

# NOVELIS INVESTOR PRESENTATION

May 2017

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# 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 plan to complete a joint venture transaction with Kobe Steel. 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 upcoming Annual Report on Form 10-K for the fiscal year ended March 31, 2017 are specifically incorporated by reference into this presentation.

1 Business Profile & Strategy

2 Auto & Can Market Outlook

3 Financial Performance

4 Appendix

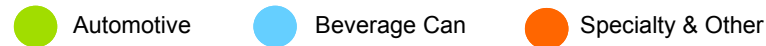


# BUSINESS PROFILE & STRATEGY



- Novelis is the #1 aluminum rolled products supplier worldwide
- Global footprint with 24 operations spanning 10 countries with ~11,000 employees
- For the fiscal 2017 year ended 3/31/2017, achieved:
  - 3,067kt shipments
  - \$9.6 billion revenue
  - \$1,085 million of adjusted EBITDA excluding metal price lag\*
  - \$361 million in free cash flow

# OUR GLOBAL FOOTPRINT



**Utilize our global capacity**

Optimize our global rolling capacity

**Strengthen our product portfolio**

Grow shipments of premium flat rolled products

**Drive operational excellence**

Improve operational efficiency, safety, customer service, product quality, and metal mix to manage costs

**Strengthen our balance sheet**

Building financial flexibility while evaluating strategic opportunities

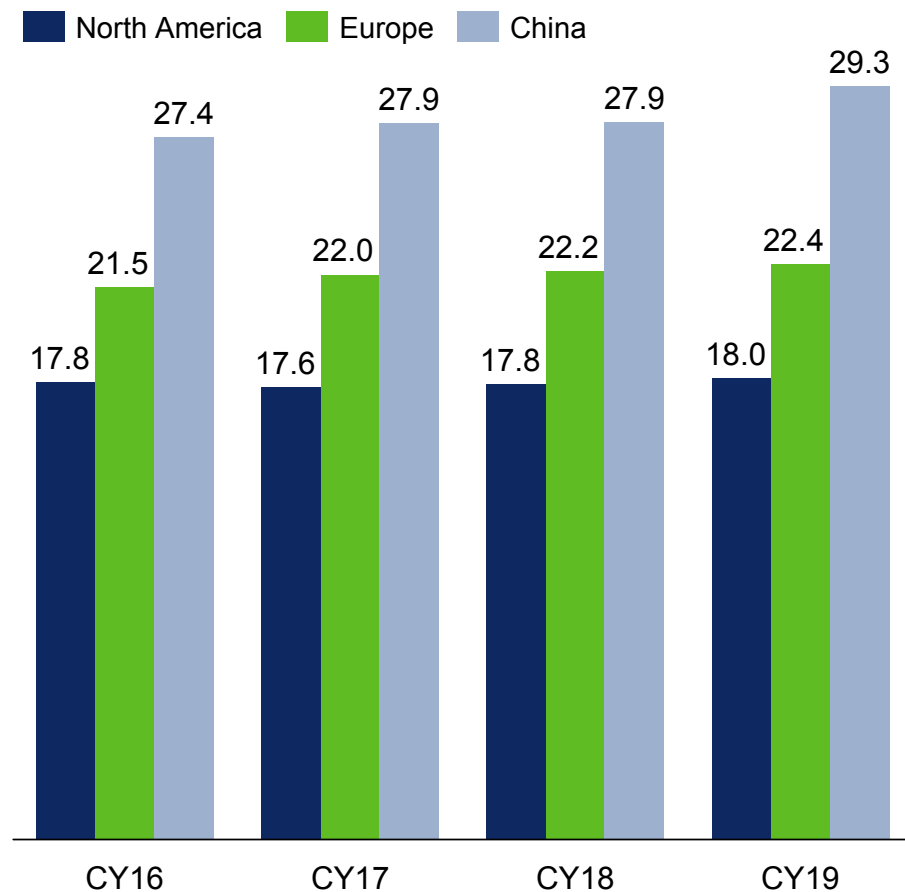
# AUTO & CAN MARKET OUTLOOK



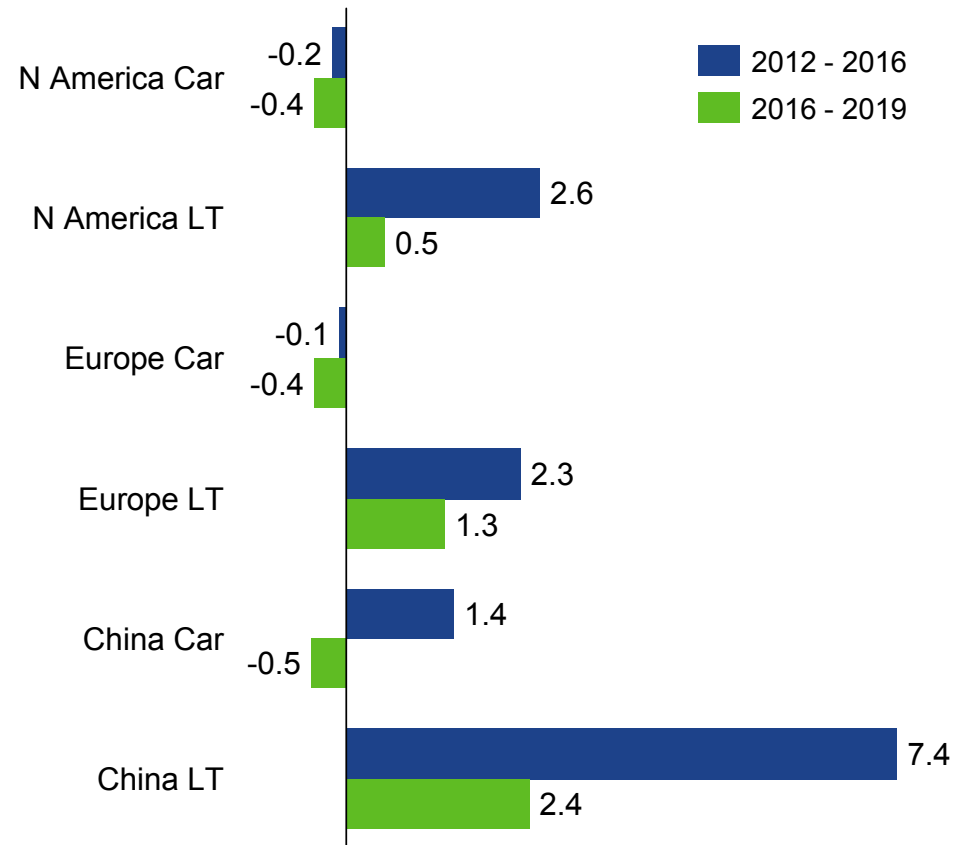
# GLOBAL AUTOMOTIVE PRODUCTION

- Overall global production is expected to stay flat over the next 3 years for Europe and N. America
- China will continue to be the largest automotive market with growth exceeding all other regions
- Aluminum intensive vehicles, such as trucks, SUVs, and electric vehicles, will continue to grow at a faster rate than the overall market in North America, Europe, and China

**Global Production (million units)<sup>1</sup>**



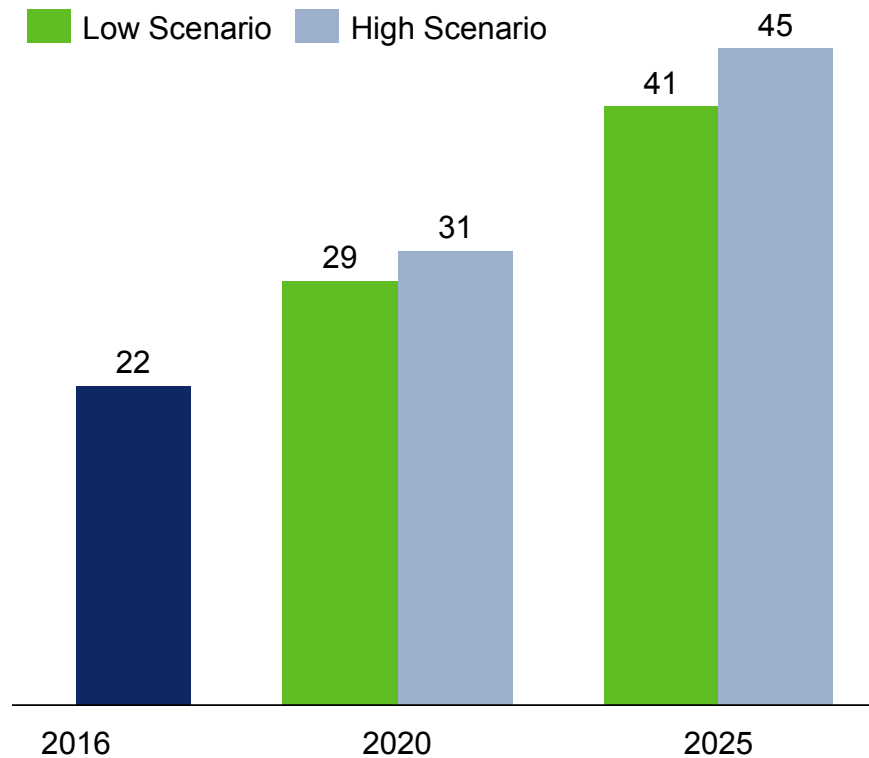
**Production Changes by Segment (million units)<sup>1</sup>**



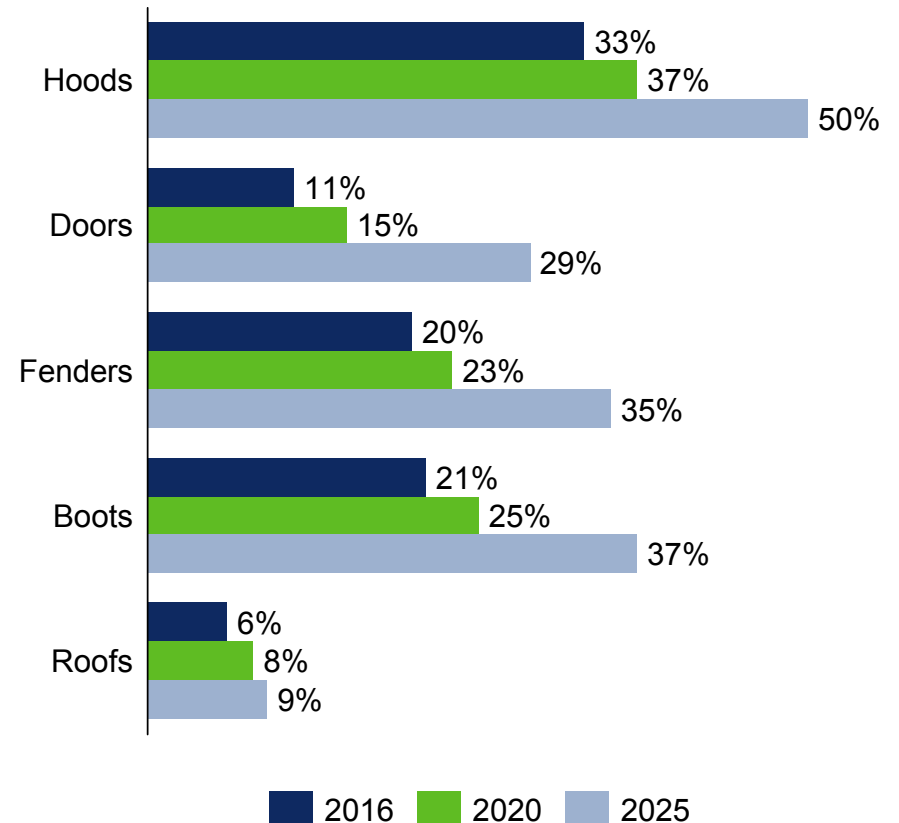
# ALUMINUM PENETRATION

- Flat rolled aluminum demand will continue to grow as OEMs lightweight vehicles to comply with strict emission standards and meet customer performance demands
- Ducker Worldwide projects increased penetration of aluminum sheet leading to significantly higher demand over the next 8 years
- Higher penetration rates expected in hang-ons due to higher value and lower complexity

European Average AL Body Sheet Per Vehicle<sup>1</sup> (kg)



European AL Sheet Penetration<sup>1</sup>



## United States

Although CAFE standards are being reviewed we expect little impact on the strategy of OEMs to lightweight

- A final CAFE determination will take years to develop
- The global market requires domestic OEMs to continue to produce vehicles that are competitive and comply globally
- The United States is not a “technology island”

## Europe

The European Commission adopted a long-term strategy in 2017 to drive emission reduction through research, innovation, legislation, and EV infrastructure

- Stable emission reduction legislation is supported at the federal and municipal level
- Following the diesel scandals European OEMs are seeking new ways to reduce emissions

## China

China has announced the development of the EV industry is a strategic target and will be supported through policies promoting charging infrastructure, batteries, and adoption

- Introduced strict emission standards for 2020 and 2025
- EVs receive subsidies, immediate access to vehicle plates, and no driving limitations



## KEY ATTRIBUTES

- Government policies supporting emission regulation and infrastructure driven by decrease in dependence on imported oil
- EVs do not have driving restrictions
- Most OEMs regard EVs as a key strategic focus



**Beijing Before and After Banning 2.5M Cars for 2 Weeks**



Source: CNN

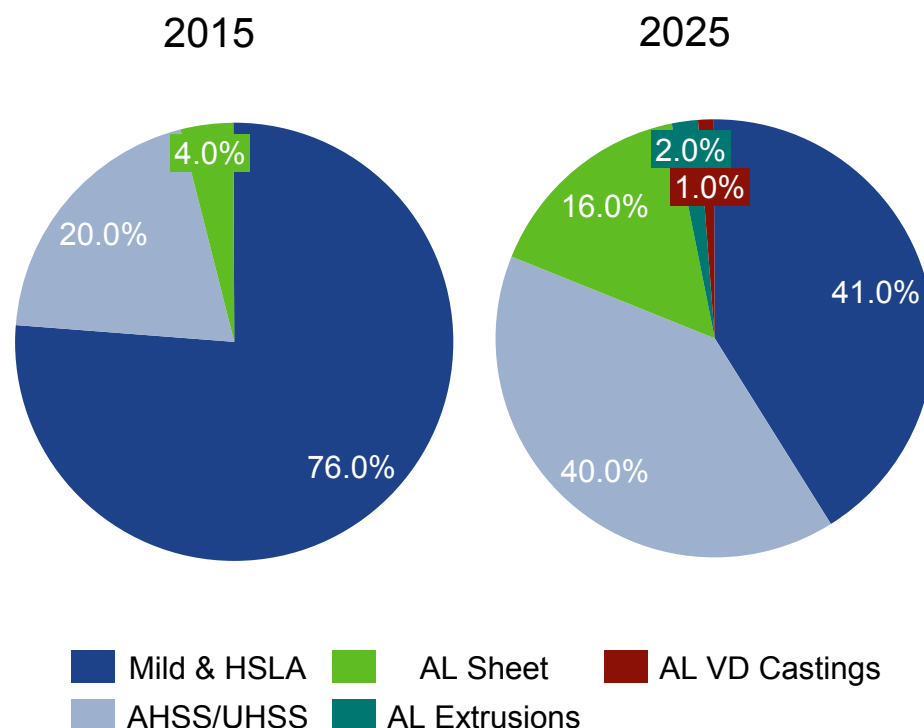
# LIGHTWEIGHTING IS A MULTI- MATERIAL OPPORTUNITY

- Aluminum sheet has a small share of the Body-in-White market
- Lighter materials have significant opportunity to increase market share compared to mild steel
- Novelis is continuing to produce innovative alloys that provide OEMs with lighter and stronger material options

## Global Steel and Aluminum Market Share<sup>1</sup>



## N. America Body and Closure as a % of Weight<sup>2</sup>



<sup>1</sup>Source: OICA, World Steel, Novelis Internal

<sup>2</sup>Source: Ducker Worldwide- 2015 N America Light Vehicle Aluminum Content Study

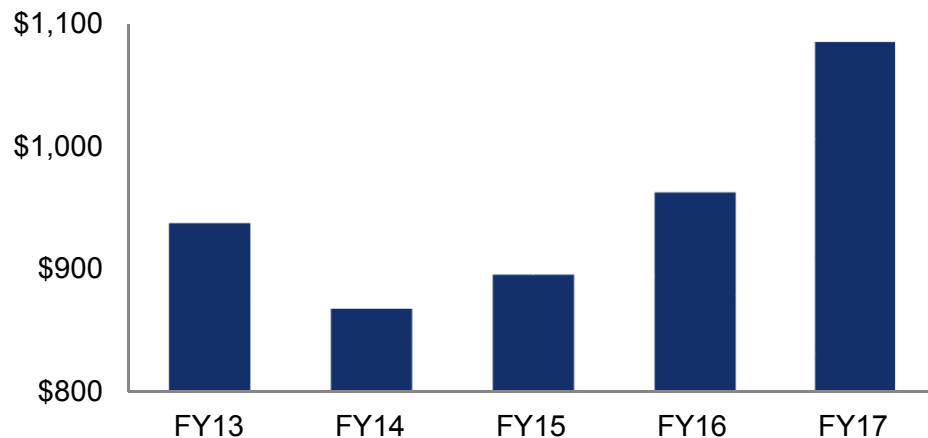
- Customer consolidation creating pricing pressure, but Novelis is offsetting through operational improvements
- Continued overcapacity, particularly in China
- Multi-year economic downturn in Brazil, expect some recovery by year-end
- Relatively balanced North American market



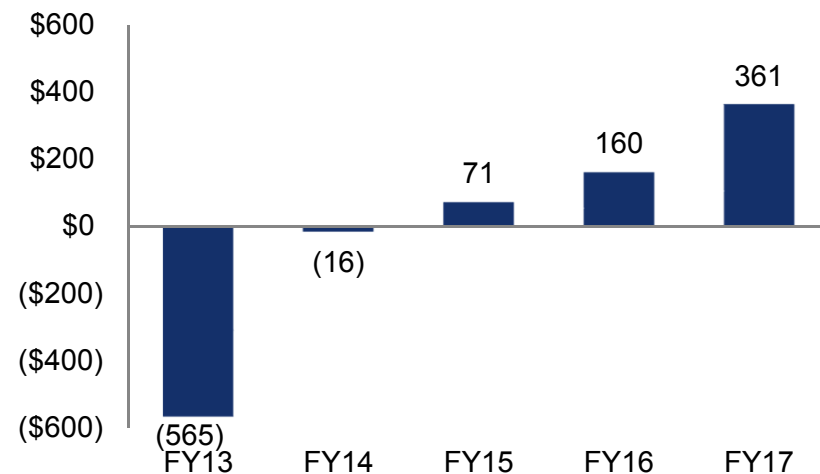
# FINANCIAL HIGHLIGHTS

- Record Adjusted EBITDA\* \$1,085 million, up 13% YoY
- Adjusted EBITDA\* per ton \$354
- Generated record free cash flow \$361 million
- Reduced net debt leverage ratio below 4x

Full year Adjusted EBITDA\* (\$ millions)



Full year free cash flow (\$ millions)

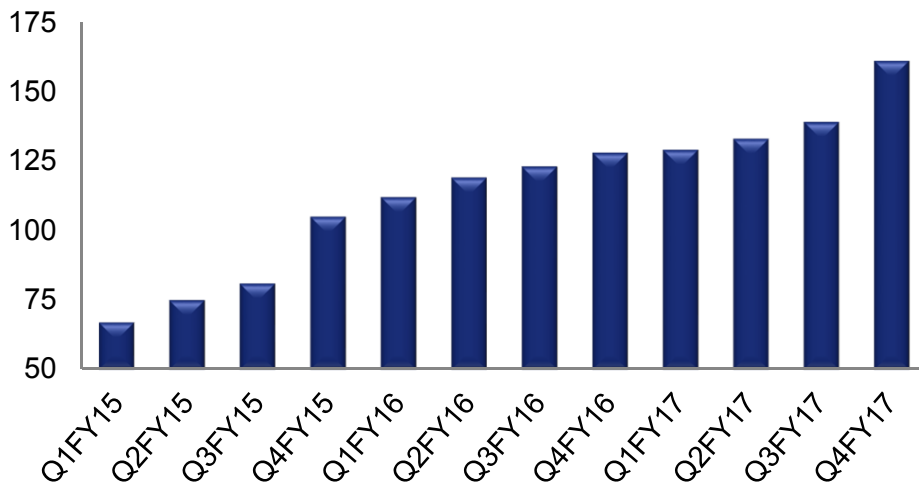


**Strategic product shift and operational efficiencies drive record results**

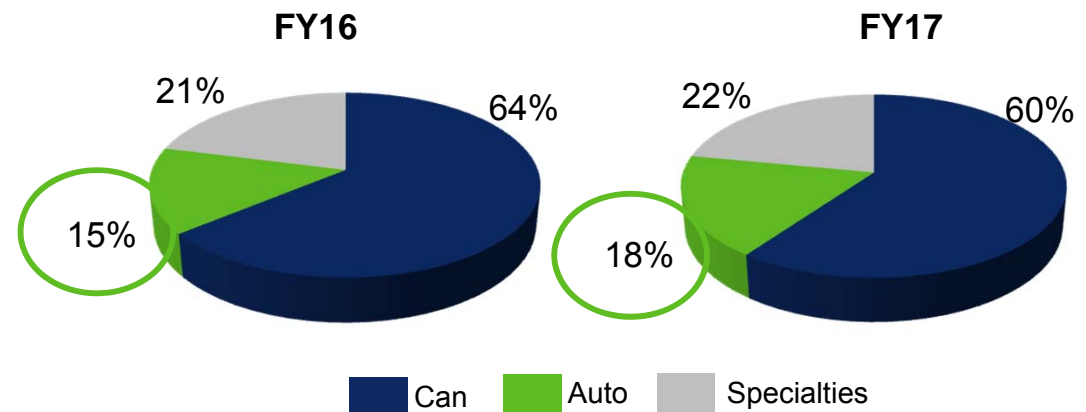


- Record automotive shipments up 17% FY17 versus FY16
  - Driven by seamless ramp up of all new finishing assets
  - Strong customer demand for aluminum sheet
- Automotive increased to 18% of FY17 FRP shipments
  - Q4FY17 exit rate at 20% of shipments

Quarterly global Automotive shipments (kt)



Product mix % of total FRP shipments



## ■ Operational excellence

- Safety rates at industry-leading low levels of recordables
- Improved end-to-end recovery leading to increased asset utilization and uptime
- Increased use of recycled materials from 53% to 55% of inputs



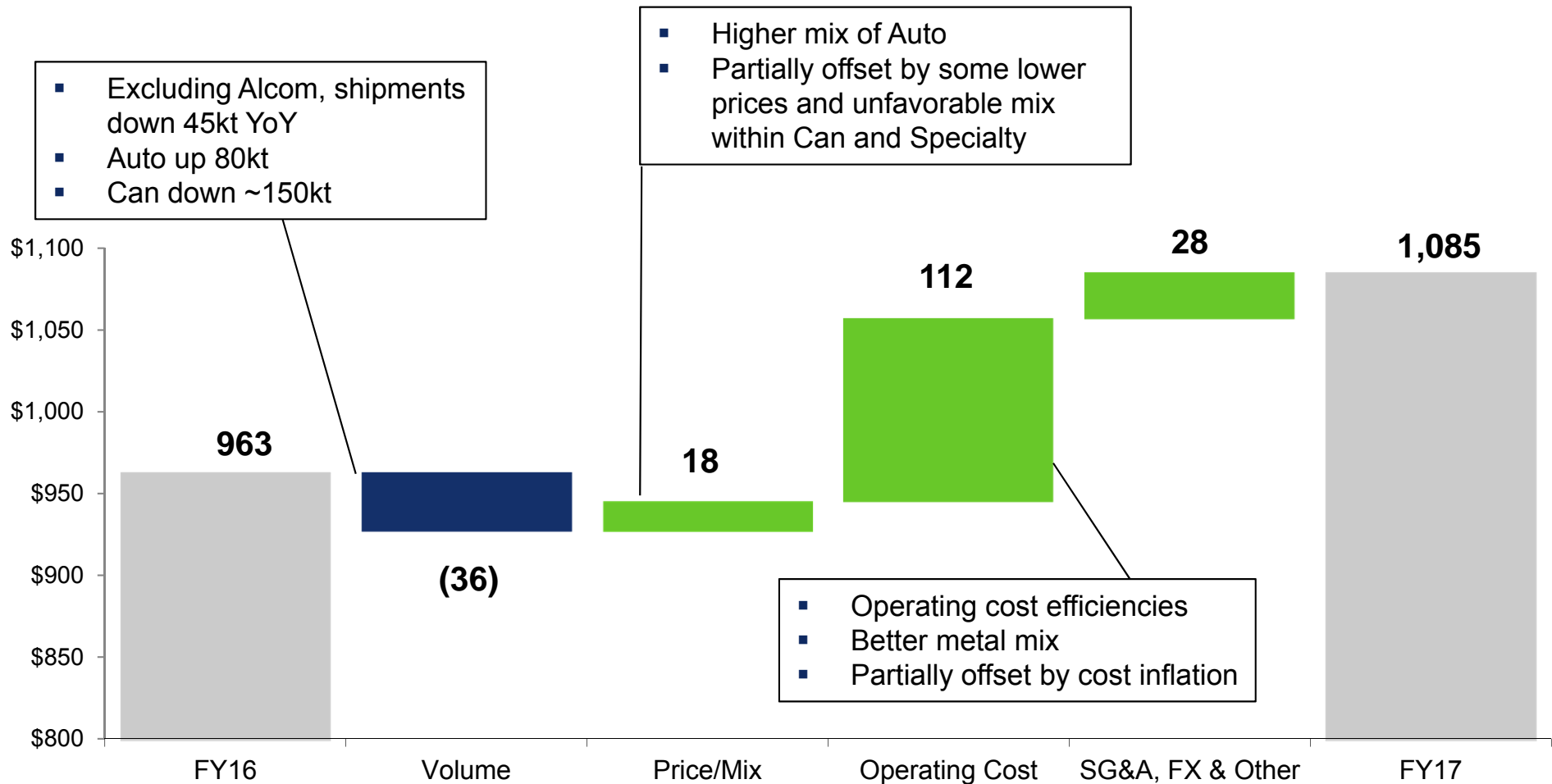
## ■ Customer focused

- Driving quality through 26% reduction in parts per million defects
- Increased satisfaction scores 22 percentage points

Focus on business fundamentals drives better service, quality and value

# FULL YEAR ADJUSTED EBITDA\* BRIDGE

\$ Millions



# FREE CASH FLOW

\$ Millions

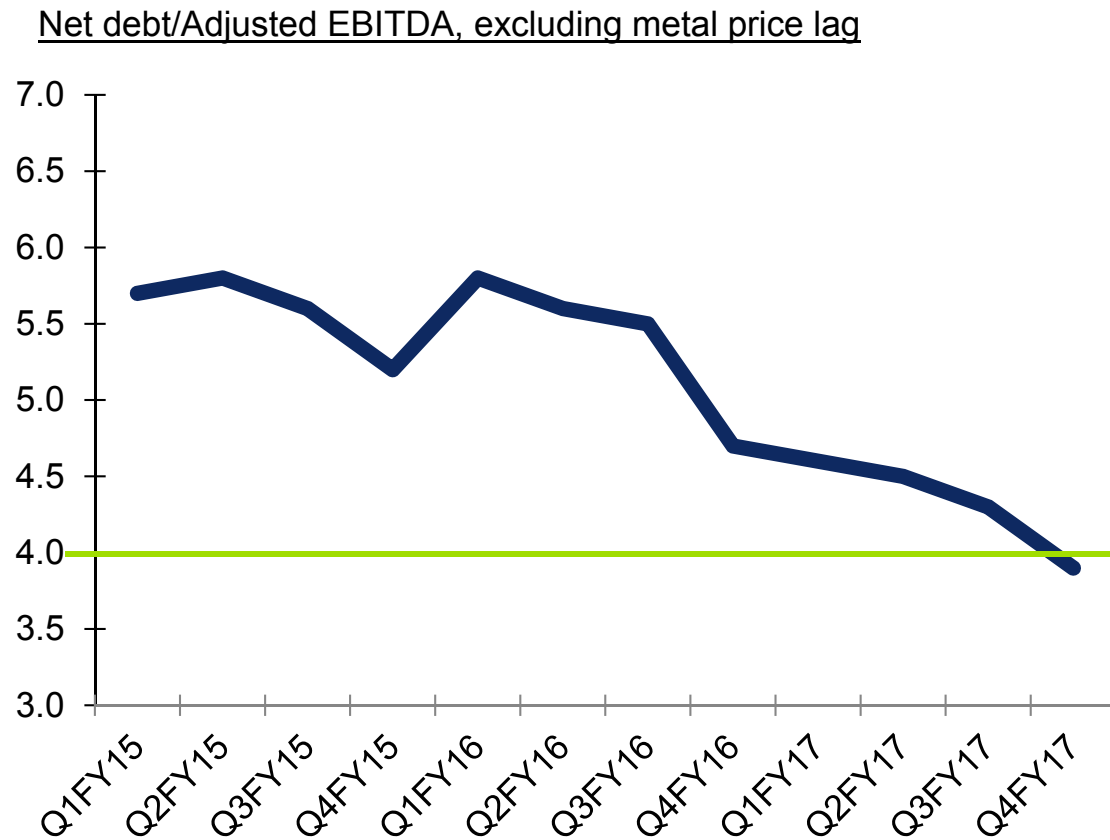
	FY17	FY16
Adjusted EBITDA	1,054	791
Capital expenditures	(224)	(370)
Interest paid	(279)	(313)
Taxes paid	(128)	(126)
Working capital & other	(62)	179
<b>Free cash flow</b>	<b>361</b>	<b>160</b>

Free cash flow increase year over year driven by:

- Higher Adjusted EBITDA
- Completion of prior strategic capital expenditure program
- Refinancing driven interest savings
- Partly offset by higher working capital due to rising aluminum prices

Generating sustainable free cash flow

# NET DEBT LEVERAGE RATIO



Below 4x target one year earlier than anticipated

# KEY TRANSACTIONS

- Total of \$4.3 billion in debt refinanced in FY17
- Refinanced \$2.5 billion of Senior Notes in Q2
  - Reduced coupon and annual cash interest by ~\$55 million
  - Significantly improved maturity profile
- Refinanced \$1.8 billion Term Loan in Q4
  - Lender base moved from US to Asian market
  - Reduces annual cash interest by ~\$24 million

In total, ~\$80 million in annual cash interest savings

- Novelis will sell 50% of its ownership interest in its Ulsan, South Korea facility to Kobe Steel for US \$315 million
- This 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
  - Drive operational efficiencies and process enhancements through a partnership with a high-quality manufacturing company
  - Provide cash proceeds to enhance our strategic flexibility and reduce net debt
  - Leverage our deep experience in successful JVs to more efficiently serve our customers



## Key Facts

- Year Built: 1969; major upgrade in 2013
- Employment: 600
- Plant size: 396,660 square feet (36,850 square meters)
- Capabilities: Remelt/recycle, hot & cold rolling, finishing



# SUMMARY

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Novelis

- FY17 demonstrated sustainable step-up in Adjusted EBITDA and free cash flow
  - Headwinds from Can market overcapacity and customer consolidation
  - Mix continues to improve as Automotive shipments increase
  - Focus on operational efficiencies and metal management to manage costs
- Strengthening the balance sheet to provide strategic flexibility ahead of next stage of growth



Strong sustainable operating performance

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

# APPENDIX

# INCOME STATEMENT RECONCILIATION TO ADJUSTED EBITDA

	(in \$ m)	Q1	Q2	Q3	Q4	FY16	Q1	Q2	Q3	Q4	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>	<b>47</b>	<b>45</b>
- Noncontrolling interests		-	-	-	-	-	-	-	1	-	1
- Interest, net		(78)	(80)	(77)	(79)	(314)	(80)	(79)	(65)	(59)	(283)
- Income tax (provision) benefit		(15)	3	(16)	(18)	(46)	(36)	(27)	(47)	(41)	(151)
- Depreciation and amortization		(87)	(89)	(88)	(89)	(353)	(89)	(90)	(88)	(93)	(360)
<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>	<b>240</b>	<b>840</b>
- Unrealized gain (loss) on derivatives		35	(15)	(2)	(22)	(4)	(7)	4	21	(13)	5
- Realized gain (loss) on derivative instruments not included in segment income		1	(3)	1	-	(1)	1	-	1	3	5
- Proportional consolidation		(7)	(8)	(7)	(9)	(30)	(8)	(8)	(4)	(8)	(28)
- Loss on extinguishment of debt		(13)	-	-	-	(13)	-	(112)	-	(22)	(134)
- Restructuring and impairment, net		(15)	(4)	(10)	(19)	(48)	(2)	(1)	(1)	(6)	(10)
- Loss on sale of business		-	-	-	-	-	-	(27)	-	-	(27)
- (Loss) gain on sale of fixed assets		(1)	-	(1)	(2)	(4)	(4)	(2)	2	(2)	(6)
- Gain on assets held for sale, net		-	-	-	-	-	1	1	-	-	2
- Others (costs) income, net		(7)	1	(6)	(3)	(16)	(7)	(4)	(6)	(4)	(21)
<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>292</b>	<b>1,054</b>
<b>Other income (expense) included in adjusted EBITDA</b>											
- Metal price lag		(85)	(54)	(26)	(7)	(172)	(13)	(14)	(4)	-	(31)
- Foreign currency remeasurement		4	(3)	4	(3)	2	(3)	2	2	3	4

## 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.

**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	Q2	Q3	Q4	FY17
Cash (used in) provided by operating activities	(288)	225	64	540	541	(107)	80	178	424	575	
Cash used in investing activities	(137)	(84)	(75)	(82)	(378)	(39)	(48)	(35)	(90)	(212)	
Less: (proceeds) outflows from sales of assets	-	(1)	(1)	(1)	(3)	-	12	(12)	(2)	(2)	
<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>332</b>	<b>361</b>	
Capital expenditures	129	75	78	88	370	44	46	48	86	224	

	(in \$ m)	Q1	Q2	Q3	Q4	FY16	Q1	Q2	Q3	Q4	FY17
Cash and cash equivalents	456	462	457	556	556	457	473	505	594	594	
Availability under committed credit facilities	708	506	489	640	640	633	573	534	701	701	
<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>	<b>1,295</b>	<b>1,295</b>	

# NET INCOME EXCLUDING SPECIAL ITEMS

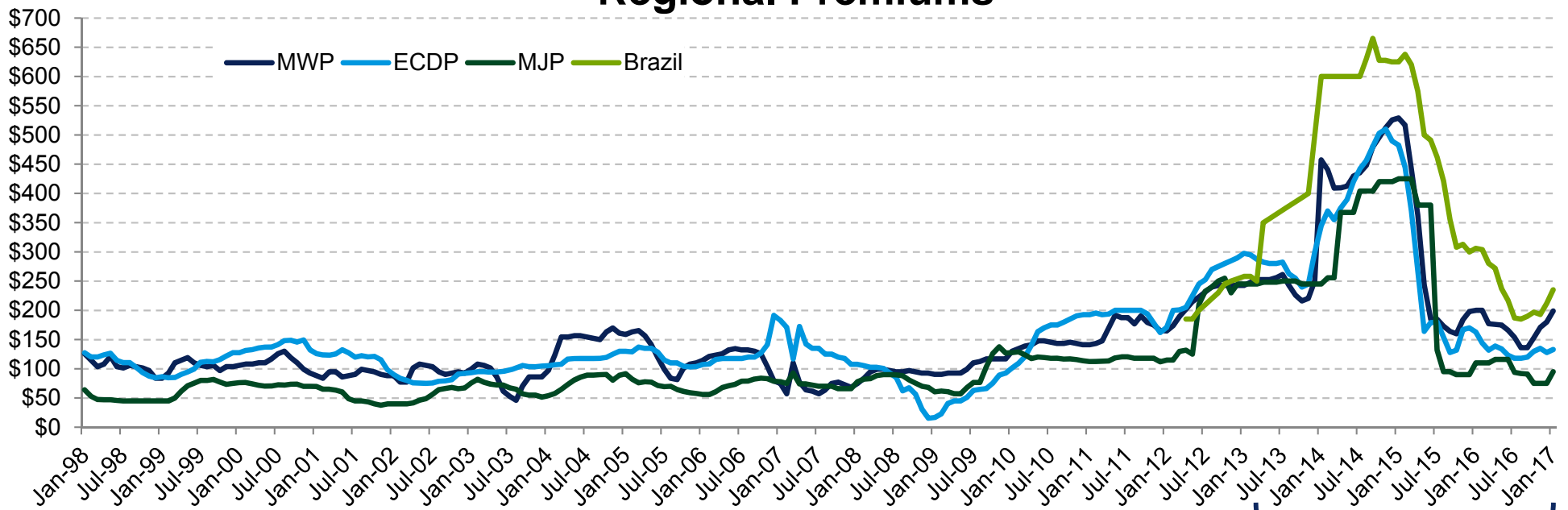
(in \$ m)	Q1	Q2	Q3	Q4	FY16	Q1	Q2	Q3	Q4	FY17
<b>Net (loss) income attributable to our common shareholder</b>	<b>(60)</b>	<b>(13)</b>	<b>6</b>	<b>29</b>	<b>(38)</b>	<b>24</b>	<b>(89)</b>	<b>63</b>	<b>47</b>	<b>45</b>
Special items:										
Gain on assets held for sale	-	-	-	-	-	(1)	(1)	-	-	(2)
Loss on sale of business	-	-	-	-	-	-	27	-	-	27
Loss on extinguishment of debt	13	-	-	-	13	-	112	-	22	134
Restructuring and impairment, net	15	4	10	19	48	2	1	1	6	10
Metal price lag	85	54	26	7	172	13	14	4	-	31
Tax effect on special items	(29)	(20)	(10)	(5)	(64)	(5)	(4)	(1)	(2)	(12)
<b>Net Income, excluding special items</b>	<b>24</b>	<b>25</b>	<b>32</b>	<b>50</b>	<b>131</b>	<b>33</b>	<b>60</b>	<b>67</b>	<b>73</b>	<b>233</b>

# METAL PRICE LAG EFFECT MINIMIZED

- Local market premiums reverted back towards historical norms
- Reduced premium volatility minimizing metal price lag

## Regional Premiums

in \$/mt



(in \$ m)	Q1	Q2	Q3	Q4	FY14	Q1	Q2	Q3	Q4	FY15	Q1	Q2	Q3	Q4	FY16	Q1	Q2	Q3	Q4	FY17
Metal price lag	(2)	2	(7)	24	17	2	9	8	(13)	6	(85)	(54)	(26)	(7)	(172)	(13)	(14)	(4)	-	(31)