GWA Group Ltd Investor Market Briefing Strategy Presentation - Final

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Presentation

ANTHONY MORTIMER: Good morning. Thank you for joining us at our new Caroma flagship store, Caroma on Collins. My name is Anthony Mortimer. I'm the Head of Supply Chain. You're the first people to see our new flagship store, so welcome, and thank you for being here.

As you may have guessed, this is still technically a building site. But today, we're able to get permission for you to join us and be in our new space. Our flagship store will open in early May, and we hope to see you here if you're planning a renovation or thinking about building anytime soon.

At GWA, safety is at the heart of everything we do. And with that in mind, please just can I draw your attention to, if anything might happen, the 2 doors at the side here, and at the back will be our exit points. We'll marshal over in the coffee shop across the road. Tim's assured me that it's his shout. And then we'll be able to roll call there with the sign-in that you did and your badges to make sure that everyone is safe.

If you need a nature break this morning, we ask that you use the stairs behind. Those stairs up there are not for use at the minute, please, so just the stairs behind. And if you could please make sure that your mobile phones are turned off, that would be appreciated.

So thank you for being here today, and now I hand you over to our CEO, Tim Salt.

TIMOTHY R. SALT, MD, CEO & DIRECTOR, GWA GROUP LIMITED: Good morning, ladies and gentlemen, and welcome to our new flagship store, Caroma on Collins, for our GWA investor presentation. I'd also like to welcome those joining us by webcast.

It's been 2 years since our last update, and I'm pleased to be able to share the next stage of GWA's evolution. So it's fitting that today's session is here in Caroma on Collins as it symbolizes the changes we are bringing about in GWA as we shape the business to focus on customer and consumer growth opportunities. This is the first event we've held here, and we invite you to take a further look around at the morning break and over lunch.

And so to the agenda for today's session. I'll cover off the first 2 sections on our progress to-date and highlight the potential we see for our business. Craig Norwell, our Head of Sales, will outline how we see the customer growth opportunities. And I believe that the breadth and depth of our approach will be new news to many in the room.

We'll take a short break after Craig's presentation and then return to hear from SemÃ©e Dickerson, our Head of Marketing. He will share the exciting evolution of our brand portfolio as we ramp up our connection with consumers of our brands, products and services.

Following SemÃ©e's presentation, Anthony Mortimer, our Head of Supply Chain, will outline how we see supply chain working in unison with sales and marketing teams to support our growth agenda. And Anthony will also outline further cost-out targets in supply chain.

Patrick Gibson, our CFO, will recap our strong financial position and how we intend to manage our capital over the next 3-or-so years. And finally, I'll pull together a summary of the key themes you've heard. We believe you'll leave here convinced that GWA's well positioned for continued growth.

We'll then open the floor for questions. And following that, we invite you to join us for lunch and a chance to catch up with the GWA executive team.

Today is about outlining the future growth ambitions for our business. As such, we won't spend time on this here other than I say now that we are trading to expectation through March 2018.

And similarly, we do not intend to talk about Door & Access Systems today. We announced in February our intention to divest that business following a strategic review which cements GWA as a business focused on Bathrooms & Kitchens or, as we prefer to think of it, a business delivering superior solutions for water. As regards the Door & Access business, we said the sale process would take 6 months. It's well underway, and we'll share more on this when we're able to do so.

So to the first section, on the strong progress we are making on our transformation. For many in the room, this is not new news, but for those unfamiliar with GWA, it's worth a brief recap to put our plans for the future into context.

To begin, I want to summarize the key themes you'll hear today. First, GWA has demonstrated the ability to deliver strong results and returns to shareholders, and that has created a solid platform for further growth. We are now focused on our core Bathroom & Kitchen business, where our leading market position and strong brands allows us to win through the cycle.

We will leverage that position to pursue growth opportunities with a clear focus on superior solutions for water, and I'll talk in detail about what that means shortly. We continue to innovate to deliver superior solutions for customers and consumers. And today, we will showcase an industry-leading initiative, which we believe will be a game changer in our market.

GWA is in a strong financial position to pursue growth. Our balance sheet is strong. We continue to generate good cash. And we are pursuing the next round of cost savings. Taken together, this provides us with the financial flexibility to deliver on our strategy. And finally, and perhaps most importantly, our purpose centers on making life better for all our stakeholders. Our strategy balances the requirements to meet the needs of our people, customers, consumers and the community to deliver sustainable value for shareholders.

Divestments over the past few years allow us to focus on one key market where we have significant growth opportunities. At the same time, we've exited local manufacturing. The pending sale of the Door & Access Systems will complete the reshaping of our business. These changes have enabled us to increase investment behind growth initiatives in our Bathroom & Kitchen business, such as the break-through launch of Caroma Cleanflush, the soon-to-open new innovation and distribution center at Prestons in Sydney and the new flagship stores in Adelaide and here in Alexandria.

Throughout this restructuring process, GWA has had a strong focus on capital management. That has included returning surplus funds and capital to shareholders and undertaking further capital management initiatives, such as the $30 million share buyback in 2016.

These changes have created a focused business with a strong platform in a large and growing market. Operationally, the business was diverse in 2014, spread across many sectors. Today, we are clearly focused on Bathroom & Kitchens segment, a $1.4 billion category.

Exiting local manufacturing has reduced our overall cost base and, just as important, our fixed cost base has also reduced considerably. We now have collaborative relationships with our exclusive supply partners across Asia and Europe.

Looking outside the business, our dealings with our major customers were transactional. Today, we have made significant progress in better understanding our customers' businesses, and we have a much more collaborative approach in terms of joint business planning and identifying mutual growth opportunities.

This is a major step forward for GWA. Historically, GWA has seen market share decline. Today, we are winning share in our core categories in a way that is accretive to earnings and margins. In 2014, we had relatively high debt with low growth prospects. Today, the business is well capitalized with low debt and strong financial flexibility to pursue growth.

We have made changes to strengthen our leadership team. We have a good balance of skills and experience across all functions, and we continue to buy and build capability in both marketing and sales disciplines. That's fundamental to our strategy to leverage our market-leading brands and engage better with customers to grow the business.

Since joining GWA, I've said repeatedly that if all we are is an importer of products who clips the ticket, then we do not have a sustainable business model. Our model is quite the opposite. Our approach is all about being engaged right from the start of the selling process. That requires us to conduct research to continually evolve our consumer understanding and market insights.

We use that knowledge to inform our research and development to design and deliver solutions that are specifically tailored for Australian tastes, Australian conditions and Australian standards. Our in-house research and development team is based here in Sydney, and they are specifically focused on this task. We have over 90 patents and over 300 registered designs, which affords us strong IP protection for our R&D outputs.

So whilst we have made a decision to cease manufacturing in Australia, we have retained significant expertise in-house. This resource supports our exclusive supply partners to improve efficiency and quality to ensure that our products far exceed local Australian building codes and standards.

We have very strong distribution coverage right across Australia and New Zealand into the merchant channel, making over 1,895 invoice deliveries a day through our national distribution network. And our commitment to providing quality solutions, backed up by superior aftersales service and product advice, is the key point of difference in this market, which is unmatched by competitors. What's important is that GWA participates right across the value chain, and that gives us significant competitive advantage.

At the investor briefing in 2016, we outlined the strategic goals which would guide the business to the next period. I want to highlight the significant progress we've made on these goals. We've made great strides in bringing our brands to life in the minds of the consumer and have made good progress building beneficial relationships with our customers. SemÃ©e and Craig will share in more detail the progress we have made. This progress is reflected in our market share growth, and they will also outline the significant opportunities we have from here.

Internally, we are building a more empowered, agile culture, focused on improving staff engagement and improving our capability in the key areas of sales and marketing. While we have made progress in this area, we will accelerate the pace of change.

We have reshaped our supply chain by establishing dual supply capability and also direct-to-state shipping to enhance our customer service. Finally, we have reduced our cost base, primarily in SG&A and supply chain, a year ahead of schedule. And as Patrick and Anthony will outline, we have now identified the next phase of cost savings.

GWA is fortunate to own some the most trusted and [well-recognized] brand in the market. Caroma ranks first and Dorf fourth on spontaneous brand awareness with consumers. This measure is a good indicator of brand strength and is a strong base from which to grow our brands further.

While this research measures consumer awareness, we also have strong awareness and high regard amongst building industry professionals, such as plumbers, architects and the like. SemÃ©e will present our brand strategy and how we are leveraging the strength of our portfolio, in particular, Caroma, our lead brand.

One of the critical success factors in our business is market share. For us, success is performing better than the market irrespective of the cycle. You can see how our efforts to engage more collaboratively with our customers and our marketing initiatives, including new product development, is resulting in market share improvement in our core Bathroom & Kitchen business. I would also reiterate that this is market share which is translating down the P&L through the higher earnings and supporting margin resilience.

The refocusing of our business has led to improved operating results, and you can see that reflected here at the top line through increased revenue and at the bottom line through increased earnings. This is also reflected in our effective use of capital with an increasing return on funds employed in the business. But importantly, it is also reflected in our margin resilience, which we see as a very important aspect of our strategy going forward.

This has led to increased shareholder returns over the period, both in terms of share price and dividends. GWA has been reshaped over the past 3 years. The business is now focused and has established a strong platform to pursue our growth agenda.

I now want to outline what we see is the significant growth opportunities for GWA. But first, a few comments. In January this year, Larry Fink, Founder, Chairman and Chief Executive of BlackRock Capital, the world's largest investment fund, wrote his annual letter to the CEOs of Dow Jones-listed companies. He urged them to pick up their game in response to broader societal challenges. In Larry's view, for a company to prosper over time, it must not only deliver financial performance but also share how it makes a positive contribution to society. Companies must benefit all their stakeholders, including shareholders, employees, customers, suppliers and the communities in which they operate. Companies unwilling or unable to do so will ultimately lose their license to operate. In short, business needs to redefine its role in society.

Larry Fink's letter was titled, "A Sense of Purpose." And I share this because I believe our purpose at GWA creates a truly sustainable platform for growth while at the same time making a significant impact on the communities in which we operate. It's a purpose that I'm both proud to contribute to and passionate about fulfilling.

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. It's sustainable in that it creates an enduring platform for growth but also because it puts water sustainability at the heart of our business. While it creates a lofty ambition for our business, it also creates meaning for the people who work at GWA. As one person said to me, we can sell toilets and taps or we can make a big difference to water conservation, perhaps the most pressing problem facing our planet. For me, it's not an either-or. We can do both.

The exciting thing about a purpose focused on water solutions is that it is founded on a truth. It leverages our strong pedigree and the history we have in developing innovative solutions in water. Caroma was the first in the world to introduce dual-flush technology in 1984 at 11 liters for a full flush and 5.5 liters for a half flush. Subsequent developments led by Caroma over the next 3 decades with Dual Flush and Smartflush enhancements has seen that reduced to 4.5 liters full and 3 liters half flush. This has become the standard flushing system across Australia.

Some of you may have seen an article in The Sydney Morning Herald last month that had the Chief Executive of Good Design Australia pick 1 outstanding Australian design from each of the past 6 decades. I'm proud to say that the Caroma Dual Flush toilet was the pick for the 1980s. The Dual Flush continues to save, on average, 32,000 liters per year for each toilet in which it is used. In Australia alone, that equates to over 200,000 Olympic pools every single year. And if that's too hard to visualize, that's 1 Sydney Harbour saved every year. Australian standards were changed on the back of this innovation in 1993. And this technology is now found across the developed world.

So why focus on superior solutions for water? I want to highlight the global challenge we face.

(presentation)

TIMOTHY R. SALT: If we look around the world, water is a global issue and, more specifically, the scarcity of water is a major problem. The World Economic Forum has identified water crises as the most impactful societal risk in 2018. And that's happening right now.

We've all seen the reports that Cape Town is running out of water. There's a similar situation in Rome and in other countries around the globe. And, of course, Australia is not immune to this, and there are direct implications for Australia from water scarcity. We're the driest inhabited continent on the planet and the heaviest users on a per capita basis. Solutions for water scarcity will increasingly be a major issue we need to address.

So with that backdrop, how are we thinking about growth in our business. Our focus is superior solutions for water. This means we will design and deliver products, services and technologies to enable people to enjoy and sustain water. Increasing customer and consumer understanding enables us to tailor our solutions.

For example, a superior solution for home renovator would be one that takes the pain out of the end-to-end renovation process. However, a superior solution for commercial customer building an A-grade building requires an enduring quality user experience, enhanced Green Star rating and ease of installation and servicing.

We'll play to our strengths. I said earlier, we have a history of providing water conservation solution, and that provides a solid platform for us. The strength of our brands, our distribution network and our internal IP and expertise is centered on consumer experiences with water as such that would indicate that neither agricultural nor industrial solutions feature in our thinking.

And thirdly, we must learn lessons from the past. We will compete only where we can leverage our current assets and capabilities, such as our brands, our IP, our relationships or our channels to market.

Our absolute priority is to leverage our strengths in our existing geographies, segments and categories. Growth here will be primarily organic and potentially inorganic when and if the right opportunities present themselves. So when we look at the categories and segments that we operate in here in Australia, you can see our addressable market in Bathroom & Kitchens is worth about $1.4 billion. That is our net sales value.

A key point to note is that the commercial and residential Renovation and Replacement segments combined is worth nearly $1 billion. This provides significant opportunities for growth but also provides relative stability as you'll see shortly.

Looking at some of the key factors influencing the growth trends of our market, we believe that these factors support our view that the market should remain relatively stable and, indeed, stronger for longer. For example, Australia still has relatively strong population growth driven by net birth rate and strong migration. GDP continues to track reasonably well. And with interest rates at historically low levels, we think that these factors continue to be supportive of new construction for both residential and nonresidential segments.

In terms of the Renovation and Replacement segment, the age of housing stock and lending for renovation activity continues to increase and both of which drive demand. The level of housing turnover remains reasonably steady, which is a key determinant of R&R activity as most people decide to start a renovation project either just before selling a house or just after buying one. Taken together, these drivers would indicate that the Renovation and Replacement segment will remain relatively stable going forward.

I showed just now the market size by segment. We have now overlaid with this our share in each of these segments with an overall market share of circa 21% and share in only 2 segments above 30%. You can see here that we have significant opportunities to grow. One key point to note on this slide is the relative size of the commercial Renovation and Replacement segment, which at over $320 million, is more than double the size of the commercial newbuild segment. We believe we have an opportunity to leverage our stronger market share in commercial newbuild into that commercial R&R space.

In residential Renovation and Replacement, you can see that this is the very large segment, worth nearly $700 million. And again, we have around a 16% share of this segment. So again, we have significant room to grow. And we believe we're well positioned to win in this segment. We have strong brands, the R&D skills to translate consumer understanding into stylish and sustainable new product ranges. And in addition, our broad distribution network enables us to access consumers.

When we look at the same $1.4 billion market split, this time by product category, you can see that GWA has a relatively strong position in sanitaryware. However, taps and showers is a larger category where we have lower share. SemÃ©e will share some of the new product development, which we believe will help realize this opportunity. So building on our strength in where we currently play provides significant opportunities for growth.

We also see scope to extend water solutions to adjacent segments and categories as the key avenue for growth. We will leverage our existing strength into complementary water-focused categories through existing relationships and expertise to add value to customers and consumers. And top left of the chart, we also see potential scope to engage in local partnerships in geographies where water scarcity is an issue. Here, our focus is on water solutions for the commercial segment.

So to summarize, we have a clear strategy there with 3 key elements that play to our strengths in superior solutions for water: firstly, strengthen our core offering through organic and potentially inorganic expansion. At the same time, we will look to expand into water-based category adjacencies. Our focus on superior solutions for water, especially our expertise in sanitary ware and water sustainability, and our deep understanding of the commercial segment provides us with opportunities to develop distribution partnerships in other water-scarce geographies.

This requires only modest investment but has medium-term upside potential. We will continue to further develop our own intellectual property while exploring opportunities to access new IP through selective investment to accelerate our market position in both Australia and new geographies.

So let me talk you through what this means in terms of our strategy on a page. This is the 1 page which guides how we run and measure our business. As I outlined, our purpose centers on making life better with superior solutions for water. And while that represents an evolved strategy, what hasn't changed is our ambition to build GWA as the most trusted and respected company in our sector with the aim to maximize shareholder value creation with our 3 key measures being profit after tax, return on funds employed and total shareholder returns.

To maximize shareholder returns, we will continue to add value to our customers. But to be successful, we also need to be a consumer-driven business, and that means delivering exciting experiences to our consumers to drive our revenue and our market share growth.

In support of our customer-focused, consumer-driven agenda, we'll continue to align our resources, plans and processes to support the front end of our business. We are introducing a continuous improvement mindset to deliver best cost to support profitability and fund selective reinvestment. We're developing our people to ensure that we have the right culture and capability to drive value for our customers and to engage consumers.

Our focus measures include market share, key financials, customer service and people metrics. And our growth drivers target the segment and category opportunities which I've just outlined. We will leverage our strong brands and solutions focus.

Our strategy focused on customers and consumers requires a transition from being a push business to a pull business. The old manufacturing mindset of push, and that is selling what we can make, no longer cuts it in a world of informed consumers and demanding customers. We're shifting to a pull business that requires us to make what we can sell.

This means that our brands must be pulled through the merchant channel via both our secondary customers and the consumer demand. This puts the needs of customers and consumers at the heart of our business. The shift we are making is significant. We shift from putting our business first to putting the consumer first, from making products to contributing to society and from an industrial business to a lifestyle brand business.

So let me summarize what that means for the GWA group. We have a leadership position in a large and robust local market with strong growth opportunities across segments and categories. Our technical expertise in sanitaryware and water sustainability solutions can be leveraged in local and other geographies to deliver a step change in our growth ambition. That forms the basis of our intention to take a leadership position in superior solutions for water. The team will now take you through the individual components of that strategy focusing on customers, consumers, supply chain and our financial position.

I'll now hand over to Craig to take you through our progress and strategy with customers. Thank you.

C. NORWELL, GENERAL MANAGER OF SALES - GWA BATHROOMS & KITCHENS, GWA GROUP LIMITED: Thanks, Tim. Good morning, everyone. My name is Craig Norwell, and I'm Head of Sales for GWA Bathroom & Kitchens. My background is in pharma and FMCG.

This industry has some clear similarities with both pharma and FMCG with some important aspects that are very different. I'll touch on some of the similarities and differences today as they help explain GWA's strong market position. Over the next 25 minutes, I'll briefly touch on our progress over the last 2 years but spend the majority of the time describing our sales channels, where we see our key strengths and opportunities, and how we will realize them.

As you heard from Tim, we'll be a customer-focused business by adding value to our customers by delivering superior insights, analytics and processes that support mutual business growth. But to be successful, we can't be focused on customer alone. We also need to be a consumer-driven business by delivering seamless experiences to our consumers. Our success depends on our ability to work with our customers for our consumers.

Since the last investor market briefing in April 2016, we've made significant progress. We understand our customers better and engage with them in joint business plans. We agree targets, growth initiatives to achieve these targets and how we will review our plans throughout the year. This is a major step forward for our business and our customer partnerships and our performance.

We've segmented our customer base and created clear value propositions for each different type of customer. We've built service commitments and accountability in our sales team to deliver these. We're working more collaboratively with key customers and developing a deeper understanding of their business. We continue to make improvements to our technology platforms like Caroma Specify, which helps professionals build specifications faster.

Our GWA plumbers app has all our technical product details as well as a delivery estimator. And Salesforce.com is our CRM, our customer relationship management database that allows us to log and manage customer engagements. The value these add is significant.

Our execution of new product launches, such as Caroma Cleanflush, has improved. We've also developed differentiated products and tailored launch plans with key customers. We've changed the way we go to market, from state-based to a national segment-led approach and invested in our capabilities across each of these different segments. This change reflects 2 things: firstly, our customers are increasingly national, not state-based; and secondly, each segment's needs are very different.

A segment-led approach allows us to get deeper into our customer segments in a way that a state-based approach doesn't allow. Embedding changes of this scale take time but has already improved the value we add and our performance in all segments. So in all, considerable progress but still a lot to do.

As Tim referenced, we've successfully delivered market share growth for the last 4 periods, testament that our customer engagement strategy is working. Over the next few slides, I'll explain this strategy in more detail by segment and how we're realizing the opportunities for growth.

Firstly, let me recap the key segments we operate in and where we see the opportunities for growth. In residential and multiresidential newbuild, our focus is to maintain our strong competitive position. In commercial newbuild, we see significant opportunities for growth and to enhance our already strong competitive position. In the largest part of the market, Renovation and Replacement, we see opportunities for break-through growth across both commercial and residential R&R segments.

Before I go into our strategy on each of those segments, I want to explain our sales channel and how we go to market in each because this really is the key differentiator for us. As you can see from this slide, with Caroma on the left, all our brands are sold through the merchant channel, our primary customers, key partners, including Reece, Tradelink, Plumbing Plus and Bunnings. When you look at our secondary customers, the top of the chart shows renovators, small builders and independent plumbers, most often, one man with his own van. These small builders and plumbers are contracted by consumers, and it is the consumer who makes the decision about what brands are installed in their house during a renovation.

The remainder of our secondary customers are big commercial developers, residential builders and large-scale commercial plumbers. While these builders and developers don't buy directly from us, they are the primary decision makers on what brand and product they install. So how we work together with our customers, both primary and secondary, for our consumers, ultimately determines our collective success.

I spoke earlier about my background in pharma and FMCG and that there was some aspects of this industry with similarities but others that are very different. Demand creation with small builders, plumbers and renovators through our merchant partners has many similarities with demand created in pharma and FMCG. This accounts for 50% of our revenue.

It is how we generate the other 50% of our sales revenue that is quite different from my previous industries. We create demand with secondary customers, such as commercial and residential builders, developers and plumbers. We have the scale and expertise to engage with these different professions involved in the build process throughout every stage of a project's life.

Some projects can be up to 5 years in duration depending on their size and complexity. Our expertise is drawn from our knowledge of the industry, building code regulations, specifications and superior water technology. These unique attributes mean GWA is the only major supplier that works at scale to directly create demand with secondary customers.

All demand for our brands, be it the 50% through marketing to consumers or this 50% created with secondary customers, is supplied through our merchant partners. As a result of our revenue split, 50% of our sales force is focused on merchants, and the other 50% is focused on creating secondary demand with our -- or primary demand with our secondary customers.

I'll now step you through each of our core segments to talk to you about our view on growth outlook, our competitive position and strategies for growth. I'm going to start with residential and multiresidential newbuild.

The residential newbuild segment continues to be attractive to GWA. New home completions or, in our jargon, detached residential newbuild have averaged over 100,000 for the past 4 years with New South Wales and Victoria particularly strong. We continue to expect this segment to remain resilient.

Despite the media hype, apartments or multiresidential newbuild numbers remain well above long-term averages and is expected to remain so. We don't play in the entry and buy-to-let end. This is where this segment fluctuates the most, is more exposed to any downturn, and margins are lower. Nevertheless, we believe multiresidential presents selective growth opportunities driven by changing demographics with households getting smaller, empty-nesters looking for premium, smaller living spaces and demand for student accommodation.

So when considering residential newbuild and multiresidential development together, we believe natural population growth and high net migration levels will make the residential segments stronger for longer.

Residential detached newbuild represents approximately 21% of our revenue, with our share, 35%. Multiresidential represents 11% of our revenue with our share of 25%. Our focus in both residential segments is to maintain our strong position.

I'll now outline how we maintain our strong position in the detached residential and multiresidential segments. We pride ourselves on our extensive knowledge and deep understanding of each of our key builders' needs to add value. Examples include recommendations on brand collections, price points and the management of new products to the builders' customers. Homebuyers' purchase decisions are heavily influenced by the look of the en suite bathroom and the kitchen. Our brands and innovation make the builders' home offerings more attractive to home buyers.

We've been working with key builders for some time now on how the Clark brand will make life better for buyers of their base specification or entry-level packages with quality, design and innovation that has, until now, not been a possibility for the novice consumer. Upgrade options with Caroma provide greater satisfaction for consumers and more profit for builders.

I mentioned earlier about our shift to a segment-led sales organization. And for builders, these dedicated specialists are getting to many more of them and conducting more sales meetings with a deeper understanding of their business.

Our results speak for themselves. The top 25 builders build 1 in every 3 new homes in Australia, and 21 of those 25 use GWA brands. Our sales team covers so many more builders today, and the top 100 build 2 of every 3 homes with 75% of them now using GWA brands.

The commercial newbuild segment includes new offices, hotels, shopping complexes, schools, universities and hospitals. Growth in this segment was approximately 8% for the 12 months to December 2017 and is forecast to remain strong. We see opportunities to expand our strong competitive position beyond our current 35% share. A great example of our strength is that more than 1 in every 2 toilets installed in a new commercial building today is our brand.

We have always been strong in this segment, widely recognized for unrivaled industry knowledge, quality standards, aftersales service and superior water solutions that add value every step of the process from design to construction. But we continue to see large opportunities to expand on that position, leveraging our strength in sanitaryware to sell more tapware. We have unique capabilities critical to selling in this segment without rival in how early we identify and engage leads and how our ability to manage decision makers from a number of professions and businesses even when a project runs for 4 to 5 years.

Since we made the change to being a segment-led sales organization, our dedicated specialists commercial team has more than doubled the number of projects and key developers, architects, builders and plumbers they manage. This means we now have hands-on engagement with more than 300 key commercial customers every month. We track our key projects, our quoted work and our confirmed order bank, and they continue to grow.

Product reliability, technical knowhow and service offer is critical to customers in this segment given the scale and complexity of the commercial projects they work on. Our increasingly strong merchant partnerships mean we now have the right commercial offer availed in well over 1,000 merchant locations.

One of the biggest changes I brought into GWA from FMCG is segmentation. We split the $1.4 billion Bathroom & Kitchen market into segments which have shared characteristics. Put simply, Mirvac or Lendlease have very different needs to a homeowner during a renovation. This has helped to identify some exciting opportunities.

A clear example is the commercial Renovation and Replacement segment. It's worth around $320 million, over 2x the size of the commercial newbuild segment. We currently have 16% share in this segment, roughly half our commercial newbuild share. 2x the size, half the share. With our strength in commercial newbuild and the impact that has on our performance, commercial Renovation and Replacement is a major opportunity where we have a right to win.

Segmentation has made the scale of this untapped opportunity clear to us and created a deeper understanding of the synergies with our commercial newbuild strength. Our scale and competitive advantage in commercial and newbuild is providing us with unique opportunities to win share in commercial Renovation and Replacement. We are harnessing our longstanding newbuild relationships with building owners, commercial plumbers and architects to create opportunities in the R&R work they complete. Examples include an asset manager with more than 200 properties under management and a key commercial plumbing customer with a dedicated maintenance division, neither of which we had attempted to sell to previously.

With the change to a segment-led sales organization, we've introduced dedicated, focused R&R resources aligned to the needs of the segment but, importantly, connected to our newbuild specialists. A major difference from commercial newbuild to commercial R&R is that only 15% of renovations require a development approval compared to 100% of newbuild, meaning 85% of renovations fly underneath the radar.

Our R&R resources recognize the need to hunt for these opportunities in new ways through our traditional lead identification methods, and we've adapted our sales management systems to make sure we map and manage these leads effectively. Finally, our IP is presenting us with opportunities to create breakthroughs in commercial R&R.

SemÃ©e will introduce you to a first-of-its-kind technology we're confident will change the game in both commercial newbuild and R&R. I want to share a simple example of how we use our IP to quickly create superior solutions for issues our key customers come to us with. The issue occurs when tilers complete their work on site and create a different floor level to what the toilet plumbing has been set to. A common issue, and it creates an extra 2 hours work for the plumber to adjust every toilet to the new level. Our solution: remove the issue. Let me show you how.

In that video, you'll see the plumbing behind the wall has been -- has to be set at the right level of the floor for a toilet to work. When a tiler completes their work in a bathroom, it's common for them to establish a different floor level to what's been agreed or what was there beforehand. This creates an issue because you would have seen in that video just before that there's a disconnect between the level of the floor and what that means to the toilet and the plumbing behind the wall. Typically, it means the plumbing behind the wall has to be changed, creating time and cost.

We now have a simple solution that creates tolerance for these differences, and you'd have seen there that the plumber now simply has to adjust the connector up or down to solve the issue. Nothing's required beyond that.

The residential R&R segment includes both homeowners upgrading or adding another bathroom to their home and also replacements such as calling a plumber out to fix a leaking tap or a toilet. You'll see this segment as being stable for the past 10 years, and we expect it remain so over the medium term.

A key driver of residential R&R is turnover of established housing as opposed to the building of new homes. As more houses are sold, more renovations for bathrooms and kitchens are completed either in preparation for the sale or renovation after purchase. Housing turnover remains well below the peak of 2003 and is expected to remain stable. This provides confidence that the resi R&R segment will remain robust over the medium term.

Tim and I have referenced it several times already this morning. Residential R&R is by far the largest of all the market segments, worth around $670 million. When you combine that size with the predicted medium-term stability, residential R&R will importantly provide GWA with further resilience through the cycle. Today our share of this segment is approximately 16%. Overall, the total R&R market, commercial and residential R&R, is about 70% of the total market but only 53% of our revenue. It represents the largest opportunity for GWA.

To win in the residential R&R market, it's important to be relevant to renovating consumers, small plumbers and builders. Consumers shop in showrooms and smaller builders and plumbers shop the trade counter. With merchants, we've significantly enhanced our product ranging, in-store availability and the profile of our brands at point of purchase.

Our brands are now available in more than 1,700 locations and, most importantly, creating experiences in more than 1,300 showrooms. One of our key merchant partners now offers 30 of our key products at every trade counter and 100 products in every showroom across Australia. These initiatives continue to drive significant growth for both parties well ahead of the market.

Flagship stores, like the one you're in today, represent a major opportunity for GWA, not just with consumers but also with the large number of builders, architects and designers working on renovations. Our sales team out on the road and here on the floor are working together to provide professionals with superior brand experiences and innovation.

Already, our new Caroma flagship in Adelaide is experiencing traffic growth of 80% for both consumers and customers in the 6 months it has been open. Reach is critical to achieve growth in residential R&R, and our technology solutions are providing us with unique opportunities. We have upgraded our GWA plumbers app and Specify Caroma as our segment-led organization develops a deeper understanding of the specific needs of the professionals they're developed for. Our professional design application, Specify Caroma, is being used by architects and developers, and more than 10,000 specifications have been completed on it over the last year. Another 5,000 plumbers have downloaded the GWA plumbers app over the last year to use every day.

Through our segmentation work, we've identified another significant opportunity. Aged care is estimated at about $170 million with significant growth potential. We're an aging population, and the quality of our health care means we're all living longer. Currently, about 0.5 million Australians live in an unassisted retirement or residential aged care facility, and over 1 million Australians receive home care or home support.

This creates 3 opportunities across aged care: new property construction by aged and retirement care providers; renovations as residents in aged care facilities pass away; and aging homeowners, renovating their bathrooms and kitchens to stay at home longer but not wanting to compromise on the look and feel of their home.

Through collaboration with aged care professionals, we're clear on aging consumers' needs. We've developed a specific care range of bathroom products. These deliver to the low-bearing, ergonomic, height requirements and nurse call button needs of our aged care partners. Our care range has increased to 150 products and will extend to 200-plus in the next 12 months. With a change to a segment-led sales organization, we've introduced dedicated, focused aged care resources aligned to the needs of the segment but importantly connected to our newbuild and R&R specialists.

Our specialist aged care team have identified 250 key projects, engaging with the top 10 aged care providers and 25 of our key commercial customers with opportunities in aged care. In a relatively short space of time, we've seen our order bank of confirmed aged care sales increase by almost 20%. Availability across Australia/New Zealand is critical to our aged care customers, and we now have Caroma care SKUs available in 1,100 outlets.

In our joint planning, we have identified merchants with ambitions in aged care. We're developing specific aged care products with them. And an example is the Bunnings assisted living range, which has seen significant uptake in stores since its launch.

I spoke earlier about the key differences of this industry. And really the ability to partner with key secondary customers to create demand and influence the selection of brands and solutions. While I've referenced the role of merchants, secondary customers have been the key focus.

I wanted to close by talking about our primary customers and the integral role they play underpinning our performance in all segments. We have approximately 170 people in our sales team with about 50% focused on secondary customers, and the other half on merchants. The scale of this now segment-led sales team means we have dedicated people in 80% of our merchants' stores every month.

With key merchants, we're collaborating in several new ways: we develop and agree joint business plans before the start of each year. We review and refine these plans regularly and conduct top-to-top and innovation sharing workshops with senior management sponsorship. These are working together to significantly improve our understanding of their specific business needs so we increase the value we add and how we identify opportunities for mutual growth.

There are many recent examples of what this looks like across the merchant customer base, including initiatives on pricing strategies for brand and private label, trade counts are in showroom range recommendations, training and incentive programs for floor staff, stock-on-hand recommendations to improve in-store availability, showroom design and layout and brand and promotional programs to drive foot traffic into their stores.

To summarize, there are 3 things we're doing in sales to grow the business: aligning our sales team to attack major business opportunities via a national segment-led sales organization; leveraging our scale and capability to engage both primary and secondary customers in demand creation like no other supplier can; and focusing our sales team on servicing their needs with a clear value proposition and superior consumer insights. These will deliver our ambition of profitable share growth.

Thank you. Now we'll move to a break for 25 minutes before SemÃ©e will welcome you back to talk to you about consumer driven growth. So by my watch, it's 10:55 now, so let's say that at 11:20, I'll welcome you back for SemÃ©e to sort of continue on with proceedings. Thank you.

(Break)

SEMEE DICKERSON: Welcome back. My name is SemÃ©e Dickerson, and I'm the Head of Marketing at GWA Bathrooms & Kitchens.

In the first half of this session today, Tim talked of the drive to transition our business from a push model, one that makes products for sale, to a pull model, one that is engaged with consumers to create demand for our products. Today, I will talk you through our strategy, setting us on the path to be a consumer-driven business.

Consumer-driven businesses the world over are increasingly aware and responding to the age of the empowered consumer. This megatrend has had and will continue to have significant impact on the longevity and value of brands. Today's consumers understand their commercial value.

Empowered consumers are digitally mobile and take full advantage of technology that enables them. But this doesn't mean that they're digital silos. Consumers want to be able to try before they buy and expect a hands-on experience that is easily blended with a digital one.

Empowered consumers are smart and expectant. They can access more information than ever before from more sources than ever before and can accurately validate this information before making a decision. This ability to interrogate all elements of a brand can deliver consumer loyalty if a brand is committed and honest. Even more challenging is that the benchmarks for all brands can now be compared and evaluated on a global paradigm. Technology has enabled an empowered consumer.

Brands that are consumer-driven are always working on 3 key deliverables. Brands that are benefiting from the age of the empowered consumer are those that are adjusting to putting consumers first by truly understanding them, and they are working with their customers for their consumers. Integral to a brand's future is creating and delivering a purpose that transcends a good or service and has a positive impact on society. Brands that are doing this are creating and sustaining strong and valuable consumer relationships. And finally, the empowered consumer places a greater expectation on high-value omnichannel experiences, the superior and seamless interaction between digital and physical touch points.

A key first step in our business evolution to create a consumer pull was to develop a deeper understanding of our consumers and their evolving behaviors and attitudes. In particular, our approach was formed out of a true curiosity to understand the renovation journey. So rather than go to market and validate a hypothesis, we worked with consumers to create an honest articulation of their experiences, including their definitions, expectations and pain points at each of the stages of a renovation. We now have a deeper understanding of what triggers the need for renovation, what consumers do as part of their research, how they make decisions and who their key influencers are and what makes them comfortable to purchase.

This work to develop a deeper consumer insight also helped us to identify 5 distinct consumer segments. The key criteria that create a distinction between the segments was the level of renovation experience of the consumer and their attitudes of form versus function in the updating of their bathroom. These 5 segments are highly accurate in their representation of the Australian renovation market, and we have developed robust characterizations of each of them.

The articulation of these consumer segments drive a better understanding of how the market can be positioned on the price ladder. This new information challenged our thinking in our existing brand hierarchy and the roles of the brands in creating true value for consumers.

The result is that we now have developed a 1-plus-2 brand strategy led by Caroma. We identified that there is a key opportunity for novice renovators to be delighted by a brand like Clark. We have taken the existing sinks and tubs brand and evolved it with a unique ground-up purpose and proposition to be able to create a solution for novice renovators to fulfill their needs and create engagement in a way that is easy and fulfilling.

This has then afforded us the opportunity to reposition Caroma. Caroma will now focus on 3 different consumer segments covering the majority of the market. This gives Caroma the opportunity to focus on areas where we can leverage our advantage, drive brand equity and grow. At the top end of the value ladder, we are working to evolve the Dorf brand to grow our premium-end opportunity for tapware.

The changes in our brand strategy are assisted by the continuing strength and equity of the Caroma and Dorf brands with consumers. When you look at the graph, you see that Caroma leads in top of mind and other spontaneous recollection when considered alongside brands that are also present in relevant categories. Caroma has awareness and relevance in the market. The opportunity now is to leverage the consumer insights to evolve and grow the brand.

The development of our consumer insights provided us with an opportunity to understand the perceptions and expectations that consumers have of different brands and how these perceptions influence their choices. Empowered consumers have significant power in the building or dissolution of brands. Key to creating connections with consumers is the investment in a brand purpose that transcends what is made or sold. Increasingly, we as consumers relate and connect to brands that contribute to society and influence positive reform.

For each of the brands, we have developed or reinvigorated the brand purpose to create and grow high-value, long-lasting relationships with consumers. I would like to touch on the work we have done for Clark and Dorf and then share with you Caroma's progress in more detail.

From our deeper understanding of the consumer segments, we have identified an opportunity to meet the needs of consumers at the premium end of the market, particularly in tapware. This has encouraged our thinking to leverage the brand equity Dorf has in market to reposition its purpose and offering to meet this consumer need. In a premium market with many European propositions, we also believe Dorf has the opportunity to be differentiated as a high-quality Australian-designed and engineered brand. To deliver on this opportunity, Dorf's purpose is to focus on being a champion of progressive design; to be at the forefront of design and engineering trends; and deliver stylish and innovative opportunities that are unique and distinctive and appealing to the consumer segment.

Evidence of this new purpose can be seen on screen. Designed and engineered in Australia, this new Dorf range is very distinct from what is currently in market. Our design and engineering pedigree has delivered a range that is the first of its kind.

You will recall from Tim's earlier slide the significant opportunity that the taps and showers categories presents to us, around a $650 million category where we are currently underrepresented. We believe the work that we are doing to embrace and marry alternative options for style and function are the opportunities for us to grow our share in the premium end of tapware.

Moving to Clark. The opportunity here is an exciting one to be able to truly meet the needs of novice renovators in a way that is not met in market. Novice consumers are confused about what they can do, and they're unimpressed with the current style and quality of what they can afford. Clark's purpose is to be the champion of the novice renovator and homebuyer.

Leveraging the expertise of the organization with the product design and engineering having taken place in-house in Australia, Clark is providing from April products and solutions that are well made, stylish and affordable with a quality standard that is beyond the comparable market today. This offering will be combined with a new communication strategy that will enhance the brand's unique personality by appealing to the novice renovator's sense of fun and optimism. We believe this new Clark strategy will deliver an advantage for this segment of the market where there are mixed and often disappointing consumer experiences with brands. In addition, the new Clark tapware range affords us opportunities to grow with Clark's competitively styled and priced offers.

Caroma is the flagship brand, the driving force of GWA Bathrooms & Kitchens and how we will make life better with superior solutions for people to enjoy and sustain water. Our consumer research validated that Caroma is a brand with a positive legacy. However, we need to extend and grow this equity with every new generation. Significant to the considerations for Caroma's evolution was the power of its heritage and how this could be built on to transform Caroma's future.

Over the last 75 years, Caroma has contributed world-class water-saving technology and innovation from Dual Flush to Smartflush, and most recently, Caroma Cleanflush. An evolution for Caroma had to be authentic and true to the brand's heritage. When we sat down and thought about what inspired and motivated the innovation over the last 75 years, at its heart was a true desire to preserve and protect water.

Preserving and protecting water is still our inspiration and aspiration. However, the change is to publicly declare this commitment to consumers: Caroma values water. Everything we do for the growth of Caroma has this purpose at its very heart. Caroma lives water. This purpose and the commitment to it provides focus and a path for our future.

To make this purpose even more authentic, we felt it was important to be more demonstrative in owning the Australian character and heritage of the Caroma brand. It will also work to differentiate the brand for consumers in a market full of global opportunities. A key first step in developing Caroma's new visual language was to create a mark for Caroma that represented a new brand purpose but also embraces our Australian character.

Water naturally leads you to have consideration for nature and its resources. In particular, we looked to the Australian landscape to be inspired by nature's natural water innovation. We discovered a species of eucalyptus tree called the eucalyptus caesia. In its very existence, everything the eucalyptus caesia does works to conserve and protect water as it survives in the harsh Australian landscape. We took inspiration from this tree, this natural innovation, and used the dynamic shape of the leaf to curve and shape the new identity for Caroma that embraces not only the Australian character but also Caroma's brand purpose to value water. This is a key part of the new identity Caroma will have in market and will appear now on all of our communications.

I've spoken earlier about our efforts to deepen consumer insight to understand and put consumers first as well as our work to develop and evolve the purpose of Dorf, Clark and Caroma. In this next section, I will share the work that is being done to deliver a better omnichannel experience for our consumers, in particular, how we are focusing on delivering better product, communication, digital and physical experiences for the Caroma brand.

Caroma Cleanflush was delivered to market in 2016. A key part of its development was to create a better product experience for a toilet suite with a rimless design. What has been delivered is a unique water-efficient design with no comparison in the Australian or global marketplace. Over the past 2 years, we have been working to extend the innovation with Cleanflush to strong effect.

As you can see, our sales have and continue to increase significantly, and we're working well to embed Caroma Cleanflush as the new standard of expectations for consumers and customers in toilet suites. We're steadily working to deliver consumers the opportunity to have the style and function of Cleanflush to suit their needs.

Additionally, we have worked to embed Caroma Cleanflush across all of our commercial solutions, including aged care, hospitals and schools. The ambition we are delivering on is to have the Caroma Cleanflush pan design as the standard across Caroma's portfolio but also to be the expectation held by the industry.

The understanding of the consumer segmentation has led us to create opportunities for a new bathroom collection to appeal to the cheerful upgrader segment. This segment represents highly experienced renovators with the means to spend more. These consumers are looking for a product that creates a unique, distinct and very individual experience.

The Caesia collection pictured is Caroma's first premium-end bathroom collection. Designed and engineered by our expert Australian team and leveraging unique materials, including Australian timbers, we have created unique pieces that will provide a distinctive product experience that is highly appealing.

I'll now turn our focus to aged care and talk you through a short video. Caroma's commitment to delivering ever-improving product experiences has challenged us to consider the needs of our aging population. In conjunction with the University of New South Wales, we have worked as part of a 3-year study to truly understand aging consumers in using their bathroom. A key part of this study year was the establishment of a lab at the university to accurately test how aging consumers moved around the bathroom, what were their current product experiences and how these product experiences could be improved.

The outcome is a unique set of products designed with true insight and expertise. The first range of products to be delivered this year is a series of multifunctional grab rails that incorporate shelving, storage and other necessary amenities. These first-of-its-kind accessories are all load-bearing, have flexibility in size and installation position and have been created in a way that does not compromise form or style. In fact, these accessories have been designed to fulfill a purpose in the bathroom well prior to the need of grab rail functionality, creating a product experience that is long-lasting and truly purposeful.

Caroma's commitment to preserving and protecting water has delivered globally impactful solutions. The inherent curiosity of our R&D team drives an active innovation stream that continually strives to answer the question, what's next. Today, I'm delighted to introduce to you the what's next. Caroma's smart command is an intelligent bathroom system that will change industry practice and expectation of water management by delivering a product and a solution experience that is world class.

Born from a deep empathy of customers' current product experiences, particularly with commercial project installations and high-volume use, Caroma smart command is a set of touchless products, toilet suite, tapware, shower and urinal that are all Bluetooth-enabled. The function and operation of these products can then be connected wirelessly via remote gateway to a building management system. The outcome is unparalleled control, understanding and insight of the use of water that provides significant and exponential value for customers for the long term.

(presentation)

SEMEE DICKERSON: We have completed robust testing programs to vest and validate the system's operation. We have worked with key customers to test the system in a variety of environments. Their support and input throughout the development process assures us the creation and application of this intelligent bathroom system is superior in market.

We currently have a full commercial application installed at a key site on the Eastern seaboard in a highly anticipated commercial rollout that is currently in progress. We also have a number of patent applications pending. The next phases are already in development to create further technology-enabled superior solutions for water, making it a one-of-a-kind opportunity and an active demonstration of Caroma's purpose. I invite you to visit the display of Caroma smart command here at Caroma on Collins when we conclude.

As we have moved through the presentation today, we have spoken of the expectations of the empowered consumer regarding the brand experience. We have talked through the opportunities we are creating for product experiences, and I would like now to share the evolution of our communication, digital and physical experiences.

Caroma's purpose to value water and the brand's commitment to publicly and actively take on its role as a water steward presents new opportunities for the types of conversations we have with consumers. A key pillar for consumer marketing activity moving forward is to be there when it counts, be present and active across media and touch points as consumers are moving through their renovation process. However, the new opportunity for Caroma to build awareness and create consumer connection is to deliver campaigns that authentically talk to our purpose, raising the level of conversation about water, its value and the active role each member of society has in its conservation.

To this end, we have developed content, mini documentaries that tell unique stories of modern-day Australians, their experiences with water and how this has inherently changed their way of life and their water use. We offer you this opportunity to view this content at lunch today. With insight generated from our consumer research and segmentation, Caroma can invest in higher-return targeted consumer campaigns that will broaden our reach and create and build brand recognition with Caroma's focused segments.

Our priority for Caroma's evolution has been to update the consumer's digital experience and deliver a consumer-focused website. The new Caroma website is based on our understanding of the renovation journey and steps the consumer through information, activities and other functionality that can support them in the stages of their renovation.

Over the last 3 years, the Caroma consumer website has experienced strong and consistent visitation growth. This new insight-driven website will continue to build on this growth, enhancing the experience in response to consumer visitation and experience to drive increased levels of engagement.

Key to the brand's digital experience and a significant influence in the renovation journey is social media. Over the last 3 years, Caroma has worked steadily to leverage social media in order to grow and create consumer connections. Building on the high levels of engagement in our key social platforms, Facebook and Instagram, Caroma will evolve the social platforms in look and content to driver brand engagement and equity.

The expectations of empowered consumers to be hands-on was further validated by our consumer research where each of the 5 consumer segments indicated that at, one point in time, they felt it was necessary to have a physical experience with product and a brand as part of their decision-making process. Understanding the importance of being able to enable this interaction, Caroma is investing and delivering physical brand experiences. The first of our new experiences was launched in October 2017 in Adelaide, the home of Caroma.

The consumer experience in the Adelaide flagship store has been informed by what our consumers shared about their renovation journey experience. We have created key points of interaction in areas like product education and selection and bathroom layout and design in order to be able to assist renovators with solutions that are easy and enjoyable. To-date, we have had an 80% increase in the amount of foot traffic and a significant increase, not only in the number of consumers coming through but also the number of specification appointments and interactions that we're having with and on behalf of our customers.

In Sydney, we have taken this physical brand experience to another level. I am delighted that you have been able to join us today to preview Caroma on Collins, our new Sydney flagship. The opportunity to leverage this space was an exciting one, and our ambition was to deliver the physical embodiment of the evolved Caroma brand.

Working with our architect and construction partners, this experience, too, has been informed by our consumer research. With the grand opening on the 4th of May, this space delivers bathroom inspiration and solutions for our consumers enabled by a technology infrastructure that supports a consumer's transition between a digital experience and this physical one. It showcases our latest innovation, Caroma Smart Command, and will enable the viewing of the new Clark and Dorf ranges. Importantly, this space has also been designed with customers in mind.

We're encouraging our customers to leverage this space as their own, and we have facilities to support meetings, events and training. All of this is combined with a considered sustainability strategy that enables this space to live Caroma's purpose and commitment. I invite you to take the opportunity to walk around and enjoy this space at the conclusion of today's events.

I would now like to invite Anthony to talk you through the progress and plans for leveraging our advantaged supply chain.

ANTHONY MORTIMER: In order to deliver our business purpose, we believe that our supply chain offers us competitive advantage. Our focus is on leveraging our supply chain to delight customers and consumers. Our aim in supply chain is to keep things simple in an ever-changing marketplace, focusing on creating an efficient business that delivers best cost.

If we step back for a moment and think about what we said in 2016, it's fair to say we've made solid progress with more to do. Our quality continues to be the best in market. Our after-sales and service data indicate that, as a percentage of net sales value, we're at 0.54%, which sets us at world-class quality standards in comparison to global industry players. Our reputation for high-quality, fit-for-purpose products continues to be a significant point of advantage for GWA.

We have implemented integrated business planning across the company, which is creating a more joined-up, connected business. This has seen our DIFOT grow 10 points in the past 2 years from the mid-60s to the mid-70s. We have made considerable progress. However, we know this needs to improve again.

From a new product development standpoint, we've been strong in the past few years. As a supply chain, we have delivered greater than 98% on time, in full across the period. Our pipeline is strong, and we continue to evaluate our portfolio to ensure we have the right market offer. We are consistently ensuring that we have the right supply partners in place that will continually protect our intellectual property. We have strategically exited nonconforming suppliers, and we continue to retain ownership of our molds, our ideas and our advances in technology.

From a cost-management perspective, we have done what we had said we would do in the IMB in April 2016. We have realized the $10 million in supply chain savings. And today, I can confirm that we've identified further opportunities that will deliver $8 million to $10 million in cost savings from fiscals '19 to '21.

Finally, we continue to future proof our business. Evaluating and evolving our business continuity plans, we will work with our key partners to identify any risks and have full contingency in place so we can continue to service our marketplace and our consumers.

Today, I will break the supply chain as a competitive advantage into 5 key pieces: joined-up business planning, innovation and product design, supply solutions, network alignment and best cost.

We are creating a supply chain that is joined up, synchronized and working with the front end of our business. We call this joined-up business planning. Today, we have a supply chain that is aligned with the goals of our business that understands the consumer and is connected to our customers. We will continue our longstanding commitment to quality and consumer experience through our product warranties. Our innovation and technology solutions will be market-leading, and we will continue to be a growth enabler for our business.

We are aware that we will never be the lowest cost business given these commitments. However, we believe strongly in the methodology of continuous improvement: continuously improving culture, attitude, capability or tools and techniques. We strive to build and maintain a supply chain that delivers the needs of our business today and into the future.

We pride ourselves on our innovation capability, product knowledge and a deep understanding of the Australian consumer. We continue to be market leaders in product design, build and delivery.

On Monday, we took occupancy of our brand-new innovation center in Prestons. 2,000 square meters of state-of-the-art future-focused innovation and product development space designed to give us competitive leadership in the areas we choose to compete. We employ local design teams who know our market, who understand industry regulations and who are looking to capitalize on the latest consumer trends and insights, delivering stylish and sustainable products. We are balancing new product development with SKU rationalization to drive inventory improvement through mix and cost across the business. We are forever mindful that Caroma has been around for 75 years, and our commitment to warranty and consumer experience remains strong.

We have worked very hard over the years to build long-term supply partnerships across the globe with companies who exclusively do business with GWA in the regions we operate. We openly use the term strategic supply partner as this elevates our relationship and defines a more productive joined-up relationship that delivers joint value through the supply chain.

Our strategic supply partners work in unison with us to deliver against very clear KPIs, focusing primarily on safety, quality, service, cost and innovation. We have 17 GWA staff on the ground in Asia, and we have a large mobile technical team that consistently provides further support. Our vitreous China technology is world class, and we continue to take our expertise from our manufacturing past and share it with our manufacturing future.

In September last year at our inaugural strategic supply forum in Shanghai, we introduced the concept of smooth flow manufacturing and signaling. We've transformed the production signals that we provide our supply partners from having short-term signaling of our volumes, causing service and cost pressures, to providing 3-year volume and category signals that act as a guide to our category focus, our customer priorities and the changing consumer trends. This methodology creates an opportunity to plan for the future, to look at our cost-down opportunities in yield and waste management and to focus on delivering the right products at the best cost solution, ensuring consistently high service levels.

We are making significant improvement to our network alignment, aiming to delight customers, improving our DIFOT and supporting our growth plans. We are focused on business efficiency to optimize service at best cost across our network.

We have this week started the physical transition to our 30,000 square meter world-class innovation and distribution center at Prestons. This is another key ingredient in creating a superior customer service experience.

We've upgraded our technology solutions, our warehouse management solutions, our ability to track and trace and provide more efficient service for our customers. Our commitment is to have the right stock in the right place at the right time, working with our customers and our supplier partners to ensure continued growth now and into the future.

We continue to review our service policy with the specific goal of delighting customers at best cost in win-win solutions. We're in Stage 1 of the cost-to-serve modeling and evaluation process, analyzing and deeply defining our cost to serve throughout our distribution networks from land to hand.

It goes without saying that our focus is to drive maximum efficiency into the supply chain. In an ever-evolving customer and consumer landscape, our goal is to be at the forefront of technology, service and cost management.

As we look to optimize our supply capability and footprint, we continue to focus on all aspects of the supply chain that ultimately improve our cost of goods while sticking with our traditions of stylish and sustainable products. We continue to realign our distribution network to satisfy today's requirements and tomorrow's trends. We are looking for new ways to optimize our Oceania leg from Asia to Australia and pressure testing our current network in Australia.

Finally, we continue to evolve our future sourcing opportunities inside or outside of our current geographical boundaries. Our preference is to work with our current strategic supply partners, and we are involved in those conversations now. There are many things happening in the background that we cannot share today for commercial reasons but certainly will in the future once we have finalized our plans.

As I said earlier, we successfully reduced our supply chain cost per our commitments in 2016, and we're committed to removing a further $8 million to $10 million progressively from fiscals '19 to '21.

I'll now hand over to Patrick Gibson, our CFO, to provide a brief recap on our financial strength.

PATRICK A. GIBSON, CFO, GWA GROUP LIMITED: Thanks, Anthony. Today, I'd like to explain how GWA plans to manage through the cycle, leveraging our strong financial position and continued cost discipline to maintain margin resilience and support our growth agenda.

GWA has a recent history of generating strong returns, both in terms of using capital effectively, reflected in our strong ROFE delivery, and in margin resilience through EBIT margin. That provides us a strong platform to continue those returns as we implement our growth agenda across the business.

As you will all be aware, we've commenced a process to divest the Door & Access Systems business, and we expect that will take a further 3 to 4 months to complete. The result of that divestment is that we will be focused on our Bathrooms & Kitchens business. And as you can see here, the returns in this business are strong with continued margin resilience. We have consistently said that it's our intention to maintain EBIT margins in the B&K business at around the 24% to 25% mark, and we believe that is an appropriate level in this business.

At the last IMB in April 2016, we outlined our cost-savings initiatives to reduce $13 million to $15 million in costs over 4 years from FY '16 to FY '19. We achieved $13 million a year earlier than targeted at end December 2017. And as a result, we are now moving to the next level of cost savings. And today, I can share with you our new target is to achieve further cost savings of between $9 million and $12 million. And this time, that's over 3 years, so a shorter period from FY '19 to FY '21.

Of that $9 million to $12 million, as Anthony has talked about, $8 million to $10 million is expected to come from the supply chain with the remainder, $1 million to $2 million, from SG&A cost savings. These will come from operational efficiency, continuing to reduce the cost base, and that will come through back office and execution efficiency, better procurement and targeting further supply chain efficiencies with our strategic partners in cost of goods, transport, freight and network optimization. As per the previous round of savings, these cost savings will be used to reinvest it to fund growth initiatives and to provide margin resilience through the cycle and to offset input cost inflation.

GWA continues to maintain a strong financial position which underpins our strategy. And this solid financial position provides ongoing flexibility to manage through the cycle, and it supports our strategic growth initiatives to pursue investment in both organic and inorganic growth opportunities and potential capital management.

We have low net debt, around $81 million as at the end of December 2017, and our credit metrics are consistent with investment grade. We have very strong interest cover. We have a low leverage ratio and a low gearing ratio.

We continue to have more than adequate headroom in our facilities with $115 million in undrawn facilities. And last year, we extended our syndicated 3-year revolving facility, which now matures in October 2020.

Generally, we have low ongoing CapEx requirements. And given our exit from manufacturing, most of our CapEx spend is now in growth initiatives where we have clear investment hurdles before CapEx is committed. As we said at the interim result in February, we do expect an uptick in CapEx in FY '18, and that's very much aligned to growth initiatives across the business. And these include investment in our flagship stores, in new product development, in customer service, and in warehouse management and technology. We will continue to be disciplined in our approach.

GWA is a highly cash-generative business with strong cash conversion, and we continue to generate strong operating cash flows through the cycle, and we maintain a strong focus on working capital management. That focus on strong cash generation has assisted GWA in providing strong returns to shareholders in recent years. And you can see on the chart GWA's total shareholder returns versus the ASX 200 Accumulation Index.

The board maintains its focus on providing strong returns to shareholders with a dividend policy to pay dividends in the range of 65% to 85% of net profit after tax, subject to prevailing market conditions. And we believe that, that dividend policy balances shareholder value creation with our continuing strong financial position and our ability to manage through the cycle.

I now hand back to Tim to conclude before we move to Q&A. Thank you.

TIMOTHY R. SALT: Thanks, Patrick. I'd like to close off today's session with a summary of what we've shared here.

You'll now have a much deeper understanding of our strategy from the presentations you've seen. We've spoken about our purpose of superior solutions for water and how that broader ambition, beyond just Bathroom & Kitchen, products gets our growth ambition.

Our growth agenda requires us to be totally focused on our customers and to continue making the transition to a consumer-driven business. Underpinning this is the continued work we're doing to synchronize our supply chain to work seamlessly with the front end of the business. At the same time, we recognize the need to deliver further cost efficiencies. We have the plans to do this. This ensures we can continue to invest behind the business growth drivers and maintain margin through the cycle.

Patrick has highlighted the balance sheet strength and financial flexibility underpinning our growth agenda. Taken together, all these initiatives will drive our operational metrics, including market share, top and bottom line growth, return on capital employed, and customer and employee engagement.

We have clear growth opportunities in our business. We operate in a $1.4 billion market, which offers compelling growth potential. We will maintain our competitive position in Detached Housing and Multi-Residential segments, and we will harness growth opportunities in aged care, commercial newbuild, commercial renovation and replacement, and residential renovation and replacement.

We've identified $150 million revenue opportunity in these segments. And this is not a forecast, rather it serves to focus our efforts and resources. We'll use both organic and inorganic means to further build our leadership position.

Our disciplined growth model has identified the opportunities to pursue local partnerships in select geographies where water scarcity is an issue. In addition, we can grow through expansion into broader segment and category adjacencies.

And finally, to what this means for GWA as an investment proposition? We continue to demonstrate our ability to drive growth and improve shareholder returns. As a more focused business, we will leverage that platform and our leading brands and market positions to drive further growth. We have identified a range of significant opportunities in existing and adjacent segments to deliver accretive growth. We have the balance sheet strength and financial flexibility to fund investment in organic and inorganic opportunities.

So let me leave you with one final thought. Our ambition is bold. 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. We hope to take you on that journey. Thank you.

I'd now like to open the floor to questions. And if you can direct them to me, I will then redirect them to the team as needed.

Questions and Answers

UNIDENTIFIED PARTICIPANT: Thanks for your question, Tim.

TIMOTHY R. SALT: Is that on now? Yes.

UNIDENTIFIED PARTICIPANT: Thanks for your presentation, Tim. So with the cost -- the new cost-out story, can you perhaps define what's part of D&A and what's part of B&K with that?

TIMOTHY R. SALT: What we've talked about today is all about the cost savings we see coming out of Bathroom & Kitchen business. So the $9 million to $12 million that Patrick talked about and the $8 million to $10 million that Anthony talked about are all Bathroom & Kitchen opportunities. Peter, do you want -- there's a question at the front here. Yes.

PETER WILSON, ASSOCIATE, CRÃ©DIT SUISSE AG, RESEARCH DIVISION: Pete Wilson, Credit Suisse. Maybe just, I guess, to stay on the cost-outs. Can you give a sense of how much of that cost-out target you think will be reinvested in margin management versus growth?

TIMOTHY R. SALT: I think if you look at that, we will look at the opportunities that we have to continue to grow our top line, and that will obviously then sort of amp up or amp down what we're doing with that. But I think as a rule of thumb, what we've said on the previous cost-out opportunities is that we'll look to maybe take $0.50 in the dollar to maintain margins and $0.50 that we'll reinvest. That's a rough rule of thumb. Obviously, if bigger opportunities present themselves, we put more back into the business. I think the key thing though is that we look at our margin, our EBIT margins as they are at the moment in the Bathroom & Kitchen business and think that, at 24% to 25%, that's where we see them maintaining. We don't necessarily see them increasing from there, but we think that 24% to 25% is a very robust EBIT margin already.

PETER WILSON: Okay, great. And as you look into the opportunities in new geographies, how -- can you give us a sense of how differentiated your product is in those overseas markets? And maybe, if you can give some specifics about products you might think may resonate in that market and what that market might be?

TIMOTHY R. SALT: Yes. It's a great question. I think the point that you make about differentiation is a really important lesson that I think perhaps we've learned previously when we've moved. This business has been into international markets before my time. So I'll share a story that actually hopefully brings a little bit to life what you're talking about there. And that is many people will probably know, in the U.S. -- and this might be a little bit long, but I'll go through it. In the U.S., they have basically a siphonic toilet system which actually creates a vacuum that pulls water through a toilet, which uses a lot more water than the wash-down system that we have in Australia. To reduce the amount of water you use in the U.S., you then have to reduce the size of the pipe that actually sucks the water through to create a strong vacuum. In that system, what you then see is that as that size of that pipe at the bottom of the toilet -- put bluntly -- reduces, you get increased blockages. And through that system, actually in places like hotels, we've seen in one very large hotel group in the U.S., where they've actually taken their siphonic toilets out of the hotel and actually replaced them with Caroma toilets that are wash down because they've done 2 things. They had 2 plumbers 24/7 actually in that hotel, actually cleaning something 70 to 80 blockages a day, which cost them $400,000. They have also, on top of that, saved $400,000 in -- in reduced water usage in that same hotel in the U.S. In addition, it's actually massively changed their customer satisfaction ratings because there is nothing more humiliating than having to ring up front desk and say, excuse me, can somebody come up here and unblock my toilet? So they're seeing they're getting a benefit from a customer experience perspective along with savings as well. So that's an example, I think, of a market, where in the West Coast of the U.S., in particular, there's a very strong issues -- or big issues around droughts and opportunities that we can look to put our products into those markets. Now I don't want to get carried away and say, this is -- look, this is massive. I think that's an example of a niche opportunity in hotels, in high-end venues where I think those opportunities exist. And that's the sort of thing that we're looking at. When you look at the Smart Command that we talked about earlier, I think that also enhances our ability to go into those markets and talk more meaningfully about a broader proposition in terms of how we can help sustain and use water in a more effective way, and that's how we're thinking about growth ambitions. You talk about West Coast U.S., you've then got other markets, Middle East, obviously, Singapore, which has a very high focus on water conservation and improved usage and in some places in Asia as well. So we think there are certainly prospects in these markets where the technology and understanding that we have, particularly in that commercial space, will actually allow us to grow our business in areas that we haven't done in the past. And if I may, just one more thing on that. What we're not suggesting is that we want to go out and buy businesses in those markets. What we would look to do is partner with either building managers or with developers or with plumbing -- commercial plumbing businesses. So it's a relatively low-cost way to actually get into a market of that sort.

PETER WILSON: Okay, great. And just one last one from me if I can. I just want to get a sense for how much your reach in the retail segment has grown in the last 12 months, 2 years. So I think Craig mentioned earlier that you're now in 1,300 showrooms across the country. What was that 12 months ago?

TIMOTHY R. SALT: We're in -- I think we said -- did you say 17 -- 1,700 venues, 1,300 showrooms. Craig, what would that have been a year ago, 2 years ago? I think about -- my recollection was it was around 1,100 two years ago. I think if that's -- just over...

C. NORWELL: Just over 1,000.

TIMOTHY R. SALT: Yes. So it has improved. And that's been -- as we shift to a business that wants to drive a renovation focus in the business, making sure that we're front and center where consumers are is really important for us. And you heard SemÃ©e talk today. It's not only about physical experience that we need to ensure that we can make that connection with consumers. It's also the digital area as well. So bringing those 2 together is really important. Thanks, Peter. Alex?

ALEXANDER LU, ANALYST, MORGANS FINANCIAL LIMITED, RESEARCH DIVISION: Just on Slide 118 on the market share -- on the addressable markets.

TIMOTHY R. SALT: Yes?

ALEXANDER LU: Yes, so you've identified opportunities in the commercial and residential R&R markets, and your market share there is relatively low. It's only 16% compared to your building market share. Is there any reason why the market share in the R&R markets couldn't reach the levels of the new building markets over time?

TIMOTHY R. SALT: I would like to believe that they can. I think that the -- it's probably worth starting about why I think they're relatively low at the moment. And I think it's a function of the evolution of the business that -- we actually -- and I was saying this earlier to somebody that as we've changed the approach of how we look at the market and getting into understanding segmentation and the different sort of parts of the market, it's actually thrown up the fact of how big that commercial renovation segment is. So I followed these the fact that we actually haven't previously really understood the size of it. And if you don't understand the size of something, you don't necessarily go hunting for growth in that area. So the first thing is understanding it's a big opportunity. We've done that now, and now we're actually targeting resource and effort against that. So you tend not to get any benefit if you've not put resource and focus against it. That's certainly true with the sort of the commercial renovation space. As regards to the residential innovation space, again, the business historically I think has been very focused on the left-hand side of that chart that you're talking to on the commercial -- the residential newbuild from housing and multi-res and not necessarily into that renovation space. What you're seeing now is that as we change to being a consumer-driven business, and this is a great example of that, we're upping our focus on that because, as Craig said, 50% of our business is generated through consumers who make decisions about what goes into their home in the renovation space. So it's really, I think, being a lack of priority or focus in the past and then not -- obviously, through that, not harnessing the potential to actually grow in those spaces. So in short and answer your question going forward, I think we have really strong brands. We've got really good ability to engage with both primary and secondary customers through to the consumer. And I think that sets us up really well to see that our aspiration to grow in the renovation and replacement space can actually be fulfilled. What I don't want to do is just to put a time definition on that. But yes, absolutely, that's how we see it. John. Microphone, sorry.

JOHN HYND, SENIOR EQUITIES ANALYST, WILSONS ADVISORY AND STOCKBROKING LIMITED, RESEARCH DIVISION: Can I just get a sense as to when you're targeting these new sectors. It seems you've either opted out this housing marketing function in terms of number of bodies. And I mention as partly that, and I guess -- I suspect it's partly also the cultural changes being undertaken within that sort of grouping to tighten up the focus and get them out there and pumping the flesh. So I can understand how that sort of evolved over the course of the last couple of years.

TIMOTHY R. SALT: Yes, I'll start, Craig, and then if I get it wrong, I'll flick to you. The first thing to say is, is we've looked at our sales team. I think it's 170-odd people on the frontline and sort of 50, 60 in the sort of customer service and after-sales and service. We've -- first port of call has to be in to look at what's the most efficient way to use for people that we've got in the business. And to the point that you just made, we've then reallocated those people according to where we think the opportunities are and what capabilities we have in the business. And in some cases, we haven't necessarily got all the capabilities we need in the business. So when we think about it, we've changed where people are sitting in the organization to go after those opportunities, and then we've reinforced that with people that we've brought into the organization. But when you think about the absolute headcount change, it would -- probably in the order of 10-or-something, I think, at the moment from when you think about the commercial renovation opportunity we haven't accessed before when we think about what we need to do differently in this residential renovation space, and you think about things like this. It's been a lot about reallocation of existing heads as opposed to actually having to put new heads in. And that's really when we talk about the -- what do we do with the cost savings that we have in the business. That's the whole, let's take 50 and hold margin resilience and take the other 50 and invest. Be a good example of where extra headcounts, I think, can drive future growth. And for us, it's about getting that balance right between what are we doing today to deliver the right financial outcomes, but how do we invest in the future to make sure we've got future revenue growth as well? And that's always the challenge. But you're only talking around 10 heads in short suites here, to your question.

JOHN HYND: And Tim, the other thing, I think, 2 years ago -- 2 -- or 2 sets stuck in my mind where you're at work in progress to go, I think somebody's shared the DIFOT stat. But the NPS score, how that's moved over time and where you think you are on that journey?

TIMOTHY R. SALT: Yes. We didn't include NPS today. It is -- when you're trying to change to become a customer-focused business, it remains a very important metric. The reason we haven't put it in today is because as we went back and looked at the previous way that we actually measured NPS, it was accurate at a given time but the methodology didn't actually allow us to then make comparisons over different time periods. So it's not been an apples with apples comparison. We've now actually engaged an external specialist in this area, a company who are actually in the process of working that up at the moment. And over the next -- by the end of this year, we will actually have a much more consistent measure which allows us to measure engagement over time with our customers, and then we'll share that. But at the moment, we didn't want a share data that we didn't feel was a realistic reflection of what's changed over time. If there are any other questions, I'm happy to take them. If -- oh, sorry, [Simon].

UNIDENTIFIED PARTICIPANT: You talked about international. Can you just give us a feel for the percentage of current sales, how much you are selling overseas?

TIMOTHY R. SALT: It would be less than 5%. So it's like 3% to 4%. It's next to nothing. It's negligible at the moment relative to what we sell in Australia. So a little bit in the U.S. and a little bit in some of the Southeast Asian markets. But sort of between Australia and New Zealand, New Zealand is about 7% of our business. So overall, the remainder is in Australia. So well over 90% in Australia and the remainder, New Zealand and other market.

UNIDENTIFIED PARTICIPANT: And second question, on the commercial pie chart, your share of newbuild was about 30% and renovation is like half that.

TIMOTHY R. SALT: 35% and 16%.

UNIDENTIFIED PARTICIPANT: Yes, obviously, in a much bigger market. Can you just give us -- is there a big cost investment required to get after that and why you've -- I mean, normally, you'd said the newbuilds -- the renovation work lagged the newbuild or in that category it hasn't. Can you explain why?

TIMOTHY R. SALT: To answer your question about cost, I mean, as Craig said, as we learn more about this segment, we've obviously had to change the way that we think about going after growth in that segment because as Craig said, 100% of commercial newbuild actually requires a development application and only about 15% of commercial renovation does. So it's quite a -- has a very different way of actually getting to understand where the opportunities are. Once you've got past that, I think we found that there is more consistency and similarity then about the types of plumbers that are doing the business, and the sort of building managers who are involved in it might be in a different division. So the cost is really up front about actually getting better lead identification and then having people dedicated to go after those opportunities. And it fits in with what SemÃ©e was saying when we think about -- we're talking about a few extra heads in there. We're not talking about an army of people going after it. It's just that lead identification and conversion from there. And it's like all of these things. The intention is that we want to learn our way into these things. We'll try. We'll put a bit of resource on that. We'll work how -- understand how it works. And then as we go from there, we'll need to know if we're seeing the return on investment. Then we put more on, and we can put more on, and we can reallocate from other parts of the business to go after growth. So we're learning our way into these as we go, [Simon]. So we don't want to sort of change the sort of massively the SG&A line on our business. It's more about improving as we go.

UNIDENTIFIED PARTICIPANT: And last question, can you just give us an update on relationships with Reece and Bunnings?

TIMOTHY R. SALT: I will do. That's -- we said we wouldn't talk about it in here, but I will do it. Actually, you know what, Craig, rather than me, though, why don't I pass to you and if you want to share on the relationship with Reece and Bunnings and where we're at on that at a macro level. Do you want to...

C. NORWELL: Yes, it's a good question. So I think historically, we've probably sort of seen Reece more when you consider we were focused on that big end of town beginning to turn quite a lot of work. Our relationship was probably more -- sort of defined more as competitors. I think over the last 2 years, we've really tried to do a couple of things. So last year was the first time in 8 years that we've been invited to participate and, therefore, more joint business planning process. So we got back into that. So a part of that joined-up business planning I spoke about, really, we're using them as the largest but most sophisticated customer who have to help us learn through that process, and the way we partner. So we're formally engaged. We're have formal reviews. We've got to a different place on top -- to top engagement, including innovation sort of sharing sessions. So the 2 big difference and the rest with Reece have been we're really positioning ourselves as the Australian innovation partner. We fundamentally believe there's something very unique about Australian consumers, and there's something very unique about the categories we play in the relationship with water to what Semee spoke about. So us collaborating with them, who have a very clear idea of their own views on Australian consumers. But us working to provide solutions, well, that's one big path. And you'll see Caroma Cleanflush has been a huge success story for us in Reece. We're now building off that with collections -- with bathroom collections rather than purely sanitary. The second piece is that secondary customer I spoke about is -- our really rich secondary customer relationships are with the different customers than theirs. So there's a level of attractiveness that we have with ours that they desire, and there's a level of attractiveness of them playing on the medium level, secondary customers attractive to us. So we're now looking at how commercially we can sort of partner with our secondary customer base and leverage with theirs to really sort of 1 plus 1 equals 3, I suppose, is a level of synergy that provides cost efficiencies for them as an organization as well. So one's Australian innovation partner; two, is how we partner with quite different customer bases in secondary demand as well. And really, our path forward now is where at the start of F '19 joint business planning process with them which will be built around those 2 platforms. Bunnings is really different. So Bunnings we have, by far and away, the most diversified portfolio. So they're our strength. We talked through that, about under index in tapware, we don't really have that in Bunnings. As a matter of fact, we play a lead role in tapware and showers with them, and we would have grown sort of significant share over that 2-year period that we spoke about earlier on. So our ability to partner and add value across bathroom with them has been very, very different. What we're now in the midst of is how do we now extend our range and the way the consumers experience our brands and this category in a Bunnings store in a different way. Second of all, how we can help them execute in branches, 298 locations now. They're starting to learn about what's possible in bathroom. In particular, we're planning a different type of category captaincy role in that space to unlock opportunities for us and for them.

TIMOTHY R. SALT: Microphone at the back. Sorry...

UNIDENTIFIED PARTICIPANT: Just back on market share. I guess, what are your chief -- what are your targets going forward? Can you share that with us?

TIMOTHY R. SALT: What I will share is that it's our ambition that we will outperform the market, which means that we will grow. So regardless of what the overall market does, we want to see ourselves outperform the market. So I don't want to sit here and give an outlook on specific market shares other than to say it's our belief that with the growth programs we have in place that we can continue to grow market share in this market. We've done that over the past 4 periods, and we believe we can continue to do that. But I don't want to give an outlook in terms of how we see that share growing but other than that it will do.

UNIDENTIFIED PARTICIPANT: Tim, if I understand correctly, I mean, you're the only -- you supply the market via the Reeces and the Tradelinks and these sorts of people. I was wondering whether you receive pressure from the likes of the Lendleases and these sorts of people to deal directly with them and sort of take out the middleman. And if so, how do you deal with that? Or is there aspiration at some point down the track that, that might evolve?

TIMOTHY R. SALT: I think every -- I mean, Craig talked about primary and secondary customers. Every customer that we deal with is looking for ways to improve their efficiency of how they actually go to market or improve their own margins, and that makes sense. So yes, we've had approaches from some of those secondary customers to look at that. My view in having -- when we look at the numbers, the reality of it, it's never quite as attractive as they might think about, "Oh, you can take the primary customer out of this," and all of a sudden, there's this big margin pull just sitting there waiting to be captured. It's not actually true because in those big end of town, the merchant margin is not excessive. And with that, they actually have to deliver product to site on a continuous basis, sometimes 3 or 4 times a day to a large site. So the cost of actually getting product on to site is quite high. If you transition that to a Lendlease or a Mirvac, whoever it might be, the cost of actually holding that stock on-site in terms of -- with shrinkages, breakages and whatever else, the economics are not as attractive in my -- in our view as they sort of think at face value. So yes, we've had those approaches. Our belief is it's -- the best way for us to go to market is to use the scale of the merchants, if you like, to allow them to not only deliver our products but also everything they need for back of wall and any other associated products that might be required as well so that there's only one with them going rather than maybe 3 or 4 at any 1 time. So I don't believe the economics stack up. I think it's one of the things that we continue to look at. What we should be doing, I think, is understanding -- and Anthony talked about it earlier, was as we look at our cost-to-serve model, how we can actually become more efficient collectively to understand where the touch points are and the hand-off so that we can actually take value out of the total -- we talked about land to hand. How do we actually take value out of that complete supply chain? And that's, I think, a more productive way of looking at how we can improve the efficiency rather than just trying to cut somebody out of the equation. And that's the way we would propose to do it.

If there are no more questions, I suggest that maybe we have a bit of lunch. We're all going to be here to enjoy lunch with you. And if you've got further questions, we'd be more than happy to take those.

I'd just like to close up and say thank you very much, everybody, for attending this morning. We really appreciate you coming along. I hope it was a value. And thank you also to the people on the WebEx as well. We'll sign off now. So thank you very much. Appreciate it.

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