



GWA
Group Limited

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28 October 2022

ASX Release

2022 Annual General Meeting

In accordance with ASX Listing Rule 3.13.3, GWA Group Limited (**GWA**) attaches the Chairman's and Managing Director's address to be delivered at GWA's 2022 Annual General Meeting at 10.30 am today in Brisbane.

The release of this announcement was authorised by the GWA Board.

Yours faithfully

Ernie Lagis

E. Lagis
Company Secretary and General Counsel





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Annual General Meeting Presentation

28 October 2022

Agenda

01 | Financial Statements

02 | Chairman's Address

03 | CEO Address

04 | Formal Business

05 | Close



01 Financial Statements

Financial statements for the year ended 30 June 2022

02 Chairman's Address



Pleasing result in light of challenging economic conditions

- **Improved financial performance FY22 vs FY21**
 - Revenue up 3.2%; Normalised EBIT up 9.3%; EBIT margin up 100 bps
- **Balance sheet remains solid**
 - 8.0 cents per share fully franked final dividend (full year dividend to 15.0c per share) up 20% on FY21
- **Cash flow impacted by an increase in working capital and significant items**
 - Proactive investment in inventory to manage supply chain challenges and to ensure product availability
 - ERP/CRM implementation costs and costs associated with closure of China sales function
- **Continued momentum into FY23**
 - Detached housing completions anticipated to remain robust into FY23
 - Commercial segment showing signs of increased activity with GWA order bank up 16.1% YoY
- **Disciplined execution of strategy**
 - Progress with key initiatives

Ongoing commitment to sustainability

- **GWA's 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 FY22 highlights**
 - Significant reduction in Total Injury Frequency Rate (TIFR) in FY22
 - Caroma Smart Command® products have accumulated estimated water savings of 8,623kL and 7,647kg of carbon for our customers in the last two years
 - Over 87% of Caroma taps are 5 or 6 Star WELS¹ rated and 95% of Caroma sanitaryware products are 4 Star WELS rated
 - GWA has established Sustainable Packaging Guidelines with the aim of eliminating single use plastics in our packaging by 2025

¹ Water Efficiency Labelling and Standards

Executive Remuneration

- **Remuneration outcomes in FY22**

- Implemented change in variable remuneration mix with greater weighting on long-term incentives with continued focus on short-term financial targets and critical non-financial KPIs
- Due to the disciplined response to everchanging market conditions in FY22 and successful execution of key business activities, executives exceeded gateway hurdles and were eligible for STI payments (both financial and personal goals)

- **Remuneration framework for FY23**

- Executive fixed remuneration remains unchanged from FY22 (excl Supply Chain given strategic importance of this function and increased responsibility of Supply Chain Executive)
- FY23 STI plan maintains Earnings Before Interest and Tax (EBIT) as the single financial target. EBIT is an effective basis for STI financial targets - currently a key metric used in the business and aligned with the Group's strategy
- Board has re-introduced Earnings Per Share (EPS) growth (CAGR over three-year performance period) as a second performance measure for LTI Plan in addition to retaining relative TSR measure

Your Executive

- FY22 was the first full year for our new CEO/MD Urs Meyerhans
- There were several new appointments to the Executive Leadership Team during the year:
 - Chief Financial Officer – Calin Scott
 - General Manager, Supply Chain and Innovation – Caroline Sunaryo
 - Company Secretary and General Counsel – Ernie Lagis
- The ELT was required to navigate through the challenges of Covid which impacted supply chains out of China and elsewhere in the Asia Pacific area
- Additionally we implemented a new ERP/CRM across ANZ
- All of this at a time when detailed action plans were being developed to execute on our agreed strategy
- On behalf of the board I thank Urs and his executive team and all the employees of GWA Group for their efforts

Board Renewal Process

- Continued process to consider Board renewal and appointments
- Board appointed external advisers, Hattonneale, to provide assistance in this process
- Changes to Board in 2022:
 - Peter Birtles retired as Non-Executive Director on 30 June 2022
 - Alison Barrass retires as Non-Executive Director at today's AGM

Each of Peter and Alison made significant contributions to the Board with Peter having been a director since October 2010 and Alison since May 2019. On behalf of shareholders and the board I thank Peter and Alison for their service and wish them all the very best in the future.

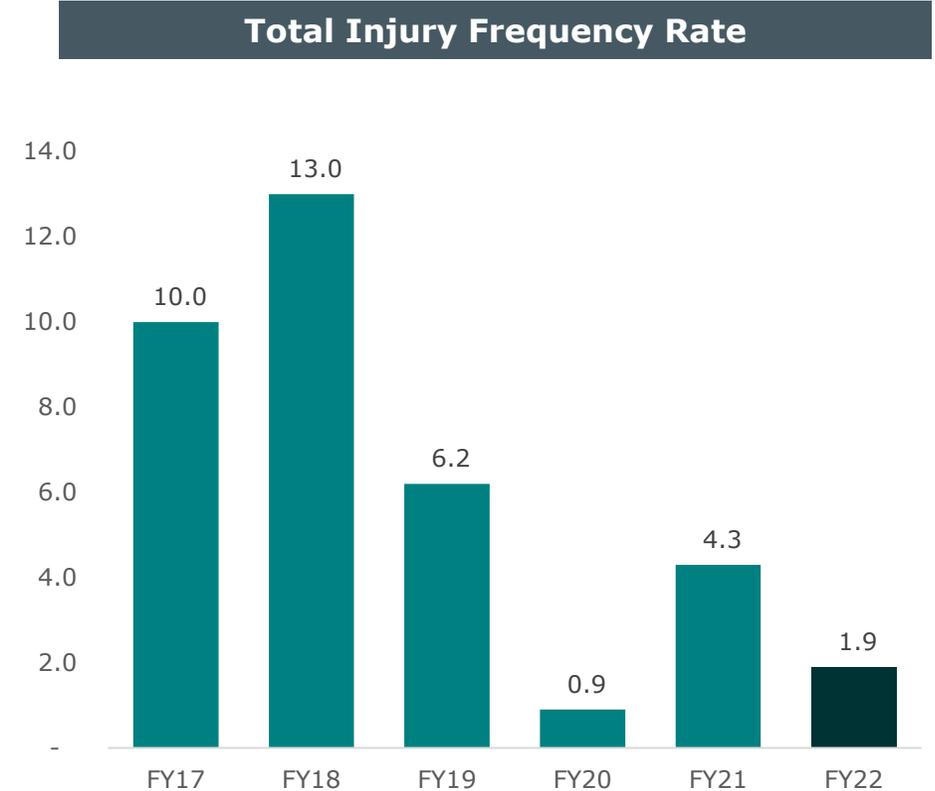
- As advised to the market Mr Stephen Roche will join the board as a Non-Executive Director effective after this AGM.
- GWA expects to make at least one further announcement regarding board renewal prior to the end of this year
- The Board will keep shareholders updated on developments as this process is progressed

03 | CEO Address



Improved safety performance

- Reduction in Total Injury Frequency Rate from 4.3 to **1.9** in FY22
 - Continued risk management
 - Improved reporting
- Proactive COVID safety management
 - Successfully managed changing COVID requirements
 - Transitioned to COVID safe work practices
- Introduction of mental health and wellbeing programs



Normalised EBIT up 9.3% with solid uplift in EBIT margin

A\$m Normalised ¹	FY22	FY21	% Change
Revenue	418.7	405.7	3.2%
EBITDA	94.6	88.4	7.0%
EBIT	74.8	68.5	9.3%
NPAT	47.3	42.3	11.7%
EBIT Margin %	17.9%	16.9%	1.0pp
ROFE %	17.7%	16.2%	1.5pp
EPS	17.8c	16.0c	1.8c

Significant Items	FY22	FY21	% Change
Pre Tax	(15.2)	(9.5)	nm
Post Tax	(12.1)	(7.3)	nm

A\$m Reported	FY22	FY21	% Change
Revenue	418.7	405.7	3.2%
EBITDA	80.2	78.9	1.7%
EBIT ²	59.7	59.0	1.2%
NPAT ³	35.2	35.1	0.4%
EBIT Margin %	14.3%	14.5%	-0.3pp
ROFE %	14.1%	14.0%	0.1pp
EPS	13.3c	13.3c	0.0c
Dividend / share	15.0c	12.5c	2.5c

- Improved Group Revenue driven by:
 - Australian performance – up 7% PcP, offset by
 - Decline in New Zealand (Covid related impact) – down 17% PcP
 - International markets, UK performed well, offset by weakness in China (adoption of 'Dynamic' zero covid policy)
- Normalised EBIT up 9% reflects Australian market rebound coupled with strong cost control
- Normalised EBIT margin 17.9% - up from 16.9% in FY21
- Normalised Effective tax rate 30%
- Reported EBIT includes \$15.2m (pre-tax) significant items relating to the ERP/CRM⁴ (\$10.3m) project and closure of China sales function (\$4.9m)

¹ Normalised is before \$(12.1)m in significant items (after tax).

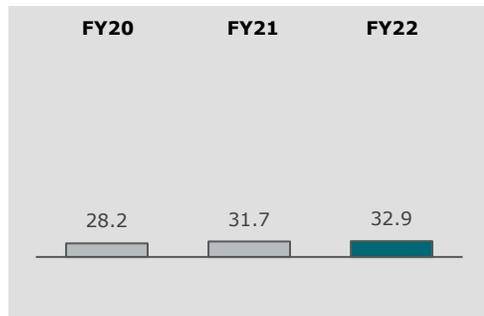
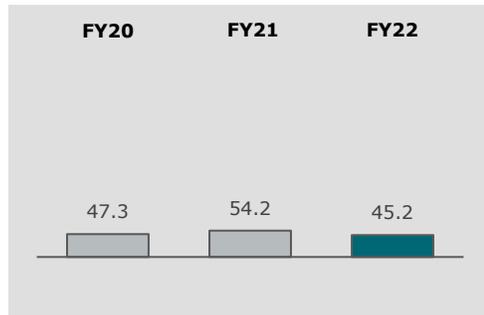
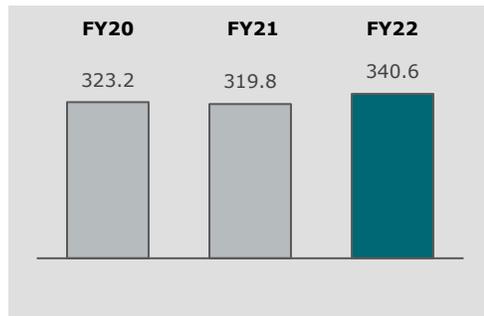
² Group Reported EBIT does not equal Group Normalised EBIT plus Significant Items (Pre Tax) in FY22 due to rounding.

³ Group Reported NPAT does not equal Group Normalised NPAT plus Significant Items (Post Tax) in FY21 due to rounding.

⁴ Enterprise Resource Planning/Customer Relationship Management – reported in Significant items.

Group revenue improved by +3% vs. FY21

FY22 Revenue vs pcp (A\$)



Revenue commentary

Australia

- Sales grew by 7% on the prior period
- Strong performance in R&R segment (both Commercial and Residential)

New Zealand

- 5 week shutdown and ongoing Covid related issues throughout FY22

International

- United Kingdom continues to drive growth internationally
- Chinese market heavily impacted by 'Dynamic Zero Policy'
 - Closed China sales function following strategic review

\$ Revenue & % of Group

\$340.6m
+7% on Pcp

81%

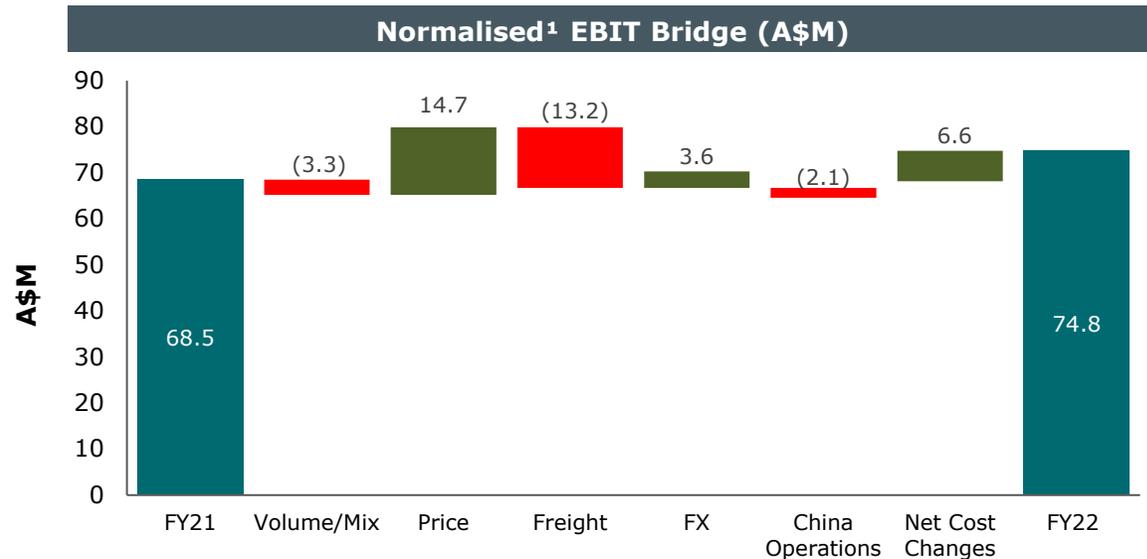
\$45.2m
-17% on Pcp

11%

\$32.9m
+4% on Pcp

8%

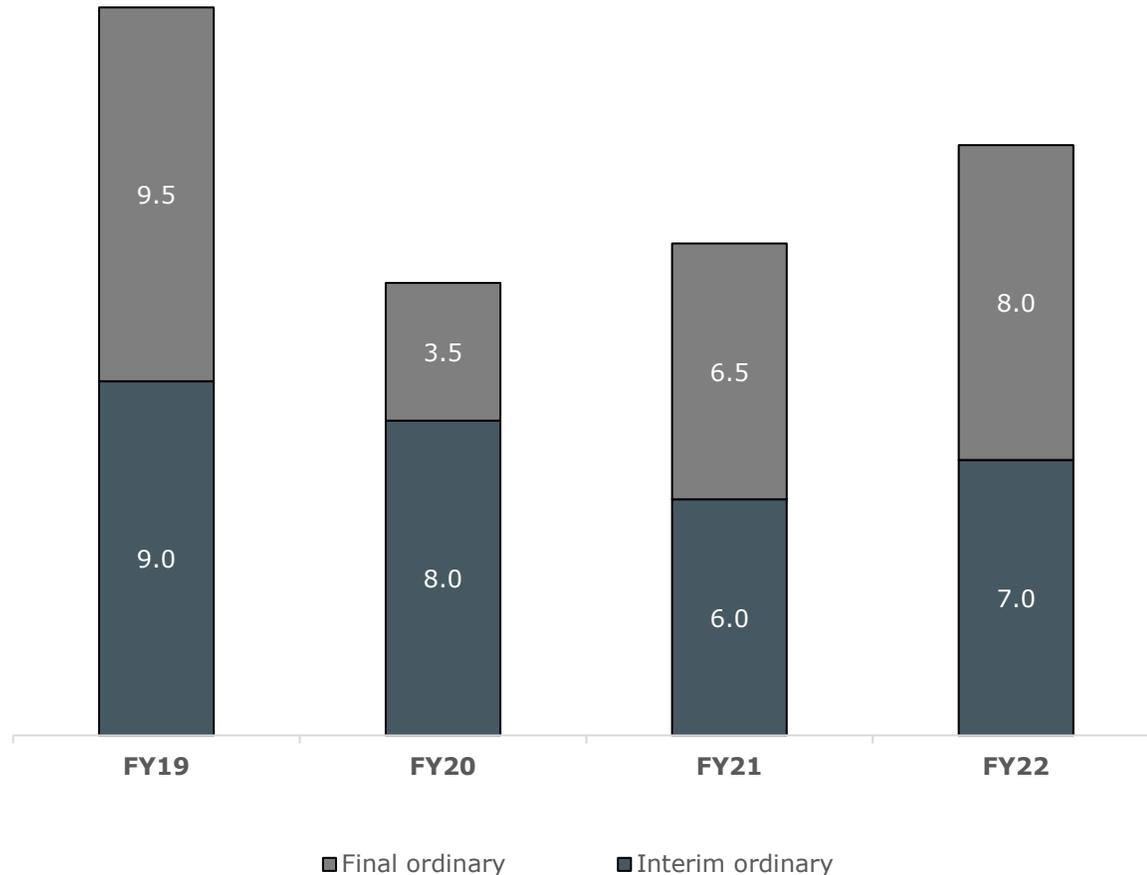
Price rises enable effective mitigation of supply chain disruptions



- **Volume/Mix:** reflects negative impact of COVID-19 on volumes, particularly in international markets partially offset by favourable sales mix in Australia
- **Price:** Price increase ~3% implemented from July 2021 and ~4% from December 2021 (Australia only)
- **FX:** favourable AUD vs. USD on purchases FY22 ~72c vs. FY21 ~69c
- **Freight:** cost pressures driven by global supply chain disruptions
- **China:** sales function closed in June following strategic review
- **Net cost changes:**
 - product cost inflation offset by:
 - supply chain savings
 - timing of A&P spend
 - vacancies and disciplined cost control

¹ Normalised is before \$(15.2)m in significant items (pre tax)

FY22 full year dividend increased by 20% from FY21



- Final dividend of 8.0 cents per share fully franked represents an increase of 23% vs FY21
- This brings the FY22 full year dividend to 15.0 cents per share fully franked, an increase of 20% vs FY21
- FY19 reported results included profit of \$50.8m from the sale of Doors & Access Systems
- Refocussed business from FY20 delivering continued growth in fully franked dividends

Good progress with key strategic initiatives



- **Win the Plumber**
 - Increased engagement with ANZ plumbers
- **Innovate through design & partnership**
 - 5 year NPD roadmap completed
 - SKU reviews completed
- **Customer experience**
 - Customer journey mapping completed
 - Brand and Customer Value proposition defined
- **Digital**
 - Virtual tools launched
 - ERP/CRM phase 1 implemented in H2

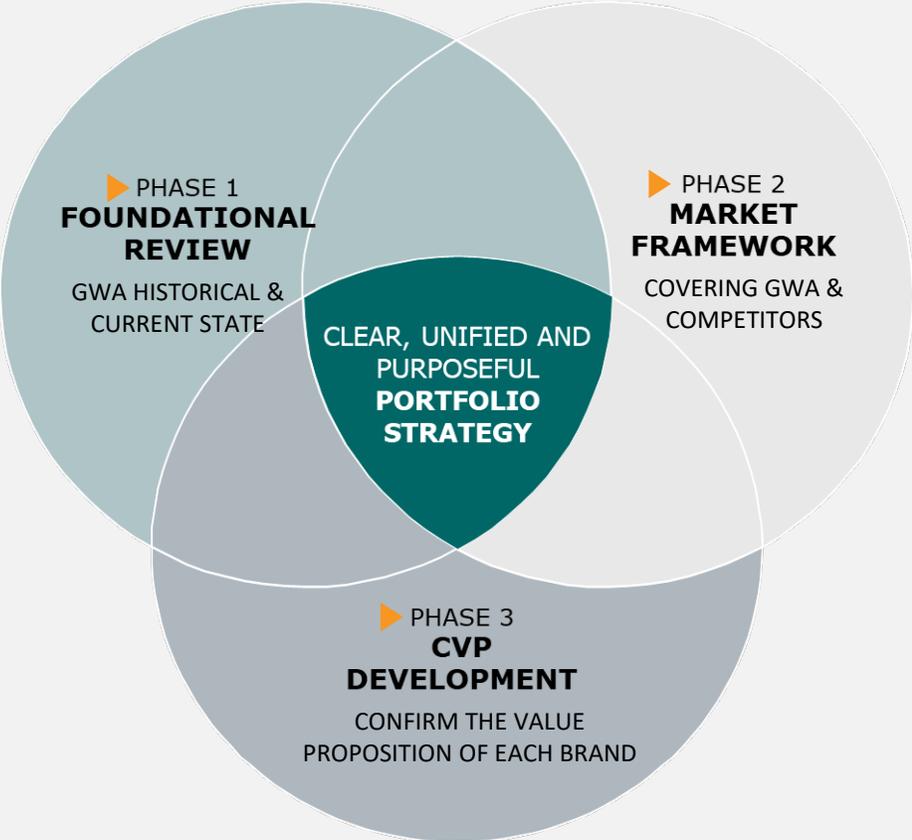
How we win the Plumber

Connect, deepen and leverage plumbing industry relationships

Provide Technical Services & Support	<ul style="list-style-type: none">• Plumber’s Centre of Excellence• Technical Services• Digital solutions through Plumber’s Hub
Own Plumber Training & Education	<ul style="list-style-type: none">• Apprentice Training Program• Industry Endorsed Plumber CPD Program• Caroma Accredited Installer
Establish Loyalty Programs	<ul style="list-style-type: none">• Loyalty Program for Plumbers• Invitation-only CARC program
Easy to Install and Use Products	<ul style="list-style-type: none">• Insights capture diverse plumber needs• Plumber collaboration drives GWA’s NPD & Innovation

Defining a compelling brand and customer value proposition

- 3 phases of research conducted



WE CONFIRMED **OUR MARKET LEADER POSITION**

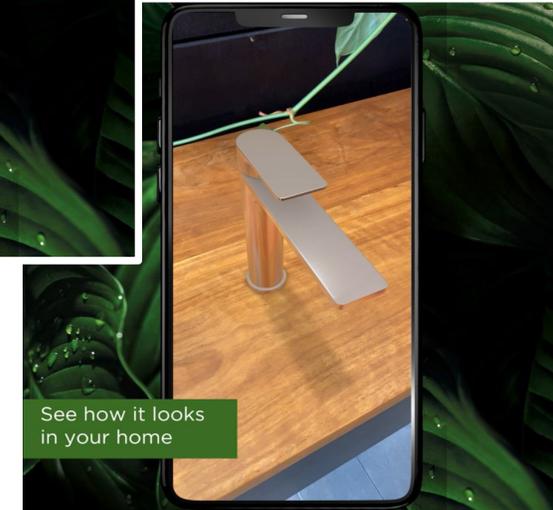
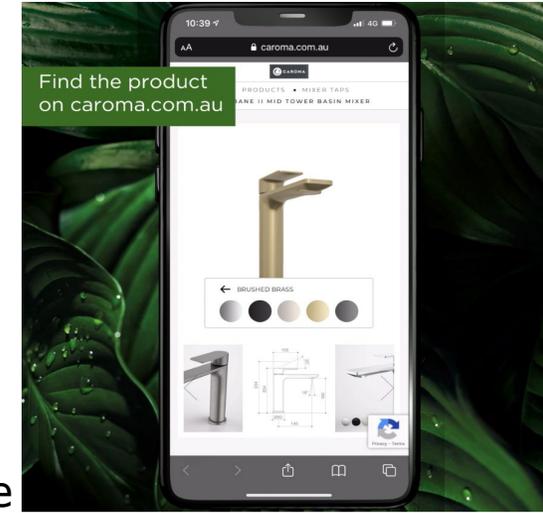
Caroma is the **#1 most well known brand** across ANZ markets.

Methven is known for its **innovation & expertise** in showering technology

GWA portfolio of brands are all in the **Top 10 best known brands** in the ANZ market.

Digital

- Digital tools for customer implemented on caroma.com.au
 - Virtual reality & augmented reality
 - 3D planning tools
 - Virtual tour of flagship store in Alexandria, NSW
- Digital engagement of products allows customers the convenience of engaging within the comfort of their own home



ERP implementation update

- Implementation of ERP/CRM across ANZ
- Short term impact on customers – planned to be fully resolved in H1, FY23
- Next steps – Ongoing focus on internal efficiencies and customer experience

Next Steps

Improving internal efficiency



Helping better manage cost, time and quality across the business.

Enhancing customer experience



Improving customer touchpoints with more accurate data and information availability.

Building resilience



Data continuity and leveraging data for greater insights across customer experience and productivity gains.



FY23 outlook

Key focus

Trading Update 1QFY23

No material change to end markets since FY22 result

Continued operational discipline

Initiatives to manage headwinds

Strategy

Continued clear focus on execution

FY23 commentary

- Solid start to FY23 – 1QF23 Group revenue up 8.0%vs PcP
 - Australia sales up 7%
 - NZ sales up 24% (reflects 5 week shutdown in PcP)
 - UK sales down 3%
- **Pricing** - average price increase of 5% implemented across ANZ effective 1 July 2022
- **F/X** - continue to monitor FX and implement mitigation strategies for a materially weaker A\$ in H2 - 67% hedged at US\$0.72 at 30 September 2022
- **Supply Chain** - continue to actively manage inventory levels to meet demand
- Continued focus on our 4 strategic growth pillars; and
- Implementing strategic foundations in support of the growth initiatives

04 | Formal Business



Poll

Resolutions 1-3:

Re-election of directors:

- Mr Stephen Goddard; and
- Mr John Mulcahy.

Election of:

- Mr Richard Thornton.

Resolution 4:

Adoption of the Remuneration Report for the year ended 30 June 2022.

Resolution 5:

Approval of the issue of Performance Rights to the Managing Director & CEO,
Mr Urs Meyerhans.



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