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2 May 2018

**ASX On-Line**

Manager Company Announcements  
Australian Securities Exchange

Dear Sir

**Macquarie Australia Conference Presentation**

Attached is a copy of the presentation given by the Managing Director of GWA Group Limited, Tim Salt, at the Macquarie Australia Conference in Sydney today.

Yours faithfully

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





# **Macquarie Australia Conference**

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**2nd May, 2018**

# Agenda

- 1) GWA transformation - strong progress made**
- 2) A business with significant growth opportunities**
- 3) Customer focus delivering growth**
- 4) Consumer driven growth**
- 5) Leveraging our advantaged supply chain**
- 6) Our financial strength**

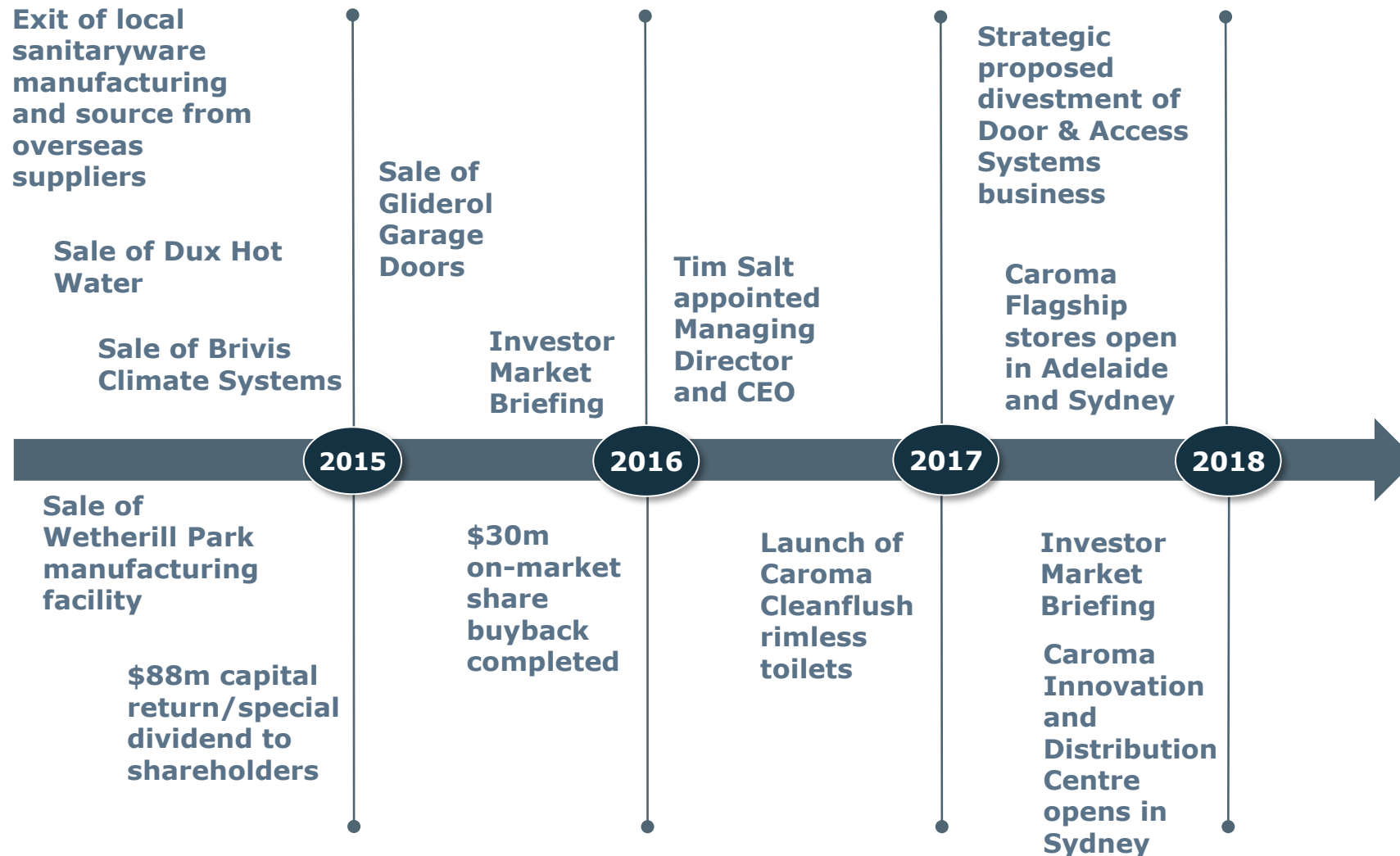
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# **GWA – making life better through superior solutions for water**

- 1. Demonstrating ability to drive growth and improve shareholder returns**
- 2. A more focused business with strong brands and leading market positions**
- 3. Pursuing growth opportunities focused on superior solutions for water**
- 4. Increased use of advanced technology to deliver innovative solutions**
- 5. Financial strength to fund investment in organic and inorganic opportunities**
- 6. Making Life Better for all our stakeholders**






# Restructuring to focus on water solutions



# Which has repositioned the business for growth

	GWA 2014	GWA 2018 (today)
<b>Operational Focus</b>	Diverse building products business	Clear focus on B&K segment - \$1.4bn category
<b>Manufacturing</b>	Focus on local product manufacturing	Collaborative relationships with exclusive supply partners
<b>Cost base</b>	High fixed cost base to support manufacturing	Reduced cost base and lower fixed cost base
<b>Customers</b>	Transactional relationship with major customers	Improved engagement & collaborative business planning
<b>Market share</b>	Declining market share in Bathrooms & Kitchens	Winning share in key segments in B&K
<b>Financial strength</b>	High debt, low growth	Low debt with financial flexibility to pursue growth

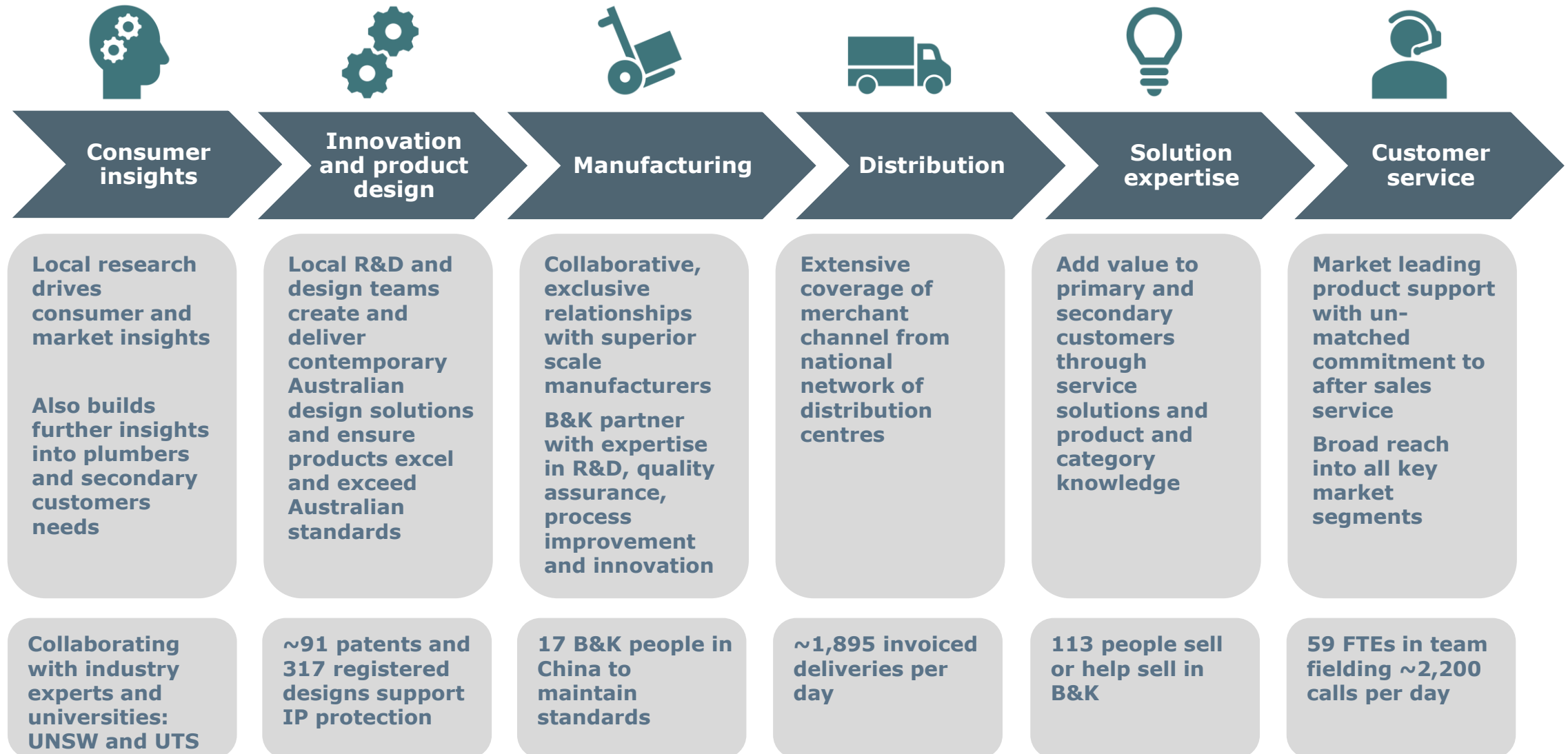
# Significant progress on strategic goals<sup>1</sup>

Area of focus	Status	Specific initiatives
Leverage and build on core assets and brands to drive revenue and market share growth		Growing share consistently across core segments
Add value to customers through improved insights, analytics and processes		Joint business plans with major merchants driving agreed targets / initiatives
Build “fit for future” culture, engagement and capability		Building employee engagement and internal capability focused on sales and marketing
Build an advantaged Supply Chain to deliver superior NPD, Quality and Service at best cost		Enhanced supply continuity from dual sourcing and direct to port shipping
Drive cost out in SG&A and Supply Chain to improve profitability and allow selective reinvestment		Ahead of target to reduce costs by \$13-15M by FY19

<sup>1</sup> As outlined at April 2016 Investor Briefing day

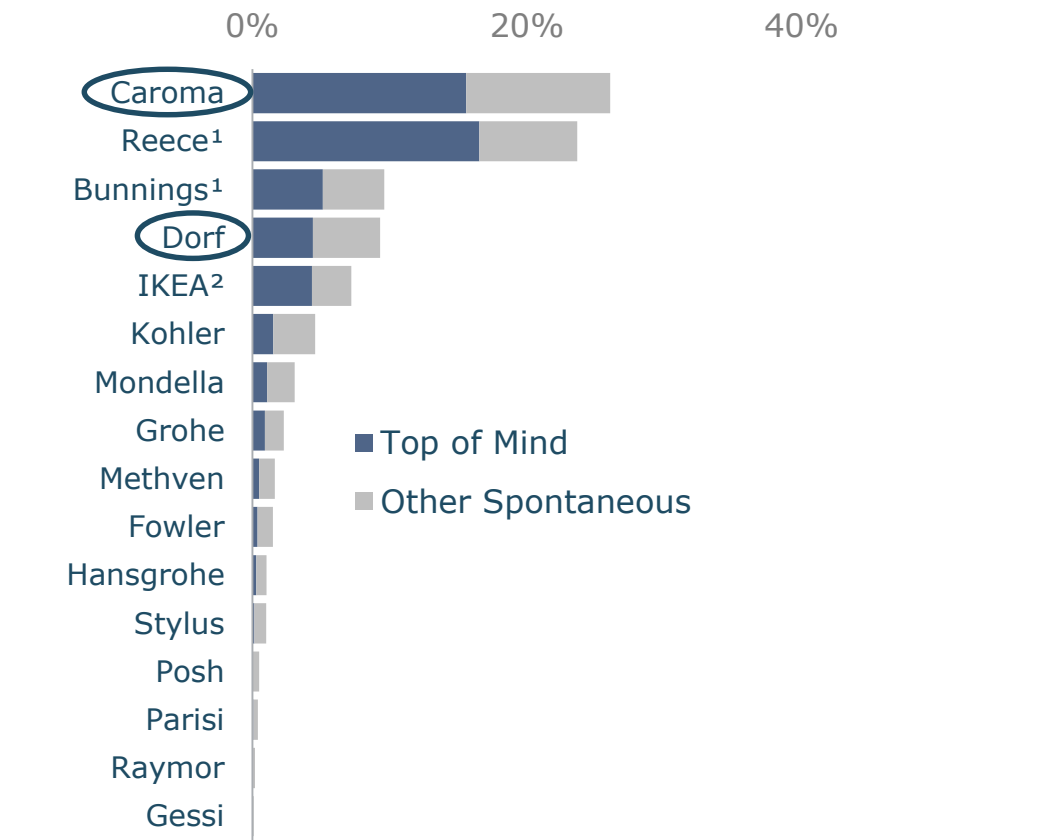


# Unique operating model meets local needs with global scale

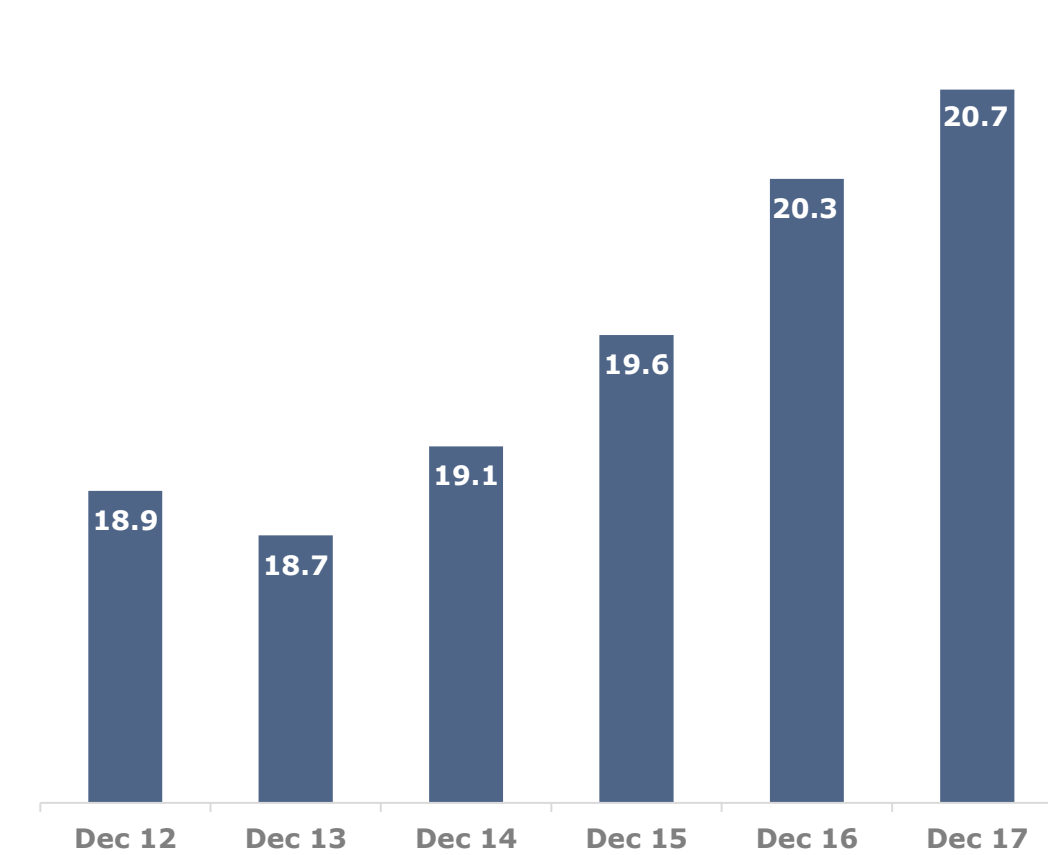


# Continuing to leverage and build on the strength of core brands to grow market share

Brand Awareness



B&K Market Share (%)

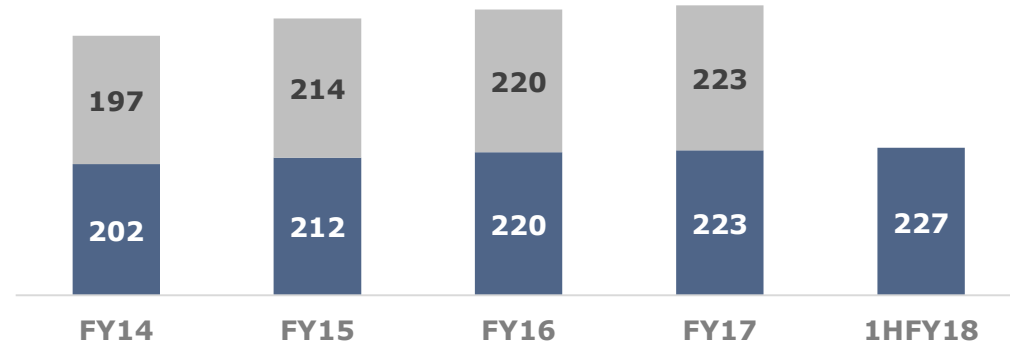


<sup>1</sup> Reece and Bunnings are retailers not Bathroom & Kitchen brands.  
<sup>2</sup> IKEA is both a retailer and a Bathroom & Kitchen brand.

# Improved operating results and returns

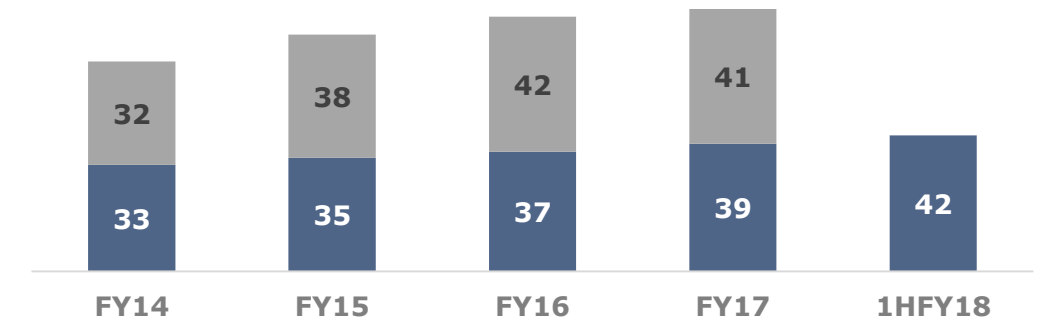
## Group Revenue (A\$m)

■ H1 ■ H2



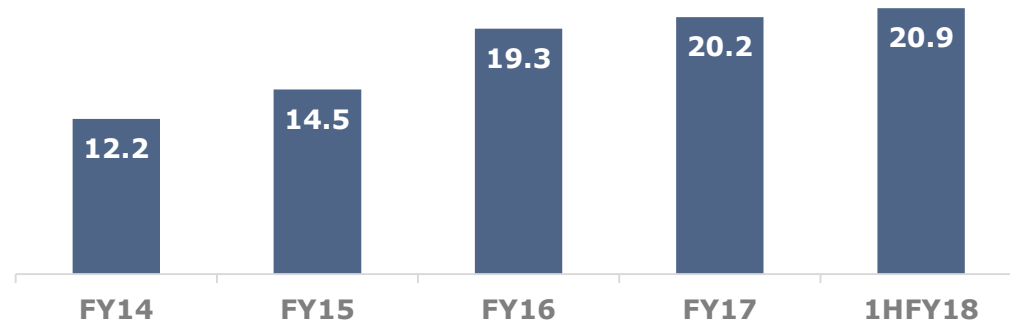
## Group EBIT (A\$m)

■ H1 ■ H2



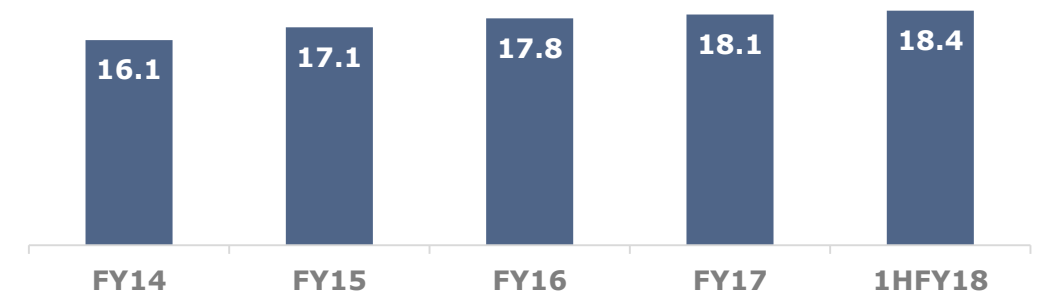
## Group Return on Funds Employed (%)

■ ROFE %



## Group EBIT Margin (%)

■ EBIT % Margin



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**Consumer driven growth**

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**Leveraging our advantaged supply chain**

6)

**Our financial strength**

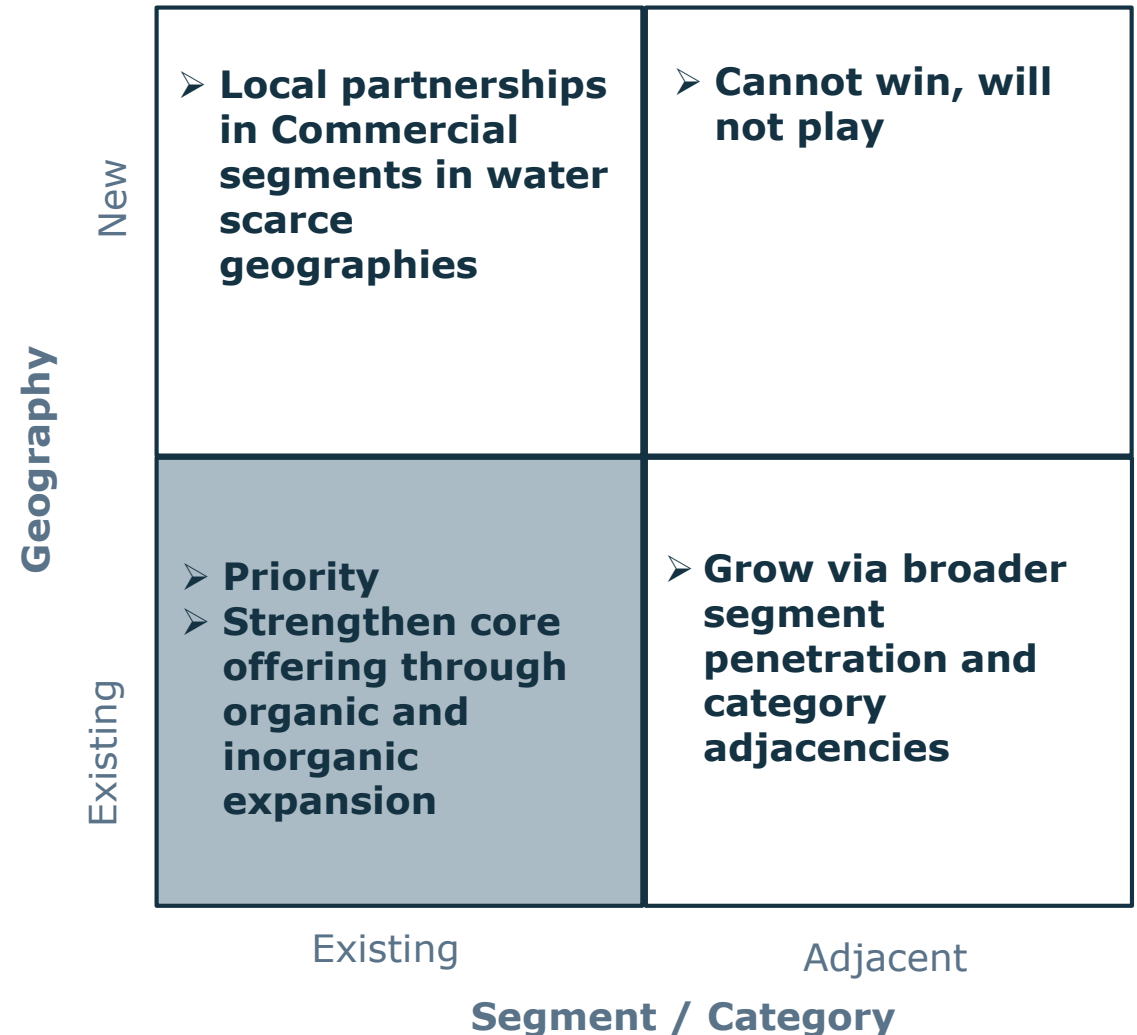
# **GWA, a business with purpose**

***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.***



# How are we thinking about growth?

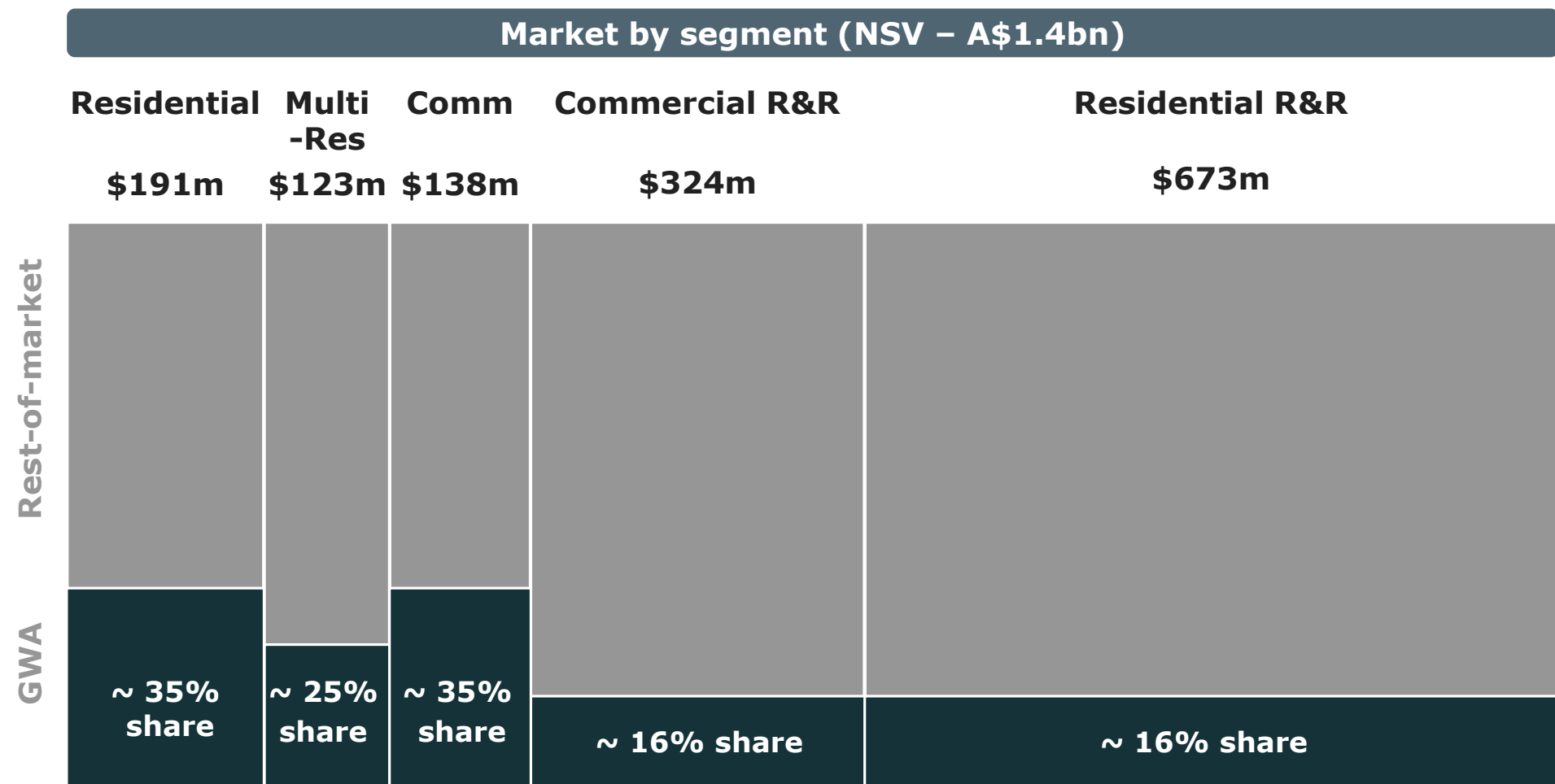
- ❖ Focus on superior water solutions
- ❖ Play to our strengths
- ❖ Target where we can win



# Macro factors point to stronger for longer

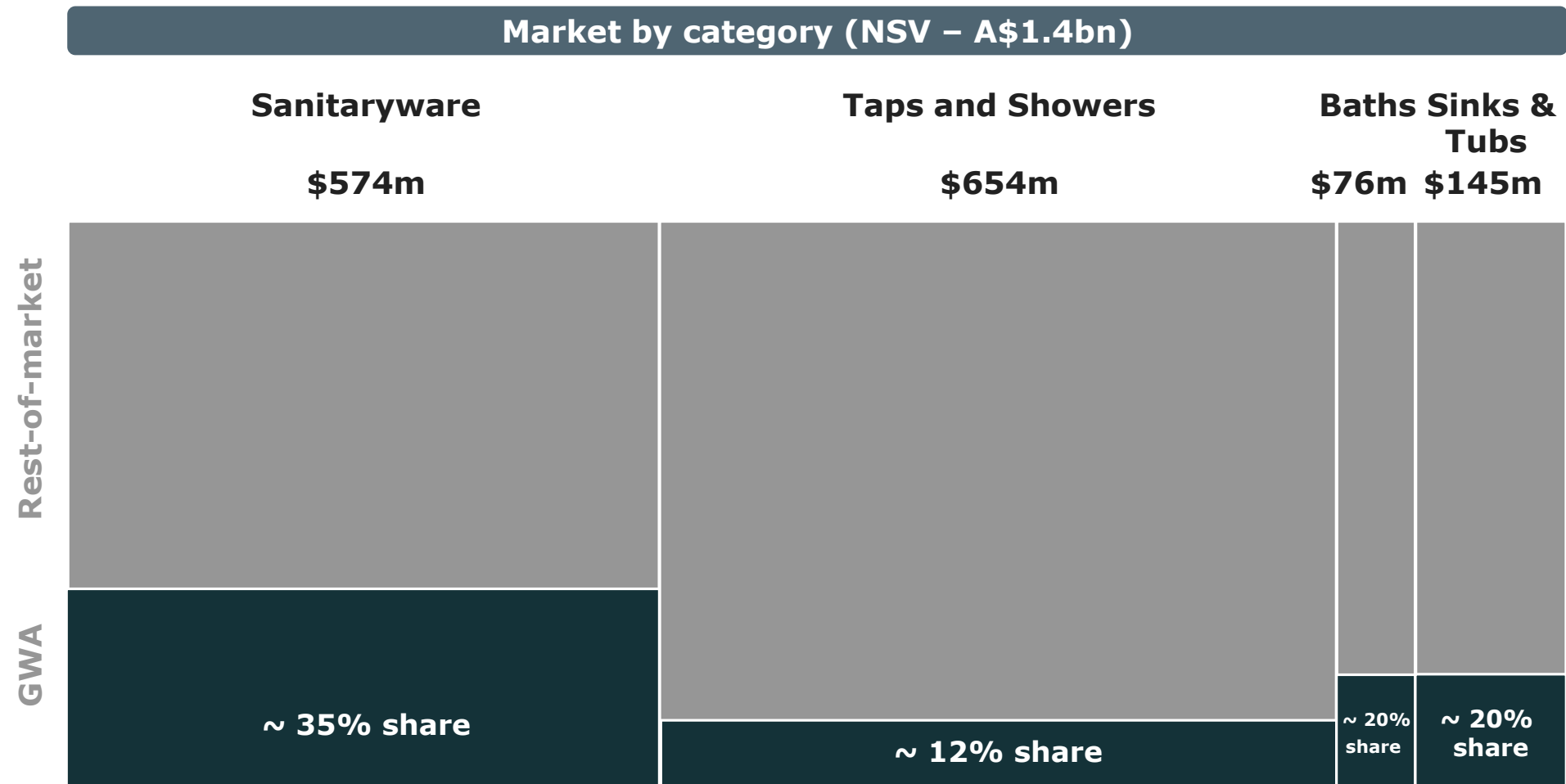
Driver	Status
Population growth	+300,000-400,000 per annum
GDP	+2.6% year to December 2017
House Prices	Capital city prices up +5% year to Dec. 17
Interest Rates	Cash rate stable at 1.5% since August 2016
Age of housing stock	Stock of 30-35 year old houses expected to increase into the early 2020's
Consumer Sentiment	Continues to be strong
Lending for Renovation	Up +5.6% year to December 17
Major Renovations Approvals	Up +2.9% year to December 17

# Large markets with significant growth opportunities within segments

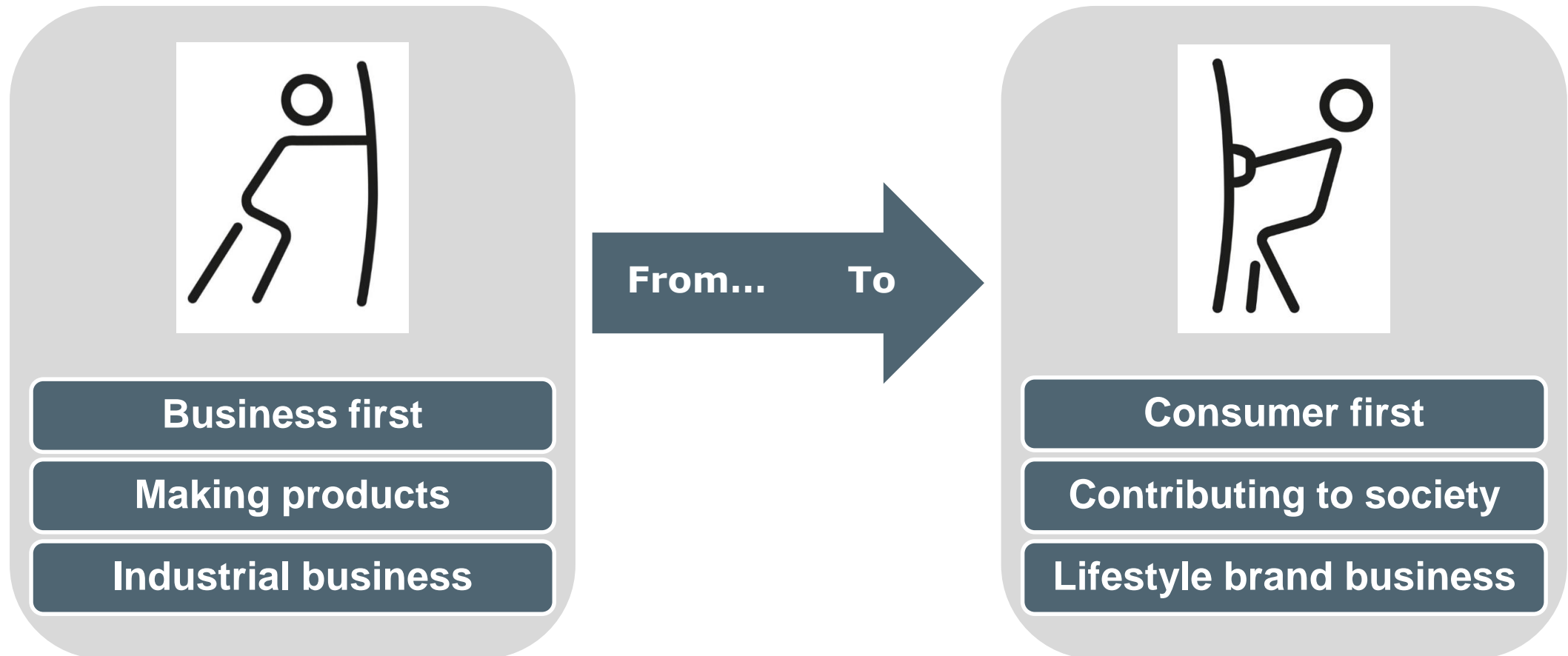




# Significant growth opportunities across product categories



# Transformation continues shift from push to pull



# **We are well positioned for growth through strategic focus on superior water solutions**

- ❖ **GWA is the leader in a large and robust local market**
- ❖ **Strong growth opportunities across segments and categories**
- ❖ **Technical expertise in sanitaryware and water sustainability solutions**
- ❖ **Capability can be leveraged in local and overseas markets**
- ❖ **Ambition to take leadership position in “superior solutions for water”**

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**Leveraging our advantaged supply chain**

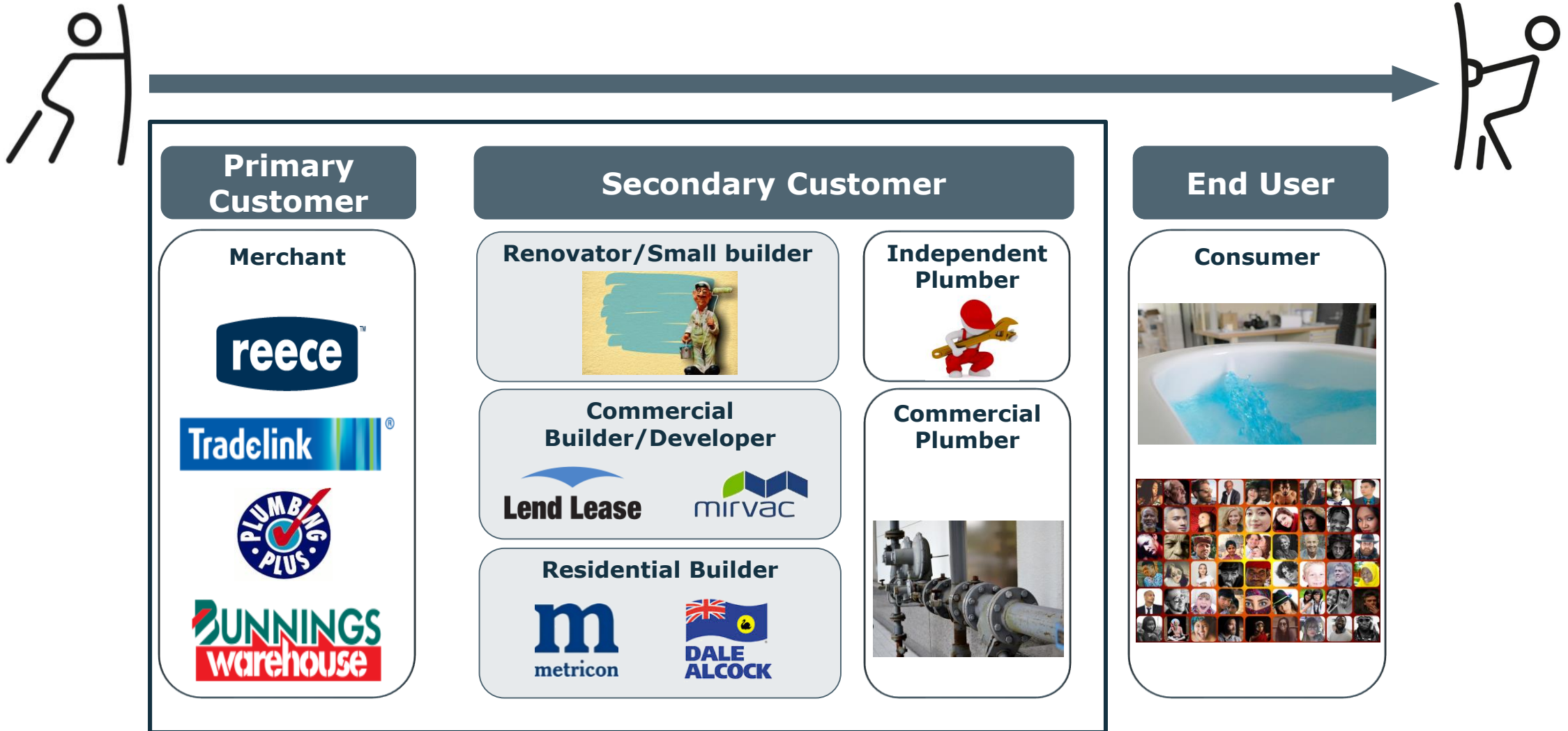
6)

**Our financial strength**

# Significant progress in customer engagement

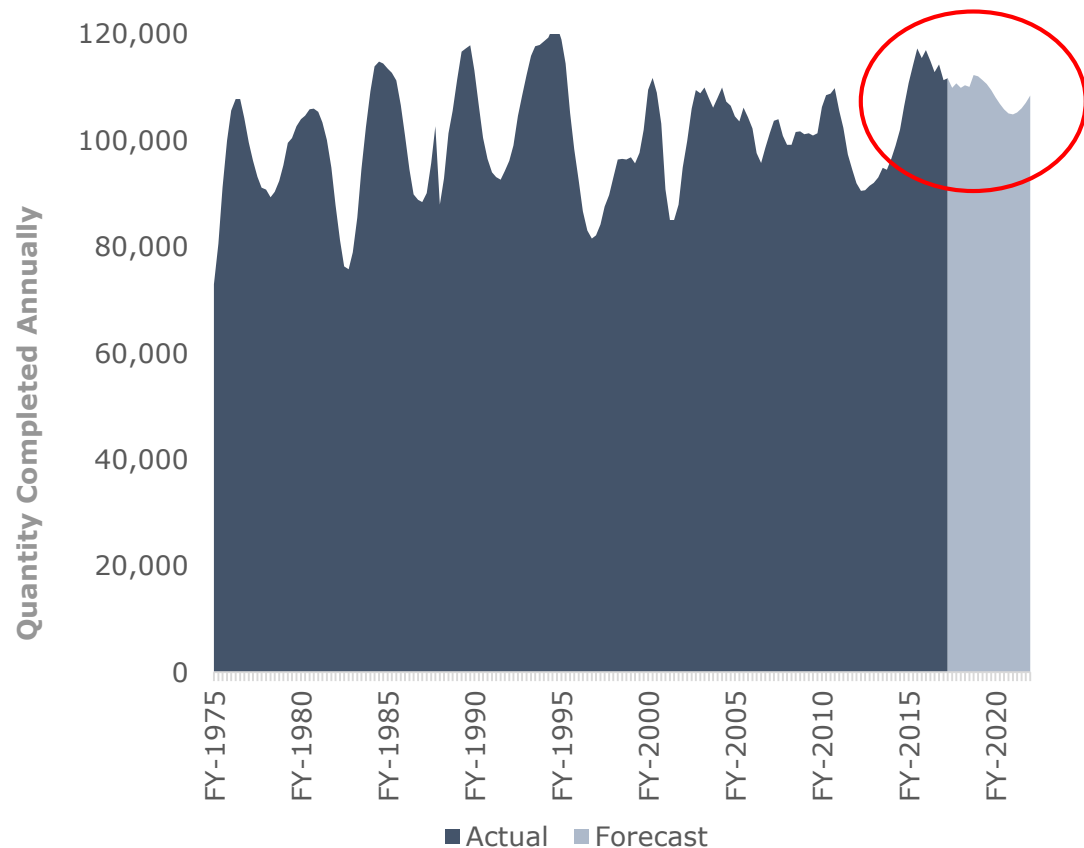
Area of focus	Progress	Specific initiatives
Increased understanding of key customers creating tailored plans and programs		Customer planning embedded business plans and review In store availability commitment
Clear value proposition for primary and secondary customers		Builders segmentation and value proposition Commercial value propositions Customer contact matrix / frequency
Use of technology to drive business growth and customer experience		Improved Salesforce.com utilisation Refinement of Specify / Revit / Plumbers App' E enabled bathrooms
Gain share via NPD and differentiated customer initiatives		Differentiated NPD, e.g. Cleanflush Tailored programs by customer Installation innovation
Build sales capability		Call efficiency and effectiveness Analytical skills development Competency assessment and development

# Critical to understand and engage with primary and secondary customers

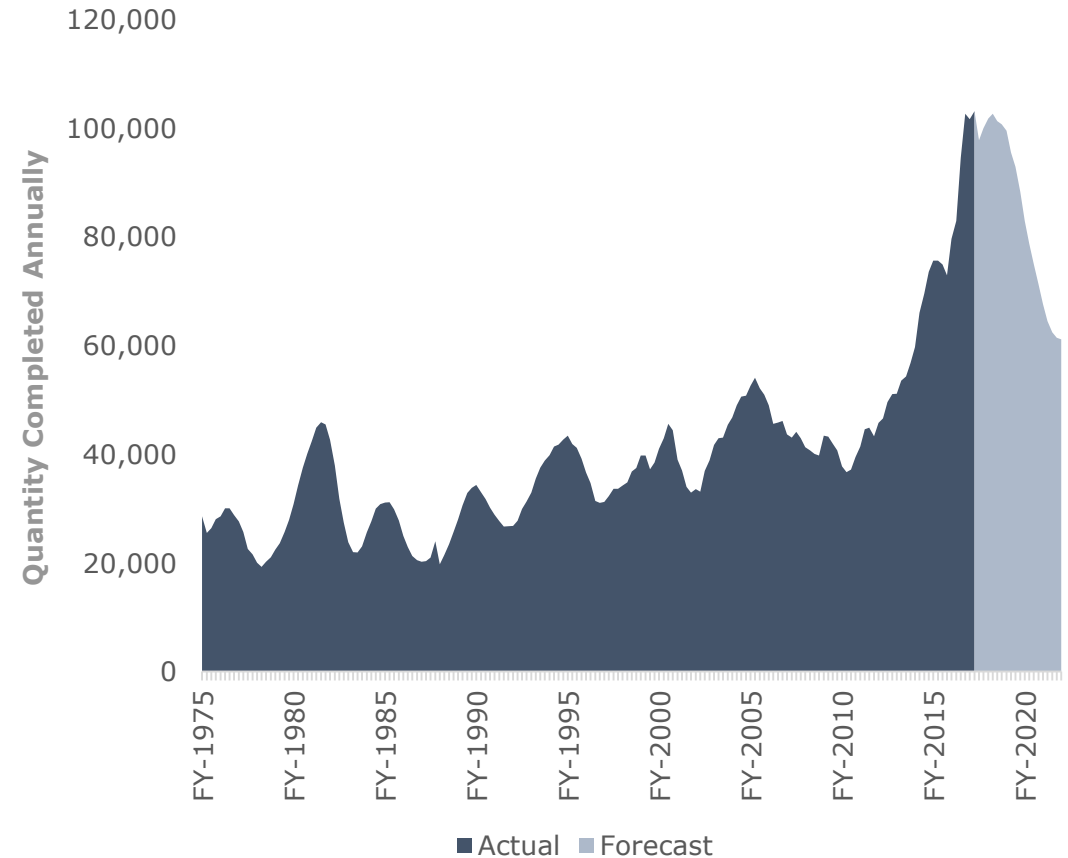


# Detached residential new build remains resilient. Selective opportunities in multi-residential

Detached housing completions Australia (#)



Multi-residential housing completions Australia (#)



# Maintain strong position in detached residential and compete selectively in multi-residential

## Growth Strategy

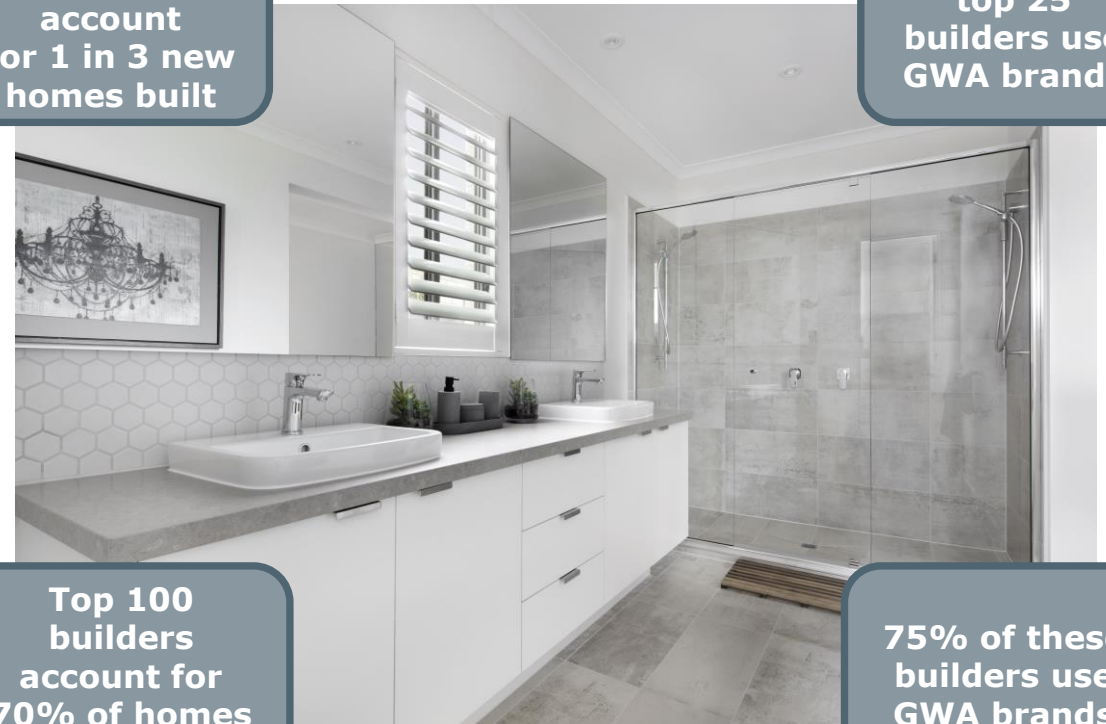
- ❖ Established deep knowledge of Builders, their strategies and needs
- ❖ Leverage trusted brands and quality to enhance the home-buyer experience
- ❖ Differentiate through broad brand portfolio and innovation capability
- ❖ Re-organised sales team into dedicated segment resource



## Market leading penetration of Australia's top 25 builders

Top 25 home Builders account for 1 in 3 new homes built

21 of these top 25 builders use GWA brands

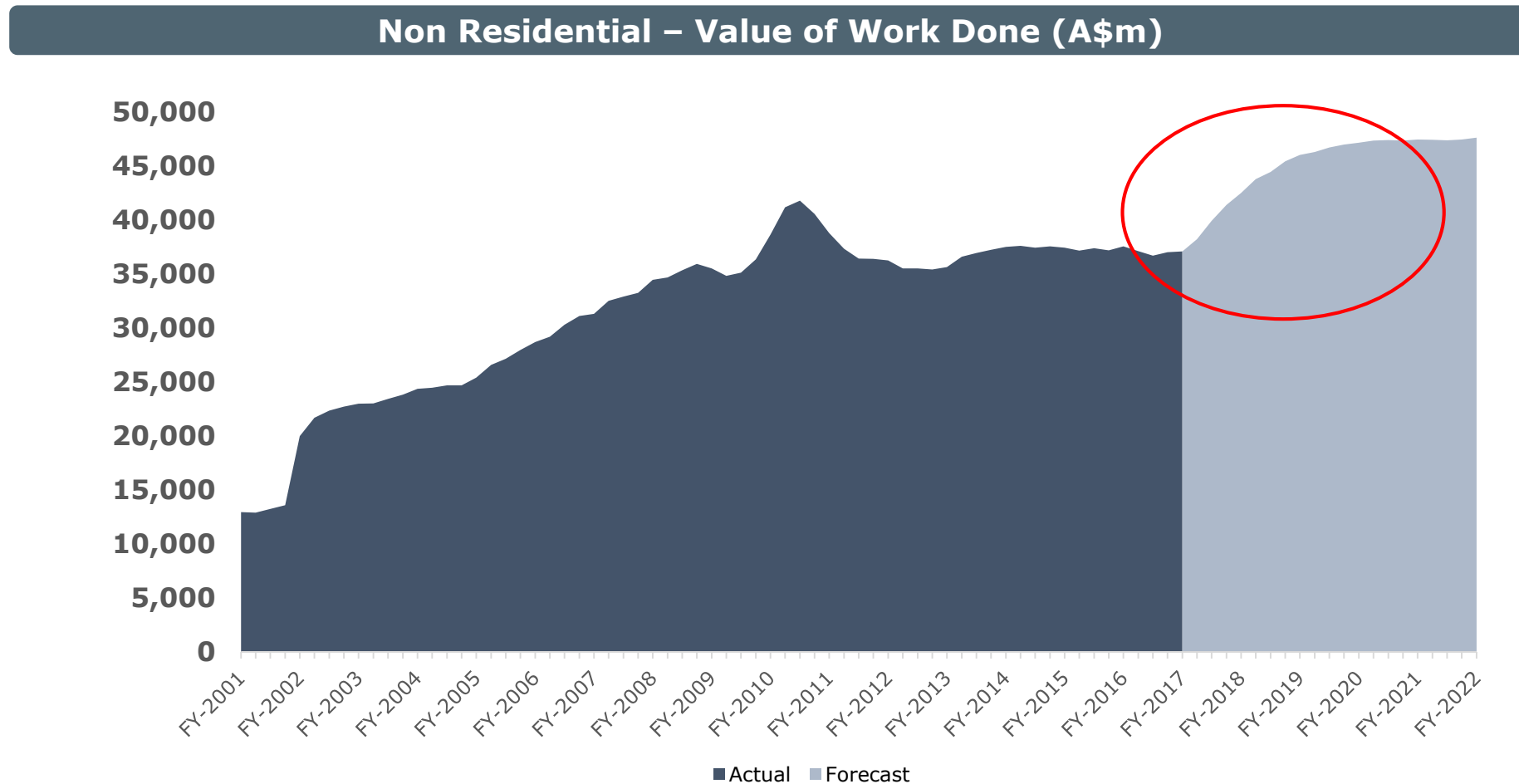


Top 100 builders account for 70% of homes built

75% of these builders use GWA brands



# Commercial new build sustaining long term growth trajectory



# Leverage expertise in Commercial new build to drive further growth

## Growth Strategy

- ❖ Best lead identification and key decision maker engagement
- ❖ Complete product portfolio and solutions partner
- ❖ Superior, sustainable lifetime solutions for customers
- ❖ Comprehensive Merchant partnering for fulfilment and execution



Axis Plumbing  
we revolve around you

## Market leading penetration of Australia's biggest Projects & Customers

Strong pipeline of high value projects over next 3-4 years

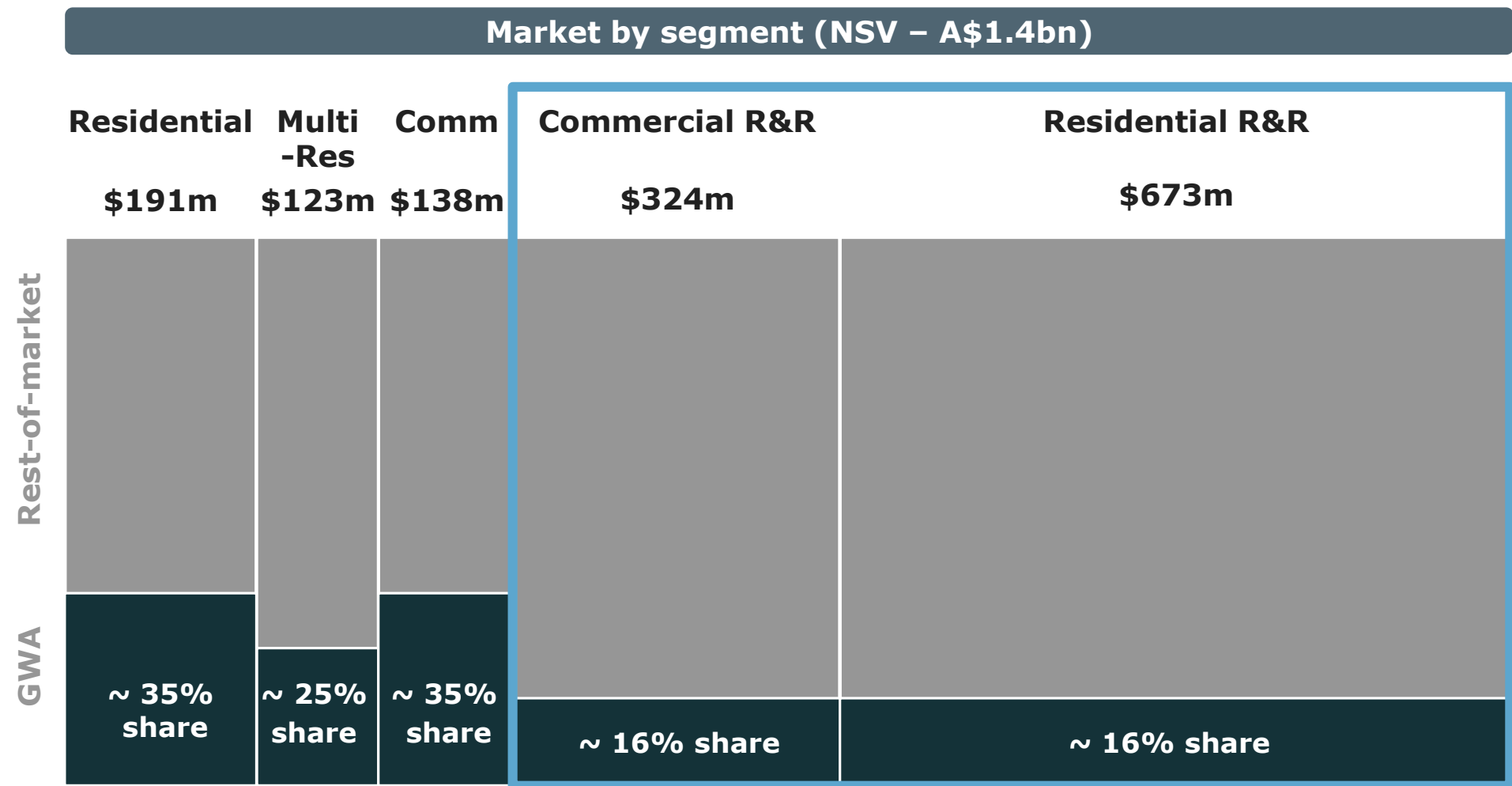
Forecast to quote 3,600 Commercial projects this year

Strong order bank underpinning future sales

300+ key customers with minimum of monthly sales meeting



# R&R is the largest segment opportunity across both Commercial and Residential



# Deeper market understanding has identified untapped opportunity in Commercial R&R

## Growth Strategy

- ❖ Focused resource now targeting sizeable opportunity
- ❖ Leverage strong Commercial new build footprint and expertise into Commercial R&R
- ❖ Utilise Merchant partnerships to provide coverage and availability
- ❖ Innovate to reduce cost, improve efficiency and sustainability

## New build drives future R&R, large less visible market

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

Only 15% of jobs require a DA. 85% below the radar

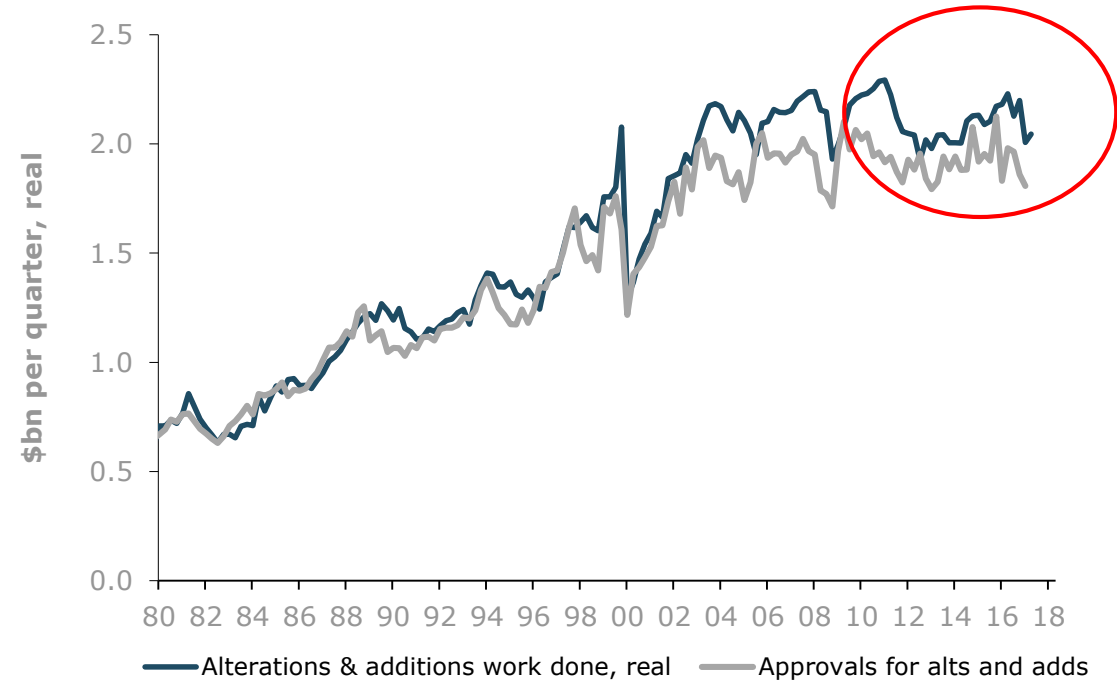


New sales model to hunt opportunities with new customers, different needs

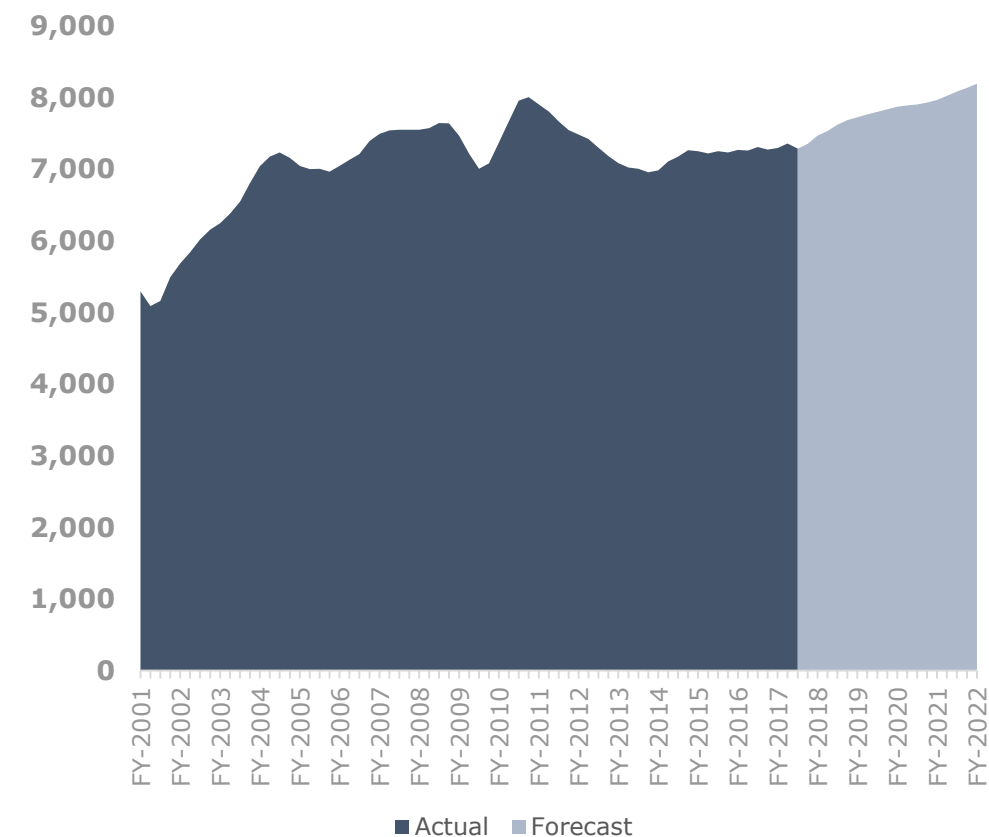
Leverage GWA IP in customer collaborations to create R&R solutions

# Residential R&R segment is large and stable

Renovation Activity (A\$bn)



Alterations and Additions – Completions (\$m)



# Residential R&R – customer strategies for growth

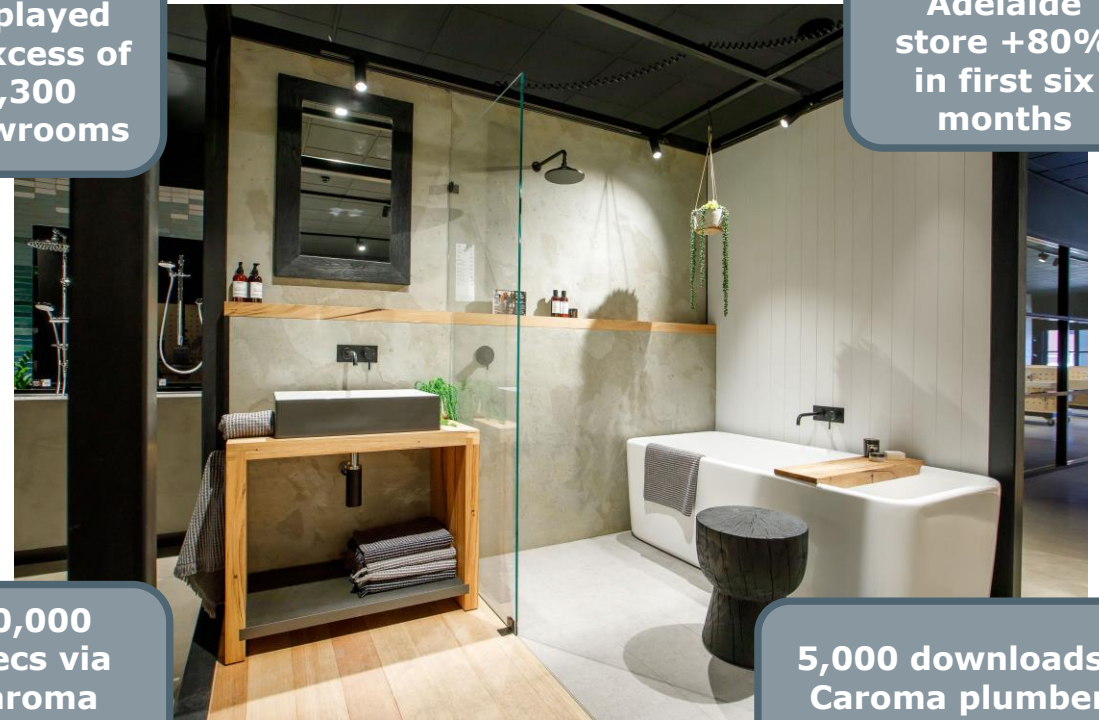
## Growth Strategy

- ❖ Extend merchant partnerships to drive ranging, availability and coverage
- ❖ Create inspirational experiences in customers' showrooms
- ❖ Utilise Caroma Flagships to inspire architects, designers and consumer renovators
- ❖ Increased investment in digital tools to enhance ease of specifying and installing Caroma

## Market leading visibility and availability

Caroma displayed in excess of 1,300 showrooms

Foot traffic in Adelaide store +80% in first six months



10,000 specs via Caroma Specify last year

5,000 downloads of Caroma plumbers' app last year



# Driving our focus on Aged Care opportunity

## Growth Strategy

- ❖ Built deep understanding of products, customers and consumers' needs
- ❖ Developed 'Care' range tailored to unique needs of users and decision makers
- ❖ Scale, coverage and technology to access large fragmented market
- ❖ Aged care initiatives with key merchant partners to penetrate all 3 aged care segments



## Market leading visibility and availability

'Care' range increased to 150 SKUs. Expanding to 200+ in the next year

250 key projects identified across ANZ



Caroma Care SKUs available in 1,100 outlets across ANZ

Partnerships with top 10 Aged Care providers and 25 key Commercial customers

# Engagement with merchant partners remains key

## Growth Strategy

- ❖ Established clarity of each Merchant's differing business needs, strategies, priorities and processes
- ❖ Joint plans create growth and profitability that's win-win
- ❖ Leverage significant GWA demand creation with secondary customers
- ❖ Drive foot traffic in Merchants through R&R marketing initiatives



## Market leading visibility, demand creation, availability and coverage

Specialist sales teams. 113 FTEs on the road supported by 57 FTEs in After Sales and Customer Service

80% of Merchant customer stores called on at least monthly with call centre managing 2,200 calls a day

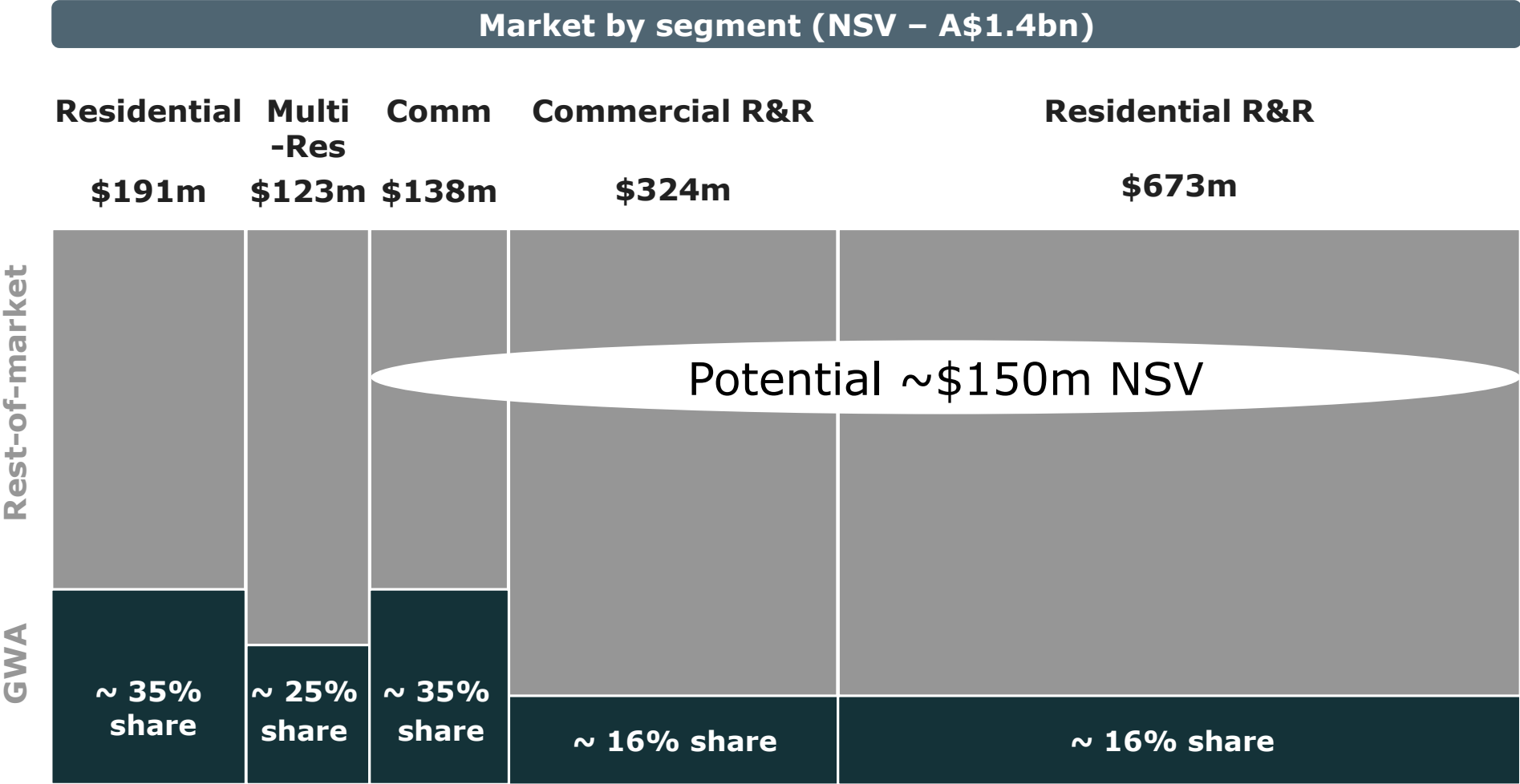


Business plans and trading terms with all major customers

Key customer partnerships resulting in significant mutual share gains



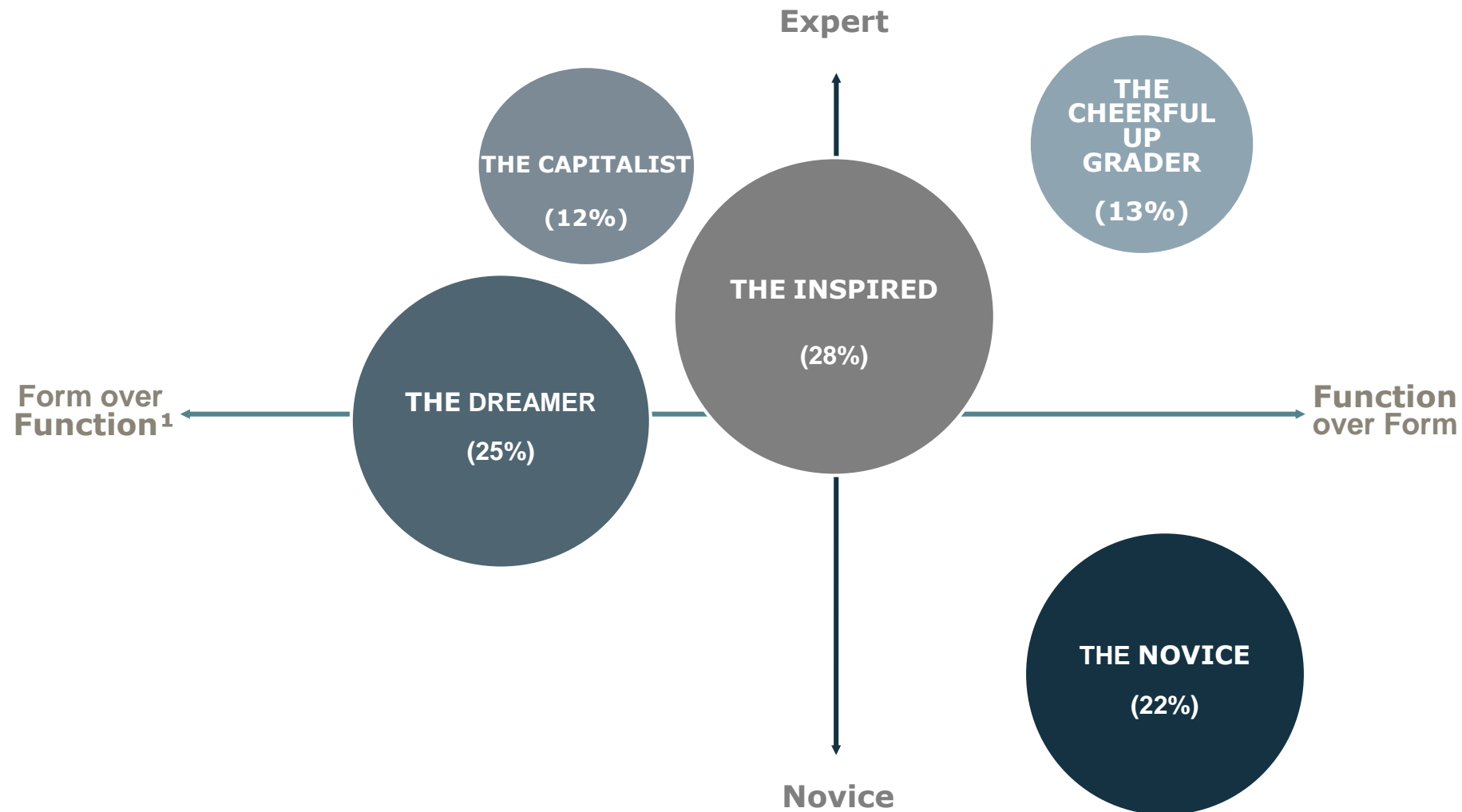
# Plans targeting significant NSV growth opportunities



# Agenda

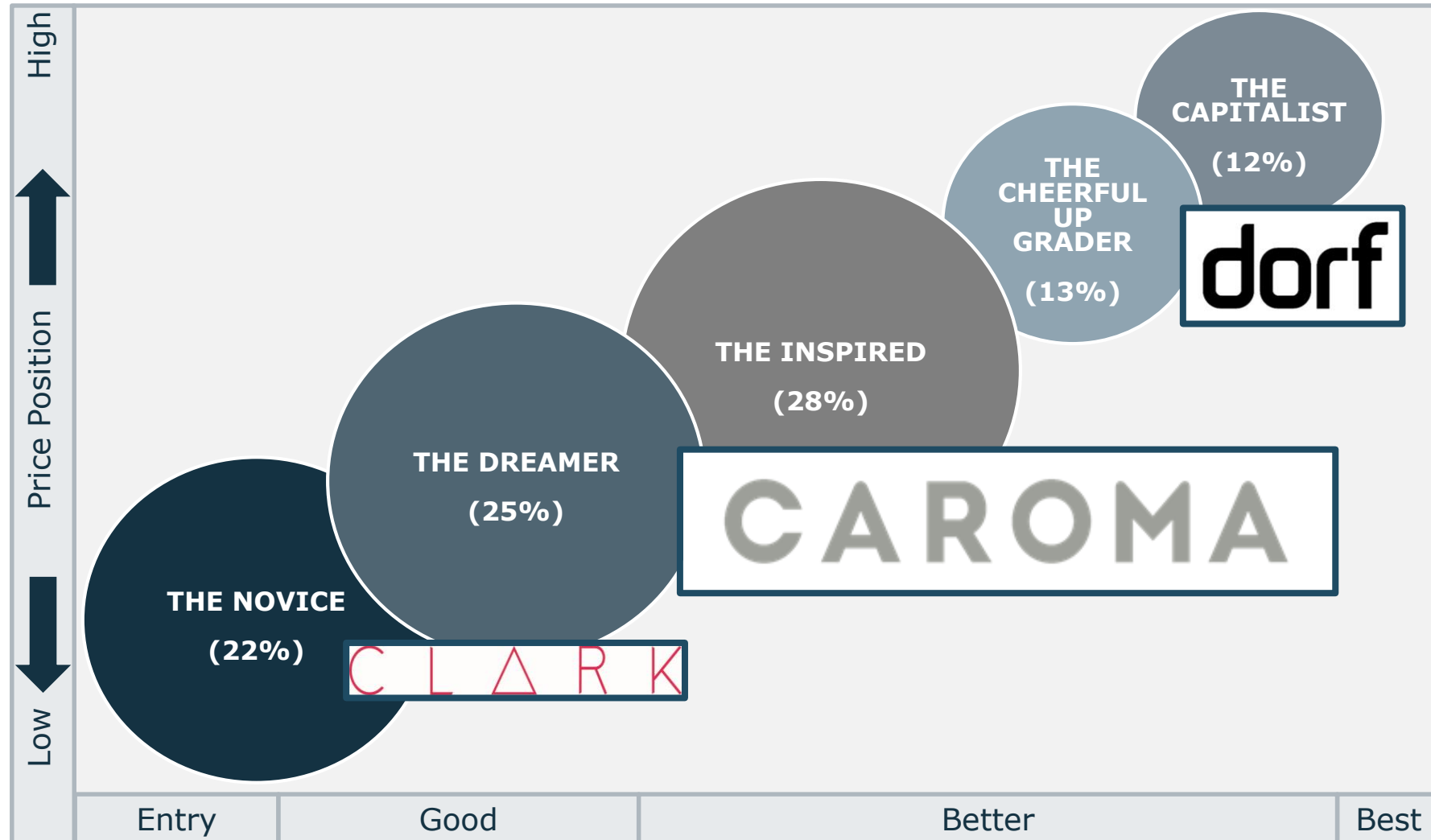
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# Identified five distinct consumer groups and insights into their approach to renovating

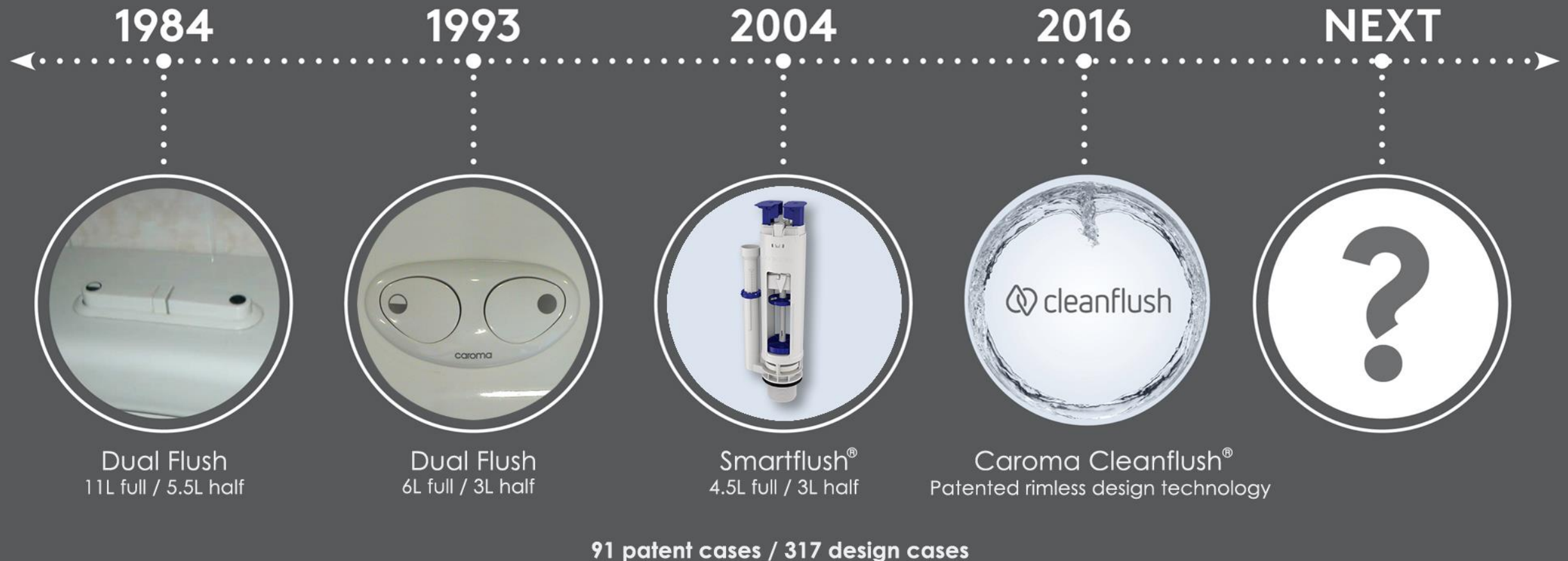


<sup>1</sup> Function – Consumer attitude toward bathrooms is such that bathrooms must be primarily functional, durable, liveable, comfortable and aesthetically pleasing  
Form – Consumer attitude toward bathrooms is such that bathroom renovations are an opportunity to express personal style. Bathrooms should be a personal oasis, follow latest trends, and be impressive to family and friends

# Each group occupies a different place on the price ladder

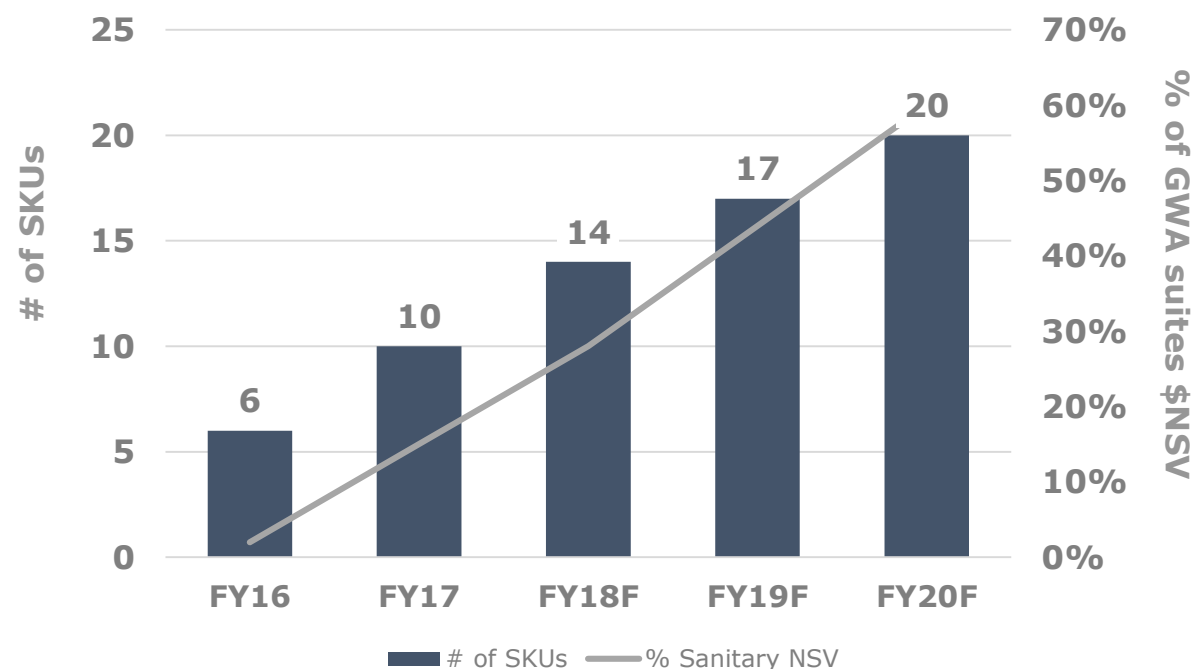


# Building on Caroma's heritage and expertise to transform the future



# Continuing to extend and leverage Cleanflush® innovation to strong effect

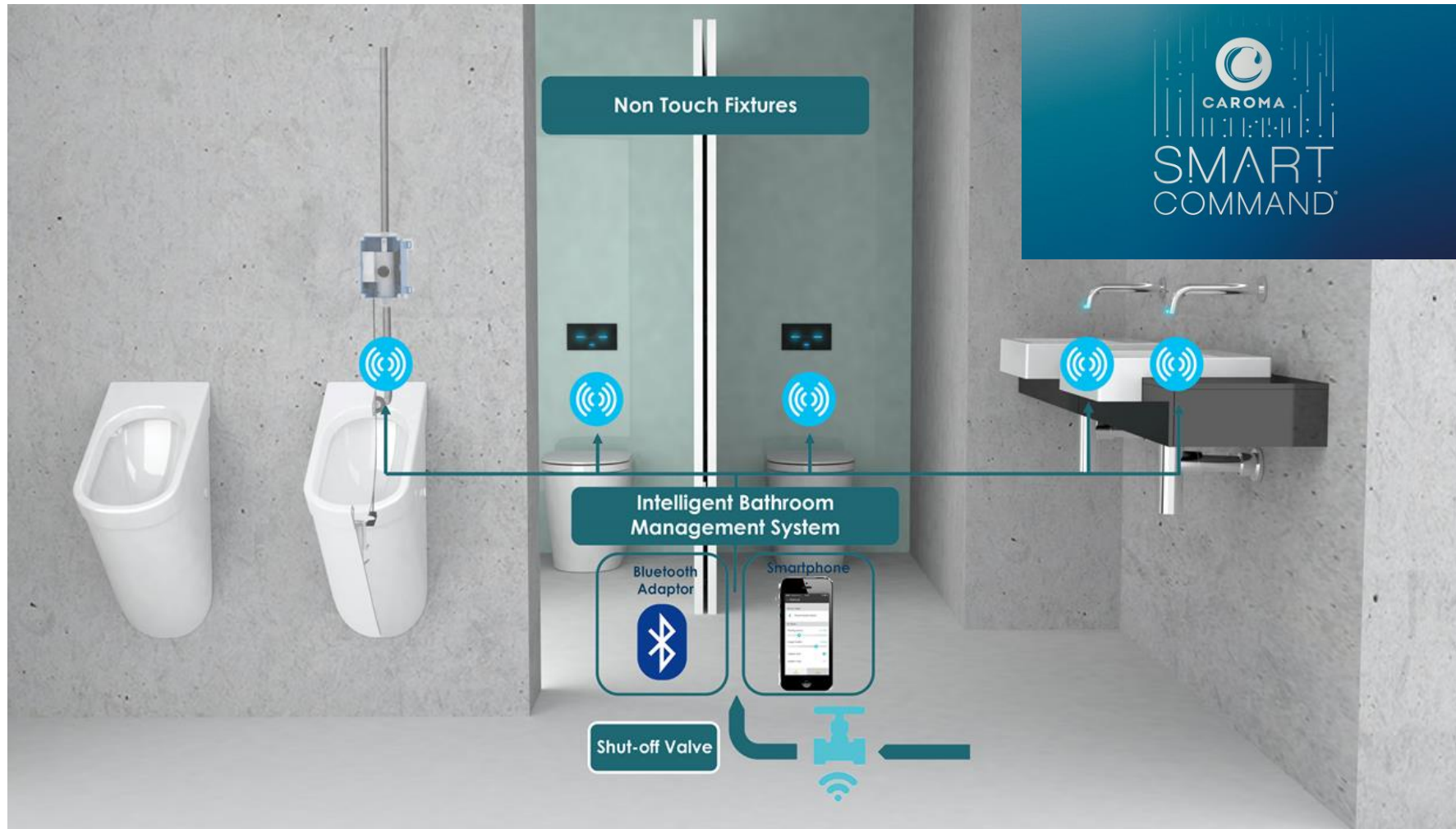
## Caroma Cleanflush Sales % of GWA suites (\$NSV)



## 20 new Cleanflush variants across sub categories by 2020



# World class innovation that changes the industry's practice and expectation of water management



# Caroma Smart Command® – changing standards in building water management

## Key features of SmartCommand<sup>1</sup>

- ❖ Touchless bathroom products
- ❖ Remote BMS<sup>2</sup> connectivity to all bathrooms
- ❖ Remotely monitor and manage water usage including leaks
- ❖ Needs based real time bathroom cleaning schedule

## Key benefits of SmartCommand<sup>1</sup>

Hygienic user experience

Increased bathroom up time and better user experience

Reduced water usage and rental benefit from Green Star rating

Reduced costs via increased preventative maintenance

Cost efficient remote monitoring and management

Remote commissioning on install saves plumber time and money

Reduced cleaning costs

<sup>1</sup> Patent pending

<sup>2</sup> Building Management System



# Leverage our digital and physical assets to create an omni-channel presence



**+76% in Facebook followers (last 3 years)**  
**Engagement >3%**  
(Industry average<sup>1</sup> 0.17%)

**+1,000% in Instagram followers (last 2 years)**  
**Engagement >3%**  
(Industry average<sup>1</sup> 1.66%)



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# Leveraging our advantaged supply chain

## Growth enablers

- ❖ Creating a supply chain synchronised with the front end of the business
- ❖ Products designed for local market conditions and consumers
- ❖ Creating sustainable supply solutions in partnership with strategic suppliers
- ❖ Designing a global distribution network that delights customers and supports growth
- ❖ Continuous commitment to drive further cost efficiencies

**30,000m<sup>2</sup>  
streamlined  
purpose built  
warehousing  
facility**

**5\* Green  
Rating**



**Warehouse  
Management System  
driving  
service and efficiency**

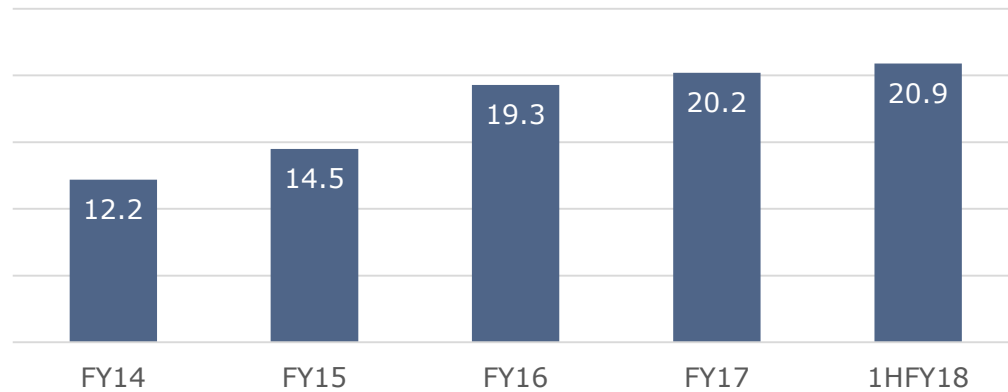
**1,895 invoiced  
deliveries per day**

# Agenda

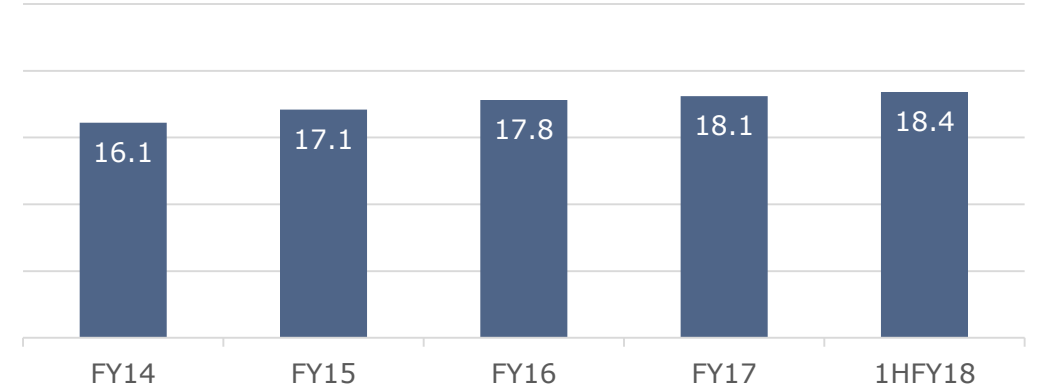
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# Consistently strengthening returns

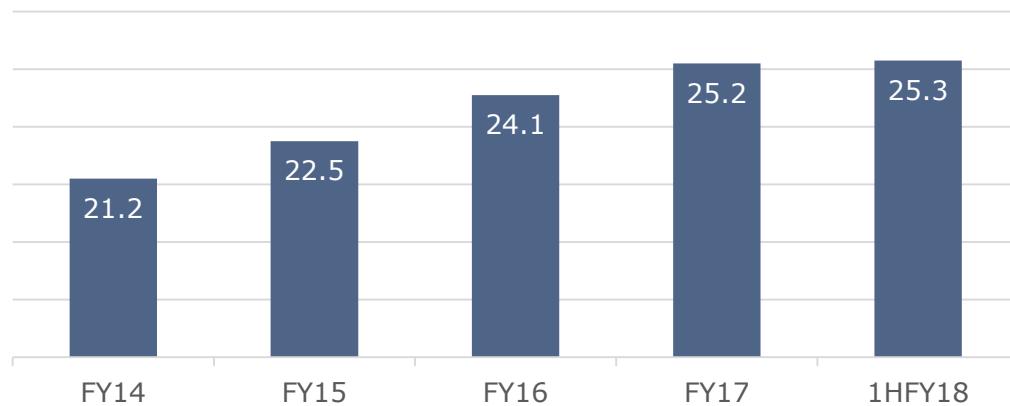
**Group Return on Funds Employed (%)**



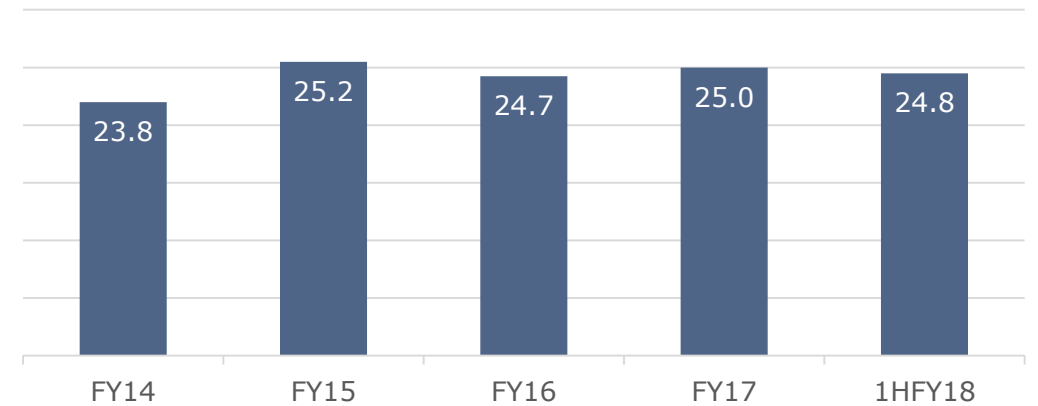
**Group EBIT Margin (%)**



**B&K Return on Funds Employed (%)**



**B&K EBIT Margin (%)**

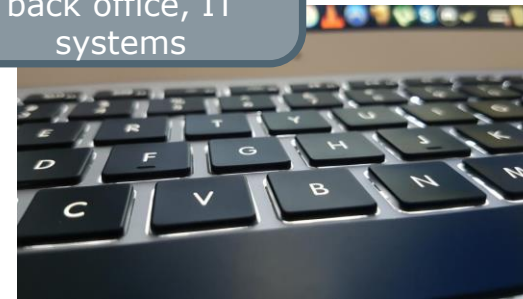


# Implement next phase of cost savings

## Growth enabler – cost savings

- ❖ Total cost savings of \$9-\$12M FY19-FY21 (3 year target)
- ❖ Operational efficiency – continue to reduce cost base through back office and execution efficiency improvements
- ❖ Supply Chain – targeting supply chain efficiencies with strategic partners: COGS; sourcing; NPD etc.
- ❖ Cost savings:
  - Re-invested to fund growth initiatives
  - Provide margin resilience through the cycle
  - Offset inflation

Automation and efficiency improvements in back office, IT systems



Stock consolidation and direct shipping state warehouses



End to end approach to supply chain cost out



Procurement expertise recruited to lift capability

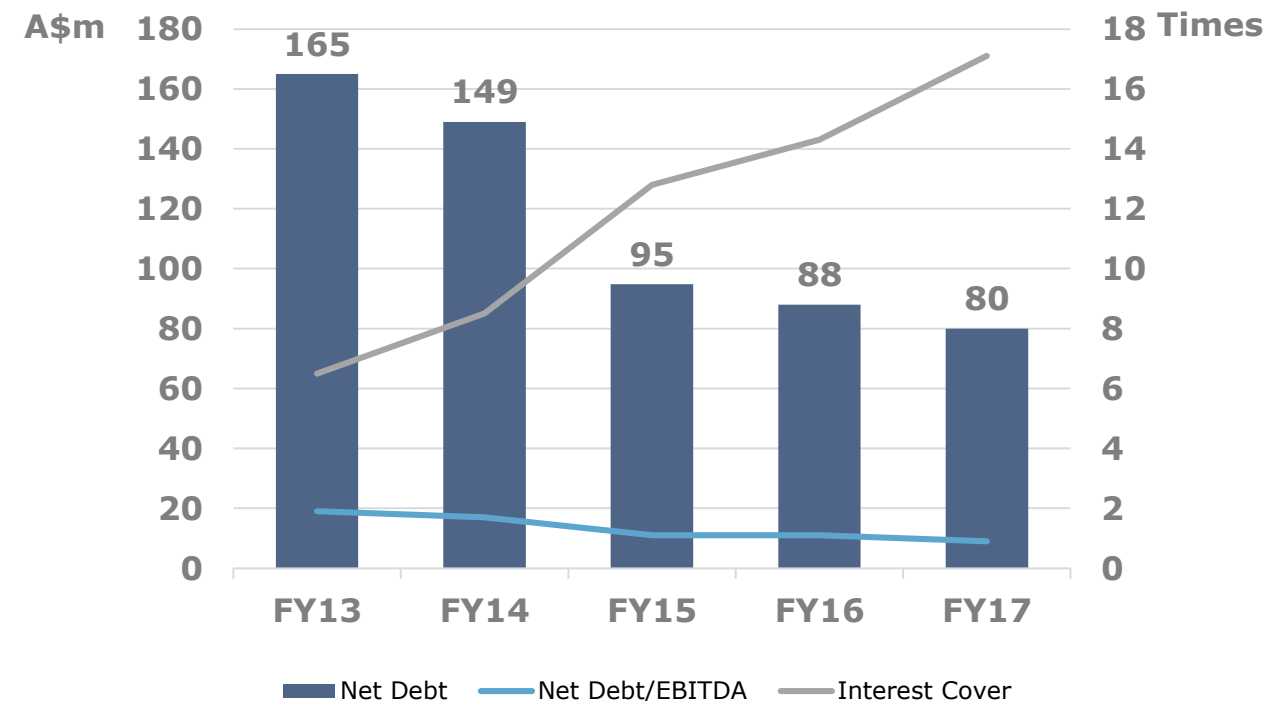


# Strong financial position to fund growth

## Growth enabler – strong credit metrics

- ❖ Credit metrics continue to be consistent with investment grade
- ❖ Syndicated banking facility extended in October 2017 – single 3-year revolving facility maturing October 2020
- ❖ GWA continues to generate strong cash from operations
- ❖ GWA remains in strong financial position
  - provides enhanced financial flexibility for investment in both organic and inorganic growth opportunities and potential capital management

## Continued low debt



# **GWA Making life better through superior solutions for water**

- ❖ **Demonstrating ability to drive growth and improve shareholder returns**
- ❖ **A more focused business with strong brands and leading market positions**
- ❖ **Pursuing significant growth opportunities focused on superior solutions for water**
- ❖ **Increased use of technology to create solutions for customers and consumers**
- ❖ **Financial strength to fund investment in organic and inorganic opportunities**



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# Disclaimer

This presentation contains non-IFRS 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.



# **Macquarie Australia Conference**

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**2nd May, 2018**