DGL FY24 Results Presentation

30th August 2024

DGL Group Limited (ASX: DGL)

dglgroup.com

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DGL is a leading provider of chemicals, materials and services to essential industries in Australia and New Zealand

AGENDA

1. FY24 Overview
2. Financial Results
3. Strategy
4. Outlook
5. Questions
6. Appendix

FY24 Overview

Simon Henry (CEO)

FY24 Revenue
$465.1m
in line with pcp

FY24 Underlying EBITDA
$63.7m
in line with pcp

FY24 Cashflow from Operations
$37.3m
FY23 $59.3m, -37% vs pcp

FY24 NPAT
$14.1m
FY23 $17.4m, -19% vs pcp

Key Drivers of Earnings FY24

DGL

Volume growth

Positive volume growth across the divisions now serving over 5,000 customers

Capacity expansion

Expansion in manufacturing capacity, transport fleet and warehouse capacity

Contribution from acquisitions

Full year contribution from acquisitions in FY23, with 5 bolt-on acquisitions during FY24

Margin expansion

Raw material price decreases, improved product mix and economies of scale

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Reduction in commodity prices generally has reduced headline revenue, while benefitting margins

Commodity price deflation

Cost inflation impacting operations, ongoing tight Australian labour market, combined with increased employee headcount

Cost inflation

Geopolitics disrupting global transport and shipping. Impact on timeframe and cost for import and export of key raw materials

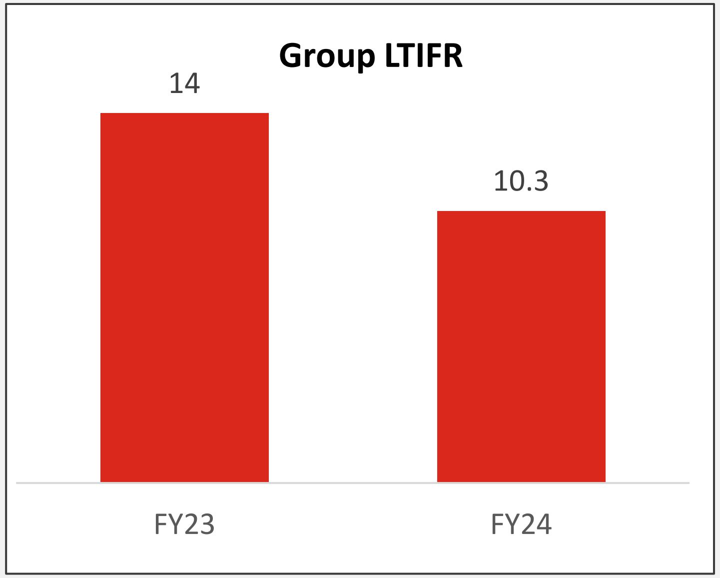
Macroeconomic uncertainty

Increased domestic competition impacting both price and volume in Environmental division in particular

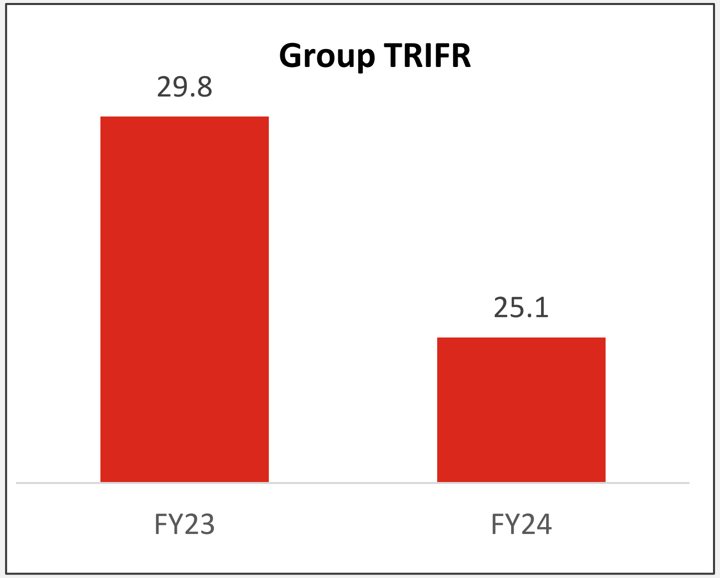
Increased procurement costs

DGL is focused on improving our personal injury performance

Lost time injury frequency rate (LTIFR)



Total recordable injuries frequency rate (TRIFR)



1. LTIFR Calculation ([Number of lost time injuries in the reporting period] x 1,000,000) / (Total hours worked in the reporting period)
2. TRIFR Calculation ([Number of lost time injuries in the reporting period plus the number of Medical Treatment Injuries] x 1,000,000) / (Total hours worked in the reporting period)
3. FY23 figure differs from FY23 results due to acquisition adjustments and changes in reporting methodology

OUR DIVISIONS

MANUFACTURING

DGL Manufacturing

Key Industries
- Crop Protection
- Mining
- Automotive
- Water Treatment
- Construction

Services
- Product Development
- Toll Blending
- Formulation
- Downpacking
- Labels & Compliance
- Packaging

LOGISTICS

DGL Warehousing

- Dangerous Goods
- General Goods
- HACCP Accredited Goods
- Pick and Pack
- Container Unpacking Services
- Product Management & Re-labelling

DGL Transport

- International Transport
- Port Services
- Road Freight (intra and interstate)
- Bulk Liquids & Powders
- Steel & Oversize Freight

ENVIRONMENTAL

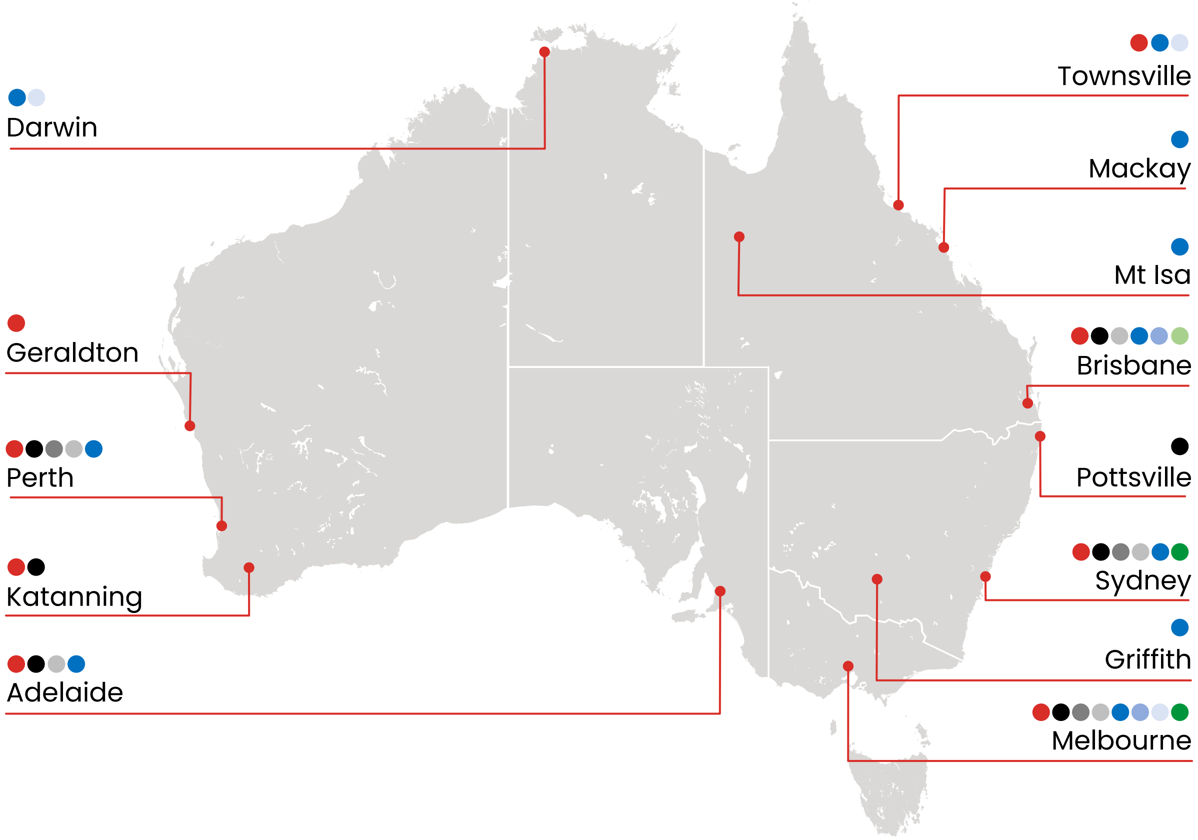
DGL Environmental

- Waste Removal
- Liquid Waste Treatment
- Recycling
- Tank & Container Cleaning

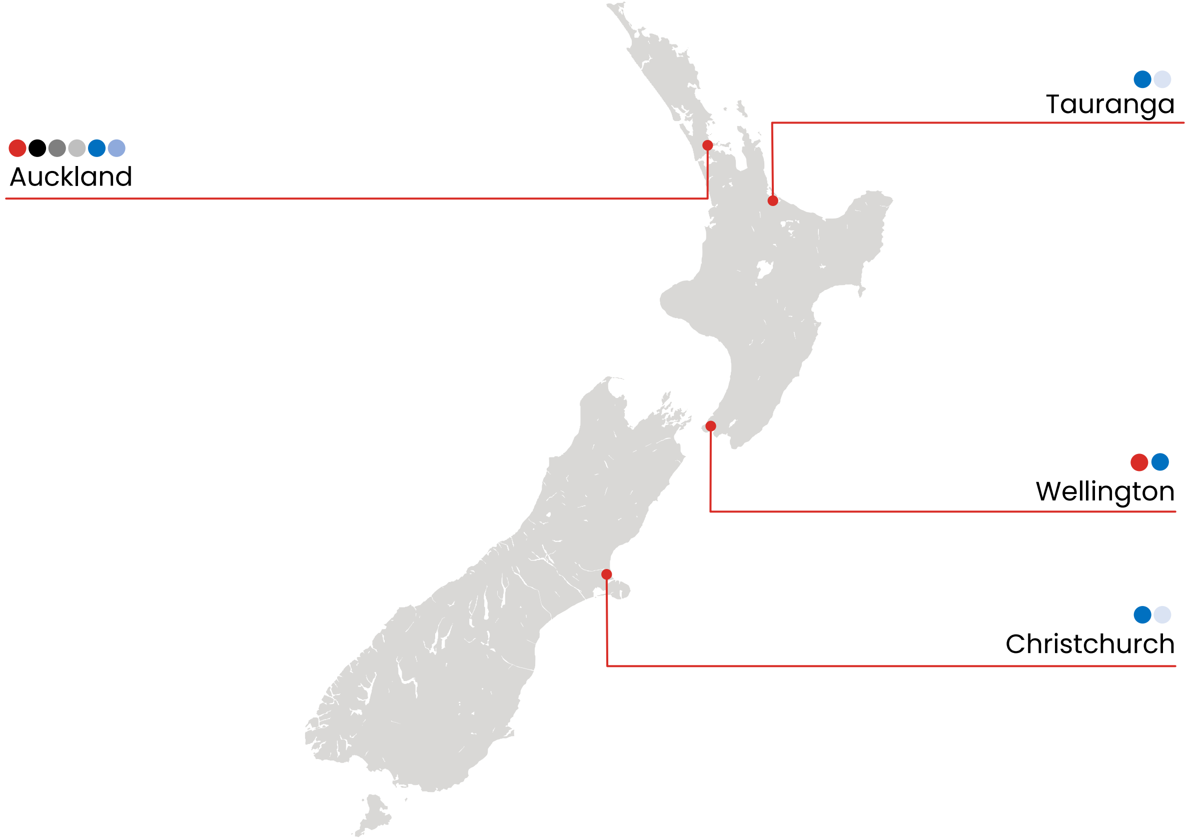
COMPREHENSIVE TRANS-TASMAN FOOTPRINT SERVING ALL INDUSTRIES

DGL

AUSTRALIA (92% Revenue)



NEW ZEALAND (8% Revenue)



LEGEND

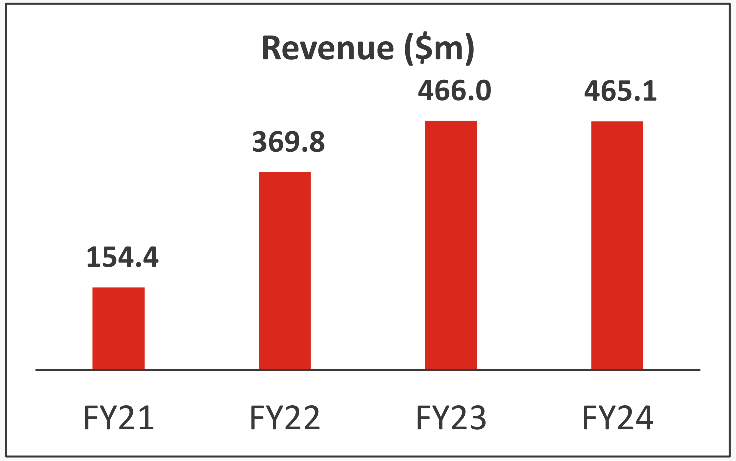
- Warehousing
- Transport
- Global Logistics / Procurement
- Port Services
- Manufacturing
- Laboratory Services
- Labels & Packaging
- Waste Processing
- Container Cleaning & Maintenance

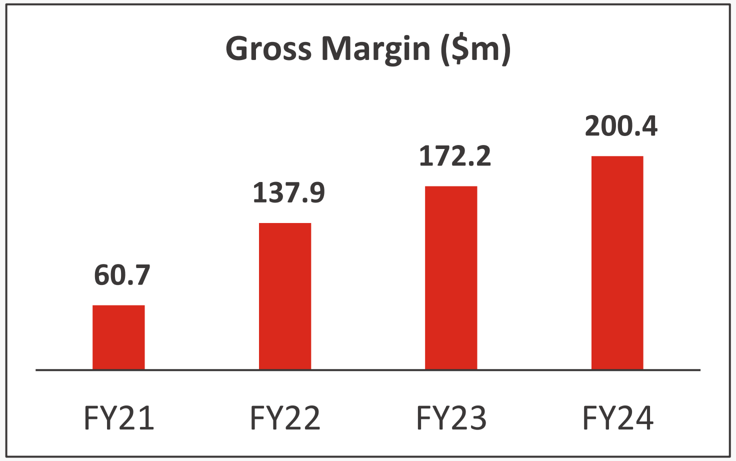
DGL's extensive network supports its role as a leading provider of chemicals, materials and services to essential industries in Australia and New Zealand.

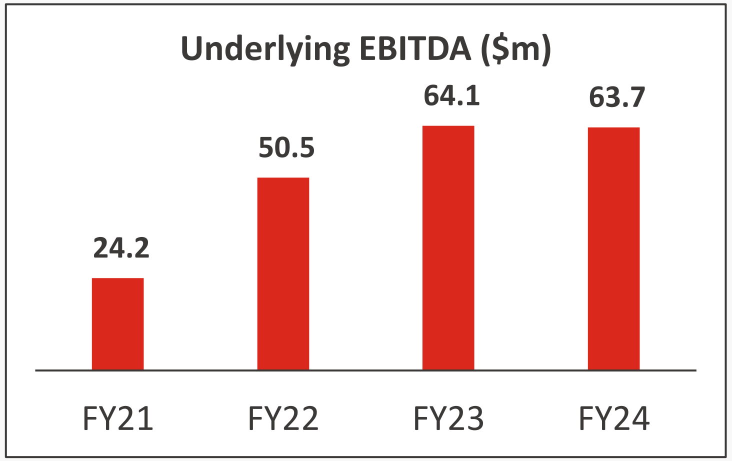
Financial Results

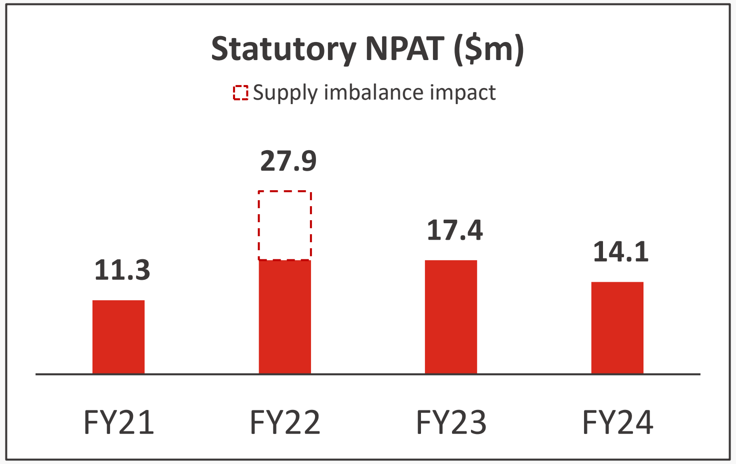
Frank Izzo (CFO)

TREND FINANCIAL PERFORMANCE









- Strong track record of growth from FY21 to FY24, demonstrated by revenue CAGR of 32%
- FY24 revenue reflects the impact of declining commodity prices, offset by volume growth in all divisions
- Steady increase in gross margins year on year demonstrating economies of scale on a resilient earnings base assisted by reduction in raw material costs
- Steady underlying EBITDA in FY24 reflects investment in organic growth projects, internal system enhancements and implementing a shared services platform
- Increased operating expenses driven by rise in head count and inflationary pressures reflected in FY24 EBITDA
- NPAT normalising after outsized returns in FY22 resulting from supply imbalances which benefitted Manufacturing, and was impacted by increased depreciation, interest costs

FY24 FINANCIAL OVERVIEW

DGL

$ millions	FY24	FY23	Variance	Variance %
Revenue [1]	465.1	466.0	(0.9)	(0.2%)
Cost of sales	(264.7)	(293.8)	29.1	(9.9%)
Gross Margin	**200.4**	**172.2**	**28.2**	**16.4%**
Gross Margin %	43.1%	37.0%	6.1%	16.6%
Other income	3.5	2.6	0.9	33.1%
Expenses	(140.2)	(110.8)	(29.4)	26.5%
Underlying EBITDA	**63.7**	**64.1**	**(0.4)**	**(0.6%)**
Underlying EBITDA %	13.7%	13.7%	(0.0)	(0.3%)
Depreciation & Amortisation	(30.3)	(22.4)	(7.9)	35.2%
Underlying EBIT	**33.5**	**41.7**	**(8.2)**	**(19.7%)**
Net finance costs	(10.9)	(7.6)	(3.2)	42.3%
Underlying Profit before tax	**22.6**	**34.0**	**(11.4)**	**(33.6%)**
Tax expense [1]	(7.1)	(13.4)	6.2	(46.7%)
Underlying NPAT	**15.5**	**20.7**	**(5.2)**	**(25.1%)**
Non recurring items	(1.4)	(3.3)	1.9	(58.2%)
Statutory NPAT	**14.1**	**17.4**	**(3.3)**	**(18.9%)**

1. Excludes rental income, included at 'Other income'
2. FY23 tax expense restated due to finalization of tax fixed asset registers relating to acquisitions through FY23

Revenue

- Revenue[1] broadly in line with FY23, balancing downward trending commodity pricing and supply chain issues
- Upside from recent acquisitions contributed $43.0m

Gross Margin

- Gross margin was $200.4m, up 16.4% on FY23
- Raw material price decreases and improved product mix resulted in gross margin up 6 percentage points

Expenses

- Expenses were $29.4m higher than FY23, driven by higher head count and wage inflation
- Employee related costs were $26.7m higher than FY23 with the investment in the Shared Services roll-out in the Parramatta Head Office and impact of acquisitions
- Inflationary pressures in wages and property outgoings

EBITDA

- Underlying EBITDA of $63.7m is broadly in line with FY23

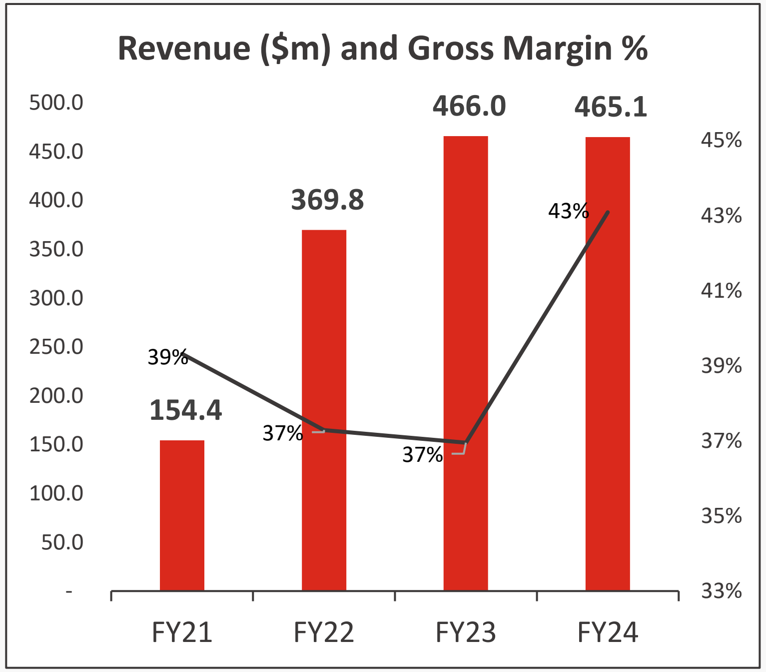
EBIT and Depreciation

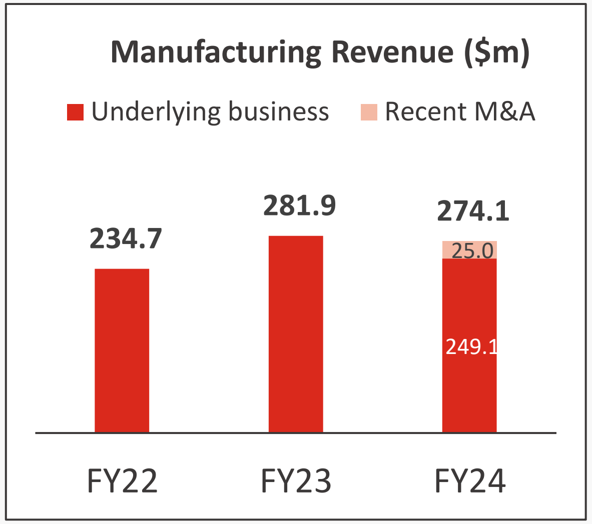
- $7.9m increase in depreciation primarily due to expanded truck fleet and additional right of use assets through footprint expansion
- Underlying EBIT was $33.5m, down $8.2m on FY23

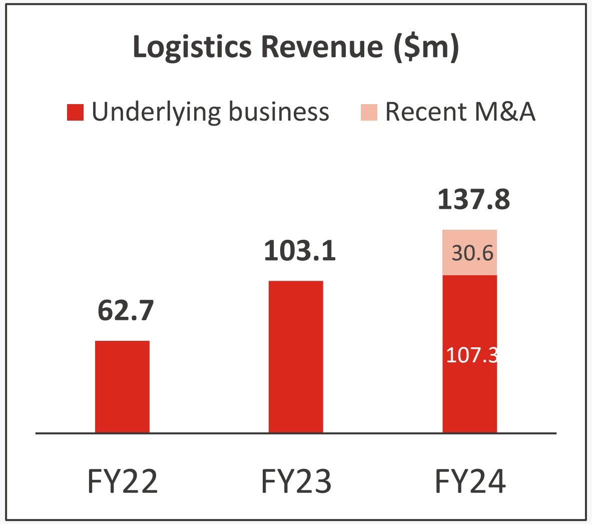
NPAT[1]

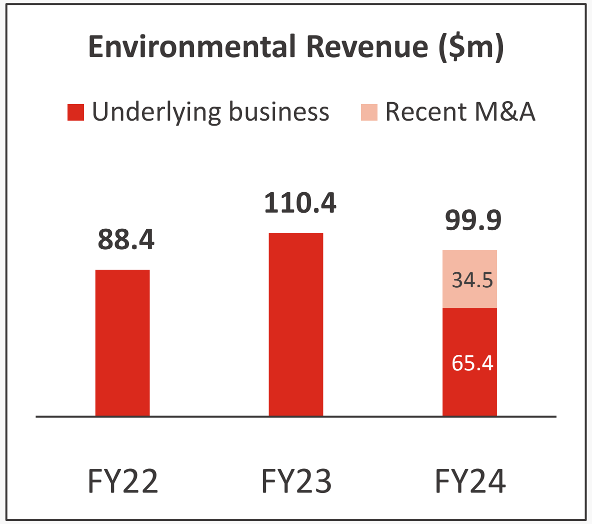
- Underlying NPAT of $15.5m, down $5.2m on FY23 and excludes impact of non-recurring items of $1.4m
- FY23 tax expense[2] restated due to finalisation of tax fixed asset registers relating to acquisitions through FY23
- Statutory NPAT of $14.1m, down $3.3m on FY23

REVENUE GROWTH



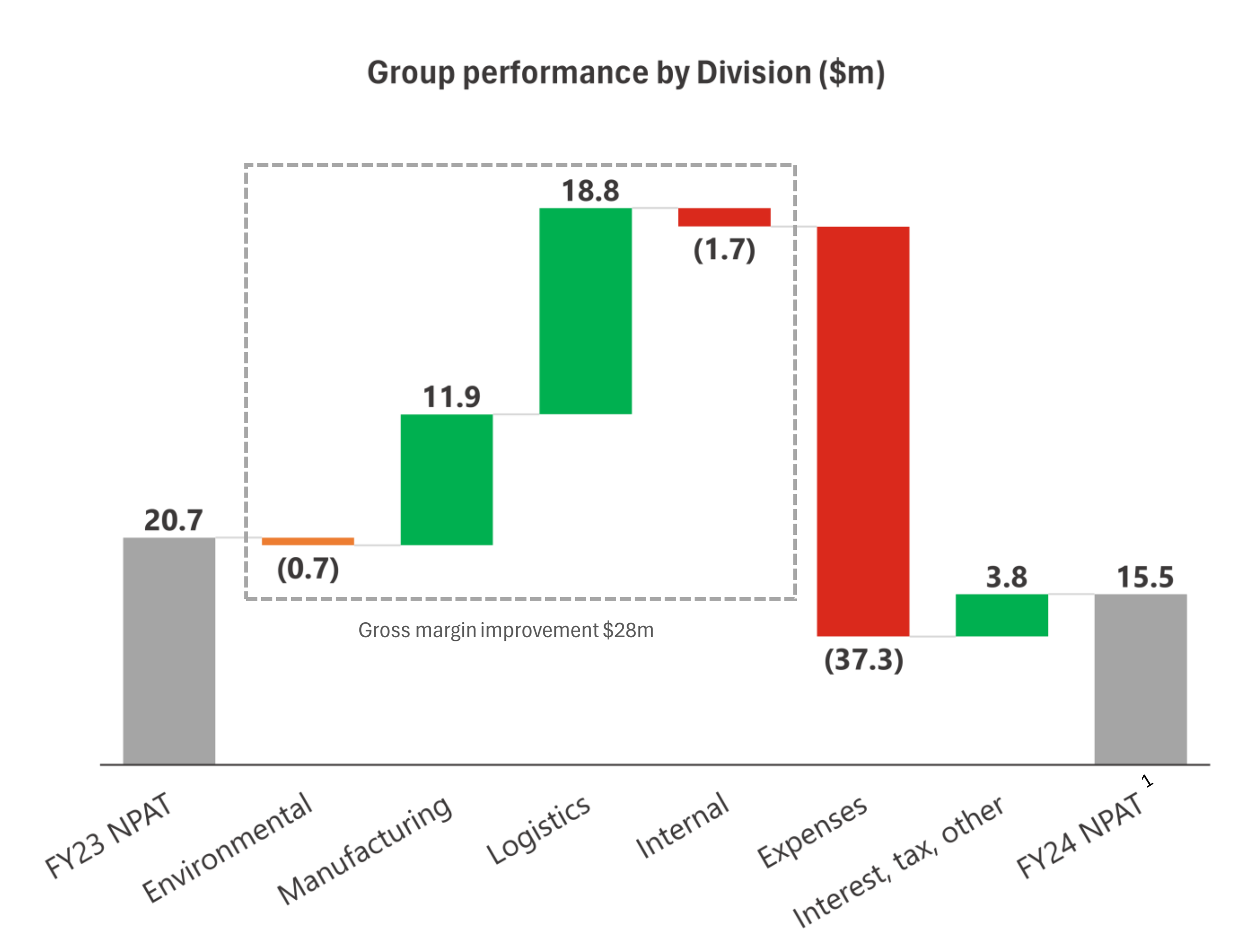






- Group revenue[1] CAGR 32% from FY21 to FY24, driven by strategic acquisitions and organic growth
- 22 acquisitions completed during FY22 and FY23, 5 acquisitions completed during FY24
- Recent M&A[2] delivered revenues of $90m during FY24
- Commodity price headwinds for key agricultural chemicals and technical grade urea impacted Manufacturing revenues during FY24
- Used Lead Acid Battery (ULAB) supply constraints impacted Environmental revenues during FY24
- Fleet expansion during FY24 supported Logistics revenues

1. Total exceeds Group Revenue due to intercompany trading
2. Recent M&A defined as recent businesses acquired with less than 12 months of comparatives. Organic defined as DGL consolidated less recent M&A



1. Underlying NPAT which adjusts for non recurring items including acquisition costs and site rectification costs

Manufacturing

- Crop protection products impacted by lower volumes with seasonal uncertainty resulting from the El Niño forecast
- Continued downward-trending commodity prices impacted revenues for crop protection and AdBlue products
- Steady demand for blending services
- Raw material procurement efficiencies and improved customer mix drove margin improvement
- Margin uplift from full year impact of FY23 acquisitions, part year uplift from acquisitions of Qblend and Flexitech during FY24

Environmental

- Recycling facilities impacted by restricted supply of ULABs and competition for input materials
- Surging ULAB market prices adversely impacted input costs and in turn margins

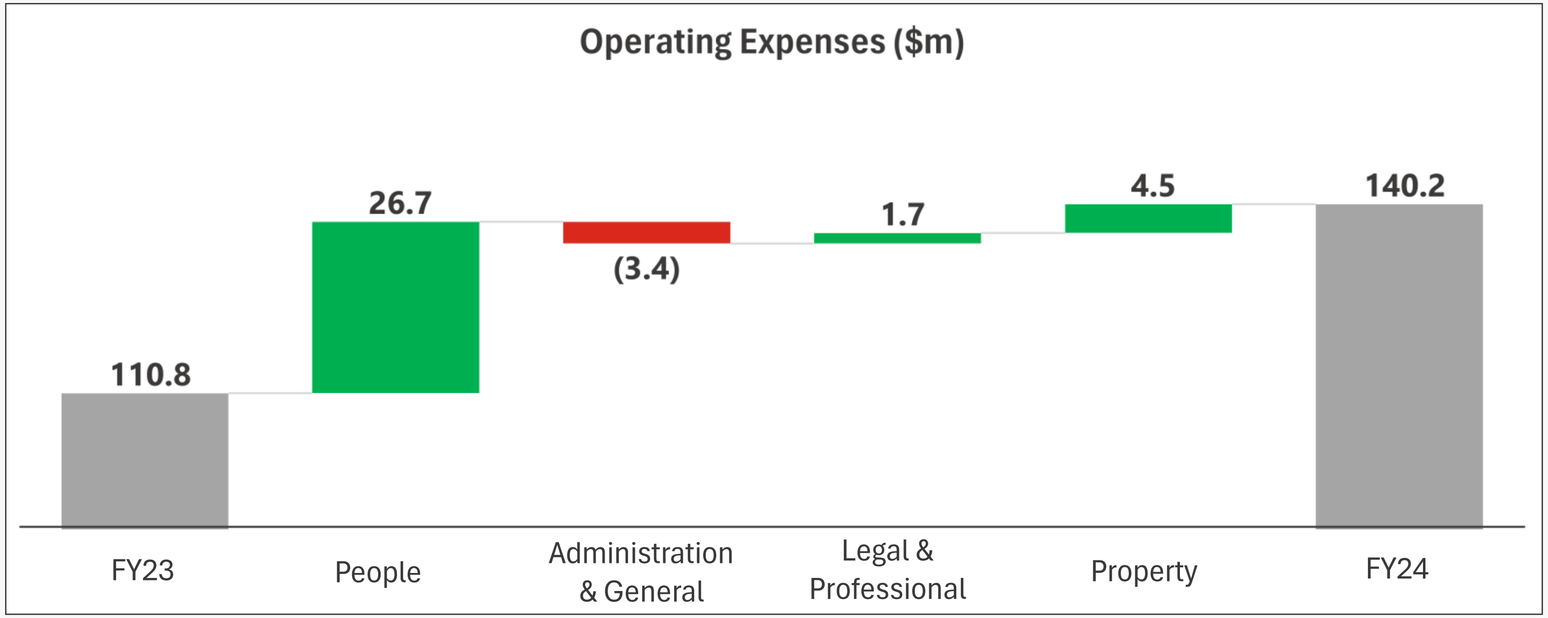
Logistics

- Margin improvement driven by investment in fleet
- Full year impact of FY23 acquisitions, part year uplift from acquisitions of Kinnear and Katanning during FY24

Expenses

- Increased head count driven by M&A activity (full year impact of FY23 acquisitions and part year impact of FY24 acquisitions)
- Investment in Shared Services roll-out in the Parramatta Head Office
- Includes depreciation which increased with footprint expansion

COST DRIVERS



Growth in the cost base during the year was broadly driven by increased headcount and inflationary pressures which impacted people and property costs

People

- Acquired employees and investment in people drove headcount increases
- Full year impact of headcount increase related to 11 acquisitions completed during FY23
- Part year impact of headcount increase related to 5 acquisitions completed during FY24
- Shared Services roll-out in the Parramatta Head Office is leading to increased costs due to short term duplication in selected roles

Property

- 6 additional sites
- Inflationary pressures on outgoings across all sites

BALANCE SHEET

DGL

$ millions	FY24	FY23	Variance	Variance %
Cash	19.6	36.9	(17.3)	(46.8%)
Receivables	66.4	52.4	14.0	26.7%
Inventory	39.3	37.4	1.9	5.0%
Asset held for sale	20.6	-	20.6	nm
Other assets	9.1	8.6	0.4	5.1%
Current Assets	**155.1**	**135.5**	**0.0**	**14.5%**
Property, plant & equipment	260.1	246.4	13.6	5.5%
Intangibles	145.6	144.1	1.5	1.0%
Right of use assets	45.0	43.9	1.1	2.5%
Non current assets	**450.6**	**434.4**	**16.2**	**3.7%**
Total assets	**605.6**	**569.8**	**35.8**	**6.3%**
Payables	43.2	33.5	9.8	29.1%
Provisions	9.6	9.5	0.1	1.1%
Borrowings	3.7	6.4	(2.8)	(43.0%)
Current tax liabilities	6.5	4.0	2.5	63.2%
Right of use liabilities	14.5	14.2	0.3	1.8%
Other liabilities	4.8	-	4.8	nm
Current liabilities	**82.2**	**67.6**	**14.6**	**21.6%**
Deferred tax	16.4	18.4	(2.0)	(11.0%)
Provisions	1.1	1.7	(0.6)	(34.8%)
Borrowings	129.8	121.5	8.3	6.8%
Right of use liabilities	33.0	32.0	0.9	2.9%
Other liabilities	1.2	-	1.2	nm
Non Current liabilities	**181.5**	**173.7**	**7.8**	**4.5%**
Total liabilities	**263.7**	**241.3**	**22.4**	**9.3%**
Net assets	**342.0**	**328.6**	**13.4**	**4.1%**
Share capital	258.1	258.4	(0.3)	(0.1%)
Retained earnings	91.9	77.8	14.1	18.1%
Reserves	(8.1)	(7.6)	(0.5)	6.0%
Total equity	**342.0**	**328.6**	**13.4**	**4.1%**

Liquidity

- $17m decrease in cash largely driven by M&A activity and capex

Working Capital

- Higher balances across receivables, inventory and payables reflecting the late breaking cropping season and acquired businesses

Property, Plant & Equipment

- Increased $14m to support growth opportunities and fleet expansion
- Strategic properties purchased in Narangba and Maddington

Intangibles

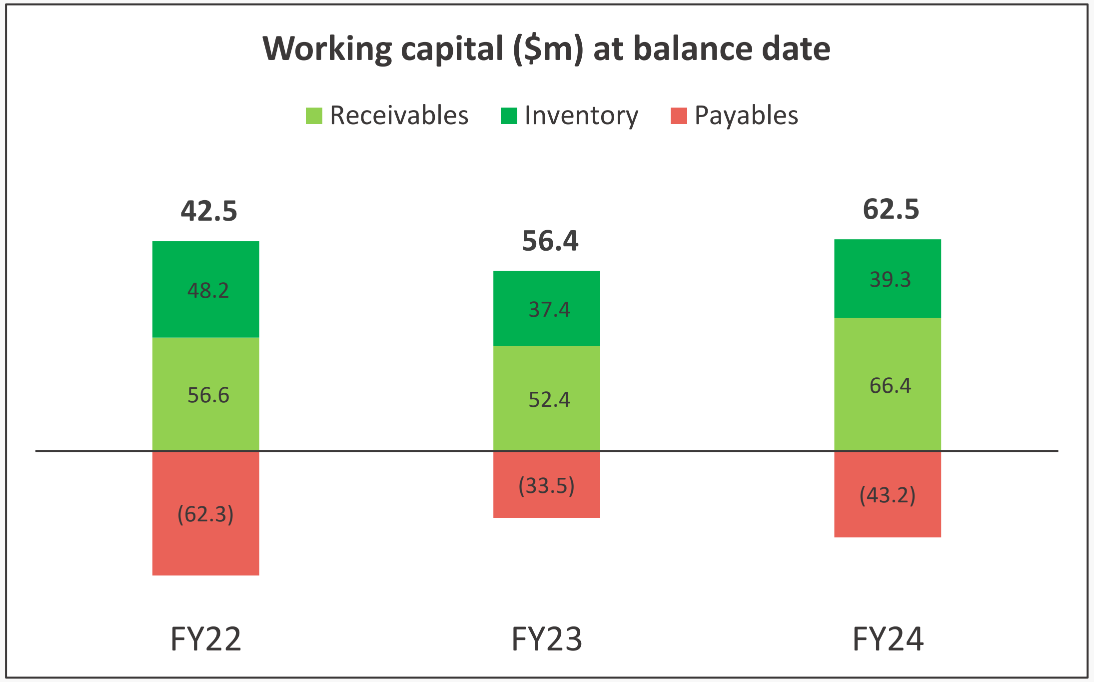
- Steady at $146m reflecting favourable M&A environment with fewer bidders for quality strategic assets

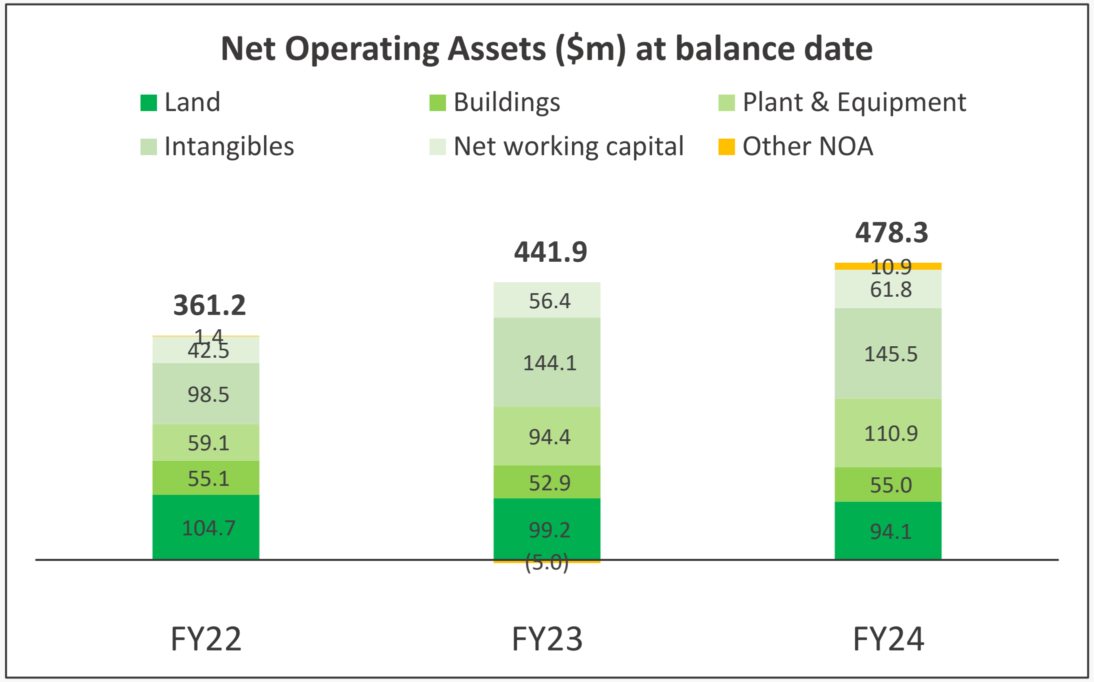
Borrowings

- $8m increase in non-current borrowings used to fund acquisitions and capex

Net Debt

- Net debt of $114m as at 30 June (1.78 times net debt / underlying EBITDA)





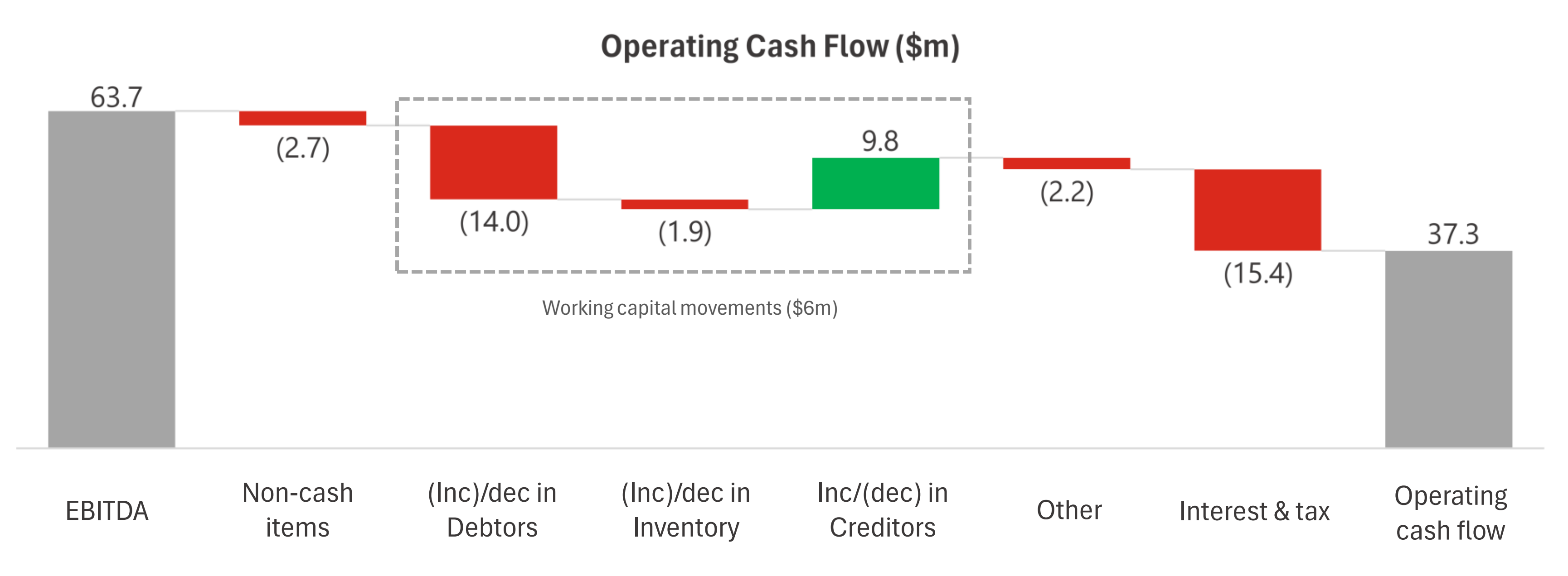
Working capital

- Late breaking cropping season and acquisitions drove higher receivables and inventories
- Disciplined working capital management despite significant increase in scale from FY22 to FY24

Net Operating Assets

- Net operating assets of $478m includes $149m of strategic land & buildings
- Other operating assets mainly comprised of plant & equipment, intangibles and net working capital

CASH FLOW



$ millions	FY24	FY23	Variance	Variance %
Operating cash flow	37.3	59.3	(22.0)	(37.1%)
Investing cash flows	(41.8)	(70.0)	28.2	(40.4%)
Financing cash flows	(12.9)	22.1	(35.0)	(158.5%)
Net cash flow	**(17.3)**	**11.4**	**(28.7)**	**(251.7%)**

- Operating cash flow of $37.3m is 37% down on pcp
- Operating cash conversion[1] at 86%
- Investing cash outflows of $42m includes capex of $30m and acquisition outflows of $13m
- Major capex items include additional fleet and strategic land and buildings in Narangba and Maddington
- Acquisition outflows relate to the 5 acquisitions completed during FY24
- No dividends declared in FY24.
- Dividend policy remains unchanged, with all earnings reinvested to support growth.

1. Operating cash flow excluding interest and tax divided by underlying EBITDA excluding non-cash items

Strategy

Simon Henry (CEO)

DGL Business Strategy

Purpose

Providing chemicals, materials and services to essential industries in Australia and New Zealand

Focus

Regulated chemical markets in Australia and New Zealand, where licenses and accreditations are required to operate, for the safe and secure manufacture, storage and supply of chemicals and other materials

Priorities

Customer Focus

Exceed customer expectations

Enhance sales culture to drive new customer sales

Improve customer outcomes by providing complementary services to existing customers

Continue product innovation and quality focus to meet our customers expanding needs

Organic Growth

Significant investments in organic growth initiatives

- Liquid waste treatment
- Chlor-alkali plant
- New extrusion plants in WA and VIC
- Multi-purpose manufacturing plant
- 20% expansion of our warehouse capacity

The investments impact earnings in FY24 with positive contribution in FY25

Asset Utilisation

Improve utilisation of DGL's extensive asset base to maximise customer delivery outcomes

Disposal of non-strategic property holdings with proceeds reinvested in growth opportunities

Replacement of end-of-life assets with higher yielding, more efficient plant and equipment

Integration Efficiency

Operational efficiencies from comprehensive integration of acquisitions

Implementation of systems (CRM, ERP, warehouse management, group payroll) to reduce costs and serve customers more efficiently

Centralisation of shared group services to reduce costs and streamline operations

Acquisitions

DGL has expanded its product, IP, capabilities and network via multiple acquisitions since its IPO in 2021

DGL will be more selective, and very targeted, with fewer future acquisitions

Acquisitions will only be considered if they deliver licences or other strategic capabilities that cannot be developed organically

Culture

Performance and accountability

INVESTING TODAY FOR EARNINGS GROWTH TOMORROW

DGL

DGL continues to invest for growth

Significant investment has been expensed in FY24 to improve future profitability, at a cost to short-term profit

Plant and Equipment

- The final phase of DGL's investment in a new liquid waste treatment plant at Unanderra, NSW which will move from a multi-year investment phase to production in FY25
- New extrusion plants to support customer demand, expanding our crop protection manufacturing capacities
- Replacing plant and equipment with larger capacity and/or more efficient manufacturing capability
- Replacing inefficient transport equipment with larger capacity hauling and trailing equipment

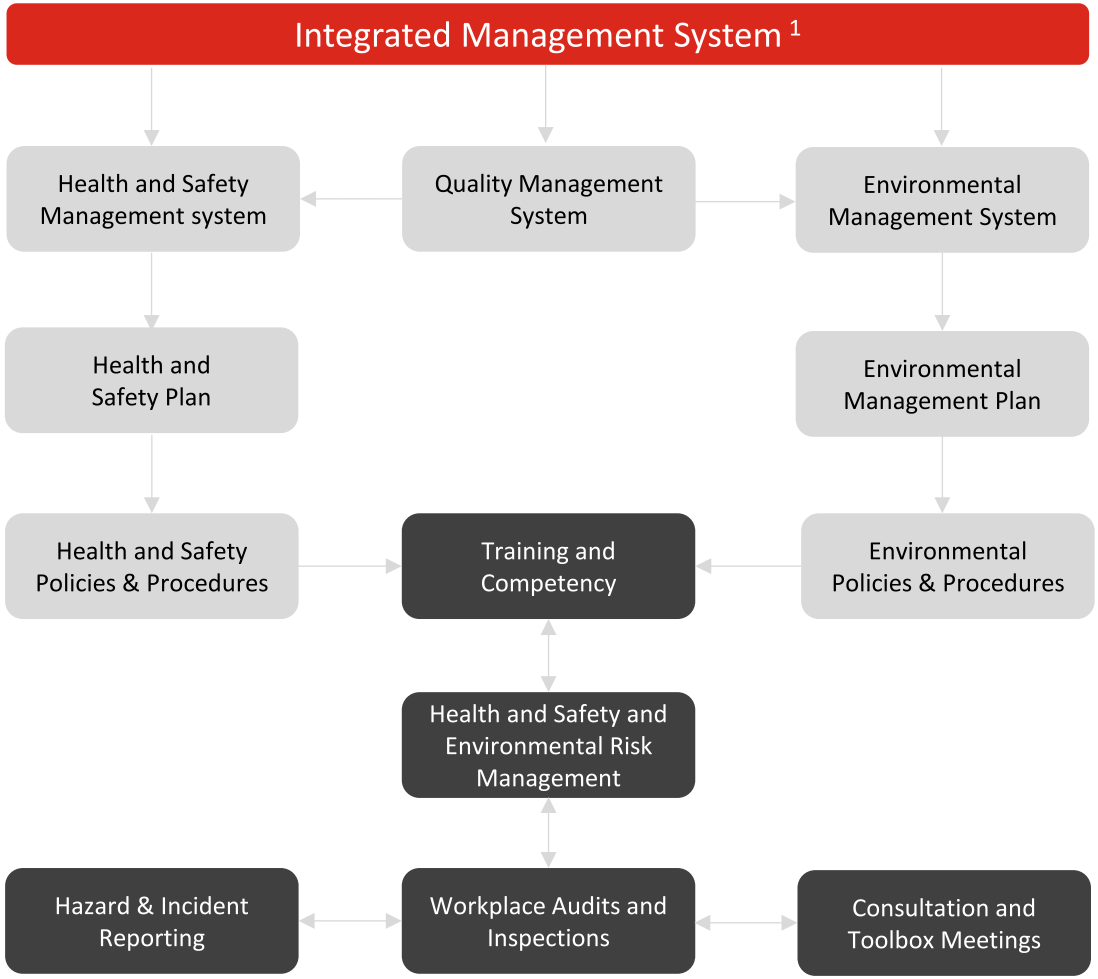
People and Systems

- Significant investments in internal systems that will deliver efficiencies and benefits in FY25 and beyond, including
  - a new centralised payroll system
  - a group-wide ERP & finance system
  - an integrated warehouse management system
- Establishment of a centralised shared services hub at DGL's head office in Parramatta, NSW, to drive efficiencies and cost savings across the Group

Site Capacity

- The expansion of our warehousing capacity by 20% to 205,000 square metres to accommodate ongoing growth
- New manufacturing facility in QLD purchased, providing capacity to expand automotive and crop protection manufacturing
- Consolidated sites to improve operational efficiencies and reduce property expense
- Application processes for consent and certification changes to sites are ongoing to support future growth and development

DGL operates a continuously improving Health, Safety and Environmental Framework



FY25 Safety Objectives

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 focuses on continual improvement and aligns with our ISO accreditation. This is reviewed and updated to reflect the evolution of the DGL Group, with a commitment to continually improve our H&S practices.

Safety Strategy

DGL regularly reviews and updates its safety strategy, creating safe and efficient workplace practices for all levels of the Group. This strategy includes Fatal Risk Reviews and H&S objectives to have manageable and measurable outcomes.

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.

1. Audited annually by an independent JASANZ accredited body

DGL

OUR ESG FRAMEWORK REFLECTS AN EVOLUTION AND ENHANCED MATURATION OF DGL GROUP

Workplace
At DGL, we recognise that our people are our greatest asset. DGL focuses on the importance of our employees and our commitment to their success, wellbeing, and professional development.

Accreditations and Certifications
Throughout FY24 DGL has undertaken Group and Divisional Accreditations. These are a focus for DGL to independently audit and ensure our products, services and standards continue to improve.

Environment and Community
Adhering to external guidelines and regulators, DGL drives innovative and cutting-edge technologies. Investing in efficient processes to reduce our environmental impact for both the groups impact and our customers.

Governance
DGL places great importance on strong corporate governance. With the aim of maximising our capabilities and conducting our business in a sustainable, enduring and ethical manner.

Accreditations and Certifications

- EPA Environmental Protection Licenses
- EPA Waste Transport License
- ISO 9001:2015
- ISO 14001:2015
- ISO 45001:2015
- HACCP CODEX: 2003
- National Heavy Vehicle Accreditation Scheme (NHVAS)
- Biosecurity Approved (AQIS)
- Major Hazard Facility, Upper and Lower Tier
- MPI NZ
- Bulk DG Transport
- Dangerous Good Storage Licenses
- CHWMEG accredited

CropLife Australia | COMMITTED ecovadis Sustainability Rating JUN 2024 | ISO 9001 | ISO 14001 | ISO 45001 | Agsafe

Outlook

Simon Henry (CEO)

TRADING UPDATE

- We are seeing stronger volumes early in the current half in crop protection products following improved growing conditions, following strong demand at the finish of FY24. We anticipate returning to normal conditions for FY25
- Our automotive manufacturing continues to see normalisation of sales prices to pre covid levels, with consistent customer demand for tolling services across all of Australia
- Stabilising commodity markets are being reflected in lower raw material prices, but supply pressures remain in the Environmental Segment
- Global freight pricing in early FY25 is a challenging environment for all chemical suppliers into Australia and NZ, DGL is supporting customers through this and providing positive outcomes
- Our warehousing and transport demand remains high. DGL is focused on utilising the increased capacity from our property footprint expansion in FY24, including cross-selling opportunities within our expanding customer base

OUTLOOK FOR FY25

- Labour markets are softening in New Zealand, while continuing to remain tight across Australia
- We expect increased contributions from recent acquisitions, along with positive contributions to profitability from investments in organic growth and efficiencies
- Our developing central shared services platform is expected to deliver operational synergies and cost efficiencies
- Intense focus on cost management and maximising revenue opportunities from the full integration of acquisitions
- Stronger commercial sales focus on leveraging our established network and capabilities to develop new leads and further partnering with existing customers

INVESTMENT HIGHLIGHTS

- Leading supplier of chemicals, materials and services to essential industries in Australia & New Zealand
- Operating in highly regulated industries with significant barriers to entry
- Integrated service offering which provides customers with a single source solution
- Diversified across industries, product and geography providing resilience to eternal volatility
- Multiple organic growth vectors from investment in capacity, products and capabilities to drive earnings growth
- Ongoing integration of acquisitions providing efficiencies and cross sell opportunities
- Experienced management team and Board to support delivery of growth outcomes

Questions

DGL

Thank you.

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