

27 January 2021

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Reliance Worldwide Corporation Ltd

Non-Energy materials

HOLD

RWC A\$4.10

TARGET PRICE A\$3.96

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. The company was founded in 1949 and is headquartered in Atlanta, GA.

Company Data

Number of shares	790.1M
Market Capitalisation	\$3239.4M
Free float (%)	98.9
12-month high/low	\$4.76/\$1.72
Average Daily Turnover (\$m)	2.0126
% S&P/ASX200	0.17%
DDM Ranking	278
% All Ordinaries	0.14%
GICS Industry Group	Non-energy Materials

Source: FactSet, Barclay Pearce Capital

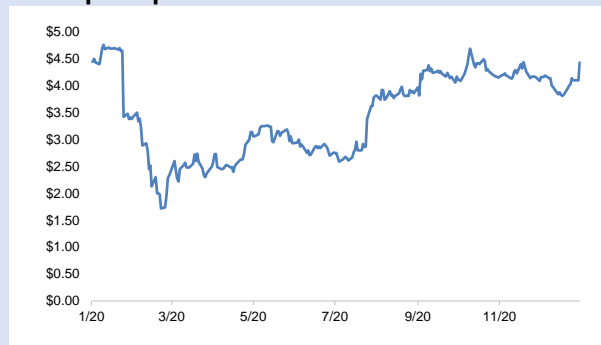
Earnings Summary (AUD)

Year end June	2020A	2021F	2022F	2023F
Revenue (\$M)	1,162.4	1,278.6	1,351.5	1,425.1
EBITDA (\$M)	251.3	335.1	318.0	341.0
Reported NPAT (\$M)	89.4	187.8	172.1	188.8
Adjusted NPAT (\$M)	130.3	187.4	176.9	195.1
Reported EPS (c)	11.4	23.5	21.8	24.0
Adjusted EPS (c - FD)	16.6	23.9	22.4	24.6
Adjusted EPS growth (%)	-14.4	43.9	-6.0	9.6
Adjusted P/E (x)	24.7	17.2	18.3	16.7
Dividend (c/sh)	7.0	12.0	11.7	12.8
Gross yield (%)	2.4	3.5	3.7	4.1
Net yield (%)	1.7	2.4	2.6	2.8
ROIC (%)	7.4	8.8	9.0	9.8

Source: Barclay Pearce Capital

Barclay Pearce Capital contributes all company estimates to Thomson Reuters, FactSet, Nucleus 195 and Capital IQ.

Share price performance.



Source: FactSet, Barclay Pearce Capital

FY21 Trading Update

On 27th January 2021, Reliance World Corporation Limited (RWC) provided a trading update for the six months ended 31 December 2020 with the following highlights:

Revenue

- Net sales of \$642 million, up 13% on pcp; and
- Net sales growth on a constant currency basis of 17% on pcp.

Operating Earnings

- EBITDA expected to be in the range of \$164 million to \$167 million, up at least 30% versus pcp.

Balance Sheet

- Net debt reduction of \$76 million since 30 June 2020; and
- Leverage reduced from 1.57 times to 0.88 times at 31 December 2020.

Segment Performance

AMERICAS

- Net sales growth in the Americas was 16% (22% on a constant currency basis) with the USA recording strong sales growth through retail and hardware channels driven by strong demand in the repair and remodel sectors.

ASIA PACIFIC

- Asia Pacific sales were up 10%, with external sales up 8% reflecting strong Australian new housing construction and remodel markets;
- Inter-company sales were up 13% (up 20% on a constant currency basis) due to the strength of demand in the Americas.

EUROPE, MIDDLE EAST AND AFRICA

- EMEA sales were up 9% (up 11% on a constant currency basis) with a strong recovery in sales following the relaxation of UK government restrictions to control the spread of COVID-19 at the beginning of the period.

"The first half of the 2021 financial year has undoubtedly been a strong period for RWC and we are pleased with how the Group has performed in demanding circumstances. Given the continuing uncertainties in all our markets because of COVID-19 we would caution against extrapolating the first half sales performance for the full year. We note that copper cost increases will negatively impact earnings in the second half and currency translation impacts may also adversely impact reported earnings," says Heath Sharp, CEO of RWC.

Earnings changes

For the six months ended 31 December 2020 RWC reported net sales of \$642 million and an expected EBITDA of \$164-\$167 million. The latest update expects revenue and EBITDA to be higher than the previous assumptions. We expect positive earnings revisions of 10% for FY21 and future periods.

Valuation

We are initiating on RWC with a 12-month price target of \$3.96 and a HOLD recommendation. The price target is underpinned by our 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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Hold – Describes stocks that are neither a buy nor underperform.

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NR – The investment rating and price target have been temporarily suspended. Such suspensions are in compliance with applicable regulations and/or Barclay Pearce Capital policies.

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Buy	40.2%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Speculative Buy	0.4%	(100.0% of stocks with recommendations are Barclay Pearce clients)
Hold	19.5%	(0.0% of stocks with recommendations are Barclay Pearce clients)
Underperform	40.0%	(0.0% of stocks with recommendations are Barclay Pearce clients)