



FIRST HALF 2017 RESULTS PRESENTATION

18 AUGUST 2017
CAPRAL LIMITED

About Capral

Capral is Australia's leading supplier of Aluminium products and solutions.

Our core business is the manufacture and distribution of Aluminium extrusion. In addition, we distribute other associated products including rolled aluminium products (sheet and plate).

We manufacture in five plants with eight extrusion presses, four paint lines and an anodising line.

We supply to customers from our plants and through a network of 19 distribution centres.

Our key markets are; residential and commercial construction, and industrial.

Our products are used in the fabrication of a wide range of products including; windows and doors, security and shower screens, fencing, balustrades, louvres, transport, marine, signage and general manufacturing applications.



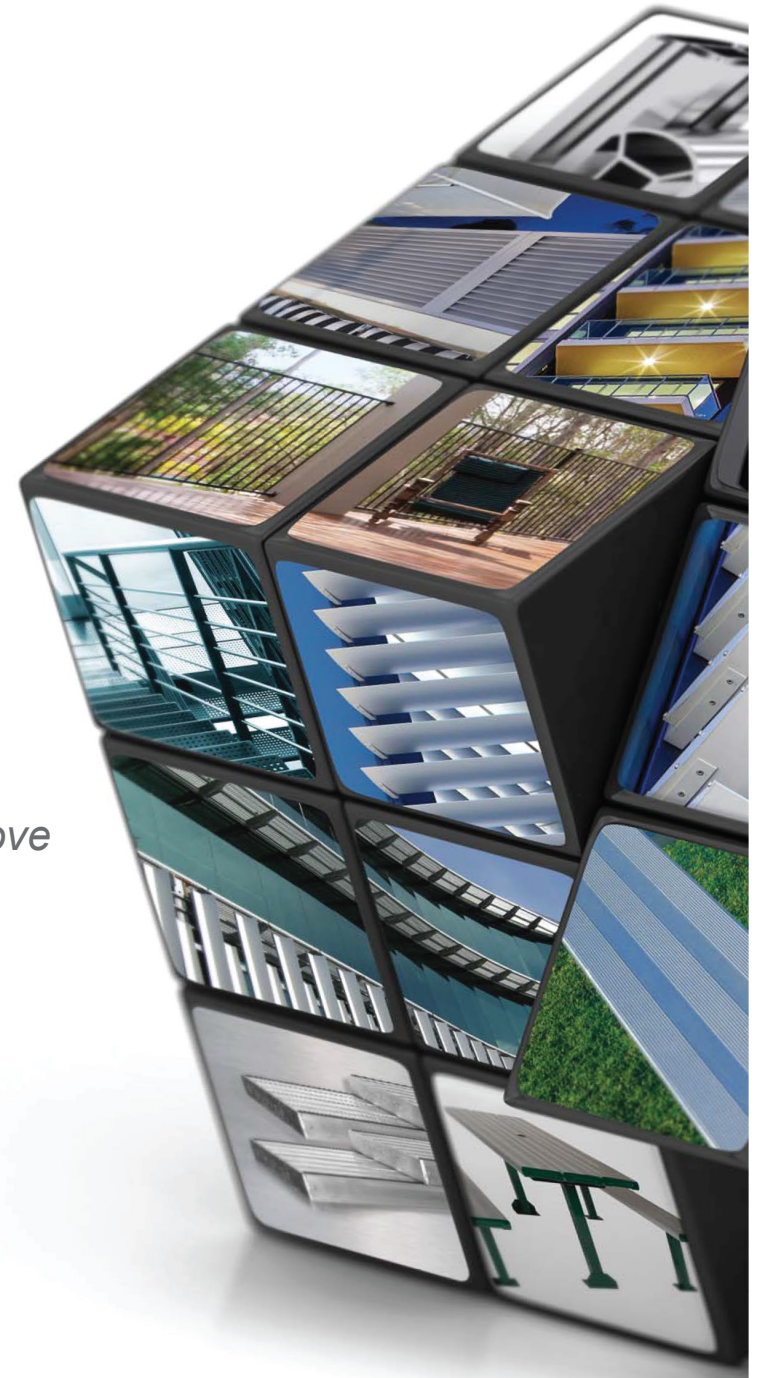
Agenda

- 1H17 Highlights
- Financials
- Update on Initiatives and Outlook
- Q&A
- Appendices

1H17 Highlights

Tony Dragicevich, CEO

"Investing in technology to optimise cost structure and improve our long-term competitiveness"



1H17 Performance Highlights

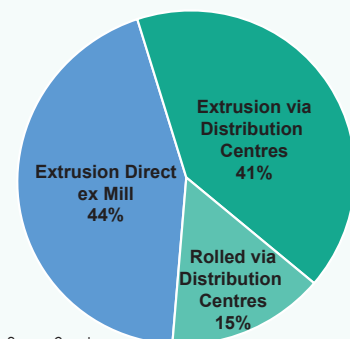
- On track to meet full-year guidance
- Trading EBITDA¹ of \$6.6m (2016: \$10.0m), EBITDA of \$7.7m (2016: \$10.2m) down compared to an unseasonably high 1H16
- Margins impacted by rising Aluminium costs (LME)
- Housing market to remain strong, despite slowing from record levels
- Industrial sector relatively strong and outlook is robust
- Initiatives to drive efficiencies are well advanced
 - Automated packing/product handling to commence in 2018
 - E-Store and CRM system operational
- Dumping measures imposed against Vietnam and Malaysia
- Safety performance improved and remains a key focus. TRIFR² at 12.7 (2016: 16.7)

¹ See Important Note (page 10) ² TRIFR is total reportable lost time and medically treated injuries per million work hours



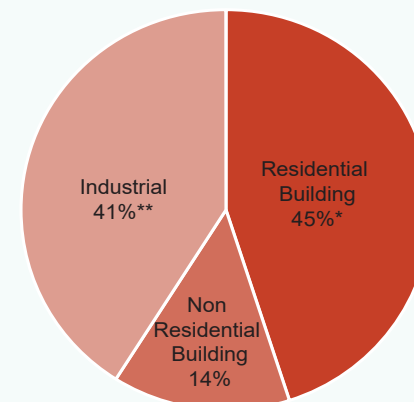
Volume Breakdown

Channels to Market (Volume)



Source: Capral

Diverse industry exposure

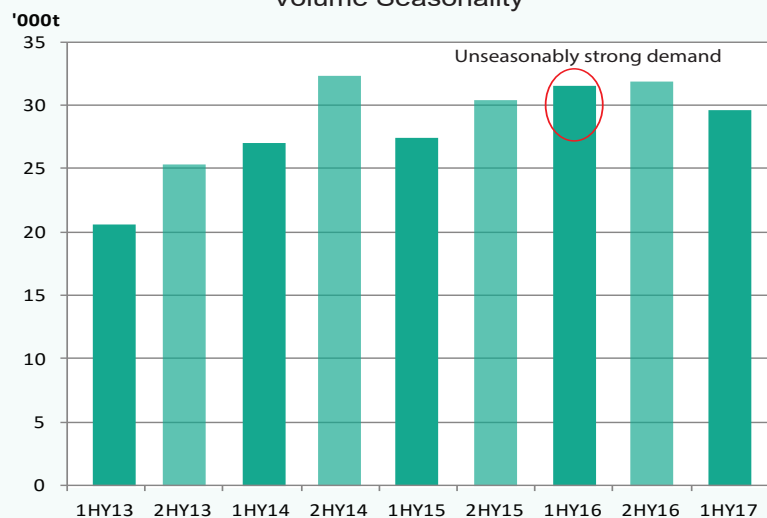


Source: Capral

* Residential building additions and alterations

** Industrial includes transport, marine and other manufacturing

Volume Seasonality



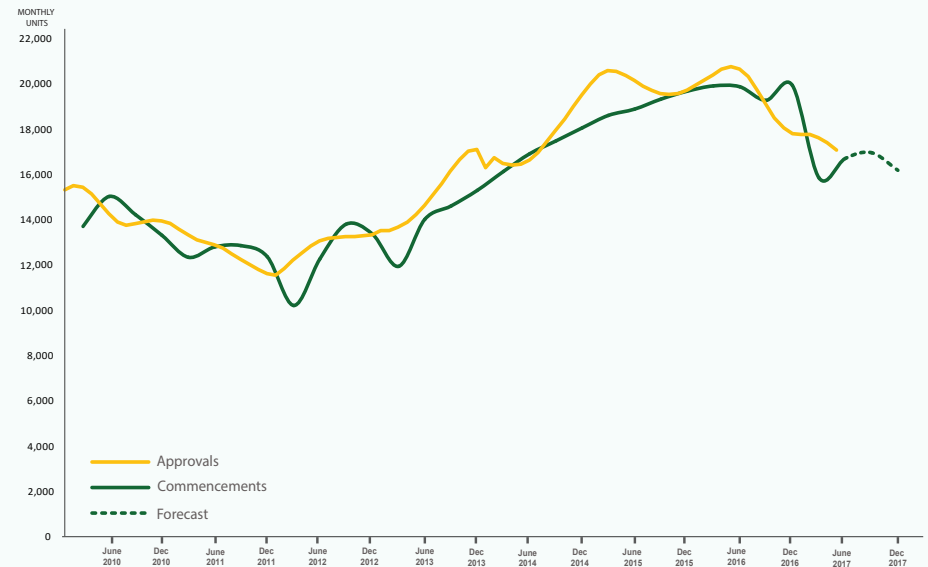
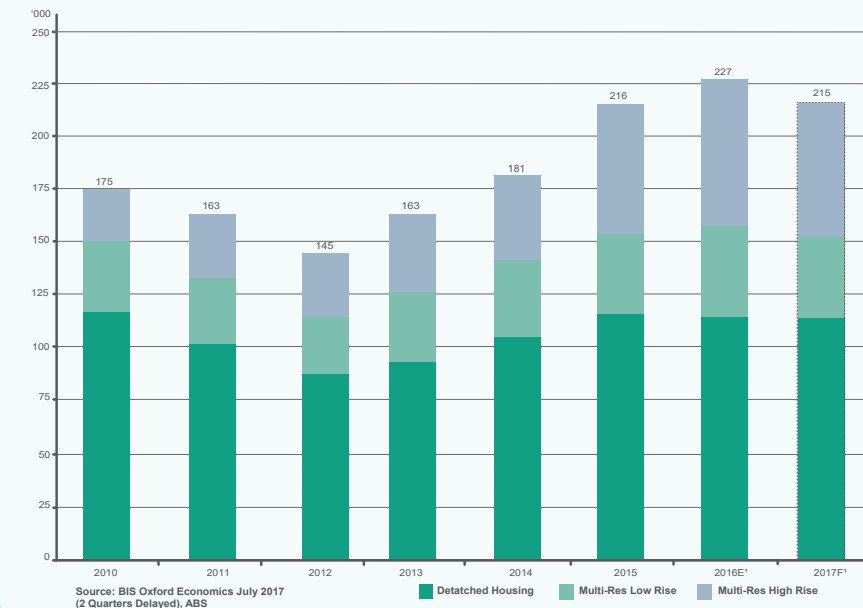
Source: Capral

- ~85% of total volume is extruded in our Mills
- ~15% of total volume is rolled (sheet and plate) and predominantly used in Industrial applications
- Normal seasonality in 1H17 compared to 1H16
- Import competition and surplus domestic capacity continuing to impact volumes



Residential market is moderating

ANNUAL DWELLING COMMENCEMENTS



- Residential sector commencements slowing
 - Detached housing, Capral's primary market, fell 3% in 12 months to June 2017¹
 - Multi-Residential decreased by 13%¹
- Despite the slow down, there is a strong pipeline in residential work, which accounts for around 45% of volume
- Weakness in Western Australia and North Queensland housing markets has contributed to a slower 1H17

¹ Source: BIS Oxford Economics July 2017 forecast



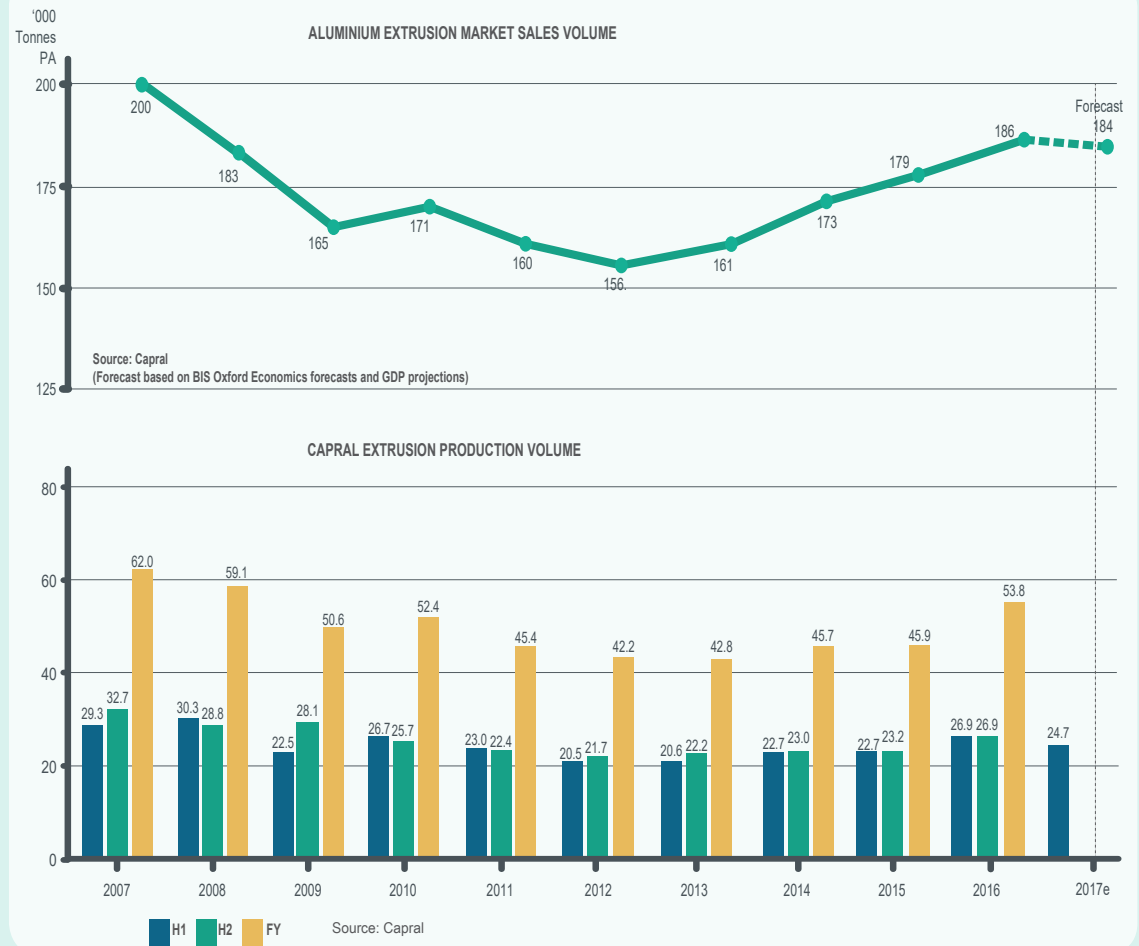
Extrusion demand remains relatively strong

- The extrusion market grew in 2016 and is expected to be marginally lower through 2017 due to a slowdown in residential construction
- Non-residential building demand will improve by an estimated 5%¹
- Key industrial sectors (manufacturing, marine and transport) have improved

Note:

- Capral has an estimated 29% share of the Australian Aluminium extrusion market
- Import market share has fallen to around 34%, from a high of 40%
- Excess domestic extrusion capacity still exists but utilisation has improved

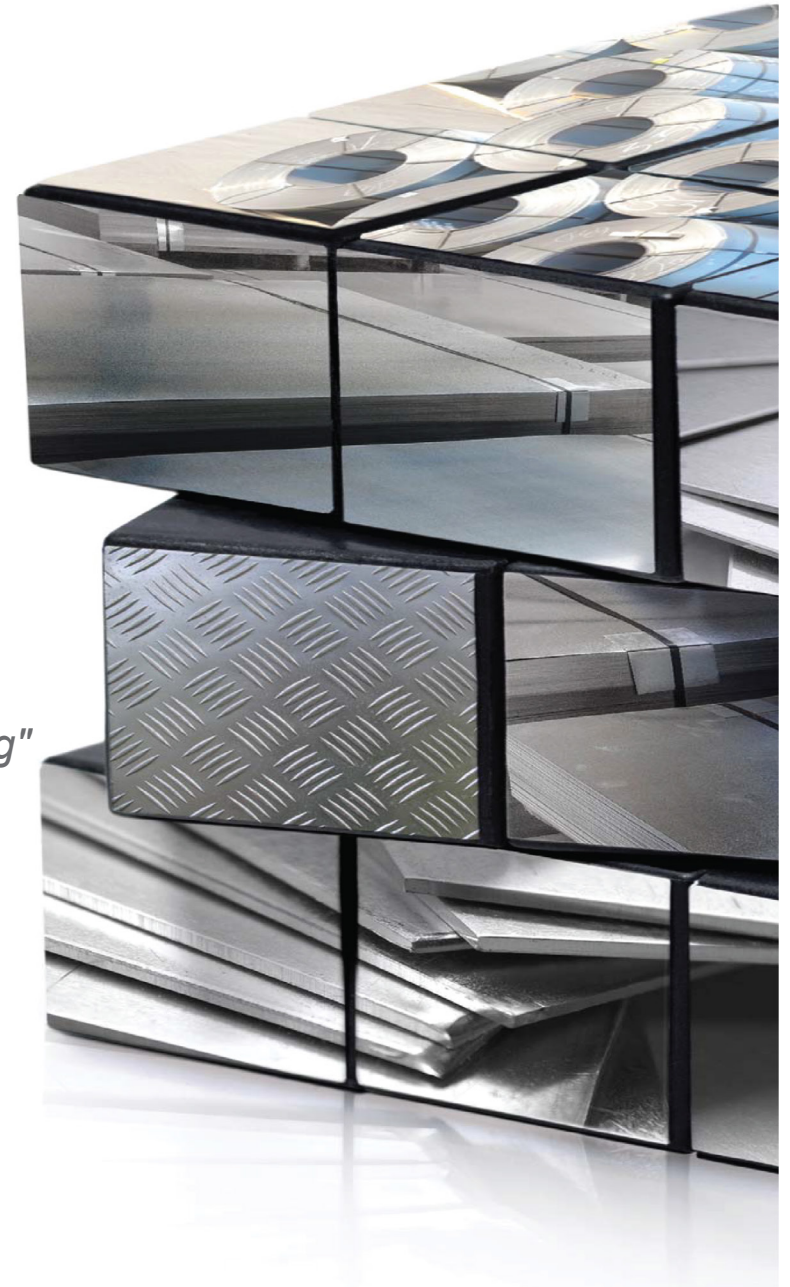
¹ Source: BIS Oxford Economics July 2017 forecast



1H17 Financials

Tertius Campbell, CFO

"Financial fundamentals and cash position remains strong"



First half result down on prior period

- 1H17 half Trading EBITDA¹ continues historical pattern of lower first half return
- Volume down 6% against prior period which had benefited from anti-dumping measures and a very strong residential market
- Imports from SE Asian countries continue to put downward pressure on domestic pricing
- Margin compression in 1H17 due to:
 - Aluminium price (LME) increasing by ~22% from an average of \$US 1,525 in 1H16 to \$US 1,855 in 1H17
 - Lower capacity utilisation due to lower volumes
- 1H17 earnings also materially impacted by reduction in WA demand

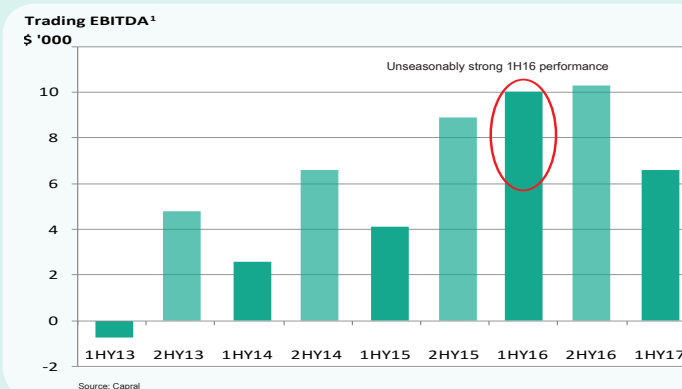
Important Note

¹Trading 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.

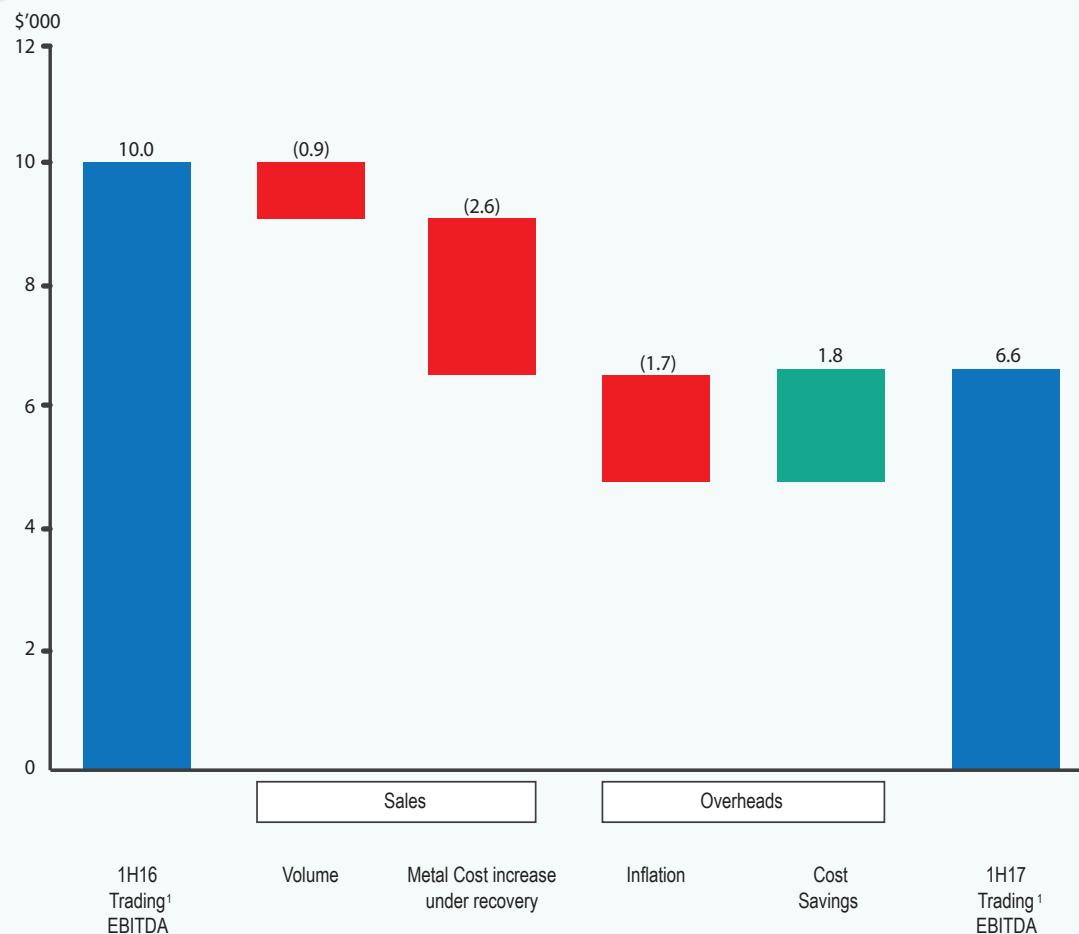
	H1 2017	H1 2016
Sales Volume - External ('000 tonnes)	29.6	31.5
	\$m	\$m
Sales Revenue	207.6	210.2
Trading EBITDA¹	6.6	10.0
LME Revaluation ²	1.1	0.4
Other one off costs ²	-	(0.2)
EBITDA	7.7	10.2
Depreciation/Amortisation	(2.9)	(2.9)
EBIT	4.8	7.3
Finance Cost	(0.4)	(0.5)
Profit/(Loss) after Tax	4.4	6.8

¹ See Important Note

² Included in other expenses



Increased Aluminium cost significantly impacted profit



¹ See Important Note (page 10)

- Reduction in extrusion volume - \$0.9m
- Difficulty in fully recovering higher metal cost - \$2.6m
- Cost savings were able to offset the inflationary impact



Balance Sheet remains strong

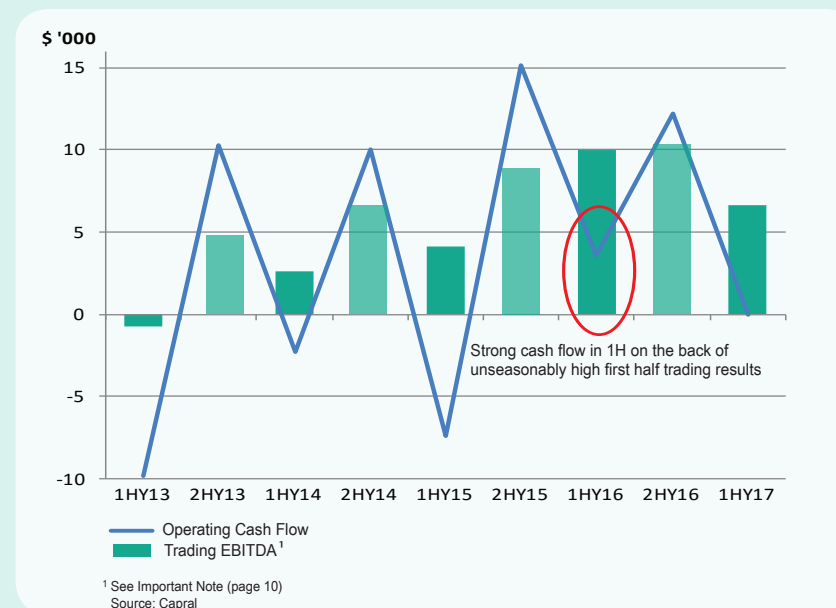
- Low risk capital structure with no net debt
- Current ratio better than 1H16
- Stock holding in tonnes reduced by 10%
- Inventory and Receivables impacted by higher aluminium costs of ~ \$7.5m

	Jun 17 \$m	Jun 16 \$m
Current Assets		
Inventory	76.0	73.0
Trade Receivables	73.2	70.3
Net Cash & Equivalents	22.4	21.9
Other	2.4	2.6
	<hr/> 174.0	<hr/> 167.8
Current Liabilities		
Trade Payables	(73.5)	(74.8)
Provisions	(11.8)	(12.0)
Other	(0.6)	(0.2)
	<hr/> (85.9)	<hr/> (87.0)
Net Current Assets	88.1	80.8
Non Current Assets	41.6	41.6
Non Current Liabilities	(5.6)	(4.9)
Net Assets	<hr/> 124.1	<hr/> 117.4
Net Tangible Asset Value (NTA)	121.2	114.4
Underlying NTA per share	25.4c	24.1c
Franking Credits	25.9	27.1
Accumulated Unrecognised tax losses	287.7	292.6

Cash position healthy

6 months to	\$m June 17	\$m June 16
EBITDA	7.7	10.2
Working Capital	(7.8)	(5.9)
Finance Cost	(0.4)	(0.5)
Other	0.5	(0.3)
Operating Cash Flow	0.0	3.5
Capex Spend	(3.1)	(1.7)
Dividend Paid	(5.9)	-
Increase/(Decrease) in Net Cash	(9.0)	1.8

- Material cost increased in line with LME increases
- Higher working capital requirement as a result
- Traditionally cash generation is weighted to second half of year



- ANZ facility of \$50.5m secured in January 2017, maturing January 2019
- Intra month maximum Trade Loan usage \$16m



Strategy and Outlook

Tony Dragicevich, CEO

"Improve operational efficiency, invest in technology and grow through the development of new products and services"



Improving competitiveness through a number of key initiatives

- Invest in automation to reduce cost
 - Automated product handling projects (~\$6m) to streamline processes and deliver cost savings from mid 2018 onwards
 - Continue investment in value-add and finishing capability
- Invest in technology to deliver better efficiency and service
 - Online sales through Capral's E-Store now fully operational
 - CRM system to improve efficiency in customer outcomes and interaction
 - Capral HUB app introduced to enable architects, designers, builders and fabricators to access technical product information on mobile and tablet devices
- Capral has a relatively modest carbon footprint. Aluminium has one of the highest recycling rates of any metal. We are investing in scrap recycling and the development of new energy efficient products to enhance our environmental credentials and meet future market demands
- Continue to play a leading role in the pursuit of fair trade in the Australian Aluminium market
 - Initiate new anti-dumping cases
 - Pursue unfair circumvention activities



Outlook

- Full year 2017 Trading and Statutory EBITDA¹ is forecast, absent any unforeseen events, to be between \$15m and \$19m
- On this basis, Capral would expect to declare a fully franked dividend
- Housing commencements are forecast² to be around 215,300 for the 2017 year, down 8% on the strong 2016 market. Detached housing down 3% and multi-residential down 13%
- Extrusion market expected to remain reasonably strong through 2017 due to pipeline of residential work and increase in non-residential and industrial markets
- Further material strengthening of the AUD a negative for local manufacturing and Capral's competitive position against imports
- Anti-dumping measures assist volume but prices remain suppressed
- Capral expects to generate positive operating cash flow in 2017, and remain net cash positive at year end

¹ See Important Note (page 10)

² BIS Oxford Economics July 2017 forecast (two quarters delayed)

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



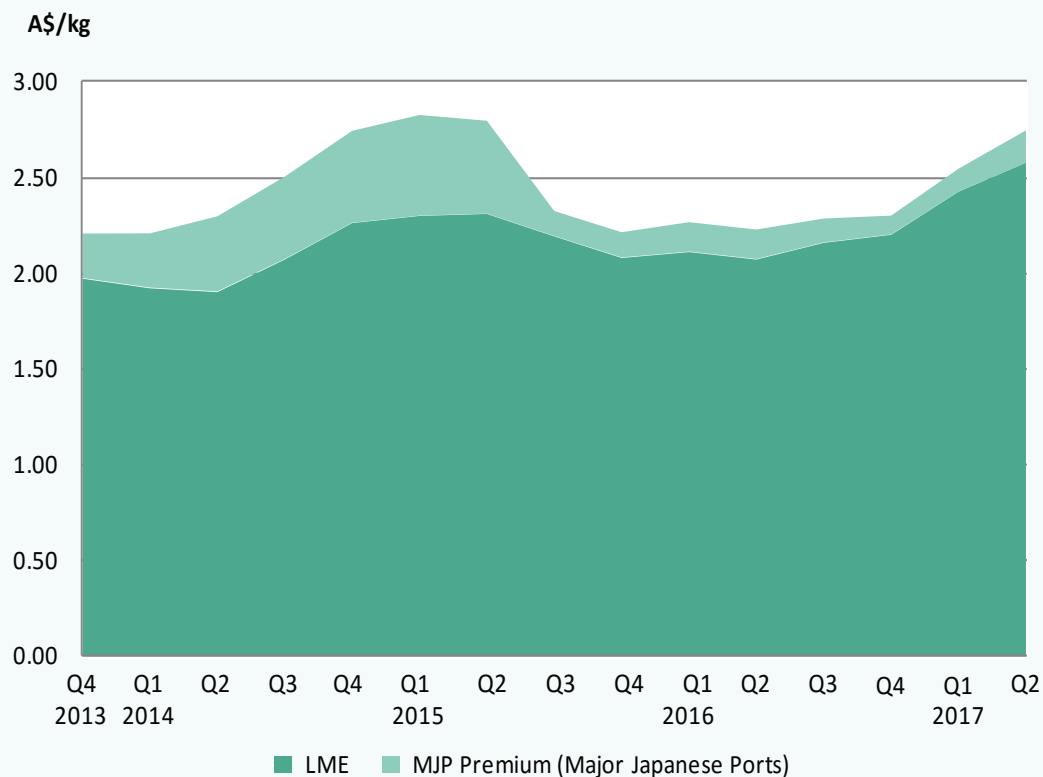
Q&A



Appendices



~17% Metal cost rise



Source: London Metals Exchange; RTA

- LME (USD) continued its rise in 1H17, increasing 22% 1H17 on 1H16
- Total Metal Cost (AUD) increased ~17% over the same period



Continue to pursue fair trade

The impact of the initial anti-dumping measures was modest

- Case won in 2010 but the levels of duties imposed on Chinese imports were low
- Circumvention activities diminished the impact

Response and Action

- A sustained campaign has resulted in reforms to federal legislation and methodology
- Continuation of measures review finalised in October 2015. Anti-Dumping Commission found ongoing dumping by Chinese importers and increased measures were imposed to 2020
- Imports from China have reduced but imports from Vietnam and Malaysia have risen leading to new case initiated by the Anti-Dumping Commission in 2H2016
- Price suppression continues to have an adverse impact on local extruders

Key issues being pursued

- Dumping measures imposed by the Anti-Dumping Commission against all imported aluminium extrusions from Vietnam and 38%¹ of Malaysian sourced imported aluminium extrusions
- Review of variable measures affecting imports from China commenced in March 2017 with SEF due in August, final outcome expected in October
- Continue to interact with Government around strengthening the anti-dumping regime
- Continue to monitor and pursue anti-circumvention/non compliance activities

¹ Source: Anti-Dumping Commission Report No 362 - May 217, page 82