



ASX & MEDIA RELEASE

(ASX: SGM, USOTC: SMSMY)

25 August 2017

SIMS METAL MANAGEMENT ANNOUNCES FISCAL 2017 FULL YEAR RESULTS

Results at a glance

STATUTORY (A\$m)	FY17	FY16	Change (%)
Sales revenue	5,079.4	4,651.7	9.2
EBITDA	313.5	83.0	277.7
EBIT	201.2	(215.5)	-
NPAT	203.6	(216.5)	-
EPS (cents) – diluted	101.6	(106.8)	-
UNDERLYING (A\$m)	FY17	FY16	Change (%)
Sales revenue	5,079.4	4,651.7	9.2
EBITDA	294.7	184.4	59.8
EBIT	182.4	58.0	214.5
NPAT	120.1	38.0	216.1
EPS (cents) – diluted	59.9	18.6	222.0
DPS (cents)	50.0	22.0	127.3

Key Points

- Statutory EBIT of \$201 million, up from \$216 million loss in the prior year
- Underlying EBIT of \$182 million, up from \$58 million in the prior year
- Underlying Return on Capital of 8.0%, a meaningful step towards our 10% target
- Final dividend of 20.0 cents per share, 100% franked; as well as a special dividend of 10.0 cents per share, 0% franked
- Net cash position of \$373 million as at 30 June 2017

Group Results

Sims Metal Management Limited today announced underlying NPAT of \$120 million, representing an underlying diluted EPS of 59.9 cents for FY17. Statutory NPAT of \$204 million represented a diluted EPS of 101.6 cents.

The \$84 million difference between statutory NPAT and underlying NPAT relates primarily to the gain on sale of property as well as the recognition of previously written-off deferred tax assets.

Sales revenue of \$5,079 million in FY17 was 9% higher compared to FY16 based on increased volumes and commodity prices, offset by weaker exchange rates. In constant currency terms, sales revenue was 16% higher than the prior year, while sales volumes increased 2% to 8.7 million tonnes.

Underlying EBIT of \$182 million in FY17 was more than three times higher than underlying EBIT of \$58 million in FY16. The improved result was driven by internal streamline and optimise initiatives, stronger metal margins and increased sales volumes. By business, underlying EBIT improved across all segments, including significantly higher earnings in North America Metals.

Underlying return on capital of 8.0% was the highest in eight years. Underlying return on capital in 2H FY17 reached 9.3%, approaching the Company's FY18 target of 10%.

Regional Performance

North America Metals underlying EBIT of \$72 million in FY17 was the strongest result since FY11 and a considerable improvement over underlying EBIT of \$2 million in FY16. Higher earnings were driven by improved metal margins, leading to improved results across each operating region in North America (East, West, and Central). Earnings also materially improved in the North America Metals joint venture operations, contributing \$29 million to total segment EBIT.

ANZ Metals underlying EBIT of \$63 million in FY17, increased from \$40 million in FY16. The stronger result over the prior year related to improved metal margins, benefiting from higher average selling prices, and a meaningful 17% increase in sales volumes.

Europe Metals underlying EBIT of \$35 million in FY17 was up from \$19 million in FY16. The improved result was driven by a strong increase in sales volumes of 17% and higher average selling prices.

Global E-Recycling underlying EBIT of \$20 million in FY17, compared favourably with \$8 million in FY16. The improvement was led by strong performance in Continental Europe, supported by improved prices for copper and precious metals.

Final Dividend

Given the solid earnings, healthy net cash position, and continued delivery on internal strategic initiatives, the Company has declared a final dividend for FY17 of 20.0 cents per share, 100% franked. The Company has also declared a special dividend of 10.0 cents per share, 0% franked. Both the final and special dividend are to be paid on 20 October 2017 to shareholders on the Company's register at the record date of 6 October 2017.

Capital Allocation Strategy

The Company's business improvement initiatives have led to continued growth in net cash during FY17. 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. The Company will also consider external growth opportunities that fit into the Company's strategy, complement its core competencies, and enhance returns. In FY18, the Company has allocated \$180 million to \$200 million in capital for sustaining and growth projects.

Market Conditions and Outlook

External market conditions have shown steady signs of improvement. Steel exports from China have continued to decline since the start of 2016. Lower export volumes have eased competitive pressures on steelmakers outside China which, in turn, is supporting higher global demand for ferrous scrap metal.

Stronger demand in both domestic and export markets, as well as rising prices for steel and steel-making raw materials, has contributed to a circa 15% lift in ferrous scrap prices since the start of FY18.

Based on current market conditions and benefits anticipated from internal initiatives, the Company's target underlying return on capital of 10% in FY18 remains unchanged.

Appendix - Reconciliation of Statutory Results to Underlying Results

	EBITDA ¹		EBIT		NPAT	
	FY17	FY16	FY17	FY16	FY17	FY16
A\$m						
Reported earnings	313.5	83.0	201.2	(215.5)	203.6	(216.5)
Other significant items:						
Impairment of investment in joint venture	N/A ²	N/A ²	-	119.1	-	119.1
Goodwill and intangible asset impairment	N/A ²	N/A ²	-	53.0	-	42.8
Fixed asset (reversal)/impairment	(1.0)	31.8	(1.0)	31.8	(0.3)	29.5
Gain on sale of property	(24.3)	-	(24.3)	-	(24.3)	-
Lease settlements/onerous leases	(2.8)	44.5	(2.8)	44.5	(2.8)	41.7
Yard closure costs and dilapidation provisions	1.1	13.9	1.1	13.9	1.5	11.4
Redundancies	7.2	9.8	7.2	9.8	7.0	8.6
Other	1.0	1.4	1.0	1.4	1.0	1.4
Recognition of net deferred tax asset ³	-	-	-	-	(65.6)	-
Underlying results⁴	294.7	184.4	182.4	58.0	120.1	38.0

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

² N/A indicates that statutory EBITDA is calculated to exclude impairment of investment in joint venture and impairment of goodwill and intangible assets in the presentation of both the statutory and underlying results.

³ 2017 amount reflects the recognition of previously unrecognised deferred tax assets.

⁴ 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 audited 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 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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