2016 Full Year Results

8 November 2016

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Agenda Outline

- Results Overview
- Segment Performance
- Other Financial Information
- Strategic Growth Priorities
- Outlook
- Appendices

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Results Overview

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Overview

- Sales and profit growth (NPAT up 4.6%)
- Continued resilient earnings growth, with EBIT up 4.5% (consistent with 4.7% growth in FY15)
- Consistent performance from heritage businesses (Dulux, Selleys and Yates). Combined earnings up 6.2% ($11.2M)
- B&D, Lincoln Sentry and Parchem combined earnings up 8.6% ($2.7M)
- Offshore businesses earnings down $2.7M due to market decline in PNG
- Strong cash conversion (87%). Balance sheet metrics solid, with net debt to EBITDA at 1.3x
- Annual dividend up 6.7% to 24.0 cps
- Supply chain projects progressing well - distribution centre fully operational; new paint factory on time and budget
- Low risk entry into UK via Craig and Rose paints acquisition

Numbers in this presentation are subject to rounding. All references to 2015 EBIT & NPAT comparisons are excluding non-recurring items
Refer Appendix for definitions.

Full Year Financial Performance

A$ million	2016	2015	%
Sales	**1,716.3**	1,687.8	1.7
EBIT *excluding non-recurring items*	**201.1**	192.4	4.5
NPAT *excluding non-recurring items*	**130.4**	124.7	4.6
Operating cash flow *excluding non-recurring items*	**155.0**	156.5	(1.0)
EBIT	**201.1**	175.3	14.7
NPAT	**130.4**	112.8	15.6
Net debt to EBITDA	**1.3**	1.2	(8.3)
Total dividend (cps)	**24.0**	22.5	6.7

- Sales growth despite some market challenges
- Solid earnings growth
- Operating cash flow slightly lower (tax key driver, with cash conversion improved)
- Net debt to EBITDA slight increase due to investment in new paint factory

Core home improvement market is sound

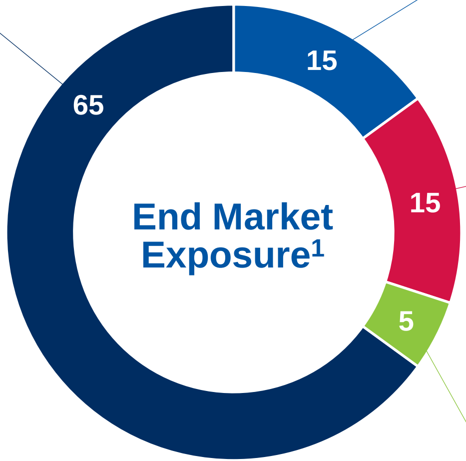
Maintenance & Home Improvement

Underlying consumer demand remains sound, consistent with history (1 – 1.5% paint volume growth)

- Transitional retail market dynamics in FY16
- Trade market strong in FY16

Demand fundamentals of the market remain generally strong

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



New Housing

New housing approvals have peaked in Australia but there is a solid pipeline of work given lag between approvals and commencements, biased to multi-residential

Commercial & Infrastructure

Commercial markets are relatively strong

Infrastructure markets are still weak (especially resources) with civil infrastructure growth not sufficient to offset decline in private sector

Industrial

10m dwellings in Australia and approximately **70%** are older than 20 years[1]

1. 2011 Census and other ABS data

Safety & Sustainability

Rolling 12 months versus prior period		Sept 2016	Sept 2015
Recordable Injury Rate	✓	**1.63**	1.84
Near Miss (Hazard) Reporting	✓	**+8%**	+12%
Waste Generation (% change)	✗	**+9%**	-6%
Water Consumption (% change)	✓	**-5%**	-6%

- Focus remains on strategic pillars of disaster prevention, fatality prevention, injury prevention and sustainability
- Significant improvement work continued on disaster and fatality prevention activities
- Key metrics generally positive
- Increase in waste generation due to one-off site clean-up (Parchem Wyong) and improved reporting systems (Lincoln Sentry), with overall improvement elsewhere

Segment Performance

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Segment EBIT (excluding FY15 non recurring items)

A$ million	2016	2015	%
Paints & Coatings ANZ	**156.5**	146.8	6.6
Consumer & Construction Products ANZ (C&CP)	**29.5**	29.2	1.0
Garage Doors & Openers (GDO)	**16.1**	17.1	(5.8)
Cabinet & Architectural Hardware	**12.5**	9.0	38.9
Other businesses	**14.5**	15.9	(8.8)
Business EBIT	**229.1**	217.9	5.1
Corporate	**(28.0)**	(25.6)	(9.4)
Total EBIT excluding non-recurring items	**201.1**	192.4	4.5

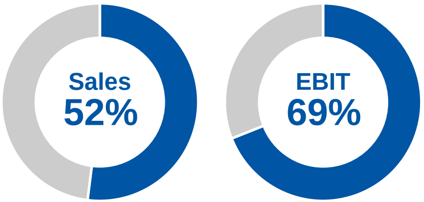
- Continued earnings growth from Paints and Coatings in mixed markets (flat overall)
- C&CP – Selleys improved and Parchem flat in challenging markets
- GDO decline due to one off costs and H2 market weakness
- Very strong earnings growth from Lincoln Sentry
- Other businesses decline due to weak markets in PNG
- Corporate increase due to growth projects (eg. UK)

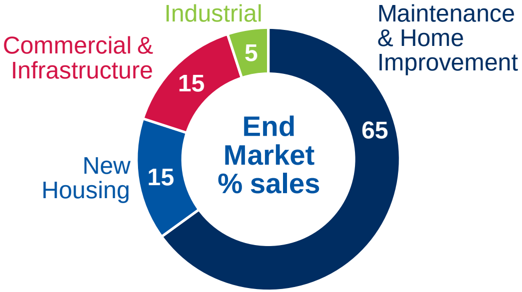
Paints & Coatings – ANZ

A$ million	2016	2015	%
Sales	890.6	870.8	2.3
EBITDA *excl non-recurring items*	172.8	165.1	4.7
EBIT *excl non-recurring items*	156.5	146.8	6.6
EBIT margin *excl non-recurring items*	17.6%	16.9%	0.7 pts
Non-recurring items	-	(13.8)	

- Australian business delivered continued resilient growth
  - sales growth of 3% reflects overall flat markets and modest price gains (mix driven)
  - market – short term 'sales in' retail market correction, offset by good growth in trade, new housing and commercial sectors
  - EBIT growth driven by sales growth, good cost control and lower depreciation
- New Zealand flat overall due to strong second half sales and EBIT recovery as Mitre10 exit fully cycled through

% of Group Sales and Business EBIT





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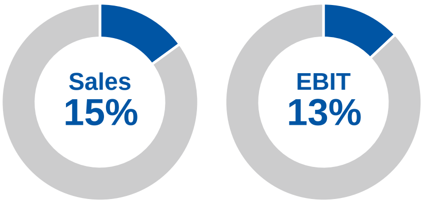
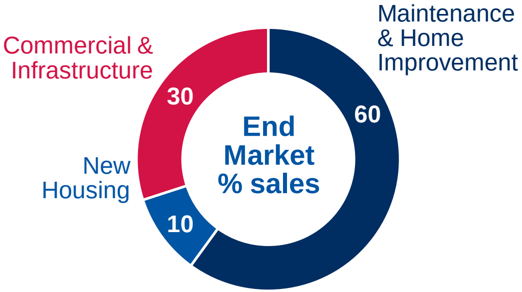
Consumer and Construction Products – ANZ

A$ million	2016	2015	%
Sales	253.9	266.2	(4.6)
EBITDA *excl non-recurring items*	32.6	32.6	0.0
EBIT *excl non-recurring items*	29.5	29.2	1.0
EBIT margin *excl non-recurring items*	11.6%	11.0%	0.6 pts
Non-recurring items	-	(3.2)	

- Selleys EBIT growth despite slightly weaker sales, due to destocking impacts in Woolworths hardware and lower internal sales, which offset good growth with strategic hardware partners
- Parchem EBIT flat, with pre-emptive cost reduction and gross margin improvement initiatives offsetting revenue decline due to weak resources infrastructure markets

% of Group Sales and Business EBIT

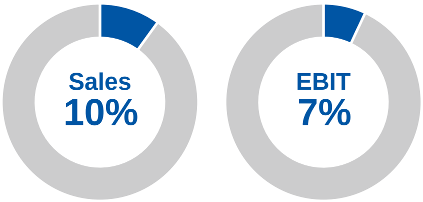




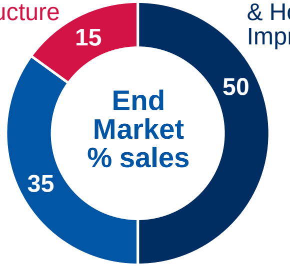
Garage Doors and Openers

A$ million	2016	2015	%
Sales	177.9	169.5	5.0
EBITDA	22.6	23.4	(3.4)
EBIT	16.1	17.1	(5.8)
EBIT margin	9.1%	10.1%	(1.0) pts

% of Group Sales and Business EBIT



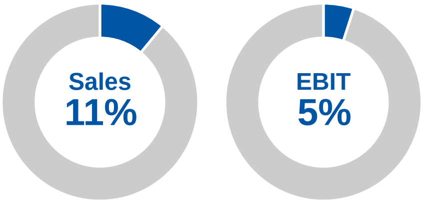
- Sales growth reflects flat markets (H2 weakness, especially in Q4), modest price outcomes and Gliderol WA acquisition
- Excluding Gliderol WA, sales increased 2.2%. Growth in new housing largely offset by decline in renovation and repair dealer channel
- EBIT decline due to one off costs for customer service centralisation ($0.5M) and H2 market weakness



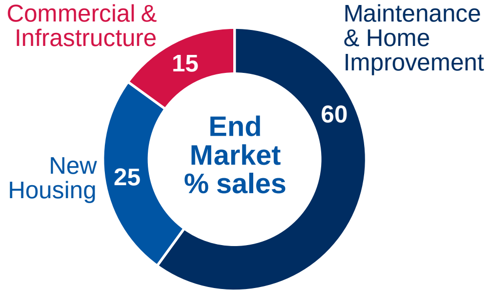
Cabinet and Architectural Hardware

A$ million	2016	2015	%
Sales	187.7	172.8	8.6
EBITDA	14.8	11.4	29.8
EBIT	12.5	9.0	38.9
EBIT margin	6.7%	5.2%	1.5 pts

% of Group Sales and Business EBIT



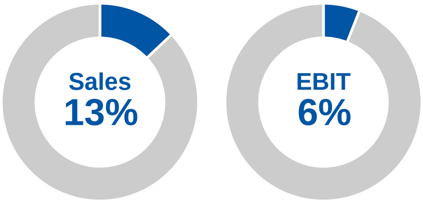
- Sales growth led by cabinet hardware business
- EBIT growth due to fixed cost leverage and margin improvement initiatives



Other businesses

A$ million	2016	2015	%
Sales	217.0	221.6	(2.1)
EBITDA	17.3	19.1	(9.4)
EBIT	14.5	15.9	(8.8)
EBIT margin	6.7%	7.2%	(0.5) pts

% of Group Sales and Business EBIT



- Sales and EBIT in Papua New Guinea significantly impacted by weaker economic conditions. EBIT down more than $3M, however the business maintains a good level of profitability
- Profit growth delivered by:
  - Yates – EBIT growth in soft markets
  - DGL Camel China – EBIT improvement in soft markets
  - South East Asia – EBIT growth due to strong performance in Vietnam

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$ Other Financial Information

Other Profit & Loss Items

- There were no non-recurring P&L items in FY16. Cashflow was adversely impacted by the utilisation of supply chain restructuring provisions
- Corporate costs increased \$2.4M due to investment in growth activities (mainly UK acquisition)
- Depreciation and amortisation decreased \$2.6M due to asset life review
- Tax rate was 28.8%, slightly above 28% in prior year

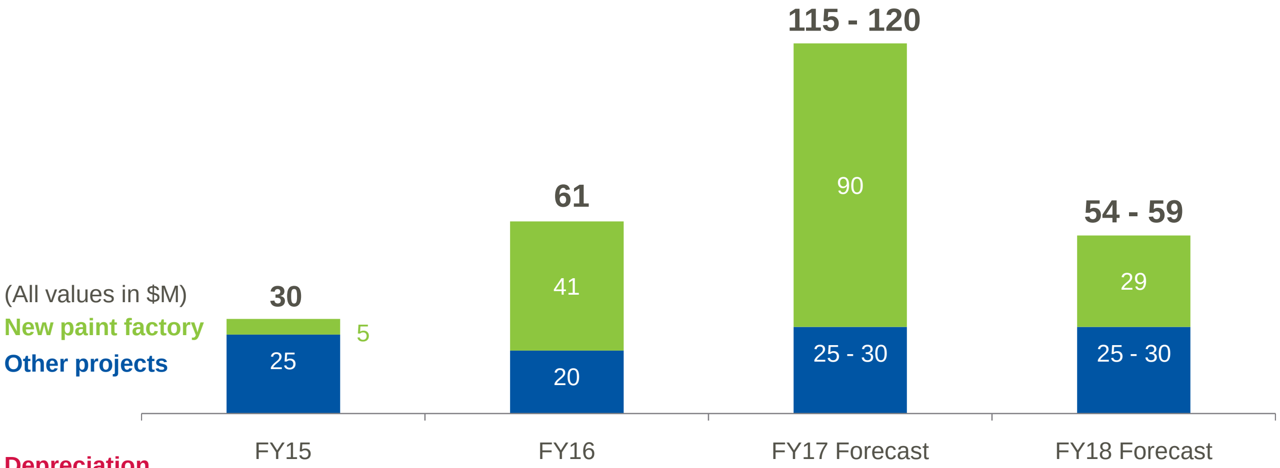
Capital Management – Key Measures

Balance Sheet (A$ million)	2016	2015
Net debt	**362.5**	349.9
Net debt inclusive of USPP hedge value	**300.6**	276.9
Rolling Trade Working Capital (TWC) to sales	**16.0%**	15.2%
Year end TWC to sales	**15.3%**	15.2%
Net Debt: EBITDA (times)	**1.3**	1.2
EBIT Interest Cover	**10.2**	9.0

Cash Flow and P&L (A$ million)	2016	2015
Operating cash flow excluding non-recurring items	**155.0**	156.5
Cash conversion excluding non-recurring items	**87%**	83%
Net interest expense	**19.9**	21.3
Average net interest rate	**4.8%**	5.2%

- Generally strong balance sheet metrics
- TWC adverse on rolling basis – targeting FY17 improvement
- Favourable cash conversion outcome
- Increase in debt and gearing due to investment in new paint factory

Capital Expenditure



	FY15	FY16	FY17 Forecast	FY18 Forecast
Depreciation and Amortisation	34.9	32.3	33-34	

New paint factory capital expenditure remains unchanged at

$165M

Note: Outlook excludes asset sales which are expected to occur following the commissioning of the new paint factory eg Glen Waverley site. FY17 estimate is +/- $10M

New Paint Factory

Status update

- Main building constructed
- Installation of major plant & equipment commenced in October
- On track to achieve $165M budget

On time

- Commissioning (mid 2017)
- Production (late 2017)

Benefits of new factory

- Utilise emerging paint technologies
- Lower operating costs
- Reduced fire and flood risk vs. Rocklea

Financial Impact

- FY19 first full year of operation, EBIT neutral and depreciation ~$7M
- Minor commissioning cost in FY17 & FY18

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New Distribution Centre

Status update

- Successful completion on time (June 16) and budget
- New Distribution Centre fully operational from 25 July and Selleys Moorebank & Dulux Padstow distribution centres now closed

Key features

- Strong financial payback and positive NPV
- Facility built, owned and operated by Linfox (to DuluxGroup specification)

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Strategic Growth Priorities

Our Strategy and Focus

	Strategy	Current Focus
Paint, Specialty Coatings & Adhesives (ANZ)	▪ Continue to build on premium, branded, market-leading positions via retail (DIY) and trade (DIFM) channels focused primarily on existing homes ▪ Extend into the wider construction chemicals and specialty coatings markets	▪ Paints & Selleys – continue to drive profitable market share growth supported by granular growth projects ▪ Parchem – Re-focus on civil infrastructure (Fosroc), optimise range and distribution
Capability-led Home Improvement (ANZ)	▪ Focused on premium, branded consumer products predominantly for existing homes ▪ Transferring our core marketing, innovation, sales and supply chain capabilities	▪ Yates – brand-led growth supported by M&A (eg. Munns) ▪ B&D – improve distribution, realise benefits from new products and re-branding, optimise costs ▪ Lincoln – systems to support further growth
Offshore	▪ Paint and Selleys focus primarily ▪ Transferring our core marketing, innovation, sales and supply chain capabilities into new geographies ▪ Explore growth opportunities for strategic partnerships, targeted acquisitions and distribution arrangements	▪ China/Hong Kong – Camel Professional & Selleys ▪ SEAsia – Selleys-led growth eg. Vietnam, Indonesia ▪ PNG – Cost reduction to mitigate market weakness ▪ UK Acquisition – sales and marketing investment to grow Craig & Rose, Selleys and potentially Porter's

UK Acquisition – Craig & Rose Paints Business

Strategic rationale - establish UK base with opportunity to:

- Develop premium niche decorative paint position
- Exploit Selleys offering
- Leverage other DLX portfolio: technology/product/brand

Capital light and low risk:

- Relatively small, ‘asset value’ purchase
- Recognised premium niche brand
- UK manufacturing base/licences
- Established business structure/systems

Key to our success is bringing new products and a point of difference to the UK consumer

CRAIG & ROSE
SINCE 1829

Brands, Innovation & Customer Focus

25th year of Dulux Jellybeans Promotions

New Dulux Specialty coating products

Selleys White for Life

Selleys storm sealant

Selleys The One using new Sil-X polymer technology

First drive through textures trade centre

Dulux Snapshot color matching device

New side locking garage door

Outlook

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FY17 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 strong throughout FY17
- Commercial & Infrastructure (~15% of revenue) is expected to be subdued (resource infrastructure weak)
- Chinese and Hong Kong coatings markets subdued & PNG market outlook remains weak

Business Segments

- Paints and Coatings ANZ – we expect underlying demand consistent with historical growth rates (1-1.5% pa volume growth)
- C&CP – Selleys fundamentals remain strong; Parchem reshaping to offset market weakness
- GDO – improvement of business remains work in progress
- Cabinet & Architectural Hardware – well positioned for continued growth
- Other businesses – Yates, China & South East Asia growth to more than offset investment in UK business. PNG cost savings to mitigate further market weakness

Overall

- Corporate costs in line with FY16; Targeting 80%+ cash conversion*; Effective tax rate 29 -30%
- Expect to maintain ~70% dividend payout ratio on NPAT before non-recurring items

Subject to economic conditions and excluding non-recurring items, we expect that 2017 net profit after tax will be higher than the 2016 equivalent of

$130.4M

* Excluding non-recurring items. Refer Appendix for disclaimer.


Winner TRUSTED BRAND 2013 Reader's Digest Paint
Voted by Australians Winner TRUSTED BRAND 2014 Reader's Digest Paint
Voted by Australians Winner TRUSTED BRAND 2015 Reader's Digest Paint
Voted by Australians Winner TRUSTED BRAND 2016 Reader's Digest

Questions

Appendices

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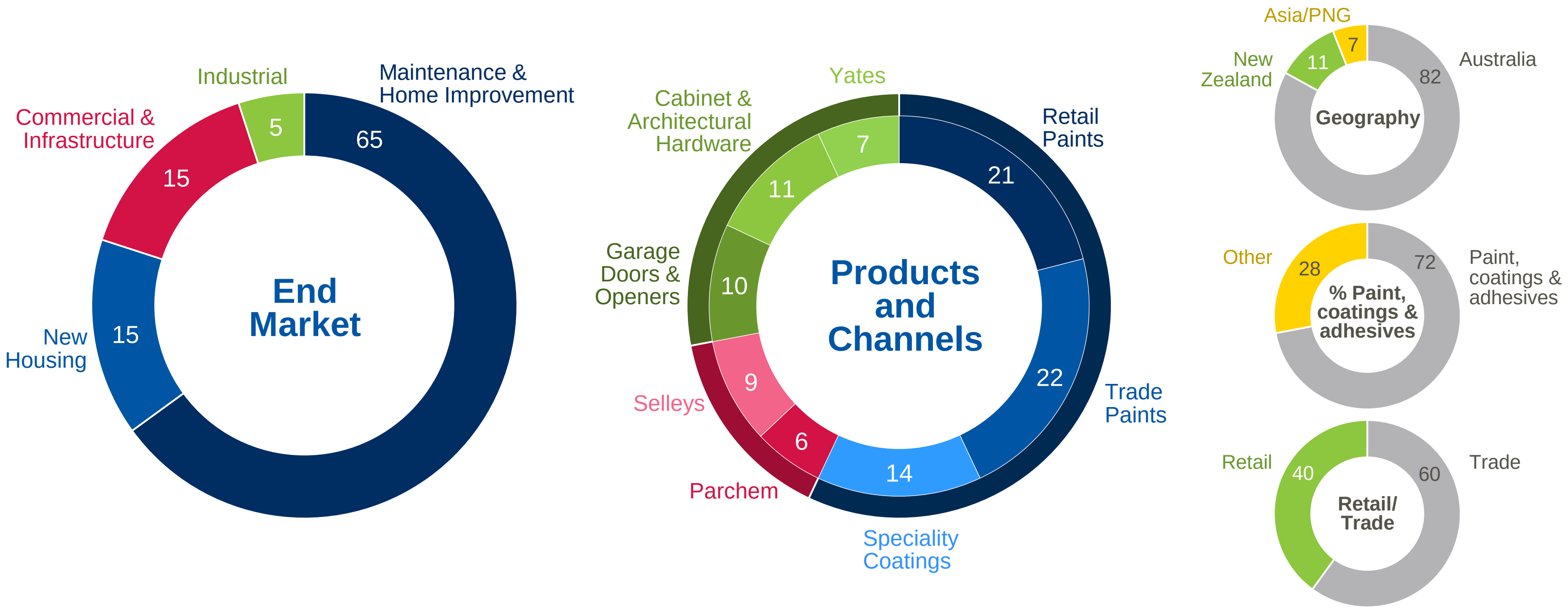
End-markets, Products, Channels

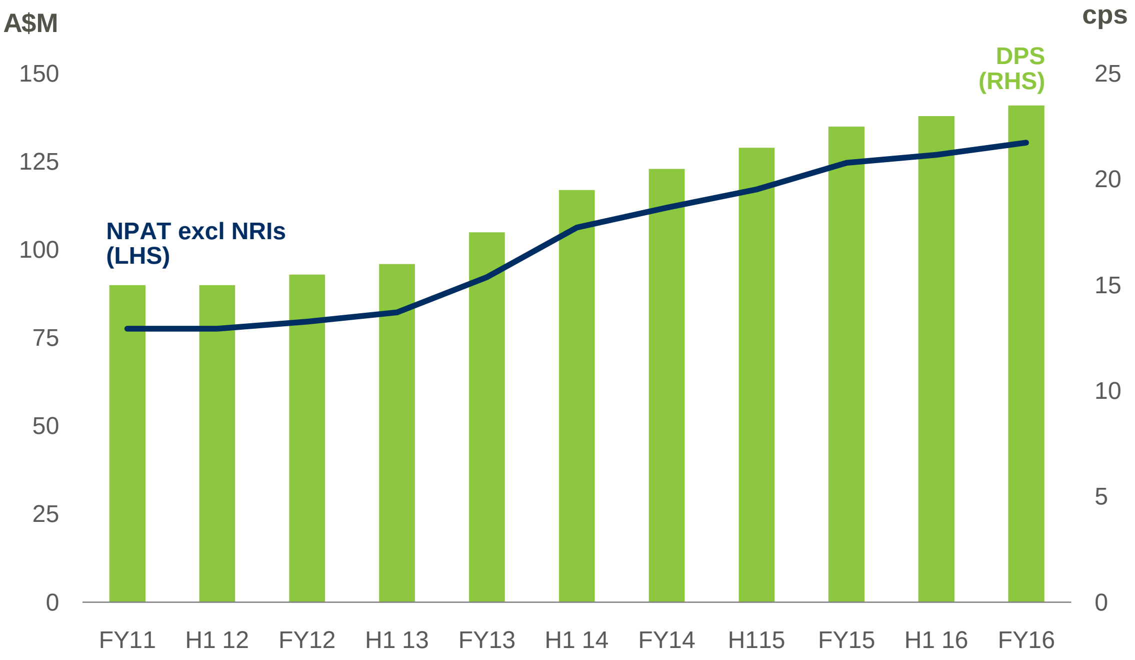
65% of business is related to the resilient existing home segment



Note: Indicative DuluxGroup revenue splits based on FY16 revenue

NPAT and Dividend Growth

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



NPAT growth in every half year on pcp since demerger

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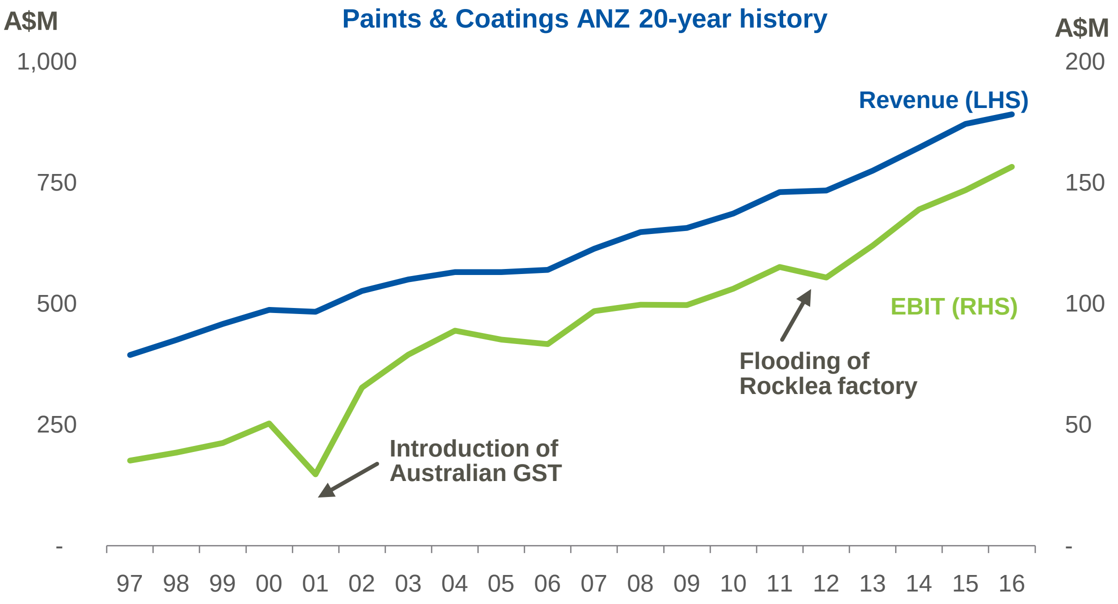
Paint & Coatings - Track record & focus

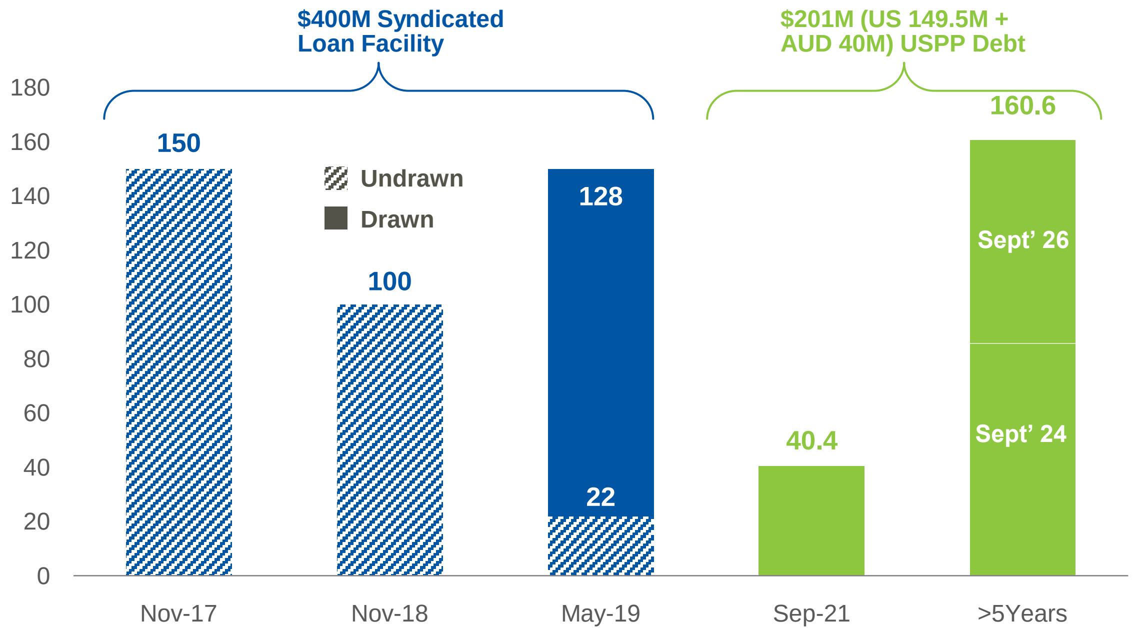
A Long History of Consistent Growth | **Building on momentum**



Growth Focus

- Continue to set the benchmark for retail and trade marketing of our brands (the best in the market)
- Strengthen brands and consumer engagement through use of digital technologies
- Relentless product innovation (eg. new Wash & Wear, Duramax, Precision)
- Continue to grow profitable market share in decorative paint via the best retail partners, the strongest trade network and the best service
- Extend product offering to access new markets (eg. Porter's, specialty coatings and Craig & Rose in UK)

Committed Debt Facility Maturity Profile



- The weighted average debt facility tenure is just over 4.0 years
- Undrawn headroom of AUD $272M

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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
- Disclaimer: Statements contained in this presentation, particularly those regarding possible or assumed future performance, estimated company earnings, potential growth of the company, industry growth or other trend projections are or may be forward looking statements. Such statements relate to future events and expectations and therefore involve unknown risks and uncertainties. Actual results may differ materially from those expressed or implied by these forward looking statements
- EBIT Margin is calculated as EBIT as a percentage of sales revenue
- EBITDA is calculated as EBIT plus depreciation and amortisation
- EBIT Interest cover is calculated using EBIT excluding non-recurring items, divided by net interest expense
- 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 the 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 annual sales
- Trade Working Capital (TWC) is the sum of trade receivables plus inventory, less trade payables

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