

ASX Announcement

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24 May 2018

RWC TO ACQUIRE JOHN GUEST FOR A\$1.22 BILLION¹ SUPPORTED BY UP TO A\$1.10 BILLION EQUITY RAISING

1. Overview

- RWC has entered into an unconditional agreement to acquire all the issued shares of John Guest Holdings Limited for GBP687.5 million (A\$1.22 billion)¹, reflecting a 12.4x purchase price multiple of John Guest's 2017 Calendar Year Adjusted EBITDA (reducing to 10.3x including expected total synergies²).
- RWC is a leading global manufacturer and supplier of premium-branded engineered water delivery, control and optimisation products and solutions for residential and commercial plumbing applications and is the leading manufacturer in the world of brass Push-to-Connect ("PTC") plumbing fittings.
- John Guest is headquartered in the UK and is a global leader in plastic PTC fittings with products distributed worldwide.
- Strong strategic fit and alignment with RWC's strategy to add complementary products and expand its market presence, particularly in Europe.
- Attractive financial metrics, with the transaction expected to be more than 20% accretive to EPS (on a FY2018 pro forma NPATA basis, pre synergies³) and in excess of 30% including expected total synergies².
- The integration of RWC and John Guest is expected to deliver total synergies in excess of A\$20 million EBITDA per annum, with most of those relating to cost reductions from business integration and improved operating efficiency. Initiatives to deliver on the total synergies are expected to be principally completed and implemented within the first year, such that the majority of synergies should be achieved on a run rate basis by the end of year one.
- Acquisition to be fully funded through an equity offering to raise up to A\$1.10 billion, with an institutional component of A\$945 million underwritten⁴ by J.P. Morgan and Macquarie who are acting as Joint Lead Managers and Financial Advisors, and a new committed syndicated loan facility underwritten by RWC's existing lenders, ANZ and CBA.
- An entity associated with RWC Chairman Jonathan Munz has committed to take up its full pro rata entitlement (A\$110 million) and all other directors will also be taking up their entitlements in full.
- RWC intends to maintain a conservative balance sheet post acquisition with pro forma net debt / EBITDA for the 12 months ended 31 December 2017 ("CY17A") of 2.3x, with gearing expected to reduce further over time.
- Completion of the acquisition is expected to occur in June 2018, following settlement of the institutional component of the Entitlement Offer.
- Financial Advisors to RWC on the acquisition were Oaktower Partnership (Lead Advisor) and Lazard & Co., Limited with legal advice being provided by Herbert Smith Freehills.

¹ AUD/GBP exchange rate of 0.563 used to convert all GBP metrics. Subject to customary completion adjustments for a transaction of this type.

² Estimated total synergies (EBITDA) in excess of A\$20 million per annum expected. Initiatives to deliver on the total synergies are expected to be mostly implemented and completed during the first year such that the majority of synergies should be achieved on a run rate basis by the end of year one following completion of the acquisition.

³ EPS is earnings per share and is calculated as NPATA per share outstanding. This excludes transaction costs and amortisation of acquired identifiable intangibles and assumes full take up under the retail component of the Entitlement Offer. The impact of the purchase price accounting has not been completed, which will in turn impact future depreciation and amortisation charges and RWC's NPAT. In accordance with AASB 133, RWC pre-acquisition EPS has been restated based on an adjustment factor to take into account the bonus element of the Entitlement Offer.

⁴ The institutional component of the Entitlement Offer (other than the GSA commitment) is underwritten pursuant to the terms of the underwriting agreement.

2. Details of Acquisition

2.1 Acquisition Price and Announcement

Reliance Worldwide Corporation Limited (ASX: RWC) (“RWC”) announced today that it has entered into an unconditional agreement to acquire all the issued shares of UK based global fittings manufacturer, John Guest Holdings Limited (“John Guest”), for cash purchase consideration of GBP687.5million (A\$1.22 billion)¹, reflecting a 12.4x purchase price multiple of John Guest’s 2017 Calendar Year Adjusted EBITDA⁵ (reducing to 10.3x including expected total synergies²).

2.2 RWC Background

RWC is a leading global manufacturer and supplier of premium-branded engineered water delivery, control and optimisation products and solutions for residential and commercial plumbing applications and is the leading manufacturer in the world of brass PTC plumbing fittings. RWC has achieved strong growth in EBITDA and sales over the past 10 years, driven by the success in the USA of its innovative and disruptive SharkBite PTC product range. RWC continues to perform well and its EBITDA guidance for FY2018 reflects continued sales growth from ongoing penetration of the PTC business in the Americas segment.

2.3 John Guest Background

John Guest is headquartered in the UK and is a global leader in plastic PTC fittings, with products and operations that are highly complementary to RWC. Both RWC and John Guest are recognised as innovators and market leaders and share many things in common, including strong research and development capability, high quality automated manufacturing facilities and strong customer relationships. John Guest generated Revenue and Adjusted EBITDA⁵ of GBP168.6 million and GBP55.4 million respectively in CY17A. It has also enjoyed strong growth and, like RWC, manufactures products that disrupt and transform traditional plumbing methods by aiming to make the end user’s job quicker and easier. Its products are used in 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 strong European distribution platform, together with operations in the USA and Asia Pacific.

2.4 Strategic Rationale

The acquisition of John Guest:

- strongly aligns with RWC’s growth and acquisition strategy;
- creates a global leader in PTC technology;
- combines RWC’s strong positions in North America and Asia Pacific with John Guest’s strength in the UK and continental Europe;
- provides diversification of RWC’s geographic, product and channel exposure;
- enhances and accelerates RWC’s organic growth opportunities; and
- is strongly accretive to RWC’s margins and earnings.

Please refer to the Investor Presentation for further commentary on Strategic Rationale.

2.5 Comments from Heath Sharp, RWC Chief Executive Officer:

“We are excited about the opportunity to join these two great companies. We have previously noted our intention to scale the RWC business via additional manufacturing and distribution capabilities in the UK and continental Europe. John Guest clearly provides that and more. Like RWC, the people of John Guest are executing at a very high level, underpinned by a great culture and values closely aligned with our own.

⁵ Adjusted EBITDA reflects normalisation adjustments made to John Guest reported EBITDA for the impact of (i) certain John Guest family salaries and associated expenses that are not expected to be incurred post acquisition; and (ii) additional management costs that are expected to be incurred post acquisition. EBITDA means earnings before interest, tax, depreciation and amortisation.

John Guest comes with a long history of innovation and industry leading execution. They have created strong, well-respected brands that are highly regarded in their key markets globally. We believe that John Guest products can be successfully leveraged through our well established North American and Asia Pacific channel network. Correspondingly, we also have a great opportunity to sell RWC products, including some fantastic products from our recent Holdrite acquisition, through John Guest's distribution channels in UK and Europe and to further develop its European operations."

2.6 Attractive Financial Metrics

The acquisition has attractive financial metrics for RWC, with the transaction expected to be more than 20% accretive to EPS (on a FY2018 pro forma NPATA basis, pre synergies)⁶ and in excess of 30% including expected total synergies².

2.7 Synergies

The integration of RWC and John Guest is expected to generate total synergies in excess of A\$20 million EBITDA per annum, with most of those relating to cost reductions from business integration and improved operating efficiency. Initiatives to deliver on the total synergies are expected to be principally completed and implemented within the first year, such that the majority of synergies should be achieved on a run rate basis by the end of year one.

2.8 Funding of Acquisition

The acquisition is to be funded by:

- RWC undertaking a pro rata accelerated non-renounceable entitlement offer ("Entitlement Offer") to raise up to A\$1.10 billion of new equity, including a A\$945 million institutional component which, except for the GSA Commitment, will be underwritten by J.P. Morgan and Macquarie who are acting as Joint Lead Managers and Financial Advisors. Under the Entitlement Offer, eligible shareholders will be invited to subscribe for 1 new share for every 1.98 Shares held; and
- a new A\$750 million syndicated debt facility provided and underwritten by RWC's existing lenders, ANZ and CBA, which increases RWC's available facility limits by A\$400 million. The initial drawing will be applied to refinance RWC's existing debt facilities (A\$350 million bilateral loan facilities which were drawn to A\$265 million as at 31 December 2017), to partly fund the acquisition and provide working capital. The facility contains three A\$250 million tranches with terms of just over 3, 4 and 5 years, which will mature on 30 September 2021, 2022 and 2023 respectively.

2.9 All Directors to take up their full entitlements

An entity associated with RWC's Chairman Jonathan Munz has committed to take up its full pro rata entitlement (A\$110 million) ("GSA Commitment") and all other RWC directors will also be taking up their entitlements in full under the Entitlement Offer.

2.10 Conservative Balance Sheet

RWC intends to maintain a conservative balance sheet post acquisition with pro forma net debt/CY17A EBITDA of 2.3x, with leverage expected to reduce further through strong earnings growth and cash flow generation over time.

2.11 Completion

Completion of the acquisition is expected to occur in June 2018, following settlement of the institutional component of the Entitlement Offer.

⁶ EPS is earnings per share and is calculated as NPATA (net profit after tax before amortisation of acquired identifiable intangible assets) per share outstanding. This excludes transaction costs and amortisation of acquired identifiable intangibles and assumes full take up under the retail component of the Entitlement Offer. The impact of the purchase price accounting has not been completed, which will in turn impact future depreciation and amortisation charges and RWC's NPAT. In accordance with AASB 133, RWC pre-acquisition EPS has been restated based on an adjustment factor to take into account the bonus element of the Entitlement Offer.

2.12 Integration Plan

Following an extensive due diligence program, RWC has developed a clear integration strategy containing “100 day” and medium term plans which RWC is ready to implement from completion of the acquisition. The plans utilise the same integration principles applied to the successful integration of the Holdrite business acquired by RWC in June 2017. The combined UK and European business will be led by RWC’s current EMEA CEO, Edwin de Wolf, a highly experienced executive with significant experience managing large-scale, pan-European businesses.

2.13 Advisors to RWC

Financial Advisors to RWC on the acquisition were Oaktower Partnership (Lead Advisor) and Lazard & Co., Limited, with legal advice being provided by Herbert Smith Freehills.

3. FY2018 trading update

RWC re-affirms its full year EBITDA guidance for FY2018 of between A\$150 million and A\$155 million (before transaction costs associated with the acquisition and assuming no earnings contribution from John Guest in FY2018)⁷.

The forecast full year result reflects:

- continued strong top line growth from ongoing penetration of the PTC business in the Americas segment. The Americas business recorded increased sales and EBITDA during the third quarter, driven by prolonged freezing temperatures in parts of the USA;
- growth in the Asia Pacific and EMEA⁸ segments, along with improvement in EMEA profitability;
- inclusion of a full year contribution from Holdrite, which continues to perform in line with expectations at the time of the acquisition. We continue to see the strategic benefits of the Holdrite acquisition, particularly in the residential and commercial new construction markets; and
- increased input costs, particularly for copper, have been more pronounced in the second half of FY2018 compared with the first half. In part, this is a reflection of the lagged impact associated with RWC’s buying patterns.

4. Entitlement Offer

RWC will undertake a pro rata accelerated non-renounceable Entitlement Offer to raise up to A\$1.10 billion. The Entitlement Offer comprises an underwritten⁹ institutional entitlement offer (“Institutional Entitlement Offer”) and a retail entitlement offer (“Retail Entitlement Offer”). Under the Entitlement Offer, eligible shareholders will be invited to subscribe for 1 new RWC share (“New Shares”) for every existing 1.98 RWC shares held as at 7:00pm (Melbourne time) on 28 May 2018 (“Record Date”), at the offer price (“Offer Price”) of \$4.15 per New Share. Up to approximately 265 million new shares are expected to be issued, which represents approximately 50.5% of the number of shares currently on issue.

The Offer Price for the Entitlement Offer represents:

- a 9.0% discount to the last trade price of RWC’s shares on 23 May 2018;
- a 6.2% discount to the theoretical ex-rights price (“TERP”) of \$4.42¹⁰; and
- an 11.4% discount to the 5-day VWAP¹¹ of \$4.68.

⁷ The forecast assumes, among other things, that current general economic conditions are maintained, including in the geographies where RWC operates and no significant changes to current foreign currency exchange rates, particularly USD/AUD and GBP/AUD. RWC traditionally does not hedge foreign currency exposures. Unfavourable rate movements may erode the translated value of results from the Americas and EMEA segments. The forecast also assumes that copper and other input costs remain similar to current levels.

⁸ EMEA means Europe, Middle East and Africa.

⁹ The institutional component of the Entitlement Offer (other than the commitment to take up its full pro rata entitlement provided by the entity associated with Mr. Munz) is underwritten pursuant to the terms of the underwriting agreement. Refer to page 36 of the Investor Presentation released to the ASX today for the underwriting risk factors.

¹⁰ TERP is the theoretical price at which shares should trade after the ex-date for the Entitlement Offer based only on the last traded price and issuance of shares at the Offer Price in the Entitlement Offer. TERP is a theoretical calculation only and the actual price at which shares trade immediately following the ex-date for the Entitlement Offer may be different from TERP.

¹¹ Volume Weighted Average Price (VWAP).

New Shares issued under the Entitlement Offer will rank equally with existing shares for all future dividends, including the FY2018 final dividend.

An entity associated with RWC's Chairman, Mr. Jonathan Munz, has committed to take up its full pro rata entitlement of A\$110 million.

A Retail Entitlement Offer booklet containing information in respect of the Retail Entitlement Offer will be sent to eligible retail shareholders in Australia and New Zealand on 31 May 2018. Eligible retail shareholders should read the Retail Entitlement Offer booklet in full before deciding whether to apply for New Shares.

Under the Retail Entitlement Offer, eligible retail shareholders may apply for additional New Shares in excess of their entitlement under an oversubscription facility ("Oversubscription Facility"). Additional New Shares will only be available under the Oversubscription Facility to the extent that there are entitlements under the Retail Entitlement Offer that are not taken up by eligible retail shareholders. The allocation of additional New Shares under the Oversubscription Facility will be subject to the terms set out in the Retail Entitlement Offer booklet, expected to be despatched to eligible retail shareholders on 31 May 2018.

Any eligible retail shareholder in Australia or New Zealand who wishes to acquire New Shares under the Retail Entitlement Offer will need to complete a personalised entitlement and acceptance form that will accompany the Retail Entitlement Offer booklet.

The timetable for the Entitlement Offer is set out below.

5. Entitlement Offer Key Dates

Trading halt, announcement of the acquisition and Entitlement Offer. Institutional Entitlement Offer opens.	Thursday 24 May 2018
Institutional Entitlement Offer closes.	Friday 25 May 2018
Announcement of results of Institutional Entitlement Offer.	Monday 28 May 2018
Trading Halt lifted. Shares recommence trading on an "ex-entitlement" basis.	Monday 28 May 2018
Record Date for Entitlement Offer (7.00pm Melbourne time).	Monday 28 May 2018
Retail Entitlement Offer opens. Retail Entitlement Offer booklet dispatched (including Entitlement and Acceptance Form).	Thursday 31 May 2018
Settlement of Institutional Entitlement Offer.	Monday 4 June 2018
Allotment and commencement of normal trading of New Shares issued under the Institutional Entitlement Offer.	Tuesday 5 June 2018
Retail Entitlement Offer closes.	Thursday 14 June 2018
Settlement of New Shares under the Retail Entitlement Offer.	Thursday 21 June 2018
Allotment of New Shares under the Retail Entitlement Offer.	Friday 22 June 2018
Commencement of normal trading of New Shares issued under the Retail Entitlement Offer.	Monday 25 June 2018
Dispatch of holding statements for New Shares issued under the Retail Entitlement Offer.	Tuesday 26 June 2018

This timetable is indicative only and subject to change. All dates and times are to Melbourne time (being Australian Eastern Standard Time).

6. Additional information

Further details are contained in the Investor Presentation released to the ASX today. This announcement and the Investor Presentation should be read in conjunction with each other. The Investor Presentation contains important information including key risks of RWC's business, details of the acquisition of John Guest and the Entitlement Offer, and foreign selling restrictions applying to the Entitlement Offer.

Please contact the Offer Information Line on 1300 850 505 (within Australia) or +61 3 9415 4000 (outside of Australia) between 8:30am and 5:00pm (Melbourne time) Monday to Friday if you have any questions in connection with the Entitlement Offer. Please consult with your broker, solicitor, accountant, financial adviser or other professional adviser if you have any questions in relation to this announcement or the Entitlement Offer.

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This announcement has been prepared for publication in Australia and may not be released or distributed in the United States. This announcement does not constitute an offer, invitation or recommendation to subscribe for or purchase any security or financial product and neither this announcement nor anything attached to this announcement shall form the basis of any contract or commitment. In particular, this announcement does not constitute an offer to sell, or a solicitation of an offer to buy, securities in the United States or any other jurisdiction in which such an offer would be illegal. Neither the entitlements nor the new shares have been, or will be, registered under the U.S. Securities Act of 1933 (the "U.S. Securities Act") or the securities laws of any state or other jurisdiction of the United States. Accordingly, the entitlements may not be exercised or taken up by, and the new shares may not be offered or sold, directly or indirectly, to, persons in the United States unless they have been registered under the U.S. Securities Act (which RWC has no intention or obligation to do or procure) or are offered and sold pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable securities laws of any state or other jurisdiction of the United States.

Forward looking statements

This announcement contains certain "forward-looking statements", including but not limited to projections and guidance on future financial performance, potential synergies and estimates, the timing and outcome of the John Guest acquisition, the outcome and effects of the Entitlement Offer and the use of proceeds, and the future performance of RWC post-acquisition. The words "expect", "anticipate", "estimate", "intend", "believe", "guidance", "should", "could", "may", "will", "predict", "plan" and other similar expressions are intended to identify forward-looking statements. Forward-looking statements, opinions and estimates provided in this announcement are based on assumptions and contingencies which are subject to change without notice and involve known and unknown risks and certainties and other factors which are beyond the control of RWC, its directors and management.

Forward-looking statements are provided as a general guide only and should not be relied upon as an indication or guarantee of future performance. Actual results, performance or achievements may differ materially from those expressed or implied in such statements and any projections and assumption on which these statements are based. These statements may assume the success of RWC's business strategies. The success of any of those strategies will be realised in the period for which the forward looking statement may have been prepared or otherwise. Readers are cautioned not to place undue credence on forward-looking statements and, except as required by law or regulation, none of RWC, its representatives or advisers assumes any obligation to update these forward-looking statements. No representation or warranty, express or implied, is made as to the accuracy, likelihood of achievement or reasonableness of any forecasts, prospects, returns or statements in relation to future matters contained in this announcement. The forward looking statements are based on information available to RWC as at the date of this announcement. Except as required by law or regulation (including the ASX Listing Rules), none of RWC, its representatives or advisers undertakes any obligation to provide any additional or updated information whether as a result of a change in expectations or assumptions, new information, future events or results or otherwise. Indications of, and guidance or outlook on, future earnings or financial position or performance are also forward looking statements.

Financial data

All financial information in this announcement is in Australian Dollars (\$) or AUD unless otherwise stated. Investors should note that this announcement contains pro forma and forecast financial information, and historical and forecast financial information. The pro forma and forecast financial information and the historical information provided in this announcement is for illustrative purposes only and is not represented as being indicative of RWC's views on its future financial condition and/or performance. The pro forma historical financial information has been prepared by RWC in accordance with the measurement and recognition principles, but not the disclosure requirements, prescribed by the Australian Accounting Standards.

The financial data in this announcement includes "non-IFRS financial information" under Regulatory Guide 230 Disclosing non-IFRS financial information published by ASIC and "non-GAAP financial measures" under Regulation G of the U.S. Securities Exchange Act of 1934. These measures include earnings before interest, taxation depreciation and amortization (EBITDA), EBITDA margin, adjusted EBITDA, and net profit after tax before amortisation of acquired identifiable intangibles (NPATA). RWC believes this non-IFRS financial information provides, and these non-GAAP financial measures provide, useful information to users in measuring the financial performance and conditions of RWC. The non-IFRS financial information and these non-GAAP financial measures do not have a standardised meaning prescribed by Australian Accounting Standards and, therefore, may not be comparable to similarly titled measures presented by other entities, nor should they be construed as an alternative to other financial measures determined in accordance with Australian Accounting Standards. Investors are cautioned, therefore, not to place undue reliance on any non-IFRS financial information or non-GAAP financial measures and ratios included in this announcement.

In addition, the pro forma financial information in this announcement does not purport to be in compliance with Article 11 of Regulation S-X of the rules and regulations of the U.S. Securities and Exchange Commission, and such information does not purport to comply with Article 3-05 of Regulation S-X.

Certain figures, amounts, percentages, estimates, calculations of value and fractions provided in this announcement are subject to the effect of rounding. Accordingly, the actual calculation of these figures may differ from the figures set out in this announcement.

Information about John Guest

Certain information in this announcement has been sourced from John Guest, its representatives or associates. While steps have been taken to review that information, no representation or warranty, expressed or implied, is made as to its fairness, accuracy, correctness, completeness or adequacy. Certain market and industry data used in connection with this announcement may have been obtained from research, surveys or studies conducted by third parties, including industry or general publications. Neither RWC nor its representatives have independently verified any such market or industry data provided by third parties or industry or general publications.

The financial information for John Guest is based on audited financial statements for the financial year ended 31 December 2017 as well as financial and operating data provided by John Guest. Adjusted EBITDA reflects normalisation adjustments made to John Guest's reported EBITDA for the impact of (i) certain John Guest family salaries and associated expenses that are not expected to be incurred post Acquisition; and (ii) additional management costs that are expected to be incurred post Acquisition.

RWC has performed due diligence on the financial records of John Guest however this does not constitute an independent verification of the information provided by John Guest. John Guest's financial statements do not contain segment information. Investors are cautioned that they should not place reliance on this information as if it were audited financial information.

Information about the Financial Advisors

Lazard & Co., Limited, which is authorised and regulated in the United Kingdom by the Financial Conduct Authority, is acting exclusively as financial adviser to RWC and no one else in connection with the acquisition and will not be responsible to anyone other than RWC for providing the protections afforded to clients of Lazard & Co., Limited nor for providing advice in relation to the acquisition or any other matters referred to in this announcement. Neither Lazard & Co., Limited nor any of its affiliates owes or accepts any duty, liability or responsibility whatsoever (whether direct or indirect, whether in contract, in tort, under statute or otherwise) to any person who is not a client of Lazard & Co., Limited in connection with this announcement, any statement contained herein or otherwise.