



# Macquarie Australia Conference

## 4 May 2021

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# Agenda

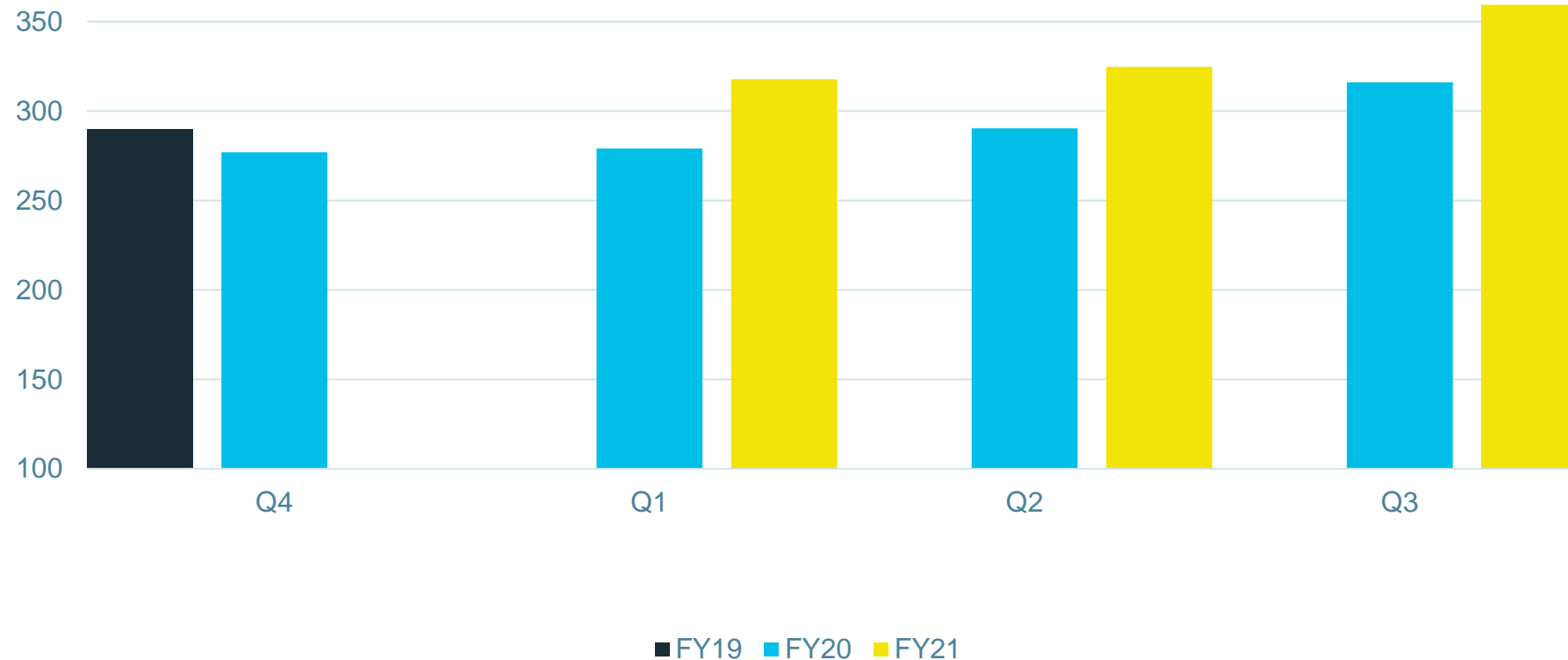
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# COVID-19 impacts: the past year in review

# One year on from COVID-19

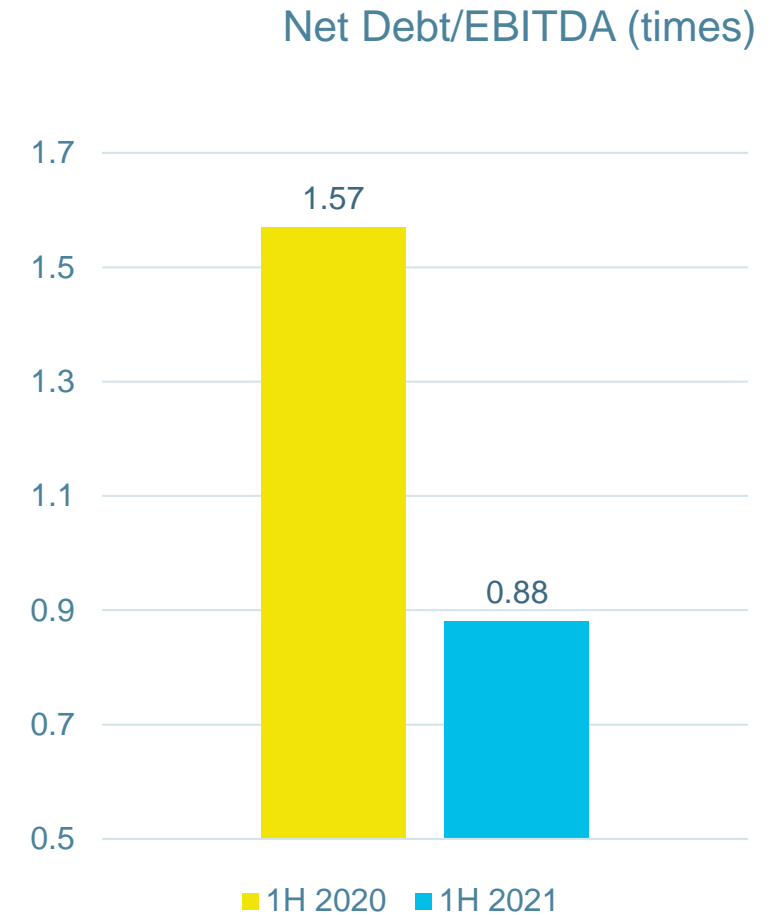
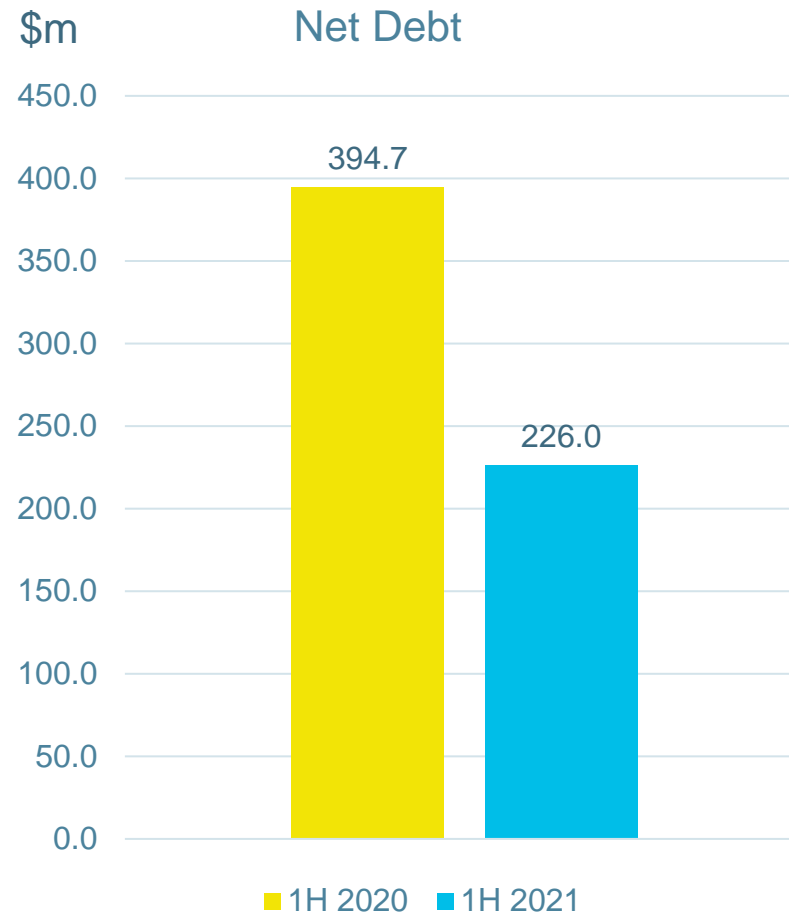
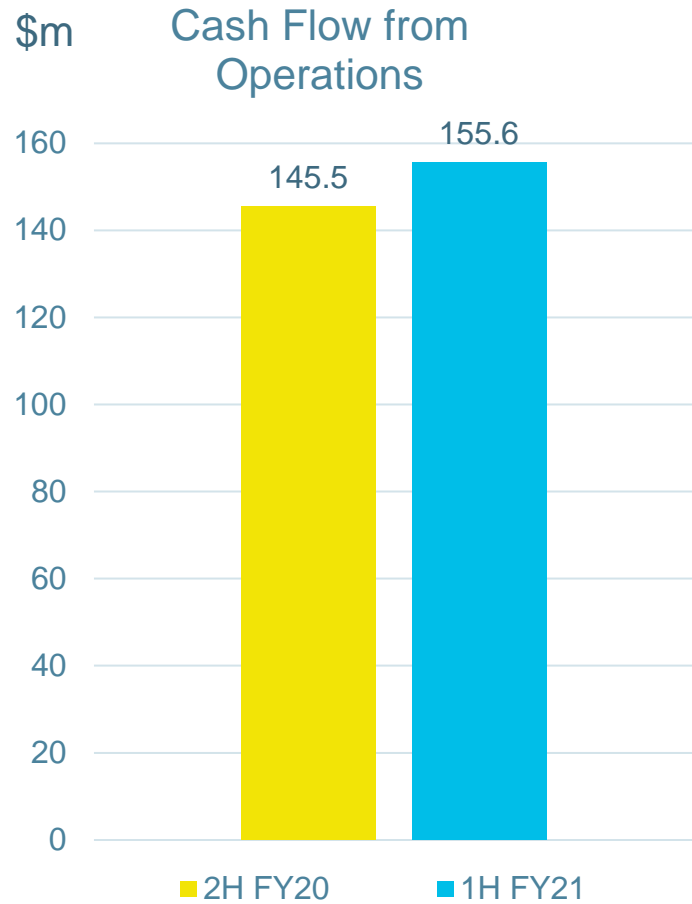
While early impacts were negative, from 1Q FY21 onwards all regions experienced sales growth driven by increased expenditure on repair and remodel activity

RWC Quarterly Revenues A\$m



# Strong operating cash flows delivered during COVID-19

Cash generation has enabled substantial reduction in net debt and leverage

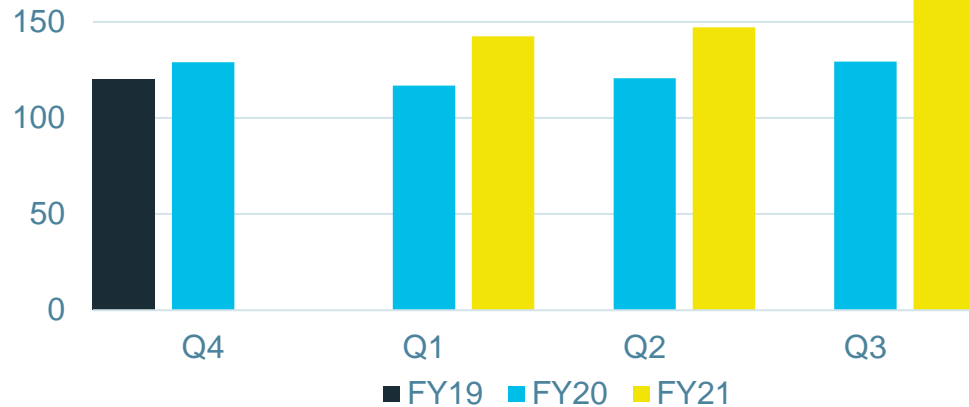




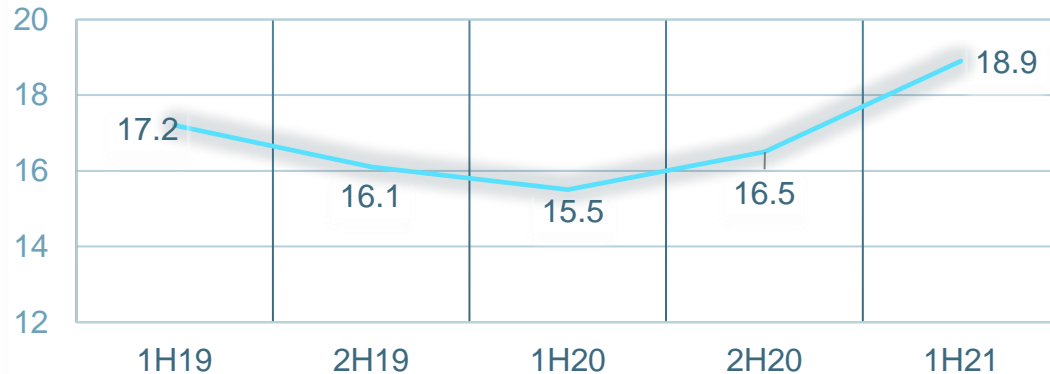
# Segment results: Americas

Strongest performing region has benefitted from pronounced uplift in R&R activity

Americas Quarterly Revenues US\$m<sup>1</sup>



EBITDA/Net Sales (%)



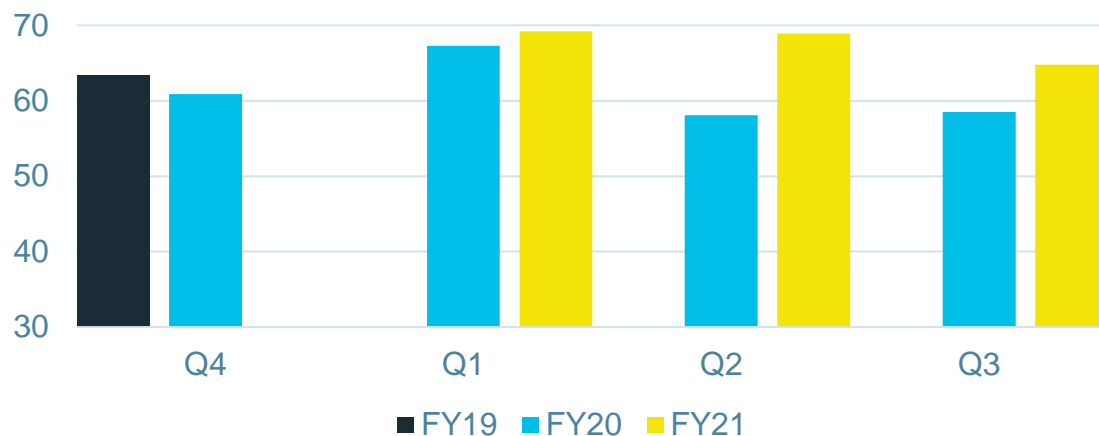
- US sales have been boosted by a surge in residential repair and remodel activity
- Sales in retail and hardware channels of core plumbing products have been particularly strong reflecting both pro-plumber and DIY demand drivers
- OEM sales up strongly due to the high demand generated by home remodelling activity
- Sales in wholesale channels were adversely impacted initially by COVID-19 restrictions but improved as the US opened up
- US freeze event in February 2021 also drove higher sales throughout March
- Strong volume growth has driven improved operating margins due to higher manufacturing overhead recoveries, along with cost reduction initiatives

<sup>1</sup> Prior to elimination of inter-segment sales

# Segment results: Asia Pacific

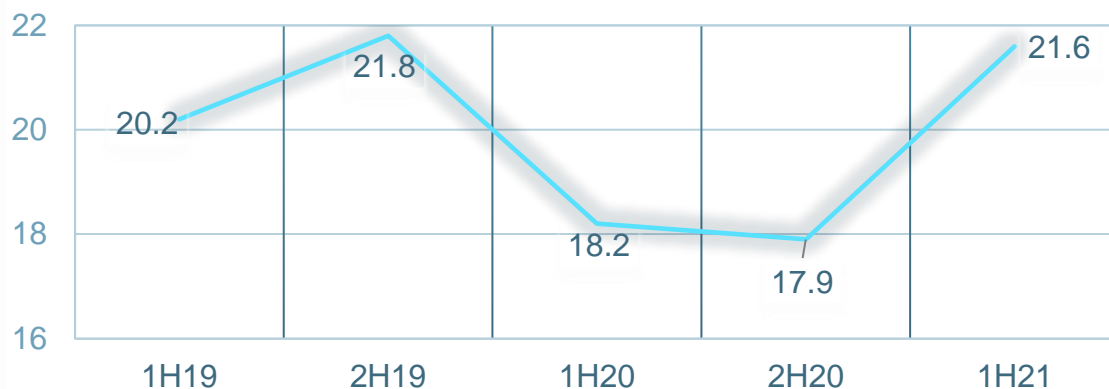
Growth driven by increased R&R activity and new housing construction in Australia

APAC Quarterly Revenues A\$m<sup>1</sup>



- External sales growth reflects stronger Australian new housing construction and repair and remodel markets
- Increased Australian single family construction has offset decline in multi-family
- Higher inter-company sales have been due to strong demand in the Americas
- EBITDA margins have improved due to operational leverage from higher manufactured volumes
- Margins positively impacted by the realisation of profit in stock arising from increased sales to the Americas and reduction in inventory levels

EBITDA/Net Sales (%)



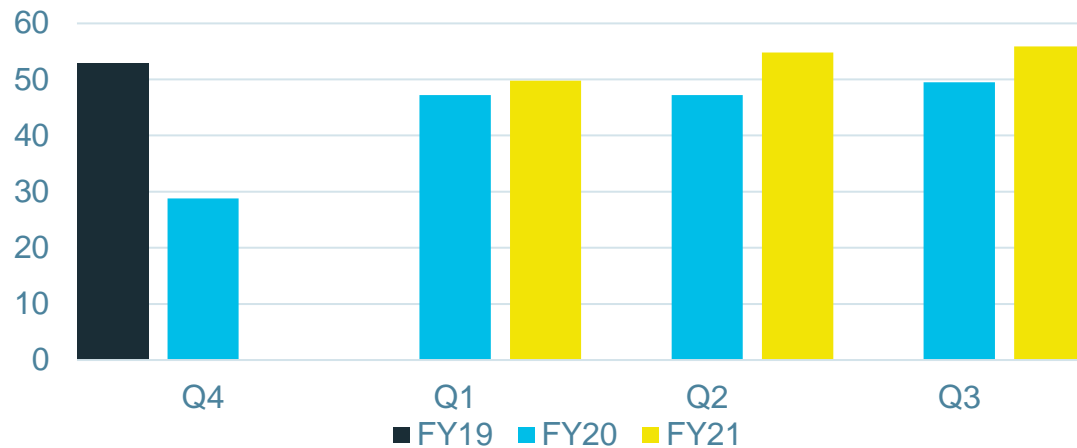
<sup>1</sup> Prior to elimination of inter-segment sales



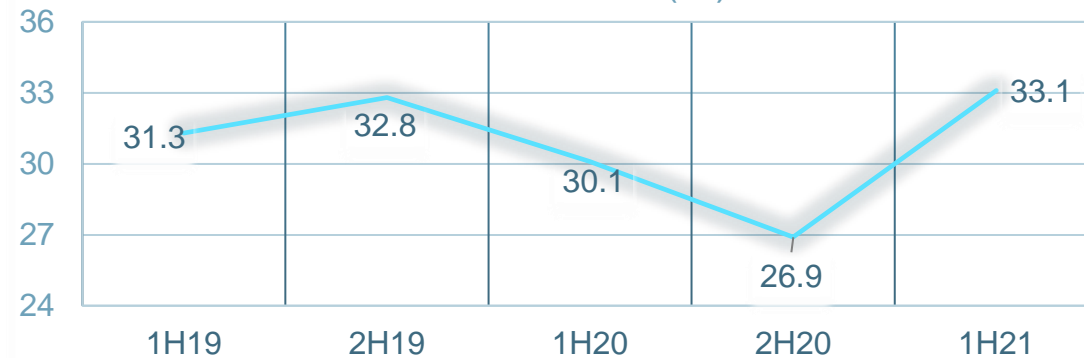
# Segment results: EMEA

## Strong sales recovery post COVID-19 lock down

EMEA Quarterly Revenues GBPm<sup>1</sup>



EBITDA/Net Sales (%)



<sup>1</sup> Prior to elimination of inter-segment sales

- Sales volumes recovered in July and August following easing of COVID-19 government restrictions
- Improved sales activity driven by pent-up demand following the COVID-19 lockdown and from channel partners rebuilding depleted inventory levels
- Sales growth driven by the strong repair and remodel markets in the UK
- Sales in Continental Europe have increased – but lower pent-up demand from the initial lock downs due to a less pronounced downturn in the fourth quarter of FY20
- EBITDA margin increase has been driven by
  - Higher volumes and operational leverage
  - Synergies delivered through the integration of the John Guest business and RWC
  - Other cost out initiatives including a restructure of manufacturing, administrative and support functions in the UK

# Strategy Overview

# RWC strategy summary

## Creating Value through Product Leadership

Create, make and deliver plumbing products that are the first choice for users.

### Solutions for the end-user

Smart product solutions that improve contractor productivity, enable the DIYer, and make lives easier.

End user insights

New product development

Acquisitions

### Distributor Relationships

Increasing value for the distributor while providing broadest access to our products for the end-user.

Superior service

High value product

Brand management

### Operational Excellence

Premium quality products and outstanding delivery performance, yielding margin expansion.

Lean manufacturing

Strategic sourcing

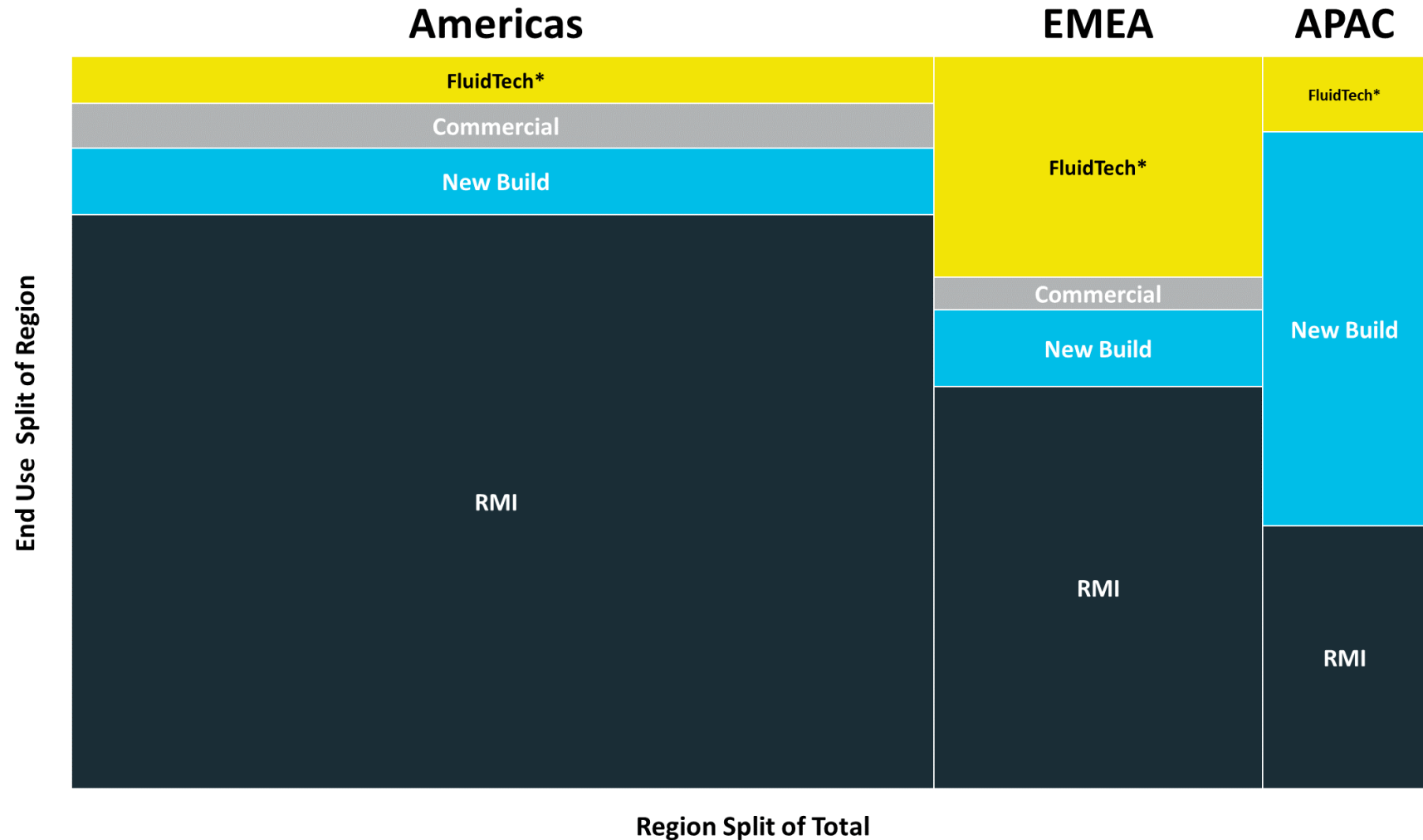
Logistics capability

Our team: supporting and developing our people, supporting and caring for the broader community

Our values: Simplicity / Passion / Innovation / Reliability / Integrity / Team

# End Use by Region

Core RMI market represents significant share of global end use segments



Note\* - FluidTech segment includes water treatment, drinks and dispense, air and pneumatics, and blown fiber applications; Segment splits based on Group FY20 net external sales

# Regional Strategies

# Americas: stable historical growth and key fundamentals support core repair segment

Long term market growth of 2% to 3% annually

## Highly Correlated Indicators for RMI

- Increasing Home Values
- Existing Home Sales



Residential Maintenance and Improvement  
**2.5% CAGR**  
(1995 to 2019)

## Historical Category Focused Metrics

- Non-Discretionary (Repair)
- Kitchen and Bath Remodel



Internal water pipes (and fittings) repaired or replaced  
**3% CAGR**  
Plumbing Fixtures  
**7% CAGR**  
(1995 -2019)

Kitchen and Bath Remodels  
**4% CAGR**  
(1995 -2019)

## Key Driving Fundamentals

- Median Age of Housing Stock
- Household Formations



Median age of housing stock  
**2% CAGR**  
Total housing stock  
**1% CAGR**  
(2001 – 2019)

Data shows RMI activity follows household formation spikes  
Household Formation  
**1% CAGR**  
(1995 -2019)  
2018 to 2028  
12M new households:  
**1% CAGR**

# Americas growth plan

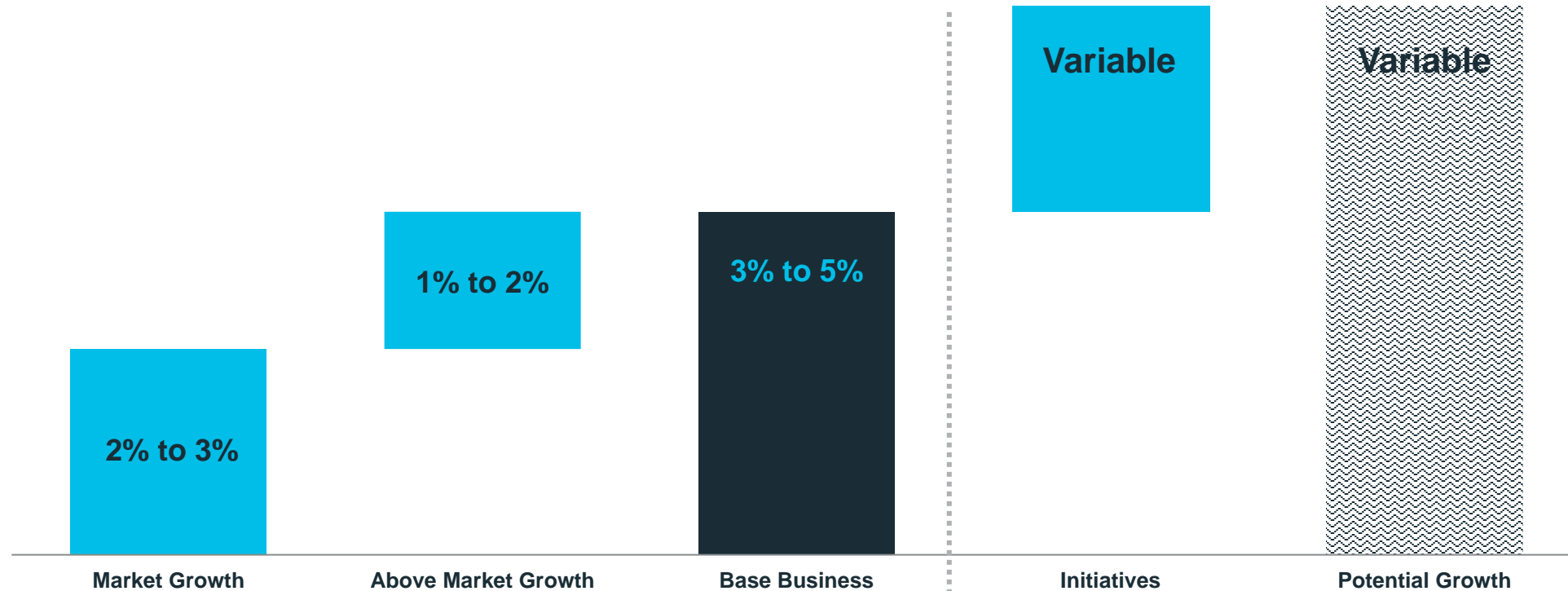
Utilize strength of brand, product offering and focused innovation approach across distribution network to expand market share

	Goals	Representative initiatives	
<p><b>Demand...</b></p>	<p><b>Own the project</b></p> <p><b>Available</b></p> <p><b>Customer needs</b></p> <p><b>Build offering</b></p>	<ul style="list-style-type: none"> <li>Commercial end market selling investment</li> <li>Extend brands to new categories</li> <li>Add proven solutions requested by the Pro</li> <li>Expand access to acquired product offering (HoldRite and JG)</li> <li>Capture additional shelf space</li> <li>Creative SKU placement and merchandising</li> <li>Continued expansion of HoldRite providing differentiated entry point into commercial</li> <li>Continue innovating within fittings</li> <li>Programmatic M&amp;A linked to strategy filling product and capability gaps</li> </ul>	
<p><b>Reach...</b></p>			
<p><b>Innovation...</b></p>			
<p><b>M&amp;A</b></p>			



# US Growth Estimate – Potential Upside

In any given period, targeted base business growth rate with upside from specific customer and product initiatives



Based on US core market growth, we can target 3% to 5% annual growth rate

Potential customer and product initiatives targeted on regular basis can provide upside but not possible to achieve every period

# EMEA strategy

Enabling specific initiatives in UK and Europe to accelerate, expand and access

## Key underlying drivers

**Expand basket** for existing end users with focus on driving innovative, time saving product

Leverage strength of **brands**

Utilise **core operational and execution** competencies



Accelerate...



Expand...

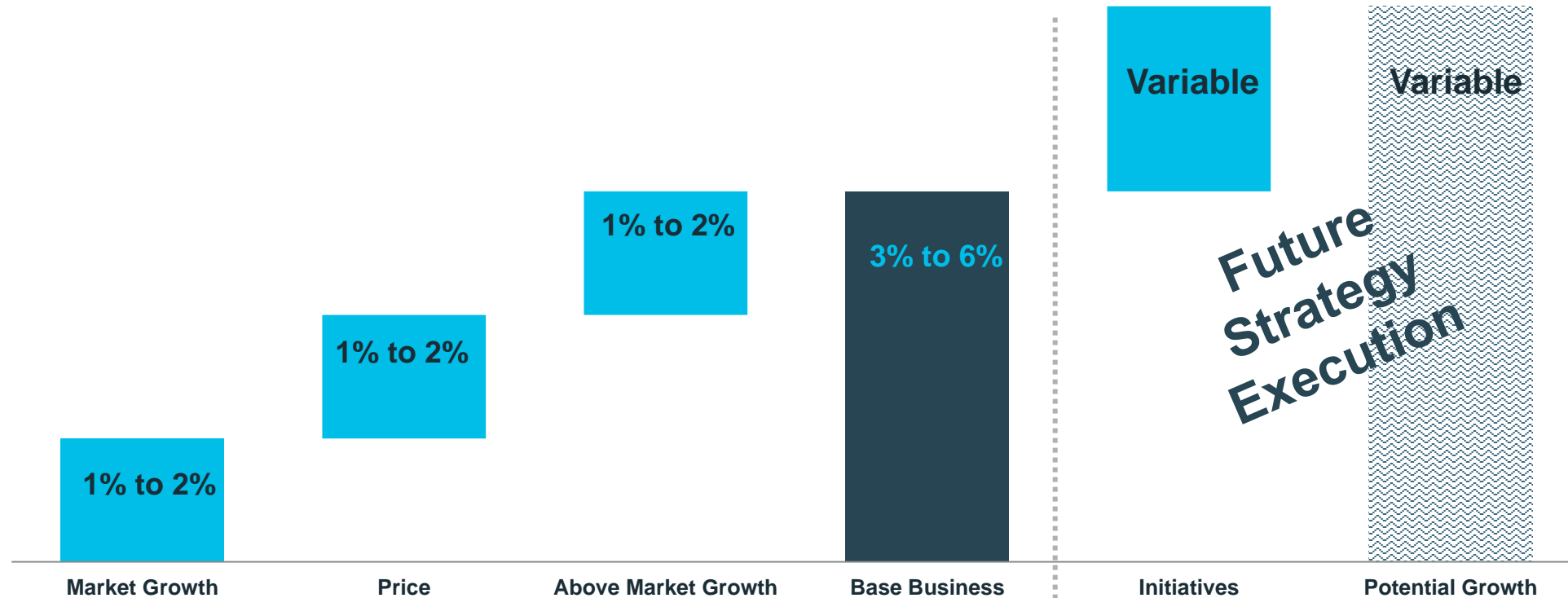


Access

	UK		Continental Europe	
	Goals	Plans	Goals	Plans
<b>Accelerate...</b>	Achieve profitable growth in core, repair and maintenance market	<ul style="list-style-type: none"> <li>▪ <b>P&amp;H RMI</b>: expand share and offering in core market through continued focus on Speedfit range, underfloor heating, and leveraging combined RWC and JG portfolios for complete solutions</li> <li>▪ <b>P&amp;H domestic new build</b>: supplement existing regional builder accounts with select national, volume developers</li> </ul>	Continue to develop FluidTech markets in Europe	<ul style="list-style-type: none"> <li>▪ <b>FluidTech</b>: further develop existing markets with required product development and support</li> </ul>
<b>Expand...</b>	Grow into adjacent plumbing and heating end use segments	<ul style="list-style-type: none"> <li>▪ <b>P&amp;H commercial</b>: evaluate product and capability requirements to further penetrate adjacent commercial market</li> </ul>	Grow into adjacent Fluid Technology end markets in Europe	<ul style="list-style-type: none"> <li>▪ <b>FluidTech</b>: develop new FluidTech end markets and support global penetration (Americas, APAC) of existing markets</li> </ul>
<b>Access</b>			Enter select European geographies	<ul style="list-style-type: none"> <li>▪ <b>P&amp;H RMI</b>: prioritize specific European geographies for penetration of P&amp;H markets organically and/or inorganically</li> </ul>

# UK Growth Estimate – Potential Upside

In any given period, targeted base business growth rate with upside from specific customer and product initiatives



Based on UK core market growth, we can target 3% to 6% annual growth rate

Potential customer and product initiatives targeted on regular basis can provide upside but not possible to achieve every period

# APAC: Australian Core Growth Initiatives

Evolving market conditions and new opportunities drive our growth in our core market



## End users and channels

### Wholesale

We support the [Licensed Plumber](#) network through a broad range of Wholesalers.

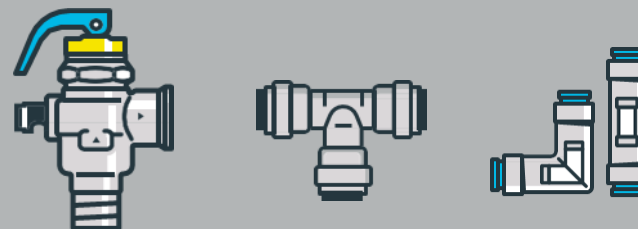
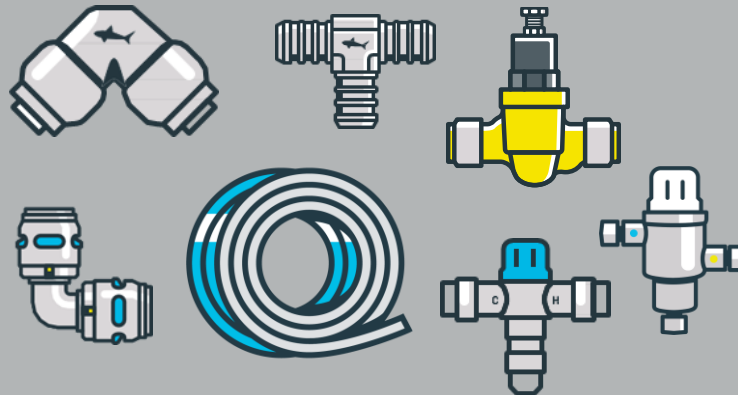
### Hardware

We leverage a limited product range to [DIY](#) and emergency repairs through key Hardware chains.

### OEM

We partner with several targeted OEMs to provide key components and [partnered product development services](#).

## What We Deliver



## Value Creation

- Full Wholesaler support package including training and full customer care service
- Broad product offering covering all 'back of wall' needs.
- Optimized order administration and management.
- Targeting 100% delivery in full on time.
- Intimate interactions in supply chain efficiency and engineering support to optimize product integration.
- High volume capacity to match all levels of demand.

# APAC growth strategies and priorities

Driving core product initiatives to serve existing markets and emerging opportunities

	Goals	APAC plans	
<p><b>Accelerate</b></p>	<p>Achieve profitable growth in core, new build markets in Australia and New Zealand, and continue to develop FluidTech markets in Asia</p>	<ul style="list-style-type: none"> <li>Australia/New Zealand: expand share and offering in core market piping systems market across domestic and high-density housing applications for complete mains to outlet solutions</li> </ul>	
<p><b>Expand</b></p>	<p>Grow into adjacent plumbing end use segments in the Australia and adjacent FluidTech end user markets in Asia</p>	<ul style="list-style-type: none"> <li>Asia FluidTech: further develop existing markets and expanded applications utilizing existing product ranges</li> </ul>	
<p><b>Access</b></p>	<p>Continue to evaluate other market opportunities for core products in Asia</p>	<ul style="list-style-type: none"> <li>Asia: continue to monitor evolving market trends</li> </ul>	

# Capital Management

# RWC's Capital Management approach

Capital management approach aims to minimise the cost of capital and ensure ongoing access to funding to meet future requirements

Strong Financial Focus	Value creation			Capital management		
Improving long term margins and returns	Organic Growth	Capital Investment	Acquisitions	Capital structure	Consistent dividends	Capital returns
<ul style="list-style-type: none"> <li>• Margin expansion through continuous improvement initiatives</li> <li>• Strong operating cash flow performance</li> <li>• Maintenance of investment grade equivalent credit metrics</li> <li>• Improving return on equity</li> </ul>	<p><b>Above-market growth in 3 regions:</b></p> <ul style="list-style-type: none"> <li>• Americas</li> <li>• APAC</li> <li>• EMEA</li> </ul>	<p><b>Ongoing investment in:</b></p> <ul style="list-style-type: none"> <li>• capacity expansion</li> <li>• core new product development</li> </ul> <p>Ongoing assessment of operational footprint and supply chain optimisation</p>	<p><b>M&amp;A aligned with strategy:</b></p> <ul style="list-style-type: none"> <li>• Fill gaps in product range</li> <li>• Expand distribution or end-user scope</li> <li>• Broaden geographic presence</li> </ul>	<p><b>Target Leverage Range:</b></p> <p>Net Debt to EBITDA of 1.5 - 2.5 times</p>	<p><b>Target Dividend Payout Ratio:</b></p> <p>40-60% of NPAT</p> <p>Franked to the extent possible – estimated at less than 30%</p>	<p><b>On-market Share Buybacks:</b></p> <p>Preferred means of distributing excess cash beyond dividends</p> <p>Assessed when appropriate</p>



# Summary

# Summary

RWC is well positioned for future growth and the resilience of the business has been demonstrated through the COVID-19 pandemic

- RWC is focused on creating value through product leadership
  - Solutions for the end-user: improving contractor productivity, empowering the DIYer
  - Value for distributors: increasing value on their shelf, providing broadest access to our product for end-users
  - Industry leading execution: premium quality, outstanding delivery performance, margin expansion
- Each region offers growth opportunities but these vary by region:
  - **Americas:** highest medium term growth potential from continued product range expansion and leveraging of strong brands and channel partner network
  - **APAC:** key Australian market relatively mature but ongoing new product opportunities
  - **EMEA:** leveraging John Guest brand and distribution network with expanded product range in the UK is highest strategic priority
- Selective M&A will be targeted to help achieve strategic objectives



**Q&A**