



ASX & MEDIA RELEASE

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**SIMS LIMITED ANNOUNCES  
FISCAL 2022 HALF YEAR RESULTS**

**Results at a glance**

<b>STATUTORY</b>	<b>HY22</b>	<b>HY21</b>	<b>Change</b>
Sales revenue	4,265.0	2,452.0	73.9%
Trading Margin	922.8	636.5	45.0%
EBITDA	442.0	177.1	149.6%
EBIT	341.4	78.5	334.9%
NPAT	253.2	53.0	377.7%
EPS (cents) – diluted	124.1	26.3	371.9%
<b>UNDERLYING</b>	<b>HY22</b>	<b>HY21</b>	<b>Change (%)</b>
Sales revenue	4,265.0	2,452.0	73.9%
EBITDA	462.3	155.0	198.3%
EBIT	361.7	56.4	541.3%
NPAT	269.3	37.3	622.0%
EPS (cents) – diluted	132.0	18.5	613.5%
DPS (cents) – total	41.0	12.0	241.7%

**Key Points**

- Sales revenue of \$4,265.0 million, up 73.9% from prior corresponding period
- Statutory EBIT of \$341.4 million, up 334.9% million from prior corresponding period
- Underlying EBIT of \$361.7 million, up 541.3% million from prior corresponding period
- Cash Flow Distribution of \$135 million, up 458% from prior corresponding period
- Operating Cash Flow of \$290.8 million, up 94.8% from the prior corresponding period
- Return on Productive Assets of 37.5%, up from 6.2% in the prior corresponding period

**Commentary**

Group CEO & Managing Director, Alistair Field, on the HY22 results said, “We delivered an excellent performance in HY22 with earnings above guidance, driven by growth in trading margin, against a backdrop of volatile freight markets and inflationary pressures. We significantly improved our operating cash flow from 2H FY21, increased cash returns to shareholders, and maintained the strength of our balance sheet. Intake volumes grew strongly and were close to pre-COVID levels, highlighting the continued strength of our metal businesses”.

Furthermore, Mr Field said, “We are successfully delivering on the strategy set out in FY19. In HY22 we maintained growth momentum in the core metal business, continued to build

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adjacent business to further enhance our earnings quality, and strengthened our strategic position across our portfolio of businesses.”

“Once more, I would like to thank our employees for this strong result, which was only made possible because of their hard work and dedication, as they continue to be the foundation on which our success is built.”

## **Group Results**

Sims Limited (**the Company or the Group**) today announced an underlying EBIT of \$361.7 million in HY22, 541.3% higher compared to HY21. The strong earnings growth was due to higher sales volumes and higher material prices, combined with disciplined margin management.

Trading margin increased by 45% through disciplined management of the buy / sell spread as selling prices increased.

Operating costs in HY22 were above HY21 due to higher activity across the business, new business acquisitions and greenfield facilities, increased Group performance incentive provisioning, and inflationary pressures.

Sales revenue grew by 73.9% to \$4,265.0 million in HY22 compared to the prior corresponding period, driven by increased sales prices and higher sales volumes.

Proprietary sales volumes were 3.941 million tonnes in HY22, representing an increase of 7.6% compared to the prior corresponding period. This growth was primarily driven by the North American business. Pleasingly, the average monthly proprietary intake volumes in HY22 was 96% of the FY19 average levels, representing an improvement from 85% reported in 1H21.

Statutory NPAT in HY22 was \$253.2 million, representing an increase of 377.7% from the prior corresponding period. Underlying NPAT was \$269.3 million in HY22, compared to \$37.3 million in HY21, a 622.0% improvement.

## **Regional Performance**

North America Metal delivered Underlying EBIT of \$142.2 million in HY22, representing an improvement of 478.0% on the prior corresponding period. This increase reflected higher sales volumes driven by the post-COVID economic recovery conditions, acquisitions and opening of new feeder yards.

Total trading margin increased by 74.6%, underpinned by a stable trading margin percentage compared to the prior periods, benefitting from disciplined buying, strong margin management and higher scrap prices.

Proprietary intake volumes returned to pre-COVID levels, increasing by 18.7% in HY22 compared to the prior corresponding period.

Alumisource continued to deliver earnings in line with expectations.

Underlying EBIT for Australia & New Zealand Metal was \$94.9 million during HY22, representing an increase of 243.8% over the prior corresponding period. These gains were supported by sales revenue growth from increased average sales prices and a trading margin increase of 58.8%.

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Proprietary intake volumes were up 8.9% on the prior corresponding period and near FY19 levels, despite the re-emergence of lockdown conditions.

Underlying EBIT for UK Metal increased to \$29.4 million in HY22, a 180.0% improvement compared to the prior corresponding period. Total trading margins lifted by 39.6% in comparison to the prior corresponding, driven by higher sales prices and disciplined margin management. Proprietary intake volumes in HY22 were flat on the prior corresponding period. The average intake volumes in HY22 were 86% of FY19 levels due to a combination of yard closures and COVID impacts.

Underlying EBIT for Sims Lifecycle Services (“SLS”) was \$9.9 million in HY22, compared to \$6.8 million in HY21. Repurposed units grew by 44.4% over the prior corresponding period to 1.3 million. This was a good result against a backdrop of challenging market conditions driven by the limited release of cloud material due to supply chain constraints.

The Company’s share of results from SA Recycling grew significantly from \$24.4 million in HY21 to \$128.7 million in HY22, reflecting strong sales and margin growth. Proprietary ferrous and non-ferrous sales volumes increased by 18.6% in HY22 compared to the prior corresponding period, driven by 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**

Despite the increased activity, our safety performance was strong in HY22, marked by the lowest number of injuries achieved year on year since HY19. We continued to analyse every incident, and through the implementation of proactive lead indicator programmes focused on standardisation of controls, reduced the Total Recordable Injury Frequency Rate in HY22 compared to HY21.

### **Sustainability**

Sustainability is the foundation of our company, and our purpose – create a world without waste to preserve our planet – guides the company’s strategic growth plans and sustainability targets. In HY22 we made strong progress in the execution of our sustainability strategy. Some of the highlights for the period included:

- Operate Responsibly: met target set for board gender diversity and maintained a strong employee engagement score of 82%
- Close the Loop: transitioned our largest site (Claremont, NJ) to renewable electricity in HY22, released first TCFD report on climate risk and opportunity and reduced carbon emissions by 4% in HY22 compared to HY21
- Partner for Change: spent \$644,000 with indigenous-owned businesses as part of our Reconciliation plan

The company strengthened its sustainability credentials being one of 45 companies awarded the HRH The Prince of Wales’ Terra Carta Seal in recognition of Commitment to Creating a Sustainable Future. Furthermore, in January 2022, it was announced that the Company ranked 11<sup>th</sup> on the 2022 Global 100 List of most sustainable companies in the world, a 46-point improvement over our 2021 ranking.

## Strategy Developments

The Company's strategy aims to grow the core metal business and leverage synergies to expand into adjacent businesses to further enhance the quality of earnings. In HY22, 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
- Added a strategic partner to SMR, which will accelerate growth opportunities
- Continued the drive towards repurposing cloud units, thereby providing a more sustainable outcome in closing the loop on end-of-life material
- Achieved significant progress towards constructing the Sims Resource Renewal Rocklea pilot plant and agreeing commercial solutions for the full-scale operation in Queensland

Pleasingly, the Company is in a strong position to further advance the strategy in 2H FY22 and beyond.

## Cash Flow Distribution

The Company has determined that it will distribute \$135.0 million in cash payments, which is 50% of HY22 Underlying Profit. The payment will comprise of a 41 cents per share dividend and an on market share buyback equivalent to \$54.0 million, to be completed in 2H FY22

## Outlook and market drivers

Momentum has, to date, continued into 2H FY22 in the metal business and our Joint Venture, SA Recycling. Intake volumes are solid, as non-ferrous commodity prices track higher than the HY22 averages and ferrous prices remain elevated, albeit volatile. The demand for ferrous and non-ferrous products remains robust.

SA Recycling's acquisition of PSC Metals will commence full contribution in 2H FY22.

We continue to closely manage the impacts of freight cost volatility. Additionally, we are actively seeking medium-term efficiency gains to offset inflation pressures.

## Macro-trends

The ongoing or announced stimulus spending is increasing demand for steel-intensive infrastructure spending and driving retail consumption. Post consumption scrap is also increasing, and that is positive for both ferrous and non-ferrous metal recycling.

The global decarbonisation of steel making, and electricity generation industries is driving demand for recycled metal.

The fundamental drivers of the cloud infrastructure recycling remain positive over the medium term. It is expected that cloud material shortage will ease in early 2023 and cloud repurposing will return to rapid growth.

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. 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](http://www.simsltd.com).

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