



GWA
Group Limited

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25 October 2019

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 Annual General Meeting to be held at 10:30 am (AEST) today at the Hilton Hotel, Brisbane.

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.

Yours faithfully

R J Thornton
Executive Director





Superior Solutions for Water

Annual General Meeting

25 October 2019



METHVEN

CLARK

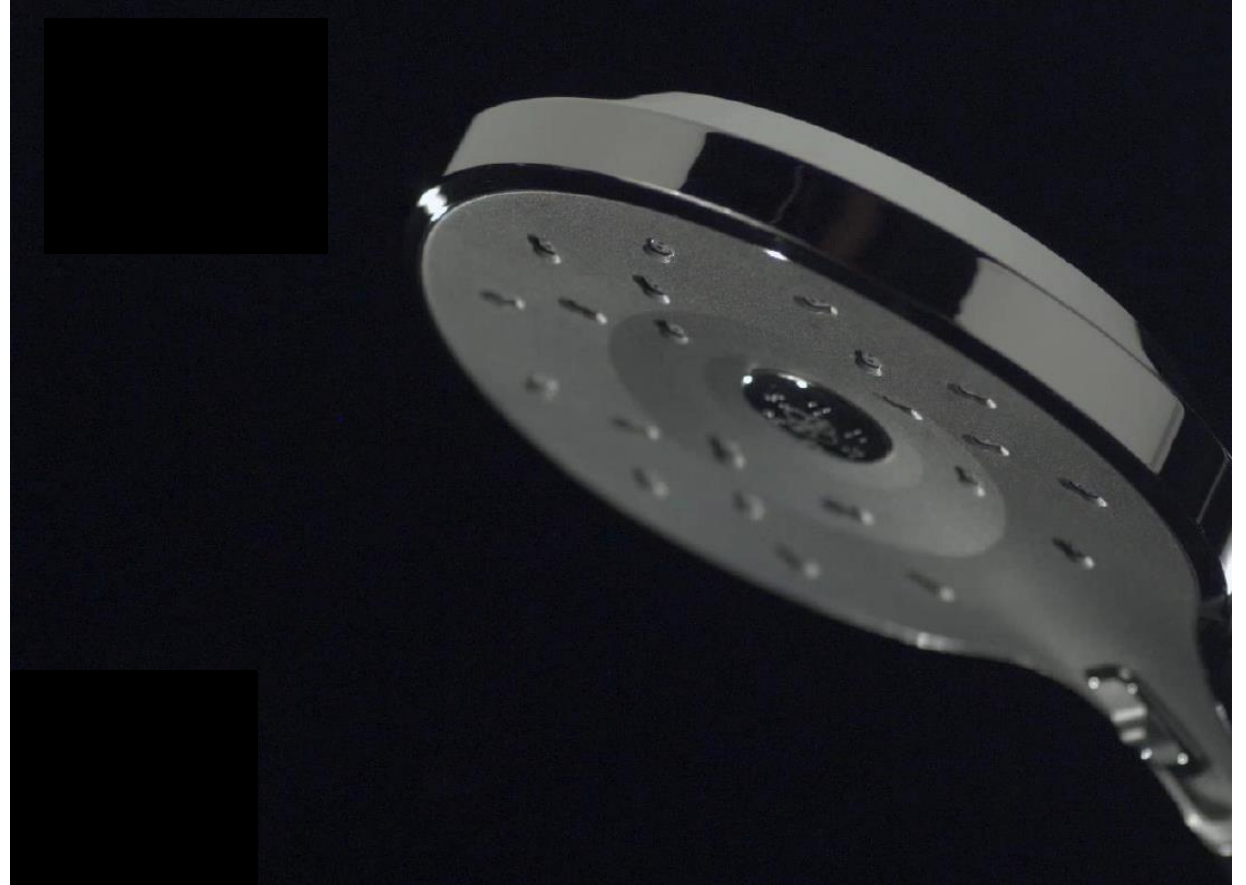
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Agenda

- 01** | Chairman's Address
- 02** | CEO Presentation
- 03** | Formal Business
- 04** | Close



01 | Chairman's Address



Solid FY19 result

GWA performed ahead of the market and delivered a solid financial result

- FY19 represents our 4th annual period of increased market share
- B&K revenue steady despite 1.4% decline in GWA's addressable market
- Strong cost discipline delivered stable EBIT margin
- Continued robust cash generation and returns to shareholders – FY dividend up 3%; TSR 20% in FY19

Continued momentum in delivering superior water solutions strategy

- Strengthened position in core market segments (R&R, Commercial) in Aust/NZ – progressing opportunities in adjacent categories (Commercial R&R, Aged Care)
- Successful launch of Caroma Smart Command® - opens further opportunities in water solutions
- Methven acquisition increases our presence in R&R, taps and shower-ware and opens up new international markets

GWA is positioned to compete through the cycle

- Strengthened presence in more stable R&R segment - increased from 52% to 59% of revenue
- Delivering revenue growth in identified segments (Commercial, Commercial R&R, aged care)
- Strengthened customer engagement, consumer initiatives and delivering continued market share growth
- On track for \$9 - 12m cost savings by FY21
- Methven acquisition is being integrated – on track to realise at least NZ\$5m cost synergies by FY21

Sustainability at GWA

Our approach to sustainability is based around two central objectives:

- We operate in a sustainable manner across our business by managing our resources as efficiently as possible and by acting in a socially responsible manner; and
- We provide a range of products and systems that contribute to sustainability by making life better through superior water saving solutions for the built environment

GWA produced its first stand-alone Sustainability Report in Sept 2019

Key Sustainability FY19 highlights:

- Safety performance improved in FY19 with robust plans in place for continued improvement in FY20
- Launch of Caroma Smart Command® – innovative water saving system for commercial buildings
- Caroma Innovation & Distribution Centre awarded 5 star Green star rating
- Commitment to diverse workplace – increase in female representation across company and Board



Remuneration

Board Review of executive remuneration to ensure it remains aligned with remuneration strategy and market practice. Minor changes in FY20:

- Strengthened clawback provisions under Long Term Incentive (LTI) Plan
- LTI Plan revised to provide greater flexibility for executives in timing of exercise of vested performance rights
- LTI Plan revised to provide flexibility to settle vested and exercised performance rights in cash as alternative to shares
- LTI Plan revised to give Board greater discretion regarding treatment of performance rights in the event of a takeover
- STI Plan in FY20 – increased focus on non-financial KPIs to reflect *how* goals achieved
- Remuneration mix adjusted for Managing Director in FY20 to reflect higher variable component. No change to fixed remuneration for MD - has not changed since FY16

02 | CEO's Presentation



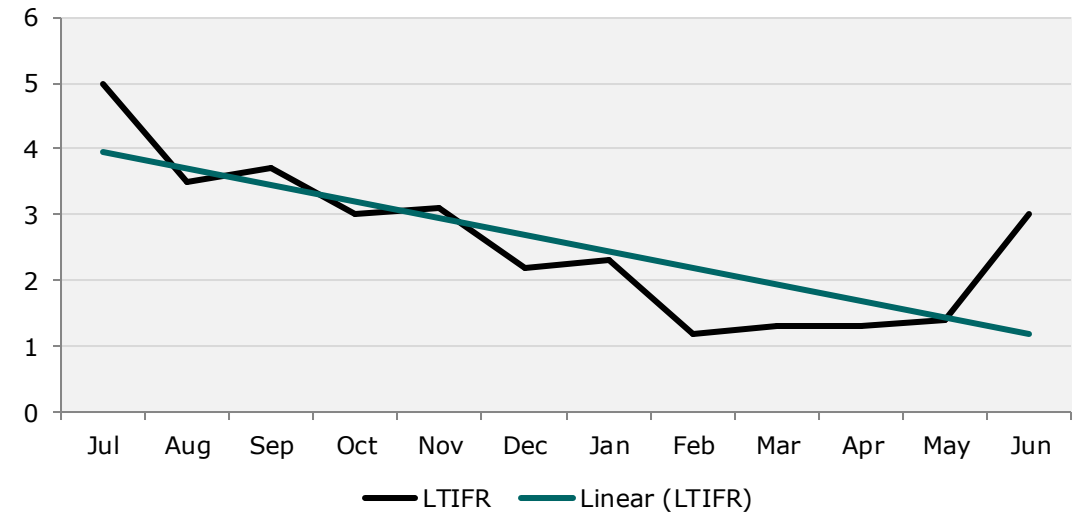
Workplace Health and Safety

**“We care for each other” is one of our cultural pillars
– our objective remains to ensure everyone is safe...
every day**

Substantial progress made in FY19:

- Significant reduction in LTI¹s in FY19
- All sites completed external auditing for WHS compliance GWA achieved accreditation to Australian Standard for safety management
- Further Safety training rolled out to all employees
- Move 4 Life manual handling program further embedded into the business
- Strategic safety plan has been implemented for FY20 which will continue to improve safety at all locations and change behaviour and culture to drive towards zero harm and to improve employee health and wellbeing

**GWA Safety - Rolling 12 months
Lost Time Injury frequency rate**



Note: the increase in June in the LTIFR is the result of one LTI incident which due to a decrease in hours worked increases the LTIFR by > 1.

FY19 - Solid financial result

Normalised¹ from Continuing Operations²

Revenue \$381.7m	↑	6.4%	ROFE n/a		n/a
EBITDA \$82.3m	↑	2.7%	Operating Cashflow \$94.2m	↑	64.4%
EBIT \$77.4m	↑	1.5%	EPS 19.6 cents	↑	3.2%
NPAT \$51.8m	↑	3.2%	FY Dividend³ 18.5 cents fully-franked	↑	2.8%









¹Normalised is before \$7.6m in significant items (after tax) relating to transaction and integration costs associated with the acquisition of Methven

²Continuing Operations includes B&K, Corporate and the revenue and earnings contribution from Methven from the effective date of acquisition, 10 April 2019, but exclude the Door & Access Systems' business which was sold on 3 July 2018

³FY dividend pay out ratio at 94% is higher than the 65-85% dividend policy range reflecting that FY19 did not include a full year contribution from either the Door & Access Systems' business or the Methven business

FY19 - Solid financial result (excluding Methven)

Normalised¹ from Continuing Operations (ex. Methven)²

Revenue \$358.7m	 0.0%	ROFE 20.2%	 (1.0)pp
EBITDA \$80.8m	 0.8%	Operating Cashflow \$91.1m	 59.0%
EBIT \$76.4m	 0.2%	EPS 19.5 cents	 2.8%
NPAT \$51.6m	 2.8%	FY Dividend 18.5 cents fully-franked	 2.8%

¹Normalised is before \$7.6m in significant items (after tax) relating to transaction and integration costs associated with the acquisition of Methven

²Continuing Operations includes B&K, Corporate, but exclude the Door & Access Systems' business which was sold on 3 July 2018 and the revenue and earnings contribution from Methven from the effective date of acquisition, 10 April 2019

FY19 - Continued strong improvement in operating cashflow

Cash flow from Continuing Operations A\$M	FY-2018	FY-2019
EBITDA	80.2	82.3
Net movement in Working Capital	(20.9)	13.9
Other	(2.0)	(2.0)
Cash Flow from Operations	57.3	94.2
Capital Expenditure	(11.3)	(4.3)
Restructuring / Other costs	(4.0)	(12.1)
Net Interest Paid	(4.6)	(3.1)
Tax Paid	(21.8)	(22.9)
Free Cash Flow	15.6	51.8
Discontinued Operations	10.3	98.9
Group Free Cash Flow	25.9	150.7

- Continued strong performance in operating cashflow
- Innovation & Distribution Centre at Prestons NSW driving:
 - reduction in inventory and working capital
 - improvement in customer service levels
- Cash conversion ratio from Continuing Operations of 115%¹
- Capital expenditure lower than prior year – some projects held back to ensure no duplication with Methven
- Cash restructuring / other costs includes \$2.6m relating to restructuring and \$9.5m (pre tax) relating to transaction and integration costs associated with the acquisition of Methven.
- Discontinued operations include the proceeds on sale from the divestment of the Door & Access Systems' business

FY19 - Strong financial position maintained

Metric	30 June 2015	30 June 2016	30 June 2017	30 June 2018	30 Jun 2019
Net Debt	94.8	88.4	79.8	97.7	141.9
Leverage Ratio <i>Net Debt / EBITDA</i>	1.1	1.1	0.9	1.1	1.6
Interest Cover <i>EBITDA / Net Interest</i>	12.8	14.3	17.1	19.6	23.5
Gearing <i>Net Debt / (Net Debt + Equity)</i>	23.7%	22.3%	19.9%	22.7%	27.5%
Net Debt					
Borrowings	125.0	120.0	112.0	125.0	177.8
Bank Guarantees	4.1	4.1	4.1	1.8	3.8
Cash	(34.4)	(35.7)	(36.4)	(27.9)	(39.6)
Held for sale cash	-	-	-	(1.2)	-
	94.8	88.4	79.8	97.7	141.9

- GWA remains in a strong financial position post the acquisition of Methven
- Increase in net debt reflects acquisition of Methven (funded from existing facilities) partially offset by proceeds from sale of the Door & Access Systems' business
- Substantial headroom maintained within \$210m syndicated banking facility maturing October 2022 and bi-lateral facility of \$40m maturing October 2020.
- Credit metrics remain consistent with investment grade
- Post Methven acquisition FY19 Net Debt / normalised EBITDA 1.6x

GWA strategy for growth



FY19 - Continued progress on strategic initiatives

Corporate priority

CUSTOMER FOCUSED

Add value to customers through superior execution, insights, analytics and processes

Progress made

- Joint business planning in B&K drives enhanced ranging / showroom presence
- Trade and Retail sales team targeting merchants to access core Residential R&R opportunity with a separate dedicated team targeting secondary Commercial customers including Commercial R&R and Aged Care
- Strong traction and market engagement from launch of Caroma Smart Command® (connected smart bathroom solutions)

CONSUMER DRIVEN

Deliver experiences to excite consumers and drive revenue and market share growth

- Strengthening consumer engagement in key markets
 - Increased brand investment driving Caroma growth of 3%
 - Caroma brand perception strengthening with consumers
 - Continued conversion to Caroma Cleanflush – sales up 24% vs prior year
 - Improved performance metrics in flagship stores (Adelaide, Sydney)
- Opportunity for GWA / MVN collaboration on shower and tapware NPD

EFFICIENCY/BEST COST/PEOPLE

Simple, effective processes to delight consumers and customers with continuous improvement and great people

- \$9 - 12m cost out programme FY19 - FY21 on track for margin management and re-investment in core business – \$3m delivered in FY19
- Expect at least NZ\$5m cost synergies from Methven integration by FY21
- Innovation & Distribution Centre (Prestons, NSW) delivering reduced inventory and improved customer service

Methven acquisition strengthens water solutions strategy

About Methven

Methven is a designer and manufacturer of showers, taps and valves based in Auckland:

- Leadership position in the taps and showers category in New Zealand, with a strong presence in the Australian market
- Strong innovation capability and intellectual property position with three of the six shower technologies globally
- International footprint with operations in New Zealand, Australia, United Kingdom and other regions including China and South East Asia

Alignment with GWA Strategy

- ✓ Accelerates GWA's strategy to deliver superior water solutions
- ✓ Strengthens GWA's position in Bathrooms and Kitchens market across Australia and New Zealand
- ✓ Increases GWA's market share in Taps segment in Australia from ~12% to ~20%
- ✓ Increases exposure to the attractive renovation and replacements market to ~59% globally
- ✓ Provides a platform for international growth to diversify earnings base
- ✓ Significant synergy opportunity with at least NZ\$5m expected by FY21

Caroma Smart Command®





 **CAROMA**
SMART COMMAND



Caroma Smart Command NABERS Impact

+25%

Overall reduction in the total water consumption of a typical building

A recent analysis by Norman Disney Young found The Caroma Smart Command range was identified as having the potential to provide benefit towards the NABERS Water rating tool by providing a means of managing and reducing amenities potable water end uses of commercial projects.



Caroma Smart Command Sustainability Impact

+6

GREEN STAR CREDITS

A recent analysis by Norman Disney Young found by installing Smart Command your building can obtain an additional 6-8 credits towards your Green Star Rating under Design & As Built as well as 8-10 under green star performance rating tool

Norman Disney Young Sustainability Gap Analysis Feb 2019

Caroma Smart Command® generating positive market engagement

Key area	Progress
Expanded footprint	<ul style="list-style-type: none">▪ Caroma Smart Command® now installed in 22 sites across Australia / NZ – solid bank of additional projects in the pipeline▪ Strong customer engagement with large developers in multiple commercial segments▪ Awarded highest award (Best in Class) at Good Design Awards 2019
Cloud Migration	<ul style="list-style-type: none">▪ Nine customers migrated to the cloud solution since Q4 FY19 launch▪ Additional customers to be onboarded in FY20▪ Platform for fee-for-service solution
Growth opportunities	<ul style="list-style-type: none">▪ Future additional products in development▪ Data as a service and data analytics in development▪ Lead generation via stand alone website – smartcommand.com.au
International expansion	<ul style="list-style-type: none">▪ Significant opportunity to leverage Methven geographic footprint for international expansion - SE Asia in premium commercial and retail▪ Caroma Smart Command® has secured the naming rights to the World Plumbing Conference 2019▪ Caroma Smart Command® to be showcased at Expo 2020, Dubai, UAE

FY20 Outlook

Key area

FY20 Commentary

In the context of the current economic uncertainty we provide the following detail:

Q1 FY20 Trading

- Reported sales Q1 FY20 up 17% - includes revenue from Methven sales in Q1 FY20 but not Q1 FY19
- Total (proforma) sales down (8)% vs Q1 FY19, of which approximately half due to significant merchant de-stocking and half due to deteriorating market conditions/slower sales
- As anticipated at the FY19 results release, trading conditions deteriorated in 1Q FY20 predominantly in multi-res/detached housing, but also impacted residential renovation sales due to decreased housing turnover
- Commercial activity (new build/R&R) remains solid across the eastern seaboard but was insufficient to offset declines in other segments

Priorities for FY20

- GWA will continue to drive revenue synergies with Methven in FY20 and is implementing customer and consumer programs to win market share in both ANZ and international markets across FY20
- Continued focus on growing Caroma Smart Command® sales
- Internally GWA cost initiatives will deliver at least a further \$4m savings in FY20 as part of our FY19-21 three year \$9-12m cost-out program
- Methven integration synergies tracking ahead of expectation - will deliver at least \$3m in FY20 of the NZ\$5m synergy target to FY21
- GWA has implemented price increases across all markets, with Australian price increase of ~2.5% confirmed for 1st November 2019. GWA is hedged ~77% to 30 June 2020 at US\$0.71 cents

FY20 Outlook

- While trading conditions are expected to remain challenging in Q2 FY20, we expect to see some re-stocking occurring across Q2 and Q3 FY20 and we expect market conditions to improve at the back end of the year
- In the Commercial segment GWA's order bank remains strong
- GWA continues to generate strong cashflows and the Board's dividend policy remains to pay dividends at 65-85% of NPAT
- First half normalised EBIT¹ is expected to be within the range \$37m - \$41m
- GWA expects the full year impact of the above will result in FY20 normalised EBIT¹ within the range of \$80m to \$85m

Financial Statements

Financial statements for the year ended 30 June 2019

Resolution 1 – Re-election of John Mulcahy

That John Mulcahy 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 Stephen Goddard

That Stephen Goddard 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 – Election of Alison Barrass

That Alison Barrass who retires as a director of the Company in accordance with clause 10.11 of the Company's Constitution, be re-elected as a director of the Company.

Resolution 4 – Remuneration Report

That the Remuneration Report for the year ended 30 June 2019 be adopted.

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 355,000 Performance Rights (incorporating the right to acquire shares in the Company) to the **Managing Director, Mr Tim Salt**, 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 6 – 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 45,000 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.

Resolution 7 – Financial Assistance

That, in accordance with sections 260A and 260B(2) of the Corporations Act, and for all other purposes, approval is given for:

- (a) the provision of the Proposed Financial Assistance (as defined in the Explanatory Memorandum accompanying this Notice of Meeting) by Methven Australia Pty Ltd (ACN 104 813 390) (Methven Australia); and
- (b) the execution and performance by Methven Australia of all documents required to give effect to or implement the Proposed Financial Assistance, as described in the Explanatory Memorandum.

Disclaimer

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.



Superior Solutions for Water

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