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SIMS LIMITED ANNOUNCES
FISCAL 2023 HALF YEAR RESULTS

Results at a glance

STATUTORY	HY23	HY22	Change
Sales revenue	3,831.2	4,265.0	(10.2)%
Trading margin	772.7	922.8	(16.3)%
EBITDA	270.2	442.0	(38.9)%
EBIT	163.4	341.4	(52.1)%
NPAT	101.0	253.2	(60.1)%
EPS (cents) – diluted	51.2	124.1	(58.7)%
UNDERLYING	**HY23**	**HY22**	**Change**
Sales revenue	3,831.2	4,265.0	(10.2)%
EBITDA	200.1	462.3	(56.7)%
EBIT	93.3	361.7	(74.2)%
NPAT	53.0	269.3	(80.3)%
EPS (cents) – diluted	26.8	132.0	(79.7)%
DPS (cents) – total	14.0	41.0	(65.9)%
Return on productive assets	8.6 %	41.8 %	(33.2)%

Key Points

- Sales revenue of $3,831.2 million, down 10.2% from the prior corresponding period
- Statutory EBIT of $163.4 million, down 52.1% from the prior corresponding period
- Underlying EBIT of $93.3 million, down 74.2% from the prior corresponding period
- Interim dividend of 14.0 cents per share, down 65.9% from the prior corresponding period
- Operating Cash Flow of $322.0 million, up 10.7% from the prior corresponding period
- Return on Productive Assets[1] of 8.6%, down from 41.8% in the prior corresponding period

1 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

Commentary

Group CEO & Managing Director, Alistair Field, on the HY23 results, said, "Sims delivered a resilient performance during a period of margin compression, driven by lower steel prices as customer demand weakened. Furthermore, scrap supply tightened due to a number of factors – lower recycled metal prices, higher fuel prices, and lower scrap volumes from decelerating economic activity – leading to a 3.2% decline in proprietary intake volumes. Despite these impacts, our largest division North America Metals ("NAM") managed to maintain its trading margin percentage. Operating cash flow increased, further strengthening our robust balance sheet.

"Operating costs in the Metal business increased by 18.4% in HY23 compared to HY22, driven by the combination of acquisitions, multi-decade high inflationary pressures, tight labour markets and high energy costs. There was also an adverse impact from exchange rate translation. The swift implementation of cost reduction initiatives enabled us to stabilise costs sequentially, despite further inflation in HY23 compared to 2H FY22.

"We delivered lower EBIT in HY23 compared to HY22, as a result of these trends.

"Importantly, our safety track record continued to improve, with key metrics improving half-on-half, for five consecutive years.

Commenting on the strategy, Mr Field added: " Our ability to continue executing the business strategy during a time of significant market uncertainty demonstrated commitment to our business plans as well as belief in the growth fundamentals underpinning our business."

Group Results

Sims Limited (**the Company** or **the Group**) today announced an underlying EBIT of $93.3 million in HY23, or 74.2% lower compared to HY22. Statutory EBIT for HY23 was $163.4 million, representing a decrease of 52.1% on the prior corresponding period.

Sales revenue was $3,831.2 million, down by 10.2% on the prior corresponding period, driven by substantially lower ferrous prices. This decline was partially offset by a 1.4% increase in proprietary sales volumes, which benefited from improvements in material flows and global supply chain conditions.

The Metal trading margin decreased by 12.0%, reflecting challenging market conditions across all markets. The metal trading margin percentage was less impacted, reducing by 1.0 percentage point.

Statutory NPAT in HY23 was $101.0 million compared to $253.2 million in HY22. Underlying NPAT was $53.0 million in HY23 compared to $269.3 million in HY22.

Statutory diluted EPS was 51.2 cents in HY23 compared to 124.1 cents in HY22. Underlying diluted EPS was 26.8 cents in HY23 compared to 132.0 cents in HY22.

Return on productive assets declined from 41.8% in HY22 to 8.6% in HY23.

Cash flow from operating activities increased from $290.8 million in HY22 to $322.0 million in HY23 due to a release of working capital.

Segment Performance

NAM delivered an Underlying EBIT of $37.8 million, representing a decline of 73.4% on the prior corresponding period. This result was driven by lower revenues and increased operating costs due to ARG costs, inflationary pressures and an adverse exchange rate translation.

The total trading margin was lower, while the percentage margin was relatively flat.

Underlying EBIT for Australia and New Zealand Metal ("ANZ") was $53.1 million during HY23, representing a decrease of 44.0% on the prior corresponding period. This decline was due to predominantly lower trading margins and higher operating costs.

ANZ sales revenue decreased by 10.2% compared to HY22, driven by a 15.9% decline in average ferrous sale price, partially offset by an exchange rate benefit for the cargoes exported from the region.

Total trading margin decreased by 15.7% on the prior corresponding period. The average trading margin percentage fell 1.7 percentage points, reflecting challenging trading conditions, particularly for ferrous metal. Operating costs increased by 6.1% as tight cost control and cost reduction measures partially offset the inflationary pressures.

UK Metal reported an Underlying EBIT loss of $3.6 million in HY23. This result was driven by a 17.0% decline in total trading margin, reflecting challenging trading conditions for ferrous metal. Another contributing factor was a 17.8% increase in operating costs on the prior corresponding period, as the business reopened sites and experienced significant inflationary pressures due to inflation running at double-digit levels. The increase in costs was partially offset by favourable exchange rate translation.

SLS increased revenue by 0.8% in HY23 on the prior corresponding period. The rise was driven by a 38.5% increase in repurposed unit volumes, partially offset by reduced resale prices per unit, following the COVID lockdowns in its major market (China) and reduced product demand in light of economic uncertainty.

The underlying EBIT for Sims Lifecycle Services ("SLS") was $2.9 million lower in HY23 compared to HY22 due to margin pressures and inflationary pressures on costs.

The Company's share of results from SA Recycling decreased by 61.8% in HY23 to $49.1 million due to a combination of material margin compression and higher operating costs, driven by inflationary pressures and six months of PSC operating costs. In addition to these cost drivers, the business was impacted by adverse exchange rate translation.

Proprietary sales volumes for SA Recycling were substantially in line with the prior corresponding period and included the contribution of the PSC acquisition.

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 HY23, we strengthened our ESG credentials and advanced the execution of the strategy. Some of the highlights for the period included:

- Operate Responsibly: we committed to the HESTA 40:40 vision and achieved the target of 25% women in leadership roles.
- Close the Loop: we advanced the Sims Resource Renewal pilot plant.
- Partner for Change: we continued the implementation of Group level social license framework.

Additionally, the Company strengthened its sustainability credentials by being recognised as the 14th most sustainable company by Corporate Knights and receiving an AAA rating from MSCI and an A score from CDP.

Strategy Developments

As industry leaders, NGOs, and policymakers are under pressure to reduce the negative climate impacts of the steel industry, we see a new class of steel emerging — green steel. While there are uncertainties regarding the standards and pricing of this new class of products, in HY23, we saw an acceleration of plans on a global scale to more actively create and shape markets for green steel.

Furthermore, our customers and end-users of steel continued to drive demand for green steel as they sought to decarbonise their supply chains and integrate circular strategies into their business models.

In response to the green steel opportunity, we have conducted various technology trials and process refinements to enhance the quality of our product outputs to meet the most stringent future steel maker requirements . These trials achieved very promising results in HY23.

Finally, as part of the ongoing strategy to improve the quality of our products, we carried out a number of projects to upgrade the equipment of several facilities in all the metal regions.

Dividend

The Board declared an unfranked interim dividend of 14.0 cents per share.

Capital Expenditure

Capital expenditure for property, plant and equipment and intangible assets was $127.2 million during HY23, representing an increase from $81.3 million in HY22.

Sustaining and environmental capital expenditure is expected to be $170 million in FY23.

Outlook and market drivers

We remain confident in the business's medium and long-term fundamentals.

Short-term

In the short-term, the Group's outlook remains uncertain due to macro and geopolitical challenges impacting all segments.

Although the recent strengthening in ferrous and non-ferrous markets is positive for the business, we expect other factors to create uncertainty. Inflation and labour shortages are persisting across all regions.

We expect the geopolitical tensions to continue, creating trade policy uncertainty and impacting the energy markets. Competition for available scrap is likely to continue in the second half. The opening up of China will be positive for the global metal demand balance and SLS resale prices and volumes, although the timing of this is uncertain.

We anticipate 2H FY23 operating costs to remain broadly in line with the first half as we actively seek medium-term efficiency gains.

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 EAFs and electricity generation industries will drive the demand for recycled metal.

The fundamental drivers of cloud infrastructure recycling remain positive over the medium term.

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, macroeconomic 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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