Reliance Worldwide Corporation Limited
Level 32, 140 William Street, Melbourne, Victoria 3000 Australia
rwc.com

OPERATING AND FINANCIAL REVIEW
FOR FINANCIAL YEAR ENDED 30 JUNE 2024

The financial results for the year ended 30 June 2024 are set out below. All figures are in US$ unless otherwise indicated.

Group Overview

Year ended:	**30 June 2024**	**30 June 2023**
US$ million		
Net sales	**1,245.8**	**1,243.8**
Reported net profit after tax	**110.1**	**139.7**
Americas	184.3	159.5
Asia Pacific	22.0	31.9
EMEA	77.3	87.8
Corporate	(8.8)	(4.6)
Adjusted EBITDA[1]	**274.6**	**274.6**
Depreciation	(60.0)	(52.6)
Adjusted EBIT[1]	**214.5**	**222.0**
Net finance costs	(30.9)	(32.3)
Adjusted profit before tax	**183.6**	**189.7**
Tax expense on underlying profit	(36.7)	(34.0)
Adjusted net profit after tax[1]	**146.9**	**155.7**
Significant items	(27.1)	1.5
Tax benefit attributable to significant items	5.8	(1.8)
Tax benefit of goodwill amortisation	(15.5)	(15.7)
Reported net profit after tax	**110.1**	**139.7**

Net sales were $1,245.8 million, up 0.2% on the prior corresponding period ("pcp"). Sales include a partial contribution from Holman Industries (Holman) which was acquired on 1 March 2024. Excluding Holman, sales were 2.4% lower than the pcp. Sales in the Americas were down 1.4% on the pcp, Asia Pacific external sales excluding Holman were down 2.8% on the pcp, and EMEA external sales were 9.6% lower than the pcp. Volumes in all regions were softer due to weaker remodel and residential new construction markets, but new product revenues and the acquisition of Holman mitigated these impacts.

[1] EBITDA (earnings before interest, tax, depreciation, and amortisation), Adjusted EBITDA, Adjusted EBIT 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.

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Adjusted EBITDA was $274.6 million, in line with the pcp. Adjusted EBITDA margin of 22.0% was broadly in line with the pcp. Excluding Holman, Adjusted EBITDA margin improved to 22.3% compared with 22.1% in the pcp. Cost savings of $23 million were achieved in the period, driven by prior period restructuring in the Americas, procurement savings, restructuring in EMEA, and other continuous improvement initiatives.

Reported NPAT of $110.1 million, which includes $21.3 million (post tax) of one -off items, was 21% lower than the pcp. The one-off items are summarised in the table below. Adjusting for these one-off items and the cash tax benefit arising from the amortisation of goodwill, NPAT was $146.9 million, down 5.7% on pcp.

Reconciliation of Reported versus Adjusted Operating Earnings and NPAT

US$ million	EBITDA	EBIT	Tax Expense	NPAT
FY24 Reported	**247.5**	**187.5**	**(46.4)**	**110.1**
Supply Smart closure of operations, DC rationalisation	11.0	11.0	(2.8)	8.2
Americas Total	**11.0**	**11.0**	**(2.8)**	**8.2**
Holman acquisition & integration costs	4.0	4.0	(1.2)	2.8
Holman acquisition - unwind of fair value inventory adjustment	3.4	3.4	(1.0)	2.4
APAC Croydon plant final decommissioning	0.3	0.3	(0.1)	0.2
APAC Total	**7.7**	**7.7**	**(2.3)**	**5.4**
EMEA Restructure	4.1	4.1	(0.7)	3.4
Spain PP&E impairment	4.3	4.3	-	4.3
EMEA Total	**8.4**	**8.4**	(0.7)	**7.7**
Total one-off costs	**27.1**	**27.1**	**(5.8)**	**21.3**
Goodwill tax amortisation	-	-	15.5	15.5
FY24 Adjusted	**274.6**	**214.5**	**(36.7)**	**146.9**

SEGMENT REVIEW - *AMERICAS*

Americas sales were $877.7 million, 1.4% lower than pcp. Weaker demand from discretionary remodel end-markets adversely impacted volumes, but this was largely offset by new product revenues. These included the continued rollout of SharkBite Max, distribution expansion for EZ-Flo's gas appliance connectors, the rollout of PEX-a pipe and expansion fittings, and the launch of HoldRite fixture boxes. The SharkBite Max product rollout has been substantially completed.

As previously announced, RWC ceased operating the Supply Smart sales model during the year. The orderly transition and sell down of Supply Smart inventory and closure of this business unit was completed during the year. Excluding the impact of the Supply Smart closure, America's sales were 0.6% lower than the pcp.

Adjusted EBITDA of $184.3 million was 15.5% higher than pcp, and Adjusted EBITDA margin was 21.0% compared with 17.9% in the pcp. The higher margin was driven by the transfer of some SharkBite Max manufacturing and assembly from Australia to the US. As a result, the Americas benefited from product manufacturing margins previously earned in the APAC region, with a positive EBITDA impact in the period of approximately $7 million. Cost reduction initiatives also positively impacted margins in the period. These included a restructure of the Americas organisation undertaken in FY23, procurement savings and ongoing EZ-Flo cost synergies.

Adjusted EBITDA reflects $10.0 million in one-off costs relating to the closure of Supply Smart which was acquired with EZ-Flo. These consist of a non-cash impairment of intangible assets (write-down of customer relationship intangibles) of $9.4 million, and $0.6 million in severance costs. In addition, costs of $1.0 million were incurred in the closure of two distribution centres in the US.

SEGMENT REVIEW - *ASIA PACIFIC*

Asia Pacific sales of $190.3 million were flat on a reported basis (US$) and up 2.6% on a local currency basis (A$) versus the pcp. Sales included $32.1 million (A$48.8 million) in sales from Holman following completion of the acquisition on 1 March 2024. Excluding Holman, sales were down 14.6% on a local currency basis. This was mainly due to the progressive transfer of some manufacturing and all assembly of SharkBite Max fittings to the Americas during the year, with inter-company sales down 34.9%.

External sales were 2.8% lower in local currency, reflecting lower new home construction activity in Australia. A significant proportion of RWC's external net sales in Australia are made in the new residential construction market. Total new dwelling units commenced in the 12 months ended 31 March 2024 were down 12.6% on pcp.[2] Despite this decline, sales to RWC's wholesale channel partners were higher than the pcp due to new product initiatives and market share gains.

Asia Pacific Adjusted EBITDA was $22.0 million, 31% lower than pcp. The shift in production of SharkBite Max components to the Americas compared with finished SharkBite products previously sold to the Americas negatively impacted EBITDA by approximately A$11 million. Adjusted EBITDA margin declined by 520 basis points from 16.7% to 11.5% due principally to lower intercompany volumes and the transfer of some SharkBite manufacturing to the US referenced above.

Adjusted EBITDA reflects $7.4 million in one-off costs relating to the acquisition of Holman ($4.0 million acquisition and integration costs, $3.4 million relating to the unwind of inventory fair value step up), together with $0.3 million in costs relating to the Croydon plant closure.

[2] Source: Australian Bureau of Statistics

SEGMENT REVIEW - *EUROPE, MIDDLE EAST, AND AFRICA ("EMEA")*

Reported net sales in EMEA were $263.6 million, 3.1% lower in reported currency (US$) and 7.3% lower in local currency (British Pounds).

External sales in local currency were 9.6% lower than pcp. External sales in the UK were down 9.2% on pcp, with UK plumbing and heating sales down 6.2% in local currency due to lower volumes in residential remodel and residential new construction. Specialty and other product sales were down 19.9% with lower volumes in telecommunications, automotive, and underfloor heating product categories.

Continental Europe sales were 10.8% lower than pcp due to lower sales of water filtration and other specialty products, and lower pipe sales to Eastern Europe. Weak economic conditions adversely impacted demand during the period. A gradual improvement was evident during the year, with first half sales in Continental Europe down 20.7% on pcp, while second half sales were down 1.4% on pcp.

Adjusted EBITDA of $77.3 million was 12.1% lower than the pcp, and 15.9% lower in local currency. Results for the year included one-off costs of $4.1 million incurred in implementing a restructuring of the EMEA organisation, and a $4.3 million carrying value impairment of property, plant and equipment at RWC's manufacturing plant in Spain. Adjusted EBITDA margin excluding these one-off costs declined from 32.3% to 29.3% due to lower sales volumes.

TAXATION

The accounting effective tax rate for the period was 29.6% compared with 26.9% in the pcp. This rate excludes RWC's entitlement to claim amortisation of certain intangibles for taxation purposes under longstanding tax concessions available in the USA. Goodwill is not amortised for accounting purposes under accounting standards. The benefit arising from the amortisation of goodwill for cash tax purposes in the period was $15.5 million.

Adjusting for this item and the net tax effect of adjustments to EBITDA from one-off costs referenced earlier, tax expense for the period was $36.7 million, representing an Adjusted effective tax rate of 20.0%.

CASH FLOW

Cash Flow Summary

Year ended:	**30 June 2024**	**30 June 2023**
US$ million		
Net cash inflow from operating activities	274.4	250.3
Net cash outflow from investing activities	(38.5)	(14.5)
Acquisition of Holman Industries	(101.7)	-
Net cash inflow (outflow) from financing activities	(131.5)	(246.6)
Net cash flow	2.8	(10.8)

Cash generated from operations was $314.2 million, an increase of 7.3% on pcp. Net working capital reduced by $16.4 million during FY24 due to reduced inventory levels, lower trade receivables and higher trade payables.

Operating cash flow conversion[3] for the year was 114% of Adjusted EBITDA versus 107% in the pcp, with the improvement mainly due to the reduction in net working capital versus pcp.

Capital expenditure payments for property, plant and equipment acquired during the year totalled $41.3 million compared with $42.5 million in the pcp.

DEBT POSITION AND CAPITAL STRUCTURE

Net debt[4] at 30 June 2024 was $421.1 million (30 June 2023 - $435.0 million). Net debt to EBITDA was 1.59 times at 30 June 2024 (based on historic EBITDA for a 12 month period ended 30 June 2024) compared with 1.69 times for the pcp. Cash generated during the period was used to fund the acquisition of Holman and reduce net borrowings.

RWC's weighted average debt maturity was 6.3 years at 30 June 2024. At 30 June 2024, 57% of total drawn debt was at fixed rates. The weighted average cost of funding for FY24 was 5.09%.

During the year, the Company extended the maturity of its existing syndicated loan facility across two equal tranches of $217.5 million with a revised maturity date of November 2027 and November 2028. The maturity of Tranche A of the existing bilateral US dollar facility ($45 million) was also extended by three years to November 2027.

As a result of strong cash generation during the year, RWC is close to the lower end of its target leverage range of 1.5 times to 2.5 times net debt to EBITDA. The Company has assessed that its optimal capital structure will be achieved by maintaining its net debt levels to achieve a leverage ratio (net debt to EBITDA) in the range of 1.5 to 2.5 times.

RWC expects that it will remain in compliance with all borrowing facilities financial covenants.

FINAL DIVIDEND AND ON-MARKET SHARE BUY-BACK

Following a review of RWC's distribution policy settings during the year, changes to the form of distribution were implemented. While RWC still intends to distribute between 40% and 60% of annual NPAT, the Company intends that the total distribution amount for a period will be allocated approximately 50% to a cash dividend and 50% to on-market share buy-backs. Dividends are still expected to be either unfranked or only partly franked.

A final distribution amount of US5.0 cents per share (US$39.3 million) has been declared, comprising an unfranked final cash dividend of US2.5 cents per share and the undertaking of an on-market share buy-back for US$19.6 million (equivalent in total to US2.5 cents per share).

Total distributions declared for the year ended 30 June 2024 are US9.5 cents per share totalling $74.8 million which represents 68% of Reported NPAT and 51% of Adjusted NPAT.

[3] FY24: Cash flow from operations to Adjusted EBITDA of $274.6 million.
[4] Excludes leases

FY25 TRADING OUTLOOK

Trading conditions in FY25 will partly depend on economic conditions in RWC's key markets. Interest rate rises since 2022 have impacted residential markets through slowing house price appreciation or declining house values, lower turnover of existing houses, lower residential new construction and reduced home remodel activity. Consequently, any improvement in demand drivers in FY25 will be partly dependent on an easing of interest rates in RWC's key geographies, particularly in the second half of FY25.

For the first six months of trading in FY25 RWC expects group external sales to be broadly flat, within a range of up or down by low single digit percentage points, relative to the pcp, excluding the impact of Holman and Supply Smart. RWC expects a similar trajectory in each region. New product and revenue initiatives in each region are expected to help mitigate the impact of weaker end-markets. Cost reduction and efficiency measures will be pursued and RWC is targeting an improvement in consolidated EBITDA margin (excluding Holman) in the first half of FY25 relative to the pcp. Holman is on track to meet the expectations established at the time of its acquisition.

RWC believes that its end market exposure globally to the less cyclical repair and maintenance sector will continue to provide greater resilience to economic downturns compared with the more cyclical new residential construction market. RWC's products feature in non-discretionary repair projects and our brands are recognised "go to" products for repair work. Given uncertainty around the full year economic outlook and potential interest rate changes, however, RWC is not providing quantitative guidance for FY25 full year earnings expectations.

FINANCIAL METRICS

The following key assumptions are provided for FY25:

- Having achieved a reduction in working capital in FY24, RWC expects operating cash flow conversion in FY25 to be above 90%, consistent with our long-term target.
- Capital expenditure is expected to be in the range of $40 million to $45 million.
- Depreciation and amortisation expense is expected to be in the range of $70 million to $75 million.
- Net interest expense is expected to be in the range of $28 million to $30 million, inclusive of interest expense on lease liabilities.
- The adjusted effective tax rate is expected to be in the range of 18% to 21%.
- Cost reduction measures are expected to deliver $10 million to $15 million in savings for the full year.

Variations in economic conditions, trading conditions or other circumstances may cause these key assumptions to change.

Additional information

Please refer to the Appendix 4E, 2024 Annual Report and presentation slides released today for additional information and analysis. These documents should be read in conjunction with each other document.

For further enquiries, please contact:
Phil King
Group Investor Relations Director
Mob: +61 (0) 499 986 189
Email: phil.king@rwc.com

This document was approved for release by the Board.