2019 Half Year Results

15 May 2019

DuluxGroup 100 YEARS CELEBRATING OUR CENTENARY

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Agenda Outline

Results Overview

Overview

H1 19 Result in line with guidance that revenue and EBIT growth would be biased to H2

- Sales revenue flat[1] and EBIT flat excluding prior year favourable one-offs[2]
- Market volume decline of 4% in core decorative paint business reflected unusually strong 5% market growth in the prior period – the volume growth rate for the market over the two years was ~1%
- Good revenue growth in the second quarter (+4%[1]), which continued into April
- Generally good margin and cost management, despite expected raw material pressures (which are now moderating)
- Cash flow impacted by weaker Q1 revenue, which adversely affected both inventory and creditors
- Good operational and strategic progress with several businesses including Selleys, Parchem and B&D

FY19 Outlook

- Full year outlook maintained for Dulux ANZ and DuluxGroup

Nippon Proposal

- Nippon Paint proposal to acquire DuluxGroup for $9.80 per share reduced by a $0.15 interim and a $0.28 special dividend, both fully franked and payable in late June

1. Excludes sales in both periods relating to the divested and exited coatings businesses in China and Hong Kong
2. Current year EBIT is unadjusted; prior year Adjusted EBIT excludes one-off items, as outlined at the FY18 full year result. Refer page 18

Half Year Results Summary

A$ million	H1 19	H1 18	%
Sales	**892.9**	906.4	(1.5)
Sales excluding divested/exited China businesses	***889.8***	*887.6*	*0.2*
EBITDA	**126.9**	130.7	(2.9)
EBIT	**109.1**	114.0	(4.3)
EBIT compared to FY18 Adjusted EBIT	***109.1***	*108.6*	*0.5*
NPAT	**68.2**	79.2	(13.9)
NPAT compared to FY18 Adjusted NPAT	***68.2***	*71.1*	*(4.1)*
Cash flow generated from operations	**62.5**	79.9	(21.8)
Net debt to EBITDA	**1.6**	1.4	(14.3)
Interim dividend (cps)	**15.0**	14.0	7.1
Special dividend (cps)	**28.0**	-	na

Safety & Sustainability

Rolling 12 months versus prior period	Mar 2019	Sept 2018
Recordable Injury Rate	1.95	1.67
Near Miss (Hazard) Reporting	+16%	+10%
Waste Generation (% change)	+6%	+41%
Energy Consumption (% change)	-3%	-3%
Water Consumption (% change)	-2%	+2%

- Continued focus on disaster and fatality prevention - no major near misses for more than 3 years
- Increase in injuries, mainly manual handling strains; renewed focus on prevention plans
- Continued improvement in near miss and hazard reporting
- Improvement in energy and water efficiency
- Waste performance impacted by timing of Merrifield commissioning.
- Good progress on sustainable product priorities, including carbon, stewardship, chemicals of concern and sourcing

Segment Performance

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Segment EBIT

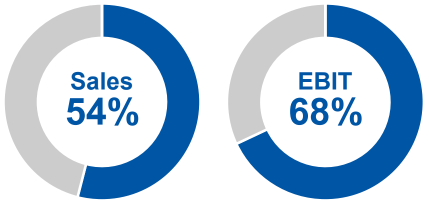
A$ million	H1 19	H1 18	%
Dulux ANZ	**91.3**	93.1	(1.9)
Selleys & Parchem ANZ	**16.8**	14.4	16.7
B&D Group	**6.4**	6.8	(5.9)
Lincoln Sentry	**6.1**	6.5	(6.2)
Other businesses	**3.2**	6.0	(46.7)
Other businesses (compared to FY18 Adjusted)	***3.2***	*3.5*	*(8.6)*
Business EBIT	**123.8**	126.8	(2.4)
Business EBIT (compared to FY18 Adjusted)	***123.8***	*124.3*	*(0.4)*
Corporate	**(14.7)**	(12.8)	(14.8)
Corporate (compared to FY18 Adjusted)	***(14.7)***	*(15.7)*	*6.4*
Total EBIT	**109.1**	**114.0**	**(4.3)**
Total EBIT compared to FY18 Adjusted EBIT	***109.1***	***108.6***	***0.5%***

- Dulux ANZ: EBITDA margins held despite raw material increases and modest decline in EBIT (Merrifield depreciation)
- Selleys & Parchem: strong earnings growth – strong Q2 revenue growth with good margin and cost control
- B&D Group: good revenue growth and modest EBIT decline due to investment in growth projects
- Lincoln Sentry: revenue and EBIT decline (challenging markets)
- Other businesses: EBIT declined due to Yates and PNG

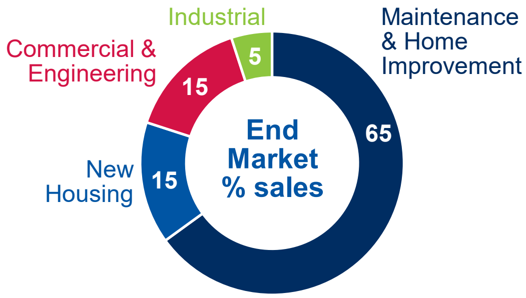
Dulux ANZ - Paints & Coatings

A$ million	H1 19	H1 18	%
Sales	493.8	492.6	0.2
EBITDA	101.6	101.8	(0.2)
EBIT	91.3	93.1	(1.9)
EBIT margin	18.5%	18.9%	(0.4) pt

% of Group Sales and Business EBIT



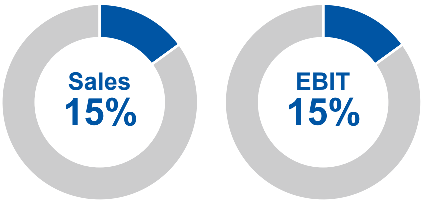
- Flat revenue (in line with guidance that revenue growth will be biased to H2)
  - Q1 revenue down ~5% and Q2 growth up ~6% (with April also strong)
  - Decorative paint market volume decline of ~4% reflected unusually strong 5% growth in prior period
  - Good outcomes on price (given raw material increases) and share flat in Australia
- EBITDA and EBITDA margins flat
  - Strong focus on cost control and margins to offset raw material prices increases
- EBIT decline of 1.9% ($1.8M)
  - Higher depreciation (due to full period of Merrifield depreciation), per guidance



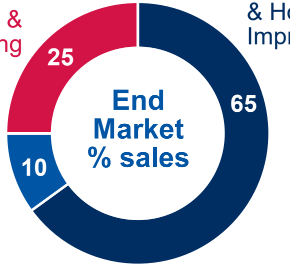
Selleys & Parchem ANZ - Sealants, Adhesives & Fillers

A$ million	H1 19	H1 18	%
Sales	128.3	128.4	(0.1)
EBITDA	18.1	15.8	14.6
EBIT	16.8	14.4	16.7
EBIT margin	13.1%	11.2%	1.9 pts

% of Group Sales and Business EBIT



- Similar revenue profile to Dulux ANZ - Q1 revenue down ~6% offset by Q2 growth up ~6%
- Selleys (~65% of segment revenue)
  - Slight revenue decline - weaker markets partially offset by positive share and price/mix
  - EBIT increase reflected good cost and margin control
- Parchem (~35% of segment revenue)
  - Revenue growth in flat markets due to share gains
  - EBIT growth reflected revenue and benefits from improved distribution model

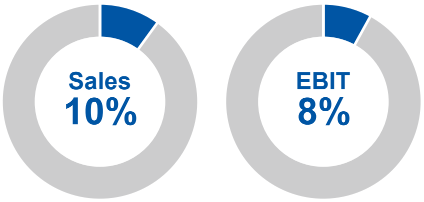


Note: Group Sales and Business EBIT are calculated on an MAT basis to H1 19 and End Markets are indicative estimates

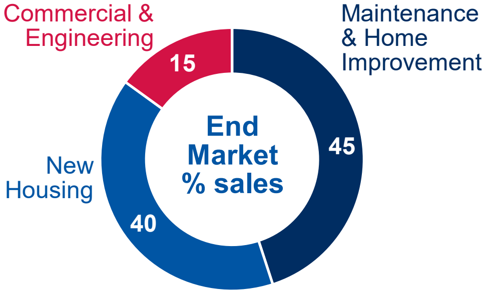
B&D Group - Garage Doors & Openers

A$ million	H1 19	H1 18	%
Sales	94.0	88.4	6.3
EBITDA	9.5	10.0	(5.0)
EBIT	6.4	6.8	(5.9)
EBIT margin	6.8%	7.7%	(0.9) pts

% of Group Sales and Business EBIT



- Revenue growth driven by share and price gains in weaker markets
- EBIT decline due to investment in growth projects ($1.2M net investment in “B&D to you” mobile showroom strategy)

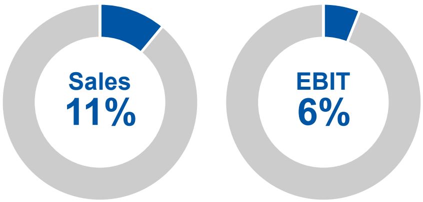


Note: Group Sales and Business EBIT are calculated on an MAT basis to H1 19 and End Markets are indicative estimates

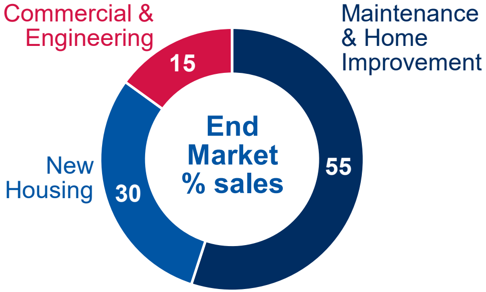
Lincoln Sentry - Cabinet & Architectural Hardware Distribution

A$ million	H1 19	H1 18	%
Sales	95.3	97.7	(2.5)
EBITDA	6.6	7.2	(8.3)
EBIT	6.1	6.5	(6.2)
EBIT margin	6.4%	6.7%	(0.3)pts

% of Group Sales and Business EBIT



- Revenue decline reflected weaker markets, especially architectural hardware
- EBIT decline driven by revenue and margin pressure partly offset by good fixed cost control



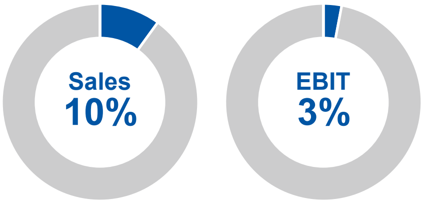
Note: Group Sales and Business EBIT are calculated on an MAT basis to H1 19 and End Markets are indicative estimates

Other businesses

A$ million	H1 19	H1 18	%
Sales	88.3	107.1	(17.6)
Sales (ex divested China business)	85.2	88.3	(3.5)
EBITDA	4.6	7.5	(38.7)
EBIT	3.2	6.0	(46.7)
EBIT compared to Adjusted FY18	*3.2*	*3.5*	*(8.6)*
EBIT margin	3.6%	5.6%	(2.0)pts

- Excluding prior year China divestment/exit and restructuring impacts EBIT declined $0.3M (8.6%)
- EBIT decline reflected:
  - Declines in Yates (weather and stock realignment) and PNG (market)
  - Improved outcome in China included a net benefit of $1.6M relating to deferred consideration on China coatings sale
  - Investment in UK and Indonesia

% of Group Sales and Business EBIT



Note: Group Sales and Business EBIT are calculated on an MAT basis to H1 19

Other Financial Information

Other Profit & Loss Items – Corporate, Finance and Tax

Corporate

- Corporate costs were $1M (6.4%) favourable when compared to prior year's adjusted Corporate costs (excluding prior year one-off benefits of $2.9M)
- Current period also included $0.6M transaction costs associated with Nippon proposal

Net Finance Costs

- $2.1M higher due to no longer capitalising interest associated with Merrifield capital expenditure

Net Finance Costs (A$ million)	H1 19	H1 18
Net finance costs	9.7	7.6
Net cost of debt	3.9%	3.7%

Tax

- Effective tax rate was 30.7% consistent with guidance

Capital Management – Key Measures

Balance Sheet (A$ million)	Mar 19	Sept 18	Mar 18
Net debt	**466.1**	388.5	409.1
Net debt inclusive of USPP hedge value	**404.0**	340.5	368.5
Net Debt: EBITDA (times)	**1.6**	1.3	1.4
Interest Cover	**15.2**	16.3	17.1
Rolling Trade Working Capital (TWC) to sales	**17.1%**	16.2%	16.0%
Period end TWC to sales	**19.1%**	16.4%	17.0%

Cash Flow and P&L (A$ million)	H1 19	H1 18
Cash generated from operations	**62.5**	79.9
Headline cash conversion	**35%**	56%
Investing cash flow	**(17.0)**	(9.4)

- Generally strong balance sheet metrics
- Increase in debt due to higher investing cashflows and trade working capital
- TWC measures impacted by higher inventory levels and flow on effect of weaker Q1 trading
- Operating cash flow and cash conversion adversely impacted by working capital, and restructuring payments associated with the China divestment/exit

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*
Subtotal – one off items	*5.4*	*(5.0)*	*0.4*
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
Subtotal – one off items	*8.1*	*(3.0)*	*5.1*
Adjusted NPAT	**71.1**	**74.5**	**145.6**

Nippon Paint Proposal

Summary of Nippon Paint Proposal

- Nippon Paint proposes to acquire 100% of DLX shares for $9.80 cash reduced by interim and special dividends
- Implied acquisition multiple of 16.1x (FY18 EV/EBITDA)
- Significant premium to pre announcement price
- DLX Directors are recommending the offer to shareholders in the absence of a Superior Proposal and subject to an Independent Expert's Report concluding that the Scheme is in the best interests of shareholders

Fully-franked dividends

- Interim dividend of 15 cps
- Special dividend of 28 cps (2cps more than flagged in the 17 April 2019 transaction announcement)
- Record date – 24 June
- Payment date – 28 June

Scheme of Arrangement Indicative Timeline

Event	Date
Draft Scheme Booklet provided to ASIC	Late May
First Court Hearing	Mid-late June
Scheme booklet sent to shareholders	Mid-Late June
Scheme Meeting	Late July – Early August
Second Court Hearing	Early August
Suspension of trading shares	Early August
Scheme Record Date	Early to mid August
Scheme Implementation Date and Delisting	Mid August

Outlook

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
- Commercial & Engineering **(~15% of revenue)** markets are stable.

Business Segments

- Dulux ANZ – targeting revenue and EBIT growth, with full year EBIT margins in line with FY18
- Selleys & Parchem ANZ – well positioned for earnings growth
- B&D Group – targeting revenue and profit growth
- Lincoln Sentry – targeting profit growth
- Other businesses – targeting H2 profit growth

Overall (excludes costs associated with Nippon transaction)

- Corporate costs ~$28M; Effective tax rate in H2 ~30.5%; Depreciation ~$37M; Net finance costs ~$19M; Capex (incl. Merrifield $5M) ~$35-40M;

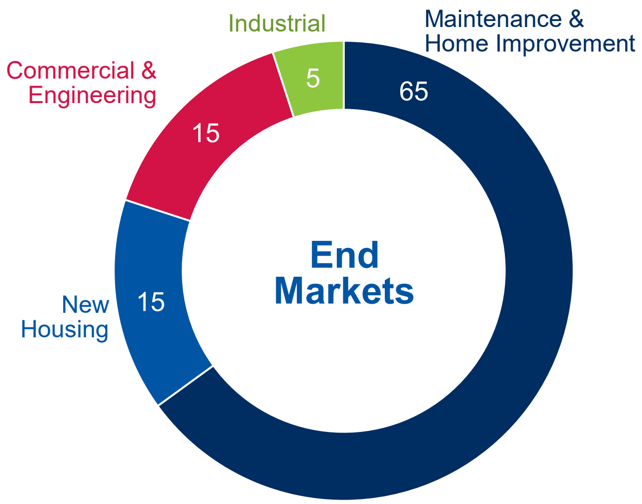
Subject to economic conditions and excluding non-recurring items and scheme-related impacts, 2019 full year net profit after tax is expected to be higher than the 2018 equivalent of $150.7M

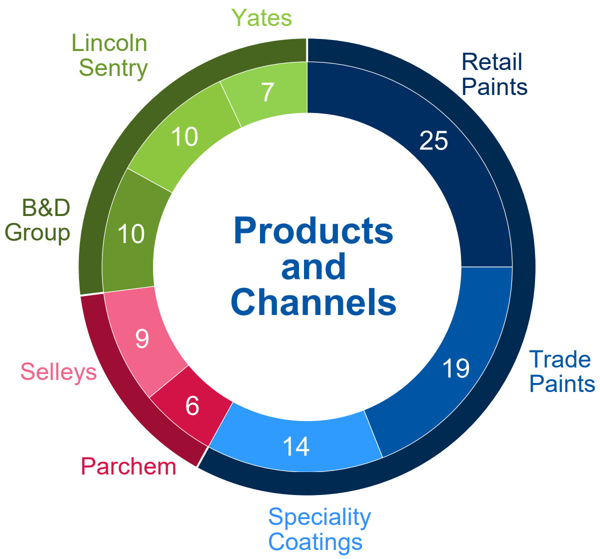
Questions

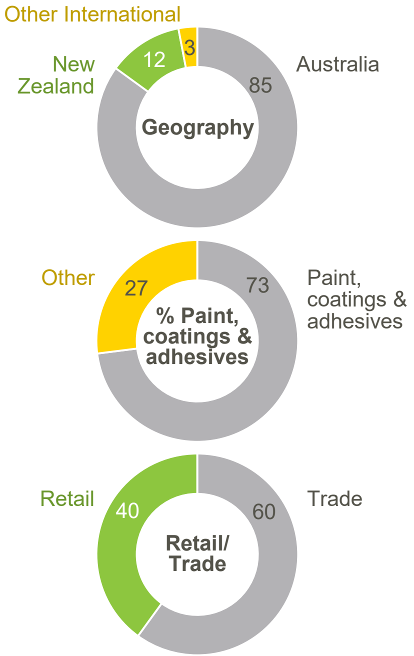
Appendices

End-markets, Products, Channels

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







Note: Indicative DuluxGroup revenue splits

Core home improvement market is sound

10M
dwellings in Australia.
Approximately
70%
are older than 20 years[1].

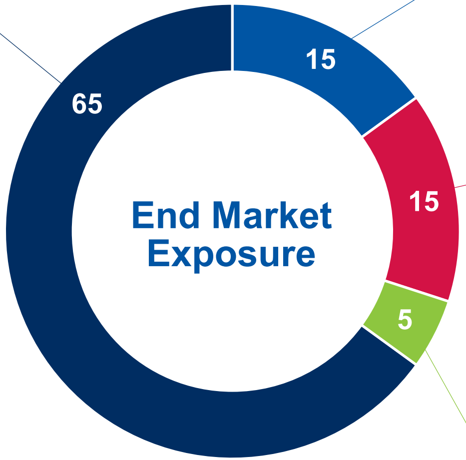
Decorative paint market volumes are primarily correlated with
GDP
and to a lesser extent new housing commencements

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 declining after multi-year growth
- Consumer confidence subdued
- Housing churn declining



New Housing

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

Commercial & Engineering

Markets are stable overall

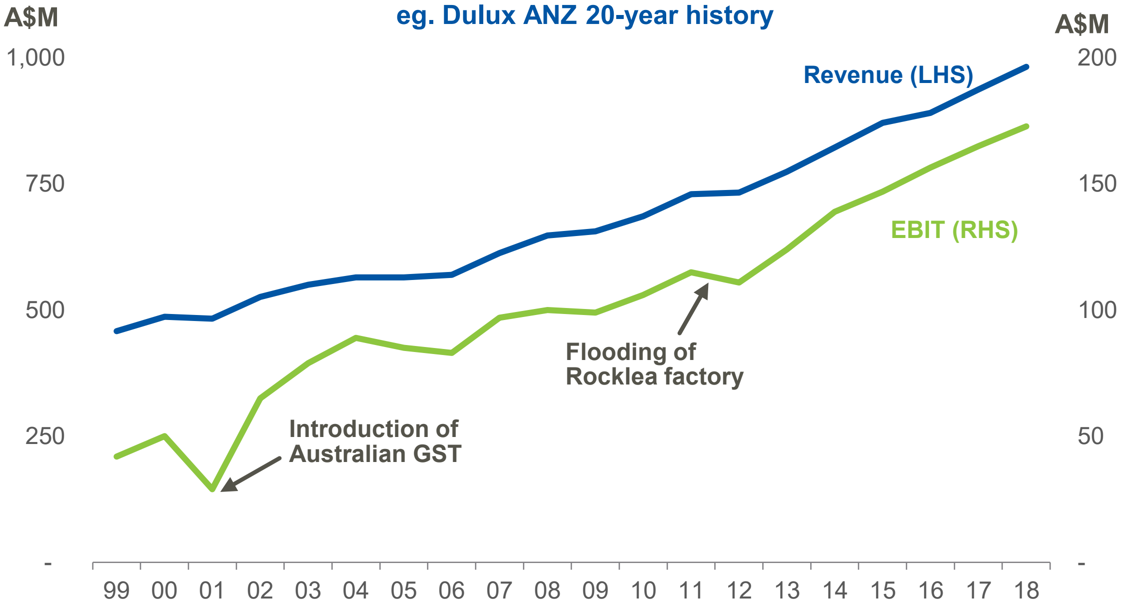
Industrial

1. 2016 Census and other ABS data

Dulux and Selleys & Parchem - Track record & focus

A Long History of Consistent Growth

eg. Dulux ANZ 20-year history



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

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