



Reliance Worldwide Corp 2021 AGM Report

ASX Code	RWC
Meeting Time/Date	10am, Thursday 28 October 2021
Type of Meeting	Virtual via Lumi
Monitor	Peter Aird assisted by Steve van Emmerik
Pre-AGM Meeting?	Yes, with Chair Stuart Crosby and Investor Relations Director Phil King

Record Year with Strong Sales Lift in all Markets

What the Company Does

Reliance Worldwide manufactures and distributes a wide range of plumbing components, fittings and supplies for the domestic and commercial building industries. It has a substantial presence in the USA, Western Europe, and Asian markets with a range of innovative fixtures and fittings that provide the basis of its competitive position.

Developments in the Financial Year

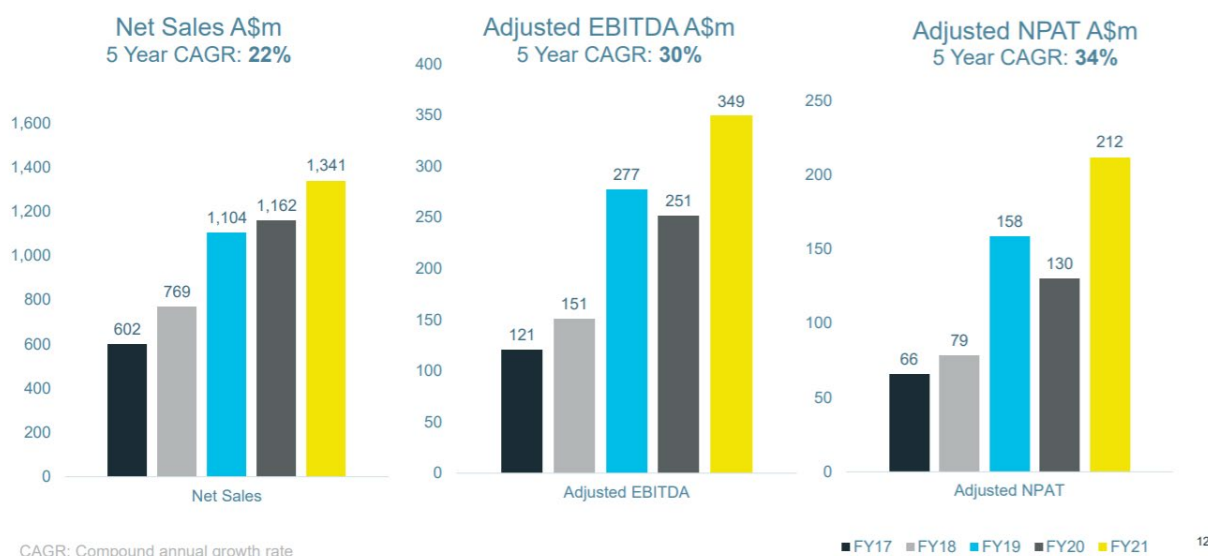
In line with strong demand in the building industry for refurbishment and new construction, RWC's sales increased 15% and net profit after tax increased to \$188m (up 111%). The major challenge was in supplying demand, to the extent that the company airfreighted supplies into the US to meet customer needs after a winter freeze in the southern States.

The company introduced a revised remuneration structure for Executives during the year, to apply from FY2022. This structure is more in line with that typical of Australian businesses, replacing the "classic private company remuneration structure". However, several details do not align with ASA guidelines.

See 5-year financials below (from the [AGM presentation slides](#))



RWC 5-Year Post-IPO Performance History



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Summary of Historical ASA Issues with the Company

The Remuneration structure has been of concern with its unusual components. ASA decided to wait on the result of the FY2021 review before voting against the report.

Debate and Voting at the AGM

The Chair made a strong case for the excellent growth of the company since it was listed, with sales more than doubling and Net Profit after Tax increasing from \$65m to \$188m over the last 5 years. Whilst some of this is due to acquisitions, earnings per share has increased from 12.5c/share to 24c/share over the same period.

ASA asked the only three questions.

We asked NED Ms McCrohan about the relevance of her qualifications and experience (media and communications) to an international manufacturing company. She had covered this well in her presentation to the AGM, citing diversity and the variety of roles she had previously undertaken. It was much the same response that Chair Stuart Crosby had given me at our pre-AGM. We voted for her re-election (re-elected with 98.9% of the vote).

For the Remuneration report, I asked about the change to award the full short-term Incentive as cash. RWC had previously awarded 50% cash and 50% shares delayed 12 months. In spite of my view that this was very generous, the Chair and Chair of the Remuneration committee responded that this was normal practice in American business's that they had benchmarked. The LTI award is still share based. ASA voted against the Rem report which passed with 99.5%.

Finally, we asked about the use of fair value to determine the cost of LTI rights, arguing that it lack visibility and was unnecessarily complex. The Chair indicated that he believed that the process "gives a more accurate measure of the Grant at the time they are making the Grant". ASA voted against the Grant, which passed with 82.4% of the vote.

Outlook Statements from the Company

Given the continuing pandemic uncertainty, no profit outlook was provided. However, a few days before the AGM the company released its first quarter trading update. This showed an 8% increase in sales over the corresponding 2020 period, with a 5% increase in earnings before Interest and tax. Whilst demand remained strong, supply chain issues have constrained growth. RWC also announced the purchase of EZ-FLO, a complimentary plumbing supplier in the US with manufacturing facilities in China. RWC's share price has risen over 10% since this announcement and the AGM. See Q1 update below, from the AGM presentation slides:



First Quarter Trading Update

Positive revenue growth recorded in all regions

Quarter ended 30 September 2021	Reported US\$m	Constant Currency
Net Sales – RWC Group ¹	+8.3%	
Reported EBIT ²	+5.4%	
Adjusted EBIT	+3.9%	
Regional Trends:		
Americas		+4.5%
Asia Pacific		+16.5%
EMEA		+9.0%

¹Net Sales prior to elimination of inter-segment sales

²Earnings before Interest and Tax

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Meeting Statistics

Number of Holdings Represented by ASA	23
Number of Shares represented by ASA	291,000
Value of Shares represented by ASA	\$1.57m
Number Attending Meeting	11 shareholders plus 42 visitors
Market capitalisation	\$4.2B
Were proxies voted?	Yes, on a poll