COVER SHEET

44852

D&L INDUSTRIES INC

(Company's Full Name)

65 CALLE INDUSTRIA

BAGUMBAYAN QUEZON CITY

(Business Address: No. Street City/ Town/ Province)

KRISTINE ANN CATINDIG-ONG	8635-0680
Contact Person	Company Telephone Number

12 31	SEC Form 17-C Press Release	06 05
Month Day Fiscal Year	FORM TYPE	Month Day Annual Meeting

Secondary License Type, if Applicable

CFGD

Dept. Requiring this Doc.

Amended Articles Number/Section

Total Amount of Borrowings

200	P14,171,746,048	-
Total No. of Stockholders	Domestic	Foreign

To be accomplished by SEC personnel concerned

File Number

LCU

Document I.D.

Cashier

Stamps

SECURITIES AND EXCHANGE COMMISSION
SEC FORM 17-C
CURRENT REPORT UNDER SECTION 17 OF THE SECURITIES REGULATION CODE
AND SRC RULE 17.2(c) THEREUNDER

1. Date of Report: **February 29, 2024**
2. SEC Identification Number: **44852**
3. BIR Tax Identification No.: **000-421-957-000**
4. Exact name of issuer as specified in its charter: **D&L Industries, Inc.**
5. Province, country or other jurisdiction of incorporation: **Metro Manila**
6. Industry Classification Code: (SEC Use Only)
7. Address of principal office: **65 Calle Industria, Bagumbayan, Quezon City**

   Postal Code: **1110**
8. Issuer's telephone number, including area code: **(02) 8635-0680**
9. Former name or former address, if changed since last report: **not applicable**
10. Securities registered pursuant to Sections 8 and 12 of the SRC or Sections 4 and 8 of the RSA

Title of Each Class	**Common**
Number of Shares of Common Stock Outstanding	**7,142,857,990 as at Dec. 31, 2023**
Amount of Debt Outstanding	**17,135,486,638 as at Dec. 31, 2023**

11. Indicate the item numbers reported herein:

Item No. 9 Other Events

Press Release

D&L Releases Full Year 2023 Financial Results

- FY23 earnings at P2.3 bn; higher interest expense and opex relating to the new plant in Batangas lowered earnings
- As of February 2024, Batangas plant has already surpassed its first-year export commitment to the Philippine Economic Zone Authority (PEZA)

- Green shoots are starting to emerge with High Margin Specialty Products (HMSP) volume growth positive across the board. In 4Q23 alone, HMSP volume was up 40% YoY
- With lower inflation and interest rate prospects, management is more optimistic in 2024. Longer-term, the Batangas plant puts D&L in a very good position to capitalize on global recovery
- With the normalization in capex together with the improvement in FCF, D&L has the highest confidence in its ability to service bonds maturing this year and in 2026

Key Figures Summary

	FY23			4Q YoY			4Q QoQ		
(In P mn)	**FY23**	**FY22**	*%change*	**4Q23**	**4Q22**	*% change*	**4Q23**	**3Q23**	*% change*
Sales	**33,502**	43,485	*-23%*	**8,787**	9,582	*-8%*	**8,787**	8,485	*4%*
Gross Profit	**5,713**	6,066	*-6%*	**1,409**	1,649	*-15%*	**1,409**	1,439	*-2%*
Net Income	**2,295**	3,318	*-31%*	**503**	777	*-35%*	**503**	552	*-9%*
Net Income *(ex-Batangas plant)*	**3,005**	3,546	*-15%*	**656**	909	*-28%*	**656**	867	*-24%*
EPS (in centavos)	**32.1**	46.4	*-31%*	**7.0**	10.9	*-35%*	**7.0**	7.7	*-9%*
Gross Profit Margin	**17.1%**	13.9%	*3.1 ppts*	**16.0%**	17.2%	*-1.2 ppts*	**16.0%**	17.0%	*-0.9 ppts*
HMSP Contribution	**62%**	51%	*11 ppts*	**61%**	53%	*8 ppts*	**61%**	61%	*0 ppts*
Free Cash Flows	**1,827**	(1,724)		**(657)**	475		**(657)**	457	
Net Gearing	**69%**	59%	*10 ppts*	**69%**	59%	*10 ppts*	**69%**	55%	*14 ppts*

February 29, 2024 - D&L Industries' recurring income reached P2.3 billion, or earnings per share of P0.32, in the full year 2023 (FY23). This is lower by 31% YoY largely due to higher interest and depreciation expenses associated with the Batangas plant coupled with the lingering effects of high inflation last year.

"While 2023 was challenging on several fronts with the incremental expenses from the Batangas plant coming in during a tough economic environment, we are encouraged by the gradual ramping up of operations at this new facility and the early signs of an economic recovery. As of February 2024, our Batangas plant has already reached 175% of our first year export commitment with PEZA." remarked D&L President & CEO Alvin Lao.

"In hindsight, the decision to start building the plant back in 2018 and continue with the construction during the pandemic allowed us to build capacity that is approximately half the cost of what it would have been post pandemic. With none of our competitors building such capacity over the past couple of years, we are confident that this puts us in a very good position once global demand recovers," Lao added.

"With the stock price remaining attractive, we continue to buy shares in the business. During the past four years alone since the pandemic, the Lao family, through its holding company, Jadel, bought about 3% of the outstanding shares of the company," Lao concluded.

Near-term drag, long-term benefit

The declaration of commercial operations of the Batangas plant last July 2023 prompted the recognition of depreciation expenses as well as interest expenses which were previously capitalized in the company's income statement. Excluding the impact of these incremental expenses, FY23 earnings would have fallen by just 15% YoY to P3 billion.

Similar to the various plants that D&L has built over the past 60 years, the commercial operations of a new plant will mean incremental expenses that may affect near-term income. This is part and parcel of putting up a new plant. D&L's management has a lot of confidence that even though it may take time, this plant will be a huge benefit for the company. With the new plant, D&L sees new markets, higher value added products, and deeper innovations that will further push its boundaries.

Batangas plant surpasses first year export commitment to PEZA ahead of schedule

To date, the new plant has successfully fulfilled several orders for both local and export customers. Several audit and certification processes are ongoing in order to on board more customers.

As of February 2024, Natura Aeropack Corporation (NAC) and D&L Premium Foods Corp (DLPF), D&L's wholly-owned subsidiaries operating the Batangas facility, have both surpassed their first year export commitment with PEZA. Combined, the two subsidiaries have delivered 175% of their export commitment to date.

D&L's Batangas facility

Catalysts in sight with moderating inflation, prospects of lower interest rates, and the implementation of a higher biodiesel blend by July

On a macro level, there are at least three catalysts on the horizon to look forward to in 2024 - moderating inflation, prospects of lower interest rates, and the planned implementation of a higher biodiesel blend by July.

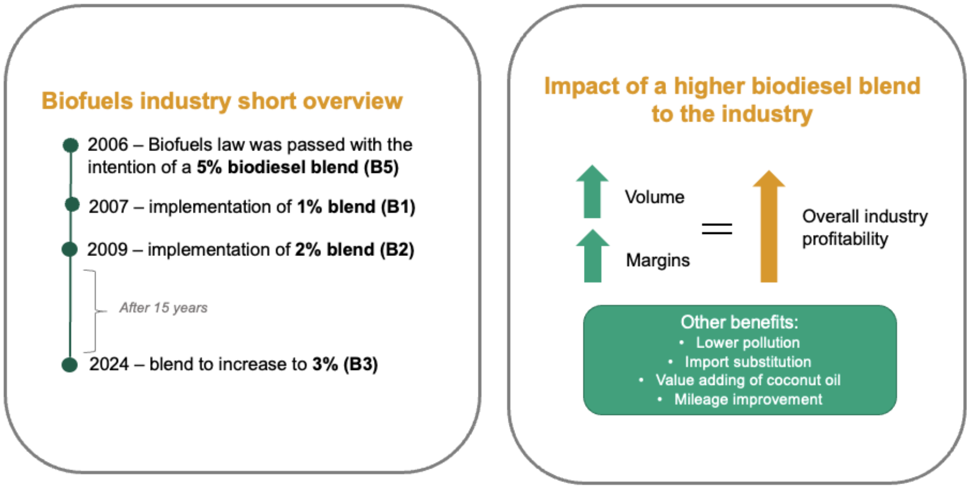
In January 2024, the Philippines reported a headline inflation of 2.8%. This is a meaningful decline from the 8.7% headline inflation reported in January 2023. With inflation expectation generally moderating, it is also widely expected that interest rates will start trending lower. With improving macroeconomic conditions, improvement in consumer sentiment is likely to follow. This should pave the way in stirring up economic activities and demand for products that the company manufactures.

Meanwhile, the Department of Energy (DOE) intends to push through this year with the planned increase in mandated biodiesel blend in the country. The DOE issued a draft circular which lays down a mandated increase in biodiesel blend from two percent (2%, B2) to three percent (3%, B3) effective July 01, 2024, four percent (4%, B4) effective July 01, 2025, and five percent (5%, B5) effective July 01, 2026.

D&L's subsidiary, Chemrez, is the country's largest biodiesel manufacturer and is the country's earliest advocate of harnessing the power of coconut oil to make higher value added and sustainable chemicals (collectively called oleochemicals). The company has been manufacturing oleochemicals since the 1980s. In 2006, Chemrez constructed the first purpose-built and continuous-process Coconut Methyl Ester (CME) or biodiesel plant in Asia.

A potential increase in blend to three percent (3%), all else being equal, in theory should lead to a 50% increase in biodiesel volumes which may also result in better margins and profitability for the industry. There are about 14 biodiesel manufacturers in the country.

Impact of a potential increase in biodiesel blend



Green shoots starting to emerge with HMSP volume positive across the board; HMSP contribution back to pre-pandemic level

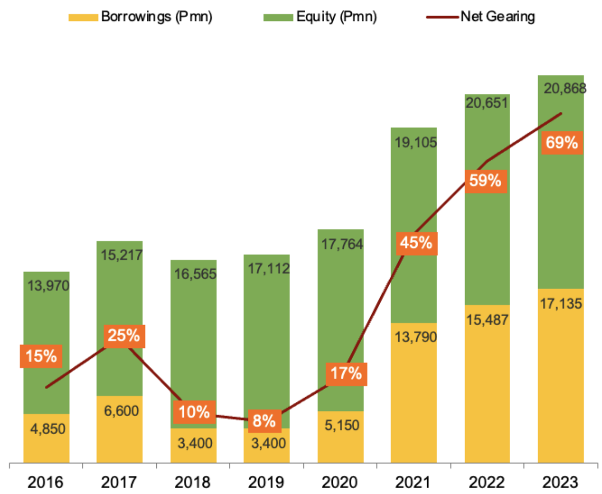
While 2023 was challenging, green shoots have started to emerge at the latter part of the year. In the fourth quarter alone, HMSP volume jumped a whopping 40% YoY. This was primarily driven by the new volume coming out of the Batangas plant. For the full year, HMSP volume registered positive growth across the four business segments of the company. Generally, continued growth in the HMSP business is a good indicator of future profitability given better margins and sticky sales nature of the highly customized products sold under this segment.

Meanwhile, the revenue contribution of HMSP is back to pre-pandemic level at 62% in FY23.
This, in turn, resulted in a 3.1 ppts improvement in blended gross profit margins to 17.1%. Over time, as the company continues to allocate much of its resources in growing the HMSP business especially with the Batangas plant exclusively dedicated towards manufacturing HMSP, D&L expects to see a continued increase in HMSP revenue contribution.

Highest confidence in servicing bonds maturing this year and in 2026 with positive FCF and lower capex requirements

As the company moves past peak capex with the completion of its Batangas plant, coupled with the normalization of commodity prices, the company's free cash flows (FCF) turned positive for the first time in two years. In FY23, the company's FCF stood at positive P1.8 billion vs negative P1.7 billion and negative P3.4 billion booked in FY22 and FY21, respectively. As there are no other major capex planned aside from the expansion plan in Batangas, the improvement in the FCF gives the company the financial flexibility to further reduce its debt level over time.

Capital Structure



With the commercial operations of the Batangas plant, the company has started ramping up investing in raw materials inventory. This resulted in an increase in the company's borrowings to P17.1 billion as of end-December 2023 from P15.5 billion as of end-December 2022. Meanwhile, net gearing stood at 69% which remains to be a comfortable level. Interest cover stood at 6x while the average interest rate increased to 5.74% from 4.7% in full year 2022. The P5 billion maiden bond offering of the company issued in September 2021 is helping cushion the recent increase in interest rates. The bonds carry a coupon rate of 2.8% p.a. and 3.6% p.a. for 3-year and 5-year tenors, respectively. These would have been significantly higher at approximately 6.63% for the 3-year tenor and 6.81% for the 5-year tenor if the company were to issue the bonds today.

With improving free cash flows, normalization of capex needs, as well as the continued optimism on the future prospects of the business, D&L has the highest confidence in its ability to service its bonds maturing this year and in 2026.

Segment Results

Food Ingredients

Excluding the impact of the incremental expenses from the new plant in Batangas, the food ingredients business showed encouraging results for the period. In FY23, this segment managed to grow its gross profits, which excludes the impact of higher opex and interest expenses from Batangas, by 16% YoY.

The positive result was mainly driven by a combination of better margins and a pick up in HMSP volumes. With the normalization of commodity prices, the food ingredients business saw its margin recover sharply, increasing by 5.5 ppts in FY23. Meanwhile, HMSP volumes were up 6% YoY.

Taking into account the incremental expenses from the Batangas plant, net income for the year was down 18% YoY. Looking forward, however, with an improving macroeconomic backdrop and an aggressive export thrust to penetrate new markets, management sees eventual return to earnings growth.

Chemrez

The stellar performance of Chemrez last year with its FY22 earnings growing by 47% YoY set up a high base for this year. However, the confluence of 1) high inflation and weaker consumer spending, 2) incremental expenses from the Batangas plant, and 3) highly competitive landscape in the biodiesel business putting pressure on margins resulted in an earnings decline of 50% YoY in FY23.

While 2023 proved to be challenging, green shoots have started to emerge. For instance, in the fourth quarter alone, HMSP volume under Chemrez grew by 88% YoY. This was largely driven by the new production from the Batangas plant. In addition, there are several catalysts on the horizon which should support growth. This includes 1) the implementation of a higher biodiesel blend from 2% (B2) to 3% (B3) effective July 01, 2024, 2) additional capabilities with the commercial operations of the Batangas plant that will enable the company to do deeper innovations and manufacture higher value-added products, and 3) the company's aggressive export thrust with the appointment of distributors in key export markets.

Specialty Plastics

While the specialty plastics division was off to a slow start this year, with earnings falling as much as 20% YoY in the first half of the year, the second half was a turnaround story with second half earnings registering 46% growth from the first half.

The normalization of semiconductor supply globally has prompted a bounce back in the demand for engineered polymers used for automotive applications. As a result, volumes picked up sharply in 2H23, up 20% YoY. This reversed the 4% volume decline recorded in 1H23, bringing FY volume growth to 7% YoY.

Over the long term, this division is expected to continue to grow fuelled by the company's R&D investments that are aimed at developing new applications for its products and introducing new technologies that will make plastics more economical and environmentally-friendly at the same time. The company has started to fulfill trial orders for a new alternative to plastics that is equally durable and cost-competitive but is renewable, sustainable, and made from indigenous materials.

Consumer Products ODM

Consumer Products ODM segment saw its income grow by 12% YoY in FY23. This resulted in the significant increase of the segment's income contribution to the group which stood at 11% for the period from a mere 7% income contribution in full-year 2022. The strong growth was mainly driven by the continued reopening of the economy and the resumption of face-to-face activities which fuelled demand for many personal care products. Total volume for the segment was up 40% YoY.

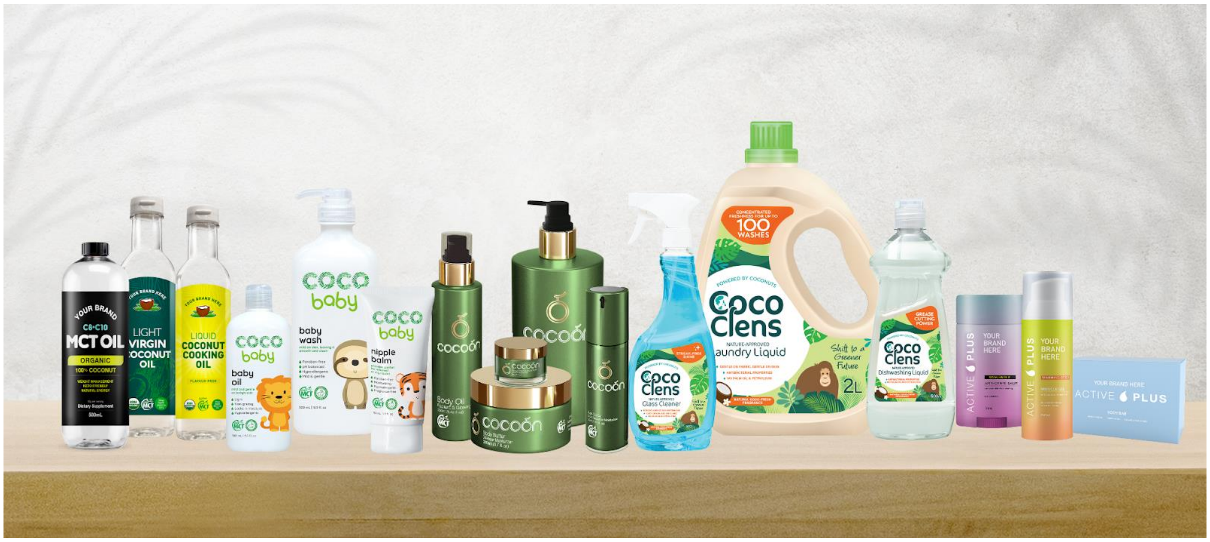
D&L champions high impact sustainability initiatives

D&L Industries has embraced a holistic approach to sustainable innovation, long before the term "ESG" became mainstream. With R&D at the company's core, D&L is relentless in developing products that answer the needs of its customers while at the same time staying attuned to the needs of the planet. In the global scene, D&L is seen as an advocate for sustainable products derived from sustainable materials such as coconut oil, given its extensive technical knowhow and wide array of product offerings.

With its state-of-the-art manufacturing facility in Batangas, D&L is spearheading a paradigm shift in its approach towards sustainability. With the new capabilities that the Batangas plant will bring, D&L aims to offer turnkey solutions to customers that are both economically and environmentally friendly.

D&L envisions empowering brands globally to make a meaningful shift towards high impact sustainability initiatives in the manufacturing of their products by giving them the option to buy direct from source. The direct from source approach simply means converting raw materials into finished goods in the country of raw material origin, instead of going through multi-leg production stages which usually happen across different locations in the globe. This naturally translates into simpler logistics, less wastage, lower costs, higher efficiency, and as such, significantly cutting down the carbon footprint (C02) of the entire supply chain.

D&L is gearing up towards launching a full range of shelf-ready products for its export customers, made from coconut oil, for the personal and baby care, cosmetics and beauty care, household cleaning, health and nutrition, and food and vegetable oils categories that are sustainable, natural, and organic. This initiative offers a plug-and-play solution for global brand owners who are looking to beef up their sustainable product offerings. Under this strategy, D&L will primarily target export customers who do not have the proximity to the source and instead would traditionally go through multiple layers of production before their products get into its final form and ready for end-customer purchase or consumption.



Examples of products under health and nutrition, personal and baby care, cosmetics and beauty care, and household cleaning categories that are made from clean and sustainable coconut oil that D&L develops for its clients.

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D&L Industries is a Filipino company engaged in product customization and specialization for the food, chemicals, plastics and consumer products ODM 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 most of the industries it serves, as well as long-standing customer relationships with the Philippines' leading consumer and manufacturing companies. It was listed on the Philippine Stock Exchange in December 2012. For more information, please visit https://www.dnl.com.ph/investors/.

This press release may contain some "forward-looking statements" which are subject to a number of risks and uncertainties that could affect D&L's business and results of operations. Although D&L believes that expectations reflected in any forward-looking statements are reasonable, D&L does not guarantee future performance, action or events.

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SIGNATURE

Pursuant to the requirements of the Securities Regulation Code, the issuer has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

D&L INDUSTRIES, INC. **February 29, 2024**
Issuer

KRISTINE ANN C. CATINDIG-ONG
Corporate Secretary