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Half Year Results 2016

17 May 2016

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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

- Sales and profit growth (NPAT up 3.7%)
- Continued strong performance from Paints & Coatings, despite a short term correction in retail channels in Australia and the impact of the H2 FY15 Mitre 10 NZ exit
- Fundamentals sound in other heritage businesses with growth in Yates and Asia. Short term pressures in Selleys (Woolworths hardware destocking) and PNG (economy)
- Good growth in Lincoln Sentry and continued revenue & gross margin improvement in GDO, offset by one-off costs. Weaker H1 for Parchem (market), largely mitigated by prior period cost saving initiatives
- Markets and businesses generally well positioned for the second half
- Balance sheet metrics solid, with net debt to EBITDA at 1.4x
- Interim dividend up 4.5%
- Supply chain projects on track
- Reaffirm that we expect FY16 NPAT will be higher than FY15 equivalent of $124.7M

Numbers in this presentation are subject to rounding. Refer Appendix for definitions.

Half Year Financial Performance

A$ million	H1 16	H1 15	%
Sales	**851.1**	836.9	*1.7*
EBIT *excluding non-recurring items*	**98.3**	94.1	*4.5*
NPAT *excluding non-recurring items*	**63.7**	61.4	*3.7*
Operating cash flow *excluding non-recurring items*	**28.2**	38.5	*(26.8)*
EBIT	**98.3**	77.0	*27.7*
NPAT	**63.7**	49.5	*28.7*
Net debt to EBITDA	**1.4**	1.5	*6.7*
Interim dividend (cps)	**11.5**	11.0	*4.5*

- Positive earnings and net debt metrics
- Operating cash flow impacted by higher tax payments and working capital (largely inventory driven) – H2 improvement in working capital expected

Refer to Appendix for definitions.

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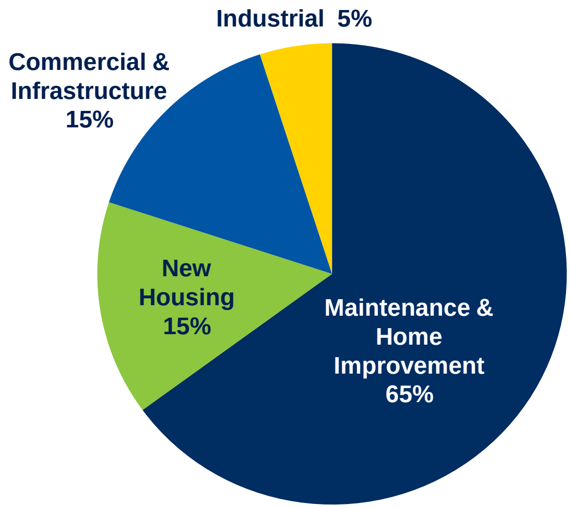
Core home improvement market is sound

End Market Exposure[1]



Comments

Home Improvement Market – 65%

- Underlying demand fundamentals of market remain generally strong
  - GDP growth stable
  - Interest rates low
  - House prices high
  - Consumer confidence mixed
- Short term correction in retail channel in the first half
- Underlying consumer demand remains sound, consistent with history (1 – 1.5% volume growth)

New Housing Market – 15%

- New housing approvals have peaked in Australia but there is a strong pipeline of work given lag between approvals and commencements

Commercial and Infrastructure Market – 15%

- Commercial markets are relatively strong
- Infrastructure markets are still weak (especially energy and resources projects) with civil infrastructure growth not expected until 2017

10 million dwellings in Australia and approximately 70% are older than 20 years [2]

1. Based on FY 15 results and consistent with H1 16
2. 2011 Census and other ABS data

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Safety & Sustainability

Rolling 12 months versus prior period		March 2016	Sept 2015
Recordable Injury Rate	✓	**1.67**	1.84
Waste Generation (% change)	✓	**-5%**	-6%
Water Consumption (% change)	✓	**-1%**	-6%

- Focus remains on strategic pillars of disaster prevention, fatality prevention, injury prevention and sustainability
- Disaster prevention activities include further risk studies and actions to ensure rigorous control of chemical processes, ignition sources and fire mitigation is sustained
- Implementation of six ‘protocols’ to establish a clear standard for our highest fatality risks (forklifts, racking, traffic management, driver safety, electrical safety, working at heights) is now well advanced
- Reduction in recordable injury rate

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Segment Performance

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Segment EBIT (excluding FY15 non-recurring items)

A$ million	H1 16	H1 15	%
Paints & Coatings ANZ	**82.6**	78.7	*5.0*
Consumer & Construction Products (C&CP)	**12.3**	13.2	*(6.8)*
Garage Doors & Openers (GDO)	**5.5**	5.5	*0.0*
Cabinet & Architectural Hardware	**5.0**	3.6	*38.9*
Other businesses	**7.3**	7.2	*1.4*
Business EBIT	**112.7**	**108.2**	***4.2***
Corporate	**(14.4)**	(14.1)	*(2.1)*
Total EBIT excluding non-recurring items	**98.3**	**94.1**	***4.5***

- Continued growth from Australian Paints & Coatings – share gains and good cost control
- C&CP decline due to Parchem (tough markets) and flat EBIT from Selleys (Woolworths hardware destocking)
- Strong revenue growth in GDO and flat EBIT, impacted by customer service centralisation costs
- Strong revenue and earnings growth in Cabinet & Architectural Hardware
- Modest growth in Other businesses due to positive performances from Yates, China and SE Asia largely offset by PNG (market)

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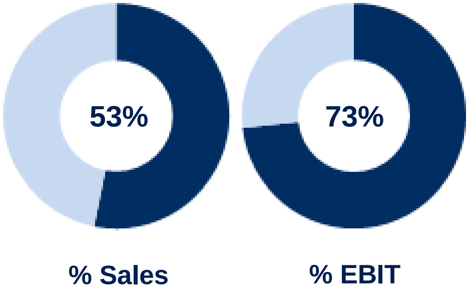
Paints & Coatings – ANZ

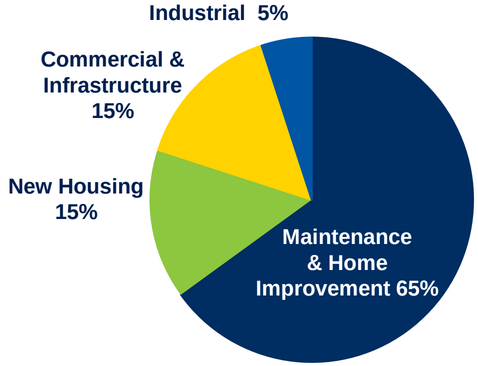
A$ million	H1 16	H1 15	%
Sales	**452.5**	442.4	*2.3*
EBITDA *excl non-recurring items*	**91.1**	87.6	*4.0*
EBIT *excl non-recurring items*	**82.6**	78.7	*5.0*
EBIT margin *excl non-recurring items*	**18.3%**	17.8%	*0.5pts*
Non-recurring items	**-**	(13.8)	

% of H1 16 Group Sales and Business EBIT



- Australian sales growth of 4%, driven by market share gains and modest price gains (mix-driven). Market flat – short term retail 'correction' offset by new housing growth. EBIT growth reflects sales growth and good cost control
- New Zealand sales and EBIT declined due to Mitre 10 exit (H2 15), in line with guidance (~10% of segment)
- FY16 EBIT margin expected to be slightly higher than FY15

End Markets [1]
% sales



1. Based on FY15 results and consistent with H1 16

Refer to Appendix for definitions.

EBITDA, EBIT and EBIT margin excluding non-recurring items are adjusted for the one-off restructuring provisions relating to the supply chain projects. Figures are directly extracted from the Financial Statements.

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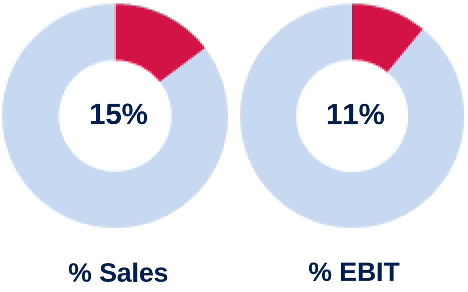
Consumer & Construction Products - ANZ

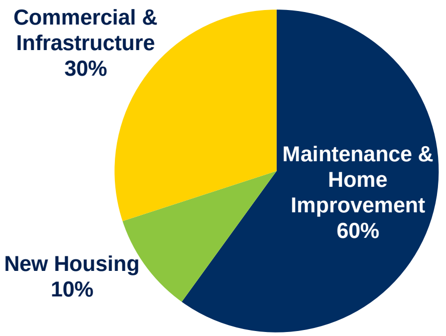
A$ million	H1 16	H1 15	%
Sales	**125.7**	132.6	*(5.2)*
EBITDA *excl non-recurring items*	**13.9**	15.0	*(7.3)*
EBIT *excl non-recurring items*	**12.3**	13.2	*(6.8)*
EBIT margin *excl non-recurring items*	**9.8%**	10.0%	*(0.2)pts*
Non-recurring items	**-**	(3.2)	

% of H1 16 Group Sales and Business EBIT



- Selleys sales and EBIT were flat due largely to destocking in Woolworths hardware group
- Parchem EBIT declined due to weak Australian infrastructure and Christchurch markets, largely offset by cost saving initiatives
- One-off costs of $0.5M - exit from equipment manufacturing

End Markets [1]
% sales



1. Based on FY15 results and consistent with H1 16

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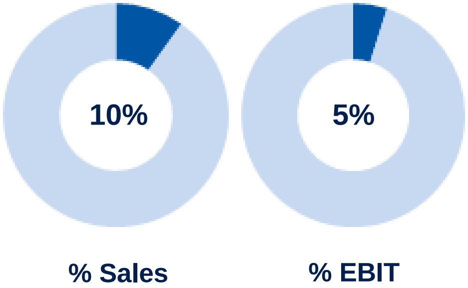
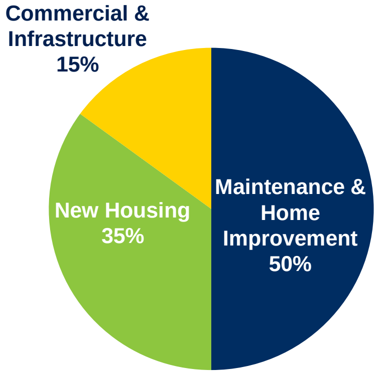
Garage Doors and Openers

A$ million	H1 16	H1 15	%
Sales	**84.3**	78.8	*7.0*
EBITDA	**8.8**	8.8	-
EBIT	**5.5**	5.5	-
EBIT margin	**6.5%**	7.0%	*(0.5)pts*

% of H1 16 Group Sales and Business EBIT



End Markets [1]
% sales



- Solid revenue growth assisted by positive markets and complemented by the acquisition of Gliderol's Western Australian assets
- Operating gross margins held
- EBIT flat reflecting $0.5M costs of customer service centralisation - EBIT grew 9% excluding these costs
- Positive outlook for seasonally stronger second half

1. Based on FY15 results and consistent with H1 16

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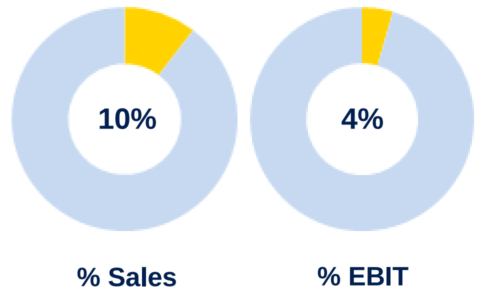
Cabinet and Architectural Hardware

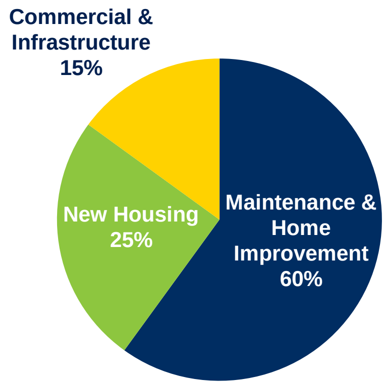
A$ million	H1 16	H1 15	%
Sales	**88.9**	82.2	*8.2*
EBITDA	**6.2**	4.8	*29.2*
EBIT	**5.0**	3.6	*38.9*
EBIT margin	**5.6%**	4.4%	*1.2pts*

% of H1 16 Group Sales and Business EBIT



- Strong sales growth led by cabinet hardware business
- EBIT growth due to fixed cost leverage and margin improvement initiatives
- Well positioned for second half

End Markets [1]
% sales



1. Based on FY15 results and consistent with H1 16

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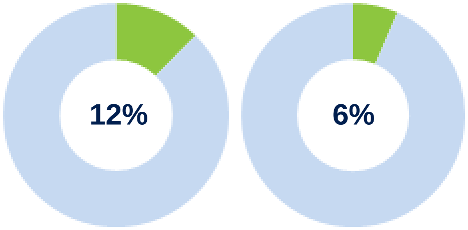
Other businesses

A$ million	H1 16	H1 15	%
Sales	**105.9**	107.0	*(1.0)*
EBITDA	**8.7**	8.9	*(2.2)*
EBIT	**7.3**	7.2	*1.4*
EBIT margin	**6.9%**	6.7%	*0.2pts*

% of H1 16 Group Sales and Business EBIT



% Sales **% EBIT**

- Meaningful profit growth delivered by:
  - Yates - EBIT growth in soft markets
  - DGL Camel China - EBIT improvement in soft markets
  - South East Asia - EBIT growth due to strong growth in Vietnam
- Largely offset by:
  - Papua New Guinea - EBIT decline due to very soft economic conditions

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Other Financial Information

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Other Profit & Loss items

- There were no non-recurring items recognised during the first half
  - The cash impact of the provisions taken in 2015 will occur largely in the second half of FY16 for the distribution centre provision and in late FY17 and/or early FY18 for the Rocklea restructuring provision
- Corporate costs increased 2.1% for the half and are expected to be $27M for the full year
- Tax rate was 28.2%, slightly above the prior period, and is expected to revert to our target 29-30% range in the second half

Capital Management – Key Measures

Balance Sheet (A$ million)	Mar 16	Sept 15	Mar 15	
Net debt inclusive of USPP hedge value	**326.2**	276.9	329.0	
Rolling Trade Working Capital (TWC) to sales	**15.7%**	15.2%	15.3%	✗
Net Debt: EBITDA (times)	**1.4**	1.2	1.5	
EBIT Interest Cover	**9.3**	9.0	8.7	✓

Cash Flow and P&L (A$ million)	H1 16	H1 15	
Operating cash flow excluding non-recurring items	**28.2**	38.5	✗
Cash conversion excluding non-recurring items	**52%**	56%	✗
Net finance costs	**10.6**	10.8	✓
Average net interest rate	**4.9%**	5.3%	✓

- Rolling trade working capital ratio increased due to inventory – ~50% of increase related to deliberate stock build (new Wash & Wear, strike planning); the rest related to inventory in businesses impacted by lower revenue (eg. Parchem)
- Operating cash flow impacted by tax payment timing ($7M) and TWC (inventory)

Cash conversion of 80%+ targeted for full year

Refer to Appendix for definitions.

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Capital Expenditure

		Outlook[1]		
A$ million	**H1 16**	***2016***	***2017***	***2018***
New paint factory	**17.4**	*60*	*75*	*25*
Other projects	**7.3**	*20 - 25*	*20 - 30*	*20 - 30*
Total capital expenditure	**24.7**	*80 - 85*	*95 - 105*	*45 - 55*
Depreciation and amortisation	**16.8**	*32 - 35*		

New paint factory capital expenditure remains unchanged at $165M

1. Outlook excludes asset sales which are expected to occur following the commissioning of the new paint factory eg Glen Waverley site. FY16 estimate is within +/- $10M

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New Paint Factory

- Status update
  - All planning and building approvals received
  - Site works commenced in December 2015
  - Pricing firm on 50% of capital
  - Building construction commenced March 2016
- On time and budget
  - Commissioning (mid 2017)
  - Production (late 2017)
- Benefits of new factory
  - Emerging paint technologies
  - Lower costs
  - At least NPV neutral
  - Reduced fire and flood risk vs. Rocklea

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New Distribution Centre

- Status update
  - Building works largely complete
  - Development of site operating systems
  - Planning for transition from Selleys Moorebank and Dulux Padstow distribution centres
- On time and budget
  - Commence transition (July 2016)
  - Go live (3rd quarter calendar 2016)
- Key features
  - Strong financial payback and positive NPV
  - Facility built, owned and operated by Linfox (to DuluxGroup specification)

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Strategic Growth Priorities

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Our Strategy and Focus

	Strategy	Current Focus
Paint, Specialty Coatings & Adhesives (ANZ)	▪ Continue to build on premium, branded, market-leading positions via retail (DIY) and trade (DIFM) channels focused primarily on existing homes ▪ Extend into the wider construction chemicals and specialty coatings markets	• Paints & Selleys – continue to drive profitable market share growth supported by granular growth projects • Parchem – re-focus on civil infrastructure
Capability-led Home Improvement (ANZ)	▪ Focused on premium, branded consumer products predominantly for existing homes ▪ Transferring our core marketing, innovation, sales and supply chain capabilities	• Yates – brand-led growth supported by M&A (eg. Munns) • B&D – extend 'front end' capability; fine tune 'back end' • Lincoln – systems to support further growth
Offshore	▪ Paint and Selleys focus primarily ▪ Transferring our core marketing, innovation, sales and supply chain capabilities into new geographies ▪ Explore growth opportunities for strategic partnerships, targeted acquisitions and distribution arrangements	• China – Camel Professional in Hong Kong and China + Selleys • Asia – localised Selleys growth (Vietnam, Indonesia focus) • PNG – hold share, tighten costs given economic pressures • Progress opportunities in other markets outside Asia

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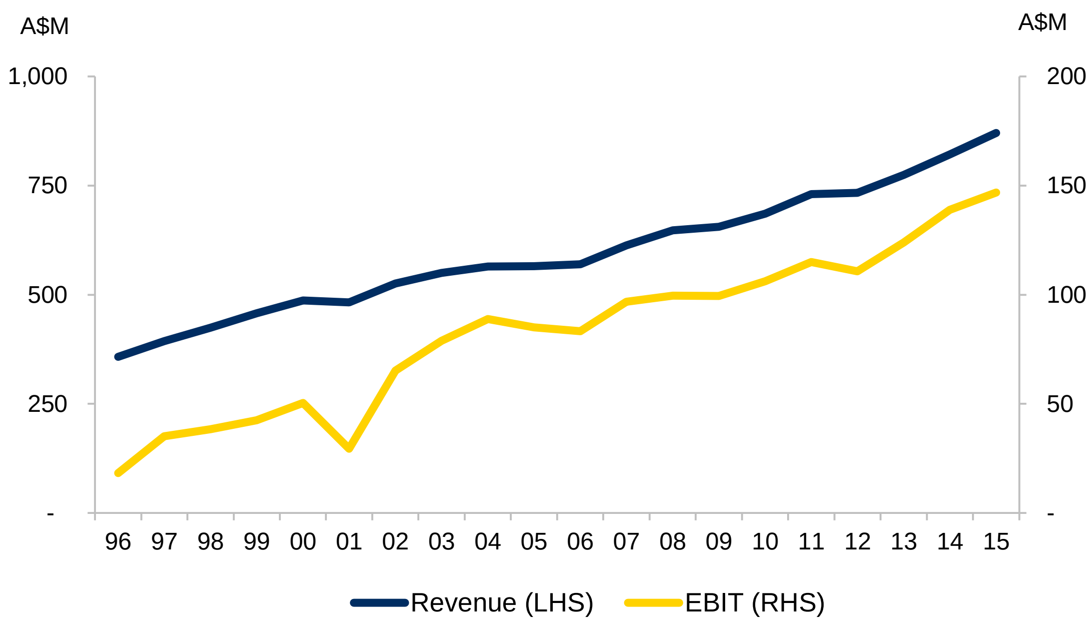
Paint & Coatings - Track record & focus

A Long History of Consistent Growth → **Building on momentum**

Paints & Coatings ANZ 20-year history



Growth Focus

- Continue to set the benchmark for retail and trade marketing of our brands (the best in the market)
- Strengthen brands and consumer engagement through use of digital technologies
- Relentless product innovation (eg. new Wash & Wear)
- Continue to grow profitable market share in decorative paint via the best retail partners, the strongest trade network and the best service
- Extend product offering to access new markets (eg. Porter's and other specialty paint &coatings)

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Garage Doors and Openers - Progress

- Progress is good on improving the front end of the business:
  - ✓ Re-launch the brand
  - ✓ Refresh the product range and launch new products
  - ✓ Step up sales and marketing capability
  - ✓ Re-introduce pricing disciplines
  - ✓ Tighten up the distribution network

Relaunch B&D brand

b&d

home safe home.

New Website

Smart Phone Control Gen 2

Panelift Icon with new Lock

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FY16 Outlook

Markets

- Lead market indicators for our key markets remain largely positive
  - Existing Home segment (~65% of revenue) is expected to provide resilient and profitable growth
  - New Housing (~15% of revenue, late cycle) is expected to remain strong throughout FY16
  - Commercial & Infrastructure (~15% of revenue) is expected to be subdued (infrastructure weak)
- China growth rates relatively weak & PNG market outlook is poor

Business Segments

- Paints and Coatings ANZ – we expect consistent consumer demand to continue; NZ to return to growth; YTD margin advantage expected to continue
- C&CP – targeting second half growth over pcp
- GDO - positive outlook given strong sales momentum in H1 and seasonally stronger H2
- Cabinet & Architectural Hardware - well positioned

Overall

- Corporate costs for FY16 to be ~$27M; Targeting 80%+ cash conversion
- Expect to maintain ~70% dividend payout ratio on NPAT before non-recurring items

Subject to economic conditions and excluding non-recurring items, we expect that 2016 net profit after tax will be higher than the 2015 equivalent of $124.7M

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Questions

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Appendices

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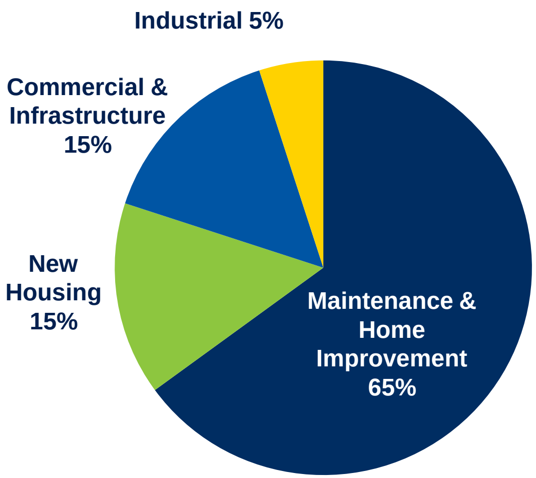
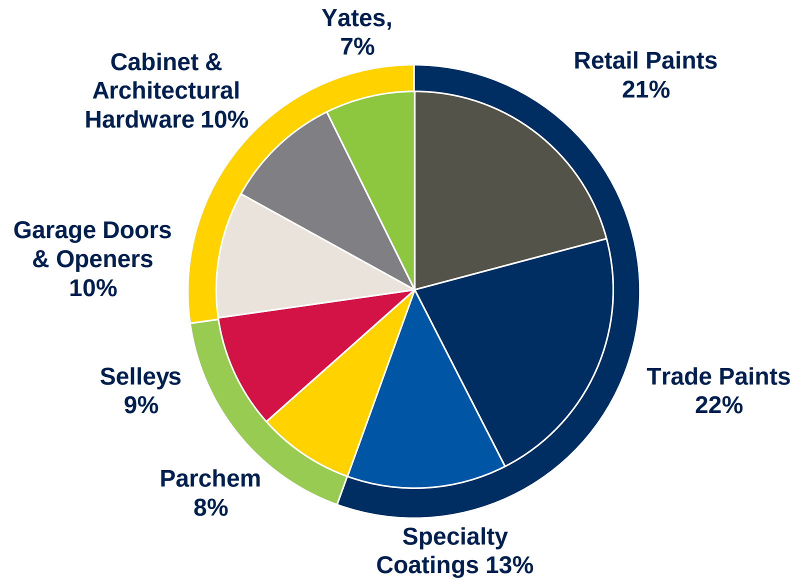
End-markets, Products, Channels. 65% of business is related to the existing home segment

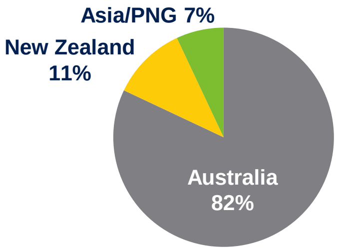
End Markets



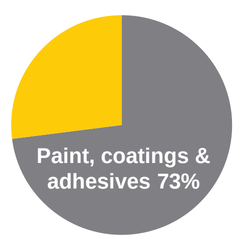
Products and Channels



Geography



% Paint, coatings & adhesives



Retail / Trade

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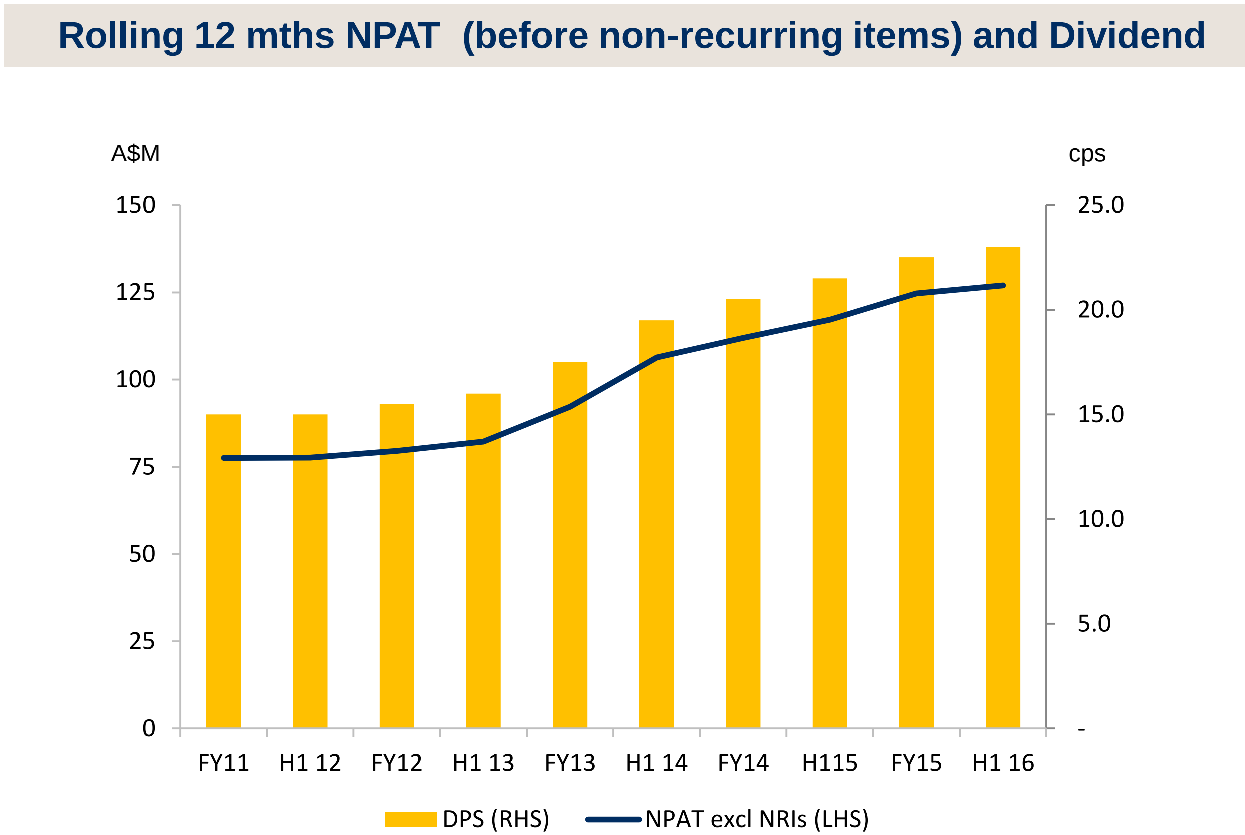
Note: Indicative DuluxGroup revenue splits based on FY15 revenue

NPAT and Dividend Growth



NPAT growth in every half year on pcp since demerger

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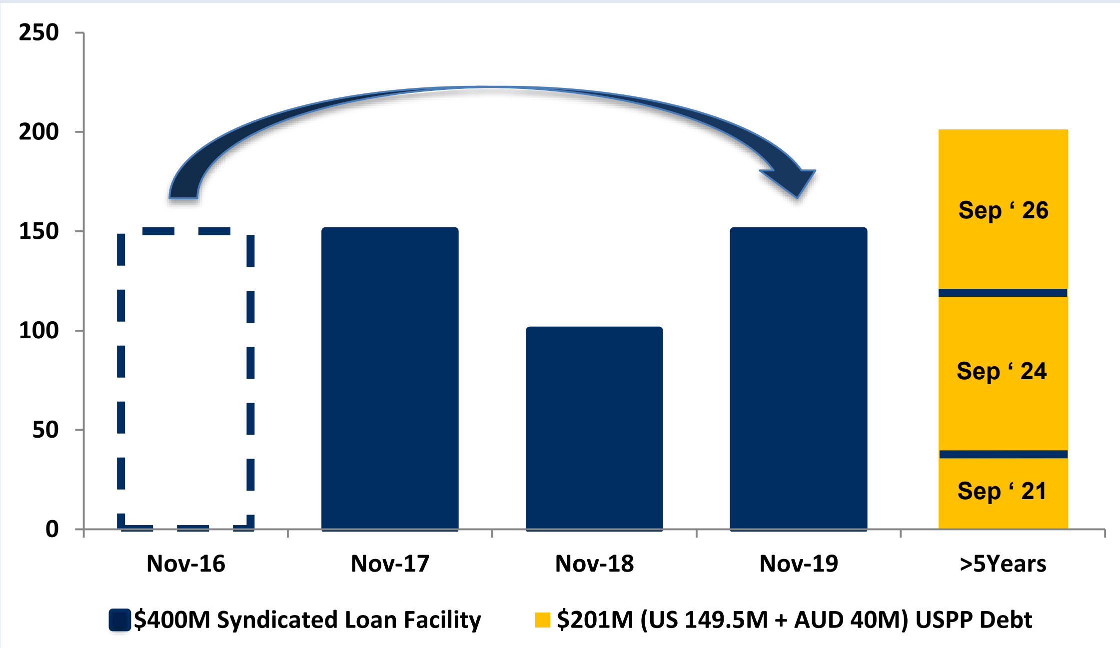
Debt Facility Maturity Profile



- In mid-May the AUD150M Nov 2016 tranche was extended under the AUD400M facility for a further 3 years to Nov 2019
- The chart shows the debt maturity profile as at 31 March 2016, as well as the maturity profile with the newly extended tranche
- Inclusive of the extension, the weighted average debt facility tenure is just over 4.6 years

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Definitions of non-IFRS terminology

- 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 Margin is calculated as EBIT as a percentage of sales revenue
- EBITDA is calculated as EBIT plus depreciation and amortisation
- EBIT 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 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 (adjusted to include the asset balance relating to the cross currency interest rate swap established to hedge the USD currency and interest rate exposures relating to the USPP) 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 the 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
- 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 annual sales
- Trade Working Capital (TWC) is the sum of trade receivables plus inventory, less trade payables

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