

# NOVELIS Q1 FISCAL 2019 EARNINGS CONFERENCE CALL

August 7, 2018

**Steve Fisher**

President and Chief Executive Officer

**Devinder Ahuja**

Senior Vice President and Chief Financial Officer



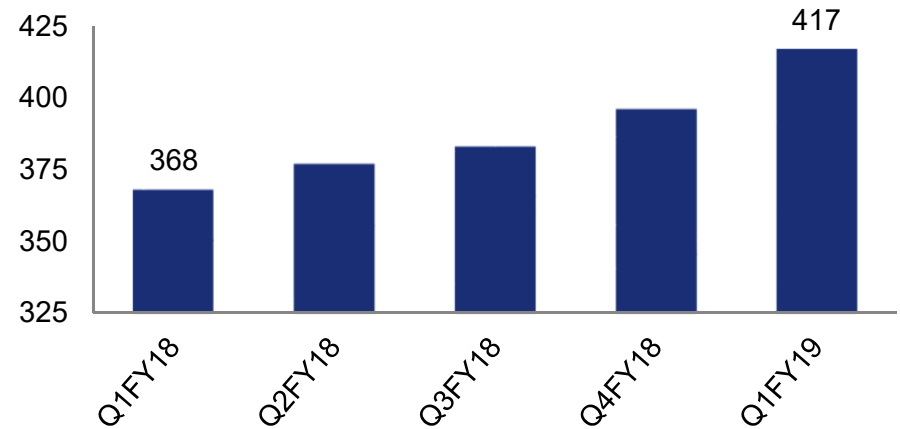
NOVELIS

## 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 that end market demand remains strong. 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; 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 are included under the caption "Risk Factors" in our Annual Report on Form 10-K for the fiscal year ended March 31, 2018.

- Excellent operational performance in favorable market conditions
- Optimizing global rolling, automotive and recycling capacity
- Executing on our strategy
  - Defend our core businesses
  - Strengthen our product portfolio
  - Invest in growth opportunities

Adjusted EBITDA/ton (\$)



Strategy and operational focus delivering results

- Geo-political and trade uncertainty
- One-time Q1FY19 events; expect little to no full year impact
  - National truckers strike in Brazil
  - North American auto customer unplanned downtime
- End market demand outlook remains strong in near and long term



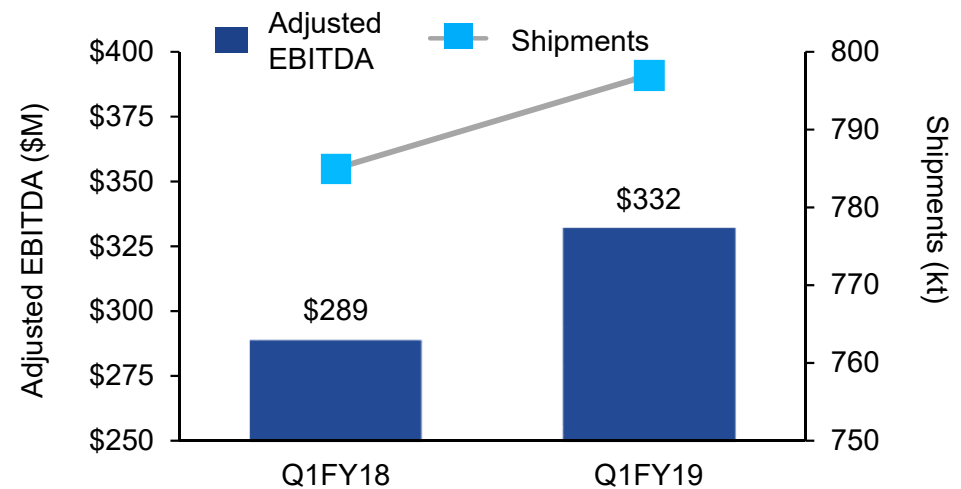
# FINANCIAL HIGHLIGHTS

# Q1 FISCAL 2019 FINANCIAL HIGHLIGHTS

Q1FY19 vs Q1FY18

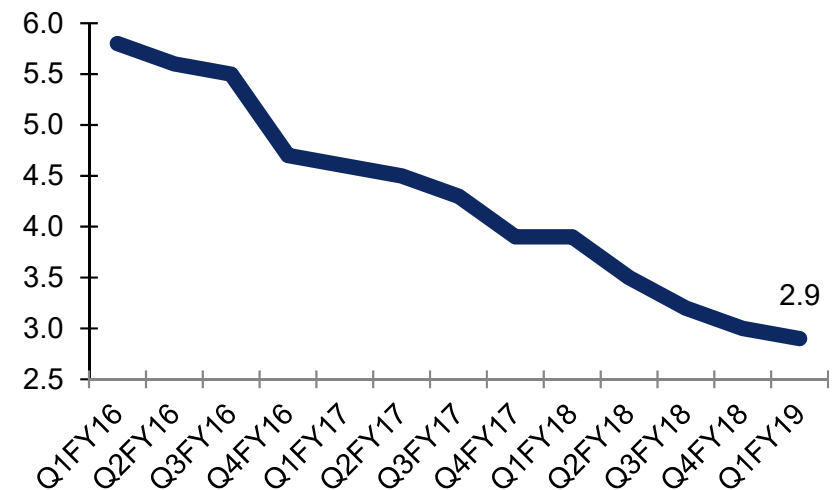
- Net income of \$137 million up from \$101 million in prior year
  - Favorable metal price lag \$33 million
  - Excluding tax-effected special items\*, net income up 10% from \$103 million to \$113 million
  
- Adjusted EBITDA up 15% from \$289 million to \$332 million
  
- Sales up 16% to \$3.1 billion
  
- Total FRP Shipments up 2% to 797 kilotonnes
  
- Strong liquidity position at \$1.9 billion
  
- Net leverage ratio at 2.9x

**Shipments & Adjusted EBITDA**



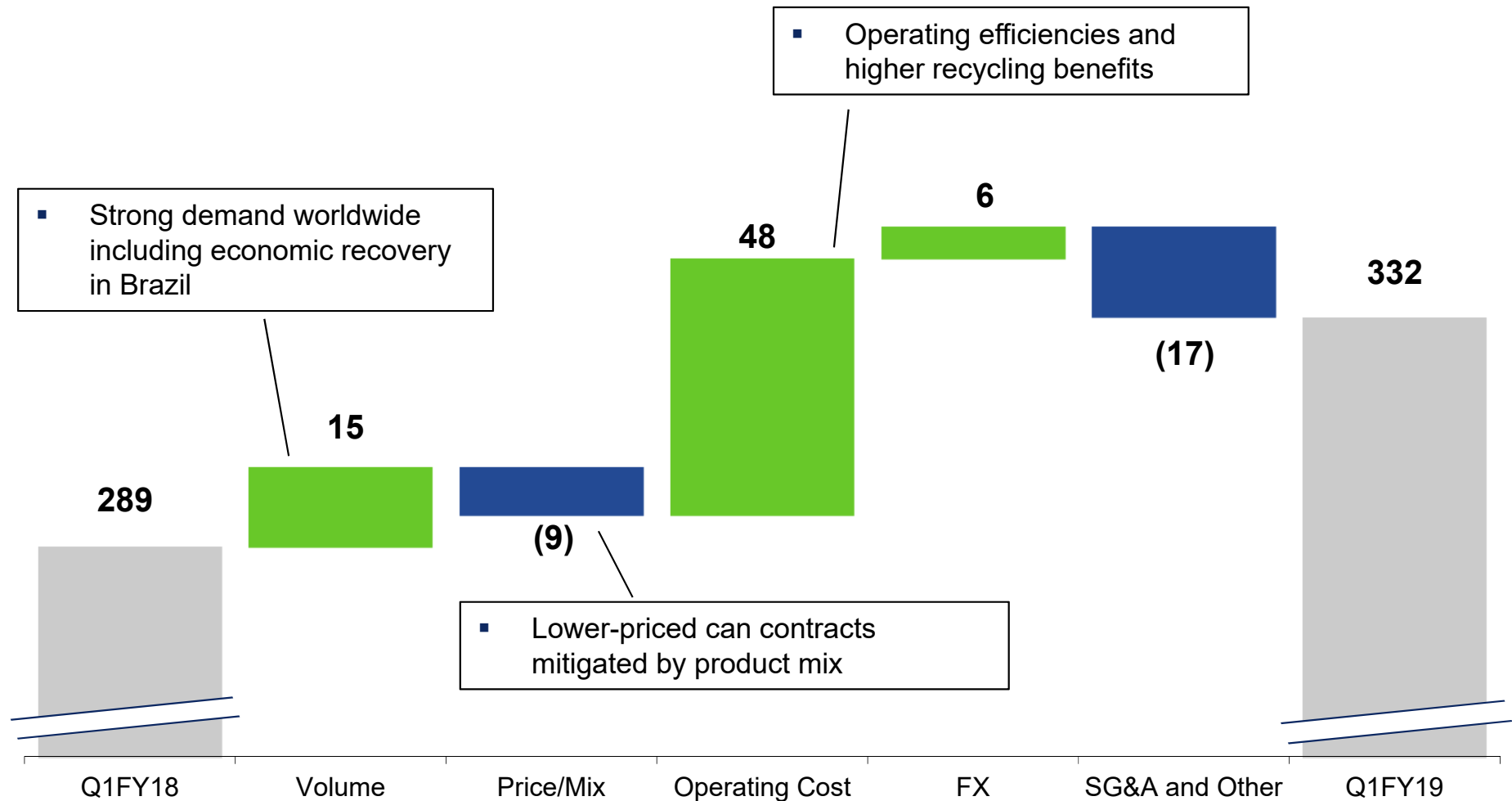
**Net Leverage ratio**

Net debt/TTM Adjusted EBITDA



# Q1 ADJUSTED EBITDA BRIDGE

\$ Millions



Realizing benefits from investments and efficiencies

# FREE CASH FLOW

\$ Millions

	Q1 FY19	Q1 FY18
Adjusted EBITDA	332	289
Capital expenditures	(54)	(39)
Interest paid	(65)	(81)
Taxes paid	(41)	(27)
Working capital & other	(176)	(219)
<b>Free cash flow*</b>	<b>(4)</b>	<b>(77)</b>

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

- \$73 million improvement in free cash flow YoY
- Maintain FY19 capex guidance ~\$450 million
- S&P Rating agency upgrade to BB-

Maintaining financial discipline while investing in the future



# SUMMARY

- Strong operating performance continues
- Navigating through geo-political and trade uncertainty
- Demand for aluminum flat rolled products remains high
- Making disciplined strategic investments to diversify our product portfolio and strengthen our business



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

# APPENDIX

# NET INCOME RECONCILIATION TO ADJUSTED EBITDA



(in \$ m)	Q1	Q2	Q3	Q4	FY18	Q1 FY19
<b>Net income attributable to our common shareholder</b>	<b>101</b>	<b>307</b>	<b>121</b>	<b>106</b>	<b>635</b>	<b>137</b>
- Noncontrolling interests	-	-	(16)	3	(13)	-
- Income tax provision	43	116	20	54	233	53
- Interest, net	62	62	62	60	246	63
- Depreciation and amortization	90	91	86	87	354	86
<b>EBITDA</b>	<b>296</b>	<b>576</b>	<b>273</b>	<b>310</b>	<b>1,455</b>	<b>339</b>
- Unrealized (gain) loss on derivatives	(16)	18	(15)	(7)	(20)	4
- Realized (gain) loss on derivative instruments not included in segment income	(1)	-	1	-	-	-
- Proportional consolidation	8	8	17	18	51	16
- Loss on sale of fixed assets	1	1	2	3	7	3
- Restructuring and impairment, net	1	7	25	1	34	1
- Metal price lag	1	5	(1)	(9)	(4)	(33)
- Gain on sale of business	-	(318)	-	-	(318)	-
- Other, net	(1)	5	3	3	10	2
<b>Adjusted EBITDA</b>	<b>\$289</b>	<b>\$302</b>	<b>\$305</b>	<b>\$319</b>	<b>\$1,215</b>	<b>\$332</b>

# FREE CASH FLOW AND LIQUIDITY

	(in \$ m)	Q1	Q2	Q3	Q4	FY18	Q1 FY19
Cash (used in) provided by operating activities		(45)	139	143	349	586	48
Cash (used in) provided by investing activities		(31)	273	(72)	(87)	83	(52)
Less: (proceeds) outflows from sale of assets, net of transaction fees, cash income taxes and hedging (A)		(1)	(311)	8	41	(263)	-
<b>Free cash flow</b>		<b>\$(77)</b>	<b>\$101</b>	<b>\$79</b>	<b>\$303</b>	<b>\$406</b>	<b>\$(4)</b>
Capital expenditures		39	43	54	90	226	54

(A) Effective in the second quarter of fiscal 2018, management clarified the definition of "Free cash flow" (a non-GAAP measure) to reduce "Proceeds on the sale of assets, net of transaction fees and hedging" by cash income taxes to further enable users of the financial statements to understand cash generated internally by the Company. This change does not impact the condensed consolidated financial statements or significantly impact prior periods. In addition, this line item includes the proceeds from the sale of shares in Ulsan Aluminum Ltd., to Kobe Steel Ltd. during the year ended March 31, 2018 in the amount of \$314 million, net of \$42 million and \$11 million, in cash taxes and transaction fees paid, respectively.

	(in \$ m)	Q1	Q2	Q3	Q4	FY18	Q1 FY19
Cash and cash equivalents		565	949	757	920	920	853
Availability under committed credit facilities		671	700	967	998	998	1,059
<b>Liquidity</b>		<b>\$1,236</b>	<b>\$1,649</b>	<b>\$1,724</b>	<b>\$1,918</b>	<b>\$1,918</b>	<b>\$1,912</b>