

**ASX Announcement**

24 February 2022

## Appendix 4D and Interim Financial Report

Attached for release is Reece Limited's Appendix 4D and Interim Financial Report for the 6 month period ended 31 December 2021.

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This announcement has been authorised by Chantelle Duffy, Company Secretary at the direction of the Reece Limited Board.

### About the Reece Group

Reece Group is a leading distributor of plumbing, waterworks and HVAC-R products to commercial and residential customers through over 800 branches in Australia, New Zealand and the United States.

Established in 1920 and listed on the Australian Securities Exchange (ASX: REH), Reece Group has approximately 9,000 employees committed to improving the lives of its customers by striving for greatness every day.

For further information on Reece Group and its portfolio of businesses please visit [group.reece.com/au](http://group.reece.com/au)

# Appendix 4D

Half-year report for the six months ended 31 December 2021

Reece Limited

(ABN 49 004 313 133)

## 1. Reporting period

Report for the half-year ended 31 December 2021. The information in this report should be read in conjunction with the most recent annual financial report for the year ended 30 June 2021.

Previous corresponding periods are the financial year ended 30 June 2021 and half-year ended 31 December 2020.

## 2. Results for announcement to the market

|  |                     |                             | \$A'000   |
|--|---------------------|-----------------------------|-----------|
| Revenues from sale of goods  | Up                  | 17.1%                       | 3,600,201 |
| EBITDA excluding business acquisition costs and finance income/(costs)                                 | Up                  | 13.7%                       | 397,322   |
| EBIT   | Up                  | 16.2%                       | 274,774   |
| Statutory net profit after tax   | Up                  | 27.7%                       | 157,082   |
| Net profit for the period attributable to members  | Up                  | 27.7%                       | 157,082   |
| Dividends  | Amount per security | Franked amount per security |           |
| Interim dividend   | 7.5 cents           | 7.5 cents                   |           |
| Previous corresponding period – interim dividend   | 6.0 cents           | 6.0 cents                   |           |
| Record date for determining entitlements to the dividend is 29 March 2022 to be paid on 12 April 2022. |                     |                             |           |

### Review of Operations

Refer to the Review of Operations contained in the financial report for the half-year ended 31 December 2021.

## 3. Details of entities over which control has been gained during the period

There have been no material acquisitions during the six months ended 31 December 2021.

## 4. Net tangible assets per security

|  | 31 Dec 2021 | 31 Dec 2020 |
|--|-------------|-------------|
| Net tangible asset backing per ordinary security | 185 cents   | 146 cents   |

## 5. Dividends

|   | 31 Dec 2021 | 31 Dec 2020 |
|---|-------------|-------------|
|   | \$A'000     | \$A'000     |
| Dividends paid during the half-year (fully franked) | 77,518      | 38,759      |

The final dividend relating to the year ended on 30 June 2021 of 12.0 cents (30 June 2020: 6.00 cents) was paid on 27 October 2021.

On 24 February 2022, the directors declared a fully franked dividend of 7.5 cents per fully paid ordinary share (31 December 2020: 6.0 cents) with a record date of 29 March 2022 and payment date of 12 April 2022.

# Appendix 4D

Half-year report for the six months ended 31 December 2021

Reece Limited

(ABN 49 004 313 133)

## 6. Associate entities

The table below shows investments in associate entities held by the Group:

|                      | Ownership               |                     | Consolidated carrying amount  |                           |
|----------------------|-------------------------|---------------------|-------------------------------|---------------------------|
|                      | 31 December 2021<br>(%) | 30 June 2021<br>(%) | 31 December 2021<br>(\$000's) | 30 June 2021<br>(\$000's) |
| True Pillars Pty Ltd | 40.1                    | 20.1                | 5,000                         | 2,500                     |
| Fieldpulse Pty Ltd   | 26.1                    | 26.1                | 9,080                         | 9,080                     |

There have been no material contributions to net profit from the associates during the period.

## 7. The financial information provided in the Appendix 4D is based on the half-year financial report (attached).

## 8. Independent review of the financial report

The financial report has been independently reviewed. The financial report is not subject to a qualified independent review statement.

For personal use only

# Financial Report

for the Half Year to  
31 December 2021

# Table of Contents

|  |    |
|--|----|
| Directors' Report  | 6  |
| Auditor's Independence Declaration   | 8  |
| Financial Report for the half-year ended 31 December 2021  |    |
| - Condensed Consolidated Income Statement and Condensed Consolidated Statement of Comprehensive Income | 9  |
| - Condensed Consolidated Statement of Financial Position   | 10 |
| - Condensed Consolidated Statement of Changes in Equity  | 11 |
| - Condensed Consolidated Statement of Cash Flows   | 12 |
| - Notes to the Condensed Consolidated Financial Statements   | 13 |
| Directors' Declaration   | 18 |
| Independent Auditor's Review Report  | 19 |

# Directors' Report

The Directors present their report together with the condensed financial report of the consolidated entity consisting of Reece Limited and the entities it controlled (the 'Group' or 'Reece'), for the half-year ended 31 December 2021 and independent review report thereon. This financial report has been prepared in accordance with AASB 134 *Interim Financial Reporting*.

## Directors' Names

The names of the Directors in office at any time during the period until the date of this report are as follows. Directors were in office for the entire period unless otherwise stated.

L. Alan Wilson  
Peter Wilson  
Tim Poole  
Bruce C. Wilson  
Megan Quinn  
Andrew Wilson

## Review of Operations

|                                | 31 December 2021<br>(\$000's) | 31 December 2020<br>(\$000s) | Variance<br>% |
|--------------------------------|-------------------------------|------------------------------|---------------|
| Sales                          | 3,600,201                     | 3,073,532                    | 17.1%         |
| Normalised EBITDA <sup>1</sup> | 397,322                       | 349,452                      | 13.7%         |
| EBIT                           | 274,774                       | 236,448                      | 16.2%         |
| Statutory net profit after tax | 157,082                       | 123,043                      | 27.7%         |
| EPS (cents)                    | 24.3                          | 19.0                         | 27.9%         |
| Dividends per share (cents)    | 7.5                           | 6.0                          | 25.0%         |

Reece has delivered another strong result, driven by the positive demand environment and supported by strong execution in challenging circumstances in the first half of the 2022 financial year (FY22). Sales revenue has increased by 17.1% to \$3,600m (HY21: \$3,074m), driven by increased demand and rising inflation in all geographic locations during the period. Normalised EBITDA<sup>1</sup> was up 13.7% to \$397m (HY21: \$349m) and statutory net profit after tax grew 27.7% to \$157m (HY21: \$123m).

The Group has maintained its focus on being brilliant at the fundamentals of distribution, creating and delivering on growth opportunities, and embedding a culture of innovation. In Australia and New Zealand (ANZ), the business focussed on further digitising the customer's experience, to deliver the same world-class experience irrespective of when, where or how they want to do business. In the United States (US), the focus remains on optimising the fundamentals of the business, while looking to pursue growth opportunities across markets and formats. Where appropriate, Reece looks to leverage and implement processes and strategies from the ANZ region across the US region.

In December the Group successfully refinanced the existing USD Term Loan B debt facilities with A\$1,250 million of syndicated revolving facilities which are unsecured and governed by a Common Terms Deed. The new facilities provide the Group with a diversity of maturity dates and flexibility to be drawn in either Australian or US dollars. Maintenance covenants of  $\leq 3.5x$  Net Leverage Ratio<sup>2</sup> and  $\geq 2.5x$  Interest Coverage Ratio<sup>2</sup> are applicable at reporting dates.

During the period, volumes remained heightened as our trade customers worked through a backlog of demand. COVID-19 conditions continued to require careful management and the disruption of global supply chains has persisted. The Group works closely with its suppliers and has not experienced any material supply chain disruptions in the first half of FY22. Inventory levels increased to \$1,421 million (30 June 2021: \$1,138 million) reflecting a strategic investment in the current environment. Net working capital to sales ratio was 23.0% up from 19.1% at 30 June 2021.

The financial performance of the Group for the six months ended 31 December 2021 has not been materially impacted by COVID-19 related Government restrictions that were in place during the period in our key markets.

1. Normalised EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude business acquisition costs net.
2. Covenants are calculated on pre-AASB 16 *Leases* basis.

# Directors' Report

## Review of Operations (cont)

### US Region

In the US region, sales revenue increased by 23.7% to \$1,867m (HY21 \$1,509m) which represents an uplift of 24.0% on a US Dollar basis. COVID-19 related disruptions have continued in the US operations, through supply chain constraints and product price inflation.

The business takes a long-term approach to growth in the US region, by trialling and investing in new store formats and service concepts, which are the result of an ongoing focus on understanding end markets and customers. In the first half of FY22, the Reece brand was introduced at a corporate level, which will progress to the start of a network roll-out later this year. In the first half of FY22, five new branches opened, five branches were refurbished, and the US online platform for customers maX was launched. The US region continued to optimise its branch network, with a total of 201 branches at 31 December 2021.

### ANZ Region

In the ANZ region, sales revenue increased by 10.8% to \$1,733m (HY21: \$1,564m) across markets that continue to be impacted by operational COVID-19 restrictions and lockdowns in various states in Australia and New Zealand.

Reece continues to deliver customised service, through stock depth, quality products, strong relationships and expertise, alongside an innovation focus. A range of digital upgrades were implemented in the ANZ business focusing on expanding and improving the online experience for our customers. Engagement with our digital tools has grown as these enhancements have been rolled out. In ANZ there was seventeen branch refurbishments during the period, with a total of 644 branches at 31 December 2021.

### Dividends

The Board has declared an interim dividend of 7.5 cents per share (HY21: 6.0 cents per share), fully franked with a record date of 29 March 2022 and payment date of 12 April 2022.

### Significant changes in the state of affairs

There have been no significant changes in the Group's state of affairs during the financial period.

### Auditor's Independence Declaration

A copy of the auditor's independence declaration as required under section 307C of the Corporations Act 2001 in relation to the review for the half-year is provided with this report.

### Rounding of amounts to nearest thousand dollars

In accordance with ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, the amounts in the directors' report and in the financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

Signed in accordance with a resolution of Directors.



L.A. Wilson  
Executive Chair



P.J. Wilson  
Group Chief Executive Officer & Managing Director

Melbourne  
24 February 2022



## Lead Auditor's Independence Declaration under Section 307C of the Corporations Act 2001

To the Directors of Reece Limited

I declare that, to the best of my knowledge and belief, in relation to the review of Reece Limited for the half-year ended 31 December 2021 there have been:

- i. no contraventions of the auditor independence requirements as set out in the *Corporations Act 2001* in relation to the review; and
- ii. no contraventions of any applicable code of professional conduct in relation to the review.

A handwritten signature in blue ink that reads 'KPMG'.

KPMG

A handwritten signature in blue ink, appearing to be 'BW Szentirmay'.

BW Szentirmay

*Partner*

Melbourne

24 February 2022

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# Condensed Consolidated Income Statement and Other Comprehensive Income

for the half-year ended 31 December 2021

|   | Notes | 31 Dec 2021<br>(\$'000's) | 31 Dec 2020<br>(\$'000's) |
|---|-------|---------------------------|---------------------------|
| <b>Revenue</b>  |       |                           |                           |
| Revenue from sale of goods  |       | 3,600,201                 | 3,073,532                 |
| Other income  |       | 9,672                     | 3,945                     |
|   |       | 3,609,873                 | 3,077,477                 |
| <b>Less: Expenses</b>   |       |                           |                           |
| Cost of sales   |       | 2,598,399                 | 2,216,171                 |
| Employee benefits expense   |       | 413,654                   | 348,726                   |
| Depreciation  |       | 99,387                    | 90,864                    |
| Amortisation  |       | 22,932                    | 22,054                    |
| Business acquisition costs  |       | 229                       | 86                        |
| Other expenses  |       | 200,498                   | 163,128                   |
|   |       | 3,335,099                 | 2,841,029                 |
| <b>Operating profit</b>   |       | <b>274,774</b>            | <b>236,448</b>            |
| Finance cost  | 3     | (51,213)                  | (66,561)                  |
| <b>Profit before income tax expense</b>                                     |       | <b>223,561</b>            | <b>169,887</b>            |
| Income tax expense  |       | (66,479)                  | (46,844)                  |
| <b>Net profit after tax</b>   |       | <b>157,082</b>            | <b>123,043</b>            |
| <b>Other comprehensive income</b>   |       |                           |                           |
| <i>Items that may be reclassified subsequently to the income statement:</i> |       |                           |                           |
| Exchange differences on translation of foreign operations, net of tax       |       | 54,915                    | (66,115)                  |
| Change in fair value of effective cash flow hedges, net of tax              |       | 20,875                    | (66,738)                  |
|   |       | 75,790                    | (132,853)                 |
| <b>Total comprehensive income/(loss), net of tax</b>                        |       | <b>232,872</b>            | <b>(9,810)</b>            |
| Basic earnings per share  |       | 24.3 cents                | 19.0 cents                |
| Diluted earnings per share  |       | 24.3 cents                | 19.0 cents                |

# Condensed Consolidated Statement of Financial Position

as at 31 December 2021

|                                      | Notes | 31 Dec 2021<br>(\$000's) | 30 Jun 2021<br>(\$000's) |
|--------------------------------------|-------|--------------------------|--------------------------|
| <b>Current assets</b>                |       |                          |                          |
| Cash and cash equivalents            |       | 117,961                  | 828,966                  |
| Trade and other receivables          |       | 1,106,629                | 1,044,037                |
| Inventories                          |       | 1,421,413                | 1,138,117                |
| Derivative financial instruments     | 9     | 743                      | 1,029                    |
| <b>Total current assets</b>          |       | <b>2,646,746</b>         | <b>3,012,149</b>         |
| <b>Non-current assets</b>            |       |                          |                          |
| Property, plant and equipment        | 5     | 671,885                  | 624,099                  |
| Right-of-use assets                  | 5     | 743,520                  | 633,052                  |
| Investments in associates            |       | 21,227                   | 14,468                   |
| Intangible assets                    | 5     | 1,836,784                | 1,780,630                |
| Deferred tax assets                  |       | 56,903                   | 53,671                   |
| <b>Total non-current assets</b>      |       | <b>3,330,319</b>         | <b>3,105,920</b>         |
| <b>Total assets</b>                  |       | <b>5,977,065</b>         | <b>6,118,069</b>         |
| <b>Current liabilities</b>           |       |                          |                          |
| Trade and other payables             |       | 981,353                  | 984,024                  |
| Lease liabilities                    |       | 109,298                  | 95,934                   |
| Interest bearing liabilities         | 7     | -                        | 16,443                   |
| Deferred consideration               | 6     | -                        | 41,474                   |
| Current tax liability                |       | 13,796                   | 32,304                   |
| Provisions                           |       | 81,057                   | 76,698                   |
| Derivative financial instruments     | 9     | -                        | 11,950                   |
| <b>Total current liabilities</b>     |       | <b>1,185,504</b>         | <b>1,258,827</b>         |
| <b>Non-current liabilities</b>       |       |                          |                          |
| Long-term payables                   |       | 5,160                    | 14,886                   |
| Interest bearing liabilities         | 7     | 1,015,959                | 1,319,173                |
| Lease liabilities                    |       | 677,555                  | 574,321                  |
| Deferred tax payable                 |       | 43,559                   | 47,983                   |
| Provisions                           |       | 4,958                    | 4,958                    |
| Derivative financial instruments     | 9     | -                        | 9,812                    |
| <b>Total non-current liabilities</b> |       | <b>1,747,191</b>         | <b>1,971,133</b>         |
| <b>Total liabilities</b>             |       | <b>2,932,695</b>         | <b>3,229,960</b>         |
| <b>Net assets</b>                    |       | <b>3,044,370</b>         | <b>2,888,109</b>         |
| <b>Equity</b>                        |       |                          |                          |
| Contributed equity                   |       | 1,246,918                | 1,246,918                |
| Reserves                             |       | 37,227                   | (39,470)                 |
| Retained earnings                    |       | 1,760,225                | 1,680,661                |
| <b>Total equity</b>                  |       | <b>3,044,370</b>         | <b>2,888,109</b>         |

# Condensed Consolidated Statement of Changes in Equity

for the half-year ended 31 December 2021

|   | Contributed<br>equity<br>(\$000's) | Reserves<br>(\$000's) | Retained<br>earnings<br>(\$000's) | Total<br>equity<br>(\$000's) |
|---|------------------------------------|-----------------------|-----------------------------------|------------------------------|
| <b>Balance as at 1 July 2020</b>                                      | <b>1,246,918</b>                   | <b>30,384</b>         | <b>1,472,584</b>                  | <b>2,749,886</b>             |
| Profit for the half-year  | -                                  | -                     | 123,043                           | 123,043                      |
| Exchange differences on translation of foreign operations, net of tax | -                                  | (66,115)              | -                                 | (66,115)                     |
| Change in fair value of effective cash flow hedges, net of tax        | -                                  | (66,738)              | -                                 | (66,738)                     |
| <b>Total comprehensive income/(loss) for the half-year</b>            | <b>-</b>                           | <b>(132,853)</b>      | <b>123,043</b>                    | <b>(9,810)</b>               |
| Transactions with owners in their capacity as owners:                 |                                    |                       |                                   |                              |
| • Share-based payments (Note 8)                                       | -                                  | 230                   | -                                 | 230                          |
| • Dividends paid (Note 4)   | -                                  | -                     | (38,759)                          | (38,759)                     |
| <b>Balance as at 31 December 2020</b>                                 | <b>1,246,918</b>                   | <b>(102,239)</b>      | <b>1,556,868</b>                  | <b>2,701,547</b>             |

|   | Contributed<br>equity<br>(\$000's) | Reserves<br>(\$000's) | Retained<br>earnings<br>(\$000's) | Total<br>equity<br>(\$000's) |
|---|------------------------------------|-----------------------|-----------------------------------|------------------------------|
| <b>Balance as at 1 July 2021</b>                                      | <b>1,246,918</b>                   | <b>(39,470)</b>       | <b>1,680,661</b>                  | <b>2,888,109</b>             |
| Profit for the half-year  | -                                  | -                     | 157,082                           | 157,082                      |
| Exchange differences on translation of foreign operations, net of tax | -                                  | 54,915                | -                                 | 54,915                       |
| Change in fair value of effective cash flow hedges, net of tax        | -                                  | 20,875                | -                                 | 20,875                       |
| <b>Total comprehensive income /(loss) for the half-year</b>           | <b>-</b>                           | <b>75,790</b>         | <b>157,082</b>                    | <b>232,872</b>               |
| Transactions with owners in their capacity as owners:                 |                                    |                       |                                   |                              |
| • Share-based payments (Note 8)                                       | -                                  | 907                   | -                                 | 907                          |
| • Dividends paid (Note 4)   | -                                  | -                     | (77,518)                          | (77,518)                     |
| <b>Balance as at 31 December 2021</b>                                 | <b>1,246,918</b>                   | <b>37,227</b>         | <b>1,760,225</b>                  | <b>3,044,370</b>             |

# Condensed Consolidated Statement of Cash Flows

for the half-year ended 31 December 2021

|  | 31 Dec 2021<br>(\$'000's) | 31 Dec 2020<br>(\$'000's) |
|--|---------------------------|---------------------------|
| <b>Cash flow from operating activities</b>                   |                           |                           |
| Receipts from customers                                      | 3,840,603                 | 3,327,691                 |
| Payments to suppliers and employees                          | (3,784,501)               | (3,108,036)               |
| Interest received  | 396                       | 2,135                     |
| Finance costs  | (41,590)                  | (37,779)                  |
| Interest repayments on leases                                | (10,351)                  | (9,836)                   |
| Income tax paid  | (88,210)                  | (84,642)                  |
| <b>Net cash provided by / (used in) operating activities</b> | <b>(83,653)</b>           | <b>89,533</b>             |
| <b>Cash flow from investing activities</b>                   |                           |                           |
| Purchase of property, plant and equipment                    | (87,277)                  | (27,683)                  |
| Proceeds from sale of property, plant and equipment          | 3,376                     | 6,632                     |
| Purchase of intangibles                                      | (23,718)                  | (3,220)                   |
| Purchase of controlled entities / investments                | (49,112)                  | (9,606)                   |
| <b>Net cash provided by / (used in) investing activities</b> | <b>(156,731)</b>          | <b>(33,877)</b>           |
| <b>Cash flow from financing activities</b>                   |                           |                           |
| Proceeds from borrowings                                     | 1,011,676                 | -                         |
| Repayments of borrowings                                     | (1,356,332)               | (8,361)                   |
| Principal repayment on leases                                | (53,114)                  | (41,524)                  |
| Dividends paid   | (77,518)                  | (38,759)                  |
| <b>Net cash provided by / (used in) financing activities</b> | <b>(475,288)</b>          | <b>(88,644)</b>           |
| Net increase / (decrease) in cash and cash equivalents       | (715,672)                 | (32,988)                  |
| Net foreign exchange translation difference                  | 4,667                     | (17,923)                  |
| Cash and cash equivalents at the beginning of the half-year  | 828,966                   | 1,004,708                 |
| <b>Cash and cash equivalents at 31 December</b>              | <b>117,961</b>            | <b>953,797</b>            |

# Notes

for the half-year to 31 December 2021

## 1: Notes to the condensed half-year financial report

### About this report

This condensed half-year financial report for Reece Limited and its controlled entities (the Group) for the six months ended 31 December 2021 was authorised for issue in accordance with a resolution of the directors on 24 February 2022. The information in this report should be read in conjunction with the most recent annual financial report for the year ended 30 June 2021.

The financial report covers Reece Limited and controlled entities (the Group). Reece Limited is a company limited by shares, incorporated and domiciled in Australia. Reece Limited is a for-profit entity for the purpose of preparing the financial statements. The registered offices of Reece Limited is 118 Burwood Highway, Burwood, Victoria, 3125.

The Group is a leading supplier of plumbing, bathroom, heating, ventilation, air-conditioning, waterworks and refrigeration products to customers in the trade, retail, commercial and infrastructure markets, operating for more than 100 years. Reece has strong market positions across its global footprint spanning Australia, New Zealand, and the United States' Sun Belt region. The Group's businesses are supported by leading innovation and service solutions.

### Statement of Significant Accounting Policies

The half-year consolidated financial statements have been prepared using consistent accounting policies as used in the annual financial statements for the year ended 30 June 2021 with one additional policy noted below.

#### Other income

Interest revenue is recognised on a proportional basis considering the interest rates applicable to the financial assets.

During the year Reece Australia Pty Ltd (a wholly

owned subsidiary of the Group) received a wage subsidy for Boosting Apprenticeship Commencements supporting businesses and Group Training Organisations to take on new apprentices and trainees, to build a pipeline of skilled workers to support sustained economic recovery. The total amount recognised as a government grant was \$8.1m.

Government grants are only recognised when there is reasonable assurance that the entity will comply with the conditions attaching to it, and that the grant will be received. The subsidy has been recognised in Other income in the Income Statement.

Several other amendments and interpretations also applied to the Group for the first time from 1 July 2021, but do not have an impact on the condensed half-year financial report of the Group.

The Group has not early adopted any standards or interpretations.

### Rounding amounts

The Group has applied the relief available under the ASIC Corporations (Rounding in Financial/Directors' Reports) Instrument 2016/191, and accordingly, the amounts in the Directors' Report and in the condensed half-year financial report have been rounded to the nearest one thousand dollars, or in certain cases, to the nearest dollar (where indicated).

### Key judgements and estimates

In the process of applying the Group's accounting policies, management applies judgements and estimates of future events. These key accounting judgments and estimates have not changed materially from those described in the notes to the financial statements for the year ended 30 June 2021.

# Notes

for the half-year to 31 December 2021

## Note 2: Segment reporting

Segment information is presented in a manner which is consistent with the internal reporting to the Group Chief Executive Officer who is the entity's chief operating decision maker for the purpose of performance assessment and resource allocation. The Group's segments are based on the geographical operation of the business and comprise:

- Australia and New Zealand (ANZ)
- United States of America (United States)

|                                 | ANZ                      |                          | United States            |                          | Total                    |                          |
|---------------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|--------------------------|
|                                 | 31 Dec 2021<br>(\$000's) | 31 Dec 2020<br>(\$000's) | 31 Dec 2021<br>(\$000's) | 31 Dec 2020<br>(\$000's) | 31 Dec 2021<br>(\$000's) | 31 Dec 2020<br>(\$000's) |
| Revenue                         | 1,733,343                | 1,564,034                | 1,866,858                | 1,509,498                | 3,600,201                | 3,073,532                |
| Normalised EBITDA <sup>1</sup>  | 249,346                  | 235,051                  | 147,976                  | 114,401                  | 397,322                  | 349,452                  |
| <b>Income/(expenses)</b>        |                          |                          |                          |                          |                          |                          |
| Depreciation                    | (61,092)                 | (58,320)                 | (38,295)                 | (32,544)                 | (99,387)                 | (90,864)                 |
| Amortisation                    | (2,613)                  | (1,797)                  | (20,319)                 | (20,257)                 | (22,932)                 | (22,054)                 |
| Business acquisition costs      | -                        | -                        | (229)                    | (86)                     | (229)                    | (86)                     |
| Finance costs - net             | (13,591)                 | (48,684)                 | (37,622)                 | (17,877)                 | (51,213)                 | (66,561)                 |
| Segment profit before tax       | 172,050                  | 126,250                  | 51,511                   | 43,637                   | 223,561                  | 169,887                  |
| Income tax expense              | (52,769)                 | (34,688)                 | (13,710)                 | (12,156)                 | (66,479)                 | (46,844)                 |
| <b>Segment profit after tax</b> | <b>119,281</b>           | <b>91,562</b>            | <b>37,801</b>            | <b>31,481</b>            | <b>157,082</b>           | <b>123,043</b>           |
|                                 | 31 Dec 2021              | 30 Jun 2021              | 31 Dec 2021              | 30 Jun 2021              | 31 Dec 2021              | 30 Jun 2021              |
| Current assets                  | 1,247,369                | 1,740,985                | 1,399,377                | 1,271,164                | 2,646,746                | 3,012,149                |
| Non-current assets              | 1,302,718                | 1,199,803                | 2,027,601                | 1,906,117                | 3,330,319                | 3,105,920                |
| <b>Total Assets</b>             | <b>2,550,087</b>         | <b>2,940,788</b>         | <b>3,426,978</b>         | <b>3,177,281</b>         | <b>5,977,065</b>         | <b>6,118,069</b>         |
| <b>Total Liabilities</b>        | <b>1,095,100</b>         | <b>1,529,140</b>         | <b>1,837,595</b>         | <b>1,700,820</b>         | <b>2,932,695</b>         | <b>3,229,960</b>         |

1. Normalised EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude business acquisition costs - net.

## Note 3: Finance cost

|   | 31 Dec 2021<br>(\$000's) | 31 Dec 2020<br>(\$000's) |
|---|--------------------------|--------------------------|
| Foreign currency (loss) on financial assets - net | (447)                    | (23,531)                 |
| Interest on debt and borrowings                   | (40,415)                 | (33,167)                 |
| Interest on lease liabilities                     | (10,351)                 | (9,863)                  |
| <b>Total finance cost</b>                         | <b>(51,213)</b>          | <b>(66,561)</b>          |

# Notes

for the half-year to 31 December 2021

## Note 4: Dividends paid and proposed

|  | 31 Dec 2021<br>(\$000's) | 31 Dec 2020<br>(\$000's) |
|--|--------------------------|--------------------------|
| The following are the dividends paid and/or proposed for the financial year:   |                          |                          |
| Dividends paid at 12.0 cents per share fully franked (2020: 6.0 cents) paid on 27 October 2021 (2020: 28 October 2020)   | 77,518                   | 38,759                   |
| Proposed dividends not recognised at the end of the half-year at 7.5 cents per share fully franked (2020: 6.0 cents) payable on 12 April 2022 (2020: 15 April 2021). | 48,449                   | 38,759                   |

## Note 5: Property, plant and equipment, leases and intangibles assets

|   | Property, plant and equipment |                           | Right-of-use assets      |                           | Intangible assets        |                           |
|---|-------------------------------|---------------------------|--------------------------|---------------------------|--------------------------|---------------------------|
|   | For 6 months ended            | For 12 months ended       | For 6 months ended       | For 12 months ended       | For 6 months ended       | For 12 months ended       |
|   | 31 Dec 2021<br>(\$000's)      | 30 June 2021<br>(\$000's) | 31 Dec 2021<br>(\$000's) | 30 June 2021<br>(\$000's) | 31 Dec 2021<br>(\$000's) | 30 June 2021<br>(\$000's) |
| Net book value at 1 July                  | 624,099                       | 655,214                   | 633,052                  | 688,408                   | 1,780,630                | 1,970,942                 |
| Additions and reassessments               | 87,788                        | 73,654                    | 160,306                  | 95,792                    | 17,552                   | 3,031                     |
| Disposals                                 | (3,617)                       | (10,295)                  | (1,556)                  | (29,584)                  | -                        | -                         |
| Depreciation, amortisation and impairment | (40,792)                      | (84,282)                  | (58,595)                 | (100,028)                 | (22,932)                 | (43,236)                  |
| Net foreign exchange impact               | 4,407                         | (10,192)                  | 10,313                   | (21,536)                  | 61,534                   | (150,107)                 |
| <b>Net book value</b>                     | <b>671,885</b>                | <b>624,099</b>            | <b>743,520</b>           | <b>633,052</b>            | <b>1,836,784</b>         | <b>1,780,630</b>          |

## Note 6: Business Combination

There have not been any material business combinations in HY22.

### Deferred consideration

As part of the purchase agreement of Todd Pipe, deferred consideration of \$42.9m (US\$31.1m) was paid in cash on 31 December 2021. The deferred consideration was classified as a current liability in the balance sheet at 30 June 2021.

# Notes

for the half-year to 31 December 2021

## Note 7: Interest bearing liabilities

|   | 31 Dec 2021<br>(\$000's) | 30 June 2021<br>(\$000's) |
|---|--------------------------|---------------------------|
| Term loan - current                       | -                        | 16,443                    |
| Term loan - non-current                   | 1,015,959                | 1,319,173                 |
| <b>Total interest-bearing liabilities</b> | <b>1,015,959</b>         | <b>1,335,616</b>          |

In December 2021, the Group refinanced the USD Term Loan borrowing with a \$1.25 billion syndicated multi-currency revolving facility. The funds were used to fully repay the USD Term Loan and provide working capital support for Group operations.

### 31 December 2021

| Facility   | Term                                      | Drawn<br>USD<br>(\$000's) | Drawn<br>AUD<br>(\$000's) | Total<br>drawn<br>AUD<br>(\$000's) | Limit<br>AUD  | Ancillary<br>facilities<br>AUD<br>(\$000's) | Maturity date    |
|------------|---|---------------------------|---------------------------|------------------------------------|---------------|---|------------------|
| Facility A | Three year revolving credit facility      | -                         | -                         | -                                  | \$50 million  | 35,975                                      | 16 December 2024 |
| Facility B | Four year revolving credit facility       | 85,000                    | 150,000                   | <b>267,144</b>                     | \$300 million | -   | 16 December 2025 |
| Facility C | Five year revolving cash advance facility | 545,000                   | -                         | <b>748,815</b>                     | \$900 million | -   | 16 December 2026 |

The facilities are unsecured, can be drawn in either Australian or US dollars, and are governed by a Common Terms Deed. The nominated rate for each facility consists of a floating interest rate plus a margin dependent upon maintenance covenant ratios.

#### Compliance with loan covenants

The Group was compliant with maintenance covenants of the syndicated agreement as at 31 December 2021. Maintenance covenants for the facilities include  $\leq 3.5x$  Net Leverage Ratio and  $\geq 2.5$  Interest Coverage Ratio.

## Note 8: Share-based-payments

On 28 October 2021 at the Annual General Meeting, shareholders approved a grant to the Group CEO under the Reece Group Long Term Incentive Plan (the Plan).

The Group CEO was granted 129,838 performance rights and Senior Executives were granted 115,696 performance rights under the Plan. The fair value of the performance rights at Grant date was \$18.01.

The performance rights have a four year vesting period from 1 July 2021 until 30 June 2025 and expire on 28 October 2036. The performance rights will vest subject to achieving the performance hurdles and provided the participants remain continuously employed or engaged with the Group at all times from Grant Date until the end of the four-year performance period.

No options or plan shares have been exercised, forfeited, vested, or expired during the period.

#### Expenses arising from share-based payment transactions

Total expenses arising from share-based payment transaction recognised during the period as part of employee benefit expense were \$906,965 (31 December 2020: \$229,964).

# Notes

for the half-year to 31 December 2021

## Note 9: Fair value measurements

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The table below provides information about how the Group determines the fair value of various derivative financial instruments used for managing financial risk. All derivative financial instruments are determined by a third party based on observable market inputs and categorised as Level 2 financial instruments using Discounted Cash Flows and standard option models. There were no transfers between categories during the period.

The carrying amounts of financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair value.

|   | Consolidated Entity  |                          |                      |                          |
|---|----------------------|--------------------------|----------------------|--------------------------|
|   | 31 December 2021     |                          | 30 June 2021         |                          |
|   | Current<br>(\$000's) | Non-current<br>(\$000's) | Current<br>(\$000's) | Non-current<br>(\$000's) |
| <b>Financial assets</b>                                     |                      |                          |                      |                          |
| Trade and other receivables                                 | 1,106,629            | -                        | 1,044,037            | -                        |
| Derivative financial instruments assets                     |                      |                          |                      |                          |
| - Forward foreign exchange contracts                        | 743                  | -                        | 1,029                | -                        |
| <b>Total financial instrument assets at fair value</b>      | <b>1,107,372</b>     | <b>-</b>                 | <b>1,045,066</b>     | <b>-</b>                 |
| <b>Financial liabilities</b>                                |                      |                          |                      |                          |
| Trade and other payables                                    | 981,353              | 5,160                    | 984,024              | 14,886                   |
| Borrowings  | -                    | 1,015,959                | 16,443               | 1,319,173                |
| Lease liabilities   | 109,298              | 677,555                  | 95,934               | 574,321                  |
| Derivative financial instruments liabilities                |                      |                          |                      |                          |
| - Interest rate swap contracts                              | -                    | -                        | 10,965               | 9,812                    |
| - Forward foreign exchange contracts                        | -                    | -                        | -                    | -                        |
| - Cross-currency swap contracts                             | -                    | -                        | 985                  | -                        |
| <b>Total financial instrument liabilities at fair value</b> | <b>1,090,651</b>     | <b>1,698,674</b>         | <b>1,108,351</b>     | <b>1,918,192</b>         |

## Note 10: Subsequent events

There have been no material events subsequent to the end of the half-year that require recognition or disclosure in the half-year financial report, except for the proposed interim dividend payable as detailed in note 4.

# Directors declaration

The directors declare that:

1. In the directors' opinion, the financial statements and notes thereto, as set out on pages 9 to 17, are in accordance with the *Corporations Act 2001*:
  - (a) Comply with Australian Accounting Standard AASB 134 *Interim Financial Reporting* and the *Corporations Regulations 2001*; and
  - (b) Give a true and fair view of the financial position of the consolidated entity as at 31 December 2021 and of its performance for the half-year ended on that date.
2. In the directors' opinion there are reasonable grounds, at the date of this declaration, to believe that the Group will be able to pay its debts as and when they become due and payable.

This declaration is made in accordance with a resolution of the directors.



L. A. Wilson  
Executive Chair



P. J. Wilson  
Group Chief Executive Officer & Managing Director

Melbourne  
24 February 2022



## Independent Auditor's Review Report

To the shareholders of Reece Limited

### Report on the Half-year Financial Report

#### Conclusion

We have reviewed the accompanying **Half-year Financial Report** of Reece Limited.

Based on our review, which is not an audit, we have not become aware of any matter that makes us believe that the Half-year Financial Report of Reece Limited does not comply with the *Corporations Act 2001*, including:

- giving a true and fair view of the **Group's** financial position as at 31 December 2021 and of its performance for the Half-year ended on that date; and
- complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

The **Half-year Financial Report** comprises:

- Consolidated statement of financial position as at 31 December 2021.
- Consolidated statement of profit or loss and other comprehensive income, Consolidated statement of changes in equity and Consolidated statement of cash flows for the Half-year ended on that date.
- Notes 1 to 10 comprising a summary of significant accounting policies and other explanatory information.
- The Directors' Declaration.

The **Group** comprises Reece Limited (the Company) and the entities it controlled at the Half year's end or from time to time during the Half-year.

#### Basis for Conclusion

We conducted our review in accordance with ASRE 2410 *Review of a Financial Report Performed by the Independent Auditor of the Entity*. Our responsibilities are further described in the *Auditor's Responsibilities for the Review of the Financial Report* section of our report.

We are independent of the Group in accordance with the auditor independence requirements of the *Corporations Act 2001* and the ethical requirements of the *Accounting Professional and Ethical Standards Board's APES 110 Code of Ethics for Professional Accountants (including Independence Standards)* (the Code) that are relevant to our audit of the annual financial report in Australia. We have also fulfilled our other ethical responsibilities in accordance with these requirements.

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#### Responsibilities of the Directors for the Half-year Financial Report

The Directors of the Company are responsible for:

- the preparation of the Half-year Financial Report that gives a true and fair view in accordance with *Australian Accounting Standards* and the *Corporations Act 2001*
- such internal control as the Directors determine is necessary to enable the preparation of the Half-year Financial Report that gives a true and fair view and is free from material misstatement, whether due to fraud or error.

#### Auditor's Responsibilities for the Review of the Half-year Financial Report

Our responsibility is to express a conclusion on the Half-year Financial Report based on our review. ASRE 2410 requires us to conclude whether we have become aware of any matter that makes us believe that the Half-year Financial Report does not comply with the *Corporations Act 2001* including giving a true and fair view of the Company's financial position as at 31 December 2021 and its performance for the Half-Year ended on that date, and complying with *Australian Accounting Standard AASB 134 Interim Financial Reporting* and the *Corporations Regulations 2001*.

A review of a Half-year Financial Report consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with *Australian Auditing Standards* and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

The KPMG logo, consisting of the letters 'KPMG' in a blue, handwritten-style font.

KPMG

A blue ink signature, appearing to be 'BW Szentirmay', written in a cursive, handwritten style.

BW Szentirmay

Partner

Melbourne

24 February 2022

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