



ASX & MEDIA RELEASE

(ASX: SGM, USOTC: SMSMY)

16 February 2018

**SIMS METAL MANAGEMENT ANNOUNCES
FISCAL 2018 HALF YEAR RESULTS**

Results at a glance

| STATUTORY (A\$m) | 1H FY18 | 1H FY17 | Change (%) |
|--------------------------|----------------|----------------|-------------------|
| Sales revenue | 2,977.0 | 2,384.7 | 24.8 |
| EBITDA | 178.6 | 153.3 | 16.5 |
| EBIT | 122.4 | 97.4 | 25.7 |
| NPAT | 91.5 | 80.0 | 14.4 |
| EPS (cents) – diluted | 44.8 | 40.2 | 11.4 |
| UNDERLYING (A\$m) | 1H FY18 | 1H FY17 | Change (%) |
| Sales revenue | 2,977.0 | 2,384.7 | 24.8 |
| EBITDA | 179.7 | 132.9 | 35.2 |
| EBIT | 123.5 | 77.0 | 60.4 |
| NPAT | 81.3 | 60.0 | 35.5 |
| EPS (cents) – diluted | 39.8 | 30.1 | 32.2 |
| DPS (cents) | 23.0 | 20.0 | 15.0 |

Key Points

- Underlying EBIT of \$124 million, up 60% over the prior half year
- Underlying Return on Capital of 10.5%, on track to exceed full year target set in FY13
- Sales volumes of 4.8 million tonnes, up 9% over the prior half year
- North America Metals sales volumes, up 12% over the prior half year
- Interim dividend of 23.0 cents per share, 100% franked
- Net cash position of \$390 million as at 31 December 2017

Group Results

Sims Metal Management Limited today announced underlying NPAT of \$81 million, representing an underlying diluted EPS of 39.8 cents for 1H FY18. Statutory NPAT of \$92 million represented a diluted EPS of 44.8 cents.

The \$11 million difference between statutory NPAT and underlying NPAT relates primarily to a positive benefit from recent US tax reform legislation.

Sales revenue of \$2,977 million in 1H FY18 was 25% higher compared to 1H FY17, driven by stronger sales volumes and higher commodity prices. In constant currency terms, sales revenue was 27% higher than the prior half year, while sales volumes increased 9% to 4.8 million tonnes, due to increased demand from export markets.

Underlying EBIT of \$124 million in 1H FY18 was a 60% improvement over the prior period underlying EBIT of \$77 million. The stronger result was due to a combination of increased sales volumes and better metal margins, supported by gains from internal improvement initiatives. By business, growth in underlying EBIT was driven by stronger earnings from North America Metals, which more than doubled over the prior half year result.

Underlying return on capital of 10.5% was above the Company's five-year target of 10% set in FY13. In addition, the Company expects to remain on track to meet or exceed its target return on capital for the full year period.

Regional Performance

North America Metals underlying EBIT of \$65 million in 1H FY18 was the strongest half year in seven years, and over twice that of 1H FY17 underlying EBIT of \$31 million. Higher earnings were lifted by a 12% increase in sales volumes and improved metal margins, as higher metal prices supported wider spreads across the supply chain. Earnings also improved in the division's joint venture operations, contributing \$27 million to total segment EBIT in 1H FY18 versus \$11 million in 1H FY17.

ANZ Metals underlying EBIT of \$44 million in 1H FY18 was up from \$26 million in 1H FY17. The stronger result over the prior period related to a 3% increase in sales volumes and improved metal margins, due largely to a positive sales mix towards non-ferrous metals.

Europe Metals underlying EBIT of \$13 million in 1H FY18 was down slightly from \$16 million in 1H FY17. Sales volume growth of 6% was supported by a new deep-sea port facility in Southeast UK, which opened in August 2017. Stronger sales volumes were, however, more than offset by lower metal margins.

Global E-Recycling underlying EBIT of \$7 million in 1H FY18 was down from \$11 million in 1H FY17. Improved performance in the US, due to cost reductions and benefits from recent operational restructuring, was more than offset by margin compression in Continental Europe. Margin pressure in Continental Europe is anticipated to ease in 2H FY18.

Interim Dividend

Given the improved earnings, healthy net cash position, and continued delivery on internal initiatives, the Company has declared an interim dividend for 1H FY18 of 23.0 cents per share, 100% franked. The interim dividend will be paid on 28 March 2018 to shareholders on the Company's register at the record date of 14 March 2018.

Capital Reinvestment and Shareholders Returns

The Company's continued improved performance has built and sustained an attractive balance sheet with a net cash position of \$390 million as at 31 December 2017. The Company's capital allocation strategy balances immediate returns to shareholders with the need for business reinvestment to support the Company's strategy.

In addition to sustaining business projects and funding working capital, there are a range of internal growth initiatives either underway or in the planning stages. During 1H FY18 the Company had \$85 million in capital expenditures on sustaining and growth projects. This capex represented a 25% increase on the prior half year as capital was reinvested back into the business to improve operating efficiency and drive growth.

For the full year FY18, the Company has allocated total capital spending of \$180 million to \$200 million. The Company will also consider external growth opportunities that fit into the Company's strategy, complement its core competencies, and enhance returns.

Market Conditions and Outlook

External market conditions continue to show steady signs of improvement. Steel exports from China have now declined 40% since the mid-2016, easing what was previously a significant headwind impacting global demand for ferrous scrap. Moreover, policy reform in China aimed at improving the health of the steel industry and the environment is expected to be beneficial to secondary metal demand. Already, this reform has led to increased demand and price premiums for high-grade raw materials such as ferrous scrap.

Improved demand in both domestic and export markets has contributed to a 30% increase in ferrous scrap prices since the end of FY17, with pricing and demand continuing to remain firm thus far in 2H FY18.

Based on current market conditions and benefits from internal initiatives, the Company expects to exceed its long-standing target of underlying return on capital of 10% for the full year FY18.

Appendix - Reconciliation of Statutory Results to Underlying Results

| A\$m | EBITDA ¹ | | EBIT | | NPAT | |
|---|---------------------|--------------|--------------|-------------|-------------|-------------|
| | 1H FY18 | 1H FY17 | 1H FY18 | 1H FY17 | 1H FY18 | 1H FY17 |
| Reported earnings | 178.6 | 153.3 | 122.4 | 97.4 | 91.5 | 80.0 |
| Other significant items: | | | | | | |
| Reversal of impairment of property, plant and equipment | (0.6) | (2.3) | (0.6) | (2.3) | (0.6) | (1.8) |
| Net benefit related to lease settlements/onerous leases | (4.4) | - | (4.4) | - | (3.7) | - |
| Redundancies | 5.4 | 3.2 | 5.4 | 3.2 | 3.4 | 3.1 |
| Gain on sale of property | - | (24.3) | - | (24.3) | - | (24.3) |
| Yard closure costs and dilapidation provisions | 0.7 | 2.0 | 0.7 | 2.0 | 0.5 | 2.0 |
| Other | - | 1.0 | - | 1.0 | - | 1.0 |
| Impact of US Tax Reform | - | - | - | - | (9.8) | - |
| Underlying results² | 179.7 | 132.9 | 123.5 | 77.0 | 81.3 | 60.0 |

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

² 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 240 facilities, operations in 18 countries, and 4,762 employees globally. Sims' core businesses are metal recycling and electronics recycling, with circa 51% 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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