



ASX Announcement

29 August 2016

Reliance announces strong results for FY2016 with continued revenue and earnings growth

Reliance Worldwide Corporation Limited (ASX: RWC) ("Reliance") has today announced its first results following listing on the ASX on 29 April 2016.

Key highlights:

- Results ahead of Prospectus forecast for statutory and pro forma reporting periods.

Statutory Period results for FY2016¹

- Net sales of \$98.3 million and EBITDA (before significant items) of \$17.3 million, both ahead of Prospectus forecast.

Pro Forma FY2016 12 month results

- Pro forma net sales of \$534.4 million, an increase of 18% over pro forma FY2015.
- Pro forma EBITDA (before significant items) of \$99.1 million, an increase of 25% over pro forma FY2015.
- Strong growth from the Americas, underpinned by continued market penetration of SharkBite products.
- Cullman, Alabama expansion (two production cells) completed and production of SharkBite Push to Connect ("PTC") fittings commenced.

FY2017 outlook

- Prospectus profit forecast confirmed².
- Strong balance sheet to support continued growth in the business with net debt of \$127.9 million as at 30 June 2016 (net debt to pro forma FY2016 EBITDA of 1.3 times).
- New SharkBite Sole Supplier arrangement with Lowe's announced and expected to materially increase our Retail distribution presence in the USA.

Pro forma 12 month results (unaudited)

The following results are pro forma for the 12 months ended 30 June 2016 prepared on the same basis as the forecasts contained in the Prospectus dated 18 April 2016 ("Prospectus").

Reliance has reported pro forma FY2016 net profit after tax (before significant items) of \$52.1 million, which is ahead of the Prospectus forecast.



	Pro forma actual (\$m)	Prospectus forecast (\$m)	Variance (%)	FY2015 pro forma historical (\$m)	Variance (%)
Net sales	534.4	534.9	-	451.7	+18%
Gross profit	220.7	219.6	+1%	185.5	+19%
EBITDA (before significant items)	99.1	97.8	+1%	79.4	+25%
EBIT (before significant items)	82.7	80.6	+3%	65.4	+26%
Net profit after tax (before significant items)	52.1	51.3	+2%	n/a	n/a

Statutory Period results

	Actual (\$m)	Prospectus forecast (\$m)	Variance (%)
Net sales	98.3	89.0	+10%
Gross profit	38.9	36.3	+7%
EBITDA	5.2	n/a	n/a
EBITDA (before significant items ^(a))	17.3	15.2	+14%
EBIT	1.8	n/a	n/a
EBIT (before significant items ^(a))	13.9	12.0	+16%
Net (loss) after tax	(1.6)	(5.4)	nmf

(a) Significant items represent costs associated with the capital raising and listing on the ASX of which \$12.1 million have been expensed (Prospectus forecast - \$15.2 million).

The Group Review presented below focuses on results for the 12 months ended 30 June 2016 (pro forma unaudited results). Additional financial analysis is contained in the presentation slides released today.

Group Review

Reliance is a leader in the design, manufacture and supply of water flow and control products and solutions for use in “behind the wall” plumbing. Reliance is a market leader across its key product lines in its core geographies.

Pro forma FY2016 net sales of \$534.4 million were in line with the Prospectus forecast. This is an increase of 18% over pro forma FY2015 and 7% when measured on a constant currency basis. The constant currency Compound Annual Growth Rate (“CAGR”) in net sales for the period from FY2006 to FY2016 inclusive was 13%. Sales growth was driven by a strong performance by the Americas operating segment and supported by a lower AUD/USD exchange rate. Sales in the Americas in FY2016 did not benefit from a “freeze event”. Retail sales continued to grow strongly in the Americas and Wholesale sales also grew strongly in the Americas, Asia Pacific and EMEA operating segments. The Group’s main customers continued to maintain or increase their purchasing.



EBITDA (before significant items) was \$99.1 million, an increase of 25% over pro forma FY2015. This strong result reflected growth in net sales, together with solid manufacturing and logistics performance. Production efficiencies and procurement savings based on increasing volumes were and continue to be achieved which adds to margin expansion.

Segment Review

Americas

	Actual Pro forma FY2016 (\$m)	Prospectus Forecast Pro forma FY2016 (\$m)	Historical Pro forma FY2015 (\$m)
Net sales³	365.0	364.0	300.3
EBITDA (before significant items)	58.4	57.1	47.4
EBITDA margin	16.0%	15.7%	15.8%

Americas delivered net sales and EBITDA results in line with the Prospectus forecast. Pro forma FY2016 net sales were \$365.0 million³, an increase of 22% over pro forma FY2015. Pro forma FY2016 EBITDA contribution was \$58.4 million, an increase of 23% over pro forma FY2015. The Americas performance has been driven by continued market penetration of SharkBite into the USA and Canada markets together with strong demand in the Retail and Wholesale channels across product lines. We are seeing the benefits of continuing participation in trade shows, promotional campaigns and training programs which create brand and product awareness.

Production of SharkBite PTC fittings commenced at Cullman, Alabama following installation of the first two manufacturing cells. This new production facility delivers increased capacity to the Group and provides additional flexibility to satisfy changes in demand.

Significant progress has been made with the development of the new EvoPEX product designed for the new residential construction market. Testing and trials have been completed and sales will commence during the second half of calendar 2016.



Asia Pacific

	Actual Pro forma FY2016 (\$m)	Prospectus Forecast Pro forma FY2016 (\$m)	Historical Pro forma FY2015 (\$m)
Net sales³	201.0	200.4	189.9
EBITDA (before significant items)	39.3	39.0	33.4
EBITDA margin	19.6%	19.5%	17.6%

Asia Pacific delivered pro forma FY2016 net sales of \$201.0 million³, an increase of 6% over pro forma FY2015. Pro forma FY2016 EBITDA contribution was \$39.3 million, an 18% increase over pro forma FY2015. The result was principally driven by strong sales in piping systems (Auspex and SharkBite). Sales to the OEM channel were impacted by lower demand. Production efficiencies and targeted cost reductions from key suppliers, based on increased product volumes, were achieved.

Production capacity increased with a new electronic forging press being successfully installed and commissioned at our Moorabbin facility.

EMEA

	Actual Pro forma FY2016 (\$m)	Prospectus Forecast Pro forma FY2016 (\$m)	Historical Pro forma FY2015 (\$m)
Net sales³	51.1	53.7	43.5
EBITDA (before significant items)	3.8	4.1	1.0
EBITDA margin	7.4%	7.6%	2.3%

The EMEA segment delivered pro forma FY2016 net sales of \$51.1 million³, an increase of 17% over pro forma FY2015. Pro forma FY2016 EBITDA was \$3.8 million. EMEA's performance was solid for the majority of the year with strong growth in sales to the Wholesale market. However, sales to the Wholesale market slowed during May and June leading up to the outcome of the Brexit vote. OEM sales were flat in comparison with FY2015, reflecting relatively subdued market conditions. EMEA remains Reliance's smallest segment and any impact on total Group results from changed conditions is not expected to be material.

Results were slightly behind the Prospectus forecast as a result of the slowdown in Wholesale market sales in the June quarter and a depreciation of the AUD/GBP exchange rate compared with the forecast in the Prospectus.



Production capacity

Reliance has 11 manufacturing facilities across Australia, New Zealand, the USA and Spain. The program to upgrade manufacturing capabilities is continuing, with a focus on increasing scale and flexibility in manufacturing to support growth as well as continuing investment in automation. We successfully completed the installation and commissioning of two new SharkBite PTC fittings production cells at Cullman, Alabama during the year. As a result of these investments, Reliance now has substantial manufacturing capacity in place to support the continued growth in SharkBite.

The manufacturing and distribution facility in Spain has been recommissioned and is now fully operational. Production of PEXa pipe at the facility in Spain has also commenced, adding further capacity. Sales have commenced with initial shipments to Eastern Europe and production is underway to commence shipping of PEXa products to Australia in the new financial year.

Cash Flow

Pro forma FY2016 Cash flow from Operations was \$83.5 million, ahead of both Prospectus forecast and pro forma FY2015. Active management of inventory, trade debtors and trade creditors delivered favourable working capital in comparison with the Prospectus forecast. Free cash flow conversion reached 84.2% against the Prospectus forecast of 74.2%

Capital expenditure incurred during FY2016 was \$30.1 million, comprising \$11.0 million of maintenance capital expenditure and \$19.1 million of growth capital expenditure, principally related to our manufacturing capacity expansion program. Capital expenditure was slightly lower than Prospectus forecast owing to minor variations in the Cullman expansion.

Balance Sheet

The balance sheet at 30 June 2016 is in a strong position with significant liquidity to fund further growth. Net debt at 30 June 2016 was \$127.9 million.

Credit metrics at 30 June 2016 were favourable with Net Debt to FY2016 pro forma EBITDA at 1.3 times and FY2016 pro forma EBIT to Net finance costs at 13.1 times.

Dividend

No final dividend has been declared or proposed, consistent with the intention stated in the Prospectus. The directors will consider declaring interim and final dividends during FY2017 consistent with the dividend policy set out in the Prospectus.

Revised USA distribution arrangements

As announced on 22 August 2016, Reliance has entered into a Sole Supplier arrangement with Lowe's Companies, Inc. ("Lowe's"), whereby the SharkBite range of PTC fittings and accessories and related products, including PEX pipe, crimp fittings and clamps, will be the only products sold by Lowe's in those product categories.



Reliance will retain the right to continue to sell those products to other Retail/Big Box distributors, including The Home Depot (“THD”), which is a major customer of Reliance. Reliance will also continue to sell those products through its existing wholesale and hardware channels.

There will be a national rollout of Reliance product to the Lowe’s 1,700+ stores in the USA, with the rollout commencing in the last quarter of FY2017 and completing in 2017/2018.

Reliance’s previous two way exclusive agreement with THD in relation to SharkBite PTC fittings and related products has moved to a non-exclusive arrangement covered by THD’s standard Supplier Buying Agreement. Reliance regards THD as an important and valued customer and is fully committed to providing it with ongoing support in order to continue to grow THD’s sales of SharkBite products. Reliance continues to provide THD with the benefits of the strength of the SharkBite brand, the range and quality of SharkBite product and Reliance’s excellent delivery execution and marketing support.

Reliance is confident that these changes will position the SharkBite product range optimally for the long term in the USA market. The PTC product category has excellent growth prospects and this will be aided by SharkBite products being sold and marketed as widely as possible across all sales channels.

Outlook

Reliance has confirmed its Prospectus profit forecast for FY2017². The Prospectus forecast NPAT for FY2017 is \$62.6 million.

The sole supplier arrangement with Lowe’s and changed arrangements with THD are not expected to materially impact upon the FY2017 profit forecast.

Additional information

Please refer to the Appendix 4E, 30 June 2016 Financial Report and presentation slides released today for additional information and analysis. These documents should be read in conjunction with each other document.

For further information, please contact:

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- 1 Statutory Period is the period from incorporation of the Company on 19 February 2016 to 30 June 2016 with Australian trading operations consolidated from 6 April 2016 and non-Australian trading operations consolidated from 3 May 2016.
- 2 Forecast confirmed assuming, among other things, that current general economic conditions are maintained, including in the geographies where Reliance operates, and no significant changes to foreign currency exchange rates, particularly USD/AUD.
- 3 Prior to elimination of inter-segment sales.