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SIMS LIMITED ANNOUNCES
FISCAL 2023 FULL YEAR RESULTS

Results at a glance

STATUTORY	FY23	FY22	Change
Sales revenue	8,061.1	9,264.4	(13.0)%
Trading margin	1,614.1	1,903.9	(15.2)%
EBITDA	515.7	976.4	(47.2)%
EBIT	293.0	773.6	(62.1)%
NPAT	181.1	599.3	(69.8)%
EPS (cents) – diluted	91.7	295.6	(69.0)%
UNDERLYING[1]	**FY23**	**FY22**	**Change**
Sales revenue	8,061.1	9,264.4	(13.0)%
EBITDA	474.9	958.9	(50.5)%
EBIT	252.2	756.1	(66.6)%
NPAT	156.9	578.9	(72.9)%
EPS (cents) – diluted	79.4	285.5	(72.2)%
DPS (cents) – total	35.0	91.0	(61.5)%
Return on productive assets[2]	11.4 %	39.0 %	(27.6)ppts

Key Points

- Sales revenue of $8,061.1 million, down 13.0% from the prior corresponding period
- Statutory EBIT of $293.0 million, down 62.1% from the prior corresponding period
- Underlying EBIT of $252.2 million, down 66.6% from the prior corresponding period
- Fully franked final dividend of 21.0 cents per share, down 58.0% from the prior corresponding period
- Operating Cash Flow of $449.2 million, down 18.0% from the prior corresponding period
- Return on Productive Assets[2] of 11.4%, down from 39.0% in the prior corresponding period

[1] Underlying earnings excludes significant non-recurring items, the impact of non-qualifying hedges, and internal recharges
[2] Underlying EBIT / average of opening non-current assets and ending non-current assets excluding right of use assets arising from AASB16 Leases and deferred tax assets

Commentary

Group CEO & Managing Director, Alistair Field, on the FY23 results, said, "We produced a resilient performance in FY23, in the face of challenging market conditions. Our strategic market and geographic diversification gave us a good foundation for navigating these challenges. Cashflow was solid despite lower EBIT than the record highs of FY22. We held Metal net operating costs[3] steady in an inflationary environment, in the second half compared to the first half.

Our business's resilience was strengthened further through strategic acquisitions targeting long-term growth in the US domestic scrap metal market, which demonstrated strength throughout the year, particularly compared to the export market, due to infrastructure spending and Electric Arch Furnace demand. Our disciplined approach, solid balance sheet coupled with capital recycling strategy reinforced our financial position and allowed us to pay a fully franked final dividend of 21.0 cents per share.

Importantly, our commitment to corporate culture yielded tangible outcomes, evident in our further achievements in safety, and gender diversity and pay equity.

I want to express my sincere gratitude to all Sims employees. Your continuous hard work was pivotal in achieving these results."

Group Results

Sims Limited (the **Company** or the **Group**) today announced FY23 sales revenue of $8,061.1 million, down 13.0% compared to FY22 sales revenue of $9,264.4 million. In addition to lower sales volumes, average ferrous sales prices fell by 14.4%, and non-ferrous prices fell by 7.4%. Conversely, zorba prices and zorba volumes increased by 2.4% and 4.1% respectively.

Metal trading margin for FY23 fell by 15.2% compared to FY22 driven by challenging trading conditions across all markets.

The Group generated underlying EBITDA of $474.9 million, a decrease of 50.5% compared to FY22 EBITDA of $958.9 million. Included in the EBITDA reduction was a 45.2% decrease in earnings contribution from the 50% interest in SA Recycling ("SAR"). Sims' equity accounted underlying EBITDA was $163.5 million in FY23 compared to $298.5 million in FY22.

FY23 underlying EBIT was $252.2 million compared to $756.1 million in FY22, a decrease of 66.6%. At constant currency, underlying EBIT decreased by 68.5%.

Statutory EBIT was $40.8 million higher than underlying EBIT, partly due to a gain on the fair value of the Group's interest in Sims Municipal Recycling and surplus industrial property in Newark, New Jersey. Statutory EBIT for FY23 was $293.0 million, a

[3] Adjusted for Northeast Metal Traders acquisition

decrease of 62.1% compared to FY22 statutory EBIT of $773.6 million. At constant currency, statutory EBIT decreased by 64.2%.

In FY23, Statutory NPAT decreased by 69.8% to $181.1 million. Underlying NPAT was $156.9 million in FY23 compared to $578.9 million in the prior year, representing a decrease of 72.9%. Statutory diluted EPS was 91.7 cents in FY23 compared to 295.6 cents in FY22. Underlying diluted EPS was 79.4 cents in FY23 compared to 285.5 cents in FY22.

Segment Performance

North America Metal ("NAM") FY23 underlying EBIT fell by 81.1% to $55.5 million or $51.5 million on constant currency. Sales revenue was $3,924.6 million in FY23, reflecting a 11.9% decline . At constant currency, sales revenue was down 18.2% to $3,641.2 million compared to FY22 due to an 11.8% (18.2% at constant currency) decrease in average sales prices, combined with flat sales volumes. Trading margin was 18.6% lower (24.5% at constant currency) in FY23 compared to FY22, resulting from lower sales prices and increased domestic competition for infeed materials due to some periods of significantly higher domestic prices relative to export prices. Operating costs, increased by 8.6% to $569.3 million or 0.7% on constant currency in FY23 compared to FY22. Inflation cost pressures were mostly offset by the introduction of a processing levy on shredder feed and lower employee incentive costs.

The SA Recycling JV contributed $163.5 million to the Group's underlying EBIT compared to $298.5 million in FY22. At constant currency, the contribution from SAR was $151.7 million. The business experienced margin compression due to lower metal prices and market tightening. Operating costs were up by 18.2% (9.7% at constant currency) driven by inflationary pressures and acquisitions. It is notable that SAR experienced a solid recovery in the second half of FY23 assisted by robust domestic scrap demand and resilient domestic ferrous prices.

Australia and New Zealand ("ANZ") achieved underlying EBIT of $142.0 million in FY23, representing a 24.0% decrease on the prior year. Sales revenue of $1,563.7 million in FY23 was 7.7% lower compared to FY22. FY23 trading margin reduced by only 7.7% compared to FY22 despite challenging market conditions. Operating costs increased by 4.1% compared to FY22, due to inflationary pressures, and higher asset running and labour costs, partially offset by lower employee incentive costs.

Underlying EBIT for the UK was $7.3 million in FY23 compared to $69.8 million in FY22. The business achieved a stronger underlying EBIT performance in the second half, notwithstanding an overall decline of 89.5% in FY23. Trading margin declined by 16.2% due to challenging market conditions including strong competition for shredder infeed.

Sims Lifecycle Services ("SLS") Underlying EBIT was $8.2 million in FY23 compared to $16.3 million in FY22, being impacted by both margin compression and inflationary pressures. FY23 sales revenue was $325.4 million, representing a decrease of 0.5% compared to FY22 due to a reduction in resale prices resulting from COVID lockdowns in China and subsequent slow recovery. Pleasingly, SLS's volume of repurposed units processed grew by 40.7% compared to the prior year, despite the impact of supply chain constraints and delayed refresh rates from hyperscalers.

Health and Safety

In FY23 we achieved record best rates in employee safety. We reported record lows in the Total Recordable Injury Frequency Rate of 1.08 and Lost Time Injury Rate of 0.19. Central to this achievement was our focus on continuous improvement and innovation.

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 FY23, we made substantial progress in executing our sustainability strategy. We made a significant stride towards greater gender equity. The gender pay equity gap dropped to 2.9% in FY23, from 8.2% reported in the prior year, and we exceeded our gender diversity objective for the management level and above.

In addition, we are proud to be endorsed by Reconciliation Australia for our second Reconciliation Action Plan, Innovate RAP, which we launched in May 2023 and encompasses all our Australian businesses.

Strategy Developments

We made good progress on the Group's strategic growth initiatives while maintaining stringent capital discipline. We identified underperforming, undervalued and underutilised assets in our portfolio of businesses. We took further steps to divest these assets and recycle the proceeds to grow the core business.

Our portfolio expansion included the acquisition of two metal recyclers in the United States, Baltimore Scrap Corp and Northeast Metal Traders. Baltimore Scrap Corp is one of the largest metal recyclers in the United States Northeast with access to extensive rail, barge and port infrastructure and is well positioned with attractive proximity to both growing domestic demand markets and export. Northeast Metal Traders is one of the largest copper recyclers in the United States with extensive supplier and end-consumer relationships.

We divested surplus land and made good progress on the sale of Sims Municipal Recycling, LMS Energy, and Sims Energy.

Additionally, we further invested in Sims Resource Renewal and completed the construction of the Rocklea pilot facility.

In SLS, we invested in automation to drive efficiencies, differentiate our service and provide scale.

Capital Expenditure

Capital expenditure in FY23 was $232.5 million, comprised of $171.5 million spend on sustaining projects, and $61.0 million in growth investments.

Sustaining and environmental capital expenditure is expected to be $180.0 million in FY24.

Outlook

We are confident in the medium and long-term fundamentals of the business.

As we analyse the broader market landscape, there are positive and negative forces expected to impact the short term:

- The global steel demand remains subdued as we enter the first half of FY24.
- The current scrap prices may result in a continuation of soft scrap inflows.
- The demand for ferrous scrap in the USA spurred on by infrastructure spending and Electric Arch Furnace steelmaking production is expected to remain robust.
- We expect the zorba price to remain stable largely due to the subdued supply of shredder infeed.
- Finally, the rebuilding of the earthquake affected regions in Turkey has not meaningfully commenced. Upon commencement, this should create significant consumption of steel products from Turkey and place upward pressure on ferrous scrap.

We remain confident in the medium and long-term fundamentals:

- Metal-intensive infrastructure spending continues to drive medium to long-term demand for scrap metal.
- The global decarbonisation of steelmaking, growth of Electric Arch Furnaces and electricity generation industries will drive the demand for recycled metal.

- The fundamental drivers of cloud infrastructure recycling remain positive over the medium and long 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 and macroeconomic factors.

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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