

ANNUAL GENERAL MEETING

THURSDAY 31 OCTOBER 2019

CHIEF EXECUTIVE OFFICER'S ADDRESS

Good morning ladies and gentlemen. It gives me great pleasure to present to you today following a record year for the Company.

As we outlined in the annual report, RWC's reported net profit after tax was up 102% to \$133 million. The growth in earnings reflects the first full year contribution from John Guest. Also driving the result was another solid performance from the Americas division.

We recorded 43% growth in net sales to \$1.1 billion, including John Guest. Excluding John Guest and foreign currency translation impacts, underlying net sales growth was 5.4%, driven by growth of 8.3% in the Americas. Operating earnings were up 66%, with Adjusted EBITDA finishing at \$263 million. Adjusted Net Profit after Tax was \$152 million, which was an increase of 80% on the prior year¹.

A pleasing aspect of the result was the growth in earnings per share. Following the John Guest acquisition in 2018 we delivered earnings per share growth of 38% year on year, and 23% on an adjusted basis ("Adjusted EPS"), across a significantly expanded share base. We are pleased to have been able to deliver the expected earnings accretion for our shareholders.

While 2019 was a record year for RWC we did face several headwinds. These included the Australian slow-down in new residential construction, the absence of a freeze in the Southern US, and Brexit uncertainty in the UK impacting demand in the latter part of the year. Some of the other factors we had to contend with included higher copper costs in the first half and increased tariffs on goods imported from China into the US. So, when we consider the 2019 results in this context, we believe it was a very strong performance.

Achievements in FY2019

There were a number of other achievements during the year beyond the financial outcomes. The standout was the progress we made in combining the John Guest business operations with those of RWC in the UK and Europe, the US and Asia Pacific. Nearly a year and a half on from the acquisition we have successfully integrated the businesses and importantly have delivered the earnings benefits we had targeted. We are now working on further developing the growth strategy for Continental Europe, and refining the structure we will need to support continued expansion in this market.

¹ Adjusted Net Profit after Tax, Adjusted EBITDA and Adjusted EPS are non-IFRS measures used by the Company to assess operating performance. Refer to Appendix 2 of the Company's earnings release announcement dated 27 August 2019 for a reconciliation of Reported Net Profit after Tax to Adjusted Net Profit after Tax.



We also continued to invest in new products through our research and development activities and we increased our expenditure on this in the past year. Each of our major markets benefitted from the introduction of new products whether developed internally or acquired, and the strength of our distribution network continued to offer exciting expansion opportunities.

As I hope is evident, FY2019 was another successful year for RWC. Looking forward, we see many opportunities to continue growing the breadth and depth of the business on top of the foundation we have established. I will touch on these opportunities shortly.

Sustainability

Before doing so, however, I wanted to highlight the work we are doing around sustainability. We will be releasing our first sustainability report in this current financial year. It's a mark of the Group's size and maturity that we are now able to dedicate resources to this important undertaking. We do more in this area than is obvious externally and we will be communicating more about our activities in the future.

If we look at our business from a product perspective, our core PTC fittings products, both SharkBite and Speedfit, save time and enable more efficient building construction. They are also able to be disconnected and reused and so avoid waste in the event of an incorrect joint being made. At the very heart of our business are products that improve the lives of the installers – plumbers – and the end users.

Beyond this, many of our products, both new and traditional, have important sustainability characteristics. For example, our traditional pressure regulating valves, by reducing water pressure, naturally reduce water consumption and wasted water and reduce damage.

Looking at our newest products, some of these have water preservation at their core. StreamLabs products have a clear water and energy saving objective monitoring water usage and detecting leaks. In 2018, StreamLabs measured 49 million gallons of water and prevented 340,000 leaks in the US alone.

In our manufacturing operations, we are continuing to pursue greater efficiencies and reductions in waste volumes. At our main US plant in Cullman Alabama we are targeting zero waste and are making significant progress. Other examples include water recycling at the Brisbane plant on the TMV production facility and water recycling for the PEX plastic pipe curing ovens in Cullman.

We are also a significant recycler of brass, recycling 6,000 kilograms of brass every year across the Group.



The commitment of RWC people is driving these activities. It's our strong view that corporate social responsibility must start with our people. If we get everyone engaged and identify the causes that they are passionate about then we can align our teams globally and thus make a big difference. This difference will be evident in the products we design, the way we run our factories, the way we treat our own people and the way we support communities, locally, regionally and globally.

Looking ahead

Let me talk now briefly about our future plans. Historically, we have achieved sales growth on top of broader market growth through a combination of end user conversion, market share gains, distribution expansion, new products introduced to the market and acquisitions. While distribution expansion opportunities in our core markets are more limited now, gains achieved in distribution have created a strong platform that can be leveraged to accelerate growth of new products.

Product development is a central part of our longer-term strategic plan. We seek to positively disrupt sectors within which we operate through developing and launching innovative, differentiated solutions that improve the productivity of our professional trade customers and end users.

Delivering on these opportunities will only be achieved through the strength of our team. As we penetrate new markets and market segments – commercial construction, residential new construction, smart plumbing solutions – we are needing to invest in sales and marketing capability and in new areas such as application development. We're also investing in the capabilities we need to manage a larger more complex business across areas including Sales and Marketing, Operations, IT and Finance.

Reliance's business fundamentals are stronger than ever. Today we have solid core businesses in our most important sales markets globally. Compared with three years ago, we also have a significantly more robust business with better diversity of end users, channel partners, geographies, products, materials and technology.

So to sum up, we remain excited about the future growth prospects for the Company.



Outlook

Let me now comment briefly on the outlook for the year ahead.

We provided earnings guidance for FY2020 at the time of our FY2019 annual results announcement in August which we are reaffirming today. Brexit uncertainty and weaker construction activity continue to be headwinds in the UK, however, the softer Australian dollar is positively impacting earnings at a group level.

Consequently, we continue to expect Net Profit after Tax for FY2020 to be in the range of \$150 million to \$165 million subject to the assumptions we have previously stated². We also continue to expect first half earnings to represent around 45% and second half earnings to be around 55% of Net Profit after Tax.

The most significant external determinants of performance in FY2020 are expected to be the extent of Brexit disruption in the UK, economic and construction market conditions in other key markets where we have operations, raw material costs, and foreign currency impacts, particularly on translation of foreign currency earnings into Australian dollars.

Ladies and gentlemen, thank you for your attention and let me now hand back to Stuart.

² Refer to the FY2020 Outlook and FY2020 Earnings Guidance sections of the Company's earnings release announcement dated 27 August 2019.

