GWA
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16 August 2018

ASX On-Line
Manager Company Announcements
Australian Securities Exchange

Dear Sir

Annual Results Presentation for the Year Ended 30 June 2018

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

- Annual Results Presentation

On 16 August 2018 at 10:00am, GWA will be hosting a webcast of its FY18 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

Superior solutions for water

Results Presentation

Full Year ended 30 June 2018

16 August 2018

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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 and key themes

Another solid result further strengthening the platform for growth through the cycle

Solid result with share gains driving further growth in revenue and earnings

- Profitable share gains in core segments delivers revenue growth ahead of market in Bathrooms & Kitchens
- Strengthened product ranging and NPD driving growth with major customers
- Re-launched brands (Caroma, Clark) and flagship stores building consumer engagement
- Further enhanced returns to shareholders - normalised[1] EPS up 4%; full year dividend up 9%

Strong financial position to manage and grow through the cycle

- Divestment of Door & Access Systems business for $107 million
- Robust balance sheet provides flexibility for re-investment in growth initiatives
- Strong ROFE and EBIT margins maintained with further cost out program identified

Focus on superior water solutions strategy with significant growth opportunities

- GWA is the market leader in a $1.4 billion addressable market
- Strong growth opportunities identified across segments and categories
- Significant technical capability and expertise in water solutions can be leveraged into adjacent categories and markets for step change in growth
- GWA has financial strength to fund organic and inorganic opportunities

1. Normalised is before Significant items. Please see slide 25 for details.

Solid financial result across metrics

Normalised[1] from Group Operations

Revenue $453.2m B&K $359.3m +2.5%	↑	1.5%	**ROFE** 20.5%	↑	0.3pp
EBITDA $89.5m	↑	3.8%	**Operating Cashflow** $71.6m Reduced due to move to new distribution centre	↓	-19.4%
EBIT $84.4m	↑	4.7%	**EPS** 21.2 cents	↑	4.3%
NPAT $56.0m	↑	4.3%	**FY Dividend** 18.0 cents fully-franked (85% payout ratio)	↑	9.1%

1. Normalised is before Significant items.

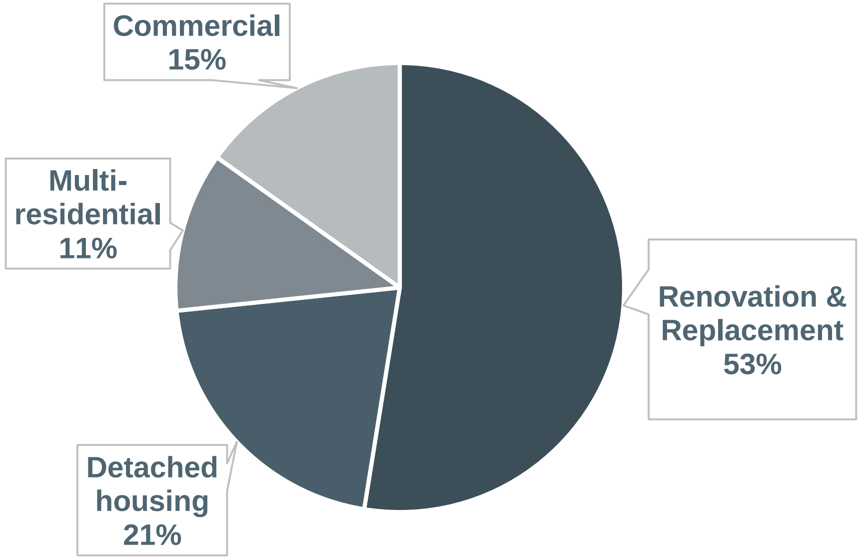
Reconciliation – Reported NPAT to normalised NPAT

A$m	FY17 Continuing Operations	FY17 Discont'd Operations	FY17 Group Total	FY18 Continuing Operations[2]	FY18 Discont'd Operations[3]	FY18 Group Total[4]
Normalised[1]						
REVENUE	350.4	95.9	446.3	359.3	93.9	453.2
EBITDA	78.4	7.8	86.2	80.2	9.3	89.5
EBIT	74.3	6.3	80.6	76.2	8.2	84.4
NPAT	49.3	4.4	53.7	50.1	5.8	56.0
EPS (cents)	18.7	1.7	20.3	19.0	2.2	21.2
Significant Items						
Pre Tax	0.0	0.0	0.0	0.0	(1.9)	(1.9)
Post Tax	0.0	0.0	0.0	0.0	(1.7)	(1.7)
Reported						
REVENUE	350.4	95.9	446.3	359.3	93.9	453.2
EBITDA	78.4	7.8	86.2	80.2	7.4	87.6
EBIT	74.3	6.3	80.6	76.2	6.3	82.6
NPAT	49.3	4.4	53.7	50.1	4.1	54.3
EPS (cents)	18.7	1.7	20.3	19.0	1.6	20.6

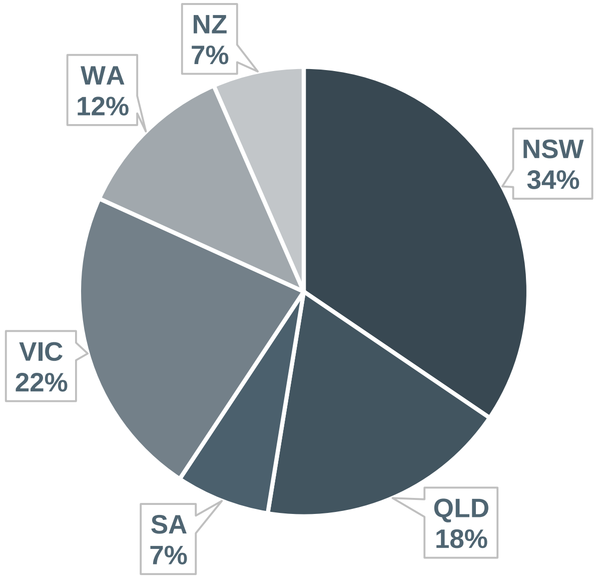
1. Normalised is before Significant items. Significant items relate to transaction costs incurred to 30 June 2018 related to the disposal of the Door & Access Systems business
2. Note the proceeds and profit on disposal (net of final transactions costs) of the Door & Access Systems business will be recorded in the 1HFY19 financial report
3. Continuing operations exclude the Door & Access Systems' business which is classified as an asset held for sale in the FY18 financial report and the sale of which completed on 3 July 2018
4. Group Normalised NPAT, Reported EBIT and Reported NPAT will not, in all cases, add across the page due to rounding. The Group results are consistent with the 4E and Financial Report

Higher exposure to robust R&R market provides resilience through the cycle

B&K sales by segment %



B&K sales by geography %



Source: GWA estimates

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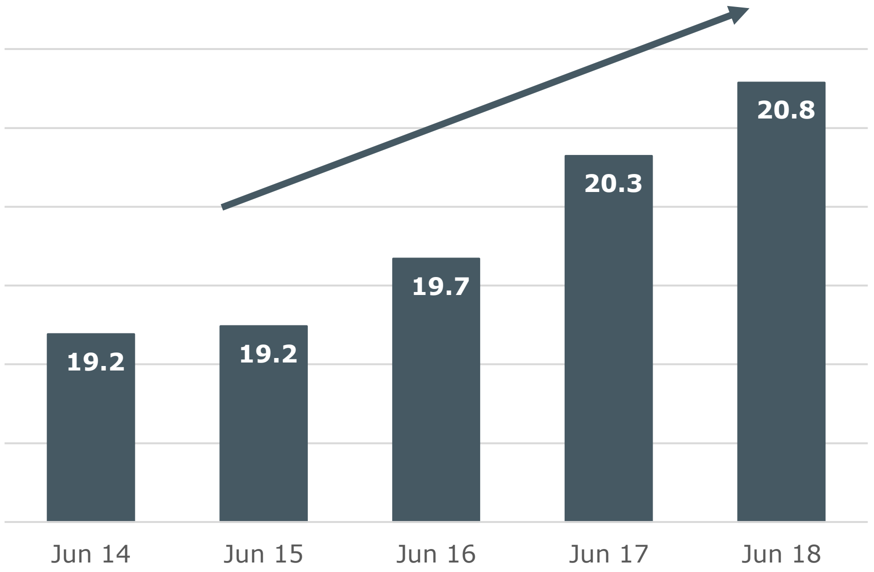
Further share gains drive revenue growth above market

B&K revenue up 2.5% vs market of ~2%[1]

Renovation & Replacement	Overall market showing growth in both Residential & Commercial R&R **Increased ~2.5%** (MAT)
Residential detached house completions	Strong pipeline remains from lag between approvals and completions **Decreased by ~2%** (MAT)
Multi-Residential completions	Rate of growth slowing **Increased by ~1.5%** (MAT)
Commercial	Increase in accommodation, education, warehouses / factories, aged care offset by reduced activity in health care and retail **Increased by ~4%** (MAT)

Weighted average of end markets up ~2%

Continued market share % growth in B&K[2]



1. Source: BIS Shrapnel and GWA estimates Australia market B&K only
2. Source: GWA estimates, B&K net sales as % of addressable market (MAT June each year)

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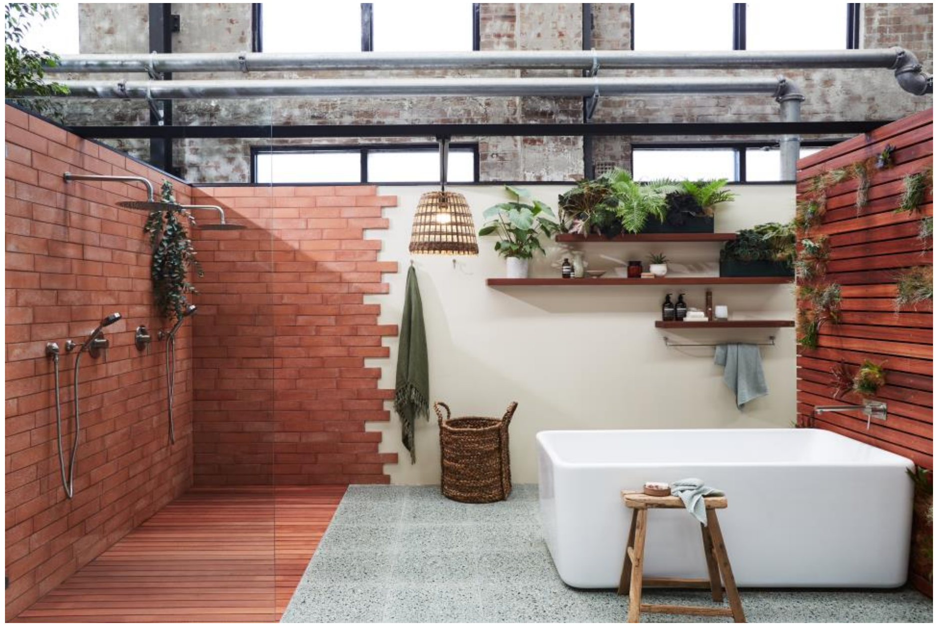
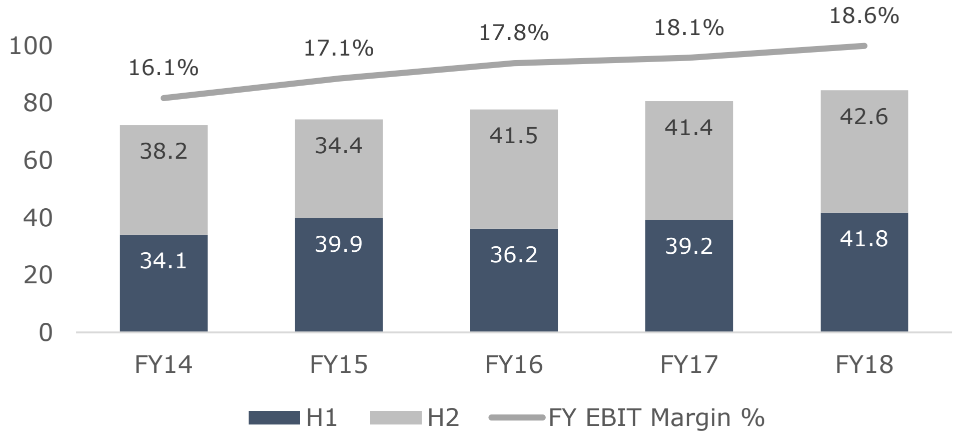
Group financial results



Solid increase in net profit – up 4% on prior year

A$m Normalised[1]	FY17	FY18	% Change
Revenue	446.3	453.2	1.5%
EBITDA	86.2	89.5	3.9%
EBIT	80.6	84.4	4.7%
NPAT	53.7	56.0	4.3%
EBIT Margin %	18.1%	18.6%	0.5pp
ROFE %	20.2%	20.5%	0.3pp
EPS	20.3	21.2	0.9c

Normalised Group EBIT (A$m) and margin (%)

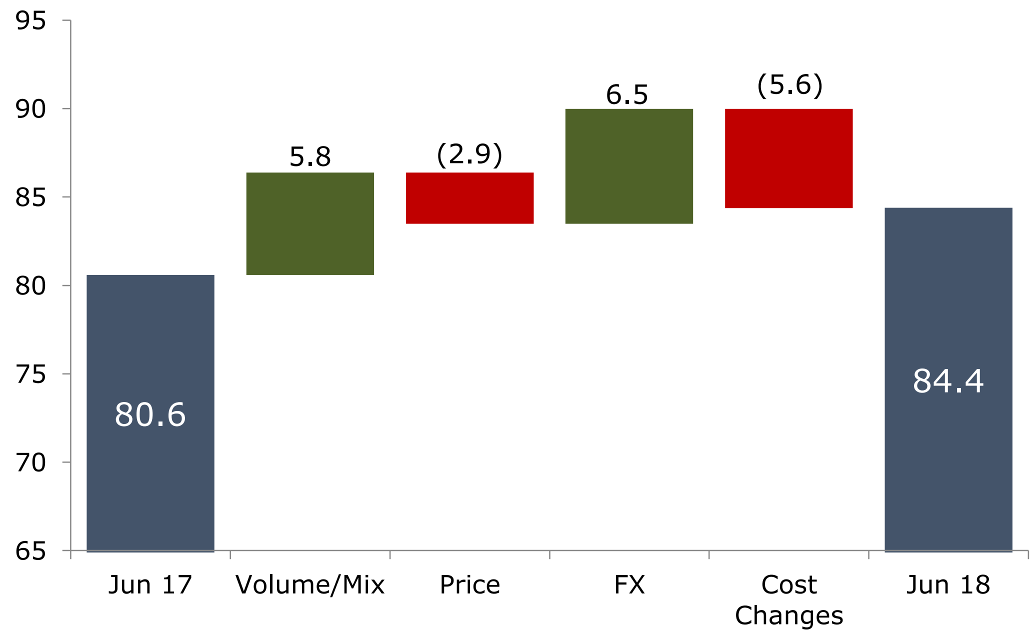


- Net profit up 4.3% on prior year
- EBIT up 4.7% in line with guidance provided at half year result
- Group EBIT margin increased
  - B&K EBIT margin maintained despite investment in growth
  - D&A EBIT margin significantly improved
- Group reported effective tax rate 30.2%
- EPS up 4.3%

1. Normalised is before Significant items.

EBIT growth from profitable share gains

Normalised Group EBIT Bridge (A$m)



- Group EBIT up 4.7% on prior period
- **Volume/mix**: Continued focus on higher margin products in B&K core segments (R&R, Commercial) drives improved product mix and increase in market share
- **Price**: Price down slightly due to incentives to drive positive mix with core range initiatives
- **FX** gains from hedging
- **Cost changes**: Successfully achieved FY16-19 target of $13m-$15m in cost savings
- Planned investment supported growth initiatives:
  - Strengthened sales & marketing team
  - New product development
  - Flagship stores operating costs (driving volume)
  - Innovation & Distribution Centre (IDC) Prestons

Operating cash flow reflects working capital increase for NPD and move to new warehouse/distribution centre

Cash flow from Operations A$M	FY17	FY18
EBITDA	**86.2**	**89.5**
Net movement in Working Capital	2.4	(16.9)
Other	0.2	(1.0)
Cash Flow from Operations	**88.8**	**71.6**
Capital Expenditure	(4.9)	(12.5)
Restructuring / Other costs	(11.5)	(4.1)
Net Interest Paid	(5.3)	(4.6)
Tax Paid	(14.8)	(23.7)
Free Cash Flow	**52.3**	**26.7**
Discontinued Operations	0.0	0.0
Free Cash Flow	**52.3**	**26.7**

- Working capital increase to support transition to new IDC at Prestons NSW, new products (NPD), and customer service; and higher debtors due to timing and fx gain
- Capital expenditure of $12.5m in line with guidance at half year. Reflects:
  - Investment in NPD (IP protection: tooling, moulds)
  - Flagship stores; Adelaide (opened October 2017) and Sydney (opened May 2018)
  - New IDC at Prestons NSW (opened April 2018)
  - FY19 capex expected to be ~$10-12m
- Cash restructuring costs of $4.1m (no P&L impact)[1]
- FY19 cash restructuring expected to be ~$3-4m
- Increase in cash tax paid reflects prior year true up and higher instalment rate

1. Excludes cash outflow related to Door & Access Systems divestment of $(0.8)m.

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

Metric	30 June 2015	30 June 2016	30 June 2017	30 June 2018
Net Debt	94.8	88.4	79.8	97.7
Leverage Ratio *Net Debt / EBITDA*	1.1	1.1	0.9	1.1
Interest Cover *EBITDA / Net Interest*	12.8	14.3	17.1	19.6
Gearing *Net Debt / (Net Debt + Equity)*	23.7%	22.3%	19.9%	22.7%

Net Debt				
Borrowings	125.0	120.0	112.0	125.0
Bank Guarantees	4.1	4.1	4.1	1.8
Cash	(34.4)	(35.7)	(36.4)	(27.9)
Held for sale cash	-	-	-	(1.2)
	94.8	**88.4**	**79.8**	**97.7**

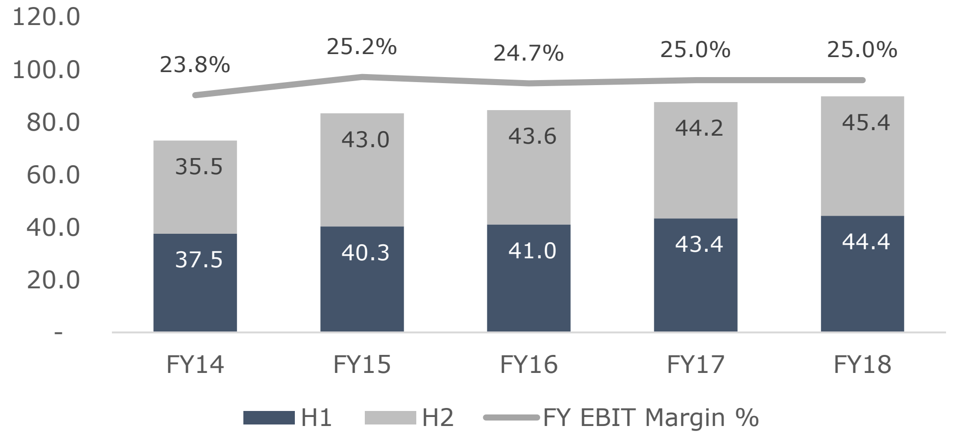
- GWA remains in a strong financial position
- Substantial headroom within $225m syndicated banking facility maturing October 2020
- Excludes cash proceeds from completion of D&A sale of $107m received in July / August 2018 – currently net debt free
- Provides enhanced financial flexibility to invest in strategic organic and inorganic growth initiatives through the cycle and potential capital management
- FY19 expect interest costs ~$2m to maintain bank facilities and effective tax rate (ETR) ~30%

Segment results

Bathrooms & Kitchens – continued above market growth with stable margins

A$m Normalised	FY17	FY18	% Change
Revenue	350.4	359.3	2.5%
EBITDA	89.4	91.8	2.7%
EBIT	87.6	89.8	2.5%
EBIT Margin %	25.0%	25.0%	no change
ROFE %	25.2%	24.6%	-0.6pp

B&K EBIT (A$m) and margin (%)



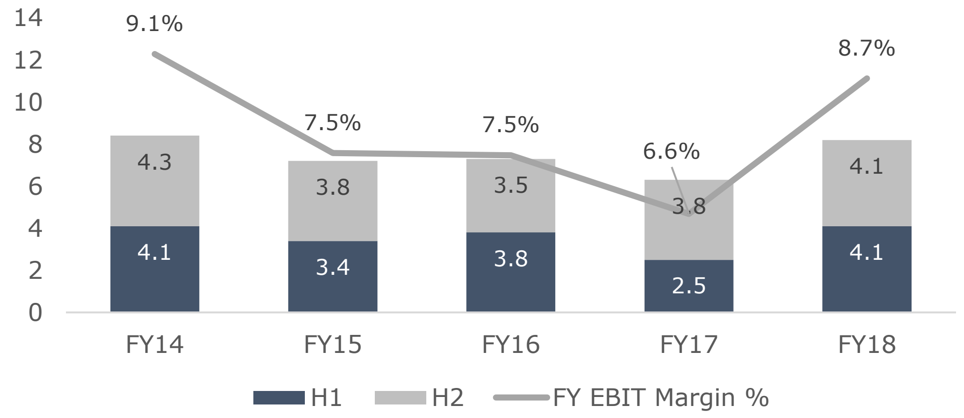
- Revenue up 2.5%; ahead of market growth of ~2%
  - Continued share growth – net sales in sanitaryware, tapware and baths up; partially offset by sinks & tubs
  - Launch of new products/agreed plans with customers
  - Caroma brand revenue up ~6%
  - Strong growth in both NSW and VIC ~9%, and SA ~3%; with a decline in QLD ~(4)%, WA ~(12)% and NZ ~(4%)
  - Continued growth with all major merchants
- EBIT up 2.5%, focus on premium mix in core segments and profitable share growth
- Increased investment in sales & marketing, NPD and new flagship stores
- EBIT margin maintained in line with prior period
- ROFE slightly down due to inventory to support the transition into the new IDC and growth capex

1. Normalised is before Significant items

Doors & Access Systems – significant earnings improvement from refocusing initiatives

A$m Normalised	FY17	FY18	% Change
Revenue	95.9	93.9	-2.1%
EBITDA	7.8	9.3	20.3%
EBIT	6.3	8.2	29.9%
EBIT Margin %	6.6%	8.7%	2.1pp
ROFE %	12.3%	17.0%	4.7pp

D&A EBIT (A$m) and margin (%)



- Revenue down 2.1%
  - Improved sales in NSW ~9%, VIC ~4% and SA ~1%; with declines in QLD ~(3)% and WA ~(8)%
- EBIT up 29.9% from initiatives to refocus D&A business
  - Refocused sales team on builder segment to drive sales
  - Simplified structure (easier for customers)
  - Rationalisation of API branch network in Victoria
- EBIT margin up strongly to 8.7%
- ROFE up strongly 4.7 ppts to 17.0%

1. Normalised is before Significant items

Summary and outlook

GWA strategy for growth

We make life better with superior solutions for water

Corporate Priorities

Build GWA as the most trusted and respected water solutions company
Maximise shareholder value creation – NPAT growth, ROFE, TSR

CUSTOMER FOCUSED
Add value to customers through superior execution, insights, analytics and processes

CONSUMER DRIVEN
Deliver experiences to excite consumers and drive revenue and market share growth

BUSINESS EFFICIENCY : Simple, effective processes and plans delight consumers and customers

BEST COST : Continuous improvement to support profitability and fund selective reinvestment

GREAT PEOPLE : Continue to build "fit for future" culture, engagement and capability

GWA Operational Measures
Market share, NSV, EBIT, ROFE, DIFOT, NPS, Safety, Engagement

Growth Drivers

SEGMENTS
Build on Commercial leadership and grow in R&R

CATEGORIES
Leverage sanitary to win all of bathrooms and kitchens

BRANDS
Deliver the best water experiences

SOLUTIONS
Lead "smart water management"

Significant progress made on strategic priorities

Corporate priority	Progress made
CUSTOMER FOCUSED Add value to customers through superior execution, insights, analytics and processes	▪ Net sales growth with all major merchants in FY18 ▪ Joint business planning driving mutually agreed targets and premiumisation and insights targeting specific growth segments (e.g. R&R) ▪ Significant NPD to broaden offering (e.g. Cleanflush extensions, tapware) ▪ Segment-led sales team provides enhanced value proposition for customers
CONSUMER DRIVEN Deliver experiences to excite consumers and drive revenue and market share growth	▪ Continued profitable share gains ▪ Flagship stores opened, initial metrics positive ▪ Re-aligned brand portfolio targeting specific consumer segments ▪ Caroma re-launched, Clark repositioned with increased digital investment ▪ Intelligent Bathroom system, Caroma Smart Command®
EFFICIENCY/BEST COST/PEOPLE Simple, effective processes to delight consumers and customers with continuous improvement and great people	▪ Successfully achieved $13-15m cost-out target ahead of schedule ▪ Target $9-12m cost out programme FY19-FY21 for margin management and re-investment ▪ New Innovation & Distribution Centre (Prestons, NSW) opened to improve customer service and efficiencies ▪ Strengthening supplier partnerships supporting improved service and NPD delivery ▪ Continued investment in people to build capability in sales/marketing to drive performance-led culture

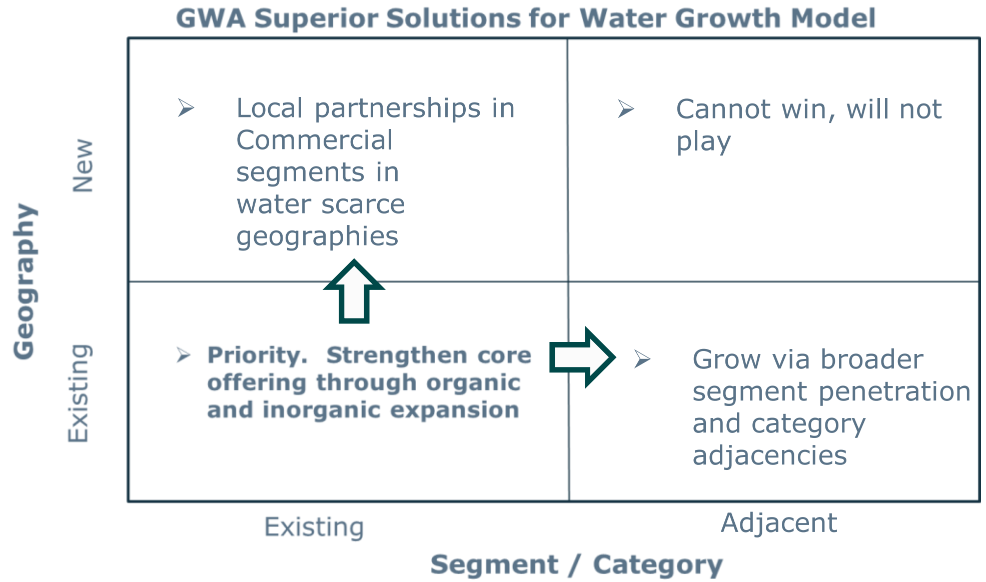
Focus on superior solutions for water strategy

Strong platform for growth

- Successful divestment of the Doors & Access Systems, expected net proceeds (after transaction costs) of $96m to $98m
- Market leading brands and strong market positions provide strong platform to grow in $1.4 billion addressable market
- Significant technical expertise and water sustainability solutions - strong capability that can be leveraged in adjacent markets

Growth priorities

- Invest behind organic and inorganic opportunities to grow core offering
- Broader segment penetration and category adjacencies
- Local partnerships in Commercial segments in water scarce geographies
- Increased use of technology to create solutions for customers and consumers



FY19 outlook

Key area	FY19 commentary
Market Activity	▪ Market expected to remain relatively resilient; continued momentum in NSW & VIC; partially offset by slower conditions in QLD, WA and NZ ▪ R&R segment expected to remain robust, (Residential and Commercial) ▪ Commercial forward order book remains solid
Margin Resilience	▪ $9-12m cost out programme FY19-FY21 for margin management and re-investment ▪ Price increases announced for September 2018 ▪ GWA hedged ~79% to 30 June 2019 at US$0.78 cents
Key priorities for 1st half FY19	▪ Continue to embed customer growth plans ▪ Build brands, with focus on Caroma ▪ Investment in Caroma Smart Command® with Q1 FY19 launch
Market Update	▪ Update on trading to be provided at AGM, 26 October 2018

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Superior solutions for water

Results Presentation

Full Year ended 30 June 2018

16 August 2018

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Appendix

Proforma 5 year summary

A$m	FY14	FY15	FY16	FY17	FY18
Revenue					
Bathrooms & Kitchens	306.6	330.0	342.0	350.4	359.3
Total Cont'd Ops	***306.6***	***330.0***	***342.0***	***350.4***	***359.3***
Discontinued Ops	*271.4*	*217.8*	*102.5*	*95.9*	*93.9*
Group Total	578.0	547.8	444.5	446.3	453.2
Normalised EBIT					
Bathrooms & Kitchens	73.0	83.3	84.6	87.6	89.8
Corporate *	(16.9)	(17.8)	(13.7)	(13.3)	(13.6)
Total Cont'd Ops	***56.1***	***65.5***	***70.9***	***74.3***	***76.2***
Discontinued Ops	*16.3*	*8.8*	*6.7*	*6.3*	*8.2*
Group Total	72.4	74.3	77.6	80.6	84.4
EBIT Margin % (cont. ops)	18.3%	19.8%	20.7%	21.2%	21.2%

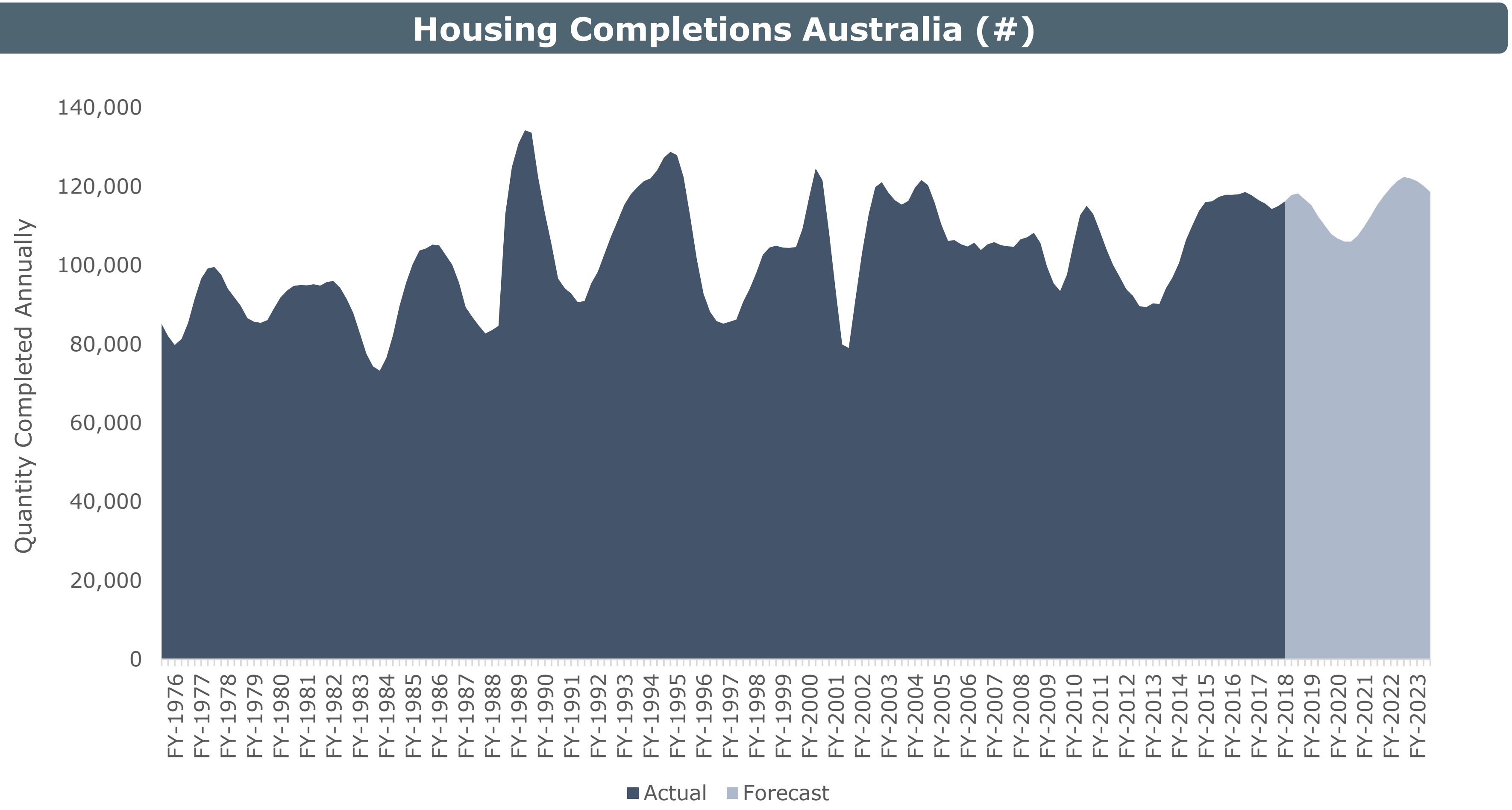
* Corporate Costs include some costs previously allocated to Discontinued Operations
** FY15 / FY16 Discontinued Operations represents only part year contribution of divested businesses

Significant items relate to Door & Access Systems disposal

A$m Significant items	FY17	FY18
Discontinued Operations		
Divestment costs	0.0	(1.9)
Significant items from Discontinued Ops pre tax	**0.0**	**(1.9)**
Tax benefit on Significant items	0.0	0.2
Significant items from Discontinued Ops after tax	**0.0**	**(1.7)**

- Significant items relate to divestment transaction costs
- Further costs of $7-9m (pre-tax) will be incurred in 1H19 (including working capital adjustment)
- Gain on sale (after disposal costs) is expected to be ~$45-47m (pre-tax)
- FY19 expect ~$2.5m in stranded costs in continuing operations

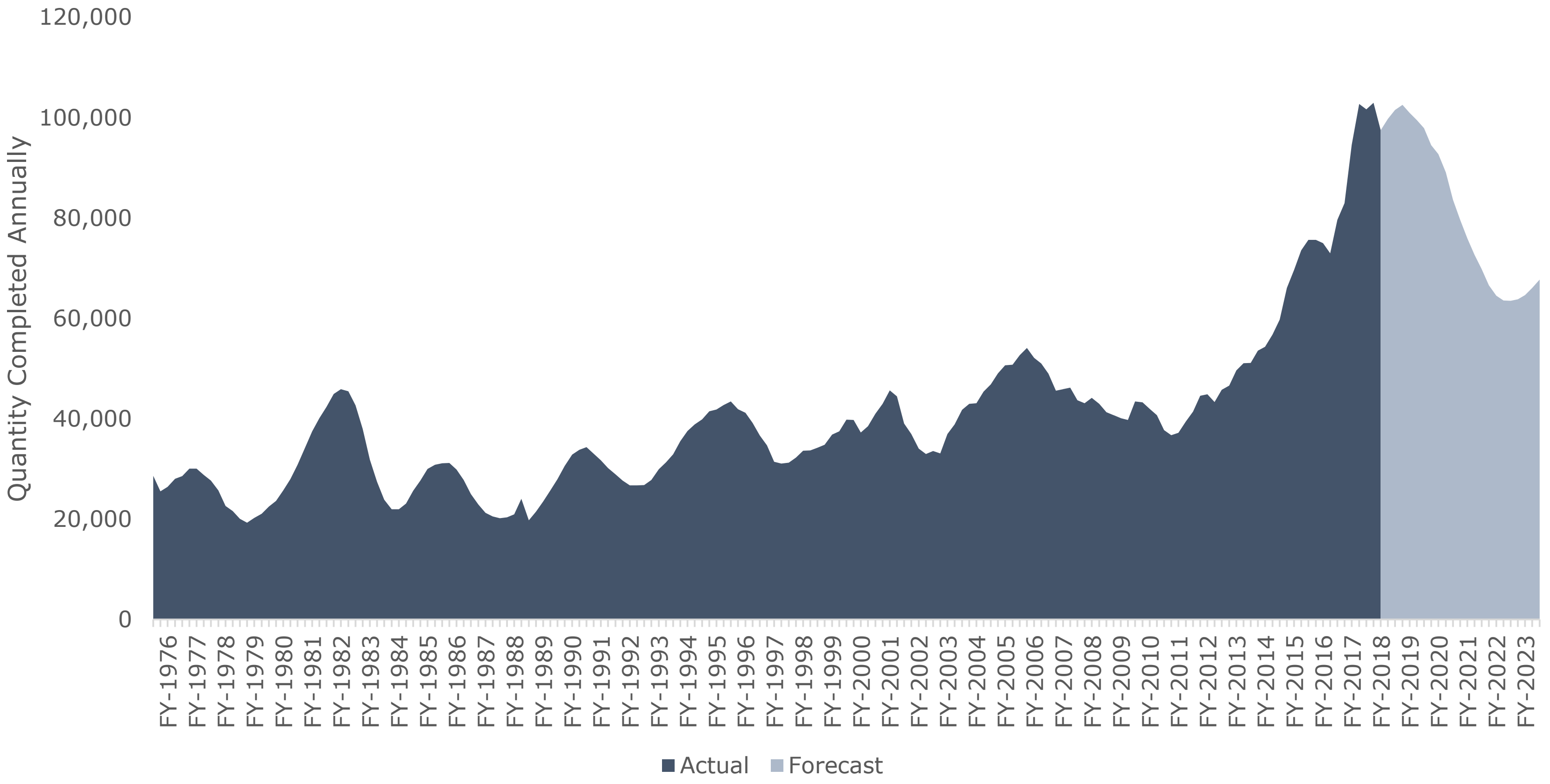
Detached residential new build remains resilient



Source: BIS Oxford Economics: MAT, Actuals to December 2017, Forecast March 2018 – June 2022

Multi-residential declining from peak but presents opportunities for selective growth

Housing Completions Australia (#)



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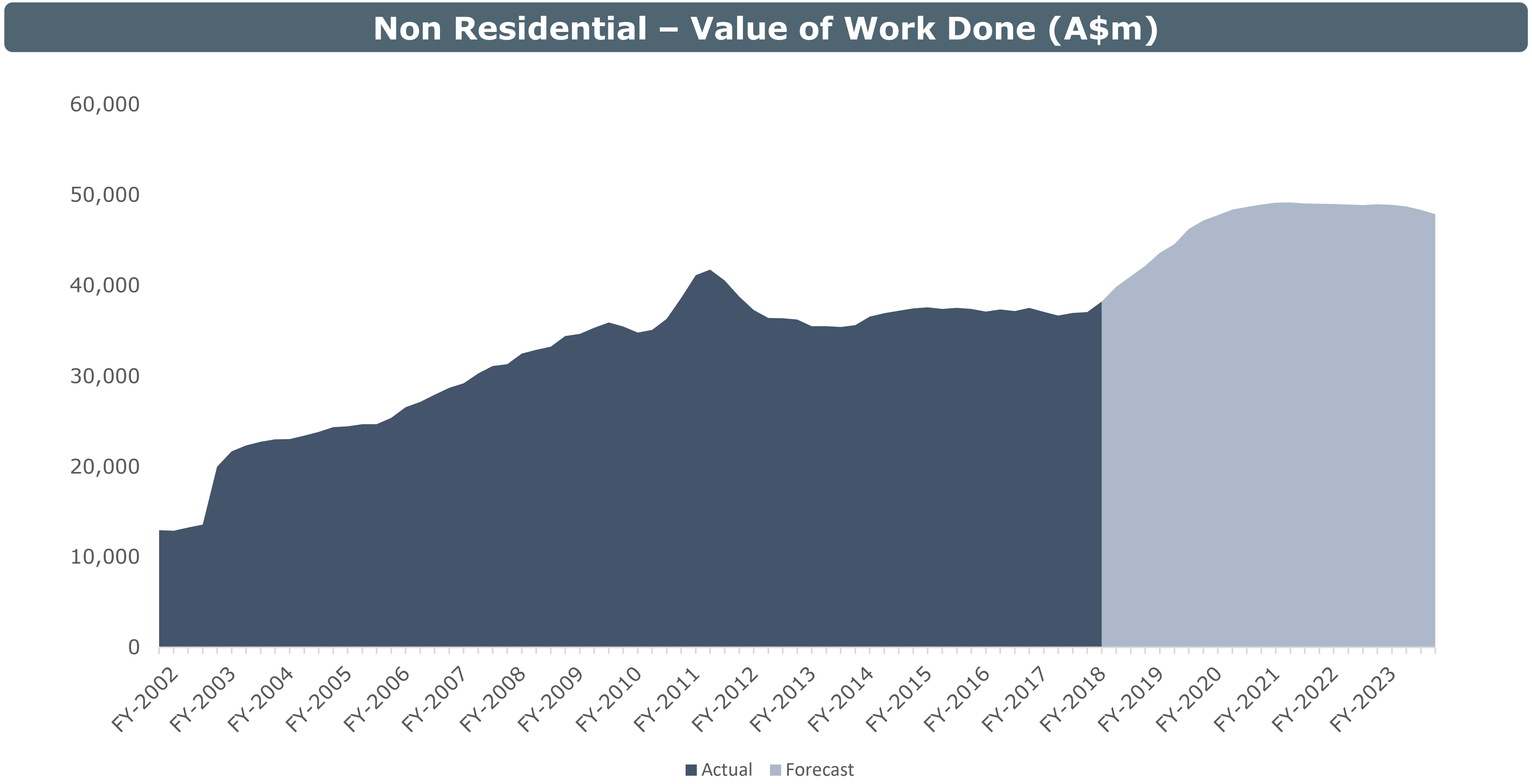
Source: BIS Oxford Economics: MAT, Actuals to December 2017, Forecast March 2018 – June 2022

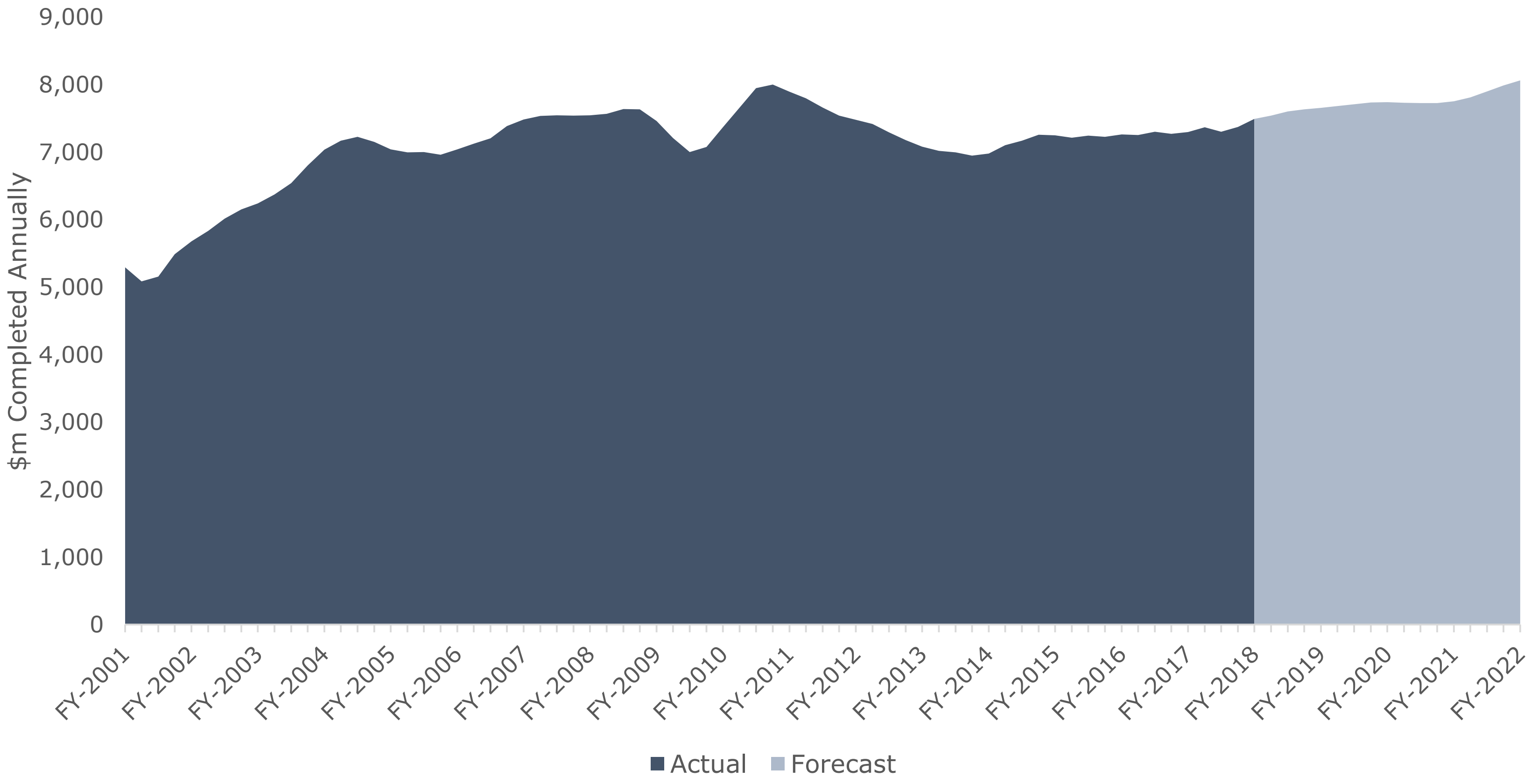
Commercial new build sustaining long term growth trajectory



Source: BIS Oxford Economics: MAT, Actuals to September 2017, Forecast December 2017 – June 2022

Residential R&R segment stability provides resilience through the cycle

Alterations and Additions – Completions ($m)



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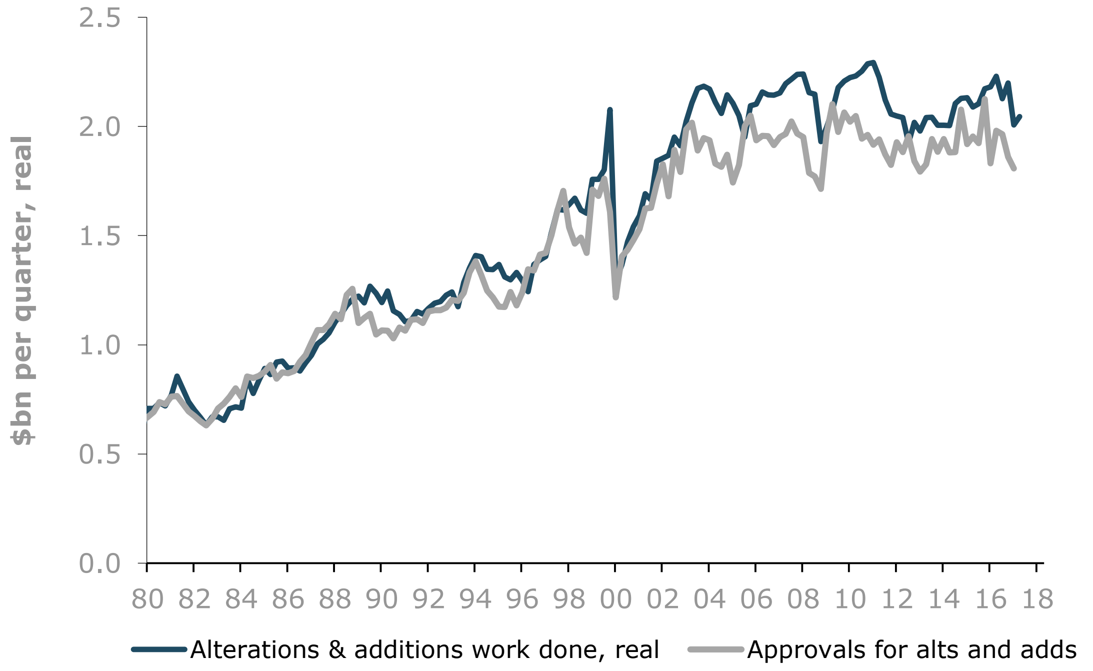
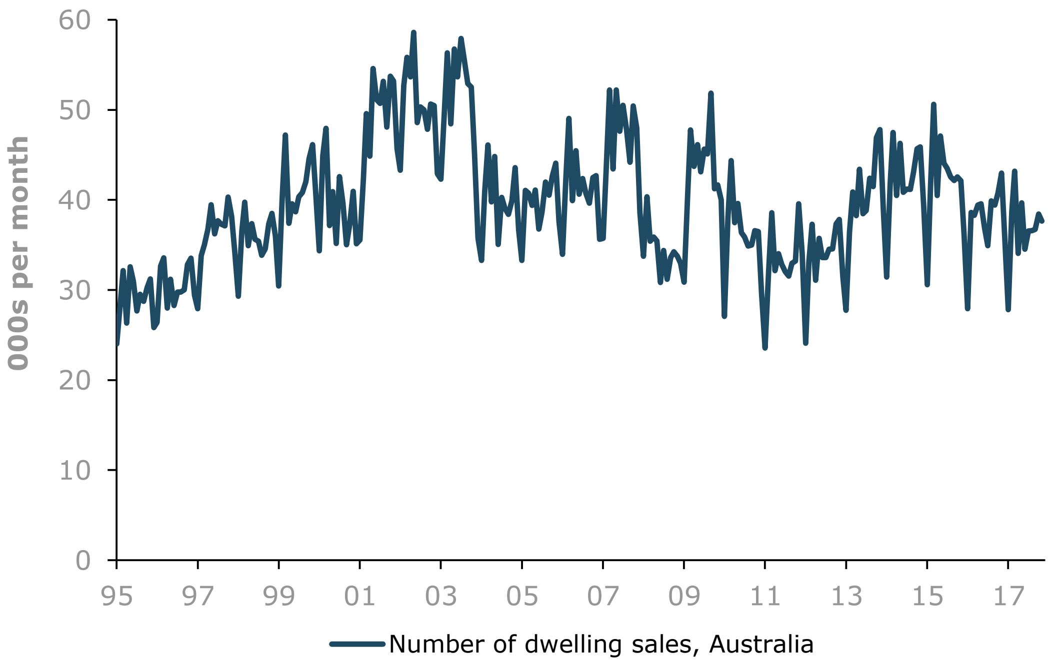
Source: BIS Oxford Economics: MAT, Actuals to June 2018, Forecast September 2018 – June 2022

Residential R&R segment is large and remains stable

Renovation Activity (A$bn)

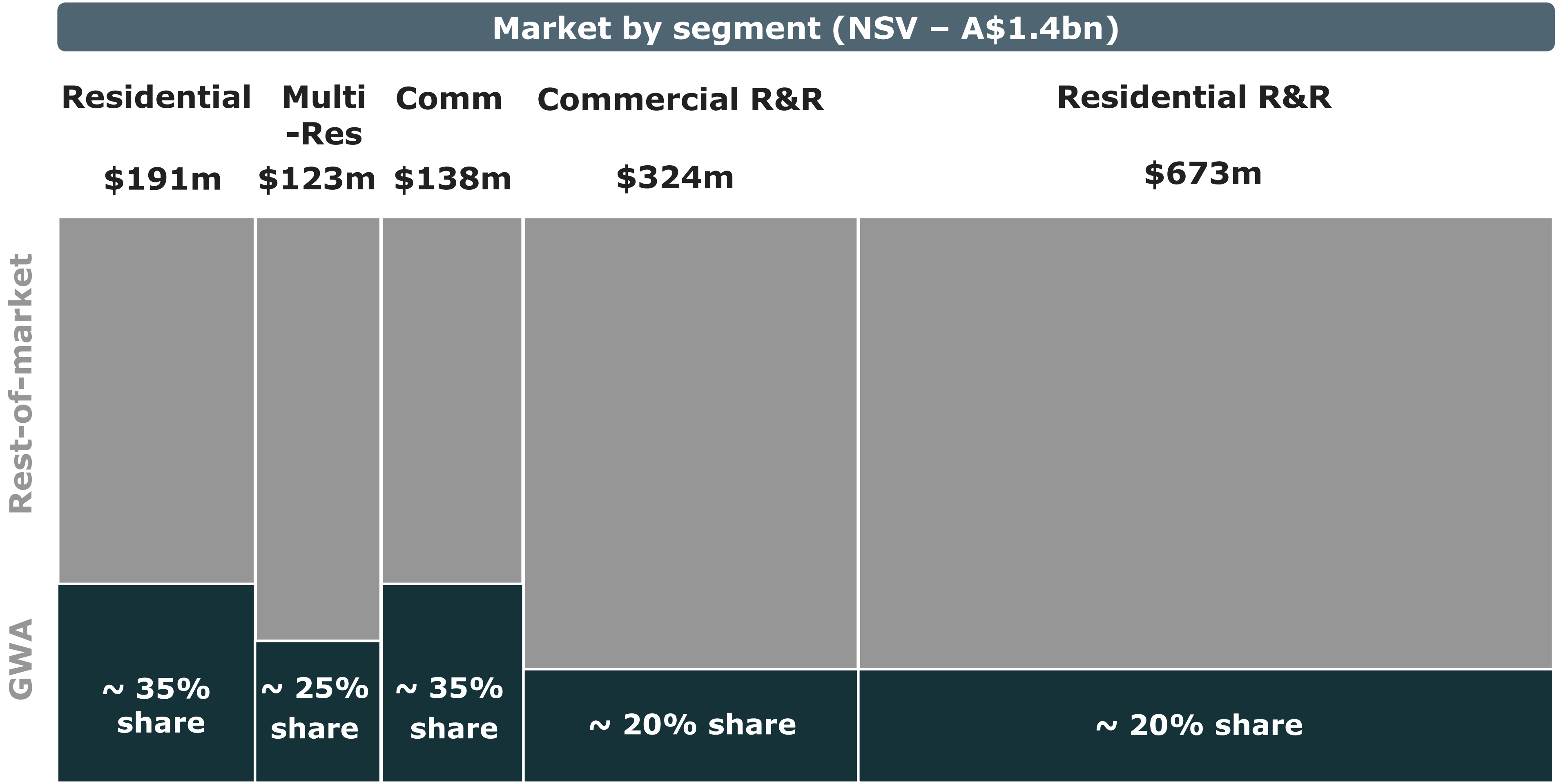


Housing sales (‘000s)



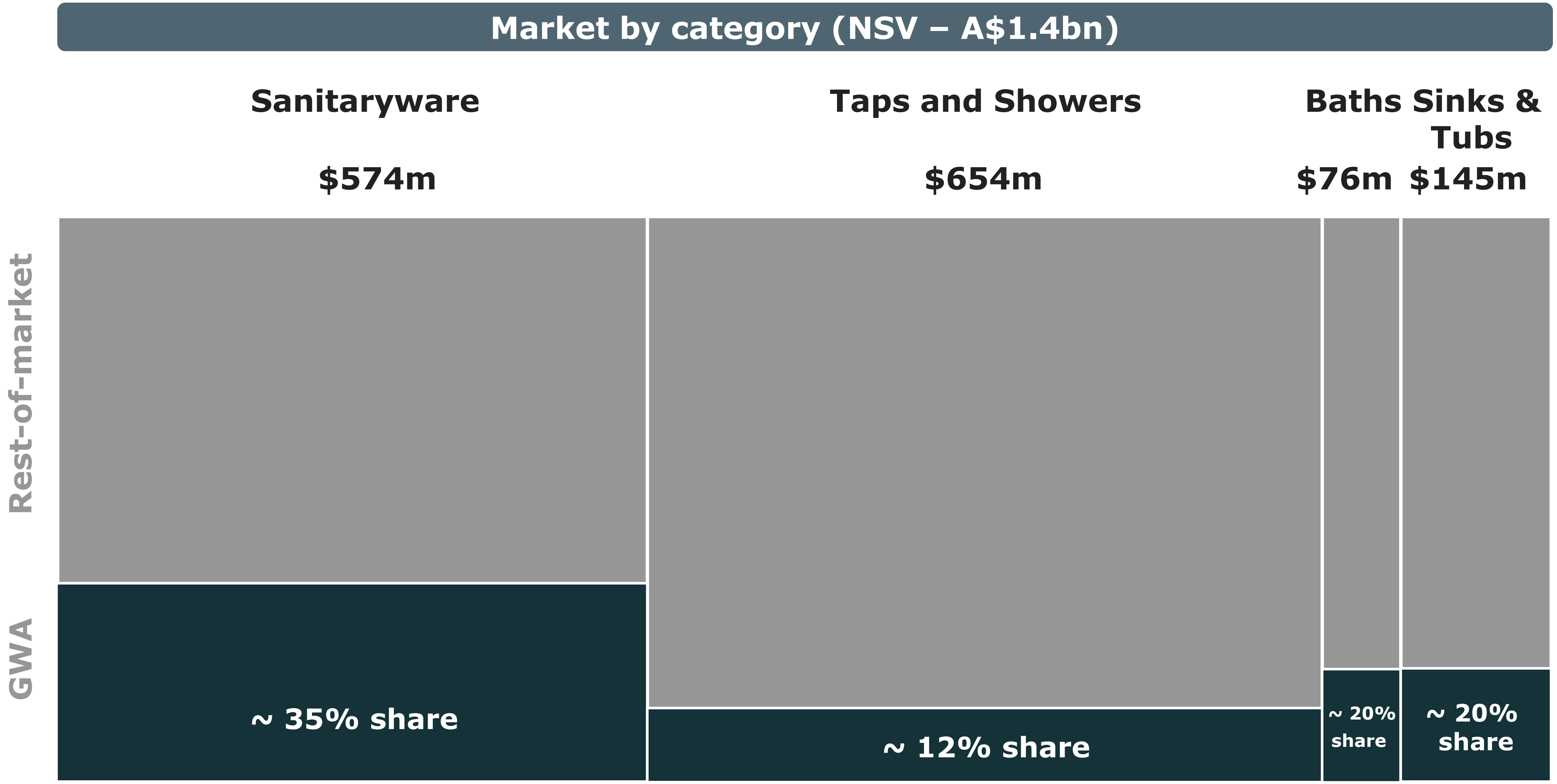
Source: ABS, ANZ

Significant segment growth opportunities



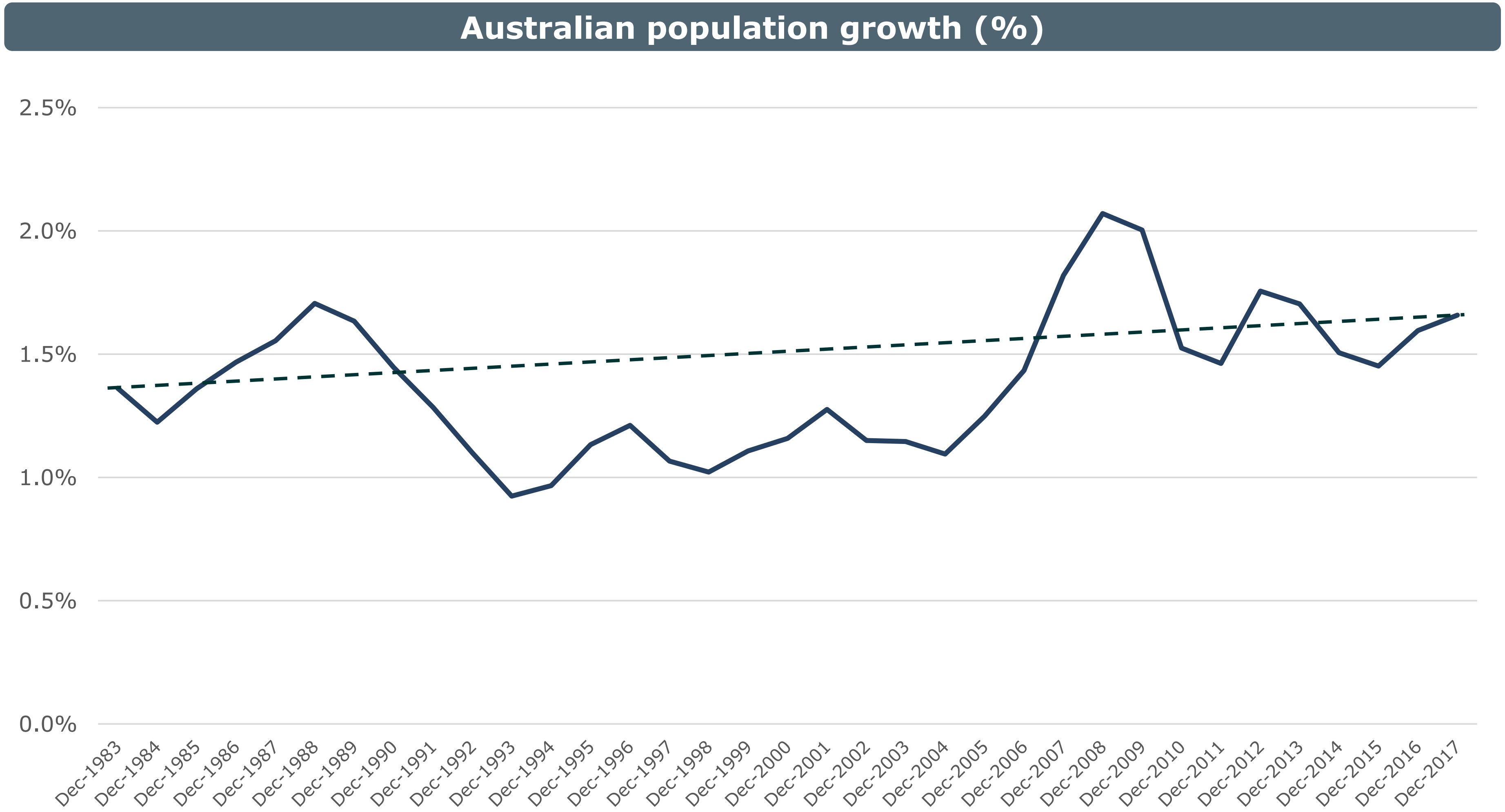
Source: GWA estimates – Australia market only, excludes NZ and Spares

Significant category growth opportunities



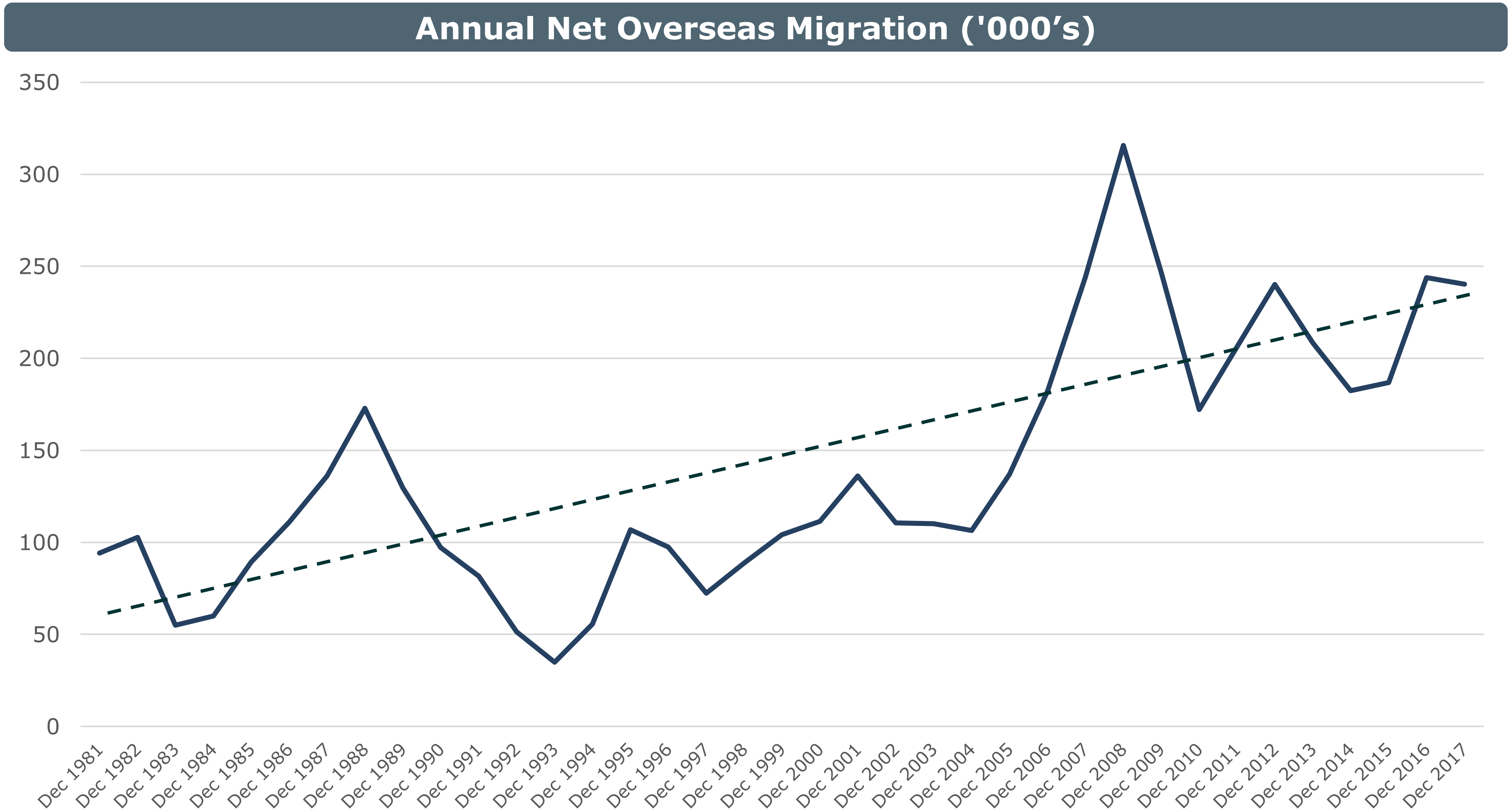
Source: GWA estimates – Australia market only, excludes NZ and Spares

Australian population growth



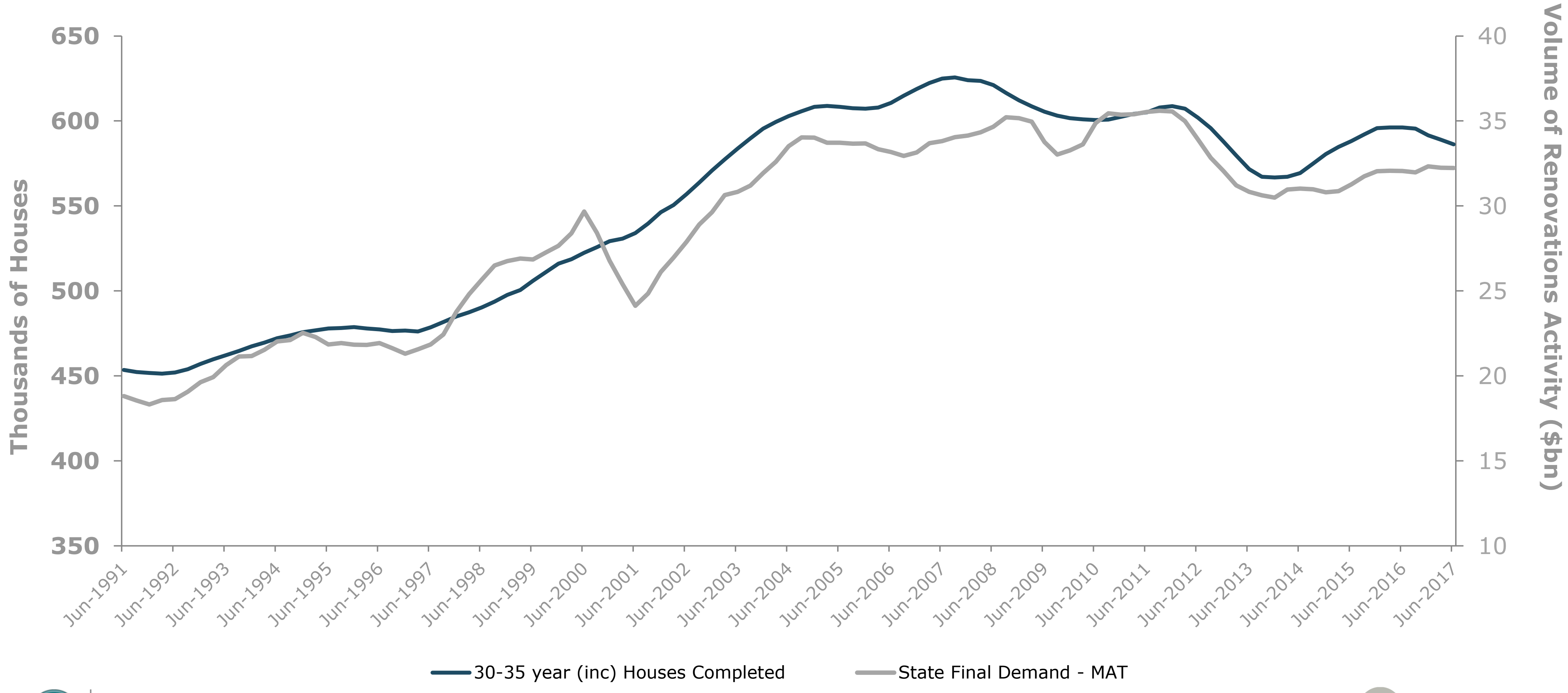
Source: ABS

Annual net overseas migration



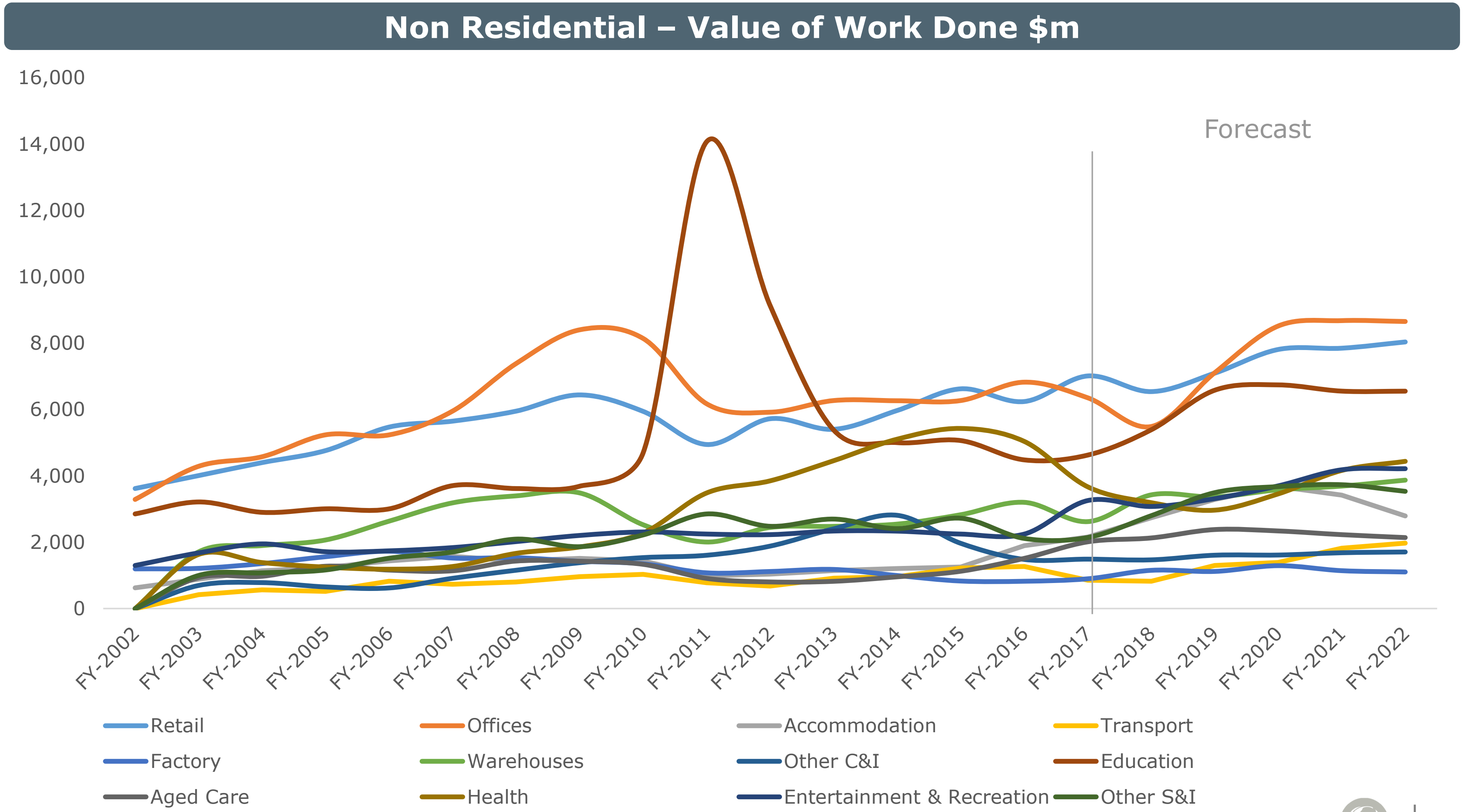
Source: ABS

30-35 year old detached house stock closely correlated with renovations activity and expected to grow into the early 2020s



Source: ABS, HIA Economics

Non Residential by sector



Source: BIS Oxford Economics: MAT, Actuals to June 2017, Forecast September 2017 – June 2022

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Superior solutions for water

Results Presentation

Full Year ended 30 June 2018

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