

19 February 2024



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ASX Release

GWA Group Limited (GWA Group) – Financial results presentation for the half year ended 31 December 2023

GWA Group encloses the following document for immediate release to the market: "Results Presentation – Half Year ended 31 December 2023".

On 19 February 2024 at 10.00 am (AEDT), GWA Group is hosting a webcast of its FY24 half year results briefing. The webcast is accessible via the corporate website at www.gwagroup.com.au.

The release of this announcement was authorised by the Board.

Yours faithfully

Ernie Lagis
Company Secretary & General Counsel

CAROMA

METHVEN

CLARK

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GWA RESULTS PRESENTATION HALF YEAR ENDED 31 DECEMBER 2023

> 19 FEBRUARY 2024

OUR PRESENTERS TODAY



Urs Meyerhans
Managing Director and CEO



Calin Scott
Group Chief Financial Officer



Craig Norwell
Group Executive - Sales

AGENDA

- 01 **OVERVIEW**
- 02 **GROUP FINANCIAL RESULTS**
- 03 **BUSINESS PERFORMANCE**
- 04 **NEW PRODUCTS**
- 05 **STRATEGIC UPDATE**
- 06 **SUMMARY & FY24 OUTLOOK**
- 07 **Q&A**
- APPENDIX**



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OVERVIEW



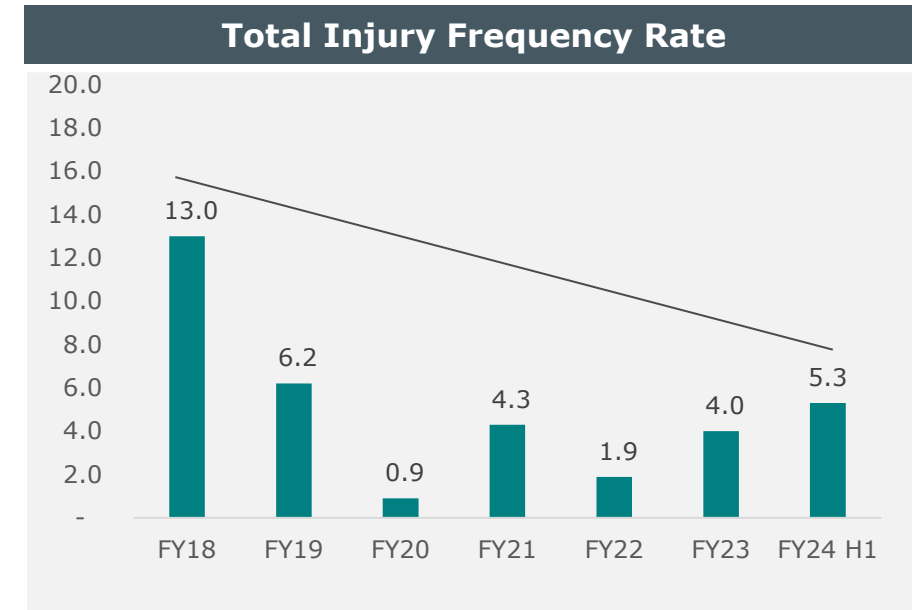
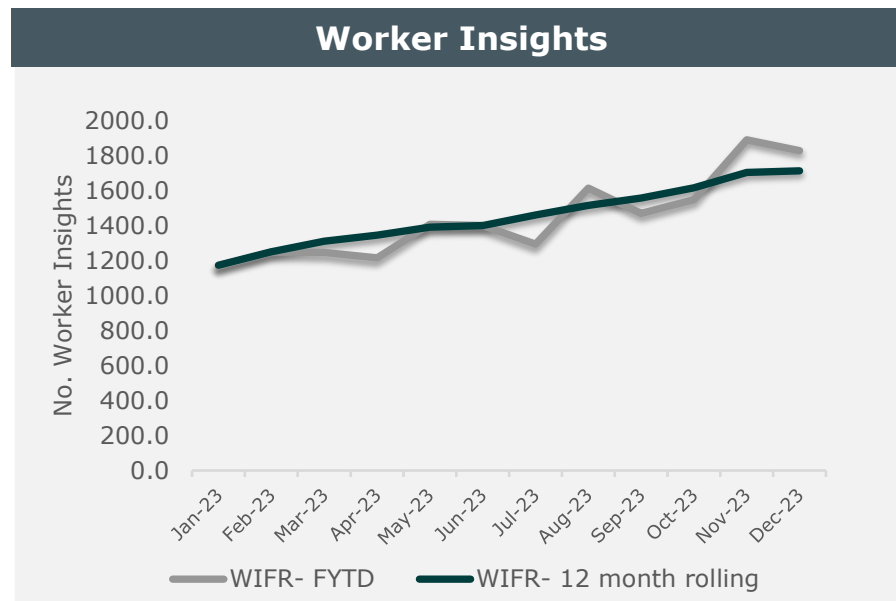
H1 FY24 Headlines

Disciplined execution delivers results in uncertain market and economic conditions

- **Continued momentum into H1 FY24:**
 - Volume growth of 2% in the Australian market;
 - Improved EBIT and EBIT margin in H1 FY24 when compared to H1 and H2 FY23; and
 - Strong cash flow from operations with a cash conversion ratio of 130%.
- **Balance Sheet is strong**
 - Leverage at 1.2x and net debt at \$97m at lowest levels in 5 years
- **Strategic deliverables gaining momentum**
 - Customer First priority delivers improved DIFOT and NPS across ANZ
 - Profitable volume growth – Successful introduction of the Plumber Bundle
 - Timely introduction of entry level products as consumers look for value

Continued commitment to safety

- Worker insights (a leading indicator) continues to increase in FY24 resulting in improved incidence reporting
- H1 FY24 – November recorded 1 minor LTI & MTI, both relating to manual handling injuries.
- Refreshed worker induction program implemented in H1.
- H2 focus – Chain of Responsibility process review.



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GROUP FINANCIAL RESULTS



A\$m Normalised ¹	1H FY24	1H FY23	% Change
Revenue	206.0	207.1	-0.5%
EBITDA	46.9	43.4	8.2%
EBIT	37.3	34.1	9.3%
EBIT Margin %	18.1%	16.5%	1.6pp
NPAT	23.4	21.3	10.2%
ROFE %	17.1%	16.5%	0.6pp
EPS	8.8c	8.0c	0.9c

Significant Items ²	1H FY24	1H FY23
Pre-Tax	(0.3)	0.0
Post Tax	(0.2)	0.0

A\$m Statutory	1H FY24	1H FY23	% Change
Revenue	206.0	207.1	-0.5%
EBITDA	46.6	43.4	7.4%
EBIT	37.0	34.1	8.0%
EBIT Margin %	18.0%	16.5%	1.5pp
NPAT	23.2	21.3	8.9%
ROFE %	16.7%	14.3%	2.4pp
EPS	8.7c	8.0c	0.7c
Dividend / share	7.0c	6.0c	1.0c

ROFE is calculated as EBIT divided by average funds employed. Funds employed is calculated as net assets minus cash plus borrowings and net AASB16 Leases balances.

Proactive management of controllables

• Normalised results

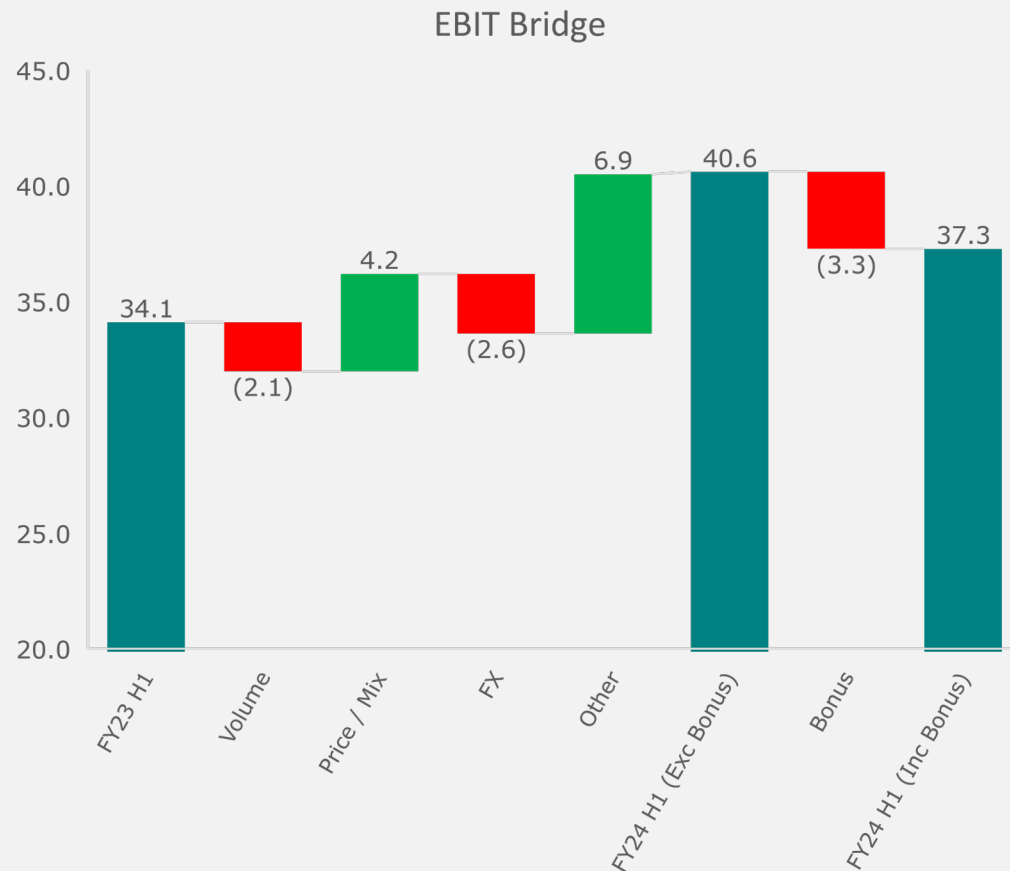
- Revenue largely in line with FY23 with increases in Australia offset by slight decline in the UK and a more pronounced decline in New Zealand due to the economic climate;
- Normalised EBIT up 9.3%, driven by lower ocean freight and cost reduction initiatives implemented in H2 FY23; and
- Normalised EBIT margin at 18.1%, up 1.6pp vs PCP.

• Significant items

- Costs to date associated with the implementation of ERP system in the UK.

¹ FY23 & FY24 Normalised are before significant items.

² Upgrade Enterprise Resource Planning/Customer Relationship Management in UK (FY24)

Normalised¹ EBIT Bridge (A\$M)

¹ FY24 H1 Normalised is before \$(0.3)m in significant items (pre tax)

9% EBIT Improvement on the prior corresponding period

- **Volume:** AU increase of 2% offset by decline in NZ & UK with both markets experiencing significant economic difficulties and declines in building construction activity.
- **Price/Mix:** Price increase ~4% implemented across ANZ from Apr 2023.
- **FX:** Unfavourable AUD vs. USD on purchases & balance sheet revaluations H1 FY24 ~ 69c vs. H1 FY23 ~72c, partly mitigated through hedging activities.
- **Other:** Combination of lower Ocean Freight and cost reduction initiatives implemented in H2 FY23.
- **Bonus:** H1 FY24 includes an accrual for expected payments of staff incentives in FY24 related to financial performance (H1 FY23: nil)

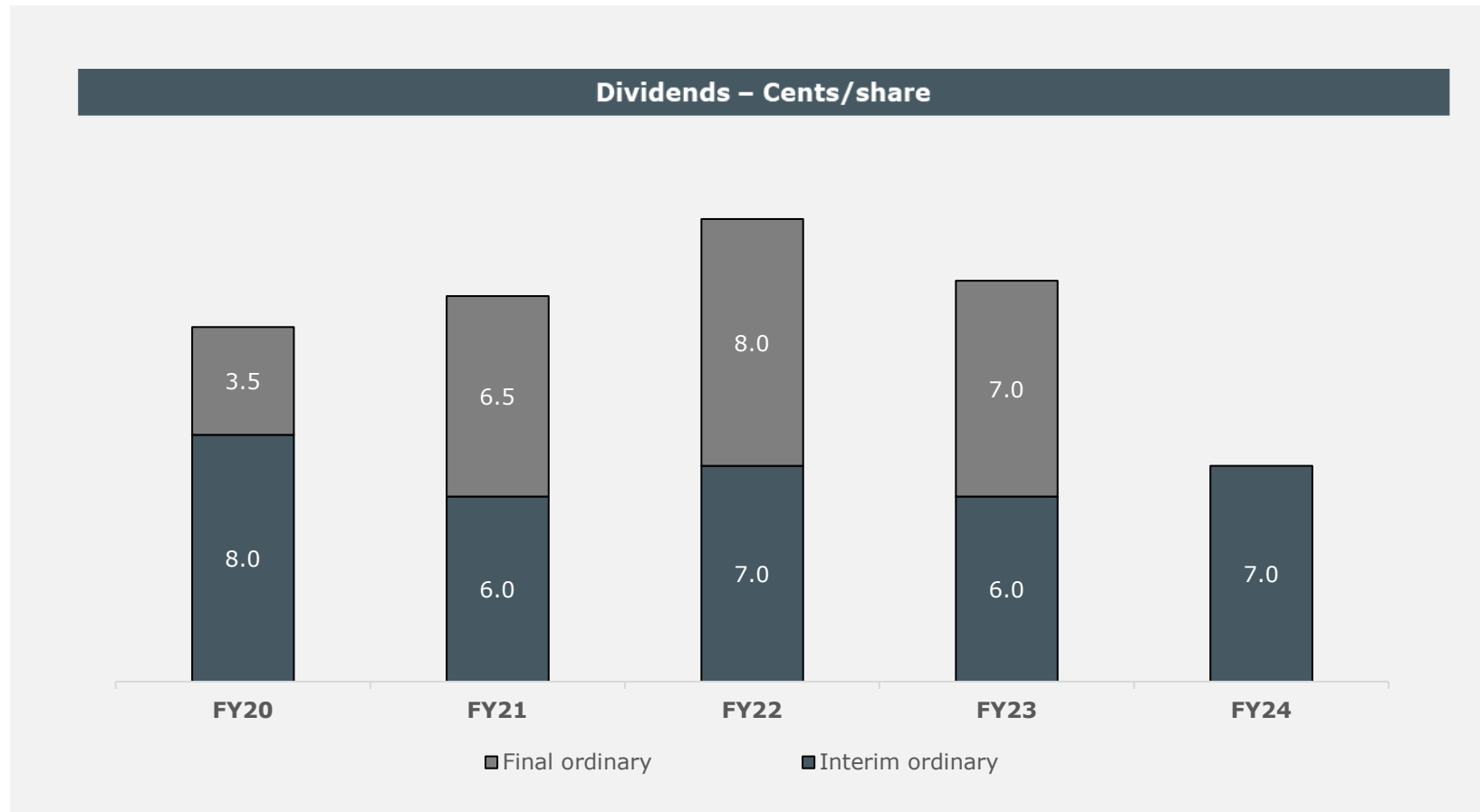
Cash flow from Continuing Operations A\$M	FY24	FY23
EBITDA	46.9	43.4
Net movement in Working Capital	14.4	2.2
Other	(0.3)	(1.0)
Cash Flow from Operations	61.0	44.6
Capital Expenditure and other investing activities	(1.7)	(1.4)
Significant Items / Other costs	0.0	(2.3)
Net Interest Paid	(3.6)	(4.0)
Tax Paid	(10.8)	(7.7)
Lease Payments	(6.1)	(5.6)
Group Free Cash Flow	38.8	23.6

Strong cash flow from operations and free cash flow

- Cash conversion* improved to 130%;
Increase in Cash Flow from Operations driven by a focused debtor management program and timing of payment for stock.
- Solid financial position allows for interim dividend of 7.0 cents per share fully-franked.

*Cash Flow from Operations divided by normalised EBITDA

FY24 interim dividend of 7.0c per share fully franked



Metrics ¹	30 June 2020	30 June 2021	30 June 2022	30 June 2023	31 Dec 2023
Net Debt	144.8	104.8	138.2	117.0	96.9
Leverage Ratio <i>Net Debt / EBITDA²</i>	1.9	1.4	1.7	1.5	1.2
Interest Cover <i>EBITDA² / Net Interest</i>	13.6	15.5	18.3	13.3	14.6
Gearing <i>Net Debt / (Net Debt + Equity)</i>	28.4%	21.5%	26.2%	23.0%	19.8%
Net Debt					
Borrowings	175.4	146.1	168.3	159.1	138.6
Bank Guarantees	1.8	1.3	1.4	1.4	1.5
Cash	(32.4)	(42.6)	(31.4)	(43.4)	(43.2)
	144.8	104.8	138.2	117.0	96.9

Strengthened financial position

- Net debt down 17% from June 2023 due to working capital decrease and improved earnings;
- Credit metrics within target ranges with net debt and leverage at lowest levels in 5 years;
- Banking facilities of \$220m with headroom of \$123.1m;
- \$180m multi-currency revolving facility expires November 2026; and
- \$40m bi-lateral facility matures October 2024.

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.

² Normalised EBITDA

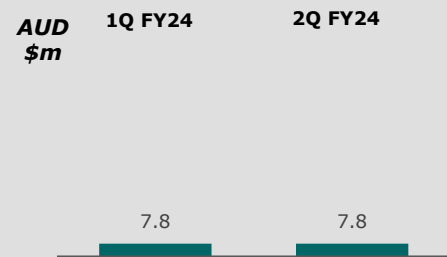
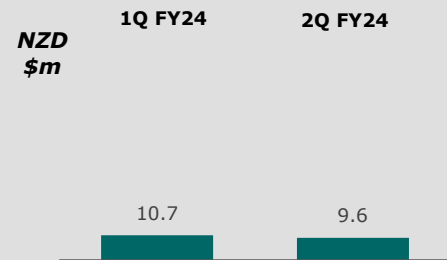
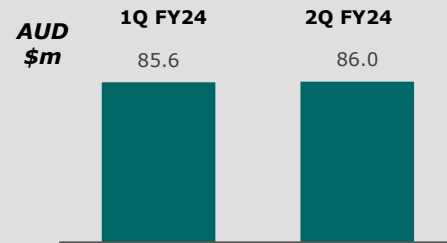
3

BUSINESS PERFORMANCE



Revenue largely in line with H1 FY23

H1 FY24 Revenue



Revenue commentary

Australia

- H1 improvement driven by volume growth initiatives
- Newly implemented State sales organisations driving accountability and identifying local opportunities

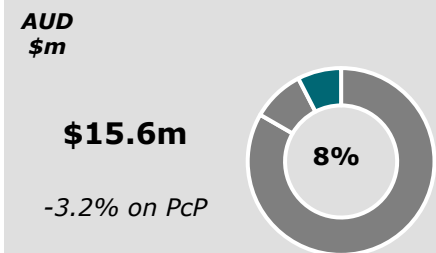
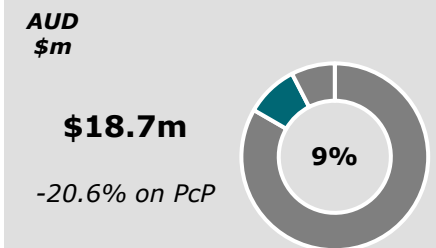
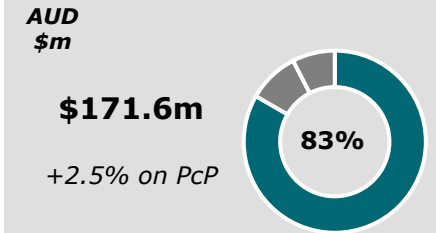
New Zealand

- Economic impact felt across H1 with softening demand in project and merchant segments
- Customers prioritising cashflow and stock management in challenging trading environment

International

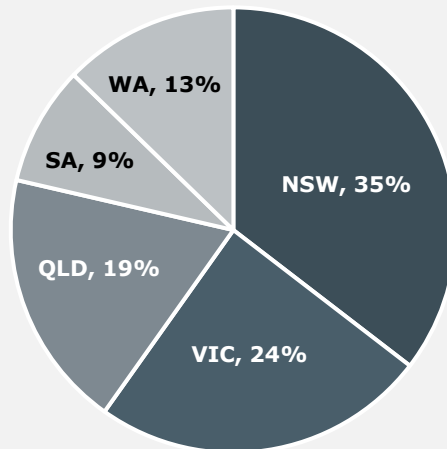
- H1 UK revenue -1.2% on constant currency basis
- Revenue flat quarter on quarter but UK experienced growth in Q2 on PcP.

\$ Revenue & % of Group



Revenue results by State (AU)

A\$m Revenue	1H FY24	1H FY23	Δ LY	% Change
NSW	60.2	61.3	(1.1)	-1.8%
VIC	43.2	41.5	1.7	4.1%
QLD	31.9	31.8	0.2	0.5%
SA	14.7	12.3	2.4	19.6%
WA	21.6	20.5	1.1	5.5%
Total	171.6	167.4	4.3	2.5%



Mixed performance across Australia

NSW

- R&R softness offset by builder and project wins with key customers
- Momentum in health & aged care to drive improvement in H2

VIC

- Growth driven by commercial
- Resi continuing to perform with improvement in merchant segment towards backend of H1

QLD

- Sales in line with FY23, despite R&R softness
- Strong construction pipeline, project growth expected to continue

SA

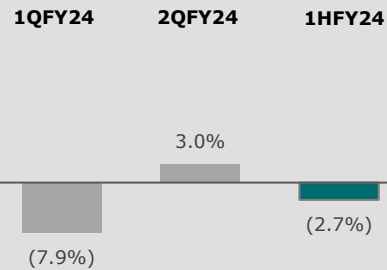
- All segments up on FY23, strong execution of volume growth initiatives

WA

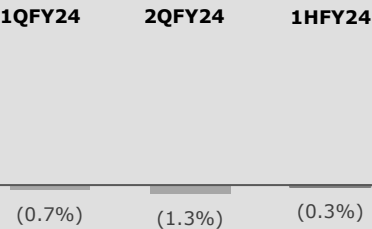
- Strong builder growth driving recovery after slow start to FY24

Mixed Merchants Results & 'Win the Plumber' momentum

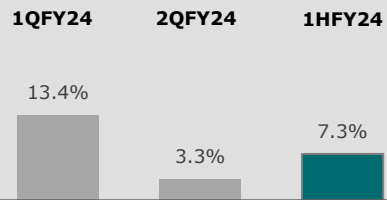
Customer A vs PcP



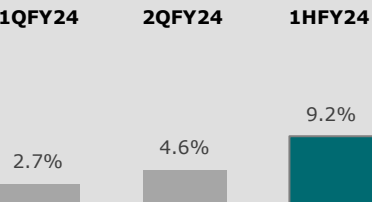
Customer B vs PcP



Customer C vs PcP



Customer D vs PcP



Australia information only

2 merchant partners in growth of 5-10%, and another in line with H1 FY23, driven by:

- 'Win the Plumber' momentum: plumber bundle sales up over 10% on the prior corresponding period.
- Execution of sale initiatives in builder segment
- Strong commercial performance
- Residential R&R remains subdued

4

NEW PRODUCTS



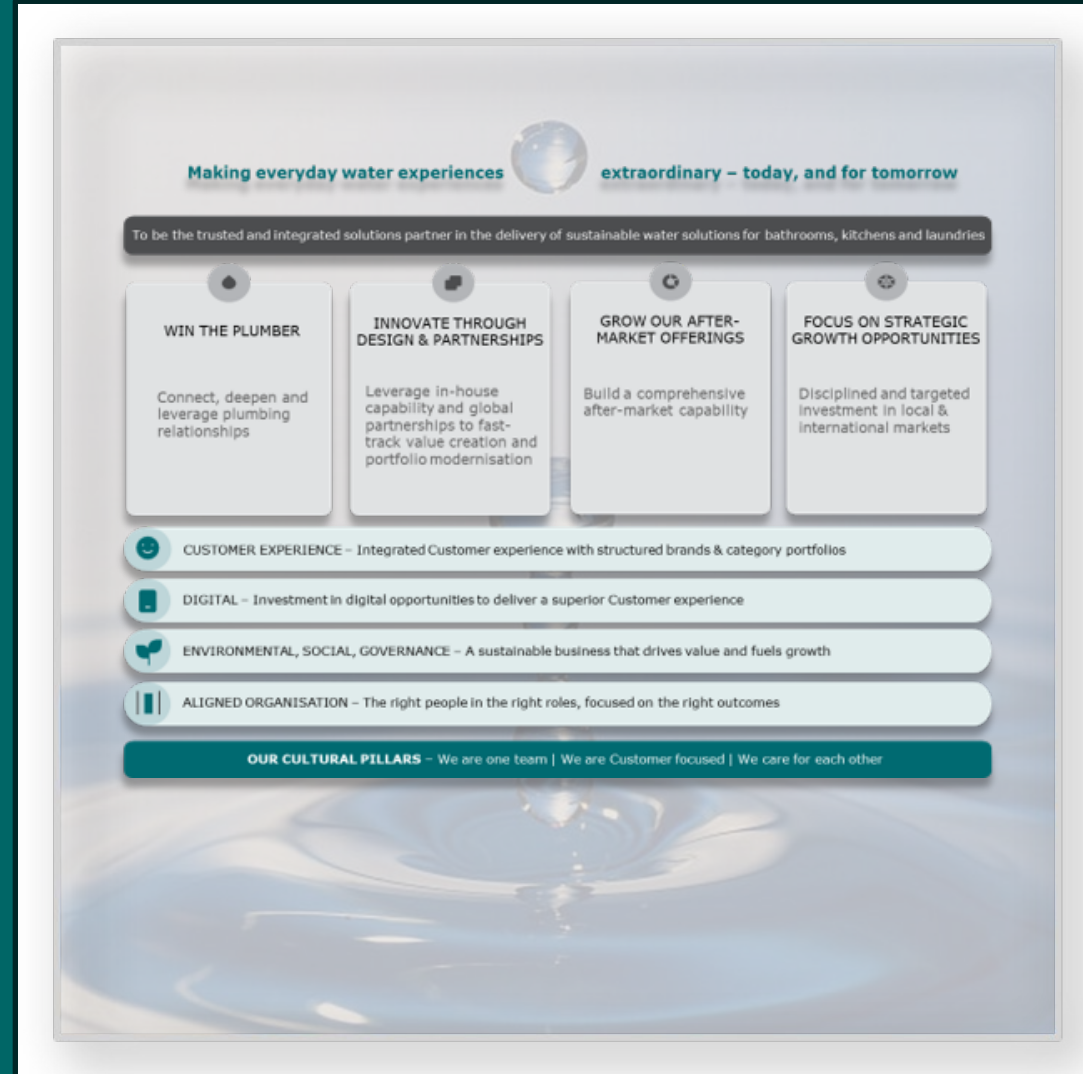
Exciting NPD launches incorporating leading edge design and technology.



- **Contura II Hero Collection** – showcasing our latest design, technologies and materials to capture bigger share of design-led market
- Introduction of **Lead Free tapware** options in 5 core ranges – Luna, Urbane II, Liano II, Opal and Care Plus to cater for residential, commercial and Care applications
- Addition of **Universal Accessories Technology** to our independent living range, Livewell, enabling independent living support for common bathroom fixtures

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STRATEGY UPDATE



Excellent progress made on Strategy.

Key Performance Measures	Progress
Win the Plumber	
25,000 plumbers engaged	
Technical services provided (quantity)	
Innovate Through Design & Partnership	
NPD sales >10% of overall Sales within 2 years	
>20% improvement for NPD average speed to market	
Customer Experience	
Improved DIFOT	
Increased in Net Promotor Score	
Capital Management	
EPS CAGR 5% to 10% FY23 to FY25	
Cash conversion – 80 to 85%	
Leverage 1.0 to 2.0 times EBITDA	

• Win the Plumber

- 21,700+ plumbers signed up and categorized between new build and maintenance plumbers;
- Plumber bundle sales up 10%+ on pcp;
- 10,000+ plumbers engaged in technical services; and
- More than 1,200 plumbers trained in Q2.

• Innovate Through Design & Partnership

- Vitality index tracking over 10%; and
- NPD aligned with strategy.

• Customer Experience

- DIFOT in ANZ improved to 84%; and
- Steady improvement of transactional NPS measure.

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SUMMARY & FY24 OUTLOOK



SUMMARY

Changes implemented in FY23 in response to market conditions yielding results in FY24.

- **Disciplined execution resulting in improved financial performance**
 - Volume growth of 2% in Australia.
 - EBIT and EBIT Margin up when compared to H2 FY23.
 - Cash-flow from operations and free cash-flow solid with cash conversion ratio 130%.
- **Balance Sheet is strong**
- **Customer First and Profitable Volume Growth initiatives gaining traction**
 - Improving DIFOT performance
 - NPS improvement
 - Growth in Plumber bundle sales

FY24 OUTLOOK

Key focus

Key Markets*

Mixed for GWA

Financial Performance

Disciplined growth agenda

Strategy

Continue with clear focus

FY24 commentary

- **Commercial** – continuing demand for new build in health and aged care and Commercial R&R.
- **Residential detached** – solid level of completions expected for the remainder of FY24.
- **Repair & Renovation in Residential** – subdued demand expected to continue.
- **Increasing activity** in multi residential, social and affordable housing and build to rent – timing remains uncertain.
- Controlling the controllables - Effective **matching of costs** to revenue.
- **Managing inventory** levels to market demand and to mitigate supply chain disruptions.
- **Targeted investment** in entry level products and digital strategy.
- **Customer first** initiatives with a focus on our merchant partners.
- **Profitable volume** growth targeting existing and new markets and customers leading to volume growth in Australia.
- **Local sales organisation** serving local businesses with local solutions.
- **Experience centres** – investment in specific locations across ANZ.

* Assuming no material change to the current economic conditions

7 Q & A



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

8 APPENDIX

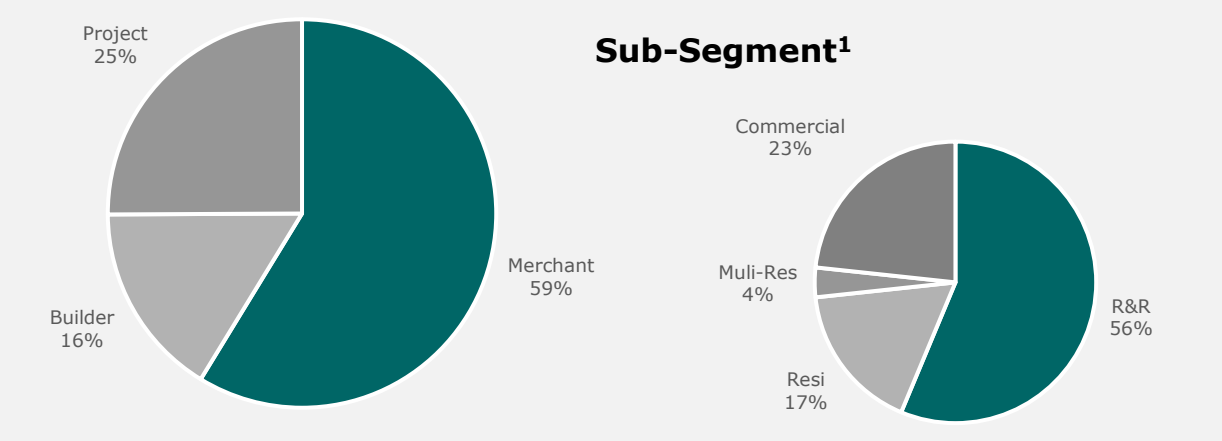


FY24 Key Assumptions¹

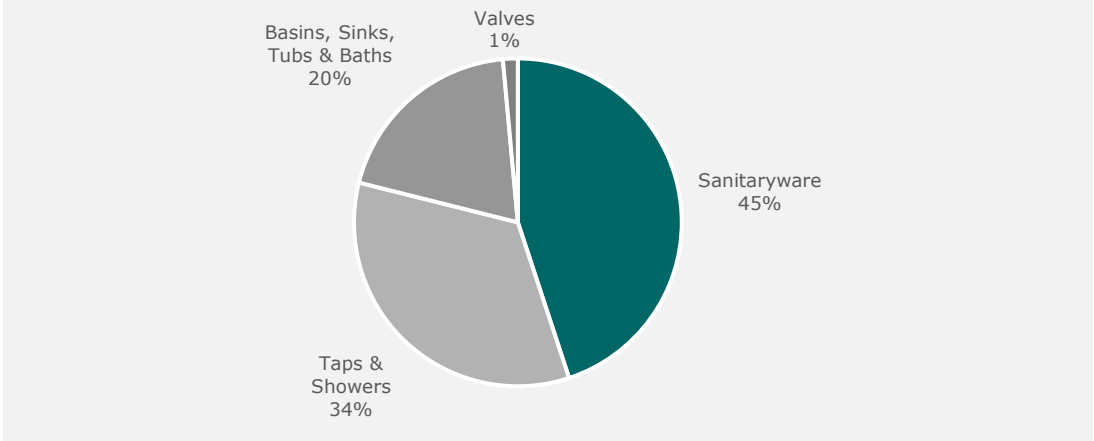
Area	Assumption
Australian market backdrop	BIS total building activity data ² is indicating a market decline of -11% in FY24 (constant prices)
Price increase	~4% implemented in Australia from 1 February 2024
D&A (depreciation and amortisation)	~\$5.0-6.0m excluding the impact of IFRS 16. Including the impact of IFRS 16 ~\$19.0-21.0m
Interest costs	~\$7.0-8.0m excluding lease interest. Including lease interest ~\$9-10m.
FX	Currently 57% hedged at US\$0.665 Negative impact \$4.0m - \$5.0m
Effective Tax rate	~29.0 – ~30.0%
Working capital	Lower than June 2023
Capex	~\$4.0 – \$6.0m
Ocean freight cost saving	Positive impact ~\$4.0 – \$6.0m
Customer freight cost increase	Neutral
Significant items	\$0.7m for UK ERP implementation

Continuing our strength in Sanitaryware.

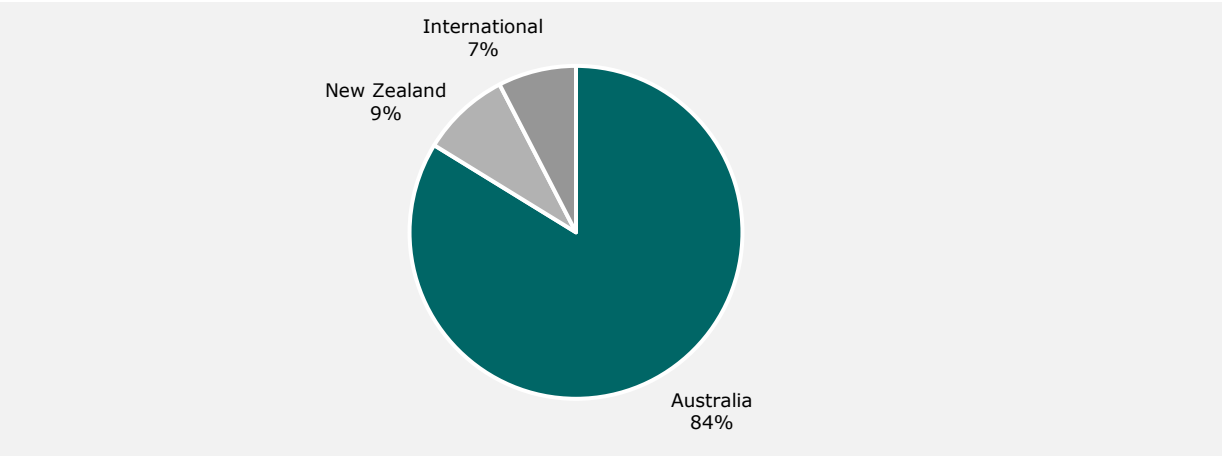
Segment



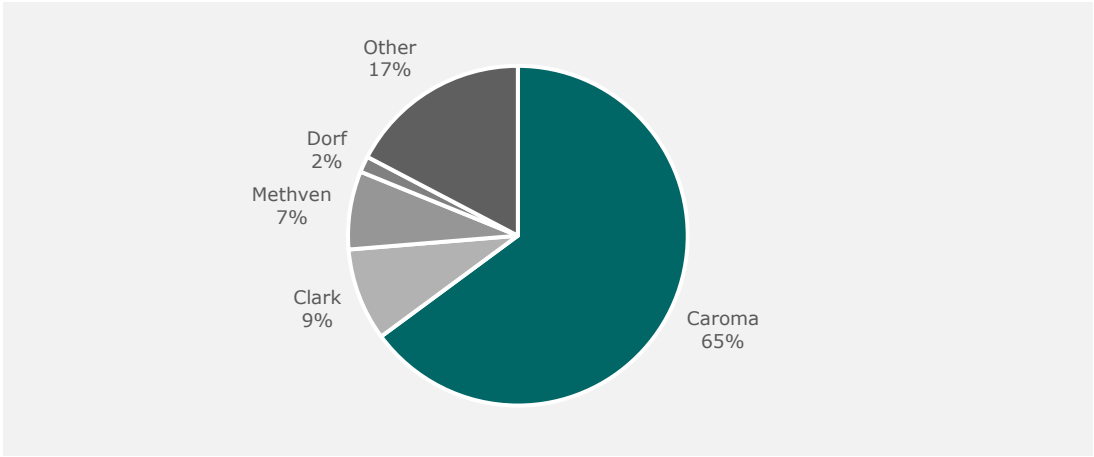
Category



Geography



Brand



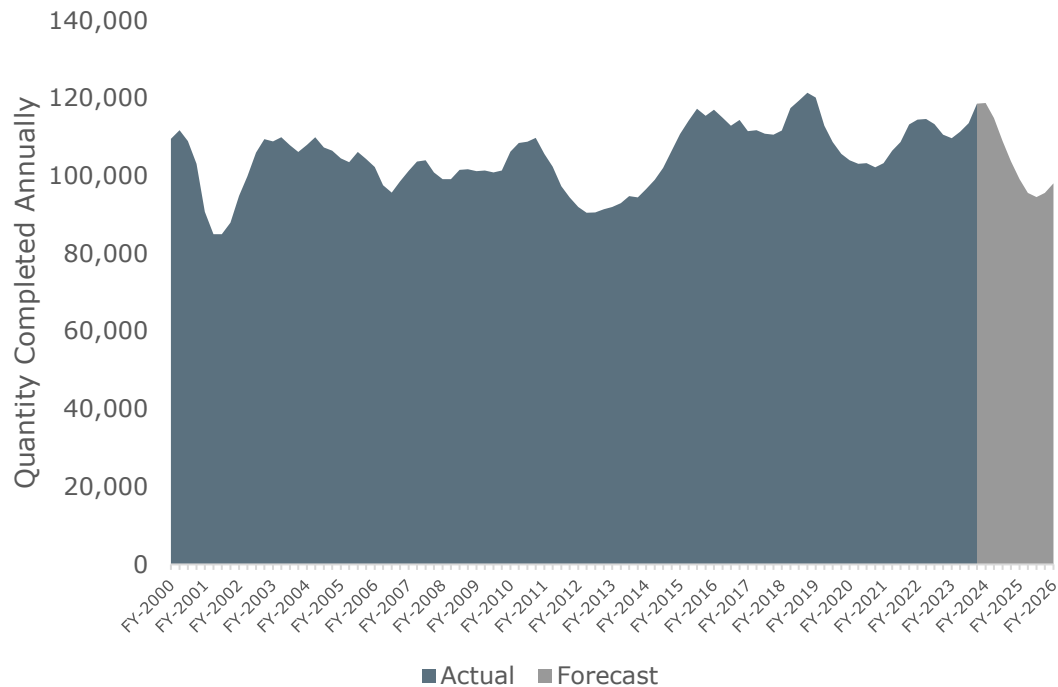
¹ Percentage of Australian sales revenue only and represent GWA's best estimate. Segment, Category, Geography and Brand are percentage of group sales revenue



Australian Market Context –

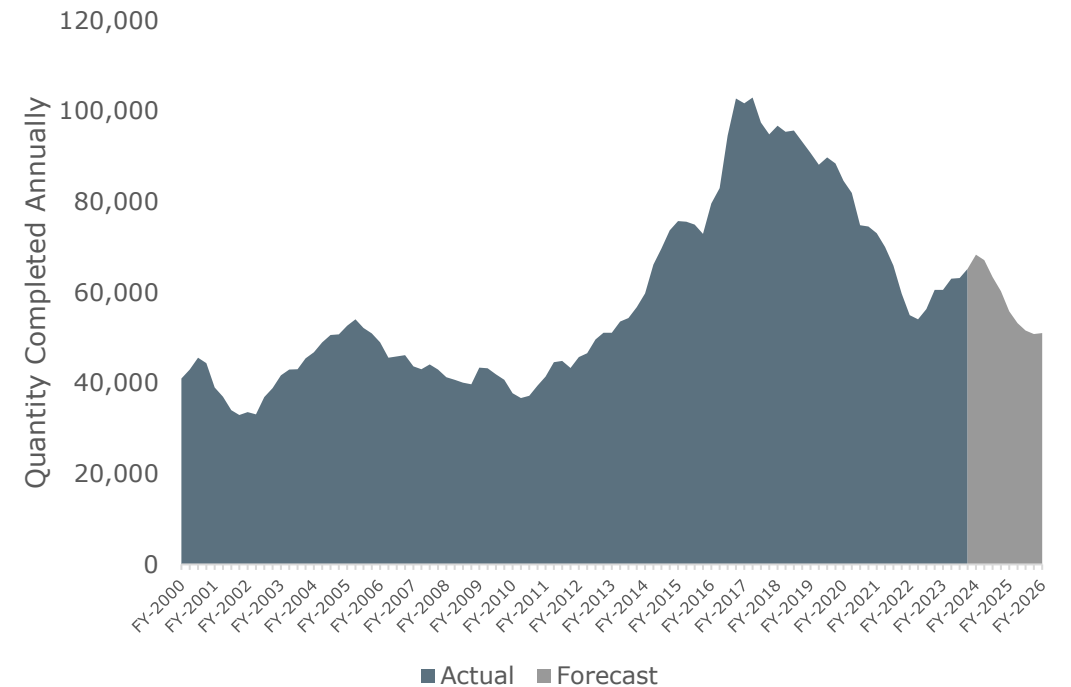
Residential completions expected to decline but remain at elevated levels in FY24 with multi-residential to pick up

Residential¹



¹ Approximately 17% of GWA's Australian revenue

Multi - Residential²

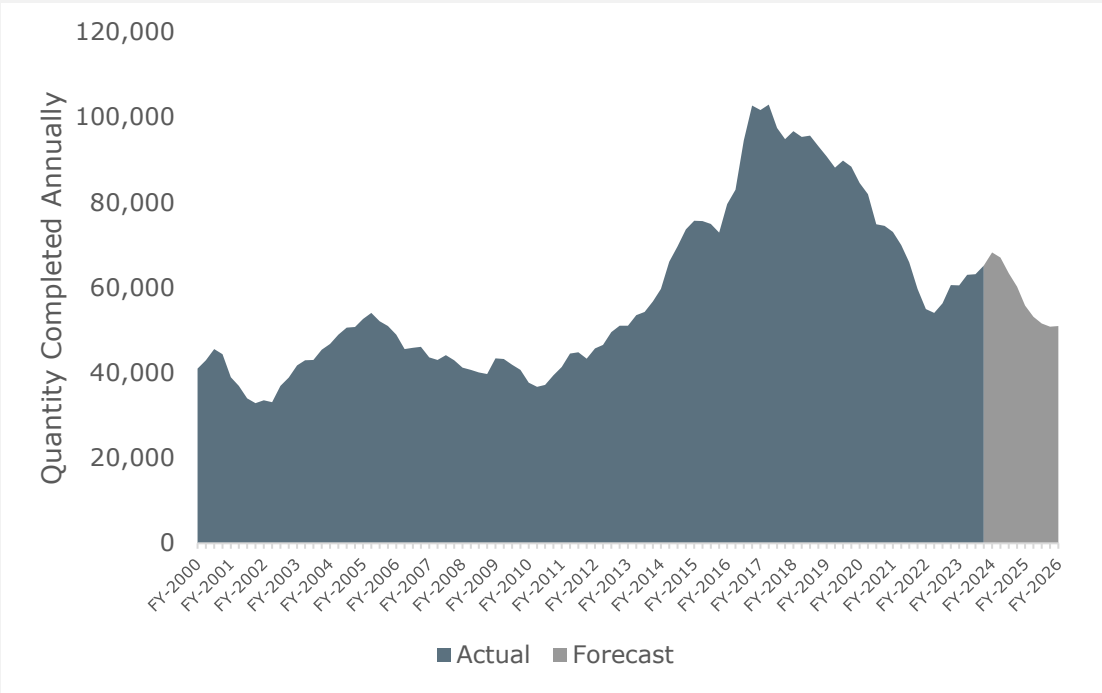


² Approximately 4% of GWA's Australian revenue

Australian Market Context –

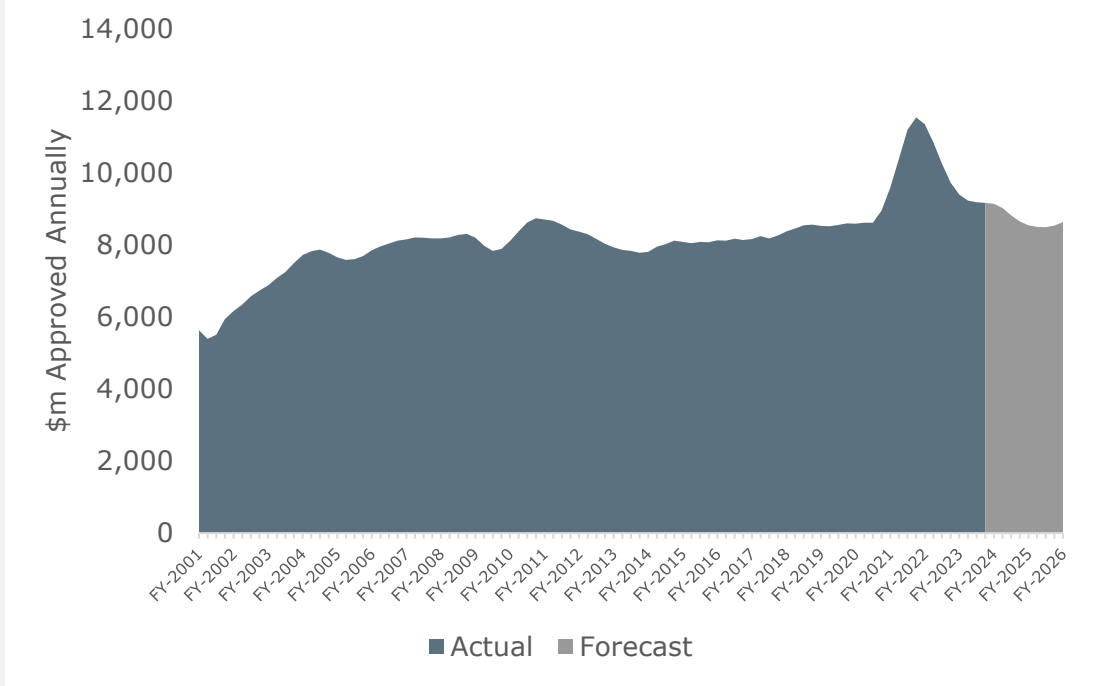
Commercial work done expected to remain steady, R&R declining from historically elevated levels

Commercial¹



¹ Approximately 23% of GWA’s Australian revenue

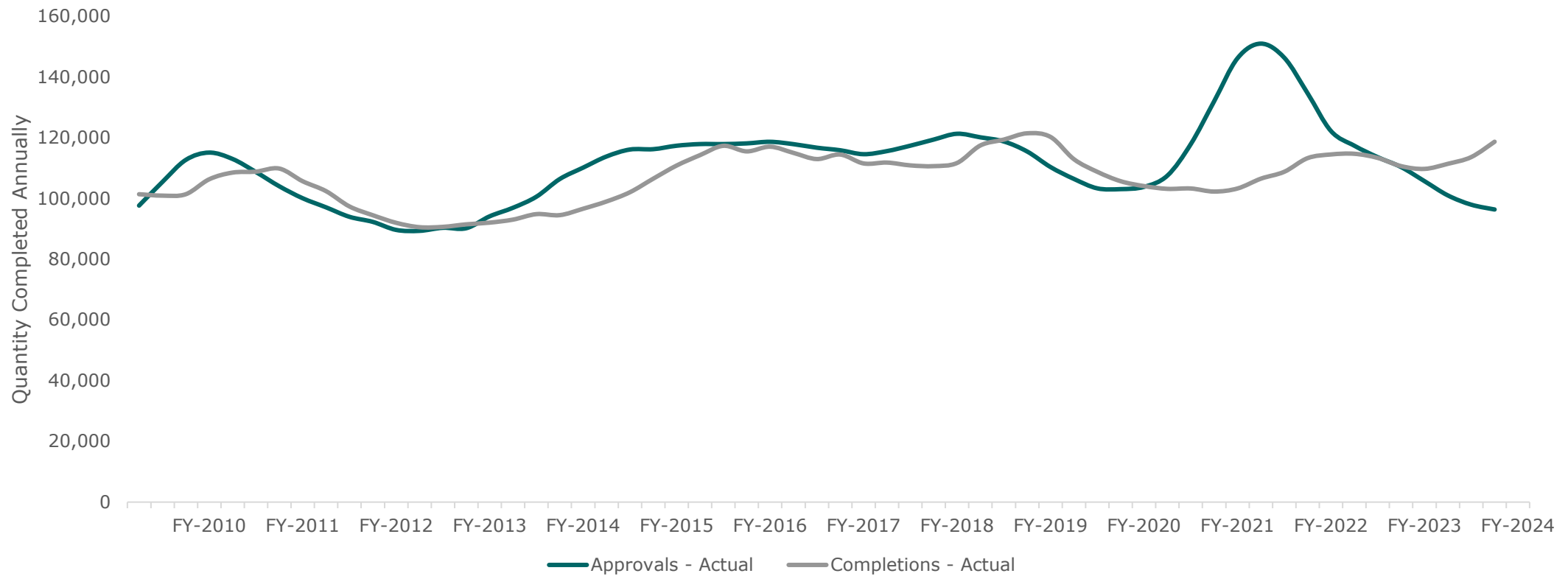
Repair and Renovation²



² Approximately 56% of GWA’s Australian revenue

Australian Market Context –

Residential completions expected to remain solid during FY24, despite approvals declining from historical highs (Completions' lag vs. approvals ~15 months)



Source: BIS Oxford Economics



THANK YOU

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