GWA
Group Limited

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22 August 2016

ASX On-Line
Manager Company Announcements
Australian Securities Exchange

Dear Sir

Annual Results Presentation for the Year Ended 30 June 2016

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

- Annual Results Presentation

On 22 August 2016 at 10:00am, GWA will be hosting a webcast of its FY16 results briefing. The webcast is accessible via the GWA website at www.gwagroup.com.au.

Yours faithfully

R J Thornton
Executive Director

Results Presentation

22 August 2016

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Disclaimer

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

Overview	Tim Salt Managing Director
Group financial results	Patrick Gibson Chief Financial Officer
Segment results	Patrick Gibson
Summary and outlook	Tim Salt

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Overview | Group results | Segment results | Outlook | Appendix

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Significant progress made in FY16

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Overview | Group results | Segment results | Outlook | Appendix

#1

- **Strong financial result* compared to prior year**
  - Revenue up 3%
  - Net Profit After Tax up 15%
  - Earnings Before Interest and Tax up 8%
  - Improved Group EBIT margin - up 0.7 ppts
  - Return on Funds Employed up 2.6 ppts

#2

- **Financial position strengthened further**
  - Net debt down 7%
  - Credit metrics improved further
  - Strong cashflow generation - operating cashflow up 12%

#3

- **Continued focus to maximise shareholder value**
  - Resumption of ordinary dividends – final ordinary dividend 8 cents per share, fully-franked
  - Special dividend 1 cent per share fully-franked
  - Total full-year dividends 16 cents per share – payout ratio 79%
  - On-market share buy back complete – EPS accretive (EPS up 29%)

#4

- **Progressing strategic priorities**
  - Focus on NPD – Launch of Caroma Cleanflush and strengthening NPD pipeline
  - Implemented Integrated Business Planning – lower inventory, improved working capital
  - Cost base further reduced

* Normalised from Continuing Operations which exclude the Brivis 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

Result consistent with market guidance

#	What we said		Results for FY16
1	EBIT higher in 2nd half vs 1st half FY16	✓	• EBIT in 2nd half up 13% on first half
2	~$10m reduction in working capital	✓	• Inventory reduction of $14m in 2nd half – contributes to 12% increase in operating cashflow
3	Further cost reductions from restructuring	✓	• Restructure contributes to reduction in corporate costs
4	No significant items - Continuing Operations	✓	• No Significant Items in FY16 from Continuing Operations
5	Dividend Policy 65-85% NPAT	✓	• Final Ordinary Dividend 8 cents per share • Full year dividend 15 cents per share + 1 c / share special - 79% total dividend payout ratio

Improvement across all key metrics

Normalised from Continuing Operations*					
Revenue $439.7m	↑	3.2%	**Gearing Ratio** 22%	↓	2pp
EBITDA $84.3m	↑	3.2%	**Operating Cashflow** $91.7m	↑	12.2%
EBIT $78.3m	↑	7.6%	**EPS** 19.0 cents	↑	28.6%
NPAT $51.9m	↑	14.8%	**Dividend** Final Ordinary 8c Special 1c**	↑	n/m

*Continuing Operations exclude the Brivis 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. ** Special Dividend from resolution of Carrier dispute (Discontinued Operations).

Good progress on strategy

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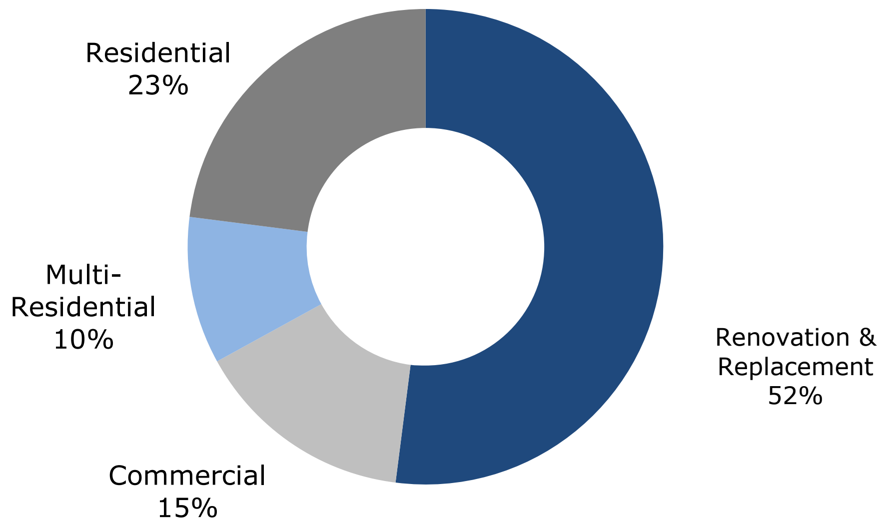
Strategic Priority	Update on Progress
Leverage and build on core assets & brands to drive revenue and market share growth	• Launch of Cleanflush – initial sales strong, ranged in 200+ Reece showrooms • NPD pipeline approved and prioritised • Improved speed to market for product imports (e.g. Milan to Australia)
Add value to customers through improved insights, analytics and processes	• GWA + customer joint planning sessions – mutual targets/initiatives • Tailored product innovation plans being developed for major customers • Dedicated internal resources for customer roles for key large customers • Reorganisation and capability improvement of D&A sales team • Electronic, automated process order systems implementation (EDI,OCR)
Build "fit for future" culture, engagement and capability	• Leadership development - greater accountability and agility • Sales capability standard being implemented for key staff • Talent management process improvement and employee engagement
Build an advantaged Supply Chain to deliver superior NPD, Quality and Service at best cost	• Integrated Business Planning – assists working capital improvement in 2H • Decentralised inventory (Q4 FY17) – new track and trace capability • Implementing dual-sourcing capability for supply assurance

Drive cost out in SG&A and Supply Chain to improve profitability and allow selective reinvestment	• Group restructuring - continued reduction in corporate costs
	• Network optimisation: new sea freight partner appointed, establish Asian consolidation centres (Q2 FY17)
	    • cheaper freight
	    • improved container yield
	    • direct to port shipping

Weighted end market growth 4% in FY16

GWA end market exposure[1]



Market activity FY16[2]

Residential detached house completions	Strong pipeline remains from lag between approvals and completions Increased by 5% in FY16
Multi-Residential	Activity slowing from record peak Value of work done increased by 7%
Commercial	Increase in aged care, offset by reduced activity in health care Declined 3% (MAT)
Renovation & Replacement	Overall market remains relatively flat Increased 2% (MAT)

Weighted average of end markets up 4%

1. Source: GWA estimates, Australia market B&K (FY16) only
2. Source: BIS Shrapnel

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Strong increase in earnings, NPAT & EPS

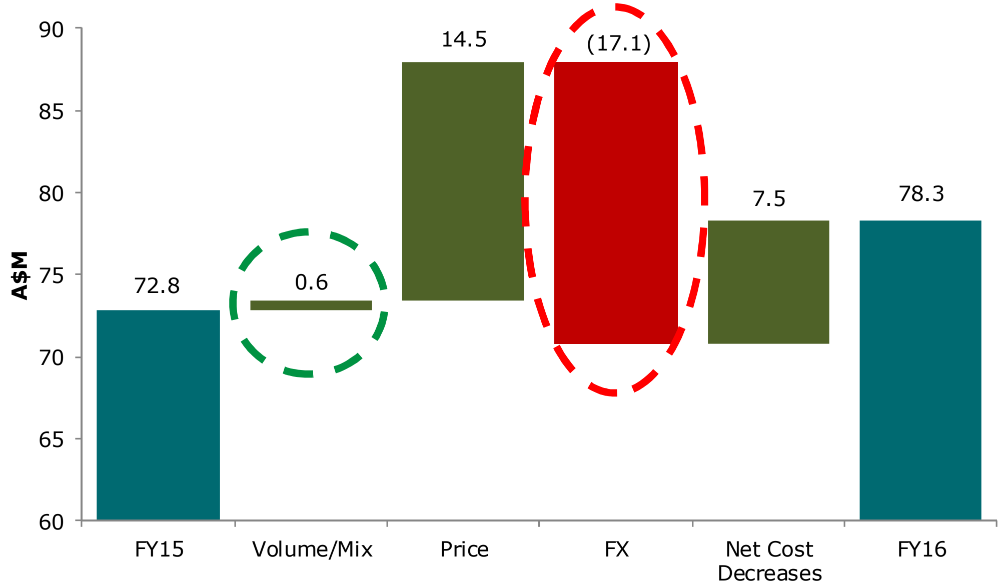
A$m	FY15 Continuing Operations	FY15 Discont'd Operations	FY15 Group Total	FY16 Continuing Operations	FY16 Discont'd Operations	FY16 Group Total
Normalised						
EBITDA	81.7	5.1	86.8	84.3	(0.5)	83.8
EBIT	72.8	1.5	74.3	78.3	(0.6)	77.7
NPAT	45.2	1.0	46.2	51.9	(0.2)	51.7
Significant Items						
Pre Tax	(51.6)	(30.2)	(81.8)	0.0	2.8	2.8
Post Tax	(34.8)	(27.6)	(62.4)	0.0	2.0	2.0
Reported						
EBITDA	30.2	(25.1)	5.1	84.3	2.3	86.6
EBIT	21.2	(28.7)	(7.5)	78.3	2.2	80.5
NPAT	10.4	(26.6)	(16.2)	51.9	1.8	53.7
EPS (cents)	3.4	(8.7)	(5.3)	19.0	0.6	19.7

Net profit up 15% on prior period

Continuing Operations A$m	FY15	FY16	% Change
Revenue	426.2	439.7	3.2%
EBIT	72.8	78.3	7.6%
Interest Expense	(7.3)	(6.6)	-9.6%
Tax Expense	(20.3)	(19.8)	-2.5%
NPAT (Normalised)	45.2	51.9	14.8%
Significant Items After Tax	(34.8)	0.0	-100.0%
NPAT (Reported)	10.4	51.9	399.0%

- Normalised net profit from Continuing Operations up 15% on prior corresponding period
- Normalised EBIT up 8% driven by improved earnings in Bathrooms & Kitchens and lower cost base
- Lower net interest expense reflects strong financial position from lower debt
- No significant items in FY16 from Continuing Operations

Continuing Operations EBIT up 8%



- Improved mix in B&K from higher margin products and price increases offset by decline in A$ vs prior year
- Market volume growth higher in Multi-Res and lower margin products – not a core focus for GWA
- Price increases implemented but FX impact of 13% decline in A$/US$ vs prior year not fully recovered in FY16
- Further reduction in cost base to address cost inflation
- Focus on margin resilience - Group EBIT margin 17.8% up 0.7ppts from FY15

Operating cashflow up 12%

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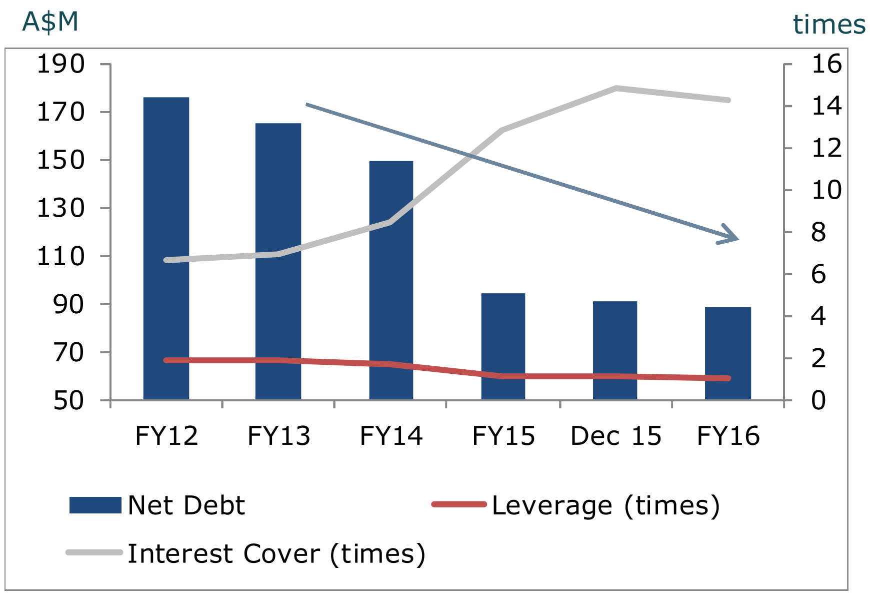
Cash flow from Operations A$M	FY15	FY16
EBITDA	**81.7**	**84.3**
Net movement in Working Capital	(1.8)	6.3
Other	1.8	1.1
Cash Flow from Operations	**81.7**	**91.7**
Capital Expenditure	(3.4)	(3.5)
Restructuring / Other costs	11.8	(11.4)
Net Interest Paid	(7.4)	(6.2)
Tax Paid	(11.4)	(19.8)
Other Non-operating Cash flow	0.0	0.0
Free Cash Flow from Continuing Operations	**71.3**	**50.8**
Discontinued Operations	88.8	4.1
Free Cash Flow	**160.1**	**54.9**

- Significant improvement in Operating cashflow in 2nd half
- Lower inventory and focus on integrated business planning drives working capital improvement in 2nd half
- Capex in line with prior year – some projects delayed to FY17 – expect total Capex in FY17 $7 - 9m
- Cash restructuring costs reflect exit of manufacturing and other restructuring initiatives (no P&L impact)
- Cash tax paid increased due to timing of prior year payment

Financial position strengthened further

Net debt reduced by 7% on FY15



Metric	30 June 2014	30 June 2015	31 Dec 2015	30 June 2016
Net Debt	149.4	94.8	90.8	88.4
Leverage Ratio *Net Debt / EBITDA*	1.7	1.1	1.2	1.1
Interest Cover *EBITDA / Net Interest*	8.5	12.8	14.8	14.3
Gearing *Net Debt / (Net Debt + Equity)*	26%	24%	22%	22%

- Further improvement in credit metrics - continue to be consistent with investment grade
- Syndicated banking facility extended in October 2015 – single 3-year revolving $225 million facility maturing October 2018
- Significant headroom within facilities - provides enhanced financial flexibility

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Bathrooms & Kitchens revenue up 4%

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Continuing Operations A$m	FY15	FY16	% Change
Revenue	330.0	342.0	3.6%
EBITDA	87.7	86.6	-1.3%
EBIT	83.3	84.6	1.6%
EBIT Margin %	25.2%	24.7%	-0.5pp
ROFE %	22.5%	24.1%	1.6pp

- Revenue up 4% broadly in line with end markets
- Strong sales growth QLD (+12%), NSW and VIC (+6%), partially offset by WA and SA (-6%)
- EBIT up 2% - improved mix and price offset by 13% decline in A$
- Focus on margin - EBIT Margin up in 2nd half vs 1st half FY16 from improved mix and lower costs
- Strong increase in ROFE – new operating model from exit of manufacturing and focus on effective capital deployment

Door & Access Systems revenue up 2%

Continuing Operations A$m	FY15	FY16	% Change
Revenue	96.2	97.7	1.6%
EBITDA	8.6	8.7	1.2%
EBIT	7.2	7.3	1.4%
EBIT Margin %	7.5%	7.5%	-0.0pp
ROFE %	13.2%	13.7%	0.5pp

- Revenue up 2% on prior year
- Stronger sales in NSW (+7%), VIC (+12%) offset by WA (-7%)
- D&A business has larger exposure to WA market which has declined in FY16
- EBIT marginally ahead of prior year from improved price, cost reductions, offset by higher FX costs for product purchases due to lower A$
- Reorganised sales team focused on core business

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FY17 Outlook

1 Market activity	▪ Renovation & Replacement segment expected to be relatively stable ▪ Recent approvals data point to expected slow-down in construction, however, continued lag between approvals and completions and pipeline of work, yet to be completed, support continued demand for our products & brands in FY17
2 Continued focus on margin resilience	▪ Continue to address cost savings for reinvestment and margin resilience ▪ FX hedging to mitigate impact of higher input costs from lower A$ - GWA hedged ~70% to 30 June 2017 at US$0.71
3 Embed Group strategy on core priorities	▪ Continue to embed Group strategy focused on core priorities ▪ Leverage recent launch of Caroma Cleanflush through increased ranging to drive growth in sanitaryware – focus on R&R segment ▪ New product launches focused on R&R segment (Taps, Showers) from strengthened NPD pipeline ▪ Dedicated sales team in D&A focused on commercial segment
4 Market update	▪ Update at AGM on 28 October 2016

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22 August 2016

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Appendix

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Significant items

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Significant Items A$m	**FY15**	**FY16**
Continuing Operations		
Factory Closures	(39.3)	0.0
Restructuring Costs	(13.3)	0.0
Other	1.0	0.0
Significant Items from Cont. Ops Pre Tax	**(51.6)**	**0.0**
Discontinued Operations		
Non cash impairment	(25.8)	0.0
Divestments / Other	(4.4)	2.8
Significant Items from Discontinued Ops Pre Tax	**(30.2)**	**2.8**
Group Total Significant Items Pre Tax	**(81.8)**	**2.8**
Tax benefit on Significant Items	**19.4**	**(0.8)**
Group Total Significant Items After Tax	**(62.4)**	**2.0**

Appendix – Proforma 5 year summary

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A$m	FY12	FY13	FY14	FY15	FY16
Revenue					
Bathrooms & Kitchens	297.8	286.3	306.6	330.0	342.0
Door & Access Systems	78.9	89.8	92.8	96.2	97.7
Total Cont'd Ops	***376.7***	***376.1***	***399.4***	***426.2***	***439.7***
*Discontinued Ops ***	*225.4*	*189.2*	*178.6*	*121.6*	*4.8*
Group Total	602.1	565.3	578.0	547.8	444.5
Normalised EBIT					
Bathrooms & Kitchens	60.9	60.4	73.0	83.3	84.6
Door & Access Systems	12.0	11.8	8.4	7.2	7.3
Corporate *	(15.2)	(17.2)	(16.9)	(17.7)	(13.6)
Total Cont'd Ops	***57.7***	***55.0***	***64.5***	***72.8***	***78.3***
*Discontinued Ops ***	*17.7*	*11.8*	*7.8*	*1.5*	*(0.6)*
Group Total	75.4	66.8	72.3	74.3	77.7

* 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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