



**GWA**  
Group Limited

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16 February 2016

**ASX On-Line**

Manager Company Announcements  
Australian Securities Exchange

Dear Sir

**Financial Results Presentation for the Half Year Ended 31 December 2015**

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

- Half Year Results Presentation

On 16 February 2016 at 10:00 am (AEDT), GWA will be hosting a webcast of its FY16 half year results briefing. The webcast is accessible via the GWA website at [www.gwagroup.com.au](http://www.gwagroup.com.au).

Yours faithfully

**R J Thornton**  
Executive Director



# Results Presentation

16 February 2016



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# Disclaimer



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**This presentation contains non-IFRS financial measures to assist users to assess the underlying financial performance of the Group.**

**The non-IFRS financial measures in this presentation were not the subject of a review or audit by KPMG.**



# Agenda



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CEO

Group financial results

Patrick Gibson  
Chief Financial Officer

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Patrick Gibson

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# Improvement across key metrics



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## Normalised from Continuing Operations\*

<b>Revenue</b> \$220.2m	3.9%	<b>Gearing Ratio</b> 22%	1pp
<b>EBITDA</b> \$39.8m	2.2%	<b>Operating Cashflow</b> \$32.5m	24.6%
<b>EBIT</b> \$36.8m	5.5%	<b>EPS</b> 8.67 cents	18.8%
<b>NPAT</b> \$24.2m	18.6%	<b>Interim Dividend</b> 7.0 cents	n/m

\*Continuing Operations exclude the Bravis Climate Systems and Dux Hot Water businesses which were divested in FY15 and the Gliderol Garage Doors business which was divested on 31 July 2015. Normalised is before Significant Items.



# First half result in strategic context



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**Sustainable revenue growth opportunities**



- Group revenue up 4% broadly in line with market growth
  - Bathrooms & Kitchens sales up 4%
  - Door & Access Systems sales up 3%
- Market share higher in 2<sup>nd</sup> quarter from growth initiatives
- GWA end markets (dwelling completions, non-res, renovation & replacements)\* up ~5%

2

**Targeting further cost efficiencies**



- Continued strong focus on cost control – Group EBIT up 6%
  - Restructuring reduces corporate costs by 9%
  - Further cost reductions expected in 2<sup>nd</sup> half

3

**Working capital management**



- Higher inventory from impact of lower A\$ and stock build to support new product releases
- Expect working capital to reduce in 2<sup>nd</sup> half due to Integrated Business Planning implementation

4

**Shareholder value creation**



- Strong financial position maintained
- Resumption of ordinary dividends as previously advised – interim dividend of 7.0 cents per share fully franked
- Share buy back implemented from 1 December – EPS accretive
- Expect 2<sup>nd</sup> half earnings to be higher than first half

\* BIS Shrapnel data

# Capital management - maximise shareholder returns



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<b>Strong financial position enables Board to implement capital management initiatives</b>		<ul style="list-style-type: none"><li>▪ Resumption of ordinary dividends as previously advised</li><li>▪ Interim dividend of 7.0 cents per share (fully-franked) payable on 5 April 2016</li><li>▪ On market share buyback implemented from 1 December 2015<ul style="list-style-type: none"><li>▪ EPS accretive</li><li>▪ ~72% of \$30M buy-back complete at 12 February 2016</li></ul></li></ul>
<b>Board announces Dividend Policy</b>		<ul style="list-style-type: none"><li>▪ Board expects to pay ordinary dividends in range of 65-85% of NPAT, subject to prevailing trading and market conditions</li><li>▪ Dividend policy balances shareholder value creation with continuing strong financial position</li></ul>
<b>Continued focus on capital management to maximise shareholder value</b>		<ul style="list-style-type: none"><li>▪ Board will continue to consider all available capital management initiatives with a view to maximising shareholder returns</li></ul>



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# Earnings and NPAT ahead of prior period



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A\$m	Half Year Dec 14		Half Year Dec 15	
	Continuing Operations	Discont'd Operations	Group Total Operations	Group Total Operations
<b>Normalised</b>				
EBIT DA	40.7	7.4	48.1	39.8 (0.5)
EBIT	34.9	5.0	39.9	36.8 (0.6)
NPAT	20.4	3.7	24.1	24.2 (0.4)
<b>Significant Items</b>				
Pre Tax	(44.3)	(7.1)	(51.4)	0.0
Post Tax	(31.0)	(5.9)	(36.9)	0.0
<b>Reported</b>				
EBIT DA	(3.6)	0.3	(3.3)	39.8 (0.5)
EBIT	(9.4)	(2.1)	(11.5)	36.8 (0.6)
NPAT	(10.6)	(2.2)	(12.8)	24.2 (0.4)
EPS (cents)	(3.80)	(0.78)	(4.58)	8.67 (0.15)



# Net profit up 19% on prior period



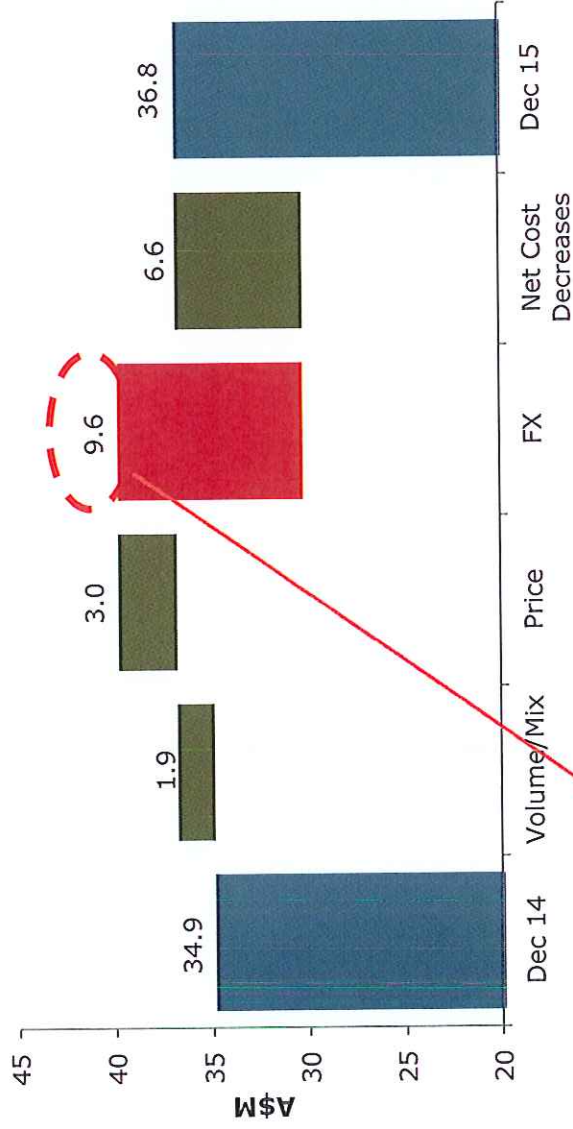
Continuing Operations A\$m	Half Year Dec 14	Half Year Dec 15	% Change
Revenue	212.0	220.2	3.9%
EBIT	34.9	36.8	5.5%
Interest Expense	(4.7)	(3.3)	-29.8%
Tax Expense	(9.8)	(9.3)	-5.1%
NPAT (Normalised)	20.4	24.2	18.6%
Significant Items After Tax	(31.0)	0.0	-100.0%
NPAT (Reported)	(10.6)	24.2	328.3%

- Normalised net profit from Continuing Operations up 19% on prior corresponding period
- Normalised EBIT up 6% driven by improved earnings in Bathrooms & Kitchens and Door & Access Systems and lower costs
- Lower net interest expense reflects strong financial position from lower debt
- No significant items in first half FY16

# Continuing Operations EBIT up 6%



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- Volumes / mix and market share improved in 2<sup>nd</sup> quarter from growth initiatives
- Price increases to partially recover FX implemented
- Expect further price recovery in 2<sup>nd</sup> half to mitigate lower A\$, however do not expect full FX recovery in FY16
- Project One restructure leads to further cost savings to offset cost increases

- FX impact in first half driven by 11% decline in A\$/US\$
- GWA has ~75% hedged FX coverage to 30 June 2016 at US\$0.71



# Operating cash flow to recover in 2<sup>nd</sup> half



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Cash flow from Operations A\$M	Half Year Dec 14	Half Year Dec 15
<b>EBITDA</b>	<b>40.7</b>	<b>39.8</b>
Net movement in Working Capital	1.8	(7.1)
Other	0.6	(0.2)
<b>Cash Flow from Operations</b>	<b>43.1</b>	<b>32.5</b>
Capital Expenditure	(1.9)	(0.9)
Restructuring / Other costs	(12.5)	(8.5)
Net Interest Paid	(4.6)	(3.1)
Tax Paid	(6.8)	(14.1)
Other Non-operating Cash flow	0.0	0.0
<b>Free Cash Flow from Continuing Operations</b>	<b>17.3</b>	<b>5.9</b>
Discontinued Operations	45.3	5.6
<b>Free Cash Flow</b>	<b>62.6</b>	<b>11.5</b>

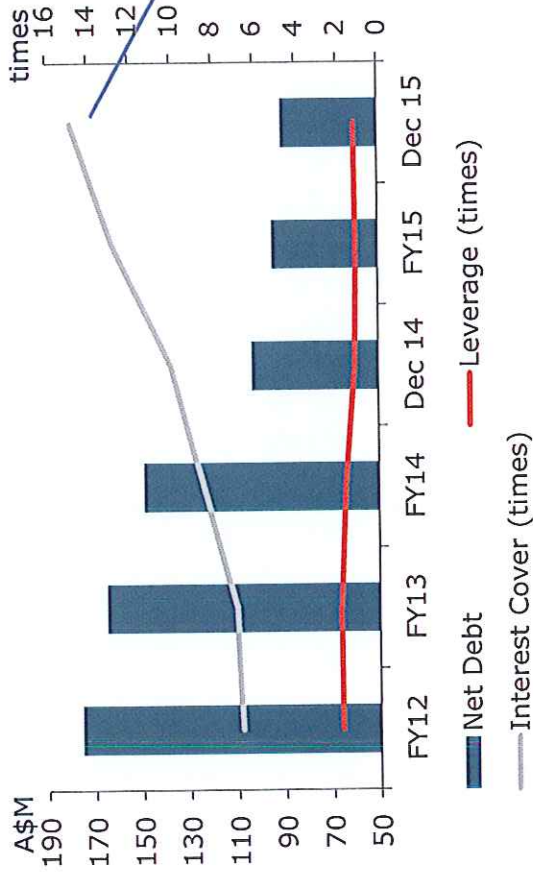
- Increase in stock levels to support new product releases in first half (tapware, sanitaryware) and lower A\$ – working capital expected to reduce in 2<sup>nd</sup> half
- Cash restructuring costs in line with prior guidance - reflect exit of manufacturing and other restructuring initiatives
- Cash tax paid increased due to timing of prior year payment

# Continued strong financial position



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## Net debt reduced by 12% on pcp



Metric	30 June 2014	31 Dec 2014	30 June 2015	31 Dec 2015
<b>Net Debt</b>	149.4	103.5	94.8	90.8
<b>Leverage Ratio</b> Net Debt / EBITDA	1.7	1.2	1.1	1.2
<b>Interest Cover</b> EBITDA / Net Interest	8.5	10.0	12.8	14.8
<b>Gearing</b> Net Debt / (Net Debt + Equity)	26%	21%	24%	22%

- Credit metrics continue to be consistent with investment grade
- Syndicated banking facility extended in October 2015 – single 3-year revolving facility maturing October 2018 which provides enhanced financial flexibility to invest in core businesses
- GWA remains in strong financial position – supporting capital management initiatives



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# Bathrooms & Kitchens revenue up 4%



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Continuing Operations A\$m	Half Year Dec 14	Half Year Dec 15	% Change
Revenue	163.0	169.8	4.2%
EBITDA	43.4	42.0	-3.2%
EBIT	40.3	41.0	1.7%
EBIT Margin %	24.7%	24.2%	-0.5pp
ROFE %	20.7%	23.0%	2.3pp

- Revenue up 4% broadly in line with end markets
- Market share improvement in 2<sup>nd</sup> quarter
- Positive market response to launch of new tapware and bathware products
- EBIT Margins maintained and EBIT up 2% from improved volume/mix and lower cost base, partially offset by FX impact of lower A\$
- Effective price increases of ~5% implemented in September - planned price increases of ~4 per cent to be implemented in March 2016



# Door & Access Systems revenue up 3%



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Continuing Operations A\$m	Half Year Dec 14	Half Year Dec 15	% Change
Revenue	49.0	50.4	2.9%
EBITDA	4.1	4.5	9.8%
EBIT	3.4	3.8	11.8%
EBIT Margin %	7.0%	7.6%	0.6pp
ROFE %	12.4%	14.3%	1.9pp

- Divestment of Gliderol enables focus on Gainsborough and API businesses
- Reorganised sales team focused on core business
- Revenue up 3%
- EBIT up 12% from improved price partially offset by higher FX costs for product purchases due to lower A\$

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# FY16 Outlook



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## 1 Sustainable revenue growth opportunities

- Expect the market to grow in the second half albeit more slowly, off a high base, than in first half FY16.
- Focus on growth initiatives (New products, customer strategies) – strong order bank
- Price increases implemented in 2<sup>nd</sup> half in response to lower A\$ impact on unhedged exposure - continue to assess potential impact of pricing on business

## 2 Targeting further cost efficiencies

- FX hedging to mitigate impact of higher input costs from lower A\$ - GWA hedged 75% to 30 June 2016 at US\$0.71
- Expect further cost reductions in 2<sup>nd</sup> half from Project One

## 3 Efficient working capital management

- Expect ~\$10million working capital reduction in 2<sup>nd</sup> half from lower inventory
- Cashflow from operations expected to improve in 2<sup>nd</sup> half

## 4 FY16 earnings

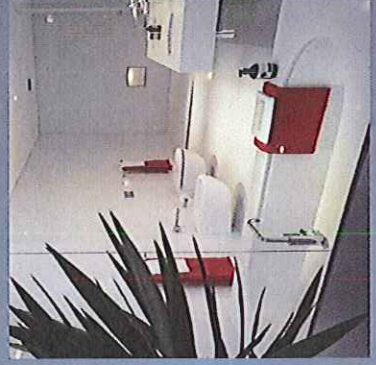
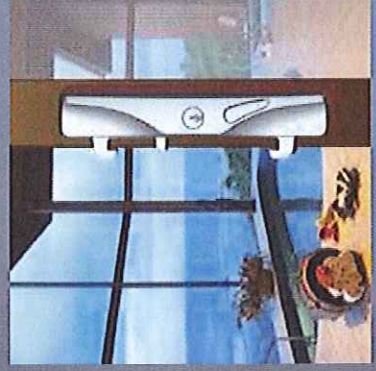
- Strong platform established in first half to drive improved EBIT in 2<sup>nd</sup> half – expect Q4 to be stronger than Q3 due to trading days / holidays
- Continue to expect earnings in 2<sup>nd</sup> half to be higher than first half
- Final dividend consistent with dividend policy, expected to be fully franked
- Investor Market Briefing scheduled for 21<sup>st</sup> April 2016

# Results Presentation

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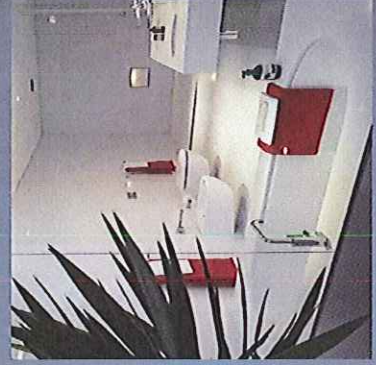
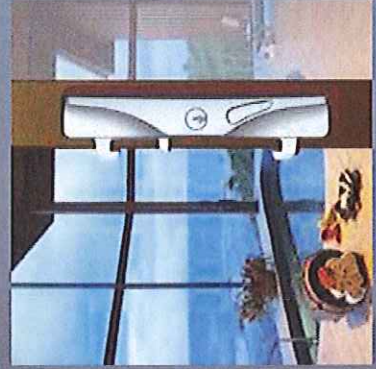




# Appendix



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# Significant items



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Significant Items A\$m	Half Year Dec 14	Half Year Dec 15
<b>Continuing Operations</b>		
Factory Closures	40.5	0.0
Restructuring Costs	1.3	0.0
Other	2.5	0.0
<b>Significant Items from Cont. Ops Pre Tax</b>	<b>44.3</b>	<b>0.0</b>
<b>Discontinued Operations</b>		
Non cash impairment	1.5	0.0
Divestments / Other	5.6	0.0
<b>Significant Items from Discontinued Ops Pre Tax</b>	<b>7.1</b>	<b>0.0</b>
<b>Group Total Significant Items Pre Tax</b>	<b>51.4</b>	<b>0.0</b>
Tax benefit on Significant Items	(14.5)	0.0
<b>Group Total Significant Items After Tax</b>	<b>36.9</b>	<b>0.0</b>



# Appendix – Proforma 5 year summary



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A\$m	FY11	FY12	FY13	FY14	FY15	Half Year Dec 14	Half Year Dec 15
<b>Revenue</b>							
Bathrooms & Kitchens	332.4	297.8	286.3	306.6	330.0	163.0	169.8
Door & Access Systems	85.1	78.9	89.8	92.8	96.2	49.0	50.4
<b>Total Cont'd Ops</b>	<b>417.5</b>	<b>376.7</b>	<b>376.1</b>	<b>399.4</b>	<b>426.2</b>	<b>212.0</b>	<b>220.2</b>
<i>Discontinued Ops **</i>	224.1	225.4	189.2	178.6	121.6	94.9	4.8
Group Total	641.6	602.1	565.3	578.0	547.8	306.9	225.0
<b>Normalised EBIT</b>							
Bathrooms & Kitchens	76.2	60.9	60.4	73.0	83.3	40.3	41.0
Door & Access Systems	14.4	12.0	11.8	8.4	7.2	3.4	3.8
Corporate *	(12.7)	(15.2)	(17.2)	(16.9)	(17.7)	(8.8)	(8.0)
<b>Total Cont'd Ops</b>	<b>77.9</b>	<b>57.7</b>	<b>55.0</b>	<b>64.5</b>	<b>72.8</b>	<b>34.9</b>	<b>36.8</b>
<i>Discontinued Ops **</i>	22.0	17.7	11.8	7.8	1.5	5.0	(0.6)
Group Total	99.9	75.4	66.8	72.3	74.3	39.9	36.2

\* Corporate Costs include some costs previously allocated to Discontinued Operations

\*\* FY15 / FY16 Discontinued Operations represents only part year contribution of divested businesses

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