

Reliance Worldwide Corporation Ltd

Reliance Holds the Line on Plumbing Strength as Valuation Tightens and Cyclical Risks Mount

Company Overview

Reliance Worldwide Corporation is a global manufacturer and distributor of water flow, control, and plumbing products. The company, which began in Brisbane, Australia, is headquartered in Atlanta and operates in the Americas, Asia-Pacific, and EMEA regions. RWC's portfolio includes unique brands including SharkBite, HoldRite, John Guest, and EZ-Flo, which serve both the residential and commercial building industries. Its principal products cater to the repair and remodel (R&R), new construction, and maintenance markets. RWC is known for pioneering push-to-connect (PTC) technology in plumbing fittings, and it has steadily expanded its product line to encompass pipe systems, appliance connectors and water heater accessories. The company employs a vertically integrated approach, with manufacturing facilities in the United States, United Kingdom, Australia, Spain, and China, and focusses on supply chain efficiency, ESG leadership, and customer-centric innovation.

Financial Performance

FY2024 Comments:

RWC reported revenue of US\$1,245.8 million in FY2024, a 0.2% increase over the previous year. Adjusted EBITDA remained constant at US\$274.6 million, indicating effective expense control.

One-time charges reduced reported net profit after tax by 21% to US\$110.1 million, while adjusted net profit fell 6% to US\$146.9 million. The findings indicate sluggish housing and renovation activity, especially in North America and EMEA.

HY2025 Comments:

Performance improved over the first half of fiscal year 2025. Revenue increased 14.8% to US\$676.5 million, driven by acquiring Holman Industries and 3.8% organic growth. Adjusted net profit increased to \$76.0 million, with EBITDA margin reaching 22.2% (without Holman). Operating cash flow remained solid, with 88% EBITDA conversion, and the net debt-to-EBITDA ratio improved to 1.41x.

Overweight

ASX: RWC

Current Price: \$4.12

Target Price: \$6.04

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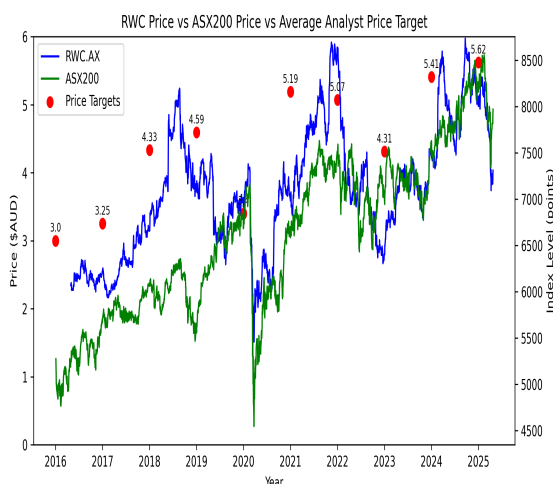
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RWC:ASX

Valuation Ratios

P/E Ratio: 16.54

P/B Ratio: 2.54

P/S Ratio: 0.00

EV/EBITDA: 13.46

EV/Revenue: 2.92

Profitability Ratios

Gross Margin: 0.39

Oper. Margin: 0.11

Net Margin: 0.09

ROA: 0.05

Efficiency Ratios

Asset Turnover: 0.58

Market Metrics

Dividend Yield: 0.02

Earnings Yield: 0.06

Price to CF: 0.00

GWA:ASX (Comp)

Valuation Ratios

P/E Ratio: 16.50

P/B Ratio: 2.01

P/S Ratio: 0.00

EV/EBITDA: 10.20

EV/Revenue: 1.73

Profitability Ratios

Gross Margin: 0.39

Oper. Margin: 0.12

Net Margin: 0.09

ROA: 0.06

Efficiency Ratios

Asset Turnover: 0.63

Market Metrics

Dividend Yield: 0.06

Earnings Yield: 0.06

Price to CF: 0.00

Growth Overview

The acquisition of Holman Industries in March 2024 expanded outdoor water product offerings and commercial distribution channels. Holman provided A\$111 million to sales in HY2025, helping increase Asia-Pacific revenue by 87%. Integration expenses were negligible, and early synergies saved US\$10.8 million. RWC is continuing to grow its SharkBite Max product line through retail distribution, including Bunnings stores in Australia. To save money and increase productivity, the company is combining warehouses and upgrading its ERP system. Despite inflationary pressures, these improvements help to boost margins.

Market Overview

According to Simply Wall St's analysis, the stock is trading at a 15.3x P/E ratio, which is considered undervalued relative to its projected fair value of A\$5.16. Morningstar maintains a fair value estimate of A\$4.20 for RWC. Analyst Grant Slade predicts that further gains in the push-to-connect fittings category will result in significant earnings growth. Jarden recently upgraded RWC to Overweight, keeping the target price at A\$5.60, noting good margin resilience, product innovation, and growth in key plumbing markets despite adverse housing dynamics. UBS downgraded the company to Neutral, decreasing its target by 4% to A\$5.60, from softer sales forecast and macro headwinds with inflation and increased material costs. Both foresee consistent earnings growth, with FY25 EPS ranging from 29 to 31 cents and FY26 EPS ranging from 32 to 35 cents.

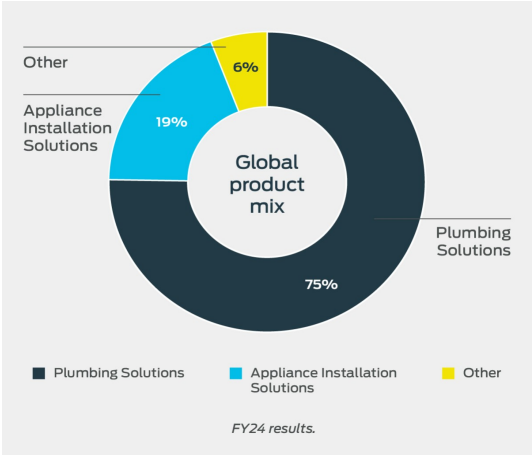
Sustainability Targets

RWC aims to reach net zero Scope 1 and 2 emissions by 2050, with a 42% reduction goal by 2030 from its FY2021 baseline. The corporation has already decreased its emissions by 35%. It has also introduced products made from recycled materials, such as Holman's ECO collection. These approaches improve operational sustainability and meet global ESG expectations.

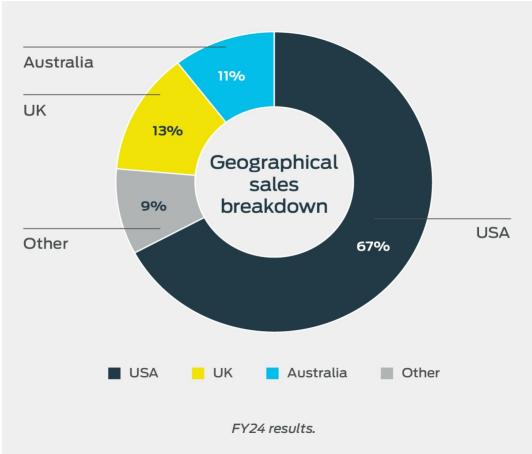
DCF Extract

Free Cash Flow to Firm (FCFF)						
	Units	2025	2026	2027	2028	2029
Fiscal Period		2025	2026	2027	2028	2029
Fiscal Year End Date	USD (\$'000)	30-Jun-25	30-Jun-26	30-Jun-27	30-Jun-28	30-Jun-29
Revenue		1361	1457	1557	1662	1736
Operating Income		225	248	271	289	301
Tax Rate		29.63%	29.63%	29.63%	29.63%	29.63%
NOPAT		158	175	191	203	212
Less: Capex		(38)	(40)	(41)	(43)	(44)
FCFF		120	135	150	160	168
Discount Period		0.17	1.17	2.17	3.17	4.17
Discounted FCFF		119	124	129	128	125

Global Product Mix



Sales Breakdown



DCF Valuation

Terminal Growth DCF Method	
Calculating EV	
Unlevered FCFF in last period	167.81
FCFFt+1	172.85
Long term growth rate (g)	3.00%
Terminal Value	4,067.01
Present Value of Terminal Value	2,866.09
Present Value of Stage 1 FCFF	625.40
Enterprise Value	3,491.48
Calculating Equity Value	
Cash and Cash Equivalents	22.50
Borrowings	494.60
Net Debt	472.10
Equity Value	3,019.38
Price Per Share	
Shares Outstanding	780.20
Value per Share (USD)	\$ 3.87
USD/AUD Exchange Rate	1.56
Value per Share (AUD)	\$ 6.04
Premium (discount) to Market Price	46.53%

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