



ASX & MEDIA RELEASE

(ASX: SGM)

20 February 2019

**SIMS METAL MANAGEMENT ANNOUNCES  
FISCAL 2019 HALF YEAR RESULTS**

**Results at a glance**

<b>STATUTORY</b>	<b>1H FY19</b>	<b>1H FY18</b>	<b>Change (%)</b>
Sales revenue	3,334.1	2,977.0	12.0
EBITDA	173.1	178.6	-3.1
EBIT	108.9	122.4	-11.0
NPAT	76.5	91.5	-16.4
EPS (cents) – diluted	37.1	44.8	-17.2
<b>UNDERLYING</b>	<b>1H FY19</b>	<b>1H FY18</b>	<b>Change (%)</b>
Sales revenue	3,334.1	2,977.0	12.0
EBITDA	173.8	181.2	-4.1
EBIT	109.6	125.0	-12.3
NPAT	76.7	82.6	-7.1
EPS (cents) – diluted	37.2	40.4	-7.9
DPS (cents)	23.0	23.0	-

**Key Points**

- Sales revenue of \$3,334 million, an increase of \$357 million
- Sales volume growth of 4%
- Statutory EBIT of \$109 million, down from \$122 million in the prior corresponding period
- Underlying EBIT of \$110 million, down from \$125 million in the prior corresponding period
- Interim dividend of 23.0 cents per share, fully franked
- Net cash position of \$153.6 million as at 31 December 2018

**Commentary**

Group CEO & Managing Director, Alistair Field, on the 1H FY19 results said, “The first half has been challenging for all recycling companies globally. Despite these market challenges we delivered underlying EBIT close to \$110 million and NPAT of approximately \$77 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.”

## **Group Results**

Sims Metal Management Limited (the “Company”) today announced underlying NPAT of \$76.7 million, representing an underlying diluted EPS of 37.2 cents for 1H FY19. Statutory NPAT of \$76.5 million represented a diluted EPS of 37.1 cents.

Sales revenue of \$3,334 million in 1H FY19 was 12% higher compared to 1H FY18 due to increased volumes and higher average sales price. In constant currency terms sales revenue was 6.1% higher than the prior corresponding period, while sales volumes increased 4% to 4.951 million tonnes.

Underlying EBIT of \$110 million in 1H FY19 was lower than underlying EBIT of \$125 million in 1H FY18. Challenging market conditions primarily impacted the Europe Metals business and the Company’s investment in SA Recycling. Despite these conditions the business was robust and delivered a solid result in part due to investment in technology.

## **Regional Performance**

At constant currency, and adjusted for internal recharges, underlying EBIT for North America Metals was \$52 million in 1H FY19 compared to \$50 million in the prior corresponding period. Metal margin improved due to sales volume growth, disciplined buying and technology investment.

Adjusted for internal recharges, underlying EBIT for Australia New Zealand Metals was \$52 million in 1H FY19 compared to \$50 million in the prior corresponding period. Proprietary sales volume growth of 6.2% over prior corresponding period was driven by robust demand from domestic steel mills, the full acquisition of the New Zealand joint operation and domestic growth and improvement initiatives partially off-set by an outage at the Melbourne shredder.

At constant currency, and adjusted for internal recharges, underlying EBIT for Europe Metals was \$6 million in 1H FY19 compared to \$17 million in the prior corresponding period. Proprietary sales volumes were down 2.2% mainly driven by ferrous quality improvement requirements. EBIT margins were lower compared to 1H FY19 due to the need to provide higher quality ferrous product to Turkey and other markets, declining zorba prices and the impact of tightening Chinese regulations on lower grade non-ferrous products.

The Company’s underlying share of results from SA Recycling was \$17 million a 33% decline compared to 1H FY18 primarily related to the fall in zorba prices which reduced margins.

## **Interim Dividend**

Given the strong net cash position and confidence in the business, the Company has declared an interim dividend for 1H FY19 of 23.0 cents per share, 100% franked. The interim dividend is to be paid on 27 March 2019 to shareholders on the Company’s register at the record date of 13 March 2019.

## **Capital Allocation and Strategic Review**

The Company continued to reinvest in the business with the commencement of 12 plants during the half year aimed at producing more, and higher quality, material. A number of other plants will be commissioned over the remainder of FY19 placing total budgeted capex for FY19 at approximately \$160 million.

By April 2019, the Company will complete and communicate externally a strategic review of its existing businesses and potential opportunities for the next five years. As part of this

review, in addition to strengthening the Company's existing platform, consideration will be given to external growth opportunities that fit the Company's strategy, complement its core competencies and enhance returns, without elevating the Group's operating risk profile. The Company's capital allocation strategy will continue to balance the ongoing requirement for dividends to shareholders with the need for business reinvestment to support the Company's strategy.

### **Market Conditions and Outlook**

The Company has shown resilience in the face of challenging market conditions. While the Company is more robust, potential still exists for negative consequences from increasing escalation of trade wars, change in policy frameworks and clarification of the quota system relating to of Category 6 restrictions in China. These uncertainties are clearly caveats that need to be considered in the outlook for FY19. However, H2 FY19 has commenced with some early signs of improvement, including Turkish demand increasing and ferrous and non-ferrous prices seeming to stabilise.

While there are regional differences, overall, the Company expects ferrous volumes for the full year FY19 will likely exceed FY18. Non-ferrous volumes for the full year FY19 are likely to be similar to FY18.

Providing there is no deterioration in market conditions, it is likely that underlying EBIT for the second half of FY19 will outperform the first half. Sims has been operating for over 100 years and, in the medium-term, is well positioned with a highly capable work force, leadership in technology, and diversity in global operations to meet these challenges.

## Appendix – Reconciliation of Statutory Results to Underlying Results

A\$m	EBITDA <sup>1</sup>		EBIT		NPAT	
	HY19	HY18	HY19	HY18	HY19	HY18
Reported earnings	173.1	178.6	108.9	122.4	76.5	91.5
<b>Other significant items:</b>						
Reversal of impairment of property, plant and equipment	-	(0.6)	-	(0.6)	-	(0.6)
Net benefit related to lease settlements/onerous leases	(1.2)	(4.4)	(1.2)	(4.4)	(0.9)	(3.7)
Redundancies	1.3	5.4	1.3	5.4	1.0	3.4
Yard closure costs and dilapidation provisions	-	0.7	-	0.7	-	0.5
Non-qualified hedges	(0.5)	1.5	(0.5)	1.5	(0.4)	1.3
Impact of Victorian fire, net of insurance recoveries to date	6.2	-	6.2	-	4.3	-
Non-recurring gain on asset disposition by joint venture	(5.1)	-	(5.1)	-	(3.8)	-
Impact of US Tax Reform	-	-	-	-	-	(9.8)
<b>Underlying results<sup>2</sup></b>	<b>173.8</b>	<b>181.2</b>	<b>109.6</b>	<b>125.0</b>	<b>76.7</b>	<b>82.6</b>

<sup>1</sup> EBITDA is a measurement of non-conforming financial information.

<sup>2</sup> 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 and electronics recyclers with over 250 facilities, including joint ventures operations, in 18 countries, and more than 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).

Please visit our website ([www.simsmm.com](http://www.simsmm.com)) for more information on the Company and recent developments.

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