



Media Release

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24 May 2018

RWC TO ACQUIRE JOHN GUEST FOR A\$1.22 BILLION¹

- Reliance Worldwide Corporation Limited (“Reliance”) has entered into an unconditional agreement to acquire all the issued shares of John Guest Holdings Limited for GBP687.5 million (A\$1.22 billion)¹ reflecting a 12.4x purchase price multiple of John Guest’s 2017 Calendar Year Adjusted EBITDA (reducing to 10.3x multiple including expected total synergies, with the majority of the total synergies expected to be achieved on a run rate basis by the end of year one²).
- Reliance is a leading global manufacturer and supplier of premium-branded engineered water delivery, control and optimisation products and solutions for residential and commercial plumbing applications and is the leading manufacturer in the world of brass Push-to-Connect (“PTC”) plumbing fittings.
- John Guest is headquartered in the UK and is a global leader in plastic PTC fittings with products distributed worldwide.
- John Guest is a strong strategic fit and alignment with Reliance’s strategy to add complementary products and expand its market presence, particularly in Europe.
- The acquisition has attractive financial metrics, with the transaction expected to be more than 20% accretive to EPS (on a FY2018 pro forma NPATA basis, pre synergies³) and in excess of 30% including expected total synergies².
- The integration of Reliance and John Guest is expected to deliver total synergies in excess of A\$20 million EBITDA per annum, with most of those relating to cost reductions from business integration and improved operating efficiency. Initiatives to deliver on the total synergies are expected to be completed and implemented within the first year, such that the majority of synergies should be achieved on a run rate basis by the end of year one.
- Acquisition to be funded through an equity offering to raise up to A\$1.10 billion, with an institutional component of A\$945 million underwritten⁴ by J.P. Morgan and Macquarie who are acting as Joint Lead Managers and Financial Advisors, and a new committed syndicated loan facility underwritten by Reliance’s existing lenders, ANZ and CBA.
- An entity associated with Reliance Chairman Jonathan Munz has committed to take up its full pro rata entitlement (A\$110 million) and all other directors will also be taking up their entitlements in full
- Reliance intends to maintain a conservative balance sheet post acquisition with pro forma net debt/ CY17A EBITDA of 2.3x, with gearing expected to reduce further over time.
- Completion of the acquisition is expected to occur in June 2018, following settlement of the institutional component of the Entitlement Offer.
- Financial Advisors to Reliance on the acquisition were Oaktower Partnership (Lead Advisor) and Lazard & Co., Limited with legal advice being provided by Herbert Smith Freehills.

¹ AUD/GBP exchange rate of 0.563 used to convert all GBP metrics. Subject to customary completion adjustments for a transaction of this type.

² Estimated total synergies (EBITDA) in excess of A\$20 million per annum expected. Initiatives to deliver on the total synergies are expected to be mostly implemented and completed during the first year such that the majority of synergies should be achieved on a run rate basis at the end of year one following completion of the acquisition.

³ EPS is earnings per share and is calculated as NPATA per share outstanding. This excludes transaction costs and amortisation of acquired identifiable intangibles and assumes full take up under the retail component of the Entitlement Offer. The impact of the purchase price accounting has not been completed, which will in turn impact future depreciation and amortisation charges and RWC’s NPAT. In accordance with AASB 133, RWC pre-acquisition EPS has been restated based on an adjustment factor to take into account the bonus element of the Entitlement Offer. Estimated total synergies (EBITDA) in excess of A\$20 million per annum expected. Initiatives to deliver on the total synergies are expected to be mostly implemented and completed during the first year following completion of the acquisition such that the majority of synergies should be achieved on a run rate basis at the end of year one.

⁴ The institutional component of the Entitlement Offer (other than the GSA commitment) is underwritten pursuant to the terms of the underwriting agreement.



Strategic Rationale

The acquisition of John Guest:

- Strongly aligns with Reliance's growth and acquisition strategy;
- creates a global leader in PTC technology;
- combines Reliance's strong positions in North America and Asia Pacific with John Guest's strength in UK and continental Europe;
- provides diversification of Reliance's geographic, product and channel exposure;
- enhances and accelerates Reliance's organic growth opportunities; and
- is strongly accretive to Reliance's margins and earnings.

Comments from Heath Sharp, RWC Chief Executive Officer:

"We are excited about the opportunity to join these two great companies. We have previously noted our intention to scale the Reliance business via additional manufacturing and distribution capabilities in the UK and continental Europe. John Guest clearly provides that and more. Like Reliance, the people of John Guest are executing at a very high level, underpinned by a great culture and values closely aligned with our own.

John Guest comes with a long history of innovation and industry leading execution. They have created strong, well-respected brands that are highly regarded in their key markets globally. We believe that John Guest products can be successfully leveraged through our well established North American and Asia Pacific channel network. Correspondingly, we also have a great opportunity to sell Reliance products, including some fantastic products from our recent Holdrite acquisition, through John Guest's distribution channels in UK and Europe and to further develop its European operations."

FY2018 Trading Update

Reliance reaffirmed its full year EBITDA guidance for FY2018 of between A\$150 million and A\$155 million (before transaction costs associated with the acquisition of John Guest and assuming no earnings contribution from John Guest in FY2018).⁵

Additional Information

Further details are contained in the ASX Announcement and Investor Presentation released to the ASX today. These documents should be read in conjunction with each other. The Investor Presentation contains important information including key risks of Reliance's business, details of the acquisition of John Guest, the Entitlement Offer and foreign selling restrictions applying to the Entitlement Offer.

⁵ The forecast assumes, among other things, that current general economic conditions are maintained, including in the geographies where RWC operates and no significant changes to current foreign currency exchange rates, particularly USD/AUD and GBP/AUD. RWC traditionally does not hedge foreign currency exposures. Unfavourable rate movements may erode the translated value of results from the Americas and EMEA segments. The forecast also assumes that copper and other input costs remain similar to current levels.



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