Project: Aluminum Plate & Sheet

Prepared by: Reciprocus International

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Executive Summary

Reciprocus is delighted to present to you our initial views on potential growth of Aluminum Sheet & Plate in EMEA market

• Our indicative view is predicted on publicly available information and our knowledge of Aluminum Sheet & Plate in EMEA region.
• Our high-level research has identified a sustained and substantial overall demand from the EMEA region for Aluminum Plate and Sheet.
• The overall market is forecasted to grow steadily at 8.2% CAGR.
• This growth is supported by the key driver, which is mainly spurred by the increasing demand from the automotive, aerospace and can & packaging industries.
• We have identified one main potential growth opportunity in EMEA across our observation – France.
• Based on our research, France, among the EU 28 countries, has the highest import volume of aluminum sheet and plate from ASEAN countries, especially Thailand and Malaysia. The key driver includes the recovering of automotive industry and the booming can industry.
• We engage a competitor analysis and observed that there are 4 key market leaders in France – Castle Metals, Constellium, Novelis and Hydro.
• In our opinion, continuous investment in technology and generation of cost savings will be crucial for the aluminum sheet and plate vendors to sustain its competitiveness.
• Given the exciting prospects in the EMEA market, we would recommend company to explore and expand into other markets (particularly France) in EMEA region.
The global aluminum market is currently in a deficit due to the face of excess capacity and historically low price, which is largely caused by the overproduction of aluminum in China. On top of that, the slowdown in global economic growth in major nations has affected the overall demand for aluminum. However, with the international pressure to resolve the supply glut and the recovering of economy, the global aluminum market is expected to recover in the coming years. Specifically, the global aluminum sheet and plate market is forecasted to grow at 8.2% CAGR.

- China, France, Germany, South Korea and the US represent the largest aluminum sheet and plate markets while the strongest annual growth is forecast to occur in several European countries such as Slovakia, Armenia and Poland.
- Being a highly versatile metal, many industries make use of aluminum for goods production. Several industries that utilizes aluminum sheet and plates market is the automotive industry, can and packaging industry as well as aerospace industry. In particular, rising demand for aluminum can and packaging will be the key driver of industry growth.
- The demand for energy efficient, environmental friendly and sustainable metal by industries is set to boost the aluminum market as well.
Industry Outlook and Analysis

Porter’s 5 Forces Analysis

- **Power of Buyers:** Aluminum sheet and plate are required for production such as automobiles, planes and cans. As such, there will be a rather constant and inelastic demand for it.

- **Power of Sellers:** The bargaining power of suppliers is low due to the oversupply of aluminum in the market. As such, aluminum sheet and plate manufacturers are able to switch cost relatively easily.

- **Degree of Rivalry:** With the presence of major players such as Castle Metals, Alcoa and Constellium holding majority of the market share, companies in the aluminum sheet and plate industry may face strong competition.

- **Substitute Threat:** Aluminum is comparatively cheaper, lighter and durable as compared to other metals. However there are many other materials which may be used to substitute aluminum, such as copper, steel, glass, plastic etc...

- **Likelihood of New Entry:** There are relatively high barrier of entry in this industry due to factors such as high capital expenditure, long set-up time and large economies of scale.

Analysis Breakdown
The demand for aluminum sheet and plate in EU remains strong, although its growth rate has slowed down in the recent years. Two main industry driving the demand is the can industry and the automotive industry.

The EU can market enjoyed growth of almost 4% in 2014, with almost 63 billion beverage cans filled during the year. The increase demonstrates that drinks manufacturers and brewers are continuing to recognize the benefits of beverage cans over other types of container, and also highlights consumer preference for the can.

The automotive sector is one of EU’s most robust and resilient industries, which contributes significantly to its economy. Despite the slow down in global economic growth, new car registration in the EU rose 9.2% year-on-year, to 14.2 million, in 2015. Although it is still well below the record year of 2007, it indicates that consumers are expecting the economy to recover in the near future.

Despite the growing demand for aluminum sheet and plate, EU’s import volume from ASEAN is considered relatively small as compared to major players such as China and US. However, the high growth rate in identified ASEAN countries such as Malaysia and Thailand may signify emerging opportunities in aluminum sheet and plate market.
Opportunities Spotlight and Analysis

Why France?

Automotive Industry
- The automotive industry is still one of the largest contributors to France’s economy despite the decrease in vehicle production.
- Signs of recovery can be noticed from the 8.2% increase in production. Strong car making identities such as Peugeot Citroen, Renault and SEAT play a key role in the French automotive industry.

Can Industry
- From 1994 to 2014, France’s annual beverage can consumption per capita has jumped from 17 to 76 cans, which explains the 10% year-on-year growth of the industry.
- This is driven by consumer’s preference over plastic bottles as well as the recyclability of aluminum cans. Successful campaigns such as the “Chaque Canette Compte” continues to enhance the image of aluminum cans and promote its sustainability values.
Opportunities Spotlight and Analysis

Competitive Analysis: France

- Castle Metals is a recognized global leader in distribution and processing of high quality metals, covering the aerospace, oil and gas, nuclear and industrial sector.
- Has facilities strategically placed throughout North America, Europe and Asia.
- Competitive advantages include develop expertise only on a few industries and specialize in expert delivery of complex metal supply chain solutions on time and within budget.

- Constellium is a global sector leader strongly committed to designing and manufacturing aluminum product, dedicated primarily to the packaging, aerospace and automotive industry.
- Operates in 22 manufacturing sites in Europe, North America and China.
- Competitive advantages include selective participation of industries and top efficiency and operational performance.

Novelis

- Novelis is the world leader in rolled aluminum products and the largest recycler of aluminum in the world.
- Global footprint across four continents.
- Competitive advantages include strong emphasis on sustainability, consistent strategy and focus on premium products.

Hydro

- Hydro is a global aluminum company with production, sales and trading activities throughout the value chain.
- Presence in more than 40 countries in all continents.
- Competitive advantages include investment in R&D so as to reduce long term operating costs and differentiate products from market players.

Conclusion:
We have shortlisted France as our key potential opportunity, which, in our opinions, generally fits company’s business strategy. We are open to exploring other markets in the EMEA region as well.
About Reciprocus

We specialize in assisting small and medium-sized businesses with expansion into overseas markets:

- Selecting and Structuring Route to Entry;
- Mergers, Acquisitions, Joint Ventures;
- Distributorships, Franchising and Licensing;
- Capital Raising.

For more information about our practice, visit our website at: www.reciprocus.com.

IE Singapore Assistance

The Singapore Government co-funds up to 70% of the third party professional fees for internationalization activities under the following schemes:

**Market Readiness Assistance Grant**: Market assessment, market entry and business matching activities.

**Global Company Partnership Grant**: Market research, scouting for overseas partners and due diligence activities.

# Contact Details

**Reciprocus International**  
International Plaza  
10 Anson Road #10-22  
Singapore 079903  
Tel: +65-6225-9986  
Fax: +65-6225-8223

**Reciprocus Americas**  
Empire State Building  
350 5th Ave, Suite 7610  
New York, NY 10118  
Tel: +1-212-565-0600  
Fax: +1-646-349-3532

**Reciprocus Europe**  
Taefernstrasse 22a  
5405 Baden-Daettwil  
Switzerland  
Tel: +41 56 470 42 70  
Fax: +41 56 470 42 72

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**David Emery**  
*Chairman*  
david@reciprocus.com

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**Robert MacPherson**  
*Junior Partner*  
robert@reciprocus.com