



GWA
Group Limited

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16 August 2021

ASX On-Line
Manager Company Announcements
Australian Securities Exchange

Dear Sir

Financial Results Presentation for the Year Ended 30 June 2021

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

- Results Presentation

On 16 August 2021 at 10:00am (AEST), GWA will be hosting a webcast of its FY21 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

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

R J Thornton
Executive Director



Results Presentation

Year ended 30 June 2021

16 August 2021



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Presenters



Urs Meyerhans
Managing Director and CEO



Patrick Gibson
Group Chief Financial Officer

Agenda

- Overview
- Group Financial Results
- Business Performance
- CEO Initial Impressions
- Strategic Focus
- Summary & FY22 Outlook
- Q&A
- Appendix

01 | Overview



Solid 2H improvement provides momentum for FY22

Improved 2H FY21 v 1H FY21 performance

- Revenue up 6%; EBIT up 13%; EBIT margin up 120 bps - demonstrates operating leverage
- Positive sales/earnings momentum in New Zealand, International
- Operational discipline/Methven synergies deliver \$7m in cost-out in FY21

Cashflow/balance sheet remain strong

- FY21 Operating cashflow up 16% - cash conversion ratio 117%
- Net debt 28% below FY20, leverage ratio down to 1.4 times
- Strong financial position enables 6.5 cents per share final dividend brings full year dividend to 12.5 cents per share (fully franked)

Superior water solutions strategy creates stronger growth platform

- Growth with retail-focused merchants, partially offset by continued decline in commercial
- Product innovation (NPD in taps/showerware, GermGuard® antibacterial glaze)
- New Zealand warehouse consolidation/sale of China plant ~\$3m annualised cost savings from FY22

Strong operational leverage to expected improvement in market conditions

- Positive momentum for detached housing in FY22, R&R markets expected to be stable to slightly positive
- Commercial segment activity remains subdued; however order bank up 14% - well positioned for segment recovery
- Realigned cost base provides enhanced operating leverage to improvement in building cycle
- Ongoing effects of COVID-19 lockdowns, particularly Sydney/NSW and Melbourne/Victoria create uncertainty re potential impacts on construction markets

Continued focus on Safety and Sustainability

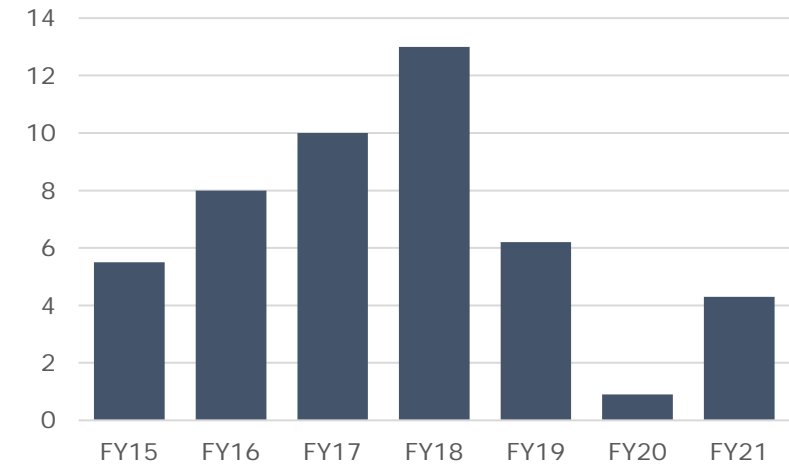
Safety key outcomes FY21

- All GWA sites accredited to new global safety standard, ISO45001
- Mental health ambassadors appointed on site and trained in mental health first aid
- Zero Medical Treated Injuries in FY21
- Following significant decline in Total Injury Frequency Rate from FY18-FY20, GWA experienced increase from 0.9 to 4.3 in FY21
 - Renewed focus on manual handling training

Sustainability key outcomes FY21

- **Diversity:** female participation across GWA increased from 42% to 43%
- **Environment:** Over 80% of Caroma taps are 5 or 6 star WELS¹ rated while 95% of Caroma sanitaryware products are 4 star WELS rated
- **Ethical Sourcing:** 2 audits of major suppliers conducted – no ethical sourcing issues identified
- **Sustainable building solutions:** Caroma Smart Command[®] installed in 127 sites – up from 49 in prior year; Launch of Caroma GermGard[®] proprietary antimicrobial formula that kills a minimum of 99.9% bacteria

Total Injury Frequency Rate



02 | Group Financial results



Revenue up 2% however EBIT impacted by weaker Commercial segment

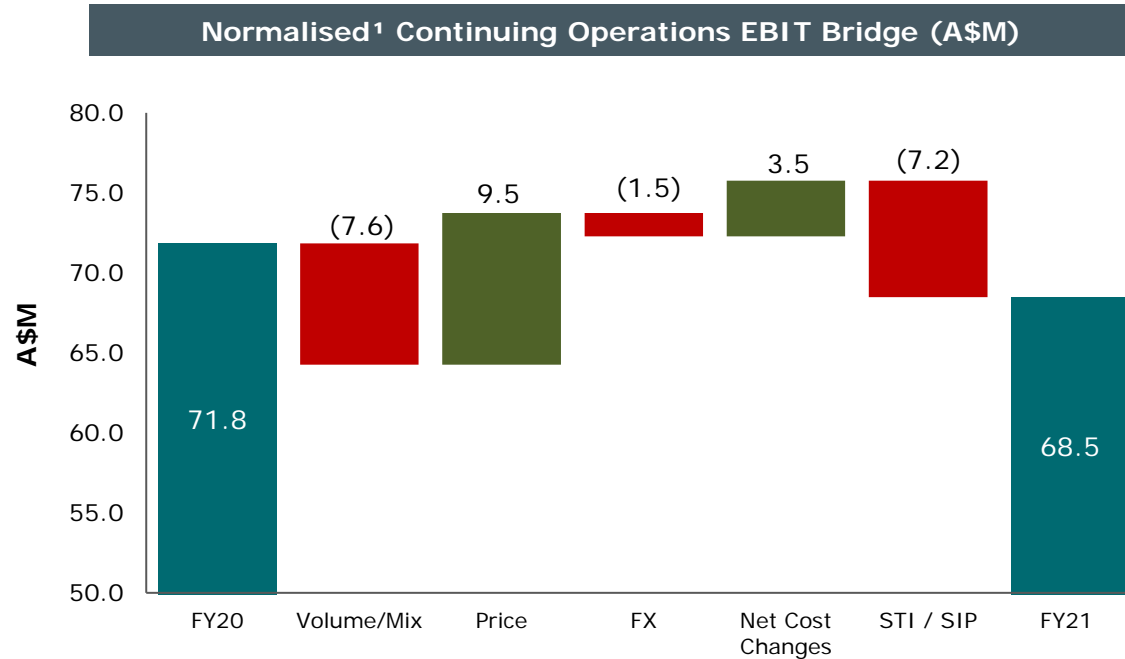
A\$m Normalised ¹	FY20	FY21	% Change
Revenue	398.7	405.7	1.8%
EBITDA	92.2	88.4	-4.1%
EBIT	71.8	68.5	-4.7%
NPAT	44.9	42.3	-5.8%
EBIT Margin %	18.0%	16.9%	-1.1pp
ROFE %	16.4%	16.2%	-0.2pp
EPS	17.0c	16.0c	-1.0c

Significant Items	FY20	FY21	% Change
Pre Tax	(1.5)	(9.5)	nm
Post Tax	(1.0)	(7.3)	nm

A\$m Reported	FY20	FY21	% Change
Revenue	398.7	405.7	1.8%
EBITDA	90.7	78.9	-13.0%
EBIT	70.3	59.0	-16.1%
NPAT ³	43.9	35.1	-20.1%
EBIT Margin %	17.6%	14.5%	-3.1pp
ROFE %	16.1%	14.0%	-2.1pp
EPS	16.6c	13.3c	-3.3c
Dividend / share	11.5c	12.5c	1.0c

- Revenue up 2% reflects improved residential markets in 2H and continued momentum in New Zealand and the United Kingdom partially offset by the Commercial segment in Australia
- Normalised EBIT down 5% reflects 1H market decline and Commercial partially offset by strong cost control
- Normalised 2H EBIT margin 17.5% - up from 16.3% in 1H
- Effective tax rate 30%
- Reported EBIT includes \$9.5m (pre tax) significant items relating to the ERP/CRM² projects, consolidation of New Zealand warehouses, sale of China plant and Methven integration costs
- Strong cash generation enables final dividend of 6.5 cents per share fully-franked (FY dividend 12.5 cents per share - payout ratio 78% of Normalised NPAT and 95% of reported NPAT. Dividend reinvestment plan discontinued

Continued operational discipline helps mitigate weaker 1H markets



- **Volume/Mix:** Reflects impact of COVID-19 on volumes primarily in 1H and impact of full year negative sales mix from continued decline in commercial segment in Australia
- **Price:** Price increase ~5% implemented from August 2020
- **FX:** Weaker average hedged AUD vs. USD: FY21 ~69c vs. FY20 ~71c on product purchases
- **Net cost changes:** continued strong operational discipline to mitigate adverse volume/mix and fx
 - Methven synergies \$3m
 - Supply chain savings \$4m
 - Offset by \$3.5m cost increases including freight and prior year short-term cost reductions not repeated in FY21
- **STI / SIP²:** Solid FY21 performance in line with expectations despite challenging market conditions. Staff incentives accrued in FY21 but not in pcp

Strong cash generation maintained – operating cashflow up 16%

Cash flow from Continuing Operations A\$m	FY20	FY21
EBITDA	92.2	88.4
Net movement in Working Capital	(0.6)	13.6
Other	(3.0)	1.1
Cash Flow from Operations	88.6	103.1
Capital Expenditure and other investing activities	(12.3)	(8.0)
Restructuring / Other costs	(1.8)	(5.9)
Net Interest Paid	(8.0)	(7.5)
Tax Paid	(17.8)	(11.4)
Lease Payments	(8.4)	(8.7)
Group Free Cash Flow	40.3	61.6

- Continued strong focus on cash management
- Operating cash flow up 16% to \$103.1m with Group Free cash flow up 53%
- Cash conversion¹ from operations remains strong at 117% despite weaker markets in 1H
- Capital expenditure and other investing \$8.0m, below guidance due to treatment of ERP/CRM systems' project costs as significant items
 - Capex focus on key growth initiatives/business improvement:
 - New product development
 - Caroma Smart Command®
- Cash restructuring/other costs relate primarily to ERP/CRM project costs, consolidation of warehouses in New Zealand (provides \$3m annualised benefit from FY22) and Methven integration costs

Strong financial position maintained – credit metrics enhanced

Metrics ¹	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021
Net Debt	79.8	97.7	141.9	144.8	104.8
Leverage Ratio <i>Net Debt / EBITDA</i>	0.9	1.1	1.6	1.9	1.4
Interest Cover <i>EBITDA / Net Interest</i>	17.1	19.6	23.5	13.6	15.5
Gearing <i>Net Debt / (Net Debt + Equity)</i>	19.9%	22.7%	27.5%	28.4%	21.5%
Net Debt					
Borrowings	112.0	125.0	177.8	175.4	146.1
Bank Guarantees	4.1	1.8	3.8	1.8	1.3
Cash	(36.4)	(27.9)	(39.6)	(32.4)	(42.6)
Held for sale cash	-	(1.2)	-	-	-
	79.8	97.7	141.9	144.8	104.8

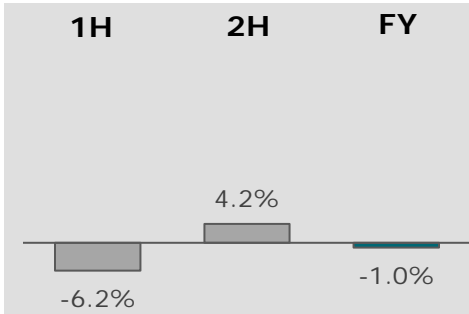
- GWA remains in a strong financial position – credit metrics enhanced
- Net debt \$104.8m down 28% on prior year with continued focus on cash management
- Credit metrics remain strong with leverage ratio reduced to 1.4 times
- Substantial headroom maintained within \$267m banking facility
 - \$227m multi-currency revolving facility does not expire until November 2023
 - \$40m bi-lateral facility matures October 2021

03 | Business Performance



Revenue uplift in 2H as markets improve

FY21 Revenue vs pcp (A\$)



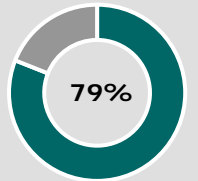
Revenue commentary

Australia

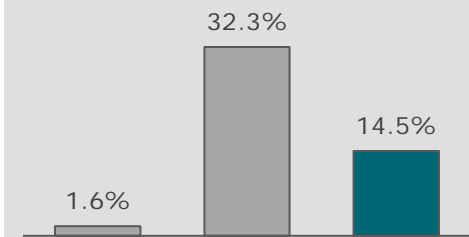
- 1H impacted by slowdown in the project segment and uncertainty due to COVID-19
- 2H improvement largely due to increased completions in the detached residential segment offset partially by slow Commercial new build segment

\$ Revenue & % of Group

\$319.8m
(FY20: \$323.2m)



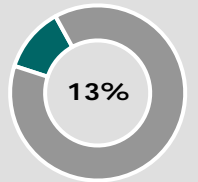
1H 2H FY



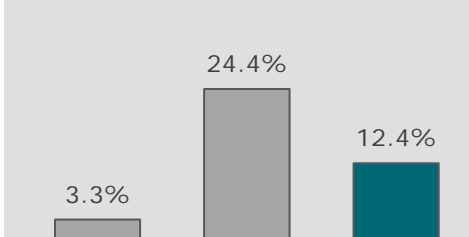
New Zealand

- 1H growth up year on year +1.6% (+3.1% in NZ\$)
- Benefiting from integrated sales team and strong stock availability
- 2H growth strong +32.3%, benefiting from lapping prior year COVID-19 lockdown

\$54.2m
(FY20: \$47.3m)



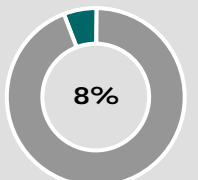
1H 2H FY



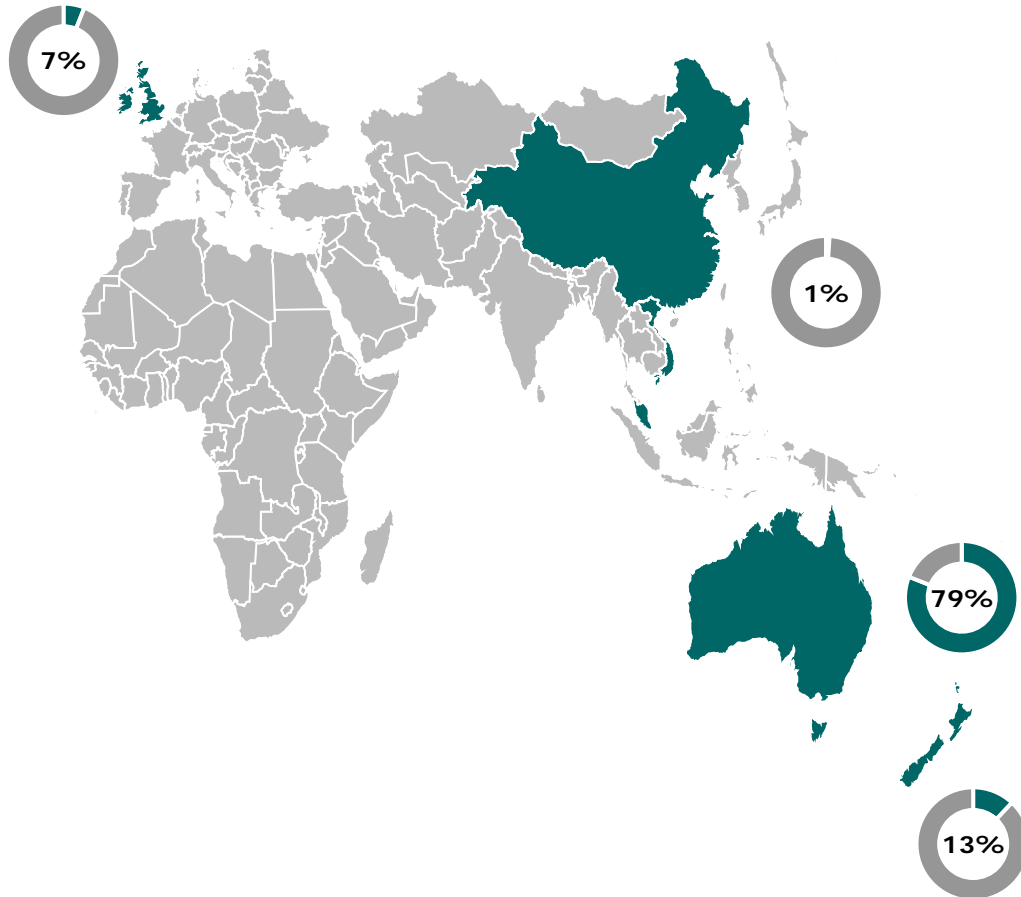
International

- 1H sales up +3.3% with increasing market share in the United Kingdom
- 2H strong growth +24.4%, benefiting from lapping prior year COVID-19 lockdown
- EBIT margins strengthened

\$31.7m
(FY20: \$28.2m)



Methven integration complete



- Revenue up in FY21 with strong growth in New Zealand and International diversifying geographic base
- Integration cost synergies achieved target of A\$3m in FY21 and A\$6m total
- Significant improvement in EBIT margins
- Integration completed with:
 - Consolidation of the New Zealand distribution network from two warehouses to one enabling efficiencies and single invoicing to improve customers' experience
 - Sale of the Methven China plant completed in Q3 FY21
 - One-off costs of ~\$4m were incurred in FY21. Annualised benefits of ~\$3m are expected to flow FY22 onwards
- The Tap and Showerware centre of excellence in New Zealand is building a strong pipeline of NPD¹
 - Methven shower IP is now utilised in Caroma new shower products

Market driven innovation and new product development



- Creation of the Sydney and Auckland centres of excellence
 - Technical, design and sourcing capability, test rigs
- Significant investment in smart solutions
 - Touchless, hygiene, water management and sustainability
- Reinvigoration of core portfolio and traditional products
 - New materials, sustainability enhancements and hygiene
- Locally designed and engineered in Australia and New Zealand



Underpinned by centre of excellence



- New vertical and horizontal test rigs at Prestons Innovation and Distribution Centre enable modelling of hydraulic impacts in Commercial buildings and development of new water saving solutions and products
- Caroma Smart Command® (CSC) installed in 127 sites across Australia and New Zealand; up from 49 in prior year
- CSC Commercial forward order book up significantly
- GWA targeting key growth segments within Commercial (new build and renovation):
 - Aged care
 - Health care
 - Education
- Continuing to leverage strength in sanitaryware to win tapware in key projects – focus on touchless/hygiene applications

04 | CEO Initial Impressions



Initial impressions positive

People

- Experienced and highly capable senior team
- Engaged and passionate workforce focused on customer service

Products/brands

- Market-leading brands in core categories
- Superior quality products with strong reputation for reliability and service
- Strong heritage of product and systems innovation

Market position

- Improving relationships with key merchant partners
- Strong position in sanitaryware provides ability to leverage into other product categories
- Increased geographical diversity and scale of revenue and earnings

Strong competitive advantage provides solid foundation for refined 5-year strategy for shareholder value

05 | Strategic Focus



Strategy on a page



Our strategic focus

1. Deliver great customer experiences



Integrated and valuable customer experience by being easy to do business with and consistent in delivery

2. Win the plumber



Connect, deepen and leverage plumbing industry relationships

3. Innovate through design & partnerships



Leverage in-house capability and global partnerships to fast track value creation and portfolio modernisation

4. Grow our after-market offerings



Build a comprehensive after-market capability

5. Focus on Strategic Growth Opportunities



Disciplined and targeted investment in local & international markets

06 | Summary and FY22 outlook



FY22 outlook¹

Key area

FY22 commentary

Market activity – strong momentum in residential detached completions, commercial remains subdued

- Continued momentum expected in residential detached completions - HomeBuilder, consumer sentiment
- R&R in Residential/Commercial activity expected to be stable to slightly positive
- Commercial new build expected to remain subdued (growth in education and health offset by declines in office, retail)
- Multi-Residential expected to decline further from lower net migration
- Ongoing effects of COVID-19 lockdowns, particularly Sydney/NSW and Melbourne/Victoria create uncertainty re potential impacts on construction markets

Continued focus on driving revenue growth above market in FY22

- FY22 focus on customer and consumer initiatives to generate revenue growth
 - NPD focused on new bathroom ranges in Caroma (GermGard[®], inVogue and Livewell ranges, Methven showerware)
 - Agreed business plans with customers - product ranging in core categories
 - Extension of Caroma Smart Command[®] - tapware expansion
 - Continue to drive growth in the United Kingdom, New Zealand and Asia

GWA maintains strong operational leverage to market improvement

- Cost base further reduced in FY21 with further \$3m annualised supply chain savings from FY22
- Price increase (~3% 1 July 2021), FX benefit to offset partially expected increase in freight costs
- No additional investment required in SG&A to access improved markets
- Commercial order bank up 14% - timing of project drawdown remains uncertain
- Strong operational leverage down the P&L as markets recover

GWA well positioned to capitalise on improving market conditions

- Significantly improved 2H FY21 performance provides positive momentum into FY22
- Cashflow/balance sheet remain strong to support ongoing investment and shareholder returns
- Evolving our 5-year strategy to generate sustainable shareholder value creation
- GWA maintains strong operational leverage to expected market improvement

07 | 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*.



Results Presentation

Year ended 30 June 2021

16 August 2021



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08 | Appendix



FY22 Key Assumptions¹

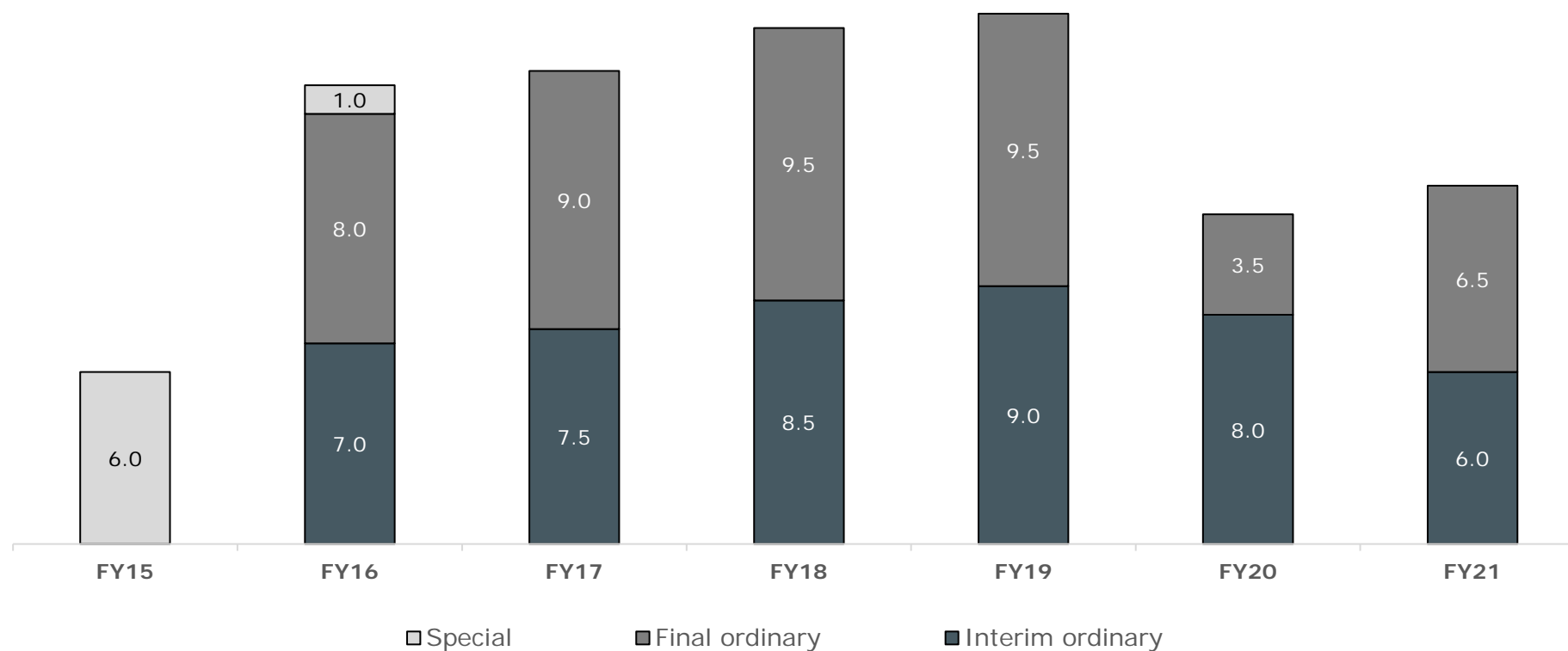
Area	Assumption
Australian market backdrop	BIS total building activity data ² is indicating market growth of +2% in FY22
Customer stock on hand	Not expecting any significant customer de/restocking in FY22
Price increase	Effectively ~3% was implemented from 1 July 2021 across Australia/New Zealand
D&A (depreciation and amortisation)	Expected to be ~\$7.5-8.5m excluding the impact of IFRS 16. Including the impact of IFRS 16 D&A is expected to be ~\$19.5-20.5m
Interest costs	Expected to be ~\$5-6m excluding lease interest. Including the impact of IFRS 16 interest costs are expected to be ~\$7-8m.
FX	~\$2-3m benefit driven by a stronger ~2c AUD:USD. Currently 55% hedged @US\$0.76
Tax rate	~29-30% on a continuing normalised business
Working capital	Expected to increase slightly due to freight issues reducing closing FY21 balance
Capex	~\$5-6m due to: Caroma Smart Command [®] , NPD
Supply chain savings	\$3m annualised savings from FY22
Freight	~\$6m incremental costs in FY22
Significant items	~\$11m of ERP implementation costs ³

¹ Refer Disclaimer on slide 26

² BIS Oxford data, Australia market, June 2021 release issued pre current COVID-19 lockdowns/restrictions

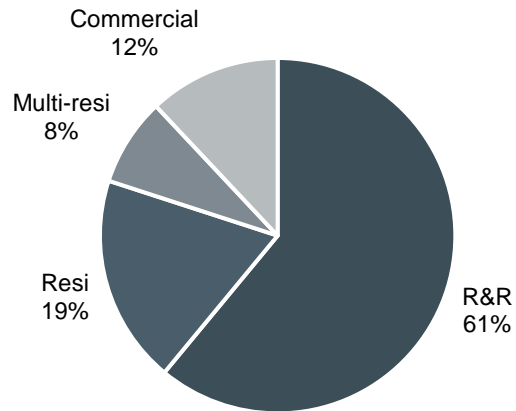
³ Based on current interpretation of IFRIC April 2021 agenda decision on cloud computing

FY21 dividend increased marginally on FY20

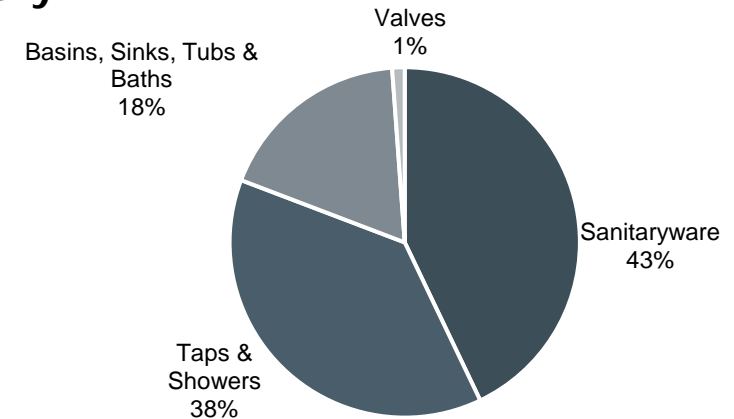


Increased presence in R&R segment and improved geographic diversification provide resilience through the cycle

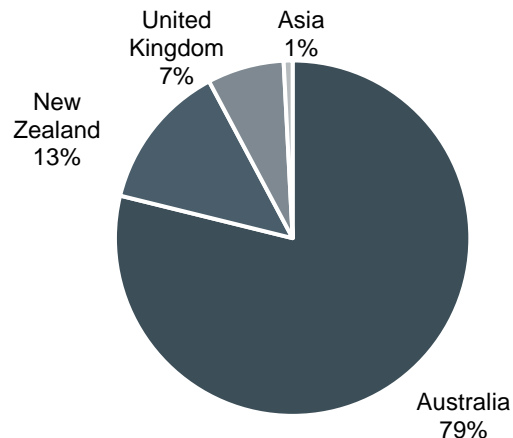
Segment¹



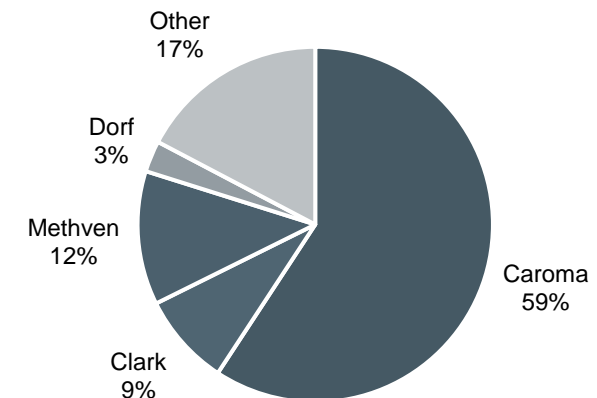
Category



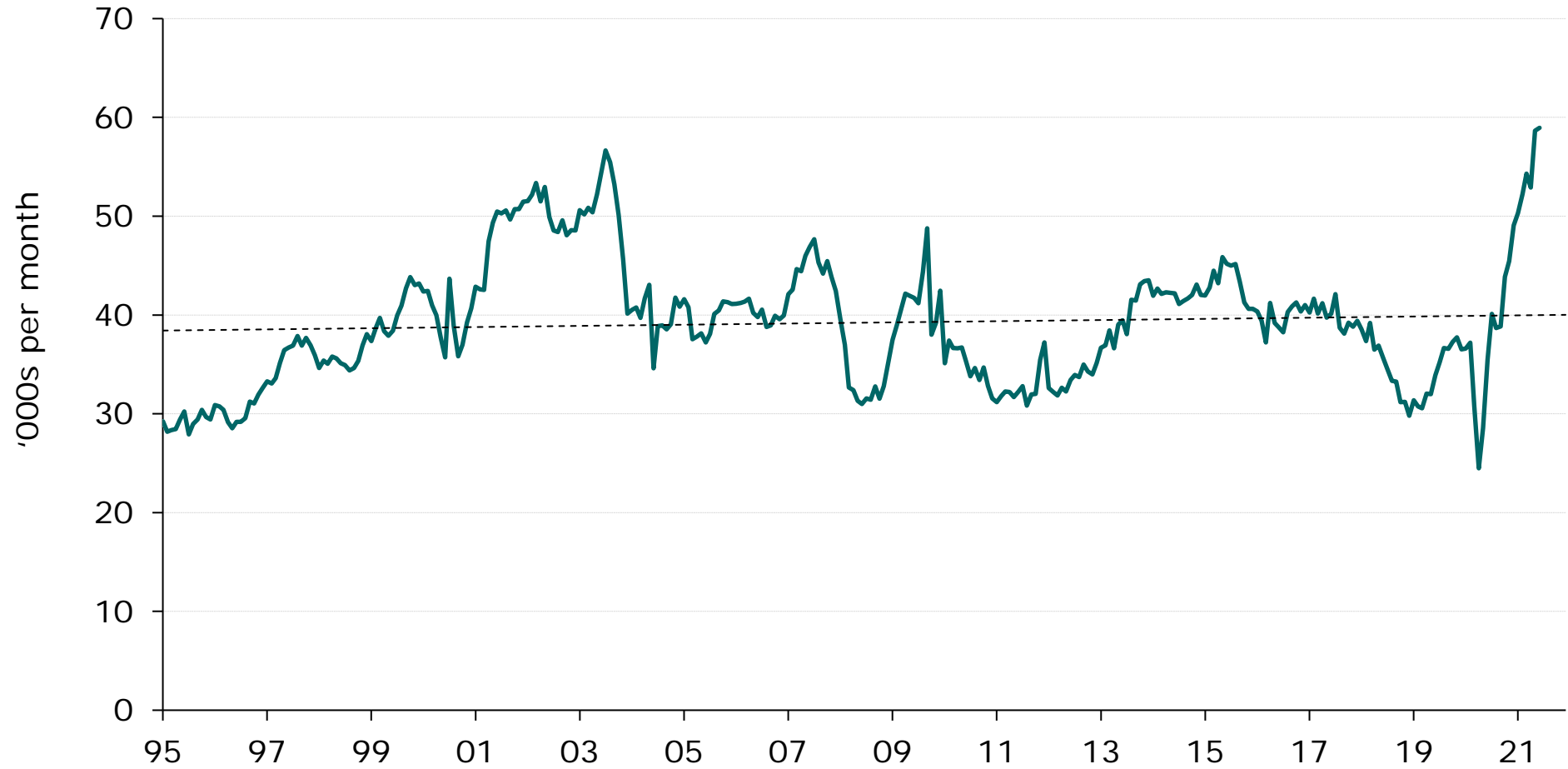
Geography



Brand

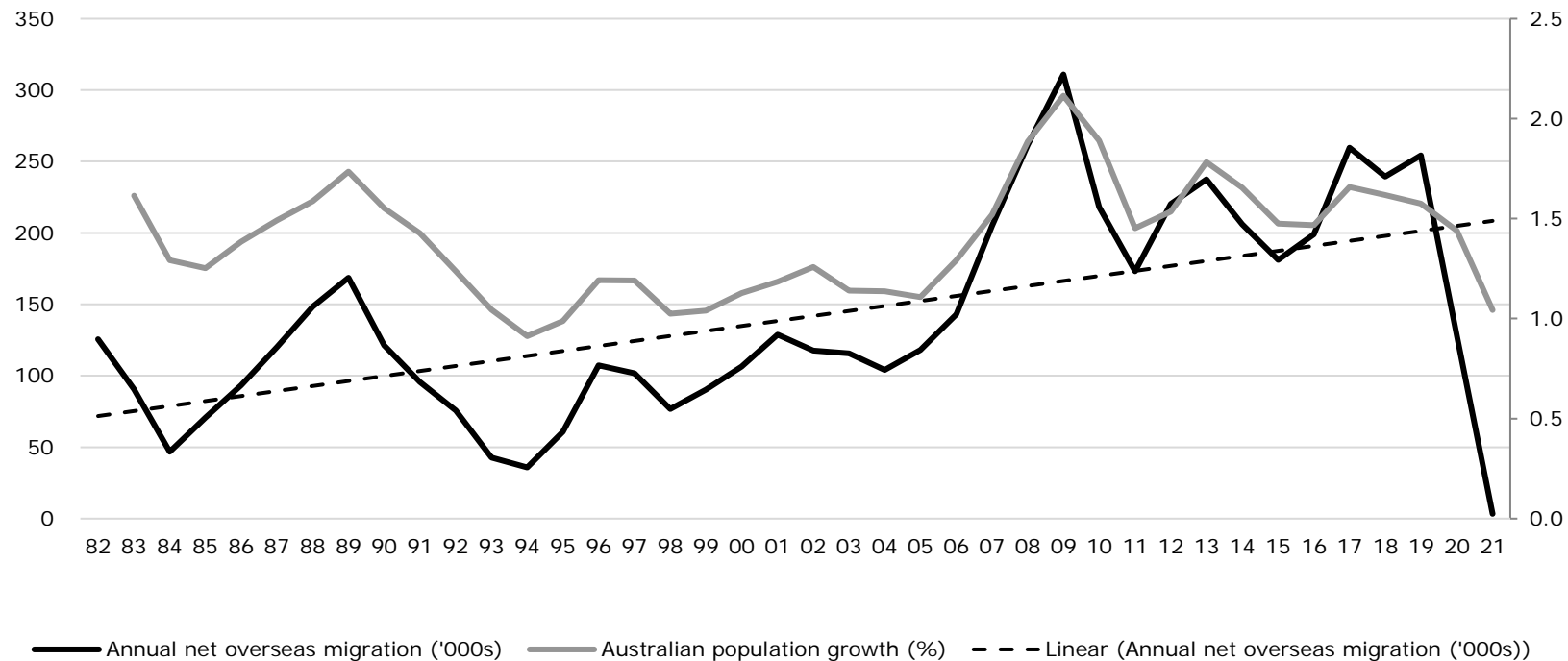


Housing turnover increasing at a dramatic rate following FY20 decline

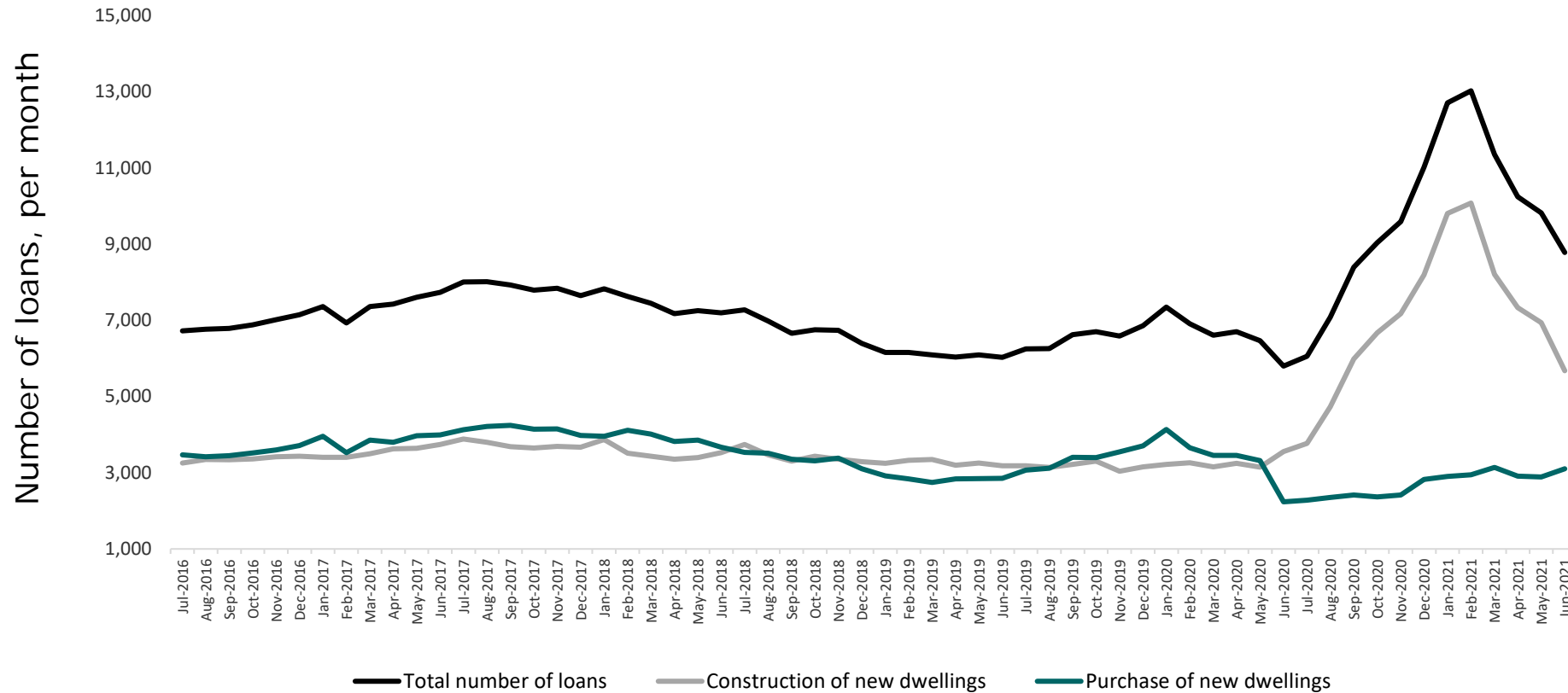


Australian population growth negative due to border closures

Annual net overseas migration & Australian population growth

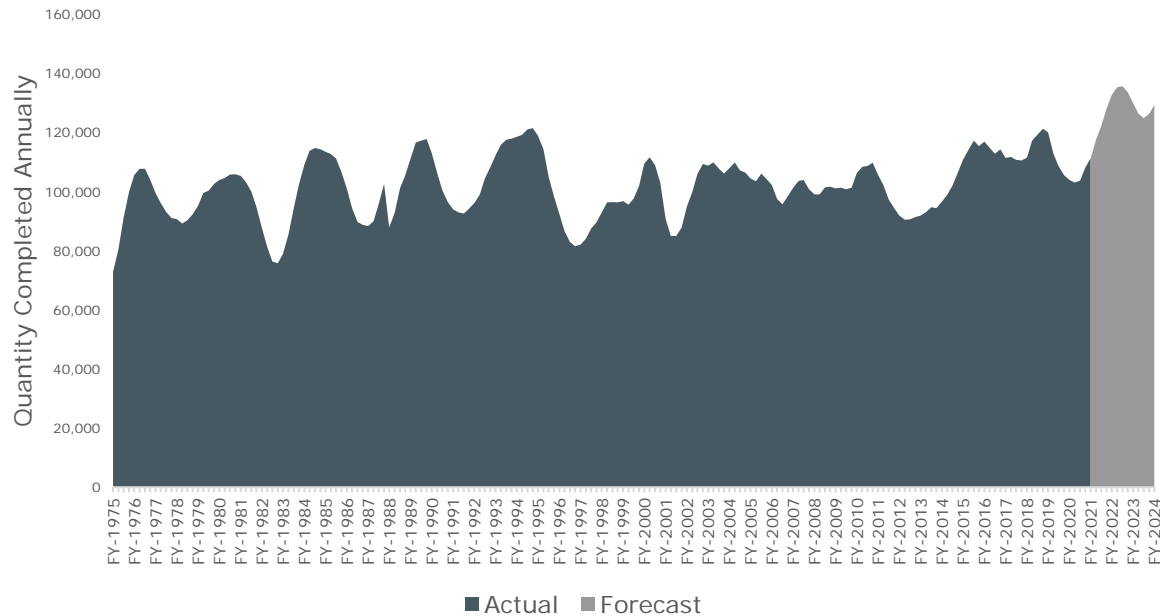


Number of loans for construction of new dwellings increased significantly in 1H FY21 and remains elevated



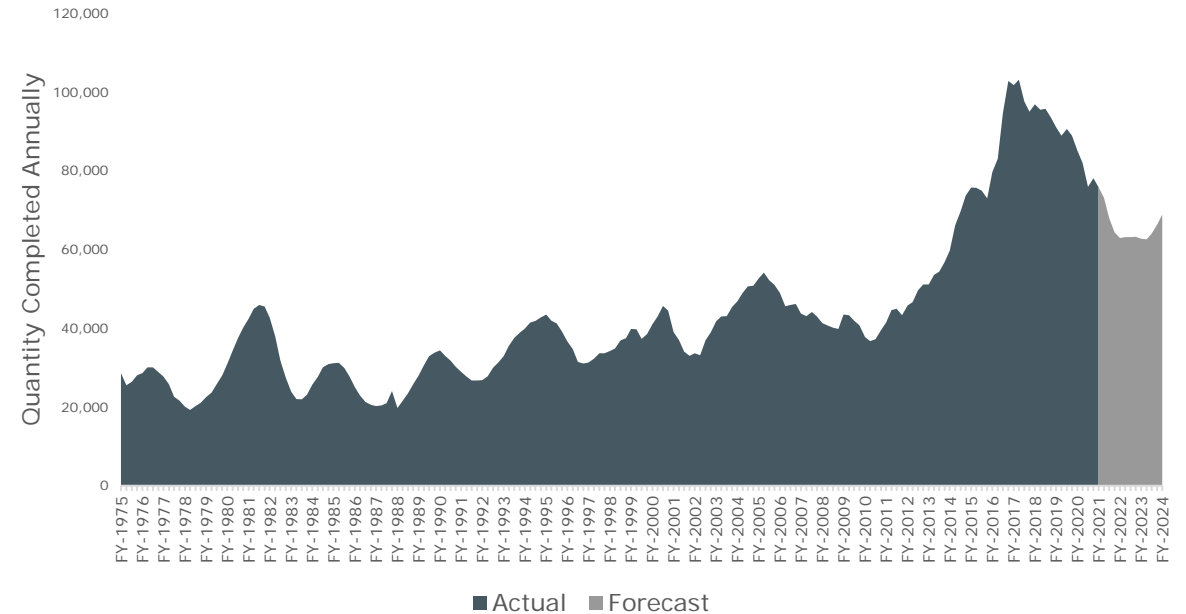
Australian Market Context – residential completions expected to strengthen in FY22, multi-residential to contract further

Residential¹



¹ 19% of GWA's Australian revenue

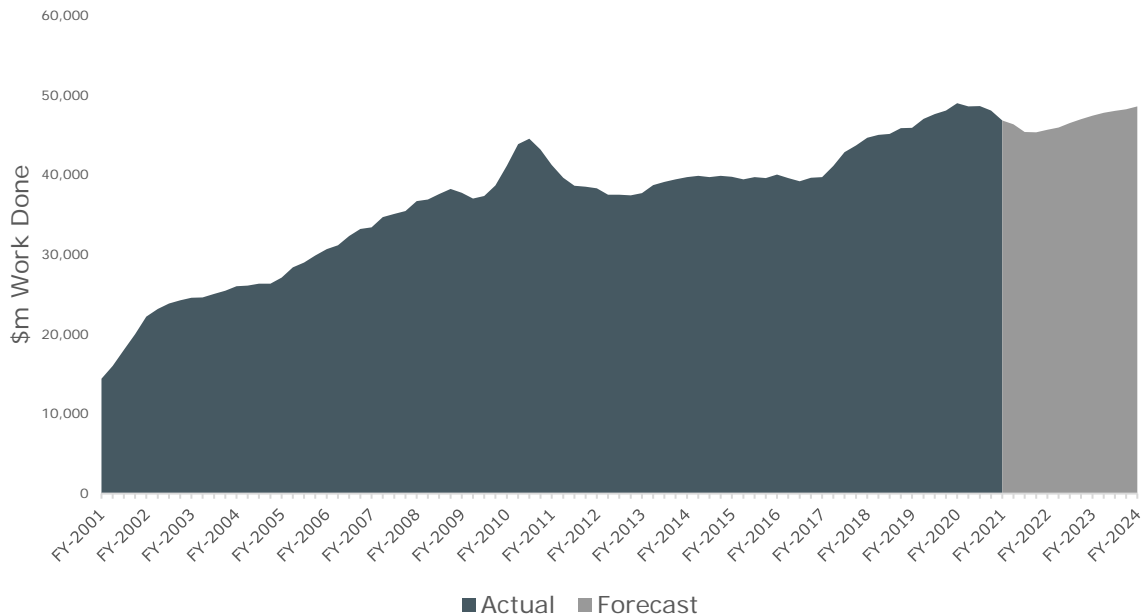
Multi - Residential²



² 8% of GWA's Australian revenue

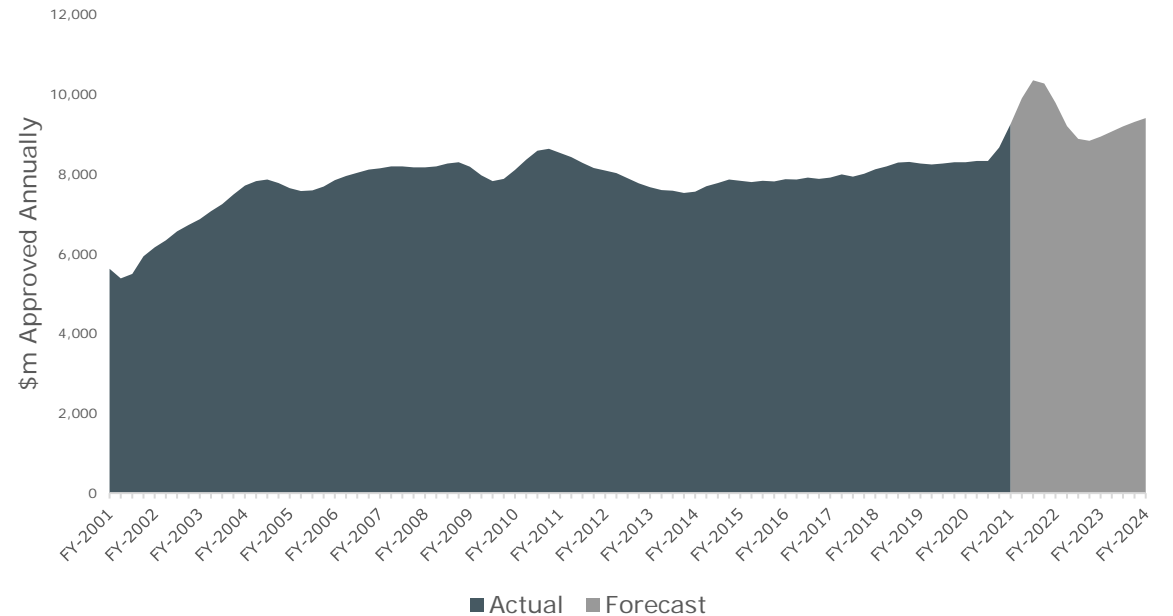
Australian Market Context – Commercial work done expected to improve FY22 onwards, A&A to continue at high levels

Commercial¹



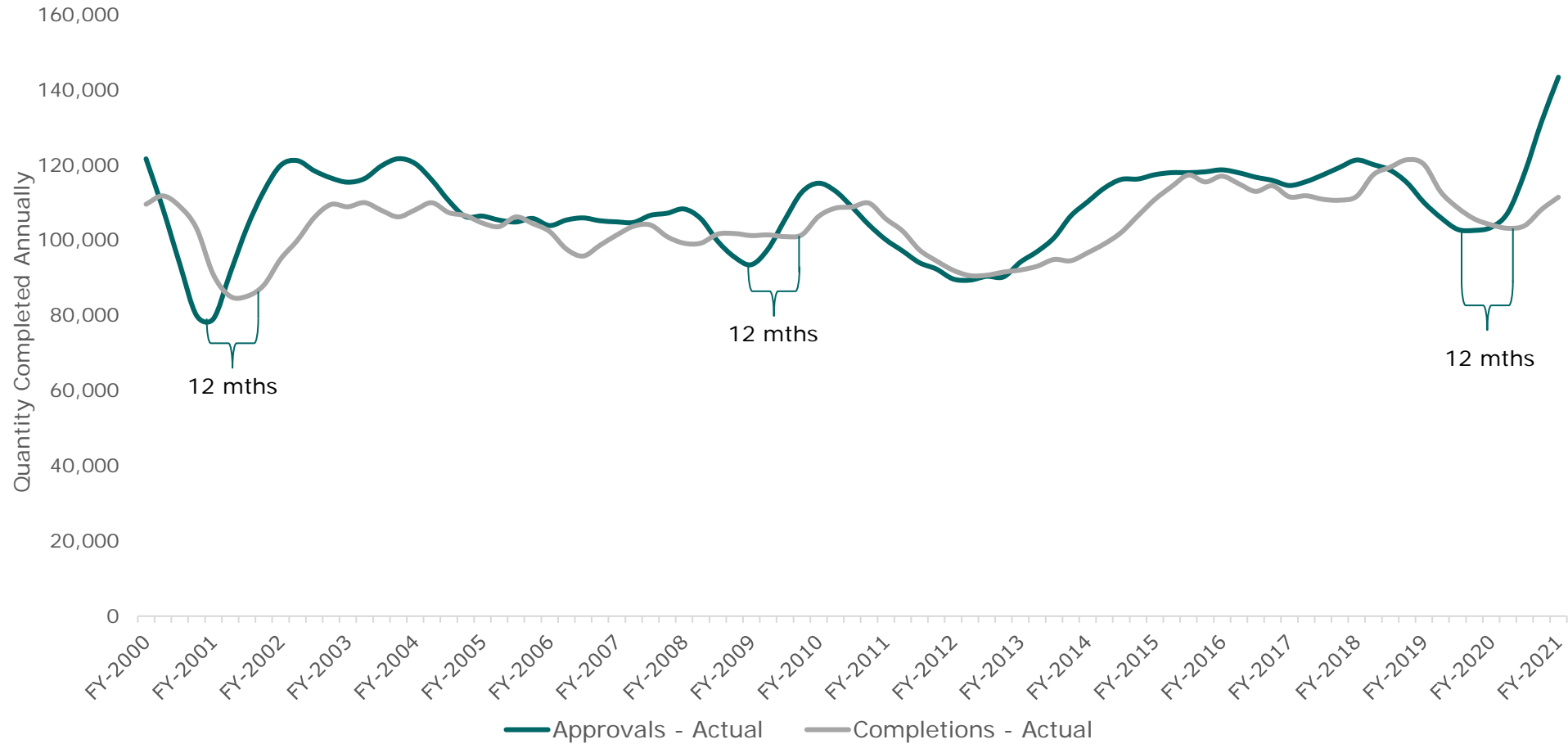
¹ 12% of GWA's Australian revenue

Alterations & Additions²

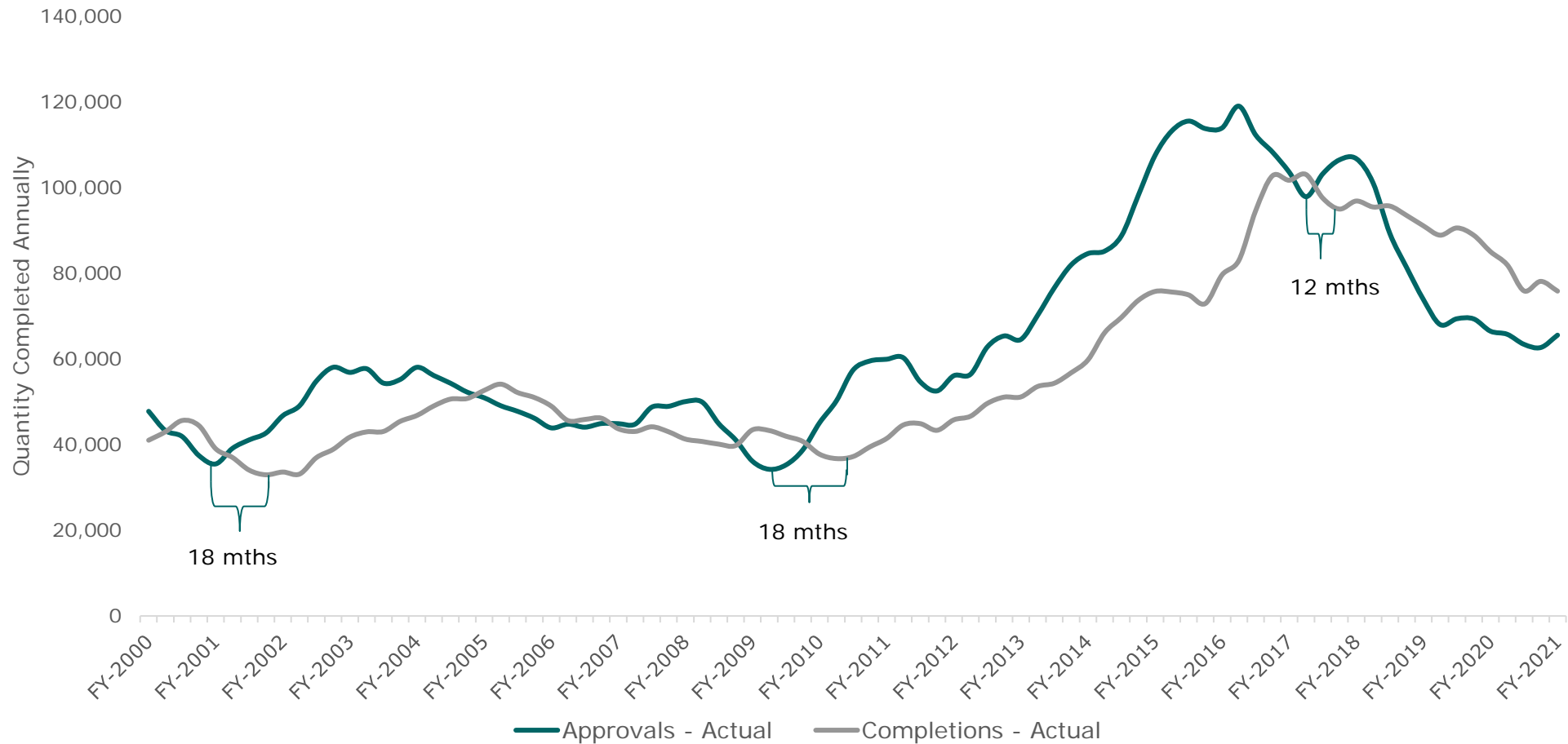


² 61% of GWA's Australian revenue

Residential completions rose by 7% during FY21. Completions expected to rise ~21,000 or 19% in FY22
 (Completions' lag vs. approvals ~12 months)



Multi-residential completions expected to fall by (13,000) or (17)% in FY22 (Completions' lag vs. approvals ~12-24 months)



Group – improvement in 2H FY21

A\$m Normalised ¹	1H FY21	2H FY21	% Change	FY21
Revenue	197.2	208.5	5.7%	405.7
EBITDA	42.2	46.2	9.5%	88.4
EBIT	32.1	36.4	13.4%	68.5
NPAT	20.0	22.3	11.5%	42.3
EBIT Margin %	16.3%	17.5%	1.2pp	16.9%
EPS	7.6c	8.4c	0.8c	16.0

Significant Items	1H FY21	2H FY21	% Change	FY21
Pre Tax	(2.2)	(7.3)	nm	(9.5)
Post Tax	(1.5)	(5.8)	nm	(7.3)

A\$m Reported	1H FY21	2H FY21	% Change	FY21
Revenue	197.2	208.5	5.7%	405.7
EBITDA	40.0	38.9	-2.8%	78.9
EBIT	29.9	29.1	-2.7%	59.0
NPAT ²	18.5	16.6	-10.3%	35.1
EBIT Margin %	15.2%	14.0%	-1.2pp	14.5%
EPS	7.0c	6.3c	-0.7c	13.3

Results Presentation

Year ended 30 June 2021

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