GWA
Group Limited

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15 August 2022

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir or Madam

GWA Group Limited (GWA Group) – FY2022 Full Year Results Presentation

Please find attached for immediate release to the market the FY2022 Full Year Results Presentation for GWA Group.

On 15 August 2022 at 10.00 am (AEST), GWA Group will be hosting a webcast of its FY22 results briefing. The webcast is accessible via the corporate website at www.gwagroup.com.au.

This announcement is authorised by the Board.

Yours faithfully

Ernie Lagis

Ernie Lagis
Company Secretary and General Counsel

Results Presentation

Year ended 30 June 2022

15 August 2022

Presenters

Urs Meyerhans
Managing Director and CEO

Calin Scott
Group Chief Financial Officer

Craig Norwell
Group Executive - Sales

Agenda

- Overview
- Group Financial Results
- Business Performance
- Strategic Update
- Summary & FY23 Outlook
- Q&A
- Appendix

01 Overview

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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

Improved safety performance

- Reduction in 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; and
  - Transitioned to COVID safe work practices
- Introduction of mental health and wellbeing programs

Total Injury Frequency Rate

02 | Group Financial Results

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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

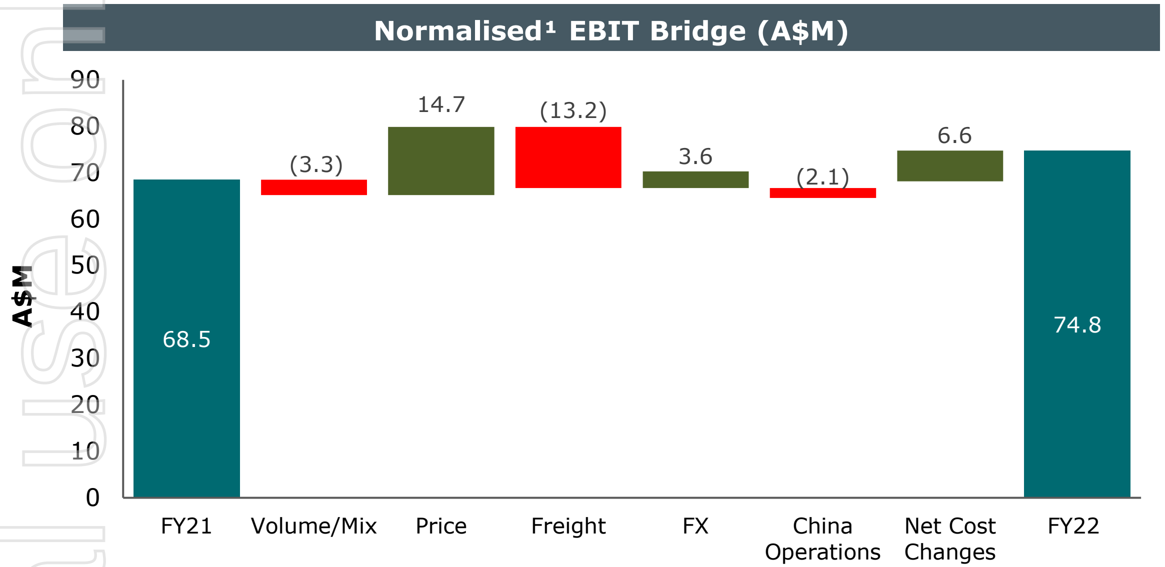
Significant Items	FY22	FY21	% Change
Pre Tax	(15.2)	(9.5)	nm
Post Tax	(12.1)	(7.3)	nm

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 operations ($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.

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)

Group – improvement on a normalised basis in 2H FY22

A$m Normalised[1]	1H FY22	2H FY22	% Change	FY22
Revenue	201.3	217.4	8.0%	418.7
EBITDA	45.5	49.1	7.8%	94.6
EBIT	35.6	39.2	10.2%	74.8
NPAT	22.4	24.9	11.5%	47.3
EBIT Margin %	17.7%	18.1%	0.4pp	17.9%
EPS	8.4c	9.4c	1.0c	17.8

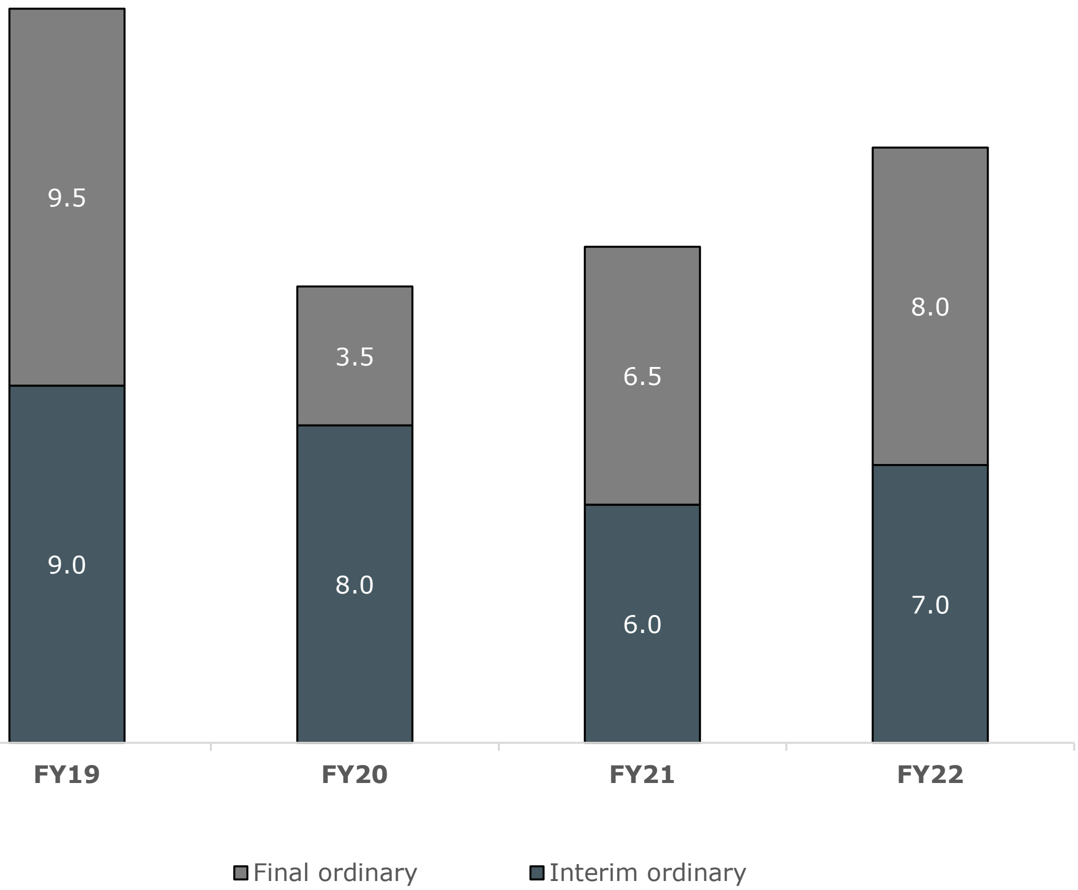
Significant Items	1H FY22	2H FY22	% Change	FY22
Pre Tax	(5.4)	(9.8)	nm	(15.2)
Post Tax	(3.8)	(8.3)	nm	(12.1)

A$m Reported	1H FY22	2H FY22	% Change	FY22
Revenue	201.3	217.4	8.0%	418.7
EBITDA	40.5	39.7	-1.7%	80.2
EBIT[2]	30.2	29.5	-2.4%	59.7
NPAT	18.6	16.6	-10.6%	35.2
EBIT Margin %	15.0%	13.6%	-1.4pp	14.3%
EPS	7.0c	6.3c	-0.8c	13.3

- Improved revenue H2 compared to H1, FY22
  - Well positioned moving into FY23
- Steady improvement in EBIT and Margin throughout FY22
- Increase in significant items in H2 due to:
  - Completion of ERP/CRM implementation
  - Closure of China Sales function

[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.

FY22 full year dividend increased by 20% from FY21



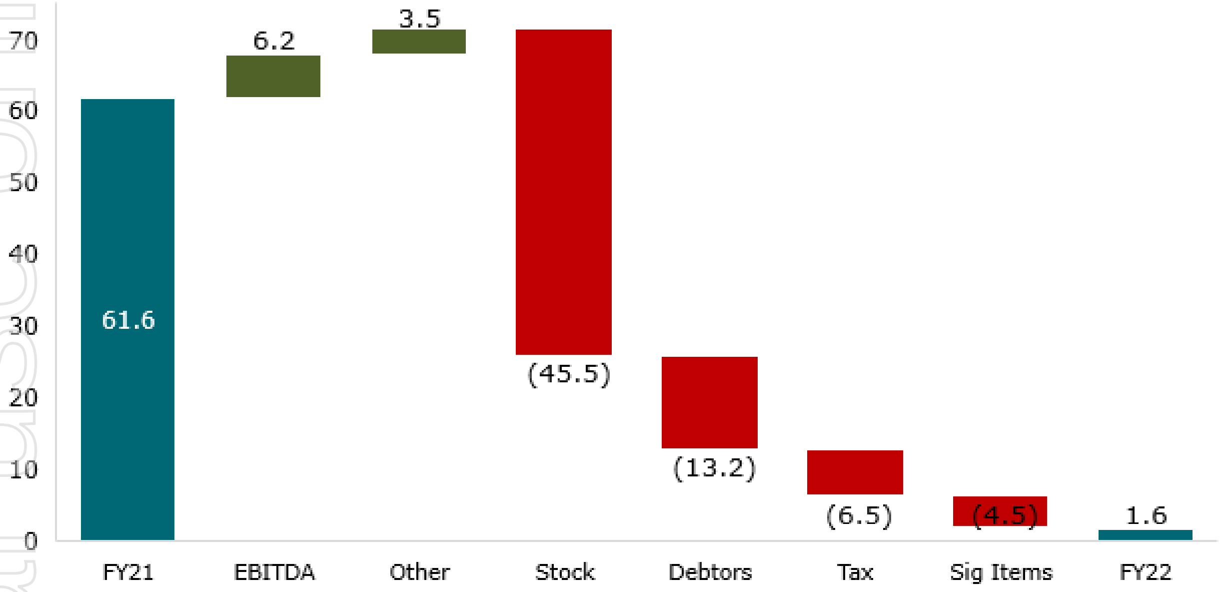
- Final dividend of 8.0 cents per share fully franked represents an increase of 23% vs FY21
- This brings the FY22 full year dividend to 15.0 cents per share fully franked, an increase of 20% vs FY21
- FY19 reported results included profit of $50.8m from the sale of Doors & Access Systems
- Refocussed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

Free cash flow impacted by working capital and significant items

Cash flow from Continuing Operations A$M	FY22	FY21
EBITDA	**94.6**	**88.4**
Net movement in Working Capital	(43.9)	13.6
Other	(1.1)	1.1
Cash Flow from Operations	**49.6**	**103.1**
Capital Expenditure and other investing activities	(2.4)	(8.0)
Significant Items / Other costs	(10.4)	(5.9)
Net Interest Paid	(7.3)	(7.5)
Tax Paid	(17.9)	(11.4)
Lease Payments	(10.0)	(8.7)
Group Free Cash Flow	**1.6**	**61.6**

- Reduction in Cash Flow from Operations due to:
  - Planned inventory build
  - Short term ERP impact on trade receivables
- Lower capital expenditure due to focus on ERP/CRM project
- Cash significant items/other costs due to:
  - ERP/CRM implementation
  - China sales function closure
- Strong financial position enables final dividend of 8.0 cents per share fully franked

Free cash flow impacts



- Inventory increase due to:
  - Planned inventory build in response to supply chain challenges
  - Lower inventory on hand in FY21 due to shipping delays
  - Increased freight costs
  - Extended lead time
- Debtors
  - Increase due to ERP/CRM implementation
  - Pushing sales from April to May/June
- Improved cash flow expected for FY23

Solid financial position maintained

Metrics[1]	30 June 2018	30 June 2019	30 June 2020	30 June 2021	30 June 2022
Net Debt	97.7	141.9	144.8	104.8	138.2
Leverage Ratio *Net Debt / EBITDA*	1.1	1.6	1.9	1.4	1.7
Interest Cover *EBITDA / Net Interest*	19.6	23.5	13.6	15.5	18.3
Gearing *Net Debt / (Net Debt + Equity)*	22.7%	27.5%	28.4%	21.5%	26.2%
Net Debt					
Borrowings	125.0	177.8	175.4	146.1	168.3
Bank Guarantees	1.8	3.8	1.8	1.3	1.4
Cash	(27.9)	(39.6)	(32.4)	(42.6)	(31.4)
Held for sale cash	(1.2)	-	-	-	-
	97.7	**141.9**	**144.8**	**104.8**	**138.2**

- Net debt $138.2m up 32% on prior year due to increase in working capital
- Credit metrics remain within target ranges
- Banking facility re-financed reducing total facility from $267m to $220m, with improved pricing:
  - $180m multi-currency revolving facility does not expire until October 2024
  - $40m bi-lateral facility matures October 2022 and is expected to be extended prior to this

[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 FY18-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)

03 | Business Performance

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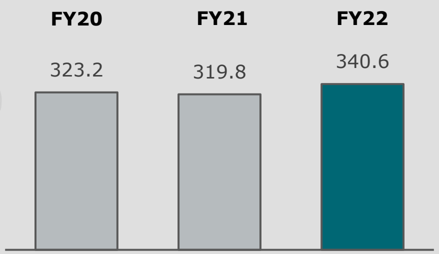
Group revenue improved by +3% vs. FY21

FY22 Revenue vs pcp (A$)	Revenue commentary	$ Revenue & % of Group

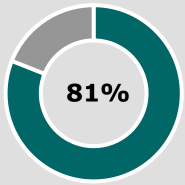


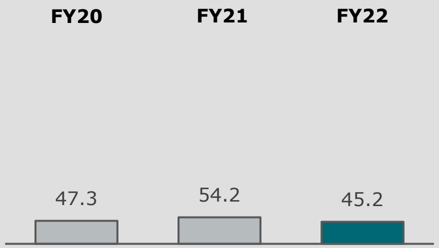
Australia

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

$340.6m

+7% on PcP



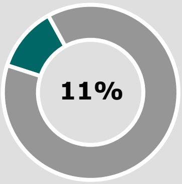


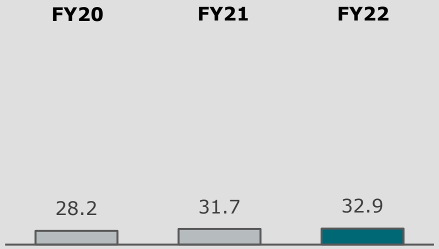
New Zealand

- 5 week shutdown and ongoing Covid related issues throughout FY22

$45.2m

-17% on PcP



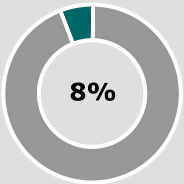


International

- United Kingdom continue to drive growth internationally
- Chinese market heavily impacted by ‘Dynamic Zero Policy’
  – Closed China sales function following strategic review

$32.9m

+4% on PcP



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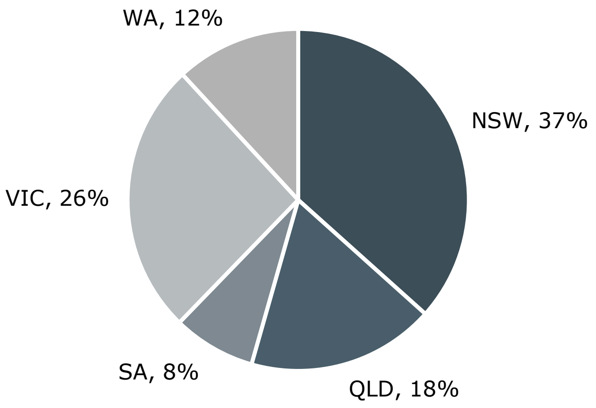
Revenue by state

A$m Net Sales AU	FY22	FY21	% Change
NSW	124.7	111.8	11.6%
QLD	60.6	59.8	1.4%
SA	26.7	24.2	10.5%
VIC	88.1	85.7	2.8%
WA	40.4	38.3	5.5%
Total	**340.6**	**319.8**	**6.5%**



- **NSW**
  - Strong revenue growth driven by Commercial & Builders
- **VIC**
  - Challenging H1 with COVID lockdowns, improved H2 with reduced restrictions and stronger lead indicators.
- **QLD**
  - Disappointing result driven by Commercial sales; and
  - Delays in detached housing
- **SA**
  - Strong revenue growth throughout FY22
- **WA**
  - Consistent revenue growth through accelerated project and merchant sales

Supply chain update

Supply Chain Risk	Mitigation
Covid related disruptions of suppliers in Asia	• Proactive inventory build through increased safety stock levels of in-demand products • Supplier regional diversification
Container & shipping shortages	• Long term shipping contracts • Chartering own vessel in extreme circumstances • Proactive planning with key suppliers • Managed through alternative freight channels
Components and raw material shortages	• Negotiated higher level of stock at manufacturing sites
Domestic freight challenges	• Alternative pallet and domestic freight providers , minimising supply disruption • Closed loop pallet system in place, reducing need for new pallets
Unexpected demand for projects	• Proactive increased stock levels • National distribution footprint • Close demand planning collaboration with customers

04 | Strategic Update

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Good progress with key strategic initiatives

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. Win the plumber** Connect, deepen and leverage plumbing industry relationships	**2. Innovate through design & partnerships** Leverage in-house capability and global partnerships to fast-track value creation and portfolio modernisation	**3. Grow our after-market offerings** Build a comprehensive after-market capability	**4. Focus on Strategic Growth Opportunities** Disciplined and targeted investment in local & international markets
Foundation	**Customer Experience** – *Integrated customer experience with structured brands & category portfolios*			
	Digital – *Investment in digital opportunities to deliver a superior customer experience*			
	Environmental, Social, Governance – *A sustainable business that drives value and fuels growth*			
	Aligned Organisation – *The right people in the right roles, focused on the right outcomes*			

Our Cultural Pillars
We are one team| We are Customer focused | We care for each other

- **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

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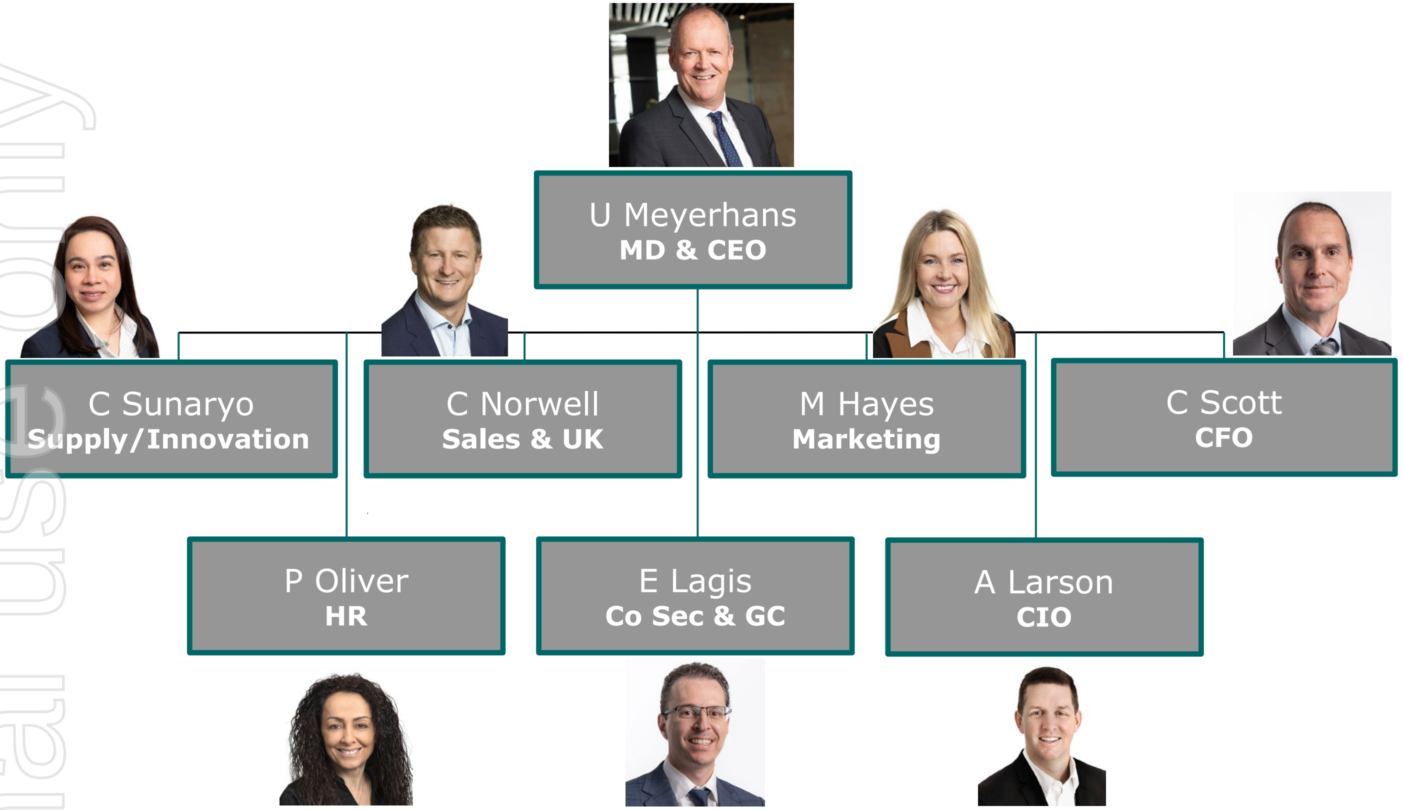
Committed executive team



- **Aligned executive team**
  - Relevant mix of experience
- **Clear ownership of strategy**
  - Each strategic pillar owned by an executive

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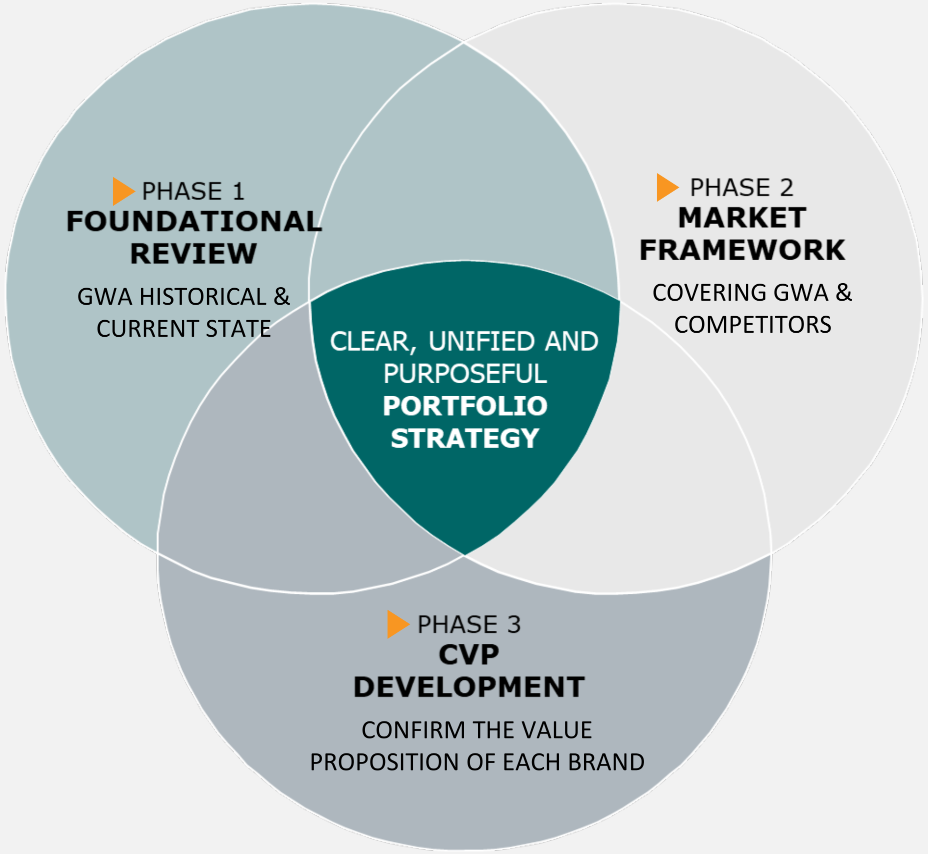
Defining a compelling brand and customer value proposition

- **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.

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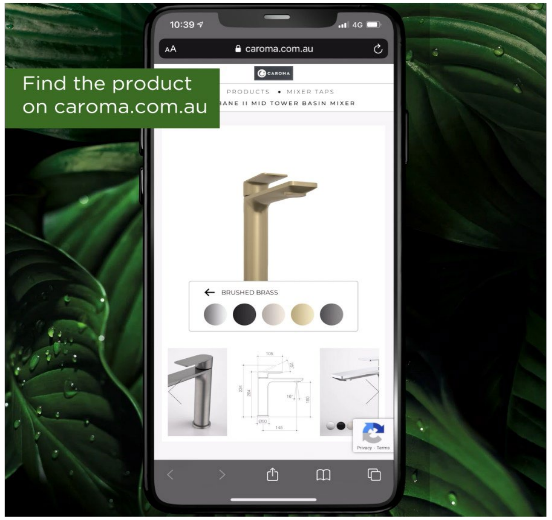
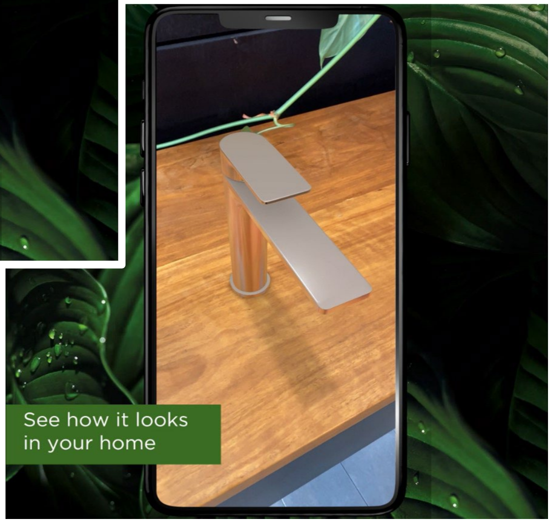
GWA Group Limited

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





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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	Enhancing customer experience	Building resilience
Helping better manage cost, time and quality across the business.	Improving customer touchpoints with more accurate data and information availability.	Data continuity and leveraging data for greater insights across customer experience and productivity gains.

05 | Summary and FY23 Outlook

Pleasing FY22 performance
proactively navigating challenging operating conditions

- Improved financial performance FY22 vs FY21
- Balance sheet remains solid
- Cash flow impacted by an increase in working capital and significant items
- Continued momentum into FY23
- Disciplined execution of strategy

FY23 outlook[1]

Key focus	FY23 commentary
Key Markets ***Positive for GWA***	• Positive sentiment across key construction segments – Commercial – continued demand for Care and signs of recovery for New Build – Residential detached – momentum expected to continue 'stronger for longer' – R&R in Residential/Commercial approvals at historically elevated levels
Financial Performance ***Disciplined growth agenda***	• Managing higher input cost through proactive price increases when required • Inventory levels able to meet demand • Targeted investment in new products and experience centres across ANZ • Cash flow expected to return to normalised levels
Strategy ***Continue with clear focus***	• Committed management team to deliver strategy • Continue focus on 'Win the Plumber' • A clear brand proposition and digital tools to drive 'pull strategy'

[1] Refer to page 31 for FY23 assumptions

06 | Q & A

Disclaimer

This Presentation contains projections and other prospective statements that represent GWA's assumptions and views, including expectations and projections about GWA's business, the industry in which it operates and management’s own beliefs and assumptions. Such matters require subjective judgement and analysis and may be based on assumptions which are incorrect. They may also be based on factors which are subject to significant uncertainties and contingencies which may be outside the control of GWA and are provided only as a general guide or statement, and should not be relied upon as an indication or guarantee of future performance. As such, GWA's actual performance may differ from those assumptions or projections set out in this Presentation.

This Presentation contains non-IFRS financial measures to assist users to assess the underlying financial performance of GWA. The non-IFRS financial measures in this presentation were not the subject of a review or audit by KPMG.

Unless otherwise stated, financials (including comparatives) reflect the adoption of IFRS 16 *Leases* and the impact of the May 2020 IFRS Interpretation Committee decision relating to IAS 12 *Income Taxes*.

07 | Appendix

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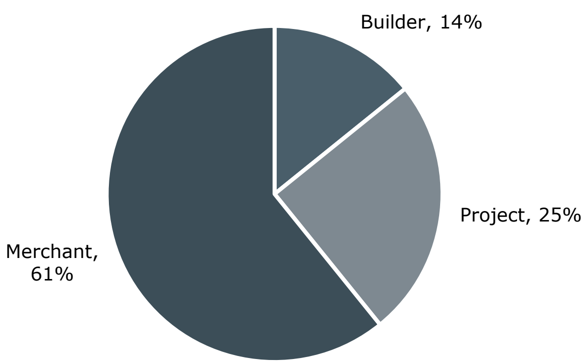
FY23 Key Assumptions[1]

Area	Assumption
Australian market backdrop	BIS total building activity data[2] is indicating market growth of ~3% in FY23
Price increase	ANZ effective 5% price increase from 1 July 2022
D&A (depreciation and amortisation)	~$7.5-8.5m excluding the impact of IFRS 16. Including the impact of IFRS 16 ~$19.5 – 20.5m
Interest costs	~$5-6m excluding lease interest. Including lease interest ~7-8m.
FX	Currently 54% hedged at US$0.73
Effective Tax rate	~29.0 – ~30.0%
Working capital	Expected to decrease in H1, FY23
Capex	~$9.0 - ~$11.0m investment in NPD, Digital and Experience Centres
Freight cost increase	~$6.0m – $8.0m compared to FY22
Incremental A&P	~$5.0m - ~$6.0m
Significant items	UK ERP implementation, amount will be determined with reference to best for business solution

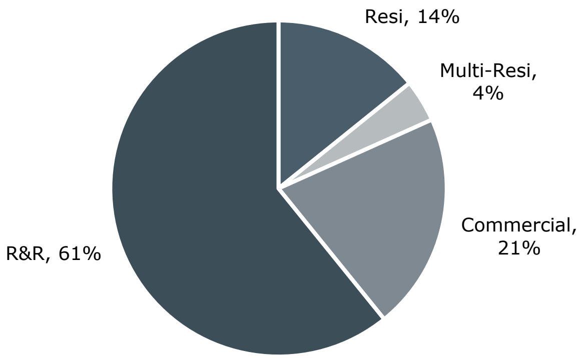
[1] Refer Disclaimer on slide 29
[2] BIS Oxford data, Australia market, July 2022 release

Increasing presence in Commercial segment

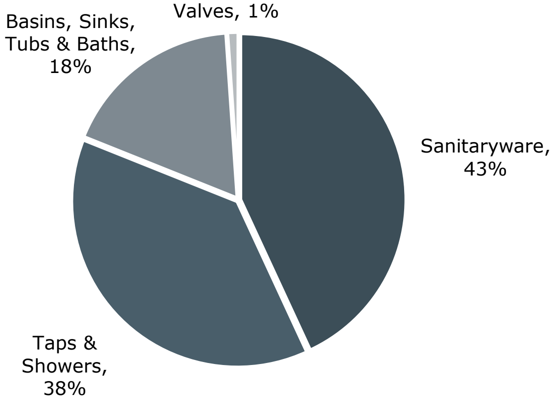
Segment[1]



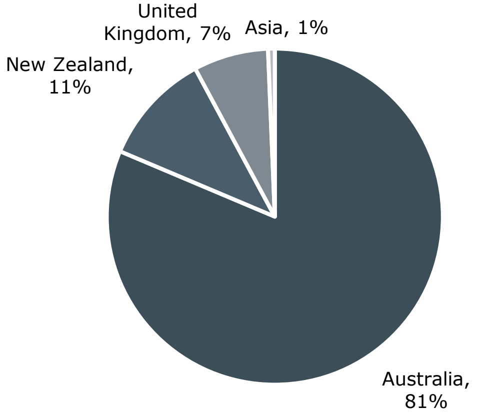
Sub-segment[1]



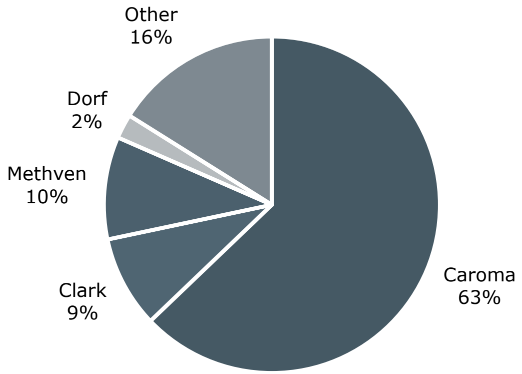
Category



Geography



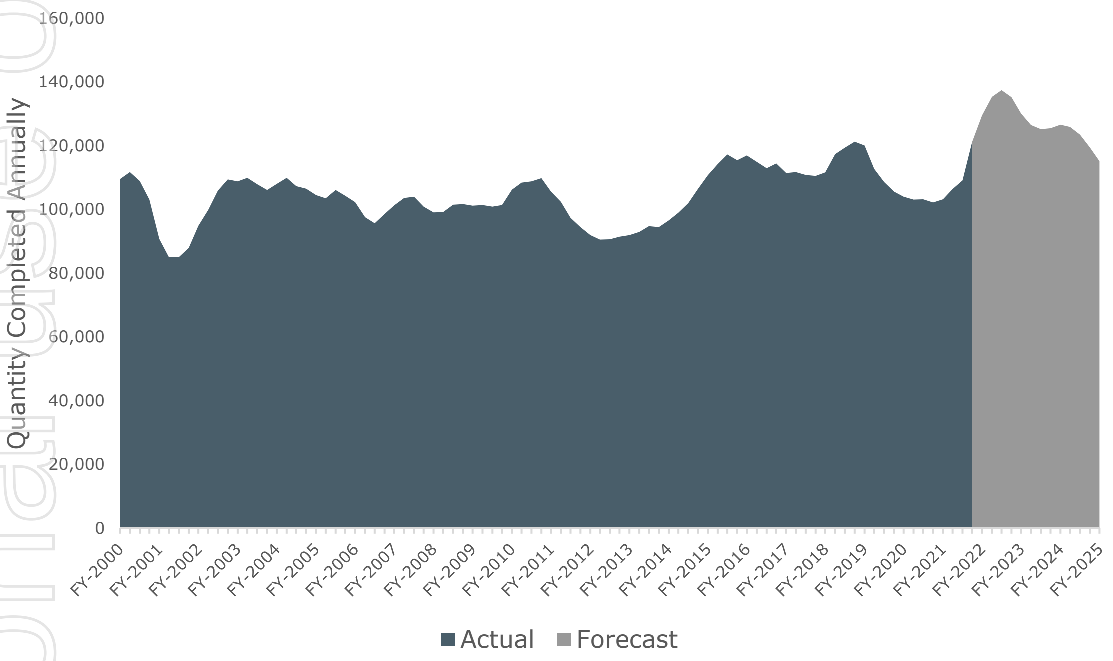
Brand



[1] Percentage of Australian sales revenue only and represent GWA's best estimate. Category, Geography and Brand are percentage of group sales revenue

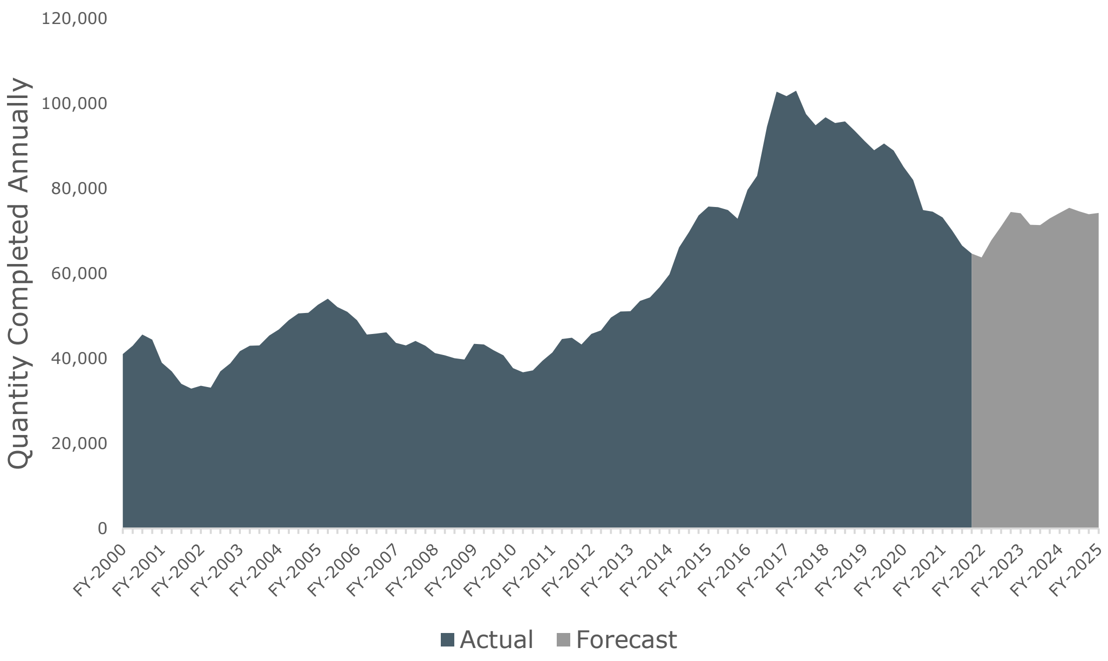
Australian Market Context – residential completions expected to strengthen in FY23, multi-residential to recover in FY23

Residential[1]



[1] Approximately 14% of GWA's Australian revenue

Multi - Residential[2]

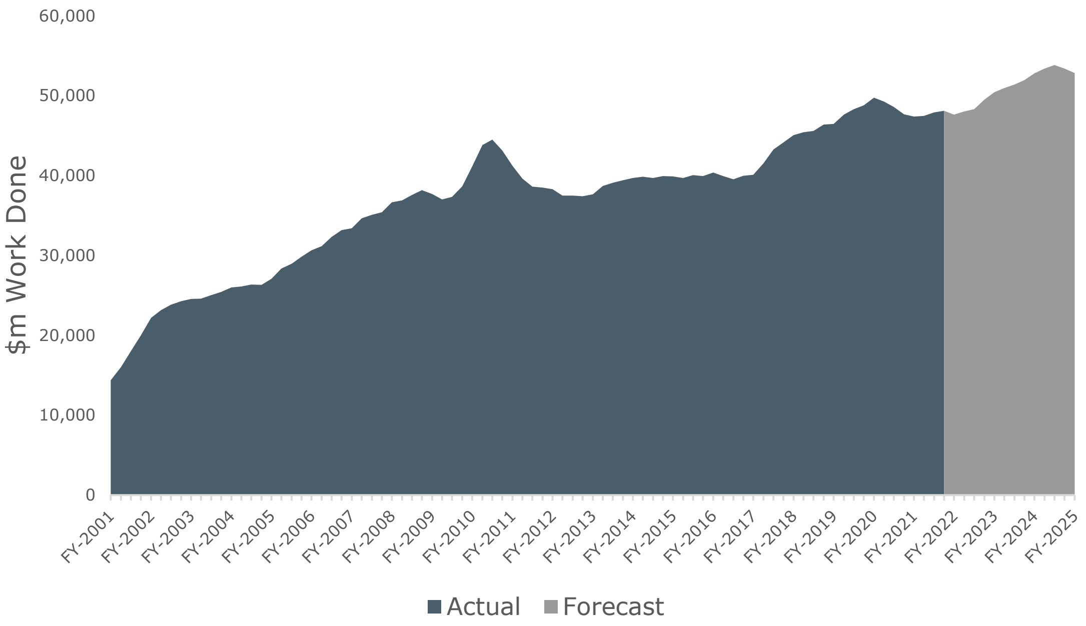


[2] Approximately 4% of GWA's Australian revenue

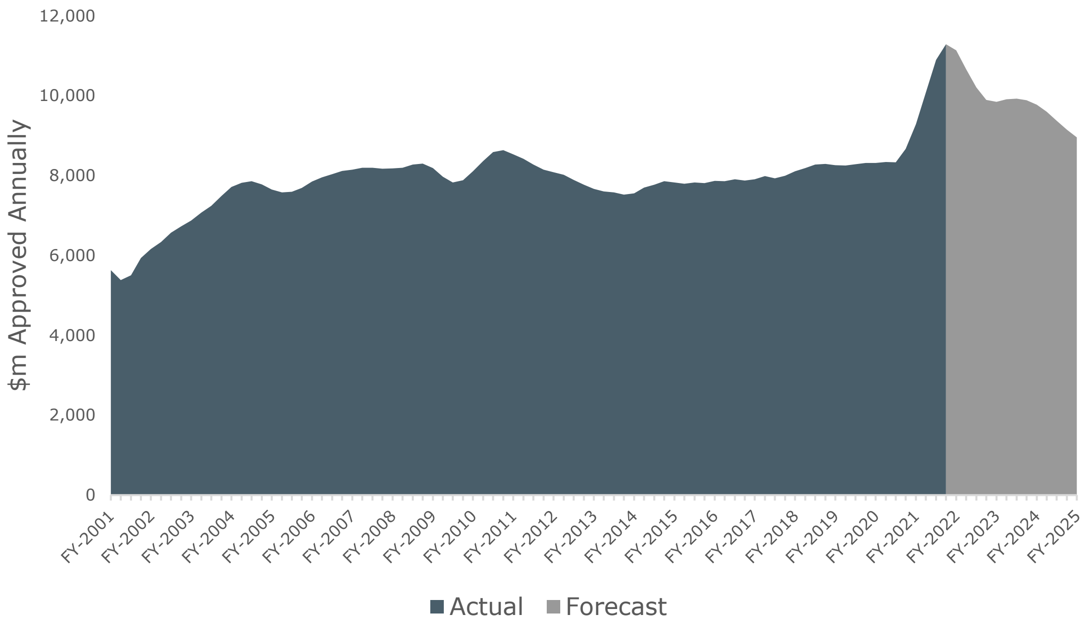
Source: BIS Oxford Economics

Australian Market Context – commercial work done expected to improve FY23 onwards, A&A to continue at elevated levels

Commercial[1]



Alterations & Additions[2]

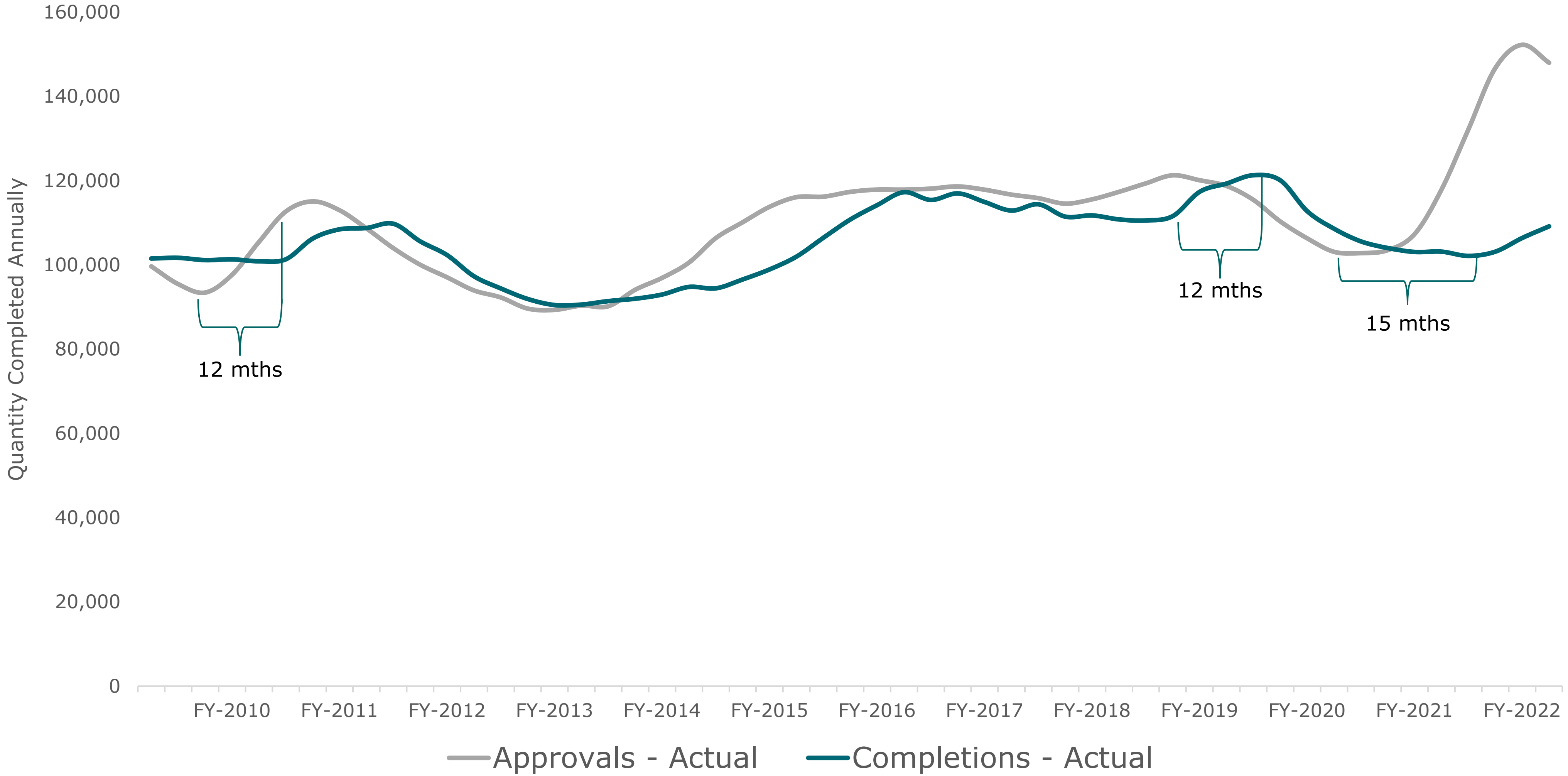


[1] Approximately 21% of GWA's Australian revenue

[2] Approximately 61% of GWA's Australian revenue

Source: BIS Oxford Economics

Residential completions expected to remain strong during FY23,
despite approvals declining from the historical highs.
(Completions' lag vs. approvals ~15 months)



Source: BIS Oxford Economics

Results Presentation

Year ended 30 June 2022

15 August 2022

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