

# NOVELIS Q2 FISCAL 2018 EARNINGS CONFERENCE CALL

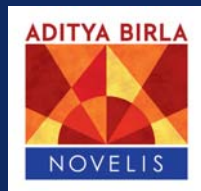
November 2, 2017

**Steve Fisher**

President and Chief Executive Officer

**Devinder Ahuja**

Senior Vice President and Chief Financial Officer



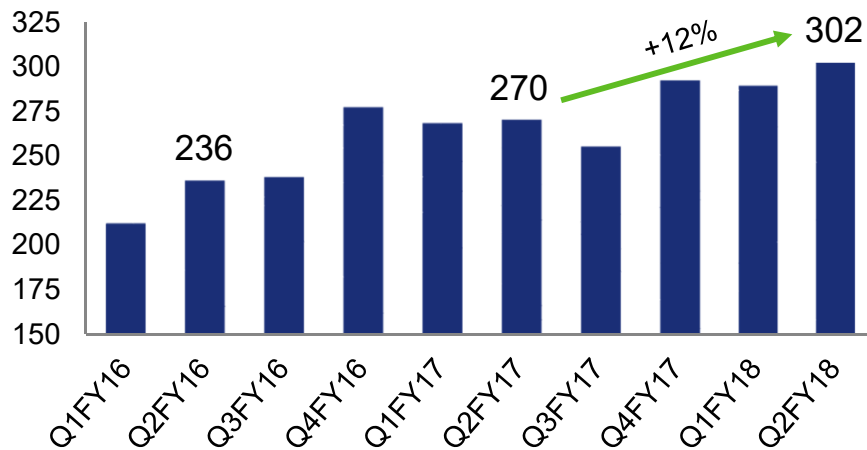
Novelis

## Forward-looking statements

Statements made in this presentation which describe Novelis' intentions, expectations, beliefs or predictions may be forward-looking statements within the meaning of securities laws. Forward-looking statements include statements preceded by, followed by, or including the words "believes," "expects," "anticipates," "plans," "estimates," "projects," "forecasts," or similar expressions. Examples of forward-looking statements in this presentation including statements concerning our expectation that we will achieve record free cash flow this fiscal year. Novelis cautions that, by their nature, forward-looking statements involve risk and uncertainty and that Novelis' actual results could differ materially from those expressed or implied in such statements. We do not intend, and we disclaim, any obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise. Factors that could cause actual results or outcomes to differ from the results expressed or implied by forward-looking statements include, among other things: changes in the prices and availability of aluminum (or premiums associated with such prices) or other materials and raw materials we use; the capacity and effectiveness of our hedging activities; relationships with, and financial and operating conditions of, our customers, suppliers and other stakeholders; fluctuations in the supply of, and prices for, energy in the areas in which we maintain production facilities; our ability to access financing for future capital requirements; changes in the relative values of various currencies and the effectiveness of our currency hedging activities; factors affecting our operations, such as litigation, environmental remediation and clean-up costs, labor relations and negotiations, breakdown of equipment and other events; the impact of restructuring efforts in the future; economic, regulatory and political factors within the countries in which we operate or sell our products, including changes in duties or tariffs; competition from other aluminum rolled products producers as well as from substitute materials such as steel, glass, plastic and composite materials; changes in general economic conditions including deterioration in the global economy, particularly sectors in which our customers operate; cyclical demand and pricing within the principal markets for our products as well as seasonality in certain of our customers' industries; changes in government regulations, particularly those affecting taxes, environmental, health or safety compliance; changes in interest rates that have the effect of increasing the amounts we pay under our credit facilities and other financing agreements; the effect of taxes and changes in tax rates; and our ability to generate cash. The above list of factors is not exhaustive. Other important risk factors included under the caption "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2017 are specifically incorporated by reference into this presentation.

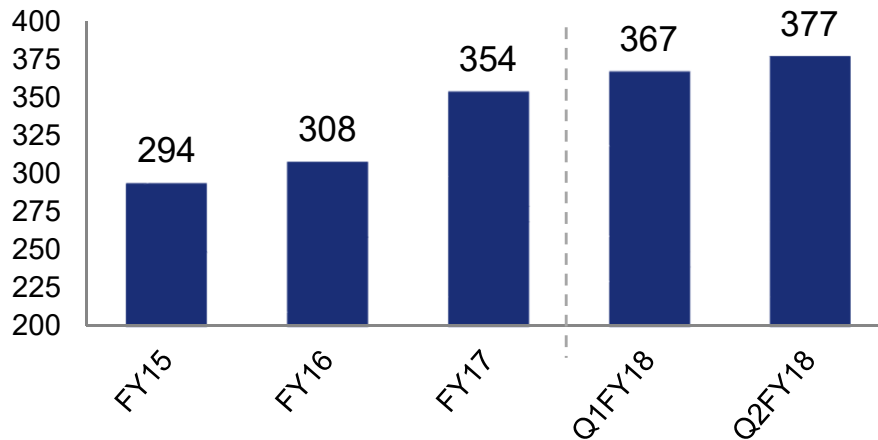
# SECOND QUARTER FY18 HIGHLIGHTS

Quarterly Adjusted EBITDA (\$M)



- Achieved record shipments and Adjusted EBITDA in Q2, supported by:
  - Automotive shipments growth 12% YoY as available capacity is able to meet rising demand for lightweight aluminum materials
  - Beverage can shipments growth 5% YoY with positive market conditions
  - Operational efficiencies and metal management

Adjusted EBITDA/ton (\$)



- Received \$314 million of cash proceeds for the joint venture transaction at Ulsan Aluminum
- Q2 Adjusted EBITDA/ton increased to \$377

Strategy driving a notable step change in performance



## North America

- Improving can volumes
- Favorable metal costs and operating efficiencies
- Outlook: Continued penetration of aluminum in automotive

## Europe

- Stable volumes and market conditions
- Positive impact from strengthening Euro
- Outlook: Continued penetration of aluminum in automotive

## South America

- Expanded volumes through specialties exports
- Outlook: Signals of economic recovery leading to beverage can supply chain restocking

## Asia

- Offsetting lower can prices with higher volume and cost efficiency gains
- Successfully completed joint venture transaction
- Outlook: Continued penetration of aluminum in automotive

# FINANCIAL HIGHLIGHTS

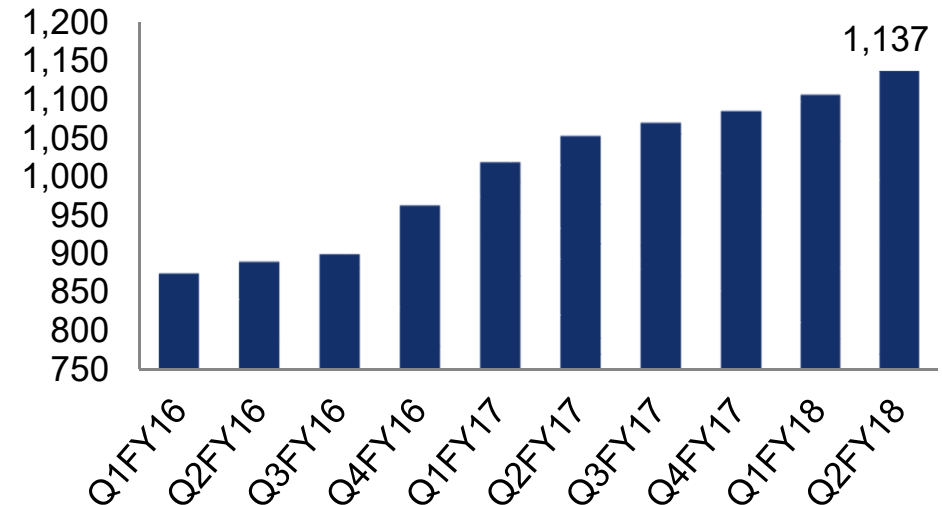
# Q2 FISCAL 2018 FINANCIAL HIGHLIGHTS



Q2FY18 vs Q2FY17

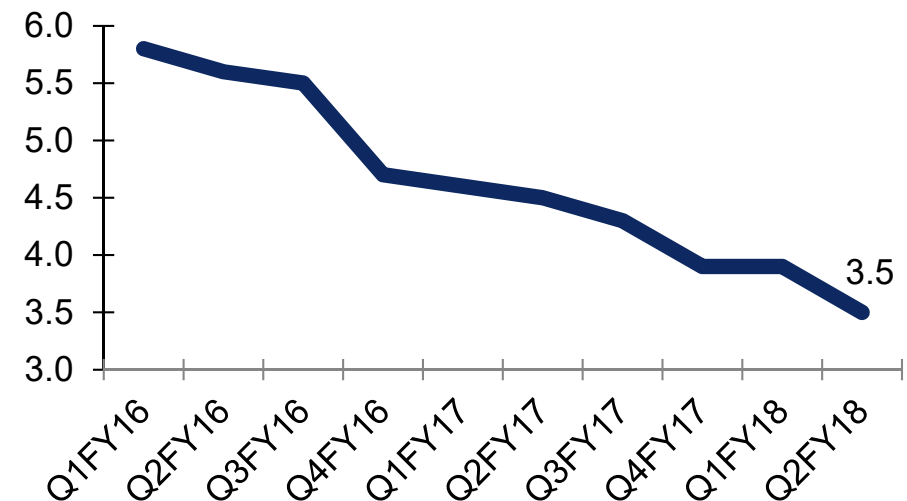
- Net income of \$307 million up from negative \$89 million in prior year
  - Excluding tax-effected special items\*, net income up 30% from \$60 million to \$78 million
- Adjusted EBITDA up 12% from \$270 million to record \$302 million
- Sales up 18% to \$2.8 billion
- Total FRP Shipments up 4% to record 802 kilotonnes
- Strong liquidity position at \$1.6 billion
- Reduced net leverage ratio to 3.5x

TTM Adjusted EBITDA (\$M)



Net Leverage ratio

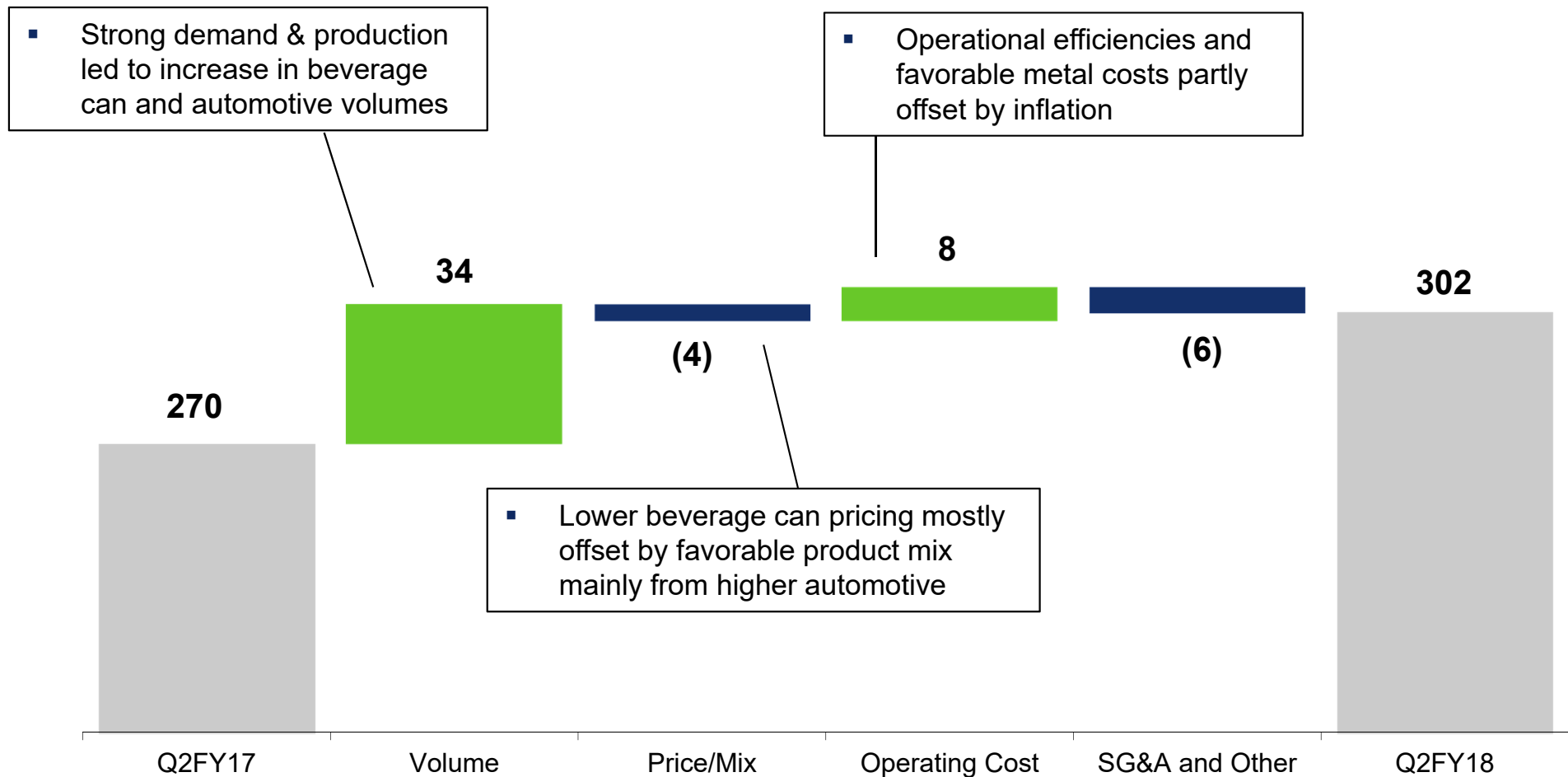
TTM Adjusted EBITDA/net debt



\*Tax-effected special items may include restructuring & impairment, metal price lag, gain/loss on assets held for sale, loss on extinguishment of debt, loss/gain on sale of business

# Q2 ADJUSTED EBITDA BRIDGE

\$ Millions



# FREE CASH FLOW

\$ Millions

	YTD FY18	YTD FY17
Adjusted EBITDA	591	538
Capital expenditures	(82)	(90)
Interest paid	(135)	(208)
Taxes paid	(68)	(44)
Working capital & other	(282)	(298)
<b>Free cash flow</b>	<b>\$24</b>	<b>(\$102)</b>

- Q2FY18 free cash flow \$101 million
- Positive YTD free cash flow despite sharply rising aluminum prices
- \$126 million YoY improvement in YTD FCF driven by:
  - Higher adjusted EBITDA
  - Lower interest due to refinancing actions in FY17 and timing of payments
- Working capital outflow related to higher metal prices and timing of customer payments

Continue to expect record free cash flow in FY18 \$400-450 million

*Free cash flow excludes the gain from Ulsan Aluminum JV transaction; see definition of Free Cash Flow in Appendix*





- In September, Novelis completed the transaction to sell approximately 50% of its ownership interest in its Ulsan, South Korea facility to Kobe Steel for US \$314 million, recognizing after-tax P&L gain of \$241 million
- This joint venture, named Ulsan Aluminum Ltd., will allow Novelis to:
  - More efficiently utilize our rolling assets in Korea
  - Deepen the plant's focus on the growing automotive aluminum sheet market and enhance our customer service
  - Provide cash proceeds to increase our strategic flexibility and reduce debt

## Cash flow impacts

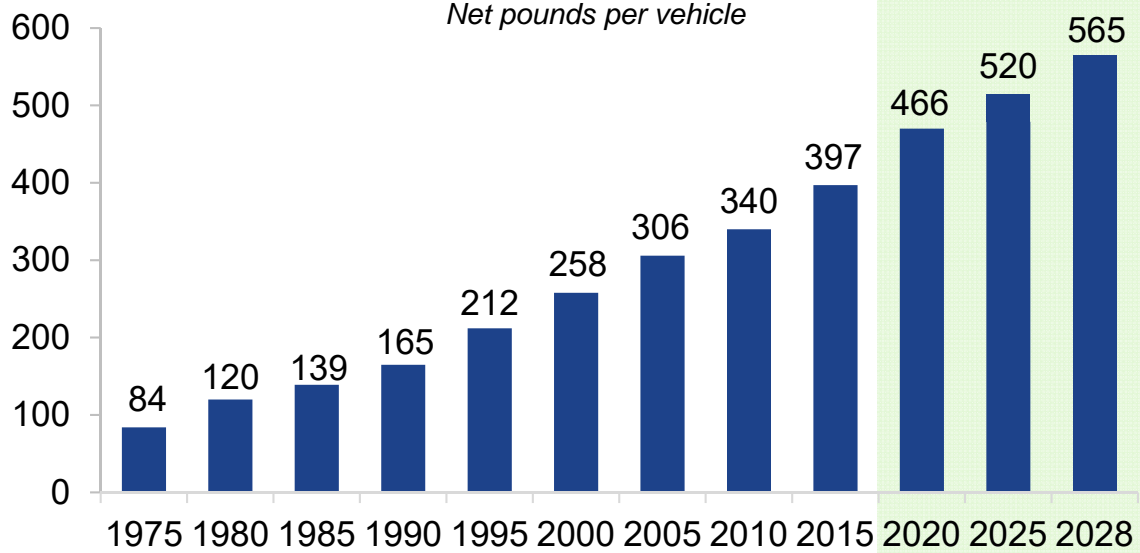
(US\$ millions)

Q2 proceeds from sale of a business	\$314
Expected cash taxes & fees paid in FY18	(50)
<b>Expected total cash proceeds, net of taxes &amp; fees</b>	<b>\$264</b>

# OUTLOOK AND SUMMARY

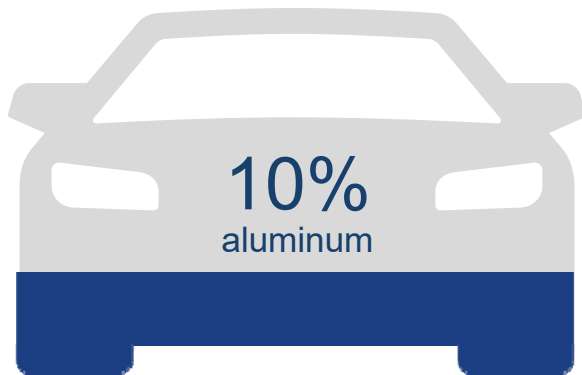
**North American Light Vehicle Aluminum Content**

*Net pounds per vehicle*



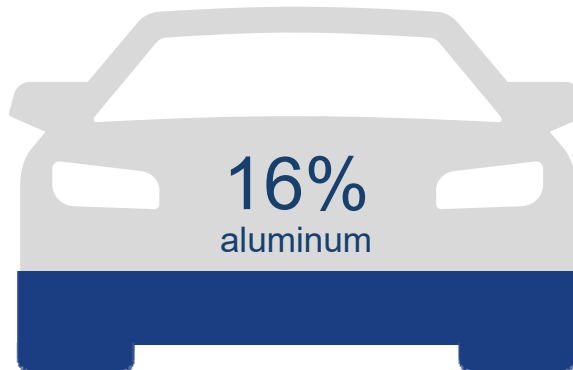
**2015**

CURB WEIGHT: 3,835 LBS



**2028**

CURB WEIGHT: 3,465 LBS



- Lightweighting improves performance, increases fuel economy, reduces emissions and extends battery range
- Aluminum is a growing metal of choice for lightweighting vehicles and provides equal or better quality, strength and durability compared to other materials
- Ability to deliver consistent, quality products on a global scale makes Novelis a partner of choice for automotive sheet solutions

Source: Ducker Worldwide

© 2017 Novelis

# SUMMARY

Novelis

- Record shipments and operating performance drove record Q2 Adjusted EBITDA
- Raise FY18 full year guidance for Adjusted EBITDA to \$1,150-\$1,200 million
  - Previous guidance \$1,100-\$1,150 million
- Maintain FY18 free cash flow guidance \$400-\$450 million
  - Monitoring higher aluminum price pressure on working capital
- Solid cash flow and net leverage trending to 3x by fiscal year end
- Maintain positive outlook for automotive aluminum sheet demand in near and long term; reviewing organic growth options to meet customer needs



**THANK YOU**  
**QUESTIONS?**

# APPENDIX

# INCOME STATEMENT RECONCILIATION TO ADJUSTED EBITDA



(in \$ m)	Q1	Q2	Q3	Q4	FY17	Q1 FY18	Q2 FY18
<b>Net income (loss) attributable to our common shareholder</b>	<b>24</b>	<b>(89)</b>	<b>63</b>	<b>47</b>	<b>45</b>	<b>101</b>	<b>307</b>
- Noncontrolling interests	-	-	1	-	1	-	-
- Interest, net	80	79	65	59	283	62	66
- Income tax provision	36	27	47	41	151	43	116
- Depreciation and amortization	89	90	88	93	360	90	91
<b>EBITDA</b>	<b>229</b>	<b>107</b>	<b>264</b>	<b>240</b>	<b>840</b>	<b>296</b>	<b>576</b>
- Unrealized loss (gain) on derivatives	7	(4)	(21)	13	(5)	(16)	18
- Realized gain on derivative instruments not included in segment income	(1)	-	(1)	(3)	(5)	(1)	-
- Proportional consolidation	8	8	4	8	28	8	8
- Loss on extinguishment of debt	-	112	-	22	134	-	-
- Restructuring and impairment, net	2	1	1	6	10	1	7
- Loss (gain) on sale of business	-	27	-	-	27	-	(318)
- Loss (gain) on sale of fixed assets	4	2	(2)	2	6	1	1
- Gain on assets held for sale, net	(1)	(1)	-	-	(2)	-	-
- Metal price lag (A)	13	14	4	-	31	1	5
- Others costs (income), net	7	4	6	4	21	(1)	5
<b>Adjusted EBITDA</b>	<b>268</b>	<b>270</b>	<b>255</b>	<b>292</b>	<b>1,085</b>	<b>289</b>	<b>302</b>

(A) Effective in the first quarter of fiscal 2018, management removed the impact of metal price lag from Adjusted EBITDA (Segment Income) in order to provide more transparency and visibility for our stakeholders on the underlying performance of the business. On certain sales contracts, we experience timing differences on the pass through of changing aluminum prices from our suppliers to our customers. Additional timing differences occur in the flow of metal costs through moving average inventory cost values and cost of goods sold. This timing difference is referred to as metal price lag. The company will continue to report metal price lag as a separate line item in Reconciliation from Net Income (loss) attributable to our common shareholder to Adjusted EBITDA. Segment information for all prior periods presented has been updated to reflect this change.

# FREE CASH FLOW AND LIQUIDITY

	(in \$ m)	Q1	Q2	Q3	Q4	FY17	Q1 FY18	Q2 FY18
Cash (used in) provided by operating activities	(107)	80	178	424	575	(45)	139	
Cash used in investing activities	(39)	(48)	(35)	(90)	(212)	(31)	273	
Less: outflows (proceeds) from sale of a business, net of transaction fees, cash income taxes and hedging (A)	-	12	(12)	(2)	(2)	(1)	(311)	
<b>Free cash flow</b>	<b>(146)</b>	<b>44</b>	<b>131</b>	<b>332</b>	<b>361</b>	<b>(77)</b>	<b>101</b>	
Capital expenditures	44	46	48	86	224	39	43	

(A) This line item includes the proceeds from the sale of shares in Ulsan Aluminum Ltd., to Kobe Steel Ltd. during the three months ended September 30, 2017 in the amount of \$314 million. We expect additional cash taxes and transaction fees related to Ulsan Aluminum Ltd. of approximately \$39 million and \$9 million, respectively, to be paid during the remainder of fiscal 2018.

	(in \$ m)	Q1	Q2	Q3	Q4	FY17	Q1 FY18	Q2 FY18
Cash and cash equivalents	457	473	505	594	594	565	949	
Availability under committed credit facilities	633	573	534	701	701	671	700	
<b>Liquidity</b>	<b>1,090</b>	<b>1,046</b>	<b>1,039</b>	<b>1,295</b>	<b>1,295</b>	<b>1,236</b>	<b>1,649</b>	