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ASX ANNOUNCEMENT

25 October 2022

TRADING UPDATE FOR QUARTER ENDED 30 SEPTEMBER 2022

Reliance Worldwide Corporation Limited (ASX: RWC) ("RWC" or "the Company") has today provided a trading update for the three months ended 30 September 2022[1], the first quarter of the 2023 financial year.

Sales for the period were US$303.1 million, up 23% on the prior corresponding period ("pcp"), including net sales of US$53.8 million from EZ-Flo which was acquired in November 2021[2]. US dollar strength against most other currencies, including the British pound and Australian dollar, adversely impacted reported sales. Sales growth in constant currency was 28%. Excluding EZ-Flo, constant currency sales growth for the period was 6%.

Sales growth excluding EZ-Flo was driven principally by price rises of 7.9% achieved to offset inflation. Volumes were lower in the Americas, UK and Continental Europe, while Australia continued to record volume growth. Underlying demand for plumbing and heating products has been broadly stable, while demand for specialty products including water filtration and drinks dispense products has softened following a strong recovery in FY22.

Operating earnings[3] (EBITDA) of US$76.8 million were 16% higher than pcp. Results for the period included a US$15 million gain on sale of a surplus property in the UK, and US$1.4 million in costs incurred in the realisation of EZ-Flo cost reduction synergies. Excluding these items, Adjusted EBITDA was US$63.2 million, 4% lower than pcp[4].

Adjusted EBITDA margin was 21.4% excluding EZ-Flo, compared with 26.6% in the pcp. Lower volumes and higher costs negatively impacted margins, while price rises implemented to recover costs resulted in diluted margins. Higher input costs experienced early in 2022, particularly copper, zinc and stainless steel, also adversely impacted margins due to the timing lag between materials purchase and consumption and the sale of finished goods. Input costs have eased since their peak in mid-2022 which is expected to positively impact operating margins later in FY23.

Net debt of US$518.2 million at 30 September 2022 was US$32.9 million lower than at 30 June 2022, principally due to US$25.2 million received from the sale of a surplus property in the UK. At period end RWC had US$541.0 million of cash and unutilised committed facilities available. RWC remains in compliance with the terms of its borrowing agreements.

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[1] The financial results are extracted from unaudited management accounts. RWC's standard processes were followed to confirm the material accuracy of the results.
[2] All figures are in US$ unless otherwise specified.
[3] EBITDA, Adjusted EBITDA, and Adjusted EBIT are non-IFRS measures used by RWC to assess operating performance and have not been subject to audit or audit review.
[4] EBITDA and EBIT adjustments for Q1 FY23: Adjustments comprise one-off costs to achieve EZ-Flo cost reduction synergies ($1.4 million), and the gain on sale of a UK property ($15.0 million).

US$ million	Q1 FY22	Q1 FY23	% Change
Net Sales	**246.0**	**303.1**	**23%**
Reported EBITDA	**66.3**	**76.8**	**16%**
EBITDA Margin (%)	*27.0%*	*25.3%*	*-170bps*
Adjusted EBITDA	**65.5**	**63.2**	**-4%**
Adjusted EBITDA Margin (%)	*26.6%*	*20.9%*	*-570bps*
Adjusted EBITDA Margin excl. EZ-Flo (%)	*26.6%*	*21.4%*	*-520bps*
Reported EBIT	**56.2**	**64.6**	**15%**
EBIT Margin (%)	*22.8%*	*21.3%*	*-150bps*
Adjusted EBIT	**55.4**	**50.9**	**-8%**
Adjusted EBIT Margin (%)	*22.5%*	*16.8%*	*-570bp*
Net Debt	**160.3**	**518.2**	**223%**

Chief Executive Officer, Heath Sharp, said the first quarter saw more volatility in sales volumes month by month, with top line sales growth driven mainly by price increases and EZ-Flo.

“Results have varied month to month and region to region, a trend which was reflected in our July and August trading updates. The last two years have been very strong from a volume perspective, but in the first quarter of FY23 we started to see demand moderate.

“Following two years of heightened growth in the Americas, we saw a contraction in volumes in the first quarter particularly in the latter part of the period. By contrast, UK plumbing and heating volumes were steady. The UK has not had the high level of volume growth that RWC experienced in the Americas over the past two years. Australia continued to see volume growth driven by new residential construction and remodelling activity levels.

“Sales of FluidTech products, which service the water filtration and drinks dispense markets, were lower in both the Americas and EMEA. This followed a period of strong growth as commercial and hospitality sectors reopened following Covid lockdowns.

“Operating margins were impacted by higher costs and lower volumes. This quarter was when we felt the biggest impact from the sell-through of products manufactured earlier in the year when commodity costs were at their peak. Given the typical lag between movements in commodity prices and the timing of product sales, we should start to benefit later in FY23 from the lower input costs we have seen recently.

“While we are comfortable we have achieved price outcomes that enable us to offset input cost inflation, we are responding to the deteriorating economic conditions by reinvigorating our cost-out programme. We are confident that we will continue to execute well in what is likely to be a more challenging environment.

"Cash generation is also a priority for the year. We expect a reduction in working capital in the second half of FY23 as we bring inventory levels back in line with sales volumes. Supply chain disruptions remain a challenge and we will ensure we optimise safety stock in order to maintain our high customer service levels," Heath Sharp said.

SEGMENT RESULTS

Americas (US$ million)	Q1 FY22	Q1 FY23	% Change
Net sales	**148.9**	**212.2**	**43%**
- RWC	**148.9**	**158.4**	**6%**
- EZ-Flo	**-**	**53.8**	
Adjusted EBITDA	**27.7**	**34.7**	**25%**
- RWC	**27.7**	**24.9**	**-10%**
- EZ-Flo	**-**	**9.8**	
Adjusted EBITDA Margin (%)	*18.6%*	*16.4%*	*-220bps*
- RWC excl. EZ-Flo	*18.6%*	*15.7%*	*-290bps*
- EZ-Flo	*-*	*18.2%*	
Adjusted EBIT	**23.6**	**28.3**	**20%**
- RWC	**23.6**	**19.5**	**-17%**
- EZ-Flo	**-**	**8.8**	
Adjusted EBIT Margin (%)	*15.8%*	*13.3%*	*-250bps*
- RWC	*15.8%*	*12.3%*	*-350bps*
- EZ-Flo	*-*	*16.4%*	

Sales in the **Americas** were 43% higher than pcp and included $53.8 million in sales contribution from EZ-Flo.

Sales growth excluding EZ-Flo was 6% and was driven by price increases implemented progressively throughout FY22 and in the first quarter of FY23. Volumes were lower across most channels, particularly for water filtration and drinks dispense products. Retail was the strongest performing channel with lower volatility month by month in sales and volumes, and retail point of sales data showed stable volumes in the period.

Operating margins reduced as a result of lower volumes, increased SG&A expenses, and the impact of higher prices which offset input cost inflation but were dilutive to overall margins. Operating margins are expected to improve as the benefit of lower input costs flow through to sales later in FY23.

EZ-Flo continued to perform strongly with volume growth driven by market share gains and distribution expansion of its water and gas appliance connector product ranges. Cost synergies are also being realised in line with what we outlined at the time of the acquisition. The rationalisation of the Americas distribution centre network is currently being undertaken. Four distribution centres in the US will be closed in the second quarter of FY23, with seven centres remaining to service the North American market.

EZ-Flo's manufacturing operations in Ningbo, China, are currently suspended due to a government-imposed lock down in the region following increased incidence of Covid cases. We are currently able to meet customer orders from inventory held in the US. We expect operations to recommence by the end of this week, but a prolonged lock down in the region may adversely impact EZ-Flo sales in the second quarter.

Asia Pacific (A$ million)	Q1 FY22	Q1 FY23	% Change
Net sales	**80.6**	**81.5**	**1%**
Adjusted EBITDA	**18.3**	**15.5**	**-15%**
Adjusted EBITDA Margin (%)	*22.7%*	*19.0%*	*-370bps*
Adjusted EBIT	**14.9**	**11.8**	**-21%**
Adjusted EBIT Margin (%)	*18.5%*	*14.5%*	*-400bps*

APAC external sales were 7% higher due to continued strong demand in Australia from new residential construction and home remodelling activity. Intercompany sales were down 7% due to lower export volumes to the Americas. Total APAC net sales in the first quarter were up 1% in constant currency. Operating margins were adversely impacted by lower internal volumes and margin dilutive price increases.

EMEA (£ million)	Q1 FY22	Q1 FY23	% Change
Net sales	**54.3**	**55.0**	**1%**
Adjusted EBITDA	**17.6**	**16.1**	**-9%**
Adjusted EBITDA Margin (%)	*32.4%*	*29.3%*	*-310bps*
Adjusted EBIT	**15.2**	**13.4**	**-12%**
Adjusted EBIT Margin (%)	*28.0%*	*24.4%*	*-360bps*

EMEA external sales growth of 7% was driven by a strong performance in the UK, with plumbing and heating sales up 13% and UK sales up 9% overall. Continental Europe sales were up 1%, while intercompany sales were 24% lower, mainly due to reduced exports of water filtration and drinks dispense products to the Americas. The reduction in intercompany volumes adversely impacted operating margins. Total EMEA constant currency sales growth for the first quarter was 1%.

OUTLOOK

RWC's end market exposure, which is predominantly to repair and maintenance activity, should provide greater resilience to economic shocks compared with the more cyclical new residential construction market. Weaker global economic conditions and the risk of a downturn in RWC's key markets, however, mean the immediate outlook is uncertain.

RWC believes it is well placed with its local manufacturing operations and strong track record of class-leading customer service to navigate these challenges and respond to customer needs. We also expect our ongoing new product introductions will enable us to continue our long-standing track record of delivering above-market growth with quality margins.

There have been no changes to the key assumptions for FY2023 outlined in the full year earnings announcement dated 22 August 2022, except as follows:

- Depreciation and amortisation expense is expected to be in the range of $52 million to $55 million (previously $55 million to $60 million).
- Net interest expense is expected to be in the range of $27 million to $30 million (previously $23 million to $27 million).

INVESTOR CALL

RWC management will conduct a conference call at 9am AEDT on Tuesday 25 October 2022 to answer questions relating to this trading update. Details are provided on the following page.

ENDS

For investor enquiries, please contact:

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This document was approved for release by the Board.

FY23 FIRST QUARTER TRADING UPDATE MANAGEMENT CALL DETAILS

TIME ZONE: MELBOURNE, SYDNEY (AEDT)

DATE / START TIME: 25 OCTOBER 2022: 9:00AM

Webcast Details - Audience Event Link:

https://event.webcasts.com/starthere.jsp?ei=1572757&tp_key=f3508973c9

Click on the link above to attend the presentation from your laptop, tablet, or mobile device. Audio will stream through your selected device, so be sure to have headphones or your volume turned up. If you have technical difficulties, please click the "Listen by Phone" button on the webcast player and dial the number provided. A full replay of the presentation will be available at the same link shortly after the conclusion of the live presentation.

A recording of the briefing will subsequently be made available on RWC website: www.rwc.com/investors

Conference Call Details

Participant Passcode: 713740

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