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DGL

ASX RELEASE

30th August 2022

DGL Reports FY22 Results

Strong growth, significantly ahead of prospectus forecasts

Melbourne, Australia - DGL Group Limited (ASX: DGL), ("DGL" or the "Company"), a diversified industrial group that manufactures, transports, stores and processes chemical products and hazardous waste, today announced its financial results for the full year ended 30 June 2022 ("FY22"). The company delivered strong growth during the 2022 financial year, exceeding prospectus forecasts and in line with guidance given in April 2022.

Key financial highlights:

- Strong growth across all key earnings metrics, with solid momentum in 1H22 continuing in to 2H22:
  - Sales revenue of $369.8 million, up 88% on pro-forma[2] FY21 and up 4% on guidance
  - Underlying EBITDA[1] of $65.6 million, up 133% on pro-forma[2] FY21 and up 1% on guidance
  - Underlying EBIT[1] of $48.4 million, up 188% on pro-forma[2] FY21
  - Underlying NPAT of $33.6 million, up 197% on pro-forma[2] FY21
- Progressed growth strategy by improving performance of existing business, bolstered by acquisitions
  - May 2021 capital raise now deployed. Successful delivery on our strategy of investing for growth.
  - Successful acquisition and integration of 11 businesses expanding and diversifying DGL's scale, geographies, expertise, and offerings.
  - All three operating segments performed well during financial year 2022.
- Strong balance sheet with $25.4 million in cash, $66.2 million net bank debt.
- $31 million uplift following revaluation of strategic property. Total value of property now $160 million.
- No dividends paid in FY22 in line with policy to reinvest earnings into growing business.

1. Earnings before interest, tax, depreciation, amortisation, acquisition costs and impairment expenses (Underlying EBITDA) and Earnings before interest, tax, acquisition costs and impairment expenses (Underlying EBIT) are non-IFRS measures.
2. Pro-forma results are provided for FY21 as outlined in FY21 results presentation.

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

"Building on our strong momentum in the first half of 2022, we have delivered exceptional results for the 2022 financial year with growth across all earnings metrics. This is a testament to our ability to grow sustainably by offering a full-service solution for our customers, achieving further economies of scale, and identifying appropriate acquisitions.

"All three of our operating divisions performed exceedingly well, benefitting from our deep customer relationships and robust demand as customers continue to onshore their chemical supply chain and hold onto more inventory.

"We steadily improved the performance of our existing business through increased utilisation, higher volumes and delivering more services for our customers. We also successfully acquired and integrated 11 businesses through the period, enabling us to increase in scale, with more talent, production capability and geographical spread. Having developed a model for successful integration of acquisitions, we have quickly improved the performance of the acquired businesses. Our acquisitions have expanded our target market so we appeal to an increasingly diverse customer base but also added skills and experience to the group.

"Market conditions have been supportive for us as we continue to see customers in Australia and New Zealand onshoring their chemical supply chain and holding more inventory on site in case of unpredictable demand or supply disruptions.

"While we have experienced cost increases across our business, particularly in relation to raw materials, we have been able to recover these costs and protect our margins.

"Post year-end we have announced five strategic business acquisitions that will add significant value to our Group. Integrating these businesses, their employees, and their intellectual property will further develop the service offering of DGL Group enhancing the value we can provide to our customers.

"Our deep supplier relationships, capabilities across the supply chain and robust balance sheet mean we are well positioned for another successful year in FY23."

FY22 Group Revenue and EBITDA

DGL delivered $369.8 million in sales revenue, an increase of 88% on FY21 (pro-forma $196.5 million), exceeding the guidance provided in April 2022 ($354 million) by 4%. The strong performance is due to increased demand from customers for DGL's services with added capability and products from acquisitions, higher selling prices, and the contribution of sales revenue from acquired businesses.

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DGL achieved underlying EBITDA of $65.6 million, up from 133 per cent on FY21 (pro-forma $28.1 million) and 1% above April 2022 guidance ($65 million). This strong growth in underlying EBITDA and margins was achieved despite the business facing rising costs reflecting DGL's ability to pass through cost increases.

FY22 Divisional Performance

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

Revenue by division[2]:

30 June 2022	**FY22** (A$m)	**FY21** (A$m)	**% Variance**
Chemical Manufacturing[1]	234.7	97.3	141
Warehousing and Distribution	62.8	40.9	54
Environmental Solutions	88.4	63.4	39

1. FY21 revenue in the chemical manufacturing division includes the FY21 revenue from Chem Pack.
2. The divisional revenue numbers include intercompany revenue.

1. Chemical Manufacturing

Since July 2021, DGL has acquired and integrated eight businesses into the Chemical Manufacturing division (Labels Connect, Opal Australasia, Aquapac, Profill, Ausblue, Austech Chemicals, RLA Polymers and Total Coolants). This has expanded the division's capabilities further into the agricultural, automotive and industrial sectors. The knowledge, experience, workforce, and intellectual property gained from these acquisitions has expanded the company's reach to offer its products and services across more industries and markets.

Strong customer demand continued to drive revenue growth in this division as customers onshore their chemical manufacturing amid supply chain challenges, a trend observed in the first half of the year. In addition, DGL maximised manufacturing plant utilisation and realised synergies from acquired businesses, further supporting margins. Some opportunistic growth in earnings was achieved because of stock holdings, capabilities, balance sheet strength and the Group's execution which may not be replicated to the same extent in financial year 2023.

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2. Warehousing and Distribution

Full utilisation of DGL's logistics network and continued demand for the company's warehousing and distribution services supported strong growth of the warehousing and distribution division.

The rise in warehousing revenue was a result of customers forward-ordering and holding more inventory in storage in response to unpredictable supply chain disruptions.

Growth in distribution revenue was partially due to the cross-referral of customers across divisions. The acquisition and integration of three businesses (Shackell Transport, ALM and Temples Warehousing) expanded DGL's transport fleet, storage capacity, and service offerings.

3. Environmental Solutions

Revenue growth in FY22 was attributable to a high throughput of recycled and treated materials, strong sales conversions, and an increase in the lead price during the FY22 period (compared to the prior period). Continued demand for the treatment of hazardous waste also supported the results.

People and Culture

In line with our plans to continue the rapid scaling of the business while providing good employment opportunities, and following inappropriate public comments expressed by a senior company representative, the Board initiated a competitive tender process to engage a suitably qualified firm to undertake an independent culture review of DGL Group. After a rigorous process, the Board engaged culture expert Rhonda Brighton-Hall and her firm MWAH to conduct the independent review.

The review found DGL has a diverse workforce and a positive and inclusive culture that is both hard-working and ambitious. Trust and respect were found to be consistent across the business.

Given DGL's rapid pace of acquisitions and integration, the review recommended introducing a more consistent approach to people and culture, ensuring the organisational structure and leadership capability continues to evolve and mature in line with growth, and that more gender diversity be introduced into senior management and leadership positions. Supporting the recommendations of the review, DGL appointed a people and culture leader, Tracy Swinley, as Chief People Officer and as a member of DGL's senior leadership team.

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Balance Sheet and Cash

The strong results supported underlying operating cash flow of $32.9 million, from $28.2 million on FY21 (pro-forma).

The working capital of DGL grew considerably in FY22, up to $43.0 million from $20.6 million in FY21. The increases were attributable to three factors: contributions of working capital following the acquisitions of businesses in FY22, an increase to underlying value of current assets and liabilities following increases to prices and volumes, and finally, a deliberate strategy to hold more inventory to assure supply to DGL's customers. The current inventory holdings put DGL in a strong position ahead of FY23 where DGL expects supply chain disruptions to continue, albeit to a lesser extent.

DGL's net bank debt position of $66.2 million as of 30 June 2022, compares with a net debt position of $1.1 million as at 30 June 2021. This reflects DGL's investing for growth strategy, with cash investments of $92 million for acquisitions and property during the year. DGL's strategic property portfolio is now valued at $160m following acquisitions during FY22 and a $31m uplift following revaluation.

DGL's strong balance sheet, with net bank debt gearing currently at 22% and $160 million of strategic property, allows it to continue to pursue its growth strategy.

Outlook

DGL's long-term supplier relationships, pricing strategies, capabilities across the supply chain, and a robust balance sheet position the company to continue to perform well in FY23. Demand for the company's products and services are expected to remain at strong levels.

In FY22, because of strategically higher stock holdings, expanded capabilities, balance sheet strength and the Group's execution, DGL achieved some opportunistic growth in earnings which is unlikely to be replicated to the same extent in FY23. In addition, inflationary cost pressures across the globe may also have an impact on the earnings growth, albeit the Group will look to respond accordingly. These impacts are expected to be offset by a full year's contribution from the Group's FY22 acquisitions and other organic growth projects. Therefore, the Group anticipates its earnings growth to flatten in FY23 as a result.

Given the above uncertainties, at this stage DGL will not provide further guidance for FY23. A trading update will be provided at DGL's Annual General Meeting.

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Live Webcast

As previously announced, Founder and Chief Executive Officer, Simon Henry, will be joined by Chief Financial Officer, Ben Halsey, to present the FY22 results via a live webcast.

When: 31 August 2022

Time: 10:00am – 11:30am AEST

To attend the video briefing, please register via:
https://webcast.openbriefing.com/9006/

Registered participants will receive a calendar invite and link to the event.

There will be a live Q&A function where investors can submit their questions. Questions will be moderated.

- 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 diversified industrial group 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 has a strong track record of revenue and earnings growth and having listed on the Australian Stock Exchange in 2021, is pursuing a strategy to invest for growth, expanding its capabilities and scale to appeal to a wider customer base.

Lodged with ASX under Listing Rule 4.3A

1. Company Details

Name of reporting entity:	DGL Group Limited
ABN:	71 002 802 646
Reporting period:	1 July 2021 - 30 June 2022
Prior corresponding reporting period:	1 July 2020 - 30 June 2021

2. Results for announcement to the market

Group Results (Audited)	30 June 2022 $'000	30 June 2021 $'000	Change %
Revenue	369,789	154,477	139%
Earnings before depreciation, amortisation, net finance costs and tax expense (EBITDA)	60,975	62,138	-2%
Earnings before interest and tax	43,849	51,671	-15%
Profit before tax (PBT)	41,749	49,502	-16%
Net profit after tax (NPAT)	27,898	47,165	-41%
Net profit after tax (NPAT) attributable to owners of the Company	27,898	47,165	-41%
Weighted average number of shares	270,671	60,848	345%
Basic EPS	10	78	-87%
Net tangible asset backing per share ($)	0.78	0.65	20%
Underlying EBITDA			
- refer to reconciliation below	**65,566**	24,545	167%
Underlying EBIT			
- refer to reconciliation below	**48,440**	14,078	244%
Underlying PBT			
- refer to reconciliation below	**46,340**	11,909	289%
Underlying Net profit after tax (NPAT) attributable to the owners of the Company			
- refer to reconciliation below	**33,576**	9,572	251%
Underlying EPS (cents)			
- refer to reconciliation below	**12.40**	15.73	-21%

No dividend has been paid during the financial year or in the previous corresponding period. No dividend has been proposed or declared since the end of the financial year.

For the review of operations and any other significant information needed by an investor to make an informed assessment of DGL Group's results, please refer to the accompanying DGL Group Limited's 2022 annual report.

3. Reconciliation of Reported to Underlying Earnings

Reconciliation of Reported vs Underlying Earnings	30 June 2022 $'000	30 June 2021 $'000	Change %
Reported EBITDA	**60,975**	62,138	-2%
Add back one-off items incurred during the period[1]	**4,591**	(37,593)	
Underlying EBITDA	**65,566**	24,545	167%
Reported EBIT	**43,849**	51,671	-15%
Add back one-off items incurred during the period[1]	**4,591**	(37,593)	
Underlying EBIT	**48,440**	14,078	244%
Reported PBT	**41,749**	49,502	-16%
Add back one-off items incurred during the period[1]	**4,591**	(37,593)	
Underlying PBT	**46,340**	11,909	289%
Report Net Profit after Tax (NPAT) attributable to owners of the Company	**27,898**	47,165	-41%
Add back one-off items incurred during the period[1]	**5,678**	(37,593)	
Underlying Net Profit after Tax (NPAT) attributable to owners of the Company	**33,576**	9,572	251%

[1] Underlying EBITDA, EBIT and NPAT adjusts for one-off costs including acquisition costs, impairment expenses, debt forgiven, and the tax impact of these items."

4. Entities over which control has been gained or lost during the year

Name of Entity	Date of control gained
Opal Australasia Pty Ltd	1 September 2021
Austech Chemicals Australasia Pty Ltd	1 December 2021
Total Bio Group Pty Ltd	1 May 2022
Total Coolants Management Solutions Pty Ltd	1 May 2022

Details of acquisitions undertaken during the year have been disclosed in Note 33 of the accompanying DGL Group Limited's 2022 annual report.

5. Dividend reinvestment plans

Not applicable

6. Details of associates and joint venture entities

Not applicable

7. Foreign entities

The results of the New Zealand subsidiaries, DGL (NZ) Limited, DGL Manufacturing Limited and DGL Warehousing (NZ) Limited have been compiled using International Financial Reporting Standards (IFRS) as issued by the International Accounting Standards Board.

8. Audit

The financial statements have been audited. The audit opinion is unqualified.

9. Attachments

A Consolidated Statement of Profit or Loss and Other Comprehensive Income together with notes to the financial statements is contained in the attached Annual Report for the year ended 30 June 2022.

A Consolidated Statement of Financial Position together with notes to the financial statements is contained in the attached Annual Report for the year ended 30 June 2022.

A Consolidated Statement of Cash Flows together with notes to the financial statements is contained in the attached Annual Report for the year ended 30 June 2022.

A Consolidated Statement of Changes in Equity showing movements is contained in the attached Annual Report for the year ended 30 June 2022.