



2021

Half Year Results Presentation and Earnings Guidance

25 August 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



6 PLANTS

8 EXTRUSION
PRESSES¹



8 DISTRIBUTION CENTRES

12 TRADE CENTRES



ANNUAL EXTRUSION
CAPACITY

65,000 TONNES²



ANNUAL TURNOVER

> \$500
MILLION



MARKET SHARE

~26%



MARKETS -
RESIDENTIAL
& COMMERCIAL
CONSTRUCTION,
INDUSTRIAL



OVER
900
EMPLOYEES³

¹ Excludes mothballed Press at Bremer Park

² Base capacity excludes mothballed press

³ Inclusive of contract labour

AGENDA

1. 1H21 Highlights
2. 1H21 Financials
3. Strategy
4. Outlook & Guidance



1H21 HIGHLIGHTS

Tony Dragicevich, CEO & Managing Director

"Strong first half driven by momentum in key market segments"

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ALUMINIUM



1H21 PERFORMANCE HIGHLIGHTS

VERY STRONG FIRST HALF RESULT – AHEAD OF GUIDANCE

Volume up **33%** on 1H20 to
~**36,000** tonnes

Sales Revenue **\$261m**
(1H20: \$196m)

1H21 Trading EBITDA¹
\$15.7m
(1H20: \$5.8m)

1H21 EBITDA¹
\$26.2m
(1H20: \$17.0m)

Earnings per share at
93 cents
(1H20: 29 cents)

NPAT **\$15.7m** includes \$2.0m DTB
(1H20: \$4.8m)

Interim dividend
20 cps
fully franked
(DRP will be activated)

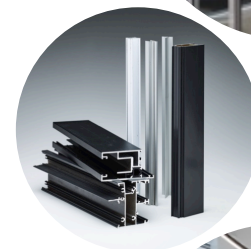
Strong balance sheet
with net cash
\$33.8m

Buoyant market, high sales demand,
improved operating leverage, and
restructuring benefits combined to lift
profitability to high levels

(NB: 1H20 impacted by Covid lockdown)

Strong market conditions in
residential building and key
industrial sectors, assisted by
government stimulus
Increased share against imports
maintained

Safety
TRIFR²
6.3
(1H20: 10.3)



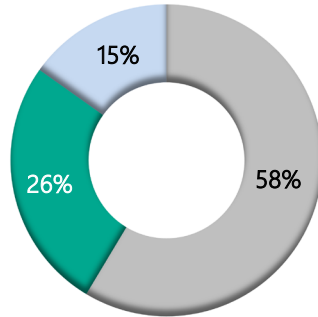
Important Note

¹ EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation. 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. For the current period, these items are LME and FX revaluation (\$1.5 million) and including depreciation and interest on Right of Use assets as proxy for rent (\$9.0 million). 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. The trading EBITDA is presented with reference to the ASIC Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011.

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

VOLUME BREAKDOWN AND GROWTH

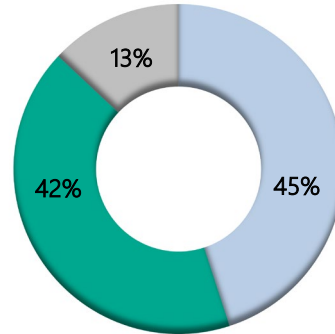
Channels to market (volume)



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

Source: Capral
DC's: Capral Distribution Centres

Diverse industry exposure



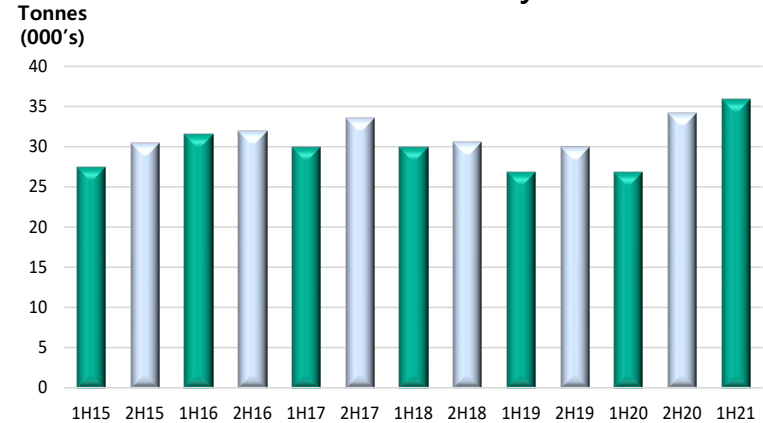
■ Industrial
■ Residential Building
■ Commercial Construction

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

Volume split by Product Group



Volume Seasonality



Source: Capral

1H21 volume 33% above 1H20 (impacted by Covid) and 7% above 2H20

Volume growth driven by:

1. Buoyant housing market
2. Market share gain from imports:
 - supply chain disruption & increased shipping costs
 - positive anti-dumping outcomes
 - growing "Australian Made" sentiment
3. Infrastructure investment

RESIDENTIAL MARKET CONTINUES TO GROW

2021

**Latest forecast¹ 211,000 starts in 2021
up 16% on 2020**

Residential starts rising strongly, assisted by;
- low interest rates
- HomeBuilder stimulus
- State government first homeowner incentives

Detached dwellings increasing by
26%
Multi-res starts on par with 2020

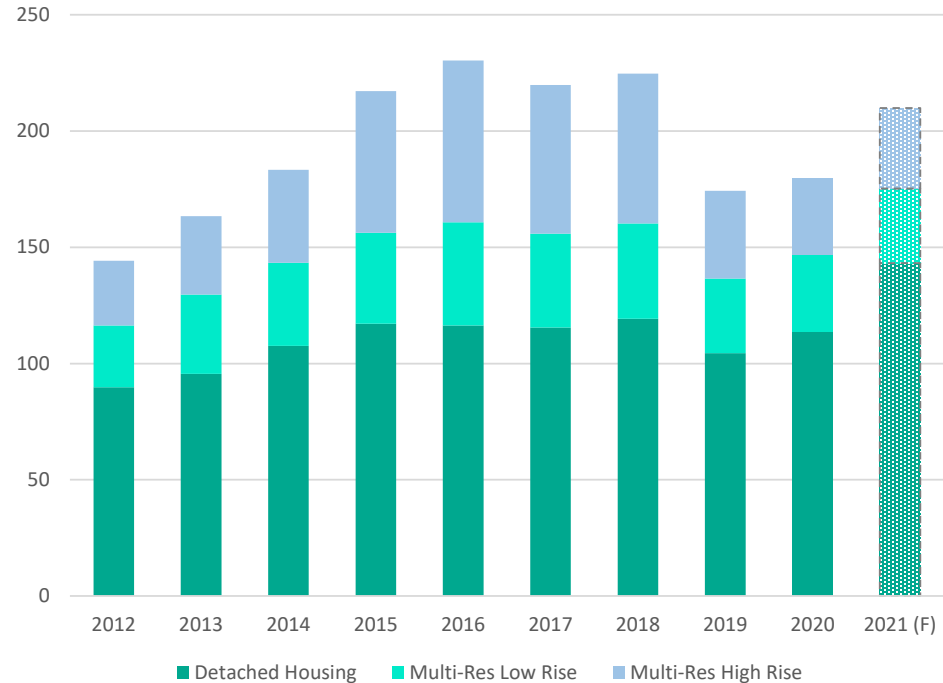
2022

**Market forecast¹ to soften by 5%
during 2022**

Detached starts forecast to decline modestly

Low rise Multi-Res to grow
High rise multi-res recovering

Annual Dwelling Commencements¹ (000's)



Capral's volume mainly aligned with Detached and Low-Rise Dwellings
(shaded green in graph)

¹Source: BIS Oxford Economics (Jun 2021)

RECENT CAPRAL RESIDENTIAL & COMMERCIAL PROJECTS



Medindie House, SA
Schüco windows & doors



Rae Rae House, Melbourne, VIC
Capral Futureline windows & Schüco doors



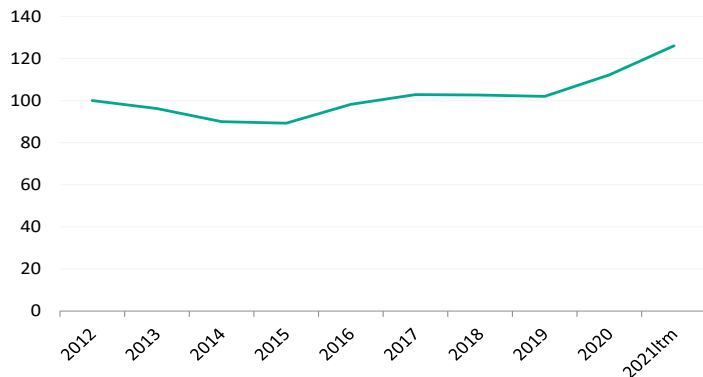
The Marsden Brewhouse, NSW
Capral commercial glazing systems



Coastal Luxury, Lorne, VIC
Deco cladding and Capral architectural glazing systems

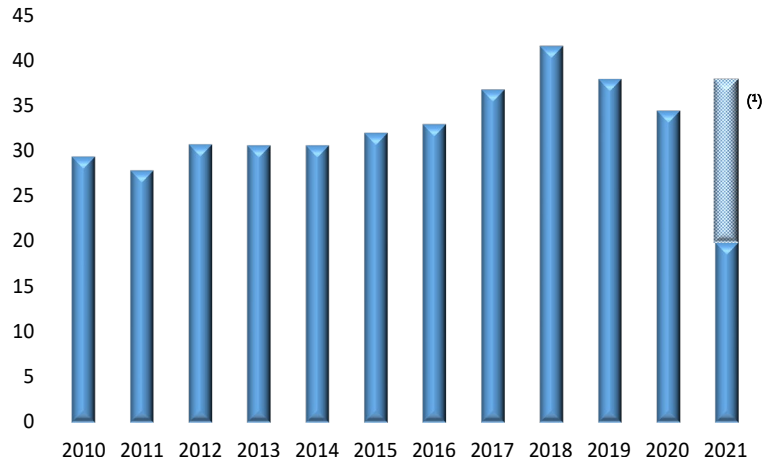
INDUSTRIAL SECTOR REBOUNDED

Total Capral Industrial Volumes (Index 2012)



Source: Capral

New Truck and Van Builds (000's)



Source: TIC (Truck Industry Council of Australia)

¹ Capral H2 Forecast 2021

Marine

Improving market conditions

Manufacturing & General Fabrication

Markets improving and share gains against imports

Solar

Strong growth (import replacement)

Resellers

Volume to industrial distributors lifted due to import replacement

Infrastructure

Strong growth in industrial construction

Transport

Increasing with infrastructure investment

New Truck Builds
increased

9.2% above 1H20

RECENT CAPRAL INDUSTRIAL PROJECTS



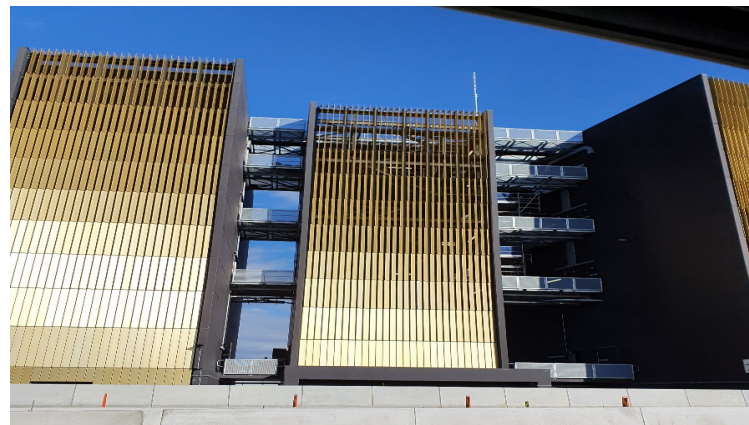
Catamaran Ferry, Austal Vietnam
Capral marine grade plate and extrusion



Mounted HVAC platform, Con-form Group
Capral extrusion



Tipper, Muscat Trailers
Capral plate and extrusion



Ventilation Shafts M5/M8 Tunnel, Sydney
Capral extrusion gold anodised

1H21 FINANCIALS

Tertius Campbell, CFO

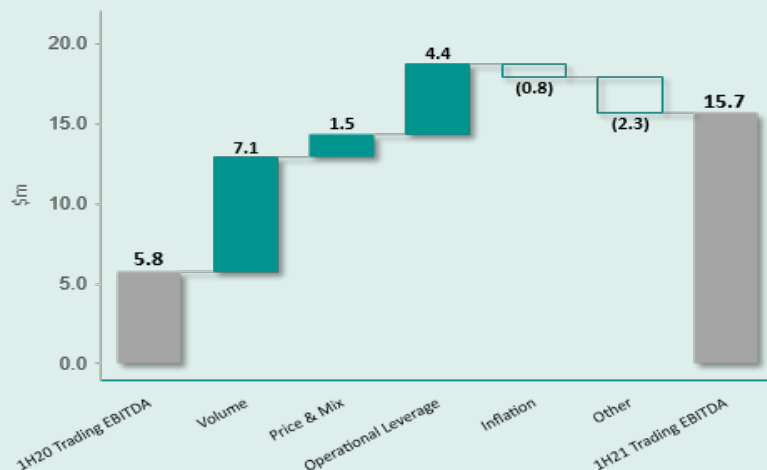
"Earnings underpinned by a combination of higher volume and improved operating leverage"

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VERY STRONG FIRST HALF EARNINGS

- ① 1H21 volume 33% higher than prior period
- ② Sales revenue increase driven by volume and higher metal prices
- ③ EBITDA up by 54% on 1H20 (up by 108% excluding JobKeeper 1H20)
- ④ Depreciation on owned assets increased due to acquisition of Smithfield plant
- ⑤ Positive cash position led to lower operational finance cost, partially offset by increased LC facility fees for imported products
- ⑥ \$2.0m Deferred Tax Benefit recognised during 1H21 (1H20: nil)
- ⑦ \$4.4m JobKeeper receipts during 1H20
- ⑧ Includes rent and lease payments for properties, forklifts and vehicles
- ⑨ Trading EBITDA up by 170% on 1H20 primarily due to higher volume and improved operating leverage



		1H21	1H20
Sales Volume ('000 tonnes)	①	35.9	27.0
		\$m	\$m
Sales Revenue	②	261.2	195.6
EBITDA¹	③	26.2	17.0
Depreciation/Amortisation	④		
- Owned Assets		(3.1)	(2.9)
- Right of Use Assets		(6.8)	(6.2)
EBIT		16.4	7.9
Finance Cost	⑤		
- Operational Funding		(0.5)	(0.7)
- Right of Use Leases		(2.2)	(2.4)
Net Profit before tax		13.7	4.8
Taxation Benefit	⑥	2.0	-
Net Profit after tax		15.7	4.8

EBITDA ¹		26.2	17.0
Restructuring and one-off costs		-	-
JobKeeper	⑦	-	(4.4)
LME & Unrealised FX Revaluation		(1.5)	1.5
Rent	⑧	(9.0)	(8.3)
Trading EBITDA¹	⑨	15.7	5.8

¹See Important Note (page 5).

ROBUST FINANCIAL POSITION THAT SUPPORTS DIVIDENDS AND REINVESTMENT

- ① Inventory (raw material and finished goods) increased due to; activity levels, increased metal prices, and higher goods in transit
- ② Increased receivables due to increased sales volume and price, excellent collections with DSO at 44.2 days (1H20:44.7)
- ③ \$40m debt facility with ANZ Bank, since increased to \$45m expiring April 2023
- ④ Liabilities (current and non-current) include lease liabilities of \$94.4m, primarily property leases as defined by AASB16, net impact is a reduction in Net Assets of \$28.4m due to timing in relation to lease term
- ⑤ Non-Current Assets include \$65.9m "right of use" leased assets as defined by AASB16
- ⑥ A further \$2.0m Deferred Tax Asset was recognised on 30 June to reflect increased utilisation of tax losses in future periods

BALANCE SHEET		JUN 21	DEC 20
		\$m	\$m
Current Assets			
Inventory	①	116.7	79.1
Trade Receivables	②	82.5	66.3
Net Cash and Equivalents	③	33.8	49.4
Other		2.6	2.5
		<u>235.9</u>	<u>197.3</u>
Current Liabilities			
Trade Payables		(114.5)	(77.2)
Lease Liabilities	④	(13.5)	(13.5)
Provisions and Other		(17.9)	(16.6)
		<u>(145.9)</u>	<u>(107.3)</u>
Net Current Assets		90.0	90.0
Non Current Assets			
Non Current Liabilities	⑤	125.2	115.8
Net Assets	④	<u>(86.4)</u>	<u>(87.6)</u>
		<u>128.8</u>	<u>118.2</u>
Net Tangible Asset Value		117.1	112.0
NTA per share		\$6.88	\$6.76
Franking Credits		14.8	18.0
Accumulated Unrecognised Tax Losses	⑥	243.1	258.1

STRONG CASH EARNINGS OFFSET BY HIGHER WORKING CAPITAL REQUIREMENTS AND BUSINESS ACQUISITION

- ① Working Capital increase driven by increased debtors and inventory due to rising sales levels and higher metal cost
- ② Operational interest charge broadly in line with 1H20
- ③ Maintenance, Environmental and Safety capex is around \$4m per annum
- ④ Acquisition of extrusion plant in Smithfield, NSW
- ⑤ Dividend paid is net of Dividend Reinvestment Plan (DRP)
- ⑥ Bank Guarantees primarily used in respect of property leases
- ⑦ Trade Instruments mainly letters of credit (drawn and open) in relation to imported product
- ⑧ Trade/Other loans represent debt facility usage to fund working capital needs, undrawn during 1H21 (1H20: maximum usage \$7.1m)
- ⑨ Asset Finance Facility settled 1H21

CASH FLOW		1H21	1H20
		\$m	\$m
EBITDA		26.2	17.0
Working Capital	①	(11.8)	3.4
Finance Cost	②	(2.6)	(2.8)
Operating Cash Flow		11.8	17.6
Capex Spend	③	(3.7)	(2.2)
Acquisition	④	(10.3)	-
Lease Principal payment		(7.9)	(7.2)
Free Cash Flow		(10.1)	8.2
Dividend Paid	⑤	(5.4)	(1.2)
Increase/(Decrease) in Net Cash		(15.6)	7.0

BANK FACILITY USAGE		JUN 21	JUN 20
		\$m	\$m
Bank Guarantees	⑥	3.8	6.1
Trade Instruments	⑦	36.2	22.2
Trade / Other loans	⑧	-	-
Asset Finance Facility	⑨	-	2.3

NET CASH POSITION		JUN 21	JUN 20
Cash Balance in funds		33.8	24.9

STRATEGY AND OUTLOOK

Tony Dragicevich, CEO & Managing Director

"Drive return on recent investments and keep improving our long-term competitive position"

BUILD
on our
strengths

OPTIMISE
what we
do

GROW
for the
future

CAPRAL
ALUMINIUM



IMPROVE PRODUCTIVITY AND COMPETIVENESS, RETAIN SHARE GAINS

Manufacturing

- Deliver benefits of Smithfield plant acquisition, aim to run at capacity 1Q22
- Continue process improvement programmes at all extrusion plants
- Maintenance capital spend to ensure on-going plant reliability and efficiency
- Progressively upgrade shopfloor control systems to a common platform

Distribution

- Upgrade Capral's window & door product range and systems software
- Increase warehouse capacity in NSW & VIC to improve customer service
- Long term goal - increase volume and profitability of Capral's own direct distribution channel

Sales

- On-going technology investment to improve sales effectiveness including; interfaces (EDI) with customer systems, CRM, and digital marketing
- Upgrade website and e-store to provide more information and ease of interaction
- New sales reporting software implemented to manage and improve margins

MARKET DEVELOPMENT

Solar

Anti-dumping outcomes provided the opportunity for local extruders to compete in \$60m+ solar rail market



Defence

Approved supplier to major defence contracts



Cladding

Working with cladding system suppliers to address new fire standards and recladding opportunities



Import Replacement

Retain market share gains through service differentiation and competitive local pricing



KEY INDUSTRY INFLUENCING TRENDS

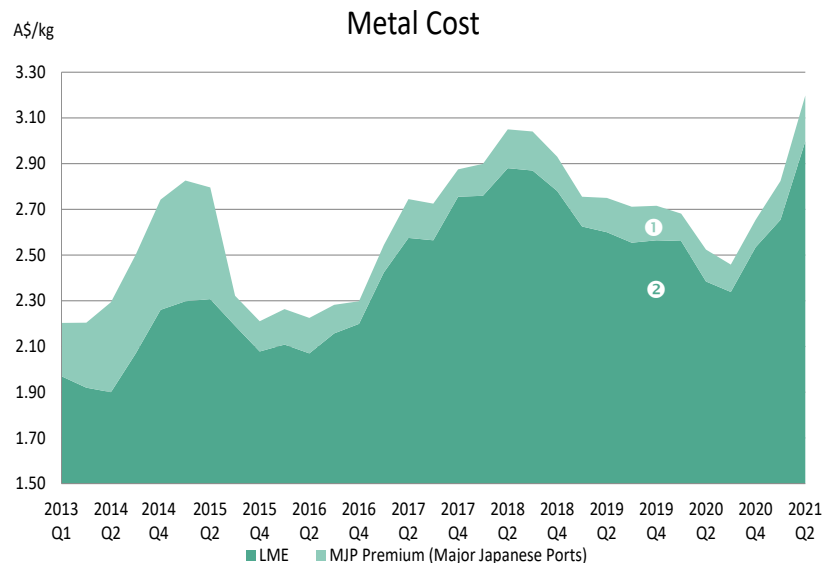
Anti-Dumping Activities

2010 to 2020	<ul style="list-style-type: none"> ▶ Original case won in 2010 with low level duties imposed on Chinese imports ▶ Reforms to federal legislation and methodology ▶ Measures imposed against all Vietnam and some Malaysian imports ▶ Anti-circumvention / trans-shipment investigations finalised and measures implemented ▶ Measures extended on Chinese imports for further 5 years (until 2025)
2021	<ul style="list-style-type: none"> ▶ Measures imposed on exempt Malaysian imports, currently under appeal ▶ Initiate continuation case against Malaysia and Vietnam
Future	<ul style="list-style-type: none"> ▶ Continue to interact with Government regarding reforms and trends ▶ Monitor import volumes and exemption applications
Enforcement	<ul style="list-style-type: none"> ▶ Increased focus by Australian Border Force on trans-shipment and misclassification
Challenges	<ul style="list-style-type: none"> ▶ Limited information available on imports from ABS ▶ Numerous applications from exporters for accelerated reviews

Other

Manufacturing Australia	<ul style="list-style-type: none"> ▶ As a founding member of Manufacturing Australia, Capral continues to interact with government around strengthening the anti-dumping regime
Australian Made Campaign	<ul style="list-style-type: none"> ▶ Work with Australian aluminium supply chain partners to promote the benefits of local supply in the wake of the pandemic

Aluminium Price (LME & MJP)



- 1 MJP regional premiums were relatively stable since 2015 however in 1H21 MJP increased 67% and continues to rise during 2H21
- 2 LME increased 18% during 1H21 to \$A3,134/t (Dec20 \$A2,660/t, Jun20 \$A2,240/t) with further increases expected during 2H21

OUTLOOK – EARNINGS GUIDANCE UPGRADED

- Capral continues to operate as an essential business during COVID restrictions and, at this stage, does not expect restrictions to have a significant adverse impact on demand in the second half
- Smithfield extrusion plant will continue to ramp up production levels to reach capacity in 1Q22
- In the second half; Residential building is forecast² to grow, Non-Residential construction is forecast² to recover, Industrial sector is anticipated to remain strong
- LME is forecast³ at higher levels in second half, reaching 10-year highs and ~30% above Dec 20
- Absent any unforeseen events, FY21 Trading EBITDA¹ is expected to be in the range of \$31m-\$33m (previous guidance range \$25m-\$27m) and EBITDA \$51m-\$53m
- On this basis, Capral would be in a position to continue the payment of a fully franked final dividend

¹ See Important Note (page 5)

² Source: BIS Oxford Economics June 2021 forecast

³ Source: Harbor Aluminium Intelligence Unit



CAPRAL
2021 HALF YEAR RESULTS
QUESTIONS

CAPRAL
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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

