



Australian
National
University

ANU Student Managed Fund

Investment recommendation

Reliance Worldwide Corporation

ASX Code: RWC

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Creation date: 15/09/2025 | Version date: 23/09/2025 (V 3.0)



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Unless otherwise specified, dollar amounts in this report are presented in Australian dollars for ASX market data and in U.S. dollars for RWC's financial reporting, consistent with the company's primary reporting currency.

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Glossary

AAE – Active Australian Equities

ANU – The Australian National University

APAC – Asia Pacific

BoE – Bank of England

CAGR – Compound annual growth rate

Capex – Capital expenditure

COGS – Cost of goods sold

CBE – ANU College of Business and Economics

CFA – Chartered Financial Analyst

CY – Calendar year

DCF – Discounted cash flow

EBITDA – Earnings before interest, tax, depreciation, and amortisation

ECI – Employee Cost Index

EMEA – Europe, the Middle East and Africa

ESG – Environmental, Social and Governance

ETF – Exchange traded funds

FY – Financial year

GICS – Global Industry Classification Standard

IAC – Investment Advisory Committee

IC – Invested capital

IOZ – iShares Core S&P/ASX 200 ETF

MoS – Margin of safety

NOPLAT – Net operating profit less adjusted tax

OEM – Original Equipment Manufacturers

PCP – Prior comparable period

PTC – Push-To-Connect

ROI – Return on investment

ROIC – Return on invested capital

ROIIC – Return on incremental invested capital

RWC – Reliance Worldwide Corporation

R&C – Risk and Compliance

R&D – Research and Development

RSFAS – Research School of Finance, Actuarial Studies, and Statistics

RT – Relationship Team

SMF – ANU Student Managed Fund

SRI – Socially responsible investment

WACC – Weighted average cost of capital

WPI – Wage Price Index

Portfolio recommendation

The Active Australian Equities (AAE) Team recommends that the ANU Student Managed Fund (SMF) establish a **10% weighting** in Reliance Worldwide Corporation (RWC) within the AAE portfolio, funded by reducing holdings in the iShares Core S&P/ASX200 ETF (IOZ).

Investment thesis

RWC is a global designer, manufacturer, and distributor of branded water flow and control products and solutions for the plumbing industry. It is the world's largest manufacturer of a household plumbing staple, Push-To-Connect (PTC) behind the wall plumbing fittings, which holds an 85% market share in the United States (US). RWC primarily operates across three geographical segments: the Americas, APAC and EMEA. With most of the revenue coming from the US (62.5%), Australia (16.5%) and the UK (12.3%). RWC's offerings are similar across each region.

Following the release of RWC's FY25 earnings on August 19th, the company's share price fell 6.7% to \$4.29. While net profit rose 13.5% to US\$125m, supported by the first full-year contribution from Holman Industries and ongoing cost savings, the result disappointed investors due to softer than expected volumes in the Americas and EMEA segments and cautious outlook commentary.

Amid headwinds from tempering consumer spending and subdued construction activity, RWC directed capital expenditure toward efficiency initiatives that helped protect margins and support cash flow. Our fundamental analysis suggests that while near-term growth will remain constrained by weak demand conditions, RWC's strong balance sheet, disciplined cost management, and established market positions provide a defensive underpinning to earnings. Management's track record of maintaining cash flow resilience and executing acquisitions in a challenging environment reinforces confidence in the company's ability to navigate current pressures while positioning for recovery when market conditions improve.

Our investment thesis is underpinned by the following considerations:

- Market leadership
- Resilient revenue from core product portfolio driven by innovation
- Operational efficiency gains

Risks taken into consideration are:

- Execution risks relating to tariff mitigation
- Concentration of customer base
- Exposure to the US housing and construction sectors



AUSTRALIA
ASX code: RWC

Price \$4.28
(22/09/2025)

Valuation \$5.03

Margin of safety (MoS) 17.45%

Dividend yield (FY25) 1.83%

EPS (24F/25F/26F) 0.28/0.29/0.25

GICS Capital Goods

52-week range \$3.73 - \$6.05

Recommendation **Buy**

Key assumptions

Required return on equity 8.00%

WACC 7.61%

Carbon intensity

RWC 30.6

ASX200 143.42

Five-year price history



Key upsides

Market Leadership

Reliance Worldwide Corporation (RWC) has established commanding market positions across all major regions of operation, with a strong global footprint that underpins its competitive advantage. The company's leadership is a result of strategic acquisitions and organic growth, which have created strong regional platforms and reinforced its position as a key player in the plumbing and heating industry.

America's Market Dominance

In the Americas, RWC's flagship SharkBite brand holds an unrivalled position, with an estimated 85% U.S. market share of the push-to-connect (PTC) fittings market.¹ This dominance is cemented by a sole-supplier contract with Lowe's, ensuring SharkBite is the only product stocked in this key category. The brand also maintains a strong, non-exclusive relationship with The Home Depot, ensuring widespread market access across the two largest home improvement retailers.

European Market Leadership

RWC's market presence was fundamentally reshaped by its 2018 acquisition of John Guest for £687.5 million (\$1.22 billion). This strategic move provided RWC with immediate market leadership in the plastic PTC technology segment, as John Guest is the largest manufacturer of plastic push-fit fittings and pipe, with a well-established international sales and distribution network. The EMEA region now contributes to over 21% of total sales, reflecting a transformed geographic footprint.

Asia Pacific

In the Asia-Pacific region, RWC maintains a strong market position, particularly in Australia, where it operates as the largest plumbing manufacturer. The company has achieved an estimated 12% market share in Australia's \$1.7 billion behind-the-wall plumbing market. RWC's Australian operations are supported by comprehensive manufacturing capabilities across multiple states. The 2024 acquisition of Holman Industries for \$A160 million further expanded RWC's presence and its product portfolio to include "water-out" plumbing products like drain, waste, and vent solutions.

Cash Flow Resilience

RWC's resilient cash flows through poor market conditions of the prior five years reflect the staple nature of their plumbing and watering system product offerings. Its geographically diversified revenue streams and distribution networks allow RWC to gain diversified exposure to a broader range of end-markets and limit supply-chain vulnerabilities in very challenging economic environments. The ongoing R&D pipeline, supported by a strong patent portfolio, strengthens RWC's cash flow resilience during periods of weaker demand. While the SharkBite Max launch has broadened its DIY and professional offering, continued investment in PEX-a piping, water control products, and smart-home compatible fittings positions RWC to capture long-term growth. The defensive nature of RWC's cash flow makes the stock a defensive fit for SMF's portfolio in periods of economic uncertainty.

Strategic Global Footprint

RWC's operations are supported by a decentralized and far-reaching distribution network, with a global footprint of 15 manufacturing facilities, 24 distribution centres, and 5 R&D locations strategically positioned across its Americas, Asia-Pacific, and EMEA operating regions. This global spread of manufacturing plants serves as a critical driver of cash flow resilience by mitigating supply-side risks and providing the company with increased flexibility to manage operations. By manufacturing goods closer to their end markets, RWC has been able to reduce transportation costs, shorten lead times, and more effectively navigate global trade complexities and tariffs.

In addition, geographical diversification is crucial for cash flow resilience on the demand side, as it allows RWC to gain exposure to varying economic cycles and end markets. This was demonstrated in FY2024

¹Morningstar, "Gradual Volumes Recovery Expected for Reliance," Morningstar Company Reports, report no. 1256920, accessed September 23, 2025, <https://www.morningstar.com/company-reports/1256920-gradual-volumes-recovery-expected-for-reliance>

where net sales were only down 0.5% (excluding acquisitions) despite the Americas segment sales declining 2.1% due to weaker discretionary remodel markets. This was from a large offset by a strong performance in the Asia-Pacific segment, which posted external sales growth of 2.4% (excluding the Holman acquisition), from improved macroeconomic conditions. This ability to rely on stable or growing demand in one region to offset headwinds in another creates a natural hedge, smoothing out revenue streams and protecting overall company performance.

Staple product offerings

RWC's core product range is a defensive staple, which underpins the company's cash flow resilience. Plumbing solutions are an essential necessity in all residential and commercial buildings, making them less susceptible to the discretionary spending cuts that impact other consumer-facing goods during economic downturns. Plumbing solution products comprise approximately 75.2% of RWC's revenue, with appliance installation solutions making up a further 19%.

The demand for these products is driven by non-discretionary factors, such as population growth, an aging housing stock, and ongoing construction activity. This is reinforced by the fact that over 45% of homes in both the US and UK are over 50 years old (RWC, Investor Presentation 2022), a significant detail given that traditional copper pipes and soldered fittings have a service life of 50-70 years. This dynamic creates a growing, non-cyclical demand for replacement plumbing solutions. This is reflected in the forecast for the plumbing parts market, which is projected to grow at a CAGR of 5.42% from 2023 to 2029 (Aritzon Advisory and Intelligence). Furthermore, RWC's brands, such as SharkBite in the US, have become a household name among plumbers and DIYers, contributing to a stable and recurring revenue stream. This brand loyalty, coupled with the essential nature of its products, allows the company to maintain stable revenue and cash flow even during periods of broader economic weakness.

Robust R&D pipeline

Plumbing products are highly regulated, which limits differentiation and makes intellectual property critical. RWC's dominance is supported by their strong patent portfolio covering PTC fitting technologies, which provides a key defence against commoditisation and preserving margins. While the launch of SharkBite Max has recently expanded its DIY and professional offering, RWC's pipeline extends further with ongoing investment in PEX-a piping, integrated water control products, and digital monitoring solutions aligned with smart-home trends. These initiatives are designed will help RWC maintain market share and drive incremental growth as the demand for efficiency and sustainability grows.

Competitors such as Viega (press-fit systems in Europe), Mueller Industries, and Uponor are innovating in adjacent fitting technologies, but RWC's distribution scale, patent protections, and emphasis on ease-of-use solutions continue to differentiate its offering. By combining its R&D program (10% of NOPLAT, calculated internally from RWC's published financial statements) with targeted acquisitions such as Holman, RWC has strengthened its ability to refresh its product range, protect pricing power, and generate resilient cash flows across housing cycles.

Operational Efficiency Gains

In response to a weak economic environment, RWC's management team has implemented a series of margin-accretive initiatives aimed at reducing costs and improving profitability. Management has positioned RWC for improved operational efficiencies in the foreseeable future by focusing on restructuring operating, procurement savings and other efficiency improvement initiatives such as minimising downtime, reducing waste and improving energy efficiency, mainly in the EMEA and Americas geographic segments, which account for 85% of RWC's total operating revenue.

These actions are already delivering results as the migration of SharkBite Max's manufacturing back to the U.S. and procurement cost savings lifted Americas adjusted EBITDA margin from 17.9% in FY23 to 21% in FY24. In FY25 RWC has maintained an adjusted EBITDA margin of 21.0%, up from 17.9% in FY23, despite softer end-market demand. Cash flow conversion was strong at 97.6% of EBITDA, and net debt leverage improved to 1.30x EBITDA at year-end, down from 1.59x.

The Holman acquisition generated approximately \$5 million in run-rate cost synergies through the consolidation of their distribution centres in Australia. Management has streamlined engineering operations in the UK, and the shift of SharkBite Max production closer to U.S. markets cuts freight costs and

improves turnaround times. In the near future, RWC is targeting a complete exit from tariff-impacted China sourcing by FY27, a move that should further protect margins. These efficiency measures not only mitigate cyclical risks but also position the company to expand earnings growth as housing activity stabilises.

Risks to recommendation

Execution risks relating to tariff mitigation

RWC is exposed to significant US tariff pressures due to its substantial offshore sourcing, representing a near-term earnings headwind that the company. The company sources approximately 48% of its Americas' cost of goods sold (COGS) from outside the US, with some Chinese imports facing an incremental 145% tariff rate.

RWC is mitigating its US tariff exposure by diversifying its supply chain and leveraging its market position to raise prices. The company has already reduced its China-sourced COGS by 27% in FY25 and aims for zero by FY27. Despite an expected US\$25-30 million impact on FY26 EBITDA, RWC anticipates the tariff effect on FY27 EBITDA to be immaterial, as its mitigation efforts reach full implementation. The company's strategy is to fully offset tariff costs and maintain gross margin dollars.

Despite RWC's clear strategy, the execution of its tariff mitigation plan is exposed to significant risks. One key risk is the uncertainty of RWC's pricing power. Its ability to fully pass on costs through price increases could be challenged by increased competition from rivals with lower cost bases, forcing RWC to absorb more tariff costs than anticipated.

Another major risk lies in potential delays to its sourcing diversification plan. The aggressive goal of reducing China-sourced COGS to zero by FY27 is subject to operational challenges, such as delays in qualifying new suppliers or quality control issues. Any such delays would extend RWC's exposure to high tariffs, negatively affecting margins beyond the company's FY26 guidance.

Furthermore, the volatile nature of global trade presents a risk of worsening conditions. An escalation of the trade war, including higher tariff rates or new tariffs on products from RWC's alternative sourcing countries like Vietnam or Korea, could render current strategies ineffective.

Concentration of Customer Base

RWC faces material customer concentration risk due to its dependence on two major U.S. retail distribution partners, Lowe's and Home Depot, representing an estimated 20% of total group revenue. This concentration becomes more pronounced when considering that these relationships represent, on average, 10% of RWC's \$1.31 billion in annual revenue, meaning that each relationship individually contributes approximately \$130 million annually. The scale of these partnerships underscores their critical importance to RWC's financial performance and growth trajectory.

Adverse developments in either relationship could materially impact sales, creating several interconnected risks. The loss of either customer would immediately impact total revenue, representing a potential drastic blow to near-term performance. Beyond the direct revenue impact, losing a major retail partnership could trigger secondary effects, including reduced economies of scale, damaged brand loyalty, higher per-unit costs, and potential competitive disadvantages in product development and market positioning. The concentration risk is amplified by the competitive dynamics between Home Depot and Lowe's, where strategic shifts by either retailer could influence product placement decisions, pricing negotiations, or exclusivity arrangements.

RWC's significant operational integration with its major U.S. retail customers creates additional vulnerabilities. The company has invested substantially in EDI systems and supply chain integration to streamline order fulfilment and enhance efficiency. While these systems improve operational accuracy and speed, they also increase switching costs and can create power imbalances in commercial negotiations, as the company becomes closely aligned with the specific requirements of its largest customers. This deep integration, while beneficial for efficiency, underscores the strategic importance and potential risks of RWC's reliance on key retail partners.

While RWC has implemented strategies to strengthen these critical relationships, including long-term strategic partnerships and extensive product integration, the fundamental concentration risk remains material. The company's broad product portfolio and its position as a market leader in PTC fittings provide some defensive characteristics, as these customers would face significant costs and operational disruption in replacing RWC's comprehensive offering.

Exposure to the US Housing and Construction Sectors

RWC's business is structurally tied to housing and construction cycles, with approximately 85% of its U.S. exposure in residential repair & remodel (R&R), 10% in commercial, and 5% in new housing construction. While this exposure is a natural feature of the business model, the investment risk mainly comes from a deeper or more prolonged downturn in U.S. housing activity than is currently anticipated.

The U.S. housing market is currently under significant pressure from elevated mortgage rates and affordability challenges, with builder confidence falling to levels similar to those during the COVID-19 recession. Building permits and housing starts are declining, which suggests further weakness ahead. Elevated construction costs are reducing project viability and compressing builder margins. According to the National Association of Home Builders' survey, 38% of U.S. homebuilders cut prices in July (up from 29% in April), reflecting the pressure they are facing to increase demand.

Although R&R demand provides some defensiveness relative to new construction, it is not immune. In periods of economic stress, households usually defer non-essential repairs and renovations. Forecasts of only 2-3% home price growth signal affordability constraints and weak turnover of existing homes. As renovation activity is strongly linked to home sales, weaker turnover dampens the increase in demand for R&R plumbing products despite modest price appreciation.

For investors, the key risk is that the housing market weakness persists longer than expected, with sustained high rates, affordability pressures and low turnover limiting both new construction and R&R activity. Given RWC's operational leverage, such a downturn could materially impact earnings performance.

Model summary

Our valuation divides RWC into its three distinct geographic segments, the Americas, EMEA, and APAC, given that each region has unique industry and macroeconomic drivers that will affect RWC's revenue and costs.

Revenue

A top-down approach to forecasting revenue was implemented by taking RWC's own estimation of their 2025 Total Addressable Market (TAM) for the behind-the-wall plumbing market in each region. This TAM is further segmented into residential repair & remodel (R&R), residential new construction, and commercial new and R&R, representing the three core end markets RWC operates in. Using a combination of relevant industry and macroeconomic growth drivers, a forecast of the TAM over the explicit forecasting period of 2026 to 2030 was made. By then applying RWC's market shares, which were identified from its end-market exposure in each of the three markets, each segment's revenue is forecasted. The sum of these geographical revenues then provides the total forecasted revenue for the entire company.

The America's

- **Market Drivers:** The residential R&R end market is modelled using a weighted average of U.S. existing home sales and U.S. home price appreciation forecasts. Residential new construction is linked to forecasts of U.S. housing starts, and the commercial segment is tied to U.S. non-residential construction spending forecasts.
- **End-Market Exposure:** Heavily weighted towards residential R&R (85%), with 10% in commercial and 5% in residential new construction.
- **Forecast:** Negative revenue growth of 1.28% is forecasted for FY26 due to a continued subdued residential R&R end market. Revenue is forecasted to recover to an average 3.33% CAGR over 2027 to 2030.

EMEA

- **Market Drivers:** The residential R&R end market is a weighted average of growth in UK residential transactions, market size growth in maintenance, repair, and operations (MRO), and UK home price appreciation. The residential new market is forecasted with the estimated growth rate in new home construction volume, while the commercial segment is tied to total new construction work output.
- **End-Market Exposure:** Highly weighted towards residential R&R (82.5%), with 8.5% in residential new builds and 9% in commercial.
- **Forecast:** Strong revenue growth of 4.41% is forecasted for FY26, with a CAGR of 5.09% for the 2027-2030 period.

APAC

- **Market Drivers:** The residential R&R end market is a combination of forecasted industry growth in the plumbing goods wholesale market and heating, cooling, and ventilation equipment manufacturing market forecasts as well as forecasted Australian home price appreciation. Growth in the residential new segment is linked to Australian house construction revenue forecasts, while the commercial segment is tied to commercial and industrial building construction growth in Australia.
- **End-Market Exposure:** Highly weighted towards residential R&R (80.0%), with 12.0% in residential new builds and 8.0% in commercial.
- **Forecast:** Revenue is forecasted to grow only 1.51% in FY26, but with a CAGR of 2.05% from 2027-2030.

Costs

RWC's operating costs and expenses are allocated across five primary line items: COGS, Product Development Expenses, Selling and Marketing Expenses, Administrative Expenses, and Other Expenses. Our forecasting methodology for these costs was applied consistently across each geographic segment.

Product Development Expenses were projected as a constant percentage of revenue, in line with FY25 levels, over the forecast horizon. This assumption is made due to the absence of material new product launches or related initiatives mentioned in recent company reports.

Selling and Marketing, Administrative, and Other Expenses were forecasted using labour cost indices for each region, including the United Kingdom's Average Earnings Growth, Australia's Wage Price Index (WPI), and the United States' Employee Cost Index (ECI). This approach provides a more accurate reflection of expected cost trends in each market, ensuring regional wage and inflationary dynamics are incorporated.

COGS was forecasted using a rolling average percentage of revenue, as historically COGS as a percentage of revenue has remained consistent, due to RWC's market leadership and ability to pass on cost increases to consumers. Manual adjustments were incorporated into the Americas' COGS forecasts for FY26 and FY27 to capture the anticipated earnings impact of tariff headwinds.

Scenario analysis

We modelled four distinct scenarios to capture the range of potential outcomes for RWC, assessing the impact of each on our intrinsic valuation. The bull case reflects a scenario with increased adoption of push-to-connect fittings across all regions, supported by structural industry tailwinds such as an ageing plumbing workforce, shortages of skilled labour, and the growing preference for faster, easier-to-install products. Conversely, the bear case captures a probability-weighted valuation of the downside impact of adverse events, including gradual market share erosion from rising competition and retailer channel pressures, a prolonged downturn in the U.S. housing market limiting renovation and new construction demand, and the potential loss of a major retail contract with Lowe's or Home Depot.

Our bull case produces a valuation of \$5.35 per share (24.81% margin of safety), while the bear case yields \$4.58 per share (6.89% margin of safety). A full breakdown of the scenario assumptions, valuation deltas, and weighting methodology is provided in Appendix E.

SRI considerations

RWC is compliant with the SMF's SRI Policy and derives no revenue from excluded sectors. RWC's operations fall well within the fund's carbon intensity threshold. Purchasing a 10% holding in RWC would keep the AAE portfolio within 56% lower emissions than the SMF's SRI Policy carbon intensity limit. Overall, RWC has no major SRI concerns; however, a further ESG breakdown can be found in Appendix C.

Valuation summary and recommendation

Our discounted cash flow (DCF) model generates a base case valuation of \$5.03. This valuation provides a MoS of 17.45%. Our scenario analysis is outlined in Appendix E and provides a bull case valuation of \$5.35 and a bear case valuation of \$4.58.

Valuation Summary	Bear case	Base case	Bull case
Share price (22/09/24)	\$4.28	\$4.28	\$4.28
Valuation	\$4.58	\$5.03	\$5.35
Margin of safety	6.89%	+17.45%	+24.81%
Required return on equity	8%	8%	8%
Cost of debt (after tax)	5.04%	5.04%	5.04%
WACC	7.61%	7.61%	7.61%

RWC offers sustainable cash flows from diversified exposures to stable markets. RWC is undervalued on a fundamental cash flow analysis, with margin accretive initiatives and successful end-market expansions supporting cash flow growth. This presents RWC as an attractive investment opportunity for the fund. In conclusion, **we recommend that the SMF establish a 10% weighting in RWC within the AAE portfolio**, funded through the sale of our holdings in the iShares Core S&P/ASX200 ETF (IOZ).

Appendix

Appendix A: Portfolio Fit

RWC has had minimal negative publicity with big ESG pushes in sustainability and governance. Due to their international exposure, it would provide some coverage in poor-performing domestic markets. Plumbing solutions are an essential infrastructure, making the industry more resilient. RWC operates in the Capital plumbing Goods manufacturing and distribution industry, which is independent of other holdings in the SMF portfolio. Compared to Brambles, Orora and Ansell, each produce separate goods such as packaging pallets, beverage bottles and protective equipment, to distinct end markets. Thus, RWC would be a good addition to the SMF, providing defensive cash flows both domestically and internationally.

Appendix B: Key Financial Summary

Financial year (USD million)	2021(A)	2022(A)	2023(A)	2024(A)	2025(A)	2026(E)	2027(E)	2028(E)
Total revenue	1002	1172	1244	1246	1315	1296	1342	1393
Revenue growth	-13.84%	17.03%	6.11%	0.16%	5.53%	-1.45%	3.60%	3.77%
Adjusted EBITA	161	227	228	209	213	166	203	226
Adjusted EBITA margins	16.12%	19.36%	18.34%	16.76%	16.17%	12.81%	15.10%	16.21%
NOPLAT	129	214	207	196	189	144	173	190
NOPLAT margin	12.87%	18.28%	16.65%	15.73%	14.35%	11.12%	12.85%	13.67%
Invested capital (ex. goodwill)	472	690	645	641	632	597	596	602
Invested capital (inc. goodwill)	1398	1771	1753	1792	1838	1848	1885	1934
ROIC (ex. goodwill)	27.32%	31.08%	32.09%	30.55%	29.88%	24.15%	28.97%	31.64%
ROIC (inc. goodwill)	9.22%	12.10%	11.82%	10.93%	10.27%	7.80%	9.15%	9.85%
Free cash flow	2	-158	225	157	143	134	135	142
IC turnover (ex. goodwill)	0.72	0.66	0.71	0.70	0.72	0.70	0.71	0.72
Financial year	2029(E)	2030(E)	2031(E)	2032(E)	2033(E)	2034(E)	2035(E)	2036(E)
Total revenue	1439	1483	1527	1573	1620	1669	1719	1770
Revenue growth	3.28%	3.06%	3.00%	3.00%	3.00%	3.00%	3.00%	3.00%
Adjusted EBITA	230	238	245	252	260	268	276	284
Adjusted EBITA margins	15.98%	16.03%	16.03%	16.03%	16.03%	16.03%	16.03%	16.03%
NOPLAT	193	199	205	211	218	224	231	238

NOPLAT margin	13.45%	13.44%	13.44%	13.44%	13.44%	13.44%	13.44%	13.44%
Invested capital (ex. goodwill)	614	638	670	690	711	732	754	777
Invested capital (inc. goodwill)	1990	2057	2088	2108	2129	2150	2172	2195
ROIC (ex. goodwill)	31.53%	31.22%	30.64%	30.64%	30.64%	30.64%	30.64%	30.64%
ROIC (inc. goodwill)	9.72%	9.69%	9.83%	10.03%	10.23%	10.43%	10.63%	10.84%
Free cash flow	138	132	180	186	191	197	203	209
IC turnover (ex. goodwill)	0.72	0.72	0.73	0.75	0.76	0.78	0.79	0.81

Appendix C: SRI Review

While RWC presents no major SRI concerns, there are several relevant ESG considerations. In the social sector, women represent only 28% of the board and 33% of non-executive directors, which does not meet the ASX's guidelines. In addition, only 27% of management employees are female. However, the company has outlined a roadmap to address this issue, so the ESG risk is considered low.

In efforts to consolidate their footprint, RWC closed a manufacturing site in New Zealand and a warehouse in the US, resulting in 50 job losses. The company is also proceeding with the closure of an Australian manufacturing site and three distribution centres following the acquisition of Holman, as well as manufacturing site in Spain and an engineering facility in the UK, which could lead to further job losses. RWC has not yet publicly clarified the closure of these positions. While this issue needs to be monitored, it is not considered a major concern.

Appendix D: Modelling Revenue

The America's

The North American Residential R&R segment of TAM was modelled with a weighted average of U.S. existing home sales forecasts and U.S. home price appreciation forecasts. Existing home sales are considered a leading indicator of remodelling activity, according to RWC, while home price appreciation is highly correlated to remodelling activity. Residential new construction was modelled by linking to forecasts of U.S. housing starts, and the commercial segment was linked to U.S. non-residential construction spending forecasts. Notably, the R&R end market is the weakest in the coming years, with home price appreciation forecasted to increase by only 0.40% and existing home sales expected to be down 4.16%. U.S. end-market exposure is heavily weighted toward this segment, with 85% being residential R&R, 10% commercial, and 5% residential new construction. This led to forecasted negative growth of 1.28% in revenue for FY26, which is in line with RWC's own guidance of "expected low single-digit negative growth." The model does, however, forecast a recovery to an average of around 3.33% CAGR for the period of 2027 to 2030.

EMEA

In the EMEA region, the residential R&R segment of TAM was modelled as a weighted average of growth in UK residential transactions, market size growth in maintenance, repair, and operations (MRO), and UK home price appreciation. The Residential New market was forecasted with the estimated growth rate in new home construction volume, while the commercial segment was tied to total new construction work output. The macro-outlook for the EMEA region is strong for FY26, with an expected 10.58% growth in residential transactions and 4.00% appreciation in home prices, leading to a robust short-term performance. The EMEA end-market exposure is also highly weighted towards the residential R&R segment (82.5%), with 8.5% in new builds and 9% in commercial. This strong exposure, coupled with a

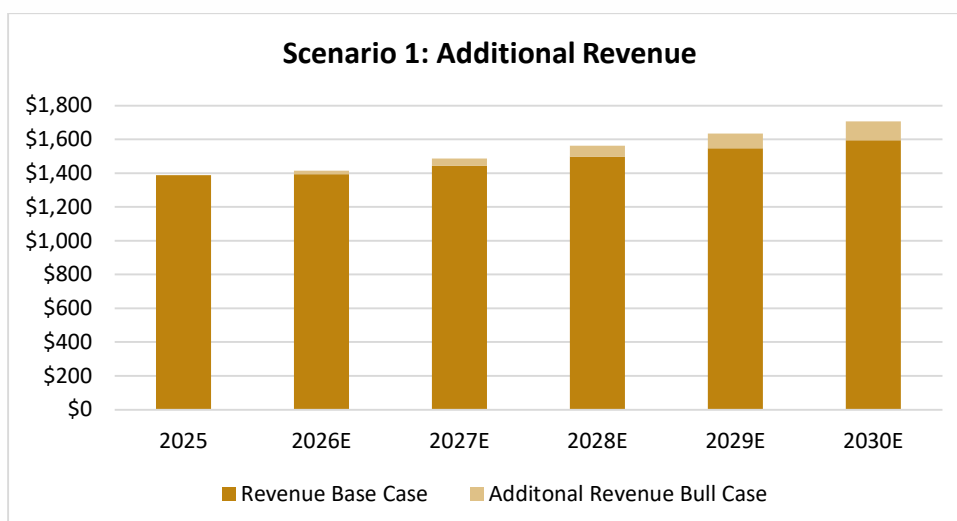
positive residential R&R outlook, forecasts a revenue growth of 4.41% in FY26 and a strong Compound Annual Growth Rate (CAGR) of 5.09% for the 2027-2030 period.

APAC

For APAC, the residential R&R segment of TAM was forecasted using a combination of forecasted industry growth in the plumbing goods wholesale market, as well as heating, cooling, and ventilation equipment manufacturing market forecasts. The latter was used as a proxy to better represent the Holman acquisition, a factor not relevant to other regions due to differing product offerings. Additionally, forecasted home price appreciation was factored in for the residential R&R segment. Growth in the residential new segment was forecasted by linking it to Australian house construction revenue forecasts, while the commercial segment was tied to commercial and industrial building construction growth in Australia. Again, the end-market exposure in APAC is heavily weighted toward residential R&R, at 80%. Both the industry plumbing-related revenue drivers are forecasting subdued market conditions, with growth of around 1.5% each. This is compounded by a steep decline of 10% expected in commercial construction. However, strong residential new market growth of 5.3% provides a key offset. The model forecasts RWC's revenue in APAC to grow only 1.51% in FY26, but with a CAGR of 2.05% from 2027-2030.

Appendix E: Scenario Analysis

Scenario 1: PTC Adoption Rises



This scenario analysis was modelled to reflect the potential for PTC fittings to gain market share in the overall fittings market due to enduring industry tailwinds. Based on this optimistic scenario, our new valuation for RWC is \$5.28, representing a 24.23% Margin of Safety (MOS).

While our base model assumes a constant market share, this scenario models the increased adoption of Push-to-Connect (PTC) technology driven by key industry tailwinds. These include an ageing plumbing workforce, a lack of skilled plumbers pushing homeowners toward DIY solutions, and a new generation of plumbers who prefer quicker, safer, and easier-to-install products. We modelled that PTC adoption would increase across all regions.

The U.S. is currently lagging, with only 15% adoption in the total fittings market, but was forecasted to gain 0.50% of market share annually. This is a conservative estimate with MorningStar expecting PTC market share to gain close to 1.00% annually over the next decade.

APAC adoption is just behind EMEA at 27% and is modelled to gain 0.30% per year. EMEA, while already leading at 34% (with the UK at 95% adoption in new homes), is still forecasted to gain 0.25% annually, reflecting its higher base but still prevailing tailwinds. The additional revenue gained by RWC was calculated by taking the projected increase in the size of the PTC market for each year and multiplying it by RWC's assumed capture rate for that new market share, equal to their current market share in that region for PTC fittings. The model assumes RWC captures 85% of this new market share in the U.S., 40% in EMEA, and 20% in APAC. The cumulative effect of these gains results in an additional \$21.08 million in

revenue in FY26, rising to \$64.96 million in 2028, and an additional \$111.17 million in 2030, with a new valuation for RWC is \$5.28, representing a 24.23% Margin of Safety (MOS).

Valuation: \$5.35 (24.81% Margin of Safety)

Rationale: This scenario models the increased adoption of Push-to-Connect (PTC) technology driven by key industry tailwinds, including an aging plumbing workforce, a lack of skilled plumbers, and a new generation of plumbers who prefer quicker, safer, and easier-to-install products.

Model Changes: PTC market share is forecasted to increase annually in all regions:

- U.S.: 0.50% annual gain (from a current 15% adoption)
- APAC: 0.30% annual gain (from a current 27% adoption)
- EMEA: 0.25% annual gain (from a current 34% adoption)
- Additional Revenue: The model assumes RWC captures a portion of this new market share in line with their regional strength and market share.

Bull Case Weighting: 100%

Scenario 2: Increasing Competition – Diminishing Margins

We model a gradual erosion of RWC's market share in push-to-connect (PTC) fittings across all regions, reflecting the risk of rising competition and potential channel pressures. Specifically, we assume a 1% annual decline in PTC market share through FY30. This assumption captures scenarios where competitors such as Viega, Mueller, or Uponor expand their offerings, or where key retail partners such as Lowe's and Home Depot adjust product mix in favour of alternative fittings. The impact is a modest reduction in group revenues relative to the base case, while the company remains profitable and cash generative. This shows that even limited market share loss, if sustained, can meaningfully affect top-line growth for RWC and highlights the importance of RWC defending its leadership position in PTC fittings through innovation, IP protections, and strong retailer relationships.

Valuation: \$4.80 (12.18% Margin of Safety)

Rationale: Rising competition in the push-to-connect (PTC) market and potential channel pressures gradually erode RWC's market share. Competitors such as Viega, Mueller, and Uponor expand their offerings, while major retailers like Lowe's and Home Depot may adjust product mix in favour of alternative fittings. Even limited share loss reduces RWC's top-line growth potential and underscores the need to defend its leadership position through innovation, IP protections, and strong retailer relationships.

Model Changes: Market share in PTC fittings reduced by 1% annually across all regions through FY30. This leads to a modest reduction in group revenues relative to the base case while maintaining profitability and positive cash flow.

Bear Case Weighting: 55%

Scenario 3: Prolonged U.S. Housing Market Weakness

Valuation: \$4.43 (3.40% Margin of Safety)

Rationale: Prolonged U.S. housing market weakness results in flat existing home sales, subdued turnover of existing homes, and home price growth capped at 0-1% annually. Renovation activity, which is closely tied to home sales, remains muted. Housing starts to stall around 1.3-1.4 million units, and non-

residential construction spending grows at only about 1% per year, limiting overall end-market demand for RWC.

Model Changes: Existing home sales growth reduced to 1% p.a., home price appreciation trimmed to 1% p.a., housing starts capped at 1.3–1.4m (0–2% growth), and non-residential construction spending growth reduced to 2% p.a. This resulted in U.S. revenue growth assumptions lowered accordingly across the forecast horizon.

Bear Case Weighting: 40%

Scenario 4: Major Contract Loss – Lowe’s or Home Depot

Valuation: \$3.26

Rationale: Customer concentration is a material risk for RWC, with Lowe’s and Home Depot together contributing an estimated 40% Americas revenue. In this scenario, RWC loses one of these key partnerships, representing approximately 20–25% of Americas sales. Beyond the direct revenue loss, the impact would include reduced economies of scale, weaker bargaining power, and diminished brand visibility, particularly in the U.S. market.

Model Changes: From FY26 onward, U.S. revenue reduced by 20% to reflect the loss of one major retail partner. This is assuming that RWC has no immediate ability to offset this loss in revenue via other distributors.

Bear Case Weighting: 5%

Appendix F: Sensitivity Analysis

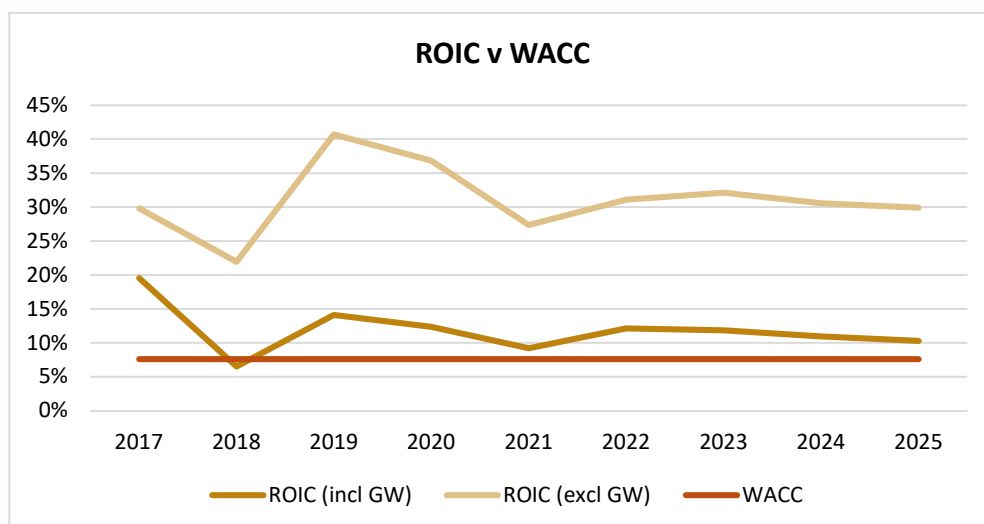
USD/AUD Exchange Rate

USD/AUD	Price	MoS
1.35	\$4.47	4.44%
1.4	\$4.64	8.41%
1.45	\$4.80	12.15%
1.52	\$5.02	17.32%
1.55	\$5.13	19.86%
1.6	\$5.30	23.83%
1.65	\$5.47	27.80%

WACC

WACC	Price	MoS
7.00%	\$5.60	30.84%
7.25%	\$5.35	25.00%
7.50%	\$5.12	19.63%
7.61%	\$5.02	17.32%
8.00%	\$4.69	9.58%
8.25%	\$4.50	5.14%
8.50%	\$4.32	0.93%

Appendix G: Value Creation Analysis



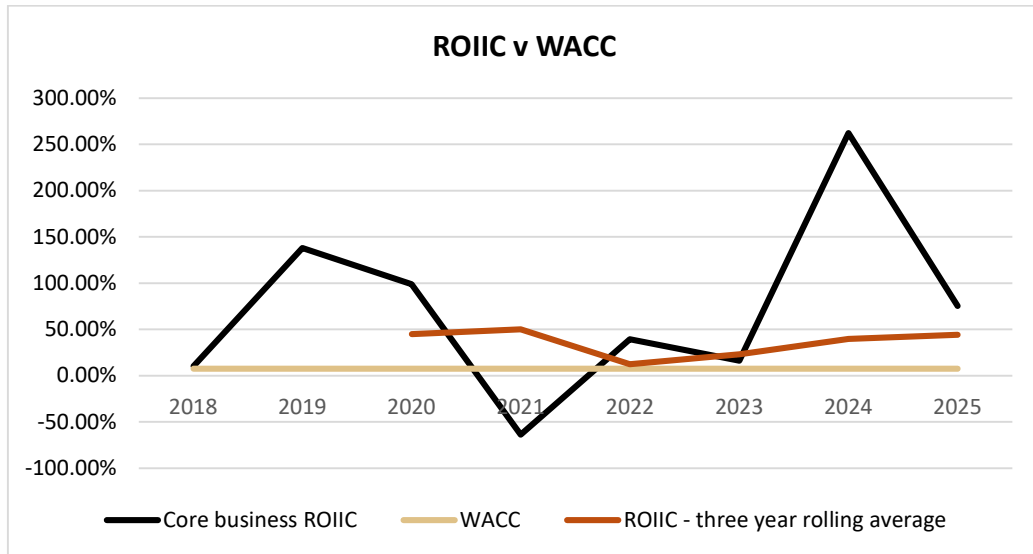
Core Business Profitability

Reliance Worldwide Corporation's core business has consistently generated returns well above its WACC of 7.61%. Core business ROIC, defined as ROIC excluding goodwill, highlights the efficiency of the company's operations without the accounting impact of acquisitions. In 2017, core business ROIC stood at 21.95% and peaked at an impressive 40.68% in 2019. Even after moderating to 29.88% in 2025, the company has consistently maintained a spread of over 20 percentage points above WACC, underscoring the strength of its capital base and operating model.

Acquisitions and Overall Value Creation

The overall company's return on invested capital, defined as ROIC including goodwill, illustrates the impact of acquisitions on value creation. RWC's strategy has involved significant M&A activity, notably the acquisition of Holdrite in mid-2017 and the major acquisition of John Guest in mid-2018. Following the John Guest deal, the overall company ROIC dipped to 6.53% in 2018. This initial decline is a common occurrence as the company absorbs the costs and capital of a large acquisition. However, the ROIC quickly rebounded to 14.09% in 2019, demonstrating successful integration and synergy realization. This return has remained consistently above the 7.61% WACC since then, demonstrating that these deals have been accretive to shareholder value, not just a means of inflating revenue. The more recent acquisition of Holman Industries, completed in 2024, is the latest example of this ongoing strategy to expand the company's product portfolio.

Reinvestment Efficiency



RWC/s Return on Incremental Invested Capital (ROIIC) measures the change in net operating profit after tax relative to the change in invested capital, capturing the returns generated from new investment. RWC's ROIIC is volatile, ranging from a low of -63.82% in 2021 to a peak of 262.46% in 2024, reflecting its sensitivity to short-term changes in NOPLAT, where even temporary revenue shocks can significantly distort results. To smooth out these effects, the three-year rolling average provides a clearer view of underlying performance. As shown in the graph, ROIIC on this basis consistently tracks above the WACC, demonstrating disciplined capital deployment and confirming that growth initiatives continue to create shareholder value despite short-term fluctuations.

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