



NZX/ASX release

4 November 2015

2015 ANNUAL MEETING – CHAIRMAN’S and CEO’s ADDRESSES

CHAIRMAN’S ADDRESS

It gives me great pleasure to be able to tell you of some of Nuplex's significant successes for 2015:

- The company delivered strong earnings growth and improved returns from our now globally focused resins business;
- We have made progress in Health and Safety performance;
- We completed a successful sale of Nuplex Specialties and Masterbatch;
- The new resins plant in Changshu, China was commissioned;
- We launched our breakthrough technology ACURE™ - more from Emery about this later;
- The capital structure of the company was reviewed. This resulted in the decision to increase dividends and to buy back shares on market; and
- Diversity at the board level and in management improved.

Performance

Net profit after tax was \$70.8 million in 2015 up 35% on the \$52.4 million earned in the 2014 financial year. Earnings per share was 35.9 cents, compared with 26.4 cents per share in the previous year - up 36%. The Return on Funds employed increased from 11.5% to 12.9%.

EBITDA from the continuing businesses improved by 15% - which was a pleasing result. This was achieved through strong results from Europe, Asia and the Americas; and from improvements in our Australian and NZ business.

Strategy

Nuplex is now a dedicated, global resins business and we are well positioned to grow earnings and improve returns.

As I mentioned at last year's meeting, once the sale of the Specialties and Masterbatch business was completed, the board and management embarked on a review of our strategy and capital management.

That review confirmed that our previously adopted strategy of strengthening through operational excellence and growing through building market-leading positions was still the right strategy for Nuplex.

The key strategic decisions were:

- We will continue to place the health and safety of our employees and the protection of our environment at the top of the agenda as we strive to meet our safety vision of zero harm;
- We have made great progress in our endeavor to create a cohesive, global team. This can only be enhanced by concentrating on resins around the world. Leadership, values and engagement programmes are the focus for 2016;

- Nuplex will continue to strive to become stronger through operational excellence, which continues on from the NuLeap programmes of previous years. We have adopted two major themes for this year:
 - globally we have an emphasis on procurement; and
 - a major supply chain improvement programme is being undertaken in Australia and NZ.
- Opportunities for Mergers and Acquisition activity is, by its very nature, unpredictable. We will consider acquisitions, but only if they:
 - strengthen leading positions in markets and technology;
 - leverage Nuplex's capabilities; and
 - meet strict financial criteria.
- We will continue to focus on growing in emerging markets and our specific objectives for 2016 are:
 - to fill the new capacity we have built in Asia, in particular our newly commissioned plant in Changshu, China;
 - to optimise existing capacity; and
 - to establish positions in new market segments, such as textiles and adhesives.
- Nuplex will strive to grow market share through innovation and Emery will discuss this shortly.

After agreeing this strategy we then reviewed our capital requirements in this context. This resulted in a decision to undertake a 5% on market share buy-back.

In a move to balance the conflicting objectives of shareholders who prefer this type of capital management and those who prefer an increase in dividends, we also reviewed our dividend policy and confirm that in future we will:

- Seek to grow dividends in line with earnings; and
- Maintain a dividend payout ratio of at least 60% of net profit attributable to shareholders.

As you know we increased the total dividend per share for the 2015 financial year to 27 cents - a 29% increase over the prior year.

Russia

Recently the board travelled to Europe to visit our operations and customers in Russia; and to receive a briefing from our R&D people in The Netherlands on the innovations they are working on.

As you might imagine, we went to Russia with some trepidation and a degree of scepticism.

Clearly the geopolitical issues and the state of the economy make for interesting themes in Russia and certainly increase the risk of investing there.

We were very impressed with our people in Russia. Their commitment to the company and to our values, including their ability to operate with integrity in a country where some parts of the economy have difficulties with "local customs", was very pleasing to observe.

We met with some multinational paint companies who are existing customers and others that are in the process of building plants and markets in Russia. Each of these customers encouraged us to invest further and grow our presence there so we can supply them locally. We also met with a number of external advisors and other multinational companies working successfully in Russia to further understand doing business there.

Notwithstanding the risks, the board came away with the view that a "first mover" advantage may be available in Russia today. We have encouraged management to come back to us with a fully developed plan to expand our activities there.

The briefing we received from our R&D team in Europe demonstrated that we have a great group of highly skilled scientists working on a number of exciting projects that support the company's strategy of growing market share through innovative technologies and products.

Branding

You will have seen in our annual report the change to our branding. I congratulate the team on developing our new branding around the vision of "Partners with the Right Chemistry".

As partners, we demonstrate an unrivalled level of commitment, drive and passion to our customers. We strive to be their partner of choice.

Board

At last year's meeting Rob Aitken advised that this would be his last term. This is Rob's last annual general meeting and he attended his final board meeting yesterday. Rob has been very supportive of me as a new Chair and his guidance and knowledge will be sorely missed. So thanks again Rob for your nine years of stewardship.

I signaled last year that we would be looking for 2 new non-executive directors. I am very pleased to welcome Mary Verschuer and John Bevan to the board. They both bring the required skill sets to the board and contribute to diversity in terms of gender and age. They are both standing for election so you will hear from them shortly.

Finally, on behalf of the board, I extend our thanks to Nuplex's 1700 employees worldwide. They are an increasingly diverse group on many levels with 28% of our managers now being women and just 40% speak English as their first language. Our people really are our "Partners with the Right Chemistry".

Conclusion

Nuplex has had a good year delivering:

- Significant growth in earnings;
- Improved returns for shareholders; and
- Great progress on our strategic initiatives.

I congratulate Emery and his team on their achievements and look forward to further progress this year as we drive towards our target of a 16% return by 2018.

I also thank you, our shareholders for your support. We are pleased that you are now being rewarded for your patience.

Our CEO and Managing Director, Emery Severin, will now give you an update on the operations and his outlook for the year.

CEO's ADDRESS

Thank you, Peter.

Good morning ladies and gentlemen and thank you for joining us, either here in Auckland or via the live webcast. The Board and Nuplex Executive management team appreciate you taking the time to hear about the progress and outlook for your company.

2015 results

At last year's meeting, I said that the 2015 Financial Year was going to be an important one for Nuplex. 12 months later, and I am pleased to report that it was a successful year on a number of fronts.

Your company delivered a strong financial performance. Operational improvements and favourable market conditions underpinned 15% earnings growth, which enabled the increase in the dividend.

Earnings growth was driven by a combination of volume growth and an improvement in the EBITDA to sales margin from 8.1% to 9.3%. Pleasingly, all four regions positively contributed to the result.

In Europe, Asia and the Americas, EBITDA was driven by volume growth and an increase in the proportion of higher margin products sold. It was also driven by the realisation of benefits from the global procurement program and lower raw material costs for the period.

In ANZ, a pleasing turnaround in earnings was driven by the efficiency and cost benefits flowing from the restructuring. Nuplex ANZ is now in a better position to deliver sustainable cash flows and improved returns following the completion of the restructure. However, challenges still remain and work continues to improve the performance of the region. An example of which is the supply chain transformation program, where we see an opportunity to realise efficiencies in areas such as warehousing and material requirements planning.

Strategy

During the year, as noted by your Chairman in his address, the Board reconfirmed the strategy to strengthen and grow Nuplex, adopted and commenced in 2011.

Since then, through the execution of a range of initiatives such as the pursuit of our safety vision, Zero Harm, and, our operational excellence program, NuLEAP, we have been unlocking value from the existing business. At the same time, we have been laying the foundations so that we can also create value through growth initiatives.

In 2015, after a number of years of hard work and investment, two of Nuplex's largest, long-term growth initiatives, transitioned from being work-in-progress projects, into active revenue opportunities.

The first of these was the launch of our breakthrough, award-winning technology, Acure™.

[PLAY VIDEO](#)

We launched Acure™ at the coatings industry's premiere world-wide event, the European Coatings Show, in Nuremberg, Germany in April this year. Acure™ is a breakthrough technology for the industry, and was recognised by being awarded the best technical paper at the show.

As you heard on the video, we have been working on Acure™ for over 7 years. Customers have responded positively to Acure™ and its benefits, which include improved working conditions and environmental benefits, through enhanced efficiency, less wastage when applied, faster drying times and greater flexibility when operating at low temperatures. It also is SHE friendly. First commercial sales are expected to occur by the end of 2015, and given the interest it has received from customers, we are excited by growth potential this technology brings.

For shareholders, this is potentially a very valuable technology to your company. How valuable? We have set ourselves an aspirational target of supplying 5% to 10% of an estimated US\$1 to 2 billion market by the end of the 2020 Financial Year.

The second multi-year growth initiative to achieve a major milestone earlier in 2015 was the completion of the single largest organic investment program in Nuplex's history, our capacity expansion program in Asia.

Since 2011 and following the investment of approximately \$60 million, Nuplex's regional capacity has been increased by 75%. The program was completed in the middle of this year with the commissioning of our new, US\$35 million site in Changshu, China - the largest project within the program, and our third site in China. Also commissioned was the new US\$5 million reactor at Nuplex's site in Surabaya, Indonesia.

In addition to these two major projects, Nuplex increased its capacity in Asia through the doubling of capacity in Vietnam, adding a new reactor to the powder resins operations in Thailand, and debottlenecking in Malaysia. Our presence in the region was also increased through adding a dedicated sales office in India and building a regional R&D centre at our site in Suzhou, China.

The new capacity is expected to be filled over the next three to five years as volumes grow as a result of overall market growth and as we penetrate new market segments. As the capacity fills, sales are expected to increase to US\$400 million by the end of the 2018 Financial Year.

For shareholders, this is expected to deliver double-digit earnings growth in the 2016, 2017 and 2018 Financial Years and improved returns in the 2017 and 2018 Financial Years.

Looking towards 2018

As an organisation we are looking forward to the future with confidence.

Today, 85% of our technology and product portfolio is focused on higher margin resins used in performance and industrial coatings and we seek to take leading positions within these markets.

Globally, we are one of the world's leaders in rheology control technology; which is critical to managing the flow of coatings as they are applied.

Within each region, we are one of the leading suppliers in the segments in which we operate. For example, in Europe, Nuplex is the leader in Automotive OEM resins; in the Americas, Nuplex is a leader in protective coatings resins used on agricultural and construction equipment. In Asia, we have a range of leading market positions in a number of countries and markets. For example, in Vietnam, Nuplex is the leader in decorative resins and in China, in Vehicle Refinish resins. Whilst in Australia and New Zealand, we are the leader in fibreglass resins.

Nuplex's global sales and manufacturing network underpins our ability to offer customers global strength, combined with local expertise.

Our global R&D capability, particularly in the emerging markets, allows us to truly partner with our customers. Our global and more structured approach to R&D is paying off, and we are positioning Nuplex as an innovator within the industry.

We are growing in emerging markets, particularly in China and South East Asia where we have the best network of plants, and, it's likely that Nuplex Asia will become our largest region by the end of the decade.

In this context, we are going forward as a dedicated resins company, with a reshaped ANZ business, with our new capacity across Asia, and, positioning ourselves as an innovator.

For you, our shareholders, this means that Nuplex is well placed to deliver growth in earnings and therefore a growing dividend stream in the coming years. We are also in a good position to deliver our medium term financial target of a ROFE of greater than 16% by the end of the 2018 Financial Year.

Outlook for 2016 Financial Year

Our confidence in the medium term outlook is supported by our expectation for earnings growth in the 2016 Financial Year.

In Europe, demand conditions over the past few months have been softer than expected and, weaker when compared to this time last year. This softness appears to have arisen from a cautious reaction by consumers to the evolving geo-political environment in Eastern Europe and the Middle East and, a slow-down in exports to Asia and other emerging markets. It does not appear to be caused by any structural or cyclical changes in the European economy itself, and Europe appears to be growing modestly after some years of stagnation.

Nuplex expects this modest economic growth to support demand throughout the rest of the financial year. However, the softer than expected start to our financial year will be evident in Nuplex EMEA's first half result.

Today in Asia, after a volatile start to the year, we are seeing some encouraging signs in Nuplex's two key growth countries of China and Indonesia. In China, following the impact of the stock market corrections on confidence, and the one off event of the Tianjin explosion impacting the chemical industry, our markets appear to be stabilising, albeit at lower than historical growth rates. In Indonesia, market conditions are improving as government investments, which will have a positive impact on general economic activity and demand, gain traction.

Adjusting for foreign exchange movements, Nuplex Asia remains on track to deliver 10% underlying EBITDA growth for the financial year.

In the Americas, overall industrial markets are expected to be flat as growth from the Automotive OEM markets is offset by reduced demand for protective coatings used by the oil & gas, and mining sectors.

In ANZ, markets are stable. The construction and infrastructure sectors are underpinning demand for both coatings and composite resins.

Based on these market conditions, and consistent with it being Nuplex's first full year operating as a focused global resins business, Nuplex expects operating earnings before interest, tax, depreciation and amortisation to be between \$140 and \$155 million.

This full-year guidance is based on the following expectations:

- Asia to deliver underlying 10% operating EBITDA growth;
- ANZ to benefit from the recent years of restructuring;
- A steady performance from EMEA and the Americas; and
- Operating EBITDA to benefit from the lower New Zealand dollar, particularly in regards to the US dollar.

Concluding remarks

Ladies and gentlemen, Nuplex is entering into an exciting phase of its journey.

Operationally, the company is in a strong position and we are expecting earnings growth and an improvement in the company's ROFE over the year. With our growth platform in place in Asia, momentum in our R&D pipeline and a turnaround in ANZ occurring, we are well placed to navigate any near term volatility that we may encounter.

It remains a great honour to lead this organisation. Five years into my tenure as CEO and I am proud of the progress we have made. Today, we are well placed to continue improving returns and growing earnings as a result of all the hard work and commitment of the entire Nuplex team. I am sure you join me in thanking our 1700 employees around the world for their efforts.

Finally, I would like to personally thank Rob Aitken for his valuable contribution to Nuplex and his counsel and support to me over the past 5 years.

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For further information, please contact:

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