



GWA
Group Limited

ABN 15 055 964 380
t 61 7 3109 6000
www.gwagroup.com.au

Building 3B
200 Holt Street
Pinkenba QLD 4008

GPO Box 1411
Brisbane QLD 4001

17 August 2020

ASX On-Line

Manager Company Announcements
Australian Securities Exchange

Dear Sir

Annual Results Presentation for the Year Ended 30 June 2020

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

- Annual Results Presentation

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

This announcement has been authorised for release to the ASX by the GWA Board of Directors.

Yours faithfully

R J Thornton
Executive Director



Results Presentation

Year ended 30 June 2020

17 August 2020



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Disclaimer

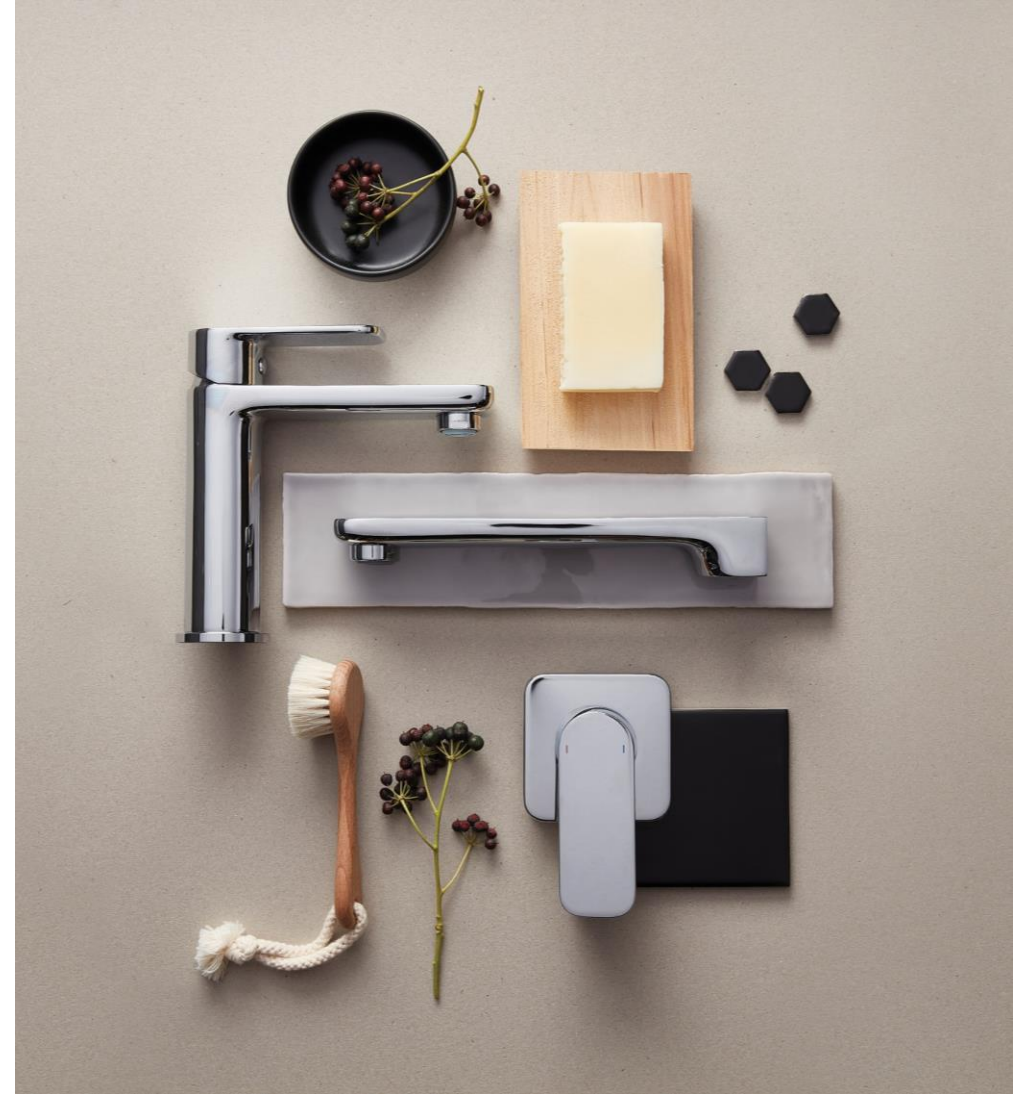
This Presentation contains projections and other prospective statements that represent GWA's assumptions and views, including expectations and projections about GWA's business, the industry in which it operates and management's own beliefs and assumptions. Such matters require subjective judgement and 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 the 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*.



01 | Overview



Disciplined performance in challenging markets

Operational discipline mitigates significant amount of revenue decline from weaker market and COVID-19

- Merchant destocking in 1H FY20 and COVID-19 restrictions in 2H FY20 significantly impacted revenue
- However, maintained market share in Australia despite challenging market conditions
- Ongoing operational discipline mitigates significant component of revenue decline – Group EBIT margin 18.0% v 18.5% in FY19¹
- Continued strong cash generation and financial position – Board has determined 3.5 cent per share final dividend fully-franked

“Controlling the controllables”

- Significant improvement in Health and Safety (lead and lag metrics)
- Methven integration on track - sales teams fully integrated - synergies ahead of schedule: \$3m delivered in FY20
- \$9-12m cost out programme on track: \$5.0m delivered in FY20
- Additional short-term cost reductions of \$10.5m delivered in response to weak markets
- Consolidated distribution network to four key distribution centres in NSW, QLD, VIC and WA to drive operational efficiencies in FY21

Continue to execute superior water solutions growth strategy

- Continuing to invest in growth initiatives (Caroma Smart Command®, NPD) funded by cost savings
- Strengthened relationships with merchant partners drive core range extension (MVN and GWA product)
- Caroma Smart Command® installed at 49 sites – focus on sustainability and touchless / hygiene solutions in commercial bathrooms
- Commercial forward order bank remains strong and in growth - focused on core segment opportunities including Aged Care

Strong financial position to manage through current markets and position for growth

- Solid balance sheet maintained – liquidity enhanced in 2H FY20 and no significant near-term refinancing commitments

COVID-19 response: strongly positioned to manage through pandemic

Primary focus remains on health and safety of all people at GWA (staff and visitors)

- Enhanced safety protection (sanitiser, masks, temperature checks and increased cleaning) at all GWA sites
- All office-based staff supported to work remotely
- Implemented shift management / social distancing protocols (incl. staggered break times) at all manufacturing sites
- 112 staff furloughed across NZ and UK due to the impact of restrictions and shutdowns

Additional short-term cost reductions to partially mitigate the impact of COVID-19

- \$10.5 million of short-term cost reductions achieved

Maintained continuity of supply in 2H FY20 (no COVID-19 disruption)

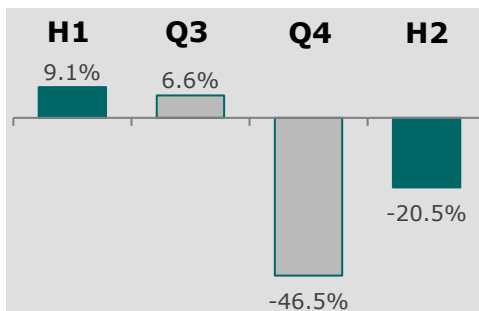
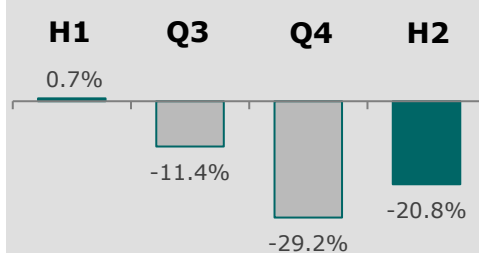
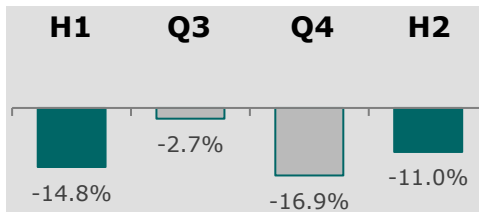
- Manufacturing supply partners prioritised GWA due to longer term exclusive arrangements
- Inventory management continues to ensure supply continuity

Strong financial position maintained

- \$33m additional bank facilities obtained (not drawn)
- \$283m in total bank facilities provides significant liquidity and flexibility to take advantage of opportunities that may arise
- \$243m revolving facility does not mature until October 2022
- GWA remains highly cash generative – cash conversion ratio in FY20 96%

COVID-19 restrictions impacted Q4 revenue

Revenue vs pcg



Impact of restrictions

Australia

- 1H impacted by significant merchant destocking and weaker market conditions
- Q3 revenue was broadly in line with pcg
- Q4 sales impacted by COVID-19 with sales growth in consumer focused channel offset by declines in trade channels. No further destocking but anticipated restocking in Q4 did not materialise

New Zealand

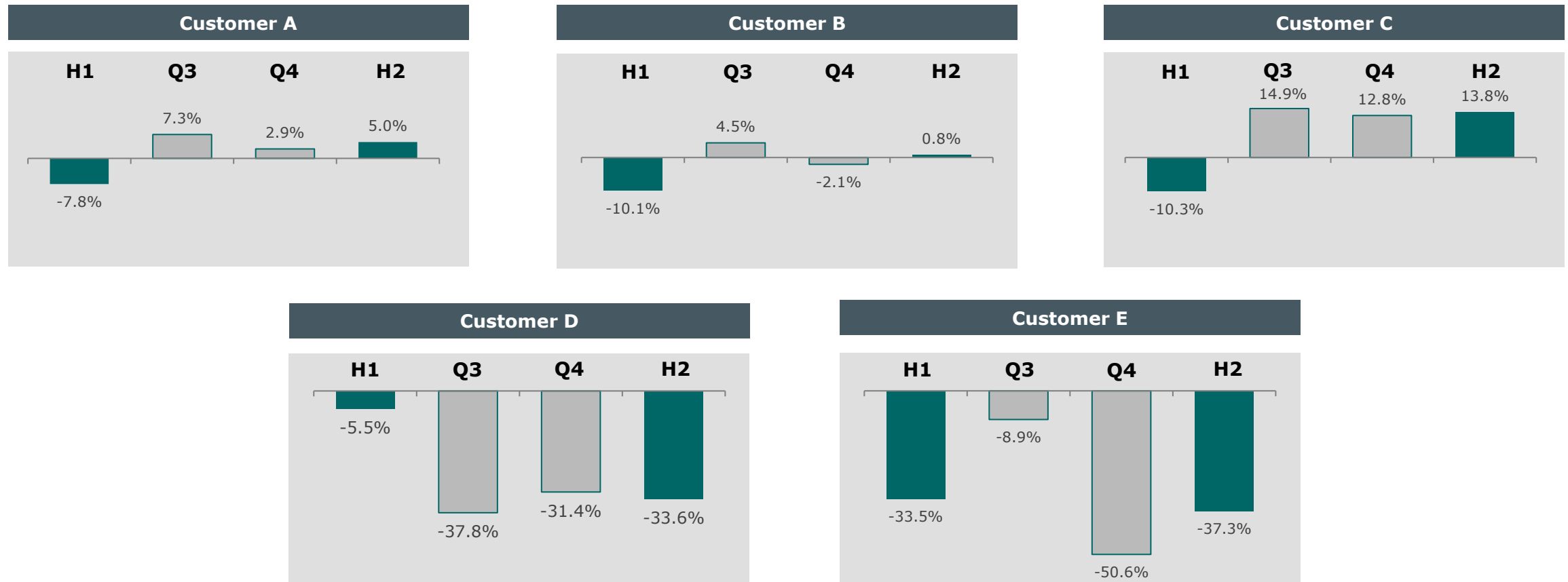
- Momentum from 1H sales growth stalled by COVID-19 Level 4 restrictions especially in Q4
- March sales reduced (impacted Q3) as trade reduced purchases in the lead up to lock down

International

- United Kingdom sales up 9% in Q3 prior to COVID-19 restrictions which impacted Q4 revenue
- Despite impact of lockdown in Q3 Asia sales were up 6% for FY20 vs FY19

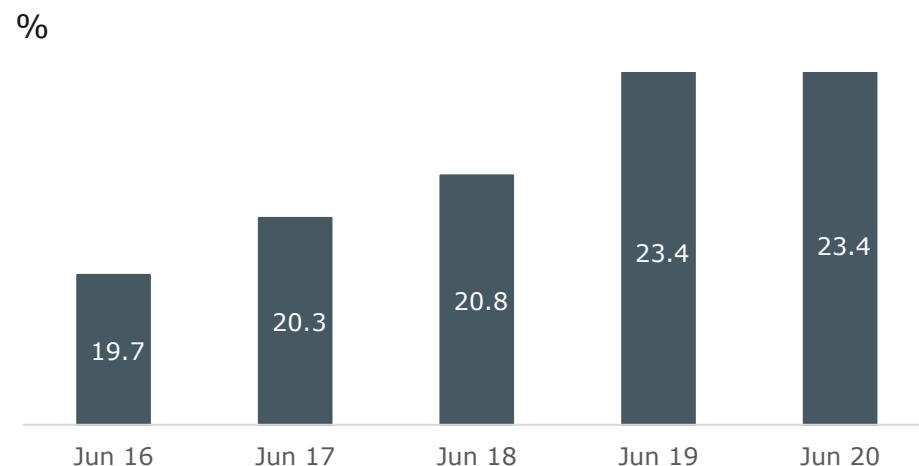
Good 2H momentum in three of our top five customers

GWA sales in top 5¹ customers (Australia) - revenue vs pcp (pro forma)



GWA maintains share in challenging market

Market Data ¹	
Market Segment Change vs prior corresponding period	FY20 vs FY19
Residential detached housing	-20%
Multi-Residential	-18%
Commercial (new build)	-4%
Renovation & Replacement (commercial and residential)	-8%
Total addressable market	-10%



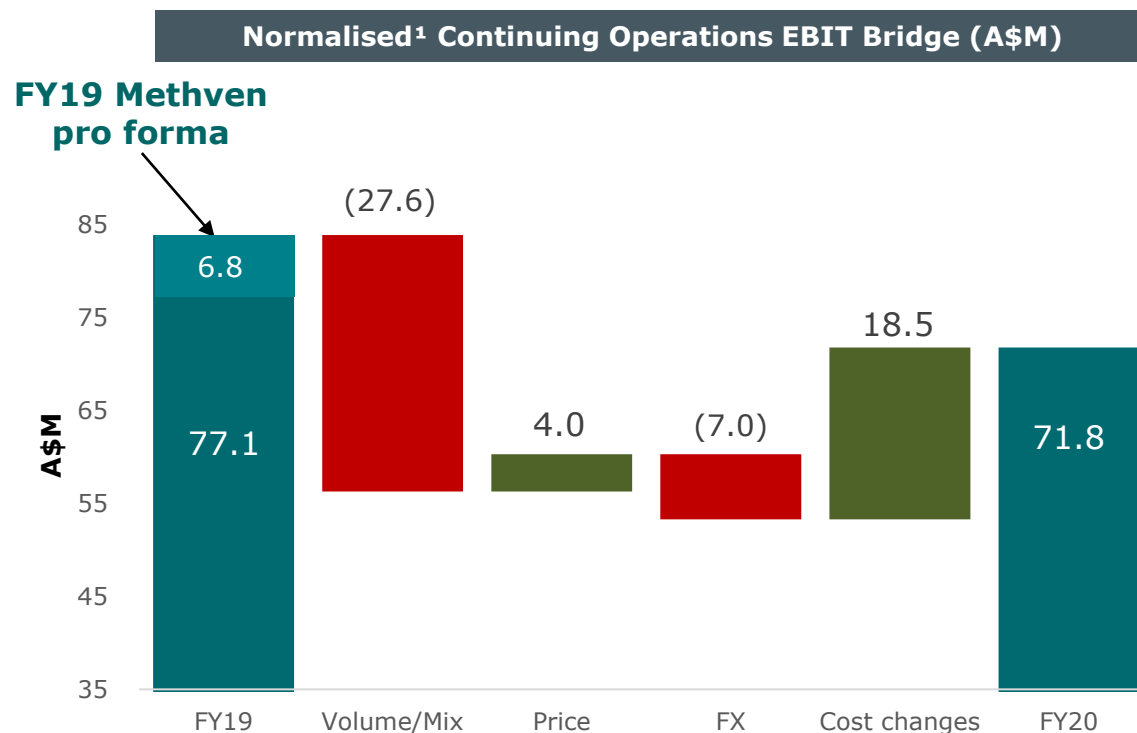
- Despite challenging market GWA Australia has held market share on a sales-out basis²
- Demonstrates GWA's commitment to maintain profitable share irrespective of market conditions
- Continued deterioration in trading conditions in 2H FY20 across residential sector (detached and multi-residential housing)
- Commercial market activity (new build / R&R) has slowed however GWA continues to be well placed in this sector with a focus on aged / health care and a growing order bank
- Residential renovation & replacement market less volatile than the new housing segment
- GWA overall market share includes Methven for FY19 and FY20

02 | Financial results



Operational discipline helps mitigate revenue decline

Normalised¹ from continuing operations² (pro forma) includes Methven in FY20 and full year FY19

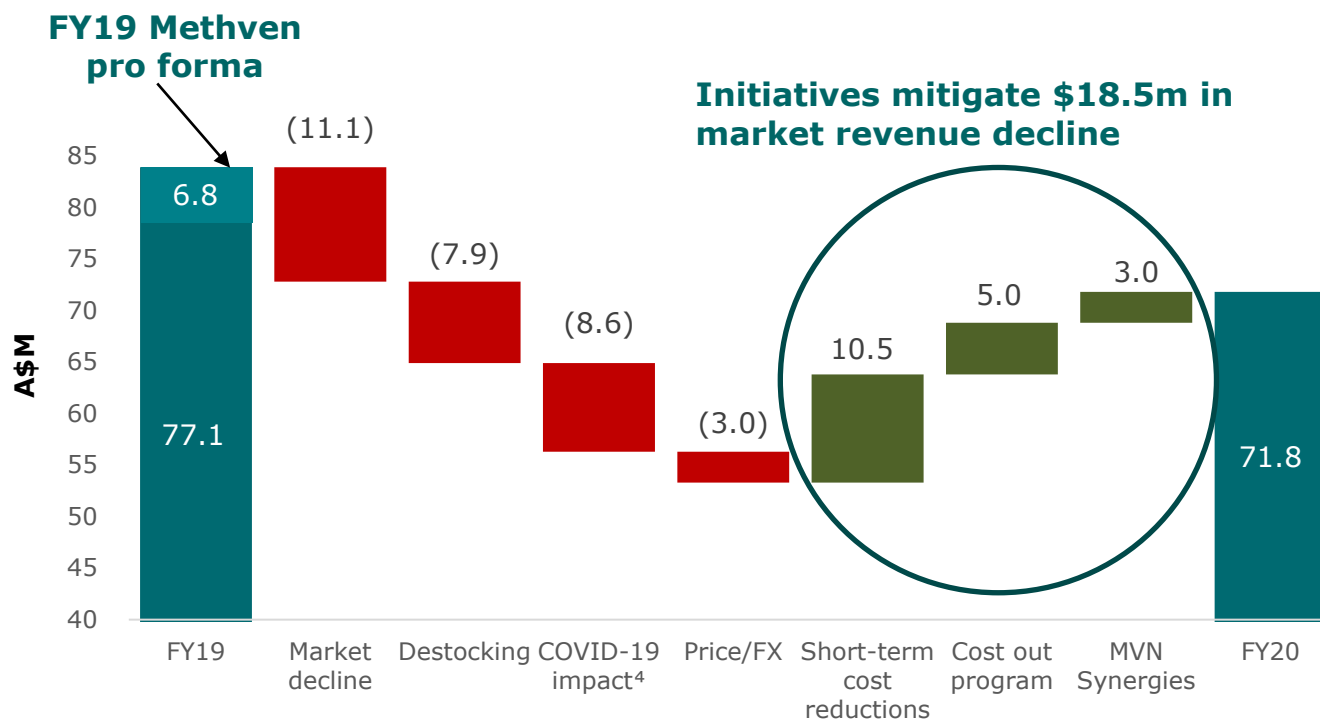


- **Volume/Mix:** impacted by market decline, COVID-19 and merchant destocking in the Australian market
- **Price:** Price increase implemented in November 2019 to partially mitigate FX headwinds
- **FX:** Significantly weaker AUD on product purchases mostly mitigated through forward contracts
- **Net cost changes:** continued strong operational discipline has mitigated a significant amount of revenue decline

Operational discipline helps mitigate revenue decline

Normalised¹ from continuing operations² (pro forma) includes Methven in FY20 and full year FY19

Normalised¹ Continuing Operations EBIT Bridge (A\$M)



- Revenue down 12% reflects residential market decline / impact of destocking in 1H FY20 and COVID-19 restrictions in 2H FY20 (United Kingdom, New Zealand and China)
- Due to market uncertainty, anticipated uplift in revenue normally experienced as some customers pursue year end incentives did not eventuate in June 2020
- Continued strong operational discipline mitigates significant impact of top line decline. \$18.5m savings from “Controlling the controllables”:
 - \$5.0m relating to \$9-12m cost out programme;
 - \$3.0m Methven integration savings;
 - \$10.5m due to short-term cost reductions
 - STI/SIP³, T&E, Consultancy, Vacancies, A&P
 - EBIT margin 18.0% vs 18.5% in prior year

¹ Normalised is before \$(1.0)m in significant items (after tax) relating to integration costs associated with the acquisition of Methven (FY19: \$(7.6)m)

² Continuing Operations excludes the Door & Access Systems' business which was sold on 3 July 2018

³ STI, Short Term Incentives; SIP, Sales Incentive Programme

⁴ COVID-19 impact net of \$1.0m government grants

Operational discipline to manage weak markets

Normalised¹ from continuing operations² (pro forma) includes Methven in full year FY19

A\$m Normalised ¹	Pro Forma		% Change
	FY19 Includes Methven for full year	FY20 Includes Methven for full year	
Revenue	453.8	398.7	-12.1%
EBITDA	102.2	92.2	-9.8%
EBIT	83.9	71.8	-14.3%
NPAT	53.8	44.9	-16.5%
EBIT Margin %	18.5%	18.0%	-0.5pp
ROFE %	21.8%	16.4%	-5.3pp
EPS	20.4c	17.0c	-3.4c
Full year dividend (fully franked)	18.5c	11.5c	-7.0c

- Revenue reflects the decline in residential new build and renovation construction activity in Australia coupled with merchant destocking and the COVID-19 impact
- Net profit after tax down (16.5)% on prior year primarily due to increased interest costs on debt related to the Methven acquisition
- Effective tax rate 28.8%
- ROFE decline reflects a combination of lower earnings and increased goodwill related to the acquisition of Methven but exceeds GWA's cost of capital

Normalised from continuing operations – revenue up 4.4%

Normalised¹ from continuing operations² includes Methven from 10 April in FY19

A\$m Normalised ¹	FY19 Includes Methven from 10 April	FY20 Includes Methven for full year	% Change
Revenue	381.7	398.7	4.4%
EBITDA	93.0	92.2	-0.8%
EBIT	78.1	71.8	-8.0%
NPAT	50.8	44.9	-11.6%
EBIT Margin %	20.5%	18.0%	-2.4pp
ROFE %	23.6%	16.4%	-7.2pp
EPS	19.3c	17.0c	-2.2c
Full year dividend (fully franked)	18.5c	11.5c	-7.0c

- Revenue growth of 4.4% due to the inclusion of Methven offset by decline in residential new build and renovation construction activity in Australia
- EBIT margin includes the impacts of lower margin Methven business and COVID-19
- Ongoing robust financial position:
 - Board has determined final dividend of 3.5 cents per share. FY dividend 11.5 cents fully-franked
 - DRP implemented at 1.5% discount³ for final FY20 dividend

Strong cash conversion maintained

Cash flow from Continuing Operations A\$M	Pro Forma	
	FY19 Includes Methven for full year	FY20 Includes Methven for full year
EBITDA	102.2	92.2
Net movement in Working Capital	7.0	(0.6)
Other	(1.5)	(3.0)
Cash Flow from Operations	107.7	88.6
Capital Expenditure	(8.1)	(12.3)
Restructuring / Other costs	(12.8)	(1.8)
Net Interest Paid	(6.5)	(8.0)
Tax Paid	(27.1)	(17.8)
Lease Payments	(11.0)	(8.4)
Free Cash Flow	42.3	40.3
Discontinued Operations	98.9	(0.0)
Group Free Cash Flow	141.1	40.3

- Continued focus on strong cash management
- Cash conversion from operations remains strong at 96% despite weaker markets / COVID-19
- Strong focus on debtor management with DSO in line with prior year
- Capital expenditure at the low end of the range at \$12.3m, focused on initiatives to drive cost efficiencies and revenue enhancing opportunities:
 - Caroma Smart Command®
 - Warehouse and office consolidation
 - IT investment
- FY20 cash restructuring / other costs relate primarily to Methven integration costs

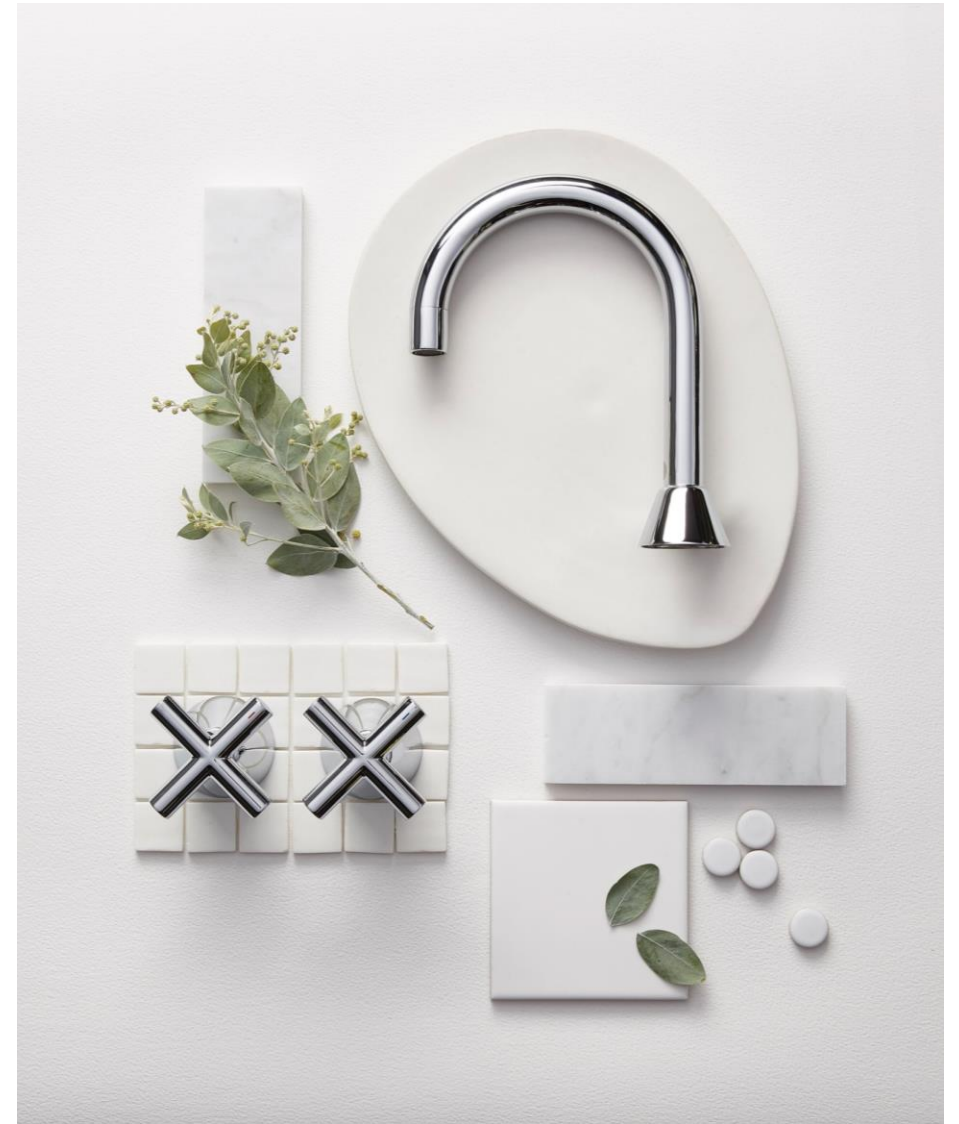
Strong financial position maintained despite COVID-19

Metrics ¹	30 June 2016	30 June 2017	30 June 2018	30 June 2019	30 June 2020
Net Debt	88.4	79.8	97.7	141.9	144.8
Leverage Ratio <i>Net Debt / EBITDA</i>	1.1	0.9	1.1	1.6	1.9
Interest Cover <i>EBITDA / Net Interest</i>	14.3	17.1	19.6	23.5	13.6
Gearing <i>Net Debt / (Net Debt + Equity)</i>	22.3%	19.9%	22.7%	27.5%	28.4%

Net Debt					
Borrowings	120.0	112.0	125.0	177.8	175.4
Bank Guarantees	4.1	4.1	1.8	3.8	1.8
Cash	(35.7)	(36.4)	(27.9)	(39.6)	(32.4)
Held for sale cash	-	-	(1.2)	-	-
	88.4	79.8	97.7	141.9	144.8

- GWA remains in a strong financial position to operate through current challenging environment
- Net debt of \$144.8m broadly in line with prior year due to continued focus on cash management
 - FY19 net debt increase includes Methven acquisition
- Credit metrics remain strong with Leverage ratio at 1.9 times
- Substantial headroom maintained within \$283m banking facility
 - \$33m facility increase in April 2020
 - \$243m multi-currency revolving facility does not expire until October 2022; \$40m revolving bi-lateral matures October 2020

03 | Strategic progress



GWA evolving strategy for growth

PURPOSE: We make life better through products, services and technologies that create superior solutions for people to enjoy and sustain water, our planets' most precious resource.

GOAL: We use our fixtures, insights and expertise to save a Sydney Harbour of water (500GL) every year.

Strategic Growth Drivers

Build R&R market share in ANZ

Extend ANZ leadership position in Commercial segment

Leadership of water smart, connected bathrooms and buildings

Grow select overseas markets leveraging ANZ Commercial expertise

Enabling Capabilities

INNOVATE and PARTNER: solutions, services and ways of doing business.

EXCEED CUSTOMER SERVICE EXPECTATIONS: good to do business with – people, processes, systems.

DRIVE BEST COST: Continuous improvement to support profitability and fund selective reinvestment.

ATTRACT and DEVELOP GREAT PEOPLE: Continue to build capability, culture and engagement.

Key Deliverables

GWA Operational Measures : Safety, Market share, NSV, EBIT, DIFOT, NPS, Engagement

External Measures of Success : NPAT growth, ROFE, TSR, Water sustainability

Cultural Pillars

WE ALL LEAD. WE ARE CUSTOMER FOCUSED AND CONSUMER DRIVEN. WE CARE FOR EACH OTHER.

Continued focus on superior solutions for water

FY21

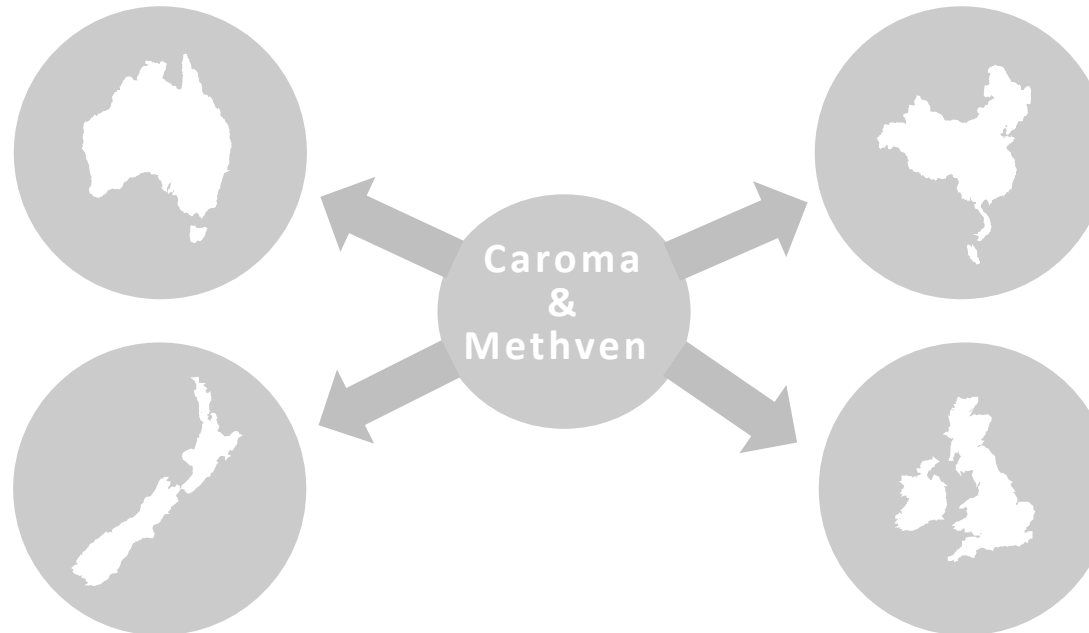
A strong resilient business

Australia

- Extend Australian share leadership by shifting investment to “winning” brands
- Drive digital engagement
- Extend commercial leadership

New Zealand

- Extend market leadership leveraging the integrated business
- Extend tap and showerware Centre of Excellence for the group



Asia

- Strengthen GWA foothold in key growth region
- Develop superior local customer understanding and innovation
- Simplify our footprint, segment focus and supply network

United Kingdom

- Leverage local agility to drive profitable share growth
- Drive Methven share of business
- Lay the ground work for Caroma entry including Caroma Smart Command®

Building R&R market share in ANZ



Consumer engagement

- Increased upfront engagement with Caroma website traffic increasing by 23% in 2H FY20
- Combined monthly social media reach of ~800k hits

New product launches

- Caroma Elvire premium range
- Methven Tūroa coloured tapware
- Nefa II and Fast Flow II valves
- New shower and tapware ranges in both the UK and Asia

Omni channel experience

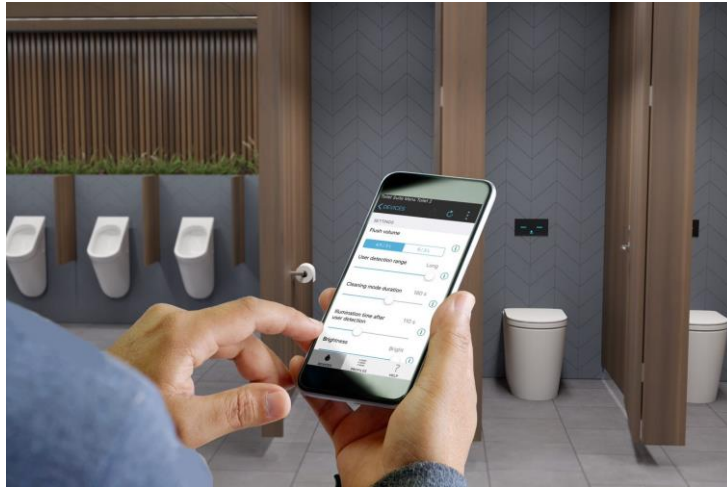
- Media across outdoor, online and TVC¹
- Continued momentum in Flagship Stores despite COVID-19 closures with shift to live streaming of events

Extend ANZ leadership position in Commercial segment



- Commercial forward order book remains strong at 16% ahead of the corresponding period last year, through:
 - Strong traction in Aged Care
 - Share growth in the declining Multi-res segment
 - Extending Office footprint
 - Leverage strength in sanitaryware to attach tapware in key projects
 - Acceleration of Caroma Smart Command® installations and order book
- Methven integration has strengthened GWA's offer with broader tapware portfolio, leading to increased basket ordering
- Continuing to develop and drive new opportunities in Commercial replacements
- Launch product innovation to improve speed and efficiency for installers / plumbers

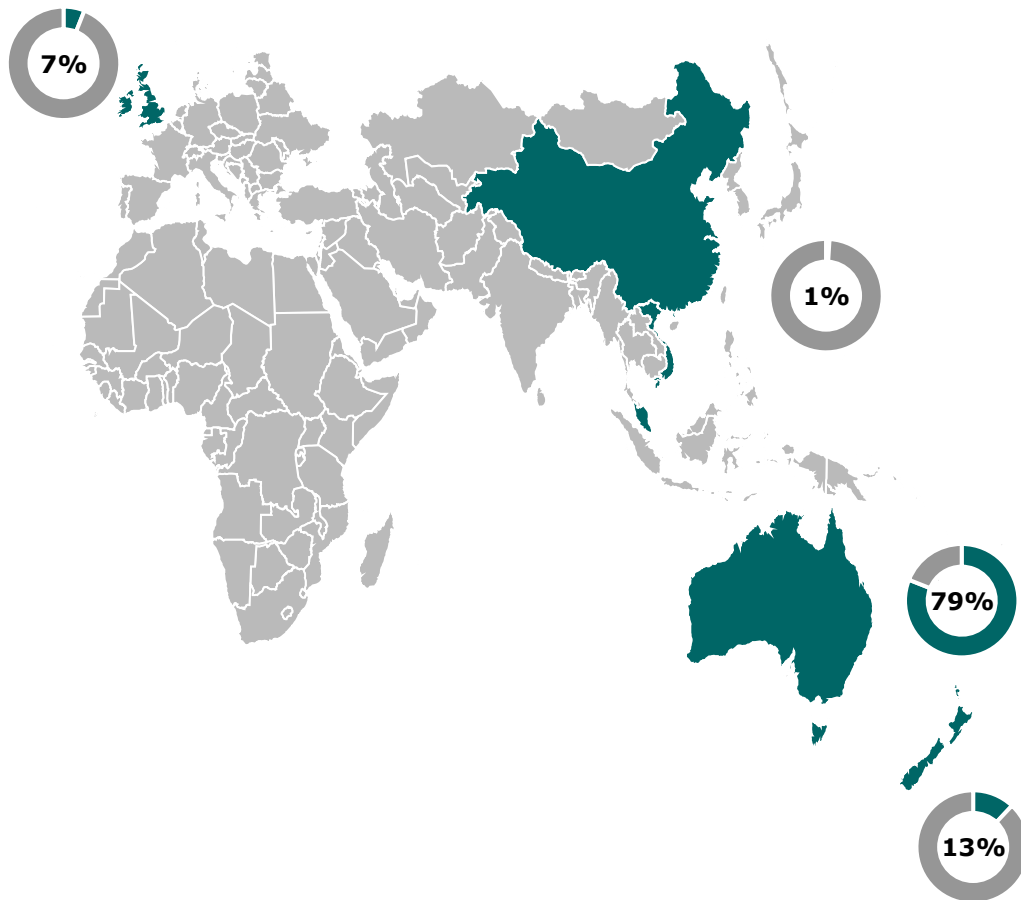
Strong market support for Caroma Smart Command®



Progress

- Strong customer engagement in multiple commercial segments not only surrounding the system's water saving technology but also its enhanced hygiene and touchless applications
- Caroma Smart Command® (CSC) installed in 49 sites across Australia and New Zealand. Roll-out into other sites during the second half of FY20 was delayed by COVID-19 however there remains a solid bank of additional projects in the pipeline for FY21
- 23 sites migrated to the cloud solution with further migrations planned for FY21, creating a platform for service solution
- Intelligent Shower and Eco Valve launched in Q4 FY20 with a number of installs already underway
- Strong NPD¹ pipeline into FY21 with a number of product, technology and cloud interface enhancements in development
- Leveraging Methven geographic footprint for international expansion
- First Asian CSC install underway – water scarcity is a major global issue
- Naming rights sponsor of the Australian pavilion at Dubai World Expo (October 2021) will open up global exposure

Continued progress on Methven integration opening up overseas growth opportunities



- Integrated sales structure now implemented and providing improved ranging of Methven products in the Australian merchant channel
- Consolidation of distribution network to four key distribution centres in NSW, QLD, VIC and WA, enabling us to:
 - Integrate Methven products into GWA systems
 - Enhance customer service through single invoice and single order delivery
- Tap and showerware Centre of Excellence in New Zealand is building a strong pipeline of NPD¹
 - Methven shower IP to be used in Caroma new shower launches taking place in FY21
- Methven has provided enhanced geographic diversification, which continues to be a strategic growth opportunity for the Group
 - International markets are leveraging Caroma product to go to market with a whole bathroom solution
- Cost synergies ahead of target with A\$3m in FY20; expect at least A\$6m by FY21 (revised from original NZ\$5m on acquisition)

04 | Summary and outlook



FY21 outlook¹

Key area

Market Activity

FY21 commentary

- Trading in July 2020 is slightly ahead of pcg. However, trading is expected to remain very challenging in FY21 due to weak construction market conditions further exacerbated by uncertainty surrounding the effects of COVID-19 across all regions and as highlighted by the rapidly evolving situation in Victoria.
- Lead indicators point to a reduction in GWA's addressable market for FY21, driven predominantly by the residential new build segment; with the decline in residential R&R segment expected to be less pronounced
- While Commercial R&R / new build activity is expected to moderate, GWA's forward order book remains solid and higher than the corresponding period last year
- Timing and extent of any potential benefit from government stimulus measures is uncertain

Drive revenue opportunities to continue above market growth

- FY21 focus on customer and consumer initiatives to generate share growth
 - Agreed business plans with customers targeting specific product / segment categories
 - Leverage new total bathroom ranges in Caroma and Methven tap and showerware launches to further build consumer engagement
 - Drive further growth of Caroma Smart Command® in Australia, New Zealand and Asia

Maintain cost discipline and continue to invest for medium term growth

- Deliver year 3 of \$9-12m cost out programme for margin management / re-investment in revenue growth initiatives
- Expect \$6m Methven integration savings by FY21
- 70% of FY20 US\$ requirements hedged at US\$0.67c enables forward visibility / planning
- Next update at AGM 30 October 2020

Results Presentation

Year ended 30 June 2020

17 August 2020



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05 | Appendix



FY21 Key Assumptions¹

Area	Assumption
Australian market backdrop	BIS total building activity data ² is indicating a (7)% market decline in FY21
Customer stock on hand	Not expecting any significant customer de/restocking in FY21
Price increase	Effectively ~5% to be implemented from August across Australia / New Zealand
D&A (depreciation and amortisation)	Expected to be ~\$8-9m excluding the impact of IFRS 16. Including the impact of IFRS 16 D&A is expected to be ~\$20-21m. (refer slide 28 for reconciliation)
Interest costs	Expected to be ~\$5-6m excluding lease interest. Including the impact of IFRS 16 interest costs are expected to be ~\$8-9m. (refer slide 28 for reconciliation)
FX	~\$8-9m on-costs driven by a weaker ~5c AUD:USD
Tax rate	~29-30% on a continuing normalised business
Working capital	To remain broadly similar to FY20
Capex	~\$12-14m due to: investment in Technology, Caroma Smart Command®, NPD and cost out initiatives
\$9-12m cost out by FY21	~\$4m savings in FY21
Methven Integration savings	~\$3m savings in FY21
FY20 short-term cost reductions	~\$9.5m is assumed non-repeatable and crucial to delivering GWA's strategic agenda
Significant items	Expected ~\$(1-2)m of Methven integration costs

IFRS 16 Leases - impact on key metrics

Normalised¹ from continuing operations² (pro forma) includes Methven in full year FY19

A\$m	FY19			FY20		
	Includes Methven			Includes Methven		
	Previously disclosed	Restated	IFRS 16 Adjustment	Pre IFRS 16 Adjustment	Post IFRS 16 Adjustment	IFRS 16 Adjustment
Revenue	453.8	453.8	0.0	398.7	398.7	0.0
EBIT (Normalised ²)	82.9	83.9	1.0	70.3	71.8	1.6
EBIT Margin %	18.3%	18.5%	0.2pcp	17.6%	18.0%	0.4pcp
Depreciation & amortisation	7.1	18.4	11.2	7.4	20.4	13.0
EBITDA (Normalised ²)	90.0	102.2	12.2	77.7	92.2	14.5
Net Interest expense	4.8	7.1	2.3	6.0	8.6	2.7
NPAT	94.2	93.3	(0.9)	44.7	43.9	(0.8)
NPAT (Normalised ²)	54.7	53.8	(0.9)	45.7	44.9	(0.8)
Operating Cash Flow	95.5	107.7	12.2	74.0	88.6	14.5
ROFE %	21.5%	21.8%	0.3pcp	16.1%	16.4%	0.4pcp

Reconciliation – Reported NPAT to Normalised¹ NPAT

A\$m	FY19			FY20		
	Continuing Operations ²	Discont'd Operations	Group Total ³	Continuing Operations ²	Discont'd Operations	Group Total ³
<i>Normalised¹</i>						
REVENUE	381.7	0.0	381.7	398.7	0.0	398.7
EBITDA	93.0	0.0	93.0	92.2	0.0	92.2
EBIT	78.1	0.0	78.1	71.8	0.0	71.8
NPAT	50.8	0.0	50.8	44.9	0.0	44.9
EPS (cents)	19.3	0.0	19.3	17.0	0.0	17.0
<i>Significant Items</i>						
Pre Tax	(8.8)	50.1	41.3	(1.5)	0.0	(1.5)
Post Tax	(7.6)	50.8	43.2	(1.0)	0.0	(1.0)
<i>Reported</i>						
REVENUE	381.7	0.0	381.7	398.7	0.0	398.7
EBITDA	84.3	50.1	134.4	90.7	0.0	90.7
EBIT	69.3	50.1	119.4	70.3	0.0	70.3
NPAT	43.2	50.8	94.0	43.9	0.0	43.9
EPS (cents)	16.4	19.3	35.6	16.6	0.0	16.6

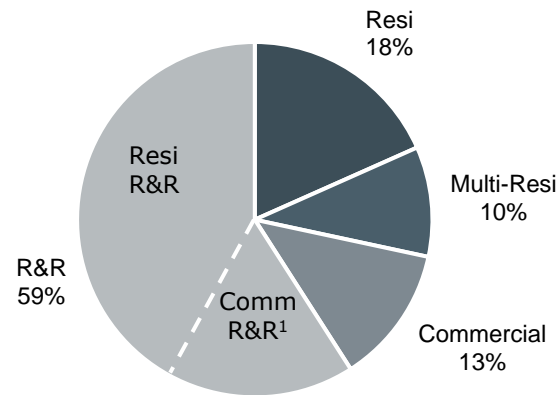
¹ Normalised is before Significant items. Significant items relate to profit on sale of the Door & Access Systems business and the transaction and integration costs associated with the acquisition of Methven

² Continuing operations exclude the Door & Access Systems' business which was sold on 3 July 2018

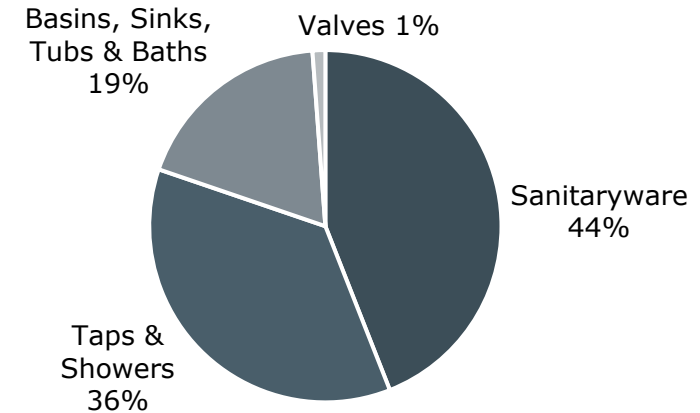
³ Group Normalised NPAT, Reported EBIT and Reported NPAT will not, in all cases, add across the page due to rounding. The Group results are consistent with the 4E and Financial Report

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

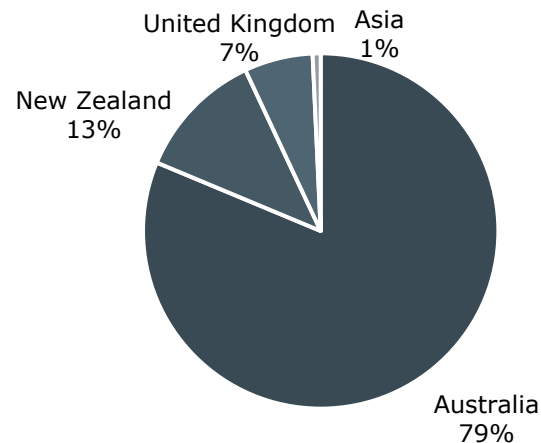
Segment



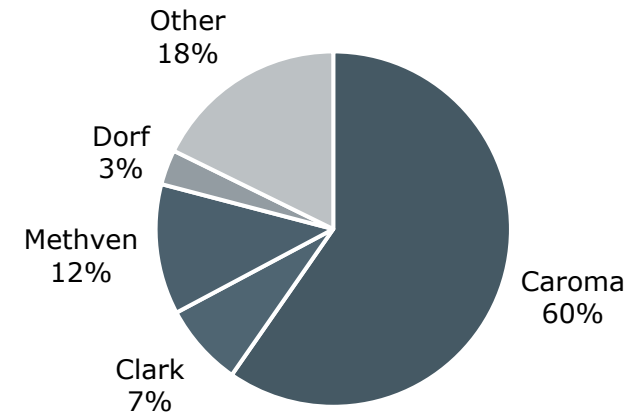
Category



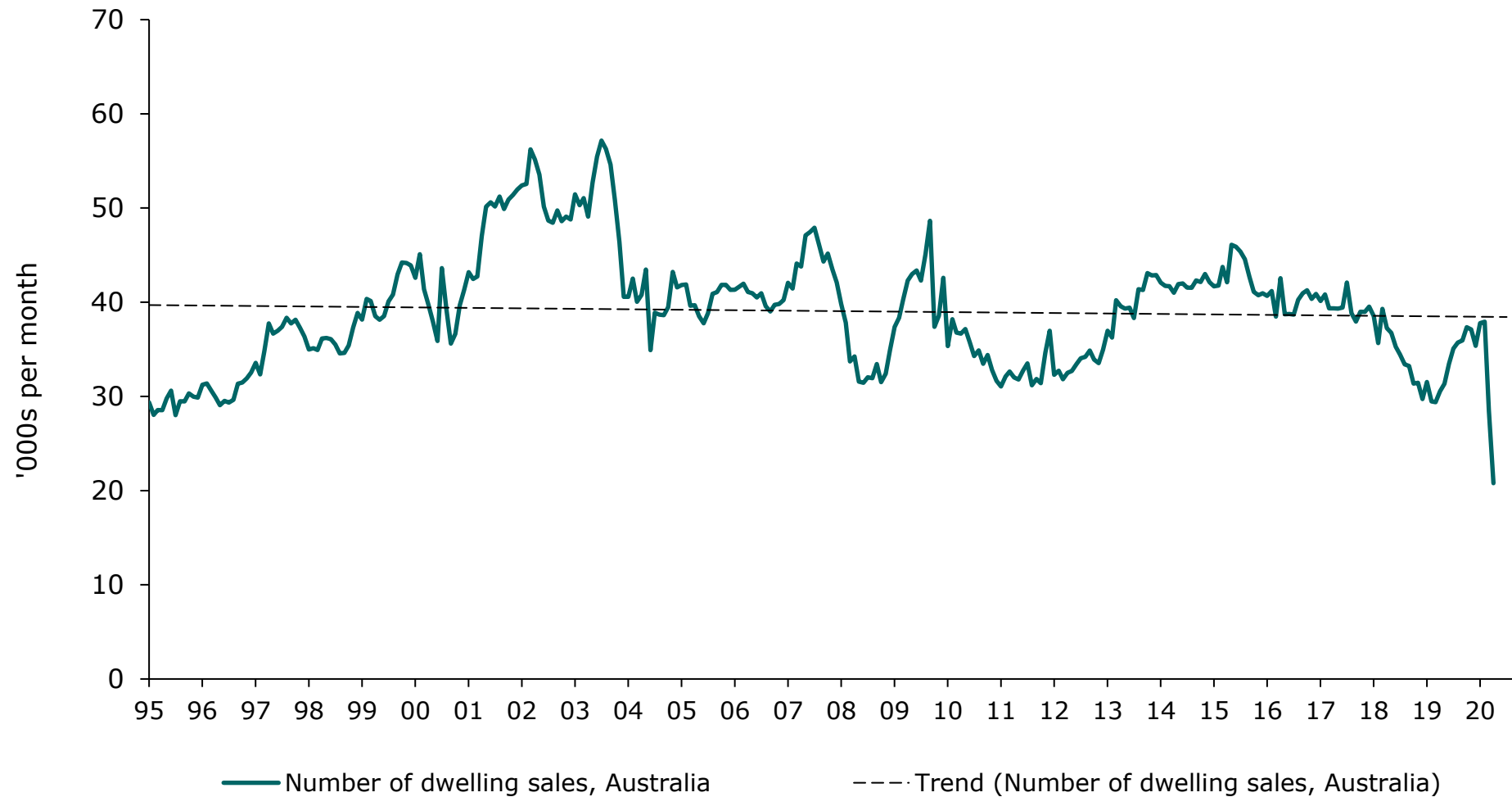
Geography



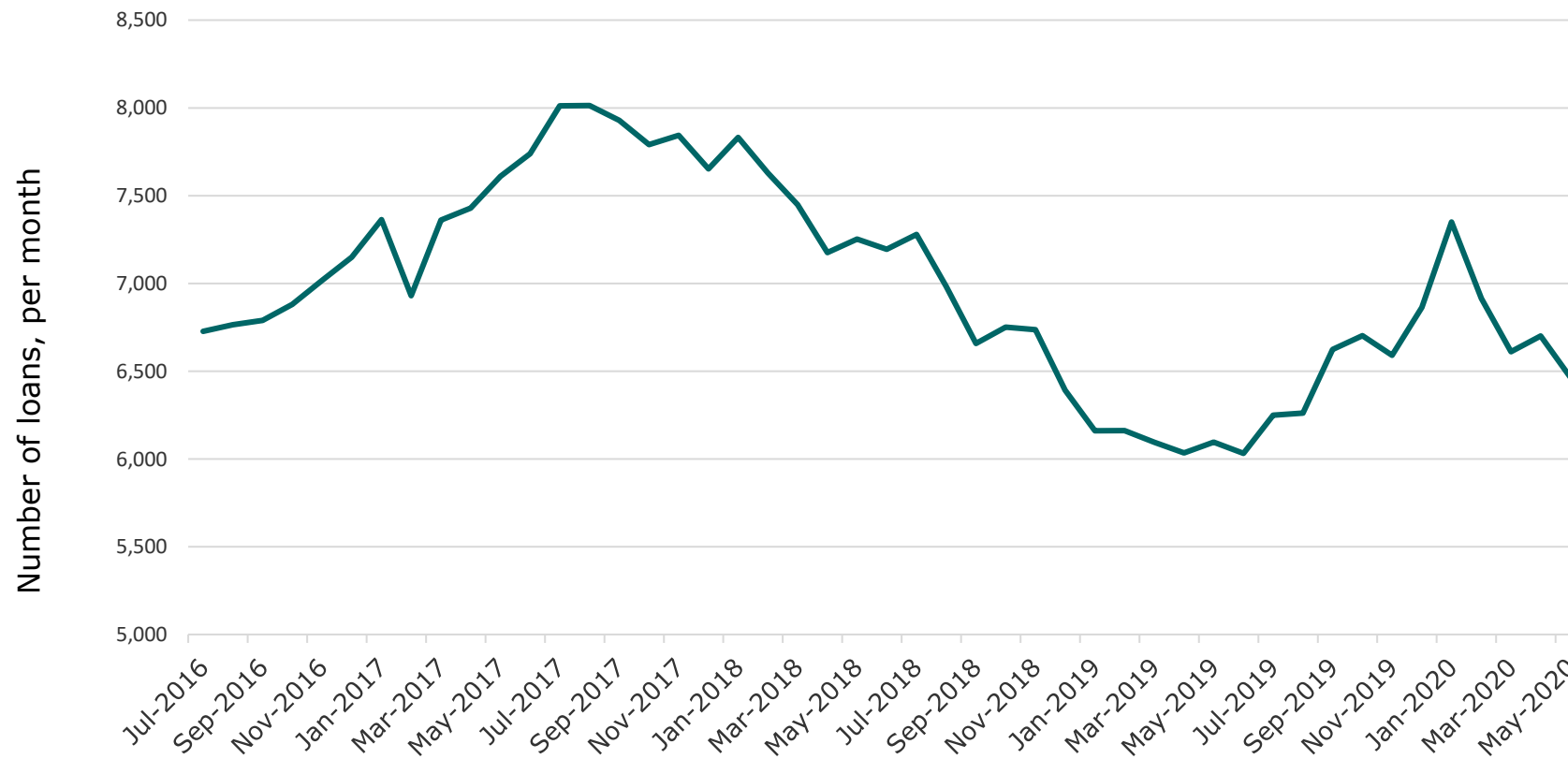
Brand



Existing housing turnover has declined significantly in FY20



Number of loans for construction and purchase of new dwellings



Annual net overseas migration & Australian population growth

Annual net overseas migration & Australian population growth



Results Presentation

Year ended 30 June 2020

17 August 2020



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