



FILIPINO



MANUFACTURING



CUSTOMIZED
SPECIALTY
PRODUCTS



B2B2C

D&L's expansion site in
Batangas, Philippines

D & L

D&L INDUSTRIES

INVESTOR PRESENTATION

March 2020

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

%

Of Proforma FY19
Revenue

%

Of Proforma FY19 Net
Income



FOOD INGREDIENTS

Fats, oils and other specialty food ingredients



57%
Revenue

39%
Net Income



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



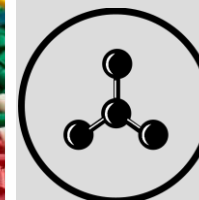
26%
Revenue

30%
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**

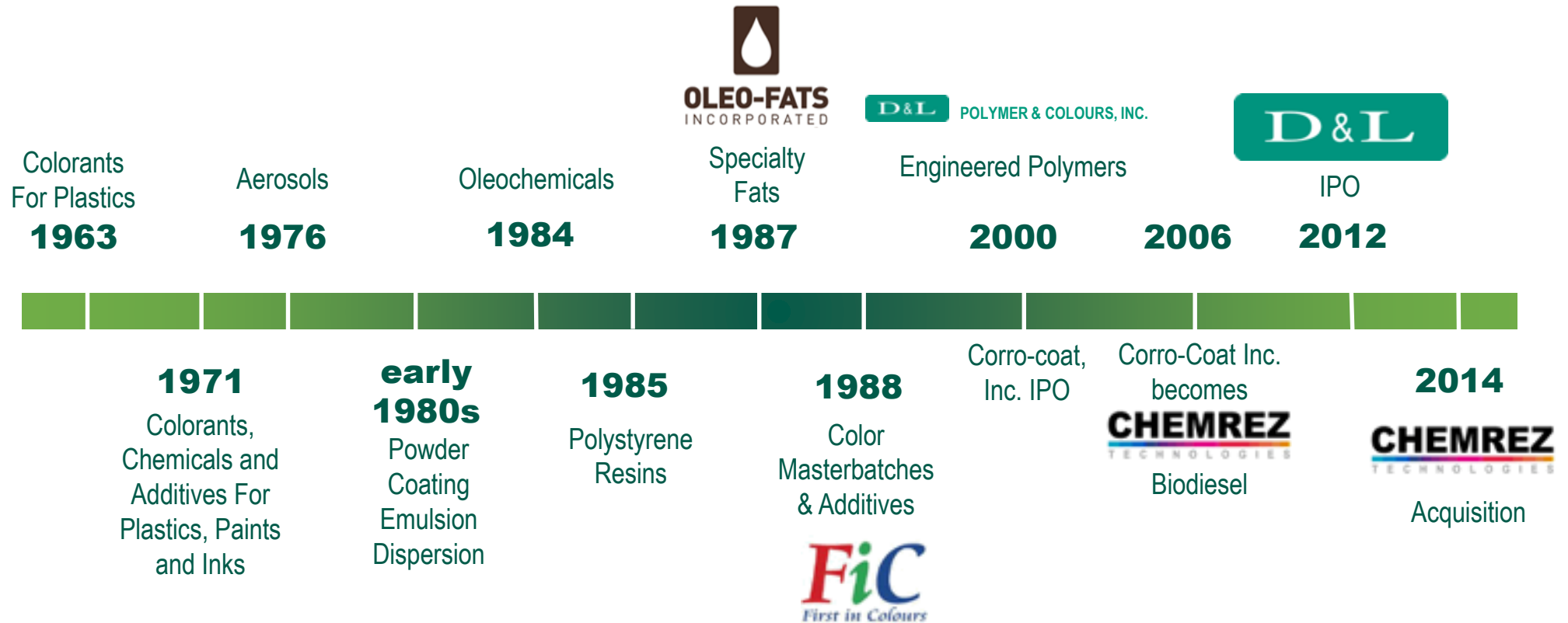


**Enhance Production and
Business Processes**



**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



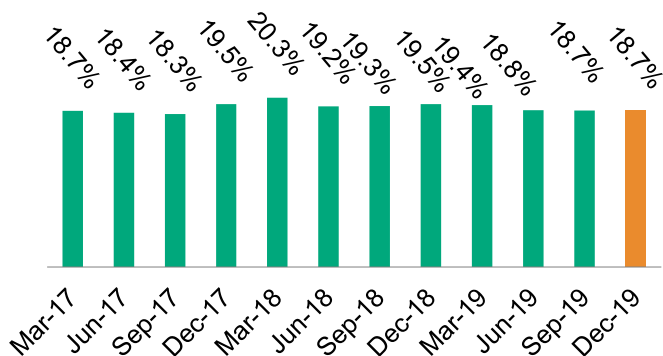
Lester A. Lao, 50 years old
Managing Director of FIC & DLPC
B. A. S. in Information Business from *Edith Cowan University*
Years of D&L experience: 28



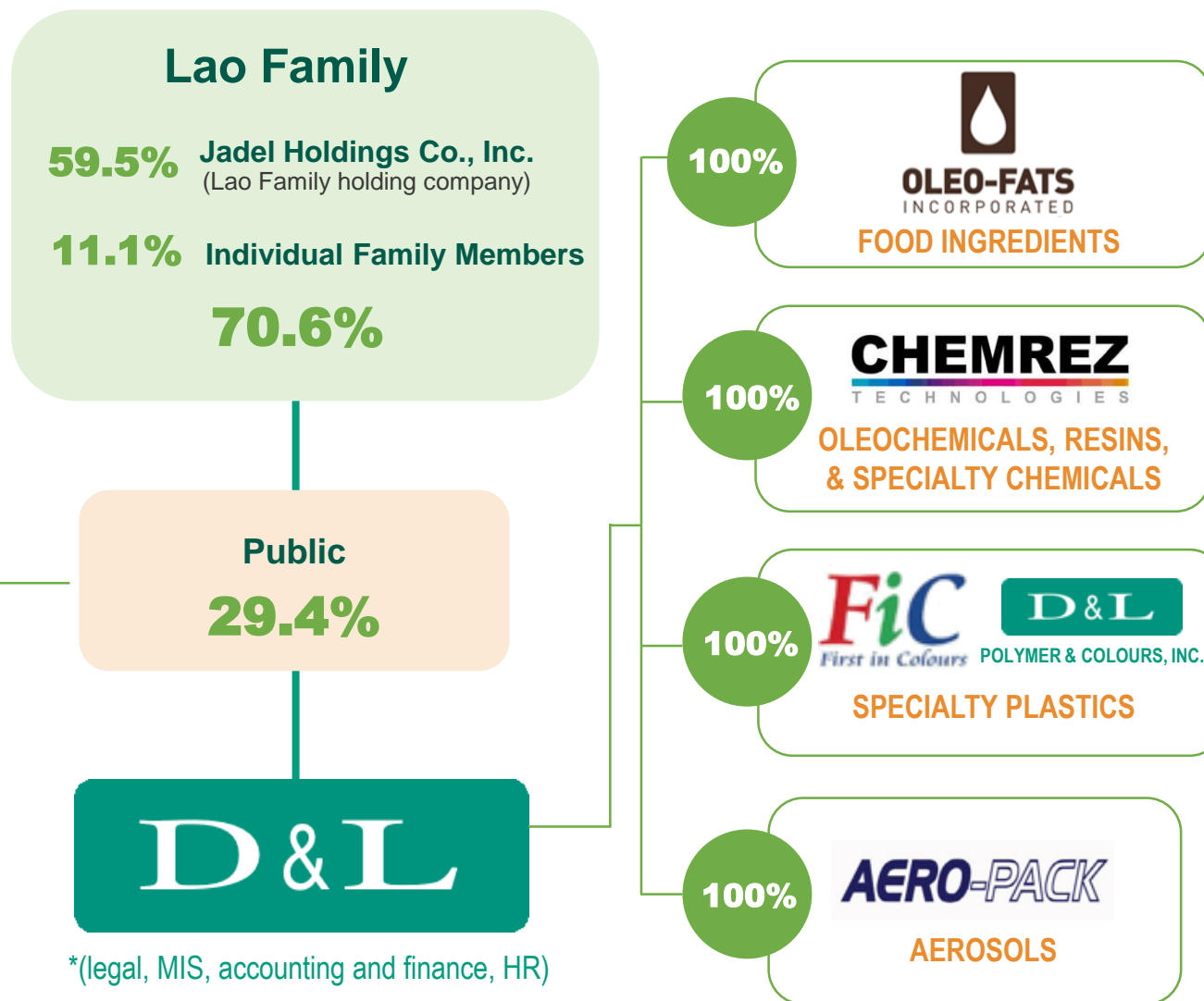
Vincent D. Lao, 45 years old
Managing Director of Oleo-Fats
Previously Assistant Trader at Shuwa Co. Ltd. In Japan ,1994-1995
B.A. in Economics and Japanese Studies from *the University of Western Australia*
Years of D&L experience: 23

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



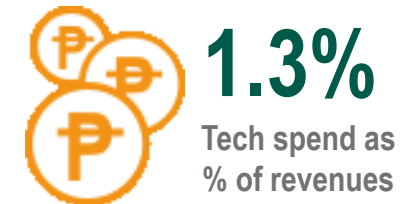
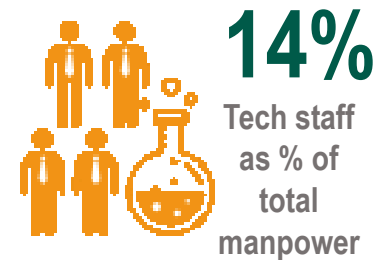
Source: Stock Transfer Service Inc.



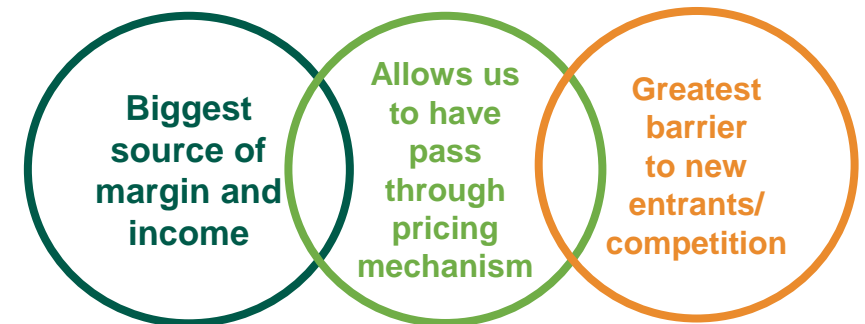
We are shaped and driven by R&D and disciplined innovation

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

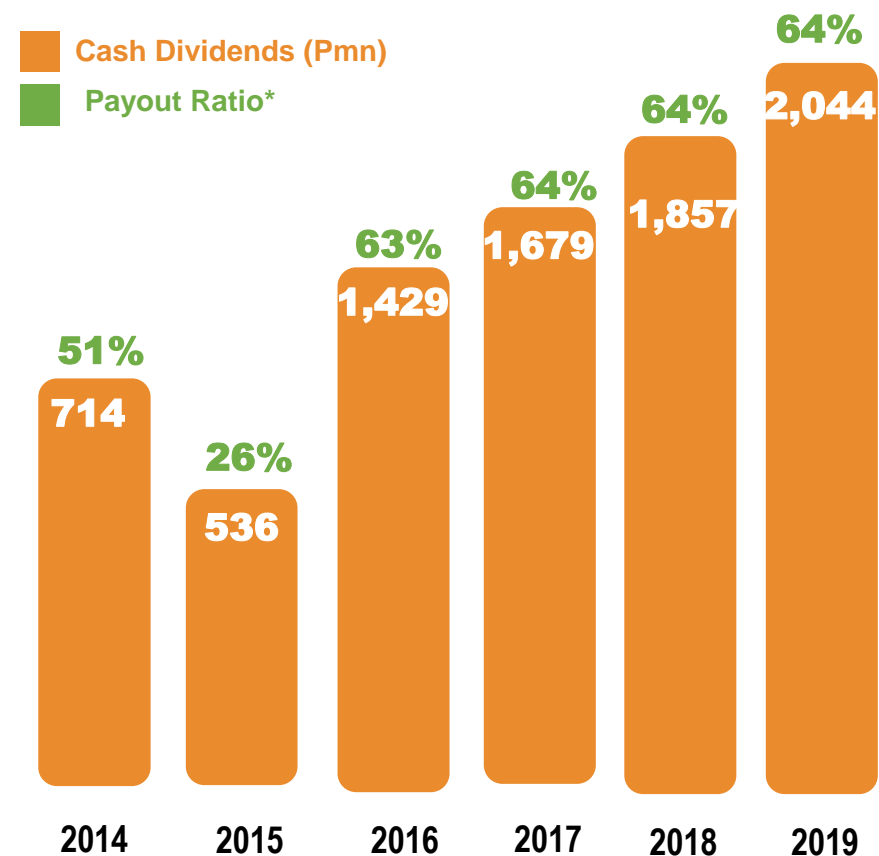
ASSET-LIGHT MODEL

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
FY19: P243 mn 1% of total costs and expenses	FY19: P58 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

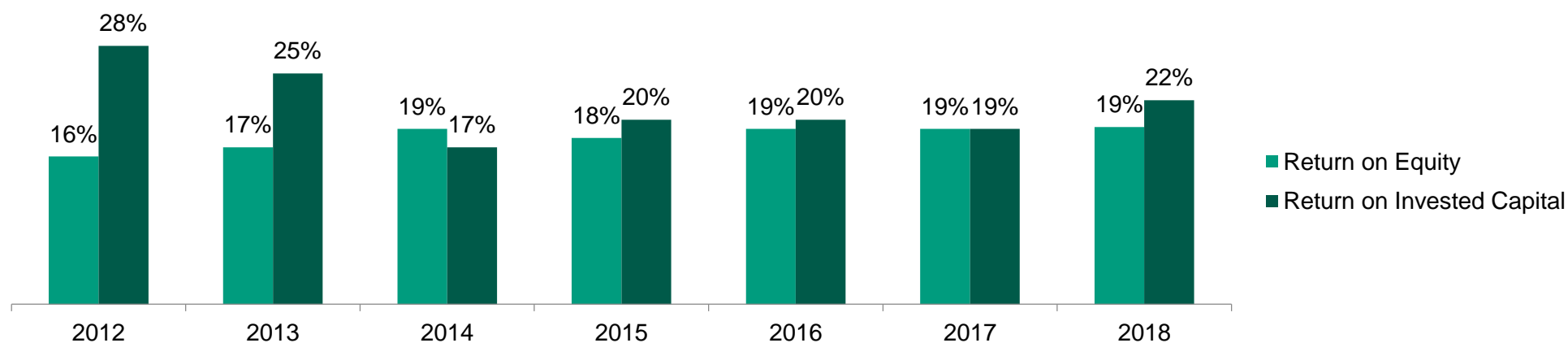
Dividends	Cash
Ex-Date	June 21, 2019
Record Date	June 26, 2019
Payment Date	July 22, 2019



Dividend yield of **4.5%** based on March 6, 2020 closing price of Php6.41/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

#46

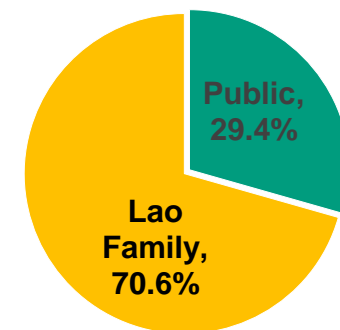
P53 bn*

Rank 46 among
Philippines'
largest companies
by market cap

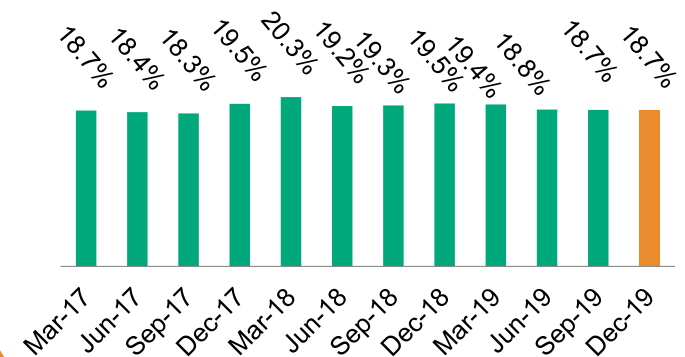
12-Month Daily Trading Average*

US\$513k

Ownership as of
December 2019



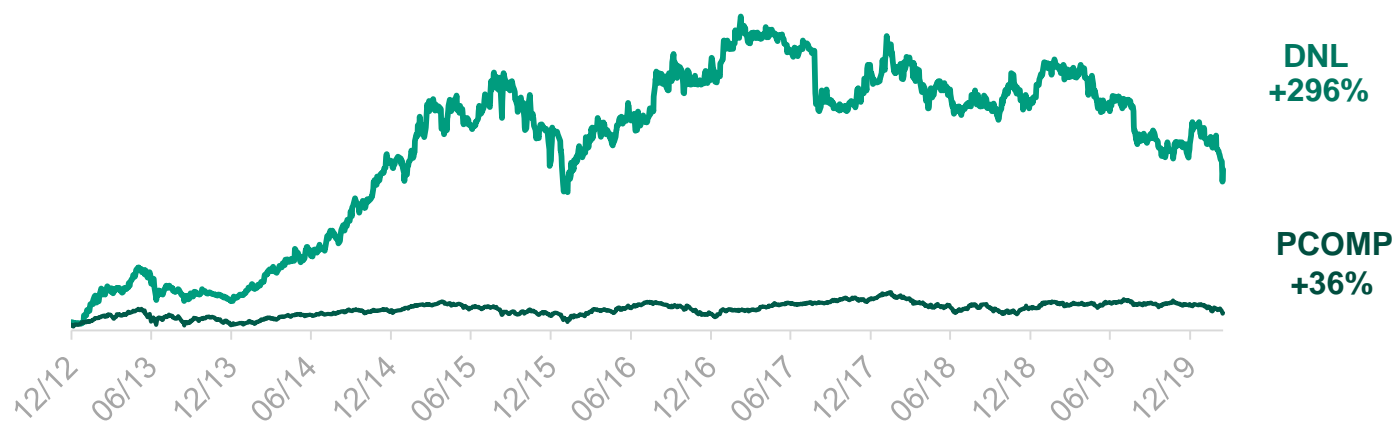
Foreign Ownership as %
of Outstanding Shares



INVESTOR RELATIONS

Return since IPO as of 02/26/2020

	Price Change	Total Return
DNL PM	+245%	+303%
PCOMP Index	+18%	+34%



Price as of 02/26: P7.41
 Market Cap as of 02/26: P53bn
 USD 1.04bn (USD1:P51.042)
 Outstanding Shares: 7,142,857,990

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

DATE	EVENT	VENUE
June 3-4, 2020	Nomura Investment Forum Asia	Singapore
August 18-21, 2020	Nomura Philippine Conference	Tokyo/Hong Kong
September 21-23, 2020	J.P. Morgan Rising Dragons Conference	Kuala Lumpur/Singapore

We have been awarded and recognized both locally and internationally

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

ASIAMONEY

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

campden **FB**

2017 – Top 50 Global
Challengers (2nd place)

CLSA

2014 - Top 10
Corporate Governance
and Sustainability
Report

FTSE

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

IR
magazine

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

DOWJONES

2013- Islamic Market
ASEAN Index

MSCI

2013 - Global
Small Cap
Index

Forbes
Asia
**Best Under
A
\$Billion**

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

ADB

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

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

FY19Results

FY19 Highlights

1

FY19 Net Income at P2.6bn

2

Confluence of external factors resulted in weaker-than-expected earnings

3

In 4Q19, Food and Aerosols continued to recover; Chemrez & Specialty Plastics' performance remained soft

4

FY19 HMSP revenue share at 69%

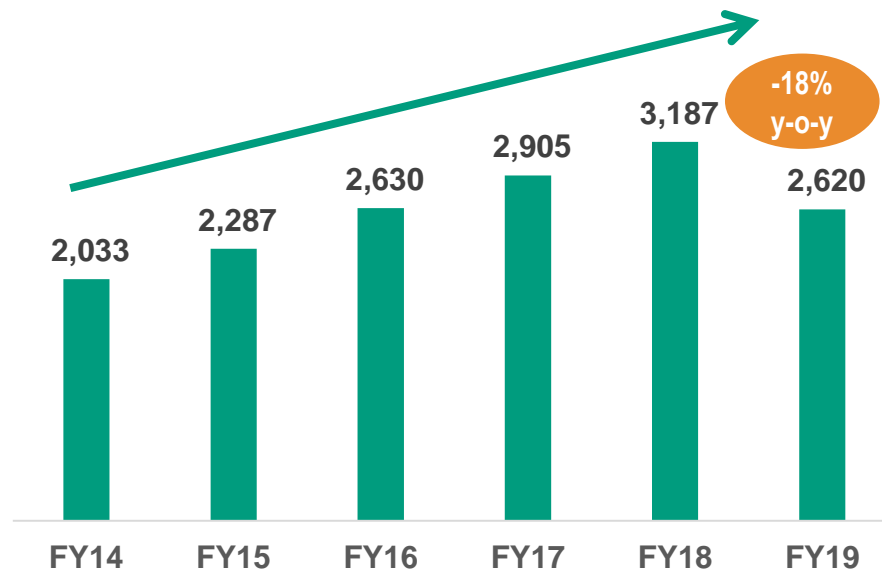
5

2020 should be better than 2019 but coronavirus is causing uncertainties

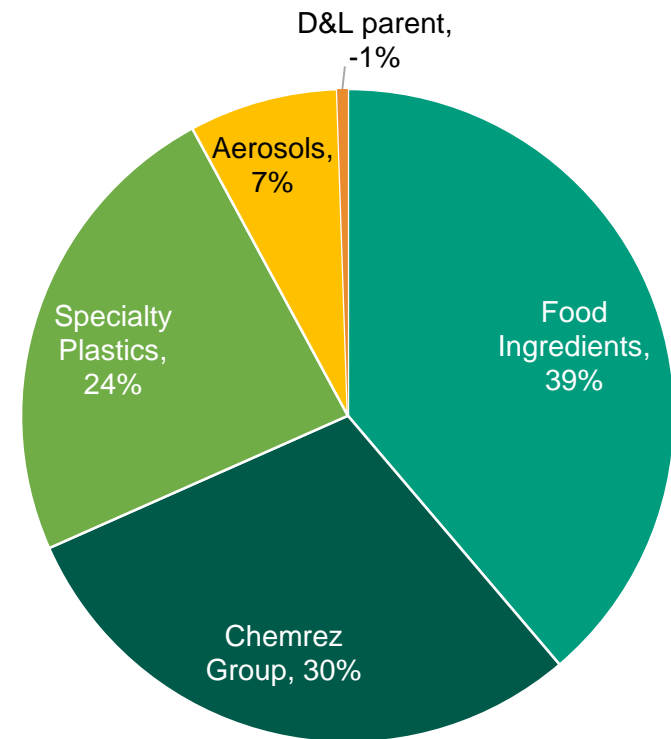
1

FY19 Net Income at Php 2.6 bn

Net Income (Php mn)



Net income breakdown



FY19 Condensed Income Statement

(In P mn)	Full year ended December 31			4Q19			QoQ		
	FY19	FY18	% change	4Q19	4Q18	% change	4Q19	3Q19	% change
Sales	22,386	26,543	-16%	5,831	6,371	-8%	5,831	5,519	6%
COGS & Cost of Service	(17,712)	(21,464)	-17%	(4,661)	(4,964)	-6%	(4,661)	(4,413)	6%
Gross Profit	4,674	5,079	-8%	1,170	1,407	-17%	1,170	1,106	6%
Operating expenses	(1,139)	(1,138)	0%	(311)	(376)	-17%	(311)	(276)	13%
Other operating income	(25)	71		(49)	(43)	13%	(49)	19	
Interest expense	(217)	(157)	38%	(62)	(21)	194%	(62)	(57)	10%
Profit before tax	3,292	3,854	-15%	749	967	-23%	749	792	-5%
Income tax	(672)	(667)	1%	(159)	(182)	-13%	(159)	(175)	-9%
Net Income	2,620	3,187	-18%	590	785	-25%	590	617	-4%
Gross Profit Margin	20.9%	19.1%	1.7	20.1%	22.1%	(2.0)	20.1%	20.0%	0.0
Net Profit Margin	11.7%	12.0%	(0.3)	10.1%	12.3%	(2.2)	10.1%	11.2%	(1.1)
EPS* (in cents)	36.7	44.6	-17.8%	8.3	11.0	-25%	8.3	8.6	-4.4%

2

Confluence of external factors dragged earnings

Weakness mainly came from non-food business

FY18 Income



Food Ingredients

Net Income ↑ 2%

- Delayed passage of the gov't budget
- Spillover effect of inflation scare last year



Chemrez

Net Income ↓ 35%

- Delayed passage of the gov't budget
- Lower infra spending
- Indirect effects of trade war
- Lower biodiesel sales



Plastics

Net Income ↓ 18%

- Weak global auto industry
- Indirect effects of trade war



Aerosols

Net Income ↑ 1%

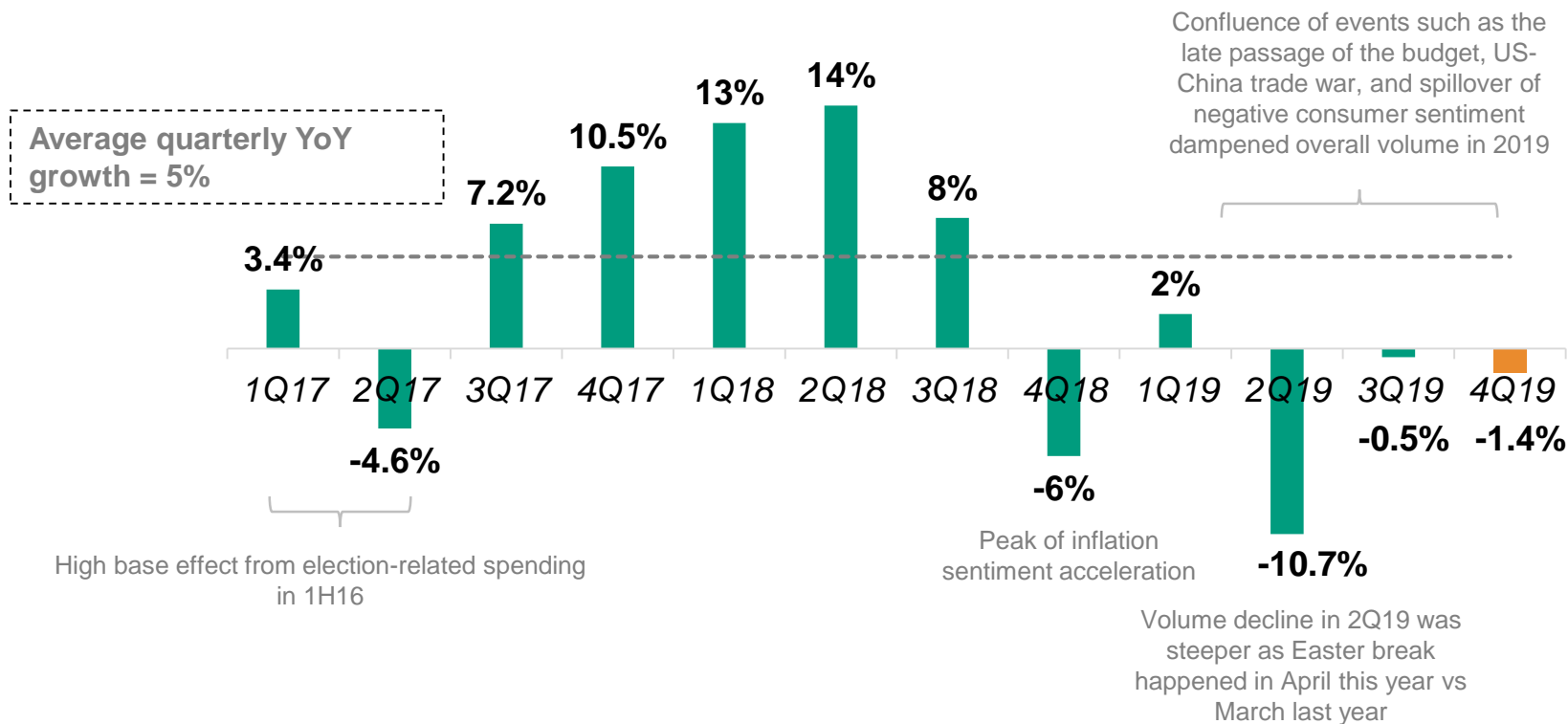
- Delayed passage of the gov't budget
- Spillover effect of inflation scare last year

FY19 Income

3

HMSP Food & Aerosols volume continued to pick up while Chemrez & Specialty Plastics volume remained muted

HMSP volume growth (YoY)

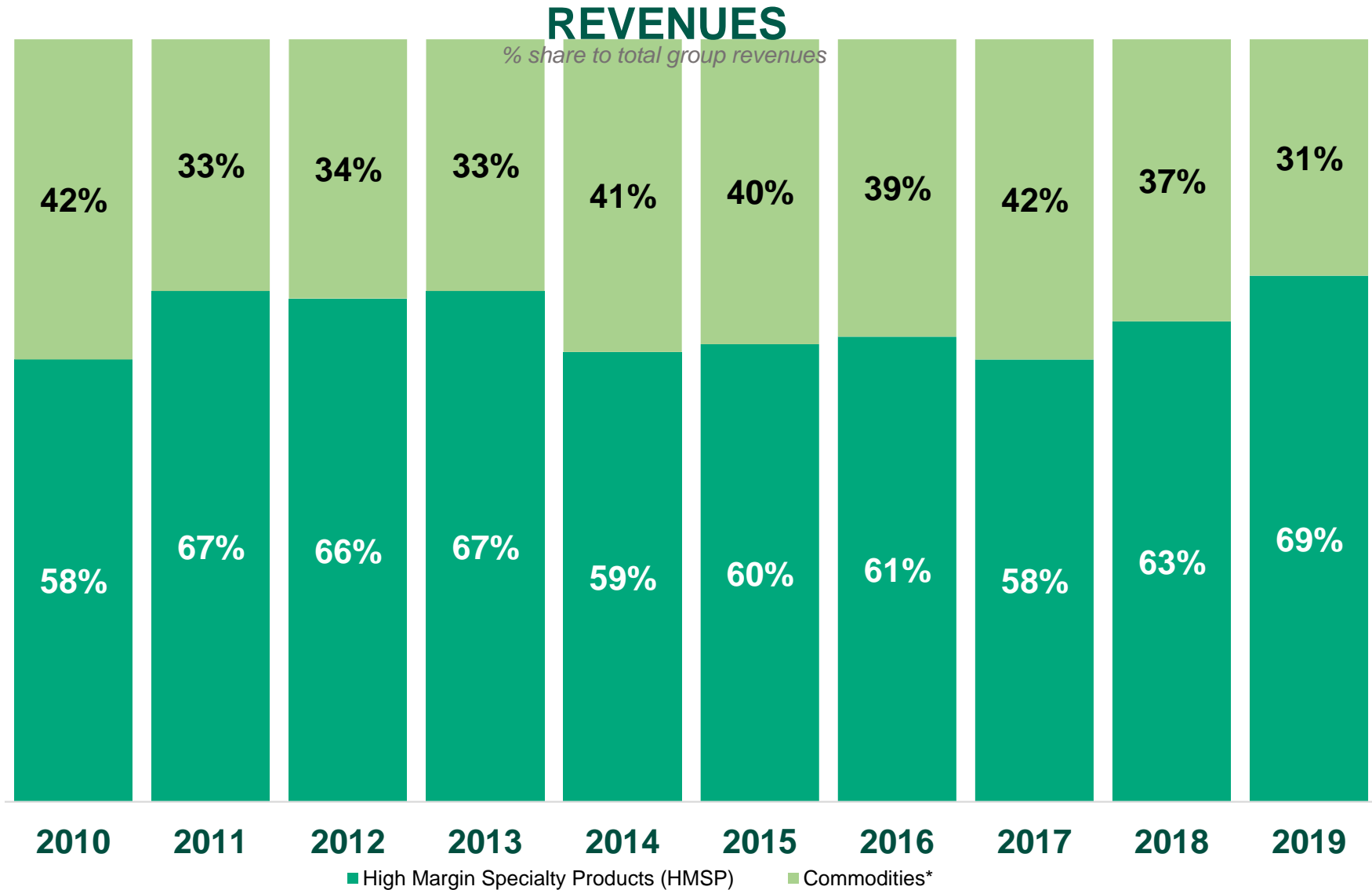


HMSP Food & Aerosols volume started to pick up + 8% YoY & + 2% YoY, respectively, in 4Q19

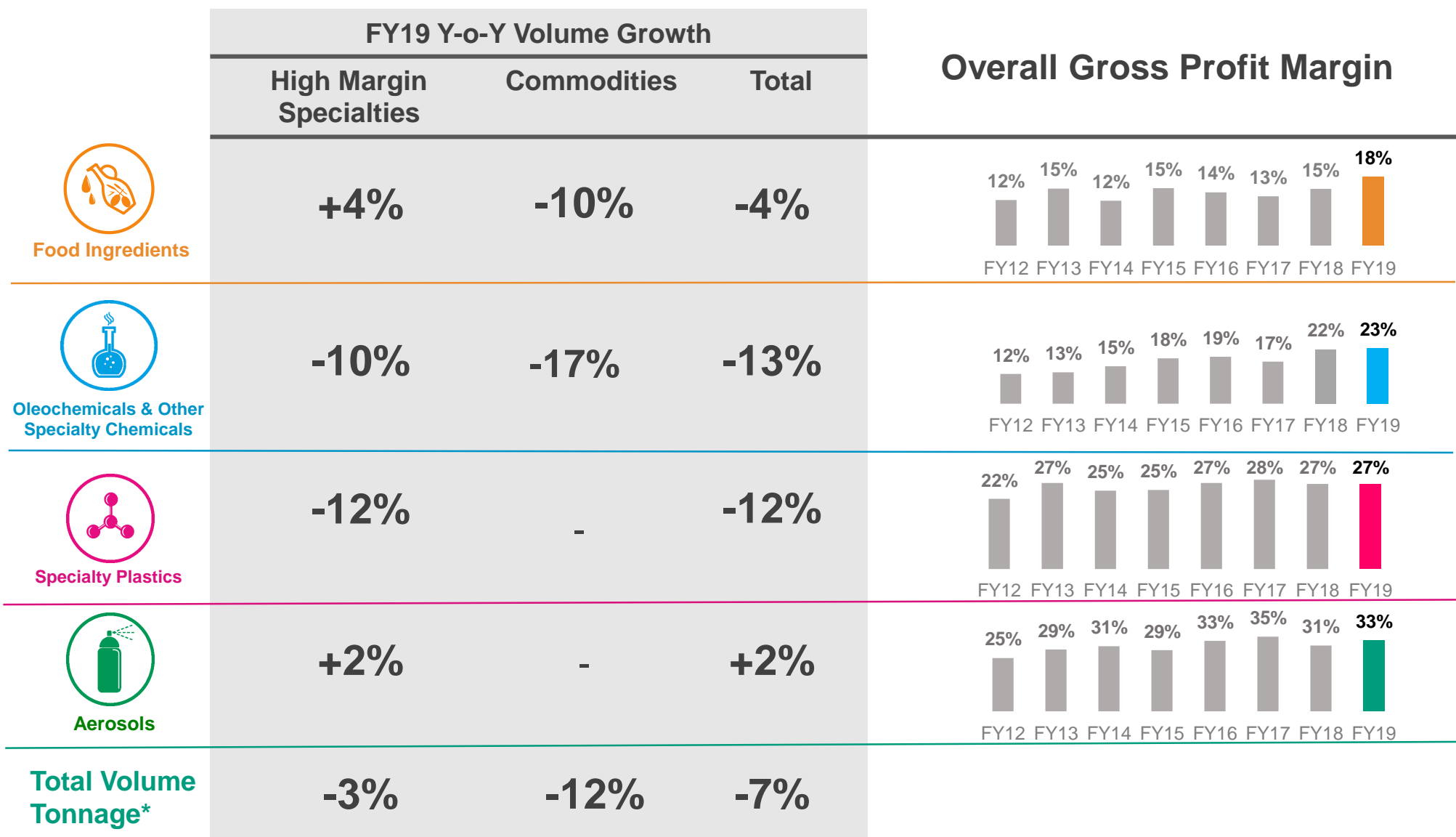
Chemrez & Specialty Plastics HMSP Volume remained a drag, -14% YoY in 4Q19

4

Improvement in sales mix with HMSP sales contribution at 69% in FY19

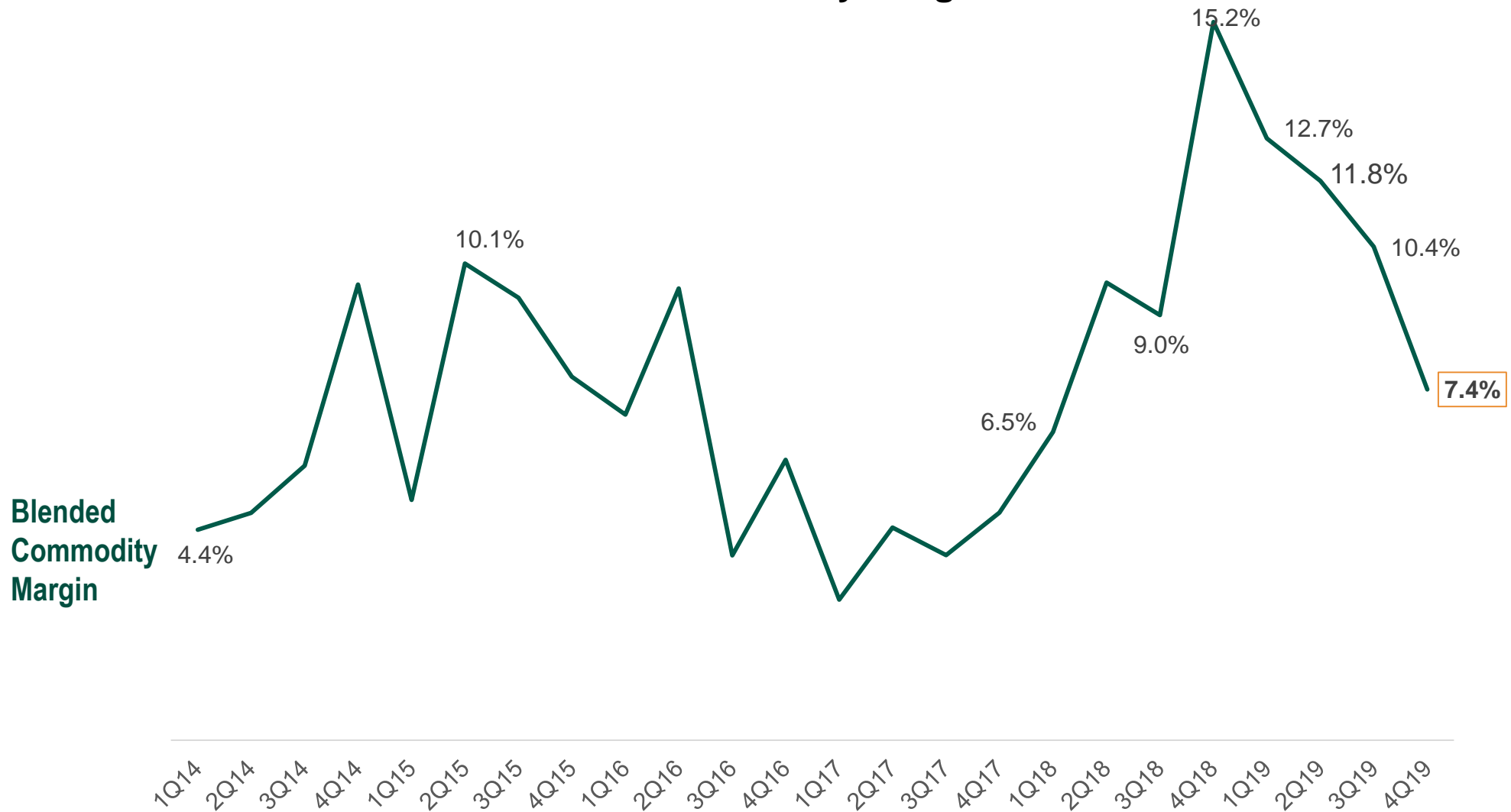


Segment volume growth and GP Margin



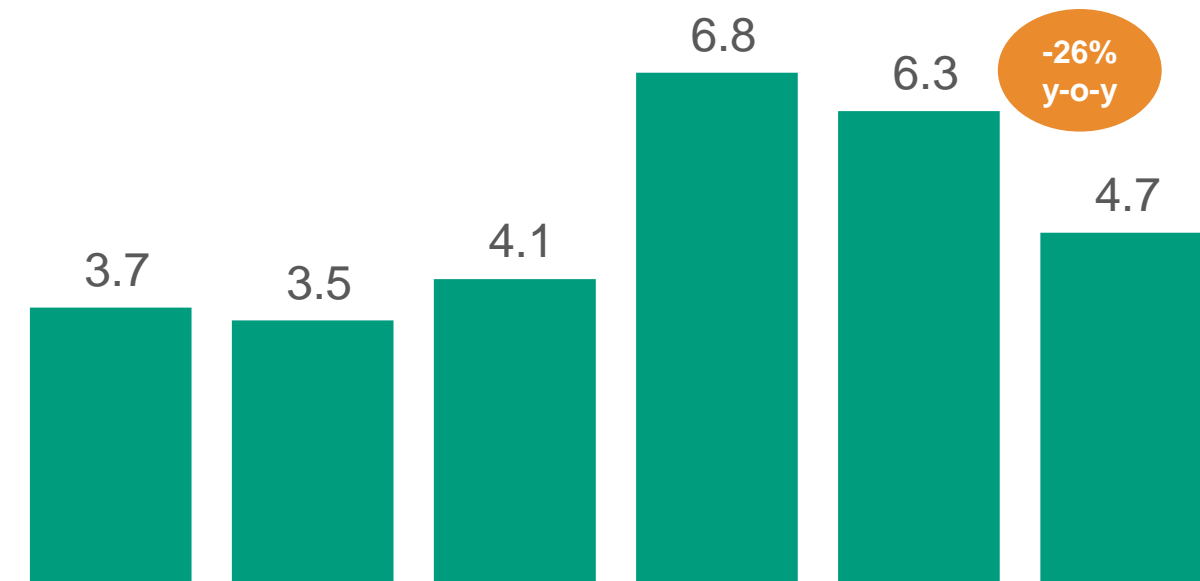
Historical Commodity Margins

Quarterly Margins



Exports revenue contribution stood at 21%

EXPORT / SALES	18%	18%	18%	25%	24%	21%
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In P bn

FY14

FY15

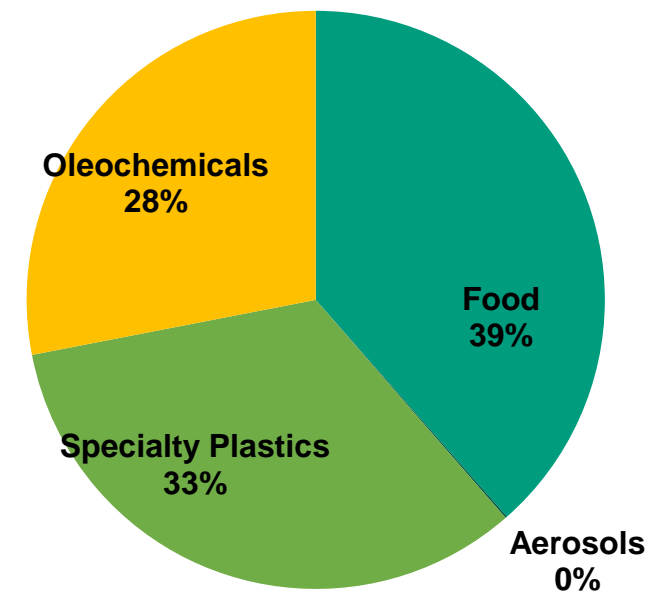
FY16

FY17

FY18

FY19

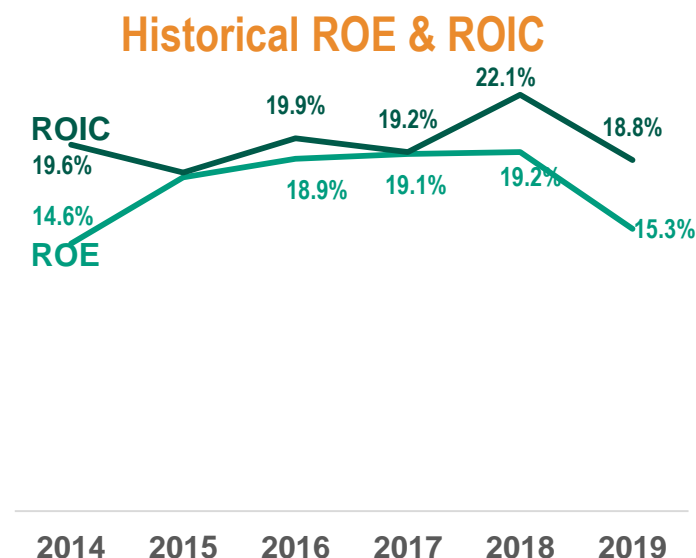
Breakdown of exports



Financial & Operating Highlight

ROE & ROIC at healthy levels

	FY19 y-o-y	FY18 y-o-y
Revenue growth	-16%	-4%
Recurring income growth	-18%	+10%
Blended GPM	20.9%	19.1%
Sales Mix	69% HMSP 31% CMTDY	63% HMSP 37% CMTDY
Free Cash Flows	+3.2bn	+P4.1bn
Net Gearing	8%	10%
ROE	15.3%	19.2%
ROIC	18.8%	22.1%



Financial & Operating Highlight

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

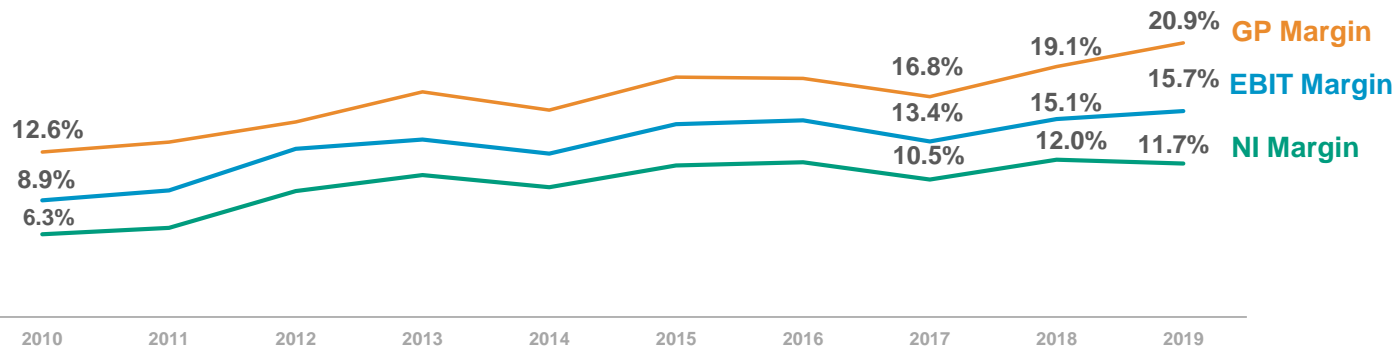
Condensed Statement of Cash Flows

In PMN	FY19	FY18
EBITDA	4,099	4,433
Interest Received	5	13
Paid taxes	(714)	(647)
Non cash items	(41)	30
Change in working capital	1,377	1,165
Net Operating Cash Flow	4,726	4,994
Capex	(1,534)	(873)
Free Cash Flow	3,193	4,121

Lower average commodity prices for the year

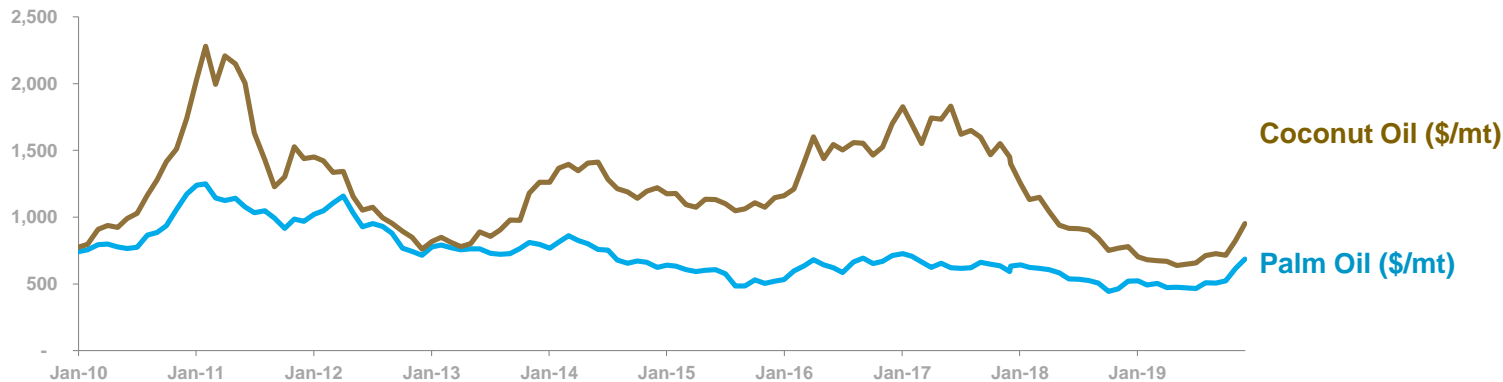
Higher capex due to expansion

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 FY19 Prices
Coconut Oil -27% y-o-y
Palm Oil -6% y-o-y



Average PhP:US\$
FY19: P51.8
FY18: P52.7

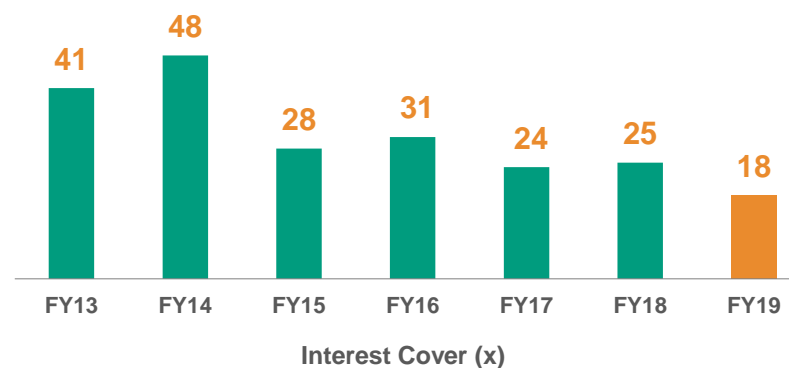
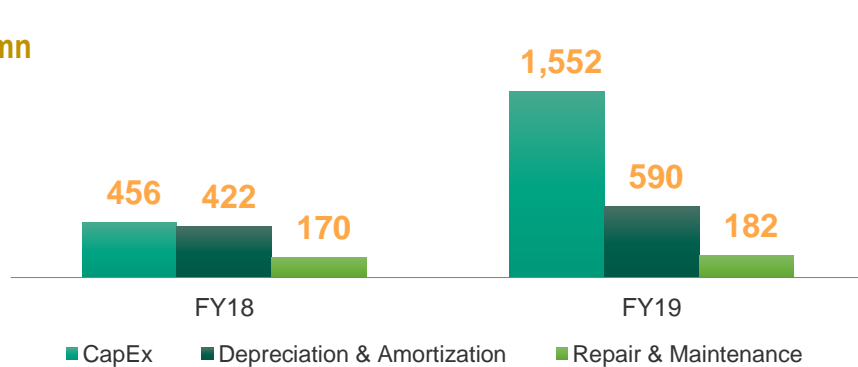
FY19 Group Results

	 Food Ingredients	 Oleochemicals & Other Specialty Chemicals	 Specialty Plastics	 Aerosols	 D&L Industries - Consolidated
% change in Revenues	-10%	-29%	-11%	-6%	-16%
% change in Income*	+2%	-35%	-18%	+1%	-18%

Balance Sheet remains robust

In Pmn	As of end Dec-19	As of end Dec-18	In Pmn	As of end Dec-19	As of end Dec-18
Cash	1,990	1,775	Book Value	17,112	16,565
Current Assets	13,413	14,656	BVPS ¹ (in P)	2.40	2.32
Total Assets	22,301	22,397	Debt-to-equity (Borrowings/ Equity)	0.20x	0.21x
Borrowings	3,400	3,400	Return on Equity	15.3%	19.2%
Total Liabilities	5,188	5,833	Return on Invested Capital ²	18.8%	22.1%

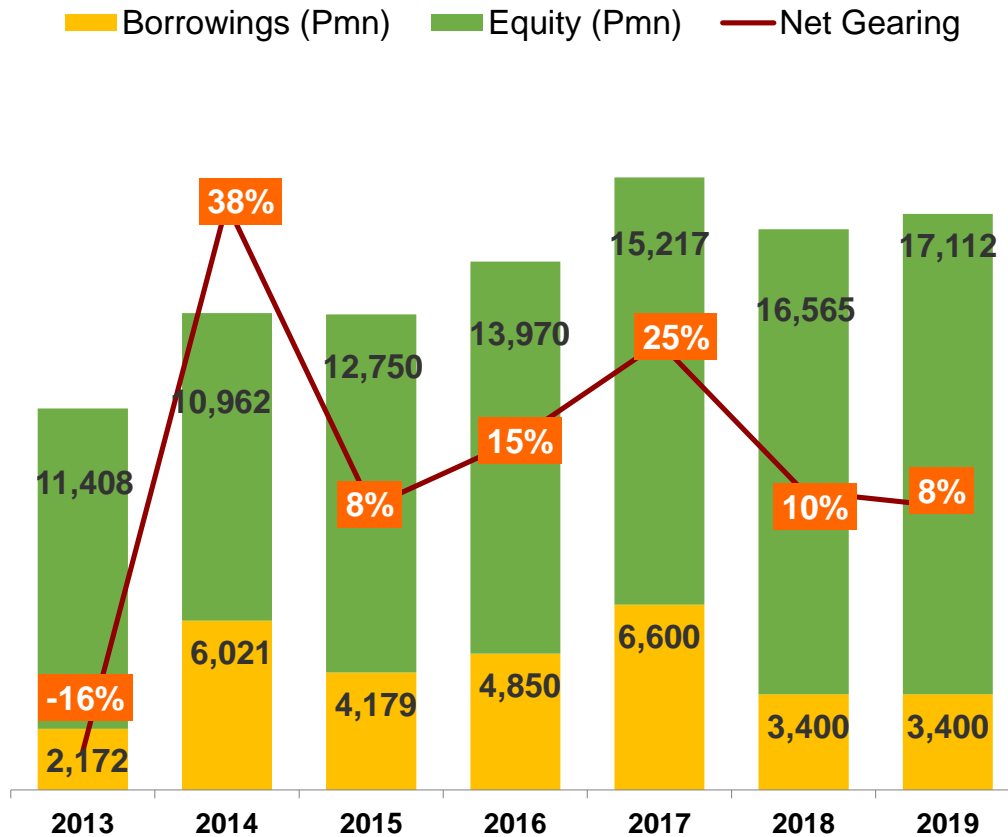
In Pmn



¹number of outstanding shares: 7,142,857,990

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

CAPITAL STRUCTURE



18x

interest
cover

P1.4
Billion

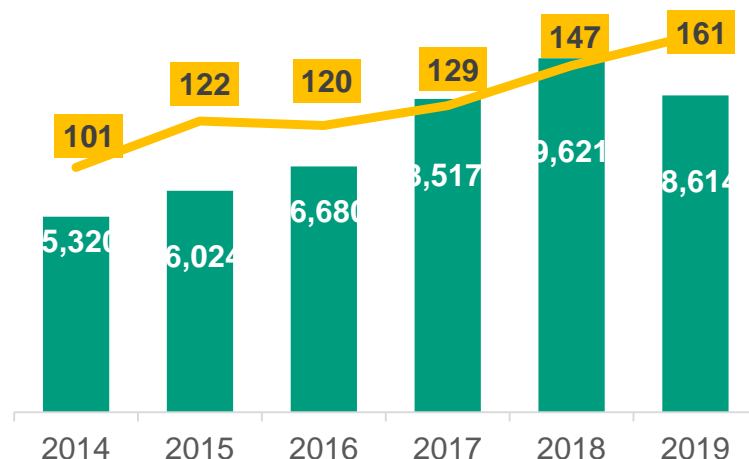
net
debt

~4.76%
p.a.

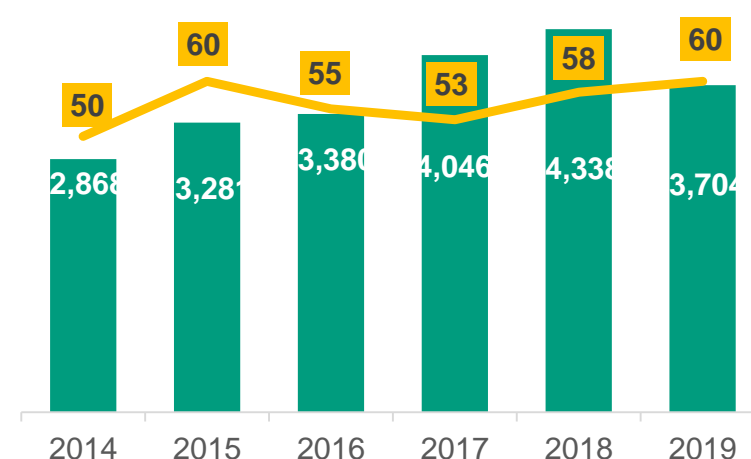
average
cost of debt*

WORKING CAPITAL CYCLE

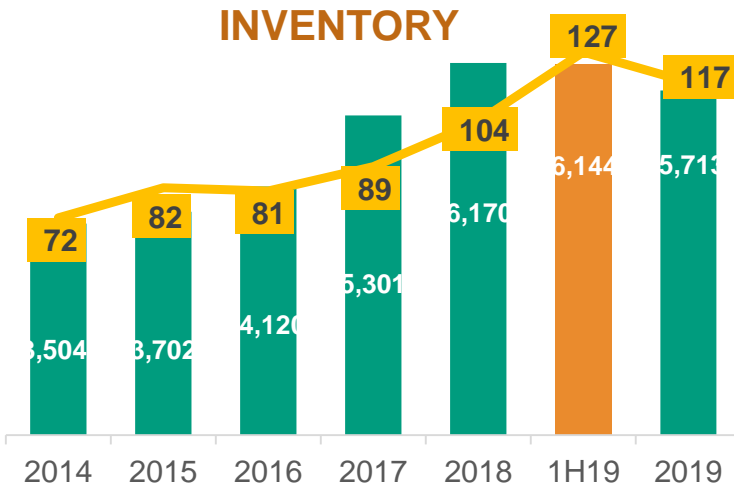
CASH CONVERSION



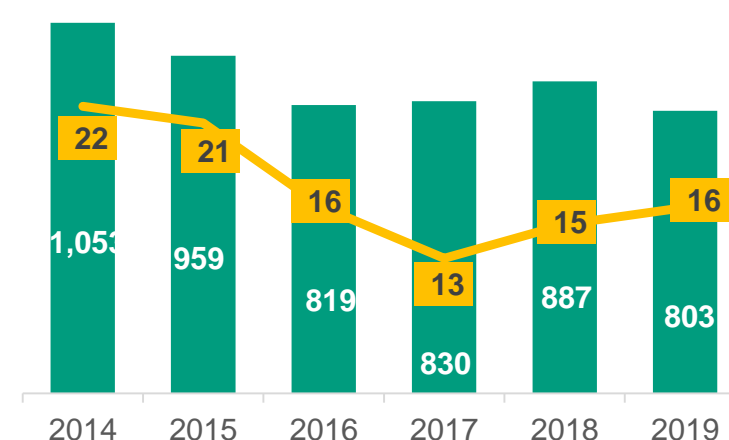
ACCOUNTS RECEIVABLE



INVENTORY



ACCOUNTS PAYABLE



Port congestion starting 4Q18 to 1Q19 required buffer stocks which translated to higher inventory levels for the said periods. FY19 figure shows improvement from peak level in 1H19.

Account balance (P mn) Cycle (in days)

Catalysts to look forward to:

- Early passage of 2020 government budget + carry over government budget from 2019
- Further cuts in interest rates and RRR to boost the economy
- Inflation outlook turning softer
 - Crude oil prices expected to remain low, positive for the general Philippine economy
 - Lower prices of commodities and agricultural products
- CITIRA bill in the works, will address uncertainties

Risks to watch out for:

- COVID-19 impact
 - Supply chain disruption
 - Negative consumer sentiment
 - Port congestion

Foundation of future growth

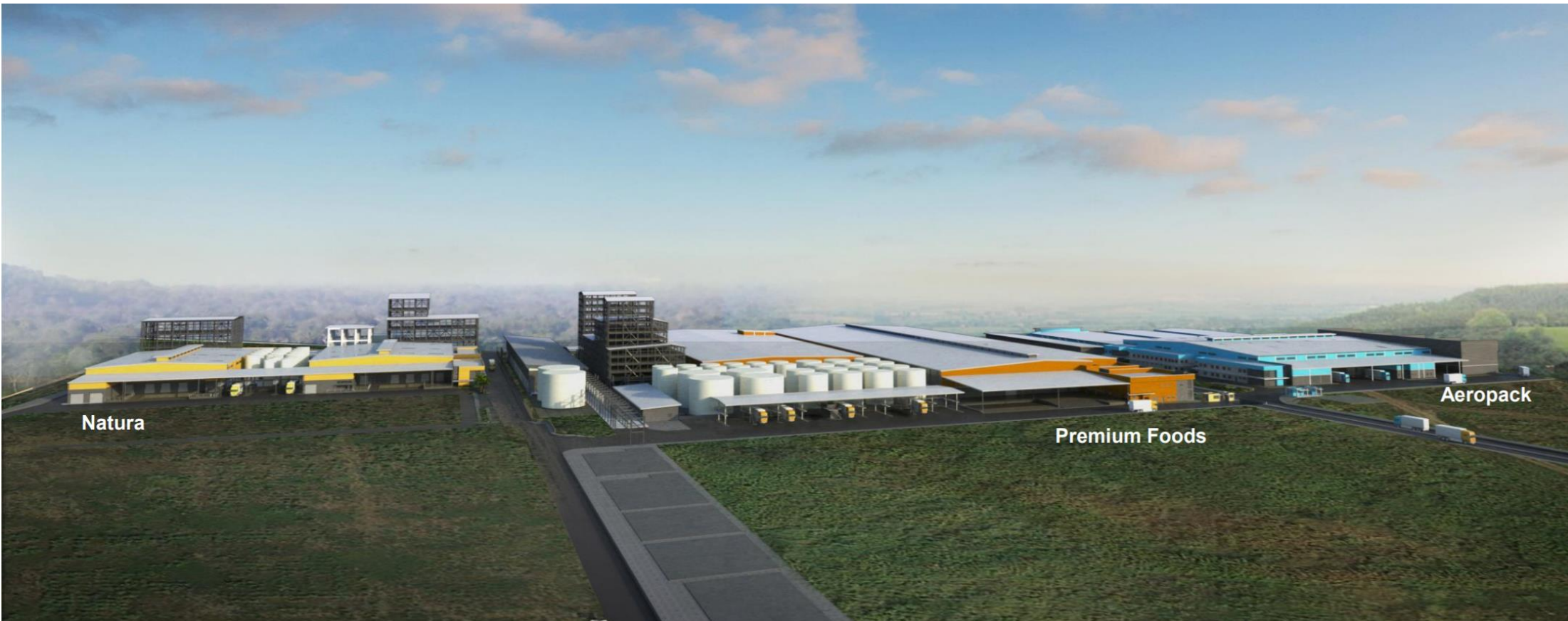
High value, high margin products:
Expansion in export zones & “Pack at source” initiative

FIT expansion progress

Photo taken last February 13, 2020



FIT expansion perspective; to rise in 2021



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-Echauz, 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 	