

ASX Announcement

24 February 2022

1H22 Investor Presentation

Attached for release is Reece Limited's first half FY22 results presentation 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.



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Half Year Results 2022

6 months ended
31 December 2021



Disclaimer

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Non-IFRS Financial Information

Reece uses certain measures to manage and report on its business that are not recognised under Australian Accounting Standards. These measures are collectively referred to as non-IFRS financial measures. Although Reece believes that these measures provide useful information about the financial performance of Reece, they should be considered as supplemental to the measures calculated in accordance with Australian Accounting Standards and not as a replacement for them. Because these non-IFRS financial measures are not based on Australian Accounting Standards, they do not have standard definitions, and the way Reece calculates these measures may differ from similarly titled measures used by other companies. Readers should therefore not place undue reliance on these non-IFRS financial measures.

Non-IFRS performance measures have not been subject to audit or review.

Note: All financial amounts contained in this presentation are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and the sum of components in tables contained in this presentation are due to rounding.

Presenters



Peter Wilson

Group Chief
Executive Officer



Andrew Cowlshaw

Group Chief
Financial Officer

What we'll share today

01

**HY22
overview**

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**Our
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**HY22 Financial
performance**

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**Economic
commentary**

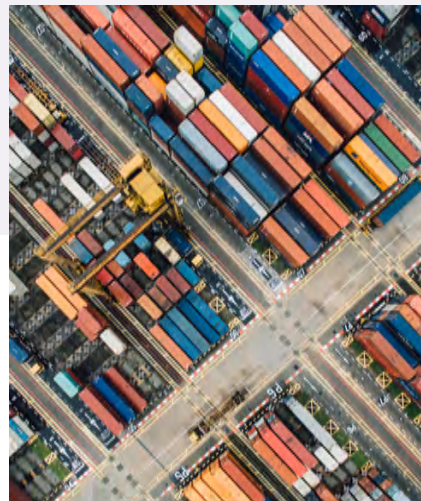
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Summary

Navigating an ever-changing environment



Complex
COVID
environment



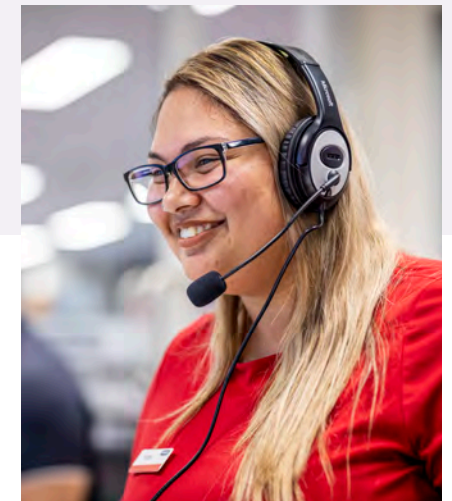
Constrained
global supply
chains



Inflationary
impacts



Strong
demand
setting



Strong
execution by
Reece team

Financial highlights

Strong result in a complex environment; significant inflation tailwind

**Sales
Revenue**



up 17%
to \$3.6b

**Normalised
EBITDA***



up 14%
to \$397m

EBIT



up 16%
to \$275m

NPAT



up 28%
to \$157m

EPS



up 28%
to 24 cents

Dividend

7.5 cents per share

ANZ

Sales Revenue up 11%
to \$1.7b

US

Sales Revenue up 24%
to \$1.9b

*Normalised EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude business acquisition costs

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02

Our focus

Our Blueprint

**Inspired
by our
Purpose**

**Live the
Reece
Way**

**Embrace
our 2030
Vision**

**Execute
Strategic
Priorities**

**Deliver
Customer
Promise**

Our Blueprint

Inspired by our Purpose

To improve the lives of our customers and our people by striving for greatness every day.

Live the Reece Way

Our purpose and values guide our decisions and our actions, big and small.

Embrace our 2030 Vision

We will be the trade's most valuable partner helping them succeed in a digital world.

Execute Strategic Priorities

-  Brilliant Fundamentals
-  Investing for Growth
-  Delivering Innovation

Deliver Customer Promise

Customised service

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Business Highlights HY22



A woman with blonde hair, wearing a red short-sleeved shirt, is sitting at a desk and smiling warmly at a man. The man, seen from the back, is wearing a dark blue long-sleeved shirt. They are in an office environment with a large window in the background showing green plants. On the desk, there is a laptop, a keyboard, and a mouse. A large blue rectangular overlay is positioned on the left side of the image, containing the text 'Business highlights' and 'ANZ'.

Business highlights

ANZ

Strong execution to manage macro challenges



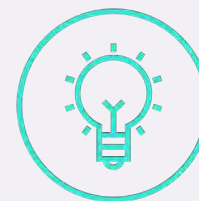
Brilliant Fundamentals

- Managed inflation, supply chain, COVID-19 interruptions
- Supported team wellbeing
- ANZ CEO appointment
- Continuous improvement initiatives



Investing for Growth

- Digital upgrades, enhanced customer experience
- Store refurbishment program



Delivering Innovation

- Continued to progress breakthrough opportunities
- Focus on trade of the future

**2030
Vision**

ANZ

Enabling our people
to be their best



Supporting our
people to remain
resilient, building the
leaders of tomorrow



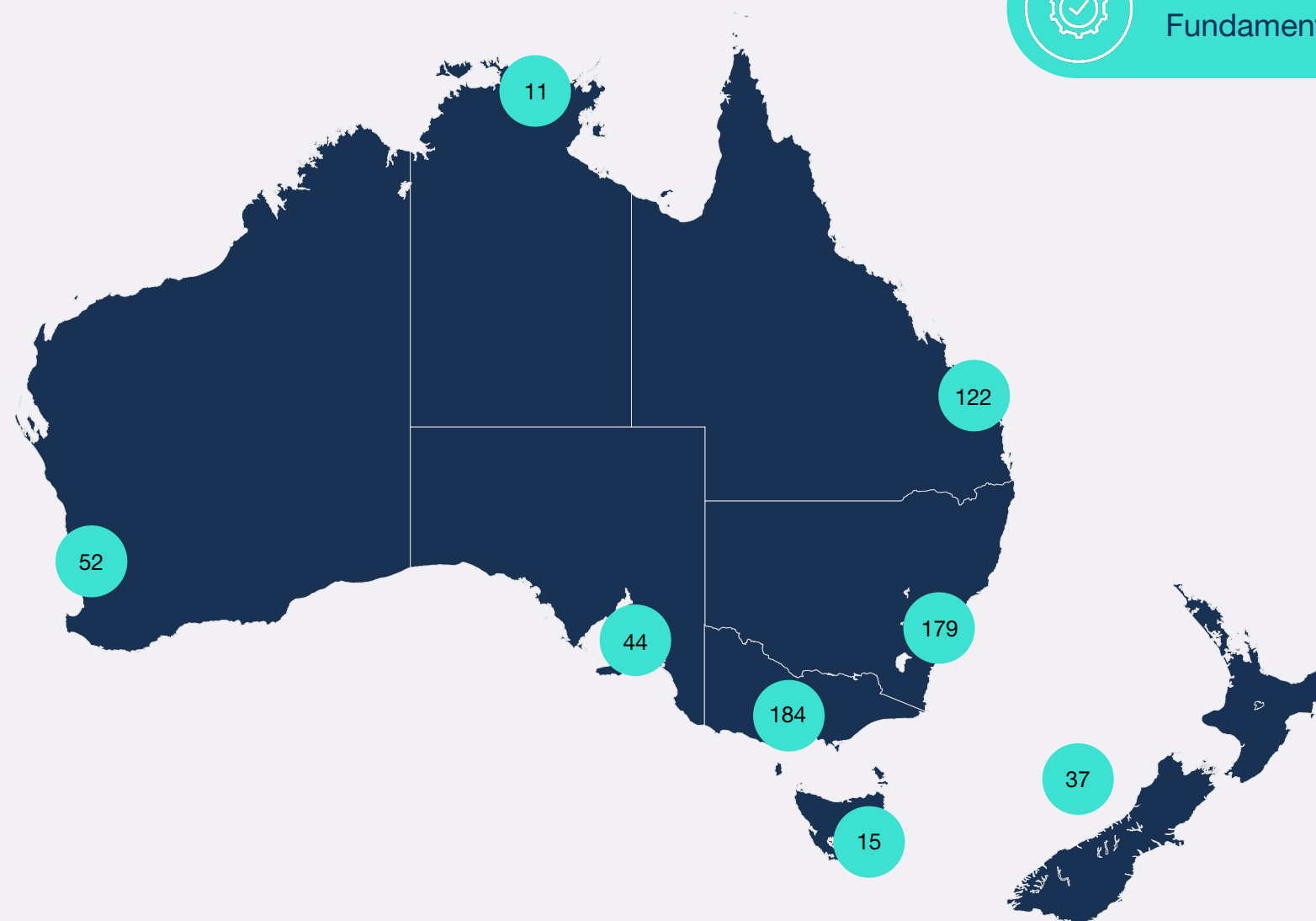
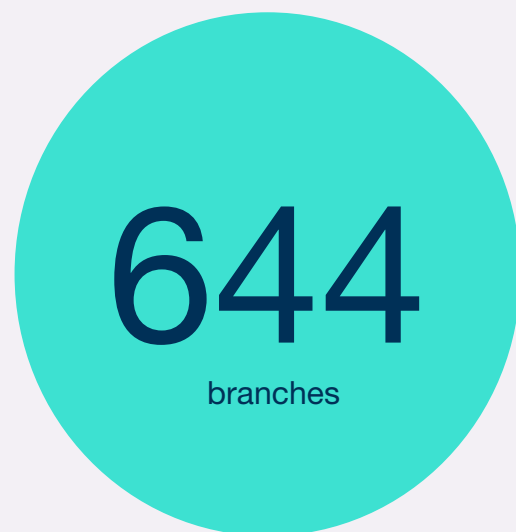
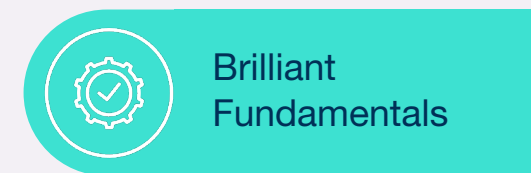
Strong management of supply chain disruption

Leveraged scale and flexible model to ensure service maintained



Brilliant
Fundamentals

Australia & New Zealand network



Enhancing our customer experience



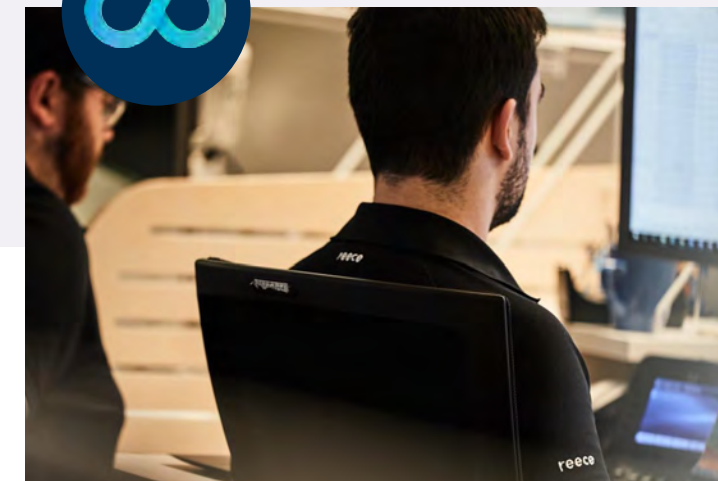
maX

- Upgraded customer functionality drove increase in weekly active users
- Enhanced security



FlexPOS

- Nextgen Point of Sale rollout continued
- Driving branch efficiency, improved customer experience



ReeceConnect

- Expanded ecosystem with new integrations
- Connected ~3000 customers to Reece ecosystem

A man with short dark hair and a goatee, wearing a dark blue polo shirt with the Morrison Supply Company logo and a name tag, is smiling warmly at a customer. He is standing behind a counter in a hardware store, with shelves of tools and supplies visible in the background. A customer's arm with a tattoo is visible in the foreground, pointing towards the employee. A computer monitor displaying a website is also visible on the right.

Business highlights

US

Investing to enable long term growth



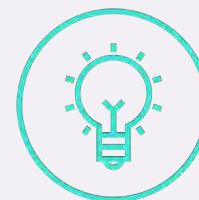
Brilliant Fundamentals

- Strong management of inflation, supply chain, COVID-19
- Progressed improvement program; introduced key automation processes and operational upgrades



Investing for Growth

- Store rollout and upgrade program progressing
- Online offer re-launched
- Reece corporate brand roll-out commenced



Delivering Innovation

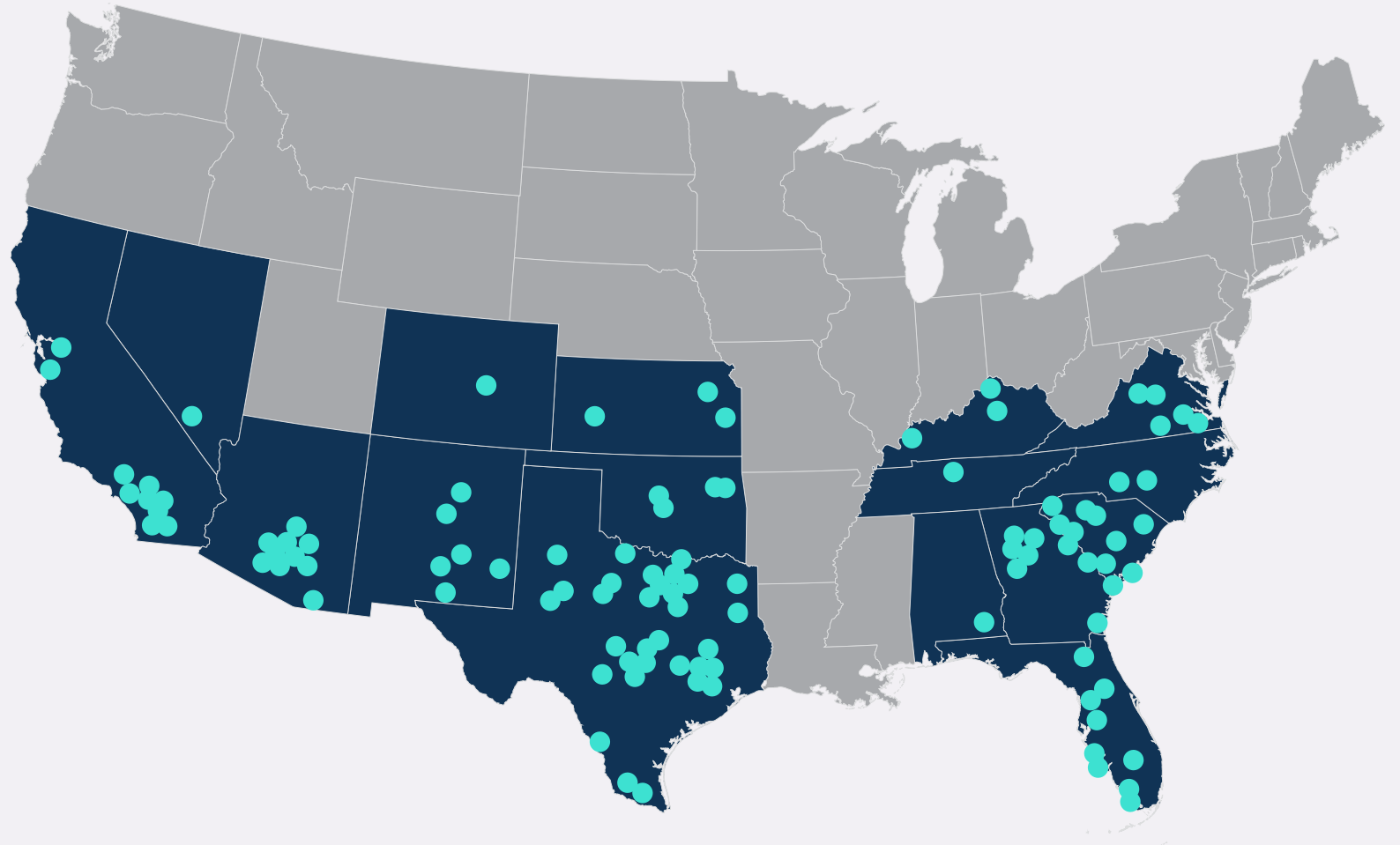
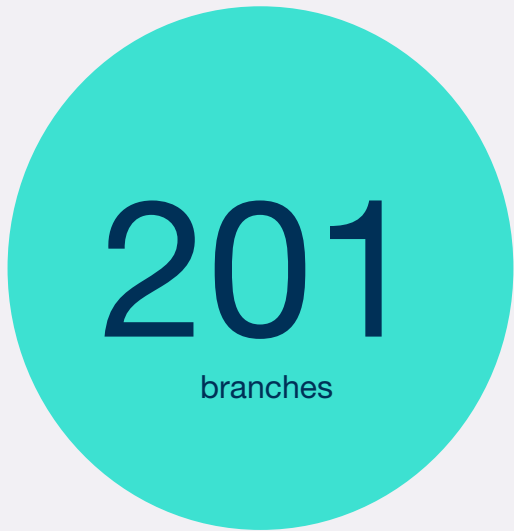
- Initial focus on first two strategy pillars
- Breakthrough innovation learnings shared by ANZ

**2030
Vision**

US

ersonal use only

US network

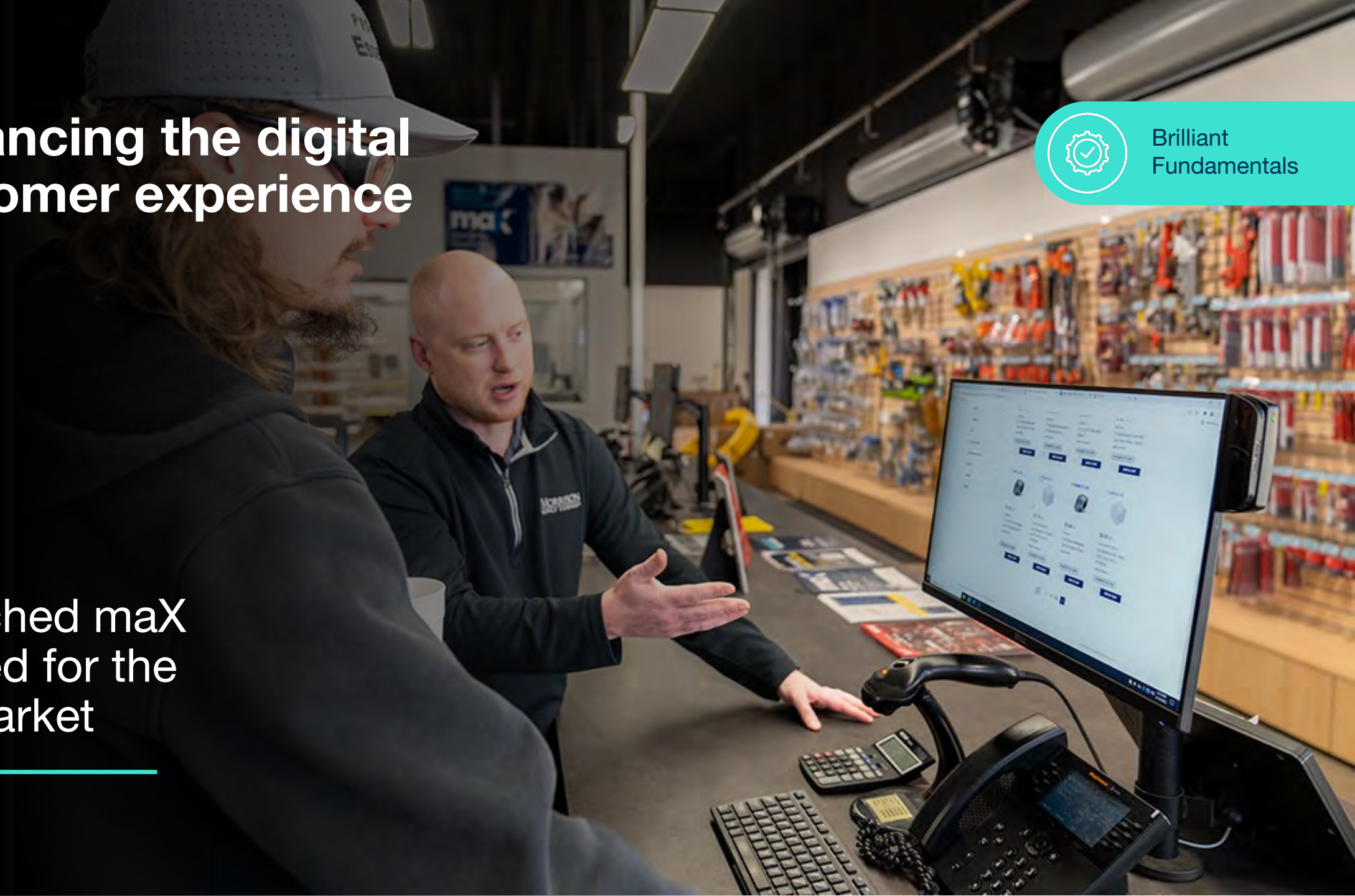


Enhancing the digital customer experience

Launched maX
tailored for the
US market

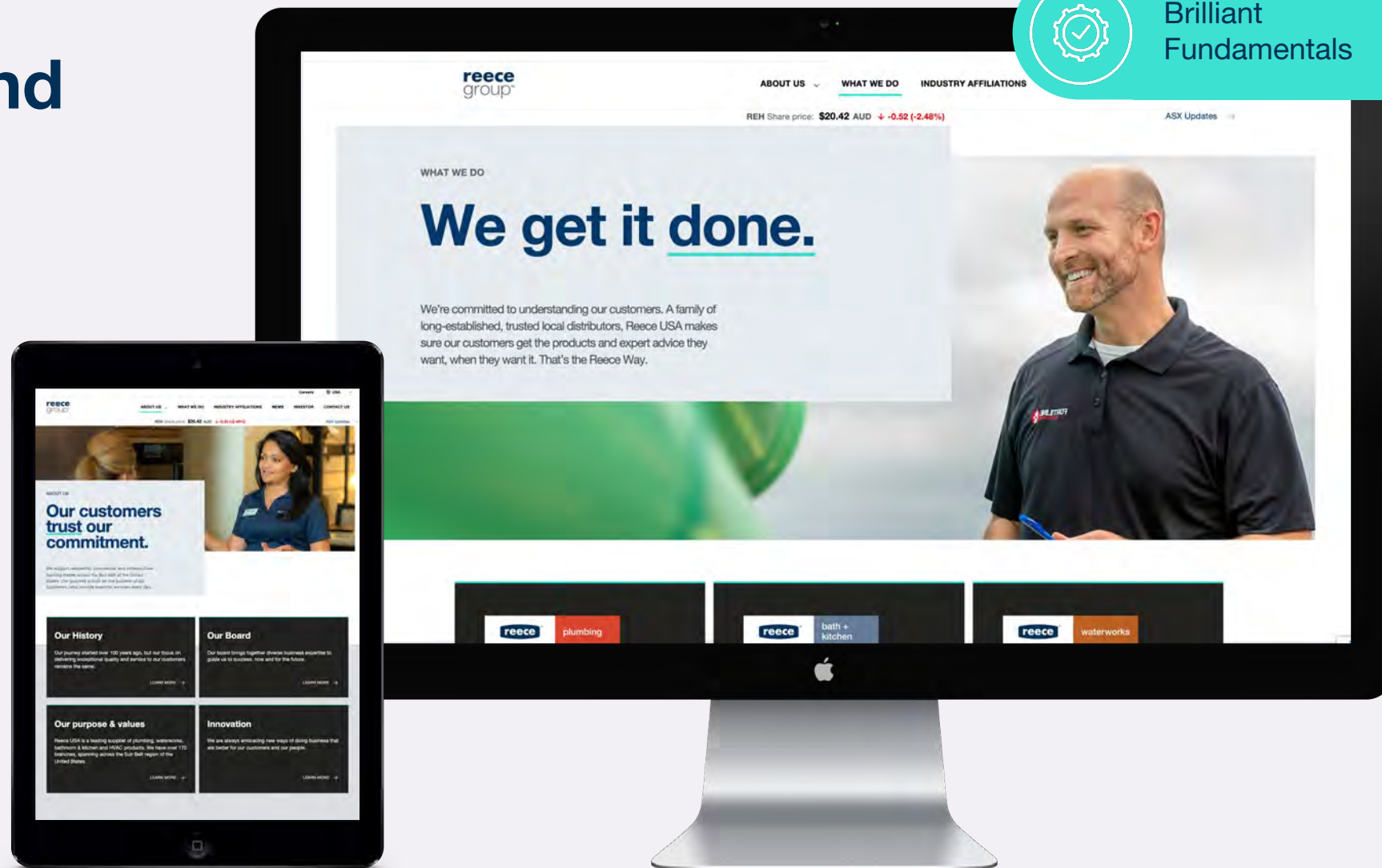
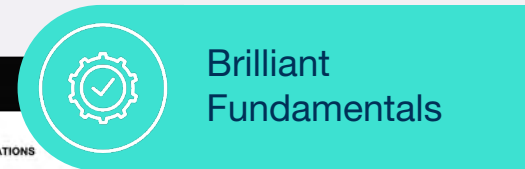


Brilliant
Fundamentals



Launching the Reece brand

Local Reece presence a symbolic milestone



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HY22 Financial performance



Financial highlights

Sales Revenue



up 17%
to \$3.6b
from \$3.1b

Normalised EBITDA*



up 14%
to \$397m
from \$349m

EBIT



up 16%
to \$275m
from \$236m

NPAT



up 28%
to \$157m
from \$123m

EPS



up 28%
to 24 cents

Half year dividend

7.5 cents per share, fully franked
from 6 cents per share



Normalised EBITDA margin

down 40bps
11.0%
from 11.4%



*Normalised EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude business acquisition costs

ANZ segment performance

- Record result for sales revenue, EBITDA and EBIT
- Sales up 11% reflecting solid demand
- Estimated product inflation dynamic H1 8%-9%
- EBITDA margin compression of 60 bps due to increased OPEX
- Ongoing EBITDA margin excludes non-recurring revenue and refinance costs down 90 bps

HY22 31 December 2021 (A\$m)	1HY22	1HY21	Var. (%) vs HY21	1HY20
Sales revenue	1,733	1,564	↑ 11%	1,465
Normalised EBITDA*	249	235	↑ 6%	208
EBIT	186	175	↑ 6%	152
Normalised EBITDA margin	14.4%	15.0%	↓ 60 bps	14.2%
Ongoing EBITDA** margin	14.1%	15.0%	↓ 90 bps	14.2%

*Normalised EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude business acquisition costs

**Ongoing EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude business acquisition costs, refinance costs and non-recurring revenue

US segment performance

- Sales up 24%
- Estimated 1HY Inflation low-mid teens
- Normalised EBITDA up 37 bps
- Immaterial impact from FX

	AUD			USD		
HY 22 31 December 2021 (\$m)	HY22	HY21	Var. (%)	HY22	HY21	Var. (%)
Sales revenue	1,867	1,509	↑ 24%	1,364	1,100	↑ 24%
Normalised EBITDA*	148	114	↑ 30%	108	83	↑ 30%
EBIT	89	62	↑ 44%	65	45	↑ 44%
Normalised EBITDA margin	7.9%	7.6%	↑ 30 bps	7.9%	7.6%	↑ 30 bps

*Normalised EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude business acquisition costs

Successful refinancing of debt

- Diversity of maturity dates
- Reduced interest expense
- Flexibility to draw down in AUD or USD
 - Fully repaid Term Loan B
 - \$1.25 billion syndicated multi-currency revolving facilities
 - Facilities governed by a Common Term Deed
 - Unsecured
 - Completed 16 December 2021
 - Maintenance covenants in place
- 2H FY22 expected interest expense within the range of \$10 million - \$12 million²

\$50 million three year revolving credit facility;

\$300 million four year revolving credit facility; and

\$900 million five year revolving cash advance facility.

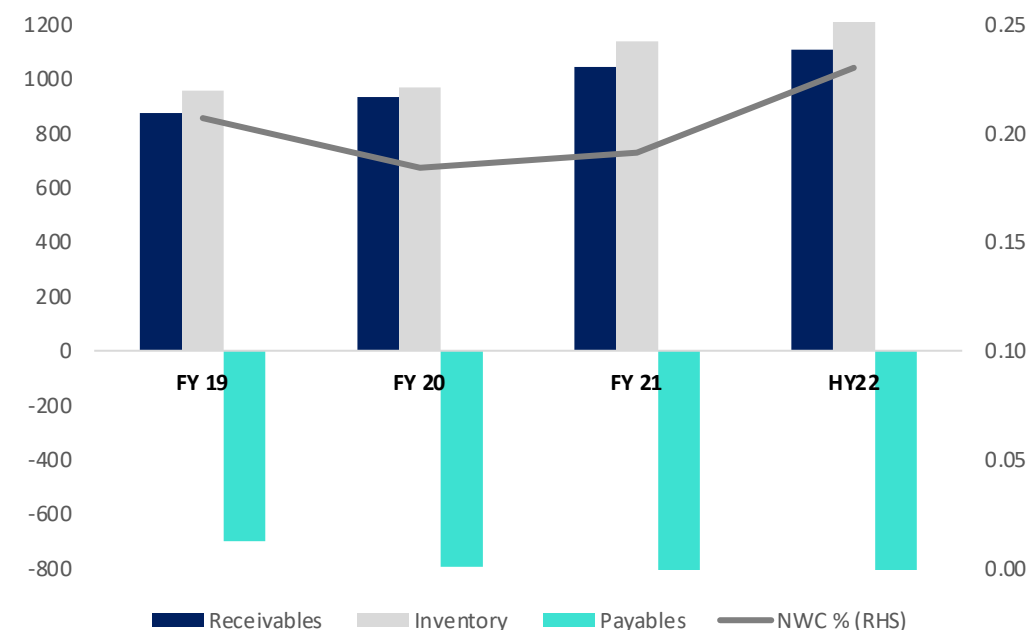
$\leq 3.5 \times$ Net Leverage Ratio¹
 $\geq 2.5 \times$ Interest Coverage Ratio

1. Calculated on a pre-AASB 16 Leases basis
 2. Based on current drawn debt and assuming no material changes to interest rates or AUD/USD rates

Cashflow

Net Working Capital

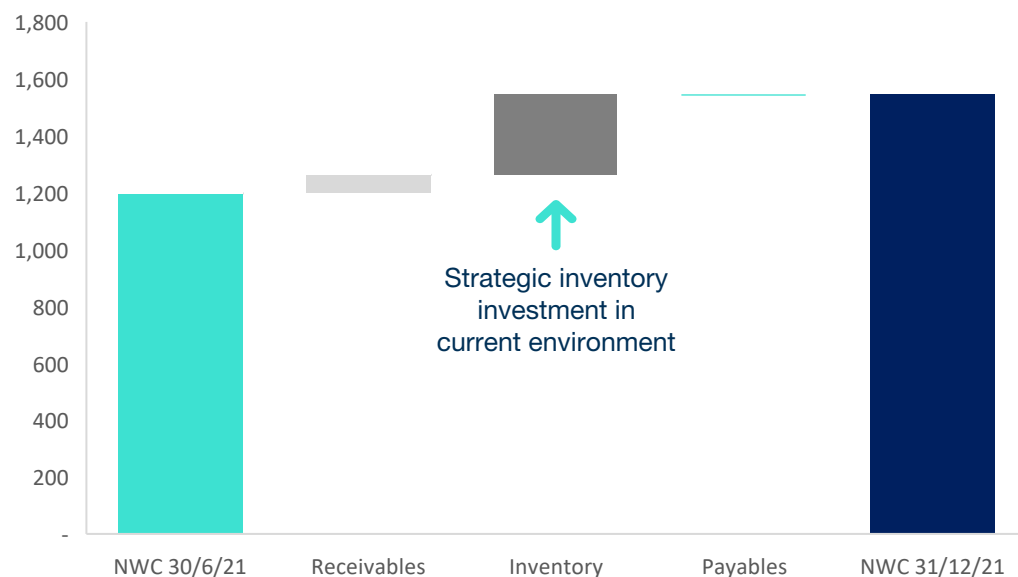
(A\$m)



HY22 31 December 2021 (A\$m)	HY22	HY21
Normalised EBITDA*	397	349
Net movements in working capital	(348)	(130)
Non-cash items in EBITDA	(3)	3
Income tax paid	(88)	(85)
Finance costs	(42)	(38)
Cash inflow/ (outflow) from operations	(84)	99
Capital expenditure	(87)	(28)
Proceeds from sale of assets	3	7
Lease payments	(53)	(51)
Dividends paid	(78)	(39)
Cash inflow/ (outflow) before acquisitions and repayment of borrowings	(299)	(12)
Business acquisitions/ investments	(73)	(13)
Repayment of borrowings	(1,356)	(8)
Net proceeds from borrowings	1,012	-
Net increase/ (decrease) in cash	(716)	(33)

*Normalised EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude business acquisition costs and finance income/(costs) - net

Net working capital HY22

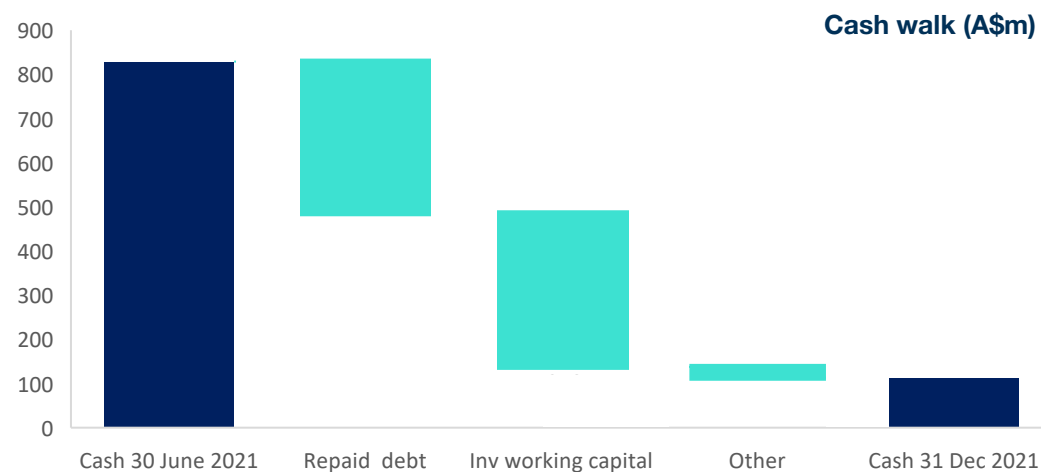
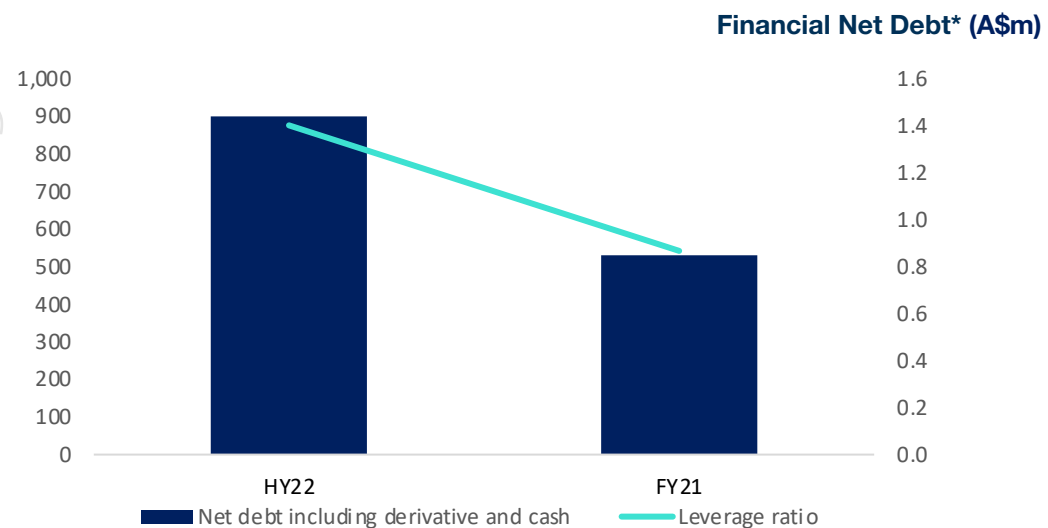


Net working capital

(A\$m)

NWC 30 June 2021		1,198m
Inventory	↑	283m
Receivables	↑	63m
Payables	↓	3m
NWC 31 December 2021		1,547m

Balance Sheet



Financial Net Debt

(A\$m)	HY22	FY21
Cash and cash equivalents	118	829
Senior debt	1,016	1,336
Net debt	898	507
Net Financial (asset)/ liability FX derivative	-	23
Net debt including FX derivative impact	898	530
Leverage Ratio* (Net Debt / EBITDA*)	1.4x	0.9x

*Net leverage ratio calculated on a pre-AASB16 Leases basis.

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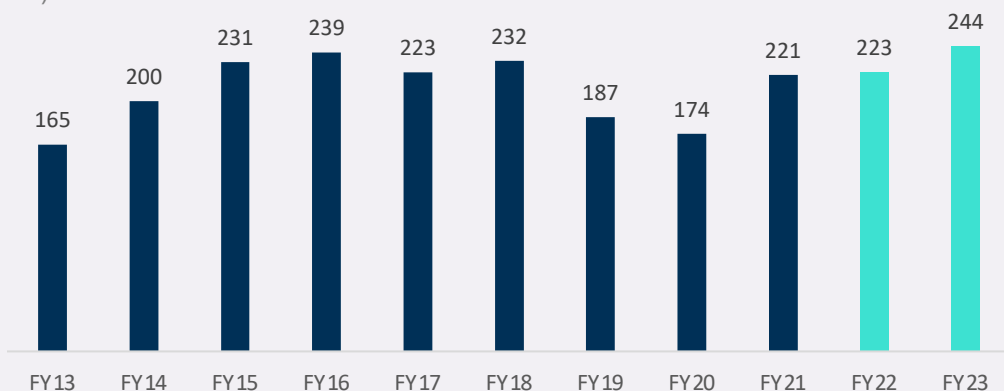
Economic commentary



ANZ – headline indicators solid in near term

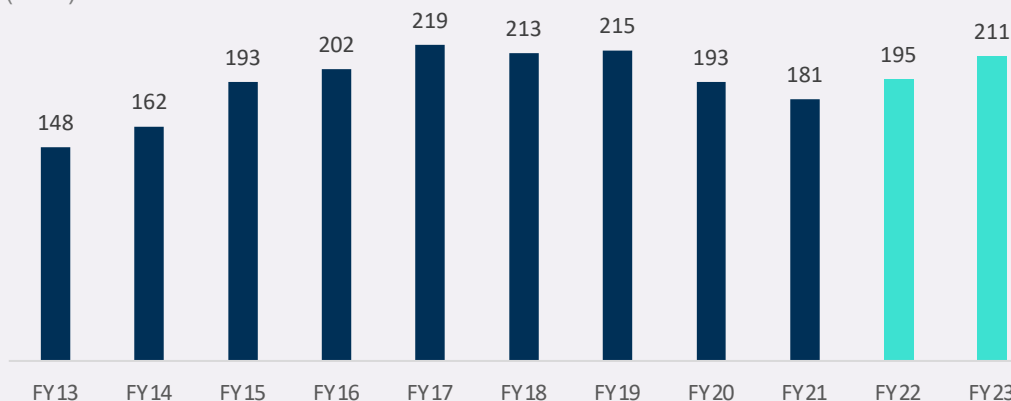
Dwelling Approvals

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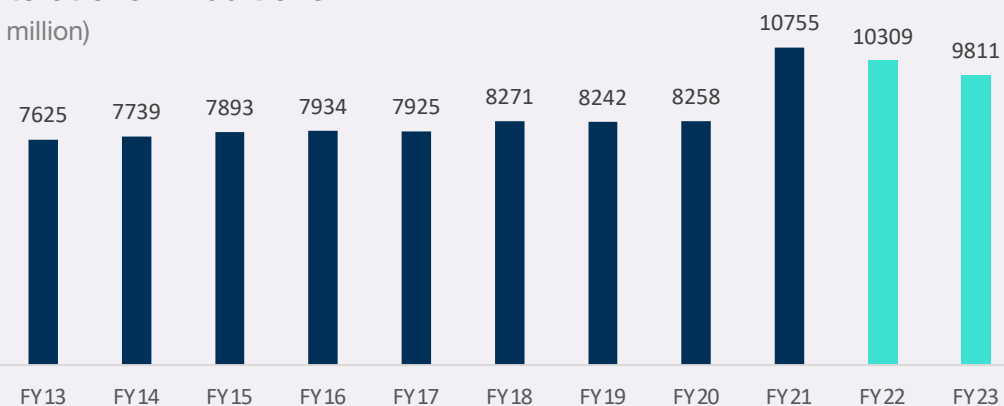
Dwelling Completions

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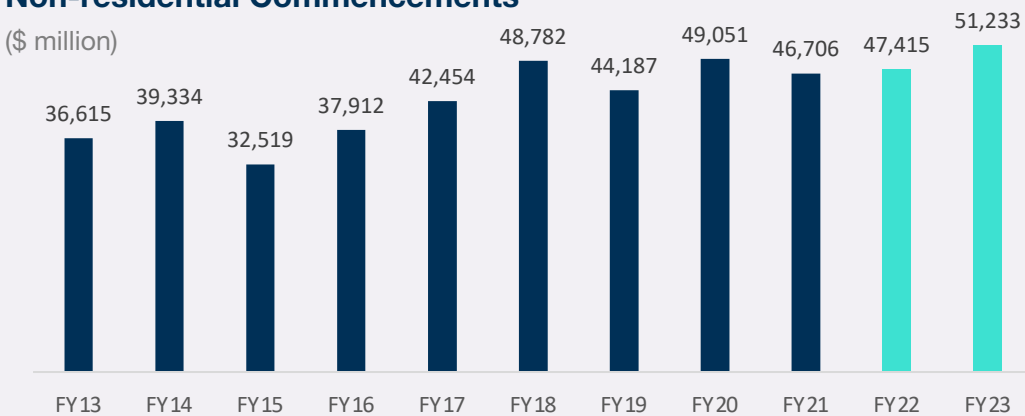
Alterations + Additions

(\$ million)



Non-residential Commencements

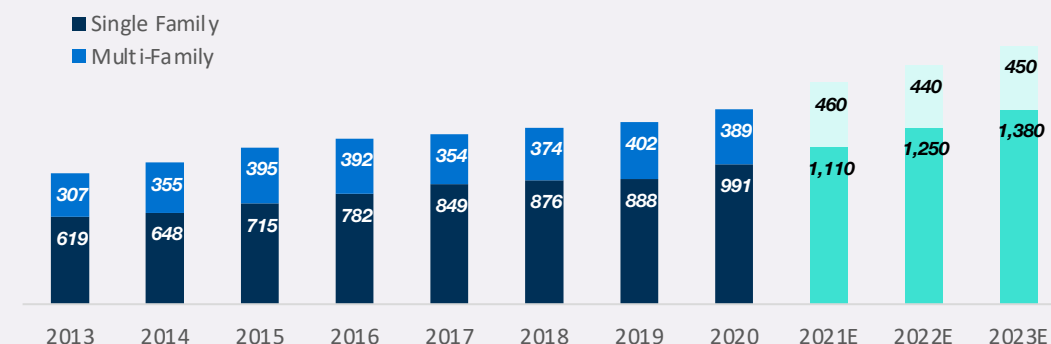
(\$ million)



US – underlying market drivers healthy

Single + multi-family housing starts

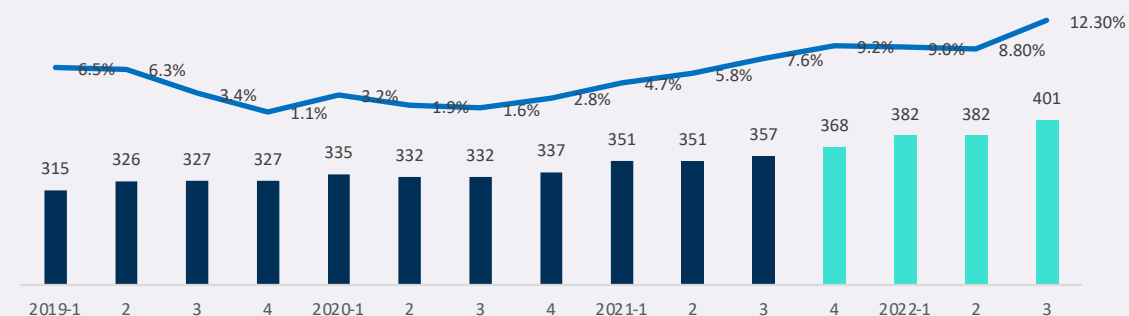
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Source: John Burns Consulting, J.P. Morgan forecasts

Leading indicator of remodeling activity

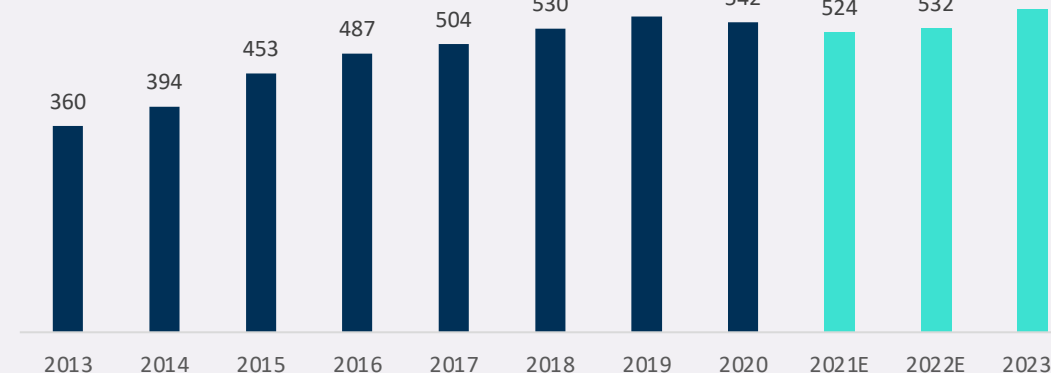
(US\$bn / ROC%)



Source: Joint Center for Housing Studies of Harvard University, LIRA and US Census Bureau

Non-residential building construction expenditure

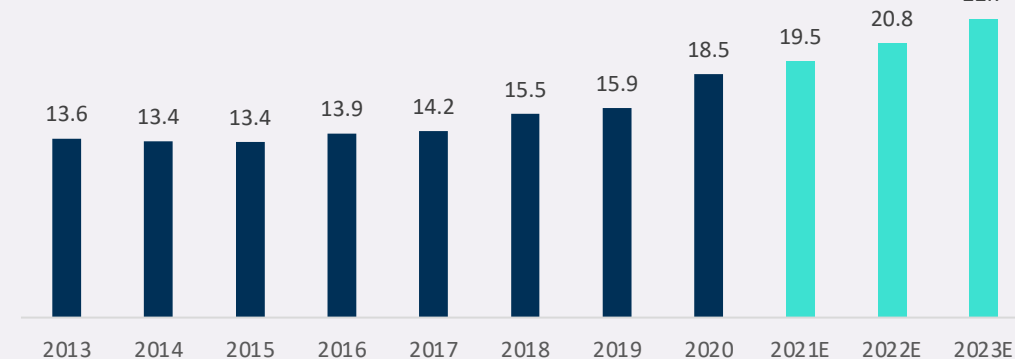
(US\$bn)



Source: FMI (Includes both private and public expenditures)

Water supply construction expenditure

(US\$bn)



Source: FMI

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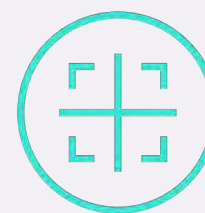
Summary



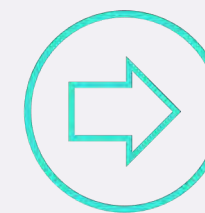
Record
Result



Long-term
Focus



Positive
Near-term
External Setting



Investing for
the Future

Supplementary information

ersonal use only

Normalised NPAT reconciliation



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reece
group™