**ASX & MEDIA RELEASE** **(ASX: SGM, USOTC: SMSMY)** **15 February 2017**

# SIMS METAL MANAGEMENT ANNOUNCES FISCAL 2017 HALF YEAR RESULTS

## Results at a glance

| **STATUTORY** (A$m) | **1H FY17** | **1H FY16** | **Change ($)** |
|---|---|---|---|
| Sales revenue | 2,384.7 | 2,412.2 | *(27.5)* |
| EBITDA[1] | 153.3 | (11.0) | *164.3* |
| EBIT | 97.4 | (249.3) | *346.7* |
| NPAT | 80.0 | (250.1) | *330.1* |
| EPS (cents) – diluted | 40.2 | (121.9) | *162.1* |
| **UNDERLYING** (A$m) | **1H FY17** | **1H FY16** | **Change ($)** |
| Sales revenue | 2,384.7 | 2,412.2 | *(27.5)* |
| EBITDA | 132.9 | 61.4 | *71.5* |
| EBIT | 77.0 | (4.8) | *81.8* |
| NPAT | 60.0 | (17.8) | *77.8* |
| EPS (cents) – diluted | 30.1 | (8.7) | *38.8* |
| DPS (cents) | 20.0 | 10.0 | *10.0* |

## Key Points

- Statutory EBIT of $97 million, up from a loss of $249 million
- Underlying EBIT of $77 million, up from a $5 million loss
- Underlying Return on Capital of 6.8%, the highest since the start of the five-year strategic plan[2]
- 7.0 million tonne volume break-even point, the lowest since the start of the five-year strategic plan
- Interim dividend of 20.0 cents per share, fully franked
- Net cash position of $311 million as at 31 December 2016

[1] *EBITDA is an unaudited measurement of non-conforming financial information*
[2] *Annualised based on half year results*

## Group Results

Sims Metal Management Limited today announced underlying NPAT of $60 million, representing a diluted EPS of 30.1 cents for 1H FY17. Statutory NPAT of $80 million represented a diluted EPS of 40.2 cents.

Underlying EBIT of $77 million in 1H FY17 was significantly higher than a loss of $5 million in 1H FY16, and above the underlying EBIT of $63 million in 2H FY16. The improved result was driven primarily by internal streamline and optimise initiatives, and increased sales volumes.

Sales revenue of $2,385 million in 1H FY17 was down 1% compared to 1H FY16, due to adverse currency translation. In constant currency terms, sales revenue was 6% higher than the prior year, due to increased ferrous and non-ferrous prices and a 3% lift in sales volumes to 4.4 million tonnes.

In announcing the result, Group CEO Galdino Claro said, “Our earnings growth has been built on the success of our strategic initiatives and the impact of the most recent business resetting actions. While market conditions remain near historically low levels, the 6.8% underlying return on capital achieved in the first half is now three times higher than at the start of our five-year strategic plan. Our current pipeline of initiatives gives us a clear pathway towards our target of 10% return on capital in FY18.”

## Regional Performance

Commenting on regional performance, Group CFO Fred Knechtel said, “North America Metals underlying EBIT of $31 million in 1H FY17 was a considerable improvement over 1H FY16. The earnings recovery was lifted by improvement across each operating region.”

“ANZ Metals underlying EBIT of $26 million in 1H FY17, increased from $14 million in 1H FY16. The improved result over the prior year related to a reduction in operational costs and higher sales volumes driven by solid demand for ferrous metal.”

“Europe Metals underlying EBIT of $16 million in 1H FY17, improved from $2 million in 1H FY16. On a constant currency basis, underlying EBIT was $20 million.”

“Global E-Recycling underlying EBIT of $11 million in 1H FY17, compared with near break-even in 1H FY16. The improvement was led by strong performance in Continental Europe.”

## Interim Dividend

Given the continued successful implementation of internal strategic initiatives, the Company has declared an interim dividend for 1H FY17 of 20.0 cents per share, fully franked, to be paid on 28 March 2017 to shareholders on the Company’s register at the record date of 14 March 2017.

## Strategic Plan Update

In relation to the Company's strategic plan, Mr Knechtel stated, "As a result of our streamline and optimise actions, the sale volume break-even point of the business was further reduced to 7 million tonnes per annum. In total, the break-even point is now 41% lower than at the start of the strategic plan, while, at the same time, the business has retained the capacity to process and sell at least 12 million tonnes per annum, leaving significant earnings leverage for when industry conditions improve."

Mr Claro continued, "Over the remainder of the five-year strategic plan, our continued pipeline of projects is expected to deliver a further $70 million to $95 million in EBIT improvement per annum once complete. These projects include, among others, new or updated metal recovery plants in Western Australia, New Jersey, and Chicago, value upgrading plants for our Zorba product stream, and a redesign of our overhead cost structure. We expect the benefits from these projects to be weighted towards FY18."

## Market Conditions and Outlook

Commenting on market conditions, Mr Claro said, "Steel exports from China have steadily declined over the past 12 months, due to a combination of capacity closures and increased Chinese domestic demand from infrastructure projects."

"Lower steel exports from China, particularly of semi-finished steel, should help ease competitive pressures on global steelmakers outside China and support higher demand for ferrous scrap metal. Consequently, we see opportunities for the price of ferrous scrap to improve as the 2H FY17 progresses."

## Appendix - Reconciliation of Statutory Results to Underlying Results

| | EBITDA[1] | | EBIT | | NPAT | |
|---|---|---|---|---|---|---|
| | **1H FY17** | **1H FY16** | **1H FY17** | **1H FY16** | **1H FY17** | **1H FY16** |
| **A$m** | | | | | | |
| Reported earnings | **153.3** | (11.0) | **97.4** | (249.3) | **80.0** | (250.1) |
| **Other significant items:** | | | | | | |
| Goodwill impairment | **N/A[2]** | N/A[2] | **-** | 43.3 | **-** | 34.2 |
| Other intangible asset impairment | **N/A[2]** | N/A[2] | **-** | 9.7 | **-** | 8.6 |
| Impairment of investment in joint venture | **N/A[2]** | N/A[2] | **-** | 119.1 | **-** | 119.1 |
| (Reversal of impairment) / impairment of property, plant and equipment | **(2.3)** | 25.3 | **(2.3)** | 25.3 | **(1.8)** | 24.6 |
| Lease settlements/onerous leases | - | 37.6 | - | 37.6 | - | 37.3 |
| Redundancies | **3.2** | 6.2 | **3.2** | 6.2 | **3.1** | 5.6 |
| Gain on sale of property | **(24.3)** | - | **(24.3)** | - | **(24.3)** | - |
| Yard closure costs and dilapidation provisions | **2.0** | 3.3 | **2.0** | 3.3 | **2.0** | 2.9 |
| Other | **1.0** | **-** | **1.0** | **-** | **1.0** | **-** |
| **Underlying results[3]** | **132.9** | **61.4** | **77.0** | **(4.8)** | **60.0** | **(17.8)** |

[1] EBITDA is a measurement of non-conforming financial information.
[2] N/A indicates that statutory EBITDA is calculated to exclude impairment of goodwill, other identified intangible assets and impairment of investment in joint venture in the presentation of both the statutory and underlying results.
[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, 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 unaudited interim financial statements.

**About Sims Metal Management**
Sims Metal Management is one of the world's largest metal recyclers with over 200 facilities, operations in 20 countries, and over 4,500 employees globally. Sims' core businesses are metal recycling and electronics recycling, with circa 50% of its revenue from operations in North America. 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).

Please visit our website (www.simsmm.com) for more information on the Company and recent developments.

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