



# Second Quarter Conference Call

July 26, 2016

© 2016 ATI. All Rights Reserved.



## Forward-Looking Statements

This presentation contains forward-looking statements. Actual results may differ materially from results anticipated in the forward-looking statements. 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, 2015.

## Second Quarter Highlights

- High Performance Materials & Components segment
  - Operating profit increased 33%, compared to Q1, to 8% of sales
  - Better mix of mill products due to next-generation alloys
- Flat Rolled Products segment
  - Operating loss reduced by over 70% compared to Q1 2016
    - First half performance included non-recurring costs due to work stoppage and idling of commodity stainless and GOES facilities
  - Improved operating productivity and lower costs – June was best month of year
- Improved liquidity

# Diversified Markets

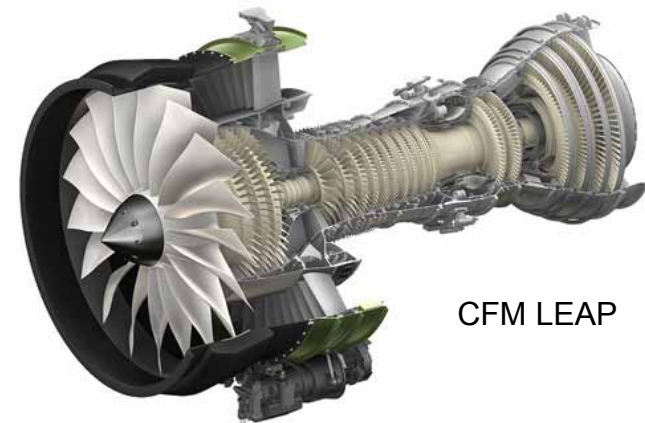
Percentage of ATI's Sales

Key Market	YTD 2016	Full Year 2015
Aerospace and Defense	51%	41%
Electrical Energy	9%	10%
Oil & Gas/CPI and HPI	8%	14%
Automotive	7%	8%
Medical	7%	6%



Aerospace and Defense YTD 2016	
Commercial Aerospace	
Jet Engine	28%
Airframe	16%
Government Aero/Defense	7%

Direct International Sales of 40%



CFM LEAP

## ATI High Performance Materials & Components

- Era of next-generation engines – demand is running ahead of expectations
- Aerospace and Defense 73% of segment sales YTD 2016
- Demand from Oil & Gas and Construction and Mining markets remains a headwind
  - Must fill non-jet engine forging capacity with demand from other markets
- Operating profit improved Q2 2016 vs Q1 2016
  - Richer mill product mix; lower costs
  - Cast Products operations began to improve
  - Rowley, UT titanium sponge facility negative impact of \$9 million due to high production costs

## ATI Flat Rolled Products

- Demand from Automotive market was strong
  - High temperature automotive engine applications
- Demand from Aerospace and Defense market was steady
  - Qualifying new sheet, strip, and plate products with HRF capabilities
- Demand from Oil & Gas/CPI/HPI market remained weak
- Operating loss decreased over 70% in Q2 vs Q1 to \$32 million
  - Improved operating performance, lower costs
  - Q2 includes \$22 million of non-recurring operating costs
- Return FRP to profitability
- Stainless sheet and strip trade case
  - July preliminary determination in CVD should act as significant deterrent to imports of stainless steel sheet and strip from China



## EPS, Cash, and Liquidity

### EPS

Net loss attributable to ATI      \$(0.18)

➤ Tax rate impact                      0.11

### Cash and Liquidity

- \$322 million cash on hand
- \$325 million available on ABL at June 30, 2016
  - Asset Based Lending (ABL) Revolving Credit Facility
  - Borrowed \$100 million through 18-month term loan in June
- \$288 million convertible notes issued June 2016
- \$115 million contribution to pension plan in July 2016

## Retirement Benefit Liability Management

Proactive retirement benefit liability management – goal to reduce defined benefit pension and postretirement medical (OPEB) expense

- Made \$115 million contribution to defined benefit pension plan in July
- Nearly all plans are frozen to new employees
- Actively evaluating several pension liability management strategies
  - Annuity buyouts to lower PBGC premium expenses
  - Enhanced matching of asset and liability duration through investment strategies



## Capital Expenditures

- Capital expenditures expected to be less than \$240 million in 2016
- \$145 million paid in first half 2016
  - Over one-half related to HRPF
  - Nickel-based super alloy powder facility
- Capital expenditures expected to be less than \$75 million in 2H 2016
- Beyond 2016, we expect annual capital expenditures to be less than \$100 million for the next several years

We Are At the End of this Extraordinary Spending Cycle

## Notes from Farnborough Airshow

- Focus on execution for current rate ramp
- Rate ramp is accelerating faster than expected
- ATI is recognized as a technology leader and reliable supplier
  - Provide OEM cost reduction through innovation
  - Streamline supply chain by increasing product offering
- Development efforts continue
  - New products for hotter jet engines
    - Complex titanium alloys, nickel-based alloys, particularly powders
  - Powders for additive manufacturing (including 3D printing)
  - New HRPF capabilities for titanium alloys and nickel-based alloys (sheet, strip, and plate)



R-R Trent XWB



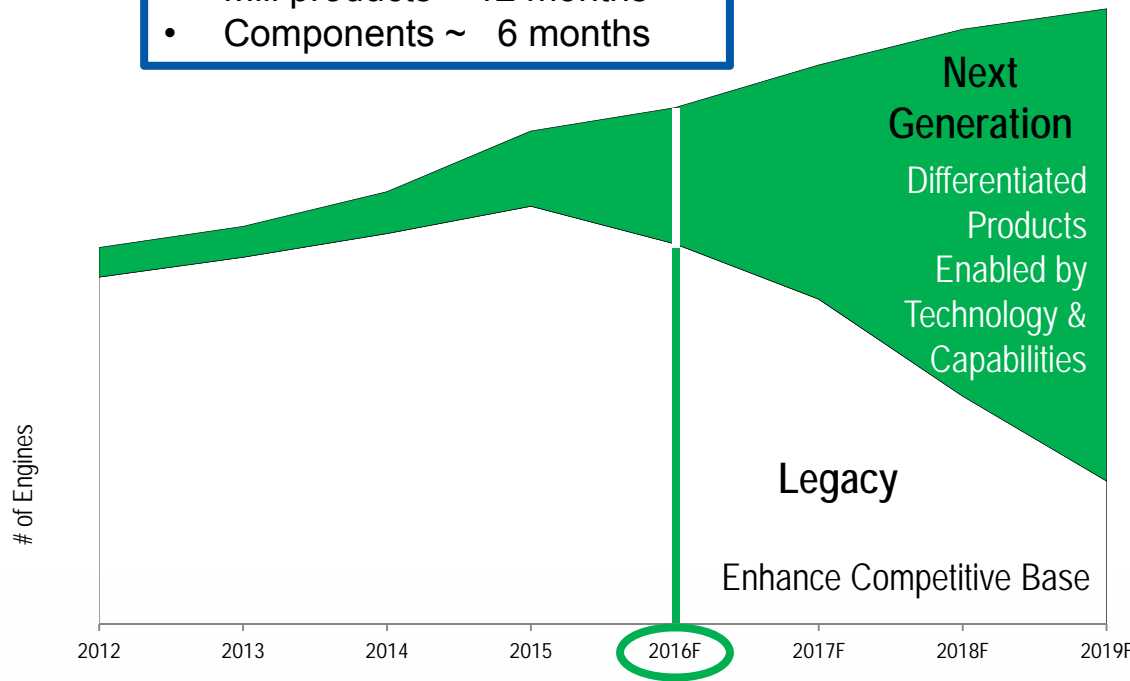
Landing gear component  
made from ATI 10-2-3  
titanium alloy

# Commercial Aircraft Build Rates

## Next-Generation vs Legacy

ATI Shipments Lead Build Rates

- Mill products ~ 12 months
- Components ~ 6 months



### Differentiated products

- Complex titanium alloys
- Advanced nickel-based superalloys
  - Wrought and powders

### Enabling technology & capabilities

- PAM titanium melt
- TSAF – Press Forge and GFM
- Powder facilities
- Hot die and iso-thermal forge

Next-Generation Uses Significantly More of our Products

## Commercial Aircraft Build Rates

### Next-Generation vs Legacy

#### ATI Shipments Lead Build Rates

- Mill products ~ 12 months
- Components ~ 6 months

#### Differentiated Mill Products

##### Nickel-based alloys

- ATI 718 Plus® Alloy
- ATI 720 Alloy
- Rene 65
- Powder metal alloys

#### Differentiated mill products – nickel-based alloys

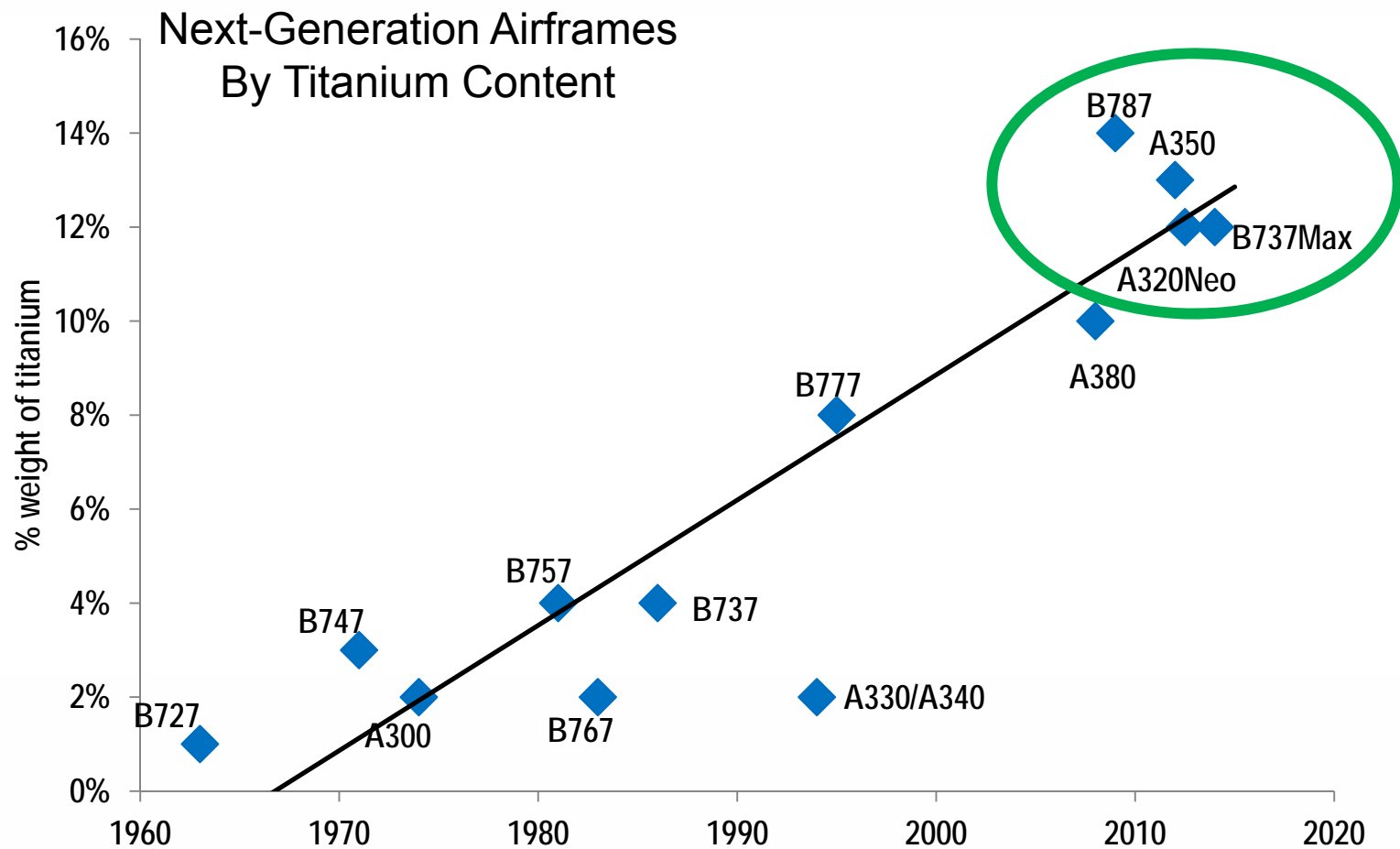
- Total sales grew nearly 40% 1H 2016 vs 1H 2015 to over \$80 million
  - Includes intercompany sales to ATI Forged Products
- ✓ LTAs secure significant growth on next-generation aircraft

#### Components – Precision Forgings & Castings

- 300 new parts represent over \$1 billion of new business 2016-2020
- ✓ LTAs secure significant growth on both legacy and next-generation aircraft

Next-Generation Uses Significantly More of our Products

# Structural Change Drives ATI Growth - Airframe



Source: Roskill Economics of Titanium, Goldman Sachs  
 Note: Titanium content per Airframe (engine not included)

# Structural Change Drives ATI Growth – Jet Engine

Engine Program	Firm Order Book
CFM56 - 5B	890
CFM56 – 7B	2,446
V2500	514
CFM LEAP	10,108
PW 1000G	3,250
GE nX	772
Trent 1000	496
Trent XWB	1,556
Trent 7000	372
GE 90	380
GE 9X	612
Trent 900	300

Major Engine Programs - Firm Order Book (May 31, 2016)

Legacy Single Aisle 3,850  
(Boeing 737, Airbus A320)

Next-Gen Single Aisle 13,358  
(737 Max, A320Neo)

Boeing 787

Airbus A350XWB

**New Single-Aisle Record!**

**New Firm Order Book Record!**

Source: Aero Engine News 7-16

**Over 22,168 Large Jet Engines on Firm Order**

## ATI is a Leading Specialty Materials & Components Company

- Integrated supplier to jet engine and airframe OEMs
  - Significant growth from new jet engine and airframe programs
  - Differentiated products plus enabling technology and capabilities
- Well positioned to capitalize on growth in aerospace
  - LTAs secure growth – particularly downstream
  - New alloys and components provide significant share gains
- Profitable HPMC and streamlined FRP segments
  - HPMC realizing growth in aerospace
  - Rightsizing actions taken to return FRP to profitability



## Strategy and Outlook

- We expect High Performance Materials & Components segment operating profit as % of sales to return to low double-digit level in 2H 2016
- We expect Flat Rolled Products segment to be modestly profitable in Q4 2016
- Extraordinary capital expenditure cycle is nearly behind us
- Focus on sustainable profitable growth; strengthening balance sheet; and restoring financial flexibility, and liquidity

Align and integrate ATI  
Enhance our competitive position  
Continuously improve our cost structure



# Second Quarter Conference Call

Questions & Answers  
July 26, 2016

© 2016 ATI. All Rights Reserved.





ATI

Relentless Innovation®