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18 February 2019

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

Dear Sir

**Financial Results Presentation for the Half Year Ended 31 December 2018**

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

- Half Year Results Presentation

On 18 February 2019 at 10:00 am (AEDT), GWA will be hosting a webcast of its FY19 half year results briefing. The webcast is accessible via the GWA website at [www.gwagroup.com.au](http://www.gwagroup.com.au).

Yours faithfully

A handwritten signature in black ink, appearing to read 'R J Thornton'.

**R J Thornton**  
**Executive Director**



**GWA**  
Group Limited

Superior solutions for water

# Results Presentation

Half Year ended 31 December 2018

18 February 2019



CAROMA

CLARK

dorf

## 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

- 01** | Overview and key themes
- 02** | Group financial results
- 03** | Bathrooms & Kitchens' result
- 04** | Summary and outlook



## Overview and key themes



# Strong result with continued momentum in superior water solutions strategy

## Continuing to deliver strong financial results - growing ahead of market with margins maintained

- 5<sup>th</sup> annual period of improved market share from customer and consumer initiatives to drive top line growth
- Bathrooms & Kitchens' revenue growth of +2.6% significantly above market
- Focus on higher margin categories drives increased earnings with margins maintained
- Continuing to deliver improved returns to shareholders - normalised<sup>1</sup> EPS up 7.3%; interim dividend up 5.9%

## Continued momentum in implementing superior water solutions strategy

- Customer initiatives driving agreed business plans, improved ranging/showroom presence
- Investment in core brands (Caroma, Clark) and consumer engagement
- Strong initial market acceptance of Caroma Smart Command® - opening further platforms/opportunities
- Proposed acquisition of Methven enhances regional diversity of revenue and earnings and IP in showers/taps

## Strong financial position to manage and grow through the cycle

- Strong cash generation – cash conversion 119%
- Successful divestment of Door & Access Systems' - gain on sale of \$50.8 million<sup>2</sup> for 1H FY19
- Post Methven acquisition, GWA will remain in strong financial position

## Strong financial result across metrics

### Normalised<sup>1</sup> from Continuing Operations

**Revenue**  
\$182.6m

↑ 2.6%

**ROFE**

20.6%

Reflects increased inventory  
build 2H FY18<sup>2</sup>

↓ (1.1)pp

**EBITDA**  
\$41.0m

↑ 4.2%

**Operating Cashflow**  
\$48.6m

↑ 31.6%

**EBIT**  
\$38.7m

↑ 3.0%

**EPS**

10.1 cents

↑ 7.3%

**NPAT**  
\$26.6m

↑ 7.3%

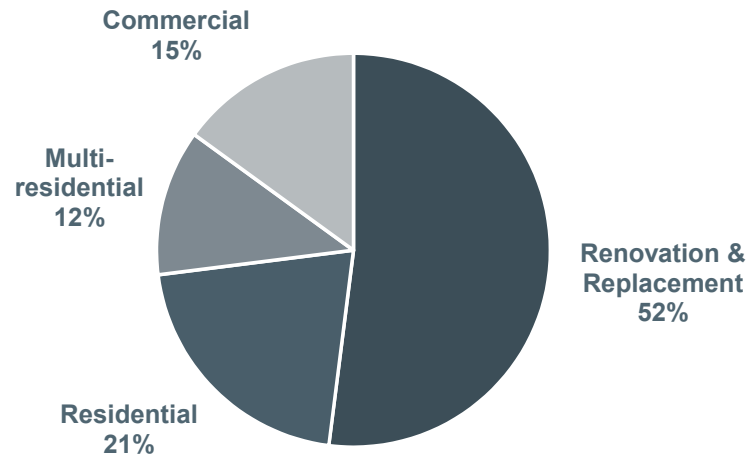
**Interim Dividend**  
9.0 cents fully-franked

↑ 5.9%

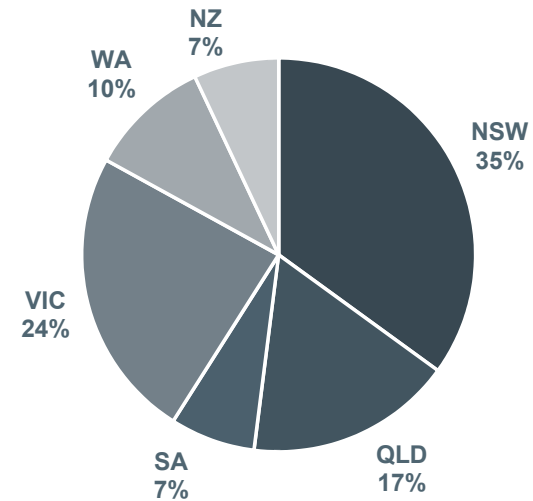
1. Normalised is before Significant items.
2. ROFE measured over 12 month period

# Robust R&R market provides resilience through the cycle

B&K sales by segment %



B&K sales by geography %





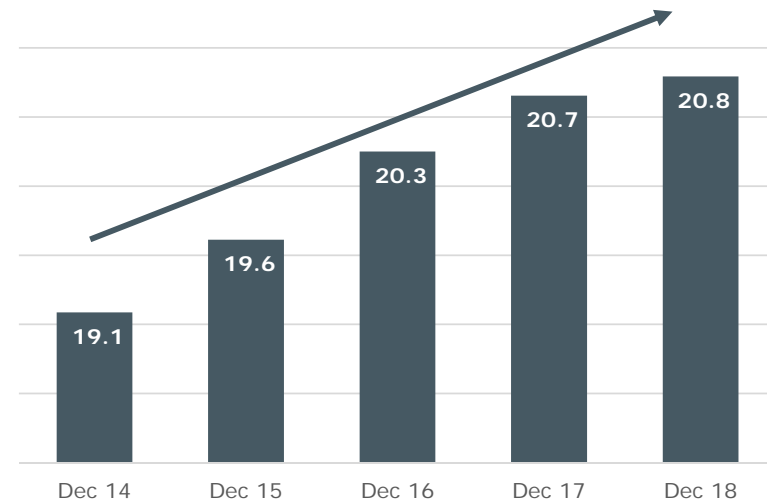
# GWA growing revenue well ahead of the market

## B&K revenue up 2.6% vs market of ~0%<sup>1</sup>

<b>Renovation &amp; Replacement</b>	Overall market showing growth in both Residential & Commercial R&R <b>Increased ~1% (MAT)</b>
<b>Residential detached house completions</b>	Strong pipeline remains from lag between approvals and completions <b>Decreased by ~4% (MAT)</b>
<b>Multi-Residential completions</b>	Segment slowing (as expected) <b>Decreased by ~9% (MAT)</b>
<b>Commercial</b>	Increase in offices, accommodation, education, warehouses / factories, aged care offset by reduced activity in health care and retail <b>Increased by ~7% (MAT)</b>

Weighted average of end markets up ~0%

## Continued market share % growth in B&K<sup>2</sup>



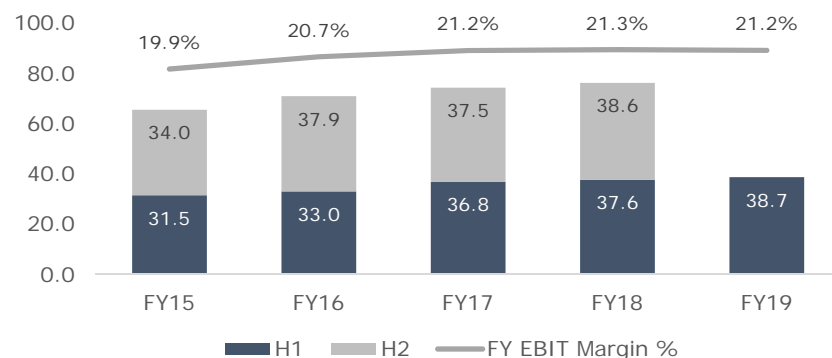
# Group financial results



## Strong increase in net profit – up 7.3% on prior year

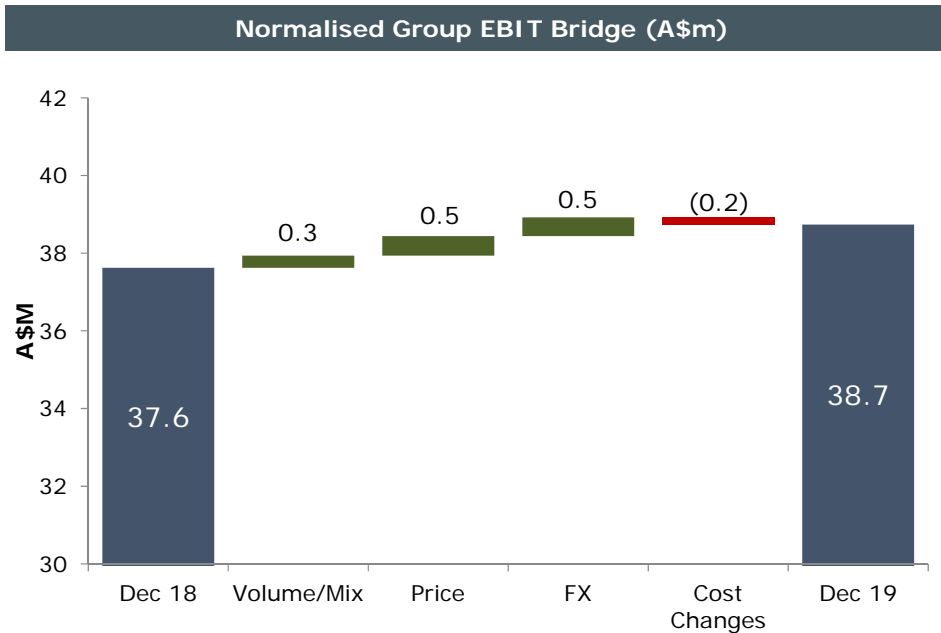
A\$m Normalised <sup>1</sup>	H1FY18	H1FY19	% Change
Revenue	178.1	182.6	2.6%
EBITDA	39.3	41.0	4.2%
EBIT	37.6	38.7	3.0%
NPAT	24.8	26.6	7.3%
EBIT Margin %	21.1%	21.2%	0.1pp
ROFE %	21.7%	20.6%	-1.1pp
EPS	9.4	10.1	0.7c

Normalised Group EBIT (A\$m) and margin (%)



- Net profit up 7.3% on prior year partly due to lower interest costs
- EBIT up 3.0% on market share gains in core segments and cost management to enable continued investment in growth
- Group and B&K EBIT margins maintained despite investment in growth
- Group effective tax rate 28.0% (expected to be ~29% FY19)
- ROFE down slightly due to higher inventory toward end FY18 and capex investment in growth in 2H18
- EPS up 7.3%

## EBIT growth from profitable share gains



- Group EBIT up 3.0% on prior period
- **Volume/mix:** Continued focus in B&K core segments (R&R, Commercial) driving growth in sanitaryware (transition to Cleanflush) and increase in market share
- **Price:** Positive impact on price increase taken in September 2018
- **FX** gains from hedging
- **Cost changes:** Achieving savings through procurement, warehousing & logistics to enable investment in growth initiatives (Caroma Smart Command®, Joined Up Business Planning, new product development) to offset input cost inflation

## Strong turnaround in operating cashflow

Cash flow from Continuing Operations A\$M	H1FY18	H1FY19
<b>EBITDA</b>	<b>39.3</b>	<b>41.0</b>
Net movement in Working Capital	(2.6)	10.9
Other	0.2	(3.3)
<b>Cash Flow from Operations</b>	<b>36.9</b>	<b>48.6</b>
Capital Expenditure	(3.3)	(1.0)
Restructuring / Other costs	(1.7)	(2.0)
Net Interest Paid	(2.6)	(1.4)
Tax Paid	(11.9)	(13.3)
<b>Free Cash Flow</b>	<b>17.4</b>	<b>30.9</b>
Discontinued Operations	5.3	99.3
<b>Group Free Cash Flow</b>	<b>22.7</b>	<b>130.2</b>

- Working capital improved from transition to Innovation & Distribution Centre at Prestons NSW and improved debtors' days
- Capital expenditure of \$1.0m behind guidance, re-evaluating some projects in light of Methven acquisition  
Capex reflects:
  - Investment in NPD (IP protection: tooling, moulds)
  - Caroma Smart Command®
  - (FY19 capex expected to be ~\$5-7m)
- 1H19 Cash restructuring costs of \$2.0m
  - (FY19 cash restructuring expected to be ~\$3m<sup>1</sup> - no P&L impact)
- Increase in cash tax paid reflects higher earnings and prior year true up

## Strong financial position maintained through the cycle

Metric	30 June 2015	30 June 2016	30 June 2017	31 Dec 2017	30 June 2018	31 Dec 2018
<b>Net Debt</b>	94.8	88.4	79.8	81.2	97.7	(7.1)
<b>Leverage Ratio</b> <i>Net Debt / EBITDA</i>	1.1	1.1	0.9	0.9	1.1	(0.1)
<b>Interest Cover</b> <i>EBITDA / Net Interest</i>	12.8	14.3	17.1	18.8	19.6	26.1
<b>Gearing</b> <i>Net Debt / (Net Debt + Equity)</i>	23.7%	22.3%	19.9%	20.0%	22.7%	-1.9%
<b>Net Debt</b>						
Borrowings	125.0	120.0	112.0	115.0	125.0	25.0
Bank Guarantees	4.1	4.1	4.1	4.3	1.8	0.8
Cash	(34.4)	(35.7)	(36.4)	(38.2)	(27.9)	(32.9)
Held for sale cash	-	-	-	-	(1.2)	-
	<b>94.8</b>	<b>88.4</b>	<b>79.8</b>	<b>81.2</b>	<b>97.7</b>	<b>(7.1)</b>

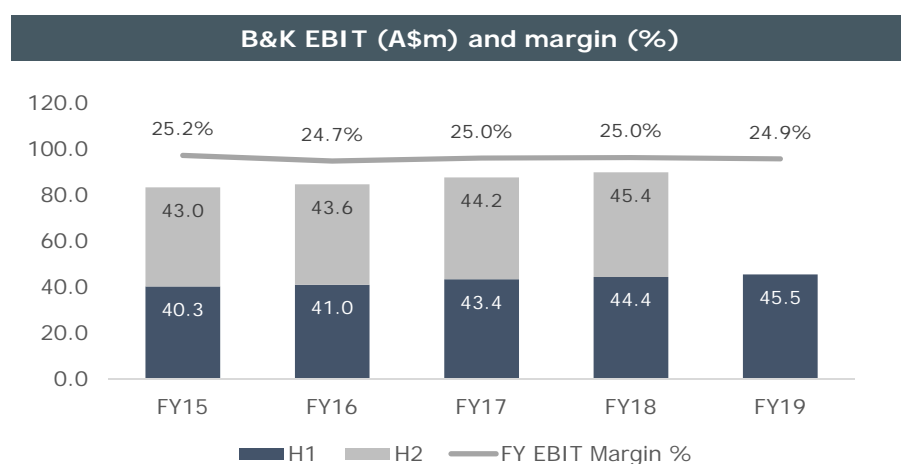
- GWA remains in a strong financial position
- Proceeds from Door & Access Systems' divestment applied to reduce debt – GWA net cash at 31 December 2018
- Substantial headroom within \$225m syndicated banking facility maturing October 2020
- (FY19 expect interest costs ~\$2.5m to maintain bank facilities - prior to the proposed acquisition of Methven)
- Post proposed Methven acquisition - pro forma FY18 Net Debt / normalised EBITDA estimated to be approximately 1.6x<sup>1</sup>

## Segment results



## Bathrooms & Kitchens – continued above market growth with stable margins

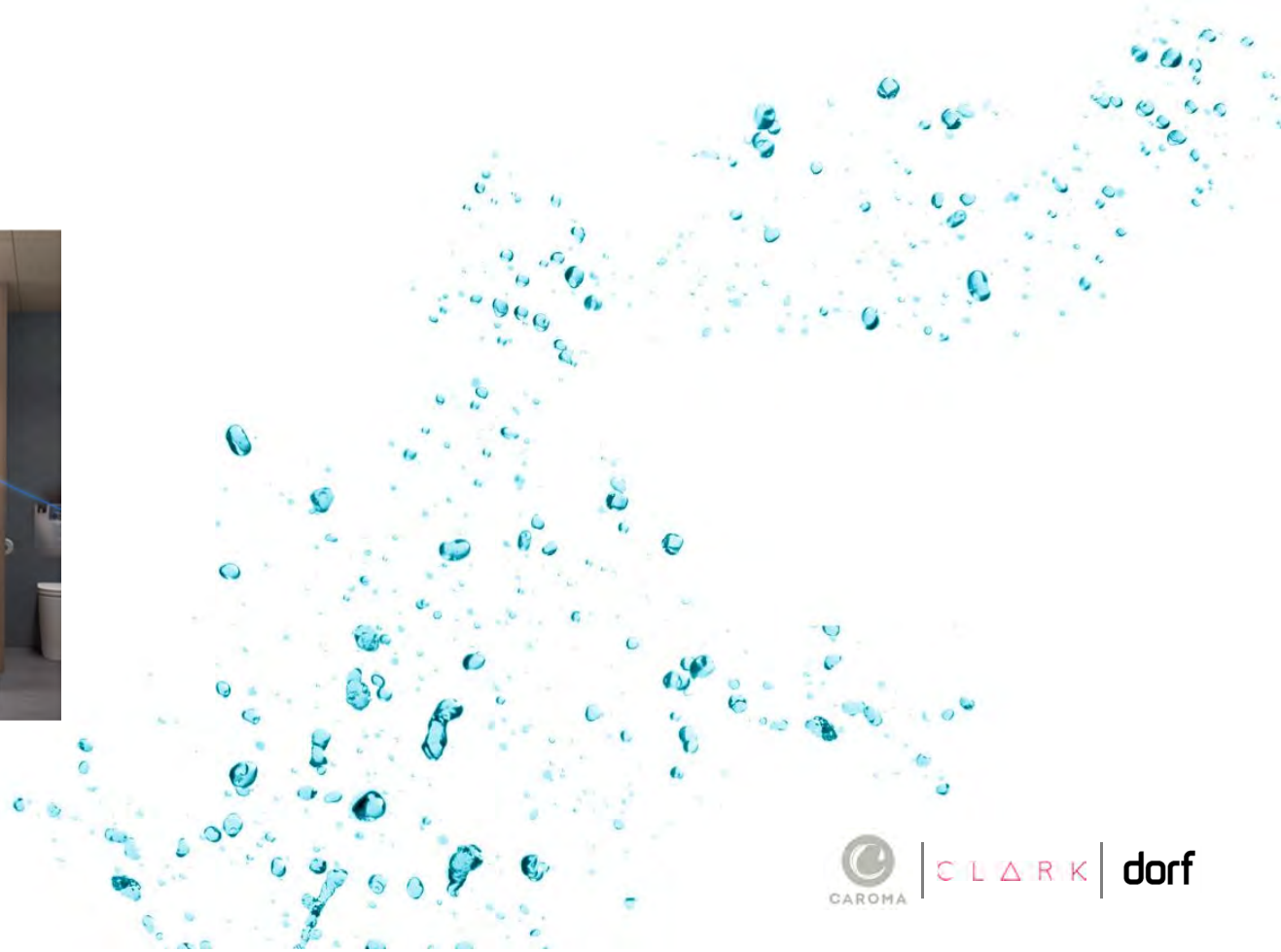
A\$m Normalised <sup>1</sup>	H1FY18	H1FY19	% Change
Revenue	178.1	182.6	2.6%
EBITDA	45.4	47.1	3.8%
EBIT	44.4	45.5	2.5%
EBIT Margin %	24.9%	24.9%	no change
ROFE %	25.2%	24.1%	-1.1pp



- Revenue up 2.6%; ahead of flat market
  - Continued share growth – net sales in sanitaryware; partially offset by tapware (due to strong NPD launched in Bunnings in pcp)
  - Launch of new products / agreed plans with customers
  - Caroma brand revenue up ~6%
  - Strong growth in VIC ~19%, NZ ~8%, SA ~6% and NSW ~3%; with declines in QLD ~(10)% and WA ~(13)%
- EBIT up 2.5%, focus on premium mix in core segments and profitable share growth
- Increased investment in Smart Command® and NPD
- EBIT margin maintained in line with prior period
- ROFE slightly down due to prior 2H18 inventory increase to support the transition into the new warehouse / distribution centre and growth capex



## Summary and outlook



# GWA strategy for growth



# Momentum in superior water solutions strategy

## Corporate priority

### CUSTOMER FOCUSED

Add value to customers through superior execution, insights, analytics and processes

### CONSUMER DRIVEN

Deliver experiences to excite consumers and drive revenue and market share growth

### EFFICIENCY/BEST COST/PEOPLE

Simple, effective processes to delight consumers and customers with continuous improvement and great people

## Progress made

- Customer initiatives driving enhanced ranging/showroom presence
- Conversion to Cleanflush drives increased sales
- Strong customer engagement with Intelligent Bathroom system, Caroma Smart Command® - installed in 13 Commercial R&R projects and test sites
- Continued profitable share gains ahead of market
- Flagship stores (Adelaide, Sydney) gaining traction and engagement
- Re-brand and increased investment in Caroma – driving increased sales and enhanced consumer engagement
- Proposed acquisition of Methven - complementary strengths in NPD and innovation
- Good progress on \$9-12m cost out programme FY19-FY21 for margin management and re-investment with \$1m savings in 1H19
- Innovation & Distribution Centre (Prestons, NSW) driving continued improved inventory / working capital management
- Continued investment in people to build capability in sales/marketing to drive performance-led culture

# FY19 outlook

Key area	FY19 commentary
Market Activity	<ul style="list-style-type: none"> <li>▪ Expect overall 2H19 market conditions similar to 1H19</li> <li>▪ Residential R&amp;R segment expected to remain steady</li> <li>▪ Slowing new build construction, especially multi-residential, however significant pipeline of work remains</li> <li>▪ Momentum in Commercial new build and Commercial R&amp;R</li> <li>▪ GWA order book remains solid</li> </ul>
Margin Resilience	<ul style="list-style-type: none"> <li>▪ Continue to progress \$9-12m cost out programme FY19-FY21 for margin management and re-investment</li> <li>▪ Price increases announced for B&amp;K 1.9% effective May 2019</li> <li>▪ GWA hedged ~74% to 30 June 2019 at US\$0.77 cents</li> </ul>
Key priorities for 2nd half FY19	<ul style="list-style-type: none"> <li>▪ Continue to embed customer growth plans focusing on core segment opportunities (e.g. Aged Care)</li> <li>▪ Focus on brand building (Caroma, Clark) omni channel engagement and NPD</li> <li>▪ Progress Caroma Smart Command® with further customer installations in 2H19</li> <li>▪ Integration plans for proposed Methven acquisition</li> </ul>
FY19 Guidance	<ul style="list-style-type: none"> <li>▪ Based on current market conditions, GWA expects normalised continuing EBIT in 2H19 to be similar to 1H19</li> <li>▪ Excludes any earnings contribution from proposed acquisition of Methven</li> </ul>

# Overview of Methven

GWA's proposed acquisition of Methven represents a highly strategic deployment of capital into a business with strong IP and growth potential

## Overview

Methven is a designer and manufacturer of showers, taps and valves based in Auckland:

- Leadership position in the taps and showers category in New Zealand, with a strong presence in the Australian market
- Strong innovation capability and intellectual property position with three of the six shower technologies globally
- International footprint with operations in New Zealand (31% of FY18 revenue), Australia (42%), United Kingdom (25%) and other regions including China and South East Asia



Aurajet\*

*Aurajet showerhead has hidden nozzles and a halo design*



Satinjet\*

*Satinjet uses unique twin-jet technology creating optimum droplet size and pressure*



Fastflow\*

*Fastflow maximises waterflow at optimum temperature*

## Alignment with strategic objectives

- ✓ Accelerates our strategy to become a water solutions company
- ✓ Strengthens our position in bathroom and kitchen fixtures across Australia and New Zealand
- ✓ Provides a platform for international growth to diversify earnings base
- ✓ Strong innovation capability with three of six shower technologies globally
- ✓ Increases our exposure to the attractive renovation and replacements market to 60%
- ✓ Significant synergy opportunity with at least NZ\$5m expected by FY21
- ✓ Mid-single digit EPS accretive in FY20<sup>1</sup> (first full year of ownership)

# Update on proposed acquisition of Methven

## Transaction summary

### Proposed acquisition of Methven

### Compelling strategic rationale

### Current status/next steps

## Transaction detail

- On 14 December 2018, GWA advised it had entered Scheme of Arrangement to acquire leading NZ-based designer of taps, showers, valves; Methven
  - All cash offer, funded by GWA's existing debt facilities, values Methven at NZ\$140 million (Enterprise Value)<sup>1</sup>
- 
- GWA and Methven are highly complementary businesses
  - Further diversifies GWA's earnings base/increases exposure to more resilient R&R segment – R&R exposure Australia increases to 57 per cent, globally to ~60 per cent
  - Enhances regional diversity of GWA's revenue and earnings
  - GWA to remain in strong financial position post acquisition
- 
- Transaction subject to OIO Consent in NZ and shareholder / Court approval
  - Shareholder meeting to be held on 12 March 2019
  - Subject to completion of conditions, transaction expected to complete in mid April 2019



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# Results Presentation

Half Year ended 31 December 2018

18 February 2019



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# Appendix





## Reconciliation – Reported NPAT to normalised NPAT

A\$m	Continuing Operations	H1FY18 Discont'd Operations	Group Total	Continuing Operations <sup>2</sup>	H1FY19 Discont'd Operations	Group Total <sup>3</sup>
<b><i>Normalised<sup>1</sup></i></b>						
REVENUE	178.1	48.2	226.3	182.6	0.0	182.6
EBITDA	39.3	4.9	44.2	41.0	0.0	41.0
EBIT	37.6	4.2	41.8	38.7	0.0	38.7
NPAT	24.8	2.9	27.7	26.6	0.0	26.6
EPS (cents)	9.4	1.1	10.5	10.1	0.0	10.1
<b><i>Significant Items</i></b>						
Pre Tax	0.0	0.0	0.0	(1.5)	50.1	48.6
Post Tax	0.0	0.0	0.0	(1.5)	50.8	49.3
<b><i>Reported</i></b>						
REVENUE	178.1	48.2	226.3	182.6	0.0	182.6
EBITDA	39.3	4.9	44.2	39.5	50.1	89.5
EBIT	37.6	4.2	41.8	37.2	50.1	87.3
NPAT	24.8	2.9	27.7	25.2	50.8	76.0
EPS (cents)	9.4	1.1	10.5	9.5	19.3	28.8

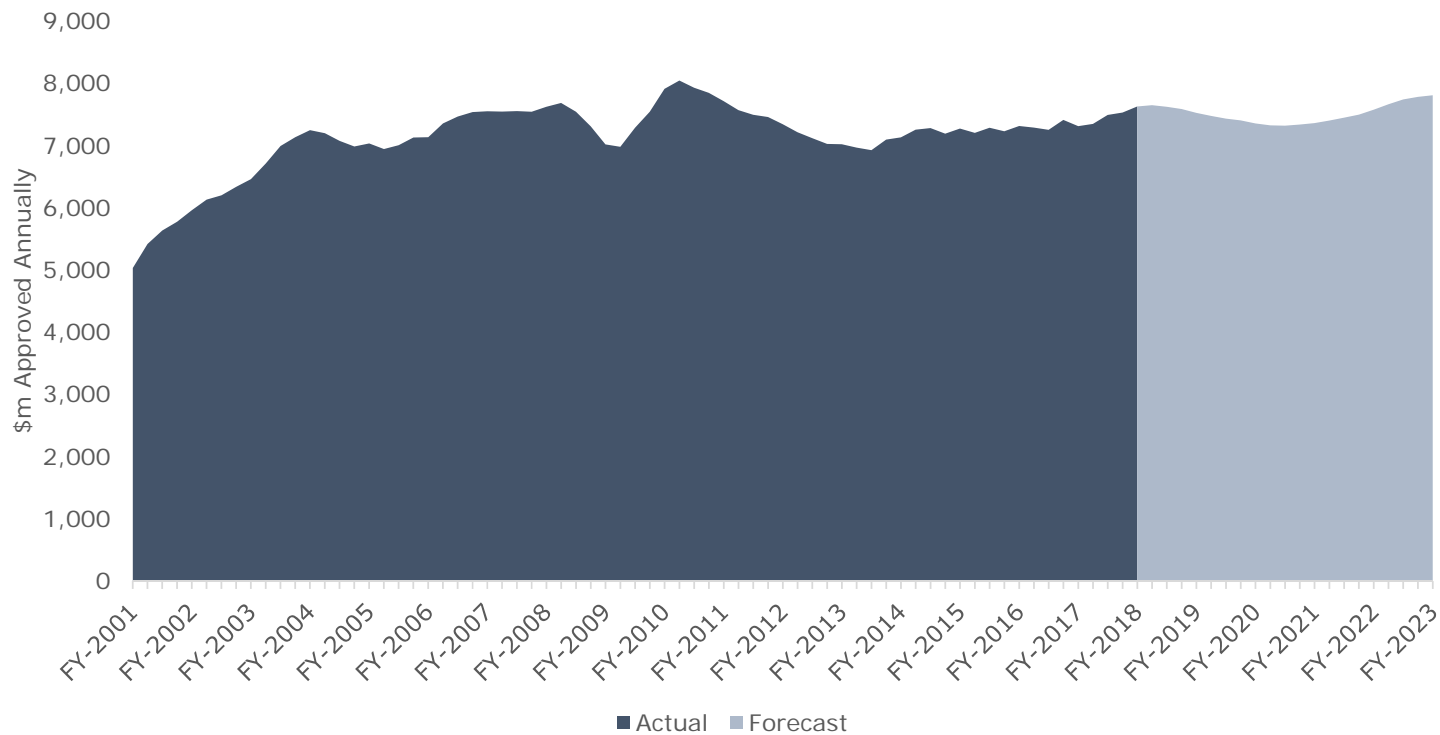
1. Normalised is before Significant items. Significant items relate to transaction costs incurred to 31 December 2018 related to the disposal of the Door & Access Systems business and the expected acquisition of Methven Ltd
2. Continuing operations exclude the Door & Access Systems' business which was 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 4D and Financial Report

## Proforma 5 year summary

A\$m	FY14	FY15 <sup>1</sup>	FY16 <sup>1</sup>	FY17	FY18 <sup>2</sup>	Half Year Dec 17 <sup>2</sup>	Half Year Dec 18
<b>Revenue</b>							
Bathrooms & Kitchens	306.6	330.0	342.0	350.4	358.6	178.1	182.6
<b>Total Cont'd Ops</b>	<b>306.6</b>	<b>330.0</b>	<b>342.0</b>	<b>350.4</b>	<b>358.6</b>	<b>178.1</b>	<b>182.6</b>
<i>Discontinued Ops</i>	<i>271.4</i>	<i>217.8</i>	<i>102.5</i>	<i>95.9</i>	<i>93.9</i>	<i>48.2</i>	<i>0.0</i>
Group Total	578.0	547.8	444.5	446.3	452.5	226.3	182.6
<b>Normalised EBIT</b>							
Bathrooms & Kitchens	73.0	83.3	84.6	87.6	89.8	44.4	45.5
Corporate <sup>3</sup>	(16.9)	(17.8)	(13.7)	(13.3)	(13.6)	(6.8)	(6.8)
<b>Total Cont'd Ops</b>	<b>56.1</b>	<b>65.5</b>	<b>70.9</b>	<b>74.3</b>	<b>76.2</b>	<b>37.6</b>	<b>38.7</b>
<i>Discontinued Ops</i>	<i>16.3</i>	<i>8.8</i>	<i>6.7</i>	<i>6.3</i>	<i>8.2</i>	<i>4.1</i>	<i>0.0</i>
Group Total	72.4	74.3	77.6	80.6	84.4	41.7	38.7
EBIT Margin % (cont. ops)	18.3%	19.8%	20.7%	21.2%	21.2%	21.1%	21.2%

# Residential R&R segment stability provides resilience through the cycle

## Alterations and Additions – Completions (\$m)

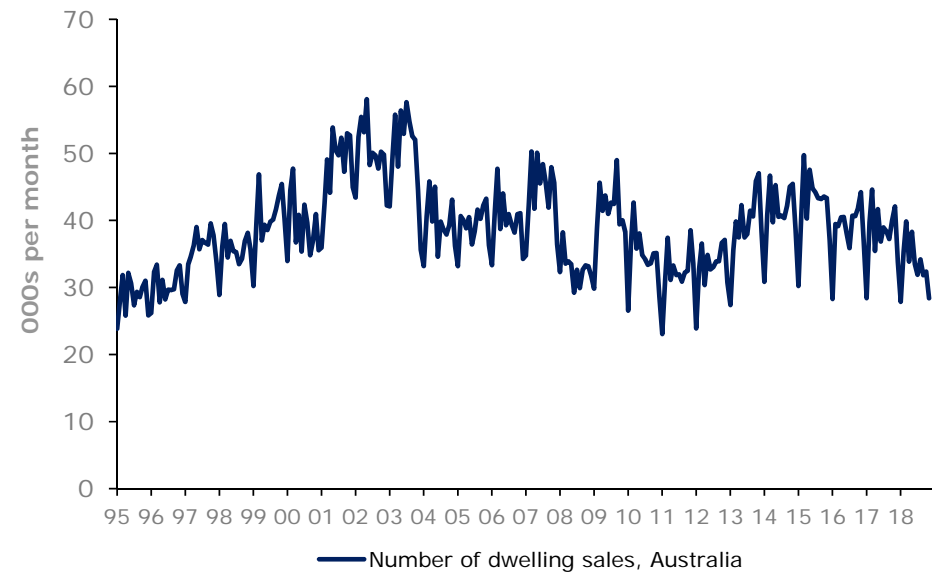


# Residential R&R segment is large and remains stable

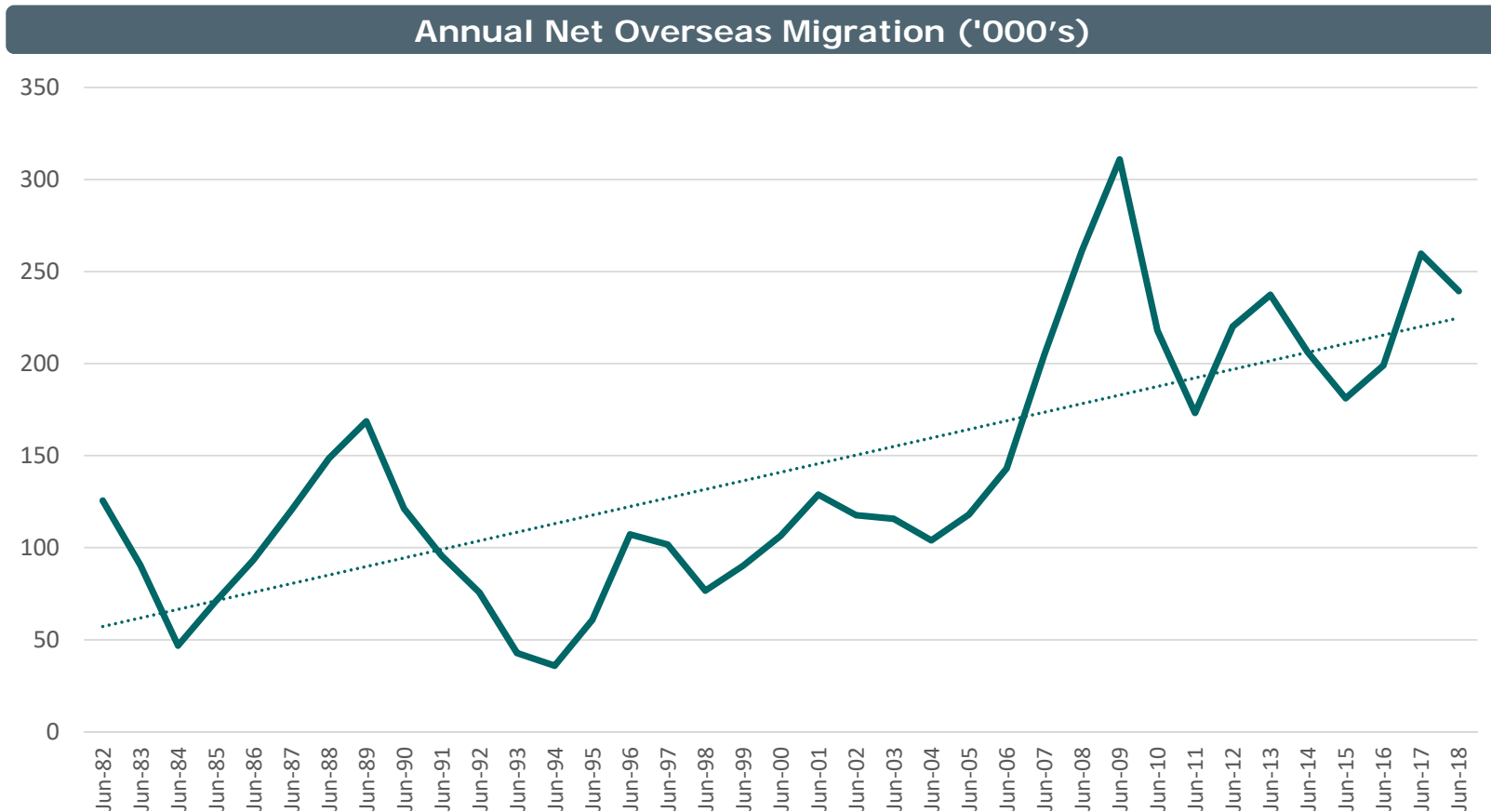
Renovation Activity (A\$bn)



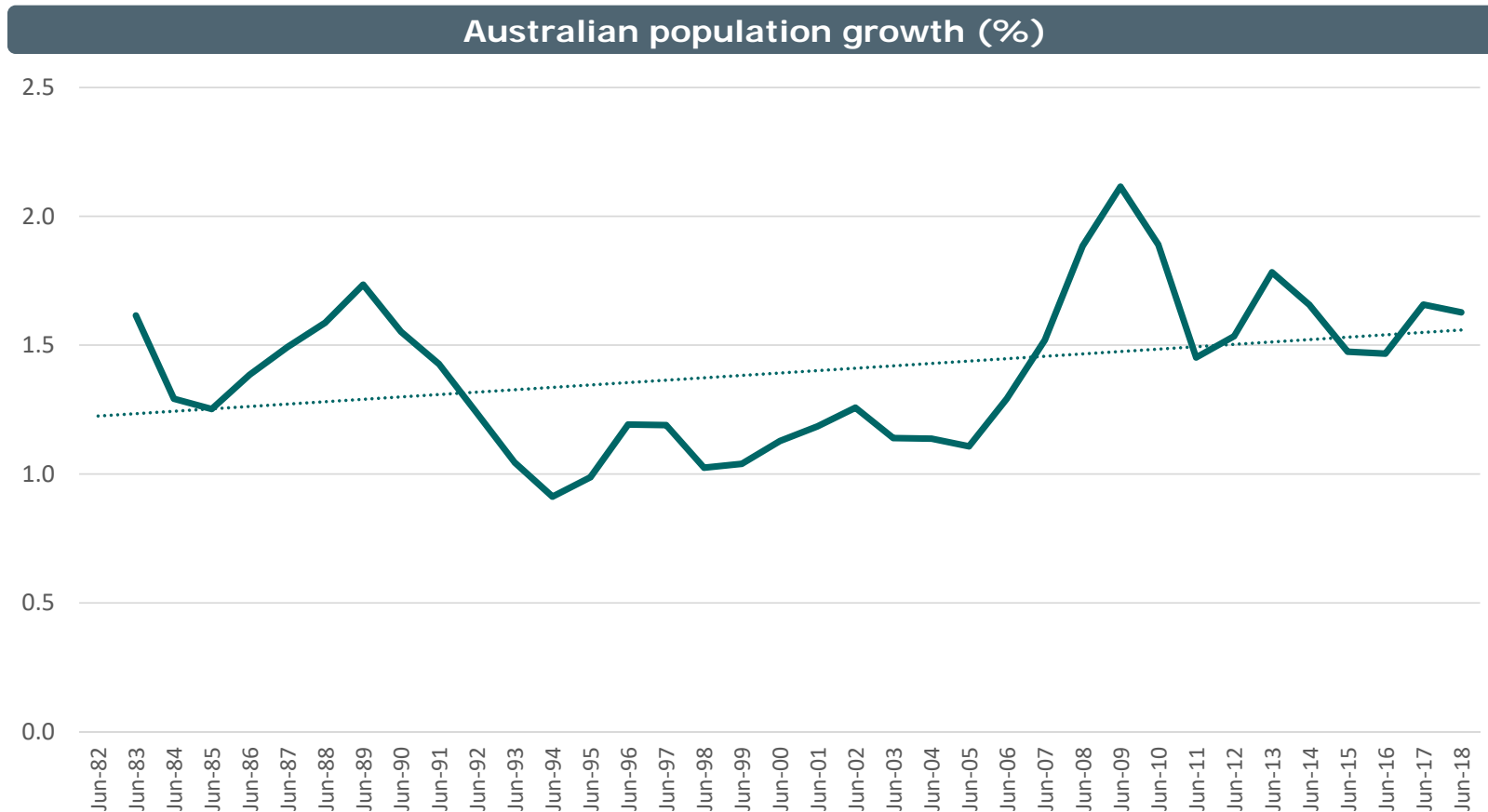
Housing sales ('000s)



# Annual net overseas migration

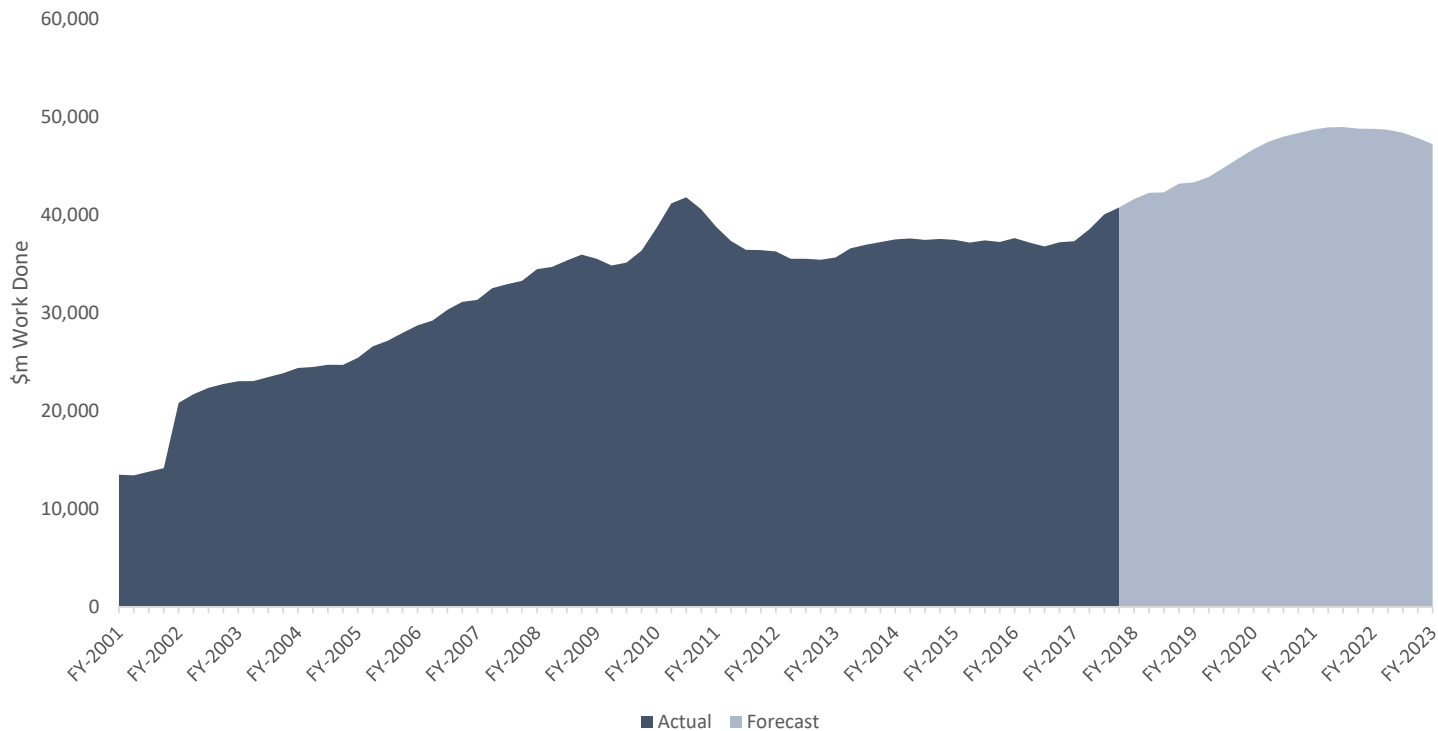


# Australian population growth

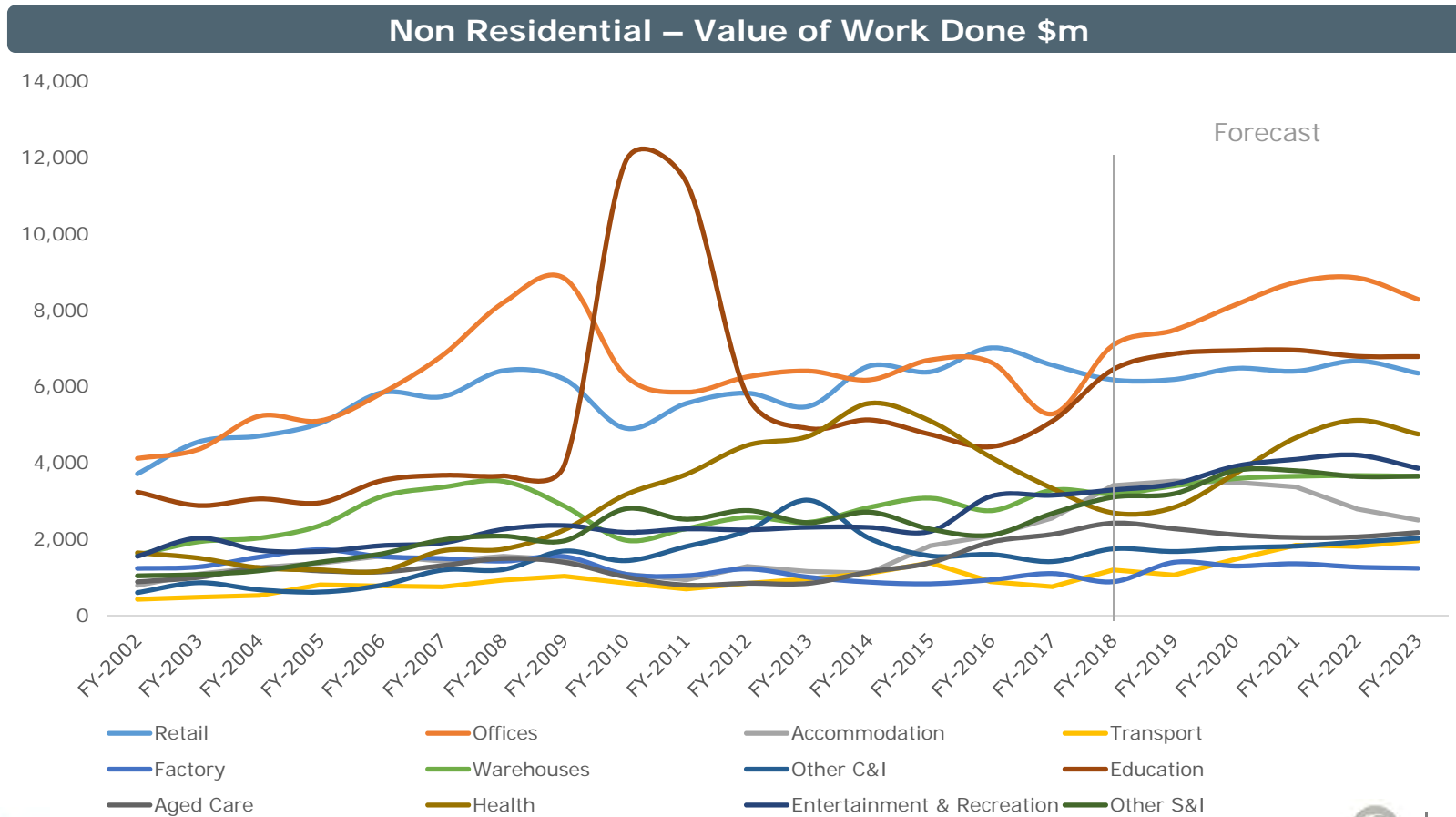


# Commercial new build sustaining long term growth trajectory

Non Residential – Value of Work Done (A\$m)



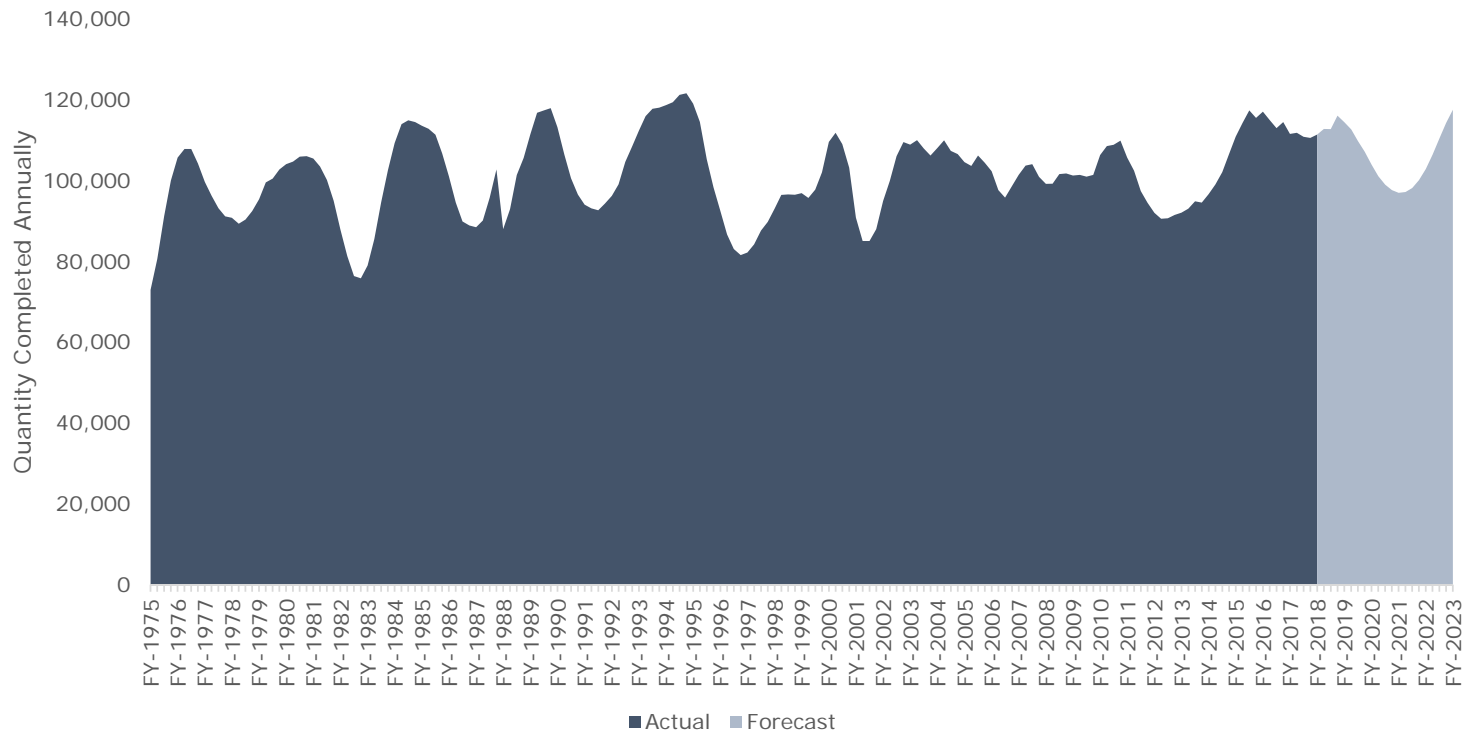
# Non Residential by sector





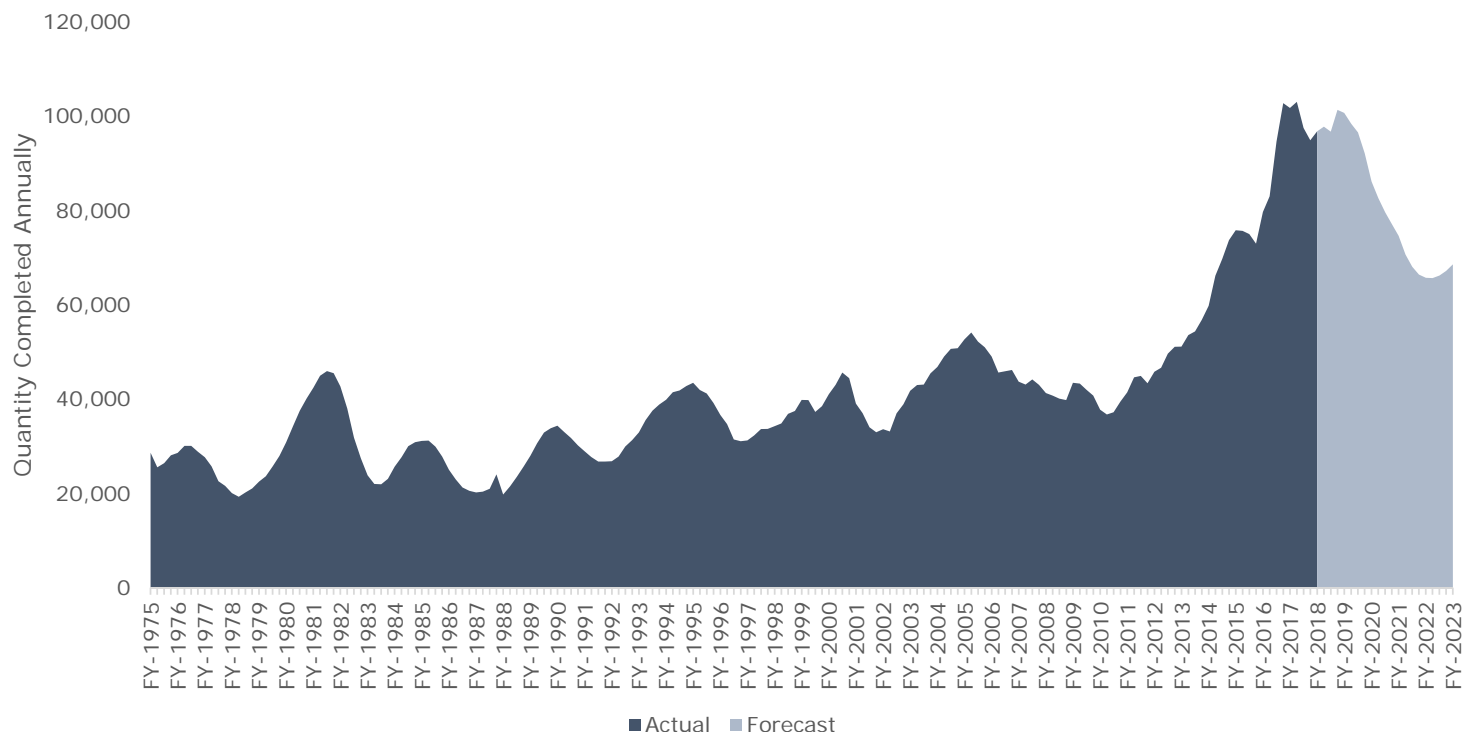
# Detached residential new build remains resilient

Housing Completions Australia (#)



# Multi-residential declining from peak but presents opportunities for selective growth

### Housing Completions Australia (#)





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