



# Novelis Q1 Fiscal Year 2017 Earnings Conference Call

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August 5, 2016

**Steve Fisher**

President and Chief Executive Officer

**Steve Pohl**

Interim Chief Financial Officer and SVP Business  
Performance and Execution

# Novelis

# Safe Harbor Statement

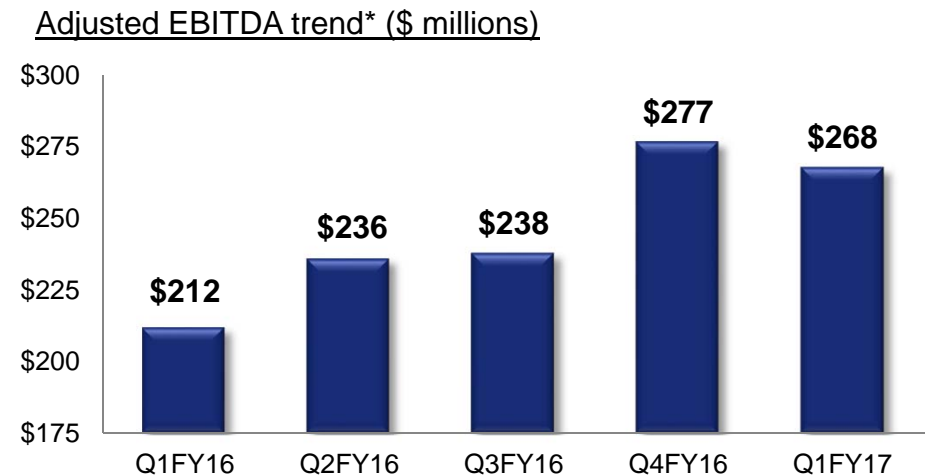
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## Forward-looking statements

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 are statements about the company's expectations for projected strong demand for automotive sheet. 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 level of indebtedness 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, 2016 are specifically incorporated by reference into this presentation.

# First Quarter Business Highlights

- Strategy to focus on fundamentals of manufacturing operations is delivering results
  - Positive product mix towards premium products
  - Increased productivity and recovery of new and existing assets
  - Lower cost of metal on favorable metal mix
- Adjusted EBITDA\* grew 26% YoY to \$268M
- Free cash flow improved \$279M YoY

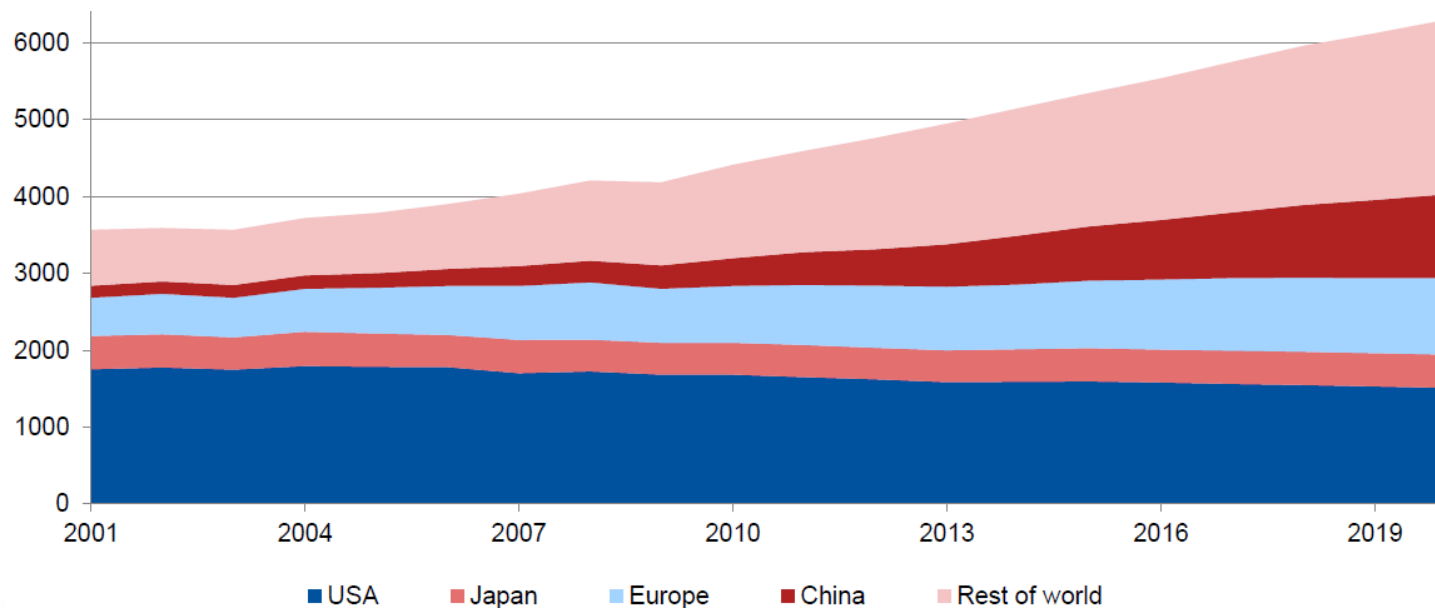


Building momentum, driving growth

# Can Outlook

- Global demand for beverage can remains strong, primarily in developing regions

Global beverage can demand (kt)



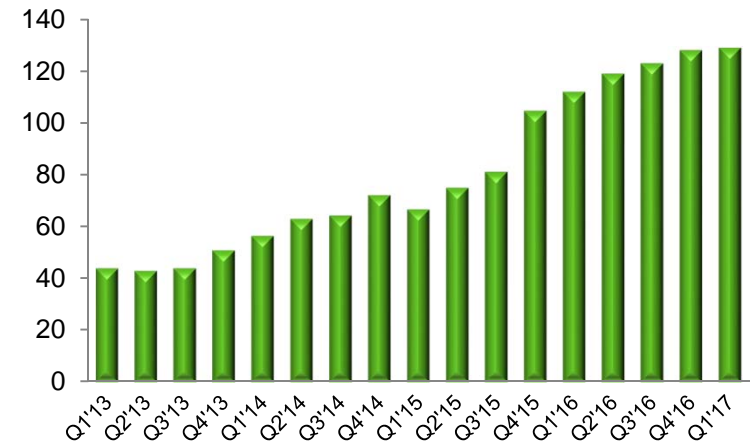
- But the maturing market faces challenges including overcapacity and economic weakness, increasing competition and pricing pressure

Novelis views Can as a core product and remains committed to its Can customers

# Automotive Growth

- All our new automotive sheet finishing lines are shipping product
- Achieved record automotive sheet shipments in Q1, up 15% YoY
- Auto shipments to continue to grow with demand over the next 24 months
- Current and projected demand for automotive sheet remains very strong

Novelis quarterly automotive shipments (kt)



Mass reduction is key to auto manufacturers' success; aluminum will play a key role

## Financial Highlights

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# Q1 Fiscal 2017 Highlights

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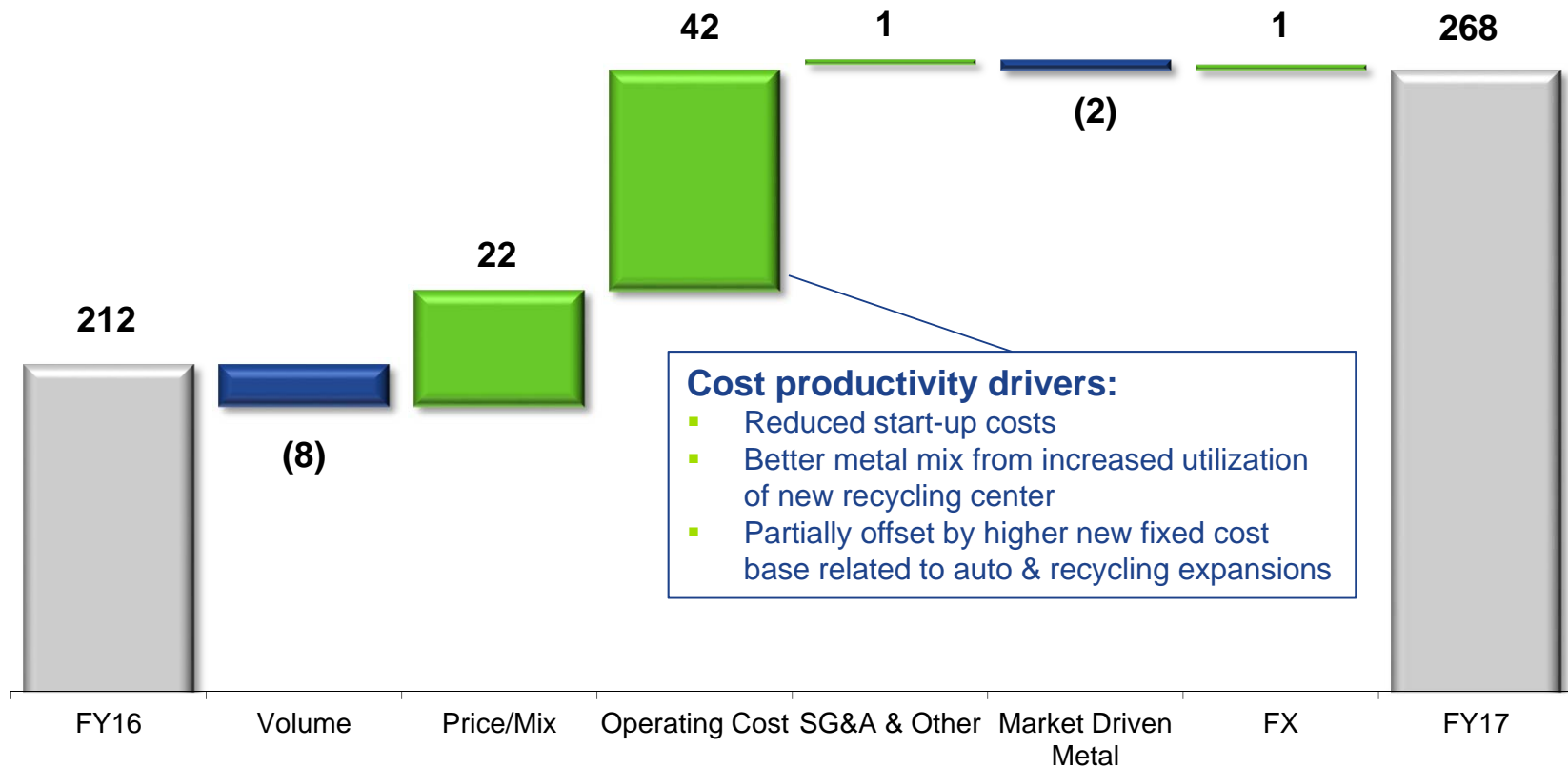
Q1FY17 vs Q1FY16

- Net income increased \$84 million to \$24 million; Excluding tax-effected special items\*, net income was \$33 million, up 38%
- Adjusted EBITDA, excluding metal price lag, up 26% to \$268 million
  - Significant reduction in metal price lag to negative \$13 million in Q1FY17 vs. negative \$85 million Q1FY16
  - Adjusted EBITDA \$255 million, up from \$127 million
- Sales down 13% to \$2.2 billion
  - Primarily driven by 46% lower average local market premiums and 11% lower average LME aluminum prices
  - FRP shipments down 2% to 755kt
- Strong liquidity position of \$1.1 billion

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

# Q1 Adjusted EBITDA\* Bridge

\$ Millions



\*EBITDA excluding metal price lag in both periods  
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Not just aluminum, Novelis Aluminum.



# Capital Spending & Free Cash Flow

- Q1 FCF includes \$107 million of semi-annual Senior Note interest payments
- FY17 full year outlook
  - Capex ~\$250 million
  - Positive free cash flow ~\$250 million



US \$M	Q1 FY17	Q1 FY16
Free Cash Flow	(146)	(425)
Capital Expenditures	44	129

## Summary

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# Summary

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- Strategy to focus on fundamentals of manufacturing operations is delivering results
- Overall global FRP demand outlook remains positive
  - Auto shipments to continue to grow with demand

**PREMIUM PRODUCT  
PORTFOLIO**



**OPERATIONAL  
EXCELLENCE**



**COST  
MANAGEMENT**



**WORKING CAPITAL  
DISCIPLINE**



## Questions & Answers

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Appendix

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# Income Statement Reconciliation To Adjusted EBITDA

(in \$ m)	Q1	Q2	Q3	Q4	FY16	Q1 FY17
<b>Net income (loss) attributable to our common shareholder</b>	<b>(60)</b>	<b>(13)</b>	<b>6</b>	<b>29</b>	<b>(38)</b>	<b>24</b>
- Interest, net	(78)	(80)	(77)	(79)	(314)	(80)
- Income tax (provision) benefit	(15)	3	(16)	(18)	(46)	(36)
- Depreciation and amortization	(87)	(89)	(88)	(89)	(353)	(89)
<b>EBITDA</b>	<b>120</b>	<b>153</b>	<b>187</b>	<b>215</b>	<b>675</b>	<b>229</b>
- Unrealized gain (loss) on derivatives	35	(15)	(2)	(22)	(4)	(7)
- Realized gain (loss) on derivative instruments not included in segment income	1	(3)	1	-	(1)	1
- Proportional consolidation	(7)	(8)	(7)	(9)	(30)	(8)
- Loss on extinguishment of debt	(13)	-	-	-	(13)	-
- Restructuring and impairment, net	(15)	(4)	(10)	(19)	(48)	(2)
- Loss on sale of fixed assets	(1)	-	(1)	(2)	(4)	(4)
- Gain on assets held for sale, net	-	-	-	-	-	1
- Others costs, net	(7)	1	(6)	(3)	(16)	(7)
<b>Adjusted EBITDA</b>	<b>127</b>	<b>182</b>	<b>212</b>	<b>270</b>	<b>791</b>	<b>255</b>
<b>Other income (expense) included in adjusted EBITDA</b>						
- Metal price lag	(85)	(54)	(26)	(7)	(172)	(13)
- Foreign currency remeasurement	4	(3)	4	(3)	2	(3)

## Explanation of other income (expense) included in adjusted EBITDA

**1) Metal price lag net of related hedges:** 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. Although we use derivatives contracts to minimize the price lag associated with LME base aluminum prices, we do not use derivative contracts for local market premiums, as these are not prevalent in the market.

**2) Foreign currency remeasurement net of related hedges:** All balance sheet accounts not denominated in the functional currency are remeasured every period to the period end exchange rates. This impacts our profitability. Like metal price lag, we have a risk management program in place to minimize the impact of such remeasurement.

# Free Cash Flow and Liquidity

	(in \$ m)	Q1	Q2	Q3	Q4	FY16	Q1 FY17
Cash (used in) provided by operating activities		(288)	225	64	540	541	(107)
Cash used in investing activities		(137)	(84)	(75)	(82)	(378)	(39)
Less: proceeds from sales of assets		-	(1)	(1)	(1)	(3)	-
<b>Free cash flow</b>		<b>(425)</b>	<b>140</b>	<b>(12)</b>	<b>457</b>	<b>160</b>	<b>(146)</b>
<b>Capital expenditures</b>		<b>129</b>	<b>75</b>	<b>78</b>	<b>88</b>	<b>370</b>	<b>44</b>
<b>Free cash flow before capital expenditures</b>		<b>(296)</b>	<b>215</b>	<b>66</b>	<b>545</b>	<b>530</b>	<b>(102)</b>

	(in \$ m)	Q1	Q2	Q3	Q4	FY16	Q1 FY17
Cash and cash equivalents		456	462	457	556	556	457
Availability under committed credit facilities		708	506	489	640	640	633
<b>Liquidity</b>		<b>1,164</b>	<b>968</b>	<b>946</b>	<b>1,196</b>	<b>1,196</b>	<b>1,090</b>