

# NOVELIS Q2 FISCAL YEAR 2021 EARNINGS CONFERENCE CALL

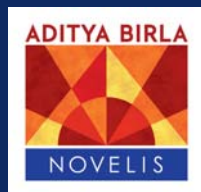
November 9, 2020

**Steve Fisher**

President and Chief Executive Officer

**Dev Ahuja**

Senior Vice President and Chief Financial Officer



Novelis

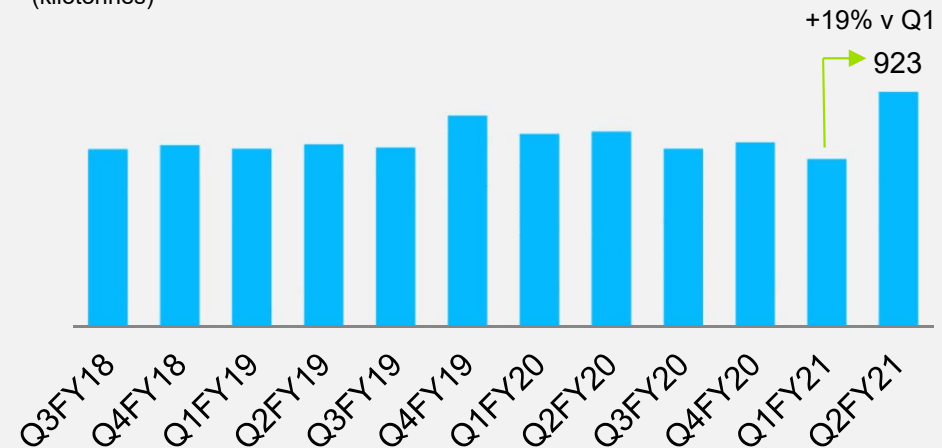
## Forward-looking statements

Statements made in this presentation which describe Novelis' intentions, expectations, beliefs or predictions may be forward-looking statements 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 news release are statements about our expectations about strengthening and growing the business with expansion projects or achieving synergies associated with the acquisition. 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: changes in the prices and availability of aluminum (or premiums associated with such prices) or other materials and raw materials we use; the capacity and effectiveness of our hedging activities; relationships with, and financial and operating conditions of, our customers, suppliers and other stakeholders; fluctuations in the supply of, and prices for, energy in the areas in which we maintain production facilities; our ability to access financing including in connection with potential acquisitions and investments; risks relating to, and our ability to consummate, pending and future acquisitions, investments or divestitures; changes in the relative values of various currencies and the effectiveness of our currency hedging activities; factors affecting our operations, such as litigation, environmental remediation and clean-up costs, labor relations and negotiations; breakdown of equipment and other events; economic, regulatory and political factors within the countries in which we operate or sell our products, including changes in duties or tariffs; competition from other aluminum rolled products producers as well as from substitute materials such as steel, glass, plastic and composite materials; changes in general economic conditions including deterioration in the global economy; the risks of pandemics or other public health emergencies, including the continued spread and impact of, and the governmental and third-party responses to risks arising out of our acquisition of Aleris Corporation including risks associated with related divestiture requirements and uncertainties inherent in the acquisition method of accounting; disruption to our global aluminum production and supply chain as a result of COVID-19; changes in government regulations, particularly those affecting taxes, derivative instruments, environmental, health or safety compliance; changes in interest rates that have the effect of increasing the amounts we pay under our credit facilities and other financing agreements; and our ability to generate cash. The above list of factors is not exhaustive. Other important risk factors are included under the caption "Risk Factors" in our upcoming Annual Report on Form 10-K for the fiscal year ended March 31, 2020.

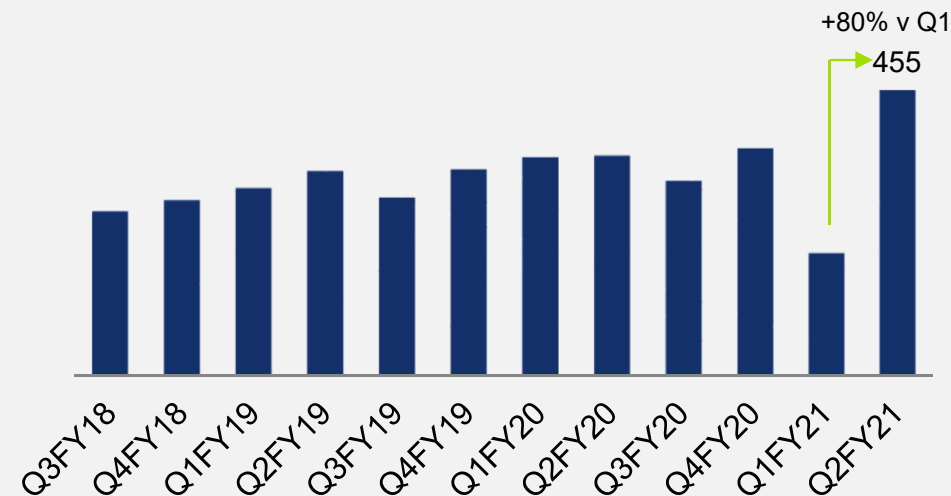
# HIGHLIGHTS

- Expanded footprint, strong market demand and good cost control drove record shipments & Adjusted EBITDA in Q2
  - Significant sequential improvement in results compared to Q1FY21
  - Stronger than expected market recovery, particularly in automotive and B&C
  - Diligent cost control across fixed operating, SG&A and R&D costs, and non-strategic capital spending
- Maintaining strong liquidity and balance sheet
- Achieving milestones in post-acquisition integration & divestment activities
- Diverse global footprint and product portfolio provides competitive advantage as some pandemic uncertainty remains

Quarterly Shipments  
(kilotonnes)



Quarterly Adjusted EBITDA  
(\$ millions)





## Protecting our Employees

- Top priority to help ensure the safety, health and well-being of our employees, facilities and communities



## Operational Impact

- All plants are operational, nearly all running at capacity levels
- Commissioning progress at Guthrie and Changzhou automotive finishing lines



## Strong Financial Position

- Actively managing costs to respond to market conditions
- Prioritizing strategic and maintenance capex
- Maintaining strong liquidity and cash position



## Customer Demand Impact

### Beverage can:

- Higher at-home consumption favors can, particularly in North & South America
- Europe & Asia generally resilient, but some impact from reduced tourism

### Automotive:

- Sharp recovery in US & Europe in Q2 after spring shutdowns
- China increased demand for EVs, SUVs and luxury vehicles
- Limited medium-term visibility

### Specialties:

- Recovery broadly across end markets

### Aerospace:

- Reduced build rates due to lower consumer air travel

- On April 14, 2020, Novelis completed its acquisition of Aleris
  - Completed divestment of Duffel to ALVANCE on September 30 for €310 million
  - Signed an agreement with American Industrial Partners on November 8 to sell Lewisport for estimated \$171 million net cash proceeds
- Accelerating organic expansion projects to meet strong customer demand
  - Guthrie, US automotive finishing line in customer qualification with commercial shipments end of FY21
  - Changzhou, China automotive finishing line qualification to begin Q3FY21; commercial shipments early FY22
  - Pinda, Brazil expansion on track to commission in FY22



*Guthrie operator unloading a coil for pretreatment processing*



*Coil handling system equipment on site in Pinda*

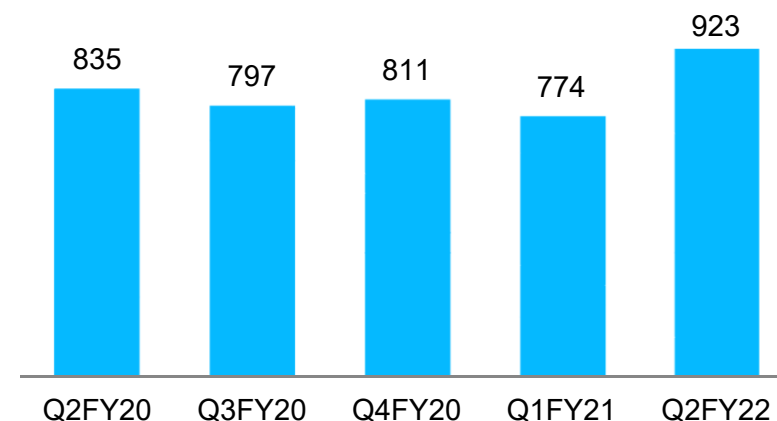
# FINANCIAL HIGHLIGHTS

# Q2 FISCAL 2021 FINANCIAL HIGHLIGHTS

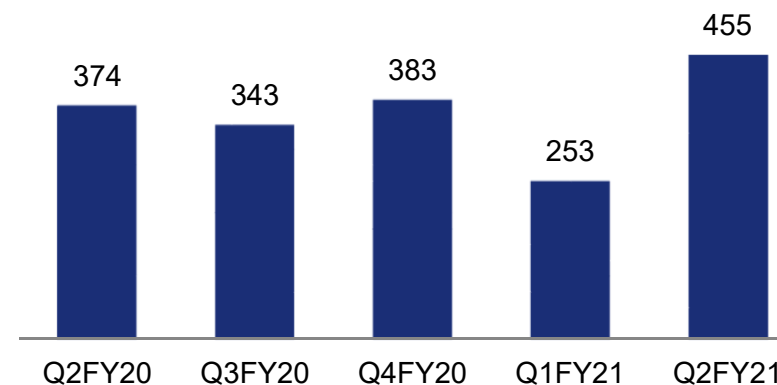
Q2FY21 vs Q2FY20

- Net loss \$37 million, includes \$181 million loss from discontinued operations
- Net Income from continuing operations \$144 million, up 17%
  - Excluding tax-effected special items, net income from continuing operations of \$158 million
- Adjusted EBITDA up 22% from \$374 million to record \$455 million
- Adjusted EBITDA per ton \$493
- Sales up 4% to \$3.0 billion
- Total FRP Shipments up 11% to record 923 kilotonnes
  - Addition of acquired business
  - Automotive shipments doubled from Q1, up slightly YoY
  - Resilient Can shipments up sequentially from Q1, down low single digits YoY

Quarterly Shipments trend  
(kilotonnes)

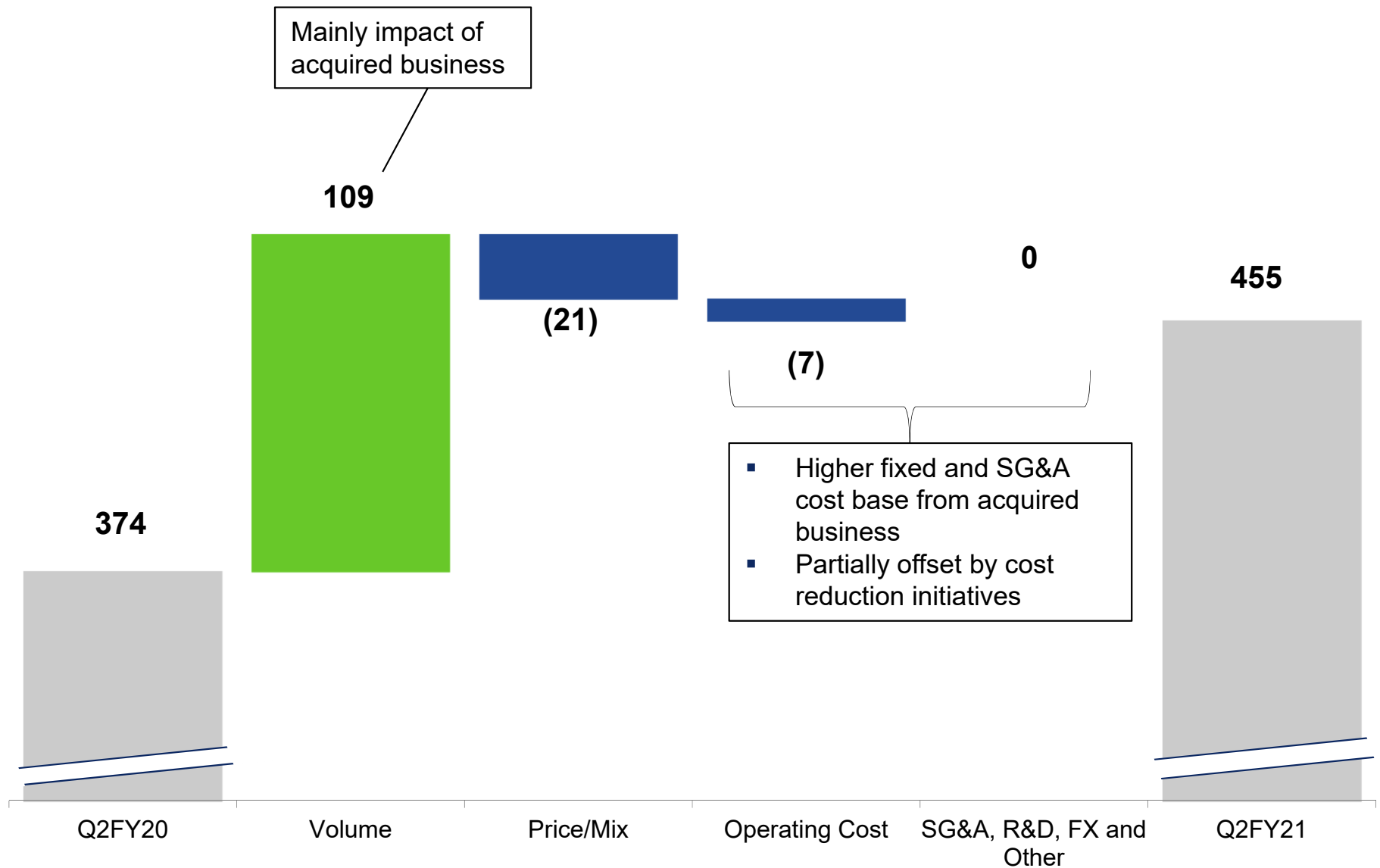


Quarterly Adjusted EBITDA trend  
(\$ millions)



# Q2 ADJUSTED EBITDA BRIDGE

\$ Millions

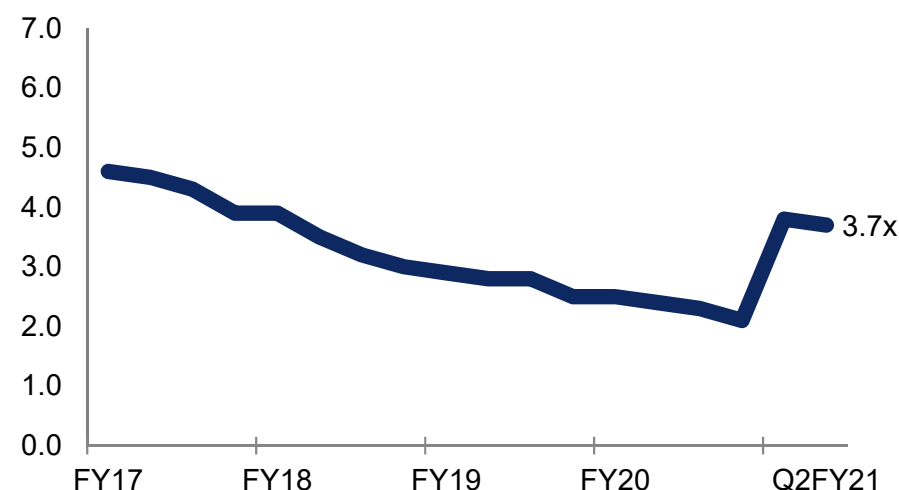




# FREE CASH FLOW AND NET LEVERAGE

\$ Millions	1H FY21	1H FY20
Adjusted EBITDA	708	746
Interest paid	(124)	(116)
Taxes paid	(88)	(99)
Capital expenditures	(222)	(305)
Working capital & other	(105)	(208)
<b>Free cash flow from continuing operations</b>	<b>169</b>	<b>18</b>
Free cash flow from discontinued operations	(37)	-
<b>Free cash flow</b>	<b>132</b>	<b>18</b>
<b>Free cash flow before capex</b>	<b>354</b>	<b>323</b>

Net Leverage ratio  
Net debt/TTM Adjusted EBITDA



- Generating robust operating cash flow through working capital and reduced capital expenditures
- FY21 other exceptional items include \$50 million Q1 donation and negative metal price lag
- Net leverage ratio reduced to 3.7x
- Strong liquidity levels \$2.6 billion as of September 30

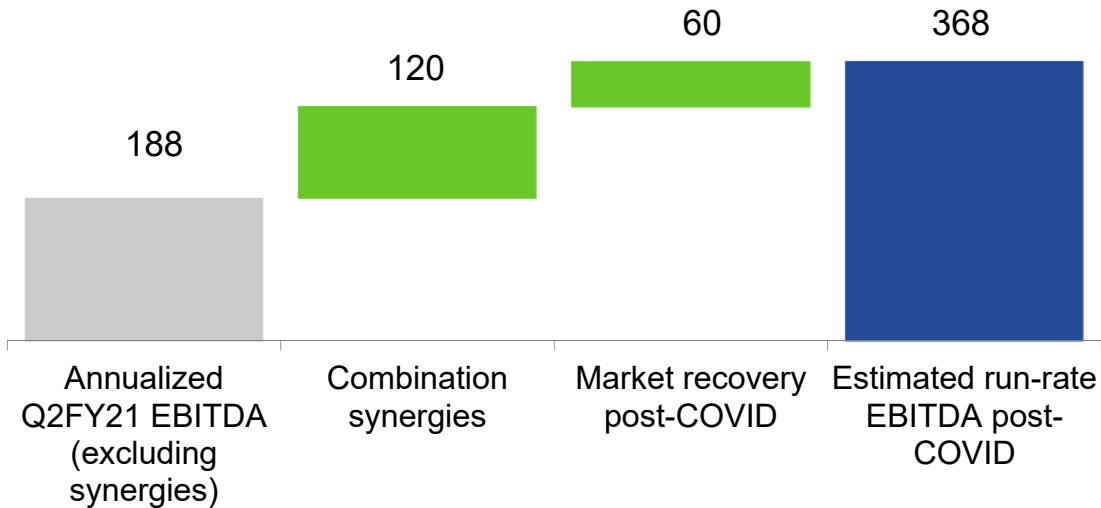
# ALERIS INTEGRATION UPDATE

# STRONG STRATEGIC RATIONALE FOR TRANSACTION

Rationale	Entire Aleris Portfolio	Without Lewisport & Duffel
Diversify portfolio, including entry into high-value Aerospace	✓	✓
Fully integrate China Automotive business	✓	✓
Auto Diversification and Growth	✓	Achieved through organic growth
Generate Run-Rate Synergies	~\$150 million ~50/50 split between China & combination synergies	>\$180 million >\$65M China ~\$120M combination

# PATH TO SIGNIFICANT ALERIS EBITDA CONTRIBUTION

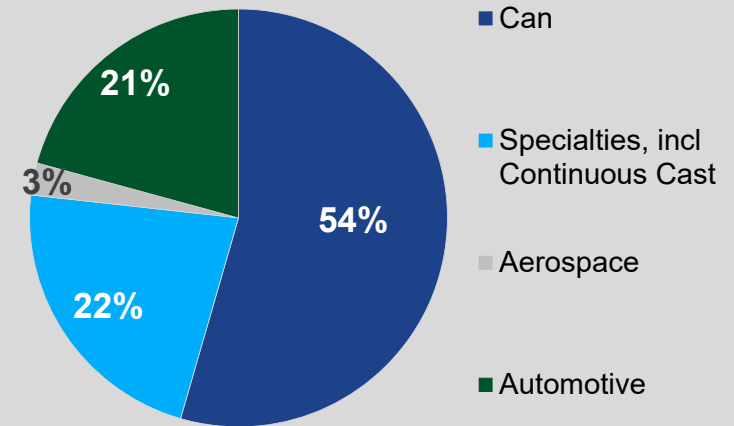
\$ Millions



## Path to ~\$370 million EBITDA run-rate post-COVID

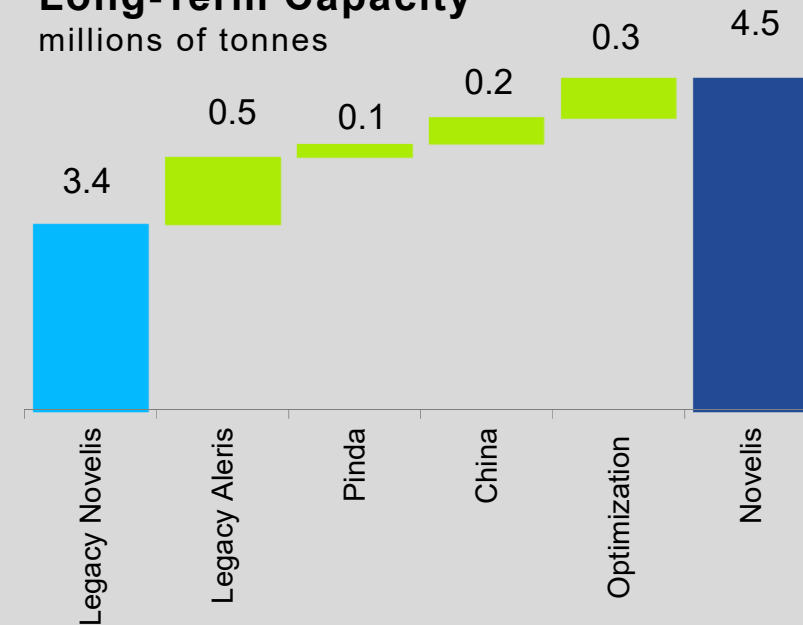
- Annualized Q2FY21 Aleris EBITDA, less synergies already achieved
- Stronger than forecast combination cost synergies identified
- Base-case assumption for market recovery post-COVID
- Does not yet reflect growth from full capacity utilization, efficiencies, or China synergies

## Directional Consolidated FY23 Shipment Mix



## Directional Consolidated Long-Term Capacity

millions of tonnes



- Integration of Aleris continuing operations to drive synergies and value capture
- Strong customer relationships across diversified product portfolio, operational excellence, and expanded global presence delivers record quarterly results
- Business model durability to sustain operations and provide flexibility during COVID-related uncertainty
- Well positioned to support strong customer near-term order book across end-markets
- Actively managing costs, capital spending and liquidity levels
- Working towards completion of organic expansion projects to strengthen and grow our business for the long term



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

# APPENDIX

# NET INCOME RECONCILIATION TO ADJUSTED EBITDA

(in \$ m)	Q1	Q2	Q3	Q4	FY20	Q1 FY21	Q2 FY21
<b>Net income (loss) attributable to our common shareholder</b>	<b>127</b>	<b>123</b>	<b>107</b>	<b>63</b>	<b>420</b>	<b>(79)</b>	<b>(37)</b>
- Noncontrolling interests	-	-	-	-	-	-	-
- Income tax provision	63	45	49	21	178	(29)	68
- Interest, net	62	58	57	57	234	67	69
- Depreciation and amortization	88	88	91	94	361	118	141
<b>EBITDA</b>	<b>340</b>	<b>314</b>	<b>304</b>	<b>235</b>	<b>1,193</b>	<b>77</b>	<b>241</b>
- Unrealized (gain) loss on derivatives	(6)	(3)	(6)	11	(4)	33	(6)
- Realized (gain) loss on derivative instruments not included in segment income	2	1	(1)	(2)	-	3	1
- Adjustment to reconcile proportional consolidation	15	14	13	15	57	14	15
- (Gain) loss on sale of fixed assets	(1)	(1)	1	2	1	(2)	-
- Loss on extinguishment of debt	-	-	-	71	71	-	-
- Purchase price accounting adjustments	-	-	-	-	-	28	1
- Loss from discontinued operations, net of tax	-	-	-	-	-	18	11
- Loss on sale of discontinued operations, net of tax	-	-	-	-	-	-	170
- Restructuring and impairment, net	1	32	3	7	43	1	7
- Metal price lag (income) expense	2	5	11	20	38	20	12
- Business acquisition and other integration costs	17	12	17	17	63	11	-
- Other, net	2	-	1	7	10	50	3
<b>Adjusted EBITDA</b>	<b>\$372</b>	<b>\$374</b>	<b>\$343</b>	<b>\$383</b>	<b>\$1,472</b>	<b>\$253</b>	<b>\$455</b>



# FREE CASH FLOW AND LIQUIDITY

	(in \$ m)	Q1	Q2	Q3	Q4	FY20	Q1 FY21	Q2 FY21
Cash provided by (used in) operating activities – continuing operations		57	240	167	498	962	(129)	498
Cash provided by (used in) investing activities – continuing operations		(149)	(127)	(124)	(175)	(575)	(2,637)	(185)
Plus: Cash used in Acquisition of a business, net of cash acquired		-	-	-	-	-	2,550	64
Plus: Accrued merger consideration		-	-	-	-	-	70	(60)
Less: (proceeds) outflows from sale of assets, net of transaction fees, cash income taxes and hedging		(2)	(1)	-	-	(3)	-	(2)
<b>Free cash flow from continuing operations</b>		<b>\$(94)</b>	<b>\$112</b>	<b>\$43</b>	<b>\$323</b>	<b>\$384</b>	<b>\$(146)</b>	<b>\$315</b>
Net cash used in operating activities – discontinued operations		-	-	-	-	-	(15)	(6)
Net cash provided by investing activities – discontinued operations		-	-	-	-	-	10	197
Less: Proceeds from sale of assets and businesses, net of transaction fees, cash income taxes and hedges - discontinued operations		-	-	-	-	-	-	(223)
<b>Free cash flow</b>		<b>\$(94)</b>	<b>\$112</b>	<b>\$43</b>	<b>\$323</b>	<b>\$384</b>	<b>\$(151)</b>	<b>\$283</b>
Capital expenditures		162	143	122	177	604	109	113

	(in \$ m)	Q1	Q2	Q3	Q4	FY20	Q1 FY21	Q2 FY21
Cash and cash equivalents		859	935	1,031	2,392	2,392	1,729	1,627
Cash and cash equivalents of discontinued operations		-	-	-	-	-	89	-
Availability under committed credit facilities		870	875	838	186	186	308	1,005
<b>Liquidity</b>		<b>\$1,729</b>	<b>\$1,810</b>	<b>\$1,869</b>	<b>\$2,578</b>	<b>\$2,578</b>	<b>\$2,126</b>	<b>\$2,632</b>