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Group Limited

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15 February 2022

ASX On-Line

Manager Company Announcements
Australian Securities Exchange

Dear Sir

Financial Results Presentation for the Half Year Ended 31 December 2021

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

- Half Year Results Presentation

On 15 February 2022 at 10:00am (AEDT), GWA will be hosting a webcast of its FY22 half year results briefing. The webcast is accessible via the GWA website at www.gwagroup.com.au.

This document was authorised for release by the GWA Board.

Yours faithfully

Richard J Thornton
Executive Director





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Results Presentation

Half Year ended 31 December 2021

15 February 2022

Presenters



Urs Meyerhans
Managing Director and CEO



Calin Scott
Chief Financial Officer

Agenda

- Overview
- Group Financial Results
- Business Performance
- Strategic Update
- Summary & FY22 Outlook
- Q&A
- Appendix

01 | Overview



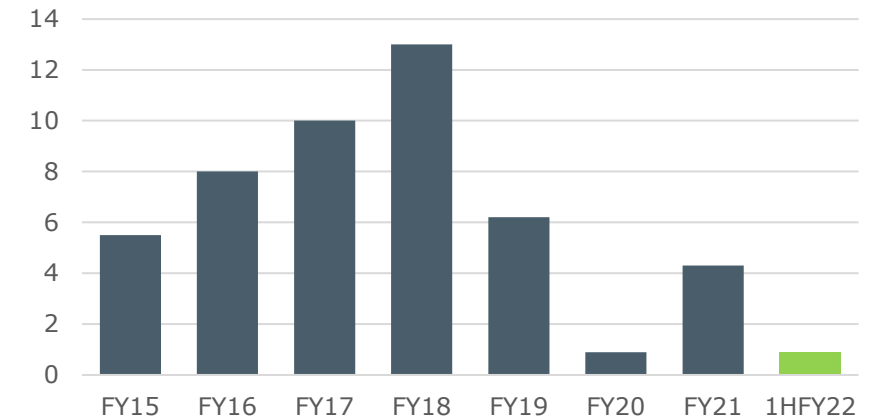
Solid 1H performance – proactively managing COVID conditions

- **Improved financial performance through successfully addressing disruptions**
 - Revenue up 2%; Normalised EBIT up 11%
- **Cashflow/balance sheet remain strong**
 - Strong financial position enables 7.0 cents per share fully franked interim dividend
- **Continued momentum into 2H FY22**
 - Positive outlook for our key markets for the remainder of FY22
 - Expect 2H Group Normalised EBIT to be higher than 1H FY22
- **Strategy – continuing to set the groundwork for successful implementation**
 - Continued progress on core priority areas of Group strategy

Improved safety performance

- Reduction in in Total Injury Frequency Rate to **0.9** in 1HFY22.
 - Ongoing tailored training to address manual handling issues
- Proactive COVID safety management
 - Staff required to work from home where practicable;
 - A range of different practices in our warehouses
 - use of Rapid Antigen Testing
 - split break times; and
 - restricting non-essential service access to sites

Total Injury Frequency Rate



02 | Group Financial results



Normalised EBIT up 11% with solid uplift in EBIT margin

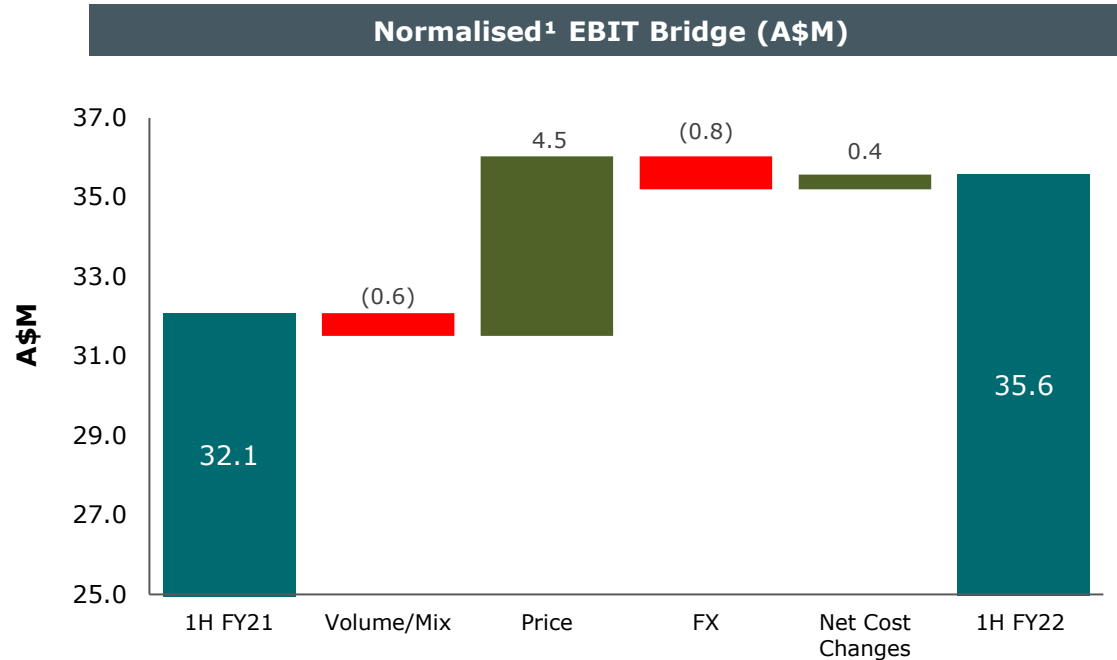
A\$m Normalised ¹	1H FY22	1H FY21	% Change
Revenue	201.3	197.2	2.1%
EBITDA	45.5	42.2	8.0%
EBIT	35.6	32.1	11.0%
EBIT Margin %	17.7%	16.3%	1.4pp
NPAT	22.4	20.0	11.7%
ROFE %	17.5%	15.1%	2.4pp
EPS	8.4c	7.6c	0.8c

Significant Items	1H FY22	1H FY21	% Change
Pre Tax	(5.4)	(2.2)	nm
Post Tax	(3.8)	(1.5)	nm

A\$m Reported	1H FY22	1H FY21	% Change
Revenue	201.3	197.2	2.1%
EBITDA	40.5	40.0	1.2%
EBIT	30.2	29.9	1.0%
EBIT Margin %	15.0%	15.2%	(0.2)pp
NPAT	18.6	18.5	0.3%
ROFE %	14.4%	14.4%	(0.0)pp
EPS	7.0c	7.0c	0.0c
Dividend / share	7.0c	6.0c	1.0c

- Group Revenue up 2% PcP
- Australian performance – up 6% PcP, offset by
- Decline in New Zealand (5 week lock down) – down 15% PcP
- International markets severely impacted by COVID
- Normalised EBIT up 11% reflects 1H Australian market rebound coupled with strong cost control
- Normalised 1H EBIT margin 17.7% - up from 16.3% in 1H FY21
- Effective tax rate 30%
- Reported EBIT includes \$5.4m (pre-tax) significant items relating to the ERP/CRM² project.

Operational discipline helps mitigate turbulent 1H markets



- **Volume/Mix:** Reflects negative impact of COVID-19 on volumes primarily in the International Markets, partially offset by positive sales mix in Australia
- **Price:** Price increase ~3% implemented from July 2021 and ~4% from December 2021
- **FX:** unfavourable balance sheet revaluations partly offset by higher AUD vs. USD on purchases 1H FY22 ~70c vs. 1H FY21 ~69c
- **Net cost changes:** timing of A&P spend

Strong cash conversion enables 7.0 cents interim dividend

Cash flow from Continuing Operations A\$M	1H FY22	1H FY21
EBITDA	45.5	42.2
Net movement in Working Capital	(1.5)	7.0
Other	(0.4)	0.5
Cash Flow from Operations	43.6	49.7
Capital Expenditure and other investing activities	(1.6)	(5.5)
Restructuring / Other costs	(3.9)	(0.9)
Net Interest Paid	(3.7)	(3.6)
Tax Paid	(11.4)	(7.1)
Lease Payments	(5.0)	(4.5)
Group Free Cash Flow	18.1	28.1

- Cash Flow from Operations down 12% to \$43.6m reflects planned inventory build to mitigate supply chain challenges
- Cash conversion¹ from operations remains strong at 96% despite COVID disruption in 1H
- Minimal Capital expenditure in 1H due to focus on ERP/CRM project
- Cash restructuring/other costs relate primarily to ERP/CRM project costs, lower than the recognised expense due to the timing of payments
- Strong financial position enables interim dividend of 7.0 cents per share fully-franked - payout ratio 83% of Normalised NPAT and 100% of reported NPAT.

Solid financial position maintained – credit metrics stable

Metrics ¹	30 June 2018	30 June 2019	30 June 2020	30 June 2021	31 Dec 2021
Net Debt	97.7	141.9	144.8	104.8	104.0
Leverage Ratio <i>Net Debt / EBITDA</i>	1.1	1.6	1.9	1.4	1.3
Interest Cover <i>EBITDA / Net Interest</i>	19.6	23.5	13.6	15.5	16.3
Gearing <i>Net Debt / (Net Debt + Equity)</i>	22.7%	27.5%	28.4%	21.5%	21.2%
Net Debt					
Borrowings	125.0	177.8	175.4	146.1	138.6
Bank Guarantees	1.8	3.8	1.8	1.3	1.3
Cash	(27.9)	(39.6)	(32.4)	(42.6)	(35.9)
Held for sale cash	(1.2)	-	-	-	-
	97.7	141.9	144.8	104.8	104.0

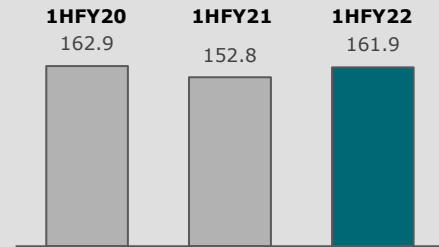
- Net debt \$104.0m down 0.8% on prior year with continued focus on cash management
- Credit metrics remain solid with leverage ratio reduced to 1.3 times
- Banking facility re-financed reducing total facility from \$267m to \$220m, with improved pricing
 - \$180m multi-currency revolving facility does not expire until October 2024
 - \$40m bi-lateral facility matures October 2022

03 | Business Performance



Group revenue improved by +2% vs. 1H FY21

Revenue by 1H (A\$m)



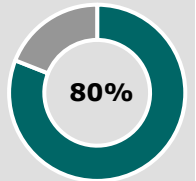
Revenue commentary

Australia

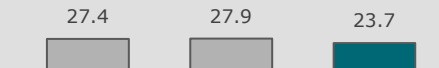
- Sales grew by 6% on the prior period
- Strong performance in Commercial and R&R segment (both Commercial and Residential)

\$ Revenue & % of Group

\$161.9m
+6% on PcP



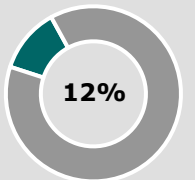
1HFY20 1HFY21 1HFY22



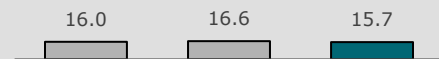
New Zealand

- 5 week shutdown and ongoing restrictions heavily hampered 1H results leading to a decrease in sales of 14.9% on the prior period
- FY22 Q2 sales up 38% on FY22 Q1

\$23.7m
-14.9% on PcP



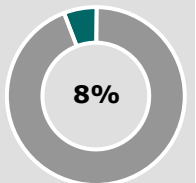
1HFY20 1HFY21 1HFY22



International

- Markets heavily impacted by restrictions
- 1HFY21 buoyed by pre Brexit purchases in Ireland

\$15.7m
-5.1% on PcP



Proactive mitigating of supply chain risks

Challenges	Mitigation strategies
Container & shipping shortages	▪ Long term shipping contracts ▪ Chartering own vessel ▪ Proactive planning with key suppliers
Components and raw material shortages	▪ Regional diversified supplier base ▪ Long term supply agreements ▪ Commodity hedging by key suppliers
Domestic pallet shortages	▪ Cooperation with supply partners ▪ Introduced closed loop system to recycle ▪ Alternative supply route
Unexpected demand for projects	▪ Increased safety stock ▪ Proactive demand planning

1H NPD launches to strengthen & extend our core propositions

With a focus on **providing functional and stylish solutions**, we launched new additions to our ranges.



Our passion to **deliver superior solutions for health & hygiene in the bathroom**, saw us expand our hygiene technology, GermGard, to all new Toilet Seats and Toilet Suites.

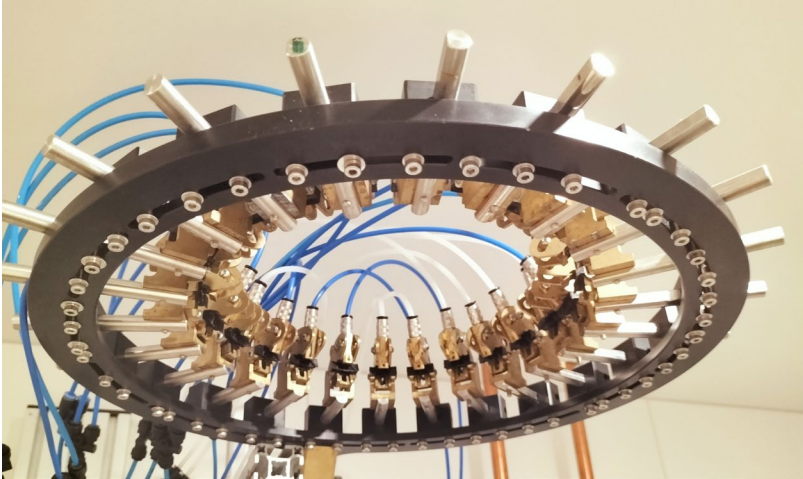


Renowned for our ranges to support independent living, we **launched the new colour OPAL range**, offering contemporary colours & sophisticated style to this core functional range.



Already seeing strong demand, we **launched our range of new premium Sink Mixers**, extending our popular LIANO II and URBANE II styles and colours for coordinated kitchen styling.

Focussed centres of excellence



GWA innovation centres are at the forefront of global water technology innovation, focusing on designs of world first flushing systems, patented shower experiences and water saving solutions.

- Two purpose built centres of excellence;
 - Tapware & Showers Innovation Centre in Auckland, New Zealand
 - Sanitaryware Innovation Centre which includes a state of the art 2,000 square metre facility in Sydney, Australia
- NATA accredited in-house testing laboratory enabling full product lifecycle testing.
- Development facilities supporting region-specific and customer collaboration product development.

05 | Strategic Update



Building revised strategy



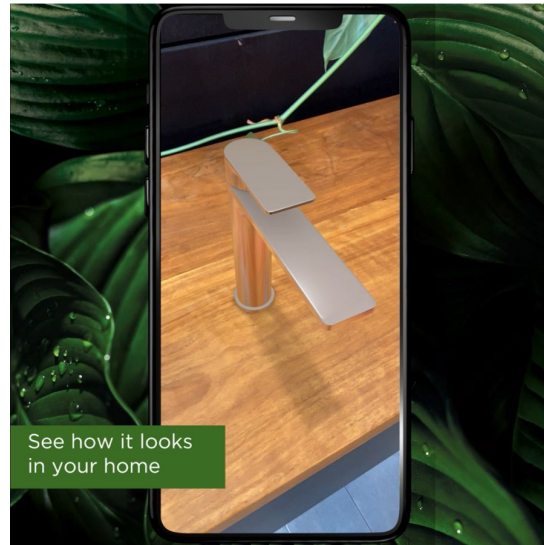
Setting the Groundwork

- Customer profiling
 - Understanding different purchasing journeys
- Brand portfolio review
 - Clear brand value proposition to our customers
 - Category reviews to support brands
- Improve customer experience
 - Digital experience
- ERP implementation H2 FY22

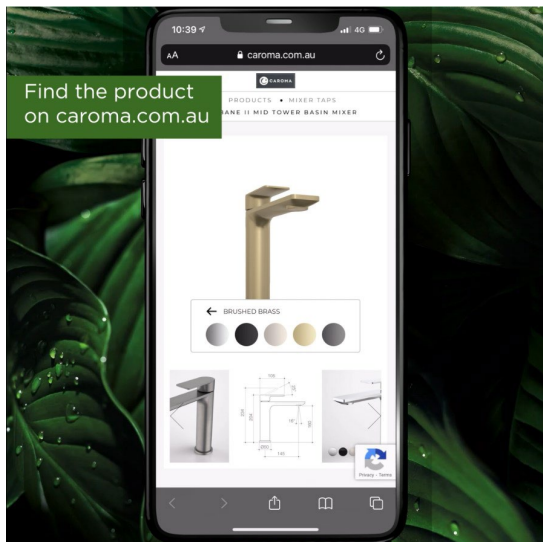
Caroma products available to experience in your own home

GWA's online platforms offer virtual and augmented reality experiences, allowing you to visualize your dream bathroom, kitchen and laundry.

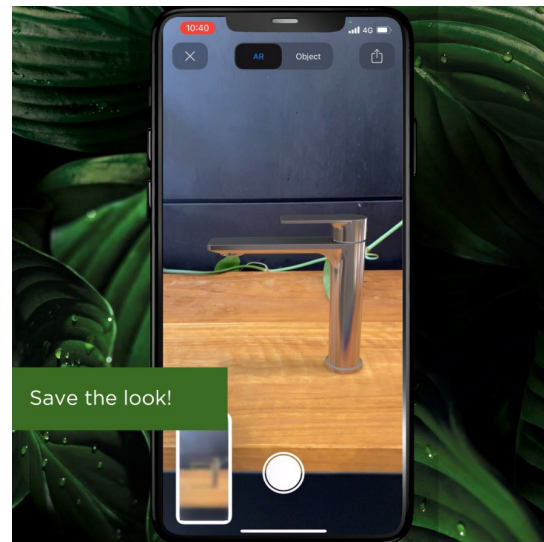
Step 2:



Step 1:



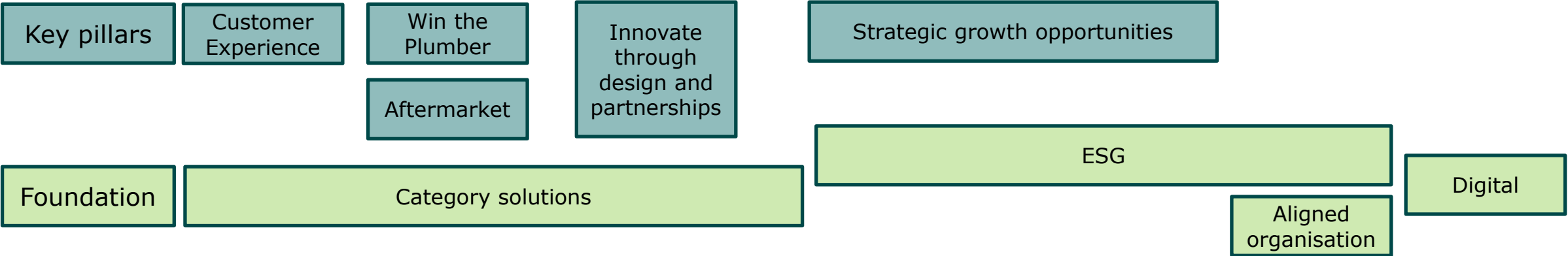
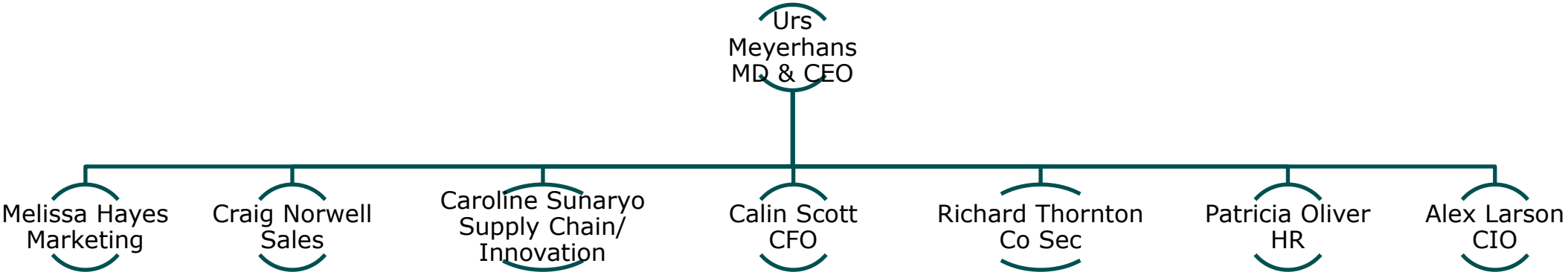
Step 3:



Caroma Visualiser enables a digital window into planning your bathroom, with virtual "walk-through" experiences and ability to share with your friends and family.



A committed Management Team to deliver the strategy



06



Solid 1H performance – proactively managing COVID conditions

- **Improved financial performance and successfully addressing all disruptions**
- **Cashflow/balance sheet remain strong**
- **Continued momentum into 2H FY22**
- **Strategy – setting groundwork for successful implementation**

Key focus

FY22 commentary

Key Markets

Positive for GWA

- R&R in Residential/Commercial activity expected to remain positive
- Expect continued momentum in residential detached completions
- Commercial new build expected to remain subdued

Full Year performance

Expecting stronger 2H, FY22

- AUS price increase of 4% (effective 1 Dec 21) will offset increased freight costs
- Inventory levels and robust supply chain able to meet demand
- Expect 2H Group Normalised EBIT to be higher than 1H, subject to any potential further impact on the general economic environment

Strategy

Continue with clear focus

- ERP implementation H2 FY22
- Refreshed customer journey reviews
- Finalising brand value proposition and category review
- Expand on digital footprint

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*.



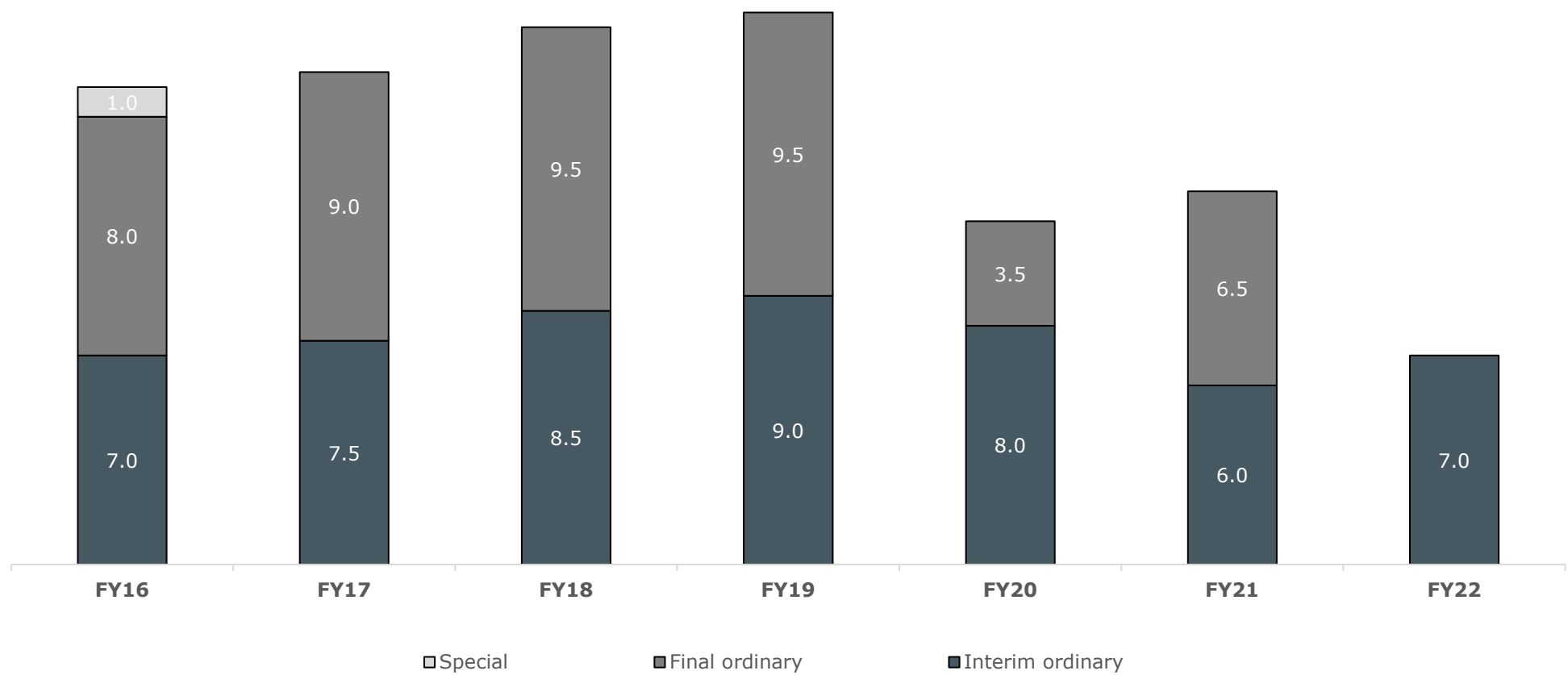
08 | Appendix



FY22 Key Assumptions¹

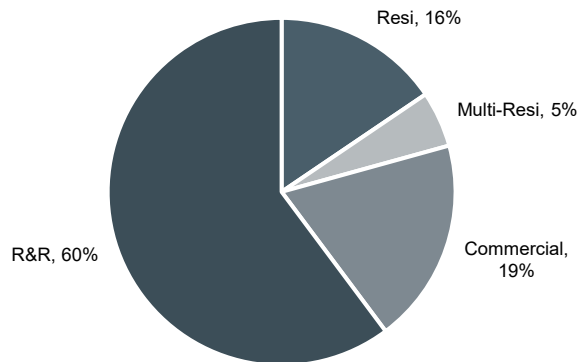
Area	FY22 Expectation	Actual 1H
Australian market backdrop	BIS total building activity data ² is indicating market growth of +1% in FY22	BIS total building activity data is indicating market growth of +2% in FY22
Price increase	3% implemented in ANZ from 1 July 2021 and ~4% implemented in Australia from 1 December 2021	3% implemented in ANZ from 1 July 2021
D&A (depreciation and amortisation)	~\$7.5-8.5m excluding the impact of IFRS 16. Including the impact of IFRS 16 ~\$19.5 – 20.5m	\$4.3m excluding the impact of IFRS 16. Including the impact of IFRS 16 D&A is \$10.3m
Interest costs	~\$5-6m excluding lease interest. Including lease interest ~7-8m.	\$2.6m excluding lease interest. Including the impact of IFRS 16 interest costs are \$3.8m.
FX	~\$0m - ~0.5m gain. Currently 73% hedged at US\$0.75	Loss of \$0.8m
Effective Tax rate	~29.0 – ~30.0%	29.6%
Working capital	Increase from June 2021	Increase from June 2021
Capex	~\$3.0 - ~\$3.5m	\$1.6m
Supply chain savings	~\$3m	\$2.0m
Freight cost increase	~\$6.0 – 8.0m	\$2.8m
Significant items	~\$11m pre tax of ERP/CRM implementation costs ³	\$5.4m pre tax of ERP/CRM implementation costs ³

1H FY22 dividend increased on 1H FY21

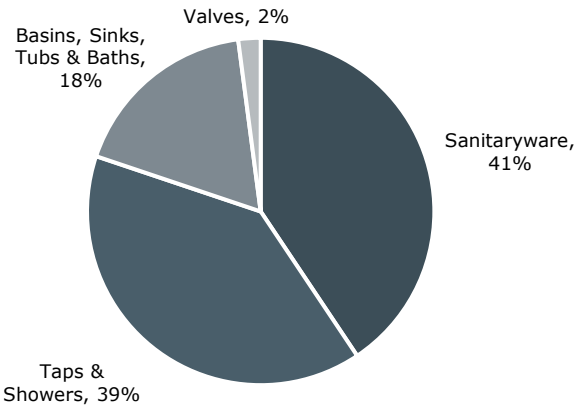


Increasing presence in Commercial segment

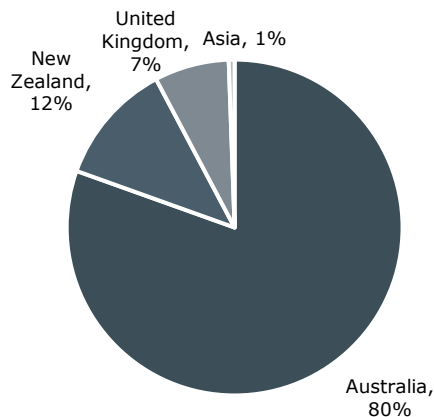
Segment¹



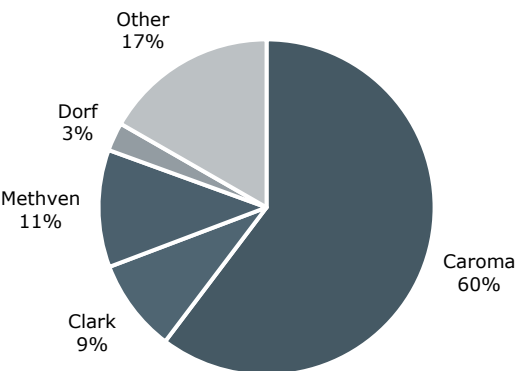
Category



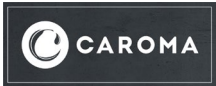
Geography



Brand

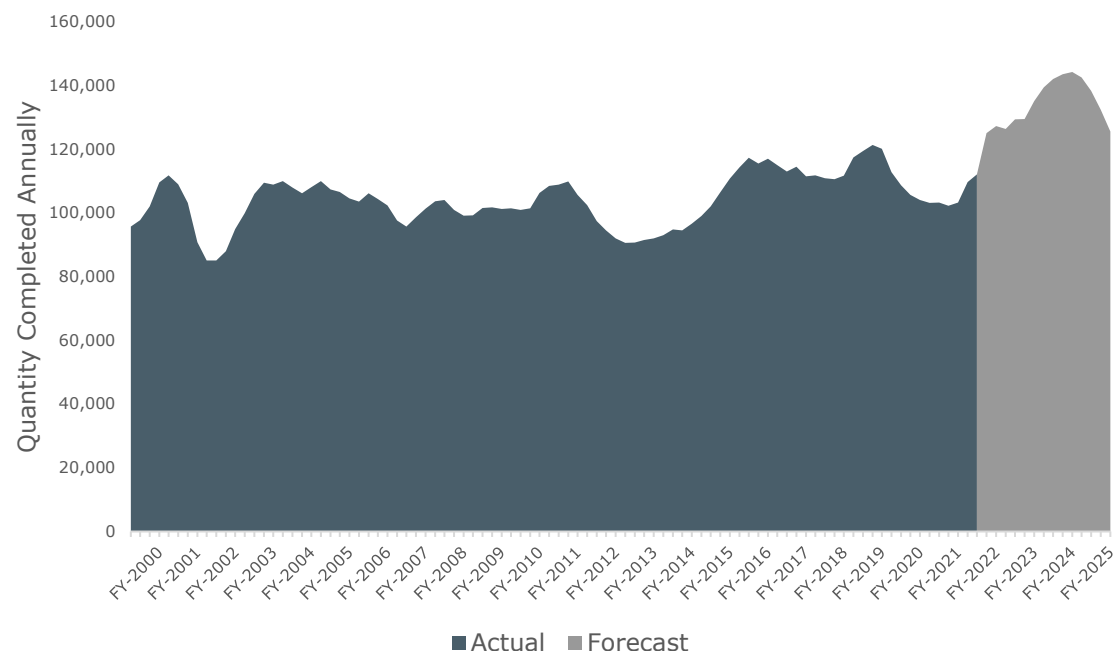


¹ Percentage of Australian sales revenue only. Category, Geography and Brand are percentage of group sales revenue



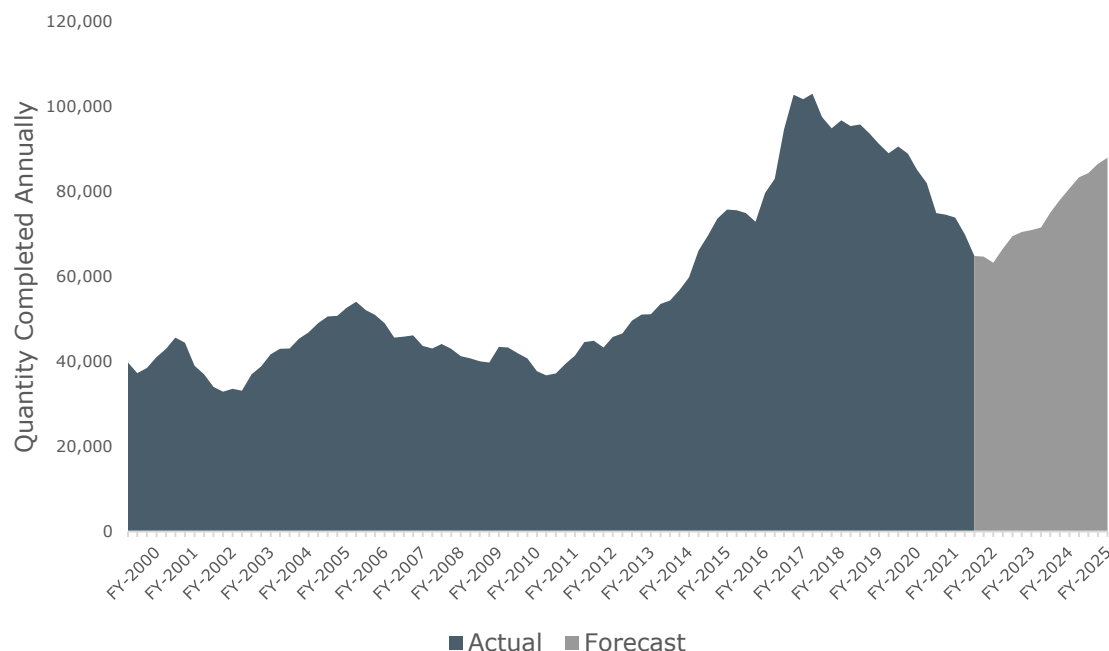
Australian Market Context – residential completions expected to strengthen in FY22, multi-residential to recover in FY23

Residential¹



¹ 16% of GWA's Australian revenue

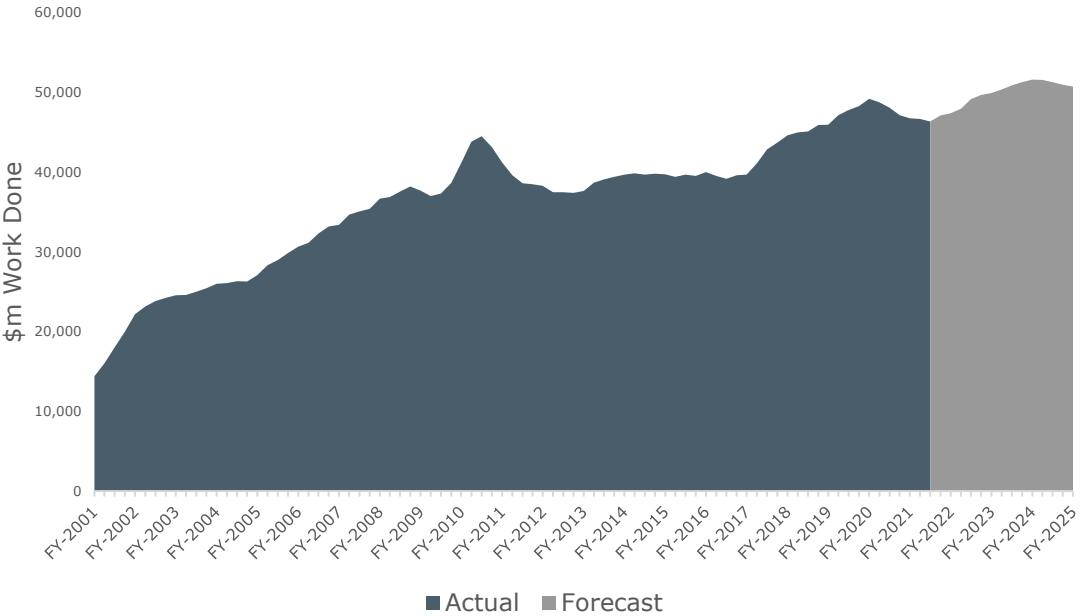
Multi - Residential²



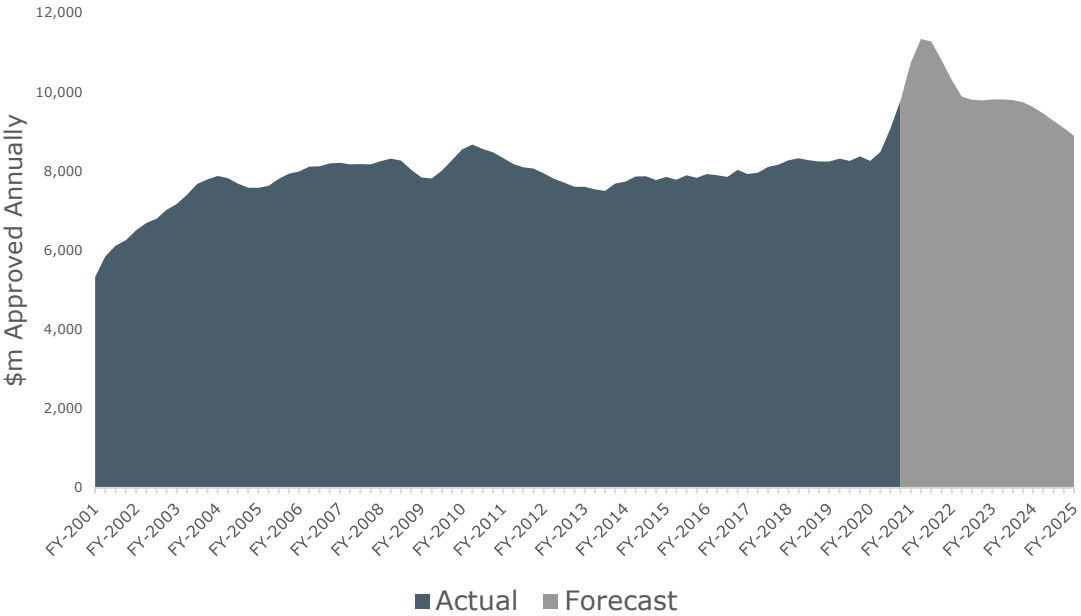
² 5% of GWA's Australian revenue

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

Commercial¹



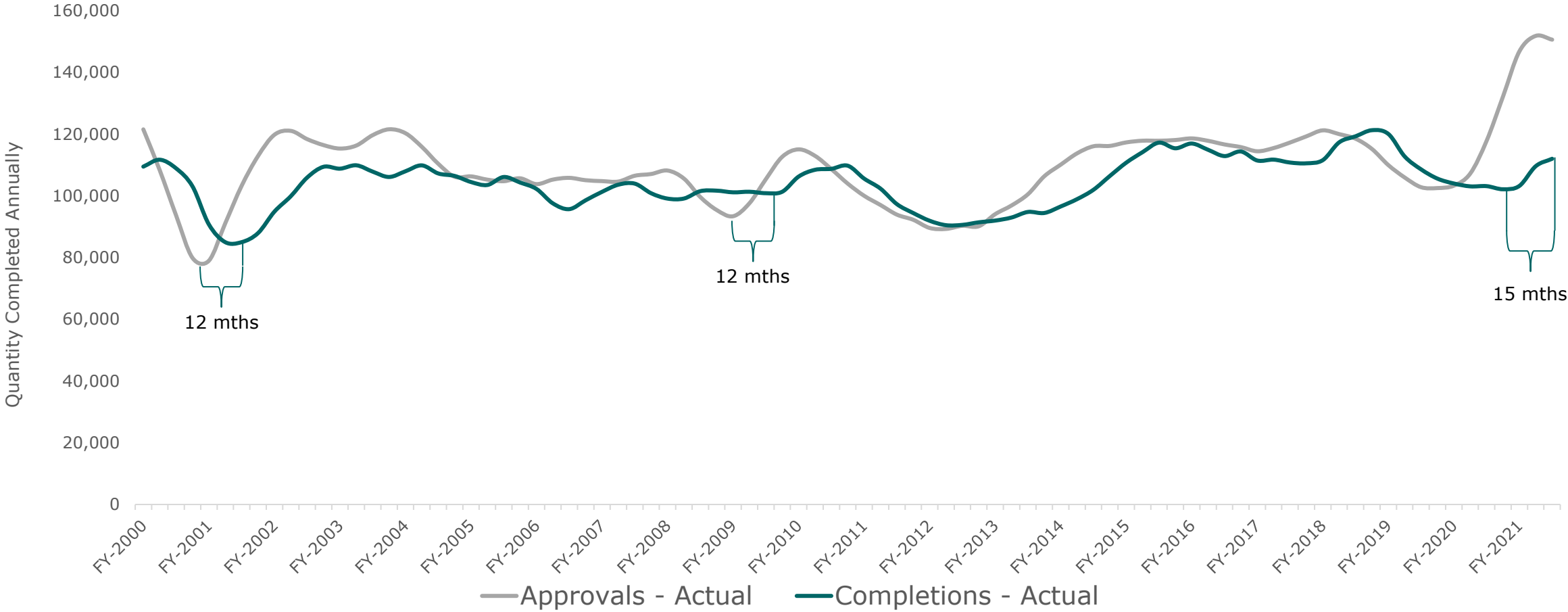
Alterations & Additions²



¹ 19% of GWA's Australian revenue

² 60% of GWA's Australian revenue

Residential completions expected to rise by 24,000 or 23% during FY22 (Completions' lag vs. approvals ~15 months)





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Results Presentation

Half Year ended 31 December 2021

15 February 2022