

D&L's expansion site in  
Batangas, Philippines



FILIPINO



MANUFACTURING



CUSTOMIZED  
SPECIALTY  
PRODUCTS



B2B2C

**D & L**

**D&L INDUSTRIES**

Investor Presentation

August 2023

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

**1H23**

**P16.3B** *Revenues*

**P1.2B** *Net Income*



**FOOD INGREDIENTS**

Fats, oils and other specialty food ingredients



**60%**  
Revenue

**38%**  
Net Income



**OLEOCHEMICALS & OTHER  
SPECIALTY CHEMICALS**

Coco-biodiesel, oleochemicals, resins and powder coatings



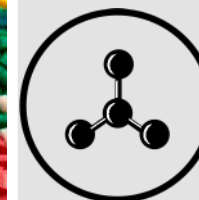
**26%**  
Revenue

**31%**  
Net Income



**SPECIALTY PLASTICS**

Pigment blends, color and additive masterbatches and engineered polymers



**9%**  
Revenue

**26%**  
Net Income



**CONSUMER PRODUCTS ODM**

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



**4%**  
Revenue

**13%**  
Net Income



# KEY BUSINESS STRATEGIES



**Maintain Market  
Leadership**



**Innovate  
Continuously**



**Capitalize on Growing  
Domestic Consumer Market**

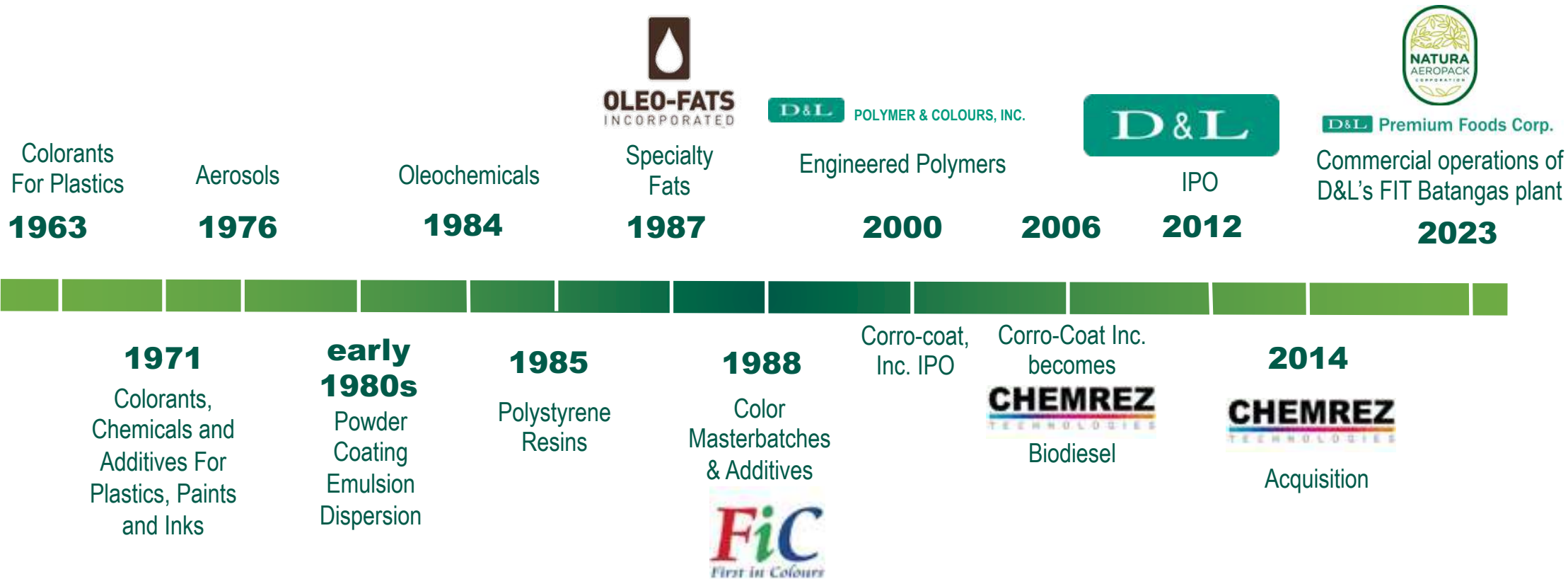


**Enhance Production and  
Business Processes**



**Expand  
Globally**

# Our history of serving customers spans across almost 60 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)



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, 70 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 : 45



**John L. Lao, 68 years old**  
**Vice Chairman**  
 Chairman/President – Aero-Pack  
 B.S. in Business Administration  
*University of the East*  
 Years of D&L experience: 44



**Alvin D. Lao, 51 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: 21

## INDEPENDENT DIRECTORS



**Mercedita Nolleddo, 82 years old**  
 Lawyer and CPA  
 Former Senior Managing Director & Corporate Secretary of Ayala Corp.  
 Chairman, BPI Investment Management; Trustee, - Ayala Foundation and BPI Foundation  
 B.S. Business Administration & Bachelor of Laws from the *University of the Philippines*



**Karl Kendrick Chua, 44 years old**  
 Former World Bank Senior Economist for the Philippines  
 Former Secretary of the National Economic and Development Authority  
 Former Undersecretary for Strategy, Economics, and Results at the Department of Finance  
 Recipient of the 2018 Outstanding Young Men and Women of the Philippines (TOYM) Award in the field of Economic Development



**Corazon S. Dela Paz-Bernardo, 82 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, 75 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



**Franco Diego Lao, 42 years old**  
**Chief Financial Officer, Treasurer, & Chief Compliance Officer**  
Former Group Supply Chain Director at D&L  
Bachelor of Commerce major in Accounting and Marketing from the *University of Western Australia*  
Years of D&L experience: 21



**Joselito P. Rivera, 58 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*  
Years of D&L experience: 5



**Dean A. Lao, Jr., 54 years old**  
**President & CEO 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: 23

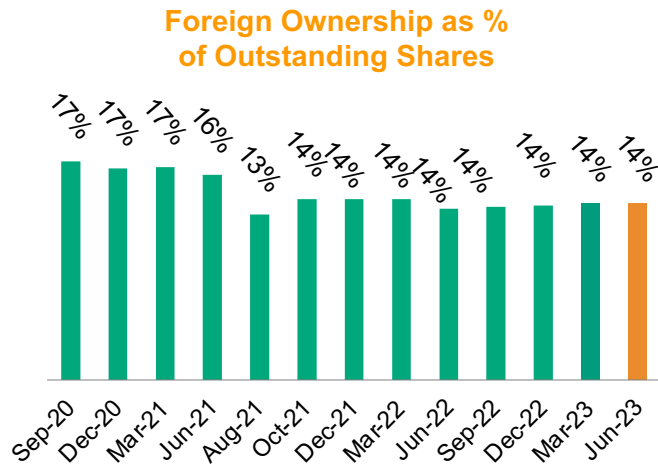


**Lester A. Lao, 52 years old**  
**President & CEO of FIC & DLPC**  
B. A. S. in Information Business from *Edith Cowan University*  
Years of D&L experience: 30



**Vincent D. Lao, 47 years old**  
**President & CEO 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: 25

# D&L Ownership Structure



Source: Stock Transfer Service Inc.

## Lao Family

**61.6%** Jadel Holdings Co., Inc.  
(Lao Family holding company)

**10.5%** Individual Family Members

**72%**

Public  
**28%**

**D&L**

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

### FOOD INGREDIENTS



**D&L  
PREMIUM  
FOODS**

100%

### OLEOCHEMICALS, RESINS, & SPECIALTY CHEMICALS

**CHEMREZ**  
TECHNOLOGIES



100%

### SPECIALTY PLASTICS

**Fic**

**D&L**  
POLYMER & COLOURS, INC.

100%

### AEROSOLS

**AERO-PACK**

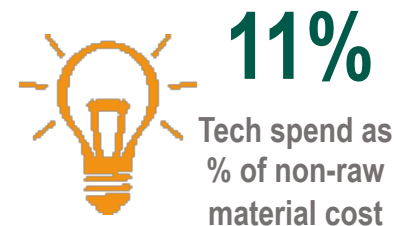
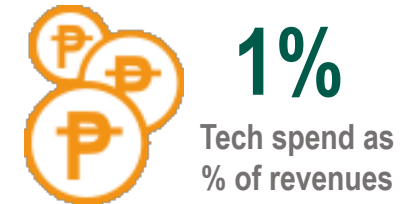
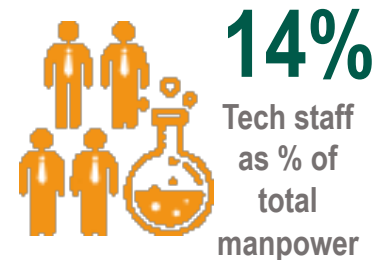
100%



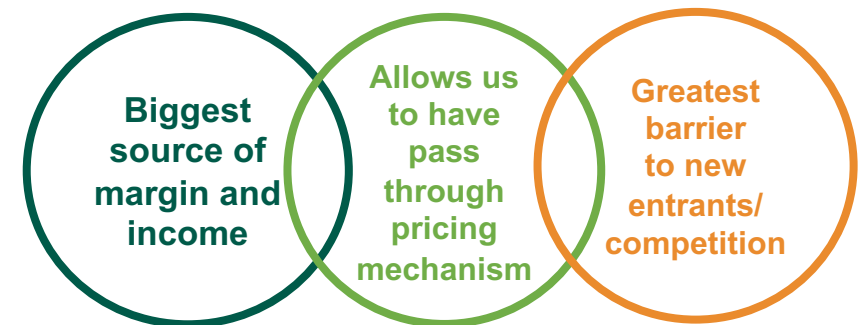
# We are shaped and driven by R&D and disciplined innovation

## 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

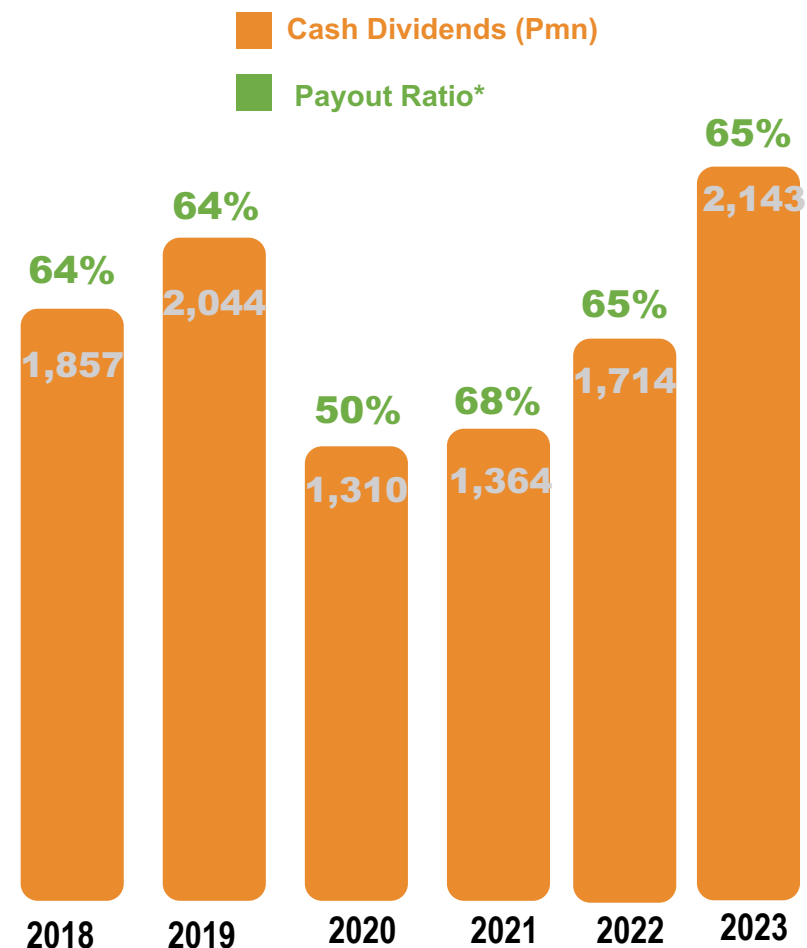
# ASSET-LIGHT MODEL

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
<b>1H23: P334 mn</b> 2% of total costs and expenses	<b>1H23: P55 mn</b> 0.3% of total revenues

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

Dividend Per Share	2018	2019	2020	2021	2022	2023
Total	P0.26	P0.286	P0.183	P0.191	P0.24	P0.30
Regular	P0.205	P0.223	P0.183	P0.141	P0.185	P0.24
Special	P0.055	P0.063	-	P0.05	P0.055	P0.06

Dividends	Cash
Ex-Date	June 15, 2023
Record Date	June 20, 2023
Payment Date	July 14, 2023





# INVESTOR RELATIONS



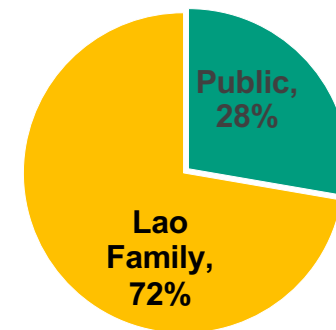
**P51 bn\***

Ranked 50th  
among  
Philippines'  
largest companies  
by market cap

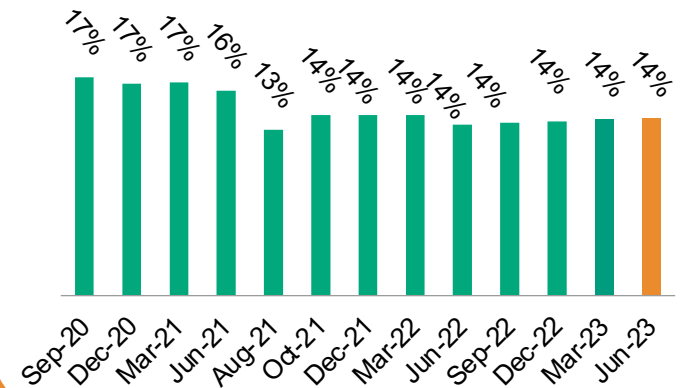
12-Month Daily Trading Average\*



Ownership as of  
August 2023



Foreign Ownership as %  
of Outstanding Shares



# INVESTOR RELATIONS

Return since IPO

	Price Change	Total Return
DNL PM	+230%	+321%
PCOMP Index	+12%	+27%



Price as of 08/07: P7.10  
 Market Cap as of 08/07: P50bn  
 USD 904 mn (USD1:P56.01)  
 Outstanding Shares: 7,142,857,990

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

DATE	EVENT	VENUE
June 6-7, 2023	Nomura Investment Forum Asia	Singapore (in-person)
June 8, 2023	NDR	Singapore (in-person)
October 11-12, 2023	Jefferies & Regis PH Conference	Manila (in-person)

We have been awarded and recognized both locally and internationally

## Institutional Investor

**2022** – ASEAN Honored Company; Crissa Bondad as Best Investor Relations

Professional in Asia ex-China, Japan, Consumer Staples Sector

**2020** – ASEAN Honored Company; Alvin D. Lao as Best CEO in Phils; Crissa Bondad as 2<sup>nd</sup> Best Investor Relations Professional in the Philippines; 3<sup>rd</sup> Best IR Team, 3<sup>rd</sup> Best ESG

**2019** – ASEAN Honored Company; Alvin D. Lao as Best CEO in Phils, ranked 2<sup>nd</sup> in ASEAN; Best Investor Relations Program in Phils; Crissa Bondad as 3<sup>rd</sup> Best Investor Relations Professional in the Philippines; 2<sup>nd</sup> Best ESG and Corporate Governance initiatives

**2017** – Most Honored Company; Alvin D. Lao as Best CEO; 3<sup>rd</sup> Best Investor Relations Program



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



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

**2021** – Most Outstanding Company in the Philippines (Industrial Sector)



**2013** - Global Small Cap Index



**2014** - Top 10 Corporate Governance and Sustainability Report



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

## 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



**2013**- Islamic Market ASEAN Index



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



**2021** – Crissa Bondad, IR Rising Star

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



ASIAN DEVELOPMENT BANK

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

# CORPORATE SOCIAL RESPONSIBILITY



LAO FOUNDATION

1%

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

2021

## AREAS OF FOCUS



Education



Values formation

**P21M**

Committed amount from D&L

**164**

Direct scholars in 4 communities

**272**

Educational Assistance scholars supported through partners

**P10M**

Donated to COVID-related relief efforts



## 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	Sponsoring stipends of retired teachers of Grace Christian High School
LBL Educational Program	Scholarships for the Most In-Need Children & Dependents of D&L Employees Educational Excellence Grants for Children of D&L employees

# 1H23 Results

# 1H23 Highlights

1

D&L's Batangas plant has started commercial operations, ushering in a transformational period for the company

2

1H23 earnings at P1.2 bn, down 28% YoY, has yet to reflect new plant's potential; Excluding pre-operating expenses, 1H23 earnings down 13% YoY to P1.5 bn

3

Recovery continued with 2Q23 earnings at P646 mn, up 9% QoQ; Blended GPM improved from 13.1% in 1H22 to 17.7% in 1H23

4

With improving FCF, falling debt levels, and the continued optimism on the prospects of the business, D&L has the highest confidence in its ability to service bonds maturing in 2024 and 2026

# Batangas Plant Starts Commercial Operations



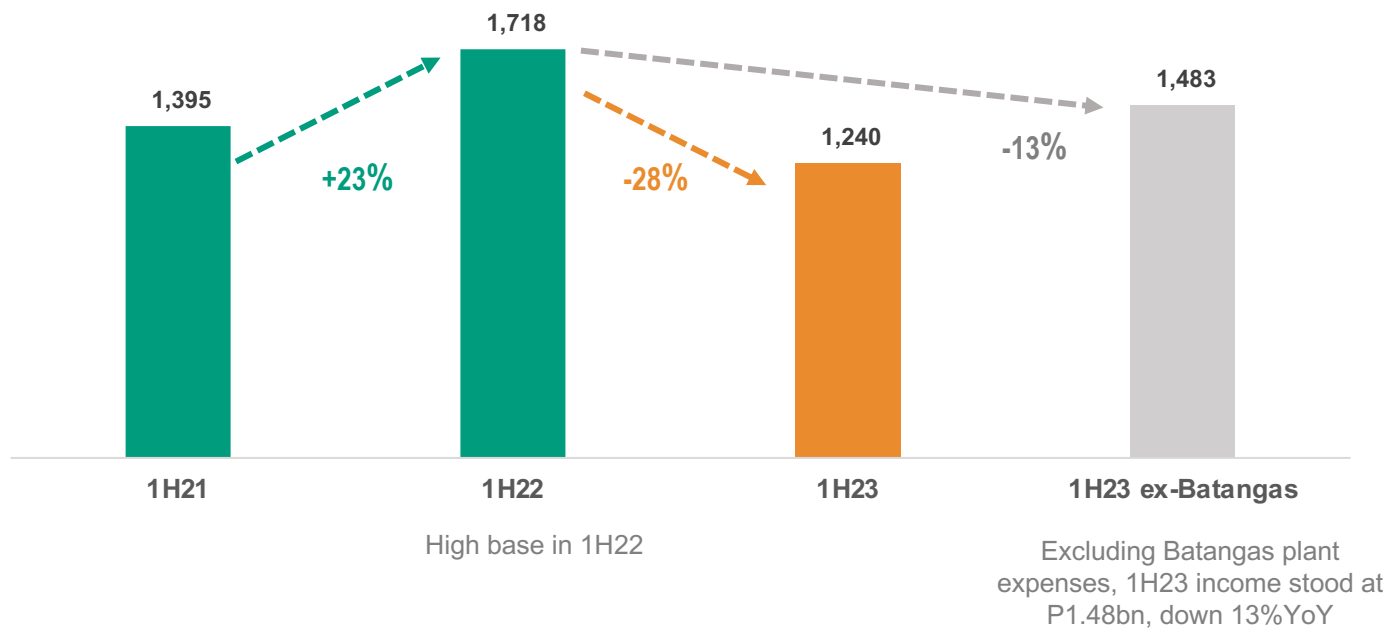


# Key Figures Summary

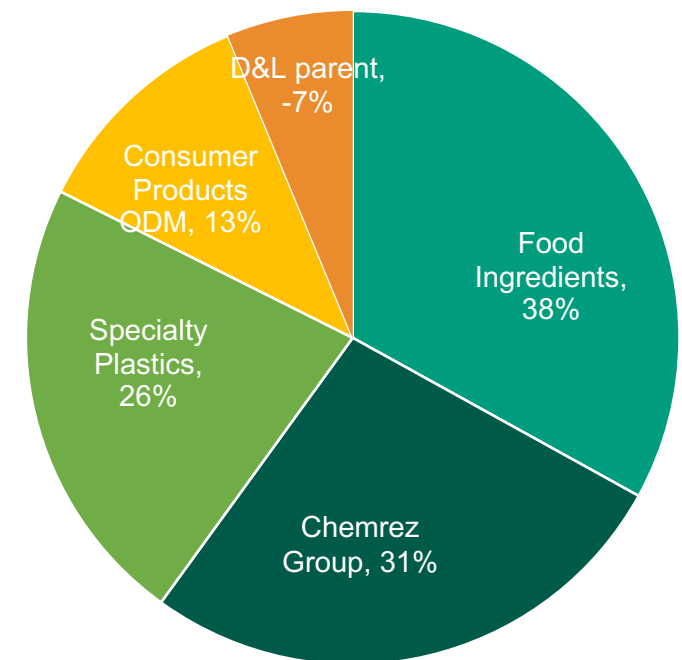
	1H YoY			2Q YoY		
<i>(In P mn)</i>	1H23	1H22	%change	2Q23	2Q22	% change
Sales	16,230	22,324	-27%	7,816	12,329	-37%
Gross Profit	2,865	2,924	-2%	1,472	1,586	-7%
Net Income	1,240	1,718	-28%	646	938	-31%
Net Income (ex-Batangas expenses)	1,483	1,713	-13%	778	931	-16%
EPS (in centavos)	17.4	24.1	-28%	9.0	13.1	-31%
Gross Profit Margin	17.7%	13.1%	4.6 ppts	18.8%	12.9%	6.0 ppts
HMSP Contribution	63%	49%	14.0 ppts	63%	46%	17.0 ppts
Free Cash Flows	2,028	(1,425)		1,138	(842)	
Net Gearing	48%	52%	-4.0 ppts	48%	52%	-4.0 ppts

# 1H23 Income has yet to reflect new plant's potential

Net Income (Php mn)

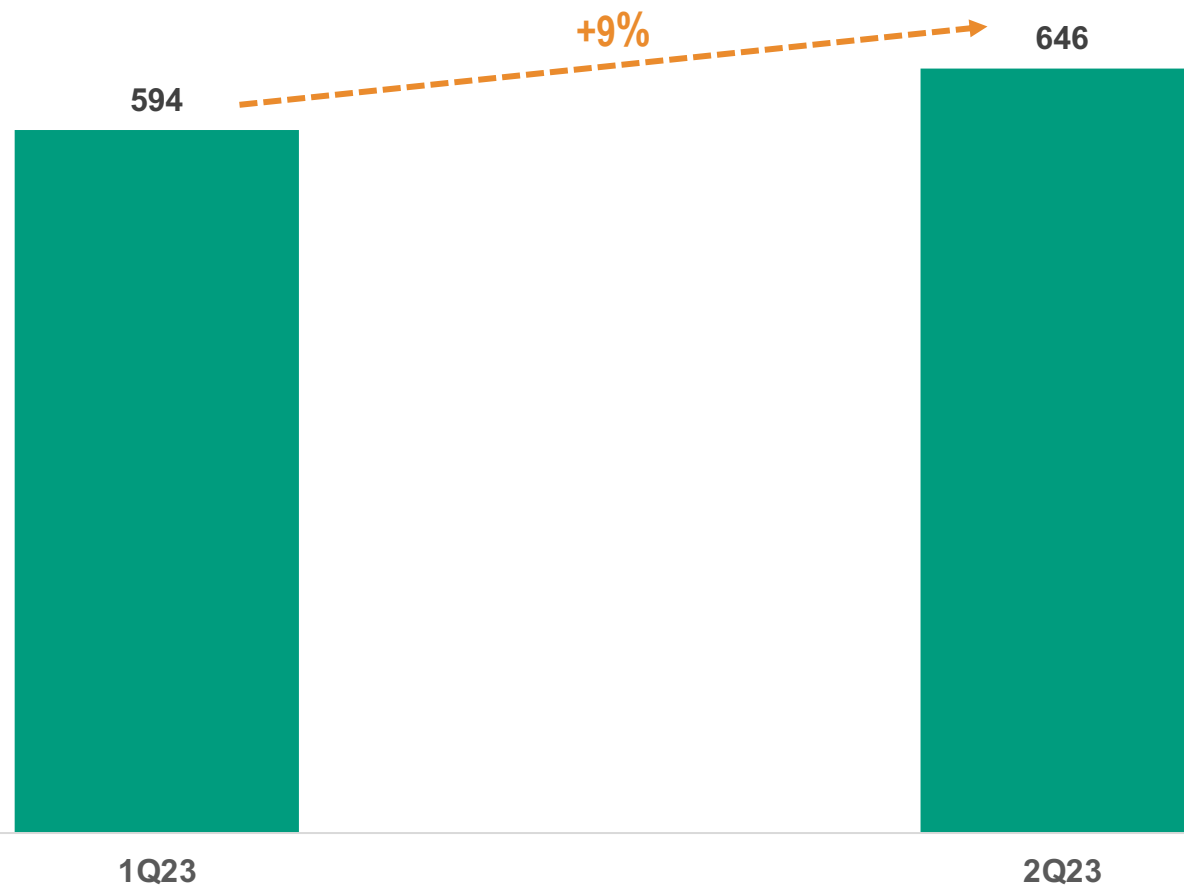


Net income breakdown



## Recovery continued in 2Q with earnings up 9% QoQ

Net Income (P mn)



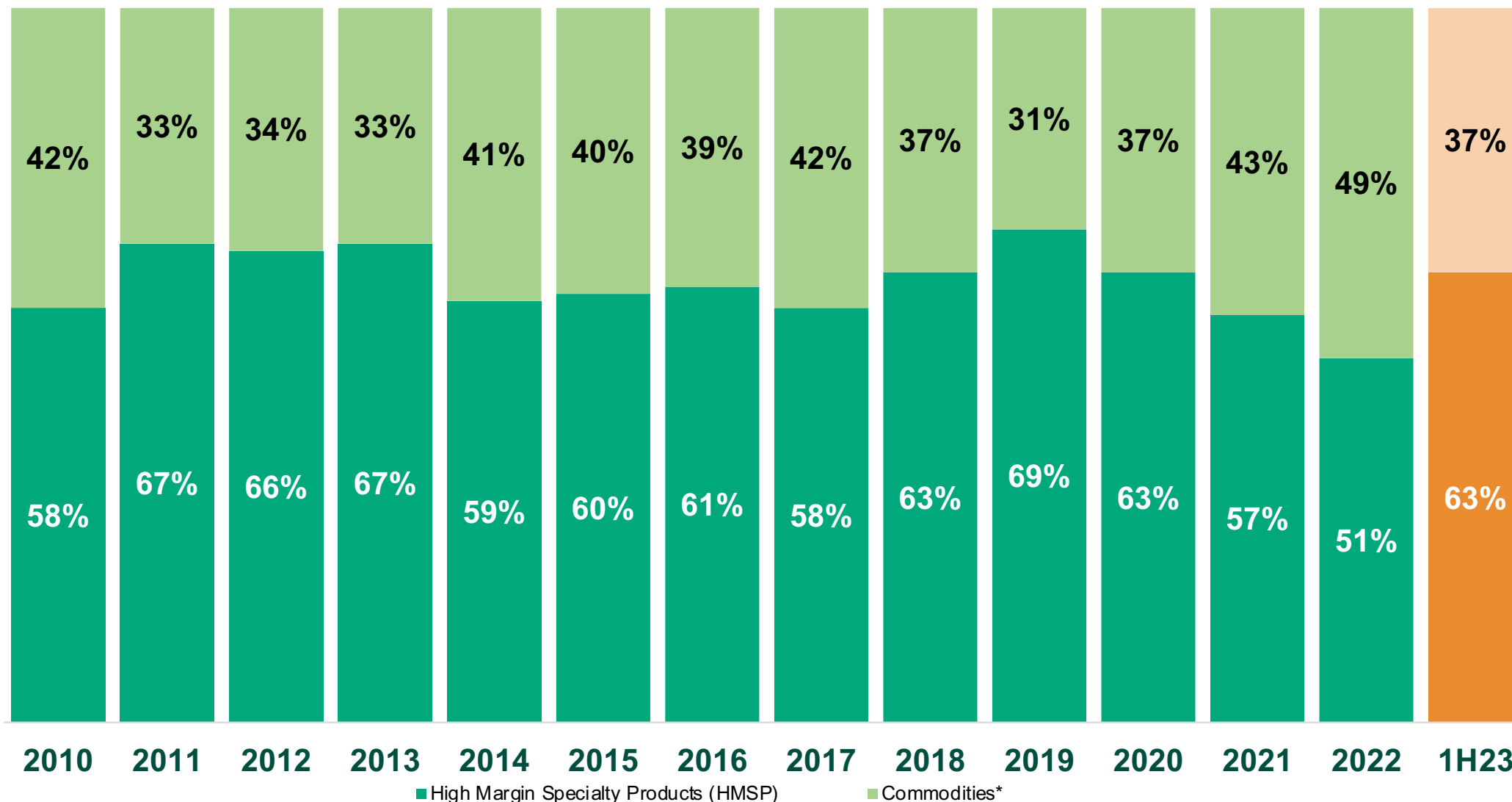
# Condensed Income Statement

(In P mn)	1H YoY			2Q YoY			2Q QoQ		
	1H23	1H22	%change	2Q23	2Q22	% change	2Q23	1Q23	% change
Sales	16,230	22,324	-27%	7,816	12,329	-37%	7,816	8,414	-7%
COGS & Cost of Service	(13,365)	(19,400)	-31%	(6,344)	(10,742)	-41%	(6,344)	(7,021)	-10%
Gross Profit	2,865	2,924	-2%	1,472	1,586	-7%	1,472	1,393	6%
Operating expenses	(1,067)	(852)	25%	(561)	(454)	23%	(561)	(506)	11%
Other operating income	36	102	-65%	38	58	-33%	38	(3)	
Interest expense	(196)	(69)	182%	(99)	(38)	161%	(99)	(97)	3%
Profit before tax	1,638	2,104	-22%	850	1,151	-26%	850	788	8%
Income tax	(398)	(386)	3%	(204)	(213)	-4%	(204)	(194)	5%
<b>Net Income</b>	<b>1,240</b>	<b>1,718</b>	<b>-28%</b>	<b>646</b>	<b>938</b>	<b>-31%</b>	<b>646</b>	<b>594</b>	<b>9%</b>
<i>Net Income (ex-Batangas expenses)</i>	<b>1,483</b>	<b>1,713</b>	<b>-13%</b>	<b>778</b>	<b>931</b>	<b>-16%</b>	<b>778</b>	<b>705</b>	<b>10%</b>
Gross Profit Margin	17.7%	13.1%	4.6	18.8%	12.9%	6.0	18.8%	16.6%	2.3
Net Profit Margin	7.6%	7.7%	(0.1)	8.3%	7.6%	0.6	8.3%	7.1%	1.2
EPS* (in cents)	17.4	24.1	-28%	9.0	13.1	-31%	9.0	8.3	9%

# Sales mix back to pre-pandemic level

## REVENUES

% share to total group revenues

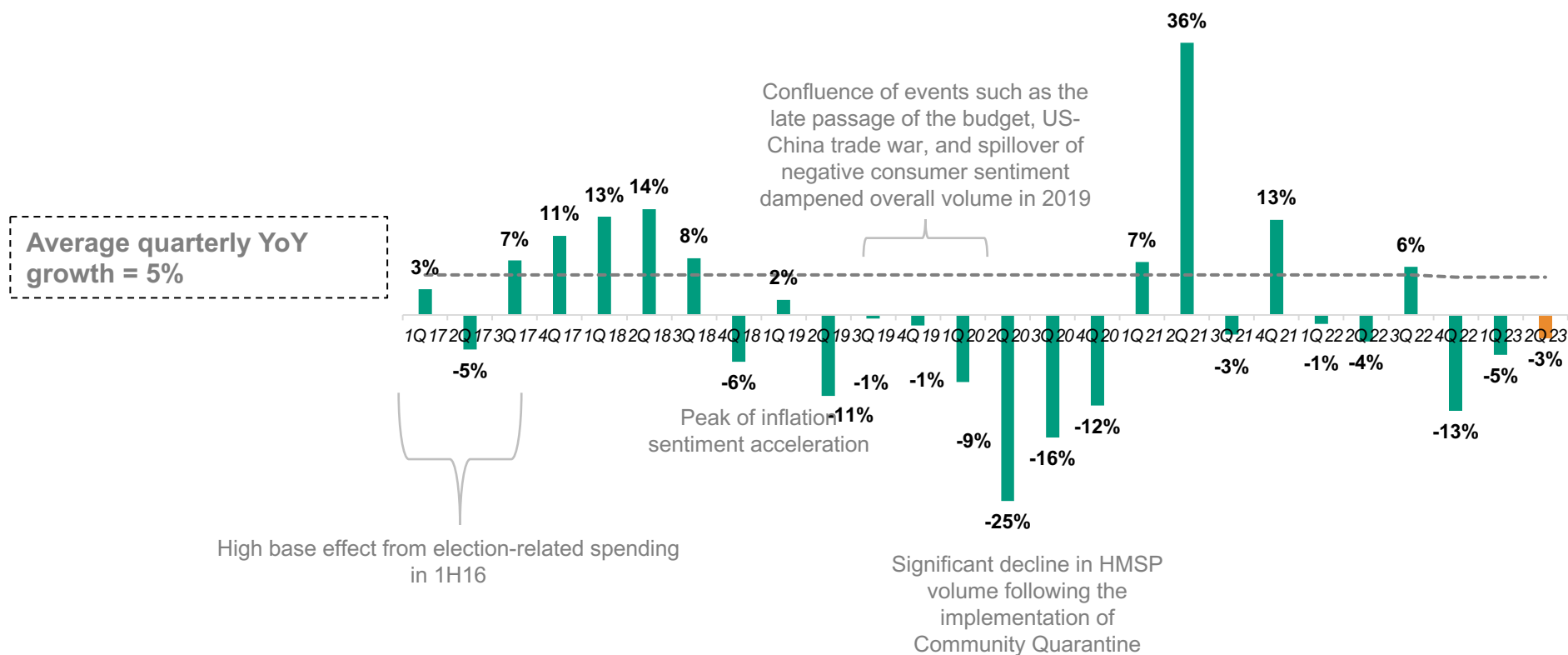




# HMSP Volume Growth (YoY)

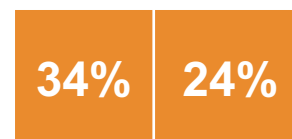
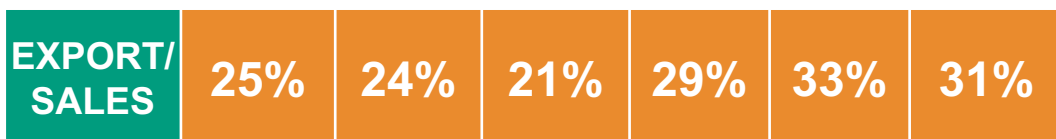
Inflationary pressure dragged YoY HMSP volume growth

## HMSP volume growth (YoY)

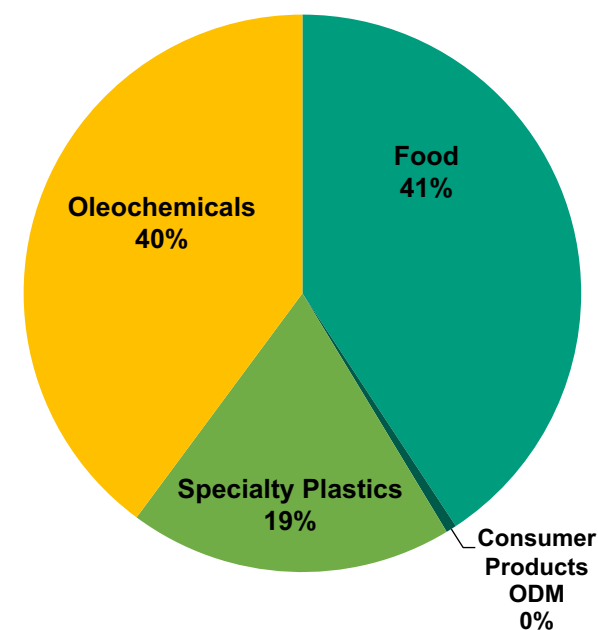
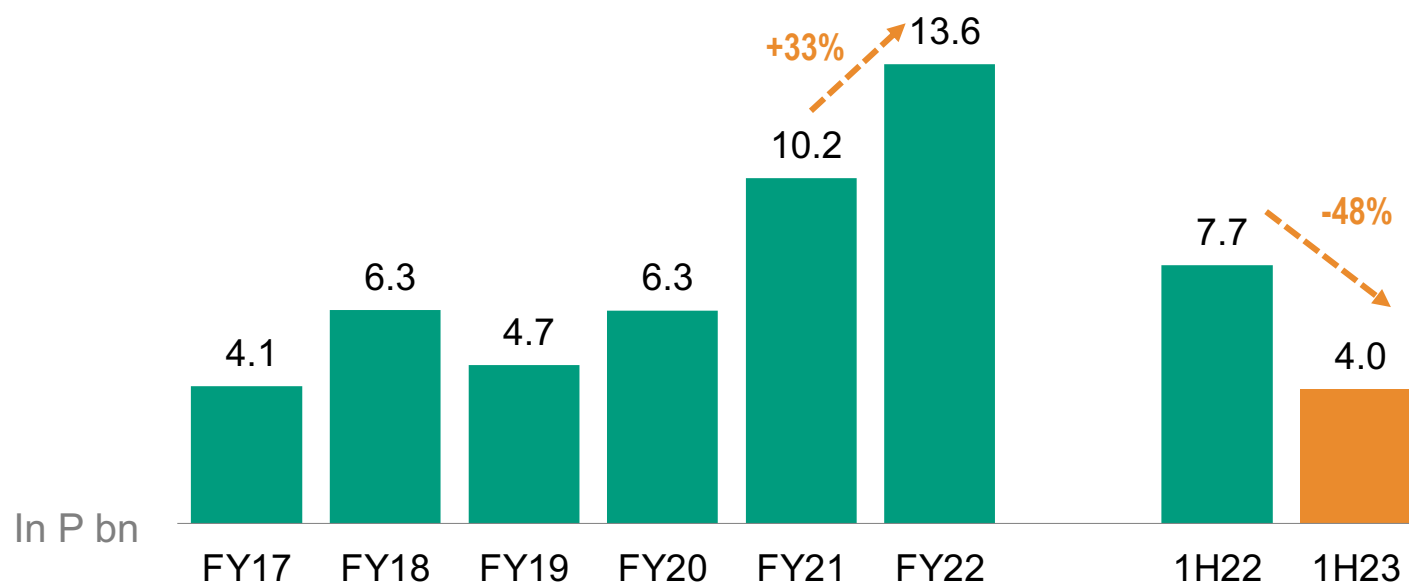


# Exports sales

High volume orders from earlier periods coupled with the lingering effects of high inflation resulted in lower export sales



## Breakdown of exports



# Condensed Statement of Cash Flows

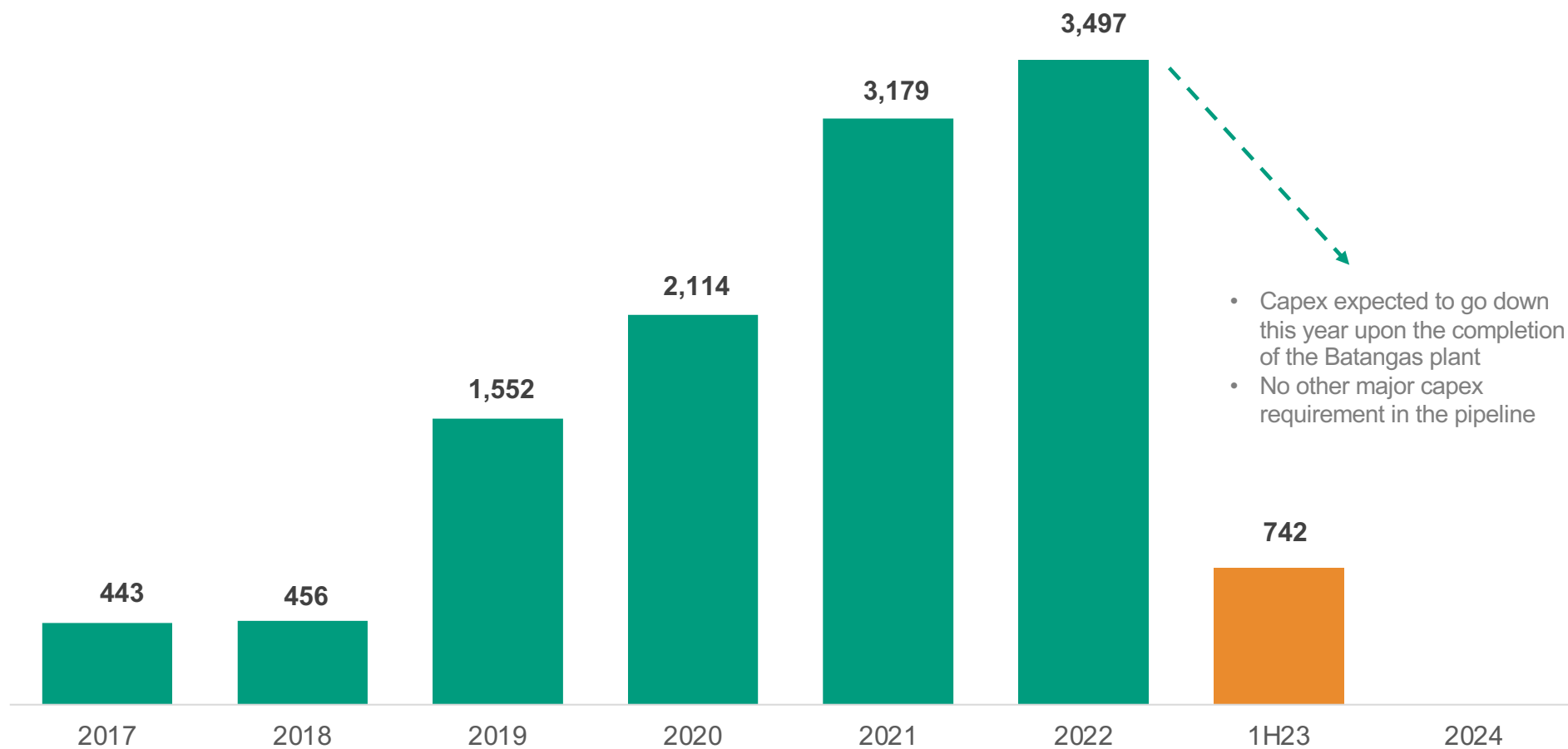
FCF turned positive

In PMN	1H23	FY22
EBITDA	2,274	5,139
Interest Received	10	169
Paid taxes	(358)	(807)
Non cash items	74	(46)
Change in working capital	736	(2,711)
<b>Net Operating Cash Flow</b>	<b>2,737</b>	<b>1,734</b>
Capex	(709)	(3,707)
<b>Free Cash Flow</b>	<b>2,028</b>	<b>(1,724)</b>

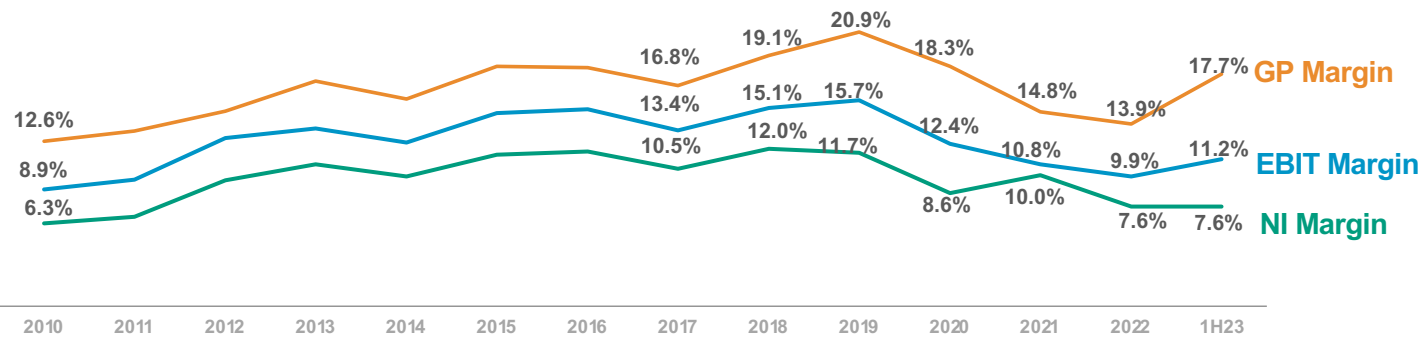
FCF turned positive with commodity prices and CAPEX on the downtrend

# Capex

Capex (P mn)

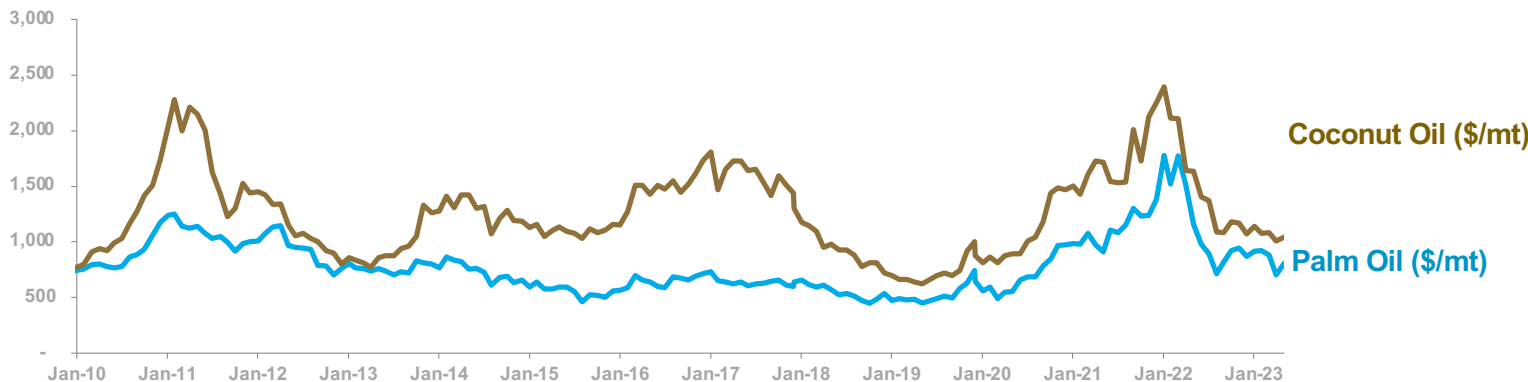


# Pass-through pricing mechanism as natural hedge against volatility in forex and commodity prices



Rapid increase in raw material prices resulted in a temporary margin contraction

We expect margins to continue to improve over time as we further invest in R&D



Average 1H23 Prices  
Coconut Oil -45% y-o-y  
Palm Oil -41% y-o-y



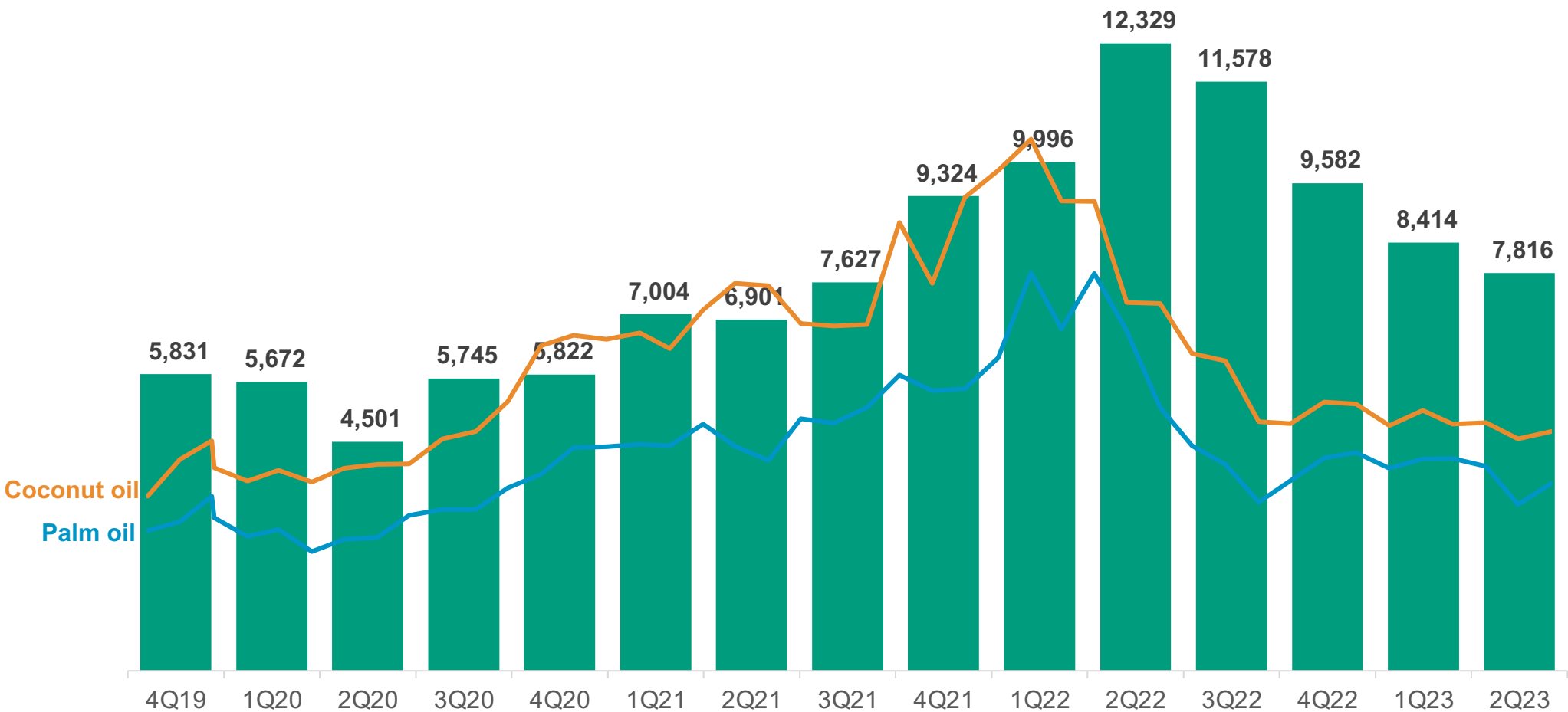
Average PhP:US\$  
1H23: P55.18  
1H22: P52.26




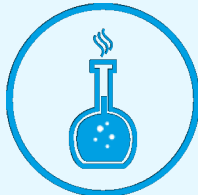
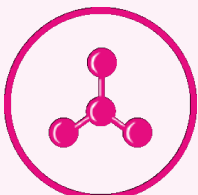


# Quarterly revenues reflecting movements in commodity prices

Evidencing the company's ability to pass on raw material prices

## Sales (P mn)

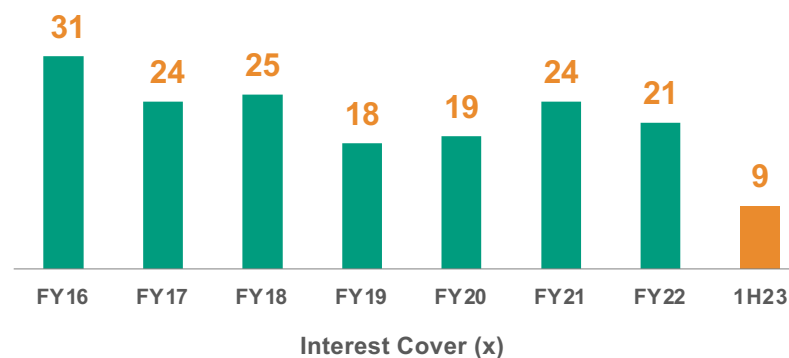
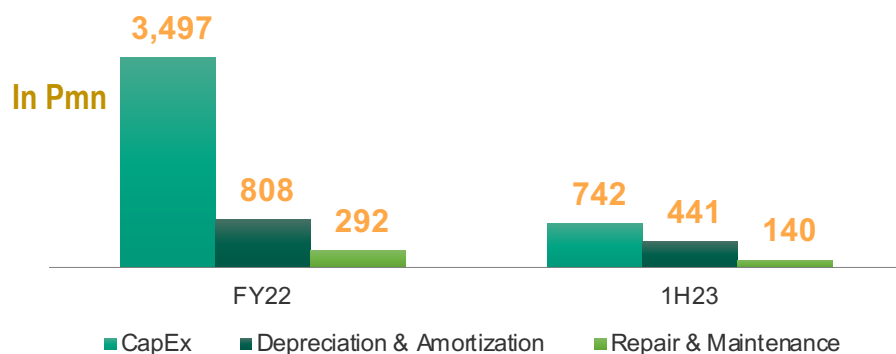


# 1H23 Group Results

	 <b>Food Ingredients</b>	 <b>Oleochemicals &amp; Other Specialty Chemicals</b>	 <b>Specialty Plastics</b>	 <b>Consumer Products ODM</b>	 <b>D&amp;L Industries - Consolidated</b>
<b>% change in Revenues</b>	<b>(34%)</b>	<b>(22%)</b>	<b>(3%)</b>	<b>+28%</b>	<b>(27%)</b>
<b>% change in Net Income*</b>	<b>(3%)</b>	<b>(47%)</b>	<b>(20%)</b>	<b>+41%</b>	<b>(28%)</b>

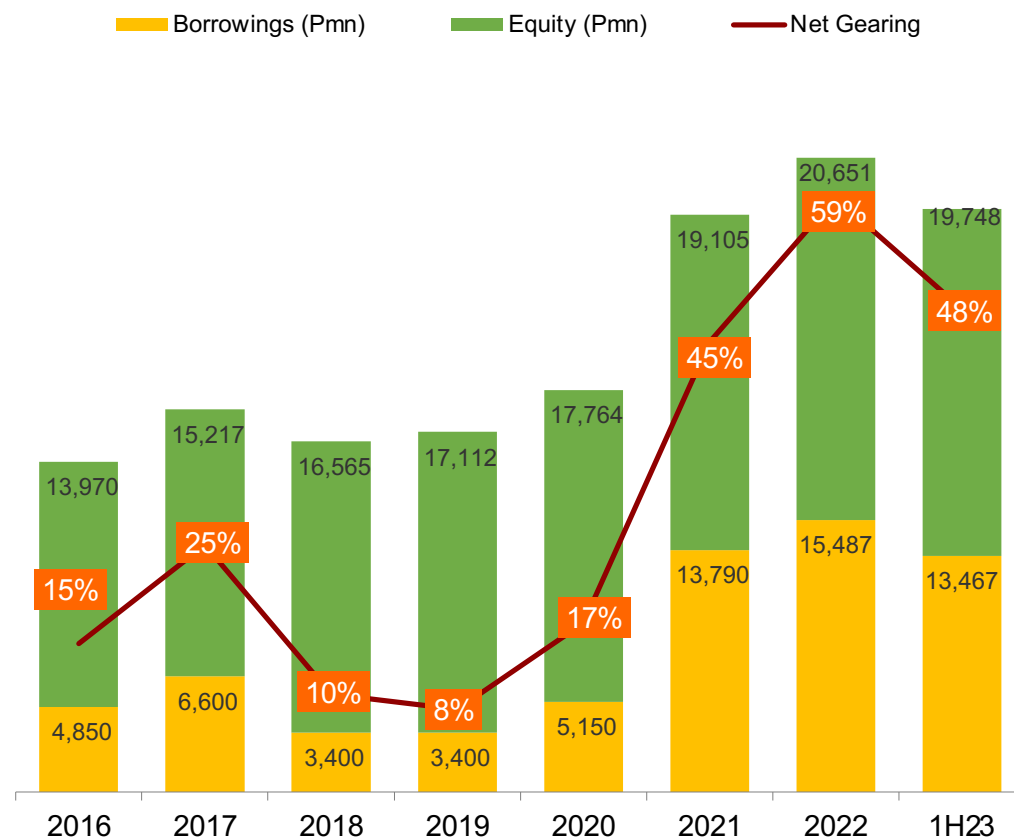
## Balance Sheet remains robust

In Pmn	As of end Jun-23	As of end Dec-22	In P mn	As of end Jun-23	As of end Dec-22
Cash	3,953	3,250	Book Value	19,748	20,651
Current Assets	22,739	22,036	BVPS <sup>1</sup> (in P)	2.76	2.89
Total Assets	41,289	40,760	Debt-to-equity (Borrowings/E quity)	0.68x	0.75x
Borrowings	13,467	15,478	Return on Equity	12.6%	16.1%
Total Liabilities	21,541	20,109	Return on Invested Capital <sup>2</sup>	11.3%	12.8%



# Capital Structure

Balance sheet in a solid position to withstand external pressure



9x

interest  
cover

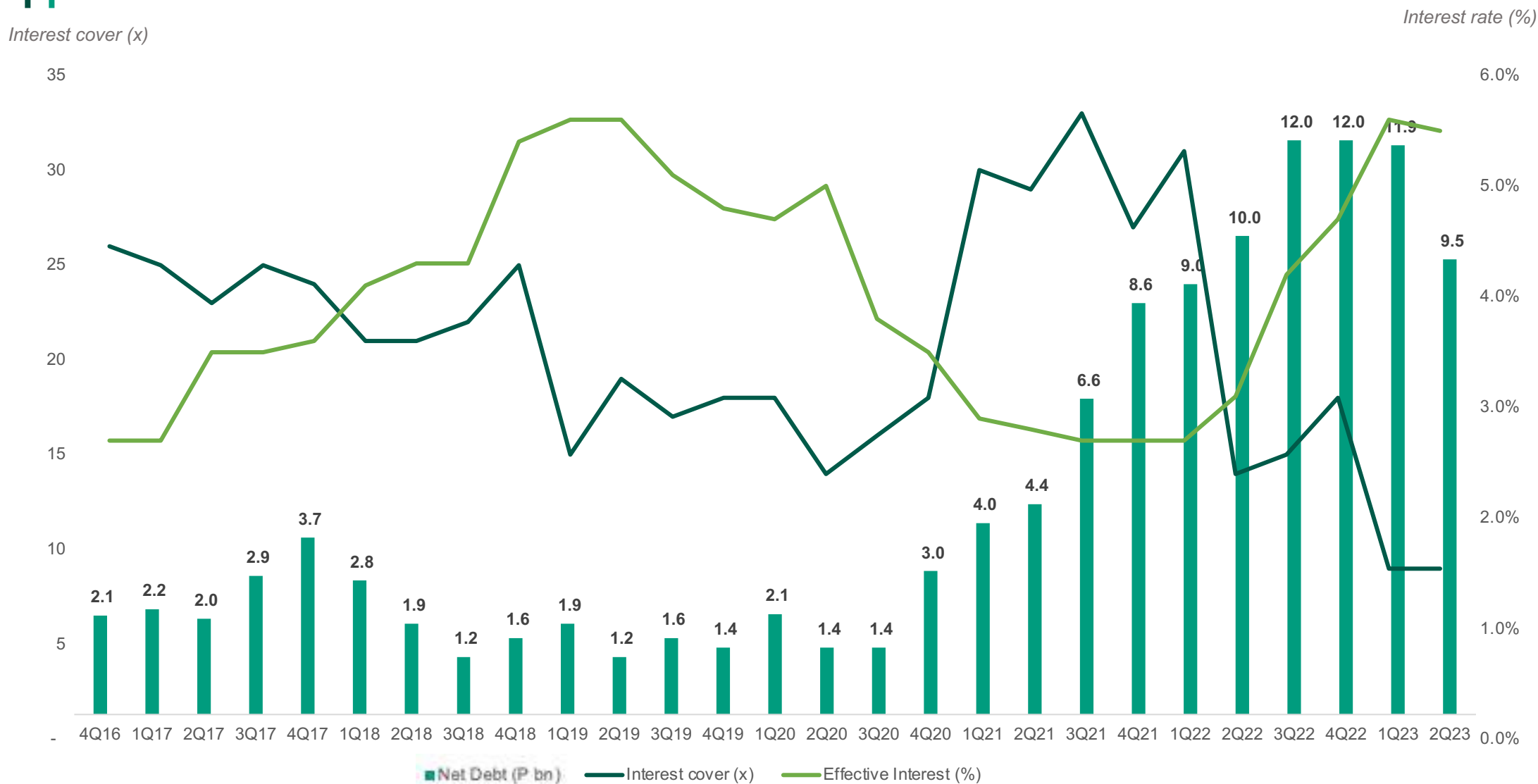
P9.5  
Billion

net  
debt

~5.5%  
p.a.

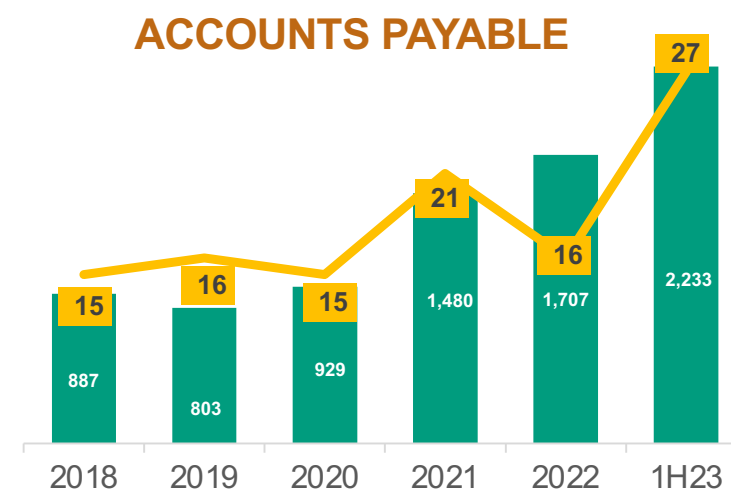
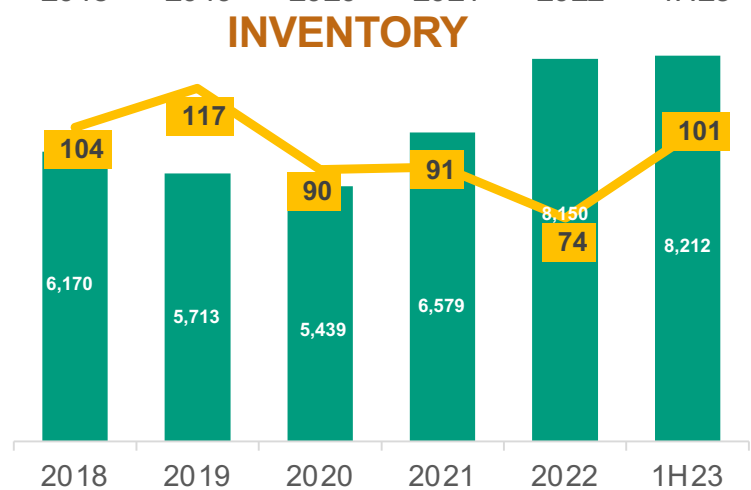
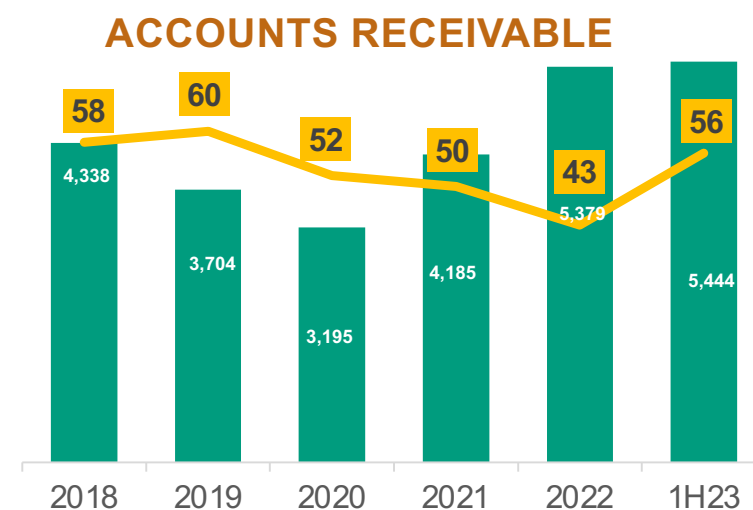
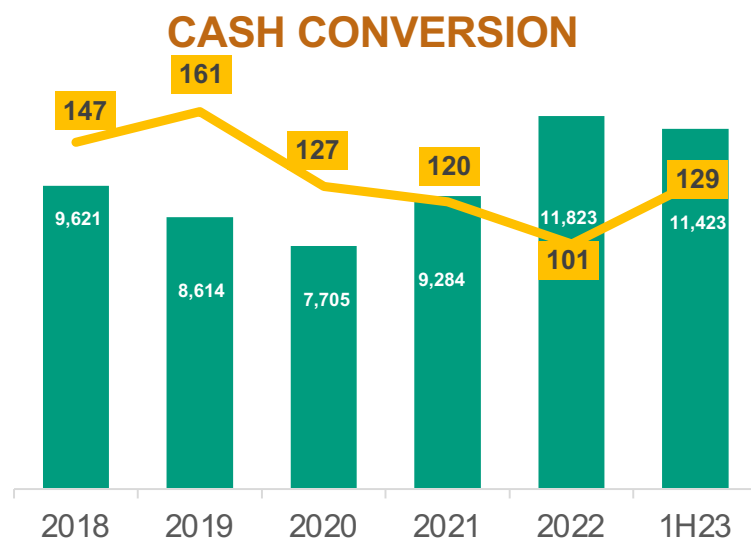
average  
cost of debt\*

# Net debt, effective interest rate, and interest cover





# Working Capital Cycle



Average balance (P mn)
  Cycle (in days)

# Q & A

# Foundation of future growth

High value, high margin products:

Expansion in export zones & “Pack at source” initiative



# Status of FIT Expansion





# CNO & CPO 1-yr Price Chart





# CNO & CPO 2-yr Price Chart





# MAIDEN BOND OFFERING

**\*Awarded Best New Bond (Philippines) by the Asset Magazine**

## *Offer Size*

Base offer: **P3bn** (Series A)  
Oversubscription option: **P2bn** (Series B)

## *Interest Rate*

2.7885% p.a.  
3.5962% p.a.

## *Tenor*

3 years  
5 years

## *Spread over BVAL*

+50 bps  
+60 bps

***Bond Rating***      **PRS Aaa with Stable Outlook**

***Use of Proceeds***    **Financing of Batangas expansion & repayment of bridge loans**

## ***Other Terms & Conditions***

- Date of listing: September 14, 2021
- Issue price at 100% of face value
- Interest payment: payable quarterly in arrears
- Covenants
  - D/E of not more than 2.5x
  - Current ratio of not less than 1.0x

# 3yr and 5yr BVAL rates

