

Media Release

24 February 2020

RWC ANNOUNCES FIRST HALF EARNINGS FOR FY2020

Highlights

- 5% growth in reported Net Sales to \$569 million over the prior corresponding period (pcp)
 - Americas reported sales growth of 7%, and underlying like for like growth of 4.2%
 - UK core plumbing and heating sales up 3% in a market down 6%
 - Asia Pacific sales stable in spite of 22% drop in Australian housing commencements
 - Favourable currency translation impacted reported sales – Group net sales growth of 0.4% on a reported basis
- 163% increase over pcp in Cashflow from Operating Activities to \$112.8 million
- On track to deliver annual John Guest integration synergies on a run rate basis of at least \$30 million by end of FY20
- Gearing down to 1.57 times Net Debt to EBITDA (from 1.67 times)
- 13% Increase in the interim dividend to 4.5 cents per share (4.0 cents per share pcp)

Reliance Worldwide Corporation Limited (ASX: RWC) (“RWC” or “the Company”) today announced Reported Net Profit after Tax (“NPAT”) of \$50.1 million for the six months ended 31 December 2019. Adjusted NPAT of \$63.7 million reflects adjustments for certain tax items and accounting treatments. Adjusted NPAT for the prior comparable period was \$80.5 million.

RWC Managing Director Heath Sharp said: “Operationally this was a strong half, however, the result reflects weaker conditions in two of our key markets, EMEA and Asia Pacific, while our performance in the Americas was partly explained by the timing of some of our marketing and promotional activities.

“We took a pro-active but difficult decision to actively manage our inventories and reduce manufactured volumes in the half due to lower sales activity than we had originally planned. Even though this negatively impacted earnings, it assisted in delivering an exceptionally strong cash performance, with cash flow from operations up 163%,” Mr Sharp said.

As indicated at the FY19 full year results release last August, the company also invested further in the business particularly in areas such as product development and commercialisation which impacted operating margins. At the same time, procurement activities and other operating efficiencies, together with the realisation of further John Guest synergies, helped offset the lower manufactured volumes which affected overhead costs recovery.

The company is on track to deliver annual synergies from the John Guest acquisition of \$30 million on a run rate basis by the end of this financial year.

Reported sales in the Americas grew by 7%, with underlying like-for-like growth of 4.2%, driven by sales growth in both the retail and hardware channels. At the same time internal growth targets for the period were not met, particularly for new product categories and overall margins.



In the UK, core plumbing and heating sales were up 3% despite tough conditions during the period with Brexit and election uncertainties. For example, recent data indicates the UK builders merchants sales were down nearly 6% in the latter part of 2019. In this context RWC's performance in that market is highly creditable. Similarly, in Continental Europe RWC achieved modest sales growth despite very weak growth in overall economic activity.

In Asia Pacific, overall external sales were flat despite the 22% fall in Australian housing commencements in the year to September. Given half of RWC's Australian business is exposed to new housing construction, this performance is testament to RWC's quality franchise in this market.

Mr Sharp said: "The standout aspect of this result was cash flow from operating activities, which was up 163% to \$112.8 million. Consequently, we saw further reductions in RWC's gearing, down to 1.57 times Net Debt to EBITDA, and we have also announced a 13% increase in the interim dividend to 4.5 cents per share compared with 4.0 cents per share interim dividend paid last year."

Coronavirus

RWC said it was continuing to evaluate the impact coronavirus will have on its supply chain and customers.

The preliminary assessment indicates there will be minimal impact short term, which can be managed with expediting measures. Major suppliers restarted by 17 February after the Chinese New Year break, although the start-up has been slower than usual as many workers could not readily resume work. Additionally, suppliers face temporary shortages of their purchased materials due to the delay in Chinese businesses restarting.

The company is working actively with its supply partners to prioritise production to restock products that have lower inventory levels. It is also actively working with suppliers and freight forwarders to fully assess the logistics conditions out of China as air freight capacity has been greatly reduced and ocean freight capacity has also been affected, albeit to a lesser extent.

Outlook

RWC has amended its earnings guidance for FY2020 to incorporate the impact of the first half financial performance. For the financial year ending 30 June 2020, RWC now expects Adjusted NPAT to be in the range of \$140 million to \$150 million. This compares with the prior NPAT guidance range of \$150 million to \$165 million.

Key assumptions underpinning earnings guidance include stronger sales performance in the Americas in the second half partly driven by specific marketing and promotional activity. Stronger sales are also expected in EMEA in the second half consistent with typical seasonal trading patterns, while in APAC the company anticipates flat external sales given the weakness in new housing construction in Australia.

Given the heightened risk around external factors pertinent to RWC, including coronavirus and the ongoing impact of Brexit on the UK economy, achievement of earnings within the guidance range is contingent on no further material deterioration in trading as a result of these factors.

Additional information

Please refer to the Appendix 4D, 31 December 2019 Interim Financial Report, Results Announcement and presentation slides released today for additional information and analysis. These documents should be read in conjunction with each other document.

RWC today also published its first Social Impact Report, which represents the first comprehensive review of the company's sustainability achievements and goals. It can be viewed on RWC's website: www.rwc.com

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This announcement has been authorised for release by the RWC Disclosure Committee