



## 2016 Investor Presentation

Bank of America Merrill Lynch - Global Metals & Mining Conference

11 May 2016

ASX: SGM

USOTC: SMSMY

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# Business Highlights



## Company

- Global leader in metals and electronics recycling with over \$6 billion in annual sales revenue
- Operations in 20 countries with balanced sales mix across ferrous and non-ferrous metals
- Best in class people, technology, trading, and logistics



## Strategy & Strengths

- Strong business processes with internal initiatives to deliver double-digit return on capital by FY18
- Ability to maintain healthy metal margins through the cycle and improve cost flexibility
- Net cash position, providing balance sheet strength and capital management



# Strong core metals recycling business and diversification through electronics recycling



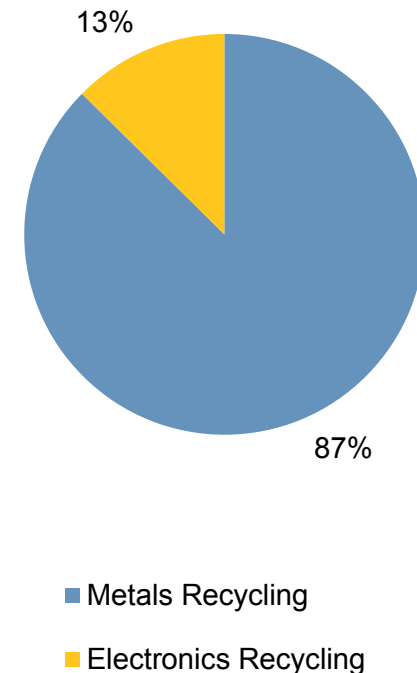
## Metals Recycling

- 10.5m tonnes of secondary metals sales in FY15
- 200+ facilities with operations in 6 countries
- Export capabilities across North America, UK and Australasia, with 13 deep water ports globally
- Global market leader

## Electronics Recycling

- 600,000 tonnes of electronics recycled annually
- 30+ facilities across 16 countries
- Emerging opportunities in IT asset management and engineering solutions
- Development of innovative recycling technology useful to both electronics and metals recycling businesses

**Sales Revenue  
By Business (FY15)**



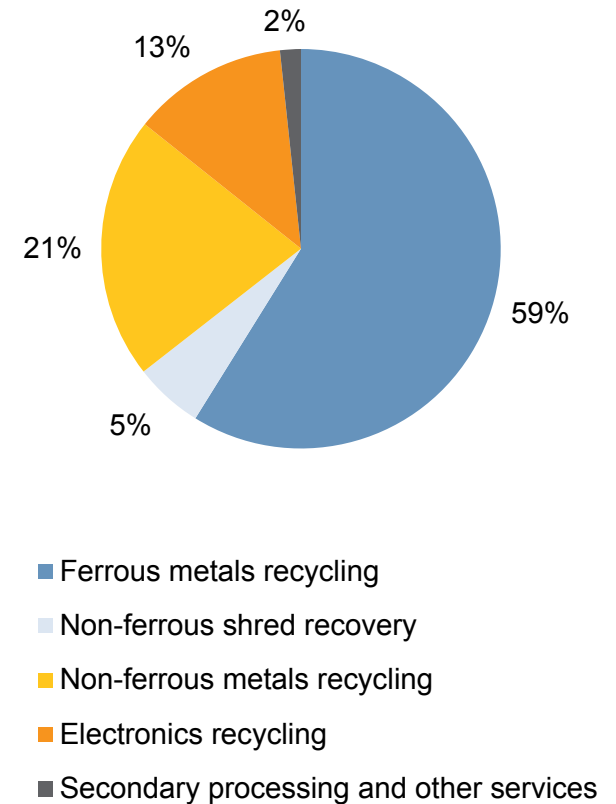
# Balanced sales mix

*~40% of sales generated by non-ferrous & other products*



Ferrous Metals	
Heavy Melt Steel	Bundles & Bales
Shredded Steel	Plate & Structural
Non-Ferrous Shred Recovery	
Zorba (aluminium based)	Zurik (stainless steel based)
Non-Ferrous Metals	
Aluminium	Copper
Lead	Nickel
Zinc	Used Beverage Cans
Electronics Recycling	
Precious Metals	Copper
Shredded Circuit Boards	IT Asset Management
Municipal Recycling	
Plastics	Paper
Metals	Glass

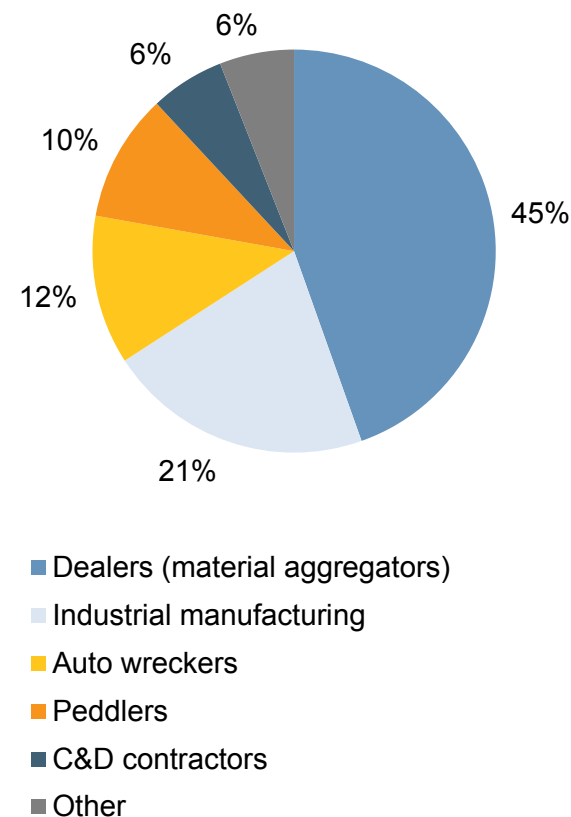
**Sales Revenue By Product (FY15)**



# Diverse supply base

Post Industrial	%
Stampings & clippings	12-14%
Borings & turnings	3-5%
Other	1-3%
<b>Total</b>	<b>~20%</b>
Obsolete Material	%
Construction & demolition	20-30%
Passenger vehicles	15-25%
Major appliances	5-10%
Other light iron	5-10%
Stainless steel	3-5%
Other	15-20%
<b>Total</b>	<b>~80%</b>

## Key Supplier Groups



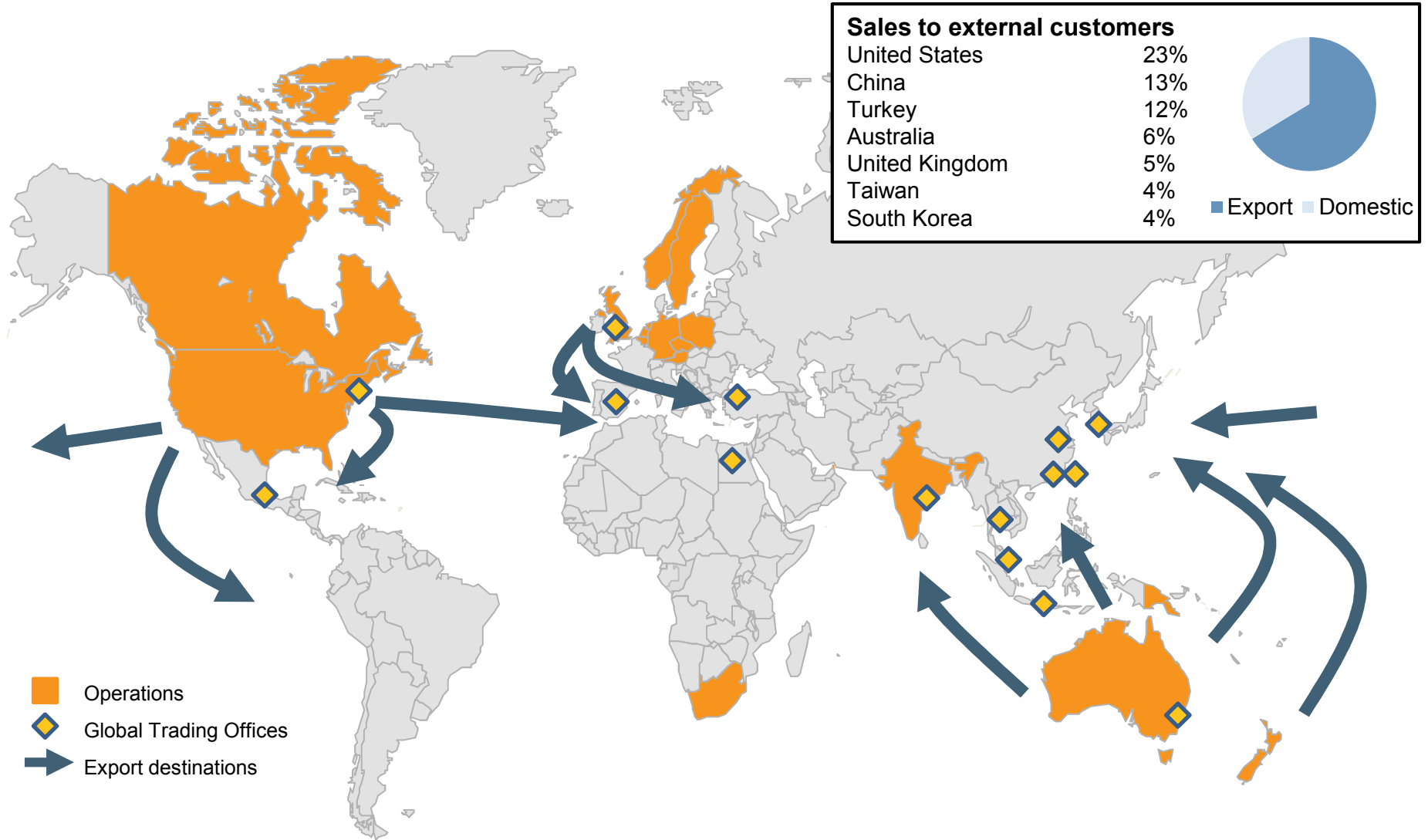


## Best in class assets and operations



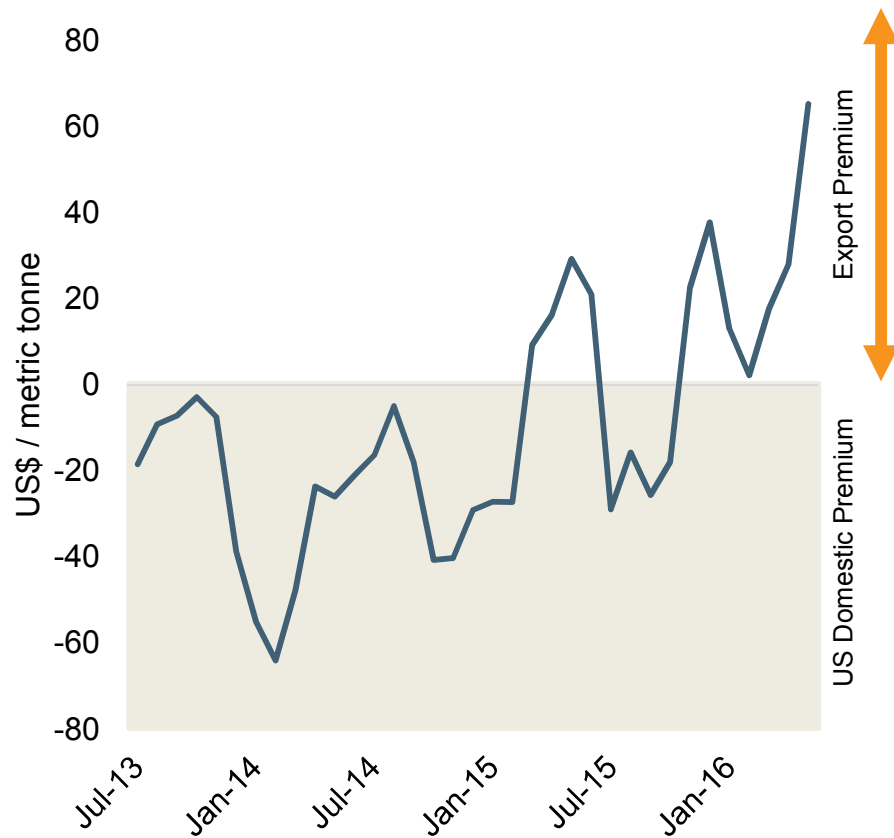
- 27 high-powered metal shredders across 5 countries
- Best-in-class non-ferrous metals separation technology
- Dedicated engineering teams
- Industry leading metal-yield and waste reduction methods

# Largest global trade network with export and domestic customers in 60 countries



# Capturing export or domestic premiums through industry's deepest trading network

## Export vs Domestic Price Premium



### Export Advantages

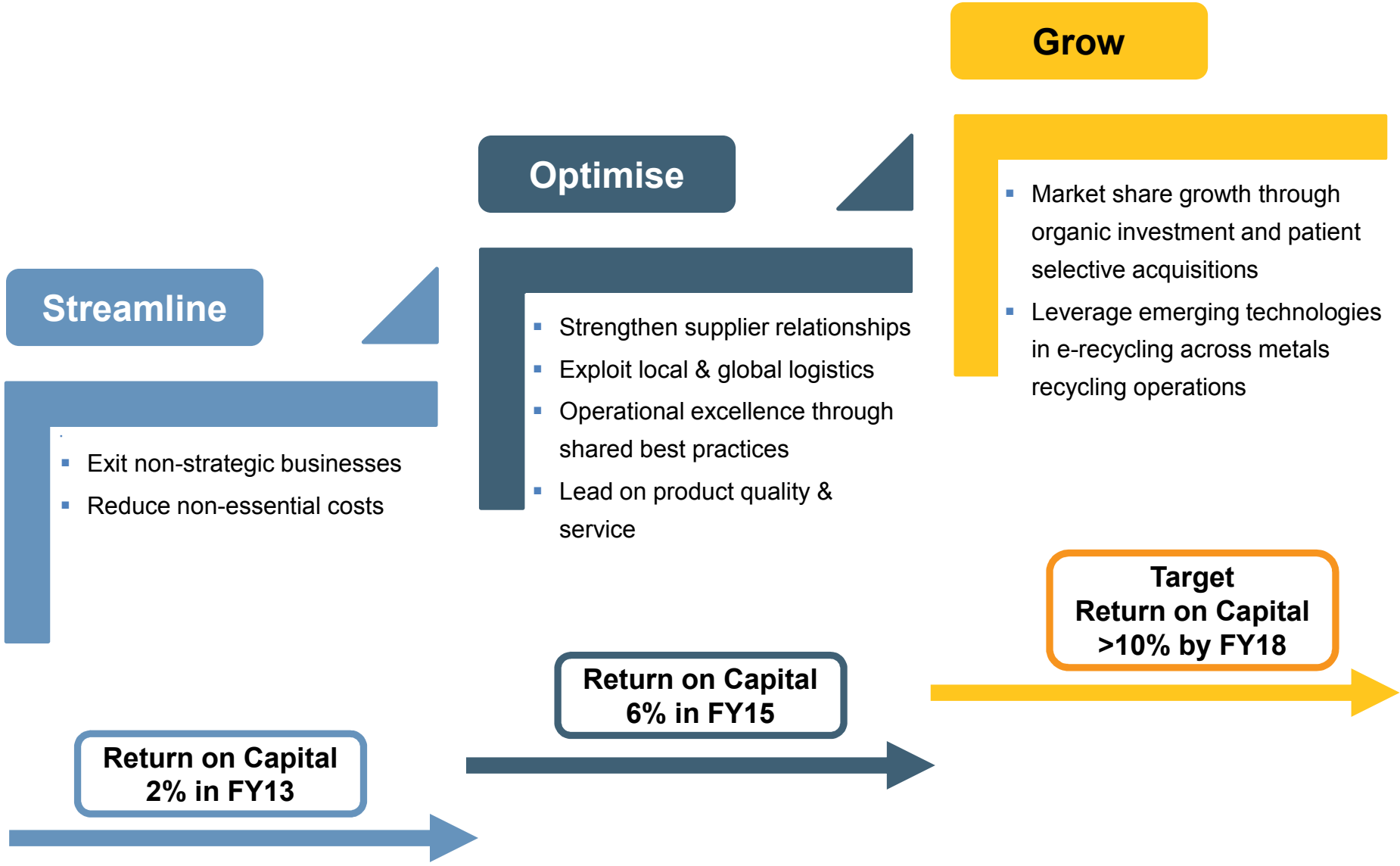
- Exporting from the US, UK & Australasia, with 13 deep water ports globally
- 15 global trading offices across 5 continents, trading to 60 countries
- ~10% market share of global trade

### Domestic Advantages

- Market leader across the largest cities in the US: New York, LA, and Chicago
- Low cost domestic freight channels through rail and barge assets



# 5 year strategic target to deliver double-digit return on capital by FY18



# Internal initiatives to Optimise key profit drivers for stronger earnings through the cycle

## Key Profit Drivers



### Raw Material Availability

- Leading market position in large urban centers to **retain and grow volumes**

### Supplier Relationships

- Strengthening supplier networks to **grow volumes** and market share

### Logistics

- Improving inbound & outbound transport capabilities to **lower freight expense**

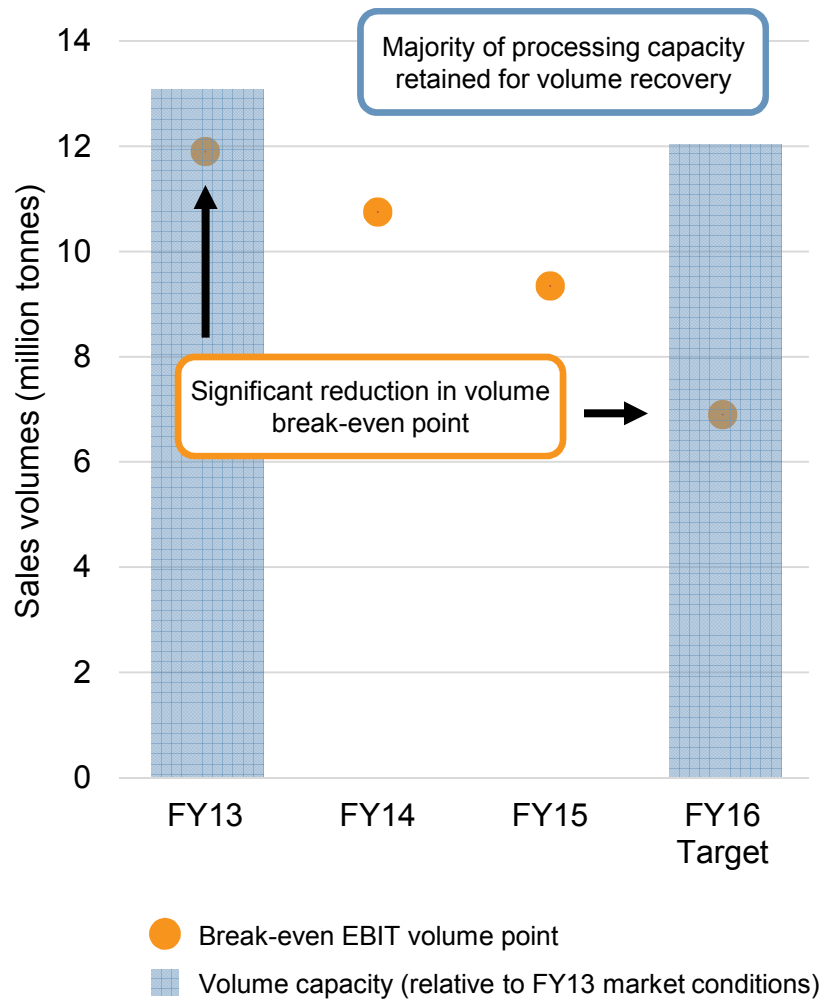
### Operational Excellence

- Drive continuous improvement to **lower operational expenses**
- Improve processing yields on non-ferrous and **grow metal spreads**

### Product Quality & Service

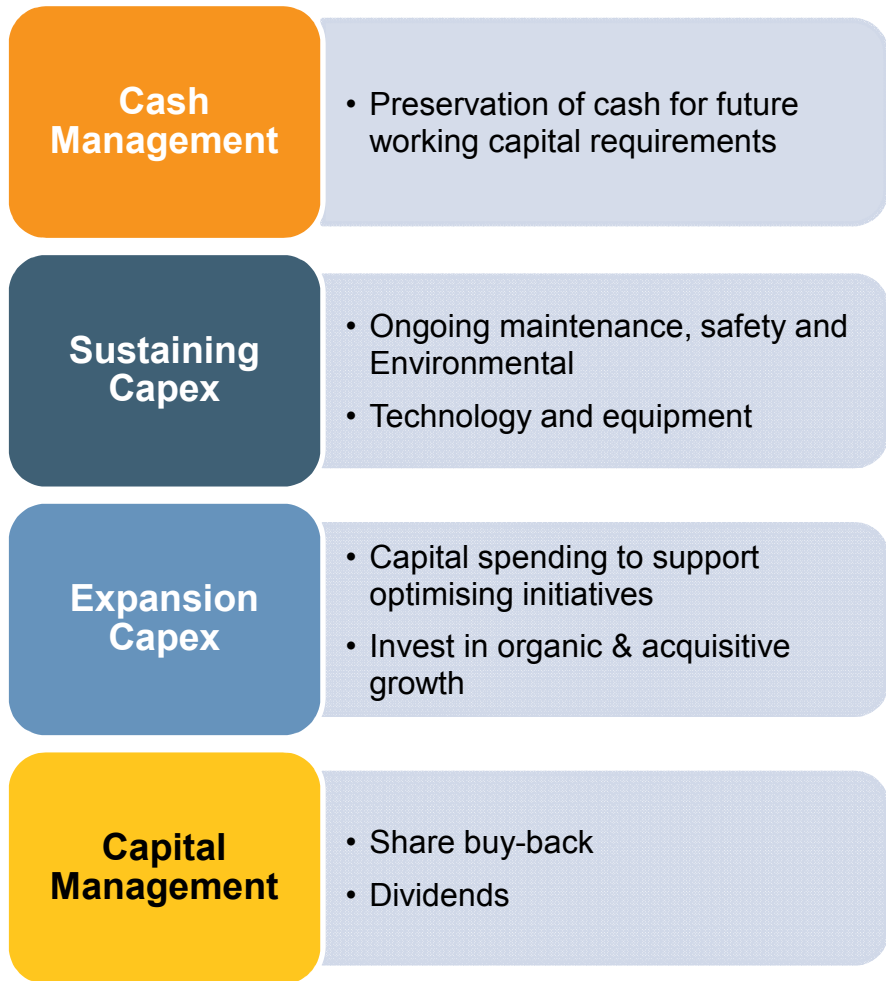
- Lead on product quality to **grow metal spreads** and market share

# Volume break-even lowered with upside leverage retained when volumes recover



- Internal initiatives will have reduced the volume break-even point for EBIT by over 40% by the end of FY16
- Despite cost reductions, majority of processing capacity has been retained
- Retained capacity could process additional volumes of approximately 45%, with limited impact on fixed costs

# Capital management strategy: Maintaining a strong balance sheet is the first priority



## Net Cash of \$373 million<sup>1</sup>

- Strong and consistent free cash flow

## Reinvesting back into the business

- FY16 capex expected to be between \$100 to \$120 million
- Balance sheet well positioned for expansionary opportunities

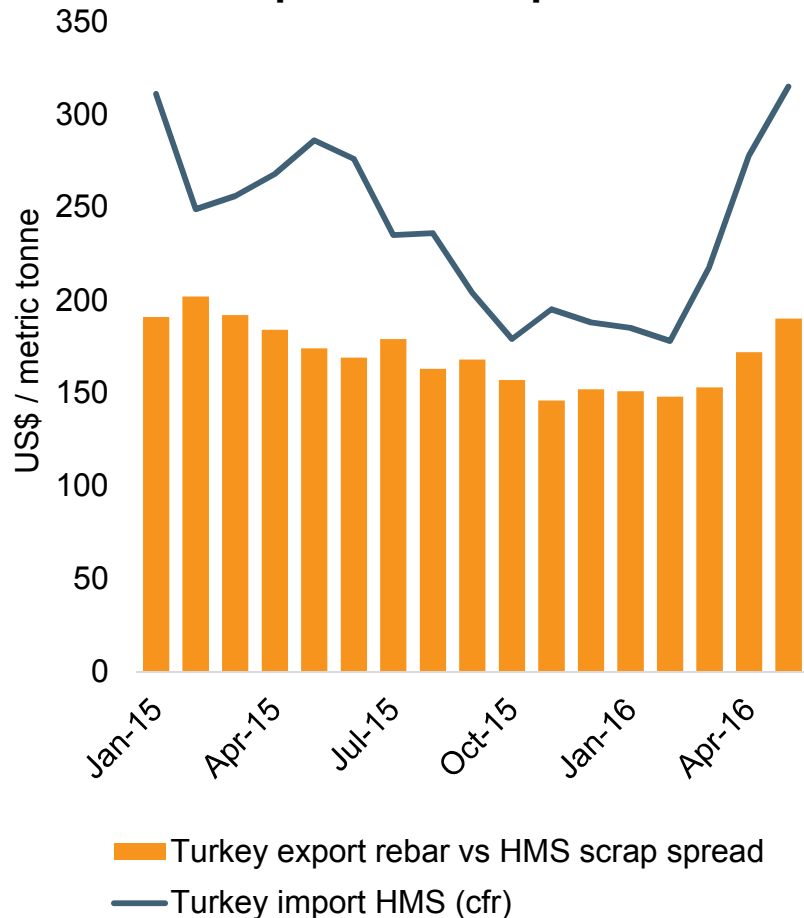
## Share buy-back and dividends

- On-market share buy-back to repurchase up to 10% of issued capital
- Dividend payout policy 45-55% of NPAT

# Market Update: Improved market fundamentals has driven higher ferrous demand and prices



### Turkey: Import Ferrous Scrap vs Export Rebar Spread



- Market has dramatically changed during the first quarter of 2016, with China once again driving the market
- Steel mills in China tightened domestic supply and started to increase prices after their New Year holiday
- Turkey's billet imports from China dropped to half the levels in 2H 2015
- A mix of lower billet imports, short scrap supply, and wider spreads on export billet have been key factors in the increased scrap prices in Turkey
- More recent steel prices in China are down, however even a correction equal to half the recent gain would still be a manageable level for the industry

# Market Update: Strong 2H FY16 earnings recovery



A\$m	FY13	FY14	FY15	FY16 Forecast
Underlying EBIT	67	119	142	Exit Run Rate \$140 million
Return on Capital	2.3%	4.6%	5.5%	Exit Run Rate 6%

## 2H FY16 Market Update

- Significant earnings recovery expected during 2H FY16, driven by incremental strategic initiatives to reduce operational costs, improve metal margins, and lower break-even point
- Ferrous metal prices have increased substantially since the start of 2H FY16, however intake volumes remain tight
- FY16 exit run-rate for underlying EBIT and return on capital is expected to be \$140 million and 6% respectively
- FY17 return on capital is expected to improve further, based on internal initiatives, even at current market conditions
- The Company is well positioned to benefit from volume improvement due to the significantly reduced cost base, lower volume break-even point, and available global processing capacity



- Global leader in metals and electronics recycling
- **Lifting through the cycle earnings** by lower costs and higher metal margins
- On track to deliver **double-digit return on capital by FY18**
- Significant **net cash position**, providing balance sheet strength and capital management flexibility
- **FY16 exit run-rate for underlying EBIT** and return on capital, expected to be **\$140 million** and 6% respectively, is confirmed
- FY17 return on capital is expected to improve further, based on internal initiatives, even at current market conditions
- The Company is **well positioned to benefit from volume improvement** due to the significantly reduced cost base, lower volume break-even point, and available global processing capacity



# Appendix

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# Diverse ferrous and non-ferrous product portfolio

## Ferrous



Heavy Melt Steel (HMS)



Shredded Steel

## Non Ferrous



Copper



Zorba (Shredded Aluminum)

## Electronics Recycling



Circuit Boards



End of life IT assets

# The Metals Recycling Process

## Post Industrial

- Factory stampings, clippings, turnings, and borings

## Obsolete Goods

- Vehicles, appliances, construction & demolition, railroads, steel cans

## Weighing, Inspection, & Sorting

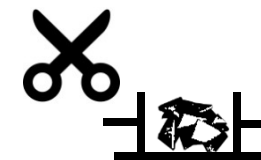


## Non Ferrous

Copper, Aluminum, Zinc, Lead, Nickel

## Processing

Sort, Shear, or Bale



## Sales to Smelters

Export & Domestic



## Sales to Steel Mills

Export & Domestic



**Ferrous**  
Steel

**Processing**  
Shear, Bale, or Shred

**Shearing**



**Baling**



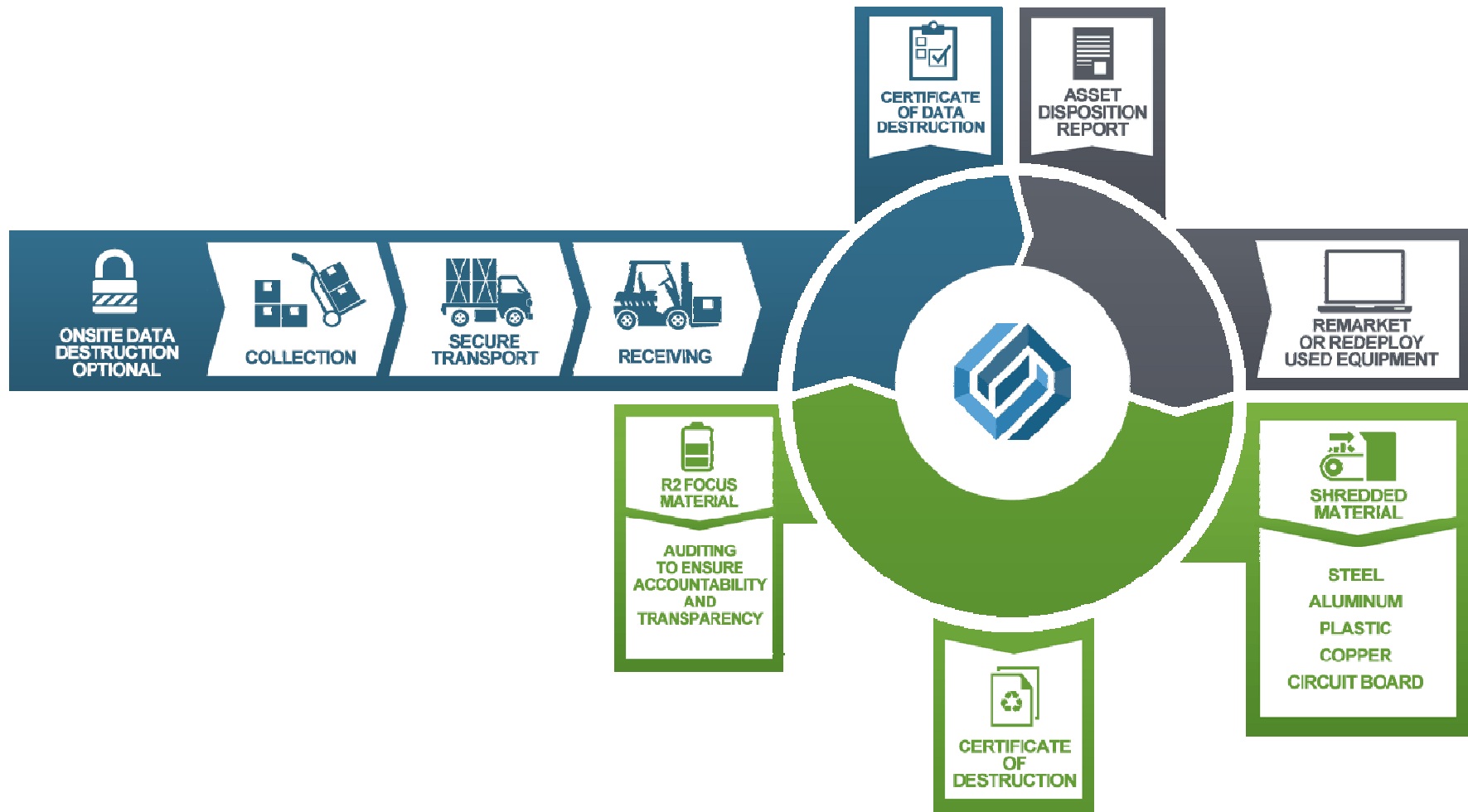
**Shredding**



*Ferrous*  
Recovery

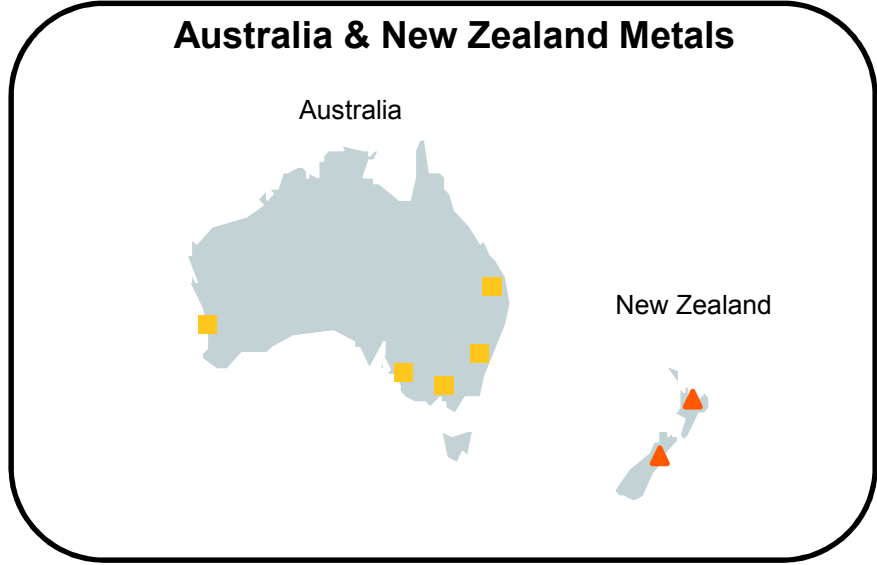
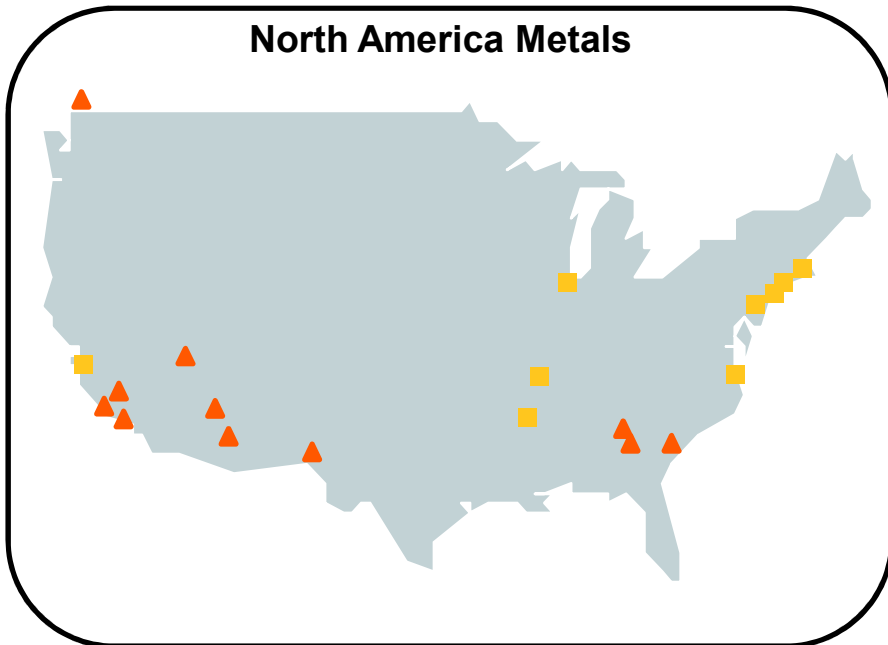
*Non Ferrous*  
Recovery

# The Electronics Recycling Process





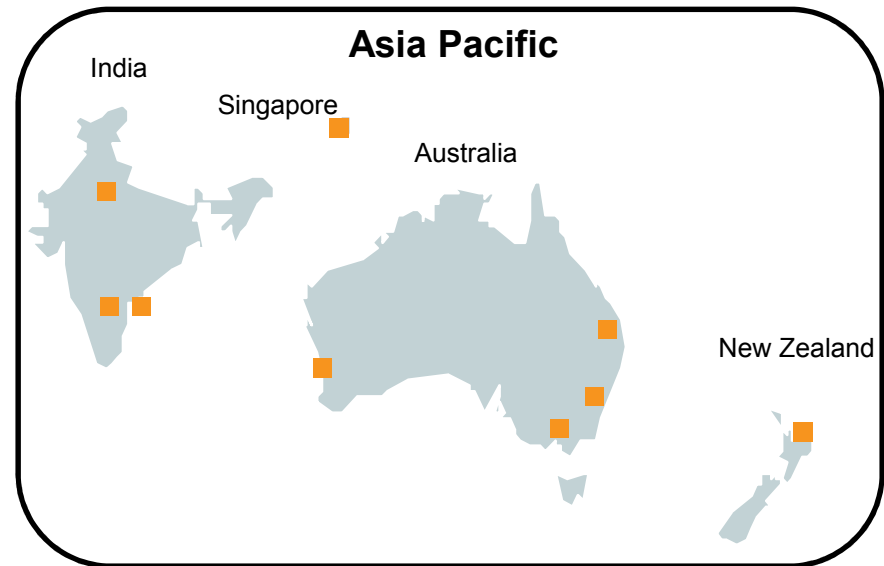
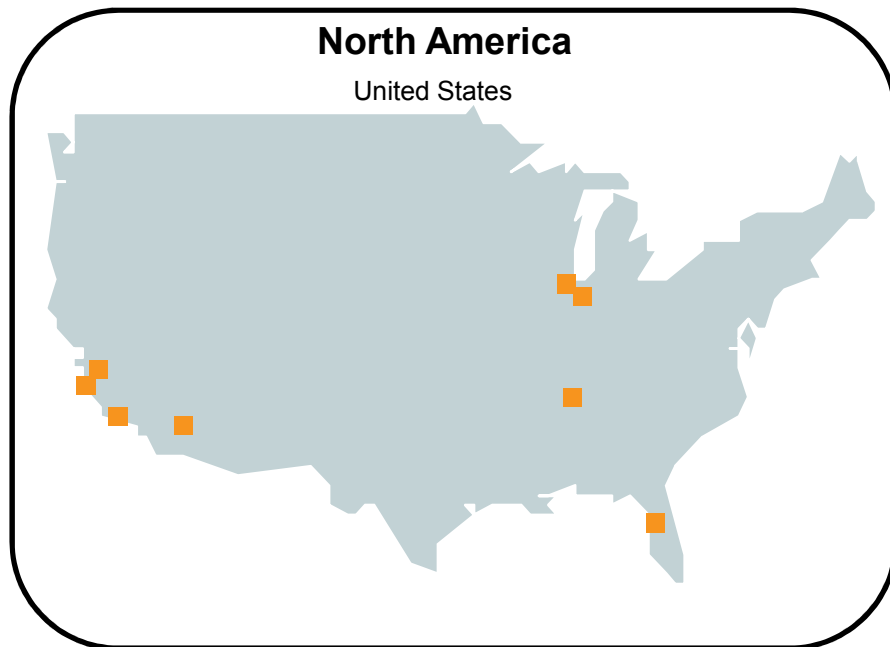
# Metals Recycling Global Footprint



- Metal Shredder / Key Metals Recycling facility
- ▲ Metal Shredder (50% JV owned)



# Electronics Recycling Global Footprint



■ Electronics Recycling facility

# Financial Summary – Group



A\$m	FY10	FY11	FY12	FY13	FY14	FY15 <sup>1</sup>	1H FY15 <sup>1</sup>	1H FY16
<b>Group Results</b>								
Sales Revenue	7,453	8,847	9,036	7,193	7,129	6,311	3,363	2,412
Underlying EBITDA	379	414	253	190	242	263	153	61
Underlying EBIT	235	283	123	67	119	142	95	-5
<b>Underlying NPAT</b>	<b>127</b>	<b>182</b>	<b>74</b>	<b>17</b>	<b>69</b>	<b>102</b>	<b>69</b>	<b>-18</b>
Underlying EPS (cents)	65	88	36	8	34	49	34	-9
Dividend (cents)	33	47	20	0	10	29	16	10
<b>Balance Sheet</b>								
Total Assets	4,233	4,167	3,509	2,917	2,649	2,882	2,786	2,568
Total Liabilities	959	1,256	1,225	988	816	769	750	672
Total Equity	3,274	2,912	2,284	1,929	1,834	2,113	2,036	1,895
<b>Net Cash (Net Debt)</b>	<b>15</b>	<b>-126</b>	<b>-292</b>	<b>-154</b>	<b>42</b>	<b>314</b>	<b>49</b>	<b>373</b>
<b>Cash Flows</b>								
Operating Cash Flow	-48	159	290	297	210	298	53	139
Capital Expenditure	-121	-143	-161	-149	-64	-95	-40	-44
<b>Free Cash Flow</b>	<b>-168</b>	<b>16</b>	<b>129</b>	<b>148</b>	<b>146</b>	<b>203</b>	<b>13</b>	<b>95</b>
NOPAT	165	198	86	47	83	99	67	-3
Total Capital	3,259	3,038	2,576	2,083	1,792	1,799	1,988	1,523
<b>ROC<sup>2</sup> (%)</b>	<b>5.0%</b>	<b>6.5%</b>	<b>3.3%</b>	<b>2.3%</b>	<b>4.6%</b>	<b>5.5%</b>	<b>3.4%</b>	<b>-0.2%</b>

1) Underlying earnings from continuing operations; excludes significant non-recurring items and earnings from discontinued businesses

2) Return on Capital = Underlying NOPAT / (BV of Equity + Net Debt)

# Financial Summary – Segment



A\$m	FY10	FY11	FY12	FY13	FY14	FY15 <sup>1</sup>	1H FY15 <sup>1</sup>	1H FY16
<b>Sales Revenue</b>								
North America Metals	4,834	5,782	5,773	4,256	3,996	3,417	1,913	1,236
ANZ Metals	1,126	1,300	1,190	1,047	1,188	1,053	554	377
Europe Metals	783	954	1,056	935	1,063	1,037	513	372
Global E-Recycling	622	750	982	937	868	795	378	427
Unallocated	88	61	35	18	14	9	5	0
<b>Total</b>	<b>7,453</b>	<b>8,847</b>	<b>9,036</b>	<b>7,193</b>	<b>7,129</b>	<b>6,311</b>	<b>3,363</b>	<b>2,412</b>
<b>Underlying EBITDA</b>								
North America Metals	182	175	51	94	75	81	65	16
ANZ Metals	83	107	80	72	107	87	44	28
Europe Metals	25	28	15	-2	29	37	21	9
Global E-Recycling	87	112	92	24	20	55	22	6
Unallocated	2	-8	15	2	11	3	1	2
<b>Total</b>	<b>379</b>	<b>414</b>	<b>253</b>	<b>190</b>	<b>242</b>	<b>263</b>	<b>153</b>	<b>61</b>
<b>EBITDA Margin (%)</b>								
North America Metals	3.8%	3.0%	0.9%	2.2%	1.9%	2.4%	3.4%	1.3%
ANZ Metals	7.4%	8.2%	6.7%	6.9%	9.0%	8.3%	7.9%	7.4%
Europe Metals	3.2%	2.9%	1.4%	-0.2%	2.7%	3.6%	4.1%	2.4%
Global E-Recycling	14.0%	14.9%	9.4%	2.6%	2.3%	6.9%	5.8%	1.4%
<b>Total</b>	<b>5.1%</b>	<b>4.7%</b>	<b>2.8%</b>	<b>2.7%</b>	<b>3.4%</b>	<b>4.2%</b>	<b>4.5%</b>	<b>2.5%</b>

1) Underlying earnings from continuing operations; excludes significant non-recurring items and earnings from discontinued businesses

## Financial Summary – Segment (cont.)



A\$m	FY10	FY11	FY12	FY13	FY14	FY15	1H FY15	1H FY16
<b>Sales tonnes ('000)</b>								
North America Metals	9,906	10,964	11,080	9,377	8,152	7,018	3,818	2,990
ANZ Metals	1,578	1,764	1,765	1,764	2,054	1,874	944	700
Europe Metals	1,394	1,466	1,651	1,645	1,609	1,589	738	609
<b>Total</b>	<b>12,878</b>	<b>14,194</b>	<b>14,496</b>	<b>12,786</b>	<b>11,815</b>	<b>10,481</b>	<b>5,500</b>	<b>4,299</b>
<b>Underlying EBIT</b>								
North America Metals	92.7	99.6	-18.7	32.8	11.7	11.8	33.0	-23.1
ANZ Metals	62.4	86.1	56.3	46.9	79.2	59.2	29.9	14.0
Europe Metals	15.8	18.8	4.1	-14.0	16.5	24.6	14.9	2.1
<b>Total</b>	<b>170.9</b>	<b>204.5</b>	<b>41.7</b>	<b>65.7</b>	<b>107.4</b>	<b>95.6</b>	<b>77.8</b>	<b>-7.0</b>
<b>EBIT / tonne (A\$/t)</b>								
North America Metals	9.36	9.08	-1.69	3.50	1.44	1.68	8.64	-7.73
ANZ Metals	39.54	48.81	31.90	26.59	38.56	31.59	31.67	20.00
Europe Metals	11.33	12.82	2.48	-8.51	10.25	15.48	20.19	3.45
<b>Total</b>	<b>13.27</b>	<b>14.41</b>	<b>2.88</b>	<b>5.14</b>	<b>9.09</b>	<b>9.12</b>	<b>14.15</b>	<b>-1.63</b>

## Financial Summary – Segment (cont.)



A\$m	FY10	FY11	FY12	FY13	FY14	FY15 <sup>1</sup>	1H FY15 <sup>1</sup>	1H FY16
<b>Sales tonnes ('000)</b>								
Ferrous Trading	9,068	10,115	10,320	9,396	9,331	8,325	4,426	3,361
Ferrous Brokerage	3,264	3,518	3,597	2,840	1,918	1,617	801	688
Non Ferrous	565	571	586	550	566	539	273	250
<b>Total</b>	<b>12,897</b>	<b>14,204</b>	<b>14,503</b>	<b>12,786</b>	<b>11,815</b>	<b>10,481</b>	<b>5,500</b>	<b>4,299</b>
<b>Sales Revenue</b>								
Ferrous Metals	5,071	6,144	6,259	4,817	4,801	4,068	2,250	1,354
Non Ferrous Metals	1,526	1,724	1,657	1,353	1,361	1,342	683	577
Global E-Recycling	622	750	982	937	868	795	378	427
Other	234	229	138	86	99	106	52	54
<b>Total</b>	<b>7,453</b>	<b>8,847</b>	<b>9,036</b>	<b>7,193</b>	<b>7,129</b>	<b>6,311</b>	<b>3,363</b>	<b>2,412</b>

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# Disclaimer

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