

Media Release

27 August 2018

RWC delivers double digit revenue and earnings growth for FY2018

Continuing momentum expected in FY2019 following John Guest acquisition

Reliance Worldwide Corporation Limited (ASX: RWC) (“RWC” or “the Company”) has today announced its consolidated results for the financial year ended 30 June 2018¹.

RWC is a global market leader and manufacturer of water delivery, control and optimisation systems for the modern built environment. 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 new construction, renovation, service, repair and re-model markets. The acquisition of the John Guest group for \$1.2 billion, completed in June of 2018, has created a single global leader in the manufacture and distribution of both brass and plastic PTC technology and related products.

Key highlights

- Net sales of \$769.4 million, an increase of 28% compared with the year ended 30 June 2017 (“prior year”) and up 30% on a constant currency basis
- Net sales increase led by double digit growth in core SharkBite Push-To-Connect (“PTC”) fittings and accessories, first full year inclusion of Holdrite and inclusion of one month of John Guest sales
- EBITDA of \$150.9 million (before John Guest contribution of \$5.0 million and one-off John Guest acquisition transaction costs of \$20.5 million expensed) which is within Company guidance for FY2018 of between \$150 million and \$155 million, an increase of 25% on the prior year. NOTE: EBITDA includes a one-time charge of \$6.0 million arising following recent reclassification of tariff product categories for products imported to the USA. EBITDA (before John Guest contribution and transaction costs expensed) was \$156.9 million excluding this charge, above the top end of guidance
- Net profit after tax of \$66.0 million after expensing \$20.5 million of one-off John Guest acquisition transaction costs. Excluding the contribution of John Guest and associated transaction and financing costs, net profit after tax was \$78.6 million, 19.8% above the prior year
- Final dividend of \$23.7 million, being 3.0 cents per share on expanded capital of 790.1 million issued shares
- Realised synergies to be achieved following the John Guest acquisition are now expected to be \$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 (50% increase on previous guidance of \$20 million)
- Successfully completed \$1.1 billion equity raising and entered into a new \$750 million syndicated debt facility. Proceeds funded the John Guest acquisition and provide additional financial capacity to fund business activities and future growth
- Continued strong cash generation from operations

Financial Highlights	30 June 2018	30 June 2017	Change
Year ended:			
Net sales (\$m)	769.4	601.7	28%
Reported EBITDA ² (\$m)	135.4	120.7	12%
EBITDA before contribution from John Guest and transaction costs expensed (\$m)	150.9	120.7	25%
Reported EBIT ² (\$m)	111.1	101.3	10%
Reported net profit after tax (\$m)	66.0	65.6	1%
Net profit after tax before contribution from John Guest, transaction costs expensed and associated financing costs (\$m)	78.6	65.6	20%
Reported earnings per share (cents)	12.3	12.5	
Adjusted earnings per share (cents) ³	14.6	12.5	
Final dividend per share (cents) ⁴	3.0	3.0	
Total dividends paid or payable for FY2018 (\$m)	42.1	31.5	

Comments from Heath Sharp, RWC Chief Executive Officer

“We are really pleased with the achievements over the past 12 months. Operationally, we completed several significant projects, including the rollout of product to the second half of the Lowe’s stores, the launch of the Streamlabs Monitor and the continued expansion of capacity at our Cullman, Alabama manufacturing site. The financial results for FY2018 reflect those efforts. Continued growth will be achieved through innovative product development and efforts focused on increasing product demand from plumbers, contractors and end users.

The acquisition of John Guest further expands our product range and our capabilities in manufacturing and innovation as well as extending our global footprint, particularly in Europe. We are excited with progress to date in integrating John Guest with RWC and the way in which the people in both organisations are working together.”

Operational highlights

- Double digit growth in sales and EBITDA led by core SharkBite Push-to-Connect (“PTC”) fittings and accessories, first full year inclusion of Holdrite and good growth across both EMEA and APAC
- Continued expansion of SharkBite PTC business in the Americas, including from the introduction of additional PTC SKUs, including at The Home Depot, and sales through all the Lowe’s stores in the USA. SharkBite products now in more than 23,000 outlets in North America, an unrivalled distribution network
- Growth of sales into new construction markets, led in the Americas by the addition of Holdrite products and EvoPEX

- Completed the acquisition of John Guest in June 2018 creating a single global leader in the manufacture and distribution of both brass and plastic PTC technology and related products
- Investment in product development, commercial capabilities and sales resources to drive growth
- Launch of the Streamlabs™ brand, a new growth platform for RWC, and its first product, the Smart Home Water Monitor, at the Consumer Electronics Show (CES) in January 2018

FY2019 Outlook

RWC currently expects FY2019 EBITDA to be in the range of \$280 million to \$290 million, including \$10 million of actual synergies expected to be realised in FY2019 and excluding \$10 million of one-off integration costs expected to be incurred to achieve the synergies.

Realised synergies to be achieved following the John Guest acquisition are expected to be \$20 million per annum on a run rate basis (excluding one-off integration costs) by the end of FY2019, ahead of the original FY2019 run rate guidance. As integration activities have progressed, additional synergy opportunities have been identified. Management currently expects annual synergy realisation to exceed \$30 million on a run rate basis by the end of FY2020, an increase of 50% on the synergies guidance provided when the acquisition was announced.

The result will be driven by continued strong top line growth expected in all regions, including ongoing expansion in the core business and strong growth in new products; continued focus on margin and overhead cost control; a full year contribution from the John Guest group; and realisation of synergies from the John Guest acquisition⁵.

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¹ For full details, please refer to the Results Announcement released by RWC dated 27 August 2018.

² EBITDA means Earnings before interest, tax, depreciation and amortisation; EBIT means Earnings before interest and tax.

³ Before contribution from John Guest, transaction costs expensed and associated financing costs.

⁴ FY2018 based on 790,094,765 issued shares; FY2017 based on 525,000,000 issued shares.

⁵ The forecast assumes, among other things, that current general economic conditions are maintained, specifically in the geographies where RWC operates; the US experiences a modest winter freeze event; and no significant changes to foreign currency exchange rates assumed in our budget, particularly USD/AUD, GBP/AUD and USD/Yuan. The forecast also assumes a copper price of US\$6,500 per tonne and that other input costs remain similar to current levels.