



# Novelis Q3 Fiscal Year 2017 Earnings Conference Call

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February 7, 2017

**Steve Fisher**

President and Chief Executive Officer

**Devinder Ahuja**

Senior Vice President and Chief Financial Officer

# Novelis

# Safe Harbor Statement

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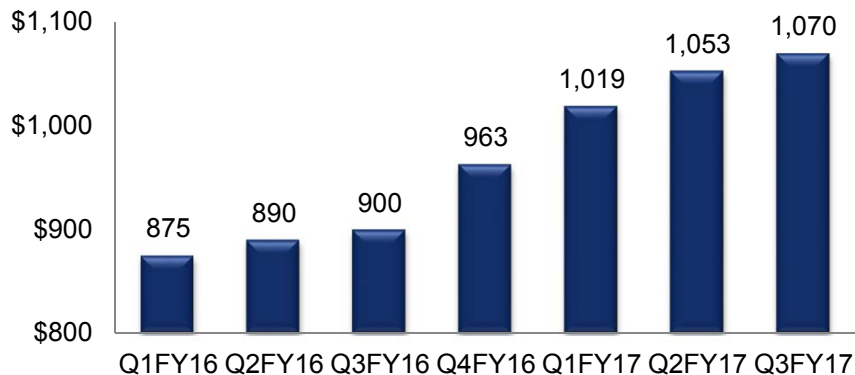
## Forward-looking statements

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 to generate approximately \$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.

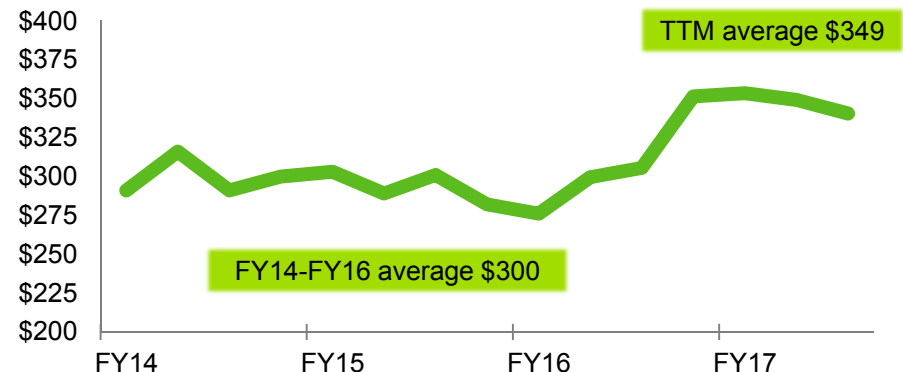
# Current Business Highlights

- Record third quarter Adjusted EBITDA\* \$255 million, up 7% YoY
  - Record automotive shipments, operating efficiencies and favorable FX drove strong results during seasonally low quarter
- Completed refinancing of long term debt in January
  - All recent transactions will result in extended maturity profile and annual cash interest savings of ~\$80 million
- Annualized Adjusted EBITDA\* at sustainable levels
  - On track to achieve record full year Adjusted EBITDA\*

TTM Adjusted EBITDA\* (\$ millions)



Adjusted EBITDA\* \$ per tonne Evolution



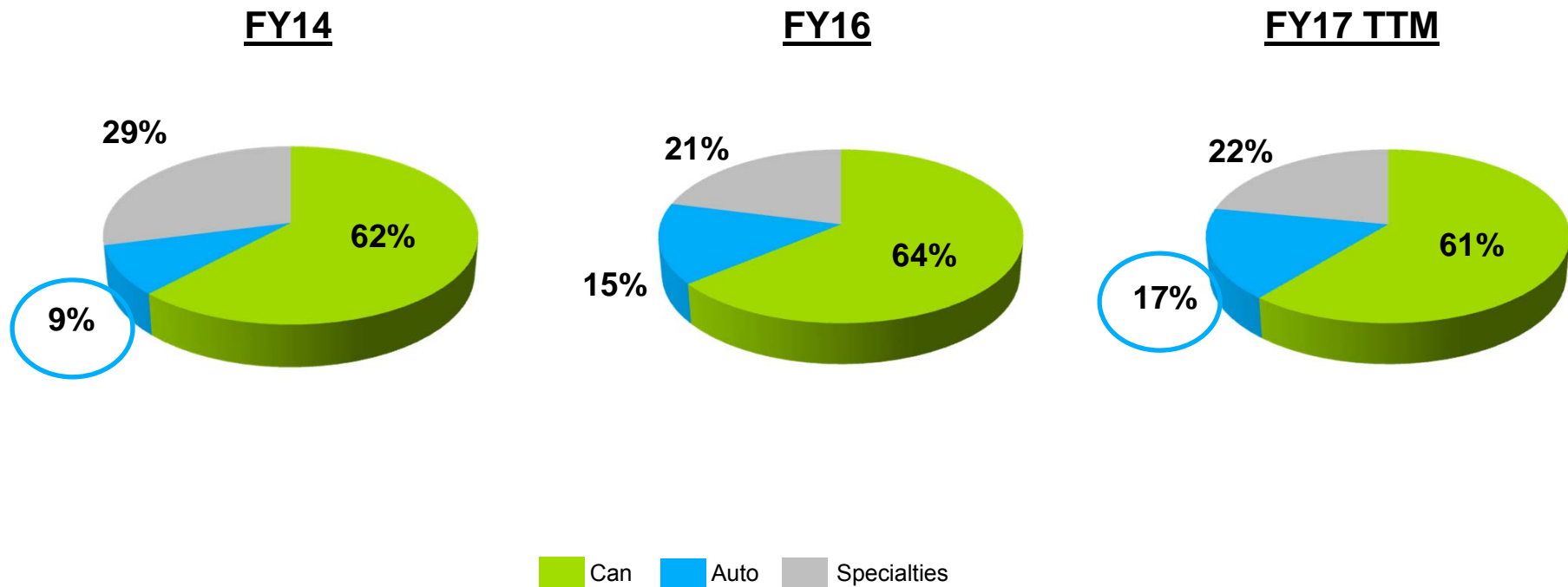
\*Adjusted EBITDA excludes metal price lag in all periods  
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Not just aluminum, Novelis Aluminum.

# Strategically Strengthening Portfolio

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## Product Portfolio Evolution (% of total FRP shipments)



# Market Shift and Response

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## Can Market Dynamics

- Customer consolidation creating pricing pressure
- Continued overcapacity, particularly in China
- Slow start to typically strong summer season in economically soft Brazil



## Strategic Actions & Results

- In active conversation with customers
- Strong momentum in cost and operational efficiencies to continue to maintain margins
- Exploring opportunities to expand specialties portfolio to optimize capacity in Asia and South America
- Continued momentum in automotive sheet market improving product mix

# Automotive Aluminum Sheet Market Update

## Market Opportunities

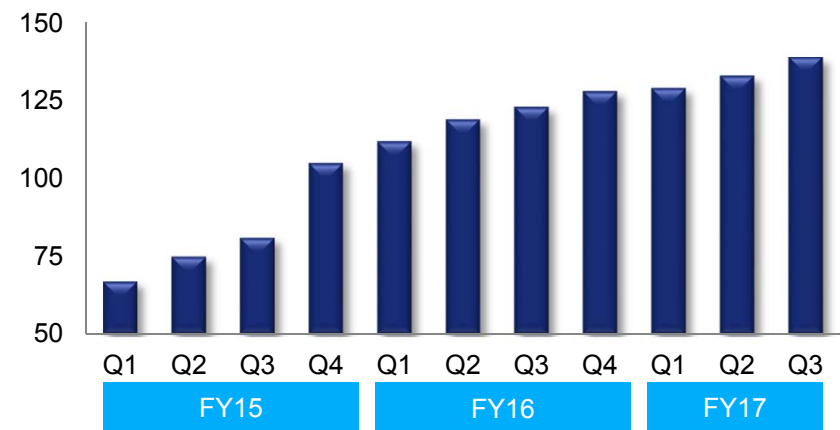
- Maintain strong global demand outlook
- Autonomous vehicles & mobility
- Electric vehicles

## Strategic Actions & Results

- Clear line of sight for full utilization of auto capacity in FY19
- Partnering with customers to enhance sustainability objectives
  - Jaguar Land Rover's REALCAR (REcycled ALuminium CAR) project
- Leverage our footprint to provide global solutions
- Delivering consecutive record automotive sheet shipments, +13% YoY, +5% sequentially



Quarterly Global Automotive Shipments (kt)



Not just aluminum, Novelis Aluminum.

## Financial Highlights

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# Q3 Fiscal 2017 Highlights

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Q3FY17 vs Q3FY16

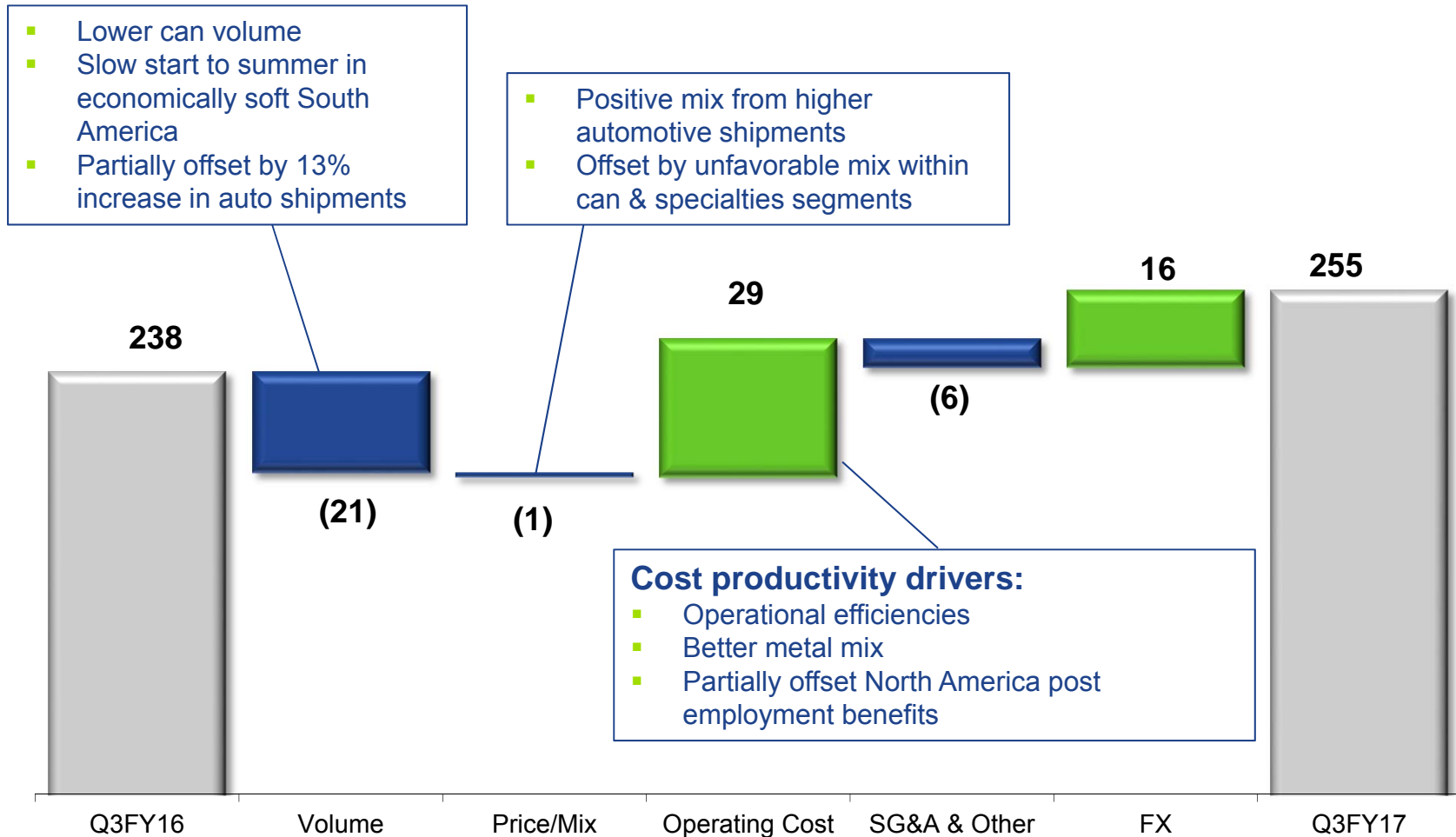
- Net income of \$63 million; Excluding tax-effected special items\*, net income more than doubled to \$67 million from \$32 million
  - Includes \$14 million YoY reduction in interest expense
- Adjusted EBITDA, excluding metal price lag, up 7% to \$255 million
  - Metal price lag negative \$4 million vs negative \$26 million PY
  - Adjusted EBITDA \$251 million, up 18% from \$212 million
- Sales down 2% to \$2.3 billion
- FRP shipments down 4% to 750kt
- Strong liquidity position over \$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*



# Q3 Adjusted EBITDA\* Bridge

\$ Millions



\*EBITDA excluding metal price lag in both periods

# Free Cash Flow Bridge

US \$M	YTD FY17	YTD FY16
Adjusted EBITDA	762	521
Capital Expenditures	(138)	(282)
Interest Paid	(236)	(284)
Taxes Paid	(70)	(66)
Working Capital & Other	(289)	(186)
<b>Free Cash Flow</b>	<b>29</b>	<b>(297)</b>

- Stronger YTD FCF than prior year, driven by
  - Higher EBITDA, including lower metal price lag
  - Reduced CapEx spending
  - Interest savings & timing
  - Partly offset by higher working capital due to rising aluminum prices

Now expect Free Cash Flow to be on high end of previous guidance range:  
~\$350 million for the full year FY17

# Successfully Refinanced Long Term Debt

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## ■ Q2 FY17

- In August, refinanced \$1.1 billion 8.375% Senior Notes due 2017 with \$1.15 billion 6.25% Senior Notes due August 2024
- In September, refinanced \$1.4 billion 8.75% Senior Notes due 2020 with \$1.5 billion 5.875% Senior Notes due September 2026
- Reduced annual cash interest ~\$55 million

## ■ Q4 FY17

- In January, refinanced \$1.8 billion Floating rate Term Loan Facility due 2022 with \$1.8 billion Asian Term Loan bank deal due June 2022
- Reduced annual cash interest ~\$24 million

Combined annual cash interest savings ~\$80 million

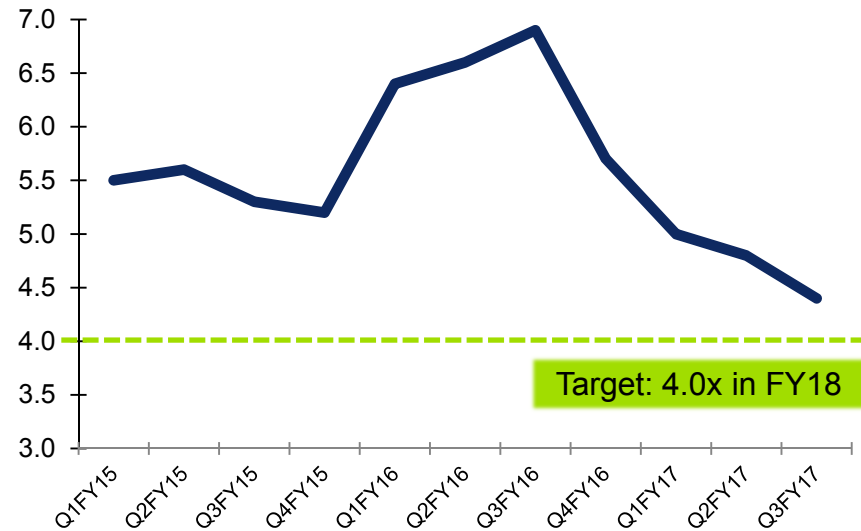
## Summary

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# Summary & Outlook

- On track to achieve record FY17 full year Adjusted EBITDA, excluding metal price lag
- Continued operational efficiencies and focus on evolving product mix with automotive sheet growth to offset headwinds in can
- Achieving 4x net debt ratio in FY17

Net Debt/Adjusted EBITDA ratio



## 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	Q3 FY17
<b>Net (loss) income 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>	<b>63</b>
- Noncontrolling interests	-	-	-	-	-	-	-	1
- Interest, net	(78)	(80)	(77)	(79)	(314)	(80)	(79)	(65)
- Income tax (provision) benefit	(15)	3	(16)	(18)	(46)	(36)	(27)	(47)
- Depreciation and amortization	(87)	(89)	(88)	(89)	(353)	(89)	(90)	(88)
<b>EBITDA</b>	<b>120</b>	<b>153</b>	<b>187</b>	<b>215</b>	<b>675</b>	<b>229</b>	<b>107</b>	<b>264</b>
- Unrealized gain (loss) on derivatives	35	(15)	(2)	(22)	(4)	(7)	4	21
- Realized gain (loss) on derivative instruments not included in segment income	1	(3)	1	-	(1)	1	-	1
- Proportional consolidation	(7)	(8)	(7)	(9)	(30)	(8)	(8)	(4)
- Loss on extinguishment of debt	(13)	-	-	-	(13)	-	(112)	-
- Restructuring and impairment, net	(15)	(4)	(10)	(19)	(48)	(2)	(1)	(1)
- Loss on sale of business	-	-	-	-	-	-	(27)	-
- (Loss) gain on sale of fixed assets	(1)	-	(1)	(2)	(4)	(4)	(2)	2
- Gain on assets held for sale, net	-	-	-	-	-	1	1	-
- Others (costs) income, net	(7)	1	(6)	(3)	(16)	(7)	(4)	(6)
<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>251</b>
<b>Other income (expense) included in adjusted EBITDA</b>								
- Metal price lag	(85)	(54)	(26)	(7)	(172)	(13)	(14)	(4)
- Foreign currency remeasurement	4	(3)	4	(3)	2	(3)	2	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	Q3 FY17
Cash (used in) provided by operating activities	(288)	225	64	540	541	(107)	80	178
Cash used in investing activities	(137)	(84)	(75)	(82)	(378)	(39)	(48)	(35)
Less: (proceeds) outflows from sales of assets	-	(1)	(1)	(1)	(3)	-	12	(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>131</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>48</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>	<b>179</b>

(in \$ m)	Q1	Q2	Q3	Q4	FY16	Q1 FY17	Q2 FY17	Q3 FY17
Cash and cash equivalents	456	462	457	556	556	457	473	505
Availability under committed credit facilities	708	506	489	640	640	633	573	534
<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>	<b>1,039</b>