

PRESS RELEASE

Reliance Worldwide Corp Roars Down the IPO Pipe

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Unless you work in the plumbing game, the first time you heard of Reliance Worldwide Corporation was probably when its \$1 billion-plus float prospectus hit the market.

The plumbing supplies group has flown under the radar as it grew from a humble single-site operation to an international operation with more than 800 employees, annual sales in excess of \$500 million, and 11 manufacturing facilities.

Chief executive Heath Sharp, who joined Reliance in 1990, still has the newspaper clipping for the Courier-Mail job ad he responded to as an engineering graduate all those years ago. "Back then it was a sub-\$20 million business, a single-site business, and a domestic Australian-only business. I'm not sure anyone at that stage would have suggested we would get to this point," he said.

"The order of the magnitude of growth has been quite astounding."

Sales have grown at a compound annual rate of 13.3 per cent from 2005 to 2015 and are forecast to hit \$534.9 million in 2015-16 and \$587.8 million in 2016-17.

Reliance is owned by the Melbourne-based Munz family, who acquired the business in 1986, and stand to make hundreds of millions of dollars from the impending initial public offer.

If Reliance prices at the top end of its \$2.27 to \$2.50 range the company will raise as much as \$919 million. The Munz family will retain a 30 to 40 per cent stake in the business, which will list on the ASX with a market value of up to \$1.3 billion.

"As far as current ownership is concerned, they've allowed us to get on and make the correct long-term decisions for the business and we've had their full support," Mr Sharp said.

"There's a pretty clear demarcation between the ownership of the business and the leadership of the business."

Reliance is chaired by Jonathan Munz, who is also chairman of Victoria's Thoroughbred Racehorse Owners Association.

Mr Munz, Mr Sharp, and chief financial officer Terry Scott have been with the company for 30, 26 and 26 years, respectively.

The decision to float will undoubtedly raise questions about the long-serving management team's commitment to stick around.

Mr Sharp said the IPO was about funding the next stage of growth, not an exit plan. "I've got 26 years of my life invested in this business. I really like what we've been able to do with the product in the marketplace and I really like what we've got planned," he said.

"We've got new products coming through and some really interesting geographic expansions as well. Behind-the-wall plumbing is not the most glamorous industry in the world but we're doing some pretty cool stuff."

Behind the wall refers to the suite of valves, pipe fittings, and other products that connect from the water meter through to the wall. Reliance does not sell toilets, faucets or water heaters but sells its fittings to companies such as Rheem, Reece and Dux, and to big retailers such as Tradelink and Home Depot. Almost 60 per cent of sales are derived from the top 10 customers, with Home Depot being the critical relationship.

Mr Heath's enthusiasm shines through as he explains the merits of Reliance's key product, the push-to-connect fitting. It attaches and detaches easily to copper, PEX, and PVC pipes and can be rotated. It is fast and forgiving for tradesman less skilled in soldering copper pipe.

"It is not a me-too product," Mr Heath claims.

"We created this [product] category in 2004. We've grown it from zero back then to what it is today and it is a high-value product."

Mr Heath said his push-to-connect fitting is worth around five times a standard fitting and distributors and retailers are pleased to carry a product that increases the category value.

Reliance commands 80 per cent of push-to-connect fitting sales in the US. By channel sales are split roughly 40 per cent retail and hardware, 40 per cent wholesale and professional, and 20 per cent direct to manufacturer.

About 61 per cent of Reliance's sales are now generated in the US, which is its fastest-growing market.

The company also has operations in Britain, Australia, Canada, New Zealand and has just entered Spain.

Sales primarily come from the repair and renovations market rather than new home building, which means the company is less dependent on the housing cycle.

Mr Heath, who is based in the US, said Reliance was working on products targeted at new housing to tap in to the home building recovery in America.

Apart from a "love of plumbing" he is an avid skier, enjoys cross-fit, and takes every opportunity to get out on his mountain bike.

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