



**GWA**  
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19 August 2014

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

Dear Sir

**Annual Results Presentation for the Year Ended 30 June 2014**

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

- Annual Results Presentation

Yours faithfully

**R J Thornton**  
Executive Director





# Annual Results Presentation

## 19 August 2014

Presented by:

Peter Crowley

Title:

Managing Director



## Major Successes & Challenges for the Half Year

- √ Bathrooms & Kitchens (excluding Hot Water) growing strongly with volumes up 5% and revenues up 7% compared to last year
- √ Restructure savings above expectations
- √ Building activity improving with completions strengthening
- √ Strategic review of the Group completed ensuring focus on core assets
- √ Net Debt at \$145 million and maintenance of strong financial metrics
- X Underperformance of the Gliderol garage door business resulted in an impairment of \$17 million against the carrying value of goodwill – performance issues being addressed
- X Supplier transition in the Gainsborough business created supply issues impacting Trading EBIT – supply issues now resolved
- X Hot Water market challenging



## **Improving Conditions in the Second Half offset by Door & Access performance**

- Net Sales 2% better than prior year (1% adjusting for API acquired October 2012)
- Trading EBIT 8% better than prior year
- Bathrooms & Kitchens Net Sales (excluding Hot Water) 7% better than prior year
- Gainsborough Net Sales 2% better than prior year but lower than market growth
- EPS from trading 14.3 cps
- Full year fully franked dividend of 5.5 cents reflects impact of \$17 million impairment of Gliderol



## **Our Market is Changing**

While GWA remains Australia's leading supplier of building fixtures and fittings, our markets are evolving:

- The relationship with our buyers is becoming more equal and also less predictable, through trends such as channel consolidation and digitisation
- Shifts in supply chain are required for us to be more efficient and effective
- Value added by systems and overall supply experience
- Industry boundaries are not what they used to be – innovations from outside of the traditional building and construction spaces are becoming relevant



## **In response to market changes, we have developed a strong argument for our portfolio**

### **Our Mission**

- To be Australia's leading supplier of products and solutions to the residential and commercial building markets

### **What we will do**

- We will be efficient and easy to deal with
- We recognise that time is precious to both our external and internal customers and is a source of value and sustainable competitive advantage
- We recognise markets are changing and will deliver products and solutions that save time for tradesmen, builders and across commercial projects
- We will refocus our business units on their target market segments to ensure they have unmatched understanding of customer needs, able to reach and influence the key decision makers in these segments



## **In response to market changes, we have developed a strong argument for our portfolio**

### **What we will do cont...**

- We will free up our business units to focus on their markets by leveraging corporate functions which will enable:
  - Increased innovation and market insights;
  - Closer customer engagement and information via group information systems;
  - Supply chain efficiencies and responsiveness;
  - A supportive culture and pipeline of appropriately skilled management; and
  - Unmatchable scale
- We will pursue acquisitions which leverage our existing market relationships and scale





## **Growth and Shareholder Return Driven by Focus and Leverage**

- We will focus on our core businesses of Bathrooms & Kitchens and Door & Access Systems where we see strong growth and returns in the future
- We will align and leverage the corporate functions to support the core businesses and deliver efficiencies
- We will divest the non-core assets which are the Dux Hot Water and Brivis Heating & Cooling businesses
- The Board will review options to return a portion of the capital raised from the divestments to shareholders

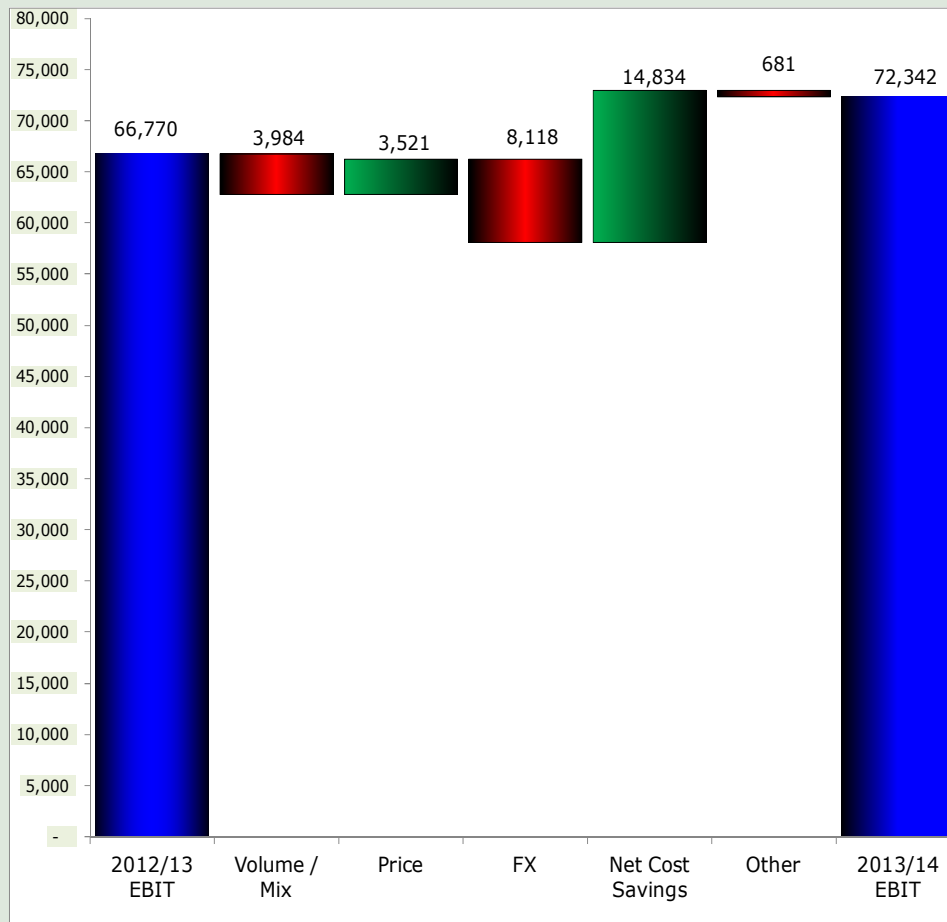


## Results –Year to 30 June 2014

\$Million	<u>FY 14</u>	<u>FY 13</u>	Change
Sales Revenue	<b>578.0</b>	565.4	2%
Trading EBIT	<b>72.3</b>	66.8	8%
EBIT Margin	<b>12.5%</b>	11.8%	
Trading Profit after Tax	<b>43.8</b>	39.3	11%
Net Profit after Tax Inc Restructuring, Impairment and Significant Items	<b>18.6</b>	32.4	-43%



## Trading EBIT Waterfall



- Volume and mix impacted by lower \$margin products in Bathrooms & Kitchens and decline in Hot Water and Garage Door volumes together with supply issues in Gainsborough
- Pricing effective in the 2<sup>nd</sup> half offsetting volume and mix impact
- Net Cost Savings include benefits from restructure, improved factory recoveries in Bathrooms & Kitchens and one time costs associated with Dux Solar Warranty adjustment and Gainsborough supply issues



## Bathrooms & Kitchen - Strong Performance

\$Million	FY 14	FY 13	% Change
Sales	<b>379.2</b>	367.5	3%
Trading			
EBIT	<b>75.0</b>	64.5	16%
EBIT%	<b>19.8%</b>	17.6%	
ROFE	<b>17.2%</b>	14.4%	

- Traditional Bathrooms & Kitchens Net Sales up 7% but skewed to lower \$ margin products as medium to high density dwelling activity increases
- Pricing taken to offset impact of FX
- Aggressive market pricing impacted Hot Water Margins but volumes increased
- Selling, General & Administration costs down 9%





## Heating & Cooling Share Gains in Victorian Market

\$Million	FY 14	FY 13	% Change
Sales	62.8	58.8	7%
Trading EBIT	5.7	6.2	-9%
EBIT%	9.0%	10.6%	
ROFE	12.6%	13.0%	

- Share gained in core categories
- Strong winter season for ducted gas heater sales
- Strong Growth in Evaporative Cooler Sales up 40% on prior year
- Increased investment in IT and New Product Development





## Door & Access Systems Gainsborough Supply Disruption & Gliderol Issues

\$Million	FY 14	FY 13	% Change
Sales	136.6	140.9	-3%
Trading EBIT	3.9	10.9	-64%
EBIT%	2.9%	7.7%	
ROFE	4.4%	10.6%	

- Underlying sales down by 7% adjusting for API which was acquired in October 2012
- Gainsborough EBIT down \$5 million year on year due to supply issues
- Gliderol starting to improve with focus on key market segments and Channel partners





## Cash Flow Reflects Inventory Build in Core Businesses for Market Improvement

\$Million	<u>FY 14</u>	<u>FY 13</u>
Cash generated from continuing operations	<b>63.5</b>	98.4
Restructuring Cash Flows	<b>-4.3</b>	-13.6
Cash Flow Associated with One Time Significant Items	<b><u>-5.1</u></b>	<u>-1.2</u>
Cash generated from Operations	<b>54.1</b>	83.6
Property / asset sales	<b>6.7</b>	2.3
Capital Expenditure	<b>-5.6</b>	-14.7



## Financial Metrics Remain Strong

	<u>FY 14</u>	<u>FY 13</u>
Net Debt (\$M)	<b>145.1</b>	162.2
Gearing Ratio (Net Debt / Net Debt Plus Equity)	<b>26%</b>	28%
Leverage Ratio (Net Debt / EBITDA)	<b>1.67</b>	1.92
Debt Maturity Profile		
July 2016	<b>200.0</b>	
July 2018	<b>75.0</b>	





## Fully Franked Dividend of 5.5 cents per share impacted by Gliderol Impairment

\$Million	<u>FY 14</u>	<u>FY 13</u>
Trading profit after tax	<b>43.8</b>	39.3
Trading earnings per share	<b>14.3¢</b>	12.9¢
Reported earnings per share	<b>6.1¢</b>	10.6¢
Ordinary Dividend		
▪ Interim	<b>0.0¢</b>	6.0¢
▪ Final	<b>5.5¢</b>	6.0¢
▪ Total (fully franked)	<b>5.5¢</b>	12.0¢

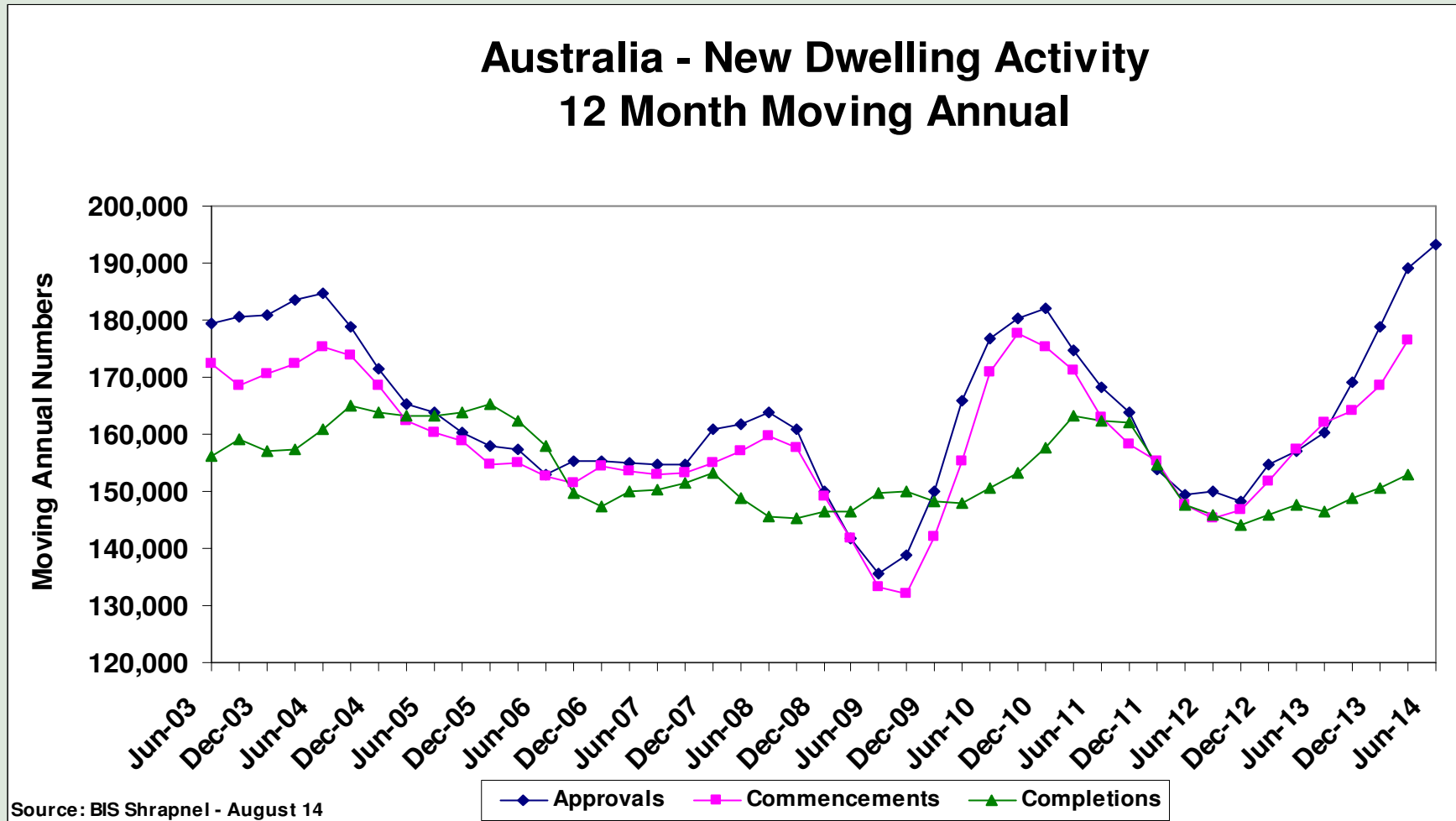


## Priorities For FY 15 – Growth & Leverage

- Continue to develop our focus on Bathrooms & Kitchens target market segments
- Rebuild market share in Door & Access focusing on key market segments
- Divest Dux and Brivis through a process managed by Greenstone Partners in Sydney
- Align the organisation to ensure maximum leverage and efficiency
- Maintain our strong financial metrics
- Improve Shareholder returns



# Housing Activity Improving and Will Continue Through FY 15





## **FY 15 Outlook**

- Market activity has improved with completions forecast to increase through FY 15
- Price increases taken through FY 14 are offsetting the impact of FX
- The supply issues seen in the Gainsborough business are behind us
- Gliderol improvements are slowly starting to show
- A first quarter review will be given at the Annual General Meeting in October



## **Non-IFRS Financial Measures**

Given the significance of the restructuring expenses and significant items the Directors believe the presentation of non-IFRS financial measures is useful for the users of this document as they reflect the underlying financial performance of the business. The above non-IFRS financial measures have not been subject to review or audit by KPMG.



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