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20 February 2017

MEDIA RELEASE

GWA increases net profit by 8% and declares fully-franked interim dividend of 7.5 cents per share

GWA Group Limited, a leading supplier of fixtures and fittings to Australian and New Zealand households and commercial premises, today announced an 8 per cent increase in net profit after tax to \$26.0 million for the half-year ended 31 December 2016.

Revenue increased by 2 per cent, which exceeded the market growth of the key end markets for GWA products which increased by approximately 1 per cent for the period.

Earnings Before Interest and Tax increased by 7 per cent to \$39.2 million, driven by a 6 per cent increase in earnings in the Bathrooms & Kitchens' division and a continued reduction in corporate costs, partially offset by a decline in earnings in Door & Access Systems.

The Board resolved to pay an interim dividend of 7.5 cents per share, fully-franked compared to 7 cents per share for the prior corresponding period. The record date for entitlement to receive the interim dividend will be 24 February 2017 with the dividend being paid on 7 March 2017.

GWA remains in a strong financial position with credit metrics continuing to be consistent with investment grade.

Net debt of \$92 million at 31 December 2016 was in line with the previous corresponding period (\$91 million). GWA continues to have substantial headroom within its banking facilities, providing significant financial flexibility for the group.

Cashflow from operations improved by 22 per cent to \$39.6 million driven by increased EBITDA and effective working capital utilisation compared to the prior period.

GWA Managing Director, Tim Salt, said the business continued to make good progress on its strategy which was reflected in the improved result on the previous corresponding period.

"It's pleasing to see the company grow ahead of the market at the top line, while continuing our strong focus on margin resilience at the bottom line.

"While the significant decline in construction activity in Western Australia has had some impact on our first half results, particularly in the Doors and Access Systems' business, I am pleased with the progress we are making across our business.

"We are continuing to build momentum with our 'back to basics' strategy in simplifying the business, addressing the cost base and improving our supply chain.

"We continue to strengthen our product offering to consumers through innovative products such as Caroma Cleanflush and engage more collaboratively with our major customers.

"Our customer and consumer initiatives are focused on the less cyclical renovation and replacements segment, where we have significant opportunity to grow.

"I am encouraged by the stronger platform we're creating across the business to deliver on each of our strategic priorities to improve returns to shareholders over the medium term," he said.

For the full year to 30 June 2017, Mr Salt said the renovation and replacements segment, the market's largest segment accounting for just over half of GWA's group revenue, was expected to remain relatively stable.

"We expect to see a slow-down in residential construction activity, however the pipeline of building work yet to be completed remains reasonably strong to the end of the current financial year.

"Meanwhile, our forward order book remains strong with several major projects secured, primarily across the eastern states.

"Based on current market conditions, EBIT in the second half for FY17 is expected to be at or slightly ahead of first half EBIT FY17," he said.

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