DuluxGroup Limited

ABN 42 133 404 065

ASX Announcement

11 November 2015

DULUXGROUP DELIVERS SOLID PROFIT GROWTH

DuluxGroup today reported an 11.5% increase in net profit after tax (NPAT) (excluding non-recurring items[1]) to $124.7 million for the 12 months ended 30 September 2015 compared with the 2014 equivalent NPAT of $111.9 million.

Statutory NPAT was $112.8 million, an increase of 7.9% over the 2014 equivalent of $104.5 million. The Statutory result includes $11.9 million (after tax) in provisions for restructuring costs associated with two supply chain investments that were announced in March 2015 – building Dulux's new state-of-the-art paint factory in Melbourne, to open in late 2017, and establishing a purpose built distribution centre in NSW, to open in 2016.

The Board has declared a final dividend of 11.5 cents per share, fully franked, taking total dividend for the year to 22.5 cents per share, which represents a 9.8% increase on the 2014 equivalent and a 70% payout ratio on NPAT before non-recurring items.

Managing Director Patrick Houlihan said the result was driven by profitable sales growth in most of DuluxGroup's businesses, in generally positive market conditions.

"Solid profit growth was underpinned by the continued strong performance of our Australian Paints & Coatings business, Selleys and Yates.

"The businesses acquired from Alesco are beginning to benefit from important transformation initiatives, and we were pleased to see improvement in the second half, particularly in B&D.

"Profit growth has been delivered while continuing to invest in the business fundamentals of brands, innovation and customer service. A number of new product break-throughs were launched, supported by strong marketing investment and an even tighter alignment with our retail and trade customers. Most significantly, Dulux launched the new flagship Wash & Wear range under the banner of the 'best we've ever made'.

"At the same time we are investing for longer term growth, with the announcement of the construction of our new state-of-the-art, water-based paint factory in Melbourne and the new Dulux and Selleys distribution centre in Sydney. These significant investments in our manufacturing and supply chain will reduce our operating cost base, increase our capability, and will support ongoing growth in our core ANZ businesses for decades to come.

"We also acquired the Porter's decorative paints business during the year, as a means of expanding our specialty architectural and design offer domestically and potentially offshore," he said.

Sales revenue increased 4.7% to $1.7 billion.

Earnings before interest and tax (EBIT), excluding non-recurring items[1] was $192.4 million, an increase of 4.7% on the prior year.

Net debt to EBITDA improved, reducing to 1.2 times compared with 1.5 times at 30 September 2014.

Review of Operating Segments

DuluxGroup's largest operating segment, Paints & Coatings Australia and New Zealand, grew sales by 6.0% to $870.8 million and EBIT by 5.7% to $146.8 million. Sales growth was largely in line with overall market growth, and the EBIT to sales ratio of the business, of 16.9%, was maintained, consistent with half year guidance.

Consumer & Construction Products Australia and New Zealand, which comprises the Selleys and Parchem businesses, produced an EBIT of $29.2 million, down 2%, or $0.6m on prior year on flat sales. Growth in Selleys was more than offset by revenue and EBIT decline in the Parchem business. A restructuring program was implemented in Parchem in the second half, which puts the business on a stronger footing for FY16.

In the B&D Garage Doors and Openers business, EBIT declined 6.0% to $17.1 million on flat sales. After declining sales and EBIT in the first half due to transitional issues associated with new product releases and the dealer distribution strategy, both EBIT and sales grew in the second half.

Cabinet and Architectural Hardware grew EBIT by 1.1% to $9 million. Sales growth of 8.3% reflects continued growth in the core cabinet hardware business. Given much of the product range for this business is imported from Europe and the US, margins were impacted by the weaker Australian dollar.

DuluxGroup's 'Other businesses' segment grew EBIT by 30.3% to $15.9 million on sales that grew 6.7%. EBIT growth was driven by a continued strong performance from Yates, margin improvement in China, a favourable foreign exchange translation benefit from PNG, and improvement in the South East Asian business.

"Overall this has been a satisfying year. Our Paints & Coatings, Selleys and Yates businesses have continued to deliver excellent results, while we are seeing good progress in reshaping the sales and marketing capabilities of the profitable, market leading B&D, Parchem and Lincoln Sentry businesses to also take them to that next level of performance.

"DuluxGroup has continued to deliver profitable growth while reinvesting for the longer term. This has the Company well positioned for ongoing growth," said Mr Houlihan.

Outlook for 2015

Lead market indicators for our key markets remain largely positive, particularly in our core home renovation markets which account for ~65% of group revenue.

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 $124.7 million.

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[1] Non-recurring items are detailed on p.16 of the 'Review of Operations' contained in the Appendix 4E, Preliminary Final Report and resulted in an adverse impact of $11.9 million after tax ($17.0 million pre-tax). Directors believe that the result excluding these items provides a better basis for comparison from period to period and a better understanding of the underlying performance of the business. Non-recurring items in the prior year resulted in an adverse impact of $7.3 million after tax ($8.7 million pre-tax).