



ASX & MEDIA RELEASE

(ASX: SGM)

28 October 2019

Trading Update

Sims Metal Management Limited (the “Company”) today announced that, provided market conditions do not deteriorate further, it is expecting an Underlying EBIT loss for 1H FY20 of approximately A\$20 million to A\$30 million⁽¹⁾ and a full year FY20 Underlying EBIT profit of between A\$20 million and A\$50 million⁽¹⁾.

Commenting on the expected 1H FY20 loss, Alistair Field, CEO and Managing Director, said “the short term market fallout from the scrap price crash will be worse than originally anticipated when we informed the market that 1H FY20 would be materially lower than the prior corresponding period. Three interrelated issues have broadly contributed to the expected first half Underlying EBIT loss.

Firstly, the collapse in the sell price for ferrous scrap, and the resulting market illiquidity, made it impractical to drop the buy price at the same rate and remain competitive. This exacerbated the already compressed margins, and will continue to negatively impact results through to December, as low margin and no margin cargoes are delivered.

Secondly, we had unsold inventory leading into September, most significantly in the UK, at purchase prices reflective of the June through August markets. This inventory will be sold at a loss and will impact our results through to December.

Thirdly, we stated in our September trading update that the buy price had fallen ‘*potentially below the level at which it is economic for a number of our suppliers to gather and sell scrap. Alternatively, some suppliers may choose to sit on inventory until the price recovers*’. This is now the case for both ferrous and zorba-related products. As a result we have had to either reduce margins to stimulate supply and/or maintain margins but reduce volumes. Margins and volumes are meaningfully lower across all metals recycling operating regions and this will continue to impact our results for as long as prices remain at these subdued levels.

Mr Field further commented that “the fundamental and interrelated causes of the crash remain the same as those we discussed in September. Automobile sales are down, global manufacturing is down, China’s growth and world growth are slowing, and unresolved trade wars remain. These factors have combined to cause a significant drop in the demand for steel and zorba-related products. Further compounding the price fall for zorba-related products has been the material lack of Chinese quotas in the December quarter. This is expected to be resolved in the second half of our financial year when the Chinese authorities have indicated that high quality zorba-related products will be reclassified as ‘new metal’

rather than waste. In the meantime, zorba-related products that were going to China are being sold to other markets at reduced prices.

Commenting on the implications for the full year results, Mr Field said that “the first two issues I referred to should wash through Underlying EBIT by the end of December. The ongoing low prices for ferrous and non-ferrous products will continue to impact results for as long as the prices remain at these levels. Assuming no further market disruption or anomalies, that the freight inclusive TSI Turkey scrap price remains at or above current levels and trades with significantly less volatility than recently experienced, and that zorba stabilises at least at current prices, it is expected that the Company would return to profit and produce a second half Underlying EBIT of between A\$50 million and A\$70 million⁽¹⁾, resulting in a full year FY20 EBIT of between A\$20 million and A\$50 million⁽¹⁾.

Our strong balance sheet will allow us to navigate this period of market volatility. This, coupled with our disciplined approach to capital expenditure and cost management, will put us in a strong strategic position when the market normalises.

⁽¹⁾Assuming an average exchange rate of 0.6854 and 0.5561 for AUD/USD and AUD/GBP respectively

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 circa 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) for more information on the Company and recent developments.

Sims Metal Management Contacts:

Investors

Angela Catt
Director, Investor Relations
angela.catt@simsmm.com

Media

Réal Hamilton-Romeo
Director, Corporate Communications
real.hamiltonromeo@simsmm.com