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GWA delivers solid full year result Continued market share growth with revenue and margins maintained despite challenging market conditions

- Normalised¹ Group Earnings Before Interest and Tax (EBIT) from Continuing Operations² up 1.5% to \$77.4m
- Normalised¹ Group Net Profit After Tax from Continuing Operations² up 3.2% to \$51.8m
- Reported Net Profit After Tax³ for the period was \$95.0 million compared to \$54.3 million for the prior year
- Full year dividend 18.5 cents per share, fully franked, up 2.8%
- Acquisition of Methven increases presence in renovation and replacement segment, taps & showers and select international markets
- Caroma Smart Command® gaining market traction and was awarded the highest award (Best in Class) in product design, hardware and building at the Good Design Awards in July 2019.

Solid financial result despite challenging market conditions

Managing Director, Tim Salt said "FY19 was a transformational year for GWA, which included finalisation of the divestment of the Door & Access Systems' business and the subsequent acquisition of leading taps, showers and valves business, Methven Ltd.

"As a result, GWA has built a more solid platform and greater scale in its core Australasian business coupled with an enhancement of the geographic and segmental diversity of our revenue and earnings.

"We are now focused on further strengthening our Australia and New Zealand business and leveraging Methven's presence in international markets to accelerate growth opportunities across both the Methven and Caroma brands aligned to our core focus on water solutions.

¹ Normalised is before \$8.7 million in significant items (pre-tax) and \$7.6 million in significant items (after tax) relating to transaction and integration costs associated with the acquisition of Methven.

² Continuing Operations include the revenue and earnings contribution from Methven from the effective date of acquisition, 10 April 2019, but exclude the Door & Access Systems' business which was sold on 3 July 2018.

³ Reported net profit includes the \$50.8 million after tax profit from the sale of the Door & Access Systems' business which was sold on 3 July 2018, and \$7.6 million in significant items (after tax) relating to transaction and integration costs associated with the acquisition of Methven.

"In a declining market, GWA maintained revenue, continued to grow market share and maintained margins, demonstrating the successful repositioning the company is implementing to strengthen our competitive position.

"We continue to build joint business plans with our key primary merchant customers and we increased our penetration with secondary customers such as plumbers, developers and builders.

"The successful execution of these plans is resulting in enhanced ranging of GWA products in showrooms and trade counters.

"We are also continuing to invest in marketing activities to ensure our brands resonate more effectively with end consumers, particularly in our core market of Residential Renovation and Replacements.

"The launch of our intelligent bathroom system, Caroma Smart Command®, continues Caroma's pioneering approach to delivering superior sustainable water solutions in the built environment. Caroma Smart Command® includes a set of Bluetooth-enabled, touchless bathroom products that enable monitoring and management of water usage in commercial buildings."

Results Analysis

GWA Group Limited, a leading supplier of fixtures and fittings to Australian and New Zealand households and commercial premises, today announced a 3.2 per cent increase in Normalised¹ Group Net Profit After Tax from Continuing Operations² for the year ended 30 June 2019.

Total Revenue was \$381.7 million compared to \$358.6 million for the prior year while Normalised¹ Group EBIT improved by 1.5 per cent to \$77.4 million.

GWA's Reported Net Profit After Tax³ for the period was \$95.0 million compared to \$54.3 million for the prior year. Reported Net Profit After Tax includes profit from the sale of the Door & Access Systems' business, and transaction and integration costs associated with the acquisition of Methven Ltd.

The Board resolved to pay a final dividend of 9.5 cents per share, fully-franked, bringing the full-year dividend to 18.5 cents per share, compared with 18 cents per share for the prior year – an increase of 2.8 per cent.

The record date for entitlement to receive the final dividend will be 27 August 2019 with the dividend being paid on 4 September 2019.

Methven acquisition

GWA acquired Methven Ltd (Methven) on 10 April 2019. Methven is a leading New Zealand based designer and manufacturer of showers, taps and valves which also has a strong presence in the Australian market and an international footprint.

The acquisition strengthens GWA's core Australia and New Zealand business while providing the potential to leverage Methven's presence in international markets to accelerate growth opportunities.

It also increases GWA's exposure to the more resilient Renovation and Replacements segment from 52 per cent to 55 per cent in Australia and to approximately 59 per cent globally.

Mr Salt said GWA and Methven were operated in parallel from acquisition to 30 June 2019 to allow time for integration plans to be developed to capture at least NZ\$5 million in cost synergies by FY21 and to identify revenue opportunities to leverage the scale and segment and geographic reach of both businesses.

"We have now implemented a combined organisational structure focused on distinct customer groups supported by integrated Group functions which is fundamental to delivering these synergy and revenue opportunities," he said.

FY20 Market Outlook

GWA is now a stronger more focused business following the divestment of the Door & Access Systems' business and the subsequent acquisition of Methven.

Importantly, GWA has a demonstrated track record of outperforming the sector even in challenging environments. GWA has strategies to focus on areas of opportunity and is building capabilities and solutions to capitalise on those opportunities.

Weaker consumer sentiment, credit tightening and falling house prices are expected to lead to a small decline in GWA's addressable market in FY20, driven predominantly by the residential new build segment in multi-residential and detached housing.

However, more recent changes to personal income taxes and interest rate reductions, coupled with relaxation of lending requirements, are expected to make this decline both shallower and shorter than previously anticipated.

The residential renovation and replacement segment is expected to moderate slightly. GWA will continue to execute focused customer and consumer initiatives to generate share growth in this segment in particular.

Commercial activity across both new build and renovation and replacement is expected to remain strong, primarily on the eastern seaboard, driven by both government and non-government spending over the next 24 months in areas including health & aged care, hotels and offices. The Group is well placed to take full advantage in this segment.

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

GWA's priorities in FY20 are focused on delivering above market sales growth:

- driving revenue opportunities focused on renovation across both residential and commercial segments through relevant customer and consumer initiatives;
- growing Methven in Australia and New Zealand by leveraging GWA's scale and customer relationships;
- driving revenue opportunities in Asia and the United Kingdom while continuing to expand and invest in Caroma Smart Command®; and
- maintaining cost discipline for margin maintenance and continued investment in medium term growth initiatives.

GWA will provide a trading update at the company's Annual General Meeting on 25 October 2019.

For further information call:

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