DuluxGroup

2015 Half Year Results Announcement

18 May 2015

Result Overview 1

Overview

- Solid revenue growth of 4% in generally positive markets
- Business EBIT up 6% before non-recurring items[1]
  - Strong performance from Paints and Coatings ANZ, Selleys and Yates
  - Weaker performance from GDO and Parchem
- NPAT before non-recurring items[1] up 9.3% to $61.4M
- Consistent operating cash flow performance
- Investment for growth – announcement of two significant supply chain projects
  - Non-recurring items in FY15 relate to the implementation of these projects
- Interim dividend up 10.0% to 11 cents, fully franked

Numbers in this presentation are subject to rounding

[1] Non-recurring items are outlined on page 14. Directors believe that the result excluding these items provides a better basis for comparison from period to period.

Refer to Appendix for definitions

DuluxGroup financial performance

Half year ended 31 March (A$M)	*2015 Actual*	*2014 Actual*	*%*	↕
Sales	**836.9**	804.5	*4.0*	↑
EBIT	**77.0**	93.9	*(18.0)*	↓
Net profit after tax (NPAT)	**49.5**	60.0	*(17.5)*	↓
Operating cashflow	**38.5**	18.1	*112.7*	↑
EBIT before non-recurring items [1]	**94.1**	90.8	*3.6*	↑
NPAT before non-recurring items [1]	**61.4**	56.1	*9.3*	↑
Operating cashflow before non-recurring items [1]	**38.5**	36.0	*6.9*	↑
Net debt	**381.2**	391.6	*2.7*	↓
Net debt to EBITDA	**1.48**	1.89	*21.7*	↓
Interim dividend per share (cents)	**11.0**	10.0	*10.0*	↑

- **All metrics positive, excluding non-recurring items**
- **Non-recurring items in FY15 relate to the implementation of the two supply chain growth projects**

[1] Non-recurring items are outlined on page 14. Directors believe that the result excluding these items provides a better basis for comparison from period to period.
Refer to Appendix for definitions

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Supply chain projects

- New paint factory
  - ‘State-of-the-art’ water-based factory in Melbourne, opening late calendar 2017
  - $165M capital expenditure - $130M net expenditure after savings and asset sales
  - Capex spread over three years; net debt to EBITDA to remain broadly in line with current levels
  - Provision of $8.7M (pre-tax) recognised in the first half
  - Significant operational, risk mitigation and financial benefits

- New distribution centre
  - Replaces the current Dulux NSW warehouse and Selleys national warehouse in mid-late 2016
  - Owned and operated by Linfox
  - Provision of $8.3M (pre-tax) recognised in the first half
  - Significant operational benefits and strong financial payback

Safety & Sustainability

Rolling 12 months (versus prior period)		*March 2015*	*September 2014*
Recordable Injury Rate - Total Group	✗	**1.64**	1.53
Near Miss (Hazard) Reporting [1]	✓	**+ 15%**	+ 17%
Waste Generation (% change) [1]	✗	**+ 6%**	- 14%
Water Consumption (% change) [1]	✓	**- 9%**	- 12%

- **Small increase in minor injuries after record low in 2014**
- **Year on year increase in proactive near miss / hazard reporting**
- **Base business waste and water measures are improving; waste increase due to improved reporting in new businesses**
- **Focus remains on disaster prevention, fatality prevention, personal safety and sustainability**

[1] The results for September 2014 exclude statistics for the former Alesco businesses. From 2015, all businesses are measured and compared.

Segment Performance 2

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Segment EBIT (before non-recurring items)

Half year ended 31 March (A$M)	2015 Actual	2014 Actual	% ↕	
Paints & Coatings ANZ [1]	**78.7**	72.2	*9.0*	↑
Consumer & Construction Products ANZ [1]	**13.2**	13.1	*0.8*	↑
Garage Doors & Openers	**5.5**	7.5	*(26.7)*	↓
Cabinet & Architectural Hardware	**3.6**	3.4	*5.9*	↑
Other businesses	**7.2**	5.9	*22.0*	↑
Business EBIT [1]	**108.2**	102.1	*6.0*	↑
Corporate [2]	**(14.1)**	(11.4)	*(23.7)*	↓
Total EBIT, before non-recurring items	**94.1**	90.8	*3.6*	↑

- **Business EBIT (before Corporate and non-recurring items) grew 6.0%**
  - **Strong performance from Heritage businesses**
  - **Weaker performance from Parchem and GDO**
- **Corporate adversely impacted primarily by long service leave provisions (lower bond rates used for discounting); otherwise within expectations**

[1] 2015 represents reported 'profit from operations' for the Paints and Coatings ANZ and Consumer and Construction Products ANZ segments, less the one-off restructuring provisions relating to the supply chain projects applicable to that segment. Figures are not directly extracted from the Half Year Report.
[2] 2014 represents reported 'loss from operations' relating to the Unallocated segment, which is total Corporate, less non-recurring items relating to Corporate (Alesco integration costs incurred and the reversal of an excess NZ OCN tax provision). Figures are not directly extracted from the Half Year Report.

Paints and Coatings ANZ

Half year ended 31 March (A$M)	2015 Actual	2014 Actual	%	↕
Sales	**442.4**	416.7	6.2	↑
EBIT	**64.9**	72.2	(10.1)	↓
EBITDA before non-recurring items	**87.6**	80.8	8.4	↑
EBIT before non-recurring items	**78.7**	72.2	9.0	↑
EBIT margin before non-recurring items (%)	***17.8%***	*17.3%*	*0.5 pts*	↑

- **Sales growth in line with overall market growth of ~6.5%**
- **Sales were also positively impacted up to 1% by the early April timing of Easter**
- **Margin improvement largely timing driven – full year margins expected to revert to around FY14 levels**

EBITDA, EBIT and EBIT margin before non-recurring items are adjusted for the one-off restructuring provisions relating to the supply chain projects. Figures are not directly extracted from the Half Year Report.

Consumer and Construction Products ANZ

Half year ended 31 March (A$M)	*2015 Actual*	*2014 Actual*	*%*	↕
Sales	**132.6**	133.1	*(0.4)*	↓
EBIT	**10.0**	13.1	*(23.7)*	↓
EBITDA before non-recurring items	**15.0**	15.1	*(0.7)*	↓
EBIT before non-recurring items	**13.2**	13.1	*0.8*	↑
EBIT margin before non-recurring items (%)	***10.0%***	*9.8%*	*0.2 pts*	↑

- **Selleys sales and EBIT growth**
- **Parchem impacted by soft civil infrastructure markets and declining equipment sales**
- **Restructuring implemented – 'self-funding' in second half**
- **Revenue growth initiatives progressing**

EBITDA, EBIT and EBIT margin before non-recurring items are adjusted for the one-off restructuring provision relating to the closure of distribution centres. Figures are not directly extracted from the Half Year Report.

Garage Doors and Openers

Half year ended 31 March (A$M)	*2015 Actual*	*2014 Actual*	*%*	↕
Sales	**78.8**	81.0	*(2.7)*	↓
EBITDA	**8.8**	10.4	*(15.4)*	↓
EBIT	**5.5**	7.5	*(26.7)*	↓
EBIT margin (%)	***7.0%***	*9.3%*	*(2.3)pts*	↓

- **Revenue and EBIT were adversely impacted by transitional impacts associated with the launch of the new product range and implementation of the dealer distribution strategy**
- **Overall strategy to strengthen this business remains appropriate**
- **Action is underway to address the shortfall without undermining the strategy**

Cabinet and Architectural Hardware

Half year ended 31 March (A$M)	*2015 Actual*	*2014 Actual*	*% ↕*	
Sales	**82.2**	76.8	*7.0*	↑
EBITDA	**4.8**	4.5	*6.7*	↑
EBIT	**3.6**	3.4	*5.9*	↑
EBIT margin (%)	***4.4%***	*4.4%*	*- pts*	—

- **Sales growth driven predominantly by cabinet hardware**
- **EBIT result impacted by restructuring costs associated with the consolidation of state-based customer service centres into one national service centre (~$0.3M)**

Other businesses

Half year ended 31 March (A$M)	2015 Actual	2014 Actual	%	↕
Sales	**107.0**	102.3	*4.6*	↑
EBITDA	**8.9**	7.6	*17.1*	↑
EBIT	**7.2**	5.9	*22.0*	↑
EBIT margin (%)	***6.7%***	*5.8%*	*0.9 pts*	↑

- **Yates sales and EBIT grew**
- **DGL Camel China revenue declined due to Opel disposal; otherwise flat. EBIT improved due to margin improvements**
- **Papua New Guinea business up slightly in local currency, with positive translation impact**
- **South East Asia flat EBIT result on higher sales**

Other Financial Information 3

Explanation of non-recurring items

Half year ended 31 March (A$M)	*EBIT*	*NPAT*	*Op. Cash*
2015			
Rocklea restructuring provision	**(8.7)**	**(6.1)**	**-**
Distribution centres closure provision	**(8.3)**	**(5.8)**	**-**
Total	**(17.0)**	**(11.9)**	**-**
2014			
Alesco integration costs	(2.4)	(1.7)	(3.1)
Reversal of excess NZ OCN tax provision	5.6	5.6	(8.5)
Sale of Opel Woodcare [1]	-	-	(6.4)
Total	3.1	3.9	(17.9)

[1] Proceeds from the sale of Opel Woodcare in 2014 are contained within investing cash flows and more than offset the costs associated with the sale.

Capital management – key measures

Balance Sheet (A$M)	*Mar-15 Actual*	*Sept-14 Actual*
Net debt	**381.2**	345.7
Net debt inclusive of USPP hedge value	**329.0**	334.2
Rolling TWC to sales	**15.3%**	15.1%
Net Debt: EBITDA (times) [1]	**1.48**	1.53
EBIT Interest cover (times) [1]	**8.7**	7.0

Cash Flow and P&L (A$M)	*Mar-15 Actual*	*Mar-14 Actual*
Operating cash flow before non-recurring items	**38.5**	36.0
Cash conversion before non-recurring items	**56%**	58%
Net interest expense	**10.8**	12.9
Average net interest rate	**5.3%**	5.4%

Key metrics strong

[1] EBITDA and EBIT have been adjusted for non-recurring items in both years. Net Debt inclusive of USPP hedge value and Net Debt: EBITDA (times) are calculated by taking closing net debt , adjusted to include the asset balance relating to the cross currency interest rate swap and interest rate swap established to hedge the USD currency and interest rate exposures relating to the USPP. Net Debt: EBITDA (times) reflects this measure as a multiple of the most recent twelve months of adjusted EBITDA.

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Cash flow

Half year ended 31 March (A$M)	*2015 Actual*	*2014 Actual*	*$*	↕
Cash flow before non-recurring items	**38.5**	36.0	*2.5*	↑
Non-recurring items	**-**	(17.9)	*17.9*	↑
Net operating cash flows	**38.5**	18.1	*20.4*	↑
Capital expenditure	**(12.3)**	(13.9)	*1.6*	↑
Disposals	**0.1**	11.8	*(11.6)*	↓
Net investing cash flows	**(12.1)**	(2.1)	*(10.0)*	↓
Share capital movements	**4.4**	6.4	*(2.0)*	↓
Dividends paid	**(23.5)**	(24.1)	*0.6*	↑
Financing cash flows before debt movements	**(19.2)**	(17.7)	*(1.4)*	↓
Total cash flows before debt movements	**7.2**	(1.8)	*9.0*	↑

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Capital expenditure

Half year ended 31 March (A$M)	*2015 Actual*	*2014 Actual*	*Full Year 2015 Outlook*
Minor capital expenditure	9.3	13.9	25-30
New paint factory capital expenditure	2.9	-	15-20*
Total capital expenditure	**12.3**	**13.9**	**40-50**
Depreciation and amortisation	17.6	16.7	35-37

* Whilst ~ $25M of project capital expenditure is expected to be incurred this financial year, consistent with the previous disclosure, actual cash flow is expected to be $5-10M lower due to the timing of payments

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Strategic Growth Priorities 4

Our strategy is to build on and leverage the core and establish longer term growth options

Paint, Specialty Coatings & Adhesives (ANZ, PNG)

- Continue to build on premium, branded, market-leading positions via retail (DIY) and trade (DIFM) channels focused primarily on residential homes (bias to larger, higher value and more profitable existing home segment)
- Extend into the wider construction chemicals and specialty coatings markets

Paints & Coatings ANZ | Consumer & Construction Products ANZ | Papua New Guinea

+

Capability-led Home Improvement (ANZ)

- Focused on premium, branded consumer products for residential home improvement
- Value-add through leveraging existing 'go-to-market' capabilities (e.g. premium brand consumer marketing, retail hardware expertise, trade distribution model – stores, tradesmen, specification)

Garage Doors & Openers | Cabinet & Architectural Hardware | Yates Garden Care

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Offshore Coatings and Adhesives

- Grow our positions in China and SE Asia
- Consider growth opportunities in other markets as they arise

China | South East Asia

Operating segment

Part of 'Other Businesses' segment

Underpinned by brands, innovation and customer service

DuluxGroup’s near term strategic initiatives

Extend market leadership	■ Continuing to invest in our business fundamentals of marketing and innovation, sales and distribution effectiveness and customer service to earn greater profitable market share ■ Cost and pricing discipline to maintain margins
Alesco upside delivery	■ GDO strategy implementation balanced with financial performance ■ Parchem cost reduction and revenue growth initiatives ■ Margin growth in Lincoln Sentry led by revenue growth and productivity gains ■ Systems and capability investment across all businesses
Lock down medium term growth	■ Execution of broader construction chemicals growth ■ Granular growth at SBU level supported by strategic M&A where appropriate ■ Continue to develop China and Asia for the longer term ■ Explore other capability led home improvement and offshore growth opportunities
Pursue business improvement opportunities	■ Margin improvement projects ■ Successful delivery of new distribution centre and new paint factory and benefit realisation ■ Other manufacturing and supply chain growth, capability and risk management projects
Maximise organisational leverage	■ Sharing group capabilities (e.g. consumer engagement, retail hardware channel management, trade distribution optimisation, supply chain scale and excellence) whilst maintaining business autonomy ■ Continued ‘fit for purpose’ approach to processes, systems and costs

Outlook

- Lead market indicators for our key markets remain largely positive
- Input costs are expected to remain relatively flat
- Paints and Coatings ANZ full year margins expected to revert to around FY14 levels
- Initiatives implemented to improve performance of Parchem and GDO
- Expect to maintain dividend payout ratio on NPAT before recurring items of ~70% on FY basis

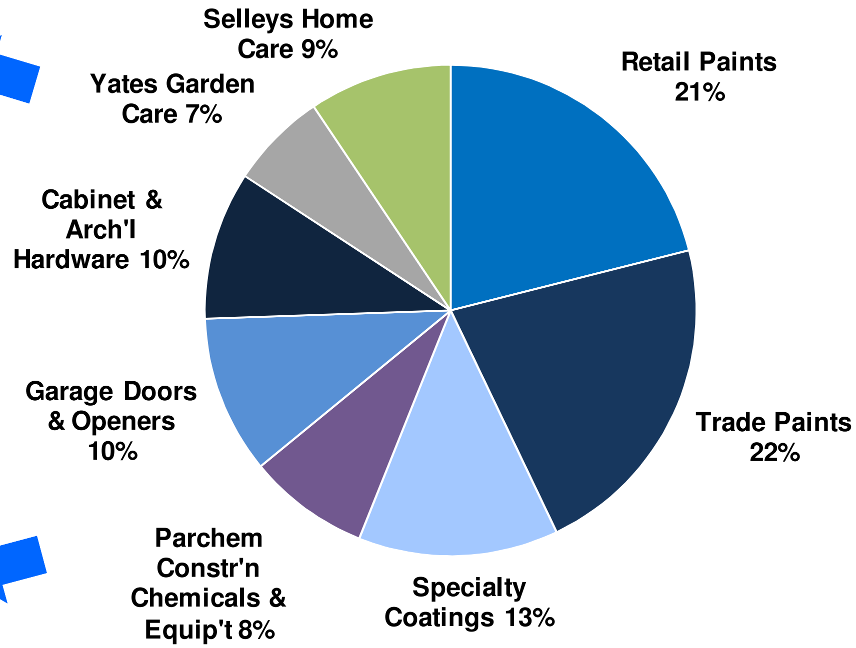
Subject to economic conditions and excluding non-recurring items, we expect that 2015 net profit after tax will be higher than the 2014 equivalent of $111.9M

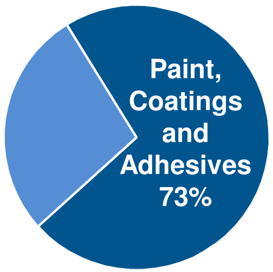
Questions

Appendices

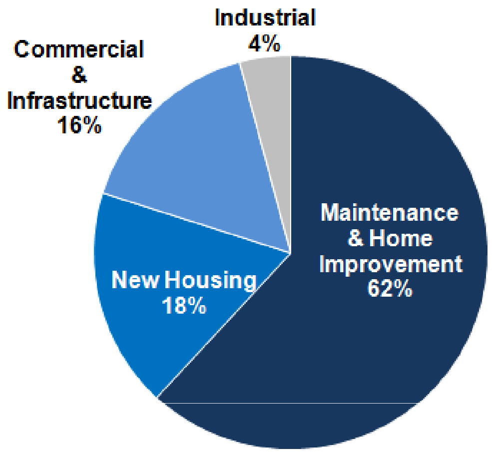
Products, channels and end-markets. Over 60% of business related to the existing home segment

Product and Channels

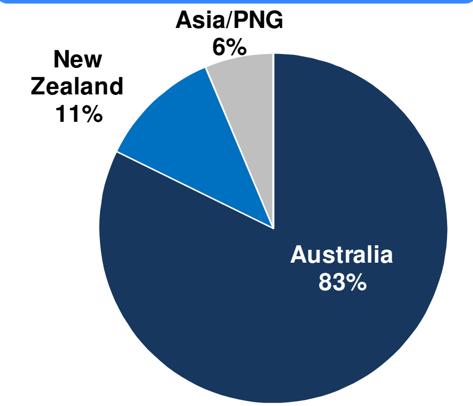




End Markets

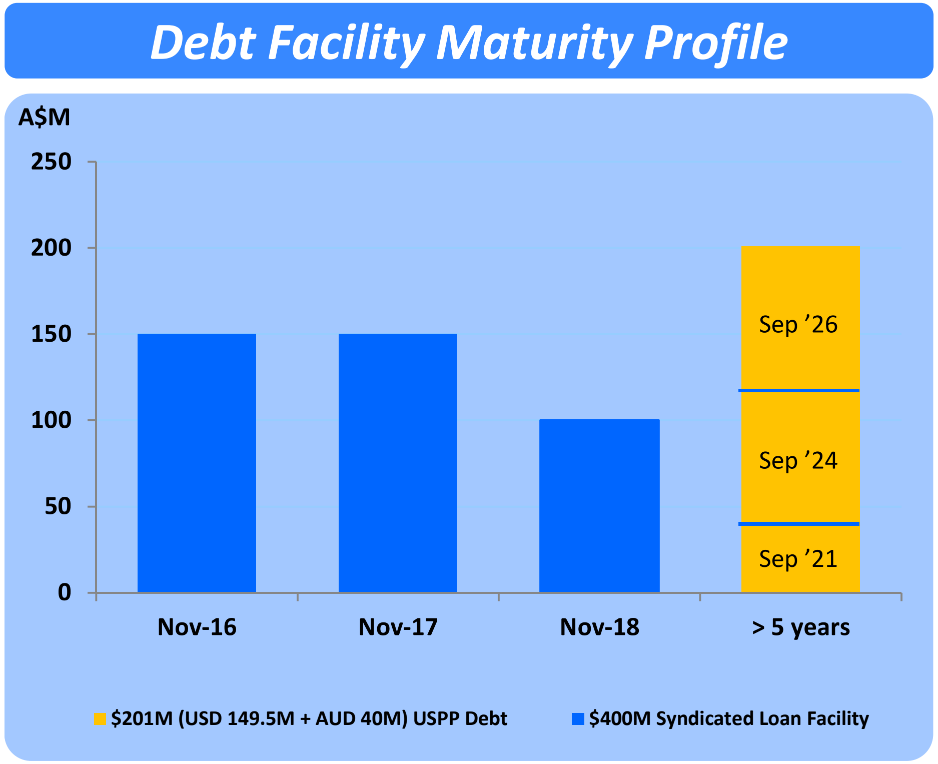


Geography



Note: Based on 2014 revenue

Debt facility maturity profile



- DuluxGroup's earliest debt facility maturity is November 2016 when AUD150M under the AUD400M syndicated loan facility matures
- At 31 March 2015, the weighted average debt facility tenure was just under five years.

Definitions of non-IFRS terminology

- Acquisitions/disposals represents payments for purchase of businesses and controlled entities, investments in listed equity securities and proceeds from sale of property, plant and equipment
- Average net interest rate is calculated as net interest expense 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, add/less movement in working capital and other non cash items, less minor capital spend, as a percentage of EBITDA less non-recurring items
- EBIT is the equivalent of profit from operations in the Half Year Report
- 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 EBIT excluding non-recurring items, divided by net interest expense
- 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 using period end net debt, adjusted to include the asset balance relating to the cross currency interest rate swap and interest rate swap established to hedge the United States dollar currency and interest rate exposures relating to the US Private Placement (USPP) debt
- Net debt : EBITDA is calculated by using period end net debt inclusive of USPP hedge value as a multiple of the most recent twelve months of EBITDA before non-recurring items
- Net profit after tax or NPAT represents Profit for the period attributable to ordinary shareholders of DuluxGroup Limited per the Half Year Report
- Non-recurring items are outlined within the presentation
- Non trade working capital is equivalent to the sum of non trade debtors (represents the ‘other receivables’ portion of ‘trade and other receivables’, and ‘other assets’); non trade creditors (represents the ‘other payables’ portion of ‘trade and other payables’) and total provisions (excluding tax provisions)
- nm = not meaningful
- Operating cash flow is calculated as EBITDA, add/less movements in working capital and other non cash items, less income tax and interest paid
- Other non cash refers to non cash items within the other line items in the cash flow statement
- Recordable Injury Rate is calculated as the number of injuries and illnesses per 200,000 hours worked
- Renewal/growth capital expenditure is capital expenditure on projects over A$5M
- Rolling TWC to sales is calculated as a 12 month rolling average trade working capital, as a percentage of annual sales
- Share capital movements represents proceeds from issue of ordinary shares, payments for shares bought back as treasury shares for LTEIP and ESIP plans and proceeds from employee share plan repayments
- Trade Working Capital (TWC) is the sum of trade receivables plus inventory, less trade payables