

Metal Recycling Sector Year-End 2009 Review



EUREKA CAPITAL PARTNERS, LLC

MARKET TRENDS

***M&A activity weak
but expected to
improve in the next
six to twelve months***

- In the past twelve months weak profits and poor earnings visibility in the metal recycling sector have resulted in a significant decline in M&A activity. In 2009 there were only 17 transactions announced versus 46 in 2008, as buyers and sellers struggled to bridge significant valuation gaps.
- In our view, the long term trends driving consolidation in the metal recycling sector remain unchanged. For transaction activity to pick-up, market participants will need to see a period of rising volumes, improving profitability, greater visibility from the steel producers and a loosening of credit availability from the banks. Assuming conditions in the US economy continue to improve, we expect to see more activity in the M&A market in the second half of 2010.

***ESOPs are an
attractive liquidity
alternative***

- For owners of private companies seeking liquidity in the near-term, whether they are driven by family planning or tax considerations, selling to an Employee Stock Ownership Plan ("ESOP") has become an attractive alternative to a third-party sale. Importantly, credit for ESOP transactions is available and ESOP transactions are being done at reasonable valuations.

***Strong Chinese
demand drives
export volumes in
ferrous and stainless***

- While domestic steel production volumes were very weak in 2009, there was continued demand for scrap exports primarily from China and to a lesser degree from South Korea and India. Overall, ferrous scrap exports grew 4.3% in 2009 with exports to China increasing dramatically by 123%, offsetting declines in exports to Turkey and Taiwan. By the end of 2009, China accounted for 28% of ferrous scrap exports. Stainless steel scrap exports followed a similar pattern growing at 13% with Taiwan, China and South Korea being the lead importers.

***Nonferrous exports
declined***

- Non-ferrous scrap exports fell by 16.3% in 2009. Importantly, export volumes appear to have picked up at the end of the year as November and December were the best two months of the year. Aluminum used beverage cans was the only segment which experienced rising volumes in 2009. China, South Korea, Canada, Taiwan and Mexico remain top importers of U.S. nonferrous scrap.

MARKET TRENDS (CONT.)

Rising scrap prices despite weak volumes

- Despite weak volumes, scrap prices have increased steadily in the past twelve months. This has been accompanied by a significant pick up in prices for iron ore, met coal, nickel, copper and other commodities. The primary reason for this has been demand from Asian steel producers. While demand from US steel producers has been weak reflecting the state of the US economy, it has been showing signs of improvement in recent months.

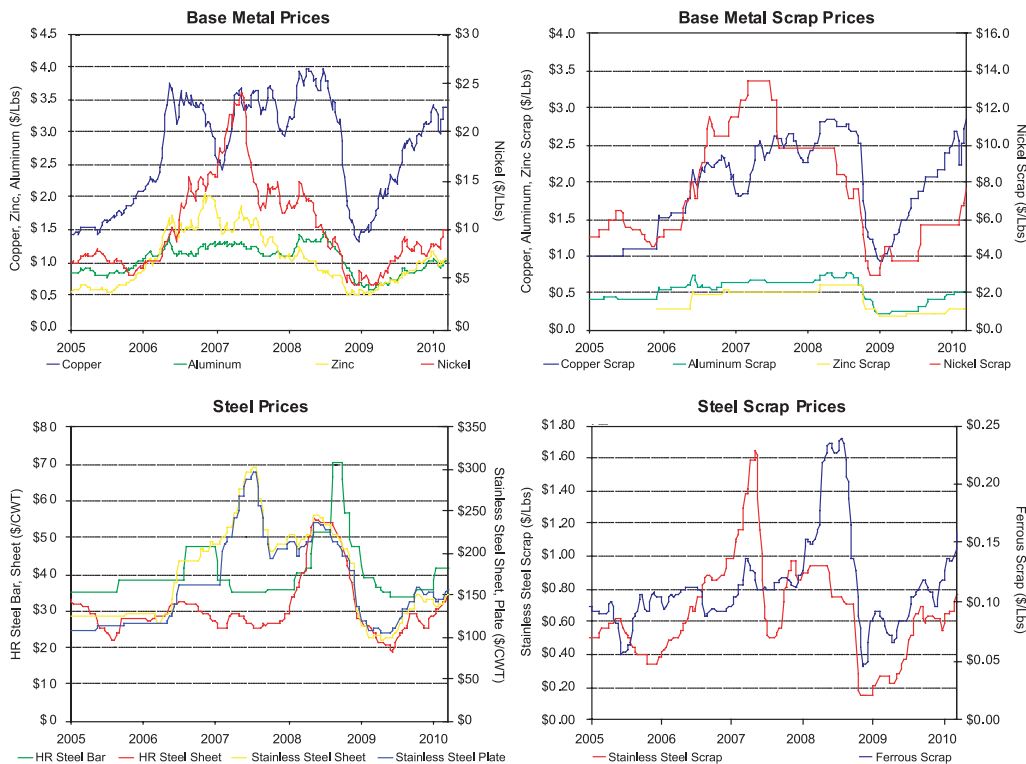
Tight U.S. scrap supply affecting margins

- On the supply side scrap availability in the US market has been tightening due to the weak economy. Less cars and kitchen appliances are being scrapped, fewer buildings are being torn down, and industrial production is at a lower base. This has resulted in a shrinking of operating margins for industry participants.

Positive earnings outlook for U.S. scrap companies

- By the end of 2010 we expect scrap industry participants to experience stronger profits, as volumes rise driven by demand from foreign and domestic steel producers, more scrap is generated by an improving US economy and prices remain strong.

SELECTED BASE METAL AND SCRAP PRICES



Source: American Metal Market

MERGER AND ACQUISITION TRANSACTIONS

HIGHLIGHTS:

- 10 M&A transactions were announced in the second half of 2009 as compared to 17 transactions announced during the same period last year.
- 17 M&A transactions were announced in 2009 as compared to 46 transactions announced in 2008.

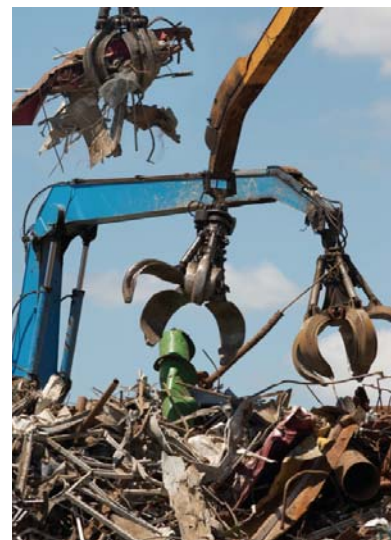
Date Announced	Target / Parent	Acquirer	Target Business Description	Deal Size (\$ in millions)
03/22/10	Metals Trading Pty, Ltd. / Recovcorp Pty, Ltd.	OneSteel, Ltd.	Processor and marketer of ferrous and non-ferrous metal scrap based in Kew, Australia	-
03/01/10	Ocala Recycling, Inc. / Blaze Recycling and Metals, LLC	The David J. Joseph Company	Provider of scrap recycling and collection services based in Ocala, Florida	-
03/01/10	Showa Metal Co. Ltd.	Hanwa Co. Ltd.	Scrap metal recycler based in Kawasaki-shi, Japan	-
02/22/10	UTP Holdings, LLC	Resource Exchange of America, Corp.	Exporter of ferrous and nonferrous scrap metal based in Sarasota, Florida	-
01/12/10	A-SCT Semicon Recycling Industries Pte Ltd. / ASTI Holdings Ltd.	Advance SCT Ltd.	Collector of semiconductor scrap based in Singapore	\$35
01/12/10	MRR Mitteldeutsche Rohstoff-Recycling GmbH / HRR Stahlschrott- und Metallrecycling GmbH & Co. KG	Scholz Recycling AG & Co. KG	Scrap metal waste disposal services provider based in Halle, Germany	-
01/11/10	HRR Stahlschrott- und Metallrecycling GmbH & Co. KG / Scholz Recycling AG & Co. KG	Interseroh Berlin GmbH	Scrap yards operator based in Hennigsdorf, Germany	-
12/23/09	Kovo_rot Decin A.S. / Scholz AG	Scholz Austria GmbH	Scrap metal processing company based in Czech Republic	-
12/16/09	Youngstown Iron and Metal, Inc. and Atlas Recycling Inc.	Metalico Inc.	Processors of recycled ferrous and non-ferrous metals and sellers of scrap metal products located in Youngstown, Ohio	-
12/11/09	AFE Valdi SAS / AFE	Eramet S.A.	Processor and recycler of non-ferrous metals, batteries, and oil and chemical catalysts based in Feurs, France	-
11/17/09	ZAO "Sevvtormet"	ZAO Profit Company	Wholesaler of scrap materials located in Surgut, Russia	-
11/11/09	Matlow Co., Inc.	Upstate Shredding, LLC	Ferrous and non-ferrous metal scrap recycler based in Syracuse, New York	-
11/10/09	Rocmet Corporation FZC / Rocmet Corp. Gr.	National Company For Consumer Industries	Recycler and trader of steel scrap based in Sharjah, United Arab Emirates	\$1
11/09/09	Scrap.Net, Inc. / Recyclenet Corp. (d/b/a Maydao Corp.)	Inter-Continental Recycling Inc.	Marketer of secondary commodities and waste to the recycling industry based in Salt Lake City, Utah	-
10/30/09	Bourbie S.A.	SAS Praxy Finances	Processor and merchant of ferrous and non-ferrous metal scrap, paper, card board, plastic, and rubber based in Issoire, France	\$6
09/23/09	Sunderland Metal Co.	European Metal Recycling Ltd.	Scrap metal merchant based in Pallion, UK	-
07/03/09	Fairless Iron & Metal, LLC	Sims Metal Management Ltd.	Ferrous and non-ferrous scrap metal recycler based in Morrisville, Pennsylvania	-
05/20/09	ZAO Profit Company	Magnitogorsk Iron & Steel Works	Scrap Metal processor and collector located in Russia	-
04/03/09	e-Scrap Destruction, LLC	Auction Floor, Inc	Recycler of electronics based in New York	-
03/17/09	Wagner Rohstoffe GmbH	Interseroh AG	Scrap metal recycler based in Frankfurt, Germany	\$12
02/17/09	All Metal Recovery Limited	Sims Metal Management Limited	Recycling of scrap metal and waste based in the United Kingdom	-
02/01/09	Rohr Environnement SA	Siege Metalifer SA	Scrap metal recycler based in Colmar, France	-
01/22/09	Tsing Technologies Sdn Bhd / Advance SCT Ltd.	Exemplary Holdings Sdn Bhd	Recycling of both ferrous and non-ferrous scrap metals based in Shah Alam, Malaysia	-
01/15/09	Hayashi Kinzoku Kogyosho, K.K.	ALCONIX Corporation	Distributor of non-ferrous metals and metal products based in Japan	-

Source: Capital IQ, Company Public Filings, Press Releases, and Industry Publications

OUR METAL RECYCLING AND METAL SERVICES SECTOR EXPERTISE

Companies today operate in a highly specialized environment, with the regulatory and competitive demands of each industry often making the difference between success and failure. At Eureka we recognize that as an advisor, to do our job appropriately, we must have not only the transactional skills of a seasoned investment banker but also the technical and operating skills of an industry expert.

We have been very active in the metal recycling sector over the past several years. Our recent experience includes advising on a number of corporate finance assignments in **ferrous, non-ferrous** and **electronics recycling**. In addition, we have worked on projects in **steel manufacturing, metal services,** and **metal-working**, including fabrications, stamping, forging, metal treatment, aluminum extrusions and others.



CONTACT INFORMATION

Mark Hyman

Senior Managing Director
mark.hyman@eurekacap.com
646.277.8425

Lana Simkina

Executive Director
lana.simkina@eurekacap.com
646.277.8429

EUREKA CAPITAL PARTNERS, LLC

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New York

286 Madison Ave., Suite 1300
New York, NY 10017
Ph: 646.277.8420
Fx: 646.277.8421

California

610 Newport Center Dr., Suite 430
Newport Beach, CA 92660
Ph: 949.719.2260
Fx: 949.719.2314

www.eurekacap.com

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