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SIMS LIMITED ANNOUNCES FISCAL 2022 FULL YEAR RESULTS

Results at a glance

STATUTORY	FY22	FY21	Change
Sales revenue	9,264.4	5,916.3	56.6%
Trading margin	1,903.9	1,488.4	27.9%
EBITDA	976.4	507.3	92.5%
EBIT	773.6	314.0	146.4%
NPAT	599.3	229.4	161.2%
EPS (cents) – diluted	295.6	112.8	162.1%
UNDERLYING	**FY22**	**FY21**	**Change**
Sales revenue	9,264.4	5,916.3	56.6%
EBITDA	958.9	579.9	65.4%
EBIT	756.1	386.6	95.6%
NPAT	578.9	284.1	103.8%
EPS (cents) – diluted	285.5	139.6	104.5%
DPS (cents) – total	91.0	42.0	116.7%
Return on productive assets[2]	39.0%	23.0%	16.0 ppts

Key Points

- Sales revenue of $9,264.4 million, up 56.6% from the prior corresponding period
- Statutory EBIT of $773.6 million, up 146.4% million from the prior corresponding period
- Underlying EBIT of $756.1 million, up 95.6% million from the prior corresponding period
- Increased cash flow distribution[1], including a 50 cents per share final dividend, up 66.7% from the prior corresponding period
- Operating Cash Flow of $547.8 million, up 323.3% from the prior corresponding period
- Return on Productive Assets[2] of 39.0%, up from 23.0% in the prior corresponding period

Commentary

Group CEO & Managing Director, Alistair Field, on the FY22 results, said, “FY22 was a very strong year. We worked hard to promote a safe and healthy working environment at Sims. As a result, in FY22 we continued to deliver improved safety metrics for the group. We had the lowest ever total recordable injury frequency rate, a sign that we have embedded a safety culture across the organisation. I am proud that we delivered the strongest

1 Comprising FY22 interim and final dividends and shares repurchased from 16 February 2022 to 18 July 2022

2 Underlying EBIT / average of opening non-current assets and ending non-current assets excluding assets relating to adoption of AASB 16 Leases and deferred tax assets

Underlying EBIT result on record and significant trading margin and volume increases. I am also pleased that return on productive assets grew by 16.0 ppts to 39.0%, and cash flow from operations increased by 323.3%, enabling us to lift our cash distribution to shareholders, while maintaining our balance sheet strength. This year, we progressed our sustainability agenda further, achieving the board gender diversity target set out in the sustainability goals, ahead of schedule. We continued to challenge ourselves to do better and brought forward our carbon neutrality target by 12 years."

Furthermore, Mr Field said," We made significant progress on our business strategy: successfully completed several strategic acquisitions, continued to deploy enhancement technologies in ferrous and non-ferrous, and opened new feeder yards in the metal business. In Sims Lifecycle Services, we launched new service offerings and invested in engineering and technology to continue driving innovation and build capacity to scale up operations quickly when the supply chain challenges ease."

"I am particularly proud of how our teams managed the inflationary pressures and market volatility, working across all market segments to protect margins while maintaining high safety standards. This result could not have been achieved without the hard work and support of all Sims employees, and I am grateful to all of you."

Group Results

Sims Limited (**the Company** or **the Group**) today announced an underlying EBIT of $756.1 million in FY22, 95.6% higher compared to FY21. Statutory EBIT for FY22 was $773.6 million, an increase of 146.4% compared to FY21 statutory EBIT.

Sales revenue was A$9,264.4 million, up by 56.6% on the prior corresponding period, driven by higher prices and volumes. Proprietary sales volumes were 12.2% higher. Included in the higher sales volumes was a 23.1% increase in Zorba, partly due to improved metal recovery technology. The average ferrous sales prices increased by 43.0%, non-ferrous prices increased by 32.0%, and non-ferrous shredder recovery (zorba) prices increased by 31.2% on the prior corresponding period.

The strong earnings growth seen in FY22 was reflective of a 43.6% increase in the metal segments' trading margin, achieved through higher sales volumes and material prices, combined with disciplined margin management.

Operating costs, excluding depreciation and amortisation, increased by 23.9% compared to FY21 due to higher activity across the business, acquisitions, greenfield facilities, and increased performance incentive provisions. Additionally, all segments experienced inflationary pressures across several cost categories, including labour, where tight labour market conditions resulted in labour cost increases higher than historical levels.

Despite the cost pressures, the business generated underlying EBITDA of $958.9 million, an increase of 65.3% compared to FY21 EBITDA of $579.9 million. The Group also benefitted from an 89.2% increase in earnings contribution from its 50% interest in SA Recycling. Sims' equity accounted share of earnings was $298.5 million in FY22 compared to $157.8 million in FY21. SA Recycling's result included the contribution from six acquisitions completed during FY22.

In FY22, Statutory NPAT increased by 161.2% to $599.3 million. Underlying NPAT was $578.9 million in FY22 compared to $284.1 million in the prior year, representing an increase of 103.8%. Statutory diluted EPS was 295.6 cents in FY22 compared to 112.8 cents in FY21. Underlying diluted EPS was 285.5 cents in FY22 compared to 139.6 cents in FY21.

The weighted average number of basic shares during FY22 decreased by 3.3 million shares compared to FY21. During the financial year, the Group bought back and cancelled

7.7 million shares, improving diluted EPS by 5.6 cents. The Company also leveraged its employee share ownership programme trust to reduce the dilution effect of shares issued under the long-term incentive plan.

Segment Performance

North America Metal ("NAM") delivered the largest FY22 Underlying EBIT improvement within the Group compared to FY21. EBIT improved by 114.2% to $293.4 million due to higher volumes and trading margins.

NAM FY22 sales revenue was A$4,453.4 million, 66.8% higher than the prior corresponding period, driven by strong demand from domestic and export markets. Investment in metal recovery technology translated to improved recovery rates and higher zorba sales. Recent acquisitions complemented this growth – Atlantic Recycling Group contributed six months and Alumisource 12 months to FY22 earnings. Both businesses performed ahead of expectations.

The competitive advantages provided by having dedicated deep-water ports with access to bulk trade, combined with disciplined buying practices, drove a 55.0% increase in total trading margin.

Underlying EBIT for Australia and New Zealand Metal was $186.9 million during FY22, representing an increase of 80.4% over the prior corresponding period. These gains were supported by sales revenue growth from increased average sales prices and a trading margin increase of 34.9%.

Proprietary sales volumes were slightly below the prior year due to flow-on impacts from COVID, including intermittent lockdowns across the region and supply chain constraints. Additionally, the closure of several Queensland sites in May and June 2022 due to floods resulted in 50,000 tonnes of intake being unprocessed at year-end. This inventory was sold in FY22 and is anticipated to be processed and shipped in early 1H FY23.

Underlying EBIT for the UK increased by 52.7% to $69.8 million in FY22 compared to the prior corresponding period due to higher volume and margin improvement.

FY22 sales revenue of $1,594.9 million was 60.6% higher than the prior corresponding period. This increase was attributed to higher proprietary ferrous sales volumes and average selling prices. Favourable market conditions and disciplined management of the buy/sell spread resulted in a 23.9% improvement in trading margin in FY22 compared to FY21.

Underlying EBIT for Sims Lifecycle Services ("SLS") was $16.3 million in FY22 compared to A$21.8 million in FY21. The fall was primarily due to a 30% decline in the prices of resold units, as COVID lockdowns in China reduced manufacturing activity.

FY22 sales revenue was $327.0 million, representing an increase of 2.5% compared to FY21. Pleasingly, the business delivered market shares gains and grew repurposed volumes by 28.6%, faster than the market, notwithstanding supply chain constraints limiting the release of cloud material.

The Company's share of results from SA Recycling grew 89.2% in FY22 to $298.5 million, reflecting strong sales and margin growth. Most of the acquisitions closed during the year occurred in the last months of the first half, contributing approximately six months' earnings to the FY22 result.

Proprietary ferrous and non-ferrous sales volumes increased by 33.3% in FY22 compared to the prior corresponding period, driven by higher gross margins and sales volumes. Margins benefited from the meaningful price improvement in zorba.

Health and Safety

Implementing the Critical Risk Management strategy set in FY19 continued to deliver safety improvements in FY22.

The Company achieved the lowest Total Recordable Injury Frequency Rate ever at Sims, notwithstanding increased activity across all metal segments.

Sustainability

Sustainability is the foundation of our company, and our purpose – to create a world without waste to preserve our planet – guides the Company's strategic growth plans and sustainability targets. In FY22, we made substantial progress in executing our sustainability strategy. Some of the highlights for the period included:

- Operate Responsibly: Continued to embed a safety culture across the organisation
- Close the Loop: we brought forward our carbon neutrality target by 12 years; transitioned our largest site (Claremont, NJ) to renewable electricity in 1H22; completed value chain (scope 3) emissions assessment and were included on the inaugural Financial Times/Nikkei Asia 2022 APAC Climate Leader list.
- Partner for Change: We became a signatory to the UN Global Compact.

Additionally, the company strengthened its sustainability credentials, being one of 45 companies awarded the HRH The Prince of Wales's Terra Carta Seal in recognition of Commitment to Creating a Sustainable Future. Furthermore, Sims ranked 11th on the 2022 Global 100 List of most sustainable companies in the world and was included on 2022 Newsweek List of America's Most Responsible Companies for the second year in a row.

Strategy Developments

The Company's strategy is focused on growing the core metal business, and leveraging synergies to expand into adjacent businesses, to further enhance the quality of earnings. In FY22, the company made good progress in delivering this strategy:

- Continued to build momentum in achieving the FY25 strategic targets.
- Strengthened market position in the Metal and SA Recycling businesses through acquisitions and new feeder yards.
- Recycled capital through the sale of 50.5% of Sims Municipal Recycling. The proceeds were used to substantially fund the acquisitions of Recyclers Australia and Atlantic Recycling Group
- SLS continued to strengthen the business. When the supply chain challenges ease, it will have the capacity and capability required to scale up operations quickly.
- Achieved significant progress towards constructing the Sims Resource Renewal Rocklea pilot plant and selected the preferred site for potential full-scale commercial operation in Queensland.

Dividend

The Company's capital allocation strategy will continue to strike a balance between the ongoing requirement for distributions to shareholders and the need for business reinvestment to support its strategy, while remaining prudent in light of the increased market uncertainty.

The Board declared a final dividend of 50.0 cents per share (50.0% franked), taking total dividends to 91.0 cents per share. This was a 116.7% increase compared to FY21, and when combined with the $67.7 million spent on the buyback programme between 16 February 2022 and 18 July 2022, resulted in a 42.5% payout of Underlying NPAT.

The buyback remains activated. However, we will assess conditions over the coming months to determine whether a buyback related to FY22 is appropriate, including the quantum.

Capital Expenditure

Capital expenditure in FY22 was $276.2 million, comprised of $148.6 million spend on sustaining projects, including improvement of product capability. $127.6 million was allocated to growth projects, reflecting investments of $10.7 million in Sims Resource Renewal, $5.6 million in Alumisource and $93.5 million in Pinkenba.

Sustaining and environmental capital expenditure is expected to be $220 million in FY23.

Outlook and market drivers

The short-term outlook remains uncertain due to significant volatility. Aggressive interest rate rises to combat rapidly increasing inflation have reduced the demand for steel, copper, and aluminium, and therefore the demand for recycled metal. Ferrous prices peaked at around US$700 per tonne in March FY22 but have subsequently fallen to trade between US$320 to US$400 per tonne at the start of FY23.

China's manufacturing activity deteriorated in the second half of FY22 after COVID lockdowns were implemented across several cities. Although we saw an improvement in May when the economy partially opened, activity continued to be below FY21 levels, and uncertainty remains as new lockdowns continue to be imposed.

As a result, FY23 has commenced with soft market conditions. Full year results will depend on how quickly, and to what magnitude, global markets recover from the interest rate hike-induced slowdown.

We are actively seeking medium term efficiency gains to partially offset Inflationary cost pressures, which are likely to remain throughout FY23.

We remain very confident in the medium and long-term fundamentals of the business, with the energy transition, growth of electric arc furnaces and the decarbonisation of the steel industry expected to continue to drive demand for recycled metal. We see the softer economic conditions impacting our markets in the short term as temporary headwinds.

Additionally, our strong market position and strong balance sheet will enable us to weather the challenging short-term environment and progress according to our FY19 business strategy.

Macro-trends

Increased demand for metal intensive infrastructure spending and the production of post consumption scrap is positive for metal recycling (both ferrous and non-ferrous).

The global decarbonisation of steelmaking, growth of electric arc furnaces and energy transition will drive the demand for recycled metal.

The fundamental drivers of cloud infrastructure recycling remain positive over the medium term. The cloud material shortage is expected to ease in 2023.

It is worth noting that 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 may evolve.

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 electronics recovery, and an emerging leader in the municipal recycling and the renewable energy industries. Over 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.simsltd.com.

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