



# Novelis Q2 Fiscal Year 2017 Earnings Conference Call

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November 7, 2016

**Steve Fisher**

President and Chief Executive Officer

**Devinder Ahuja**

Senior Vice President and Chief Financial Officer

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# Safe Harbor Statement

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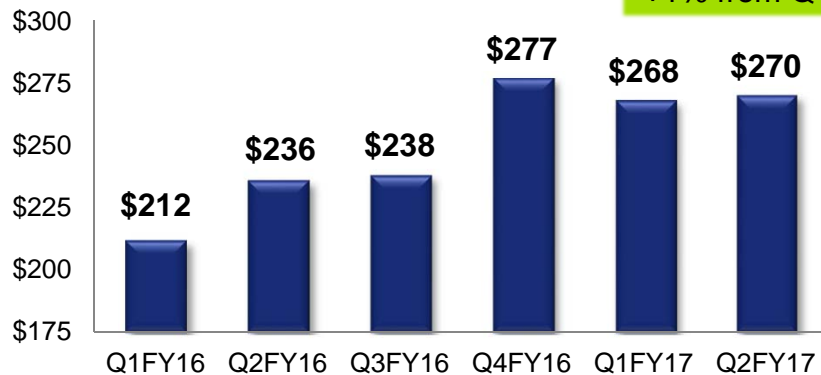
## Forward-looking statements

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 to generate \$300 million to \$350 million in free cash flow for the full 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 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.

# Second Quarter Business Highlights

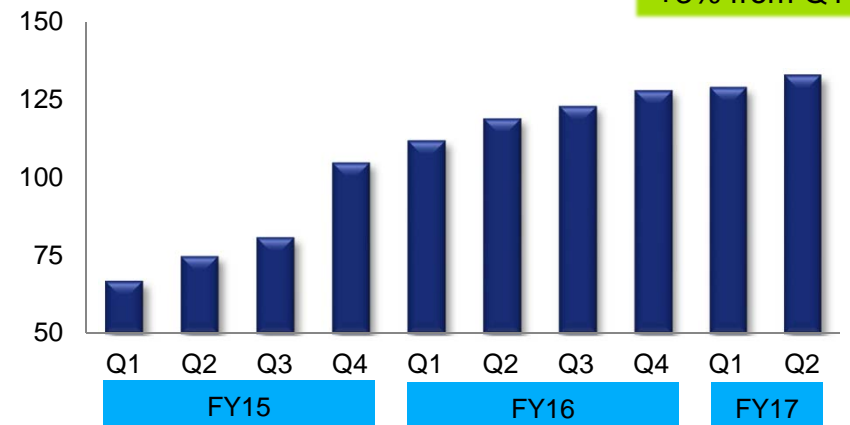
- Strategic investments & efficiencies driving strong EBITDA results
  - Continued portfolio optimization led to mix benefits and record automotive shipments
  - Significant cost reduction through productivity, asset utilization and better metal mix
- Successful refinancing of Senior Notes will drive \$55 million in annual cash interest savings
- Positive business momentum to sustain current trends

Quarterly Adjusted EBITDA\* (\$ millions)



\*Adjusted EBITDA excludes metal price lag in all periods  
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Quarterly Automotive Shipments (kt)



Not just aluminum, Novelis Aluminum.

## Financial Highlights

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# Q2 Fiscal 2017 Highlights

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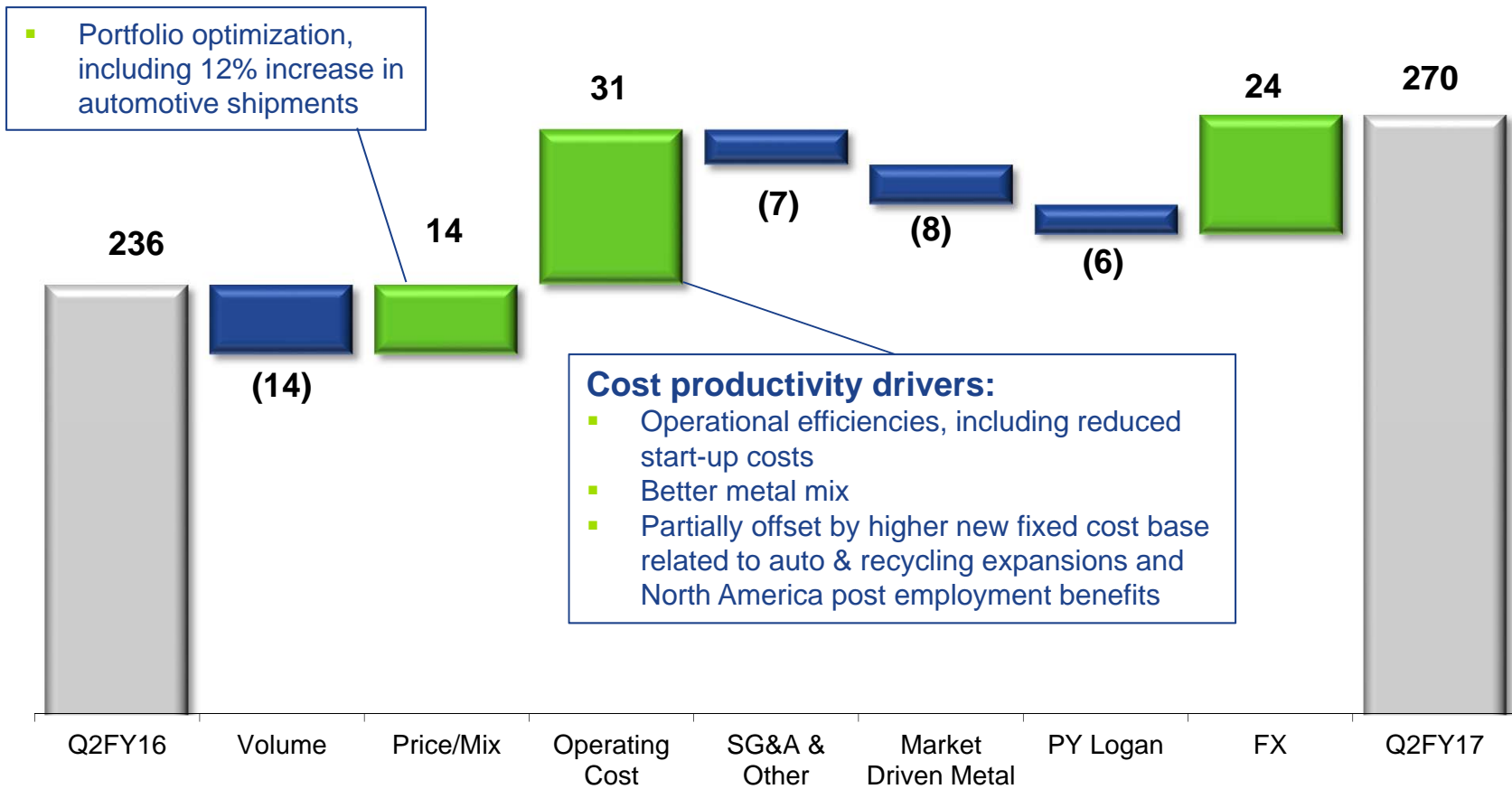
Q2FY17 vs Q2FY16

- Net loss of \$89 million
  - Includes \$112 million loss on extinguishment of debt
  - \$27 million loss on sale of non-core Alcom business in Malaysia
  - Excluding these and other tax-effected special items\*, net income increased to \$60 million from \$25 million
- Adjusted EBITDA, excluding metal price lag, up 14% to \$270 million
  - Metal price lag negative \$14 million vs negative \$54 million PY
  - Adjusted EBITDA \$256 million, up from \$127 million
- Sales down 5% to \$2.4 billion
- FRP shipments down 2% to 773kt
- Strong liquidity position of \$1.0 billion

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

# Q2 Adjusted EBITDA\* Bridge

\$ Millions



Strategic investments & efficiencies are delivering results

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

# Free Cash Flow

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US \$M	Q2 FY17	YTD FY17	Q2FY16	YTD FY16
Free Cash Flow	44	(102)	140	(285)
Capital Expenditures	46	90	75	204

- Refinanced \$1.1B Senior Notes due 2017 and \$1.4B Senior Notes due 2020
  - Resulted in \$55 million of cash interest savings annually
  - Timing of payments negatively impacted Q2FY17 FCF by \$50 million but will release \$75M in 2H FY17
  - Extends maturity profile through new issuances of \$1.15B Senior Notes due 2024 and \$1.5B Senior Notes due 2026
- Now expect \$300-350 million of FCF generation for the full year FY17

## Summary

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# Summary & Outlook

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- Strategic investments and focus on driving plant efficiencies are delivering results
- Aluminum automotive sheet demand remains robust but beverage can market increasingly competitive
- Headwinds will be offset by continued ramp up of automotive and production efficiencies
- Operational efficiencies and portfolio shift will continue to enhance performance



## Questions & Answers

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Appendix

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# Income Statement Reconciliation To Adjusted EBITDA

(in \$ m)	Q1 FY16	Q2 FY16	Q3 FY16	Q4 FY16	FY16	Q1 FY17	Q2 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>	<b>(89)</b>
- Interest, net	(78)	(80)	(77)	(79)	(314)	(80)	(79)
- Income tax (provision) benefit	(15)	3	(16)	(18)	(46)	(36)	(27)
- Depreciation and amortization	(87)	(89)	(88)	(89)	(353)	(89)	(90)
<b>EBITDA</b>	<b>120</b>	<b>153</b>	<b>187</b>	<b>215</b>	<b>675</b>	<b>229</b>	<b>107</b>
- Unrealized gain (loss) on derivatives	35	(15)	(2)	(22)	(4)	(7)	4
- Realized gain (loss) on derivative instruments not included in segment income	1	(3)	1	-	(1)	1	-
- Proportional consolidation	(7)	(8)	(7)	(9)	(30)	(8)	(8)
- Loss on extinguishment of debt	(13)	-	-	-	(13)	-	(112)
- Restructuring and impairment, net	(15)	(4)	(10)	(19)	(48)	(2)	(1)
- Loss on sale of business	-	-	-	-	-	-	(27)
- Loss on sale of fixed assets	(1)	-	(1)	(2)	(4)	(4)	(2)
- Gain on assets held for sale, net	-	-	-	-	-	1	1
- Others (costs) income, net	(7)	1	(6)	(3)	(16)	(7)	(4)
<b>Adjusted EBITDA</b>	<b>127</b>	<b>182</b>	<b>212</b>	<b>270</b>	<b>791</b>	<b>255</b>	<b>256</b>
<b>Other income (expense) included in adjusted EBITDA</b>							
- Metal price lag	(85)	(54)	(26)	(7)	(172)	(13)	(14)
- Foreign currency remeasurement	4	(3)	4	(3)	2	(3)	2

## 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 FY16	Q2 FY16	Q3 FY16	Q4 FY16	FY16	Q1 FY17	Q2 FY17
Cash (used in) provided by operating activities	(288)	225	64	540	541	(107)	80
Cash used in investing activities	(137)	(84)	(75)	(82)	(378)	(39)	(48)
Less: proceeds from sales of assets	-	(1)	(1)	(1)	(3)	-	12
<b>Free cash flow</b>	<b>(425)</b>	<b>140</b>	<b>(12)</b>	<b>457</b>	<b>160</b>	<b>(146)</b>	<b>44</b>
<b>Capital expenditures</b>	<b>129</b>	<b>75</b>	<b>78</b>	<b>88</b>	<b>370</b>	<b>44</b>	<b>46</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>	<b>90</b>

(in \$ m)	Q1	Q2	Q3	Q4	FY16	Q1 FY17	Q2 FY17
Cash and cash equivalents	456	462	457	556	556	457	473
Availability under committed credit facilities	708	506	489	640	640	633	573
<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>	<b>1,046</b>