

## Consolidating a record year

Capral Limited (ASX:CAA) is Australia's largest extruder and distributor of aluminium extrusion and rolled products with ~26% market share. CAA has a strategic national footprint comprising six manufacturing plants, eight extrusion presses, eight distribution centres and 12 trade centres. The group has a diversified sector and product mix across residential (47%), industrial (42%) and commercial (11%). CY21 was a record earnings year, driven by a buoyant housing market, market-share gains from imports (supply chain disruptions and higher shipping costs) and investment in infrastructure. Volumes as a result were 25% higher than CY20 and revenues 37% with the balance attributed to higher aluminium prices. Strong operating leverage drove trading EBITDA 92% higher (to \$38.2m). CAA continues to focus on improving productivity and competitiveness relative to imports through process improvements, capital investment, product development and e-commerce/mobile. Guidance for CY22 implies a similar to slightly lower EBITDA relative to CY21 with some caution around both imports and general aluminium prices. CAA was the subject of a non-binding bid from Allegro in April 2021 at \$7.00/share which was quickly quashed by shareholders suggesting it undervalued the company. The share price sits 18% higher today.

### Business model

CAA manufactures and sells a range of extrusions for architectural and building solutions for residential and commercial uses, together with a range of extrusion, sheet and plate products to supply industrial fabricators and distributors. Building solutions includes framings systems for windows and doors, while industrial fabricators are prevalent across the transport, marine, seating and fencing sectors. The level of profitability is determined by the utilisation of manufacturing and distribution capacity and the level of aluminium prices.

### CY22 guidance wary of supply chain "normalisation"

Off a record trading EBITDA base of \$38.2m in CY21 management's guidance for CY22 is for trading EBITDA of between \$34m and \$38m. Trading EBITDA excludes LME, FX and includes rent payments; in CY21 trading EBITDA excluded \$2.8m in LME, FX revaluation and includes \$18.2m in rent payments. With LME prices for aluminium at historical highs a normalisation of global supply chains is expected to place some pressure on margins during CY22. That said, activity levels in residential, commercial and industrial are expected to remain buoyant during CY22.

### No pure-play listed peers but BlueScope a similar business

CAA as an extruder of aluminium billet should not be confused with the likes of Alcoa which actually mines the bauxite and alumina to create aluminium. Domestic competitors of CAA include the family-owned Ulrich Group, based out of New Zealand, which operates one extrusion plant and 25 branches. From a business model perspective BlueScope Steel (ASX:BSL) has similar attributes in that it creates a range of products from steel that are produced by the likes of China Baowu group in China. These products are subject to movements in commodity prices and typically used in residential and commercial construction. Interestingly, BSL also produced a record H1 FY22 result for similar reasons to CAA.

#### Historical earnings and ratios (in A\$m unless otherwise stated)

Year end	Revenue	Trading EBITDA*	NPAT adj.	NPAT rep.	EPS adj. (c)	EPS rep. (c)	EV/EBITDA (x)^	PER (x)^
12/18a	455.6	14.20	6.4	6.4	0.40	0.40	6.3	20.5
12/19a	419.0	11.02	(4.2)	(4.2)	0.19	0.12	8.2	42.9
12/20a	432.0	19.70	16.8	25.9	0.72	1.51	4.6	11.4
12/21a	593.0	38.20	42.7	45.8	1.80	2.42	2.4	4.6

Source: Company data; \*Trading EBITDA excludes LME and FX movements and includes rent payments, with NPAT and EPS adjusted for one-time, non-cash items ^based on current enterprise value

## Basic Materials

11<sup>th</sup> March 2022

### Share Details

ASX code	CAA
Share price	\$8.24
Market capitalisation	\$140.1M
Shares on issue	17.0M
Net cash at 31-Dec-2021	\$50.1M
Free float	85.2%

### Share Performance (12 months)



### Upside Case

- Aluminium prices remain elevated
- Buy Australia offsets normalising supply chain
- Strong economic activity in residential/industrial

### Downside Case

- Exports become materially cheaper
- Aluminium price falls reduce sell prices
- Higher operating costs squeeze margins

### Catalysts

- Meet/exceed guidance (H1/CY22 result)
- Capital management

### Comparable companies (Aust/NZ)

BlueScope Steel (ASX:BSL)

### Board and Management

Rex Wood-Ward	Ind. Non-Executive Chair
Tony Dragicevich	Managing Director/CEO
Tertius Campbell	CFO & Company Secretary
Philip Jobe	Non-Executive Director
Katherine Ostin	Non-Executive Director
Graeme Pettigrew	Ind. Non-Executive Director
Brian Tisher	Ind. Non-Executive Director
Mark White	Ind. Non-Executive Director

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# FINANCIAL SERVICES GUIDE

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**of**

**BR SECURITIES AUSTRALIA PTY LTD**

**ABN 92 168 734 530**

**AFSL 456663**

**Effective Date: 6<sup>th</sup> May 2021**



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- our services
- how we transact with you
- how we are paid, and
- complaint processes

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Website: [www.afca.org.au](http://www.afca.org.au); Email: [info@afca.org.au](mailto:info@afca.org.au); Telephone: 1800931678 (free call)

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