



Third Quarter 2020 Earnings Presentation

October 29, 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.

Key Takeaways – Third Quarter 2020

Q3 Performance

Earnings and free cash flow¹ generation ahead of expectations

- Consistently achieving targets
 - Q3 earnings above guidance
 - Proactive cost reductions
 - Enhanced free cash flow generation
- Managing decisively; control what we can
 - Highly "variable-ized" cost structures
 - 25% decremental margins
 - \$115M working capital release



Balance Sheet

Operating from a position of strength; deploy capital for long-term growth

- Liquidity remains very healthy
 - Total cash and available liquidity: ~\$950M
 - ~\$570M cash on hand
- Proactively enhanced capital structure
 - Next significant debt maturity: Q3 2023



Outlook

Increasing commercial aerospace demand stabilization; modest recovery in other markets

- Financial performance stabilizing
 - Q4 EPS target in-line with Q3
 - Recovery signs on the horizon in 2H'21
- Improved 2020 financial targets
 - Free cash flow guidance up ~15%
 - \$135M - \$150M
 - Cost reductions raised to \$160M - \$170M
 - Capex lowered to \$125M - \$135M



¹ See appendix for reconciliation of non-GAAP financial measures

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

ATI Strategic Markets & Diversified Applications

	Market	Q3 2020 Revenue	YoY % Change	Near-term Market Outlook	Comments
	Jet Engine	\$88M	(68%)		- Steep Q3 decline driven largely by end-market demand destocking - Expect modest forgings demand increase offset by specialty materials destocking in Q4
	Airframe	\$80M	(47%)		- OEMs adjusting backlogs to revised build rates; excess inventory and weakened demand throughout the supply chain - Q4 outlook remains challenged; reduced 2021 wide body build rates create multi-quarter correction to align inventory with demand
	Defense	\$78M	+3%		- Q3 demand growth led by naval nuclear and military aerospace; lower titanium armor due mainly to shipment timing - Solid Q4 backlog across a wide variety of sub-markets; rebound in titanium armor shipments expected
	Energy	\$130M	(40%)		- Ongoing lower demand in Q3 driven by global oil inventory, low energy prices and reduced end-market demand; specialty energy sales increased - Q4 outlook negative due to ongoing weak oil & gas demand fueled by uncertainty from COVID-19 resurgence - Civilian nuclear, pollution control and renewable applications remain stable
	Medical	\$27M	(34%)		- Q3 demand decrease due to destocking created by lower elective surgery volumes - Q3 MRI volumes limited by customer inability to access hospitals to install new units - Continued industry caution due to COVID-19 resurgence; elevated inventory levels
	Electronics	\$46M	+3%		- Q3 demand increase for consumer goods in advance of year-end selling season - Expect modest Q4 demand growth; successful customer product launches and increased holiday demand levels

Third Quarter 2020 Financial Results

\$M (excl. EPS)	Q3 2020	Q3 2019	% Change
Revenue	\$598	\$1,019	(41%)
<i>HPMC Segment</i>	\$221	\$452	(51%)
<i>AA&S Segment</i>	\$377	\$567	(34%)
Segment Operating Profit/(Loss)	(\$7)	\$99	(107%)
<i>HPMC Segment</i>	(\$3)	\$68	(104%)
<i>AA&S Segment</i>	(\$4)	\$31	(113%)
Adj. EBITDA (ex. special items)	\$17	\$180	(91%)
EPS*	(\$0.40)	\$0.78	NM
Adj. EPS* (ex. special items)	(\$0.38)	\$0.33	NM

Revenue reflects ongoing demand weakness driven by global pandemic and resulting lower economic activity

- AA&S: Aerospace & Defense and Energy each down approx. 40%, partially mitigated by increased Electronics demand and improving industrial markets
- HPMC: Commercial Aerospace sales down 64% partially offset by Defense sales growth of 32%. Energy and Medical markets declined

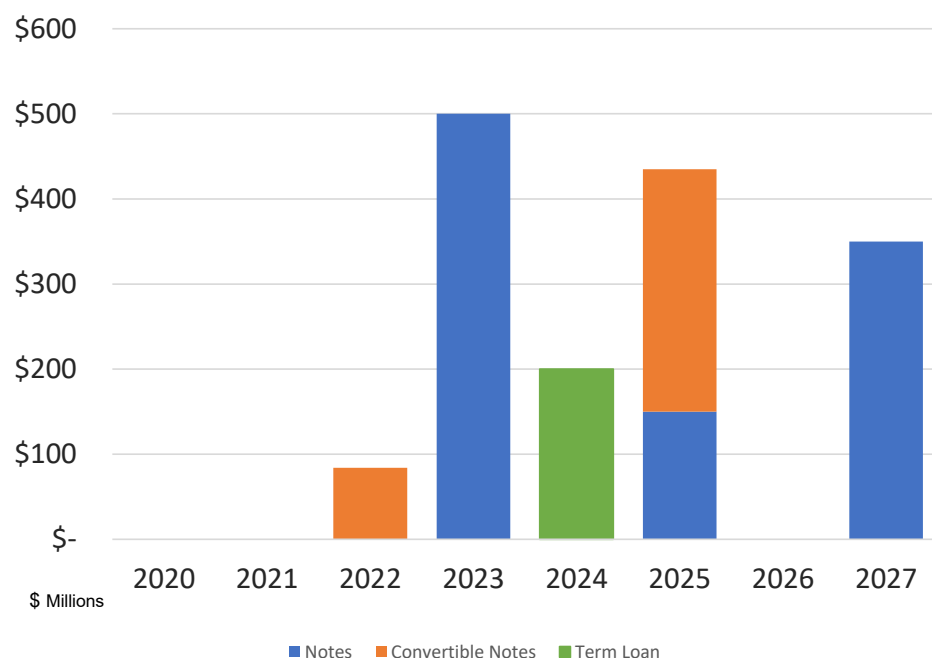
Segment operating results declined due to lower volumes, partially offset by accelerating cost reductions

- AA&S: volume reductions across most product lines and unfavorable mix as nickel alloys and titanium declined more rapidly due to Aerospace & Defense and Energy market weakness. Aggressive plant idling and cost actions reduced negative impact.
- HPMC: demand declines across all product lines; ~70% decline in jet engine sales. Cost actions limited fixed cost under-absorption impact from low production volumes

Cash and Liquidity Update

Debt Maturity Schedule

Net Debt/Adj. EBITDA⁽¹⁾ Ratio: 3.5x



(1) EBITDA based on LTM Q3'20 financials as adjusted for special items.
 (2) See appendix for definition and reconciliations to the nearest GAAP measures

Balance Sheet and Cash Flow

Cash and liquidity at Q3 2020 quarter end

- Q3 liquidity of ~\$950 million, including \$572M cash on hand
- Positive cash from operations in Q3
 - Reduced inventory by \$66 million; \$106 million YTD
 - Capital expenditures of \$29 million; \$95 million YTD
- Q3 Free Cash Flow⁽²⁾ of ~\$99 million

Capital structure and liquidity

- Significant balance sheet improvement and liquidity enhancement actions taken in 2020 to ensure stability in all economic conditions
- Next significant debt maturity in Q3 2023
- Ample liquidity available through ABL and cash on hand
- Net debt ratio of 3.5x at the end of Q3 2020



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

2020 Outlook

Full Year 2020

EPS

Adj. EPS
(\$0.55) – (\$0.63)

FCF¹

\$135M - \$150M

Q4 2020

Adj. EPS (\$0.36) – (\$0.44)

¹ See appendix for reconciliation of non-GAAP financial measures

Key Outlook Assumption

Earnings Drivers

- 737 MAX production restarted in Q2; continues at low rate
 - *prior assumption: consistent*
- Nickel prices in expected range of \$6.50/lb. - \$7.00/lb.
 - *prior assumption: \$5.50/lb. to \$6.00/lb.*
- Ongoing significant global impact from COVID-19 pandemic
 - *prior assumption: consistent*
- \$160M - \$170M in 2020 cost reductions
 - *prior assumption: \$140M - \$160M*
- Q3 tax rate 2% due to foreign taxes; FY ~2% (ex. valuation allowance)
 - *prior assumption: FY uncertain*

Cash Flow Drivers

- Capex in the range of \$125M - \$135M
 - *prior assumption: \$130M - \$150M*
- Managed working capital: significant source of cash
 - *prior assumption: consistent*
- U.S. pension contribution of \$130M
 - *prior assumption: consistent*

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 October 29, 2020:

	Three Months Ended	
	September 30, 2020	September 30, 2019
Net income (loss) attributable to ATI	\$ (50.1)	\$ 111.0
Adjust for special items:		
Restructuring, net of tax (a)	2.3	-
Gain on sale of oil & gas rights, net of tax (b)	-	(60.5)
Loss on sale of industrial forgings business, net of tax (c)	-	0.4
Gain on sale of cast products business, net of tax (d)	-	(6.0)
Net income (loss) attributable to ATI excluding special items	<u>\$ (47.8)</u>	<u>\$ 44.9</u>
	Per Diluted Share *	Per Diluted Share *
Net income (loss) attributable to ATI	\$ (0.40)	\$ 0.78
Adjust for special items:		
Restructuring, net of tax (a)	0.02	-
Gain on sale of oil & gas rights, net of tax (b)	-	(0.41)
Loss on sale of industrial forgings business, net of tax (c)	-	-
Gain on sale of cast products business, net of tax (d)	-	(0.04)
Net income (loss) attributable to ATI excluding special items	<u>\$ (0.38)</u>	<u>\$ 0.33</u>



Non-GAAP Financial Measures

	Latest 12 months ended September 30, 2020	Three Months Ended	
		September 30, 2020	September 30, 2019
Income (loss) before income taxes	\$ (317.9)	\$ (46.2)	\$ 119.0
Interest expense	92.8	25.1	24.2
Depreciation and amortization	144.8	35.4	37.0
Restructuring charge (a)	31.5	2.3	-
Joint venture restructuring and impairment charges (e)	13.8	-	-
Impairment of goodwill (f)	287.0	-	-
Debt extinguishment charge (g)	43.1	-	-
Adjusted EBITDA	<u>\$ 295.1</u>	<u>\$ 16.6</u>	<u>\$ 180.2</u>
Total debt (h)	\$ 1,605.4		
Less: Cash	<u>(572.2)</u>		
Net Debt	\$ 1,033.2		
Net Debt to Adjusted EBITDA	<u>3.50</u>		

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

(a) Third quarter 2020 results include a \$2.3 million pre-tax restructuring charge for additional employee severance actions. Second quarter 2020 results include a \$16.7 million pre-tax restructuring charge related to severance charges for involuntary reductions and voluntary retirement incentive programs for the HPMC segment. The first quarter 2020 results include an \$8.0 million pre-tax restructuring charge for a voluntary retirement incentive program. The fourth quarter 2019 includes a \$4.5 million pre-tax restructuring charge to streamline ATI's salaried workforce primarily to improve the cost competitiveness of the U.S.-based Flat-Rolled Products business.

(b) Third quarter 2019 results include a \$62.4 million pre-tax gain on the sale of oil & gas rights in New Mexico.

(c) Third quarter 2019 results include a \$0.4 million pre-tax loss on the sale of the industrial forgings business related to the final working capital adjustment.

(d) Third quarter 2019 results include a \$6.2 million pre-tax net gain on the sale of the cast products business, which includes a \$10.2 million write-down of the carry value of long-lived assets of the retained Salem operations.

(e) Second quarter 2020 results include a \$2.4 million pre-tax charge for ATI's 50% portion of severance charges recorded by the Allegheny & Tsingshan Stainless joint venture. Fourth quarter 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.

(f) Second quarter 2020 results include a \$287.0 million pre-tax goodwill impairment charge to write-off a portion of the Company's goodwill related to its Forged Products reporting unit.

(g) Second quarter 2020 results include a \$21.5 million pre-tax debt extinguishment charge for the partial redemption of the \$287.5 million, 4.75% Convertible Notes due 2022. Fourth quarter 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.

(h) Excludes debt issuance costs and includes \$49.0 million for the unamortized portion of the 2025 Convertible Notes recorded in stockholders' equity due to the flexible settlement feature of the notes.



Non-GAAP Financial Measures

Free Cash Flow

	<u>Three Months Ended</u> <u>September 30, 2020</u>
Cash provided by operating activities	\$ 59.4
Cash used in investing activities	(27.4)
Add back: cash contributions to U.S. qualified defined pension plan	66.9
Free Cash Flow as defined	<u>\$ 98.9</u>

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.