

## **D&L Industries Announces First Nine Months 2014 Results**

- **Consolidated net income at P1.29 billion, 24% higher year-on-year, or EPS of P0.36**
- **Year-on-year, consolidated revenues up by 38% on sustained double-digit volume growth**
- **3Q2014 net income 28% higher than 3Q2013**
- **Return on Equity of 18.3% & Return on Invested Capital of 25.3%**

06 November 2014 – D&L Industries' net income reached P1.29 billion, or earnings per share (EPS) of P0.36, for the first nine months of 2014, 24% higher than the same period last year. Net income in the third quarter was up 28% year-on-year.

The strong growth momentum carried into the third quarter, increasing year-to-date revenues by 38% year-on-year. The past four consecutive quarters have seen average sequential topline growth of 13%, on the back of double-digit volume growth in food ingredients.

High margin specialties continued to drive revenues for the Company, representing 59% of sales. High margin specialties revenues grew 20% year-on-year, led by the 24% growth in customized specialty food ingredients. Faster growth in the low margin commodities resulted in gross profit margin of 16.6% versus last year's 18.6% and net income margin of 12.2% versus 13.6%. The Company generated return on equity and return on invested capital of 18.3% and 25.3%, respectively.

On 01 September D&L Industries announced its intention to acquire all the outstanding shares of Chemrez Technologies that it does not own for P6.00 per share through a public tender offer. The transaction was successfully completed on 10 October. D&L Industries now owns 99.7% of Chemrez.

Through this increased ownership that the Company will be able to maximize its participation and profit in Chemrez's high-performing businesses. Year-to-date, Chemrez grew net income by 65%.

The Company will start to partially consolidate the financial results of Chemrez on 07 October. Full year consolidation will begin in 2015. The bulk of the approximately P5.10 billion cost of the acquisition will be funded by short-term debt.

The Company is heading into the last quarter of the year still on a very solid trajectory, with expected boost from the partial consolidation of Chemrez. Overall, growth underscores the Company's balanced, competitively positioned portfolio of consumer-driven businesses with strong edge in customer insights, growth markets, and meaningful product innovations.

## Product Mix

	2012	2013	9M2013	9M2014
<b>High-Margin Specialty Products</b>	66%	68%	69%	59%
<b>Low-Margin Commodity Products</b>	34%	32%	31%	41%

## Food Ingredients

Volume growth was faster quarter-on-quarter in both the commodities and specialties segments. Margins also improved in the third quarter from the previous quarter. As a result, even with commodities continuing to outgrow specialties and compress margins year-to-date, revenues and net income grew 48% and 31% year-on-year, respectively.

The accelerating momentum across all categories reflects the underlying strength of the domestic economy and the Company's dominant position in its end markets, including snacks, dairy, and quick service restaurants.

Further, exports are growing remarkably and year-to-date have more than doubled from last year. Moving forward, exports will significantly benefit from the agreement with Ventura Foods announced in August for sales of specialty fats and oils and specialty ingredients in the Asia-Pacific.

This deal with the largest maker of vegetable oil-based products in the U.S. will expand Oleo-Fats' regional presence in the highly-attractive, fast-growing food service industry. Shipments are expected to meaningfully ramp up by next year.

## Specialty Plastics

Sales for the first nine months grew 16% year-on-year, on the back of sustained volume growth. Margins were steady, resulting in 13% year-on-year earnings growth for the period.

About half of the specialty plastics business goes into the car industry via wire harnesses. The strong performance is fundamentally driven by the strengthening global auto sales and production and underpinned by D&L's strong advantage in keeping up with evolving vehicle specifications, including safety and other regulatory norms.

Demand for the other businesses, whose end markets vary from food and beverage to construction, remains buoyant and continues to strongly complement the wire harness business. Similarly, biopolymer exports are ramping up and progressing into a significant business for the group.

## Chemrez Technologies

The existing businesses continue to perform well. Combined with higher volume, the year-on-year increase in coconut oil prices post-Typhoon Yolanda in November 2013 drove a sizeable increase in biodiesel revenues year-to-date. Additionally, traditional specialty chemicals, mostly for the paints and industrial end-markets, sustained double-digit volume increase and margin expansion.

With about 20% of its workforce in R&D, Chemrez has been able to continually develop new growth opportunities. These prospects, driven by its strong R&D pipeline, have been starting to materialize and reap results, as shown in the substantial year-on-year margin improvement. Innovations in oleochemical specialties in particular, are opening up avenues for growth through new applications and geographic markets.

Overall, Chemrez sales and net income were 42% and 65% higher year-on-year, respectively.

### **Aerosols**

Overall volume growth was still positive year-to-date as growth in maintenance chemicals and personal care offset softness in home care. As a total product solutions company, Aero-Pack has been able to ride out cyclical movements in a particular category or customer.

More notably, there was sequential improvement in quarterly margins, with gross profit margins already tracking full year 2013 levels. Fundamentally, given that aerosol and related products remain underpenetrated product segments, the Company continues to benefit from growing disposable income.

Overall, sales and net income were lower year-on-year by 1% and 6%, respectively.

**D&L Industries** is a Filipino company engaged in product customization and specialization for the food, plastics, and aerosol industries. The company's principal business activities include manufacturing of customized food ingredients, specialty raw materials for plastics, and oleochemicals for personal and home care use. Established in 1963, D&L has the largest market share in each of the industries it serves, as well as longstanding customer relationships with the Philippines' leading consumer and chemical companies. It was listed on the Philippine Stock Exchange in December 2012. For more information, please visit [www.dnl.com.ph](http://www.dnl.com.ph)

### **INVESTOR RELATIONS CONTACT**

**Nikka Maloles**  
**Investor Relations Officer**  
**D&L Industries**  
+632 635 0680  
[debmaloles@dnl.com.ph](mailto:debmaloles@dnl.com.ph)