

CAPRAL ASX ANNOUNCEMENT

Annual General Meeting – Chairman and Managing Director Addresses

Thursday, 27 April 2023

Attached please find the Chairman and Managing Director's addresses as it will be delivered at today's 2022 Annual General Meeting (AGM) starting at 10am.

To attend and participate in the meeting virtually, which is broadcast as a live webinar, go to <https://meetnow.global/M6CGVZL>.

You will need your Shareholder Reference Number (SRN) or Holder Identification Number (HIN) to register.

Approved and authorised for release by Capral's Board of Directors.

For further information please contact:

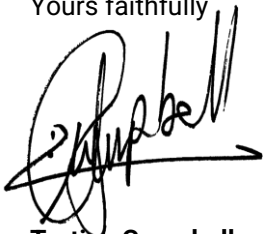
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Yours faithfully



Tertius Campbell
CFO and Company Secretary



CAPRAL LIMITED ANNUAL GENERAL MEETING
27 APRIL 2023
CHAIRMAN'S ADDRESS

The strong demand experienced throughout 2021 continued into the first half of 2022, supported by a very high order book at the start of the year. The second half of the year saw easing supply bottlenecks which allowed market participants to work through the backlog of orders accumulated during the post-pandemic demand surge. Some market share gains from imports came under pressure as international supply chain problems eased and, declining dwelling commencements in the second half, led to lower activity levels in the latter part of 2022.

Revenues of \$693 million in 2022 were 17% higher than the \$593 million reported in 2021 on 6% lower volume. Sales revenue growth was driven by record high global aluminium prices (LME). High productivity and operational leverage, and favourable sales mix contributed to a record Underlying EBIT¹ of \$40.8 million for 2022, 13% higher than last year's \$36.2 million. A negative LME revaluation of \$2.2 million reduced EBIT to \$38.7 million, compared to \$39.0 million EBIT in 2021 which included a \$2.8 million positive LME revaluation.

Reported Net Profit After Tax (NPAT) includes \$8.4 million arising from recognition of a deferred tax benefit brought to account (2021 included \$9.4 million deferred tax benefit). NPAT was \$40.8 million (\$2.31 per share) compared to last year's \$45.8 million (\$2.52 per share) which also included a gain on property revaluations of \$3.1 million.

Higher LME prices saw both receivables and inventories increase substantially at year end. This higher working capital reduced the Company's net cash¹ at 31 December 2022 by 50% on prior year to \$25.0 million. Despite this additional investment in working capital, the company's balance sheet remains strong which allowed us to continue to balance our utilisation of free cash between funding internal growth, investing in additional capacity, and returning cash to our shareholders through fully franked dividends.

For the financial year ended 31 December 2022, Capral paid fully franked dividends of an interim 20 cents per share in September 2022, and a final 50 cents per share in March 2023. Capral's franking credit balance is now approaching full utilisation, and as a result the Board is reviewing its capital management plans and will advise shareholders in due course.

Most pleasingly, the Capral team has delivered excellent safety results, far exceeding the comparative results of our listed peers. The Company recorded a total reportable injury frequency rate (TRIFR) of 4.3 injuries per 1 million hours worked in 2022, well below the 7.2 recorded in 2021. Capral's management continues to strengthen the strong safety culture and roll out new initiatives and prioritise safety across every area of our business.

The environment is a key priority for Capral. Our National Sustainability Committee continues to make significant and meaningful progress in driving Capral's Sustainability journey. I urge stakeholders to read the Sustainability Report section of our Annual Report which details the many initiatives in progress.

Having served as an independent non-executive director since June 2010, Graeme Pettigrew will retire from the Board at the conclusion of the AGM today. Graeme's wise counsel, and industry knowledge and experience, have been invaluable during his tenure which included his dedicated service as chair of the remuneration and nomination committee. We wish him a long, happy, and healthy retirement.

The Board's thanks go out to all of Capral's stakeholders for their continued support during 2022. Thank you to all my Capral colleagues for their tireless efforts throughout the past year.

In the 4 years since the restructuring and rightsizing of Bremer Park in 2019, the positive initiatives undertaken by Capral have demonstrated that the company has a strong foundation and is very well placed to succeed throughout the various phases of the business cycle. Whilst we expect the housing sector to slow further, the non-residential and industrial segments of our business should remain firm. We are expecting a decline in the overall extrusion market in the year ahead which we anticipate will have a modest impact on earnings in 2023. Tony will provide an update to our 2023 guidance during his address.

Rex Wood-Ward
Chairman

¹ EBITDA is defined as Earnings before Interest, Tax, Depreciation and Amortisation and, in accordance with AASB16. Underlying EBITDA, EBIT and Earnings per Share (EPS) are adjusted for Significant Items. Significant Items 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 \$-2.2 million. (FY21: \$2.8 million) and Income Tax Benefit \$8.4 million (FY21: \$9.4 million). Capral believes that Underlying EBITDA, EBIT and Earnings per Share provides a better understanding of its financial performance and allows for a more relevant comparison of financial performance between financial periods. The Underlying EBITDA, EBIT and Earnings per Share are presented with reference to the ASIC Regulatory Guide 230 “Disclosing non-IFRS financial information” issued in December 2011. Net Cash is cash and cash equivalents (\$49.0 million) less short-term borrowings (24.1 million)

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MANAGING DIRECTOR'S ADDRESS

Financial Review

Market conditions were strong in the first half of 2022, and volumes were assisted by a large order book to start the year. Conditions softened in the second half as the market slowed and import supply chains returned to normal. Volume however remained solid which allowed Capral's manufacturing plants to run at good levels of efficiency.

As interest rates started to rise the residential housing market slowed from its highs driven by post-COVID government housing stimulus programmes. Housing starts were 184,500 in 2022, down 20% on prior year. Commercial construction activity was buoyant, and our key industrial markets (manufacturing, transport and marine) also remained relatively strong.

The international LME price of aluminium was impacted by global supply factors, including Russia's invasion of Ukraine. LME reached peak levels in Q2 2022, before returning to more normal but still elevated levels in Q4 2022. Capral's average LME cost for 2022 was 22% above last year, which in turn was 30% higher than the previous year. This flowed through to higher selling prices and working capital levels which will continue through the first half 2023.

During 2019 Capral completed a significant restructure of its largest manufacturing operation at Bremer Park in Queensland. This successfully transformed Capral's business delivering permanent cost savings and increased operational efficiencies. The benefits are evident with Bremer Park now delivering a strong profit contribution to the group. The acquisition of the GJames extrusion plant in Smithfield was completed in February 2021 and has been successfully integrated into Capral's operations, moving from a one shift operation to three shifts during 2022.

Capral delivered a record profit result in 2022 with Underlying EBITDA¹ of \$62.2 million (2021: \$56.4m) on 6% lower volume. Underlying EBIT¹ at \$40.8 million (2021: \$36.2m) with Underlying Net Profit After Tax¹ of \$34.6 million (2021: \$30.5m). An excellent result, increasing earnings on lower volume demonstrates how far Capral has progressed over the last four years.

Key Initiatives and Strategies

Key high-level strategies remain consistent

- Build on our strengths
- Optimise what we do
- Grow for the future

A key focus in 2023 will be in Sydney with the Smithfield and Penrith extrusion plants and a new paint line installed at our Huntingwood distribution centre. Smithfield will continue to focus on lifting productivity through debottlenecking and equipment upgrades.

During January 2023 we successfully upgraded the Penrith extrusion press and shop floor software, a major undertaking by our engineering team which will ultimately deliver a first-class extrusion facility at Penrith.

A paint line was commissioned at our new Huntingwood distribution centre in Q1 2023, providing us with powder coating capability in NSW for the first time. These assets will deliver freight savings and improved quality and service to our NSW customers.

We will continue to focus on growing Capral's aluminium distribution business with the objective of increasing the volume and profitability of Capral's direct distribution channel. Over the past year we have added two Aluminium Centres with the acquisition of small businesses in North Brisbane and Wollongong, thereby expanding our geographical presence. A small number of other opportunities exist to further expand our regional footprint.

Fair Trade

Capral continues to lead the local aluminium extrusion industry in the pursuit of fair trade

- Measures on Chinese imports are in place until 2025, and the Anti-Dumping Commission is currently reviewing the level of those duties
- Measures against some Malaysian and Vietnamese suppliers fell away during 2022, we have appealed and pressing for re-instatement

Market share gains have been made against imports over the last two years, however they continue to represent a material proportion of the total Australian extrusion market. As supply chains normalise we must continue to remain vigilant in this area.

Safety

Safety First is the first of Capral's key values. Our safety performance was exceptional, recording a total reportable injury frequency rate (TRIFR) of 4.3 (2021: 7.2). This is well below the peer average of 9.8 for listed building products manufacturers.

ESG and Risk

Capral advanced its commitment to environmental obligations by forming a National Sustainability Committee in 2020 resulting in the development of Capral's Sustainability four pillars and a roadmap to net zero by 2050. During the year Capral introduced lower carbon aluminium options to the Australian market under the registered trademark, LocAl®.

Capral has a robust risk assessment process and active risk mitigation programme in place.

Outlook

Forecasts for the residential market show the market slowing further. Starts in 2023 are forecast to be on par with 2022, but the pipeline of work is expected to reduce during the year. The non-residential market is forecast to be firm in 2023, as are our key industrial markets with customers continuing to support local supply.

LME is volatile and subject to international influences. Based on external forecasts, we expect LME to remain at elevated levels throughout the first half of 2023, and then weaken on the back of lower global demand as economies slow under the weight of higher interest rates.

The overall market for Capral's aluminium extrusion and rolled product is forecast to fall modestly in 2023, but we expect to retain a good proportion of market share gained from imports.

Trading in the first quarter of 2023 has been above expectations and we are pleased to confirm our profit guidance provided in February. Underlying EBITDA¹ is forecast, absent any unforeseen events, to be between \$52 million and \$56 million with Underlying Net Profit After Tax¹ between \$26 million and \$30 million. On that basis, Capral would be in a position to continue cash distribution to shareholders.

I wish to thank the Capral team for their tremendous contribution to the outstanding 2022 result. Capral is in a good position to capitalise on its strong foundation, maximise opportunities as they present, and develop the business for the future.

Tony Dragicevich

Managing Director

27 April 2023

¹ Refer to *Underlying EBITDA, EBIT, Earnings per Share (EPS) and Net Cash* explanation in footnotes to Chairman's Address