



DuluxGroup Limited

ABN 42 133 404 065

ASX Announcement

20 December 2018

2018 AGM – CHAIRMAN’S ADDRESS

Company performance – year in review

Fellow shareholders, I am pleased to report that, this year, DuluxGroup has continued to grow and increase profits while investing for the future.

Net profit after tax grew 5.4% to \$150.7 million, underpinned by profit growth across all of our Australian and New Zealand business segments. This was led by our largest business, Dulux, which once again delivered excellent results despite significant input cost pressures during the year.

The full year dividend of 28 cents per share was a 5.7% increase on the prior year.

Patrick will shortly provide more detail about the operational performance of our businesses.

Safety

Importantly, we continued to improve the safety performance of our operations this year. While we had one more recordable injury than last year amongst our approximately 4,000 employees, the level of serious injuries fell 18% to a record low. Our business has been fatality free for more than two decades. A strong disaster and fatality prevention mindset is reflected in the best ever performance in relation to the number of ‘serious near miss’ incidents during the year.

Generating shareholder value

This year, DuluxGroup celebrated its centenary. In the 100-year journey that began with the formation of BALM paints in New South Wales in 1918, perhaps the most significant milestone for our shareholders was the demerger of DuluxGroup into an independently listed company in July 2010. Since that time, your company has delivered total shareholder returns of 276%, while the ASX200 Accumulation Index has delivered returns of 87%.¹

Earnings per share have consistently grown year on year, and this year earnings per share increased 6%.

¹ Based on closing price at 30 November 2018. Source: IRESS and Bloomberg

Balance sheet and capital management

Our balance sheet remains strong, with relatively low gearing and debt levels. Net debt to EBITDA improved slightly to 1.3X during the year. We have sufficient headroom in our debt facilities to fund prudent growth opportunities that may arise and to maintain our dividend payout ratio of at least 70% of net profit after tax.²

Investing for growth

Our consistent growth strategy has served shareholders well over the past eight years, during which our market capitalisation has tripled.

Approximately 95% of Group earnings come from our Australian and New Zealand businesses - Dulux, Selleys, Parchem, Yates, B&D and Lincoln Sentry. When we consider growth opportunities, these businesses are our primary focus. Collectively, they offer multiple streams of growth through a broad portfolio of products, across a range of customer channels. And, they each deliver a healthy return on net assets. Pat will provide more detail about key growth projects in a few moments.

In terms of growth opportunities outside of ANZ and Papua New Guinea, we are taking a very measured approach. Our strategy is to enter markets via niche positions and then gradually expand over time. Again, Pat will update you shortly on progress offshore.

Sustainability

We know that doing business in a sustainable way is critical to earning and maintaining the trust and respect of all stakeholders.

We improved energy efficiency across our business during the year. Waste generation and water consumption increased, however this was primarily due to the start-up of the new Dulux factory, and we have plans in place to improve in 2019 and beyond.

While we are a small direct user of energy, we are progressing with work to understand our climate related risks and opportunities, including our total carbon footprint, and will provide an update as part of our 2019 Corporate Sustainability Report.

Culture aligned to shareholder value and community expectations

Integral to our success is the calibre of our people. We have approximately 4,000 employees. They work across diverse businesses and geographies, and in roles ranging from chemists to sales people. They are united by a shared understanding that it's not only about delivering great results, but doing so in the right way.

They are asked to walk in the shoes of our consumers, customers, communities, suppliers and our shareholders.

The majority of our employees are, in fact, shareholders having chosen to buy shares in their own right. We are very proud of that, because it shows a strong sense of personal ownership in the company, which is reflected in their commitment to generating sustainable profit growth and strong shareholder value.

² Excluding non-recurring items

Likewise, our executives and our Board continue to build their personal shareholding in DuluxGroup. A minimum shareholding policy applies, which we believe strengthens alignment with the interests of our shareholders.

We are committed to playing a positive role in our communities; and we make a significant contribution through employment, income tax and support for local suppliers, as well as hundreds of community organisations.

For example, of our \$1.8 billion in revenue this year, approximately: \$407 million went to wages and benefits for our employees on which they will have paid tax; \$58 million in company taxes; \$106 million returned to shareholders in the form of dividends; and \$1.2 billion in expenses, including to thousands of suppliers – small, medium and large – supporting further economic and employment benefits throughout our supply chain.

Our employees feel empowered to seek the support of management and colleagues to make a difference in our communities. Throughout the year, our employees helped more than 250 community organisations, through fundraising, volunteering, donating products, time and expertise. It says a great deal about the culture fostered by Patrick Houlihan and his team.

Thank you

In closing, I would like to acknowledge the immense contribution of Peter Kirby who retired earlier this year. During eight years as inaugural DuluxGroup Chairman, Peter oversaw a period of significant growth. I know I speak for many who have had the privilege of working with Peter over that time and during his career with Dulux spanning more than 40 years, when I sincerely thank him and wish him well.

Finally, I also thank my Board colleagues and particularly Pat, his executive team and all employees for their contribution to another successful year, and you as shareholders for your continued support.

To tell you more about what has driven that success, I'll now hand over to Pat.

Thank you.

Media contact:

Lisa Walters, DuluxGroup Corporate Affairs Manager, 03 9263 3652 or 0421 585 750