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ANNUAL GENERAL MEETING

CEO's Address

Thank you Stuart, and good morning everyone.

It's nice to be back in Melbourne after a gap of three years.

I'll take the opportunity to today to dive into some of the details of the FY22 year.

At the start of the year there were three big questions for FY22:

First, could we build on the strong growth we saw in FY21, particularly in the Americas?

Second, could we achieve pricing outcomes which would fully offset inflation?

And third, could we execute given the supply chain challenges and ongoing disruption due to Covid?

I believe we delivered emphatic answers to all three questions, as demonstrated by our FY22 results.

During the year we were able to consolidate and build on the step up in volumes we experienced in FY21. This was particularly the case in the Americas, where we delivered 15% underlying sales growth. Australia also experienced continued volume growth as did Continental Europe.

The significant commodity and other cost inflation we experienced during the year was a huge challenge … unprecedented in our recent history. The actions we took meant we were able to fully offset this through price increases across our markets.

Significant supply chain disruptions shaped FY22 and tested our priority of delivering for our customers. I am extremely proud of how our people mobilised across the business to keep filling orders and meet the needs and expectations of our channel partners.

I'll now cover off how each of our three regions performed, starting with the Americas.

AMERICAS

America's net sales were up 26% with EZ-Flo the most significant contributor to that growth. Adjusting for EZ-Flo and normalising for the US freeze in FY21 and the Lowe's distribution changes in the first half of FY22, the Americas region recorded underlying sales growth of 15%. This was driven by price as well as volume growth and the introduction of new products.

America's adjusted operating earnings (EBITDA) was 10% higher driven by the contribution from EZ-Flo. Excluding EZ-Flo, adjusted operating earnings were 3% lower. This reduction is explained by the significant impact of the US winter freeze on revenues and earnings in the prior year.

EZ-Flo generated net sales of just under $125 million and contributed EBITDA of $15.6 million in its first period of RWC ownership. EZ-Flo's operating margins improved progressively through the period as price increases were implemented to counter inflation impacts.

APAC

Asia Pacific sales growth for the year was 6%. External sales were up 12%. This was driven by continued strong activity in the Australian new residential construction market along with strong repair and remodel activity.

The growth in external sales was offset by lower intercompany sales to the Americas, which had been boosted in the prior year by the US winter freeze.

Adjusted operating earnings were down 11%. This was due principally to the movement in profit-in-stock from lower sales to the Americas which had a $9 million unfavourable impact.

This year included a contribution from LCL of $4.6 million, with the benefit of the acquisition flowing through to earnings in the second half.

EMEA

EMEA net sales were up 1% on pcp. The two regions within EMEA were quite different in terms of how the year played out. In the UK, Plumbing and Heating volumes were down. This was due to the strong prior period which had been boosted by demand coming out of the COVID lockdowns in FY21.

Continental Europe performed strongly, with sales up 17% on FY21. Growth was driven by the FluidTech range of water filtration and drinks dispense products. We benefited from the close proximity of our manufacturing location to end markets. Our restructured sales organisation in Europe has also made a positive difference.

Adjusted operating earnings were up 4% and we saw further improvement in the adjusted EBITDA margin to 34%.

Moving on from the financial highlights of FY22, I'd also like to briefly touch on some of the operational achievements of FY22.

From an operational perspective, FY22 undoubtedly presented significant challenges. Our execution focus allowed us to manage our way through these difficulties extremely well. Our ability to minimise disruptions to our channel partners despite shipping and logistical challenges stands us in good stead for the future.

EZ-Flo

Following completion of the acquisition of EZ-Flo in November, we moved quickly to integrate the business with our Americas operation.

We're really pleased with the progress the sales teams have made in terms of securing more shelf space with our channel partners. Extending our share of the gas appliance connector market and growing our business with our OEM customers, are two examples of where we are seeing the EZ-Flo acquisition deliver.

We remain comfortable that we will deliver both the forecast 10%pa EZ-Flo sales growth and $10 million annual cost savings by the end of Year 3 on a run rate basis.

New Distribution Hubs

During the year we completed important changes to our warehousing and distribution activities in the Americas and EMEA.

In the US, we commissioned our new distribution centre in Alabama. The new facility provides 600,000-square-feet of warehouse and shipping space and allows us to better serve our customers and cater for future growth. Having all of our activities under one roof is improving efficiency by streamlining operations. This has been aided by the introduction of automated picking carts that simplify picking, sorting, and counting tasks.

In the UK, we outsourced our warehousing and logistics activities to a third-party provider. This has enabled us to better handle the volumes we have seen and operate more efficiently with a third-party logistics fleet rather than with our own fleet of vehicles.

LCL

In APAC, the LCL acquisition has given us better control of our supply chain for brass. The operational efficiencies of having LCL part of RWC are very clear. Our brass forging plant in Melbourne is adjacent to LCL's brass manufacturing plant. We are therefore able to maximise the efficiency with which we receive brass rod and return excess brass to be recycled. We are very proud of the fact that 100% of the copper used in the manufacture of brass products here in Australia is recycled.

2,000th Container Shipping Milestone

During the year, we celebrated an important milestone with the 2,000th container of SharkBite shipped from Australia to the US. With this milestone we have now manufactured and shipped over 350 million SharkBite fittings from Australia to the US since we first started in 2005.

First Quarter Trading Update

On Tuesday, we provided a trading update for the first quarter of the 2023 financial year.

Sales for the first quarter were $303 million, up 23% on the prior corresponding period. This included net sales of $54 million from EZ-Flo. Adjusting for currency fluctuations, sales growth in constant currency was 28%. Excluding EZ-Flo, constant currency sales growth for the period was 6%.

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. Australia continued to see volume growth driven by new residential construction and remodelling activity levels.

Operating earnings (EBITDA) of $76.8 million were 16% higher than the prior corresponding period. Results for the period included a $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. 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 commodity input costs we have seen more recently.

STRATEGY

Let me briefly cover off our current strategy settings. We have recently re-validated these and they remain consistent with what we have outlined to you previously.

Our strategy has three drivers of growth. The first of these is creating value through product leadership. We achieve this with smart product solutions that improve the productivity of the plumber and make their lives easier. At its core are product's that are easier to use, work seamlessly together, and allow the plumber to get more work done.

The second element of our strategy is creating value for our distribution partners. We do this through high levels of service, differentiated brands, continued product innovation, and clever merchandising execution.

The third element is industry leading execution. We make and deliver the highest quality product, running our operations efficiently and sustainably.

Underpinning all this is a strong, positive organisational culture. One that provides a safe and encouraging work experience for our people. It encourages diversity and inclusiveness. And it makes RWC an employer of choice.

These strategy settings have delivered strong results for RWC over the long term. As you can see on the slide, since we listed on the ASX in 2016 we have a delivered a 20% compound annual growth rate in net sales. Just as importantly, our operating margins have improved from 18.5% in 2016 to 22.9% and 2022. This growth has been driven by combination of organic growth and new product initiatives, above market growth, and business acquisitions.

Priorities for FY23

Looking now at our priorities for the new year… We will continue to seek to grow above market in all geographies despite near term economic uncertainty.

We will continue to operate and execute well and continue delivering the products and service that our channel partners and customers need.

In our second year of EZ-Flo ownership we will continue to deliver against the revenue synergy and cost reduction targets we set at the time we acquired the business.

We'll be investing more through Capex to support volume growth and also some specific new product initiatives which we expect to announce in 2023.

Inflation is likely to continue to be a challenge to manage. Even with some commodity input costs easing it is too early to declare the end of high inflation.

We will be targeting higher operating cash flow conversion this year now that inventory levels have stabilised.

And of course, looking after the health and safety of our people remains paramount.

Outlook

Finally, let me touch on the outlook for FY23.

An uncertain economic outlook and geopolitical risk factors make forecasting even more difficult.

Looking at the positive outlook factors for us, there continues to be a backlog of work in most markets. Demand has run well ahead of the contractor's ability to satisfy it. We believe that this backlog will underpin volumes in FY23. Further, household balance sheets which were strengthened during COVID should enable ongoing household repair and remodel activity.

We continue to believe that our market orientation helps cushion us from any marked economic downturn should it eventuate. We are principally focussed on repair, maintenance and remodel activity, with lower exposure to cyclical construction markets.

We have proven over the past few years that our execution is solid. We have the ability to manage dynamic supply chains. And the direct control we have over our manufacturing operations leaves us well positioned from a product quality and customer service point of view.

Of course, the outlook has become increasingly uncertain as the year has progressed. Continued inflation pressure, rising interest rates, geopolitical tensions, higher energy costs and supply chain disruptions are all risks that we are confronting, as is every other company.

Conclusion

Let me conclude with a couple of final observations.

Looking back over the past two years, we believe we have demonstrated the resilience of our business. Our industry leading execution has allowed us to continue to maintain our service and deliver growth despite the many challenges we have faced.

In addition to this day-to-day execution, we have also completed a number of strategic projects. We have expanded distribution capabilities in the US and the UK. We completed multiple SAP implementations. We completed two acquisitions. And we delivered a steady stream of additional products that provide the backbone of our ongoing growth. We also continued our internal development work on core major products and capabilities that will augment our growth in the future.

We remain optimistic about the strength of the business and our prospects.

Thank you, let me now hand you back to the Chairman.