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ASX/MEDIA RELEASE

GWA reports normalised¹ net profit of \$20 million in challenging market – well positioned for expected market improvement

GWA Group Limited, a leading provider of water solutions products and systems to households and commercial premises, today announced its half year results for the period ended 31 December 2020.

Financial Results

For the half year, Group revenue reduced by 4.4 per cent to \$197.2 million, reflecting the overall decline in market conditions.

Normalised Group EBIT (before significant items) was \$32.1 million compared to \$38.1 million for the prior corresponding period.

Normalised Net Profit After Tax was \$20 million, down 17 per cent from the prior period.

The Company reported a statutory net profit of \$18.5 million compared to \$23.6 million for the prior corresponding period.

GWA continued to generate strong cash, despite the weaker market conditions in the first half, with operating cashflow up 18 per cent to \$49.7 million.

Meanwhile, net debt was further reduced from \$144.8 million at 30 June 2020 to \$125 million at 31 December 2020.

GWA's strong cash generation and financial position enabled the Board to pay an interim dividend of 6.0 cents per share, fully franked, compared to 8.0 cents per share for the prior corresponding period and 3.5 cents per share for the final dividend for FY20. The dividend is payable on 20 April 2021.

Managing Director, Tim Salt, said GWA demonstrated continued discipline in responding to the challenging market conditions in the first half while continuing to execute its growth strategy.

As a result GWA remained well capitalised to manage through the current environment with a stronger platform for growth.

"We saw signs of market improvement in the second quarter FY21 with more recent lead indicators pointing to an increase in residential detached completions and renovation and replacement activity in Q4 FY21 /FY22.

"GWA maintains significant operational leverage to an improvement in the residential building cycle, while our commercial forward order bank remains in growth. That provides a very solid foundation to improve revenue and earnings momentum as market conditions improve," Mr Salt said.

¹ Normalised is before Significant Items

Water solutions growth strategy on track

GWA continued to successfully execute its strategy for growth as market conditions improve.

"We launched new ranges of taps, showers, accessories and sanitaryware under the Caroma brand in Australia and New Zealand and new Methven showerware ranges in Australia, New Zealand and China.

"We introduced Germgard® antibacterial glazing to our sanitaryware to capitalise on consumers' heightened concerns over safety and hygiene following the COVID-19 outbreak.

"Meanwhile, our touchless intelligent bathroom system, Caroma Smart Command®, continues to represent a growth opportunity in the commercial segment.

"The system has now been successfully installed in 77 sites with a solid bank of additional projects in the pipeline. We have completed the first pilot installation in Asia with further activity planned over the next year." he said.

Mr Salt said the Methven business, which GWA acquired in April 2019, was performing to expectations. GWA grew revenue in both New Zealand and the United Kingdom, partially offset by the weaker Australian market. Cost synergies remain in line with FY21 guidance of \$6 million total and GWA has commenced the consolidation of its network and deliveries in New Zealand to deliver an additional \$3 million cost savings from FY22.

FY21 Outlook - expect some market improvement in Q4 FY21 / FY22

Mr Salt said recent lead indicators in Australia (consumer sentiment, dwelling approvals, new housing loans, housing turnover) and Federal (HomeBuilder) and State Government incentives point to increased detached residential completions and renovation and replacement activity in Q4 FY21/ FY22.

GWA's commercial order bank remains strong and is ~16 per cent above 31 December 2019. However, Commercial and multi-residential completions are expected to remain subdued in 2H FY21. As confidence and activity increases in the Commercial segment, GWA remains well placed to capitalise on this improvement.

Growth is expected in New Zealand, the United Kingdom (despite COVID-19 challenges) and Asia.

GWA has strong operational leverage to the market upturn underpinned by ongoing operational discipline.

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

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