



2017 Full Year Results

15 November 2017



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Agenda Outline



Results Overview



Segment Performance



Other Financial Information



Strategic Growth Priorities



Outlook



Appendices



Results Overview

Overview

FY17 Delivery of Strong Profit Result

- Continued delivery of resilient growth – profit¹ and dividend growth every half year since demerger in 2010
- Consistent revenue and earnings growth in Dulux ANZ
- Double digit earnings growth in Selleys & Parchem ANZ, B&D Group and Lincoln Sentry
- In the Other businesses segment, earnings growth in Yates, PNG and SE Asia offset investment in the UK. Segment earnings declined due to a weaker result in the DGL Camel joint venture in China

Growth

- Excellent portfolio of businesses providing multiple streams of growth domestically and increasingly offshore
- Five years after acquisition Alesco is delivering a RONA of 16% with further upside potential
- New Dulux Merrifield \$165M paint factory on time and within budget – in final stages of commissioning
- Continued investment in UK and agreement to form PT Avian Selleys Indonesia joint venture in a large and growing market
- Strong financial position (cash flow and balance sheet) and capability to deliver growth

Full Year Results Summary

A\$ million	2017	2016	%
Sales	1,784.5	1,716.3	4.0
EBITDA	245.5	233.4	5.2
EBIT	214.2	201.1	6.5
NPAT	142.9	130.4	9.6
NPAT excluding tax provision write-back	139.9	130.4	7.3
Operating cash flow (excluding non-recurring cash items in 2016)	166.0	155.0	7.1
Net debt to EBITDA	1.4	1.3	(7.7)
Total dividend (cps)	26.5	24.0	10.4

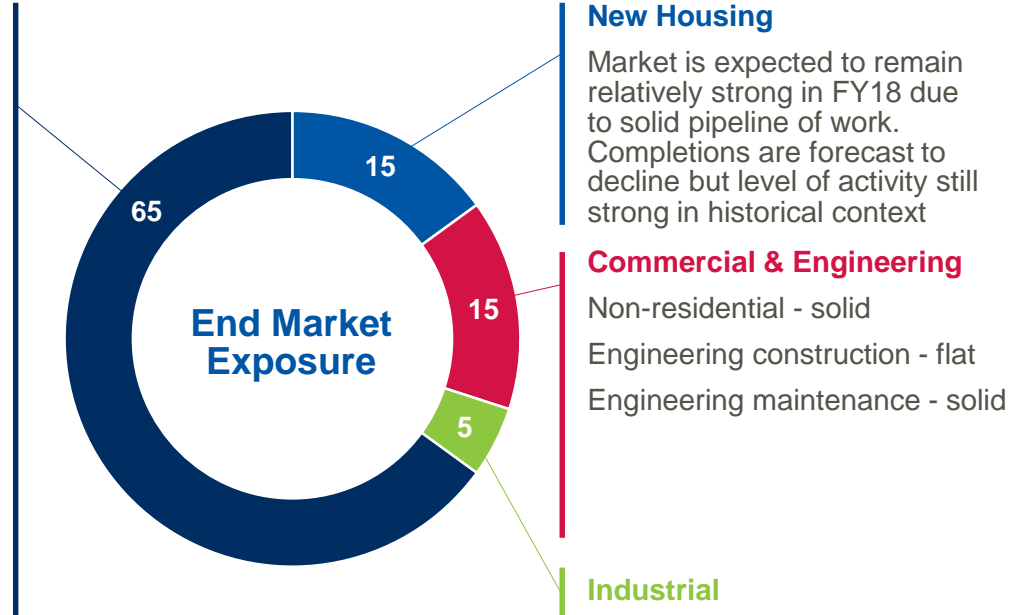
Core home improvement market is sound

Maintenance & Home Improvement

Continues to provide resilient growth

Indicators of demand for the market remain generally positive:

- GDP growth stable
- Interest rates low
- House prices remain high
- Consumer confidence subdued
- Housing churn declining



New Housing

Market is expected to remain relatively strong in FY18 due to solid pipeline of work. Completions are forecast to decline but level of activity still strong in historical context

Commercial & Engineering

Non-residential - solid
Engineering construction - flat
Engineering maintenance - solid

Industrial

Decorative paint market volumes are primarily correlated with GDP and to a lesser extent new housing commencements

10m dwellings in Australia and approximately 70% are older than 20 years¹

Safety & Sustainability

Rolling 12 months versus prior period	Sept 2017	Sept 2016
Recordable Injury Rate	1.62	1.63
Near Miss (Hazard) Reporting	+11%	+8%
Waste Generation (% change)	-1%	+9%
Water Consumption (% change)	+2%	-5%

- Continued focus on disaster prevention, fatality prevention, injury prevention and sustainability
- Injury rate at second lowest level in more than a decade and at top quartile industry performance
- Serious near miss incidents down 45% to record low
- Increased focus on sustainability including product stewardship, chemicals of concern and ethical sourcing
- Improved waste performance. Water consumption adversely impacted by offshore businesses with ANZ favourable



Segment Performance

Segment EBIT

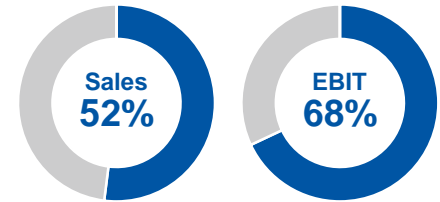
A\$ million	2017	2016	%
Dulux ANZ	165.0	156.5	5.4
Selleys and Parchem ANZ	33.7	29.5	14.2
B&D Group	18.2	16.1	13.0
Lincoln Sentry	14.5	12.5	16.0
Other businesses	11.3	14.5	(22.1)
Business EBIT	242.6	229.1	5.9
Corporate	(28.4)	(28.0)	(1.4)
Total EBIT	214.2	201.1	6.5

- Dulux ANZ consistent strong performance driven by positive markets and good margin management
- Selleys growth sales led and Parchem growth due H2 revenue growth and cost / mix improvement
- B&D growth due to sales growth and margin improvement
- Lincoln Sentry continued strong EBIT growth
- Other businesses declined due to weaker DGL Camel result and planned investment in UK

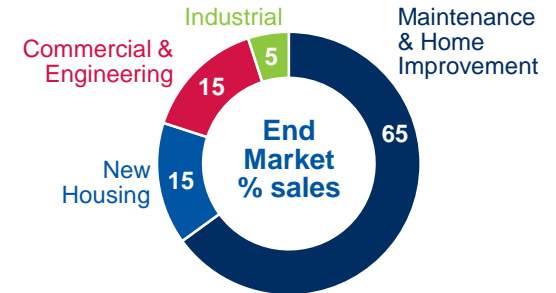
Dulux ANZ - Paints & Coatings

A\$ million	2017	2016	%
Sales	937.3	890.6	5.2
EBITDA	179.7	172.8	4.0
EBIT	165.0	156.5	5.4
EBIT margin	17.6%	17.6%	-

% of Group Sales and Business EBIT



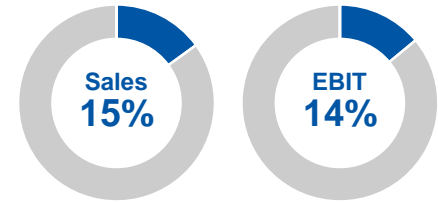
- Good revenue growth at 5.2%
 - Australia ~ 5% growth driven by 2% market growth, good share growth and positive price benefits
 - New Zealand ~ 6% growth driven by positive markets and share gains
- EBIT growth of 5.4%; EBIT margins maintained (as guided)
 - Good margin management despite input cost increases and Merrifield factory commissioning costs



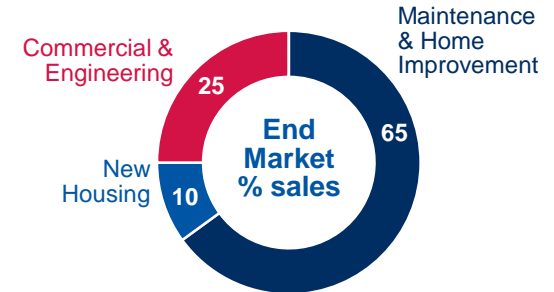
Selleys & Parchem ANZ – Sealants, Adhesives & Fillers etc

A\$ million	2017	2016	%
Sales	260.7	253.9	2.7
EBITDA	36.5	32.6	12.0
EBIT	33.7	29.5	14.2
EBIT margin	12.9%	11.6%	1.3 pts

% of Group Sales and Business EBIT



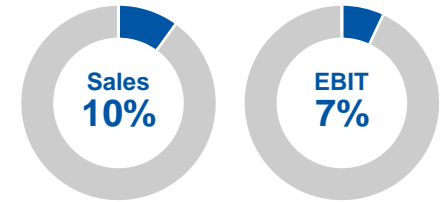
- Selleys EBIT growth reflected sales growth of 5.5% driven by strong performance of premium branded products in key retail customers
- Parchem
 - Sales declined slightly with strong H2 growth in Fosroc construction chemicals (share gains in bottoming markets) largely offsetting H1 declines (weak markets and strategic exit of low margin products)
 - EBIT growth driven by benefits of prior year cost reduction initiatives and product mix / margin improvement programs



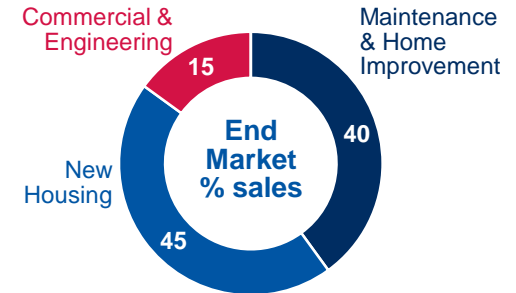
B&D Group – Garage Doors & Openers

A\$ million	2017	2016	%
Sales	182.5	177.9	2.6
EBITDA	24.9	22.6	10.2
EBIT	18.2	16.1	13.0
EBIT margin	10.0%	9.1%	0.9 pts

% of Group Sales and Business EBIT

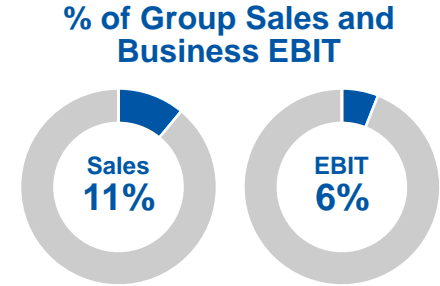


- Sales growth driven by positive markets and positive price and mix outcomes offset by the exit of legacy low margin new housing contracts
- EBIT increase due to sales growth and margin improvement (product and channel mix) while increasing marketing spend by \$1M
- Business improvement has driven a good RONA outcome, now at ~14%

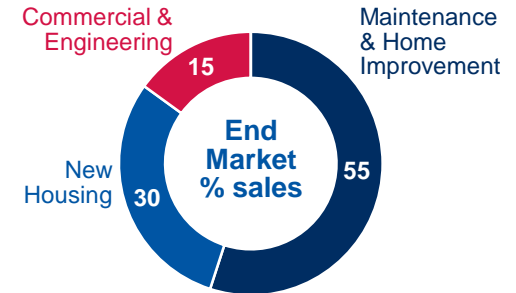


Lincoln Sentry – Cabinet & Architectural Hardware Distribution

A\$ million	2017	2016	%
Sales	195.2	187.7	4.0
EBITDA	16.6	14.8	12.2
EBIT	14.5	12.5	16.0
EBIT margin	7.4%	6.7%	0.7 pts



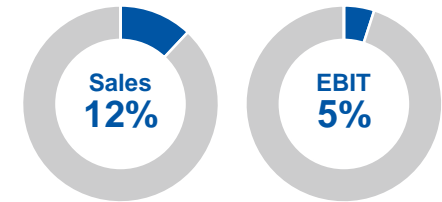
- Sales growth led by cabinet hardware in positive markets
- EBIT growth due to sales growth and good margin and fixed cost control
- Excellent recent track record of growth. EBIT doubled since 2013. RONA now at 25%+



Other businesses

A\$ million	2017	2016	%
Sales	222.2	217.0	2.4
EBITDA	14.3	17.3	(17.3)
EBIT	11.3	14.5	(22.1)
EBIT margin	5.1%	6.7%	(1.6) pts

% of Group Sales and Business EBIT



- Profit growth:
 - Yates – EBIT growth in flat markets (weather related especially H1)
 - DGL South East Asia – EBIT growth due to strong performance in Vietnam and Malaysia
 - Dulux PNG – EBIT increase in weak markets due to good fixed cost control
- Profit decline:
 - DGL Camel China/HK – EBIT decline by \$3.3m to a \$5.4m loss due to higher input costs and H2 rationalisation of coatings business. Business now under strategic review
 - DGL UK – EBIT loss due to planned investment in business



Other Financial Information

Other Profit & Loss Items

- Result included **\$3.1M** for write back of a tax provision which **positively impacted tax (\$2.5M) and interest (\$0.6M)**
- Corporate costs well managed with cost savings reinvested into growth projects and resources
- Depreciation and amortisation **decreased \$1.0M** due to final flow through of FY16 asset life review in the first half
- Effective tax rate was **29.1%**. Excluding tax provision write-back, tax rate was **30.5%** versus **28.8%** in prior year

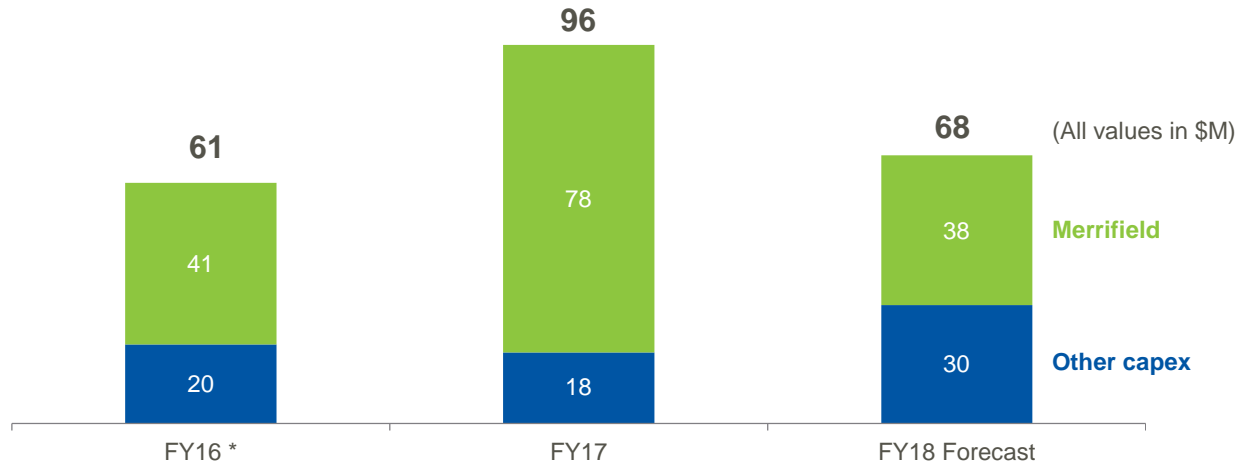
Capital Management – Key Measures

Balance Sheet (A\$ million)	2017	2016
Net debt	375.7	362.5
Net debt inclusive of USPP hedge value	334.2	300.6
Net Debt: EBITDA (times)	1.4	1.3
Interest Cover	16.0	14.1
Rolling Trade Working Capital (TWC) to sales	15.8%	16.0%
Period end TWC to sales	15.9%	15.3%

Cash Flow and P&L (A\$ million)	2017	2016
Operating cash flow excluding non-recurring items	166.0	155.0
Cash conversion	86%	87%
Net finance costs	17.3	19.9
Average net interest rate	4.3%	4.8%

- Generally strong balance sheet metrics
- Increase in debt and gearing due to investment in Merrifield paint factory

Capital Expenditure



Dulux Merrifield paint factory capital expenditure remains unchanged at **\$165M**

- Significant capital expenditure reduction in FY18 with the completion of Merrifield expenditure
- Other capital spend in FY18 is consistent with spend levels prior to the Merrifield project

Dulux Merrifield Paint Factory



Status update

- On time and within budget of \$165M
- Construction largely complete and operators have undertaken extensive training
- Commissioning is progressing well; initial trials have manufactured paint to specification
- Beneficial production expected early Q2 FY18

Financial Impacts

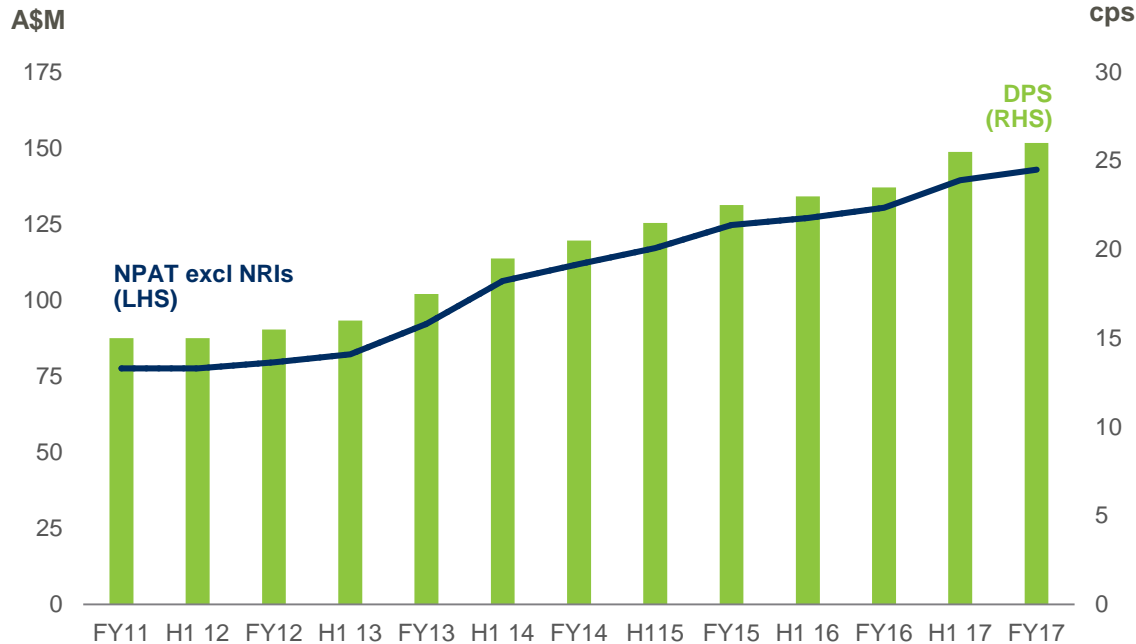
- FY18 & FY19 EBIT neutral in Dulux ANZ Segment
 - FY18 commissioning expenses offset by gain on asset sale
 - FY18 & FY19 operational savings to offset depreciation
- Depreciation of \$7M (annualised) – FY18 is pro-rated assuming Q2 FY18 start
- FY18 Net Finance costs – commence expensing interest & cease discounting the restructuring provision
- Pay out Rocklea restructuring provision in H1 FY18 ~ \$9M



Strategic Growth Priorities

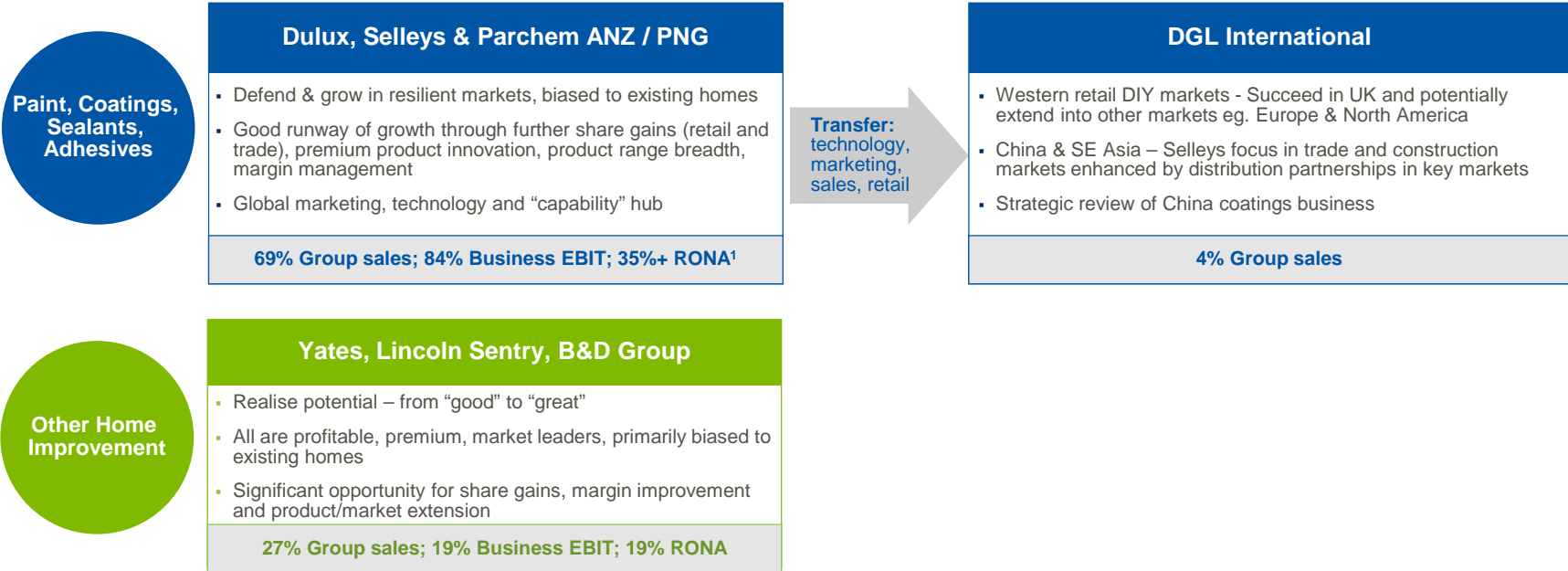
Consistent NPAT and Dividend Growth

Rolling 12 mths NPAT (before non-recurring items) and Dividend



NPAT growth
in every half
year on pcp
since demerger

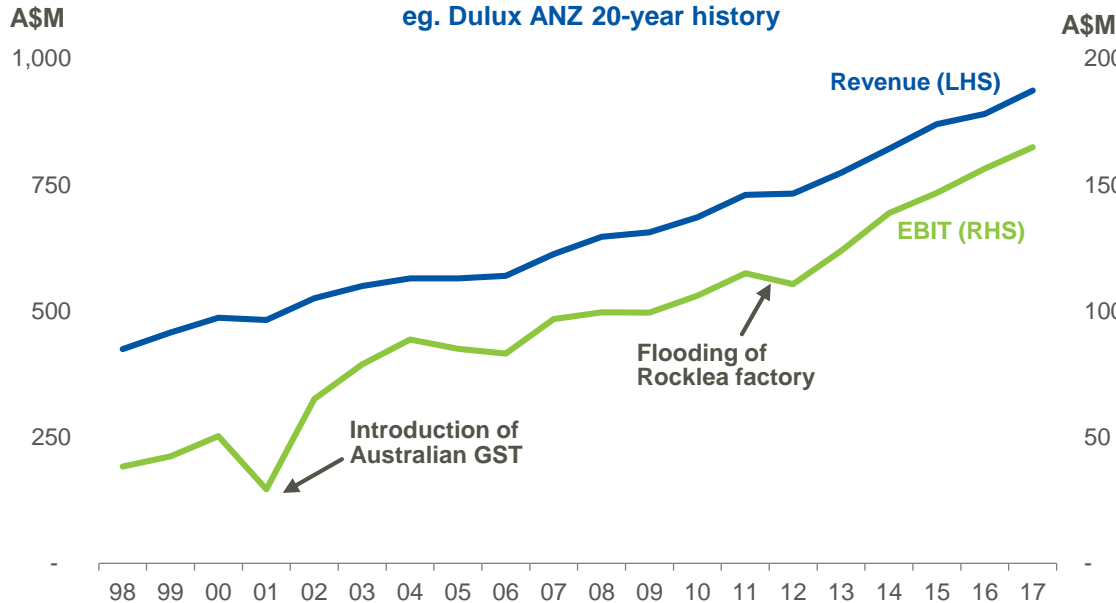
Our Strategy and Focus



Dulux and Selleys & Parchem - Track record & focus

A Long History of Consistent Growth

Building on momentum



Dulux Growth Focus

Continue to grow profitable market share in decorative paint and other coatings via the best retail partners, the strongest trade network and the best service

Continue to set the benchmark for retail and trade marketing of our brands

Relentless product innovation

Expand successfully into profitable niche categories

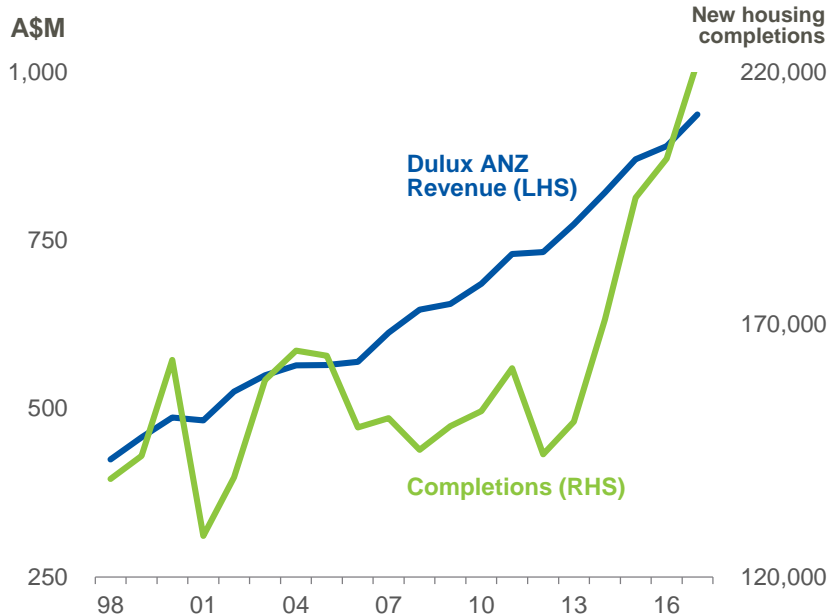
Selleys & Parchem Growth Focus

Consumer-led innovation in existing and relevant new categories

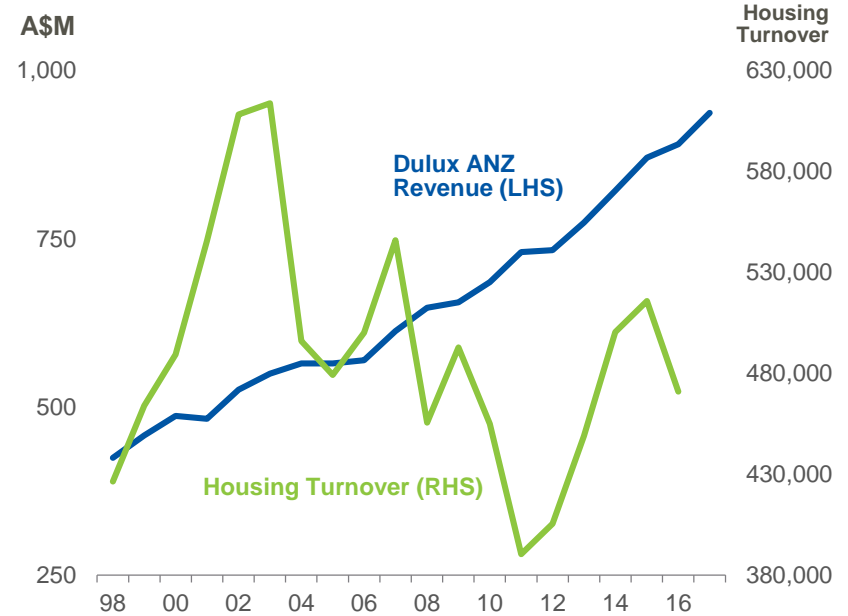
Parchem will continue to be repositioned for growth via range expansion in Fosroc and further optimisation of the distribution model. Leverage the Dulux ERP system

Dulux ANZ - Track record of resilient growth through the cycles

New Housing Completions



Housing Turnover



Other Home Improvement – solid growth capacity

Yates – “Live the Joy of the Garden” (Part of DuluxGroup since November 2003)

- Premium, market leader in garden care; ~25% RONA
- Expanding its core purpose - “Live the Joy of the Garden” eg via digital “live chat” etc
- Growth opportunities via market share, bolt-ons (eg. Munns) and range extension



Lincoln Sentry – “Exciting Spaces” (Part of DuluxGroup since December 2012)

- Premium, market leading specialist distributor to cabinet makers and window/door fabricators
- Excellent track record of 5%+ revenue growth and EBIT margin expansion through fixed cost leverage. Low capital base and 25%+ RONA
- Good opportunities for share growth and range extension

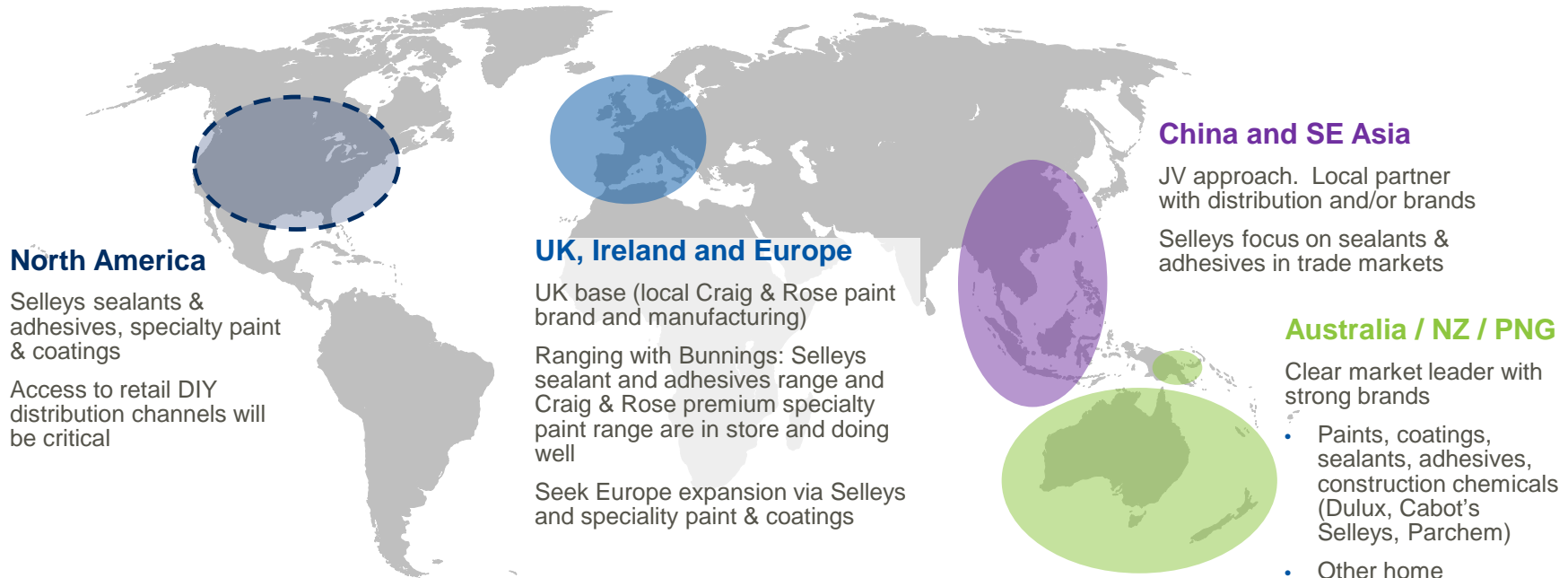


B&D Group – “Home, Safe Home” (Part of DuluxGroup since December 2012)

- A good, profitable, market-leading business with strong brand heritage; ~14% RONA
- Re-shaping and brand reinvigoration progressing well
- Near term balance between reinvestment (eg marketing) and profit growth, but medium term growth potential is very good



Our Global Approach



North America

Selleys sealants & adhesives, specialty paint & coatings

Access to retail DIY distribution channels will be critical

UK, Ireland and Europe

UK base (local Craig & Rose paint brand and manufacturing)

Ranging with Bunnings: Selleys sealant and adhesives range and Craig & Rose premium specialty paint range are in store and doing well

Seek Europe expansion via Selleys and specialty paint & coatings

China and SE Asia

JV approach. Local partner with distribution and/or brands

Selleys focus on sealants & adhesives in trade markets

Australia / NZ / PNG

Clear market leader with strong brands

- Paints, coatings, sealants, adhesives, construction chemicals (Dulux, Cabot's Selleys, Parchem)
- Other home improvement (Yates, B&D, Lincoln Sentry)

Selleys Indonesian Joint Venture

Joint Venture Summary

- Our partner is Avian, a leading Indonesian paint manufacturer and hardware distributor
- Formed joint venture in August 2017, 50.01% owned by DuluxGroup
- Joint venture will manufacture and market Selleys sealants, adhesives, fillers and lubricants in Indonesia

Strategic rationale for establishing Joint Venture

- Leveraging Selleys technology, brands and market capabilities into a large and growing market
- Leveraging Avian's distribution network with scope to reach approximately 40,000 retail hardware outlets
- Accessing a low cost supply chain including local manufacturing capability

Capital light and low risk expansion opportunity into strong growth market

- Innovative approach to create value in new markets
- Measured step to increase reach and penetration with limited capital requirements
- Scope to expand the product/technology suite



DGL International - UK Progress

Selleys: Progressively extending a tight, consumer-focused range

- Range launched into all Bunnings and Homebase stores
- Sales growth supported by consumer marketing, retail category management, in-store brand ambassadors and training Bunnings staff
- FY18 plans include continued investment in marketing and product range extension

Paint: Building on the Craig & Rose heritage from 1829

- Launched reformulated and rebranded premium 1829 range and a new Artisan specialty range into all Bunnings stores and selected Homebase stores
- FY18 plans included continued investment in marketing and increased distribution

Strong team

- Senior, experienced retail and trade capability from Australia
- Strong support from Australian technology, marketing and capability hubs
- UK based Global Executive (reporting to CEO) recruited to support our international expansion



Bunnings Hemel Hempstead UK



Selleys brand ambassador Bunnings UK

Brands, Innovation & Customer Focus



Dulux advertising campaigns to support consumer choice



New Craig & Rose Artisan range and reformulated and rebranded 1829 range



Launched innovative new Yates products and packaging



Range of new Cabot's woodcare products



Selleys continued investment in Storm



New Dulux Design decorative effects range

Brands, Innovation & Customer Focus



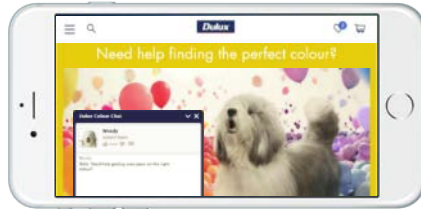
Launch of new enhanced DuluxGroup Digital platform



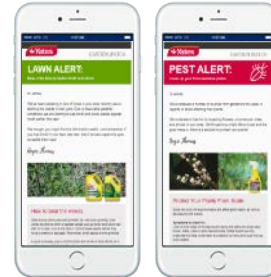
New Selleys UK website promoting our products to international markets



Increased digital engagement has driven a substantial increase in B&D leads



Increasing digital engagement with consumers by expanding live chat across our brands



Using artificial intelligence to deliver targeted and relevant content

We have deep industry experience and broader capability



Patrick Houlihan

Managing Director and Chief Executive Officer

28 years at DuluxGroup: Dulux/Selleys/Yates technology, sales, marketing, general management
10 years as CEO



Stuart Boxer

Executive Director and Chief Financial Officer

27 year career in strategy and finance
9 years as DuluxGroup CFO



Patrick Jones

Chief Operating Officer
Dulux Paints and Coatings

22 years at DuluxGroup: Dulux finance, sales, general management
6 years in current role



Jennifer Tucker

Executive General Manager
Yates

12 years at DuluxGroup: Yates/Selleys marketing, sales, general management
3 years in current role



Martin Ward

Executive General Manager
Selleys

27 years with DuluxGroup*: Selleys/Dulux sales, marketing, general management
3 years in current role



Murray Allen

Executive General Manager
B&D Group

23 years at DuluxGroup*: Dulux sales, marketing, general management
< 1 year in current role



Richard Stuckes

Chief Operating Officer
DGL International

25 year multi-national career: AkzoNobel & ICI (incl Dulux UK, EMEA & China), Philips also 6 years CEO and NED
< 1 year in current role



Ivor Timmins

General Manager
Lincoln Sentry

20+ years in specialty trade distribution businesses: sales, general management
4 years in current role



Brad Hordern

Executive General Manager
Supply Chain

28 years in multi-national supply chain roles
11 years in current role



Siobhan McHale

Executive General Manager
Human Resources

25 years in management consulting and Human Resource roles. Working across Europe, Asia and Australia
1 year in current role



Ian Rowden

Executive General Manager
Strategic Marketing & Innovation

37 years in global marketing and commercial leadership roles (eg. The Coca-Cola Company, Virgin Group, private equity, NED)
3 years in current role*



Outlook

DuluxGroup 

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FY18 Outlook

Markets

- Lead market indicators for our key markets remain largely positive
- Existing Home segment (~65% of revenue) is expected to provide resilient and profitable growth
- New Housing (~15% of revenue, late cycle) is expected to remain relatively strong in historical context
- Commercial & Engineering (~15% of revenue). Non-residential construction markets solid. Engineering construction markets flat and engineering maintenance remain solid

Business Segments

- Dulux ANZ – Growth underpinned by positive markets and share gains. Full year EBIT margins to be in-line with FY17. Merrifield factory impact is neutral
- Selleys and Parchem ANZ – Selleys is well positioned for continued growth; Parchem engineering markets bottoming, business repositioned for growth
- B&D Group – targeting profit growth by further business improvement and growth initiatives
- Lincoln Sentry – remains well positioned for continued share growth aided by new online store
- Other businesses – growth in Yates, South East Asia and PNG to more than offset investment in UK and Indonesia. Undertaking strategic review of DGL Camel coatings business

Overall

- Corporate costs ~\$30M; Effective tax rate ~30%; Depreciation ~\$32M plus Merrifield (~\$7M, pro-rated assuming early Q2 FY18 start); Targeting 80%+ cash conversion*; Net Finance costs \$1-1.5M higher than FY17; Profit on asset sales in H1; Capex (excl. Merrifield) ~\$30M
- Expect dividend payout ratio of at least 70% on NPAT before non-recurring items

Subject to economic conditions and excluding non-recurring items, we expect that 2018 net profit after tax will be higher than the 2017 equivalent of \$142.9M



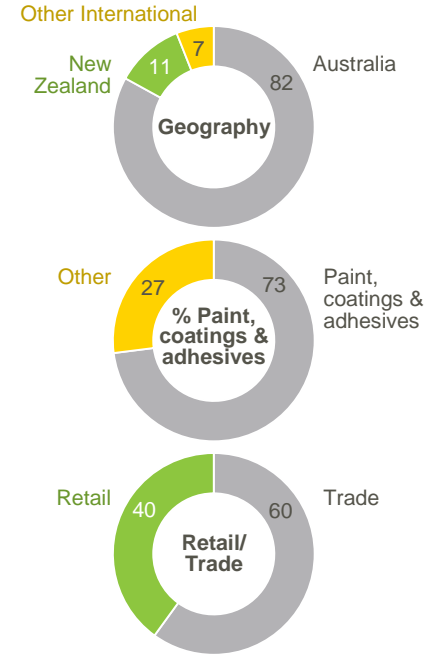
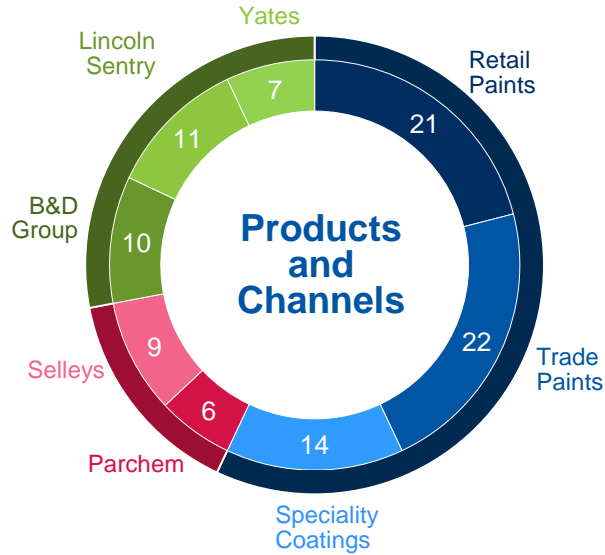
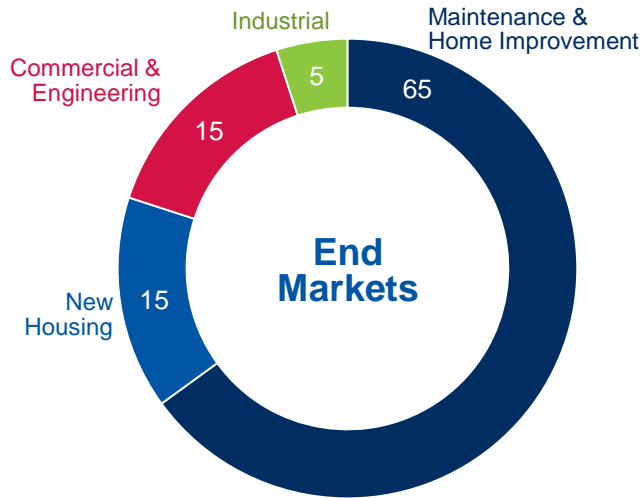
Questions



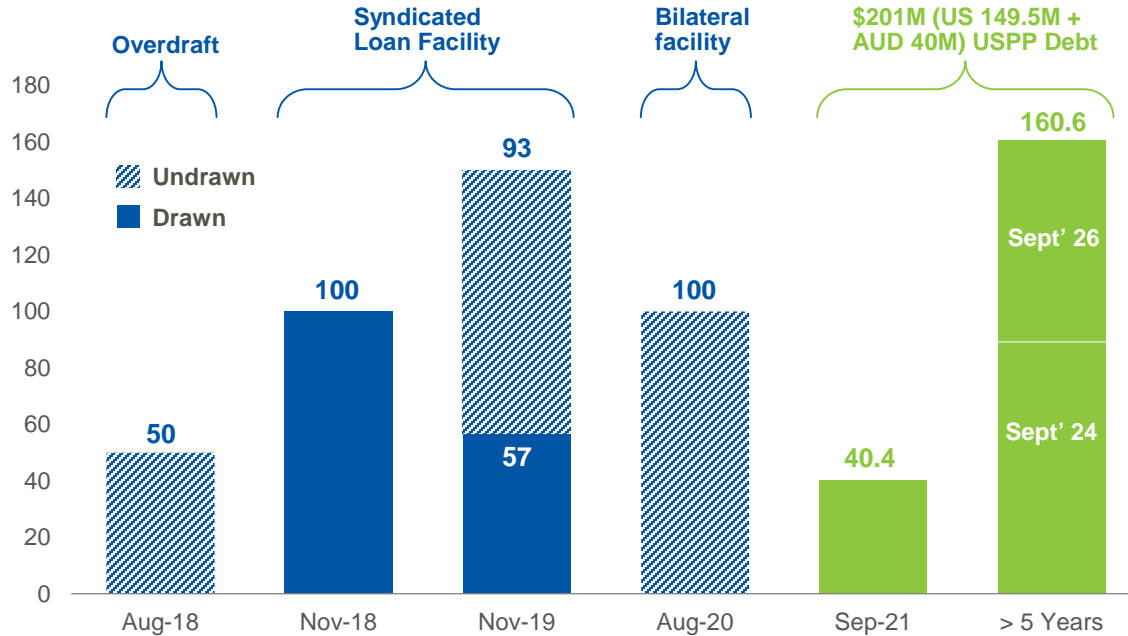
Appendices

End-markets, Products, Channels

65% of business is related to the resilient existing home segment



Committed Debt Facility Maturity Profile



- The weighted average debt facility tenure is just under 3.7 years
- Undrawn headroom of AUD \$243M

Definitions of non-IFRS terminology

- **Average net interest rate** is calculated as net finance cost as a percentage of average daily debt, adjusted for discounting of provisions
- **Capital expenditure** represents payments for property, plant and equipment and payments for intangible assets
- **Cash conversion** is calculated as EBITDA less non-recurring items, less movement in working capital and other non cash items, less minor capital spend, as a percentage of EBITDA less non-recurring items
- **EBIT Margin** is calculated as EBIT as a percentage of sales revenue
- **EBITDA** is calculated as EBIT plus depreciation and amortisation
- **Interest cover** is calculated using EBITDA excluding non-recurring items, divided by net finance costs adjusted for non cash items and capitalised interest (Refer Appendix 4E)
- **Minor capital expenditure** is capital expenditure on projects under A\$5M
- **Net debt** is calculated as interest bearing liabilities, less cash and cash equivalents
- **Net debt inclusive of USPP hedge** value is calculated by taking closing net debt adjusted to include the asset balance relating to the cross currency and interest rate exposures relating to the US Private Placement (USPP) debt
- **Net debt : EBITDA** is calculated by using year end net debt inclusive of USPP hedge divided by pro forma EBITDA before non-recurring items
- **Net interest expense** is equivalent to 'Net finance costs'
- **Net profit after tax** or **NPAT** represents 'Profit for the year attributable to ordinary shareholders of DuluxGroup Limited'
- **NPAT excluding non-recurring items** – represents NPAT, excluding any non-recurring items. Directors believe that the result excluding these items provides a better basis for comparison from year to year
- **Non-recurring items** are outlined within the presentation
- **Operating cash flow** is the equivalent of 'Net cash inflow from operating activities'
- **Operating cash flow excluding non-recurring items** – the equivalent of 'Net cash inflow from operating activities', less the cash component of the non-recurring items
- **Recordable Injury Rate** is calculated as the number of injuries and illnesses per 200,000 hours worked
- **Rolling TWC to sales** is calculated as a 12 month rolling average trade working capital, as a percentage of 12 month rolling sales
- **Trade Working Capital (TWC)** is the sum of trade receivables plus inventory, less trade payables