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RWC RESULTS FOR SIX MONTHS ENDED 31 DECEMBER 2020:

REPORTED NET PROFIT AFTER TAX RISES 82% TO $91.4 MILLION, SALES 13% HIGHER

Net sales of $642.4 million, up 13% on the prior corresponding period

Net sales up 17% on a constant currency basis

Reported net profit after tax of $91.4 million, up 82%

Adjusted net profit after tax[1] of $99.3 million, up 56%

EBITDA[1] of $166.3 million, up 32%

Strong cash generation with cash flow from operating activities up 17% to $155.6 million and operating cash flow conversion of 94% of EBITDA

Net debt reduction of $76.2 million since 30 June 2020

Americas recorded 22% constant currency sales growth for the half

Asia Pacific constant currency sales up 14% for the period

EMEA sales recovered strongly following COVID-19 lockdowns, up 10% for the half in constant currency

Interim dividend 6.0 cents per share, up 33% on pcp

Reliance Worldwide Corporation Limited (ASX: RWC) ("RWC" or "the Company") has today announced its consolidated results for the six months ended 31 December 2020.

KEY ITEMS

REVENUE

Net sales were $642.4 million, up 13% on the prior corresponding period ("pcp"). Net sales growth on a constant currency basis was 17%. Sales in all regions were up strongly, driven by favourable demand drivers from increased residential repair and remodelling activity and higher new residential construction volumes.

- Net sales growth in the Americas was 16% (22% on a constant currency basis) with the USA recording particularly strong sales growth through retail and hardware channels and from OEM customers.
- Asia Pacific sales were up 10%, with external sales up 8% and inter-company sales up 13%.
- EMEA sales were up 9% (up 10% on a constant currency basis) with a strong recovery in sales following the relaxation of UK Government restrictions introduced in the prior period to control the spread of COVID-19.

[1] EBITDA, 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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EARNINGS

- Reported net profit after tax of $91.4 million, up 82% on pcp.
- Adjusted net profit after tax of $99.3 million, up 56%. Adjusted net profit after tax reflects $7.9 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 11.7 cents, up 83% on pcp.
- Adjusted earnings per share of 12.7 cents, up 57% on pcp.
- EBITDA[2] of $166.3 million, up 32% on pcp.
- EBIT[3] of $137.4 million, up 43% on pcp.

OTHER HIGHLIGHTS

- Focus on execution has enabled strong customer service and delivery performance in meeting increased demand despite manufacturing and logistics disruptions arising from COVID-19.
- Strong cash generation with net cash flow from operations up 17% to $155.6 million.
- Operating cash flow conversion of 94% for the period, versus 105% pcp.
- Net debt of $226.0 million at 31 December 2020 a reduction of $76.2 million since 30 June 2020[4] after cash dividends paid of $55 million.
- Reduction in net leverage, with Net Debt to EBITDA ratio down from 1.39 times at 30 June 2020 to 0.88 times[4].
- Interim dividend of $47.4 million, being 6.0 cents per share, compared with $35.6 million in HY2020, being 4.5 cents per share.

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

OPERATING AND FINANCIAL REVIEW[5]

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

Review of results for the financial period

Six months ended:	**31 December 2020 ($ million)**	**31 December 2019 ($ million)**	**Variance**
Net sales	**642.4**	569.3	**13%**
EBITDA	**166.3**	126.3	**32%**
EBIT	**137.4**	96.4	**43%**
Reported net profit before tax	**131.5**	**84.7**	**55%**
Tax Expense	(40.1)	(34.6)	16%
Reported net profit after tax	**91.4**	**50.1**	**82%**
Adjusted for:			
- Cash tax benefit of goodwill amortisation for tax purposes[6]	7.9	7.9	n/m
- Prior period's tax adjustment[7]	-	5.7	n/m
Adjusted net profit after tax	**99.3**	**63.7**	**56%**
Basic earnings per share	**11.7 cents**	**6.4 cents**	**83%**
Adjusted earnings per share	**12.7 cents**	**8.1 cents**	**57%**
Dividend per share	**6.0 cents**	**4.5 cents**	**33%**

n/m = not meaningful

[5] 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 2020.

[6] 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 period was $7.9 million.

[7] Adjustment for the pcp is shown for the purposes of comparison. The $5.7 million for the period ended 31 December 2019 was a one-off adjustment arising from the reassessment of a number of tax matters relating to prior periods.

Constant Currency Revenue, EBITDA and EBIT Performance

Six months ended:	31 December 2020 $ million Constant Currency	31 December 2019 $ million	Variance Constant Currency	31 December 2020 $ million Reported
Net Sales				
Americas	423.0	346.8	22.0%	400.8
Asia Pacific	142.6	125.4	13.7%	138.1
EMEA	191.0	173.6	10.0%	188.9
Eliminations (inter-segment sales)	(89.7)	(76.5)	17.3%	(85.4)
RWC Group	**666.9**	**569.3**	**17.1%**	**642.4**

EBITDA				
Americas	78.7	53.6	46.7%	75.8
Asia Pacific	34.2	22.8	49.9%	29.9
EMEA	63.9	52.3	22.2%	62.5
Corporate	(2.9)	(2.3)	27.2%	(1.9)
RWC Group	**173.8**	**126.3**	**37.6%**	**166.3**

EBIT				
Americas	66.6	41.0	62.5%	64.4
Asia Pacific	27.6	15.8	74.5%	23.3
EMEA	53.6	42.7	25.6%	52.4
Corporate	(3.7)	(3.1)	20.2%	(2.7)
RWC Group	**144.1**	**96.4**	**49.5%**	**137.4**

Net sales for the six months ended 31 December 2020 of $642.4 million were 13% higher than pcp. On a constant currency basis, sales were up by 17%, with 22% growth in the Americas, 14% in APAC and 10% in EMEA sales. Commentary on the performance of each region is provided in the segment reviews below.

EBITDA for the period was $166.3 million, an increase of 32% on pcp. The growth in net sales for the half translated into strong operating earnings performance. EBITDA margins increased as a result of strong operational leverage driven by higher volumes, with each region reporting margin expansion for the period.

Disruptions arising from the surge in COVID-19 cases in Europe and the US put additional pressure on our operations due to increased employee sickness and absenteeism. This, combined with the factory layout and materials flow changes made in the prior period to ensure that social distancing requirements were met, adversely impacted efficiencies and delivery performance. Despite these challenges, all major RWC manufacturing sites were operational throughout the period and a focus on execution enabled the Group to meet the increased demand seen across most markets.

Cost reduction initiatives also helped to lift margins. Cost savings from restructuring initiatives totalling $9.5 million were delivered in the first half. We are on track to meet our target of $25 million in annual cost savings on a run rate basis by the end of the 2021 financial year.

Other major factors which impacted earnings were:

- Increased overhead recoveries in the half due to higher manufacturing and sales volumes in all regions
- Carryover procurement savings and John Guest synergies of $6.3 million
- Impact on cost of goods sold from lower cost of raw materials of $2.9 million, principally copper costs in the form of brass bar.

Reported net profit after tax (“NPAT”) was $91.4 million, an increase of 82% on pcp. Adjusting for the $7.9 million tax item referenced earlier, net profit after tax was $99.3 million, 56% higher than for the pcp.

SEGMENT REVIEW

AMERICAS

Six months ended:	31 December 2020 (A$ million)	31 December 2019 (A$ million)	Variance
Net sales[8]	**400.8**	**346.8**	**16%**
EBITDA	**75.8**	**53.6**	**41%**
EBITDA Margin	*18.9%*	*15.5%*	*340bps*
EBIT	**64.4**	**41.0**	**57%**
EBIT Margin	*16.1%*	*11.8%*	*430bps*

Americas segment sales were up 16% for the period. Reported sales were adversely impacted by a stronger Australian dollar relative to the US dollar during the period. On a constant currency basis, sales were 22% higher for the period.

US sales were boosted by a surge in residential repair and remodel activity and the return of new home construction activity to pre-COVID levels. Sales in both retail and hardware channels of core plumbing products such as fittings and pipe were particularly strong. Sales were boosted in the period by a new line of stop valves launched through a retail channel partner in the prior year. OEM sales were also up strongly due to the high demand generated by home repair activity, while sales in wholesale channels improved following softer trading patterns due to COVID-19 restrictions early in the period. A recovery in sales was also experienced in the Canadian market, although sales growth for the period was not as high as for the US.

We estimate that of the 22% constant currency growth in sales in the period, approximately half of this was directly attributable to COVID-19 influenced sales. Sales growth excluding COVID-19 impacts in the period is estimated to have been 11%.

Strong volume growth in the period drove improved operating margins due to higher manufacturing overhead recoveries, along with the implementation of a number of cost reduction initiatives. For example, during the period, the consolidation of HoldRite's manufacturing operations at RWC's main US plant in Alabama was completed.

[8] Prior to elimination of inter-segment sales

EBITDA for the Americas segment was $75.8 million, 41% higher versus pcp. The principal drivers of EBITDA performance are summarised in the following table:

AMERICAS			
Six months ended: (A$ million)	**31 December 2020**	**$ Change over pcp**	**Commentary**
Gross Profit	146.5	23.2	$25.7 million: volume growth including increased rebates from tiered incentives $2.9 million: lower materials costs $4.3 million: cost reduction initiatives ($2.1 million): increased COVID costs ($7.6 million): foreign currency translation impacts
Product development expenses	4.9	(4.7)	Savings due to prior period restructuring resulting in lower employee costs, marketing costs, product development costs, and amortisation
Selling and marketing expenses	48.1	(1.2)	Increased sales commissions driven by sales growth Reduced T&E, marketing and merchandising costs partly offset by higher variable costs, and insurance and depreciation
Administration expenses	29.3	6.1	$2.8 million: employee benefits

ASIA PACIFIC

Six months ended:	**31 December 2020 (A$ million)**	**31 December 2019 (A$ million)**	**Variance**
Net sales[9]	**138.1**	**125.4**	**10%**
EBITDA	**29.9**	**22.8**	**31%**
EBITDA Margin	*21.6%*	*18.2%*	*340bps*
EBIT	**23.3**	**15.8**	**48%**
EBIT Margin	*16.9%*	*12.6%*	*430bps*

Asia Pacific sales were up 10%, with external sales up 8% reflecting stronger Australian new housing construction and remodel markets. Inter-company sales were up 13% (up 21% on a constant currency basis) due to the strength of demand in the Americas.

New housing approvals in Australia increased 5% in the year to 31 December 2020[10]. While multi-family approvals declined by 9%, this was more than offset by the 15% increase in new detached dwelling approvals, which have been boosted by the Australian Government's HomeBuilder grant program. This trend was also evident in housing commencements. Although total number of dwelling units commenced fell 1% in the quarter ended 30 September 2020, new detached dwelling commencements were up 4% while multi-family commencements fell 8%[10]. A significant proportion of RWC's external net sales in Australia are made in the new residential construction market. Alterations and additions activity, measured by approvals for work over $10,000, was up 8.8% in the year to 31 December 2020[10].

Asia Pacific EBITDA for the period was $29.9 million, an increase of 31% on the pcp. The higher EBITDA was driven by stronger volumes in the Australian market and by higher export volumes to the Americas segment. Prior year EBITDA had been negatively impacted by lower sales to the Americas as part of an inventory optimisation programme. EBITDA margins improved from 18.2% to 21.6% as a result of positive operational leverage impacts from increased manufacturing volumes. Margins were also positively impacted by the realisation of profit in stock arising from increased sales to the Americas and reduction in inventory levels.

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

ASIA PACIFIC			
Six months ended (A$ million)	**31 December 2020**	**$ Change over pcp**	**Commentary**
Gross Profit	45.7	10.3	$4.8 million: realisation of profit in stock $4.1 million: higher volumes and manufacturing overhead recoveries $1.1 million: cost reduction initiatives
Product development expenses	1.7	(0.6)	Salary savings
Selling and marketing expenses	9.4	(0.3)	Lower travel and entertainment expenditure
Administration expenses	8.5	(0.2)	
Other expenses	2.9	2.6	($2.8 million): foreign exchange loss on US$ balances due to the stronger A$ against the US$

[9] Prior to elimination of inter-segment sales
[10] Source: Australian Bureau of Statistics

EUROPE, MIDDLE EAST AND AFRICA ("EMEA")

Six months ended:	**31 December 2020 (A$ million)**	**31 December 2019 (A$ million)**	**Variance**
Net sales[11]	**188.9**	**173.6**	**9%**
EBITDA	**62.5**	**52.3**	**20%**
EBITDA Margin	*33.1%*	*30.1%*	*300bps*
EBIT	**52.4**	**42.7**	**23%**
EBIT Margin	*27.7%*	*24.6%*	*310bps*

Reported net sales in EMEA were up 9% to $188.9 million, while sales in constant currency were up 10%. Sales volumes recovered in July and August following the easing of COVID-19 government restrictions imposed in the UK and Continental Europe. These restrictions severely curtailed the operations of most distribution channel partners in the UK. As markets reopened, improved sales activity was partly driven by pent-up demand following the COVID-19 lockdown period, and from channel partners rebuilding inventory levels which were depleted during the lockdown. The recovery in sales growth was driven in particular by the strength of the repair and remodel market in the UK. Sales in Continental Europe were up slightly with end markets benefitting less from satisfaction of pent-up demand, as the impact from the initial lock downs was not as severe as it had been in the UK.

Reported EBITDA was $62.5 million, up 20% on the pcp. First half EBITDA margin increased by 300 basis points to 33.1% from 30.1% pcp. The increase was due to higher volumes and operational leverage, the positive impact of synergies delivered through the integration of the John Guest and RWC businesses, and other cost out initiatives implemented in the period, including a restructure of both manufacturing and administrative and support functions in the UK.

EBITDA performance drivers are summarised below:

EMEA			
Six months ended (A$ million)	**31 December 2020**	**$ Change over pcp**	**Commentary**
Gross Profit	93.0	7.7	$8.6 million: higher volumes and manufacturing overhead recoveries $4.2 million: cost reduction initiatives $1.4 million: price adjustments ($2.5 million): profit in stock ($2.2 million): reclassification of labour and depreciation expenses from SG&A to COGS ($1.5 million): foreign exchange
Product development expenses	1.7	0.6	Reclassification of costs to COGS
Selling and marketing expenses	19.7	(1.5)	$1.7 million reclassification of labour and depreciation costs from Administration
Administration expenses	18.4	2.8	$3.3 million: reclassification to COGS and other SG&A departments ($0.5 million): higher incentive and depreciation costs

[11] Prior to elimination of inter-segment sales

During the period the UK and European Union ("EU") concluded a Trade and Cooperation Agreement that sets out preferential arrangements in areas such as trade in goods and services between the two regions. The agreement provides for zero tariffs and zero quotas on all goods that comply with the appropriate rules of origin and consequently we anticipate that there will be no direct financial impacts arising from the UK's withdrawal from the EU.

GROUP PERFORMANCE REVIEW

DIVIDEND

A partially franked interim dividend of 6.0 cents per share has been declared totalling $47.4 million which represents 52% of Reported NPAT and 48% of Adjusted NPAT. 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 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.

Six Months Ended:	**31 December 2020**	**31 December 2019**	**31 December 2020** ***Franked amount***	**31 December 2019** ***Franked amount***
Interim dividend	6.0cps	4.5cps	20%	20%
Amount payable or paid	$47.4m	$35.6m		

The record date for entitlement to receive the interim dividend is 11 March 2021. The payment date is 9 April 2021.

CAPITAL EXPENDITURE

Capital expenditure payments for property, plant and equipment acquired during the period totalled $11.9 million compared with $25.4 million in the pcp. The prior period included capital expenditure of $7.4 million incurred on long term IT projects, with the most significant of these being the replacement ERP system in the UK which was completed in March 2020. Growth capital expenditure for the period was $6.2 million and $5.7 million was incurred on maintenance capital expenditure.

All non-essential capital expenditure was halted in March 2020 in order to optimise cash flow given the uncertainty arising from COVID-19. Capital expenditure is expected to return to previously indicated levels, with many capacity related capital projects now underway. Consequently, capital expenditure for the full year is expected to be in the range of $40 million to $50 million, with a number of growth-oriented projects approved in the first half which are scheduled for completion in the second half of FY2021.

WORKING CAPITAL AND CASH FLOW

Net cash inflow from operating activities for the period was $155.6 million, an increase of 17% on pcp. Working capital was down by $15.1 million since 30 June 2020 due to foreign currency translation impacts. Inventory levels were higher due to the seasonal build-up of finished goods and raw materials primarily in the Americas, while this was largely offset by increased payables and accrual increases. Trade and other receivables were broadly flat excluding foreign currency translation impacts. Operating cash flow conversion[12] was 94% of EBITDA versus 105% pcp.

Cash dividends paid in the period were $55.3 million, an increase of $16.2 million over the pcp due to the payment of both the interim and final dividends for FY20 in the period. Payment of the FY20 interim dividend was deferred until October as a cash preservation measure at the start of the pandemic last year.

BALANCE SHEET

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

Net debt[13] at 31 December 2020 was $226.0 million, (30 June 2020 - $302.2 million). The reduction of $76.2 million over the period was driven by the strong cash generation in the period of $42.2 million and foreign exchange translation movements of $34.0 million.

Net debt to EBITDA was 0.88 times[13] at 31 December 2020 (based on historical EBITDA for a 12-month period ended 31 December 2020) compared with 1.57 times at the end of the pcp.

RWC continues to have significant funding lines available, with cash on deposit and undrawn committed debt funding of $558 million available as at 31 December 2020. The group’s principal source of funding is a $750 million syndicated facility agreement. During the period, the maturity date of a $250 million tranche of this facility was extended by two years. As a result, this facility has one tranche of $250 million with a maturity date of 30 September 2022 and two tranches totalling $500 million having a maturity date of 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.

CAPITAL MANAGEMENT

RWC’s balance sheet has been strengthened considerably over the past two years due to strong operating cash flow generation, with net debt to EBITDA declining from 1.67 times as at 31 December 2018 to 0.88 times as at 31 December 2020.

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 minimises its cost of capital whilst at the same time continues to have 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.

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[12] HY21: Cash flow from operations to Reported EBITDA of $166.3 million.
[13] 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 Australia.

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 30.5%. This rate excludes RWC's entitlement to claim amortisation of certain intangibles for taxation purposes under longstanding tax concessions available in the USA. Goodwill is not amortised for accounting purposes under accounting standards. The benefit arising from the amortisation of goodwill for cash tax purposes in the period was $7.9 million.

Adjusting for this item, tax expense for the period was $32.2 million, representing an Adjusted effective tax rate of 24.5%. 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 24% to 26% in FY2021. The estimate for FY2021 is higher than the range originally indicated of 19% to 23% due to Group earnings being higher than forecast, and a stronger Australian dollar.

HEALTH AND SAFETY

The health and safety of RWC employees during COVID-19 has been our number one priority. RWC has followed the advice of health authorities to ensure all its facilities continued to operate safely and in compliance with new regulations. Actions undertaken have included on-site social distancing, daily temperature checks upon arrival at site for all employees, provision of hand sanitiser and PPE. Cleaning protocols continued to be undertaken to deal with any outbreak at RWC locations. Cases of COVID-19 were experienced by RWC US and EMEA 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.

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 1.31 per 100 employees for the period compared with 1.32 in the pcp. Consistent with our plans for FY2021, we continued to increase emphasis on employee engagement and reporting of leading indicators. All regions have established safety committees and are implementing behaviour observation processes. During the first half we reported 3,800 safety observations/near misses/hazards, compared to 1,548 in the prior reporting period, enabling us to address safety risks more proactively. Employee engagement in the health and safety process increased to 37% compared to 13% in the pcp. We believe the increased employee engagement and reporting continues to improve identification of reportable injuries that may not have been captured in the past, thereby contributing to the flat reportable incident rate.

Our safety goals for FY2021 include a 10% reduction in the injury rate and continuing to increase employee engagement and leading indicator reporting. To better manage our health and safety priorities we are implementing 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 monitor leading indicator reporting and employee engagement each month.

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.

The company notes that sales growth rates may change substantially from March onwards as a result of the impact of COVID-19 on sales performance in pcp. Sales in the US started to lift significantly in March 2020 as consumers refocused their spending on home repair and remodelling activity. It is therefore likely that year over year sales growth comparisons in the US market will moderate from March onwards. Conversely in EMEA, UK sales were adversely impacted by the UK Government lockdown imposed in March 2020 and sustained throughout April, May and June. It is expected that sales comparisons with pcp will be particularly favourable in the second half of FY2021 in respect of the UK, and EMEA overall, given that sales fell to 35% to 40% of their pre-COVID level during the pcp.

AMERICAS

In the US, moderate gains in homeowner spending for improvements and repairs are expected to continue throughout the second half of FY2021 as initial concerns of a possible pandemic-induced downturn have largely dissipated. The surge in DIY and small project activity is also expected to continue lifting the remodelling market.

Record-low mortgage rates have helped home sales to surge at a time when inventories are exceptionally lean, setting off a surge in single-family home construction. In contrast, changing preferences away from apartments has comes as a large supply of new units are being completed. New multi-family starts have started to reduce with the number of units to break ground in the fourth quarter of calendar 2020 the fewest since 2011.

Non-residential construction continues to be adversely impacted by COVID-19. Construction spending on hotels, retail stores, office buildings and educational facilities has fallen in recent months. While a strong pipeline of projects ahead of the pandemic helped avert a significant decline in non-residential construction, the uncertainty surrounding the pandemic, as well as demand for commercial and institutional properties post-COVID, has spurred numerous postponements and cancellations.

The unemployment rate, a broader recession, and further COVID-19 outbreaks remain risks in FY2021. Continued US federal stimulus measures should assist in mitigating some of the impact of high unemployment, but demand would be negatively impacted should government stimulus measures end.

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

ASIA PACIFIC

Residential demand has proved to be resilient through the pandemic. Government stimulus has stoked a boom in house construction which is expected to offset most of the weakness in commercial and apartment activity for FY2021. Management of US inventory levels may adversely impact manufacturing recoveries in the second half.

With the unwinding of both the HomeBuilder program and some state government incentives, total dwelling commencements may decline beyond FY2021. Additionally, population forecasts indicate that migration and population growth may not return to pre-COVID levels until 2024. Construction activity could be impacted by any future lock down restrictions on a state by state basis owing to outbreaks and community transmission of COVID-19.

EMEA

In the first half, demand in the UK was driven by plumbing and heating volume growth with restocking by distributors and satisfaction of pent-up demand. This was coupled with a strong recovery in the repair and remodelling market. Market conditions in the second half are expected to remain positive, with total construction output expected to return to 2019 levels. New residential construction has already recovered to pre-COVID levels, however, the recovery in commercial has been slower. The repair and remodelling sectors are expected to stay positive, supported by stay-at-home trends.

Continental Europe is expected to deliver sales growth in the second half. Drinks dispense will likely remain sluggish, but other OEM sectors (unvented, underfloor heating, leisure) are expected to recover.

EARNINGS GUIDANCE

Due to the ongoing uncertainty surrounding market demand and the potential impacts of further COVID-19 outbreaks, RWC will not provide earnings guidance for FY2021.

In terms of specific cost items, the following key assumptions are provided for FY2021:

- Copper cost impacts will be negative in the second half. The average copper price in the first half was approximately US$5,500 per tonne, and guidance for the second half is for an average of US$6,900 per tonne. 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 $40 million to $50 million.
- Depreciation and amortisation expense is expected to be in the range of $55 million to $60 million.
- Interest expense is expected to be in the range of $12 million to $15 million.
- We expect an adjusted effective tax rate in the range of 24% to 26%.

Beyond these specific items, the Company notes that inflationary pressures are evident across a number of cost categories including raw materials inputs, notably zinc, steel and resins, freight costs, and packaging costs especially cardboard. These may adversely impact second half earnings performance.

The average Australian Dollar/ US Dollar exchange rate for first half earnings translation was approximately US$0.723.

The average Australian Dollar / Pound Sterling rate for first half earnings translation was approximately GBP 0.554.

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

COMMENTARY ON TRADING CONDITIONS SINCE 31 DECEMBER 2020

Trading in January continued to show positive momentum. There were two fewer trading days in the month versus pcp. Sales on a constant currency basis were 14% higher than for the same month last year but 24% higher on a daily sales basis.

Americas sales were up 20% on pcp, with retail sales again driving strong growth.

EMEA external sales were up 6% versus pcp. UK plumbing and heating recorded its second-best sales month ever, up 18% versus pcp, while Continental Europe sales were up 6% on pcp.

APAC external sales were up 1%. Sales growth of products into China continued during the month and intercompany sales were significantly higher than pcp due to the sustained strength in the US.

We have continued to see positive sales growth in all regions during the first half of February.

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 also refer to the Appendix 4D, 31 December 2020 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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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.

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 15 manufacturing facilities, 22 distribution centres and 5 R&D locations across its Americas, Asia Pacific and EMEA operating segments. The combined business employs over 2,000 people.