

24 August 2020

RWC RESULTS FOR FINANCIAL YEAR ENDED 30 JUNE 2020: STRONG AMERICAS REVENUE GROWTH, OPERATING CASH FLOW UP 56%, 7.0 CENTS TOTAL DIVIDEND TO BE PAID**Net sales of \$1,162.4 million, up 5% on prior year****Reported net profit after tax of \$89.4 million, down 33%****Adjusted net profit after tax¹ of \$130.3 million, down 18%****EBITDA¹ of \$217.9 million, including restructuring and impairment charges of \$33.4 million****Adjusted EBITDA¹ of \$251.3 million, excluding restructuring and impairment charges, versus \$277.0 million in the prior year****Strong cash generation with cash flow from operating activities up 56% to \$278.3 million and operating cash flow conversion of 128% of EBITDA****Net debt reduction of \$124.4 million****Strong balance sheet with \$511 million of available funding liquidity at 30 June 2020****Americas recorded 11% second half constant currency sales growth, 6% for the year****Asia Pacific external sales up 2% for the year despite slowdown in Australian new residential construction****UK and European sales adversely impacted by Covid-19 but gradual recovery evident towards year end****Final dividend of 2.5 cents per share, total dividends for FY2020 of 7.0 cents per share**

Reliance Worldwide Corporation Limited (ASX: RWC) ("RWC" or "the Company") has today announced its consolidated results for the financial year ended 30 June 2020.

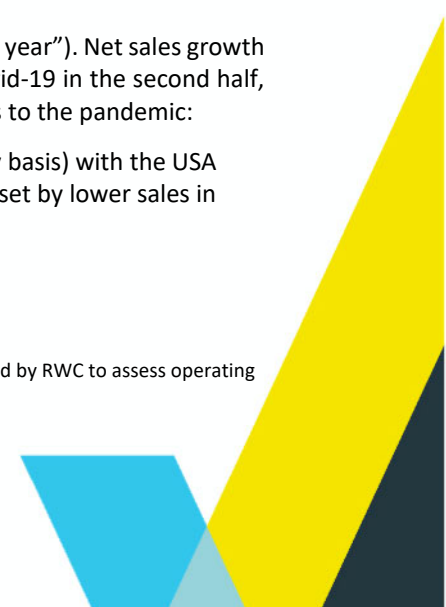
KEY ITEMS**REVENUE**

Net sales were \$1,162.4 million, up 5% on the prior year ended 30 June 2019 ("prior year"). Net sales growth on a constant currency basis was 0.3%. Sales trends were heavily impacted by Covid-19 in the second half, with sales performance varying by region, reflecting the differing market responses to the pandemic:

- Full year net sales growth in the Americas was 13% (6% on a constant currency basis) with the USA recording strong sales growth through retail and hardware channels, partly offset by lower sales in wholesale channels and in Canada.

¹ EBITDA, 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 review.

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- Asia Pacific sales were 2% lower, with external sales up 2% despite further declines in residential construction activity in Australia, while inter-company sales were lower.
- EMEA sales were 10% lower (13% lower on a constant currency basis), with sales down 20% in the second half due to government restrictions to control the spread of Covid-19.

EARNINGS

- Reported net profit after tax of \$89.4 million, down 33%.
- Adjusted net profit after tax of \$130.3 million, down 18%. Adjusted net profit after tax reflects adjustments made in respect of the following items:
 - \$8.4 million of restructuring costs incurred in the US and Europe.
 - \$17.3 million of impairment charges relating to certain new product initiatives in the US which have been scaled back or discontinued, and RWC's pipe manufacturing fixed assets in Spain.
 - Amortisation of certain intangibles for taxation purposes under longstanding US tax rules that are not amortised for accounting purposes under accounting standards: \$16.9 million.
 - An additional net tax expense item of \$4.9 million relating to reassessment of certain tax items for prior years.
 - Certain tax relief provisions under the US "CARES" Act which reduced tax expense by \$6.6 million.
- Reported earnings per share of 11.4 cents, down 33% on the prior year.
- Adjusted earnings per share of 16.6 cents, down 18% on the prior year.
- Reported EBITDA² of \$217.9 million, down 10% on the prior year.
- Adjusted EBITDA of \$251.3 million, down 9% on the prior year.

OTHER HIGHLIGHTS

- Strong service delivery performance in the US despite a surge in demand and global supply chain and logistics disruptions arising from Covid-19.
- John Guest synergies totalled \$13.8 million for the year. Total synergy realisation since acquisition was \$31.3 million on an annual run rate basis at the end of FY2020.
- Strong cash generation with net cash flow from operations up 56% to \$278.3 million.
- Operating cash flow conversion of 128% for the year, up from 74% in the prior year.
- Net debt of \$302.2 million at 30 June 2020 a reduction of \$124.4 million since 30 June 2019³.
- Reduction in leverage, with Net Debt to EBITDA ratio down from 1.67 to 1.39 times³.
- Final dividend of \$19.8 million, being 2.5 cents per share. Total dividends declared for FY2020 of \$55.3 million, being 7.0 cents per share (FY2019: \$71.1 million, being 9.0 cents per share).
- Comfortably compliant with all financial covenants in respect of all borrowing facilities.

² EBITDA means Earnings before interest, tax, depreciation and amortisation

³ Net debt excludes lease liabilities

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OPERATING AND FINANCIAL REVIEW⁴

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

Review of results for the financial period

Year ended:	30 June 2020 (\$ million)	30 June 2019 (\$ million)	Variance
Net sales	1,162.4	1,104.0	5.3%
Reported EBITDA	217.9	242.5	(10.1)%
<i>Adjusted for one-time items:</i>			
- <i>John Guest integration and purchase accounting</i>	-	19.7	n/m
- <i>Impact of AASB 16⁵</i>		14.8	n/m
- <i>Restructuring and asset impairment charges</i>	33.4	-	n/m
Adjusted EBITDA	251.3	277.0	(9.3)%
Reported net profit before tax	135.9	176.7	(23.1)%
Tax Expense	(46.4)	(43.7)	6.2%
Reported net profit after tax	89.4	133.0	(32.7)%
<i>Adjusted for:</i>			
- <i>Impact of AASB 16⁵</i>	-	(3.2)	n/m
- <i>John Guest Integration and Purchase Accounting</i>	-	18.4	n/m
- <i>Restructuring and asset impairment charges</i>	25.7	-	n/m
- <i>Cash tax benefit of goodwill amortisation for tax purposes</i>	16.9	15.0	n/m
- <i>Prior year's tax adjustment⁶</i>	4.9	(4.9)	n/m
- <i>USA CARES Act Benefit</i>	(6.6)	-	n/m
Adjusted net profit after tax	130.3	158.3	(17.7)%
Basic earnings per share	11.4 cents	17.0 cents	(32.9)%
Adjusted earnings per share	16.6 cents	20.2 cents	(17.8)%
Dividend per share	7.0 cents	9.0 cents	(22.2)%

n/m = not meaningful

⁴ The Operating and Financial Review forms part of and should be read in conjunction with the statutory Directors' Report for the financial year ended 30 June 2020.

⁵ Prior period EBITDA and NPAT restated for the impact of AASB16: Leases

⁶ FY19 adjustment is done for purposes of comparison

Constant Currency Revenue, EBITDA and EBIT Performance

Year ended:	30 June 2020 \$ million Constant Currency	30 June 2019 \$ million ⁷	Variance Constant Currency	30 June 2020 \$ million Reported
Net Sales				
Americas	693.7	653.9	6.1%	739.1
Asia Pacific	244.6	249.1	-1.8%	244.8
EMEA	314.4	360.9	-12.9%	324.3
Eliminations (inter-segment sales)	(145.8)	(159.9)	-8.8%	(145.8)
RWC Group	1,106.9	1,104.0	0.3%	1,162.4

Adjusted EBITDA				
Americas	107.1	113.3	-5.5%	118.2
Asia Pacific	49.9	53.7	-7.1%	44.3
EMEA	90.4	111.4	-18.9%	93.0
Corporate	(0.7)	(1.4)	-50.0%	(4.1)
RWC Group	246.7	277.0	-10.9%	251.3

Adjusted EBIT				
Americas	83.3	90.8	-8.3%	92.0
Asia Pacific	36	39.7	-9.3%	30.1
EMEA	71.2	90.6	-21.4%	72.8
Corporate	(2.2)	(2.2)	0.0%	(5.6)
RWC Group	188.3	218.9	-14.0%	189.3

⁷ Prior period EBITDA and EBIT restated for the impact of AASB16: Leases

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Constant Currency Revenue, EBITDA and EBIT Performance

Six months ended:	30 June 2020 \$ million Constant Currency	30 June 2019 \$ million ⁸	Variance Constant Currency	30 June 2020 \$ million Reported
Net Sales				
Americas	365.7	330.3	10.7%	392.3
Asia Pacific	119.4	119.4	0.0%	119.4
EMEA	144.7	188.8	-23.4%	150.7
Eliminations (inter-segment sales)	(69.3)	(78.7)	-11.9%	(69.3)
RWC Group	560.5	559.8	0.1%	593.1

Adjusted EBITDA				
Americas	59.7	53.3	12.0%	64.6
Asia Pacific	25.4	26.0	-2.3%	21.5
EMEA	38.4	62.0	-38.1%	40.7
Corporate	0.1	(1.7)	-105.9%	(1.9)
RWC Group	123.6	139.6	-11.5%	124.9

Adjusted EBIT				
Americas	47.9	42.0	14.0%	51.1
Asia Pacific	18.4	19.4	-5.2%	14.3
EMEA	28.5	51.3	-44.4%	30.1
Corporate	-0.4	(2.5)	-84.0%	(2.6)
RWC Group	94.4	110.2	-14.3%	92.9

⁸ Prior period EBITDA and EBIT restated for the impact of AASB16: Leases

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Net sales for the year ended 30 June 2020 of \$1,162.4 million were 5% higher than the prior year. On a constant currency basis, sales were up by 0.3%, with 6% growth in the Americas offset by declines of 2% and 13% in APAC and EMEA sales respectively.

Results for the year were significantly impacted by the events of the second half arising from the Covid-19 global pandemic, although these impacts varied by region and are described in the segment commentaries below.

Reported EBITDA for the year was \$217.9 million, a decrease of 10% on the prior year. During the year parts of the US and UK operations were restructured with associated costs of \$10.7 million. The restructuring has resulted in a net reduction of 82 permanent roles. In addition, impairment charges of \$22.7 million were incurred during the year. These impairments arose from the decision to cease investment in selected non-core products and a review of RWC's Spanish manufacturing operations.

Adjusting for these items, EBITDA was \$251.3 million, a reduction of 9% on Adjusted EBITDA for the prior year. The most significant contributor to the reduction in operating earnings was the decline in sales in EMEA in the second half which were 24% lower than the prior corresponding period.

The other major factors which impacted earnings were:

- Reduction in overhead recoveries in the first half due to lower manufacturing volumes in Americas and APAC, and EMEA in the second half (\$18.5 million).
- A positive impact from additional John Guest related synergies achieved of \$13.8 million.
- Continuous improvement initiatives \$5.5 million.
- An increase in SG&A of \$29.3 million, of which \$12.3 million was due to foreign currency translation impacts.
- Impact on cost of goods sold from lower cost of raw materials of \$5.8 million, principally copper costs in the form of brass bar.

Reported net profit after tax ("NPAT") was \$89.4 million, a decrease of 33% on the prior year. Adjusting for the restructuring and impairment charges and tax items referenced earlier (which are explained more fully on page 17), net profit after tax was \$130.3 million, down 18% on the prior year.

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SEGMENT REVIEW

AMERICAS

Year ended:	30 June 2020 (A\$ million)	30 June 2019 ⁹ (A\$ million)	Variance
Net sales ¹⁰	739.1	653.9	13%
Reported Segment EBITDA	96.8	102.5	(6)%
Margin	13.1%	15.7%	(260bps)
Adjusted Segment EBITDA ¹¹	118.2	113.2	4%
Adjusted Margin	16.0%	17.3%	(130bps)

Six months ended:	30 June 2020 (A\$ million)	30 June 2019 ⁹ (A\$ million)	Variance
Net sales ¹⁰	392.3	330.3	19%
Reported Segment EBITDA	43.2	47.6	(9)%
Margin	11.0%	14.4%	(340bps)
Adjusted Segment EBITDA ¹¹	64.6	53.3	21%
Adjusted Margin	16.5%	16.1%	40bps

Americas segment sales were up 13% for the year and 19% for the second half. Reported sales were positively impacted by Australian dollar weakness during the year. On a constant currency basis, sales were 6% higher for the year and 11% higher in the second half.

Demand in the second half was impacted by shelter-in-place orders across a number of states and provinces in the US and Canada. This impacted the ability of professional plumber services within homes and on construction sites. Strength of demand through US retail and hardware channels from both DIY customers and pro plumber customers more than offset reduced demand from wholesale channels and Canada. Stronger sales through retail and hardware distribution channels were due in part to increased spending on home improvement.

Sales in both retail and hardware channels of core plumbing products such as fittings and pipe were particularly strong, while certain other product lines were softer, particularly wholesale plumbing channel sales in April and May, driven by the closure of many branch operations during this period. Sales were boosted in the second half by a new line of stop valves launched through a retail channel partner.

We estimate that of the 11% constant currency growth in sales in the second half, approximately 3.4% of this was directly attributable to Covid-19 influenced sales. Sales growth excluding Covid-19 impacts in the second half is estimated to have been 7.5%.

⁹ Prior period restated for the impact of AASB16: Leases

¹⁰ Prior to elimination of inter-segment sales

¹¹ Adjusted for John Guest integration costs in FY2019 and the impacts of AASB16 Leases in FY2020 EBITDA.

Sales of John Guest products in the USA were lower than in the prior year. In the first half, strong growth in demand was recorded in the hospitality sector while volumes in the OEM market were down due to particularly strong prior year comparatives. Second half volumes were adversely impacted by the weak commercial sector due to Covid-19.

Strong second half volume growth drove improved operating margins due to higher manufacturing overhead recoveries. First half margins were depressed due to lower volumes manufactured and sold.

Reported EBITDA for the Americas segment was \$96.8 million, 6% lower than the prior year. Reported EBITDA included restructuring and impairment charges of \$21.4 million. Excluding these items, and \$2.8 million of John Guest integration costs included in prior year EBITDA, Adjusted EBITDA was 4% higher than the prior year. The principal drivers of EBITDA performance are summarised in the following table:

AMERICAS			
Year Ended: (A\$ million)	30 June 2020	\$ Change over prior year	Commentary
Gross Profit	260.0	26.3	\$18.7 million: foreign currency translation impacts \$14.6 million: volume growth impact \$4.0 million: lower materials costs \$5.5 million: other continuous improvement initiatives (\$3.9 million): lower overhead recoveries (\$4.7 million): restructuring/impairment costs Other negative impacts: higher freight costs, wage inflation, depreciation and amortisation charges
Product development expenses	19.1	6.6	\$1.2 million: foreign currency translation impacts \$2.5 million: accounting reclassification of Research & Development tax credit included in prior year \$1.2 million: restructuring costs
Selling and marketing expenses	103.7	14.2	\$6.5 million: foreign currency translation impacts \$2.5 million: increased supply chain costs Other impacts: increased marketing and merchandising activity including stop valve bay rollout, reflected in volume and revenue growth
Administration expenses	52.6	8.7	\$3.3 million: foreign currency translation impacts \$1.6 million: restructuring costs Other impacts: increased corporate charges following investment in core capability
Other expenses	14.1	14.1	\$13.9 million: impairment of intangible assets and costs associated with Tennessee plant closure

ASIA PACIFIC

Year ended:	30 June 2020 (A\$ million)	30 June 2019 ¹² (A\$ million)	Variance
Net sales ¹³	244.8	249.1	(2)%
Reported Segment EBITDA	44.2	52.7	(16)%
Margin	18.1%	21.2%	(310bps)
Adjusted Segment EBITDA ¹⁴	44.2	53.6	(18)%
Adjusted Margin	18.1%	21.5%	(340bps)

Six months ended:	30 June 2020 (A\$ million)	30 June 2019 ¹² (A\$ million)	Variance
Net sales ¹³	119.4	119.3	-
Reported Segment EBITDA	21.4	23.5	(9)%
Margin	17.9%	19.7%	(180bps)
Adjusted Segment EBITDA ¹⁴	21.4	26.0	(18)%
Adjusted Margin	17.9%	21.8%	(390bps)

New housing commencements in Australia declined 17.9% in the year to 31 March 2020 and for the quarter ended 31 March 2020 were 6.4% below the prior year.¹⁵ A significant proportion of RWC's external net sales in Australia are made in the more cyclical new residential construction market.

External sales were up 3% in the second half and 2% for the full year, reflecting the success of new products in offsetting volume declines from lower residential construction activity.

Asia Pacific reported EBITDA for the period was \$44.2 million, a decrease of 16% on prior year. EBITDA was impacted by lower volumes to the Americas segment as part of an inventory optimisation programme. Capacity adjustments and continuous improvement initiatives did not fully offset the shortfall in overhead recoveries, therefore impacting margins. Favourable A\$/US\$ foreign exchange movements mitigated the reported revenue impacts. Margins were also impacted by a \$1.8 million adjustment to inventory to align APAC inventory accounting practice with RWC Group policy.

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

¹² Prior period restated for the impact of AASB16: Leases

¹³ Prior to elimination of inter-segment sales

¹⁴ Adjusted for John Guest integration costs in FY2019; and the impacts of AASB16 Leases in FY2020 EBITDA.

¹⁵ Source: Australian Bureau of Statistics

ASIA PACIFIC			
Year Ended (A\$ million)	30 June 2020	\$ Change over prior year	Commentary
Gross Profit	68.4	(4.2)	(\$1.8 million): inventory adjustment to align APAC with Group policy Lower inter-segment sales volumes and corresponding lower manufacturing overhead recoveries
Selling and marketing expenses	19.3	0.8	
Administration expenses	18.1	4.1	Increased corporate charges following investment in core capability Additional costs incurred to support supply chain activities

EUROPE, MIDDLE EAST AND AFRICA ("EMEA")

Year ended:	30 June 2020 (A\$ million)	30 June 2019 ¹⁶ (A\$ million)	Variance
Net sales ¹⁷	324.3	360.9	(10)%
Reported Segment EBITDA	81.1	97.8	(16)%
Margin	25.0%	27.1%	(210bps)
Adjusted Segment EBITDA ¹⁸	93.0	111.4	(17)%
Adjusted Margin	28.7%	30.9%	(220bps)

Six months ended:	30 June 2020 (A\$ million)	30 June 2019 ¹⁶ (A\$ million)	Variance
Net sales ¹⁷	150.7	188.8	(20)%
Reported Segment EBITDA	28.8	52.5	(45)%
Margin	19.1%	27.8%	(870bps)
Adjusted Segment EBITDA ¹⁸	40.7	62.1	(35)%
Adjusted Margin	27.0%	32.9%	(590bps)

Reported net sales in EMEA were down 10% to \$324.3 million, while sales in constant currency were down 13%. Sales in EMEA were adversely impacted in the second half of the year by Covid-19 due to government restrictions imposed in the UK and Continental Europe. These restrictions severely curtailed the operations of most distribution channel partners. As advised to the market in May, EMEA sales fell to between 35% and 40% of pre-Covid-19 levels for a period of time. Second half sales in constant currency were 24% lower.

¹⁶ Prior period restated for the impact of AASB16: Leases

¹⁷ Prior to elimination of inter-segment sales

¹⁸ Adjusted for John Guest integration costs in FY2019; and the impacts of AASB16 Leases in FY2020 EBITDA.

As activity levels resumed, trading conditions improved. Underlying demand was artificially suppressed as a result of the restrictions on our key distributors, with many limited to only utilising online ordering and delivery or pick-up services. Channel partners sustained reduced inventory levels due to supply chain constraints.

As a result of the reduction in sales recorded in the second half operating margins were impacted significantly. Approximately 40% of the UK workforce were placed on furlough and able to access the UK Government's job retention scheme. Wage subsidies from the UK and European governments of \$4.1 million helped to partially offset costs as business activity reduced.

Second half EBITDA margin fell from 32.9% to 27.0%, having improved by 140 basis points in the first half. Towards the end of the year we initiated a restructure of both manufacturing and administrative and support functions in the UK, expected to be completed by the end of the first quarter of FY21. This has resulted in a net reduction of 60 positions within the UK business.

Internal sales of John Guest products to other geographic segments were lower principally because the prior year had seen significant additional shipments to improve product availability and order delivery timeframes in these markets, especially in the USA. Shipments in the second half were also disrupted by Covid-19 manufacturing restrictions.

Reported EBITDA was \$81.1 million, down 16% on the prior year. EBITDA included \$11.9 million of restructuring costs (mainly in the UK operations) and asset impairment charges related to RWC's Spanish manufacturing operations, while the prior year included \$13.6 million of John Guest synergy realisation costs. Adjusting for these items, EBITDA for the year was 17% lower than for the prior year. EBITDA performance drivers are summarised below:

EMEA			
Year Ended (A\$ million)	30 June 2020	\$ Change over prior year	Commentary
Gross Profit	148.8	(10.4)	(\$22.0 million): Impact of lower volumes (\$13.3 million): lower overhead recoveries (\$3.6 million): restructuring costs \$13.2 million: John Guest synergies \$6.2 million: price adjustments \$4.6 million: foreign currency translation benefit
Product development expenses	4.5	2.7	
Selling and marketing expenses	36.8	(3.2)	
Administration expenses	39.9	(0.1)	\$2.4 million: restructuring costs Increased corporate charges following investment in core capability
Other expenses	6.7	6.1	\$5.9 million: impairment of Spain plant and equipment

The integration of the John Guest business with RWC has now been completed, and the John Guest and RWC cultures have successfully meshed together. Since its acquisition in June 2018, there have been significant and ongoing improvements in operational performance resulting in the achievement of manufacturing efficiencies and better customer service levels. At the same time, John Guest synergies have been achieved in excess of the original target. Synergies realised for the year were \$13.8 million of which \$13.2 million was

in EMEA. Total synergy realisation since acquisition was \$31.3 million on an annual run rate basis at the end of FY2020. Further operational savings opportunities have been identified and will be delivered over the next several years; a new UK organisation structure will be implemented by the end of the first quarter of FY21 and will better align with the future strategic direction of the business in that market.

Since acquisition further investment has been made in upgraded equipment and systems. A key success has been the migration of RWC UK onto RWC's global ERP platform which was completed in March 2020. The completion of this project coincided with the outbreak of Covid-19 in Europe, but notwithstanding this, cutover to the new platform was able to proceed as planned and on budget.

The capabilities within John Guest have proven to be world class, particularly in the areas of design, tooling, and injection moulding and we have been able to transfer this expertise to other parts of RWC's operations. Operational and management capabilities have been pressure-tested and proven during the March-June period. The drop in sales and orders referenced earlier required significant action to reduce output and minimise costs, and the actions taken meant that EMEA remained EBITDA positive throughout the second half despite the 24% decline in sales.

IMPACT OF COVID-19

Covid-19 has had a significant impact on RWC's operations and financial performance. Financial impacts are discussed in the segment results, while the operational matters are summarised below.

Employee health and safety

Health and safety of RWC employees has been our number one priority. RWC has followed the advice of health authorities to ensure all its facilities adapted and continued to operate safely and in compliance with new regulations. Actions undertaken included on-site social distancing, daily temperature checks upon arrival at site for all employees, provision of hand sanitiser and PPE. Cleaning protocols were initiated to deal with any outbreak at RWC locations. Incidences of Covid-19 were experienced by RWC US employees and appropriate actions were taken including requiring affected employees to self-isolate, conducting contact tracing to identify any possible interaction with other RWC employees or contractors, and shutting down and deep cleaning all impacted areas.

Supporting employee well-being

Beyond ensuring the physical health and safety of our employees, we have also been alert to the mental health consequences of the pandemic. Expanded and more regular employee communications were undertaken worldwide and within each region. A company-wide employee survey was conducted to better understand how employees were faring, and specific actions were undertaken in response in those locations where higher levels of stress or other issues were identified. All employees received a bonus or recognition gift card to acknowledge their efforts during a very difficult period.

Operational impacts

All major RWC manufacturing sites were operational throughout the period but with some disruption. Changes to factory layouts and materials flow were made to ensure that social distancing requirements were met, with some impacts on efficiencies and delivery performance. Extra costs were incurred due to the requirement for PPE and additional cleaning required at sites which caused some workflow disruption. As referenced earlier, over 400 employees in the UK and Europe were placed on temporary furlough for up to 3 months, due to the lockdowns in those markets and the effect on sales. In Australia we had a temporary reduction in our manufacturing plants from 5 to 4 days per week operations but quickly returned to 5 days a week as demand remained steady. New Zealand operations were suspended for one month due to government restrictions. The integration of Alabama and Tennessee plants was delayed by 3 months with some disruption to operations due to Covid-19 restrictions.

Procurement/supply chain impacts

As referenced in the half year earnings announcement (24 February 2020) we encountered supplier delays for certain manufactured products and components out of China, Italy and the United States, as these countries contended with Covid-19. Due to the outstanding performance by RWC's supply chain team in response to sourcing and logistics issues, these supplier constraints and logistical issues were successfully overcome with some minor delays, but limited impact on business operations.

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Preserving cash

In order to optimise cash flow during this time of significant uncertainty, all non-essential capital expenditure was halted. Inventory levels were actively managed to ensure we could continue to meet customer demand, but at the same time ensuring no excessive inventory build-up occurred. Credit teams successfully managed the on-time collection of payments from customers with no material issues arising.

A review of all non-essential expenditure resulted in reductions in SG&A particularly for travel, marketing and related expenditures. The Board resolved to defer payment of the FY2020 interim dividend, originally scheduled to be paid on 9 April 2020. The interim dividend will now be paid on 9 October 2020 in conjunction with the payment of the final dividend.

Customer service impacts

A priority during Covid-19 has been to maintain a high level of customer service. In the US, 98% of orders for core products in our retail channels were delivered in full and on time despite the surge in sales and logistical challenges arising from Covid-19. The reduction in UK plant operations adversely impacted delivery timeframes for some products. The temporary move to 4 days / week operation at Australian sites had no significant impact on service levels.

Support from Governments

UK employees placed on furlough were able to access salary support offered by the UK Government under the Coronavirus Job Retention Scheme, and support of a similar nature was also provided by various Continental European governments. This enabled us to reduce our manufacturing operations and support functions in EMEA in response to the significant reduction in demand we experienced but keep employees on the payroll and able to return to work as conditions improved. The value of this support across EMEA was approximately \$4.1 million.

Government wages subsidy support was also received in New Zealand (\$0.3 million) and Canada (\$0.2 million) because of the shutdowns mandated in both countries.

Other

RWC CEO, Heath Sharp, and senior executive team members agreed to a temporary 20% reduction in their base salaries for a two-month period from 1 May 2020 to 30 June 2020. In addition, RWC's non-executive directors also agreed to a temporary 20% reduction in fees for the same period.

GROUP PERFORMANCE REVIEW**RESTRUCTURING AND IMPAIRMENT CHARGES**

Initiative	Restructuring Charge (A\$m)	Impairment Charge (A\$m)
US restructuring	4.7	-
Impairment of US non-core product assets	-	16.8
EMEA restructuring	6.0	-
Impairment of Spain plant and equipment	-	5.9
Total	10.7	22.7

RESTRUCTURING INITIATIVES

During the year restructuring initiatives were undertaken to further streamline operations and improve efficiencies. Consequently, a restructuring charge of \$10.7 million was incurred in FY2020.

(i) Americas:

Following a review of RWC's US manufacturing facilities, manufacturing operations of Holdrite products undertaken at RWC's plant in Tennessee were consolidated with the main US plant in Alabama. This resulted in the closure of the Tennessee plant and all manufacturing activities have now been relocated to Alabama. The consolidation will reduce operational costs, including avoided lease costs, overhead reductions and transportation savings, totalling approximately US\$3.0 million per annum. Closure of the Tennessee plant was initially planned for completion by 30 June 2020 but was delayed by a quarter due to Covid-19.

In addition to the consolidation of the two plants, we undertook a review of costs and activities within the Americas and this resulted in a reduction of 22 permanent SG&A roles across RWC's US operations.

(ii) EMEA:

A restructure of manufacturing and support activities in the UK is being undertaken which will result in a net reduction of 60 permanent roles. The implementation of the ERP system in FY2020 has enabled a number of processes previously undertaken manually to be automated. In addition, we have been able to reduce costs in our manufacturing operations by removing bottlenecks, investing in further automation, and through optimising for current and medium-term demand levels. The restructure is expected to be completed by the end of the first quarter of FY21.

ASSET IMPAIRMENTS

Total impairment charges of \$22.7 million were incurred during the year. Following a review of our product development approach that we announced in February 2020, it was decided to cease investing in and developing selected product categories. These products were determined to be non-core and unlikely to deliver profitable revenue growth within a medium-term timeframe. Following this decision, we have impaired the asset carrying values of the intellectual property and certain inventory items. In addition, a review of RWC's manufacturing operations in Spain has resulted in an impairment of the fixed assets of that business.

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DIVIDEND

A partially franked final dividend of 2.5 cents per share has been declared. Total dividends declared for the year ended 30 June 2020 are 7.0 cents per share totalling \$55.3 million which represents 62% of Reported NPAT and 42% of Adjusted NPAT. The company's intended pay-out range remains between 40% to 60% of annual NPAT. The dividend declared for the year is lower than that paid in respect of FY2019 reflecting lower earnings and a more conservative pay-out percentage of Adjusted NPAT given the considerable economic uncertainty caused by Covid-19.

Both FY20 interim and final dividends are 20% franked. As previously disclosed, future dividends are also likely to be only partially franked given recent changes in the company's geographic mix of earnings following acquisitions. It is currently expected that future dividends will be less than 30% franked.

The record date for entitlement to the final dividend is 11 September 2020. The payment date is 9 October 2020.

In order to prudently manage cash resources during the time of heightened uncertainty around the impacts of Covid-19, payment of the interim dividend which had been scheduled for April was deferred. The interim dividend will now be paid to eligible shareholders on 9 October 2020 in conjunction with payment of the final dividend. The record date for entitlement to receive the interim dividend remains 11 March 2020.

	Year ended 30 June 2020	Year ended 30 June 2019	Year ended 30 June 2020 Franked amount	Year ended 30 June 2019 Franked amount
Interim	4.5cps	4.0cps	20%	100%
Final	2.5cps	5.0cps	20%	100%
Amount payable or paid	\$55.3m	\$71.1m		

CAPITAL EXPENDITURE

Capital expenditure payments for property, plant and equipment acquired during the year totalled \$43.4 million compared with \$69.6 million in the prior year. A decision was taken in March to halt all non-essential capital expenditure in order to optimise cash flow given the significant uncertainty arising from Covid-19. Growth capital expenditure was \$21.5 million while \$21.9 million was incurred on maintenance capital expenditure. Included within capital expenditure was \$12.4 million incurred on long term IT projects, with the most significant of these being the replacement ERP system in the UK.

WORKING CAPITAL AND CASH FLOW

Reported net cash inflow from operating activities for the year was \$278.3 million, an increase of 56% on the prior year. A reduction in working capital due to lower inventory levels, a focus on receivables collections and higher payables improved operating cash flow conversion¹⁹, which was 128% of EBITDA versus 74% in the prior year.

¹⁹ FY20: Cash flow from operations to Reported EBITDA of \$218.3 million.

BALANCE SHEET

Net cash generation during the year has enabled RWC to maintain a strong balance sheet and conservative financial position.

Net debt²⁰ at 30 June 2020 was \$302.2 million, a reduction of \$124.4 million over the year (30 June 2019 - \$426.6 million). Net debt to EBITDA was 1.39 times²⁰ at 30 June 2020 compared with 1.67 times at the end of the prior year.

RWC continues to have significant funding lines available, with cash on deposit and undrawn committed debt funding of \$511 million available as at 30 June 2020. The group's principal source of funding is a \$750 million syndicated facility agreement. This facility is structured into three tranches of \$250 million each, with maturity dates of 30 September 2021, 30 September 2022 and 30 September 2023. Group companies in the US and Australia also have access to committed overdraft facilities of US\$15 million and A\$15 million respectively.

RWC expects that it will remain in compliance with all financial covenants in the syndicated facility agreement.

TAXATION

The accounting effective tax rate for the period was 34.2%. This rate reflects three items totalling \$15.2 million:

- 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. The benefit arising from the amortisation of goodwill for cash tax purposes in the year was \$16.9 million.
- RWC operates in multiple jurisdictions which are subject to differing taxation laws and regulations. Tax calculations are estimated using available information when preparing financial statements and are finalised when filings are made to the relevant tax authority. During the year, several tax matters have been reassessed, giving rise to differences in what was recognised for accounting purposes in prior years compared with the final tax position. The net impact of these tax treatment revisions is a one-off adjustment totalling A\$4.9 million. Consequently, an additional tax expense item of \$4.9 million has been recorded in this year. This did not have any impact on the cash tax paid by companies in the Group in FY2020.
- The US Coronavirus Aid, Relief, and Economic Securities Act (the "CARES" Act) includes business tax relief provisions for US tax years beginning in 2019 and 2020 (FY2020 and FY2021 for RWC) which reduced tax expense by \$6.6 million.

Adjusting for these items, tax expense for the period was \$31.2 million, representing an Adjusted effective tax rate of 23%. Adjusted effective tax rate best represents the rate of tax paid by the Group. RWC expects that the Adjusted effective rate will be in the range of 19% to 23% in FY2021 due to the CARES Act relief, and in the range of 24% to 25% in subsequent years.

²⁰ Excludes leases

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HEALTH AND SAFETY

Health and safety are focus areas of our strategic planning. We aim to increase ownership of health and safety by operations managers and supervisors, as well as creating a culture where safety is led by all employees. Initiatives we are undertaking include increasing the reporting of leading indicators including first aid treatments, near misses and hazard identification; investigations to focus on root causes, with learnings to be shared and implemented globally; increasing global communication and employee engagement, fostering proactive ownership through employee-led safety committees; defining global standards and instituting global policies, starting with life-critical policies.

RWC had a reportable incident rate of 1.23 per 100 employees for the period compared with 1.17 in the prior year. Consistent with our plans for FY2020, we increased emphasis on employee engagement and reporting of leading indicators. We established safety committees in all regions, implemented processes to capture near miss and hazard reports, and launched DuPont™ STOP™ behaviour observation process in the Americas. In FY2020 we reported over 4,000 safety observations/near misses/hazards. We believe the increased engagement and reporting led to improved identification of reportable injuries that may not have been captured in the past, contributing to the slight increase in reportable incident rate.

Our safety goals for FY2021 include a 10% reduction in the injury rate. We also plan to increase employee engagement and leading indicator reporting by implementing the DuPont™ STOP™ process in EMEA and APAC. To better manage our health and safety priorities we plan to implement an on-line global health and safety management system. This system will enable central reporting and management of key safety performance indicators, injuries and investigations, action items and leading indicators.

Regional and global executives review reportable and lost time injuries monthly, together with details of specific incidents. Injuries are shared globally to increase learnings and adoption of best practices. Data is regularly reviewed by the Board. In addition to metrics such as reportable injury rate and lost time injury rate, all regions are now implementing more proactive metrics.

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FY2021 OUTLOOK

While RWC expects its core end-markets to remain resilient, given that repair and maintenance activities are essential services that are not significantly impacted by economic cycles, the operational and financial performance of the business could be adversely affected by Covid-19 related factors. These include potential disruptions to our supply chain, government restrictions on plumbing and construction works and the economic performance of the key countries in which we operate. The duration of the pandemic and its impact on the business remains uncertain.

AMERICAS

In the US, positive consumer sentiment and a low-interest rate environment currently remain supportive, while favourable demographics support a strong rate of household formation creating net new demand above current housing supply. The unemployment rate, a broader recession and further Covid-19 outbreaks, however, will be risks in FY2021. Continued US federal stimulus measures should assist in mitigating some of the impact of high unemployment, but we expect demand may be negatively impacted should recent government stimulus measures end.

Demand for products related to new commercial construction and maintenance is likely to remain soft as commercial office occupancy as well as educational and retail traffic may remain low for at least the first part of the FY2021. Looking further out, the commercial new construction pipeline may reduce due to weaker investment in retail shopping malls, commercial office space, hospitality, healthcare, educational facilities and high-rise multi-family developments.

Key indicators for the year ahead we will be tracking include trends in retail sales and any signs that current buoyant conditions are easing, recovery in wholesale channel sales, and changes in US consumer sentiment.

ASIA PACIFIC

The Australian market is likely to be adversely impacted by a further reduction in residential house and multi-family dwelling construction in FY2021. Key influences on the depth of any domestic construction contraction in FY2021 will include the rate of employment and continuing government stimulus measures. Immigration levels and foreign student enrolments, both of which are currently constrained due to Covid-19, are likely to negatively impact residential construction activity levels.

Currently, the state of Victoria is subject to Stage 4 lock down restrictions due to increased incidence of Covid-19 and community transmission. This may impact construction activity in the state for the duration of the lock down and beyond. We are also alert to any downturn in new residential construction in Australia as a result of a second wave of Covid-19.

We will be targeting new product revenue growth to at least partly mitigate any downturn in sales as a result of broader macro demand drivers.

EMEA

Covid-19 has led to a severe economic contraction in EMEA and a long and uncertain recovery lies ahead. However, early positive signs have emerged as major economies slowly open. The UK has been particularly impacted with a 20% reduction in economic activity recorded in the June quarter as a result Covid-19. Key UK channel partners are experiencing similar drop in demand to RWC and several have announced significant redundancy plans and planned closure of outlets.

While the core plumbing and heating business in the UK should be somewhat resilient given its exposure to repair and remodel, downturns in residential construction in the UK and lower levels of commercial activity in the UK and Continental Europe remain key risks for the year ahead. We will be watching for signs that pent up end-user demand has been satisfied, that distribution channels have restored depleted inventory levels, as well as trends in UK new residential construction.

EARNINGS GUIDANCE

Due to the considerable uncertainty surrounding market demand and the potential impacts of further Covid-19 outbreaks, RWC will not provide earnings guidance for FY2021. We will endeavour to provide periodic updates to investors during the year to provide visibility on trading conditions in the three regions. The next scheduled update on trading conditions will be at the annual general meeting on 29 October 2020. In terms of specific cost items, the following key assumptions are provided for FY2021:

- Copper price impacts are expected to be neutral year on year, with lower first half costs offset by higher costs in the second half. The average copper price in FY2020 was approximately US\$6,000 per tonne.
- Restructuring and continuous improvement initiatives are expected to deliver \$25 million reduction in costs on a run rate basis by the end of FY2021.
- Capital expenditure is expected to be in the range of \$35 million to \$55 million.
- Depreciation and amortisation expense is expected to be in the range of \$60 million to \$65 million.
- Interest expense is expected to be in the range of \$13 million to \$17 million.
- We expect an adjusted effective tax rate in the range of 19% to 23%.
- The average Australian Dollar/ US Dollar exchange rate in FY2020 for earnings translation was approximately US\$0.67.
- The average Australian Dollar / Pound Sterling rate in FY2020 for earnings translation was approximately 0.533.

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

COMMENTARY ON TRADING CONDITIONS SINCE 30 JUNE 2020

Trading conditions for the first month of FY2021 in each region were as follows:

In the Americas, sales in July were 22% above the same month last year, driven by continued strong demand through retail and hardware channels and pro plumber demand back at normal levels across our distribution network. Canada has stabilised with July sales back to 95% of prior year levels.

In APAC, external sales ran slightly ahead of the same month last year, while intercompany sales were ahead of the same period last year driven by the strength of demand in the Americas.

The EMEA region continued to record a recovery in sales in line with the opening up of the UK and key Continental European economies. Sales were at 96% of the same month last financial year. This in part reflects satisfaction of pent-up demand which was artificially suppressed during the lockdown in the UK and Continental Europe. Also, we believe distributors reduced inventory during this period and current sales patterns are partly driven by the restoration of depleted inventory levels in the channels. It is not clear currently what the underlying sales trend is excluding these two drivers.

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All manufacturing facilities and distribution centres currently remain fully operational, albeit necessary changes due to Covid-19 have led to some inefficiencies in operations.

Sales for the first three weeks in August have continued to show positive momentum versus the prior corresponding period. Growth in the Americas is strong versus the prior corresponding period but at a slower rate than for July, APAC is flat to slightly ahead, while EMEA has continued to see a recovery in sales and is ahead of the same period last year.

PROPOSED CHANGE IN REPORTING CURRENCY

RWC intends to change its reporting currency from Australian dollars to US dollars with effect from 1 July 2021. Consolidated financial results for the year ending 30 June 2021 will continue to be reported in Australian dollars, following which results for the 2022 financial year, including half year earnings, will be reported in US dollars. The intended change is to better reflect RWC's business revenue, cost base and earnings mix, with the US market the largest in terms of sales revenue and operating earnings. Currently RWC's reported results are subject to significant variation due to foreign currency translation movements and the change to US dollar reporting will substantially mitigate these movements.

Additional information

Please refer to the Appendix 4E, 30 June 2020 Financial 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

Tel: +61 (0) 3 8319 6717

Mob: +61 (0) 499 986 189

Email: phil.king@rwc.com

This document was approved for release by the Board.

Appendix 1

About RWC

RWC is a global market leader and manufacturer of water delivery, control and optimisation systems for the modern built environment. Established as a small private tooling and manufacturing shop in Brisbane, Australia in 1949, today RWC continues to pioneer and innovate plumbing products for residential, commercial and industrial plumbing applications. Its unique end-to-end meter to fixture and floor to ceiling 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, Polar Clean and ProLock to the wholesale, OEM and retail channels via well-established partner companies.

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. The SharkBite PTC business in North America has been at the core of the RWC growth story. Since its introduction in 2004, SharkBite has grown to in excess of 10% 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.

Historically, RWC has achieved sales growth on top of broader market growth through a combination of selected price increases, end user conversion from more traditional methods to RWC’s products and systems, market share gains, distribution expansion, new products introduced to the market and acquisitions. While distribution expansion opportunities in the core USA, UK and Australian markets are more limited now given the strength of the distribution networks that have been developed in each of these markets, these gains in distribution have created a strong platform that can be leveraged to accelerate growth of new or newly acquired products.

RWC continues to focus on product development as a central part of its 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.

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The acquisition of HoldRite in 2017 provided RWC with an expanded product portfolio and enabled it 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.

The John Guest group is the largest manufacturer in the world of plastic PTC products. RWC acquired John Guest in June 2018, to become the global leader in plastic as well as brass PTC fittings technology. Based in the UK, 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 together with operations in the USA and Asia Pacific.

The combined business has a greater global footprint and manufacturing capabilities to reach more markets and customers with an enhanced portfolio of complementary products. RWC, following the acquisition of John Guest, has 14 manufacturing facilities, 23 distribution centres and 5 R&D locations across its Americas, Asia Pacific and EMEA operating segments. The combined business employs over 2,000 people.

APPENDIX 2**IMPACT OF AASB16: LEASES**

The introduction of the new accounting standard AASB 16: Leases removes the classification of leases as either operating leases or finance leases and introduces a single, on-balance sheet accounting model for leases.

The RWC Group adopted AASB 16 on 1 July 2019 using the modified retrospective method, in which leases are recognised as a right-of-use asset and a corresponding liability at the date of adoption. Each lease payment is allocated between the liability and finance cost. The finance cost is charged to the statement of financial performance over the lease period. The right-of-use asset is depreciated over the shorter of the leased asset's useful life and the lease term on a straight-line basis.

On adoption of AASB 16, the RWC Group recognised lease liabilities in relation to leases which had previously been classified as 'operating leases' under the principles of AASB 117: Leases. These liabilities were measured at the present value of the remaining lease payments, discounted using the Group's incremental borrowing rate at 1 July 2019.

The impact on FY2020 EBITDA from applying AASB 16 was an increase of approximately \$14.8 million. There was a negative impact of \$3.2 million on FY2020 Reported net profit after tax.

The impact of AASB 16 on reported depreciation and interest expense is outlined in the table below:

Financial year ended:	30 June 2020 (A\$ million)	AASB:16 Leases Impact (A\$ million)
Reported EBITDA	217.9	14.8
Depreciation expense	(53.6)	(14.8)
Interest expense	(20.0)	(4.3)
Reported profit before tax	135.9	(4.3)
Reported net profit after tax	89.4	(3.2)

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APPENDIX 3**Brexit**

The UK exited the European Union (EU) on 31 January 2020 without concluding negotiations for ongoing trade terms. On 1 February 2020, the UK and EU moved into a transition period that lasts until 31 December 2020 during which they will seek to work out the future trade relationship between the two. During this time the status quo remains, with Britain remaining part of the EU single market and customs union.

Currently a range of imports into the UK are subject to a 0% tariff, including the resins John Guest uses in manufacturing. If negotiations for ongoing trade terms cannot be concluded in the transition period, then trade will revert to a World Trade Organisation tariff-based scenario. At that point the UK Government may look at whether, if at all, certain imported products will still be allowed to come in at a reduced, or zero, tariff and for how long.

For exports from John Guest UK to the EU, tariffs are likely to be applied by the EU if there is no deal, with the tariff rate set at 6.5% of the value. It is estimated that this tariff would have a negative EBITDA impact of approximately GBP 1.9 million per annum, assuming that the tariff impost cannot be offset by commensurate pricing changes.

Given the uncertainty of the timing and outcome of the UK and EU negotiations we cannot be more definitive about potential impacts on RWC's operations at this time.