



GWA
Group Limited

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29 October 2021

ASX On-Line

Manager Company Announcements
Australian Securities Exchange

Dear Sir

Annual General Meeting Presentation to Shareholders

In accordance with Listing Rule 3.13, we enclose the Chairman's and Managing Director's Address to Shareholders at the GWA Group Limited virtual Annual General Meeting (AGM) to be held at 10:00am (AEST) today.

An audio recording of the AGM presentation will be made available on the GWA website at www.gwagroup.com.au following the conclusion of the meeting.

This announcement has been authorised for release 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



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METHVEN

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Annual General Meeting

29 October 2021



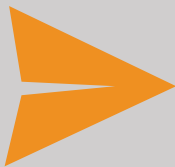
Online attendees – TEXT question process



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Your question will be sent immediately



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Ask a question



Moderator

Type your question in the box above and then press the send arrow. Please include the number of the resolution at the beginning of your question. Questions may be moderated or amalgamated if there are multiple questions on the same topic

Agenda

01 | Financial Statements

02 | Chairman's Address

03 | CEO Presentation

04 | Formal Business

05 | Close



Financial Statements

Financial statements for the year ended 30 June 2021

02 | Chairman's Address

FY21 Result - solid 2H improvement provides momentum for FY22

Improved 2H FY21 v 1H FY21 performance

- A challenging year BUT we achieved revenue improvement of 6%; EBIT up 13%; EBIT margin up 120 bps in 2H - demonstrates GWA's ability to capitalise on improving markets
- Operational discipline together with synergies derived from Methven delivered \$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 enabled payment of 6.5 cents per share final dividend bringing 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 is expected to result in ~\$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 positive, subject to COVID-19
- Commercial segment activity remains subdued; however, order bank remains strong - well positioned for segment recovery
- Realigned cost base provides enhanced operating leverage to improvement in building cycle
- However, the ongoing effects of COVID-19 lockdowns, particularly Sydney/NSW and Melbourne/Victoria and NZ create uncertainty re potential impacts on construction markets

Ongoing commitment to sustainability at GWA

Sustainability remains fundamental to the way we conduct our business.

Our approach to sustainability continues to be based around two central objectives:

- Operating in a sustainable manner across our business by managing our resources as efficiently as possible and by acting in a socially responsible manner;
- Providing leading-edge products and systems that contribute to sustainability by making life better through sustainable water-saving solutions for the built environment

Key Sustainability FY21 highlights:

- Gender diversity improvement with female composition increasing from 42% to 43%
- Water efficiency focus with over 80% of Caroma taps 5 or 6 star WELS¹ rated while 95% of Caroma sanitaryware products are 4 star WELS rated
- Consolidation of distribution network in Australia and New Zealand has resulted in a reduction in water, waste and energy consumption
- Implemented policy against slavery and trafficking in persons and completed two audits of major suppliers with no ethical sourcing issues identified
- Continued partnership with The Smith Family to support 60 disadvantaged children in drought affected areas in Australia with \$125,000 donated over the past 3 years



Executive Remuneration

Remuneration outcomes in FY21:

- Fixed Remuneration was frozen
- Executive team eligible for Short-Term Incentive (STI) payments to recognise their disciplined response to weaker markets in 1H FY21 and improved financial performance in 2H FY21, together with successful execution of key business changes and general activities

Changes to remuneration framework for FY22:

- For this and future years, your Board determined there should be a change in variable remuneration mix for FY22 with a greater weighting being placed on long-term incentives coupled with a continued focus on short-term financial targets and critical non-financial KPIs
- This change applies to all members of the Executive team for FY22 to better align executive remuneration outcomes and long-term shareholder wealth creation
- The FY22 STI plan adopts EBIT as a single financial target. EBIT is an effective basis for STI financial targets as it is currently a key metric used in the business and aligns with the Group's strategy
- For FY22 the Board decided to retain relative Total Shareholder Return (TSR) as single performance measure under the LTI plan due to ongoing uncertainty caused by the impacts of COVID-19, which has resulted in difficulty in accurately forecasting the business performance for the next three year period. This decision was taken after considering various alternatives and incorporating independent expert advice
- For the FY23 LTI plan and in following years, the Board's current preference is to re-introduce a second performance measure of EPS growth, in addition to retaining the relative TSR measure

Board Renewal

Board Renewal process underway

- The Board has commenced a formal review which will consider Board renewal and appointments
- We have appointed external advisers, Hattonneale, to provide assistance in this process
- The Board will keep shareholders updated on developments as this process is progressed

03 | CEO's Presentation



Continued focus on Safety and Sustainability

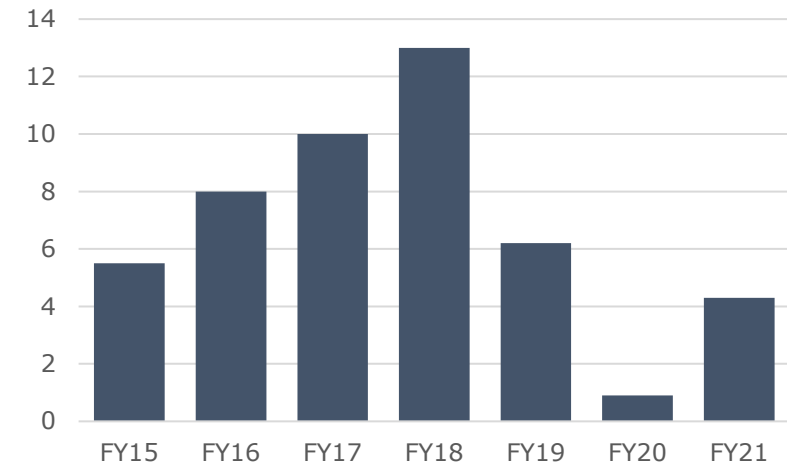
Safety key outcomes FY21

- 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



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

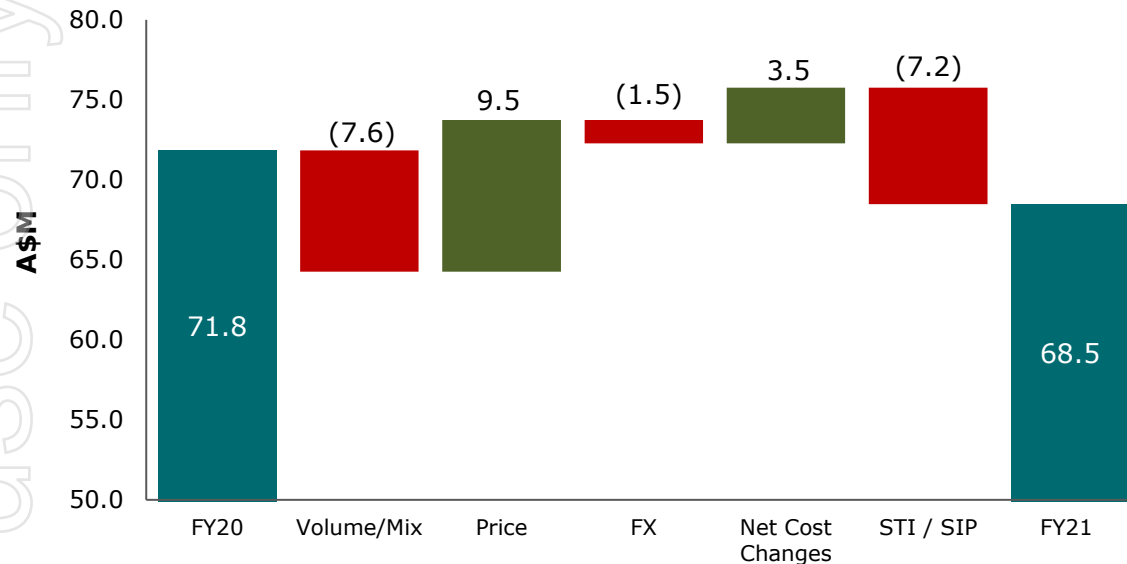
Significant Items	FY20	FY21	% Change
Pre Tax	(1.5)	(9.5)	nm
Post Tax	(1.0)	(7.3)	nm

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

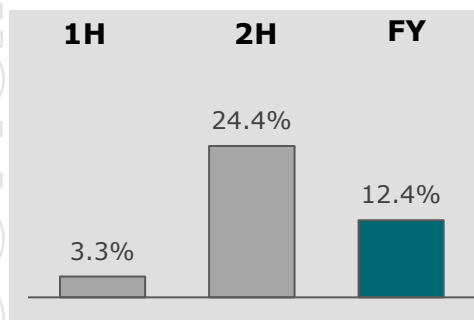
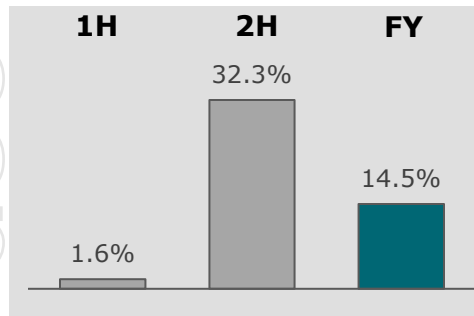
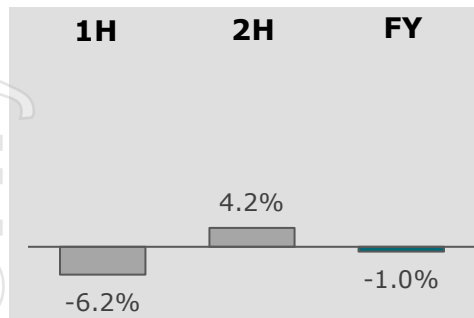
Normalised¹ Continuing Operations EBIT Bridge (A\$M)



- **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

Revenue uplift in 2H as markets improve

FY21 Revenue vs pcip (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

New Zealand

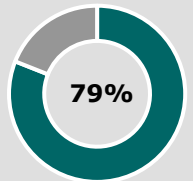
- 1H growth up year on year +1.6% (+3.1% in NZ\$)
- Benefiting from integrated sales team and strong stock availability
- 2H growth strong +32.3%, benefiting from lapping prior year COVID-19 lockdown

International

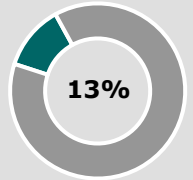
- 1H sales up +3.3% with increasing market share in the United Kingdom
- 2H strong growth +24.4%, benefiting from lapping prior year COVID-19 lockdown
- EBIT margins strengthened

\$ Revenue & % of Group

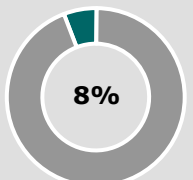
\$319.8m
(FY20: \$323.2m)



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



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



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

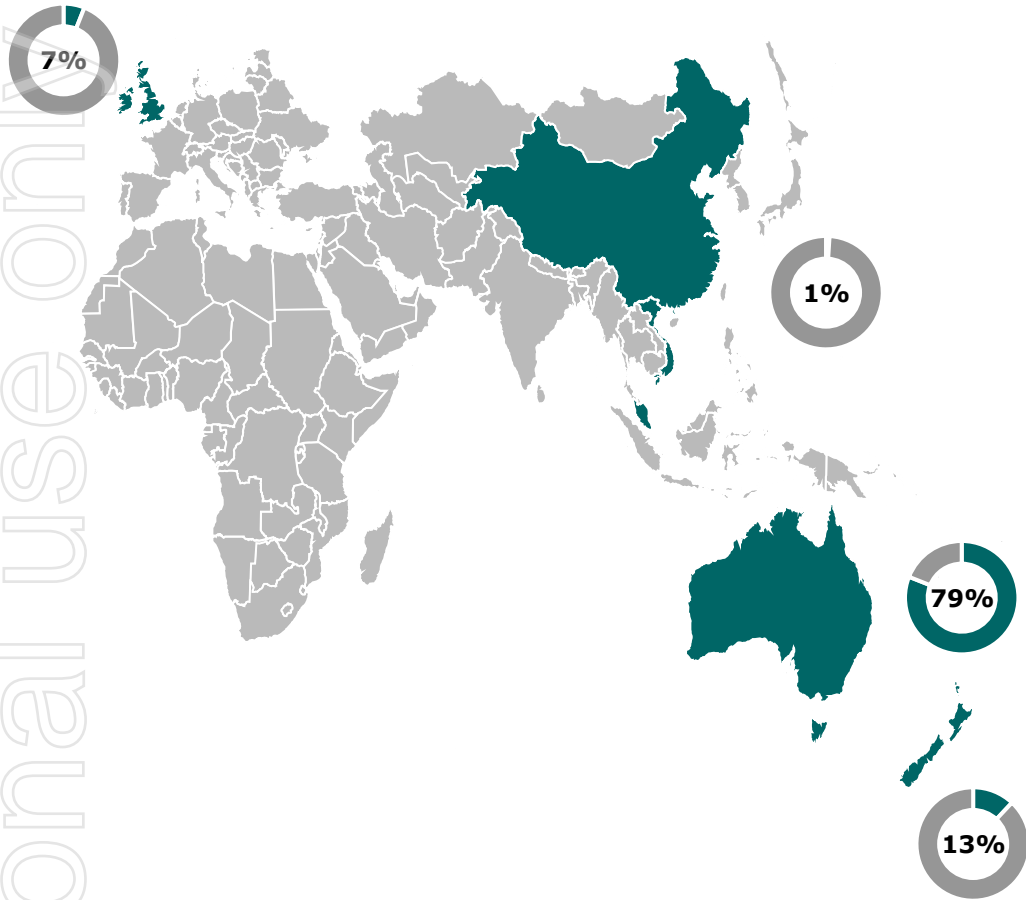
- Continued strong focus on cash management
- Operating cash flow up 16% to \$103.1m with Group Free cash flow up 53%
- Cash conversion¹ from operations remains strong at 117% despite weaker markets in 1H
- Capital expenditure and other investing \$8.0m, below guidance due to treatment of ERP/CRM systems' 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 \$220m banking facility
 - \$180m multi-currency revolving facility renewed does not expire until October 2024
 - \$40m bi-lateral facility renewed; matures October 2022

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 two NZ warehouses
- Sale of the Methven China plant completed in Q3 FY21
- 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

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

FY22 outlook

Key area

Trading 1Q FY22

Australia - strong despite COVID
NZ – 5 week shut down, but
recovered strongly

Market activity

Strong momentum in residential
detached completions, R&R
positive across both commercial
and residential, commercial new
build relatively subdued

FY22 commentary

- Group sales in 1Q FY22 flat compared to 1Q FY21
 - Australia sales up 6% despite some construction site and merchant closures during lockdowns
 - NZ sales down 32%, reflects Level 4 shutdown for 5 weeks (essential sales only) – strong rebound in sales as restrictions lifted in late September 2021
- Commercial R&R sales have strengthened in 1Q FY21 as projects drawn down from the order bank – as a result the order bank reduced by 5% from 30 June 2021 but has been growing August-September 2021
- Continued momentum expected in residential detached completions
- Expect R&R in Residential/Commercial activity to be positive
- Commercial new build to remain relatively subdued (growth in education/health/aged care offset by declines in offices and retail)
- Multi-Residential expected to decline further from lower net migration
- While vaccination rates have improved and lockdown restrictions eased there is continued uncertainty re: COVID-19

FY22 outlook (continued)

Key area

FY22 commentary

Revenue focus FY22

New Product Developments
Joint business plans with
customers
International growth

- FY22 focus on customer and consumer initiatives to generate revenue growth
 - NPD focused on new bathroom ranges in Caroma
 - 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

Managing cost base

Additional cost savings
Price increases to manage input
costs

- Expecting cost reduction of \$3m annualised from supply chain initiatives in FY22
- Further price increase (+4%) in Australia effective 1 December 2021 related to freight cost increases
- Active management of our cost base in line with business performance

04 | Formal Business



Online attendees – AUDIO question process



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Asking Audio Questions

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Voting

When voting opens, a **VOTING** tab will appear at the top of the screen. Selecting this tab will open a list of resolutions, select **For**, **Against** or **Abstain** to cast your vote. There is no enter or send button. You may however cancel your vote and enter a new selection while voting is open.

Resolution 1 – Re-election of Darryl McDonough

That Mr Darryl McDonough, who retires as a director of the Company in accordance with clause 10.3 of the Company's Constitution, be re-elected as a director of the Company.

Resolution 2 – Re-election of Peter Birtles

That Mr Peter Birtles, who retires as a director of the Company in accordance with clause 10.3 of the Company's Constitution, be re-elected as a director of the Company.

Resolution 3 – Remuneration Report

That the Remuneration Report for the year ended 30 June 2021 be adopted.

Resolution 4 – Approval of grant of performance rights

That for the purposes of ASX Listing Rule 10.14, and for all other purposes, approval is hereby given for the grant of up to 600,000 Performance Rights (incorporating the right to acquire shares in the Company) to the Managing Director, Mr Urs Meyerhans, on the terms set out in the accompanying Explanatory Memorandum and under the GWA Group Limited Long Term Incentive Plan (LTIP) which is constituted and administered in accordance with the Rules of the LTIP.

Resolution 5 – Approval of grant of performance rights

That for the purposes of ASX Listing Rule 10.14, and for all other purposes, approval is hereby given for the grant of up to 100,000 Performance Rights (incorporating the right to acquire shares in the Company) to the Executive Director, Mr Richard Thornton, on the terms set out in the accompanying Explanatory Memorandum and under the GWA Group Limited Long Term Incentive Plan (LTIP) which is constituted and administered in accordance with the Rules of the LTIP.

ONLINE attendees – Voting



When open, the vote will be accessible by selecting the voting tab at the top of the screen



To vote simply select the direction in which you would like to cast your vote. The selected option will change colour

For



Against



Abstain



There is no submit or send button, your selection is automatically recorded. You can change your mind or cancel your vote any time before the poll is closed

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MESSAGING



VOTING

Poll Open

You have voted on 0 of 2 items

Resolution 1

Select a choice.

For



Against



Abstain



CANCEL

Question 2

Select a choice.

Yes



No



Unsure



Resolution 1 Re-election of Mr Darryl McDonough as Director

FOR	192,792,009	97.60%
OPEN	1,135,089	0.57%
AGAINST	3,606,859	1.83%
ABSTAIN	891,269	

Resolution 2 Re-election of Mr Peter Birtles as Director

FOR	195,186,628	98.80%
OPEN	1,145,949	0.58%
AGAINST	1,215,235	0.62%
ABSTAIN	877,414	

Resolution 3

Adoption of Remuneration Report

FOR	183,427,114	98.89%
OPEN	964,162	0.52%
AGAINST	1,097,934	0.59%
ABSTAIN	1,544,266	

Resolution 4

Approval of Grant of Performance Rights to Managing Director under the Long Term Incentive Plan

FOR	183,544,408	98.52%
OPEN	1,118,662	0.60%
AGAINST	1,636,702	0.88%
ABSTAIN	12,125,454	

Resolution 5

Approval of Grant of Performance Rights to Executive Director under the Long Term Incentive Plan

FOR	183,531,987	98.52%
OPEN	1,118,916	0.60%
AGAINST	1,644,346	0.88%
ABSTAIN	12,129,977	

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Annual General Meeting

29 October 2021

