Reliance Worldwide Corporation Limited
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ASX Announcement

25 February 2019

RWC reports continued revenue and earnings growth for the six months ended 31 December 2018

Underpinned by strong double digit growth in underlying sales in the Americas and inclusion of John Guest

John Guest performing well and generally exceeding expectations. Integration of John Guest on track to deliver first year plan and synergy targets

EBITDA guidance for FY2019 reaffirmed at a range of $280 million to $290 million[1]

Continuing to invest in long term business growth and product development

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Reliance Worldwide Corporation Limited (ASX: RWC) ("RWC" or "the Company") has today announced its consolidated results for the six months ended 31 December 2018.

Key highlights

Revenue

- Net sales of $544.2 million, an increase of 50.1% over the comparative period[2]
- Core RWC net sales (excluding John Guest) were $389.4 million, up 7.4% on the comparative period (underlying growth of 9.5% on a constant currency basis after adjusting for one-off items). Increase led by continuing double digit growth in underlying sales in the Americas segment. Underlying sales growth in the Americas, on a constant currency basis and after adjusting for one-off items, was 14.3%.
- John Guest sales for the period were $154.8 million, up 13.3% on the comparative period[2]

Earnings

- Reported net profit after tax of $65.7 million, up 58.4% on the comparative period
- Reported earnings per share of 8.4 cents, an increase of 5% on the comparative period
- Adjusted earnings per share of 9.6 cents, an increase of 20 % on the comparative period
- Reported EBITDA of $120.7 million, an increase of 52.3% on the comparative period
- Adjusted EBITDA (as defined below) of $130.8 million, an increase of 65.0% on the comparative period
- Adjusted EBITDA (excluding John Guest) was driven by growth in net sales. This improvement was offset by significantly higher raw materials costs expensed, primarily copper, relative to the comparative period (the impact of that on the full year FY19 EBITDA will substantially reverse with significantly lower copper prices reflected in lower raw materials production costs in the second half of FY19) and a negative impact of one-off supplier issues in the Americas experienced in the period (discussed further in the Americas segment commentary below), resulting in a slight reduction in Adjusted EBITDA relative to the previous period. Excluding the impact of these factors, Adjusted EBITDA for the core RWC business would have been up in excess of 12%

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- As noted in our ASX announcement dated 1 February 2019, a higher percentage of EBITDA is expected to be earned in the second half of FY2019 (approximately 53% - 55% of the full year EBITDA) compared to prior financial years due to the pattern of earnings at John Guest, the progressive accumulation of synergy benefits and (as set out above) lower raw material costs benefitting second half cost of goods sold together with the resolution of the one off supplier issues from the first half

Other highlights

- Interim dividend of $31.6 million, being 4.0 cents per share
- New products being trialled and launched successfully through major customers, including The Home Depot and Lowe's
- John Guest is performing well and generally exceeding our expectations. Its integration is on track to deliver first year plan and synergy targets. Realised synergies achieved in the period following the John Guest acquisition were $4.1 million and remain on track to at least meet the previously advised target of $10 million by the end of FY2019 (prior to one-off integration costs incurred). Synergy realisation remains on track to exceed $20 million per annum on a run rate basis (excluding one-off integration costs) by the end of FY2019 with total annual synergy realisation expected to exceed $30 million on a run rate basis by the end of FY2020

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Operating and Financial Review[3]

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

Results for the period

Six months ended:	31 December 2018	31 December 2017	*Variance*
Net sales ($m)	**544.2**	**362.6**	***50%***
Net sales - excluding John Guest ($m)	389.4	362.6	*7%*
Net sales - John Guest ($m)	154.8	-	*n/m*
Reported EBITDA[4] ($m)	**120.7**	**79.3**	***52%***
Adjusted for one-time items:			
John Guest integration costs expensed	*6.4*	-	*n/m*
John Guest fair value inventory unwind	*2.4*	-	*n/m*
Impact of adopting new revenue accounting standard AASB 15	*1.3*	-	*n/m*
Adjusted EBITDA ($m)	**130.8**	**79.3**	***65%***
Adjusted EBITDA - excluding John Guest ($m)	77.2	79.3	*(3%)*
Adjusted EBITDA - John Guest ($m)	53.6	-	*n/m*
Reported EBIT[4] ($m)	**99.9**	**67.8**	***47%***
Reported net profit after tax ($m)	**65.7**	**41.5**	***58%***
Adjusted net profit after tax ($m)	**74.9**	**41.5**	***80%***
Basic earnings per share (cents)	8.4	8.0	***5%***
Adjusted earnings per share (cents)	9.6	8.0	***20%***

Adjusted earnings per share increased 20% over the comparative period. The increase was achieved on a substantially larger capital base following raising of $1.1 billion of new equity in June 2018 which accompanied the John Guest acquisition.

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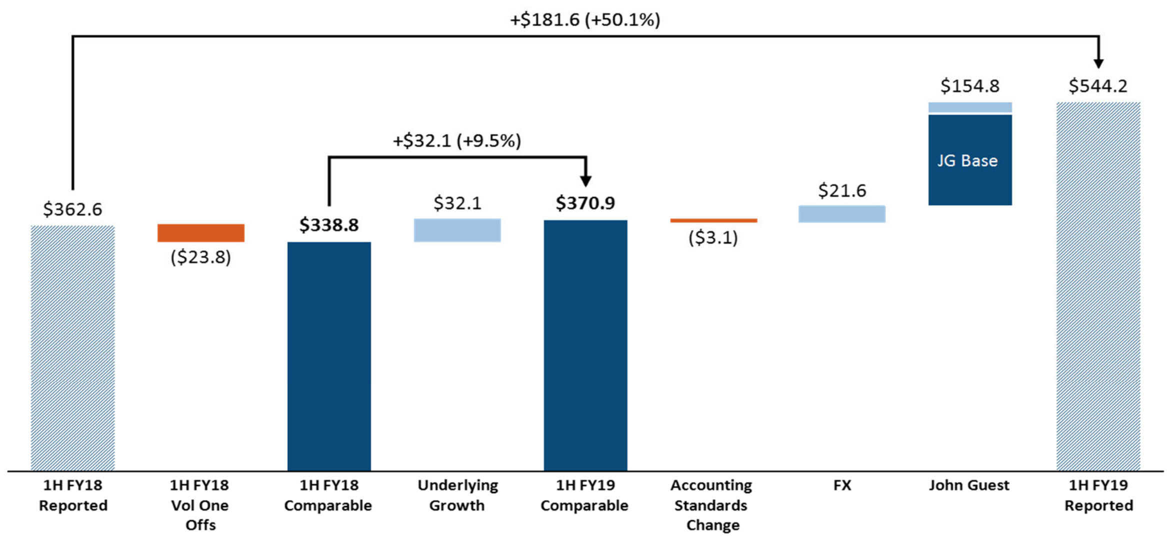
Review of Financial Results

Net Sales movement – Dec 17 period to Dec 18 period (six months ended)
(All values in A$ millions)



Note: FY18 One Off Net Sales reflect the one-time rollout of stock to the second half of Lowe's stores in the USA and RWC sales to John Guest. Accounting Standards Change refers to the impact of adopting new revenue accounting standard AASB 15. John Guest prior period base sales converted to AUD at prior year FX rate. Growth rate in John Guest sales is 13.3%.

Net sales for the period ended 31 December 2018 of $544.2 million were 50.1% higher than the comparative period. Reported EBITDA for the period was $120.7 million, an increase of 52.3% on the comparative period. These increases reflect the inclusion of John Guest for the entire period.

Core RWC net sales (excluding John Guest) were $389.4 million, led by the Americas operating segment which continued to see double digit underlying sales growth after adjusting for one-time items and currency movements. Net sales of John Guest products were $154.8 million, up 13.3% on the comparative period.

Favourable translational foreign exchange rates as a result of a weaker Australian dollar versus the US dollar also impacted reported net sales. Excluding the impact of the favourable translational FX in the current period, one-off events referred to in the table above and John Guest sales, underlying growth in net sales was 9.5%.

John Guest performed well with net sales meeting expectations. The core John Guest business, being plumbing and heating fittings and pipe for the UK market, is substantially focused on repair and maintenance products and continues to grow. The Fluid Technology PTC fittings are also performing well, particularly in the Americas segment. Fluid Technology fittings are plastic PTC fittings used primarily in water quality and fluid dispense applications.

EBITDA for the period, adjusted for the following items, was $130.8 million ("Adjusted EBITDA"), an increase of 65.0% over the comparative period. Adjusted EBITDA includes John Guest related synergies of $4.1 million achieved during the period and excludes the following items: $6.4 million of one-time integration costs incurred; a $2.4 million expense related to finalising the unwinding of a fair value adjustment made at acquisition date to John Guest inventory; and a $1.3 million EBITDA impact in connection with the timing of revenue recognition following adoption of new accounting standard AASB 15.

The Adjusted EBITDA result of $130.8 million reflects:

- growth in net sales as described above, including John Guest net sales for the entire period;
- the positive impact of John Guest related synergies achieved;
- a net favourable impact of currency movements;
- the cost of continuing investment into R&D for new products (including Streamlabs, water treatment products and core plumbing and heating products of RWC, Holdrite and John Guest);
- a negative impact of higher input costs in the half, principally driven by copper (in the form of brass bar) which flowed through our supply chain to production. (There is a cost lag to spot rates of approximately 4-6 months):
  - for the period from January 2018 to June 2018, market spot rates for copper ranged from US$6,800 to US$7,100 per tonne versus the significantly lower spot rates of US$5,600 to US$5,900 per tonne experienced in the comparative period;
  - the impact is on the full year FY19 EBITDA is expected to substantially reverse in the second half as production costs reflect processing of brass bar that was purchased between July 2018 and December 2018 when market spot rates for copper averaged US$6,000 to US$6,300 per tonne;
  - the overall average copper cost for FY2019 will be close to the $6,500 per tonne for FY2019, as communicated and forecast previously; and
  - the overall impact of higher input costs on EBITDA for the period, including the net negative impact of foreign exchange movements on purchases, was in the order of $9 million versus the comparative period.
- a negative impact of one-off supplier issues in the Americas experienced in the period (discussed further in the Americas segment commentary below). The impact on EBITDA for the period was in the order of $3 million versus the comparative period.
- Excluding the impact of raw material price inflation (primarily copper, which will substantially reverse in the second half of FY19) and the one off supplier issues referred to above, Adjusted EBITDA (excluding John Guest) in the core RWC business would have been up in excess of 12% for the half year.

Reported net profit after tax ("NPAT") was $65.7 million, an increase of 58.4% on the comparative period. This result reflects:

- the impacts on EBITDA as described above;
- a higher net interest expense as a result of increased borrowings which partially funded the acquisition of John Guest in June 2018; and
- a lower income tax expense which reflects the changed geographic mix of earnings following recent acquisitions with a higher proportion of earnings now achieved in countries with lower

taxation rates than Australia, including the impact of the lower federal corporate tax rate in the USA.

Adjusted net profit after tax ("Adjusted NPAT") was $74.9 million, an increase of 80% on the comparative period. Adjusted NPAT reflects the effect of the Adjusted EBITDA (which adjusts for John Guest integration costs, fair value inventory unwind and the impact of the new AASB15 revenue accounting standard).

Segment Review

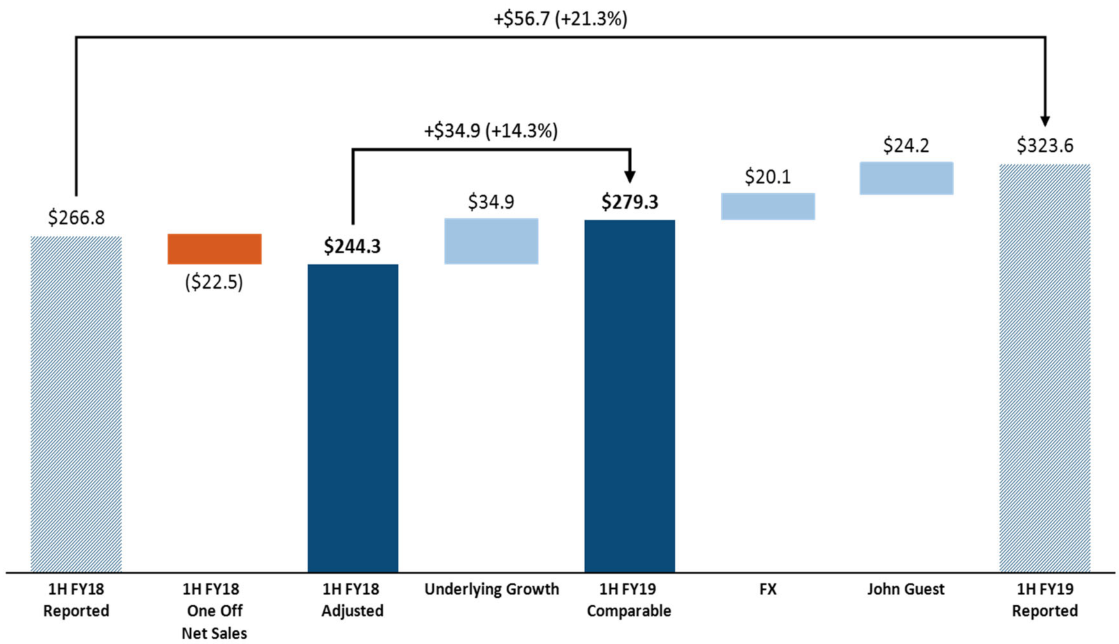
Americas

Six months ended:	**31 December 2018**	**31 December 2017**	***Variance***
Net sales ($m)[5]	323.6	266.8	21.3%
Net sales – excluding John Guest ($m)	299.4	266.8	12.2%
Net sales - John Guest ($m)	24.2	-	n/m
Reported Segment EBITDA ($m)	54.9	52.9	3.8%
Margin	*17.0%*	*19.8%*	
Adjusted Segment EBITDA ($m)	55.8	52.9	5.5%
Adjusted Margin	17.2%	19.8%	
Adjusted Segment EBITDA – excluding John Guest ($m)	52.2	52.9	(1%)
Adjusted Segment EBITDA - John Guest ($m)	3.6	-	n/m
Segment EBIT	47.9	47.1	-

The Americas segment continued to deliver strong sales growth. Reported net sales for the period were $323.6 million, an increase of 21% on the comparative period. Excluding John Guest, net sales were $299.4 million, an increase of 12% on the comparative period.

Net sales in the period include the positive impact of favourable FX, reflecting the weakening of the Australian dollar relative to the US dollar. Moreover, the comparative period of July to December 2017 included the positive impact of the one-time rollout of stock to the second half of the Lowe's stores. Adjusting for these one-time items and movements in FX rates, underlying net sales growth in the Americas was 14.3% on a constant currency basis.

Change in Net Sales – Americas Segment
(All values in A$ millions)



Growth in net sales in the Americas segment was driven by strong ongoing end user demand for RWC's core SharkBite brass fittings and accessories. SharkBite fittings have enjoyed 14 years of uninterrupted growth in North America, since the introduction by RWC of push-to-connect technology for plumbing fittings into that market in 2004. SharkBite now has in the order of 10% of the USA plumbing fittings market, with a strong growth runway available. Distributors in the USA continue to report solid double digit growth at point of sale across channels.

Growth was also supported by an expanded range of products sold to The Home Depot in Canada, including PEX pipe and crimp fittings, ensuring these outlets now have the full SharkBite solution. Expansion into the new construction market – both Commercial through Holdrite products and Residential through EvoPEX – also contributed to growth in the period.

Holdrite products continue to perform well. We are now achieving revenue synergies foreseen at the time of the June 2017 acquisition. We are leveraging RWC distribution relationships to roll-in Holdrite products as part of the expanded offering. Similarly, Holdrite's position with end-users in the commercial sector is allowing us to take additional RWC product into that market.

Segment reported EBITDA was $54.9 million, 4% above the comparative period, while Adjusted EBITDA was $55.8 million, excluding $0.9 million of integration costs, which was 6% ahead of the comparative period. Excluding the $7 million cost of raw material inflation (primarily copper,

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which will substantially reverse in the second half of FY2019) and the $2.6 million cost of one-off supplier issues referred to below, Adjusted EBITDA (excluding John Guest) in the Americas would have been up in excess of 16% for the half year.

Adjusted EBITDA margin declined 260 basis points versus the comparative period. The result reflects the net impact of:

- growth in net sales as described above, including John Guest net sales for the entire period;
- favourable impact of translational FX;
- negative impact of higher input costs in the half, principally driven by higher copper costs (as noted above);
- the decision to increase investment in the long term growth of the business (as discussed above); and
- a negative impact from supplier related materials and equipment issues experienced in the period, including:
  - sub-standard brass bar from a key supplier which slowed production and increased reject rates;
  - a significant delay in the qualification of a new, lower cost supplier of imported finished products; and
  - major start-up challenges and inefficiencies caused by issues with production equipment commissioned during the period.

  Each of these supplier issues have been addressed and are not expected to reoccur in the second half.

Looking to the second half, we expect the Americas segment to deliver continued growth in underlying net sales. The current forecast also assumes a modest freeze event associated with winter. From an EBITDA perspective, we expect the negative impact of the copper cost to substantially reverse (as discussed above) and we do not foresee any further negative impacts from USA supplier issues.

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Asia Pacific

Six months ended:	31 December 2018	31 December 2017	*Variance*
Net sales ($m)[5]	129.8	121.6	7%
Net sales – excluding John Guest ($m)	122.4	121.6	Nil
Net sales - John Guest ($m)	7.4	-	n/m
Reported Segment EBITDA ($m)	24.6	29.9	(18%)
Margin	*19.0%*	*24.6%*	
Adjusted Segment EBITDA ($m)	26.2	29.9	(12%)
Adjusted Margin	20.2%	24.6%	
Adjusted Segment EBITDA – excluding John Guest ($m)	24.5	29.9	(18%)
Adjusted Segment EBITDA - John Guest ($m)	1.7	-	n/m
Segment EBIT	20.0	25.3	(21%)

Asia Pacific delivered net sales of $129.8 million, an increase of 7% on the comparative period, including John Guest net sales for the entire period. Intercompany sales grew to supply the expanding business in the Americas segment and from favourable currency movements. External sales were down about 4%, having been negatively affected by a timing impact from a change in revenue recognition ($3.1 million) following adoption of the new AASB15 revenue recognition standard (as noted previously), a weakening of sales into the new housing construction market and delays in the release of two new product ranges which had been scheduled to be launched into the Australian market in the first half of FY2019. The issues delaying those launches have been resolved but net sales of approximately $5 million were lost during the half year.

Asia Pacific is RWC's smallest sales segment (13% of external net sales in the reporting period) and is the only segment with material sales into new housing construction. As with other suppliers, we have seen a weakening of sales into that market and the new product launches planned to offset those headwinds were delayed.

John Guest sales in Australia performed well and were in line with expectations for the period.

Asia Pacific reported EBITDA contribution for the period was $24.6 million, a decrease of 18% on the comparative period, while Adjusted EBITDA was $26.2 million or 12% below the comparative period. The result reflects:

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- impacts of net sales as described above, including John Guest net sales for the entire period;
- a negative impact on EBITDA of $2 million from increased input costs, primarily the cost of copper (which is expected to substantially reverse in the second half of FY2019 as noted previously);
- a negative impact on profit in stock related to higher levels of internal inventory planned to support demand during the northern hemisphere winter (in the order of $4 million); and
- higher SG&A costs mainly associated with early stage research and development costs incurred on a new range of water treatment products (just under $1 million). The technology for those products was acquired by RWC in July 2018. Subsequent R&D costs were and continue to be expensed.

The Asia Pacific EBITDA contribution for the half year would have been up 5% after adding back those amounts.

Europe, Middle East and Africa ("EMEA")

Six months ended:	**31 December 2018**	**31 December 2017**	***Variance***
Net sales ($m)[5]	154.3	29.4	n/m
Net sales – excluding John Guest ($m)	31.1	29.4	6%
Net sales - John Guest ($m)	123.2	-	n/m
Reported Segment EBITDA ($m)	43.3	(0.4)	n/m
Margin	*28.1%*	*(1.3%)*	
Adjusted Segment EBITDA ($m)	48.3	(0.4)	n/m
Adjusted Margin	31.3%	(1.3%)	
Adjusted Segment EBITDA – excluding John Guest ($m)	1.4	(0.4)	n/m
Adjusted Segment EBITDA - John Guest ($m)	46.9	-	n/m
Segment EBIT	34.3	(1.3)	n/m

Net sales in EMEA were $154.3 million, including $123.2 million from net sales of John Guest products. John Guest net sales were in line with expectations, including the growth over the comparative period. Net sales from core RWC products were $31.1 million, an increase of 6.0% on the comparative period driven by higher internal sales and favorable currency. A small temporary decrease in external sales reflects the anticipated disruption caused by closing RWC's Evesham location and integrating that business with John Guest. Sales of those products have rebounded since the integration was completed in October.

Adjusted EBITDA contribution was $48.3 million. The contribution from John Guest was ahead of expectations and includes synergies achieved in the period.

John Guest integration proceeding well

We are very positive about the John Guest acquisition. The strategic rationale for the acquisition continues to be confirmed as we progress with integration activities. We also continue to be impressed by how strong the John Guest business is in terms of end-user connections, distribution partner relationships and engineering capabilities.

The integration process is proceeding well. Following acquisition, we set our immediate four priorities in the following order:

- improve delivery performance and reduce back orders for John Guest;
- complete the integration of RWC UK into John Guest UK and John Guest USA into RWC USA;
- achieve near term synergies and pursue general cost savings; and
- set-up for longer term revenue synergies.

Details of those four priorities and their implementation are described as follows:

Improve delivery performance and reduce back orders
Our original due diligence showed that John Guest's delivery performance was not to the level we require. We have aggressively tackled this issue, utilising resources from other parts of the business, and have made significant strides in improving performance. These actions have been well received by our distribution partners. We continue to make the improvements required to achieve RWC benchmark performance levels.

Complete the integration of RWC UK into John Guest UK and John Guest USA into RWC USA
Integration of the RWC and John Guest UK businesses is complete. Management of sales of RWC branded products through the John Guest UK operations and sales teams went live during October, as did the management of all back office and support activities. Over the same time we completed the integration of the RWC and John Guest USA businesses, including the merger of all selling and marketing activities and the move into a new combined warehouse in New Jersey. We also successfully transitioned John Guest USA to the ERP platform used by RWC USA. We will soon commence moving the balance of John Guest to this platform.

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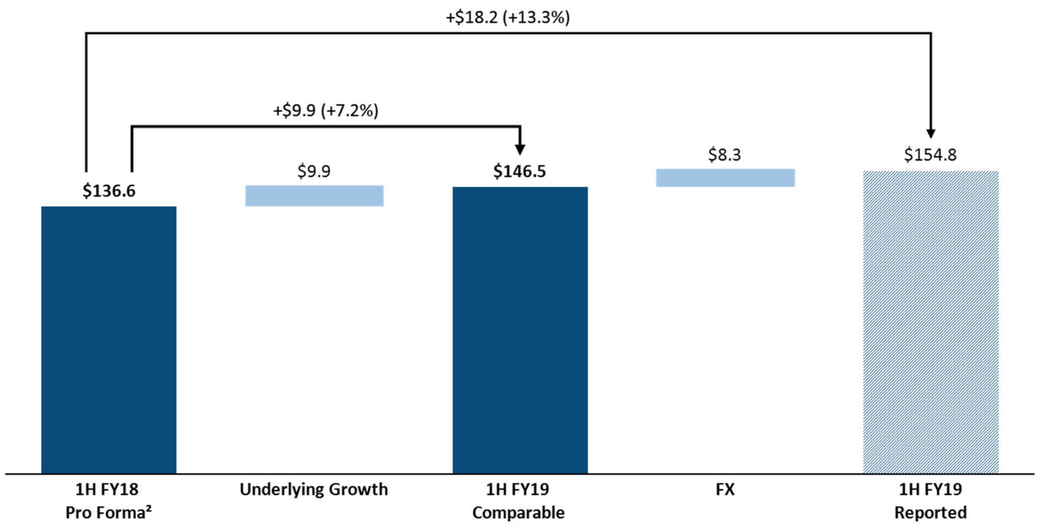
Achieve near term synergies and pursue general cost savings
We continue to focus on activities to achieve synergies, cost savings and customer service improvement. The most significant of these are the savings achieved both in the UK and in the USA by combining administrative and support activities. Beyond that, we are pursuing opportunities that are possible through procurement activities and from leveraging combined operational expertise. We remain on track to deliver the forecast actual and run-rate synergies.

Set-up for longer term revenue synergies
Revenue synergies remain part of our longer term ambition. In the near term we are relying on the strong John Guest sales team to gain additional sales of the RWC catalogue in the UK. We have also begun work on products that integrate RWC valves with John Guest's JG Speedfit connections. These will come to market later in 2019 and will provide further impetus. In the near term, the Fluid Technology PTC fittings will continue to drive growth in Europe into the water quality and beverage dispense markets. In the longer term, this European platform, utilising the strong RWC and John Guest product offerings, will drive growth in the plumbing and heating sector.

Overall, we are very pleased with the position and have a strong foundation upon which to make the improvements noted above.

Change in Net Sales – John Guest
(All values in A$ millions)



NOTE: Historically, John Guest delivers stronger revenue in the January to June period than in the first half. John Guest revenue in the January to June half has averaged 14% above the July to December half over the past six years. We expect a similar profile for FY2019 which will positively impact the second half as compared with the half just finished.

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Potential Impacts of Brexit

We have considered the possible consequences that Brexit could have upon our business and our assessment is set out in Appendix 2. Based on that assessment, we do not currently believe that Brexit will have a material negative impact on our business. However, the position and consequences remain uncertain and fluid and that assessment and the above observations should be read subject to that. The potential risks arising from Brexit continue to be monitored and evaluated and plans and assessments will be adjusted accordingly as more information becomes known.

Dividend

A fully franked interim dividend of 4.0 cents per share has been declared, a payout ratio of 48% of Reported NPAT.

Six months ended:	**31 December 2018**	**31 December 2017**	***31 December 2018 Franked amount***	***31 December 2017 Franked amount***
Interim	4.0cps[6]	3.5cps[6]	100%	100%
Amount payable or paid	$31.6m	$18.4m		

The record date for dividend entitlement is 8 March 2019. The payment date is 29 March 2019.

The target payout ratio for FY2019 dividends remains 40% to 60% of annual NPAT. Future dividends may not be fully franked given the change in the geographic mix of earnings following recent acquisitions.

Capital expenditure

Capital expenditure payments on property, plant, equipment, intellectual property and other intangibles acquired during the first half totalled $35.5 million, including $8.3 million spent to repair the roof of a manufacturing facility in Cullman, Alabama that received severe hail damage last year and for which we previously received insurance proceeds. Excluding that amount, capital expenditure in the period was $27.2 million with $15.1 million for growth expenditure and $2.9 million for equipment maintenance expenditure. In addition, $4.9 million was spent on long term IT projects and a further $4.3 million was spent on intellectual property acquisitions.

Growth capital expenditure is mainly being incurred to complete previously announced expansion plans to meet forecast growth in demand for SharkBite PTC, JG Speedfit, EvoPEX fittings and PEX pipe.

Capital expenditure for the full financial year is forecast to be approximately $65 million to $75 million, excluding the refurbishment of the Cullman roof (which was covered by insurance proceeds, as noted previously).

Cash Flow

Reported net cash inflow from operating activities for the period was $42.9 million ($30.4 million in the comparative period). Cash flow from operations, before John Guest related non-recurring acquisition and integration payments and tax paid, was $69.5 million ($55.8 million in the comparative period). Working capital growth and operating cash flow conversion during the period principally reflects increases to support growth, planned adjustments to improve service levels to John Guest customers and the expiry of a one-off payment terms incentive.

Balance Sheet

The balance sheet at 31 December 2018 continued to be in a strong position.

Net debt at 31 December 2018 was $430.7 million (30 June 2018 - $388.0 million). The dollar increase over 30 June 2018 mainly reflects net additional borrowings to fund growth in business activities.

Net debt to EBITDA was 1.71 times at 31 December 2018, after taking into account pro-forma EBITDA for John Guest based on historical data for a 12 month period ended 31 December 2018 and excluding acquisition transaction costs and costs to achieve synergies.

Business Fundamentals are Strong
Continued Investment in Future Growth

The RWC business is strong and we remain pleased with both our current direction and the underlying performance across our core products and geographies. Our core business remains in the repair, maintenance and remodel sectors. Following the acquisition of John Guest, we are the global leader in both brass and plastic push to connect fittings technology and have market leading positions across multiple product categories in our key geographic segments. We also have unrivalled distribution networks in the Americas, Australia and the UK that we can leverage to amplify the reach of any future products we develop or acquire. Our business sells high quality products and maintains leading manufacturing and distribution capabilities globally that provide us with reach, flexibility and competitive cost positions. Underlying all of this is a team of more than 2,000 employees globally who are focused on serving our customers.

The core revenue driver of our business remains the repair, maintenance and remodel sectors in North America and the UK. More than 85% of our core SharkBite fittings and accessories sales in the USA are in the defensive repair and maintenance segment. This is now augmented in the UK with JG Speedfit plastic PTC fittings which are also primarily directed to the repair and maintenance market. About 65% of John Guest sales are into that market segment. These two major product groups underpin the RWC business and will continue to do so. We continue to see double digit underlying sales growth for SharkBite fittings in North America and high single digit growth for John Guest products in the UK. These fittings are supported by a range of accessories and complementary pipe, valve and control products.

At the same time, we retain a long term view of the business, with an ongoing product development pipeline, to ensure continued growth out five years and beyond. At its core, our objective is to positively disrupt the sectors within which we operate, converting end-users to our products and away from inefficient traditional methods. We will continue to do this by:

- Developing and launching innovative, differentiated solutions;
- Improving the productivity of our professional trade customers (i.e. make the lives of our end-users easier);
- Creating value for our distribution partners; and
- Attracting, supporting and developing the best talent across our business.

To achieve this, we work closely with our channel partners to enhance in-store and on-line distribution capabilities. We see co-investment in maintaining and increasing the strength and competitiveness of our robust distribution network as essential to maximising the long term value of this critical asset. We are also continuing to enhance our marketing campaigns. We utilise state of the art customer relationship management tools, integrated with our web platforms, to coordinate and optimise our online, in-store, field and exhibition marketing activities. This is resulting in more targeted campaigns with greater returns. We are seeing direct results in terms of end-user conversions to our range of products and enhanced channel partner volume. This is an ongoing activity, in which we are investing in both the personnel resources, third party marketing spend and the latest tools.

Further, an ongoing stream of new products supplement the core business and will position us well for the coming years. Of particular note are:

- The plastic Fluid Technology PTC fittings within the John Guest range. These products are now an important part of our North American business. They are also the primary product within the continental European business. Their historical growth rate has exceeded the John Guest business average and we expect this strong growth to continue. Significantly, these products are sold through channels RWC did not previously access which opens up further opportunities for distribution of core RWC products.

- Under our Streamlabs brand we launched an electronic water usage and leak detection monitor in January 2018. This is a smart water usage monitor, capturing and reporting real-time water flow data via the user's mobile device. This initial Streamlabs device is a consumer facing product, which fits around a pipe without needing the pipe to be cut and can therefore be installed by non-professional installers. It is sold via existing channel partners and online. We continue to invest in ongoing product enhancements and next generation products. The next product to launch is a combined monitor and shut off control, which has enhanced capabilities (measures temperature and pressure as well as flow) and is directed at professional installers. We continue to invest in product development and the corresponding operational capabilities together with the appropriate marketing and demand generation capabilities.

- We are also excited about the opportunities for the HydroFlame "fire stop" product range, which is part of the Holdrite suite of products. This is a range of devices intended to prevent the spreading of flames, smoke and water between floors of multi-story buildings. As such, they are targeted at the commercial and multi-family new construction markets. Hydroflame is a new proprietary product which provides a significant improvement on competitive fire stop products. It is easier and quicker to install and has a number of special features that are compelling to contractors. Since its launch in the USA, HydroFlame has been very well received and sales growth has been strong. We are now investing in high volume production to enable us to meet anticipated demand. This is a significant opportunity with a global addressable market in excess of $1 billion per annum. We continue to invest heavily in this product range, which we see as a major driver of growth into 2020 and beyond.

- EvoPEX remains an important long term opportunity, taking us for the first time into residential new construction in North America. Our penetration continues as we seek to convert major contractors. The value proposition of this product range has been proven across many installation examples. We also continue to invest in manufacturing capacity and ongoing product development, together with the personnel and tools necessary to continue market penetration. Importantly, our view of the EvoPEX opportunity has broadened significantly beyond the fitting and PEX pipe to now encompass all the additional products that can be added to the "basket of solutions" we can provide the end-use residential new construction contractor.

Importantly, we continue to enhance and expand our core products, the brass SharkBite and plastic JG Speedfit PTC products. These will be implemented as appropriate in order to keep us ahead of our competition and leading the market in terms of positive disruption and value creation.

EBITDA guidance reaffirmed

RWC reaffirms its EBITDA guidance range for FY2019 of $280 million to $290 million (subject to the underlying assumptions in its announcements dated 27 August 2018 and 1 February 2019[1]). The FY2019 EBITDA guidance includes $10 million of actual synergies expected to be realised in FY2019 and excludes $10 million of one-off integration costs expected to be incurred to achieve the synergies. A higher percentage of EBITDA is expected to be earned in the second half of FY2019 (approximately 53% - 55%) compared with prior financial years due to the pattern of earnings at John Guest, the progressive accumulation of synergy benefits and cyclical commodity costs benefitting second half cost of goods sold as explained in our announcement dated 1 February 2019 and above.

The key assumptions are:

- ongoing revenue growth, particularly in the USA and UK;
- the absence and reversal of the headwinds experienced in the first half (high copper cost and one off USA manufacturing inefficiencies); and
- delivery of the synergies arising from the integration of John Guest

Revenue performance will be the primary driver of profit growth in the second half. The higher percentage of revenue in the second half is in accordance with our expectations. The strong underlying growth in the Americas is expected to continue. Point of sales data from our major customers show the underlying business continues to grow at a double digit rate.

One of the assumptions underlying the FY2019 EBITDA guidance is that a modest freeze event is experienced in the southern parts of the USA (see ASX Announcement dated 1 February 2019). FY2019 EBITDA could be negatively impacted by between 1.5% and 3.0% if a modest freeze event does not occur in the southern parts of the USA by the end of March 2019.

Historically, John Guest delivers stronger revenue in the January to June period than in the first half. John Guest revenue in the January to June half has averaged 14% above the July to December half over the past six years. We expect a similar profile for FY2019 which will positively impact the second half as compared with the half just finished.

As the price of copper started to drop significantly in July 2018, we began seeing a reduction in the cost of our purchased materials and components. These cost benefits have begun to flow through production and will positively impact results in the second half, with the overall cost for the year being consistent with our forecast expectation of an average US$6,500 per tonne. The challenges experienced in the first half with regard to vendor delivery and quality issues are now resolved or being mitigated.

The John Guest integration synergies and general cost savings remain on track to be delivered as expected. These synergies are being implemented systematically, accumulate and increase over time which means that greater synergies will be realised in the second half. Most of the actions necessary to realise these benefits have now been completed.

There is, therefore, a solid rationale for the ongoing growth of the business and corresponding improved second half results. Of course, external factors beyond our control can affect the result, including general economic conditions, the absence of a freeze event in the USA, currency movements, movements in the cost of raw materials and potential impacts of Brexit (refer section on Potential Impacts of Brexit).

Additional information

Please refer to the Appendix 4D, 31 December 2018 Half Year Financial Report and presentation slides released today for additional information and analysis. These documents should be read in conjunction with each other document.

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1 The FY2019 EBITDA guidance assumes, among other things, that current general economic conditions are maintained, specifically in the geographies where RWC operates; the USA experiences a modest winter freeze event; and no significant changes to current foreign currency exchange rates, particularly USD/AUD, GBP/AUD and USD/Yuan. RWC traditionally does not hedge foreign currency exposures. Unfavourable rate movements may erode the translated value of results in the Americas and EMEA segments. The forecast also assumes materials input costs remain similar to current levels and there are no further changes to USA import duty rates and no further significant import duties are introduced in the USA which would materially impact on RWC's activities (RWC's announcements dated 27 August 2018 and 1 February 2019).

2 Comparative period refers to the six months ended 31 December 2017. For John Guest, the comparative period results are for a period prior to RWC's ownership.

3 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 2018.

4 EBITDA means Earnings before interest, tax, depreciation and amortisation; EBIT means Earnings before interest and tax.

5 Prior to elimination of inter-segment sales.

6 FY2019 interim dividend based on 790,094,765 issued shares; FY2018 interim dividend based on 525,000,000 issued shares.

7 n/m = not meaningful

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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, thermal interface units, underfloor heating components and various accessories to the plumbing and HVAC industry globally. RWC markets its products under industry-trusted brands such as SharkBite, Cash Acme, Reliance Water Controls, RMC Water Valves, StreamLabs, 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, which continues to experience high growth. Today, RWC is the largest manufacturer in the world of brass PTC products and SharkBite is the number one brass PTC brand. The SharkBite PTC business in North America is 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. RWC continues to focus on building awareness and increased distribution of SharkBite PTC fittings and associated accessories to drive sales growth and market penetration in North America.

RWC's expansion into the North American residential and commercial new construction markets is led by the EvoPEX and Holdrite product ranges. EvoPEX is the first PTC rough-in plumbing solution specifically designed for these markets. It leverages SharkBite PTC technology and combines it with RWC's PEX pipe and control valves to provide a comprehensive system that improves contractor efficiency and optimises installation time. EvoPEX was formally launched in January 2017.

The Holdrite business was acquired in June 2017. 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 completed the acquisition of John Guest in June 2018, becoming the global leader in both plastic and brass PTC fittings technology. Based in the UK, John Guest is a leading manufacturer of plastic PTC fittings and

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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 acquisition of John Guest represented a strong strategic fit that brought diversification of RWC's geographic, product and channel exposure. RWC and John Guest are in the same business and operate in similar markets – designing clever products and solutions to help end users and contractors perform more productively and profitably. Both businesses share similar values and recognise that people are their number one asset.

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

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Appendix 2

Potential Impacts of Brexit

We have considered the possible consequences that Brexit could have upon our business and during the year established a Brexit Steering Committee comprised of relevant senior managers to perform a detailed risk assessment. This process included engaging a third party advisor to ensure we have a clear view of where the Brexit related impacts could occur, quantify those impacts where possible and develop appropriate mitigation plans.

At the present time it is anticipated that the potential impacts arising from Brexit principally include:

(i) Impact on Demand

It is possible that the final terms of the UK exit from the European Union could lead to greater economic uncertainty in the UK, lower demand and slower growth in the UK construction sector. While this could impact demand in that segment of the RWC UK business that is exposed to new construction and remodel activity, we note that the majority of RWC sales in the UK are into the defensive Repair and Maintenance sector.

(ii) Impact on Supply Chain

We have also considered the potential for disruptions to our supply chain. This could include delays or disruptions to the flow of raw materials from the EU into the UK or finished goods from the UK into the EU or the imposition of additional tariffs on such goods.

We do not currently anticipate a scenario under which we would need to make significant capital expenditures to fundamentally alter our current supply chain by building new manufacturing or distribution facilities. However, given the potential for disruptions to the flow of goods, particularly in the early days following completion of a Brexit deal, RWC has made arrangements with our key suppliers to build an incremental 2-4 weeks of raw materials in the UK prior to the Brexit deadline of 29 March 2019. We are also planning to produce an incremental 2-4 weeks of finished good stock to be delivered into the RWC warehouse in Germany.

With respect to tariffs, the final terms of any Brexit deal are unknown. However, in the event of a worst case "no deal" Brexit, the UK is expected to adopt the EU's WTO tariff schedule under which the average tariff on plastic products is 6%. Currently RWC's John Guest business imports approximately 2 million GBP of raw materials (principally resin) from the EU to the UK each month and exports approximately 3 million GBP of finished goods (principally Fluid Technology related plastic fittings) from the UK to the EU each month.

(iii) Impact on Foreign Exchange Rates

The third major area for potential impact is on foreign exchange rates and specifically the potential for volatility in British Pound that could impact the translation of net sales and EBITDA to Australian dollars. We currently estimate that RWC has about 140 million GBP denominated sales to external customers in the UK (in the order of 22% of RWC's forecast sales assuming an exchange rate of GBP0.55 per A$1.00) and 50 million GPB denominated EBITDA (A$92 million, being approximately 32% of RWC's midpoint EBITDA guidance, assuming an exchange rate of GBP0.55 per A$1.00). Adverse movement in the exchange rate of say 15% would therefore impact EBITDA by approximately A$13.8 million, being less than 5% impact on total EBITDA.

The potential risks arising from Brexit continue to be monitored and evaluated. Plans and assessments will be adjusted accordingly as more information becomes known. Obviously, the position and consequences remain uncertain and fluid and the above observations should be read subject to that.