

# STRATEGY AND PLANT TOUR UPDATE

## 10 NOVEMBER 2017



**HULAMIN**  
Think future. Think aluminium.

### I. Strengthen the core to compete today



- Cost competitiveness
- Operational performance
- Risk management
- Maximize asset productivity
- Product mix optimisation
- Leverage existing Hulamín brand strength for better margins
- Rationalize product portfolio
- Capital discipline

### II. Improve rolling margins to grow



- Leverage Hulamín brand strength for better margins
- Develop new niche products
- Existing products
- New markets
- New channels
- Local /regional opportunities
- Increase scrap input
- Other business models e.g. trading of selected products in niche markets

### III. Build the assets of tomorrow to win



- Equipment to create niche differentiated positions for higher margins
- Scrap and recycling
- Vertical Integration
  - Isizinda
  - On site/ Downstream
  - Richards bay IDZ
- Drive industry transformation for improved market position
- Alliances with international players



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3

**STRENGTHEN THE CORE**

## **Drive free cash flow generation**

- Maximise production at optimum mix, stable flow
- Drive mix / margin improvement
- Focused, sustainable cost reduction
- Improve metal input mix
- Drive inventory efficiencies, shorten cash cycle to accelerate cash reduction
- Strengthen capital discipline

## **Strengthen financial stability, lay platform for growth**

- Reduce borrowings, cost of capital and improve liquidity
- Optimise hedging programme

## **Develop capabilities and culture to sustain and improve performance**

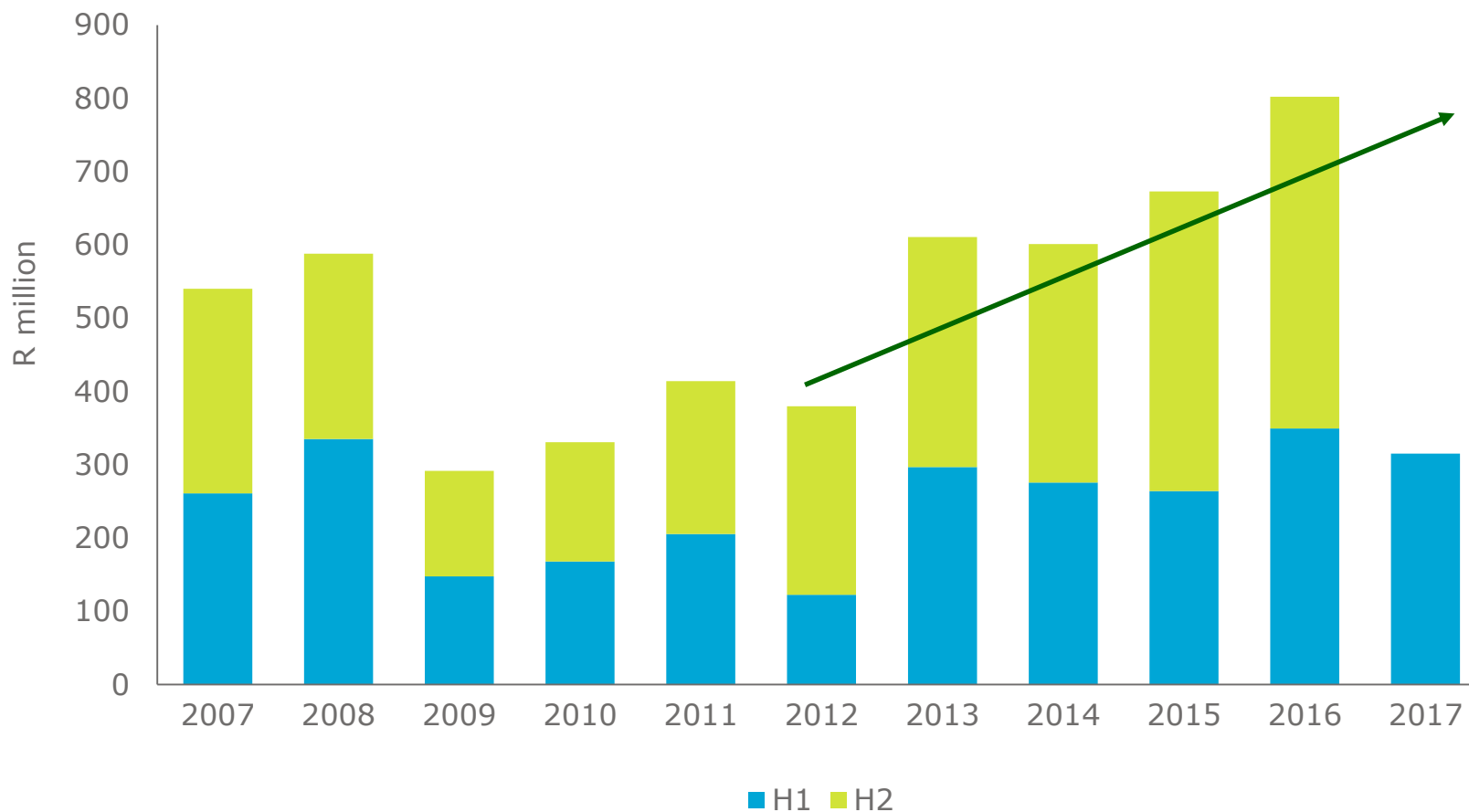
- Operating structure and operating model design
- Market intelligence and business development
- Operational coordination and planning
- Strategic project portfolio management
- Business performance management and risk management
- Winning culture grounded in execution

# IMPROVING FINANCIAL PERFORMANCE TRAJECTORY UNDERPINNED BY STRONGER OPERATING FUNDAMENTALS

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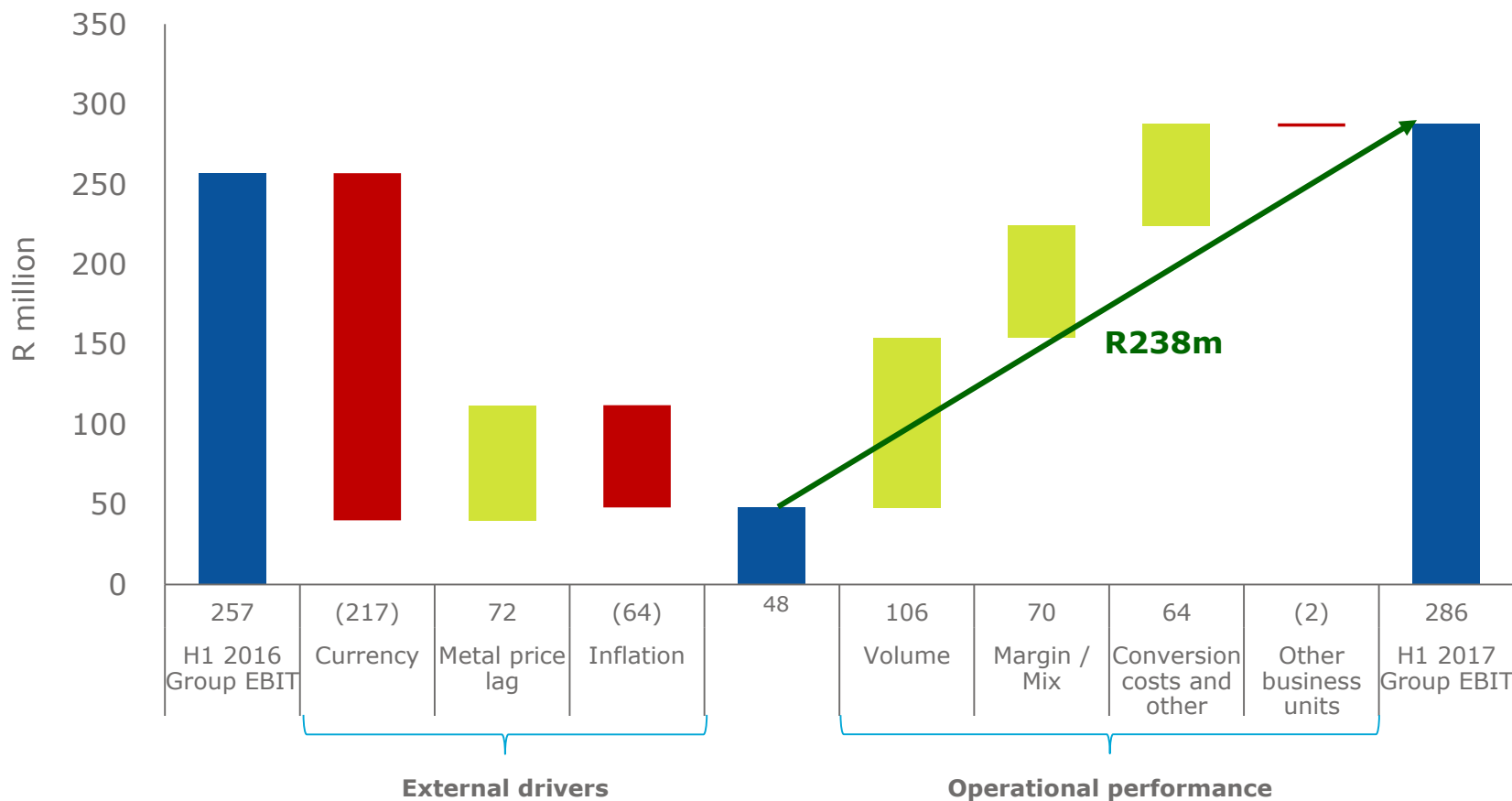
Normalised EBITDA before metal price lag



# DELIVERING STRONG OPERATIONAL PERFORMANCE

## H1 2016 VS H1 2017 EBIT BRIDGE

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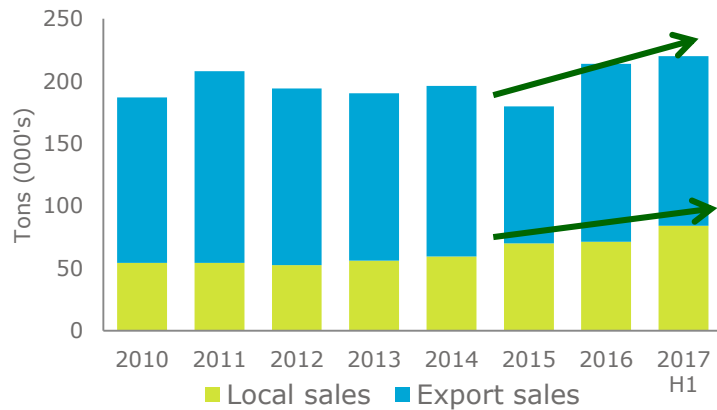
# POSITIVE MOMENTUM IN OPERATING PERFORMANCE

## KEY DRIVERS OF PERFORMANCE

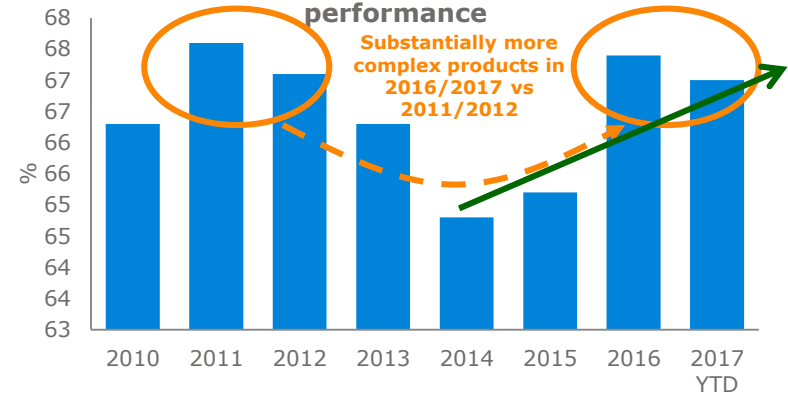


The turnaround in operational performance of the business during 2016 and 2017 has been notable, and we continue to build on these successes

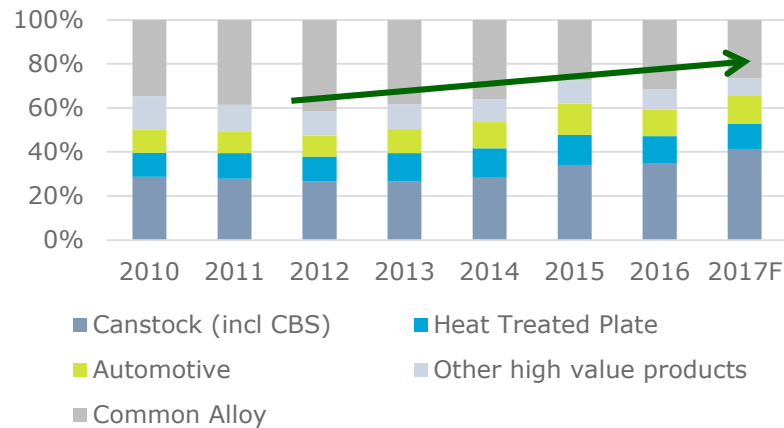
**Rolled Products sales volume**



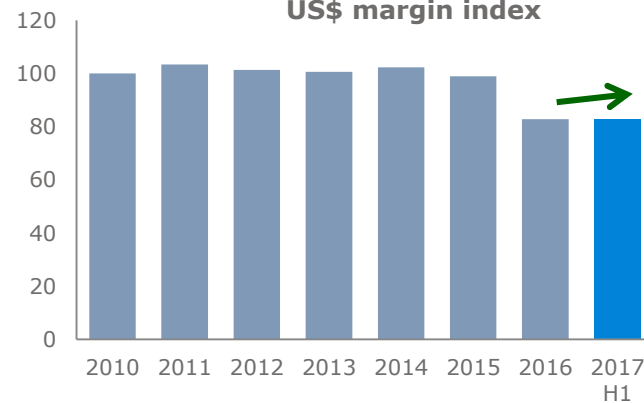
**Rolled Products yield/recovery performance**



**Product Sales Mix**



**US\$ margin index**

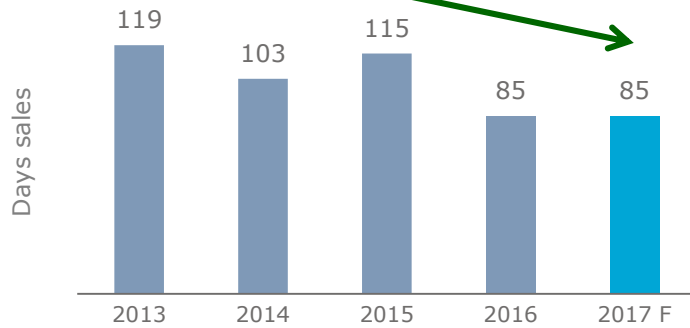


# POSITIVE MOMENTUM IN OPERATING PERFORMANCE

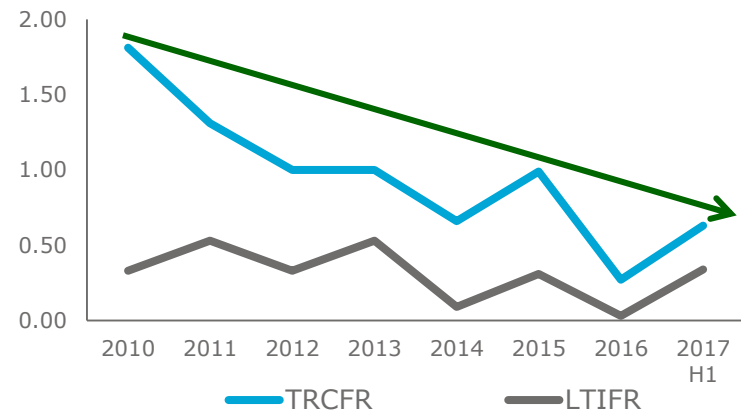
## KEY DRIVERS OF PERFORMANCE

Considerable strides in inventory efficiency, utilisation of scrap metal units and manufacturing cost reduction over the past 24 months, whilst continuing trajectory of safety performance improvements

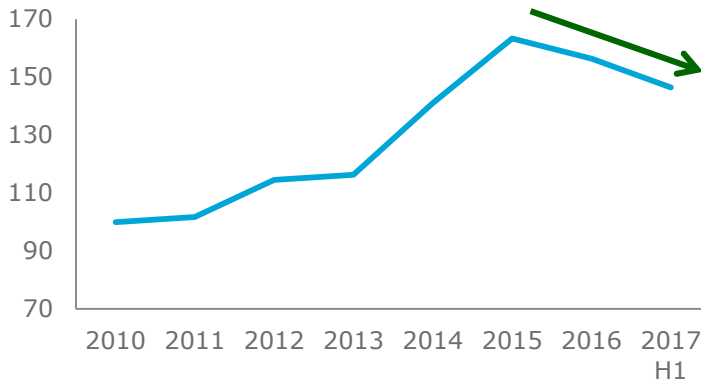
**Average inventory days**



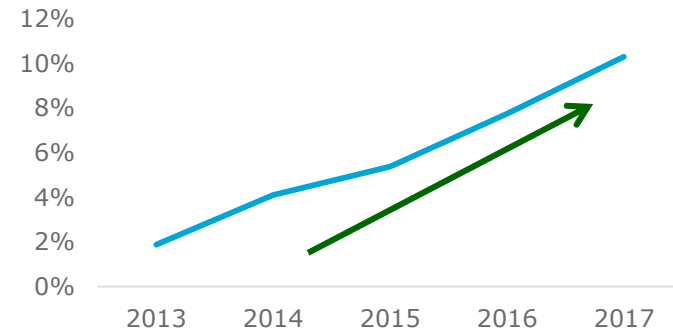
**Injury rate**



**Unit cost index in 2010 Rands**



**Utilisation of scrap metal units**





Focus areas	Progress	Medium-term target
<b>Drive cost competitiveness</b>	<ul style="list-style-type: none"> <li>• Cost management system rollout</li> <li>• Cost culture embedment programme</li> <li>• Cost reduction ambitions for FY2017 on target</li> </ul>	<ul style="list-style-type: none"> <li>• R300m cost reduction</li> </ul>
<b>Develop and sustain manufacturing performance</b>	<ul style="list-style-type: none"> <li>• Record 18-month performance</li> <li>• Strengthening process control</li> <li>• Focus on equipment reliability, integrated shut in Q3</li> <li>• Business improvement projects</li> <li>• Safety</li> <li>• Competency and capability development</li> </ul>	<ul style="list-style-type: none"> <li>• &gt;225kt of rolled products at optimum mix</li> </ul>
<b>Improve metal input mix</b>	<ul style="list-style-type: none"> <li>• Rapid growth in scrap utilisation</li> <li>• Leveraging investment in recycling</li> </ul>	<ul style="list-style-type: none"> <li>• Scrap &gt;20% of input metal</li> </ul>
<b>Grow rolling margins</b>	<ul style="list-style-type: none"> <li>• Growth in local market sales and end-user mix</li> <li>• Investment in sales capability</li> </ul>	<ul style="list-style-type: none"> <li>• End-user mix &gt;70%</li> <li>• Local market sales &gt;50%</li> </ul>

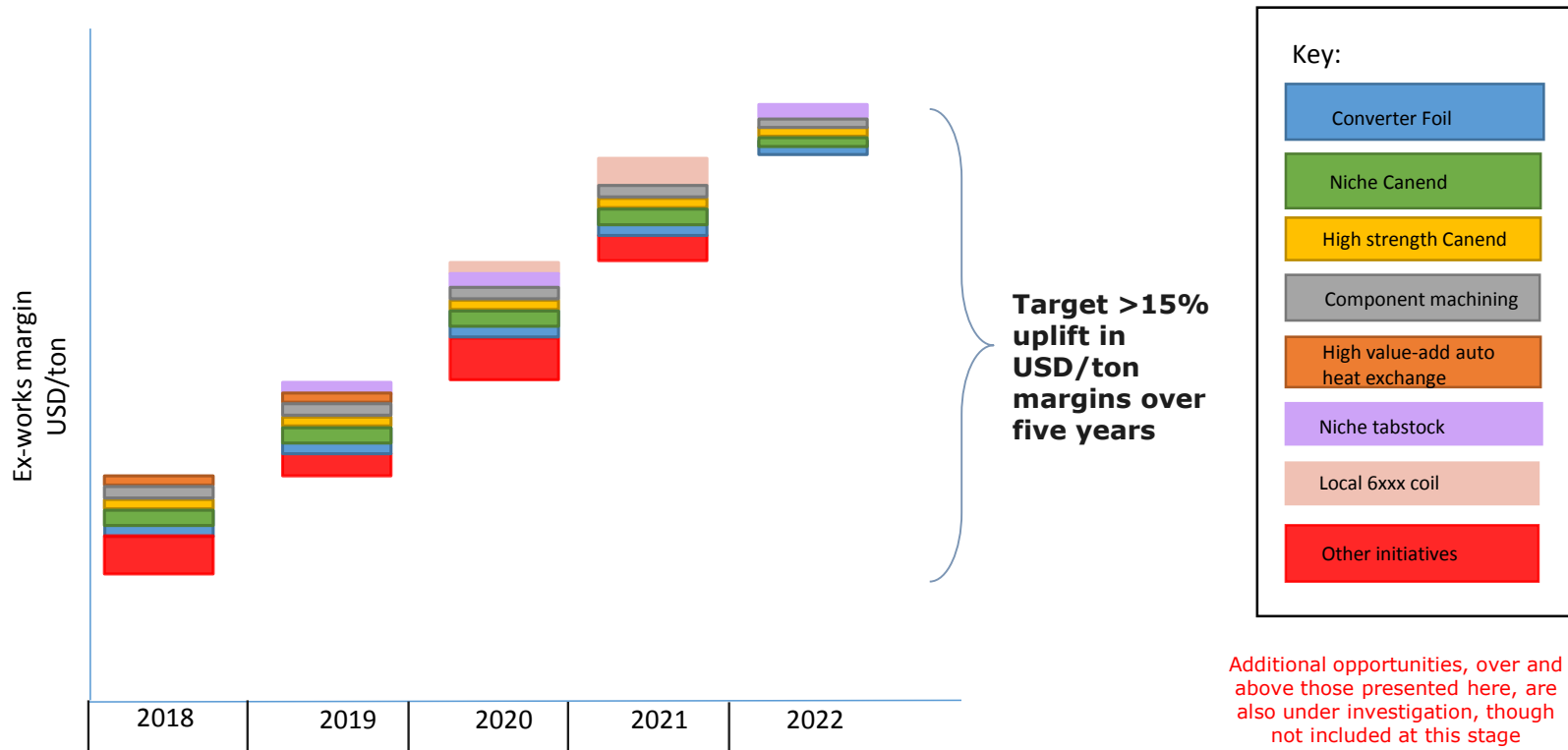
Focus areas	Progress	Medium-term target
<b>Reduce borrowings and cost of capital</b>	<ul style="list-style-type: none"> <li>• Committed working capital facility in place, covenant light</li> <li>• Adequate liquidity</li> <li>• Hedging strategy review</li> </ul>	<ul style="list-style-type: none"> <li>• Meaningful reduction in cost of capital</li> <li>• Capital structure to support growth</li> <li>• Reduced volatility in reported profits and cash flows</li> </ul>
<b>Working capital</b>	<ul style="list-style-type: none"> <li>• Significant improvements in inventory efficiencies</li> <li>• Focus on reducing receivable days and increasing payable days</li> </ul>	<ul style="list-style-type: none"> <li>• Working capital efficiency improvements &gt;20%</li> </ul>
<b>Capital discipline</b>	<ul style="list-style-type: none"> <li>• Strengthening asset management structure</li> <li>• Optimising stay-in-business capex</li> </ul>	<ul style="list-style-type: none"> <li>• Discipline maintained</li> </ul>



- 1
- 2
- 3

# IMPROVE ROLLING MARGINS

A summary of the specific higher margin opportunities to drive improvements in overall margins is summarised below



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- 1
  - 2
  - 3

**BUILD THE ASSETS OF TOMORROW**

## **UNDER CONSIDERATION/ BEING PLANNED**

- Equipment investments
  - High value auto heat exchange product investment
  - Precision machining investment to vertically integrate into component market
- Technology
- Alliances with international partners (USA, Europe and East)
- Scrap/ Castings – re-engineer existing kit
- Participation in horizontal integration in Isizinda

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