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RWC RESULTS FOR SIX MONTHS ENDED 31 DECEMBER 2021:

REPORTED NET PROFIT AFTER TAX US$63.7 MILLION, SALES 12% HIGHER[1]

Net sales of US$521.8 million, up 12% on the prior corresponding period ("pcp")

Net sales excluding EZ-FLO (acquired 17 November) up 8% on pcp

Reported net profit after tax of US$63.7 million, down 3% on pcp

Adjusted net profit after tax[2] of US$75.4 million, up 5% on pcp

Adjusted EBITDA of US$125.5 million, up 5% on pcp

Cash flow from operating activities of US$60.0 million down 47% on pcp mainly due to planned increase in inventory levels

LCL and EZ-FLO businesses acquired during the period

Net debt increased by US$371.1 million over pcp following EZ-FLO and LCL acquisitions

Americas recorded 15% sales growth on pcp, 7% excluding EZ-FLO

Asia Pacific sales up 11% on pcp

EMEA sales up 6% on pcp

Interim dividend of US4.5 cents per share

Reliance Worldwide Corporation Limited (ASX: RWC) ("RWC" or "the Company") has today announced its consolidated results for the six months ended 31 December 2021.

KEY ITEMS

REVENUE

Net sales were $521.8 million, up 12% on the prior corresponding period ("pcp"). Sales include a partial contribution from EZ-FLO following completion of the acquisition in mid-November. Excluding EZ-FLO, sales growth for the period was 8% on pcp.

Sales growth in all regions was driven partly by price increases introduced to offset rising input and other cost increases. Underlying demand remained strong in most markets due to continued high levels of home remodelling and buoyant residential construction markets. However, direct and indirect supply chain constraints restricted volume growth during the period.

[1] All figures are in US$ unless otherwise indicated
[2] EBITDA, Adjusted EBITDA, EBIT, 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.

- Net sales growth in the Americas was 15% on pcp, including EZ-FLO, and 7% excluding EZ-FLO.
- Asia Pacific sales were up 11% on pcp (up 10% on a constant currency basis), with external sales up 17% and inter-company sales up 4%.
- EMEA sales were up 6% on pcp (up 1% on a constant currency basis), with UK sales down 8% and Continental Europe sales up 23% in constant currency. UK plumbing and heating sales in HY22 were up 8% on a 2-year basis compared with the same period in HY20.

EARNINGS

- Reported net profit after tax ("NPAT") of $63.7 million, down 3% on pcp.
- Adjusted NPAT of $75.4 million, up 5% on pcp. Adjusted net profit after tax reflects:
    - Net expense of $5.9 million reflecting one-off costs relating to the acquisition of LCL and EZ-FLO, unwinding an inventory fair value step up associated with those acquisitions, a one-off gain on the sale of StreamLabs, and expensing of certain costs associated with RWC's previous debt facilities.
    - $5.7 million of adjustments made in respect of the amortisation of certain intangibles for taxation purposes under longstanding US tax rules that are not amortised for accounting purposes under accounting standards.
- Reported earnings per share of 8.1 cents, down 3% on pcp.
- Adjusted earnings per share of 9.6 cents, up 5% on pcp.
- Reported EBITDA[3] of $119.6 million, in line with pcp.
- Adjusted EBITDA of $125.5 million, up 5% on pcp.
- Reported EBIT[4] of $97.9 million, down 1% on pcp.
- Adjusted EBIT of $103.9 million, up 5% on pcp.

OTHER FEATURES

- Customer service and delivery expectations were met despite increased COVID incidence and supply chain challenges.
- Planned investment in inventories to maintain service levels resulted in net cash flow from operations of $60.0 million, 47% lower than pcp, and operating cash flow conversion of 50% versus 94% pcp.
- Net debt of $545.3 million at 31 December 2021, an increase of $371.1 million since 31 December 2020 following completion of the LCL and EZ-FLO acquisitions in the period.
- Increase in net leverage, with Net Debt to EBITDA ratio up from 0.88 times at 31 December 2020 to 1.97 times.[5]
- Debt refinancing completed with new committed borrowing facilities totalling US$800 million established to replace A$750 million syndicated facility and provide additional capacity.
- Interim dividend of US$35.6 million declared, being US4.5 cents per share.

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[3] EBITDA means Earnings before interest, tax, depreciation and amortisation
[4] EBIT means Earnings before interest and tax
[5] Net debt excludes lease liabilities

OPERATING AND FINANCIAL REVIEW[6]

An overview of RWC's business activities is provided in Appendix 1.

Review of results for the financial period

Six months ended: US$ million	31 December 2021	31 December[7] 2020	Variance
Net sales	**521.8**	464.2	**12%**
Reported EBITDA	**119.6**	120.0	**-**
Adjusted for one-time items:			
- *Net EZ-FLO and LCL acquisition costs, gain on sale of StreamLabs, debt financing costs expensed*[8]	5.9	-	n/m
Adjusted EBITDA	**125.5**	**120.0**	**5%**
Reported net profit before tax	**92.0**	**94.8**	**(3%)**
Tax Expense	(28.3)	(28.9)	-2%
Reported net profit after tax	**63.7**	**65.9**	**(3%)**
Adjusted for:			
- *Cash tax benefit of goodwill amortisation for tax purposes*[9]	5.7	5.7	-
- *Net EZ-FLO and LCL acquisition costs, gain on sale of StreamLabs, debt financing costs expensed*[10]	5.9	-	n/m
Adjusted net profit after tax	**75.4**	**71.6**	**5%**
Basic earnings per share	**8.1 cents**	**8.4 cents**	**(3%)**
Adjusted earnings per share	**9.6 cents**	**9.1 cents**	**5%**
Dividend per share	**4.5 cents**		

n/m = not meaningful

[6] The Operating and Financial Review forms part of and should be read in conjunction with the statutory Directors' Report for the six months ended 31 December 2021.
[7] US$ figures represent RWC management's translation from Australian $ of historical earnings and non-IFRS measures have not been subject to audit or audit review.
[8] Adjustments comprise: (i) Acquisition costs relating to LCL and EZ-FLO ($7.0 million); (ii) Inventory step up unwind ($1.3 million); (iii) Gain on sale of StreamLabs $2.5 million; (iv) Expensing of costs relating to previous debt facility ($0.1 million).
[9] RWC is entitled 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.
[10] Adjustments comprise: (i) Acquisition costs relating to LCL and EZ-FLO ($5.7 million); (ii) Inventory step up unwind ($1.3 million); (iii) Gain on sale of StreamLabs $1.9 million; (iv) Expensing of costs relating to previous debt facility ($0.1 million); (v) Non-cash write-off of capitalised debt cost ($0.7 million).

Net sales for the six months ended 31 December 2021 of $521.8 million were 12% higher than pcp. Excluding the increase in sales arising from the EZ-FLO acquisition, net sales were up 8%. RWC sales performance in the period successfully consolidated and built on the strong uplift in sales achieved in FY21.

The Americas segment recorded growth of 15% including EZ-FLO, and 7% growth in sales for the legacy RWC business excluding EZ-FLO. Adjusting for the one-off distribution logistics change by a key US channel partner, Lowe's, revenue growth excluding EZ-FLO was 12%. Reported sales growth in Asia Pacific was 11% and 10% in constant currency, and 6% and 1% in EMEA in reported and constant currency respectively. Significant supply chain disruptions hampered satisfaction of underlying demand during the period although these impacts varied by region. Commentary on the performance of each region is provided in the segment reviews below.

Reported EBITDA for the period was $119.6 million, a slight reduction of 0.4% on pcp. Adjusted EBITDA of $125.5 million was 5% higher than pcp. Adjustments, as referenced earlier, include the one-off costs associated with the LCL and EZ-FLO acquisitions, unwinding of a step up in value of inventory acquired, expensing of costs relating to RWC's previous debt facilities which were refinanced during the period, and the gain on sale of RWC's StreamLabs business. Results included an initial EBITDA contribution of $2.3 million from EZ-FLO.

The first half was characterised by continued strength in underlying demand for RWC products driven by buoyant repair and remodel activity and increased levels of new residential construction. Rising costs associated with higher commodity prices for key materials including copper, resins, and steel, were experienced during the period together with higher costs for freight, packaging and other cost inflation.

Price rises implemented in all key markets during the period substantially offset these higher costs. RWC achieved average price increases across the group of approximately 7.4% during the period. Higher prices achieved in the period boosted revenue growth but were dilutive to operating margins. Excluding EZ-FLO, Adjusted EBITDA margin declined by 120 basis points from 25.9% to 24.7%. The timing lag between higher input costs being incurred and offsetting price increases was a factor in lower second quarter margins. The benefit of further price increases agreed with channel partners will accrue from the third quarter onwards. RWC expects these increases will offset cost inflation on a run rate basis by the end of FY22, with a fourth quarter Adjusted EBITDA margin excluding EZ-FLO comparable to that for FY21.

Margins were also impacted by the inclusion of trading results from EZ-FLO, with this acquisition completed on 17 November 2021. EZ-FLO has typically generated lower margins than RWC.

Cost reduction initiatives delivered a further $3.1 million in the first half with most of the savings generated by carry-over projects from the prior year. Further cost reduction measures being pursued in the second half are expected to deliver additional savings of $5 million, and a full year exit run rate of $10 million. Measures to lower costs in the first half included changes in manufacturing operations to drive efficiencies, procurement gains, and a reduction in the use of temporary labour.

Tight cost control kept core SG&A growth (excluding EZ-FLO and one-off costs) to 2% for the period.

Reported NPAT of $63.7 million was 3% lower than pcp. Adjusting for the $5.7 million tax item and other one-off costs referenced earlier, NPAT was $75.4 million, 5% higher than pcp.

SEGMENT REVIEW

AMERICAS

Six months ended: (US$ million)	31 December 2021	31 December 2020	1 Year Variance HY22 vs HY21	2 Year Variance HY22 vs HY20	2 Year CAGR HY22 vs HY20
Net sales[11]	**333.6**	**289.6**	**15%**	**41%**	**19%**
RWC	311.0	-	7%	31%	**19%**
EZ-FLO	22.5	-	-	-	**-**
Adjusted EBITDA	**56.9**	**54.8**	**4%**	**55%**	**25%**
RWC	54.6	54.8	0%	49%	22%
EZ-FLO	2.3	-	-	-	-
Adjusted EBITDA Margin	*17.1%*	*18.9%*	*(180bps)*	*+160bps*	-
Adjusted EBITDA Margin excl. EZ-FLO	*17.5%*	*18.9%*	*(140bps)*	*+200bps*	**-**
Adjusted EBIT	**47.5**	**46.5**	**2%**	**69%**	**30%**
Adjusted EBIT Margin	*14.2%*	*16.0%*	*(180bps)*	*+240bps*	-
Adjusted EBIT Margin excl. EZ-FLO	*14.6%*	*16.0%*	*(140bps)*	*+280bps*	-

Americas segment sales were up 15% for the period. Excluding the sales contribution from EZ-FLO for part of the period, legacy RWC sales growth for the period was 7%.

Sales growth was driven primarily by price increases and new product revenues. Product volumes were adversely impacted due to changes implemented by a retail channel partner, Lowe's, to their distribution processes. These changes enabled inventory to be cross-docked same-day through Lowe's regional distribution centre network rather than being warehoused pending final delivery to stores. As a result, Lowe's was able to reduce inventory levels in its distribution centres without adversely impacting stock availability in store. Adjusting for this one-off impact, and excluding EZ-FLO's sales, America's like-for-like sales growth would have been approximately 12% for the period.

RWC's strong relationship with our customers was recognised by two channel partners during the period. In October, RWC was named Lowe's Vendor of the Year in the Rough Plumbing Category, the third occasion in four years that RWC has been awarded this accolade. In September, RWC was named Plumbing Vendor of the Year, for the second time in five years by Do It Best, the second-largest U.S. member-owned hardware, lumber, and building material cooperative.

EZ-FLO recorded sales of $22.5 million in the period from 17 November to 31 December and contributed EBITDA of $2.3 million.

[11] Prior to elimination of inter-segment sales

Adjusted EBITDA including EZ-FLO was 4% higher than pcp and was broadly line with pcp excluding EZ-FLO. While higher costs for copper, steel, resins, zinc, packaging and transportation were substantially but not fully offset by higher prices, operating margins reduced with the price rises dilutive to overall margins. EBITDA margin was also impacted by the inclusion of EZ-FLO for the first time, with this business having lower operating margins than RWC.

EZ-FLO's margins for the period reflected higher input costs and increased transportation costs. These are expected to be offset by price increases being implemented in the third quarter which should positively impact margins in the fourth quarter.

The principal drivers of EBITDA performance are summarised in the following table:

AMERICAS			
Six months ended: (US$ million)	**31 December 2021**	**$ Change over pcp**	**Commentary**
Gross Profit	108.6	2.8	Higher materials costs offset by price increases New product revenues Contribution from EZ-FLO
Other Income	3.4	3.1	$2.4 million: gain on sale of StreamLabs
Selling and marketing expenses	(39.2)	(4.4)	Increase partly due to inclusion of EZ-FLO selling and marketing costs
Administration expenses	(25.3)	(4.1)	($5.3 million): EZ-FLO acquisition transaction costs

ASIA PACIFIC

Six months ended: **(US$ million)**	**31 December 2021**	**31 December 2020**	**1 Year Variance HY22 vs HY21**	**2 Year Variance HY22 vs HY20**	**2 Year CAGR HY22 vs HY20**
Net sales[12]	**110.9**	**99.7**	**11%**	**29%**	**14%**
Adjusted EBITDA	**23.7**	**21.5**	**10%**	**52%**	**23%**
Adjusted EBITDA Margin	*21.4%*	*21.6%*	*(20bps)*	*320bps*	-
Adjusted EBIT	**18.7**	**16.8**	**11%**	**74%**	**32%**
Adjusted EBIT Margin	*16.9%*	*16.9%*	-	*440bps*	-

Asia Pacific sales were up 11% on a reported basis and 10% on a constant currency basis. External sales increased by 17% driven by the continued strength of Australian new housing construction and remodel markets. Inter-company sales were up 4% with volumes to the Americas steady versus pcp.

New housing approvals in Australia increased 23% in the year to 31 December 2021[13], with multi-family approvals up 18%, and a 26% increase in new detached dwelling approvals. This trend was also evident in housing commencements, with total new dwelling units commenced in the year ended 30 September 2021 up 31% on pcp[13]. A significant proportion of RWC's external net sales in Australia are made in the new residential construction market.

Asia Pacific Adjusted EBITDA for the period was $23.7 million, an increase of 10% on pcp. The higher EBITDA was driven by stronger volumes in the Australian market. There was no operating earnings contribution from LCL in the period. RWC has a lead time for brass purchases of 4 to 6 months, consequently no inventory from LCL manufactured post-acquisition was consumed during the period. RWC expects that in the second half LCL will generate operating earnings consistent with what was contemplated at the time of acquisition (annual EBITDA of approximately A$7.0 million).

EBITDA margins declined by 20 basis points to 21.4% as a result of higher input and freight costs, as well as increased profit in stock of $2.0 million driven by higher levels of inventory manufactured in APAC and held for sale in the Americas.

The principal drivers of EBITDA performance are summarised in the following table:

ASIA PACIFIC			
Six months ended **(US$ million)**	**31 December 2021**	**$ Change over pcp**	**Commentary**
Gross Profit	31.8	(1.2)	($2.0 million): increase in profit in stock
Selling and marketing expenses	(7.3)	(0.5)	
Administration expenses	(7.0)	(0.9)	($1.6 million) LCL acquisition costs
Other expenses	0	2.1	Prior period included foreign exchange loss on US$ inter-company balances due to the stronger A$ against the US$

[12] Prior to elimination of inter-segment sales

[13] Source: Australian Bureau of Statistics

EUROPE, MIDDLE EAST AND AFRICA ("EMEA")

Six months ended: (US$ million)	31 December 2021	31 December 2020	1 Year Variance HY22 vs HY21	2 Year Variance HY22 vs HY20	2 Year CAGR HY22 vs HY20
Net sales[14]	**144.6**	**136.5**	**6%**	**22%**	**10%**
Adjusted EBITDA	**47.6**	**45.1**	**6%**	**33%**	**15%**
Adjusted EBITDA Margin	*32.9%*	*33.0%*	*(10bps)*	*280bps*	-
Adjusted EBIT	**41.0**	**37.8**	**9%**	**40%**	**18%**
Adjusted EBIT Margin	*28.3%*	*27.7%*	*60bps*	*370bps*	-

Reported net sales in EMEA were up 6% to $144.6 million, while sales in constant currency were up 1%. Sales in the UK were 8% lower than pcp in constant currency, with price increases offset by lower volumes than pcp. The reduction in volumes was due partly to the impact of the return to typical vacation patterns in July and August. In addition, trading conditions in the first half of FY21 were particularly strong as a result of the recovery in repair and remodel activity following the UK's COVID-19 lockdowns earlier in 2020. RWC's UK plumbing and heating sales in HY22 were 8% higher than for the comparable period of HY20.

Supply chain constraints adversely impacted activity levels. In particular, transportation delays, shortages of building materials and a lack of skilled labour in the construction sector have led to the postponement of some residential construction activity including remodelling.

Continental Europe sales were up 23% with strong demand for water filtration and drinks dispense products. The increase is partly due to the restructuring undertaken over the past two years, with a new regional sales structure driving improved performance and results ahead of market. Shortages of some raw materials adversely impacted production output at RWC's pipe plant in Spain, but despite this strong revenue growth was achieved in the period.

Adjusted EBITDA was $47.6 million, up 6% on the pcp. EBITDA performance drivers are summarised below:

EMEA			
Six months ended (US$ million)	**31 December 2021**	**$ Change over pcp**	**Commentary**
Gross Profit	73.0	5.8	$2.8 million: foreign exchange $2.0 million: profit in stock
Selling and marketing expenses	(16.4)	(2.1)	($0.9 million): foreign exchange ($0.8 million): prior year UK Govt COVID-19 support
Administration expenses	(14.4)	(1.1)	($1.5 million): costs associated with delays to outsourcing UK logistics and warehousing operations

[14] Prior to elimination of inter-segment sales

GROUP PERFORMANCE REVIEW

DIVIDEND

A partially franked interim dividend of US4.5 cents per share has been declared totalling $35.6 million which represents 56% of Reported NPAT and 47% of Adjusted NPAT. The dividend will be paid in Australian dollars at 6.285 cents per share. The amount has been converted to Australian currency using the average exchange rate over the five business days ending 17 February 2022. The Company's intended pay-out range remains between 40% to 60% of annual NPAT.

The interim dividend is 20% franked. As previously disclosed, future dividends are also likely to be only partially franked given the company's geographic mix of earnings. It is currently expected that future dividends will be less than 30% franked.

Six Months Ended:	**31 December 2021**	**31 December[15] 2020**	**31 December 2021 *Franked amount***	**31 December 2020 *Franked amount***
Interim dividend	US4.5cps	US4.3cps	20%	20%
Amount payable or paid	US$35.6m	US$34.3m		

The record date for entitlement to receive the interim dividend is 11 March 2022. The payment date is 8 April 2022.

CAPITAL EXPENDITURE

Capital expenditure payments for property, plant and equipment acquired during the period totalled $27.4 million compared with $8.7 million in the pcp. $19.9 million of capital expenditure for the period was focused on growth initiatives with key projects including expansion of production capacity for SharkBite and Speedfit fittings and PEX pipe. Capital expenditure for the full year is expected to be in the range of $60 million to $70 million.

WORKING CAPITAL AND CASH FLOW

Net cash inflow from operating activities for the period was $60.0 million, a decrease of 47% on pcp. Working capital increased by $139.7 million over pcp due mainly to an increase in inventory levels of $127.5 million. The increase in inventories reflects:

- $41.4 million: planned inventory increase.
- $25.3 million: increase in the value of inventory due to inflation.
- $66.2 million: increase in inventory attributable to LCL and EZ-FLO acquisitions.
- ($5.4 million): foreign exchange impact on inventory movement versus pcp.

[15] US$ figures represent RWC management's translation of the HY21 dividend.

Planned inventory build represented 22% of the total increase in inventory levels over pcp. Inventory levels are expected to reduce in the second half due to normal seasonal requirements in North America. RWC will, however, continue to maintain higher levels of inventory where possible to mitigate shipping and other logistical delays which might adversely impact customer service levels.

As a result of the increase in working capital, operating cash flow conversion[16] in the first half was 50% of EBITDA versus 94% pcp. A reduction in inventory levels in the second half is expected to result in operating cash flow conversion for the full year improving significantly.

BALANCE SHEET

Net debt[17] at 31 December 2021 was $545.3 million (31 December 2020 - $174.2 million). Net debt to EBITDA was 1.97 times[17] at 31 December 2021 (based on historical EBITDA for a 12-month period ended 31 December 2021) compared with 0.88 times for the pcp.

The increase in net debt of $371.1 million 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 as a result of higher inventory holdings described above added to the net debt position.

During the period, RWC established new committed borrowing facilities with a group of lenders totalling US$800 million, comprising:

- US$725 million syndicated multi-currency facility; and
- US$75 million bilateral US dollar facility.

Both facilities have maturity dates apportioned between 3 and 5 years, with:

- US$480 million to mature in November 2024; and
- US$320 million to mature in November 2026.

The facilities provide RWC with additional funding capacity and are governed by a common terms deed and are unsecured. The initial drawdown was used to fully refinance and replace a secured A$750 million syndicated facility agreement.

RWC continues to have a strong balance sheet and conservative financial position and remains well within its target leverage ratio of 1.5 times to 2.5 times Net Debt to EBITDA. RWC expects that it will remain in compliance with all borrowing facilities' financial covenants.

CAPITAL MANAGEMENT

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. Sustaining a level of debt within this range will ensure the Company optimises its cost of capital whilst at the same time maintaining investment grade equivalent credit metrics, such that it will continue to be able to access long term debt markets and have acceptably low refinancing risk of its debt facilities.

[16] HY22: Cash flow from operations to Adjusted EBITDA of $125.5 million.
[17] Excludes leases

To the extent that the Company is generating excess cash flows beyond what is required to fund maintenance and growth capital expenditure and pursue M&A and other inorganic growth opportunities, RWC's principal means of distributing cash to shareholders will be through dividends. The Company will continue to pursue its policy of distributing between 40% and 60% of annual NPAT by way of dividends each year. It is noted that the Company is only able to pay partially franked dividends for Australian taxation purposes due to the geographic mix of its earnings.

Beyond paying dividends to shareholders, the Company has determined that the purchase of RWC shares through an on-market share buyback would be the most effective means of distributing excess cash. The Company believes a share buyback would be value enhancing for shareholders as it would contribute to positive earnings accretion on an earnings per share (EPS) basis as well as improve return on equity. The Company will consider share buybacks in the future having regard to its level of earnings, operating performance, economic outlook, and its capital requirements to support organic growth and other investment opportunities including M&A.

TAXATION

The accounting effective tax rate for the period was 30.8%. 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 $5.7 million.

Adjusting for this item and the net tax effect of adjustments to EBITDA and financing costs referenced earlier, tax expense for the period was $23.6 million, representing an Adjusted effective tax rate of 23.9%. Adjusted effective tax rate best represents the rate of tax paid by the Group. RWC expects that the Adjusted effective rate for FY22 will be in the range 24% to 26%.

HEALTH AND SAFETY

Strong Health, Safety & Environment (HSE) policies and systems continue to be the highest priority for all RWC employees, contractors, visitors, and volunteers. During the first half of FY22, COVID-19 impacted RWC locations in all regions. Best practices for COVID-19 infection mitigation like telecommuting, on-site social distancing, distribution of hand sanitisers and personal protective equipment were maintained and encouraged. RWC is a strong supporter of COVID-19 vaccination and offers incentives to all employees to achieve and maintain a full-vaccination status.

A priority from a health and safety perspective during the period has been the integration of LCL and EZ-FLO businesses following their acquisition.

Integration of LCL into RWC's HSE systems commenced immediately following acquisition with the introduction of monthly team toolbox talks to share HSE related hazard information with employees, monthly HSE inspections to identify and mitigate hazards found in the work area, and HSE engagements between leaders and employees to strengthen relationships and safety culture.

EZ-FLO's distribution network in the US has a strong safety track record. RWC plans to further assess the safety environment within EZ-FLO's China operations and to introduce changes to align with RWC's approach as required. Cooperation and information exchange between EZ-FLO's and RWC's HSE systems was established immediately following acquisition. The integration of EZ-FLO with RWC includes the alignment of HSE policies and risk assessment and mitigation tools. The work is expected to be completed by the end of FY22.

In EMEA, there was a significant drive to benchmark best practice internally and externally during the period. Additionally, wider employee engagement, training, and information sharing, with a greater focus on closed loop corrective actions, specifically on any accidents or health and safety observations and near misses, were key priorities. Underpinning this has been a focus on driving a culture of empowerment to act, challenge and generate more passion for being more proactively involved. Examples include having more employee first aiders, increased fire and emergency training, and the implementation of Quick Improvement Events focused on getting together, problem solving and "go do now".

In the Americas, Health and Safety "Kaizen" events are scheduled for the third quarter to further optimise current HSE procedures, cultivate an employee driven safety culture and develop even more opportunities for employee engagement.

RWC had a reportable incident rate of 6.75 per one million hours worked at the end of the period compared with 6.08 in pcp. The increase was primarily driven by incidents in the APAC region during the first months of the period. The APAC HSE team took immediate action and has achieved zero reportable injuries since November 2021.

Two new Board-led committees have now been formed, a Health & Safety Committee and an ESG Committee. These new committees will enhance RWC's governance of these important areas and reflect our commitment to embedding sustainability deeply within our culture.

FY2022 OUTLOOK

The outlook for RWC's key markets in the second half of FY22 remains positive from a demand perspective. Market fundamentals continue to signal steady demand underpinned by the trend of increased expenditure on home remodelling activity. Heightened levels of new home construction, house price capital growth and a low interest rate environment are all expected to remain broadly supportive for the second half, albeit interest rates are expected to rise modestly from their historic lows.

From an operational perspective, adverse supply chain impacts are likely to remain headwinds for much of FY2022. As previously indicated, higher input costs are expected to be offset by further price increases in the third quarter. RWC believes it is well placed with its local manufacturing operations and strong track record of class-leading customer execution to continue to navigate supply chain challenges and respond effectively to customer needs.

AMERICAS

In the US, continued strong repair and remodel demand is expected to be maintained in the second half of FY22. The Leading Indicator of Remodelling Activity (LIRA)[18] projects that the four-quarter moving growth rate in home renovation and repair expenditures will reach 15% in the second quarter of calendar 2022, although it is noted that this very strong rate of growth is a nominal figure which is dominated by materials cost inflation. The rapid expansion of homeowners' equity due to the strong housing market coupled with low unemployment and wages growth is likely to fuel continuing strong demand for more and larger remodelling projects through 2022.

The second half of FY21 included the impact of a winter freeze event in Texas and surrounding states in the US which boosted sales by approximately $42 million. If similar conditions are not experienced in the current year, revenue and operating earnings growth comparisons with pcp will be negatively impacted. The second half of FY22 will include a full contribution from EZ-FLO.

[18] Source: Joint Centre for Housing Studies of Harvard University

ASIA PACIFIC

Demand in Australia is expected to remain strong due to heightened repair and remodel activity and new housing construction, but growth is expected to be slower than in the first half. Labour and supply chain issues within the construction sector are likely to constrain further growth in activity levels. Intercompany sales volumes are expected to be lower in the second half than pcp if there is not a repeat of the winter freeze event experienced in the US in the second half of FY21.

EMEA

Demand in the core UK plumbing and heating market is expected to be lower than the heightened level experienced in the pcp. Higher inflation and labour shortages are denting consumer confidence, while uncertainty over COVID-19 and ongoing supply chain challenges are impacting activity levels. Continued growth is expected in key Continental European markets, with a positive outlook for volumes in France, Germany and Italy.

EARNINGS GUIDANCE

Due to the ongoing uncertainty surrounding supply chain disruptions and the potential impacts of further COVID-19 outbreaks, RWC will not provide earnings guidance for FY22.

In terms of specific cost items, the following key assumptions for FY22 have been updated :

- The average copper price is assumed to be US$10,000 per tonne. RWC estimates that its earnings sensitivity to changes in the cost of copper is such that a US$100 per tonne movement in the copper price would impact EBITDA by $1.1 million p.a.
- Capital expenditure for the year is expected to be approximately $60 million to $70 million.
- Cost reduction initiatives are expected to deliver $8 million in savings for the full year.
- Depreciation and amortisation expense is expected to be in the range of $48 million to $50 million.
- Net interest expense (including leases) is expected to be in the range of $13 million to $14 million for the year as a result of higher debt levels following the EZ-FLO and LCL acquisitions.
- We expect an adjusted effective tax rate in the range of 24% to 26%.

Price increases that have been agreed and will take effect from the third quarter of FY22 are expected to offset input and other cost increases recorded to date. Consequently, RWC expects that its Adjusted EBITDA margin in the fourth quarter (excluding EZ-FLO) will be comparable with that achieved in FY21.

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

The average US Dollar/ Australian Dollar exchange rate for first half earnings translation was approximately A$1.37.

The average US Dollar / Pound Sterling rate for first half earnings translation was approximately GBP 0.73.

COMMENTARY ON TRADING CONDITIONS SINCE 31 DECEMBER 2021

Trading in January 2022 was broadly consistent with the trends seen in the first half:

- Americas sales (excluding EZ-FLO) were up on pcp reflecting ongoing strong demand and performance ahead of market.
- APAC external sales continued to benefit from strength in the residential construction and remodelling markets.
- EMEA sales were in line with pcp. UK plumbing and heating sales were lower than pcp, while Continental Europe sales were up on pcp.

Additional information

Please also refer to the Appendix 4D, 31 December 2021 Interim Financial Report and presentation slides released today for additional information and analysis. These documents should be read in conjunction with this and each other document.

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Appendix 1: RWC Overview

RWC is a global market leader and manufacturer of water delivery, control and optimisation systems for the modern built environment. Established in Brisbane, Australia in 1949, today RWC continues to pioneer and innovate plumbing products for residential, commercial and industrial plumbing applications. Its unique plumbing solutions target the repair and re-model, renovation service and new construction markets.

RWC is a preferred supplier of high-quality products, including its brass and plastic Push-to-Connect ("PTC") fittings, PEX pipes, valves, manifolds, underfloor heating components and various accessories to the plumbing and heating, ventilation and air conditioning (HVAC) industry globally. RWC markets its products under industry-trusted brands such as SharkBite, Cash Acme, Reliance Water Controls, RMC Water Valves, HoldRite, JG Speedfit, ProLock and EASTMAN through wholesale, OEM and retail channels.

RWC established the global market for brass PTC products and today is the largest manufacturer in the world of brass PTC products; SharkBite is the number one brass PTC brand. Since its introduction in the US in 2004, SharkBite has grown to approximately 15% of the USA fittings market by volume. PTC systems disrupt and replace the traditional labour-intensive crimp and expansion PEX systems and copper solder fittings, significantly increasing job throughput for contractors and satisfaction ratings from end users. The majority of SharkBite PTC sales are in the defensive repair, maintenance and renovation end markets.

RWC looks to achieve sales growth on top of broader market growth through a combination of end user conversion from more traditional methods to RWC's products and systems, market share gains, new products introduced to the market and acquisitions. RWC's distribution networks in each of its core markets provide a strong platform that can be leveraged to accelerate growth of new or newly acquired products.

Product development is a central part of RWC's longer-term strategic plan. Our objective is to positively disrupt sectors within which we operate through developing and launching innovative, differentiated solutions that improve the productivity of our professional trade customers and end users. With commercialisation of new products becoming increasingly costly, particularly for entirely new product categories, RWC has continued to explore M&A, focused on acquiring products that add to RWC's range and growth.

The acquisition of HoldRite in 2017 enabled RWC to broaden its offering to the commercial construction market. HoldRite products, including engineered plumbing support systems, fire stops, water heater accessories and acoustic pipe isolation solutions are complementary to RWC's traditional products. They are designed for both residential and commercial new construction market segments and generally sold and installed alongside RWC's traditional products.

RWC acquired John Guest, the largest manufacturer in the world of plastic PTC products in June 2018, to become the global leader in plastic as well as brass PTC fittings technology. UK-based John Guest is a leading manufacturer of plastic PTC fittings and pipe for a diverse range of industries, including plumbing and heating, water quality and fluid dispense and other PTC applications. John Guest is a clear market leader in the UK and has a solid European distribution platform.

EZ-FLO International was acquired by RWC in November 2021. EZ-FLO is a leading manufacturer and distributor of plumbing specialty products, appliance supply lines, flexible water connectors, gas connectors, and other accessories. The acquisition included EASTMAN, the leading brand in large appliance connectors in the US. With EASTMAN, RWC is positioned as a leader in supporting those who service major appliance installations including plumbed appliances, gas, hot water, and dryer venting.

The combined RWC business has an enlarged global footprint and manufacturing capabilities to reach more markets and customers with an enhanced portfolio of complementary products. RWC's footprint today includes 16 manufacturing facilities, 30 distribution centres and 5 R&D locations across its Americas, Asia Pacific and EMEA operating segments. The combined business employs approximately 2,800 people.