

First Quarter 2020 Earnings Presentation

May 5, 2020

Relentless Innovation®

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Forward Looking Statements

This presentation contains forward-looking statements. Actual results may differ materially from results anticipated in the forward-looking statements due to various known and unknown risks, many of which we are unable to predict or control. These and additional risk factors are described from time to time in the Company's filings with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2019.



**KEEP
EMPLOYEES
SAFE**

Leadership Priorities

**PRESERVE CASH &
MAINTAIN LIQUIDITY**

**OPTIMIZE COST STRUCTURE
TO MATCH NEW DEMAND
EXPECTATIONS**

**KEEP
EMPLOYEES
SAFE**

**SUPPORT CUSTOMERS
THROUGH CONTINUED
STRONG EXECUTION**

**BE “RECOVERY READY,”
LEVERAGING SHARE
GAINS FOR GROWTH**

Maintain a Solid Foundation to Ensure Long-Term Profitability and Growth

Segment Realignment Benefits

Improving profitability through enhanced growth opportunities and increased operational efficiency

- **Increases long-term profitable growth potential in each segment**
- **Extends and accelerates synergies between businesses**
 - Creates broader market access with improved product offerings and cost competitiveness
- **Streamlines business structure**
 - Proactive organizational cost management actions initiated in Q4 2019 and Q1 2020

High Performance Materials & Components	Advanced Alloys & Solutions
▪ Maximize Aerospace and Defense markets growth opportunities ▪ Long-term agreements position ATI to capture end-market demand growth while improving profitability ▪ High percentage of “material pull-through” within ATI drives inventory efficiency and profitability ▪ Capitalize on materials science capabilities and advanced process technologies for revenue and margin growth	▪ Maximize Defense, Airframe, Medical, and Energy markets growth opportunities ▪ Improve profitability & reduce earnings volatility ▪ Drive high value flat product portfolio ▪ De-emphasize standard value stainless products ▪ Apply <i>ATI Best Way</i> ▪ Create products more efficiently, with faster flow times ▪ Gain share by leveraging capacity ▪ Improve profitability through lower production costs

ATI Strategic Markets & Diversified Applications

	Market	Q1 2020 Revenue	YoY % Change*	FY 2020 Market Outlook	Comments
	Jet Engine	\$272M	-1%	↓	Overall Q1 demand weakness partially offset by recovery of delayed 2019 volumes
	Airframe	\$135M	-10%		- Decline vs. strong prior year period driven by broad industry slowdown - Demand for jet engine & airframe expected to significantly decrease due to schedule reductions driven by COVID-19 and 737 MAX delays
	Defense	\$85M	+19%	↗	- Q1 primarily driven by strong product demand, highlighted by naval nuclear sales - Outlook remains positive with demand driven by a strong backlog for nuclear vessels, new military aircraft and other defense-critical applications 2020 order delays possible due to supply chain challenges in current environment
	Energy	\$171M	+3%	↘	- Increased Q1 demand primarily driven by completion of pipeline projects - Oil & Gas outlook largely negative due to oversupply and weak demand - Potential for expected 2020 pipeline project deliveries to be delayed into 2021 - Utilities and renewables experiencing demand disruptions - Land-based gas turbines, civilian nuclear and pollution control applications are steady
	Medical	\$39M	-16%	→	- Q1 activity decline due to lower demand and high inventory levels stemming from reduced non-essential surgery volumes, impacting both implants and MRI devices - Some recovery expected as COVID-19 restrictions are reduced
	Electronics	\$33M	-3%	→	- Solid Q1 demand with expected market softness to be felt in the near-term - Continue to gain share on new products across applications - Anticipate demand to recover 2H 2020 to satisfy year-end holiday sales



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*excluding Divestitures
note: see appendix for reconciliation of non-GAAP financial measures

First Quarter 2020 Highlights

<i>\$M (excl. EPS)</i>	Q1 2020	Q1 2019	% Change
Revenue	\$956	\$1,005	(5%)
Revenue (excl. divestitures)	\$956	\$957	-
<i>HPMC Segment</i>	<i>\$420</i>	<i>\$449</i>	<i>(6%)</i>
<i>AA&S Segment</i>	<i>\$535</i>	<i>\$508</i>	<i>+5%</i>
Segment Operating Profit	\$81	\$62	+32%
<i>HPMC Segment</i>	<i>\$57</i>	<i>\$52</i>	<i>+10%</i>
<i>AA&S Segment</i>	<i>\$24</i>	<i>\$10</i>	<i>+141%</i>
EBITDA (excl. special items)	\$102	\$81	+26%
EPS	\$0.16	\$0.12	+33%
EPS (excl. special items)	\$0.20	\$0.12	+67%

Revenue – stable

- Growth across key AA&S segment markets, led by Defense and HRPF conversion volumes
- Growth in HPMC advanced jet engine forgings offset declines in aerospace materials

Segment operating profit – up 32%

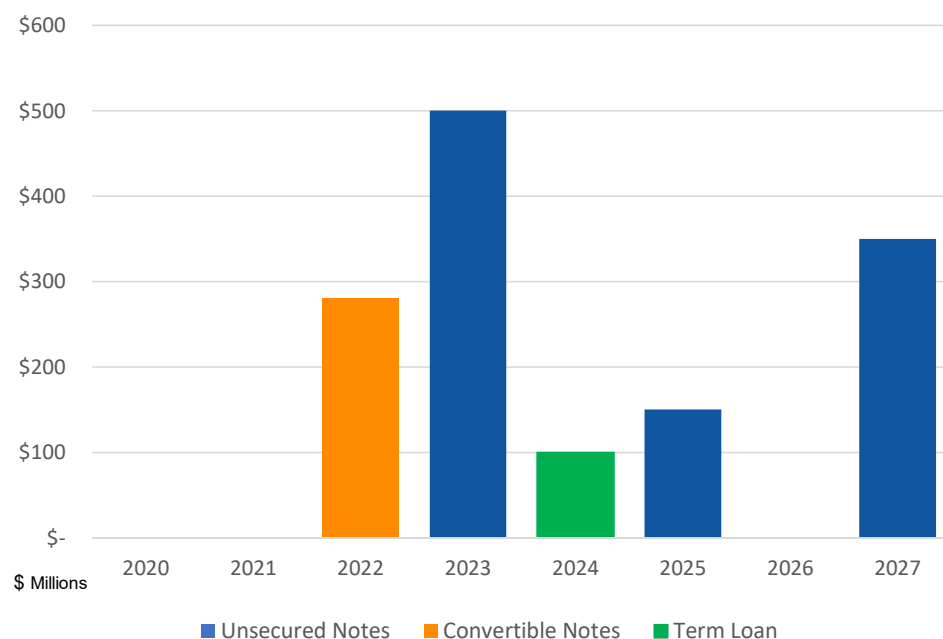
- AA&S: Positive mix impact from Defense volumes; improved cost absorption from conversion and standard value product volumes
- HPMC: Positive mix benefit from next generation jet engine forgings offset impact from volume declines

**Net Income* / EPS (excl. special items):
up 77% and 67%, respectively**

Cash and Liquidity Update

Debt Maturity Schedule ⁽¹⁾

Net Debt/EBITDA⁽²⁾ Ratio: 2.0x



(1) Excludes \$300 million drawn on the ABL and subsequently repaid in April

(2) EBITDA based on LTM Q1'20 financials as adjusted for special items. See appendix for definition and reconciliations to the nearest GAAP measure.

Balance Sheet and Cash Flow

Cash and liquidity at Q1 2020 quarter end

- Q1 liquidity near \$900 million, incl. \$639M cash on hand
- Normal seasonal cash usage inline with expectations
 - Positive cash generation expected in Q2 2020
- Capital expenditures of \$29 million
 - Significant capex reductions planned vs. prior estimates

Capital structure and ongoing liquidity

- Expect to generate free cash flow in 2020
- No near-term debt maturities
- Significant liquidity available through ABL and cash on hand
- Net debt ratio of 2.0x at the end of Q1 2020
 - \$100M delayed-draw term loan option through June 2020



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note: see appendix for reconciliation of non-GAAP financial measures

2020 Outlook

Full Year 2020

EPS

Suspending EPS
Guidance

FCF¹

\$110M - \$140M

Q2 2020

EPS (\$0.07) – (\$0.17)

Key Outlook Assumption

Earnings Drivers

- 737 MAX production restart in Q2 at low rate
 - *prior assumption: Q2 restart at moderate rate*
- Nickel prices in expected range of \$5.00/lb. - \$5.50/lb.
 - *prior assumption: \$6.00/lb. to \$6.50/lb.*
- Significant global impact from COVID-19 pandemic
 - *prior assumption: minimal impact*
- \$115M - \$135M in expense cost reductions
 - *prior assumption: modest cost reductions*
- Q1'20 effective tax rate of 31%; FY is uncertain
 - *prior assumption: 23% to 25%*

Cash Flow Drivers

- Capex in the range of \$130M - \$150M
 - *prior assumption: \$200M - \$210M*
- Managed working capital: significant source of cash
 - *prior assumption: modest use of cash*
- U.S. pension contribution of \$130M (no change)

¹ See appendix for reconciliation of non-GAAP financial measures

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Question & Answer

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Additional Materials Appendix



Non-GAAP Financial Measures

Allegheny Technologies Incorporated and Subsidiaries

Non-GAAP Financial Measures

(Unaudited, dollars in millions, except per share amounts)

The Company reports its financial results in accordance with accounting principles generally accepted in the United States of America ("GAAP"). However, management believes that certain non-GAAP financial measures, used in managing the business, may provide users of this financial information with additional meaningful comparisons between current results and results in prior periods. Non-GAAP financial measures should be viewed in addition to, and not as an alternative for, the Company's reported results prepared in accordance with GAAP. The following table provides the calculation of the non-GAAP financial measures discussed in the Company's earnings release on May 5, 2020:

	Three Months Ended March 31, 2020
Net income attributable to ATI	\$ 21.1
Adjust for special items:	
Restructuring, net of tax (a)	5.5
Net income attributable to ATI excluding special items	<u>\$ 26.6</u>
	Per Diluted Share *
Net income attributable to ATI	\$ 0.16
Restructuring, net of tax	0.04
Net income attributable to ATI excluding special items	<u>\$ 0.20</u>

* Presentation of adjusted results per diluted share includes the effects of convertible debt, if dilutive.

(a) First quarter 2020 results include an \$8.0 million pre-tax restructuring charge for a voluntary retirement incentive program.

Non-GAAP Financial Measures

Earnings before interest, taxes, depreciaiton and amortization (EBITDA)

	Latest 12 months ended March 31, 2020	Three Months Ended March 31, 2020	Three Months Ended March 31, 2019
Income before income taxes	\$ 258.9	\$ 34.4	\$ 17.1
Interest expense	96.1	21.9	24.8
Depreciation and amortization	149.7	37.3	38.7
Restructuring charge (b)	12.5	8.0	-
Joint venture impairment charge (c)	11.4	-	-
Debt extinguishment charge (d)	21.6	-	-
Adjusted EBITDA	\$ 550.2	\$ 101.6	\$ 80.6
 Total debt (e)	 \$ 1,712.4		
Less: Cash	(639.0)		
Net Debt	\$ 1,073.4		

Net Debt to Adjusted EBITDA 1.95

(b) Includes an \$8.0 million pre-tax restructuring charge in the first quarter of 2020 for a voluntary retirement incentive program and \$4.5 million pre-tax restructuring charge in the fourth quarter of 2019 to streamline ATI's salaried workforce primarily to improve the cost competitiveness of the U.S.-based Flat-Rolled Products business.

(c) Q4 2019 results include an \$11.4 million pre-tax joint venture impairment charge for the Allegheny & Tsingshan Stainless joint venture, which included ATI's 50% share of the JV's impairment charge on the carrying value of long-lived assets at the Midland, PA production facility.

(d) Q4 2019 results include a \$21.6 million pre-tax debt extinguishment charge for the full redemption of the \$500 million, 5.95% Senior Notes due 2021.

(e) Excludes debt issuance costs.

Free Cash Flow

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



Non-GAAP Financial Measures

Adjusted Sales Information

(\$ in millions)

	Reported	Industrial Forgings and Cast Products Businesses	Adjusted
Total ATI Sales- Q1 2020	\$ 955.5	\$ -	\$ 955.5
Total ATI Sales- Q1 2019	1,004.8	(47.5)	957.3
Percentage Change	-4.9%		-0.2%
HPMC Sales- Q1 2020	\$ 420.3	\$ -	\$ 420.3
HPMC Sales- Q1 2019	496.6	(47.5)	449.1
Percentage Change	-15.4%		-6.4%
Total ATI Jet Engine Sales- Q1 2020	\$ 272.2	\$ -	\$ 272.2
Total ATI Jet Engine Sales- Q1 2019	292.4	(18.8)	273.6
Percentage Change	-6.9%		-0.5%
Total ATI Airframe Sales- Q1 2020	\$ 134.9	\$ -	\$ 134.9
Total ATI Airframe Sales- Q1 2019	157.8	(7.5)	150.3
Percentage Change	-14.5%		-10.2%
Total ATI Defense Sales- Q1 2020	\$ 85.4	\$ -	\$ 85.4
Total ATI Defense Sales- Q1 2019	75.4	(3.4)	72.0
Percentage Change	13.3%		18.6%
Total ATI Energy Sales- Q1 2020	\$ 170.6	\$ -	\$ 170.6
Total ATI Energy Sales- Q1 2019	168.5	(2.4)	166.1
Percentage Change	1.2%		2.7%

Adjusted Sales metrics are non-GAAP measures that exclude the impacts of divestitures. These measures are utilized by management to evaluate underlying business trends of the ongoing businesses.



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