

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 following:

Alcoa is, and the combined company will be, subject to cyclical fluctuations in London Metal Exchange primary aluminum prices, general 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 profitability 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 results;
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 market 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 well 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-users of 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 jurisdictions in which 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. Readers are cautioned not to put undue reliance on forward-looking statements. Alcoa disclaims any intent or obligation to update these forward-looking statements, whether as a result of new information, future events or otherwise, except as may be required by applicable law.

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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%

14
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

20
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

23
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

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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

29
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

30

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

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\$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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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