Howmet Aerospace (HWM US)

FUNDAMENTAL VIEW [1]

As of 01 Aug 2025

- In an industry beset by manufacturing issues and operational hiccups, HWM continues to perform admirably while also paying down debt.
- Howmet's journey up the ratings cycle continues, and we now believe the company will meet the upgrade requirements at all three agencies over the next year, landing the company in the A index by 2026. Howmet management pointed towards 1.1x net leverage by year end, down from 1.5x current.
- As such, we continue to like HWM and look forward to a continuing spread tightening cycle for the credit.

RISKS & CATALYSTS

As of 01 Aug 2025

- Aerospace industry is still going strong even as there are signs of a potential slowdown. Domestic travel boom significantly benefited narrowbody business while international travel supporting the next stage for widebody recovery.
- However, there are signs that passenger demand may start to falter- at least domestically in the US- and we'll be tracking how much of the booming OE demand will be realized over the next few years. .
- Increased energy demand driven by the AI boom will be driving higher volumes and demand for HWM's portfolio of IGT products.
- Forged wheels segment faces persistent headwinds from the still-weak trucking industry. However, HWM has an edge in the segment thanks to its lightweight products.
- Tariffs impacts appear to be minimal thanks to the ability to pass the costs to customers.

CREDIT QUALITY SCORE (CQS) [2]

As of 28 Oct 2025

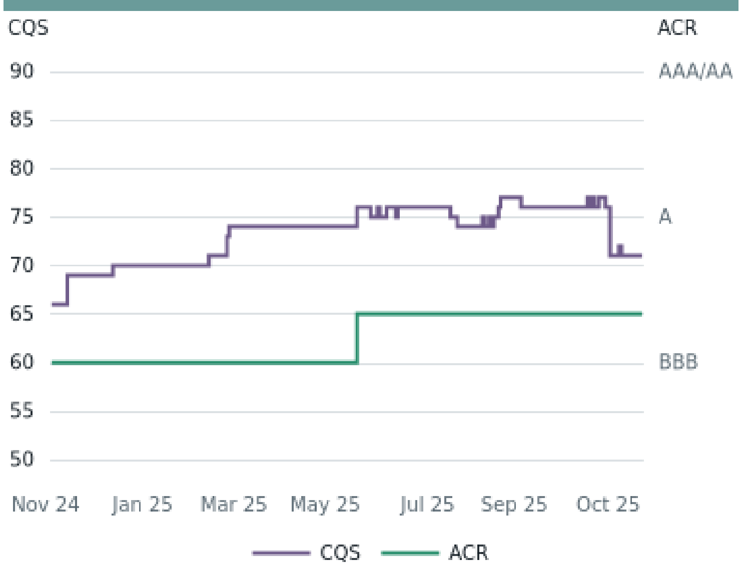
CURRENT CQS

71

CQS OUTLOOK [3]

NEGATIVE | **STABLE** | POSITIVE

HISTORICAL RATINGS: AVERAGE AGENCY RATING (ACR) [4] VS CQS



KEY METRICS

As of 01 Aug 2025

$ MN	Y22	Y23	Y24	LTM 2Q25
Revenue	5,663	6,640	7,430	7,721
EBITDA	1,276	1,508	1,914	2,143
EBITDA Margin	22.2%	23.0%	26.8%	28.7%
EBITDA-CAPEX-INT % of Revenues	60.2%	64.4%	75.9%	81.5%
Total Debt	4,162	3,706	3,315	3,258
Net Debt	3,371	3,096	2,751	2,713
Net Leverage	2.6x	2.1x	1.4x	1.3x

BUSINESS DESCRIPTION

As of 01 Aug 2025

- Howmet Aerospace Inc. is the surviving entity of the legacy Alcoa Inc. following two major spin-off transactions in 2016 when Alcoa was spun off and in 2020 when Arconic was spun out. Howmet is now focused on high value add, high margin aluminum, titanium and nickel superalloy casting and forging.
- Products are sold into the Commercial Aerospace , Defense Aerospace, Commercial Transportation, and other end markets. Howmet also has four reportable segments: Engine Products Fastening Systems, Engineered Structures, and Forged Wheels. The Engine Products segment produces investment casting – including airfoils and seamless rolled rings – as well as rotating and structural parts. The Fastening Products segment produces aerospace and industrial fasteners as well as those sold into the commercial transportation, automotive, renewables, construction, and industrial equipment. Engineered Structures produces titanium ingots and mill products for aerospace and defense applications as well as produces aluminum forgings, nickel forgings, and aluminum machined components. Forged Wheels provides forged aluminum wheels and related products for heavy-duty trucks and commercial transportation.
- Howmet operates 62 facilities in 11 different countries (primarily the US and the UK) and receives the majority of its revenue from the US and Europe.

GLOSSARY

[1] The **Fundamental View** is our current assessment of credit quality and our expectation of how credit quality will trend over the next year or longer.

[2] The **Credit Quality Score (CQS)** is a number between 5 and 100. It is a medium-term credit score for corporates and financial institutions that utilizes a combination of sector fundamental scores and equity market signals. Values of CQS above 50 generally indicate investment grade credit quality.

[3] The **Credit Quality Score (CQS) Outlook** is the near-term (3 month) outlook for the CQS, based on its trend, volatility and distance from the adjacent CQS risk bucket.

[4] The **Agency Composite Rating (ACR)** is the average senior unsecured rating from one or more major rating agencies.

Quantitative scores provided by CreditSights Analytics, LLC. Scores are shown are for the lesser of (1) 2 years and (2) date of CreditSights inception of quantitative coverage.

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