

AUDITED RESULTS

for the year ended 31 December 2019

AGENDA



1

Opening Remarks
+ Market Update



2

Financial
Results



3

2019
Operational
Review



4

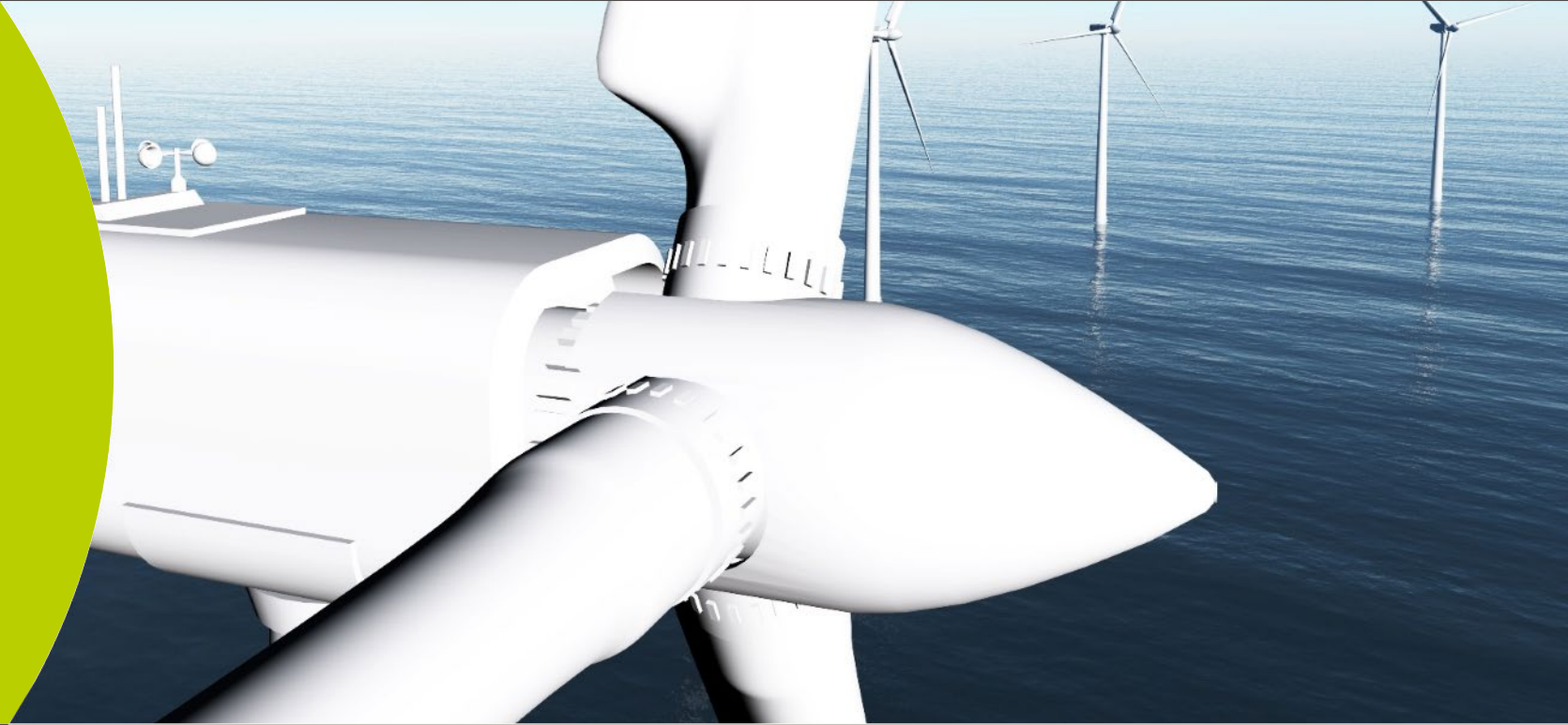
2019
Turnaround
Plan Delivery



5

Prospects for
2020

1 OPENING REMARKS + MARKET UPDATE



Continued focus on protecting the balance sheet

- R222 million free cash flow (FCF)
- Net debt / equity 11%
- Inventory reduced by c. 14 000 tons June to December 2019

Turnaround implemented

- Working capital management (c. R500 million released)
- Cost reduction of c. R400 million p.a.
 - In both rolled and extruded products
- Rebuilding US export sales channels

Excellent safety record maintained

- Best in class safety performance - Total Recordable Frequency Rate (TRCFR) 0.24

2019 SALIENT FEATURES

Group sales of 219 000 tons (2015: 245 000 tons)

- 11% lower
- Sales / Market constraints emerging
 - Particularly RSA and USA

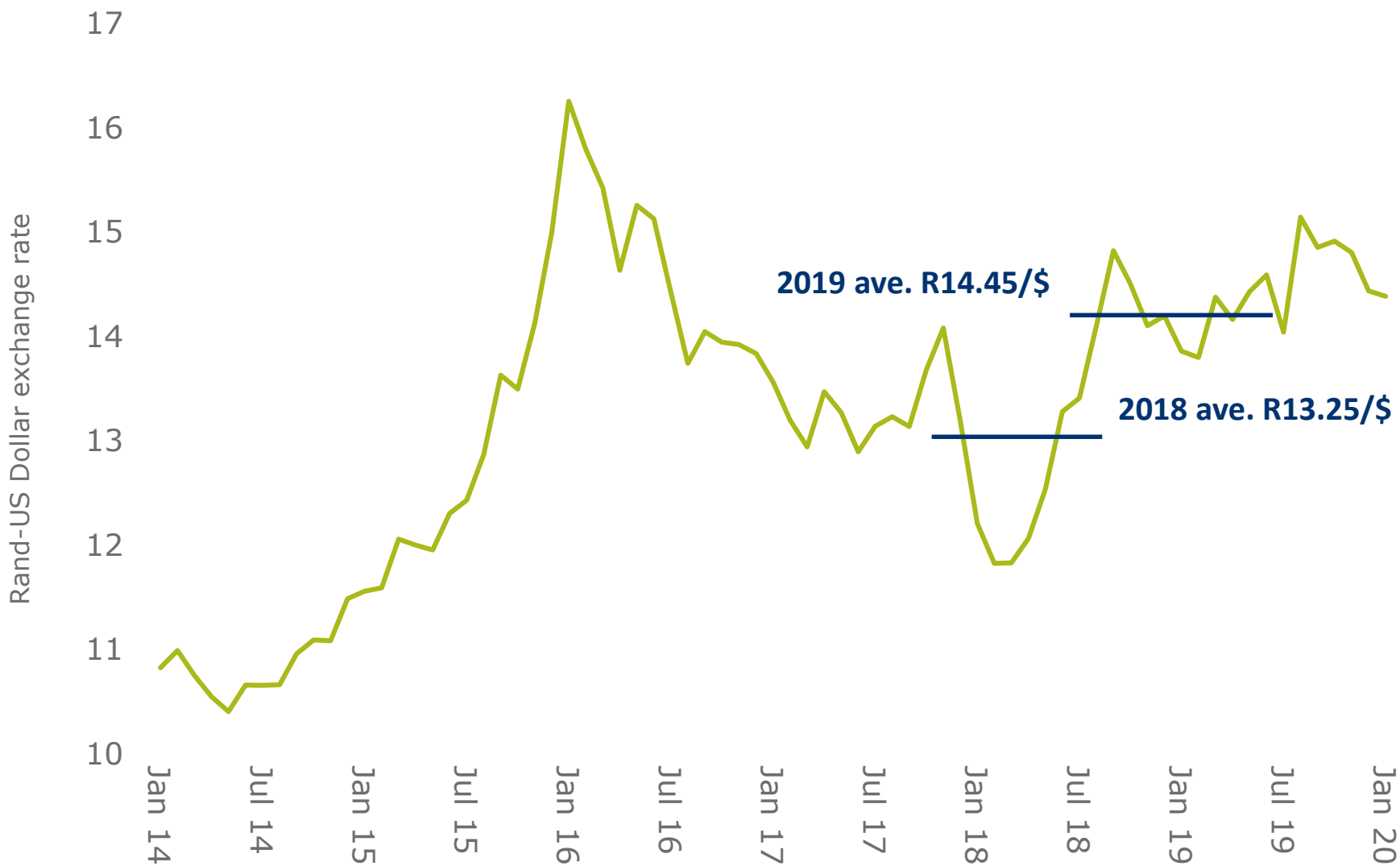
Impairment charge R1.3 billion

- Across both Rolled Products and Extrusions
- Reflecting higher risk premiums to WACC
- Tighter market conditions locally and USA

Turnaround actions largely complete

- Cost reductions c. R400 million p.a.
- Rolled Products and Extrusions
- Olifantsfontein plant consolidated into PMB
- Release of working capital c. R500 million
- New sales channels

RAND VS. US DOLLAR 2014 TO 2019



MARKET OVERVIEW

LME aluminium price changed course – weakening from end H1 2018

- LME average in 2019 \$1792/t (2018: \$2110/t)
 - Demand softening
 - USA market protectionism

USA demand flat, then softening sharply into 2020

- Slow GDP
- Massive aluminium flat rolled products over-stocking
- Protectionism emerging in USA

Supply concerns continue in global beverage can stock markets

- Plastic (single use) packaging raising environmental concerns

Automotive demand for aluminium softens in line with global slow-down

Local economy remains soft

2 FINANCIAL RESULTS



Loss per share of 380 cents up by 57%

- R0.9 billion (after tax) reduction in valuation of Rolled Products and Extrusions cash-generating units
- R0.1 billion deferred tax asset non-recognition
- Impacted by softer market outlook and increased uncertainty in the macro environment

Headline loss per share of 76 cents (2018: HEPS 91 cents)

- Retrenchment costs R114m
- Negative metal price lag R68m (2018: gain R3m)
- IAS 39 hedge “ineffectiveness” charge R25m (2018: gain R61m)
- Settlement of Isizinda share-based payment R65m

Sales volumes down by 11%

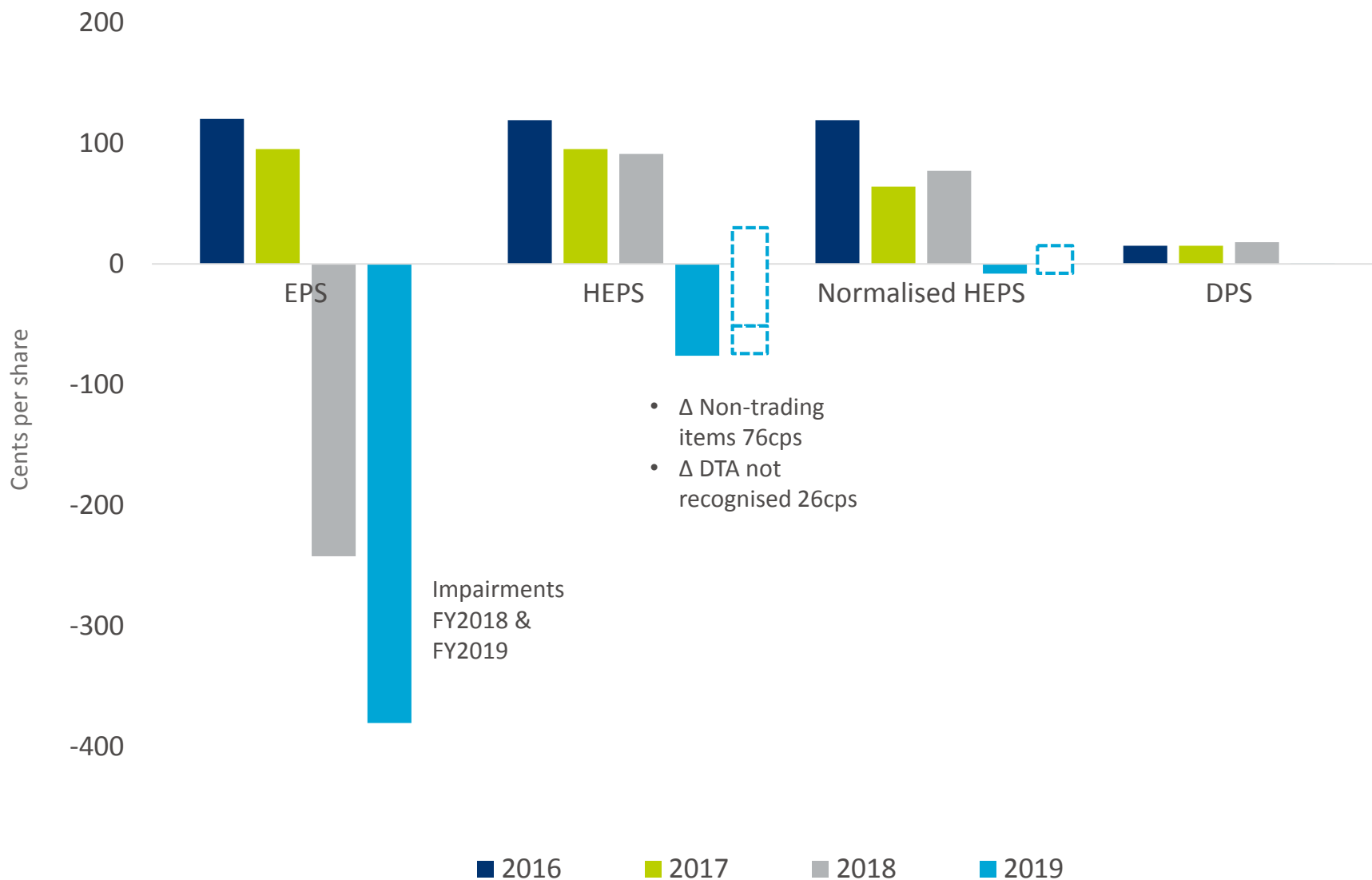
- Normalised EBITDA¹ down by 54% to R313m
- Soft SA market conditions
- Rolled Products US market disruption
- Extrusions press failure

Balance sheet strength maintained

- Free cash flow of R222m²
- Net debt to equity up to 11%, impacted by impairment
- Adequate liquidity

1. Normalised EBITDA excludes metal price lag and material non-trading items
2. Including receipt in transit of R208m at 31 Dec 2018, received in Jan 2019

EARNINGS PERFORMANCE



SALIENT FEATURES

		2019	2018	% Change
KEY PARAMETERS AND ACTIVITIES				
Average LME	US\$	1 792	2 110	(15)
Average exchange rate	R/US\$	14.45	13.25	9
Group sales volume	Tons	219 000	245 000	(11)
Rolled Products sales volume	Tons	206 000	228 000	(10)
Revenue ¹	Rm	10 294	11 534	(11)
PROFITABILITY				
EBIT	Rm	(1 421)	(950)	50
Normalised ² EBIT	Rm	177	437	(59)
Normalised ² EBITDA	Rm	313	678	(54)
EPS	Cps	(380)	(242)	57
HEPS	Cps	(76)	91	(184)
Normalised ² HEPS	Cps	(8)	77	(110)

1. 2019 excludes resale revenue of R415m to aid comparability

2. Normalised EBIT, EBITDA and HEPS exclude metal price lag and material non-trading items

SALIENT FEATURES (CONTINUED)

		2019	2018	% Change
CASH FLOW AND DEBT				
Capital expenditure	Rm	311	242	29
Net working capital as % of revenue	%	18	21	(3)
Free cash flow (cash flow before financing activities) ¹	Rm	222	90	147
Net borrowings	Rm	226	294	(23)
Net debt ²	Rm	272	294	(7)
Debt equity ratio	%	11	8	3

1. FY2018 and FY2019 free cash flow impacted by receipt in transit of R208 million received in Jan 2019 relating to Dec 2018

2. 2019 includes lease liability (IFRS 16) of R46m

IMPAIRMENT OF NON-CURRENT ASSETS

Hulamin's share price trades at a significant discount to underlying net asset value

- IAS 36 requires assessment of recoverable amounts of non-financial assets / CGU's

R1.30 billion non-cash impairment (2018: R1.45 billion impairment)

- R1.25 billion – Rolled Products VIU (R1.38 billion)
- R30 million – Extrusions VIU (2018: R74 million)
- R19 million – Isizinda property and Olifantsfontein assets

Impairment due to lower forecast cash flows and increase in WACC

- Valuation very sensitive to currency, volumes and conversion prices
 - $\Delta 5\% \rightarrow$ valuation impact >R1 billion
- Softer outlook for common alloy, automotive, heat-treated plate
- WACC up 1% in Rolled Products to 17%
 - Increased global volatility / US tariffs
 - Vulnerable domestic economy
 - Metal supply

SEGMENT REPORT

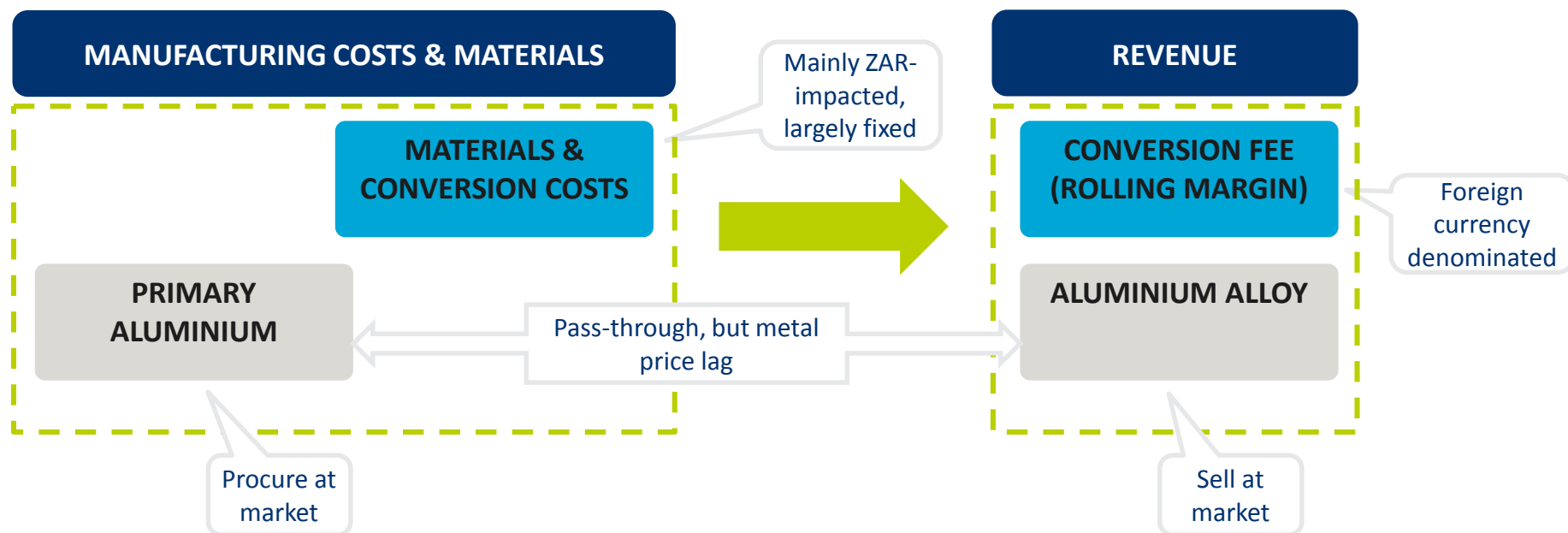
SIGNIFICANT NON-TRADING / IFRS ITEMS IN FY2019

	2019		
	Rolled Products R'm	Extrusions R'm	Group R'm
EBITDA*	105	(87)	18
Restructuring costs	75	39	114
Metal price lag	68	-	68
Isizinda unbundling settlement	65	-	65
(Loss) on disposal of assets/profit on sale of investment	26	(3)	23
Commodity risk management programme not qualifying for hedge accounting in prior periods	25	-	25
Normalised EBITDA*	364	(51)	313

	2018		
	Rolled Products R'm	Extrusions R'm	Group R'm
	745	(3)	742
	-	-	-
	(3)	-	(3)
	-	-	-
	-	-	-
	(61)	-	(61)
	681	(3)	678

* Before impairment charge

FUNDAMENTALS OF FINANCIAL PERFORMANCE



Hulamín has a large currency exposure

- The Rand/USD and EUR exchange rate is Hulamín's "gold price"
- Conversion fees in foreign currency, conversion costs mainly Rand-based

Volume-sensitive

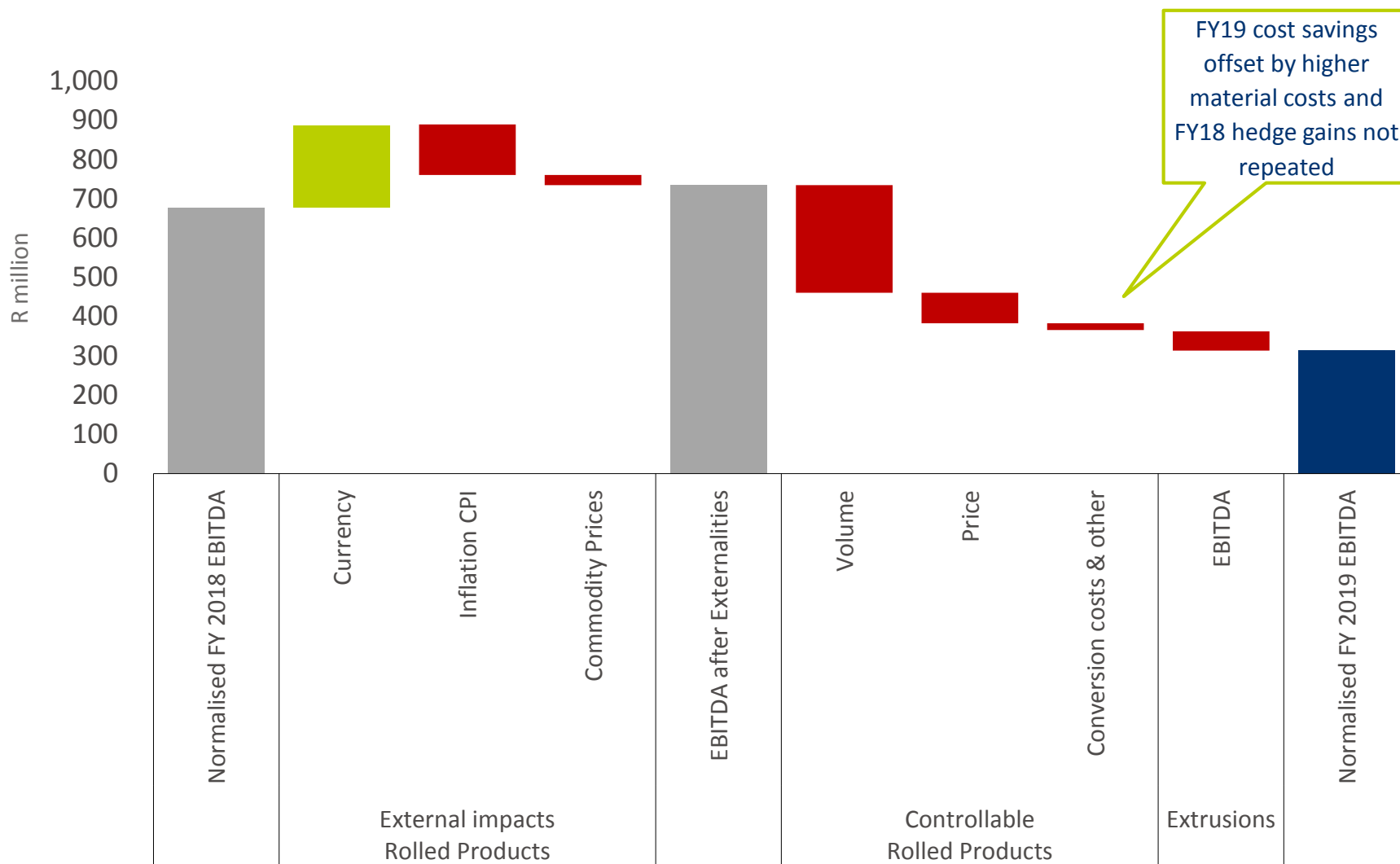
- Large fixed-cost business

Aluminium is a pass-through

- Creates "noise" in P&L / cash flows
- 50% hedge of metal price lag in place

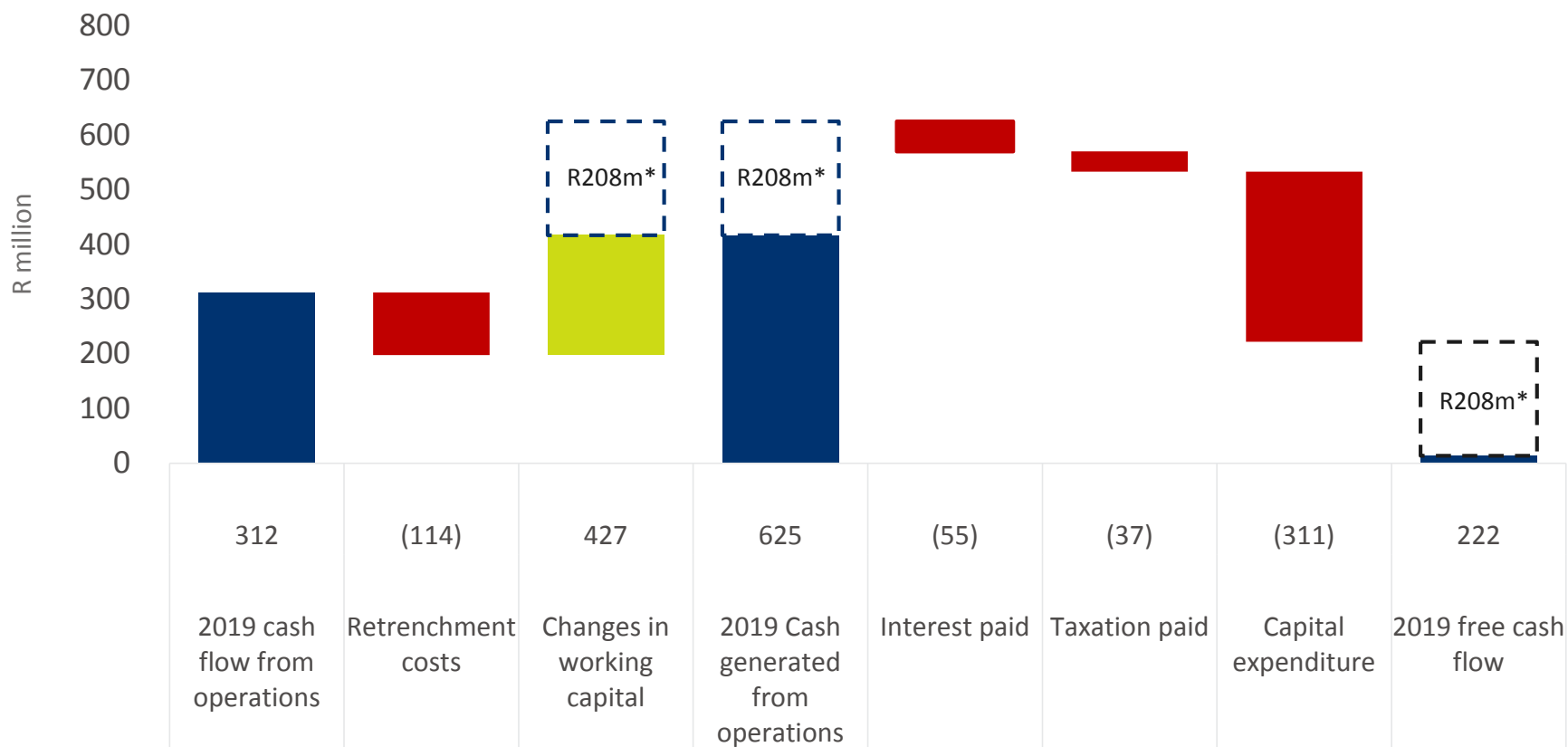
NORMALISED EBITDA

FY2019 VERSUS FY2018 SEVERELY IMPACTED BY LOWER SALES VOLUMES AND PRICES



FY2019 FREE CASH FLOW

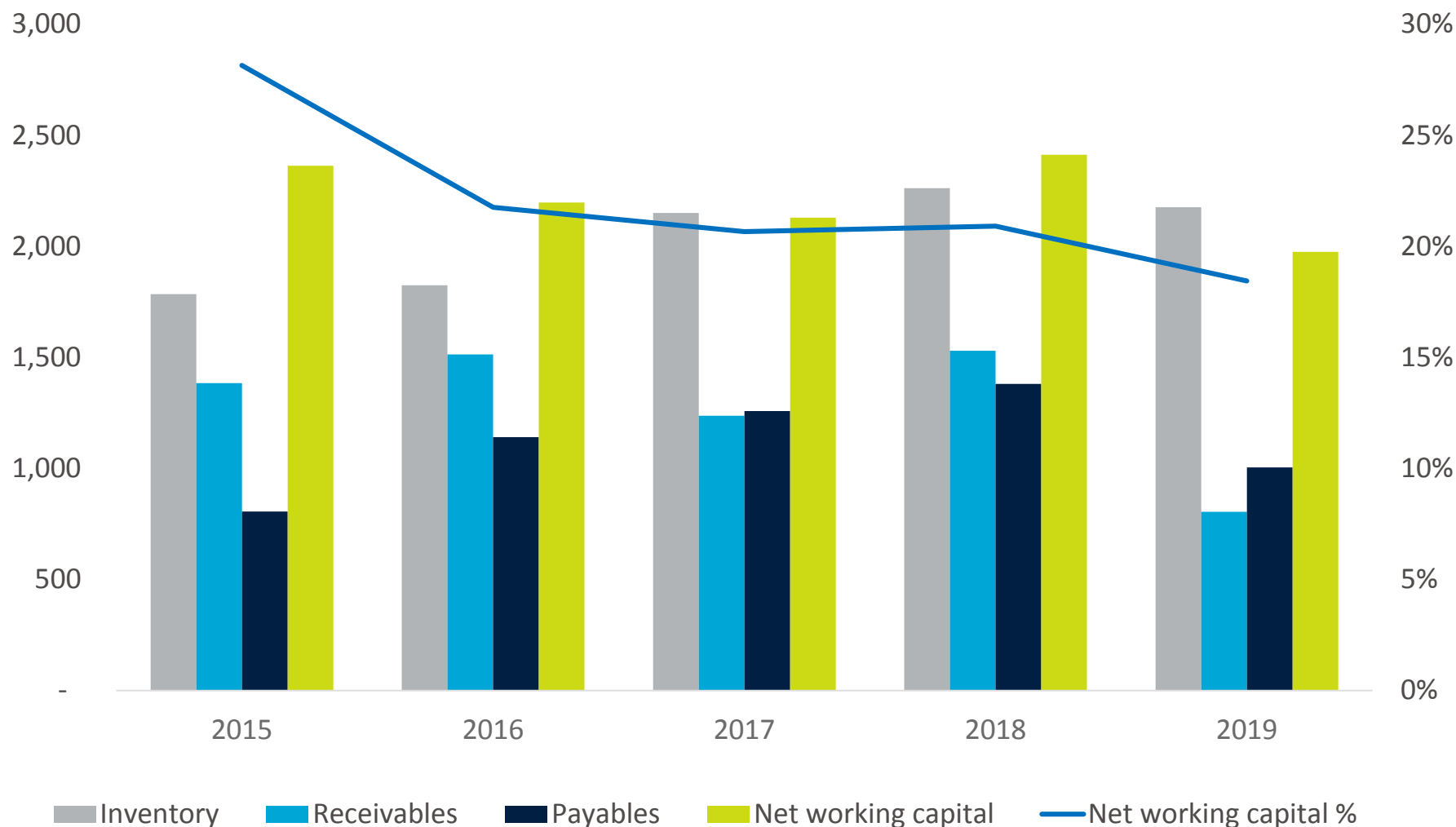
**IMPACTED BY LOWER NORMALISED EBITDA AND RETRENCHMENT COSTS,
OFFSET BY WORKING CAPITAL EFFICIENCIES AND LOWER INTEREST PAID**



* FY2019 free cash flow includes receipt in transit at Dec 2018 of R208 million received in Jan 2019

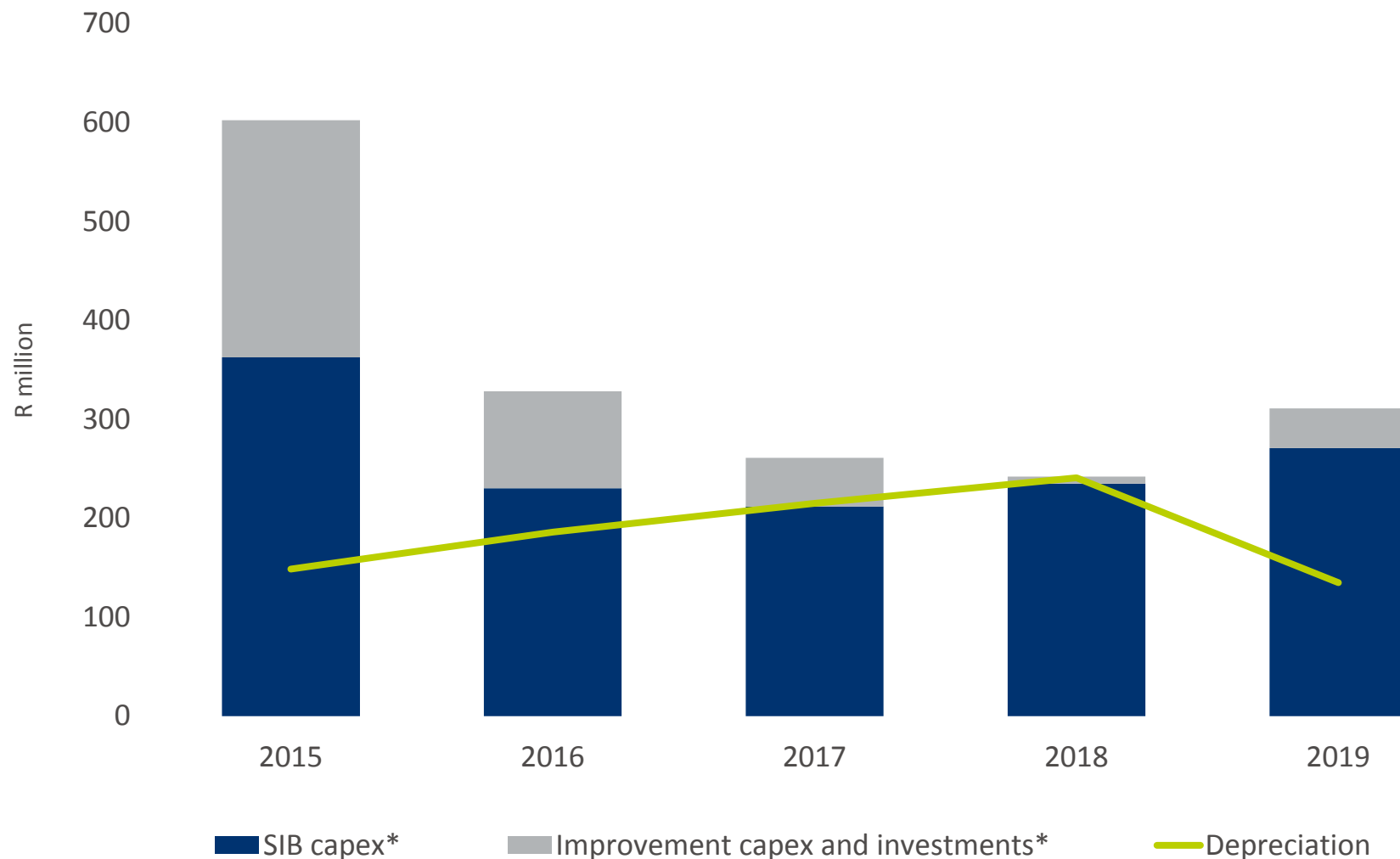
5-YEAR NET WORKING CAPITAL PERFORMANCE

CONTINUED IMPROVEMENTS IN WORKING CAPITAL EFFICIENCIES



CAPITAL EXPENDITURE

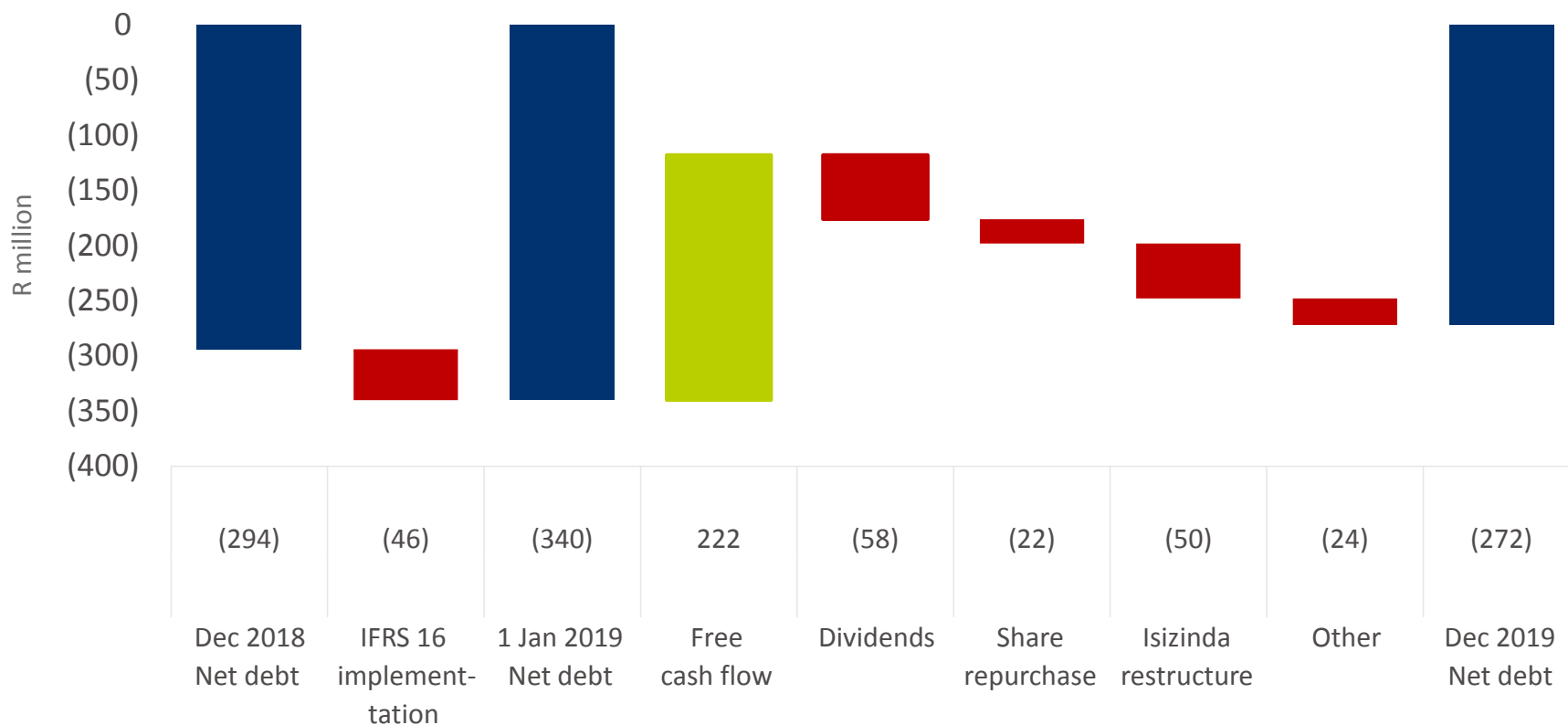
CAPEX HIGHER DUE TO WEAKER CURRENCY AND INVESTMENT IN MIX IMPROVEMENTS



* Excludes capitalised borrowing costs

FY2019 NET DEBT

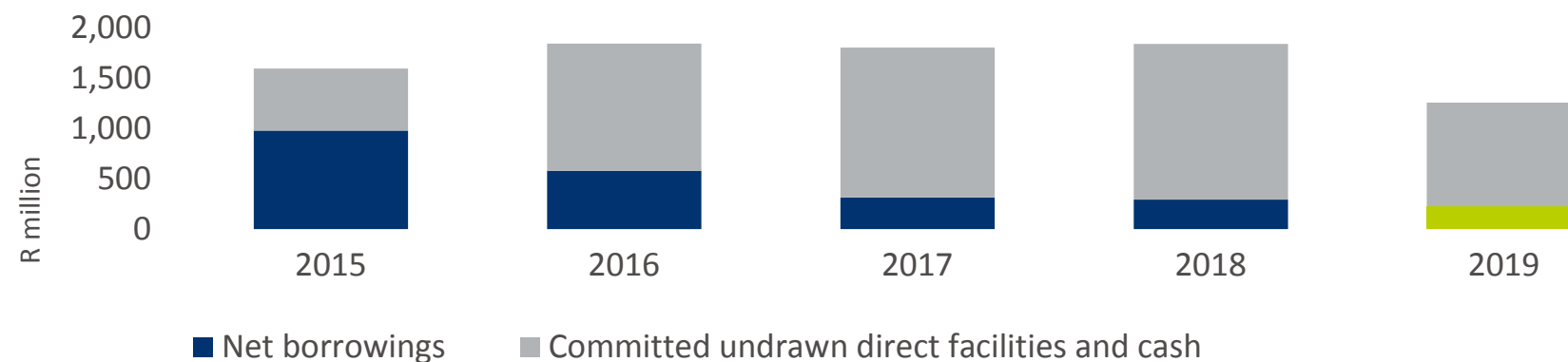
NET DEBT STABLE AFTER IFRS16 LEASES, RETURN TO SHAREHOLDERS & ISIZINDA UNBUNDLING



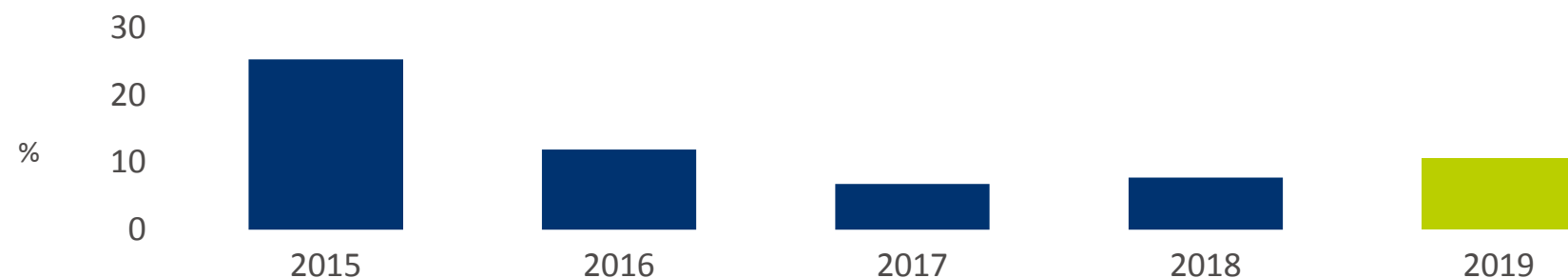
LIQUIDITY AND CAPITAL STRUCTURE

3-YEAR WORKING CAPITAL FACILITY PLUS GBF IN FY2019 D/E IMPACTED BY IMPAIRMENT

Net borrowings and headroom



Net debt to equity



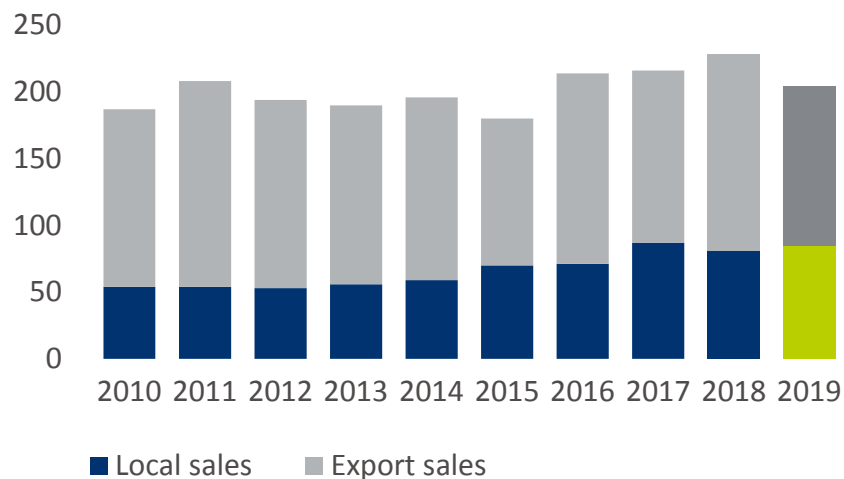
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2019 OPERATIONAL REVIEW

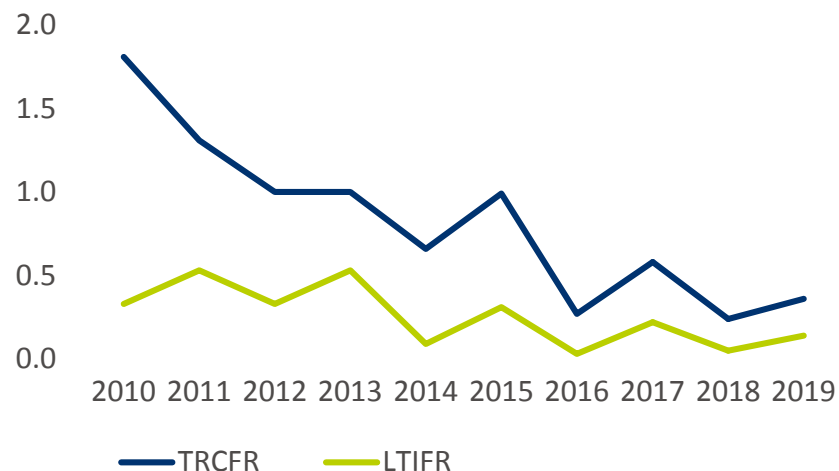


ROLLED PRODUCTS – KEY FEATURES

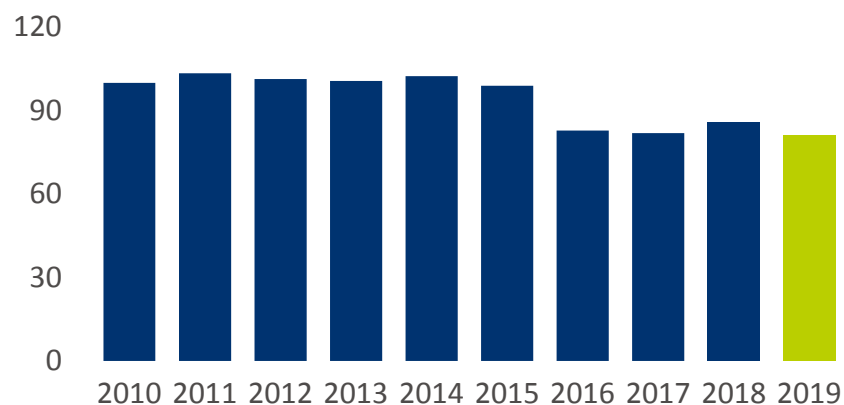
Rolled Products sales volumes (Tons (000's))



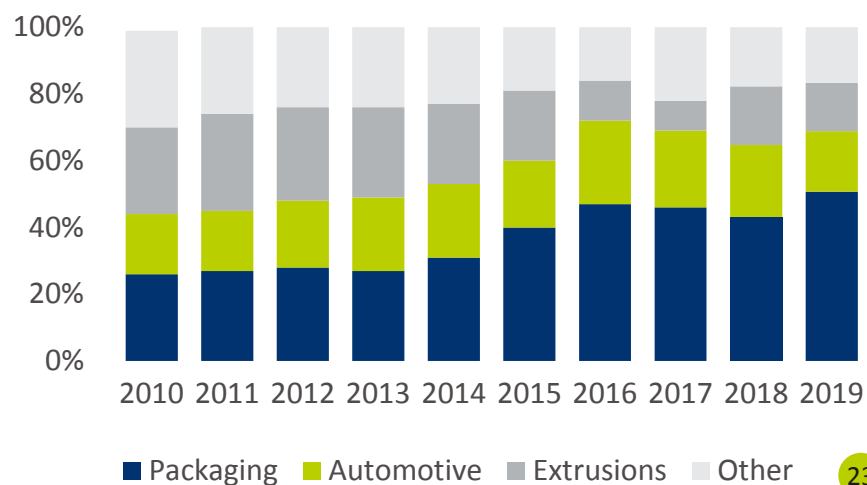
Safety performance



US\$ margin index

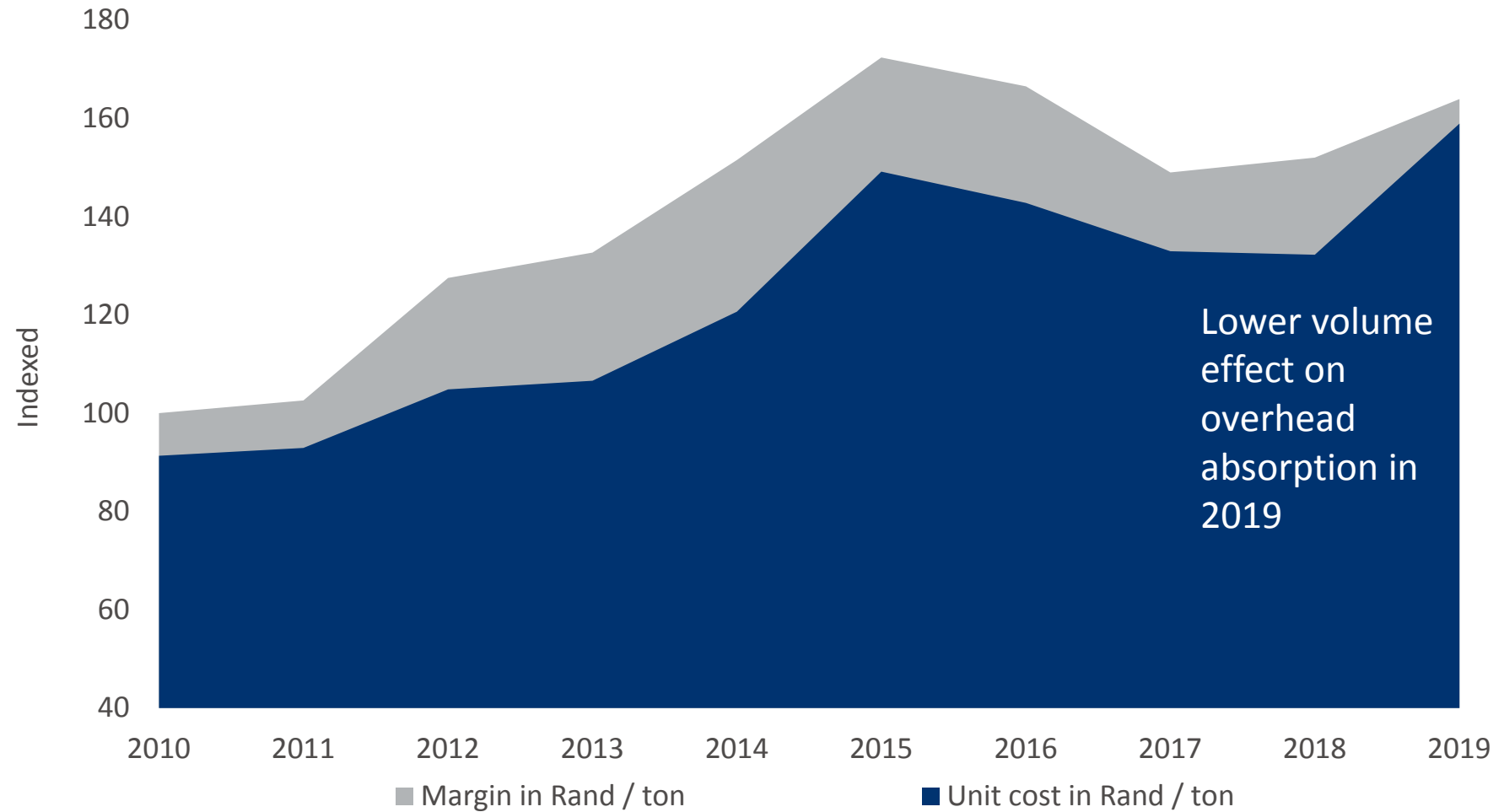


Group local sales mix (%)

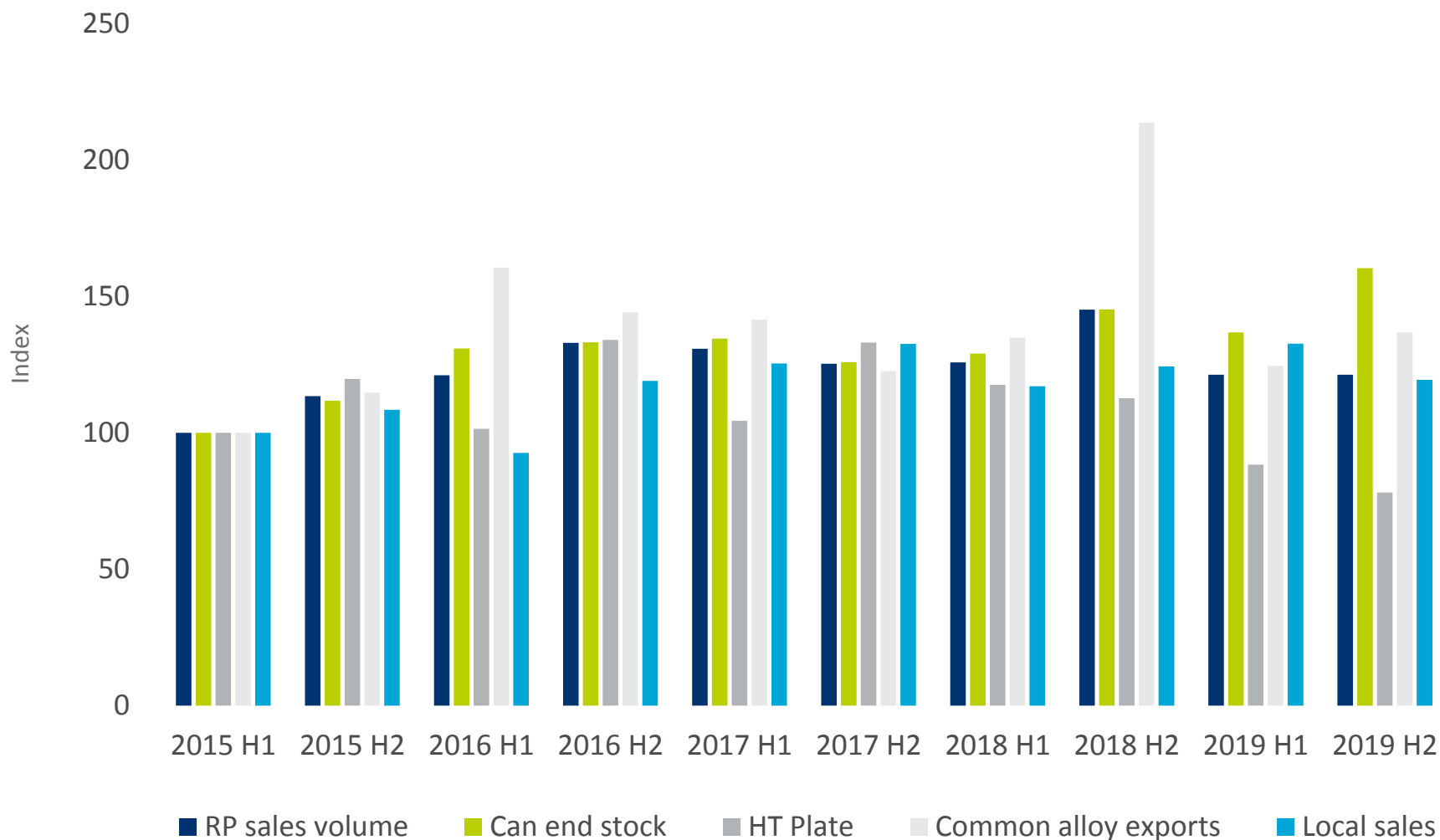


ROLLED PRODUCTS OPERATING MARGIN

(UNIT COST IN RAND)

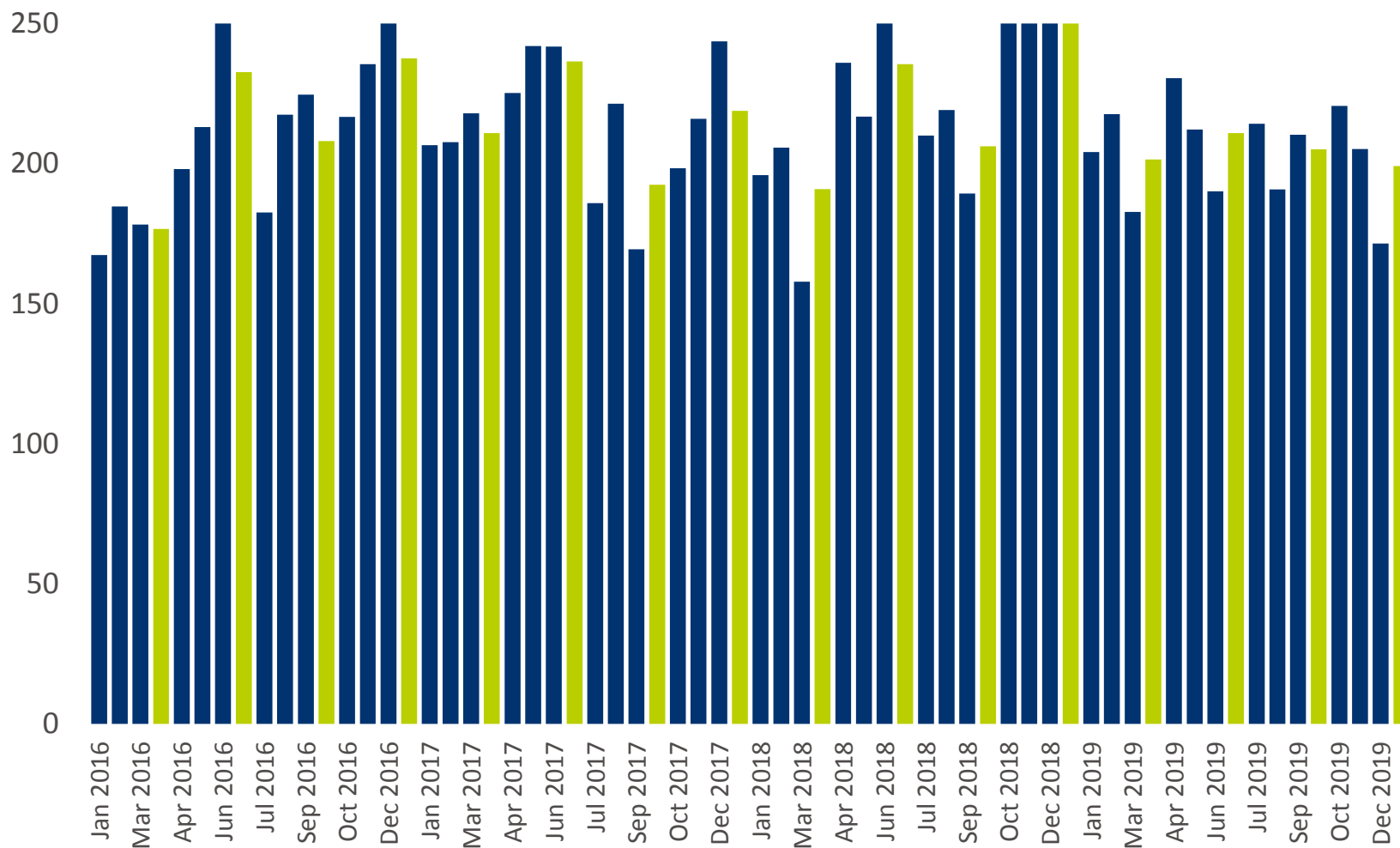


ROLLED PRODUCTS HALF ON HALF SALES AND PRODUCT MIX



ROLLED PRODUCTS SALES (ANNUALISED)

Tons (000's)



STRONG CAN STOCK SALES AS MARKETS TIGHTEN

Record can end stock sales in H2

- Strong second half production performance, successful debottlenecking (+22% in H2)
- Firm market demand in all regions
- Hualamin to maximise can stock sales

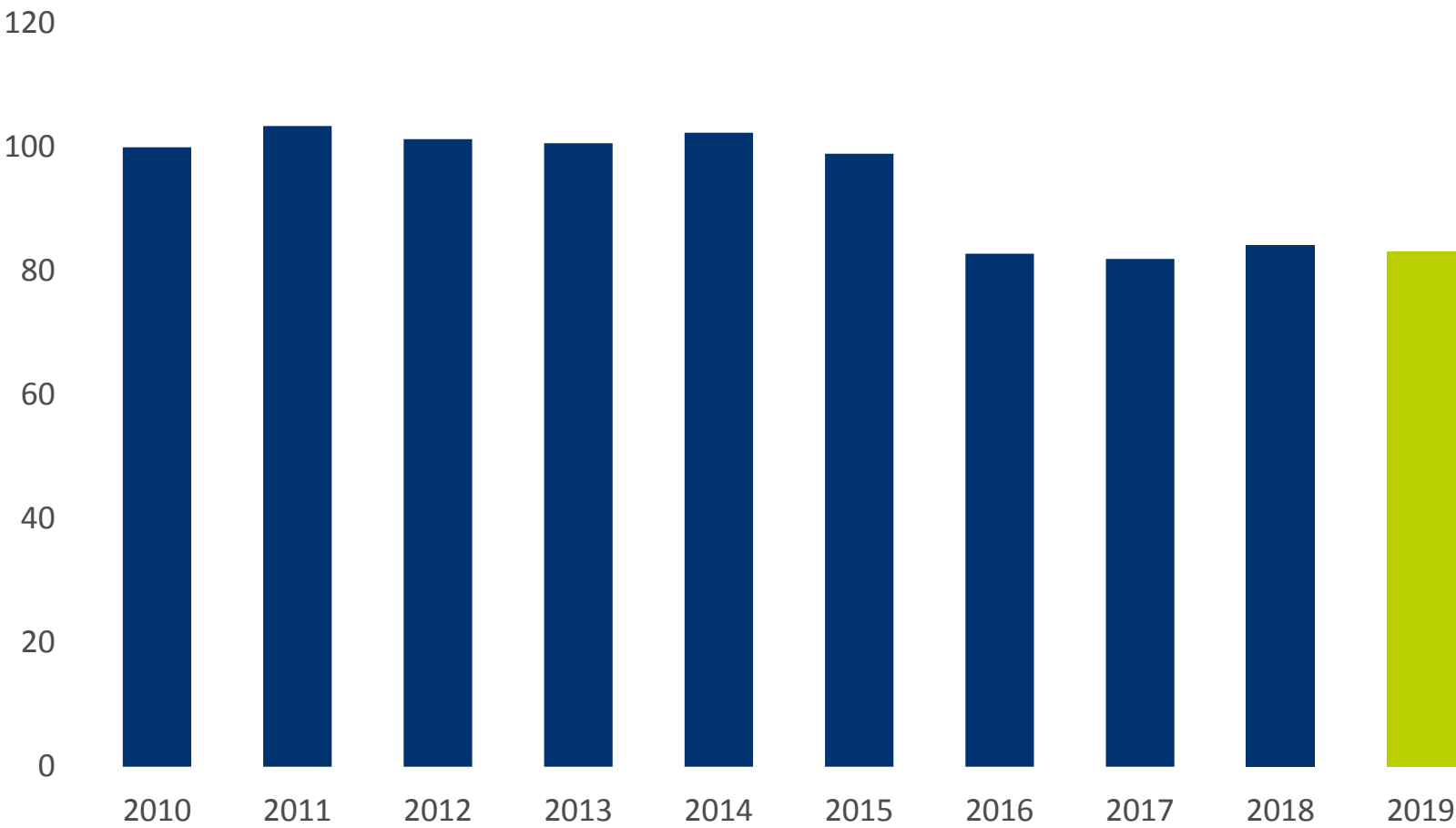
Weak global non-packaging demand

- USA over-stocked
- Europe flat pre-Covid 19
- Local economy struggling (GDP 0.2%)

Blockages on USA distribution channel highlight single channel risks

- Relationship strained due to over-stocking
- Partner diversifying into production of FRPs

ROLLING MARGIN IN US DOLLARS INDEX



4

2019 TURNAROUND PLAN DELIVERY



TURNAROUND ACTIONS IN 2019

Cost reductions

- Rolled and Extruded products
- Olifantsfontein site closed, property sale agreement
- Costs reduced by R400 million p.a.

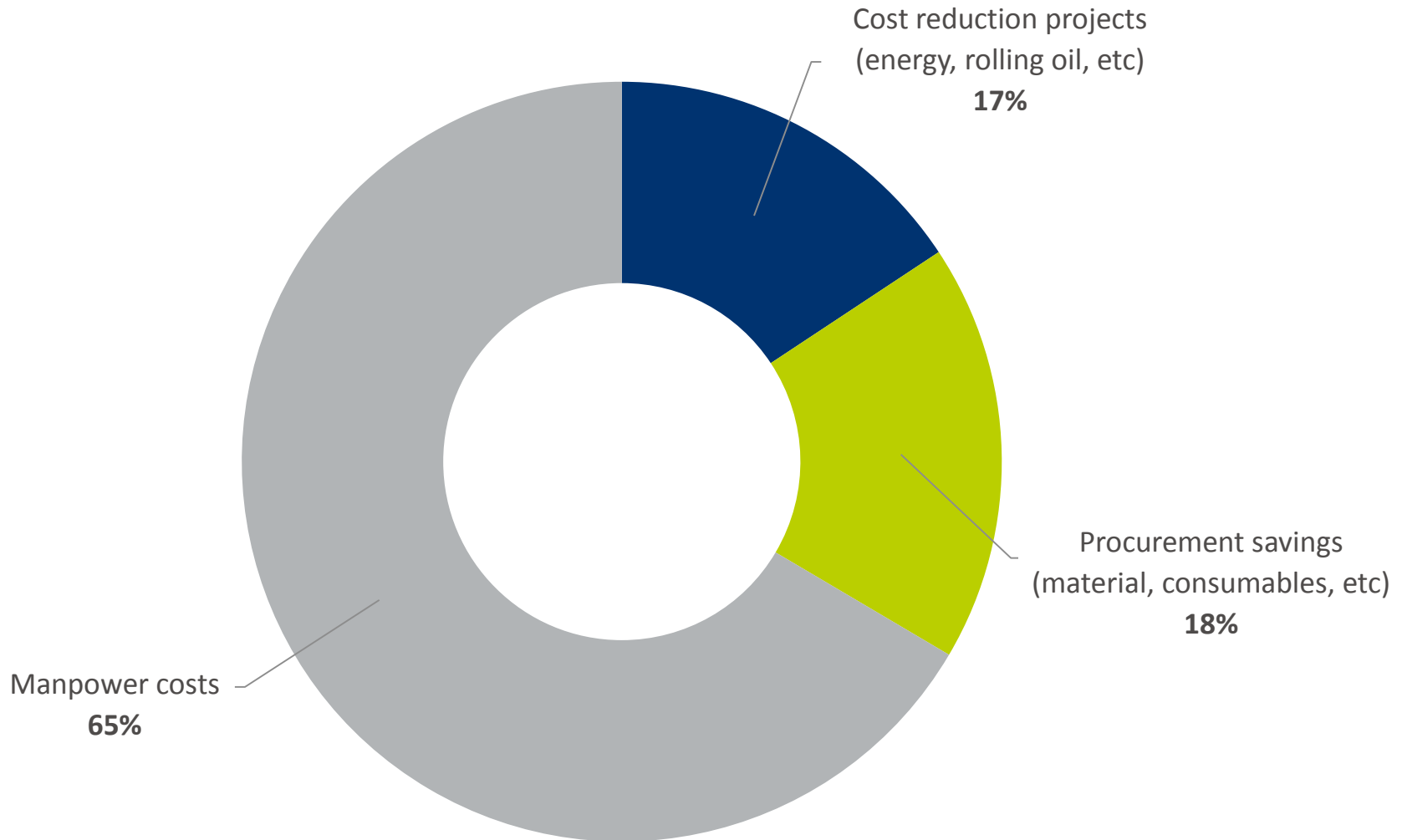
Re-engineering USA distribution channel

- Direct sales to US customers
- HT plate and other standard products re-established
- Two new sales resources appointed in USA

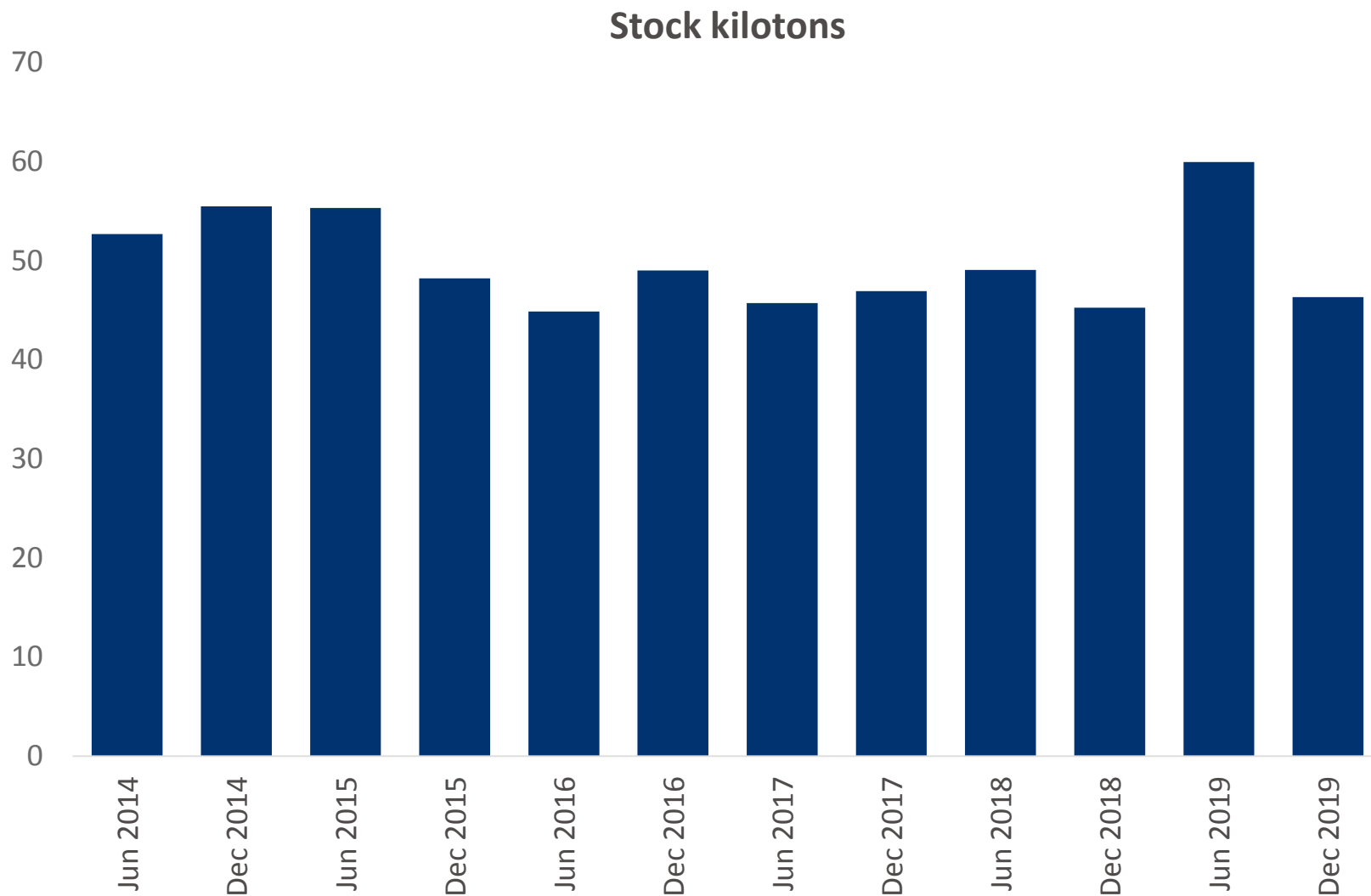
Inventory, working capital reduction

- Rolled products inventory down 14 000 tons (23%)
- Total WC Release R500 million from June to December 2019

2019 ROLLED PRODUCTS COST SAVINGS



HALF YEAR TOTAL RP INVENTORY 2014 TO 2019



2019 Results

- FY losses following manufacturing disruption in Q1 (reduced sales volumes)
- Once-off closure costs
- Rightsizing year following H1 losses

2019 Turnaround actions

- Olifantsfontein plant closure and property sale agreement
- New management team
- Cost reductions R150 million p.a. – in excess of volume reduction
- Throughput productivity (increased volume through fewer assets)

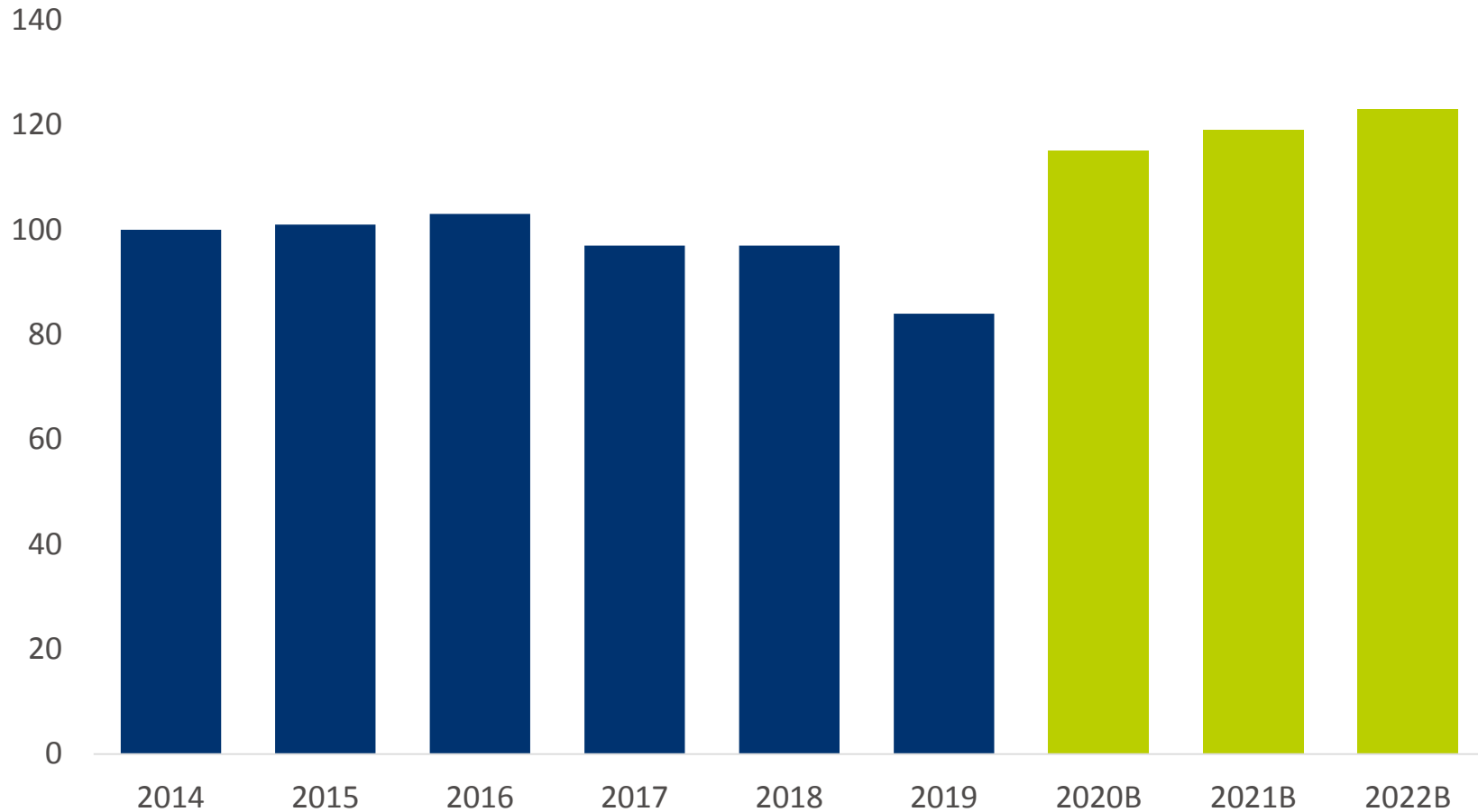
2020 Actions

- Stabilize the business –return to profitability and positive cash flow
- Focus on rebuilding market position – incl. automotive contracts
- Further cost savings and rationalizations

HULAMIN EXTRUSIONS

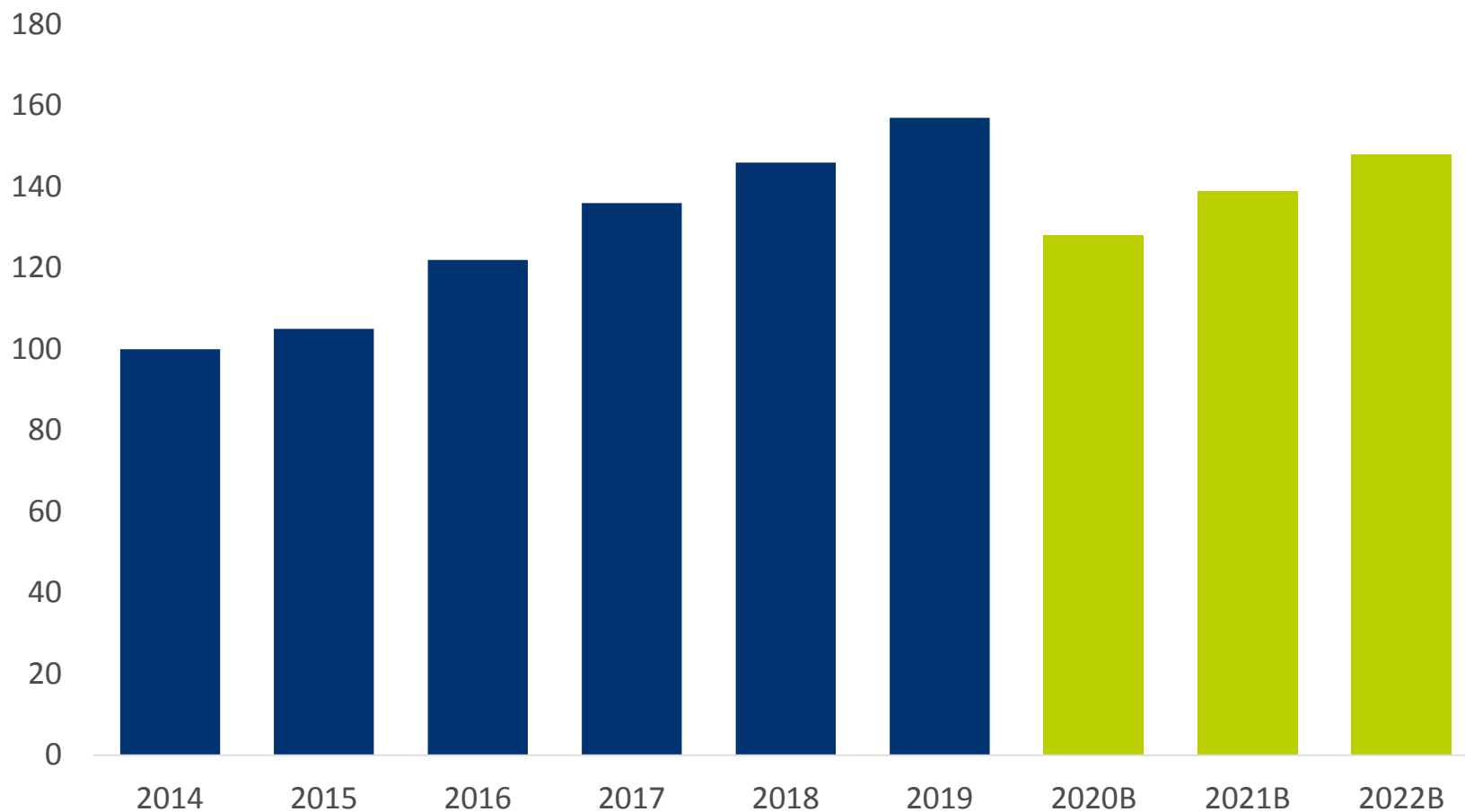
INDEX MANNING PRODUCTIVITY 2014 – 2022

(PER MANPOWER UNIT)



HULAMIN EXTRUSIONS

INDEX MANUFACTURING UNIT COST 2014 - 2022



5

PROSPECTS FOR 2020



USA ANTI-DUMPING ACTIONS

Suit filed by US Aluminium Association

- 23 March 2020
- Against 19 countries importing into USA
- Common alloy products only (excludes can stock and HT plate)

Potential impact on up to 22 000 tons (10% in 2019) on Hualamin

- Typically low margin standard products

Mitigating actions focused on:

- EU and other region sales
- Products not affected by AD / CVD

RETURN TO PROFITABILITY, FOLLOWING 2019 SHOCKS AND COVID-19

Defend USA market

- Fight Anti-Dumping
- Rebuild direct distribution channels
- New channel partner

Risks associated with Hillside Aluminium electricity supply

Local import duty announcement

Local market to remain soft

Packaging (can stock) demand

- Slowly returning to normal (following Covid-19)
- Firm demand growth globally
- Local market to remain subdued