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AUDITED RESULTS

for the year ended 31 December 2020

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AGENDA

01

Opening remarks
+ market update

02

Financial
results 2020

03

Operational
review

04

Strategy
update

05

Prospects
for 2021

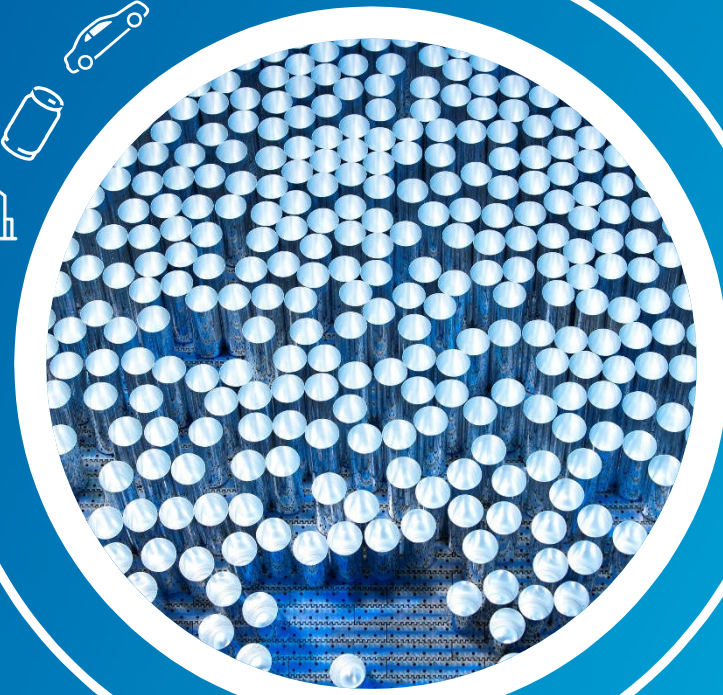


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OPENING REMARKS + MARKET UPDATE

01



HULAMIN IN 2020

Resilience in working through COVID-19 challenges

- Manufacturing disruptions during lockdown from March
- 49% decline in local Canstock sales – from alcohol ban during lockdown
- Hualamin Extrusions (local) sales down 25% – non-essential operation

Losses due to soft volumes/fixed cost base

Volume performance improving from Q2

- Rebuilding US export sales channels – positive Anti-Dumping (AD) outcome
- Rolled Products and Extrusions

Ongoing cost controls

- Manpower
- Energy
- Structural costs

Excellent safety record maintained – Total Recordable Frequency Rate (TRCFR) 0.35

Local import duty on aluminium rolled products (15%) announced in December

SALIENT FEATURES OF 2020

Group sales 24% lower

- 2020 sales: 166 000 tons (2019 sales: 219 000 tons)
- COVID-19 and lockdown impacts on local and export sales
- COVID-19 and lockdown impacts on manufacturing operations
- Hualamin Extrusions volume rationalisation

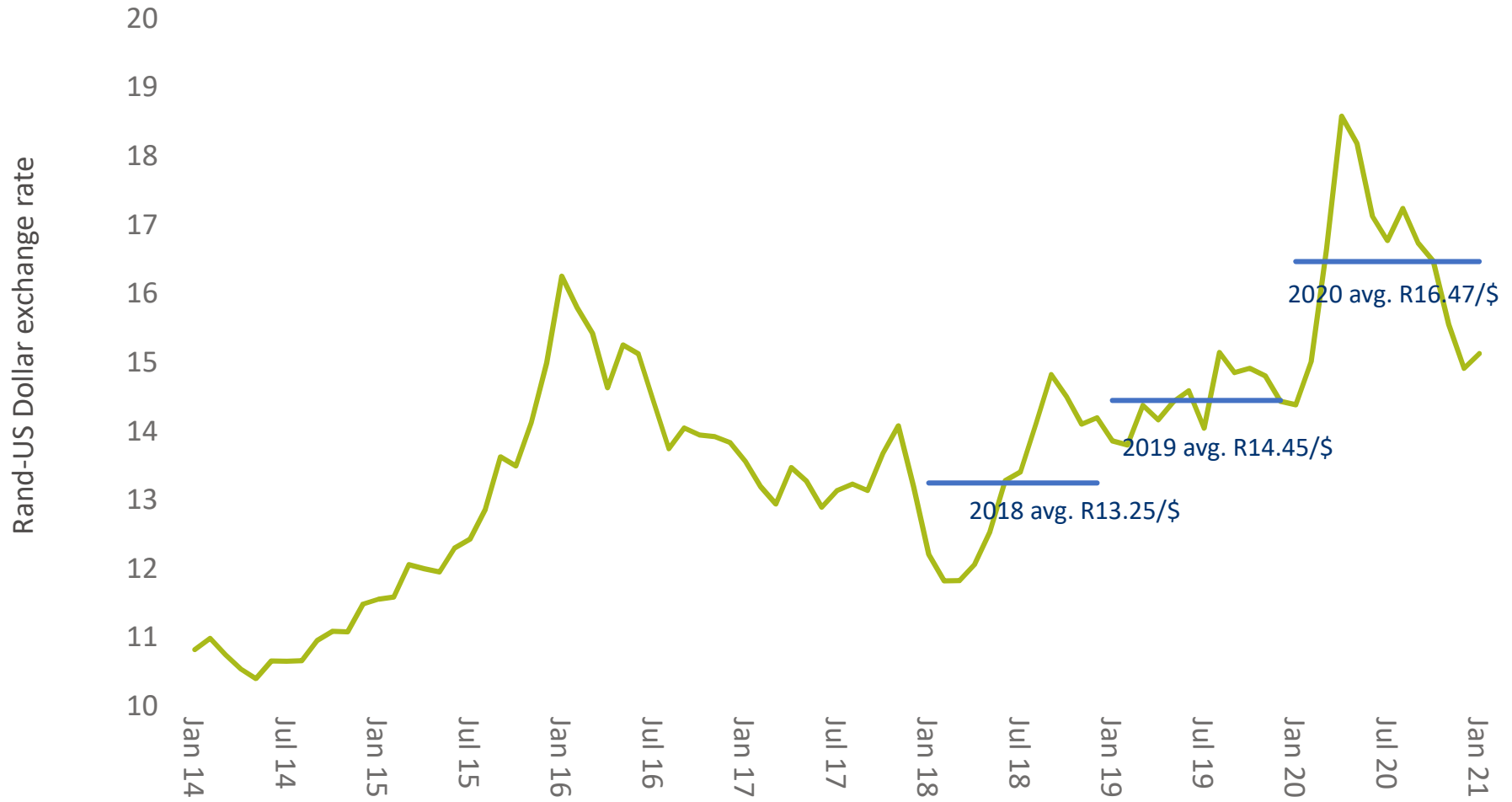
Working capital and cash management

- Inventory level steady (up 3% Y-O-Y)
- Sharp 18% rise in Rand aluminium price
- Customer supply chain finance withdrawals
- Net working capital R341 million higher in 2020
- Capital expenditure reduced by 55% to R140 million

Trading conditions

- Full order books in both Hualamin Rolled Products and Hualamin Extrusions
 - USA Anti-dumping action satisfactorily resolved
 - Local duties awarded at 15% on rolled products
 - Strong beverage can stock demand in all markets
-

RAND VS. US DOLLAR 2014 TO 2020



MARKET OVERVIEW

COVID-19 Impact on global markets

- LME average in 2020 \$1704/ton (2019: \$1792/ton)
 - Sharp fall in Q1, then steady rise to end 2020 at \$2018/ton
 - SHFE (Chinese aluminium price rising above LME over 2020)
 - Broad-based softness – except can stock

USA and EU demand 2020

- Sharp falls in GDP, then recovering
- Protectionism in USA and EU – RSA less impacted

Local demand

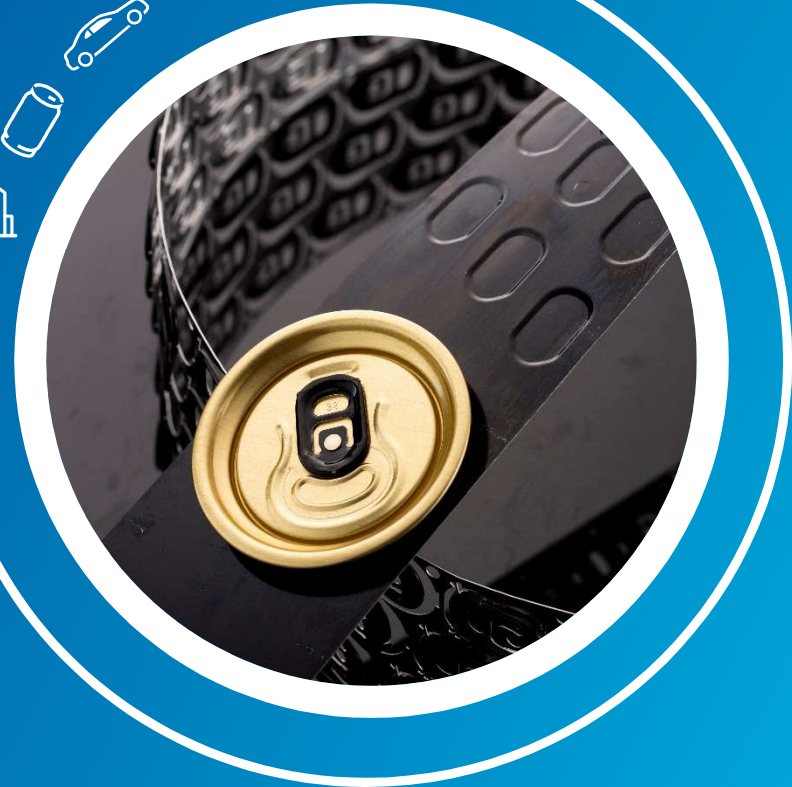
- COVID-19 (lockdown) impact on beverage cans
- Demand returning as lockdown restrictions ease
- Other sectors in recession
- RP Import duty announced in December 2020 – expected to drive demand



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FINANCIAL RESULTS 2020

02



SALIENT POINTS

Sales volumes down by 24%

- Operational impact due to domestic lockdown
- Demand constrained, particularly locally (down 36%)
- Automotive, distributor and local can stock particularly
- Export can stock and heat-treated plate more resilient

Normalised EBITDA loss of R89 million

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

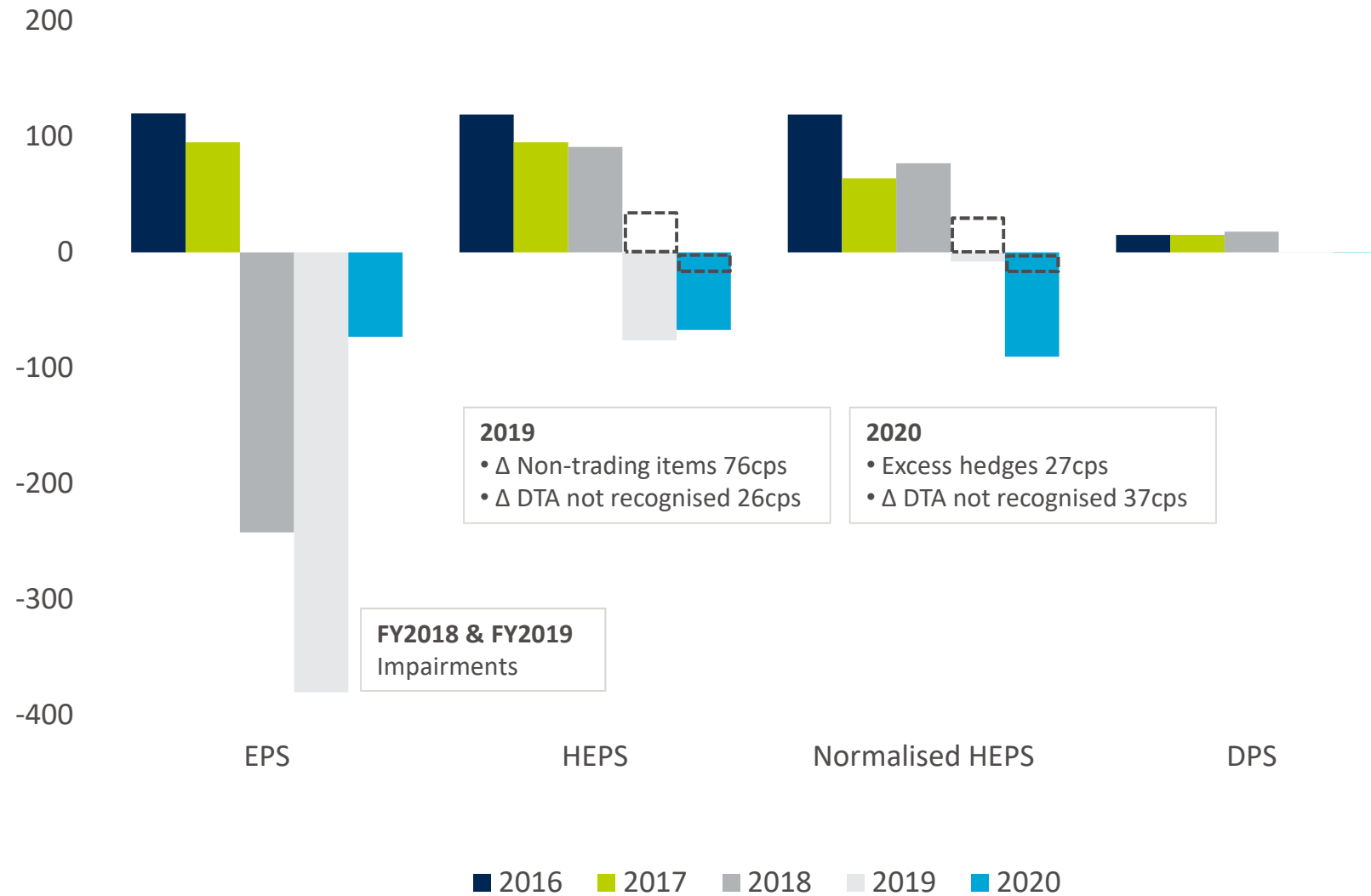
Loss per share of 75 cents better by 81%

- 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 35%, impacted by impairments/losses
- D/E covenant 50%
- Liquidity headroom impacted, managed through 2020

EARNINGS PERFORMANCE



SALIENT FEATURES

		2020	2019	% Change
KEY PARAMETERS AND ACTIVITIES				
Average LME	US\$	1 704	1 792	5 ▼
Average exchange rate	R/US\$	16.47	14.45	14 ▲
Group sales volume	Tons	166 000	219 000	24 ▼
Rolled Products sales volume	Tons	155 000	204 000	24 ▼
Revenue	R million	8 549	10 709	20 ▼
PROFITABILITY				
EBIT	R million	(73)	(1 421)	96 ▲
Normalised ¹ EBIT	R million	(154)	177	>100 ▼
Normalised ¹ EBITDA	R million	(89)	313	>100 ▼
EPS	Cps	(75)	(380)	81 ▲
HEPS	Cps	(68)	(76)	12 ▲
Normalised ¹ HEPS	Cps	(91)	(8)	>100 ▼

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

SALIENT FEATURES (CONTINUED)

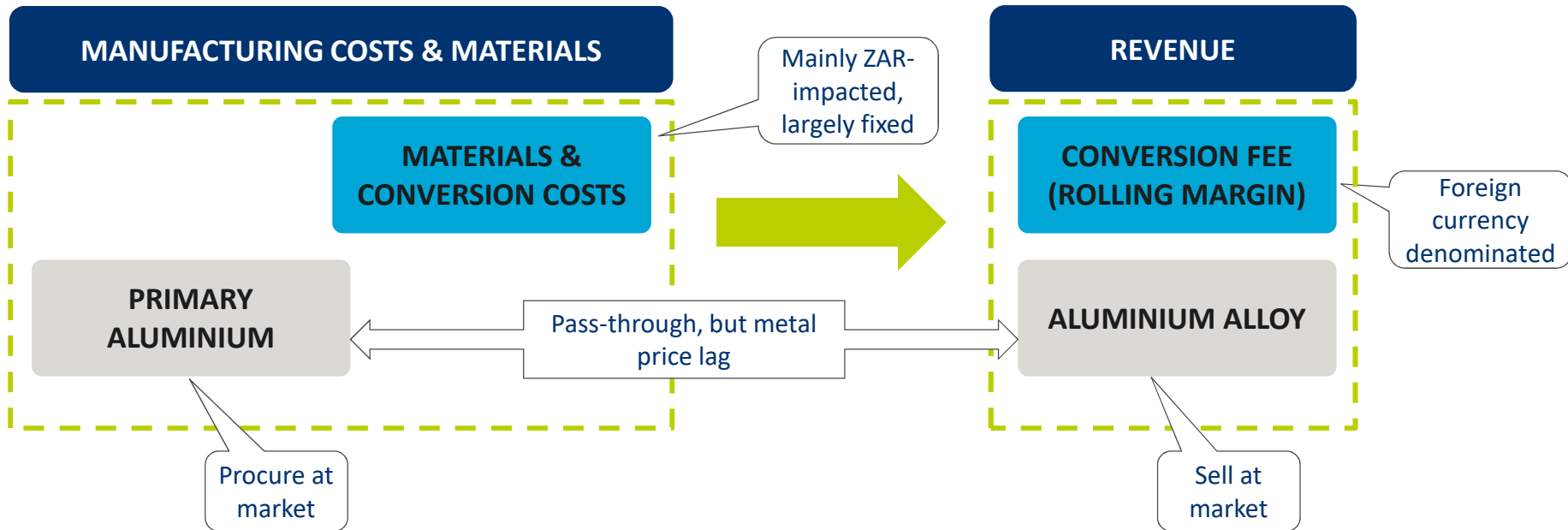
		2020	2019	% Change
FINANCIAL, CASH FLOW AND BORROWINGS				
Capital expenditure	R million	140	311	55 ▲
Net working capital as % of revenue	%	27	18	9 ▼
Free cash flow (cash flow before financing activities)	R million	(485)	222	>100 ▼
Closing net debt	R million	819	272	>100 ▼
Net debt / equity ratio	%	35	11	24 ▼

SEGMENT PERFORMANCE

	2020			2019		
	Rolled Products Rm	Extrusions Rm	Group Rm	Rolled Products Rm	Extrusions Rm	Group Rm
EBITDA*	(5)	5	0	105	(87)	18
Adjustments:						
Restructuring costs	-	13	13	76	39	114
Loss on disposal of property, plant and equipment	-	-	-	26	-	26
Isizinda – loss of control / settlement of equity option	11	-	11	65	-	65
IAS 39 – hedge accounting	-	-	-	25	-	25
Metal price lag	(112)	-	(112)	68	-	68
Normalised EBITDA*	(107)	18	(89)	364	(51)	313
Excess hedged positions	(114)					

* Before impairment charge

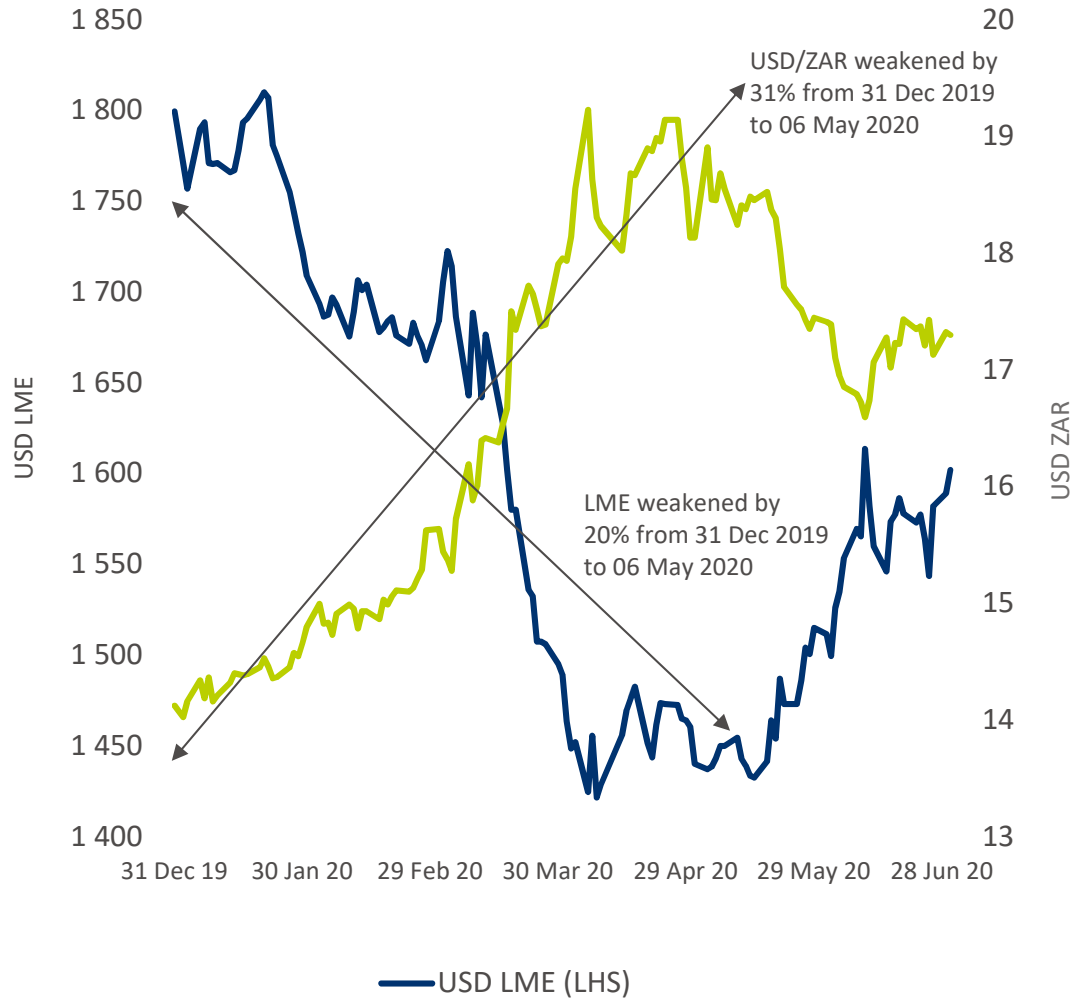
FUNDAMENTALS OF FINANCIAL PERFORMANCE



	2020
Hulamin has a large currency exposure <ul style="list-style-type: none"> • The Rand/USD and EUR exchange rate is Hulamin’s “gold price” • Conversion fees in foreign currency, conversion costs mainly ZAR-based 	<ul style="list-style-type: none"> • Sharp currency weakening ▲ • Excess invoice margin hedges ▼
Volume-sensitive <ul style="list-style-type: none"> • Large fixed-cost business 	<ul style="list-style-type: none"> • 24% reduction in volumes ▼ • But lower cost base ▲
Aluminium is a pass-through <ul style="list-style-type: none"> • Creates “noise” in P&L/cash flows • 50% hedge of metal price lag suspended during H1 2020 	<ul style="list-style-type: none"> • Sharp changes in currency & LME • Excess metal hedges ▼

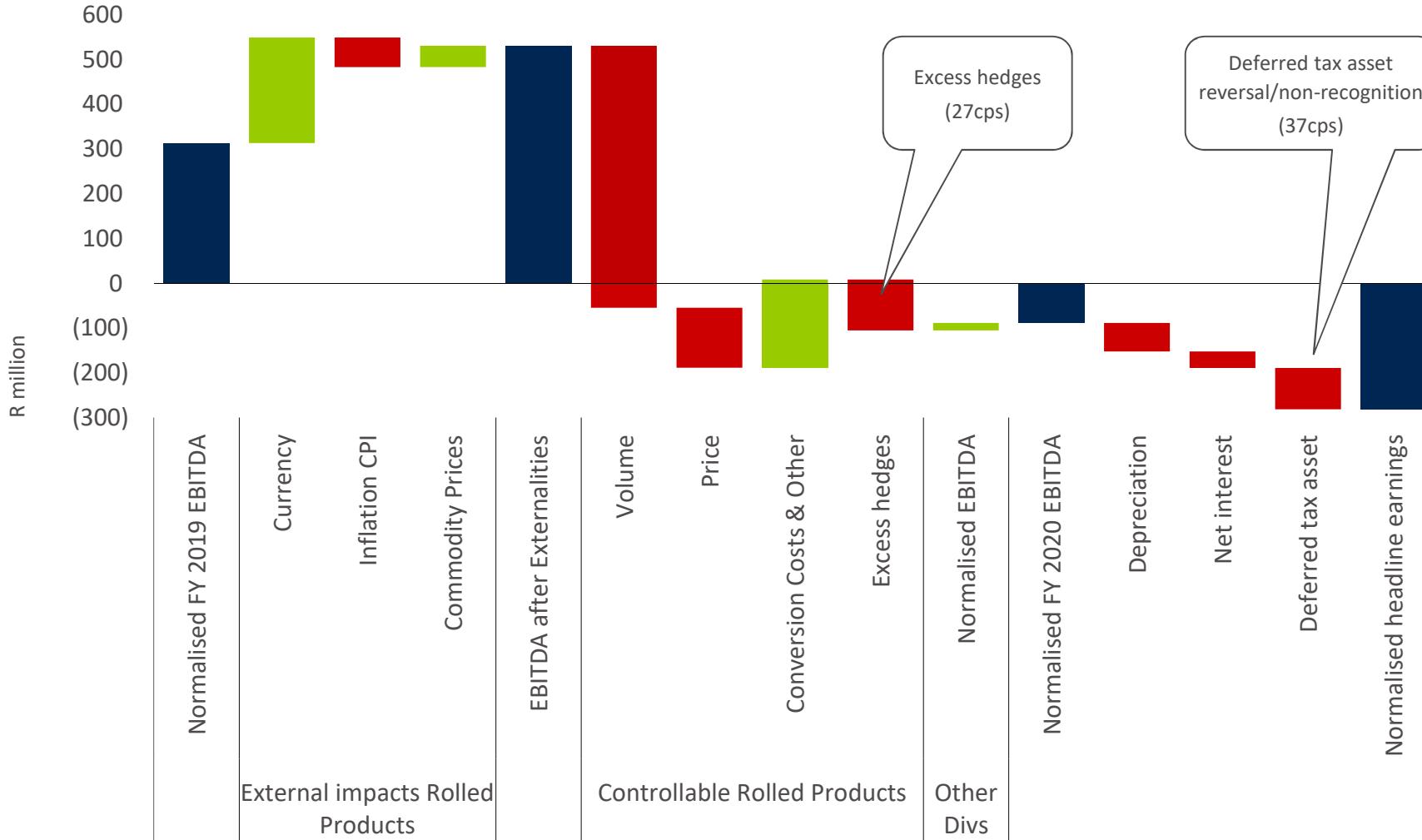
EXCESS HEDGED POSITIONS

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



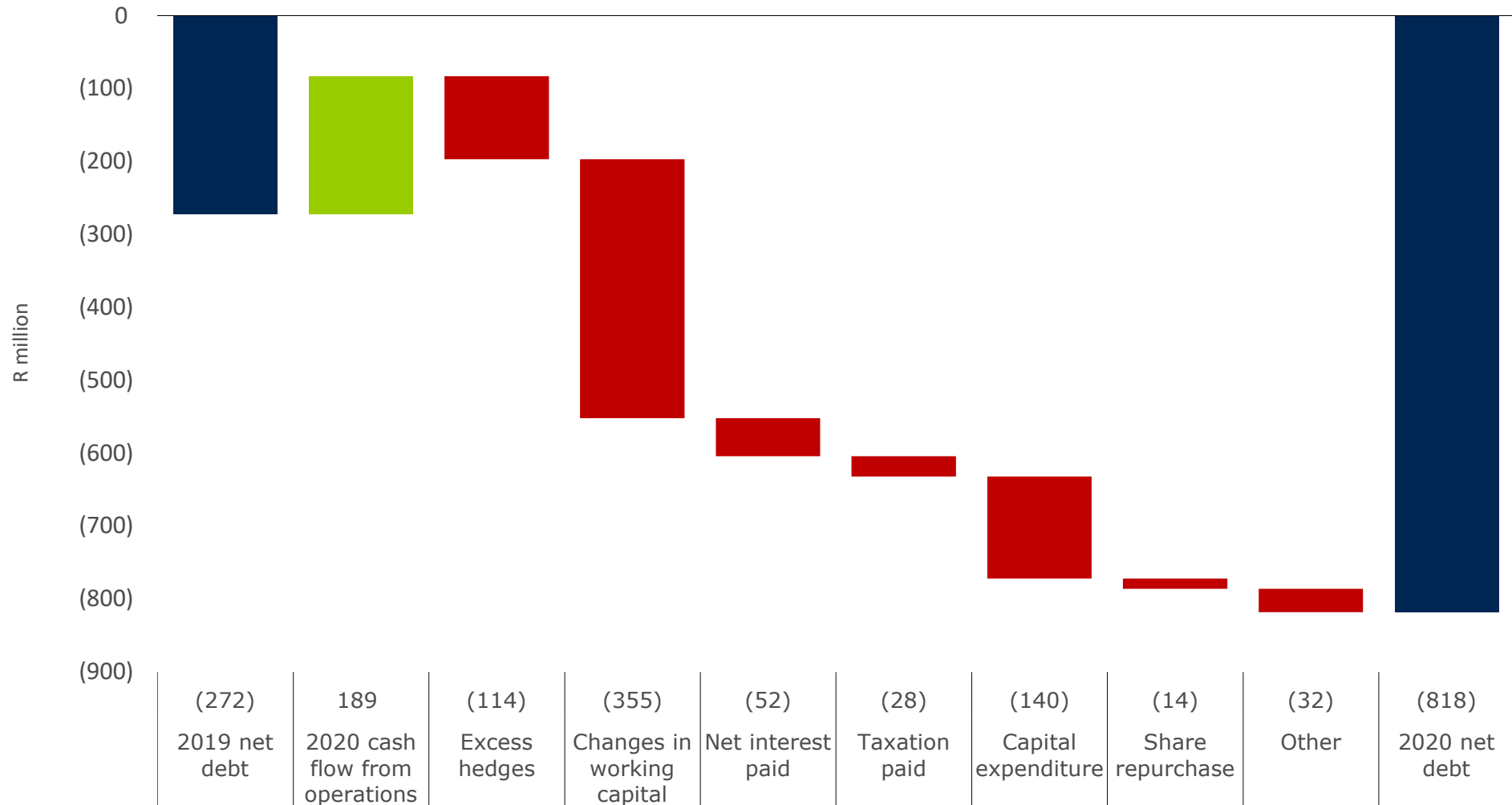
NORMALISED EBITDA/EARNINGS

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



2020 NET DEBT

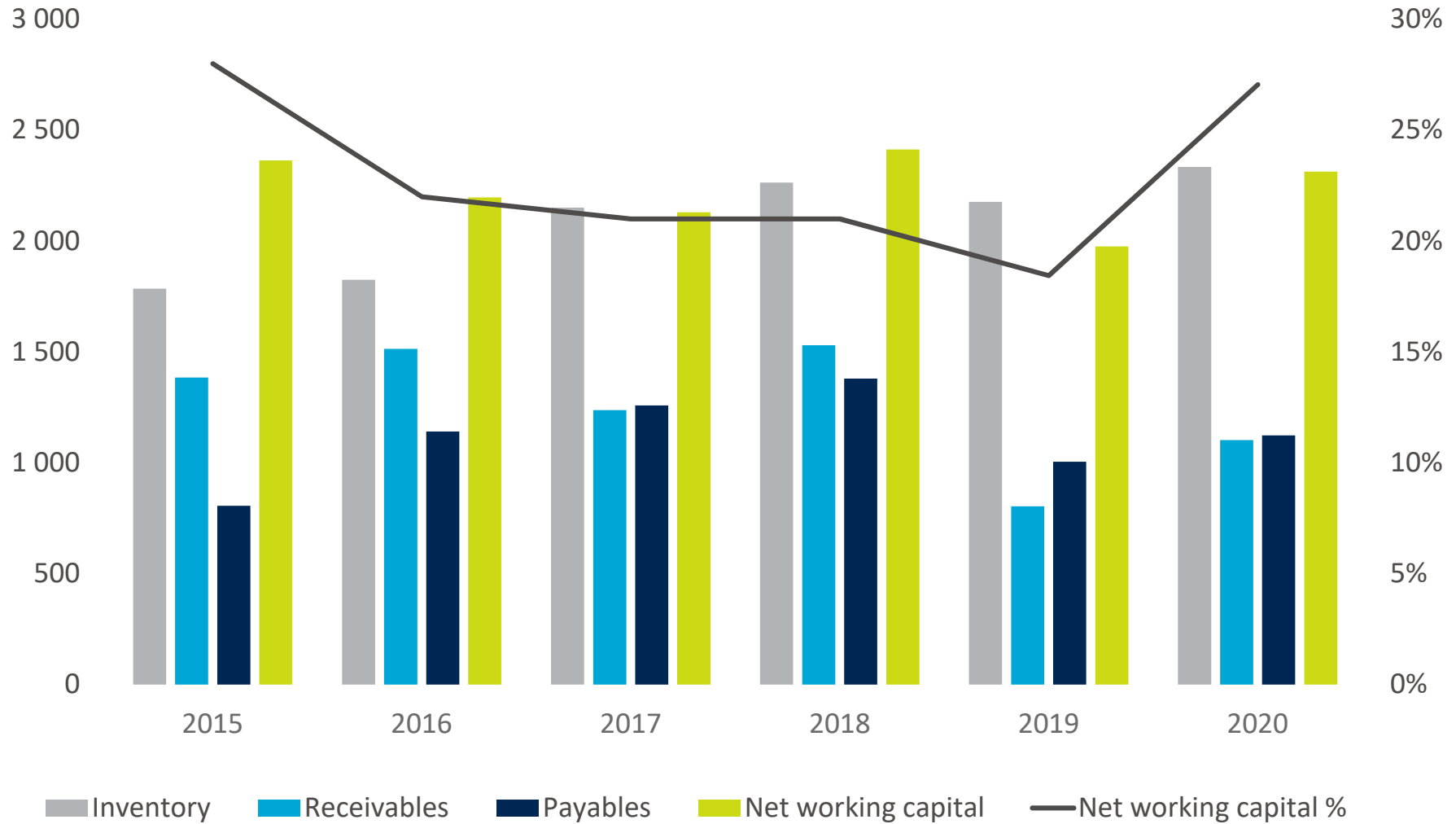
Free cash flow impacted by build of working capital



NET WORKING CAPITAL PERFORMANCE

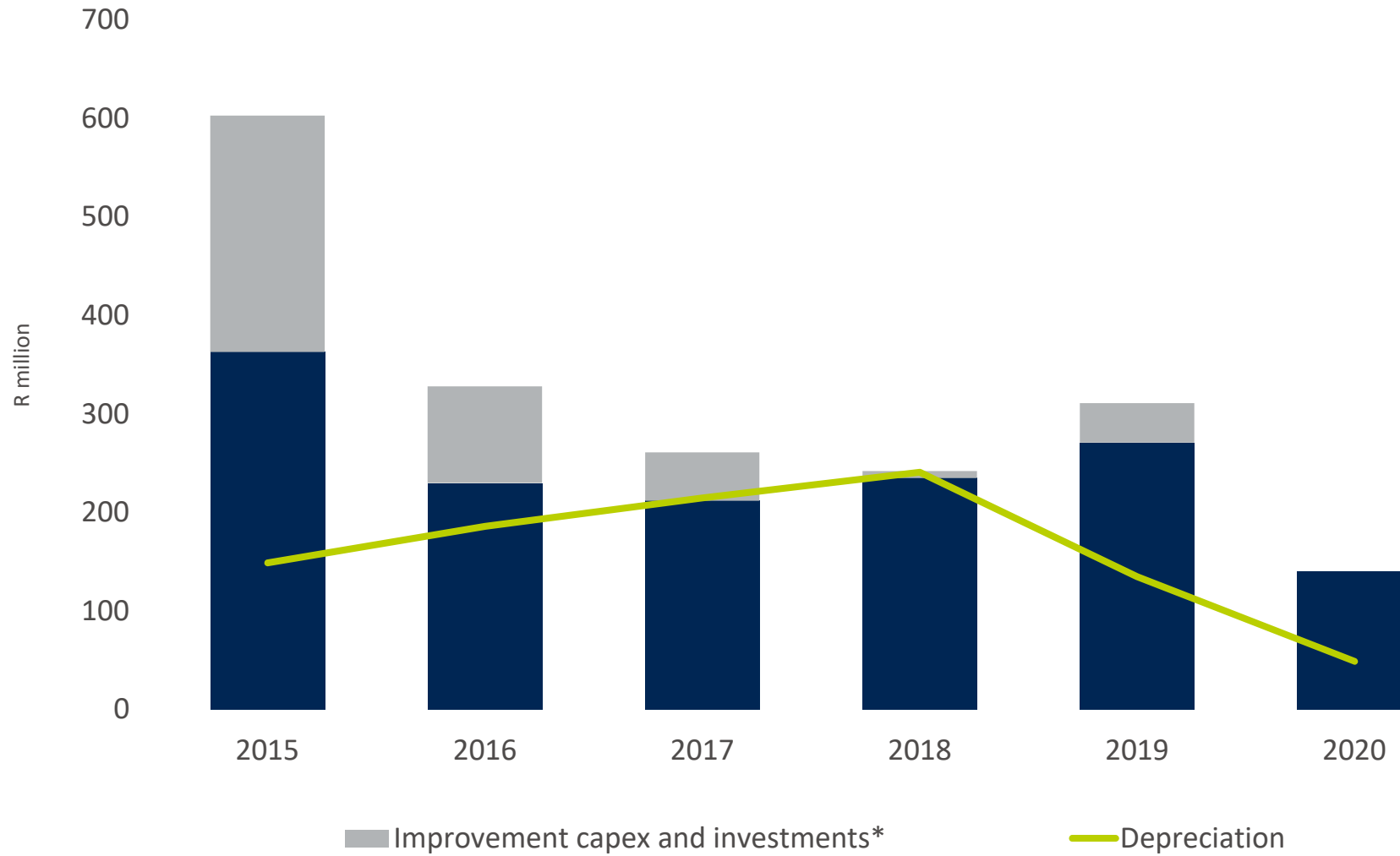


Inventory efficiencies impacted by sharp fall off in sales, skew to export mix, Rand price of aluminium, US common alloy distribution channel changes, availability of customer supply chain finance



CAPITAL EXPENDITURE

Capex managed carefully in 2020 to ensure sufficient liquidity headroom

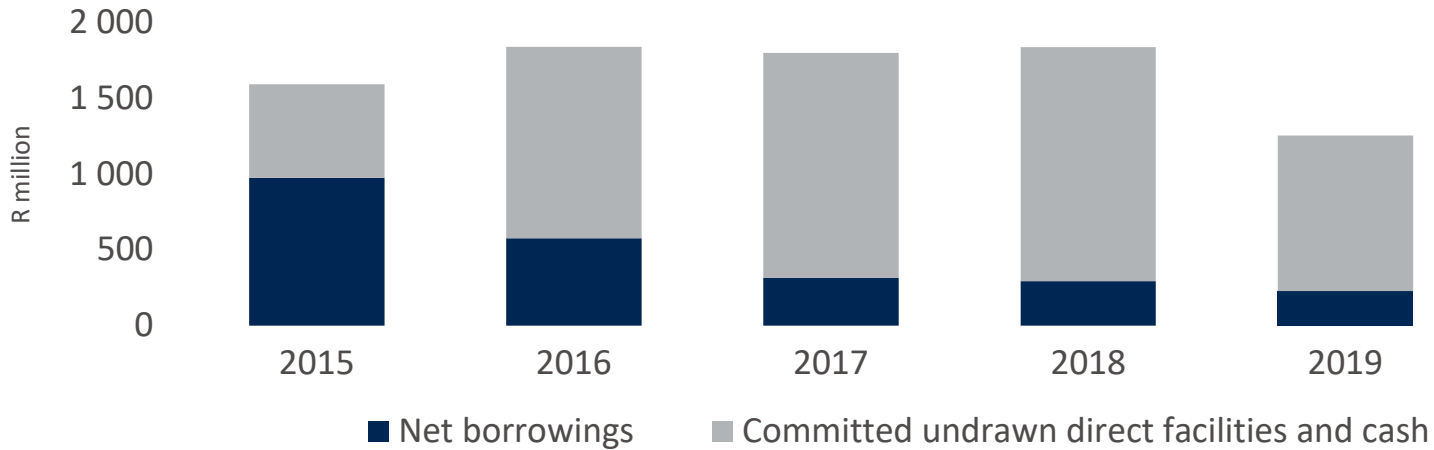


* Excludes capitalised borrowing costs

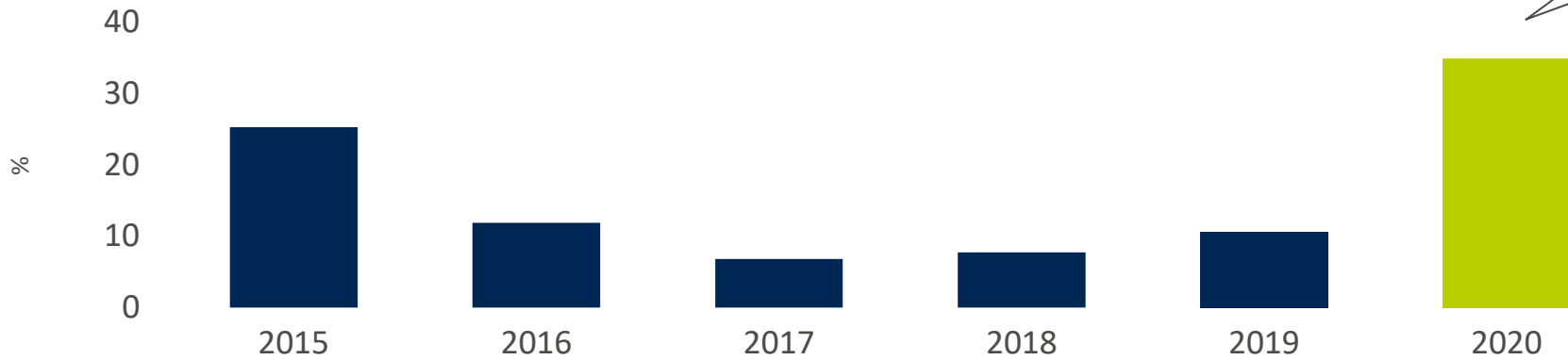
LIQUIDITY AND CAPITAL STRUCTURE

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

Net borrowings and headroom



Net debt to equity





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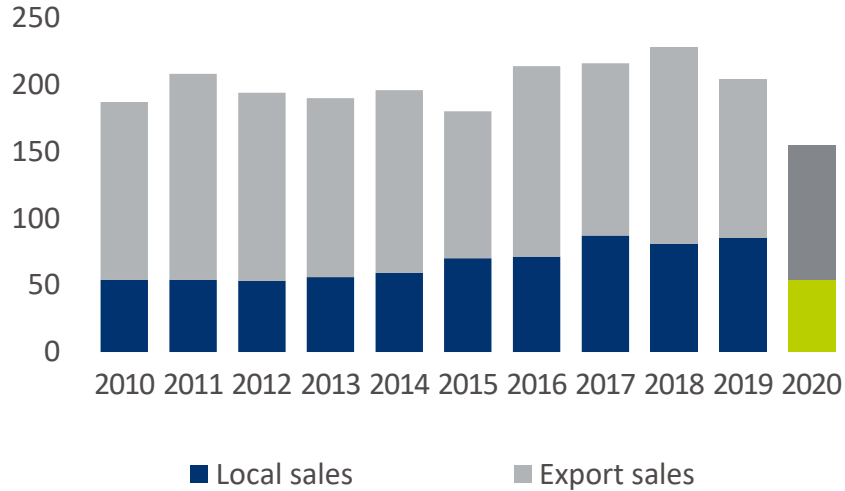
OPERATIONAL REVIEW

03

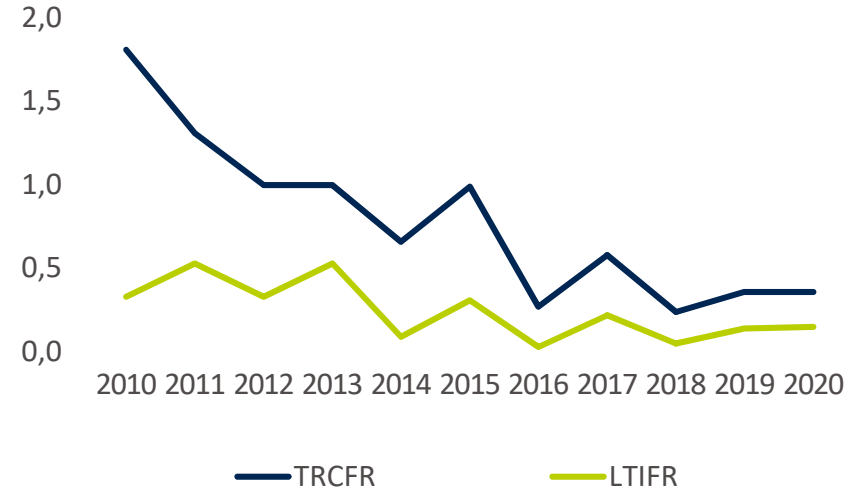


ROLLED PRODUCTS – KEY FEATURES

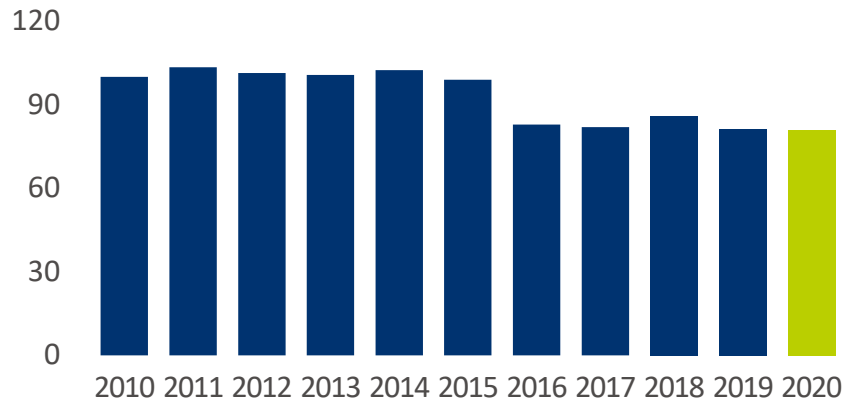
Rolled Products sales volumes (Tons (000's))



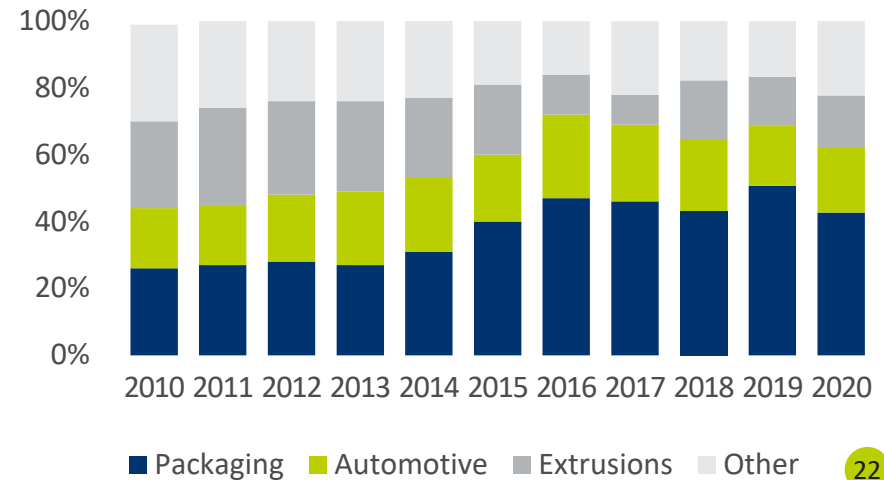
Safety performance



US\$ margin index

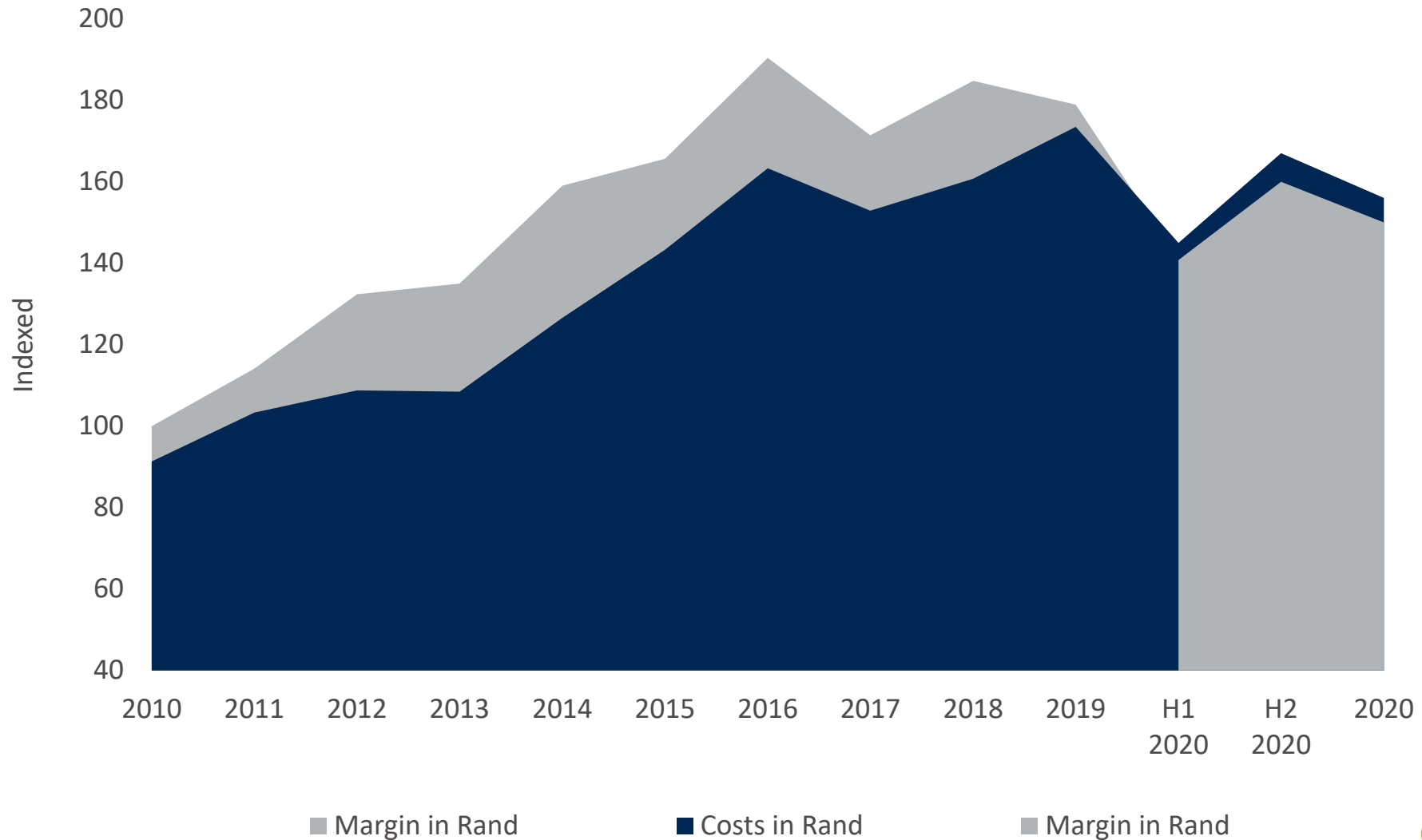


Group local sales mix (%)



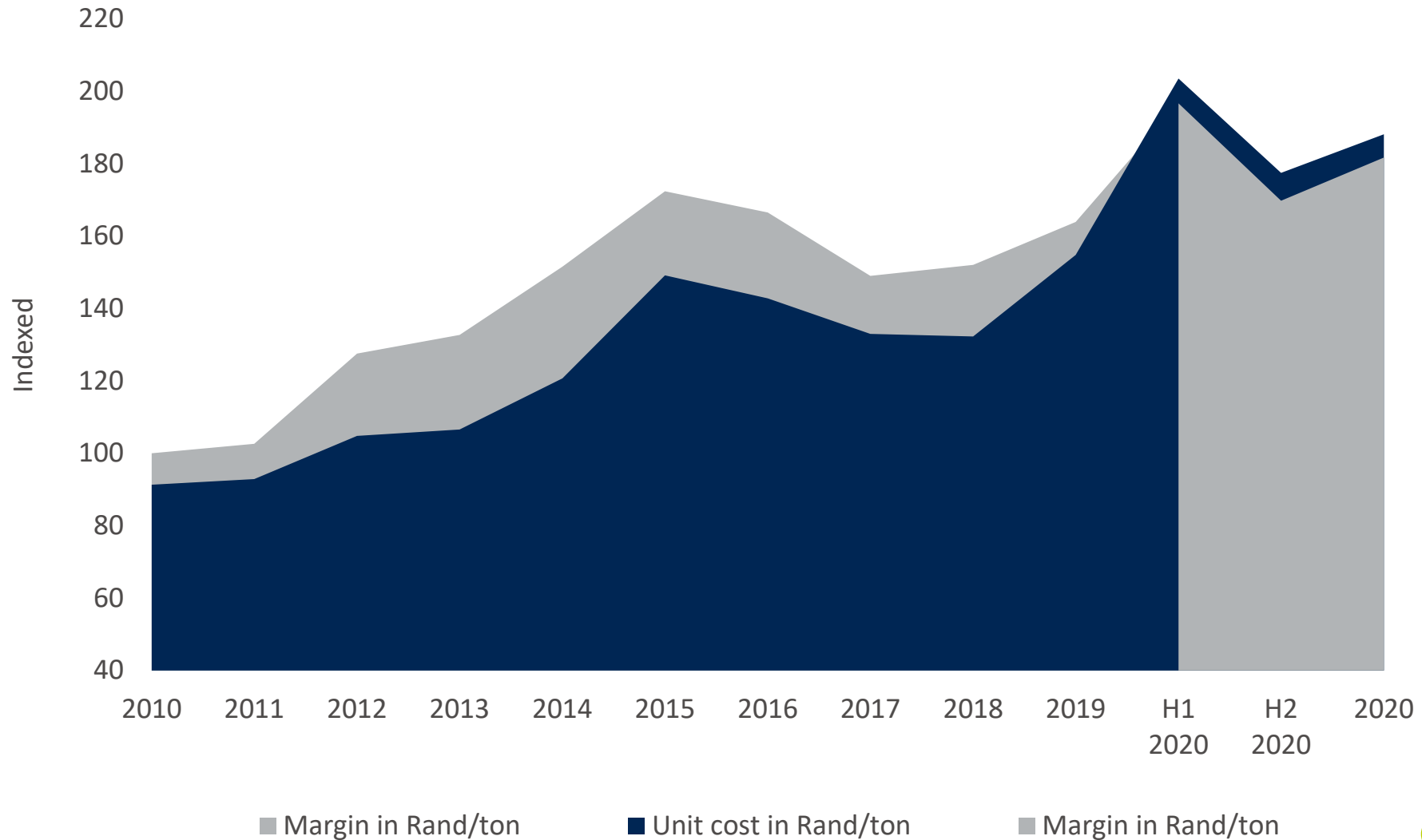
ROLLED PRODUCTS OPERATING MARGIN

(ANNUALISED COSTS IN RAND)

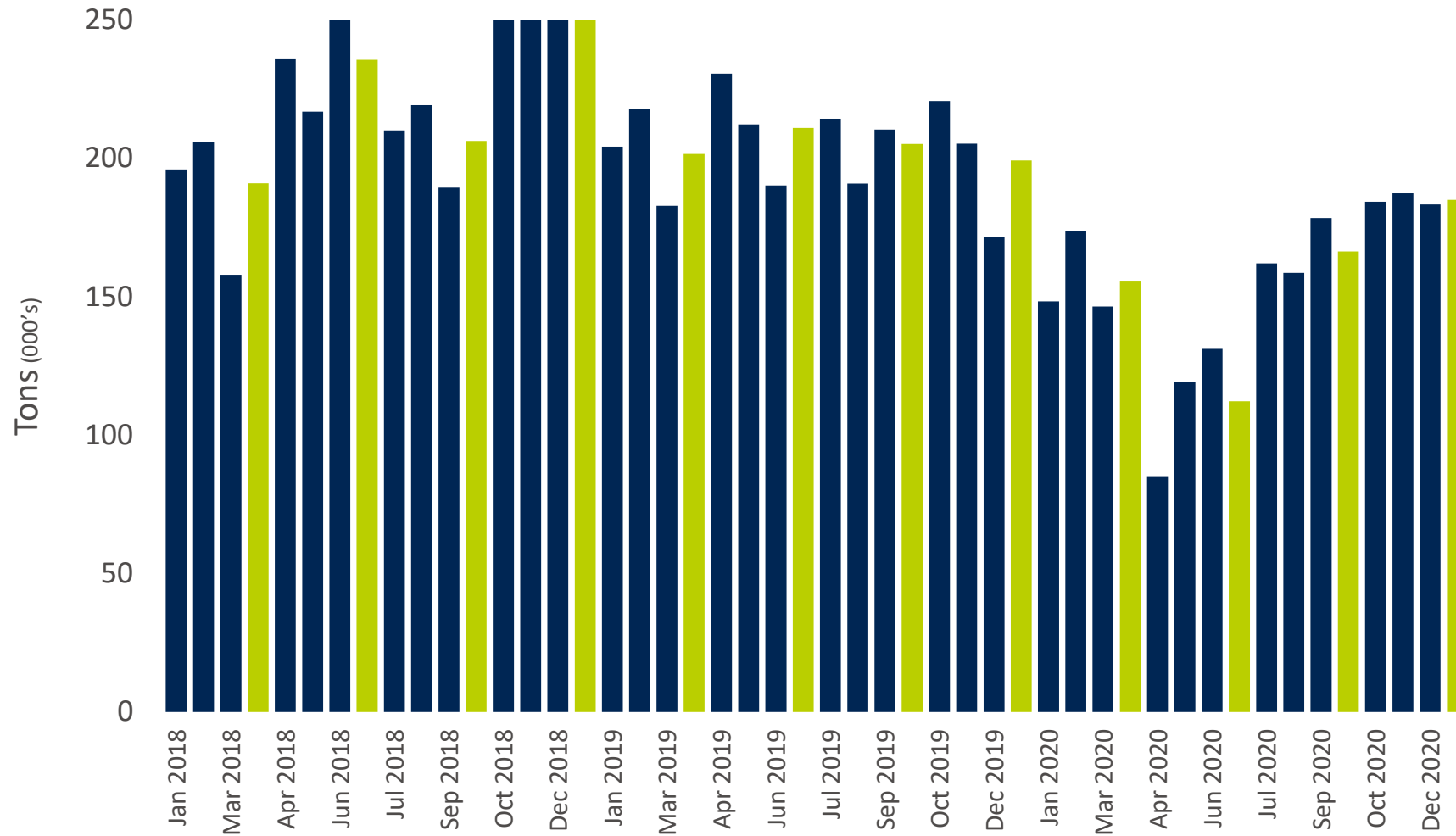


ROLLED PRODUCTS OPERATING MARGIN

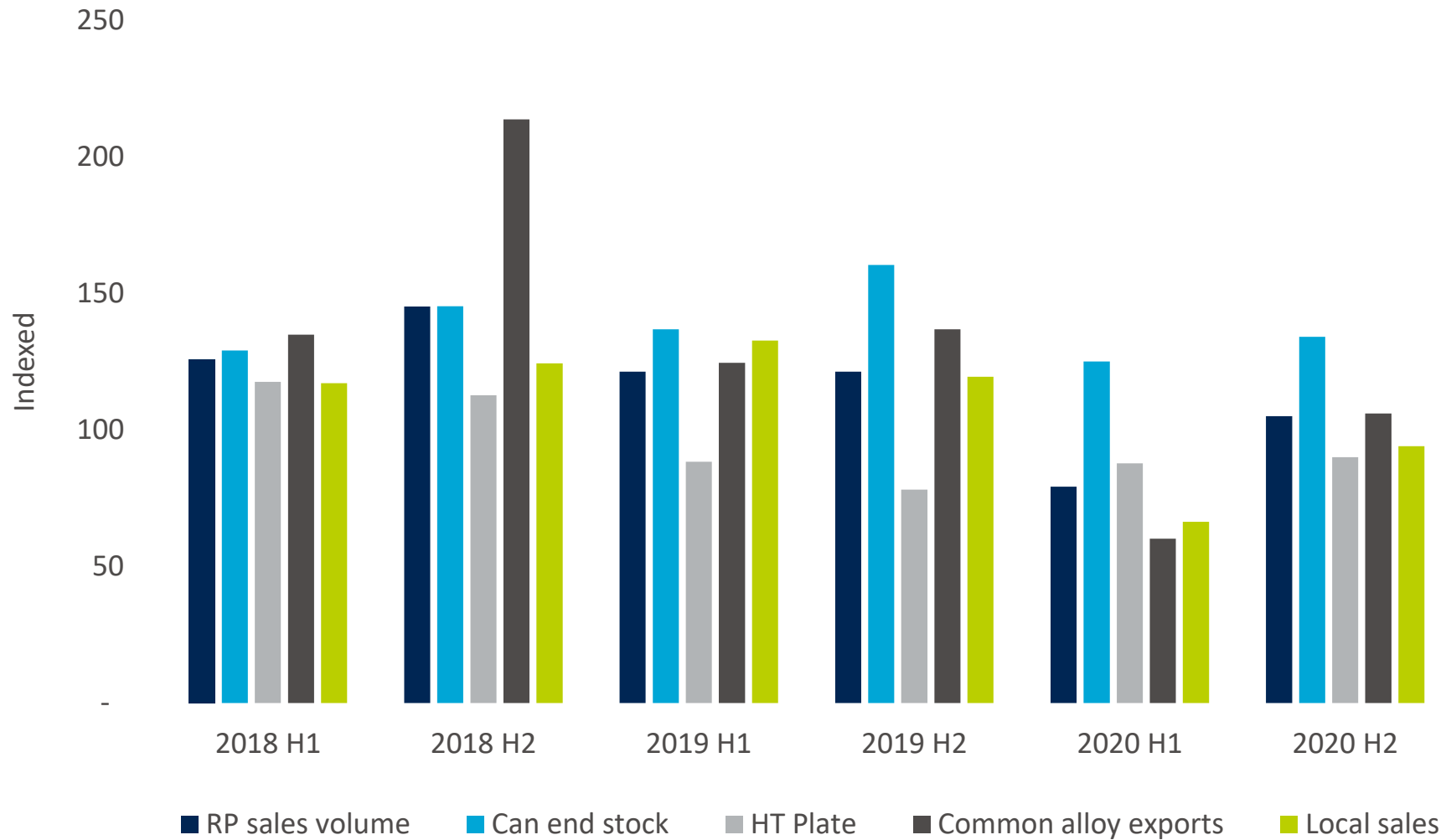
(UNIT COST IN RAND)



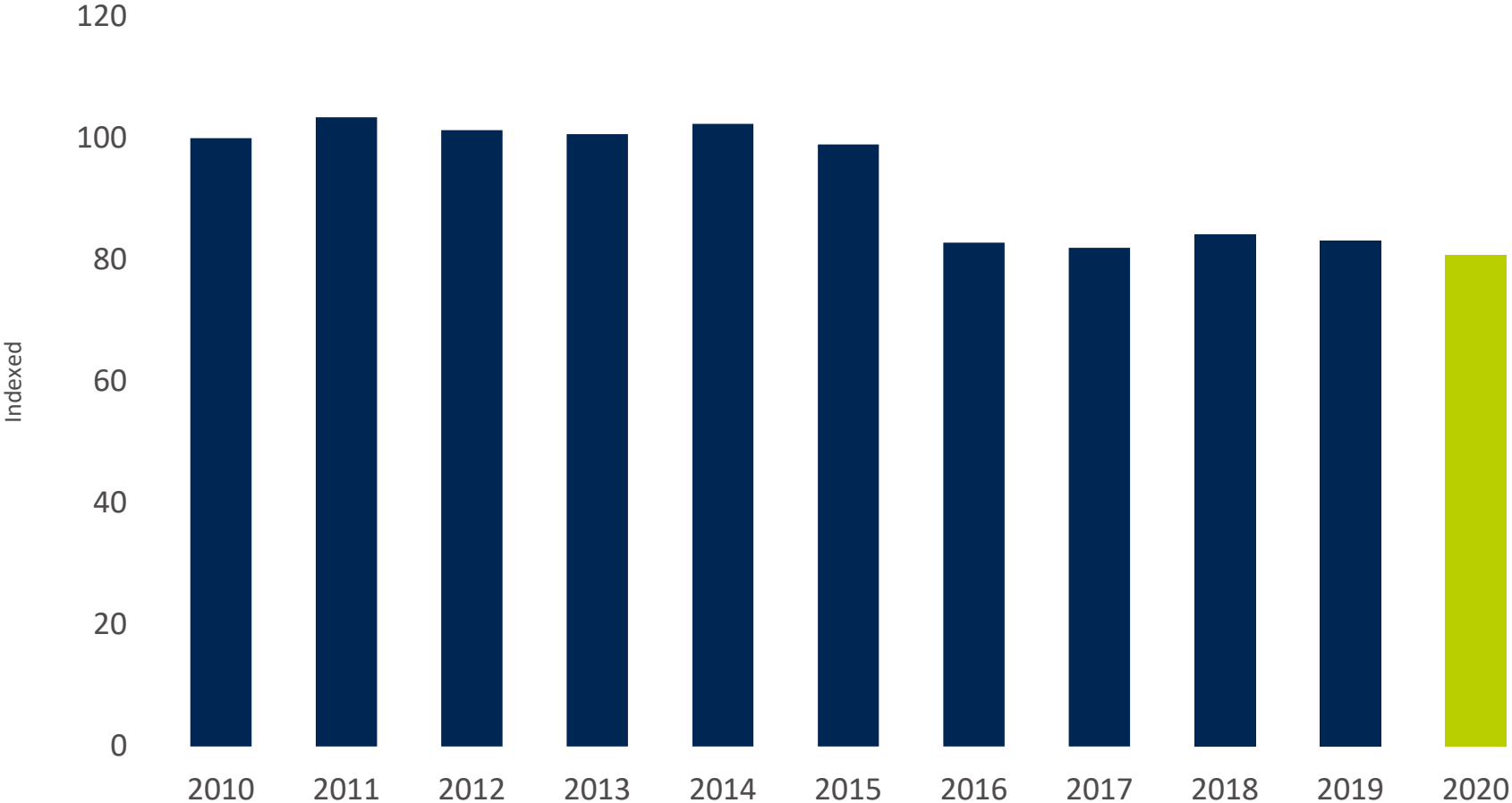
ROLLED PRODUCTS SALES (ANNUALISED)



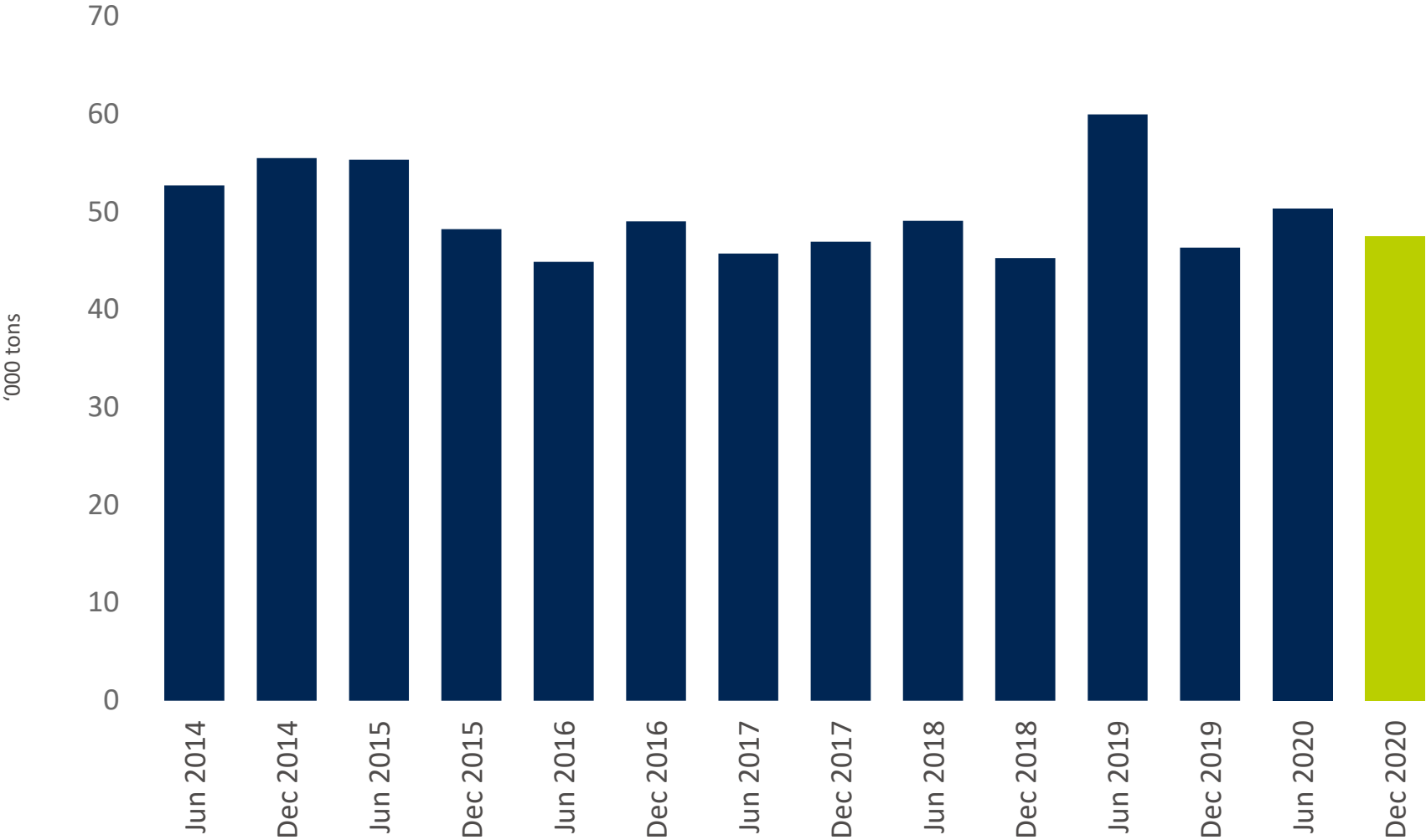
ROLLED PRODUCTS HALF-ON-HALF SALES AND PRODUCT MIX



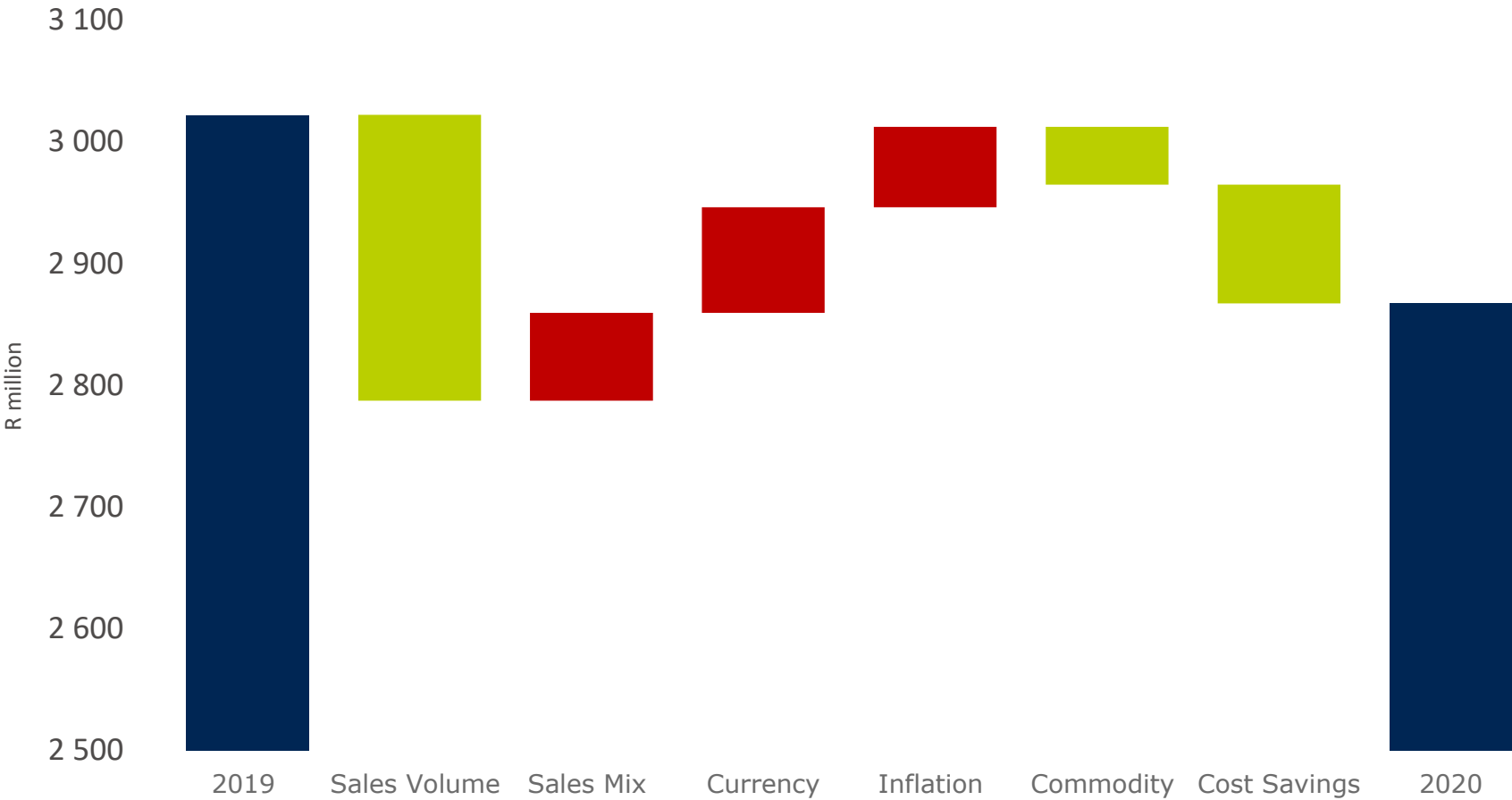
ROLLING MARGIN IN US DOLLARS INDEX



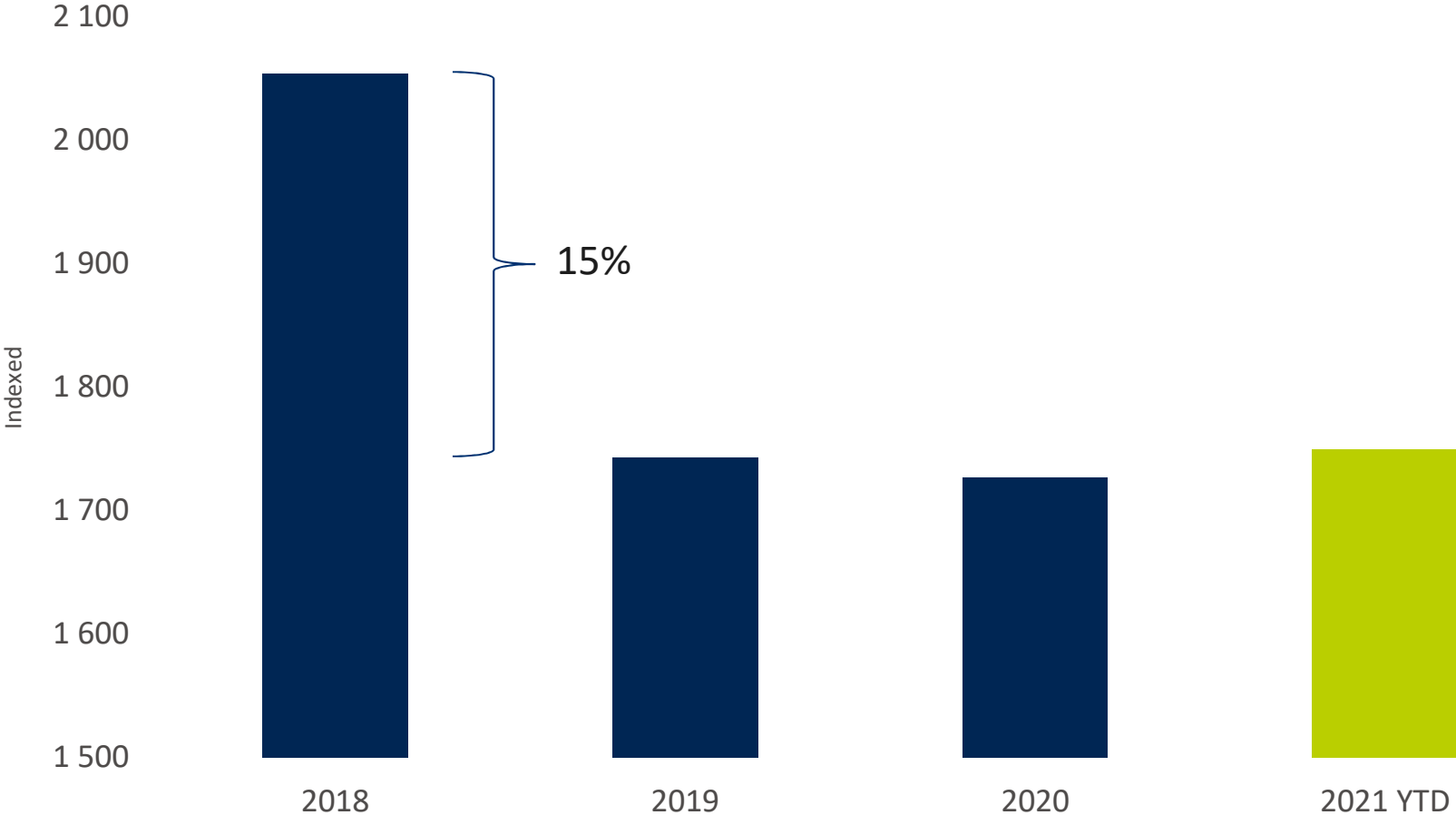
ROLLED PRODUCTS INVENTORY



ROLLED PRODUCTS COSTS



COST REDUCTIONS – HEADCOUNT



PLANNED MAINTENANCE SHUTDOWN Q2 2021

Major upgrades (10-days)

- Camps Drift Hot Mill main drive
- Camps Drift Hot Mill gearbox
- Other smaller equipment

Routine Planned Maintenance

- Long cycle actions (5-yearly maintenance and condition monitoring)

Other major upgrade postponed to 2022

- Unavailability of international technicians due to (COVID-19) travel restrictions



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STRATEGY UPDATE

04

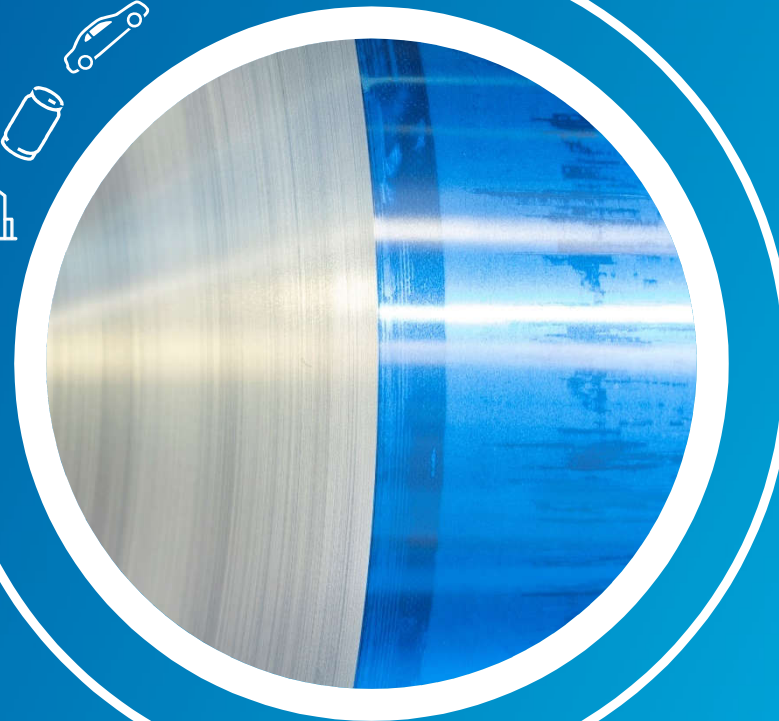


ILLUSTRATION OF 2021 PLAN

Generic volume/cost breakeven model

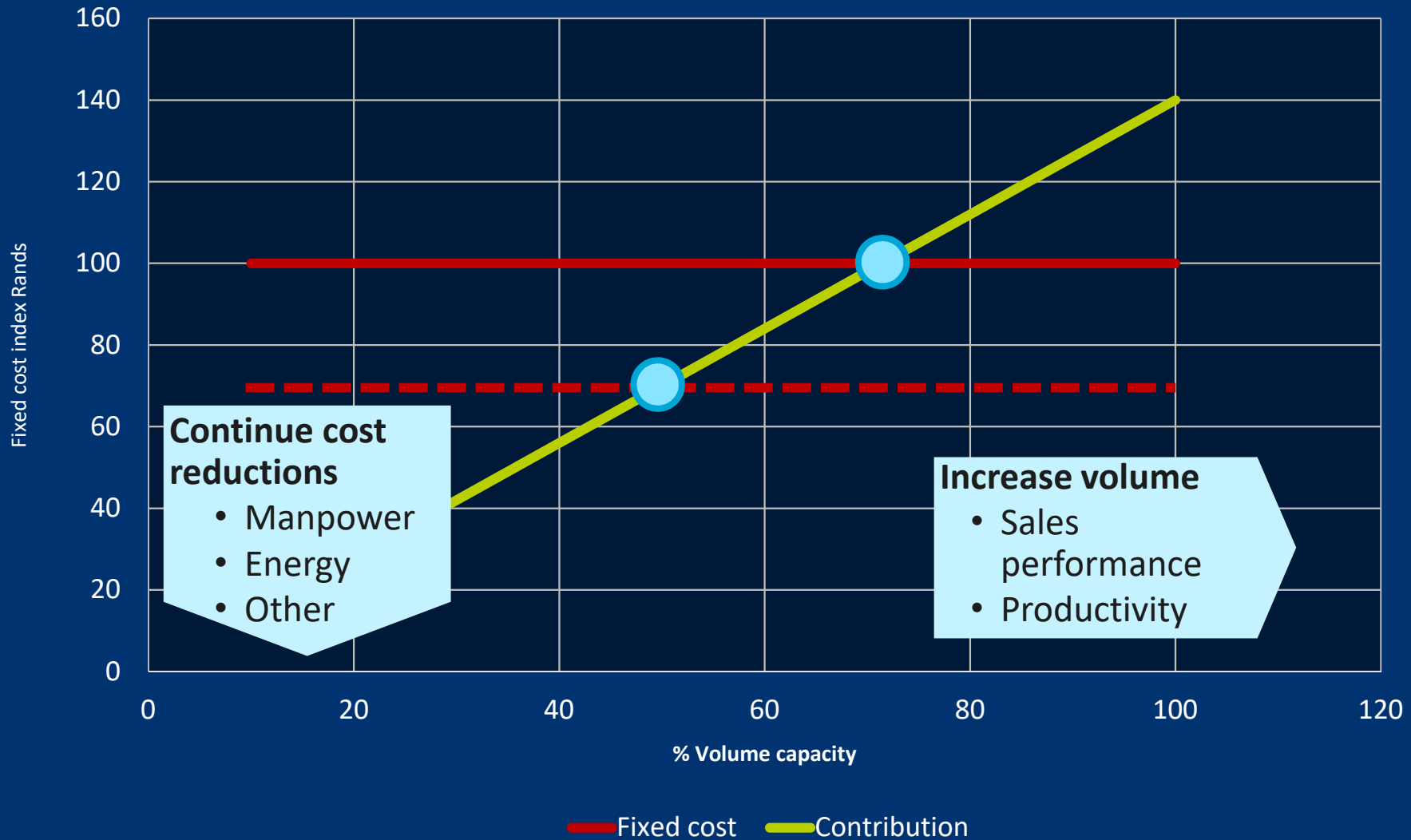
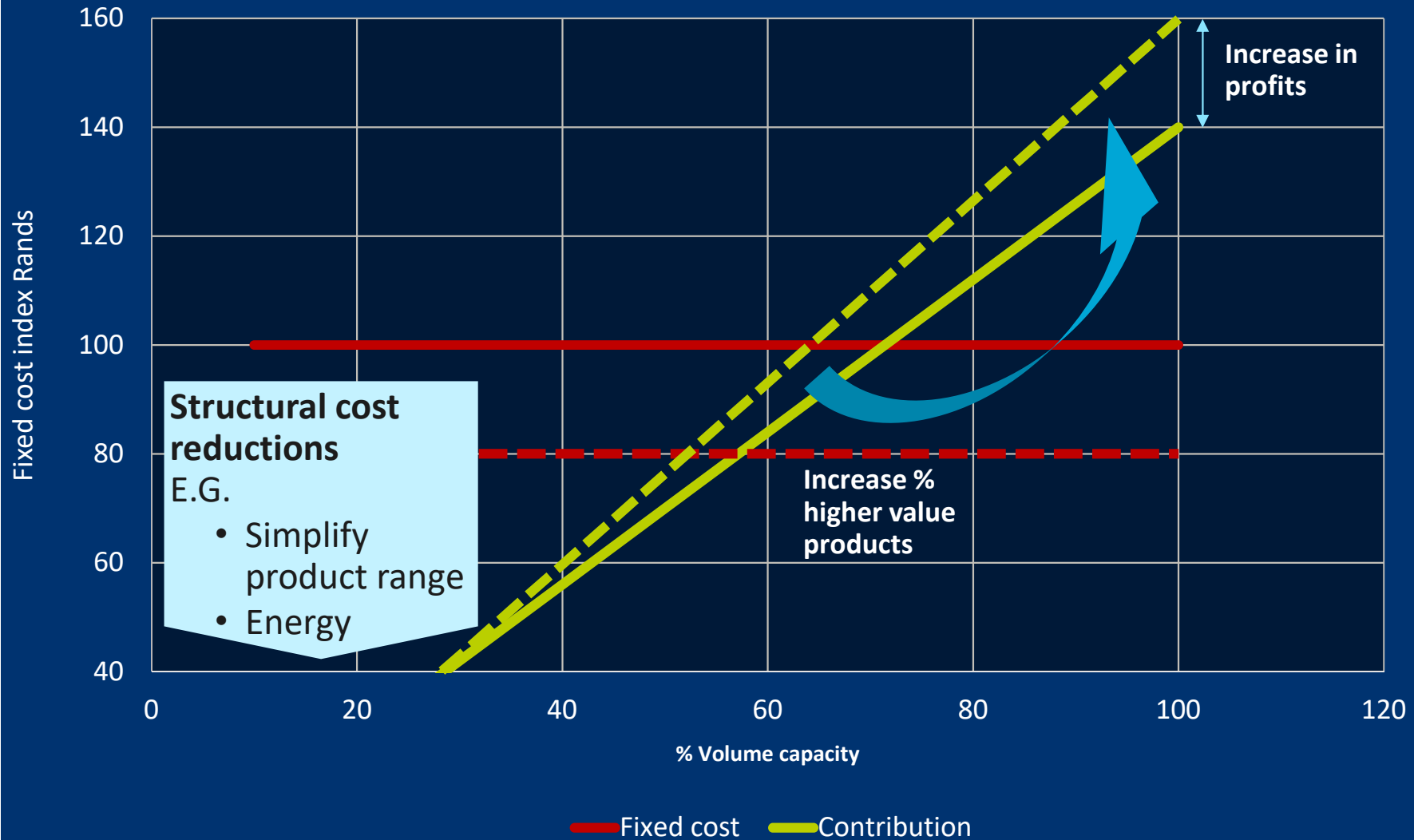


ILLUSTRATION OF MEDIUM TERM STRATEGY

Generic volume/cost model



USA ANTI-DUMPING UPDATE

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)
- Concluded in March 2021

Impact on Hualamin somewhat **positive**

- Final duty 8.89%
- Lower than approx. 2/3 of all exporters into USA
- Consequent automotive opportunities (competitors now excluded)
- Market prices rising in response
- Net impact improving

RSA DUTY UPDATE

Application filed by Hualamin in 2018

- Harm caused to local market from subsidised imports
- EU Free Trade Agreement allows duty free imports
- Ruling approved by Treasury in December 2020 – Final duty 15%

Impact on Hualamin

- Increased demand especially can stock
- USA and EU anti-dumping duties since 2018 has previously disturbed local market
 - Dumping in South Africa?

USA DISTRIBUTION CHANNEL

Prior to 2019

- Single channel for >30 years
 - Sales volume buffer against short term market movements
 - Short cash cycle
 - High cost
 - Consolidation risk
- Disrupted in 2019

From 2020

- Direct from Hualamin to customer
- Additional Hualamin resources
- Better margins, yet direct higher costs
- Longer cash cycles
- Consolidation risks eliminated



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PROSPECTS

05



BACK TO BASICS: FOCUS ON VOLUME AND COST

Rebuild manufacturing performance

- Planned maintenance
- Equipment upgrades
- Rebuild capability (focus on key bottlenecks)

Strong local demand

- Imports curtailed by import duty
- Beverage can demand
- Lockdowns?

International demand

- Full order books – especially beverage can
- Convert automotive sheet capability into (USA) sales

Strengthen cost controls