



2016



CAPRAL
ALUMINIUM

SHAPING THE FUTURE

2016 HALF YEAR RESULTS PRESENTATION

23 AUGUST 2016
CAPRAL LIMITED

GENERAL INFORMATION

Important Notes

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

Trading EBITDA is the Statutory 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, and costs relating to restructuring that are non-recurring in nature.

Trading EBITDA is presented with reference to the Australian Securities and Investment Commission Regulatory Guide 230 "Disclosing non-IFRS financial information" issued in December 2011.



OVERVIEW OF RESULTS

SIX MONTHS TO JUNE 2016

\$10.0m Trading EBITDA¹
\$10.2m EBITDA in first half

- Trading EBITDA¹ of \$10.0m (2015: \$4.1m)
- EBITDA of \$10.2m (2015: \$2.6m)
- Volumes up 15% on H1 2015
- Strong housing market driving volume increase

Net Profit of \$6.8m

- Net Profit after tax of \$6.8m (2015: \$1.5m loss) includes:
 - Depreciation of \$2.9m
 - Finance costs of \$0.5m
 - LME and Premium revaluation of \$0.4m

Housing market remained strong, industrial markets are improving

- Dwelling commencements on track to hit 220,000 YE June 2016²
 - Detached housing and medium density steady
 - High density (apartments) up 7%
- Non-residential building activity improved by 9%²
- Business conditions in the manufacturing, marine and transport sectors are showing signs of improvement

Highly competitive environment

- Increased dumping measures against China were announced in 2015
- Investigation into dumping of aluminium extrusions from Vietnam and Malaysia has commenced by Anti-Dumping Commission
- Excess domestic extrusion capacity

Safety performance remains key focus

- TRIFR³ of 16.7 at HY16 (HY15: 10.6)
- Ongoing focus on leading safety indicator management

¹ See Important Notes (Page 2)

² Source: BIS Shrapnel May 2016 forecast

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

FINANCIAL SUMMARY

SIX MONTHS TO JUNE 2016

	H1 2016	H1 2015
Sales Volume ('000 tonnes)	31.5	27.4
	\$m	\$m
Sales Revenue	210.2	194.7
Trading EBITDA¹	10.0	4.1
LME Revaluation ²	0.4	(1.2)
Other one off costs ²	(0.2)	(0.3)
EBITDA	10.2	2.6
Depreciation/Amortisation	(2.9)	(3.5)
EBIT	7.3	(0.9)
Finance Cost	(0.5)	(0.6)
Profit/(Loss) after Tax	6.8	(1.5)

¹ See Important Notes (page 2)

² Included in other expenses

BALANCE SHEET REMAINS STRONG

**Positive operating cash flow
driven by improved earnings**

	\$m Jun 16	\$m Dec 15	\$m Jun 15
Net Assets	117.4	110.7	111.5
Net Cash ¹	21.9	20.1	7.3
Franking Credits	27.1	27.1	27.1
Accumulated unrecognised tax losses	292.6	297.6	295.8

¹ Intra month average net cash level \$5.2m, \$2.0m maximum net debt level

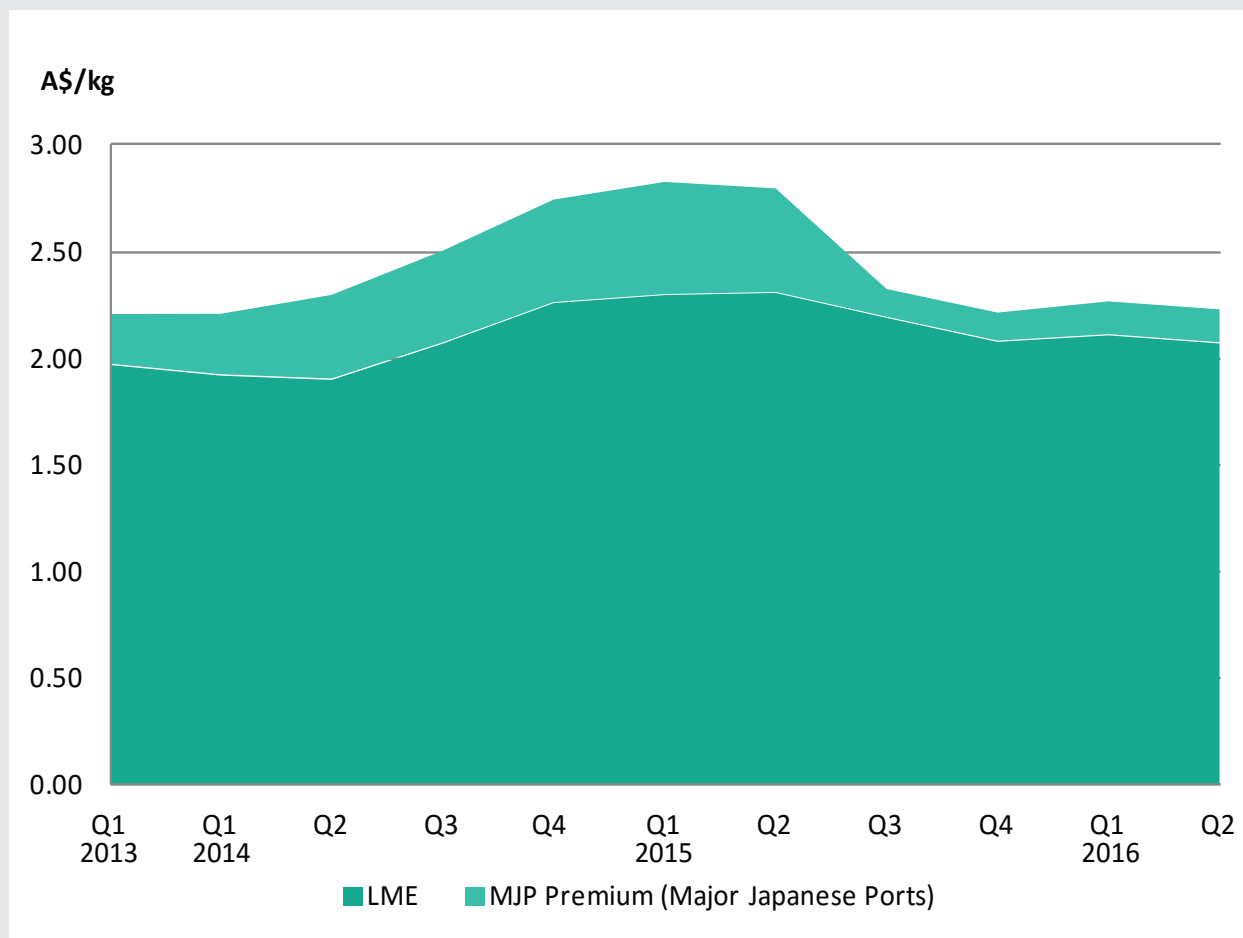
**The finance facility is used for
intra month funding**

6 months to	\$m Jun 16	\$m Jun 15
EBITDA	10.2	2.6
Working Capital	(5.9)	(10.0)
Finance Cost	(0.5)	(0.6)
Equity Compensation Amortisation	(0.1)	0.3
Other	(0.2)	0.1
Operating Cash Flow	3.5	(7.6)
Capex Spend	(1.7)	(1.6)
Increase/(Decrease) in Net Cash	1.8	(9.2)

Robust financial position

Capral Finance Facilities	\$m Limit	Jun 16	\$m Drawn Down Dec 15	Jun 15
GE Revolver	60	Nil	Nil	Nil

METAL COSTS HAVE REMAINED STABLE IN 2016



Source: London Metal Exchange, Reserve Bank of Australia, Reuters

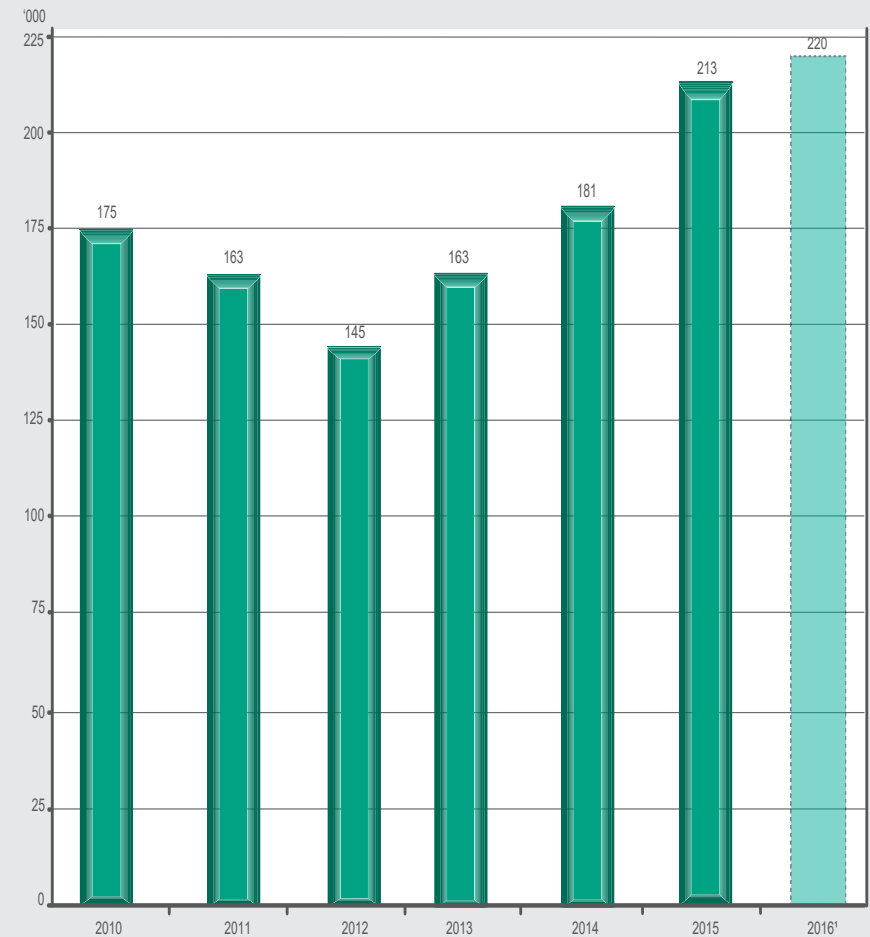
- Metal costs reached multi-year highs in H1 2015 but collapsed during the second half of 2015
- Metal costs in H1 2016 have been stable with a small increase expected in H2

RESIDENTIAL CONSTRUCTION DRIVING STRONG MARKET

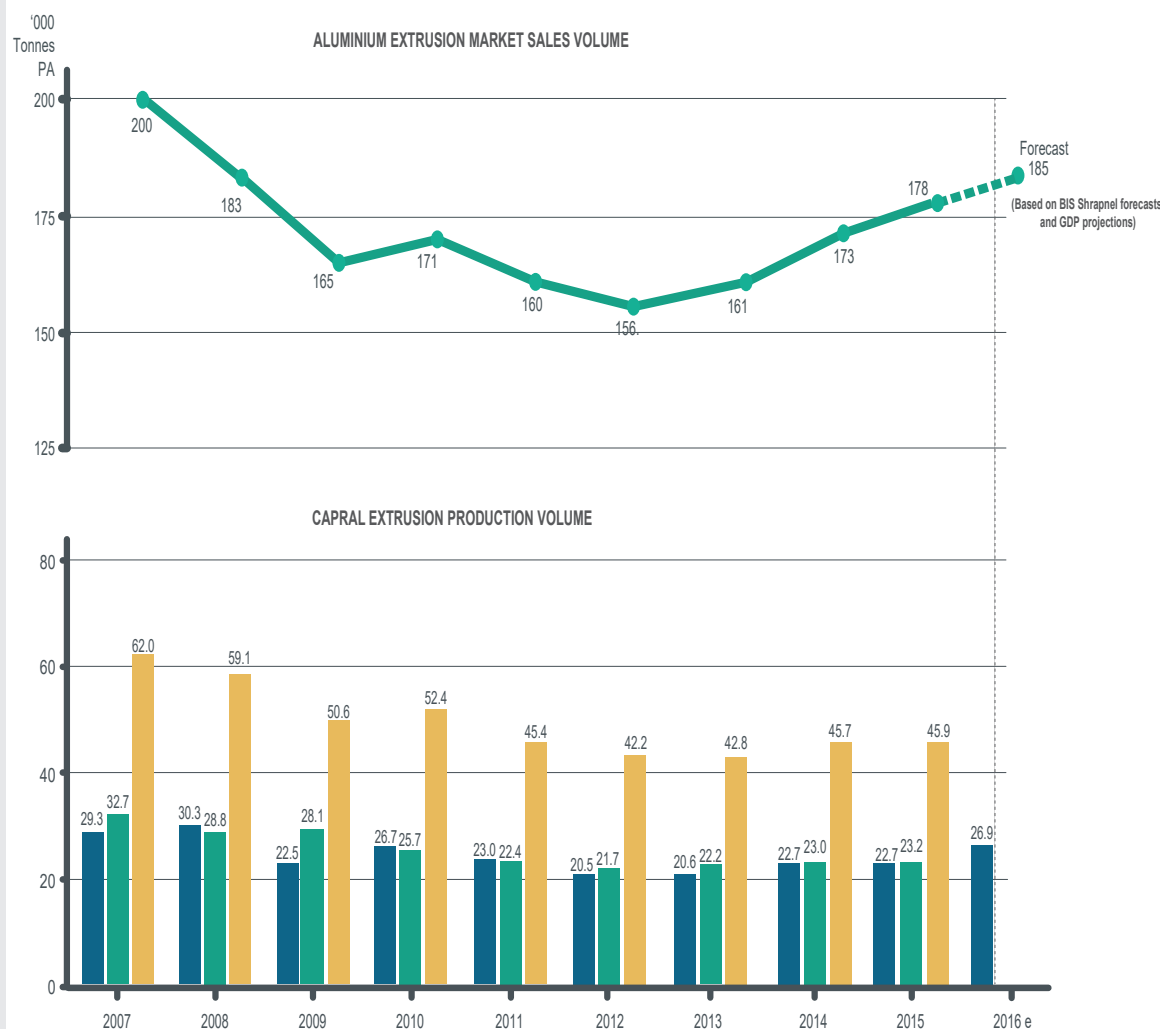
**MONTHLY DWELLING APPROVALS AND
QUARTERLY DWELLING COMMENCEMENTS**



**RECOVERY STARTED IN 2013. VERY STRONG MULTI-RES.
DETACHED ANTICIPATED TO GROW AT SLOWER PACE THROUGH 2016**



ALUMINIUM EXTRUSION DEMAND HAS RECOVERED FROM CYCLICAL LOW LEVELS AND IS EXPECTED TO REMAIN STRONG



- Extrusion Market in 2016 has grown and is expected to remain at these levels through 2017 due to the pipeline of residential work
- The residential sector is strong with approvals exceeding 220,000 dwellings¹
- An increase in apartments relative to houses has increased the lag between approval and completion and reduced the intensity of aluminium extrusions
- Non-residential building demand increased by 9%¹
- Key industrial sectors (manufacturing, marine and transport) are showing signs of improvement

Note:

- Capral has an estimated 29% share of the Australian Aluminium extrusion sales volume
- New domestic extrusion capacity has been commissioned over recent years, including extrusion capability installed by traditional Capral customers
- Import extrusion market share has fallen to around 33%

¹ Source: BIS Shrapnel year end June 2016 forecast (May2016)

KEY STRATEGIC INITIATIVES

BUILD

On our strengths

- Widest aluminium product offer
- Large scale extrusion capability
- National distribution network
- Committed and experienced people

OPTIMISE

What we do

- Continue to reduce cost base
- Lean manufacturing drive to world class productivity
- Optimise the supply chain to reduce inventory levels

GROW

In the future

- Leverage our technical expertise with key customers
- Develop innovative new products and value-add opportunities
- Capitalise on positive anti-dumping outcomes

ANTI-DUMPING MEASURES HAVING A POSITIVE IMPACT

The impact of the initial anti-dumping measures was modest

- Case won in 2010 but the levels of duties imposed on Chinese imports were low
- Circumvention activities diminished the impact

Response and Action

- A sustained campaign by Capral and others has resulted in significant reforms to federal legislation and anti-dumping methodology
- Continuation of measures review finalised in October 2015. Anti-Dumping Commission found ongoing dumping by Chinese importers
- Increased anti-dumping measures were imposed for a further five years to 2020
- Imports from China have declined, imports from Vietnam and Malaysia are rising

Key issues being pursued

- New case initiated by the Anti-Dumping Commission against Vietnam and Malaysia in August 2016
- Continuing to interact with Government around strengthening the anti-dumping regime
- Continue to monitor and pursue anti-circumvention/non compliance activities

OUTLOOK

- Housing commencements are forecast¹ to be around 220,000 for the 2016 year, up 3% on the strong 2015 market. Detached housing steady, with multi-residential up 7%
- Extrusion market expected to remain strong through 2017 due to pipeline of residential work
- Further material strengthening of the AUD above USD\$0.75 will be a negative for local manufacturing and Capral's competitive position against imports
- Continuation of anti-dumping measures at higher levels should have a positive impact on Capral and other local extruders
- Capral expects to generate positive operating cash flow in 2016, and be net cash positive at year end
- Full year EBITDA is forecast to be between \$19m and \$21m
- Given the relative low volatility in metal costs, Capral is not expecting a material difference between Trading and Statutory EBITDA²
- On this basis, and absent any unforeseen events, Capral would be in a position to consider a fully franked dividend.

¹ BIS Shrapnel May 2016 forecast - two quarters delayed

² See Important Notes (Page 2)