ASX & MEDIA RELEASE **(ASX: SGM, USOTC: SMSMY)** **17 August 2021**

SIMS LIMITED ANNOUNCES FISCAL 2021 FULL YEAR RESULTS

Results at a glance

STATUTORY	FY21	FY20	Change (%)
Sales revenue	5,916.3	4,908.5	20.5%
EBITDA	507.3	35.7	1,321.0%
EBIT	314.0	-239.1	231.3%
NPAT	229.4	-265.3	186.5%
EPS (cents) – diluted	112.8	-131.2	186.0%
UNDERLYING	**FY21**	**FY20**	**Change (%)**
Sales revenue	5,916.3	4,908.5	20.5%
EBITDA	579.9	144.9	300.2%
EBIT	386.6	-57.9	767.7%
NPAT	284.1	-58.1	589.0%
EPS (cents) – diluted	139.6	-28.7	586.4%
DPS (cents) – total	42.0	6.0	600.0%

Key Points

- Sales revenue of $5,916.3 million, up 20.5% from prior corresponding period
- Statutory EBIT of $314.0 million, up $553.1 million from prior corresponding period
- Underlying EBIT of $386.6 million, up $444.5 million from prior corresponding period
- Final dividend of 30.0 cents per share, 50% franked
- Net cash position of $8.3 million as at 30 June 2021
- Return on Productive Assets of 20.4%, up from negative 3.0% in the prior corresponding period

Commentary

Group CEO & Managing Director, Alistair Field, on the FY21 results said, “We reported a strong set of operational and financial results for the year ended 30 June 2021, including proprietary intake and sales volumes growth and margin expansion year on year, driven by material improvement in market prices. We also delivered predominantly fixed cost savings of $75 million compared to FY19.”

Furthermore, Mr Field said, “I’m pleased with the strong and sustained second-half recovery and the substantial progress made in advancing our growth strategy during FY21, which coupled with the positive medium and long-term industry drivers, stand us in good stead for FY22 and beyond.”

“I would like to thank all Sims’ employees. FY20 was a really challenging year and it would have been easy to slow down in FY21 as the business improved. Rather, our employees have captured the opportunities in a very safe and sustainable manner.”

Group Results

Sims Limited (**Group**, **the Company** or **the Group**) today announced an underlying EBIT of $386.6 million in FY21, $444.5 million higher compared to FY20. The strong earnings growth reported across all operating segments was due largely to higher sales volumes, active margin management, and lower predominantly fixed costs, with the Group achieving cost savings of $75 million during FY21, compared to FY19.

Sales revenue grew by 20.5% to $5,916.3 million in FY21. The increase was due to higher sales volumes and average selling price driven by increased demand in many industrial sectors.

Proprietary sales volumes were 7.225 million tonnes in FY21, representing an increase of 8.0% compared to the prior corresponding period. Volumes were somewhat compressed by lower scrap availability due to COVID-19 impacts during much of the first half of the fiscal year. Higher commodity market prices, beginning in November 2020, persisted throughout the second half of the fiscal year, driving an increase of 7.1% in proprietary intake volumes for FY21. The average monthly proprietary intake volumes in 2H21 was 96% of the FY19 average levels, representing a sequential improvement from 85% in 1H21.

Statutory NPAT in FY21 was $229.4 million. Underlying NPAT was $284.1 million in FY21, compared to a loss of $58.1 million in FY20.

Regional Performance

Underlying EBIT for North America Metal was $137.0 million in FY21 compared to a loss of $39 million in the prior corresponding period. This increase was due to cost reduction initiatives during the period, improved margins across both ferrous and non-ferrous and contributions from the Alumisource acquisition. Proprietary sales volumes increased by 6.8% over the prior corresponding period driven by the strong recovery in economic activity commencing in the latter part of 1H21 and throughout 2H21, as the global demand for scrap metal improved.

Underlying EBIT for Australia & New Zealand Metal was $103.6 million during FY21, representing an increase of 104.3% over the prior corresponding period as higher gross margins per ferrous and non-ferrous sales tonne flowed through to profit. A backdrop of healthy commodity prices and recovering business activity supported the higher margins, despite persistent competitive market conditions. While proprietary intake volumes increased in FY21 compared to the prior year, particularly in the latter portion of 2H21, the average proprietary intake for 2H21 was 91% of FY19 average levels. The gap in 2H21 intake volumes to FY19 reflected intermittent COVID-19 lockdowns across Australia and New Zealand.

Underlying EBIT for UK Metal increased by 243.3% to $45.7 million in FY21, driven by higher commodity prices, active margin management and favourable competitive market conditions. Furthermore, controllable costs were 10.8% lower than the prior corresponding period, following the targeted restructuring initiatives. While FY21 proprietary intake volumes increased by 18.5% year on year, they were 87% of the FY19 intake levels reflecting the closure of unprofitable facilities and continued COVID-19 limitations on inbound supply.

Underlying EBIT for Sims Lifecycle Services (“SLS”) was $21.8 million in FY21, compared to $2.9 million in FY20 (excluding profits from the SLS operations sold in FY20). The improved EBIT growth trajectory in FY21 was due to continued strong interest in the specialised expertise and complete service offerings of the business as well as lower controllable costs compared to FY20.

The Company’s share of results from SAR increased significantly in FY21 from $12.1 million to $157.8 million due to higher gross margins and sales volumes. Margins benefited from the meaningful price improvement in zorba, as well as ferrous and non-ferrous commodities.

Health and Safety

The pandemic has created another layer of risk to the health and safety of employees requiring new ways of working, whether it be from home or onsite. Being considered an essential business in many of the jurisdictions where we operate, the Group continued to process materials and deployed and maintained its business continuity plan throughout the year. Sims took several important measures to safeguard its employees’ health and safety, including implementing approximately 500 management actions globally and continuously assessing and improving processes to prevent employees from contracting COVID-19. The Company also encouraged vaccination by facilitating access to vaccines and providing paid time off to employees.

Final Dividend

The Board has declared a final dividend for FY21 of 30.0 cents per share, 50% franked. The final dividend will be paid on 20 October 2021 to shareholders on the Company’s register at the record date of 6 October 2021.

While the full year dividend per share represents a 600% increase over FY20, it is a lower payout ratio than recent prior years. This lower payout ratio is due to the Company’s franking position. Franking credits are generated from taxes paid on Australian-derived profits. The improved proportional size of foreign sourced profit during FY21 resulted in a lower relative profit contribution from Australia and therefore insufficient franking credits for a dividend payout ratio similar to recent prior years. The Company has sought to find an appropriate balance between returning profits as dividends and ensuring those dividends are fully franked. Accordingly, the FY21 final dividend will be 50% franked, which is based on utilisation of the Company’s $0.5 million franking surplus at 30 June 2021 combined with estimated payments through to 30 June 2022.

Strategic Developments

In FY21, the company achieved good progress across its strategic growth areas which were first announced to the market in April 2019. These include:

- On 8 July 2021 received planning development approval of the pilot Resource Renewal facility at Rocklea in Queensland, Australia;
- On 8 July 2021 announced the intention to produce hydrogen at the proposed Campbellfield facility in Victoria, Australia;
- On 12 February 2021 announced the acquisition of Alumisource, a leading aluminium processor forecast to grow NAM non-ferrous retail volumes by 24%[1]; and
- On 3 February 2021 acquired existing purpose-built recycling facility in Sydney's rapidly growing Southwest market.

[1] Percentage calculation is based on FY20 NAM volumes

The Company is in a strong position to further advance the strategy in FY22 and beyond.

Capital Allocation

The Company's capital allocation strategy will continue to balance the ongoing requirement for distributions to shareholders with the need for business reinvestment to support its strategy.

On 1 July 2021, the Company entered into a joint venture with 50% ownership interest to acquire the assets of the JED renewable landfill gas to energy facility near Orlando, Florida. The facility currently produces 9.6 MW of electricity and the cost of the 50% equity contribution was $4.8 million.

Outlook and Market Drivers

In FY21, the Company significantly improved its financial performance and achieved substantial progress on its strategic growth agenda. 2H FY21 proprietary intake volumes recovered strongly. Furthermore, there were predominantly fixed cost savings of $75 million in FY21 compared to FY19.

Pleasingly, FY22 has started very well continuing the trend of consecutive strong quarters in the second half of FY21.

It is worth noting that any material negative impacts from COVID-19 on the global recovery remain a significant downside risk to the FY22 result.

The business is expected to benefit from positive medium and long-term drivers. The ongoing or announced stimulus spending, particularly in the USA and China, will increase demand for steel-intensive infrastructure spending and drive additional retail consumption. Additional retail consumption will also increase post-consumption scrap. These drivers are positive for both ferrous and non-ferrous metal recycling.

Further stimulus spending is expected to come in the Asian region and Europe.

Cloud repurposing continues to grow.

Global decarbonisation of the steel and energy industries will drive demand for recycled metal.

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 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. Our nearly 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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