



GWA
Group Limited

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28 October 2016

ASX On-Line

Manager Company Announcements
Australian Securities Exchange

Dear Sir

Chairman's and Managing Director's Address to Shareholders

In accordance with Listing Rule 3.13, we enclose the Chairman's and Managing Director's Address to Shareholders at the GWA Group Limited Annual General Meeting to be held at 10:30 am (AEST) today at the Stamford Plaza, Brisbane.

An audio recording of the AGM presentations will be made available on the GWA website at www.gwagroup.com.au following the conclusion of the meeting.

Yours faithfully

R J Thornton
Executive Director

24th Annual General Meeting

28 October 2016



Agenda

Chairman's Address

Darryl McDonough
Chairman

Managing Director's Address

Tim Salt
Managing Director

Formal Business

Darryl McDonough
Chairman

Refreshments

Significant progress made in FY16

#1

- **Strong financial result* compared to prior year**

- Revenue up 3%
- Net Profit After Tax up 15%
- Earnings Before Interest and Tax up 8%
- Improved Group EBIT margin - up 0.7 ppts
- Return on Funds Employed up 2.6 ppts

#2

- **Financial position strengthened further**

- Net debt down 7%
- Credit metrics improved further
- Strong cashflow generation - operating cashflow up 12%

#3

- **Continued focus to maximise shareholder value**

- Resumption of ordinary dividends – final ordinary dividend 8 cents per share, fully-franked
- Special dividend 1 cent per share fully-franked
- Total full-year dividends 16 cents per share – payout ratio 79%
- On-market share buy back complete – EPS accretive (EPS up 29%)

#4

- **Progressing strategic priorities**

- Focus on NPD – Launch of Caroma Cleanflush and strengthening NPD pipeline
- Implemented Integrated Business Planning – lower inventory, improved working capital
- Cost base further reduced

* Normalised from Continuing Operations which exclude the Bravis Climate Systems and Dux Hot Water businesses which were divested in FY15 and the Gliderol Garage Doors business which was divested on 31 July 2015. Normalised is before Significant Items

Remuneration – aligned with shareholders' interests

- Remuneration policy continues to align Board and executive remuneration with shareholders' interests

Actual Remuneration in FY16	• Remuneration for Managing Director determined by Board with independent market data • Managing Director's remuneration aligned with market median of GWA peer group • Non-executive director remuneration reduced by 16% on prior year • Fixed remuneration for Managing Director and other executives frozen for FY16 • Corporate and Bathrooms & Kitchens partially achieved STI financial targets • Door & Access Systems did not achieve STI financial targets • Long Term Incentive (LTI) Plan now includes Total Shareholder Return (TSR) and Return on Funds Employed (ROFE) performance requirements
Remuneration changes for FY17	• Fixed remuneration for Managing Director and other executives frozen for FY17

Agenda

Chairman's Address

Darryl McDonough
Chairman

Managing Director's Address

Tim Salt
Managing Director

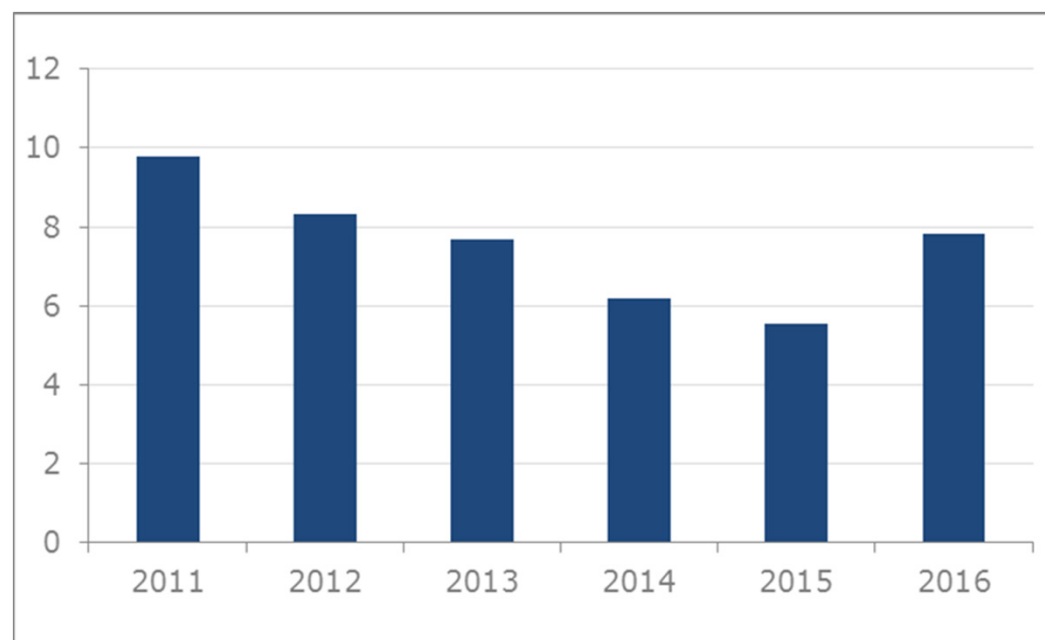
Formal Business

Darryl McDonough

Refreshments

- Continued focus on Safety initiatives in FY16:
 - Implemented 3-year Safety strategic plan
 - Launched Group-wide safety culture review
 - Implemented integrated WHS management system – SafetyOne
- Reduction in total injuries compared to prior year (fewer lost time and medically treated injuries, reduction in total hours lost)
- However, Total Injury Frequency Rate (TIFR) increased due to headcount reduction from business divestments and business restructure

Total Injury Frequency Rate



Improvement across all key metrics

Normalised from Continuing Operations*

Revenue \$439.7m	↑ 3.2%	Gearing Ratio 22%	↓ 2pp
EBITDA \$84.3m	↑ 3.2%	Operating Cashflow \$91.7m	↑ 12.2%
EBIT \$78.3m	↑ 7.6%	EPS 19.0 cents	↑ 28.6%
NPAT \$51.9m	↑ 14.8%	Dividend Full Year Dividend 15c Special 1c**	↑ 15c

*Continuing Operations exclude the Bravis Climate Systems and Dux Hot Water businesses which were divested in FY15 and the Gliderol Garage Doors business which was divested on 31 July 2015. Normalised is before Significant Items. ** Special Dividend from resolution of Carrier dispute (Discontinued Operations).

Good progress on strategy

Strategic Priority

Leverage and build on core assets & brands to drive revenue and market share growth

Add value to customers through improved insights, analytics and processes

Build “fit for future” culture, engagement and capability

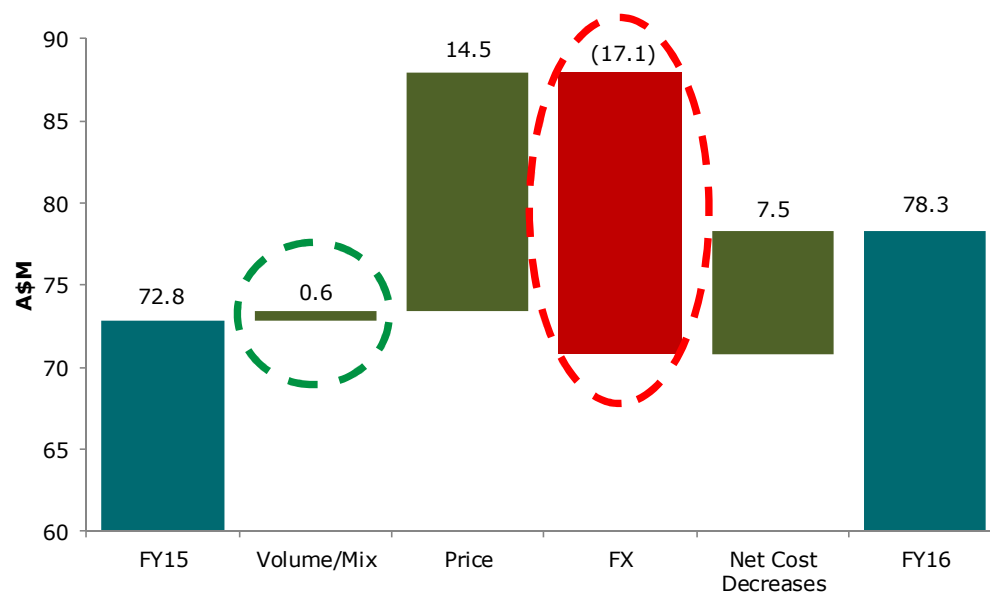
Build an advantaged Supply Chain to deliver superior NPD, Quality and Service at best cost

Drive cost out in SG&A and Supply Chain to improve profitability and allow selective reinvestment

Update on Progress

- Launch of Cleanflush – initial sales strong, ranged in 200+ Reece showrooms
- NPD pipeline approved and prioritised
- Improved speed to market for product imports (e.g. Milan to Australia)
- GWA + customer joint planning sessions – mutual targets/initiatives
- Tailored product innovation plans being developed for major customers
- Dedicated internal resources for customer roles for key large customers
- Reorganisation and capability improvement of D&A sales team
- Electronic, automated process order systems implementation (EDI, OCR)
- Leadership development - greater accountability and agility
- Sales capability standard being implemented for key staff
- Talent management process improvement and employee engagement
- Integrated Business Planning – assists working capital improvement in 2H
- Decentralised inventory (Q4 FY17) – new track and trace capability
- Implementing dual-sourcing capability for supply assurance
- Group restructuring - continued reduction in corporate costs
- Network optimisation: new sea freight partner appointed, establish Asian consolidation centres (Q2 FY17)
 - cheaper freight
 - improved container yield
 - direct to port shipping

Continuing Operations EBIT up 8%



- Improved mix in B&K from higher margin products and price increases offset by decline in A\$ vs prior year
- Market volume growth higher in Multi-Res and lower margin products – not a core focus for GWA
- Price increases implemented but FX impact of 13% decline in A\$/US\$ vs prior year not fully recovered in FY16
- Further reduction in cost base to address cost inflation
- Focus on margin resilience
- Group EBIT margin 17.8% up 0.7ppts from FY15

Operating cashflow up 12%

Cash flow from Operations A\$M	FY15	FY16
EBITDA	81.7	84.3
Net movement in Working Capital	(1.8)	6.3
Other	1.8	1.1
Cash Flow from Operations	81.7	91.7
Capital Expenditure	(3.4)	(3.5)
Restructuring / Other costs	11.8	(11.4)
Net Interest Paid	(7.4)	(6.2)
Tax Paid	(11.4)	(19.8)
Other Non-operating Cash flow	0.0	0.0
Free Cash Flow from Continuing Operations	71.3	50.8
Discontinued Operations	88.8	4.1
Free Cash Flow	160.1	54.9

- Significant improvement in Operating cashflow in 2nd half
- Lower inventory and focus on integrated business planning drives working capital improvement in 2nd half
- Capex in line with prior year – some projects delayed to FY17 – expect total Capex in FY17 \$7 - 9m
- Cash restructuring costs reflect exit of manufacturing and other restructuring initiatives (no P&L impact)
- Cash tax paid increased due to timing of prior year payment

Financial position strengthened further

Metric	30 June 2014	30 June 2015	31 Dec 2015	30 June 2016
Net Debt	149.4	94.8	90.8	88.4
Leverage Ratio <i>Net Debt / EBITDA</i>	1.7	1.1	1.2	1.1
Interest Cover <i>EBITDA / Net Interest</i>	8.5	12.8	14.8	14.3
Gearing <i>Net Debt / (Net Debt + Equity)</i>	26%	24%	22%	22%

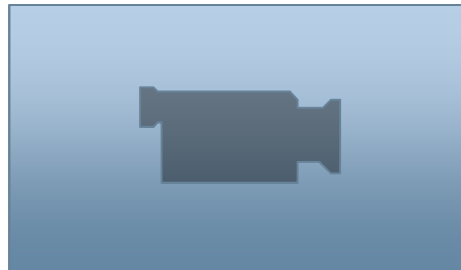
- Further improvement in credit metrics - continue to be consistent with investment grade
- Syndicated banking facility extended in October 2016 – single 3-year revolving \$225 million facility maturing October 2019
- Significant headroom within facilities - provides enhanced financial flexibility

Bathrooms & Kitchens revenue up 4%

Continuing Operations A\$m	FY15	FY16	% Change
Revenue	330.0	342.0	3.6%
EBITDA	87.7	86.6	-1.3%
EBIT	83.3	84.6	1.6%
EBIT Margin %	25.2%	24.7%	-0.5pp
ROFE %	22.5%	24.1%	1.6pp

- Revenue up 4% broadly in line with end markets
- Strong sales growth QLD (+12%), NSW and VIC (+6%), partially offset by WA and SA (-6%)
- EBIT up 2% - improved mix and price offset by 13% decline in A\$
- Focus on margin - EBIT Margin up in 2nd half vs 1st half FY16 from improved mix and lower costs
- Strong increase in ROFE - new operating model from exit of manufacturing and focus on effective capital deployment

Caroma Cleanflush



Door & Access Systems revenue up 2%

Continuing Operations A\$m	FY15	FY16	% Change
Revenue	96.2	97.7	1.6%
EBITDA	8.6	8.7	1.2%
EBIT	7.2	7.3	1.4%
EBIT Margin %	7.5%	7.5%	-0.0pp
ROFE %	13.2%	13.7%	0.5pp

- Revenue up 2% on prior year
- Stronger sales in NSW (+7%), VIC (+12%) offset by WA (-7%)
- D&A business has larger exposure to WA market which has declined in FY16
- EBIT marginally ahead of prior year from improved price, cost reductions, offset by higher FX costs for product purchases due to lower A\$

FY17 Outlook

1

Update on market conditions and building activity

- Market remains strong but growth slowing Sept 2016 (MAT)¹:

▪ Residential detached house completions	down 2%
▪ Multi-residential completions	up 6%
▪ Commercial	down 1%
▪ Renovation & Replacement	up 1%

- Total weighted average of end markets²** **up 1%**

2

Update on 1st Qtr trading for FY17

- Group Net Sales up approximately 2% vs prior year**
 - Bathrooms & Kitchens up 3%
 - Door & Access Systems down 1%
- Strong sales growth in Eastern seaboard continues
- Offset partially by weak market in WA
- Continue to address cost savings for reinvestment and margin resilience
- Further update at interim results on 20 February 2017

3

Embed Group strategy on core priorities

- Leverage recent launch of Caroma Cleanflush through increased ranging to drive growth in sanitaryware – focus on R&R segment
- New product launches focused on R&R segment (Taps, Showers) from strengthened NPD pipeline
- Dedicated sales team in D&A focused on commercial segment
- Continued focus on Back to Basics in Supply

¹ BIS Shrapnel forecasts

² GWA estimates

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Chairman

Managing Director's Address

Tim Salt
Managing Director

Formal Business

Darryl McDonough

Refreshments

Financial statements for the year ended 30 June 2016

Re-election of Mr Darryl McDonough as Director

That Mr Darryl McDonough, who retires as a director of the Company in accordance with clause 10.3 of the Company's Constitution, be re-elected as a director of the Company.

Re-election of Mr Peter Birtles as Director

That Mr Peter Birtles, who retires as a director of the Company in accordance with clause 10.3 of the Company's Constitution, be re-elected as a director of the Company.

Adoption of Remuneration Report

That the Remuneration Report for the year ended 30 June 2016 be adopted.

Approval of Grant of Performance Rights to Managing Director under the Long Term Incentive Plan

That for the purposes of ASX Listing Rule 10.14, and for all other purposes, approval is hereby given for the grant of up to 265,000 Performance Rights (incorporating the right to acquire shares in the Company) to the Managing Director, Mr Tim Salt, on the terms set out in the accompanying Explanatory Memorandum and under the GWA Group Limited Long Term Incentive Plan (**LTIP**) which is constituted and administered in accordance with the Rules of the LTIP.

Approval of Grant of Performance Rights to Executive Director under the Long Term Incentive Plan

That for the purposes of ASX Listing Rule 10.14, and for all other purposes, approval is hereby given for the grant of up to 55,000 Performance Rights (incorporating the right to acquire shares in the Company) to the Executive Director, Mr Richard Thornton, on the terms set out in the accompanying Explanatory Memorandum and under the GWA Group Limited Long Term Incentive Plan (**LTIP**) which is constituted and administered in accordance with the Rules of the LTIP.

This presentation contains non-IFRS financial 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.

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