



**GWA**  
Group Limited

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Brisbane QLD 4001

30 October 2015

**ASX On-Line**  
Manager Company Announcements  
Australian Securities Exchange

Dear Sir

**Chairman's and Managing Director's Address 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 Annual General Meeting to be held at 10:30 am (Brisbane time) today at the Emporium Hotel, Fortitude Valley.

Yours faithfully

**R J Thornton**  
Executive Director



# 23<sup>rd</sup> Annual General Meeting

30 October 2015











# Delivering our Strategy

Objective		Progress in FY15
1	<b>Focus the portfolio on core businesses</b> ✓	<ul style="list-style-type: none"> <li>▪ Successful divestments of Dux Hot Water, Brivis Climate Systems and Gliderol Garage Doors businesses</li> <li>▪ Exit of manufacturing of vitreous china at Wetherill Park, phased exit from plastics at Norwood</li> </ul>
2	<b>Returns to shareholders</b> ✓	<ul style="list-style-type: none"> <li>▪ Successful return of funds to shareholders:                             <ul style="list-style-type: none"> <li>▪ Capital Return – 22.8 cents per share</li> <li>▪ Special Dividend – 6.0 cents per share</li> </ul> </li> <li>▪ Board continues to consider available capital management initiatives with a view to maximising shareholder returns</li> <li>▪ Board expects to resume ordinary dividends with the interim FY16 dividend, subject to prevailing market and trading conditions</li> </ul>
3	<b>Strengthen financial position</b> ✓	<ul style="list-style-type: none"> <li>▪ Net debt decreased by 37%</li> <li>▪ Credit metrics continue to improve</li> <li>▪ Refinanced syndicated debt facility to provide additional flexibility</li> </ul>
4	<b>Restructure for future growth</b> ✓	<ul style="list-style-type: none"> <li>▪ Organisational restructure to focus on core businesses</li> <li>▪ Cost base realigned - provides a more cost efficient and streamlined structure for GWA to compete</li> <li>▪ Enhanced flexibility to invest in systems and product innovation and other value accretive opportunities</li> </ul>

# Results Overview - Continuing Operations (before significant items)

## Normalised from Continuing Operations\*

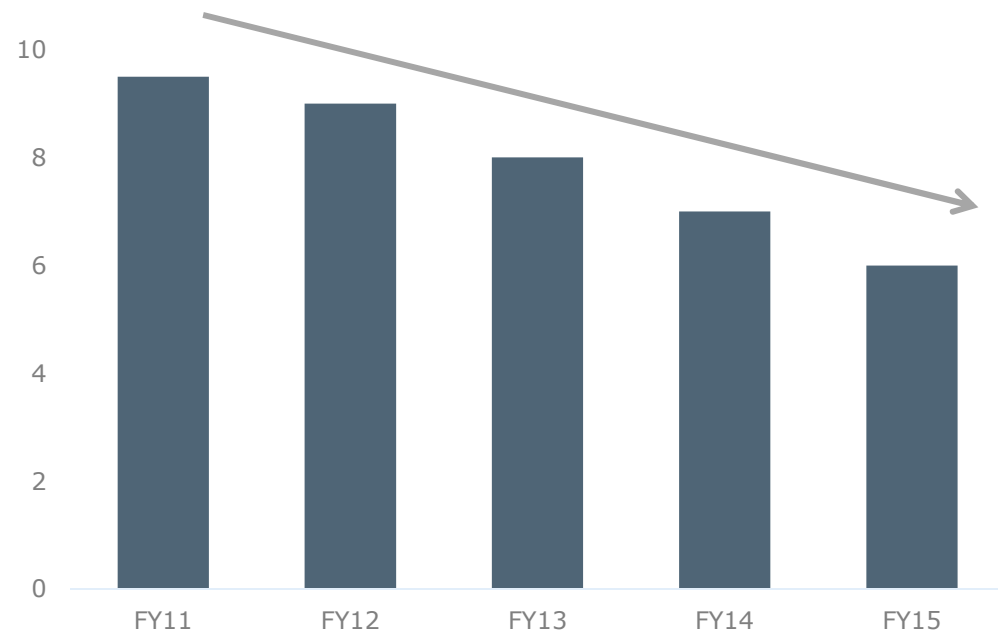
<b>Revenue</b> \$426.2m	 6.7%	<b>Gearing Ratio</b> 23.7%	 2.4pp
<b>EBITDA</b> \$81.8m	 6.5%	<b>Operating Cashflow</b> \$81.7m	 62.1%
<b>EBIT</b> \$72.8m	 12.9%	<b>EPS</b> 14.8 cents	 19.3%
<b>NPAT</b> \$45.2m	 19.3%	<b>ROFE</b> 14.5%	 2.3pp

\*Continuing Operations exclude the Bravis Climate Systems and Dux Hot Water businesses which were divested during the year and the Gliderol Garage Doors business which was divested on 31 July 2015 and is classified as an asset held for sale in the FY15 financial report. Normalised is before Significant Items.

# Continued improvement in Safety

- Continued focus on Safety results in ongoing reduction in rate of injuries across our business
- Total Injury Frequency Rate (TIFR) down 11% on prior year – 10<sup>th</sup> consecutive year of improvement
- Continued reductions in Lost Time Injury Frequency Rate and Injury Severity Rate
- Strengthened focus on Safety from FY16 – detailed review undertaken of GWA Workplace Health and Safety System
- Centralised Safety structure to drive consistent approach to reducing harm in the workplace

## Total Injury Frequency Rate



- Remuneration policy continues to align Board and executive remuneration with shareholders’ interests

<p><b>Actual Remuneration in FY15</b></p>	<ul style="list-style-type: none"> <li>• Bathrooms &amp; Kitchens achieved STI financial targets reflecting strong financial performance for FY15</li> <li>• No other divisional or corporate STI financial targets were achieved for FY15</li> <li>• Managing Director’s fixed remuneration frozen and no STI payment received by Managing Director reflecting the Group’s net loss position</li> <li>• Implemented changes to Long Term Incentive (LTI) Plan to address shareholder feedback that performance hurdles not sufficiently challenging compared to market expectations for Group’s EPS growth                         <ul style="list-style-type: none"> <li>• EPS Growth now assessed relative to dwelling completions (ABS) to provide fairer assessment of management performance relative to market opportunity</li> <li>• Return on Funds Employed (ROFE) replaced relative TSR as second LTI performance measure to provide more complete assessment of management performance</li> </ul> </li> </ul>
<p><b>Remuneration changes implemented for FY16</b></p>	<ul style="list-style-type: none"> <li>• Fixed remuneration for Managing Director and other executives frozen for FY16</li> <li>• Reduction in non-executive director remuneration of 16% on prior year</li> </ul>

# CEO Succession



- **Peter Crowley** intends to retire from GWA effective 30 June 2016
- Peter has provided 12 years of dedicated leadership to GWA
- Board acknowledges and thanks Peter for his significant contribution to the company



- **Tim Salt** joined GWA in September 2015 initially as EGM of Bathrooms & Kitchens business and will succeed Peter Crowley as Managing Director
- Tim has a strong track record of building high performance cultures and managing iconic brands
- Former MD of Diageo Australia/NZ with extensive global executive experience

# Managing Director's Address



Chairman's Address

Darryl McDonough  
Chairman

Managing Director's Address

Peter Crowley  
Managing Director

Formal Business

Darryl McDonough  
Chairman

Morning Tea



# Overview of Financial Results

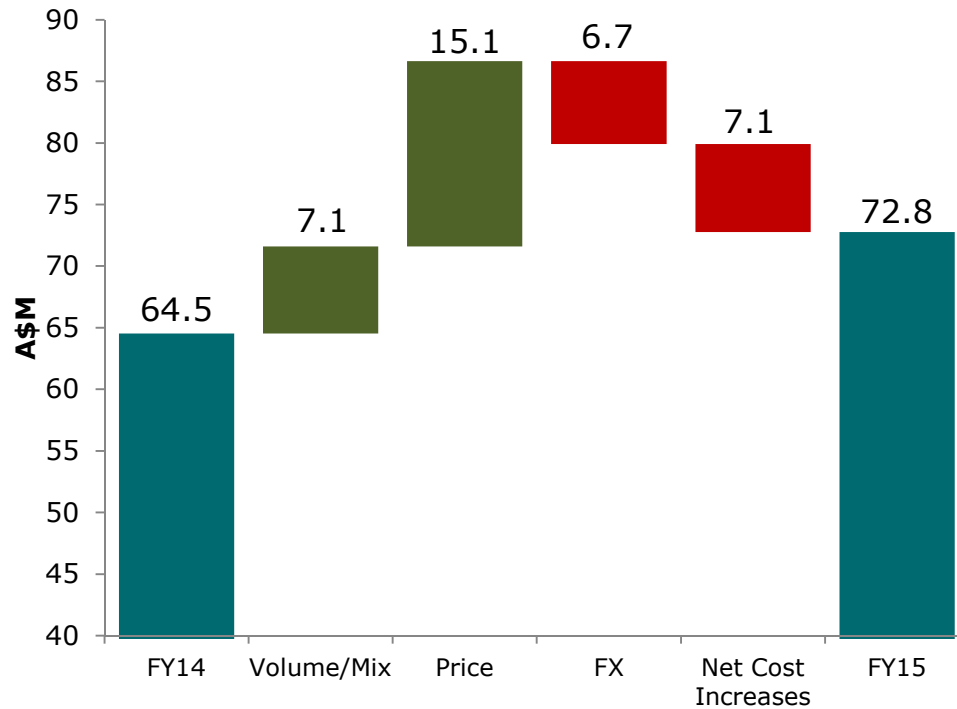
A\$m	Continuing Operations	FY14 Discont'd Operations	Group Total	Continuing Operations	FY15 Discont'd Operations	Group Total
<b>Normalised</b>						
EBITDA	76.8	13.1	89.9	81.8	5.1	86.9
EBIT	64.5	7.8	72.3	72.8	1.5	74.3
NPAT	37.8	5.9	43.7	45.2	1.0	46.2
<b>Significant Items</b>						
Pre Tax	(9.4)	(19.2)	(28.6)	(51.5)	(30.2)	(81.7)
Post Tax	(6.6)	(18.5)	(25.1)	(34.8)	(27.6)	(62.4)
<b>Reported</b>						
EBITDA	67.4	(6.1)	61.3	30.3	(25.1)	5.2
EBIT	55.1	(11.4)	43.7	21.3	(28.7)	(7.4)
NPAT	31.2	(12.6)	18.6	10.4	(26.6)	(16.2)
EPS (cents)	10.2	(4.1)	6.1	3.4	(8.7)	(5.3)

# Continuing Operations Overview

Continuing Operations A\$m	FY14	FY15	% Change
Revenue	399.4	426.2	6.7%
EBIT	64.5	72.8	12.9%
Interest Expense	(11.2)	(7.3)	-34.8%
Tax Expense	(15.5)	(20.3)	31.0%
NPAT (Normalised)	37.8	45.2	19.3%
Significant Items After Tax	(6.6)	(34.8)	427.3%
NPAT (Reported)	31.2	10.4	-66.7%

- Normalised net profit from Continuing Operations up 19% on prior year
- Normalised EBIT increase driven by improved earnings in Bathrooms & Kitchens partially offset by reduction in Door & Access Systems EBIT
- Lower net interest expense reflects strong financial position from lower debt

# Normalised EBIT – Continuing Operations



- Improved volume and mix primarily in Bathrooms & Kitchens – improvement across most product categories
- Price increases implemented to mitigate lower A\$
- Net cost increases driven by under-recoveries in Bathrooms & Kitchens, increased stock provisions, partially offset by cost savings

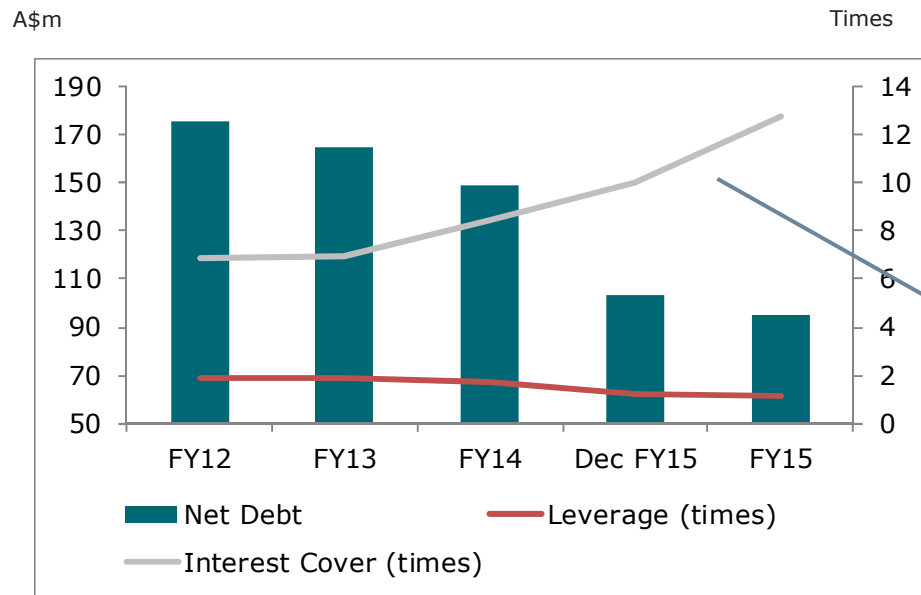
# Improved cash flow from operations

Cash flow from Operations A\$M	FY14	FY15
<b>EBITDA</b>	<b>76.8</b>	<b>81.8</b>
Net movement in Working Capital	(27.8)	(1.8)
Other	1.4	1.8
<b>Cash Flow from Operations</b>	<b>50.4</b>	<b>81.7</b>
Capital Expenditure	(3.0)	(3.4)
Restructuring / Other costs	(0.8)	11.8
Net Interest Paid	(10.6)	(7.4)
Tax Paid	(10.0)	(11.4)
Other Non-operating Cash flow	(2.6)	0.0
<b>Free Cash Flow from Continuing Operations</b>	<b>23.4</b>	<b>71.3</b>
Discontinued Operations	11.7	88.8
<b>Free Cash Flow</b>	<b>35.1</b>	<b>160.1</b>

- Strong improvement in Operating cashflow – Continuing Operations up 62%
- Working Capital movement – more efficient utilisation compared to prior year
- Free Cash flow from Continuing Operations up 204%
- Discontinued Operations cashflow reflects proceeds from non-core business divestments

# Strengthened Financial Position

## Net debt reduced by 37%



Metric	30 June 2014	31 Dec 2014	30 June 2015
<b>Net Debt</b>	149.4	103.5	94.8
<b>Leverage Ratio</b> <i>Net Debt / EBITDA</i>	1.7	1.2	1.1
<b>Interest Cover</b> <i>EBITDA / Net Interest</i>	8.5	10.0	12.8

- Credit metrics continue to strengthen and consistent with investment grade
- Syndicated banking facility refinanced – enhanced financial flexibility to invest in core businesses
- GWA remains in strong financial position – Board continues to consider range of capital management initiatives in FY16

# Bathrooms & Kitchens

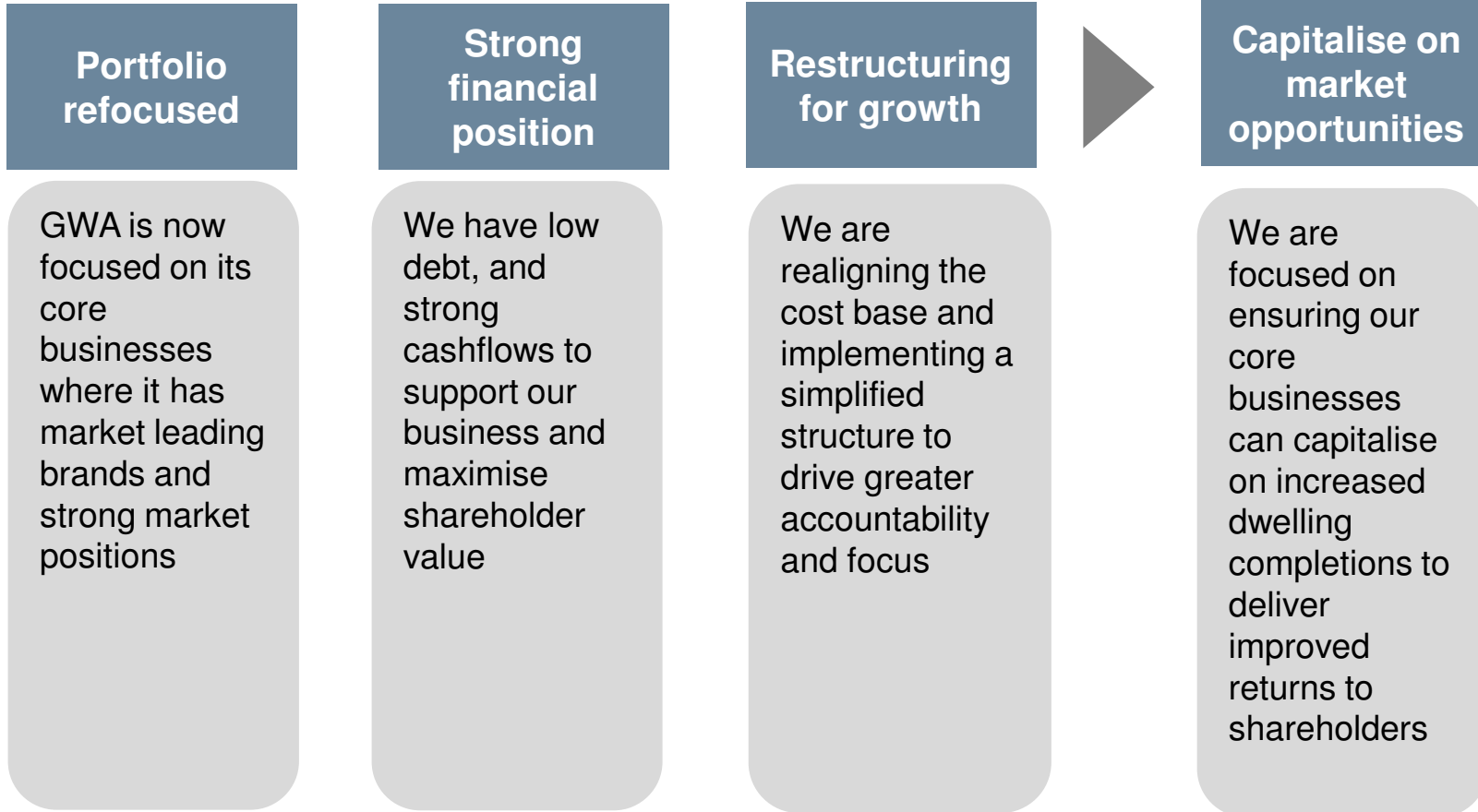
Continuing Operations A\$m	FY14	FY15	% Change
Revenue	306.6	330.0	7.6%
EBITDA	79.9	87.7	9.8%
EBIT	73.0	83.3	14.1%
EBIT Margin %	23.8%	25.2%	1.4pp
ROFE %	18.5%	22.5%	3.9pp

- Revenue and EBIT growth during significant year of restructuring activity
- Volume growth across most product categories drives 8% revenue increase
- Improved mix (sanitaryware, tapware) and pricing to mitigate against lower A\$
- Margin improvement provides stronger platform to deliver in FY16

# Door & Access Systems

Continuing Operations A\$m	FY14	FY15	% Change
Revenue	92.8	96.2	3.7%
EBITDA	9.7	8.6	-11.3%
EBIT	8.4	7.2	-14.3%
EBIT Margin %	9.1%	7.5%	-1.6pp
ROFE %	15.6%	13.2%	-2.4pp

- Revenue up 4%
- EBIT impacted by flat volume/mix in Gainsborough and higher FX charges for product purchases due to lower A\$
- One-off increase in Gainsborough stock provision impacts EBIT, partially offset by increased earnings in API





	Commentary
<p><b>Market conditions and building activity</b></p>	<ul style="list-style-type: none"> <li>▪ BIS Shrapnel forecasts for Sept Qtr 2015 vs Sept Qtr 2014                             <ul style="list-style-type: none"> <li>▪ Private house completions up 9%</li> <li>▪ Private multi-res completions down 13%</li> <li>▪ Alterations &amp; Additions (value of work done) up 4%</li> <li>▪ Non residential (value of work done) down 3%</li> </ul> </li> <li>▪ A\$/US\$ declined ~9% since 1 July 2015<sup>1</sup> - GWA announced price increases effective 1 September 2015 (B&amp;K) and 1 November 2015 (D&amp;A) however time lags before these are fully effective and further currency declines will result in some fx under-recovery in FY16</li> </ul>
<p><b>Priorities for FY16</b></p>	<ul style="list-style-type: none"> <li>▪ Finalise corporate restructure to realign cost base, capture supply chain efficiencies</li> <li>▪ Bathrooms &amp; Kitchens - launch new products (sanitaryware, Tapware) and segment initiatives</li> <li>▪ Door &amp; Access Systems – enhance customer relationships and develop new products</li> </ul>
<p><b>Update on 1<sup>st</sup> quarter trading for FY16</b></p>	<ul style="list-style-type: none"> <li>▪ Continuing Operations’ net sales up approximately 3% vs prior year                             <ul style="list-style-type: none"> <li>▪ Bathrooms &amp; Kitchens 3% up</li> <li>▪ Door &amp; Access Systems 2% up</li> </ul> </li> <li>▪ Lags on price increases to recover lower A\$ and timing of new product activity means FY16 earnings are expected to be weighted to 2<sup>nd</sup> half</li> </ul>
<p><b>Group Results</b></p>	<ul style="list-style-type: none"> <li>▪ Board continues to expect resumption of ordinary dividends with interim FY16 dividend, subject to prevailing market and trading conditions</li> <li>▪ Further update on market and trading activity at interim results on 16 February 2016</li> </ul>

1<sup>st</sup> July 2015 - 30<sup>th</sup> September 2015

# Formal Business

Chairman's Address

Darryl McDonough  
Chairman

Managing Director's Address

Peter Crowley  
Managing Director

Formal Business

Darryl McDonough  
Chairman

Morning Tea

## Re-election of Mr Bill Bartlett as Director

That Mr Bill Bartlett, 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.

### Re-election of Mr Richard Thornton as Director

That Mr Richard Thornton, 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.

# Adoption of Remuneration Report

That the Remuneration Report for the year ended 30 June 2015 be adopted.

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

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 65,000 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.

**Given the significance of restructuring expenses and significant items, this presentation contains non-IFRS financial measures to assist users to assess the underlying financial performance of the Group.**

**The non-IFRS financial measures in this presentation were not the subject of a review or audit by KPMG.**

# 23<sup>rd</sup> Annual General Meeting

30 October 2015

