SIMS LIMITED

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SIMS LIMITED ANNOUNCES FISCAL 2021 HALF YEAR RESULTS

Results at a glance

STATUTORY	**1H FY21**	**1H FY20**	**Change (%)**
Sales revenue	2,452.0	2,709.6	-9.5%
EBITDA	177.1	30.5	480.7%
EBIT	78.5	-95.2	182.5%
NPAT	53.0	-91.1	158.2%
EPS (cents) – diluted	26.3	-44.9	158.6%
UNDERLYING	**1H FY21**	**1H FY20**	**Change (%)**
Sales revenue	2,452.0	2,709.6	-9.5%
EBITDA	155.0	74.9	106.9%
EBIT	56.4	-23.2	343.1%
NPAT	37.3	-34.7	207.5%
EPS (cents) – diluted	18.5	-17.1	208.2%
DPS (cents) – total	12.0	6.0	100.0%

Key Points

- Sales revenue of $2,452.0 million, a decrease of 9.5% from prior corresponding period
- Statutory EBIT of $78.5 million, up $173.7 million from prior corresponding period
- Underlying EBIT of $56.4 million, up $79.6 million from prior corresponding period
- Interim dividend of 12.0 cents per share, fully franked
- Net cash position of $165.4 million as at 31 December 2020

Commentary

Group CEO & Managing Director, Alistair Field, on the first half FY21 results said, “We delivered significantly better results in first half FY21 due to improved margins, higher prices and lower operating costs. Pleasingly, the cost reduction programme is on track to achieve annualised cost savings in excess of $70 million in FY21 compared to FY19.”

Furthermore, and on the progress of strategic initiatives, Mr Field said, “I’m pleased with the substantial progress made in advancing our growth strategy during first half FY21. This provides a strong foundation to make further headway in FY21 and in future years.”

Group Results

Sims Limited (the "Company") today announced an underlying EBIT of $56.4 million in 1H FY21 compared to an underlying EBIT loss of $23.2 million in 1H FY20. While market prices improved, particularly during November and December 2020, 1H FY21 proprietary intake volumes were at 85% of average FY19 monthly volumes due to COVID-19 impacts. However, this was a 9% increase compared to 2H FY20 levels. The Company is on track to achieve annualised cost savings in excess of $70 million in FY21 compared to FY19.

Sales revenue of $2,452.0 million in 1H FY21 was 9.5% lower compared to 1H FY20 due to lower sales volumes, the composition of sales, and the sold European Compliance Scheme Operations. Non-ferrous proprietary sales volumes declined 27.0% and ferrous proprietary sales volumes declined 0.5% contributing to a total sales volume of 4.3 million tonnes.

An underlying NPAT of $37.3 million resulted in an underlying diluted profit per share of 18.5 cents for 1H FY21. The statutory NPAT of $53.0 million represented a diluted profit per share of 26.3 cents. See the *Reconciliation of Statutory Results to Underlying Results* included herein for more information.

Regional Performance

Underlying EBIT for North America Metal was $24.6 million in 1H FY21 compared to $0.1 million in the prior corresponding period. This increase was due to improved margin and prices for recycled ferrous and zorba related products, and lower operating costs. Proprietary sales volumes declined 5.5% over the prior corresponding period driven by slower economic activity, largely due to COVID-19 impacts in areas the business operates.

Underlying EBIT for Australia & New Zealand Metal was $27.6 million in 1H FY21 compared to $22.3 million in the prior corresponding period due to higher non-ferrous margins and cost reductions in both fixed and variable terms. Proprietary sales volumes were flat over the prior corresponding period with continued strong demand from domestic mills. Intake volumes declined over the prior year, however intake flows steadily improved as the period progressed.

Underlying EBIT for UK Metal was $10.5 million in 1H FY21 compared to a $28.4 million loss in the prior corresponding period. This improvement was attributed to higher sales volumes, margin improvement and lower operating costs. Lower operating costs were driven by a business restructure that commenced in late 1H FY20 and reduced sites and headcount, while maintaining FY19 processing capacity.

Underlying EBIT for Sims Lifecycle Services was $6.8 million in 1H FY21, representing an increase of $6.0 million in remaining businesses over the prior corresponding period. Logistics disruptions and customer personnel availability, due to COVID-19, continued to limit the ability to increase cloud material volumes in 1H FY21. However, commercial discussions, activity and interest remained robust.

The Company's underlying share of results from SA Recycling was $24.4 million in 1H FY21, an increase of $24.4 million compared to the prior corresponding period, primarily related to higher volumes and margins.

Final Dividend

The Company has declared an interim dividend for 1H FY21 of 12.0 cents per share, 100% franked. The interim dividend will be paid on 23 March 2021 to shareholders on the Company's register at the record date of 8 March 2021.

Strategic Developments

In April 2019, the Company announced a significant growth strategy for its current lines of business and an expansion into new environmental adjacencies. China’s new regulations allowed high quality non-ferrous scrap and ferrous scrap to be freely imported from 1 November 2020 and 1 January 2021, respectively, validating the strategic push to improve metal quality.

Good progress was made across strategic growth areas:

- Submitted the development application for pilot resource renewal facility in Rocklea Queensland;
- The commercial demonstration confirmed Sims’ auto shredder residue (“ASR”) produces a high quality syngas, confirmed chemical composition of syngas and collected data for environmental and planning assessment processes;
- On 12 February 2021 acquired a leading aluminium processor, which forecasts to grow North America Metal non-ferrous retail volumes 24%, and with strong cultural fit; and
- On 3 February 2021 acquired existing purpose built recycling facility in Sydney's rapidly growing Southwest market.

The Company is in a strong position to further advance the strategy in FY21 and going forward.

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 the Company’s strategy.

Market Conditions and Outlook

Signs of positive ferrous intake volume growth continued as January 2021 proprietary ferrous intake was higher than the corresponding periods in 2019 and 2020. Ferrous liquidity and price volatility risks are likely to persist in 2H FY21 but, over the medium term, prices should remain resilient due to infrastructure stimulus.

Global auto production is expected to normalise and support zorba-related prices.

China has commenced the importing of high quality recycled ferrous. Volumes are starting to increase from a low base and may tighten demand / supply.

Retail non-ferrous proprietary intake volumes remain inconsistent. January 2021 proprietary retail non-ferrous intake was lower than January 2020 but similar to January 2019.

The Company is on track to achieve annualised cost savings in excess of $70 million in FY21 compared to FY19.

Appendix – Reconciliation of Statutory Results to Underlying Results

	EBITDA[1]		EBIT		NPAT	
	HY21	**HY20**	**HY21**	**HY20**	**HY21**	**HY20**
A$m						
Reported earnings	**177.1**	30.5	**78.5**	(95.2)	**53.0**	(91.1)
Significant items:						
Legacy brand write offs	**N/A[2]**	N/A[2]	**-**	14.6	**-**	11.0
Other intangible asset impairments	**N/A[2]**	N/A[2]	**-**	13.0	**-**	9.4
JobKeeper grant income	**(11.8)**	-	**(11.8)**	-	**(8.3)**	-
Non-recurring gain on asset disposition	**(6.6)**	-	**(6.6)**	-	**(4.7)**	-
Restructuring and redundancies	**0.9**	33.6	**0.9**	33.6	**0.6**	26.9
Loss on sale of businesses, net of related transactional expenses	**0.5**	3.2	**0.5**	3.2	**0.5**	2.9
Environmental provisions	**1.1**	11.0	**1.1**	11.0	**0.9**	8.2
Non-qualified hedges	**(5.0)**	1.9	**(5.0)**	1.9	**(3.8)**	1.9
Impact of fires, net of insurance recoveries to date	**(1.2)**	(5.3)	**(1.2)**	(5.3)	**(0.9)**	(3.9)
Underlying earnings[3]	**155.0**	**74.9**	**56.4**	**(23.2)**	**37.3**	**(34.7)**

[1] EBITDA is a measurement of non-conforming financial information.
[2] N/A indicates that statutory EBITDA is calculated to exclude impairment of goodwill and other identified intangible assets in the presentation of both the statutory and underlying earnings.
[3] Underlying earnings is a non-IFRS measure that is presented to provide an understanding of the underlying performance of the Group. The measure excludes the impacts of impairments and disposals, as well as items that are subject to significant variability from one period to the next. The reconciling items above (before tax) have been extracted from the unaudited interim financial statements.

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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