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Operator: Good day and welcome to the RWC Financial Year 2023 First Half Earnings Conference Call. Today's conference is being recorded. At this time, I would like to turn the conference over to Mr. Heath Sharp, Group CEO. Please go ahead, sir.

Heath Sharp: Thank you. Good morning everyone and welcome to RWC's Half Year Results Presentation for the six months ended December 31st, 2022. This is Heath Sharp, CEO of RWC. And joining me here in Atlanta is our CFO, Andrew Johnson. At the end of this presentation, we will take questions from those on the audio call and then those on the webcast.

I'll begin on slide three and provide an overview of the half. During the first half, our business demonstrated tremendous resilience. Our volumes held up well in the face of economic headwinds in every market in which we operate. Our teams continued to execute well in what was a challenging environment. Group sales on a constant currency basis were up 20% and up 15% on a reported basis, including EZ-FLO. I would note that this period included a full six months contribution from EZ-FLO compared to only six weeks in the prior corresponding half. Excluding EZ-FLO, constant currency sales were up 6%.

Andrew will talk to this in a moment. But weakness in the British and Australian currencies against the US dollar did impact our reported sales. Results reported in local currency were somewhat stronger. Volumes were up 11% overall. Excluding EZ-FLO, total volumes declined by approximately 2%. Volumes in our core North American and UK markets were underpinned by repair work, which is the mainstay of our business. These are relatively low cost, non-

discretionary repair projects, which are somewhat immune to economic cycles. Volumes were also, supported by a backlog of R&R activity.

We would also, note that the destocking actions by some distributors in the first quarter eased as the half progressed and now appear to have stabilized. We achieved sequential operating margin improvement in the second quarter over the first quarter. Our margins overall were still impacted as peak commodity costs flowed through inventory, particularly copper and zinc. So, half year EBITDA margin was down on the PCP.

We continued to make strong progress in delivering EZ-FLO's revenue synergies through gaining additional shelf space with our distributors. We also progressed the cost reductions we outlined at the time of the acquisition. We delivered stronger cash flow in the half, with operating cash flow increasing by 57%. To wrap up this slide, during the half, we continued to make investments in our manufacturing capability. We also continued our ongoing new product releases, as well as preparing for the new product initiative, which we will be discussing further in late March.

Moving to slide four and here we've set out some of our financial highlights for the half. First, a reminder once again that all our figures are now reported in US dollars unless we specifically note otherwise. Net sales were $601 million for the half, up 15% on a reported basis and up 20% on a constant currency basis. Adjusted EBITDA was up 2% to $128 million. This was an 8% improvement on a constant currency basis. Adjusted net profit after tax at $67.5 million was down 10% on the PCP.

Reported net profit was up 5% on the PCP and included a one-off gain from the sale of a surplus property in the UK. Operating cash flow for the half was $94.3 million, up 57% at a cash conversion rate of 76%. While we saw a decline in our net debt at the end of the period, our leverage ratio was up slightly at 2.12 times. And finally, we have declared an interim dividend of four and a half US cents per share. This is in line with the dividend we paid in the first half of

2022. The dividend will be 10% franked for Australian taxation purposes. Now over to Andrew to discuss our financial performance in more detail.

Andrew Johnson: Thank you, Heath. And hello, everyone. On slide five, we have summarized our financial performance for the half year. As Heath said, our reported net sales were up 15% and on a constant currency basis, net sales were up 20%. Sales growth was driven mainly by the contribution from EZ-FLO and also, price increases achieved globally, which averaged 8.5%. We continued to see high commodity costs impact our margins throughout the half.

As expected, we did see operating margins improve by 90 basis points in the second quarter versus the first quarter. We expect further margin improvement in the second half of the year as we benefit from reductions in the high input cost that impacted results in the first half. In addition, we expect further benefits to the P&L in the second half as we continue to execute on our cost savings initiatives.

We make adjustments to EBITDA this half for two significant items, one being the $15 million gain on the sale of the surplus property in the UK. And the second is an allowance for the one-off costs incurred as we realize the EZ-FLO cost reduction synergies. The main EZ-FLO synergy activity in the half was the closure of three distribution centers in North America. We will be closing a fourth DC at the end of February, following which we will have reduced the combined total of distribution centers from 11 down to seven.

Turning to slide six, we have bridged our adjusted EBITDA performance for the half. Price was the biggest positive influence on EBITDA in the half, followed by volume growth. We continued to see input cost inflation as well as higher costs in our factories. Cost reduction measures help to offset these impacts. The increase in SG&A was mainly due to the inclusion of a full six months of EZ-FLO cost over the period versus just six weeks in the PCP.

On a constant currency basis, adjusted EBITDA was up 8% and up 2% on a reported basis. At the time of our first quarter update in October, we mentioned that we were going to target further cost savings in the business. We've identified an extra $15 million of annualized cost savings that we will look to deliver from FY 2024 onwards. We expect to achieve $2.5 million in savings from this new program in the current financial year. We expect to incur one-off cost to achieve these savings of between $4 million and $5 million in the second half.

The $15 million cost savings program is in addition to the continuous improvement initiatives we already have underway, which we expect to deliver $8 million in savings as we indicated at the start of the year. Additionally, we are on track to deliver the $10 million in EZ-FLO cost synergies by the end of FY 2024 that we outlined at the time of the acquisition.

Let's look now at each of the regions, starting with the Americas on slide seven. Before we get into the segment detail, I would point out that we have made a change in how we show the profit in stock impact in our financial disclosures. For those of you who are not familiar with profit in stock, it is the profit on intercompany sales still in our inventory. So, not sold to a third party. Previously movements in profit in stock were shown in operating margins for each segment, primarily APAC and EMEA. We have now moved this adjustment out of the segment results and into the elimination column in the segment note, which is note two in the financial statements. We have restated prior period comparators to reflect this change and therefore comparisons within the prior period are relevant and consistent.

The Americas recorded 28% sales growth, which included EZ-FLO. Excluding EZ-FLO, sales growth for the half was 6%. We experienced sales growth across all product categories except Fluid Tech, our drinks dispense and water filtration product range. Fluid Tech sales were 23% lower than the PCP due to the strength of the prior period, which benefited from the reopening of the commercial and hospitality sectors post-COVID.

Overall unit volumes, excluding EZ-FLO, were down 2% on the prior corresponding period. Adjusted EBITDA was 26% higher and reflected a full six-month contribution from EZ-FLO. We continued to deliver revenue synergies in the half, mainly through expanding the distribution of EZ-FLO's product range, including gas appliance connectors. We saw a slowdown in EZ-FLO growth in the latter part of the half, reflecting weaker consumer purchases of large appliances. We are on track with the revenue growth opportunities and delivery of the cost savings from the EZ-FLO acquisition.

No discussion of the Americas this time of year would be complete without referencing winter weather. We did have a brief but widespread spread freeze event in the US, including the southern states late in December. However, we don't believe it had a material impact on our results for the half. Nor do we expect it to materially impact results for the full year. While the freeze was severe, it was of short duration and it happened over a holiday season when most people were at home and able to take effective action to counter unexpected leaks.

Let's now look at Asia Pacific on slide eight. Sales growth overall in Asia Pacific was 1% in local currency terms, with external sales up 2%. Volumes in Australia were broadly stable. Intercompany volumes of SharkBite products manufactured in Australia and sold to the Americas were slightly lower. We also had lower sales into China as a result of lockdowns in that market during the period. From a macro point of view, we think the strong growth we have had in the Australian market since 2020 has started to taper off. That's linked in part to the decline in housing commencements, which were 8% lower in the 12 months ended September 30th. Margins were adversely impacted in the half by high commodity costs, given high percentage of brass products manufactured in the Asia Pacific region.

Turning now to EMEA on slide nine. EMEA recorded 6% external sales growth in local currency terms. The UK market held up well, with sales up 10% on the PCP, mainly as a result of higher prices. Volumes were broadly stable. Continental Europe sales were in line with the PCP, with

lower volumes offset by price increases. Continental Europe is mainly a Fluid Tech market for drinks expense and water filtration products. Demand was lower in the first half versus the PCP, which benefited as a result of the reopening of the commercial and hospitality markets. Intercompany sales were 24% lower due to the lower volumes of Fluid Tech products manufactured in EMEA and sold into the Americas. The team in EMEA has done a good job of managing its margins specifically in Q2. Adjusted EBITDA in local currency was flat year on year. Adjusted EBITDA margin was down 100 basis points on the PCP, mainly due to lower volumes manufactured and sold during the period along with higher input cost.

Turning now to our cash flow performance on slide ten. As we've already mentioned, cash flow from operations was up 57%, principally due to lower working capital growth than we experienced in the PCP. Our operating cash flow conversion was 76%. This is an area we will continue to focus on improving in the second half. Key to that, of course, is inventory management. We have maintained high levels of stock through the supply chain disruptions over the last two years. As these have eased, we believe we can unwind some of that inventory, especially now as we come through the US winter season. Another factor which has impacted our inventory build is a stock up of new product inventory ahead of that launch later in this second half.

Turning to slide 11 and looking at our key balance sheet metrics, net debt reduced by just under $18 million in the half, while our leverage ratio was broadly in line with the 2.1 times for the year ended June 30th 2022. We have incurred higher interest costs in this half due to the funding of the LCL and EZ-FLO acquisitions. Rising interest rates have also impacted interest expense. 44% of our debt is on a fixed rate basis and the balance is a floating rate.

So, we are progressively feeling the impact of central bank interest rate rises. We have reduced our capital expenditure forecast for the year from the $60 to $70 million that we indicated at the start of the year to between $55 and $60 million. The reduction is partly a function of some

delays in receiving equipment and also, decisions we have made to ensure we align capacity with demand.

Thank you for your attention. And let me now hand you back to Heath to discuss the outlook for the year.

Heath Sharp: Thanks, Andrew. Moving now to slide 12. I'll conclude with our outlook for the balance of the FY 2023 year. We believe the RWC business is well-positioned. Our exposure to the R&R sector will continue to underpin our volumes. It is important to highlight that our products are most commonly used in low cost, non-discretionary projects and that our brands are widely recognized as the go-to solutions for this type of work. Our ongoing execution focus will deliver cost savings and efficiency gains as we head into FY 2024. And as we unwind inventory that we bolstered during supply chain challenges, we will deliver strong cash conversion.

Looking more broadly, we are encouraged by household balance sheets that are generally in a strong position and that employment rates remain high. But of course, it has to be noted that we face a highly uncertain economic environment. Continuing rises in interest rates and high inflation are both clear risks to consumer confidence. We are certainly mindful of this and the corresponding risk of an economic downturn in any of our key markets.

Looking specifically at each of the regions, starting with the Americas. We believe that underlying volumes in the second half will be down on the prior year due to lower levels of remodeling activity. This is in line with the results and experiences of other remodeling-oriented building products companies. The prior two financial years were particularly strong from an R&R perspective, and we achieved top-line annual growth rates in the order of 20%. A moderation in remodeling activity levels in the face of slowing economic growth is not unexpected. Nonetheless, we continue to believe that we will deliver better than market volume performance regardless of the macroeconomic environment.

In Asia Pacific, lower new housing starts pose a risk to our volume trajectory in the Australian market, and we have seen volume growth moderate through the first half. In EMEA, we have a watchful eye on the UK market. The UK did hold up very well in the first half, better than most were predicting at the start of the period. Nonetheless, the economy remains quite challenging and we are therefore cautious about the volume outlook for the second half.

Within Continental Europe, we think the first half trend of lower volumes will be sustained in the second half. In all our markets, we believe larger remodel projects can be impacted by general consumer confidence. Offsetting that, we continue to expect smaller remodel projects and ongoing repair and maintenance activity to be more resilient.

Let me conclude on slide 13 with our priorities for the balance of the year. On pricing, we've come through a very dynamic two-year period. At this point, we believe our pricing is appropriate relative to the commodity costs we've seen in recent times. In the event we see further cost pressures, we will look to make pricing adjustments as necessary. Cost reduction initiatives will be a priority. As mentioned earlier, we have implemented a new cost reduction program targeting $15 million in cost savings in FY 2024. This is in addition to the continuous improvement initiatives we have underway in this financial year and in addition to delivering on the EZ-FLO cost synergies.

Delivering the improvement in operating margin for the second half is also, critical and it's fair to say that higher operating cash flow and improved cash conversion is absolutely in the spotlight. On the new product front, our ongoing new product program is the backbone of our business and we'll continue to deliver every period. Further, we have output from our long-term development actions to be announced on March 28th. This is focused on our core and will be an important part of our next growth phase. We're excited to settle this out for you next month.

ESG actions remain on our radar and we will pursue the targets outlined in our recent ESG report. During the first half, we took a hard look at our organizational structure, especially in the Americas. We have made a number of changes, which will partially contribute to the $15 million of savings noted earlier. We will be set to head into the FY 2024 year with an operational size and shape appropriate for the near term, while also, able to deliver on our long-term growth objectives.

In summary, we are very focused on executing on those activities we can control to take maximum advantage of the resilient sector in which we operate. And with that, I'll pause and we can open up to questions from those on the call.

Operator: If you would like to ask a question, please signal by pressing star one on your telephone keypad. If you are using a speakerphone, please make sure your mute function is turned off to allow the signal to reach our equipment. Again, if you would like to ask a question, please press star one. And we will take our first question from Lee Power with UBS. Please go ahead.

Lee Power: Hi. Hi, team. Morning or evening. Just digging into your trading commentary. January broadly consistent with trends observed in the first half of 2023. That feels like it's more positive than given what you did in the first half and given your uncertain economic slide, where you give some more details of what you're expecting in the second half. Can you just maybe give it a little bit of color around what you've actually seen in the different divisions? And if that is the case, whether you've seen that kind of fall-off that you're expecting?

Heath Sharp: Lee, thank you. Thanks for your question. Frankly, not a lot to add to the release. I think the comments were trading has been broadly in line with the trends of the first half. But beyond that, nothing to add, really.

Lee Power: Okay. Yep. And then just on pricing, I think you've got a comment in there that despite what we've seen with things like copper, I know that it's come back and it's slightly below 9,000 a ton now that you're comfortable with your pricing. Do you want to give us an idea of what level of copper that you feel that you would start to need to look at pricing increases again?

Heath Sharp: Certainly. So, copper peaked above 10,000, and that's the cost we're seeing. Certainly, in the first quarter, we saw flow through the balance sheet and we had to carry that relative to our pricing the way the timing of pricing was implemented. Copper now, as you've seen, has been hovering around that 9,000 mark. And per our comments in the announcement, we think where our pricing is at today is appropriate for that level of copper and on average the other costs we're seeing at the moment.

Lee Power: Okay. Perfect. And then just a final one. The 15 million additional cost savings, full benefit by 2024, is that 15 million is that achieved in the period? Is that some exit run rate? Like, how should we think about it?

Andrew Johnson: Hey, Lee, this is Andrew. That 15 million is what we would expect to achieve in FY 2024. And that should be very close to an annualized run rate by the end of the year. Within the year, I think we said that we would see two and one half million realized in FY 2023 in this current year.

Lee Power: Excellent. Excellent. Thank you. I'll leave it there. Thanks.

Heath Sharp: Thank you, Lee.

Operator: We will take our next question from Daniel Kang with CLSA. Please go ahead.

Daniel Kang: Good morning, everyone. Heath, I just wanted to expand on your outlook commentary where I guess you're indicating weaker volume in all markets. I understand that that's based on your view of lower remodeling activity. But to what extent do you see further destocking or inventory normalization to be a factor in your lower volume expectations?

Heath Sharp: Thanks, Daniel. We saw that destocking activity eased through the half. It was certainly a feature of the first few months of the year and we spoke about it at the quarter. That did ease as the half went on. It does feel stabilized at the moment and I would also, note that there have been a few other companies in our industry who've made similar comments, whether it be in water heaters or faucets and so, on. So, some movement early on feels as though it's in a more stable position right now.

Daniel Kang: Right, Health. So, fair to say that you're not really factoring in much further destocking in the second half.

Heath Sharp: That's correct. Yes.

Daniel Kang: Right. Right. Andrew, in terms of your cost-out initiatives, just wondering if these targets of 8 million and 15 million in 2023 and 2024 are net of inflationary costs, what inflationary costs should we factor in?

Andrew Johnson: Look, they are not net of inflationary costs. I just want to make that very clear. Look, in terms of inflation, I would expect that let's hope that inflation stabilizes somewhat close to what we've seen in the latter part of the half. That would be my expectation. But of course, there's a lot of factors that come into play. But they are just to make that clear, they are not net of inflation.

Daniel Kang: Thanks for that clarification. Thanks, guys. Pass it on.

Heath Sharp: Thank you, Daniel.

Operator: We will take our next question from Sam Seow with Citi. Please go ahead.

Sam Seow: Morning, guys. Thanks for taking my question. Just a quick one on price. Just want to clarify your outlook. You had, I guess, eight and a half in the first half. Are you expecting that to slow as you cycle the higher comps or are you still pushing through price rises?

Andrew Johnson: Hey, Sam, this is Andrew. We are still working on price. I think EMEA has got a price that will go through in February. And outside of that, and I think you hit the nail on the head. We are comping higher prices in the second half than in the first half. And so, that that rate year over year will decline from eight and a half in that first half to a rate in the second half that's a little less than half of that amount. So, think about something in the 4% to 5% range in the second half.

Sam CL: Got it. Thanks for that. And just on exit rates, it looks like in terms of volumes, at least the second quarter held up okay relative to the first quarter, I guess, is that correct? And then interested as this appears better than R&R more broadly just a comment on, is that kind of market share or your resilience or do you think that's more of a timing issue as the backlog unwinds?

Heath Sharp: Thanks, Sam. I think it's generally resilience of the sector that we're in– the point we made a couple of times in the presentation where it's generally the smaller end of the renovation remodel projects then augmented by repair and maintenance. I think the larger remodel projects are the ones that have slowed. We're not quite as exposed to that. That feels more like residential new construction generally. So, I would say that the nature of that market that we're in is what has helped keep our volumes.

And as we compare our growth, we were up single-digit revenue ex-EZ-FLO. Looking at the industry in general in that fourth quarter, as far as we can tell, the industry looks to be down single-digit revenue. So, there's quite a gap there for us, which we're pleased about. That's one quarter. We think that's a fundamental, but we'll continue to execute and watch how the second half unfolds.

Sam CL: Awesome. And just maybe quickly follow up. So, do you see your margin improvement guidance predicated on that kind of resilient volume assumption, kind of like that low mid-single digit?

Heath Sharp: Well, certainly our margins are volume dependent. There's no question you can see the decline period over period is heavily linked to volume. So, that will always be the case. With the volume in keeping with what we've indicated, which is generally lower volumes on the prior period for the second half, the actions on costs we think is what will drive our margin improvement in the second half.

Sam CL: Thanks, guys. Congrats on the result.

Heath Sharp: Thank you.

Operator: Okay. We'll take our next question from Lisa Huynh with JP Morgan. Please go ahead.

Lisa Huynh: Hi. Morning. Hey. Morning, Andrew. I just got a question on EZ-FLO, actually. Can you talk about the underlying sales growth in EZ-FLO for the second quarter? Just given there was a part period ownership in the PCP.

Heath Sharp: Look, certainly Andrew's just digging through some numbers there. I would say generally that market has – those volumes have come off from where we were originally expecting. Our

growth there is based on share gains, shelf space gain, and we certainly had some projects running through. I think the overall market though has come off similar to the rest of the plumbing market.

Lisa Huynh: Okay. Sure. Yeah. You go, Andrew.

Andrew Johnson: Well, if you take and adjust for the prior year to include a full period of EZ-FLO sales and you're looking at that second quarter revenue is going to be down Q2 of this year versus Q2 of last year, and it's somewhere in that mid-single digit range.

Lisa Huynh: Okay. Sure. Thanks. That's helpful. And then in terms of the new product innovation, look, I know you're launching the product in March, but will there be any sales boost for either FY 2023 or 2024 from the sell-through of this product through the channel?

Heath Sharp: Nothing significant in in 2023. No.

Lisa Huynh: Okay, sure. What about 2024?

Heath Sharp: Yes, we would expect to see benefit in 2024.

Lisa Huynh: Okay, thanks. I'll leave it there.

Heath Sharp: Thanks, Lisa.

Operator: We will take our next question from Brook Campbell-Crawford with Barrenjoey. Please go ahead.

Brook Campbell-Crawford: Thanks for taking my question. Just on this guidance for operating margins to improve in the second half. Do you mind providing us with a range of expectations for that step up that you would expect in the second half?

Andrew Johnson: Hey, Brook, this is Andrew. I don't think we're going to comment on a range of guidance. I do think we're pretty confident that margins will improve. And again, that's given the current trend that we see in volumes and assuming that those continue, albeit it will be down year over year from a volume standpoint, we expect. But when you think about the input cost that we see and we follow that copper through our P&L, that should give us a boost as well as the cost reduction activities that we've been working pretty diligently on and we'll start to see come through in the second half.

Brook Campbell-Crawford: Okay. Thanks for that. And I guess the expectation for improved cash conversion in the second half, do you have a broad range you can provide us on what you expect that to step up to in second half 2023?

Andrew Johnson: We expect that cash conversion would be back to our normal levels in the second half. And for us, normal cash conversion is somewhere in the low 90% range. I think that's kind of how you need to look at second half. We are working very intently on inventory and not just the unit volumes obviously on our shelves will come down. But we also, expect supply chains to continue to normalize, which will allow us to bring down some of our safety stock and we'll reduce in-transit inventory. But think about cash conversion in that normal range in the second half.

Brook Campbell-Crawford: That's great. Thanks. And just last one for me. Note three in the accountancy you give the sales by product category, which is very helpful. Can you just talk through what drove the big increase in HoldRite, which I guess is the installation solutions? Big increase there year over year, if you can provide some color on what drove that and then also,

why the cost of connectivity and sales is underperforming other fittings of the category. Thanks so, much.

Heath Sharp: Dealing with the second part first. There's some pretty significant currency moves due to the [Joh Guest] SpeedFit in the UK being included there and when you adjust for currency that feels more like mid-single digits upwards. I believe that in that installation solutions category, there's some EZ-FLO product as well. EZ-FLO is in our last three – spread across those last three categories, which is certainly moving the needle there.

Brook Campbell-Crawford: Great. Thank you.

Operator: We'll take our next question from Peter Steyn with Macquarie. Please go ahead.

Peter Steyn: Morning, Heath and Andrew, thanks very much. Could I ask for you to just step through the $15 million cost reduction intent in a little bit of detail? So, where is it coming from what are you hoping to achieve at a more specific level? Because obviously this is going to be on top of everything, you've done in a supply chain context post-EZ-FLO.

Heath Sharp: Yes, certainly. Look, first thing I would say there is the thinking in relation to our CI goals for the year and also, EZ-FLO synergies were based on higher volume production, all still entirely valid. But as the volumes come off, it really means there's additional things you can look at and that's what's driving that 15 million. But I would step through there's really four broad categories, I guess.

First of all, operating efficiencies. So, we looked at the factories. We always will aim for operating efficiencies and I think a situation like this forces you to look harder and be perhaps a little more aggressive than you normally would. I would also, say, though, that we are going to take advantage of automation, which we've implemented over the last 18 months. The timing of

that is quite good. And with a lower volume, it actually allows us to put a greater proportion of our production through automated assembly versus manual assembly. So, that's the first category.

Second one, supply chain. There has been, as you know, a whole lot of disruption there. And we've had to put a lot of additional time and effort and people and tools and floor space and whatever else to work over the last period. We are really focused on that area. And that will also, yield additional savings to where we were first thinking. We are, of course, working closely with our vendors, leveraging our volumes better where we can, and that's particularly relevant, I would think with EZ-FLO.

So, beyond what we were originally thinking with EZ-FLO and looking at where we can utilize their volumes in conjunction with our volumes and also, how we can use their team. They have a strong sourcing team here in the US, but also, a strong sourcing team in China. So, how can we use those teams to yield more than what we originally had on the radar?

And then finally making changes to the structure of the organization and clearly, we're talking our people here and this is definitely the most painful part of this. Look and I think if I can take a moment, it's worth elaborating a little more on this structural side of it for our two largest regions. Americas first, I would say this actually is a good time for a change in leadership. So, Will Kilpatrick, as you know, is leading the Americas organization now.

He has led his team really well through the assessment of where we're at. There is a real benefit in a fresh set of eyes. They started with the proverbial blank sheet of paper in determining what the organization should look like and what they've set out is good. I think they're absolutely on the right track. I think it's sufficiently tight and streamlined to get through the near term, but it's appropriate for us to remain focused on the core product from a development point of view and to drive future growth. Restructure, as you know, Peter, it needs some tough decisions. They fronted them, they made them, and now they're managing through it.

Interesting to compare to EMEA. That market got tougher earlier, so, they really were mobilized some months ago, also, fronting those challenging decisions. An example, the headcount in EMEA, as we speak, is down around 10% from the original plan. So, they haven't reduced the headcount by 10%, they've just held a freeze and really tightened the range. As I mentioned, more automated assembly coming through utilizing that CAPEX we've spent there in the last 18 months or so, and the benefit of that automation and that really tight management I think really came through in these results today. So, their volumes have declined quite an amount from the peak and their margin rate held to 32%, I think that's a great outcome. Certainly a credit to Edwin and his team over there.

So, although we're at different places, we do know what to do. We do know what levers to pull. Many of us have been through this before albeit some years since we've last had this situation and we're just getting on with it. So, sorry for taking a few extra minutes there, but there's a lot in it. And we really have got our arms around it and are getting on with it, Peter.

Peter Steyn: Thanks, Heath. That was useful. And then just a quick one for Andrew. Following up on the cash conversion comment you made earlier. If you've got supply chain normalization, wouldn't you expect inventories in a broad sense to come down? Now, I realize that there's obviously price that's higher. But would you not expect not just a conversion improvement, but an absolute reduction in your net working capital in due course?

Andrew Johnson: Hey, Peter. Yes, I would agree with you that as supply chains normalize, you would expect inventory to come down. That's correct.

Peter Steyn: So, the fact that you would still just go to a normalized level of cash conversion as opposed to an outsized level of cash conversion, does that presuppose that there's other movements in the opposite direction?

Andrew Johnson: Look, I would hope we would do better than what I've stated. But at this point, in terms of providing an expectation, I would say that it's back to normal levels in the second half. There will be, as we've seen in the first half, there will be an increase in inventory associated with the new product launches and we'll obviously talk more about that in March. But that's one thing that would offset, for example, the supply chain normalizations.

Peter Steyn: Okay. And sorry. Last quick one. The willingness of channel to take further price adjustment. If you were to come to that, could you describe your expectation there?

Heath Sharp: I think we would tackle it the same way we have in the past. I think we've shown a good track record there. We got eight and a half in this period, was on top of a period where we had 7.5 or 7.9 or thereabouts. So, I think the strength of our brands, the importance of our – or the significance of our products in an overall portfolio for a distributor is – and look, the nature of the products, frankly, is such that we are certainly prepared to have whatever discussions we need to have.

Peter Steyn: Thanks, Heath. I'll leave it there.

Heath Sharp: Thank you, Peter.

Operator: We will take our next question from Simon Thackray with Jefferies. Please go ahead.

Simon Thackray: Morning, Heath and good morning, Andrew. Thanks for taking the questions. Thanks for the slide on page six just in terms of and market exposures. I just want to confirm you say you've got repair there in the Americas at around 55%, 60%, is that right of your end market exposure? Just want to confirm that.

Heath Sharp: Around 60. I think we said at Investor Day at 20-20-60. So, yeah.

Simon Thackray: Yeah. Okay. And EMEA has sort of combined in R&R at around 80% or so, but just there's nothing there on APAC. I just want to confirm has that been – in terms of the end market exposure for APAC, we're still more leveraged to new.

Heath Sharp: Yeah. Yes, that is absolutely correct. So, a little more than half of our external sales. So, not into company in Australia are new construction and I think it puts it globally at about 5% of our total business or thereabouts.

Simon Thackray: Yeah, that's perfect. Thanks. I just wanted to make sure I'm still on the right page on that one. So, thank you. And then just in the discussion you've given them. And Andrew, thank you for the briefing on pricing as well. Other than the EMEA price rise in February, which you've called out and I think you've answered Sam's question to say, look, pricing will comp 4% to 5% in the second half versus second half 2022, I think that's my understanding. So, just to confirm, other than that EMEA pricing, you think the pricing is right we're not to expect any further pricing in this second half. I'm only asking that question against the background inflation that you've still got wages and other things that are still weighing. But is that – am I clear on that? No further pricing in the second half.

Heath Sharp: I think that number that Andrew shared there is correct. I would say, though it's certainly not correct to think that it's a static environment. It is by region, by product group, by channel. It is we will assess it on an ongoing basis. So, I think at this particular point in time and especially from an Americas point of view, our biggest market, I think where our prices are today are appropriate for the cost we're seeing today. Now we've got lags and so, on for that to flow through. But I think in terms of your ability to talk more pricing or frankly, your ability to resist requests for price reductions, at the moment, it's about right. So, there's nothing to talk about in terms of giving anything up.

But I think there's also, today nothing to talk about in terms of moving upwards. Copper moves from 9 to 10 and onwards. There's a conversation to have, for sure. Resins, which – resins are tough because they do move around a little bit and there are so many that we have to take a weighted average approach. But resins move upwards again, then there's got to be a conversation there. And look, as you say, there is wage inflation, there's health insurance and so on. And frankly, our CI programs and our cost savings become quite important in relation to those costs and that's where we are mobilizing.

Simon Thackray: Yeah, no, that's fair. And just in terms of your customer relationships, which have always been very good you still in terms of DIFOT and all your metrics and winning awards and all that sort of stuff, no change there. It's just a discussion about demand and price and the usual can you drop your price because we want to keep our margins? Is that where we are?

Heath Sharp: I'd like to think we spend more time talking about new products and shelf space and opportunities to improve the productivity of our distributors footprint. And look, by and large, that is where most of our conversations are right now. There's that admin stuff you have to deal with, of course, but no, I think we like that we're coming through what has been a really disrupted supply chain period so, that we can get back to expanding the right amount of effort on delivering the products. And therefore, turn all of our attention to the future in new products and new opportunities but the state of the relationships remain solid.

Simon Thackray: That's great. Thanks, Heath. And it wouldn't be an RWC call without talking about M&A opportunity. It's been a core part of the growth strategy just in terms of – and I'm not suggesting you're about to make an acquisition, but just in terms of your observation of people's expectation and valuation multiples and the current market for bolt-on opportunities.

Heath Sharp: It certainly remains an important part of our M&A out of our overall strategy filling gaps in our product range. I think it's quite variable out there at the moment in terms of expectations. I think in some places they've reached sensible levels. There's still some pretty amazing deals getting done, although they tend to be at the so-called transformational end of things. Where we play, I think it's feeling reasonably sensible. But this is a long-term ongoing activity for us, of course.

Simon Thackray: That's terrific. Thanks, gents for your time.

Heath Sharp: Thank you, Simon.

Operator: We will take our next question from Peter Wilson with Credit Suisse. Please go ahead.

Peter Wilson: Thanks. Morning. Just to start with EZ-FLO, you noted deteriorating sales in the second quarter due to slowing appliance sales, can you give us an idea of just how weak those trends are for EZ-FLO and perhaps compare them to what was in the business case when you acquired the business?

Heath Sharp: If I could just jump in first Peter, this is Heath. I would say that market generally is closer on average to the broader plumbing market. I spoke before about the where our core legacy products reside have been up single digits, whereas the overall revenue, whereas the overall market looks like it's off single digits revenue. The EZ-FLO core business feels more like that on an ongoing basis.

Of course, what we said at the time of acquisition is that we thought we could grow it faster than market. We said 10% growth. We certainly still believe we can outgrow the market based on share gains as we gain shelf space and so, on, and those projects are underway. We've had some wins. There's additional activities that we will be rolling out in the coming quarters. So, we

think we can out-comp the market. The market, though, is at a different position to where we started.

Peter Wilson: Okay. That's good. And Andrew, just to follow up some earlier questions on these, the costs out for FY 2024. Should we expect the 15 million cost savings is that on top of continuous improvement? And therefore, might we expect continuous improvement to take care of inflation and then the cost reduction to come on top of that, or is that not correct?

Andrew Johnson: So, we haven't really taken a look at continuous improvement for FY 2024, and we'll certainly do that before we report year-end results when we speak in August. We'll continue to look and continuous improvement really should be part of the narrative on an annual basis. But at this point, we just don't have a line of sight whether we're going to have continuous improvement on top or not of what is a pretty significant cost reduction effort in the 15 million that we've talked about.

Peter Wilson: Okay. And perhaps just looking backwards so, the half just gone. So, there's a slide six, ten and a half million increase in manufacturing costs, which exceeded the 6.2 million cost reduction. Manufacturing costs, how much of that was EZ-FLO versus the underlying business? And yeah, what's the kind of expectation looking forward there?

Andrew Johnson: Yeah. EZ-FLO within that bucket is going to probably end up being a couple of million of that number. When you show that 10 million, that's increasing cost within the factory. So, that's going to be higher cost of things like MRO, spare parts, higher wages that we've paid the employees in the factory and also, higher cost for services as well. Lower volumes also, impacted recoveries and therefore, we had some efficiency cost in the first half, and that's also, part of that $10 million number.

Peter Wilson: Good. Okay. I'll leave it there. Thank you.

Heath Sharp: Thanks, Peter.

Operator: We will take our next question from Harry Saunders with E&P. Please go ahead.

Harry Saunders: Hi, guys. Thanks for taking my questions. Firstly, I just wanted to get back on to price of that 4%, 5% you talked about in the second half. We can see what the EMEA price rises put through been, obviously well in excess of that range. So, perhaps can you just break down what price realization you're expecting in EMEA for the second half and for Americas?

Andrew Johnson: Hi, Harry. We really don't want to give too much of a breakdown by region. When I talk about 4% to 5% price comp in the second half, that's going to include what the EMEA region did in February. But it's also, going to include pricing actions that took place late in FY 2021 last year, as well as the first part of this year. And so, that would include really all regions, APAC and the Americas in terms of some of the things that we've done earlier this year or either late last year.

Harry Saunders: Sure. And would that also, include the price notification today in March for APAC?

Andrew Johnson: Yes.

Harry Saunders: Right. Thank you. And the next question I had was it's great to see the margin improvement quarter on quarter sequentially, but I noticed APAC margins actually went backwards about 110 basis points in the quarter. Could you just talk through what happened there and what the expectations are in the second half for APAC?

Andrew Johnson: I think the APAC margins were down. I think that recoveries in the factories were certainly impacted as we look to bring down inventories overall. That certainly played a part. I

think the biggest impact is just the higher copper cost given the amount of brass product that's produced in Australia. I think we would expect margins in all of our regions to improve around the fact that copper prices should come off a bit in the third quarter in the P&L because if you look back six months ago that drove a peak in Q1 and that kind of remained flat into Q2.

And then we should see the benefit when copper dipped, we should see that in Q3. But then of course, it's come back up again. So, sequentially, Q4 commodity impacts will be a little bit higher than Q3. But generally speaking, those commodity improvements should drive an improvement in margin in APAC as well as the overall group.

Harry Saunders: Great. Thank you. And just lastly, on EMEA volume trends, it looks like the UK had pretty strong new construction volumes and also, R&R volumes in the half. Just wondering where that's tracking now and also, just how you think you perform relative to the market there.

Heath Sharp: Look, that's our most interesting market, Harry, for sure has been for a while. It's the one we specifically call out as one we were watching. I don't think we've got anything, in particular, to offer beyond what we've already said there, to be honest.

Harry Saunders: Thanks, guys.

Heath Sharp: Thank you.

Operator: We will take our next question from Keith Chau with MST Marquee. Please go ahead.

Keith Chau: Hi, Heath. Hi, Andrew. Thanks for all the details so, far. Just a couple of quick ones for me. The first one with respect to the new product launch, I know we'll be talking about that more in March, but can you confirm whether it is the expansion fitting set or it's a new product set outside of that?

Heath Sharp: Look Keith, we'd really like to leave that to March. There's multiple years' worth of effort gone into this, and this forum really doesn't do it justice to try and expand or explain what we're doing and why. So, if you don't mind, we'll I'd like to cover that one in full details next month.

Keith Chau: Yeah, that's fine. Fair play. Thanks, Heath. The second one, just on Will's influence on the North America business. He obviously had quite a strong hand integrating the John Guest business when it was acquired. And he spend a bit of time in EMEA to get that running smoothly. Can you give us a sense and I know you've started talking about this before, but can you give us a sense of what are some of the new disciplines that Will has brought to the North America business? Has there been any notable change in terms of what the key focus or priorities are and his influence in the business over the last call it six months since he's joined or maybe less than maybe five months?

Heath Sharp: Sure. Thanks for the question. Look, Will generally, I think, benefited from spending a couple of years working with Edwin. Edwin is really quite a good operator. And I think if you look at the UK or the EMEA numbers for this period, it's easy to gloss over those UK numbers, but my goodness, there is some really hard work there and some great expertise to deliver those numbers and Will lived in that environment for two years.

So, I think he's certainly bought back the thinking and that operator mindset, very detailed focus, wants to jump in the details, understand how the business works. And I think there's an element, as I said, of a fresh set of eyes jumping in and looking at things differently and questioning things is the real benefit. But I think you come through ten years of really solid growth and then volume tweaks down from that peak. It's the right time to have a really close look at the business and streamline where you can and I think he's done that.

Keith Chau: Okay. That's great. Thanks for the detail, Heath. That's it for me.

Operator: We will take our next question from Shaurya Visen with Bank of America. Please go ahead.

Speaker: Hi, Heath. Thank you for taking my question. I have two quick ones. So, I just wanted to get some more color on your outlook on the US R&R market. Now, some of your peers that have provided the calendar year 2023 guidance have talked about a 5% to 10% decline in the market. From what you see in your order book and hear from customers, are you seeing a similar number?

Heath Sharp: Certainly. I think the broader market, when you roll it all in together, the broader market in the US feels like it's down single digits in some sectors, even solid single digits on a revenue basis, which must put it into double digits on a volume basis. When you break that down though, across residential new construction, large remodel, the smaller remodeling projects, which is here we live.

And then certainly in repair and maintenance, maintenance, you can – you dig into the numbers on maintenance and it's almost linear from 20 years back year on year as it happens. Repair's a little more variable than that and then the small remodel again and onwards. But that is the end that we play in, which is the benefit that we're getting. But I think that broader plumbing market feels from a revenue point of view like it's down single-digit numbers for sure.

Speaker: Thank you, Heath. That's very helpful. Just checking on the headcount. Just want to go back to your comments that you made on the 10% headcount reduction in EMEA on hiring freeze. Can you also, just give us a sense of what your group-level headcount change is? Thank you.

Heath Sharp: So, I would say, just to be really clear, is that 10% headcount number was a variation from their original plan. They have not reduced their headcount by that much. That plan, if you think for this financial year, really we started putting that together back in March, April time and the world has moved quite dramatically in the subsequent period. So, they have had a freeze in place. So, they have reduced their numbers somewhat. But overall it's relative to the plan. Certainly, it varies by region what we're doing and the actual headcount reductions vary from 2%, 3% to 5% range is where we're at.

Speaker: Thank you, Heath.

Operator: At this time, there are no further questions. Mr. King, I'll turn the conference back over to you for any additional or closing remarks.

Phil King: Heath, just one question online. Will the $15 million cost savings program impact customer service levels at all?

Heath Sharp: Oh, that absolutely will not be the case. So, delivering for our customers absolutely critical. Making sure that we're continuing to work on those key core products that drive our business two, three, four years out is also, key. So, we've been very selective in where we've made those changes.

Phil King: Thanks, Heath. There were no other questions on the webcast.

Heath Sharp: Okay. Thank you, Phil. With that, I think we will wrap up. Thank you very much, everybody. Appreciate your time this morning. Have a good day.

Operator: This concludes today's call. Thank you for your participation and you may now disconnect.