

## ASX RELEASE

31 August 2021

### Strong earnings growth FY21 results exceed prospectus forecasts

DGL Group (DGL) (ASX:DGL, NSX:DGC), today announced its results for the year ended 30 June 2021. Pro-forma net profit after tax was \$11.3 million, an increase of 134.6% on the prior year, and ahead of prospectus forecasts. Statutory net profit after tax was \$47.2 million. Please refer to the appendix for a reconciliation of proforma net profit after tax and statutory net profit after tax.

#### Highlights:

- Successful completion of Initial Public Offering on 24 May 2021, raising \$100.0 million.
- Strong growth in revenue, EBITDA, EBIT and NPAT, with results also exceeding prospectus forecasts:
  - Pro-forma sales revenue of \$196 million up 9% on pcp and 3% greater than prospectus forecast.
  - Pro-forma EBITDA of \$28.1 million up 47% on pcp and 8% greater than prospectus forecast.
  - Pro-forma EBIT of \$16.8 million up 124% on pcp and 9% greater than prospectus forecast.
  - Pro-forma NPAT of \$11.3 million up 135% on pcp and 19% greater than prospectus forecast.
- Solid revenue growth across all three divisions compared to FY20:
  - Chemical Manufacturing division increased 3% to \$97.3 million<sup>1</sup>.
  - Warehousing and Distribution division increased 48% to \$40.9 million<sup>1</sup>.
  - Environmental Solutions division increased 2% to \$63.4 million<sup>1</sup>.
- Strong balance sheet, with net cash of \$43.8 million.
- Successful integration of the Chem Pack manufacturing business, acquired in January 2021, to expand the Chemical Manufacturing division's manufacturing capabilities.
- Delivered on strategic initiatives outlined in prospectus including integration, expansion of services, cross selling between divisions.
- Announced several successful business and property acquisitions since listing. Expect to exceed prospectus forecast for FY22 of pro-forma NPAT of \$10.4 million and pro-forma EBITDA of \$29 million, which does not include the revenue and profit contribution from recently acquired businesses, Label's Connect and Opal Australasia and favourable trading conditions experienced to date.

Note 1: The divisional revenue numbers include intercompany revenue of \$3.7 million in FY20 and \$4.9 million in FY21.

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**Commenting on the performance, DGL Founder and CEO, Simon Henry, said:**

"This year has been a transformative year for DGL, listing on the ASX and welcoming new shareholders to our business, while raising \$100 million to fund growth initiatives into the future.

"I am very pleased we have been able to deliver on our initial promises, as set out in the prospectus, both at an operational level and financial level. Pro-forma net profit after tax was 19.4% higher than we had originally estimated in our prospectus.

"The outstanding results were a result of the successful integration of Chem Pack, greater demand for our products from the agriculture sector, as well as the commissioning, ahead of schedule, of our lead smelter plant in Victoria.

"I'd like to recognise each and every one of our employees for their contribution to delivering these great financial and operational results.

"We are steadfast in executing our strategy to become the leading, full service, chemicals business in the region. This includes having a broad geographic spread, with proximity to key sectors that we service. Since IPO, we have acquired a number of sites and facilities in New Zealand and Australia providing development opportunities that will bolster our warehousing, distribution and chemicals manufacturing capabilities in FY22 so that we can meet the growing capacity the industry requires.

"We will continue to use funds from the IPO, as well as the strong cash generation of our business, to pursue growth opportunities. The business is well supported by a strong balance sheet and an experienced and highly motivated management team with a shared commitment to growth.

"The diverse industries we service - agriculture, mining, construction and infrastructure – have positive long-term outlooks. We are an essential business serving these critical sectors."

The financial performance metrics below should be read in conjunction with the Appendix to this announcement, the IPO Prospectus and the Preliminary Financial Report.

### Financial Performance – Key metrics

Metric (\$m)	Pro-forma FY20	Pro-forma FY21	% change	Prospectus forecast	% variance
Pro-forma Revenue	\$180.1	\$196.5	9%	\$189.9	+3%
Pro-forma EBITDA	\$19.2	\$28.2	47%	\$26.0	+8%
Pro-forma PBT	\$7.5	\$14.5	124%	\$15.5	+9%
Pro-forma NPAT	\$4.8	\$11.3	135%	\$9.5	+19.4%

Please see the appendix for a reconciliation of statutory NPAT to pro-forma NPAT.

### FY21 Divisional Performance

DGL's three divisions - Chemical Manufacturing, Warehousing and Distribution and Environmental Solutions - all achieved growth in revenue during the period.

The **Chemical Manufacturing division** revenue grew from \$94.2 million in FY20 to \$97.3 million in FY21, or growth of 3% yoy. This compares to the prospectus forecast of \$104 million for FY21. Revenue results and the prospectus forecast included an assumed full year contribution from Chem Pack.

Revenue growth was mainly due to strong growing conditions in the agriculture sector leading to increased demand for chemicals, as well as growth via the Chem Pack business which was acquired on 1 January 2021. Chem Pack has now been successfully integrated into DGL's operations.

The **Warehousing and Distribution division** revenue grew from \$27.6 million to \$40.9 million in FY21, or growth of 48% yoy. This compares to the prospectus forecast of \$31.8 million for FY21. Growth in FY21 was driven largely by higher utilisation of the warehousing network in Australia and New Zealand, which was up 8% from 86% to 94% in the period.

The **Environmental Solutions division** revenue grew from \$61.9 million in FY20 to \$63.4 million in FY21, or growth of 2% yoy. This compares to the prospectus forecast of \$59.2 million for FY21. During the year, DGL refurbished, commissioned and recommenced operation of its Victorian lead smelter ahead of schedule and on budget. As a result, lead bullion output was ahead of forecast and revenue growth was higher than anticipated in the prospectus.

The divisional revenue reported in the FY20 results, FY21 results and the prospectus forecasts includes intercompany revenue of \$3.7 million in FY20 and \$4.9 million in FY21.

## **Balance Sheet**

At balance date, the Group held \$43.8 million cash largely represented by IPO proceeds yet to be expended after allowing for the final settlement of Chem Pack Pty Ltd, repayment of short-term borrowings with withdraw facilities and purchase of commercial properties.

Total assets increased from \$150 million to \$277 million as a result of the IPO and the acquisition of Chem Pack Pty Ltd, including \$23.9 million in goodwill.

Total liabilities decreased from \$129 million to \$82 million as a result of \$40.3 million debt forgiveness by a related party (Refer to Appendix 4E for further details) and repayment of short-term borrowings.

## **Operational and Strategic Initiatives**

DGL's vision is to be Australasia's leading fully integrated, end-to-end chemicals business. To achieve this, the Company has a growth strategy that focuses on driving cross-selling, achieving further economies of scale, investment in capital projects, and identifying acquisitions.

### 1. Drive cross-sell of DGL services to its customers

A core component of DGL's growth strategy is to create greater cross usage of services by customers across DGL's three core divisions. The Chem Pack business which was acquired in January 2021, has provided access to a new pool of customers and DGL is actively pursuing opportunities to offer these customers the complete chemicals services across warehousing, logistics, additional chemicals manufacturing and waste management.

### 2. Achieve further economies of scale

To achieve further economies of scale, DGL is focused on network growth, increased utilisation of existing infrastructure, and operating efficiencies. In line with this strategic priority, in FY21 DGL expanded the range of chemicals products in New Zealand, establishing distribution relationships to support growth. DGL also increased utilisation of its warehousing facilities and expanded its inter-state transport and bulk tanker network to bring synergies and greater control over NSW distribution.

### 3. Invest in capital projects

In FY21, DGL continued to invest in expanding its network and services, announcing the approved development of new warehousing facilities in New Zealand. The two new developments, in Hawkes Bay and Mount Wellington, will increase DGL's storage capacity and

ensure DGL has the right facilities in key industrial areas with proximity to customers. DGL also refurbished, commissioned and recommenced operation of its Victorian lead smelter operations ahead of schedule and on budget, resulting in the conversion of intermediate lead material into valuable end products, which can be sold to a wider global market. Lead bullion output from the smelter is expected to double in FY22.

#### 4. Identify acquisitions

DGL has undertaken several successful business acquisitions since its formation. The Company sees significant consolidation opportunities in Australia and New Zealand in each of its divisions, with opportunities to add capabilities and customers and continues to assess potential acquisitions. It currently has a strong pipeline of targets across the region.

In line with this, early in FY22 DGL acquired Label's Connect, a complementary labels business that already services DGL's chemicals business in Victoria. Separately, it also acquired Opal Australasia, a specialist contract formulator and packaging business based in Western Australia. Both businesses add new customers and cross-sell opportunities to DGL's portfolio.

In FY22 DGL also acquired a chemical facility in Townsville, Queensland, and the freehold property of its chemical manufacturing operation in Victoria. Owning property is a core component of DGL's growth strategy and competitive advantage, allowing DGL to grow its asset base drive growth through organic opportunities, while investing in the long-term infrastructure needed to meet the growing capacity the industry requires.

### **Outlook**

Commenting on the outlook, Simon Henry said: "We are delivering on our promises and executing on our strategy.

"Our ambition is to be the leading, full-service, chemicals business in the region. We have a unique competitive position, with a strategic network of Trans-Tasman infrastructure, a highly skilled workforce, the necessary licenses and approvals to operate across the chemicals lifecycle, and significant industry know-how including proprietary processes and IP.

"Our business is in a strong position to grow in the year ahead. We expect to exceed prospectus forecasts for FY22 of pro-forma NPAT of \$10.4 million and pro-forma EBITDA of \$29 million. These forecasts do not include the contribution from recently acquired businesses, Label's Connect and Opal Australasia, or the favourable trading conditions experienced to date.

"Lockdowns across the region, to date, have not had a material impact on our business. We are positive about the future and remain focused on continuing to deliver growth for our shareholders."

### **Results briefing**

There will be an investor briefing held on Tuesday 31 August at 10:30am AEST. To access the webcast briefing, please register via the following link:

<https://webcast.openbriefing.com/7778/>

To ask questions, please register for the conference line using the following link:

<https://s1.c-conf.com/diamondpass/10015976-du3ycg.html>

- ENDS -

**Approved for release by the Board of DGL.**

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### **ABOUT DGL GROUP LIMITED**

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 26 sites, both owned and leased, across Australia and New Zealand. The Company has a strong track record of revenue and earnings growth.

## Appendix: Statutory NPAT to Pro-forma NPAT

The reconciliation below reconciles the statutory pro-forma forecast for FY21 to the statutory operating results for FY21. The statutory pro-forma forecast for FY21 includes the operating results for Chem Pack Pty Ltd for 1H21 and excludes certain one off events such as debt forgiveness income, cost associated with the IPO, acquisition costs for Chem Pack whilst including certain costs that would ordinarily have been incurred had the Group operated as a listed entity for the entirety of FY21. These adjustments delivered the statutory pro-forma results for FY21 as declared on page 63 of the prospectus and thus the below reconciliation provides an accurate comparison between the statutory pro-forma FY21 and statutory FY21 results.

INCOME STATEMENT	Pro Forma FY21	<sup>1</sup> Chem Pack (1H21)	<sup>2</sup> 1H21 Pro Forma Adjustments	<sup>3</sup> Significant One-off costs/income	Statutory FY21
	\$'000	\$'000	\$'000	\$'000	\$'000
<b>Sales revenue</b>	196,458	(41,981)	-	-	154,477
Cost of sales	(125,919)	32,237	-	-	(93,682)
<b>Gross Profit</b>	70,539	(9,744)	-	-	60,795
Other income	685	(59)	-	40,275	40,901
IPO costs	-	-	-	(2,067)	(2,067)
Employee benefits expense	(29,440)	4,038	567	-	(24,835)
Administration and general expenses	(7,465)	871	139	-	(6,455)
Legal and professional fees	(1,550)	-	218	(344)	(1,676)
Impairment expense	(271)	-	-	-	(271)
Occupancy expense	(4,352)	98	-	-	(4,254)
<b>EBITDA from continuing operations</b>	<b>28,146</b>	<b>(4,796)</b>	<b>924</b>	<b>37,864</b>	<b>62,138</b>
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Depreciation and amortisation expense	(11,299)	832	-	-	(10,467)
<b>EBITA</b>	<b>16,847</b>	<b>(3,964)</b>	<b>924</b>	<b>37,864</b>	<b>51,671</b>
Amortisation	-	-	-	-	-
<b>EBIT</b>	<b>16,847</b>	<b>(3,964)</b>	<b>924</b>	<b>37,864</b>	<b>51,671</b>
Finance costs	(2,297)	128	-	-	(2,169)
<b>Profit/(loss) before tax</b>	<b>14,550</b>	<b>(3,836)</b>	<b>924</b>	<b>37,864</b>	<b>49,502</b>
Income tax expense	(3,211)	1,151	(277)	-	(2,337)
<b>Net profit after tax</b>	<b>11,339</b>	<b>(2,685)</b>	<b>647</b>	<b>37,864</b>	<b>47,165</b>

### Notes:

<sup>1</sup> Chem Pack (1H21)

DGL Group Limited gained control of Chem Pack Pty Ltd on 1 January 2021. As such, the trading profit of Chem Pack

recorded in the statutory results covers 2HY21 and not the full FY21 which is contemplated in the statutory pro-forma forecast for FY21 as disclosed in the prospectus.

<sup>2</sup> 1H21 Pro Forma Adjustments

The statutory pro-forma forecast for FY21 includes estimated costs which contemplates certain expenses that would have been incurred had the Group be run as a listed entity for the entity for FY21. These costs include non-executive director fees, chairman fees, increases in CEO and COO costs and increases in compliance and regulatory costs such as share registry and ASX fees that would have been incurred had the Company's shares been listed on the ASX from 1 July 2020.

<sup>3</sup> Significant One-off costs/income

\$40.275 million recorded as other income in the FY21 statutory result is in relation to a debt forgiveness arrangement between Rapaki Property Group (an entity not under Group control and a related party of Mr Simon Henry) prior to IPO. Significant one-off costs relate to IPO expenses incurred and legal costs associated with the acquisition of Chem Pack which were deemed non-recurring and therefore not included in the statutory pro-forma forecast for FY21.

**Non IFRS financial measures**

There is certain financial data included above that is non-IFRS financial information under Regulatory Guide 230 'Disclosing non-IFRS financial information' published by ASIC.

The Company believes that this non-IFRS financial information provides useful information to users in measuring the financial performance and conditions of the Group. As non-IFRS measures are not defined by recognised standard setting bodies, they do not have a prescribed meaning. Therefore, the way in which the Group calculates these measures may be different to the way other companies calculate similarly titled measures.

The following non-IFRS financial measures are included:

- (a) EBITDA: earnings before interest, tax, depreciation and amortisation; and
- (b) EBIT: earnings before interest and tax.