

ASX ANNOUNCEMENT

29 April 2022

TRADING UPDATE FOR NINE MONTHS ENDED 31 MARCH 2022

Reliance Worldwide Corporation Limited (ASX: RWC) (“RWC” or “the Company”) has today provided a trading update for the nine months ended 31 March 2022¹.

Sales for the nine-month period of \$845.2 million² were 14% higher than the prior corresponding period (“pcp”). Sales included \$69.7 million from EZ-FLO which was acquired in mid-November 2021. Excluding EZ-FLO, sales were 5% higher than pcp.

Sales growth was recorded in the Americas and Asia Pacific regions, while EMEA experienced a slight decline in revenues following strong activity levels in the pcp. Price increases were achieved in all regions to offset continued cost pressures, with weighted average price rises of 8.7% realised over the period. Volume growth in the Americas and APAC and new product revenues also contributed to sales growth. Sales in the third quarter of the pcp included an estimated \$31 million resulting from a winter freeze event in Texas and surrounding US states. Adjusting for this, and excluding EZ-FLO, group sales were 9% higher than pcp.

Operating earnings³ (Adjusted EBITDA) were \$191.4 million, 4% lower than pcp⁴. RWC’s ability to recover higher input and other costs through increased prices was further demonstrated in the third quarter. These price increases were necessary to cover input cost inflation particularly in copper, resins and steel. In the Americas, price rises were sufficient only to cover input cost increases with no margin contribution and thus were margin rate dilutive. Further price increases that took effect in the third quarter, and further price increases planned for the fourth quarter, are expected to positively impact fourth quarter margins.

Other cost pressures including shipping and freight and rising energy costs also negatively impacted margins. SG&A costs were also affected by inflationary pressures as well as higher activity levels.

Net debt of \$555.2⁵ million at 31 March 2022 was up slightly on 31 December 2021, reflecting higher accounts receivable balances resulting from growth in sales. Earlier this month, RWC completed a \$250 million unsecured note issuance in the US private placement market. The notes have fixed coupon rates and maturities between 7 and 15 years. The funds raised provide RWC with long term debt funding which supplements other borrowing facilities. RWC now has access to debt facilities totalling US\$1,050 million.

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 YTD FY22 comprise (i) Acquisition costs relating to LCL and EZ-FLO (\$8.7 million); (ii) Inventory step up unwind (\$2.4 million); (iii) Gain on sale of StreamLabs \$2.5 million; (iv) Expensing of certain costs relating to previous debt facilities (\$0.1 million).

⁵ The increase in net debt on pcp was principally due to debt funding of two acquisitions in the period: LCL (\$28 million) and EZ-FLO International (\$332 million). Additionally, increased working capital primarily as a result of higher inventory holdings added to the net debt position.

KEY CONSOLIDATED GROUP RESULTS

Nine months ended:			Variance	Variance	2 Year CAGR
(US\$million)	31-Mar-22	31-Mar-21	FY22 v FY21	FY22 v FY20	FY22 vs FY20
			YTD	YTD	YTD
Net sales	845.2	740.5	14.1%	41.2%	18.8%
Net sales excluding EZ-FLO	775.5	740.5	4.7%	29.6%	13.8%
Reported EBITDA	182.6	199.0	-8.2%	34.2%	15.9%
EBITDA Margin (%)	21.6%	26.9%	-530 bps	-120 bps	
Adjusted EBITDA	191.4	199.0	-3.8%	40.7%	18.6%
Adjusted EBITDA Margin (%)	22.6%	26.9%	-430 bps	-10 bps	
Adjusted EBITDA Margin excluding EZ-FL	23.9%	26.9%	-300 bps	120 bps	
Reported EBIT	148.2	167.4	-11.5%	41.3%	18.9%
EBIT Margin (%)	17.5%	22.6%	-510 bps	10 bps	
Adjusted EBIT	157.0	167.4	-6.2%	49.7%	22.4%
Adjusted EBIT Margin (%)	18.6%	22.6%	-400 bps	110 bps	
Adjusted EBIT Margin excluding EZ-FLO (%)	20.2%	22.6%	-240 bps	280 bps	
Net Debt⁵	555.2	146.8	278.2%		

RWC Group Chief Executive Officer, Heath Sharp, said the Company continued to experience strong demand in most markets, with ongoing price increases being applied to offset cost inflation.

“Repair and remodelling activity levels have remained strong. In the Americas, Asia Pacific and Continental Europe, we have been able to grow revenues from the significantly higher base recorded in FY21. The UK has seen demand revert to longer term trend after a period of heightened activity last year following the COVID lockdowns in that market.

“We have been able to achieve further price increases to offset materials and other cost inflation, with prices on average up 8.7% for the nine months. Given the lag between cost rises and price increases, however, EBITDA margins were adversely impacted in the third quarter. Further price increases introduced in the third quarter and planned for the fourth quarter will deliver near double-digit price increases for the full year.

“Trading results in March showed improvement on January and February. We expect operating margins to improve in the fourth quarter as the full benefit of price increases come through and still expect to reach group margins solidly in the mid-20% range in the fourth quarter⁶. Further inflationary pressures and margin dilution due to additional price increases only offsetting costs mean, however, that we expect to fall a little short of our previously expressed goal of matching FY21 EBITDA margins in the fourth quarter.

“Integration of the EZ-FLO business with RWC is going well, and we are on track to deliver the revenue and cost synergies we outlined at the time of the acquisition”, Mr Sharp said.

⁶ Adjusted EBITDA margin, excluding EZ-FLO.

SEGMENT RESULTS

AMERICAS			Variance	Variance	2 Year CAGR
Nine months ended:	31-Mar-22	31-Mar-21	FY22 v FY21	FY22 v FY20	FY22 vs FY20
(US\$ million)			YTD	YTD	YTD
Net sales	562.2	469.4	19.8%	53.2%	23.8%
- RWC	492.4	469.4	4.9%	34.2%	15.9%
- EZ-FLO	69.7	-			
Adjusted EBITDA	92.3	92.8	-0.5%	61.0%	26.9%
- RWC	85.9	92.8	-7.4%	49.9%	22.4%
- EZ-FLO	6.4	-			
Adjusted EBITDA Margin (%)	16.4%	19.8%	-340 bps	80 bps	
- RWC	17.4%	19.8%	-240 bps	190 bps	
- EZ-FLO	9.2%				
Adjusted EBIT	76.6	80.3	-4.6%	73.4%	31.7%
- RWC	71.5	80.3	-11.0%	61.8%	27.2%
- EZ-FLO	5.1	-			
Adjusted EBIT Margin (%)	13.6%	17.1%	-350 bps	160 bps	
- RWC	14.5%	17.1%	-270 bps	250 bps	
- EZ-FLO	7.3%	-			

- Sales in the **Americas** were 19.8% higher than pcp, reflecting the inclusion of sales from EZ-FLO from November 2021 onwards and also the impact of price increases implemented during the year. The prior period included \$31 million in sales arising from a winter freeze in Texas and surrounding states. Adjusting for this impact, underlying sales growth excluding EZ-FLO was 12.1%.
- Sales in the third quarter were up 0.9% excluding EZ-FLO. Adjusting for the impact of the winter freeze event in the third quarter of FY21, underlying sales growth excluding EZ-FLO was 22% for the quarter.
- Operating margins reduced largely as a result of the impact of higher prices which have only offset input cost inflation and were thus dilutive of overall margins.
- EZ-FLO's operating margins were impacted by a government imposed two-week shutdown in Ningbo, China in January due to an outbreak of COVID. EZ-FLO's operating margins are expected to improve in the fourth quarter following the introduction of price increases in the third quarter, with stronger margins evidenced in March and into April.

ASIA PACIFIC			Variance	Variance	2 Year CAGR
Nine months ended:	31-Mar-22	31-Mar-21	FY22 v FY21	FY22 v FY20	FY22 vs FY20
(A\$ million)			YTD	YTD	YTD
Net sales	220.9	202.9	8.9%	20.2%	9.6%
Adjusted EBITDA	45.8	48.8	-6.1%	26.0%	12.2%
Adjusted EBITDA Margin (%)	20.7%	24.1%	-340 bps	100 bps	
Adjusted EBIT	35.4	39.1	-9.5%	37.9%	17.4%
Adjusted EBIT Margin (%)	16.0%	19.3%	-330 bps	210 bps	

- **APAC** sales for the period were up 8.9% in constant currency, reflecting continued strong domestic demand in Australia driven by increased new residential construction and remodelling activity.
- Intercompany volumes were lower than pcp, with the third quarter in FY21 benefitting from increased sales to the Americas as a result of the freeze in Texas and surrounding US states.
- Operating margins were also impacted by lower intercompany volumes along with a negative profit in stock movement. Inventory levels were replenished in the Americas following the FY21 freeze leading to an increase in profit in stock for APAC, compared with a release of profit in stock in the pcp. The combined EBITDA impact of lower volumes and profit in stock movement over pcp was A\$8 million.

EMEA			Variance	Variance	2 Year CAGR
Nine months ended:	31-Mar-22	31-Mar-21	FY22 v FY21	FY22 v FY20	FY22 vs FY20
(£ million)			YTD	YTD	YTD
Net sales	158.8	160.4	-1.0%	10.3%	5.0%
Adjusted EBITDA	51.6	54.4	-5.1%	14.5%	7.0%
Adjusted EBITDA Margin (%)	32.5%	33.9%	-150 bps	120 bps	
Adjusted EBIT	44.1	46.0	-4.1%	18.6%	8.9%
Adjusted EBIT Margin (%)	27.8%	28.7%	-90 bps	200 bps	

- **EMEA** constant currency sales declined by 1% for the period. Continental Europe sales were higher driven by growth in demand for water filtration and drinks dispense products. UK plumbing and heating volumes were lower than pcp, reflecting a return to more typical demand levels following heightened activity in the pcp as the UK recovered from COVID lockdowns in 2020.
- During the third quarter the outsourcing of the UK's warehousing and logistics operations to a third-party provider was completed. The transition period resulted in temporary disruption to delivery timeframes and order fulfilment during the third quarter, but by period end delivery timeframes had improved significantly. It is estimated that sales in the third quarter were negatively impacted by approximately £3.2 million as a result of the transition, with these sales expected to be recovered in the fourth quarter.

- Supply chain constraints have continued to inhibit growth in remodelling activity in the UK, but underlying demand drivers remain sound. RWC believes it has maintained its share of the UK plumbing and heating market throughout this period.

OUTLOOK

The outlook for RWC's key markets remains positive from a demand perspective, underpinned by our core repair and maintenance concentration, and augmented by increased expenditure on home remodelling activity and heightened levels of new home construction.

RWC expects to achieve further price increases in the fourth quarter to offset cost inflation, with average price increases across the group expected to be close to 10% for the year as a whole. Operating margins are expected to improve in the fourth quarter from those achieved year to date. Cost out initiatives will continue to be pursued but current supply chain constraints have slowed progress in this area.

Rising interest rates, increases in input material costs and other inflationary pressures, together with supply chain constraints, remain potential headwinds for the medium term.

RWC believes it is well placed with its local manufacturing operations and strong track record of class-leading customer execution to navigate these challenges and respond to customer needs. We also expect our ongoing new product introductions will enable us to continue our long-standing record of delivering above-market growth with quality margins.

INVESTOR CALL

RWC management will conduct a conference call at 9.00am AEST on 29 April 2022 to answer questions relating to this trading update. Details are provided on the following page.

ENDS

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This document was approved for release by the Board.

THIRD QUARTER FY22 TRADING UPDATE MANAGEMENT CALL DETAILS

TIME ZONE: MELBOURNE, SYDNEY (AEST)

DATE / START TIME: 29 APRIL 2022: 9:00AM

Webcast Details

https://event.webcasts.com/starthere.jsp?ei=1542087&tp_key=a6e523d598

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.

A recording of the briefing will subsequently be made available on RWC website:

www.rwc.com/investors

Conference Call Details

Participant Passcode: :3:799

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Australia	Tollfree/Freephone	1 800 590 693
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