



GWA

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19 February 2018

ASX On-Line

Manager Company Announcements
Australian Securities Exchange

Dear Sir

Financial Results Presentation for the Half Year Ended 31 December 2017

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

- Half Year Results Presentation

On 19 February 2018 at 10:00 am (AEDT), GWA will be hosting a webcast of its FY18 half year results briefing. The webcast is accessible via the GWA website at www.gwagroup.com.au.

Yours faithfully

R J Thornton
Executive Director



Results Presentation

Half Year ended 31 December 2017

19 February 2018

inspire
Caroma

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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



Agenda

Overview and key themes

Tim Salt
Managing Director & CEO

Group financial results

Patrick Gibson
Chief Financial Officer

Segment results

Patrick Gibson

Summary and outlook

Tim Salt

Overview and key themes

Continued revenue growth above market from profitable share gains in core segments

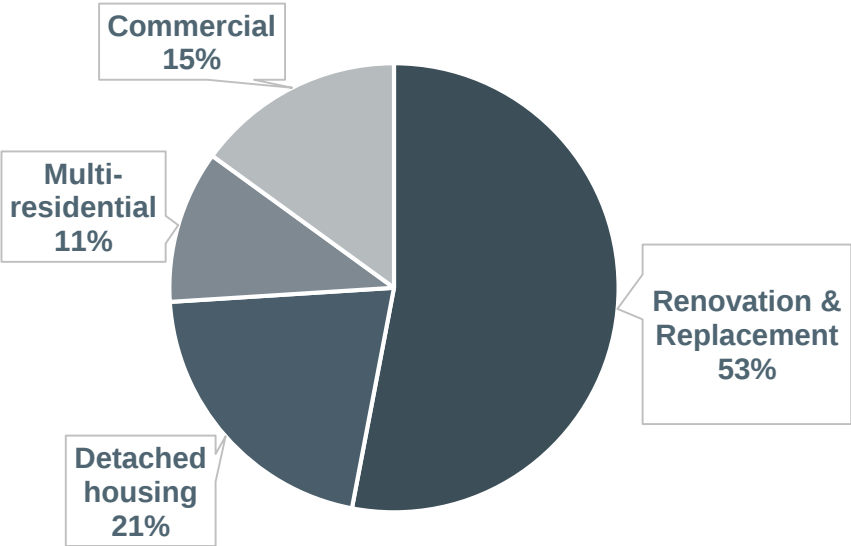
- **GWA continues to grow ahead of the market**
 - Profitable share gains in core segments drives revenue growth ahead of market
 - Strengthened product ranging and NPD pipeline driving growth with major customers
 - Caroma net sales growth of 7%
- **Continued focus on margin management through the cycle**
 - Further increase in Group EBIT margin and Return on Funds Employed
 - Cost savings enable re-investment in growth initiatives and margin resilience through the cycle
 - Further improvement in Door & Access Systems with EBIT up 68%
- **Financial position strengthened further**
 - Improved credit metrics and robust balance sheet provide flexibility for re-investment in growth initiatives
 - GWA continuing to deliver strong returns to shareholders - EPS up 7 per cent; Interim dividend of 8.5 cents fully-franked
- **Strategic Review – proposed divestment of Door & Access Systems business**
 - Decision to focus on Bathrooms & Kitchens business where GWA has strong market positions, market-leading brands and significant growth opportunities
 - Review has determined Door & Access Systems business to be non-core and is proposed to be divested
 - Subject to a successful sale of the Door & Access Systems business, the Board will review options regarding use of net proceeds, including investment in the Bathrooms & Kitchens growth strategy

Strong financial result across all metrics

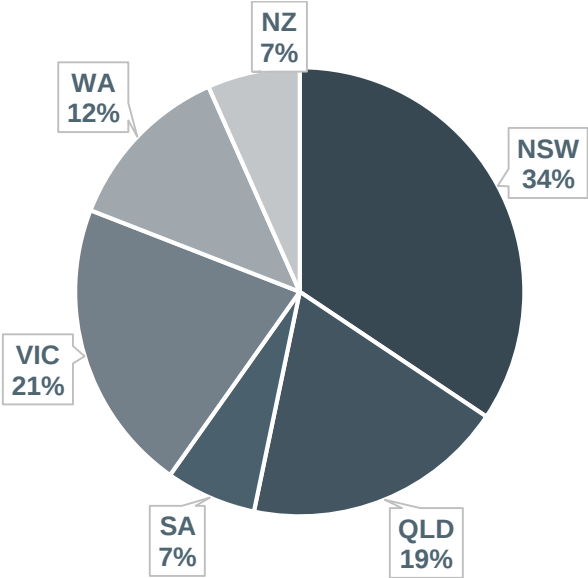
Revenue \$227.1m	↑	2%	ROFE 20.9%	↑ 1.4pp
EBITDA \$44.2m	↑	5%	Operating Cashflow \$45.0m	↑ 14%
EBIT \$41.8m	↑	6%	EPS 10.5 cents	↑ 7%
NPAT \$27.7m	↑	7%	Interim Dividend 8.5 cents fully-franked	↑ 13%

Focused on R&R, detached housing and commercial segments

B&K sales by segment %



B&K sales by geography %



Source: GWA estimates

Continuing to grow revenue ahead of the market

B&K revenue up 2.6% vs market increase of 0.7%¹

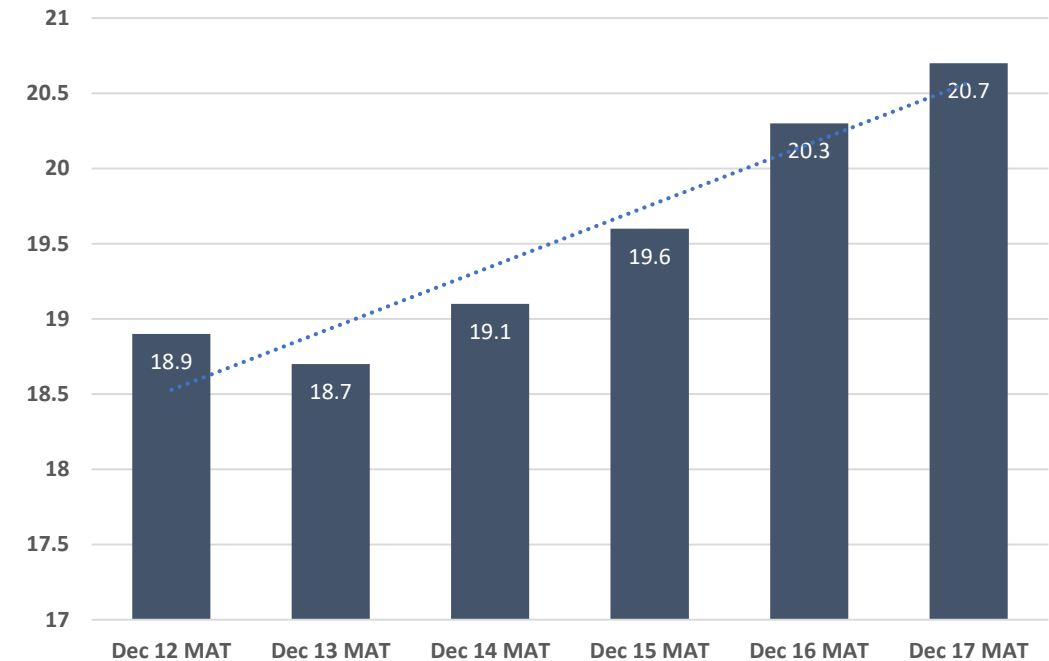
Renovation & Replacement	Overall market remains relatively flat Decreased (0.7)% (MAT)
Residential detached house completions	Strong pipeline remains from lag between approvals and completions Decreased by (2.0)% in 1HFY18 (MAT)
Multi-Residential completions	Rate of growth slowing Increased by 3.7% in 1HFY18 (MAT)
Commercial	Increase in accommodation, education, warehouses / factories, aged care offset by reduced activity in health care and retail Increased by 7.8% (MAT)

Weighted average of end markets up 0.7%



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 December each year)

Continued market share growth in B&K²

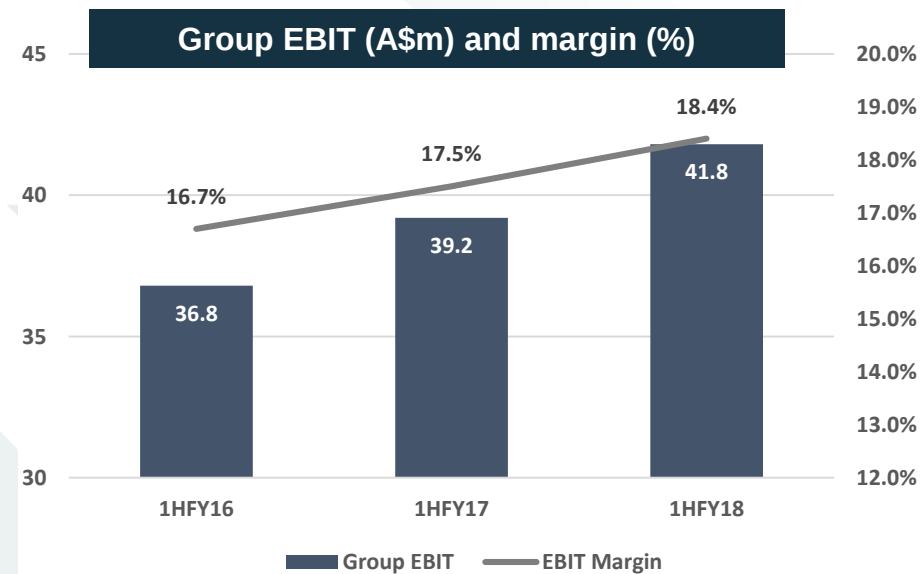


Group financial results



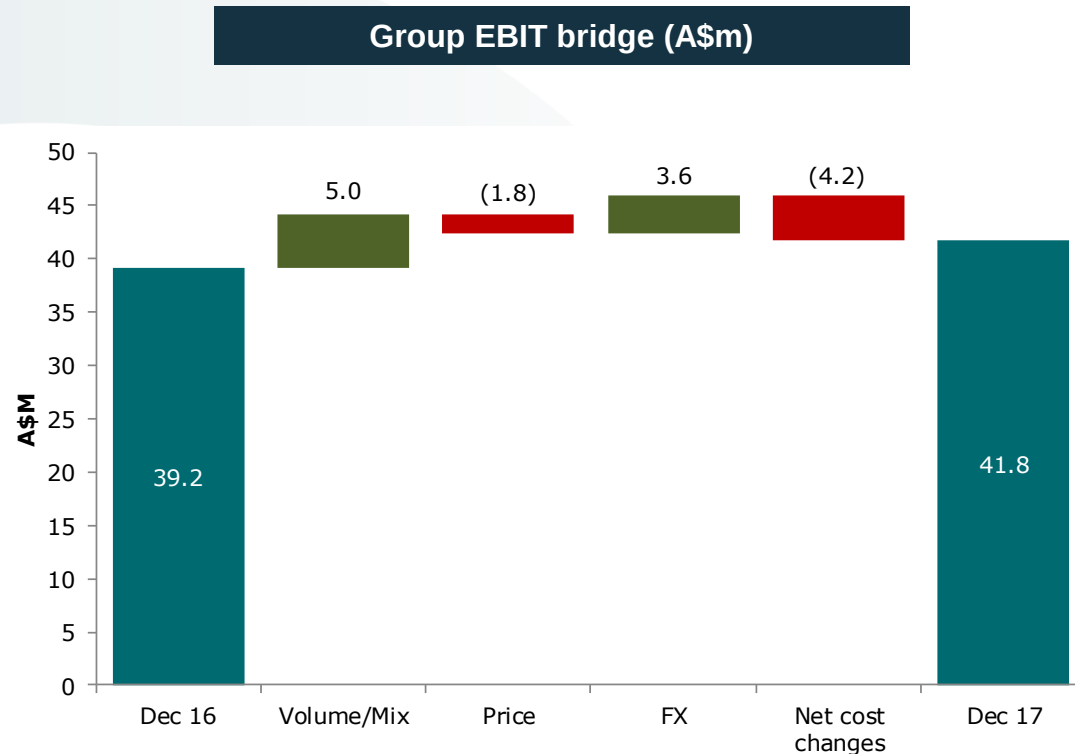
Strong increase in net profit - up 7% on prior period

Continuing Operations A\$m	Half Year Dec 16	Half Year Dec 17
EBITDA	42.2	44.2
EBIT	39.2	41.8
NPAT	26.0	27.7
EPS (cents)	9.85	10.51



- Net profit up 7% on prior period
- EBIT up 6% from market share gains in core segments and focus on margin
- Group EBIT margin continuing to increase from focus on profitable share growth in core categories
- Lower net interest expense from lower average borrowings
- Effective tax rate 29.6%
- EPS up 7%
- No significant items

EBIT growth from profitable share gains, margin management



- Group EBIT up 6% on prior period
- **Volume/Mix** - Continued focus on higher margin products in B&K core segments (R&R, Commercial, Detached housing) drives improvement in product mix and increase in market share.
- **Price** – Price increases were implemented in B&K and D&A in October 2017 to recover higher input costs and will flow through progressively in 2H18
- **Cost changes** - Cost discipline to counter input cost inflation; further investment in marketing, NPD, flagship stores for future growth

Continued strong cashflow generation

Cash flow from Operations A\$M	Half Year Dec 16	Half Year Dec 17
EBITDA	42.2	44.2
Net movement in Working Capital	(3.9)	0.6
Other	1.3	0.2
Cash Flow from Operations	39.6	45.0
Capital Expenditure	(2.7)	(3.8)
Restructuring / Other costs	(6.4)	(1.8)
Net Interest Paid	(2.8)	(2.6)
Tax Paid	(7.5)	(14.1)
Free Cash Flow from Continuing Operations	20.2	22.7

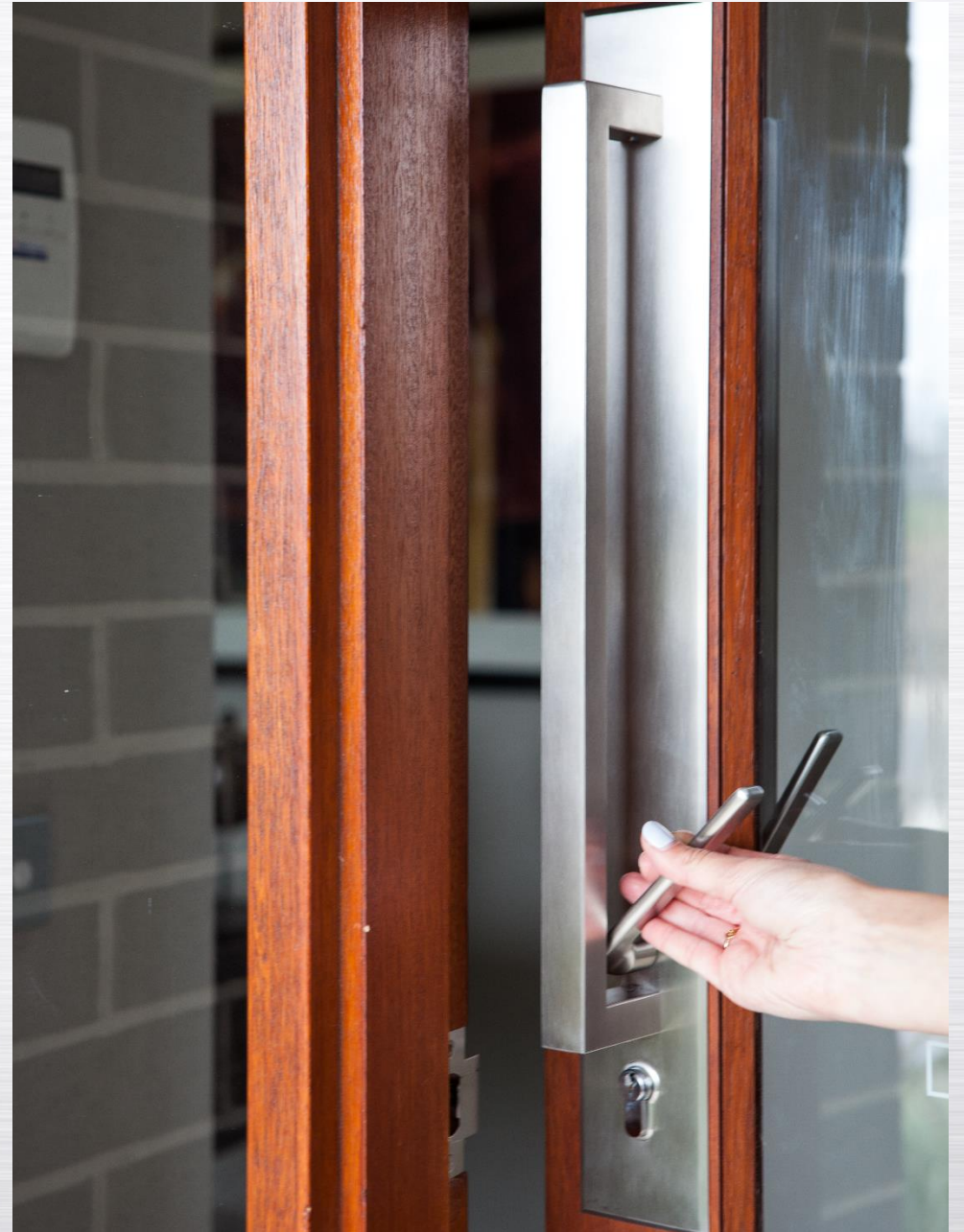
- Continue to generate strong cashflow across the business
- Improved working capital management drives increase in operating cashflow – up 14% on pcp
- Capital expenditure of \$3.8m up from \$2.7m reflects investments in:
 - New Product Development
 - Flagship stores; Adelaide (opened October 2017) and Sydney (opening April 2018)
 - New warehouse distribution centre, Prestons NSW
 - FY18 capital expenditure estimated to be \$10-12m
- Cash restructuring costs of \$1.8m (no P&L impact)
- Increase in tax paid reflects prior year true up / higher installment rate

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

Metric	30 June 2015	30 June 2016	31 Dec 2016	30 June 2017	31 Dec 2017
Net Debt	94.8	88.4	92.0	79.8	81.2
Leverage Ratio <i>Net Debt / EBITDA</i>	1.1	1.1	1.1	0.9	0.9
Interest Cover <i>EBITDA / Net Interest</i>	12.8	14.3	15.8	17.1	18.8
Gearing <i>Net Debt / (Net Debt + Equity)</i>	24%	22%	23%	20%	20%

- GWA remains in a strong financial position – all credit metrics strengthened from prior corresponding period
- Net debt \$81.2m – reflects higher earnings and strong cash generation
- Substantial headroom within \$225m syndicated banking facility maturing October 2020
 - \$115m in undrawn facilities
- Provides enhanced financial flexibility to invest in strategic growth initiatives through the cycle

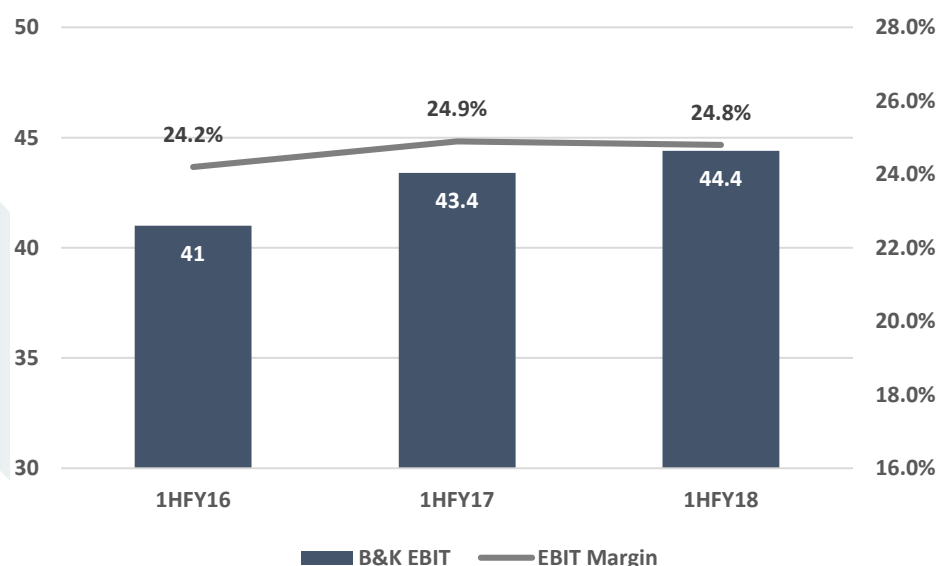
Segment results



Bathrooms & Kitchens – continuing to grow above market while maintaining margin

Continuing Operations A\$m	Half Year Dec 16	Half Year Dec 17	% Change
Revenue	174.3	178.9	2.6%
EBITDA	44.3	45.4	2.4%
EBIT	43.4	44.4	2.5%
EBIT Margin %	24.9%	24.8%	-0.0pp
ROFE %	25.0%	25.3%	0.3pp

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



- Revenue up 2.6% - ahead of market growth of 0.7%
 - continued share growth
 - launch of new products (sanitaryware, tapware)
 - strong growth in NSW (+9%), VIC (+3%), and QLD (+2%) partially offset by WA (-8%)
 - continued growth with most major customers
 - price increases implemented in October 2017 ~3%
- EBIT up 2.5% – focus on premium mix in core segments and profitable share growth
- Increased investment in marketing, NPD and new flagship stores
- EBIT margin steady on pcp – continued focus on margin management
- ROFE up 0.3 ppts – continued effective use of capital across the business

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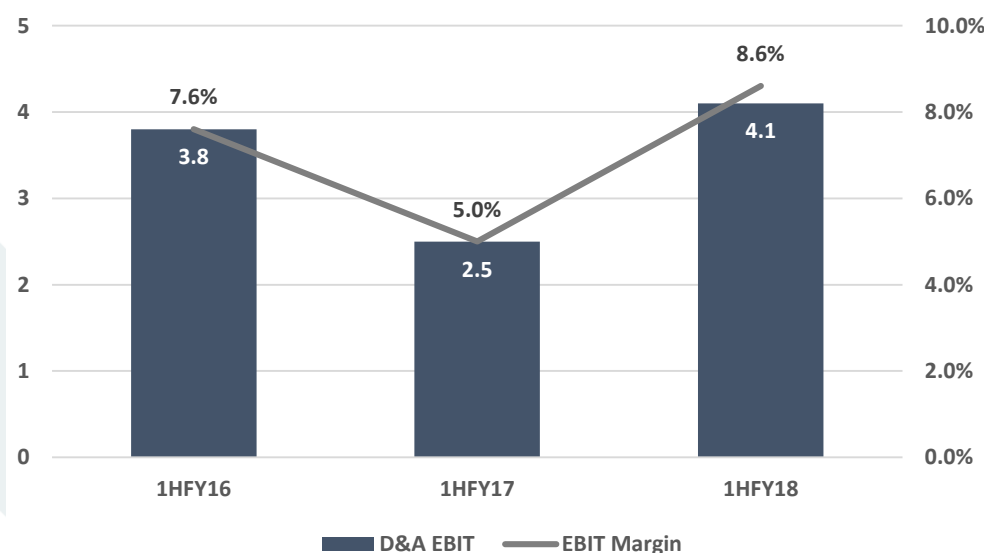
API
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Door & Access Systems – refocusing initiatives drive significant earnings and margin improvement

Continuing Operations A\$m	Half Year Dec 16	Half Year Dec 17	% Change
Revenue	49.1	48.2	- 1.8%
EBITDA	3.2	4.9	55.3%
EBIT	2.5	4.1	68.4%
EBIT Margin %	5.0%	8.6%	3.6pp
ROFE %	9.4%	16.5%	7.1pp

- Revenue down 2%
 - Improved sales in NSW (+8%) offset predominantly by QLD (-7%) & WA (-10%)
- EBIT up 68% from initiatives to refocus D&A business
 - refocused sales team on builder segment to drive sales
 - simplified structure (easier for customers to deal with us)
 - rationalisation of API branch network in Victoria
- EBIT margin up strongly to 8.6%
- ROFE up 7.1 ppts to 16.5%

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



Summary and outlook



Continuing to deliver on strategy

Strategic priority

Leverage and build on core assets & brands to drive revenue and market share growth

Add value to customers through improved insights, analytics and processes

Build “fit for future” culture, engagement and capability

Build an advantaged Supply Chain to deliver superior NPD, Quality and Service at best cost

Drive cost out in SG&A and Supply Chain to improve profitability and allow selective reinvestment

Progress against priorities

- Continued profitable share growth
- NPD focused on core segments driving improved performance
- Consumer engagement strengthened – flagship stores, investments in digital engagement
- Continuing to grow with major merchants from improved product availability, ranging and increased presence in customer showrooms
- Plans built with customers driving mutually agreed targets
- Employee engagement improving
- Capability build focused on Sales and Marketing
- New distribution centre (Prestons, NSW) operational in 2018 to improve customer service and efficiencies
- Strengthening supplier partnerships delivering improved service and NPD delivery
- Remain ahead of target to reduce costs by \$13-15m by FY19
- Provides investment in growth and margin management through the cycle

Strategic Review – proposed divestment of Door & Access Systems business

- Based on a recent strategic review of the GWA Group, a decision has been made to focus on the Bathrooms & Kitchens business, where GWA has strong market positions, market-leading brands and significant growth opportunities
- As part of growth strategy, management will continue to assess broad range of organic and inorganic growth opportunities in B&K to further improve shareholder returns
- Accordingly, the Door & Access Systems business has been determined to be non-core and will be divested
- Sale process expected to take approximately six months; Greenstone Partners appointed as adviser
- Subject to a successful sale of the Door & Access Systems business, the Board will review options regarding use of net proceeds, including investment in Bathrooms & Kitchens growth strategy
- Management will provide further details on growth strategy at Investor Market Briefing in April 2018

FY18 outlook

Key area	FY18 commentary
Market Activity	- Market expected to remain relatively steady; continued momentum in NSW & VIC; offset by slower conditions in QLD and WA - R&R segment expected to remain relatively stable - Commercial forward order book remains solid
Margin Resilience	- Continue to address cost savings for margin management and re-investment - Price increases implemented October 2017 - Update on hedging - GWA hedged ~84% to 30 June 2018 at US\$0.75 cents
Key priorities for 2 nd half FY18	- Continue to embed customer growth plans - Build brands, with focus on Caroma through continued investment in NPD - Launch Sydney flagship store and distribution centre (Prestons, NSW)
FY18 Earnings	Based on current market conditions, expect EBIT in second half FY18 to be similar to first half FY18

Appendix

Proforma 5 year summary

A\$m	FY13	FY14	FY15	FY16	FY17	Half Year Dec 16	Half Year Dec 17
Revenue							
Bathrooms & Kitchens	286.3	306.6	330.0	342.0	350.4	174.3	178.9
Door & Access Systems	89.8	92.8	96.2	97.7	95.9	49.1	48.2
Total Cont'd Ops	376.1	399.4	426.2	439.7	446.3	223.4	227.1
<i>Discontinued Ops **</i>	<i>189.2</i>	<i>178.6</i>	<i>121.6</i>	<i>4.8</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Group Total	565.3	578.0	547.8	444.5	446.3	223.4	227.1
Normalised EBIT							
Bathrooms & Kitchens	60.4	73.0	83.3	84.6	87.6	43.4	44.4
Door & Access Systems	11.8	8.4	7.2	7.3	6.3	2.5	4.1
Corporate *	(17.2)	(16.9)	(17.7)	(13.6)	(13.3)	(6.7)	(6.7)
Total Cont'd Ops	55.0	64.5	72.8	78.3	80.6	39.2	41.8
<i>Discontinued Ops **</i>	<i>11.8</i>	<i>7.8</i>	<i>1.5</i>	<i>(0.6)</i>	<i>0.0</i>	<i>0.0</i>	<i>0.0</i>
Group Total	66.8	72.3	74.3	77.7	80.6	39.2	41.8

* Corporate Costs include some costs previously allocated to Discontinued Operations

** FY15 / FY16 Discontinued Operations represents only part year contribution of divested businesses