

ASX RELEASE

28 August 2023

DGL Reports FY23 Results

Sydney, Australia - DGL Group Limited (ASX: DGL), ("DGL" or the "Company"), a specialist chemicals business that manufactures, transports, stores and processes chemicals and hazardous waste, today announced its financial results for the full year ended 30 June 2023 ("FY23").

Key Financial Highlights:

- Sales revenue of \$466.0 million, up 26% on FY22 and in line with guidance provided June 23 (\$450 million)
- Underlying EBITDA of \$64.1 million, up 27% on FY22*
- Underlying EBIT of \$41.7 million, up 25% on FY22*
- Statutory NPAT of \$19.2 million, down 31% on FY22
- Strong underlying operating cashflow conversion of 118%
- Strong balance sheet with net assets of \$333.6 million (up 9% on FY22). Net debt of \$91.1m as at 30 June 2023 (~1.4x net debt / EBITDA)
- Continued investment in organic growth and strategic acquisitions in FY23, with 11 businesses purchased to expand and diversify DGL's capacity, expertise, and geographic reach
- No dividends paid in FY23 in line with policy to reinvest earnings to maximise growth

*Excludes management estimate of \$15m non-recurring earnings (refer 2022 AGM investor presentation) from supply imbalance issues in sectors serviced by the Manufacturing segment

Commenting on the performance, DGL Founder and Chief Executive Officer, Simon Henry, said:

"DGL has delivered a strong performance over the past 12 months in a highly volatile and challenging market. Managing capacity constraints, short-term movements in some commodity prices, and extreme inflationary pressures on labour and key input costs were a constant theme in FY23. However, early signs are emerging of the inflationary pressures on costs dissipating. Strong and ongoing demand for our products and services will provide opportunities for DGL to continue to grow.

"I am very pleased with how DGL has performed over the past 12 months and we are positive about the outlook going into FY24."

FY23 Group Revenue and EBITDA

DGL delivered \$466.0 million in sales revenue, an increase of 26.0% on FY22 (\$369.8 million), exceeding the revised guidance provided in June 2023 of more than \$450 million by 3.6%. The strong sales performance is due to increased customer demand for DGL's

services, with added capabilities and products from acquisitions, higher volumes and increased sales prices.

DGL achieved underlying EBITDA of \$64.1 million, up 27.0% on FY22 (\$50.5 million*) and in line with the revised guidance provided in June 2023 of \$64 – \$66 million. In the second half of FY23, DGL saw staggered seasonal ordering patterns from key customers and continued material supply issues in the Environmental Solutions segment, particularly in the final quarter of FY23. DGL was also impacted by macroeconomic headwinds such as labour constraints and inflation, which placed pressure on financial performance across the company. Inflationary cost pressures are starting to dissipate and labour supply is normalising, but ongoing commodity price volatility and scarcity of raw materials remain a focus for the management team.

FY23 Segment Performance

DGL's three segments – Chemical Manufacturing, Logistics and Environmental Solutions – all achieved positive revenue growth during the period.

Revenue by segment (incl. intercompany sales):

30 June 2023 (\$m)	FY23 (\$m)	FY22 (\$m)	Growth
Chemical Manufacturing	281.9	234.7	20%
Logistics	103.1	62.8	64%
Environmental Solutions	110.4	88.4	25%

1. Chemical Manufacturing

DGL's Chemical Manufacturing segment performed strongly in FY23, delivering a 20% increase in revenue and contributing 58% of the FY23 total group revenue. Despite seasonal changes in customer orders, DGL experienced high demand, strong operational performance and increased volumes processed across most sites which drove the segment's revenue growth.

Since June 2022, DGL has acquired three businesses in the Chemical Manufacturing segment (Flexichem, Chempac and Triox).

*Excludes management estimate of \$15m non-recurring earnings (refer 2022 AGM investor presentation) from supply imbalance issues in sectors serviced by the Manufacturing segment

2. Logistics

Full utilisation and expansion of DGL's warehousing and distribution network and higher customer demand supported strong growth of the Logistics segment, with revenue up 64% on FY22. The rise in revenue was also a result of customers forward-ordering and holding more inventory in storage in response to continued volatility in supply chains.

In FY23, DGL acquired four businesses into the Logistics segment (Clarkson Freightlines, Nightingale Transport, DLF Global Logistics and NLW Group), which along with additions grew the company's fleet size to over 330 vehicles, up 80% since 30 June 2022. This enabled significant increases in efficiency, serviceability and reach.

3. Environmental Solutions

FY23 was a challenging financial year for the Environmental Solutions segment, but with an increased contribution from non-recycling operations, revenue increased by 25%. It was impacted by the shortage of raw materials in the recycling operation of lead batteries and increased costs, particularly for waste disposal. As stated earlier, inflationary cost pressures are easing, and management is focused on mitigating raw material supply issues.

Four acquisitions were made in the Environmental Solutions segment (BTX, Aquadex, Acacia Ridge Container Park and Envirostore).

Balance Sheet and Cash

In FY23, DGL continued to generate a strong operating cash flow of \$59.3 million, up 112% on FY22, and maintained a robust balance sheet with flexibility to support future growth and meet customer demand during FY24. Cash flow conversion was ahead of guidance provided in June 2023 (95-100%) at 118%.

Net assets increased by 9% on the previous year to \$333.6 million.

Net working capital was \$56.4 million as at 30 June 2023. Indicative inventory days reduced to 46 days (from 75 days in FY22), as operations and supply chains normalised following the previous financial year where DGL undertook a deliberate strategy to procure higher inventory levels, permitted by a strong balance sheet.

DGL's net debt position remains at comfortable levels at \$91.1 million as at 30 June 2023 (~1.4x net debt / EBITDA). This reflects DGL's strategy of investing for growth, with a cash outlay of \$59.7 million on business acquisitions during the year.

Property, plant & equipment (PP&E) increased to \$246.4 million. The total value of PP&E additions through acquisitions was \$18.2 million in FY23. DGL continues to proactively assess the strategic value of its property portfolio and constantly reviews all PP&E assets for appropriateness, disposing of assets when not required.

Operational Highlights

From an operational perspective, DGL continued to see good growth driven by increased capabilities and scale enhancements. Six businesses were acquired in the first half of FY23 and five in the second half, adding \$92.6m to total group revenue.

As a result of continued growth, DGL increased its highly skilled workforce, enhanced network strength through additional strategically located assets, expanded transport fleet and logistics networks. The company's portfolio of licenses and accreditations also continued to grow and its active external customer base surpassed 4,200 in FY23, up 36% from FY22.

Outlook

DGL will maintain a strong focus on completing the integration of acquired businesses and reinvesting earnings to increase growth. DGL's balance sheet is strong and well-positioned to pursue both organic and acquisition growth opportunities.

There are significant opportunities to drive organic growth and to deliver further integration benefits and new business from the numerous acquisitions made since listing in May 2021.

DGL expects to continue to enjoy strong demand for our products and services in FY24 and will provide a trading update at our AGM in November 2023.

Live Webcast

As previously announced, Founder and Chief Executive Officer, Simon Henry and Chief Financial Officer, Rob Perkins, will present the FY23 results via a pre-recorded webcast.

When: Monday, 28th August 2023

Time: 10:00am to 11:00am AEST

To attend the video briefing, please register via <https://webcast.openbriefing.com/dgl-fyr-2023/>

Registered participants will receive a calendar invite and a link to the event.

– ENDS –

Approved for release by the Board of DGL.

CONTACT

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ABOUT DGL GROUP LIMITED

DGL Group (“DGL”) is a well-established, founder-led, end to end chemicals business that manufactures, transports, stores and manages the processing of chemicals and hazardous waste. The Company operates a network of sites, both owned and leased, across Australia and New Zealand. DGL is pursuing a strategy to invest for growth, expanding its capabilities and scale to appeal to a wider customer base.

**APPENDIX 4E
PRELIMINARY FINAL REPORT
FOR THE YEAR ENDED 30 JUNE 2023**

Lodged with ASX under Listing Rule 4.3A

1. Company Details

Name of reporting entity:	DGL Group Limited
ABN:	71 002 802 646
Reporting period:	1 July 2022 - 30 June 2023
Prior corresponding reporting period:	1 July 2021 - 30 June 2022

2. Results for announcement to the market

Group Results (Audited)	30 June 2023 \$'000	30 June 2022 \$'000	Change %
Revenue	465,994	369,789	26%
Earnings before depreciation, amortisation, finance costs and tax expense (EBITDA)	60,513	60,975	-1%
Earnings before interest and tax	38,118	43,849	-13%
Profit before tax (PBT)	30,482	41,749	-27%
Net profit after tax (NPAT)	19,242	27,898	-31%
Net profit after tax (NPAT) attributable to owners of the Company	19,242	27,898	-31%
Basic EPS (cents)	6.79	10.31	-34%
Net tangible asset backing per share (\$)	0.71	0.78	-9%
Net asset backing per share (\$)	1.17	1.10	6%
Underlying EBITDA	64,069	65,566	-2%
Underlying EBIT	41,674	48,440	-14%
Underlying PBT	34,038	46,340	-27%
Underlying Net profit after tax (NPAT) attributable to the owners of the Company	22,591	33,576	-33%
Underlying EPS (cents)	7.97	12.40	-36%
- refer to reconciliation of underlying results to statutory below			

No dividend has been paid during the financial year or in the previous corresponding period. No dividend has been proposed or declared since the end of the financial year.

For the review of operations and any other significant information needed by an investor to make an informed assessment of DGL Group's results, please refer to the accompanying DGL Group Limited's 2023 annual report.

3. Reconciliation of Reported to Underlying Earnings

Reconciliation of Reported vs Underlying Earnings	30 June 2023 \$'000	30 June 2022 \$'000	Change %
Reported EBITDA	60,513	60,975	-1%
Add back one-off items incurred during the period ¹	3,556	4,591	
Underlying EBITDA	64,069	65,566	-2%
Reported EBIT	38,118	43,849	-13%
Add back one-off items incurred during the period ¹	3,556	4,591	
Underlying EBIT	41,674	48,440	-14%
Reported PBT	30,482	41,749	-27%
Add back one-off items incurred during the period ¹	3,556	4,591	
Underlying PBT	34,038	46,340	-27%
Report Net Profit after Tax (NPAT) attributable to owners of the Company	19,242	27,898	-31%
Add back one-off items incurred during the period ¹	3,349	5,678	
Underlying Net Profit after Tax (NPAT) attributable to owners of the Company	22,591	33,576	-33%

¹ Underlying EBITDA, EBIT and NPAT adjusts for one-off costs including acquisition costs, site remediation costs, and the tax impact of these items.

4. Entities over which control has been gained or lost during the year

Name of Entity	Date control gained
Flexichem Australia Pty Ltd	1 September 2022
Aquadex Pty Ltd	1 October 2022
BTX Group Pty Ltd	1 October 2022
Acacia Ridge Container Park Pty Ltd	1 November 2022
NLW Global Pty Ltd	1 March 2023
Triox Pty Ltd	1 June 2023

Details of acquisitions undertaken during the year have been disclosed in Note 31 of the accompanying DGL Group Limited's 2023 annual report.

5. Dividend reinvestment plans

Not applicable.

6. Details of associates and joint venture entities

Not applicable.

7. Foreign entities

The results of the New Zealand subsidiaries, DGL (NZ) Limited, DGL Manufacturing Limited and DGL Warehousing (NZ) Limited and the United States subsidiary, DGL Group Inc, have been compiled using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

8. Audit

The financial statements have been audited. The audit opinion is unqualified.

9. Attachments

A Consolidated Statement of Profit or Loss and Other Comprehensive Income together with notes to the financial statements is contained in the attached Financial Report for the year ended 30 June 2023.

A Consolidated Statement of Financial Position together with notes to the financial statements is contained in the attached Financial Report for the year ended 30 June 2023.

A Consolidated Statement of Cash Flows together with notes to the financial statements is contained in the attached Financial Report for the year ended 30 June 2023.

A Consolidated Statement of Changes in Equity showing movements is contained in the attached Financial Report for the year ended 30 June 2023.