

## SIMS LIMITED ANNOUNCES FISCAL 2024 HALF YEAR RESULTS

### Results at a glance

<b>STATUTORY</b>	<b>HY24</b>	<b>HY23</b>	<b>Change</b>
Sales revenue	4,114.4	3,831.2	7.4 %
EBITDA	284.7	270.2	5.4 %
EBIT	163.8	163.4	0.2 %
NPAT	65.8	101.0	(34.9)%
EPS (cents) – diluted	33.5	51.2	(34.6)%
<b>UNDERLYING<sup>1</sup></b>	<b>HY24</b>	<b>HY23</b>	<b>Change</b>
Sales revenue	4,114.4	3,831.2	7.4 %
EBITDA	134.3	200.1	(32.9)%
EBIT	13.4	93.3	(85.6)%
Return on productive assets <sup>2</sup>	1.1 %	8.6 %	(7.5)%

### Key Points

- Sales revenue of \$4,114.4 million, up 7.4% from the prior corresponding period
- Statutory EBIT of \$163.8 million, up 0.2% from the prior corresponding period
- Underlying EBIT of \$13.4 million, down 85.6% from the prior corresponding period
- Return on Productive Assets<sup>2</sup> of 1.1%, down from 8.6% in the prior corresponding period

<sup>1</sup> Underlying earnings excludes significant items, the impact of non-qualifying hedges, and internal recharges

<sup>2</sup> Underlying EBIT / average of opening non-current assets and ending non-current assets excluding right of use assets arising from AASB16 Lease and deferred tax assets

## Commentary

Group CEO and Managing Director, Stephen Mikkelsen, on the HY24 financial results, said, "Sims delivered a modest EBIT for HY24, driven by lower Metal trading margins and inflationary pressures, partially mitigated by cost control measures. Challenging market conditions prevailed across all Metal segments, with variations observed between, and within, geographic regions. Sims Lifecycle Services ("SLS") performed well, delivering solid EBIT, repurposed unit growth, and market share gains.

"We maintained a robust balance sheet, with adequate borrowing capacity and manageable debt levels, positioning the company favourably for future growth opportunities. Additionally, we commenced a comprehensive cost reduction program targeting annualised savings in the range of \$70 million to \$90 million, fortifying our financial position across economic cycles.

We achieved significant progress in our strategic plans, strengthening our core metal business through strategic acquisitions in the North America Metal ("NAM") and SA Recycling ("SAR") businesses. Our commitment to shareholder value remained firm. We executed our capital recycling strategy with the successful closure of the LMS sale. Furthermore, we initiated a strategic review of the UK Metal business.

Our team's dedication to safety has led to significant improvements in our performance, as evidenced by positive trends in key metrics compared to the previous period. I'm immensely proud of our employees and the safety culture they foster within our organisation.

In conclusion, our firm commitment to sustainability across all operational dimensions persists. Sims' recognition as the world's most sustainable company in Corporate Knights' Global 100 Ranking stands as a testament to our high standards in sustainable operations, and serves as recognition of the collective efforts of all our employees towards sustainability."

## Group Results

Sims Limited (**the Company or the Group**) today announced an underlying EBIT of \$13.4 million in HY24, 85.6% lower compared to HY23. With the exception of SLS, Underlying EBIT reduced across all businesses due to lower trading margins in Sims Metal and continued inflationary pressures.

An increase in Corporate costs to \$62.4 million primarily related to corporate initiatives including ERP development costs and cybersecurity system upgrades, while unfavourable currency movements added circa \$2 million to costs. Also included were final compensation payments for the retirement of two senior executives.

Statutory EBIT for HY24 was \$163.8 million, representing a decrease of 0.2% on the prior corresponding period. The statutory result included a gain of \$170.4 million (net of disposal costs) following the disposal of Sims' interest in the LMS business.

Proprietary intake volumes increased by 4.2% to 3.9 million tonnes in HY24 in comparison to HY23 levels. The contrast between the strength of the US domestic market and the weakness in the rest of the world, represented by seaborne trade, had different impacts within the Group. NAM and UK Metal ("UKM"), with greater reliance on the export market and dealers, were materially and negatively impacted. ANZ Metal ("ANZ") and SA Recycling showed considerable resilience due to their strong domestic sales and procurement of scrap at source.

Proprietary sales volumes decreased by 2.1%. Sales in the ANZ market were strong during the period. However, export facing demand was weak, impacting sales volumes in UK, decrease by 24.3% and to a lesser extent, NAM. Sales volumes in NAM, excluding acquisitions, were down by 4.5%.

Sales revenue was \$4,114.4 million, an increase of 7.4% on the prior corresponding period. Sales volumes were down slightly on the prior corresponding period, with acquisition volumes mitigating the negative effects of challenging export markets. Excluding acquisitions, the decline in sales volumes was 4.9%.

The Metal trading margin decreased by 2.6% or 5.4% in constant currency, reflecting the challenging trading conditions across all markets. The trading margin percentage for the period was 18.4% (HY23 20.4%).

Statutory NPAT in HY24 was \$65.8 million compared to \$101.0 million in HY23. Net interest expense of \$23.7 million was \$11.1 million higher than HY23, due to increased funding rates and higher debt levels during the period, which were subsequently reduced by year-end.

Statutory EBITDA in HY24 was \$284.7 million compared to \$270.2 million in HY23.

Cash inflow from operating activities was \$101.8 million in HY24 compared to \$322.0 million during HY23 as a result of lower earnings, and approximately half of HY23 operating cash flow being generated through inventory reductions.

## Segment Performance

NAM's Underlying EBIT was a loss of \$8.8 million or \$6.5 million at constant currency. Trading margin was 6.3% lower (8.8% at constant currency) in HY24 compared to HY23. This decrease was attributed to intense competition in sourcing scrap metal and challenging export markets, which impacted both purchase and sales prices.

SA Recycling ("SAR") contributed \$59.6 million to the Group's underlying EBIT compared to \$49.1 million in HY23. At constant currency, the contribution from SAR

was \$58.0 million. Trading margin grew by 13.1% due to its focus on the US domestic market, a product mix featuring a strong proportion of zorba and acquisitions.

ANZ achieved Underlying EBIT of \$47.3 million in HY24, representing a 10.9% decrease on the prior period. In HY24 trading margin increased by 2.4% compared to HY23. However, increased sales volumes were offset by a decrease in the trading margin percentage. A balanced sales strategy across domestic and export markets assisted in partially mitigating the challenges encountered in the export market in HY24.

UK Metal's Underlying EBIT was a loss of \$12.2 million in HY24 (\$11.2 million at constant currency) compared to a loss of \$3.6 million in HY23.

Underlying EBIT for SLS was \$8.3 million, an 18.6% increase compared to HY23. EBIT margin grew by 1.0ppt. The improvement reflected effective cost control measures and repurposed units growth. Additionally, resale prices stabilised and commenced returning more normal levels.

## **Strategy Developments**

In HY24 the Company concentrated on core strategies to strengthen the business, and it is pleasing to report significant progress in this regard:

- Implemented operational and organisational changes that prioritise simplicity.
- Commenced a comprehensive cost reduction program, targeting annualised savings of \$70 million to \$90 million, that will be fully realised in FY26.
- Increased domestic sales channels in the USA and uplifted unprocessed material
- Commenced trials to produce premium-quality low-copper shred, which yielded promising results and increased volumes
- Successfully integrated Northeast Metal Traders and completed the acquisition of Baltimore Scrap, marking an important step in realigning NAM with US market trends.

## **Capital Expenditure**

Capital expenditure for property, plant and equipment and intangible assets was \$93.1 million during HY24, down from \$127.2 million in HY23.

Sustaining and environmental capital expenditure is expected to remain within previous guidance of \$180 million in FY24.

## Outlook and market drivers

The Company remains confident in the business's medium and long-term fundamentals.

In the short-term, Underlying EBIT is expected to improve in H2 FY24 compared to HY1 FY24 including \$25 million from cost reduction initiatives.

Initiatives have commenced to increase both domestic sales channels and unprocessed material in the USA. Demand for scrap in the USA is expected to remain robust, supporting prices.

ANZ and SAR are expected to continue delivering solid results and SLS's momentum leading into December 2023 is also set to continue. The material risks to an anticipated improvement in H2 FY24 include:

- Strong competition for limited scrap supply persists, which can reduce margins
- Geopolitical tensions remain high, which may result in volatility in export demand, prices, and freight costs.
- Inflation remains 'sticky' placing further pressures on costs that cannot be fully mitigated by the Company's costs reduction initiatives.

### Macro-trends

The Company remains 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 EAFs, 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 Australia in 1917, Sims Limited is a global leader in metal recycling and the provision of circular solutions for technology. Employing over 4,000 employees globally, the company operates more than 280 facilities across 14 countries. Sims Limited plays a vital role in helping increase circularity and decarbonisation by supplying recycled materials and re-purposed products. 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). The Company's purpose, create a world without waste to preserve our planet, is what drives its constant innovation and leadership in the circular economy. For more information, visit [www.simsltd.com](http://www.simsltd.com).

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