GWA Group Limited

25th Annual General Meeting

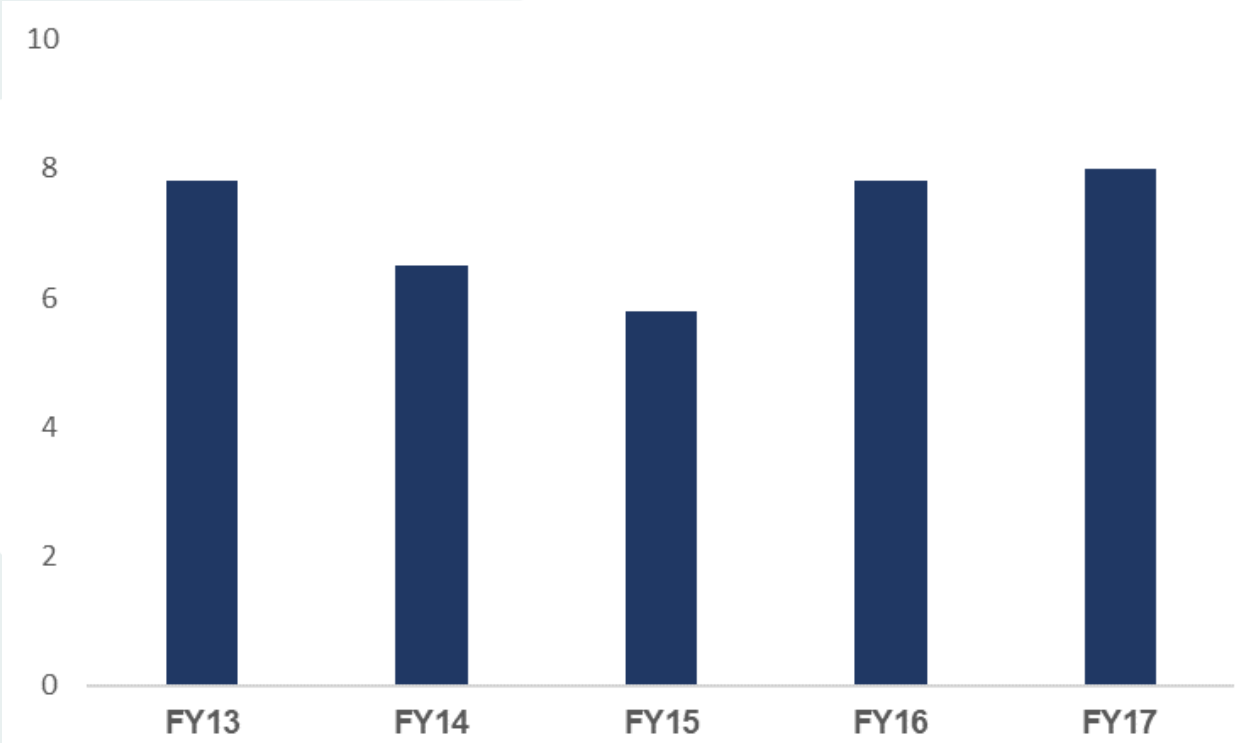
27th October 2017

Managing Director’s Address

GWA Group Limited

Workplace Health and Safety

Total Injury Frequency Rate (TIFR)



- Continued focus on providing safe workplace for employees, contractors, visitors and customers
- Key initiatives in FY17:

– Safety Interactions Program to develop and drive safety behaviour engagement between employees and business ‘safety’ leaders

– Due Diligence and Awareness training program to drive safety focus throughout the business

– “Move 4 Life” manual handling program to address physical and movement behaviour

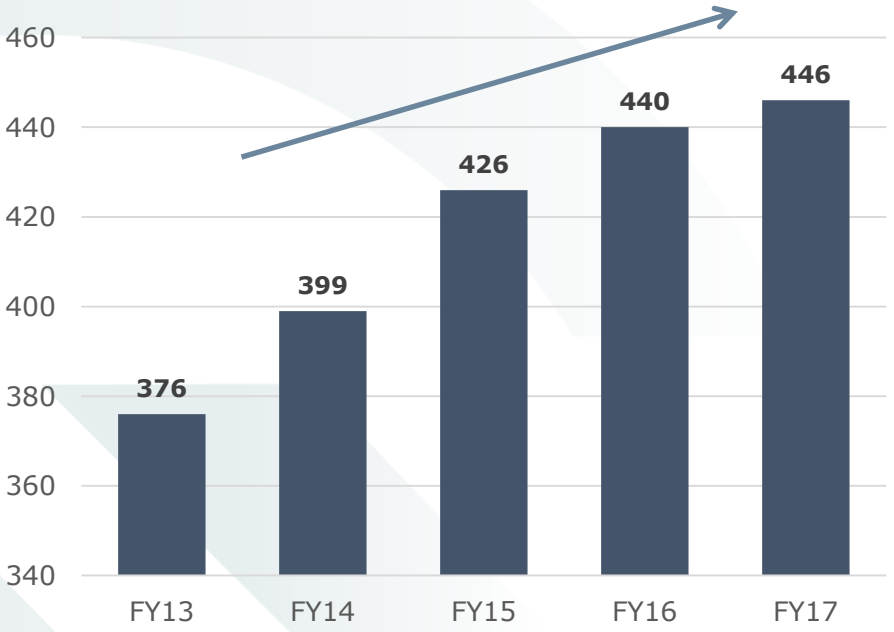
– Re-launched the SafetyOne online site to enhance ease of reporting and recording data

- Despite not achieving the Safety LAG target for FY17, substantial progress was made to improve the Group’s safety culture

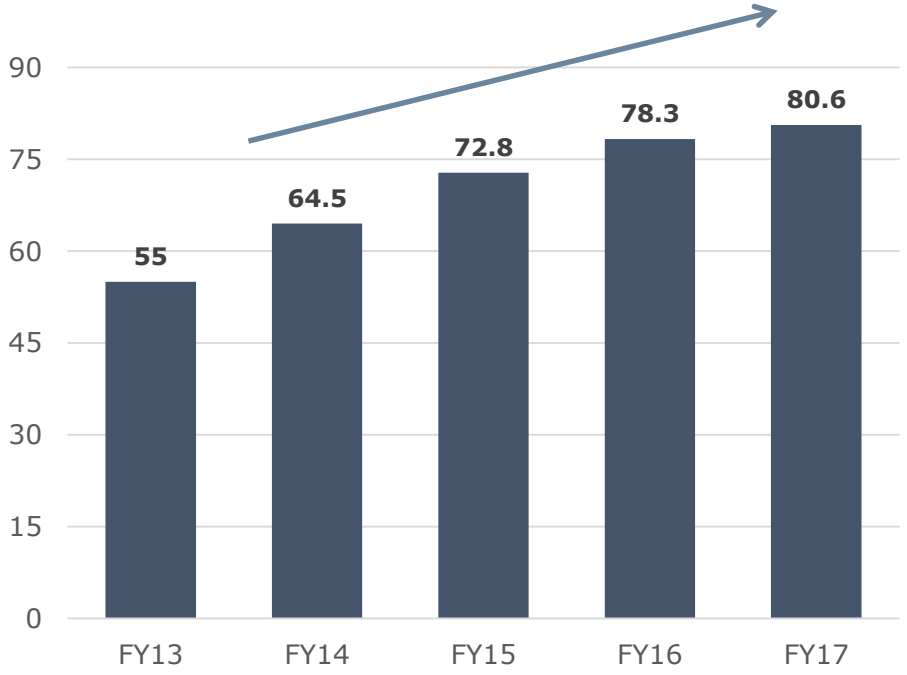
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GWA – a strong and growing business

Group Revenue (A$m)



Group EBIT (A$m)



Continuing Operations excluding Brivis Climate Systems, Dux Hot Water and Gliderol Garage Doors divested in FY15/FY16.

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FY17 result - continued improvement across key metrics

Continuing Operations[1]					
Revenue $446.3m	↑	2%	**ROFE** 20.2%	↑	0.9pp
EBITDA $86.2m	↑	2%	**Operating Cashflow** $88.8m	↓	(3%)
EBIT $80.6m	↑	3%	**EPS** 20.3 cents	↑	7%
NPAT $53.7m	↑	3%	**Dividend** Full-year ordinary 16.5c (7.5c interim, 9c final)	↑	10%[2]

[1] Continuing operations excludes Gliderol which was sold on 31 July 2015
[2] Excludes 1c special dividend paid on the 16th September 2016

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Result consistent with market guidance

	What we said	Results for FY17
1	2H EBIT at or slightly ahead of first half FY17	✓ ▪ EBIT in 2nd half up 5% on first half
2	$5m reduction in working capital in 2H	✓ ▪ Working capital reduced $9 million in 2H – contributes to 24% increase in operating cashflow in second half
3	Continued focus on cost savings	✓ ▪ Ahead of target for $13-15m in cost savings by FY19 ▪ Corporate costs 2% lower than prior year
4	Address short term performance in D&A business	✓ ▪ Implemented restructuring initiatives - Door & Access EBIT up 52% in 2H vs 1H17
5	Dividend Policy 65-85% NPAT	✓ ▪ Final dividend 9 cents per share ▪ FY17 dividend 16.5 cents per share - 81% dividend payout ratio

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Solid result in FY17 while continuing to build strong platform for future growth

- **Solid full year result – continued growth in top and bottom line**
  - Continued focus on top line growth and cost control to support margin management delivers earnings and market share growth
  - Strengthening market position with improved market share in B&K core focus segments
  - Solid NPD pipeline into FY18 focused on Renovations & Replacements and Commercial segments
  - Refocused Door & Access Systems business to address short–term performance and strengthen for medium to long term

- **"Back to Basics" strategy delivers stronger platform to win through the cycle**
  - Improved customer engagement – joint business planning and NPD with top customers
  - Supply chain improvements: dual sourcing progressing, Integrated Business Planning drives working capital improvement in 2H17
  - Ahead of target to reduce $13-15m in costs by FY19 – enables re-investment in growth initiatives and margin resilience

- **Strong financial position supports re-investment & growth for shareholder value creation**
  - Continued increase in Group EBIT Margin and ROFE
  - Robust credit metrics and financial flexibility – net debt of $79.8m
  - Strong EPS growth – up 7 per cent to 20.3 cents per share
  - Final dividend 9 cents fully-franked brings FY17 dividend to 16.5 cents per share, fully-franked in line with dividend policy

Continued strong cashflow generation

Cash flow from Operations A$M	FY16	FY17
EBITDA	**84.3**	**86.2**
Net movement in Working Capital	6.3	2.4
Other	1.1	0.2
Cash Flow from Operations	**91.7**	**88.8**
Capital Expenditure	(3.5)	(4.9)
Restructuring / Other costs	(11.4)	(11.5)
Net Interest Paid	(6.2)	(5.3)
Tax Paid	(19.8)	(14.8)
Other Non-operating Cash flow	0.0	0.0
Free Cash Flow from Continuing Operations	**50.8**	**52.3**
Discontinued Operations	4.1	0.0
Free Cash Flow	**54.9**	**52.3**

- Continue to generate strong cashflow across the business
- Working capital improvement in 2H from inventory management and integrated business planning initiative
- Capital expenditure of $4.9m up from $3.5m reflects:
  - investments in NPD
  - investments in tooling
  - IT spend re integrated business planning
- Cash restructuring costs of $11.5m - reflects exit of Norwood factory and D&A restructuring (no P&L impact)
- Continuing Operations free cash flow up 3%

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Strong financial position supports growth and re-investment through the cycle

Metric	30 June 2015	30 June 2016	30 June 2017
Net Debt	94.8	88.4	79.8
Leverage Ratio *Net Debt / EBITDA*	1.1	1.1	0.9
Interest Cover *EBITDA / Net Interest*	12.8	14.3	17.1
Gearing *Net Debt / (Net Debt + Equity)*	24%	22%	20%

- GWA remains in strong financial position - credit metrics continue to be consistent with investment grade
- Net debt $80m – reflects strong cash generation
- Substantial headroom within $225m syndicated banking facility maturing October 2020
  - $113m in undrawn facilities
- Provides enhanced financial flexibility to invest in strategic growth initiatives through the cycle

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Bathrooms & Kitchens – continued growth ahead of market and margin resilience

Continuing Operations A$m	FY16	FY17	% Change
Revenue	342.0	350.4	2.5%
EBITDA	86.6	89.4	3.2%
EBIT	84.6	87.6	3.5%
EBIT Margin %	24.7%	25.0%	0.3pp
ROFE %	24.1%	25.2%	1.1pp

- Revenue up 2.5% - ahead of market growth of 1.3%
  - continued share growth in core segments – R&R, commercial, detached houses
  - strong growth ahead of market in eastern seaboard - NSW (+11%), VIC (+5%), QLD (+3%) partially offset by weak WA market (-17%)
  - sanitaryware sales up 6% assisted by strong market response to Caroma Cleanflush launch
  - continued growth with most major customers
- EBIT up 3.5% – focus on premium mix in core segments and margin to offset cost and FX impacts
- EBIT margin up 0.3 ppts – continued focus on margin management
- ROFE up 1.1 ppts – continued effective use of capital across the business

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Door & Access Systems – addressing short term performance and strengthening for medium term

Continuing Operations A$m	FY16	FY17	% Change
Revenue	97.7	95.9	-1.8%
EBITDA	8.7	7.7	-11.5%
EBIT	7.3	6.3	-13.7%
EBIT Margin %	7.5%	6.6%	-0.9pp
ROFE %	13.7%	12.3%	-1.4pp

- Revenue down 2%
  - growth in eastern states VIC (+2%), QLD (+2%) more than offset by weak WA market (-27%)
- Refocusing D&A business to address short term performance and reposition for growth drives EBIT improvement in 2H vs 1HFY17:
  - refocused sales team to improve sales effectiveness focused on core segments
  - simplified structure (easier for customers to deal with us)
  - rationalisation of API branch network in Victoria
  - new API team structure

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Continued progress on our strategy

Strategic priority	Progress against priorities
Leverage and build on core assets & brands to drive revenue and market share growth	▪ Growing share consistently in core segments ▪ Strong new product and breakthrough innovation pipeline in FY18 ▪ Consumer engagement – concept centres opening (Adelaide and Sydney); digital presence enhanced ▪ Clear portfolio direction on core brands: Caroma, Clark and Dorf
Add value to customers through improved insights, analytics and processes	▪ Joint business plans with major merchants driving agreed targets / initiatives ▪ Specific customer plans for R&R re product ranging, improved showroom presence ▪ Initiatives in place to unlock untapped growth areas – Aged Care, Commercial R&R
Build "fit for future" culture, engagement and capability	▪ Employee alignment on values and behaviours to drive strategy ▪ Employee engagement strategy – Get, Grow, Keep ▪ Sales and Marketing capability build implemented
Build an advantaged Supply Chain to deliver superior NPD, Quality and Service at best cost	▪ Dual-sourcing progressing for continuity of supply ▪ First Asian consolidation hub complete – direct shipping to port ▪ Integrated Business Planning focused on inventory management to drive working capital improvement
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 ▪ Corporate costs down a further 2%

FY18 outlook

Key area	FY18 commentary
Update on market activity	▪ Renovations & Replacement segment expected to remain relatively stable ▪ Expect slow-down in residential construction markets however, lag between approvals and completions supports continued demand. Multi-Residential not a core focus segment ▪ Commercial forward order book remains solid

Update on first quarter FY18 trading conditions	▪ Group sales and EBIT in line with prior corresponding period
	  ▪ Bathroom & Kitchens sales slightly ahead of prior corresponding period
	  ▪ Door & Access Systems sales slightly behind prior corresponding period
	  ▪ Focus on performance improvement
	  ▪ Innovation roll-out / pricing in Q2 FY18

Key priorities for FY18	▪ **Consumer Engagement** - Initiatives targeting R&R segment (consumer engagement and brand building, merchant support) ▪ **Category Leadership** - implement customer business plans (ranging, category leadership, service / delivery) ▪ **Business efficiency** - Supply chain improvement focused on inventory management and service supported by new warehouse implementation
Next market Update	▪ Update provided at Interim Results 19 February 2018

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Formal Business

GWA Group Limited

Financial statements

Financial Statements for the year ended 30 June 2017

Resolution 1 – Re-election of John Mulcahy

That Mr John Mulcahy, 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

Resolution 2 – Re-election of Richard Thornton

That Mr Richard Thornton, 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.

Resolution 3 – Election of Jane McKellar

That Ms Jane McKellar, who retires as a director of the Company in accordance with clause 10.11 of the Company's Constitution, be re-elected as a director of the Company.

Resolution 4 – Election of Stephen Goddard

That Mr Stephen Goddard, who retires as a director of the Company in accordance with clause 10.11 of the Company's Constitution, be re-elected as a director of the Company.

Resolution 5 - Adoption of Remuneration Report

That the Remuneration Report for the year ended 30 June 2017 be adopted.

Resolution 6 – Approval of Performance Rights

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 250,000 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.

Resolution 7 – Approval of Performance Rights

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 50,000 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.

GWA Group Limited

25th Annual General Meeting

27th October 2017