

## D&L Industries Announces Proforma\* Full Year 2014 Results

- **Consolidated net income at P2.03 billion, 27% higher year-on-year, or EPS of P0.57**
- **Year-on-year, consolidated revenues up by 39%**
- **Return on Equity of 26.6% & Return on Invested Capital of 21.1%**

26 February 2015 – D&L Industries' net income reached P2.03 billion, or earnings per share (EPS) of P0.57, for the full year 2014, 27% higher than 2013. Net income in the fourth quarter was up 37% year-on-year.

Full year revenues were up 39% year-on-year, driven by double-digit volume growth in food ingredients and oleochemicals and other specialty chemicals businesses. Topline grew 11% on average sequentially since fourth quarter 2013.

High margin specialties drove revenues, accounting for 59% of sales. High margin specialties revenues increased 22% year-on-year, led by oleochemical specialties and customized specialty food ingredients.

As observed throughout the year, commodities outgrew high margin specialties resulting in gross profit margin of 15.9% versus last year's 17.2% and net income margin of 9.9% versus 10.8%. The Company generated return on equity and return on invested capital of 26.6% and 21.1%, respectively.

The year was highlighted by the acquisition of the remaining 65% of Chemrez Technologies that D&L didn't own. In acquiring Chemrez, D&L added 27% to topline and 16% to net income, reflecting the significant value created by the transaction.

Lower crude oil price is a tailwind that is expected to favor D&L's end markets, in particular food ingredients. With the full ownership of Chemrez, D&L is in a better position than ever to capture these opportunities going into 2015. As of end December 2014, D&L Industries was the 50<sup>th</sup> largest company by market capitalization in the Philippines Stock Exchange.

### Product Mix

	2013	2014
<b>High-Margin Specialty Products</b>	67%	59%
<b>Low-Margin Commodity Products</b>	33%	41%

\*assumes 100% ownership of Chemrez Technologies for both FY2013 and FY2014 periods

## **Food Ingredients**

High margin specialties grew at a decent clip in 2014, with several new products, particularly in food service, adding to volume and margins. Meanwhile, the surge in commodities was sustained in the last quarter of 2014 as Oleo-Fats continued to take advantage of favorable market dynamics.

As the F&B sector evolves, underpinned by consumer appetite for more variety, it is expected that higher-value ingredients will be increasingly in-demand across various markets and therefore, will remain the key driver for Oleo-Fats.

Another growth engine is exports, in light of positive global and regional trade developments. While Oleo-Fats has already been servicing overseas requirements of its local customers, prospects are coming up in new geographies. In fact, growth outside of the Philippines has been accelerating in regions like Asia-Pacific and should get further boost from initiatives such as the agreement with US-based food ingredients manufacturer Ventura Foods.

Overall, full year revenues and net income grew 45% and 22% year-on-year, respectively.

## **Specialty Plastics**

With exports accounting for two-thirds of the specialty plastics business, the segment faced considerable headwind in the latter part of 2014 as congestion at the ports worsened.

The business is built on solid operational performance and trust, hence the group had to intensify efforts to attend to and meet customer needs in the midst of logistical challenges. These efforts required additional costs and affected margins in the fourth quarter but resulted in volume growth across product categories.

As a result, revenues were 13% higher year-on-year, on the back of double-digit volume increase. Net income was up 2% year-on-year.

## **Chemrez Technologies**

In 2014, Chemrez generated profit and margin growth in all its categories and posted tremendous growth in biodiesel and other specialty chemicals volumes.

Revenues from biodiesel and oleochemical specialties meanwhile, were significantly up year-on-year, reflecting the increase in coconut oil, the largest-used raw material, in the aftermath of Typhoon Yolanda in November 2013.

Overall, sales and net income were 45% and 92% higher year-on-year, respectively.

The substantial improvement in profitability underscores the success of Chemrez' innovations. These green chemistry-based developments enabled significant margin improvements, not only in oleochemical specialties but also in traditional specialty chemicals.

These innovations, notably in oleochemical specialties, also contributed to the 47% year-on-year growth in exports, which are now 22% of Chemrez revenues.

The Company continues to build out its pipeline and strengthen the foundation for new product categories and end markets, with the aim of sustained margin enhancements in the future.

## **Aerosols**

Volume was higher year-on-year, while margins continued to improve quarterly as home care recovered. Overall, sales and net income were higher year-on-year by 3% and 8%, respectively.

Aero-Pack is a valuable business that builds on D&L's market dominance and strength in innovation and continues to lead D&L's business segments in terms of margins.

D&L acknowledges the significant opportunity it has to grow this business. With Aero-Pack's R&D spend doubling in 2014, equivalent to 3% of its revenues, it is building a robust pipeline of innovations and product developments that will expand its addressable market that now includes personal care products in non-aerosol formats.

**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)

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