ASX & MEDIA RELEASE **(ASX: SGM, USOTC: SMSMY)** **18 August 2020**

SIMS LIMITED ANNOUNCES
FISCAL 2020 FULL YEAR RESULTS

Results at a glance

STATUTORY	FY20	FY19	Change (%)
Sales revenue	4,908.5	6,640.0	-26.1%
EBITDA	35.7	358.1	-90.0%
EBIT	-239.1	225.0	-206.3%
NPAT	-265.3	152.6	-273.9%
EPS (cents) – diluted	-131.2	74.2	-276.8%
UNDERLYING	**FY20**	**FY19**	**Change (%)**
Sales revenue	4,908.5	6,640.0	-26.1%
EBITDA	144.9	363.4	-60.1%
EBIT	-57.9	230.3	-125.1%
NPAT	-58.1	161.9	-135.9%
EPS (cents) – diluted	-28.7	78.8	-136.4%
DPS (cents) – total	6.0	42.0	-85.7%

Key Points

- Sales revenue of $4,908.5 million, a decrease of $1,731.5 million from the prior period
- Statutory EBIT loss of $239.1 million, down $464.1 million from the prior period
- Underlying EBIT loss of $57.9 million, down $288.2 million from the prior period
- No final dividend declared
- Net cash position of $110.4 million as at 30 June 2020

Commentary

Group CEO & Managing Director, Alistair Field, on the FY20 results said, “Our rapid response to protect employees and the community limited the disruption of this essential service. However, severe COVID-19 lockdowns across the UK, North East US and New Zealand materially reduced intake volumes and sales prices. Management has responded to the tough market conditions with an extensive restructuring and cost reduction programme that will achieve its full run rate of $70 million in FY21.”

Furthermore, and on the progress of strategic initiatives, Mr Field said, “I’m pleased with the progress made in advancing our growth strategy during FY20. 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 loss of $57.9 million in FY20 compared to an underlying EBIT profit of $230.3 million in FY19. Tough market conditions prevailed throughout FY20. The rapid collapse in ferrous scrap prices in September 2019, combined with historically low zorba prices, severely compressed margins in the first half. Following this sharp fall there were tentative signs of a recovery in prices and volumes. However, in early 2020 the historic world-wide response to slow the spread of COVID-19 materially reduced intake volumes and sales prices in the second half, especially in North America, the UK and New Zealand.

Sales revenue of $4,908.5 million in FY20 was 26% lower compared to FY19 due to lower volumes and pricing. Non-ferrous proprietary sales volumes declined 10% and ferrous proprietary sales volumes declined 19% contributing to a total sales volume of 8.2 million tonnes.

An underlying NPAT loss of $58.1 million resulted in an underlying loss per share of 28.7 cents for FY20. The statutory NPAT loss of $265.3 million represented a loss per share of 131.2 cents.

Statutory EBIT in FY20 was a loss of $239.1 million compared to $225.0 million profit in FY19. The statutory result includes $72.0 million of intangible impairments, $50.2 million of tangible asset impairments and $35.2 million of restructuring and redundancy expenses. See the *Reconciliation of Statutory Results to Underlying Results* included herein for more information.

Regional Performance

Underlying EBIT for North America Metals was a loss of $39.0 million in FY20 compared to $99.7 million profit in the prior corresponding period. Severe COVID-19 lockdowns, in particular across New York and New Jersey, reduced proprietary intake volumes 13% in the second half compared to the first half. Metal margin declined due to intense competition, lower scrap inflow, and lower ferrous prices and weak zorba prices. In response, cost reduction initiatives have been implemented and they are expected to deliver improved outcomes and achieve their full run rate in FY21.

Underlying EBIT for Australia New Zealand Metals was $50.7 million in FY20 compared to $106.5 million in the prior corresponding period. Proprietary sales volume declined 19% over prior corresponding period driven by lower commodity prices and the impact of COVID-19 lockdowns across ANZ, particularly New Zealand, reducing economic activity during H2 FY20. Healthy demand from Australian steel mills partially off-set external market headwinds. Positive EBIT margins were supported by internal initiatives and swift cost reduction response to market conditions.

Underlying EBIT for UK Metals was a loss of $31.9 million in FY20. However, underlying EBIT improved by A$24.9 million in H2 FY20 compared to H1 FY20. This improvement was attributed to improved management of gross margin per tonne and a business restructure commenced in late H1 FY20, resulting in the closure of 11 facilities and 85 fewer employees. Additional restructuring has been proposed in July 2020 which, if implemented, will result in further site closures and headcount reduction, while maintaining FY19 processing capacity.

Underlying EBIT for Sims Lifecycle Services was $16.9 million in FY20 compared to $26.0 million in the prior corresponding period. The results reflect the sale of European compliance scheme operations as at 30 September 2019. Volumes from recycling the cloud increased in FY20 despite logistics disruptions and customer personnel availability, due to COVID-19, limiting the ability to increase cloud materials volumes in 2H FY20.

The Company's underlying share of results from SA Recycling was $12.1 million in FY20, a $23.8 million decline compared to the prior corresponding period, primarily related to the fall in zorba and twitch prices and ferrous margin compression. Significantly improved second half earnings were driven by higher volumes and improved ferrous margins compared to the first half.

Final Dividend

Following a year of historic market disruptions, the Company has not declared a final dividend for 2H FY20. A strong balance sheet is the best protection against uncertainty and the Company believes it is prudent to maintain a net positive cash balance in these times. The Company paid an interim dividend of 6 cents per share (fully franked) for the period 1H FY20.

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 classifying high quality non-ferrous scrap as a "renewable metal" rather than "waste" validates the strategic push into increasing non-ferrous volumes.

Good progress was made across three of the strategic growth areas:

- commenced community consultation for the first resource renewal facility planned in Campbellfield, Victoria, using InEnTec technology. InEnTec technology has been in operation since 1997, with a number of facilities across the USA and Asia;
- secured a further three significant "recycling the cloud" customers for FY21 and targeting a 34% increase in FY21 to 33,000 tonnes; and
- won an additional municipal recycling contract in Florida with contract terms mitigating commodity risk.

The Company is in a strong position to further advance the strategy in FY21 and going forward, including maintaining a strong balance sheet, focus on cash flow and substantially improved costs across all businesses.

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

The Company has been re-structured to handle global market volatility through:

- cost reductions;
- structurally combining buy and sell functions; and
- commencing the implementation of an ERP system to provide real time global trading and inventory positions and retain cost reductions.

The Company is well positioned to take advantage of anticipated government infrastructure stimuli around the world. Despite the very difficult trading conditions that prevailed for the majority of FY20, the Company, including all Metal divisions, returned to profit for the month of July 2020.

Appendix – Reconciliation of Statutory Results to Underlying Results

	EBITDA[1]		EBIT		NPAT	
	FY20	**FY19**	**FY20**	**FY19**	**FY20**	**FY19**
A$m						
Reported earnings	**35.7**	358.1	**(239.1)**	225.0	**(265.3)**	152.6
Significant items:						
Legacy brand write offs	**N/A[2]**	N/A[2]	**27.3**	-	**20.6**	-
Other intangible asset impairments	**N/A[2]**	N/A[2]	**44.7**	-	**34.7**	-
Asset write offs	**50.2**	-	**50.2**	-	**38.8**	-
Restructuring and redundancies	**35.2**	11.5	**35.2**	11.5	**27.8**	8.9
Gain on sale of property	**(20.4)**	(4.2)	**(20.4)**	(4.2)	**(15.4)**	(3.0)
Loss on sale of businesses, net of related transactional expenses	**9.9**	-	**9.9**	-	**8.3**	-
Environmental provisions	**25.0**	-	**25.0**	-	**18.8**	-
Non-qualified hedges	**8.0**	2.2	**8.0**	2.2	**6.2**	1.9
Impact of fires, net of insurance recoveries to date	**(5.0)**	(1.8)	**(5.0)**	(1.8)	**(3.7)**	(1.2)
Other non-recurring items	**6.3**	2.7	**6.3**	2.7	**5.0**	2.0
Impact of tax remeasurements	-	-	-	-	**66.1**	4.5
Non-recurring gain on asset disposition by joint venture	**-**	(5.1)	**-**	(5.1)	**-**	(3.8)
Underlying results[3]	**144.9**	**363.4**	**(57.9)**	**230.3**	**(58.1)**	**161.9**

[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 results.
[3] Underlying result 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 audited 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 and electronics recycling, and an emerging leader in the municipal recycling and the renewable energy industries. Our 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.simsmm.com.

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