

# NOVELIS Q2 FISCAL YEAR 2022 EARNINGS CONFERENCE CALL

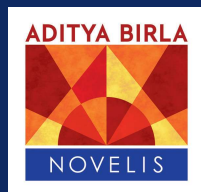
November 3, 2021

**Steve Fisher**

President and Chief Executive Officer

**Dev Ahuja**

Executive Vice President and Chief Financial Officer



Novelis

## Forward-looking statements

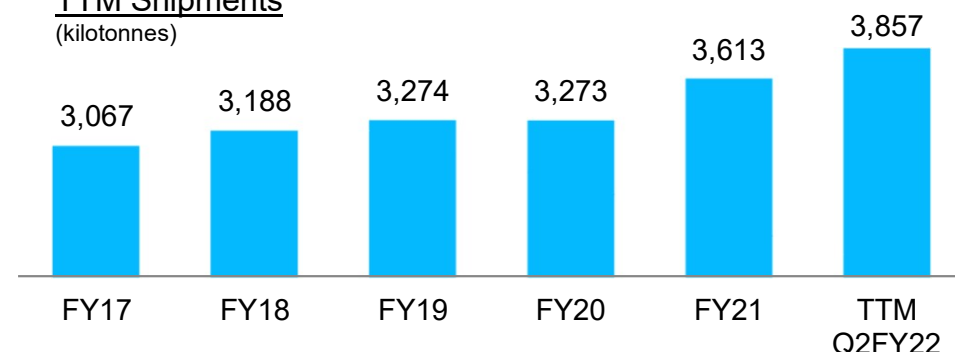
Statements made in this presentation which describe Novelis' intentions, expectations, beliefs or predictions may be forward-looking within the meaning of securities laws. Forward-looking statements include statements preceded by, followed by, or including the words "believes," "expects," "anticipates," "plans," "estimates," "projects," "forecasts," or similar expressions. Examples of forward looking statements in this presentation are statements about our plans to invest approximately \$500 million in growth capital projects. Novelis cautions that, by their nature, forward-looking statements involve risk and uncertainty and 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 including in connection with potential acquisitions and investments; risks arising out of our acquisition of Aleris Corporation, including uncertainties inherent in the acquisition method of accounting; disruption to our global aluminum production and supply chain as a result of COVID-19; changes in the relative values of various currencies and the effectiveness of our currency hedging activities; factors affecting our operations, such as litigation, including pending and future litigation settlements, environmental remediation and clean-up costs, breakdown of equipment and other events; ability to manage existing facilities and workforce to operate the business, 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; the risks of pandemics or other public health emergencies, including the continued spread and impact of, and the governmental and third party response to, the ongoing COVID-19 outbreak; changes in government regulations, particularly those affecting taxes, tax policies and effective tax rates, derivative instruments, 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; 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, 2021.

# HIGHLIGHTS

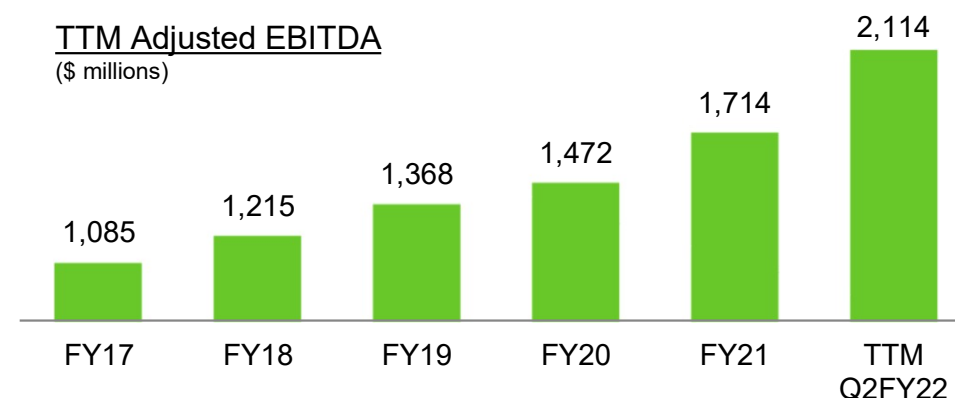
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- Top priority remains the safety, health and well-being of our employees, facilities and communities
- Navigating near-term supply chain challenges and inflationary cost pressures
- Strong underlying demand fundamentals for aluminum FRP
- Generating strong cash flow and improved net leverage position to 2.4x
- Investing in strategic organic capital expansion projects to capture market growth and achieve sustainability targets

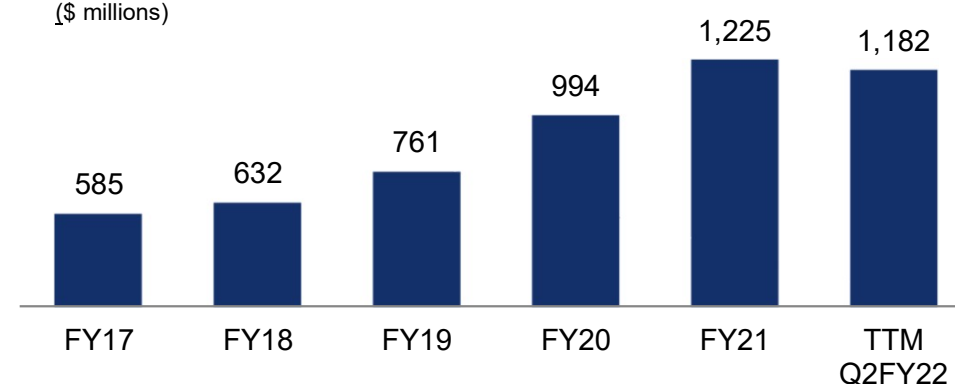
TTM Shipments  
(kilotonnes)



TTM Adjusted EBITDA  
(\$ millions)



Free cash flow from cont. operations, before capital expenditures  
(\$ millions)



- Recently completed organic growth projects ramping up

- Pinda rolling & recycling expansion already in production
- New Guthrie & China CASH lines increase total automotive finishing capacity to approximately 1 million tonnes



*Casting pit in Pinda, Brazil*

- Recently announced new investments to begin early 2022

- \$375 million China rolling & recycling expansion
  - Upgrades to the existing hot mill, a new cold mill, and a new recycling and casting center
  - Expansion fully integrates automotive business and add closed loop recycling in Asia
  - Provides over \$100 million in acquisition strategic synergies
- \$130 million plant upgrades in Oswego, US
  - Debottleneck hot mill rolling capacity at Oswego, New York plant by 124kt
  - Enhance finishing capabilities for automotive sheet

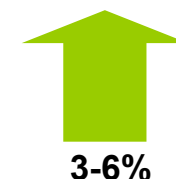
# NEAR-TERM END MARKET OUTLOOK

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## Beverage Can

- Customers continue to request increased volumes in all regions
- Demand driven by ongoing high at-home consumption and package mix shift driven by preference for sustainable beverage packaging options
- Significant canmaker capacity expansions announced next 2-3 years across all regions

2021 market  
demand\*

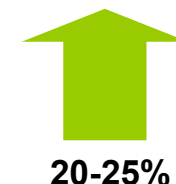


% of YTFY22  
Shipments

58%

## Automotive

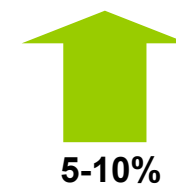
- Short-term uncertainty created by semi-conductor shortage into CY2022
- Strong underlying demand driven by new program adoption and increased consumer preference for SUVs, pick-up trucks, electric and premium vehicles



16%

## Specialty

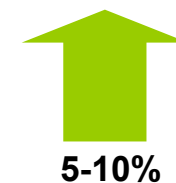
- Favorable housing fundamentals in the US and Europe driving strong B&C demand
- Strong demand across markets, including electronics, container and painted products



24%

## Aerospace

- Do not expect significant improvement in CY21 as consumer air travel remains restricted
- Bookings improving but recovery could be prolonged and uneven



2%

*\*CY 2021 vs 2020 estimated end market growth, Novelis internal estimates*

# FINANCIAL HIGHLIGHTS

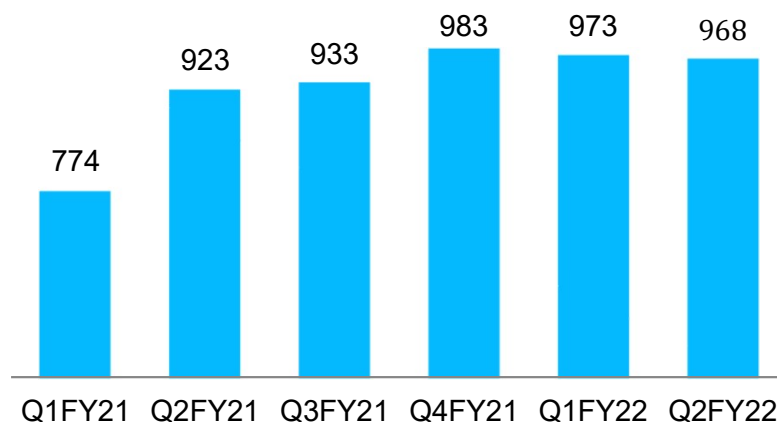
# Q2 FISCAL 2022 FINANCIAL HIGHLIGHTS

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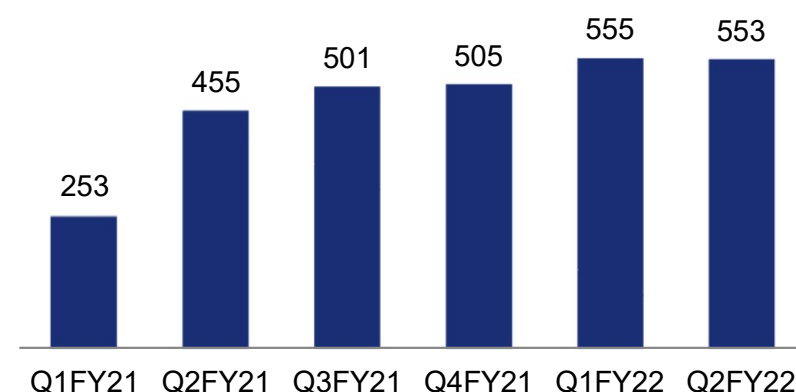
Q2FY22 vs Q2FY21

- Net income from continuing operations up 66% to \$239 million
  - Excluding tax-effected special items\*, net income of \$244 million up 54%
- Sales up 38% to \$4.1 billion
- Total FRP Shipments up 5% to 968kt
  - Record Can and Specialty shipments
  - Automotive shipments impacted by semiconductor shortage
- Adjusted EBITDA up 22% to \$553 million
- Adjusted EBITDA per ton increased to \$571, compared to prior year \$493

Quarterly Shipments trend  
(kilotonnes)



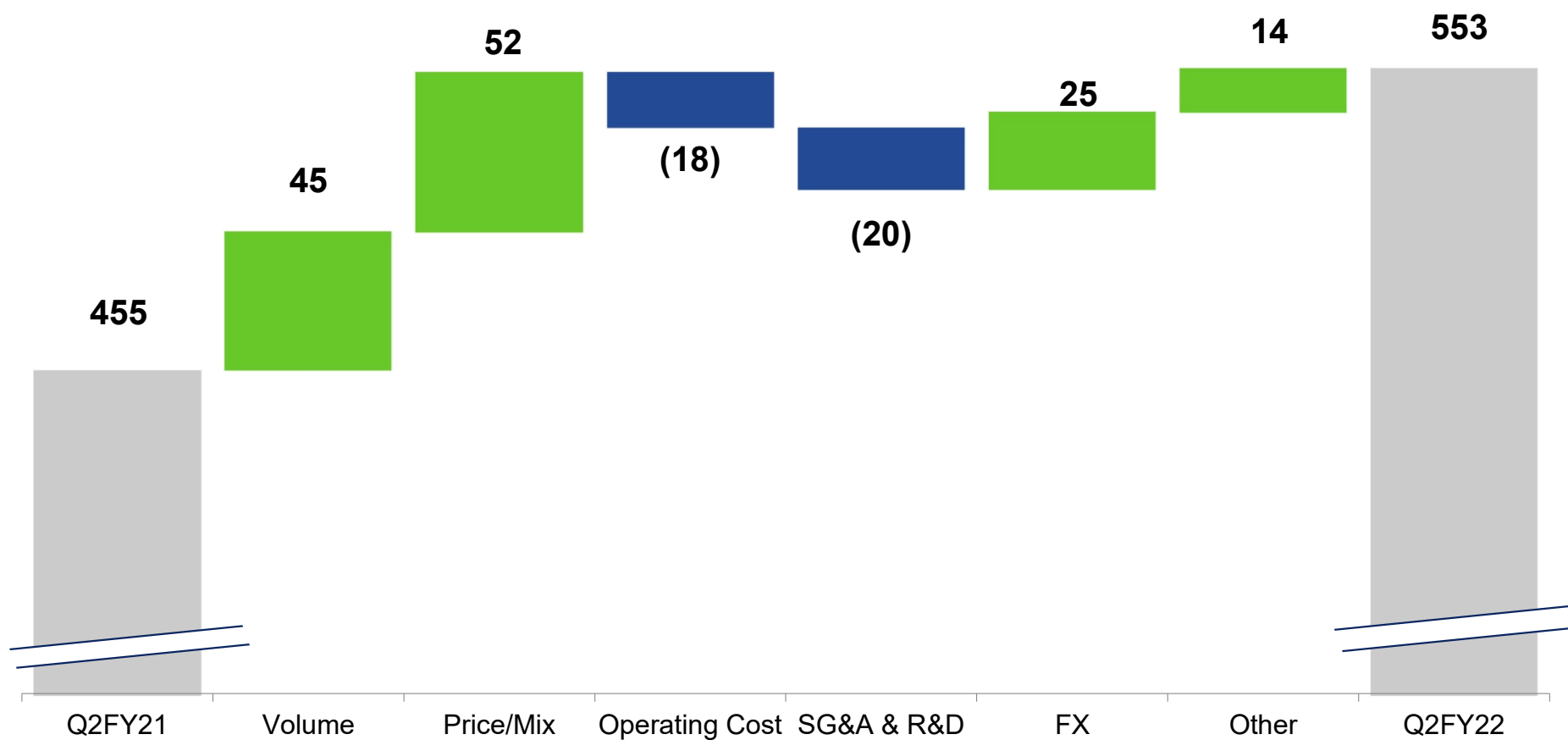
Quarterly Adjusted EBITDA trend  
(\$ millions)



# Q2 ADJUSTED EBITDA BRIDGE

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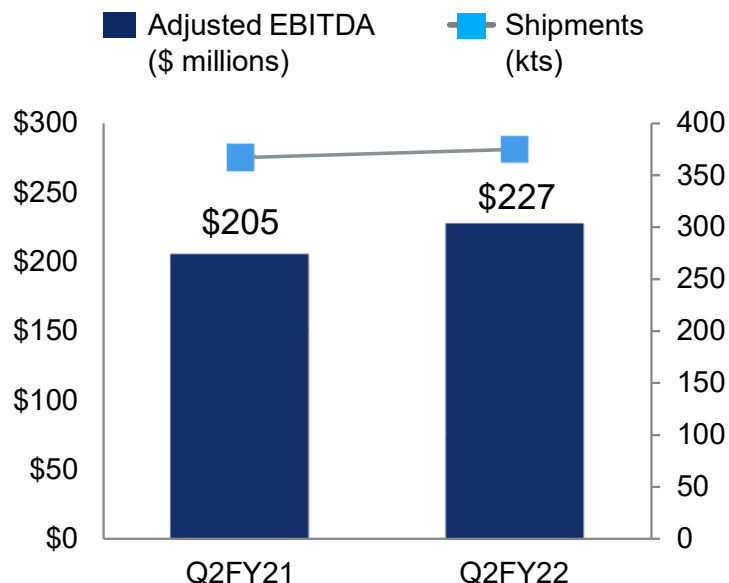
\$ Millions





# Q2 SEGMENT RESULTS

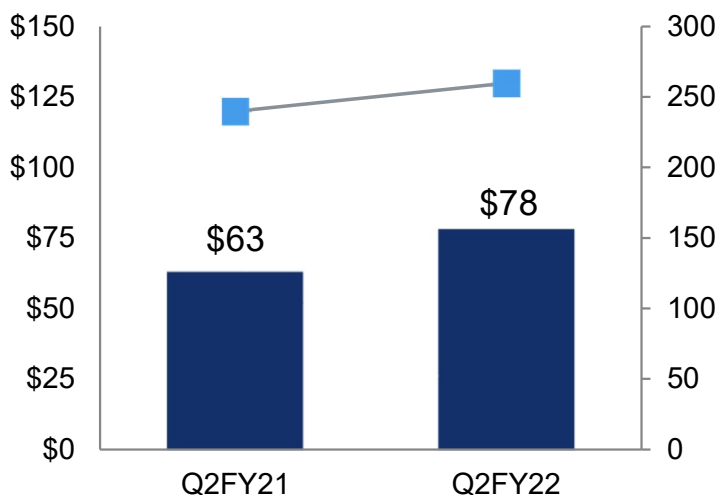
## North America



### Q2 Shipments +2% EBITDA +11%

- Record shipments and strong demand for can, B&C and specialties
- Automotive shipments impacted by semiconductor shortages
- Favorable pricing and metal costs mitigating inflation

## Europe

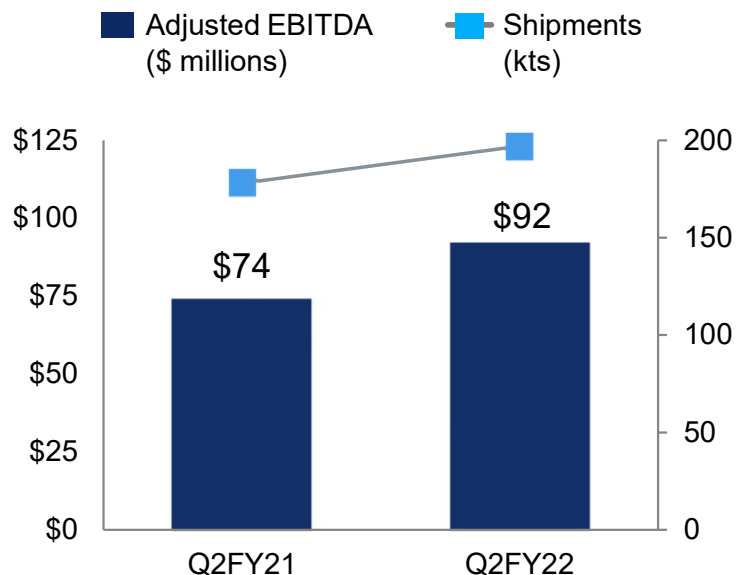


### Q2 Shipments +8% EBITDA +24%

- Higher shipments across markets excluding automotive semiconductor shortage impact
- Increased production and inflation costs partially offset by favorable metal costs
- Favorable FX translation

# Q2 SEGMENT RESULTS

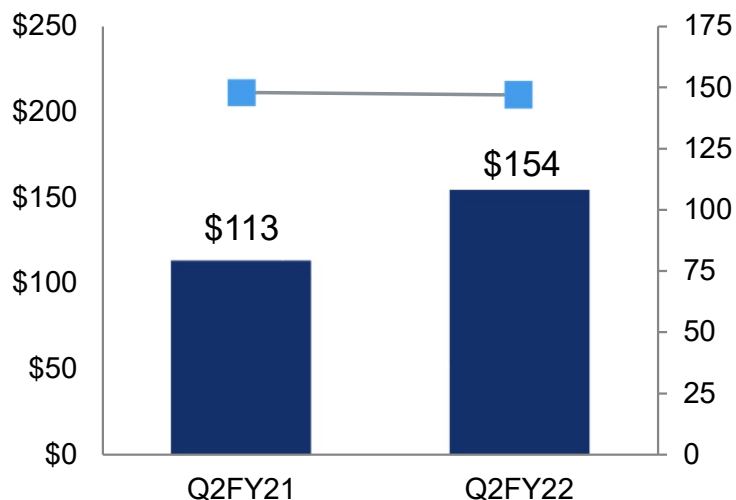
Asia



## Q2 Shipments +11% EBITDA +24%

- Strong markets, excluding semiconductor constraints
- Favorable price & mix
- Supply chain challenges leading to higher costs (ocean freight)

South America



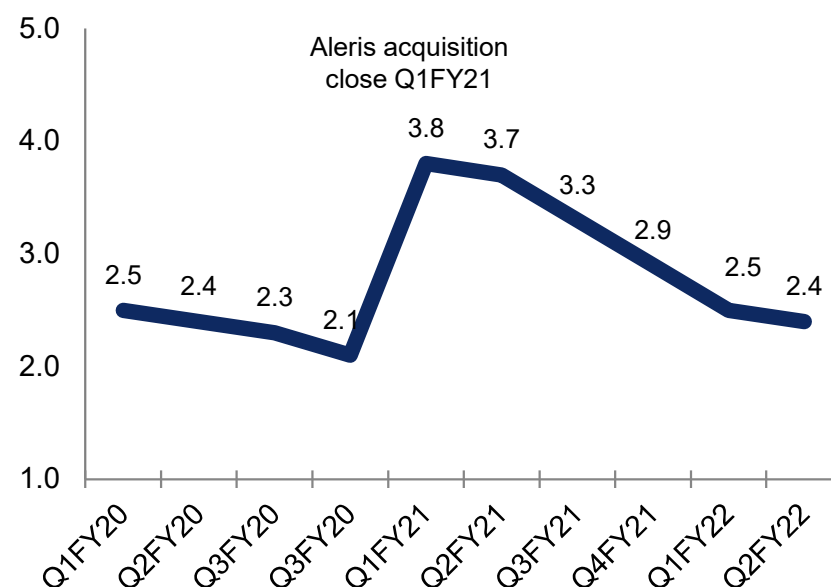
## Q2 Shipments -1% EBITDA +36%

- Strong end market demand
- Favorable metal benefit
- Favorable FX

# FREE CASH FLOW AND NET LEVERAGE

\$ Millions	YTD FY22	YTD FY21
Adjusted EBITDA	1,108	708
Interest paid	(124)	(124)
Taxes paid	(117)	(88)
Capital expenditures	(194)	(226)
Metal price lag	113	(35)
Working capital & other*	(628)	(66)
<b>Free cash flow from continuing operations</b>	<b>158</b>	<b>169</b>
Free cash flow from discontinued operations	(5)	(37)
<b>Free cash flow</b>	<b>153</b>	<b>132</b>
<b>Free cash flow from continuing operations before capex</b>	<b>352</b>	<b>395</b>

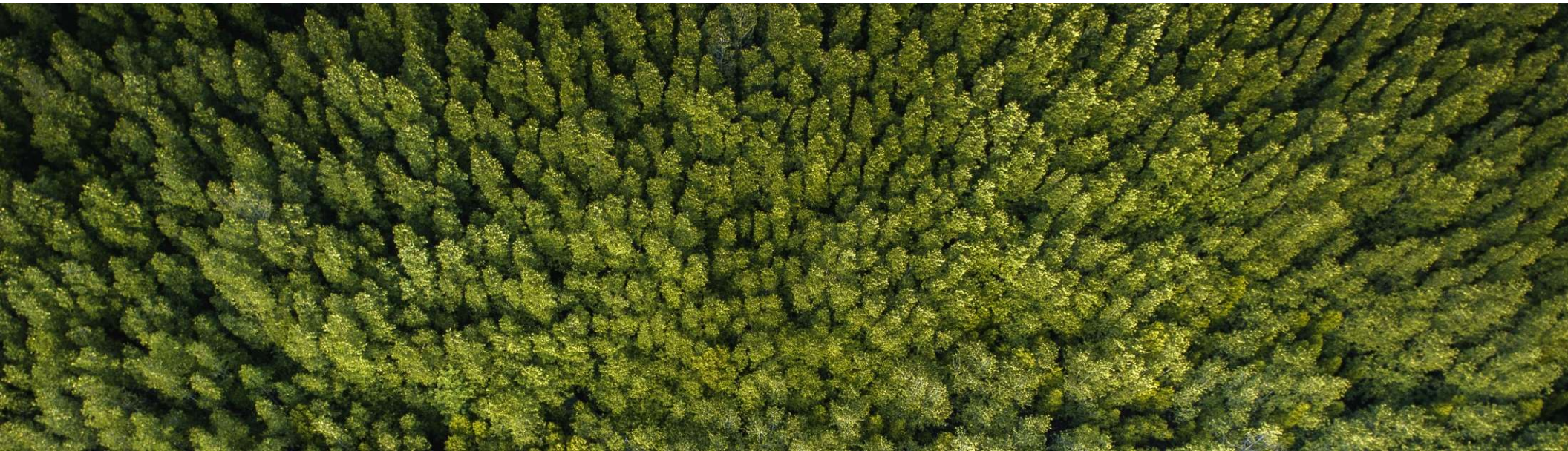
Net Leverage ratio  
Net debt/TTM Adjusted EBITDA



- Significant working capital pressure from aluminum price increase largely offset by higher Adjusted EBITDA, favorable metal price lag and timing of capital expenditures
- Further improvement in net leverage to 2.4x
- Maintain very strong liquidity of \$2.1 billion at September 31, 2021
- \$100 million return of capital to our common shareholder in August
- Completed \$1.5 billion Senior Notes refinancing in August

# SUMMARY

- Delivered another exceptional quarter
- Integration of Aleris continues, with total synergies forecast to exceed \$220 million
- Strong demand for sustainable aluminum FRP across end markets
- Beginning new investment projects to grow with our customers, with additional opportunities on the horizon
- Working across the supply chain to achieve sustainability goals



**THANK YOU**  
QUESTIONS?

# APPENDIX



# NET INCOME RECONCILIATION TO ADJUSTED EBITDA

(in \$ m)	Q1	Q2	Q3	Q4	FY21	Q1 FY22	Q2 FY22
<b>Net income (loss) attributable to our common shareholder</b>	<b>(79)</b>	<b>(37)</b>	<b>176</b>	<b>176</b>	<b>236</b>	<b>240</b>	<b>237</b>
- Noncontrolling interests	-	-	1	-	1	-	-
- Income tax provision	(29)	68	80	119	238	108	79
- Interest, net	67	69	63	59	258	56	59
- Depreciation and amortization	118	141	137	147	543	134	134
<b>EBITDA</b>	<b>77</b>	<b>241</b>	<b>457</b>	<b>501</b>	<b>1,276</b>	<b>538</b>	<b>509</b>
- Unrealized (gain) loss on derivatives	33	(6)	(13)	(3)	11	4	16
- Realized loss (gain) on derivative instruments not included in segment income	3	1	(2)	(1)	1	(1)	-
- Adjustment to reconcile proportional consolidation	14	15	13	14	56	14	15
- (Gain) loss on sale of fixed assets	(2)	-	2	1	1	-	2
- Loss (gain) on extinguishment of debt	-	-	-	14	14	(2)	64
- Purchase price accounting adjustments	28	1	-	-	29	-	-
- Loss from discontinued operations, net of tax	18	11	18	4	51	63	2
- Loss on sale of discontinued operations, net of tax	-	170	-	-	170	-	-
- Restructuring and impairment, net	1	7	20	1	29	(2)	-
- Metal price lag (income) expense	20	12	-	(26)	6	(54)	(59)
- Business acquisition and other integration costs	11	-	-	-	11	-	-
- Other, net	50	3	6	-	59	(6)	4
<b>Adjusted EBITDA</b>	<b>\$253</b>	<b>\$455</b>	<b>\$501</b>	<b>\$505</b>	<b>\$1,714</b>	<b>\$555</b>	<b>\$553</b>



# FREE CASH FLOW

	(in \$ m)	Q1	Q2	Q3	Q4	FY21	Q1 FY22	Q2 FY22
Cash provided by (used in) operating activities – continuing operations	(123)	496	275	561	1,209	65	274	
Cash provided by (used in) investing activities – continuing operations	(2,643)	(183)	(101)	(152)	(3,079)	(94)	(87)	
Plus: Cash used in Acquisition of a business, net of cash acquired	2,550	64	-	-	2,614	-	-	
Plus: Accrued merger consideration	70	(60)	(10)	-	-	-	-	
Less: Proceeds from sale of assets and business, net of transaction fees, cash income taxes and hedging	-	(2)	(2)	-	(4)	(1)	1	
<b>Free cash flow from continuing operations</b>	<b>\$(146)</b>	<b>\$315</b>	<b>\$162</b>	<b>\$409</b>	<b>\$740</b>	<b>\$(30)</b>	<b>\$188</b>	
Net cash used in operating activities – discontinued operations	(15)	(16)	(47)	(4)	(82)	(3)	(2)	
Net cash provided by investing activities – discontinued operations	10	207	140	-	357	-	-	
Less: Proceeds from sale of assets and businesses, net of transaction fees, cash income taxes and hedges - discontinued operations	-	(223)	(180)	-	(403)	-	-	
<b>Free cash flow</b>	<b>\$(151)</b>	<b>\$283</b>	<b>\$75</b>	<b>\$405</b>	<b>\$612</b>	<b>\$(33)</b>	<b>\$186</b>	

	(in \$ m)	Q1	Q2	Q3	Q4	FY21	Q1 FY22	Q2 FY22
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Capital expenditures	112	114	107	152	485	101	93	
<b>Free cash flow from continuing operations before capex</b>	<b>\$(39)</b>	<b>\$397</b>	<b>\$182</b>	<b>\$557</b>	<b>\$1,097</b>	<b>\$71</b>	<b>\$281</b>	

# NET DEBT AND LIQUIDITY

	(in \$ m)	Q1	Q2	Q3	Q4	FY21	Q1 FY22	Q2 FY22
Long-term debt, net of current portion		5,671	6,767	6,295	5,653	5,653	4,960	4,942
Current portion of long-term debt		50	55	59	71	71	541	443
Short-term borrowings		2,176	393	151	236	236	359	247
Cash and cash equivalents		(1,729)	(1,627)	(1,164)	(998)	(998)	(872)	(659)
<b>Net debt</b>		<b>\$6,168</b>	<b>\$5,588</b>	<b>\$5,341</b>	<b>\$4,962</b>	<b>\$4,962</b>	<b>\$4,988</b>	<b>\$4,973</b>

	(in \$ m)	Q1	Q2	Q3	Q4	FY21	Q1 FY22	Q2 FY22
Cash and cash equivalents		1,729	1,627	1,164	998	998	872	659
Cash and cash equivalents of discontinued operations		89	-	-	-	-	-	-
Availability under committed credit facilities		308	1,005	1,226	1,223	1,223	1,380	1,490
<b>Liquidity</b>		<b>\$2,126</b>	<b>\$2,632</b>	<b>\$2,390</b>	<b>\$2,221</b>	<b>\$2,221</b>	<b>\$2,252</b>	<b>\$2,149</b>