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ANNUAL GENERAL MEETING

THURSDAY 26 OCTOBER 2023

Chairman's Address

Good morning, ladies and gentlemen. My name is Stuart Crosby. As chairman of directors, I welcome all shareholders and guests to the 2023 annual general meeting of Reliance Worldwide Corporation Limited. We are very pleased to be holding this meeting in Brisbane for the first time. RWC has a strong connection with the city. It is where the original Reliance business commenced operations more than 70 years ago. And it is where our Asia Pacific headquarters is located.

We are meeting today on the lands of the Jagera people and the Tuurbal people as the Traditional Custodians of Meanjin. We pay our respects to Jagera and Tuurbal Elders past present and emerging.

2023 was a challenging year. Higher interest rates adversely impacted consumer sentiment, and we experienced a softening in demand and slower growth than in previous years in most of our markets. RWC nonetheless performed well, and our business demonstrated tremendous resilience. Our volumes were underpinned by the orientation of our core business towards repair, maintenance and remodel work. Our people also continued to execute effectively in this challenging environment.

Financial performance

This is borne out by our financial performance for FY23.

Reported net profit after tax was 2% higher than the prior year at $139.7 million. Adjusting for one-off items, relating principally to a $15 million gain on the sale of a surplus property in the UK, and costs of $13.5 million incurred in the realisation of EZ-Flo cost synergies, restructuring and other one-off items, net profit after tax was down 4% at $155.7 million.

Sales growth of 6% reflected a full year's contribution from EZ-Flo while the prior year only included a partial contribution with EZ-Flo having been acquired in November 2021. The weaker Australian dollar and British pound versus the US dollar impacted reported sales performance. Constant currency sales were 9% higher than the prior comparative period. The sales results in each of our geographies represented out-performance by RWC compared with end-markets more broadly.

Cash flow and balance sheet

A highlight of the year was the very strong cash flow performance, with cash flow from operations of $292.7 million up 110% on 2022. This was driven by disciplined working capital management. Of particular note was the reduction in inventory levels, which we had built up during the prior year to mitigate shipping and logistics delays and other potential supply chain disruptions.

This strong cash flow performance enabled us to reduce net borrowings by $116 million. Our leverage ratio (net debt to EBITDA) reduced from 2.1 times to 1.69 times, which is towards the lower end of our target leverage range of 1.5 to 2.5 times net debt to EBITDA.

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Funding

We have continued to maintain a strong financial position. At year end we had access to debt facilities totalling US$1,050 million of which $451.7 million was drawn. Importantly, 55% of drawn debt at 30 June 2023 was at fixed rates. These were set in April 2022 and fixing the borrowing rate at that time has proven to be very advantageous relative to current floating rates.

The strength of our balance sheet means we are very well placed to pursue future growth initiatives.

Dividend

Total dividends declared for the year were US9.5 cents per share, representing a payout of 54% of Reported NPAT and 48% of Adjusted NPAT. This is in line with the dividends declared and paid for FY22. While the interim dividend was 10% franked, the final dividend was unfranked.

Dividends were paid in Australian dollars and the equivalent total Australian dollar dividend paid was 14.2 cents per share compared with 13.4 cents per share in FY22. This higher level is due to the depreciation of the Australian dollar versus the US dollar.

RWC’s current dividend policy is to payout between 40% and 60% of annual NPAT. The continued growth of our activities beyond Australia has reduced the earnings generated from our Australian operations to less than 10 per cent of the group total. We therefore expect that future dividends will generally be unfranked. Given this change in RWC’s ability to pay even partly franked dividends, we are reviewing our distribution policy settings. In particular, we are assessing the benefits of other forms of cash distribution, including on-market share buybacks compared with paying unfranked dividends. We expect to complete this review by the end of this calendar year.

Board

Brad Soller was appointed to the board as an additional independent director following last year’s AGM. Brad will be succeeding Russell Chenu as chair of the Audit and Risk Committee as of today. Russell is remaining on the RWC board and as a member of the Audit and Risk Committee. Russell was an exemplary chair of the risk and audit committee. On behalf of the board, I thank him for his contribution in that capacity. We are very glad that his wisdom and experience will continue to be part of board conversations.

More generally, I would like to thank all directors for their contribution over the past year. We have four board committees covering Health and Safety, ESG, Nomination and Remuneration, and Audit and Risk. Each of these committees are allowing the company to make meaningful progress in their subject areas, and I thank the committee chairs for their leadership.

ESG

Today we released our FY23 ESG report, detailing the progress we have made in those areas which are most relevant to RWC and our operations.

Last year, we announced our commitment to reducing RWC's Scope 1 and Scope 2 emissions to net zero by 2050. We have also established an interim goal and will be targeting a minimum 42% reduction in Scope 1 and Scope 2 emissions by 2030.

In FY23, we exceeded our annual Scope 1 and Scope 2 emissions reduction target, having achieved a 27.5% reduction in Scope 1 and 2 emissions relative to our FY21 baseline. This exceeded our target by 9.3%.

The reduction was driven in the UK where the majority of our locations are now powered by electricity backed by Renewable Energy Certificates of Origin. The acquisition of renewable power decreases our market-based Scope 2 GHG emissions.

We have also decreased our Scope 1 and 2 emissions by upgrading manufacturing equipment and seeking out opportunities to decrease our energy usage. In FY24, we will continue this effort by executing energy audits at multiple high-usage sites. We are also evaluating on-site solar where appropriate.

We have also made progress in other areas of ESG.

Recently, RWC's UK operations were recognised in the British Quality Foundation Excellence awards, as finalists in four awards and a winner of two of these.

RWC was recognised for 'Excellence in Living Your Values' through embedding its culture and values into the very fabric of everything we do, including our sustainability and social impact initiatives.

Alongside this, RWC also won the 'Equality, Diversity and Inclusion' award. Through actions such as Employee Resource Groups and a Diversity & Inclusion Council, we have been able to recognise a wider range of perspectives, raise awareness and provide ongoing support to help individuals from all walks of life reach their potential.

We were also finalists in the Environmental Sustainability category, recognising the innovation and impact across energy, waste and packaging initiatives, and in the Excellence in Transformation Award.

On behalf of the Board, I extend our warmest congratulations to everyone within the EMEA region for their involvement and contribution to this success.

Health and Safety

Health and safety continues to be RWC's highest priority. Our focus is always on maintaining a safe and healthy workplace.

We further improved our health and safety performance in FY23. The Reportable Injury Frequency Rate (RIFR) measures the rate of all recorded lost time injuries, cases or alternate work, and other injuries requiring medical treatment, per one million hours worked. In FY23 the group RFIR reduced by a further 5.6% to 4.9, making a total reduction of 22% over the past 3 years.

I am very pleased to report that we did not record any serious injuries in FY23 anywhere in the world. In addition, 74% of our sites received no reportable injuries.

During the year, we initiated a global benchmarking review of health and safety policies, procedures and, importantly, culture. As a result of this review, we have initiated a multi-year program to continue improving our workplace safety towards our goal of zero harm.

Remuneration

Before handing over to Heath, I would like to comment on the proposed FY24 Long Term Incentive award for the Chief Executive Officer which will be voted on shortly.

RWC's current remuneration framework has been in place since July 2021 and been endorsed by shareholders through voting on the 2021 and 2022 Remuneration Reports with over 99.5% of votes in favour in each year.

In 2022 we observed that the remuneration market for CEOs in the US had moved significantly, particularly for LTI awards, and stated that we would review this during FY2023. We undertook an extensive review of RWC's remuneration framework including engagement with US and Australian based external consultants to provide advice on structure and benchmarking analysis. This review resulted in several changes to RWC's LTI award framework.

Key factors that we considered include:

- RWC is predominantly a US business whose shares are listed on the ASX;
- The group currently generates over 70% of external revenue from its Americas business in addition to having major manufacturing and distribution facilities in North America. Only about 10% of external revenue is currently generated in the Asia Pacific region;
- 75% of senior executives and other leaders are based in the Americas, including the CEO who has lived in the US since 2007;
- The vast majority of senior roles within RWC, other than regional roles, will be filled from the US employment market. Having US competitive employment terms is vital to recruiting and retaining talent.

Benchmarking analysis was undertaken against a peer group of 16 building materials companies (all NYSE listed) and 14 of which are US based.

As a result of this review, it was proposed that the quantum of LTI for the CEO be increased and an element of service period only stock be introduced in order to ensure we have a remuneration package that is appropriately market competitive in the US. While the quantum of LTI is high in an Australian context, it is consistent with the market median for the peer group CEOs, when adjusted for the relative size of the business. Although service period only stock is unusual in Australia, it is part of the packages for 13 of the 16 peer group CEOs.

The service period only component represents twenty five percent of the total LTI award. Seventy-five percent of the proposed award is subject to the achievement of performance conditions. Significant over-performance against the various targets is required to be achieved before the maximum amount of the proposed grant will vest. As such, the Board believes strongly that challenging stretch performance targets have been set, and that the proposed CEO remuneration arrangements are both appropriate and necessary for the company.

I thank those shareholders who have provided feedback on the proposed changes to the CEO's long term incentive remuneration arrangements. We appreciate the thoughtfulness of the discussions we have had and the constructive nature of our conversations. Shareholders can be assured that the board has been very concerned to balance the realities of the employment markets in which we operate across our geographic mix of businesses, particularly in the US, against Australian market norms. We appreciate the majority of shareholders' support for our proposals, which we know have challenged some shareholder expectations of an ASX listed company of our size.

Conclusion

Let me now had over to Heath Sharp to discuss the FY23 year more fully and our strategies and priorities for the future.