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ASX Announcement

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FIRST QUARTER TRADING UPDATE

ONGOING RESILIENCE OF REPAIR AND REMODEL ACTIVITY UNDERPINS FIRST QUARTER

Reliance Worldwide Corporation Limited (ASX: RWC) ("RWC" or "the Company") is providing the following trading update for the first quarter of the 2024 financial year at the Annual General Meeting being held today in Brisbane, along with an updated outlook for the full year.

First Quarter Trading Update

First quarter trading in the Americas has been in line with our expectations. In the outlook we issued with our annual results announcement in August, our expectation was that full year sales in the Americas would be down on the prior corresponding period ("pcp") by low single digit percentage points. Sales activity in the first quarter of FY24 has been consistent with this.

Overall market conditions in the US have remained stable relative to recent periods. However, residential remodelling activity in the US continues to face headwinds from high interest rates, softening house price appreciation, and lower existing home sales. The decline in existing home turnover is causing a decline in the remodelling and repair activity that typically occurs around the time of a home sale.

In Asia Pacific, first quarter trading is also in line with our expectations, with sales down by mid-single digit percentage points. Repair and remodel activity has remained resilient, partly offsetting the 17% decline in Australian new housing commencements[1]. Intercompany sales were also lower due to the transfer of SharkBite Max production to the US.

Our expectation for EMEA in FY24 was that macroeconomic conditions would be more challenging compared with RWC's other two regions. This has proven to be the case, and we have seen a further deterioration in trading conditions in both the UK and Continental Europe in the first quarter versus FY23.

In the UK, higher interest rates are impacting house values, housing turnover, new home sales, and consumer confidence. We noted a slowing of UK demand in the fourth quarter of FY23 and demand has slowed further into FY24. While plumbing and heating sales in the UK are down on the pcp by low single digit percentage points, we have seen a more significant decline in sales of other specialty products in the UK. FluidTech sales in Continental Europe are down as expected, reflecting weak trading conditions in key markets. EMEA external revenues for the first quarter were down on the pcp by approximately 10%.

[1] Source: Australian Bureau of Statistics, 12 months to 30 June 2023

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Outlook for FY24

In the Americas, we continue to expect sales to be down on the pcp by low single digit percentage points. This is in line with the guidance we provided in August.

Similarly, our expectations around Americas operating margins are unchanged. For FY24 as a whole, we expect EBITDA margins to be higher than FY23, following the progressive transfer of SharkBite manufacturing and assembly from Australia. The phased timing means this will be more evident in the second half of FY24.

In Asia Pacific, the 17% decline in Australian new housing commencements will impact demand in FY24, and we expect APAC external sales in local currency to be down by low-single digit percentage points overall. Lower manufactured volumes will negatively impact operating margins through reduced manufacturing overhead absorption.

EMEA external sales in local currency are expected to be down by high-single digit percentage points in FY24 versus the pcp. While UK plumbing and heating sales are expected to be resilient, UK specialty sales and FluidTech sales in Continental Europe are expected to remain challenging. EMEA operating margins will be lower as a result of reduced volumes.

At a consolidated level, we continue to anticipate that revenues will be down by low to mid-single digit percentage points in FY24 compared with FY23 due to lower sales in most markets.

We are continuing to offset the impact of lower sales on operating margins through cost savings and price increases. The $18 million in incremental cost savings initiatives that we outlined in August are on track, and we are managing costs tightly. We continue to target stable operating margins for the full year compared with FY23.

As indicated in August, we expect FY24 first half operating margins will be lower than the pcp. Inventory reduction initiatives that commenced in FY23 have continued into the first half of FY24 and will adversely impact manufacturing overhead recoveries. First half margins are also likely to be impacted by lower sales and costs associated with the SharkBite Max and PEXa product rollouts.

We delivered a strong cash result in the first quarter assisted by further inventory reductions, and we are on track to meet our operating cash flow conversion target of better than 90% for the full year.

ENDS

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This document was approved for release by the Board.