GWA
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15 February 2022

**ASX On-Line**
Manager Company Announcements
Australian Securities Exchange

Dear Sir

**Financial Results Presentation for the Half Year Ended 31 December 2021**

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

- Half Year Results Presentation

On 15 February 2022 at 10:00am (AEDT), GWA will be hosting a webcast of its FY22 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

**Richard J Thornton**
**Executive Director**

# Results Presentation

## Half Year ended 31 December 2021

15 February 2022

GWA Group Limited

# Presenters

Urs Meyerhans
Managing Director and CEO

Calin Scott
Chief Financial Officer

# Agenda

- Overview
- Group Financial Results
- Business Performance
- Strategic Update
- Summary & FY22 Outlook
- Q&A
- Appendix

# 01 Overview




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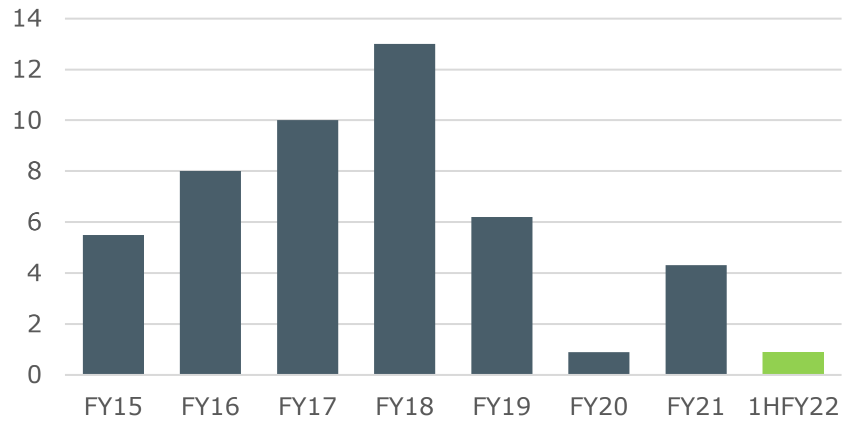
# Solid 1H performance – proactively managing COVID conditions

- **Improved financial performance through successfully addressing disruptions**
  - Revenue up 2%; Normalised EBIT up 11%
- **Cashflow/balance sheet remain strong**
  - Strong financial position enables 7.0 cents per share fully franked interim dividend
- **Continued momentum into 2H FY22**
  - Positive outlook for our key markets for the remainder of FY22
  - Expect 2H Group Normalised EBIT to be higher than 1H FY22
- **Strategy – continuing to set the groundwork for successful implementation**
  - Continued progress on core priority areas of Group strategy

# Improved safety performance

- Reduction in in Total Injury Frequency Rate to **0.9** in 1HFY22.
  - Ongoing tailored training to address manual handling issues
- Proactive COVID safety management
  - Staff required to work from home where practicable;
  - A range of different practices in our warehouses
    - use of Rapid Antigen Testing
    - split break times; and
    - restricting non-essential service access to sites

**Total Injury Frequency Rate**



## 02 | Group Financial results

# Normalised EBIT up 11% with solid uplift in EBIT margin

| A$m Normalised[1] | 1H FY22 | 1H FY21 | % Change |
|---|---|---|---|
| Revenue | 201.3 | 197.2 | 2.1% |
| EBITDA | 45.5 | 42.2 | 8.0% |
| EBIT | 35.6 | 32.1 | 11.0% |
| EBIT Margin % | 17.7% | 16.3% | 1.4pp |
| NPAT | 22.4 | 20.0 | 11.7% |
| ROFE % | 17.5% | 15.1% | 2.4pp |
| EPS | 8.4c | 7.6c | 0.8c |

| Significant Items | 1H FY22 | 1H FY21 | % Change |
|---|---|---|---|
| Pre Tax | (5.4) | (2.2) | nm |
| Post Tax | (3.8) | (1.5) | nm |

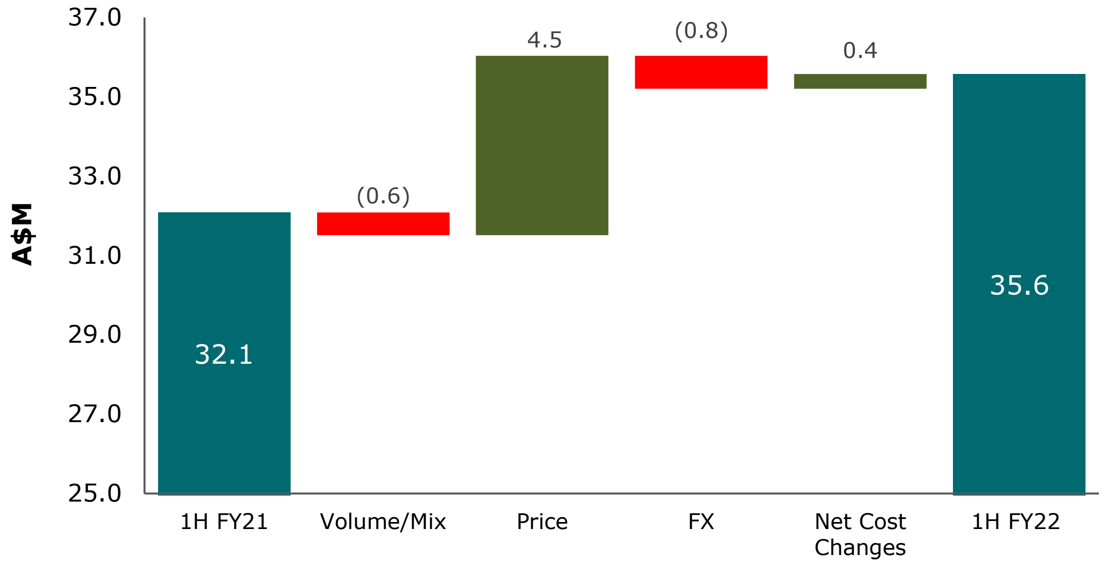
| A$m Reported | 1H FY22 | 1H FY21 | % Change |
|---|---|---|---|
| Revenue | 201.3 | 197.2 | 2.1% |
| EBITDA | 40.5 | 40.0 | 1.2% |
| EBIT | 30.2 | 29.9 | 1.0% |
| EBIT Margin % | 15.0% | 15.2% | (0.2)pp |
| NPAT | 18.6 | 18.5 | 0.3% |
| ROFE % | 14.4% | 14.4% | (0.0)pp |
| EPS | 7.0c | 7.0c | 0.0c |
| Dividend / share | 7.0c | 6.0c | 1.0c |

- Group Revenue up 2% PcP
  - Australian performance – up 6% PcP, offset by
  - Decline in New Zealand (5 week lock down) – down 15% PcP
  - International markets severely impacted by COVID
  - Normalised EBIT up 11% reflects 1H Australian market rebound coupled with strong cost control
- Normalised 1H EBIT margin 17.7% - up from 16.3% in 1H FY21
- Effective tax rate 30%
- Reported EBIT includes $5.4m (pre-tax) significant items relating to the ERP/CRM[2] project.

[1] Normalised is before $(3.8)m in significant items (after tax)
[2] Enterprise Resource Planning/Customer Relationship Management – reported in Significant items

# Operational discipline helps mitigate turbulent 1H markets

**Normalised[1] EBIT Bridge (A$M)**




- **Volume/Mix**: Reflects negative impact of COVID-19 on volumes primarily in the International Markets, partially offset by positive sales mix in Australia
- **Price**: Price increase ~3% implemented from July 2021 and ~4% from December 2021
- **FX**: unfavourable balance sheet revaluations partly offset by higher AUD vs. USD on purchases 1H FY22 ~70c vs. 1H FY21 ~69c
- **Net cost changes**: timing of A&P spend

[1] Normalised is before $(5.4)m in significant items (pre tax)



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# Strong cash conversion enables 7.0 cents interim dividend

| Cash flow from Continuing Operations A$M | 1H FY22 | 1H FY21 |
|---|---|---|
| **EBITDA** | **45.5** | **42.2** |
| Net movement in Working Capital | (1.5) | 7.0 |
| Other | (0.4) | 0.5 |
| **Cash Flow from Operations** | **43.6** | **49.7** |
| Capital Expenditure and other investing activities | (1.6) | (5.5) |
| Restructuring / Other costs | (3.9) | (0.9) |
| Net Interest Paid | (3.7) | (3.6) |
| Tax Paid | (11.4) | (7.1) |
| Lease Payments | (5.0) | (4.5) |
| **Group Free Cash Flow** | **18.1** | **28.1** |

- Cash Flow from Operations down 12% to $43.6m reflects planned inventory build to mitigate supply chain challenges
- Cash conversion[1] from operations remains strong at 96% despite COVID disruption in 1H
- Minimal Capital expenditure in 1H due to focus on ERP/CRM project
- Cash restructuring/other costs relate primarily to ERP/CRM project costs, lower than the recognised expense due to timing of payments
- Strong financial position enables interim dividend of 7.0 cents per share fully-franked - payout ratio 83% of Normalised NPAT and 100% of reported NPAT.

1 Cash Flow from Operations divided by normalised EBITDA

# Solid financial position maintained – credit metrics stable

| Metrics[1] | 30 June 2018 | 30 June 2019 | 30 June 2020 | 30 June 2021 | 31 Dec 2021 |
|---|---|---|---|---|---|
| **Net Debt** | 97.7 | 141.9 | 144.8 | 104.8 | 104.0 |
| **Leverage Ratio** *Net Debt / EBITDA* | 1.1 | 1.6 | 1.9 | 1.4 | 1.3 |
| **Interest Cover** *EBITDA / Net Interest* | 19.6 | 23.5 | 13.6 | 15.5 | 16.3 |
| **Gearing** *Net Debt / (Net Debt + Equity)* | 22.7% | 27.5% | 28.4% | 21.5% | 21.2% |

| | | | | | |
|---|---|---|---|---|---|
| **Net Debt** | | | | | |
| Borrowings | 125.0 | 177.8 | 175.4 | 146.1 | 138.6 |
| Bank Guarantees | 1.8 | 3.8 | 1.8 | 1.3 | 1.3 |
| Cash | (27.9) | (39.6) | (32.4) | (42.6) | (35.9) |
| Held for sale cash | (1.2) | - | - | - | - |
| | **97.7** | **141.9** | **144.8** | **104.8** | **104.0** |

- Net debt $104.0m down 0.8% on prior year with continued focus on cash management
- Credit metrics remain solid with leverage ratio reduced to 1.3 times
- Banking facility re-financed reducing total facility from $267m to $220m, with improved pricing
  - $180m multi-currency revolving facility does not expire until October 2024
  - $40m bi-lateral facility matures October 2022

[1] 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 FY18-FY19 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 | Business Performance



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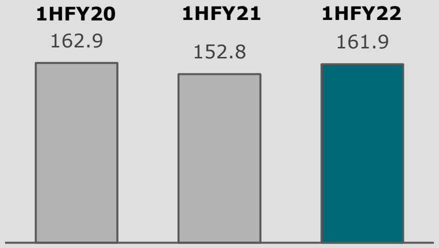
# Group revenue improved by +2% vs. 1H FY21

| Revenue by 1H (A$m) | Revenue commentary | $ Revenue & % of Group |
|---|---|---|
| | | |

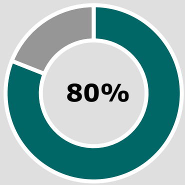


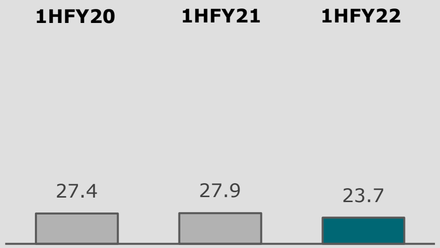

## Australia

- Sales grew by 6% on the prior period
- Strong performance in Commercial and R&R segment (both Commercial and Residential)

**$161.9m**

*+6% on PcP*



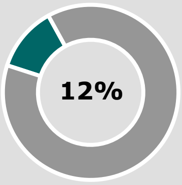



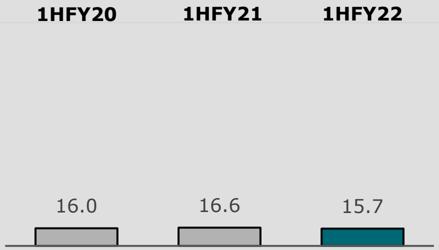

## New Zealand

- 5 week shutdown and ongoing restrictions heavily hampered 1H results leading to a decrease in sales of 14.9% on the prior period
- FY22 Q2 sales up 38% on FY22 Q1

**$23.7m**

*-14.9% on PcP*



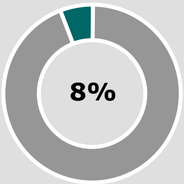




## International

- Markets heavily impacted by restrictions
- 1HFY21 buoyed by pre Brexit purchases in Ireland

**$15.7m**

*-5.1% on PcP*



# Proactive mitigating of supply chain risks

| Challenges | Mitigation strategies |
|---|---|
| Container & shipping shortages | ▪ Long term shipping contracts<br>▪ Chartering own vessel<br>▪ Proactive planning with key suppliers |
| Components and raw material shortages | ▪ Regional diversified supplier base<br>▪ Long term supply agreements<br>▪ Commodity hedging by key suppliers |
| Domestic pallet shortages | ▪ Cooperation with supply partners<br>▪ Introduced closed loop system to recycle<br>▪ Alternative supply route |
| Unexpected demand for projects | ▪ Increased safety stock<br>▪ Proactive demand planning |

# 1H NPD launches to strengthen & extend our core propositions

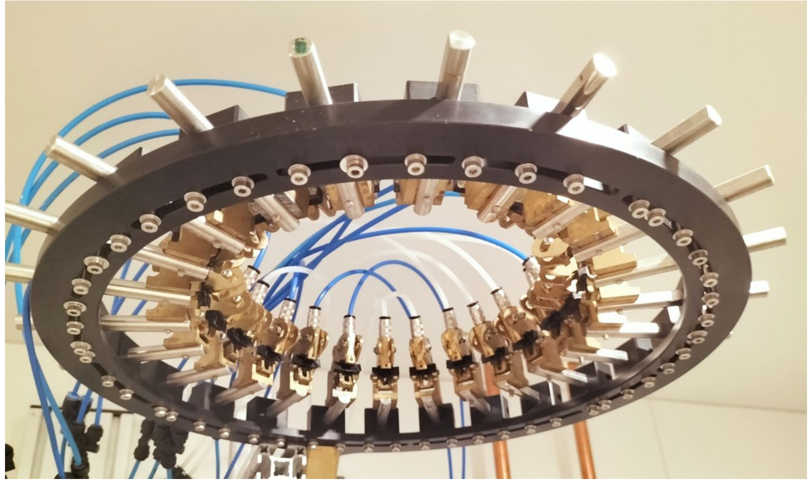
With a focus on **providing functional and stylish solutions**, we launched new additions to our ranges.


Our passion to **deliver superior solutions for health & hygiene in the bathroom**, saw us expand our hygiene technology, GermGard, to all new Toilet Seats and Toilet Suites.

Renowned for our ranges to support independent living, we **launched the new colour OPAL range**, offering contemporary colours & sophisticated style to this core functional range.


Already seeing strong demand, we **launched our range of new premium Sink Mixers**, extending our popular LIANO II and URBANE II styles and colours for coordinated kitchen styling.

# Focussed centres of excellence



GWA innovation centres are at the forefront of global water technology innovation, focusing on designs of world first flushing systems, patented shower experiences and water saving solutions.

- Two purpose built centres of excellence;
  - Tapware & Showers Innovation Centre in Auckland, New Zealand
  - Sanitaryware Innovation Centre which includes a state of the art 2,000 square metre facility in Sydney, Australia
- NATA accredited in-house testing laboratory enabling full product lifecycle testing.
- Development facilities supporting region-specific and customer collaboration product development.

# 05 Strategic Update

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# Building revised strategy

**Making everyday water experiences extraordinary – today, and for tomorrow**

| | | | | | |
|---|---|---|---|---|---|
| **Strategy** | To be the trusted and integrated solutions partner in the delivery of sustainable water solutions for bathrooms, kitchens and laundries | | | | |
| **Focus** | **1. Deliver great customer experiences**<br>Integrated and valuable customer experience by being easy to do business with and consistent in delivery | **2. Win the plumber**<br>Connect, deepen and leverage plumbing industry relationships | **3. Innovate through design & partnerships**<br>Leverage in-house capability and global partnerships to fast-track value creation and portfolio modernisation | **4. Grow our after-market offerings**<br>Build a comprehensive after-market capability | **5. Focus on Strategic Growth Opportunities**<br>Disciplined and targeted investment in local & international markets |
| **Foundation** | **Digital** – *investment in digital opportunities to deliver a superior customer experience* | | | | |
| | **Category Solutions** – *clearly structured brand portfolio & sustainable product mix* | | | | |
| | **Aligned Organisation** – *the right people in the right roles, focused on the right outcomes* | | | | |
| | **ESG** – *creating sustained outcomes that drive value and fuel growth* | | | | |

**Our Cultural Pillars**
We are one team| We are Customer focused | We care for each other

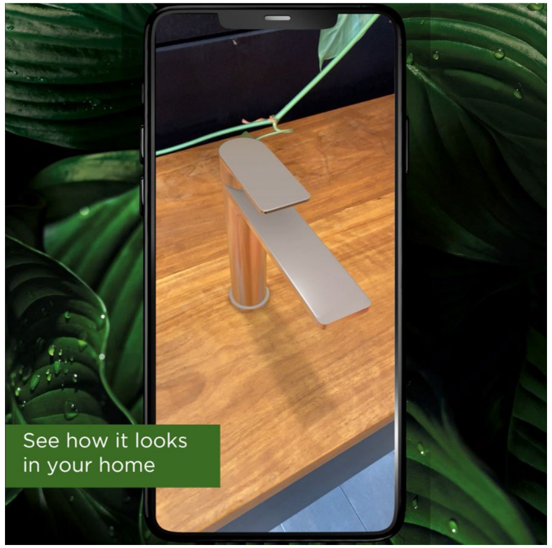
## Setting the Groundwork

- Customer profiling
  - Understanding different purchasing journeys
- Brand portfolio review
  - Clear brand value proposition to our customers
  - Category reviews to support brands
- Improve customer experience
  - Digital experience
- ERP implementation H2 FY22

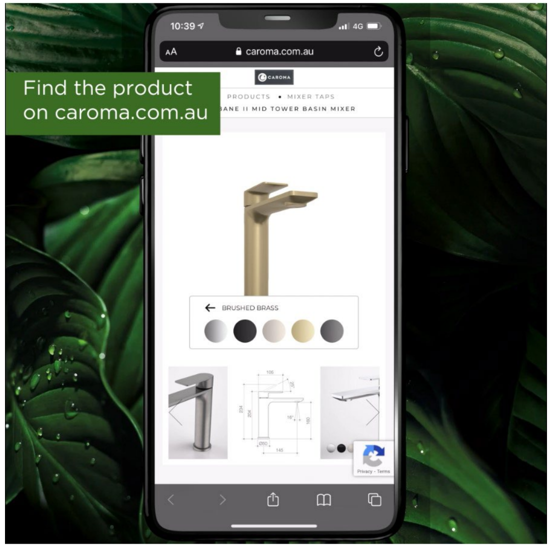
# Caroma products available to experience in your own home

GWA's online platforms offer virtual and augmented reality experiences, allowing you to visualize your dream bathroom, kitchen and laundry.

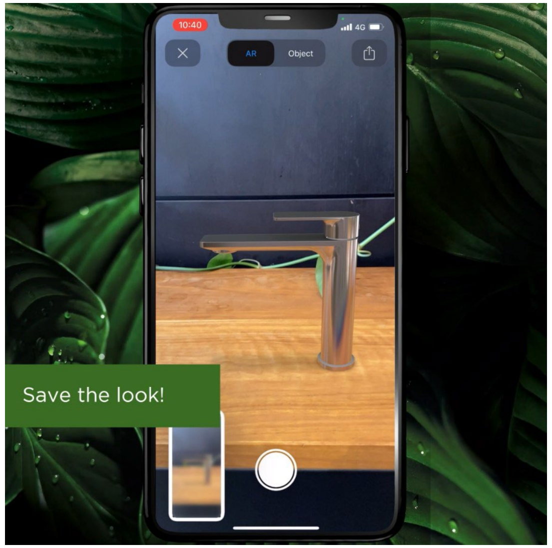
## Step 2:




## Step 1:




## Step 3:




**Caroma Visualiser** enables a digital window into planning your bathroom, with virtual "walk-through" experiences and ability to share with your friends and family.

# A committed Management Team to deliver the strategy

Urs Meyerhans
MD & CEO

- Melissa Hayes – Marketing
- Craig Norwell – Sales
- Caroline Sunaryo – Supply Chain/ Innovation
- Calin Scott – CFO
- Richard Thornton – Co Sec
- Patricia Oliver – HR
- Alex Larson – CIO

**Key pillars**

- Customer Experience
- Win the Plumber
- Aftermarket
- Innovate through design and partnerships
- Strategic growth opportunities

**Foundation**

- Category solutions
- ESG
- Aligned organisation
- Digital

## 06 Summary and FY22 outlook

# Solid 1H performance – proactively managing COVID conditions

- **Improved financial performance and successfully addressing all disruptions**
- **Cashflow/balance sheet remain strong**
- **Continued momentum into 2H FY22**
- **Strategy – setting groundwork for successful implementation**

# FY22 outlook[1]

| Key focus | FY22 commentary |
|---|---|
| **Key Markets**<br>***Positive for GWA*** | – R&R in Residential/Commercial activity expected to remain positive<br>– Expect continued momentum in residential detached completions<br>– Commercial new build expected to remain subdued |
| **Full Year performance**<br>***Expecting stronger 2H, FY22*** | – AUS price increase of 4% (effective 1 Dec 21) will offset increased freight costs<br>– Inventory levels and robust supply chain able to meet demand<br>– Expect 2H Group Normalised EBIT to be higher than 1H, subject to any potential further impact on the general economic environment |
| **Strategy**<br>**Continue with clear focus** | – ERP implementation H2 FY22<br>– Refreshed customer journey reviews<br>– Finalising brand value proposition and category review<br>– Expand on digital footprint |

[1] Refer to page 27 for FY22 assumptions

# 07 | Q & A



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# Disclaimer

This Presentation contains projections and other prospective statements that represent GWA's assumptions and views, including expectations and projections about GWA's business, the industry in which it operates and management's own beliefs and assumptions. Such matters require subjective judgement and analysis and may be based on assumptions which are incorrect. They may also be based on factors which are subject to significant uncertainties and contingencies which may be outside the control of GWA and are provided only as a general guide or statement, and should not be relied upon as an indication or guarantee of future performance. As such, GWA's actual performance may differ from those assumptions or projections set out in this Presentation.

This Presentation contains non-IFRS financial measures to assist users to assess the underlying financial performance of GWA. The non-IFRS financial measures in this presentation were not the subject of a review or audit by KPMG.

Unless otherwise stated, financials (including comparatives) reflect the adoption of IFRS 16 *Leases* and the impact of the May 2020 IFRS Interpretation Committee decision relating to IAS 12 *Income Taxes*.

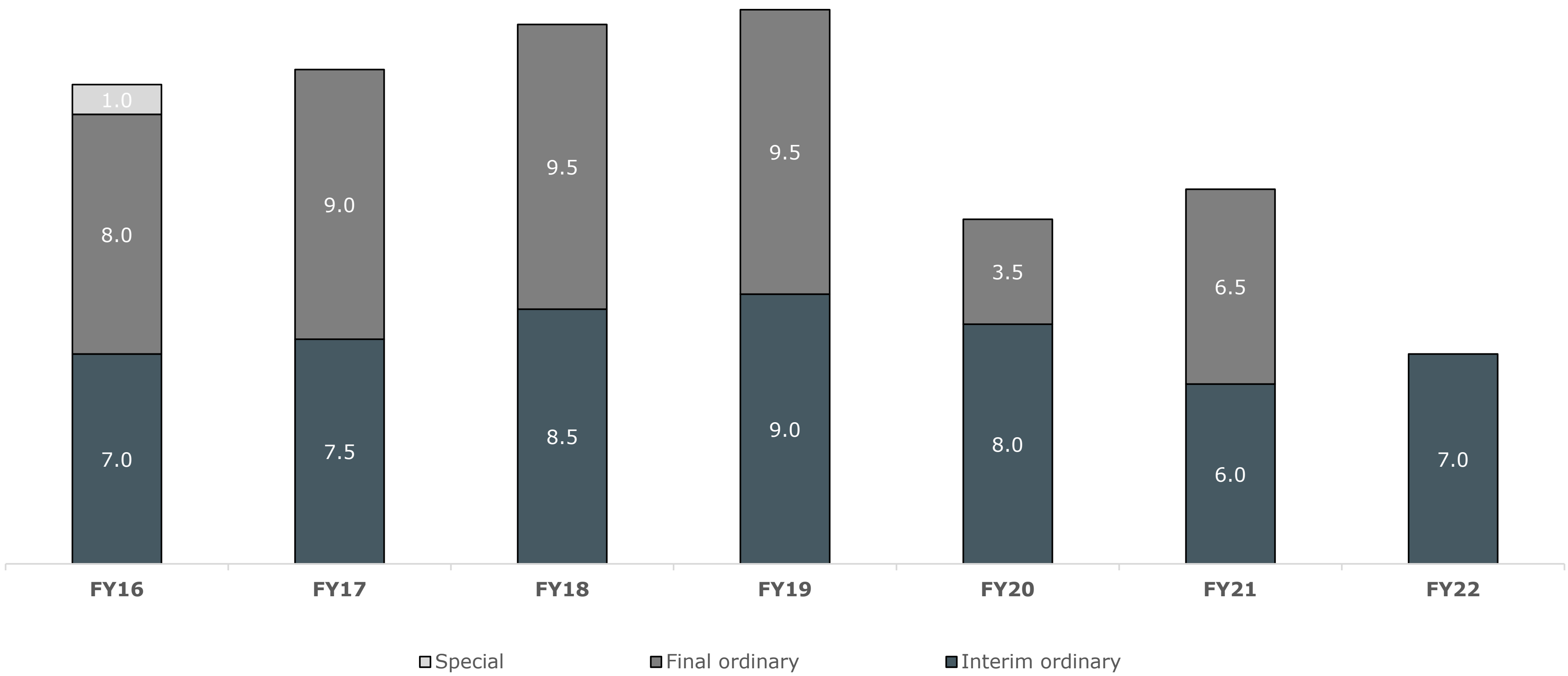
# 08 | Appendix

# FY22 Key Assumptions[1]

| Area | FY22 Expectation | Actual 1H |
|---|---|---|
| Australian market backdrop | BIS total building activity data[2] is indicating market growth of +1% in FY22 | BIS total building activity data is indicating market growth of +2% in FY22 |
| Price increase | 3% implemented in ANZ from 1 July 2021 and ~4% implemented in Australia from 1 December 2021 | 3% implemented in ANZ from 1 July 2021 |
| D&A (depreciation and amortisation) | ~$7.5-8.5m excluding the impact of IFRS 16. Including the impact of IFRS 16 ~$19.5 – 20.5m | $4.3m excluding the impact of IFRS 16. Including the impact of IFRS 16 D&A is $10.3m |
| Interest costs | ~$5-6m excluding lease interest. Including lease interest ~7-8m. | $2.6m excluding lease interest. Including the impact of IFRS 16 interest costs are $3.8m. |
| FX | ~$0m - ~0.5m gain. Currently 73% hedged at US$0.75 | Loss of $0.8m |
| Effective Tax rate | ~29.0 – ~30.0% | 29.6% |
| Working capital | Increase from June 2021 | Increase from June 2021 |
| Capex | ~$3.0 - ~$3.5m | $1.6m |
| Supply chain savings | ~$3m | $2.0m |
| Freight cost increase | ~$6.0 – 8.0m | $2.8m |
| Significant items | ~$11m pre tax of ERP/CRM implementation costs[3] | $5.4m pre tax of ERP/CRM implementation costs[3] |

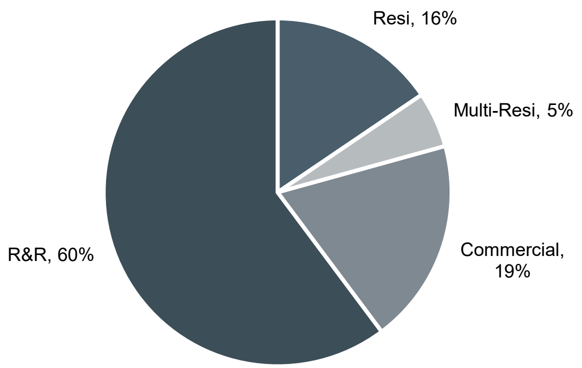
[1] Refer Disclaimer on slide 25
[2] BIS Oxford data, Australia market, December 2021 release
[3] Based on current interpretation of IFRIC April 2021 agenda decision on cloud computing

# 1H FY22 dividend increased on 1H FY21

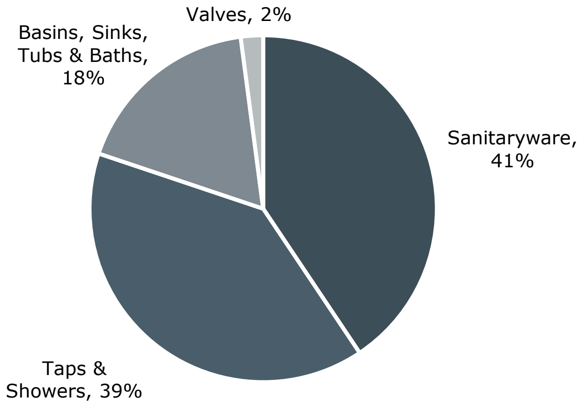


# Increasing presence in Commercial segment

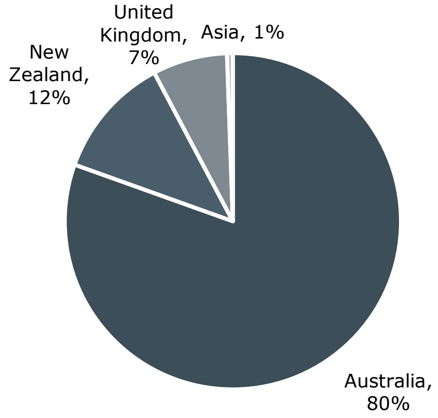
**Segment[1]**



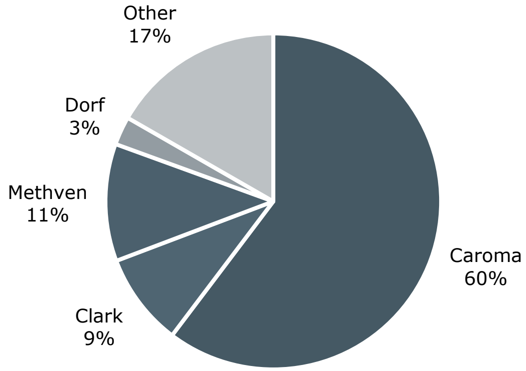

**Category**




**Geography**




**Brand**

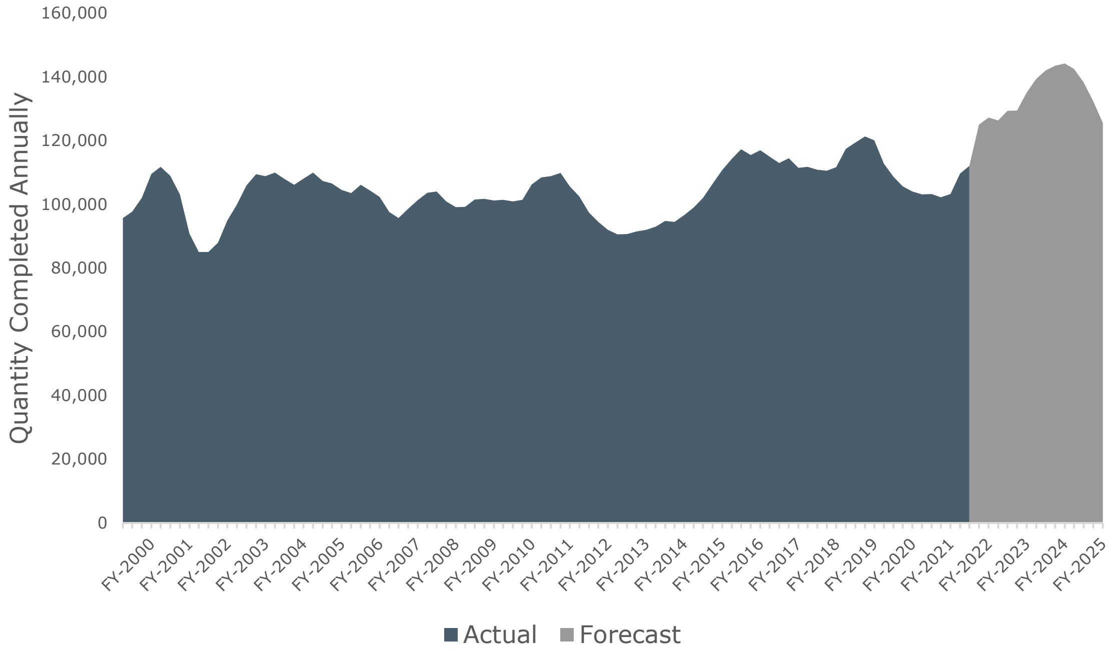




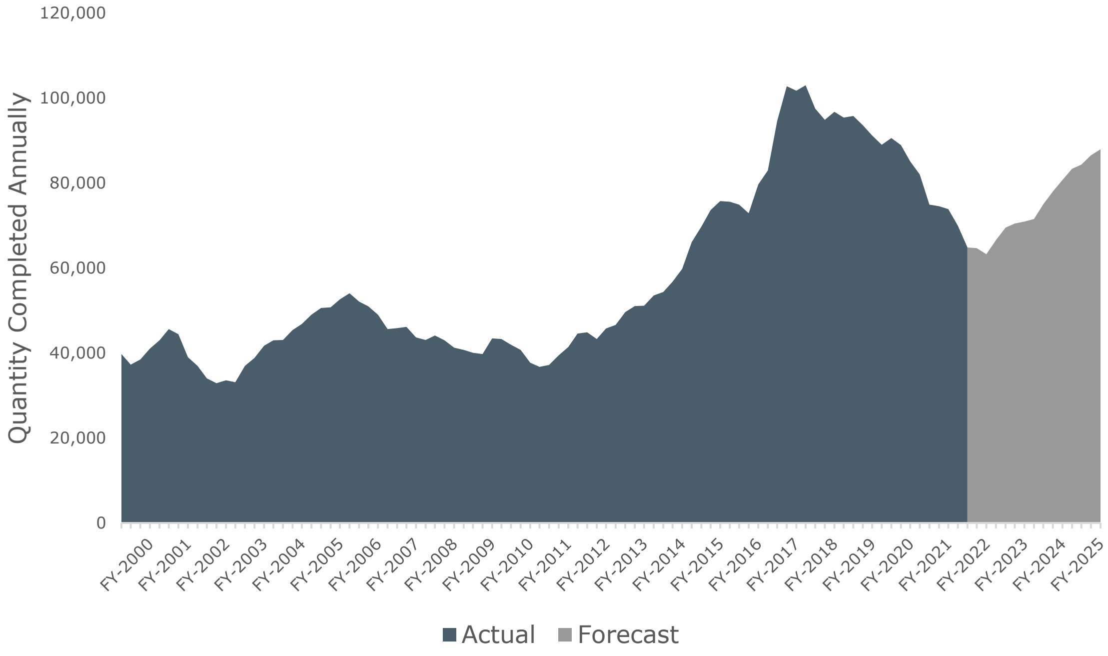

[1] Percentage of Australian sales revenue only. Category, Geography and Brand are percentage of group sales revenue

# Australian Market Context – residential completions expected to strengthen in FY22, multi-residential to recover in FY23

## Residential[1]




## Multi - Residential[2]



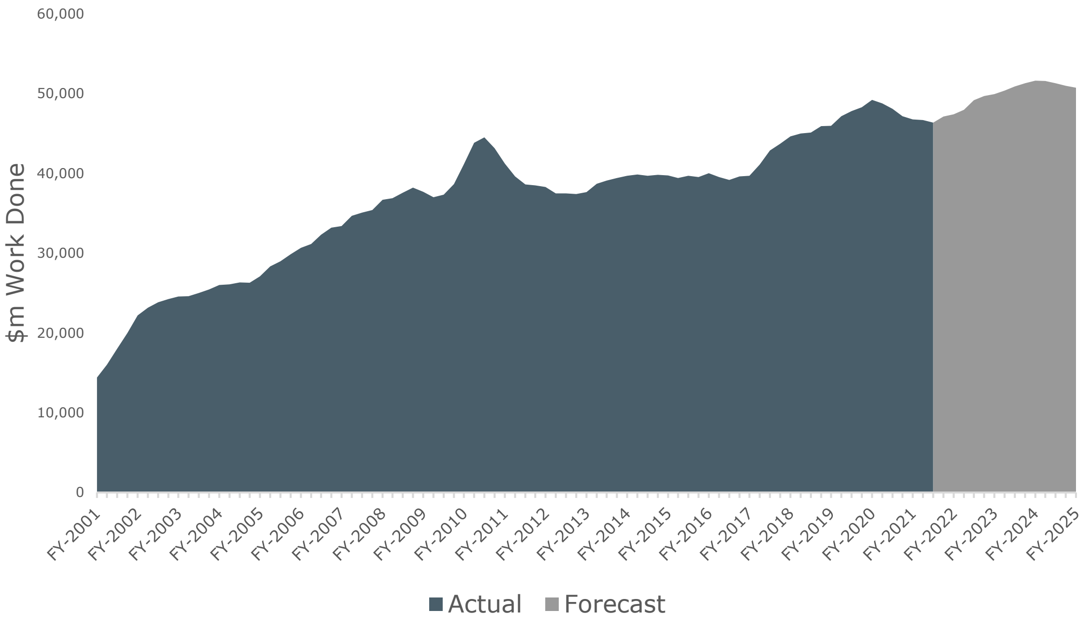

[1] 16% of GWA's Australian revenue

[2] 5% of GWA's Australian revenue

Source: BIS Oxford Economics

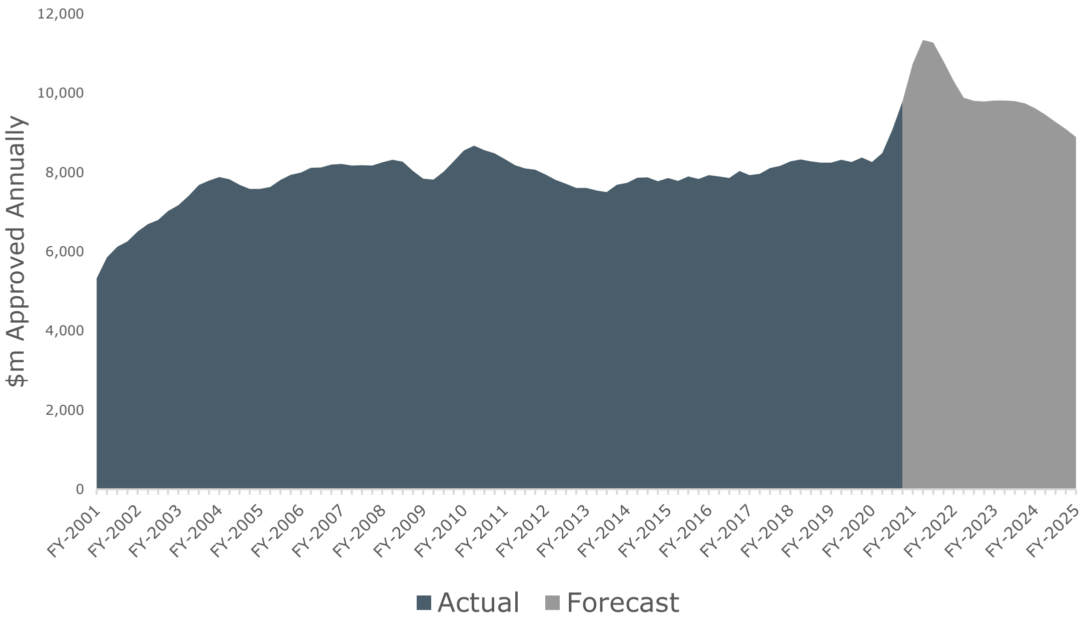
# Australian Market Context – Commercial work done expected to improve FY22 onwards, A&A to continue at high levels

## Commercial[1]




[1] 19% of GWA's Australian revenue

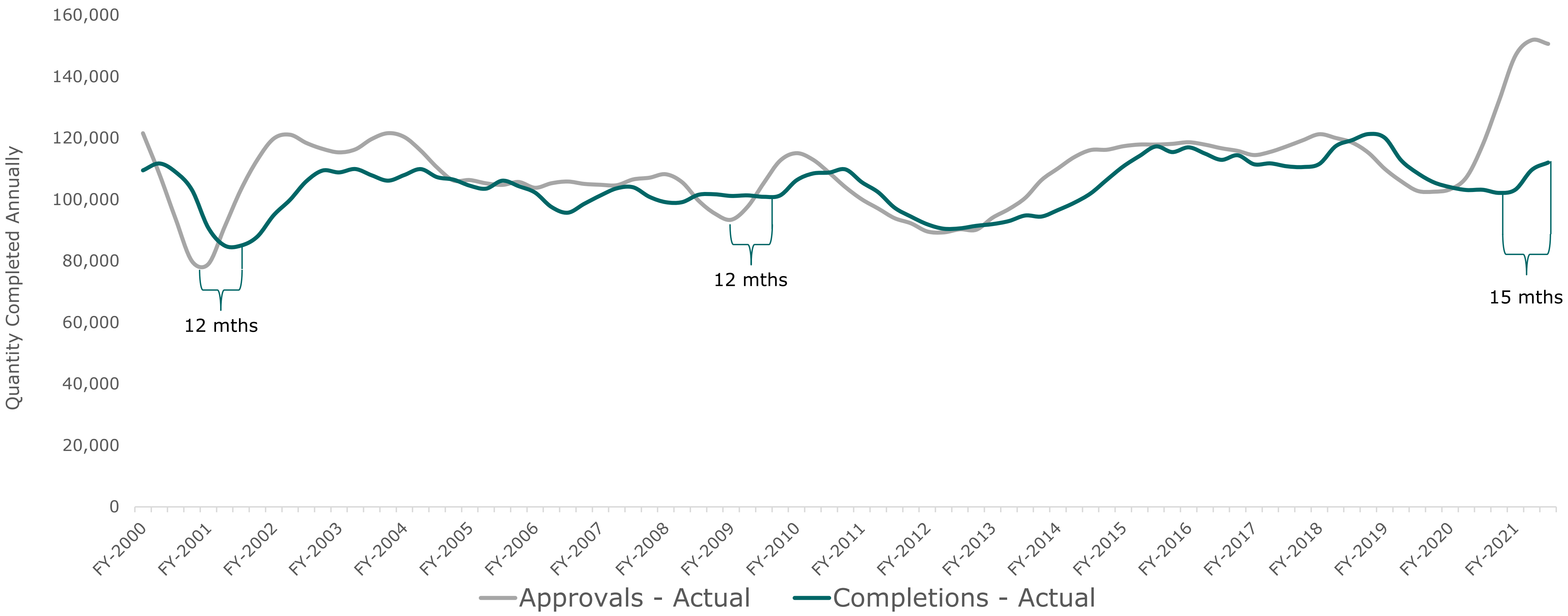
## Alterations & Additions[2]




[2] 60% of GWA's Australian revenue

Source: BIS Oxford Economics

# Residential completions expected to rise by 24,000 or 23% during FY22 (Completions' lag vs. approvals ~15 months)






Source: BIS Oxford Economics

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# Results Presentation

## Half Year ended 31 December 2021

15 February 2022

GWA Group Limited