



ASX & MEDIA RELEASE

(ASX: SGM)

16 September 2019

### 1H FY20 Trading Update

Sims Metal Management Limited (the “Company”) today announced that the recent and significant falls in ferrous and non-ferrous prices will negatively impact 1H FY20 and the result will be materially lower than 1H FY19.

Commenting on the rapid deterioration in the market, Alistair Field, CEO and Managing Director, said “the escalating trade wars that I discussed at our year-end results continue to reduce the demand for steel and aluminium. At that time, Steel mills appeared to be managing the lower demand, but in early September they materially reduced their scrap purchases, and also their outlook for scrap purchases. This reduction in demand for scrap has driven a steep fall in prices. The current sales price results in a buy price that is 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.

Automobile sales also continue to fall and this is impacting the demand for twitch, with an accompanying fall in price.

Compounding the impact of falling scrap prices has been a consistent rise in deep sea freight prices over the last month. Under normal market conditions this would be manageable, but in this very low price environment, with poor liquidity, it is not possible to recover increased freight costs through the buy price.”

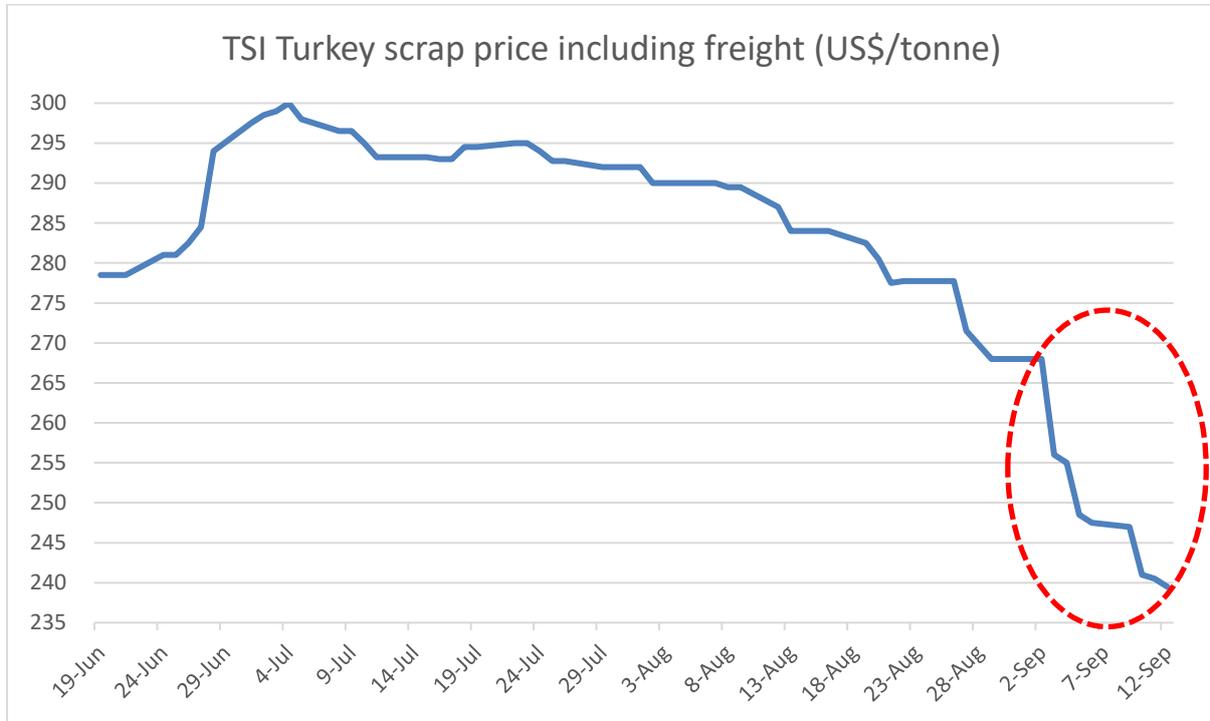
Commenting on the financial impact of the situation, Mr Field said that “while it is not possible to predict the duration of these very low prices and poor liquidity, history shows that the scrap market tends to mean-revert, so we expect it will recover over the medium term. What I can say however, is that there will definitely be an impact on our first half result and I am expecting the outcome to be materially lower than the prior corresponding half year. We are seeing signs of falling volumes at these prices so we will need to carefully manage the volume versus margin trade-off. It is too early to say whether this continues to impact our second half. When the market recovers, it often does so very quickly. Regardless, our strategy remains sound, and the business is well positioned to deliver good returns through the commodity cycle.

While our focus has always been on disciplined capital expenditure and required returns, we will be particularly cautious during this market downturn”.

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## Ferrous Pricing

The significant fall in ferrous pricing commenced in September.



Source: TSI HMS, Platts

### 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](http://www.simsmm.com)) for more information on the Company and recent developments.

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