# Novelis Q1 Fiscal Year 2025 Earnings Presentation

August 7, 2024

**Steve Fisher**
President and Chief Executive Officer

**Dev Ahuja**
Executive Vice President and Chief Financial Officer

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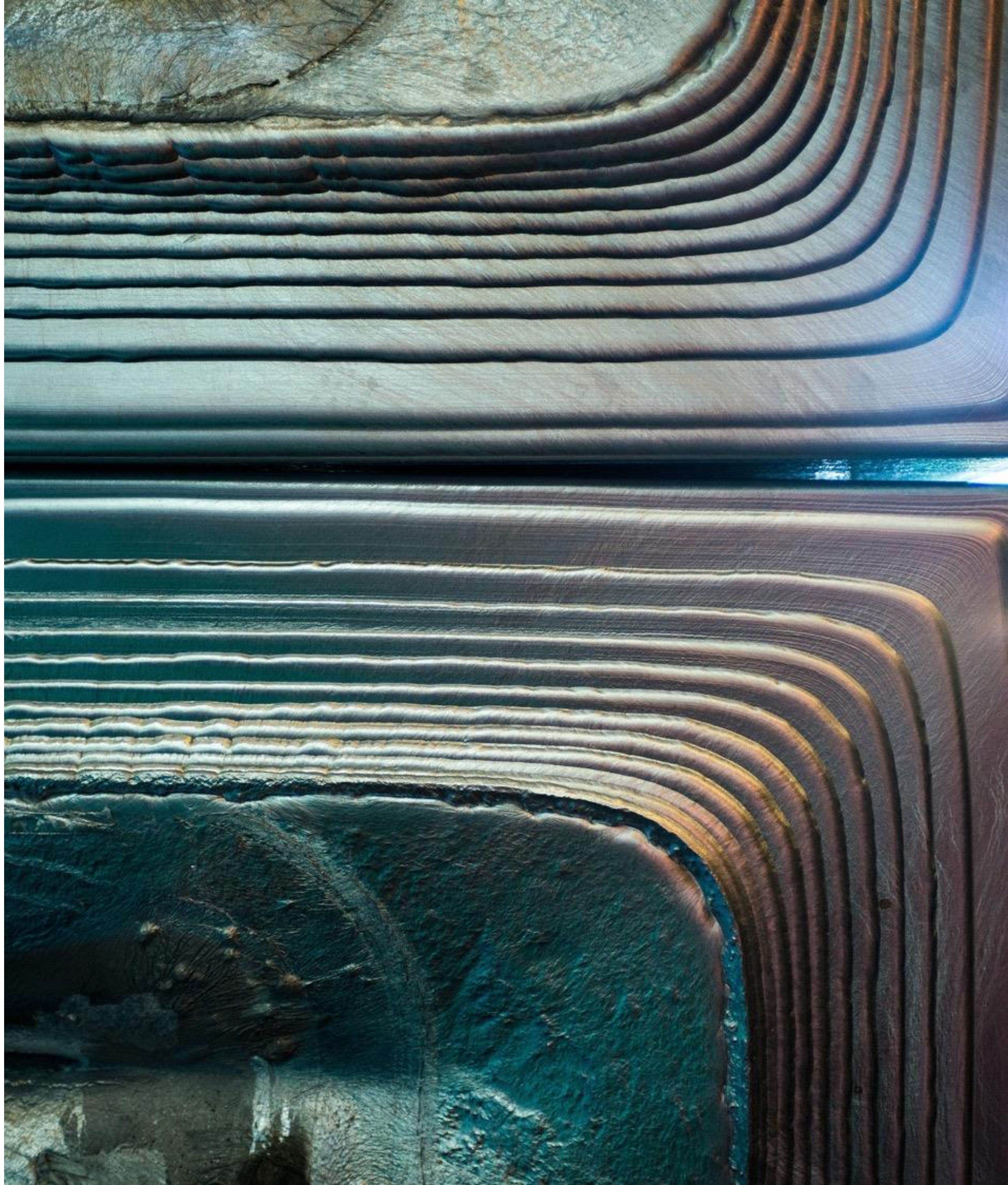
# Safe Harbor Statement

## 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 expectations regarding capital investments and expansion projects, statements regarding our expectations for market trends and market outlook, statements regarding expectations and impacts related to flooding disruption at our Sierre plant. 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:disruptions or changes in the business or financial condition of our significant customers or the loss of their business or reduction in their requirements; price and other forms of competition from other aluminum rolled products producers and potential new market entrants; competition in our end-markets, and the willingness of our customer to accept substitutes for our products, including steel, plastics, composite materials and glass; our failure to realize the anticipated benefits of strategic investments; increases in the cost of volatility in the availability of primary aluminum, scrap aluminum, sheet ingot, or other raw materials used in the production of our products; risks related to the energy-intensive nature of our operations, including increases to energy costs or disruptions to our energy supplies; downturns in the automotive and ground transportation industries or changes in consumer demand; union disputes and other employee relations issues; the impact of labor disputes and strikes on our customers; loss of our key management and other personnel, or an inability to attract and retain such management and other personnel; unplanned disruptions at our operating facilities, including as a result of flooding or other adverse weather phenomena; economic uncertainty, capital markets disruption and supply chain interruptions, including as a result of geopolitical instability due to the ongoing military conflict between Russia and Ukraine, attacks on shipping vessels in the Red Sea, and the ongoing conflicts in the Gaza Strip and the surrounding regions; risks relating to certain joint ventures, subsidiaries and assets that we do not entirely control; cybersecurity attacks against, disruptions, failures or security breaches and other disruptions to our information technology networks and systems; risks related to rising inflation and prolonged periods of elevated interest rates; timing differences between the prices we pay under purchase contracts and metal prices we charge our customers; a deterioration of our financial condition, a downgrade of our ratings by a credit rating agency or other factors which could limit our ability to enter into, or increase our costs of, financing and hedging transactions; risks related to variable rate indebtedness, including interest rate risk; adverse changes in currency exchange rates; our inability to transact in derivative instruments, if our exposure to price fluctuations is not adequately hedged under derivative instruments, or if counterparties to our derivative instruments fail to honor their agreements; an adverse decline in the liability discount rate, lower-than-expected investment return on pension assets; impairments to our goodwill, other intangible assets and other long-lived assets; tax expense, tax liabilities or tax compliance costs; operating and financial restrictions imposed on us by the covenants in our credit facilities and the indentures governing our Senior Notes; our inability to protect our intellectual property, the confidentiality of our know-how, trade secrets, technology, and other proprietary information; risks related to our global operations, including the impact of complex and stringent laws and government regulations; global climate change or the legal, regulatory or market responses to such change; and conflicts of interest and disputes arising between Hindalco, our parent company, and the Company that could be resolve in a manner unfavorable to the Company. Other important factors are discussed under the captions "Risk Factors" and “Management’s Discussion and Analysis” in our Annual Report on Form 10-K for the fiscal year ended March 31, 2024 and as the same may be updated from time to time in our quarterly reports on Form 10-Q, or in other reports which we from time to time file with the SEC.

# Highlights

- Q1 shipments increased 8% YoY driven by normalized demand for sustainable aluminum beverage packaging
- Adjusted EBITDA up 19% YoY to $500 million
- Steady progress as planned across strategic growth projects
  - Bay Minette & other projects remain on track
  - Began commissioning Guthrie recycling center
  - Announced new UBC recycling line investment in UK
- Severe Rhone river flooding event in Valais, Switzerland, end of June impacting Sierre plant production

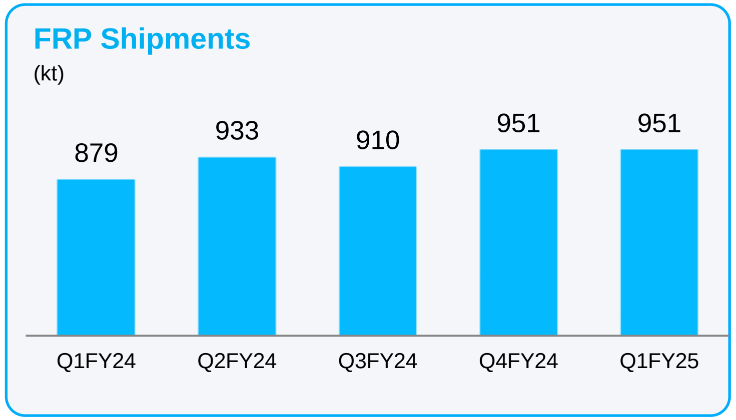


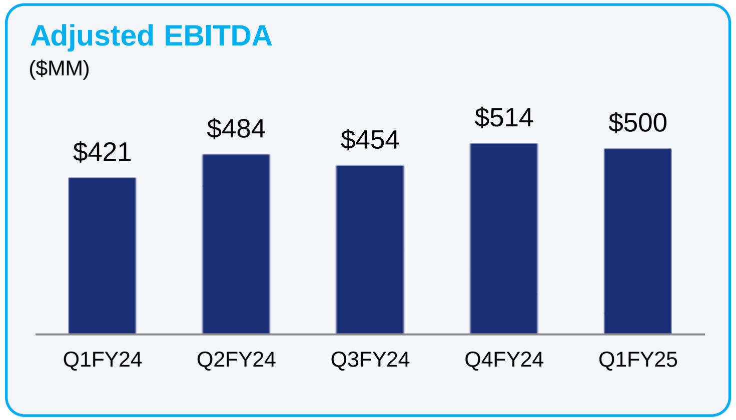
# Financial Highlights

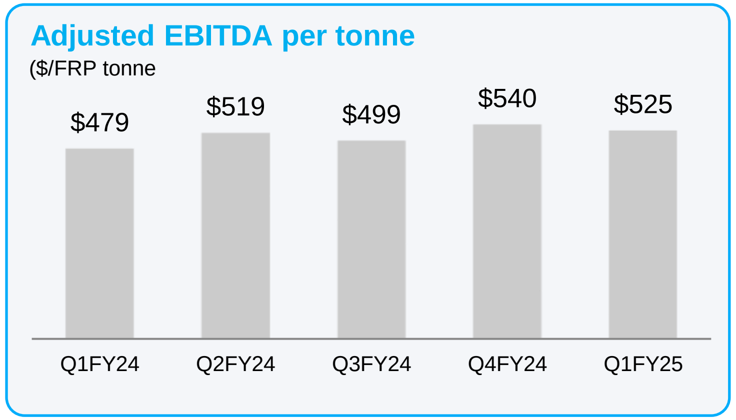
# Q1 Financial Highlights

Q1FY25 vs Q1FY24

- Net Sales up 2% YoY to $4.2 billion
- Total FRP shipments of 951kt are up 8% versus the prior year
  - Significantly improved beverage packaging shipments globally on normalizing demand and supply chains
- Adjusted EBITDA up 19% YoY to $500 million; Adjusted EBITDA per tonne up 10% to $525
- Net income attributable to our common shareholder down 3% to $151 million
  - Current year includes $40 million in initial charges from Sierre flooding in June
  - Net Income attributable to common shareholder, excluding special items, was $204 million, up 32% YoY




**Notes:**
1. Special items includes restructuring & impairment, other exceptional, unusual or generally non-recurring items, metal price lag, gain/loss on assets held for sale. See appendix for a reconciliation of special items.



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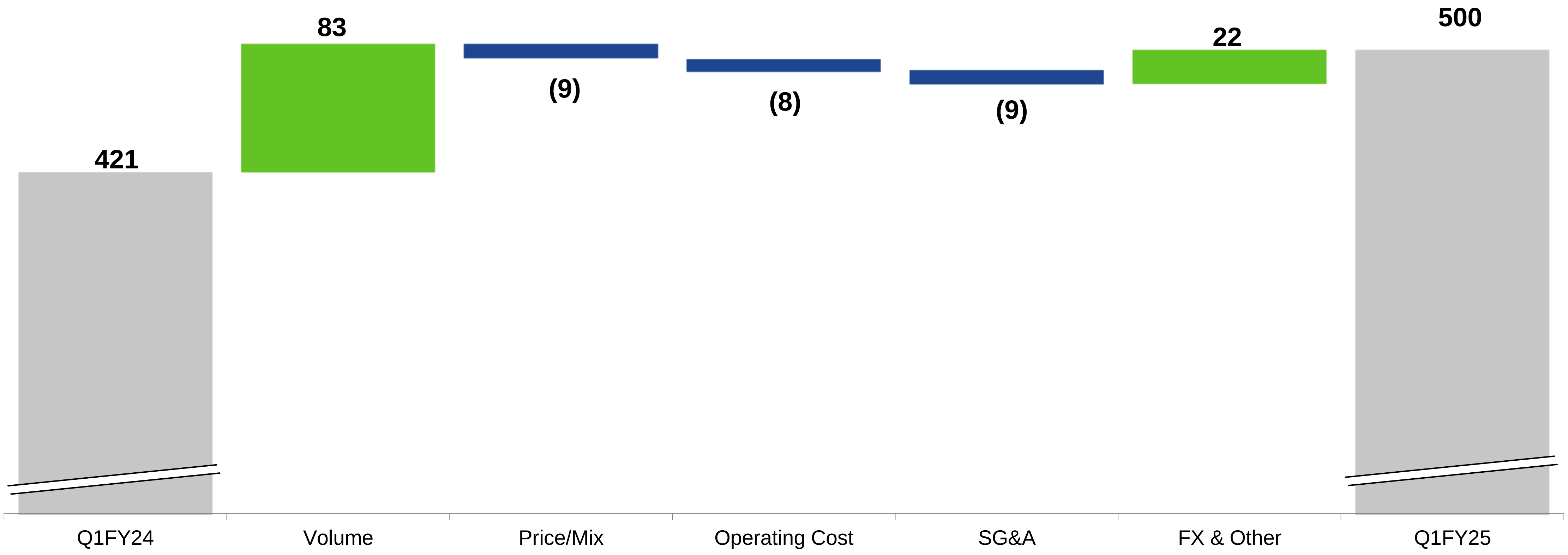
# Q1 Adjusted EBITDA Bridge vs. prior year

$ millions




**Adj EBITDA growth primarily driven by scale benefits from higher volume**



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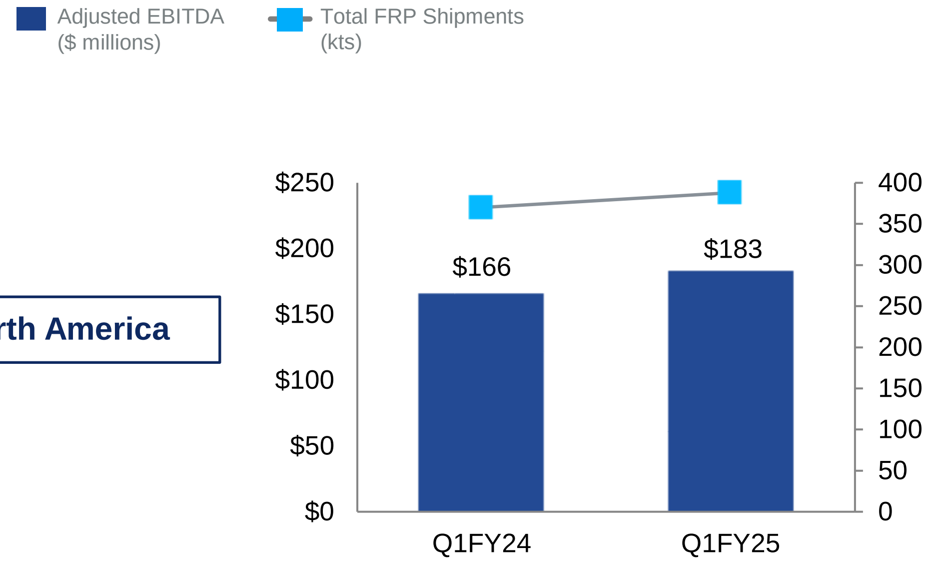
# Q1 Segment Results

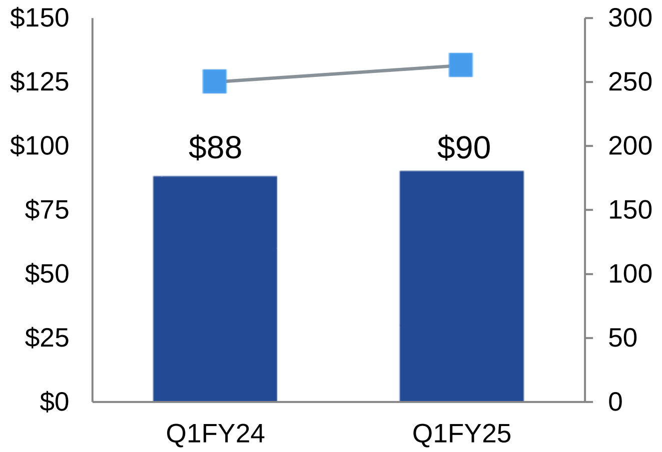
**North America**




## Q1 Shipments +5%, Adjusted EBITDA +10%

- Higher beverage packaging shipments on strong demand
- Higher product pricing
- Less favorable product mix
- Less favorable metal benefit

**Europe**




## Q1 Shipments +5%, Adjusted EBITDA +2%

- Higher beverage packaging shipments, partially offset by lower automotive shipments
- Less favorable product mix



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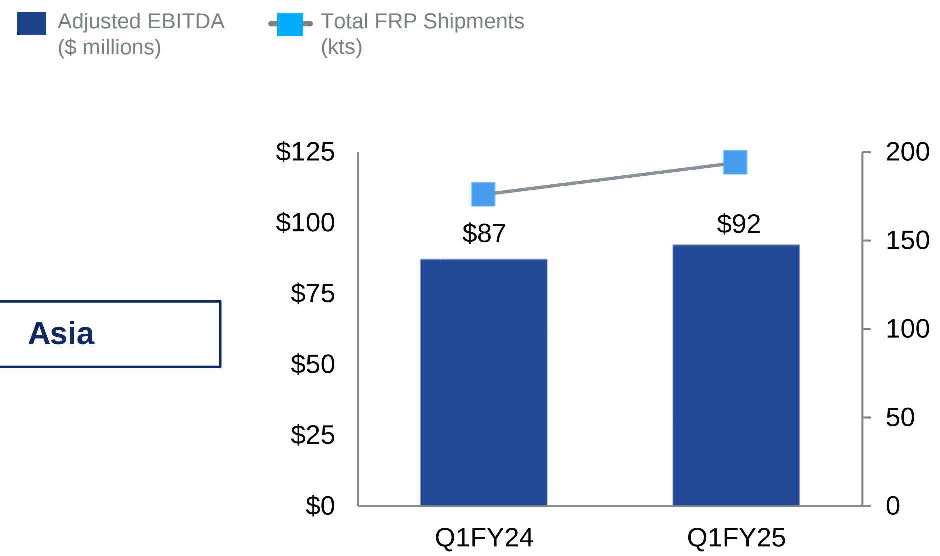
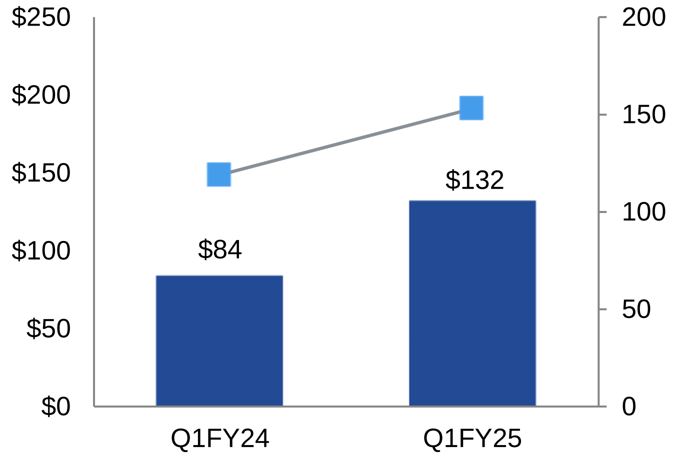
# Q1 Segment Results




**Asia**

## Q1 Shipments +10%, Adjusted EBITDA +6%

- Higher beverage packaging shipments to support strong N. America demand, and higher automotive shipments
- Unfavorable product mix
- Higher energy and employment cost




**South America**

## Q1 Shipments +29%, Adjusted EBITDA +57%

- Higher beverage packaging shipments on normalizing demand and supply chains
- Significantly improved metal benefits



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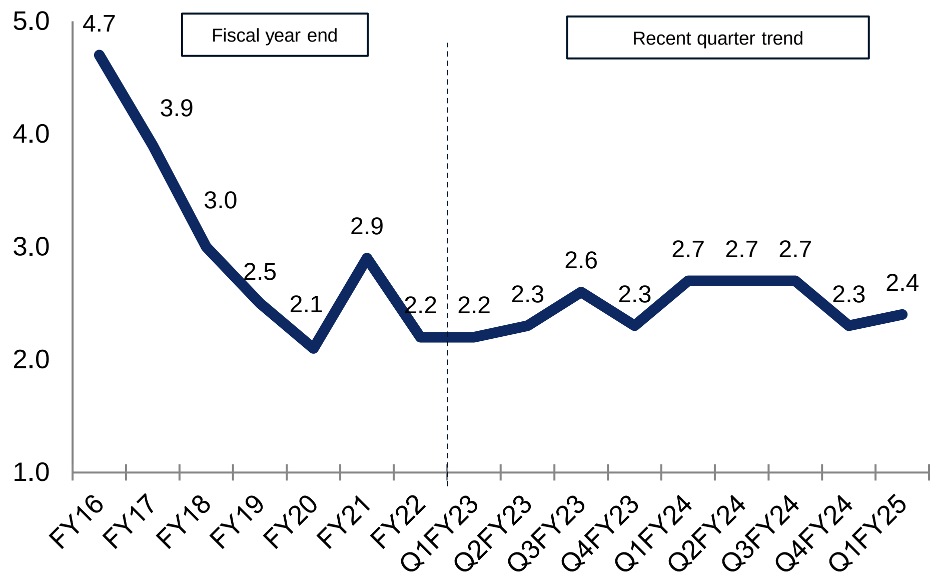
# Adj Free Cash Flow and Net Leverage

## Adjusted free cash flow

| | Q1 FY25 | Q1 FY24 |
|---|---|---|
| Adjusted EBITDA | 500 | 421 |
| Interest paid | (49) | (56) |
| Taxes paid | (69) | (44) |
| Capital expenditures | (348) | (333) |
| Metal price lag | (7) | 5 |
| Working capital & other | (307) | (342) |
| **Adjusted free cash flow** | **(280)** | **(349)** |
| **Adjusted free cash flow before capex** | **$68** | **($16)** |

## Net leverage ratio (Net debt/TTM Adj EBITDA)




- Balanced capital allocation framework with focus on strategic organic investment
  - Net leverage ratio at 2.4x and liquidity of $2.2 billion at June 30, 2024
  - FY25 capital expenditures expected be on lower end of a range of $1.8 billion to $2.1 billion



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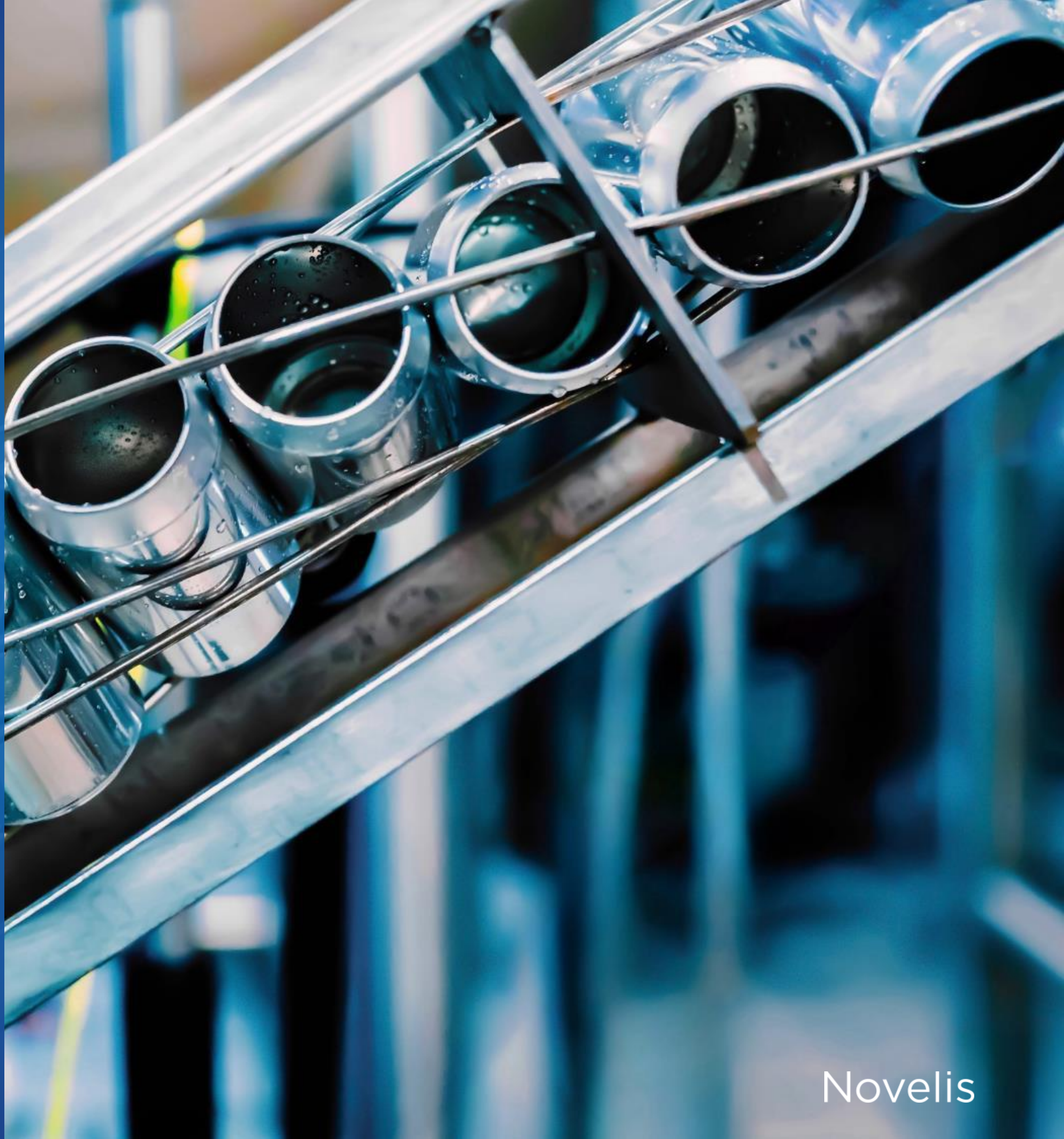
# Flooding in Sierre, Switzerland

## Incident summary & estimated impact

- On June 30, the Rhône river overflowed after persistent, heavy rainfall, flooding the city of Sierre and Valais region in Switzerland, including Novelis' Sierre plant
- All employees were safely evacuated but the plant experienced extensive flooding and production has been halted
- Working in tight cooperation with customers and leveraging our broad European & global presence to reroute materials to minimize customer impact
- Making significant progress on cleaning & restoration; estimate production restart end of Q2FY25
- In Q1FY25, recognized $30 million in fixed asset charges and $10 million in inventory charges
- The plant is insured for property damage and business interruption losses related to such events
- Estimated total net cash impact from this event, after insurance, is $80 million; Estimated net impact to Adjusted EBITDA from this event is $30 million, the majority of which will occur in Q2FY25

# Capital update & end market trends



# Strategic capital projects on track

### Fully integrated US rolling & recycling facility

- **$4.1 billion 600kt state-of-the-art facility in Bay Minette, US**
  - Beverage packaging capacity fully contracted
  - Construction progress continues: Steel installation & equipment foundation work well underway
  - Expect to begin commissioning in 2nd half CY2026

### Stand-alone recycling investments

- **$365 million advanced automotive recycling center in Guthrie, US**
  - ✓ *Began commissioning Q1FY25*
- **$65 million in UAL, Ulsan, South Korea**
  - Expected commissioning 2nd half FY25
- New **$90 million UBC recycling & casting expansion in Latchford, UK**
  - Doubles UBC recycling capacity & reduces $CO_2e$ more than 350,000 tonnes
  - Expected commissioning FY27

### Global high-return debottlenecking investments

**$350 million for ~265kt capacity expansion expected to commission between FY24-26**

<u>North America</u>
- $130 million for 65kt in Oswego
  *Phase 1 completed Q3FY24*
- $150 million for 80kt in Logan

<u>South America</u>
- $50 million for 30kt in Pinda
  *Phase 1 for 40kt completed Q2FY24*

<u>Asia</u>
- ✓ $20 million for 50kt in Yeongju
  *Completed Q2FY24*

**Leveraging our track record of disciplined capital deployment to grow the business and drive returns**

# Guthrie automotive recycling center

- High-return investment for a new automotive recycling and casting center in Guthrie, Kentucky (US) began commissioning in Q1
- Expected annual casting capacity of 240kt when fully ramped
- Expected to reduce our carbon emissions by one million tonnes annually
- Expands automotive closed loop recycling



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# End Market Trends

| | Long-term demand growth rate (1) | Near-term market trends |
|---|---|---|
| **BEVERAGE PACKAGING** *(57% of FY24 Shipments)* | ~4% | • North American market remains strong<br>• Improving demand outlook in Europe and South America |
| **AUTOMOTIVE** *(21% FY24 Shipments)* | ~7% | • Demand broadly remains stable, even amidst challenging macro<br>• Implications from Sierre flooding still under assessment<br>• Favorable vehicle mix in vehicle sales (trucks, SUVs) that use higher share of aluminum |
| **AEROSPACE** *(3% FY24 Shipments)* | ~5% | • Demand remains solid with high order backlog driven by fleet replacement and route expansion<br>• OEM production rates limited by supply chain constraints |
| **SPECIALTY** *(19% FY24 Shipments)* | GDP+ | • Improving Building & Construction order book in N America, but muted in Europe driven by continued economic headwinds<br>• EV battery demand slowdown |

**Global aluminum FRP demand projected to grow 4% in 2024 vs 2023 (2)**

**Notes:**
1. Can CRU Aluminum Beverage Can Sheet Market Outlook 2023 (excluding China), 2023-2031; Automotive Management Estimates 2023 – 2028; Aerospace Management Estimates 2023 – 2030
2. 2024 global (excluding China) growth rate per CRU Rolled Products Market Outlook; long-term global demand CAGR by end market are management estimates



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# Summary

Significant year-over-year improvement across a number of key financial metrics in Q1

Positive outlook for end market demand

Novelis unmatched geographic and end market presence is being further strengthened by transformational organic expansions underway

Continue working across the value chain to achieve sustainability goals and capture growing demand for sustainable aluminum FRP

**Advancing aluminum as the material of choice with circular solutions**



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# Thank You

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# Appendix

# Net Income Reconciliation to Adjusted EBITDA

| (in $ millions) | Q1 | Q2 | Q3 | Q4 | FY24 | Q1 FY25 |
|---|---|---|---|---|---|---|
| **Net income attributable to our common shareholder** | **156** | **157** | **121** | **166** | **600** | **151** |
| Noncontrolling interests | - | - | - | - | - | (1) |
| Income tax provision | 54 | 51 | 54 | 59 | 218 | 60 |
| Interest, net | 70 | 74 | 67 | 64 | 275 | 64 |
| Depreciation and amortization | 131 | 136 | 139 | 148 | 554 | 140 |
| **EBITDA** | **411** | **418** | **381** | **437** | **1,647** | **414** |
| Unrealized loss (gain) on derivatives | (4) | 23 | (15) | 32 | 36 | (7) |
| Realized (gain) loss on derivative instruments not included in segment income | (3) | (1) | - | (2) | (6) | 2 |
| Adjustment to reconcile proportional consolidation | 14 | 11 | 8 | 11 | 44 | 13 |
| Loss on sale of fixed assets | - | - | 4 | 2 | 6 | 1 |
| (Gain) loss on extinguishment of debt | - | 5 | - | - | 5 | - |
| Restructuring and impairment expenses, net | 3 | 4 | 26 | 9 | 42 | 19 |
| Metal price lag (income) expense | (5) | 22 | 45 | 8 | 70 | 7 |
| Other, net | 5 | 2 | 5 | 17 | 29 | 51 |
| **Adjusted EBITDA** | **$421** | **$484** | **$454** | **$514** | **$1,873** | **$500** |
| **Rolled product shipments** (kt) | **879** | **933** | **910** | **951** | **3,673** | **951** |
| **Adjusted EBITDA /tonne** ($/tonne) | **$479** | **$519** | **$499** | **$540** | **$510** | **$525** |

Adjusted EBITDA per tonne may not recalculate due to rounding.



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# Cash Provided By Operating Activities Reconciliation to Adjusted Free Cash Flow

| (in $ m) | Q1 | Q2 | Q3 | Q4 | FY24 | Q1 FY25 |
|---|---|---|---|---|---|---|
| Cash provided by operating activities | (32) | 322 | 130 | 895 | 1,315 | 74 |
| Cash used in investing activities | (317) | (273) | (345) | (453) | (1,388) | (354) |
| Less: Proceeds from sale of assets and business, net of transaction fees, cash income taxes and hedging | - | - | (2) | - | (2) | - |
| **Adjusted free cash flow** | **$(349)** | **$49** | **$(217)** | **$442** | **$(75)** | **$(280)** |
| Capital expenditures | 333 | 285 | 342 | 398 | 1,358 | 348 |
| **Adjusted free cash flow before capex** | **$(16)** | **$334** | **$125** | **$840** | **$1,283** | **$68** |



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# Net Debt and Liquidity

| (in $ m) | Q1 | Q2 | Q3 | Q4 | FY24 | Q1 FY25 |
|---|---|---|---|---|---|---|
| Long-term debt, net of current portion | 4,878 | 4,859 | 4,883 | 4,866 | 4,866 | 4,859 |
| Current portion of long-term debt | 57 | 51 | 31 | 33 | 33 | 33 |
| Short-term borrowings | 601 | 692 | 552 | 759 | 759 | 623 |
| Cash and cash equivalents | (1,041) | (1,158) | (787) | (1,309) | (1,309) | (886) |
| **Net debt** | **$4,495** | **$4,444** | **$4,679** | **$4,349** | **$4,349** | **$4,629** |

| (in $ m) | Q1 | Q2 | Q3 | Q4 | FY24 | Q1 FY25 |
|---|---|---|---|---|---|---|
| Cash and cash equivalents | 1,041 | 1,158 | 787 | 1,309 | 1,309 | 886 |
| Availability under committed credit facilities | 1,403 | 1,145 | 1,353 | 1,008 | 1,008 | 1,288 |
| **Liquidity** | **$2,444** | **$2,303** | **$2,140** | **$2,317** | **$2,317** | **$2,174** |



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# Reconciliation of Net Income Attributable to our Common Shareholder, Excluding Special Items

| (in $ m) | Q1 FY24 | Q1 FY25 |
|---|---|---|
| Net income attributable to our common shareholder | $156 | $151 |
| Special Items: | | |
| Metal price lag | (5) | 7 |
| Restructuring and impairment expenses, net | 3 | 19 |
| Sierre flooding [(1)] | - | 40 |
| Tax effect on special items | 1 | (13) |
| **Net income attributable to our common shareholder, excluding special items** | **$155** | **$204** |

1. On June 30, 2024, our plant located in Sierre, Switzerland was impacted by exceptional flooding caused by unprecedented heavy rainfalls. As a result of this event, the Company recognized fixed asset charges of $30 million and inventory charges of $10 million during the three months ended June 30, 2024.