



**GWA**  
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16 August 2011

**ASX On-Line**  
Manager Company Announcements  
Australian Securities Exchange

Dear Sir

**Annual Results Presentation for the Year Ended 30 June 2011**

We enclose the following documentation for immediate release to the market.

- Annual Results Presentation

Yours faithfully

**R J Thornton**  
Executive Director





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# Annual Results Presentation

## 16 August 2011

Presented by:

Peter Crowley

Title:

Managing Director



## Major Successes and Challenges for the Year

- √ Delivering on growth strategy
  - Acquired Gliderol garage doors business in February 2011
- √ Sound operating performance for all businesses despite minor disruption of EBA negotiations
- √ Continued market development improved sales performance
- √ Maximised opportunity from BER and Gov't stimulus spending
- X Sebel sale not completed
- X Lower environmental water heater sales and softening housing demand



## **Acquisitions have Driven Profit Growth**

- Sales up by 11% (flat on like for like basis)
- Trading EBIT of \$107.2 million up 13%
- EPS from continuing operations up 14% to 21 cents
- Full year dividend maintained at 18 cents
- Increased cash generated from operations of \$126 million
- Gliderol and Brivis integration progressing to plan
- Refinanced debt extending facilities to 2014-2016



## Key Performance Indicators are Positive

- Total Injury Frequency Rate improved 14%
- EBIT margin up from 14.4% to 14.8%
- Return on Funds employed up from 16.4% to 17.3%
- Working capital to sales down from 23.9% to 21.8% (target 20%)
- Capital efficiency improved with net debt increasing by \$22 million to \$198 million, after funding \$41 million for Gliderol acquisition
- Total employees down 4% on like for like basis

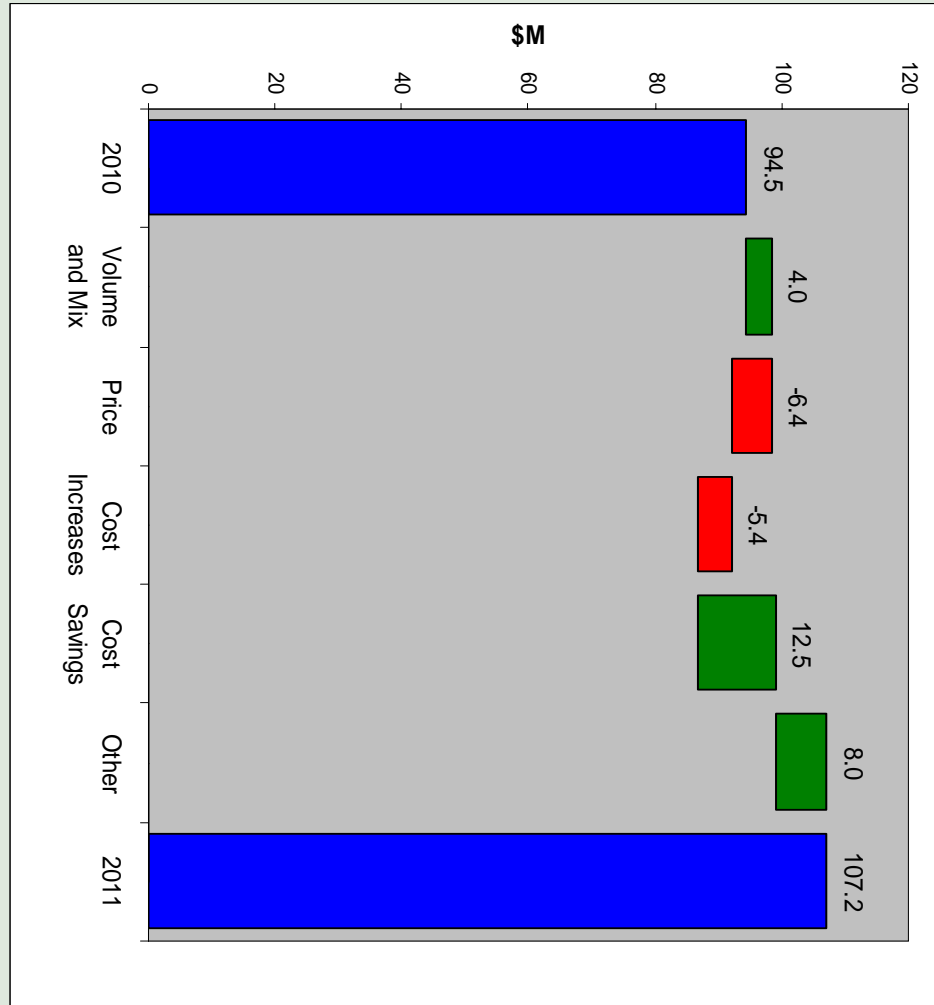


## Results –Year to 30 June 2011

	Full Year	Full Year	
\$Million	<u>2011</u>	<u>2010</u>	Change
Sales Revenue	<b>726.4</b>	656.8	10.6%
Trading EBIT	<b>107.2</b>	94.5	13.3%
EBIT Margin	<b>14.8%</b>	14.4%	
Trading Profit after Tax for Continuing Businesses	<b>63.4</b>	55.5	14.3%
Net Profit after Tax Incl Discontinued Businesses	<b>63.4</b>	48.5	30.6%



# Major Variations in Trading EBIT



Improved product mix and benefit of BER spending

Strong Australian currency required price repositioning

Commodity and wage escalation offset benefit of Australian currency on purchases

Higher labour productivity, lower warranty costs, general reductions

Bravis & Gliderol acquisitions





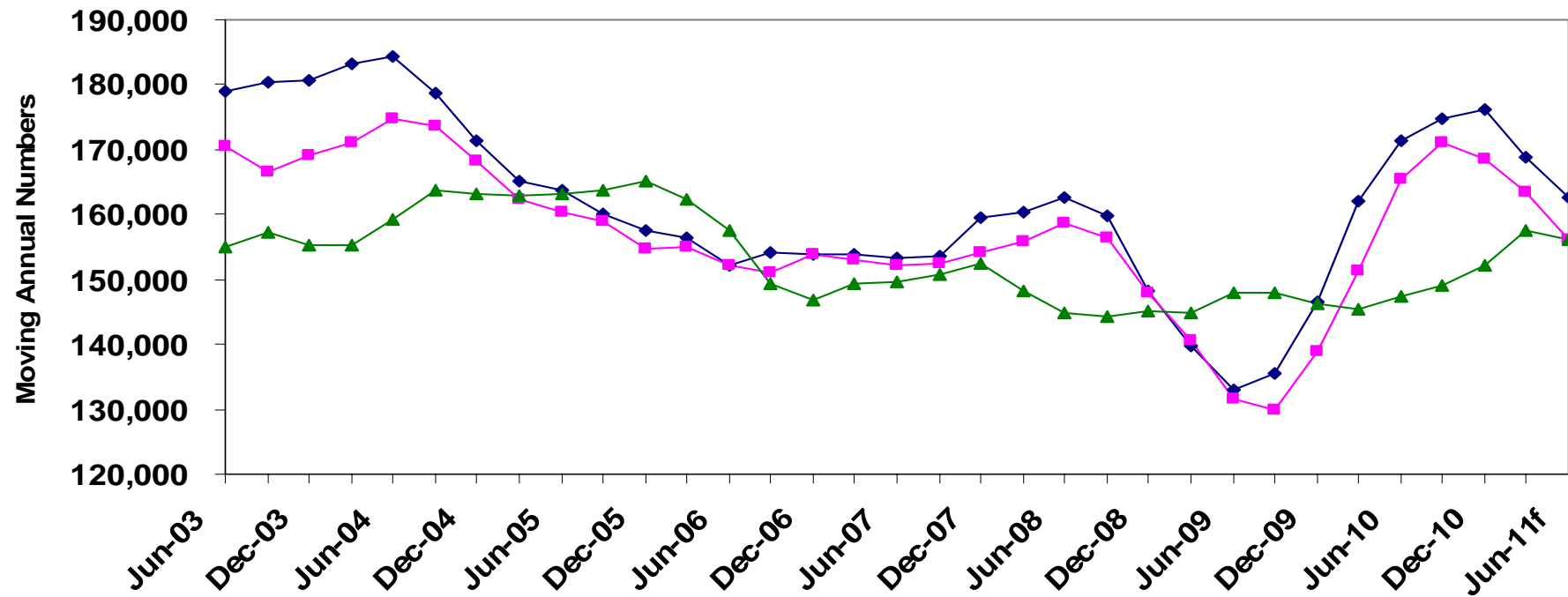
## Ongoing Restructuring Continues to Improve Productivity

Total Employees June 2010	1944
Acquisitions	279
Divestments	Nil
General reductions	(73)
Total Employees June 2011	2150



# Completions have Lagged the Underlying Improvement in Building Approvals

### New Dwelling Activity 12 Month Moving Average



Source: BIS Shrapnel

—◆— Approvals —■— Commencements —▲— Completions



## **Redefined Businesses now Operating Effectively in Expanded Structure**

- Businesses are now managed and reported as
  - Bathrooms & Kitchens
  - Heating & Cooling
  - Door & Access Systems
  - Commercial Furniture
- Defined markets generate approximately \$4 -5 billion in sales activity pa. GWA has around 15% market share
- Growth in product and market adjacencies as well as customer and channel development with the aim to build market share



## Results –Year to 30 June 2011

### Segment Performance – Bathrooms & Kitchens

\$Million	2011	2010	Change
Sales Revenue	<b>339.9</b>	337.4	1%
Segment Result	<b>77.6</b>	74.2	5%
EBIT Margin	<b>22.8%</b>	22.0%	



## Segment Performance – Bathroom & Kitchens

- Underlying sales up 1% with strong first half offset by slower activity in second half
- Wetherill Park performance improved consistently during the year
- Major focus on improving supply chain management and value to customers
- Further restructuring required in 2011/12 to streamline operations and maintain competitiveness



## Results – Year to 30 June 2011

### Segment Performance – Door & Access Systems

\$Million	<b>2011</b>	2010	Change
Sales Revenue <sup>(1)</sup>	<b>114.0</b>	82.9	38%
Segment Result	<b>17.2</b>	14.6	17%
EBIT Margin	<b>15.0%</b>	17.6%	

(1) Includes 5 months Gliderol sales of \$29 million in 2011



## **Segment Performance – Door & Access Systems**

Australian sales up 38% due to Gliderol acquisition and a 3% underlying improvement despite low Queensland building activity

Growth in architectural and commercial market segments with Hillaldam distributorship starting to show growth

Electronic access systems integrating Gainsborough and Gliderol access systems to be released in 2011

Restructuring required in 2011/12 to maintain competitiveness



## Results –Year to 30 June 2011

### Segment Performance – Heating & Cooling

\$Million	2011	2010	Change
Sales Revenue <sup>(1)</sup>	195.3	161.5	21%
Trading EBIT	<b>17.2</b>	14.6	18%
EBIT Margin	<b>8.8%</b>	9.0%	

<sup>(1)</sup> Includes Brivis sales for 12 months in 2011 and 3 months in 2010





## Segment Performance – Heating & Cooling

Growth in Heating & Cooling is a 2-3 year strategy driven by efficiency gains plus new product and market development

**Dux** - Sales down 5% from Government rebate driven sales in prior year. Good recovery in second half

**EcoSmart** – Sales down 28% due to lower demand for solar hot water products

**Brivis** - Poor summer season for evaporative coolers offset by strong winter sales of gas ducted heaters



## Results – Year to 30 June 2011

### Segment Performance – Commercial Furniture

\$Million	2011	2010	Change
Sales Revenue	77.3	74.8	3%
Trading EBIT	8.9	5.7	56%
EBIT Margin	11.6%	7.6%	

Strong demand from Government Building Education Revolution (BER) program continued until third quarter 2011

Final decision on sale process is expected by end of August 2011



## Working Capital Improvement Reflects Continued Focus on Supply Chain Management

\$Million	2011	2010
Cash Generated from Operations	<b>126.0</b>	105.3
Restructuring cash outflows	<b>3.3</b>	6.4
Capital Expenditure (Net)	<b>24.6</b>	14.0



## Financial Metrics Remain Strong

	2011	2010
Net Debt (\$M)	198.1	176.0
Gearing Ratio (Net Debt / Net Debt Plus Equity)	31%	32%
Leverage Ratio (Net Debt / EBITDA)	1.53	1.71
Debt Maturity Profile		
July 2014	200.0	
July 2016	100.0	

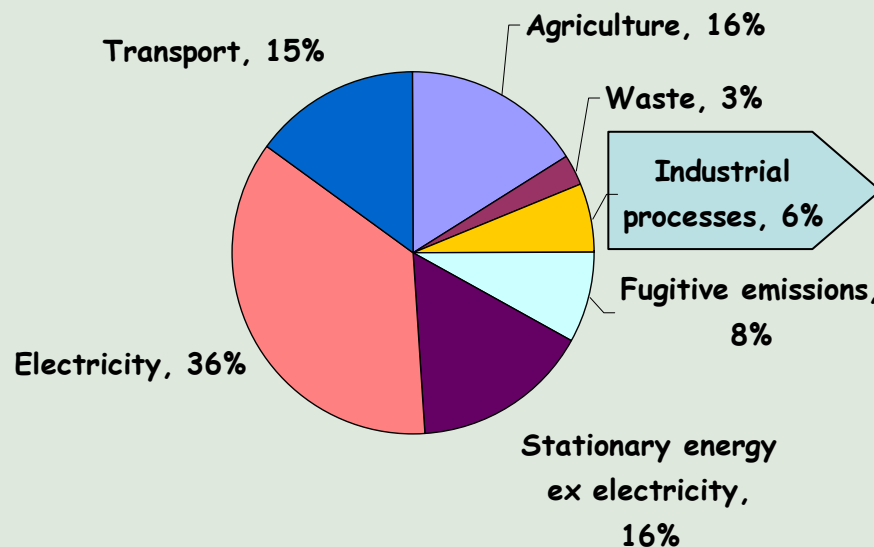


## Ordinary Dividend Maintained

\$Million	2011	2010
Trading profit after tax	<b>63.4</b>	55.5
Trading earnings per share	<b>21.0¢</b>	18.5¢
Reported earnings per share	<b>21.0¢</b>	16.2¢
Ordinary Dividend		
▪ Interim	<b>9.5¢</b>	9.5¢
▪ Final	<b>8.5¢</b>	8.5¢
▪ Total (fully franked)	<b>18.0¢</b>	18.0¢

## GWA does not support a Carbon Tax which Impacts Competitiveness of Australian Manufacturing on Top of Strong A\$

Australian Greenhouse Gas Emissions by Process 2009-10



- Larger sectors such as motor vehicles and agriculture account for 31% of emissions but are excluded
- Tax on electricity is being returned to households
- Tax on internationally exposed large emitters largely refunded
- Industrial processes (such as GWA), employ people, account for 6% of greenhouse gas emissions, and is being taxed to fund direct action plans
- GWA is not identified as a “Big Polluter” but estimated impact of tax is \$1.5 million pa
- Represents a 15% increase in energy cost which must be recovered



## **“So Everything Comes Back to Productivity. It Always Does.” Glenn Stevens**

**July 2011**

- Impact of high Australian currency and cost escalation on competitiveness must be addressed in 2011/12
- This will require plant rationalisations with a greater proportion of sourcing offshore to drive down supply costs
- An 8% workforce reduction is expected in 2011/12
- Restructuring costs and related capital investment will cost approximately \$20 million
- Profit and cash impact will be largely offset by asset sales and working capital improvements



## **We Are Committed to Australian Manufacturing Where it Provides a Source of Competitive Advantage**

- Wetherill Park will remain a core operation but will be phased back to focus on market service. Some further investment will be made to support our value proposition
- Dux Moss Vale plant is currently undergoing an \$18 million upgrade to be competitive
- Die casting and plating operations and associated assembly at Blackburn will close. Keying and related assembly operations at Blackburn are integral to our market offer and will be retained
- Operations for Gliderol and Brivis and Adelaide plastic cisterns remain integral to our market offer
- Restructuring will result in a 25% reduction in our Australian carbon footprint





## **GWA's Strategic Agenda for Inorganic Growth is Unchanged**

- Capacity to fund acquisitions up to \$100 million through debt and \$300-\$400 million through debt plus equity
- Focus is on growth through product (eg. Austral Lock) and/or market adjacencies (eg. Brivis / Gliderol)
- Building Services also provides market adjacency opportunities for growth
- Financial and strategic criteria for growth will be maintained



## 2011/12 Outlook

- Full year benefit from Gliderol acquisition will positively impact results
- Underlying demand expected to reduce 3-4%
- Profit and cash impact of restructure costs and capital requirements largely offset by property sales and working capital improvements
- Given market uncertainty we will be in better position to give guidance at the Annual General Meeting in October
- Dividend payout will be maintained at current levels absent unforeseen circumstances

