

HD (SWDLX) Ferret's Stock Watch: DULUXGROUP LIMITED

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PAINT MAKER'S EARNINGS CLIMB AFTER SOLID SALES GROWTH

Sydney - Tuesday - May 20: (RWE Aust Business News) -

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DULUXGROUP (ASX:DLX) has turned in a solid profit performance for the half year and lifted interim dividend. Ferret suggested the stock was prospective some time ago when the price was under \$4.

Managing director Mr Patrick Houlihan said the latest result was driven by strong profitable sales growth in largely positive Australian and NZ markets, the contribution of a full six months of Alesco earnings, disciplined cost management and margin improvement initiatives.

The **company** yesterday reported a lift in net profit of 87.7pc to \$59.997m in the six months ended March 31 from \$31.956m for the first half of last year.

Net profit before non-recurring items rose 33.6pc to \$56.1m from \$42.0m.

Operating revenue rose 16.5pc to \$804.455m from \$690.753m, assisted by six months' sales contribution from the Alesco businesses compared with four months in the 2013 first half.

Sales from heritage DuluxGroup businesses grew 3.9pc in improving markets and sales in the Alesco businesses grew 6.4pc (on a six-month pro forma basis) in mixed market conditions.

Earnings before interest and tax rose 58.9pc to \$93.9m from \$59.1m and before non-recurring items were up 27.5pc to \$90.8m from \$71.2m.

Basic earnings per share were 16.2c, up from 8.8c.

Interim dividend has been increased from 8c to 10c, fully franked, payable on June 20 to shareholders registered May 30.

Most **lead** indicators for Australia are now largely positive and we growth in New Zealand markets is expected to continue.

Subject to economic conditions, and excluding non-recurring items, directors expect 2014 net profit to be higher than the 2013 equivalent of \$94.1m.

MD Houlihan said it was a really pleasing result.

"Both the heritage DuluxGroup businesses and the acquired Alesco businesses have delivered solid earnings growth.

"At the same time we have fully integrated the new businesses, delivered synergies ahead of target, and are well-placed to capture ongoing growth opportunities," he said.

"DuluxGroup's heritage businesses have continued to deliver strong results and earnings growth in improving markets.

"These businesses have a consistent track record of growth, despite mixed market conditions over the last few years, and are well placed now that our core ANZ markets have largely returned to growth," said Mr Houlihan.

"The Alesco businesses have generally outperformed in mixed markets conditions, supported by some market share gains and pricing initiatives, and by increased investment in marketing and sales effectiveness.

"We have also restructured the businesses to reflect their end customer markets, and are beginning to see the benefits of leveraging DuluxGroup capability."

SHARE PRICE MOVEMENTS

Shares of DuluxGroup Ltd yesterday rose 3c to \$5.76 Rolling high for the year is \$5.77 and low \$3.98. Dividend is 17.5c to yield 3.04 per cent. Earnings per share is 21.10c while price earnings ratio is 27.30. The **company** has 381 **million** shares on issue with a market cap of \$1.2 **billion**.

In the half, DGL Camel revenue grew 2.3%, despite disposing of the Opel Woodcare business during the period, assisted by foreign exchange translation benefits.

EBIT improved due to margin improvements and fixed cost savings.

Powder Coatings revenue and EBIT both grew, led by favourable conditions in New Zealand and mild growth in the Australian market

There was a slowdown in the PNG economy and a lower Kina continues to impact the PNG results, with a reduction in both revenue and EBIT.

Despite the result, the PNG business remains a profitable market leader in decorative paints.

South East Asia produced a flat EBIT result.

However, corporate costs were broadly in line with the prior year

Costs of fringe benefits tax relating to debt forgiveness on the close-out of the 2010 Long Term **Equity** Incentive Scheme (\$1.5M) and share matching costs of the Employee share Investment Plan (\$0.9M) were offset by further Alesco corporate cost synergies

Changes in accounting standards have impacted the accounting treatment of the Group's defined benefit superannuation scheme (reflected in both periods)

Second half Corporate costs expected to be slightly higher than the first half, due to timing of spend.

BACKGROUND

The Dulux Group is a manufacturer and marketer of products that protect, maintain and enhance the spaces and places in which we live and work.

The **company** makes premium branded decorative paints, texture, protective and woodcare coatings products.

Part of the Group includes Paints New Zealand which is NZ's top marketer and manufacturer of premium branded decorative paints, texture and woodcare coatings products.

Selleys Yates Australia is New Zealand's leading marketer and manufacturer of home improvement and garden care products.

From household rooms transformed by the latest designer colours, to the ripe tomatoes in the garden, to the latest in garage door design and technology, to the industrial coatings that protect landmark infrastructure such as bridges and the construction chemicals that reinforce them.

Its brands have been woven into the fabric of the communities where we operate, helping consumers to live better and more comfortable lives.

DuluxGroup employs about 3,800 people in Australia, New Zealand, Papua New Guinea, South-East Asia and **China**.

Its Operating SegmentsDuluxGroup consists of seven operating segments.

Paints Australia and Paints New Zealand comprise DLX s decorative business including the retail paint, trade paint, Cabot's woodcare, Protective Coatings and Texture Coatings businesses. Brands include Dulux, Berger, British Paints, Walpamur, Cabot's, Intergrain, Feast Watson, Berger, Levene and AcraTex.

Garage Doors and Openers is a manufacturer and marketer of a range of garage doors for domestic and commercial use as well as commercial and residential automatic openers under market leading brands.

Cabinets Hardware and Architectural Hardware is Australia's supplier and distributor of premium hardware and components to the cabinet and furniture making industry; the window door and glazing industries and the niche industrial tape and insulation markets.

Other companies comprise Australia and New Zealand's marketer and manufacturer of powder and industrial coatings, Dulux paints in Papua New Guinea and DuluxGroup's **China** and South-East Asia businesses known as DGL International.

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