



ASX & MEDIA RELEASE

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SIMS METAL MANAGEMENT ANNOUNCES FISCAL 2018 FULL YEAR RESULTS

Results at a glance

STATUTORY (A\$m)	FY18	FY17	Change (%)
Sales revenue	6,448.0	5,079.4	26.9
EBITDA	395.8	313.5	26.3
EBIT	278.6	201.2	38.5
NPAT	203.5	203.6	-0.0
EPS (cents) – diluted	98.7	101.6	-2.9
UNDERLYING (A\$m)	FY18	FY17	Change (%)
Sales revenue	6,448.0	5,079.4	26.9
EBITDA	396.4	294.7	34.5
EBIT	279.2	182.4	53.1
NPAT	192.1	120.1	60.0
EPS (cents) – diluted	93.2	59.9	55.6
DPS (cents)	53.0	50.0 ¹	6.0

Key Points

- Sales revenue of \$6,448 million, an increase of \$1,369 million
- Statutory EBIT of \$279 million, up from \$201 million in the prior year
- Underlying EBIT of \$279 million, up from \$182 million in the prior year
- Underlying Return on Capital of 10.3%, 5-year strategic objective delivered
- Final dividend of 30.0 cents per share, fully franked
- Net cash position of \$298 million as at 30 June 2018

Commentary

Group CEO & Managing Director, Alistair Field, on the FY18 results said, “We are very pleased with the strong improvement in profitability on the back of the performance of our North America and Australia & New Zealand operations. Our investment in sophisticated

¹ Includes 10.0 cents Special Dividend

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 today announced underlying NPAT of \$192 million, representing an underlying diluted EPS of 93.2 cents for FY18. Statutory NPAT of \$204 million represented a diluted EPS of 98.7 cents.

Sales revenue of \$6,448 million in FY18 was 27% higher compared to FY17 due to increased volumes and higher average sales price. In constant currency terms, sales revenue was 28% higher than the prior year, while sales volumes increased 13% to 9.9 million tonnes.

Underlying EBIT of \$279 million in FY18 was more than 50% higher than underlying EBIT of \$182 million in FY17. Internal initiatives, stronger metal margins and increased sales volumes drove the improved result. By business, underlying EBIT improved in North America Metals, Australia & New Zealand Metals and Global E-Recycling and higher income from the Company’s investments in SA Recycling and LMS. This was partially offset by lower underlying EBIT from the Europe Metals segment.

Underlying return on capital of 10.3% exceeded the Company’s five-year target of 10%.

Regional Performance

North America Metals underlying EBIT of \$80 million in FY18 was a 74% improvement over underlying EBIT of \$46 million in FY17. The Eastern region delivered a very strong performance. The Company’s share of results from SA Recycling was \$69 million, a strong increase over EBIT of \$26 million in FY17.

ANZ Metals underlying EBIT of \$83 million in FY18, increased 33% over underlying EBIT of \$63 million in FY17. The stronger result over the prior year related to improved metal margins, assisted by improved operating yields and higher average selling prices, on steady sales volumes over the prior year.

Europe Metals underlying EBIT of \$20 million in FY18 declined from \$35 million in FY17. Despite higher sales volumes, in part due to the acquisition of Morley Waste Traders, competitive pressure for intake volume was a key factor leading to the profit decline.

Global E-Recycling underlying EBIT of \$25 million in FY18, improved from \$20 million in FY17. The majority of the improvement was due to stronger margins in the US operations.

Final Dividend

Given the strong earnings and net cash position, the Company has declared a final dividend for FY18 of 30.0 cents per share, 100% franked. The final dividend is to be paid on 19 October 2018 to shareholders on the Company’s register at the record date of 5 October 2018.

Capital Allocation and Strategic Review

The Company, and its stakeholders, have benefited from the five-year strategic objective of lifting the underlying Return on Capital to 10%, with a significant lift in profitability, a stronger balance sheet with approximately \$300 million in net cash, and a far more sustainable business platform.

We are continuing to reinvest in the business with a further \$200 million budgeted in capital expenditure in FY19, with approximately 40% allocated to growth initiatives.

Over the next six months, the Company will complete 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 into 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 possibility of further escalations in global trade wars occurring, that could impact commodity prices and volumes, cannot be ignored. This uncertainty is clearly a caveat that needs to be considered in the outlook for FY19.

The recent doubling of tariffs by the US on Turkey's steel and aluminium exports to the US is a manageable short-term issue. Global trade flows for scrap will adjust to the new environment and the expected medium-term impact from this doubling of tariffs is presently not considered material.

Our strategic push to produce better quality and more disaggregated product is expected to result in continued profitable business into China.

The Company is almost two months through the first quarter of FY19 and, so far, the EBIT outcomes are consistent with those of the fourth quarter for FY18. Based upon our current expectations for demand and pricing, we remain positive about the remainder of FY19 but there are many variables that could have an impact over this period.

Sims has been around 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 Year ended 30 June	EBITDA ¹		EBIT		NPAT	
	2018	2017	2018	2017	2018	2017
Reported earnings	395.8	313.5	278.6	201.2	203.5	203.6
Significant items:						
Gain on acquisition of interest of a joint arrangement	(10.1)	-	(10.1)	-	(9.8)	-
Gain on sale of property	-	(24.3)	-	(24.3)	-	(24.3)
Fixed asset impairment/(reversal of impairment) expense of fixed assets	4.1	(1.0)	4.1	(1.0)	2.8	(0.3)
Net benefit related to lease settlements and onerous leases provisions	(9.1)	(2.8)	(9.1)	(2.8)	(7.4)	(2.8)
Redundancy expense	9.2	7.2	9.2	7.2	6.6	7.0
Yard closure costs, environmental and dilapidations provision expense	5.6	1.1	5.6	1.1	3.9	1.5
Other	0.9	1.0	0.9	1.0	0.8	1.0
Impact of US Tax Reform	-	-	-	-	(9.8)	-
Impact of tax on return of capital	-	-	-	-	15.6	-
Recognition of net deferred tax asset ²	-	-	-	-	(14.1)	(65.6)
Underlying results³	<u>396.4</u>	<u>294.7</u>	<u>279.2</u>	<u>182.4</u>	<u>192.1</u>	<u>120.1</u>

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

² 2017 and 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.

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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 5,000 employees globally. Sims' core businesses are metal recycling and electronics recycling, with circa 55% 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.