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17 February 2020

ASX On-Line
Manager Company Announcements
Australian Securities Exchange

Dear Sir

Financial Results Presentation for the Half Year Ended 31 December 2019

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

- Half Year Results Presentation

On 17 February 2020 at 10:00am (AEDT), GWA will be hosting a webcast of its FY20 half year results briefing. The webcast is accessible via the GWA website at www.gwagroup.com.au.

This document was authorised for release by the GWA Board.

Yours faithfully

R J Thornton
Executive Director

GWA Group Limited

Superior Solutions for Water

Results Presentation

Half Year ended 31 December 2019

17 February 2020

CAROMA

METHVEN

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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.

Financials have been adjusted for IFRS16 Leases unless otherwise stated.

Agenda

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01 Overview and key themes

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Solid performance given weaker Australian residential housing conditions

Group EBIT within guidance

- Revenue impacted by market conditions in Australia and retailer de-stocking in Q1 and Q2 FY20
- Revenue growth in New Zealand and International markets
- EBIT margins in the Australia business (excluding Methven) broadly maintained
- Acceleration of cost-out savings and Methven synergies mitigates a significant amount of revenue decline

Superior water solutions strategy remains on track, with Methven integration ahead of target

- Market share maintained in Australia (excluding Methven); overall Australian market share increased due to Methven
- Strengthening relationships with merchant partners through joint business planning and core range extension
- Increased collaboration with secondary customers capturing segment opportunities (Aged Care, Commercial Renovation & Replacement) with commercial order bank strong and in growth

FY20 guidance maintained

- GWA is positioned to capitalise on anticipated market recovery in early FY21
- Continued investment in revenue enhancing and cost-out opportunities (Caroma Smart Command®, brand initiatives and consolidated distribution centres and offices)
- Leveraging Methven improved performance and international capability to further diversify earnings
- FY20 normalised[1] EBIT expected to be $80-85m

[1] Normalised is before $(0.4)m in significant items (after tax) relating to integration costs associated with the acquisition of Methven

02 Financial results

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Operational discipline delivers EBIT within guidance range

Normalised[1] from continuing operations[2] includes Methven in 1H FY20 but not 1H FY19

A$m Normalised[1]	1H FY19 Excludes Methven	1H FY20 Includes Methven	% Change
Revenue	182.6	206.3	12.9%
EBITDA	46.1	48.1	4.3%
EBIT	39.1	38.1	-2.6%
NPAT	26.2	24.0	-8.2%
EBIT Margin %	21.4%	18.5%	-2.9pp
EPS	9.9c	9.1c	-0.8c
Interim Dividend	9.0c	8.0c	-1.0c

- EBIT of $38.1m within $37-41m guidance range provided at the AGM
- Net profit down (8.2)% on prior year primarily due to increased interest costs on the debt related to the acquisition of Methven
- EBITDA up 4.3% due to the inclusion of Methven earnings and depreciation in 1H FY20 and slightly higher depreciation in GWA
- Effective tax rate 29.2%
- Ongoing robust financial position enables fully-franked interim dividend of 8 cents per share

[1] Normalised is before $(0.4)m in significant items (after tax) relating to integration costs associated with the acquisition of Methven
[2] Continuing Operations excludes the Door & Access Systems' business which was sold on 3 July 2018

Operational discipline maintains EBIT margin

Normalised[1] from continuing operations[2] (pro forma) includes Methven in 1H FY20 and 1H FY19

A$m Normalised[1]	Pro Forma 1H FY19 Includes Methven	Pro Forma 1H FY20 Includes Methven	% Change
Revenue	233.1	206.3	-11.5%
EBITDA	52.6	48.1	-8.6%
EBIT	43.3	38.1	-12.1%
NPAT	28.4	24.0	-15.2%
EBIT Margin %	18.6%	18.5%	-0.1pp
ROFE %	19.6%	15.6%	-4.0pp
EPS	10.7	9.1	-1.6c
Interim Dividend	9.0c	8.0c	-1.0c

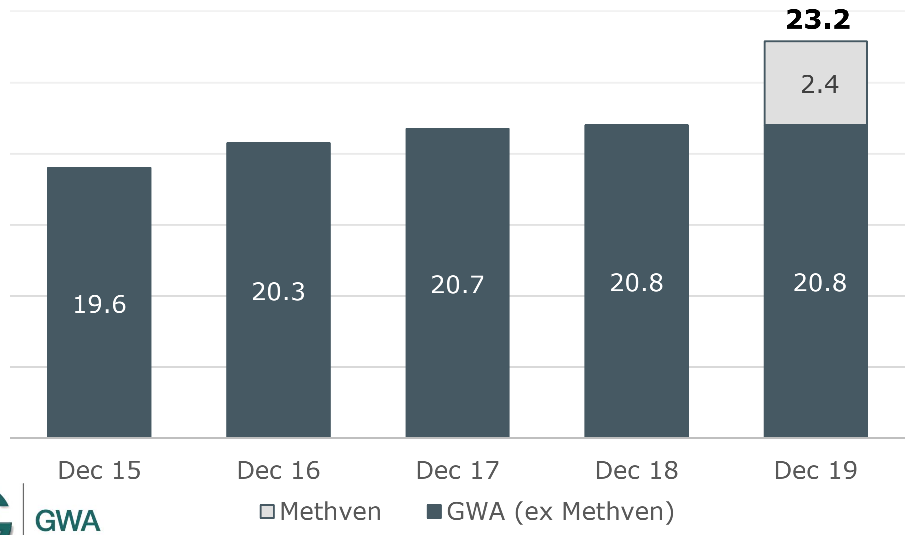
- Revenue reflects the decline in residential new build and renovation construction activity in Australia coupled with trade destocking and lapping a strong 1H FY19 in Methven Australia due to pipeline fill
- Ongoing strength in commercial activity and international growth partially offsets the residential revenue decline in Australia
- ~$8m of cost management and $1m Methven synergies (both higher than originally targeted) have limited EBIT decline to (12.1)% with continued investment in strategic initiatives
- EBIT margin maintained
- Net profit down (15.2)% on prior year primarily due to increased interest costs on the debt related to the acquisition of Methven
- ROFE decline reflects a combination of lower earnings and increased goodwill related to the acquisition of Methven

[1] Normalised is before $(0.4)m in significant items (after tax) relating to integration costs associated with the acquisition of Methven
[2] Continuing Operations excludes the Door & Access Systems' business which was sold on 3 July 2018

Market share growth in Australia including Methven

Market Data[1]	
Market Segment Change vs prior corresponding period	**1H FY20 vs 1H FY19**
Residential detached housing	-12%
Multi-Residential	-14%
Commercial (new build)	2%
Rennovation & Replacement (commercial and residential)	-5%
Total addressable market	**-6%**

Market share maintained on a sales-out basis[2]



- Trading conditions deteriorated in 1H FY20 predominantly in detached and multi-residential housing
- Residential renovation decreased due to the significant decline in existing housing turnover (refer slide 31)
- Commercial activity (new build / R&R) remains solid, particularly across the eastern seaboard, but did not fully offset declines in the other segments
- GWA Australia (ex Methven) has held market share on a sales-out basis[2]
- Overall market share, including Methven's contribution, has increased to 23.2% of the addressable Australian market

[1] Source: BIS Oxford Economics and GWA estimates Australia market
[2] GWA Australia (ex Methven) revenue on a 'sales out' basis (i.e. adjusted for customer destocking)

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New Zealand performance improving and growth in International continues

Continuing operations[1] (pro forma) includes Methven in 1H FY20 and 1H FY19

A$m Revenue	Pro Forma		
	1H FY19 Includes Methven	1H FY20 Includes Methven	% Change
Australia	191.2	162.8	-14.8%
New Zealand	27.2	27.5	0.7%
International	14.7	16.0	9.1%
Continuing operations	**233.1**	**206.3**	**-11.5%**

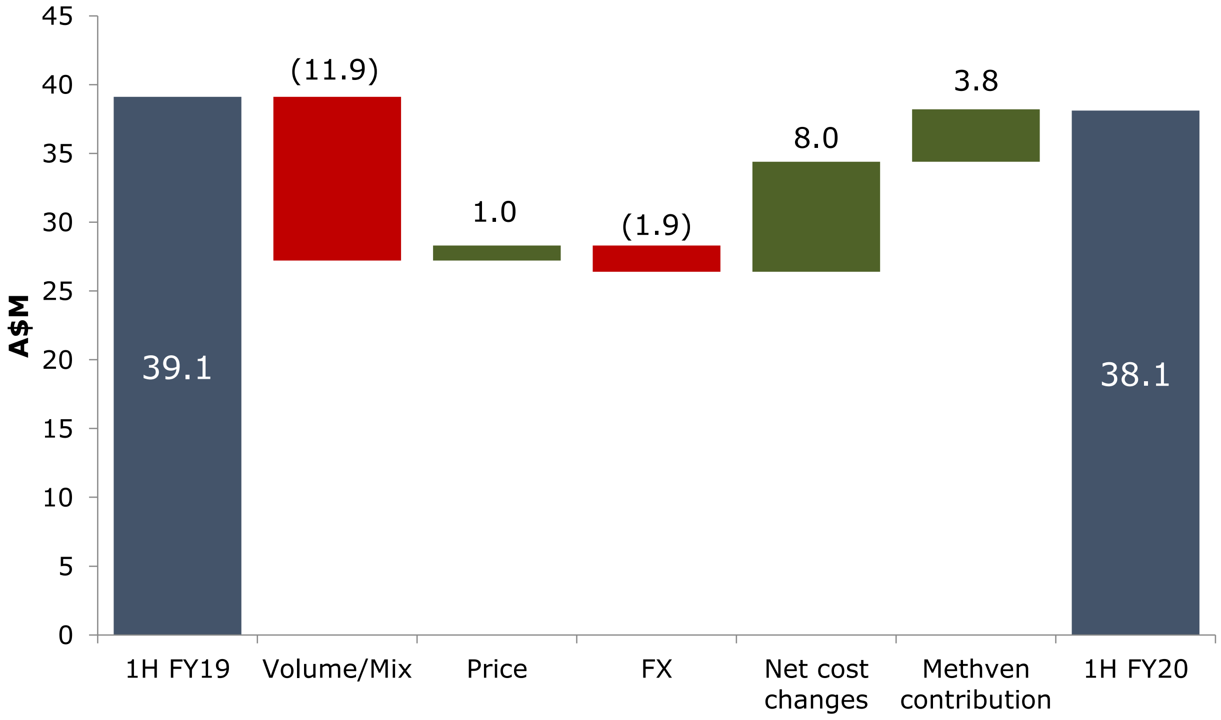
- **Australia** revenue impacted by weak market partially offset by improved mix
- **New Zealand** revenue increase reflects a solid performance across both Methven and GWA's existing business. Methven now in growth after going backwards for three consecutive years
- **International** increased solidly across both the United Kingdom and Asia, up ~7% and ~26% respectively with continued focus on customer development opportunities

[1] Continuing Operations excludes the Door & Access Systems' business which was sold on 3 July 2018

Strong cost management and Methven synergies

Normalised[1] continuing operations[2] includes Methven in 1H FY20 but not 1H FY19

Normalised[1] Continuing Operations EBIT Bridge (A$m)



– **Volume/Mix**: impacted in Australia by weak market and trade destocking, slightly offset by improved mix

– **Price**: Price increase in November 2019 will impact more in 2H FY20

– **FX**: Weaker AUD on product purchases mostly mitigated through forward contracts

– **Net cost changes**: higher savings through ongoing SG&A cost discipline and higher than originally targeted savings from optimisation of supply chain have more than offset input cost inflation. These have enabled increased investment in growth initiatives, such as: marketing spend; Caroma Smart Command® and warehouse and office consolidation costs

– **Methven**: improved significantly on 2H FY19. Includes ~$1m of synergies and $(0.4)m adverse Methven related fx impact

[1] Normalised is before $(0.4)m in significant items (after tax) relating to integration costs associated with the acquisition of Methven
[2] Continuing Operations excludes the Door & Access Systems' business which was sold on 3 July 2018

Good progress on Methven integration

- Earnings improving (up 50% on 2H FY19)
  - Methven now in growth in New Zealand following three years of decline
  - International growing strongly; UK business growing market share
  - Methven Australia impacted by weak conditions and lapping significant NPD[1] pipeline fill in 1H FY19
- Executing increased Methven product ranging in Australia
- Full bathroom offering commenced in Asia but delayed in the United Kingdom due to new regulatory requirements
- Cost synergies ahead of target - $1m in 1H FY20 and now expect at least NZ$6m by FY21
- Integrated sales' structures in Australia and New Zealand supported by Group functions

[1] New product development

Cash generation remains strong

Continuing operations[1] (pro forma) includes Methven in 1H FY20 and 1H FY19

Cash flow from Continuing Operations A$M	Pro Forma 1H FY19 Includes Methven	Pro Forma 1H FY20 Includes Methven
EBITDA	**52.6**	**48.1**
Net movement in Working Capital	7.3	(4.1)
Other	(3.3)	(1.8)
Cash Flow from Operations	**56.6**	**42.2**
Capital Expenditure	(3.9)	(8.2)
Restructuring / Other costs	(2.0)	(0.7)
Net Interest Paid	(3.2)	(4.4)
Tax Paid	(14.2)	(10.4)
Free Cash Flow	**33.3**	**18.5**
Discontinued Operations	99.3	0.0
Group Free Cash Flow	**132.6**	**18.5**

- Working capital adverse due to higher inventory relating to stock builds associated with the timing of Chinese New Year and the lead up to warehouse consolidations in Australia, and reduced debtors and payables
- Cash conversion ratio from Continuing Operations of 88%[2]
- Capital expenditure due to: warehouse and office consolidation with Methven; Caroma Smart Command® and IT investment
- FY20 cash restructuring / other costs relate primarily to Methven integration costs
- Discontinued operations include the proceeds on sale from the divestment of the Door & Access Systems' business
- Tax payments have reduced due to a top up payment made 1H FY19

[1] Continuing Operations excludes the Door & Access Systems' business which was sold on 3 July 2018
[2] Cash Flow from Operations divided by normalised EBITDA

Strong financial position maintained

Continuing operations[1] includes Methven from 30 June 2019 but not in prior periods

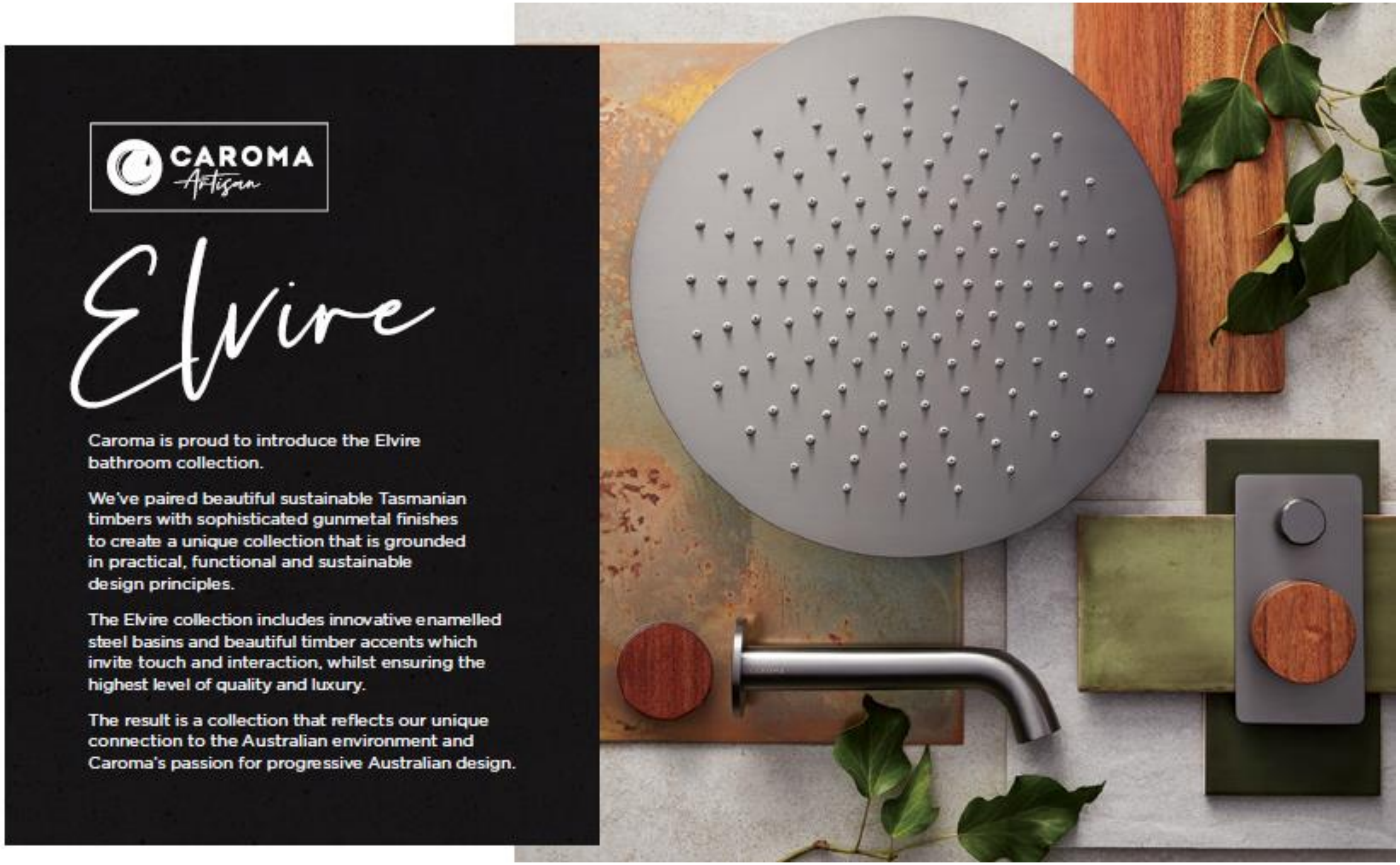
Metrics[2]	30 June 2017 Excludes Methven	30 June 2018 Excludes Methven	31 Dec 2018 Excludes Methven	30 June 2019 Includes Methven	31 Dec 2019 Includes Methven
Net Debt	79.8	97.7	(7.1)	141.9	156.6
Leverage Ratio *Net Debt / EBITDA*	0.9	1.1	(0.1)	1.6	1.9
Interest Cover *EBITDA / Net Interest*	17.1	19.6	26.1	23.5	15.4
Gearing *Net Debt / (Net Debt + Equity)*	19.9%	22.7%	-1.9%	27.5%	29.9%
Net Debt					
Borrowings	112.0	125.0	25.0	177.8	185.5
Bank Guarantees	4.1	1.8	0.8	3.8	4.9
Cash	(36.4)	(27.9)	(32.9)	(39.6)	(33.8)
Held for sale cash	-	(1.2)	-	-	-
	79.8	**97.7**	**(7.1)**	**141.9**	**156.6**

- GWA remains in a strong financial position
- Increased net debt due primarily to the acquisition of Methven in FY19 and in FY20 lower revenue in Australia and higher investment in capex to support growth
- Substantial headroom maintained within $250m banking facility
  - Facilities were refinanced in 1H FY20 with a $210m 3-year facility and a $40m 1-year facility, providing improved flexibility
- Credit metrics remain strong

[1] Continuing Operations excludes the Door & Access Systems' business which was sold on 3 July 2018

[2] Metrics calculated as required for reporting to GWA's syndicated banking group and have not been adjusted for the impact of IFRS 16 Leases. Leverage Ratio is calculated using twelve months pro forma Methven results and Interest Cover is calculated using Methven results from the acquisition date (10 April 2019)

03 | Strategic progress



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"

Caroma Smart Command® generating positive market engagement

Progress

- Strong customer engagement in multiple commercial segments
- Caroma Smart Command® installed in 36 sites across Australia and New Zealand, with solid bank of additional projects in the pipeline for 2H FY20
- 16 sites migrated to the cloud solution. Further migrations planned for 2H FY20. Creates a platform for fee-for-service solution
- Intelligent Shower and Eco Valve on track for launch in Q4 FY20 – completes whole of bathroom solution
- NPD[1] pipeline based on segment and customer needs
- Leveraging Methven geographic footprint for international expansion – China and South East Asia in premium commercial
- Broadening global exposure as naming rights sponsor of the World Plumbing conference in 2019 and Dubai 2020 World Expo
- Leveraging Austrade and NZTE[2] for lead generation and international support

[1] New product development
[2] New Zealand Trade and Enterprise

We continue to invest behind our core brands

- Continued investment in our core brands enhances our engagement with consumers:
  - Launched Caroma Elvire premium range
  - Extensive media across outdoor, online and TVC[1]
  - Continued momentum in Flagship Stores. Increased foot traffic and conversion through targeted events
  - Launched Methven Turoa coloured tapware
  - Launched Nefa II and Fast Flow II valves
  - Launched new shower and tapware ranges in both the UK and Asia; launched sanitaryware in Asia

[1] Television commercials

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Investment in new distribution network enables integration of Methven portfolio, improved customer service and network efficiencies

- Consolidated distribution network to four key Distribution Centres in NSW, QLD, VIC and WA
- The new network enables one order / single invoicing across the combined portfolio and improved customer service
- Distribution footprint decreases while capacity increases by ~10k pallets
- Provides the base for improvement in operating efficiencies in FY21 and beyond

Strategic initiatives focus on generating medium-term revenue growth underpinned by operational discipline

Corporate priority	Progress made
CUSTOMER FOCUSED Add value to customers through superior execution, insights, analytics and processes	Continue to: – strengthen merchant customer relationships via joint business planning and core range extension – increase collaboration with secondary customers capturing Commercial segment opportunities (Aged Care, Commercial R&R) – grow Methven in Australia leveraging GWA scale and customer relationships – convert the pipeline for Caroma Smart Command® – drive growth in International markets
CONSUMER DRIVEN Deliver experiences to excite consumers and drive revenue and market share growth	– Leverage increased investment in Caroma brand initiatives – Premium product range Caroma Elvire performing ahead of expectations. Drive growth in 2H FY20 – Continue Caroma Cleanflush momentum – 1H FY20 sales up 11% vs pcp – Continue performance improvement in flagship stores (Sydney, Adelaide)
EFFICIENCY/BEST COST/PEOPLE Simple, effective processes to delight consumers and customers with continuous improvement and great people	– Continue to accelerate our $9-12m cost out programme FY19-FY21 in 2H FY20. $3m delivered in 1H FY20 (ahead of target) – Maintain over delivery of Methven cost synergies - $1m in 1H FY20 and now expect at least NZ$6m by FY21 – Optimise new distribution centres (VIC, QLD, WA) to enhance customer service and improve operating efficiencies in FY21 and beyond

Continuing to strengthen Water Solutions over the medium-term

A$m	FY15	FY16	FY17	FY18[1]	FY19[1 2]	1H FY19[1 2]	1H FY20[1 2]
Water Solutions[3]							
Revenue	330.0	342.0	350.4	358.6	381.7	182.6	206.3
Normalised EBIT	65.5	70.9	74.3	76.2	78.1	39.1	38.1
EBIT Margin % (Water Solutions)	19.8%	20.7%	21.2%	21.3%	20.5%	21.4%	18.5%

[1] Restatement of Net Sales to comply with IFRS 15. Periods before this are not restated
[2] Restatement of EBIT to include IFRS 16 impact FY19 onwards
[3] Water Solutions includes the former B&K business, former Corporate, and Methven since purchased on 10 April 2019

04 | Summary and outlook

FY20 outlook – Guidance maintained: Normalised[1] EBIT $80-85m

Key area	FY20 commentary
Market Activity	– Trading conditions to remain challenging in the short term, however forward indicators moving back into balance will provide a solid platform for growth – Recent capital city house price increases, improving existing housing turnover and early signs of improving housing construction activity support anticipated improvement in residential market conditions in early FY21 – Commercial activity (new build, R&R) expected to remain solid across the eastern seaboard – order book remains strong and in growth

GWA well positioned to deliver revenue and earnings growth as market recovers	– Enhanced revenue opportunities as market recovers:
	  – Caroma Smart Command®
	  – Growth in core Commercial Segments (Aged Care, Commercial R&R)
	  – Broader Methven ranging in merchants
	  – New Product Development targeting Residential R&R and Aged Care
	– Further growth in international markets (Asia, UK), leveraging Methven's presence
	– Further scope for cost savings / Methven synergies supports margin maintenance and capacity for continued investment in growth initiatives
	– Realigned cost base and network efficiencies provide increased operating leverage and enable continued investment in growth initiatives through the cycle

FY20 earnings weighted to 2H - FY20 guidance maintained	– Earnings in 2H FY20 expected to be higher than 1H FY20:
	  – No material impact expected in FY20 from Coronavirus
	  – Price increases implemented 1 November 2019 will benefit in 2H FY20
	  – Acceleration of Methven cost synergies, expecting $3m in FY20
	  – Acceleration of supply chain and SG&A savings, expecting $3m in 2H FY20
	  – Group Normalised[1] FY20 EBIT expected to be within range of $80-85m

[1] Normalised EBIT is excluding Significant items

GWA Group Limited

Superior Solutions for Water

Results Presentation

Half Year ended 31 December 2019

17 February 2020

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05 Appendix

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FY20 Key Assumptions

- D&A (depreciation and amortisation) is expected to be ~$7–8m excluding the impact of IFRS 16. Including the impact of IFRS 16 D&A is expected to be ~$20-21m. (refer slide 27 for reconciliation)
- Interest costs expected to be ~$6–7m excluding lease interest. Including the impact of IFRS 16 lease costs are expected to be ~$8-9m. (refer slide 27 for reconciliation)
- ~$5m F/X on-costs expected to be offset by cost savings and price
- Tax rate on continuing normalised business of ~29–30%
- Working capital to remain broadly similar to FY19 proforma (including Methven)
- Capex of ~$12–14m due to: investment in Caroma Smart Command®; investment in NPD; cost out initiatives; warehouse racking and office fit-outs
- $6m savings in FY20 from the $9-12m cost out programme by FY21
- $3m savings from integration of Methven in FY20

IFRS 16 Leases - impact on key metrics

Continuing operations[1] (pro forma) includes Methven in 1H FY20 and 1H FY19

A$m	1H FY19 Includes Methven			1H FY20 Includes Methven		
	Previously disclosed	Restated	IFRS 16 Adjustment	Pre IFRS 16 Adjustment	Post IFRS 16 Adjustment	IFRS 16 Adjustment
Revenue	233.1	233.1	0.0	206.3	206.3	0.0
EBIT (Normalised[2])	42.8	43.3	0.6	37.5	38.1	0.6
EBIT Margin %	18.3%	18.6%	0.2pcp	18.2%	18.5%	0.3pcp
Depreciation & amortisation	3.7	9.2	5.6	3.6	10.0	6.4
EBITDA (Normalised[2])	46.4	52.6	6.1	41.1	48.1	7.0
Net Interest expense	1.8	3.0	1.2	2.9	4.2	1.2
NPAT	78.1	77.7	(0.4)	24.0	23.6	(0.4)
NPAT (Normalised[2])	28.8	28.4	(0.4)	24.4	24.0	(0.4)
Operating Cash Flow	51.5	57.6	6.1	35.2	42.2	7.0
ROFE %	19.3%	19.4%	0.1pcp	15.3%	15.6%	0.3pcp

[1] Continuing Operations excludes the Door & Access Systems' business which was sold on 3 July 2018
[2] Normalised is before $(0.4)m in significant items (after tax) relating to integration costs associated with the acquisition of Methven

Reconciliation – Reported NPAT to Normalised[1] NPAT

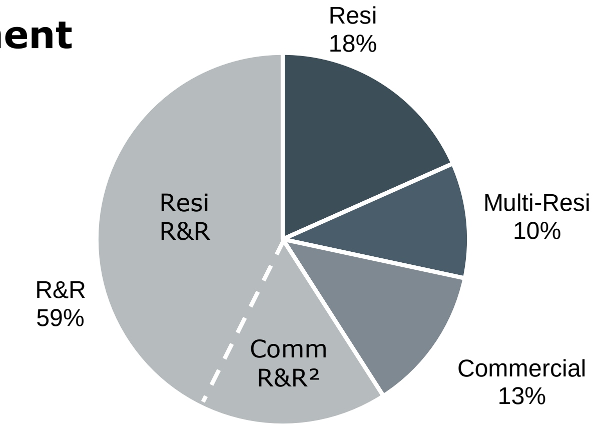
Continuing Operations[2] includes Methven in 1H FY20 but not 1H FY19

A$m	1H FY19 Excludes Methven			1H FY20 Includes Methven		
	Continuing Operations[2]	Discont'd Operations	Group Total[3]	Continuing Operations[2]	Discont'd Operations	Group Total[3]
Normalised[1]						
REVENUE	182.6	0.0	182.6	206.3	0.0	206.3
EBITDA	46.1	0.0	46.1	48.1	0.0	48.1
EBIT	39.1	0.0	39.1	38.1	0.0	38.1
NPAT	26.2	0.0	26.2	24.0	0.0	24.0
EPS (cents)	9.4	19.3	28.6	9.1	0.0	9.1
Significant Items						
Pre Tax	(1.5)	50.1	48.6	(0.6)	0.0	(0.6)
Post Tax	(1.5)	50.8	49.3	(0.4)	0.0	(0.4)
Reported						
REVENUE	182.6	0.0	182.6	206.3	0.0	206.3
EBITDA	44.6	50.1	94.7	47.4	0.0	47.4
EBIT	37.6	50.1	87.7	37.5	0.0	37.5
NPAT	24.7	50.8	75.5	23.6	0.0	23.6
EPS (cents)	9.4	19.3	28.6	8.9	0.0	8.9

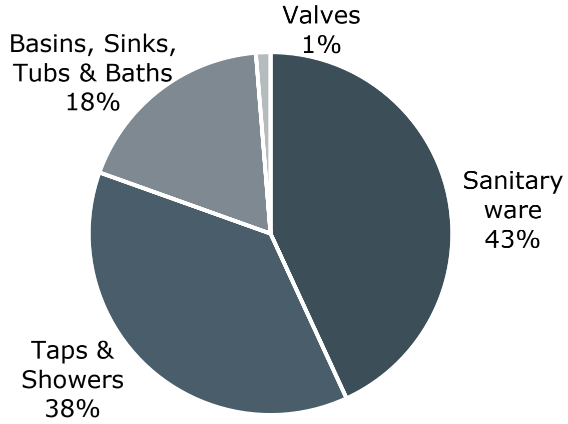
[1] Normalised is before Significant items. Significant items relate to profit on sale of the Door & Access Systems business and the transaction and integration costs associated with the acquisition of Methven
[2] Continuing operations exclude the Door & Access Systems' business which was sold on 3 July 2018
[3] 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 4D and Financial Report

Increased presence in R&R segment and improved geographic diversification provide resilience through the cycle

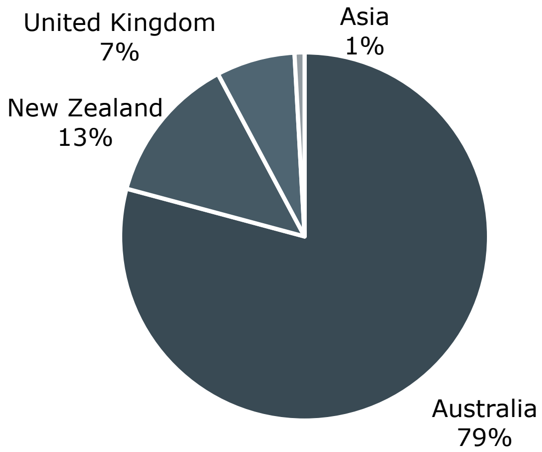
Segment



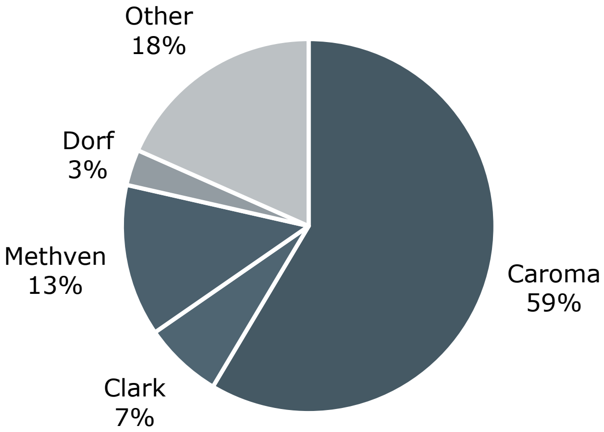
Category



Geography



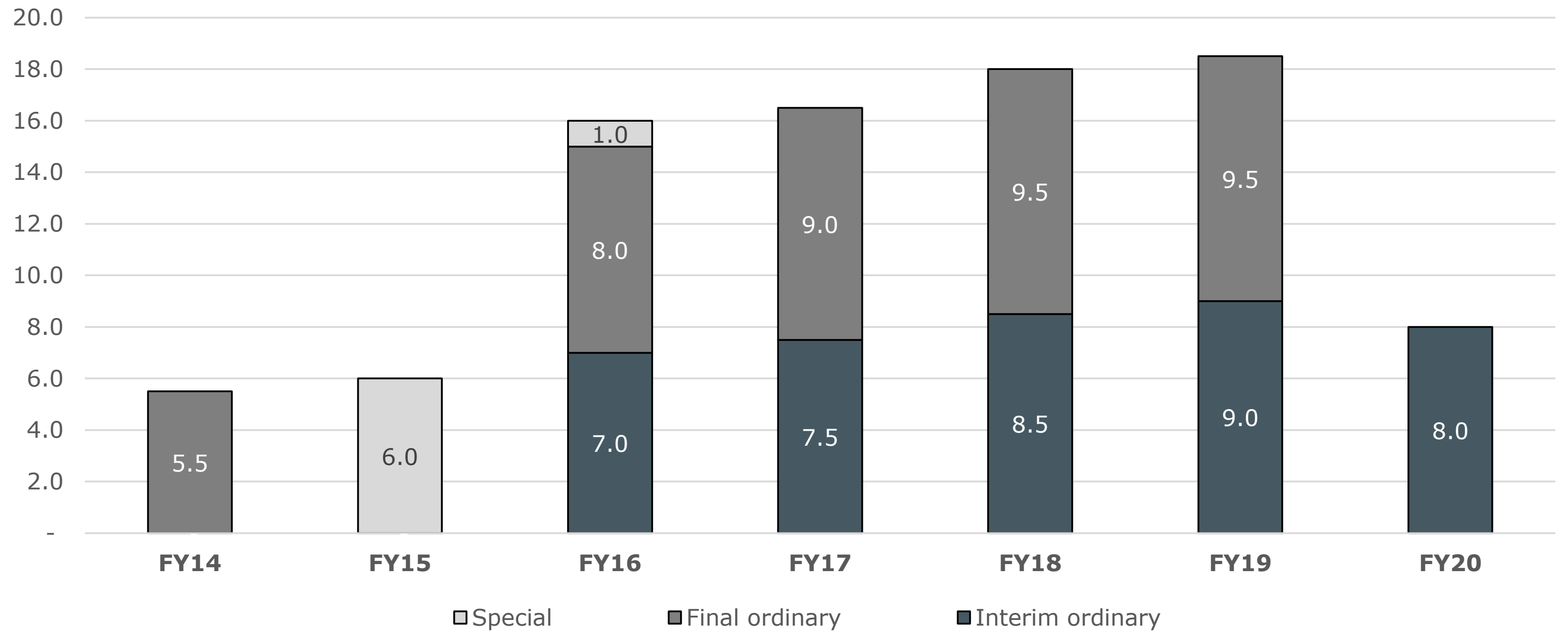
Brand



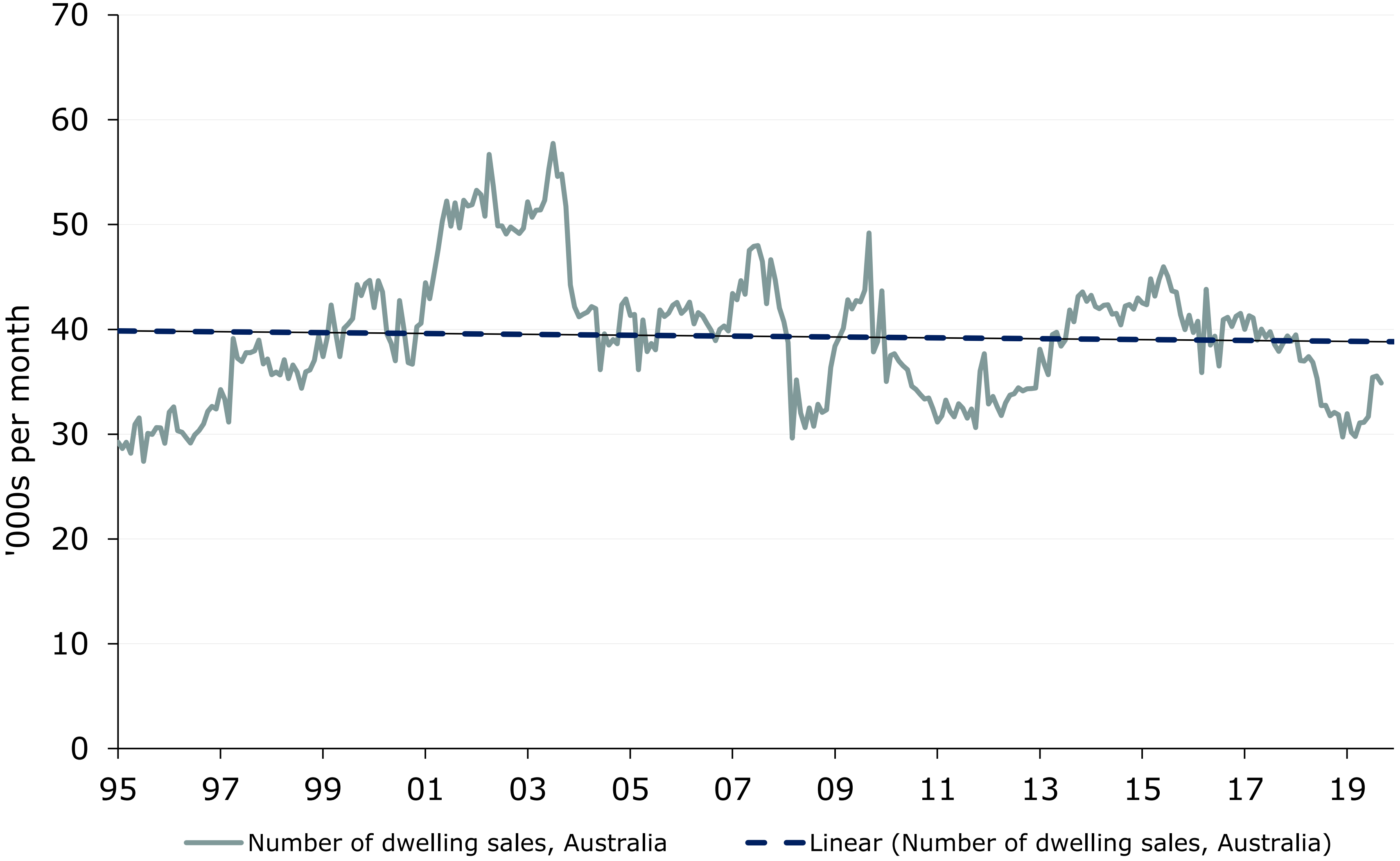
¹ Percentages are of total GWA revenue and assume 12 months Methven contribution
² Commercial R&R in Australia only

Solid history of increasing dividends paid to shareholders

Historical dividends paid (cents)

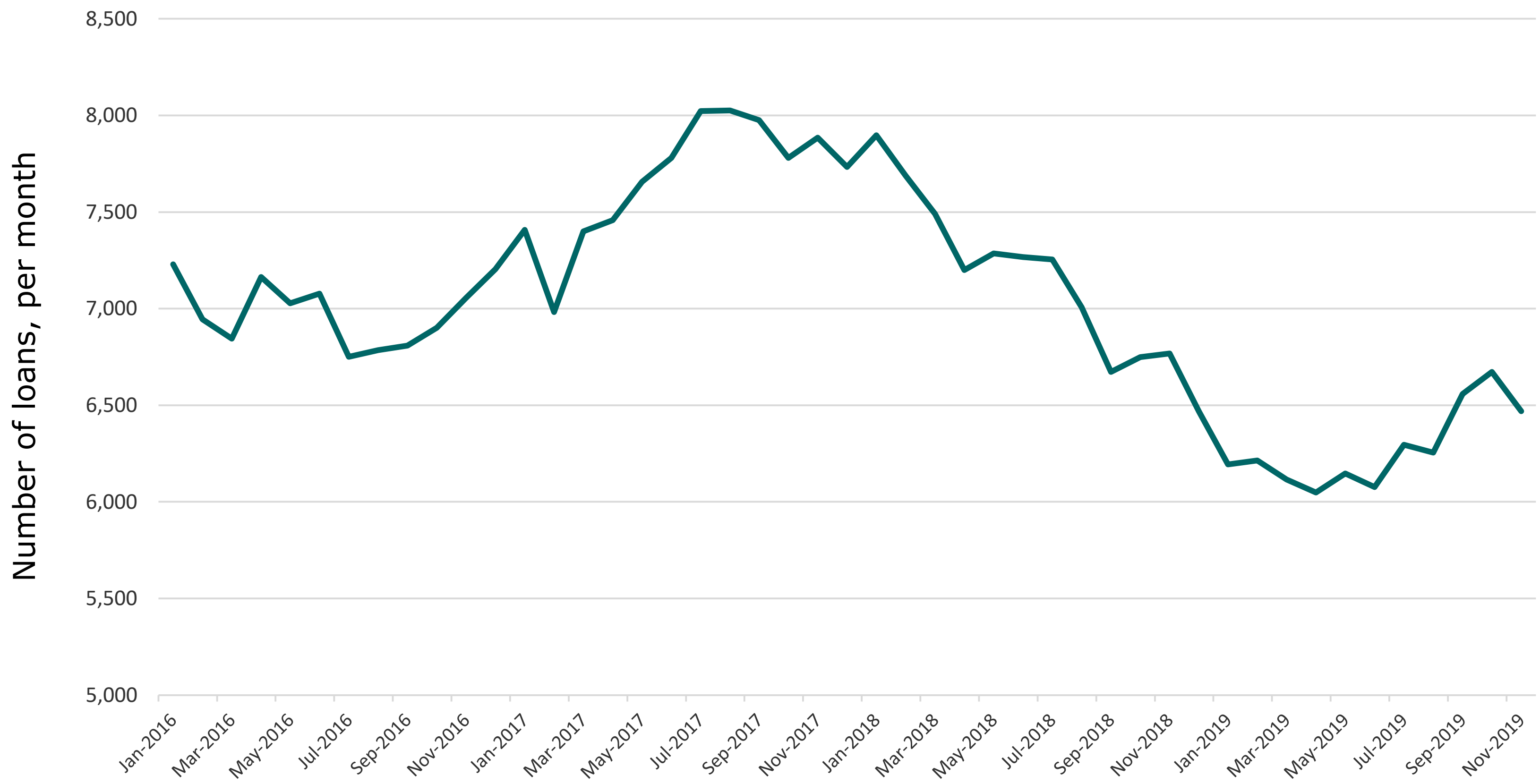


Existing housing turnover has declined significantly in FY19 but is beginning to show signs of recovery



Source: ANZ

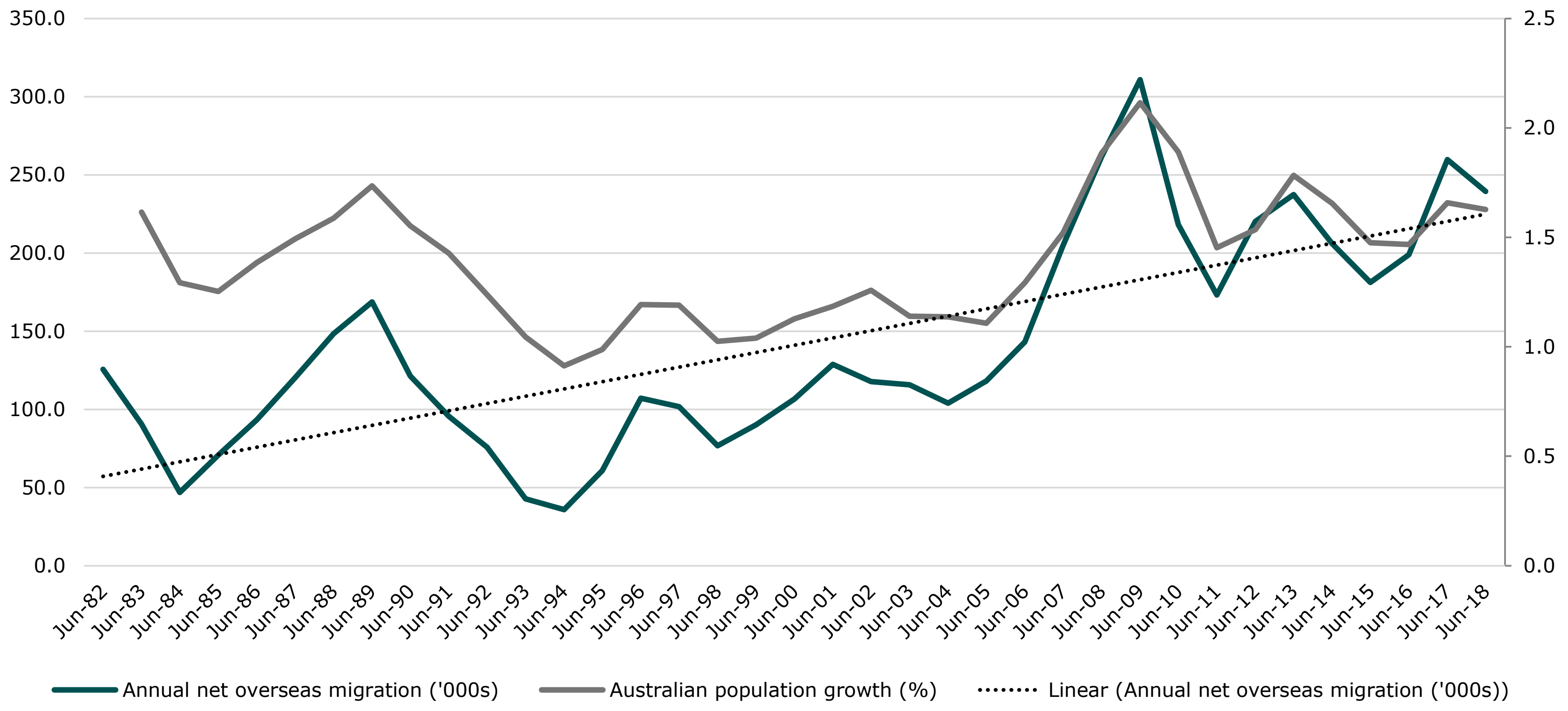
Number of loans for construction and purchase of new dwellings



Source: ABS

Annual net overseas migration & Australian population growth

Annual net overseas migration & Australian population growth



Source: ABS

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