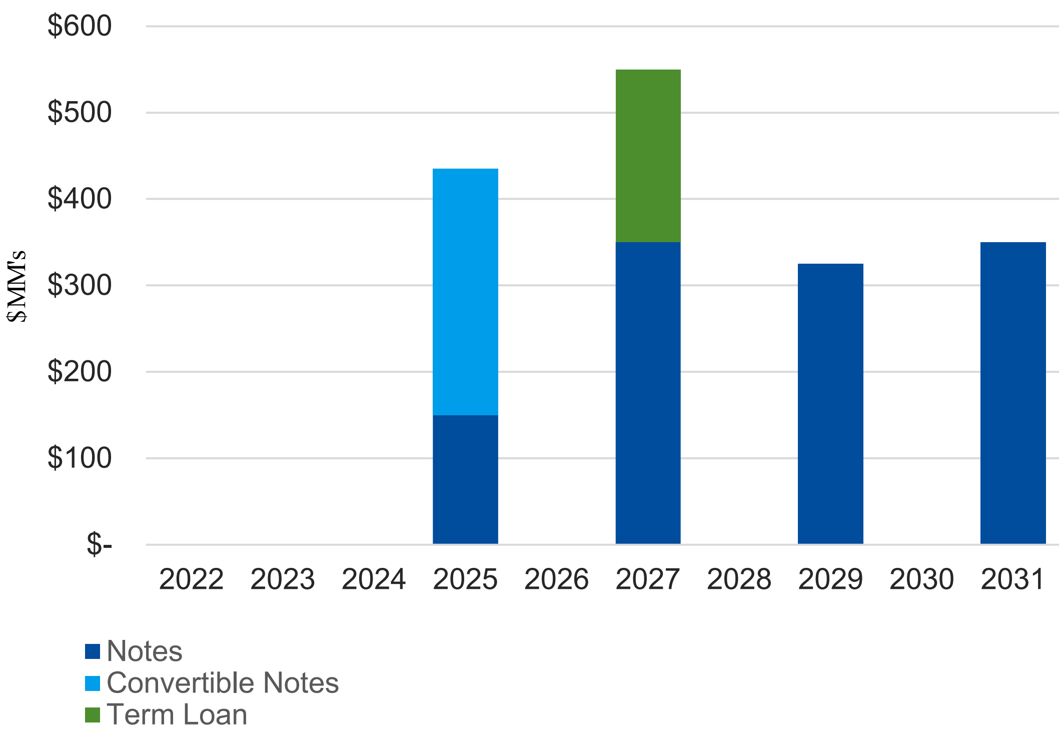
## AA&S Segment

- **Revenue: Sales down 8% sequentially and YOY, driven by:**
  - Softer energy, automotive and general industrial markets, partially offset by continued strength in A&D.
- **EBITDA: Lower segment EBITDA driven by:**
  - Lower energy market sales, and ongoing slowness in general industrial markets.
  - YoY comparison also reflects $10 million of Section 232 tariff refunds not repeating in '23. YoY comparison also reflects ~$7 million of increased pension related costs in Q2'23.

Note: amounts may not add due to rounding. See appendix for reconciliation of non-GAAP financial measures.

# Cash & Liquidity

## Net Debt/Adj. EBITDA [(1)] Ratio: 2.7x [(2)]




(1) EBITDA based on LTM Q2'23 financials.
(2) See appendix for full reconciliation to the nearest GAAP measures.
(3) Inventory purchased funded by draw on ABL, resulting in 120 basis point unfavorable impact.

## Balance Sheet and Cash Flow

### Q2 results

- **Liquidity of ~$770M, including $267M of cash on hand**
- **Managed working capital[(2)] increased to 39% of sales at quarter due to:**
  - Increased inventory from increasing production levels and ramping melt capacity.
  - Q2 strategic inventory purchase of $50M completed in 2Q.[(3)]
  - Anticipate MWC will be back to 30% target levels by year-end.
- **Capital expenditures were $43M in Q2**

### Capital structure

- **Year to date progress:**
  - Contributed $50M to defined benefit pension plan in Q1.
  - Executed $10M share repurchases in Q1.
  - In Q2, announced new authorization for an additional $75M of stock buybacks.
- **Strong balance sheet and liquidity provide for balanced capital allocation opportunities**
  - Fund growth.
  - Reduce debt and pension obligations.
  - Return capital to shareholders.

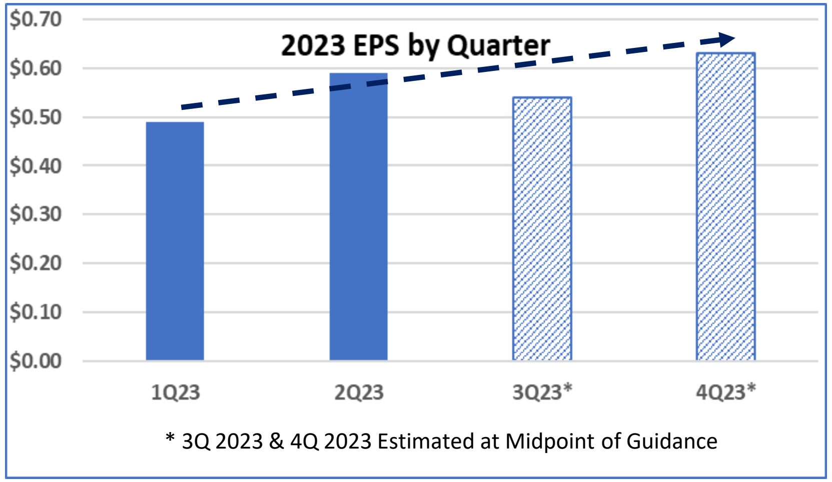
# Third Quarter & Full Year 2023 Outlook

## Third Quarter 2023

**Adj. EPS[1]**

$0.51 – $0.57

**Implies Q4’23 EPS of $0.63 at midpoint of full year and Q3 guidance**




## Full Year

**Adj. EPS[1]**

$2.15 - $2.35

*(Previously $2.10- $2.30)*

**FCF[2]**

$125 – $175 million

## Key Assumptions

**Key Drivers**

- ✓ “Double-digit” growth in A&D, as well as specialty energy
- ✓ 35% increase in capacity for titanium production from existing assets ramping
- ✓ Headwinds in industrial end markets will have modest impact
- ✓ Asian Precision Rolled Strip business headwinds to continue in 2H
- ✓ Supply chain and inflation remain manageable
- • Q3 reflects scheduled seasonal outages

*Additional Financial Guidance and Assumptions Provided in Appendix 1*

[1] Assumes fully diluted Q3 and full year average share count of 150.1 million.
[2] See appendix for reconciliation of non-GAAP financial measures.

✓ Consistent with prior assumptions
• Updated

# Additional Materials Appendix

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# Appendix 1 – 2023 Outlook Assumptions

| | |
|---|---|
| **Earnings Drivers** | |
| Annual Net Interest Expense | ~ $82M |
| Annual Effective Tax Rate | ~4.4%(1) |
| Annual Retirement Benefit Expense | ~$74M(2) |
| **Annual Cash Flow Drivers** | |
| Capital Expenditures | $200M - $240M |
| Managed Working Capital(3) | Cash Usage of ~$100M |
| Full Year Cash Taxes | ~$17M – $22M |
| Approved Share Repurchase Authorization | $75M(4) |

(1) Assumes valuation allowance on tax assets remains appropriate through 2023.
(2) An increase of $36M from 2022, ~$0.24 impact to 2023 EPS.
(3) See Appendix 2 for reconciliation of non-GAAP financial measures.
(4) Assumed to execute by year-end 2023.

# Appendix 2

**ATI Inc. and Subsidiaries**
**Non-GAAP Financial Measures**
*(Unaudited, dollars in millions, except per share amounts)*

The Company reports its financial results in accordance with accounting principles generally accepted in the United States of America ("GAAP"). However, management believes that certain non-GAAP financial measures, used in managing the business, may provide users of this financial information with additional meaningful comparisons between current results and results in prior periods. For example, we believe that EBITDA and Adjusted EBITDA are useful to investors because these measures are commonly used to analyze companies on the basis of operating performance, leverage and liquidity. Furthermore, analogous measures are used by industry analysts to evaluate operating performance. EBITDA and Adjusted EBITDA are not intended to be measures of free cash flow for management's discretionary use, as they do not consider certain cash requirements such as interest payments, tax payments and capital expenditures. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported results prepared in accordance with GAAP. The following table provides the calculation of the non-GAAP financial measures discussed in the Company's earnings release on August 2, 2023:

| | Three Months Ended | | |
|---|---|---|---|
| | **June 30, 2023** | **March 31, 2023** | **June 30, 2022** |
| Net income (loss) attributable to ATI | $ 76.0 | $ 70.1 | $ (38.0) |
| Adjust for special items, pre-tax: | | | |
| Restructuring and other charges (credits) (a) | 10.0 | 1.2 | (1.3) |
| Loss on asset sales and sale of businesses, net (b) | 0.6 | - | 115.9 |
| Total pre-tax adjustments | 10.6 | 1.2 | 114.6 |
| Income tax on pre-tax adjustments for special items | (0.4) | (0.1) | 0.1 |
| Net income attributable to ATI excluding special items | $ 86.2 | $ 71.2 | $ 76.7 |

# Appendix 2 (continued)

| | Three Months Ended | | | | | |
|---|---|---|---|---|---|---|
| | June 30, 2023 | | March 31, 2023 | | June 30, 2022 | |
| | Reported | Adjusted | Reported | Adjusted | Reported | Adjusted |
| Numerator for Basic net income (loss) per common share - | | | | | | |
| Net income (loss) attributable to ATI | $ 76.0 | $ 86.2 | $ 70.1 | $ 71.2 | $ (38.0) | $ 76.7 |
| Effect of dilutive securities | 2.6 | 2.6 | 2.6 | 2.6 | - | 4.0 |
| Numerator for Diluted net income (loss) per common share - | | | | | | |
| Net income (loss) attributable to ATI after assumed conversions | $ 78.6 | $ 88.8 | $ 72.7 | $ 73.8 | $ (38.0) | $ 80.7 |
| Denominator for Basic net income (loss) per common share - | | | | | | |
| Weighted average shares outstanding | 128.5 | 128.5 | 128.5 | 128.5 | 124.6 | 124.6 |
| Effect of dilutive securities | 21.6 | 21.6 | 21.6 | 21.6 | - | 26.1 |
| Denominator for Diluted net income (loss) per common share - | | | | | | |
| Adjusted weighted average shares assuming conversions | 150.1 | 150.1 | 150.1 | 150.1 | 124.6 | 150.7 |
| Diluted net income (loss) attributable to ATI per common share | $ 0.52 | $ 0.59 | $ 0.48 | $ 0.49 | $ (0.31) | $ 0.54 |

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# Appendix 2 (continued)

| | Three Months Ended | | | Latest Twelve Months Ended |
|---|---|---|---|---|
| | June 30, 2023 | March 31, 2023 | June 30, 2022 | June 30, 2023 |
| Net income (loss) attributable to ATI | $ 76.0 | $ 70.1 | $ (38.0) | $ 284.1 |
| Net income attributable to noncontrolling interests | 3.1 | 2.1 | 3.7 | 12.8 |
| Net income (loss) | 79.1 | 72.2 | (34.3) | 296.9 |
| (+) Depreciation and Amortization | 35.9 | 35.1 | 36.0 | 142.4 |
| (+) Interest Expense | 21.3 | 19.9 | 23.4 | 81.6 |
| (+) Income Tax Provision | 3.7 | 4.3 | 3.4 | 15.2 |
| (+/-) Restructuring and other charges (credits) (a) | 9.2 | 1.2 | (1.3) | 27.9 |
| (+) Loss on asset sales and sale of businesses, net (b) | 0.6 | - | 115.9 | 0.6 |
| (-) Joint venture restructuring credits (c) | - | - | - | (0.9) |
| ATI Adjusted EBITDA | $ 149.8 | $ 132.7 | $ 143.1 | $ 563.7 |
| Corporate expenses | 18.1 | 17.3 | 16.7 | 64.1 |
| Closed operations and other expense | 3.4 | 2.8 | 5.1 | 11.8 |
| Segment EBITDA | $ 171.3 | $ 152.8 | $ 164.9 | $ 639.6 |
| Debt | | | | $ 1,773.8 |
| Add: Debt issuance costs | | | | 15.5 |
| Total debt | | | | $ 1,789.3 |
| Cash | | | | $ (267.1) |
| Net Debt (Total debt less cash) | | | | $ 1,522.2 |
| Net Debt to Adjusted EBITDA | | | | 2.7 |

(a) Second quarter 2023 includes pre-tax amounts of $4.5 million for start-up costs, $2.7 million of severance-related restructuring charges, and $2.8 million primarily for asset write-offs related to the closure of our Robinson, Pennsylvania operation, of which $0.8 million was accelerated depreciation on fixed assets and is included in depreciation and amortization in the above table. First quarter 2023 includes a $1.2 million pre-tax charge for costs to restart our titanium operations in Albany, OR. Second quarter 2022 results include a $1.3 million pre-tax credit for restructuring charges, primarily related to lowered severance-related reserves based on changes in planned operating rates and revised workforce reduction estimates. The latest twelve months ended June 30, 2023 includes pre-tax amounts of $5.7 million for start-up costs, $2.7 million of severance-related restructuring charges, $2.0 million primarily for asset write-offs related to the closure of our Robinson, Pennsylvania operation and a $19.9 million pre-tax litigation reserve, partially offset by a $2.4 million pre-tax credit for restructuring charges, primarily related to lowered severance-related reserves based on changes in planned operating rates and revised workforce reduction estimates.

(b) Second quarter 2023 and the latest twelve months ended June 30, 2023 includes a $0.6 million loss on the sale of our Northbrook, Illinois operation. Second quarter 2022 results include a $115.9 million loss on the sale of our Sheffield, UK operations, which was completed in the second quarter 2022.

(c) The latest twelve months ended June 30, 2023 results include a $0.9 million pre-tax credit for ATI’s 50% share of Allegheny & Tsingshan Stainless joint venture’s credit for restructuring charges.

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# Appendix 2 (continued)

## Free Cash Flow

Free cash flow as defined by ATI includes the total of cash provided by (used in) operating activities and investing activities as presented on the consolidated statements of cash flows, adjusted to exclude cash contributions to the Company's U.S. qualified defined benefit pension plans.

| | Three Months Ended June 30, 2023 |
|---|---|
| Cash provided by operating activities | $ 68.1 |
| Cash used in investing activities | (41.5) |
| Add back: cash contributions to U.S. qualified defined pension plans | - |
| Free Cash Flow as defined | $ 26.6 |

## Managed Working Capital

As part of managing the performance of our business, we focus on controlling Managed Working Capital, which we define as gross accounts receivable, short-term contract assets and gross inventories, less accounts payable and short-term contract liabilities. We exclude the effects of inventory valuation reserves and reserves for uncollectible accounts receivable when computing this non-GAAP performance measure, which is not intended to replace Working Capital or to be used as a measure of liquidity. We assess Managed Working Capital performance as a percentage of the prior three months annualized sales to evaluate the asset intensity of our business.

| | June 30, 2023 |
|---|---|
| Accounts receivable | $ 710.1 |
| Short-term contract assets | 51.8 |
| Inventory | 1,380.4 |
| Accounts payable | (467.7) |
| Short-term contract liabilities | (137.8) |
| Subtotal | 1,536.8 |
| | |
| Allowance for doubtful accounts | 7.1 |
| Inventory reserves | 88.6 |
| Managed working capital | $ 1,632.5 |
| | |
| Annualized prior 3 months sales | 4,183.7 |
| | |
| Managed working capital as a % of annualized sales | 39.0% |

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