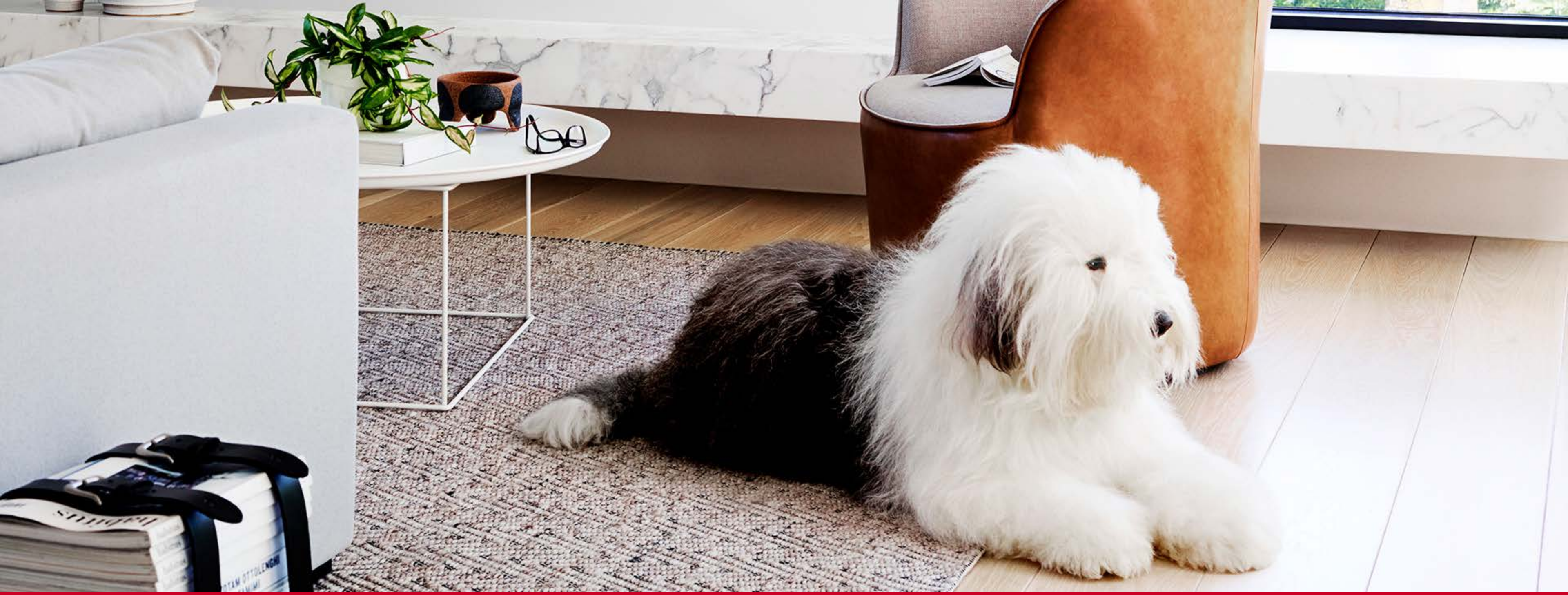

# 2018 Half Year Results

17 May 2018

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# 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.

# Agenda Outline

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

# Results Overview

# Overview

## H1 18 Delivery of Strong Profit Result

- Continued delivery of resilient growth – profit[1] and dividend growth every year since demerger in 2010
- Strong performance by all ANZ business segments, led by Dulux ANZ

## Growth and Investment

- New Dulux Merrifield paint factory successfully commissioned and ramping up to full production, within budget
- Sale of surplus Glen Waverley site, with profit on sale partially offset by Merrifield start up costs (as foreshadowed)
- Continued measured approach to developing new offshore markets, including the UK and Indonesia
- Successful divestiture of the loss-making China coatings business – Selleys business in China retained
- Strong financial position



1. NPAT excluding non-recurring items

# Half Year Results Summary

| A$ million | H1 18 | H1 17 | % |
|---|---|---|---|
| Sales | **918.1** | 881.2 | 4.2 |
| EBITDA | **130.7** | 121.3 | 7.7 |
| Business EBIT | **126.8** | 120.4 | 5.3 |
| EBIT | **114.0** | 106.0 | 7.5 |
| NPAT | **79.2** | 72.7 | 9.0 |
| Operating cash flow | **36.9** | 49.7 | (25.8) |
| Investing cash flow | **(9.4)** | (49.5) | 81 |
| Net debt to EBITDA | **1.4** | 1.5 | 6.7 |
| Total dividend (cps) | **14.0** | 13.0 | 7.7 |

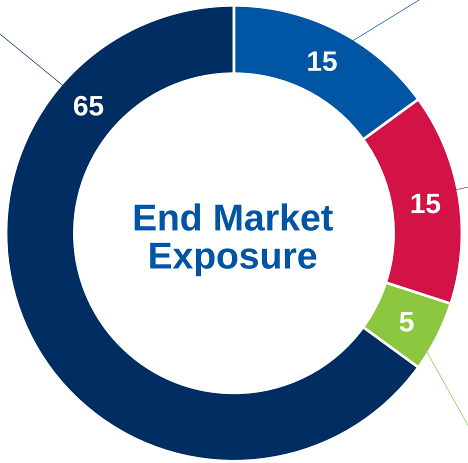
# Core home improvement market is sound

**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 softening
- Consumer confidence positive
- Housing churn declining




**New Housing**

Market is expected to remain relatively strong in FY18 due to solid pipeline of work. Completions forecast to remain relatively strong in a historical context

**Commercial & Engineering**

Non-residential - strong

Engineering construction - flat

Engineering maintenance - flat

**Industrial**

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

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



1. 2016 Census and other ABS data

# Safety & Sustainability

| Rolling 12 months versus prior period | Mar 2018 | Sept 2017 | Mar 2017 |
|---|---|---|---|
| Recordable Injury Rate | **1.42** | 1.62 | 1.68 |
| Near Miss (Hazard) Reporting | **+20%** | +11% | +12% |
| Waste Generation (% change) | **+5%** | -1% | +7% |
| Water Consumption (% change) | **-3%** | +2% | -2% |

- Continued focus on disaster and fatality prevention
- Improvement in injury and near miss / hazard reporting performance, with serious injuries maintained at historic low levels
- Improvement in water efficiency
- Waste performance adversely impacted by supply disruption with external specialised recyclers
- Good progress on sustainable product priorities, including stewardship, chemicals of concern and ethical sourcing

# Segment Performance

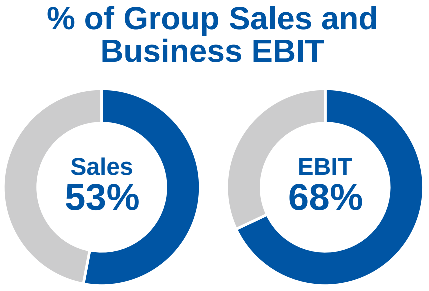
# Segment EBIT

| A$ million | H1 18 | H1 17 | % |
|---|---|---|---|
| Dulux ANZ | **93.1** | 88.5 | 5.2 |
| Selleys & Parchem ANZ | **14.4** | 13.7 | 5.1 |
| B&D Group | **6.8** | 6.2 | 9.7 |
| Lincoln Sentry | **6.5** | 6.1 | 6.6 |
| Other businesses | **6.0** | 5.9 | 1.7 |
| Business EBIT | **126.8** | 120.4 | 5.3 |
| Corporate | **(12.8)** | (14.5) | 11.7 |
| Total EBIT | **114.0** | 106.0 | 7.5 |

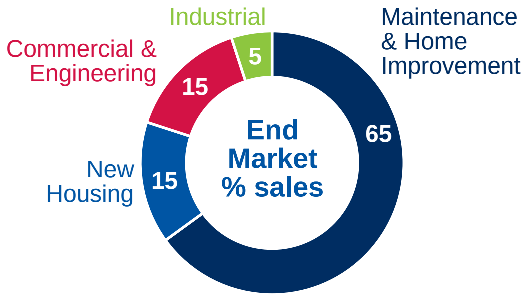
- Dulux revenue growth and effective management of raw material cost increases
- Selleys & Parchem revenue and EBIT growth
- B&D revenue and EBIT growth; margin improvement
- Lincoln Sentry continued revenue and EBIT growth
- Other businesses flat EBIT: profit on China sale offset planned investment in UK and Indonesia
- Corporate favourable due to profit on sale of Glen Waverley site

# Dulux ANZ - Paints & Coatings

| A$ million | H1 18 | H1 17 | % |
|---|---|---|---|
| Sales | 500.7 | 473.7 | 5.7 |
| EBITDA | 101.8 | 95.8 | 6.3 |
| EBIT | 93.1 | 88.5 | 5.2 |
| EBIT margin | 18.6% | 18.7% | (0.1) pt |




- Australian business continued strong performance
  - Revenue growth ~6.5% reflects strong 4% market growth, modest share gains and positive price benefits
  - EBIT margins maintained with good fixed cost control offsetting input cost increases and Merrifield depreciation
- New Zealand (~10% of segment) EBIT declined due to the exit of woodcare from Mitre 10 NZ. Excluding this impact revenue and EBIT grew

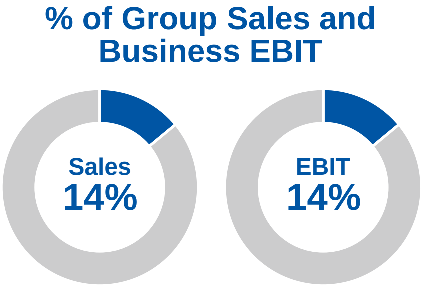




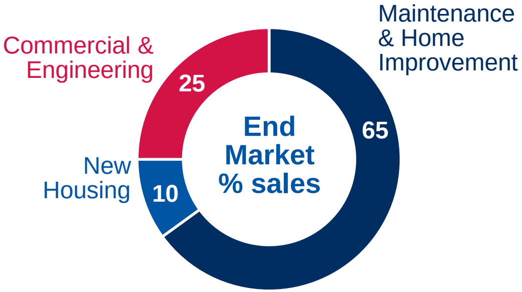

Note: Group Sales and Business EBIT are calculated on an MAT basis to H1 18 and End Markets are indicative estimates

# Selleys & Parchem ANZ – Sealants, Adhesives & Fillers etc

| A$ million | H1 18 | H1 17 | % |
|---|---|---|---|
| Sales | 130.2 | 125.8 | 3.5 |
| EBITDA | 15.8 | 15.1 | 4.6 |
| EBIT | 14.4 | 13.7 | 5.1 |
| EBIT margin | 11.1% | 10.9% | 0.2 pts |




- Selleys EBIT growth reflected revenue growth driven by consistent overall share in positive markets and price gains
- Parchem EBIT growth driven by strong Fosroc sales in flat markets with good cost and margin control

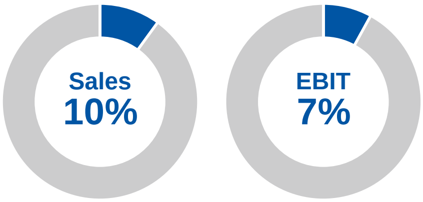



Note: Group Sales and Business EBIT are calculated on an MAT basis to H1 18 and End Markets are indicative estimates

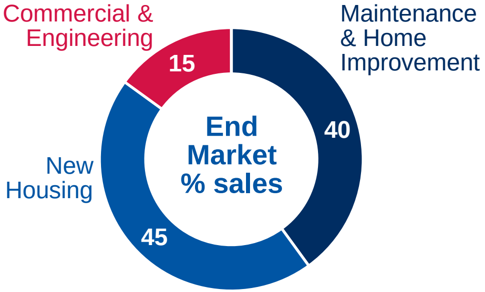
# B&D Group – Garage Doors & Openers

| A$ million | H1 18 | H1 17 | % |
|---|---|---|---|
| Sales | 88.4 | 86.4 | 2.3 |
| EBITDA | 10.0 | 9.5 | 5.3 |
| EBIT | 6.8 | 6.2 | 9.7 |
| EBIT margin | 7.7% | 7.2% | 0.5 pts |

## % of Group Sales and Business EBIT




- Revenue growth driven by modest market growth, positive price and mix improvement
- EBIT increase due to revenue growth, gross margin improvement and good cost control while further increasing investment in marketing



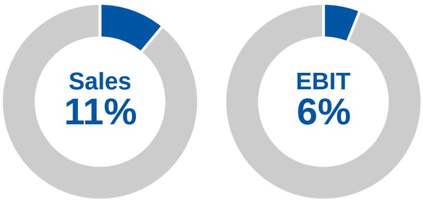



Note: Group Sales and Business EBIT are calculated on an MAT basis to H1 18 and End Markets are indicative estimates

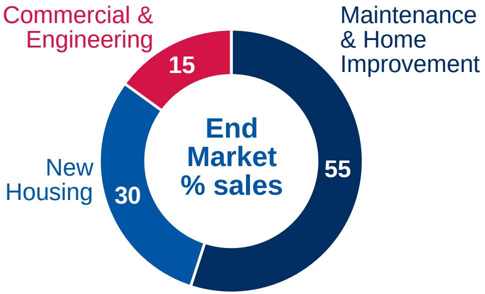
# Lincoln Sentry – Cabinet & Architectural Hardware Distribution

| A$ million | H1 18 | H1 17 | % |
|---|---|---|---|
| Sales | 97.7 | 93.6 | 4.4 |
| EBITDA | 7.2 | 7.2 | - |
| EBIT | 6.5 | 6.1 | 6.6 |
| EBIT margin | 6.7% | 6.5% | 0.2 pts |

## % of Group Sales and Business EBIT




- Revenue growth led by cabinet hardware in positive markets
- EBIT growth due to revenue growth, good fixed cost management and lower amortisation partly offset by margin pressure

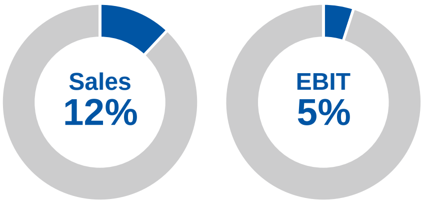



Note: Group Sales and Business EBIT are calculated on an MAT basis to H1 18 and End Markets are indicative estimates

# Other businesses

| A$ million | H1 18 | H1 17 | % |
|---|---|---|---|
| Sales | 108.9 | 108.4 | 0.5 |
| EBITDA | 7.5 | 7.3 | 2.7 |
| EBIT | 6.0 | 5.9 | 1.7 |
| EBIT margin | 5.5% | 5.4% | 0.1 pts |

**% of Group Sales and Business EBIT**




- Revenue impacted by sale of China coatings business during the half
- Flat EBIT reflected:
  - Profit growth in Yates & PNG driven by revenue growth
  - Profit growth on sale of China coatings business offset planned investment in UK and Indonesia
  - Weaker result in South East Asia

# Other Financial Information

# Other Profit & Loss Items - Corporate

- H1 result included a one-off profit of $2.9M, consisting of a profit on sale of the Glen Waverley site ($6.1M) partially offset by $2M Merrifield start up costs and $1.2M other one-off project costs
- In H2 further Merrifield start-up costs (~$1M) and other one-off projects (~$1.9M) are expected to result in the $6.1M profit on sale being fully offset over the full year
- Corporate is expected to be $30M for the full year (refer below)

| Corporate (A$ million) | H1 18 Actual | FY18 Estimate |
|---|---|---|
| Underlying Corporate | 15.7 | ~30.0 |
| Glen Waverley profit on sale | (6.1) | (6.1) |
| Merrifield start-up costs and other one-off projects | 3.2 | ~6.1 |
| Reported Corporate | 12.8 | ~30.0 |

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# Other Profit & Loss Items – Net Finance Costs and Tax

## Net Finance Costs

- H1 net finance costs were $1.1M lower at $7.6M due to lower interest rates, discounting of provisions and the positive interest component of prior year tax write back (refer below)

| Net Finance Costs (A$ million) | H1 18 | H1 17 |
|---|---|---|
| Net finance costs | 7.6 | 8.7 |
| Net cost of debt | 3.7% | 4.4% |

## Tax

- Result included $2.8M tax provision write-back (pcp included $2.5M tax and associated $0.6M interest)
- Effective tax rate was 25.7%. Excluding write-back in both years, tax rate was 28.4% versus 29.8% in pcp
- H2 18 effective tax rate to revert to ~30%

# Capital Management – Key Measures

| Balance Sheet (A$ million) | Mar 18 | Sept 17 | Mar 17 |
|---|---|---|---|
| Net debt | **409.1** | 375.7 | 399.0 |
| Net debt inclusive of USPP hedge value | **368.5** | 334.2 | 353.3 |
| Net Debt: EBITDA (times) | **1.4** | 1.4 | 1.5 |
| Interest Cover | **17.1** | 16.0 | 15.0 |
| Rolling Trade Working Capital (TWC) to sales | **16.0%** | 15.8% | 15.8% |
| Period end TWC to sales | **17.0%** | 15.9% | 16.7% |

| Cash Flow and P&L (A$ million) | H1 18 | H1 17 |
|---|---|---|
| Operating cash flow | **36.9** | 49.7 |
| Cash conversion | **56%** | 64% |
| Investing cash flow | **(9.4)** | (49.5) |

- Generally strong balance sheet metrics
- Increase in debt due to investment in new paint factory
- TWC measures impacted by new paint factory inventory build, customer mix and timing
- Operating cash flow and cash conversion adversely impacted by higher tax and costs associated with Glen Waverley and China asset sales (refer next page)

# Cash flow impacts: China and Glen Waverley sale

## H1 18 Outcomes

| A$ million | Operating cash flow | Investing cash flow | Total cash flow pre-financing |
|---|---|---|---|
| **China/Hong Kong business** | | | |
| H1 2018 | (9.1) | 20.0 | 10.9 |
| *H1 2017* | *(3.2)* | *(0.1)* | *(3.3)* |
| **Variance** | **(5.9)** | **20.1** | **14.2** |
| **Glen Waverley & offsetting one-off costs** | | | |
| H1 2018 – Glen Waverley sale | - | 1.8 | 1.8 |
| H1 2018 – offsetting one-off costs | (3.2) | - | (3.2) |
| *H1 2017* | *NA* | *NA* | *NA* |
| **Variance** | **(3.2)** | **1.8** | **(1.4)** |

**Combined impact on cash conversion** **~ (7 pts)**

## H2 Expectations

- H2 operating cash flow impact similar to H1
- Full-year impact on cash conversion of 7-8 points
- H2 investing cash flow will include $11M of Glen Waverley proceeds

# Dulux Merrifield Paint Factory

## Status update

- Commissioning completed
- Beneficial production achieved 1 February 2018
- Good progress on ramping up to full production (currently at 80% of steady state production)
- Project cost below $165M budget, with remainder allocated to optimisation over the next 12 months

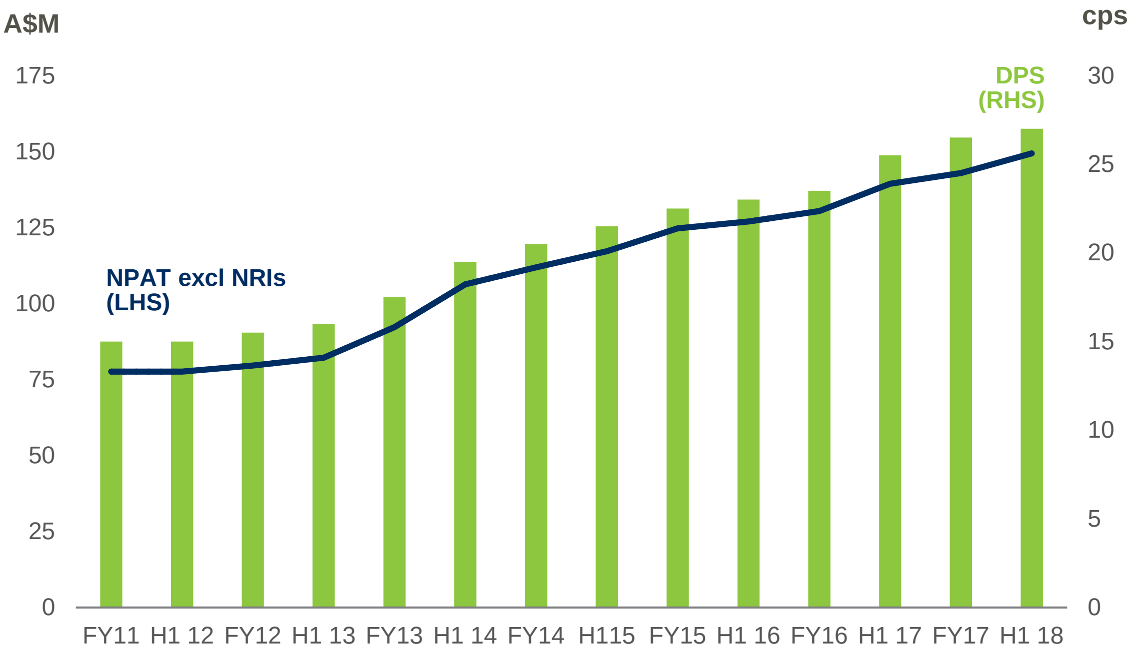
## Financial Impacts

- Capital expenditure timing:
  - FY18 $35M & FY19 $3M
- Minor changes to FY18 outcomes due to timing of production ramp-up:
  - additional ~$1M start-up costs in H2 (recognised in Corporate)
  - depreciation – H1 slightly lower than guidance but H2 consistent with pro-rated $7M pa
  - payout of $0.8M of Rocklea redundancy provision in H1, with remainder (~$8M) deferred from H1 into H2


# 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

**Paint, Coatings, Sealants, Adhesives**

## Dulux, Selleys & Parchem ANZ / PNG

- Defend & grow in resilient markets, biased to existing homes
- Good runway of growth:
  - Dulux & Selleys: further share gains (retail and trade), premium product innovation, product range extensions, margin management
  - Parchem: Fosroc-led 'civil' growth, distribution optimisation

**67% Group sales; 82% Business EBIT; 35%+ RONA[1]**

**Leverage:** technology, marketing, sales, retail

## DGL International

- Explore and develop pathways to a material offshore business
- Measured approach to seeding/testing
  - Western DIY retail markets: Craig & Rose premium niche paints & Selleys in UK
  - Asian 'DIFM' markets: Avian Selleys JV in Indonesia and re-focused Selleys in China following coatings sale
- Seek out and consider opportunities in other markets

**5% Group sales**

**Other Home Improvement**

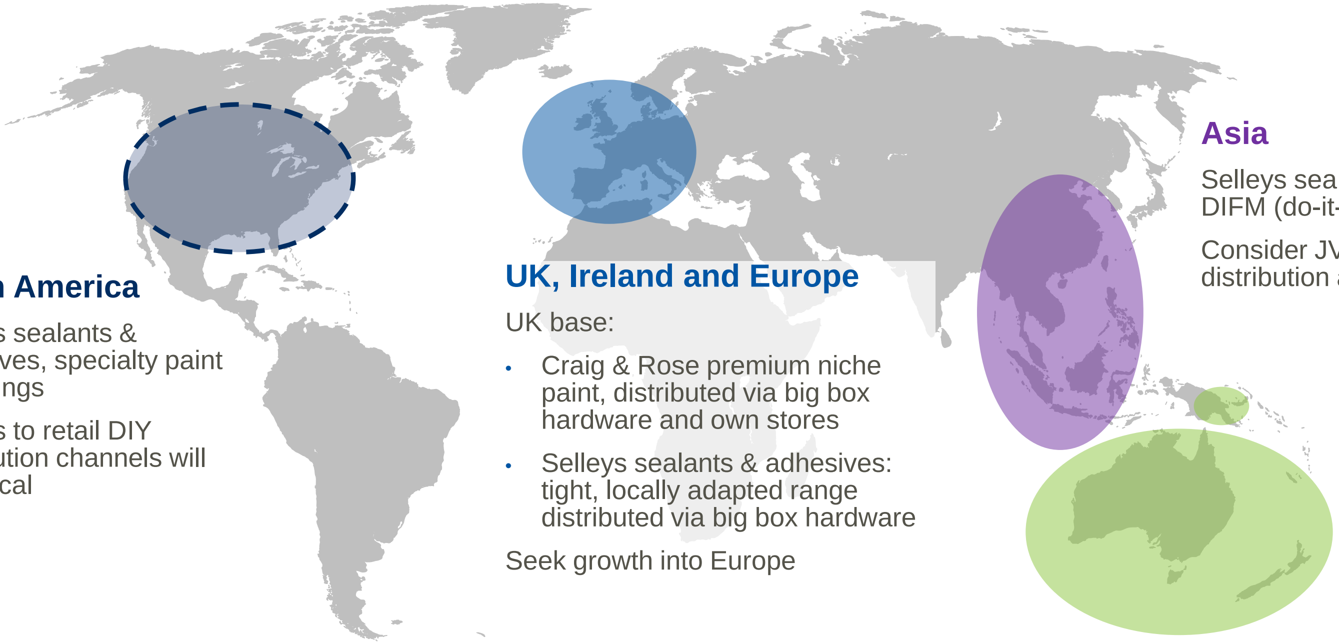
## Yates, Lincoln Sentry, B&D Group

- Realise potential – from "good" to "great"
- All are profitable, premium, market leaders, primarily biased to existing homes
- Growth through share gains, margin improvement and product/market extension

**28% Group sales; 19% Business EBIT; 20% RONA**

1. Numbers presented on MAT basis. Net assets adjusted to include new Dulux Merrifield paint factory capital expenditure of $165M.

# 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:

- Craig & Rose premium niche paint, distributed via big box hardware and own stores
- Selleys sealants & adhesives: tight, locally adapted range distributed via big box hardware

Seek growth into Europe

## Asia

Selleys sealants & adhesives focus in DIFM (do-it-for-me) markets

Consider JVs with local partner with distribution and/or brands

## Australia / NZ / PNG

Clear market leaders with strong brands

- Paints, coatings, sealants, adhesives and construction chemicals
- Other home improvement

# DGL International - Update

## UK Business

- Craig & Rose ‘1829’ and ‘Artisan’ ranges in Homebase and Bunnings network
- First Craig & Rose store opened in London.  Product range extended to include a ‘mainstream tintable’ range
- Investment in digital strategy to drive consumer engagement and increase online sales. The Craig and Rose brand continues to gain consumer acceptance
- Good and increasing range of Selleys products in Bunnings and Homebase
- Capital light

## Avian Selleys Indonesian Joint Venture

- H1 focus on establishing the business including obtaining operating licences, setting up manufacturing facilities and marketing programs
- Trading is expected to commence in the next six months

**New Craig & Rose London store**

# Outlook

# 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 remain strong. Engineering construction and maintenance flat

**Business Segments**

- Dulux ANZ – overall market growth to continue. Full year EBIT margins to be in-line with FY17
- Selleys & Parchem ANZ – Selleys is positioned for continued growth; Parchem repositioned for growth as markets stabilise
- B&D Group – targeting profit growth driven by investment in marketing and distribution
- Lincoln Sentry – remains well positioned for continued growth
- Other businesses – EBIT expected to be in-line with last year

**Overall**

- Corporate costs ~$30M; H2 18 Effective tax rate ~30%; Depreciation ~$36M; Net Finance costs ~$18M; Capex (excl. Merrifield) ~$20-25M;
- Expect dividend payout ratio of at least 70% on NPAT before non-recurring items

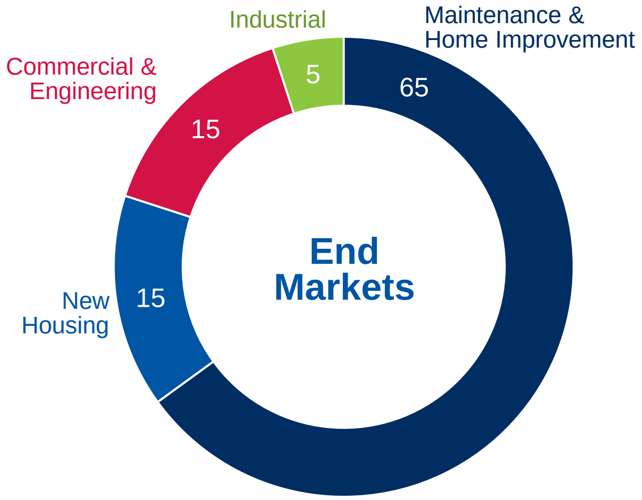
Subject to economic conditions and excluding non-recurring items, we expect that 2018 net profit after tax will be higher than the 2017 equivalent of $142.9M

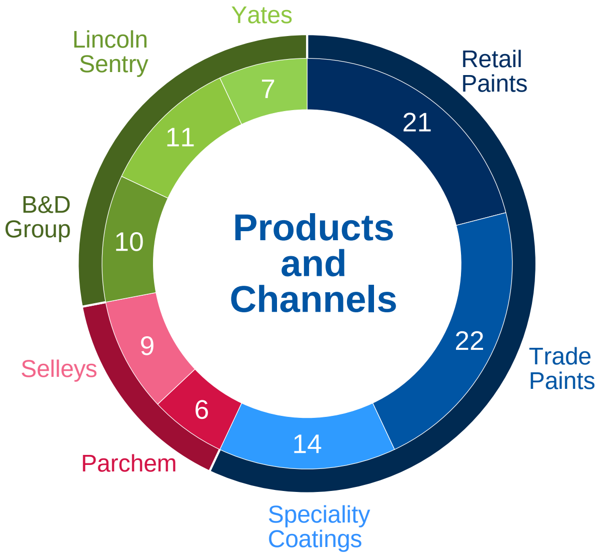
# Questions

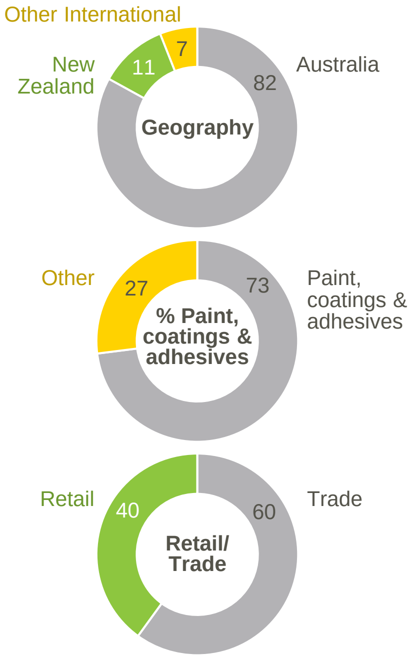
# Appendices

# End-markets, Products, Channels

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

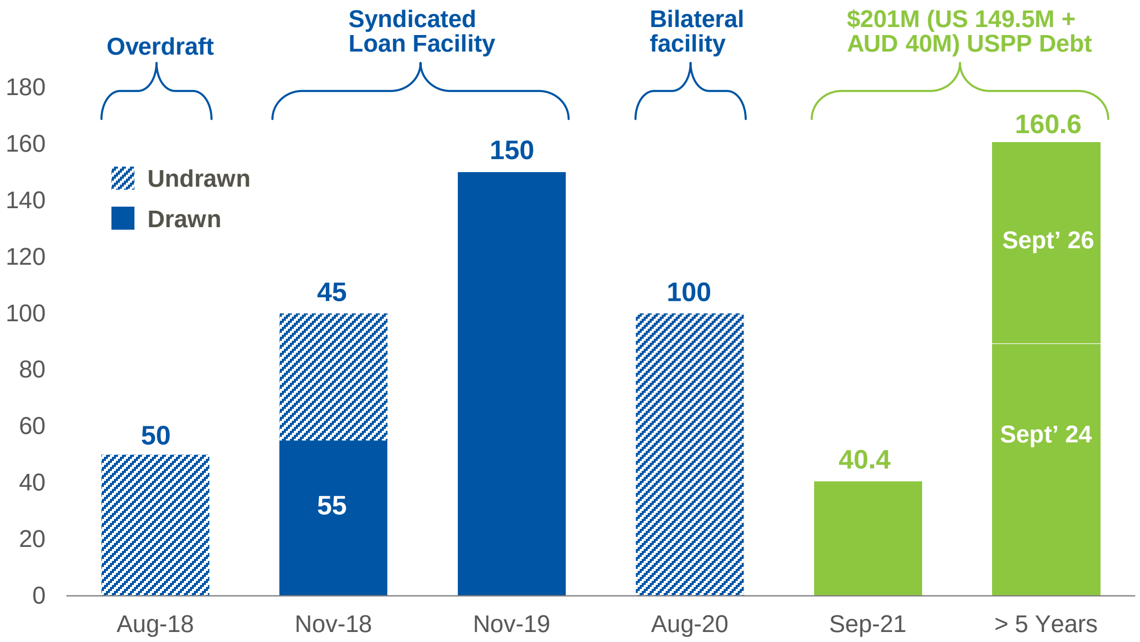



Note: Indicative DuluxGroup revenue splits

# Committed Debt Facility Maturity Profile



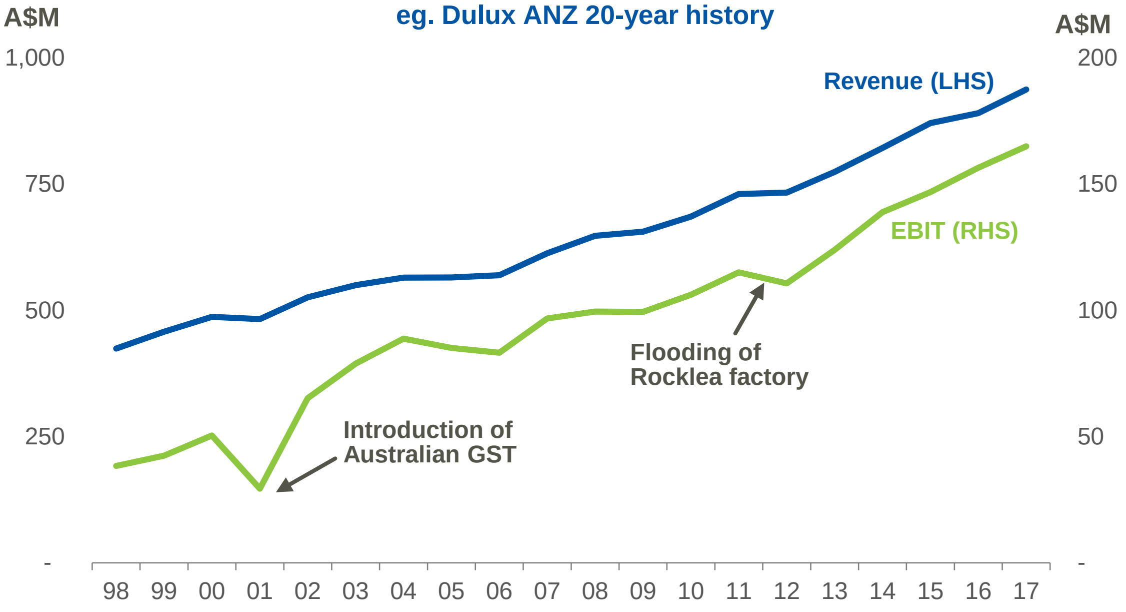

- The weighted average debt facility tenure is just under 3.2 years
- Undrawn headroom of AUD $195M

Note: Excludes minor offshore working capital facilities

# Dulux and Selleys & Parchem - Track record & focus

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

### eg. Dulux ANZ 20-year history




### Dulux Growth Focus

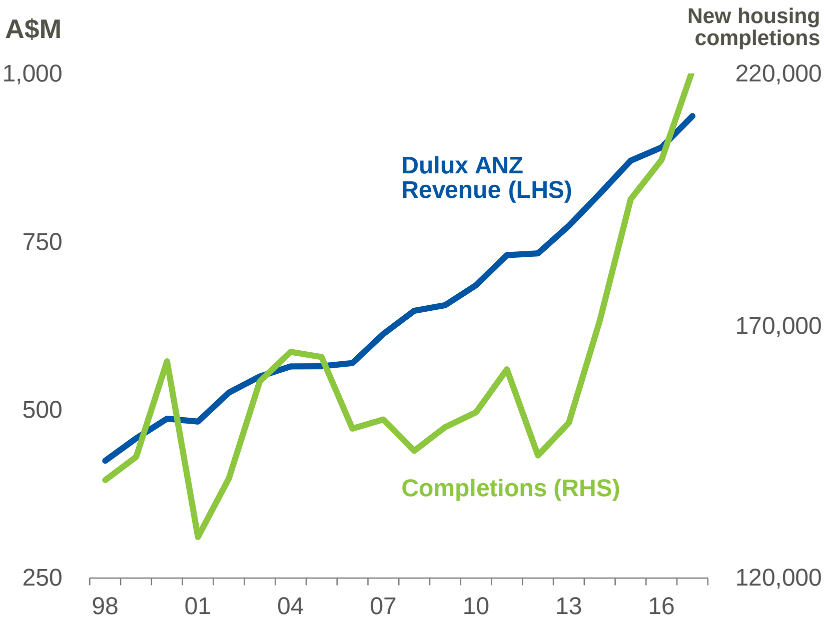
- Continue to grow profitable market share in decorative paint and other coatings via the best retail partners, the strongest trade network and the best service
- Continue to set the benchmark for retail and trade marketing of our brands
- Relentless product innovation
- Expand successfully into profitable niche categories

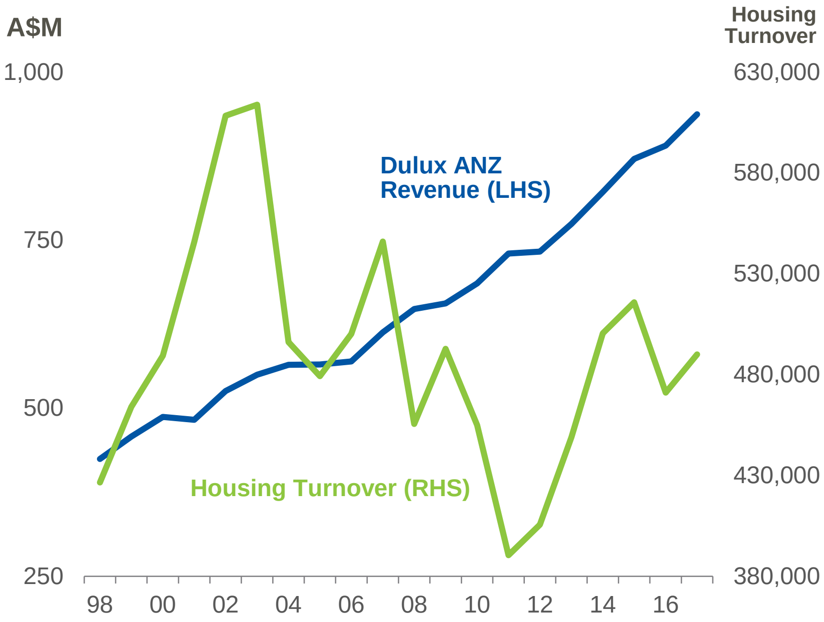
### Selleys & Parchem Growth Focus

- 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 |
|---|---|

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1. BIS Oxford Economics, Australian Dwelling Completions and ABS Housing Turnover data. All DLX data is on a full year basis.

# We have deep industry experience and broader capability

## Patrick Houlihan

**Managing Director and Chief Executive Officer**

29 years at DuluxGroup: Dulux/Selleys/Yates technology, sales, marketing, general management

11 years as CEO

## Stuart Boxer

**Executive Director and Chief Financial Officer**

28 year career in strategy and finance

9 years as DuluxGroup CFO

## Patrick Jones

**Chief Operating Officer**
*Dulux Paints and Coatings*

23 years at DuluxGroup: Dulux finance, sales, general management

7 years in current role

## Jennifer Tucker

**Executive General Manager**
*Yates*

13 years at DuluxGroup: Yates/Selleys marketing, sales, general management

4 years in current role

## Martin Ward

**Executive General Manager**
*Selleys*

28 years with DuluxGroup*: Selleys/Dulux sales, marketing, general management

4 years in current role

## Murray Allen

**Executive General Manager**
*B&D Group*

24 years at DuluxGroup*: Dulux sales, marketing, general management

1 year in current role

## Richard Stuckes

**Chief Operating Officer**
*DGL International*

26 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

5 years in current role

## Brad Hordern

**Executive General Manager**
*Supply Chain*

29 years in multi-national supply chain roles

11 years in current role

## Siobhan McHale

**Executive General Manager**
*Human Resources*

26 years in management consulting and Human Resource roles. Working across Europe, Asia and Australia

2 years in current role

## Ian Rowden

**Executive General Manager**
*Strategic Marketing & Innovation*

38 years in global marketing and commercial leadership roles (eg. The Coca-Cola Company, Virgin Group, private equity, NED)

4 years in current role*

* Mr Rowden performs his role on a part time consultancy basis; Mr Ward's and Mr Allen's tenures cover two separate periods with DuluxGroup

# 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 4D)
- 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
- Pt refers to percentage points
- 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