DGL

DGL GROUP LIMITED
H1 FY 2024
RESULTS PRESENTATION

Tuesday, 27th February 2024

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DGL

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PROVIDING CHEMICAL & INDUSTRIAL SERVICES FOR ESSENTIAL INDUSTRIES

DGL PROVIDES SPECIALISED CHEMICAL MANUFACTURING, TRANSPORTATION, LOGISTICS AND RECYCLING SERVICES TO A DIVERSE RANGE OF ESSENTIAL INDUSTRIES IN AUSTRALIA AND NEW ZEALAND

INDUSTRIES

- Automotive
- Agriculture
- Building & Trade
- Chemical
- Construction
- Government
- Manufacturing
- Mining
- Water

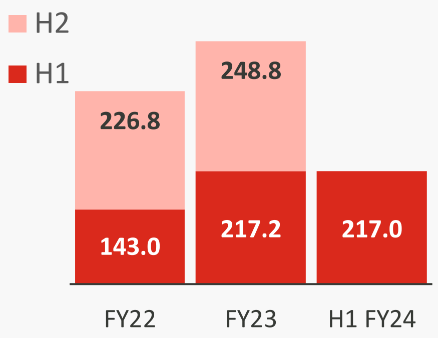
PRODUCTS & SERVICES

- Manufacturing
- Industrial Services
- Labels & Packaging
- Product Management
- Warehousing
- Distribution
- International Logistics
- Waste Treatment
- Recycling

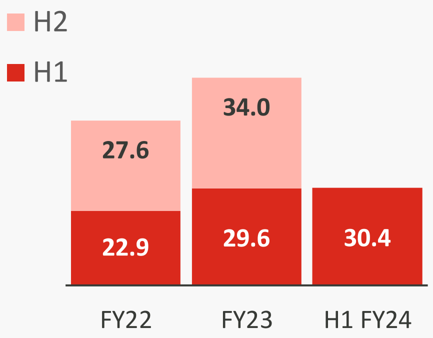
H1 FY24 FINANCIAL HIGHLIGHTS

DGL

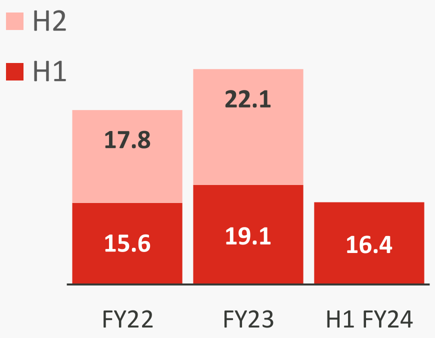
SALES REVENUE ($m)



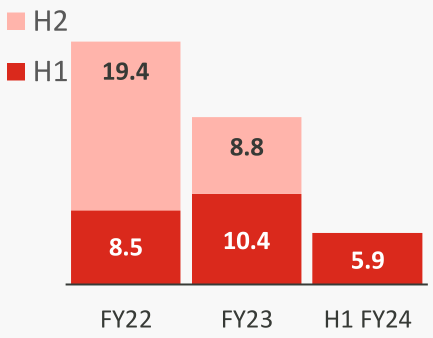
UNDERLYING EBITDA[1] ($m)



UNDERLYING EBIT[1] ($m)



STATUTORY NPAT($m)



H1 FY24 Sales Revenue and Underlying EBITDA were steady on pcp despite some challenges in the first half

- Crop Protection product sales impacted by forecast droughts that did not eventuate
- Reduced availability of raw material led to underutilisation of our recycling facilities
- Falling commodity prices affecting margins on formulated chemicals
- Normalisation of over-stocking by customers of products in prior periods due to COVID and supply chain issues

Underlying EBITDA margin improved to 14.0%

Statutory NPAT reduced to $5.9m, resulting from higher finance costs and depreciation, increased investment in systems, and wage pressures

Trading conditions have improved in H2 FY24 to date, and we expect revenue and earnings to improve in H2 FY24 with

- A strong recovery in demand for crop protection products resulting from recent widespread rainfall
- Robust demand for pest control products due favourable seasonal conditions
- Demand growth in Automotive Products and for other manufacturing services
- Improved volumes of waste and recycled material being sourced and processed
- Stabilisation of raw material pricing

1. Underlying EBITDA and Underlying EBIT reflects the statutory result adjusted for acquisition costs and other non-recurring expenses plus the associated tax effect. See appendix for the reconciliation of H1 FY24
2. FY22 excludes management's estimate of $15m non-recurring earnings (refer 2022 AGM Presentation) from supply imbalance issues in sectors serviced by the Chemical Manufacturing segment
3. FY22 and FY23 Underlying EBITDA and EBIT figures adjusted to reflect net interest expense

H1 FY24 (VS H1FY23)

Underlying EBITDA[1]	**$30.4m**	(+3%)
Underlying Operating Cash Flow	**$28.3m**	(-6%)
Cashflow Conversion	**93%**	(108%)
Net Debt	**$117.2m**	
Total Tangible Assets	**$449.3m**	

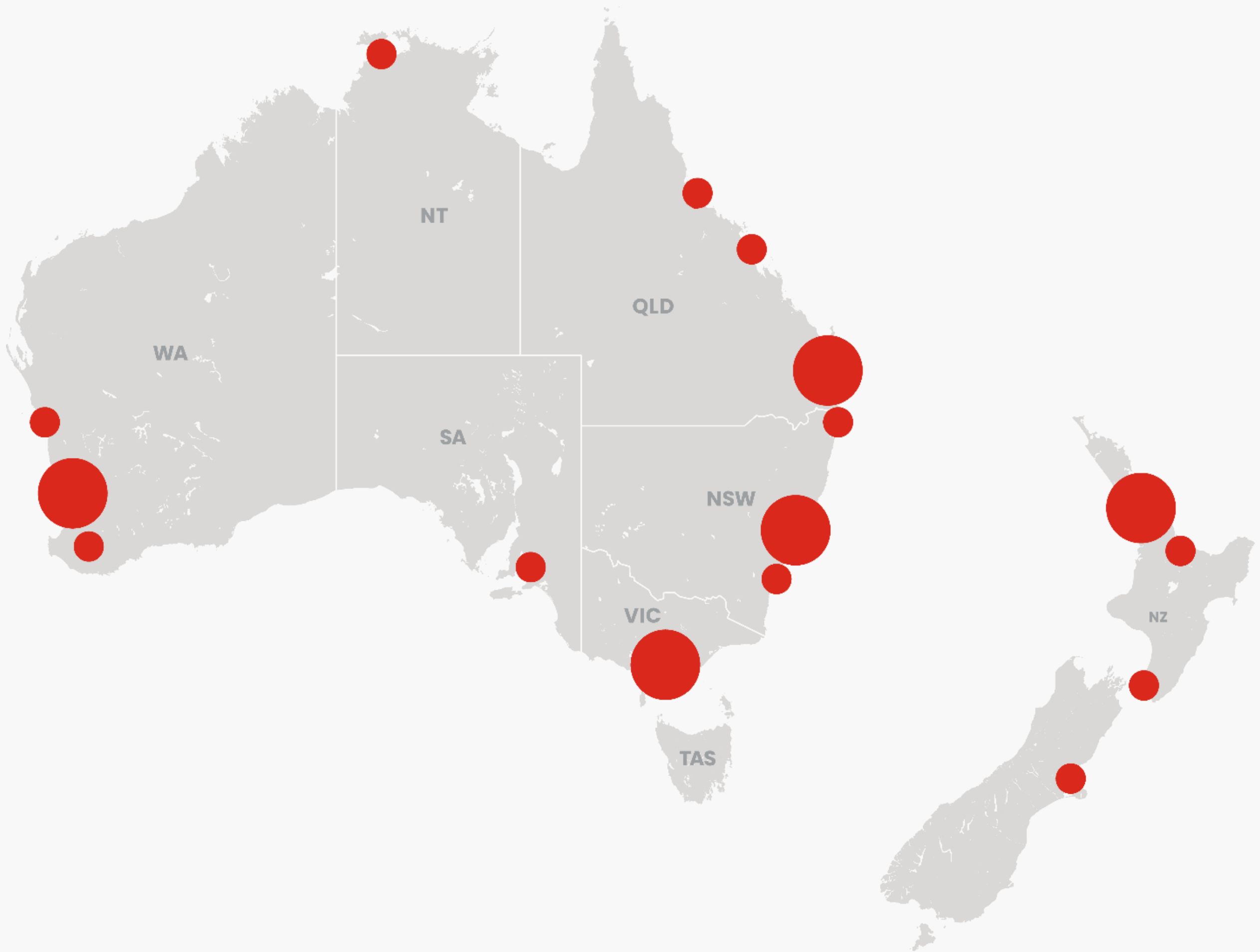
- Underlying EBITDA of $30.4m increased 3% on the prior corresponding period
- Solid Underlying Operating Cash Flow of $28.3m with 93% cashflow conversion, back to more normalised levels
- Three add-on acquisitions during H1 FY24 to add incremental product capabilities and expand our network (total cost c.$13m incl. property)
- An additional $21m has been invested in property, plant, and equipment to support ongoing organic growth
- Conservative Net debt at circa 1.95x Underlying EBITDA
- All business segments continued to deliver safe and reliable operational performance during the period

1. Underlying EBITDA reflects the statutory result adjusted for acquisition costs and other non-recurring expenses

ONGOING INVESTMENT IN CAPACITY AND CAPABILITIES

DGL

DGL has over 80 sites across Australia and New Zealand, providing Manufacturing, Warehousing, Transport, Environmental and Global Logistics services

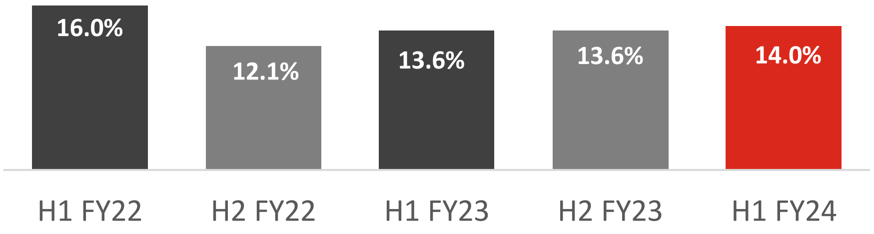


- DGL has built an extensive network of licensed premises across Australia and New Zealand
- The network expanded by several strategically located sites during the last half year via acquisitions and direct purchases
- All sites are located to support DGL's delivery of services to key industry markets
- DGL's extensive integrated service offering is attracting customers who are seeking to reduce their number of suppliers
- Improved transport and logistics fleet route planning and utilisation is providing a more efficient service to DGL's customer base
- Storage has been increased with additional DG capacity, complimenting manufacturing services and customer support

H1 FY24 GROUP PERFORMANCE

$Am	H1 FY24	H1 FY23	% Variance
Sales revenue	**217.0**	**217.2**	**(-%)**
Cost of sales	(119.7)	(137.8)	
Gross Profit	**97.3**	**79.4**	**23%**
Other income	0.7	1.4	
Employee benefits expense	(49.3)	(36.9)	
Administration and general expenses	(9.5)	(8.3)	
Legal and professional fees	(2.6)	(1.8)	
Occupancy expense	(6.2)	(4.2)	
Underlying EBITDA	**30.4**	**29.6**	**3%**
Underlying EBITDA margin	**14.0%**	**13.6%**	
Acquisition cost	(1.5)	(2.0)	
ERP development costs	(0.6)	-	
EBITDA	**28.3**	**27.6**	**3%**
Depreciation and amortisation expense	(14.0)	(10.5)	
EBIT	**14.3**	**17.1**	**(16%)**
Finance costs	(5.1)	(2.8)	
Profit before income tax	**9.2**	**14.2**	**(35%)**
Tax expense	(3.3)	(3.8)	
NPAT	**5.9**	**10.4**	**(43%)**

UNDERLYING EBITDA[1] MARGIN %



- Overall group sales were stable, balancing isolated impacts from drought forecasts and supply chain issues
- We are seeing positive indications that these disruptions are normalising in H2 FY24
- Raw material price decreases and focused management have seen a healthy 23% increase in gross profit on pcp
- Employee benefits expense higher with a full period impact of acquisitions in FY23 and in H1 FY24, targeted investment to attract skilled drivers in high demand, and wage growth
- H1 FY24 Underlying EBITDA[1] up by 3%
- NPAT reduced to $5.9m due to higher depreciation and finance costs
  - Depreciation expense increased $3.5 million, primarily a result of the increased transport fleet
  - Finance costs increased due to higher interest rates on increased borrowings to fund organic growth and acquisitions, as well as the impact of acquired leased assets

1. Underlying EBITDA and Underlying EBIT reflects the statutory result adjusted for acquisition costs and other non-recurring expenses. See Appendix for the reconciliation of H1 FY24

H1 FY24 SEGMENT REVENUE[1]

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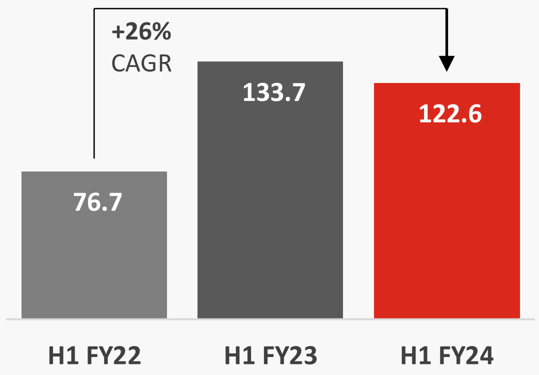
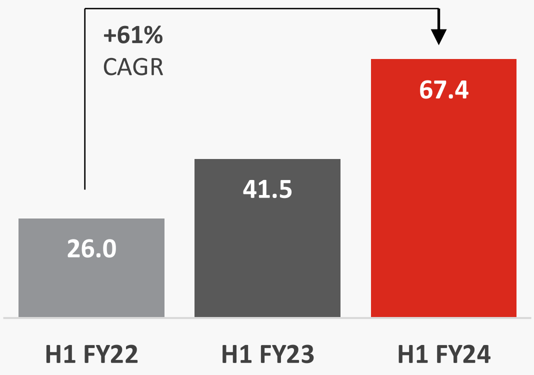
Chemical Manufacturing



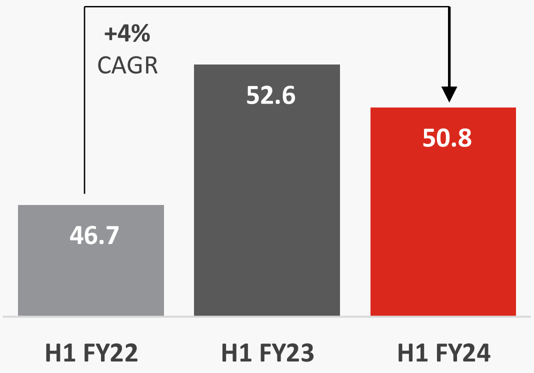
- Crop protection products impacted by forecast drought
- The tail end of post COVID crop protection over-stocking working its way through
- Revenue and earnings expected to improve in H2 FY24
  - Strong recovery in second half due to favourable climatic conditions
  - Robust demand for pest control products due to wet weather
  - AdBlue volume increasing, via fuel distributors and selling into DGL's mining and auto customers
  - H2 outlook for non-ag products is also strong

Logistics



- Warehousing demand is strong, with utilisation normalising to 80-90%, from over 100% in many locations during the recent COVID and supply chain disruptions
- Fleet utilisation remains strong (high 80%'s), with the added benefit of an expanded fleet
- Realisation of opportunities to provide integrated logistics services to existing customer base
- H1 FY24 includes a contribution from Nightingale, acquired in H2 FY23
- Positive outlook for H2 FY24 with multiple tenders for additional business that we are well placed for

Environmental Services



- Reduced volumes of waste material treated and recycled in H1, which is recovering in H2
- Solid outlook for H2 FY24 through enhanced procurement and collection strategies
- Strong demand for water treatment services
- Major new Liquid Water Treatment Plant at Unanderra scheduled for commissioning in July 2024

1. Total exceeds Group Revenue due to intercompany trading. Please refer to note 3 of the statutory financial statements for the reconciliation of segment results

BALANCE SHEET AND COMMENTARY

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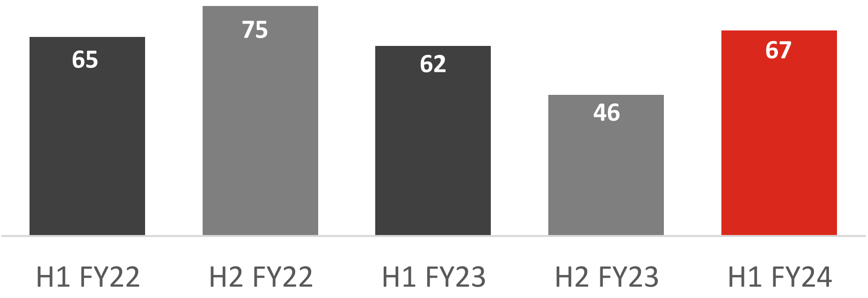
$Am	H1 FY24	FY23	% Variance
Cash & cash equivalents	21.2	36.9	
Trade and other receivables	55.4	52.4	
Inventories	43.8	37.4	
Other assets	12.0	8.7	
Total Current Assets	132.4	135.4	(2%)
Property, plant & equipment	269.0	246.4	
Intangible assets	145.3	144.1	
Right-of-use assets	47.9	43.9	
Total Non-Current Assets	462.2	434.4	6%
TOTAL ASSETS	594.6	569.8	4%
Trade & other payables	36.0	33.5	
Borrowings	4.5	6.4	
Deferred revenue	1.1	-	
Provisions	10.7	9.5	
Lease liabilities	15.7	14.2	
Current tax liabilities	7.3	4.0	
Total Current Liabilities	75.3	67.6	(11%)
Borrowings	134.0	121.5	
Deferred revenue	1.2	-	
Lease liabilities	34.6	32.0	
Deferred tax liabilities	8.9	13.4	
Provisions	1.2	1.7	
Total Non-Current Liabilities	179.9	168.6	(7%)
TOTAL LIABILITIES	255.2	236.2	(8%)
NET ASSETS	339.4	333.6	2%
Issued capital	258.1	258.3	
Reserves	(7.5)	(7.6)	
Retained earnings	88.8	82.9	
TOTAL EQUITY	339.4	333.6	2%

- Net working capital ($63.2 million) increased on 30 June 2023 balance ($56.4 million)
- Inventories increased $6.4million, reflective of late orders for ag chem products and the Allnex Construction Products NZ acquisition
- Other working capital items broadly consistent
- Property, plant & equipment investment increased $22.7 million to support both growth opportunities and maintenance of fleet capacity
- Intangible assets broadly stable as acquisitions asset based
- Increase in non-current borrowings of $12.5 million reflects funding of acquisitions and CAPEX
- Net debt of $117.2 million as at 31 December (~1.95x net debt / Underlying EBITDA)

INDICATIVE INVENTORY DAYS



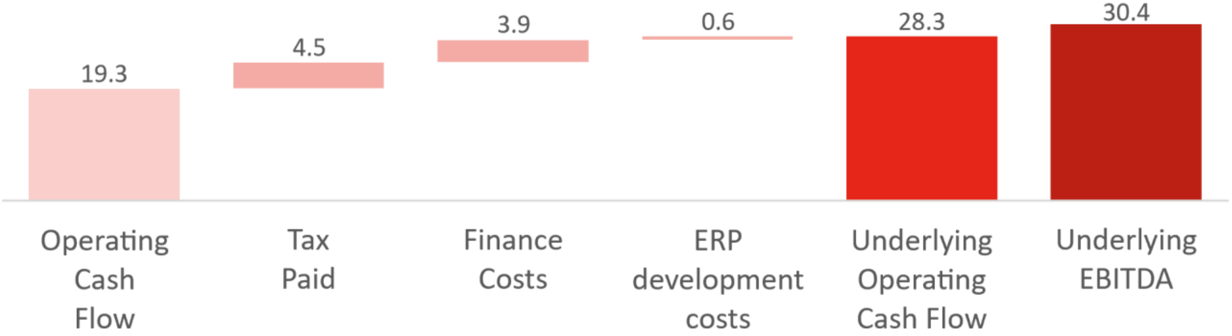
- Indicative inventory days increased to 67 days YOY, reflecting the acquisition of Allnex Construction Products NZ
- Inventory consists of $24.8m raw materials, $18.9m finished goods and $0.1m WIP

CASH FLOWS AND COMMENTARY

$Am	H1 FY24	H1 FY23
CASH FLOWS FROM OPERATING ACTIVITIES		
Receipts from customers	237.3	233.6
Payments to suppliers and employees	(210.1)	(200.7)
Other income	0.5	0.6
Net finance costs	(3.9)	(2.2)
Income tax paid	(4.5)	(6.8)
Net cash generated by operating activities	**19.3**	**24.5**
CASH FLOWS FROM INVESTING ACTIVITIES		
Purchase of property, plant and equipment	(21.2)	(15.9)
Proceeds from sale of property	0.4	13.4
Payments for acquisition costs	(1.5)	(2.0)
Purchase of intangibles	(0.2)	-
Purchase of subsidiaries	-	(19.8)
Purchase of business and assets	(13.9)	(9.4)
Cash acquired from acquisition of subsidiaries	-	2.5
Net cash (used in)/ generated by investing activities	**(36.4)**	**(31.2)**
CASH FLOWS FROM FINANCING ACTIVITIES		
Repayment of short-term financing loans	-	(22.1)
Purchase of own shares	(0.4)	-
Proceeds from borrowings	10.5	34.0
Repayment of lease liabilities	(8.6)	(6.2)
Net cash provided by/ (used in) financing activities	**1.5**	**5.7**
Net increase/(decrease) in cash held	**(15.6)**	**(1.0)**

- Operating cash flow of $19.3 million (-21% vs. pcp), with the pcp reflecting cash inflows from the tail end of the non-recurring earnings in FY22
- $21.2m investment in property, plant and equipment
- The were no property sales in the period, but DGL continues to actively assess its property portfolio
- $13.9m of investing cash outflows relate to three acquisitions completed in H1 FY24
- Within financing activities
  - The pcp includes $22.1 million for settlement of trade finance facility
  - $10.5m of borrowings drawn to fund H1 FY24 acquisitions and working capital management
- Normalised H1 FY24 underlying operating cash flow conversion 93%[1] (vs. ~108% in pcp)

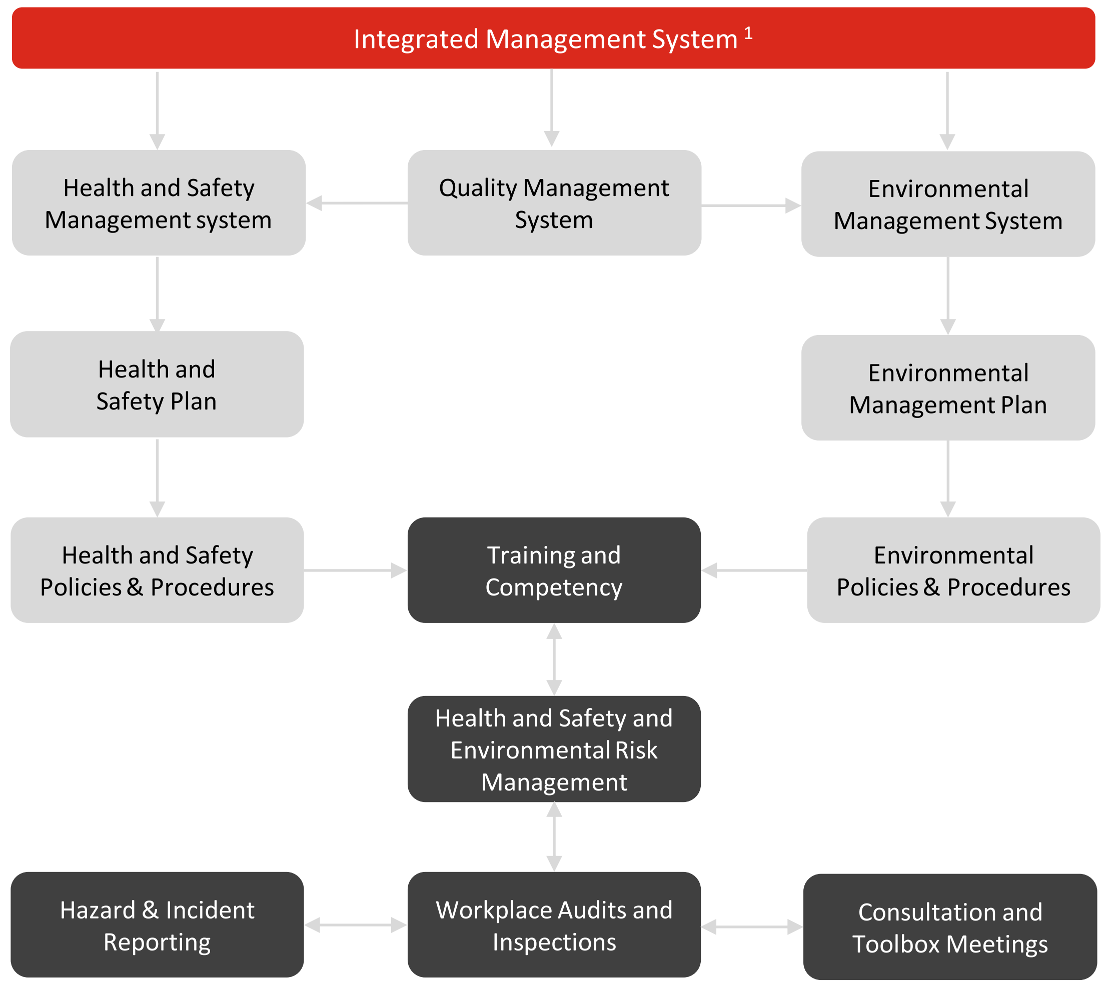
FY24 OPERATING CASH FLOW[1] ($m)



1. Operating cash flow before tax paid, finance costs and one-off operating costs divided by underlying EBITDA.

HEALTH, SAFETY, ENVIRONMENT & QUALITY

HSEQ REMAINS DGL'S NUMBER ONE PRIORITY



H1 FY24 Group LTIFR of 6.2 [2]

Licence & Accreditation Portfolio

More than 20 years of accumulated IP and licenses to ensure HSEQ standards. Beginning in FY24, DGL has achieved a centralised third-party accreditation to the International Standards ISO 45001 (Safety), ISO 9001 (Quality) and ISO 14001 (Environment).

Integrated Management System

Integrated management system across the DGL Group currently being rolled out. Delivering quality services and products to customers whilst linking and integrating the high-level core business processes.

Safety Procedures

DGL operates under a comprehensive ISO Accredited Safe System of Work. Creating safe and efficient workplace practices for all levels of the Group.

Employee Training

- Continued improvements to on-the-job employee training
- Supplier and external party audits conducted regularly for independent verification against embedded processes and procedures
- Focused target of online training delivery method improvements

There were no major environmental incidents in H1 FY24

1. Audited annually by an independent JASANZ accredited body
2. The Lost Time Injury Frequency Rate (LTIFR) is calculated as the number of lost-time injuries per 1,000,000 hours worked on a consolidated group basis.

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H1 FY24 ACHIEVEMENTS

INCREASED CROSS SELLING BETWEEN SEGMENTS

- Further integration of companies purchased since IPO, DGL's additional services continue to increase cross selling opportunities
- Customer preference to reduce the number of vendors in their supply chain is contributing to DGL's growth
- DGL's fleet assets proving the cross-sell model, fleet utilisation improving with customer convenience

INVESTMENT IN CAPITAL PROJECTS

- Ongoing investment in property, plant, fleet, and systems to increase our diverse service offering to our broad customer base
- Management focusing on the overall reduction in unit cost production through scale and consolidation of plants and personnel
- Reinvest earnings across the whole group to achieve strong organic growth

ACHIEVE FURTHER ECONOMIES OF SCALE

- Dedicated group-wide procurement strategy increases raw material sourcing capabilities for customers and DGL products
- Intense focus on the maximising utilisation of assets, the rationalisation of underutilised assets, and the expansion of services in areas of sales potential
- Consolidating warehousing and logistics to allow growth in Chemical Manufacturing & Environmental Solutions segments

TARGETED ACQUISTIONS

- Three business and asset acquisitions were completed for total consideration of $13m
- Qblend is an established QLD powder blending operation, providing a new material segment to the DGL offering
- Kinnear Transport is a purpose built and licensed chemical storage facility in WA
- Allnex NZ is a construction industry chemical formulator, growing the DGL Bondlast NZ product range and customer list

DGL has a clear focus on its core business of providing specialised chemical products and services to essential industries in Australia and New Zealand

Established in 1999, and following its IPO in May 2021, DGL has combined strategic acquisitions with organic growth to build a comprehensive network to deliver specialised chemical services to industries across Australia and New Zealand

DGL provides a complete solution for sourcing, manufacturing, storage, and transport, recycling, and disposal of chemicals

Strategically:

DGL will continue its focus on regulated chemical markets in Australia and New Zealand, where licenses and accreditations are required to operate, on selective international trading and freight forwarding operations and other opportunities

DGL will continue to re-invest earnings to further enhance its network and capabilities and will be increasingly selective in its approach to acquisitions with a stronger focus on generating organic growth

Operationally:

DGL has intensified its focus on

- full integration of recent acquisitions to extract maximum value
- cost discipline to maintain a lean operation to maximise profitability
- driving organic growth opportunities by leveraging our established industry presence and capabilities

TRADING UPDATE AND H2 OUTLOOK

TRADING UPDATE

- We see the FY24 year as one of transition as we return to a more normal growth trajectory after the over-ordering demand peaks and supply chain disruptions driven by COVID and other recent factors
- We are seeing stronger volumes early in the current half in crop protection and pest control following improved growing conditions, and we are committed to meeting strong demand
- Increasing volumes are being processed through our environmental treatment plants
- Stabilising commodity markets are being reflected in lower raw material prices
- A busy pipeline of significant tenders is currently in play across all DGL services

OUTLOOK FOR H2 FY24

- DGL's second half is historically stronger than the first half, and we expect that to be the case in FY24
- We expect labour markets to remain tight across Australia and New Zealand
- The Company has an intensified focus on cost management and maximising efficiencies through tight integration of acquisitions
- The share buyback will remain on hold in the near term as we see opportunities for better use of capital by investing for growth and to support a highly selective approach to well-priced strategic acquisitions
- We expect a stronger performance in H2 FY24 with full year Revenue and EBITDA expected to be broadly in-line with FY23
- Net profit is expected to be stronger in H2, but full year profit will be lower than full FY23 year due to higher employee costs, finance costs, and increased depreciation of PPE and right of use assets

INVESTMENT HIGHLIGHTS

DGL GROUP PROVIDES ESSENTIAL CHEMICAL AND INDUSTRIAL SERVICES TO A DIVERSE RANGE OF INDUSTRIES IN AUSTRALIA, NEW ZEALAND AND BEYOND

- Growing recognition by the chemical industry of DGL's capabilities and range of services
- Integrated service offering across increasingly diversified product lines and industry sectors
- Strong cash flow generation and profitability
- Ongoing integration of acquisitions providing efficiencies and cross sell opportunities
- Ongoing investment into organic growth initiatives to increase capacity, coverage, and service offering to drive earnings
- Highly selective approach to value accretive strategic acquisitions
- Considerable industry experience at Board and senior management level supporting focused growth
- Clear strategic focus on the highly regulated chemical industry with a diverse service offering

DGL HAS AN ESTABLISHED PLATFORM FOR PROFITABLE ORGANIC AND INORGANIC GROWTH

APPENDIX

Summary Underlying Income Statement (A$m)	Statutory FY24	Adj	Underlying FY24
Sales revenue	**217.0**	**-**	**217.0**
Cost of sales	(119.7)	-	(119.7)
Gross profit	**97.3**	**-**	**97.3**
Other Income	0.7	-	0.7
Overhead expenses	(68.2)	0.6	(67.6)
Acquisition costs	(1.5)	1.5	--
EBITDA	**28.3**	**2.1**	**30.4**
Depreciation and amortisation expense	14.0	-	14.0
EBIT	**14.3**	**2.1**	**16.4**
Finance costs	5.1	**-**	5.1
Profit before tax	**9.2**	**2.1**	**11.3**
Tax impact – non-allowable items	(3.3)	**(0.2)**	(3.5)
Net profit after tax	**5.9**	**1.9**	**7.8**

- ***Manufacturing***
- ***Warehousing***
- ***Transport***
- ***Environmental Services***
- ***Global Logistics***

Thank you.

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