



ASX & MEDIA RELEASE

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SIMS METAL MANAGEMENT ANNOUNCES FISCAL 2019 FULL YEAR RESULTS

Results at a glance

STATUTORY	FY19	FY18	Change (%)
Sales revenue	6,640.0	6,448.0	3.0
EBITDA	358.1	395.8	-9.5
EBIT	225.0	278.6	-19.2
NPAT	152.6	203.5	-25.0
EPS (cents) – diluted	74.2	98.7	-24.8
UNDERLYING	FY19	FY18	Change (%)
Sales revenue	6,640.0	6,448.0	3.0
EBITDA	363.4	392.3	-7.4
EBIT	230.3	275.1	-16.3
NPAT	161.9	188.6	-14.2
EPS (cents) – diluted	78.8	91.5	-13.9
DPS (cents) – total	42.0	53.0	-20.8

Key Points

- Sales revenue of \$6,640 million, an increase of \$192 million
- Statutory EBIT of \$225 million, down from \$279 million in the prior year
- Underlying EBIT of \$230 million, down from \$275 million in the prior year
- Total dividend of 42.0 cents per share, fully franked
- Net cash position of \$347.5 million as at 30 June 2019

Commentary

Group CEO & Managing Director, Alistair Field, on the FY19 results said, “This year has been challenging for all recycling companies globally. Despite these market challenges, we delivered underlying EBIT of \$230 million and underlying NPAT of approximately \$162 million. Our investment in sophisticated material processing facilities coincides with customers requiring higher specification products, and we are well-placed to capture an increasing share of this demand.”

Furthermore, and on the progress of strategic initiatives, Mr Field said, “I’m pleased with the progress made in advancing our growth strategy during FY19. This provides a strong foundation to make further headway in FY20 and in future years.”

Group Results

Sims Metal Management Limited (the “Company”) today announced underlying NPAT of \$161.9 million, representing an underlying diluted EPS of 78.8 cents for FY19. Statutory NPAT of \$152.6 million represented a diluted EPS of 74.2 cents.

Sales revenue of \$6,640 million in FY19 was 3% higher compared to FY18 due to sustained volumes and despite a declining price environment but benefiting from weakness in the Australian Dollar. Sales volumes were relatively flat totalling 9.8 million tonnes.

Underlying EBIT of \$230 million in FY19 was lower than underlying EBIT of \$275 million in FY18. Challenging market conditions continued into H2 FY19; however, with the exception of the North American business, all operating divisions delivered a better second half performance in part due to investment in technology.

Regional Performance

Underlying EBIT for North America Metals was \$100 million in FY19 compared to \$105 million in the prior year. Metal margin declined due to challenging market conditions and a decline in non-ferrous pricing which was partially offset by technology investments. Proprietary sales volumes of 4.9 million tonnes were flat despite market volatility and increased competitor activity.

Underlying EBIT for Australia New Zealand Metals was \$107 million in FY19 compared to \$97 million in the prior year. Proprietary sales volume growth of 11.2% over prior corresponding period was driven by the full acquisition of New Zealand JV, robust demand from domestic steel mills and internal growth and improvement initiatives partially offset by declining non-ferrous prices.

Underlying EBIT for UK Metals was \$20 million in FY19 compared to \$35 million in the prior year. Proprietary sales volumes were down 5.3% mainly driven by ferrous quality improvement requirements. EBIT margins were lower compared to FY19 due to the need to provide higher quality ferrous product to Turkey and other markets and declining non-ferrous prices. 2H FY19 EBIT was up 98.5% versus 1H FY19 in part due to operation of separation technology investments and disciplined purchasing of material.

Underlying EBIT for Global Electronics Recycling was \$26 million in FY19 compared to \$31 million in the prior year. The decline in EBIT was attributed to lower commodity prices, margin compression in continental Europe and some additional costs to produce higher quality product. 2H FY19 EBIT was up 60% compared to 1H FY19 due to adjusted and more selective procurement activities and recent contract wins, including recycling the cloud initiatives.

The Company’s underlying share of results from SA Recycling was \$36 million, a 48% decline compared to FY18 primarily related to the fall in zorba prices and general ferrous margin compression.

Final Dividend

The Company has declared a final dividend for FY19 of 19.0 cents per share, 100% franked. This takes the total dividend for FY19 to 42.0 cents per share, which represents a 53% underlying payout. The final dividend will be paid on 18 October 2019 to shareholders on the Company’s register at the record date of 4 October 2019.

Strategic Developments

In April 2019, the Company announced a significant growth strategy for its current lines of business and an expansion into new environmental adjacencies. Several forward-looking megatrends provide long-term sustainable opportunities to continue to grow in the environmental sector.

The Company has made good progress advancing the growth strategy in FY19 by increasing both North American Metals' non-ferrous volumes and tonnes of cloud material recycled compared to FY18. The Company is in a strong position to further advance the strategy in FY20 with growth targets set across all key priorities.

The Company continued to reinvest in the business with the commencement of 15 downstream separation plants during the year aimed at producing more, and higher quality, material.

Capital Allocation

The Company's capital allocation strategy will continue to balance the ongoing requirement for distributions to shareholders with the need for business reinvestment to support the Company's strategy.

Market Conditions and Outlook

The Company has shown resilience in navigating challenging market conditions. While the long-term growth outlook remains attractive, there is a backdrop of increasing escalation in trade wars, which run the risk of a further general decline in global activity. Specifically relating to the scrap industry, low Turkish demand for ferrous scrap has forced Turkey into the export market, and weak automobile sales are placing downward pressure on ferrous scrap prices and aluminium prices.

The Company does not expect its non-ferrous business to be materially impacted by Category 6 quotas in China. The Company's quality initiatives are performing well, and together with the strategy execution, we expect them to help navigate the market conditions.

Appendix – Reconciliation of Statutory Results to Underlying Results

A\$m Year ended 30 June	EBITDA ¹		EBIT		NPAT	
	2019	2018	2019	2018	2019	2018
Reported earnings	358.1	395.8	225.0	278.6	152.6	203.5
Significant items:						
Non-recurring gain on asset disposition by joint venture	(5.1)	-	(5.1)	-	(3.8)	-
Gain on sale of property	(4.2)	-	(4.2)	-	(3.0)	-
Impact of Victorian fire, net of insurance recoveries	(1.8)	-	(1.8)	-	(1.2)	-
Redundancy expense	7.6	9.2	7.6	9.2	5.7	6.6
Net provisional expense/(reversal of provision) related to onerous leases and contracts	3.9	(9.1)	3.9	(9.1)	3.2	(7.4)
Non-qualified hedges	2.2	(4.1)	2.2	(4.1)	1.9	(3.5)
Other	2.7	0.9	2.7	0.9	2.0	0.8
Gain on acquisition of interest of a joint arrangement	-	(10.1)	-	(10.1)	-	(9.8)
Yard closure costs, environmental and dilapidations provision net expense	-	5.6	-	5.6	-	3.9
Impairment expense of property, plant and equipment	-	4.1	-	4.1	-	2.8
Impact of tax remeasurements	-	-	-	-	4.5	(9.8)
Impact of tax on return of capital	-	-	-	-	-	15.6
Recognition of net deferred tax asset ²	-	-	-	-	-	(14.1)
Underlying results³	363.4	392.3	230.3	275.1	161.9	188.6

¹ EBITDA is a measurement of non-conforming financial information.

² 2018 amounts reflect the recognition of previously unrecognised deferred tax assets.

³ Underlying result is a non-IFRS measure that is presented to provide an understanding of the underlying performance of the Group. The measure excludes the impacts of impairments and disposals, as well as items that are subject to significant variability from one period to the next. The reconciling items above (before tax) have been extracted from the audited financial statements.

About Sims Metal Management

Sims Metal Management is one of the world's largest metal and electronics recyclers with more than 250 facilities, including joint ventures operations, in 18 countries, and circa 5,000 employees globally. The Company's ordinary shares are listed on the Australian Securities Exchange (ASX: SGM) and its American Depositary Shares are quoted on the Over-the-Counter market in the United States (USOTC: SMSMY).

For more information on the Company and its recent developments, visit www.simsmm.com.

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