Reliance Worldwide Corporation Limited
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OPERATING AND FINANCIAL REVIEW

FOR SIX MONTHS ENDED 31 DECEMBER 2024

The financial results for the six months ended 31 December 2024 are set out below. All figures are in US$ unless otherwise indicated.

Group Overview

Six months ended:	31 December 2024	31 December 2023
US$ million		
Net sales	**676.5**	**589.5**
Adjusted EBITDA[1]:		
Americas	92.6	85.0
Asia Pacific	18.1	8.4
EMEA	35.6	36.7
Corporate & Eliminations	(2.4)	(4.4)
Adjusted EBITDA	**143.8**	**124.8**
Depreciation & Amortisation	(34.6)	(28.0)
Adjusted EBIT[1]	**109.2**	**96.8**
Net finance costs	(15.3)	(15.0)
Adjusted profit before tax	**93.9**	**81.8**
Tax expense on underlying profit	(17.9)	(14.1)
Adjusted net profit after tax[1]	**76.0**	**67.7**
Adjustment items	(1.4)	(12.2)
Tax benefit attributable to adjustment items	0.4	3.3
Tax benefit of goodwill amortisation	(7.8)	(7.8)
Reported net profit after tax	**67.2**	**51.0**
Adjusted earnings per share	**9.8 cents**	**8.6 cents**

Net sales were $676.5 million, 14.8% higher than the prior corresponding period ("pcp"). Sales included a 6-month contribution from Holman Industries (Holman) which was acquired on 1 March 2024. Excluding Holman, and the impact from the closure of the Supply Smart sales model in FY24, sales were 3.8% higher than the pcp. Sales in the Americas were up 3.3% on the pcp, and up 5.4% excluding Supply Smart. Asia Pacific external sales excluding Holman were up 0.2% on the pcp, and EMEA external sales were 4.6% lower than pcp.

[1] EBITDA (earnings before interest, tax, depreciation, and amortisation), Adjusted EBITDA, Adjusted EBIT, Adjusted NPAT and Adjusted EPS 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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Remodel and residential new construction markets continued to be relatively weak in most geographies. The acquisition of Holman combined with organic growth in the Australian market, and the pull forward of demand in the Americas from the second half to the first half, assisted sales growth in the period.

Adjusted EBITDA was $143.8 million, up 15.2% on the pcp reflecting the contribution from Holman. Adjusted EBITDA margin of 21.3% was up slightly on the pcp. Excluding Holman, Adjusted EBITDA margin improved to 22.2% compared with 21.2% in the pcp. Cost savings of $10.8 million were achieved in the period, driven by continuous improvement initiatives, the benefits of the restructuring in EMEA undertaken in FY24, and Holman synergies realisation.

Reported NPAT of $67.2 million, which includes $1.0 million (post tax) of one -off items, was 31.8% higher 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 $76.0 million, up 12.3% on the pcp. Adjusted earnings per share of US9.8 cents per share were 14.0% higher than pcp.

Items treated as one-off are shown in the following table:

Reconciliation of Reported versus Adjusted Operating Earnings and NPAT

US$ million	EBITDA	EBIT	Tax Expense	NPAT
HY25 Reported	**142.8**	**107.8**	**(25.3)**	**67.2**
Americas: DC rationalisation	0.3	0.7	(0.2)	0.5
APAC: Holman integration and synergies realisation costs	0.7	0.7	(0.2)	0.5
Total one-off costs	**1.0**	**1.4**	**(0.4)**	**1.0**
Goodwill tax amortisation	-	-	7.8	7.8
HY25 Adjusted	**143.8**	**109.2**	**(17.9)**	**76.0**

SEGMENT REVIEW - *AMERICAS*

Americas sales were $440.6 million, 3.3% higher than pcp. Excluding Supply Smart, which RWC ceased operating in the second half of FY24, sales were 5.4% higher. Weaker demand from discretionary remodel end-markets adversely impacted volumes, but this was more than offset by new product revenues as well as the pull-forward of demand from the second half of FY25. This pull-forward of volumes was driven by two factors:

- The load-in of appliance connectors in the first half related to future customer initiatives.
- Early ordering by some channel partners ahead of RWC's upgrade of its ERP to S4/HANA in the second quarter of FY25. This upgrade was successfully completed during the period.

Adjusted EBITDA of $92.6 million was 8.9% higher than pcp, and Adjusted EBITDA margin was 21.0% compared with 19.9% in the pcp. Cost reduction initiatives positively impacted margins in the period. Adjusted EBITDA excludes $0.3 million in final one-off costs for two distribution centres in the US that were closed in FY24.

SEGMENT REVIEW - *ASIA PACIFIC*

Asia Pacific sales of $150.3 million were up 90.5% on a reported basis (US$) and up 87.4% on a local currency basis (A$) versus the pcp. Sales included $73.4 million (A$110.8 million) in sales from Holman following completion of the acquisition on 1 March 2024.

Excluding Holman, external sales were 0.2% higher than pcp on a local currency basis. External sales were impacted by continuing weak new home construction activity in Australia. Total new dwelling units commenced in the 12 months ended 30 September 2024 were down 2% on the pcp and were 13% lower than the 12 months ended 30 September 2023.[2] Sales to RWC's wholesale channel partners were higher than the pcp due to new product initiatives.

Intercompany sales were 16.5% lower on a local currency basis due to completion of the transfer of some manufacturing and all assembly of SharkBite Max fittings to the Americas during the period.

Asia Pacific Adjusted EBITDA was $18.1 million, 115.2% higher than the pcp reflecting the operating earnings contribution from Holman. Adjusted EBITDA margin increased by 140 basis points from 10.6% to 12.0% principally due the benefits of the Holman acquisition. Adjusted EBITDA reflects $0.7 million in one-off costs relating to the integration of Holman and synergies realisation costs. A key cost synergy is the rationalisation of the distribution centre network in Australia, with two distribution centres closed in the period and a third to be closed in the second half of FY25.

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

Reported net sales in EMEA were $121.9 million, 4.0% lower in reported currency (US$) and 7.0% lower in local currency (British Pounds).

External sales in local currency were 4.6% lower than pcp. External sales in the UK were down 6.9% on pcp, with UK plumbing and heating sales down 8.6% in local currency due to lower volumes in residential remodel and residential new construction. Specialty and other product sales were broadly in line with the pcp.

Continental Europe external sales were 2.3% higher than pcp, with all markets ahead except Germany which continued to experience lower sales across all sectors.

Adjusted EBITDA of $35.6 million was 3.0% lower than the pcp, and 5.8% lower in local currency. Adjusted EBITDA margin improved by 30 basis points on the pcp to 29.2% with cost reduction and efficiency initiatives offsetting lower sales volumes in the UK.

[2] Source: Australian Bureau of Statistics

TAXATION

The accounting effective tax rate for the period was 27.4% compared with 26.7% 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 $7.8 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 $17.9 million, representing an Adjusted effective tax rate of 19.1%.

CASH FLOW

Cash Flow Summary

Six months ended: **US$ million**	**31 December 2024**	**32 December 2023**
Cash generated from operations	127.0	151.6
Income tax paid	(18.3)	(29.6)
Net cash outflow from investing activities	(14.5)	(21.0)
Net cash inflow (outflow) from financing activities	(90.9)	(91.1)
Net cash flow	3.3	10.0

Cash generated from operations was $127.0 million, 16.2% lower than the pcp. Net working capital was $15.9 million higher than the pcp as a result of the Holman acquisition.

Operating cash flow conversion[3] for the period was 88.3% of Adjusted EBITDA versus 121.5% in the pcp. The prior period benefitted from a reduction in net working capital.

Net cash flow from investing activities declined from $21.0m to $14.5m, principally due to a decline in capital expenditure payments for plant and equipment acquired in the period which totalled $16.8m compared to $21.2m in the pcp.

DEBT POSITION AND CAPITAL STRUCTURE

Net debt[4] at 31 December 2024 was $380.6 million (31 December 2023 - $394.7 million). Net debt to EBITDA was 1.41 times at 31 December 2024 (based on historic EBITDA for a 12-month period ended 31 December 2024) compared with 1.56 times for the pcp.

RWC's weighted average debt maturity was 6.2 years at 31 December 2024, and 62% of total drawn debt was at fixed rates. The weighted average cost of funding was 4.83%.

As a result of strong cash generation during the period, RWC is below 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.

[3] HY25: Cash flow from operations to Adjusted EBITDA of $143.8 million.
[4] Excludes finance leases

INTERIM DIVIDEND AND ON-MARKET SHARE BUY-BACK

Since February 2024, the Company's distribution policy has been an intention to distribute between 40% and 60% of annual NPAT, with the total distribution amount for a period to be allocated approximately 50% to a cash dividend and 50% to on-market share buy-backs. Dividends are expected to be either unfranked or only partly franked.

A total distribution amount for the six months ended 31 December 2024 of US5.0 cents per share (US$39.0 million) has been declared, comprising an unfranked interim cash dividend of US2.5 cents per share and the undertaking of an on-market share buy-back for US$19.5 million (equivalent in total to US2.5 cents per share).

The total distribution amount represents 58% of Reported NPAT and 51% of Adjusted NPAT.

FY25 TRADING OUTLOOK

Macro-economic conditions in the second half of FY25 are not expected to materially improve from the first half. Despite an easing in interest rates by central banks in the US and UK in the first half, this has yet to flow through to improved residential markets. In the US, long-term fixed mortgage rates remain at or near recent high levels and are continuing to adversely impact existing home turnover and remodel activity. In the UK, new home construction volumes remain low. New residential dwelling commencements in Australia also continue to be weak.

RWC expects full year group external sales for FY25 to be up by mid-single digit percentage points relative to FY24. Excluding the impact of Holman and Supply Smart, full year group external sales are expected to be broadly flat, within a range of up or down by low single digit percentage points, relative to FY24. RWC is targeting a further improvement in consolidated Adjusted EBITDA margin (excluding Holman) through cost reduction and efficiency measures.

The FY25 trading outlook for each region is summarised below:

Americas:

FY25 full year external sales, excluding Supply Smart, are expected to be broadly flat versus FY24 within a range of up or down by low single digit percentage points. Second half sales will be mildly impacted by the first half pull-forward of demand referenced earlier.

Asia Pacific:

FY25 full year external sales, excluding Holman, are expected to be up on FY24 by mid-single digit percentage points.

EMEA:

FY25 full year external sales are expected to be down by mid-single digit percentage points on FY24.

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FINANCIAL METRICS

The following key assumptions are provided for FY25:

- 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 $35 million to $40 million.
- Depreciation and amortisation expense is expected to be in the range of $70 million to $72 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 and Holman synergies are expected to deliver approximately $15 million in savings for the full year.

Variations in economic conditions, trading conditions, the implementation of additional or new tariffs, or other circumstances may cause these key assumptions to change.

Additional information

Please refer to the Appendix 4D, 31 December 2024 Interim Financial Report and presentation slides released today for additional information and analysis. These documents should be read in conjunction with each other document.

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This document was approved for release by the Board.

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