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Allegheny Technologies, Inc. (ATI)

Investor Day

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MANAGEMENT DISCUSSION SECTION

Scott A. Minder

Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.

Good morning and welcome to ATI's 2022 Investor Day. I'm Scott Minder, ATI's Head of Investor Relations. On behalf of the upcoming speakers and our dedicated employees, thank you for joining us today. We have a lot of good information to share. But before we can do that, I need to remind you of the rules around forward-looking statements which are now on the screen.

Let's go over a few quick housekeeping items. Today's virtual meeting will include commentary, slides and some exciting videos that showcase the depth and breadth of our capabilities. After the meeting concludes, we'll post the slides and a full event recording in the Investor section of our website. All participants are encouraged to ask questions during the event using the Q&A box in the bottom right corner of your screen. I'll be back after the presentations to moderate a live Q&A session. All questions will be asked anonymously, and I encourage you to get them in early.

Now, let's get started. We've got a great lineup of speakers, a robust agenda details our strategy, provides long-term goals and covers everything in between. Bob Wetherbee, our Chairman and CEO, will kick us off with a discussion around strategy and lay the groundwork for the next three speakers. Kevin Kramer, our Chief Commercial Officer, will discuss our growing markets. Kim Fields, our Chief Operating Officer, will share her thoughts on what makes ATI unique and how we achieve excellence every day in our operations. Don Newman, our Chief Financial Officer, will cover cash generation and capital deployment and provide you with a scorecard to measure our success over the next few years. Bob will return to wrap up, and then we'll dive into Q&A. We're excited and we're ready to go.

We'll start with a video that showcases what ATI does and how we do it. Then, Bob will pick it up from there.

[Video Presentation] (00:02:04-00:04:53)

Robert S. Wetherbee

Board Chair, President and Chief Executive Officer, Allegheny Technologies, Inc.

Velocity is a speed in a defined direction. Today's ATI is a company with accelerating velocity. We're advancing along the path of our clear and defined strategy, gaining speed every day towards our goal of becoming an aerospace and defense leader. As you saw in our video, our customers are blazing the trail of what's possible, advancing the world through their incredible products. ATI is proud to be their partner, providing the materials and solutions to make their achievements possible. Together, we're stretching beyond the boundaries, so they go further and faster, performing in the most extreme conditions. We innovate constantly, improving what we make and pioneering solutions for ever more challenging applications and the environments of tomorrow. We're thriving where the expectations are great and the barriers are high. That's where at ATI's extraordinary capabilities perform the best and are valued the most. And that's where we see the largest opportunities for growth.

I'm Bob Wetherbee, Board Chair and CEO of ATI. Welcome to our Investor Day. We're a different and even better company than ever before. We've transformed on our way to being an aerospace and defense powerhouse, serving growing markets with material science, expertise and process capabilities like no other. We're focused on creating shareholder value with tremendous opportunities ahead of us.

As Scott mentioned earlier, we're on site in our new Dallas office. We've opened an office in Dallas to accelerate our transformation and further position us to become an aerospace and defense leader. Our executive council is committed to maintaining strong company-wide connections and this central location will help us do that. Our executive team will operate from here, staying strategically focused. At the same time, our business units are operating independently in their parts of the world, but accountable for their performance. Four members of our leadership team will join me in telling ATI story on behalf of a highly committed team of nearly 6,300 employees around the world. Together, we'll share four clear and compelling messages.

First, our well-defined strategy guides us to becoming an aerospace and defense leader and to leveraging that expertise for critical adjacent applications with aerospace-like characteristics. Second, we have significant opportunities for profitable growth, both organic and inorganic that will drive results. Third, ATI holds a strong competitive advantage built on proprietary knowhow, unique assets and world-class capabilities. Our long track record of operational excellence is strengthened by recent optimization actions. Fourth, every day, we're focused on driving shareholder value through improved cash generation and accretive capital deployment.

We've taken deliberate action to put ourselves in a position to be successful doing the heavy lifting to make that possible. During the pandemic-induced market downturn, we couldn't control what was happening in our markets, but we could control how we put this time to use. With a purpose-built strategy and the structure to support it, we were determined to emerge from the aerospace downturn, recovery ready and stronger than ever. We meant it, and we are.

We realigned segments around products, promoted new leaders, directing attention to the synergies and opportunities within our business. We also sharpened our focus, divesting non-core assets to double down on what we do best. We made further investments to secure capacity for share gains, growing our advanced capabilities and further expanding our leadership position in isothermal forging and powder atomization. And with the transformation, in especially rolled products, having exited standard stainless sheet production in 2021, we're upgrading our specialty rolling, melt and finishing capabilities to be best in class, purpose-built for high value materials that extend ATI's core strengths. At the same time, we focused on cash and a disciplined capital allocation strategy. We further optimized our capital structure with an eye toward increasing returns on invested capital, delivering top-line growth, expanding margins and generating cash to deliver the return that our shareholders expect. Our 2021 results and our forward guides reflect this success.

That brings us to the ATI we present to you today; a leaner, more profitable company poised for significant growth. ATI is a leading producer of high performance materials and solutions, primarily for the global aerospace and defense markets. These by far are our largest markets, and they're growing the fastest. Over the next several years, we're headed to our goal of greater than 65% in aero and defense sales. That's significant, because aerospace and defense companies generally carry higher margins and generate more cash, earning higher market valuations as a result.

The chart on the left shows that the majority of our revenue is under long-term agreement, another characteristic of these markets. These LTAs include price adjustment mechanisms for inflation and raw material fluctuations. We'll continue driving our LTA percentage higher, but over 40% transactional business today represents an incremental pricing opportunity in the expected stronger markets ahead. We're poised for significant growth, leveraging our commitment to innovation and excellence to serve our customers today and well into the future.

ATI has proven to perform in the most extreme conditions. That's because of our unique capabilities. First, our products; we produce a wide range of high performance materials, titanium, nickel, niobium, hafnium, zirconium, great materials in the highest quality, meeting the extraordinary requirements of very demanding customers. Second, our processes; our proprietary process technologies give our materials their tremendous strength and heat and corrosion resistance. From melt to forgings, our integrated supply chain yields the greatest results through scale.

Third is our people. Our team is the key to our success. They're the leading minds and makers. They bring tremendous expertise to the development, production and delivery of our products. In short, they're proven to perform, no matter what the challenge or opportunity. And fourth partnerships. Other companies talk about customers. We see them as partners. It starts with a deep understanding of the challenges they need to solve and continues through execution, delivering on time, on spec at the highest quality. We strive to be the first, last and only call when high performance materials are needed.

Leveraging our strengths and building on our transformation, now we're gaining velocity. We have a streamlined portfolio, driven by high value products for key end markets. We're poised for significant growth as markets recover, and we see the benefits from market share one for the upcoming ramp. We've invested for the future, so we have both the capability and the capacity for growth. We're sustaining the cost reductions we've taken in the past two years, locking in lean cost structures. We have more savings on the horizon as we consolidate the final two facilities of the Specialty Rolled Products transition to high value materials. The profitability impact will be magnified through end market recovery and growth.

The opportunity for sustainable cash generation and accretive capital deployment is significant. Our mission is to solve the world's challenges through material science. It's what we do best, and every day our people extend what our advanced process technologies can deliver, motivated by challenges and by what others see as boundaries. We aspire to be an aerospace and defense leader, guided by our technology position and strategic nickel and titanium applications. Our capabilities and experience earns the customers' first call. And we're humble, we're humble enough to know just how privileged we are to partner with them. That's a powerful combination that positions us to deliver long-term shareholder value to our investors.

Our strategy is clear, and it propels us forward. It guided our actions in recession, allowing us to emerge stronger. As the global recovery takes hold, we're focused on; number one, growing our core business. We know where we excel and where our expertise is most valued. We're purposefully growing in our core aerospace and defense markets and gaining share. Second, we're driving competitive advantage. Our material science expertise and innovation give us that tremendous advantage. We're also differentiating ourselves through digital technology and

our culture, developing the strength of our teams and our leaders. Third, we're ensuring we're positioned for the future. We've taken actions to make sure we have the right portfolio and we'll continue to do so. At the same time, we continue to strengthen our balance sheet and create opportunities by unlocking cash.

We have lots to share with you. So, let's jump right in. I'm pleased to introduce our Chief Commercial and Marketing Officer, Kevin Kramer, to tell you more about the strong end markets that ATI proudly serves.

Kevin B. Kramer

Chief Commercial & Marketing Officer, Senior VP, Allegheny Technologies, Inc.

Thanks, Bob, and hello to everyone listening today. ATI is a leader in high value markets that requires suppliers to have deep material science expertise, significant process, knowhow, stringent product qualifications and strong customer relationships. Our growth strategy is centered primarily on commercial aerospace and defense. And I'll show you why these are such incredibly strong markets for us. We also have solid positions in critical adjacent applications within the electronics, specialty energy and medical markets that leverage our aerospace expertise and capabilities. These markets are growing faster than the global economy, have extremely high barriers to entry and offer aero like profitability profiles. As you heard Bob say, ATI is a leader in our markets, developing, designing and executing solutions for our customers' toughest challenges, what earns that first call and every call that follows.

I'll summarize the three reasons. First, customers need innovative solutions from partners able to solve their challenges. This means having the right capabilities. It's not enough to know-how, you must have the facilities, equipment and processes to make it happen. And we have some of the best capabilities in the industry, developing, melting, rolling, forging and finishing alloys into any shape, form or component the customer needs.

Next, customers need trusted suppliers with high say to do ratios. They're looking for partners who understand what they're trying to accomplish and see things through the lens of the customer and who can execute. We're trusted to deliver when and what we promise. The level of performance is an ATI point of pride. We work every day developing and producing advanced materials and components that meet the ever increasing product performance requirements. You'll hear more about that from Kim a little later. And finally, it's incredibly important to solve these challenges through sustainable materials, as the demand to reach carbon reduction goals are more prevalent than ever before. I'll share a few examples of how our materials help our customers meet their goals in a moment.

So, what are the challenges for solving through material science? Our customers operate in some of the most extreme environments on Earth and beyond our atmosphere. To be successful, their products must continually push the edge of what's possible. Our advanced materials play a key role in making this happen today and that's just the starting point for us. There are megatrends forming customer needs for tomorrow; climate change and the drive for sustainability, accelerate important fuel efficiency and weight reduction trends. Our materials provide real improvements for our customers and ultimately to their customers.

An important attribute of what we deliver is material durability. Consider the harsh conditions in which our customers' products operate. The longer and better our products perform, the lower the operating cost for our customers and the better for the environment as they need not to be replaced very often. Ultimately, these efforts benefit the planet by reducing greenhouse gas emissions, aiding the aerospace industry and others in meeting their future commitment for net zero emissions.

Now, let's dive deeper into our key markets, starting with commercial aerospace. Next-gen commercial aircraft engines demand innovative solutions and it starts with the end customer. Airlines need lighter planes that use less

fuel to fly further and at lower cost. As the world's middle-class expands, the desire and financial ability to travel and connect with others grows. Economically linking cities in Asia, Middle East, North Africa and South America to the United States and Europe makes travel more accessible for many. To accomplish these goals, we're partnering with jet engine and airframe OEMs and their supply chains to find unique solutions that address the airlines' needs. There are few key material trends enabling these new performance gains; thermal management, lightweighting and a little further out on our timeline is additive manufacturing.

Let's take a quick look at each. To achieve extended flight ranges and lower fuel costs, next-gen jet engines require the thermal management capabilities of nickel, super alloys and titanium. These materials ensure a more uniform chemistry leading to higher heat tolerance. A great example, LEAP engines burn 10% hotter than the CFM56 engines they replaced. These new engines produce the highest operating temperatures and pressures we have ever seen. And the next generation of engines will likely drive those operating parameters even further. Lightweight materials complement new engine technologies to help achieve the industry's cost and flight range goals.

Titanium is increasingly applied in primary aerostructures to address the risk of galvanic corrosion around carbon fiber wing structures. Think of new fuel efficient widebody aircraft, like the Boeing 787 or the Airbus A350. Both planes were roughly 50% composite materials and require titanium superstructures that make up about 15% of their composition. Titanium usage has grown substantially over the past 20 to 30 years. Next-gen narrowbody aircraft use roughly 30% more titanium than the legacy designs. This percentage is almost certain to grow over the next 20-year period.

In addition to lightweighting and corrosion resistance, titanium adds strength and provides heat shielding. The material is found in compressor applications in jet engines cold section, as well as in the engine pylons and exhausts. It's increasingly used in components like landing gear to reduce weight and improve fatigue resistance. Aerospace titanium is expected to grow significantly between 2023 and 2025 and beyond. This is a result of increased applications and the return of widebody production.

There are numerous potential benefits from additive manufacturing for aerospace, defense and space OEMs. In aero, the additive process enables advanced materials and complex designs that enhance performance. A good example is the LEAP fuel nozzle. This process resulted in a part reduction of 20:1, a 25% weight reduction, and the new component is 5 times more durable. For defense, additive simplifies the supply chain by providing solutions to have production at the point of need. This will help enable programs in areas like hypersonics to achieve the design and material property requirements throughout development. And finally, in space; the process provides faster development and quicker time to market with low production volumes of high performance materials and design. We are a world class powder producer selling materials to help others' additive strategy. The opportunity for additive manufacturing in defense and space is here, and we're confident the demand in aerospace will continue to grow.

Advanced materials like the nickel and titanium, I just spoke about, are enabling massive sustainability increases and cost reductions. Boeing estimates their next-gen aircraft help save more than $9 billion a year in fuel cost and reduce their carbon footprint by up to 25% over legacy designs. LEAP engines used by both Boeing and Airbus reduce fuel consumption and lower CO2 emissions by 15% each. And next-gen widebodies like the Boeing 787 are 20% lighter, burn 20% less fuel and reduce CO2 emissions by a similar percentage, all very impressive statistics, in part made possible by ATI's advanced, sustainable materials. As you know, we're coming out of a historic aerospace downturn. Now that the industry recovery has begun, we see elevated commercial aerospace growth on the horizon.

Let's start with the end user. Passenger demand for domestic flights is strong globally. According to data from IATA, domestic travel rates exited 2021 at roughly 78% of 2019 levels. Demand has recovered more slowly on a global basis, with international travel exiting the year at roughly 40% of 2019 levels. With this demand recovery, airlines are now accepting finished planes from OEM inventory and are placing new aircraft orders. That's great news for the OEMs and their supply chains. All signals are pointing to the ramp we expected in 2019 is finally taking shape.

Aircraft manufacturers predict demand will return to 2019 levels in 2023, but the anticipated production composition will be different. Expected 2023 builds are more heavily weighted toward narrowbody planes. This aligns with our macro view of growth as domestic flights return to pre-pandemic levels faster than international flights. And no surprise, the two narrowbody platforms, Boeing 737 MAX and the Airbus A320neo family are expected to account for nearly 75% of total industry deliveries. ATI is well positioned to benefit from this growth trend with increased share on both the LEAP and the geared turbofan engines, as well as a higher share of industry airframe titanium. It's not just higher passenger traffic that drives aircraft production growth, retirements of older, less efficient aircraft will add to production rate increases as airlines look to swap out older aircraft for next-gen platforms that reduce operating cost and expand route options.

Next, I'd like to highlight key jet engine industry and ATI business drivers. As you can see, next-gen jet engine production, defined by the program shown on the slide, hit bottom in 2021. Production is expected to recover rapidly over the next few years. Next-gen engines will increase roughly a 115% between 2021 and 2025. That is an impressive number. And growth is expected to continue beyond 2025, as wide-body engine production rates expand along with international travel rates.

Let's pause for a moment and hear from [ph] Melissa Martinez (00:28:35), who heads New Product and Process Technology at ATI.

[Video Presentation] (00:28:45-00:30:26)

Melissa is absolutely right, our technology gives us an incredible advantage. Let's move on to the diverse defense markets. I'll concentrate on the areas where ATI has a strong presence. Defense market grew throughout the pandemic. This growth is expected to continue with increasing geopolitical tensions around the globe, driving higher defense spending. The US and its ally budgets are largely focused on modernizing aging systems and developing advanced new capabilities. In the US, the fiscal year 2022 defense budget is set to increase by roughly 4% over 2021, but strong customer connections give us confidence that this growth rate will likely be higher. Every branch in the military relies on equipment that tests ATI materials under extreme conditions.

Our products are on vehicles that fly, float and roll. Product performance is paramount, protecting our soldiers and providing tactical advantages. When it comes to things that fly, including planes, helicopters and missiles, there are a multitude of synergies between the commercial aerospace and defense markets. ATI leverages our capabilities and our assets to develop and produce materials for both markets, and much of our invested research and development is applied across multiple platforms. For example, vertical lift programs, which demand lightweight materials and advanced engines, use similar alloys and components to those found in commercial aerospace program.

Lastly, in the fly category, let's talk about space and hypersonics. There are a lot of exciting, well recognized OEMs pushing the limits of space as satellite launches become a reality. In large part, this is possible things to the advanced materials and capabilities taken from aerospace and defense. With hypersonics, much of this technology remains in the development phase. However, our efforts are progressing quickly, and ATI's R&D

capabilities are in heavy demand to solve the material challenges presented by guided hypersonic flight. Advanced materials are a key enabler of these technologies and we are excited to be involved in the early development phases for these programs.

When it comes to things that float, ATI's efforts are primarily geared toward nuclear-powered naval vessels, including submarines and aircraft carriers. This propulsion technology allows ships to remain at sea for longer periods of time, providing highly efficient power. Lastly, ATI competes the supply materials for everything that rolls, soldier protection while maintaining mobility is the main priority here. Mission critical alloys and components, such as lightweight titanium armor, hatch covers and durable suspension systems help save lives and fuel. You will see a lot of familiar needs and solutions on this slide that shows the combined shared technologies across both commercial and defense markets. It starts with the military where product performance is the top priority and we also see the need for efficiency and tremendous capabilities.

Similar to the commercial aerospace OEMs, large defense primes like Lockheed Martin, General Dynamics, Raytheon and Boeing work together with their suppliers to solve military's toughest challenges. Take the Pratt & Whitney F135 engines that power Lockheed's F-35 single-engine strike fighter, for example. Super alloys drive increased power and thermal management system capacity, helping the plane to achieve up to 10% more thrust, while also lowering fuel consumption by about 6%. Only the most advanced materials can operate in these engines, where temperatures can reach 3,600 degrees Fahrenheit.

Let's take a moment and hear from Terry Hartford, who heads up our Defense organization.

[Video Presentation] (00:35:12-00:37:00)

Very exciting stuff. Now, let me summarize everything I've talked about today. We're in the right markets and they are growing faster than GDP. These markets pay a premium for differentiated materials that push their product performance to the next level. We're well positioned delivering solutions to our customers that enable their incredible achievements. ATI is honored to be a trusted supplier to a wide array of customers earning the first call when those customers have challenges. We've positioned ourselves as a premier aerospace and defense supplier, and we leverage that expertise and apply the same process knowhow to our diversified applications. And best of all, our markets continue to recover and seek sustainable, innovative solutions. We are ready to take full advantage of the significant growth opportunities ahead.

Next up is ATI's Chief Operating Officer, Kim Fields.

Kimberly Ann Fields

Chief Operating Officer & Executive Vice President, Allegheny Technologies, Inc.

Thanks, Kevin. And hello, everyone. Thank you for taking the time to understand why we are excited about ATI's future. The ATI operating team is focused on winning for our customers, for our shareholders and for our team. Our efforts are beginning to pay off and you saw those outstanding results in our fourth quarter.

Today, I'll describe what sets us apart as we deliver profitable growth. As Chief Operating Officer, I lead the businesses as one integrated operation with aligned goals, metrics and leadership. My team and I are creating a system that ensures collaboration and accelerates improvements across the enterprise. Having a clear direction is important. It guides what we do and where we invest our time and resources. We are laser focused on building capabilities for aerospace and defense. We are intentionally then applying those strengths to other critical applications that require similar demanding performance in the toughest environments.

Equally important is what we will not do. We don't allow ourselves to be distracted by markets or product lines that don't leverage our strengths or deliver differentiated value. Applying this filter, led to SRP's transformation and the divestitures we've made. We direct our resources to where they'll deliver the most value. The downturn was incredibly challenging for our operations. But just like pressure is required to form a diamond, we channeled this experience to become a stronger, more focused company. What ATI achieved during the pandemic is similar to a jeweler applying a cutting tool to a diamond in the rough, honing, sharpening, gaining the edge that shows off our capabilities brilliantly.

We have four operating priorities that the team is focused on delivering. First, taking costs out and keeping them out as we pivot to growth. In the pandemic, we significantly reduced cost. As we recover and grow, we are committed to keeping $100 million of those structural cost savings out. During the downturn, we reduced staffing levels by about 20%. We're forecast to maintain more than two thirds of those savings as we bring back less than 30% of that head count in the recovery. Second, we're driving efficiency gains. Asset utilization is up across our businesses as markets recover. In fact, utilization at our hot rolling and processing facility was 63% in the fourth quarter. We are systemically building processes to reduce cycle time to increase efficiency. We've targeted managed working capital reductions of at least $250 million, driven largely by inventory intensity improvements. This sharpening of our operations allows us to better serve our customers, meeting their needs competitively and with precision.

Our third priority is implementing a disciplined capital investment process to fund growth strategically. This will ensure we are focusing our investments on projects with the greatest returns. And lastly, we're extending our best-in-class leadership team to deliver against robust operational and financial metrics. I am honored to lead this truly special team. During the downturn, we overcame many challenges together. We surpassed our initial expectations, breaking records for cost reduction and outstanding cash generation. And we repeatedly set a new bar of excellence in our business. It all comes down to discipline and execution. And we're locked and loaded. We're seeing results and are ready to accelerate as markets recover.

Over decades, ATI has built a competitive moat of unique advantages. This moat is both durable and multifaceted. Our position can't be replicated easily with capital investments or by hiring new people. Our diverse alloy portfolio is built on decades of development experience and customer partnerships. Our materials range from nickel and titanium alloys to the exotic edges of the periodic table. We make these alloys in a variety of forms, including cast wrought materials used for forgers, thick plates and thin sheets used by fabricators, and metallic powders used by isothermal forgers and additive manufacturers. We know material science. We understand our materials and finish components down to the molecular level. Our alloy expertise in our advanced process technologies result in world-class quality. It underpins our plans for profitable growth.

As you heard, we are intentional about our chosen end markets. There are extraordinarily high barriers to entry, strict qualification standards for the products we supply and the processes we follow. The highest level of product quality is required. There is no margin for error. Our customers appreciate what it takes to operate at this level, the equipment and investment required and the skill of the people needed to operate it. They reward us with long-term contracts centered more on operational success than price per unit.

To demonstrate how our competitive advantage helps us win in the marketplace, I'll take you inside each of our business units. Let's start with specialty materials business called SM near Charlotte, North Carolina. That's where we produce advanced titanium and nickel alloys and powders for the hot section of jet engines. We are recognized by our customers as the leader in materials development and melting. As a result, we recently secured long-term contracts worth $3 billion to $4 billion for the next decade and beyond. We continue to develop leading edge material inspection processes for these products. In fact, we recently partnered with the FAA to

support standard setting for non-destructive testing of billet used in jet engine applications. We are honored and proud to support this important safety process development.

SM is on a journey to create defect free melt, which is where quality begins. An issue in finished product can often be traced back to melt. Microscopic defects might start from the inclusion of unintended elements or from variation in the melt process parameters. The best way to eliminate potential issues get it right from the start and that's what we do combining world-class assets with strict process controls. We lead development of melting practices to produce the highest quality material in the industry. The technology used in titanium cold-hearth melting is so good at eliminating impurities. We reuse broader ranges and larger quantity to scrap input and still produce pure material. More than 100 million pounds of our defect-free materials power air travel today.

Customers come to us when they need to push their products' capabilities. To help them reach these future challenges, we are building on our existing portfolio to develop new alloys. Based on this feedback, we develop the patented tightened family of alloys. These improve corrosion resistance, workability of the material and reduce the weight of the part. Ultimately, aircraft downtime and customer costs are reduced because of the life of the parts can be extended. We're also investing in new nickel super alloy powder processing capabilities, which produce the exotic alloy combinations needed for the higher strength required in hotter engine applications. For ATI, there are significant benefits to defect free melting, enhance detection and control and new alloy development. We deploy the most modern and high quality processes, many of which are proprietary to ATI, higher first one quality levels means less rework and less re-melting. This results in lower production costs, faster cycle times, which you saw with our recent quarterly results.

Next, let's talk about our Forged Products business headquartered in Wisconsin. As you know, there are strong demand for engines to burn hotter, fly farther, use less fuel and emit fewer emissions. We have the key technologies that make this possible. Those nickel super alloy powders I just spoke about, Forged Products, isothermally forges them into rotating discs for the hottest section of the next-generation jet engines. Over the last few years, ATI has expanded our already world-class thermal mechanical processing and manufacturing technology.

Our superhot die heating technology allows us to forge the most advanced cast and wrought nickel and titanium alloys. We lead the industry in producing the most complex parts for single aisle jet engines. It starts with our design modeling and engineering. With 40-years plus of engineering and technical knowledge under our belts, we partner with our customers to design and consolidate parts to reduce weight and streamline manufacturing. This process allows us to go from design, to production 20% faster than our competition, producing parts that are right first time at over 95%. That is a significant time and cost advantage for us and for our customers. Improving the product development cycle brings new parts to market sooner. A recent example, our customer was experiencing a 50% scrap rate using our competitors parts. With our modeling and our forging assets, we were able to identify the issues, model the process control requirements and produce the part with a 95% yield, huge win for us and our customer. Bottom line, our modeling makes better products faster and with less waste. Our second Forged Products superpower isothermal process.

Under tight controls, we produce very complex components at near net shape reduce waste and uniform mechanical properties. Our isothermal forging capability is the best in the world and we continue to invest to push our capabilities even further. Our fourth iso press, commissioned in 2021, has achieved all necessary customer qualifications and we are now upgrading our oldest press to today's technology standards which will give us additional capacity for the ramp. Our new fully automated heat treat facility controls and locks in the microstructure properties, parts then go on to machining and onto non-destructive testing and our new Appleton

plant. This facility reduced our finishing and testing process times by 25%. That's a big plus as demand increases in the aero ramp.

Before we leave the discussion of foraging, let me reinforce how this business integrates with SM's extraordinary melt capabilities. Customers benefit from reduced total cycle time from billet to finished component delivery. Product quality is enhanced for a lower total cost solution. For ATI, integration streamlines product flows. It provides reliable delivery of high quality input materials to our foraging operations. This reduces excess inventory and helps to increase our profitability. ATI is one of only a few companies in the world that perform end-to-end across the entire jet engine supply chain. We are fully qualified to manufacture an iso forge the powdered super alloys into finished components. We've locked in long-term agreements that extend well into the next decade, capturing additional engine market share at each major jet engine OEM.

[ph] Jim Bride (00:50:28) leading our forging business. Hear what he has to say about what makes our fully integrated jet engine disk business possible.

[Video Presentation] (00:50:43-00:51:56)

The connection between those businesses is a real point of pride for ATI. Now let's go west to specialty alloys and components or SA&C primarily located in Oregon. This business is a highly capable producer of exotic alloys. We crisscross the periodic table to produce merit materials from zirconium and hafnium to nickel and niobium. We use them to create a wide variety of product forms from specialty chemicals to advanced sheet products. The best way to understand the specialized business is to talk about three of its unique products. We'll start with ATI C103, a niobium based alloy used primarily for the hottest, most extreme space and defense applications. You've seen the incredible space shuttle launch, the glowing ring as the shuttle left the Earth's atmosphere. That's our material and component in action. What a proud and intense moment to see our team's incredible work support the next-generation of space exploration. This material is also a building block for the next-generation of hypersonic aircraft and missiles. Production at scale is critical to our nation's technological progress.

As you heard from Terry Hartford, hypersonics is anticipated to grow significantly with additional government R&D spending. In an uncertain geopolitical environment, development of these materials helps the US build and maintain technology leadership. SA&C is the world leader in zirconium for nuclear energy markets, both commercial and defense applications. We've been a critical supplier to the US Navy and the Nuclear Propulsion Program for over six decades. We recognize the importance of maintaining the capability to produce critical components and chemicals domestically. ATI's integrated chemical process from oxides to metal parts and components is an ATI competitive advantage. In fact, through our zirconium production, ATI naturally generates a significant amount of the last material on my list, hafnium. ATI is one of the six companies in the world that can separate zirconium and hafnium as it occurs in nature. Bottom line, the purer the hafnium, the faster the electronics it's used in. We produce some of the purest hafnium materials in the world. Today, the markets need for ultra-pure hafnium is undersupplied, and we're working to solve this unmet need demand efficiently and profitably. Let's hear more from Lee Weber, our specialty alloys and components.

[Video Presentation] (00:54:38-00:55:46)

Let's end our ATI tour at Specialty Roll Products business near Pittsburgh, Pennsylvania, as we announced last year, we have transformed this business. A quick recap: one, we enriched our product mix to focus on specialty products. In the fourth quarter, 96% of SRP's sales were high value products. The product mix and margin benefits continue to expand. Standard stainless inventory continues to dwindle, with only about a 1,000 tons

remaining to be delivered over the next several months. We are no longer melting or producing new standard stainless sheet products.

Second, footprint consolidation, we're consolidating nearly all our sheet finishing operations into a single site. This consolidation reduces cycle time and drives out inventory. Third, we are investing in state-of-the-art finishing equipment, including the widest, quickest [ph] changeover brightened airline (00:56:49) in the world. We're nearly at the finish line. SRP has the triple threat of capabilities. It starts with tremendous melt, extends to the world's most powerful roughing mill, and ends with our world-class finishing capabilities. It delivers advantages our customers are hungry for, best-in-class attributes including thickness, coil size and cycle times, shortest lead times in the world. It lowers our cost to fabricate and reduces their metal rust. We enable them to win over their competition. Within ATI, the benefits are just as compelling.

Inter-plant transit times are shorter, helping to leaner inventory and our costs. The streamlined market based focus and product mix enrichment significantly outstrips inflation. Transformation also enables the development of new products. One example is high value flat form exotic alloys. Today, these are made in our Oregon operations, where capacity is limited. Shifting production to our larger, more capable SRP assets allows for expanded product forms. Think thinner, thicker, wider and flatter. We'll take -- we've perfected in our Oregon laboratories and operations and bring it up to scale. This greatly expands the use cases for these advanced materials. We'll produce them faster and more competitively, a win for our customers and for ATI. No one tells the story of SRP's transformation like its President, Tom Deluca. Let's hear from him.

[Video Presentation] (00:58:32-01:00:04)

That concludes my tour of ATI. We are proud of this powerful portfolio melting consistently to deliver the highest purity and uniformity, forging highly sophisticated components for strength and precision, exotic alloys that make the future a reality. Rolling with the greatest force for businesses proven to perform and achieving what no one else can do. So our customers can go further and faster in their own extraordinary performance.

Now let's discuss how we're making these operations even stronger. Starting with supply chain efficiency. We are passionate and determined to increase inventory velocity to unlock cash, cash that funds growth. Don Newman will share those numbers in a moment. We're collaborating with customers and suppliers to align market demand across the entire supply chain. We are implementing integrated sales planning with our customers and increasing consignment levels [ph] ad hoc (01:01:10) suppliers. This ensures we have only what we need where and when we need it. This ultimately allows materials to flow more efficiently and reduces inventory buffers. We are improving material velocity through our facilities by removing bottlenecks and reducing process deviations. Engineered buffered stock reduces inventory held at multiple points along the value stream and identifies the most flexible point to hold the stock to respond to changing market needs.

Safety is a core value at ATI and informs everything we do. We ended 2021with a total recordable rate of $0.85. That's even better than what is considered to be world class. For context, the rate in industrial manufacturing for large employers is 2.5 times higher than this. At ATI, we believe injuries of any sort are unacceptable. We are driving a zero injury culture, and that attitude helps us ensure our people return home each day as well or better than they arrived. It drives a level of meticulous precision that improves every aspect of our operation. One more important topic, sustainability. Our materials drive sustainability and our customers' products as Kevin highlighted earlier. Sustainability also improves the way we operate. It comes down to three things. First, reducing emissions. Since 2018, we've reduced our greenhouse gas emissions by nearly 50%. We operate one of the most modern asset bases in the industry. Second, we are reducing our energy intensity through energy saving technologies

and carbon neutral sources. Between 2018 and 2020, we reduced energy consumption by 17% and we're taking great strides since then.

Third, we're improving sustainability, increase scrap and recycled content, approximately 62% of the feedstock we use in production for 2020 was scrap. These efforts help to create a more sustainable future and improve our products for our customers. As the markets recover, we are positioned to leverage our leaner cost structure and scale with top line growth. It comes down to strong execution. So let's bring this [indiscernible] (01:03:33) results. We are confidently driving top and bottom line growth in each business segment. What drives much improved financials in HPMC, increased share of next-generation materials, leverage across an expanding aerospace market delivered through our lean cost structures. We expect sales to increase from $1.2 billion in 2021 to over $2 billion in 2025. Over the same time span, we anticipate segment EBITDA margins to increase at least 700 basis points, moving from about 14% to well over 20%.

On the AA&S inside, our transformation efforts created a lean cost structure and positioned us for growth in high value products. We're also expanding our share. We expect revenues to grow more than $500 million when you exclude commodity stainless sales in 2021. It should exceed $2 billion in 2025. EBITDA margin should expand by more than 400 basis points from 2021 levels, passing 15% in 2025. In aggregate, ATI's revenues are targeted to exceed $4 billion per year. We believe, we'll surpass 2019 levels within our guidance period. That's despite exiting a large product line and selling a few smaller businesses since then.

Beyond 2025, we're primed for continued profitable growth. Our teams are committed to making these targets a reality. Our operational strategy is in place. We are growing the core and new applications by leveraging our competitive advantages across key markets. We are growing our share by building and extending long-term customer relationships. We are investing for growth while maintaining our reputation for quality and reliability. We position ATI for the future by developing cutting-edge new materials and we are generating more cash to fund our growth initiatives.

Finally, we're building on our success by further incorporating leading digital technologies that improve our processes and keep our cost structures lean as we grow and we'll invest further in the people that make our success possible. The aerospace recovery is underway. We've worked hard to take costs out, and we're aggressively keeping them out as we reach full utilization. That will help us grow margins. Our team is firing on all cylinders. We are poised for growth. We are proven to perform.

Now, I'll hand the call over to Don Newman, our Chief Financial Officer to consolidate what you've heard today and how it translates into ATI wide financial goals.

Donald P. Newman

Executive Vice President-Finance & Chief Financial Officer, Allegheny Technologies, Inc.

Thanks, Kim. Before I begin, let's take a moment to recap. You've heard from Bob about ATI's vision and strategy. That's what's guiding us forward. Kevin shared details about our key end markets, our unique positions in strong and growing industries. We have compelling foundation for growth. Kim walked us through how we're leveraging our competitive advantages to grow our business, expand our margins and reduce inventory.

Now, I'll pull it all together and share the significant financial impacts we expect these actions to deliver. And, I'll give you the yardstick to measure our financial progress. My message to you is clear. First, we plan to generate increasingly more cash. We'll do that by maintaining our lean cost structures as end markets recover and share gains mature. All the while staying laser focused on inventory efficiency. Second, we'll deploy that cash to fuel

growth, further our competitive advantages and eliminate legacy liabilities. And third, as a result of our cash generation and deployment, we expect our return on invested capital or ROIC to improve significantly.

Now, let's dive into the detail. First, more about our plans to generate cash, it starts with revenue. Kevin laid out a strong case for commercial aerospace market growth well above GDP levels and solid growth rates in our other key end markets. In addition to market growth, we've gained share based on our capabilities and operational excellence. While the outlook for growth is never certain, we're putting a stake in the ground for our top line growth. We expect our end markets, particularly commercial aerospace, to recover back to 2019 levels between 2023 and 2025 and then expand further. Narrowbodies will be the first in 2023 followed by widebodies in 2024 or 2025. With higher market shares and improved pricing and product mix, ATI should grow faster than the market. In aggregate, we expect to grow our top line between 9% and 11% per year over the next four years, well above GDP growth rates. There's likely more ATI specific and industry-related growth beyond 2025, but we'll save that story for the next Investor Day.

Now, margins. Kim laid out a compelling case for continued higher segment margins. Kevin shared the product mix improvement potential. And at the corporate center, we're seeing the benefit of increasing efficiency through digital productivity and increased use of shared services.

Looking ahead to 2025, we expect ongoing and meaningful EBITDA margin increases over the next four years. We anticipate several major drivers. First, improved product mix as aerospace markets recover and utilize increasingly more next-generation materials.

Second, higher pricing and productivity gains in excess of inflation. Third, AA&S transformation and mix efficiency benefits. And lastly, continued cost discipline. Together, these factors should create EBITDA margin uplift of roughly 800 to 1000 basis points from overall 2021 levels, moving ATI's overall EBITDA margins to between 18% and 20% in 2025. We're already making tangible progress. 2021 annual EBITDA margins were in line with 2019's pre-pandemic full year levels, despite 2021 revenues being $1.3 billion below 2019 levels. And we're building momentum. Our Q4 2021 EBITDA margins exceeded full year 2019 margins by 170 basis points, despite Q4 annualized run rate revenues being roughly $1 billion below annual 2019 levels. We're in the right markets with the right capabilities, executing the right strategies to deliver this growth and profitability. It's a powerful combination. Increasing revenues and expanding margins result in substantially higher profit dollars, ultimately leading to stronger free cash generation. Beyond revenue and earnings, we intend to reduce manage working capital intensity through inventory velocity. As a result of the rapid pandemic-induced aerospace production decline, suppliers like ATI were left with excess inventories.

We made progress in 2021, and our inventory levels are now better aligned with customer production rates. Looking ahead, as revenues expand and supply chain efficiency increases, we expect managed working capital as a percent of sales to decrease to 30% between the years 2023 and 2025. We'll continue improving from there. This frees up capital for more accretive uses. To put it into context, our year-end 2021 managed working capital level was 37.5% of sales, applying our 30% target to 2021's revenue releases $210 million and deployable cash for growth, for delevering and for shareholder return.

Given our revenue growth guidance through 2025, the annual benefit from improved manage working capital represents another impressive tool in our cash generation toolbox. Rounding out our discussion on cash generation, we have another lever to improve our cash conversion rate. This one centers around financial discipline and balance sheet improvements.

Over the past several years, we've worked hard to streamline our capital structure by extending maturities, increasing flexibility and reducing interest rates. Separately, we're well along our pension glide path with the goal of approaching 100% funded status in the next few years, while continuing to reduce the number of planned participants. These actions combined to reduce future cash outflows for interest expense and pension contributions. Lastly, we'll employ capital spending discipline funding growth projects when expected returns are strong. This reinforces our wide competitive moat. I'll share more color on how we'll do that in a few moments. As a result of our growth in these specific actions, we expect to significantly increase our cash flows. We're targeting a free cash conversion rate of at least 90% in 2025, with improvement along the way as markets more fully recover and our efforts accelerate. The opportunity is magnified by significantly lower calls on our cash pool.

Looking in the rearview mirror between 2018 and 2021, we spent about 60% of available cash to maintain our assets, service our debt and make required pension contributions that left a little more than $500 million of what I'll call deployable cash to fund growth capital expenditures and other strategic priorities. You'll notice the chart on the right is meaningfully larger. It illustrates what deployable cash could look like over the next four years, using the same revenue and margin targets I provided on the last few slides and making some assumptions about future maintenance obligations. It's a dramatic change.

Two points to keep in mind, the future cash pool is significantly larger due to enhanced cash generation and conversion, and secondly, the required deployments are much smaller in dollars and percentages. While annual asset maintenance spend is flat in this illustration, aggregate interest expense and pension contributions are much lower. As a result, the amount of capital available for growth funding and shareholder return increases to about 75% of a much larger cash pool, quite an improvement in cash generation and quite intentional. It reflects the strategies we're executing regarding our focus on key end markets, price and mix improvements, cost and manage working capital improvements. We're also reaping the benefits of our capital structure and pension actions.

Now, let's talk about our thinking on capital allocation. Capital allocation is core to our strategy, defined consistent priorities, fuel substantial growth and drive increased shareholder value. So let's start at the top. What's our North Star regarding capital allocation? We'll deploy capital to maximize shareholder return. It's that simple. Today, maximizing ATI's shareholder returns means increasing our stock price consistently over time. This is best accomplished following four simple priorities. One, maintaining our world-class assets; two, keeping the balance sheet healthy; three, funding growth and new capabilities; and four, returning capital to shareholders, let's go through those one by one.

First, our reputation for industry-leading quality and operational excellence starts with our world-class assets, demanding markets like commercial aerospace require suppliers to achieve incredible product quality levels. During a major demand ramp like the one we're seeing today, suppliers must deliver that quality level at increasingly higher production rates. Our people and our capabilities make ATI a leader in quality. We're proactively investing to maintain a reputation for proven performance. Beyond our healthy asset base, we also strongly believe in a healthy balance sheet. We've taken action to improve in this area and we'll continue to be opportunistic in reducing debt levels and improving pension funding levels.

Our leverage ratios are rapidly returning to pre-COVID levels, and we expect to maintain a net debt to EBITDA ratio of 2 times or better across the cycle. EBITDA growth alone will likely return us to this level as our performance improves. But these balance sheet actions will help us to better maintain those leverage metrics in a down cycle. The first two priorities are foundational and help ensure ATI's financial health and ability to meet customer needs. Funding growth through organic CapEx and potentially via acquisitions is also a top priority.

As Kim said earlier, our business relies on innovative capabilities and available capacities. To stay at the forefront of innovation requires investment in people and equipment. Having the right asset base and available capacity to meet increasing demand are also critical. In most cases, we'll do that through organic CapEx. Acquisitions can play a role as well, but more on that in a moment.

Finally, we want to ensure our shareholders are rewarded for investing in ATI. This occurs through share price appreciation and also through capital return when appropriate. We provided a real life example earlier this month when we announced our $150 million stock repurchase program. Why now? Carrying excess liquidity through the recent downturn was absolutely the right thing to do. However, as we grew more comfortable with the consistently expanding market recovery, our stock remained undervalued. With this program, we're offsetting potential shareholder dilution related to our future convertible note maturities. While we have strong investment opportunities for accretive growth, we believe a balanced capital allocation approach is best. We are in the fortunate position to be able to do both. We're committed to these priorities and confident they'll help us achieve our targets.

Top line growth and margin improvement support cash generation, cash funds further growth and it also gives us the chance to improve our leverage and reduce longstanding obligations. It's a virtuous circle. Down right, the company succeeds and our shareholders benefit. Let's dig into one of my favorite capital allocation topics, pension. Not because I enjoy funding legacy pension obligations, but because we're on a clear path to making those contributions a relic of the past. Since 2013, we've reduced participation in our US-defined benefit pension plan by over 60%, largely through third-party annuitizations. These actions reduce the impact of negative actuarial assumptions and annual plan expense. We also significantly increased our plans funded status.

In 2021, strong asset returns and discount rate improvement accelerated our glide path progress. We ended the year with a funded status of 84% improving 800 basis points year-over-year. We reduced our net pension obligation by about $280 million from the beginning of 2021. In the recent past, ATI's required annual pension contributions were well over $100 million. Going forward, those required contributions are trending towards zero. Despite having small required minimum pension contributions for the next several years, we'll continue to make additional voluntary contributions. Why? Because we want to be out of the pension business. The benefit to our free cash flow is obvious, and the opportunities for deployment are exciting.

Let's take a few minutes to understand our capital spending process and how it supports organic growth and our margin expansion plans. At the start of each budget cycle, we conduct a capital investment planning process. We look at three spending categories, one, assets for growth, two, efficiency enhancing technologies, and three assets that expand our capabilities.

First, we ensure that we have the right assets with the right capacities to achieve our projected growth plans. To invest in new capacities, we require LTAs that account for a large portion of the new assets capacity. Due to the complexity and quality requirements in our core market, asset construction and qualification times often take multiple years. We use our best judgment on when to invest, prioritizing ramp readiness. We've been successful securing new share gains because we have capabilities and are willing to invest in capacity when strong customer agreements are in place. A great example of this philosophy is the addition of a fourth isothermal forging press along with finishing and testing equipment in Wisconsin. These new assets allow us to meet increasing market demand and higher shares. They also support improving margins and eliminating potential supply chain bottlenecks for our customers.

Second, we invest in technologies that do things like increase productivity, enhance energy efficiency and improve material blends in our melting operations. These investments modernize process controls, improve

output quality, reduce energy intensity and lower greenhouse gas emissions. Additionally, we're investing in underlying digital technology to capture process data. This allows us to improve material flows and adjust processes in real time. We recently installed a new furnace complex at our Latrobe, Pennsylvania melting facility, which lowered process cost. It also enabled significantly lower material costs through the use of more scrap instead of more expensive prime materials.

Finally, we invest in assets that increase our capabilities. These include organic investments that advance a key process or make a new product. It can also include acquisitions that add a new capability or accelerate process development. In either case, these investments keep ATI on the cutting edge of innovation for years to come. An example of our recent investment to increase capabilities is our state-of-the-art nickel alloy powder facility in Bakers, North Carolina. We were already a leader in nickel super alloy powders for jet engine applications. As we grew capacity to meet demand, we took advantage of the opportunity to extend our competitive advantage with a facility on the cutting edge. Bakers delivered the best-in-class fully qualified facility, increased our market leadership position, expanded our customer base and positions us to supply the next-generation of hotter burning engines. So, as a reminder, the three spending priorities we use to guide capital investments are assets for growth, efficiency enhancing technologies and assets that expand our capabilities.

Important to note is that capital projects must meet or exceed required return hurdles well above our cost of capital. Also critical to our capital investment process is how existing assets are utilized. We review product and customer profitability. This informs if additional capacity is needed or if production capacity should be reprioritized. This is about answering the fundamental question which decision provides the better financial outcome? One, investing in incremental capacity; or two, saving capital by more effectively allocating existing capacity. This discipline improves capital decisions, increases free cash flow and delivers higher ROIC and expanded margins. That gives you an idea of how we think about organic growth. Our balance sheet and strong market positions allow us to consider strategic M&A as well. As Bob shared earlier, we divested several non-core businesses and concentrated our asset base on high value materials across our core markets.

To accelerate strategic progress, we may consider acquiring one or more small to medium sized firms to increase our capabilities and to add to our scale in critical areas. We'll follow a disciplined process to assess opportunities using defined strategic and financial criteria. Starting on the strategic side, we'll consider opportunities that are well aligned with our core materials science capabilities in aerospace and defense. And attractive acquisition target needs strong competitive positions built around intellectual property protection or proprietary processes. Most importantly, an acquired company must be additive to ATI's core business and better position us for the future. On the financial side, an acquisition target should demonstrate strong historic financial performance and have a robust outlook moving forward.

To summarize, ATI has significant capability and capacity to grow our business organically. We'll invest in those opportunities when our capital expenditures link to long-term customer contracts. And long cycle aerospace or defense markets or material and asset qualifications can take years, we may consider accelerating this process through targeted acquisitions. If we choose this option, we'll ensure the opportunity provides a clear path for investor value creation.

Let's summarize for you what we've shared today. First and foremost, we are focused on accelerating value creation across ATI. Bob laid out our strategy for growth. Kevin shared our market tailwinds and Kim demonstrated how we're combining those tailwinds and our competitive advantages to grow. I shared how those efforts will drive top and bottom line performance and generate cash. And how we'll deploy that cash for our shareholders benefit.

These actions blend together, ultimately resulting in an increasing return on invested capital. We're confident this is the best metric to measure our long term strategic progress, achieving and maintaining a return on invested capital well above our cost of capital is our goal. It's the foundation for a great long term investment.

Thank you for taking the time today to understand our strategic priorities, our plans to achieve them and how we'll measure our progress consistently over time. We are confident in the opportunities that lay ahead for ATI and our investors. I look forward to answering your questions in a moment, but first I'll turn things back over to Bob.

Robert S. Wetherbee

Board Chair, President and Chief Executive Officer, Allegheny Technologies, Inc.

Thanks, Don. You and Kim and Kevin have done a great job telling our story. And it's a great story. You can see why we're confident and enthusiastic about ATI's future. We have a clear strategy that will drive meaningful improvement across all our pillars. The team laid out our competitive advantage and what we expect to achieve. Let me summarize a few of those things as you rewind the video, you think about your notes and you read the transcript. Number one, we're growing faster than the market. Top-line between 9%, 11% per year over the next four years. Kevin provided a clear look at why we've chosen our key markets.

Second, hop on your pad, you've written down ongoing and meaningful EBITDA margin increases over the next four years. Moving ATI's overall EBITDA margins to between 18% and 20% in 2025. Tangible progress, we're feeling it already and it's underway. Third, significantly increased cash flows. We're targeting a free cash conversion rate of at least 90% in 2025, with an improvement along the way as markets more fully recover and our efforts accelerate. And as Don said, that opportunity is magnified by significantly lower calls on our cash pool. As we wrap up the keynotes that are on your pad from today's call, make sure you make a note, we expect managed working capital as a percentage of sales to decrease to 30% between the years 2023 and 2025, and explained how the team's focus on disciplined execution will make this possible. As revenues expand and supply chain efficiency increases a clear strategy and clear targets. We're definitely on our way.

At the start of this session, I told you we were accelerating velocity, advancing along the path of our clear and defined strategy. I'm honored to share with you where our team is headed and how we're going to get there. Every day, we're gaining speed toward our goal of becoming an aerospace and defense leader. What gets me out of bed in the morning and drives our team to do great things is first our strategy. It keeps us focused on what we do best. Solving the world's challenges through materials science. Partnering with our customers, we're producing the materials and solutions to make their achievements possible in the most extreme conditions. Second, we're in the right markets and we're on the right applications that are going to grow faster in the future.

Tremendous growth opportunities are made possible by our advanced process technologies. We have the products to win and we have the team to win. Third, every day we're growing more efficient, putting our extraordinary capabilities to use like no one else. It all comes down to execution and ATI delivers. At the same time, we're focused on cash generating it and deploying it using a disciplined capital allocation strategy.

Now, let's put it all together, think about it, significant top line growth, robust margin expansion and more deployable cash. That's an opportunity to create meaningful value for our shareholders, and we're going after it. We're thriving where the expectations are great and the barriers are high. That's where ATI performs the best and is valued the most.

Now, with that, let's open it up to your questions.

QUESTION AND ANSWER SECTION

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.

A

All right, we're back. I want to thank everyone who took the time to submit questions in advance and those who submitted them during our presentations. We've got a robust list of questions to get through in the next hour or so. So let's get started. Bob, the first question is for you. You laid out a target to generate 65% to 70% of your revenues from aerospace and defense markets. Can you walk us through how you're going to get there?

Robert S. Wetherbee
Board Chair, President and Chief Executive Officer, Allegheny Technologies, Inc.

A

We're going to get close to our 65% target organically. We definitely see if you look at the current forward view that those organic opportunities gets pretty close to that. We're focused on the recovery of the market. We see obviously today the narrowbody market coming back strong. The widebody is going to be delayed, but we factor that into our plans. And so we see that in the market recovery. And we also feel we're on the right programs at the right time with the right customers. We're going to see that extra growth that the order of legacy program starting to fade away, planes out of service with pandemic type of issues, and now we're coming back to the newer models. So we see that right programs, right platforms, right customers.

And certainly as we think about our share gains, it's our opportunity to really monetize the share gains that we've earned really in the 2018, 2019 timeframe. So we're starting to see the benefit of all those things coming together. That said, we're still going to be a little bit short of our 65% target. You can do the math and check that. But I think a couple of things to think about. One is, we talk about emergent demand, and when ATI performs, we usually gain more opportunities that will be a plus for us. And we're going to talk a little bit later today, probably about M&A. I'm sure it's going to come up as a question. And as a result of that [ph] they'll pay dues as (01:38:05) to the higher side of the range.

So I think we're on track to hit the 65% and we're feeling confident that we're going to get there. Now, you've got to remember that back in 2019, we're already at 50% aerospace and defense. So as we go forward, we really feel like we're getting the momentum out of the transformation that we've been through.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.

A

Okay. Thanks, Bob. Kevin, I think we've got a follow up for you. Even after you reach your aerospace and defense growth targets, you still have significant sales in other markets. Why are these the right markets and what's their growth outlook?

Kevin B. Kramer
Chief Commercial & Marketing Officer, Senior VP, Allegheny Technologies, Inc.

A

Yeah, three really important markets that leverage from the technology that we have in aerospace and defense. And they also have some other things in common. Their growth will be greater than GDP. They want differentiated products clearly through the capabilities we have on the aerospace side, and they provide profitability very similar to our aerospace markets. So when we look at our medical markets, our electronics markets and our energy markets, the things they have in common complement what we do with aerospace and defense. In our medical markets, we are the world leader in niobium tie products that go into MRI machines

around the world. It's actually the same materials that go into super colliders. We also have opportunities to look at new product development just as we do in aerospace and defense.

The other part of our medical market that's very important is titanium and cobalt chrome implants. We also produce products that go into surgical mesh and stents and needles. We also see the growth trends continuing and also being a little less cyclical than traditional commercial aerospace. On the electronic side driven in large part by our joint venture in China stall and our PS – PRS business, excuse me, in the United States. We provide product across consumer electronics, everything from cell phones to tablets to laptops to badgering television applications, our specialty alloys and components. Our company as you saw in the prior presentation in the video with Lee Weber, we have incredibly unique capabilities in the semiconductor industry, so we supply hafnium at the atomic level that allows the chips to perform all the great things that they do. We also supply products in the manufacturing of things like bellows and plates that will do stamping for the various components in the electronics market.

And then finally in energy, we have been one of the world's leaders in everything from marine scrubbers to marine ballast. We provide nickel products to clean coal-fired power plants around the world. Commercial nuclear still is a very important and when we believe a growing market for us. But the thing that's really exciting is the new energy opportunities, things that drive sustainability. Our products are found in battery storage, in fuel cells. The production of hydrogen solar panels, there's a tremendous growth opportunity that ties into a lot of our sustainability goals. And really, what's important is it complements our customer's sustainability goals as well.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.
A

Thanks, Kevin. Let's shift gears here and move over to Don. Don, how are your capital allocation and deployment plans change as your cash balance grows?

Donald P. Newman
Executive Vice President-Finance & Chief Financial Officer, Allegheny Technologies, Inc.
A

Thanks, Scott. Our priorities around capital allocation won't change. We're going to continue to invest for growth, delevering and returning capital to our shareholders. So let's walk through those. From a growth standpoint, growth CapEx is the first thing you think about. With growth CapEx, we're going to focus on investing for the ramp as well as capturing our share gains. Mergers and acquisitions, [ph] and other (01:41:58) key area of growth, with those opportunities, first of all, we will be quite disciplined and we'll look for opportunities to increase capabilities as well as add critical capacity. But both those growth categories, our priorities are going to be around growth in aerospace and defense.

Beyond that delevering, of course, we're on our pension glide path and we're being very successful in executing that glide path and expect to be done with that effort in the next handful of years with a fully funded pension plan. We'll also be working down other debt as appropriate. When it comes to return of capital to our shareholders, we're going to be opportunistic. I think that the recently announced share repurchase program is a perfect example of that.

So, as you think about our capital allocation philosophy, it's important to start with our view that it's a balanced and disciplined approach. We want to continue to invest for growth. We think that's critical as part of a vibrant company. But we also don't lose sight of the fact that a healthy balance sheet is important to our long-term success, as is making sure that we're giving our shareholders fair return when it comes to their investments in the company.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.

Thanks, Don. Kim, over to you. We've gotten quite a few questions around this topic, but can you outline the AA&S segment strategy post stainless? What does the next level look like for that business and how will you get there?

Kimberly Ann Fields
Chief Operating Officer & Executive Vice President, Allegheny Technologies, Inc.

Sure. So let me start with saying that the strategy is really going to be taking the combination of the very powerful assets that I talked about earlier, the upgraded specialty melting capabilities that we've got, the greatest roughing mill that we've got with the hot rolling mill and then the investment we're making in cold finishing, and combining those and really focusing on selling value-added products to aerospace and defense customers or other applications that leverage that strength of our capabilities.

Let me just share, we are in the process of changing the whole mentality of the SRP business. We are going away from a commodity volume fill the mill type of approach to a value-added focus. And we're going to sell those value-added products and customers will pay for that value that we are then providing them. As an example, just to share, as we are going through the portfolio and determining what products did we really want to invest and continue to grow, we identified one that was a very specified application and we realized that we weren't getting paid for the value that we are creating and went and talked to the customer and said, hey, look, if we're going to continue to provide and produce this product, we need to get the type of returns for the value that we're creating and we were very successful over the last few months at raising price and capturing price over 3 times for that.

I think, it just goes to show the strength of this combination of assets and the capabilities that we are building and we're also seeing our customers reward us for that, this business, we went from around 14%, 15% long-term agreements to over 55% now of long-term agreements that build a strong foundation in partnership with our customers. So what's next? Yeah, we're taking a look at integrating the two businesses and bringing some of those exotic alloys that have been developed and produced at SA&C out in Oregon and transferring that to these brand new scaled assets where we can scale up these products one for our customers, for broader applications, but also at higher volumes so that they can be used in more applications across our business. We're seeing good results already from this transformation. You saw that in our fourth quarter earnings announcement, both on the growth side as well as healthy margins. So we're very pleased so far with how this transformation strategy has started to accelerate as we've come out of the pandemic and the aerospace ramp has begun.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.

Thanks, Kim. Don, let's stick on this topic and link that to the financial statements. How have your AA&S segment margin projections evolved as the business transformation has progressed?

Donald P. Newman
Executive Vice President-Finance & Chief Financial Officer, Allegheny Technologies, Inc.

Okay.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.

If any -- I'm sorry, if anything has changed what's driving the difference?

Donald P. Newman
Executive Vice President-Finance & Chief Financial Officer, Allegheny Technologies, Inc.

All right. Very good. I'll try to cover all those.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.

Thank you.

Donald P. Newman
Executive Vice President-Finance & Chief Financial Officer, Allegheny Technologies, Inc.

So as you think about it, we announced the transformation project in December of 2020. At that point, what we shared were a lot of the operational changes that we were going to be executing, but we also shared that we expected as a result of that transformation AA&S segment EBITDA margins would increase significantly to greater than 15%. But we really didn't give a lot of context and we certainly did not give a timeframe around that. But we're 15 months into the transformation process that Kim was just sharing. And we're seeing confirmation of the benefits that we expected through this transformation and we're online and even to a degree ahead of plan in terms of achieving those benefits.

So, what are we doing today? Well, we're giving you more granular updated information and we're – what we're saying is that we now are being open about the fact that we expect by 2025 the AA&S segment margins will increase to a level of mid-teens to upper teens. That's a profound increase. And I'm going to give some more perspective on that in a second. So today, we're giving you that additional guidance and we're giving you the timeframe. But before we leave this topic of the transformational project that's being executed, I want to just spend a few minutes talking about the value that it's creating, which is absolutely critical and incredibly impressive.

And with that, I ask for your patients who're going to do a little bit of a math exercise so be patient and walk this through me – walk with me through this exercise if you would. So let's go back to 2019, in 2019, the AA&S segment posted EBITDA margins of 8%, 8%, well, we just told you that we expect the segment EBITDA margins to be in the mid-teens to the upper-teens. So, let's use 17% in this illustration, as the expected 2025 segment EBITDA margin. Well, that implies a 900 basis point increase in EBITDA margins, a large portion of which is driven by this transformation project, 900 basis points. Now what we've also shared with you is our top line target for this segment. By 2025, we expect segment to be in the range of $2 billion. So let's use that, so $2 billion, 900 basis points, that means we're implying a $180 million increase in our EBITDA.

Now, I'll admit, not all of that $180 million is due to the transformation, but I'll tell you a lot of it is. And so let's continue this math exercise. Let's take that $180 million, and let's assume that roughly 75% of that $180 million increase is due to the transformation project that Kim was talking about. That implies $135 million of incremental EBITDA being generated in our business as a result of the transformation. Now there's one more step in the math exercise, and that is, let's take a conservative 10 times valuation multiple, apply to the $135 million of EBITDA that – what that's telling you is this transformation is adding an excess of $1.3 billion to our enterprise value as things unfold, the execution continues by the team and we get to those 2025 timeframes.

And suffice it to say, that is a profound benefit from the project that we're executing. I want to send kudos to our Specialty Rolled Products team. They're doing an outstanding job delivering on these – this value. I also want to reinforce for our shareholders. This is not blue sky. We are seeing the benefits of this transformation today. We saw throughout 2021, we're seeing it in how contracting is occurring, Kim just touched on that. We're seeing it on

the pricing and I just wanted to make sure that we were being transparent and sharing that kind of perspective with the investors today.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.

A

Great. Don. Kim, we're going to stick on this topic for one more question. How will you minimize the residual exposure to raw material volatility in the AA&S segment post stainless exit?

Kimberly Ann Fields
Chief Operating Officer & Executive Vice President, Allegheny Technologies, Inc.

A

So as I think about that, there's really two areas that will minimize our exposure to metal volatility, one being something that we've already done is exiting standard stainless sheet products. A lot of components around that market and the dynamics around the order patterns, the predetermined inventory levels that we're asked to hold, as well as the make to stock type of mentality, since a lot of those customers are distribution, exiting that market took a lot of that inventory out. And with our focus now on OEMs, we're making to order and we're very tightly aligned at understanding our customers at what their market demand signals are and how they're going to use that material in their own operations.

So that tight linkage takes out inventory that we might have been building to again, pre-determined levels to support distribution type of customers and channels. The second way we're going to minimize that exposure and volatility is we're going to take inventory out. We've talked about the transformation, this consolidation of the five locations are going to eliminate the need for material and transport as we move them to different processing steps throughout our system. So putting that all under one roof for our sheet processing will greatly take out and streamline our operations as we consolidate those footprints. And then we're going to continue our work at leaning out the whole process, increasing the velocity of material through the plant and through our system so that we minimize the amount of inventory, which again will help us reduce and lower the exposure and resulting volatility to metal.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.

A

Thanks, Kim. Bob, I'm coming back to you here. How are your capacities, mix and cost structures compared to 2019 levels?

Robert S. Wetherbee
Board Chair, President and Chief Executive Officer, Allegheny Technologies, Inc.

A

Yeah. Going back to 2019, I would say, you look at ATI today, fundamentally different company than we were then for three basic reasons, structural cost out, pricing and the opportunity with our portfolio. It's more than just the stainless and various activities related to SRP that we're talking about here. So that's about sustained cost outs. Kim referred to it in her presentation earlier today that during the pandemic, 20-plus percent of our workforce was reduced for cost reasons, capacity reasons, et cetera. For efficiency gains and the work we've been doing, only about 30% of those folks will come back. Those jobs will come back to ATI. Fairly significant change. $100 million of sustained cost out. So a major change there.

Looking at our portfolio. We've talked a lot about the Specialty Rolled Products transformation, but it's really been going on across the company. Each of our business units has divested of one or two of their underperforming product lines or some of their facilities, so it's been a comprehensive look at the portfolio. At the same time, we did exit stainless. The stainless exit occurred from production in late 2021, and we're not producing anymore.

But when you look at the footprint consolidation, we've been very aggressive there and making sure we have the right footprint for the future. And then lastly, we've talked for years about our hot rolling and processing facility in Pennsylvania, the HRPF. During 2021, we actually saw utilization above or close to 65% with more on the way. So the strategy to go from cost-outs to portfolio actually led us to also understand the power of the product mix. And Kim referred to that in the question she answered a few minutes ago, which is, we are recognizing and capturing the value of the products we produce. And that's a fairly profound statement for us as we thought about the mix and the team have done a great job of understanding what light gauge sheet or some of the other products we make in certain alloys really mean to our customers and their end applications.

So, when you look at those three things, I'd say, we are a fundamentally different company than we were in 2019, and we look forward to being this purpose built aerospace and defense leader going forward.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.
A

Thanks, Bob. It's a good segue. We're going to jump back into commercial aerospace with Kevin here for the next couple of questions. Kevin, for you specifically, turning back to the commercial aerospace industry, what are your build rate assumptions for both narrow and widebody aircraft in 2022 and beyond?

Kevin B. Kramer
Chief Commercial & Marketing Officer, Senior VP, Allegheny Technologies, Inc.
A

So in line with our customer's forecast and contracts that we have, in 2022, we look at the single aisle on an average of 80 units a month through the course of the year and 15 a month on twin aisle. When we look at 2025, we see the single aisle going to 127. We see the twin aisle going to 23. At 127, that would be significantly higher than the 103, which is what it was in 2019, and the 23 will lag the 30. That was the twin aisle build rates in 2019.

So when we look at our domestic and regional travel data, people are traveling more on this and this is primarily supporting the single aisle and it's very encouraging. And we see this getting very close to 2019 numbers and very likely through the course of this year and early next year, it will probably surpass that. International travel, of course, will continue to lag. As COVID restrictions start to relax, we'll start to see people travel more overseas. But when you look at the long-term growth of international travel, both for leisure and for business, we still remain quite confident and very bullish. In 2018 and 2019, just one example of emerging middle class, GDP allowing people in emerging markets to fly more. In China, over that two year period, a 100 million people flew for the first time. I'll suggest that likely could be the first time in the history of their families.

So when you think about the joy that people get to go see family and relatives, the excitement to go to new places and then the business travel that I think that will emerge, we're going to still remain quite confident as we look at the next 20 to 30 years, the growth trends we see from our customers. We have a good alignment with that and we remain very, very optimistic. Why that's so important for ATI. We have content on every airframe and every jet engine that is flying today. We have development programs on both new product and new process, again with all of the OEMs and a number of our tiers. So when we start to look at the growth and the build rates, and yes, coming out of COVID is going to be critical for the next couple of years. We remain very, very confident that our value proposition is currently relevant and it's going to be far more relevant as we look at the next 5 and even the next 10 to 20 years.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.
A

Thanks, Kevin. So, Don, over to you here. How did the commercial aero industry build rate assumptions factor into your long-term financial guidance?

Donald P. Newman
Executive Vice President-Finance & Chief Financial Officer, Allegheny Technologies, Inc.
A

All right, let me walk through that. So, first of all, we follow the lead of the OEMs in terms of their announced build rates. And, of course, we adjust for our – the lead time for our products. But we don't just take those build rates and blindly follow them, we also build some conservatism into our financial projections, including the targets that we shared with you today. But as you look past that general assumption what you would want to assume is that we're assuming that production rates will return to pre-COVID levels for narrowbody in 2023 and that those production levels will return on the widebodies in the roughly 2024, 2025 timeframe.

Another thing that you want to remember is that we have captured share gains in recent years and those are reflected in the targets that we shared today. Now, one thing I want to stress is that we have said that we will be recovery ready and I want to reinforce we are recovery ready. So even if the OEM announced production rates ramp faster than they've currently indicated, we're in the perfect position to be able to take advantage of that increased demand, which means we have the potential to deliver north of the targets that we provided today financially.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.
A

Thanks, Kim the next one is for you. We've had quite a few questions submitted around upside. So could you comment on opportunities to gain share and if you think you have them, what the timing might be?

Kimberly Ann Fields
Chief Operating Officer & Executive Vice President, Allegheny Technologies, Inc.
A

So, through the pandemic and with the disruption, our aerospace customers have the opportunity to reevaluate and recommit to their partners and I'm very pleased that, in most cases, we've been able to extend our contracts from 5 to 10 years and increase our shares as they've recommitted and partnered with us as we look forward. So that said, we've got our contracts in place for the next 5 to 10 years. But there is an outstanding opportunity, as Don just talked about, with the aerospace ramp rapidly occurring, there's already been disruptions in the supply chain of our competitors and our team is positioned and gaining and taking advantage of opportunity to capture emergent demand.

Typically, we could expect anywhere from 5 to 10 points of additional share due to our ability to perform and come in and capture that emergent demand. And so the team is prepared and doing a great job. We are on pace and we're ahead of our ramp schedules and so we do feel like we have the opportunity. We're already capturing some of that today.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.
A

Great. So, Kim, we're going to stick with you and bring in a little bit of current events here. So recently, some of your customers have cited forgings as a potential aerospace production bottleneck. First, is it true? And second, are you impacted?

Kimberly Ann Fields
Chief Operating Officer & Executive Vice President, Allegheny Technologies, Inc.
A

So let me start with saying, first, I've heard some of – some of those comments. The bottleneck and delays is not us. I think Bob mentioned that during our earnings call, we are not seeing that with our forging group, but we are feeling some of the delays from our third party materials suppliers from their operational disruptions and other things that are impacting their supply chain. We are working closely with our customers, as I just mentioned, to offset and overcome those disruptions in supply chain so we can continue to meet their demand. What I want to highlight, though, as we look at this and remind everyone, we've done significant investments in our forge products business over the last few years. We talked about our new fourth iso press has come online and is fully qualified and ready and ramping to support the products for our customers today. We've got a brand-new, fully-automated heat treat facility that is in final stages of commissioning and we're starting to produce product on right now. And then lastly, we've added ultrasonic testing and machining capabilities that increased our capacities by 25% with our Appleton facility. So as Don mentioned, we are in a perfect position to capture and respond to the ramp and capture and support where there may be opportunities for emergent demand.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.
A

Great. Kevin, next one for you. And sticking with current events theme here a bit, you have a broad defense business with some legacy program exposure, along with some new programs. What do you see as the longer term growth drivers for your defense business?

Kevin B. Kramer
Chief Commercial & Marketing Officer, Senior VP, Allegheny Technologies, Inc.
A

Well, the legacy platforms that we are really do drive that the growth and has for many, many years. We have been fortunate to be on everything as we've said that [ph] fly floats and rolls (02:03:16). But when you look at ground vehicles, you look at missile systems, you look at aircraft, you look at navy nuclear. We play a very, very important role in supplying product in all of those legacy platforms. With legacy platforms, it's important to note that we still have opportunities to innovate. We have opportunities to again leverage our unique materials science capabilities to take advantage of the product capabilities that we've produced that in similar contexts to commercial aerospace we can drive value, and that's very exciting for us. Other areas of defense that will continue to grow for ATI or is the broader network across all the allies that we work with, the concerns of not just the US DoD, but really allies of ours all over the world have very, very similar product needs, and we've really done a great job to expand our global engagement. Foreign military sales continues to be something very, very important to ATI, both at [ph] DOE (02:04:15) as well as in replacements and spares. But a couple of new programs that are very, very exciting, future vertical lift and hypersonics was mentioned a couple of times by the team earlier this morning that these kind of opportunities take our materials really to the limits of operating conditions around temperature and erosion resistance.

Vertical lift provides many of our business units opportunities for sheet, plate forgings. But in hypersonics, that been a little kind of newer opportunity for us. Well, once again, drive both our materials science capabilities, part and component capabilities, but also it's an interesting opportunity for additive. More and more of the hypersonics applications see the value of additive. We have great capabilities, not just with the powder, but the actual ability to print parts. But it's taking that materials science through the powder and really have very unique materials that go into very, very unique and differentiate differentiated applications. So, like our commercial aerospace, we are very, very pleased with what the growth looks like in defense. We are very, very well aligned with the primes, the DoD, again, all the international allies, and we'll continue to add value in defense as we do in all of our end markets.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.

A

Thanks. Next question is for Don. Don, building on the opportunities we just heard from Kim and Kevin here, how does your product mix improve in 2022 into these benefits help extend your incremental margin performance?

Donald P. Newman
Executive Vice President-Finance & Chief Financial Officer, Allegheny Technologies, Inc.

A

All right. So, the short answer is, we're seeing mix improvement in both segments. Very exciting, we're seeing it today. And to be frankly, expect that it's going to continue on into the future. So, let's talk through what we are seeing. For HPMC, we're seeing improvement that's tied to our customers prioritization of next-generation planes and engines. And as you might remember, we have higher content generally in those next-generation platforms, so that's beneficial to us. We've also, of course, one share which we've talked about a number of times this morning. And then, of course, we have the benefit of the ramp that's -- that has already started around aero we'll extend for quite a number of years.

So, all that in combination supports some significant mix opportunities in our HPMC segment. I want to remind the investors that some of our most profitable products exist in our aerospace product offering set. So, very beneficial from a mix standpoint, but it's not just about HPMC, AA&NS is also experiencing significant mix improvement. We've already talked about the transformation project and the fact that we're redirecting our capabilities to really service value-added products. We were investing in differentiated capabilities, which in some cases are unique to the industry that allows us to capture those higher values that Kim was talking about and we're picking up momentum in those kinds of efforts. But it's not just about SRP. We also have other unique capabilities in other areas of AA&S that we're taking full advantage of and that includes selling other materials like hafnium, for example, which also benefit us from a mix standpoint.

In terms of our incremental margins, do I expect that will continue to be benefited from mix? Absolutely. That's pretty easy math. But it's not just about mix that is going to drive our incremental improvements or incremental margins rather. It's also the cost takeouts that we executed in 2020 and 2021. We're keeping those costs out of our business. We're finding new opportunities to increase efficiency and add to those cost efficiencies that we began targeting in 2020. That's a gift that's going to keep giving. And in addition to that, of course, with the ramp, that means higher volumes, higher volumes means better absorption within our plants and so that will be a benefit to our incremental margins. And so the bottom-line, as you look at mix, we see it as a gift that's already started. We've seen it in our 2021 performance and we expect that we're going to continue to see that for years to come. And then as you drill down and look at our incremental margins, you should expect to see what I've shared before, which is incremental margins going off into the upturn, the upcycle in the 30% to 40% range. And we expect that, that's going to continue [ph] past our (02:09:08) today's 2025 planning horizon.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.

A

Thanks, Don. Bob, next one for you. So you were right, that the acquisition comments have generated quite a few questions today. So here's one for you. You talked about M&A a fair bit today. This is a new topic for ATI. How are you thinking about potential deals and what capabilities you're looking to accelerate?

Robert S. Wetherbee
Board Chair, President and Chief Executive Officer, Allegheny Technologies, Inc.

A

Yeah. I had a sense that it was going to come up, Scott. And the opportunity for us is new because our balance sheet is in much better shape over the last three or four years, as we weathered the storm of the pandemic, we

focused a lot of effort on getting the balance sheet to the right place, and our capital allocation strategy philosophy has become more clear to us as we have a more balanced approach. So, first of all, we have the balance sheet kind of where we want it to be at the moment. Now on the same token, I can tell you that the cash isn't burning a hole in our pocket. We just announced the stock repurchase very thoughtful, very deliberate in terms of returning cash to shareholders as kind of that next step.

Now, when you think about opportunities for us, I can tell you that we start with some filters. We start thinking about, is this the right place that ATI can differentiate itself? Can we bring something through a materials science or advanced process technologies or our people that would really leverage some new capability in that market? Once we kind of sort through the markets and I can tell you it's probably aerospace and defense oriented, the next issue is, well, why would that capability be better with ATI? Well how would ATI be better with that capability as well? So right market, right company or asset? Those are the first two filters we're thinking through.

The third one and we'll talk about later in the portfolio which I'm sure will also come up, because Scott's been pretty good at predicting these questions today, as if we didn't already own it, would we want to own it and why? And what could we do differently with it? So, that's the early filters.

So, kind of give you a sense of where we're looking, it's got to be aerospace and defense oriented. We want to continue to leverage our franchise, the ATI franchise in aerospace and defense materials as we look at it. The next thing is competitive advantage. We want to make sure that we're extending that competitive advantage. Competitive advantage is doing stuff our competitors don't do and doing it well that our customers pull on us. Great example of competitive advantage is, we do some defense, classified manufacturing in some of our facilities and customers are asking us to do more. And we need to understand where those opportunities are, how long they'll last and what kind of capabilities we need. We spend a lot of time strategically thinking about the capabilities of the future.

And last but not least done, Don would be disappointed if I didn't say better be accretive, right? We're looking to continue to grow the margins of the company. Topline is important, but it's really about the profitability. So, that's how we're thinking about it. I don't think it's going to happen overnight. We're very deliberate about thinking about it and certainly engaging our entire team and looking at those opportunities.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.
A

Thanks, Bob. And we're going to stick with you.

Robert S. Wetherbee
Board Chair, President and Chief Executive Officer, Allegheny Technologies, Inc.
A

Great.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.
A

I'm going to readjust here to make sure, you get that question next. So, how are you thinking about the business portfolio? Should we anticipate any major adjustments post your transformation in stainless?

Robert S. Wetherbee
Board Chair, President and Chief Executive Officer, Allegheny Technologies, Inc.
A

I don't think we have anything material to announce in that particular vein, but what we do think about is do we have the right portfolio to drive the aerospace and defense agenda and the growth that we see in it. Maybe one of the ways to look at it is to talk about a couple of the divestitures we haven't made, because it's a good indicative way of looking at how we're thinking about it. The first one is Flowform. Flowform we divested, so small business, great people in the business, great product line. But it wasn't going to get to scale and it wasn't going to move the needle for us. So, we thought, you know what, let's divest this business, find a good home for it for the future and put that cash back in the bank and rethink about it. So, it was really about scale, moving the needle, and leveraging ATI's strength. So, good idea at the time, didn't pan out. We divested.

Second one that I get asked a lot about is Titanium Investment Castings, which we divested in 2019. We recognized Titanium Investment Castings as a big part of the aerospace and defense market. And when we looked at the TI business – Ti Investment Castings business, it came with Ladish. So, we asked ourselves if it hadn't come with Ladish and the acquisition there, would we have bought this business on our own and the answer would be no, probably wouldn't have. Because the scale issues we were dealing with, the material pull through issues we were trying to understand, and certainly how long would it take to get to scale? So, we found a better home for that, divested of it and move forward. So I think, as we think about our portfolio, we're getting very close to having the optimized portfolio for the future, but it's all about being purpose built for aerospace and defense and then leveraging that in these adjacent markets that have aero like capabilities. And I think we're in pretty good shape, but we never give up. We're always kind of looking at the tweaking opportunities.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.
A

Great, Bob. I'm going to tack one more on that's in that same vein. So, while we're speaking about potential ins and outs of your business, maybe you could comment on why you opened an office in Dallas today?

Robert S. Wetherbee
Board Chair, President and Chief Executive Officer, Allegheny Technologies, Inc.
A

Sure. Two reasons, two words, independent and central. When you think about where ATI is today, we actually have four major centers of gravity in our business; Pennsylvania, the Carolinas, Wisconsin and Oregon. And being centrally located allows this leadership team to do what they enjoy the most, which is engaging with our people, engaging with our customers, and engaging with our shareholders and being in a central location really helps with that.

The second word I use was independent. We have great business unit leaders in our four business units. They're running the P&L, and we want them to be independent leaders and be agnostic from what we're thinking about strategically. We want to be able to maintain the strategic focus on where we want to grow the company and let them run the company. So, that's pretty much the way it is, and I think it's equally important that we're optimizing the business units that we have across these centers of gravity in the company.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.
A

Great. Kim, let's zoom in the lens here just a little bit. Given the current inflationary pressures and possibility for this environment to continue, are you able to offset inflation with pricing and other measures in both segments?

Kimberly Ann Fields
Chief Operating Officer & Executive Vice President, Allegheny Technologies, Inc.
A

So, I've been pleased today, we've largely been able to offset the inflation that we've seen, the team's been very responsive in reacting to inflation pressures as they've come. As I look forward and we are seeing inflation in all the major broad categories, raw materials, energy costs inflations, as well as transportation, both land and freight, ocean freight. So, as I'm looking forward and we're thinking about it, we've got several mechanisms that we've already used to date to help us offset the inflation we've seen that we'll continue to use as we go forward. The first we've talked a lot about, we've got pass-through indexes in our contracts that allow us to take that raw material inflation and increased costs and passed those directly through to our customers with our products.

The second we have been implementing, I talked a little bit about it earlier, we have been implementing price increases and as we've seen these inflation costs go up, as well as surcharges to help us react to either unexpected or very quickly, rapidly increasing inflation. And so, we've been putting those in place to help offset and an impact – offset the impacts from inflation.

The last one is really blocking and tackling the things that you always do in operation. We're continuing to focus and accelerate our effort – efforts around productivity improvements and taking cost out. We talked a little bit about the structural costs. We haven't finished from what we did during the pandemic. We're continuing to push those boundaries forward to capture more cost savings as we're operating, and really looking at sourcing costs out and working with our suppliers, not just on price, but also how do we utilize these materials and work together to take total costs out of the value stream.

So, to date, I'm very pleased, the team's done an excellent job at responding and being quickly reacting to the inflation pressures we've seen and we've got several mechanisms we'll continue to use aggressively as we need to, to make sure that we're mitigating any of those inflation costs.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.
A

Thanks, Kim. Do you – and stay on the theme of challenges, how are you handling the current labor challenges in your business? What kind of hiring requirements will you have in the next one to two years?

Kimberly Ann Fields
Chief Operating Officer & Executive Vice President, Allegheny Technologies, Inc.
A

Great. Well, the pandemic has provided us several challenges that we've had to deal with. So, let me start with the near term and the impacts from COVID. I've got to really recognize the team all the way from the shop floor supervisor, all the way up through the executive teams, they've done a fantastic job, navigating the volatility over the last two years through the pandemic. I would say we've had little disruption and no operational shutdowns through due to COVID through this time period. We did see, I think as most of the country saw after the holidays, a rapid peaking in January of cases. That has peaked and has come down back to very minimal levels already today. And so, again, the team's done a great job at reacting and managing that in a safe way to keep our employees safe, but also to keep our operations running.

As I look forward and think about the next 12 months with the aerospace ramp, we have aggressive hiring and onboarding plans that are being deployed in all four of the businesses. I'm seeing similar customer demands growing and wrapping rapidly throughout the businesses. We talked earlier, we are targeting to hire around 400 to 450 employees. And as Bob said earlier, keep in mind that that's less than one-third of the employees that we had to let go of early in the pandemic. And we're finding that many of those great employees that we've got in our communities are ready to come back and rejoin the team and become productive. A couple of things that we've done to help us in this ramp as we've gone forward is our most highly skilled and qualified employees we did not let go or layoff during the pandemic. They may have moved around and are doing different roles and we're filling

different needs in the business, so we're able to move them rapidly back to those highly technical roles to retrain and re-qualify it on an accelerated basis.

The second thing that we – that's helping us is that we've got strong positions, as I mentioned, within our community for these roles and we are having very high levels of employee referrals. And so, our hiring is on track. In most cases, it's ahead of pace for the ramp and we're targeting to be fully staffed by the end of this year. And as I said, we are – I'm very happy to say we are well on track and in most cases ahead of that. And so, I think we're in a good position. It will be challenging, to ramp up in a very, very short time period, but again, the team is managing it very well and we've got plans deployed across the business.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.
A

Great. Kevin, next one's for you, and I think we have one more challenge to talk about here. How are you seeing destocking play out in the titanium supply chain? Are you seeing the opportunity for restocking as the industry production ramp rate accelerates?

Kevin B. Kramer
Chief Commercial & Marketing Officer, Senior VP, Allegheny Technologies, Inc.
A

Well, in commercial aerospace, I think everyone is clearly aware there is surplus titanium. So, the destocking will continue, but at a relatively slow rate. Although it'll be tied to both single aisle and twin aisle build rates that I shared a little bit earlier, but what is also a little bit different is titanium in an airframe tends to be far more fungible and a little bit less part specific. And the reason that's important to note, there likely will be a bit more destocking before restocking on the airframe side. On the engine side, it tends to be a little more part specific. And so, because of that, we'll see a little bit different reaction on the engine side. But as we have found and Kim made a really good reference to emerging opportunities, even with surplus titanium and whether it's an airframe or an engine application, we are in the first call, we get an opportunity to provide responsive support and through the capabilities of all the facilities and all the teams, we're actually picking up some opportunities. We had a couple that actually came across our desk earlier this week. So, those will continue, I will still suggest though it will be a couple of years before we start to see maybe overall airframe and engine titanium supply and demand imbalance, but the opportunities are coming and we're ready to support that.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.
A

Great. Don, we're going to shift gears here and talk about something that's on a lot of people's mind, cash. So Don, can you walk us through the moving parts to improve your free cash flow conversion to more than 90%? Does that metric exclude pension contributions?

Donald P. Newman
Executive Vice President-Finance & Chief Financial Officer, Allegheny Technologies, Inc.
A

Happy to do that. First, of course, it starts with profitability. And based upon the op line and EBITDA targets that we shared today, clearly, we're expecting to significantly improve our profitability as well as our cash generation. Beyond that, the drivers on cash flow that are impacting our conversion rate, in this case, we're continuing to manage our managed working capital to hit the targets that we've been very frank about. We're making progress. We'll continue to make progress, which will effectively release that cash into the business to be deployed in more beneficial uses. We're continuing our glide path around the pension. It wasn't that long ago that our annual required contributions for that pension plan were in excess of $100 million. But we're no longer in that position.

We're going to continue in the short term to make some voluntary contributions. But in short order, I believe that we'll have our required contributions to the plan behind us and that'll be a benefit to our cash conversion metric.

In addition to that, we've made some pretty significant moves to streamline our capital structure and one of the benefits of that is that we see improved lower interest rate or interest calculations, interest expense. And so, that also will benefit us from a cash standpoint. And of course, you can't forget about CapEx. We're expecting that we'll see our CapEx decrease over this 2025 timeframe. We'll see it decrease to a level more consistent with our depreciation and amortization, which is roughly $150 million per year.

Now, we've been benefiting for a number of years and not having to pay US taxes. We expect that will continue to benefit with not being a US taxpayer across this planning horizon, which will continue to be a benefit when it comes to cash conversion.

Now, when you think about – when we think about cash conversion, it's a challenging area, but it's a very, very exciting area for us. We think there's massive opportunity for us to become more efficient and we'll utilize that capital that's released through that cash generation for growth and for value creation. And we believe that the targets, the strategies and the actions that we've tabled today will deliver on those objectives.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.
A

Don, no surprise here, some listeners want us to dig a little deeper into some of the free cash flow levers. So, first here, how should we think about capital expenditures beyond 2022? What growth projects need funding and when do you see a return to depreciation and amortization capital spending levels?

Donald P. Newman
Executive Vice President-Finance & Chief Financial Officer, Allegheny Technologies, Inc.
A

Well, I probably already kind of gave you a clue as to what's happening there. But let me hit the major points. As you recall, during the COVID crisis, we reduced our CapEx spending. We did that for very legitimate reasons. What it meant was that we paused or delayed some growth projects that were related to the ramp. And now that we're in the early stages of the ramp, of course, we were expecting our CapEx spending to increase in the short term. In 2022, we just recently guided CapEx at between $210 million and $225 million. Of course, the major drivers there are ramp readiness as well as share gain capture, but also some of the capital required to finish executing our transformation in the SRP business.

As you look past 2022, 2023, I would expect our CapEx to still be north of $200 million, again largely driven with the ramp and us really meeting the requirements under our LTAs. So, very good reasons for that growth. But then, what happens after 2023? Well, our expectation is that after 2023, we'll see our CapEx trimmed down and we'll reach a level of about $150 million and that's about our depreciation and amortization expense in the business right now. And we're comfortable with that short-term spend and then the longer-term objective of reducing that spend. We think it's in the best interest of the business.

Now, I would also, before we leave the topic, Scott, I'd like to talk a little bit more about some of the disciplines in our capital investment decision-making process. And I touched on this in our prepared remarks to a degree as well, but I really want to drive this home. We are not quick to pull the trigger to add capacity. We require that new capacity be supported by customer contracts. We also are very, very disciplined when it comes to understanding how our current capacity is being deployed. And for us, an important part of that is looking at our product and customer profitability and asking the hard questions of whether it would be better to potentially stop making some lower-margin products and instead take advantage of demand that is being presented and make new products

that will be beneficial to the bottom line. And what that may mean is that we keep the capital in our pocket and we do not spend the capital for new capacity or capabilities, but instead really utilize our current assets more effectively.

And then, just to round out the discussion around CapEx, I do want to reinforce that our priorities for CapEx, you can expect them to be bent toward aerospace and defense, and then, also prioritizing melt and powder capabilities. And then, I can't leave the whole topic around capital spending without also talking quickly about return on invested capital, which we've talked about some today in our prepared remarks. And I want to be quite clear, we understand that in order to improve on the return on invested capital, we must make good capital investing decisions when it comes to CapEx. It's one of the key elements. And I believe that the disciplines and the practices that we have built into our CapEx decision making process will absolutely support our targets for improving return on invested capital and ultimately put us in the best position to meet the ramping demand that's existing in our end markets.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.
A

Thanks, Don. One more opportunity for you to talk about free cash flow lever. You have a goal to get managed working capital below 30% of sales. Can you walk me through the steps to get there and what needs to happen to keep progressing from that level?

Donald P. Newman
Executive Vice President-Finance & Chief Financial Officer, Allegheny Technologies, Inc.
A

I'd be happy to do that. So, we've been very clear on our target for managed working capital. We're targeting 30%, 30% of sales. We've been higher than that during the down cycle, largely because of the circumstances around declines in revenues and the time it takes to work inventory out of the system. But we made great progress throughout 2021, reducing that important metric, and we ended the year with the managed working capital percentage of 37.5%. It's still above the 30%. So, what are we doing to work down to our target and beyond that? Well, of course, it starts with inventory. Inventory is the largest driver in managed working capital. It's the largest financial component of managed working capital in our balance sheet.

Kim touched on the steps that we're taking to make structural changes to how we manage, how we think about inventory and how we place inventory throughout our system. We believe very strongly that those actions and those structural changes are going to significantly improve our inventory management levels in our inventory velocity. We expect that we'll make a good progress in 2022 heading toward our overall goal of 30%. But I would also point out that we are committed to making those structural changes, that 30% target is within sight, but we have been here before. I want to remind everybody; what we're talking about is getting back to that 30% level that we've been historically and better, but we also want it to be sustainable. And that's where making structural changes is so critical, because it will make for a nice area of cash generation, not just during this correction time, but also going forward as our business grows.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.
A

Great. So, Bob, we're going to shift gears and get to growth and how we might use some of that cash flow. ATI has a history of investing in resources where intellectual property protection is possible. Looking to future engine technologies, what are the bleeding edge alloys or materials ATI is developing to differentiate and capture value?

Robert S. Wetherbee
Board Chair, President and Chief Executive Officer, Allegheny Technologies, Inc.

A

Great. I'm happy to answer that question, too. It's really what ATI is about; that real science, advanced process technology. So, the question was what's next? Where's the bleeding edge? And our goal is to not let it be the bleeding edge, but to move the bar and succeed. And I want to start with the one that's in front of us in a big way, and that's performance at higher temperatures. You think about performance at higher temperatures and say, well, what does that look like to ATI and why do I care? Well, I care about it because of fuel efficiency in the aerospace industry and all things related to sustainability. We've got to make sure that the performance we offer at the higher temperatures is there, as well as we start to think about applications like hypersonics, things that are going to go faster, higher in the atmosphere, those kinds of things. So, those are the major drivers for why, I would say we're going to push the envelope on performance at higher temperatures.

And we're going to pursue it in two ways. The first one is around the process technologies. And really is about powders and powders aren't as simple as they seem. It's really about two things related to powders and the technologies that manufacture them. One of them is making sure that we have the right grain distribution that when you saw the video at the very beginning of the presentation, you all saw all those different grain sizes. We don't want them to all be the same, but we want to absolutely positively target the grain distribution. Sounds like a master's degree course here in material science, but that's the fundamental thoughts that ATI can bring to the party. The second issue is that each one of those powder elements is homogeneous, right, that it has in any one of the particles, the same molecular composition, which is hard to do with the cast wrought alternatives that we use today. And there's a reason for that, and I'll talk about that in a minute. But those are the two areas we're spending a lot of time on process technology, process development.

The second area within powders is really about the composition itself. So, some of us come out of the aluminum business, aluminum melts at 1,200 degrees, you move to nickel, cobalt melts at about 2,700 degrees and you start to look to the future and you think about the performance that's going to be required for hypersonics, and we're talking about things like niobium. Niobium melts at 4,500 degrees Fahrenheit, amazing, difference in terms of the performance, also challenges in terms of how you manufacture it, and the powder technology will enable our ability to bring those kinds of alloying ingredients into our product. There are no pure nickel plays in aerospace, there's no real pure titanium plays in aerospace, they're all alloyed, and that's really our strength. So, when you think about where the bleeding edge is going to be, it's going to be driving powder technology, next-generation compositions to perform at higher temperatures.

That doesn't mean that's the only thing we're doing. Obviously, we've spent a lot of time as we think about additive and where we want to go on additive with non-destructive testing. There's going to be a lot of development around how non-destructive testing is going to work. And at the same time, people want the right product at the right time. The first time, Kim alluded to that a little bit. So, we continue to invest in process and product modeling. The team, actually, while we're here talking to you about the exciting parts of ATI, our technical council is actually meeting in the Carolinas, actually moving what we're talking about forward. So, we're really thrilled with the work that's going on there. But the bottom line for ATI is really continuing to promote material science, advanced process technologies in the next-generation of applications that require performance at higher and higher temperatures.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.

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Great. Kim, another chance to talk about growth. How do – how does your forgings aftermarket opportunity evolve over time?

Kimberly Ann Fields
Chief Operating Officer & Executive Vice President, Allegheny Technologies, Inc.

A

So, aftermarket will come to us in the form of components coming out of Forged Products that are usually going into the service aspects that Kevin mentioned earlier today. Typically, we think about service around 25% of our revenue is going into those components for replacement parts. The good news is on the platforms, on the new – next-generation platforms that we've got going today. We've got higher share content of those. So, we do anticipate that percentage going up as we go forward. Today, right now, we are seeing some synchronous demand coming from one of our large jet engine OEMs, really being driven by a couple of things.

One, maybe a low forecast of the amount of hours that the regional jets are flying is creating more demand for service cycles for those jets as well as, as they're bringing planes that were parked, the return to service requirements are bringing additional demand on top of that. We've talked a lot about today emergent opportunities and emergent demand. This is one of the areas that we are seeing some pretty robust demand from one of our OEMs. And so, again, I'm happy to say that the team is doing an outstanding job at being able to react and be nimble, so that we are positioned to provide that material for them.

Scott A. Minder
Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.

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Thanks. So, Don, you alluded to this earlier, but I got a couple of questions around return on capital. So, here's one for you. It's good to hear you talk about ROIC. Why did you highlight this metric today? And can we expect to hear more about your progress going forward on this area?

Donald P. Newman
Executive Vice President-Finance & Chief Financial Officer, Allegheny Technologies, Inc.

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We selected ROIC and are specifically talking about it today, because it's a great measure of how effectively a company is utilizing its capital. That's an important thing to the management team, and we believe it's an important thing to our investors. So, it would make perfect sense that we would talk about it and that we would drive our performance upward in terms of return. We hear about it more. I would expect that, yes, you'll be hearing us talk about it more as our journey with ROIC unfolds. But let's talk a little bit more about ROIC and let's start with what really drives it.

Number one, profitability. Clearly based upon the targets that we share today around our revenue growth, our EBITDA and I know you guys are great with math, you can do the calc and extend that to what that means from a net income standpoint. We are expecting profound improvement in our profitability in the coming years. And no surprise to you, it shouldn't stop after 2025. And so, that's going to have a beneficial effect driving our ROICs upward. But you can't lose sight of the other part of the formula. The other part of the formula for ROIC is about capital deployment, capital allocation. You've heard us talk a lot today about how we make capital deployment decisions, what our priorities are, and what disciplines we build into those decisions and we have every intention to maximize the benefit from capital deployment as we continue to execute through this this up-cycle. So, those are – that's how we think about ROIC, and that's why we wanted to share that today.

And I think there's another element that you might find helpful as you think about ROIC and ATI's performance and that is what's our objective. I can tell you that we've drawn – we've driven – we have drawn a target on the wall when it comes to ROIC, and that is to be in the top quartile of ROIC when it comes to aerospace as well as industrial companies in 2025. And based upon the targets that we shared today and the strategies as well as the actions that we're executing, I'm confident that we're going to deliver that top quartile performance in this timeframe.

So, there you go, Scott.

Scott A. Minder

Vice President, Treasurer & Investor Relations, Allegheny Technologies, Inc.

Thanks, Don. I think that's a great way to wrap up the Q&A session today. So, Bob, I'll turn it over to you for any final comments.

Robert S. Wetherbee

Board Chair, President and Chief Executive Officer, Allegheny Technologies, Inc.

All right. Thanks, Scott. Appreciate the moderation and facilitation to get us through the conversation today and certainly my teammates that are here to talk about the enthusiasm and the confidence that we have in the plan that's ahead of us. So, thanks for those of you on the call for sharing your insightful questions, tends to confirm where we're trying to drive the company and the intensity in which our passion is focused on doing that.

So, I want to recap in the last two minutes that I have with you a couple of key things. We're going to start with the numbers, and we're proud of the fact that we have come a long way to be able to stand here in front of you today talking about what we expect for the company and the great opportunity that lies ahead of us. So, on your pads, I know you take great notes, whether it's an iPad or paper. I know there's 9% to 11% written on that pad as you think about year-over-year growth for ATI over the next four years, 9% to 11%. Next number is on the pad, 18% to 20%. That's our expectation by 2025 in terms of our EBITDA margins. 90% is on that pad, right? What's the 90%, free cash conversion rate. Don talked about, as capital expenditures slow down, we're positioned for the ramp, 90% is in our sights. And third or fourth are actually getting to 30% or less in terms of inventory, managed working capital, actually in terms of percentage of sales. So, a 30% is the high watermark we want to get below that. So, a lot of work going on systemically to do that. We're on track to do that. And ATI today is at a very special place as we think about what's going on to achieve those numbers.

So, let me close out by talking about what excites me about ATI and what we're doing here. Number one is we have some tremendous, tremendous capabilities and products. Our customers are pulling for more and we're excited to be, as Kevin referred to, that company of the first call. So, tremendous capabilities. Second, I hope you took away from today that we did not wait during the pandemic to move forward. We've been very active in positioning the company, the right products, the right portfolio of businesses with the right customers to be successful for the long term, and then very important for us to do that, obviously. And the third thing for me that really gets me excited is the leadership team. We've spent a lot of time today talking about the markets, the products, the capabilities, but it does all come down to the leaders and we are focused on having the next-generation set of leaders coming behind us as well and making sure that we're driving forward with the leadership team.

I'm proud of the team that's with me today; our executive council, those who participated in the video, very passionate about what we're trying to do and what we're trying to accomplish. But I want to assure you, this team is not intimidated by uncertainty. We have the ability to move forward and we're going to have uncertainty forever I believe in our markets and this team is willing to work through that, is willing to take calculated risks, to move us forward, very fact-based, very decisive. We have a great team dynamic that really focuses on leveraging, the skills of everybody in the team to make sure that we can move with pace and as I started the conversation with velocity. So, as I wrap up today, proud of the team, honored to be their leader, but it's a great team effort.

And as we move forward, I know some of you are new to the ATI's story today and I want to remind you that the connection that you're going to have with ATI is not going to end when this video is over. ATI is performing for you every day, and I'm going to point out four very specific places. Think of ATI the next time you're sitting on an airplane, sitting on a runway, the engine spool up and you feel the thrust and it push you back in your seat and in 10 seconds, you're going from 0 to 200 miles an hour, get off the ground. ATI is performing for you on that runway. Think about next time you're in a clinic with a loved one waiting for a lifesaving diagnosis in an MRI, a diagnosis or an MRI treatment, ATI is performing for you to get you to that point with the materials that go into that equipment. Next time you see an emergency rescue with a helicopter, think about the ATI forgings that go into the hub that actually transmit the power to the engine to the power of the lift at the moment it's needed. That's where ATI is performing for you.

And lastly, when this call is over, I'm pretty sure you're all going to go back to work, and the first thing you're going to do is pick up your cell phone and communicate with the rest of the world. ATI at that moment is in your hand in that cell phone, and ATI is performing for you. So, that's our story. We have extraordinary people, extraordinary opportunities. We have great team to do it. And so, just for one last time, I want to make sure you understand that ATI is proven to perform every day, anywhere for you.

And with that, thank you for your interest in ATI. Appreciate the time you spent with us. And as they say in the production business, I think we're done. Thank you.