DuluxGroup Limited

ABN 42 133 404 065

ASX Announcement

15 November 2017

DULUXGROUP CONTINUES TO DELIVER STRONG PROFIT GROWTH

Group performance

DuluxGroup today reported net profit after tax (NPAT) of $142.9 million for the year ended 30 September 2017, an increase of 9.6% over 2016.

The result included a $3.1 million write-back of a tax provision established in previous years. Excluding this write-back, NPAT increased by 7.3%.

Sales revenue increased by 4.0% to $1.78 billion.

Earnings before interest and tax (EBIT) increased by 6.5% to $214.2 million.

Cash conversion was strong at 86%, in line with the prior corresponding period. Net debt to EBITDA remains healthy at 1.4x, despite significant investment during the year in the new Dulux Merrifield paint factory.

Dividend

The Board has declared a final dividend of 13.5 cents per share, fully franked, taking the full year dividend to 26.5 cents, which represents a 10.4% increase on the prior year, and a 72% payout ratio on NPAT.

Business performance

“Strong profit growth was driven by excellent results across all of our Australian and New Zealand businesses,” said managing director Patrick Houlihan.

The result was led by continued strong revenue and profit growth in the Dulux ANZ business, which contributes approximately 70% of Group business EBIT. This business delivered EBIT growth of $8.5m or 5.4%, driven by market share gains in positive markets.

The Group result also included double digit earnings growth in the Selleys & Parchem ANZ, B&D Group and Lincoln Sentry segments, which collectively grew EBIT by $8.2m or 14.1%.

The “Other businesses” segment declined by $3.2m or 22%, driven by a weaker performance in China, with EBIT growth from Yates, Papua New Guinea and SE Asia offsetting the planned investment in DuluxGroup’s new UK business.

Growth

“Our portfolio of businesses continues to provide a resilient, growing earnings base, with profit and dividends growing every year since demerger, and presents multiple streams for future growth,” said Mr Houlihan.

"Our Dulux and Selleys businesses in Australia and New Zealand are market leaders that continue to be underpinned by a long term investment in the fundamentals of innovation, marketing and customer focus. We see a good runway of profitable growth for these businesses, including through further share gains and product adjacencies such as the reshaped Parchem construction chemicals business.

"Dulux's new world class paint factory in Merrifield is in the final stages of commissioning and is scheduled to begin commercial production on time and on budget in the first half of FY18. This state of the art $165 million factory will support growth in our Dulux paints business for decades to come.

"Our other home improvement businesses, Yates, B&D Group and Lincoln Sentry, are also domestic market leaders with meaningful revenue and profit upside.

"We are also pleased that the growth in our well established businesses has allowed us to invest in important future growth initiatives, particularly in offshore markets such as the UK.

"During the year our premium Craig & Rose paints products and our Selleys range launched into Bunnings and Homebase stores throughout the United Kingdom and Ireland. We have also signed an agreement to commence our newly formed PT Avian Selleys joint venture in Indonesia in 2018, with the potential for our Selleys products to ultimately access approximately 40,000 retail hardware outlets in this large and growing market.

"Within DGL Camel in China and Hong Kong, we are continuing to extend our well established and profitable Selleys business in Hong Kong into mainland China. However, we are undertaking a strategic review of the coatings portfolio given the poor result this year."

Summary and outlook for 2018

"This has been a strong year for our businesses overall. Our Dulux ANZ business has once again delivered a first rate result, which, combined with double digit profit growth in all of our other domestic businesses, supports strategic investment to further grow our businesses both locally and offshore," said Mr Houlihan.

"Lead indicators for our key markets in Australia and New Zealand remain largely positive. Our core market, which accounts for approximately two thirds of DuluxGroup revenue, is the renovation of existing homes. We expect this market to continue to provide resilient, profitable growth."

New housing construction, which accounts for approximately 15% of DuluxGroup revenue, is expected to remain relatively strong. Commercial and engineering markets, which account for approximately 15% of revenue, are expected to provide solid growth overall.

"Subject to economic conditions, and excluding non-recurring items, we expect that 2018 net profit after tax will be higher than the 2017 equivalent of $142.9 million."

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