



**GWA**  
Group Limited

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26 October 2018

**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 (AEDT) today at Caroma on Collins, Sydney.

An audio recording of the AGM presentation will be made available on the GWA website at [www.gwagroup.com.au](http://www.gwagroup.com.au) following the conclusion of the meeting.

Yours faithfully

**R J Thornton**  
**Executive Director**

# GWA Annual General Meeting

26 October 2018



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# Agenda

- 01** | Chairman's Address
- 02** | Managing Director and CEO's presentation
- 03** | Formal Business
- 04** | Close



# Governance

- Corporate Governance has for many months been the subject of intense scrutiny
- Fundamentally each organisation needs to ask themselves the question posed by Justice Neville Owen the Commissioner of the Royal Commission into the collapse of HIH Insurance 2003
  - *Did anyone stand back and ask themselves the simple question - is this right?*
- The GWA board has an unwavering commitment to and the application of the highest standards of corporate governance at all levels of the Group; there is zero tolerance for non-compliance
- The responsibility starts and stops with the board to ensure all within the Group accept the need for accountability and responsibility for actions taken or not taken
- The GWA board actively engages with senior management in formal board meetings and external to those meetings to hear first hand from senior executives on the business, the markets in which that aspect of the business operates and the wider economic environment; in that way the board provides leadership to the Group and ensures appropriate standards are applied and met
- The Group has a strong culture focused on its people, its customers, its shareholders, the environment and the broader community
- The board embraces as one of its main roles to set the tone for the organisation and to ensure that risks are identified and appropriately managed

# Risk Management

- The Board has established an Audit and Risk Committee which meets regularly throughout the year
- While not all board members are members of the committee nonetheless all Board members attend the meetings of the committee and participate in debate
- That committee has adopted a risk management framework by which risks faced by the business are assessed and managed
- The Board actively engages with management to ensure activities are managed in accordance with appropriate risk frameworks
- Mitigation strategies are implemented with respect to all material risks
- The Board and its committee is assisted in its work on risk by external professionals who regularly undertake audit checks of the risk frameworks with recommended courses of action taken to address any shortcomings identified

# Safety

- Our people are our most important asset: our goal is an injury free workplace
- “Caring For Each Other” is the ongoing theme central to the Group’s cultural pillars
- Substantial progress has been and continues to be made to improve the Group’s safety culture with a number of safety initiatives being implemented:
  - *Safety Homecoming* training was recently rolled out to all employees;
  - The implementation of an online safety reporting system; and
  - The adoption of a 3 year safety plan with specific initiatives being adopted in this current year
- We are committed to improve the TIFR<sup>1</sup> in FY19 following the Door & Access Systems’ divestment and the adoption of the above safety initiatives

# Sustainability

- We remain committed to sustainable practices and will continue to work with key stakeholders and communities to develop those
- GWA's fundamental premise is to ***create superior solutions for people to enjoy and sustain water, our planet's most precious resource***
- The GWA Group has an unrivalled commitment to and strong pedigree and history in developing innovative water solutions enabling enhanced water conservation:
  - Caroma Dualflush;
  - Caroma Smartflush;
  - Caroma Cleanflush; and
  - The recently launched Caroma Smart Command® – provides an intelligent bathroom solution which enhances water conservation
- GWA has for many years and continues to set the standard for innovation in the bathroom space
- GWA will release a consolidated Sustainability Report in 2019

# Board and executive remuneration

- Continued freeze on Board and executive remuneration for FY18 subject to one exception
- Short-term incentive payments for FY18 reflect improved Group profit performance enabling Board to maintain high dividend payout to shareholders
- Performance requirements under the ROFE hurdle increased - require higher level of performance over three year performance period before vesting
- A review of executive remuneration is currently underway with the results to be announced in CY19. The aim is to ensure our remuneration structure aligns with market practice and most importantly with shareholder interests
- At this AGM shareholders are asked to approve an increase in total allowable Board remuneration to enable appointment of additional directors as part of Board succession planning: the first increase since 2004



# Overview of FY18 result

## **Solid result**

- The metrics for FY18 show a positive improvement on FY17
- This is the third consecutive year of increased earnings per share and increased dividends to shareholders: FY18 dividend of \$0.18 per share
- Profitable share gains in core segments has driven revenue growth ahead of the market in the Bathrooms & Kitchens segment
- Operational improvements are creating a strong platform for growth:
  - New Innovation and Distribution Centre at Prestons, NSW;
  - New flagship stores in Adelaide and Sydney to enable engagement at all levels of the market;
  - Adoption of supply Chain improvements across our network

## **Strengthened financial position**

- Robust balance sheet provides flexibility for re-investment in growth initiatives
- We are confident in our ability to manage through the cycle
- Strong ROFE and EBIT margins maintained with further cost out program identified

## **Complete focus on superior water solutions**

- Divestment of Door & Access Systems business for \$107m
- Total focus on Bathrooms & Kitchens - \$1.4 billion addressable market with significant growth opportunities
- Leverage GWA's technical capability and expertise in water solutions to drive growth in the commercial and consumer segments

# Managing Director's Presentation



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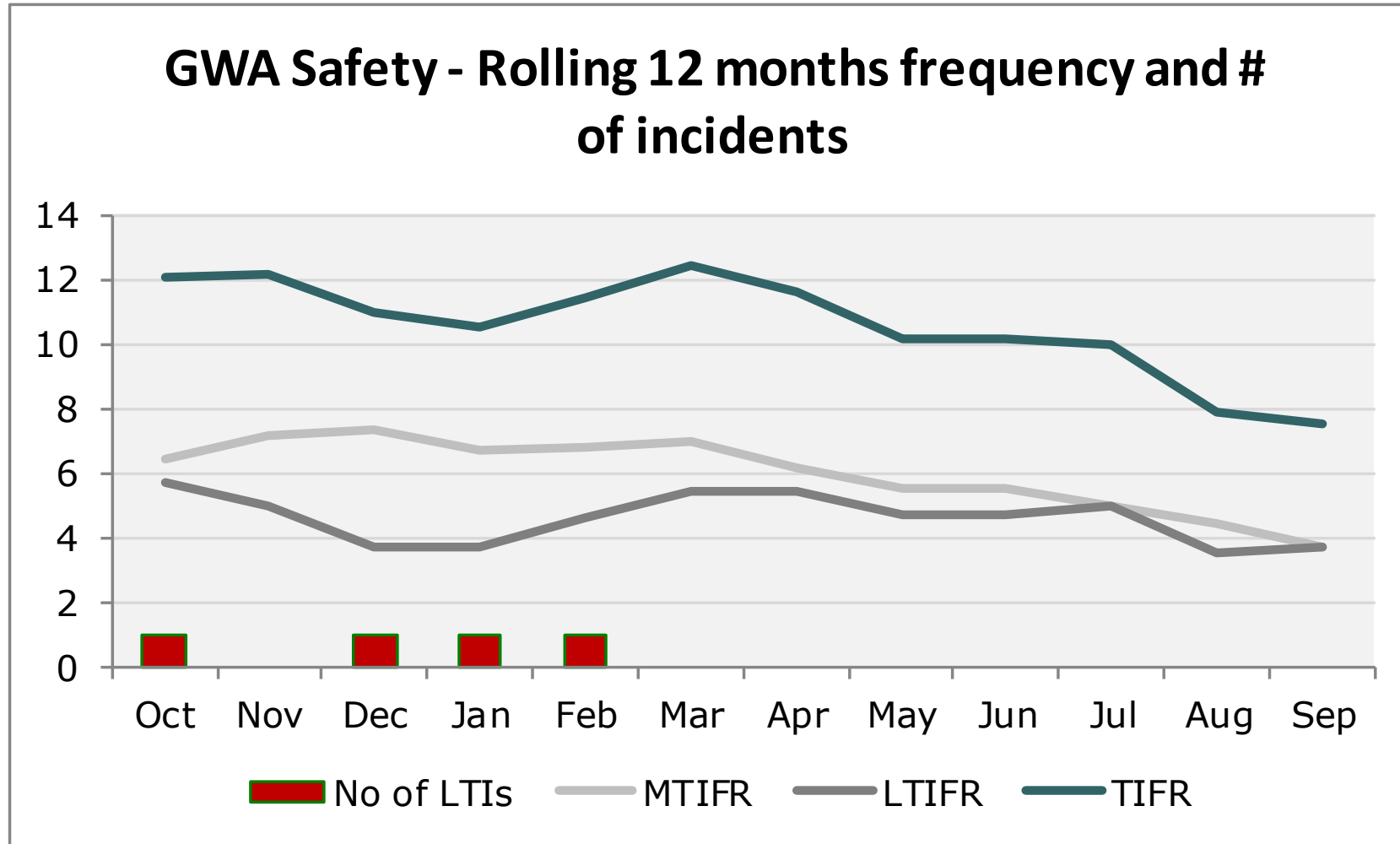




GWA, a business with purpose

***We make life better through the design and delivery of products, services and technologies that create superior solutions for people to enjoy and sustain water, our planet's most precious resource.***

# Safety performance strengthening – 7 months LTI free



# Solid FY18 financial result across metrics

## Normalised<sup>1</sup> from Group Operations

### Revenue

\$453.2m

B&K \$359.3m +2.5%



1.5%

### ROFE

20.5%



0.3pp

### EBITDA

\$89.5m



3.8%

### Operating Cashflow

\$71.6m

Reduced due to move to new distribution centre



-19.4%

### EBIT

\$84.4m



4.7%

### EPS

21.2 cents



4.3%

### NPAT

\$56.0m



4.3%

### FY Dividend

18.0 cents fully-franked  
(85% payout ratio)



9.1%

1. Normalised is before Significant items.

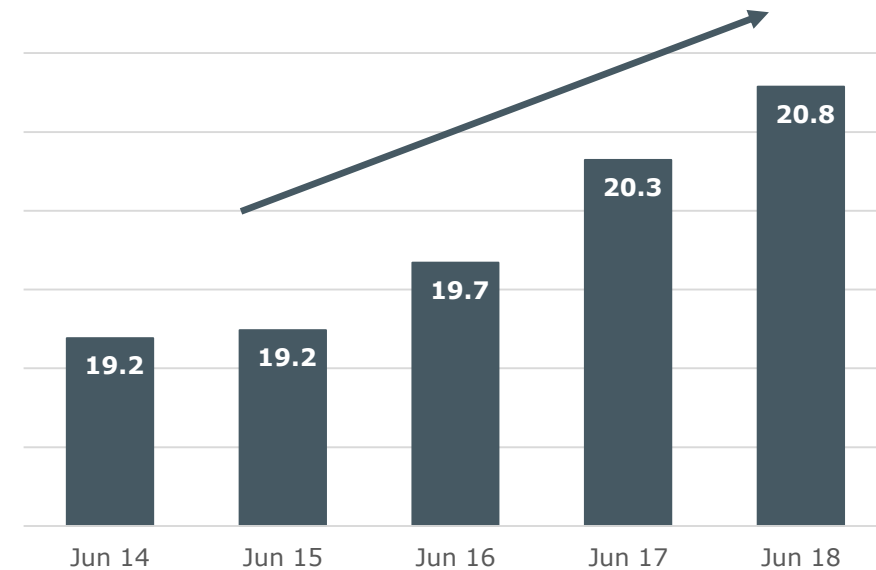
# Further share gains drive revenue growth above market

**B&K revenue up 2.5% vs market of ~2%<sup>1</sup>**

<b>Renovation &amp; Replacement</b>	Overall market showing growth in both Residential & Commercial R&R <b>Increased ~2.5% (MAT)</b>
<b>Residential detached house completions</b>	Strong pipeline remains from lag between approvals and completions <b>Decreased by ~2% (MAT)</b>
<b>Multi-Residential completions</b>	Rate of growth slowing <b>Increased by ~1.5% (MAT)</b>
<b>Commercial</b>	Increase in accommodation, education, warehouses / factories, aged care offset by reduced activity in health care and retail <b>Increased by ~4% (MAT)</b>

**Weighted average of end markets up ~2%**

**Continued market share % growth in B&K<sup>2</sup>**





# Strong financial position supports growth and re-investment

Metric	30 June 2015	30 June 2016	30 June 2017	30 June 2018
<b>Net Debt</b>	94.8	88.4	79.8	97.7
<b>Leverage Ratio</b> <i>Net Debt / EBITDA</i>	1.1	1.1	0.9	1.1
<b>Interest Cover</b> <i>EBITDA / Net Interest</i>	12.8	14.3	17.1	19.6
<b>Gearing</b> <i>Net Debt / (Net Debt + Equity)</i>	23.7%	22.3%	19.9%	22.7%

- GWA remains in a strong financial position
- Substantial headroom within \$225m syndicated banking facility maturing October 2020
- Excludes cash proceeds from completion of D&A sale of \$107m received in July / August 2018 – currently minimal net debt
- Provides enhanced financial flexibility to invest in strategic organic and inorganic growth initiatives through the cycle and potential capital management

# Introduction to GWA's growth strategy



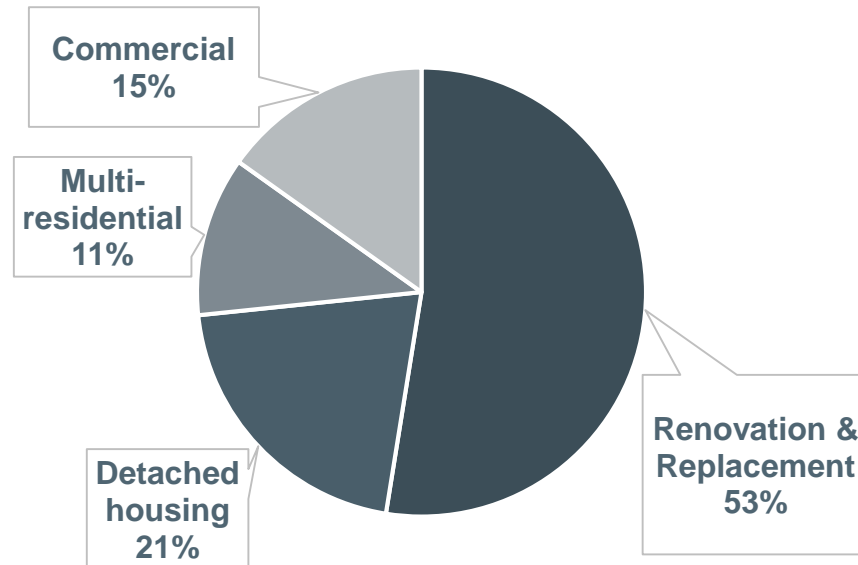
# GWA operates in a large local market with significant growth opportunities

**A\$1.4 billion addressable market**

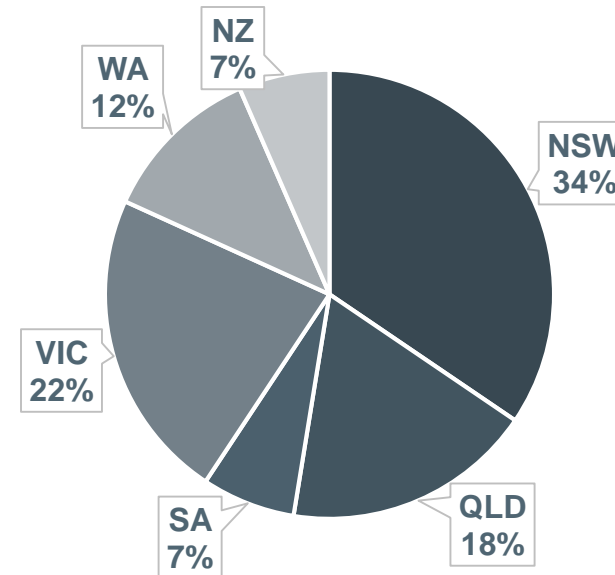
<b>Residential</b>	<b>Multi-Res</b>	<b>Comm-ercial</b>	<b>Commercial R&amp;R</b>	<b>Residential R&amp;R</b>
<b>\$191m</b>	<b>\$123m</b>	<b>\$138m</b>	<b>\$324m</b>	<b>\$673m</b>
<b>13%</b>	<b>9%</b>	<b>10%</b>	<b>22%</b>	<b>46%</b>

...with higher exposure to the more stable R&R segment

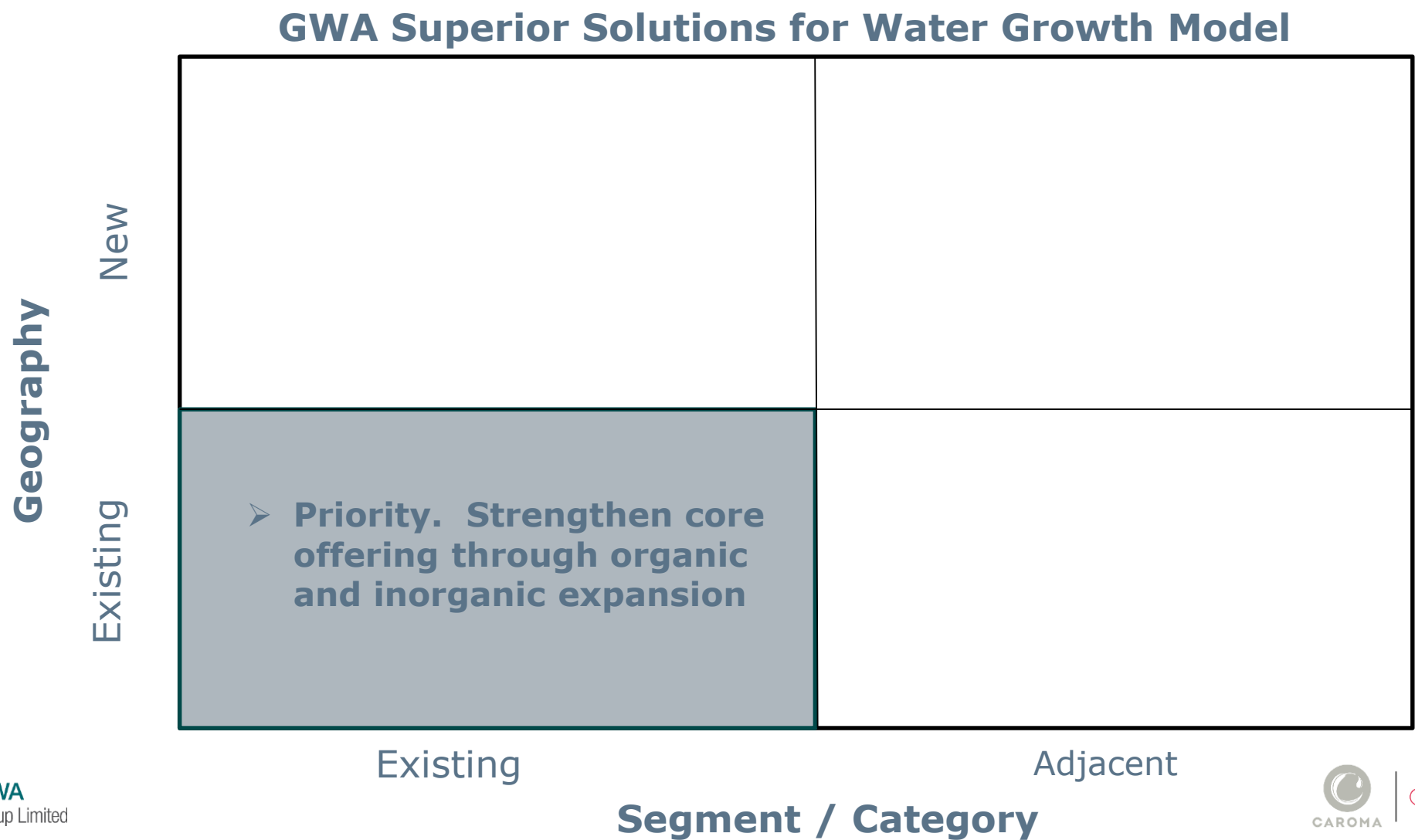
**B&K sales by segment %**



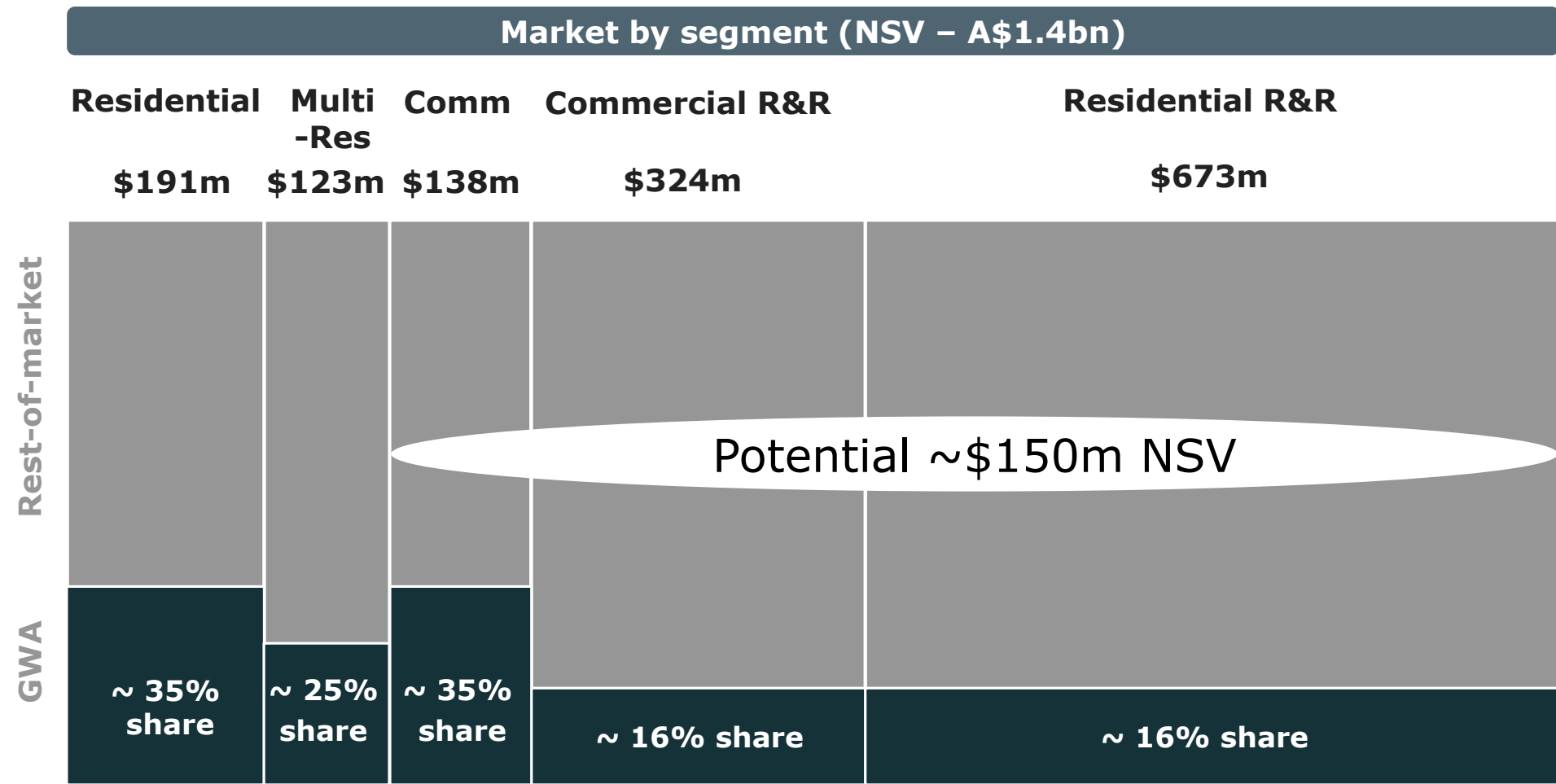
**B&K sales by geography %**



Priority is to leverage strengths in existing geographies, segments and categories

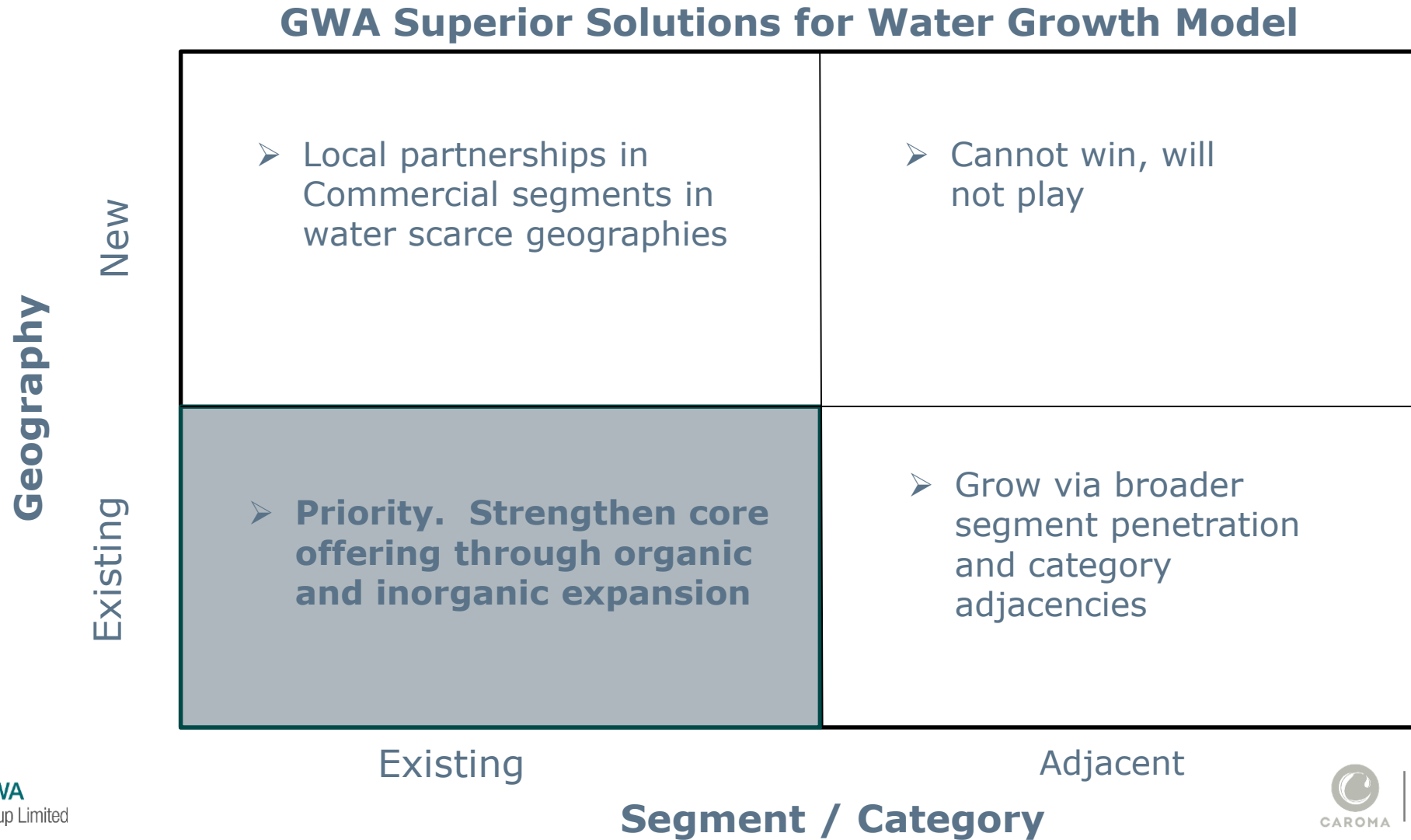


# Significant segment growth opportunities





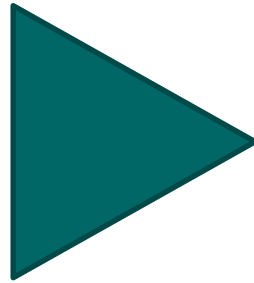
...and capability to extend into large water solutions adjacencies



# Intelligent bathroom system using Bluetooth integration within the bathroom connected to the Building Management System (BMS)/Cloud



# Caroma Smart Command Video



# Benefits that Smart Command unlocks



**Sustainability and  
innovation**

**Cost reduction**

**Customer /  
Consumer experience**

**Decision making  
through fact based  
insights**

# Adding value to our customers to drive growth

Caroma displayed in excess of 1300 outlets

Caroma 'Care' SKUs available in 1100 outlets. Range to expand to +200 SKUs

Forecast to quote 3,600 Commercial projects this year

GWA supplies 1 in 2 toilets in Commercial new build. Future R&R opportunity

Strong order bank underpinning future sales

Joined Up Business Planning aligns GWA with customers' needs





# Significant progress made on strategic priorities

Corporate priority	Progress made
<b>CUSTOMER FOCUSED</b> Add value to customers through superior execution, insights, analytics and processes	<ul style="list-style-type: none"><li>▪ Net sales growth with all major merchants in FY18</li><li>▪ Joint business planning driving mutually agreed targets and premiumisation and insights targeting specific growth segments (e.g. R&amp;R)</li><li>▪ Significant NPD to broaden offering (e.g. Cleanflush extensions, tapware)</li><li>▪ Segment-led sales team provides enhanced value proposition for customers</li></ul>
<b>CONSUMER DRIVEN</b> Deliver experiences to excite consumers and drive revenue and market share growth	<ul style="list-style-type: none"><li>▪ Continued profitable share gains</li><li>▪ Flagship stores opened, initial metrics positive</li><li>▪ Re-aligned brand portfolio targeting specific consumer segments</li><li>▪ Caroma re-launched, Clark repositioned with increased digital investment</li><li>▪ Intelligent Bathroom system, Caroma Smart Command®</li></ul>
<b>EFFICIENCY/BEST COST/PEOPLE</b> Simple, effective processes to delight consumers and customers with continuous improvement and great people	<ul style="list-style-type: none"><li>▪ Successfully achieved \$13-15m cost-out target ahead of schedule</li><li>▪ New Innovation &amp; Distribution Centre (Prestons, NSW) opened to improve customer service and efficiencies</li><li>▪ Strengthening supplier partnerships supporting improved service and NPD delivery</li><li>▪ Continued investment in people to build capability in sales/marketing to drive performance-led culture</li></ul>



# FY19 outlook

Key area	FY19 commentary
Market Activity	<ul style="list-style-type: none"> <li>▪ Market expected to remain relatively resilient; continued momentum in NSW &amp; VIC; partially offset by slower conditions in QLD, WA and NZ</li> <li>▪ R&amp;R segment expected to remain robust, (Residential and Commercial)</li> <li>▪ Commercial forward order book remains solid</li> </ul>
First Quarter Trading Update	<ul style="list-style-type: none"> <li>▪ Bathroom &amp; Kitchen sales up 2% on prior corresponding period; EBIT margins maintained</li> <li>▪ Price increases implemented September 2018</li> <li>▪ GWA hedged ~77% to 30 June 2019 at US\$77.3 cents</li> </ul>
Key priorities for FY19	<ul style="list-style-type: none"> <li>▪ Maintain momentum with key merchant partners through Joined Up Business Planning</li> <li>▪ Continue focus on identified segment growth priorities - commercial new build, commercial and residential Renovation &amp; Replacement</li> <li>▪ Continue to build brands through omni-channel engagement and new product development</li> <li>▪ Investment in Caroma Smart Command® with 1H FY19 launch</li> <li>▪ Execute programmes to deliver identified cost savings of \$9 to \$12m FY19-FY21</li> <li>▪ Continue to develop organic and inorganic growth opportunities</li> </ul>
Market Update	<ul style="list-style-type: none"> <li>▪ Next update at Interim Results 18 February 2019</li> </ul>



# Formal Business



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# Financial Statements

Financial Statements for the year-ended 30 June 2018.

# 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 2018 be adopted.



## Resolution 4 – Approval 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 220,000 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 5 – Approval 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 6 – Remuneration of Non-executive Directors

That for the purpose of ASX Listing Rule 10.17, clause 10.14 of the Company's Constitution and for all other purposes, the maximum aggregate remuneration which may be paid to the non-executive directors in any year be increased from \$1,095,000 to \$1,350,000.

# 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.

# GWA Annual General Meeting

26 October 2018



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