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INTERIM RESULTS

for the six months ended 30 June 2020

www.hulamin.com



AGENDA

01 Opening remarks
+ market update

02 Financial
results

03 Operational
review

04 Ongoing
turnaround actions

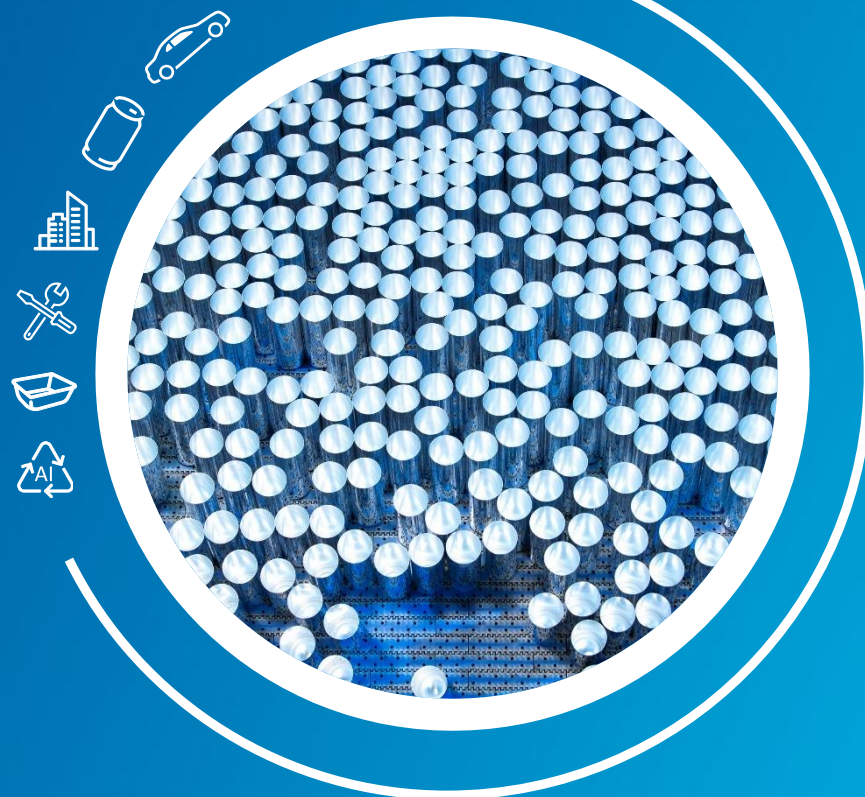
05 Prospects



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OPENING REMARKS + MARKET UPDATE

01



HULAMIN IN H1 2020

Continued focus on protecting the balance sheet

- Net working capital up from 18% to 29%
- Net debt / equity 27%
 - Debt increase R337 million
 - Equity reduction due to 2018/19 impairments, H1 2020 loss
- Control over inventory maintained from December 2019

2019 Turnaround actions continue in H1 2020

- Tight controls over working capital
- Cost reductions
 - R400 million p.a. in 2019
 - Additional cost out in H1 2020
 - In both rolled and extruded products
- Rebuilding US export sales channels ongoing

Excellent safety and health record maintained

- Best in class safety performance – Total Recordable Frequency Rate (TRCFR) 0.19

2020 H1 SALIENT FEATURES

Group sales of 71 000 tons (2019 H1: 109 000 tons)

- 35% lower
- Soft demand and COVID-19 related manufacturing disruptions
 - Both locally and globally

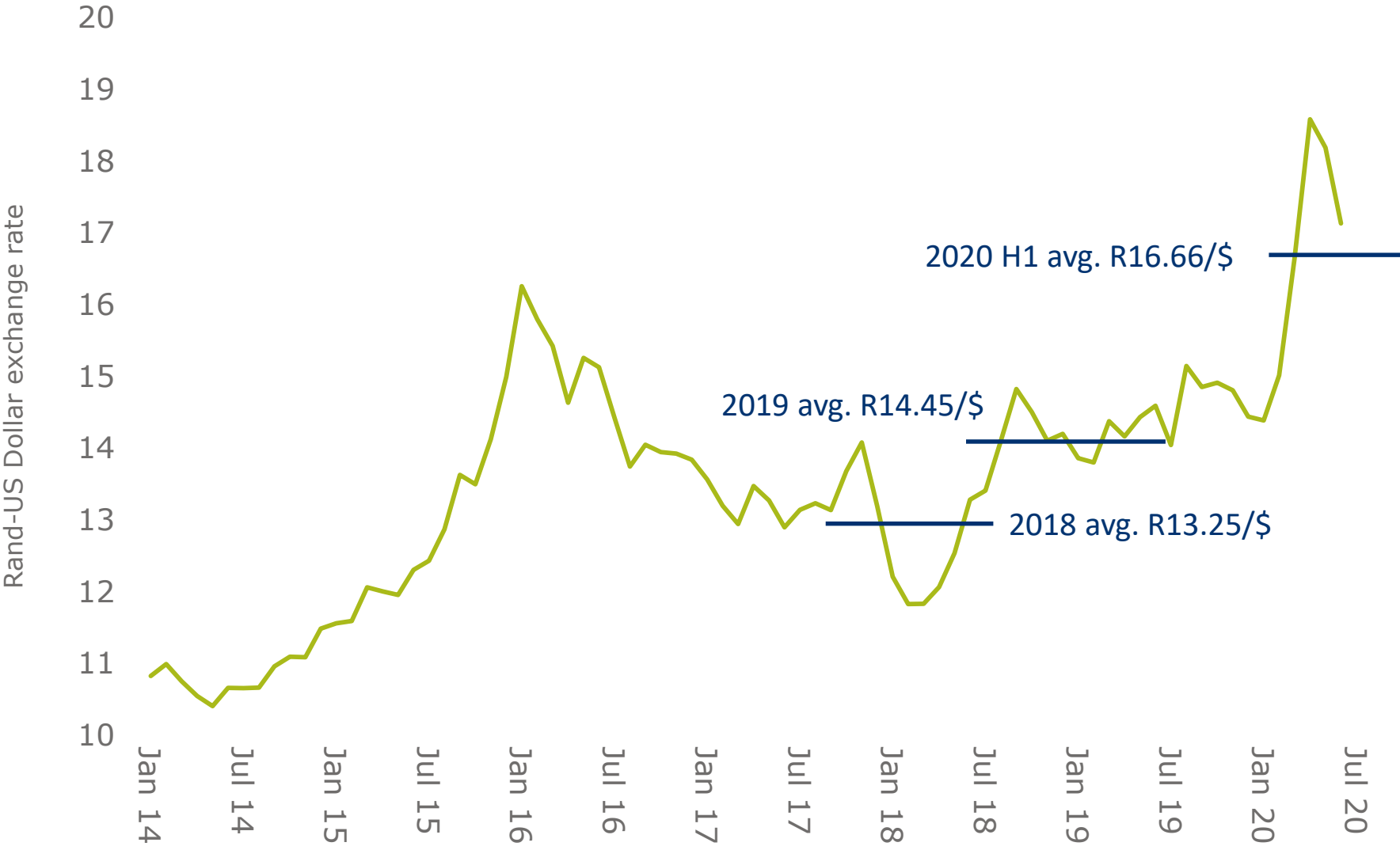
EBIT loss reduced

- 29% reduction from -R167 million to -R119 million

Turnaround actions largely complete

- Cost reductions c. R500 million p.a. compared to H1 2019 (includes one-offs)
- Olifantsfontein plant consolidation into PMB complete
 - Property sale expected H2 2020
- Rolled Products inventory under control at 50 ktons

RAND VS. US DOLLAR 2014 TO 2019



MARKET OVERVIEW

LME aluminium price changed course – sharp weakening from end 2019

- LME average in H1 2020 US\$1 595/t (2019 H1: US\$1 754 /t)
 - Global impact of COVID-19 on commodities

Global flat rolled products (FRPs) demand softening sharply in 2020

- Economic decline across the globe (COVID-19)
- Additional protectionism emerging (ME and Europe) against China

Tightness continues in global beverage can markets

- Plastic (single use) packaging raising environmental concerns
- Strong forecast for H2 and 2021
- Hualamin supplying new products and customers

Automotive demand for aluminium softens sharply in line with COVID-19 slow-down

- EV market demand for aluminium sheet growing
- Hualamin market development actions showing promise

Local economy remains soft



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FINANCIAL RESULTS

02



SALIENT POINTS

Sales volumes down by 35%

- Operational impact due to domestic lockdown
- Demand constrained particularly in the domestic market (down 50%)
- Automotive, distributor and local can stock particularly impacted
- Export can stock and heat-treated plate resilient

Normalised EBITDA of -R96 million (H1 2019: R92 million)

- Sales volume reduction
- Excess hedged positions (27cps)
- Rolled Products underlying trading profitable, before excess hedges
– impact of FY2019 / 20 cost reductions

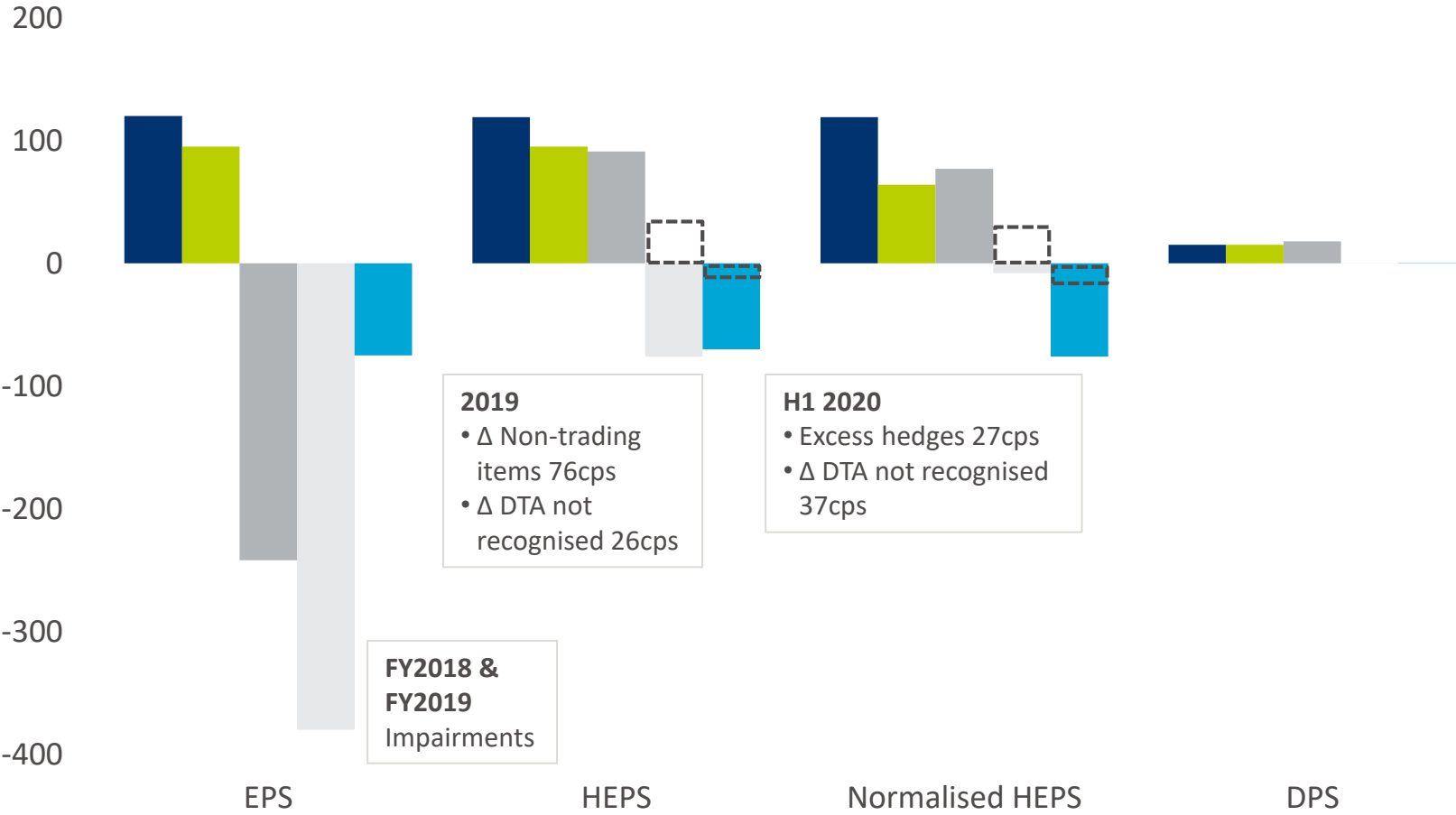
Loss per share of 75 cents up by 53%

- R0.1 billion deferred tax asset reversal / non-recognition (37cps)
- Impacted by softer market outlook in the 24-month horizon

Balance sheet under pressure but managed

- Net debt to equity up to 27%, impacted by impairments/losses
- D/E covenant 50%
- Liquidity headroom impacted, but managed

EARNINGS PERFORMANCE



■ 2016 ■ 2017 ■ 2018 ■ 2019 ■ H1 2020

SALIENT FEATURES

		H1 2020	H1 2019 Restated	% Change
KEY PARAMETERS AND ACTIVITIES				
Average LME	US\$	1 595	1 754	9 ▼
Average exchange rate	R/US\$	16.66	14.20	17 ▲
Group sales volume	Tons	71 000	109 000	35 ▼
Rolled Products sales volume	Tons	67 000	102 000	34 ▼
Revenue	R billion	3 674	5 247	30 ▼
PROFITABILITY				
EBIT	R million	(119)	(167)	29 ▲
Normalised ¹ EBIT	R million	(126)	27	>100 ▼
Normalised ¹ EBITDA	R million	(96)	92	>100 ▼
EPS	Cps	(75)	(49)	53 ▼
HEPS	Cps	(70)	(46)	52 ▼
Normalised ¹ HEPS	Cps	(76)	4	>100 ▼

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

SALIENT FEATURES (CONTINUED)

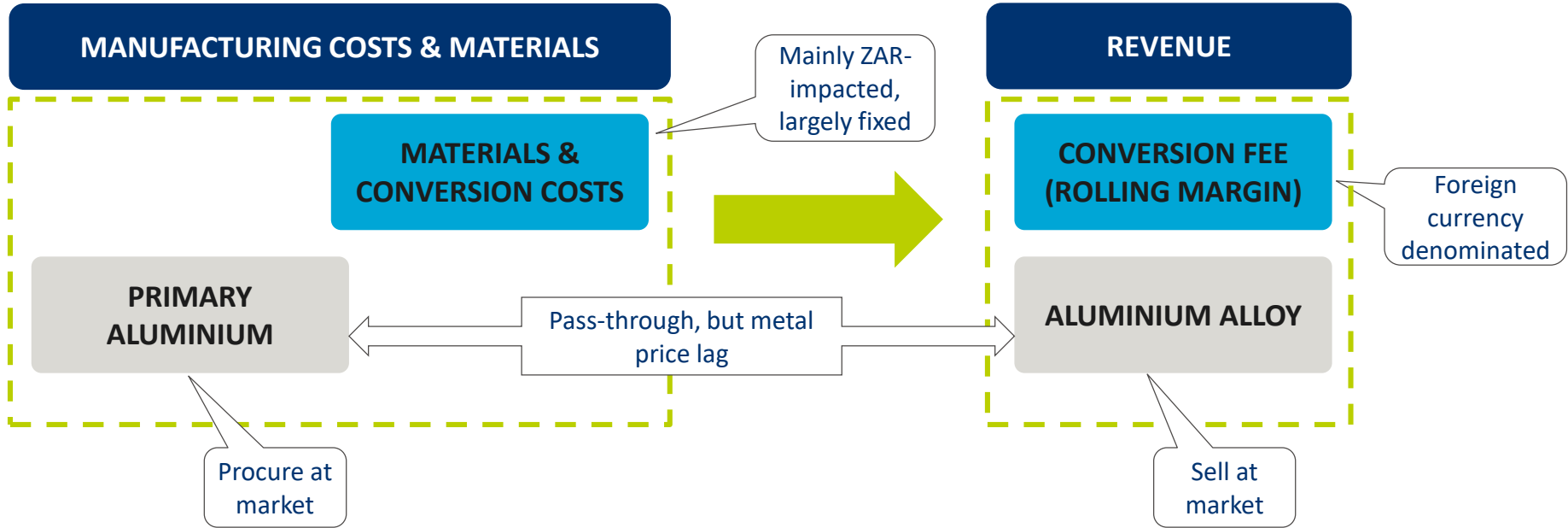
		H1 2020	H1 2019 Restated	% Change
FINANCIAL, CASH FLOW AND BORROWINGS				
Capital expenditure	R million	92	136	32 ▲
Net working capital as % of revenue	%	29	23	6 ▼
Free cash flow (cash flow before financing activities)	R million	(302)	(168)	80 ▼
Closing net debt	R million	609	596	2 ▼
Debt equity ratio	%	27	16	11 ▼

SEGMENT PERFORMANCE

	H1 2020			H1 2019 Restated		
	Rolled Products Rm	Extrusions Rm	Group Rm	Rolled Products Rm	Extrusions Rm	Group Rm
EBITDA*	(57)	(24)	(81)	(21)	(68)	(89)
Adjustments:						
Restructuring costs	-	-	-	-	38	38
Isizinda – loss of control / settlement of equity option	11	-	11	65	-	65
IAS 39 – hedge accounting	-	-	-	25	-	25
Metal price lag	(26)	-	(26)	53	-	53
Normalised EBITDA*	(72)	(24)	(96)	122	(30)	92
Excess hedged positions	(114)					

* Before impairment charge

FUNDAMENTALS OF FINANCIAL PERFORMANCE



Hulamin has a large currency exposure

- The Rand/USD and EUR exchange rate is Hulamin’s “gold price”
- Conversion fees in foreign currency, conversion costs mainly ZAR-based

Volume-sensitive

- Large fixed-cost business

Aluminium is a pass-through

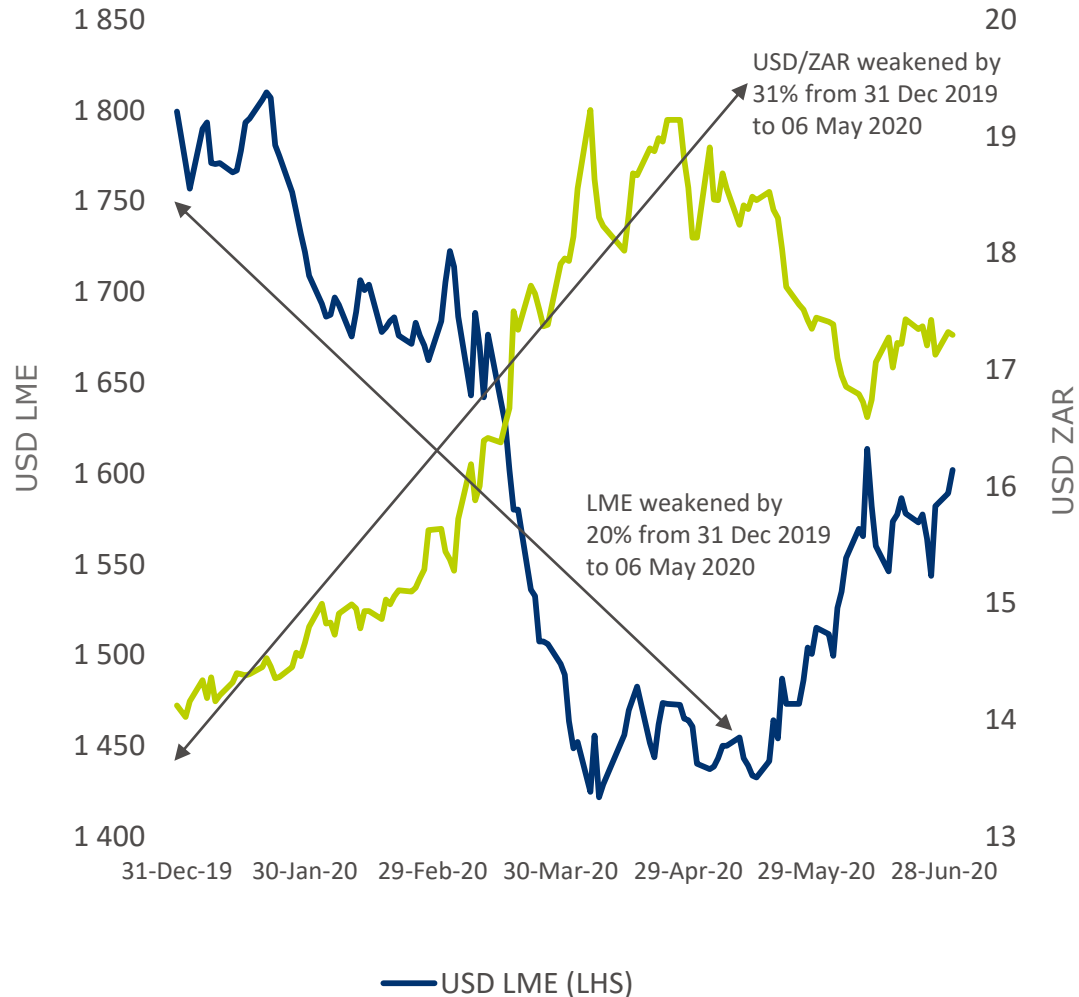
- Creates “noise” in P&L / cash flows
- 50% hedge of metal price lag in place

H1 2020

- Sharp currency weakening ▲
- Excess invoice margin hedges ▼
- 35% reduction in volumes ▼
- But lower cost base ▲
- Sharp changes in currency & LME
- Excess metal hedges ▼

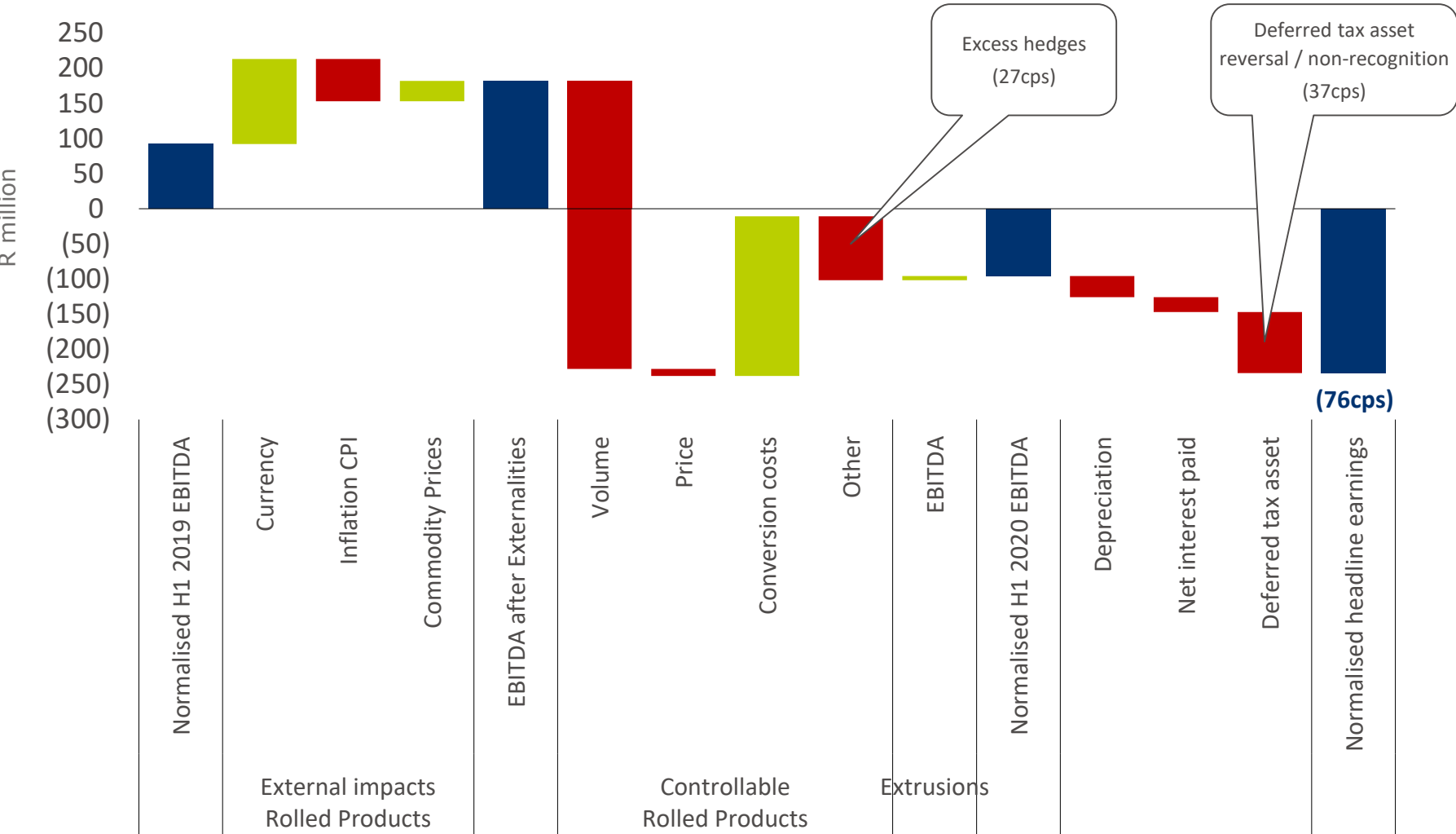
EXCESS HEDGED POSITIONS

Sharp fall off in underlying sales volumes relative to hedging levels, combined with rapid weakening of USD/ZAR and LME, resulting in R114m loss



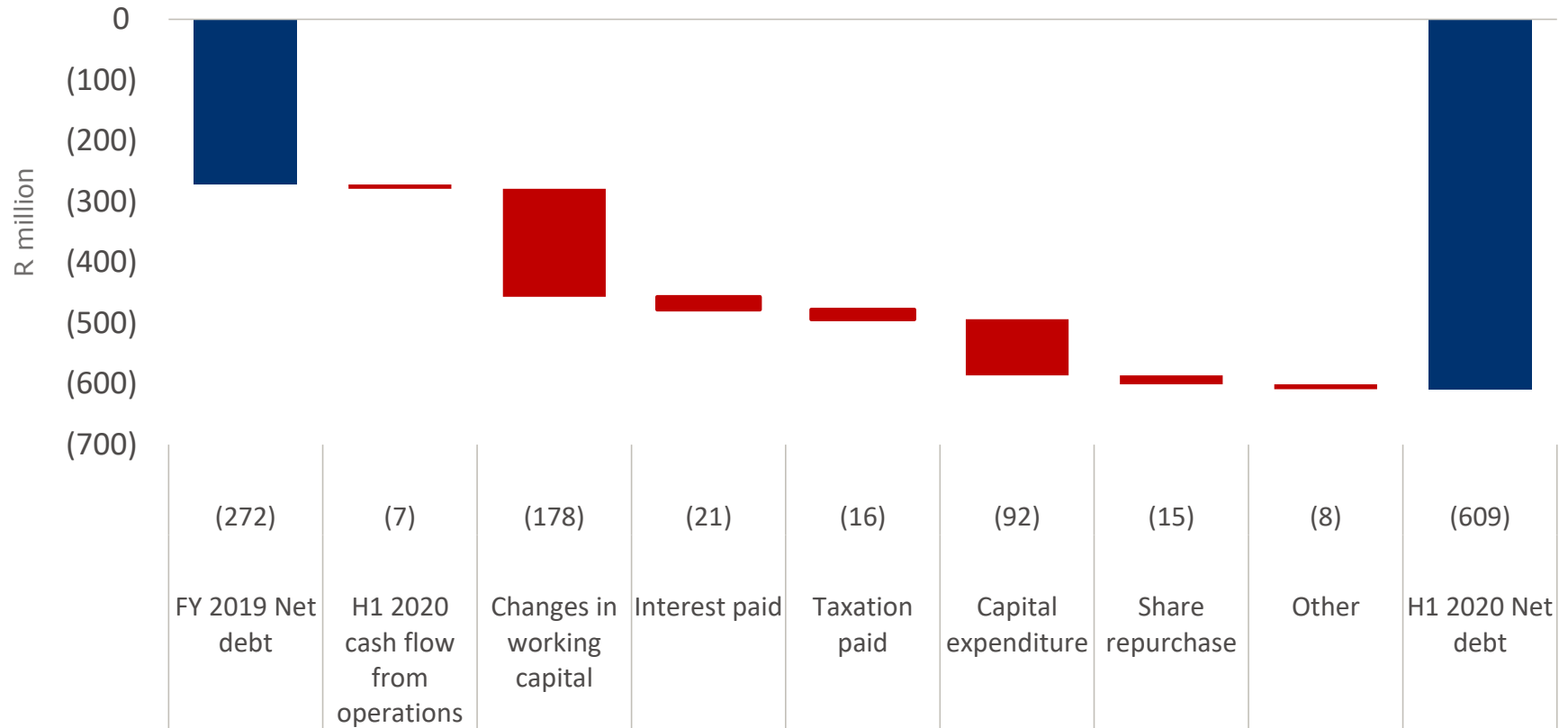
NORMALISED EBITDA / EARNINGS

H1 2020 versus H1 2019 severely impacted by lower sales volumes, hedge losses
 Earnings further impacted by deferred tax asset reversal/non-recognition



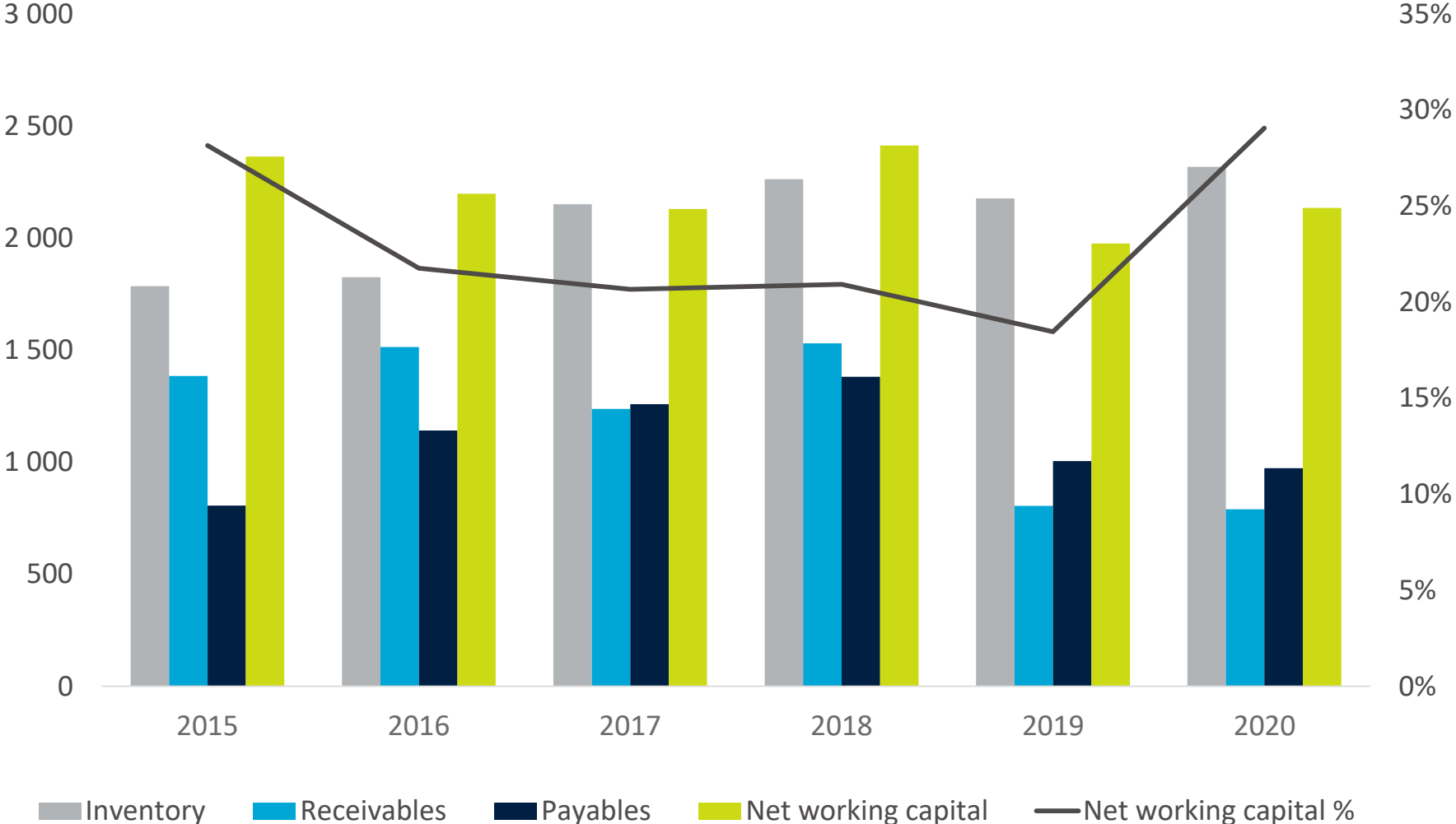
H1 2020 NET DEBT

Free cash flow impacted by build of working capital



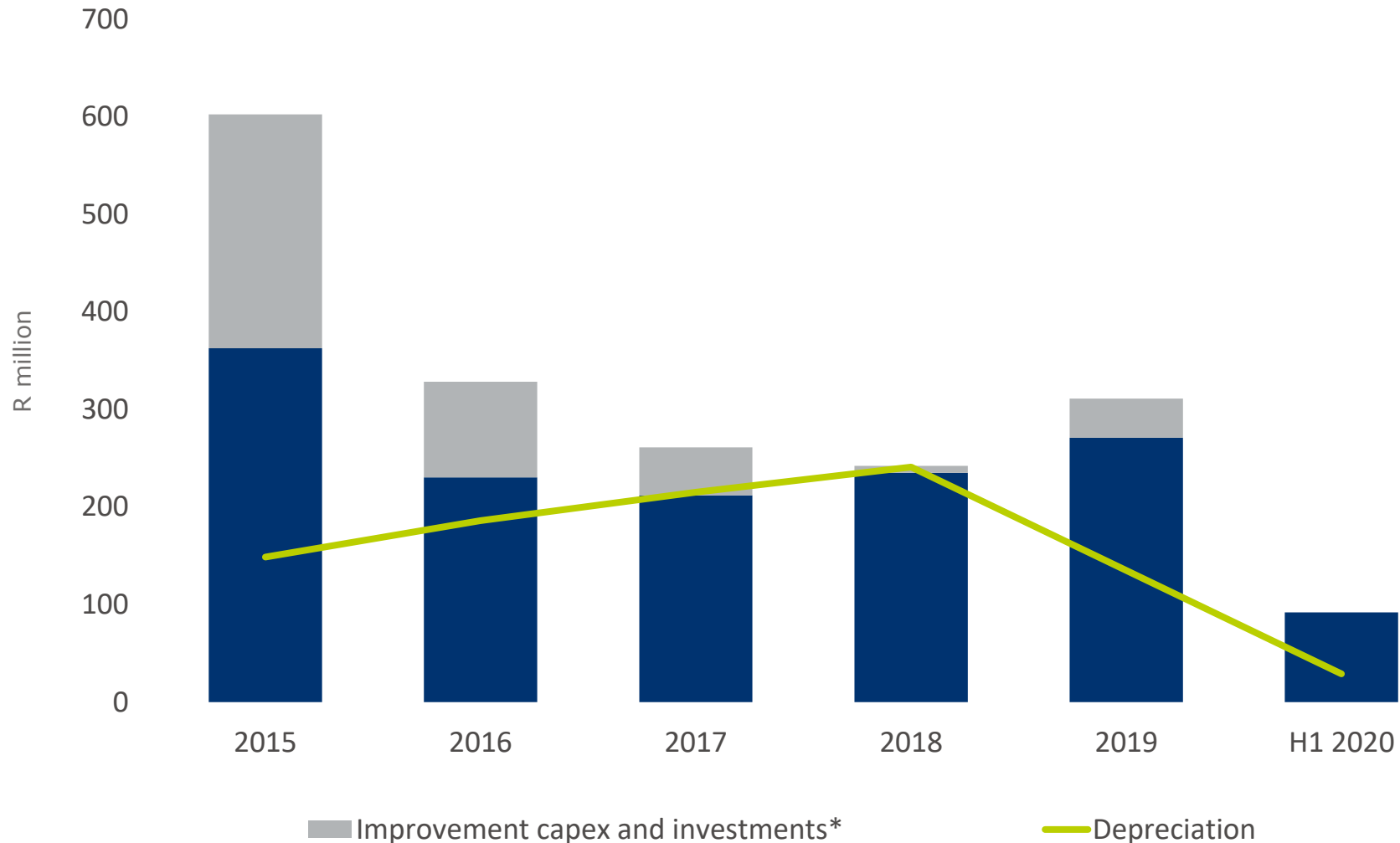
NET WORKING CAPITAL PERFORMANCE

Inventory efficiencies impacted by sharp fall off in sales, skew to export mix, US common alloy distribution channel changes



CAPITAL EXPENDITURE

Capex managed carefully in H1 2020 to ensure sufficient liquidity headroom
Investment in 2019 in integrated maintenance shut planned for 2020

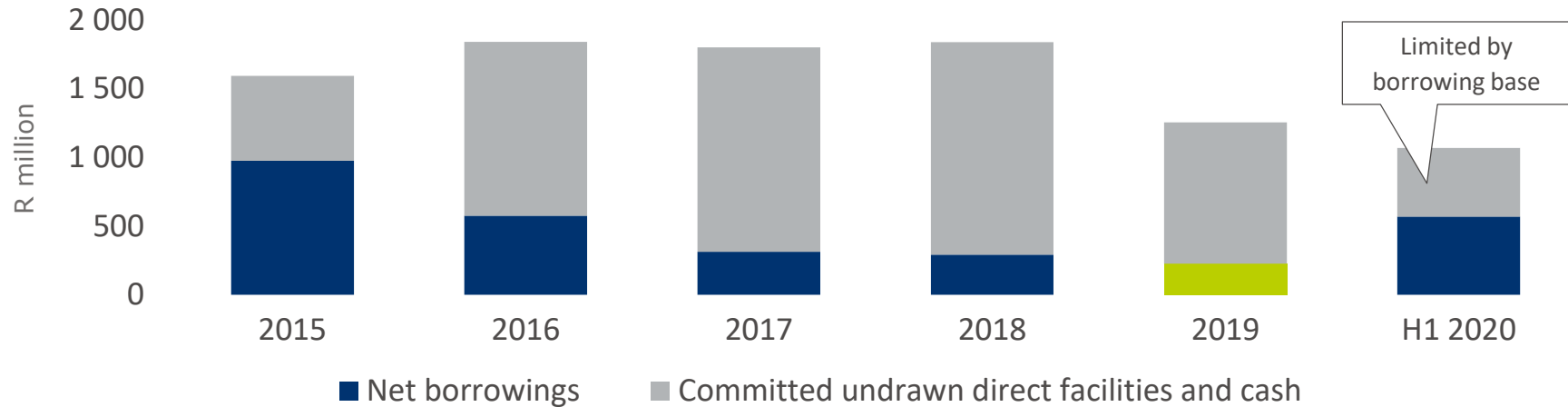


* Excludes capitalised borrowing costs

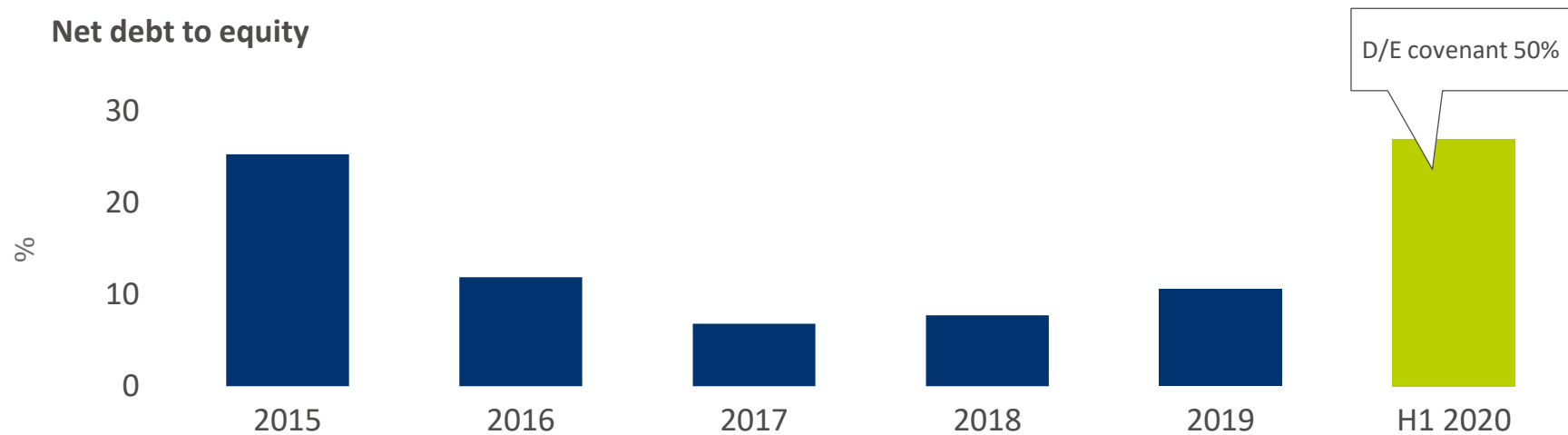
LIQUIDITY AND CAPITAL STRUCTURE

Liquidity impacted by higher borrowings / lower borrowing base D/E impacted by impairments in 2018/2019 and losses in H1 2020

Net borrowings and headroom



Net debt to equity





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OPERATIONAL REVIEW

03

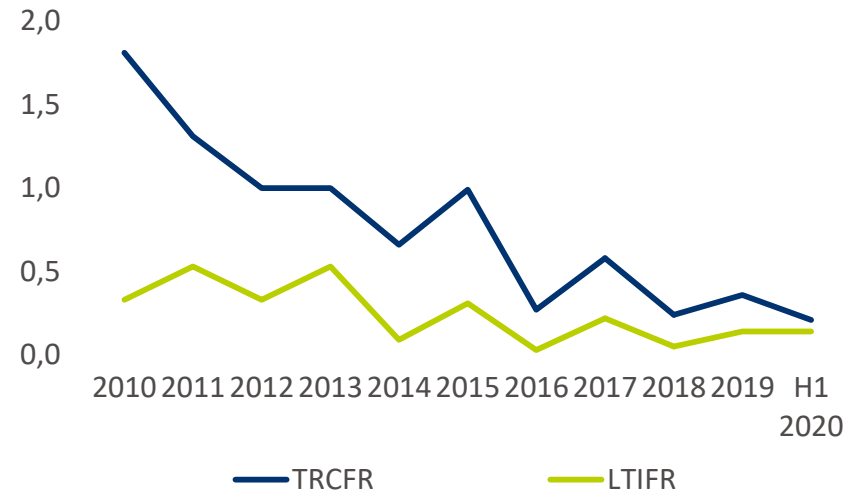


ROLLED PRODUCTS – KEY FEATURES

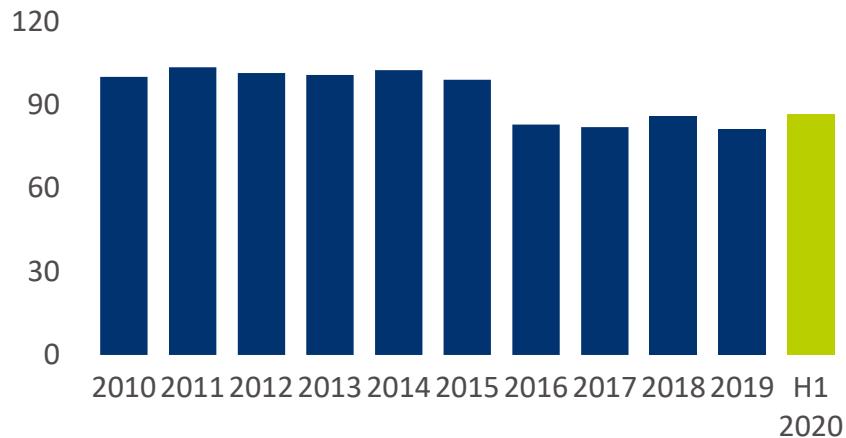
Rolled Products ann. sales volumes (Tons (000's))



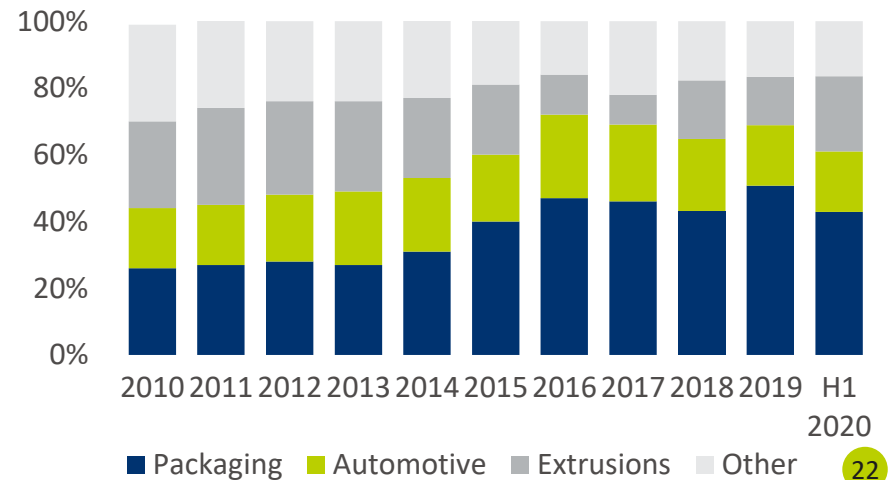
Safety performance



US\$ margin index

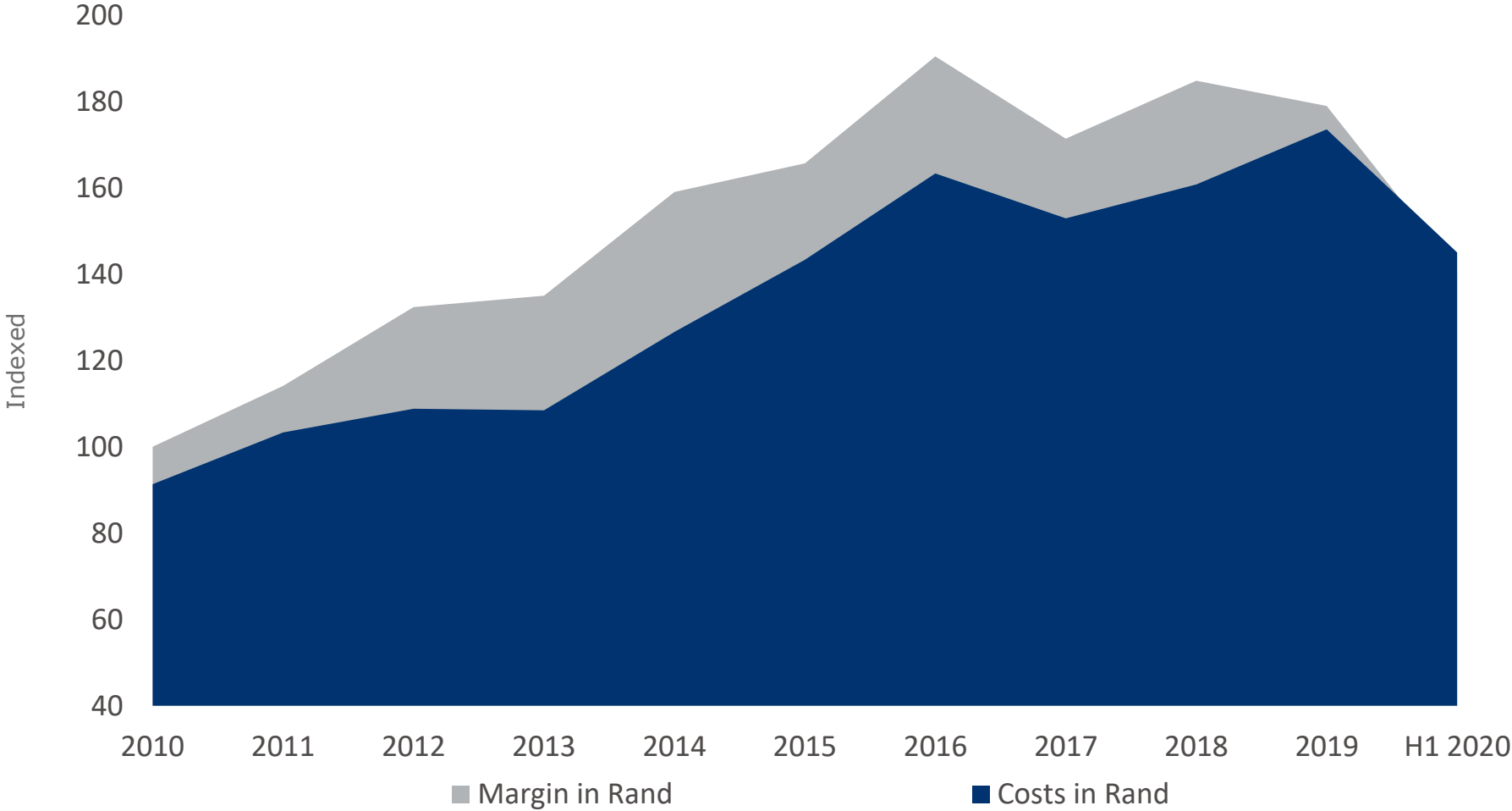


Group local sales mix (%)



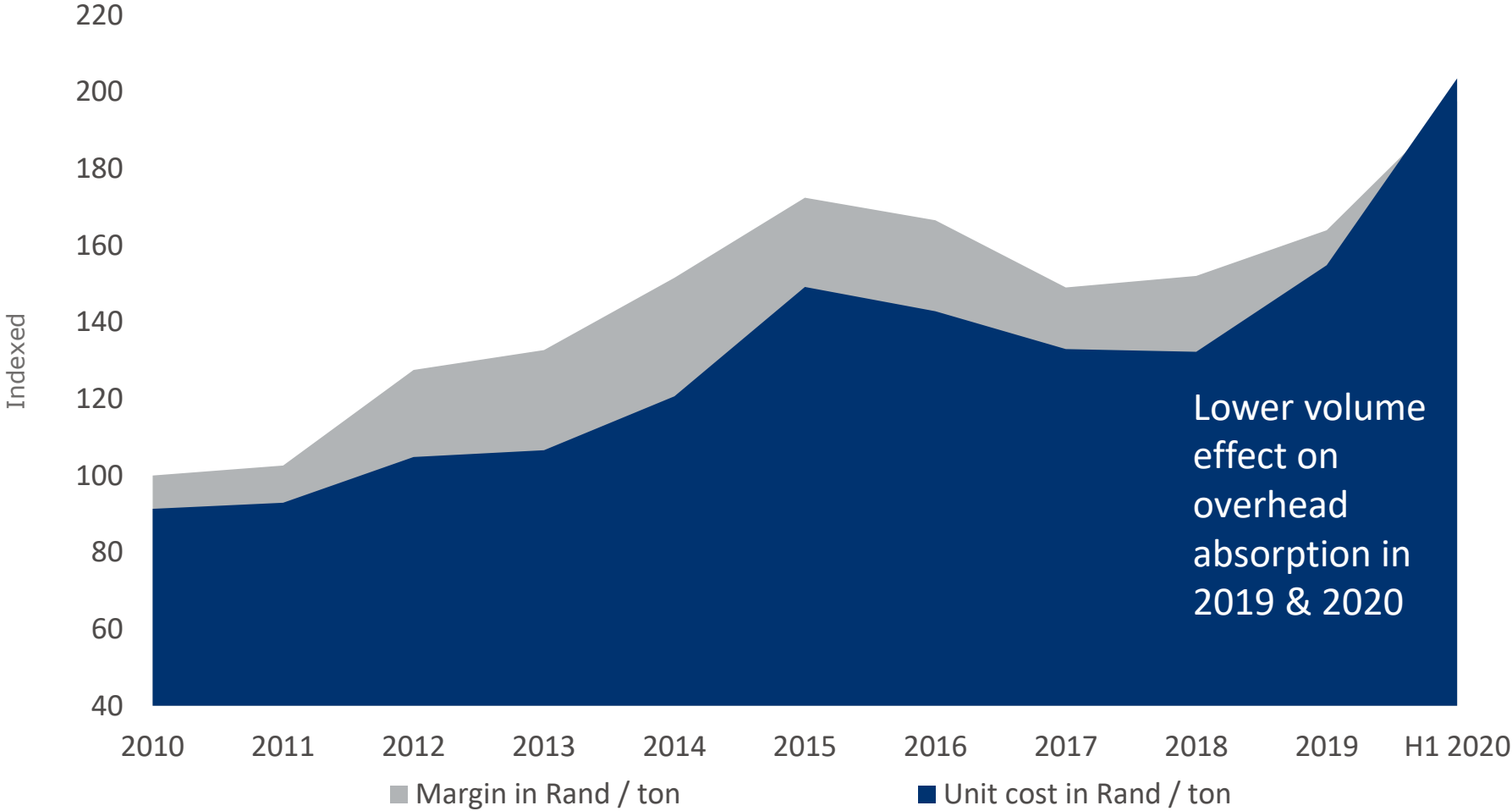
ROLLED PRODUCTS OPERATING MARGIN

(ANNUALISED COSTS IN RAND)



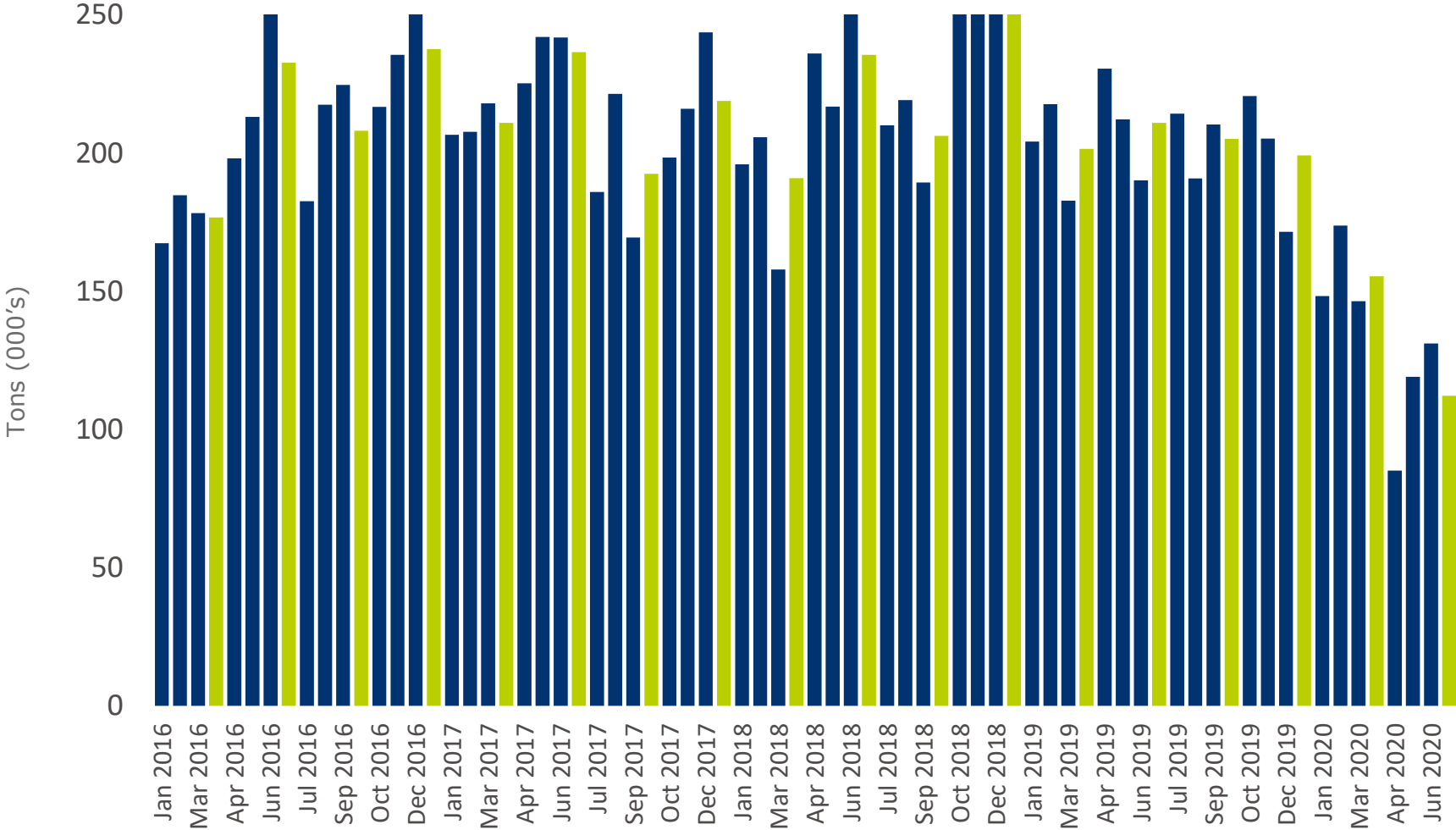
ROLLED PRODUCTS OPERATING MARGIN

(UNIT COST IN RAND)

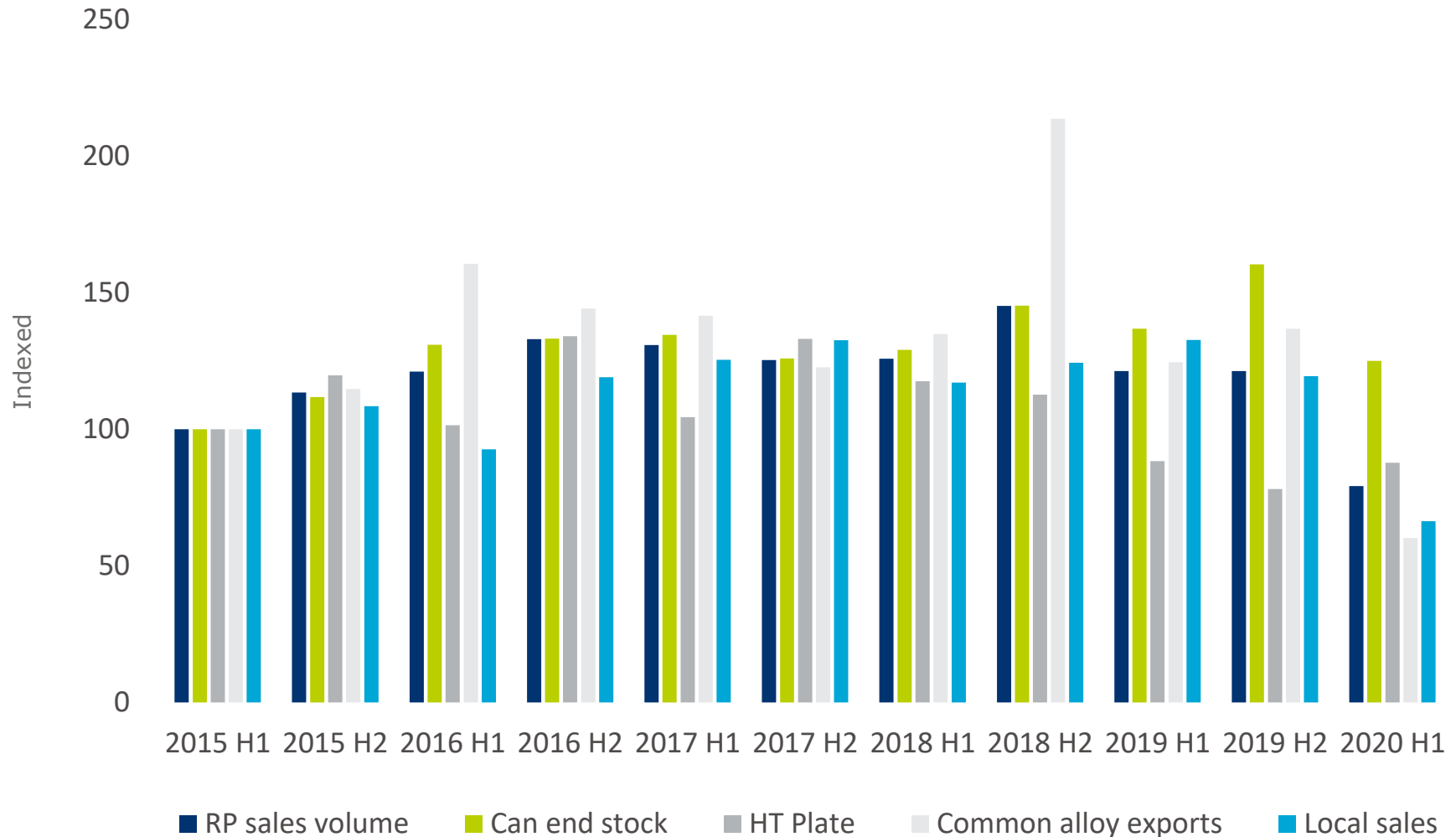


ROLLED PRODUCTS SALES

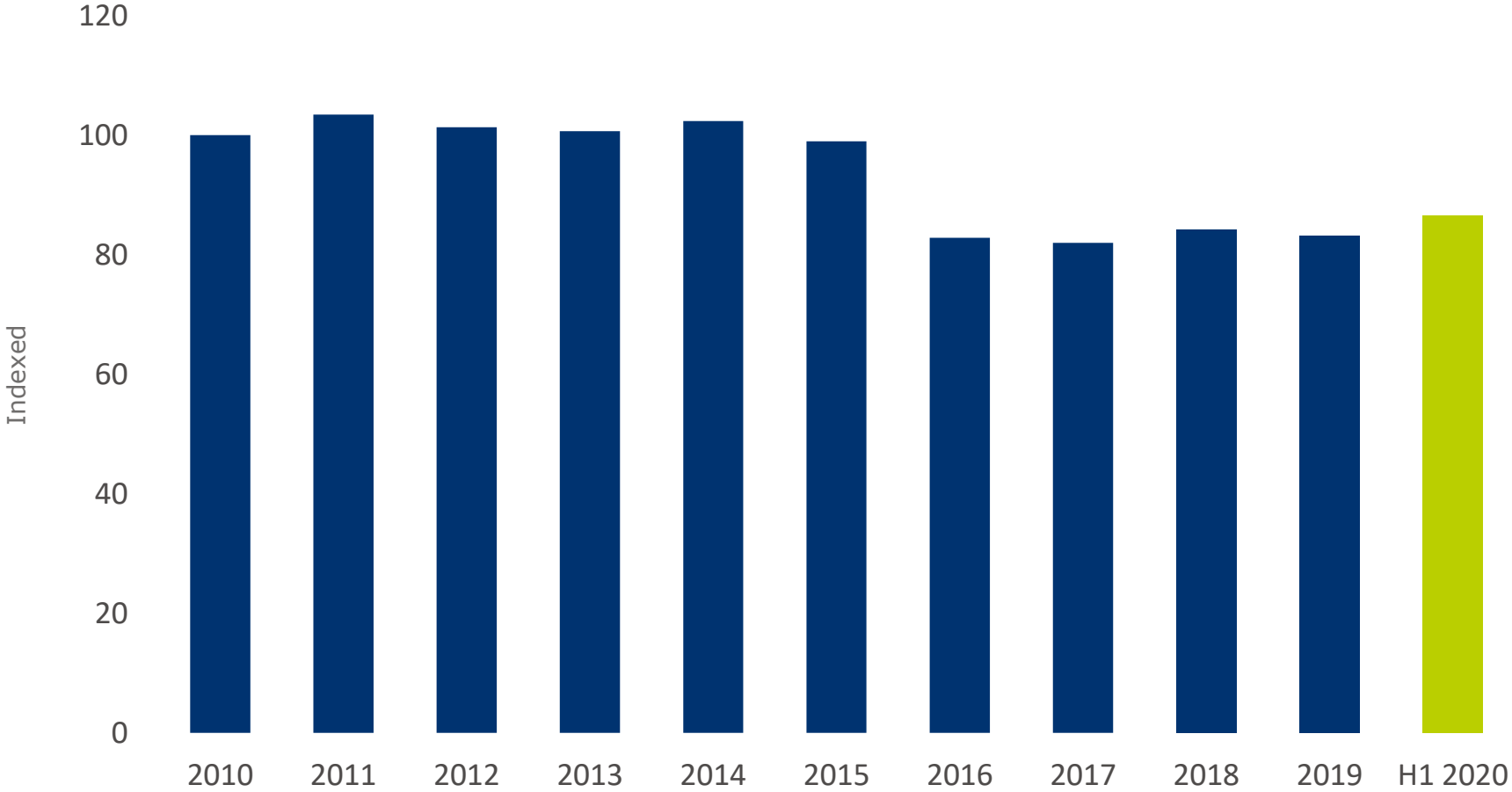
(ANNUALISED)



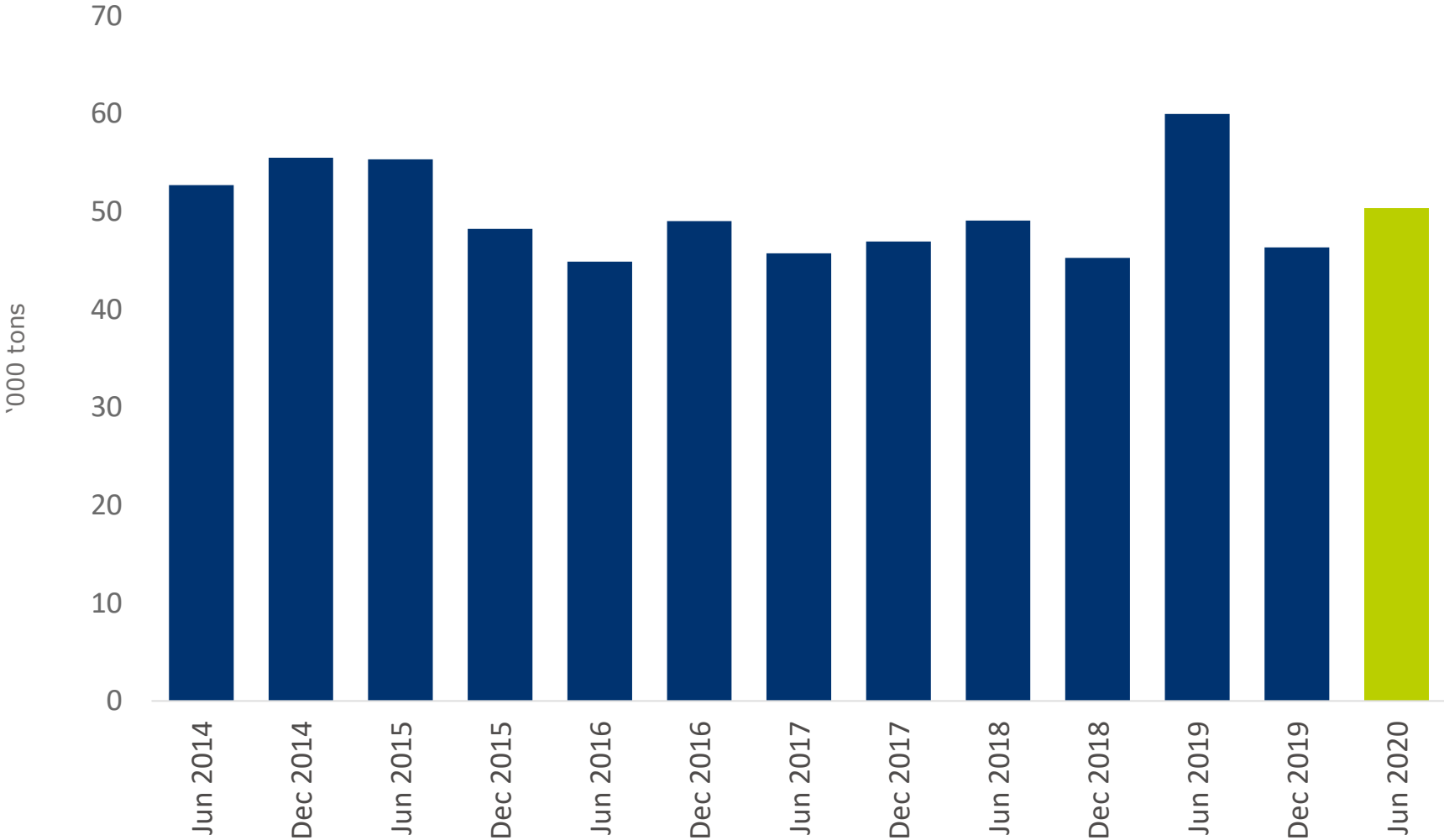
ROLLED PRODUCTS HALF-ON-HALF SALES AND PRODUCT MIX



ROLLING MARGIN IN US DOLLARS INDEX



ROLLED PRODUCTS INVENTORY



STRONG EXPORT CAN STOCK DEMAND AS OTHER MARKETS TIGHTEN

End stock demand firming

- Limited by production capacity
- Opportunity for increased sales in future
- Hualamin to optimise can stock sales

Weak SA demand

- SA beer sales curtailed twice – major impact on demand for cans
- Foil sales an exception
- Local economy struggling (GDP Q-on-Q down >50%)

Local extrusion demand firming

- Lead times moving out

2020 H1 Results

- H1 losses following COVID-19 disruption in Q2 (reduced sales volumes)
- Olifantsfontein site and closure costs flow through from 2019
- Rightsizing almost complete

2019 Turnaround actions continue

- Olifantsfontein plant closure complete
- Property sale imminent
- Cost reductions R150 million p.a. realized
- Throughput productivity improvement delivered

2020 Actions ongoing

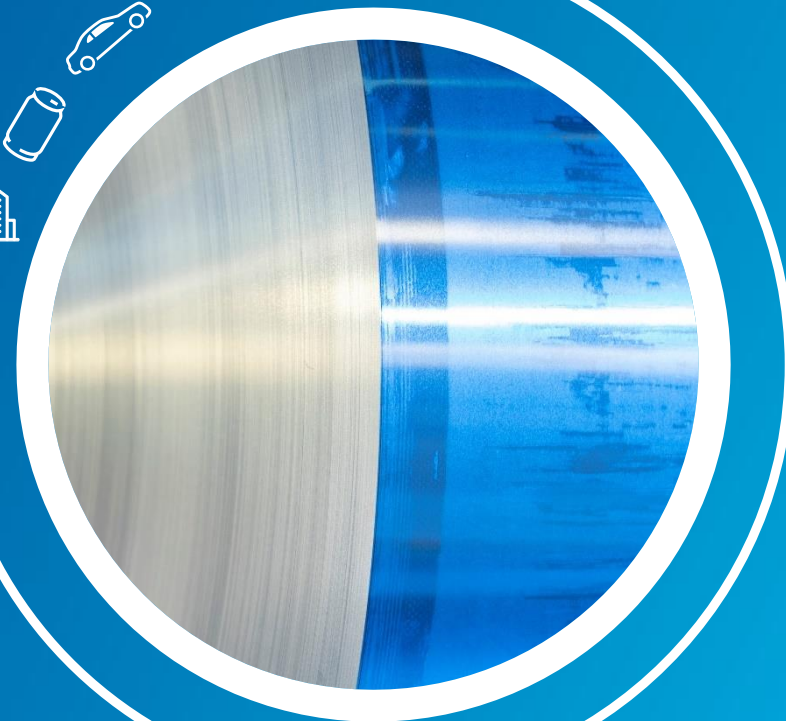
- Stabilising the business – return to profitability
- Continued focus on automotive and transport market development
- Further cost savings and rationalisations ongoing



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ONGOING TURNAROUND ACTIONS

04



TURNAROUND ACTIONS IN 2019 AND 2020

Cost reductions

- Olifantsfontein site closed; property sale agreed
- Total > R500m p.a. versus H1 2019
 - Incl. Rolled and Extruded products
 - Costs sustainably reduced by R400 million p.a. in 2019
 - 2019 Savings realized in H1 2020 plus other – total >R500m

Rebuilding volumes - Re-engineering USA distribution channel

- Direct sales to US customers ongoing and growing
- Additional HT plate and standard products resources
- Supply chain finance and logistics innovation in progress

Inventory, working capital reduction

- Rolled products inventory under control at 50 ktons
- Total WC under tight control, increasing as activity increases

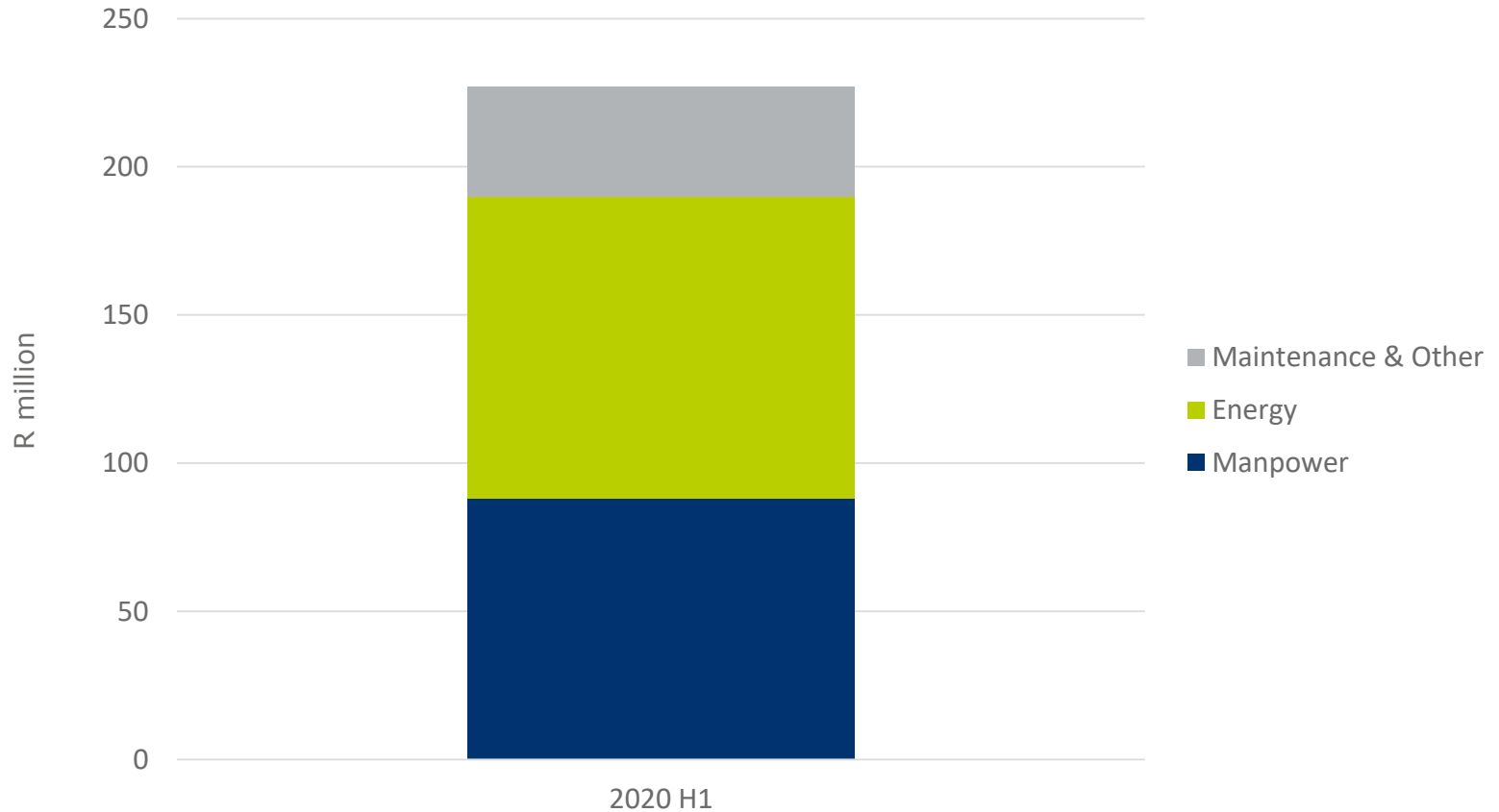
ROLLED PRODUCTS COSTS – HALF-YEAR 2019 VS 2020



COST REDUCTIONS IN 2019 AND 2020

MAJOR CATEGORIES

Category	2019 savings	2020 YTD
Headcount reduction (number of permanent employees)	320	45



USA ANTI-DUMPING ACTIONS

Suit filed by US Aluminium Association

- 23 March 2020
- Against 19 countries importing into USA (36 rolling mills)
- Common alloy products only (excludes can stock and HT plate)

Current developments

- Data and questionnaire submissions
- Detailed analysis by DoC ongoing
- Preliminary findings delayed from 16 August to 6 October 2020

Mitigating actions ongoing

- EU and other region sales
- Products not affected by AD / CVD
 - Beverage can stock
 - HT Plate

RETURN TO FULL VOLUME / CAPACITY WITH A MORE PROFITABLE MIX OF SALES AT LOWER COST

Optimize order intake

- Capitalize on product (auto) and market improvements
- Rebuild direct distribution channels progressing
- Local market gradually returning, risks remain

Manufacturing stability

- Returning to normal (as COVID-19 cases decline)
- Second wave of COVID-19 pandemic?
- Ongoing Planned Maintenance
 - Split between 2020 and 2021

Focus on EBITDA delivery

Uncertainties remain

- Hillside primary aluminium supply
- US Anti-dumping case
- Local economic conditions, beverage can demand