

A decorative graphic on the left side of the slide consists of numerous 3D cubes of various sizes and colors (teal, green, grey, and white). Some of the cubes are transparent and contain images related to the company's operations: two workers in safety gear, a modern building interior, a large stadium, a modern building at night, and a large industrial building.

**CAPRAL**  
ALUMINIUM

SHAPING THE FUTURE

## 2018 Full Year Results Presentation

# Australia's leading supplier of aluminium products and solutions



5 plants; 8 extrusion presses



17 distribution centres  
Australia-wide



Annual extrusion capacity  
70k tonnes



Annual turnover ~\$455  
million<sup>1</sup>

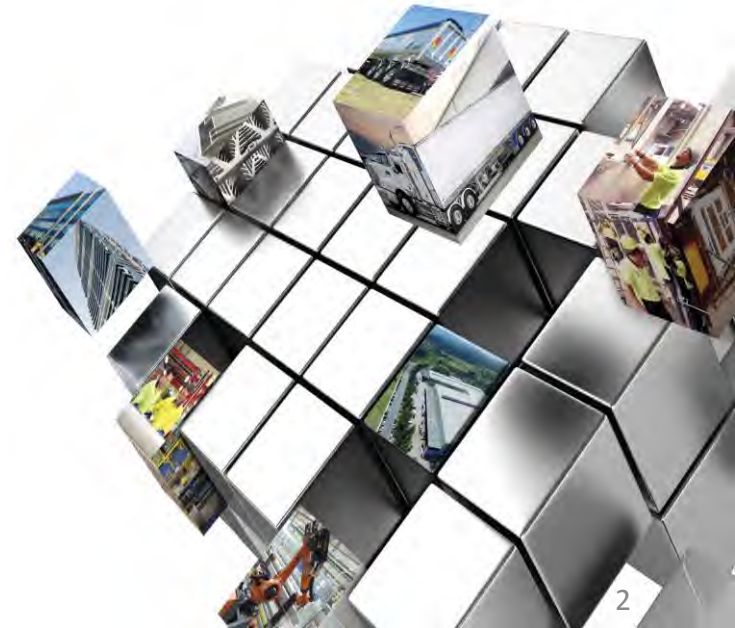


Residential, commercial  
construction, industrial



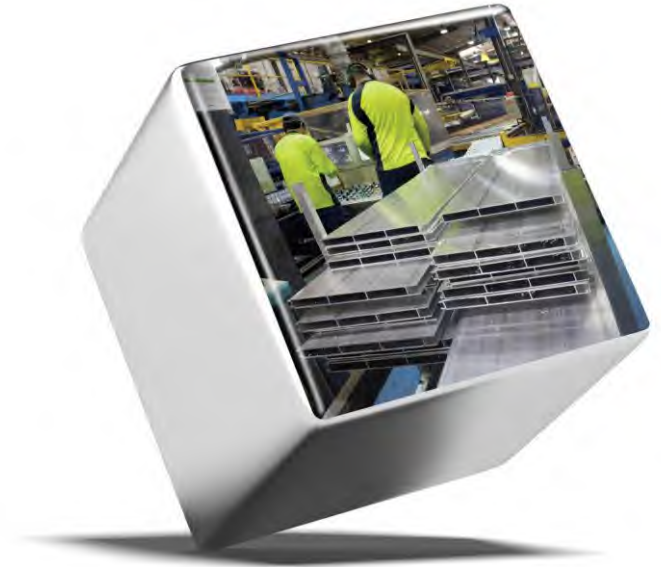
Employs over 1000 people

<sup>1</sup> 12 months to 31 Dec 2018



# Agenda

1. FY18 Highlights
2. FY18 Financials
3. Strategy and Outlook
4. Questions



## FY18 Highlights

Tony Dragicevich, CEO & MD

*"Full year earnings in line with guidance"*



# FY18 Performance Highlights

- Full year result in line with guidance
  - Trading EBITDA<sup>1</sup> of \$14.3m (FY17: \$18.4m) and EBITDA of \$13.1m (FY17: \$18.8m)
  - Volumes down 4% on prior period after a reasonably strong first half
- Strong balance sheet and net cash of \$27.6m
- Final dividend declared at 1.0 cent (fully franked); special dividend of 0.5 cent paid in September 2018
- Margins adversely impacted by higher Aluminium input costs (LME)
- Imports increased in FY18
- Industrial sector remains reasonably strong
- Housing market steady but slowing
- \$10m invested in automation, robotics and equipment upgrades
- Lost time injuries declined, total reportable injuries similar to 2017  
TRIFR<sup>2</sup> at 13.2 (FY17: 13.1)

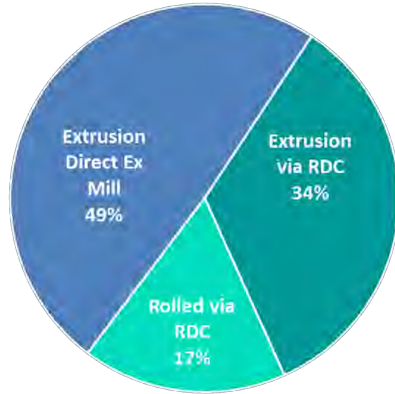
<sup>1</sup> See Important Note (page 13)

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



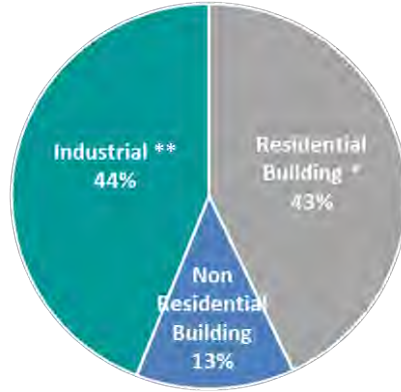
# Volume Breakdown

Channels to market (volume)



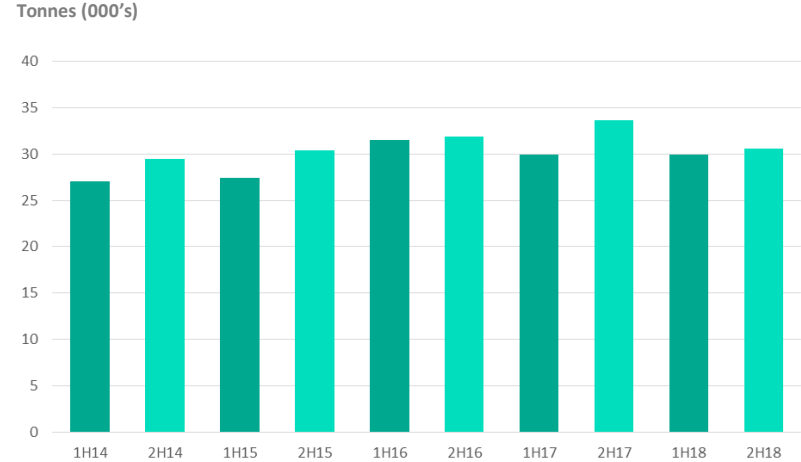
Source: Capral  
RDC: Capral Regional Distribution Centre

Diverse industry exposure



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

Volume Seasonality



Source: Capral

- ~83% of total volume is Extrusion
- ~17% of total volume is Rolled (sheet & plate)

- FY18 total volume 4% lower than last year
- Second half volume down 9% on prior period
- FY18 performance impacted by slowing residential construction, partially offset by growth in key industrial markets (manufacturing, transport and marine)
- Imports increased in FY18 and surplus domestic capacity continues to impact volumes



# Conditions softening in Residential market

Annual Dwelling Commencements<sup>1</sup> ('000)



- 2018 Residential commencements in line with 2017 but forecast to decline through 2019
- Multi-Res High Rise is showing the sharpest decline, forecast 26% down in 2019, however this is not a source of primary volume for Capral
- Detached dwellings are forecast to decline by 11% in 2019
  - Victoria, New South Wales and South Australia starting to slow
  - Decline continues in Western Australia, Northern Territory and Queensland
  - Tasmania's growth continuing
- Capral's volume in the residential market is mainly aligned with detached dwellings

<sup>1</sup> Source: BIS Oxford Economics Dec 2018 forecast

# Recent Capral Residential & Commercial Projects



Architect designed house Queanbeyan NSW, featuring Schuco doors



Adelaide Convention Centre SA featuring Capral Commercial Framing



Barwon Water, Geelong VIC, featuring Capral Curtain Wall 175

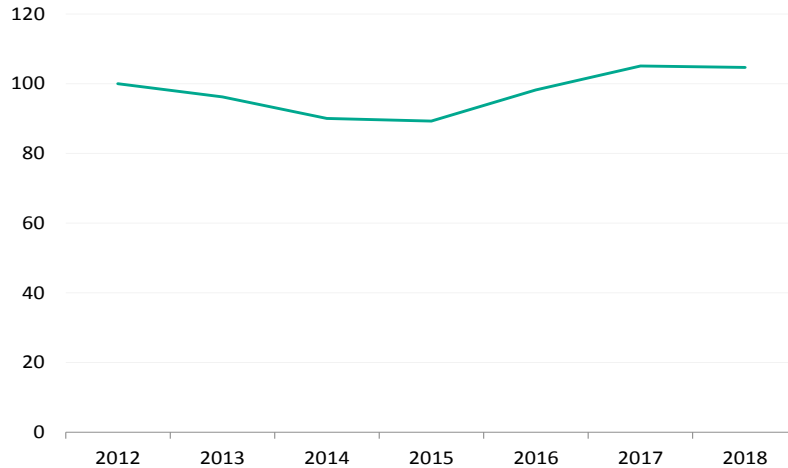


Mooloolah House, Brisbane, featuring Amplimesh Supascreen security sliding doors and fixed panels



# Industrial sector robust

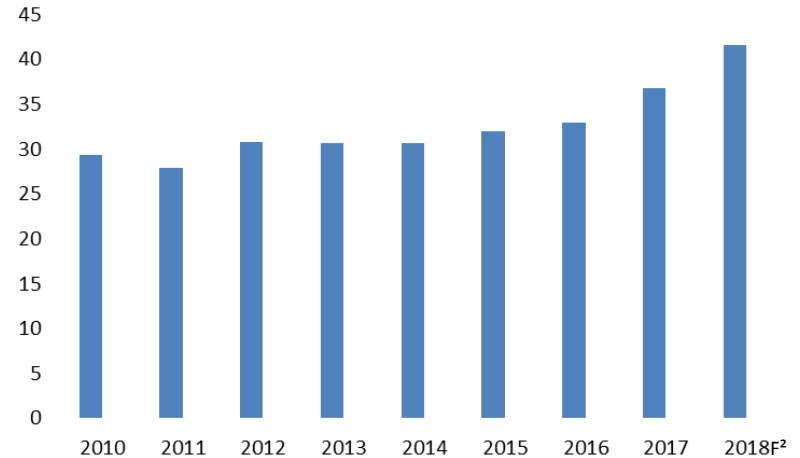
Total Capral Industrial Volumes (Index 2012)



Source: Capral

- Transport segment continued growth driven by infrastructure projects and fleet replacement
- Marine sector strong – commercial ferries and defence
- Manufacturing and general fabrication remained steady
- Well positioned to benefit from Government defence programs from 2019 onwards

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



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

<sup>2</sup> Source: Capral

- Truck building remained buoyant in 2018
- New record truck sales in 2018, a further 13% growth on 2017
- Expect this to be steady in 2019

# Recent Capral Industrial Projects



Austal Shipyard Henderson WA, patrol boats and commercial ferry



Bannister Downs WA, featuring anodized aluminium sheet



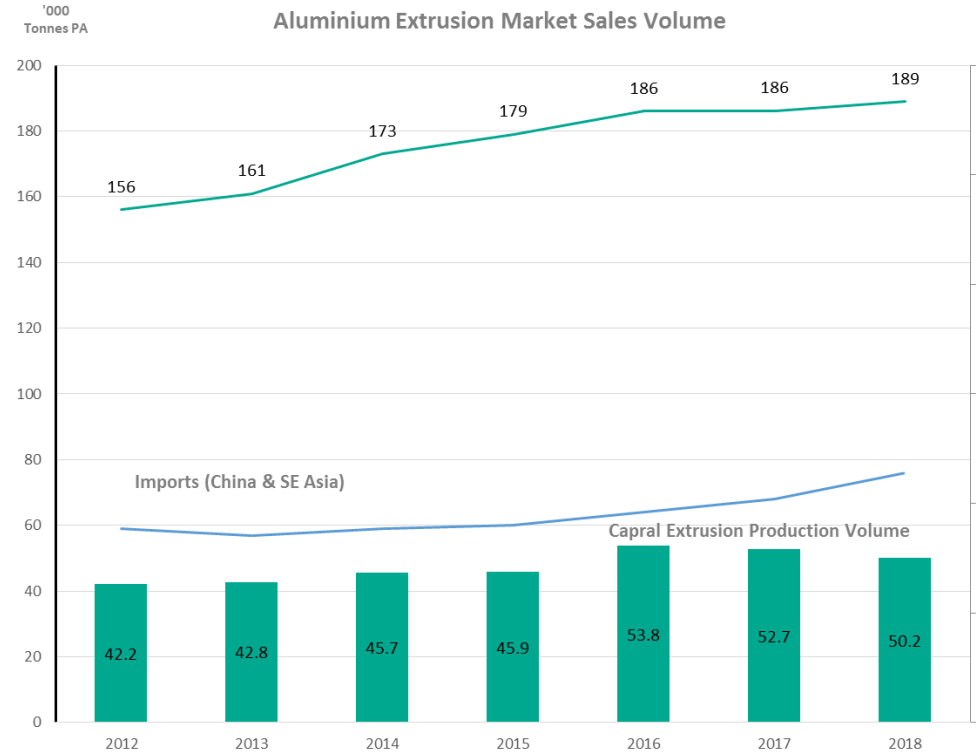
"Echoes" aluminium sculpture in Kempsey NSW



Truck trailer units built by MaxiTrans, Ballarat VIC

# Extrusion market steady but beginning to slow

- Residential construction slowing particularly in High Rise
- Detached housing is the primary driver of Capral's volume in the residential market
- Non-residential building remains robust
- Key industrial sectors reasonably strong
- Capral has an estimated 27% share of the Australian Aluminium extrusion market
- Import volumes and market share have increased due to high LME negating impact of anti-dumping measures
- Excess domestic extrusion capacity remains



Source: Capral  
(Forecast based on BIS Oxford Economics forecasts and GDP projections)

## FY18 Financials

Tertius Campbell, CFO

*"Cash flow generation remains strong, enabling the business to invest in operational improvement projects and return cash to shareholders"*



# Trading EBITDA Impacted by Higher LME and Imports

- FY18 total volume 4% lower than prior period
- Sales revenue improvement driven by higher LME prices
- Margins continue to be under pressure due to imports and excess local capacity
- Margin impacted by:
  - Higher average Aluminium input prices (LME); A\$2,823 FY18 (A\$2,537 FY17)
  - Slightly lower capacity utilisation
- Fully franked dividend of 1.0 cent declared
- Finance cost higher due to increased use of Letter of Credit facilities for imported rolled products

## Important Note

<sup>1</sup>Trading EBITDA is presented with reference to the ASIC Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011. Trading EBITDA is Statutory 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 between financial periods. These items are LME and Premium revaluations, and costs relating to restructuring and are non-recurring in nature.

	FY18	FY17
Sales Volume ('000 tonnes)	60.5	63.2
	\$m	\$m
Sales Revenue	455.1	448.7
<b>Trading EBITDA<sup>1</sup></b>	<b>14.3</b>	<b>18.4</b>
LME Revaluation <sup>2</sup>	(1.2)	0.6
Other one-off costs <sup>2</sup>	-	(0.2)
<b>EBITDA</b>	<b>13.1</b>	<b>18.8</b>
Depreciation/Amortisation	(5.6)	(5.8)
<b>EBIT</b>	<b>7.5</b>	<b>13.0</b>
Finance Cost	(1.1)	(0.9)
<b>Profit after tax</b>	<b>6.4</b>	<b>12.1</b>
Basic earnings per share (cents)	1.34	2.54
Dividend per share (cents)	1.75	1.25

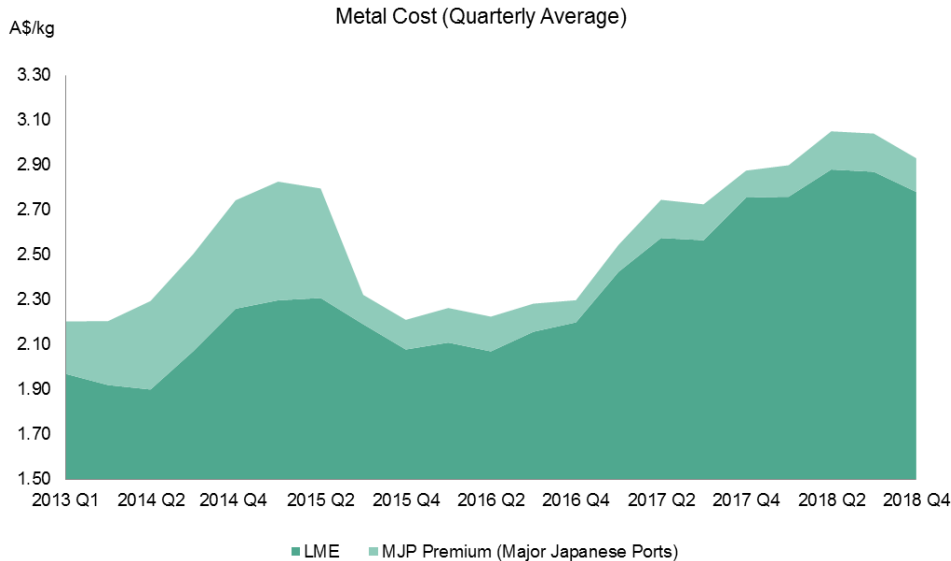
<sup>1</sup> See Important Note

<sup>2</sup> Included in other expenses

Source: Capral



# Metal Cost Recovery Negatively Impacted by rising LME



- Announcement by US Government of trade sanctions caused LME to rise 35% in April 2018 to a 7 year high of \$US2,718t
- LME remained high throughout most of 2018
- Easing concerns saw LME fall back late in the year to finish 2018 at \$US1,858t. The decline continues in early 2019
- A\$ LME average for 2018 was 11% higher than previous year
- Capral unable to fully recover the higher metal cost during 2018
- Customer pricing arrangements:
  - LME based contracts (~50% of volume)
    - Monthly
    - Quarterly
  - Fixed price and price list

# Financial position supports dividends and re-investment

	FY18 \$m	FY17 \$m
EBITDA	13.1	18.8
Working Capital	0.0	(3.0)
Finance Cost & Other	(1.1)	(0.8)
<b>Operating Cash Flow</b>	<b>12.0</b>	<b>15.0</b>
Capex Spend	(10.4)	(6.2)
Dividends Paid	(8.4)	(5.9)
Increase/(Decrease) in Net Cash	(6.8)	2.9

- ANZ facility of \$50m secured until January 2020
- Capex spending increased to \$10.4m in FY18 (\$6.2m FY17) driven by automation projects
- \$6.0m final dividend payment in March 2018; \$2.4m special dividend paid in September 2018
- \$4.8m final dividend to be paid in March 2019
- Inventory impacted by higher LME

	Dec 18 \$m	Dec 17 \$m
Current Assets		
Inventory	85.0	77.0
Trade Receivables	65.4	68.0
Net Cash and Equivalents	27.6	34.4
Other	1.7	0.7
	179.7	180.1
Current Liabilities		
Trade Payables	(78.4)	(74.0)
Provisions	(13.8)	(12.6)
Other	(0.3)	(0.8)
	(92.5)	(87.4)
Net Current Assets	87.2	92.7
Non Current Assets	48.1	45.2
Non Current Liabilities	(3.7)	(5.0)
Net Assets	131.5	132.9
Net Tangible Asset Value (NTA)	128.2	129.7
NTA per share (cents)	26.7	27.2
Franking Credits	21.0 <sup>1</sup>	24.6
Accumulated Unrecognised tax losses	279.7	281.2

- Low risk capital structure with no debt

<sup>1</sup>Before payment of final dividend in March 2019

## Strategy and Outlook

Tony Dragicevich, CEO & MD

*"Invest in technology to ensure Capral's long term competitive position"*

**BUILD**

On our strengths

**OPTIMISE**

What we do

**GROW**

For the future

# Investments to improve productivity and competitiveness

- Automated product handling and packing at Bremer Park, QLD (\$5.0m)
  - Stage 1 & 2 installation and commissioning successfully completed
  - Stage 3 installation Q4 2018 and commissioning underway
  - Benefits will start to flow in 2019
- Robotic packing line at Penrith, NSW (\$1.6m)
  - Line operational and incremental improvements to productivity continue
  - Benefits partially delivered
  - Potential to commercialise technology
- New paint line at Canning Vale, WA (\$2.4m)
  - Equipment installation completed Q4 2018
  - Commissioning well advanced
- Warehouse extension and site consolidation, WA
  - Building extension completed January 2019
  - Relocation H1 2019



# Dumped imports suppress prices and injure local industry

## 2010 – Modest impact from initial measures on Chinese imports

- Case won in 2010 with low level duties imposed on Chinese imports
- Circumvention activities diminished the impact

## 2014 – Anti-Circumvention & 2015 – Measures increased

- Anti-Circumvention case initiated and successfully prosecuted against largest Chinese exporter/importer
- Reforms to federal legislation and methodology
- Increased measures imposed on Chinese imports to 2020

## 2017 – New cases initiated

- Measures imposed against all Vietnam and some Malaysian sourced extrusions
- Review of variable measures affecting imports from China resulted in generally higher measures
- New cases initiated against Thailand and 2 Chinese exporters
- Anti-Circumvention transshipment case initiated

## 2018 – New Cases - Mixed Outcomes

- Cases against Thailand and 2 Chinese exporters terminated
- Review of variable measures affecting imports from China commenced in July
- Anti-Circumvention transshipment case successful

## 2019 – Continue pursuit of Fair Trade

- Review of Chinese variable measures final report due April 2019
- Continue to monitor and pursue anti-circumvention/non compliance/enforcement activities
- Consult with Government around strengthening the anti-dumping regime



# Outlook

- LME<sup>1</sup> is forecast to remain in a modest downward trend during 2019
- AUD weakened to ~\$US0.70 by 2018 year end and forecast to remain close to that level through 2019<sup>2</sup>
- Residential commencements are expected to soften<sup>3</sup>
- Industrial sector anticipated to remain reasonably strong
- Extrusion market expected to fall modestly
- 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
- Benefits from key capital projects will start to flow in 2019
- Absent any unforeseen events, FY19 EBITDA<sup>4</sup> is expected to be similar to 2018 and on that basis Capral would be in a position to consider payment of a fully franked dividend

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

<sup>2</sup> Source: ANZ December 2018

<sup>3</sup> Source: BIS Oxford Economics December 2018 forecast

<sup>4</sup> See Important Note (page 13)

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



# National footprint of aluminium extrusion plants and distribution centres

- Extrusion plants
- ★ Distribution centres



## WA - Canning Vale

- Capacity 8k tonnes, 1 press
- 2018: new paint line & warehouse consolidation

## SA - Angaston

- Capacity 9k tonnes, 1 press
- 1 paint line

## VIC - Campbellfield

- Capacity 9k tonnes, 1 press
- Large industrial press
- 1 paint line

## QLD - Bremer

- Capacity 35k tonnes, 4 presses
- 2 paint lines and anodising line
- 2018: Automated product handling project

## NSW - Penrith

- Capacity 9k tonnes, 1 press
- Robotic packing project

Questions

