Arcadium Lithium

Fourth Quarter 2023 Earnings Call Script

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As Prepared for Delivery

Q4 2023 Conference Call

Introduction – Daniel Rosen

Thank you, John, and thanks to everyone for joining Arcadium Lithium's fourth quarter 2023 earnings call. Joining me today are Paul Graves, President and Chief Executive Officer and Gilberto Antoniazzi, Chief Financial Officer.

The slide presentation that accompanies our results, along with our earnings release, can be found in the Investor Relations section of our website. Prepared remarks from today's discussion will be made available after the call.

Following our prepared remarks, Paul and Gilberto will be available to address your questions. Given the number of

participants on the call today, we would request a limit of one question and one follow-up per caller. We would be happy to address any additional questions after the call.

Before we begin, let me remind you that today's discussion will include forward-looking statements that are subject to various risks and uncertainties concerning specific factors, including but not limited to those factors identified in our Form 10-K and other filings with the Securities and Exchange Commission. Information presented represents our best judgment based on today’s information. Actual results may vary based upon these risks and uncertainties.

Today’s discussion will include references to various non-GAAP financial metrics. Definitions of these terms, as well as a reconciliation to the most directly comparable financial measure calculated and presented in accordance with GAAP, are provided on our investor relations website. And with that, I’ll turn the call over to Paul.

Highlights
Slide 3: Paul Graves

Thank you, Dan and hello everyone.

This is the first earnings call for Arcadium Lithium following the official close of the merger between Livent and Allkem on January 4th of this year. We are excited to begin operating as Arcadium Lithium, building on the strengths of two highly complementary organizations, with a focus on continuing to grow as one of the leading global producers of lithium chemicals. While lithium and energy storage market dynamics have been somewhat volatile since our merger announcement in May of last year, the underlying strategic merits of the transaction remain as strong as ever. As a larger, more diversified, vertically integrated company, we are better positioned than either of the companies alone to meet the growing needs of our customers, and we have even greater flexibility to take advantage of opportunities available to a diversified,

integrated lithium chemicals producer, across all market cycles.

Arcadium Lithium is growing its volumes significantly as a result of multiple years of expansionary investment, and 2024 is highlighted by an expected 40% increase in lithium carbonate and hydroxide volumes, compared to 2023, as a combined company. In addition, Arcadium is expecting to realize $60 to $80 million of total synergies and cost savings in 2024. We will go into further detail on the major components of these cost reductions, but the savings are driven by a combination of positive developments in our initial integration efforts, and from accelerating certain actions as a result of the current lithium price environment. These higher volumes and cost savings are reflected in the outlook scenarios we are providing for Arcadium Lithium's first full year, which we are providing in a different format than that provided historically by either Livent or Allkem.

The lower price environment is also leading Arcadium to slow the pace of its growth capital spending in 2024 and to extend the timelines for some of its ongoing expansion projects, as we will discuss further. This reduction will not impact our ability to deliver volumes under existing customer commitments. It will provide us with an opportunity to undertake a comprehensive review of the existing expansion plans from Livent and Allkem in order to maximize the capital synergies available from our co-located projects in Argentina and Canada, as well as optimize the operational flexibility of future production. I will now turn the call to Gilberto.

Arcadium Lithium Merger Completion
Slide 4: Gilberto Antoniazzi

Thank you, Paul. Turning to slide 4, our merger closed earlier this year following votes of approval from both Livent and Allkem shareholders. Arcadium Lithium ordinary shares are trading on the NYSE under the ticker "ALTM" and our foreign exempt listing via CHESS

Depositary Instruments, or CDIs, is trading on the ASX under the ticker "LTM".

Because the merger closed after year-end 2023, the 2023 10-K to be released by Arcadium Lithium will only include the historical results of Livent's operations. At this time, we can share that for the full year 2023 Arcadium had combined revenue of approximately $2.0 billion, and a combined consolidated cash balance of $892 million with combined cash, net of debt, of roughly $297 million as of December 31, 2023. We expect to provide calendar year 2023 pro forma financials early in the second quarter of 2024, and we will release combined results for the new company beginning with the first quarter of 2024. For this reason, we will discuss the fourth quarter and full year 2023 performance for both companies on a standalone basis, and in formats consistent with previous disclosures.

Livent Standalone Reported Financial Results

Slide 5: Gilberto Antoniazzi

Starting on slide 5, Livent reported fourth quarter revenue of $182 million, Adjusted EBITDA of $91 million dollars and adjusted earnings of 34 cents per diluted share. Volumes sold were roughly flat, with lower average realized prices across all lithium products in addition to slightly higher costs. Despite a challenging lithium market environment in the fourth quarter, Livent achieved an Adjusted EBITDA margin of 50%.

For the full year 2023 Livent reported revenue of $883 million dollars, Adjusted EBITDA of $503 million dollars and $1.89 cents of adjusted earnings per diluted share. These were all meaningful improvements versus the prior year and record results for Livent. This was a result of higher average pricing and lower overall costs and is highlighted by full year 2023 net income growth of 21%, an Adjusted EBITDA increase of 37% and improved Adjusted EBITDA margins of over 10% versus 2022.

Allkem Standalone Select Results
Slide 6: Gilberto Antoniazzi

Turning to Allkem on slide 6, on a 100% ownership basis the Olaroz carbonate facility achieved calendar year fourth quarter total revenue of $96 million, with just under 7,000 metric tons of carbonate sold, compared to production of just over 4,100 metric tons, at an average realized price of $13,564 per metric ton. For the full calendar year 2023, total revenue was $511 million, with 17,879 metric tons of carbonate sold at an average realized price of $27,788 per metric ton. Sales and production were broadly in line for the full year.

For the Mt. Cattlin spodumene operation, fourth quarter spodumene revenue was $46 million, with roughly 60,000 dry metric tons sold with 5.3% average grade, at a 6% spodumene-equivalent price of approximately US$850 per dry metric ton. The realized spodumene price decline in the fourth quarter was amplified by two specific factors – a shift to forward looking reference price mechanisms with

customers, consistent with a shift seen across the industry, and the timing of shipments all occurring in the second half of the quarter when the market was particularly challenged. From an operations perspective, production grade and recovery rates both improved slightly versus the prior quarter.

For the full calendar year 2023, spodumene revenue was $571 million, with just under 205,000 dry metric tons sold with 5.3% average grade, at a 6% spodumene equivalent price of roughly US$3,100 per dry metric ton. Full year production was roughly 34,000 dry metric tons higher than volumes sold, which we are carrying into this year and brings our spodumene inventory to more normalized levels.

The notable decline in fourth quarter spodumene and lithium carbonate prices was especially notable at Allkem, given its practice of selling volumes largely on a market price-referenced basis. The resulting swings in profitability reveal the challenges of making significant expansionary

capital investments over multi-year periods, especially when it comes to having access to the cash needed to support these investment commitments. This will be one of the key focus areas for Arcadium as we look to implement an integrated commercial strategy that provides greater predictability while also allowing the Company to take advantage of attractive market opportunities.

I will now turn the call back to Paul to provide some market commentary.

Market Conditions: 2023 Recap
Slide 7: Paul Graves

Thanks Gilberto. On slide 7, I would like to provide some perspectives on what we saw in the lithium market in 2023. In hindsight, the year was heavily influenced by inventory build in the energy storage supply chain. The more meaningful inventory increases were seen downstream of lithium, most notably in battery cells. It became clear that many battery cell producers had

aggressively increased production in the fourth quarter of 2022, especially in China, in anticipation of elevated demand and prior to expiring subsidies. As a result, both cell and cathode producers reduced production rates as 2023 progressed, and spot lithium purchase activity, beyond base-volume contracts, declined significantly. This drove a sharp decline in lithium market prices, starting in late Q3 and accelerating in the fourth quarter.

Given the price decline, as well as some negative headlines from OEMs who were perhaps overly optimistic with their earlier EV forecasts, especially in U.S. markets, the year ended with a notably bearish sentiment around lithium and energy storage. However, taking a step back it's important to recognize that underlying end market demand was actually very strong last year. 2023 global EV sales were up 33% for the year, approaching 14 million units on a roughly 17% penetration. China hit an all-time monthly high of around 1 million units in December, which was up 49% year-over-year and 10% month-over-month. Additionally, stationary energy storage demand continues

to surprise to the upside, and growth in this segment should be stronger in a lower lithium-ion battery cost environment.

And while incremental lithium supply did enter the market in 2023, it did not come mainly from lower cost brine expansions. The new supply was predominately higher cost material from spodumene out of Africa and lepidolite in China. The development of these assets was incentivized by the high lithium prices seen in the last market run-up and they are some of the first to be economically challenged in the current lower price environment. And while it is known that a number of these higher cost assets are still operating, they are doing so in a price environment that is at or even below their cash cost of production, and it remains to be seen how long they can continue to operate in this way. We also see these assets as the most challenged when it comes to expanding output further in the future.

Market Conditions: H1 2024
Slide 8: Paul Graves

Moving into the first half of 2024 there are a number of reasons to be optimistic about the direction of our industry. However, we, like others in our industry, need to take into account the current environment when making capital allocation decisions. We have to look at the sustainable prices needed to support multi-year investment decisions, and when there are prolonged periods of market prices that are lower than these reinvestment prices, it reduces confidence in whether expansions will in fact be economically viable. We believe that prices will move higher in the future, which they need to do in order to incentivize sufficient supply expansion to meet our customers' future needs. However, it is much more challenging to manage these capital-intensive projects through such volatile price environments given the direct impact on our earnings and cash flow. When we have prices for extended periods at the levels we see today, we

have to be very cautious in how we use our balance sheet to fund expansions.

It is clear that very few lithium expansion projects, including most brownfield expansions in brine, make economic sense at current market prices. And the longer that prices stay near these levels, the greater the impact will be on future supply shortfalls. As we saw in 2022, this will increase the likelihood of a rapid increase in lithium prices at some point in the future, although the complexity of the global battery supply chain makes both the timing and extent of such an increase difficult to predict.

We are seeing a response from both existing operators and project developers alike. Some higher cost production has started to come out of the market, and we expect this trend to continue. Additionally, we have seen more discipline being applied towards expansion projects as lower prices challenge the return hurdles on these multi-year investments. Heightened price volatility is reducing the appetite for financing development assets

from sources, especially lenders, that many single-asset, pre-production companies have come to rely on.

There is typically a slow-down in demand in the first few months of the year, coming off the seasonally strong fourth quarter. This year, many regional cathode and cell producers are expected to use the Lunar New Year holiday period for extended downtime, which should help to support continued destocking at the battery cell level. As far as 2024 demand is concerned, growth expectations are still strong. We are seeing a growing number of more affordable EV models entering the market. BloombergNEF projects annual global battery demand to reach 1.25 terawatt hours, up 30% versus 2023. Additionally, longer term investment commitments continue to be made downstream, with additional support in North America and the U.S. driven by the Inflation Reduction Act. This is highlighted most recently by GM agreeing to a $19 billion deal to secure cathode active material supply in Tennessee, and Toyota investing $1.3

billion to support its own EV plant in Kentucky, bringing its total investment commitment at the site to $10 billion.

It's also important to emphasize that reduced percentage growth rates, which will undoubtedly occur over time, do not necessarily mean reduced volume demand growth, with year-over-year demand for lithium chemicals, in terms of total tons of lithium chemicals, continuing to increase meaningfully. The long-term trajectory for electrification has not fundamentally changed, even if, as we have been saying for a while now, that growth is not necessarily linear and predictable. As long as China continues to be the predominant source of demand, and the location of the bulk of the supply chain for energy storage, there will be volatility and periods of aggressive production followed by destocking.

<u>2024 Volume Growth</u>
Slide 9: Paul Graves

Turning to slide 9, Arcadium Lithium will be growing its sales volumes significantly in 2024 as a result of multiple years of expansionary investment. We are expecting to increase our combined lithium carbonate and hydroxide delivered to customers by roughly 40% in 2024, or to 52,000 metric tons at the midpoint, on an LCE basis.

With respect to lithium carbonate, this is the result of the ramp up of expansions at Fénix, which is our existing operations at the Salar del Hombre Muerto, and at Olaroz, both in Argentina. At Fénix, the 10,000 metric ton Phase 1A expansion is complete, and the production ramp-up process is well underway. We expect to achieve production of up to 7,500 metric tons in 2024 from this expansion and to finish the year at run-rate operating volumes. This means we will have total nameplate capacity of 28,000 metric tons per year at Fénix. I will address the status of the Phase 1B additional 10,000

metric ton expansion shortly. For Olaroz, we are in the process of ramping up the 25,000 metric ton Stage 2 expansion, where construction was completed in late 2023. As a conventional pond-based process, this ramp up will take longer than Fénix's DLE-based production. We expect to produce up to 40% of capacity, or 10,000 metric tons of carbonate, from Stage 2, and expect to reach run-rate production by the end of 2025. This will bring total stated capacity at Olaroz to over 40,000 metric tons.

Arcadium will also benefit from the completion of multiple hydroxide production lines, which use carbonate from Argentina as a feedstock. We expect to deliver commercial volumes in 2024 from a 5,000 metric ton expansion at our U.S. based operations in Bessemer City, North Carolina, bringing our total U.S. hydroxide capacity to 15,000 metric tons. Additionally, at the end of 2023 we completed a 15,000 metric ton unit at a new location in the province of Zhejiang in China which will go through

qualification and ramp up in 2024. This brings our total hydroxide capacity in China to 30,000 metric tons.

Turning to our spodumene operations at Mt. Cattlin in Western Australia, we are expecting 2024 production to be lower versus calendar year 2023. This is a result of pursuing a reduced mining and production plan as part of cost optimization efforts in light of the current low-price environment for spodumene. I will now turn the call back to Gilberto to discuss our full year 2024 outlook.

<u>Full Year 2024 Outlook: Sales Volumes</u>
Slide 10: Gilberto Antoniazzi

Thanks Paul. On slide 10, you can see how our volume growth in 2024 translates into sales volume expectations by major products. Combining hydroxide and carbonate sales, we expect to increase our volumes sold by a range of 12,000 to 17,000 metric tons, or around 40% higher than 2023 on an LCE basis at the midpoint. Most of the incremental carbonate sales are expected to come from

Olaroz Stage 2 production while the additional hydroxide sales will be fed from the Fénix expansion.

Within lithium hydroxide, we have opted to enter into multi-year agreements with a select group of core customers on roughly two-thirds of our total product volumes. These agreements have firm volume commitments, and a variety of pricing mechanisms, including some fixed prices for 2024 only, as well as floors and ceilings over the life of the agreements. This subset of our volumes will help to reduce overall volatility while limiting potential downside, or upside, on our total revenue. As of today, the remaining portion of our hydroxide volumes, as well as our lithium carbonate sales, are expected to be under shorter-term pricing structures, typically set on a monthly basis, that move with agreed market references.

We are expecting flat volumes in our other specialties business, which is comprised mainly of butyllithium and high purity lithium metal. Pricing is based on customer relationships typically spanning many years, and is

negotiated monthly or quarterly, taking into account movements in the broader lithium market. Lastly, our spodumene concentrate sales out of Mt. Cattlin today are largely being sold directly into China at prevailing market prices. Because of the lack of longer-term commitments, particularly given the limited remaining mine life today, we can be more flexible with respect to production plans, as demonstrated this year.

Full Year 2024 Outlook: Select Financial Items
Slide 11: Gilberto Antoniazzi

On slide 11 we have provided some other modeling considerations. We will address SG&A and capital spending shortly. Depreciation & amortization is expected to be higher than what has been seen historically. This is a result of 2024 being the first year of production for multiple expansion assets, and therefore when capitalized spending will begin to depreciate. The adjusted tax rate for 2024 is expected to be between the historical levels of the two standalone businesses and will be an important

point of focus as we further integrate our operating model as a global business. The provided range is wider than we would expect moving forward in order to reflect the earlier stage of this work. Lastly, our higher estimated fully diluted shares outstanding of 1.15 billion is a function of the merger exchange ratios, and is inclusive of 67.7 million of assumed dilution from the Company's convertible notes outstanding.

Synergies / Cost Reduction
Slide 12: Gilberto Antoniazzi

On slide 12, we provide an update on the expected synergy and cost reductions for Arcadium Lithium. In 2024 the Company is expecting to realize a combined $60 to $80 million in total cost savings. These benefits will be driven by a combination of lower SG&A expenses and reduced costs of production. Within SG&A, savings will come predominantly from headcount reduction, the elimination of overlapping services and lower T&E and third-party consultants. For costs of sales, we have

identified a number of ways to drive efficiencies, from immediate to longer term, across all major aspects of production for our multiple production assets globally. This includes lower input costs on key procurement items, streamlining our manufacturing footprint, particularly at closely-located operating sites, and improving our global supply chain network. We expect to continue to drive efficiencies for a number of years going forward.

Our expectations for 2024 cost savings are higher than they were at the time of merger announcement. Some of this has been brought forward by the changing conditions in our markets, but we also see more opportunities from our initial integration work than what was expected at the time of the merger announcement, and there are a number of immediate cost reductions available. Longer term, we remain confident in the scope of synergies previously outlined and we will look to accelerate and grow them wherever possible. I'll now pass the call back to Paul to discuss the outlook scenarios.

Full Year 2024 Outlook Scenarios
Slide 13: Paul Graves

Thanks Gilberto. On slide 13, we are providing a framework to understand how changes in market prices may impact the financial performance of Arcadium Lithium in 2024. Arcadium Lithium's current business mix makes it extremely difficult for us to give earnings guidance in the way Livent traditionally did, since so much of the outcome is now dependent on where market prices go during the year. We also recognize that simply multiplying volumes by market price does not work for Arcadium Lithium, given the nature of our multi-year contracts and the impact our Other Specialties business has on our performance.

For this reason, we have shown two scenarios using lithium market price assumptions that are consistent with how our peers have presented recently, namely $15 per kg and $25 per kg LCE. We keep constant the midpoints of expected sales volumes, synergy and cost savings and SG&A for 2024 while overlaying existing commercial

agreements as applicable. These scenarios should not be interpreted as a forecast by Arcadium Lithium as to the likely range of 2024 lithium prices, which they absolutely are not. They were selected solely to allow investors to assess our potential earnings at a range of prices. With that said, you will see that even in a lower case where Arcadium Lithium achieves a $15 per kg average price per LCE on its market-based volumes, Arcadium Lithium's business remains highly resilient, supported by our quality and low cost production assets, while offering significant upside should a price rebound in fact take place.

2024 Capital Spending
Slide 14: Paul Graves

Moving to slide 14, Arcadium Lithium expects to spend $450 to $625 million in growth capital spending in 2024 with an additional $100 to $125 million of maintenance capital spending. For growth spending, this is lower than what Livent and Allkem had separately projected last year. We are still investing, with conviction in the superior quality

of our asset portfolio, and believe we have a pipeline of attractive growth projects that is unmatched in our industry. However, in this lower lithium pricing environment, our cash flow generation and returns on capital investment are quite different, and we must adjust our pace of spending accordingly in order to maintain financial discipline. While we do not believe today's price environment is representative of long-term prices, we have to run the business based on the conditions we are in today, and that means being far more cautious with our spending while this environment persists.

As we've previously discussed, one of the major benefits of the merger between Livent and Allkem is the opportunity to both optimize and de-risk projects that have natural overlaps. And by slowing capital spending, we believe we will be better off longer term. Over the next few quarters we will focus on accelerating the work needed to drive capital efficiencies and ultimately lower our overall capital spending across the expansions in both Argentina and Québec. Additionally, we expect to improve the future

operating flexibility of these closely-located assets, supporting our focus on strengthening a globally integrated production network.

The expansion projects in our portfolio in closest proximity to each other are the Fénix and Sal de Vida projects, at the same Salar del Hombre Muerto in Argentina and located within 10 kilometers of each other, and the James Bay and Nemaska Lithium projects in Québec, Canada, with the Whabouchi mine located roughly 100 kilometers from James Bay.

We expect to deploy $225 to $325 million of growth capital into Argentina in 2024. This is lower than what would have been spent to bring the Phase 1B 10,000 metric ton carbonate expansion at Fénix online by the second half of 2024, and to achieve first production at Sal de Vida in 2025. Based on what we know today, we expect this to delay production from these projects by up to nine months.

We expect to deploy $225 to $300 million of capital in Canada in 2024, which will primarily be going towards construction of the Nemaska Lithium hydroxide facility being developed at Bécancour. James Bay permit approvals have been received and the resource definition and engineering has been well progressed. However, we want to take the time to explore potential development efficiencies and future operational flexibility with Whabouchi, given our expectations for both to be vertically integrated with downstream lithium chemical production over time. Any potential delay at Whabouchi should not impact the expected timeline for Bécancour hydroxide production, which was not expected to require feedstock until 2026. With that said, it means we will likely sell minimal merchant spodumene volumes compared to our prior expectations.

We are focused on the optimization and re-phasing of our expansions over the next few months and intend to

provide to investors a comprehensive plan for Arcadium Lithium later this year. Additionally, we will look to introduce new sustainability targets for the business, building on the strong profiles of the two legacy companies and our shared commitment to responsible growth.

While this is a difficult and unpredictable period in which to go through the integration process, the long-term strategic merits of the transaction have not changed and we believe will ultimately be proven out over time and through whatever future market cycles we go through.