



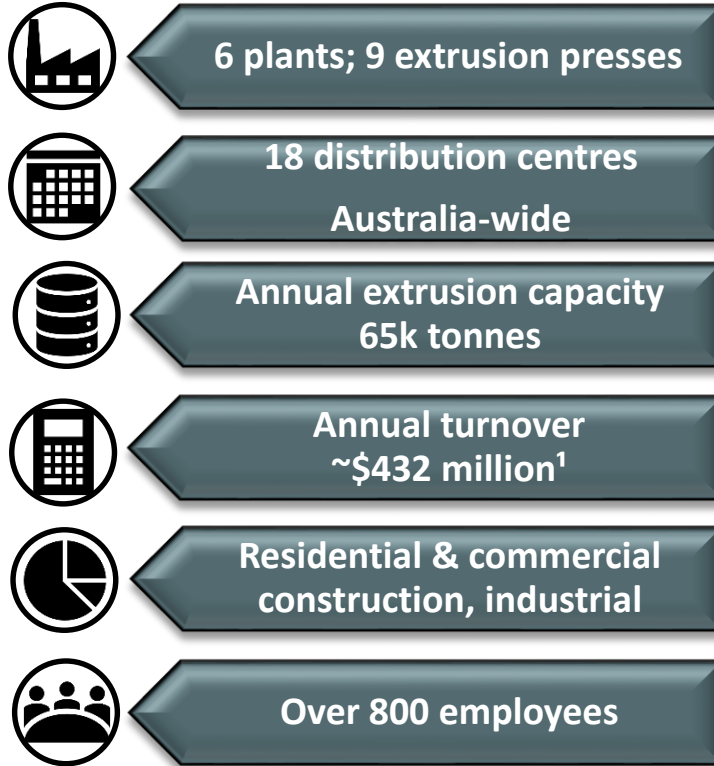
**CAPRAL**  
ALUMINIUM

**2020 Full Year  
Results Presentation**

25 February 2021  
Capral Limited (ASX:CAA)  
Level 4, 60 Phillip Street  
Parramatta NSW 2150

Approved and authorised by Capral's Board of Directors

# Australia's leading supplier of aluminium products and solutions



## Agenda

1. FY20 Highlights
2. FY20 Financials
3. Strategy and Outlook
4. Questions



## FY20 Highlights

Tony Dragicevich, CEO & MD

*“Full year earnings ahead of guidance, very strong second half profit and cash flow, and continuation of dividend”*



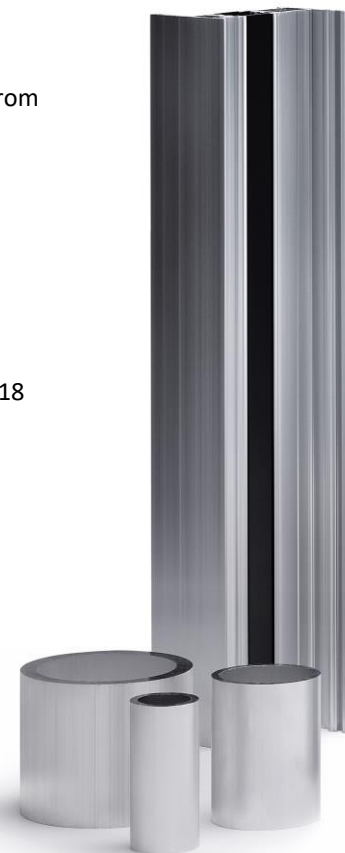
# FY20 Performance Highlights

- Full year result ahead of latest guidance
  - Trading EBITDA<sup>1</sup> of \$19.7m (FY19: \$11.0m) and EBITDA of \$47.2m (including JobKeeper: \$11.9m)(FY19: \$19.9m)
  - 2H20 Trading EBITDA<sup>1</sup> of \$13.9m due to strong sales performance, improved operating leverage and savings realised from business initiatives
  - Volumes up 7.6% on prior period to 61,000 tonnes with buoyant conditions in second half of 2020
- Strong balance sheet and net cash of \$49.4m
- Normalised<sup>1</sup> earnings per share at 66 cents
- Final dividend declared at 45.0 cps (fully franked), up on 2019 which was impacted by restructuring costs, and in line with 2018
- Market share gains against imports
- Major restructure of Bremer Park facility completed, realising a further \$5.0m of savings in FY20
- Market conditions in residential building sector improving on back of government stimulus
- Key investment in Smithfield (NSW) extrusion capacity to contribute positively from Q2 FY21
- Safety - TRIFR<sup>2</sup> at 5.8 (FY19:11.4), the best performance on record

## Important Note

<sup>1</sup>Trading EBITDA is EBITDA adjusted for significant items that are material items of revenue or expense that are unrelated to the underlying performance of the business. Capral believes that Trading EBITDA provides a better understanding of its financial performance and allows for a more relevant comparison of financial performance between financial periods. These items are JobKeeper benefit (\$11.907 million), LME revaluation and unrealised foreign exchange differences (\$0.839 million), other one-off costs that are non-recurring in nature and including the depreciation and interest on Right of Use assets as proxy for rent (\$16.570 million). Trading EBITDA is presented with reference to the Australian Securities and Investment Commission Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011. Normalised earnings excludes JobKeeper and deferred tax benefit.

<sup>2</sup>TRIFR is total reportable lost time and medically treated injuries per million work hours.



# COVID and JobKeeper

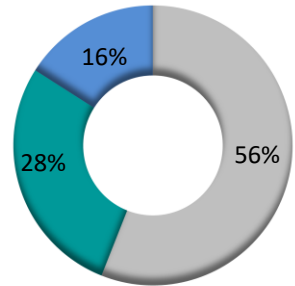
Capral continued to operate throughout the period of COVID restrictions. A number of initiatives were implemented to safeguard employees and the business:

- Strict range of protocols for hygiene, cleaning, social distancing and COVID risk plans at all sites
- Business travel curtailed and restrictions imposed on visitor access to sites
- Work from home arrangements introduced for non-operational staff
- Qualified for JobKeeper in May allowing all Capral employees' jobs to be retained
- JobKeeper funds set aside to invest in job creating capital projects
  - Smithfield extrusion plant acquisition 2021 (\$9m)
  - NSW paint line 2022 (\$3m)



# Volume Breakdown

## Channels to market (volume)

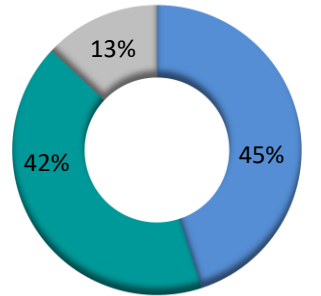


- Rolled Aluminium (via DCs)
- Extruded Aluminium (via DC's)
- Extruded Aluminium (direct from Mill)

Source: Capral  
DC: Capral Distribution Centre

- ~84% of total volume is Extrusion
- ~16% of total volume is Rolled (sheet & plate)

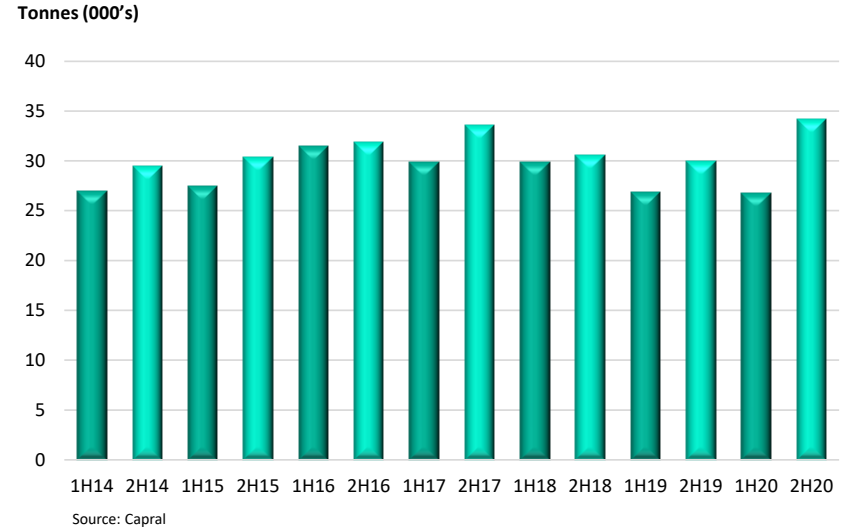
## Diverse industry exposure



- Industrial
- Residential Building
- Commercial Building

\* Residential building includes additions and alterations  
\*\* Industrial includes transport, marine and other manufacturing sectors

## Volume Seasonality



- 1H20 volume on par with 1H19
- 2H20 volume 14% above 2H19
- Full year volume 7.6% up on FY19
- Volume supported by market share gain from imports:
  - supply chain disruption
  - positive anti-dumping outcomes
  - growing "Australian Made" sentiment

# Residential Market Bottomed, Detached Improving

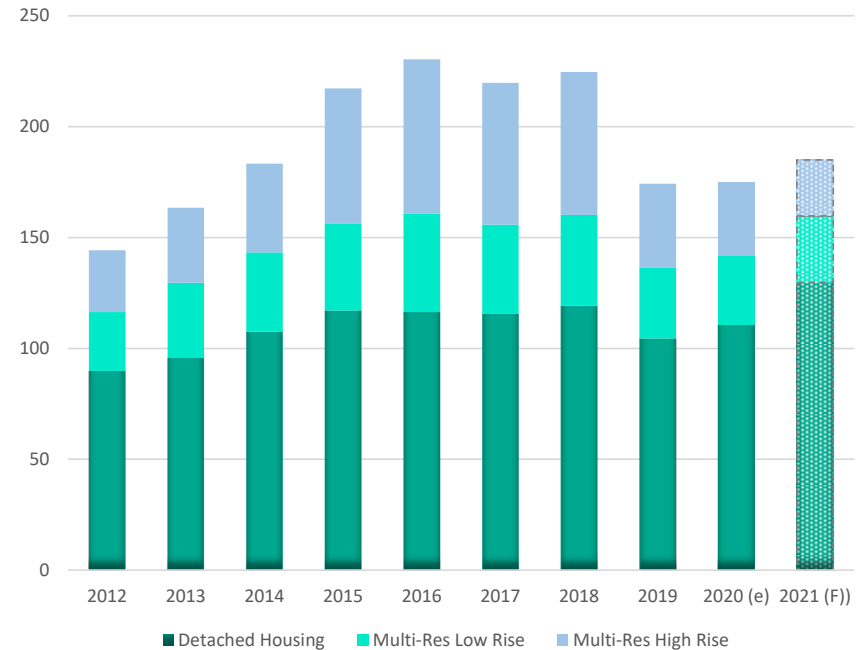
## 2020

- Capral's volume in the residential market is mainly aligned with Detached and Low-Rise Dwellings (shaded green in graph)
- Residential commencements declined significantly through 1H20 but bounced back in 2H20 on the back of low interest rates, HomeBuilder stimulus and State government first homeowner incentives
  - Latest estimate 175,000 starts in 2020
  - On par with prior year
- Multi-Res High Rise estimated to decline by 12% in 2020
- Multi-Res Low Rise to decline marginally in 2020
- The upturn in 2H20 will see detached dwellings increase by 6%

## Future

- Overall market is forecast to grow by around 6% during 2021 with growth expected in detached, and continued weakness in multi-res
- Multi-res recovery is expected to commence in 2022

Annual Dwelling Commencements ('000)



Source: BIS Oxford Economics (Dec 2020)



# Recent Capral Residential & Commercial Projects



MLC Nicholas Learning Centre, Kew VIC  
Capral Architectural Glazing System



San Clemente High School, Mayfield NSW  
Won the Master Builders Association Newcastle Excellence in Building Award



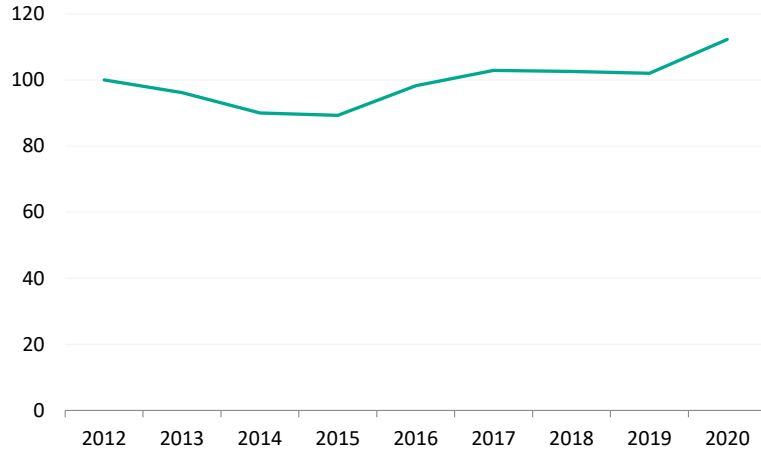
ECU Science Building, Joondalup WA  
Capral sheet used on periodic table facade



Private Residence, South-West WA  
Capral Narrowline Glazing System

# Industrial Sector Rebounding

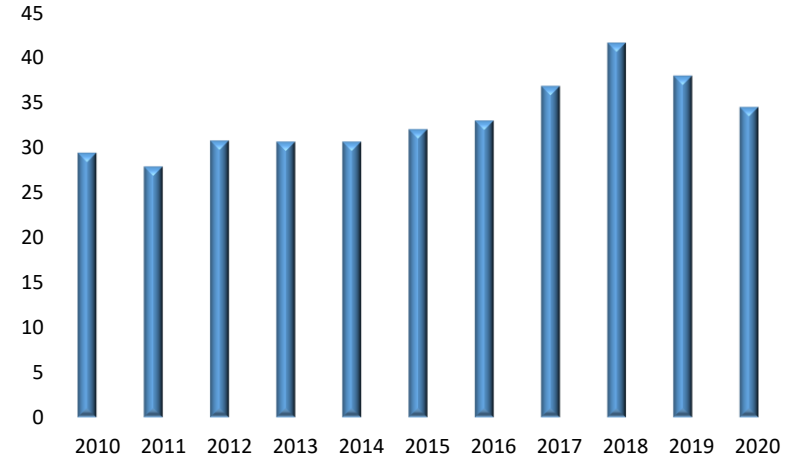
Total Capral Industrial Volumes (Index 2012)



Source: Capral

- Marine sector slowed due to timing of boat builds and loss of export share
- Manufacturing and general fabrication good growth partly due to import replacement
- Solar – strong growth (import replacement) and trajectory will continue in FY21
- Resellers – volume to industrial distributors lifted significantly due to import replacement

New Truck and Van builds<sup>1</sup> ('000)



<sup>1</sup> Source: TIC (Truck Industry Council of Australia) (Prime Mover Magazine)

- New truck and van builds down 9.2% from 2019
- Transport down from FY19 but has started to lift

# Recent Capral Industrial Projects



Woonbalu – Cordina Marine, WA  
Capral Plate & Extrusions



Fred Olsen Express – Austal, WA  
Capral Plate & Extrusions



Connect South Canopies, South Perth, WA  
Capral Sheet & Plate  
Winner of the 2020 Iwan Iwanoff Award  
For Small Project Architecture



Arends Trailers, Murray Bridge, SA  
Capral Plate & Extrusions



## FY20 Financials

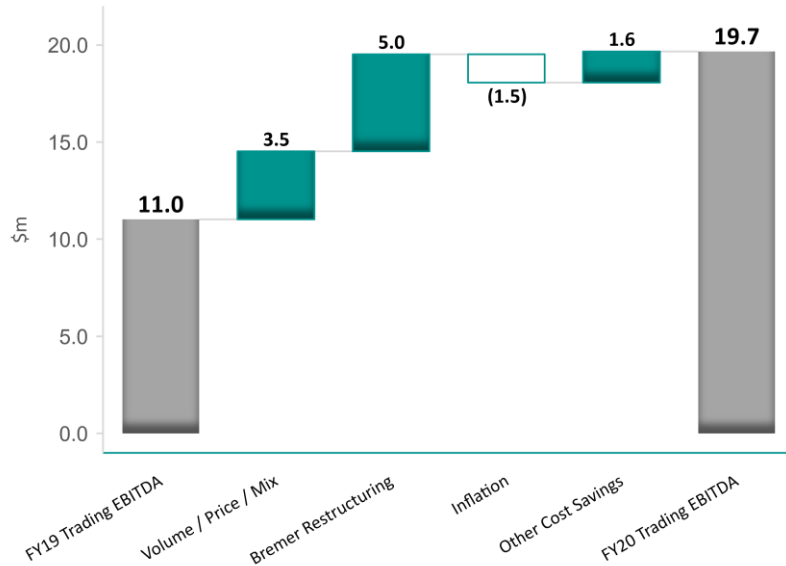
Tertius Campbell, CFO

*“Earnings strong in second half, with excellent cash flow due to improved debtor collections and lower inventory levels”*



# Strong Second Half Earnings

- 1 FY20 volume 8% higher than prior year. 2H20 volume 14% stronger than 2H19
- 2 Sales revenue increase driven by higher volume, partially offset by impact on sales price due to lower LME
- 3 Trading EBITDA increased significantly on the back of buoyant second half



- 4 FY19 Bremer Park restructuring delivered a further \$5m cost savings in FY20
- 5 AASB16 EBITDA impact includes rent payments for properties, forklifts and vehicles
- 6 Finance cost higher due to increased use of Letter of Credit facilities for imported rolled products. Finance cost includes facility fees
- 7 Deferred Income Tax Benefit recognised

	FY20	FY19
Sales Volume ('000 tonnes)	61.0	56.7
	\$m	\$m
Sales Revenue	432.0	419.0
<b>Trading EBITDA<sup>1</sup></b>	<b>19.7</b>	<b>11.0</b>
Restructuring and one-off costs	(0.2)	(6.7)
JobKeeper	11.9	-
LME Revaluation/Fx Unrealised	(0.8)	(1.1)
AASB16 Lease cost reversal	16.6	16.7
<b>EBITDA<sup>1</sup></b>	<b>47.2</b>	<b>19.9</b>
Depreciation/Amortisation		
- Owned Assets	(5.6)	(5.5)
- Right of Use Assets	(12.8)	(12.9)
<b>EBIT</b>	<b>28.9</b>	<b>1.5</b>
Finance Cost		
- Operational Funding	(1.4)	(1.3)
- Right of Use Leases	(4.6)	(4.5)
<b>Profit(Loss) before tax</b>	<b>22.9</b>	<b>(4.2)</b>
Taxation	3.0	-
<b>Profit (Loss) after tax</b>	<b>25.9</b>	<b>(4.2)</b>

<sup>1</sup>See Important Note (page 5)

# Sound financial position that supports dividends and reinvestment

- ① Inventory consists mainly of raw material (billet) and finished goods (rolled product and extrusion). Reduction in inventory on hand offset by increase in goods in transit (\$4.1m) due to shipping delays
- ② Increased receivables due to high sales levels in Q4. Excellent Year End collections with DSO at 44.7 days (2019: 50.5). Receivables are insured.
- ③ Capral has a \$41m facility with ANZ, expiring April 2022, extended annually in July.
- ④ Liabilities (both current and non-current) include lease liabilities of \$96.5m, consisting primarily of property leases as defined by AASB16. Net impact is a reduction in Net Assets of \$25.7m due to timing of leases
- ⑤ Non-Current Assets includes \$70.8m right of use leased assets (as defined by AASB16)
- ⑥ A further \$3.0m Deferred Tax Asset was recognized at Year End to reflect increased utilisation of tax losses in future periods

BALANCE SHEET		DEC '20	DEC '19
		\$m	\$m
Current Assets			
Inventory	①	79.1	78.9
Trade Receivables	②	66.3	62.6
Net Cash and Equivalents	③	49.4	17.9
Other		2.5	1.6
		197.3	161.0
Current Liabilities			
Trade Payables		(77.2)	(65.4)
Lease Liabilities	④	(13.5)	(13.9)
Provisions and Other		(16.6)	(14.6)
		(107.3)	(93.9)
<b>Net Current Assets</b>		<b>90.0</b>	<b>67.2</b>
Non Current Assets			
Non Current Liabilities	⑤	115.8	120.6
Net Assets	④	(87.6)	(94.8)
		118.2	93.0
Net Tangible Asset Value		112.0	89.7
NTA per share		\$6.76	\$5.56
Franking Credits		18.0	19.0
Accumulated Unrecognised Tax Losses	⑥	258.1	295.2

# Strong cash generation driven by working capital reduction

- ① Working Capital reduction primarily driven by excellent debtor collections at Year End
- ② Operational interest charge in line with FY19, balance of finance cost is interest on right-of-use leased assets (as defined by AASB16)
- ③ Maintenance, Environmental and Safety capex is around \$3m per annum
- ④ Dividend paid is net of Dividend Reinvestment Plan (DRP). DRP will be available for the FY20 final dividend of 45 cents per share.
- ⑤ Bank Guarantees primarily used in respect of property leases
- ⑥ Trade Instruments mainly letters of credit (drawn and open) in relation to import of rolled product
- ⑦ Trade/Other loans represent debt facility usage to fund working capital needs. Maximum usage \$7.1m during FY20 (FY19 \$10.2m)

CASH FLOW		FY20	FY19
		\$m	\$m
EBITDA		47.2	19.9
Working Capital	①	10.5	(3.6)
Finance Cost	②	(5.5)	(5.6)
<b>Operating Cash Flow</b>		<b>52.2</b>	<b>10.7</b>
Capex Spend	③	(4.0)	(5.3)
Proceeds from sale/lease back		-	4.7
Lease Principal payment		(15.1)	(15.1)
<b>Free Cash Flow</b>		<b>33.1</b>	<b>(5.0)</b>
Dividend Paid	④	(1.2)	(4.8)
<b>Increase/(Decrease) in Net Cash</b>		<b>31.9</b>	<b>(9.8)</b>

BANK FACILITY USAGE		DEC '20	DEC '19
		\$m	\$m
Bank Guarantees	⑤	3.8	3.9
Trade Instruments	⑥	23.3	23.9
Trade / Other loans	⑦	-	-
Asset Finance Facility	③	1.1	3.6

NET CASH POSITION		DEC '20	DEC '19
Cash Balance in funds		49.4	17.9

## Strategy and Outlook

Tony Dragicevich, CEO & MD

*"Deliver benefits from capital and resourcing investments to further improve Capral's long term competitive position"*

**BUILD**

On our strengths

**OPTIMISE**

What we do

**GROW**

For the future





# Improve Productivity and Competitiveness

<b>Manufacturing</b>	<p>Focus on delivering benefits of Smithfield extrusion capacity acquisition</p> <p>Continuation of process improvement programmes at Bremer Park and other sites</p> <p>Selective maintenance capital spend to ensure on-going plant reliability and efficiency</p>
<b>Distribution</b>	<p>Improvements in market offer and service in our aluminium distribution business</p> <p>Long term goal to increase volume and profitability of Capral's direct distribution channel</p>
<b>Market Development</b>	<p><b>Solar</b></p> <p>The solar market in Australia continues to grow and anti-dumping outcomes provided the opportunity to compete in \$60m solar rail market</p> <p>Supply agreement in place with a large solar rail distributor</p> <p><b>Defence</b></p> <p>Capral is an approved supplier into all major defence contracts and is currently supplying a number of projects</p> <p><b>Cladding</b></p> <p>Over 1,000 buildings need cladding replaced and new buildings must meet new fire standards. Capral has signed an exclusive agreement with Smartfix, a certified solid aluminium cladding system patented in Australia</p> <p><b>Import Replacement</b></p> <p>Capral regained market share from imports in 2020 and a focus in the year ahead is the retention of volume through service differentiation and competitive pricing</p>
<b>Sales</b>	<p>On-going investments in systems technology (CRM) to improve sales effectiveness, including flexible interfaces (EDI) with customer systems</p> <p>Expanding E-store to provide customers with more flexibility. On-line sales up over 150% on 2019, off a relatively low base</p> <p>New sales reporting tools have been implemented to manage and improve margins</p>

# Key Industry Influencing Trends

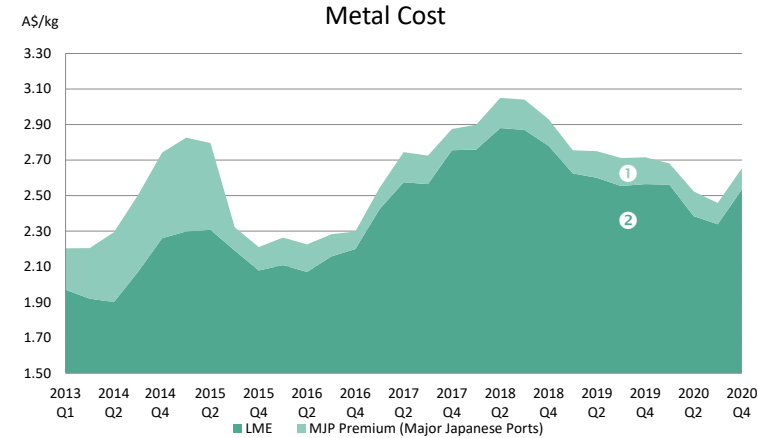
## Anti-Dumping Activities

2010 to 2019	<ul style="list-style-type: none"> <li>▶ Original case won in 2010 with low level duties imposed on Chinese imports</li> <li>▶ Reforms to federal legislation and methodology</li> <li>▶ Measures imposed against all Vietnam and some Malaysian sourced extrusions</li> <li>▶ Anti-circumvention / trans-shipment investigations finalised and measures implemented</li> <li>▶ Variable Measures Review of China finalised with increased duties implemented</li> </ul>
2020	<ul style="list-style-type: none"> <li>▶ Measures extended on Chinese imports for a further 5 years</li> <li>▶ Preliminary Affirmative Determination on exempt Malaysian exporters and interim duties imposed in December</li> </ul>
Future	<ul style="list-style-type: none"> <li>▶ Finalise outcomes on Malaysia and Vietnam cases</li> <li>▶ Continue to interact with Government</li> <li>▶ Monitor other jurisdictions and take action as required</li> </ul>
Enforcement	<ul style="list-style-type: none"> <li>▶ Increased focus by Australian Border Force on trans-shipment and misclassification</li> </ul>
Challenges	<ul style="list-style-type: none"> <li>▶ Limited information available on imports from ABS</li> <li>▶ Applications from exporters for accelerated reviews</li> </ul>

## Other

Manufacturing Australia	<ul style="list-style-type: none"> <li>▶ A founding member of Manufacturing Australia, Capral continues to interact with government around strengthening the anti-dumping regime and monitoring circumvention</li> </ul>
Australian Made Campaign	<ul style="list-style-type: none"> <li>▶ Intensification of campaign in the wake of the COVID pandemic, adding momentum to import replacement activities</li> </ul>

## Aluminium Price



Source: London Metals Exchange; Reuters

- 1 MJP premiums have been relatively stable since major fluctuations in 2014 – 2015
- 2 LME declined 14% during 1H20 (from \$A2,595/t to \$A2,243/t). 2H20 saw a reversal of the decline ending the year up 4% at \$A2,686/t

# Outlook

- LME<sup>1</sup> is forecast to be at higher levels throughout 2021
- AUD weakened to ~\$US0.67 early in 2020 but recovered to \$US0.77 at year end. It is forecast to remain at that level through 2021<sup>2</sup>
- Residential commencements are expected to recover to around 185,000 units in 2021<sup>3</sup>. The recovery is led by detached housing growing by 17%, partially offset by decline in multi-res, especially high rise.
- Non-Residential construction is forecast to rebound
- Industrial sector anticipated to remain reasonably strong
- Capral will continue to play a leading role in the pursuit of fair trade by:
  - Working with Government to strengthen anti-dumping measures
  - Monitoring and pursuing circumvention activities
  - Prosecuting new cases as required
- Acquisition of Smithfield extrusion plant will contribute from Q2 FY21 onwards
- Absent any unforeseen events, FY21 Trading EBITDA<sup>4</sup> is expected to be between \$21m to \$23m and EBITDA between \$38m and \$40m. On that basis Capral would be in a position to continue the payment of a fully franked dividend

<sup>1</sup> Source: Harbor Aluminium Intelligence Unit

<sup>2</sup> Source: ANZ December 2020

<sup>3</sup> Source: BIS Oxford Economics December 2020 forecast

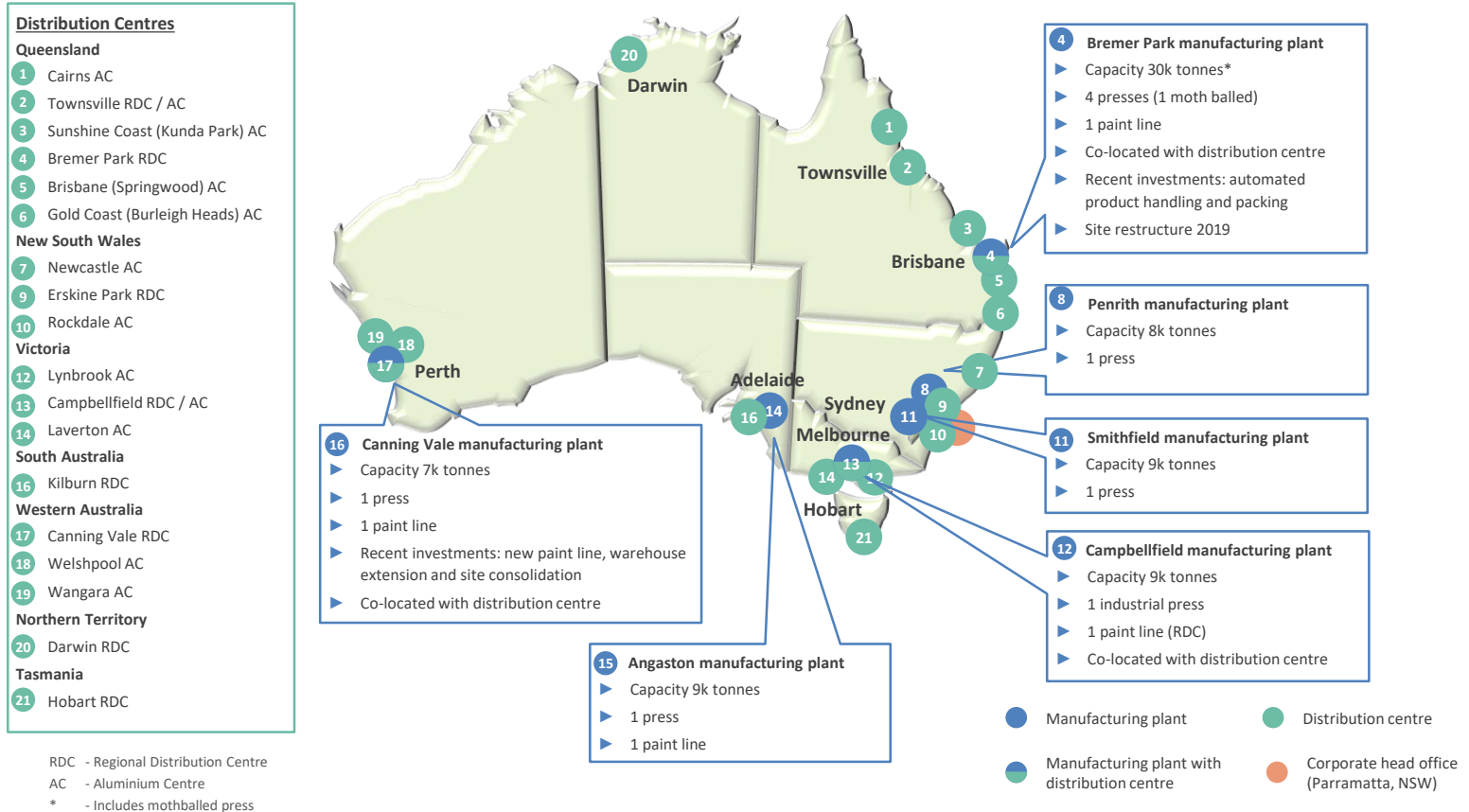
<sup>4</sup> See Important Note (page 5)

This presentation includes forward-looking estimates that are subject to risks, uncertainties and assumptions outside of Capral's control and should be viewed accordingly



# Strategic National Footprint

Capral has a national footprint with a presence in every state and extrusion plants near five mainland capital cities



RDC - Regional Distribution Centre  
 AC - Aluminium Centre  
 \* - Includes mothballed press

# Questions

