DuluxGroup Limited

ABN 42 133 404 065

ASX Announcement

17 May 2017

DULUXGROUP DELIVERS A QUALITY FIRST HALF RESULT

Group performance

DuluxGroup today reported net profit after tax (NPAT) of $72.7 million for the six months ended 31 March 2017, an increase of 14.2% over the 2016 first half.

The result included a $3.1 million write-back of a tax provision established in previous years. Excluding this write-back, NPAT increased by 9.3%.

Sales revenue increased by 3.5% to $881.2 million.

Earnings before interest and tax (EBIT) increased by 7.8% to $106 million.

Operating cash flow increased 76.2% due to higher earnings and improved working capital management, and cash conversion improved to 64% compared with 52% in the prior corresponding period. Net debt to EBITDA remains healthy at 1.5x.

Dividend

The Board has declared an interim dividend of 13.0 cents per share, fully franked, which represents a 13% increase on the prior year, and a 70% payout ratio on NPAT.

Business performance

"This is a high quality result, driven by strong profit growth across all of our Australian and New Zealand businesses," said managing director Patrick Houlihan.

The result was led by strong revenue and profit growth in the Dulux ANZ business, which contributes approximately 70% of Business EBIT. Profits grew 7.1%, driven by retail market share gains, premium Dulux-branded mix and growth from the specialty coatings portfolio.

"The strong Dulux ANZ result reflects strategic decisions we made a few years ago to align with key retail channel partners, consumer-driven preference for our premium branded products and our longer term strategy to broaden our coatings portfolio," said Mr Houlihan.

The result also included double digit earnings growth in Selleys & Parchem ANZ, B&D Group and Lincoln Sentry. Within the 'Other businesses' segment, good contributions from Yates and SE Asia provided capacity to invest in DuluxGroup's new UK business.

Growth

"We have an excellent portfolio of businesses that have a track record of providing our shareholders with resilient growth. Looking forward, we see multiple streams of growth both domestically and offshore," said Mr Houlihan.

“The Dulux and Selleys & Parchem businesses are well-placed, with excellent fundamentals and market positions. Our ‘Other ANZ Home Improvement’ businesses (Yates, Lincoln Sentry and B&D Group) are all good businesses that also have plenty of potential.

“In addition, our product ranges and capabilities are proving to be transferrable to offshore markets.

“For example, in the UK, where we acquired the Craig & Rose premium paints business in August last year, we have invested in additional sales, marketing and senior management capability. This has provided a platform for extending our Selleys adhesives and sealants business into the UK and potentially Europe. Sales of Selleys products into the new Bunnings UK stores commenced during the half and further rollout to the Bunnings and Homebase store network will commence in the second half.”

Summary and outlook for remainder of 2017

“Overall this has been a good first half result. DuluxGroup has grown profits in all of its ANZ businesses, while continuing to invest for long term growth,” said Mr Houlihan.

“Our overall view of the market remains consistent with our commentary at our December 2016 AGM. Lead indicators for our key markets remain largely positive. Our core existing home renovation markets, which account for approximately two thirds of DuluxGroup revenue, are expected to continue providing resilient, profitable growth.”

The new paint factory in Melbourne is on budget and on schedule to commence production towards the end of this calendar year.

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 $130.4 million.

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