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## **MEDIA RELEASE**

### **GWA increases net profit by 15%; declares fully-franked final dividend of 8 cents and special dividend of 1 cent per share<sup>1</sup>**

- **Net Profit After Tax up 15% to \$51.9 million**
- **Earnings Before Interest and Tax (EBIT) up 8% to \$78.3 million**
- **Earnings per share up 29%**
- **Final dividend of 8 cents per share fully-franked**
- **Special dividend of 1 cent per share fully-franked**
- **Revenue up 3% broadly in line with market**
  - **Bathrooms & Kitchens revenue up 4%**
  - **Door & Access Systems revenue up 2%**
- **Operating cashflow up 12% to \$91.7 million; improved working capital in 2<sup>nd</sup> half**
- **Financial position remains strong; net debt down 7%; credit metrics improved**
- **Good progress on strategy**
  - **Successful launch of Caroma Cleanflush**
  - **Strengthened new product development pipeline**
  - **Cost base further reduced**
  - **Supply chain improved through Integrated Business Planning project**

GWA Group Limited, (ASX:GWA) a leading supplier of fixtures and fittings to households and commercial premises, today announced a 15 per cent increase in net profit after tax to \$51.9 million for the year ended 30 June 2016.

EBIT increased by 8 per cent to \$78.3 million, from improved earnings in the Bathrooms & Kitchens' division and from a reduction in corporate costs on the prior year.

Revenue increased by 3 per cent to \$439.7 million, broadly in line with the market growth of the key end markets for GWA products which increased by approximately 4 per cent.

Earnings in Bathrooms & Kitchens increased by 2 per cent to \$84.6 million, while Door & Access Systems' earnings of \$7.3 million were marginally ahead of the prior year.

Earnings per share of 19 cents were 29 per cent ahead of FY15 from increased profitability and the reduced weighted average number of shares on issue following the completion of the accretive on-market share buyback.

The Board has resolved to pay a final ordinary dividend of 8 cents per share fully-franked, bringing the full-year ordinary dividend to 15 cents per share fully-franked. In addition, the Board has declared a special dividend of 1 cent per share, fully-franked which represents the net proceeds from the resolution of the dispute with the Carrier companies.<sup>2</sup>

<sup>1</sup> Unless specified, all amounts and comparisons in this release are based on normalised results (before significant items) in respect of Continuing Operations which exclude Brivis Climate Systems and Dux Hot Water which were divested in FY15 and Gliderol Garage Doors which was divested on 31 July 2015.

<sup>2</sup> On 14 June 2016, GWA announced the resolution of the dispute with the Carrier companies regarding losses incurred by GWA in relation to the Brivis business. Brivis was acquired by GWA in March 2010 and subsequently divested in February 2015. As part of the resolution, GWA received a net payment of \$2.8 million which was classified as a significant item from Discontinued Operations in the FY16 accounts.

On a reported basis, including the net proceeds from the resolution of the Carrier dispute, GWA reported an after tax net profit of \$53.7 million compared to a net loss of \$16.2 million in the prior year.

GWA remains in a strong financial position with net debt of \$88.4 million at 30 June 2016 compared to \$94.8 million in the prior year.

Credit metrics remain consistent with investment grade and GWA has significant headroom within its banking facilities, providing financial flexibility for the group.

Meanwhile cash generation continues to improve with cashflow from operations increasing by 12 per cent on the prior year to \$91.7 million.

GWA Managing Director and Chief Executive Officer, Tim Salt said he was pleased with the improved result.

"Having divested non-core businesses in FY15 and early FY16, we now have a clear focus on our Bathrooms & Kitchens and Door & Access Systems' businesses where we have strong market positions and capacity to grow.

"We made solid progress on our strategic priorities in FY16, in strengthening our product offering to consumers, engaging more effectively with customers and continuing to reduce costs and improve the efficiency of our supply chain network.

"In particular, the successful launch of Caroma Cleanflush demonstrates our ability to leverage our investment in research and development to bring innovative new products to market. We launched this product in the fourth quarter and initial sales have been strong, creating a positive platform into FY17.

"However, we recognise we still have significant work to do as part of our strategy to leverage our assets and brands to selectively build share in key market segments," he said.

For FY17, Mr Salt said the renovation and replacements segment, the market's largest segment accounting for just over half of GWA's group revenue, was expected to remain relatively stable.

"While recent lead market indicators point to an expected slow-down in housing construction, new building activity remains at historically high levels.

"GWA's products are typically sold at the completions stage of the building cycle and therefore the lag between approvals flowing through to completions and the significant pipeline of work to be completed should support continued activity and demand for our products and brands into FY17.

"We expect to provide an update on market conditions at the company's AGM on 28 October," he said.

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