



CAPRAL
ALUMINIUM

SHAPING THE FUTURE

together

2022 Half Year Results Presentation

18 August 2022

Capral Limited (ASX:CAA)

15 Huntingwood Drive
Huntingwood NSW 2148

Approved and authorised by Capral's Board of Directors

OUR BUSINESS AT A GLANCE

AUSTRALIA'S LEADING SUPPLIER OF ALUMINIUM EXTRUSION AND ROLLED PRODUCTS

**#1 EXTRUSION
MANUFACTURER**

**#1 SUPPLIER OF
INDUSTRIAL ALUMINIUM
EXTRUSION**

**#1 DISTRIBUTOR OF
ROLLED ALUMINIUM
PRODUCTS**

**#2 DISTRIBUTOR OF
COMMERCIAL WINDOW
AND DOOR SYSTEMS**



6 PLANTS

8 EXTRUSION PRESSES

65,000 TONNES OF
ANNUAL EXTRUSION CAPACITY



KEY MARKETS:
**RESIDENTIAL
COMMERCIAL
CONSTRUCTION
INDUSTRIAL**



ANNUAL
TURNOVER
~\$680
MILLION



8 DISTRIBUTION CENTRES

12 TRADE CENTRES



MARKET SHARE
~26%



OVER
1,000
EMPLOYEES

AGENDA

1. 1H22 Highlights
2. 1H22 Financials
3. Strategy
4. Outlook & Guidance



FIRST HALF HIGHLIGHTS

Tony Dragicevich, CEO & Managing Director

*"Volume remained strong in key market segments,
however demand has softened"*

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1H22 PERFORMANCE HIGHLIGHTS

RECORD FIRST HALF RESULT

Volume on par with 1H21 at
36,200
tonnes

Sales Revenue **34%**
\$349m
(1H21: \$261m)
driven by record high LME

Underlying EBITDA^{1&2} **28%**
(excluding rent)
\$31.6m
(1H21: \$24.6m)
driven by improved sales mix & margin

Underlying EBIT² **41%**
\$21.0m
(1H21: \$14.9m)

Underlying EPS² **31%**
\$1.05
(1H21: \$0.80)
NPAT \$22.2m includes \$3.5m ITB
(1H21: \$15.7m)

Interim Dividend
20 cps
fully franked
(1H21: 20 cps)

Strong balance sheet
with net cash 30 June
\$34.9m

Strong volume, high operating leverage,
improved sales mix and margin combined
to lift profitability to record first half levels

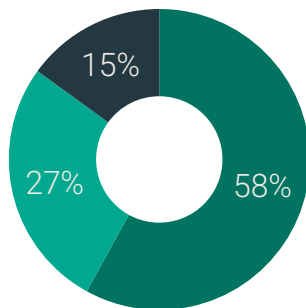
Excellent Safety
Performance
TRIFR³
5.5
(1H21: 6.3)

Important Note

- 1 EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation and, in accordance with AASB16, excludes rent payments \$9.5m.
- 2 Underlying EBITDA, EBIT, and Earnings Per Share (EPS) are adjusted for significant items (LME Revaluation \$0.3m and Income Tax Benefit \$3.5m).
- 3 TRIFR is total reportable lost time and medically treated injuries per million work hours.

SALES VOLUME ON PAR WITH PRIOR PERIOD

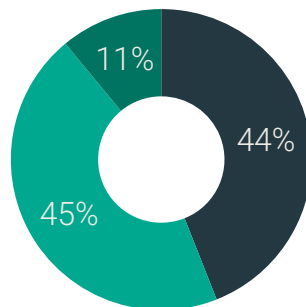
Channels to Market (volume)



- Extruded Aluminium (Direct from Mill)
- Extruded Aluminium (via DCs)
- Rolled Aluminium (via DCs)

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

First half volume on par with 1H21

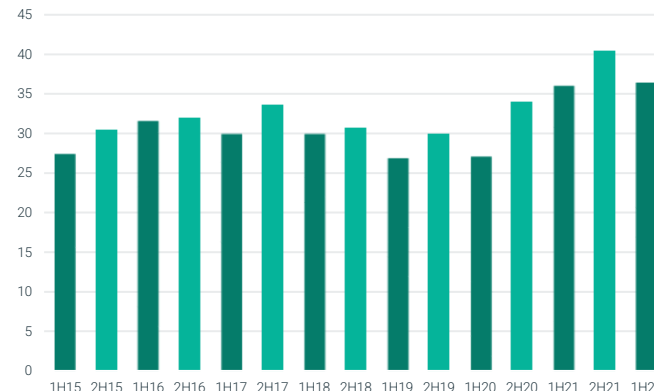
Volume supported by:

- Buoyant housing market
- Infrastructure investment and commercial projects

Some Resellers and Solar Rail Distributors resumed importing as supply chain problems eased

Volume Seasonality

Tonnes (000s)



Source: Capral

Volume split by Product Group

85%
Extrusion

15%
Rolled (Sheet & Plate)

RESIDENTIAL MARKET SLOWING BUT PIPELINE STRONG

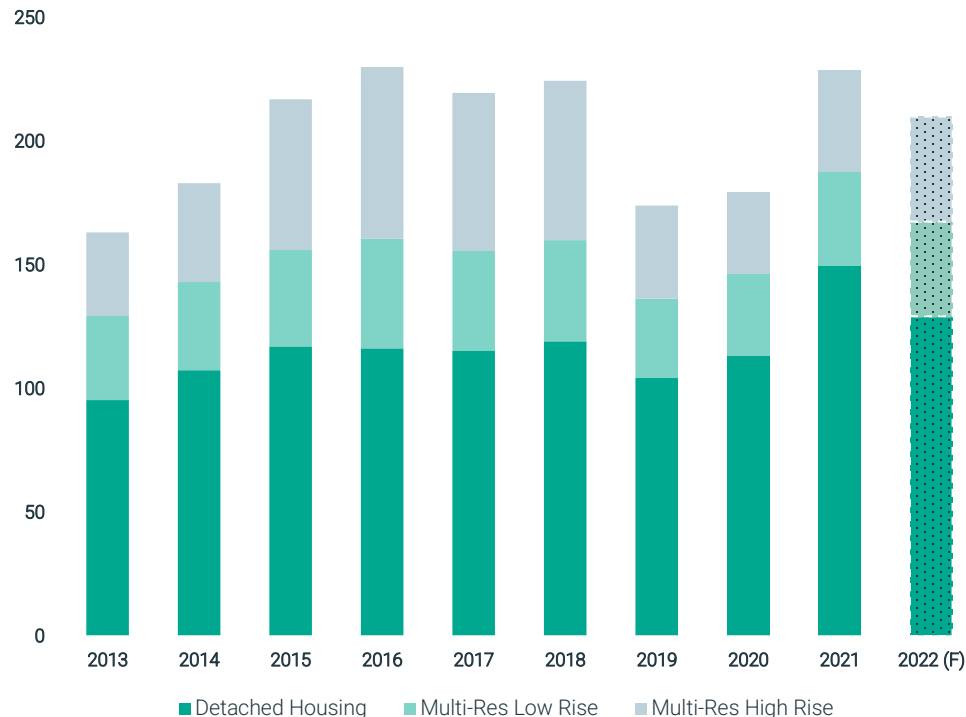
2022

**Latest estimate¹
210,200 starts in 2022,
down 8% on 2021**

- Residential starts impacted by;
 - Higher interest rates
 - Removal of government incentives
- Detached dwellings down by 14%
- Multi-res up by 2%

Much of the anticipated drop in starts is forecast to occur in the second half of 2022

Annual Dwelling Commencements¹ (000's)



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

¹Source: BIS Oxford Economics (May 2022)

RECENT CAPRAL RESIDENTIAL & COMMERCIAL PROJECTS

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UTAS – Student Accommodation, TAS

Fabricator: Hobart Glass

Products: Capral Commercial Window Systems



Henley Beach Residence, SA

Fabricator: KR Installations

Products: Schuco Windows and Doors



TRN House, NSW

Fabricator: Wintech

Products: Capral Commercial Curtain Wall



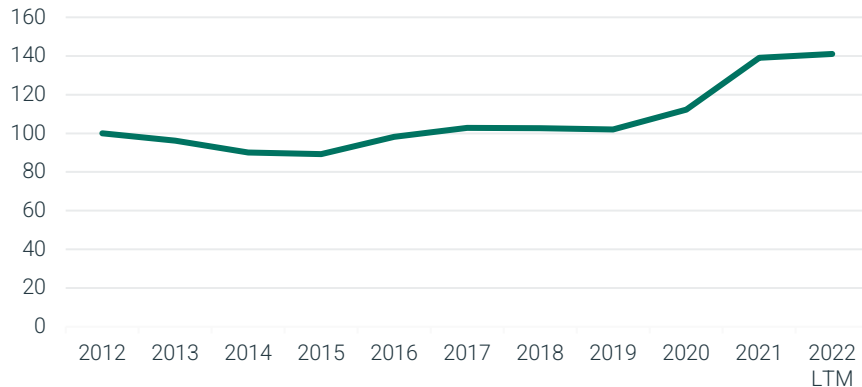
Karringal Green Aged Care, WA

Fabricator: Concept Windows

Products: Capral Commercial Hinged Doors & Sliding Doors

INDUSTRIAL SECTOR REMAINS STRONG

Total Capral Industrial Volumes (Index 2012)



Source: Capral

Marine

Steady market conditions
Commercial ferry builds slowed

Solar

Wet weather conditions and
increased imports reduced demand
for local supply

Industrial Construction

Solid growth in infrastructure investment
Growth in cladding sector as rectification
activity starts

Manufacturing & General Fabrication

Markets solid and share gains holding
against imports

Resellers

Volume to industrial distributors
softened as imports resumed

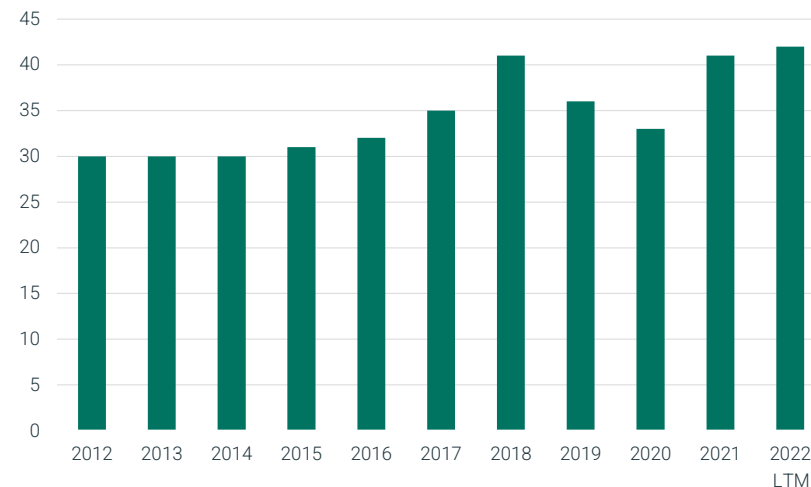
Transport

Strong conditions continued

Transport sector remains strong

- New truck builds posted record first half year
- Government stimulus assisted sector recovery (instant asset write-off)
- Strong grain season and sector optimism supports ongoing high activity levels

New Truck and Van Builds (000's)



Source: Truck Industry Council of Australia

RECENT CAPRAL INDUSTRIAL PROJECTS



Holmwood Higate Tanker, QLD



**Willinga Park Equestrian Centre, NSW South Coast
Capral Aluminium Seating System**



Great Barrier Reef Pontoon – English Engineering, North QLD



MONA Museum Catamaran – Richardson Devine Marine, TAS

FIRST HALF FINANCIALS

Tertius Campbell, CFO

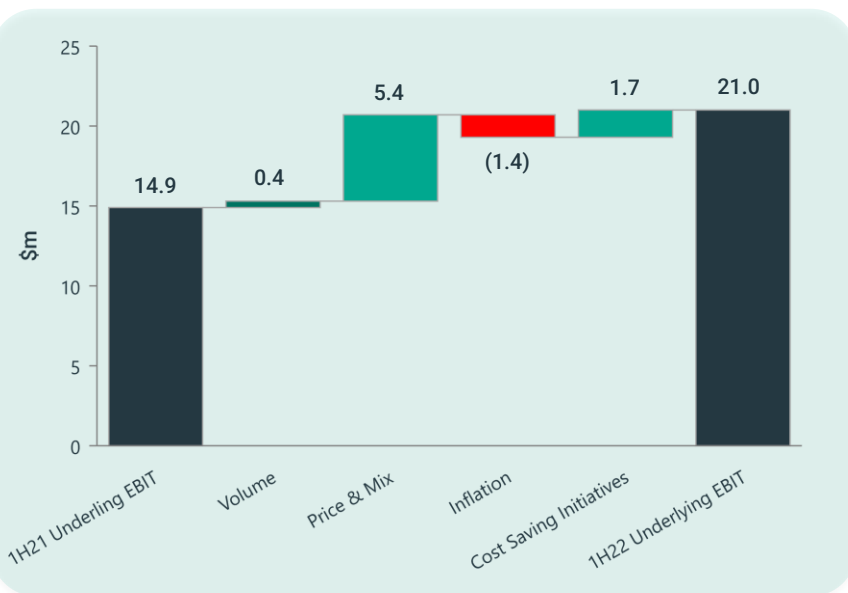
"Record first half earnings driven by robust margins and ongoing cost control"

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RECORD FIRST HALF EARNINGS

- ❶ First half volume marginally higher than prior period
- ❷ Sales Revenue increased 34% on 1H21, driven predominantly by higher metal prices (LME)
- ❸ Underlying EBITDA up by 28% on 1H21, primarily due to improved sales mix and margin
- ❹ Depreciation on owned assets increased mainly due to acquisition of Smithfield plant
- ❺ Operational Finance Cost is primarily driven by line fees and LC costs for imported products
- ❻ \$3.5m additional Income Tax Benefit recognised during 1H22 (1H21:\$2.0)
- ❼ Significant Items consist of \$0.3m net LME revaluation gain (1H21:\$1.5m)



	1H22	1H21
Sales Volume ('000 tonnes)	❶ 36.2	35.9
	\$m	\$m
Sales Revenue	❷ 349.0	261.2
Underlying EBITDA¹	❸ 31.6	24.6
Depreciation/Amortisation	❹	
- Owned Assets	(3.7)	(3.1)
- Right of Use Assets	(6.9)	(6.6)
Underlying EBIT¹	21.0	14.9
Significant Items	0.3	1.5
EBIT	21.3	16.4
Finance Cost	❺	
- Operational Funding	(0.5)	(0.6)
- Right of Use Leases	(2.2)	(2.2)
Net Profit Before Tax	18.7	13.7
Income Tax Benefit	❻ 3.5	2.0
Net Profit After Tax	22.2	15.7
LME Revaluation	0.3	1.5
Significant Items	❼ 0.3	1.5

Underlying Earnings Per Share (\$)	1.05	0.80
Statutory Earnings Per Share (\$)	1.27	0.93

¹See Important Note (page 5).

SOUND FINANCIAL POSITION THAT PROVIDES CAPACITY FOR DIVIDENDS AND GROWTH INVESTMENT

- ❶ Inventory (raw material and finished goods) increased due to; rebuild from low levels at start of year, record high metal prices (LME), and higher goods in transit
- ❷ Increased receivables due to higher sales price (LME), metrics remain excellent with DSO at 46 days (1H21:44 days)
- ❸ \$90m multi-option debt facility with ANZ Bank, expiring April 2023 with sufficient headroom to fund working capital and trade instruments (LC's). Net cash of \$34.9m is after accounting for short term trade loans of \$20.5m
- ❹ Lease Liabilities (current and non-current) of \$96.4m, primarily property leases as defined by AASB16, net impact is a reduction in Net Assets of \$27.7m due to timing of lease terms
- ❺ Non-Current Assets include \$68.7m "right of use" leased assets as defined by AASB16
- ❻ Working Capital ratio (Sales Revenue/Average Working Capital) at 11.5 is below historical levels of 12.5 – 13.5
- ❼ A further \$3.5m Deferred Tax Asset was recognised to reflect increased utilisation of tax losses in future periods

Metrics remain strong and well within bank covenants providing flexibility to manage uncertainty

- Leverage ratio¹ reduced to 2 times Underlying EBITDA (1H21:2.2)
- Gearing² increased from 25.4% to 26.6% driven by debt funded increase in working capital
- Underlying EBITDA Interest cover³ maintained at around 40 times

¹ Leverage ratio is Net Debt/Underlying EBITDA

² Gearing is Net Bank Debt/Net Bank Debt & Equity

³ The calculation of interest cover used for bank covenant purposes may differ from calculations drawn directly from the financial statements

BALANCE SHEET		JUN 22	DEC 21
		\$m	\$m
Current Assets			
Inventory	❶	174.4	130.5
Trade Receivables	❷	119.9	96.3
Cash and Equivalents	❸	55.4	50.1
Other		4.1	0.7
		<u>353.8</u>	<u>277.7</u>
Current Liabilities			
Trade Payables		(183.6)	(139.0)
Lease Liabilities	❹	(14.9)	(15.8)
Borrowings		(20.5)	-
Provisions and Other		(18.3)	(19.1)
		<u>(237.3)</u>	<u>(173.9)</u>
Net Current Assets		116.5	103.8
Non Current Assets	❺	146.2	147.6
Non Current Lease Liabilities	❹	(81.5)	(87.7)
Non Current Provisions		(7.0)	(6.5)
Net Assets		<u>174.2</u>	<u>157.2</u>
Working Capital Ratio	❻	11.5	10.7
Net Tangible Asset Value		152.2	138.0
NTA per share		\$8.54	\$8.03
Franking Credits		9.6	13.3
Accumulated Unrecognised Tax Losses	❼	159.6	196.3

STRONG CASH EARNINGS OFFSET BY HIGHER WORKING CAPITAL REQUIREMENTS DUE TO RECORD HIGH METAL COSTS (LME)

Continued strong focus on cash management. Cash conversion ratio lower due to increase in working capital but will improve as working capital levels normalise

- ① Working Capital increase driven by increased debtors and inventory due to rising sales prices and record high metal costs (LME)
- ② Operational interest charge broadly in line with prior period
- ③ Maintenance, Environmental and Safety capex ~\$4m pa in line with plan. Major projects underway; Huntingwood Paintline and Penrith Press rebuild
- ④ Acquisition of extrusion plant in Smithfield, NSW in 1H21
- ⑤ Dividend paid was net of a 30% up take of the 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, maximum usage during 1H22 \$20.5m (1H21: Nil)

CASH FLOW		1H22	1H21
		\$m	\$m
EBITDA ¹		31.9	26.2
Working Capital	①	(28.0)	(11.8)
Finance Cost	②	(2.9)	(2.6)
Operating Cash Flow		1.0	11.8
Capital Expenditure	③	(4.7)	(3.8)
Acquisition/Investment	④	-	(10.3)
Rent Principal payments		(7.4)	(7.9)
Free Cash Flow		(11.1)	(10.2)
Proceeds from borrowings	⑧	20.5	-
Other		0.4	-
Dividends Paid	⑤	(6.0)	(5.4)
Increase/(Decrease) in Net Cash		3.8	(15.6)

BANK FACILITY USAGE		1H22	1H21
		\$m	\$m
Bank Guarantees	⑥	4.4	3.8
Trade Instruments	⑦	51.5	36.2
Trade/Other loans	⑧	20.5	-

NET CASH POSITION		1H22	1H21
Cash Balance in funds		34.9	33.8

¹ See Important Note (page 5)

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

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IMPROVE PRODUCTIVITY AND COMPETIVENESS, RETAIN MARKET SHARE GAINS

Manufacturing

- 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
- Upgrade of the Penrith extrusion plant starts 4Q22

Distribution

- Release Capral's new window & door product range and systems software
- Range enhanced by purchase of assets & rights to the EDGE high thermal performance window systems (<\$1m)
- Installation of paintline in our NSW distribution centre on track for 4Q22
- Long term goal is to grow Capral's direct distribution channel

Sales

- On-going technology investment to improve sales effectiveness including; customer interfaces (EDI), CRM, and digital marketing (EDM)
- Upgrades to website and e-store are progressing
- Seeking opportunities to expand regional trade centre footprint

MARKET DEVELOPMENT

Solar

Regain and grow share in the \$60m+ solar rail market



Defence

Capral is an approved supplier to major defence contracts



Cladding

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



Imports and Anti-Dumping

Retain market share gains

Continue fight for fair trade

Appeal the July 2022 decision to discontinue measures on Malaysia and Vietnam

Initiate variable measures review on Chinese imports in Q322

ON A PATH TO A BETTER TOMORROW

- Active sustainability committee.
- Net Zero by 2050 (Scope 1 and 2 emissions)
- Drive sustainability best practice throughout business
- Underpinned by a commitment to the United Nations Sustainability Development Goals



OUR ROADMAP



Identify and implement strategies and processes to minimise the use of energy and develop sources of renewable energy



Reduce how much waste is going to landfill by reuse, repurpose, and recycle



Identify and introduce ways to minimise the use of paper and ensure any paper used is from sustainable sources



Source from ethical suppliers providing sustainable, non-toxic, biodegradable and recycled products

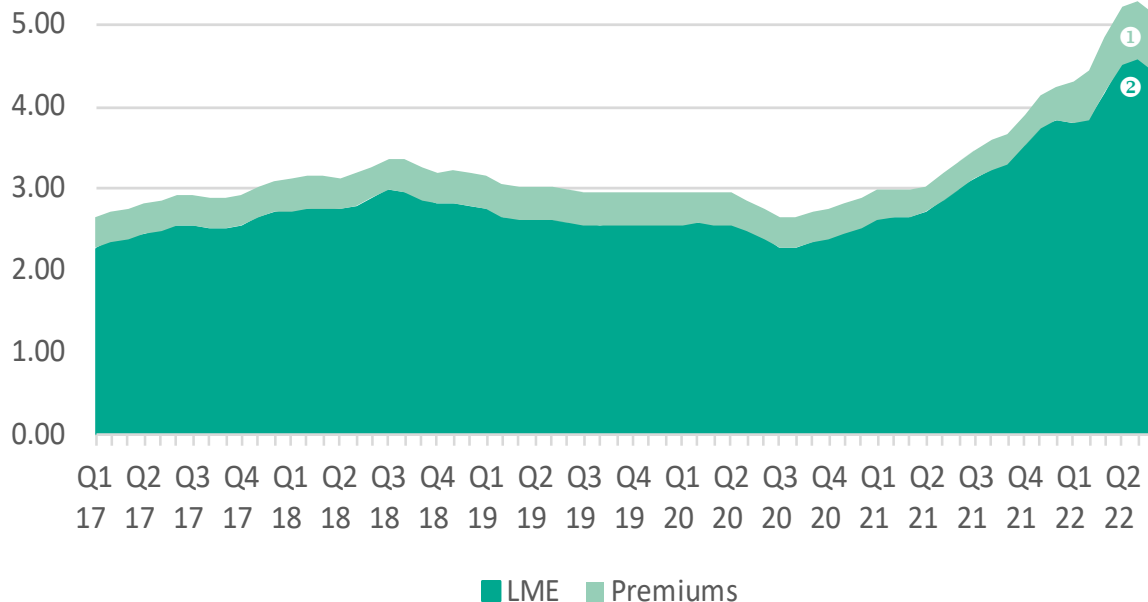
FIRST HALF HIGHLIGHTS

- Scrap recycling agreement with Tomago aluminium smelter, an Australian first
- \$1.2m investment in solar renewal energy at Campbellfield, VIC ~20% of site energy consumption
- Replaced 400 high bay warehouse lights at Bremer Park, QLD with LED's reducing lighting energy consumption by 45%
- Joined the Aluminium Stewardship Initiative (ASI)
- Joined MECLA (Materials Embodied Carbon Leader Alliance) to assist in guiding the Built Environment towards using more sustainable aluminium in projects

ALUMINIUM PRICE AT RECORD HIGHS

Aluminium Price (LME & Premiums)

Metal Cost (\$A/kg)



- ① MJP regional premium increased 78% during FY21

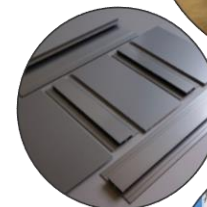
Significant increase in Billet premium in 2022

- ② Average LME increased 30% during FY21 to \$A3,195t (Dec20 \$A2,660t, Dec21 \$A3,770t) due to high global demand

LME increased sharply during 1H22 to a record high of \$US3,664/t (~\$A4,800/t month avg) in March due to speculation of an embargo on Russian aluminium. This did not eventuate and LME has since declined sharply, and further moderate declines are forecast during 2H22

OUTLOOK AND EARNINGS GUIDANCE

- Capral's operations continue to be impacted by COVID and Flu related absenteeism
- Residential building is forecast² to soften during 2nd half of 2022
- Other key markets, Commercial and Industrial, are expected to remain at relatively high levels
- Reseller volumes falling as import supply chains normalise
- LME peaked at record levels in 2Q22, has recently returned to December 2021 levels, and is forecast³ to fall moderately during the second half of 2022
- Inflationary cost pressures starting to impact, especially; energy, packaging and freight
- Absent any unforeseen events, FY22 guidance is maintained with Underlying EBITDA¹ expected to be in the range of \$53m-\$57m, and Underlying EBIT¹ in the range of \$32m-\$36m
- 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 May 2022 forecast

³ Source: Harbor Aluminium Intelligence Unit

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

QUESTIONS

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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

