**Metal Management, Inc. (NASDAQ: MTLM)**

**Location:** Chicago, IL

**Analysts:** Angeline Hsu, Ankur Mathur, Ken Wee

**Date:** 25 March 2005

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**BUSINESS DESCRIPTION**

Metal Management is a metals recycler, with recycling facilities located in 13 states. The Company collects and processes ferrous and non-ferrous metals, industrial scrap and obsolete scrap metal, processes it into reusable forms, which is then supplied to its customers. Customers include electric arc furnace mills, integrated steel mills, foundries, secondary smelters and metals brokers. Products include shredded, sheared, cold briquetted, bundled scrap, turnings and broken furnace iron. Metal Management also processes non-ferrous metals, including aluminum, stainless steel, copper and more.

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**INVESTMENT THESIS**

Metal Management is the largest metal recycling company, enabling it to capitalize on the recent steel demand increase. It is priced relatively cheap and with stronger margins that its immediate competitors. Although sensitive to the fluctuations of commodities prices, Metal Management has ample room to grow and expand both domestically and internationally. Metal Management emerged from Chapter 11 in September 2002, and recently declared dividends for the first time. With very little debt and strong cash flows, Metal Management is poised for growth. This growth makes Metal Management an attractive investment opportunity.

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**FINANCIAL SUMMARY**

<table>
<thead>
<tr>
<th>Results of Operations</th>
<th>FY Ended Dec 31,</th>
<th>2005 E*</th>
</tr>
</thead>
<tbody>
<tr>
<td>Revenue</td>
<td>464.8</td>
<td>$770.0</td>
</tr>
<tr>
<td><strong>Growth</strong></td>
<td>65.7%</td>
<td>40.7%</td>
</tr>
<tr>
<td>EBIT</td>
<td>21.4</td>
<td>55.6</td>
</tr>
<tr>
<td><strong>EBIT Margin</strong></td>
<td>4.6%</td>
<td>7.2%</td>
</tr>
<tr>
<td>After-tax Earnings</td>
<td>-6</td>
<td>20.5</td>
</tr>
<tr>
<td><strong>Net Margin</strong></td>
<td>(1.3%)</td>
<td>2.7%</td>
</tr>
</tbody>
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| D&A                   | 13.7           | 17.5   | 18.2     | 18.5     |
| CapEx                 | 27.5           | 27.1   | 11.0     | 16.0     |
| Interest Expense      | 9.5            | 11.1   | 6.9      | 54.0     |

| EPS on Current Sh.    | ($0.25)        | $0.85  | $2.13    | $2.48    |

**Balance Sheet Data**

- Total Debt: $15.2
- Cash & Equivalents: 1.4
- Net Debt: 13.8

**Trading Statistics**

- Share Price (3/23/05): $27.19
- Diluted Shares Outstanding: 24.2
- 52 Week High: 30.50
- 52 Week Low: 11.62
- Equity Market Value: 656.6

**Credit Stats**

- Total Debt/EBITDA: 0.1x
- Net Debt/EBITDA: 0.1x
- EBITDA/Interest: 3.2x

*(Please note: standard error in forecasting creates distortion of 2003-2005 transition period from which 2004 estimates are calculated.)*

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(1) Figures as of 3/23/2005