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SIMS METAL MANAGEMENT ANNOUNCES FISCAL 2016 FULL YEAR RESULTS

Results at a glance

STATUTORY[1] (A$m)	**FY16**	**FY15**	**Change %**
Sales revenue	4,651.7	6,310.9	(26.3)
EBITDA[2]	83.0	265.6	(68.8)
EBIT	(215.5)	144.8	-
NPAT	(216.5)	109.8	-
EPS (cents) – diluted	(106.8)	53.2	-
UNDERLYING[3] (A$m)	**FY16**	**FY15**	**Change %**
Sales revenue	4,651.7	6,310.9	(26.3)
EBITDA	184.4	262.5	(29.8)
EBIT	58.0	141.7	(59.1)
NPAT	38.0	101.5	(62.6)
EPS (cents) – diluted	18.6	49.2	(62.2)
DPS (cents)	22.0	29.0	(24.1)

[1] Statutory results from continuing operations
[2] EBITDA is an unaudited measurement of non-conforming financial information
[3] Underlying earnings from continuing operations, excludes losses from discontinued operations

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 break-even 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 loss-making 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."

Appendix - Reconciliation of Statutory Results to Underlying Results

A$m	EBITDA[1]		EBIT		NPAT	
Year ended 30 June	**FY16**	**FY15**	**FY16**	**FY15**	**FY16**	**FY15**
Statutory results from continuing operations	**83.0**	265.6	**(215.5)**	144.8	**(216.5)**	109.8
Statutory results from discontinued operations[5]	-	1.0	-	0.7	-	0.1
Reported earnings	**83.0**	266.6	**(215.5)**	145.5	(216.5)	109.9
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 impairment	**31.8**	-	**31.8**	-	**29.5**	-
Reversal of an impairment of loan receivable	**-**	(0.6)	**-**	(0.6)	-	(0.6)
Net impact from investment in associates	**-**	(2.8)	**-**	(2.8)	-	(2.8)
Lease settlements/onerous leases	**44.5**	(5.9)	**44.5**	(5.9)	**41.7**	(5.9)
Redundancies	**9.8**	4.0	**9.8**	4.0	**8.6**	2.7
Net expense relating to yard closure/dilapidations	**13.9**	1.4	**13.9**	1.4	**11.4**	1.4
Multi-employer pension plan withdrawal liability	**-**	(5.9)	**-**	(5.9)	-	(5.9)
Settlement of disputes with third parties	**1.4**	-	**1.4**	-	**1.4**	-
Tax asset reversal[3]	-	-	-	-	-	(3.9)
Underlying results[4]	**184.4**	**256.8**	**58.0**	**135.7**	**38.0**	**94.9**
Underlying losses from discontinued operations[5]	-	5.7	-	6.0	-	6.6
Underlying results excluding discontinued operations	**184.4**	**262.5**	**58.0**	**141.7**	**38.0**	**101.5**

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

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

3 FY15 amount reflects utilisation of previously impaired US deferred tax assets.

4 Underlying results 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.

5 Discontinued operations relate to Global E-Recycling businesses in Canada and the UK.

About Sims Metal Management

Sims Metal Management is one of the world's largest metal recyclers with circa 200 facilities, operations in 20 countries, and over 4,750 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.

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