

## **D&L Industries to acquire Chemrez Technologies**

- **Acquisition to make Chemrez Technologies a wholly-owned subsidiary through a public tender offer**
- **Tender offer price of P6.00 per share for valuation of P7.81 billion**
- **Chemrez Technologies to be consolidated beginning 4Q2014**

01 September 2014 – D&L Industries (the ‘Company’) today announced the intended acquisition of all the outstanding shares of Chemrez Technologies that it does not own for P6.00 per share through a public tender offer. The offer price represents a 24% premium over the 60-day average price of Chemrez Technologies shares as of 29 August 2014 for valuation of P7.81 billion. With the Company’s ownership currently at 34.7%, this transaction intends to make Chemrez Technologies, a leading manufacturer of oleochemicals, resins, and specialty chemical products in the Philippines, a wholly-owned subsidiary for a total acquisition cost of P5.10 billion.

From a traditionally resin and powder coating-based company, Chemrez Technologies has transformed its portfolio through innovations based on green chemistry principles. Through its various lines of specialty products, it has identified and responded to new demands for environment-friendly and biodegradable products made from renewable and sustainable raw materials.

Building on the same set of R&D- and innovation-driven values and with the increasing success of Chemrez Technologies’ specialty chemicals businesses, both the existing and emerging, D&L Industries aims to maximize its participation and profit in these fast-growing markets through full ownership. Upon a successful tender offer, the Company will start to partially consolidate the financial results of Chemrez Technologies beginning fourth quarter of 2014 and is expected to be accretive to earnings in the same period. Full year consolidation will begin in 2015.

Critical to D&L Industries’ overall growth strategy are its efforts to continue expanding into the high-growth, high-value markets, which are largely enabled by R&D. With 20% of its staff dedicated to R&D activities, Chemrez Technologies has delivered strongly on this goal as it discovered new markets for established products like oleochemical specialties. Combined, D&L Industries will have 12% of the workforce - food technologists, chemists, and engineers - in R&D.

In 2013, Chemrez Technologies grew revenues and net income by 12% and 26%, respectively. As of the first six months of 2014, revenues were higher by 29% at P2.72 billion, net income up by 45% to P207 million and gross profit margin improved by 1.3 percentage points year-on-year.

“After a careful assessment of how to maximize shareholder value, we believe this acquisition is the best move forward for D&L Industries, Chemrez Technologies and their respective shareholders. Apparently the reason why most acquisitions fail is it is very difficult to ensure the two companies don’t have a culture clash that jettisons the deal. In this case, no such issue as both companies are managed by the same people and governed by shared values,” said D&L Industries EVP and CFO Alvin D. Lao.

Lao, who is also Chemrez Technologies' Treasurer and CFO, continued, "Chemrez's size in terms of revenues and market cap is not large enough to attract sufficient attention from investors, which resulted in lackluster trading. This stock market mispricing of Chemrez presents an opportunity on which we can further our billion dollar market cap aspiration. Owning 100% of Chemrez broadens our portfolio, strengthens our capabilities, including cash generation, and bolsters growth as the specialty chemicals business continues to improve."

Since 2007, Chemrez Technologies has spent P274 million on share repurchase and has paid P1.15 billion in dividends, for a total of P1.43 billion in capital returned to shareholders. First listed in the Exchange in 2000 as Corro-Coat, Inc. at an initial public offering price of P1.28 per share, Chemrez Technologies underwent a name change and did a secondary offering at P4.40 per share in 2006. Including gains from the buyback and dividends since 2007, the tender offer price would translate to an 82% return based on the P4.40 secondary offer price in 2006.

The acquisition is expected to be financed with the remaining P2 billion in cash from proceeds of D&L Industries' initial public offering in December 2012 and the rest with debt and/or equity. The transaction is expected to close early in the fourth quarter. Chemrez Technologies might consider delisting from the Exchange if it no longer complies with the minimum public float after the tender offer. Further announcements will be made as soon as new information becomes available.

**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)

**Chemrez Technologies** is a leading manufacturer of resins, oleochemicals, and specialty products in the Philippines. It is 34%-owned by D&L Industries. As part of a diversified group, it has vast resources and experiences in various technologies including: colorants, polymers, biopetroleum, oleochemicals, powder coating, food, oil & gas, and water treatment among others. The company implements an Integrated Management System (IMS) to ensure highest standard for product quality and care customers, employees, and the environment. Furthermore, it implements the guidelines of Responsible Care© and espouses the principles of Green Chemistry. Chemrez is listed in the Philippine Stock Exchange. For more information, please visit [www.chemrez.com](http://www.chemrez.com)

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