GWA
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20 February 2017

ASX On-Line
Manager Company Announcements
Australian Securities Exchange

Dear Sir

Financial Results Presentation for the Half Year Ended 31 December 2016

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

- Half Year Results Presentation

On 20 February 2017 at 10:00 am (AEDT), GWA will be hosting a webcast of its FY17 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 2016

GWA Group Limited

20 February 2017



gwagroup.com.au

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

Overview	Tim Salt Managing Director
Group financial results	Patrick Gibson Chief Financial Officer
Segment results	Patrick Gibson
Summary and outlook	Tim Salt

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Key themes from first half result

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#1

- **Customer and consumer initiatives focused on less cyclical Renovation and Replacement segment**
  - Improving engagement with major customers
  - Strengthening NPD pipeline – new range of Caroma Cleanflush

#2

- **"Back to Basics" execution continuing momentum**
  - Cost out in SG&A
  - Supply chain efficiencies assist performance

#3

- **Solid group financial performance**
  - Continuing to grow top and bottom line, maintain focus on margin resilience through the cycle
  - Further improvement in Group EBIT margin, Return On Funds Employed and Operating Cashflow

#4

- **Continued focus to maximise shareholder value**
  - Interim dividend 7.5 cents per share, fully-franked; up from 7c in prior period
  - Earnings per share up 14%

Result in context of strategic priorities

Focus area			Results for 1HFY17
1	Grow the top line	✓	• Revenue up 2% vs market growth of ~1%
2	Maintain margin resilience	✓	• Group EBIT margin up 0.8 points, ROFE up 1.8 points
3	Continue to address cost base	✓	• Corporate costs down 16%
4	“Clean” results	✓	• No significant items in 1HFY17
5	Dividend Policy 65-85% NPAT	✓	• Interim dividend 7.5 cents per share; fully franked

Improvement across key metrics

Overview | Group results | Segment results | Outlook | Appendix

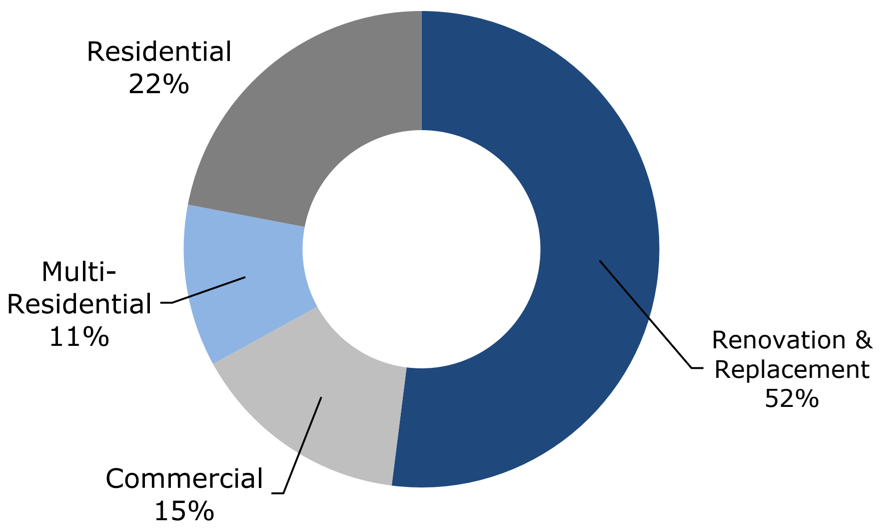
Continuing Operations*

Revenue $223.4m	↑ 2%	**ROFE** 19.5%	↑ 1.8pp
EBITDA $42.2m	↑ 6%	**Operating Cashflow** $39.6m	↑ 22%
EBIT $39.2m	↑ 7%	**EPS** 9.9 cents	↑ 14%
NPAT $26.0m	↑ 8%	**Dividend** Interim Ordinary 7.5c	↑ 7%

*Continuing Operations exclude the Gliderol Garage Doors business which was divested on 31 July 2015.

Revenue growth ahead of weighted end market growth

GWA end market exposure[1]



Market activity FY17[2]

Renovation & Replacement	Overall market remains relatively flat Change 0% (MAT)
Residential detached house completions	Strong pipeline remains from lag between approvals and completions Decreased by 4% in FY17 (MAT)
Multi-Residential completions	Activity increased Increased by 18% in FY17 (MAT)
Commercial	Increase in aged care, offset by reduced activity in health care Declined 3% (MAT)

Weighted average of end markets up 1%

1. Source: GWA estimates, Australia market B&K only (FY17 MAT)
2. Source: BIS Shrapnel

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Net profit up 8% on prior period

Continuing Operations A$m	Half Year Dec 15	Half Year Dec 16	% Change
Revenue	220.2	223.4	1.5%
EBIT	36.8	39.2	6.6%
Interest Expense	(3.3)	(2.7)	-18.2%
Tax Expense	(9.3)	(10.5)	12.9%
NPAT (Normalised)	24.2	26.0	7.5%
Significant Items After Tax	0.0	0.0	0.0%
NPAT (Reported)	24.2	26.0	7.5%
ROFE	17.7%	19.5%	1.8pp
EPS (cents per share)	8.67	9.85	13.6%

- Net profit from Continuing Operations up 8% on prior corresponding period
- EBIT up 7% driven by improved earnings in Bathrooms & Kitchens and cost savings
- Lower net interest expense reflects lower interest rates
- Effective tax rate 29% - slightly higher than prior period which included non-assessable items
- No significant items in 1HFY17

Continuing Operations EBIT up 7%

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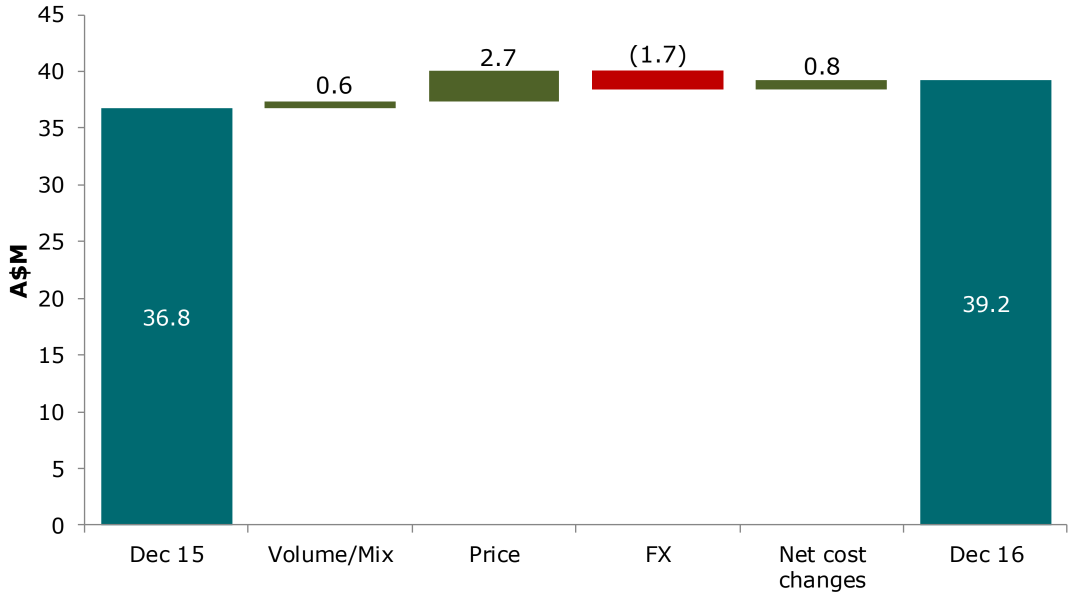

- Improved mix in B&K from continued focus on higher margin products
- Market volume growth continues to be in Multi-Residential and lower margin products – not a core focus for GWA
- FX – recovery of impact of lower A$ in FY16
- Further reduction in cost base to address cost inflation partly offset by investment in Marketing, NPD
- Focus on margin resilience - Group EBIT margin 17.5% up 0.8ppts from prior period

Operating cashflow up 22%

Cash flow from Operations A$M	Half Year Dec 15	Half Year Dec 16
EBITDA	**39.8**	**42.2**
Net movement in Working Capital	(7.1)	(3.9)
Other	(0.2)	1.3
Cash Flow from Operations	**32.5**	**39.6**
Capital Expenditure	(0.9)	(2.7)
Restructuring / Other costs	(8.5)	(6.4)
Net Interest Paid	(3.1)	(2.8)
Tax Paid	(14.1)	(7.5)
Other Non-operating Cash flow	0.0	0.0
Free Cash Flow from Continuing Operations	**5.9**	**20.2**
Discontinued Operations	5.6	0.0
Free Cash Flow	**11.5**	**20.2**

- Continued focus on cashflow - operating cash up 22% on prior period
- More effective working capital utilisation compared to prior period
- Higher capex reflects investment in Integrated Business Planning project and plastics tooling. Continue to expect total capex in FY17 $7-9m
- Cash restructuring costs in line with prior guidance - reflect exit of Norwood factory (closes Feb 2017) Expect full year restructuring costs of ~$15-16m - (no P&L impact)

Strong financial position maintained

Metric	30 June 2014	30 June 2015	31 Dec 2015	30 June 2016	31 Dec 2016
Net Debt	149.4	94.8	90.8	88.4	92.0
Leverage Ratio *Net Debt / EBITDA*	1.7	1.1	1.2	1.1	1.1
Interest Cover *EBITDA / Net Interest*	8.5	12.8	14.8	14.3	15.8
Gearing *Net Debt / (Net Debt + Equity)*	26%	24%	22%	22%	23%

- GWA remains in strong financial position - credit metrics continue to be consistent with investment grade
- Syndicated banking facility extended in October 2016 – single 3-year revolving $225 million facility maturing October 2019
- Substantial headroom within facilities - provides enhanced financial flexibility

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Solid result in Bathrooms & Kitchens

Continuing Operations A$m	Half Year Dec 15	Half Year Dec 16	% Change
Revenue	169.8	174.3	2.7%
EBITDA	42.0	44.3	5.5%
EBIT	41.0	43.4	5.9%
EBIT Margin %	24.2%	24.9%	0.7pp
ROFE %	23.0%	25.0%	2.0pp

- Revenue up 3% - top line growth ahead of market
- Strong sales growth in NSW (+13%), QLD and VIC (+5%), partially offset by soft WA market (-21%)
- EBIT up 6% - improved mix and FX recovery
- EBIT Margin up 0.7 points on prior period
- Continued increase in ROFE – focus on effective capital deployment

Large decline in WA market impacts D&A result

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Continuing Operations A$m	Half Year Dec 15	Half Year Dec 16	% Change
Revenue	50.4	49.1	-2.6%
EBITDA	4.5	3.2	-28.9%
EBIT	3.8	2.5	-34.2%
EBIT Margin %	7.6%	5.0%	-2.6pp
ROFE %	14.3%	9.4%	-4.9pp

- Revenue down 3% on prior year
- Sales across Eastern seaboard up +1.5% offset by significant decline in WA (-29%)
- D&A business has larger exposure to WA market where construction activity has declined
- EBIT impacted by lower revenue and continued investment in Sales team

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Continuing to progress strategy

Strategic Priority	Update on Progress
Leverage and build on core assets & brands to drive revenue and market share growth	• Launch next range of Cleanflush 2HFY17 • New consumer experience centres opening • Enhanced digital consumer engagement • NPD pipeline focused on R&R market
Add value to customers through improved insights, analytics and processes	• Progressing joint business planning sessions with major customers • Tailored product innovation in partnership with major merchants • Increased visibility in customers' showrooms
Build "fit for future" culture, engagement and capability	• Launched talent plan – Get, Keep, Grow • Implement sales training/customer value proposition – focus on D&A • Business simplification – focus on agility and customer responsiveness
Build an advantaged Supply Chain to deliver superior NPD, Quality and Service at best cost	• Dual-sourcing capability established for supply assurance • Integrated Business Planning now established across B&K and D&A • Implementing track and trace capability
Drive cost out in SG&A and Supply Chain to improve profitability and allow selective reinvestment	• Corporate cost base re-aligned – continued focus on SG&A • New sea freight partner – lower costs, improved container yield • Implementing Asian consolidation supply centres • Remain on track for $13-15m cost reduction by FY19

FY17 Outlook

1 **Market activity**	▪ Renovation & Replacement segment expected to be relatively stable ▪ Recent approvals data point to expected slow-down in construction, however, continued lag between approvals and completions supports continued demand ▪ GWA forward order book remains strong, particularly in eastern states
2 **Continued focus on margin resilience**	▪ Continue to address cost savings for reinvestment and margin resilience ▪ Monitor exchange rates closely - GWA hedged ~69% to 30 June 2017 at US$0.72
3 **Priorities for 2nd half FY17**	▪ Continue to implement Group strategy focused on core priorities ▪ Launch new products (e.g. next range of Cleanflush) to drive growth in sanitaryware ▪ D&A – Telstra Connected Home Installations, NPD
4 **FY17 earnings**	▪ Based on current market conditions, expect 2nd half EBIT to be at or slightly ahead of 1st half EBIT FY17

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Appendix

Appendix - strong increase in earnings, NPAT & EPS

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A$m	Half Year Dec 15 Continuing Operations	Half Year Dec 15 Discont'd Operations	Half Year Dec 15 Group Total	Half Year Dec 16 Continuing Operations	Half Year Dec 16 Discont'd Operations	Half Year Dec 16 Group Total
Reported						
EBITDA	39.8	(0.5)	39.3	42.2	0.0	42.2
EBIT	36.8	(0.6)	36.2	39.2	0.0	39.2
NPAT	24.2	(0.4)	23.8	26.0	0.0	26.0
EPS (cents)	8.67	(0.15)	8.52	9.85	0.00	9.85

* Corporate Costs include some costs previously allocated to Discontinued Operations

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

Appendix – Proforma 5 year summary

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A$m	FY12	FY13	FY14	FY15	FY16	Half Year Dec 15	Half Year Dec 16
Revenue							
Bathrooms & Kitchens	297.8	286.3	306.6	330.0	342.0	169.8	174.3
Door & Access Systems	78.9	89.8	92.8	96.2	97.7	50.4	49.1
Total Cont'd Ops	***376.7***	***376.1***	***399.4***	***426.2***	***439.7***	***220.2***	***223.4***
*Discontinued Ops *****	*225.4*	*189.2*	*178.6*	*121.6*	*4.8*	*4.8*	*0.0*
Group Total	602.1	565.3	578.0	547.8	444.5	225.0	223.4
Normalised EBIT							
Bathrooms & Kitchens	60.9	60.4	73.0	83.3	84.6	41.0	43.4
Door & Access Systems	12.0	11.8	8.4	7.2	7.3	3.8	2.5
Corporate *	(15.2)	(17.2)	(16.9)	(17.7)	(13.6)	(8.0)	(6.7)
Total Cont'd Ops	***57.7***	***55.0***	***64.5***	***72.8***	***78.3***	***36.8***	***39.2***
*Discontinued Ops *****	*17.7*	*11.8*	*7.8*	*1.5*	*(0.6)*	*(0.6)*	*0.0*
Group Total	75.4	66.8	72.3	74.3	77.7	36.2	39.2

* Corporate Costs include some costs previously allocated to Discontinued Operations

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

Results Presentation
Half-year ended 31 December 2016

GWA Group Limited

20 February 2017