



2021

Full Year Results
Presentation and
Earnings Guidance

25 February 2022
Capral Limited (ASX:CAA)
15 Huntingwood Drive
Huntingwood NSW 2148

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 TONNES



ANNUAL TURNOVER

~\$600
MILLION



MARKET SHARE

~26%



MARKETS -
RESIDENTIAL
& COMMERCIAL
CONSTRUCTION,
INDUSTRIAL



OVER
1,000
EMPLOYEES²

¹ Excludes mothballed Press at Bremer Park

² Inclusive of contract labour

AGENDA

1. FY21 Highlights
2. FY21 Financials
3. Strategy
4. Outlook & Guidance

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FY21 HIGHLIGHTS

Tony Dragicevich, CEO & Managing Director

*"Record year driven by strong demand from
all key market segments"*

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FY21 PERFORMANCE HIGHLIGHTS

RECORD FULL YEAR RESULT – SLIGHTLY ABOVE GUIDANCE

Volume up **25%** on FY21 to
76,300 tonnes

Sales Revenue **\$593m**
(FY20: \$432m)

FY21 Trading EBITDA¹
\$38.2m
(FY20: \$19.7m)

FY21 EBITDA¹
\$59.2m
(FY20: \$47.2m)

Normalised² Earnings Per Share at
\$1.80
(FY20: \$0.72)

NPAT **\$42.7m** includes \$9.4m ITB
(FY20: \$25.9m)

Final dividend
50 cps
fully franked

Full Year **70 cps** (FY20: 45cps)

Strong balance sheet
with net cash
\$50.1m

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

Strong market conditions in
residential building and key
industrial sectors
Increased share against imports
maintained

Excellent Safety
Performance
TRIFR³
7.2
(FY20: 5.80)

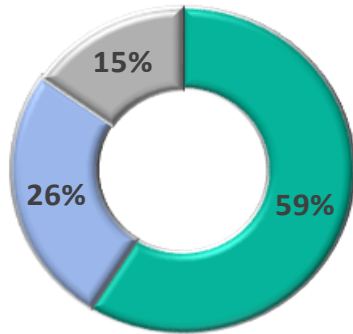


Important Note

- 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 (\$2.8 million) and including depreciation and interest on Right of Use assets as proxy for rent (\$18.2 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. Trading EBITDA is presented with reference to the ASIC Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011.
- Normalised Earning Per Share is Basic Earnings Per Share adjusted for Income Tax Benefit (\$9.4 million) and LME Revaluation gain (\$2.8 m) on the same basis as Note ¹ above.
- TRIFR is total reportable lost time and medically treated injuries per million work hours.

VOLUME BREAKDOWN AND GROWTH

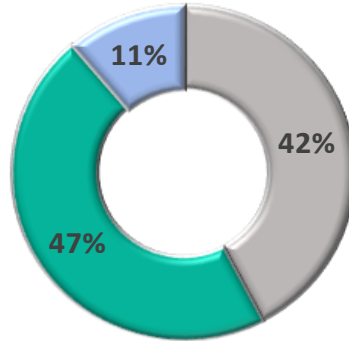
Channels to market (volume)



- 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

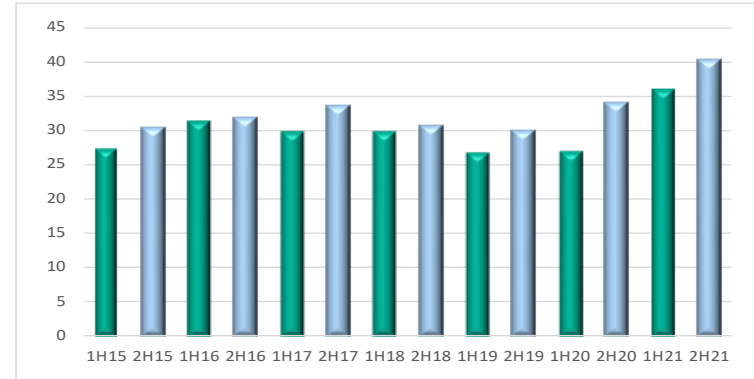
Residential building includes additions and alterations Industrial includes transport, marine and other manufacturing sectors

Volume split by Product Group



Volume Seasonality

Tonnes (000's)



Source: Capral

FY21 volume 25% above FY20

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 GREW STRONGLY

2021

Latest estimate¹ 233,400 starts in 2021
up 25% on 2020

Residential starts rose strongly, assisted by;
- low interest rates
- HomeBuilder and State government incentives

Detached dwellings
up by 27%

Multi-res
up by 22%

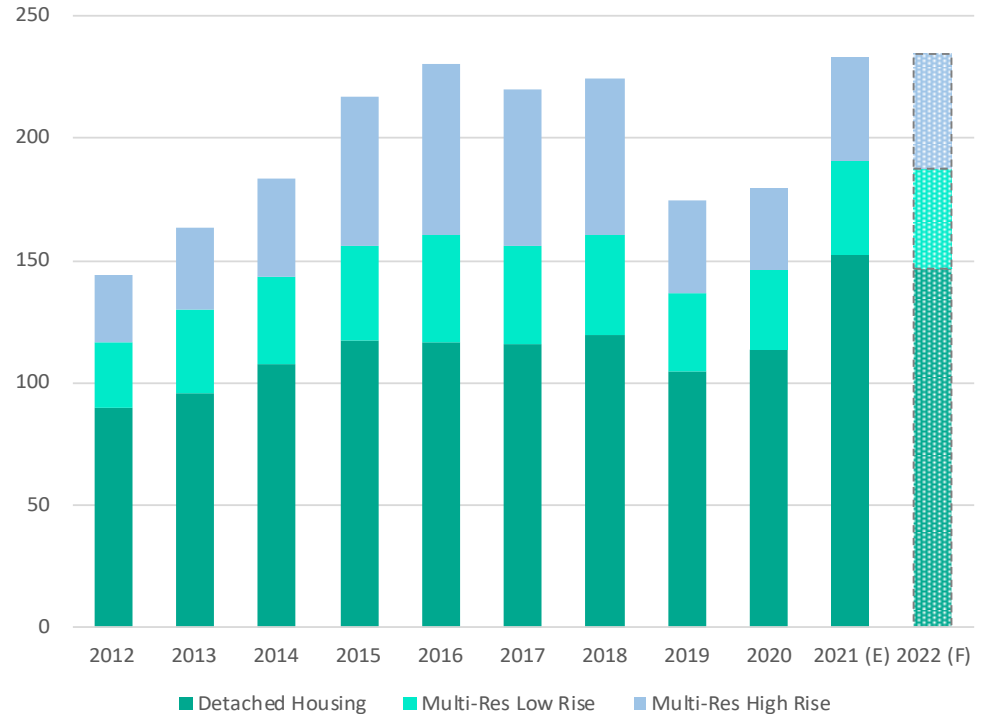
2022

Forecast¹ starts for 2022 to remain
at 2021 levels

Detached starts to
decline slightly

Low rise multi-res to
grow modestly
High rise multi-res
to grow 10%

Annual Dwelling Commencements¹ (000's)



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

¹Source: BIS Oxford Economics (Dec 2021)

RECENT CAPRAL RESIDENTIAL & COMMERCIAL PROJECTS



Seaview House, Middleton, SA
Schüco windows and bi-fold doors



Sarah Sands Apartments, Brunswick, VIC
Capral commercial sliding doors and framing systems



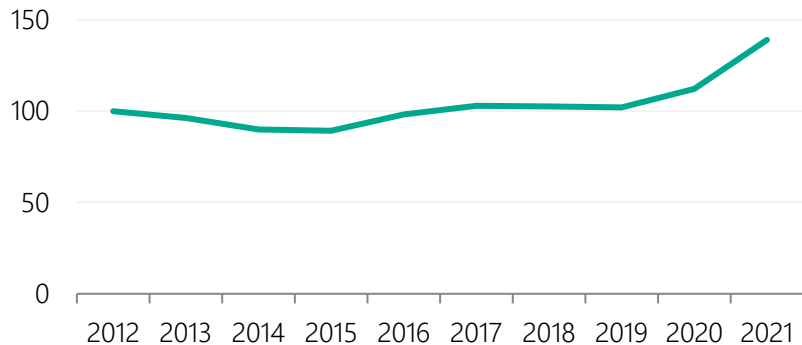
Burwood Brickworks, Burwood East, VIC
Capral commercial double glazed framing system & Capral architectural doors



McDonalds, Perth, WA
Deco Clad weatherboard system

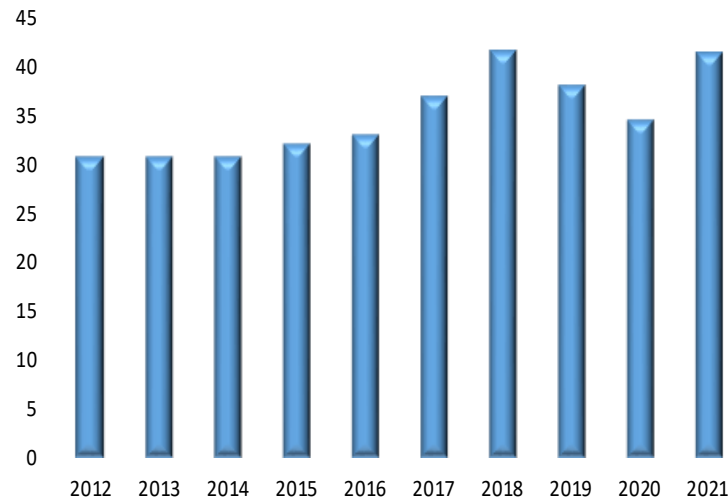
INDUSTRIAL SECTOR REBOUNDED STRONGLY

Total Capral Industrial Volumes (Index 2012)



Source: Capral

New Truck and Van Builds (000's)



Source: Truck Industry Council of Australia

Marine
Steady market conditions

Manufacturing & General Fabrication
Markets improving and share gains holding against imports

Solar
Favourable conditions prevailed

Resellers
Volume to industrial distributors lifted due to import replacement

Infrastructure
Solid growth in industrial construction

Transport
Strong growth

New Truck Builds
Increased by
20% on FY20

RECENT CAPRAL INDUSTRIAL PROJECTS



Incat, TAS
Wave piercing catamaran. Route: Malta to Sicily



Arends Trailers, SA
Combination tipper unit



Con-form, VIC
Capral Con-form rafter mounted platform



Les Stagg Oval Proserpine, QLD
Capral seating system

FY21 FINANCIALS

Tertius Campbell, CFO

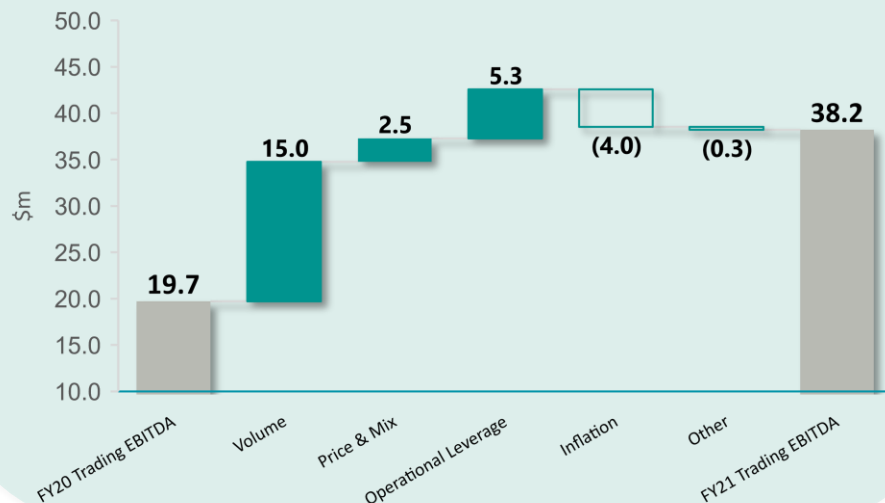
"Record earnings driven by a combination of higher volume, robust margins, and operating leverage"

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RECORD EARNINGS

- 1 FY21 volume 25% higher than prior period
- 2 Sales revenue increased 37%, driven by volume and higher metal prices (LME)
- 3 EBITDA up by 32% on FY20
- 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 \$9.4m additional Income Tax Benefit recognised during FY21 (FY20: \$3.0 m)
- 7 Angaston property revaluation \$3.1 m
- 8 Includes rent and lease payments for properties, forklifts and vehicles
- 9 Trading EBITDA up by 94% on FY20 primarily due to higher volume, robust margins, and operating leverage



		FY21	FY20
Sales Volume ('000 tonnes)	1	76.3	61.0
		\$m	\$m
Sales Revenue	2	593.3	432.0
EBITDA¹	3	59.2	47.2
Depreciation/Amortisation	4		
- Owned Assets		(6.7)	(5.5)
- Right of Use Assets		(13.5)	(12.9)
EBIT		39.0	28.9
Finance Cost	5		
- Operational Funding		(1.3)	(1.4)
- Right of Use Leases		(4.4)	(4.6)
Net Profit before tax		33.3	22.9
Income Tax Benefit	6	9.4	3.0
Net Profit after tax		42.7	25.9
Revaluation Gains	7	3.1	-
Total Comprehensive Income		45.8	25.9
<i>EBITDA¹</i>		59.2	47.2
<i>Abnormals and one-offs</i>		-	0.2
<i>JobKeeper</i>		-	(11.9)
<i>LME & Unrealised FX Revaluation</i>		(2.8)	0.8
<i>Rent</i>	8	(18.2)	(16.6)
Trading EBITDA¹	9	38.2	19.7

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 (LME), and higher goods in transit
- ② Increased receivables due to increased sales volume and price, excellent collections with DSO at 50 days (FY20:49 days)
- ③ \$65m debt facility with ANZ Bank, expiring April 2023
- ④ Lease Liabilities (current and non-current) of \$103.5m, primarily property leases as defined by AASB16, net impact is a reduction in Net Assets of \$28.2m due to timing in relation to lease term
- ⑤ Non-Current Assets include \$75.3m “right of use” leased assets as defined by AASB16
- ⑥ A further \$9.4m Deferred Tax Asset was recognised to reflect increased utilisation of tax losses in future periods.

BALANCE SHEET		DEC 21	DEC 20
		\$m	\$m
Current Assets			
Inventory	①	130.5	79.1
Trade Receivables	②	96.3	66.3
Net Cash and Equivalents	③	50.1	49.4
Other		0.7	2.5
		<u>277.7</u>	<u>197.3</u>
Current Liabilities			
Trade Payables		(139.0)	(77.2)
Lease Liabilities	④	(15.8)	(13.5)
Provisions and Other		(19.1)	(16.6)
		<u>(173.9)</u>	<u>(107.3)</u>
Net Current Assets		103.8	90.0
Non Current Assets			
Non Current Assets	⑤	147.6	115.8
Non Current Liabilities	④	(94.2)	(87.6)
Net Assets		<u>157.2</u>	<u>118.2</u>
Net Tangible Asset Value			
NTA per share		\$8.03	\$6.76
Franking Credits			
		13.3	18.0
Accumulated Unrecognised Tax Losses	⑥	194.3	259.9

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 (LME)
- 2 Operational interest charge broadly in line with FY20
- 3 Maintenance, Environmental and Safety capex ~\$4m pa
- 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, maximum usage during FY21 \$4.3 m (FY20: \$7.1m). Cash loan facility cancelled 1H21
- 9 Asset Finance Facility settled 1H21

CASH FLOW		FY21	FY20
		\$m	\$m
	EBITDA ¹	59.2	47.2
	Working Capital	1 (12.2)	10.5
	Finance Cost	2 (5.3)	(5.5)
	Operating Cash Flow	41.7	52.2
	Capex Spend	3 (9.5)	(4.0)
	Acquisition	4 (10.3)	-
	Lease Principal payment	(15.0)	(15.1)
	Free Cash Flow	6.9	33.1
	Dividend Paid	5 (7.4)	(1.2)
	Increase/(Decrease) in Net Cash	(0.6)	31.9

BANK FACILITY USAGE		DEC 21	DEC 20
		\$m	\$m
	Bank Guarantees	6 4.5	3.8
	Trade Instruments	7 51.6	23.3
	Trade / Other loans	8 -	-
	Asset Finance Facility	9 -	1.1

NET CASH POSITION		DEC 21	DEC 20
	Cash Balance in funds	50.1	49.4

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 SHARE GAINS

Manufacturing

- Deliver benefits of Smithfield plant acquisition, aim to run at capacity 2Q22
- 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
- Start the upgrade of the Penrith extrusion plant 4Q22

Distribution

- Release Capral's new window & door product range and systems software
- Install paintline in our new NSW distribution centre at Huntingwood
- 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 provide the opportunity for local extruders to compete in the \$60m+ solar rail market



Defence

Capral is an 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



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 the amount of waste 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, nontoxic, <u>biodegradable</u> and recycled products

Progress made

- Capral's extrusion emissions intensity has reduced over last five years
- Total Reportable Injury Frequency Rate at 7.2 is below industry average for listed building products manufacturing companies

KEY INDUSTRY INFLUENCING TRENDS

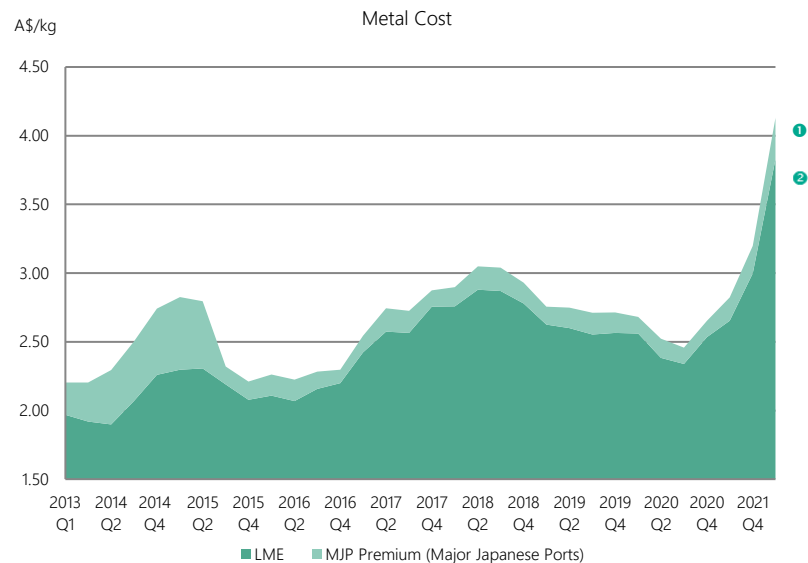
Anti-Dumping Activities

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 ▶ Initiated continuation case on existing Malaysia and Vietnam measures, that are due to expire mid 2022
Future	<ul style="list-style-type: none"> ▶ Continue to interact with Government on reforms ▶ 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 extrusion supply in the wake of the pandemic

Aluminium Price (LME & MJP)



- 1 MJP regional premiums were relatively stable since 2015 however average MJP increased 78% during FY21.
- 2 Average LME increased 30% during FY21 to \$A3,195/t (Dec20 \$A2,660/t, Dec21 \$A3,770/t) with further increases expected during FY22

OUTLOOK AND EARNINGS GUIDANCE

- Early in 2022 Capral's operations were mildly impacted by COVID-related labour shortages
- Residential building is forecast² to remain buoyant during 2022 with a high level of work in the pipeline
- Other key markets, Commercial and Industrial, are also expected to remain strong
- The Smithfield extrusion plant will ramp up production levels to three shifts in 2Q22
- LME is at very high levels and is forecast³ to peak in 1H22 and remain at historically high levels throughout 2022
- Margins may come under pressure as import supply chains normalise in 2022
- Absent any unforeseen events, FY22 Trading EBITDA¹ is expected to be in the range of \$34m-\$38m and EBITDA \$53m-\$57m
- On this basis, Capral would be in a position to continue the payment of fully franked interim and final dividends

¹ See Important Note (page 5)

² Source: BIS Oxford Economics December 2021 forecast

³ Source: Harbor Aluminium Intelligence Unit



CAPRAL
2021 FULL YEAR RESULTS
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

