



ASX Announcement

1 February 2019

RWC reaffirms FY2019 EBITDA guidance and notes first half/second half split

1. Summary

Reliance Worldwide Corporation Limited (ASX: RWC) reaffirms its FY2019 EBITDA guidance range of \$280 million to \$290 million (subject to the underlying assumptions in its announcement dated 27 August 2018^{1,2}) noting that:

- a higher percentage of that EBITDA is expected to be earned in the second half of FY2019 (approximately 53% - 55%) compared to 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. These factors are described further below; and
- one of the assumptions underlying the FY2019 EBITDA guidance is that a modest freeze event is experienced in the USA. If a modest freeze event does not occur in February or March 2019, FY2019 EBITDA could be negatively impacted by between 1.5% and 3.0% as described below. The currently reported Polar Vortex in the USA has not yet impacted southern parts of the USA which is an important factor in relation to the impact of freeze events on plumbing installations as described below.

2. First Half / Second Half FY2019 EBITDA Split

The first half FY2019 financial results remain subject to finalisation and audit review. Based on management accounts, the first half FY2019 EBITDA is expected to represent between 45% and 47% of the forecast FY2019 EBITDA. This percentage does not mirror prior years, with the difference mainly reflecting the:

- impact of the \$1.2 billion John Guest acquisition, which completed in June 2018 and significantly diversified RWC's business. Historically, John Guest delivers stronger revenue in the January to June period.
- FY2019 synergies associated with the John Guest acquisition remain on track to be delivered. These synergies are being implemented systematically, accumulate and increase over time which means that greater synergies will be realised in the second half; and
- commodity cost profile. Higher cost brass bar (copper) was bought early or otherwise in stock and processed in the first half of FY2019 with pricing coming down subsequently. The lower cost brass bar will feed through in the second half of FY2019, with the overall cost for the year being consistent with guidance of an average US\$6,500 per tonne.

3. FY2019 Guidance

RWC maintains its EBITDA guidance range for FY2019 of \$280 million to \$290 million as qualified above, but advises that the result could be negatively impacted by between 1.5% and 3.0% if a modest freeze event is not experienced in the USA. A modest freeze event means the average level occurrence of winter storms causing cracked or broken pipes over a sustained period across the USA. RWC's business will usually benefit more from freeze events in the southern parts of the USA than in



the north east or midwest. Water pipes are generally not as well insulated in the south meaning a freeze event can cause these pipes to break. RWC's EBITDA is positively impacted by these events due to a spike in repairs to cracked or broken pipes, where RWC's SharkBite products provide a rapid and permanent solution. To date, the weather in the first part of the US winter has been relatively mild in the southern parts of the USA. The Polar Vortex being reported by the media has not yet significantly affected the southern parts of the USA. However, freeze events can also occur in February or March. It is, therefore, to be seen when and to what extent freeze events will occur.

Otherwise, RWC's business continues to perform and grow well. It is the global leader in each of its major product categories, with most of its sales in the defensive repair and maintenance areas. We continue to provide our customers around the world with the best products, solutions, innovations, support and service and this is reflected in our market position, stability and growth.

4. John Guest Integration Proceeding Well and as Planned

The John Guest acquisition is performing well and in line with expectations from our due diligence processes. The integration process is proceeding well and is on track to deliver the forecast actual and run-rate synergies. The John Guest USA business has been successfully integrated into RWC's USA business and RWC's legacy UK business has correspondingly been integrated into the John Guest UK business. Cost synergies are being achieved as planned and there are many exciting growth opportunities. We continue to be very happy with the strength of the John Guest business in terms of its engineering excellence, end-user connections and distribution partner relationships.

For further enquiries, please contact:

David Neufeld

Investor Relations

+61 3 9099 8299

- 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. 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 announcement dated 27 August 2018).
- 2 FY2019 EBITDA guidance includes approximately \$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 (RWC's announcement dated 27 August 2018).