

Metal Recycling Sector March 2011 Review

EUREKA CAPITAL PARTNERS LLC

MARKET TRENDS

M&A activity continues to improve

- Driven by the economic improvements, volume of mergers and acquisitions in the metal recycling sector picked up significantly in the second half of 2010. There were 32 transactions announced in the last six months of 2010 as compared to 10 transactions during the same period in 2009. This pace continued in Q1 2011 with a further 12 transactions announced since the beginning of the year.
- Some of the more active consolidators have resumed their acquisition programs. Schnitzer Steel Industries announced four acquisitions in the past six months, and PSC Metals completed three small acquisitions in January 2011.

Economic trends support positive outlook for the scrap industry

- The latest economic data support a more positive outlook for scrap metal in 2011. Domestic steel industry demand is expected to rise by as much as 10% driven by the general economic rebound, including the automotive, energy and construction sectors. With inventory levels remaining low, rising demand should lead to increases in production. Steel capacity utilization rose 70% from 75% in Q4 2010.

High iron-ore raw costs help ferrous scrap pricing

- Driven by tight global supply, iron ore prices were strong in 2010, and are expected to remain elevated in 2011. This should continue to benefit ferrous scrap pricing. The key driver will be the continuation of strong Chinese economic growth.

Scrap exports are mixed...

...Ferrous scrap exports down in 2010 but expected to pick up

- In 2010, U.S. exports of ferrous scrap were down 8.4% primarily due to the weak Chinese and Indian demand, which was down 48.4% and 38.2% for the year, respectively. This slide was partially offset by demand from Canada (up 40.1% vs. 2009), Taiwan (up 26.4%) and Turkey (up 18.3%).

...Continued strong nonferrous scrap exports

- US non-ferrous scrap exports grew 13.7% in 2010, driven by a resurgence in Chinese orders for aluminum scrap, tight supplies and strong Asian demand for copper and brass scrap. The top five destinations, China, South Korea, Canada, Taiwan and Mexico, accounted for approximately 90% of volume.

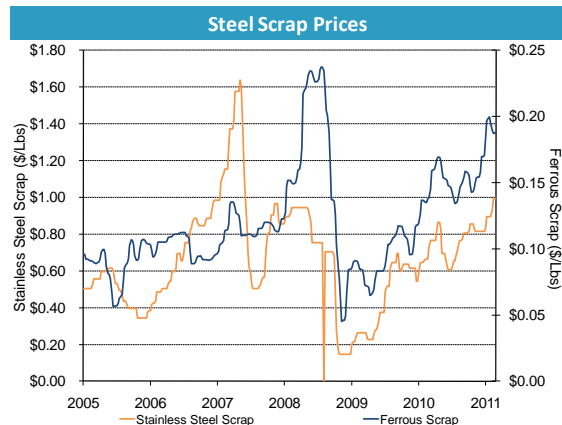
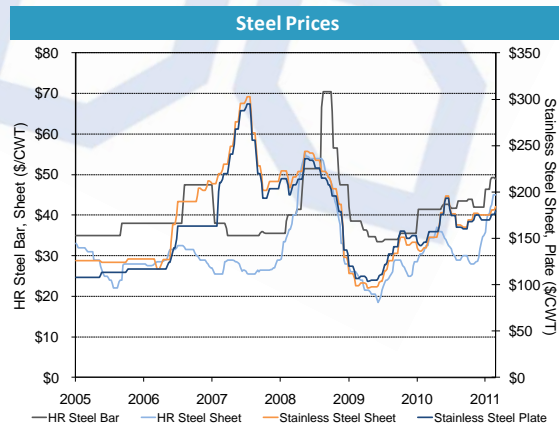
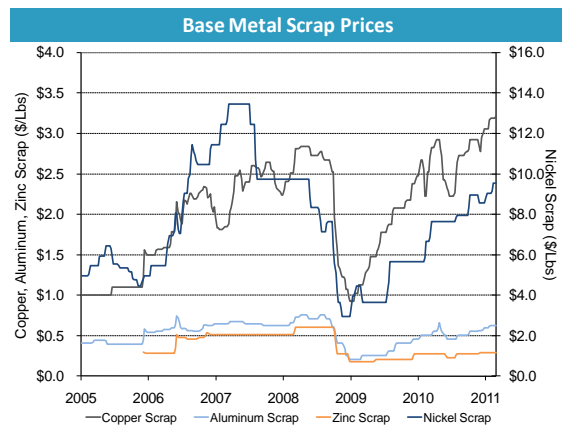
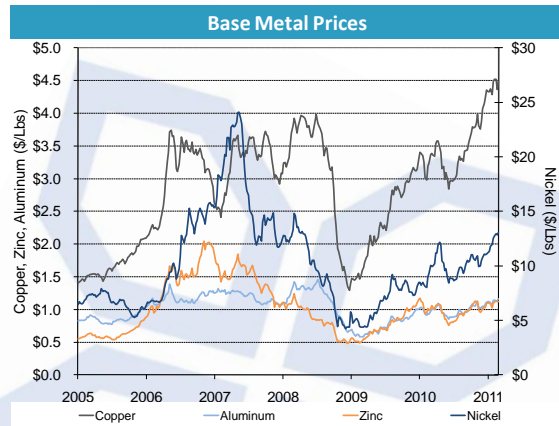
...Trend reversal in the stainless steel scrap exports

- U.S. exports of stainless steel scrap were down 17.7% in 2010 due primarily to reduced demand from China and India. However, the declining trend reversed in December 2010 with stainless shipments rising 10.8% over the previous month and remaining strong in the first months of 2011.

E-waste regulations support industry growth

- We view expanding e-waste regulation as a long-term positive for the electronic recycling sector. On January 1, 2011, e-waste laws went into effect in five new states. 24 states now have some form of electronic waste legislation. A further three states have landfill bans on dumping electronics. New legislation is expected to take effect later this year in New York and South Carolina, and in North Carolina during 2012.
- Growth in the e-waste market has begun to attract electronic industry participants seeking to provide a comprehensive service across the entire product life cycle for their suppliers and customers. In December 2010, Arrow Electronics (a leading distributor of electronic components) completed the acquisition of Intechra (a provider of end-to-end IT asset disposition services).

SELECTED BASE METAL AND SCRAP PRICES



Source: American Metal Market

2010 MERGER AND ACQUISITION TRANSACTIONS

Date Announced	Target / Parent	Acquirer	Target Business Description	Deal Size (\$ in mm)
03/01/11	Schrott-Wetzel GmbH	Ecore B.V.	Scrap metal processing and recycler based in Germany.	-
02/15/11	Veolia Miljø AS / Veolia Environmental Services, L.L.C.	Altor Equity Partners	Industrial waste and metal recycler based in Norway.	-
02/14/11	Magic Bright Limited	Green EnviroTech Holdings Corp.	Paper and metal recycler is based in Hong Kong.	\$6.00
02/13/11	Choice Environmental Services, Inc. / Penfund	Swisher Hygiene Inc.	Papers, plastics, and metals recycler based in Fort Lauderdale, FL.	\$96.44
02/05/11	Brenner Recycling, Inc.	Ben Weitsman & Son, Inc.	Metal recycler based in Hazleton, PA.	-
01/31/11	Goodman Services, Inc.	Metalico Inc.	Metal and paper recycler based in Bradford, PA.	\$4.20
01/28/11	Warmington Road Recycling Co.	PSC Metals, Inc.	Metal recycler based in Navarre, OH.	-
01/28/11	RJB Recycling Environment Orleans	Neptune Group Limited	Scrapped vehicle recycler based in France.	\$3.41
01/07/11	R&M Recycling of Adrian	R & M Recycling, Inc.	Metal recycler based in Adrian, MI.	-
01/05/11	Cash's Scrap Metal and Iron Corp.	M.W. Recycling LLC	Metal recycler based in St. Louis, MO.	-
01/04/11	Gansu Xinchuan Chemical Co Ltd. / Newhope Chemicals Investment Co.	Hebei Baoshuo Co.,Ltd.	Scrap recycler based in China.	-
01/04/11	State Line Scrap Co, Inc.	Schnitzer Steel Industries Inc.	Scrap recycler and supplier based in Attleboro, MA.	-
12/31/10	Port of Indiana Processing Facility / Behr Iron & Steel, Inc.	Scrap Metal Services, LLC.	Scrap metal manager, processor and broker based in Portage, IN.	-
12/31/10	City Scrap & Salvage Co.	TSB Metal Recycling LLC	Scrap metal processor and distributor based in Akron, OH.	-
12/29/10	Empire Becks Recycling	Empire Recycling Corporation	Ferrous and non ferrous scrap recycler based in Shortsville, NY.	-
12/22/10	Operations in Brazil / Aleris International, Inc.	MCN Empreendimentos e Participacoes Ltda.	11 scrap collection centers and two melting sites in Brazil.	-
12/20/10	Crash's Scrap Metals, Inc.	Sims Metal Management Limited	Scrap metal recycler based in Frankfort, NY.	-

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

2010 MERGER AND ACQUISITION TRANSACTIONS (CONT.)

Date Announced	Target / Parent	Acquirer	Target Business Description	Deal Size (\$ in mm)
12/16/10	ScrapUSA, LLC	Voyager Petroleum, Inc.	Scrap metal collector and processor based in Reading, PA	-
12/16/10	Intechra Group LLC	Arrow Electronics Inc.	Provides end-to-end IT asset disposition services.	\$101.09
12/15/10	Steel Pacific Recycling / Yellow Point Equity Partners LP	Schnitzer Steel Industries Inc.	Scrap metal recycler based in Canada.	-
12/14/10	Amix Salvage & Sales Ltd.	Schnitzer Steel Industries Inc.	Scrap metal processor and recycler based in Canada.	-
11/25/10	Xinjiang Xinhui Copper Company Limited / Zhejiang Zhengxiang	Zhaojin Mining Industry Co. Ltd.	Non-ferrous and precious metal recycler based in China.	\$3.46
11/22/10	Suomen Rakennusjätteen Lajittelu- ja Kierrätyskeskus Oy	Ekokem Oy Ab	Demolition waste processor based in Finland.	-
11/19/10	Suzhou Baina Renewable Resources Co., Ltd.	Nam Hing Holdings Ltd.	Scrap metals and consumables waste recycler based in China.	-
11/1/10	Towanda Iron & Metal Company	Ben Weitsman & Son, Inc.	Ferrous metal scrap processor and distributor based in Towanda, PA.	-
10/28/10	LLC VMI Recycling Group	OJSC Novolipetsk Steel	Scrap metal collector and processor based in Russia.	\$28.40
10/27/10	Commercial Metal Recycling Services	Sims Group Australia Holdings	Scrap metal recycler based in Australia.	-
10/8/10	Soon Sing Metal Trading Sdn Bhd	Advance SCT Ltd.	Ferrous and non-ferrous scrap metal recycler and trader based in Malaysia.	\$1.02
10/8/10	New Tsingyi Pte Ltd. / Soon Sing Metal Trading Sdn Bhd	Advance SCT Ltd.	Ferrous and non-ferrous base metal scrap recycler based in Singapore.	\$1.72
10/8/10	Asia Copper Pte Ltd.	Advance SCT Ltd.	Ferrous and non-ferrous metal scrap recycler and trader based in Singapore.	\$1.13
10/6/10	Groupe Dupuy S.A. and Joseph Recycling BVBA	Galloo N.V.	Two ferrous and non-ferrous metal scrap recyclers based in France and Belgium.	-
9/24/10	Anciens Etablissements Fernand Pennequin & Cie SPRL	Galloo N.V.	Ferrous and non-ferrous metal scrap recycler based in Belgium.	-
9/14/10	TAMCO Steel, Inc. / Ameron International Corporation; Mitsui & Co.	Gerdau Ameristeel US, Inc.	Ferrous metal scrap recycler based in Rancho Cucamonga, CA.	\$165.00
8/26/10	Changzhou Xinzhong Precision Alloy Forging Products Co., Ltd.	China Steel Chemical Corp	Non-ferrous metal processor based in China.	\$30.52
8/18/10	Liberty Scrap Metal Inc.	Upstate Shredding, LLC	Scrap metal recycler based in Liberty, NY.	-
8/16/10	OOO Ussuriyskaya Scrap Metal	OJSC Novolipetsk Steel	Scrap metal recycler based in Russia.	-
8/4/10	Wincanton plc, Recycling Division	Sims Recycling Solutions B.V.	Electronic recycling plants and sortation centers based in the United Kingdom.	\$27.78
7/30/10	MP Ampiente Spa	Stena Technoworld S.r.l	Electronic waste processor and recycler based in Italy.	-
7/13/10	Leadage Alloys India Limited	Exide Industries Ltd.	Lead acid battery scrap recycler based in India.	-
7/12/10	Reliable Recycling, Inc.	Alter Trading Corporation	Buyer and recycler of scrap iron and metals based in Green Bay, WI.	-
7/12/10	SUROVINA,Waste Recycling Company d.d.	Gorenje DD	Recycler of metal scrap and residual materials based in Slovenia.	-
7/8/10	Arkhangelsk Vtormet Open JSC	Joint Stock Company Severstal	Scrap metal manufacturing, delivery, and export services provider based in Russia.	-
7/7/10	Weinstein Scrap Metal Corp.	Upstate Shredding, LLC	Scrap metal dealer based in Jamestown, NY.	-
7/1/10	Lim Asia Steel Pte Ltd.	Union Steel Holdings Ltd	Buyer, seller, and recycler of all types of scrap metal based in Singapore.	\$0.54
6/30/10	Rup RohstoffhandelsgesellschaftmbH	TSR Recycling GmbH & Co. KG	Wholesaler and recycler of scrap metal and steel based in Germany.	-
6/25/10	Arthur Wright and Son	European Metal Recycling Ltd.	Provider of demolition and metal scrap recycling services based in the United Kingdom.	-
6/3/10	JSC Rusvtormet-Center	SBK Metall	Recycler of scrap metal based in Russia.	-
5/27/10	Buss & Buss Spezialmetalle GmbH	Neo Material Technologies Inc.	Recycler and trader of metals based in Germany.	-
5/3/10	SwedeCraft AB	Kuusakoski Sverige Aktiebolag	Dismantler and recycler of expired electric power equipment based in Sweden.	-
4/27/10	Waste Management & Recycling Products Inc.	Colt Refining, Inc.	Electronics recycling solutions company based in Scotia, NY.	-
4/19/10	Golden Steel & Recycling, Inc.	Schnitzer Steel Industries, Inc.	Metals recycling services company based in Billings, MT.	-

2010 MERGER AND ACQUISITION TRANSACTIONS (CONT.)

Date Announced	Target / Parent	Acquirer	Target Business Description	Deal Size (\$ in mm)
4/19/10	9Digit Co., Ltd.	Samjung Packing & Aluminium Co. Ltd.	Separator and refiner of metals from scrap based in South Korea.	\$8.00
4/16/10	Cornejo & Sons, Inc.	Summit Materials, LLC	Recycler of ferrous and non-ferrous scrap metal based in Wichita, KS.	-
4/14/10	Tianjin Guoneng Resources Development Corporation	China Metal Recycling Holdings Ltd.	Processor and seller of scrap metals based in China.	-
3/22/10	Metals Trading Pty, Ltd. / Recovcorp Pty, Ltd.	OneSteel, Ltd.	Processor and marketer of ferrous and non-ferrous metal scrap based in Australia.	-
3/1/10	Ocala Recycling, Inc. / Blaze Recycling and Metals, LLC	The David J. Joseph Company	Provider of scrap recycling and collection services based in Ocala, FL.	-
3/1/10	Showa Metal Co. Ltd.	Hanwa Co. Ltd.	Scrap metal recycler based in Japan.	-
2/22/10	UTP Holdings, LLC	Resource Exchange of America, Corp.	Exporter of ferrous and nonferrous scrap metal based in Sarasota, FL.	-
1/12/10	A-SCT Semicon Recycling Industries Pte Ltd. / ASTI Holdings Ltd.	Advance SCT Ltd.	Collector of semiconductor scrap based in Singapore.	\$35.00
1/12/10	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 Germany.	-
1/11/10	HRR Stahlschrott- und Metallrecycling GmbH & Co. KG / Scholz Recycling AG	Interseroh Berlin GmbH	Scrap yards operator based in Germany.	-

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

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Our team of investment banking professionals has developed a deep understanding of the metals sector. Our recent experience includes advisory assignments in **ferrous, nonferrous and electronics recycling**. In addition, we have worked on projects in **steel production, metal services, and metal working, including fabrications, stamping, forging, metal treatment, aluminum extrusions** and others.

Founded in 1993, Eureka has offices in California and New York

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