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ASX Announcement

20 February 2023

RWC REPORTS RESULTS FOR SIX MONTHS ENDED 31 DECEMBER 2022

SALES RISE 15% TO US$601.3 MILLION

NET PROFIT AFTER TAX RISES 5% TO US$66.6 MILLION

Highlights:

- 15% growth in Net Sales to US$601.3 million over the prior corresponding period ("pcp")
  - **Americas** growth of 28% over pcp including full six-month contribution from EZ-Flo
  - **Asia Pacific** constant currency sales up 1% on pcp, external sales up 2%
  - **EMEA** constant currency sales up 3% overall, UK sales up 10%
- Adjusted EBITDA[1] of US$128.1 million, up 2% on pcp
- Adjusted net profit after tax[1] of US$67.5 million, down 10% on pcp

Reliance Worldwide Corporation Limited (ASX: RWC) ("RWC" or "the Company") today announced Net Profit after Tax ("NPAT") of US$66.6 million for the six months ended 31 December 2022 (up 5% on pcp) and Adjusted NPAT US$67.4 million (down 10% on pcp).

RWC will pay an interim dividend of US4.5 cents per share, in line with the dividend paid in the pcp.

Sales growth of 15% reflects a full six-month contribution from EZ-Flo which was acquired in November 2021. Reported sales were adversely impacted by the strength of the US dollar against the Australian dollar and British pound, and constant currency sales were up 20% on the pcp. Sales growth in all regions was driven partly by price increases introduced to offset rising input and other cost increases, with average price increases of 8.5% achieved compared with the pcp. Volumes were 11% higher overall, chiefly due to the EZ-Flo acquisition. Excluding EZ-Flo, volumes were down 2% overall.

Operating earnings (EBITDA) for the period were US$139.3 million, 16% higher than pcp. Results for the period included a US$15.0 million gain on sale of a surplus property in the UK, and costs of US$3.8 million incurred in the realisation of EZ-Flo cost reduction synergies. Excluding these items, Adjusted EBITDA was US$128.1 million, 2% higher than pcp and up 8% on pcp in constant currency.

Operating (EBITDA) margins were impacted by lower volumes and higher costs. Higher input costs impacted margins due to the timing lag between materials purchase and consumption and the sale of finished goods. Other cost increases including energy and wages also adversely impacted margins. The easing of some input costs since their peak in mid-2022 is expected to help improve operating margins in the second half of FY23.

Cashflow from operating activities increased 57% to US$94.3 million, and operating cash flow conversion was 76% of EBITDA versus 50% in the pcp. Higher levels of inventory were maintained to mitigate shipping and logistical delays. Production of new product inventory ahead of commercial launch later in FY23 also impacted inventory levels. With supply chain and logistics pressures having eased, RWC is seeking to reduce inventory levels in the second half of FY23.

[1] EBITDA (earnings before interest, tax, depreciation, and amortisation), Adjusted EBITDA and Adjusted NPAT are non-IFRS measures used by RWC to assess operating performance. These measures have not been subject to audit or audit review.

RWC Chief Executive Officer Heath Sharp said demand in the first half had proven to be resilient despite challenging economic conditions.

“Our core business is oriented towards repair and remodel work, and this has underpinned volumes through the half. Following two exceptionally strong years, however, we have seen demand moderate in each of our markets.”

America’s sales were up 28% reflecting a full six month’s contribution from EZ-Flo versus 6 weeks contribution in the pcp. Excluding EZ-Flo, sales were up 6%, with higher prices offsetting a 2% decline in volumes versus the prior half. EZ-Flo continued to deliver volume growth through expanded distribution of its appliance connector product range.

In EMEA, local currency sales were up 3% overall, with external sales up 6%. The UK market performed strongly despite a subdued economic backdrop, with sales up 10% driven mainly by price increases while volumes were stable. Continental Europe sales were in line with the prior period, with lower volumes offset by price increases.

Sales of water filtration and drinks dispense products were lower in both the Americas and EMEA following a period of strong growth in the prior period as the commercial and hospitality sectors reopened post Covid.

Asia Pacific external sales were 2% higher, with growth in the Australian market slowing considerably in the latter part of the half.

Heath Sharp said that higher commodity prices and lower volumes had negatively impacted margins.

“This was a period when margins were significantly impacted by the sell-through of products manufactured when commodity costs were at their peak. Despite this, second quarter operating margins improved on the first quarter. We expect further improvement in the second half of FY23 as the lower input prices of the past six months flow through to product sales.

“We have also undertaken a thorough review of our cost base which has identified approximately $15 million in annualised cost savings. We expect to see the full benefit of these in FY24. This is in addition to the $8 million in cost reduction initiatives we are on track to deliver this year, along with further EZ-Flo cost synergies.

“We were pleased with the 57% increase in cash flow from operations and are targeting further cash flow growth in the second half. Improving global supply chains means we will start to unwind the buffer inventory we have been carrying to protect our customer service levels. This will help further drive our cash flow performance.”

Additional information

Please refer to the Appendix 4D, 31 December 2022 Interim Financial Report, Operating and Financial Review (attached) and presentation slides released today for additional information and analysis. These documents should be read in conjunction with this and each other document.

ENDS

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This document was approved for release by the Board.