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20 February 2023

ASX Release

GWA Group Limited (GWA Group) – Financial Results Presentation for the Half Year ended 31 December 2022

GWA Group encloses the following document for immediate release to the market: "Results Presentation – Half Year ended 31 December 2022".

On 20 February 2023 at 11.00 am (AEDT), GWA Group is hosting a webcast of its FY23 half year results briefing. The webcast is accessible via the corporate website at www.gwagroup.com.au.

The release of this announcement was authorised by the Board.

Yours faithfully

Ernie Lagis

Ernie Lagis
Company Secretary and General Counsel

Results Presentation

Half Year ended 31 December 2022

20 February 2023

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GWA Group Limited

Presenters

Urs Meyerhans
Managing Director and CEO

Calin Scott
Group Chief Financial Officer

Craig Norwell
Group Executive - Sales

Agenda

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

01 Overview

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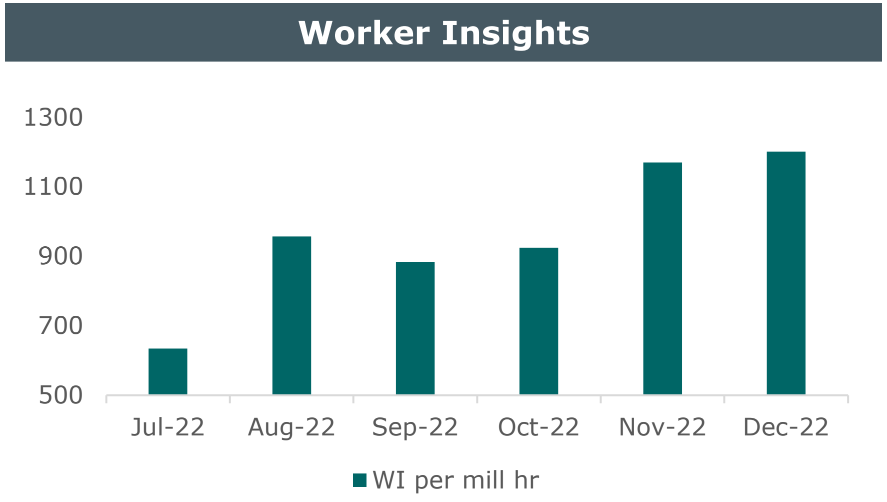
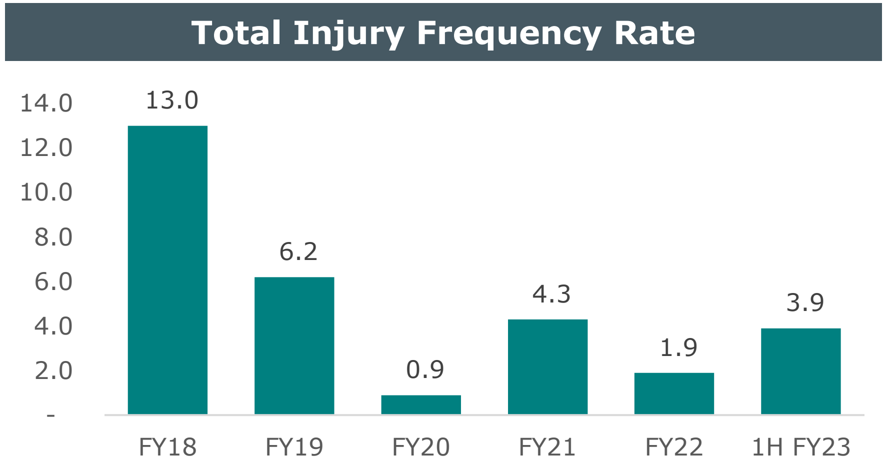
Revenue growth of 3% despite mixed performance of end markets

- **1H FY23 Revenue up 2.9%, Reported EBIT up 13%, Normalised EBIT down 4.2%;**
  - Mixed market performance, residential renovation saw a revenue decline in Q2;
  - Costs impacted by increased customer freight
- **Balance sheet remains solid**
  - 6.0 cents per share fully franked interim dividend
- **Improved cash flow from operations and free cash flow**
  - Cash conversion ratio improved to 103%
- **Mixed market performance expected to continue into 2H FY23**
  - Detached housing completions and Commercial new build and renovation activity expected to remain solid for the remainder of FY23
  - Residential renovation activity expected to remain subdued for the remainder of FY23
- **Disciplined execution of strategy**
  - Solid progress on implementation of strategic initiatives

Evolving safety focus & maturity

- Shift to leading indicators (worker insight frequency rate)
- Updating risk profile to include Psychosocial Risk
- Responding to changing ways of working including hybrid working
- Two minor injuries sustained in NZ business





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02 | Group Financial results

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Revenue up 3% despite mixed market performance

A$m Reported	1H FY23	1H FY22	% Change
Revenue	207.1	201.3	2.9%
EBITDA	43.4	40.5	7.2%
EBIT	34.1	30.2	12.9%
EBIT Margin %	16.5%	15.0%	1.5pp
NPAT	21.3	18.6	14.9%
ROFE %	14.3%	14.4%	-0.1pp
EPS	8.0c	7.0c	1.0c
Dividend / share	6.0c	7.0c	-1.0c

Significant Items	1H FY23	1H FY22[1]	% Change
Pre Tax	0.0	(5.4)	nm
Post Tax	0.0	(3.8)	nm

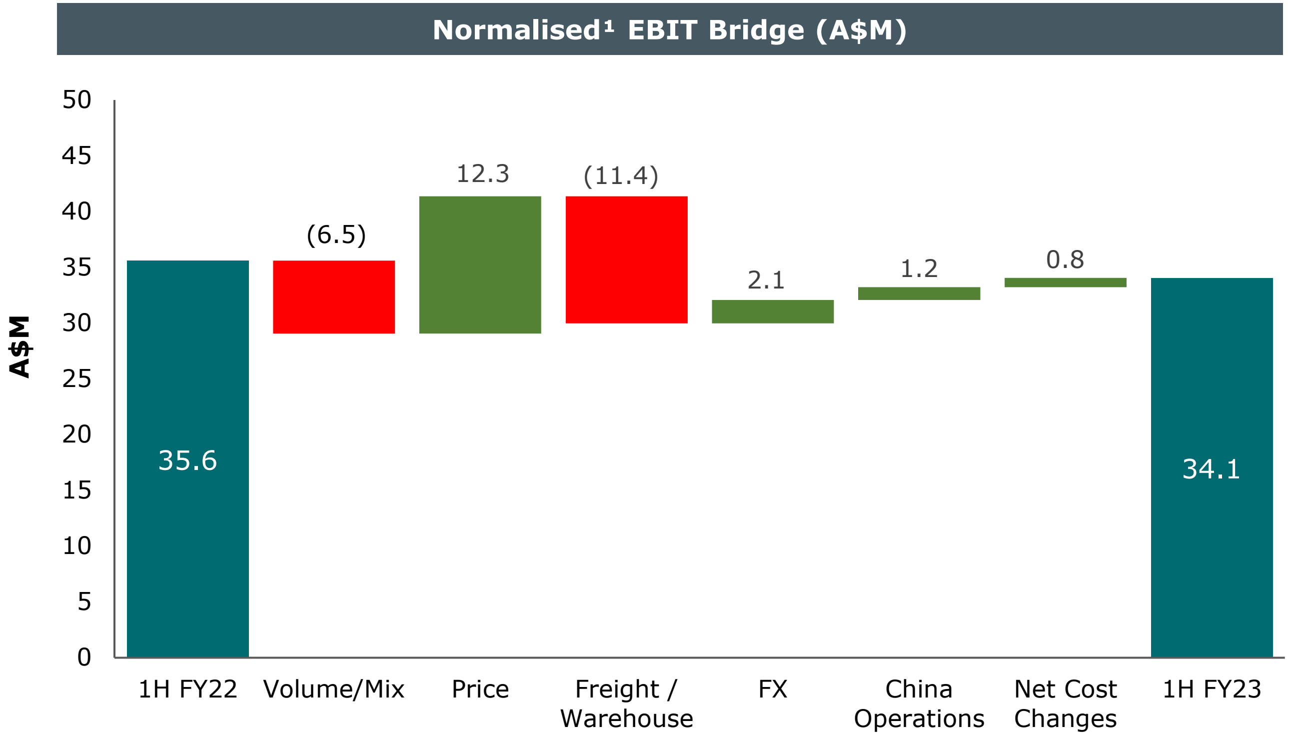
A$m Normalised[2]	1H FY23	1H FY22	% Change
Revenue	207.1	201.3	2.9%
EBITDA	43.4	45.5	-4.8%
EBIT	34.1	35.6	-4.2%
EBIT Margin %	16.5%	17.7%	-1.2pp
NPAT	21.3	22.4	-4.6%
ROFE %	16.5%	17.5%	-1.0pp
EPS	8.0c	8.4c	-0.4c

- Improved Group Revenue driven by:
  - Australian performance – up 3.4% PcP,
  - International markets – up 2.5%, offset by
  - Decline in New Zealand – down 0.4% PcP
- Reported 1H EBIT up 12.9% reflective of no significant items,
- Normalised 1H EBIT margin 16.5%, down 1.2% from 1H FY22, reflects the impact of customer freight
- Effective tax rate of 29%

[1] Upgrade Enterprise Resource Planning/Customer Relationship Management – reported in Significant items

[2] 1H FY22 Normalised is before $(3.8)m in significant items (after tax)

Proactive price increases to offset external cost increases



- **Volume/Mix**: reflects negative impact of Q2 on volumes, partially offset by favourable sales mix in Australia
- **Price**: Price increase ~5% implemented across ANZ from July 2022
- **FX:** favourable AUD vs. USD on purchases 1H FY23 ~72c vs. 1H FY22 ~70c
- **Freight / Warehouse:**
  - cost pressures driven by global supply chain disruptions on both inbound and outbound freight
  - use of external 3PL warehouse storage due to space restrictions in New Zealand
- **Net cost changes:**
  - increased A&P investment and product cost offset by;
  - lower SG&A expenditure

[1] 1H FY22 Normalised is before $(3.8)m in significant items (after tax)

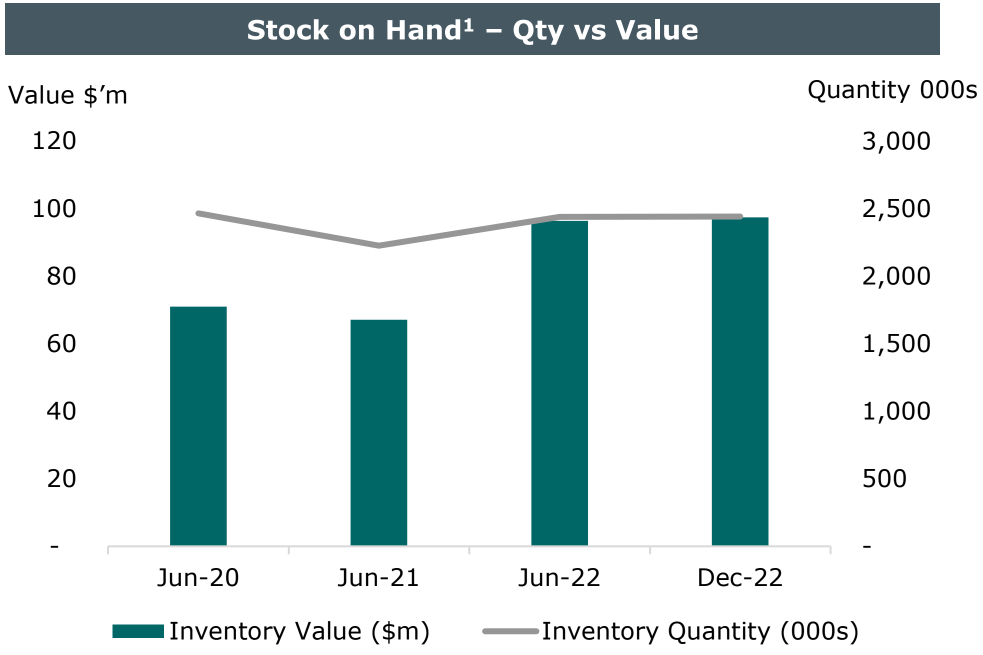
Improved cash flow from operations and free cash flow

Cash flow from Continuing Operations A$M	1H FY23	1H FY22
EBITDA	**43.4**	**45.5**
Net movement in Working Capital	2.2	(1.5)
Other	(1.0)	(0.4)
Cash Flow from Operations	**44.6**	**43.6**
Capital Expenditure and other investing activities	(1.4)	(1.6)
Significant Items / Other costs	(2.3)	(3.9)
Net Interest Paid	(4.0)	(3.7)
Tax Paid	(7.7)	(11.4)
Lease Payments	(5.6)	(5.0)
Group Free Cash Flow	**23.6**	**18.1**

- Cash conversion* improved to 103%
- Increase in Cash Flow from Operations due to favourable impact of movement in debtors, partially offset by increased inventory
- Cash restructuring/other costs due to
  - ERP/CRM implementation
  - China sales operations closure
- Strong financial position enables an interim dividend of 6.0 cents per share fully-franked.

*Cash Flow from Operations excluding significant items divided by normalised EBITDA

Stock on Hand – quantity vs value



- Proactive inventory management in response to Covid challenges in South-East Asia resulting in current inventory levels
- Improvement in quality of inventory, shift from B and C class to A class products which are higher volume faster selling SKUs
- Value increase reflective of product mix and higher input costs

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[1] Australian inventory only

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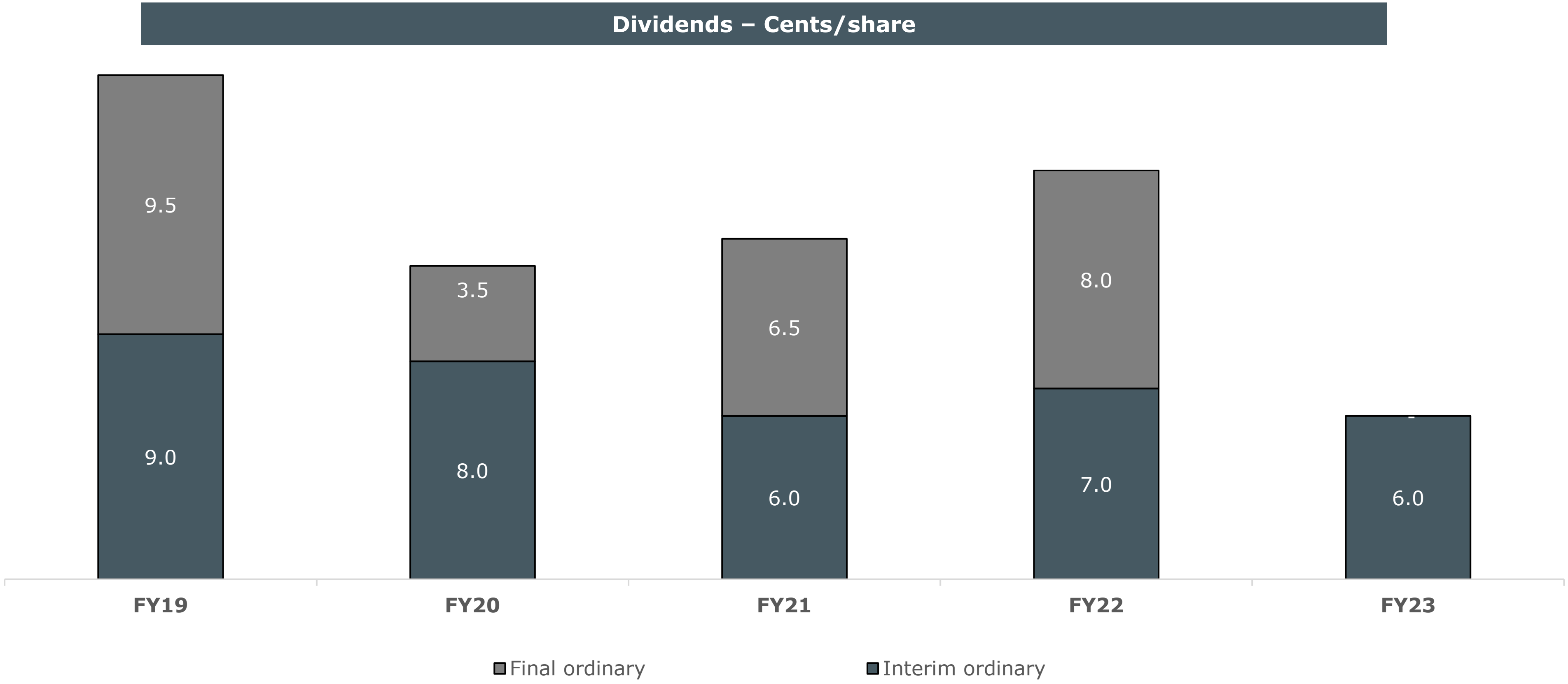
FY23 interim dividend of 6.0c per share



Solid financial position maintained

Metrics[1]	30 June 2019	30 June 2020	30 June 2021	30 June 2022	31 Dec 2022
Net Debt	141.9	144.8	104.8	138.2	136.6
Leverage Ratio *Net Debt / EBITDA*	1.6	1.9	1.4	1.7	1.7
Interest Cover *EBITDA / Net Interest*	23.5	13.6	15.5	18.3	16.4
Gearing *Net Debt / (Net Debt + Equity)*	27.5%	28.4%	21.5%	26.2%	26.1%

Net Debt					
Borrowings	177.8	175.4	146.1	168.3	184.0
Bank Guarantees	3.8	1.8	1.3	1.4	1.4
Cash	(39.6)	(32.4)	(42.6)	(31.4)	(48.7)
	141.9	**144.8**	**104.8**	**138.2**	**136.6**

- Net debt $136.6m, down 1% from June 2022
- Credit metrics remain within target ranges
- Banking facilities of $220m
  - $180m multi-currency revolving facility does not expire until October 2024
  - $40m bi-lateral facility matures October 2023 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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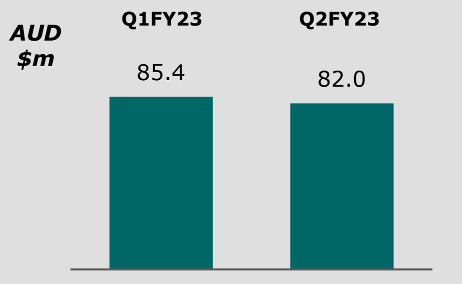
Group revenue improved by +3% vs 1H FY22

1H FY23 Revenue	Revenue commentary	$ Revenue & % of Group



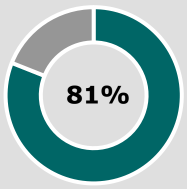
Australia

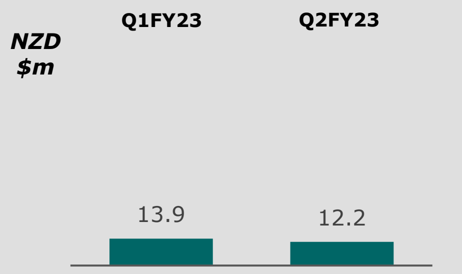
- Strong Q1 growth offset by decline in Q2
- Q2 decline largely attributable to decline in residential renovation
- Effective 5% price increase from 1 July 2022

AUD $m

$167.4m

+3.4% on PcP





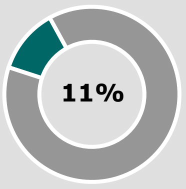
New Zealand

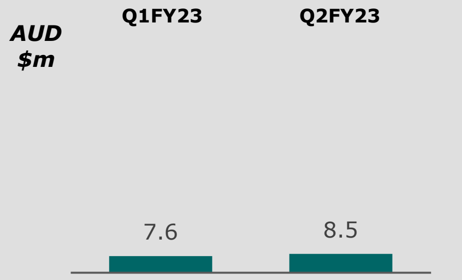
- 1H FY23 Revenue +4.8% on a constant currency basis
- Q2 decline a result of softening demand
- Effective 5% price increase from 1 July 2022

AUD $m

$23.6m

-0.4% on PcP





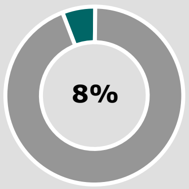
International

- 1H FY23 UK revenue +5.0% on a constant currency basis
- Revenue largely flat quarter on quarter
- Effective 5% price increase from 1 November 2022

AUD $m

$16.1m

+2.5% on PcP



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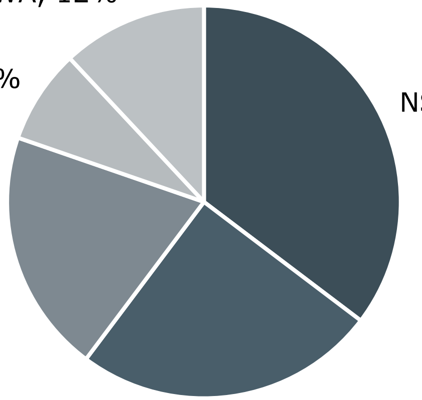
Revenue by State

A$m Revenue	1H FY23	1H FY22	% Change
NSW	58.5	59.4	-1.4%
VIC	42.9	39.3	9.2%
QLD	33.3	30.9	7.5%
SA	12.9	13.1	-2.0%
WA	19.8	19.2	3.2%
Total	**167.4**	**161.9**	**3.4%**



NSW

- Strong R&R led Q1 +12%, with Q2 impacted by commercial projects delayed to 2H and R&R customers rebalancing stock levels.

VIC

- Growth driven by recovery in Commercial, while lapping prior year COVID lockdowns.

QLD

- Strong Detached housing and Commercial after a disappointing FY22.

SA

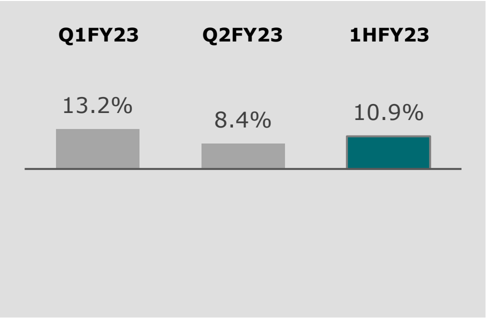
- Detached housing in steady growth, with softer R&R and Commercial predominantly in Nov/Dec.

WA

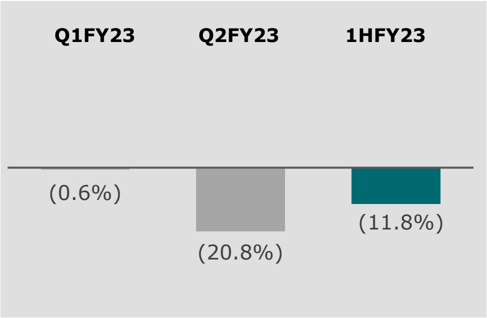
- Strong R&R growth, with soft Detached housing

Top 4 customers: Australia – 3 in Growth

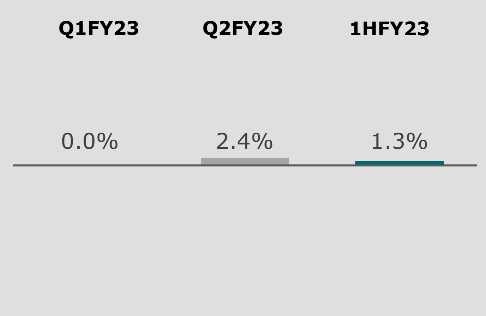
Customer A vs PcP



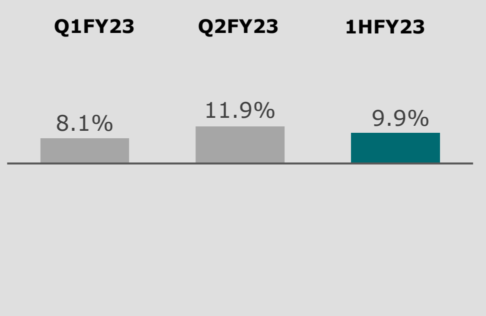
Customer B vs PcP



Customer C vs PcP



Customer D vs PcP



3 out of 4 Merchant partners in growth driven by

- Continued solid performance in Commercial segment
- Early signs of 'Win the Plumber' momentum
- Slow down in residential renovations

Supply chain risks

Challenges	Mitigation strategies
Impacts of COVID (particularly in China)	▪ Healthy inventory levels to minimise the impact of manufacturing disruptions
International freight/container availability	▪ Long term contracts in place ▪ Availability and rates returning to normal levels
Domestic freight (ANZ)	▪ Freight volume and route optimisation ▪ Domestic freight carrier tender ▪ Price increases being implemented
New Zealand freight congestion	▪ Elevated inventory levels and optimised ordering pattern to minimise impact of freight peak season

04 New Products

Promising NPD launches




- Launch of **consumer smart** bathroom and kitchen collections including smart toilets, sensor sink & bathroom mixers and soap dispensers to capture growing demand for touchless products
- Continue to evolve our popular **independent living** range, Livewell, with the launch of grab-rail showers, support accessories, smart retrofit bidet as well as addition of colours
- Soft launch of our new **Youth Care** collection to capture educational & public amenities growing needs and start early life brand recognition

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05 | Strategy Update

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

WIN THE PLUMBER	INNOVATE THROUGH DESIGN & PARTNERSHIPS	GROW OUR AFTER-MARKET OFFERINGS	FOCUS ON STRATEGIC GROWTH OPPORTUNITIES
Connect, deepen and leverage plumbing relationships	Leverage in-house capability and global partnerships to fast-track value creation and portfolio modernisation	Build a comprehensive after-market capability	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

Key Strategic Highlights

Win The Plumber	• 11,000 plumbers engaged – defined specific profiles • Successful trial of dedicated technical phone line – 90% success
Innovate through Design & Partnership	• Consumer smart products • Extended 'independent living range' • Created and operating an 'Age lab'
Foundations	• Customer experience – 20% reduction in SKU range • Digital – refresh of Caroma website • Digital –embedded ERP following go live in April 2022 • ESG – Qld distribution transitioned to 100% GreenPower™

06 Summary and FY23 outlook

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Revenue growth of 3% despite mixed performance of end markets

- **1H FY23 Revenue up 2.9%, Reported EBIT up 13%, Normalised EBIT down 4.2%;**
- **Balance sheet remains solid 6.0 cents per share fully franked interim dividend**
- **Improved cash flow from operations and free cash flow**
- **Mixed market performance expected to continue into 2H FY23**
- **Proactive execution of strategy in the context of changing market conditions**

FY23 outlook[1]

Key focus	FY23 commentary
Key Markets ***Mixed for GWA***	➢ Mixed sentiment across key construction segments ➢ Commercial – continued demand for new build and R&R ➢ Residential detached – momentum expected to continue into 2H FY23 ➢ R&R in Residential – subdued demand expected through 2H FY23
Financial Performance ***Disciplined growth agenda***	➢ Managing higher input cost through proactive price increases as required and various cost initiatives ➢ Inventory levels able to meet demand ➢ Targeted investment in new products and experience centres across ANZ
Strategy ***Continue with clear focus***	➢ Proactive execution in the context of changing market conditions ➢ Profitable volume growth targeting new markets and customers; ➢ Acceleration of ease of doing business initiatives with a focus on our merchant partners; and ➢ Continued focus on cost management

[1] Refer to page 30 for FY23 assumptions

07 | 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*.

08 Appendix

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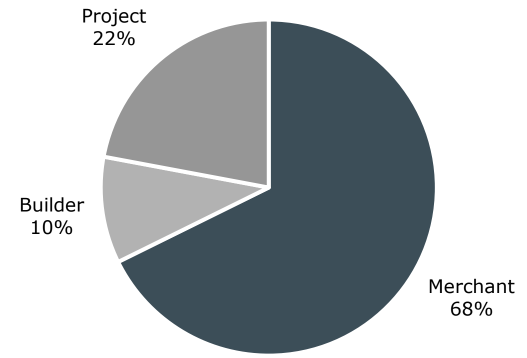
FY23 Key Assumptions[1]

Area	FY23 Expectation	Actual 1H
Australian market backdrop	BIS total building activity data[2] is indicating a market decline of 4% in FY23 (July 2022 +3%)	
Price increase	5% implemented in ANZ from 1 July 2022. ~4% implemented in Australia from 1 April 2023 ~5% implemented in New Zealand from 1 March 2023	5% implemented in ANZ from 1 July 2022 and UK from 1 October 2022
D&A (depreciation and amortisation)	~$7.0-8.0m excluding the impact of IFRS 16. Including the impact of IFRS 16 ~$18.5 – 20.5m	$3.4m excluding the impact of IFRS 16. Including the impact of IFRS 16 D&A is $9.3m
Interest costs	~$6-7m excluding lease interest. Including lease interest ~$8-9m.	$2.8m excluding lease interest. Including the impact of IFRS 16 interest costs are $3.9m.
FX	Neutral, Currently 80% hedged at US$0.70	Gain of $2.1m
Effective Tax rate	~29.0 – ~30.0%	29.3%
Working capital	Decrease from June 2022	Decrease from June 2022
Capex	~$3.0 - $3.5m	$1.4m
Ocean freight cost increase	~$6.0 – $7.0m	~$3.5m
Customer freight cost increase	~$6.0 – $8.0m	~$4.0m

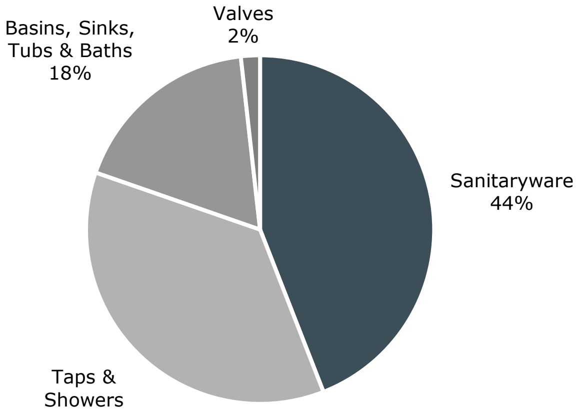
[1] Refer Disclaimer on slide 28
[2] BIS Oxford data, Australia market, December 2022 release

Continuing strength in sanitaryware

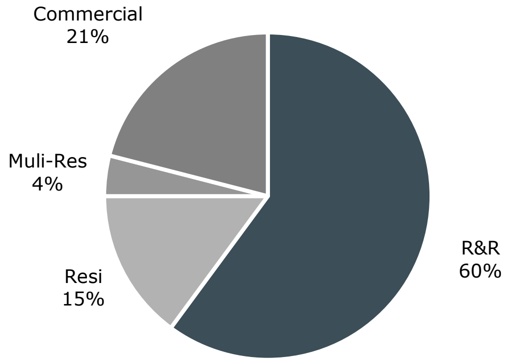
Segment



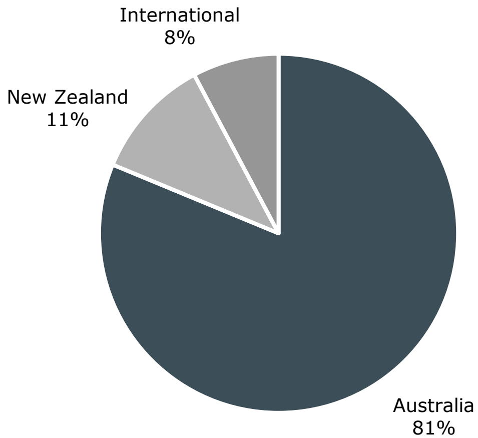
Category



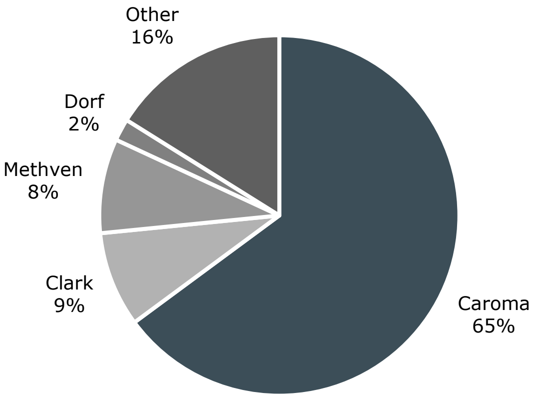
Sub-Segment[1]



Geography



Brand



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

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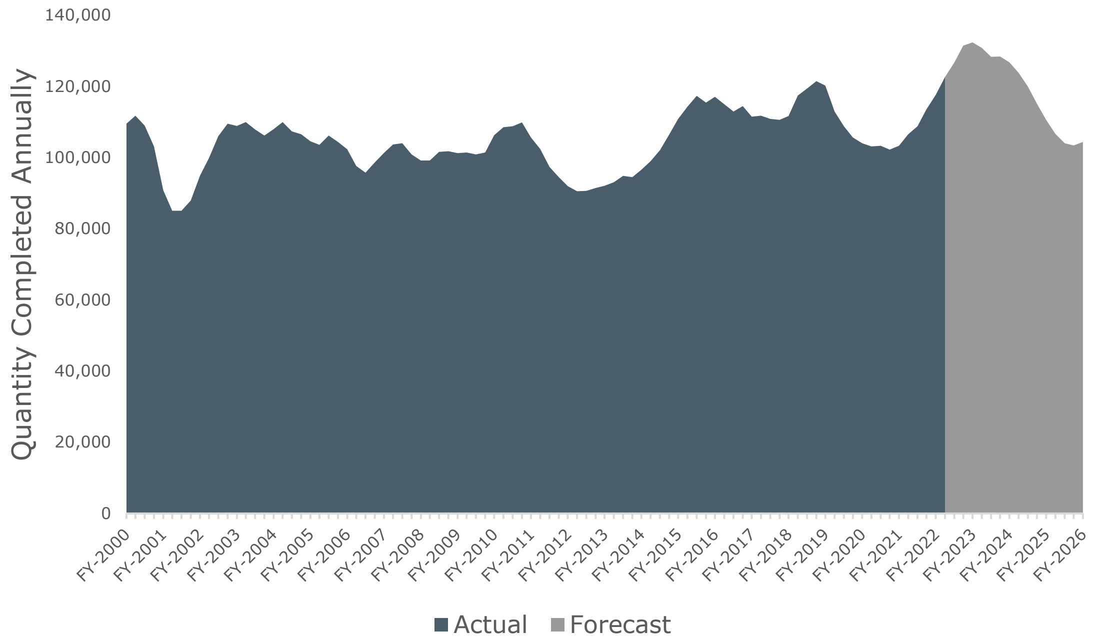
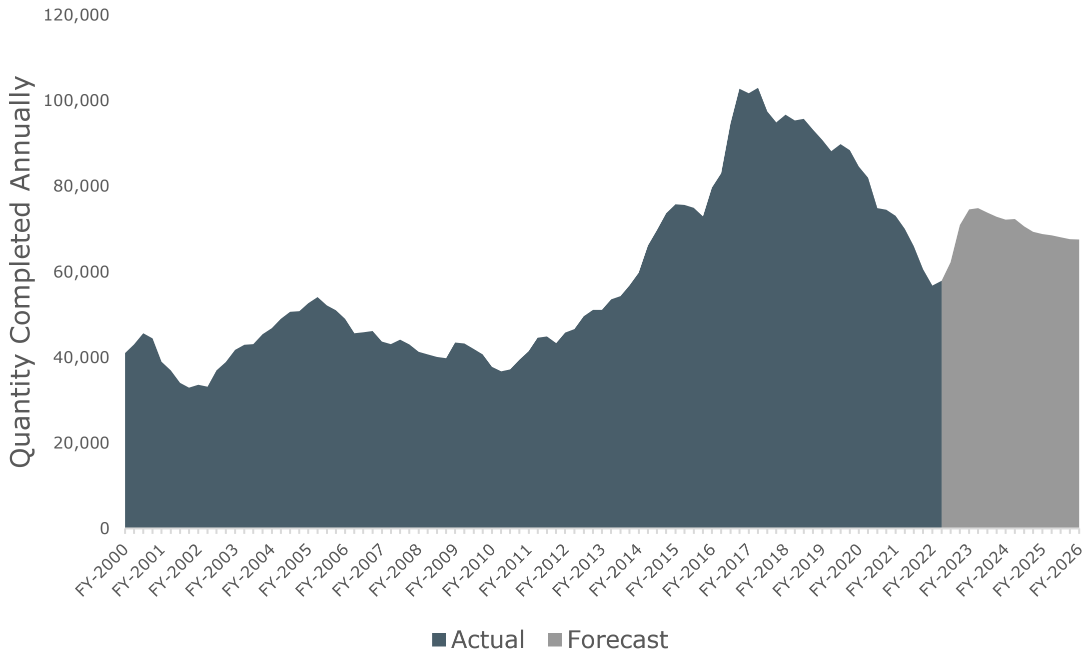
Australian Market Context – residential completions expected to remain at elevated levels in 2H with multi-residential to pick up

Residential[1]



[1] Approximately 15% of GWA's Australian revenue

Multi - Residential[2]

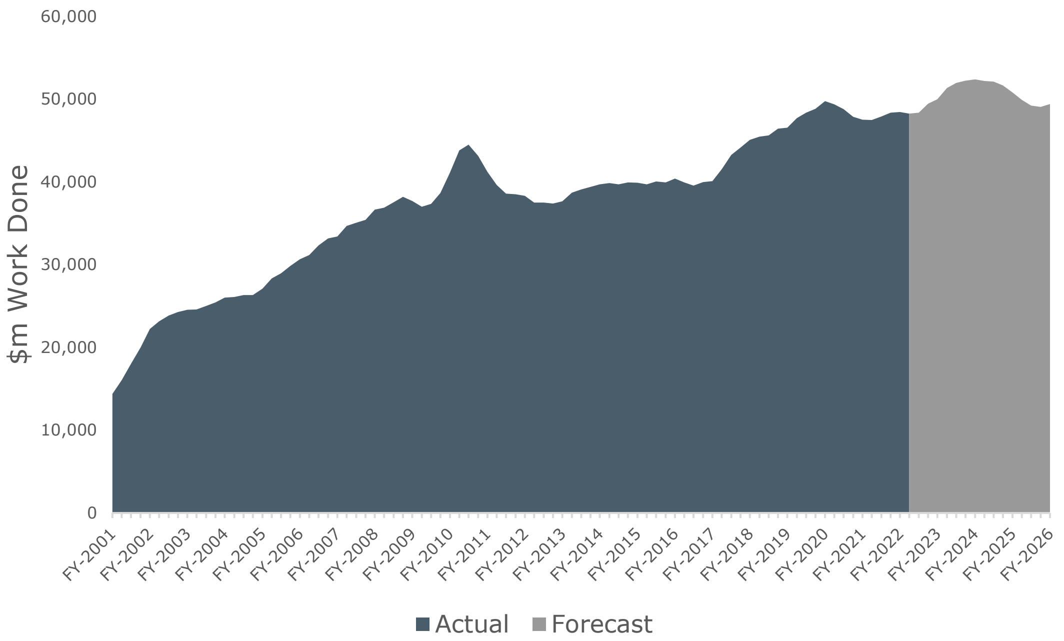


[2] Approximately 4% of GWA's Australian revenue

Source: BIS Oxford Economics

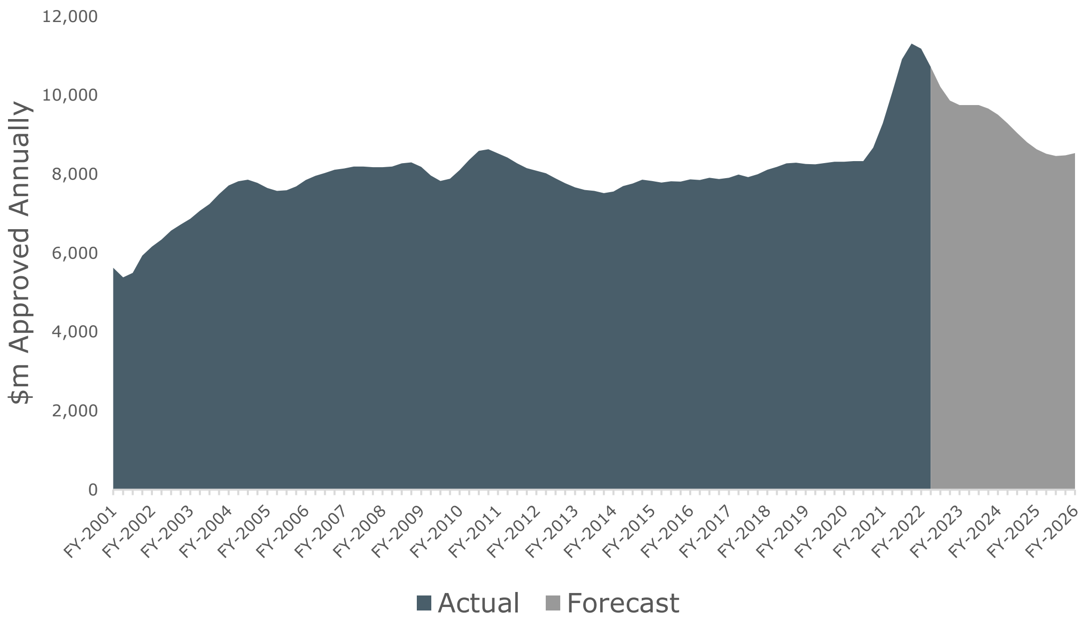
Australian Market Context – Commercial work done expected to remain steady, R&R declining from historically elevated levels

Commercial[1]



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

Repair and Renovation[2]



[2] Approximately 60% of GWA's Australian revenue

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Source: BIS Oxford Economics

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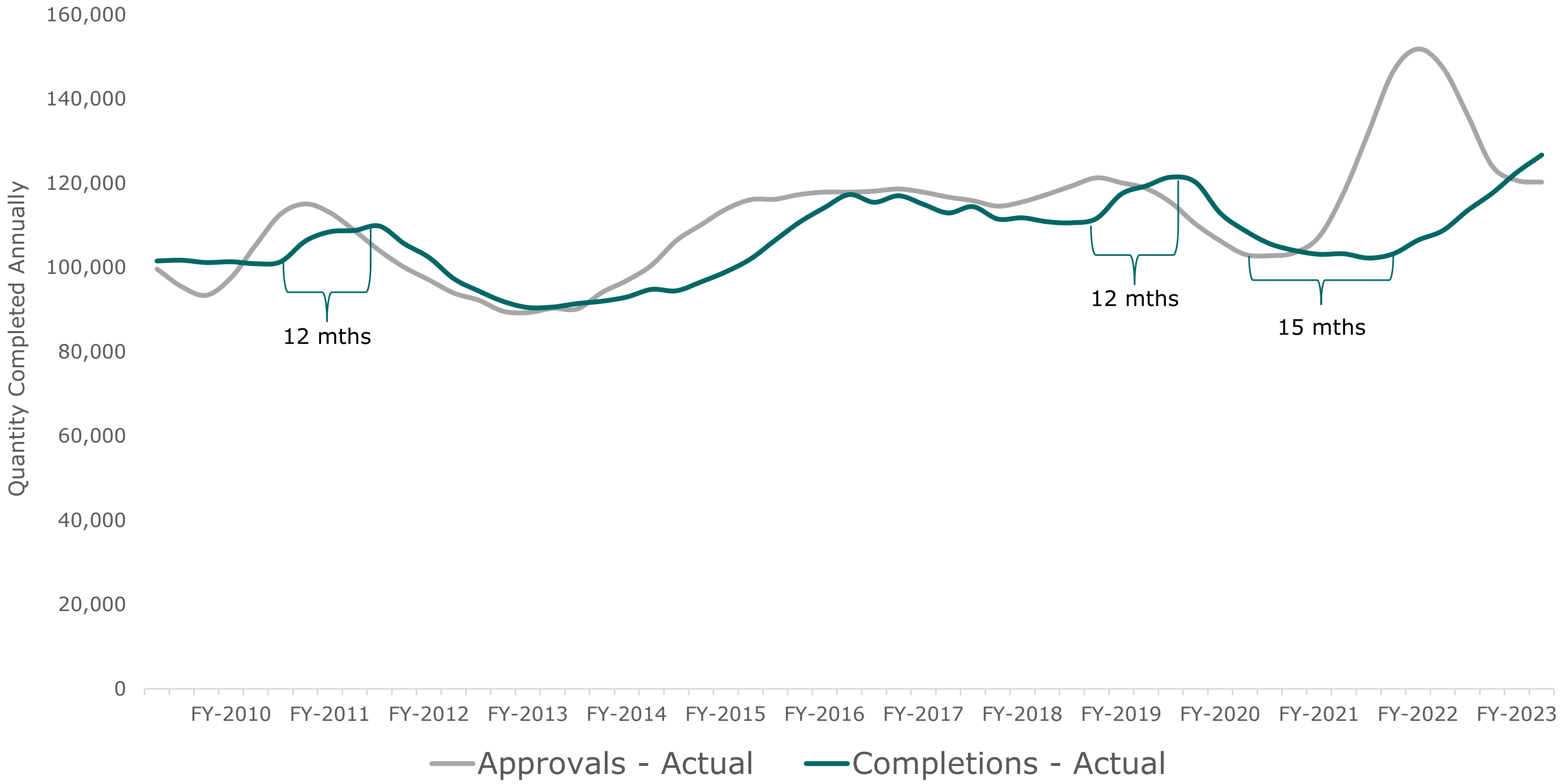
Residential completions expected to remain strong during FY23, despite approvals declining from historical highs (Completions' lag vs. approvals ~15 months)



Source: BIS Oxford Economics

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Results Presentation

Half Year ended 31 December 2022

20 February 2023

GWA Group Limited