

1 October 2020

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Reliance Worldwide Corporation

Industrials

UNDERPERFORM

RWC A\$4.23

TARGET PRICE A\$3.81

Reliance Worldwide Corp. Ltd. engages in water technology business. The firm's activities include the design, manufacture, and distribution of branded water flow and control products and solutions for the plumbing industry. Its products include fittings and pipes, control valves, thermostatic products, water meters, underfloor and radiant heating control components, plastic extrusion products, and fire protection system products.

Company Data

Number of shares	790.1M
Market Capitalisation	\$2,992M
Free float (%)	98.9
12-month high/low	\$4.76/\$1.72
Average Daily Turnover (\$m)	17.31
% S&P/ASX200	0.19%
DDM Ranking	278
% All Ordinaries	0.16%

GICS Industry Group Building Products

Source: FactSet, Barclay Pearce Capital

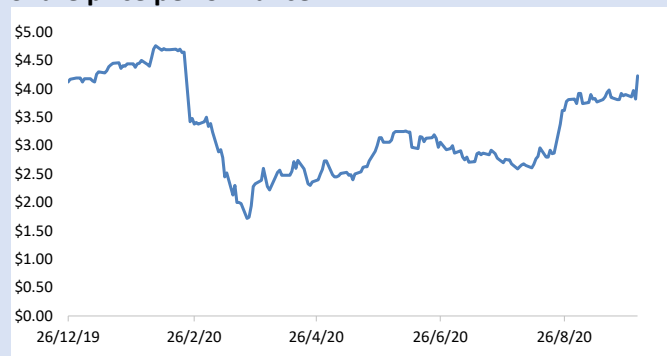
Earnings Summary (AUD)

Year end Adjusted EPS - c	2020A	2021F	2022F	2023F
Revenue (\$M)	1,162.4	1,290.2	1,363.0	1,423.4
EBITDA (\$M)	251.3	291.6	318.5	338.5
Reported NPAT (\$M)	89.4	159.5	175.2	187.4
Adjusted NPAT (\$M)	130.3	160.4	177.7	192.3
Reported EPS (c)	11.4	20.3	22.2	23.8
Adjusted EPS (c - FD)	16.6	20.2	22.4	24.4
Adjusted EPS growth (%)	-14.4	21.9	10.5	9.0
Adjusted P/E (x)	23.0	18.9	17.1	15.7
Dividend (c/sh)	7.0	9.6	10.8	12.2
Gross yield (%)	2.6	3.6	4.0	4.6
Net yield (%)	1.8	2.5	2.8	3.2
ROIC (%)	7.4	8.2	8.5	9.7

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet and Capital IQ.

Share price performance



Source: FactSet, Barclay Pearce Capital

Trading Update

On 1 October 2020 Reliance Worldwide Corporation (RWC) provided a trading update with the following highlights:

- Sales performance in each of the three regions has continued to track in line with what was reported at the time of the FY2020 annual earnings announcement on 24 August 2020;
- Net Sales** for July, August and part of September in each of RWC's key regions was announced:
 - Americas: +22% in July, +15% in August & +29% in September;
 - APAC: +5% in July, -2% in August & +4% in September; and
 - EMEA: -4% in July, +5% in August & +24% in September
- Sales in the **Americas** have continued to grow strongly in September with improved sales in wholesale channels and continued recovery in the Canadian market;
- The increased rate of sales growth in September is primarily explained by the carryover of orders from August as a result of general logistics timing; and
- We do not currently expect this elevated level of demand to continue through FY2021 particularly as US Government COVID-19 stimulus measures wind down.

Outlook

- RWC's CEO, Mr. Sharp said the FY2021 year has started well but forward visibility remains limited in most markets due to the ongoing impacts of COVID-19;
- RWC expects some softening in the Australian market as the reduction in new housing construction approvals leads to lower building activity; and
- In the UK RWC are uncertain as to where underlying demand levels will settle once the pent-up demand for products and plumbing services has been satisfied.

On 24 August 2020, RWC released their results presentation with the following highlights:

- July 2020 sales relative to prior corresponding period:
 - Americas sales growth of 22%;
 - APAC sales up slightly ; and
 - EMEA sales recovered to 96% of pcg
- August 2020 sales for the first 3 weeks
 - Continued Americas sales growth over pcg but at a slower rate than for July;
 - APAC flat to slightly ahead of pcg; and
 - EMEA has continued to see a recovery in sales and is ahead of the same period last year.

Earnings changes

RWC's sales performance is much better than market expectation of 1% revenue growth. This is despite uncertainty over COVID-19 going forwards. Hence, we expect significant earnings revisions of the order of +10%.

We are initiating research coverage on RWC with a 12-month price target of \$3.81 and with a UNDERPERFORM recommendation. The price target is underpinned by our DDM valuation.

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Barclay Pearce Capital provides research services to its client. Mr Wright is General Manager of Research and has over twenty (26) years' experience in the financial services industry, particularly in financial analysis and research report writing. Mr Wright joined the Barclay Pearce team in 2017 where he has been involved in the research and publication of reports. Prior to this Mr Wright worked at a number of entities where he held Director/Head of Research and General Manager of Research positions. Mr Wright holds a Bachelor of Mathematics (Honours) from Edinburgh University and has completed the SDIA Accreditation Program (RG146) through DeakinPrime.

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