2022 Full Year Results Presentation and Earnings Guidance

24 February 2023

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
~$690
MILLION

TOTAL ASSETS
~$450
MILLION

8 DISTRIBUTION CENTRES

14 TRADE CENTRES

MARKET SHARE
~25%

OVER
1,000
EMPLOYEES

AGENDA

1. FY22 Highlights
2. FY22 Financials
3. Strategy
4. Outlook & Guidance

FULL YEAR HIGHLIGHTS

Tony Dragicevich, CEO & Managing Director

"Record full year underlying earnings driven by;
- *improved sales mix from growth in high value sales channels*
- *higher productivity from investments in manufacturing"*

CAPRAL ALUMINIUM

FY22 PERFORMANCE HIGHLIGHTS

RECORD FULL YEAR RESULT

Volume lower than FY21 at
71,800
tonnes
(FY21: 76,300t)

6%

Sales Revenue
$693m
(FY21: $593m)
driven by record high LME

17%

Underlying EBITDA[1&2]
(excluding rent)
$62.2m
(FY21: $56.4m)
driven by improved sales mix & margin

10%

Underlying EBIT[2]
$40.8m
(FY21: $36.2m)

13%

Underlying EPS[2]
$1.96
(FY21: $1.80)
NPAT $40.8m includes $8.4m ITB
(FY21: $42.7m includes $9.4m ITB)

9%

Final Dividend
50 cps
fully franked
(FY21: 50 cps)

Strong balance sheet
with net cash 31 December
$24.9m

NTA per share
$9.14
(FY21: $8.03)

14%

Excellent Safety
Performance
TRIFR[3]
4.3
(FY21: 7.7)

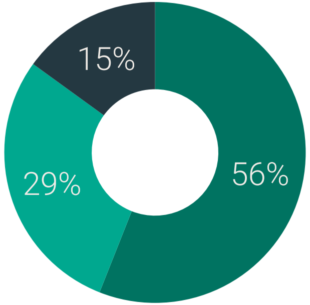
Important Note

[1] EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation and, in accordance with AASB16, excludes rent payments $18.9m.
[2] Underlying EBITDA, EBIT, and Earnings Per Share (EPS) are adjusted for significant items (LME Revaluation ($2.2m) and Income Tax Benefit $8.4m).
[3] TRIFR is total reportable lost time and medically treated injuries per million work hours.

SALES CHANNELS AND INDUSTRY EXPOSURE

CAPRAL ALUMINIUM

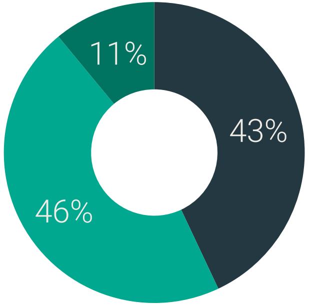
Channels to Market (volume)



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

Source: Capral
DC's: Capral Distribution Centres.

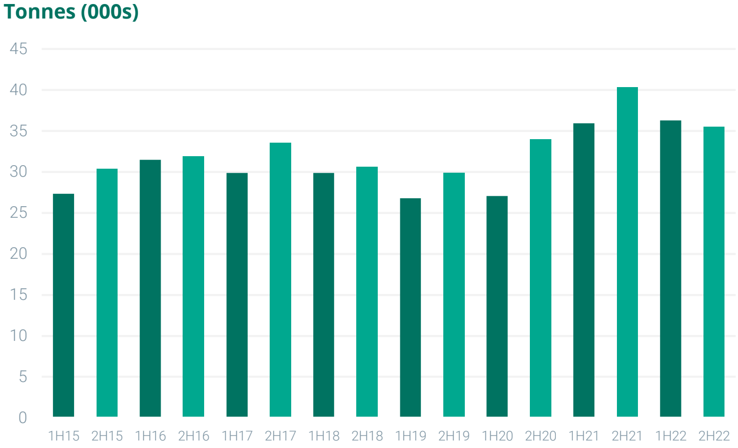
Diverse Industry Exposure



■ Industrial
■ Residential Building
■ Commercial Construction

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

Volume Seasonality



Source: Capral

Volume split by Product Group

85% Extrusion

15% Rolled (Sheet & Plate)

Volume 6% lower than 2021

Softer volume driven by:

- **Resellers and Solar rail distributors returning to imports as supply chain problems eased**
- **Softer housing markets partially offset by ongoing infrastructure investment and commercial projects**

RESIDENTIAL MARKET SLOWED AND PIPELINE REDUCING

2022

Latest estimate[1] 190,000 starts in 2022, down 18% on 2021

- Residential starts impacted by:
  - Higher interest rates
  - Removal of government incentives
- Detached dwellings down by 20%
- Multi-res down by 14%

2023

Forecasted starts to be on par with 2022

- Starts impacted by rising interest rates
- Detached dwellings slightly down
- Multi-res showing slight improvement

Annual Dwelling Commencements[1] (000's)

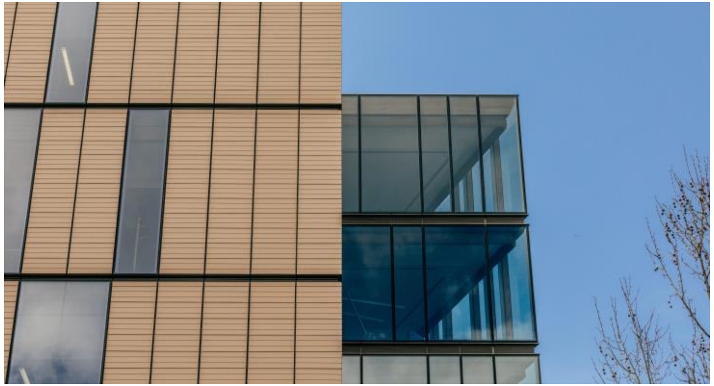
Capral's volume mainly aligned with Detached and Low-Rise Dwellings *(shaded green in graph)*

[1]Source: BIS Oxford Economics (Dec 2022)

RECENT CAPRAL RESIDENTIAL & COMMERCIAL PROJECTS

Concrete House, ACT
Fabricator: ViewCo
Products: Schuco Windows and Doors

The Log Cabin, NSW
Fabricator: Arch-System Fabrication Pty Ltd
Products: Capral Commercial Windows and Doors

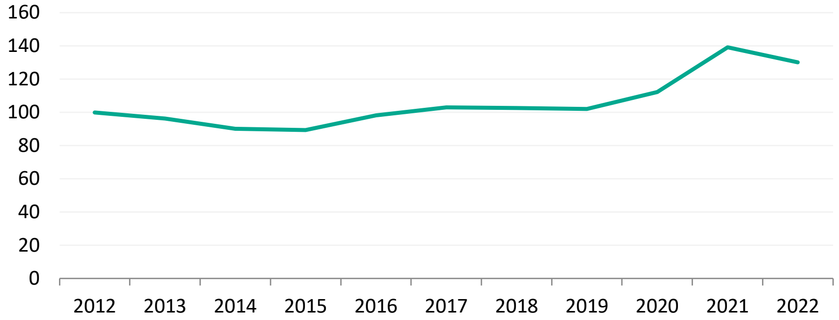


The Tasman Parliament Square, TAS
Fabricator: CWD Custom Windows
Products: Capral Commercial Curtain Wall

Annie Hughston Centre, Fintona Girls' School, VIC
Fabricator: BT Windows
Products: Capral Commercial Windows

INDUSTRIAL SECTOR SLOWED IN 2H22 BUT 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

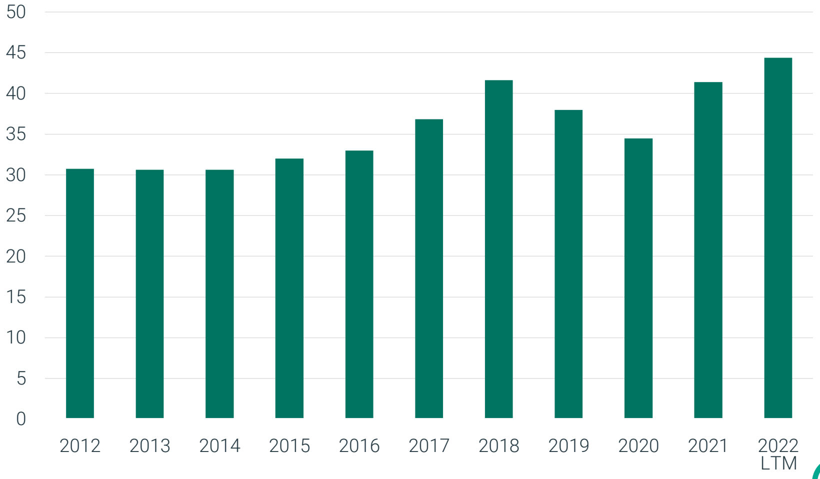
Resellers
Volume to industrial distributors softened as imports resumed

Transport
Strong conditions continued

Transport sector remains strong

- New truck builds posted record year, up 7% on 2021
- 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

CAPRAL ALUMINIUM

WillPlay, Playground Equipment, Tallebudgera QLD

HSP, Ute Lids and Canopies VIC

Kirby Marine, Recreation Vessel

Vawdrey Australia, Truck Body Builder VIC

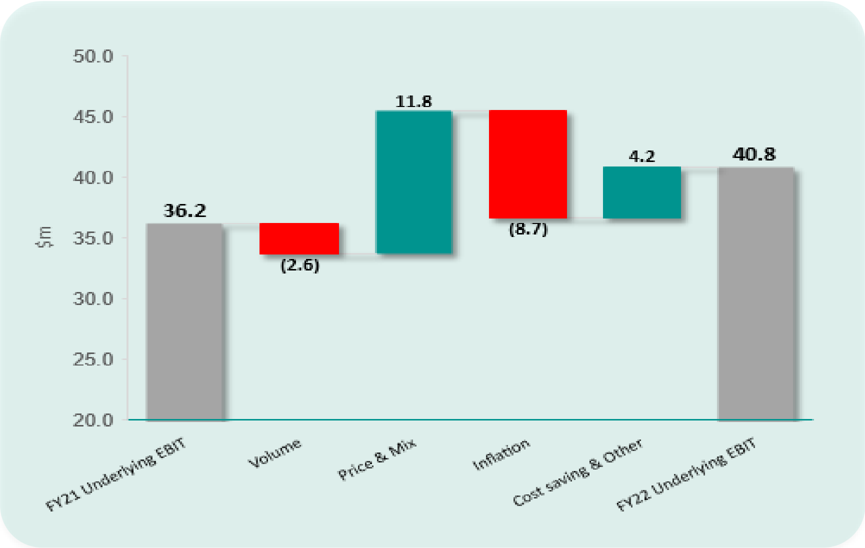
FULL YEAR FINANCIALS

Tertius Campbell, CFO

"Improved underlying earnings performance despite softening in volume"

RECORD FULL YEAR EARNINGS

1. Volume 6% lower than FY21
2. Sales Revenue increased 17% on FY21, driven by high metal prices (LME)
3. Underlying EBITDA up by 10% on FY21, primarily due to improved sales mix and margin
4. Depreciation on owned assets increased mainly due to acquisition of Smithfield plant
5. Operational Finance Cost is higher, driven by line fees and LC costs for imported products, also short-term working capital loans
6. $8.4m additional Income Tax Benefit recognised during FY22 (FY21:$9.4)



		FY22	FY21
Sales Volume ('000 tonnes)	1	71.8	76.3
		$m	$m
Sales Revenue	2	692.6	593.5
Underlying EBITDA[1]	3	**62.2**	**56.4**
Depreciation/Amortisation	4		
- Owned Assets		(7.5)	(6.7)
- Right of Use Assets		(13.8)	(13.5)
Underlying EBIT[1]		**40.8**	**36.2**
LME and unrealised FX Revaluation		(2.2)	2.8
EBIT		**38.7**	**39.0**
Finance Cost	5		
- Operational Funding		(1.9)	(1.3)
- Right of Use Leases		(4.4)	(4.4)
Net Profit Before Tax		**32.4**	**33.3**
Income Tax Benefit	6	8.4	9.4
Net Profit After Tax		**40.8**	**42.7**
Property Revaluation Gains		-	*3.1*
Total Comprehensive Income	7	***40.8***	***45.8***
Underlying Earnings Per Share ($/share)		1.96	1.80
Statutory Basic Earnings Per Share ($/share)		2.31	2.52

[1] See Important Note (page 5).

SOUND FINANCIAL POSITION THAT PROVIDES CAPACITY FOR DIVIDENDS AND GROWTH INVESTMENT

CAPRAL ALUMINIUM

1. Inventory increased due to rebuild from low levels, high rolled stocks, and record high metal prices (LME)
2. Receivables elevated due to sales price (LME). Metrics remain excellent with DSO at 48 days (FY21:50 days)
3. $95m debt facility with ANZ Bank, expiring April 2024 with sufficient headroom to fund working capital and trade instruments (LC's). Short term trade loans of $24.1m outstanding
4. Lease Liabilities (current and non-current) of $94.1m, primarily property leases as defined by AASB16, net impact is a reduction in Net Assets of $27.5m due to timing of lease terms
5. A further $8.4m Deferred Tax Asset was recognized during FY22 to reflect increased utilisation of tax losses in future periods subject to tax recoupment rules

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

- Leverage ratio[1] increased to 1.9 times Underlying EBITDA (FY21:1.8) due to short-term trade loans to fund increasing working capital
- Gearing[2] increased from 25.4% to 27.3% driven by debt funded increase in working capital
- EBITDA Interest cover[3] maintained at around 20 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 differ from calculations drawn directly from the financial statements.

BALANCE SHEET		DEC 22	DEC 21
Current Assets		$m	$m
Inventory	1	154.9	130.5
Trade Receivables	2	91.3	96.3
Cash and Equivalents	3	49.0	50.1
Other		0.9	0.7
		296.1	277.7
Current Liabilities			
Trade Payables		(112.7)	(139.0)
Lease Liabilities	4	(16.2)	(15.8)
Borrowings	3	(24.1)	-
Provisions and Other		(18.9)	(19.1)
		(171.9)	(173.9)
Net Current Assets		**124.2**	**103.8**
Non Current Assets		150.7	147.6
Non Current Lease Liabilities	4	(77.9)	(87.7)
Non Current Provisions		(7.3)	(6.5)
Net Assets		189.7	157.2
Working Capital Ratio		13.1	10.7
Net Tangible Asset Value		162.4	138.0
NTA per share		$9.14	$8.03
Franking Credits		8.1	13.3
Accumulated Unrecognised Tax Losses	5	129.6	194.3

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

CAPRAL ALUMINIUM

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

❶ Working capital increase driven by higher inventory due to high metal costs (LME) and high rolled stock levels

❷ Operational interest charge increased on prior period due to short-term trade loan to fund increased working capital requirement

❸ Maintenance, environmental and safety capex ~$4m pa in line with plan. Major projects; Huntingwood Paintline and Penrith Press rebuild $4.6m

❹ Acquisition of extrusion plant in Smithfield, NSW in 1H21

❺ Dividend paid was net of a 30% up take of the Dividend Reinvestment Plan (DRP) for FY21 final dividend

❻ Trade Instruments mainly letters of credit (drawn and open) in relation to imported product

❼ Trade/Other loans represent debt facility usage to fund working capital needs, maximum usage during FY22 $31.0m (FY21: 4.3)

CASH FLOW		FY22	FY21
		$m	$m
EBITDA[1]		60.0	59.2
Working Capital	❶	(46.5)	(12.2)
Finance Cost	❷	(6.4)	(5.3)
Operating Cash Flow		7.1	41.7
Capital Expenditure	❸	(10.0)	(9.5)
Acquisition/Investment	❹	-	(10.3)
Rent Principal payments		(14.5)	(15.0)
Free Cash Flow			6.9
		24.1	
Proceeds from borrowings	❽		-
Other			-
Dividends Paid	❺	(9.6)	(7.4)
Increase/(Decrease) in Net Cash		(2.4)	(0.6)

BANK FACILITY USAGE		FY22	FY21
		$m	$m
Bank Guarantees		4.4	4.5
Trade Instruments	❻	25.6	51.6
Trade/Other loans	❼	24.1	-

NET CASH POSITION	FY22	FY21
Cash Balance in funds	24.9	50.1

[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

IMPROVE PRODUCTIVITY AND COMPETITIVENESS, 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
- Complete upgrade of Penrith extrusion plant

Distribution

- Capral's new window & door product range and systems software released
- Range enhanced by purchase of EDGE high thermal performance window systems
- New paintline installed in our NSW distribution centre
- 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 in progress
- Seek opportunities to expand regional footprint. Two trade centres recently acquired

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

Decision to discontinue measures on Malaysia and Vietnam under appeal

Variable measures review on Chinese imports underway.

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

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

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

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

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

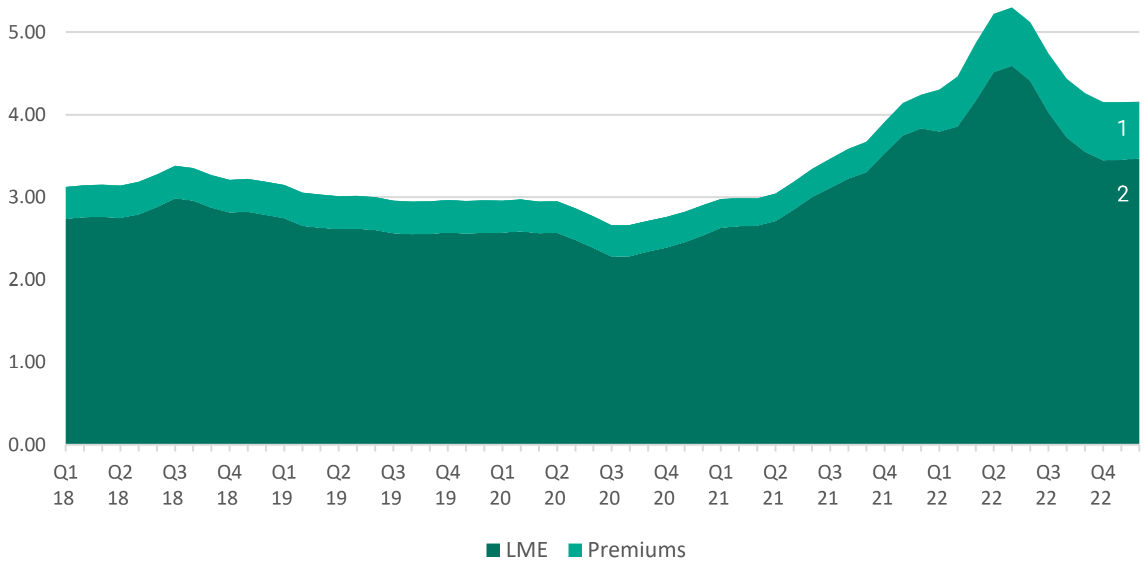
FY22 HIGHLIGHTS

- Scrap recycling agreement with Tomago aluminium smelter, an Australian first
- $1.2m investment in solar renewal energy at Campbellfield, VIC ~15% of site energy consumption
- Replaced 400 high bay warehouse lights at Bremer Park, QLD with LED's reducing lighting energy consumption by around 2,000KwH per day
- Aluminium Stewardship Initiative (ASI) membership, auditing process underway to achieve chain of custody certification in 2023
- Joined MECLA (Materials Embodied Carbon Leader Alliance) to assist in guiding the Built Environment towards using more sustainable aluminium in projects
- Introduced LocAl® Green and LocAl® Super Green as lower-carbon aluminium options across Capral's locally manufactured extruded products
- Introduced variable speed drives to Penrith manufacturing plant reducing power consumption by ~20%
- Introduced latest generation multi-zone electric billet heating containers at five extrusion presses reducing electricity usage by ~15%

METAL COST AT RECORDS HIGHS

CAPRAL ALUMINIUM

Aluminium Price $A (LME & Premiums)



1. Average Premiums increased 89% during 2022, due to significant increase in smelter billet premiums

2. Average LME increased 22% during FY22 to $A3,900t due to high global demand

   The international LME price was impacted by global supply factors, including Russia's invasion of Ukraine. LME started to lift in mid-2021 post COVID, reached peak levels in Q2 2022, returning to more normal but elevated levels in Q4 2022

OUTLOOK AND EARNINGS GUIDANCE

- Residential building is forecast[1] to remain on par with 2022, but with a reducing pipeline of work
- Other key markets; Commercial and Industrial, are expected to remain at relatively high levels
- Reseller volumes will remain subdued as import supply chains normalise
- LME peaked at record levels in 2Q22, has recently returned to December 2021 levels, and is forecast[2] to fall moderately during 2023
- Inflationary cost pressures continue to impact, especially; employee, energy, packaging and freight costs
- Absent any unforeseen events, FY23 EBITDA is expected to be in the range of $54m-$58m, and NPAT in the range of $26-$30m (EPS[3] $1.46 - $1.69)
- Working capital forecast to return to more historical levels, increasing free cash flow in 2023
- Capital expenditure to be broadly in line with FY22 at $10m
- On this basis, Capral would be in a position to continue the payment of dividends

[1] Source: BIS Oxford Economics Dec 2022 forecast.
[2] Source: Harbor Aluminium Intelligence Unit.
[3] EPS based on current 17.8m shares on issue

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

STRATEGIC NATIONAL FOOTPRINT

CAPRAL HAS A NATIONAL FOOTPRINT WITH A PRESENCE IN EVERY STATE AND EXTRUSION PLANTS NEAR FIVE MAINLAND CAPITAL CITIES

CAPRAL ALUMINIUM

RDC – Regional Distribution Centre AC – Aluminium Centre

Distribution Centres

Queensland

1 ▶ Cairns AC
2 ▶ Townsville RDC / AC
3 ▶ Sunshine Coast (Kunda Park) AC
4 ▶ Deception Bay AC
5 ▶ Bremer Park RDC
6 ▶ Brisbane (Springwood) AC
7 ▶ Gold Coast (Burleigh Heads) AC

New South Wales

8 ▶ Newcastle AC
10 ▶ Huntingwood RDC
11 ▶ Rockdale AC
13 ▶ Wollongong AC

Victoria

14 ▶ Lynbrook AC
15 ▶ Campbellfield RDC / AC
16 ▶ Laverton AC

South Australia

18 ▶ Kilburn RDC

Western Australia

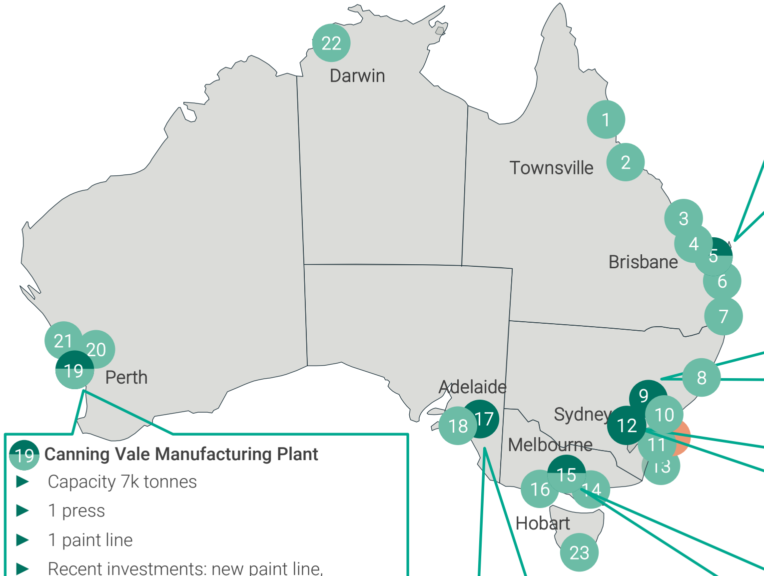
19 ▶ Canning Vale RDC
20 ▶ Welshpool AC
21 ▶ Wangara AC

Northern Territory

22 ▶ Darwin RDC

Tasmania

23 ▶ Hobart RDC



5 Bremer Park Manufacturing Plant

- Capacity 30k tonnes
- 4 presses (1 moth balled)
- 1 paint line
- Co-located with distribution centre
- Recent investments: automated product handling and packing
- Site restructure 2019

9 Penrith Manufacturing Plant

- Capacity 8k tonnes
- 1 press

12 Smithfield Manufacturing Plant

- Capacity 9k tonnes
- 1 press

15 Campbellfield Manufacturing Plant

- Capacity 9k tonnes
- 1 industrial press
- 1 paint line (RDC)
- Co-located with distribution centre

19 Canning Vale Manufacturing Plant

- Capacity 7k tonnes
- 1 press
- 1 paint line
- Recent investments: new paint line, warehouse extension and site consolidation
- Co-located with distribution centre

17 Angaston Manufacturing Plant

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

Manufacturing plant
Distribution centre
Manufacturing plant with distribution centre
Corporate head office (Huntingwood, NSW)