

Message from Co-President Wee

Realizing sustainable EPS compounding through the implementation of our Asset Assembler model

Asset Assembler model converting growth opportunities: DuluxGroup on the prowl

DuluxGroup, which joined our Group in 2019, serves as a successful illustration of our [Asset Assembler model](#) in practice.

Already a market leader in the mature Australia and New Zealand markets, DuluxGroup has experienced further rapid growth since it became part of our Group. It now accounts for a significant 25% of our Group's consolidated performance. During the preceding nine years on the ASX, DuluxGroup made nine bolt-on acquisitions. In the following 4 years since joining our Group, the company has ramped up growth with more than 30 acquisitions, an astonishing one acquisition every eight weeks.



Wee Siew Kim

Director, Representative Executive
Officer & Co-President

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When introduced to the core concepts of our Asset Assembler model, the DuluxGroup senior leadership immediately appreciated the merits of retaining autonomy whilst benefitting from the financial and key functional resources of the Group. They relished the opportunity to realize their growth potential, which they have ably converted in the last 4 years.

Post-acquisition, DuluxGroup was empowered to expand in Australia and New Zealand, outperforming not only in their core paint and coatings business, but also pursuing a series of bolt-on acquisitions in sectors like sealants, adhesives, and fillers (SAF), household cleaning and gardening, thereby significantly enhancing our product offerings to key customers and consumers.

Beyond the key home markets, DuluxGroup also made meaningful expansion into the European decorative paints market through relatively small but important beachheads. In 2022 and 2023, DuluxGroup acquired Cromology, JUB and NPT. Together, our new European colleagues and the DuluxGroup teams have started to reinvigorate the market with refreshing insights and differentiating ideas to step change growth rates.

From this point in time, we hope to see improving profitability of our European operations. Not only do we have confidence in our European teams, but we also draw comfort from the DuluxGroup track record of eking out profitable growth even in mature markets. Over 30-plus years, DuluxGroup has patiently piled up its market share by 1% a year in the Australian decorative paints market with new market initiatives while breathing life into historically slower sectors like trade. Improvements will not happen overnight and we will have to adapt our playbook for impact, but everyone involved in our European operations is energized at the growth prospects.

Autonomous by design: Growth through collaboration encouraged for mutual value creation

We have been exemplifying a strategic approach that respects the autonomy of partner companies while fostering an environment for collaborative growth to create mutual value. The partner companies determine their own growth paths. In this business model, the headquarters does not mandate the partner companies to collaborate for growth. Each of the partner company management teams drives growth organically, establishing cross-regional and cross-business collaborations by leveraging the full capabilities of all the partner companies within the Asset Assembler platform only if it is economically sensible from their own respective perspectives. As decisions on where, what and how to collaborate are delegated to the partner companies, whether we gain financially from such interactions depend entirely on the effectiveness of our autonomous and decentralized management teams' business acumen and execution abilities.

One visible demonstration of tangible market progress from inter-partner company collaborations is the growth of the SAF segment and the traction that the SAF brand

“Selleys” has achieved in Asia. Following the acquisition of DuluxGroup, we gained ownership of the SAF brand “Selleys.” Initially, the “Selleys” brand had a strong presence in the retail market, with less emphasis on the industrial sector; as for outside of Australia and New Zealand, it has a very subdued presence.

The respective leaders of the 2 partner companies recognized the potential of the "Selleys" brand, and the value creation that would be possible if we could harness the brand's strengths and product offerings by marrying up with NIPSEA Group's extensive distribution networks across Asia. This collaboration has further triggered nascent ambitions in the SAF business area in NIPSEA Group, leading to the 2021 acquisition of Vital Technical, a Malaysian manufacturer and distributor of SAF products. By integrating market insights and pooling the strengths of both DuluxGroup and Vital Technical, we have successfully expanded the SAF business presence in Asia.

Another example originated from the observation that tools and accessories such as brushes and sandpaper make up approximately 20% of Dunn-Edwards' sales in the United States. We set about studying and extrapolating whether this can also be replicated in Asia, especially with



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our knowledge of the supply chain in this part of the world. Leveraging our proficiency in sourcing high-quality, cost-effective products, we are now building a growing tools and accessories business across NIPSEA Group.

This collaborative and growth-oriented approach, leveraging our autonomous and decentralized management framework among an increasing number of partner companies put together in a financially disciplined manner, underpins our sustainable EPS compounding as Asset Assembler.

Key to sustainability: People, talent and organizational agility

For [sustainability](#) and long-term success, the Group focuses on people, talent, and organizational agility. By prioritizing the well-being and development of our employees, fostering an agile organizational structure, and promoting innovative practices, our Group is better positioned to achieve its EPS compounding goal and drive

EPS

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mutual value creation. As we go about identifying potential future partner companies, we place high priority on the quality of the management teams in the target companies. Having exceptionally talented management teams that can join us, add bench strength, and lead as well as groom future leaders propels our growth strategy forward.

A track record of consistently good performance is certainly a good indicator. Delving into and understanding the context of their success further crystalizes our appreciation of the leaders. Whenever possible with potential partner companies, early engagement of the leaders would lend further insights and take the assessment beyond just intuition. There is no perfect formula for evaluating a management team; it is often down to judgement calls, but we believe we will get better over time.

In our existing stable of partner companies, the vitality of our management teams is sustained through regular talent reviews, career development and rigorous attention to the grooming of successors at multiple levels of the organizations. While each partner company undertakes its own talent identification and grooming processes, flexibility is exercised to allow specific talents to enjoy the benefits of cross-partner company deployments so that the entire Group is all the more enriched as a result. When we do our jobs effectively and talents thrive, the Group will be a sought-after employer. People are so important that

Co-Presidents bear this duty and responsibility together to ensure the long-term sustainability and vitality of the Group for our shareholders and employees.

Recognizing that organizations are dynamic rather than static, ever morphing in reaction to the available talent base and business exigencies, we maintain a posture of agility when it comes to our organization structures. Rather than just merely filling vacancies, we allow the practice of organization malleability depending on the available talents, their aspirations and inclinations and the challenges of the times. This is an acknowledgement that as much as we attempt to have a deep succession bench, there are going to be many occasions when we do not get it exactly right, thereby engendering this need to ensure we do not have rigid organizational structures.

Our Japan Group has demonstrated [this organizational agility](#) this past year. Different organizations have sprung up with the creation of segment-wide resin centers, joint supply chain and production layouts, and senior leaders taking on concurrent Japan-wide responsibilities, as well as new units and teams focusing attention on emerging areas like film and electric mobility. These flurries of activity would seem fast, furious and overwhelming to a large swathe of our colleagues. It remains for senior leadership to explain the intent and bring the people on this journey.

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**Value creation:
Prioritizing technological innovation**

A renewed focus on the Voice of the Customer (VOC) continues to bring in a stream of new ideas on the product, technology and process fronts. In different parts of the Group, we instill disciplined gate processes so that we deploy technical and development resources to the initiatives that would deliver most value to the market and to ourselves. Of late, one such area where we are clearly guided by our customers is the development of carbon-neutral products. The pace of market adoption is

expected to be rapid and we hope to be delivering such environmentally friendly products within the next 3 years.

Nonetheless, we could still miss emerging business opportunities. Through active participation in international and industry fora, we hope our business and technology leaders are able to uncover innovations that may not naturally come through our usual customer and market avenues. Insights gathered from these fora in fields such as materials, new energy, and green technologies are experimented upon with a view of eventually seeing applications into products. This is further supplemented with commitment to open innovation outreach through partnerships with esteemed research institutions such as the University of Tokyo in Japan, the Massachusetts Institute of Technology in the United States and Tsinghua University in China. Through interactions with the academics, our technical talents, especially the colleagues who have chosen to stay on the technology career track, would surely gain in knowledge and understanding, hopefully sprouting technological innovations that would astound the marketplace.

Just this year, technologists across the globe met in Tokyo to commit to work together with an LSI (Leverage, Share, Integrate) mindset so that the Group is stronger than the sum of its parts.

Disciplined cash management

Our Group recognizes that disciplined cash management  is fundamental for operational efficiency and long-term growth strategy. By managing cash flows effectively, the company can mitigate liquidity risks, seize investment opportunities, and maintain resilience in volatile economic conditions. Disciplined cash management is an indelible part of the fabric that weaves together the key tenets of the EPS compounding platform that we endeavor to construct which is: individually autonomous partner companies

helled by strong management leadership teams aligned together by our sole mission of Maximization of Shareholder Value (MSV) such that each can derive the benefits of being part of a bigger group by selectively collaborating and every so often welcoming new partner companies into the fold.

I would further add that sustainably compounding EPS also requires that we sustain investment in facilities and infrastructure that keeps our people working effectively, efficiently and safely. Judiciously balancing capital expenditure, driving asset utilization and eking out the cash flows to fuel future growth are expected of all of our leaders. Even as the Group has adequate financial resources, the discipline and focus on cash management at every operating level hopefully develop the insights and judgement that we continue to spawn generations of leaders to come that we can entrust to make prudent choices.

**Earning trust :
Consistent delivery of promises**

Investor and shareholder trust must be earned. The only way to build this trust is by consistently delivering results through strict adherence to fundamentals. By focusing intently on our sole mission of MSV, we aim to achieve sustainable EPS compounding. I am convinced that our organization's adherence to foundational principles, driven by our competent employees who are confident in our prospects, will undoubtedly secure the trust of our investors and shareholders.

Director, Representative Executive Officer & Co-President