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ASX RELEASE

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DGL Reports H1 FY24 Results

Sydney, Australia - DGL Group Limited (**ASX: DGL**), ("**DGL**" or the "**Company**"), a specialist chemicals business that manufacturers, transports, stores and processes chemicals and hazardous waste, today announced its financial results for the half-year ended 31 December 2023 ("H1 FY24").

Key Financial Highlights:

- Sales revenue of $217.0 million, in line with H1 FY23
- Underlying EBITDA of $30.4 million, up 3% on H1 FY23
- Underlying EBIT of $16.4 million, down 14% on H1 FY23
- Statutory NPAT of $5.9 million, down 43% on H1 FY23
- Strong underlying operating cashflow conversion of 93%
- Resilient balance sheet with net assets of $339.4 million (up 2% on 30 June 2023). Net debt of $117.2m as at 31 December 2023 (~1.95x net debt / Underlying EBITDA)
- Further investment in organic growth and strategic acqusitions in H1 FY24, with 3 business asset purchases to expand and diversify DGL's capacity, expertise, and geographic reach, alongside an additional site in Narangba, Queensland co-located with existing operations
- No dividends paid in H1 FY24 in line with policy to reinvest earnings to maximise growth

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

"*Since listing in 2021, DGL has diversified into a significant industrial business operating throughout Australia, New Zealand and further afield.*

This diversification has allowed us to deliver a solid result, despite unreliable weather forecasts and supply chain disruptions impacting our first half.

We have taken corrective actions, and these disruptions are normalising, giving us confidence in the outlook. We expect a stronger second half year performance."

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H1 FY24 Group Revenue and EBITDA

DGL delivered $217.0 million in sales revenue, broadly similar to H1 FY23 ($217.2 million). This sales performance was achieved despite challenging conditions in some sectors and a shortage of available raw materials in recycling operations. There was also a normalisation of over-stocking by customers in response to earlier Covid-19 and related supply chain issues.

DGL achieved underlying EBITDA of $30.4 million, up 3% on H1 FY23 ($29.6 million).

In H1 FY24, DGL saw some material supply issues in the Environmental Services segment and was also impacted by changing market conditions driven by unrealised expectations of a drought, and normalisation of high inventory levels in key customers. Inflationary cost pressures are starting to dissipate, but ongoing wage inflation, commodity price volatility and scarcity of raw materials remain a focus for the management team.

FY23 Segment Performance

DGL's three segments had a stable revenue performance overall, with significant YOY growth in Logistics driven by a full six months contribution from FY23 acquisitions balancing slightly weaker revenues in Manufacturing and Environmental Services.

Revenue by segment (incl. intercompany sales):

31 December 2023 ($m)	**H1 FY24** ($m)	**H1 FY23** ($m)	**Growth**
Chemical Manufacturing	122.6	133.7	-8%
Logistics	67.4	41.5	62%
Environmental Services	50.8	52.6	-3%

1. Chemical Manufacturing

DGL's Chemical Manufacturing segment performed solidly in H1 FY24 in the face of challenging market conditions in several sectors, with a 8% decrease in revenue on pcp and contributing 52% of the H1 FY24 total external group revenue. Despite changes in customer ordering patterns and decreased volumes owing to an anticipated drier period in Australia, Chemical Manufacturing has continued to capitalise on further cross-selling opportunities to promote organic growth, alongside increased customer orders observed at the end of H1 FY24 in response to widespread wet weather on the East Coast.

Since June 2023, DGL has acquired the business and assets of Qblend Pty Ltd and Allnex NZ construction products division in the Chemical Manufacturing segment.

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2. Logistics

Expansion of DGL's warehousing and distribution network and customer demand supported strong growth of the Logistics segment, with revenue up 62% on H1 FY23. 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.

Our global logistics service navigated the shipping line delays across Australia well, managing customer expectations and providing a resilient supply chain for customers.

Since June 2023, DGL acquired the business, assets and property of Kinnear Transport in Western Australia, which along with additions have grown the company's transport fleet (consisting of motorised vehicles and specialised trailing equipment) to in excess of 400, up 18% on the pcp.

3. Environmental Services

While cost headwinds experienced in Q4 FY23 have been managed effectively, there were reduced volumes of raw material through recycling facilities in H1 FY24, but with an increasing contribution from non-recycling operations, revenue decline was limited to 3% on the pcp.
Improved collection processes utilising the Group's extensive logistics network is addressing the shortfall. There has been strong demand for water treatment services and DGL is pursuing growth opportunities aggressively.
Mixed fortunes in the mining sector, with new blue-chip customers on-boarded but other key customers suffering operational delays. DGL is delivering new revenue streams from additional cross-selling activity in the mining sector.

Balance Sheet and Cash

In H1 FY24, DGL generated operating cash flow of $19.3 million, down 21% on the pcp. Underlying Operating Cash Flow was $28.3 million. The robust balance sheet supported continued growth investment. Cash flow conversion normalised in H1 FY24 to 93%.

Net assets increased by 2% on 30 June 2023 to $339.4 million.

Net working capital was $63.2 million as at 31 December 2023. Indicative inventory days increased to 67 days (from 62 days in H1 FY23), largely reflective of the Allnex Construction Products NZ acquisition late in H1 FY24.

DGL's net debt position remains within acceptable levels at $117.2 million as at 31 December 2023 (~1.95x net debt / EBITDA). This reflects DGL's strategy of investing for growth, with a cash outlay of $13.9 million on business and asset acquisitions during the period.

DGL invested $21.2 million in property, plant & equipment (PP&E) in H1 FY24 increasing PP&E to $268.9 million. DGL continues to proactively assess the strategic value of its property portoflio and will divest any surplus property if required to reduce debt levels.

Operational Highlights

From an operational perspective, in spite of the challenging environment, DGL continued to exploit growth opportunities driven by increased capabilities and scale enhancements. Three businesses were acquired in the H1 FY24, forecast to add circa $6m to FY24 sales revenue.

Enhanced network strength through additional strategically located assets, expanded transport fleet and logistics networks delivered good growth in the Logistics segment. DGL's global logistics service delivered a noteworthy performance in the light of shipping delays across Australia. Challenging market conditions in both Chemical Manufacturing and Environmental Solutions were partially offset by seizing organic growth opportuntities in the mining sector and liquid waste treatment offerings.

Outlook

DGL expects H2 FY24 to be stronger than H1, similar to prior years, although labour markets are expected to remain tight. The Company has an intensified focus on cost management and maximising efficiencies through tight integration of acquisitions.

While full year revenue and Underlying EBITDA should be broadly in line with FY23, we expect net profit to be lower due to higher finance and depreciation costs as we invest in growing our network and asset base. We are also investing in system improvements to help us generate the efficiencies and productivities expected by our recent acquisitions. We expect to see the benefits from these investments in coming periods.

We are seeing increased demand for crop protection and pest control products and services and stabilised commodity prices flowing through to raw materials in H2 FY24. The Company is positive about the outlook for the current half and beyond.

- ENDS –

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.