

# NOVELIS Q4 AND FISCAL YEAR 2023 EARNINGS CONFERENCE CALL

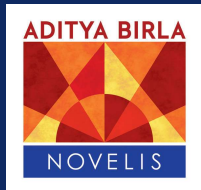
May 10, 2023

**Steve Fisher**

President and Chief Executive Officer

**Dev Ahuja**

Executive Vice President and Chief Financial Officer



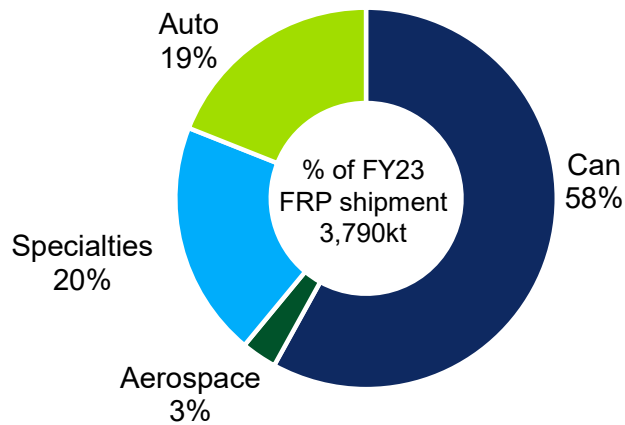
NOVELIS

## Forward-looking statements

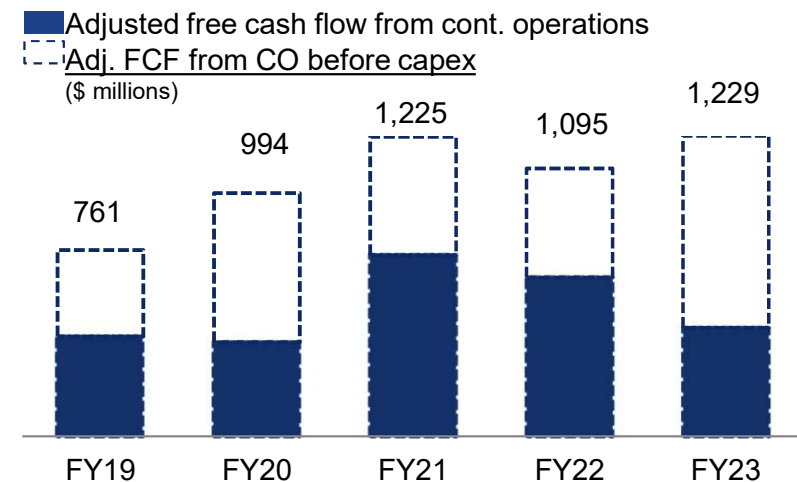
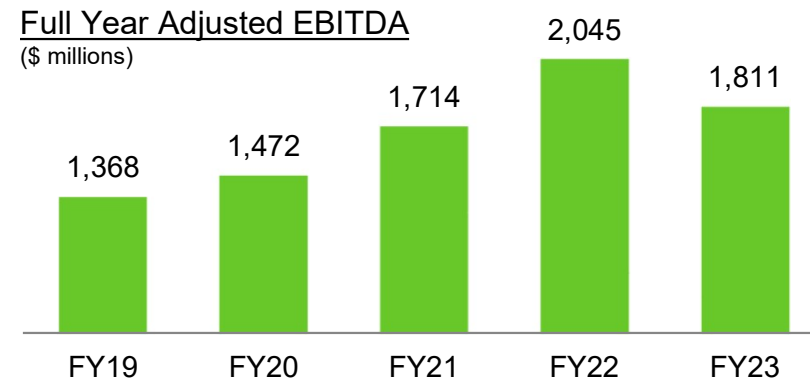
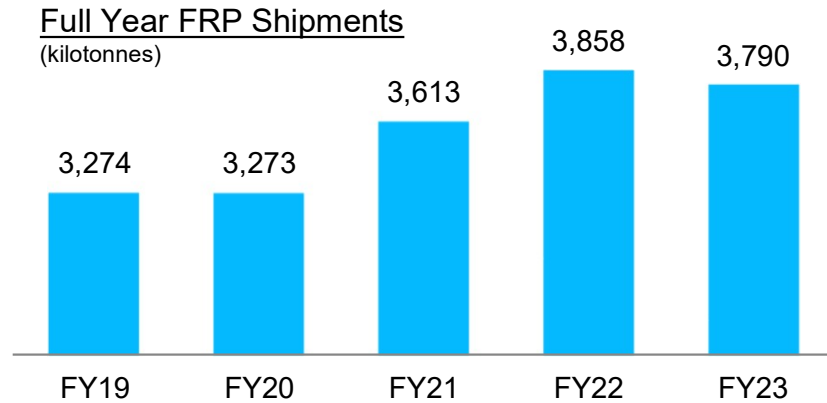
Statements made in this presentation which describe Novelis' intentions, expectations, beliefs or predictions may be forward-looking within the meaning of securities laws. Forward-looking statements include statements preceded by, followed by, or including the words "believes," "expects," "anticipates," "plans," "estimates," "projects," "forecasts," or similar expressions. Examples of forward-looking statements in this presentation are statements about our expectations of \$1.6 billion to \$1.9 billion in fiscal 2024 capital expenditures, increased long-term demand in each of our end markets, and statements regarding our expectations for our growth capital expenditures. 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 inability to realize the anticipated benefits of strategic investments; increases in the cost or volatility in the availability of primary aluminum, scrap aluminum, sheet ingot, or other raw materials used in the production of our products; rises in energy costs or disruptions to our energy supplies; downturns in the automotive and ground transportation industries or changes in consumer demand; public health crises, such as the recently experienced COVID-19 pandemic; union disputes and other employee relations issues; 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; exposure to economic and political risks associated with our global operations; 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; risks relating to certain joint ventures, subsidiaries and assets that we do not entirely control; security breaches and other disruptions to our information technology networks and systems; increased freight costs on imported products; 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 the availability of financing; interest rate risk; adverse changes in currency exchange rates; risks related to our ability to adequately hedge against price fluctuations under our derivative instruments; tax expense, tax liabilities or tax compliance costs; operating and financial restrictions imposed on us by the covenants related to our indebtedness; 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 various laws and government regulations; global climate change or the legal, regulatory or market responses to such change; risks related to environmental, health and safety laws and regulations, and any related exposure to substantial environmental, health and safety costs and liabilities; our failure to comply with laws and regulations and industry standards relating to privacy, data protection, advertising and consumer protection; and exposure to significant legal proceedings or investigations. 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, 2023.

# FY23 HIGHLIGHTS

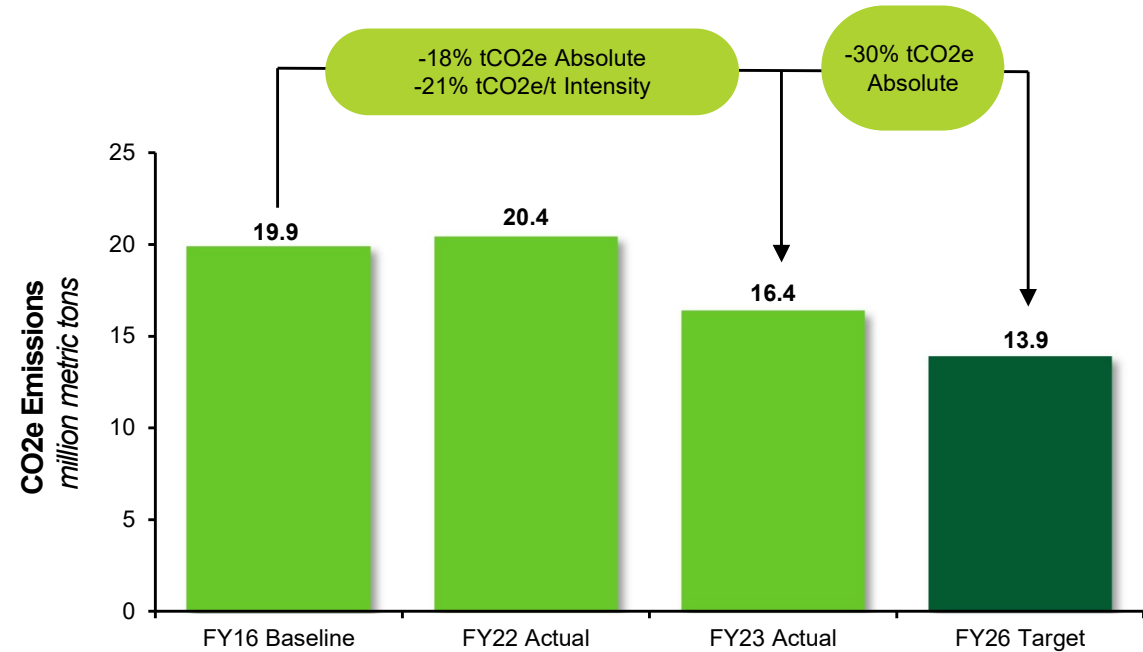
- Solid performance despite significant inflationary headwinds and market challenges
  - Inflation is significant but largely offset by improved pricing and focus on cost control
  - Beverage packaging supply chain destocking and soft macro-economic conditions muting total shipment performance
  - Achieved record automotive shipments



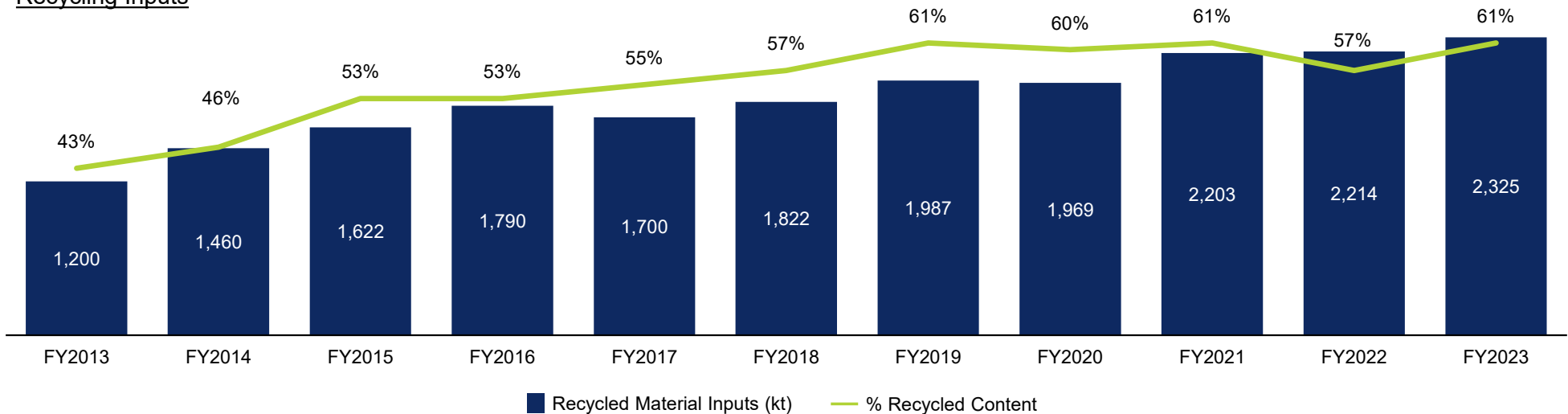
- Maintaining a strong balance sheet and generating robust cash flow to fund transformational growth investments



- Novelis is a leading global provider of low-carbon, sustainable aluminum solutions
  - Excellent progress against carbon reduction targets
  - Increasing recycled material inputs and decreasing prime dependency
  - Recycled over 82 billion used beverage cans in FY23



## Recycling Inputs



# FINANCIAL HIGHLIGHTS

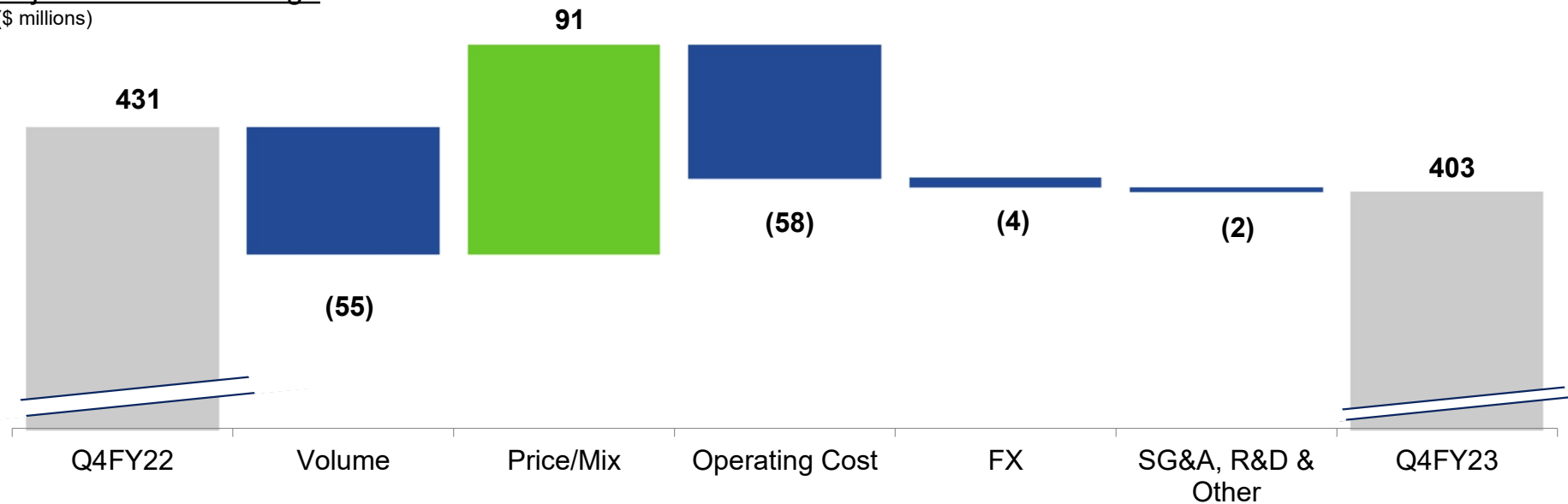
# Q4 FINANCIAL HIGHLIGHTS

Q4FY23 vs Q4FY22

- Net Sales down 9% to \$4.4 billion
- FRP Shipments down 5% to 936kt
- Adjusted EBITDA down 6% to \$403 million
  - Sequential improvement in Adj EBITDA +18% vs Q3FY23
- Adjusted EBITDA per ton \$431 compared to \$437 prior year
- Net income from continuing operations down 28% to \$156 million
  - Net income from continuing operations, excluding special items\* down 7% to \$175 million

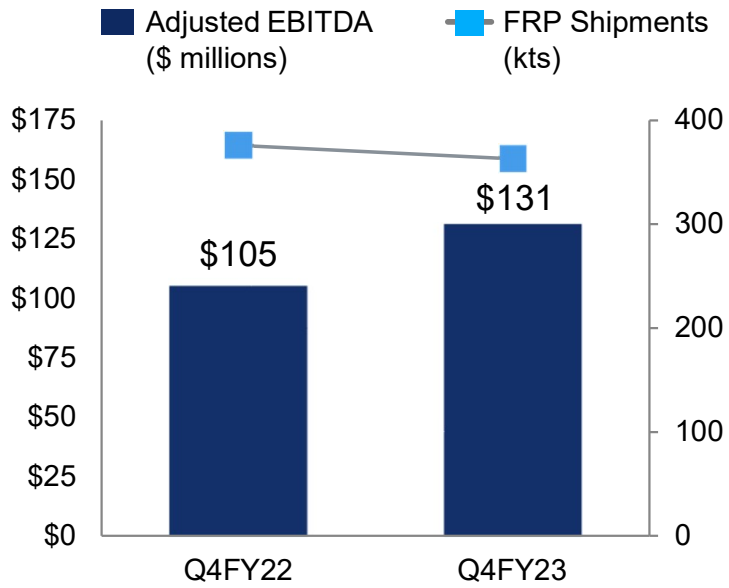
## Adjusted EBITDA bridge

(\$ millions)



# Q4 SEGMENT RESULTS

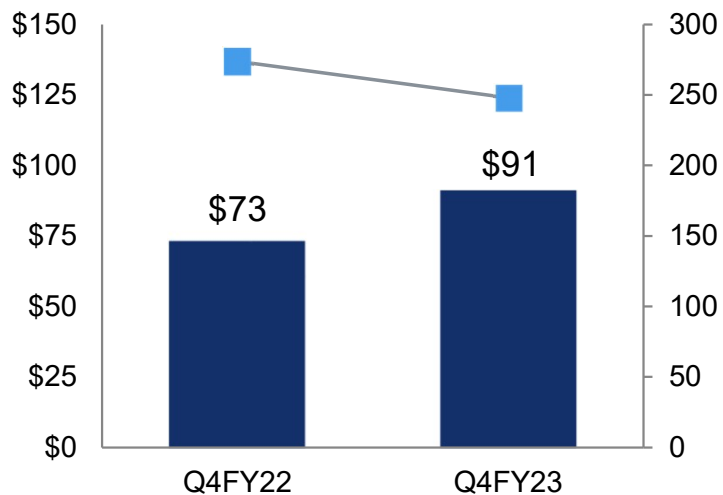
North America



## Q4 Shipments -3% EBITDA +25%

- Lower beverage packaging & specialty shipments
- Record automotive shipments
- Improved operational performance vs PY
- Favorable price & product mix
- Inflationary cost pressures

Europe

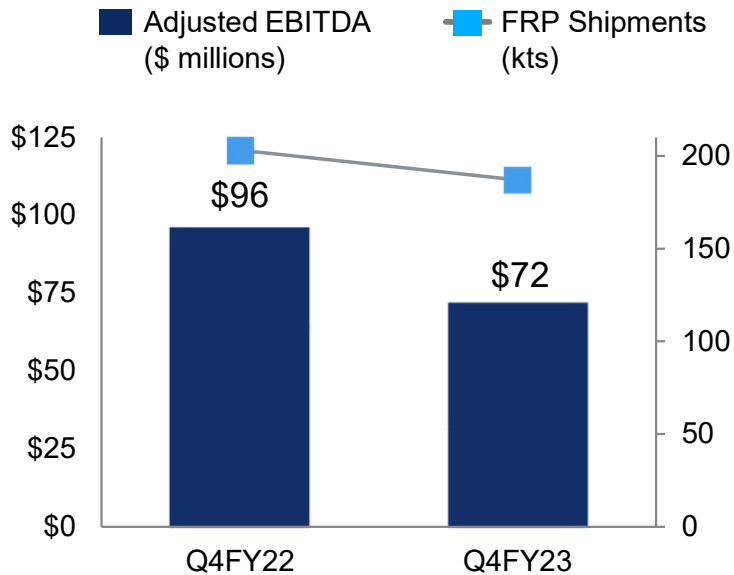


## Q4 Shipments -9%, EBITDA +25%

- Lower beverage packaging & specialty shipments
- Higher automotive shipments
- Favorable price & product mix
- Higher energy and other cost inflation
- Unfavorable foreign currency translation

# Q4 SEGMENT RESULTS

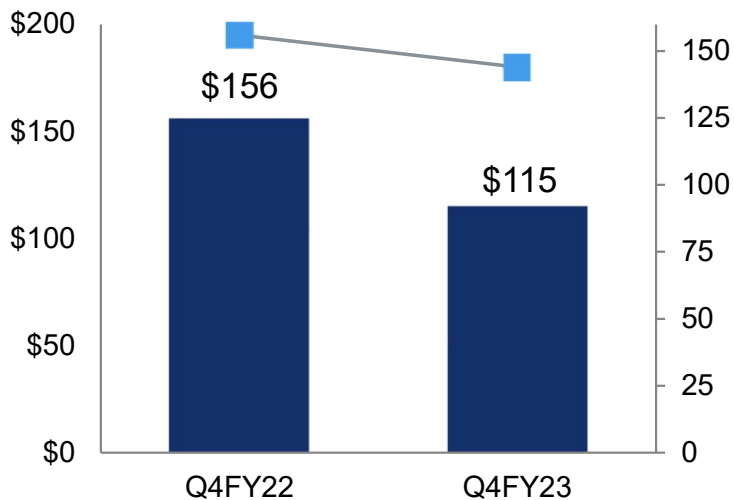
Asia



## Q4 Shipments -8% EBITDA -25%

- Lower beverage packaging shipments to North America
- Lower specialty shipments due to planned portfolio shift to more premium products
- Higher energy and other cost inflation

South America



## Q4 Shipments -8%, EBITDA -26%

- Lower beverage packaging shipments
- Less favorable metal benefits compared to abnormally favorable prior year quarter
- Higher energy and other cost inflation



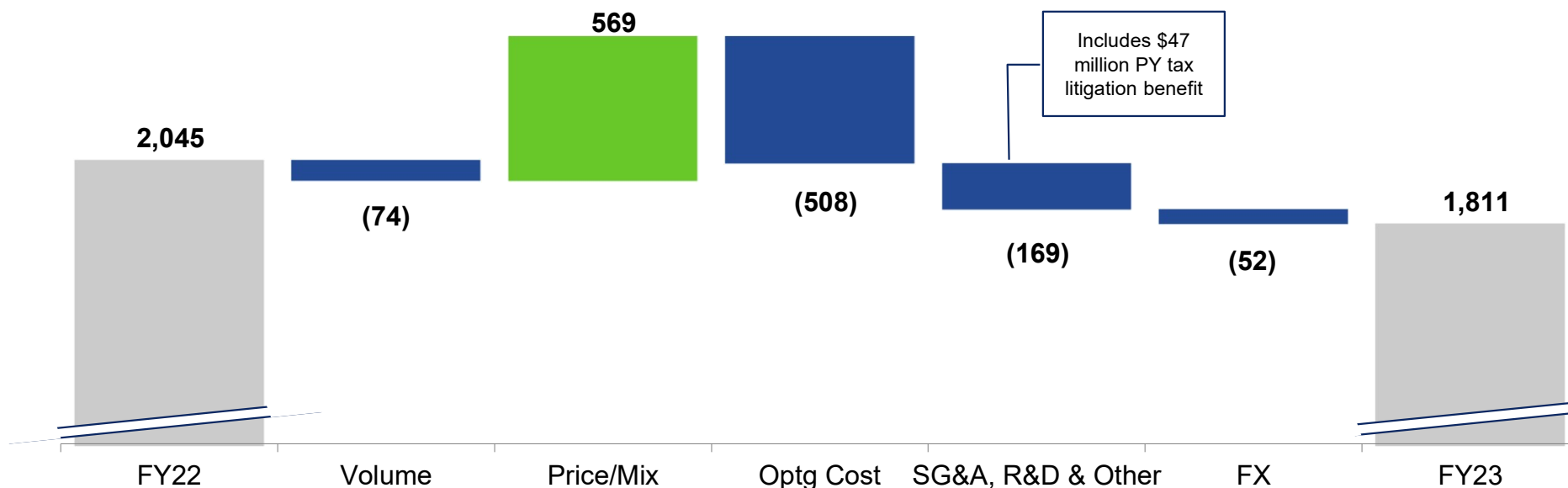
# FULL YEAR FY23 FINANCIAL HIGHLIGHTS

## FY23 vs FY22

- Net Sales up 8% to record \$18.5 billion
- FRP Shipments down 2% to 3,790kt
- Adjusted EBITDA down 11% to \$1.8 billion
- FY23 Adjusted EBITDA per ton \$478 compared to \$530 in FY22
- Net income from continuing operations down 35% to \$659 million
  - Net income from continuing items, excluding special items\* down 16% to \$781 million

### Adjusted EBITDA bridge

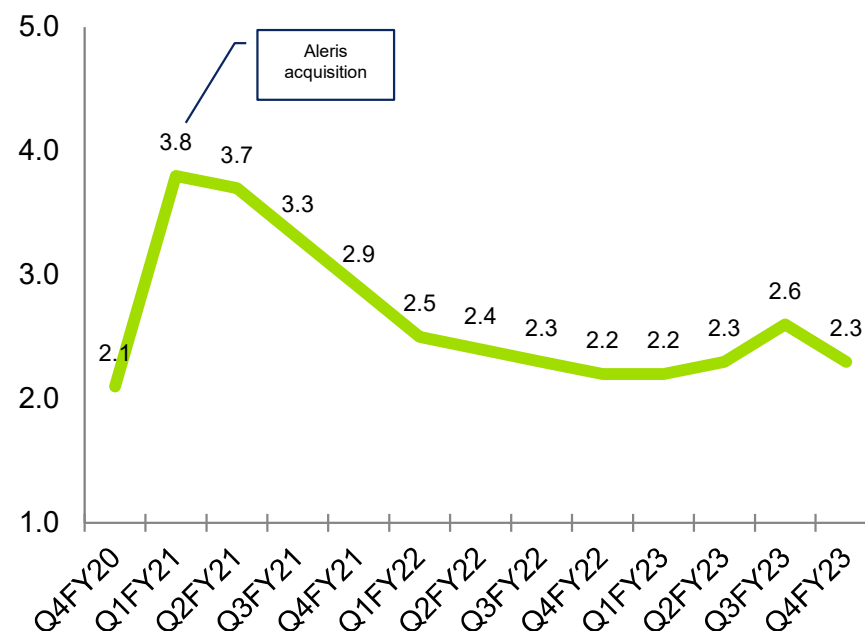
(\$ millions)



# ADJUSTED FREE CASH FLOW AND NET LEVERAGE

	FY23	FY22
\$ Millions		
Adjusted EBITDA	1,811	2,045
Interest paid	(258)	(210)
Taxes paid	(184)	(251)
Capital expenditures	(786)	(446)
Metal price lag	(130)	166
Working capital & other	(10)	(655)
<b>Adjusted free cash flow from continuing operations</b>	<b>443</b>	<b>649</b>
Adjusted free cash flow from disc. operations	(12)	11
<b>Adjusted free cash flow</b>	<b>431</b>	<b>660</b>
<b>Adjusted free cash flow from continuing operations before capex</b>	<b>1,229</b>	<b>1,095</b>

Net Leverage ratio (Net debt/TTM Adjusted EBITDA)



- Good working capital management more than offset lower after-tax Adjusted EBITDA and higher growth capital expenditures compared to prior year
- Strong net leverage ratio 2.3x and total liquidity of \$2.6 billion at March 31, 2023
- Expect FY24 capital expenditures to be \$1.6 billion-\$1.9 billion, including approximately \$300 million for maintenance capital, to support announced capacity expansions

# OUTLOOK & SUMMARY

## Beverage Packaging



- Long-term view unchanged, but muted near-term demand
  - Customer inventory reduction adjustments continue
  - Fundamental sustainable packaging preferences, product innovation and growing consumption trends to drive long-term demand CAGR 3% (CY22-31)

## Automotive



- Strong near and long-term view of demand
  - Easing supply chain challenges & pent-up demand increasing vehicle production
  - Increasing share of electric vehicles in production mix favors aluminum use
  - Long-term demand CAGR 11% (FY23-28)

## Specialty



- Cyclical end markets seeing near-term softness
  - Inflation & interest rate pressure, mainly in housing markets
  - Demand broadly moves with GDP, and supported by sustainability & product innovation

## Aerospace



- Strong recovery in passenger air travel continues
  - Post-pandemic travel increasing
  - OEM's forecasting strong growth in aircraft build rates
  - Sustainability growing in importance

- Committed to our transformational growth journey to further strengthen industry leading position
- Pacing spend of growth capital expenditures, prioritizing \$3.3 billion of projects already under way
- Timing of other identified potential investment opportunities based on market conditions

## Fully integrated US rolling & recycling facility

\$2.5 billion for a 600kt finished good state-of-the-art facility in Bay Minette, US

## Stand-alone recycling investments

- \$365 million in Guthrie, US
- \$50 million in Ulsan, South Korea

## Debottlenecking/ high-return rolling capacity release

\$350 million globally for ~265kt finished good capacity FY24-26

- US: Oswego & Logan
- South Korea: Yeongju
- Brazil: Pinda

- Delivering solid performance in challenging and uncertain macro-economic environment
- Maintaining a strong balance sheet and strong operating cash flow
- Long-term aluminum FRP demand fundamentals intact
- Disciplined approach to advancing multi-billion-dollar strategic investment plan to grow with our customers
- Continue working across the value chain to achieve sustainability goals



**THANK YOU**  
**QUESTIONS?**

# APPENDIX



# NET INCOME RECONCILIATION TO ADJUSTED EBITDA



(in \$ m)	Q1	Q2	Q3	Q4	FY22	Q1	Q2	Q3	Q4	FY23
<b>Net income attributable to our common shareholder</b>	<b>240</b>	<b>237</b>	<b>262</b>	<b>215</b>	<b>954</b>	<b>307</b>	<b>183</b>	<b>12</b>	<b>156</b>	<b>658</b>
- Noncontrolling interests	-	-	-	1	1	(1)	-	-	-	(1)
- Income tax provision	108	79	89	5	281	87	65	(6)	1	147
- Interest, net	56	59	52	51	218	54	61	69	70	254
- Depreciation and amortization	134	134	137	145	550	138	134	133	135	540
<b>EBITDA</b>	<b>538</b>	<b>509</b>	<b>540</b>	<b>417</b>	<b>2,004</b>	<b>585</b>	<b>443</b>	<b>208</b>	<b>362</b>	<b>1,598</b>
- Unrealized loss (gain) on derivatives	4	16	(26)	34	28	(42)	21	1	(3)	(23)
- Realized (gain) loss on derivative instruments not included in segment income	(1)	-	-	(1)	(2)	(1)	(1)	(1)	(1)	(4)
- Adjustment to reconcile proportional consolidation	14	15	17	10	56	14	13	13	13	53
- Loss on sale of fixed assets	-	2	3	3	8	1	-	-	-	1
- (Gain) loss on extinguishment of debt	(2)	64	1	1	64	-	-	-	-	-
- Loss (gain) from discontinued operations, net of tax	63	2	(3)	1	63	1	1	-	-	2
- Restructuring and impairment (reversals) expenses, net	(2)	-	3	-	1	1	1	5	26	33
- Gain on sale of business	-	-	(15)	-	(15)	-	-	-	-	-
- Metal price lag (income) expense	(54)	(59)	(14)	(39)	(166)	(3)	24	109	-	130
- Other, net	(5)	4	-	5	4	5	4	6	6	21
<b>Adjusted EBITDA</b>	<b>\$555</b>	<b>\$553</b>	<b>\$506</b>	<b>\$431</b>	<b>\$2,045</b>	<b>\$561</b>	<b>\$506</b>	<b>\$341</b>	<b>\$403</b>	<b>\$1,811</b>

# ADJUSTED FREE CASH FLOW

	(in \$ m)	Q1	Q2	Q3	Q4	FY22	Q1	Q2	Q3	Q4	FY23
Cash provided by operating activities – continuing operations		65	274	164	629	1,132	44	152	125	899	1,220
Cash used in investing activities – continuing operations		(94)	(87)	(96)	(196)	(473)	(120)	(170)	(188)	(297)	(775)
Plus: Cash used in Acquisition of business and other investments, net of cash acquired		-	-	-	-	-	4	-	-	3	7
Less: Proceeds from sale of assets and business, net of transaction fees, cash income taxes and hedging		(1)	1	(9)	(1)	(10)	-	-	(5)	(4)	(9)
<b>Adjusted free cash flow from continuing operations</b>		<b>\$(30)</b>	<b>\$188</b>	<b>\$59</b>	<b>\$432</b>	<b>\$649</b>	<b>\$(72)</b>	<b>\$(18)</b>	<b>\$(68)</b>	<b>\$601</b>	<b>\$443</b>
Net cash provided by (used in) operating activities – discontinued operations		(3)	(2)	17	(1)	11	(1)	(5)	(6)	-	(12)
<b>Adjusted free cash flow</b>		<b>\$(33)</b>	<b>\$186</b>	<b>\$76</b>	<b>\$431</b>	<b>\$660</b>	<b>\$(73)</b>	<b>\$(23)</b>	<b>\$(74)</b>	<b>\$601</b>	<b>\$431</b>

	(in \$ m)	Q1	Q2	Q3	Q4	FY22	Q1	Q2	Q3	Q4	FY23
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Capital expenditures		101	93	93	159	446	110	174	178	324	786
<b>Adjusted free cash flow from continuing operations before capex</b>		<b>\$71</b>	<b>\$281</b>	<b>\$152</b>	<b>\$591</b>	<b>\$1,095</b>	<b>\$38</b>	<b>\$156</b>	<b>\$110</b>	<b>\$925</b>	<b>\$1,229</b>

# NET DEBT AND LIQUIDITY

	(in \$ m)	Q1	Q2	Q3	Q4	FY22	Q1	Q2	Q3	Q4	FY23
Long-term debt, net of current portion		4,960	4,942	4,984	4,967	4,967	4,894	4,850	4,875	4,881	4,881
Current portion of long-term debt		541	443	340	26	26	59	63	84	88	88
Short-term borrowings		359	247	373	529	529	603	858	896	671	671
Cash and cash equivalents		(872)	(659)	(808)	(1,070)	(1,070)	(1,037)	(1,145)	(1,126)	(1,498)	(1,498)
<b>Net debt</b>		<b>\$4,988</b>	<b>\$4,973</b>	<b>\$4,889</b>	<b>\$4,452</b>	<b>\$4,452</b>	<b>\$4,519</b>	<b>\$4,626</b>	<b>\$4,729</b>	<b>\$4,142</b>	<b>\$4,142</b>

	(in \$ m)	Q1	Q2	Q3	Q4	FY22	Q1	Q2	Q3	Q4	FY23
Cash and cash equivalents		872	659	808	1,070	1,070	1,037	1,145	1,126	1,498	1,498
Availability under committed credit facilities		1,380	1,490	1,514	1,499	1,499	1,341	1,642	1,018	1,101	1,101
<b>Liquidity</b>		<b>\$2,252</b>	<b>\$2,149</b>	<b>\$2,322</b>	<b>\$2,569</b>	<b>\$2,569</b>	<b>\$2,378</b>	<b>\$2,787</b>	<b>\$2,144</b>	<b>\$2,599</b>	<b>\$2,599</b>