

WATERCO

water, the liquid of life

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27 October 2021

Market Announcements Office
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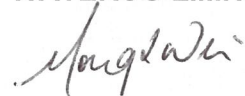
Dear Sir/Ms,

**Waterco Limited (ASX Code: WAT)
Chairman's Address at the 2021 Annual General Meeting on 27 October 2021**

Please find attached a copy of the Chairman's Address to be given at the 2021 Annual General Meeting of Waterco Limited at 3.00pm Australian Eastern Daylight Time on 27 October 2021.

This announcement has been approved for lodgement by the Board of Directors of Waterco Limited.

Yours faithfully,
WATERCO LIMITED



**Sin Wei Yong
Company Secretary**

About Waterco Ltd – www.waterco.com

Established in 1981 and listed on the ASX in 1989, Waterco (ASX: WAT) manufactures and distributes a diverse range of products for the international swimming pool and water treatment markets. Waterco is also the franchisor of Swimart, Australia and New Zealand's largest network of pool and spa retail outlets, and is also the distributor of Zane Pool Heating solutions via a network of Australian dealerships.

Waterco delivers high quality, innovative products at exceptional value in over 40 countries. This includes a comprehensive range of swimming pool & spa equipment and chemicals as well as domestic and industrial water treatment equipment.

The company's head office is in Sydney, Australia with international offices, manufacturing plants and warehouses located in Australia, New Zealand, Malaysia, Indonesia, Singapore, China, USA and the UK.

CHAIRMAN'S ADDRESS AT 2020 ANNUAL GENERAL MEETING

The Annual Report for the financial year ended 30 June 2021 has been made available to shareholders and other interested parties, as usual. Included in the report was the CEO's Review of Operations for the year which provided a summary of our operations and touched briefly on the outlook for the year ahead. I shall, therefore, avoid repeating what was written there and, in this address, I shall focus on providing more information on the factors that will influence our outlook for the financial year ending 30 June 2022.

We have completed the first quarter of trading in the new financial year. This quarter also represents the pre-season in Australia and New Zealand and the end of the season in the northern hemisphere.

This quarter's results saw a drop of 2% in Group external sales growth on the previous corresponding period. However, Group Average Gross Margin has remained steady. Australian (including Autopool Division) external sales were mainly in line with budget and 12% up on last year. This is despite NSW being in lockdown for all of first quarter and Victoria for most of the first quarter.

While Waterco China saw a drop in external sales of 40% on the previous corresponding quarter, it saw an increase of 38% in intercompany sales which picked up the excess manufacturing capacity. Waterco China during the quarter has been impacted by the energy crisis in China as it supports the Chinese Government's initiative to reduce electricity consumption and therefore carbon emissions. At the same time, a credit crisis in the property sector has had a spill on effect on the building market (including the pool industry) in China affecting confidence and household expenditure.

Waterco Malaysia experienced a full COVID-19 lockdown for the first 2 months of the new financial year and resulted in it being unable to deliver some products required in Australia for the opening season. The factory closure also caused a delay in supplying Europe and USA. With up to fivefold increase in sea freight charges, mainly USA and Europe lines, and coupled with shipping delays, some orders received have not been fulfilled in a timely manner. While there is a 2% drop in sales to date and that Waterco Malaysia is now fully operational, it is uncertain how the year will turn out despite having a record level of sales order on hand. However, the Management remains optimistic that most of the sales order received to date, can be met.

The North America and Europe Division recorded mixed results for the quarter with one region recording an improvement in external sales and another region a decline in external sales. However, this division is working very hard towards achieving a sustainable increase in the last three quarters of the financial year.

Sales of the Group for the first quarter remain sound with consumers still spending well on home improvements, in particular, their backyard swimming pools. With travel due to open up in some Australian states only (conditional on reaching vaccination targets and no blowout in daily infections) and a few overseas travel destinations, we remain cautiously optimistic that expenditure on home improvements will continue to grow but at slower rate than FY21.

In light of the continued global uncertainty brought about by COVID-19 (in particular the highly contagious Delta Strain) resulting in lockdowns at short notice across our various global regions (especially ANZ), the Board have decided not to issue a profit guidance for FY22 until economic conditions have returned to normal. However, we are quietly confident of the profitability of the Group for FY22.

Fundamentally, our operations have not changed. We continue to pursue innovation and improvement in our share of the water-treatment sector. There has been steady progress in these areas in the past few years and we expect to see that continue.

I would like to thank Waterco's shareholders for their continuing support, and my fellow directors, the management and the employees for the efforts they have put in during a very challenging year.