DuluxGroup Limited

ABN 42 133 404 065

ASX Announcement

14 November 2018

DULUXGROUP DELIVERS SOLID PROFIT GROWTH

Group performance

DuluxGroup today reported net profit after tax (NPAT) of $150.7 million for the year ended 30 September 2018, an increase of 5.4% over 2017.

Sales revenue increased by 3.3% to $1.84 billion. Excluding the divested China coatings business, sales revenue grew 4.5%.

Earnings before interest, tax, depreciation and amortisation (EBITDA) increased by 5.0% to $257.7 million.

Earnings before interest and tax (EBIT) increased by 4.2% to $223.2 million.

Dividend

The Board has declared a final dividend of 14.0 cents per share, fully franked, taking the full year dividend to 28.0 cents, which represents a 5.7% increase on the prior year, and a 72% payout ratio on NPAT.

Business performance

"EBIT growth of 4.2% was driven by solid results across all of our Australian and New Zealand business segments, led by the continued strong performance from our Dulux ANZ business," said managing director Patrick Houlihan.

The Dulux ANZ business, which contributes approximately 70% of Group business EBIT, increased sales revenue by 4.8% and EBIT by $7.8m or 4.7%, maintaining EBIT margin at 17.6%.

"We believe that the Dulux ANZ result was excellent. Given significant increases in raw material costs and the higher depreciation due to the new Merrifield factory, holding EBIT margin reflected pricing discipline and a strong focus on costs," said Mr Houlihan.

DuluxGroup's other ANZ segments - Selleys & Parchem ANZ, B&D Group and Lincoln Sentry - collectively grew EBIT by $3.1m or 4.7%.

EBIT in the "Other businesses" segment declined by $0.6m or 5.3%. Growth in Yates and PNG was more than offset by investment in DuluxGroup's UK business and Indonesian joint venture.

Strategic focus

"Our strategy remains consistent, with a focus on three key areas. Firstly, to defend and extend our market-leading Dulux, Selleys and Parchem businesses in Australia, New Zealand and Papua New Guinea. We see a good runway of growth by continuing our long term track record of market share gains and granular product range extensions in resilient markets biased to maintenance of existing homes.

"Secondly, our other home improvement businesses – Yates, B&D Group and Lincoln Sentry – are domestic market leaders with good growth potential. We continue to see further opportunities to improve revenue growth and EBIT margins.

"Finally, we continue to seek opportunities to transfer our specialty product portfolio and related capabilities offshore, in a risk-measured manner. Whilst our offshore businesses are still small, we have made good progress in this regard during the year in Asia and the UK."

Summary and outlook for 2019

Lead indicators for DuluxGroup's key markets in Australia and New Zealand remain generally positive. Our core market, which accounts for approximately two thirds of DuluxGroup revenue, is the maintenance and renovation of existing homes. This market has historically proven to be relatively resilient throughout housing and economic cycles and we expect it to continue providing profitable growth. Recent favourable comments on GDP from the Reserve Bank, continued low interest rates and low unemployment support this view.

The new housing market accounts for approximately 15% of DuluxGroup revenue. Although new construction approvals are expected to moderate in FY19, completions are expected to remain at FY18 levels given the pipeline of work. Non-residential commercial construction markets are expected to continue to grow, while relevant engineering construction and maintenance markets are expected to be flat overall.

Subject to economic conditions, and excluding non-recurring items, 2019 net profit after tax is expected to be higher than the 2018 equivalent of $150.7million.

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