GWA
Group Limited

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14 August 2023

The Manager
Company Announcements Office
Australian Securities Exchange

Dear Sir or Madam

GWA Group Limited (GWA Group) – FY2023 Full Year Results Presentation

Please find attached for immediate release to the market the FY2023 Full Year Results Presentation for GWA Group.

On 14 August 2023 at 10.00 am (AEST), GWA Group will be hosting a webcast of its FY23 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

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GWA RESULTS PRESENTATION
YEAR ENDED 30 JUNE 2023

> 14 AUGUST 2023

GWA Group Limited

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OUR PRESENTERS TODAY

Urs Meyerhans
Managing Director and CEO

Calin Scott
Group Chief Financial Officer

Craig Norwell
Group Executive - Sales

AGENDA

1 OVERVIEW

FY23 Headlines

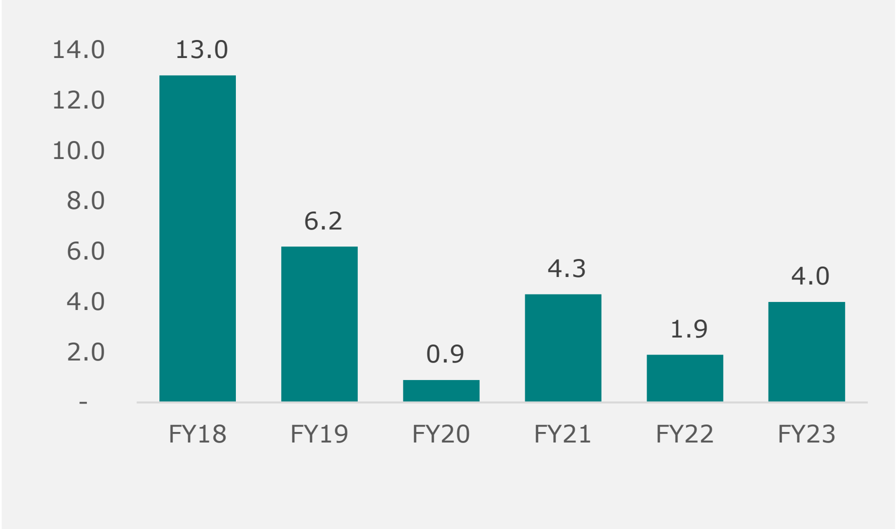
Agility and Strategy

- **FY23 a year of two halves**
  - H1 strong until the latter part of CY22
  - Responded quickly to a changing market dynamic
  - Resulting in improved EBIT and EBIT margin in H2
  - Improved cash flow from operations and free cash flow with a cash conversion ratio of 112%
- **Balance Sheet is solid**
  - Proactive management of inventory and debtors
  - Reduction in net debt
- **Excellent progress on strategic deliverables**

Continued commitment to safety

- Focus on leading indicators - (worker insights) more than doubled in FY23
- ISO45001 re-certified
- TIFR – 2 minor injuries in NZ in H1

Total Injury Frequency Rate



Worker Insights

2

GROUP FINANCIAL RESULTS

A$m Normalised[1]	FY23	FY22	% Change
Revenue	411.8	418.7	-1.6%
EBITDA	89.1	94.6	-5.9%
EBIT	70.4	74.8	-6.0%
EBIT Margin %	17.1%	17.9%	-0.8pp
NPAT	44.1	47.3	-6.6%
ROFE %	15.8%	17.7%	-1.9pp
EPS	16.6c	17.8c	-1.2c

Significant Items[2]	FY23	FY22	
Pre Tax	(1.4)	(15.2)	
Post Tax	(1.0)	(12.1)	

A$m Statutory	FY23	FY22	% Change
Revenue	411.8	418.7	-1.6%
EBITDA	87.7	80.2	9.8%
EBIT	69.0	59.7	15.7%
EBIT Margin %	16.8%	14.3%	2.5pp
NPAT	43.2	35.2	22.7%
ROFE %	15.4%	14.1%	1.4pp
EPS	16.3c	13.3c	3.0c
Dividend / share	13.0c	15.0c	-2.0c

ROFE is calculated as EBIT divided by average funds employed. Funds employed is calculated as net assets minus cash plus borrowings and net AASB16 Leases balances.

Rapid response to softening market conditions limit the impact on Group results

- **Normalised results**
  - Normalised EBIT margin at 17.1%, marginally down only 0.8% vs FY22, impacted by lower volumes and increased domestic customer freight; and
  - Normalised H1 Margin 16.5% vs H2 Margin 17.7% reflects agile approach to the business.
- **Significant items**
  - Costs associated with right sizing the company in response to market changes.
- **Statutory Results**
  - Australia FY revenue results slightly down 1.2% vs PcP;
  - International markets slightly down 1.5% vs PcP;
  - New Zealand, in recession and down 4.4% vs PcP;
  - Statutory EBIT up 15.7% reflective of decrease in significant items;
  - Effective tax rate of 29%.

[1] FY22 & FY23 Normalised are before $(12.1)m and $(1.0)m in significant items (after tax) respectively

[2] Upgrade Enterprise Resource Planning/Customer Relationship Management (FY22) and restructure costs (FY23).

[3] Group Statutory NPAT does not equal Group Normalised NPAT plus Significant Items (Post Tax) in FY23 due to rounding.

A$m Normalised[1]	1H FY23	2H FY23	% Change	FY23
Revenue	207.1	204.7	-1.1%	411.8
EBITDA	43.4	45.7	5.5%	89.1
EBIT	34.1	36.3	6.5%	70.4
NPAT	21.3	22.8	7.0%	44.1
EBIT Margin %	16.5%	17.7%	1.2pp	17.1%
EPS	8.0c	8.6c	0.6c	16.6

Significant Items	1H FY23	2H FY23		FY23
Pre Tax	0.0	(1.4)		(1.4)
Post Tax	0.0	(1.0)		(1.0)

A$m Statutory[2]	1H FY23	2H FY23	% Change	FY23
Revenue	207.1	204.7	-1.1%	411.8
EBITDA	43.3	44.4	2.3%	87.7
EBIT[2]	34.1	34.9	2.4%	69.0
NPAT	21.3	21.9	2.4%	43.2
EBIT Margin %	16.5%	17.0%	0.5pp	16.8%
EPS	8.0c	8.3c	0.3c	16.3

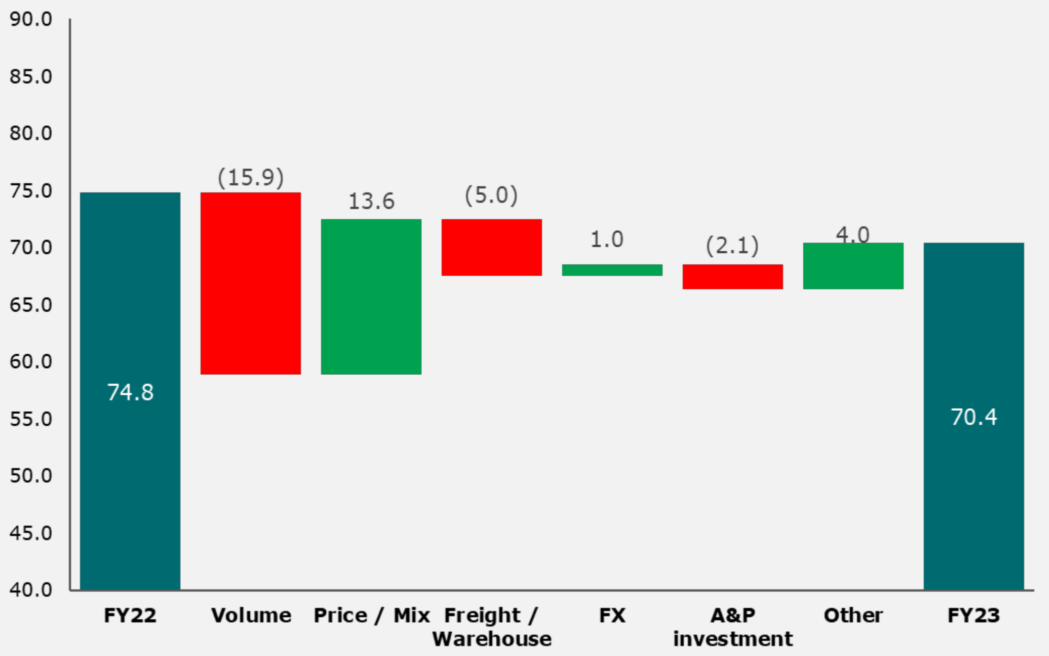
H2 Group underlying EBIT up 6.5% vs H1:

- **H2 revenue increase in Australia and UK offset by decline in New Zealand which is in recession**
- **Overall EBIT Margin up 1.2% due to**
  - Price increase in Australia (April ~ 4%) and New Zealand (March ~ 5%) to address increase in customer freight;
  - Lower ocean freight; and
  - Disciplined cost control.

[1] FY23 Normalised is before $(1.0)m in significant items (after tax)

[2] Group Statutory NPAT does not equal Group Normalised NPAT plus Significant Items (Post Tax) in FY23 due to rounding.

Normalised[1] EBIT Bridge (A$M)



[1] FY23 Normalised is before $(1.4)m in significant items (pre tax)

Cost control and price offset negative volumes and domestic customer freight

- **Volume**: largely reflects de-stocking by a customer in H1.
- **Price/Mix**: Price increase ~5% implemented across ANZ from July 2022 with a further ~4% implemented in Australia from 1 April 2023 and ~5% implemented across NZ from 1 March 2023 and mix shift to sanitaryware.
- **Freight / Warehouse:**
  - outbound freight cost increase partly offset by H2 inbound freight savings; and
  - use of external 3PL warehouse storage due to space restrictions in New Zealand.
- **FX:** Favourable balance sheet revaluations partially offset by unfavourable AUD vs. USD on purchases.
- **A&P:** Continued investment supporting brand re-alignment strategy.
- **Other:** cost control across discretionary spend.

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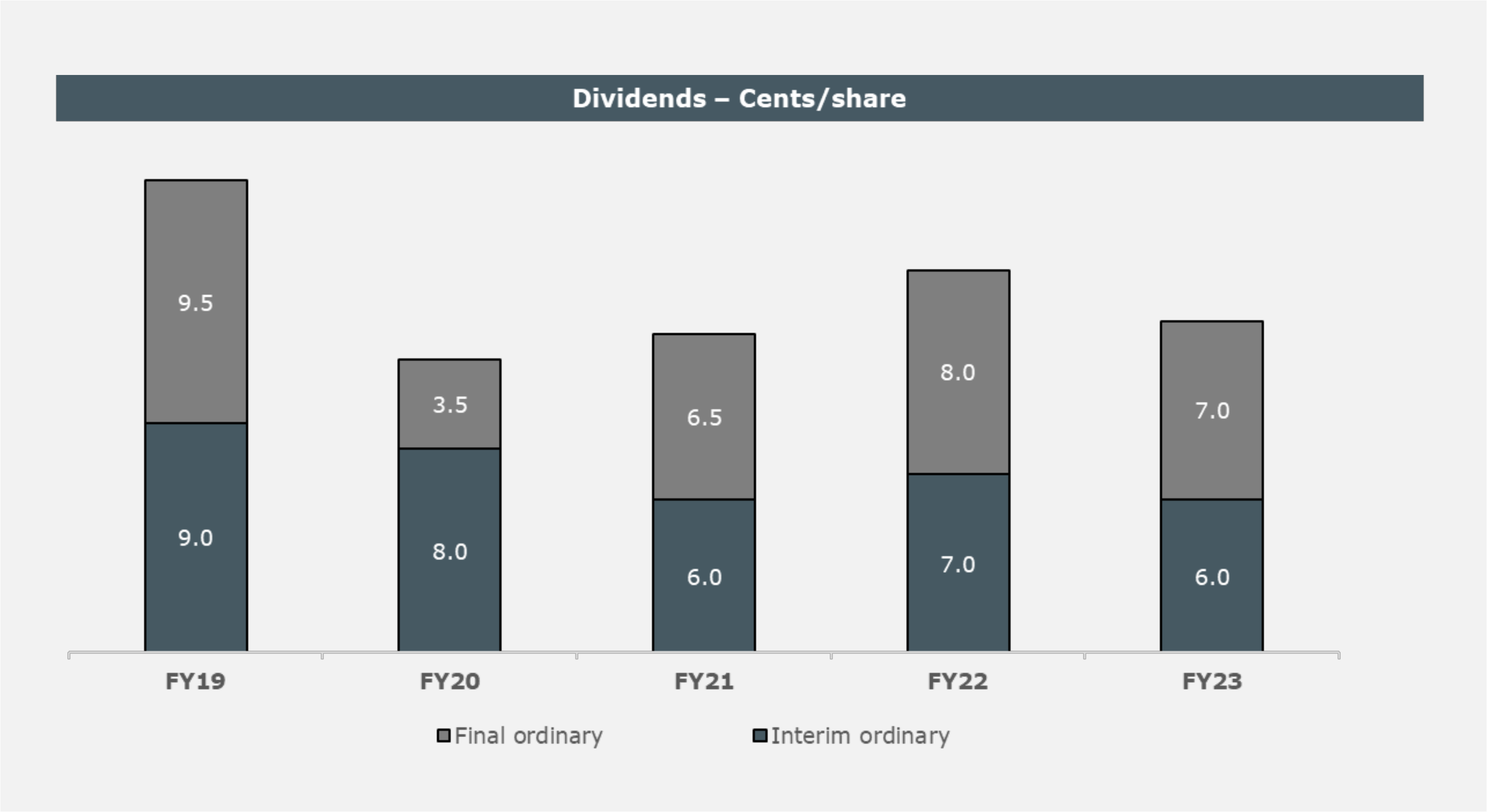
Cash flow from Continuing Operations A$M	FY23	FY22
EBITDA	**89.1**	**94.6**
Net movement in Working Capital	10.3	(43.9)
Other	0.2	(1.1)
Cash Flow from Operations	**99.6**	**49.6**
Capital Expenditure and other investing activities	(2.2)	(2.4)
Significant Items / Other costs	(3.1)	(10.4)
Net Interest Paid	(8.1)	(7.3)
Tax Paid	(15.5)	(17.9)
Lease Payments	(11.2)	(10.0)
Group Free Cash Flow	**59.5**	**1.6**

Improved cash flow from operations and free cash flow:

- Strong cash conversion* improved to 112%;
- Increase in cash flow from Operations driven by decrease in working capital;
- Significant items – restructure costs (FY22 ERP / CRM implementation and China sales function closure); and
- Solid financial position allows for final dividend of 7.0 cents per share fully-franked.

*Cash Flow from Operations divided by normalised EBITDA

FY23 final dividend of 7.0c per share fully franked



Metrics[1]	30 June 2019	30 June 2020	30 June 2021	30 June 2022	30 June 2023
Net Debt	141.9	144.8	104.8	138.2	117.0
Leverage Ratio *Net Debt / EBITDA[2]*	1.6	1.9	1.4	1.7	1.5
Interest Cover *EBITDA[2] / Net Interest*	23.5	13.6	15.5	18.3	13.3
Gearing *Net Debt / (Net Debt + Equity)*	27.5%	28.4%	21.5%	26.2%	23.0%
Net Debt					
Borrowings	177.8	175.4	146.1	168.3	159.1
Bank Guarantees	3.8	1.8	1.3	1.4	1.4
Cash	(39.6)	(32.4)	(42.6)	(31.4)	(43.4)
	141.9	**144.8**	**104.8**	**138.2**	**117.0**

Solid financial position continues

- Net debt down 15% from June 2022 due to working capital decrease;
- Credit metrics within target ranges;
- Banking facilities of $220m with headroom of $103m;
- $180m multi-currency revolving facility expires November 2024; and
- $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 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)

[2] Normalised EBITDA

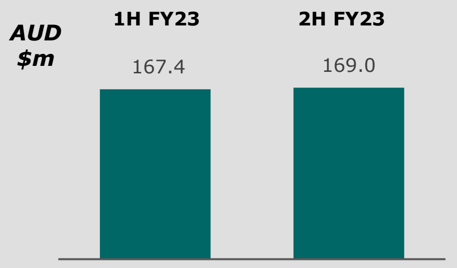
3

BUSINESS PERFORMANCE

Promising improvement in Q4 across AUS & UK

FY23 Revenue	Revenue commentary	$ Revenue & % of Group

Australia

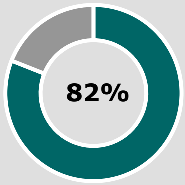


- Fast start impacted by economic conditions late Q2, R&R most impacted
- H2 improvement driven by new sales initiatives, trajectory into FY24
- New local State sales organisation implemented
- Effective 4% price increase from 1 April 2023

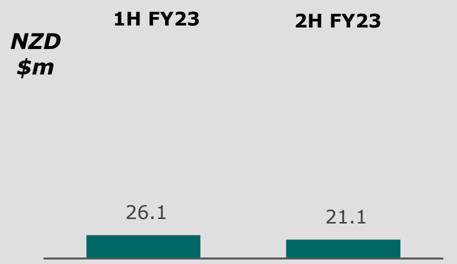
AUD $m

$336.4m

-1.2% on PcP



New Zealand

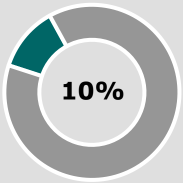


- Economic impact appeared earlier, pronounced from Q2 and worsened H2
- Commercial growth, pipeline of contracted work won strengthening
- Pleasing Q4 growth of +1.9% on constant currency basis
- Effective 5% price increase from 1 March 2023

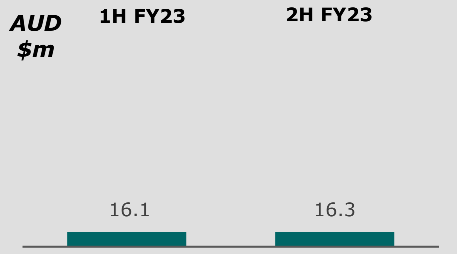
AUD $m

$43.1m

-4.4% on PcP



International

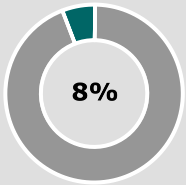


- H2 UK revenue +2.5% on constant currency basis
- Full year revenue +3.7% on constant currency basis

AUD $m

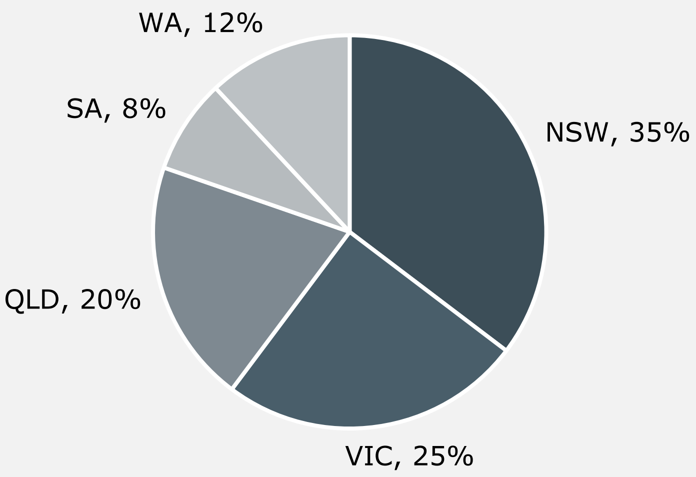
$32.4m

-1.5% on PcP



Revenue results by State (AU)

A$m Revenue	FY23	FY22	Δ LY	% Change
NSW	116.4	124.7	(8.2)	-6.6%
VIC	87.8	88.1	(0.3)	-0.3%
QLD	64.2	60.6	3.6	5.9%
SA	26.6	26.7	(0.1)	-0.3%
WA	41.3	40.4	0.9	2.1%
Total	**336.4**	**340.6**	**(4.3)**	**-1.2%**



Mixed performance across Australia

NSW

- Strong start Q1, earlier impact of economic conditions late Q2
- Renovation sales softness, Project delays and Merchants rebalancing stock continued in H2, however Q4 improvement

VIC

- Commercial recovery sustained, with positive outlook
- Resi New Build most impacted, numerous Builder impacts

QLD

- Growth driven by Commercial, sustained Order Bank growth
- Resi Renovations resilient, however New Build impacted with delays

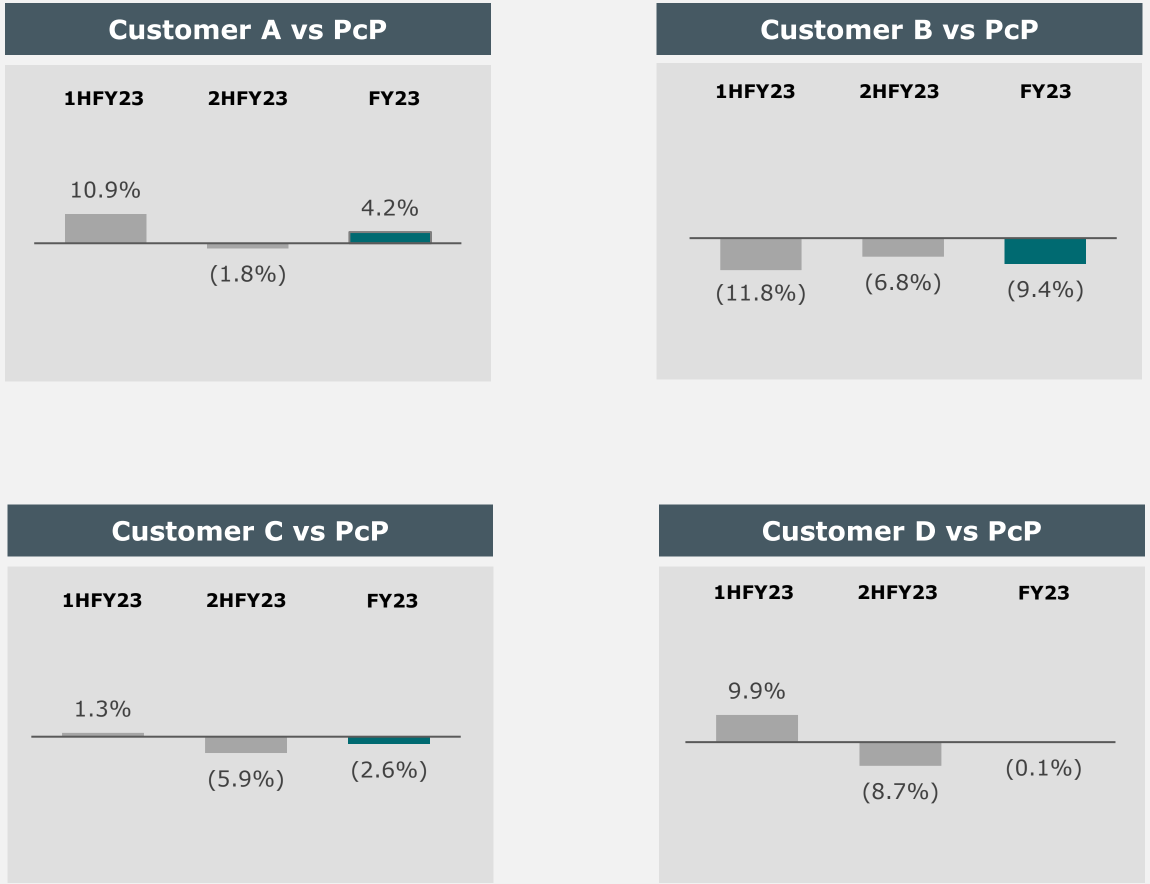
SA

- All segments in line with stronger FY22

WA

- Renovations resilient, Commercial growth with Resi New Build flat

Seeing early signs of our 'Win the Plumber' focus gaining momentum.



Australia information only

- **The Good**
  - Continued solid performance in Commercial segment; and
  - Early signs of 'Win the Plumber' momentum.
- **The Not so Good**
  - Continued slowing of residential renovation; and
  - Some destocking and changed focus on cash-flow by merchant partners.

4

NEW PRODUCTS

Delivering NPD launches that are helping to complete our portfolio.

- **Launch of stylish entry level tapware, showers and accessories collection -** to grow share in builders and affordable housing market.
- **Continued expansion of our popular independent living range, Livewell -** with the launch of shower seat & backrest in popular range of colours.
- **Introduction of coloured sink range -** to refresh kitchen product offer.
- **Addition of commercial tapware products** to capture growing demand in educational & public amenities sector.

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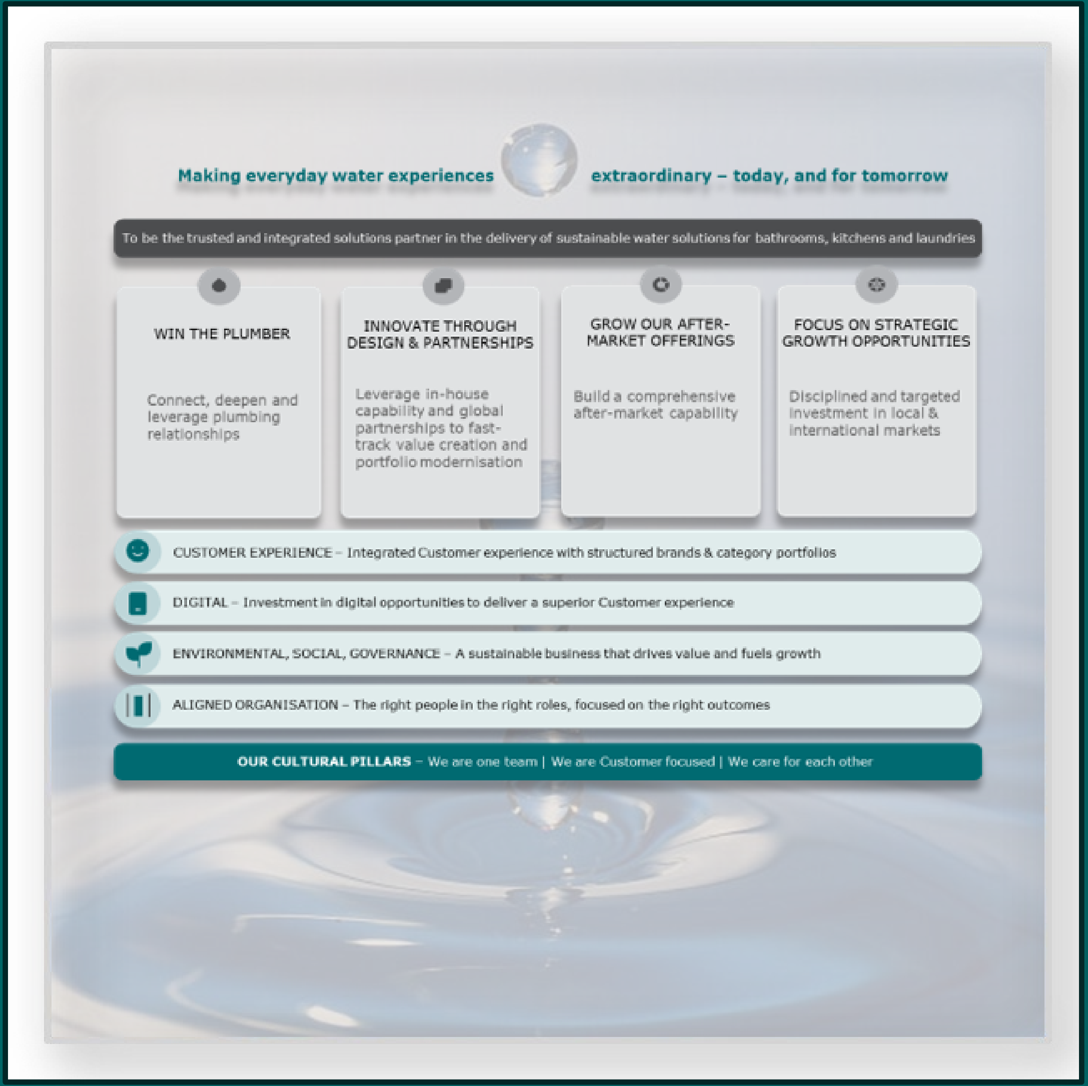
5 STRATEGY UPDATE



Excellent progress made on Strategy.

Key Performance Measures	Progress
Win the Plumber	
25,000 plumbers engaged	
Technical services provided (quantity)	
Innovate Through Design & Partnership	
NPD sales >10% of overall Sales within 2 years	
>20% improvement for NPD average speed to market	
Customer Experience	
Improved DIFOT	
Increased in Net Promotor Score	
Capital Management	
EPS CAGR 5% to 10% FY23 to FY25	
Cash conversion – 80 to 85%	
Leverage 1.0 to 2.0 times EBITDA	

- **Win the Plumber**
  - 20,000+ plumbers signed up and categorized;
  - 6,700 plumbers engaged in technical services; and
  - Launched smartphone app 'PlumbersHub'
- **Innovate Through Design & Partnership**
  - Vitality index tracking over 10%; and
  - NPD aligned with strategy.
- **Customer Experience**
  - New ERP in ANZ allows for consistent and improved reporting;
  - DIFOT in ÁNZ improved to 78%; and
  - Steady improvement of transactional NPS measure.

6

SUMMARY & FY24 OUTLOOK

SUMMARY

We responded to changing conditions in FY23 & are focused for disciplined execution in FY24.

- **FY23 - two very different halves**
  - Responded quickly to the changing market conditions, delivering performance improvement in H2 despite a drop in revenue.
  - Cash-flow from operations and free cash-flow improved with cash conversion ratio up to 114%
- **Balance Sheet is solid**
- **Our Strategy deliverables are showing significant momentum**
- **We have a clear and disciplined execution path for FY24 - Customer First and Profitable Volume Growth.**

FY24 OUTLOOK

Key focus	FY24 commentary
Key Markets ***Mixed for GWA***	• **Commercial –** increasing demand for new build in health and aged care and Commercial R&R. • **Residential detached –** solid level of completions to continue into 1H FY24. • **Repair & Renovation in Residential** – subdued demand expected through FY24. • **Increasing activity** in multi residential, social and affordable housing and build to rent.
Financial Performance ***Disciplined growth agenda***	• Effective **matching of costs** to revenue. • **Managing inventory** levels to market's demand. • **Targeted investment** in entry level products.
Strategy ***Continue with clear focus***	• **Customer first** initiatives with a focus on our merchant partners. • **Profitable volume** growth targeting existing and new markets and customers, including increasing share of wallet across the plumber network • **Local sales organisation** serving local businesses with local solutions. • **Experience centres** across ANZ.

7 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

8 APPENDIX

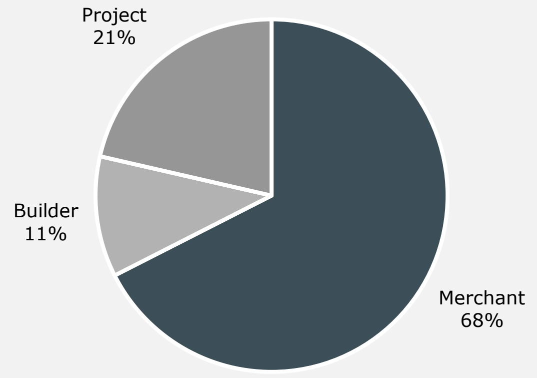
FY24 Key Assumptions[1]

Area	Assumption
Australian market backdrop	BIS total building activity data[2] is indicating a market decline of -8% in FY24 (constant prices)
Price increase	~4% implemented in Australia from 1 April 2023 ~5% implemented in New Zealand from 1 March 2023
D&A (depreciation and amortisation)	~$7.0-8.0m excluding the impact of IFRS 16. Including the impact of IFRS 16 ~$19.5-21.5m
Interest costs	~$7.0-8.0m excluding lease interest. Including lease interest ~$9-10m.
FX	Currently 50% hedged at US$0.68 Negative impact $4.0m - $5.0m
Effective Tax rate	~29.0 – ~30.0%
Working capital	Neutral with June 2023
Capex	~$4.0 – $6.0m
Ocean freight cost saving	Positive impact ~$4.0 – $6.0m
Customer freight cost increase	Neutral

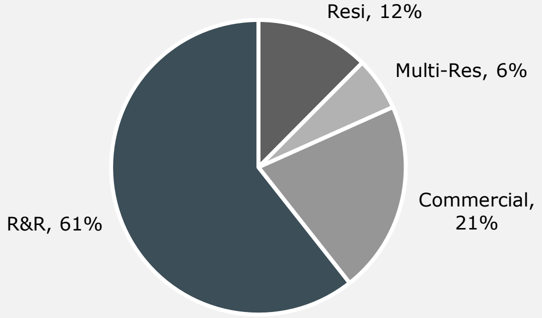
[1] Refer Disclaimer on slide 26
[2] BIS Oxford data, Australia market, July 2023 release

Continuing our strength in Sanitaryware.

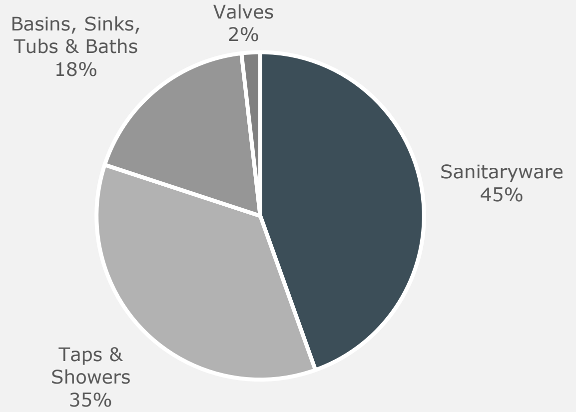
Segment



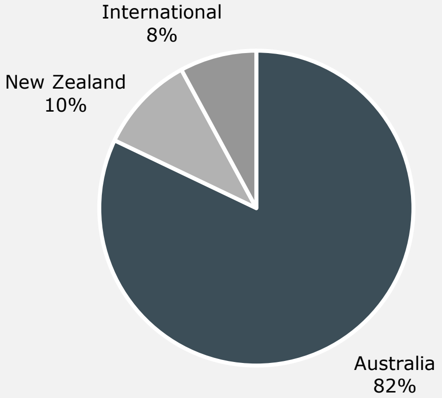
Sub-Segment[1]



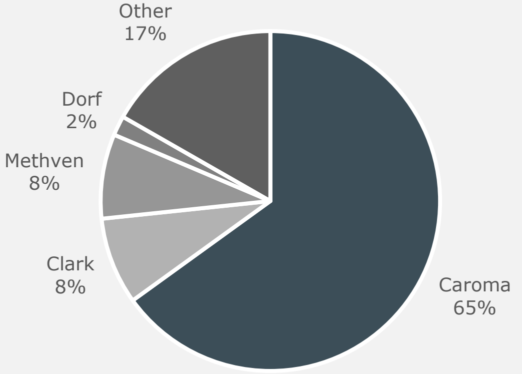
Category



Geography



Brand



[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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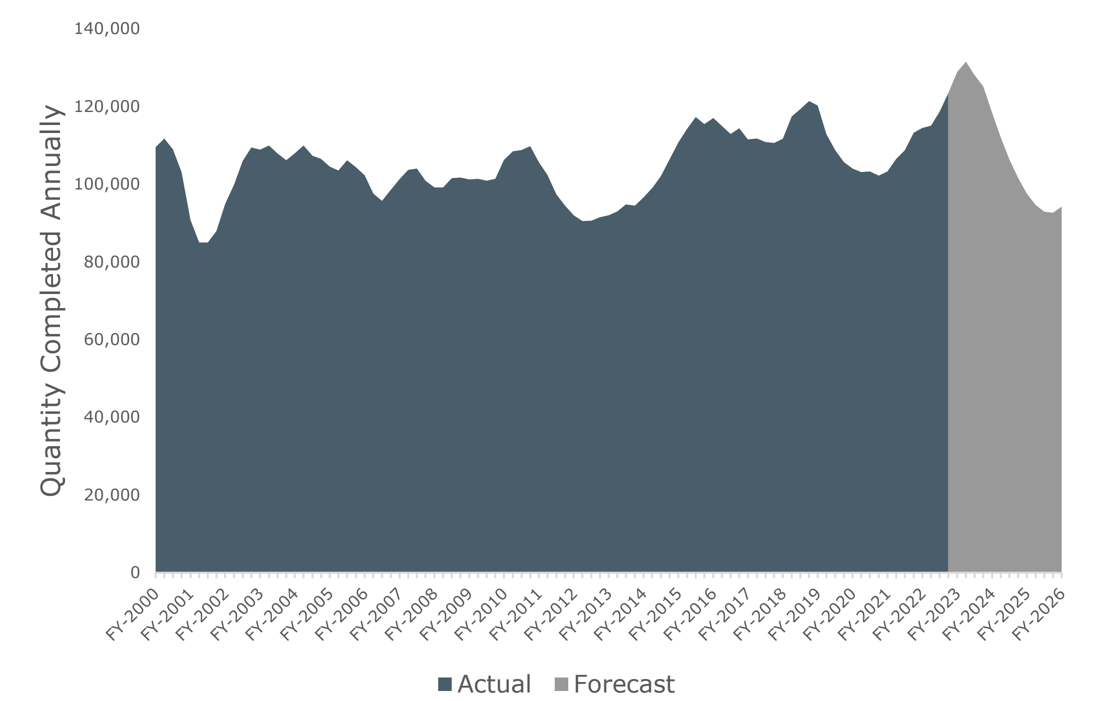
Australian Market Context –

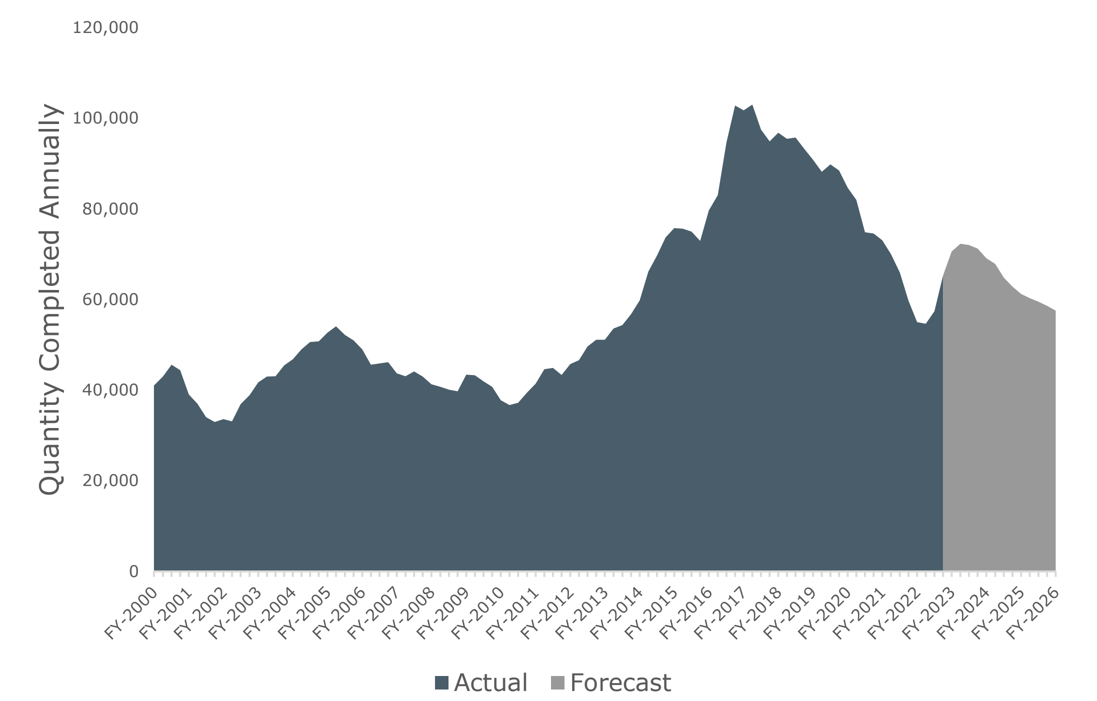
Residential completions expected to decline but remain at elevated levels in FY24 with multi-residential to pick up

Residential[1]



[1] Approximately 12% of GWA's Australian revenue

Multi - Residential[2]

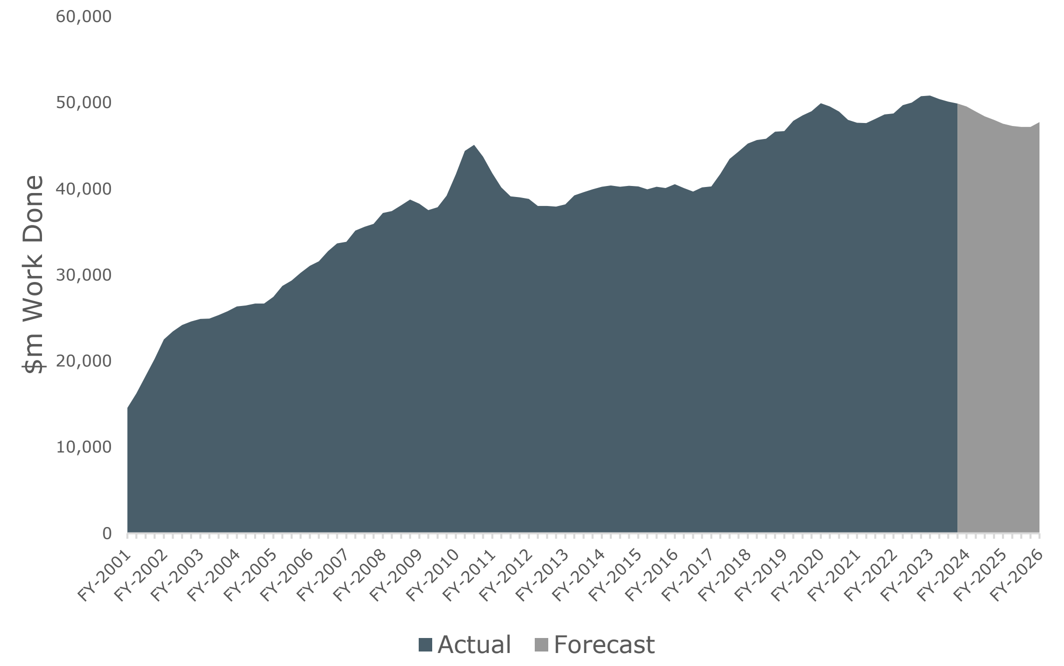


[2] Approximately 6% of GWA's Australian revenue

Source: BIS Oxford Economics

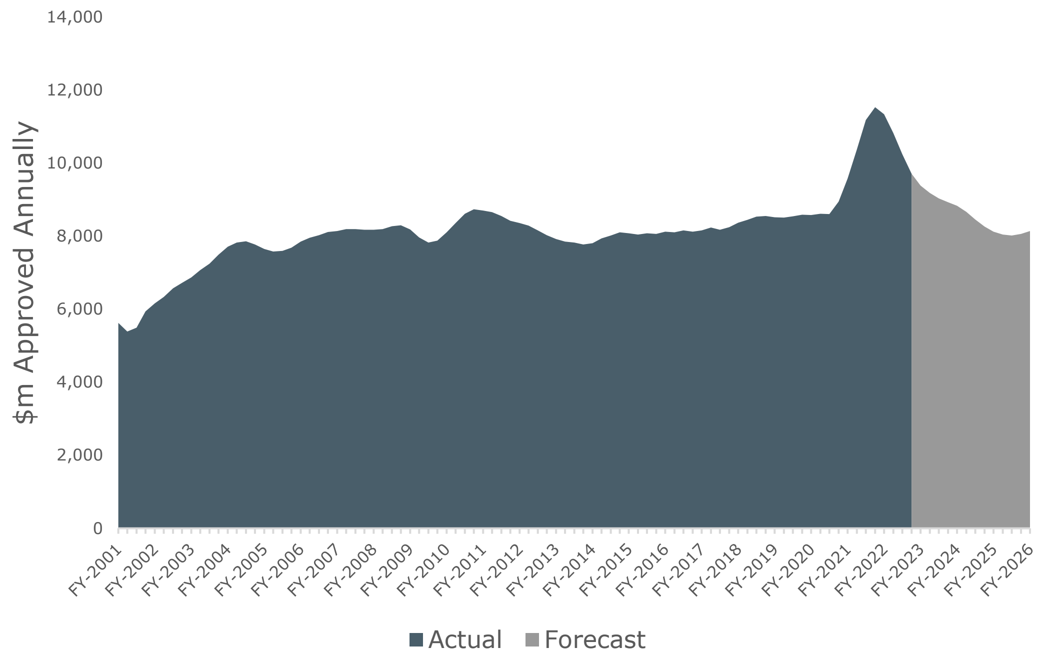
Australian Market Context –
Commercial work done expected to remain steady, R&R declining from historically elevated levels

Commercial[1]



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

Repair and Renovation[2]



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

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Source: BIS Oxford Economics

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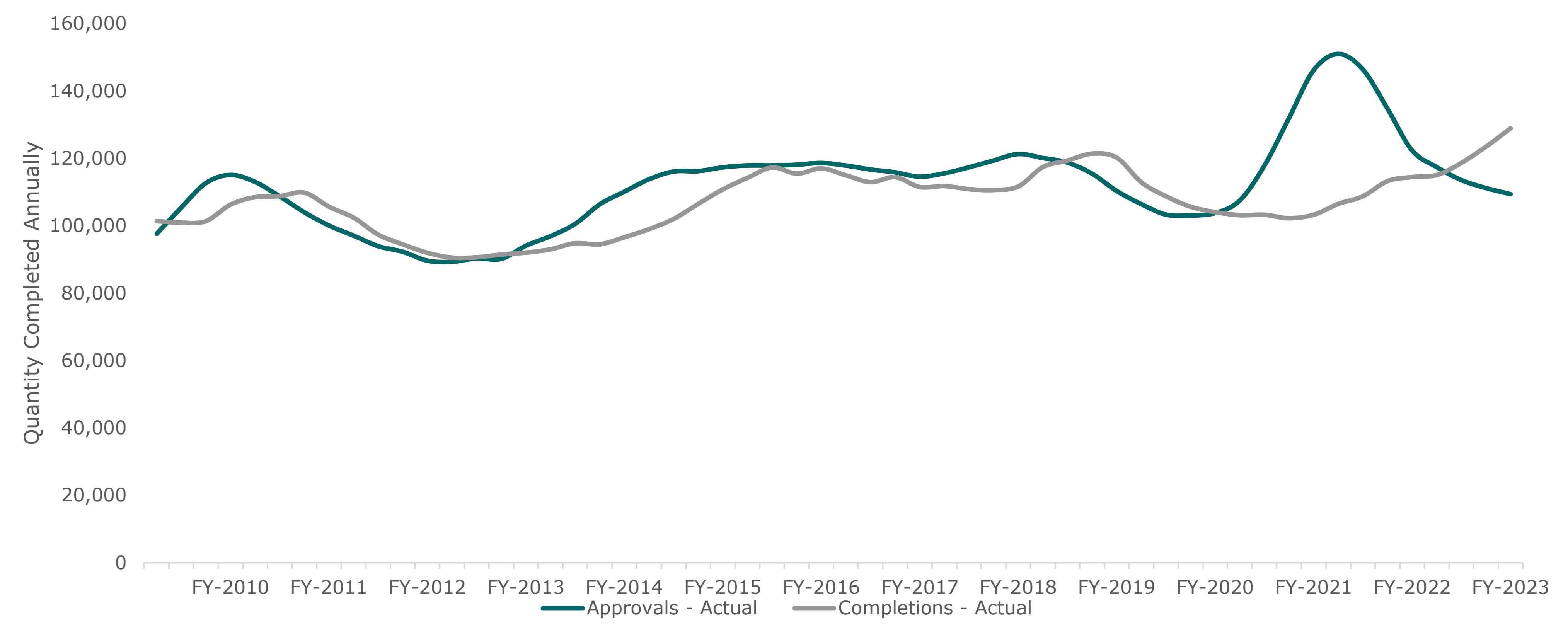
Australian Market Context –

Residential completions expected to remain solid during H1 FY24, despite approvals declining from historical highs (Completions' lag vs. approvals ~15 months)



Source: BIS Oxford Economics

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THANK YOU

GWA RESULTS PRESENTATION
YEAR ENDED 30 JUNE 2023

> 14 AUGUST 2023

GWA Group Limited

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