



2018 Full Year Results

14 November 2018

Disclaimer

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Results Overview - 'Parklands' by AAA (Arkhefield, ARM and Archipelago) Architects. Photo by John Gollings
Segment Performance - The 'Joyful House' by Mihaly Slocombe Architects. Photo by Tatjana Plitt
Other Financial Information - 'The Family Bach' by Cymon Allfrey Architects. Photo by Richard Glover
Questions - Malvern House by Austin Design Associates Image: Derek Swalwell
Appendices - 'Terrarium House' by John Ellway Architect. Photo by Toby Scott



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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

FY18 Delivery of Solid Profit Result

- Continued delivery of resilient growth – profit¹ and dividend growth every year since demerger in 2010
- Consistent revenue and earnings growth in Dulux ANZ in a higher input cost environment
- Strong balance sheet metrics

Growth and Investment

- Continued focus on and investment in our fundamentals – brands, innovation and customers
- New \$165M Dulux Merrifield factory – now at full production
- Granular growth projects in ANZ (eg. B&D to You, OCP acquisition)
- Careful exploration of pathways to meaningful growth offshore

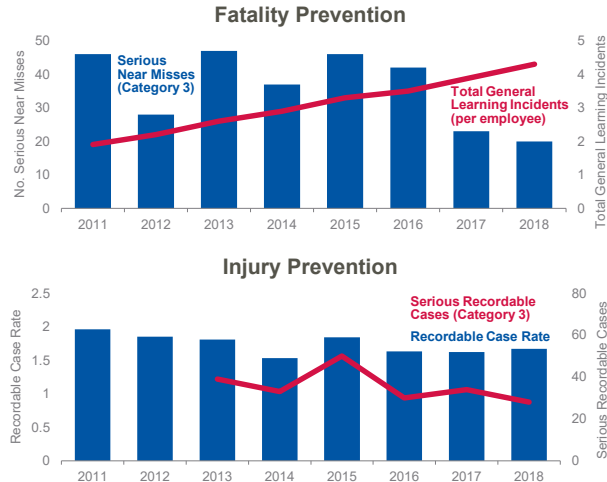
Full Year Results Summary

A\$ million	2018	2017	%
Sales	1,843.7	1,784.5	3.3
EBITDA	257.7	245.5	5.0
EBIT	223.2	214.2	4.2
NPAT	150.7	142.9	5.4
Cash flow generated from operations	213.9	229.1	(6.6)
Investing cash flow	(29.0)	(96.5)	69.9
Net debt to EBITDA	1.3	1.4	7.1
Total dividend (cps)	28.0	26.5	5.7

Safety & Sustainability

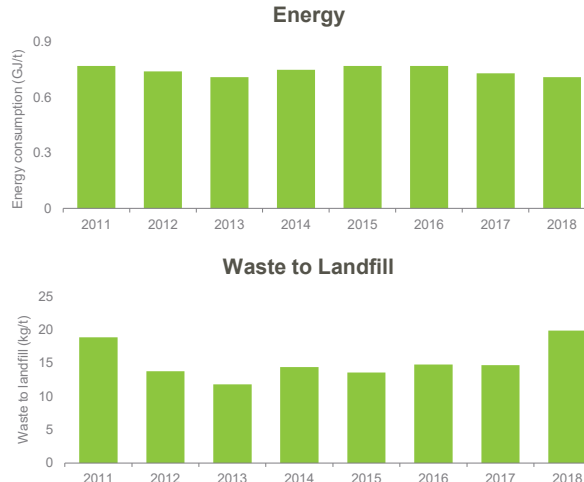
Safety

- Continued focus on prevention of fatalities and injuries
- Serious near misses and injuries decreased to historic lows



Efficient Operations

- Continued energy efficiency focus, consumption down 3%
- Waste increased due to Merrifield startup – significant reduction expected in 2019



Sustainable Products

- Sustainable product improvement actions focused on stewardship, chemicals of concern and sourcing
- New metrics in development, including sustainable product sales and carbon footprint



paintback.com.au



Segment Performance

Segment EBIT

A\$ million	2018	2017	%
Dulux ANZ	172.8	165.0	4.7
Selleys & Parchem ANZ	34.0	33.7	0.9
B&D Group	19.7	18.2	8.2
Lincoln Sentry	15.8	14.5	9.0
Other businesses	10.7	11.3	(5.3)
Business EBIT	252.9	242.6	4.2
Corporate	(29.7)	(28.4)	(4.6)
Total EBIT	223.2	214.2	4.2

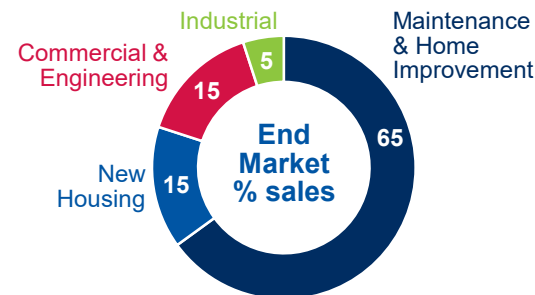
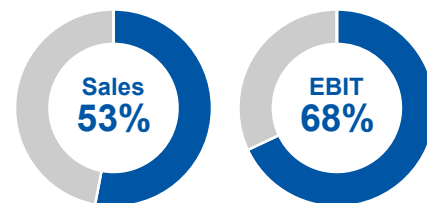
- Dulux ANZ: consistent revenue and earnings growth, despite significant raw material increases
- Selleys & Parchem: modest earnings growth – good growth in core businesses offset by weaker Selleys trade and Parchem NZ
- B&D Group: revenue and EBIT growth; margin improvement
- Lincoln Sentry: continued revenue and EBIT growth
- Other businesses: EBIT declined slightly – investment in UK and Indonesia

Dulux ANZ - Paints & Coatings

A\$ million	2018	2017	%
Sales	982.2	937.3	4.8
EBITDA	191.7	179.7	6.7
EBIT	172.8	165.0	4.7
EBIT margin	17.6%	17.6%	-

- Good revenue growth at 4.8%
 - Australia – 5.3% growth driven by 2.5% market growth, share gains and positive price
 - New Zealand – 2.6% growth (NZD) with good H2 growth following flat H1
- EBIT growth of 4.7% and EBIT margins maintained
 - Excellent result given significant increase in raw material prices and higher Merrifield depreciation
 - Strong focus on pricing discipline and costs

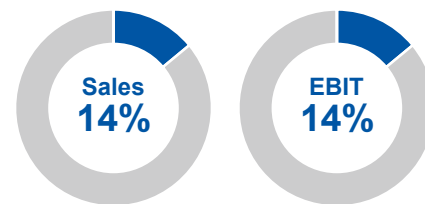
% of Group Sales and Business EBIT



Selleys & Parchem ANZ - Sealants, Adhesives & Fillers etc

A\$ million	2018	2017	%
Sales	269.2	260.7	3.3
EBITDA	36.7	36.5	0.5
EBIT	34.0	33.7	0.9
EBIT margin	12.6%	12.9%	(0.3)pts

% of Group Sales and Business EBIT

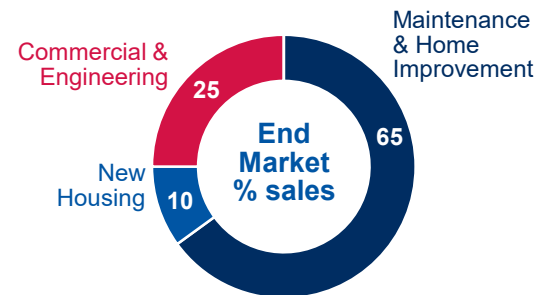


Selleys (~65% of segment revenue)

- Revenue grew 3.5% and EBIT grew marginally
 - Core retail business (95% of Selleys) grew revenue and EBIT (~5%)
 - Revenue and EBIT decline in the small Selleys trade business

Parchem (~35% of segment revenue)

- Revenue grew 2.5% and EBIT was flat
 - Australian business grew revenue at ~4% and EBIT at ~6%
 - New Zealand business - revenue and EBIT declined

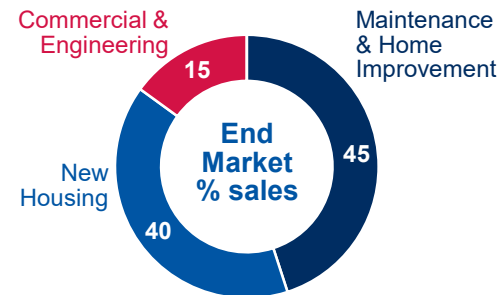
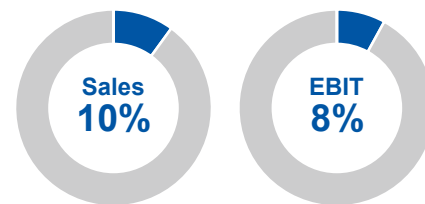


B&D Group - Garage Doors & Openers

A\$ million	2018	2017	%
Sales	188.7	182.5	3.4
EBITDA	26.2	24.9	5.2
EBIT	19.7	18.2	8.2
EBIT margin	10.4%	10.0%	0.4pts

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

% of Group Sales and Business EBIT

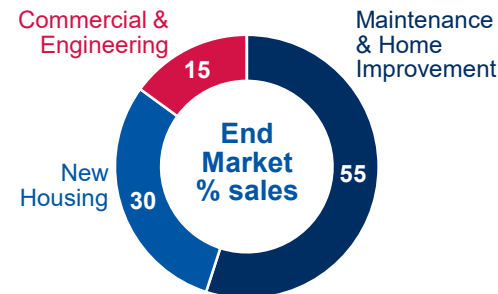
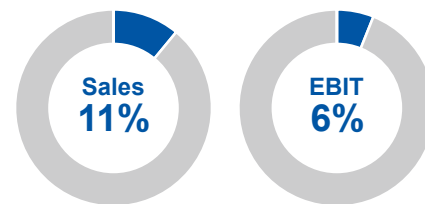


Lincoln Sentry - Cabinet & Architectural Hardware Distribution

A\$ million	2018	2017	%
Sales	203.5	195.2	4.3
EBITDA	16.9	16.6	1.8
EBIT	15.8	14.5	9.0
EBIT margin	7.8%	7.4%	0.4pts

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

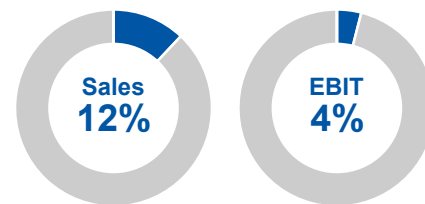
% of Group Sales and Business EBIT



Other businesses

A\$ million	2018	2017	%
Sales	214.3	222.2	(3.6)
EBITDA	13.4	14.3	(6.3)
EBIT	10.7	11.3	(5.3)
EBIT margin	5.0%	5.1%	(0.1)pts

% of Group Sales and Business EBIT



- Revenue impacted by sale of China coatings business (~\$20M impact) partly offset by growth in most businesses
- EBIT decline reflected:
 - Profit growth in Yates and PNG driven by revenue growth
 - Flat outcome in Asia, improved result in China offset by weaker result in South East Asia
 - Investment in UK and Indonesia



Other Financial Information



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Other Profit & Loss Items - Corporate

- Corporate included a one-off profit of \$6.1M on sale of Glen Waverley site fully offset by \$3M Merrifield start-up costs and \$3.1M one-off growth initiatives
- Corporate costs were well managed and in line with guidance
- FY19 is expected to be ~\$31M

Corporate (A\$ million)	H1 18	H2 18	FY18
Underlying Corporate	15.7	14.0	29.7
Glen Waverley profit on sale	(6.1)	-	(6.1)
Merrifield start-up costs and other one-off projects	3.2	2.9	6.1
Reported Corporate	12.8	16.9	29.7

Other Profit & Loss Items - Net Finance Costs and Tax

Net Finance Costs

- \$0.4M lower due to lower interest rates, lower discounting of provisions, positive interest component of prior year tax write-back (refer below) partly offset by reduced capitalised interest
- FY19 is expected to be ~\$18.5M excluding interest rate movements

Net Finance Costs (A\$ million)	2018	2017
Net finance costs	16.9	17.3
Net cost of debt	3.9%	4.3%

Tax

- Result included **\$2.8M** tax provision write-back (pcp included **\$2.5M** tax and associated **\$0.6M** interest) and utilisation of carried forward tax losses (related to Glen Waverley sale)
- Headline effective tax rate was **28.0%**. Excluding adjustments the underlying tax rate was **29.9%** versus **30.5%** in pcp
- FY19 effective tax rate is expected to revert to **~30.5%**

H1 18 one off items to impact FY19 phasing and profit growth

A\$ million	H1 18	H2 18	FY18
EBIT	114.0	109.2	223.2
Glen Waverley profit on sale	6.1	-	6.1
Merrifield start-up & other projects costs	(3.2)	(2.9)	(6.1)
Sale of China & associated restructuring costs	2.5	(2.1)	0.4
<i>Subtotal – one off items</i>	<i>5.4</i>	<i>(5.0)</i>	<i>0.4</i>
Adjusted EBIT	108.6	114.2	222.8
NPAT	79.2	71.5	150.7
Sale of Glen Waverley (tax effected, net of capital losses)	5.3	-	5.3
Merrifield start-up & other project costs	(2.2)	(2.0)	(4.2)
Sale of China & restructuring costs (after NCI)	1.2	(1.0)	0.2
Tax provision write-back	2.8	-	2.8
Capitalised interest (tax effected)	1.0	-	1.0
<i>Subtotal – one off items</i>	<i>8.1</i>	<i>(3.0)</i>	<i>5.1</i>
Adjusted NPAT	71.1	74.5	145.6

Capital Management - Key Measures

Balance Sheet (A\$ million)	2018	2017
Net debt	388.5	375.7
Net debt inclusive of USPP hedge value	340.5	334.2
Net Debt: EBITDA (times)	1.3	1.4
Interest Cover	16.3	16.0
Rolling Trade Working Capital (TWC) to sales	16.2%	15.8%
Period end TWC to sales	16.4%	15.9%

Cash Flow and P&L (A\$ million)	2018	2017
Cash generated from operating activities	213.9	229.1
Cash conversion	75%	86%
Cash conversion excluding non-recurring items	83%	86%
Investing cash flow	(29.0)	(96.5)

- Generally strong balance sheet metrics
- Modest increase in net debt despite investment in new paint factory
- TWC measures impacted by new paint factory inventory build, higher year end inventory (impacted by higher input costs) and OCP acquisition
- Operating cash flow and cash conversion adversely impacted by Glen Waverley and China asset sales and Rocklea redundancy payments (refer next page)

FY18 non-recurring cash flow impacts

A\$ million	Operating cash flow	Investing cash flow	Total cash flow pre-financing
China/Hong Kong business			
FY 2018	(13.4)	21.0	7.6
FY 2017	(4.4)	(0.3)	(4.7)
Variance	(9.0)	21.3	12.3
Glen Waverley & offsetting one-off costs			
FY 2018 – Glen Waverley sale	-	12.9	12.9
FY 2018 – offsetting one-off costs	(6.1)	-	(6.1)
FY 2017	-	-	-
Variance	(6.1)	12.9	6.8
Rocklea redundancy payment			
FY 2018	(7.7)	-	(7.7)
↓			
Combined variance	(22.8)		
Combined impact on cash conversion	~ (8 pts)		

- Net cash flow impact of China sale was favourable with investing cash flow (sale proceeds) partly offset by operating cash flow (sale and restructuring costs)
- Glen Waverley cash proceeds partly utilised by Merrifield start up costs and other one-off growth initiatives
- Operating cash flow outcomes resulted in an adverse impact on cash conversion of ~8pts

Dulux Merrifield Paint Factory



Status update

- Beneficial production achieved 1 February 2018
- Full production rate achieved by July 2018
- Project completed within \$165M budget. Remainder allocated to optimisation projects over the next 12 months

Financial Impacts

- Capital expenditure timing:
 - FY18 \$33M & FY19 \$5M (optimisation projects)
- Payment of \$7.7M of Rocklea redundancy provision in FY18
- Additional \$3M of depreciation in FY19 for Dulux ANZ driven by Merrifield



Strategic Growth Priorities



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Our Strategy and Focus

Paint, Coatings, Sealants, Adhesives

Dulux, Selleys & Parchem ANZ / PNG

- Defend & extend in resilient markets, biased to existing homes
- Continue to build on 20+ year track record of resilient growth
- Good runway of growth:
 - Dulux & Selleys: Ongoing 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%+ RONA¹

Leverage:
technology,
marketing,
sales, retail

DGL International

- Explore and develop pathways to a meaningful 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

- Home improvement businesses with attractive characteristics where DuluxGroup can be a 'natural owner':
 - Profitable, premium, branded, market leaders, primarily biased to existing homes
- Growth through share gains, margin improvement and product/market extension

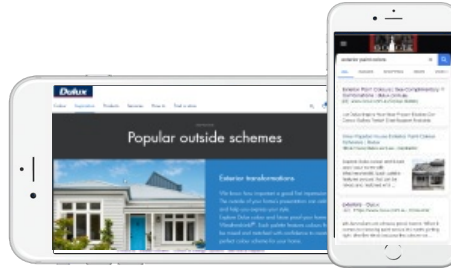
28% Group sales; 20% Business EBIT; 20% RONA

Defend & Extend - Dulux, Selleys and Parchem



New advertising campaigns for Dulux, British Paints & Selleys

New products reflect ongoing investment in innovation



Expanding our AI program
Learning more about our customers to deliver individualised communications and offers

Dulux website optimisation
Website traffic has doubled YOY



New Fosroc Future Proof campaign

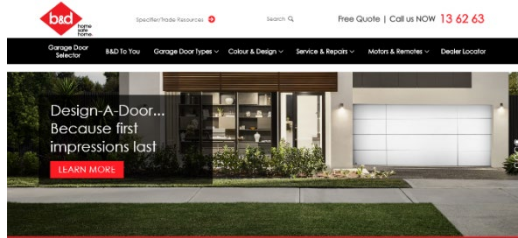
Realise the potential - Yates, B&D and Lincoln Sentry



'B&D to You' Mobile Showroom



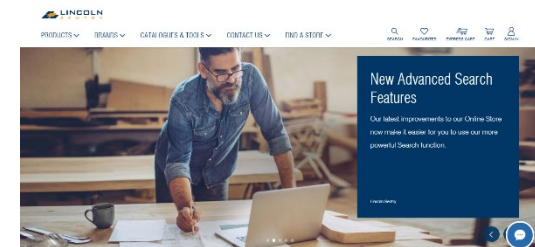
New products reflect ongoing investment in innovation



New B&D website launched



Yates celebrated 100,000th Live Chat support
More and more consumers seeking advice and support



Launched Lincoln Sentry Online Store

Our Global Approach



Western DIY Retail Markets

UK – Evaluate capability transfer:

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

Seek growth into other markets (eg. Europe, US)

- Access to retail DIY distribution channels and cost effective supply chain will be critical

Asian DIFM Trade Markets

Selleys sealants & adhesives focus

- Avian Selleys JV in Indonesia
- Refocused China / Hong Kong business following coatings sale

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



Outlook



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Core home improvement market is sound

10M

dwellings in Australia.

Approximately

70%

are older than 20 years¹.

Decorative paint market
volumes are primarily
correlated with

GDP

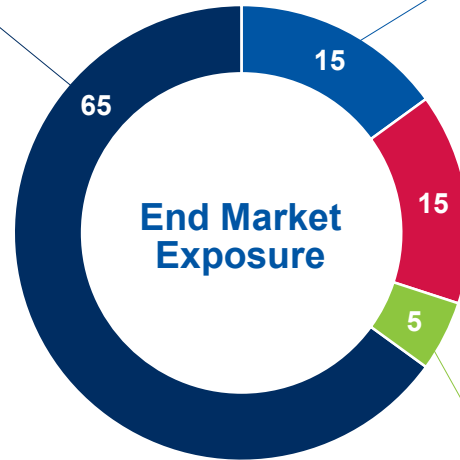
and to a lesser extent
new housing
commencements

Maintenance & Home Improvement

Continues to provide resilient growth.

Indicators of demand for the market remain generally positive:

- GDP positive
- Interest rates low
- Unemployment low
- House prices moderating after multi-year growth
- Consumer confidence moderate
- Housing churn moderating



New Housing

Approvals are expected to moderate in FY19, however completions are expected to remain at FY18 levels given the pipeline of work.

Commercial & Engineering

Non-residential - positive
Engineering construction and maintenance - flat overall

Industrial

FY19 Outlook

Markets

- Lead market indicators for our key markets remain generally positive
- Existing Home segment (~65% of revenue) is expected to provide resilient and profitable growth
- New Housing (~15% of revenue, late cycle) pipeline of work is expected to remain around FY18 levels, strong in historical context
- Commercial & Engineering (~15% of revenue). Non-residential construction markets remain strong. Engineering construction and maintenance broadly flat

Business Segments

- Dulux ANZ – continued revenue and EBIT growth. Full year EBIT margins maintained at FY18 level
- Selleys & Parchem ANZ – core businesses positioned for earnings growth
- B&D Group – targeting revenue and profit growth through new and traditional distribution channels
- Lincoln Sentry – targeting revenue and profit growth in competitive markets
- Other businesses – targeting solid profit growth

Overall

- Corporate costs ~\$31M; Effective tax rate ~30.5%; Depreciation ~\$38.5M; Net finance costs ~\$18.5M; Capex (incl. Merrifield \$5M) ~\$35M;
- Expect dividend payout ratio of at least 70% on NPAT before non-recurring items on a full year basis

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



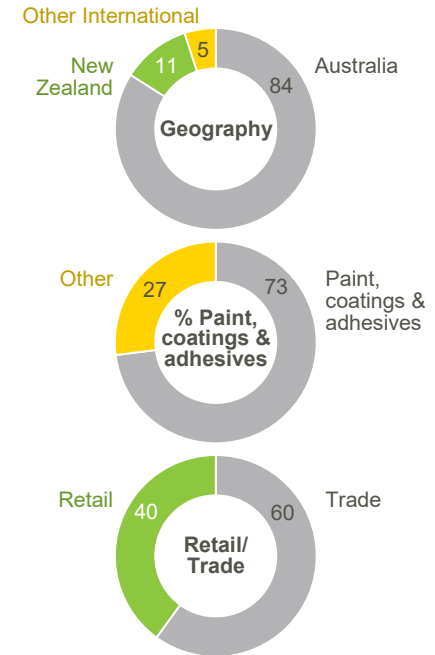
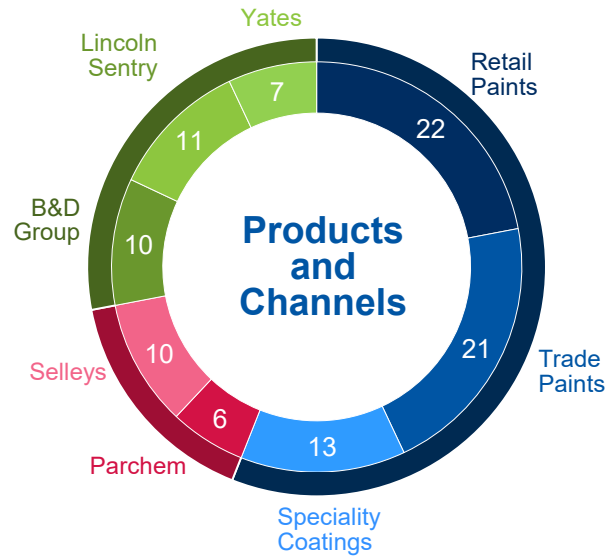
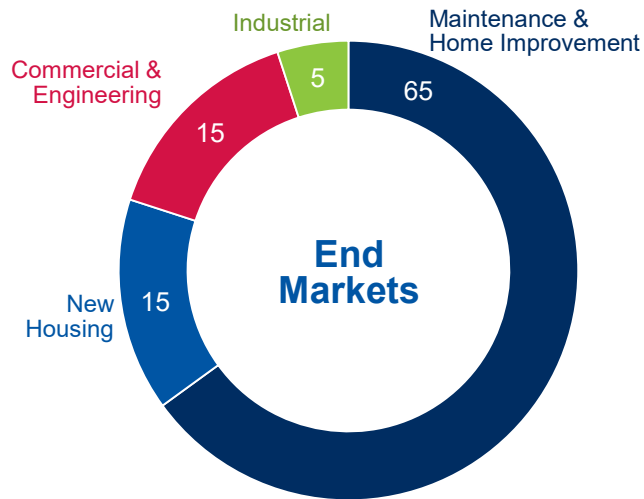
Questions



Appendices

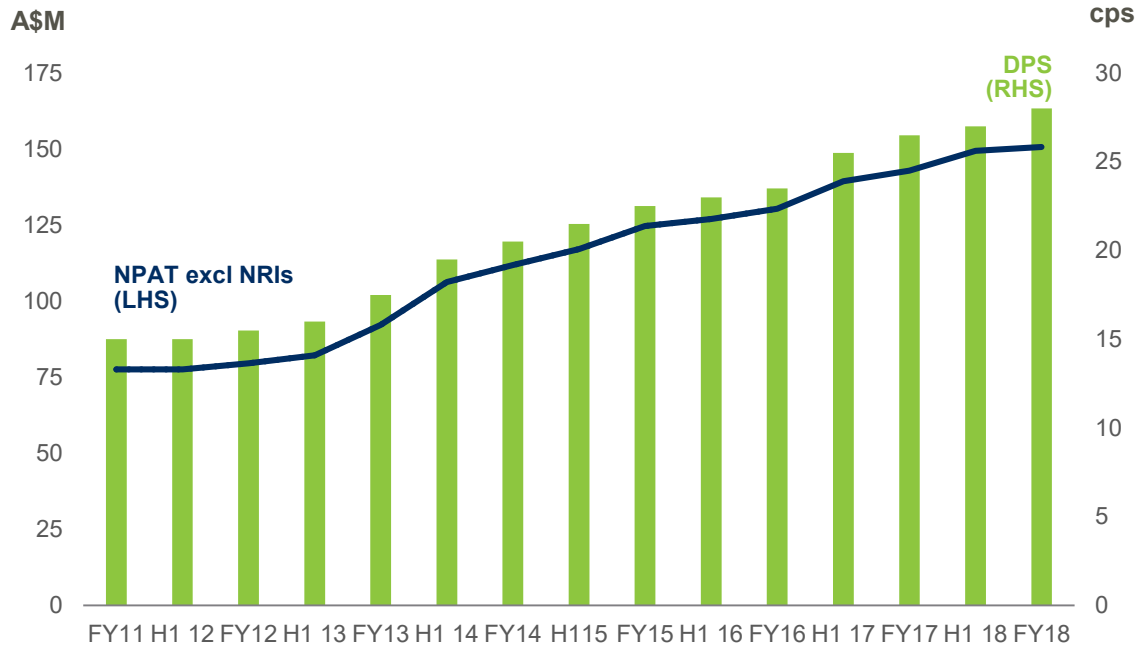
End-markets, Products, Channels

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



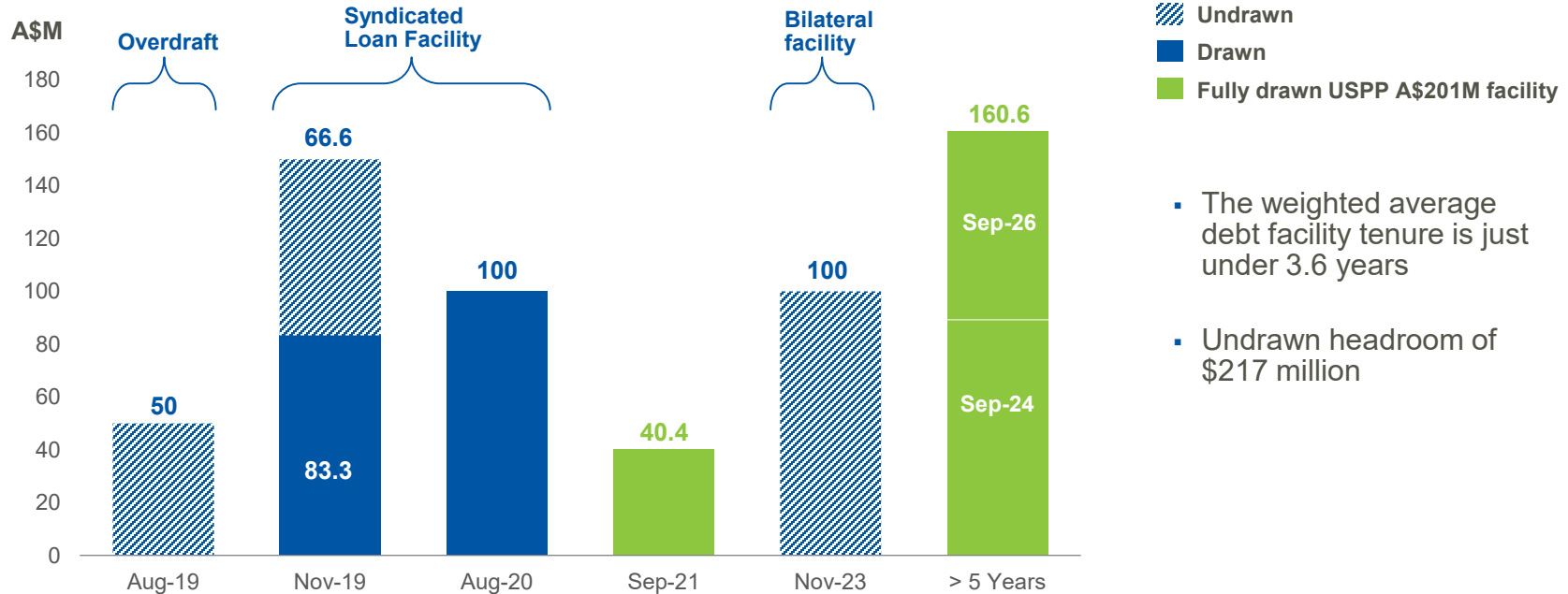
Consistent NPAT and Dividend Growth

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



NPAT¹ growth
in every half
year on pcp
since demerger

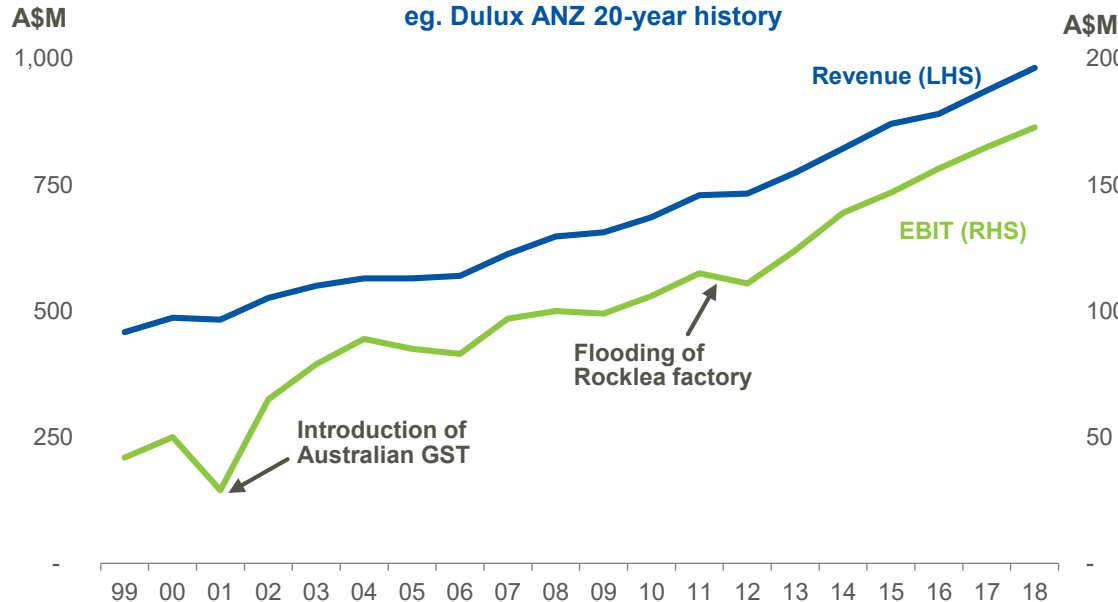
Committed Debt Facility Maturity Profile



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



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

10 years as 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



Mike Kirkman

General Manager *Lincoln Sentry*

2 years at DuluxGroup*; 20+ years in industrial businesses: sales, business development, general management

<1 year in current role



Brad Hordern

Executive General Manager *Supply Chain*

29 years in multi-national supply chain roles

12 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*

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
- **Pts** 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