ASX RELEASE

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DGL Reports H1 FY25 Results

DGL Group Limited (**ASX: DGL**), ("**DGL**" or the "**Company**"), a leading provider of chemical logistics and services to essential industries in Australia and New Zealand, today announced its financial results for the half year ended 31 December 2024 ("**H1 FY25**").

- Sales revenue of $239.1 million, up 10.2% on H1 FY24
- Underlying EBITDA of $26.0 million, down 12.7% on H1 FY24
- Underlying NPAT of $1.7 million, down 77.1% on H1 FY24
- Statutory NPAT of ($2.2) million, down 137% on H1 FY24
- Strong operating cashflow conversion of 100%, up 7% on H1 FY24
- Strong balance sheet with net assets of $339 million, broadly in line with FY24. Net debt of $102m as at 31 December 2024 (down from $117m as at 31 December 2023)

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

"DGL has built a strong core business after three and a half years of investment and acquisition activity since our IPO in 2021. However, in the latest half we have not delivered the results that we are capable of.

DGL has built and acquired a comprehensive and valuable suite of assets and capabilities to serve our 5,000+ customer base in Australia, New Zealand and beyond.

We have made significant progress in integrating the customer facing aspects of our business, but we have not been proactive enough in integrating the administration, systems, and processes that support our business. As a result, direct and indirect operating costs have increased and have impacted our profitability significantly, these cost overruns are being addressed as a high priority.

We've also been impacted in the mining sector by some mine specific shutdowns and disruptions, and we've had ongoing weakness in the lead acid battery recycling market through what we see as unsustainable price competition.

We have taken actions to address each of these issues, which will deliver benefits in the current half year, but we expect the majority of the benefits will be recognised in our FY26 results."

The key actions include:

- A fundamental shift in focus away from acquisitive growth, to focus on driving earnings growth from our very extensive suite of assets and capabilities;
- Significant efficiency improvements and cost reductions;

- Successful sales initiatives to broaden our mining sector customer base and replace lost revenue;
- Managing lead acid battery recycling volumes to optimise profitability; and
- Consolidation of sites to reduce costs and improve efficiency with the sale of several non-core properties, with more optimisation of occupancy costs to be implemented in the current half year.

"We are making significant and necessary investment to simplify and fully integrate the multitude of systems used by businesses acquired by DGL in recent years. Major system implementations are well underway with a move to group-wide ERP & Finance, Logistics Management and HR & Payroll systems, all due for completion in this calendar year. These three core systems alone will replace several dozen stand-alone systems, leading to significant cost savings and productivity improvements in FY26."

These important restructuring initiatives will improve future profitability, but they have resulted in high non-recurring costs in the latest period, some of which will continue in the current half year.

Assuming stable market conditions and operating performance, we expect these and other initiatives will materially improve our EBITDA in FY26 compared to FY25.

The Company has reduced net debt by $11.8m in H1 FY25. We expect a material reduction in finance costs in H2 FY25 and FY26 based on the reduced debt level and the recent interest rate reduction.

FY25 is proving to be a critical transitional period for the Company, and the Board believes the changes implemented, together with the refocus on operational improvements, will position the group to start to realise the earnings potential of the exceptional network of assets and capabilities that have been built by DGL.

DGL will continue to pursue its mission to be the leading provider of chemical logistics and services to essential industries in Australia and New Zealand and further afield.

The Company is optimistic about its growth and earnings outlook.

H1 FY25 Group Revenue and EBITDA

DGL delivered $239.1 million in sales revenue, an increase of 10.2% on H1 FY24 ($217.0 million).

This growth was driven primarily by strong customer demand in manufacturing, including in the crop protection sector, supported by DGL's investments in plant and equipment and site capacity expansion. These enhancements have strengthened DGL's service capabilities and positioned it well to capture increased market opportunities.

This strong performance was offset by reduced demand in the mining sector, driven by shutdowns and operational disruptions at certain mining sites. The Environmental sector continued to be impacted by an industry-wide increase in demand for used lead acid batteries, which has reduced feedstock supplies and impacted margins. The automotive sector also faced earnings pressure as gross margins returned to more normalised levels from recent highs.

DGL achieved underlying EBITDA of $26.0 million, down 12.7% on H1 FY24. As foreshadowed at our 2024 Annual General Meeting, underlying net profit after tax declined to $1.7 million, reflecting higher people and occupancy costs, and increased depreciation. As noted above, the Company has taken significant steps to address these cost pressures, which are expected to improve profitability in H2 FY25 and in FY26.

DGL's statutory profit of ($2.2) million for the period was adversely affected by material non-recurring costs.

As advised at the Company's AGM in November 2024, the result includes a non-recurring write-off of $1.7m for a partially implemented warehouse management system, which is no longer fit for purpose given DGL's expanded scale. The replacement for this system will be implemented in the current half and is expected to deliver operating costs savings in excess of $1m p.a. in efficiency and productivity gains.

Other non-recurring costs included:

- a $0.7m write-down of one of DGL's chlor-alkali construction projects due to regulatory decisions affecting its economic feasibility in its current location; and
- $0.6m in relocation costs for the move from out-dated and inefficient premises to larger, more productive facilities in NSW and Victoria.
- $0.9m in implementation costs of group-wide ERP & Finance systems, restructuring and acquisition costs.

DGL completed two strategic acquisitions during H1 FY25 - Australian Petro Chemical Storage Pty Ltd, enhancing flammable chemical storage and consolidating NSW operations, and Enlog Pacific Holdings Pty Ltd, expanding logistics into highly regulated materials - further strengthening its manufacturing and logistics divisions.

As noted above, the Company has now committed to a fundamental shift in focus away from acquisitive growth, to a focus on driving earnings growth from the extensive suite of assets and capabilities that DGL has built and acquired.

Balance Sheet and Cash

DGL continued to generate strong cash conversion of 100% in H1 FY25, up 7% on H1 FY24, with operating cash flow of $18.1 million, and maintained a robust balance sheet with flexibility to support future growth.

Net assets of $339 million remained broadly in line with 30 June 2024. Net working capital was $64 million as at 31 December 2024, up 2% on 30 June 2024.

DGL's net debt position remains at comfortable levels of $102m as at 31 December 2024, down 12% on 30 June 2024.

Property, plant & equipment (PP&E) decreased to $257 million, 1.4% down on 30 June 2024. The total value of PP&E additions through acquisitions was $1.2 million. DGL continues to proactively assess the strategic value of its property portoflio and constantly reviews all PP&E assets for appropriateness, disposing of assets when not required.

Outlook

DGL plays a critical role in supporting industrial activities, agricultural production and infrastructure development in Australia and New Zealand and further afield.

Demand is strong for the essential products and services that DGL provides.

The Company is addressing the challenges emerging from its rapid growth since listing on the ASX in 2021, in terms of productivity and efficient delivery of our complex suite of products and services.

The board of DGL expects the transformational projects and operational improvements currently underway will deliver significant improvements in results in the current half and into FY26.

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Approved for release by the Board of DGL.

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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.