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ANNUAL GENERAL MEETING

THURSDAY 26 OCTOBER 2023

CEO's Address

Thank you, Stuart, and good morning, everyone.

It's fantastic to be meeting here in Brisbane where I started my career with RWC 33 years ago, as an engineering graduate.

FY23 Overview

Overall, we are pleased with how we finished FY23. Whereas markets in FY22 were up more than 10%, in FY23 they were down 5 to 15%. In that light, our final result with 9% constant currency revenue growth was gratifying. We have long presented that we believe we can consistently outperform the market. I believe we have shown that emphatically in FY23.

In FY23 the business demonstrated its resilience in the face of macroeconomic headwinds in most of the markets in which we operate. Our end-market exposure is predominantly to non-discretionary repair and remodel projects. This sector has underpinned our result in FY23 and will continue to do so going forward.

We have seen interest rates climb dramatically over the last 18 months. This has had a knock-on effect on new home construction and large remodel projects. Those parts of our business exposed to these sectors were certainly impacted.

This challenging environment demanded another year that prioritised execution. This enabled us to deliver a solid financial result. As Stuart has mentioned, a highlight of the year was the strength of our operating cash flow which was more than double the prior year.

We saw an improvement in operating margin performance throughout the year. Part of that improvement was due to the cost reduction initiatives we undertook during the year which totalled $18.3 million.

Another highlight of the year was the progress we have made with our ESG initiatives, which Stuart has already touched on.

Over the last few years day-to-day execution has been our focus. But we have also continued to invest in products and the business during this time. It was very pleasing in FY23 to announce a couple of major developments. It really was a milestone year with the launch of SharkBite Max and PEX-a and expansion fittings in North America. We didn't see a significant financial contribution from these initiatives in FY23, but they are foundational product ranges which will be important parts of our future offering in the Americas.

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

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Americas

Americas recorded revenue growth of 13%. This included a full year contribution from EZ-Flo and the positive impact of price increases. Excluding EZ-Flo we achieved 4% sales growth. A stand-out of the Americas result was the growth in EBITDA which was up 19%, and the improvement in EBITDA margin to 17.9%. Margins were helped by lower costs for key inputs, cost reduction initiatives and the transfer of manufacturing of SB Max to the US from Australia.

Overall, we are satisfied with the progress we have made delivering on EZ-Flo's product and distribution synergies. We did see a slowdown in sales in the second half of the year as discretionary consumer spending on large appliance purchases declined, which impacted EZ-Flo’s appliance connector sales.

APAC

In Asia Pacific, FY23 was something of a transition year for our Australian operations.

External sales for APAC were down slightly which was a good performance given that Australian new housing commencements declined by 21%. We estimate that 60% of Australia's end market exposure is to new housing construction, both standalone and multi-family. Intercompany sales were 8 percent lower, mainly due to the partial transfer of SharkBite Max production to the US which commenced in the second half of FY23.

EMEA

EMEA local currency sales were up 3% overall, and UK sales were up 7% mainly driven by price. UK plumbing and heating sales performance proved resilient, up 12% in local currency terms. It's fair to say that the market held up better than we were expecting at the start of the year. We believe that the UK business has significantly outperformed the broader market, and this is a real credit to the EMEA team.

Macroeconomic conditions in much of Continental Europe have been challenging and sales were down 5%. Germany is our largest single market within Continental Europe and the German economy has been in a recession during this past year.

Adjusted EBITDA was down slightly, and the adjusted EBITDA margin was 32.3% which compared with 34% in FY22.

SharkBite Max and PEX-a

Moving on from our financial performance, I would like to discuss some of our other highlights for the year.

In March, we launched two new product ranges in the Americas: SharkBite Max, and PEX-a pipe and expansion fittings. The Max rollout is being undertaken in five phases, with a timeline out to the end of June 2024. We are really pleased with progress. The rollout is proceeding to plan, and we are on track to complete the full roll out by financial year end.

The response to the SharkBite Max product has been extremely positive. The findings of our extensive functional and pricing studies have been borne out. The improved utility of the product does support a higher price. Although we are only mid-roll-out, many distributors have already moved pricing and are seeing the benefit.

With PEX-a, we have commissioned the first two PEX-a extrusion lines at our plant in Alabama. We will ultimately have 6 extrusion lines commissioned in the first phase of our manufacturing program. We are now rolling product into 1,600 Lowes stores, and we expect to complete that by the end of calendar 2023. We are also starting to deploy this new product range to wholesale channel partners.

Changes to Australian manufacturing

During the year, we announced significant changes to our APAC manufacturing operations.

SharkBite Max has enabled us to transfer to Alabama all plastic component production and final assembly of the fittings for the North American market. Prior to Max, around half of SharkBite volumes were manufactured and assembled in Australia and exported to the US. With Max all assembly will be in the US. Australia will still manufacture the brass bodies for some SharkBite Max fittings.

This change means that we will have less inventory on the water and will have shorter supply lines. This will improve our flexibility and efficiency in servicing the North American market.

Here in Australia, we have a fully integrated copper processing and brass manufacturing operation in Melbourne. Australia will therefore continue to be the centre of excellence for brass production within the group. With the transfer of SharkBite component manufacturing and final product assembly to the US, the APAC business will now have the headroom to pursue greater growth within the region.

Another important development in the APAC region is a move to lead-free brass from 2026. RWC is in a very strong in position to lead this change. Now the standards have been agreed we're getting on and working with our customers to have products that conform with the new standard ready for market. 88% of the brass we manufacture in Australia is already lead-free and we have been supplying this to North America for over a decade.

Strategic Pillar: value for the distributor

One of our three strategic pillars is creating more value for our distributors. In each of our three regions we have extremely strong distributor networks. We put a lot of effort into ensuring that we are helping our channel partners grow value. A key element of our proposition is continually adding value to their shelves through a growing array of products that are increasingly attractive to end users and sought after by them. This is supported by strong customer service and continued support of our brands through innovative marketing and merchandising execution.

Lowe's Plumbing Vendor Partner of the Year

We were therefore incredibly proud to be named by one of our largest US distributors, Lowe's, as their Plumbing Vendor Partner of the Year for 2023. This is a massive accomplishment for the RWC team that work with, and support, Lowe's.

We have now won this award 4 times in our 7-year relationship with Lowe's, which is a fantastic achievement.

First Quarter Trading Update

I will now provide some commentary on our trading performance for the first three months of FY24.

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 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, 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 by low single digits, 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 by approximately 10%.

[1] Source: Australian Bureau of Statistics

Outlook

I will now provide an update on the 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.

Finally, 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.

Priorities for FY24

In finishing, I'd like to make some comments on our focus for the coming year.

In FY24 we will continue our emphasis on safety. Everybody deserves to go home from work as healthy as they arrived. Our goal is zero harm. We are working hard to embed this approach throughout the organisation.

As we begin the new year, we are determined to continue outperforming the market and our direct peers. We do this via our innovative product solutions and our focus on creating value for our distribution partners. And of course, underpinned by day-in / day-out industry leading execution.

In terms of major projects, we will complete the planned SharkBite Max roll-out. We will also begin to take advantage our of new PEX-a pipe and expansion fittings and production capabilities in the US. In Australia, our major project efforts will continue with the transition to lead-free brass.

In a year when volumes incrementally declined in all our markets, we executed extremely well to hold margins at the level we have. One quarter into FY24, our balance sheet is strong, we have continued to reduce our net debt and are approaching the lower end of our target range. We will continue our strong cash generation in FY24.

It is clear we are operating in an uncertain environment. While we’re not comfortable with this uncertainty, we are confident we can continue to execute at a high level and continue to outperform the market.

During FY23 we had to pull multiple leavers to sustain margins in a tough environment. This has us "match fit" and ideally positioned as we move forward. When we do eventually see a recovery in volumes, we are well positioned to enjoy the benefits of volume leverage across a very tight and efficient operating base. This should be reflected in further margin improvement.

And finally, we have and will continue to invest in our people, in our products and in our business generally. We are very confident that we are tremendously well positioned to reap the benefits of these investments in the future.

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