



ASX & MEDIA RELEASE

(ASX: SGM, USOTC: SMSMY)

10 November 2021

Trading Update

Today, Sims Limited ("Sims or the Company") provided a trading update ahead of its Annual General Meeting, which is being held today at 9.00 am.

The Company announced that the strong earnings momentum seen in 2H FY21 has, to date, continued into 1H FY22, with the North America businesses providing the leading contribution. Unaudited underlying EBIT for 1H FY22 is expected to be between \$310 million and \$350 million, driven by strong margins in ferrous and non-ferrous products, achieved through the combination of good market prices and sound margin management across all businesses. Partially offsetting the strong margins has been freight price volatility and the emergence of inflationary pressures on general business costs.

The most likely risks to the 1H FY22 forecasted result are (i) timing of shipments towards the end of December and whether they are accounted, from a revenue recognition perspective, as December or January sales, (ii) volatility in market prices, and (iii) volatility in freight prices.

Proprietary intake volumes for the September Quarter 2022 were up over 10% on the prior comparable period. However, they were slightly below the FY19 average proprietary intake volumes, largely due to Covid-19 related lockdowns.

Operating cash flow for the September Quarter 2022 was solid, with a positive contribution from working capital movements. Operating cash flow for 1H FY22 and FY22 could be significantly positively or negatively impacted by the level of working capital in the business at that time, largely stemming from sales mix, commodity prices, and inventory levels.

Commenting on the result, Alistair Field, Managing Director and CEO of Sims, said:

"The forecasted half-year result clearly reflects the progress made in the business in the execution of our strategic plan, which, combined with good market prices, continues supporting the growth trajectory of the business. We are geographically diverse and have 104 years of technical expertise and relationships in recycling. The balance sheet is conservatively structured. These competitive

advantages are underpinned by tailwinds of economic stimulus spending and decarbonisation, and a purpose that resonates well with all our stakeholders and drives innovation.”

Key highlights for the major business segments include:

- **North America Metal** delivered a very strong trading margin for 1Q FY22 driven by a strong trading margin per tonne and good sales volumes. Intake volumes were up on both the prior corresponding period and the FY19 average.
- **Australia & New Zealand Metal** delivered a strong trading margin in 1Q FY22 driven by a strong trading margin per tonne, partially offset by weaker sales volumes. Intake volumes were up on the prior comparable period but down on the FY19 average due to the impact of lockdowns.
- **UK Metal** delivered a strong trading margin for 1Q FY22 driven by a strong trading margin per tonne, despite pressures in ferrous products due to lower premium from the deep sea market. Both sales and intake volumes were down on the prior comparable period due to a combination of yard closures and Covid-19 impacts.
- **SA Recycling** delivered a very strong EBIT contribution for 1Q FY22 driven by a strong trading margin per tonne and good sales volumes. The business progressed on its growth strategy with four acquired companies to date in FY22, including the recently announced acquisition of PSC.
- **Sims Lifecycle Services (SLS)** increased repurposed units and achieved double-digit growth in underlying EBIT in Q1 FY22 compared to the prior comparable period.

Macro Trends

The business is expected to benefit from positive medium to long term macro trends. Stimulus spending around the world will increase demand for steel-intensive infrastructure spending and drive additional retail consumption. Additional retail consumption will also increase post-consumption scrap. These trends are positive for both ferrous and non-ferrous metal recycling.

Action relating to the decarbonisation of steel making and electricity generation has gained a significant pace over the last year. The move globally to build more Electric Arc Furnaces will drive the demand for recycled metal. Decarbonisation of the electricity industry will see increasing use of copper. Cars are increasingly using more aluminium in their construction. Sims is well placed to benefit from these trends as it continues to provide high-quality recycled metal to global markets.

Cloud providers are becoming more cognisant that repurposing existing cloud material drives much better sustainability outcomes. As the Cloud continues to grow at an extraordinary rate, so too will the requirement to repurpose units within the Cloud. SLS is well placed with strong technical, sustainability, and security credentials to meet this requirement.

There are risks to the materialisation of these positive drivers, particularly as it relates to global uncertainty from geopolitical risks, macro-economic factors, and the unpredictability of how COVID-19 may yet evolve.

The Company is due to release FY22 Interim Results on 15 February 2022.

Authorised for release by: The Board of Sims Limited

About Sims Limited

Founded in 1917, Sims Limited is a global leader in metal recycling and data centre IT circularity, and an emerging leader in municipal recycling and renewable energy. Our 4,000 employees operate from more than 200 facilities across 15 countries. 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). Our purpose, create a world without waste to preserve our planet, is what drives us to constantly innovate and offer new solutions in the circular economy for consumers, businesses, governments and communities around the world. For more information, visit www.simsmm.com.

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