

D&L Industries Announces First Quarter 2014 Results

- **Consolidated net income at P377 million, 20% higher year-on-year, or EPS of P0.11**
- **Year-on-year, consolidated revenues up by 34% on higher volume and higher commodity prices**
- **Sales Mix update: 64% Higher Margin Specialty products, 36% Low Margin Commodities. Commodity prices grew faster than volume, resulting in Gross Profit Margin down 0.75 pct point to 18.4 %. Net Income Margin down 1.4 pct points to 12.2%**

May 13, 2014 – D&L Industries’ net income reached P377 million, or earnings per share (EPS) of P0.11, for the first quarter of 2014, 20% higher than the same period last year. Profit growth was group-wide, with all business segments reporting year-on-year growth.

With the recovery in commodity prices, coupled with the strong growth momentum in volume, year-to-date consolidated revenues increased by 34% year-on-year. The past four consecutive quarters have seen average sequential topline growth of 5% on the back of increasing volume, shifting product mix, and increasing commodity prices.

The end markets for the food ingredients’ customized specialties remains particularly strong, volume- and margin-wise. High margin specialty products (HMSP) accounted for 64% of the group’s overall sales for the period and low margin commodities accounted for 36%. Increases in commodity prices during the period meanwhile outpaced growth in volume, resulting in margin compression. Overall gross profit margin was at 18.4% versus last year’s 19.2%, and overall net income margin at 12.2% from 13.6%.

It was a strong start to the year overall, setting us on a good trajectory for the remainder of the year. This was marked by sustained double-digit volume gains and consistent margin improvements in key high margin specialty businesses, including Chemrez Technologies. These innovation-driven businesses, in the long term, will fundamentally drive the Company’s growth.

Product Mix

	2012	2013	1Q2013	1Q2014
High-Margin Specialty Products	66%	68%	70%	64%
Low-Margin Commodity Products	34%	32%	30%	36%

Food Ingredients

Strong volume growth in 2013 carried into the first three months of 2014, reflecting the sustained underlying strength of the domestic consumer food and beverage market, as customers expand production facilities, add store outlets and extend their product lines across multiple categories.

With consistent volume growth and margin expansion in the high margin customized specialties, Oleo-fats continues to deliver on the group's strategic priorities. In part, this is driven by new customer product launches, most visible in the food service market, that leverage the company's ingredients development capabilities.

With strong volume growth overall and prices of commodities, in particular palm oil and coconut oil, higher year-on-year, revenues and net income finished 40% and 34% higher year-on-year, respectively.

Going forward, upbeat consumption outlook and the need to bring to market more new products in a shorter timeframe will continue to drive innovation and margin opportunities for Oleo-fats.

Plastics

As expected, the decline in 2013 in volume and sales of the plastics group has reversed. Volume has recovered strongly, driven by increased demand from existing businesses as well as new products. Sales for the first three months were 18% higher year-on-year.

The group's focus on added value product developments delivered margin gains to our engineered polymers, which accounts for the largest business of the plastics group. These products mostly go into the car industry, in particular wire harness manufacturing. Overall, margins were stable year-on-year. Earnings for the period rose 16% year-on-year.

Chemrez Technologies

Strong topline growth was achieved in the oleochemicals segment, driven by successful innovation in non-biodiesel application of oleochemicals which currently include home care and personal care. Volume for specialty oleochemicals was up double digits and margins, now in mid-teens, improved significantly year-on-year.

Demand for these environment-friendly raw materials provides strong innovation and product development opportunities for Chemrez, especially in the export market. In fact, overseas sales, which were 22% of total Chemrez sales, were up 32% year-on-year.

Volume growth in biodiesel has been normalizing, given the impact of the high year-on-year comparison in 2013, following the full contribution of new businesses gained in 2012. But with better pricing, the biodiesel segment saw good topline growth and margin expansion for the period.

Good technical and production capabilities also supported growth in value-added segments of the non-oleochemical businesses of Chemrez. The paint market in particular saw good topline and margin growth.

Overall Chemrez sales and net income were 16% and 39% higher year-on-year, respectively.

Aerosols

Aerosols maintained the solid growth momentum in volume for the first three months of 2014, mainly through wider applications in the personal care and home care segments, albeit at competitive pricing and margins. As such, sales and net income were higher year-on-year by 13% and 2%, respectively.

Moving ahead, Aero-Pack will continue to capitalize on the low market penetration of personal care and home care products in aerosol formats, underpinned by the growing trend toward convenience. Demand for non-aerosol products within the same product categories also provide market development opportunities.

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