

ASX ANNOUNCEMENT

26 October 2021

TRADING UPDATE FOR QUARTER ENDED 30 SEPTEMBER 2021

Reliance Worldwide Corporation Limited (ASX: RWC) (“RWC” or “the Company”) has today provided a trading update for the three months ended 30 September 2021¹.

RWC experienced sales growth over the prior corresponding period (“pcp”) in all three regions, with reported net sales up 8% overall to \$246 million². Operating earnings³ represented by Earnings before Interest and Tax were 5% higher over pcp, and up 4% on an Adjusted basis⁴.

Underlying demand remained strong in all three regions, reflecting continuing consumer investment in home improvement that has driven repair and remodelling activity. However, supply chain issues relating to shipping and freight delays, materials shortages, and delays elsewhere in the construction sector have constrained top line growth rates. This has been particularly acute in the UK where a shortage of transport drivers coupled with materials supply constraints is adversely impacting residential construction and remodelling activity.

As we foreshadowed in August at the FY21 results announcement, operating margins were lower, impacted by price rises introduced to cover input cost inflation particularly copper, resins, and steel. Other cost pressures including shipping and freight along with rising energy costs also negatively impacted margins.

Net debt of \$160.3 million at 30 September 2021 was lower than the pcp but was \$29.9 million higher than at 30 June 2021. This was due to payment of the \$28 million purchase price on completion of the LCL acquisition in August, as well as higher capital expenditure and planned inventory increases. Inventories have grown versus pcp with investments to help mitigate on-going supply chain issues and to improve our ability to service our customer base.

At quarter end RWC had \$408 million of cash and unutilised committed facilities available. The total limit available under its syndicated facility agreement has been increased by A\$100 million to A\$850 million. The additional tranche has a maturity date of 30 September 2023. RWC expects to have headroom of approximately US\$127 million following completion of the EZ-FLO International acquisition⁵. RWC remains in compliance with the terms of its borrowing agreements.

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 FY22: Adjustments exclude one-off items of LCL acquisition costs and the gain on sale of the StreamLabs business.

⁵ See separate ASX announcement dated 26 October 2021.

GROUP (US\$ million)	Q1 FY22	Q1 FY21	Variance Q1-22/Q1-21	Variance Q1-22/Q1-20	2 Year CAGR Q1-20: Q1-22
Net sales	246.0	227.1	8.3%	28.6%	13.4%
Reported EBITDA	66.3	63.5	4.4%	65.8%	28.7%
EBITDA Margin (%)	27.0%	28.0%	-100bp		
Adjusted EBITDA	65.5	63.5	3.1%	63.7%	28.0%
Adjusted EBITDA Margin (%)	26.6%	28.0%	-140bps		
Reported EBIT	56.2	53.3	5.4%	78.3%	33.5%
EBIT Margin (%)	22.8%	23.5%	-70bps		
Adjusted EBIT	55.4	53.3	3.9%	75.8%	32.6%
Adjusted EBIT Margin (%)	22.5%	23.5%	-100bp		
Net Debt	160.3	178.3	-10.1%		

RWC Group Chief Executive Officer, Heath Sharp, said underlying demand in all markets had continued to be firm in the first quarter of the 2022 financial year, with every region recording sales growth on top of very strong prior period comparatives.

“The demand drivers associated with increased repair and remodelling activity have continued to underpin volumes, and the significant step up in demand we saw in FY21 has consolidated at these higher levels. Looked at on a 2-year comparative basis, our first quarter sales were 29% higher than for the same period in FY20.

“Supply chain constraints including shipping delays, freight and logistics disruptions, and raw materials shortages, have all been headwinds in the first quarter that have suppressed volume growth. While these have not always impacted RWC directly, they are having a knock-on effect throughout the construction sector.

“As expected, our operating margins were lower, reflecting price increases we have achieved to offset raw materials cost rises together with other cost pressures that are yet to be fully offset. Further price increases are being implemented in the current quarter and we will also be pursuing cost reduction initiatives to help counter these cost pressures. We expect that during the course of the year we will be able to offset commodity cost increases. Given how dynamic the current environment is, there will typically be a lag between cost rises and price increases.

“We saw a modest increase in net debt in the quarter. This was principally due to the completion of the LCL acquisition in Australia and was also a result of planned increases in capital expenditure and inventory levels. Following completion of the EZ-FLO International acquisition, we expect our ratio of net debt to EBITDA will be around 1.78 times which will be comfortably within our target leverage range of 1.5 times to 2.5 times,” Mr Sharp said.

SEGMENT RESULTS

AMERICAS (US\$ million)	Q1 FY22	Q1 FY21	Variance Q1-22/Q1-21	Variance Q1-22/Q1-20	2 Year CAGR Q1-20: Q1-22
Net sales	148.9	142.5	4.5%	27.4%	12.9%
Adjusted EBITDA	27.7	29.9	-7.4%	71.3%	30.9%
Adjusted EBITDA Margin (%)	18.6%	21.0%	-240bps		
Adjusted EBIT	23.6	25.8	-8.5%	76.7%	32.9%
Adjusted EBIT Margin (%)	15.8%	18.1%	-230bps		

- Sales in the **Americas** were 4.5% higher than pcp, driven primarily by price increases and new product revenues.
- Product volumes were slightly lower than the pcp, due to supply chain impacts on raw materials and components availability, and also due to changes implemented by a retail channel partner, Lowe's, to their distribution processes. These changes have meant that inventory is cross-docked same-day through Lowe's regional distribution centre network and on-forwarded to their stores, rather than being warehoused pending final delivery to stores. As a result, Lowe's has been able to reduce its inventory levels in its distribution centres without adversely impacting stock availability in store. Adjusting for this one-off impact, America's sales growth would have been approximately 12% for the quarter.
- RWC continues to have strong relationships with its customers based on product leadership, in-stock position, and service levels that were recently recognised by two key customers. In October, RWC was named Lowe's Vendor of the Year in the Rough Plumbing Category, the third occasion in four years that RWC has been awarded this accolade. In September, RWC was named by Do It Best, the second-largest U.S. member-owned hardware, lumber, and building material cooperative, Plumbing Vendor of the Year, for the second time in five years.
- Operating margins reduced largely as a result of the impact of higher prices which have only offset commodity cost inflation, and which were dilutive to overall margins.

ASIA PACIFIC (A\$ million)	Q1 FY22	Q1 FY21	Variance Q1-22/Q1-21	Variance Q1-22/Q1-20	2 Year CAGR Q1-20: Q1-22
Net sales	80.6	69.2	16.5%	19.8%	9.4%
Adjusted EBITDA	18.3	16.6	10.2%	40.8%	18.7%
Adjusted EBITDA Margin (%)	22.7%	24.0%	-130bps		
Adjusted EBIT	14.9	13.4	11.2%	60.5%	26.7%
Adjusted EBIT Margin (%)	18.5%	19.4%	-90bps		

- **APAC** sales in the first quarter were up 16.5% in constant currency, reflecting strong domestic demand in Australia and continued growth in inter-company sales to the Americas.
- Domestic demand in Australia continued to be strong throughout the quarter, driven by increased new residential construction activity and continued investment by homeowners in remodelling activity. Construction industry shutdowns in New South Wales and Victoria as a result of COVID restrictions did not materially impact sales revenues during the period.
- Operating margins were adversely impacted by margin dilutive price increases together with negative profit in stock adjustments.

EMEA (GBP million)	Q1 FY22	Q1 FY21	Variance Q1-22/Q1-21	Variance Q1-22/Q1-20	2 Year CAGR Q1-20: Q1-22
Net sales	54.3	49.8	9.0%	15.0%	7.2%
Adjusted EBITDA	17.6	16.7	5.4%	31.6%	14.7%
Adjusted EBITDA Margin (%)	32.4%	33.5%	-110bps		
Adjusted EBIT	15.2	14.0	8.6%	38.5%	17.7%
Adjusted EBIT Margin (%)	28.0%	28.1%	-10bps		

- **EMEA** recorded 9% constant currency sales growth for the first quarter. Continental Europe sales were up strongly as economies opened up fully, benefitting the water filtration and drinks dispense product ranges. UK volumes were impacted by a return to typical vacation patterns in July and August, with lower activity than in the pcp when the UK had been in recovery mode following COVID lockdowns earlier in 2020.
- While underlying demand drivers in the UK remain robust, supply chain constraints continue to be challenges in the construction sector. Transport driver shortages, availability of materials, and other supply chain impacts are adversely impacting activity levels, leading to the postponement of some residential construction activity including remodelling.

OUTLOOK

The outlook for RWC's key markets in FY2022 remains positive from a demand perspective. Market fundamentals continue to signal steady demand underpinned by the trend of increased expenditure on home remodelling activity and heightened levels of new home construction. Supply chain constraints are having a smoothing effect on overall activity levels, thereby helping to potentially prolong current demand levels.

From an operational perspective, shipping delays, materials shortages, rising costs for copper, steel, resins and packaging, higher freight and energy costs, and other supply chain impacts are likely to remain headwinds for much of FY2022. These headwinds will likely be strongest in Q2 and then lessen in Q3 as we recover those increased costs through further price increases and cost reduction activities. RWC believes it is well placed, however, with its local manufacturing operations and strong track record of class-leading customer execution to navigate these challenges and respond to customer needs.

There have been no changes to the key assumptions for FY2022 outlined in the full year earnings announcement dated 23 August 2021, except as follows:

- Net interest expense is now forecast to be in the range of \$11 million to \$13 million for the year as a result of higher debt levels following the EZ-FLO International acquisition.

INVESTOR CALL

RWC management will conduct a conference call at 10.00am AEDT on 26 October 2021 to answer questions relating to this trading update and to discuss RWC's acquisition of EZ-FLO International which has also been announced today. Details are provided on the following page.

ENDS

For investor enquiries, please contact:

Phil King
Group Investor Relations Director
+61 499 986 189

For media enquiries please contact:

Ben Wilson
GRACosway
+61 407 966 083

This document was approved for release by the Board.

**EZ-FLO INTERNATIONAL ACQUISITION & FIRST QUARTER FY22 TRADING UPDATE
MANAGEMENT CALL DETAILS**

TIME ZONE: MELBOURNE, SYDNEY (AEDT)

DATE / START TIME: 26 OCTOBER 2021: 10:00AM

WEBCAST DETAILS:

https://event.webcasts.com/starthere.jsp?ei=1507201&tp_key=30fd9b6825

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.

AUDIO CONFERENCE DETAILS:

For those who like to join the conference via audio call, please join the event conference 5-10 minutes prior to the start time using the Participant Passcode listed below:

Participant Passcode: 304163

Location	Phone Type	Phone Number
Australia	Tollfree/Freephone	1 800 590 693
Australia, Brisbane	Local	+61 (0)7 3105 0937
Australia, Melbourne	Local	+61 (0)3 8317 0929
Australia, Sydney	Local	+61 (0)2 7250 5438
Hong Kong, Hong Kong	Local	+852 3008 1533
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United States/Canada	Tollfree/Freephone	866-519-2796