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DuluxGroup

2013 Full Year Results Announcement

13 November 2013

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Result Overview

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Strong result in improving markets

- NPAT before non-recurring items¹ up 18.2% to \$94.1M
- Revenue growth of 5.5% and EBIT growth of 7.9% for heritage DuluxGroup
- Alesco businesses solid, with EBIT up 3.7% (proforma basis) in weak, but improving markets
- Non-recurring items (post-tax) included \$15.1M costs relating to the Alesco acquisition, an impairment of \$10.2M (DuluxGroup share) in China and an \$8.1M profit on sale of a site in WA
- Overall cash generation positive, with post-Alesco net debt to EBITDA at 1.95 times
- Final dividend of 9.5 cents, fully franked, taking the total dividend to 17.5 cents, up 16.7%
- Record safety performance
- Alesco integration progressing well, with synergies ahead of schedule

Numbers in this presentation are subject to rounding

¹ NPAT before non-recurring items – represents net profit after tax, excluding the non-recurring items outlined on page 17.

Directors believe that the result excluding these items provides a better basis for comparison from year to year.

Refer to Appendix for definitions

DuluxGroup financial performance

<i>Full year ended 30 September (A\$M)</i>	<i>2013 Actual</i>	<i>2012 Actual</i>	<i>%</i>	<i>↑ ↓</i>
Sales	1,484.6	1,067.8	39.0	↑
EBIT	127.2	132.2	(3.8)	↓
Net profit after tax (NPAT)	76.9	89.5	(14.1)	↓
Operating cashflow	118.2	116.5	1.5	↑
EBIT before non-recurring items ¹	156.2	125.3	24.7	↑
NPAT before non-recurring items ¹	94.1	79.6	18.2	↑
Operating cashflow before non-recurring items ¹	133.8	101.7	31.6	↑
Net debt	388.7	230.3	68.8	↑
Net debt to EBITDA	1.95	1.55	25.8	↑
Final dividend per share (cents)	9.5	7.5	26.7	↑

- Sales, EBIT and NPAT include the addition of Alesco (10 months in 2013) and non-recurring items
- NPAT growth before non-recurring items of 18.2%
- Increased operating cash flow (before non-recurring items), with Net Debt: EBITDA improving from 2.3 times at the half

¹ EBIT before non-recurring items represents reported 'profit from operations' less non-recurring items (refer page 17 for details of non-recurring items). These figures are not extracted from Appendix 4E. NPAT before non-recurring items represents profit for the financial year attributable to ordinary shareholders of DuluxGroup Limited, adjusted for the same items. Operating cashflow before non-recurring items represents 'net cash inflow from operating activities' adjusted for the cash component of these items.

Result: Heritage DuluxGroup and proforma Alesco

<i>Full year ended 30 September (A\$M)</i>	<i>2013 Actual</i>	<i>2012 Actual</i>	<i>%</i>	<i>↑</i>
Heritage DuluxGroup results				
Sales	1,126.1	1,067.8	5.5	↑
EBIT	135.2	125.3	7.9	↑
Proforma results - Alesco (excl. Robinhood)				
Sales	428.9	428.4	0.1	↑
EBIT	31.2	30.1	3.7	↑
Consolidated proforma results (excl. Robinhood)				
Proforma sales revenue	1,555.0	1,496.2	3.9	↑
Proforma EBIT (before non-recurring costs)	166.3	155.4	7.0	↑

- Strong heritage DuluxGroup result, particularly given Australian market weakness
- Solid Alesco result in weak markets, with EBIT growth driven by cost improvement programs and faster achievement of corporate cost synergies

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China update

- Impairment of \$10.2M (DuluxGroup share, non-cash)
 - Reflects challenging market conditions and financial performance, particularly in the Opel retail woodcare business acquired in 2008
 - Assessment based on external valuation benchmarks
 - Impairment represents ~50% of our China goodwill – remaining goodwill is \$9.9M
- We remain committed to developing a profitable business for the longer term
 - Growth focus on Selleys, Acratex and paint, with good strategic progress in 2013
 - Trade off between short term financial outcomes and investment for longer term
- The Camel joint venture in 2011 was a positive step
 - Broader product focus, Hong Kong and South China overlap, manufacturing, greater local depth
 - Synergies in operating costs and raw materials

Safety & Sustainability

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		September 2013	September 2012
Recordable Injury Rate - Total Group	✓	1.81	1.85
Recordable Injury Rate - Heritage DuluxGroup ¹	✓	0.82	1.21
Near Miss (Hazard) Reporting ¹	✓	+15%	+16%
Waste Generation (% change) ¹	✓	-15%	-27%
Water Consumption (% change) ¹	-	no change	-8%

- Focus across the company remains on Fatality Prevention; Process Safety; Personal Safety; and Sustainability
- Multi-year improvement in pro-active near miss hazard reporting and recordable injury performance continued
- Within the Alesco businesses we have also focused on identifying and addressing significant site-related hazards via a comprehensive audit program

¹ These measures exclude statistics for the Alesco businesses and the Camel business.

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Segment Performance

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Segment EBIT (before non-recurring items)

<i>Full year ended 30 September (A\$M)</i>	<i>2013 Actual</i>	<i>2012 Actual</i>	<i>%</i>	<i>↑</i>
Paints Australia ¹	110.4	101.0	9.3	↑
Paints New Zealand	11.4	8.1	40.7	↑
Selleys Yates	26.3	24.9	5.6	↑
Other businesses (Heritage DuluxGroup only)	5.7	6.7	(14.9)	↓
Corporate - DuluxGroup ²	(18.6)	(15.4)	(20.8)	↓
Heritage DuluxGroup	135.2	125.3	7.9	↑
Garage Doors & Openers (proforma) ³	17.4	17.8	(2.2)	↓
Parchem (proforma) ³	8.2	7.7	6.5	↑
Lincoln Sentry (proforma) ³	7.1	7.4	(4.1)	↓
Corporate - Alesco (proforma) ⁴	(1.6)	(2.8)	42.9	↑
Proforma Alesco (excl. Robinhood)	31.2	30.1	3.7	↑
Total Proforma EBIT before non-recurring items	166.3	155.4	7.0	↑

¹ 2012 represents reported 'profit from operations' of \$108.8M, less an insurance uplift of \$7.7M (figure not directly extracted from Appendix 4E) resulting from the Queensland flood.

² 2013 represents reported 'profit from operations' relating specifically to DuluxGroup Corporate, less Alesco transaction/integration costs incurred by DuluxGroup Corporate and the gain on sale of O'Connor (figures not directly extracted from Appendix 4E).

³ 2013 represents reported 'profit from operations' for each segment, less one-off PPA adjustments applicable to that segment. Figures are not directly extracted from the Appendix 4E.

⁴ 2013 represents reported 'profit from operations' relating specifically to Alesco Corporate, less Alesco integration costs incurred by Alesco Corporate and the one-off PPA adjustment applicable to Alesco Corporate (figures not directly extracted from Appendix 4E).

Paints Australia



<i>Full year ended 30 September (A\$M)</i>	<i>2013 Actual</i>	<i>2012 Actual</i>	<i>%</i>	<i>↑</i>
Sales	643.1	613.9	4.8	↑
EBITDA excluding insurance uplift ¹	122.1	112.9	8.1	↑
EBIT	110.4	108.8	1.5	↑
EBIT excluding insurance uplift ¹	110.4	101.0	9.3	↑
<i>EBIT margin (excl. insurance uplift) (%) ¹</i>	<i>17.2%</i>	<i>16.5%</i>	<i>0.7 pts</i>	↑

- Revenue growth of 4.8% driven by profitable share gains in a flat, but improving market
- Margin benefits driven by a full year of benefits from 2012 internal efficiency programs and some short term input cost relief
- Increased investment in marketing and future growth initiatives

¹ 2012 EBIT excluding insurance uplift represents reported 'profit from operations' of \$108.8M, less an insurance uplift of \$7.7M (figure not directly extracted from Appendix 4E) resulting from the Queensland flood. EBITDA and EBIT margin have been adjusted for the same item.

Paints New Zealand



<i>Full year ended 30 September (A\$M)</i>	<i>2013 Actual</i>	<i>2012 Actual</i>	<i>%</i>	<i>↑</i>
Sales	85.5	72.3	18.3	↑
EBITDA	14.0	10.6	32.1	↑
EBIT	11.4	8.1	40.7	↑
<i>EBIT margin (%)</i>	13.3%	11.2%	2.1 pts	↑

- Strong revenue growth in favourable market conditions. Improvement driven by increased building activity, renovation activity, housing churn and Christchurch reconstruction related activity
- Further share gains achieved in both Retail and Trade channels
- EBIT increase due to revenue growth, fixed cost leverage, some short term input cost relief and a stronger New Zealand dollar

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Selleys Yates



<i>Full year ended 30 September (A\$M)</i>	<i>2013 Actual</i>	<i>2012 Actual</i>	<i>%</i>	<i>↑</i>
Sales	252.2	244.6	3.1	↑
EBITDA	29.4	28.5	3.2	↑
EBIT	26.3	24.9	5.6	↑
<i>EBIT margin (%)</i>	10.4%	10.2%	0.2 pts	↑

- Revenue growth with share gains in both Selleys and Yates, assisted by mildly positive markets
- EBIT growth experienced in the second half for both businesses
- Full year EBIT outcome driven by sales increase, cost control and some benefit from margin improvement initiatives

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Garage Doors and Openers



<i>Full year ended 30 September (A\$M)</i>	2013	2012	%	↑
<i>Proforma Results (12 months) ¹</i>				
Sales	160.5	157.3	2.0	↑
EBITDA	24.0	24.1	(0.4)	↓
EBIT	17.4	17.8	(2.2)	↓
<i>EBIT margin (%)</i>	10.8%	11.3%	(0.5) pts	↓
<i>Statutory Results (10 months in 2013)</i>				
Sales	130.4	-	nm	-
EBITDA	17.8	-	nm	-
EBIT	12.3	-	nm	-

- Proforma revenue slightly up, with mildly positive share outcomes in an overall flat market, where growth in New Zealand was offset by a small decline in Australia
- EBIT down \$0.4M, largely due to depreciation. EBITDA was marginally down, with well controlled costs enabling a \$1.5M increase in sales capability and marketing

¹ Excludes non-recurring items

Parchem



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<i>Full year ended 30 September (A\$M)</i>	2013	2012	%	↑
<i>Proforma Results (12 months) ¹</i>				
Sales	121.3	120.0	1.1	↑
EBITDA	10.8	10.5	2.9	↑
EBIT	8.2	7.7	6.5	↑
<i>EBIT margin (%)</i>	6.8%	6.4%	0.4 pts	↑
<i>Statutory Results (10 months in 2013)</i>				
Sales	97.5	-	nm	-
EBITDA	7.6	-	nm	-
EBIT	5.5	-	nm	-

- Subdued revenue growth with a declining Australian market as growth in mining states was offset by subdued conditions elsewhere. New Zealand revenue grew, driven by a stronger market, assisted by Christchurch rebuilding activity
- EBITDA grew, led by procurement initiatives and tight cost control, despite higher store costs. Depreciation also reduced

¹ Excludes non-recurring items

Lincoln Sentry



<i>Full year ended 30 September (A\$M)</i>	2013	2012	%	↑
<i>Proforma Results (12 months) ¹</i>				
Sales	147.1	151.0	(2.6)	↓
EBITDA	9.2	9.2	-	-
EBIT	7.1	7.4	(4.1)	↓
<i>EBIT margin (%)</i>	4.8%	4.9%	(0.1) pts	↓
<i>Statutory Results (10 months in 2013)</i>				
Sales	117.6	-	nm	-
EBITDA	5.9	-	nm	-
EBIT	4.1	-	nm	-

- Despite proforma revenue declining, growth was achieved in the second half driven by modest market improvement and share gains
- EBIT down \$0.3M, due to depreciation (acquisition accounting). Flat EBITDA, with benefits from the 2012 cost reduction program offset by the margin pressure impacts of a weaker Australian dollar and an increased investment in marketing

¹ Excludes non-recurring items

Other businesses



Full year ended 30 September (A\$M)	2013	2012	%	↑
<i>Excluding Robinhood and China impairment</i>				
Sales	162.6	154.6	5.2	↑
EBITDA	10.3	11.4	(9.6)	↓
EBIT	5.7	6.7	(14.9)	↓
<i>EBIT margin (%)</i>	3.5%	4.3%	(0.8) pts	↓
<i>Equity share of EBIT</i> ¹	8.4	9.8	(14.3)	↓
<i>Excluded items</i>				
Robinhood EBIT	(1.7)	-	nm	-
Robinhood loss on sale	(1.1)	-	nm	-
China impairment - 100%	(18.5)	-	nm	-
China impairment - equity share	(10.2)	-	nm	-

- Despite an underlying revenue decline in DGL Camel due to weak market conditions, EBIT improved due to the timing of the DGL Camel merger and margin improvement
- Powder Coatings revenue and EBIT grew moderately, led by market conditions in New Zealand
- A slowdown in the PNG economy and a lower Kina, led to a fall in revenue and a reduction in EBIT

¹ Represents the Group's share of EBIT in the Other businesses segment, after accounting for the 49% non-controlling interest in DGL Camel International. This figure is not directly extracted from the Appendix 4E.

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Other Financial Information 3



Explanation of non-recurring items

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<i>Full year ended 30 September (A\$M)</i>	<i>EBIT</i>	<i>NPAT</i>
2013		
Non-recurring Alesco PPA adjustments	(1.7)	(1.2)
Alesco transaction costs	(6.3)	(5.9)
Alesco integration costs	(9.6)	(6.7)
Robinhood loss on sale	(1.1)	(1.3)
Gain on sale of O'Connor site	8.1	8.1
China impairment - equity share	(10.2)	(10.2)
China impairment - non-controlling interests share ¹	(8.3)	-
Total	(29.0)	(17.2)
Total - equity share	(20.7)	(17.2)
2012		
Alesco transaction costs	(3.6)	(3.3)
Alesco dividend	2.8	2.8
Interest on Alesco stake (est.)	-	(1.3)
Insurance uplift	7.7	5.4
Tax consolidation adjustment	-	6.3
Total	7.0	9.9

¹ The non-controlling interests' EBIT share of the China impairment charge is \$8.3M. This is eliminated via non-controlling interests at the NPAT level.

Corporate costs

<i>Full year ended 30 September (A\$M)</i>	<i>2013 Proforma</i>	<i>2012 Proforma</i>	<i>%</i>	<i>↑</i>
Corporate costs - DuluxGroup	(18.6)	(15.4)	(20.8)	↓
Proforma corporate costs - Alesco	(1.6)	(2.8)	42.9	↑
Total Proforma Corporate	(20.2)	(18.2)	(11.0)	↓

- DuluxGroup corporate costs were up on the prior year, slightly higher than previous guidance of ~\$18M
- Modest increases are expected in 2014, excluding accounting standard changes for defined benefit superannuation and any FBT on LTI scheme debt forgiveness
- Alesco proforma corporate costs reflect delivery of ~\$5M of synergies against the \$7M baseline. The prior year figure included one-off gains and excluded stranded costs
- For 2014, Alesco corporate costs will not be separately identified

Capital management – key measures

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Balance Sheet (A\$M)	Sept-13 Actual	Sept-12 Actual	
Net debt	388.7	230.3	➔ Impacted by Alesco acquisition
Rolling TWC to sales - Heritage DuluxGroup	12.8%	13.3%	➔ TWC improvements
Proforma Rolling TWC to sales	15.0%	15.6%	
Net Debt: EBITDA (times) ¹	1.95	1.55	➔ Down from 2.3x at half year
EBIT Interest cover (times) ¹	5.7	5.9	
Cash Flow and P&L (A\$M)	Sept-13 Actual	Sept-12 Actual	
Operating cash before non-recurring items	133.8	101.7	
Cash conversion before non-recurring items	84%	86%	➔ Within expectations – prior year included abnormally positive TWC
Net interest expense	27.6	21.4	
Average net interest rate	5.9%	7.4%	

Key metrics remain sound

¹ EBITDA and EBIT have been adjusted for non-recurring items in both periods and are calculated on a proforma basis.

Cash flow

<i>Full year ended 30 September (A\$M)</i>	2013 <i>Actual</i>	2012 <i>Actual</i>	\$	↑ ↓
Cash flow before non-recurring items	133.8	101.7	32.2	↑
Non-recurring Alesco costs	(15.7)	-	(15.7)	↓
Non-recurring flood impacts	-	14.8	(14.8)	↓
Net operating cash flows	118.2	116.5	1.7	↑
Capital expenditure	(28.9)	(27.6)	(1.3)	↓
Acquisitions	(145.4)	(39.7)	(105.7)	↓
Disposals	12.5	0.2	12.3	↑
Dividends received	0.3	3.1	(2.8)	↓
Net investing cash flows	(161.6)	(64.0)	(97.6)	↓
Share capital movements	1.0	(7.1)	8.1	↑
Dividends paid	(38.2)	(49.9)	11.7	↑
Financing cash flows before debt movements	(37.2)	(57.0)	19.8	↑

- Non-recurring items impacted operating cash flow 2012 and 2013 (in opposite directions)
- Strong earnings from heritage businesses and a positive contribution from ten months of Alesco reflected in operating cash flows

Capital expenditure

<i>Capital expenditure (A\$M)</i>	<i>Full Year</i>		<i>Full Year 2014 Outlook</i>
	<i>2013 Actual</i>	<i>2012 Actual</i>	
Minor capital expenditure	28.8	18.4	27-30
Renewal / growth capital expenditure	0.2	3.8	
Subtotal	28.9	22.1	
Rocklea flood-related capital expenditure	-	5.5	
Total capital expenditure	28.9	27.6	
Depreciation and amortisation	32.3	23.3	37-40

**The 2013 spend included \$4.3M from Alesco businesses
Planned spend remains below depreciation and amortisation**

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Strategic Growth Priorities

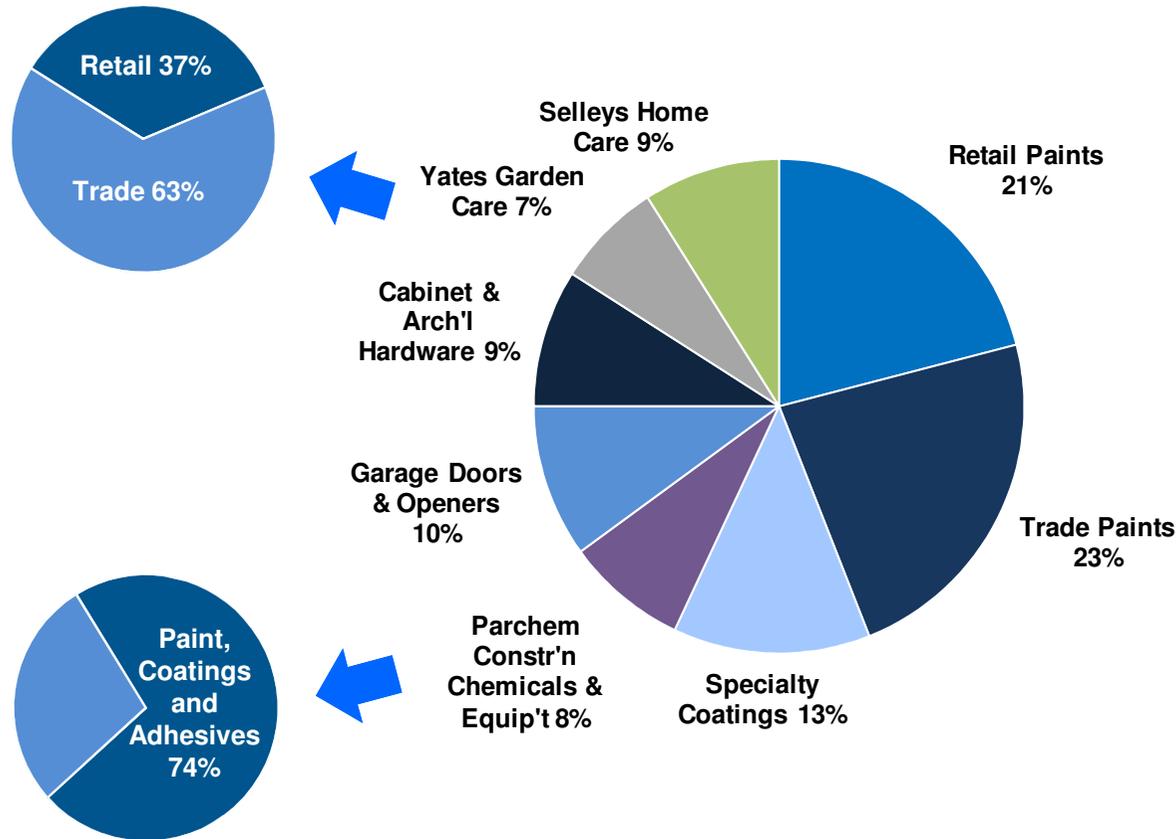
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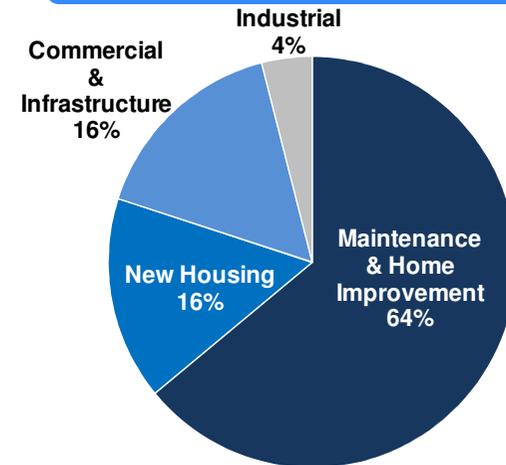
Products, channels and end-markets. Over 60% of business related to the existing home

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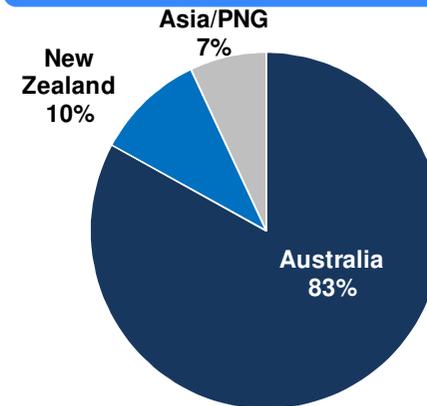
Product and Channels



End Markets



Geography



Note: Based on 2013 proforma revenue

DuluxGroup Strategic Imperatives

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

- Achieve cost synergies and integrate within budget
- Lock down growth priorities, structure businesses appropriately, step up marketing, sales and systems investment

Lock down medium term growth

- Execute next phase of 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

Address performance hot spots

- Margin improvement projects (e.g. Yates)
- Maintain appropriate balance between short term profit pressures and required investment (e.g. China)

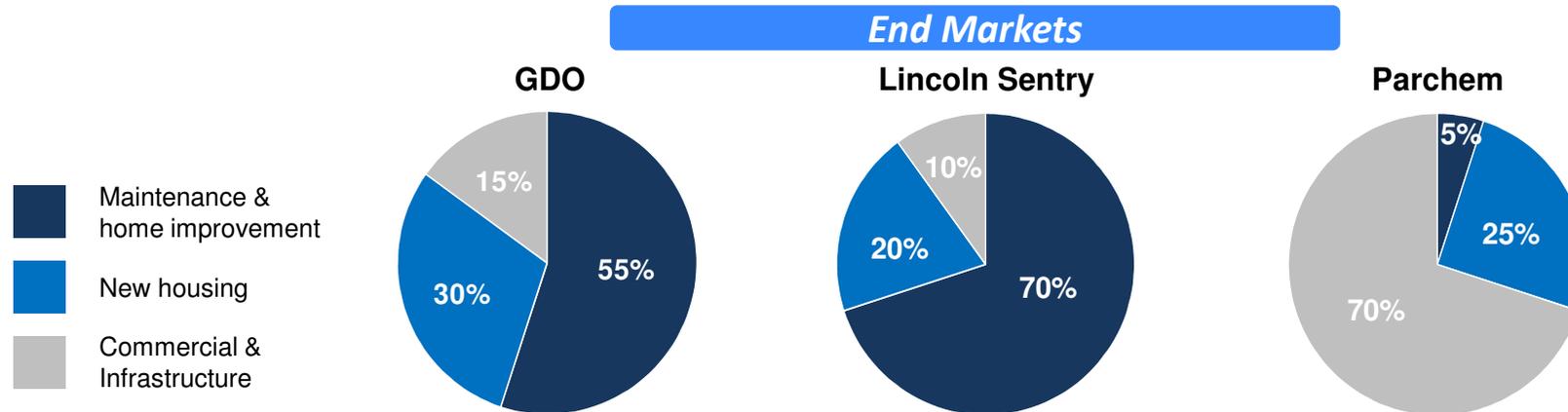
Maximise organisational leverage

- Particular focus on effectively sharing group capabilities (e.g. consumer engagement, retail hardware channel management, trade distribution optimisation) whilst maintaining business autonomy
- Continued “fit for purpose” approach to processes, systems and costs

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Alesco update

- Integration is well-progressed
 - Senior management team in place
 - Head office integration complete. Synergies on track for \$9M (~\$5M achieved in 2013)
 - Systems integration continuing
- Focus across all businesses is primarily on sales and marketing capability
 - Consumer marketing , largely to owners of existing homes
 - Channel alignment, sales tools and sales force effectiveness



Outlook

- Key lead market indicators in Australia continue to improve, pointing to growth in 2014
- New Zealand markets likely to continue to grow, underpinned by Christchurch activity
- Our markets in China remain challenging; PNG likely to experience continued softness
- 2014 results will include a full year of Alesco compared to 10 months in 2013

Subject to economic conditions and excluding non-recurring items, we expect 2014 net profit after tax to be higher than 2013 net profit after tax, excluding non-recurring items, of \$94.1M

Disclaimer: Statements contained in this presentation, particularly those regarding possible or assumed future performance, estimated company earnings, potential growth of the company, industry growth or other trend projections are or may be forward looking statements. Such statements relate to future events and expectations and therefore involve unknown risks and uncertainties. Actual results may differ materially from those expressed or implied by these forward looking statements.

Questions



Appendices



DuluxGroup financial performance

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<i>Full year ended 30 September (A\$M)</i>	<i>2013 Actual</i>	<i>2012 Actual</i>	<i>%</i>	<i>↑</i>
Sales Revenue				
Heritage DuluxGroup	1,126.1	1,067.8	5.5	↑
Alesco (10 mths in 2013)	358.5	-		
Total	1,484.6	1,067.8	39.0	↑
EBIT				
Heritage DuluxGroup	135.2	125.3	7.9	↑
Alesco (10 mths in 2013)	21.0	-		
Non-recurring items	(29.0)	7.0		
Total	127.2	132.2	(3.8)	↓
NPAT				
NPAT before non-recurring items	94.1	79.6	18.2	↑
Non-recurring items	(17.2)	9.9		
Total	76.9	89.5	(14.1)	↓

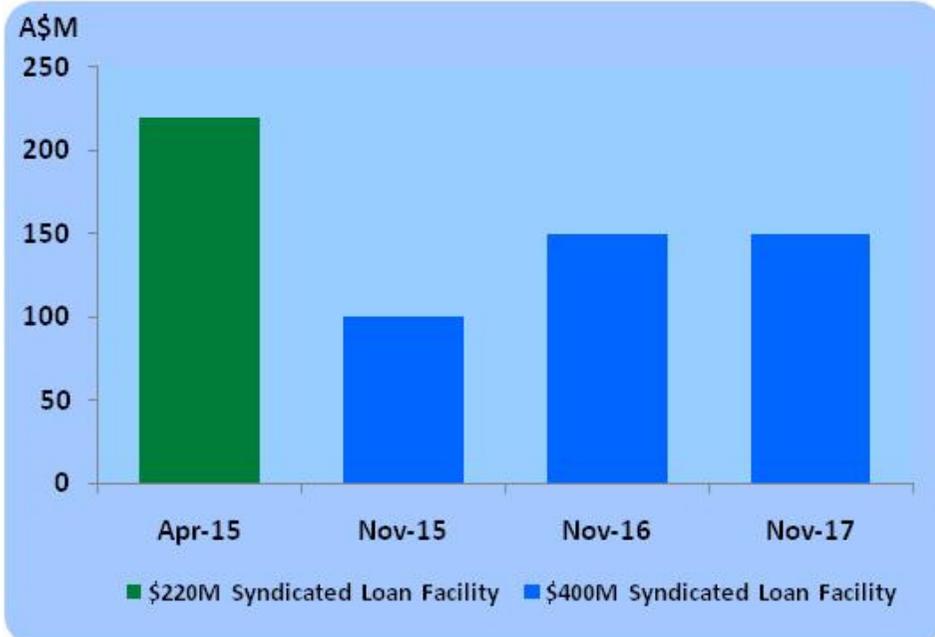
- Continued outperformance in heritage DuluxGroup businesses. Profitable market share gains in weak but improving markets in Australia; market growth and share gains in New Zealand and disciplined cost control across the Group
- Non-recurring items impacted results



Debt facility maturity profile

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Debt Facility Maturity Profile



- On 30th September, Tranche B (\$150M) of the \$400M syndicated loan facility was extended to 8 November 2017
- This tranche was originally due to expire on 8th November 2014

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
- 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 Appendix 4E
- EBIT Margin is calculated as EBIT as a percentage of sales revenue
- EBITDA is calculated as EBIT plus depreciation and amortisation
- Equity share of EBIT is calculated as EBIT less non-controlling interest in EBIT
- Interest cover is calculated using like for like EBIT, 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 : EBITDA is calculated by using period end net debt divided by proforma EBITDA before non-recurring items
- Net interest expense is equivalent to net finance costs in the Appendix 4E
- Net profit after tax represents Profit for the year attributable to ordinary shareholders of DuluxGroup Limited per the Appendix 4E
- Non-recurring items are outlined on the following page
- 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' per Appendix 4E); non trade creditors (represents the 'other payables' portion of 'trade and other payables', per Appendix 4E) and total provisions (excluding tax provisions), per Appendix 4E
- 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