



Just Water International Limited

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2018 Annual Meeting

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103 Hugo Johnston Drive, Penrose

11.00 am, Thursday, 6 December 2018

Pre-annual meeting [Tony Falkenstein]:

Most of you who have been to previous Annual Meetings will know me. I am Tony Falkenstein, Chief Executive of JWI, and the former Chair of the Company.

Before the official meeting starts, I would like to be able to introduce our Chair, Hilary Poole, who was appointed as a director by the Board in April this year, and in June, appointed her as Chair of both JWI and Hometech.

It is not good practice to have a CEO and Chair as the same person, but in the circumstances back in 2015, the Board decided that it was necessary in the short term, so that the Company could dig itself out of the hole it was in in the most efficient manner. With a strong emphasis on cash flow, our debt was reduced from \$27 million to zero, and we were able to purchase and fit out this building.

At last year's Annual Meeting, we announced that the Board felt very comfortable in releasing the Chair of his duties and appointing an independent Chair.

We were seeking someone who had governance experience, particularly in a high growth fast moving consumer goods and manufacturing business, along with leadership, strategy and marketing skills, and could fit with our culture and get on with me as CEO!



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We were delighted to appoint Hilary who fitted the bill. Her experience as the first Independent Director of Prolife Foods (known for Mother Earth, Alison's Pantry and Donovan's chocolates) is particularly relevant for our future. She is probably better known for her roles as CEO of Hockey and then Netball New Zealand, and she currently sits on the Boards of Sport New Zealand and High Performance Sport NZ where she is deputy chair.

Hilary came with great references from other companies she has sat on as a director, and fitted in every respect, and now in hindsight, I can say it was an excellent choice. Hilary has started in her role with us extremely well, providing leadership and fresh eyes to the JWI Board process and has been instrumental in setting up and getting the Board of Hometech working well.

Later this morning the shareholders will be asked to vote on appointing Hilary to the Board, and I am happy to fully support her appointment.

Welcome and Introduction [Hilary Poole]

Good morning to you all, thank you so much for joining us today, at what is the 14th Annual meeting of Just Water International Limited.

I'd like to introduce key members of the Just Water International team.

- Ian Malcolm who first became a director of JWI in 2004 and after a period off the board, was elected back on in 2015;
- Eldon Roberts, our Group COO and CFO;
- Warren Drinkwater, General Manager of Hometech;
- Lynne Banks, our newly appointed General Manager of Just Water New Zealand who joins us in January. Lynne was previously NZ Sales Director for the Brew Group, whom owned Bell Tea amongst other NZ tea and coffee brands.

I also wish to welcome and acknowledge several of the senior management teams of both Just Water New Zealand and Hometech. Maybe if all the Just Water Team can stand up.

From Hometech, I have already introduced Warren Drinkwater, the General Manager of Hometech, but we also have here today Courtney Hawker, Hometech's Contracts Manager



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Before I go onto the formal part of the Annual meeting, I wish to offer some preliminary thoughts, followed by Tony, who will go through the results. After my comments, and/or after Tony's, there will be plenty of opportunity to ask questions, or make your own comments.

Why I Joined The Board of Just Water International

Firstly, I want to tell you what appealed (and still does) to me about Just Water International, and why I joined the Board.

- The purpose of JWI is to “enhance lives” – those of our customers, staff and of course our shareholders, one which I strongly believe in;
- JWI has entrepreneurial DNA which is balanced with sound business practices and good governance – I was impressed with Tony and his team’s passion and dedication to the business, the way they operated and the good governance that was in place;
- We have a strong culture focussed on both performance and caring for our people, and truly live our values – FIRST - Fun, Integrity, Respect, Service, Trust;
- We are a company which has a strong resolve for growth and profitable performance; and
- I felt I could work well with the team and make a positive difference.

I have to say, that I have totally enjoyed my first 6 months.

I have a high level of confidence in Tony and his team who are totally transparent with the Board. There is a very low staff turnover, which is a good indication that people like working at Just Water.

In fact, there are 5 staff members who have been at Just Water for 20 years or more. Today we have the pleasure of having Rachael Moon at this meeting, and I think it appropriate for shareholders to acknowledge this feat, so I wish to present you Rachael, with your 20 year Service Award.’

Rachael is a Key Account Manager, and services the likes of Fonterra, Air NZ and other major companies and organisations.

There is an overwhelming commitment to continually challenge ourselves to be better each day, at each level of the business and I am enjoying being part of this.



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Tony has said to me several times – “I don’t want to bet the farm” – and we will go slower if this means “getting it right” – and this is from someone who is quoted as saying, never hire someone who walks slowly”!!!

Some of you will know he has written a book by the same name – Tony has donated 20 books for the first 20 shareholders who would like one.

Strategy Overview - Focus on Profitable Growth

As the pioneer and leader in the water cooler business in NZ, Just Water now operates in a mature market where we have the largest market share.

Our competitors’ main strategy is to offer price reductions which we are not prepared to follow, as we will not compromise the quality of our products and services.

We are performing well in this market, and continue to lead the field, by being proactive and innovative to stay ahead of competitors.

Tony and the team had been searching for some time for a growth opportunity, in a growing market, that could leverage our capabilities which include:

- Leadership, financial management, IT, sales, customer servicing, human resources, sales and marketing; and
- The healthy cashflows and profitability of the water business.

In evaluating the Hometech opportunity, it ticked a number of boxes:

- Hometech “enhances lives” by creating healthy living environments through our natural lighting and ventilation products;
- It is well positioned in the growth market of construction and renovation of affordable housing in NZ. This will come from:
- Refurbishment of existing Housing New Zealand stock, along with their new build programme;
- The recently launched Kiwibuild programme;
- New regulation requiring landlords to insulate and ventilate rental properties; and
- Kiwis affordable home solutions for lighting and ventilation.



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With strong relationships in place in the volume builder market, Housing New Zealand and Auckland International Airport, Hometech is in a strong position to grow.

With all this, we saw future value that we could bring to shareholders. So far, our faith has been rewarded, and the Company is achieving its profit objectives. However, I do have to advise that in this first full year, we will be required to amortise over \$800,000 of the value attributed to customer contracts under the acquisition accounting required of the IFRS 3 accounting standard.

JWI Board Priorities for the 2018/2019

I'd now like to share our Board priorities for the current year:

1. We need to maintain the strong performance of Just Water NZ, with its excellent cash flow – we can't take our eye off the ball, thus its awesome to have Lynne joining us.
2. We know we need to build our track record with the acquisition of Hometech and ensure it is well integrated with the core Just Water business so it can benefit from our capabilities and achieve its performance targets.
3. We need to continue to develop the core capability at JWI so we can add more value to Hometech and new growth opportunities further down the track.
4. We are taking a focussed and disciplined approach with the evaluation of new product or business opportunities. These must complement our existing offerings in markets that we know and be able to benefit from our core capabilities.
5. And lastly, we are strengthening the Board with both independence and relevant skills and experience.

You have already seen my appointment as independent chair, (which I hope to retain today) and we will shortly be appointing another independent director to the Board of JWI.



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We have recently appointed Richard Carver to the Hometech Board. Richard knows the residential building industry extremely well due to his roles both as a Director of Jennian Homes and BRANZ (Building Research Association of NZ).

Move to NZX and Our Financial Strategy

This all puts us in good stead to support our move to the NZX main board in the New Year. Whilst this has come about as a result of the NZX Board consolidating the NZAX and NXT into one platform, we believe it will be a good move for our business.

We will be more visible and potentially under greater scrutiny which fits with our commitment to transparency.

And, last year we announced that we would seek to increase the base of shareholders to allow better liquidity in JWI stock and this move will likely help with that in the longer term.

Thank You and Close

As you all appreciate, everything comes down to the quality of and extraordinary efforts of our people. On that note, I would like to thank and acknowledge:

- Tony for his leadership of JWI, and for supporting and welcoming me into the fold;
- Fellow Directors Ian and Richard for your support and dedication;
- And to Eldon, Warren, and all our amazing staff at Just Water and Hometech, thank you for your hard work and commitment to the business.

In concluding my opening comments, I am happy to take any questions or comments.



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[Tony Falkenstein]

It is my pleasure to be able to report on the past year, which really has been an exciting one.

Shareholder communication has certainly been at the forefront of our minds over the last year. You will have all received the November edition of the Company Newsletter – these Newsletters gives us the opportunity to report on the behind the scenes activity of the Company. We also held a shareholders' meeting in Wellington in September, again to try and communicate with as many shareholders as possible. All directors attended this meeting. We will hold shareholder meetings in other parts of the country in the current year.

So, firstly the results:

Group Revenue was up 7% for the year, and earnings up slightly. We did equity account the earnings from our 51% share that we held in Hometech from January to June 2018, and also we included 1 month's earnings from the acquisition of Dolphin Water Products at 31 May 2018.

Earnings were affected by acquisition costs of Hometech, and significant restructuring costs, as we streamlined Hometech.

Going forward, the financial results of Hometech will be consolidated 100% into the Group.

As I mentioned before the meeting got officially underway, debt reduction has been a real focus over the last 10 years. And although a year ago we had virtually no debt, our acquisitions have increased Group net interest bearing debt to \$10.9 million at 30 June 2018.

Shareholder equity has steadily increased over the past 4 years, although the debt to equity increased from 18% to 52% as a result of acquisitions. The directors believe the Company is conservatively geared relative to the scale of operations across the business.

Shareholders will have received their dividend in the last month or taken up shares in the Dividend Reinvestment Plan. 164 shareholders showed confidence in the direction of the Company by taking up the latter option.



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In terms of acquisitions, Hilary has already spoken about Hometech. Our acquisition of Dolphin Water Products was just a tidy up of a small water business, but we were pleased to welcome Dolphin's customers, to our extensive customer base, which includes most of the major corporates in New Zealand, and a huge number of SME businesses.

Today I can announce that the Board has approved a conditional agreement, subject to due diligence, to acquire the business of Unovent Ltd. This will come under the Hometech umbrella, and we believe that this is an exciting opportunity. This is New Zealand's only ductless ventilation system and will compete with HRV and DVS. Unovent avoids all the ducting required by other ventilation company suppliers, and as a result is less expensive. We are currently completing due diligence on Unovent and expect to close this deal in early 2019.

I now just want to address the 2 companies, Just Water New Zealand and Hometech, separately.

Lynne Banks, our new General Manager of Just Water New Zealand has already been introduced by the Chair. This is a significant appointment, Just Water being the business that this Company was founded on. Having a new face at the helm, with new ideas, I am sure she will explore and capitalise on other opportunities that might be identified.

Eldon and I have been stretched over the last year, especially with the acquisitions. This appointment allows Eldon and I to see some air and be able to watch over both companies.

I will be responsible for overall strategy and acquisitions. Eldon will be responsible for the overall financial process and ensuring that we are utilising our resources in the best possible way, in that we are providing a shared services model to both businesses to ensure maximum efficiency and leveraging capability from the core.

Warren Drinkwater, with a name like that should be working for Just Water. In fact, Warren is the General Manager of Hometech, and was appointed only a few months before we became involved. Warren fits well into our culture and is doing a great job to continue the success of this Company.



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Now let's talk about the plan going forward. Hilary mentioned our values encompassed by the word FIRST, as she said, this is an acronym for Fun, Integrity, Respect, Service and Trust. As a Management Team we do follow these values strictly, and in our decision making we always consider whether they meet our values.

You will note the first one is Fun, and this plays an important part in the decisions by the Company. Staff are in their work environment a good part of their waking time. Although we expect staff to work hard, we also need to provide the facilities and fun activities to ensure we retain them. We do have a great culture here, and I think if you have met some of our staff you will see they enjoy working here.

People make businesses, and we are very conscious of that. With our expanded Group of Just Water New Zealand and Hometech, it does mean we can share resources from each Company to make the Group more efficient. We are sharing several Group Services, particularly in finance, sales and marketing, social media, IT and finance and administration.

What we are developing is corporate knowledge that is scalable across the two businesses and any other businesses that we might acquire. Let me give you examples:

At Board level, by appointing Richard Carver to the Hometech Board, he has brought skills, not only in the building industry, but also a wide experience in the leading and directing of companies.

Leadership and management – by appointing Lynne, we have strengthened our sales and marketing skills at a strategic level, and this will have an effect in both companies. Again, Warren brings his own skills in a totally new industry for us, and these skills have crossed the bounds of both companies.

In terms of IT, we are able to operate at a Group level, and therefore have employed a high-level IT person, which the Company couldn't afford if it was only Just Water New Zealand.

In the marketing/digital space, we have strengthened our skills here, not only with the appointment of Lynne, but also appointing a social media expert who operates over both companies.



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And finally, our centralised financial systems and administration. Eldon is able to lead this across the Group, and we share resources in Manila where we operate a back office with 12 staff.

Hometech:

In terms of Hometech, we see this Company becoming a major part of the Group. For now, it is all about settling down and securing the business for the future. Major customers like Housing New Zealand and Auckland Airport need special care, and I believe that in both cases we have established an excellent working relationship.

We are looking for growth in new build market with Housing New Zealand, Kiwi Build and residential home developers. Initially it will be with existing lines such as Solatube, ventilation systems and storage, but we will always be looking for new lines to complement the existing range. Unovent is one of them. Warren and I will be attending the largest Building Show in the world, in Las Vegas in February, searching for new product lines we can add to the range.

Basically, for Hometech, we are looking for growth, firstly organically, by sourcing complementary products on an exclusive basis, and secondly by the acquisition of businesses that will add to our portfolio and be sold through existing licensees, established contractors or our own sales force.

As Hilary said, we will not bet the farm, but we will take opportunities as they arise. We won't lose our entrepreneurial spirit, as that is what has driven this company over the last 31 years.

I do want to thank all shareholders for your ongoing support – some of you have been shareholders since we listed 14 years ago, and you have seen the ups and downs; for newer investors it has been all up over the last five years, and hopefully that will continue. We are confident that it will.



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[Hilary Poole]

We will now move on to the formal business and resolutions which were advised in the Notice of Meeting;

I record that proxies have been received and are held by myself and other named persons totalling 60,145,154 shares representing 69.8% of the shares on issue.

The Minutes of the previous Annual Meeting of Just Water International Limited, held on 5th December 2017, have been available for inspection at the registered office of the Company, and are also available at this meeting.

In accordance with normal practice, these Minutes were considered by the company's board at a meeting following the last Annual Meeting, and were regarded, at that time, as a true and correct record of that meeting

It is therefore proposed to take them as read.

Is there any discussion on the Minutes?

We come now to the resolutions set out in the Notice of Meeting.

In dealing with these, I will conduct a vote taken on the floor of the meeting by a formal show of hands.

Resolution 1

As I have indicated, Resolution 1 is to receive the Annual Report, (which includes the Auditors' Report), for the year ended 30 June 2018.

Resolution 1 is "To receive the Annual Report as per the notice of Meeting."

Is there any discussion on the resolution?

I now put the resolution.

All those in favour please raise your hand.

Those against?

Resolution 2

Resolution 2 relates to the recording of the reappointment of the Auditors, PricewaterhouseCoopers, and authorise the directors to fix their remuneration for 2019.

The Resolution is: *"That the Board of Directors of the Company be authorised to fix the auditors' remuneration" for the ensuing year."*

Is there any discussion on the resolution?

I now put the resolution:

All those in favour, please raise their hands.

All those against, please raise their hands.

Resolution 3

Resolution 3 relates to my election as a director – I will pass the Chair over to Tony to put that resolution.

[Tony]

The Board has determined that Hilary Poole is an "independent director", as that term is defined by the NZAX Listing rules. The other directors recommend that she be appointed to the board.



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The Resolution is: *“That Hilary Poole be elected as a director of the Company.”*

Is there any discussion or query on the resolution?

I now put the resolution:

All those in favour, please raise their hands.

All those against, please raise their hands.

I now hand back the Chair:

[Hilary Poole]

Resolution 4

This relates to directors’ remuneration.

Before I put this resolution, let me explain.

Under NZAX Listing Rule 3.4.1, any increase in the aggregate annual remuneration that can be paid to Directors must be approved by shareholders by way of an ordinary resolution.

The Company’s current aggregate annual remuneration of \$130,000 was approved by shareholders in 2006, being 12 years ago. This amount is currently divided between the directors of JWI, and Richard Carver, being the independent director appointed in August 2018 to the Board of the Company’s wholly owned subsidiary Hometech Ltd.

The Company will migrate to the NZX Main Board early in 2019. As part of that migration, the Company will need to appoint a further independent director to the Board. The Board believes that the increase in the aggregate amount available to pay directors from \$130,000 to \$200,000 per annum will enhance the Board’s ability to attract and retain Directors of the highest calibre, to represent shareholders’ interests and help achieve the Company’s objectives.



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I now put Resolution 4

“The Resolution is: “That the maximum aggregate amount of remuneration payable to all Directors of the Company or any subsidiary of the Company, taken together (in their capacity as Directors) be increased from \$130,000 per annum to a maximum of \$200,000 per annum with this sum to be paid to the Directors of the Company as the Board considers appropriate.”

As noted in the Notice of Meeting the directors and their respective associated persons are disqualified from voting on this resolution.

Is there any discussion on the resolution?

General Business

Is there any General Business or are there any further questions?

Ladies and Gentlemen: That concludes this Annual Meeting; and I formally declare the meeting closed.

Thank you all for attending, and I invite you to join us for a cup of tea, or better still, Just Water behind us.