

Company SnapShot

SIMS METAL MANAGEMENT LTD (ASE: SGM)

September 13, 2016

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LATEST FINANCIAL ANNOUNCEMENT

Sims Metals Announces Fiscal 2016 Full Year Results

Key Points

- Underlying EBIT of \$63 million in 2H FY16, up from a \$5 million loss in 1H FY16
- Underlying return on capital of 5.5% in 2H FY16, and 11.0% in 4Q FY16
- Reduced controllable costs by \$137 million in FY16 (on a constant currency basis)
- Final dividend of 12.0 cents per share, fully franked
- \$60 million returned to shareholders through the repurchase of 7.9 million shares
- Net cash position of \$242 million as at 30 June 2016

Group Results

Sims Metal Management Limited (the "Company") today announced underlying NPAT of \$38 million, representing a diluted EPS of 18.6 cents for FY16. Statutory NPAT loss of \$217 million, represented a diluted EPS loss of 106.8 cents.

Underlying EBIT was \$58 million in FY16, driven by a significant improvement in earnings in 2H FY16. On a half yearly basis, underlying EBIT in 2H FY16 was \$63 million compared to a loss of \$5 million in 1H FY16 and a \$47 million profit in 2H FY15. The improved performance was as a result of substantial cost reductions, coupled with better margins, albeit on flat volumes in the second half of the year.

Sales revenue of \$4,652 million in FY16 was down 26% compared to FY15, due to lower prices and sales volumes for ferrous and non-ferrous metals. Sales volumes of 8.6 million tonnes declined 18% from FY15 due to lower market supply and demand. Sales volumes in 2H FY16 declined 1% over 1H FY16, as export demand stabilised in the second half.

In announcing the result, Group CEO Galdino Claro said, "The Company responded quickly and decisively to the challenges of 1H FY16. We accelerated our optimising initiatives, reduced overhead expenses, and sold or idled a number of non-core facilities."

"The difficult work accomplished in the past year has significantly improved the health and stability of the business. We have reduced the volume break-even point to ensure continued profitability at the bottom of the cycle, yet we have retained enough spare capacity to sell an additional 4-5 million tonnes per annum when industry volumes recover."

Regional Performance

Commenting on regional performance, Group CFO Fred Knechtel said, "Earnings materially improved during 2H FY16 across our business, despite no improvement in total volumes."

"North America Metals underlying EBIT of \$25 million in 2H FY16 was the second highest half year result since FY11, and compared to a \$23 million loss in 1H FY16. The earnings recovery was driven by North America Metals Central and East, and higher income from the SA Recycling joint venture. During FY16, assets identified for sale or closure posted a \$19 million EBIT loss. Following the recent sale of operations in Mississippi and Tennessee, the majority of these related assets have been divested, with benefits expected in FY17."

"ANZ Metals underlying EBIT of \$26 million in 2H FY16, increased from \$14 million in 1H FY16. The improved results of the second half related to a successful reduction in the operational costs and slightly higher sales volumes driven by stronger domestic demand."

“Europe Metals underlying EBIT of \$17 million in 2H FY16, improved from \$2 million in 1H FY16. The better result was driven by lower costs and a 24% increase in volumes, as we repositioned our sales toward export markets. This result was the strongest half since 2008.”

“Global E-Recycling underlying EBIT of \$8 million in 2H FY16, compared with near breakeven in 1H FY16. The improvement was driven by stronger precious metal prices and better results in Continental Europe. However, the US business has been challenged by market overcapacity, and this is currently being addressed by resetting initiatives in FY17.”

Final Dividend

The Company has determined to pay a final dividend for FY16 of 12.0 cents per share, fully franked, on 21 October 2016 to shareholders on the Company's register at the record date of 7 October 2016. The dividend was determined by the Board based on factors including the positive outlook for future improved earnings driven by the success of the resetting initiatives and continued positive momentum of internal strategic initiatives.

Strategic Plan Update

In relation to the Company's strategic plan, Mr Claro stated, “We continue to implement new initiatives to improve our core drivers of profitability across Supplier Relationships, Logistics, Operational Excellence, and Product Quality & Services. Through the successes we have already fulfilled and expect to accomplish in the future, we remain highly confident of achieving our goal of greater than cost of capital returns in FY18.”

“In November 2015, we announced new initiatives to reset the business to achieve attractive returns, even at the lowest level of market activity. These initiatives generated a significant and permanent improvement in the business, and were a meaningful driver of the material earnings increase in 2H FY16.”

“The scope of work to reset the business in the past year was extensive. Twenty-nine lossmaking or non-core facilities were sold or idled, overhead costs were lowered, and employee headcount was reduced by 12%. Through these initiatives, controllable costs in constant currency terms declined by a further \$137 million during FY16.”

“The swift implementation of these initiatives helped drive the substantial lift in earnings during the second half. Underlying return on capital increased from near break-even in 1H FY16 to 5.5% in 2H FY16, and an even higher 11.0% during the fourth quarter of FY16.”

“Since the beginning of our five-year strategy in FY14, controllable costs have been reduced by \$234 million and our volume break-even point has been lowered. At the same time we have maintained the majority of our volume capacity, keeping us well positioned for when market volumes recover.”

Market Conditions and Outlook

Commenting on market conditions, Mr Claro said, “Overcapacity of steel production in China and high levels of exported semi-finished and finished steel remains an unresolved issue. However, market conditions are showing positive signals.”

“Steel exports from China to Mediterranean markets have receded recently to levels similar to 2014, supporting stronger demand for imported ferrous scrap. At the same time, global inventories held by large international scrap exporters are now at multi-year lows. The combination of these dynamics is likely to improve demand and lower downside price risk for ferrous scrap.”

“Based on the resetting actions and forecast benefits from internal initiatives in the current fiscal year, we expect return on capital in FY17 to be a step towards our FY18 return on capital target of 10% or higher.”

<http://phx.corporate-ir.net/external.file?t=2&item=o8hHt16027g9XhJTr8+weNRYaV9bFc2rMd0Q/AXw4zttNyZb4x1+BCz2dw2R9h5d1MAPG3NQW5FcNiLSfE/0teqhtQ2+4maVhfDdiHyTwloB2NyqGMPrN0+oqkgk+d82uqVLJ6s7OOvBqNh9yeAfbw==&cb=636076771580396529>

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High-Tech SHIPBUILDING MARKET REPORT

See http://www.macrosourcemediacom/store/p7/High-Tech_Shipping_Market_Report_%2874_pages%29.html

COMPANY PROFILE

Sims Metal Management Ltd (ASE: SGM)

Sims Metal Management is an Australian domiciled corporation, with a primary share listing on the Australian Securities Exchange and ADRs trading in the United States on the OTC Market.

Sims Metal Management is the world's leading publicly listed metal recycler, with operations encompassing the buying, processing and selling of ferrous and non-ferrous recycled metals. The metals recycling operations are geographically diverse, with operations in five continents, including the United States, Australia and the United Kingdom, comprising a network of processing facilities, many with deep-water port access, supported by an extensive network of feeder yards from which to source recyclable ferrous and non-ferrous metals.

<http://www.simsmm.com>

COMPETITORS

Arrium Ltd (ASE: ARI)

Arrium Limited is an international diversified mining and materials company listed on the Australian Securities Exchange, with three key business segments: Arrium Mining Consumables, Arrium Mining, and Arrium Steel.

Arrium Mining includes the company's export iron ore business which achieved sales of 12.5 million tonnes of hematite ore for the 2014 financial year. Arrium has mining operations at the Middleback Ranges, as well as a wholly-owned port at Whyalla, South Australia with a current capacity of approximately 11 million tonnes per annum. In addition to the export iron ore business, Arrium Mining also supplies iron ore to the company's integrated steelworks at Whyalla.

Arrium Mining Consumables supplies resource companies with a range of key mining consumables, including grinding media and rail wheels. Through its Moly-Cop brand, it is the largest supplier of grinding media in the world with leading market positions in North America, South America and Australasia.

Arrium's Steel business is Australia's only manufacturer of steel long products with steel-making capacity of approximately 2.5 million tonnes per annum. It is also Australia's leading steel distributor and reinforcing steel supplier. The Recycling business is also part of Arrium Steel and has operations in Australia, as well as non-ferrous operations in Asia.

<http://www.arrium.com>

Alumina Ltd (ASE: AWC)

Alumina Limited is a leading Australian resource company with a specific focus on alumina, the feedstock for aluminium smelting.

The company owns 40% of the world's largest alumina business, Alcoa World Alumina and Chemicals (AWAC), the recognised industry leader. Its partner in AWAC is Alcoa, who owns the remaining 60% and manages the day-to-day operations. Alcoa is also the world's largest alumina producer.

Alumina Limited is one of Australia's top 100 companies, delivering strong returns, consistent performance and ongoing growth.

AWAC employs over 7,000 people to mine and refine bauxite, who produce alumina, market the alumina to the world's aluminium smelters and process a percentage of this alumina to produce aluminium metal. AWAC has a global network of mines, refineries in Australia, the United States, Guinea, Suriname, Brazil and Spain and also an interest in a smelter in Victoria, Australia.

<http://www.aluminalimited.com>

BHP Billiton Ltd (ASE: BHP)

BHP Billiton is a leading global resources company, creating long-term shareholder value through the discovery, acquisition, development and marketing of natural resources. It is among the world's largest producers of major commodities, including aluminium, coal, copper, iron ore, manganese, nickel, silver and uranium, and has substantial interests in oil and gas.

BHP Billiton is a dual-listed company comprising BHP Billiton Limited and BHP Billiton Plc. The headquarters of BHP Billiton Limited, and the global headquarters of the combined BHP Billiton Group, are located in Melbourne, Australia. BHP Billiton Plc is located in London, United Kingdom. Both companies have identical Boards of Directors and are run by a single management team. Shareholders in each company have equivalent economic and voting rights in

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both companies. BHP Billiton Limited has a primary listing on the Australian Securities Exchange and BHP Billiton Plc has a premium listing on the London Stock Exchange, with a secondary listing on the Johannesburg Stock Exchange. In addition BHP Billiton has two American Depositary Receipt listings on the New York Stock Exchange.

<http://www.bhpbilliton.com>

Bluescope Steel Ltd (ASX: BSL)

BlueScope is a flat steel producer for the domestic Australian, New Zealand and US markets, and is a leading international supplier of steel products and solutions, principally focused on the global building and construction industry.

Its business has been built on the strength of its global partnerships, global networks and global brands. In India, the company has established a joint venture with the highly respected Tata conglomerate; a joint venture in Saudi Arabia is opening new opportunities in that expanding market; in North America, a 50:50 North Star BlueScope Steel joint venture with Cargill continues to perform strongly; and a joint venture with Nippon Steel – NS BlueScope Coated Products – is opening new markets and opportunities in Asia.

The company's global networks include more than 100 facilities in 17 countries, employing 17,000 people serving thousands of customers, including Fortune 500 companies.

BlueScope's product brands include: COLORBOND®, Clean COLORBOND® and ZINCALUME® steels, LYSAGHT® steel building products, and Butler® and Varco Pruden® engineered building solutions.

<http://www.bluescopesteel.com>

Fortescue Metals Group (ASE: FMG)

Fortescue Metals Group is a global leader in the iron ore industry, recognised for its culture, innovation and industry-leading development of world-class infrastructure and mining assets in the Pilbara, Western Australia.

Since it was founded in 2003, Fortescue has discovered and developed significant iron ore deposits and constructed some of the largest mines in the world.

The Chichester Hub, which includes the Cloudbreak and Christmas Creek mines, is located in the Chichester Ranges, and produces more than 90 million tonnes per annum (mtpa) of iron ore and an additional six mtpa from Fortescue's joint venture with BC Iron.

The Solomon Hub is located in the Hamersley Ranges, and includes the Firetail and Kings Valley mines, which produce in excess of 70 mtpa. Fortescue has constructed world-class facilities at its five-berth Herb Elliott Port in Port Hedland, and operates the fastest, heavy-haul railway in the world with up to 42-tonne-axle-load capacity over 620km of track, including 12 bridges.

The company is now producing 165 million tonnes of iron ore per annum and is focused on being the safest, lowest cost, most profitable iron ore producer.

<http://fmgl.com.au>

Iluka Resources Ltd (ASX: ILU)

Iluka is a major global mineral sands resource company. It is involved in the exploration, project development, operations and marketing of mineral sands products.

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Iluka is the largest producer of zircon globally, and a significant producer of the high-grade titanium dioxide products of rutile and synthetic rutile. The main mineral sands products of rutile, synthetic rutile, ilmenite and zircon have a wide range of consumer, lifestyle, and industrial applications. These include pigment production used in paints, plastics, papers, titanium metal production, welding electrodes, floor and wall tiles, sanitary ware, zirconium-based chemicals, and zirconia metal applications.

The major part of Iluka's production base is in Australia, with mining and processing operations in Virginia, USA. The company employs over 800 people across its operations, and a similar number of contractors. The corporate office is located in Perth, Western Australia. Iluka has regional and marketing offices, as well as warehouse distribution points in a range of locations including: China, Malaysia; North and South America; western Europe; the Middle East and South Africa.

<https://www.iluka.com>

Newcrest Mining Ltd (ASE: NCM)

Newcrest is one of the world's largest gold mining companies and operates mines in four countries, with a global workforce of around 10,000.

The company focuses on long-term value creation with an emphasis on three key value drivers: maintaining low costs, growing reserves and production, and using capital efficiently.

Newcrest's mission is to deliver superior returns from finding, developing and operating gold/copper mines.

<http://www.newcrest.com.au/>

Regis Resources Ltd (ASX: RRL)

Regis Resources Limited (ASX: RRL) is a publicly listed Perth-based gold production and exploration company with a proven management team that has a successful track record of developing mid-sized gold operations within Australia and Africa.

The company is a purely Australian gold miner with operations at the Duketon Gold Project in the North Eastern Goldfields of Western Australia and the McPhillamys Gold Project in the Central Western region of New South Wales. The company also possesses a number of satellite deposits, including the Eristoun gold deposit.

<http://www.regisresources.com.au>

Rio Tinto Ltd (ASE: RIO)

Rio Tinto is a leading global mining and metals company. Its focus is on finding, mining and processing the Earth's mineral resources in order to maximise value for shareholders.

The major products from its diverse portfolio are aluminium, copper, diamonds, gold, industrial minerals (borates, titanium dioxide and salt), iron ore, thermal and metallurgical coal, and uranium.

Rio Tinto's 60,000 people work in more than 40 countries across six continents. The company is strongly represented in Australia and North America, and also has significant businesses in Asia, Europe, Africa and South America.

<http://www.riotinto.com>

THE INDUSTRY

Minerals Industry Will Need 18,000 New Employees To 2018

The release today of the Australian Workforce and Productivity Agency's (AWPA) latest report on the resources sector's skilled labour needs confirms that mining will continue to expand in the years ahead, providing a critical boost to the domestic economy.

The AWPA's Resources Sector Skills Needs 2013 report shows that minerals industry operations will need around 18,000 more skilled workers through to 2018 – as the sector moves from the construction to production phase of the millennium mining boom.

The minerals industry has strong skills foundations in place and welcomes AWPA's acknowledgement of the sector's focus on the skilling and development of its workforce. This includes:

- Spending 5.5 per cent of payroll on training activities, with one in twenty employees being an apprentice or a trainee;
- the contribution to higher education outcomes, with the MCA-operated Minerals Tertiary Education Council (MTEC) contributing \$36 million since 1999 to tertiary minerals disciplines;
- Innovative efforts to overcome skills shortages via:
 - the MTEC Associate Degree program, designed to free up the time of engineers and geologists by producing a new cadre of educated technicians, who will have pathways to full degree status;
 - programs to cross-train workers in different industry disciplines such as the MCA/NFF/Commonwealth Skills MOU and the Regional Agriculture and Mining Integrated Training Initiative
- Efforts to encourage under-represented groups to take part in the industry – specifically the increase in indigenous participation (at 3.1 per cent, the highest workforce participation rate of all industries) and women (an increase in the percentage of female participants in the minerals workforce from 11 per cent in 2003 to 16 per cent in August 2013).
- The importance of Long Distance Commuting and skilled migration to the skills needs of the industry.

http://www.minerals.org.au/news/minerals_industry_will_need_18000_new_employees_to_2018