

23 February 2021

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Alumina Limited

Materials

BUY

AWC A\$1.64
TARGET PRICE A\$1.94

Alumina Limited (AWC) is an Australia-based company. AWC is engaged in investing in bauxite mining, alumina refining and selected aluminium smelting operations, through its 40% ownership of Alcoa World Alumina and Chemicals (AWAC). AWAC also has a 55% interest in the Portland aluminium smelter in Victoria, Australia.

Company Data

Number of shares	2,901.7 M
Market Capitalisation	\$4,903.8M
Free float (%)	81
12-month high/low	\$2.16/\$1.325
Average Daily Turnover (\$m)	26.0
% S&P/ASX200	0.26%
DDM Ranking	108
% All Ordinaries	0.22%
GICS Industry Group	Materials

Source: FactSet, Barclay Pearce Capital

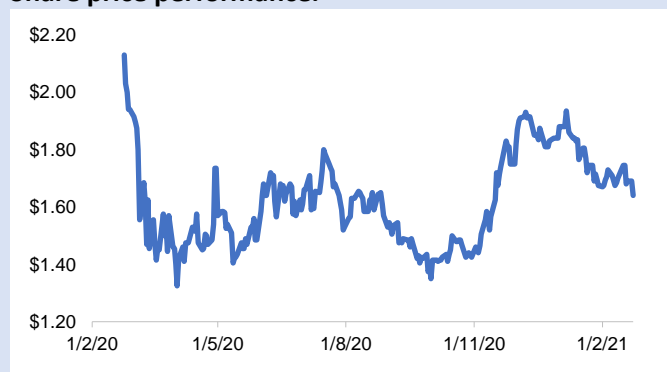
Earnings Summary (AUD)

Year end December	2020A	2021F	2022F	2023F
Revenue (\$M)	0.1	0.9	0.9	1.6
EBITDA (\$M)	-13.2	-14.9	-14.1	-17.7
Reported NPAT (\$M)	187.9	248.6	282.1	351.2
Adjusted NPAT (\$M)	186.3	276.0	297.3	380.8
Reported EPS (c)	6.5	9.6	11.9	13.1
Adjusted EPS (c - FD)	6.5	8.5	10.3	12.8
Adjusted EPS growth (%)	-62.2	19.8	20.8	24.1
Adjusted P/E (x)	26.0	19.8	16.4	13.2
Dividend (c/sh)	3.7	7.8	10.5	11.0
Gross yield (%)	3.1	6.9	9.4	9.8
Net yield (%)	2.2	4.8	6.6	6.8
ROIC (%)	6.7	12.5	13.2	17.9

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195, Capital IQ and Bloomberg.

Share price performance.



Source: FactSet, Barclay Pearce Capital

2020 Full Year Results

On 23rd February, Alumina Limited (AWC) released their results for the full year ended 31 December 2020 with the following highlights:

ALUMINA LIMITED KEY FINANCIALS	US\$ MILLION		
	FY 2020	FY 2019	Change
Net profit after tax	146.6	214.0	Down 31%
Net profit after tax excluding significant items	146.5	326.6	Down 55%
Net receipts from AWAC	182.7	420.9	Down 57%
Free cash flow available for dividends	165.7	402.1	Down 59%
Closing net debt	49.6	54.8	
Interim dividend (US cps)	2.8	4.4	Down 36%
Final dividend (US cps)	2.9	3.6	Down 19%

AWAC Highlights

- Cash cost per tonne of alumina produced improved by 5% per tonne compared to the previous year;
- Record bauxite and alumina production for the year;
- EBITDA of US\$895.9 million, a decrease of US\$364.8 million;
- Margin for alumina refineries was US\$69 per tonne, a decrease of US\$57 per tonne compared to the previous year; and
- Net cash inflows of US\$478.5 million, a decrease of US\$252.2 million.

AWC's CEO, Mike Ferraro, said, "Our profit and cashflow for the year demonstrated once again that AWAC's low-cost, long-life assets are resilient in the face of significant uncertainty."

"In a year where the world was significantly impacted by COVID, AWAC's mining and refinery operations both achieved record production. Underpinning this is AWAC's focus on health and safety, protecting the workforce, and safeguarding our long-life low-cost assets. AWAC's cash costs continued to fall and remain in the lowest quartile of the global cost curve. Just as important is our bottom quartile CO2 emissions intensity position for alumina refining. These factors together underpin AWAC's refineries' tier 1 status."

"Even in a challenging year, AWAC's low-cost assets have provided a final dividend that delivers an excellent return to shareholders."

Earnings changes

For CY21, AWC reported underlying NPAT of \$186.3 million, which compares with market consensus of \$225.1 million. Prices for resources have recovered from pandemic induced lows and demand is expected to increase during 2021. Hence, we expect negative earnings revisions of 5% for future periods.

Valuation

We are initiating on AWC with a price target of \$1.94 and a BUY recommendation. The price target is underpinned by our Valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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Hold – Describes stocks that are neither a buy nor underperform.

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Barclay Pearce Capital Recommendation Proportions

Buy	40.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)