ALCAN INC
Form 425
May 07, 2007

Shared History, Shared Values, One Future
Alcoa s
Offer
for
Alcan
7 May 2007
Filed by Alcoa Inc.
Pursuant to Rule 425
under the Securities Act
of 1933
Subject Company: Alcan Inc.
Commission File No:
001-03677

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Forward-Looking Statements
Certain
statements
and
assumptions
in

this communication contain or are based on "forward-looking information and involve risks and uncertainties. Forward-looking statements may be identified by their use of words like "anticipates," "believes," "estimates," "expects," "hopes," "targets," "should," "will," "will likely result," "forecast," "outlook," "projects" or other words similar meaning. Such forward-looking information includes, without limitation, the statements as to the impact of the proposed acquisition on revenues, costs and earnings. Such forward looking statements are subject to numerous assumptions, uncertainties and risks, many of which are outside of Alcoa's control. Accordingly, actual results and developments are likely to differ, and may differ materially, from those expressed or implied by the forward-looking statements contained in this communication. These risks and uncertainties include Alcoa's ability to successfully integrate the operations of Alcan; the outcome of contingencies including litigation, environmental remediation, divestitures of businesses, and anticipated costs of capital investments; general business and economic conditions; interest rates; the supply and demand for, deliveries of, and the prices and price volatility of primary aluminum, fabricated aluminum, and alumina produced by Alcoa and Alcan; the timing of the receipt of regulatory and governmental approvals necessary to complete the acquisition of Alcan and any undertakings agreed to in connection with the receipt of such regulatory and governmental approvals; the timing of receipt of regulatory and governmental approvals for Alcoa's and Alcan's development

projects and other operations; the availability of financing to refinance indebtedness incurred in connection with the acquisition of Alcan on reasonable terms; the availability of financing for Alcoa's and Alcan's development projects on reasonable terms; Alcoa's and Alcan's respective costs of production and their respective production and productivity levels, as well as those of their competitors; energy costs; Alcoa's and Alcan's ability to secure adequate transportation for

their respective products, to procure mining equipment and operating supplies in sufficient quantities and on a timely basis, and to attract and retain skilled staff; the impact of changes in foreign currency exchange rates on Alcoa's and Alcan's costs and results, particularly the Canadian dollar, Euro, and Australian dollar, may affect profitability as some important raw materials are purchased in other currencies, while products generally are sold in U.S. dollars; engineering and construction timetables and capital costs for Alcoa s and Alcan's development and expansion projects; market competition; tax benefits and tax rates; the outcome of negotiations with key customers; the resolution

of environmental and other proceedings or disputes; and Alcoa's and Alcan's ongoing relations with their respective employees and with their respective business partners and joint venturers.

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Forward-Looking Statements

Additional risks, uncertainties and other factors affecting forward looking statements include, but are not limited to, the follow

Alcoa is, and the combined company will be, subject to cyclical fluctuations in London Metal Exchange primary aluminum p economic and business conditions generally, and aluminum end-use markets;

Alcoa's operations consume, and the combined company's operations will consume, substantial amounts of energy, and profit may decline if energy costs rise or if energy supplies are interrupted;

The profitability of Alcoa and/or the combined company could be adversely affected by increases in the cost of raw materials

Union disputes and other employee relations issues could adversely affect Alcoa's and/or the combined company's financial r

Alcoa and/or the combined company may not be able to successfully implement its growth strategy;

Alcoa's operations are, and the combined company's operations will be, exposed to business and operational risks, changes in conditions and events beyond its control in the countries in which it operates;

Alcoa is, and the combined company will be, exposed to fluctuations in foreign currency exchange rates and interest rates, as inflation and other economic factors in the countries in which it operates;

Alcoa faces, and the combined company will face, significant price competition from other aluminum producers and end-use Alcoa products that are highly competitive;

Alcoa and/or the combined company could be adversely affected by changes in the business or financial condition of a significant customer or customers;

Alcoa and/or the combined company may not be able to successfully implement its productivity and cost-reduction initiatives

Alcoa and/or the combined company may not be able to successfully develop and implement new technology initiatives;

Alcoa is, and the combined company will be, subject to a broad range of environmental laws and regulations in the jurisdictio it operates and may be exposed to substantial costs and liabilities associated with such laws;

Alcoa s smelting operations are expected to be affected by various regulations concerning greenhouse gas emissions;

Alcoa and the combined company may be exposed to significant legal proceedings, investigations or changes in law; and

Unexpected events may increase Alcoa's and/or the combined company's cost of doing business or disrupt Alcoa's and/or the combined company's operations.

See also the risk factors disclosed in Alcoa's Annual Report on Form 10-K for the fiscal year ended December 31, 2006. Reade cautioned not to put undue reliance on forward-looking statements. Alcoa disclaims any intent or obligation to update these for looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable

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Presenters
Alain J. P. Belda
Chairman and Chief Executive Officer
Charles D. McLane
Vice President and Chief Financial Officer

Alain J. P. Belda
Chairman and Chief Executive Officer

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A Winning Strategic Combination

Creates the premier fully integrated aluminum company

Enhanced cash flow and $1 billion in annual synergies

Significant scale to compete in a changing environment

Optimized portfolio of upstream assets

Enhanced capacity for growth

Strong technology, operations and talent
Shared values and commitment to sustainability

7
188,000
$9.5 billion
$54.0 billion
7.8 million tonnes
#1
21.5 million tonnes

#1
Combined
$23.6 billion
$30.4 billion
Revenue
$3.9 billion
$5.6 billion
EBITDA
65,000
123,000
Employees
4.4 million tonnes
#1
15.6 million tonnes
#1
3.4 million tonnes
#3
Aluminum Capacity
(Global Ranking)
Alumina Capacity
(Global Ranking)
5.9 million tonnes
#4
Creating an Industry Leader
Source: Company 2006 annual reports and 10-Ks
Note: Alumina includes specialty alumina

8
Bauxite & Refining
Access to
World-Class
Reserves
2
nd

Quartile
on Cost
Curve
Capacity:
21.5 MMT
Energy
Self
Generation:
34%
Long Term
Contracts:
54%
Smelting
Global Rank:
#1
2
nd
Quartile
on Cost
Curve
Capacity:
7.8 MMT
End Markets
Creating an Industry Leader
Renewable
Hydro:
54%
Building &
Construction
Packaging
Commercial
Transportation
Automotive
Aerospace
Global Rank:
#1

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Access to quality
bauxite and
alumina
Evolving Competitive Landscape
Aluminum consumption
projected to double over 15

years
Emerging global competitors
in Russia, China, India and the
Middle East
Scale required to maintain
competitiveness
Evolving end markets
demanding product
innovation
Industry Fundamentals
Access to long-term,
low cost energy
Innovation through
world-class
technology and
R&D
Proven commitment
to sustainability
Keys to Success
Alcoa
/
Alcan
well
positioned
to
compete
with
large
global
peers
and
deliver profitable growth

10
World Aluminum Consumption (MT)
Outlook for Aluminum is Strong
2005: 32M
2020E: 60.6M
+0.4
+1.1

+0.9
+0.5
+7.1
+0.5
Latin America
+4.1
Western Europe
+2.4
E. Europe, CIS & Other
+4.4
North America
+17.2
Asia
Source: CRU; McKinsey & Co
1998: 22M
7.2
6.7
1.7
5.6
0.8
14.3
7.2
2.6
6.7
1.2
31.5
11.6
5.0
10.8
1.7

11
$155
$121
$93
$91
$66
$55

$41
$41
$41
$38
$30
$29
$28
$27
$25
$74
$0
$20
$40
$60
$80
$100
$120
$140
$160
$180
Industry Landscape Demands Large Scale
Top 15 Metals & Mining Companies
Source:
Factset
and
public
filings.
Market
data
as
of
May
4,
2007.
Note:
Alcoa
/
Alcan
represents
the
combined
enterprise
value
pro
forma
for
shares
and
new
debt

issued
for
transaction.
(1)
United
Company
Rusal.
Enterprise
value
estimate
per
Wall
Street
research.
Combination
creates
the
5
th
largest
metals
& mining company in the world

12
South America
6.5%
CIS/E. Europe
5.1%
BHP Billiton
5.6%

India
3.2%
Alcan
8.3%
Alcoa
19.8%
Alcoa
23.2%
Reynolds
5.7%
Pechiney
3.5%
India
2.8%
E. Europe
3.9%
South America
5.8%
Alcan
9.8%
Alusuisse
2.3%
Billiton
3.4%
Inespal
2.1%
1998
2006
Transforming Alumina Landscape
Total Market: 53 MMT
Total Market: 79 MMT
Source: CRU
Note: Percentages may not add to 100%
Significant Growth in the East
Alumina Capacity
Rusal
13.2%
Chalco
12.1%
Other China
9.8%
Hydro
2%
RTZ Comalco
4%
Other W. World
10%
China
6.8%
CIS

10.8%
Hydro
1%
VAW
1%
Comalco
3%
Other W. World
15%

13
Rusal
10.3%
Chalco
9.2%
Other China
21.0%

Alcan
9.4%
Alcoa
10.9%
Middle East
4.2%
BHP Billito
3.5%
India
2.1%
CIS/E. Europe
2.8%
South America
3.9%
Alcoa
8.9%
Pechiney
3.3%
Reynolds
4.5%
E. Europe
1.9%
Middle East
3.6%
Alcan
6.7%
Alusuisse
1.1%
Billiton
4.2%
Inespal
1.4%
Alumax
2.8%
1998
2006
Significant Growth in the East
Aluminum Capacity
Transforming Aluminum Landscape
Total Market: 25 MMT
Total Market: 39 MMT
Source: CRU
Note: Percentages may not add to 100%
Hydro
3%
VAW
2%
Comalco
3%
Other W. World

29%
Hydro
4%
RTZ Comalco
2%
Other W. World
16%
China
10.4%
CIS
14.9%

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Alcoa
Alcan
Shared
Access to Quality Bauxite & Alumina
Alcoa
Alcan

Shared
Total Potential
Bauxite
Alumina
12 mines and 13 refineries on 6 continents
Note: Includes ownership in JVs

15
9,564
2,269
2,930
4,448
5,907
10,443

15,617
21,524
6,926
16,490
0
5,000
10,000
15,000
20,000
25,000
Alumina Refinery Cash Costs ($/MT)
0
50
100
150
200
250
300
350
400
450
0
10,000
20,000
30,000
40,000
50,000
60,000
70,000
Worldwide Production - 000 MT
2006 Cost Curve
Alcan Average
Alcoa Average
66
th
Percentile
38
th
Percentile
World-Class Bauxite & Alumina Franchise
Bauxite & Alumina
2006 ($Millions)
2006 Refining Capacity (kMT)
Chalco
Other China
Source: CRU full operating cost, Alcoa analysis; Company filings
Global supplier with premier facilities
Low cost production base -
majority of
production in bottom half of cost curve

Best in class operational expertise and technology
Investing in high return growth projects
Combined
Total Revenue
4,929
3,845
8,774
EBITDA
1,670
609
2,279

16
Alcoa
Alcan
Shared
Attractive Smelter Portfolio
46 smelters on 6 continents
Note: Includes ownership in JVs

17
7,788
855
1,364
1,683
3,418
3,985

4,370
3,534
853
771
8,096
11,630
0
2,000
4,000
6,000
8,000
10,000
12,000
14,000
Primary Metals
Aluminum Smelter Cash Costs ($/MT)
1,000
1,200
1,400
1,600
1,800
2,000
2,200
2,400
2,600
2,800
3,000
0
5,000
10,000
15,000
20,000
25,000
30,000
Worldwide Production - 000 MT
2006 Cost Curve
Alcan Average
Alcoa Average
34
th
Percentile
51
st
Percentile
2006 Smelting Capacity (kMT)
Attractive Smelter Portfolio
Chalco
Other China
2006 ($Millions)
Global supplier with premier facilities

Low cost production base
Best in class operational expertise and
technology
88% of power requirement self-generated
or under long-term contracts
Investing in high return growth projects
Source: CRU full operating cost, Alcoa analysis; Company filings
Combined
Total Revenue
12,379
11,147
23,526
EBITDA
2,881
2,962
5,843

18
5%
45%
50%
54%
12%
34%

21%
18%
61%
Access to Long-Term, Low Cost Energy
Alcoa
Type
Alcan -
Type
Short-term
Self-generation
Long-term
Short-term
Self-generation
Long-term
Alcoa/Alcan -
Type
Short-term
Self-generation
Long-term
Alcoa/Alcan -
Source
Hydro
Other
46%
54%
34% power self-generated; 54% under long-term contract
54% of power from renewable hydro
Source: Company filings and reports; CRU; Alcoa analysis

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Alcan: AP50 proprietary technology to be piloted at Complexe Jonquiere
Alcoa: Post-Carbon Smelting through use of inert anode. Small-scale deployment in U.S. smelter today

targeted
pilot
in
Quebec
smelter.
Can
reduce
CO
2
emissions from smelting by nearly 80%.
Alcoa: Proven Carbon Sequestration for bauxite residue. On-line in Western
Australia
refinery.
Eliminates
70,000
tons
of
CO
2
each
year

equivalent
to
taking
more than 17,500 cars off the road.
Emerging, Breakthrough Technologies
Source: IAI

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Shared Commitment to Sustainability
Winner
Alcoa 1996, Alcan 2007
Alcoa
Founding Member 2006
Alcan

Founding Canadian Member 2007
Alcoa
5 Time Member
Alcan
4 Time Member
Founded $1 million
Prize for
Sustainability
Founded $9 million
Conservation and
Sustainability Program

21
Alcoa
Alcan
Shared
Refinery
Smelter
Mine

Juruti
Suriname
Brunei
North Iceland
Kitimat
Coega
Quebec
Isal
Ningxia
Jamalco
Sohar I
Sohar II
Sao Luis
Wagerup
Vietnam
Ghana
Gove
Guinea
Global Growth Opportunities
Source: Company filings and press releases
Victoria Ops
Saudi Arabia
Trinidad
Madagascar

22
Deeply Committed to Canada Today
1,400 kMT
7%
1,400 kMT
24%
-

-
Alumina Capacity
Canada % of Total Company
$769
19%
$371
21%
$398
18%
Income from Continuing Ops
Canada % of Total Company
2,773 kMT
35%
1,774 kMT
51%
999 kMT
23%
Aluminum Capacity
Canada % of Total Company
16,100
9%
11,000
17%
5,100
4%
Employees
Canada % of Total Company
$8,555
12%
$5,451
17%
$3,104
10%
Total Revenue
Canada % of Total Company
Combined
2006 **($Millions)**
Source: Alcoa analysis; Company filings

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Montreal
Increased Commitment to Canada
British Columbia
Quebec
Alcoa
Alcan

Shared
Refinery
Smelter
11 smelters
1 refinery
Upstream in Canada
Potential Investment

Saguenay Lac-Saint-Jean
region: AP50 pilot first step in
ten-year, $1.8B program

Baie Comeau: $1.2B, 110kMT
expansion and modernization

Deschambault: $1.4B, ~300kMT
expansion
Quebec

Kitimat: $1.8B, 123kMT
expansion and modernization
British Columbia
Source: Company filings and press releases
Largest private sector investment
program in Quebec history

24
Dual headquarters in Montreal and New York

Strategic
management
functions
in

each
city
Significant Canadian Board representation
Alumina and Primary Metals business based in Montreal

Would be the largest aluminum company in the World

$32.3 billion in total revenue

38,000 employees operating in 29 countries
Headquarters of Global Growth group
decision-making
centered in Quebec
Quebec becomes center of aluminum innovation

Alcan AP50 carbon smelting technology at the Complexe Jonquiere

Alcoa post carbon inert anode
technology pilot deployment in
Quebec
Increased Commitment to Canada
Corporate
Presence
Global
Business
R&D
Center
The Global Primary Products business headquartered in
Montreal will be one of the largest companies in Canada

25
$6 billion diversified
packaging group
World s leading
producer in all
markets served:

Food Flexible

Pharmaceutical

Beauty

Tobacco
Remain Committed to Profitable-Growth
Downstream Businesses
Flat Rolled Products / Hard
Alloy Extrusions
Leading position in the
value added
products
Technology Leadership

Proprietary alloys

Unique equipment capability
Worldwide Presence

In fast growing markets of China & Russia
Focus on the global transportation market
Capitalizing on technically complex products and processes
Provides significant opportunity for differentiation and growth
Strong customer connections
Branded Products
Engineered Solutions
Alcan Packaging

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The industry has changed significantly with emerging global players in Russia, China, India and the Middle East who are quickly expanding and adding capacity
We have carefully considered the regulatory approvals
We are prepared to make the necessary targeted divestitures in the appropriate industry segments

We are already in contact with several regulatory agencies
We are confident that the transaction will be approved
Regulatory Approvals

Charles D. McLane
Vice President and Chief Financial Officer

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The Proposed Transaction
Additional listing planned for the Toronto Stock Exchange
Listings
Fully committed bridge loan facility
Committed to maintain investment grade status
Financing

We are in contact with the regulatory authorities
Targeting completion by year end 2007
Timing
66-2/3% of Alcan shares tendered
Customary government and regulatory approvals
Key Conditions
US$58.60
per
share
in
cash
and
0.4108
of
a
share
of
Alcoa
common
stock
(1)

Total
value
of
US$73.25
per
share
(2)

80% cash / 20% stock
Offer
Premium
32% premium to Alcan s 30-day average trading price
20% premium to Alcan s closing price on May 4 2007
(1)
Alcoa will deliver C$ at closing at then current exchange rates to shareholders electing to receive C$.
(2)
Based
on
Alcoa
share
price
of
$35.66
as
of
May
4
th

2007
(3)
Based on NYSE closing prices
(3)
(3)
th

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Shareholder Value Creation
EPS accretive within first year
Cash flow per share accretive within first year
$1 billion in synergies

Greater linkage to a strong aluminum market
Increased profitable growth opportunities
Improved risk profile
Immediate realization of significant premium
Compelling cash value up front
Participate in value creation through achieved synergies
Ownership in the industry leader
For Alcoa Shareholders
For Alcan Shareholders

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Compelling Value for Alcan Shareholders
Note: Averages based on NYSE closing prices, per Bloomberg
$40
$45
$50
$55

$60
$65
$70
$75
Dec-06
Jan-07
Feb-07
Mar-07
Apr-07
4-May-07 Close: US$61.03
30-Day Average: US$55.36
Offer Price: US$73.25
US$ / share
90-Day Average: US$52.32
32% Premium
20% Premium
40% Premium

31
$1 billion annual pre-tax synergies
Includes overhead, manufacturing process optimization and procurement
Phased in over 3 years
One-time implementation costs approximately $1 billion

$1 Billion of Defined & Achievable Synergies
Direct materials
Indirect materials
$200
Procurement
Eliminate redundant overhead costs
Complementary technology
$400
Overhead Productivity
Comments
Value ($mm)
Type
Leverage expertise from both companies to create
more efficient combined company
$1,000
Total Synergies
Supply chain / logistics efficiencies
Manufacturing overhead optimization
Cross-Deployment of best practices
$400
Manufacturing Process Optimization
Overhead
Manufacturing
Procurement
40%
40%
20%

32
History of Successful Integration
and Synergy Realization
Pechiney
Size:
$6,400
Revenue:

$12,766
Synergies:
$400
% of Revenue:
3.1%
Algroup
Size:
$4,500
Revenue:
$5,146
Synergies:
$200
% of Revenue:
3.9%
Alumax
Size:
$3,800
Revenue:
$3,004
Synergies: $110
% of Revenue:
3.7%
Alcan Acquisitions
Reynolds
Size:
$5,900
Revenue:
$5,047
Synergies:
$288
% of Revenue:
5.7%
Cordant
Size:
$3,300
Revenue:
$2,541
Synergies:
$141
% of Revenue:
5.6%
Fairchild
Size:
$650
Revenue:
$571
Synergies:
$67
% of Revenue:
11.7%

Ivex
Size:
$790
Revenue:
$643
Synergies:
$34
% of Revenue:
5.3%
Alcan
Size:
$33,200
Revenue:
$23,641
Synergies: $1,000
% of Revenue: 4.2%
1998
1999
2000
2001
2002
2004
2003
2005
2006
2007
(US$ in mm)
Note: % of sales represents synergies achieved as % of last twelve months revenue at time of transaction
Note: Size represents transaction size
Source: Company filings and press releases
Alcoa Acquisitions

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A Winning Strategic Combination

Creates the premier fully integrated aluminum company

Enhanced cash flow and $1 billion in annual synergies

Significant scale to compete in a changing environment

Optimized portfolio of upstream assets

Enhanced capacity for growth

Strong technology, operations and talent
Shared values and commitment to sustainability

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A

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In connection with the offer by Alcoa to purchase all of the issued and outstanding common shares of Alcan (the Offer), Alcoa will be filing with the Securities and Exchange Commission (the SEC) a registration statement on Form S-4 (the Registration Statement), which contains a prospectus relating to the Offer (the Prospectus), and a tender offer statement on Schedule TO (the Schedule TO). This communication is not a substitute for the Prospectus, the Registration Statement and the Schedule TO that

Alcoa will file with the SEC. ALCAN SHAREHOLDERS AND OTHER INTERESTED PARTIES ARE URGED TO READ THESE DOCUMENTS, ALL OTHER APPLICABLE DOCUMENTS (AND ANY AMENDMENTS OR SUPPLEMENTS TO THESE DOCUMENTS), WHEN THEY BECOME AVAILABLE BECAUSE THEY WILL CONTAIN IMPORTANT INFORMATION ABOUT ALCOA, ALCAN AND THE OFFER. Materials filed with SEC will be available electronically without charge at the SEC s website, www.sec.gov. Materials filed with the Canadian securities regulatory authorities also will be available electronically without charge at www.sedar.com. Materials filed with the SEC or the Canadian securities regulatory authorities may also be obtained without charge at Alcoa s website, www.Alcoa.com, or by directing a request to Alcoa s investor relations department at 212 836 2674. In addition, Alcan shareholders may obtain free copies of such materials filed with the SEC or the Canadian securities regulatory authorities by directing a written or oral request to the Information Agent for the Offer, MacKenzie Partners, Inc., toll-free at (800) 322-2885 (English) or (888) 405-1217 (French). While the Offer is being made to all holders of Alcan Common Shares, this communication does not constitute an offer or a solicitation in any jurisdiction in which such offer or solicitation is unlawful. The Offer is not being made in, nor will deposits be accepted in, any jurisdiction in which the making or acceptance thereof would not be in compliance with the laws of such jurisdiction. However, Alcoa may, in its sole discretion, take such action as they may deem necessary to extend the Offer in any such jurisdiction.

Where to Find Additional Information