



FILIPINO



MANUFACTURING



CUSTOMIZED
SPECIALTY
PRODUCTS



B2B2C

D&L's expansion site in
Batangas, Philippines

D & L

D&L INDUSTRIES

INVESTOR PRESENTATION

November 2019

D&L INDUSTRIES is a Filipino company that makes customized, specialty ingredients for food and chemicals

%

Of Proforma 9M19
Revenue

%

Of Proforma 9M19
Net Income



FOOD INGREDIENTS

Fats, oils and other specialty food ingredients



54%
Revenue

36%
Net Income



**OLEOCHEMICALS & OTHER
SPECIALTY CHEMICALS**
Coco-biodiesel, oleochemicals,
resins and powder coatings



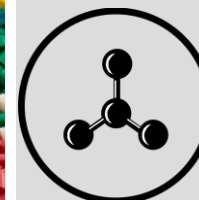
28%
Revenue

36%
Net Income



SPECIALTY PLASTICS

Pigment blends, color and additive masterbatches and engineered polymers



14%
Revenue

24%
Net Income



AEROSOLS

Aerosol & non-aerosol products for homecare, personal care and maintenance chemicals



4%
Revenue

7%
Net Income

D&L

Due to rounding, numbers may not add up precisely

D&L parent is 0.3% of revenues through Management Service Fees / -1% of Net Income

Except for the D&L Industries consolidated balances, which are already net of eliminations, the rest are presented gross of intercompany sales and other elimination

KEY BUSINESS STRATEGIES



**Maintain Market
Leadership**



**Innovate
Continuously**



**Capitalize on Growing
Domestic Consumer Market**

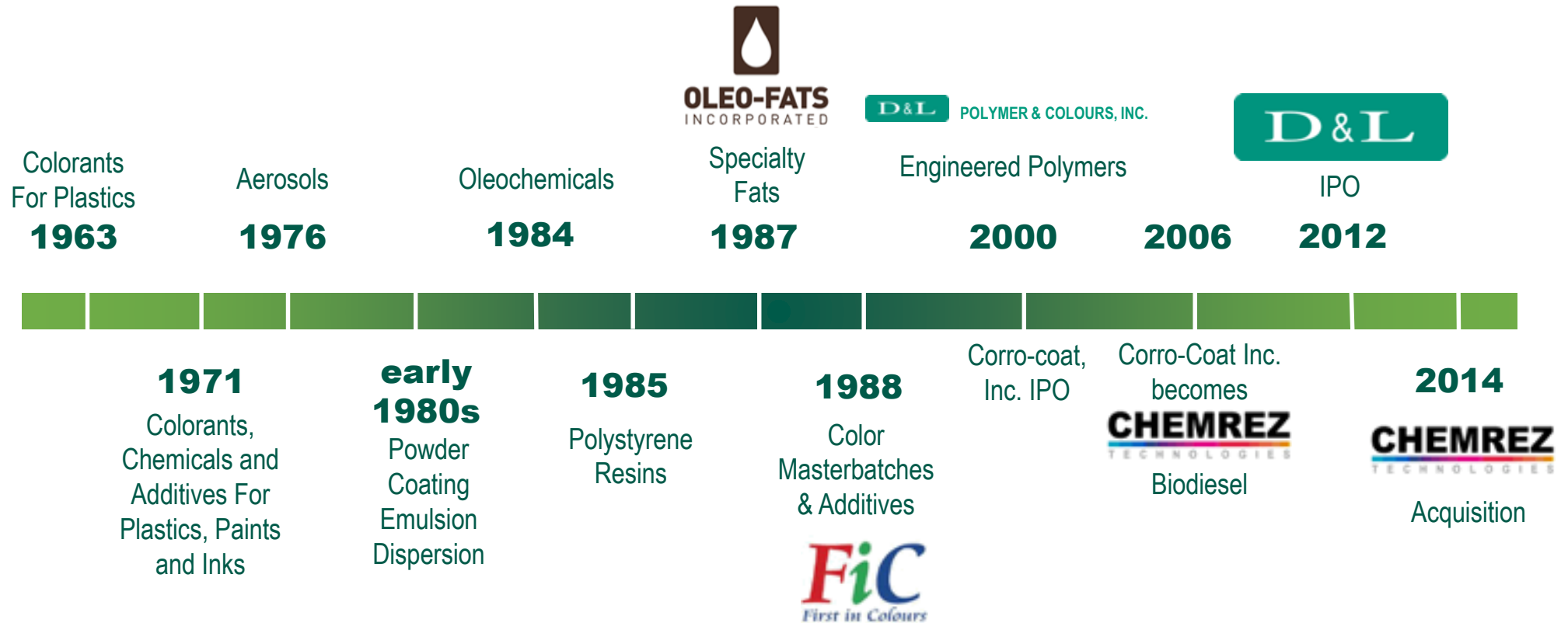


**Enhance Production and
Business Processes**



**Expand
Globally**

Our history of serving customers spans across 50+ years



As the leading B2B2C company in the Philippines, we have longstanding customer relationships with mostly consumer companies

>70%
of sales are to
consumer companies

Length of Customer Relationships (in Years)

| | |
|--|----|
| BOYSEN® The No. 1 PAINT | 34 |
| SUMITOMO ELECTRIC YAZAKI | 27 |
| Nestlé Monde Nissin CORPORATION UNIVERSAL ROBINA CORPORATION | 23 |
| KFC bench/ Jollibee U | 19 |
| Max's McDonald's | 15 |
| PETRON 3M neumann & mueller PANCAKE HOUSE | 11 |
| Shakey's Krumpy Kreme DOUGHNUTS | 9 |
| EPSON® | 6 |



Shortening
Flavored Toppings
Flavored Glazes
Icings



Frying Oils
Gravy Mixes
Breading
Dipping Sauces



Body Fragrance
Sprays
Insect Control Sprays
Spray Paints
Brake Cleaners



Flavored Coatings
Syrups & Fudges
Whipped Cream
Soft Ice Cream
Mix



Pancake Mix
Butter Compounds
Margarines
Maple Flavored
Syrups

Majority of the Board are independent directors while 3 out of 7 board members are female – highlights the importance we place on good corporate governance and gender diversity.

BOARD OF DIRECTORS*



Yin Yong L. Lao, 67 years old
Chairman & Director
 Trustee - Association of Petrochemical Manufacturers of the Philippines
 B.A. in General Studies
Ateneo de Manila University
 Years of D&L experience : 43



John L. Lao, 64 years old
Vice Chairman
 Chairman/President – Aero-Pack
 B.S. in Business Administration
University of the East
 Years of D&L experience: 42



Alvin D. Lao, 48 years old
CEO & President
 Director of Axis REIT; Former President of EO Philippine Chapter, member since 2000
 B.S. in IT (Honours) and Statistics from the *University of Western Australia*
 MBA from the *MIT Sloan School of Management*.
 Years of D&L experience: 19

INDEPENDENT DIRECTORS



Mercedita Nolleto, 78 years old
 Lawyer and CPA
 Former Senior Managing Director & Corporate Secretary of Ayala Corp.
 Chairman, BPI Investment Management;
 Director of Xurpas, Inc. ; Trustee, - Ayala Foundation and BPI Foundation
 B.S. Business Administration & Bachelor of Laws from the *University of the Philippines*



Filemon Berba, 81 years old
 Member of Institute of Corporate Directors
 Former President of Globe and Manila Water
 B.S. Electrical Engineering from the *University of the Philippines*
 MBA from the *Wharton School of the University of Pennsylvania*



Corazon S. Dela Paz-Bernardo, 78 years old
 CPA
 Former President & CEO of Social Security System
 Former Senior Partner and Chair at Joaquin Cunanan & Co (PricewaterhouseCoopers Philippines)
 First non-European President of the International Social Security Association
 B.S. Accountancy from *University of the East*
 MBA from *Cornell University*



Lydia Balatbat-Echaz, 71 years old
 Former President of Far Eastern University
 Director of Metro Pacific Investments
 A.B. in Economics and Mathematics from *St. Theresa's College*
 MBA from *Ateneo de Manila University*
 DBA from *De La Salle University*

Professional managers and second generation family members with more than 20 years of experience in sales, marketing & business development compose our Senior Management team.

SENIOR MANAGEMENT



Amorsolo M. Rosario, 58 years old
Chief Financial Officer, Treasurer, & Chief Compliance Officer
Former SVP of Finance of Nestle Phils.
27 years in Nestle (PHL, AUS, UK, & SWI)
B.S. Bus Admin & Accountancy from the *University of the Philippines*
Executive Development Program of *Switzerland International Institute for Management Development*
Years of D&L experience: 7



Joselito P. Rivera, 56 years old
Chief Operating Officer
Former Global Head for Leadership at Ericsson Corporate HQ in Sweden
Lead Adviser for Marikina Local Government
Chairperson, Board of Trustees, and OIC
President of Pamantasan Lungsod ng Marikina
A.B. Psychology from *Ateneo de Manila University*



Dean A. Lao, Jr., 52 years old
Managing Director of Chemrez
Chairman - United Coconut Association of the Phils; Director - ASEAN Oleochemical Manufacturing Group, President - Philippine Oleochemical Manufacturers Association & Philippine Biodiesel Association, Advanced Management Program of *Harvard Business School*
Years of D&L experience: 22



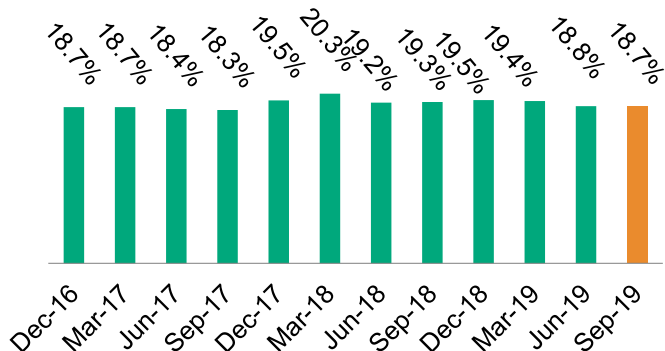
Lester A. Lao, 50 years old
Managing Director of FIC & DLPC
B. A. S. in Information Business from *Edith Cowan University*
Years of D&L experience: 28



Vincent D. Lao, 45 years old
Managing Director of Oleo-Fats
Previously Assistant Trader at Shuwa Co. Ltd. In Japan, 1994-1995
B.A. in Economics and Japanese Studies from *the University of Western Australia*
Years of D&L experience: 23

Our wholly owned subsidiaries are focused on core activities such as R&D, sales, supply chain, and manufacturing, with shared services* handled by the D&L group

Foreign Ownership as % of Outstanding Shares



Source: Stock Transfer Service Inc.

Lao Family

58.7% Jadel Holdings Co., Inc.
(Lao Family holding company)

10.9% Individual Family Members

69.6%

Public

30.4%

D & L

*(legal, MIS, accounting and finance, HR)

100%



OLEO-FATS
INCORPORATED

FOOD INGREDIENTS

100%

CHEMREZ
TECHNOLOGIES

**OLEOCHEMICALS, RESINS,
& SPECIALTY CHEMICALS**

100%

FiC
First in Colours

D & L

POLYMER & COLOURS, INC.

SPECIALTY PLASTICS

100%

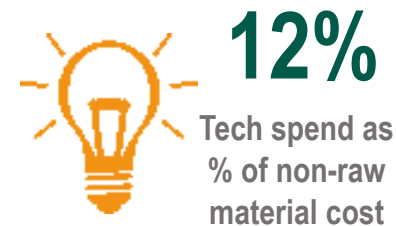
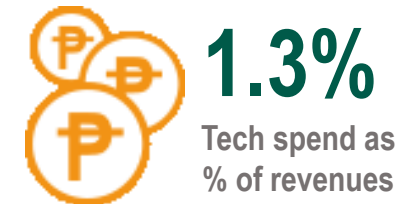
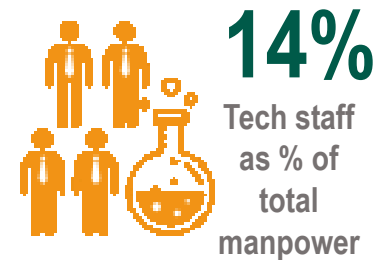
AERO-PACK

AEROSOLS

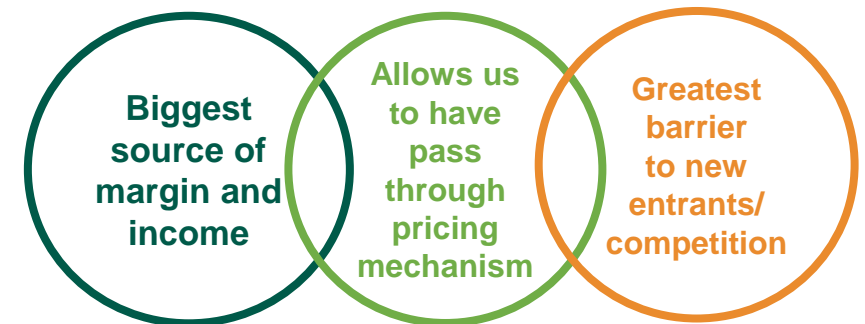
We are shaped and driven by R&D and disciplined innovation

OUR MISSION

- We are dedicated to growth. We are not complacent, timid, or satisfied with status quo
- We are committed to increase productivity and profitability, but not at the expense of ethics
- We will continuously enhance our reputation for quality and value. Our products and services must always represent good value for money and be competitive in the market place
- We will maintain our market leadership through creativity, innovation and excellence in performance tempered with experience
- We are proud of our employees. We consider them as our most valuable asset. We will maintain an atmosphere where our people can develop their abilities and potential while working together enthusiastically to achieve our goal
- We will contribute to the well-being of the communities in which we operate, and accept our responsibilities as citizens of the Philippines



We are research-oriented. We will keep abreast of the latest technology and have our fingers on the pulse of the market to identify the market needs that must be met



We have an integrated supply chain that maximizes efficiency of working capital management



FLEET OF BARGES

Direct access to fleet of 6 barges with an aggregate capacity of 10,000 metric tons to transport crude oils and raw materials to its refineries and storage tanks near the port



STORAGE CAPABILITY

Ability to store 33,000 metric tons of oil; refining facility of 300,000 metric tons per annum is strategically located near port, optimizing transportation efficiency



INTERCONNECTED GROUND TRANSPORT SYSTEM

Superior ground logistics of 42 road tankers with total capacity of over 1,064 metric tons; ensures just-in-time delivery to customer, thereby increasing supply chain efficiency

Key Benefits of Supply Chain Process

- Know-how of entire supply chain process ensures that the company can anticipate and allocate the optimal resources for transportation of its products
- Not dependent upon third-parties to provide logistics

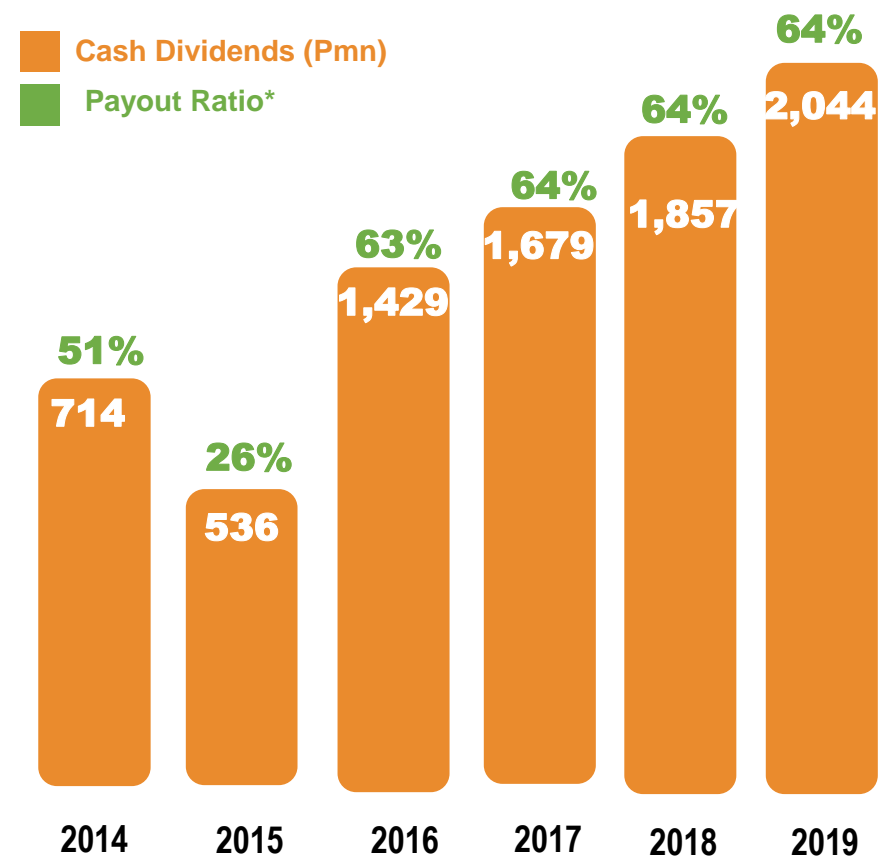
ASSET-LIGHT MODEL

| Rental expenses (paid to affiliates) | Management and Shared Service Fees (MSSF) |
|--|--|
| land, facilities, warehouses, and barges | D&L provides management and shared services to its subsidiaries and affiliates, including executive management and admin support such as legal, MIS, accounting, human resource, and finance |
| | MSSF from subsidiaries are eliminated in consolidation |
| 9M19: P177 mn 1% of total costs and expenses | 9M19: P44 mn 0.3% of total revenues |

Our dividend policy increased from a 25% to 50% payout ratio* (effective 2016)






| Dividend Per Share | 2014 | 2015 | 2016 | 2017 | 2018 | 2019 |
|--------------------|-------|------------|-------|--------|--------|--------|
| Total | P0.20 | P0.15 | P0.20 | P0.235 | P0.26 | P0.286 |
| Regular | P0.10 | P0.15 | P0.16 | P0.185 | P0.205 | P0.223 |
| Special | P0.10 | 100% stock | P0.04 | P0.05 | P0.055 | P0.063 |

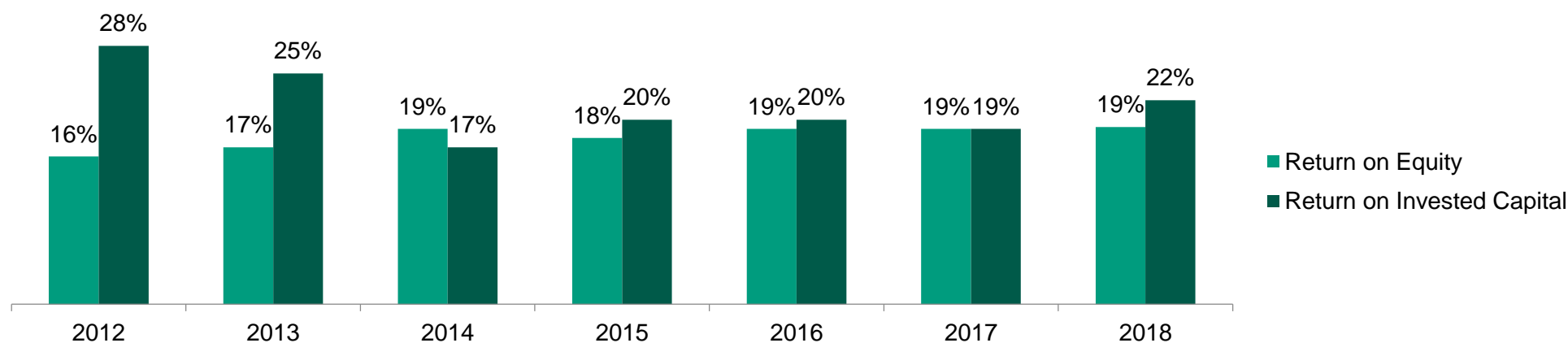
| Dividends | Cash |
|--------------|---------------|
| Ex-Date | June 21, 2019 |
| Record Date | June 26, 2019 |
| Payment Date | July 22, 2019 |



Dividend yield of **3.2%** based on August 13, 2019 closing price of Php8.93/sh.

We consistently achieve earnings growth and continue to improve on returns

| |  Food Ingredients |  Oleochemicals & Other Specialty Chemicals |  Specialty Plastics |  Aerosols |  D&L Industries – Consolidated |
|-------------------|---|--|---|---|--|
| FY2018 Net Income | P1.01 billion | P1.22 billion | P762 million | P194 million | P3.19 billion |
| 3Y CAGR | +7% | +14% | +13% | +25% | +12% |



INVESTOR RELATIONS



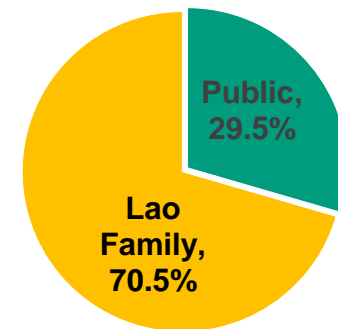
P61 bn*

Rank 47 among
Philippines'
largest companies
by market cap

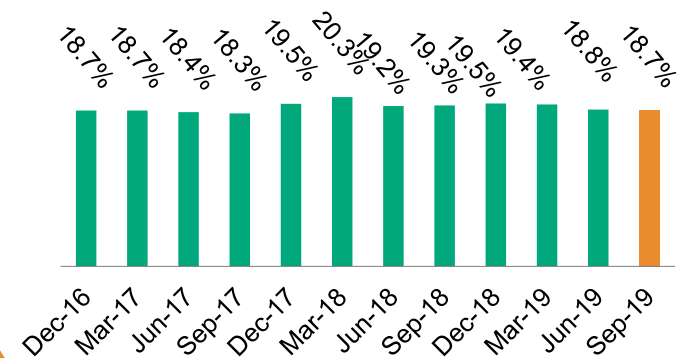
12-Month Daily Trading Average*



**Ownership as of
September 2019**



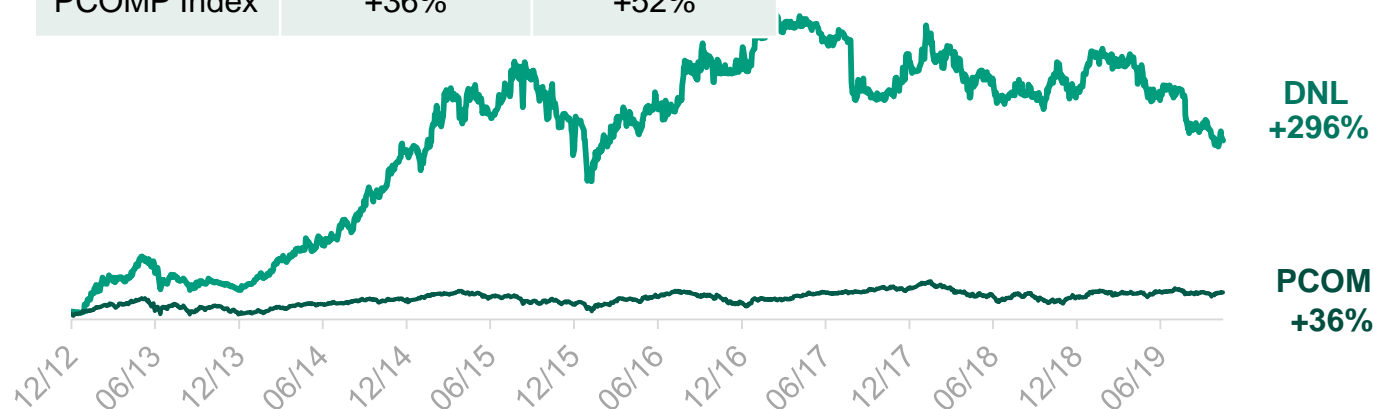
**Foreign Ownership as %
of Outstanding Shares**



INVESTOR RELATIONS

Return since IPO as of 10/29/2019

| | Price Change | Total Return |
|-------------|--------------|--------------|
| DNL PM | +296% | +354% |
| PCOMP Index | +36% | +52% |



Price as of 10/28: P8.52
 Market Cap as of 10/28: P61bn
 USD 1.2bn (USD1:P51.088)
 Outstanding Shares: 7,142,857,990

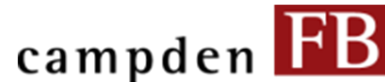
DLNDY:US
 Un-sponsored ADR
 (BNY Mellon & Citi)
 1ADR = 25 Ordinary

| DATE | EVENT | VENUE |
|--------------------|---------------------------------|-----------|
| January 9-10, 2020 | CS ASEAN Conference | Singapore |
| February 3, 2020 | JP Morgan Philippine Conference | Manila |
| March 4 – 6, 2020 | UBS CEO-CFO Forum | Manila |

We have been awarded and recognized both locally and internationally

Institutional Investor

2017 – Most Honored Company; Alvin D. Lao as Best CEO; 3rd Best Investor Relations Program



2017 – Top 50 Global Challengers (2nd place)

Finance Asia

2019 – Best Mid-Cap Company, 7th Best Investor Relations

2018 – 2nd Best Mid-Cap Company

2015 & 2016 – Best Mid-Cap Company

2015 – Alvin D. Lao as Best CFO – 2nd Place; Best Investor Relations – 9th place

2014 – 3rd Best Mid-Cap



2015 – Alvin D. Lao, CFO Best IR by a senior management team Small & mid-cap – South East Asia



2016 & 2015 - Asia's 200 Best Under a Billion



2014- Best Managed Company– Small Cap Category (Philippines) candidate



2014 - Top 10 Corporate Governance and Sustainability Report



2013- Islamic Market ASEAN Index



2014 & 2015 - Top 50 Best Performing Philippine-listed Companies - ASEAN Corporate Governance Scorecard



2015 - Global Equity Index Asia Pacific ex Japan All Cap & Small Cap



2013 - Global Small Cap Index

CORPORATE SOCIAL RESPONSIBILITY



of D&L's annual net income is committed to corporate social responsibility programs through the foundation

AREAS OF FOCUS



Education



Values formation

P40mn

donation to the foundation in 2019

114

Full scholarships given between 3 communities

317

Educational Assistance scholars with partner organizations

670

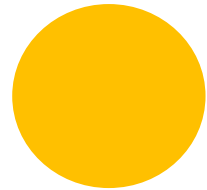
Indigent students sponsored for Christmas gift-giving

Our CSR projects focus on education and values formation

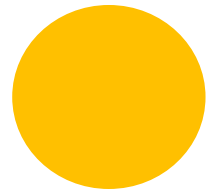
| PROGRAM | BENEFICIARIES |
|-------------------------------------|---|
| Partner Based Educational Program | College, TechVoc, High School, Elementary and Hearing Impaired students nationwide |
| Community Based Educational Program | Various communities and elementary schools where D&L plants are located |
| ELL Teachers Welfare Program | Retired teachers of Grace Christian High School and teachers of Purple Centers Foundation |
| LBL Educational Program | Scholarships for the Most In-Need Children & Dependents of D&L Employees Educational Excellence Grants for Children of D&L employees |

9M19Results

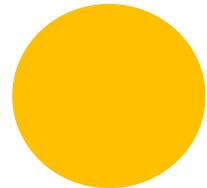
9M19 Highlights



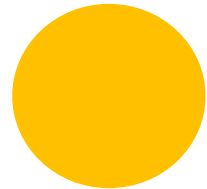
On a quarter-on-quarter basis, HMSP volume was up 15% in 3Q19



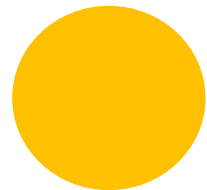
Effects of Government underspending still being felt



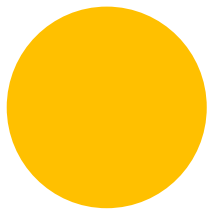
Sales mix continues to improve with HMSP contribution at 71%; margins at 25.5% in 9M19



9M19 recurring net income at P2.0 billion, EPS of P0.28

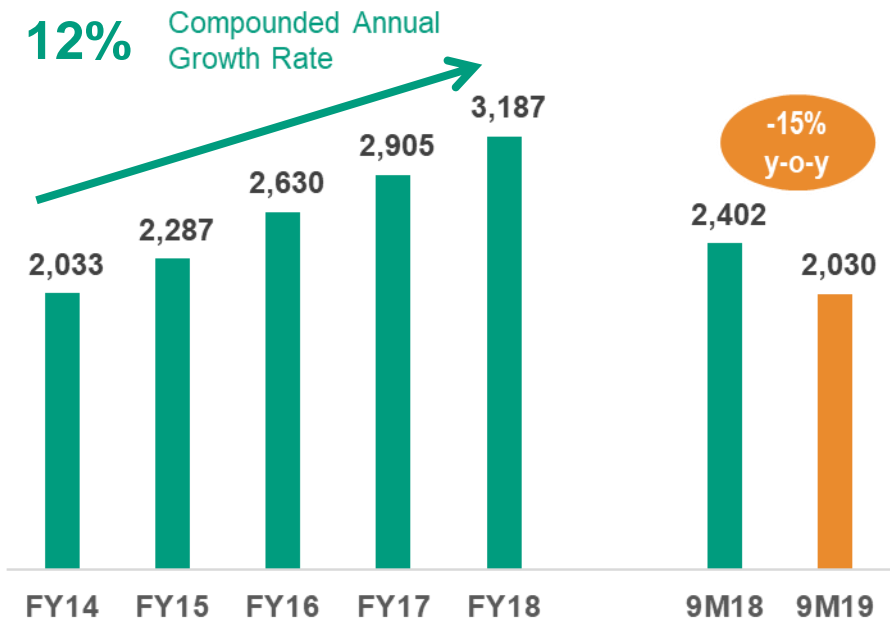


We expect that the worst may be over, with improved conditions seen in 2020

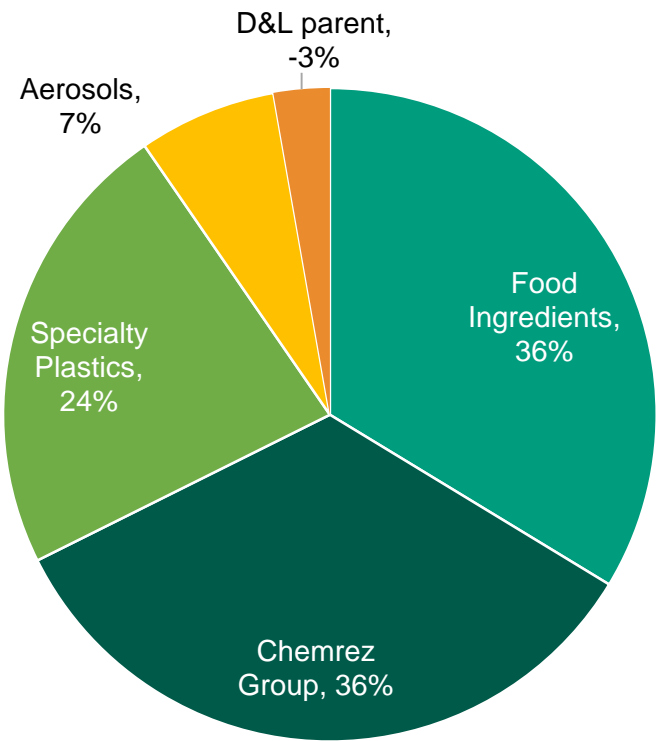


1H19 Net Income at Php 2.0 bn, down 15% YoY

Net Income (Php mn)



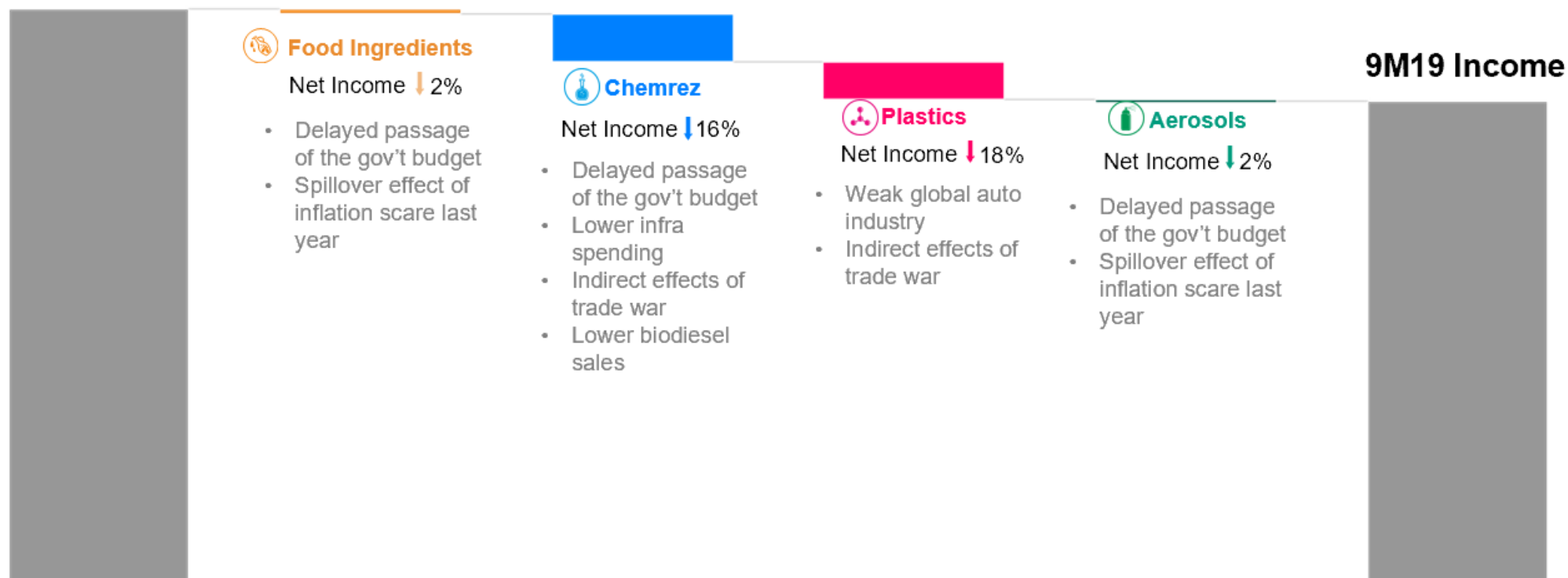
Net income breakdown

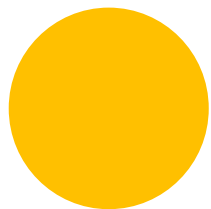


Segment Performance Summary

Weakness in non-food business dragged profits in 9M19

9M18 Income

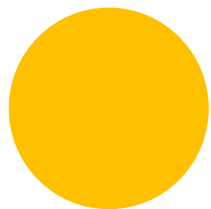




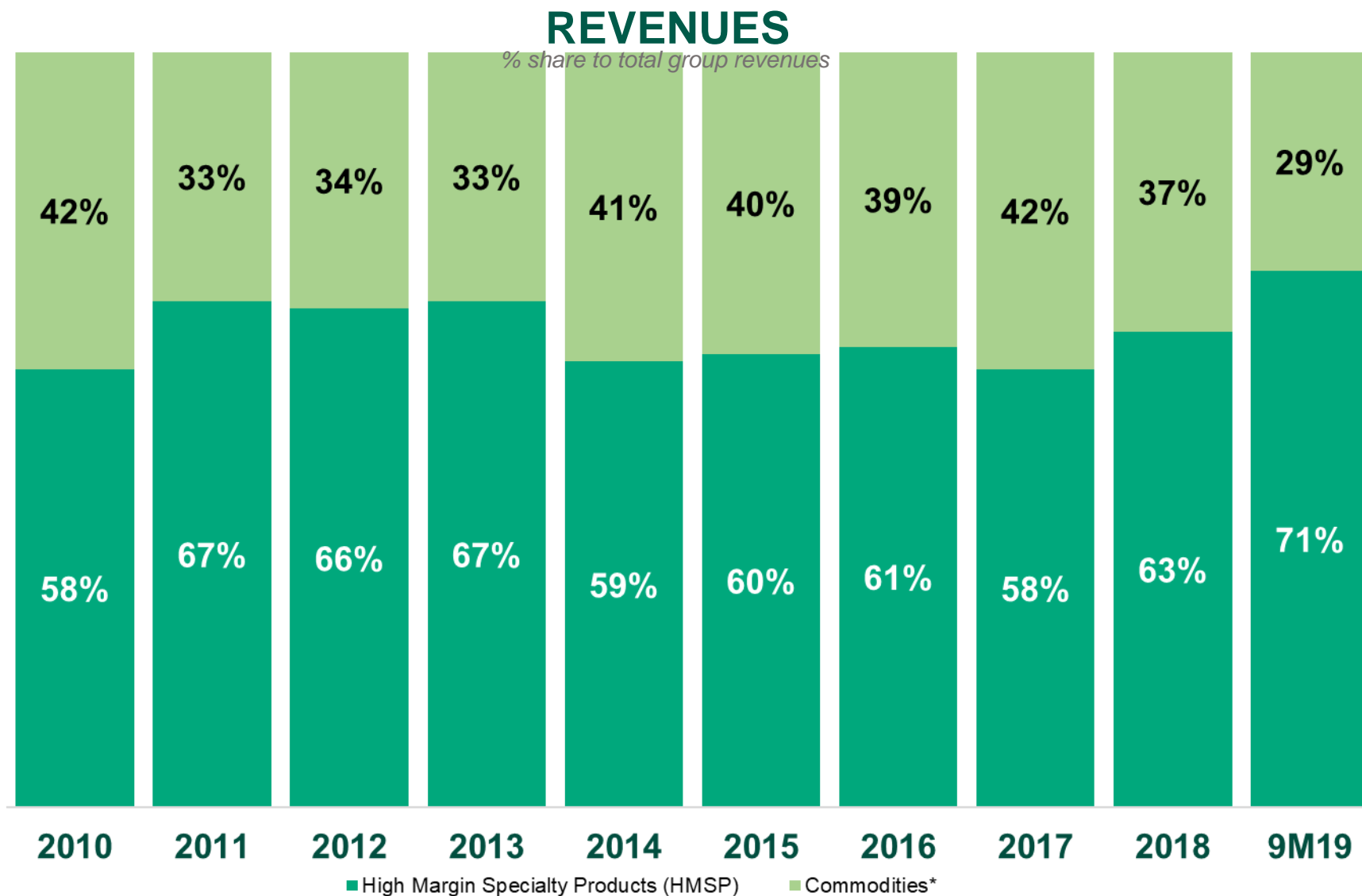
9M19 Condensed Income Statement

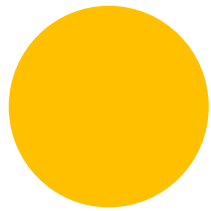
Blended GPM expanded by 3ppts in 9M19

| (In P mn) | Nine months ended Sept 30 | | | 3Q19 | | | QoQ | | |
|------------------------|---------------------------|--------------|-------------|------------|------------|-------------|------------|------------|------------|
| | 9M19 | 9M18 | % change | 3Q19 | 3Q18 | % change | 3Q19 | 2Q19 | % change |
| Sales | 16,555 | 20,172 | -18% | 5,519 | 6,905 | -20% | 5,519 | 5,160 | 7% |
| COGS & Cost of Service | (13,051) | (16,500) | -21% | (4,413) | (5,617) | -21% | (4,413) | (3,996) | 10% |
| Gross Profit | 3,503 | 3,672 | -5% | 1,106 | 1,288 | -14% | 1,106 | 1,163 | -5% |
| Operating expenses | (829) | (762) | 9% | (276) | (255) | 8% | (276) | (270) | 2% |
| Other operating income | 24 | 114 | -79% | 19 | 39 | -52% | 19 | (12) | |
| Interest expense | (155) | (136) | 13% | (57) | (45) | 25% | (57) | (32) | 74% |
| Profit before tax | 2,544 | 2,887 | -12% | 792 | 1,027 | -23% | 792 | 848 | -7% |
| Income tax | (513) | (485) | 6% | (175) | (154) | 14% | (175) | (183) | -4% |
| Net Income | 2,030 | 2,402 | -15% | 617 | 874 | -29% | 617 | 665 | -7% |
| Gross Profit Margin | 21.2% | 18.2% | 3.0 | 20.0% | 18.7% | 1.4 | 20.0% | 22.5% | (2.5) |
| Net Profit Margin | 12.3% | 11.9% | 0.4 | 11.2% | 12.7% | (1.5) | 11.2% | 12.9% | (1.7) |



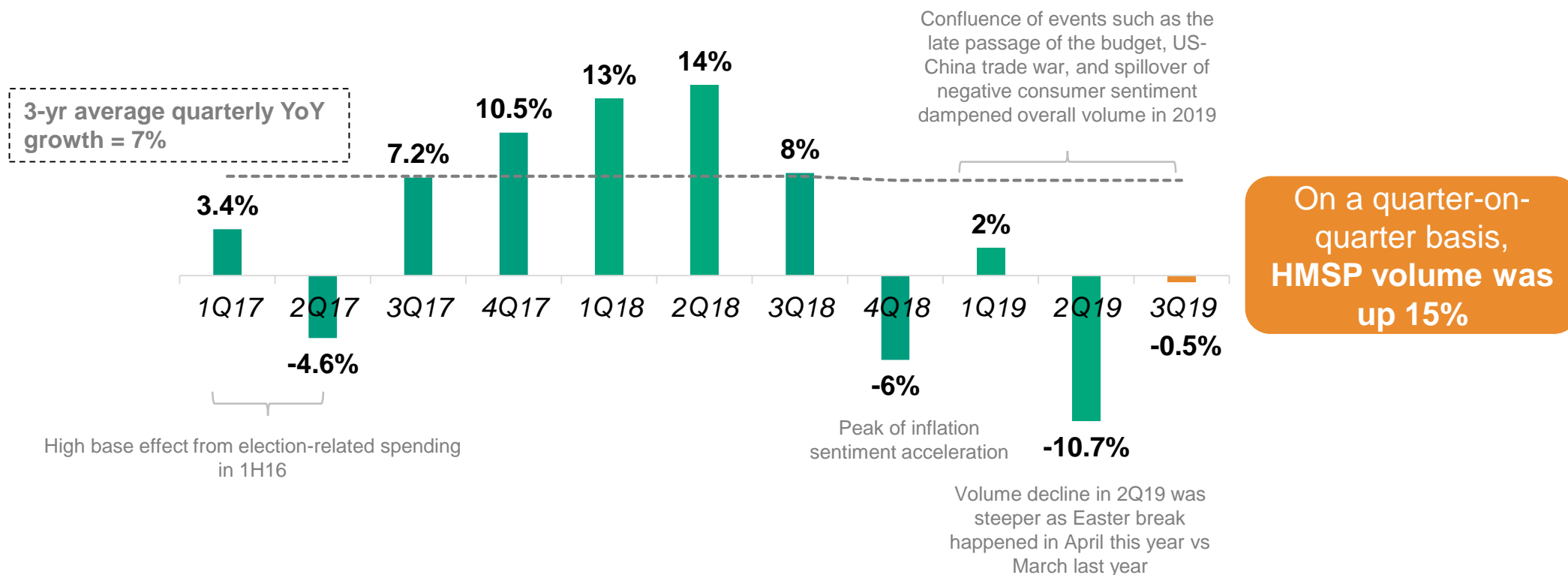
Continued improvement in sales mix with HMSP sales contribution at 71% in 9M19



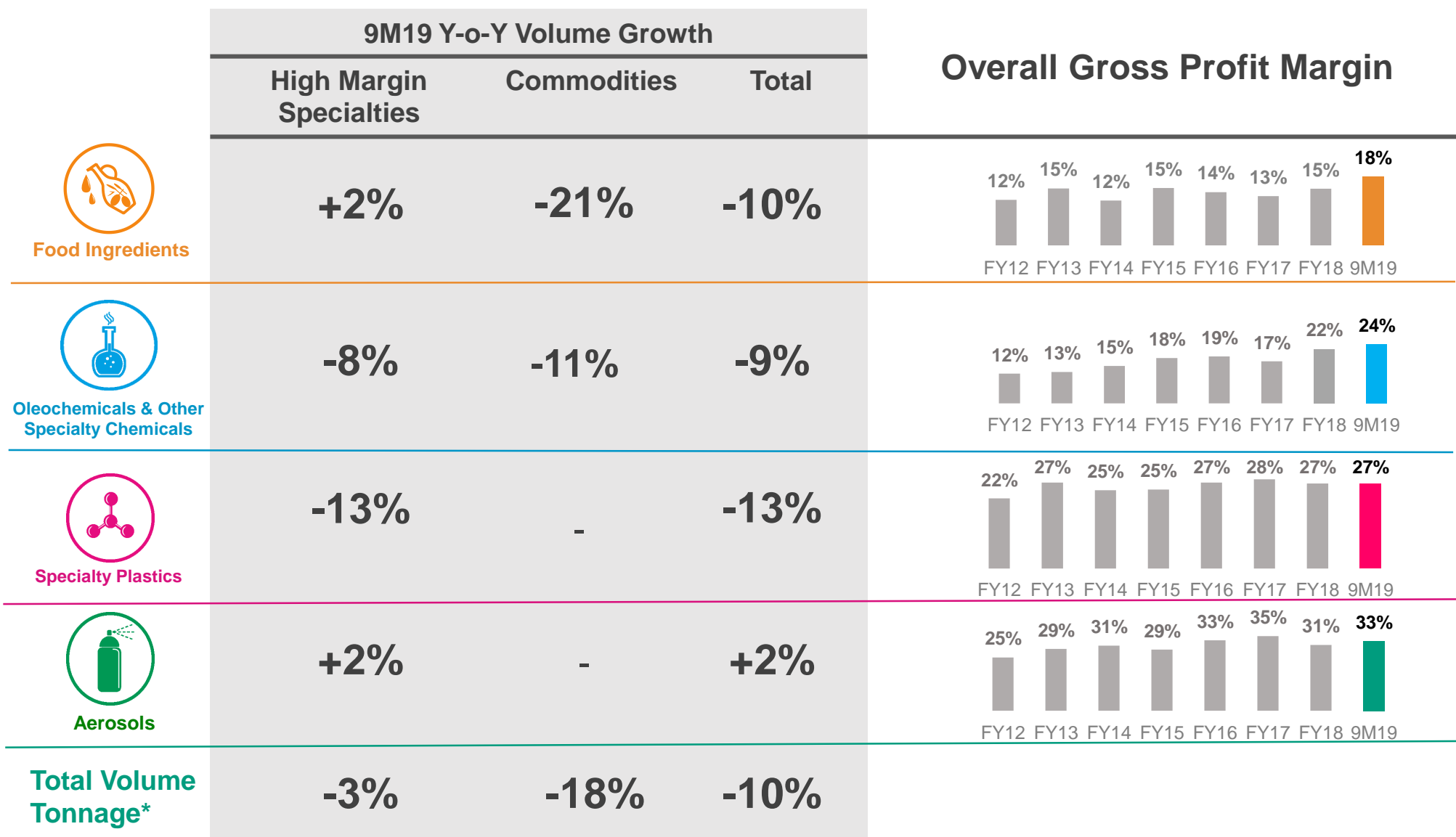


HMSP volume showing signs of recovery from a slump in 2Q

HMSP volume growth (YoY)

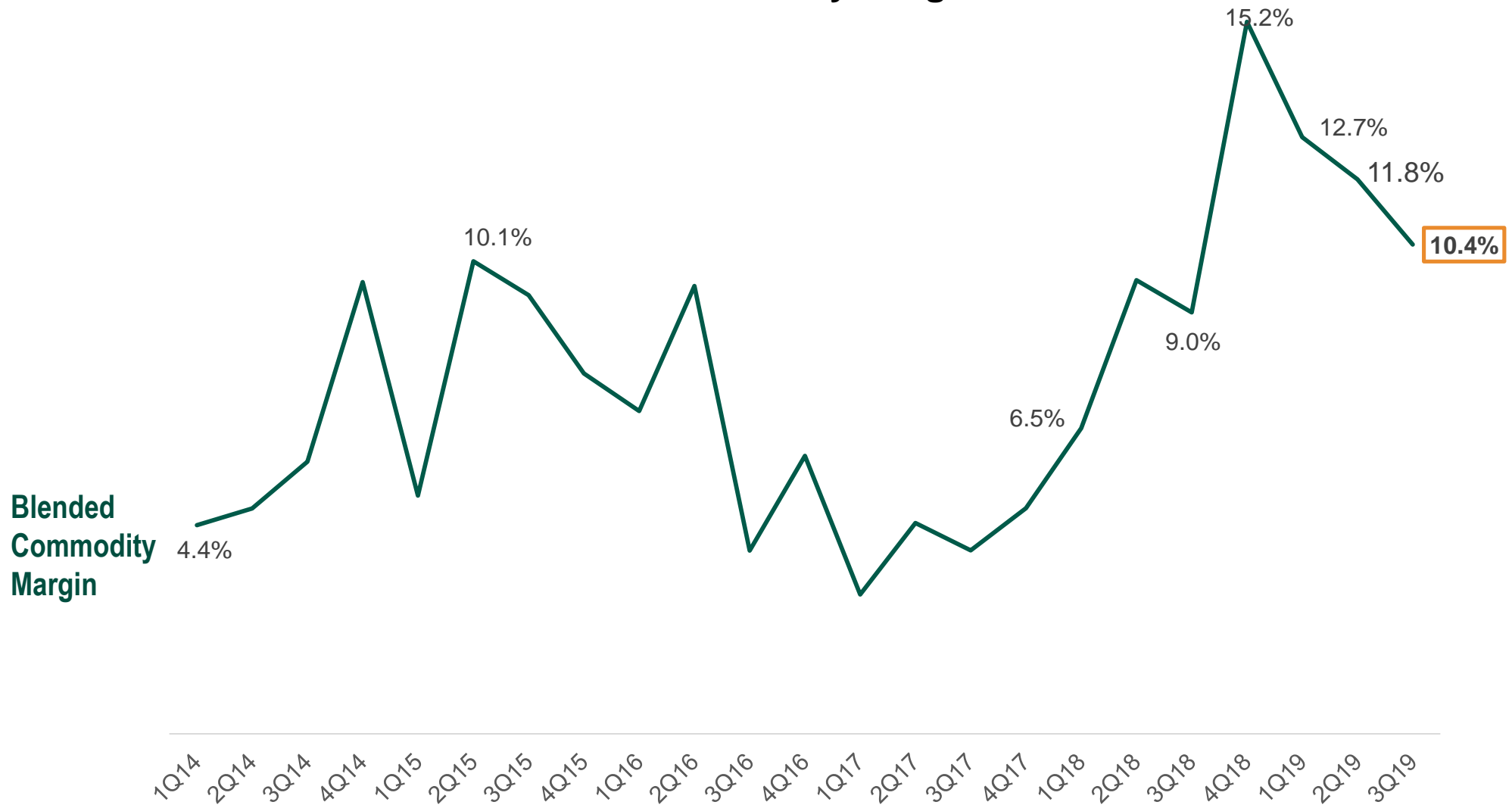


Segment volume growth and GP Margin

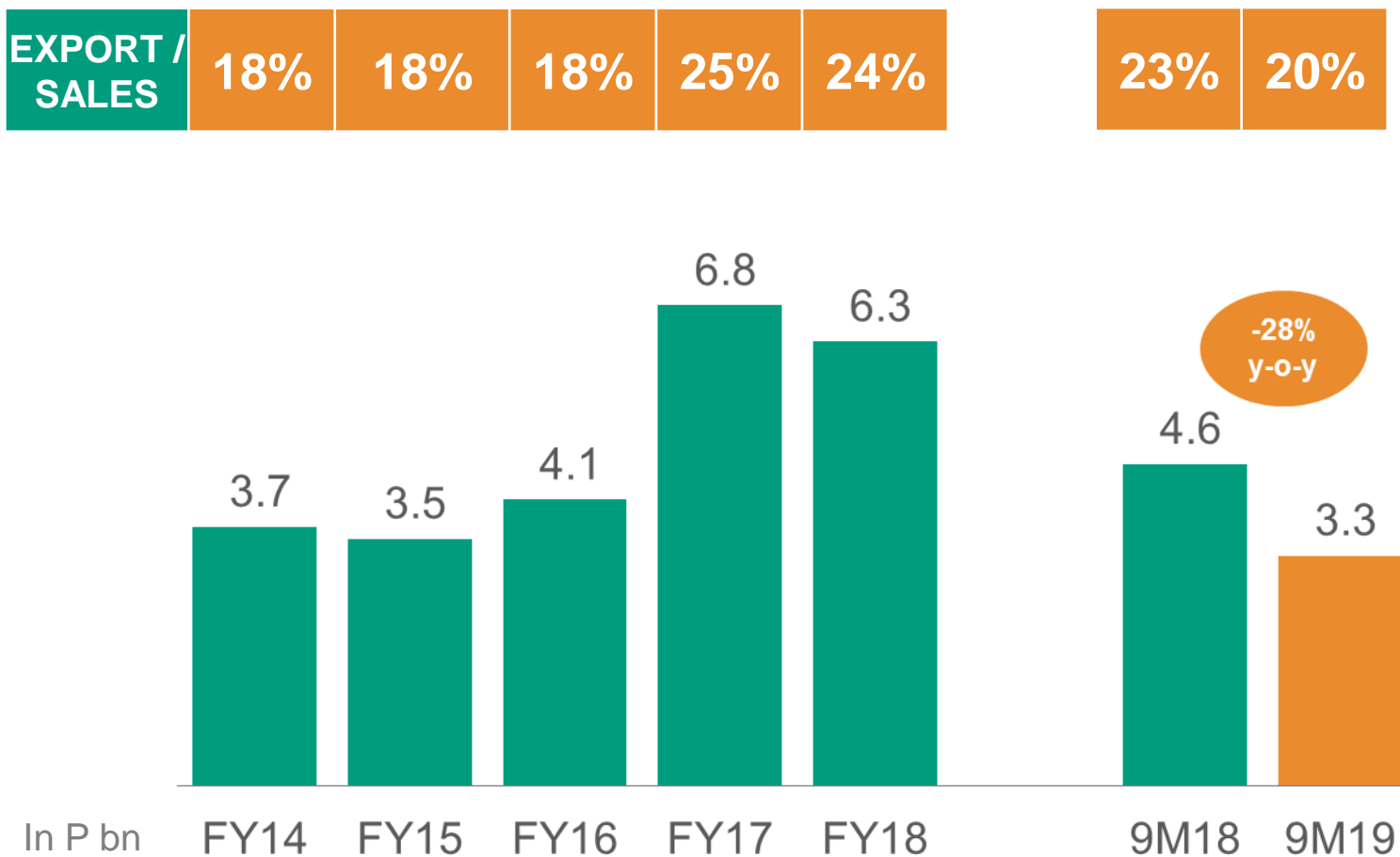


Historical Commodity Margins

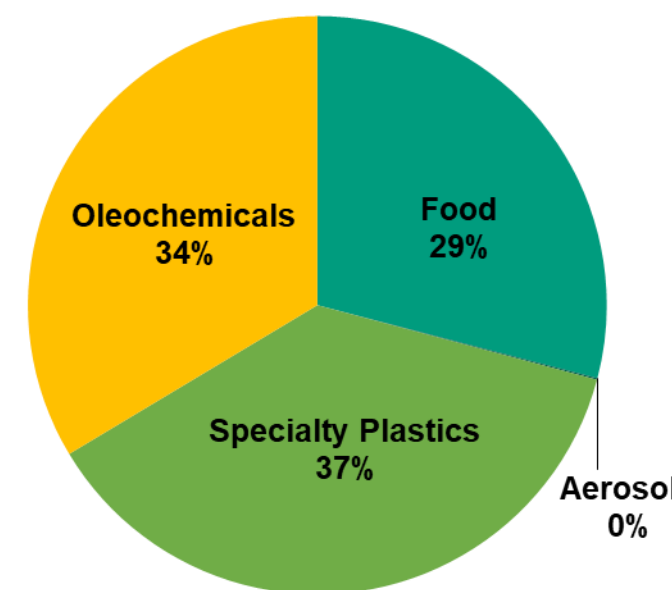
Quarterly Margins



Exports revenue contribution stood at 20%



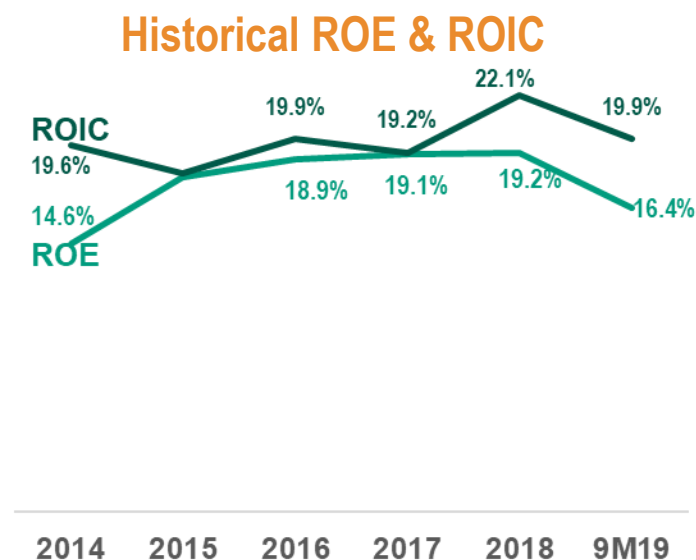
Breakdown of exports



Financial & Operating Highlight

ROE & ROIC at healthy levels

| | 9M19 y-o-y | FY18 y-o-y |
|-------------------------|-----------------------|-----------------------|
| Revenue growth | -18% | -4% |
| Recurring income growth | -15% | +10% |
| Blended GPM | 21.2% | 19.1% |
| Sales Mix | 71% HMSP 29% CMTDY | 63% HMSP 37% CMTDY |
| Free Cash Flows | +2.9bn | +P4.1bn |
| Net Gearing | 9% | 10% |
| ROE | 16.4% | 19.2% |
| ROIC | 19.9% | 22.1% |



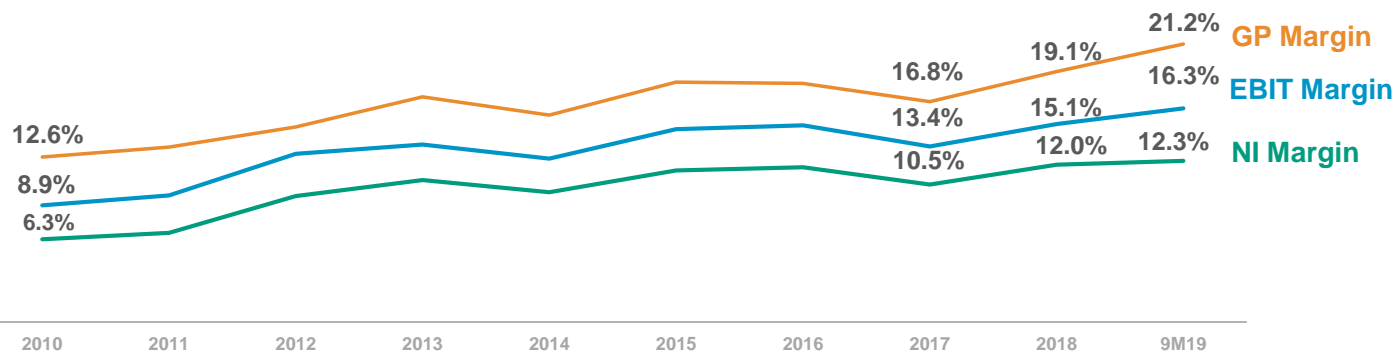
Financial & Operating Highlight

Positive FCF despite higher capex for expansion as commodity prices remain low

Condensed Statement of Cash Flows

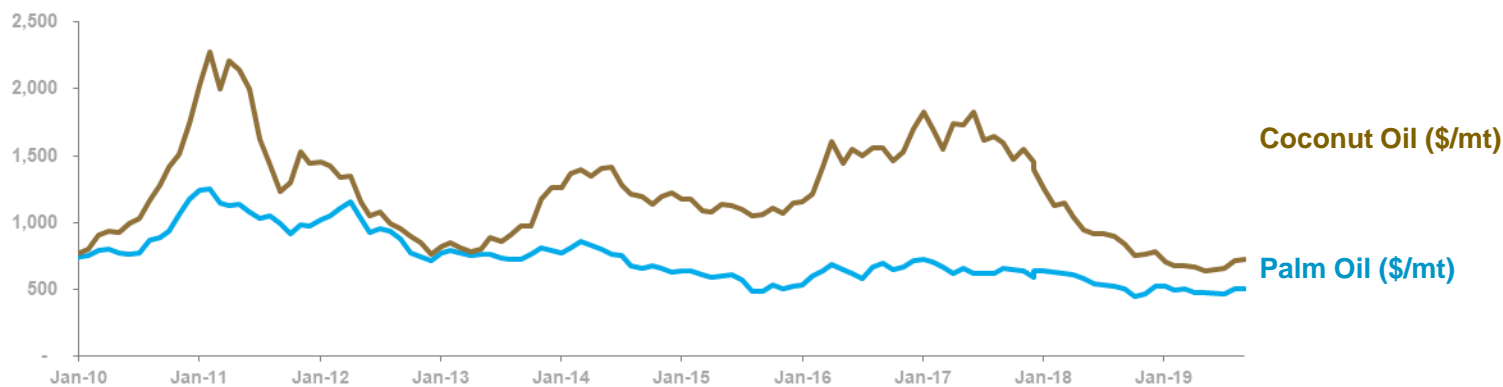
| | In PMN | 9M19 | FY18 |
|-------------------------------|--------------------------------|--------------|--------------|
| | EBITDA | 3,198 | 4,443 |
| | Interest Received | 21 | 13 |
| | Paid taxes | (414) | (647) |
| | Non cash items | (19) | 30 |
| Lower commodity prices | Change in working capital | 1,804 | 1,165 |
| | Net Operating Cash Flow | 4,590 | 4,994 |
| Higher capex due to expansion | Capex | (1,659) | (873) |
| | Free Cash Flow | 2,931 | 4,121 |

Pass-through pricing mechanism as natural hedge against volatility in forex and commodity prices



We've seen margins improve since 2010 due to our investment in R&D.

High Margin Specialty Products drive margin expansion



Average 9M19 Prices
Coconut Oil -35% y-o-y
Palm Oil -16% y-o-y



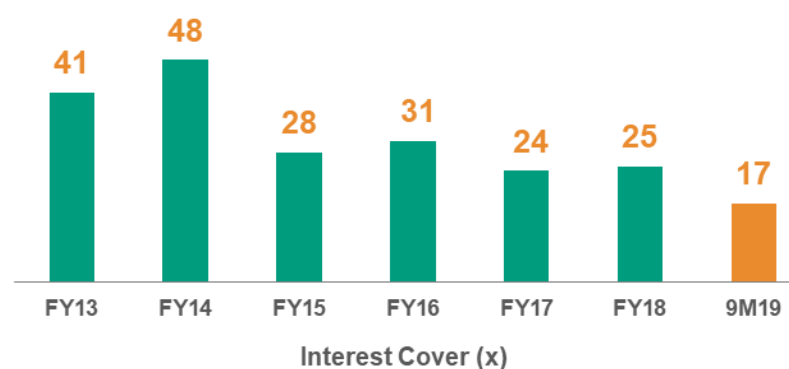
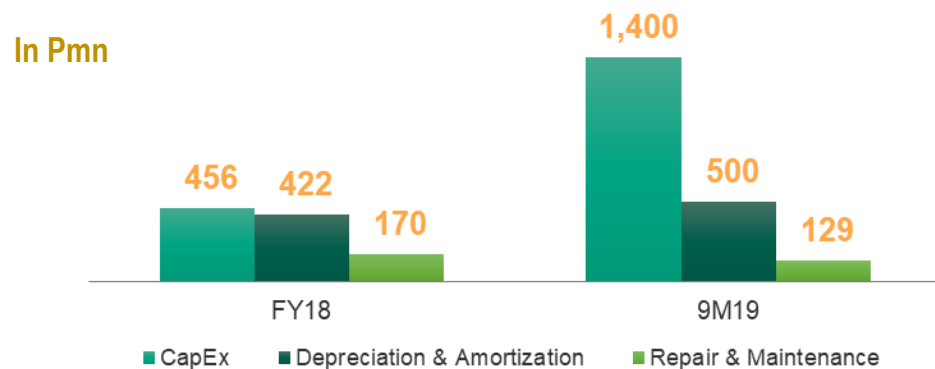
Average PhP:US\$
9M19: P52.05
1H18: P52.5

9M19 Group Results

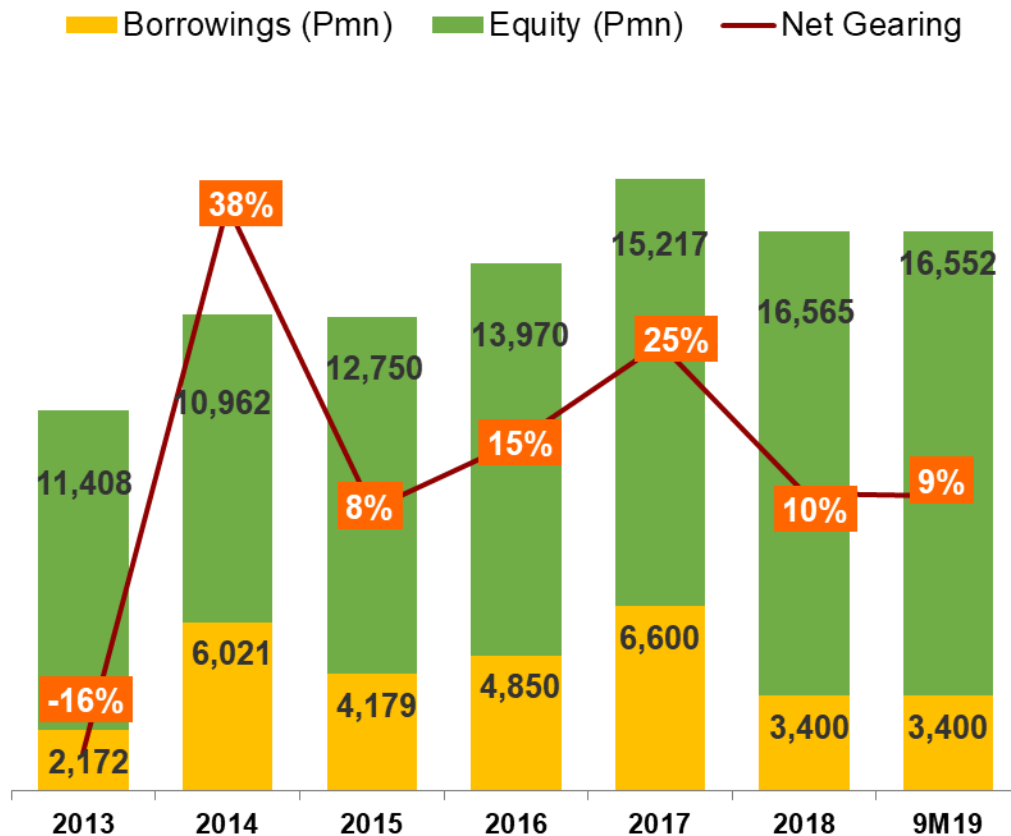
| |  Food Ingredients |  Oleochemicals & Other Specialty Chemicals |  Specialty Plastics |  Aerosols |  D&L Industries - Consolidated |
|-------------------------------------|--|--|--|--|---|
| % change in Revenues | (16%) | (26%) | (10%) | (6%) | (18%) |
| % change in Income* | (2%) | (16%) | (18%) | (2%) | (15%) |

Balance Sheet remains robust

| In Pmn | As of end Sept-19 | As of end Dec-18 | In Pmn | As of end Sept-19 | As of end Dec-18 |
|-------------------|-------------------|------------------|---|-------------------|------------------|
| Cash | 1,835 | 1,775 | Book Value | 16,552 | 16,565 |
| Current Assets | 12,724 | 14,656 | BVPS ¹ (in P) | 2.32 | 2.32 |
| Total Assets | 22,401 | 22,397 | Debt-to-equity (Borrowings/ Equity) | 0.21x | 0.21x |
| Borrowings | 3,400 | 3,400 | Return on Equity | 16.3% | 19.2% |
| Total Liabilities | 5,848 | 5,833 | Return on Invested Capital ² | 19.9% | 22.1% |



CAPITAL STRUCTURE



17x

interest
cover

P1.6
Billion

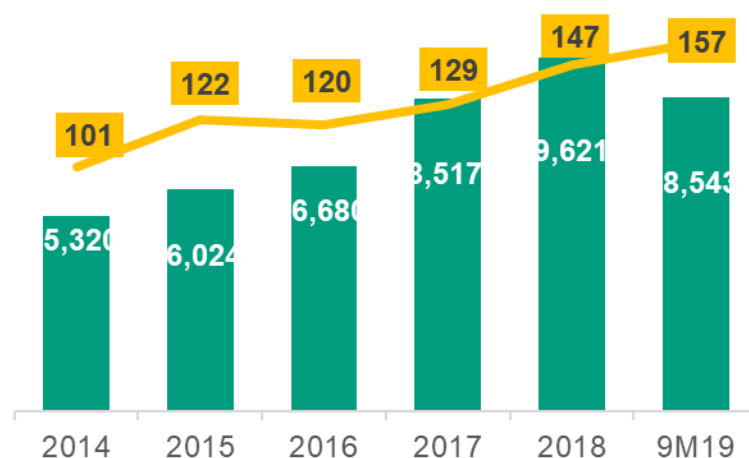
net
debt

~5.08%
p.a.

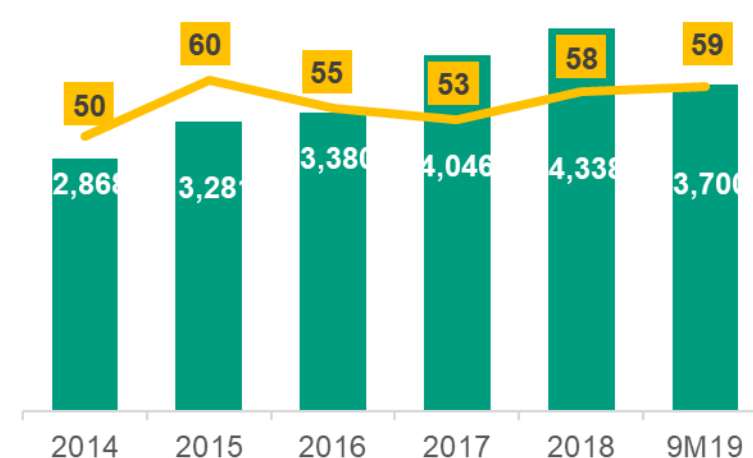
average
cost of debt*

WORKING CAPITAL CYCLE

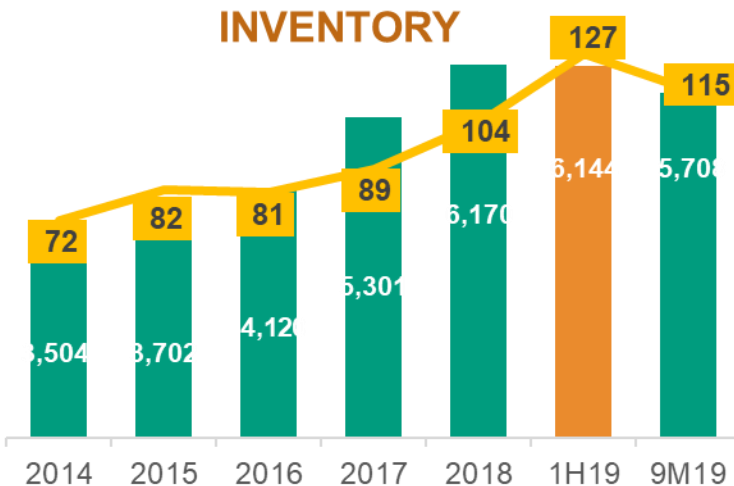
CASH CONVERSION



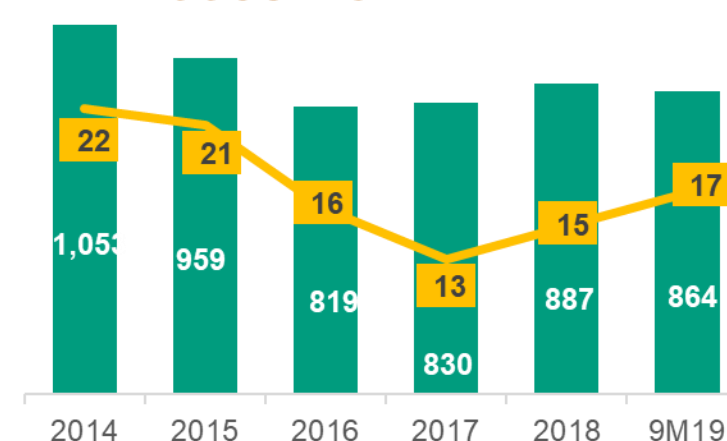
ACCOUNTS RECEIVABLE



INVENTORY



ACCOUNTS PAYABLE



Account balance (P mn)



Cycle (in days)

Port congestion starting 4Q18 to 1Q19 required buffer stocks which translated to higher inventory levels for the said periods. 9M19 figure shows improvement from peak level last quarter.

Things to look forward to:

- Continued easing in inflation
- Lower interest rates and RRR to boost the economy
- Port congestion currently much less compared to same period last year
- Ramp up in government spending
- Crude oil prices expected to remain low, positive for the general Philippine economy
- CITIRA bill likely to be passed in the next few months, will address uncertainties

Foundation of future growth

High value, high margin products:
Expansion in export zones & “Pack at source” initiative

FIT expansion progress

Photo taken last October 23, 2019



APPENDIX

NEWS AND DEVELOPMENTS

2017

APPOINTMENT OF NEW INDEPENDENT DIRECTORS



Corazon S. Dela Paz-Bernardo, 76 years old

CPA

Former President & CEO of Social Security System

Former Senior Partner and Chair at Joaquin Cunanan & Co (PricewaterhouseCoopers Philippines)

First non-European President of the International Social Security Association

B.S. Accountancy from *University of the East*

MBA from *Cornell University*



Lydia Balatbat-Echaz, 69 years old

Former President of Far Eastern University

Director of Metro Pacific Investments

A.B. in Economics and Mathematics from *St. Theresa's College*

MBA from *Ateneo de Manila University*

DBA from *De La Salle University*

NEWS AND DEVELOPMENTS

2016

| | | | |
|---|--|---|--|
| OLEO-FATS (FOOD INGREDIENTS) | Distribution agreement with Bunge Limited (NYSE:BG) | premium soft oils, including coconut oil (under Bunge's Farm Origin brand) | <ul style="list-style-type: none"> • Exports within Asia Pacific • Food service and retail |
| Management Changes | Effective August 1 | <ul style="list-style-type: none"> • Dean L. Lao, one of D&L's founders, stepped down as Director. He remains as Chairman Emeritus. • John L. Lao stepped down as President and Chief Executive Officer. He remains as Director. • Alvin D. Lao is the new President and CEO and joins the board as Director. • Amorsolo M. Rosario is the new CFO. | |
| | Effective April 4 | <ul style="list-style-type: none"> • Mercedita S. Nollado joins the Board of Directors as Independent Director | |

BUNGE SOFT OIL PRODUCTS



NEWS AND DEVELOPMENTS

2015

INCREASE IN CAPITAL STOCK

| Capital Stock | Pre - Inc in ACS | Post - Inc in ACS |
|-----------------------------|------------------|-------------------|
| Authorized | ₱4,000,000,000 | ₱18,000,000,000 |
| Subscribed | ₱3,571,428,995 | ₱7,142,857,990 |
| Paid-up | ₱6,826,595,440 | ₱10,398,024,435 |
| Issued & Outstanding Shares | 3,571,428,995 | 7,142,857,990 |

Dividends taken from retained earnings as of March 31, 2015

No changes in equity

Issued and Outstanding shares doubled effective September 17, 2015

Non-recurring gain of P83 million from sale of land booked in 4Q2015

SALE OF CHEMREZ PROPERTY

66 INDUSTRIA – 6,000 sqm

NEWS AND DEVELOPMENTS

2014

| | | | | |
|------------------------------|---|--|---|---|
| ACQUISITION OF CHEMREZ | Transaction Details | <ul style="list-style-type: none"> • buying 65.3% of Chemrez for P6/share • Chemrez now wholly-owned subsidiary • funded with 2/3s short-term debt, 1/3 cash | Strategic Rationale | <ul style="list-style-type: none"> • Taking Chemrez private for competitive reasons • New product innovations with large potential for margin improvement |
| | Financial Rationale | <ul style="list-style-type: none"> • Valued Chemrez at 13x 2015 PER • Offer price at 24% premium over Chemrez's 60-day moving average before the announcement (Aug 29) | Status | <ul style="list-style-type: none"> • Transaction completed on October 10 • D&L now owns 99.7% of Chemrez Technologies • Full consolidation started October 7 |
| OLEO-FATS (FOOD INGREDIENTS) | Supply contract with Ventura Foods (US) | specialty fats and oils & specialty ingredients | <ul style="list-style-type: none"> • Exports within Asia Pacific • Food service | |