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

R J Thornton
Executive Director

Annual General Meeting

29 October 2021

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GWA Group Limited

Online attendees – TEXT question process

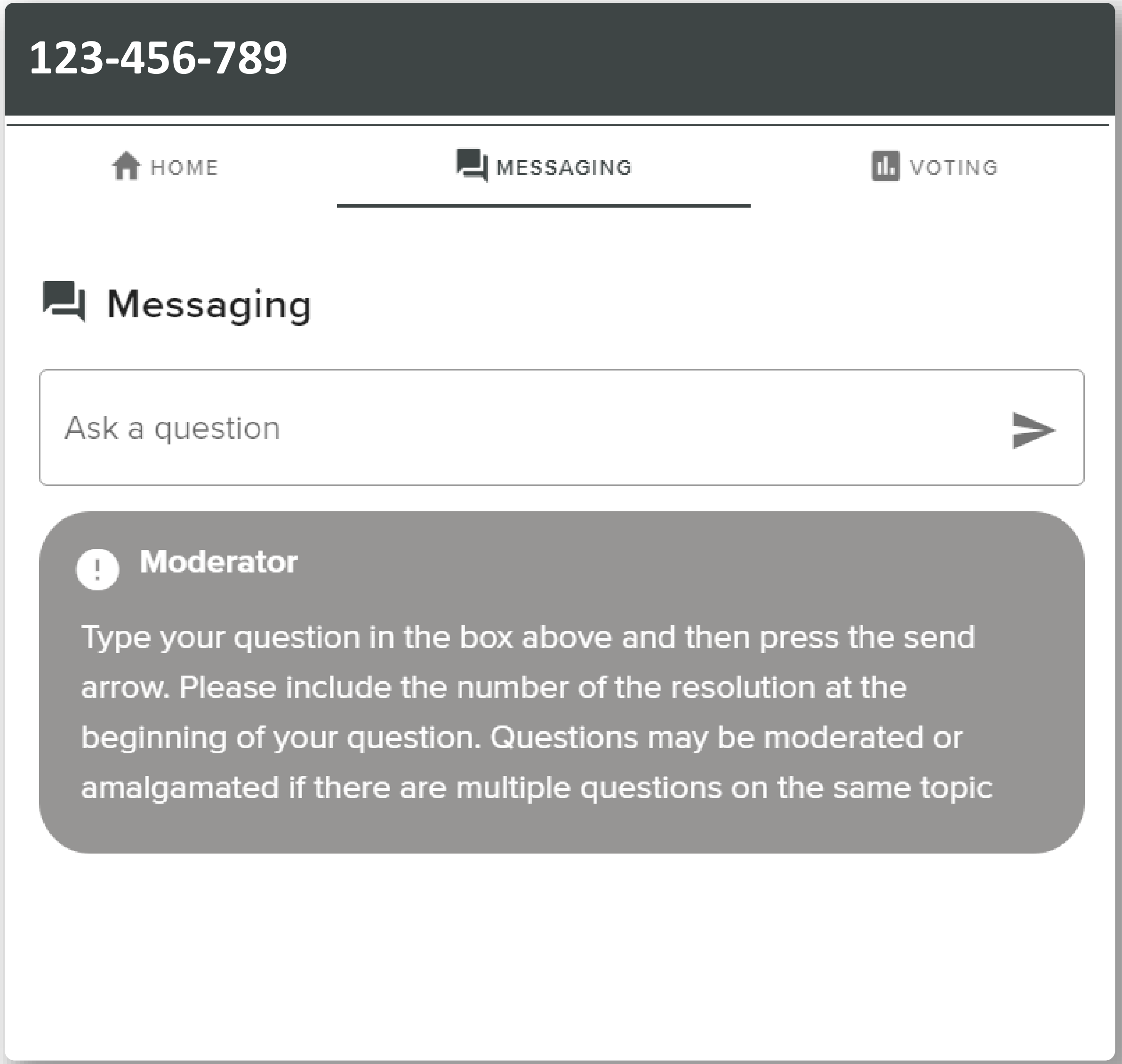
LUMI

The question function has been enabled. You should see a messaging tab at the top of your screen

If you wish to ask a question, please type the question in the “Ask a question” box and press the send arrow on the right hand side

Your question will be sent immediately

Received



Agenda

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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, GermGard® 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 WELS[1] 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

[1] Water Efficiency Labelling and Standards (WELS) scheme

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

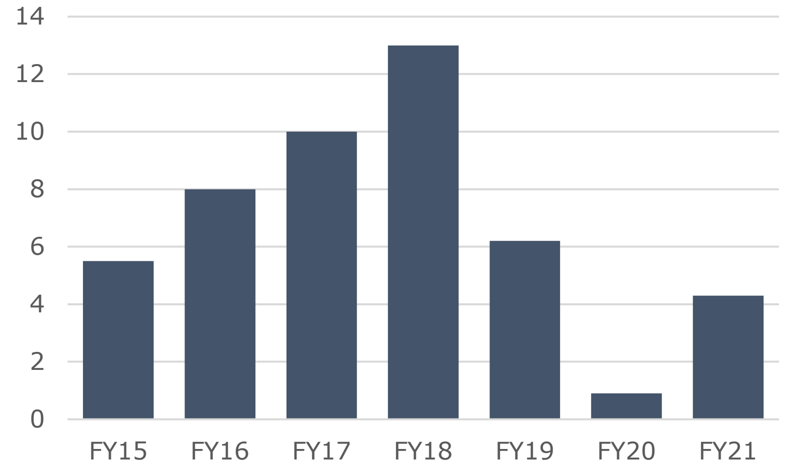
Safety key outcomes FY21

- 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 WELS[1] 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



[1] Water Efficiency Labelling and Standards (WELS) scheme

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

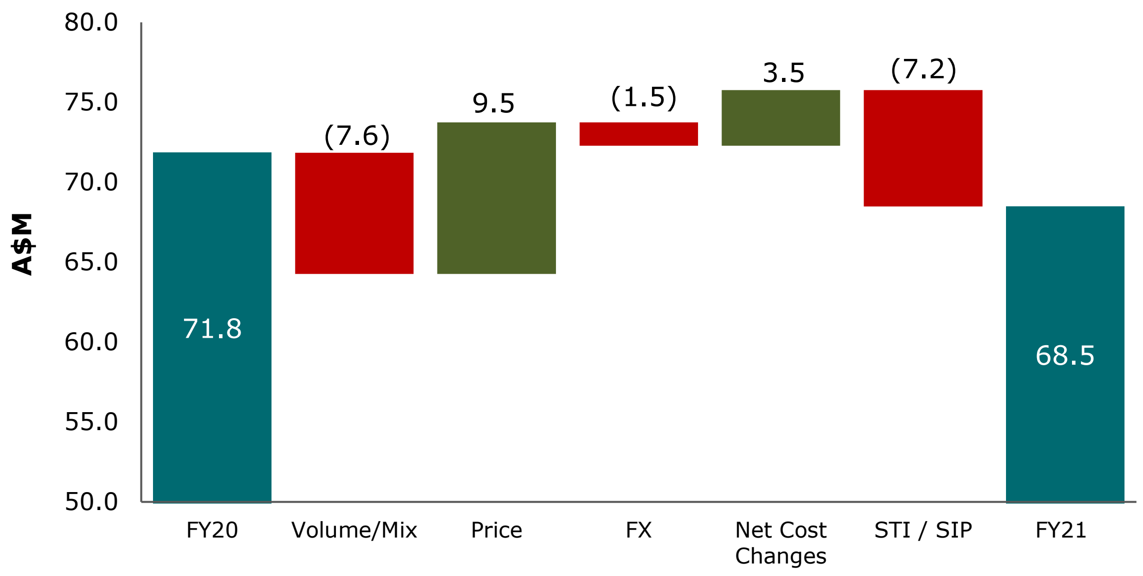
A$m Reported	FY20	FY21	% Change
Revenue	398.7	405.7	1.8%
EBITDA	90.7	78.9	-13.0%
EBIT	70.3	59.0	-16.1%
NPAT[3]	43.9	35.1	-20.1%
EBIT Margin %	17.6%	14.5%	-3.1pp
ROFE %	16.1%	14.0%	-2.1pp
EPS	16.6c	13.3c	-3.3c
Dividend / share	11.5c	12.5c	1.0c

- 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/CRM[2] 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

[1] Normalised is before $(7.3)m in significant items (after tax)
[2] Enterprise Resource Planning/Customer Relationship Management – reported in Significant items
[3] Group Reported NPAT does not equal Group Normalised NPAT plus Significant Items (Post Tax) in FY21 due to rounding.

Continued operational discipline helps mitigate weaker 1H markets

Normalised[1] Continuing Operations EBIT Bridge (A$M)

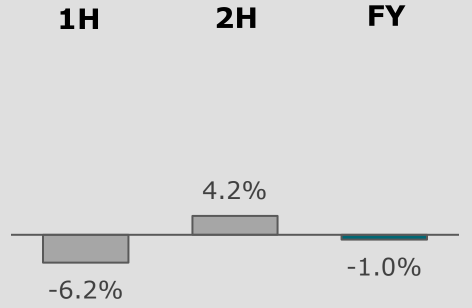


- **Volume/Mix**: Reflects impact of COVID-19 on volumes primarily in 1H and impact of full year negative sales mix from continued decline in commercial segment in Australia
- **Price**: Price increase ~5% implemented from August 2020
- **FX**: Weaker average hedged AUD vs. USD: FY21 ~69c vs. FY20 ~71c 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 / SIP[2]**: Solid FY21 performance in line with expectations despite challenging market conditions. Staff incentives accrued in FY21 but not in pcp

[1] Normalised is before $(9.5)m in significant items (pre tax)
[2] Short Term Incentive Plan (STI) / Sales Incentive Plan (SIP)

Revenue uplift in 2H as markets improve

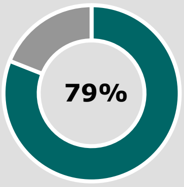
FY21 Revenue vs pcp (A$) | **Revenue commentary** | **$ Revenue & % of Group**

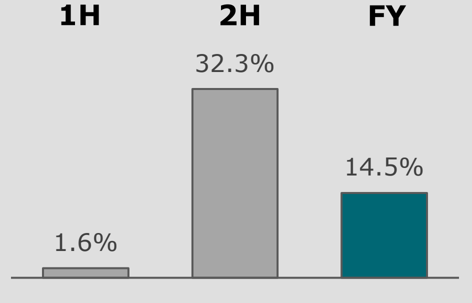


Australia

- 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

$319.8m
(FY20: $323.2m)

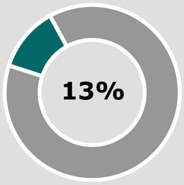


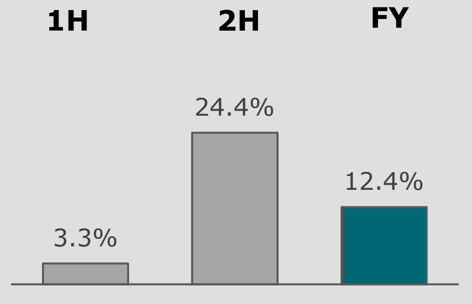


New Zealand

- 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

$54.2m
(FY20: $47.3m)

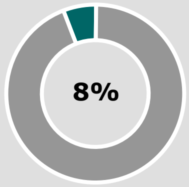




International

- 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

$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 conversion[1] 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

1 Cash Flow from Operations divided by normalised EBITDA

Strong financial position maintained – credit metrics enhanced

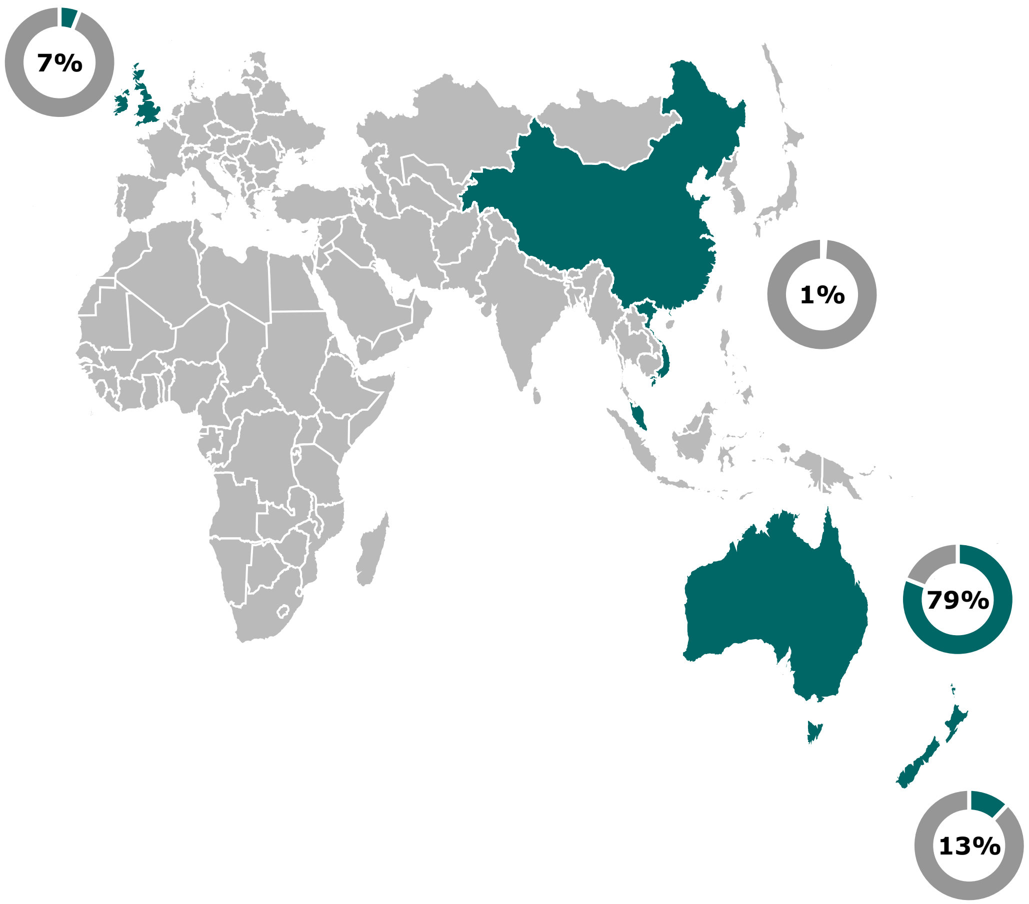
Metrics[1]	30 June 2017	30 June 2018	30 June 2019	30 June 2020	30 June 2021
Net Debt	79.8	97.7	141.9	144.8	104.8
Leverage Ratio *Net Debt / EBITDA*	0.9	1.1	1.6	1.9	1.4
Interest Cover *EBITDA / Net Interest*	17.1	19.6	23.5	13.6	15.5
Gearing *Net Debt / (Net Debt + Equity)*	19.9%	22.7%	27.5%	28.4%	21.5%

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

[1] Metrics calculated as required for reporting to GWA's syndicated banking group and have not been adjusted for the impact of IFRS 16 Leases. Leverage Ratio FY17-FY19 is calculated using twelve months pro forma Methven results and Interest Cover is calculated using Methven results from the acquisition date (10 April 2019)

Methven integration complete

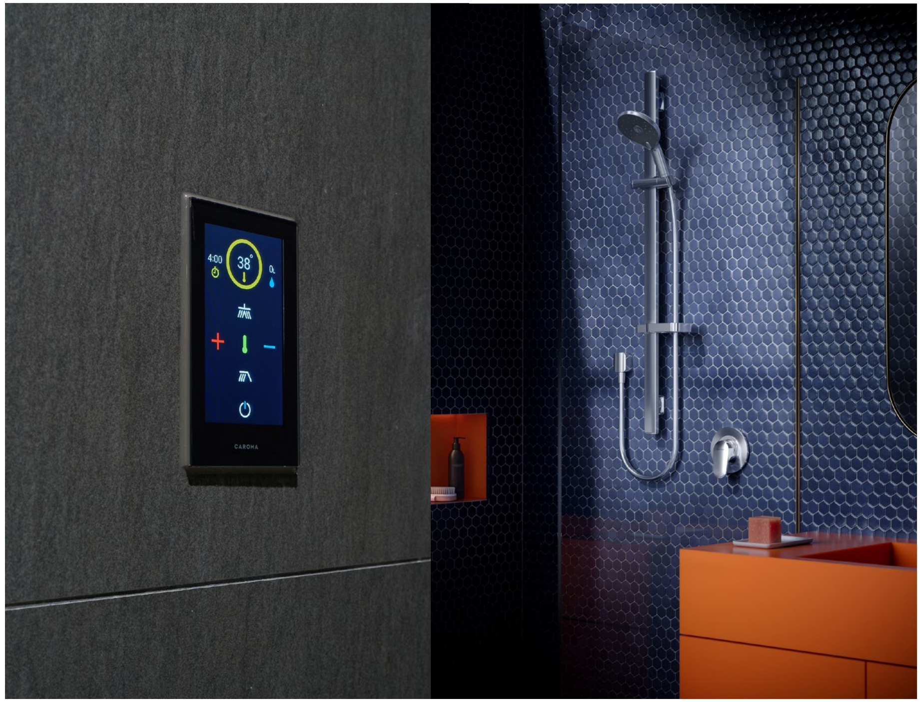


- Revenue up in FY21 with strong growth in New Zealand and International diversifying geographic base
- Integration cost synergies achieved target of A$3m in FY21 and A$6m total
- Significant improvement in EBIT margins
- Integration completed with consolidation of two NZ warehouses
- Sale of the Methven China plant completed in Q3 FY21
- The Tap and Showerware centre of excellence in New Zealand is building a strong pipeline of NPD[1]
- Methven shower IP is now utilised in Caroma new shower products

■ = % of GWA Revenue based on annual share of revenue

[1] New product development

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

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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

Making everyday water experiences extraordinary – today, and for tomorrow

Strategy	To be the trusted and integrated solutions partner in the delivery of sustainable water solutions for bathrooms, kitchens and laundries				
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
Foundation	**Digital** – *investment in digital opportunities to deliver a superior customer experience*				
	Category Solutions – *clearly structured brand portfolio & sustainable product mix*				
	Aligned Organisation – *the right people in the right roles, focused on the right outcomes*				
	ESG – *enhancement of the company's license to successfully operate*				

Our Cultural Pillars

We are one team| We are Customer focused | We care for each other

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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	FY22 commentary

Trading 1Q FY22
Australia - strong despite COVID
NZ – 5 week shut down, but recovered strongly
	– 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

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

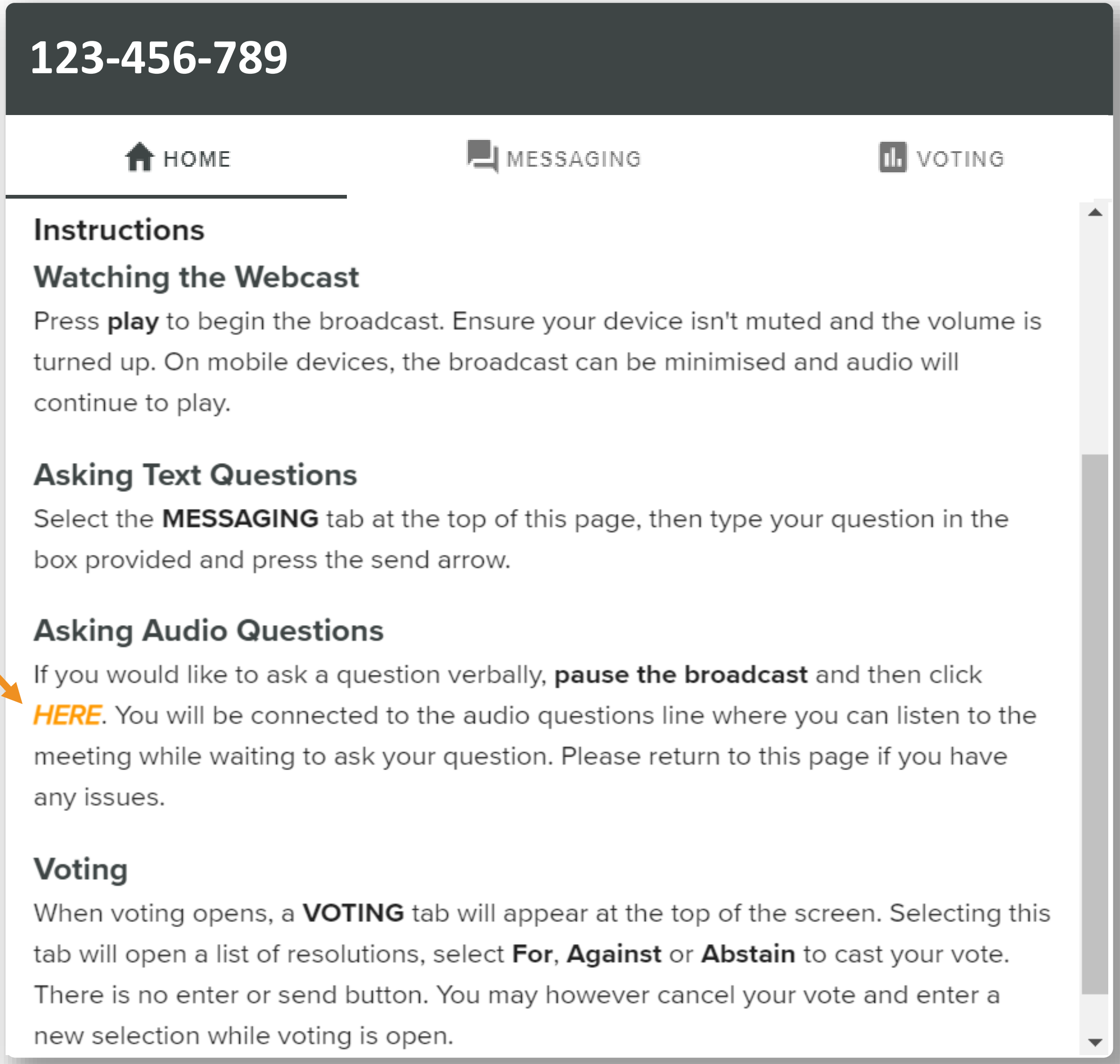
04 Formal Business

Online attendees – AUDIO question process

When the audio questions line is available, a link will appear on the home tab titled **Asking Audio Questions**

If you would like to ask an audio question, **pause the meeting broadcast** and click on the link

You will be prompted to enter your name and the topic of your question before being placed in the audio questions queue



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

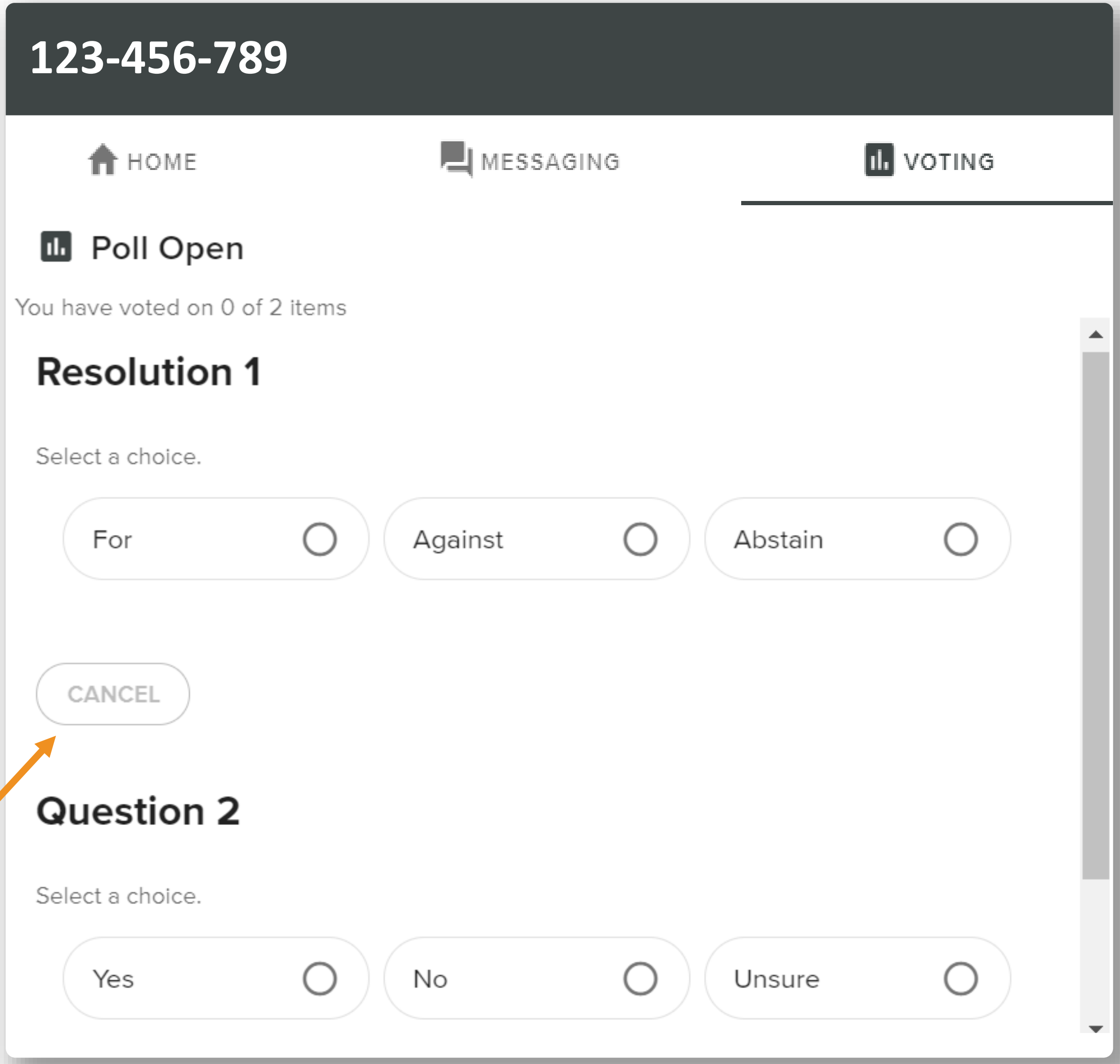
LUMI

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



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	

Annual General Meeting

29 October 2021

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