



DuluxGroup Limited

ABN 42 133 404 065

ASX Announcement

18 December 2014

2014 AGM – CHAIRMAN’S ADDRESS

Performance – Year in Review

Fellow shareholders, I am pleased to report that in 2014 DuluxGroup continued to grow profits and deliver excellent results. In fact, it has been an outstanding year.

A 21.4% increase in Net Profit After Tax, before non-recurring items, was driven by strong earnings growth across all of our operating segments and included the contribution of a full 12 months’ earnings from the former Alesco businesses.

Strong cash generation was also a feature of this year’s result. This has helped reduce our net debt to EBITDA ratio – which is the most logical indebtedness measure for DuluxGroup – from 1.98x to 1.53x over the course of the year.

We also diversified and lengthened the maturity profile of our debt funding during the period without increasing our overall funding costs.

Dividends and shareholder returns

The Board declared a final dividend of 10.5 cents per share, taking the total dividend for the year to 20.5 cents per share, fully franked, compared with 17.5 cents in 2013. This dividend represents a 70% payout ratio of NPAT before non-recurring items. The Board once again offered a dividend reinvestment plan for the final dividend, with a 2.5% discount, and this was strongly taken up once again.

Since listing in July 2010, DuluxGroup’s share price and market capitalisation have more than doubled. Over the past 12 months, the share price performance has also been strong, outperforming the market, and in recent weeks the share price has traded at all time highs. In March this year DuluxGroup joined the ranks of the ASX100.

Strategy and growth

Two years on from the acquisition of Alesco, the businesses are now fully integrated into DuluxGroup, and we have delivered cost synergies in excess of our original target. The financial metrics of this acquisition are positive and we still see plenty of growth ahead for them. We firmly believe that this has been a well-timed, value generating acquisition. DuluxGroup has a proven track record of generating consistent, profitable organic growth from its businesses, and we will strive to continue this.

Within our paints, specialty coatings and adhesives segments, the combination of the Selleys and Parchem businesses to form our Consumer and Construction Products division was an important step to facilitate new growth in the broader construction chemicals market.

The addition of the B&D garage doors and openers and the Lincoln Sentry cabinet and architectural hardware businesses has broadened our product range in premium branded, consumer focussed categories in our core Australian and New Zealand home improvement markets. We believe we have the inherent skills to add value to these businesses.

Finally, in Asia, we are continuing to pursue growth opportunities offered by a rapidly growing middle class. Although recent growth in our Asian businesses has been slow, this is a longer term play, where we are focussed on developing our niche positions in targeted segments of this vast and growing market.

Our increased balance sheet capacity affords us greater flexibility in realising our growth strategy, which encompasses both profitable organic growth from within, and prudent, value accretive acquisitions. In light of our strong organic growth in recent years, we are also considering investments in our manufacturing and distribution assets to ensure that we can maintain our industry-leading service levels, reduce our operating costs, optimise our product quality, reduce risk and support future growth. We expect that any investments of this nature would also generate a financial return.

And of course, capital management is also regularly considered by the Board.

Remuneration – reinforcing a culture of ownership

The Board is committed to ensuring a strong alignment between executive remuneration, company performance and shareholders' interests. Key components supporting this alignment are the Long Term Equity Incentive Plan and the minimum shareholding guidelines.

The shares that were granted to our senior executives in 2011 under the Long Term Equity Incentive Plan have recently vested. The vesting of these shares reflects earnings per share growth over that time exceeding the required threshold level.

Executives derive value from the Long Term Plan through share price growth and through the potential for partial forgiveness of the original loan value in the event that DuluxGroup outperforms on a total shareholder return basis. For this particular plan, DuluxGroup was actually in the 91st percentile over the three year measurement period relative to a

comparator group of ASX200 companies – a truly excellent outcome – which resulted in forgiveness of the maximum level of 30% of the original loan value.

The recently introduced minimum shareholding guidelines require senior executives to hold a minimum shareholding in their own right, outside of shares held under the Long Term Equity Incentive Plan. For the Managing Director and the CFO, this level has been set at one times their Fixed Annual Remuneration, and they have both well exceeded that level.

Culture

DuluxGroup's ownership culture is also reflected in the fact that almost 70% of eligible Australian and New Zealand employees chose to purchase shares through the Employee Share Investment Plan.

This strong sense of personal ownership was powerfully illustrated through the recent survey of employee engagement. Overwhelmingly, it revealed a high level of pride in our businesses and brands, and a strong commitment to 'go the extra mile' for our customers, consumers, the community and, ultimately, our fellow shareholders.

Diversity

Increasing the diversity of our workforce remains a significant focus, particularly increasing the number of women employed overall, and those appointed to leadership roles. This year we made good progress. Proportionally, managers are recruiting more women. And, of the four new members appointed to the Executive team this year, two are women. This followed an extensive search process to ensure the highest calibre individuals were appointed to these very important senior roles.

Sustainability

In 2014, DuluxGroup made excellent progress towards its safety and sustainability vision of 'a future without harm'. During the year, we continued to reduce the level of waste generation, water consumption and energy consumption in our operations. There was also further improvement in our safety performance, particularly from the newer businesses, and Pat will talk more about that in a moment.

The Year Ahead

We remain positive overall about the outlook for our business, and Pat will provide some more colour shortly. Our primary exposure to the maintenance and renovation of the existing home provides a resilient, but growing base, and we have a range of growth opportunities that we are pursuing.

Thank you

I would like to thank Patrick Houlihan, his management team and all employees for their contribution to an outstanding year at DuluxGroup.

I would also like to thank my fellow board members and our fellow shareholders for your continued support.

In conclusion, DuluxGroup has delivered excellent results this year and has made great progress in developing profitable growth options for the near and long term. Your company is very well placed for ongoing success.

I now invite Patrick Houlihan to address the meeting.

Thank you.

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