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MEDIA RELEASE

GWA increases net profit by 7% and declares fully-franked interim dividend of 8.5 cents per share, up +13%

GWA Group Limited, a leading supplier of fixtures and fittings to Australian and New Zealand households and commercial premises, today announced a 7 per cent increase in net profit after tax to \$27.7 million for the half-year ended 31 December 2017.

GWA continues to deliver revenue growth ahead of the market with net sales up 2 per cent. This was the fourth consecutive period of market share growth for GWA since 2015.

Group Earnings Before Interest and Tax (EBIT) increased by 6 per cent to \$41.8 million, driven by a 3 per cent increase in earnings in Bathrooms & Kitchens and a significant turnaround in the performance of the Door & Access Systems division where EBIT increased by 68 per cent.

Earnings per share of 10.5 cents improved by 7 per cent on the prior corresponding period. The Board resolved to pay an interim dividend of 8.5 cents per share, fully franked, compared to 7.5 cents per share for the prior corresponding period.

The record date for entitlement to receive the interim dividend will be 23 February 2018 with the dividend being paid on 6 March 2018.

GWA is in a solid financial position with all credit metrics improving on the prior corresponding period.

Managing Director, Tim Salt, said "GWA continues to deliver consistent progress against each of its strategic priorities.

"Our focus remains on growing profitable share in our core segments of Renovation and Replacement, Commercial and Detached Housing.

"That focus has resulted in an increase in revenue ahead of the market and also in an expansion of group margin and return on capital employed.

"We continue to make solid progress with our customer and consumer initiatives.

"We are working more collaboratively with our major customers which has resulted in additional ranging of products and enhanced presence in showrooms and trade counters.

"Our strategy to engage more effectively with consumers continues to progress. We opened our new flagship store in Adelaide in October 2017 and remain on schedule to launch our Sydney flagship store in April 2018 at Alexandria.

"We will continue to deliver our 'back to basics' strategy by simplifying the business, addressing the cost base and improving the supply chain.

"GWA has delivered a strong interim result and we continue to build a robust platform to deliver our strategic priorities and to continue to improve returns to shareholders over the medium term," he said.

For FY18, GWA expects residential construction to remain broadly steady with continued momentum in NSW and Victoria, which may be partially offset, by what we expect to be continued weak conditions in QLD and WA. The Renovation and Replacement segment, the largest segment accounting for just over half of GWA's revenue, is expected to remain relatively stable for FY18.

GWA's forward order book remains solid with several major Commercial projects secured, primarily across the eastern states.

Based on current market conditions, GWA expects EBIT in the second half for FY18 to be similar to the first half of FY18.

Proposed divestment of Door & Access Systems business following strategic review

GWA recently completed a strategic review of the Group's operations to target growth opportunities and maximise shareholder returns.

As part of this review, the decision has been made to focus on GWA's Bathrooms & Kitchens business, where the company has strong market positions, market-leading brands and significant growth opportunities.

As part of this strategy, management will continue to assess a broad range of organic and inorganic growth opportunities to further improve shareholder returns.

Accordingly, the Door & Access Systems business has been determined to be non-core and will be divested.

The sale process is expected to take approximately six months with Greenstone Partners being appointed as adviser.

Subject to a successful sale of the Door & Access Systems business, the Board will review options for use of the net proceeds, including investment in Bathrooms & Kitchens growth strategy.

GWA will provide further details of its growth strategy at the Investor Market Briefing to be held in April 2018.

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