

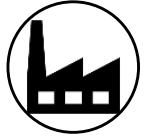


CAPRAL
ALUMINIUM

SHAPING THE FUTURE

2019 Half Year Results Presentation

Australia's leading supplier of aluminium products and solutions



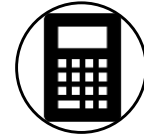
5 plants; 8 extrusion presses



17 distribution centres Australia-wide



Annual extrusion capacity 70k tonnes



Annual turnover ~\$450 million¹

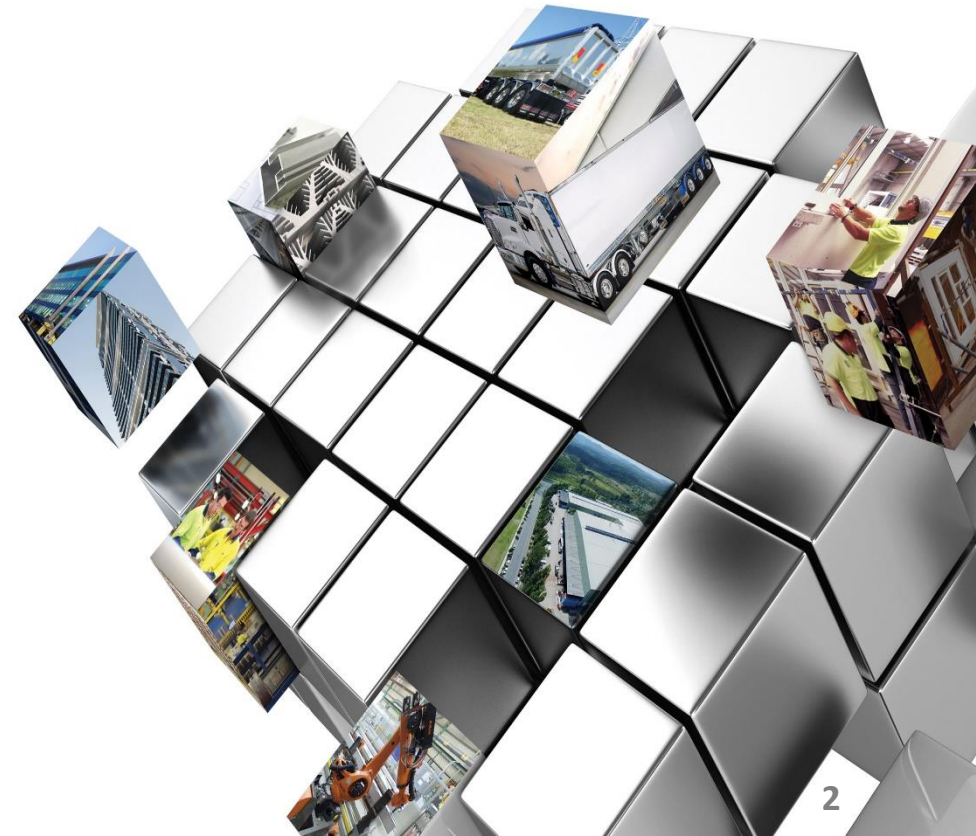


Residential, commercial construction,
industrial



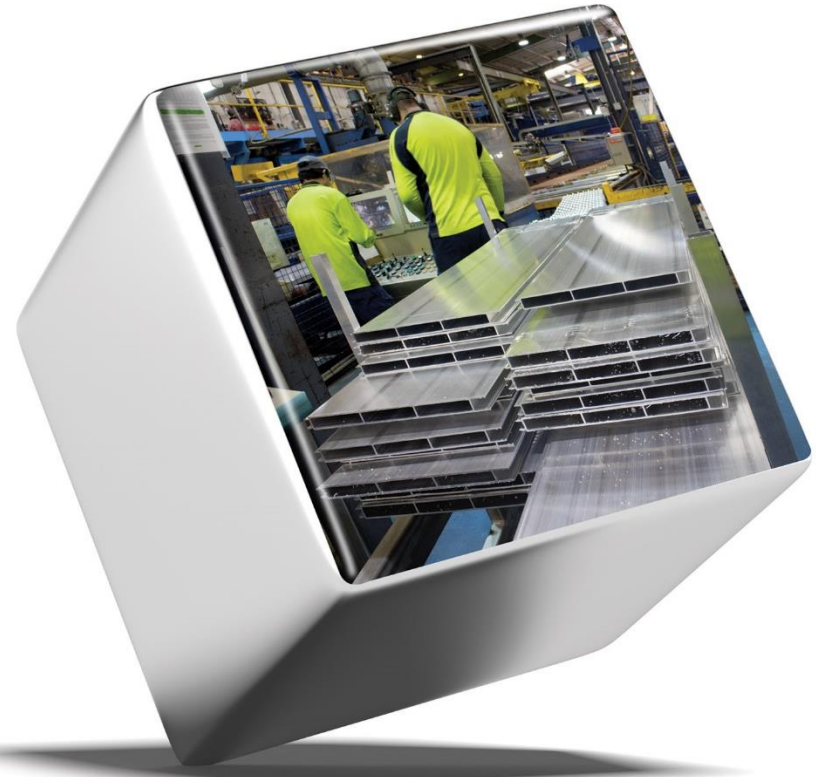
Investment in Process Automation

¹ 12 months to 31 December 2018



Agenda

1. 1H19 Summary
2. 1H19 Financials
3. Strategy and Outlook
4. Questions



1H19 Summary

Tony Dragicevich, CEO & MD

“Right sizing of operations in response to downturn in market conditions, lowering manufacturing breakeven point and lifting profitability.”



1H19 Performance Summary

- Half year result down on last year, in line with guidance
 - Trading EBITDA¹ of \$2.4m (1H18: \$6.9m) and EBITDA² of \$3.4m (1H18: \$7.6m)
 - Volumes down 10% on prior period
- Strong balance sheet with net cash of \$18.7m
- Volumes impacted by slowdown in residential construction
- Industrial sector slowed against prior period
- Imports remained high in 1H19; higher Anti-Dumping measures should have a positive impact from 2H19 onwards
- Investments in automation and equipment upgrades completed in 1H19
 - Technology investments starting to deliver savings
- Operational right sizing, restructuring and one-off costs of \$6.4m
 - Delivering annualised savings estimated at \$8m, eliminating losses at Bremer Park
- Improved safety performance; TRIFR³ at 11.5 (1H18: 14.6)

¹ See Important Note (Page 13)

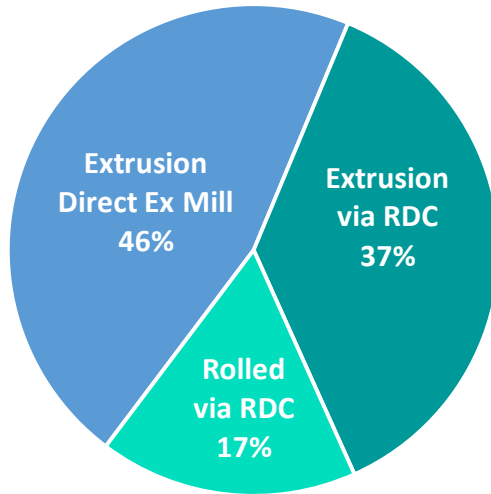
² Including \$8.4m AASB16 impact and \$6.0m restructuring charge

³ TRIFR is total reportable lost time and medically treated injuries per million work hours



Volume Breakdown

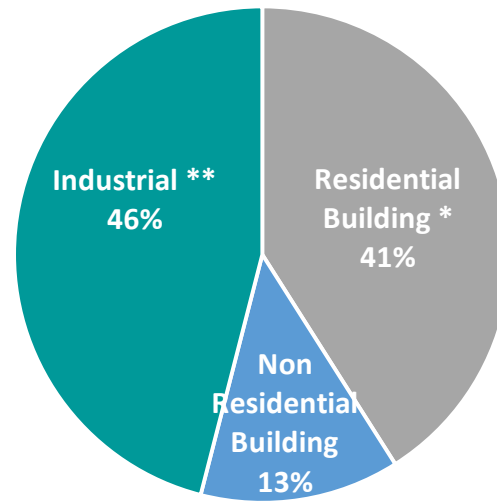
Channels to market (volume)



Source: Capral
RDC: Capral Regional Distribution Centre

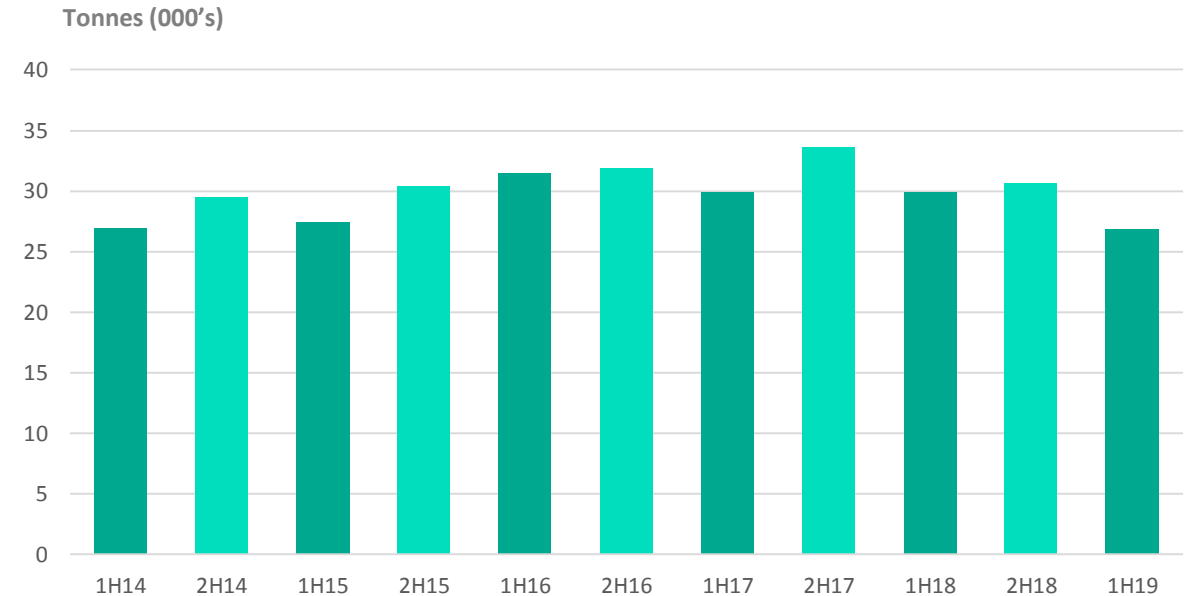
- ~83% of total volume is Extrusion
- ~17% of total volume is Rolled (sheet & plate)

Diverse industry exposure



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

Volume Seasonality

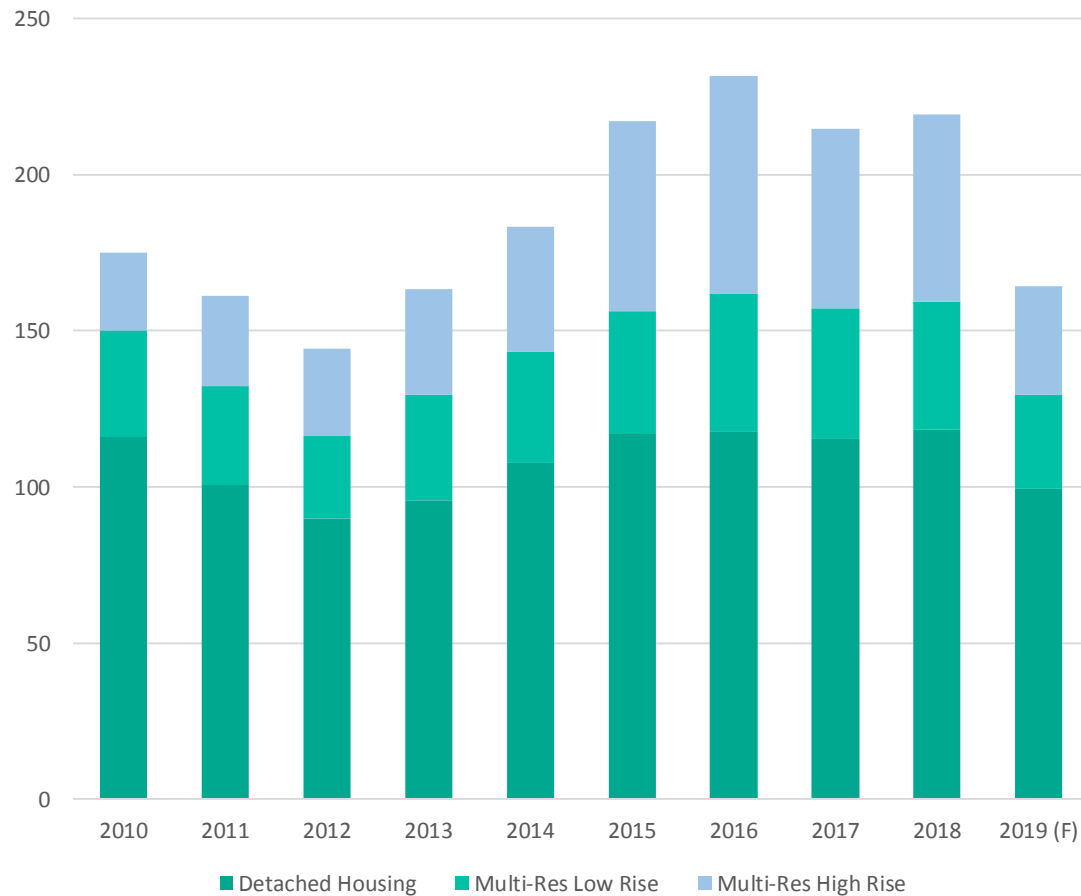


Source: Capral

- 1H19 volume 10% lower than prior year
- Impacted by slow down in residential construction and slightly softer industrial markets
- Imports remained high in 1H19 and surplus domestic capacity continues to impact volumes and margin

Conditions softened in Residential market

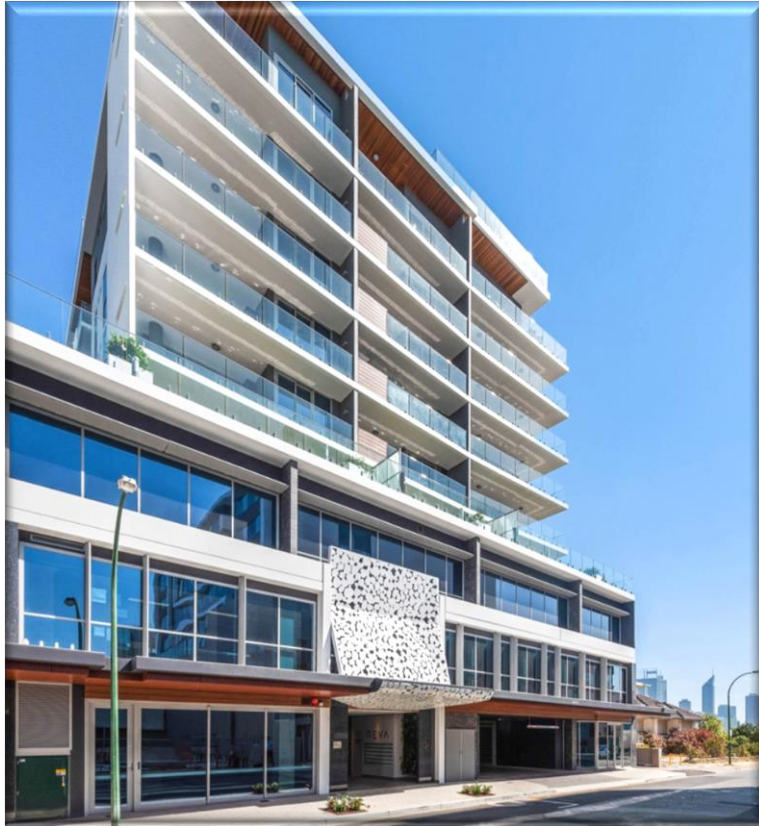
Annual Dwelling Commencements¹ ('000)



¹ Source: BIS Oxford Economics May 2019 forecast

- Residential commencements forecast¹ to decline significantly through 2019
 - Latest forecast (May 2019) 165,350 starts for 2019
 - 25% decline on prior year
- Multi-Res High Rise showing the sharpest decline, forecast 42% down in 2019, however Capral's participation in this segment is modest
- Multi-Res Low Rise forecast to decline by 26% in 2019
- Detached Dwellings forecast to decline by 16% in 2019
 - Victoria, New South Wales, Queensland and South Australia in steep decline
 - Decline slowing in Western Australia
 - Tasmania's growth continuing
- Capral's volume in the residential market is mainly aligned with Detached Dwellings and Low Rise

Recent Capral Residential & Commercial Projects



Reva Apartments, South Perth, WA



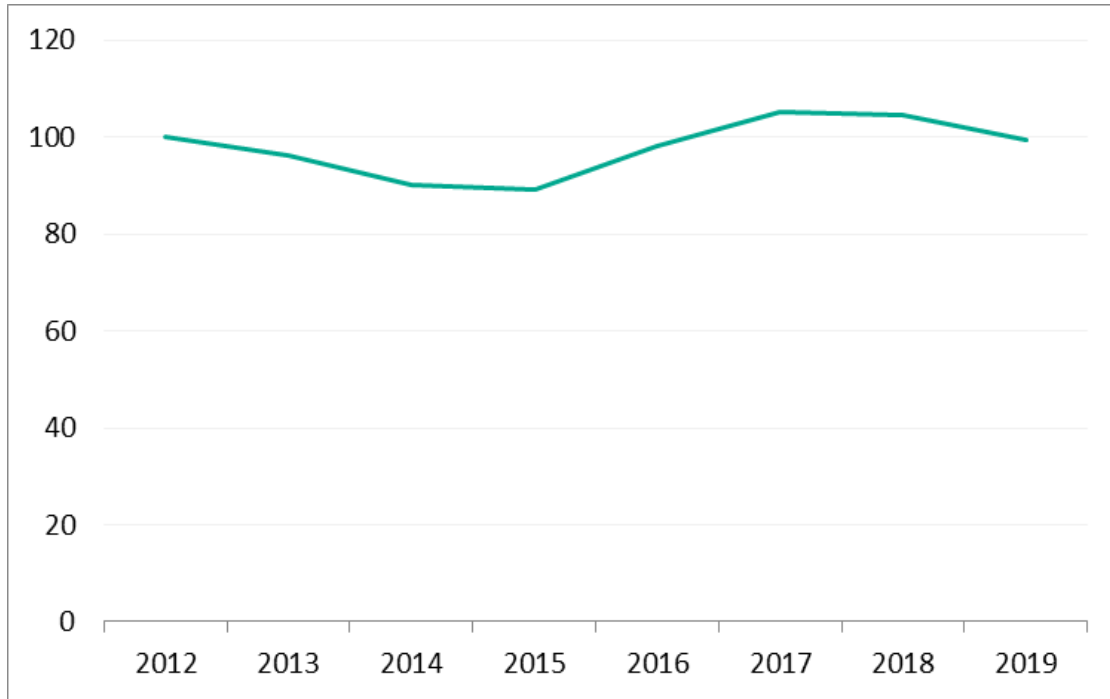
Marsden Brewhouse, Marsden Park, NSW



Surf Shack, Middleton, SA

Industrial sector slowed

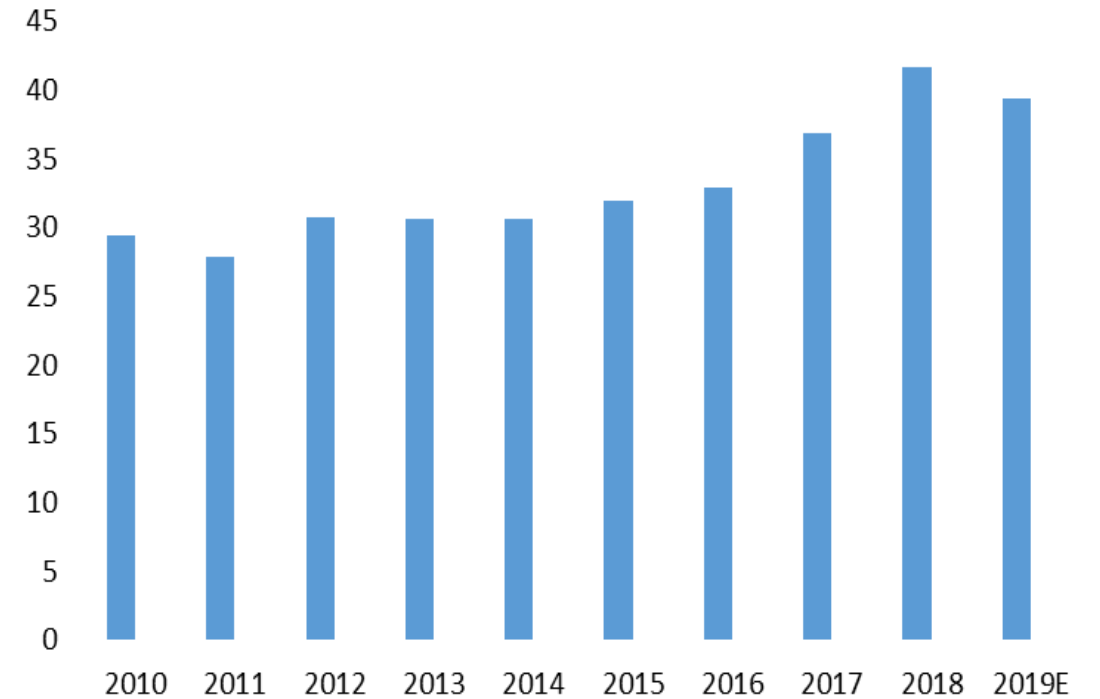
Total Capral Industrial Volumes (Index 2012)



Source: Capral

- Marine sector strong – commercial ferries and defence
- Manufacturing and general fabrication slowed
- Sector softening as general economic activity slows
- Government defence programs slowly starting to deliver benefits to local industry

New Truck and Van builds¹ ('000)



¹ Source: TIC (Truck Industry Council of Australia) (Prime Mover Magazine)

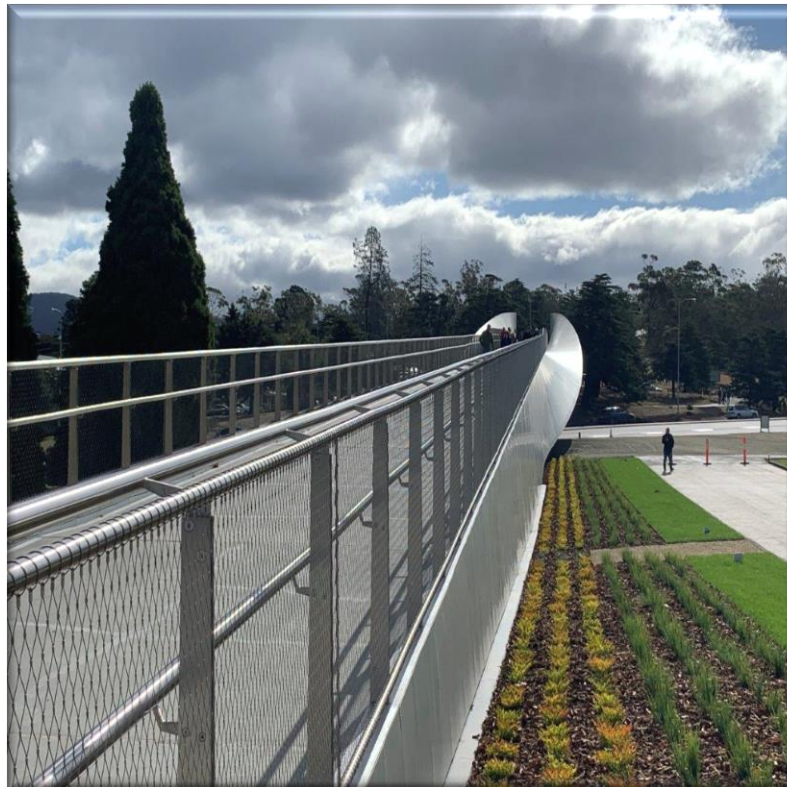
² Source: Capral

- Truck building down from 2018 record year

Recent Capral Industrial Projects



Wave Piercing Catamaran – Incat, TAS



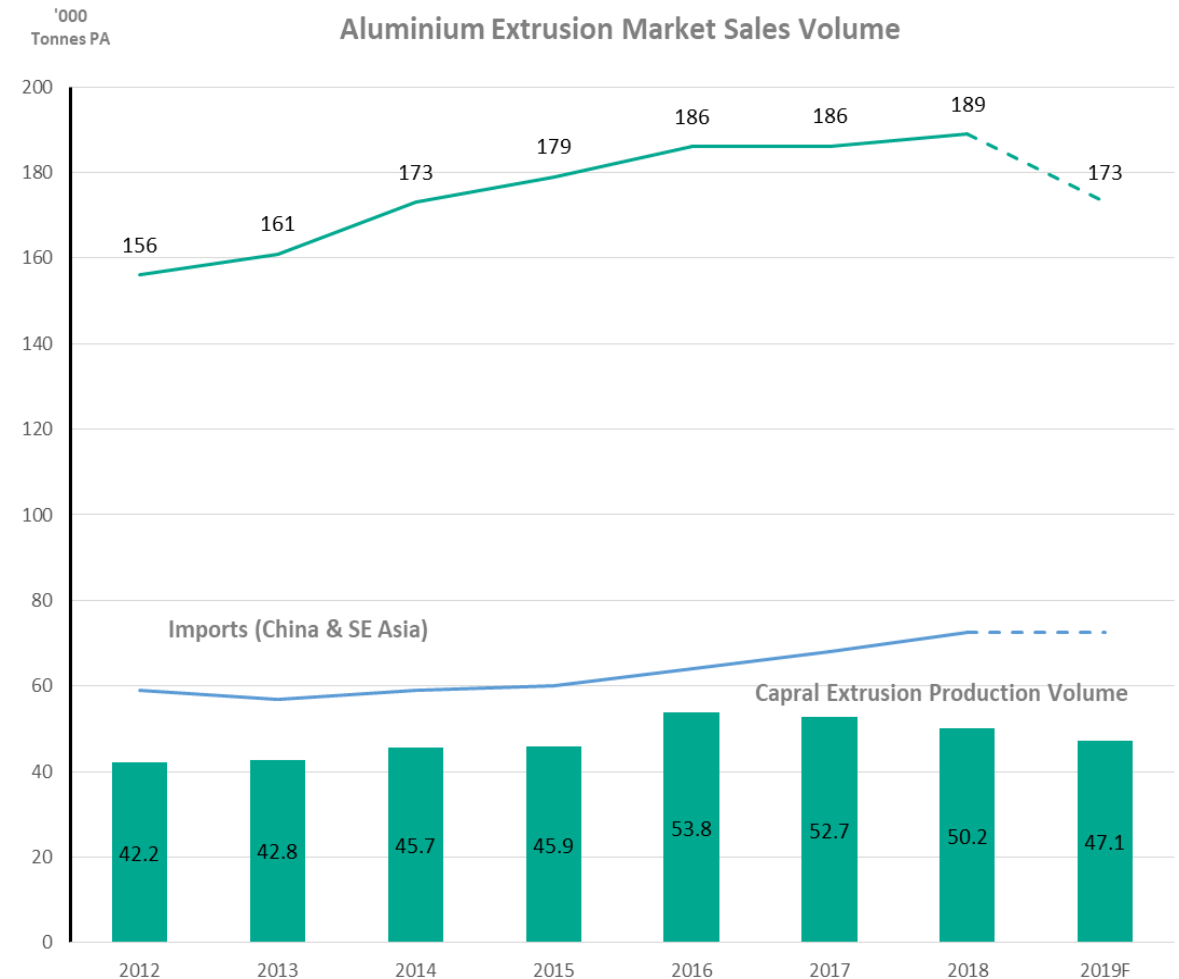
Memorial Bridge, Hobart, TAS



Slider Trailer, Sloanebuilt, NSW

Extrusion market contracted

- Residential construction fell
- Non-residential building steady
- Industrial sector softer
- Capral has an estimated 26% share of the Australian Aluminium extrusion market
- Import volumes and share of market increased in FY18 and maintained high levels through 1H19
- Excess domestic extrusion capacity remains



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

1H19 Financials

Tertius Campbell, CFO

"Restructuring and automation projects deliver cost reductions in 2H19 and beyond, improving future returns."



Trading Results impacted by sharper first half slowdown

- 1H19 total volume 10% below prior period
- Sales revenue fell in line with volume decline
- Margins remain under pressure due to imports and excess local capacity
- Aluminium input price (LME) reduced from an average of A\$2,820 in 1H18 to A\$2,613 in 1H19
- Restructuring cost primarily to right size the Bremer operation:
 - Redundancies \$3.3m
 - Dismantling and relocation \$2.3m
 - Other \$0.8m
- AASB16 EBITDA impact of \$8.4m comprises of:
 - Depreciation \$6.4m
 - Interest \$2.0m

Important Note

EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation and incorporates AASB16 impact from 2019. Trading EBITDA is presented with reference to the ASIC Regulatory Guide 230 “Disclosing non-IFRS financial information” issued in December 2011. 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 LME and Premium revaluation, one-off and other restructuring related costs that are non-recurring in nature and including the depreciation and interest on of Right of Use assets as proxy for rent.

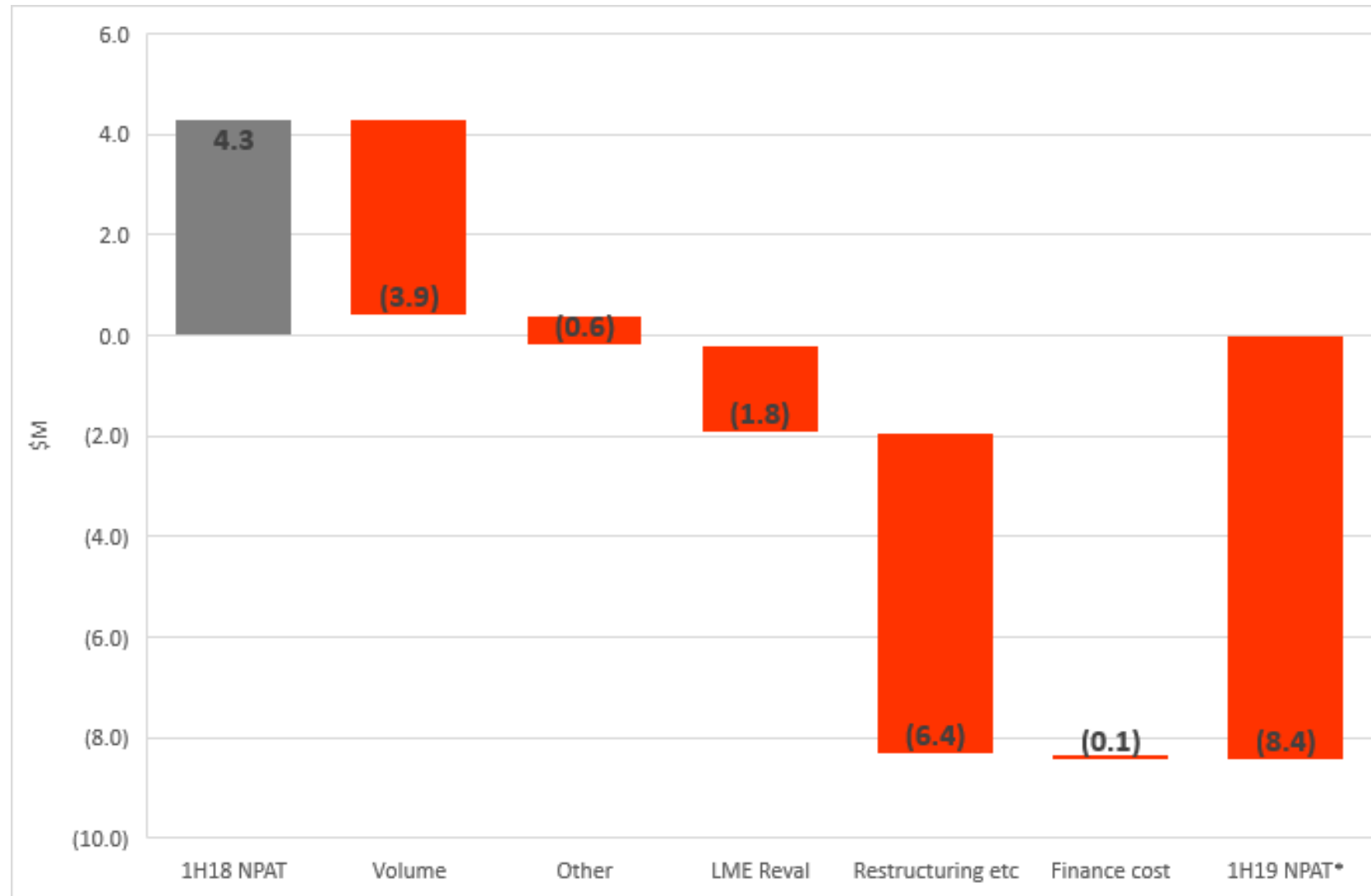
	1H19 Incl AASB16	1H18 Excl AASB16
Sales Volume ('000 tonnes)	26.8	29.9
	\$m	\$m
Sales Revenue	201.2	222.6
Trading EBITDA¹	2.4	6.9
Restructuring and one-off costs	(6.4)	-
LME Revaluation ²	(1.0)	0.8
AASB16 Impact	8.4	-
EBITDA¹	3.4	7.6
Depreciation/Amortisation		
- Owned Assets	(2.8)	(2.8)
- Right of Use Assets	(6.4)	-
EBIT	(5.8)	4.8
Finance Cost		
- Working Capital	(0.6)	(0.5)
- Right of Use Leases	(2.0)	-
Profit(Loss) after tax	(8.4)	4.3

¹ See Important Note

² Included in other expenses

Source: Capral

Earnings impacted by volume and restructuring



* AASB16 EBITDA impact offset by
Right of Use asset depreciation and
interest

Financial position stable

CASHFLOW	1H19 \$m Incl AASB16	1H18 \$m Excl AASB16
EBITDA	3.4	7.6
Working Capital	1.2	(1.7)
Finance Cost	(2.6)	(0.4)
Other	-	-
Operating Cash Flow	2.0	5.5
Capex Spend	(3.4)	(5.0)
Asset Funding	5.0	-
Leases Principle repaid	(7.8)	-
Dividend Paid	(4.8)	(6.0)
Increase/(Decrease) in Net Cash	(8.9)	(5.5)

- FY18 Final dividend of 1.0 cents (fully franked) paid March 2019
- ANZ facility of \$50m renewed until January 2021
- Low risk capital structure with no debt

BALANCE SHEET	Jun 19 \$m Incl AASB16	Jun 18 \$m Excl AASB16
Current Assets		
Inventory	82.3	87.6
Trade Receivables	65.4	73.5
Net Cash and Equivalents	18.7	28.9
Other	1.4	2.0
	<u>167.8</u>	<u>192.0</u>
Current Liabilities		
Trade Payables	(70.8)	(89.2)
Lease Liabilities	(16.4)	-
Provisions and Other	(18.9)	(13.3)
	<u>(106.2)</u>	<u>(102.5)</u>
Net Current Assets	61.6	89.5
Non Current Assets ¹	104.2	47.4
Non Current Liabilities ¹	(76.8)	(5.4)
Net Assets ^{1&2}	<u>88.9</u>	<u>131.5</u>
Net Tangible Asset Value (Pre AASB16) ²	115.1	128.2
NTA cents per share (Pre AASB16)	23.8	26.7
Franking Credits	19.0	22.0
Accumulated Unrecognised tax losses	289.1	279.1

¹ Impacted by AASB16 (\$29.3m)

² Impacted by Special Dividend (\$2.4m), Final Dividend (4.8m), Restructuring (\$6.4m)

Strategy and Outlook

Tony Dragicevich, CEO & MD

“Deliver benefits of automation investment and right sizing of operations to improve our long term competitive position”.

BUILD

On our strengths

OPTIMISE

What we do

GROW

For the future



Bremer Park Restructure

- Closure of Anodising operation – continued service delivery via 3rd party anodisers
- Removal of one paint line, excess to requirement
- Right sizing of Extrusion operation to align with current demand – one press mothballed
- Permanent headcount reduced by 62
- Casual labour reduced
- Bremer lease renegotiated and extended by 5 years
- Additional space made available for sub-lease to third party
- Capital spend on automation starting to deliver savings with further efficiency opportunities underway
- Combined annualised savings of initiatives estimated at \$8m
 - 2H19 impact ~\$3m



Investments to improve productivity and competitiveness

- Automated product handling and packing at Bremer Park, QLD (\$5.0m)
 - Commissioning complete 1H 2019
 - Elimination of bottlenecks
 - Head count reduction - 32
- Robotic packing line at Penrith, NSW (\$1.6m)
 - Royalty agreement to commercialise technology for Europe completed
- New paint line at Canning Vale, WA (\$2.4m)
 - Commissioning complete Q4 2018
 - Improved paint quality
 - Head count reduction - 9
- Warehouse extension and site consolidation, WA
 - Project completed 1H 2019
 - Annualised cost saving \$1.1m



Increased dumping measures on imports from China (May 2019)

2010 – 2015 Modest impact from initial measures on Chinese imports

- Case won in 2010 with low level duties imposed on Chinese imports
- Anti-Circumvention case initiated and successfully prosecuted against largest Chinese exporter/importer
- Reforms to federal legislation and methodology

2017 – New cases initiated

- Measures imposed against all Vietnam and some Malaysian sourced extrusions
- Nov 2017: Review of variable measures affecting imports from China resulted in generally higher measures

2018 – Continue pursuit of Fair Trade

- Anti-circumvention trans shipment case finalised with new exporters incurring duties
- Case against Thailand and two Chinese exporters unsuccessful

2019 – Measures significantly strengthened

- Variable Measures Review of China finalised with increase in measures implemented in May 2019
- Compliance activity: Border Force announce unpaid duty notices of \$15m on Aluminium Extrusions. Action includes; shutdown of companies and visa cancellations
- Continue to interact with Government around strengthening the anti-dumping regime and monitor circumvention

Outlook

- Commentators are forecasting a gradual fall in LME¹ from current levels during 2H 2019
- AUD² weakening to ~\$US0.65 by year end will partially offset a fall in USD LME
- Residential commencements are forecast³ to remain soft during 2H 2019
- Industrial sector anticipated to remain at current levels but deliver import replacement opportunities to Capral
- 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
- Investments in restructuring and automation initiatives will begin delivering benefits in 2H19
- Absent any unforeseen events, 2019 Full Year Trading EBITDA⁴ is forecast to be between \$10 - 12m with EBITDA⁴ \$18 - 20m
- The Board will consider its position in relation to dividends after financial year end

¹ Source: Harbor Aluminium Intelligence Unit / July 2019

² Source: ANZ – July 2019

³ Source: BIS Oxford Economics May 2019 forecast

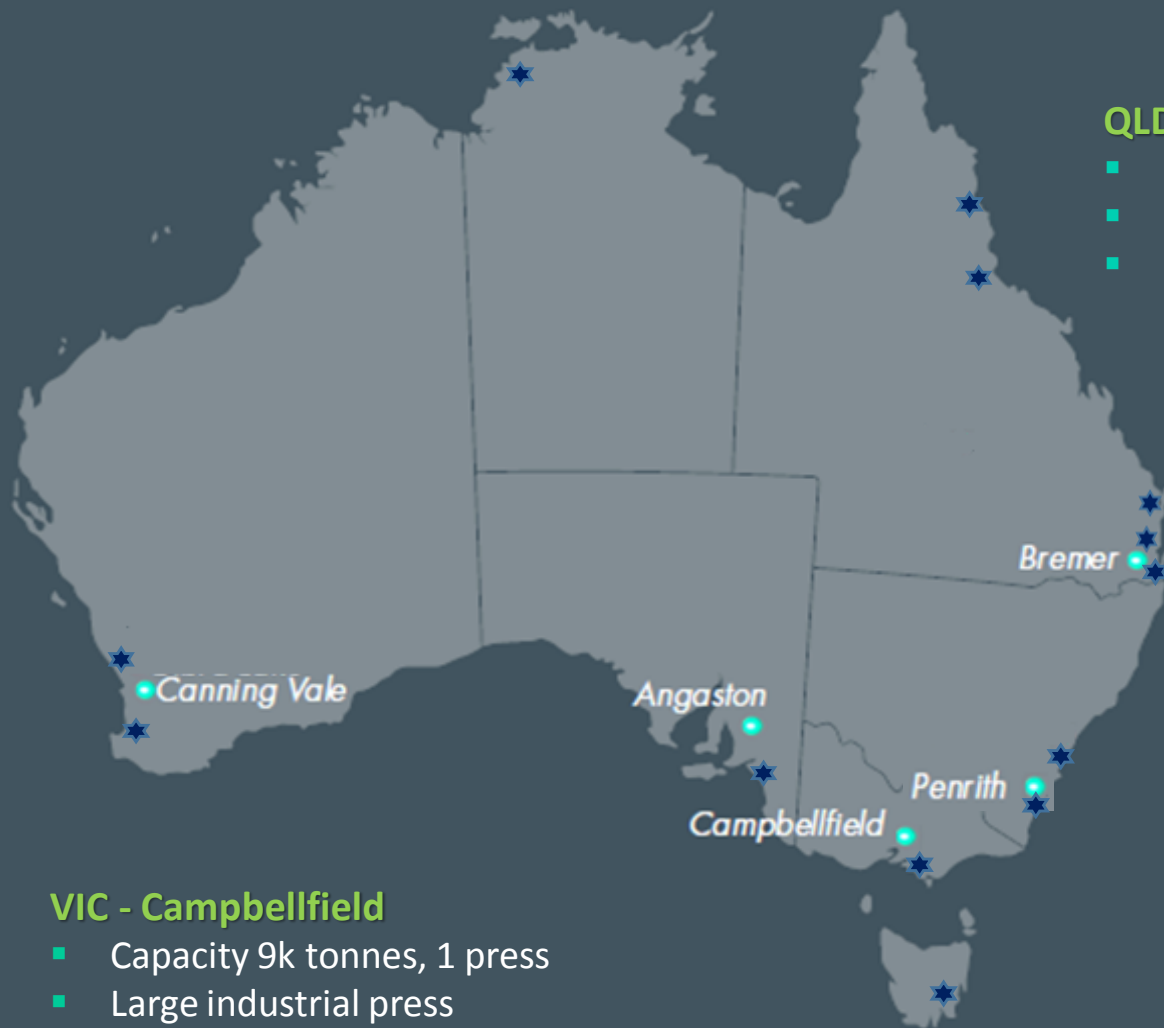
⁴ See Important Note (Page 13)

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



QLD – Bremer Park

- Capacity 35k tonnes, 4 presses
- 1 paint line
- 2019: Automated product handling project

WA - Canning Vale

- Capacity 8k tonnes, 1 press
- 2019: 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

NSW - Penrith

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

QUESTIONS

