GWA
Group Limited

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21 August 2017

ASX On-Line
Manager Company Announcements
Australian Securities Exchange

Dear Sir

Annual Results Presentation for the Year Ended 30 June 2017

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

- Annual Results Presentation

On 21 August 2017 at 10:00am, GWA will be hosting a webcast of its FY17 results briefing. The webcast is accessible via the GWA website at www.gwagroup.com.au.

Yours faithfully

R J Thornton
Executive Director

GWA Group Limited

Results Presentation

Year ended 30 June 2017

21 August 2017

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

Agenda

Overview and key themes	**Tim Salt** **Managing Director & CEO**
Group financial results	**Patrick Gibson** **Chief Financial Officer**
Segment results	**Patrick Gibson**
Summary and outlook	**Tim Salt**

Overview and key themes

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GWA delivers solid result while continuing to build strong platform for future growth

- **Solid full year result – continued growth in top and bottom line**
  - Continued focus on top line growth and cost control to support margin management delivers earnings and market share growth
  - Strengthening market position with improved market share in B&K core focus segments
  - Solid NPD pipeline into FY18 focused on Renovations & Replacements and Commercial segments
  - Refocused Door & Access Systems business to address short–term performance and strengthen for medium to long term

- **"Back to Basics" strategy delivers stronger platform to win through the cycle**
  - Improved customer engagement – joint business planning and NPD with top customers
  - Supply chain improvements: dual sourcing progressing, Integrated Business Planning drives working capital improvement in 2H17
  - Ahead of target to reduce $13-15m in costs by FY19 – enables re-investment in growth initiatives and margin resilience

- **Strong financial position supports re-investment & growth for shareholder value creation**
  - Continued increase in Group EBIT Margin and ROFE
  - Robust credit metrics and financial flexibility – net debt of $79.8m
  - Strong EPS growth – up 7 per cent to 20.3 cents per share
  - Final dividend 9 cents fully-franked brings FY dividend to 16.5[1] cents per share, fully-franked in line with dividend policy

[1] Excludes 1c special dividend paid on the 16th September 2016

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Continued improvement across key metrics

Continuing Operations[1]					
Revenue $446.3m	↑	2%	**ROFE** 20.2%	↑	0.9pp
EBITDA $86.2m	↑	2%	**Operating Cashflow** $88.8m	↓	(3%)
EBIT $80.6m	↑	3%	**EPS** 20.3 cents	↑	7%
NPAT $53.7m	↑	3%	**Dividend** Full-year ordinary 16.5c[2] (7.5c interim, 9c final)	↑	10%

[1] Continuing operations excludes Gliderol which was sold on 31 July 2015
[2] Excludes 1c special dividend paid on the 16th September 2016

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Result consistent with market guidance

	What we said		Results for FY17
1	2H EBIT at or slightly ahead of first half FY17	✓	▪ EBIT in 2nd half up 5% on first half
2	$5m reduction in working capital in 2H	✓	▪ Working capital reduced $9 million in 2H – contributes to 24% increase in operating cashflow in second half
3	Continued focus on cost savings	✓	▪ Ahead of target for $13-15m in cost savings by FY19 ▪ Corporate costs 2% lower than prior year
4	Address short term performance in D&A business	✓	▪ Implemented restructuring initiatives - Door & Access EBIT up 52% in 2H vs 1H17
5	Dividend Policy 65-85% NPAT	✓	▪ Final dividend 9 cents per share ▪ FY dividend 16.5[1] cents per share - 81% dividend payout ratio

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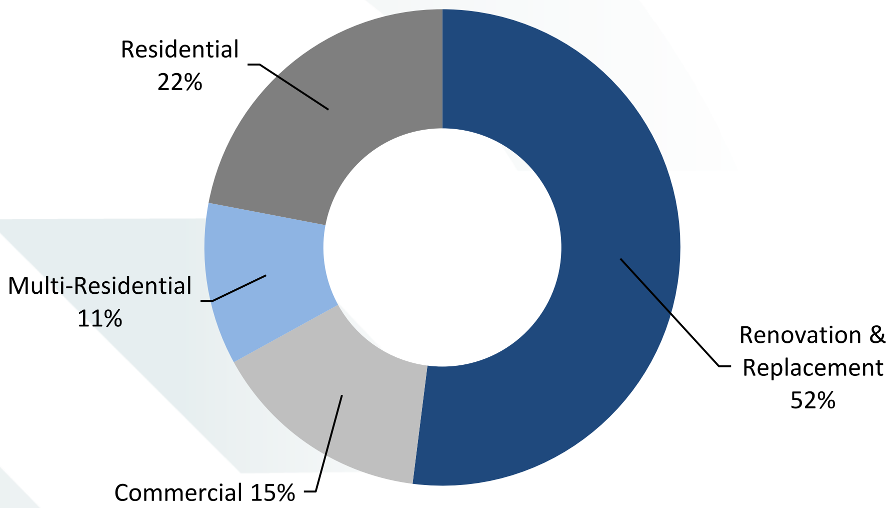
[1] Excludes 1c special dividend paid on the 16th September 2016

GWA continuing to grow revenue ahead of the market

Focus on building profitable market share in core segments drives top line growth ahead of the market

GWA end market exposure[1]



Market activity FY17[2]

Renovation & Replacement	Overall market remains relatively flat Change (0.2)% (MAT)
Residential detached house completions	Strong pipeline remains from lag between approvals and completions Decreased by 5.9% in FY17 (MAT)
Multi-Residential completions	Activity increased Increased by 29.3% in FY17 (MAT)
Commercial	Increase in aged care, offset by reduced activity in health care Decreased by 2.8% (MAT)

Weighted average of end markets up 1.3%

1. Source: GWA estimates
2. Source: BIS Shrapnel, GWA estimates Australia market B&K only (FY17 MAT)

Group financial results

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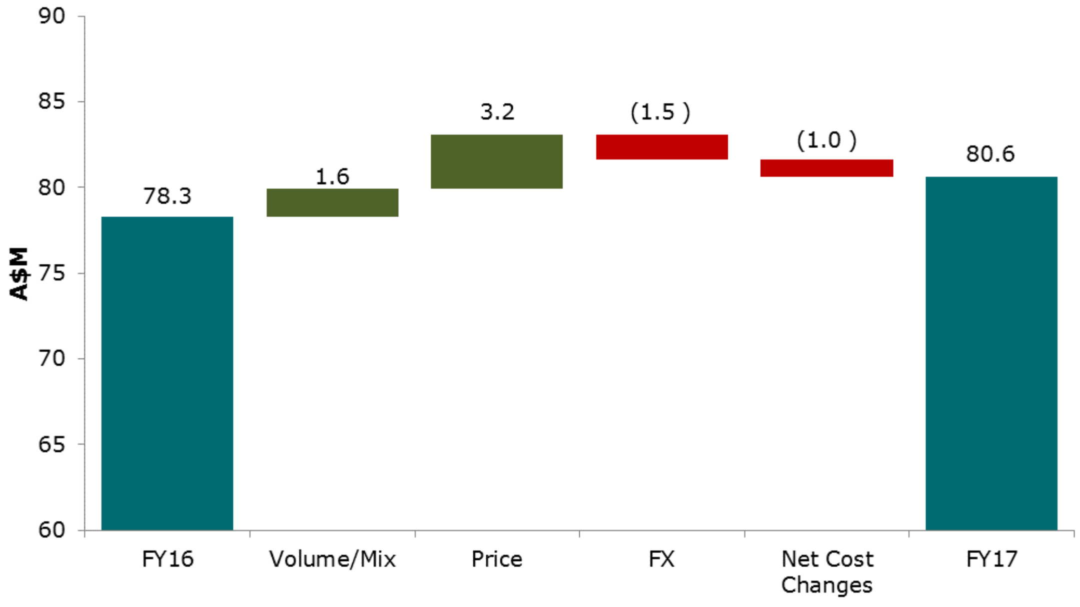
Increase in net profit drives uplift in EPS

A$m Continuing Operations	FY16	FY17
Reported		
EBITDA	84.3	86.2
EBIT	78.3	80.6
NPAT	51.9	53.7
EPS (cents)	19.0	20.3

- Net profit up 3% on prior year
- EBITDA up 2% reflects lower Depreciation & Amortisation
- EBIT up 3% in line with guidance, reflects market share improvements in core segments and focus on margin
- Lower net interest expense from lower average borrowings and lower interest rates
- Effective tax rate 28.7% - includes one-off, non-assessable items in FY17
- EPS up 7% - reflects higher NPAT and lower weighted average number of shares on issue post accretive buyback completed June 2016

EBIT growth from share gains, focus on mix and margin management



- Group EBIT up 3% on prior year
- **Volume/Mix** - Continued focus on higher margin products in B&K core segments (R&R, Commercial, Detached housing) drives improvement in product mix and increase in market share. Multi-Res is not a core focus for GWA
- **Price** - flow through from FY16 price increases to offset prior year FX under recovery
- **Cost savings -** continued cost discipline to recover impact of FX impact on product cost increases and for re-investment in NPD, marketing etc
- Continued focus on margin management – Group EBIT margin up 0.3 ppts to 18.1%

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Continued strong cashflow generation

Cash flow from Operations A$M	FY16	FY17
EBITDA	**84.3**	**86.2**
Net movement in Working Capital	6.3	2.4
Other	1.1	0.2
Cash Flow from Operations	**91.7**	**88.8**
Capital Expenditure	(3.5)	(4.9)
Restructuring / Other costs	(11.4)	(11.5)
Net Interest Paid	(6.2)	(5.3)
Tax Paid	(19.8)	(14.8)
Other Non-operating Cash flow	0.0	0.0
Free Cash Flow from Continuing Operations	**50.8**	**52.3**
Discontinued Operations	4.1	0.0
Free Cash Flow	**54.9**	**52.3**

- Continue to generate strong cashflow across the business
- Working capital improvement in 2H from inventory management and integrated business planning initiative
- Capital expenditure of $4.9m up from $3.5m reflects:
  - investments in NPD
  - investments in tooling
  - IT spend re integrated business planning
- Cash restructuring costs of $11.5m - reflects exit of Norwood factory and D&A restructuring (no P&L impact)
- Continuing Operations free cash flow up 3%

Strong financial position supports growth and re-investment through the cycle

Metric	30 June 2015	30 June 2016	30 June 2017
Net Debt	94.8	88.4	79.8
Leverage Ratio *Net Debt / EBITDA*	1.1	1.1	0.9
Interest Cover *EBITDA / Net Interest*	12.8	14.3	17.1
Gearing *Net Debt / (Net Debt + Equity)*	24%	22%	20%

- GWA remains in strong financial position - credit metrics continue to be consistent with investment grade
- Net debt $80m – reflects strong cash generation
- Substantial headroom within $225m syndicated banking facility maturing October 2019
  - $113m in undrawn facilities
- Provides enhanced financial flexibility to invest in strategic growth initiatives through the cycle

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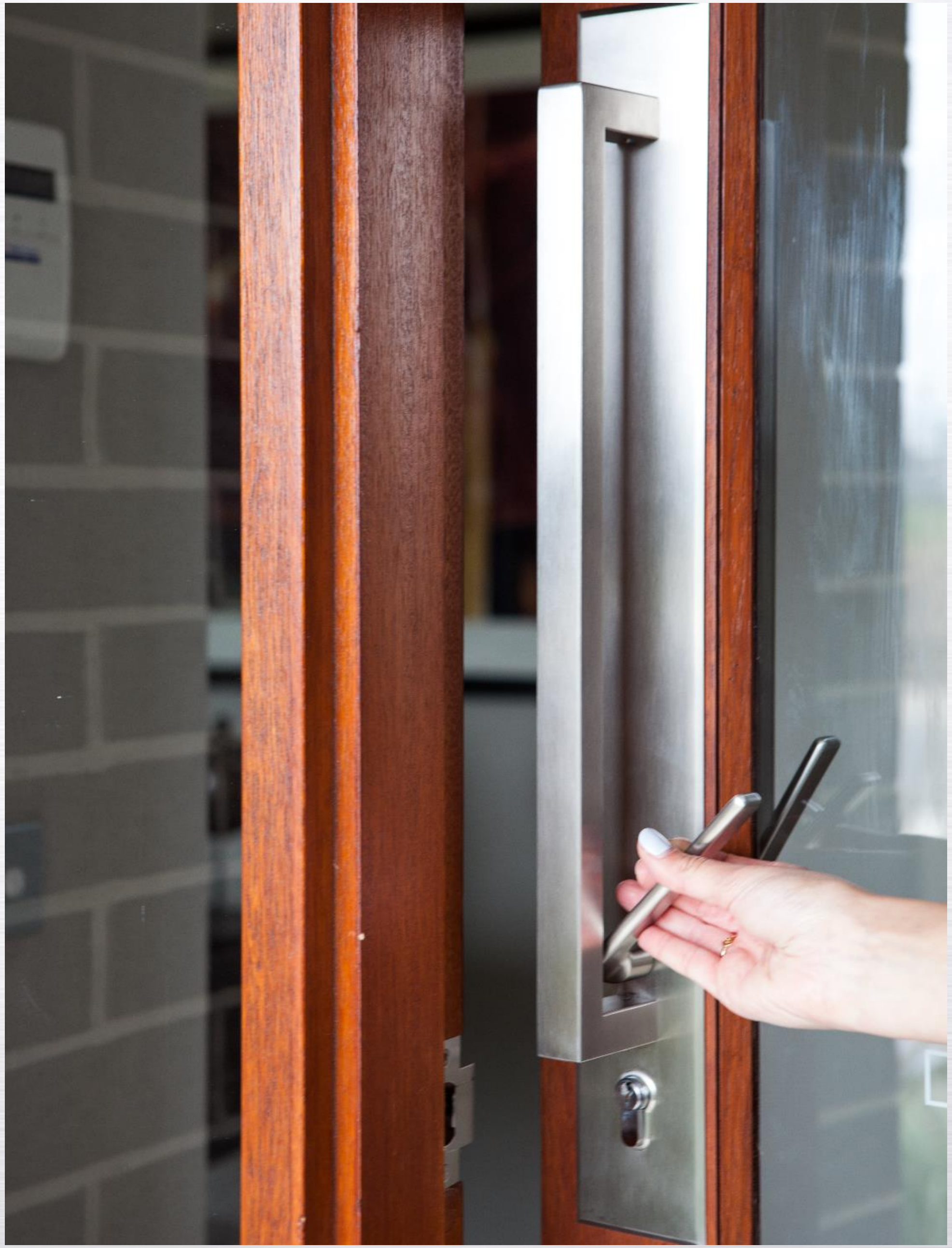
Segment results



Bathrooms & Kitchens – continued growth ahead of market and margin resilience

Continuing Operations A$m	FY16	FY17	% Change
Revenue	342.0	350.4	2.5%
EBITDA	86.6	89.4	3.2%
EBIT	84.6	87.6	3.5%
EBIT Margin %	24.7%	25.0%	0.3pp
ROFE %	24.1%	25.2%	1.1pp

- Revenue up 2.5% - ahead of market growth of 1.3%
  - continued share growth in core segments – R&R, commercial, detached houses
  - strong growth ahead of market in eastern seaboard - NSW (+11%), VIC (+5%), QLD (+3%) partially offset by weak WA market (-17%)
  - sanitaryware sales up 6% assisted by strong market response to Caroma Cleanflush launch
  - continued growth with most major customers
- EBIT up 3.5% – focus on premium mix in core segments and margin to offset cost and FX impacts
- EBIT margin up 0.3 ppts – continued focus on margin management
- ROFE up 1.1 ppts – continued effective use of capital across the business

Door & Access Systems – addressing short term performance and strengthening for medium term

Continuing Operations A$m	FY16	FY17	% Change
Revenue	97.7	95.9	-1.8%
EBITDA	8.7	7.7	-11.5%
EBIT	7.3	6.3	-13.7%
EBIT Margin %	7.5%	6.6%	-0.9pp
ROFE %	13.7%	12.3%	-1.4pp

- Revenue down 2%
  - growth in eastern states VIC (+2%), QLD (+2%) more than offset by weak WA market (-27%)
- Refocusing D&A business to address short term performance and reposition for growth drives EBIT improvement in 2H vs 1HFY17:
  - refocused sales team to improve sales effectiveness focused on core segments
  - simplified structure (easier for customers to deal with us)
  - rationalisation of API branch network in Victoria
  - new API team structure

Summary and outlook

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Continued progress on strategy

Strategic priority	Progress against priorities
Leverage and build on core assets & brands to drive revenue and market share growth	▪ Growing share consistently in core segments ▪ Strong new product and breakthrough innovation pipeline in FY18 ▪ Consumer engagement – concept centres opening (Adelaide and Sydney); digital presence enhanced ▪ Clear portfolio direction on core brands: Caroma, Clark and Dorf
Add value to customers through improved insights, analytics and processes	▪ Joint business plans with major merchants driving agreed targets / initiatives ▪ Specific customer plans for R&R re product ranging, improved showroom presence ▪ Initiatives in place to unlock untapped growth areas – Aged Care, Commercial R&R
Build "fit for future" culture, engagement and capability	▪ Employee alignment on values and behaviours to drive strategy ▪ Employee engagement strategy – Get, Grow, Keep ▪ Sales and Marketing capability build implemented
Build an advantaged Supply Chain to deliver superior NPD, Quality and Service at best cost	▪ Dual-sourcing progressing for continuity of supply ▪ First Asian consolidation hub complete – direct shipping to port ▪ Integrated Business Planning focused on inventory management to drive working capital improvement
Drive cost out in SG&A and Supply Chain to improve profitability and allow selective reinvestment	▪ Ahead of target to reduce costs by $13-15m by FY19 ▪ Corporate costs down a further 2%

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FY18 outlook

Key area	FY18 commentary
Market Activity	▪ Renovations & Replacement segment expected to remain relatively stable ▪ Expect slow-down in construction markets however, lag between approvals and completions supports continued demand. Multi-Residential not a core focus segment ▪ Commercial forward order book remains solid
Margin Resilience	▪ Continue to address cost savings for margin management and re-investment ▪ Monitor exchange rates closely - GWA hedged ~79% to 30 June 2018 at US$0.75
Key priorities for FY18	▪ **Consumer Engagement** - Initiatives targeting R&R segment (consumer engagement and brand building, merchant support) ▪ **Category Leadership** - implement customer business plans (ranging, category leadership, service / delivery) ▪ **Business efficiency** - Supply chain improvement focused on inventory management and service supported by new warehouse implementation
Market Updates	▪ Update on trading conditions at AGM on 27 October 2017

Appendix

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Renovation & Replacement segment remains stable

Renovation Activity (A$bn)

Sources: ABS, ANZ Research

Reconciliation of normalised and reported profit

A$m	FY16 Continuing Operations	FY16 Discont'd Operations	FY16 Group Total	FY17 Continuing Operations	FY17 Discont'd Operations	FY17 Group Total
Normalised						
EBITDA	84.3	(0.5)	83.8	86.2	0.0	86.2
EBIT	78.3	(0.6)	77.7	80.6	0.0	80.6
NPAT	51.9	(0.2)	51.7	53.7	0.0	53.7
Significant Items						
Pre Tax	0.0	2.8	2.8	0.0	0.0	0.0
Post Tax	0.0	2.0	2.0	0.0	0.0	0.0
Reported						
EBITDA	84.3	2.3	86.6	86.2	0.0	86.2
EBIT	78.3	2.2	80.5	80.6	0.0	80.6
NPAT	51.9	1.8	53.7	53.7	0.0	53.7
EPS (cents)	19.02	0.64	19.66	20.33	0.00	20.33

Proforma 5 year summary

A$m	FY13	FY14	FY15	FY16	FY17
Revenue					
Bathrooms & Kitchens	286.3	306.6	330.0	342.0	350.4
Door & Access Systems	89.8	92.8	96.2	97.7	95.9
Total Cont'd Ops	***376.1***	***399.4***	***426.2***	***439.7***	***446.3***
*Discontinued Ops ***	*189.2*	*178.6*	*121.6*	*4.8*	*0.0*
Group Total	565.3	578.0	547.8	444.5	446.3
Normalised EBIT					
Bathrooms & Kitchens	60.4	73.0	83.3	84.6	87.6
Door & Access Systems	11.8	8.4	7.2	7.3	6.3
Corporate *	(17.2)	(16.9)	(17.7)	(13.6)	(13.3)
Total Cont'd Ops	***55.0***	***64.5***	***72.8***	***78.3***	***80.6***
*Discontinued Ops ***	*11.8*	*7.8*	*1.5*	*(0.6)*	*0.0*
Group Total	66.8	72.3	74.3	77.7	80.6

* 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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