



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



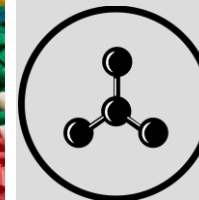
**28%**  
Revenue

**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**

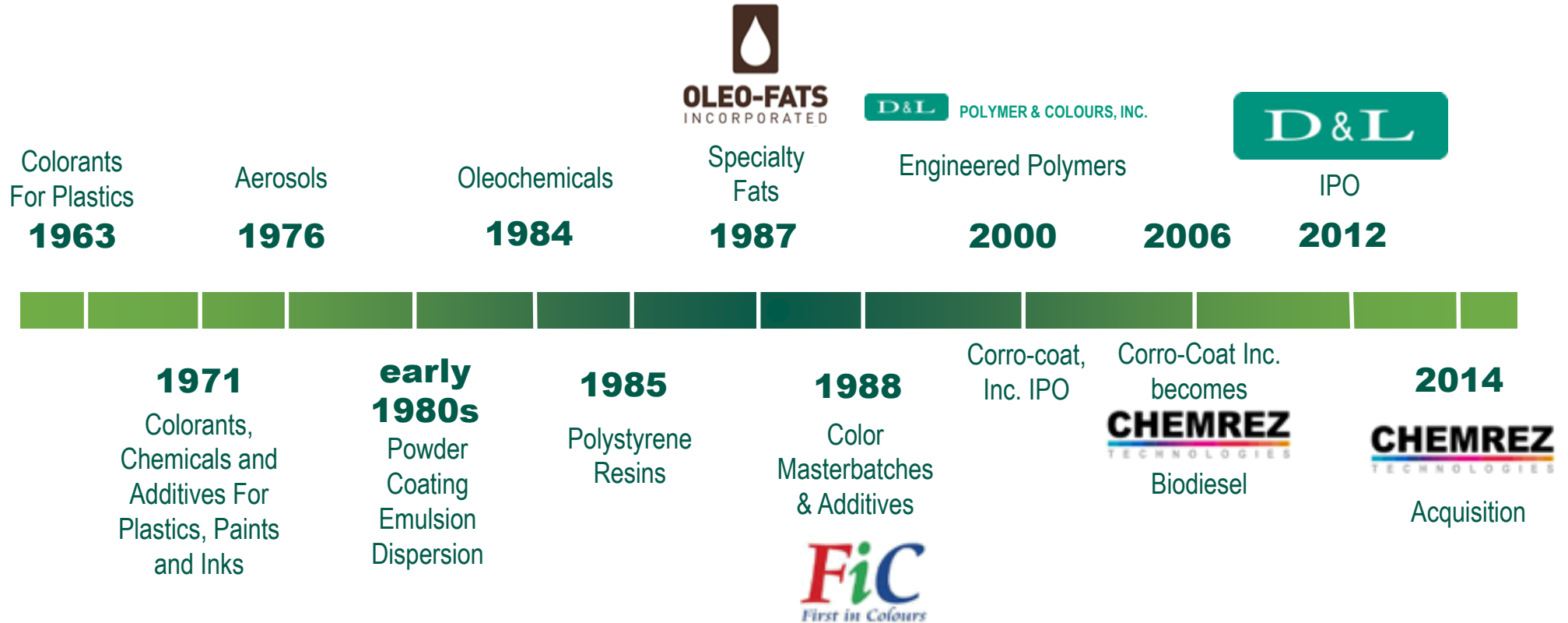


**Enhance Production and  
Business Processes**



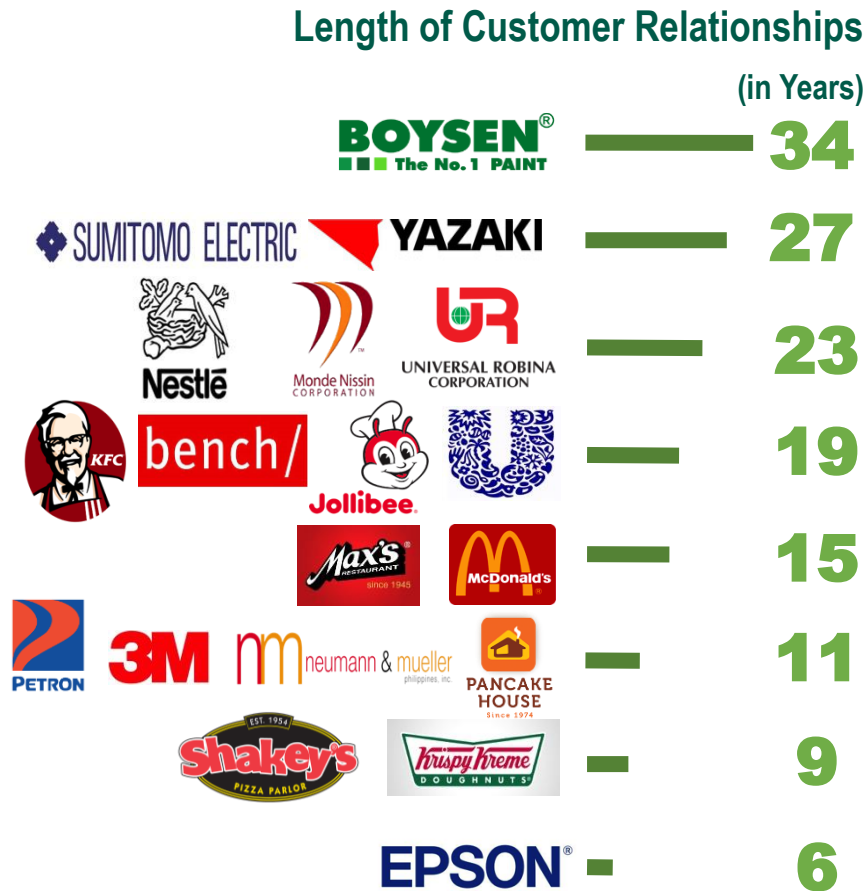
**Expand  
Globally**

# 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



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

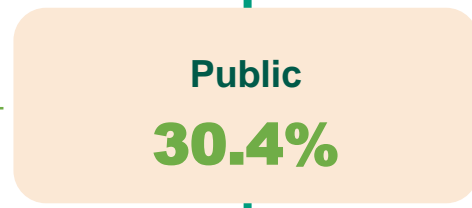
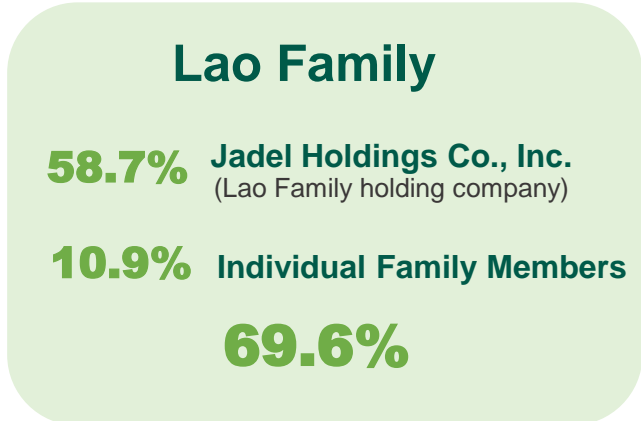


**Lester A. Lao, 50 years old**  
**Managing Director of FIC & DLPC**  
B. A. S. in Information Business from *Edith Cowan University*  
Years of D&L experience: 28



**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

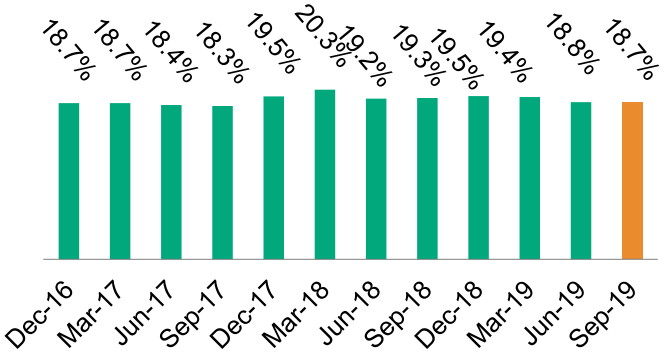
Our wholly owned subsidiaries are focused on core activities such as R&D, sales, supply chain, and manufacturing, with shared services\* handled by the D&L group



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



Foreign Ownership as % of Outstanding Shares



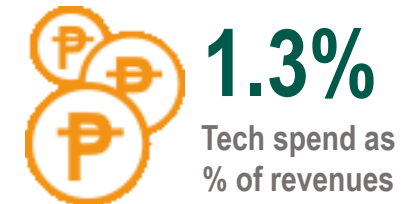
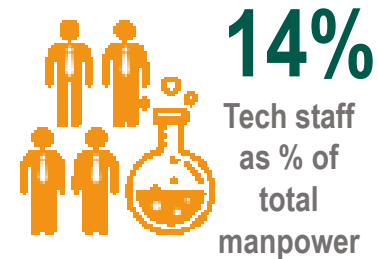
Source: Stock Transfer Service Inc.



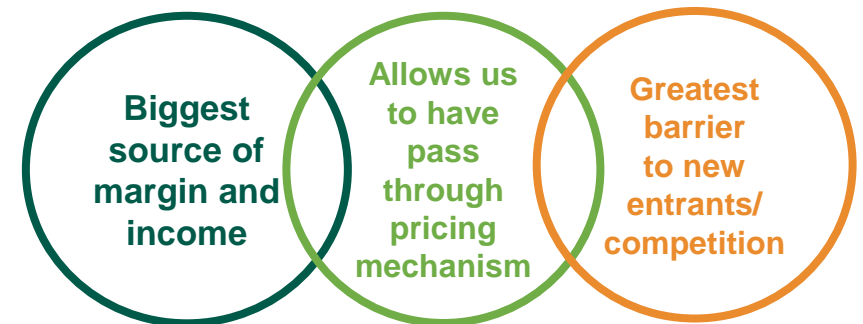
# We are shaped and driven by R&D and disciplined innovation

## 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

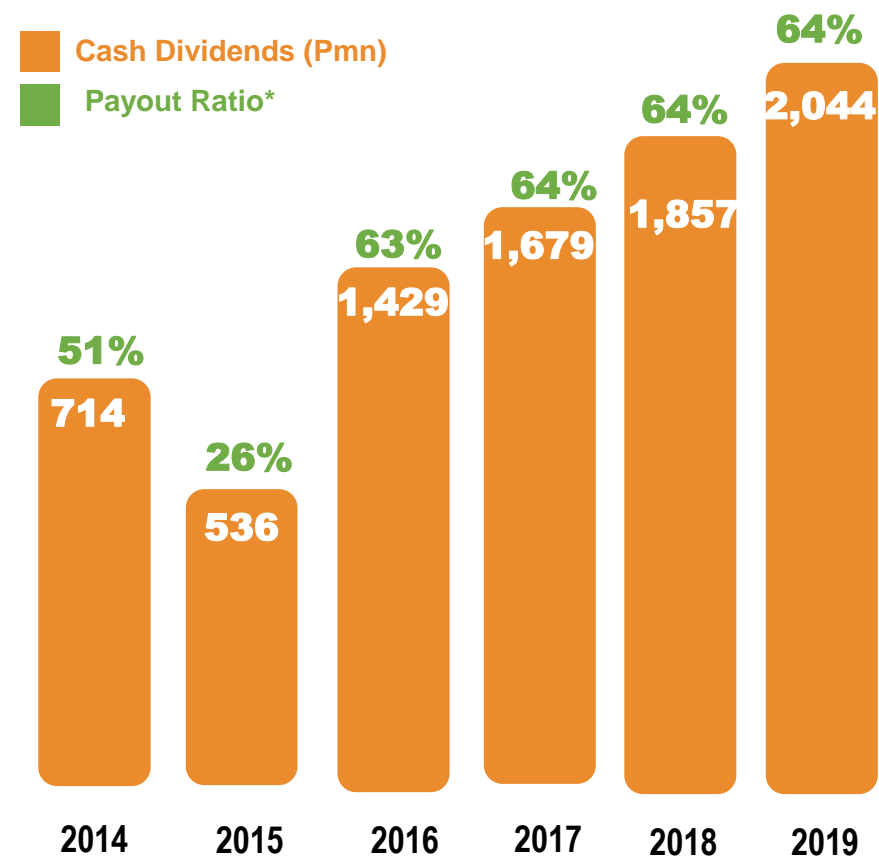
# ASSET-LIGHT MODEL

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
<p><b>9M19: P177 mn</b> 1% of total costs and expenses</p>	<p>MSSF from subsidiaries are eliminated in consolidation</p> <p><b>9M19: P44 mn</b> 0.3% of total revenues</p>

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





Dividend Per Share	2014	2015	2016	2017	2018	2019
<b>Total</b>	<b>P0.20</b>	<b>P0.15</b>	<b>P0.20</b>	<b>P0.235</b>	<b>P0.26</b>	<b>P0.286</b>
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

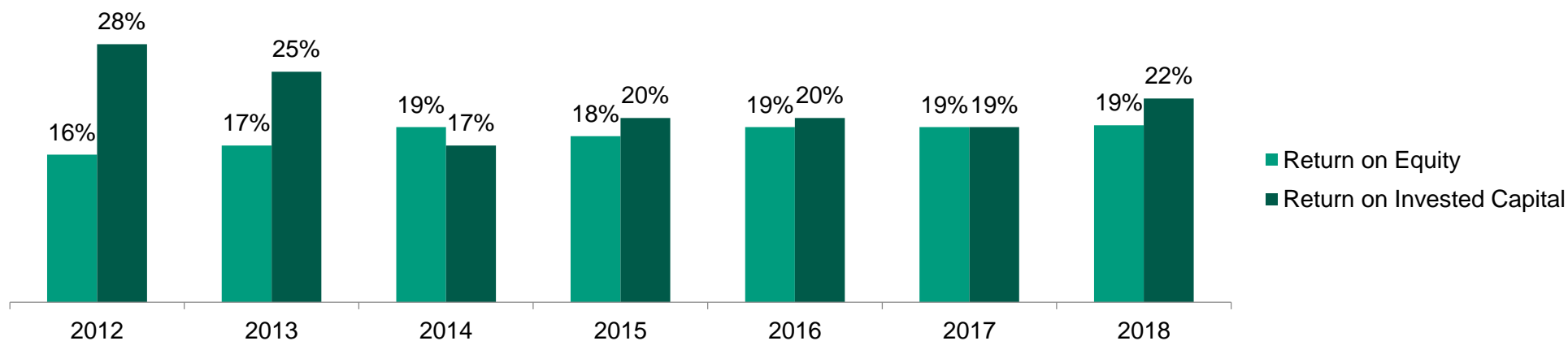
Dividends	Cash
Ex-Date	June 21, 2019
Record Date	June 26, 2019
Payment Date	July 22, 2019



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

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



D&L parent is 0.2% of revenues through Management Service Fees / 0.2% of Consolidated Net Income  
Assumes 100% ownership of all subsidiaries

# INVESTOR RELATIONS



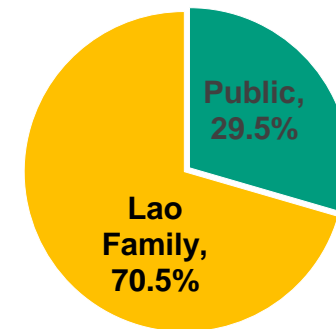
**P61 bn\***

Rank 47 among Philippines' largest companies by market cap

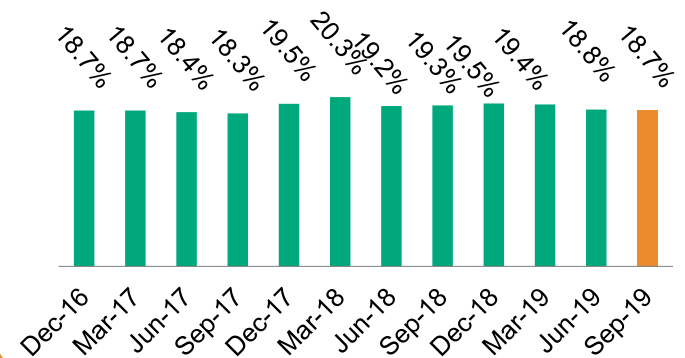
12-Month Daily Trading Average\*



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%



DNL  
+296%

PCOMP  
+36%

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

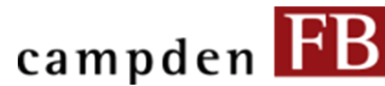
We have been awarded and recognized both locally and internationally

## Finance Asia

- 2019 – Best Mid-Cap Company, 7<sup>th</sup> Best Investor Relations
- 2018 – 2<sup>nd</sup> Best Mid-Cap Company
- 2015 & 2016 – Best Mid-Cap Company
- 2015 – Alvin D. Lao as Best CFO – 2<sup>nd</sup> Place; Best Investor Relations – 9<sup>th</sup> place
- 2014 – 3<sup>rd</sup> Best Mid-Cap



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



- 2017 – Top 50 Global Challengers (2<sup>nd</sup> place)



- 2014 - Top 10 Corporate Governance and Sustainability Report



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



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



- 2013- Islamic Market ASEAN Index



- 2013 - Global Small Cap Index



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



ASIAN DEVELOPMENT BANK

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



# 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**

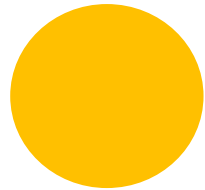
Indigent students sponsored for Christmas gift-giving

## Our CSR projects focus on education and values formation

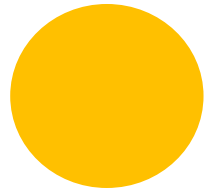
<b>PROGRAM</b>	<b>BENEFICIARIES</b>
Partner Based Educational Program	College, TechVoc, High School, Elementary and Hearing Impaired students nationwide
Community Based Educational Program	Various communities and elementary schools where D&L plants are located
ELL Teachers Welfare Program	Retired teachers 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

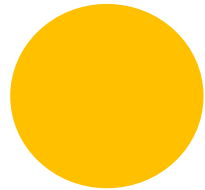
# 9M19 Highlights



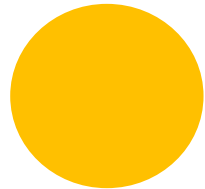
On a quarter-on-quarter basis, HMSP volume was up 15% in 3Q19



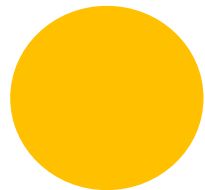
Effects of Government underspending still being felt



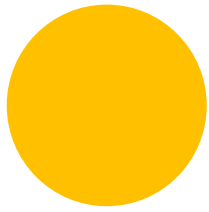
Sales mix continues to improve with HMSP contribution at 71%; margins at 25.5% in 9M19



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

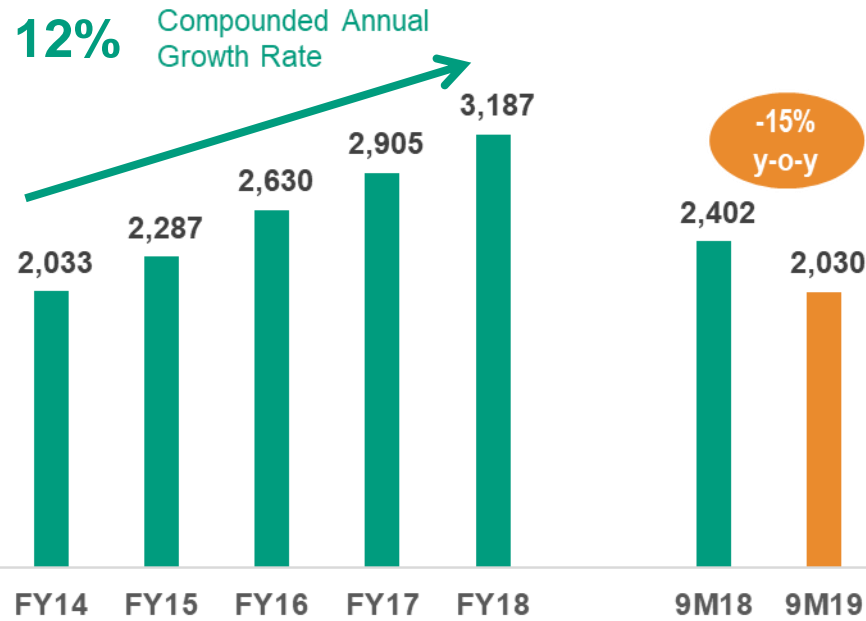


We expect that the worst may be over, with improved conditions seen in 2020

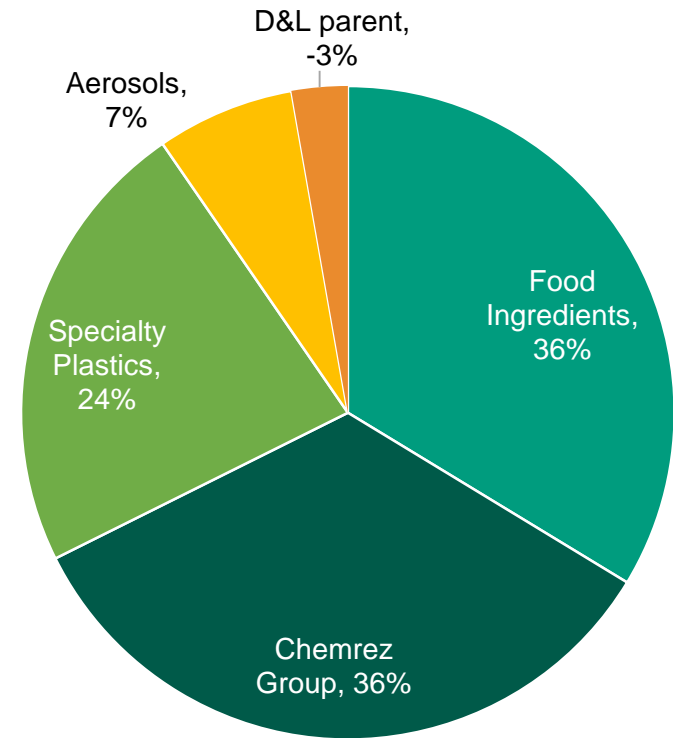


# 1H19 Net Income at Php 2.0 bn, down 15% YoY

## Net Income (Php mn)



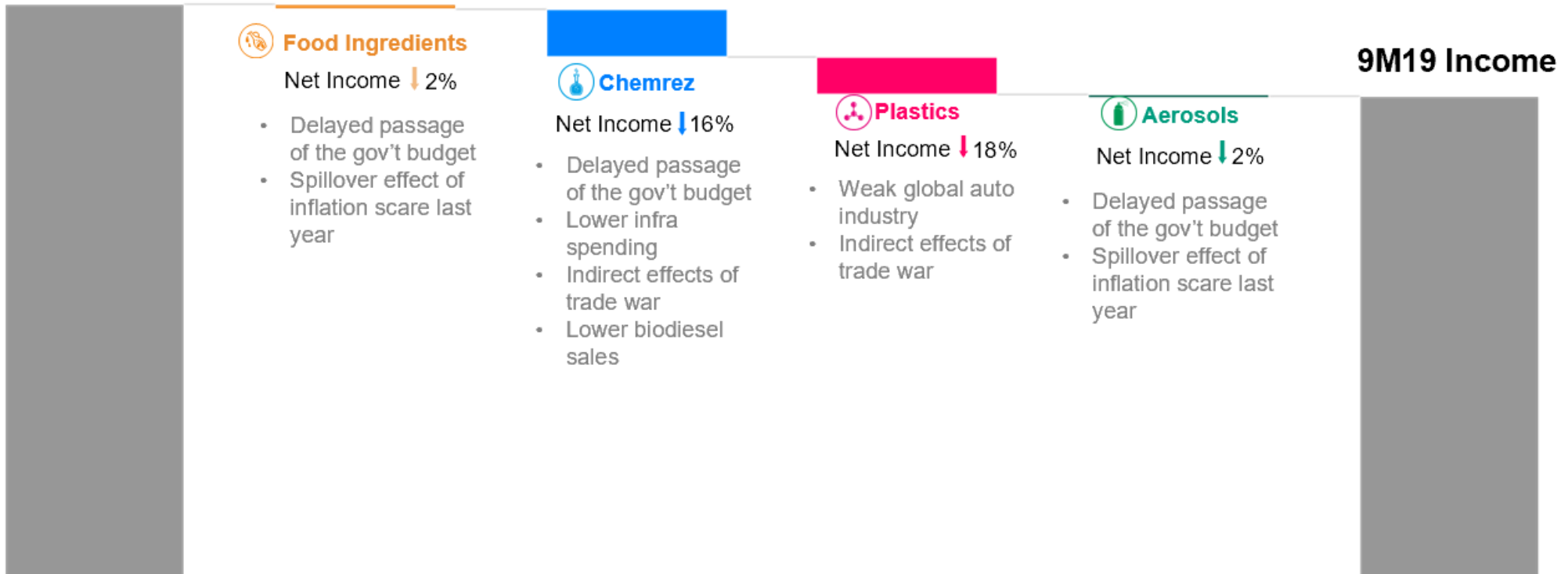
## Net income breakdown

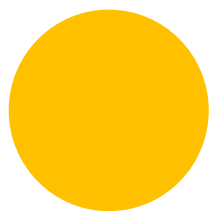


# Segment Performance Summary

## Weakness in non-food business dragged profits in 9M19

### 9M18 Income

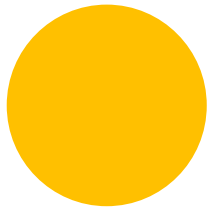




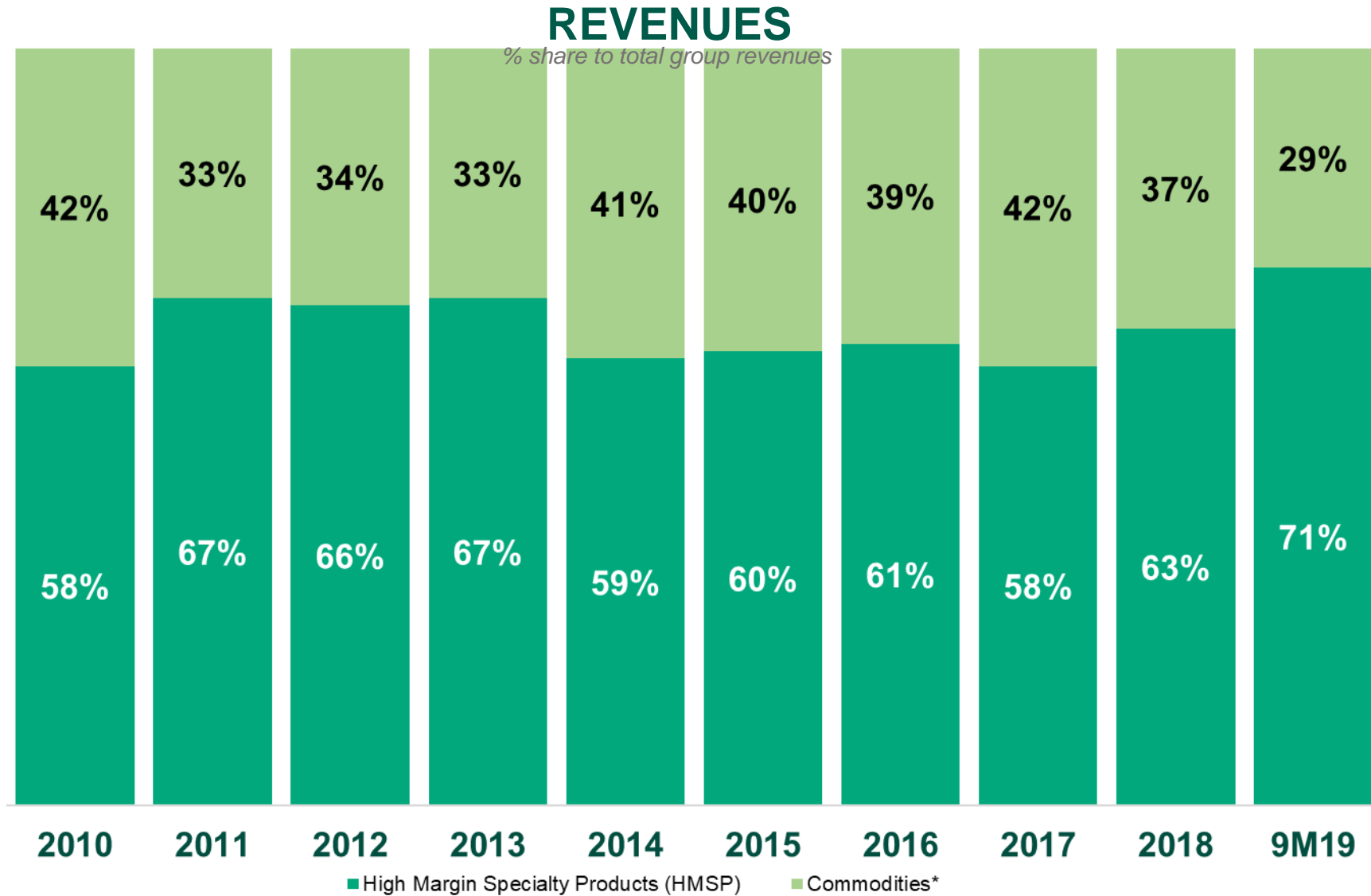
# 9M19 Condensed Income Statement

## Blended GPM expanded by 3ppts in 9M19

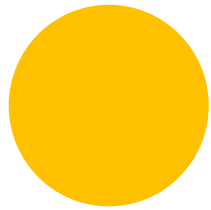
(In P mn)	Nine months ended Sept 30			3Q19			QoQ		
	9M19	9M18	% change	3Q19	3Q18	% change	3Q19	2Q19	% change
Sales	16,555	20,172	-18%	5,519	6,905	-20%	5,519	5,160	7%
COGS & Cost of Service	(13,051)	(16,500)	-21%	(4,413)	(5,617)	-21%	(4,413)	(3,996)	10%
Gross Profit	3,503	3,672	-5%	1,106	1,288	-14%	1,106	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%
<b>Net Income</b>	<b>2,030</b>	<b>2,402</b>	<b>-15%</b>	<b>617</b>	<b>874</b>	<b>-29%</b>	<b>617</b>	<b>665</b>	<b>-7%</b>
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

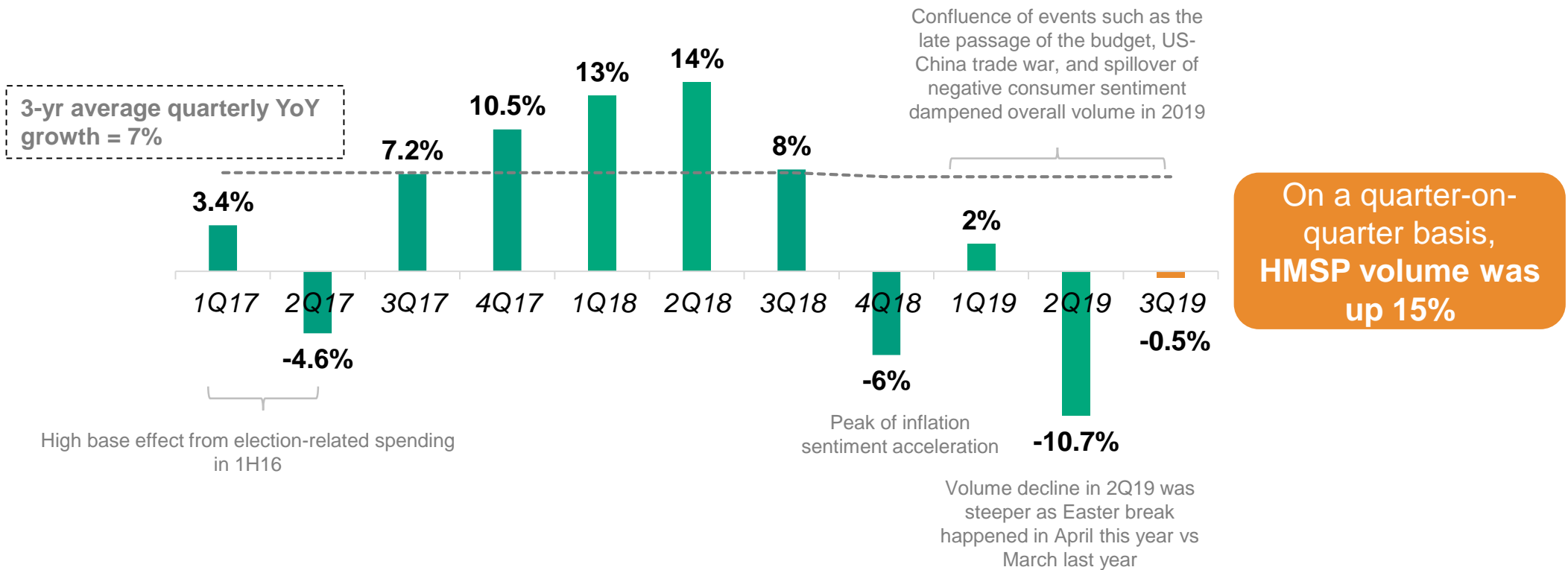




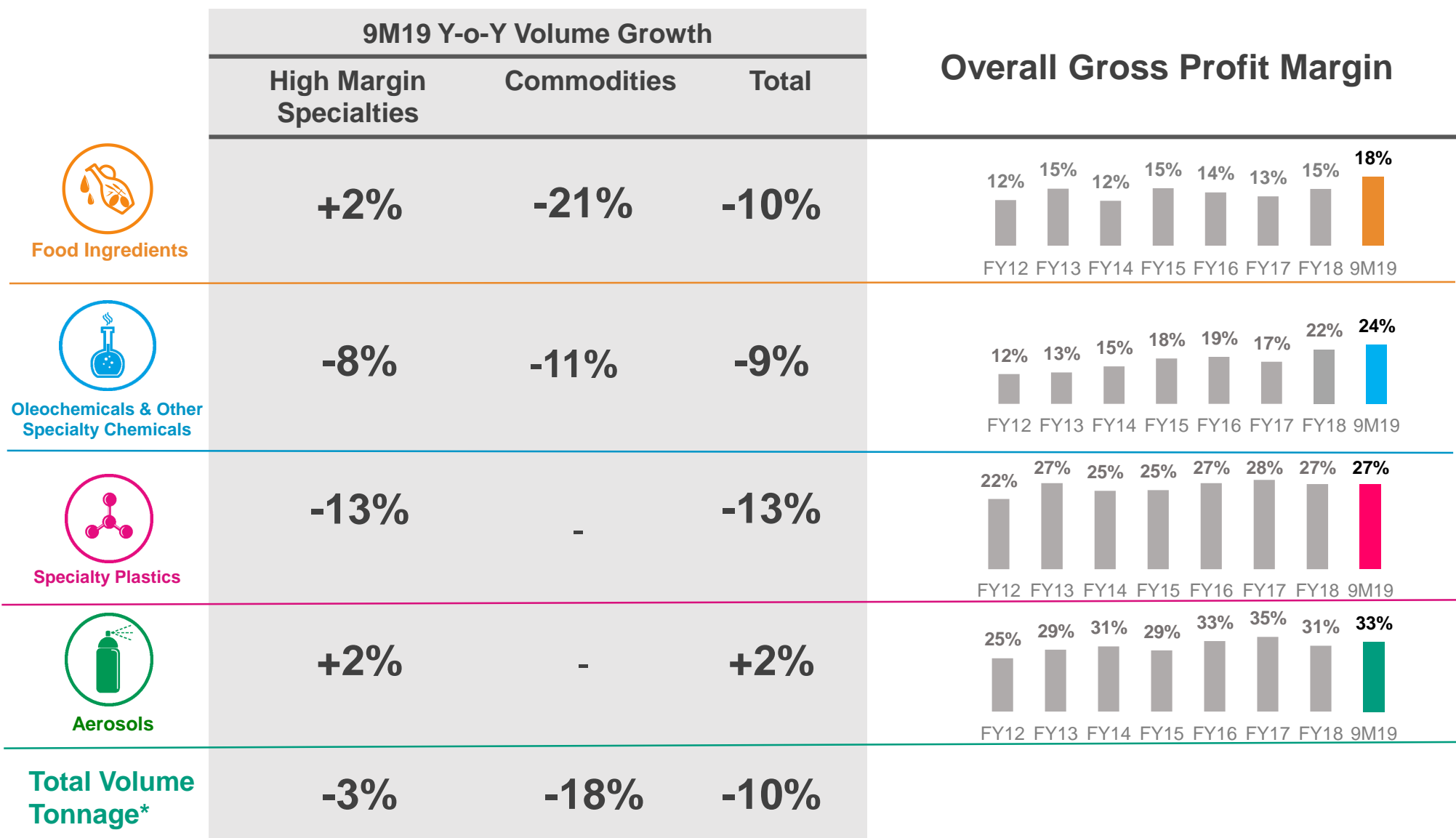


# HMSP volume showing signs of recovery from a slump in 2Q

## HMSP volume growth (YoY)

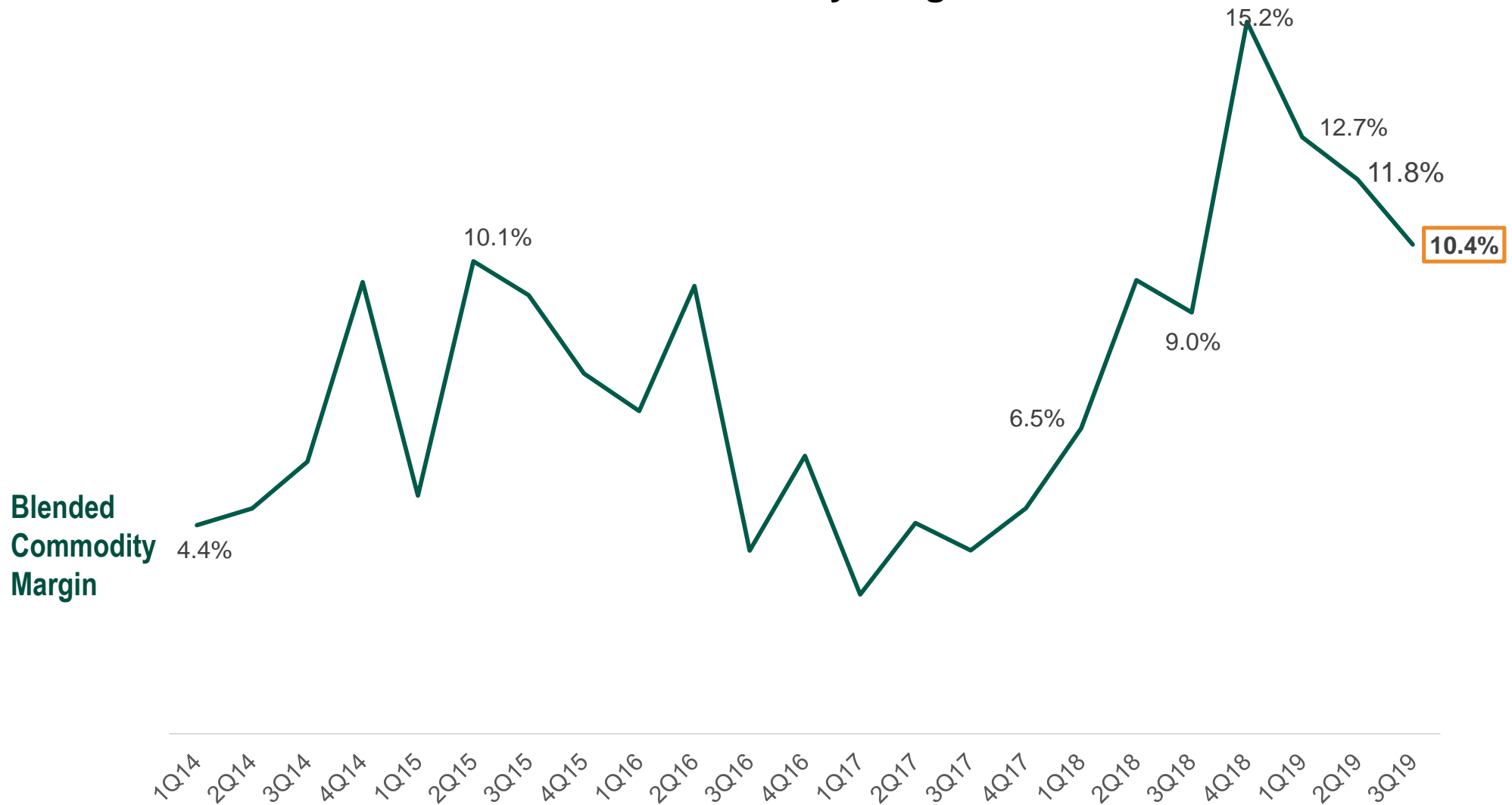


# Segment volume growth and GP Margin

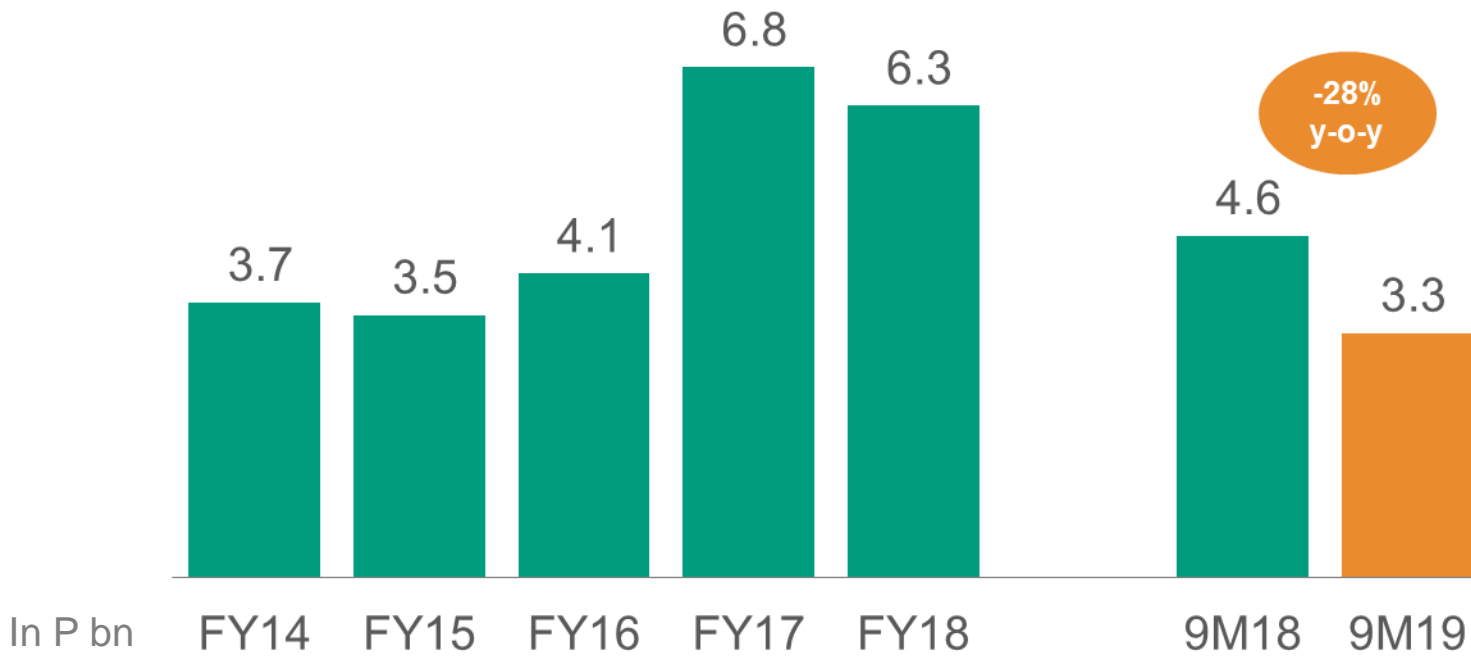
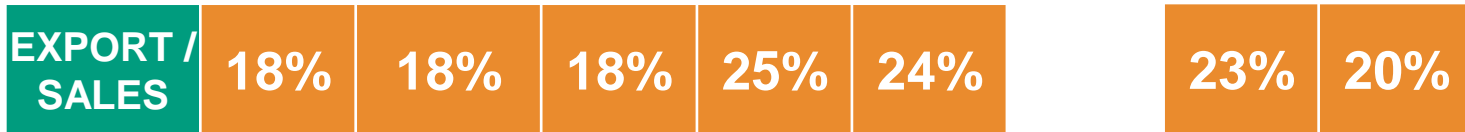


# Historical Commodity Margins

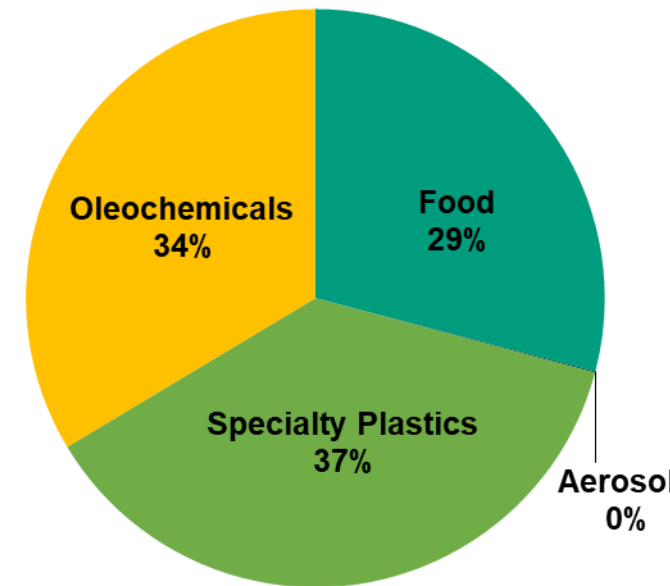
## Quarterly Margins



# Exports revenue contribution stood at 20%



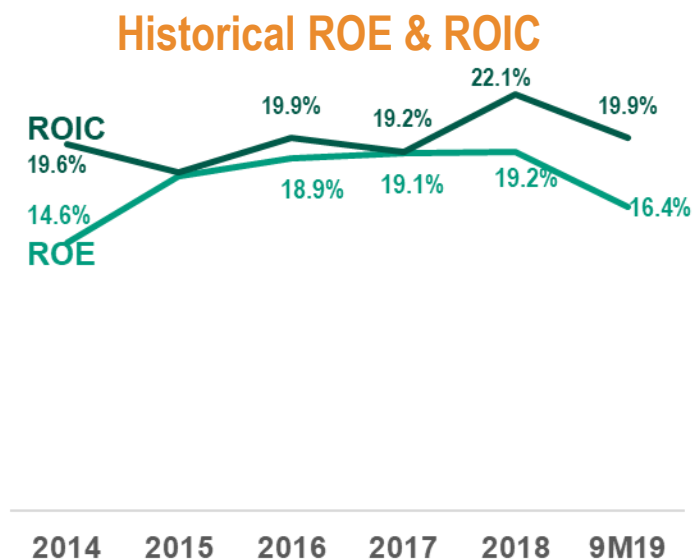
## Breakdown of exports



# 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%



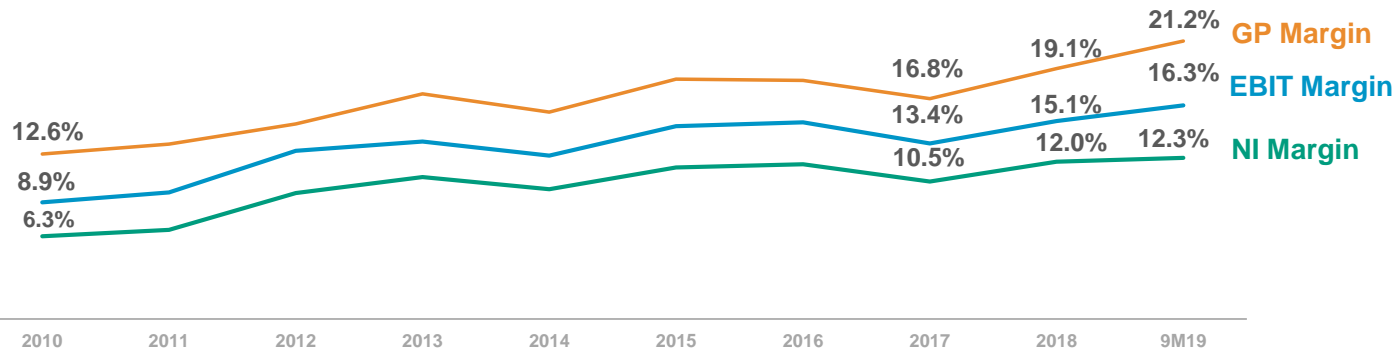
## Financial & Operating Highlight

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

### Condensed Statement of Cash Flows

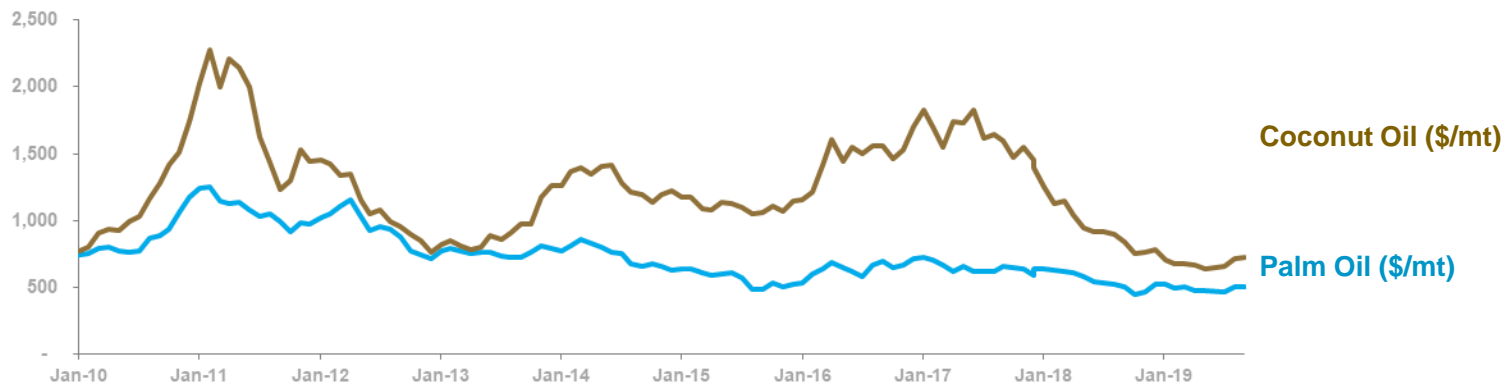
	In PMN	9M19	FY18
	EBITDA	3,198	4,443
	Interest Received	21	13
	Paid taxes	(414)	(647)
	Non cash items	(19)	30
Lower commodity prices	Change in working capital	1,804	1,165
	<b>Net Operating Cash Flow</b>	<b>4,590</b>	<b>4,994</b>
Higher capex due to expansion	Capex	(1,659)	(873)
	<b>Free Cash Flow</b>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

# 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

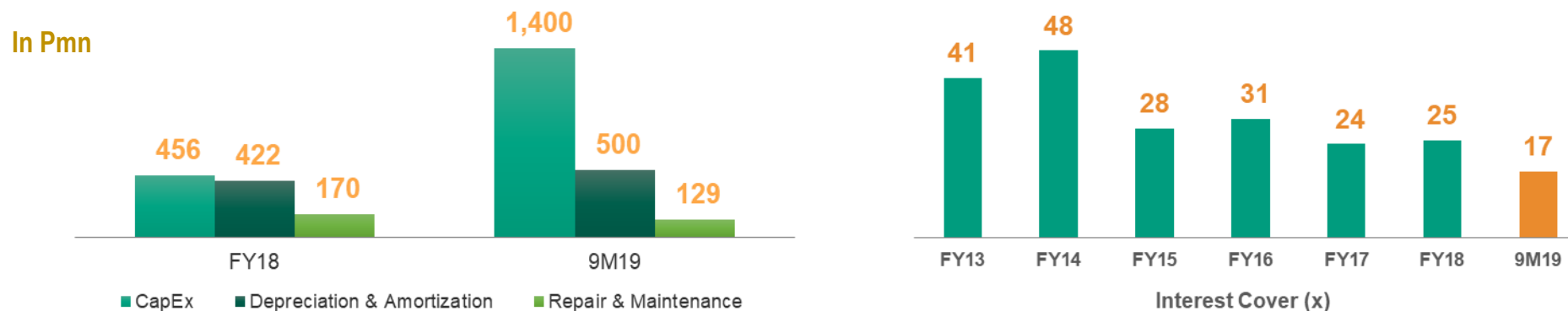
# 9M19 Group Results

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



## Balance Sheet remains robust

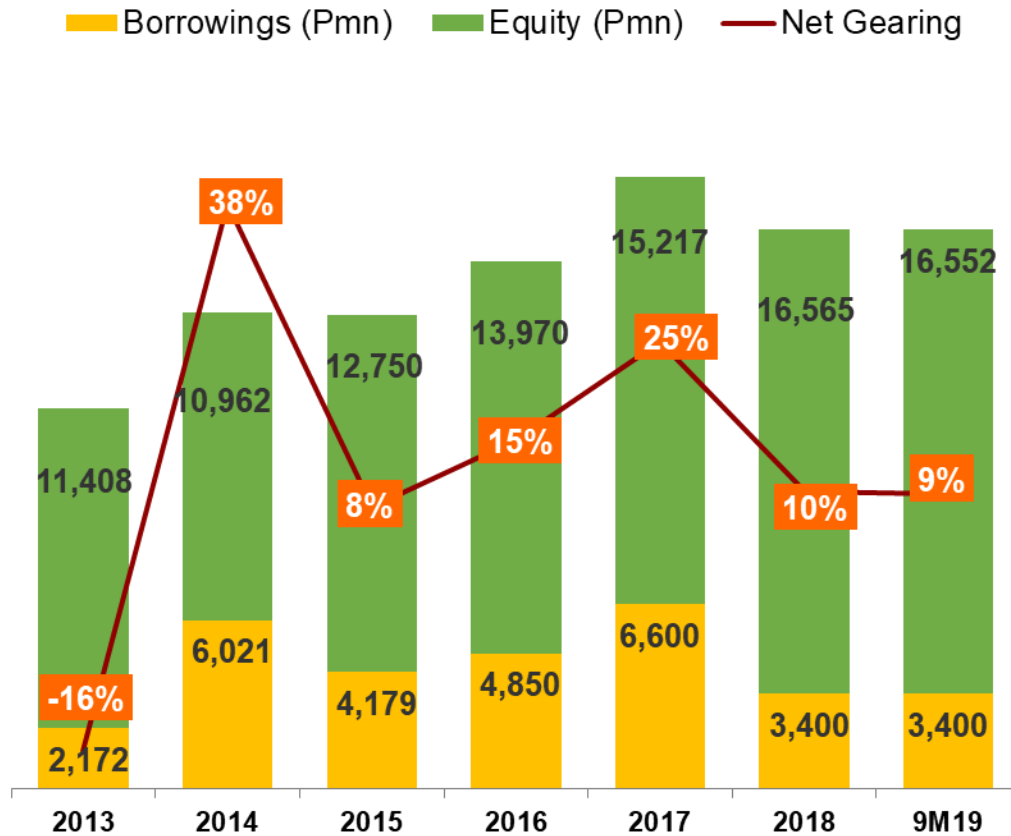
In Pmn	As of end Sept-19	As of end Dec-18	In Pmn	As of end Sept-19	As of end Dec-18
Cash	1,835	1,775	Book Value	16,552	16,565
Current Assets	12,724	14,656	BVPS <sup>1</sup> (in P)	2.32	2.32
Total Assets	22,401	22,397	Debt-to-equity (Borrowings/ Equity)	0.21x	0.21x
Borrowings	3,400	3,400	Return on Equity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



<sup>1</sup>number of outstanding shares: 7,142,857,990

<sup>2</sup>Return on Invested Capital = Pre tax income / Invested Capital  
Invested Capital = Total Assets – Cash – Non-interest bearing liabilities

# CAPITAL STRUCTURE



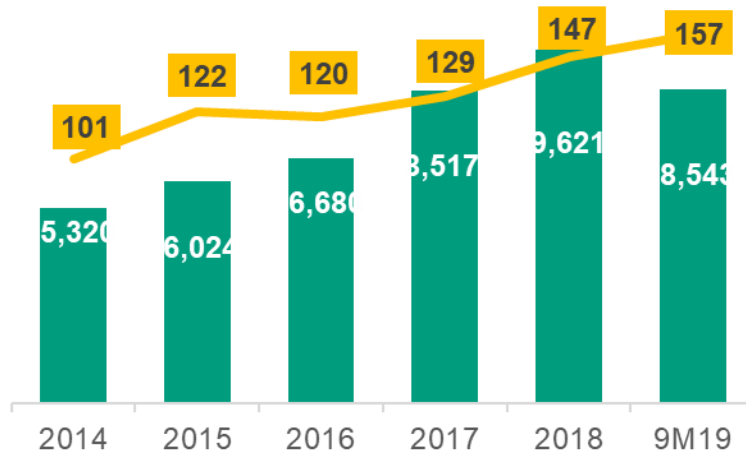
**17x** interest cover

**P1.6 Billion** net debt

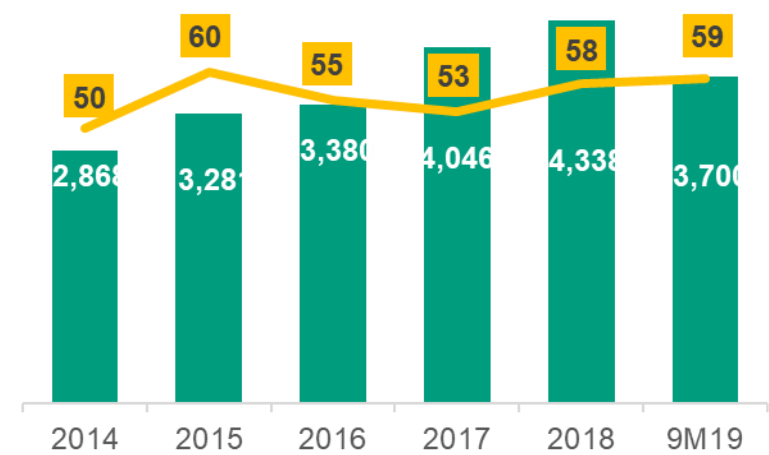
**~5.08%** average cost of debt\*  
p.a.

# WORKING CAPITAL CYCLE

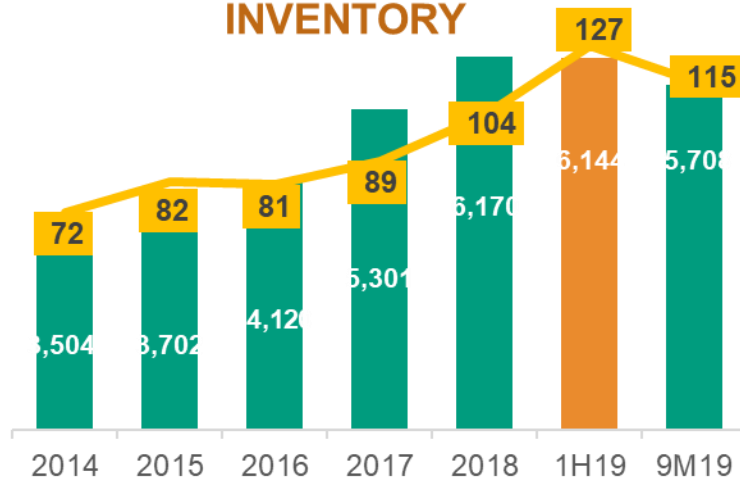
## CASH CONVERSION



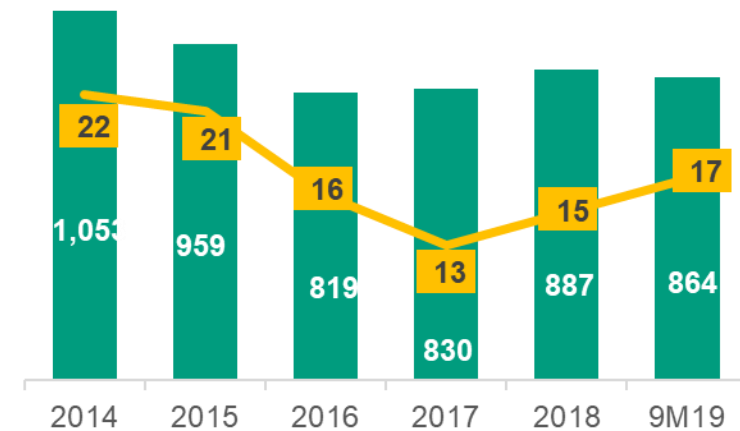
## ACCOUNTS RECEIVABLE



## 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 Cunanán & 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

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

# 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

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