



2015 Half Year Results Presentation

19 AUGUST 2015
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 abnormal 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.

Footprint



OVERVIEW OF RESULTS

SIX MONTHS TO JUNE 2015

\$4.1m Trading EBITDA profit in first half
\$2.6m EBITDA

- Trading EBITDA¹ profit of \$4.1m (2014: \$2.6m)
- EBITDA profit of \$2.6m (2014: \$2.1m)
- Volumes up 1.5% on H1 2014
- Improved housing market driving volume increase
- Metal cost increases (~25% higher vs H1 2014) adversely impacted margins

Net loss of \$1.5m

- Net loss of \$1.5m (2014: \$2.1m loss) includes:
 - LME and Premium revaluation (including Forex impact) of negative \$1.2m
 - Restructuring costs of \$0.3m
 - Depreciation of \$3.5m
 - Finance costs of \$0.6m

Housing market is strong but industrial markets are soft

- Dwelling commencements on track to hit 210,000 YE June 2015²
 - Detached residential housing up 10%
 - Other residential (apartments) up 25%
- Non-residential building activity declined by 13%²
- Business conditions remain soft in the manufacturing, marine and transport sectors

Highly competitive environment

- Continued suspected dumping of aluminium extrusions
- Excess domestic capacity continues to adversely impact margins

Safety performance remains key focus

- TRIFR³ of 10.0 at HY15 (HY14: 4.5)
- Ongoing focus on leading safety indicator management

¹ See Important Notes (page 2) and reconciliation to EBITDA (page 4)

² Source: BIS Shrapnel May 2015 forecast

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

FINANCIAL SUMMARY

SIX MONTHS TO JUNE 2015

	H1 2015	H1 2014
Sales Volumes - External ('000 tonnes)	27.4	27.0
	\$m	\$m
Sales Revenue	194.7	176.3
Trading EBITDA¹	4.1	2.6
LME and Premium Revaluation ²	(1.2)	(0.3)
Abnormals ³	(0.3)	(0.2)
EBITDA	2.6	2.1
Depreciation/Amortisation	(3.5)	(3.6)
EBIT	(0.9)	(1.5)
Finance Cost	(0.6)	(0.6)
Loss after Tax	(1.5)	(2.1)

¹ See Important Notes (page 2)

² Included in other expenses

³ Restructuring costs - included in Other Expenses

CASH FLOW IMPACTED BY HIGHER WORKING CAPITAL

Working Capital increased due to higher metal costs and sales revenue

	\$m Jun 15	\$m Dec 14	\$m Jun 14
Net Assets	111.5	112.9	107.7
Net Cash	7.3	16.5	7.8
Franking Credits	27.1	27.1	27.1
Accumulated unrecognised tax losses	295.8	289.6	292.8

The finance facility with GE is primarily utilised for working capital funding

6 months to	\$m Jun 15	\$m Jun 14
EBITDA	2.6	2.1
Working Capital	(10.0)	(4.3)
Finance Cost	(0.6)	(0.6)
Equity Compensation Amortisation	0.3	0.3
Other	0.1	0.2
Operating Cash Flow	(7.6)	(2.3)
Capex Spend	(1.6)	(1.6)
Acquisition	-	(2.9)
Decrease in Net Cash	(9.2)	(6.8)

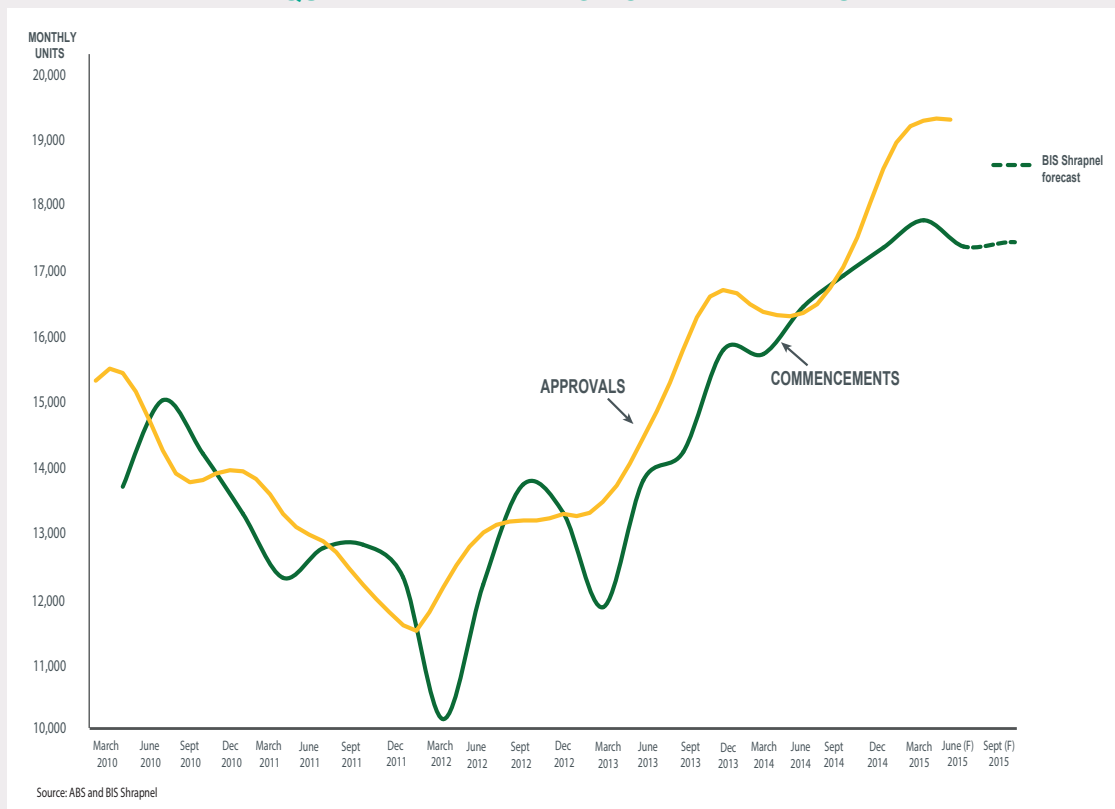
Balance sheet with a positive net cash balance¹

¹ Intramonth debt levels up to \$19.5m

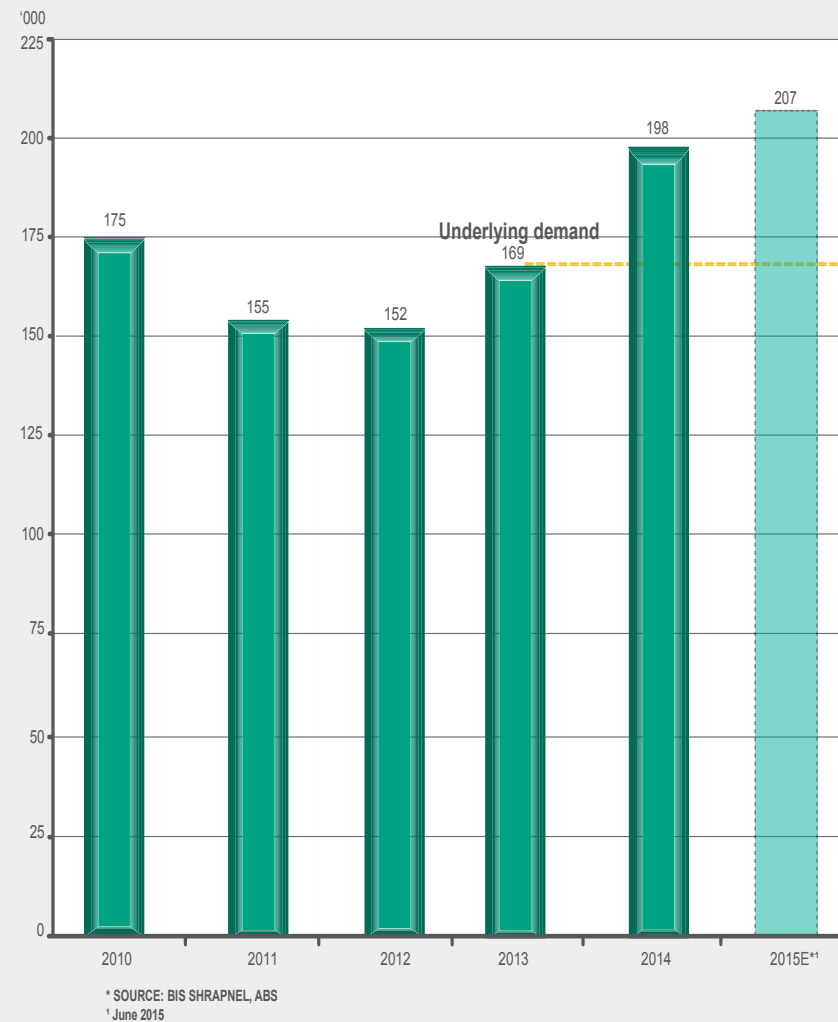
Capral Finance Facilities	\$m Limit	Jun 15	\$m Balance Dec 14	Jun 14
GE Revolver	60	10.1	Nil	7.6

LEVERAGE TO RECOVERY IN RESIDENTIAL CONSTRUCTION

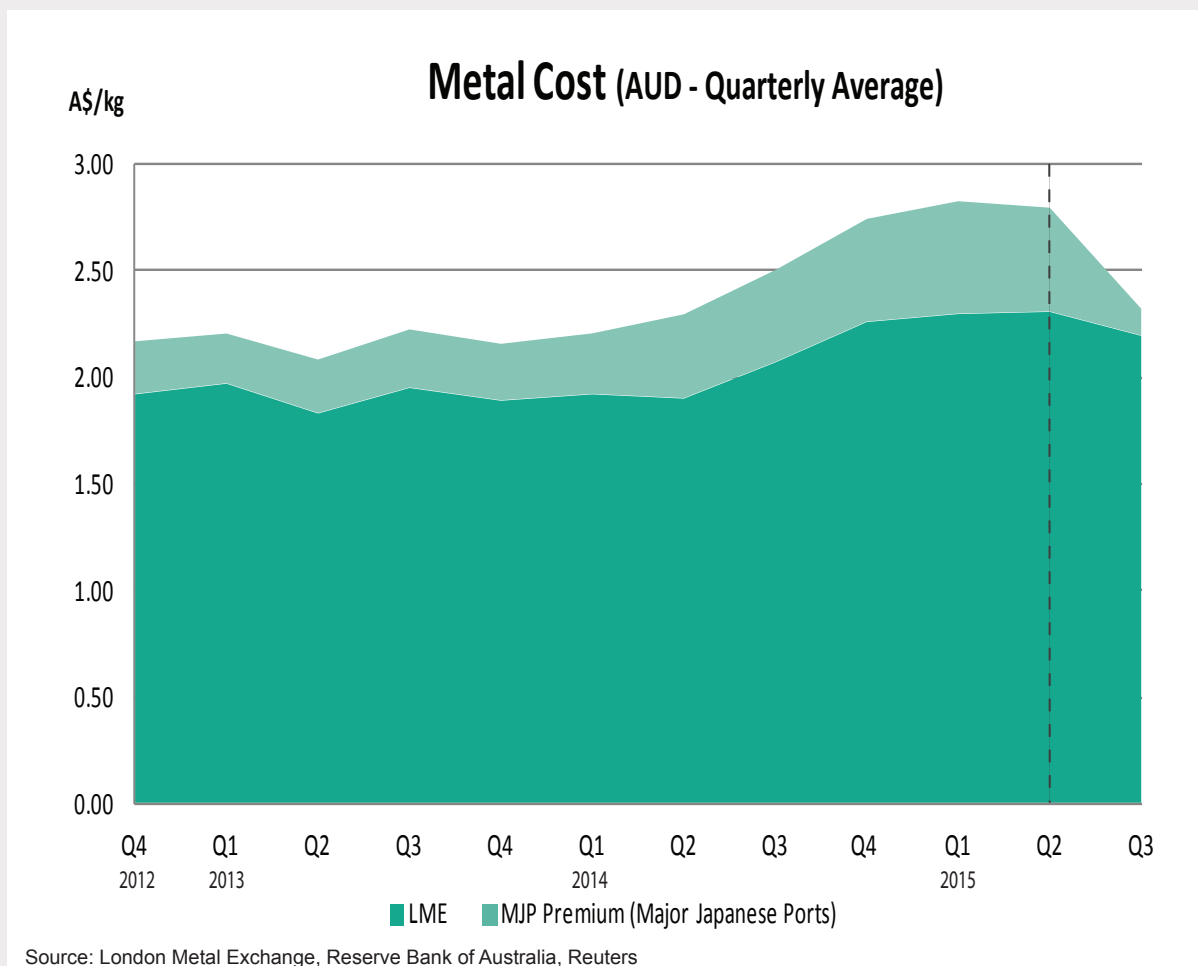
MONTHLY DWELLING APPROVALS AND
QUARTERLY DWELLING COMMENCEMENTS



RECOVERY STARTED IN 2013
AND ANTICIPATED TO CONTINUE THROUGH 2015

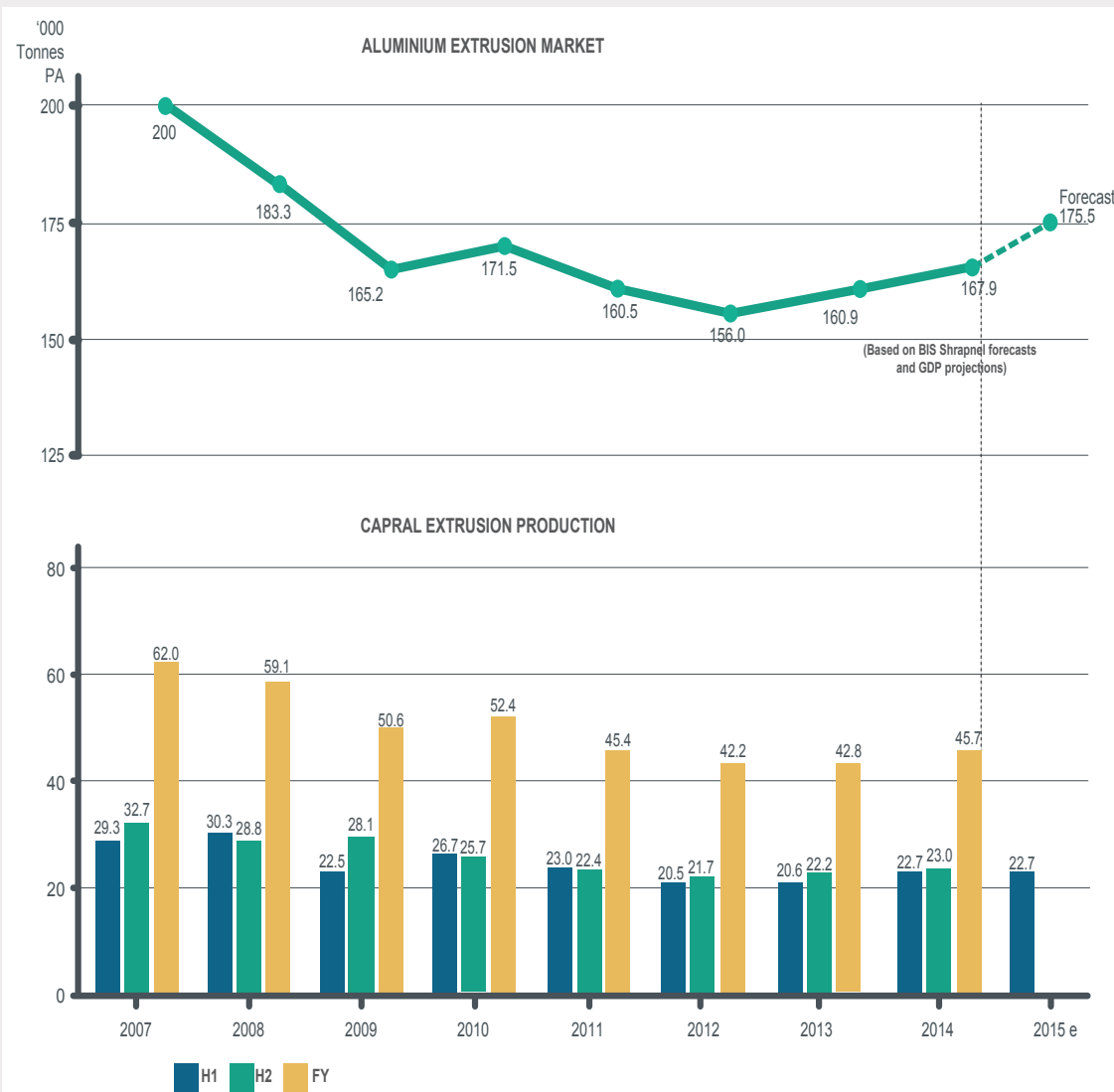


METAL COSTS CONTINUE TO IMPACT MARGINS



- The rapid rise in metal costs has not been fully recovered in sales price
- Both LME and Premiums rose throughout 2014
- The weaker AUD added to the metal cost increase
- From Q1 2014 to Q1 2015:
 - LME rose from USD \$1,708t to USD \$1,800t
 - MJP rose from USD \$225t to USD \$425t
- LME and Premiums have fallen in Q3 2015

ALUMINIUM EXTRUSION DEMAND IS RECOVERING FROM CYCLICAL LOW LEVELS



- Extrusion Market in 2015 is forecast to grow but still ~13% below 2007 high
- The housing sector is strong with dwelling approvals exceeding 200,000 units for calendar year 2014
- An increase in apartments relative to houses has increased the lag between approval and completion and reduced the intensity of aluminium extrusions
- Key industrial sectors (manufacturing, marine and transport) remain soft
- Increasing level of fabricated products being imported to the detriment of local aluminium supply

Note:

- Capral's estimated share at 28% of the domestic extrusion market remains steady
- New domestic extrusion capacity has been commissioned over recent years, including extrusion capability installed by traditional Capral customers
- Import market share has fallen to below 40% as a result of anti-dumping measures.

KEY STRATEGIC INITIATIVES

BUILD

On our strengths

- Best aluminium product offer
- Leading market share position
- Long term customer relationships
- Experienced and committed workforce
- Commitment to continuous improvement and customer service
- National extrusion manufacturing footprint
- National distribution network

OPTIMISE

What we do

- Continue to reduce cost base
- Complete OSA integration
- 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
- Improve customer interface tools
- Leverage the housing cycle upswing
- Grow the internal distribution channel to market
- Develop innovative new products
- Develop value-add capability both locally and overseas

and PURSUE A BETTER ANTI-DUMPING OUTCOME

COMMISSION CONFIRMS CONTINUED DUMPING FROM CHINA

The impact of the imposed anti-dumping measures has been modest

- Case won in 2010 but the levels of duties imposed were low relative to Canada and USA
- Concerns around ongoing circumvention by importers are:
 - Duty Avoidance
 - Duty Absorption/ Sales at a loss

Response and Action

- The Australian Government has pursued a significant reform agenda
- Capral initiated an inquiry by the Anti-Dumping Commission under new anti-circumvention legislation against the largest exporter/importer of extrusions from China
- In February 2015 duty avoidance by the largest exporter/importer was found and substantial additional duties were imposed. **Decision upheld on review**
- **Extrusion exports from this exporter appear to have all but ceased. We estimate around half of this volume may revert to local supply**
- **Statement of Essential Facts released in August 2015 recommends continuation of measures for a further five years**
- **Today the Australian Government announced overall increased anti-dumping measures effecting aluminium extrusion imports from China**

Key issues being pursued

- Continuing to interact with Government around strengthening the anti-dumping regime
- Continue to monitor and pursue anti-circumvention activities
- Explore anti-dumping cases against other countries in the region

OUTLOOK

- Housing commencements are forecast¹ to be around 207,000 for the year to December 2015, up 5% on 2014. Detached housing up 1% and multi-residential up 9%
- The weakening AUD is positive for local manufacturing and under normal circumstances should assist Capral's competitive position
- Additional duties imposed on the largest Chinese exporter should have a positive impact, as will continuation of measures at higher duty levels
- We continue to drive cost out of the business and cost saving initiatives are targeted to offset inflation
- The integration of the OneSteel Aluminium business will be completed during H2 2015
- Aluminium raw material cost, both LME and Premium, has recently fallen. This will result in a significant devaluation of inventory in Q3 2015 impacting EBITDA
- Capral expects to generate positive operating cash flow in H2 2015
- Full year Trading EBITDA² is forecast to be between \$10m and \$12m and EBITDA between \$5m and \$7m, provided the current momentum in the housing market is maintained and the industrial sectors do not decline further.

¹ BIS Shrapnel May 2015 forecast

² See Important Notes (page 2)