

**ASX Announcement**

23 August 2022

## FY22 Investor Presentation

Attached for release is Reece Limited's results presentation for the 12 month period ended 30 June 2022.

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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).



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# Full Year Results 2022

12 months ended  
30 June 2022



# 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 or calculation of components in tables contained in this presentation are due to rounding.

# Presenters



**Peter Wilson**

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Group Chief  
Executive Officer



**Andrew Cowlshaw**

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Group Chief  
Financial Officer

# What we'll share today

01

**FY22  
overview**

02

**Our focus**

03

**Operational  
overview**

04

**FY22 Financial  
Performance**

05

**Outlook**

06

**Summary**

# Navigating a challenging environment in FY22



**Focused on team and customer**

Flexible model to spread demand on network, focus on maintaining customer promise

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Increased inventory, prioritised being in stock for customers

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Focused on safe environment, supporting team & retention



# Financial highlights

Strong result in a complex environment; significant inflation tailwind

**Sales Revenue**



up 22%  
to \$7.7b

**Normalised EBITDA\***



up 16%  
to \$838m

**EBIT**



up 17%  
to \$578m

**NPAT**



up 37%  
to \$392m

**EPS**



up 37%  
to 61 cents

**ANZ**

Sales Revenue up  
12% to \$3.5b

**US**

Sales Revenue up  
33% to \$4.1b

**Net leverage ratio\*\***

1.2x

**Total FY22 dividend**

22.5 cents  
per share

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

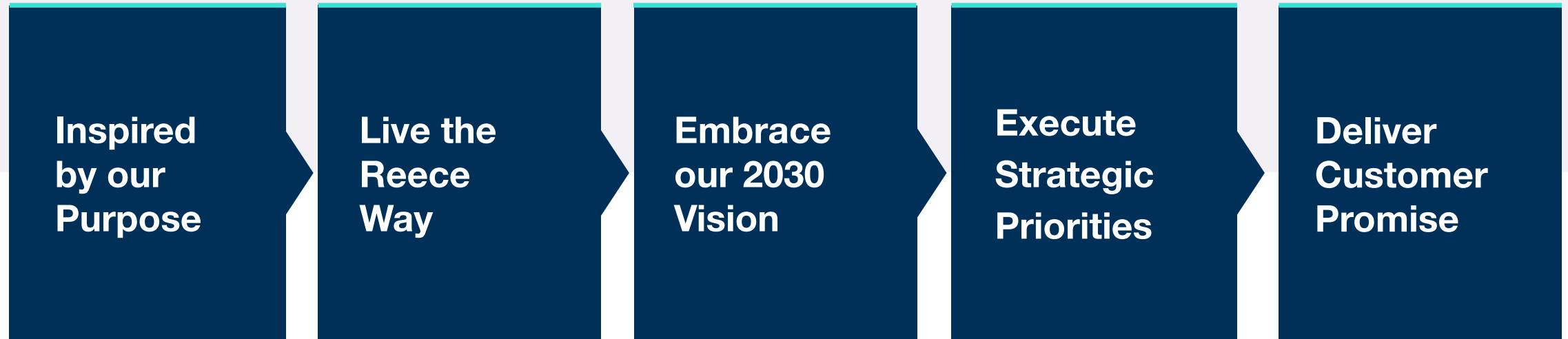
\*\*Calculated on a pre-AASB 16 Leases basis



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**Our focus**

# Our Blueprint



# 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

## Execute Strategic Priorities



Brilliant Fundamentals



Investing for Growth



Delivering Innovation

## Deliver Customer Promise

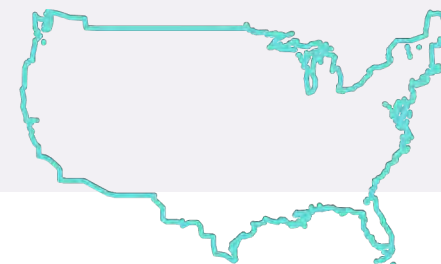
Customised service

# Strategy translates to long term regional opportunities



## Australia & New Zealand

- Market leader
- Robust long term market prospects
- Strong focus on less cyclical R+R markets
- Growth in business units outside plumbing, adjacencies, innovation



## United States

- Large, highly fragmented and growing market
- Opportunity to create differentiated proposition
- Focus on establishing brilliant fundamentals and scaling network

## Operational Overview

**ANZ**

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# Strong execution to manage macro challenges

ANZ



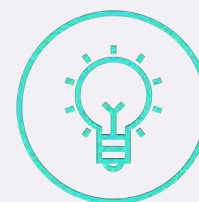
## Brilliant Fundamentals

- Focused on fundamentals, strategy and culture in complex environment
- Continuous improvement initiatives ongoing
- Progressed product innovation for customers



## Investing for Growth

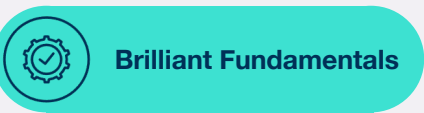
- Network upgrades; store refurbishment program, relocations



## Delivering Innovation

- Progressing innovation initiatives; focus on trade of the future
- New support centre - facilitate new ways of working
- Investment in future leaders

**2030  
Vision**



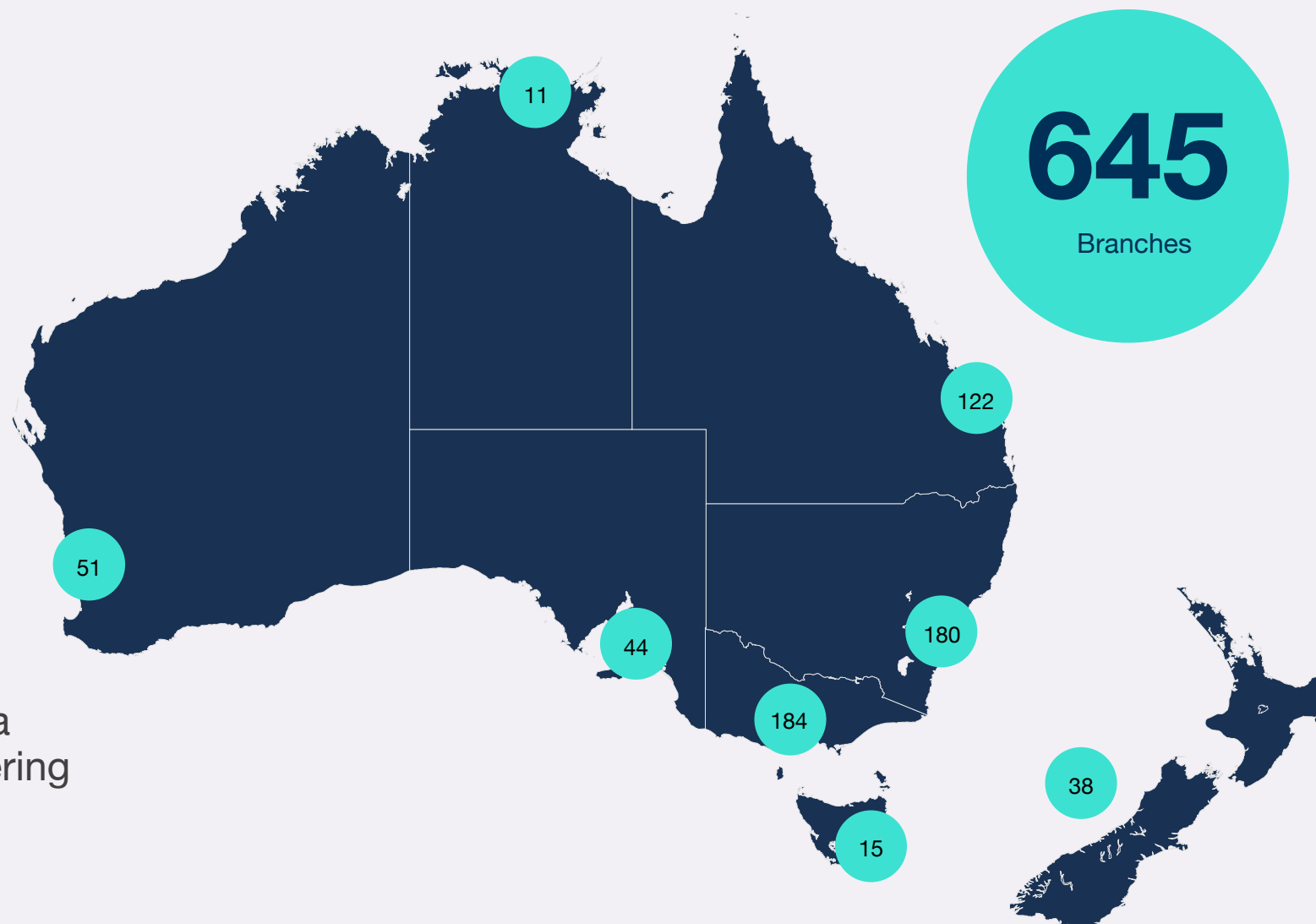
# Supporting our people and refreshing our strategic focus

Focused on our team in  
a year of disruption





# Australia & New Zealand network



Network density enabled a flexible approach to delivering customer promise despite disruption in FY22



# Delivering market leading products for customers



## Inspiration for consumers

- Mizu sensor basin mixer provides new consumer choice and inspiration
- Sensor technology creates more hygienic environment, saves water cost



## More sustainable products

- Thermann split heat pump delivers a highly efficient hot water solution
- Utilising natural CO2, improved resource efficiency, lower running cost



## Outstanding quality

- DiMax civil range manufactured to highest tolerance for Australian conditions
- Consistent quality, long term durability and impact strength for evolving water industry standards



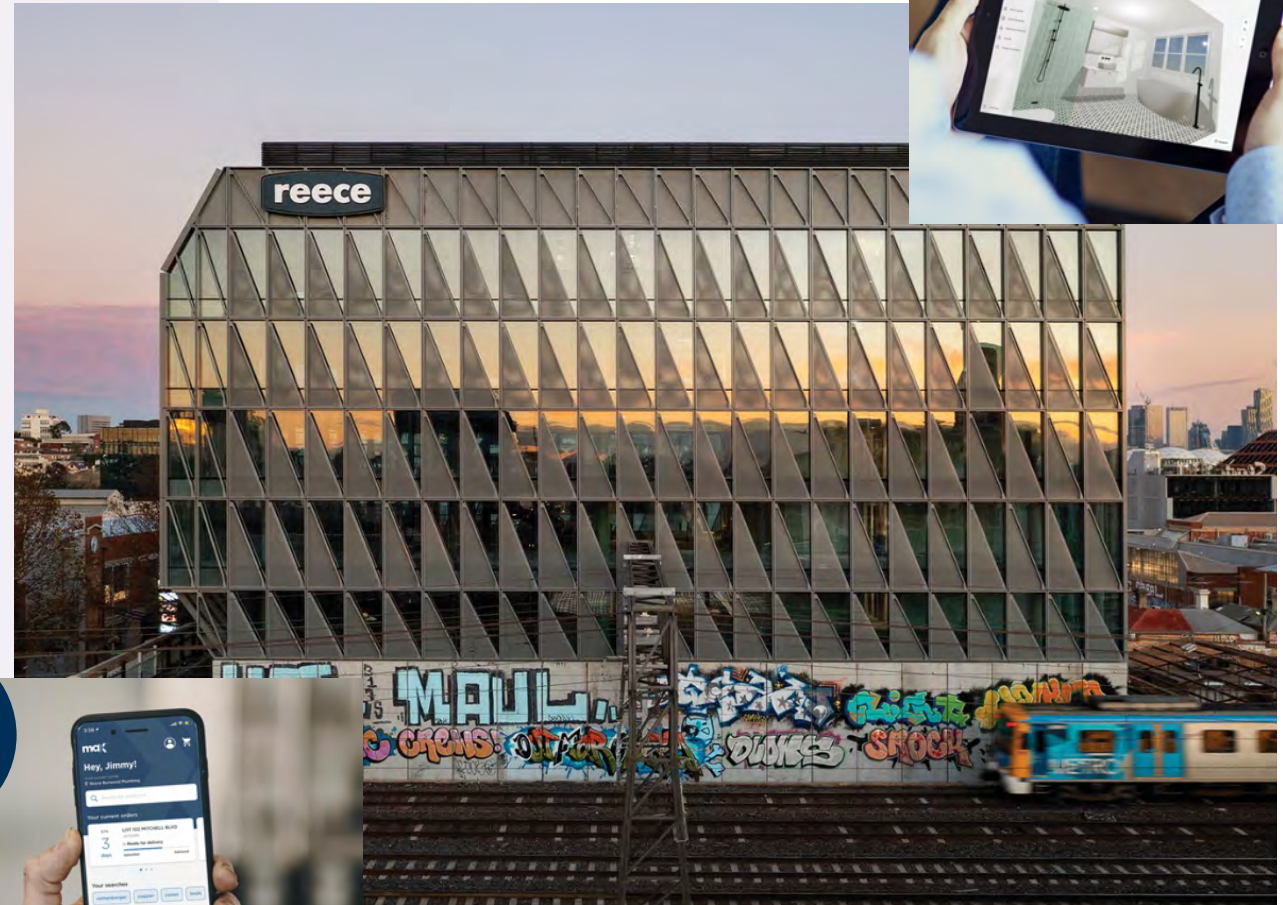
Delivering Innovation

# Enabling innovation & collaboration

Continued focus on delivering innovation for trade of the future

Moved to purpose built support centre, The Works, to drive innovation and collaboration

imagin3D™



Operational Overview

US



# Reflecting on four years in the US

## Strategic rationale when announced in 2018

- ✓ Strategic platform in the growing US Sun Belt region
- ✓ Access to large, growing markets with strong demand drivers
- ✓ Experienced management team with deep industry knowledge and a proven track record
- ✓ Ability to leverage operational expertise and relationships
- ✓ Significant opportunity to drive future organic and acquisition led growth

## Since that time we have navigated

Global  
pandemic

Weather  
events

Surging  
demand

Disrupted  
supply chain

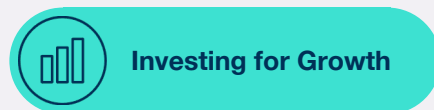
High  
inflation

Labour  
challenges

Strategic rationale intact, reflecting long term strategy and opportunity

## Considered approach to establishing a long term US platform

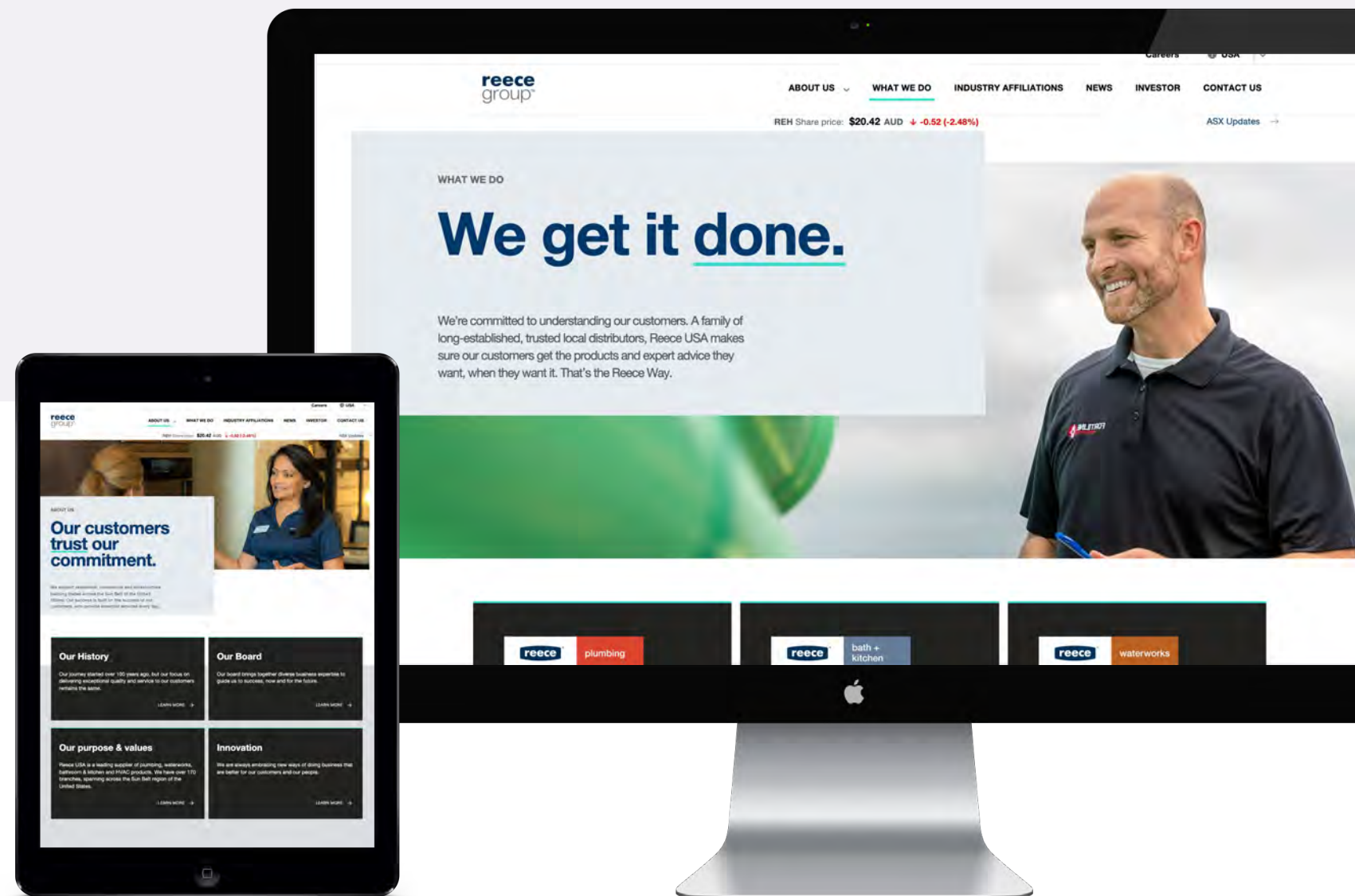
	1	2	3	4
What we said we would do	<b>Listen and learn</b>	<b>Adopt ‘Best of breed’ approach</b>	<b>Leverage relationships &amp; local team</b>	<b>Get the basics right</b>
What we have done	<ul style="list-style-type: none"> <li>• Built deep local insight</li> <li>• Not rushed change</li> </ul>	<ul style="list-style-type: none"> <li>• Trialled new branch formats</li> <li>• Culture and values focus</li> <li>• Commenced network upgrade and expansion</li> </ul>	<ul style="list-style-type: none"> <li>• Combined ‘local’ and Australian team</li> </ul>	<ul style="list-style-type: none"> <li>• Introduced Reece brilliant fundamentals</li> <li>• Begin to establish high performance culture</li> <li>• Established stronger EVP</li> </ul>



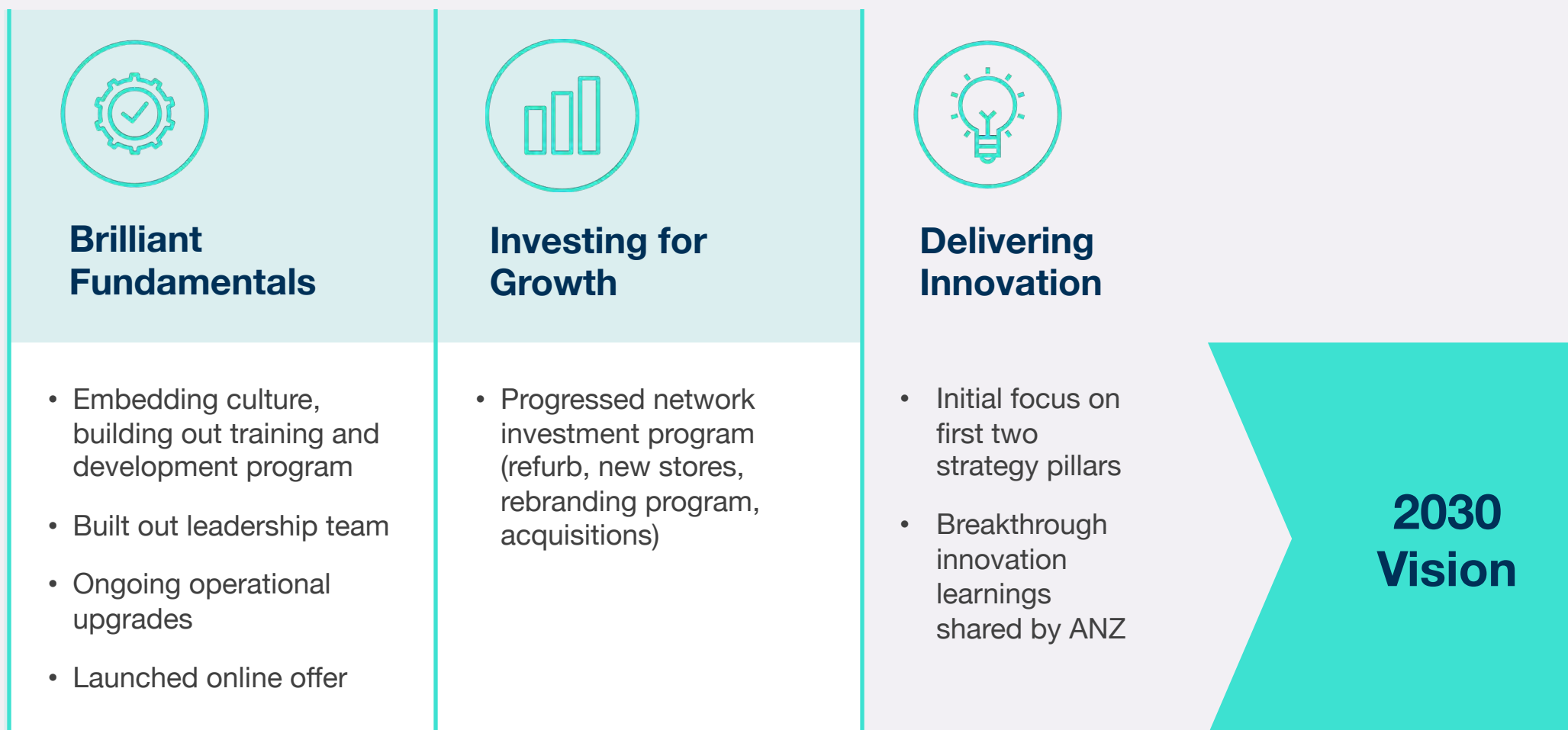
# Moving to a single Reece brand

Local Reece presence a symbolic milestone

Physical network rebrand commencing in California

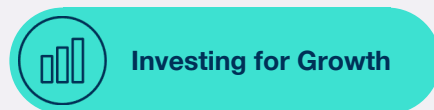


# FY22: early stages of executing of a long-term strategy



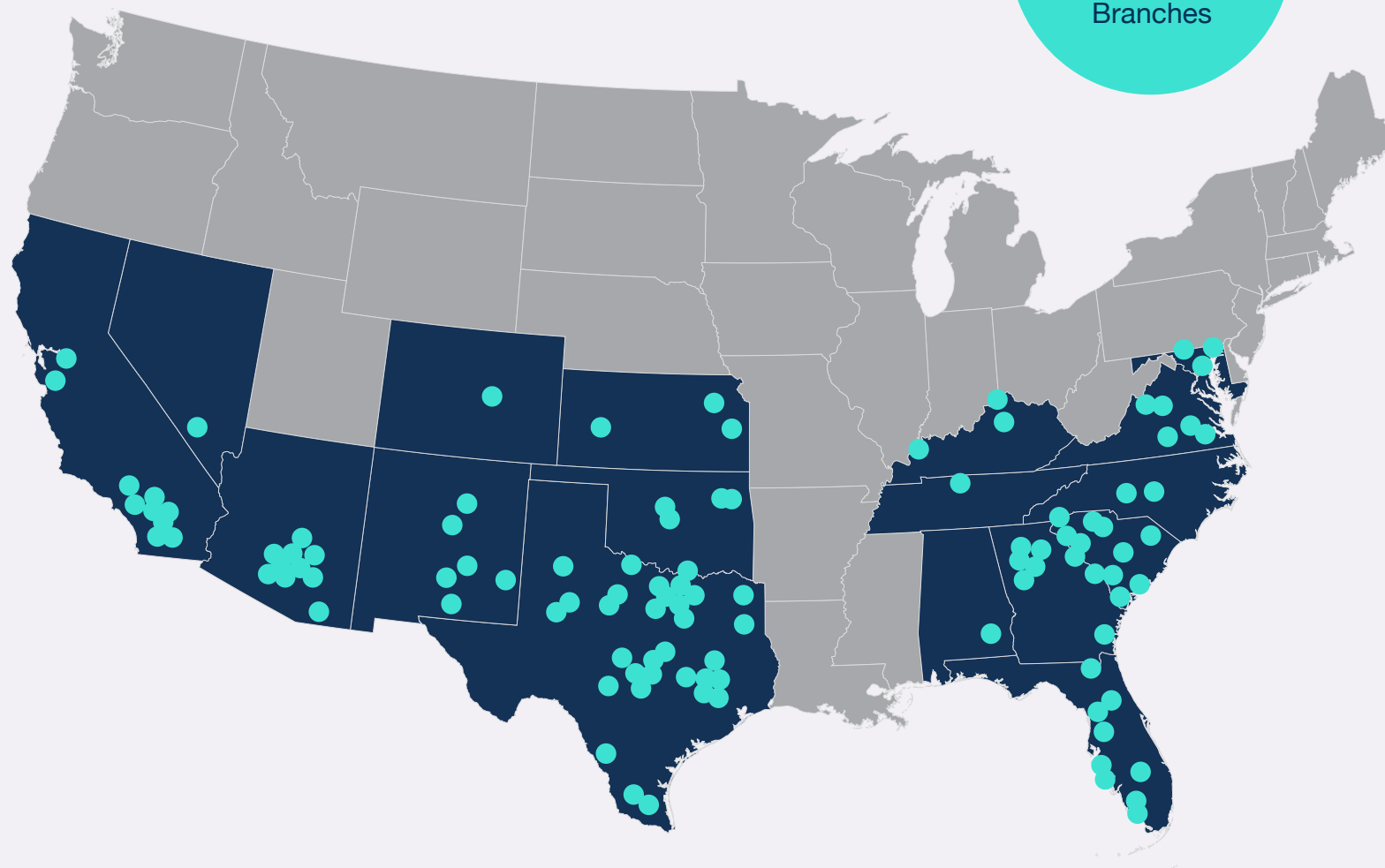
US

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# US network

**204**  
Branches



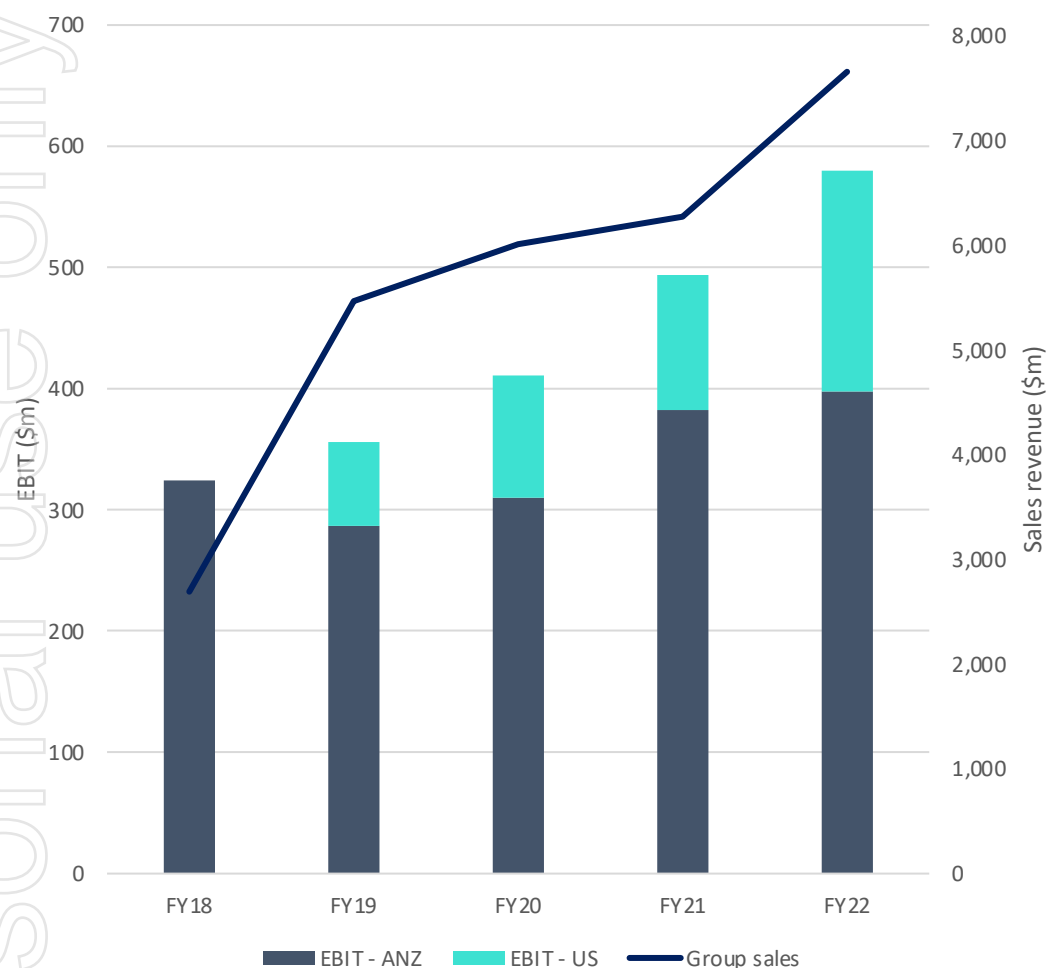
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# FY22 Financial performance



# Group performance



**1** Step up in long term investment strategy

**2** Strategic investment in net working capital

**3** Pricing discipline – selling the Reece way

**Solid growth in Group sales and EBIT while navigating significant macro challenges**

# Financial highlights

**Sales Revenue**



up 22%  
to \$7.7b  
from \$6.3b

**Normalised EBITDA\***



up 16%  
to \$838m  
from \$720m

**EBIT**



up 17%  
to \$578m  
from \$493m

**NPAT**



up 37%  
to \$392m  
from \$286m

**EPS**



up 37%  
to 61 cents

**Final dividend**

15 cents per  
share, fully  
franked



from 12 cents per share

**Total dividend**

22.5 cents per  
share, fully  
franked



from 18 cents per share

**Normalised EBITDA margin**

down 50bps  
11.0%  
from 11.5%



**Net leverage ratio\*\*** 1.2 x

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

\*\*Calculated on a pre-AASB 16 Leases basis

# ANZ performance

- Sales up 12% due to demand and inflation
- Estimated product inflation dynamic H2 9% (H1 8-9%)
- Adjusted EBITDA margin compression of 150bps
  - Increased CODB primarily due to wage inflation and increased headcount
  - Excludes income of \$21.6m *Boosting Apprenticeship Commencements* (BAC) (FY21: \$0.7m) and refinance costs
  - Estimated BAC income in FY23 \$6.4m
- More conservative provisions against inventory and debtors

<b>FY22 30 June 2022 (AU\$m)</b>	<b>1HY</b>	<b>2HY</b>	<b>FY22</b>	<b>FY21</b>	<b>Var. %</b>	<b>FY20</b>
Sales revenue	1,733	1,785	<b>3,518</b>	3,154	↑ 11.5%	2,888
Normalised EBITDA*	249	277	<b>526</b>	502	↑ 4.8%	431
EBIT	186	212	<b>398</b>	382	↑ 4.2%	310
Normalised EBITDA margin	14.4%	15.5%	<b>15.0%</b>	15.9%	↓ 90bps	14.9%
Adjusted EBITDA** margin	14.1%	14.8%	<b>14.4%</b>	15.9%	↓ 150bps	14.9%

\*Normalised EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude business acquisition costs and finance income/(costs) (Normalised EBITDA as reported in note 2.1 of the Annual Report)

\*\*Adjusted EBITDA is normalised EBITDA adjusted to exclude refinance costs and non-recurring revenue

# US performance

- Sales up 28% on USD basis
- Estimated product inflation dynamic H2 circa 20% (H1 low-mid teens)
- Normalised EBITDA margin up 50 bps
  - Sales velocity > increased opex
- Favourable foreign currency impact to sales \$147m
- More conservative provisions against inventory and debtors

USD

<b>FY22 30 June 2022 (US\$m)</b>	<b>HY1</b>	<b>HY2</b>	<b>FY22</b>	<b>FY21</b>	<b>Var. %</b>	<b>FY20</b>
Sales revenue	1,364	1,622	<b>2,986</b>	2,333	↑ 28.0%	2,094
Normalised EBITDA*	108	118	<b>226</b>	163	↑ 38.7%	147
EBIT	65	66	<b>131</b>	83	↑ 57.8%	67
Normalised EBITDA margin	7.9%	7.2%	<b>7.5%</b>	7.0%	↑ 50bps	7.0%

AUD

<b>FY22 30 June 2022 (AU\$m)</b>	<b>HY1</b>	<b>HY2</b>	<b>FY22</b>	<b>FY21</b>	<b>Var. %</b>	<b>FY20</b>
Sales revenue	1,867	2,269	<b>4,136</b>	3,117	↑ 32.7%	3,122
Normalised EBITDA*	148	164	<b>312</b>	219	↑ 42.5%	219
EBIT	89	92	<b>181</b>	111	↑ 63.0%	101
Normalised EBITDA margin	7.9%	7.2%	<b>7.5%</b>	7.0%	↑ 50bps	7.0%

\*Normalised EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude business acquisition costs and finance income/(costs) (Normalised EBITDA as reported in note 2.1 of the Annual Report)

# Cashflow

<b>FY22 30 June 2022 (A\$m)</b>	<b>FY22</b>	<b>FY21</b>
Normalised EBITDA*	838	720
Net movements in working capital (incl. FX)	(412)	(152)
Non-cash items in EBITDA	4	(2)
Income tax paid	(144)	(119)
Finance costs	(42)	(75)
Lease interest paid	(22)	(20)
<b>Cash inflow from operations</b>	<b>222</b>	<b>352</b>
Capital expenditure	(200)	(70)
Proceeds from sale of assets	12	17
Dividends paid	(126)	(78)
<b>Cash (outflow) / inflow before acquisitions and repayment of borrowings</b>	<b>(92)</b>	<b>221</b>
Business acquisitions/ investments	(93)	(15)
Net repayment of borrowings (including leases)	(449)	(364)
<b>Net decrease in cash</b>	<b>(634)</b>	<b>(158)</b>

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

# Areas of strategic investment

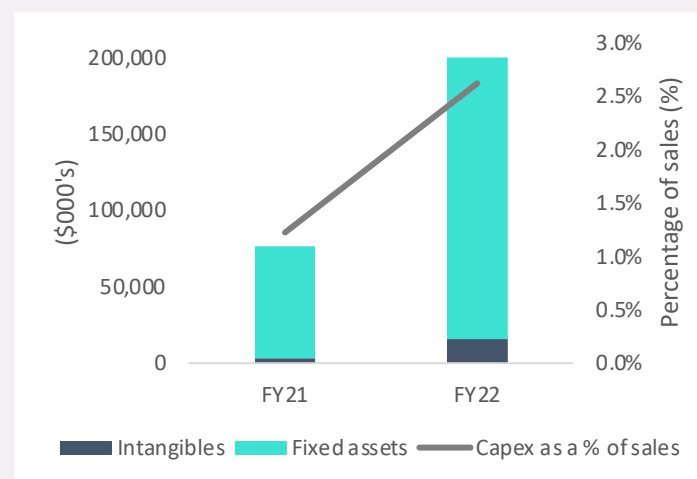
## Net working capital

- Strategic investment in inventory
- Anticipate to remain elevated into FY23
- NWC to sales 21.9% (FY21: 19.1%)

Net working capital	(A\$m)
NWC 30 June 2021	1,198
Inventory	↑ 390
Receivables	↑ 324
Payables	↑ (232)
NWC 30 June 2022	1,680

## Capital expenditure

- 2.6% of sales (FY21:1.1%)
- Invest through the cycle
- Long-term focus
- Branch refurbishment and new stores, fleet, technology



## Repayment of debt

- Fully repaid Term Loan B
- Drawdown new syndicated multi-currency revolving facilities
- Interest savings under new facility
- Decrease in net leverage ratio from 1H22

Cash	(A\$m)
Cash 30 June 2021	829
Total debt repaid	↓ (1,418)
Total debt drawdown	↑ 1,077
Other	(268)
Cash 30 June 2022	220

# Strong balance sheet

Net leverage ratio\*

**1.2x**

**Significant available liquidity\*\* of \$520m  
(at 30 June) to fund strategic investment.**

Focus for the future:

- Net working capital
- Network expansion, upgrade and US rebrand
- Debt management/ dividends
- Bolt-on acquisitions
- Digital transformation

\* Calculated on a pre-AASB 16 Leases basis

\*\* Available liquidity defined as cash plus headroom on the Group's available facilities at 30 June 2022

<b>FY22 30 June 2022 (A\$m)</b>	<b>FY22</b>	<b>FY21</b>
Cash	220	829
Trade and other receivables	1,368	1,044
Inventories	1,528	1,138
Other current assets	7	1
<b>Total current assets</b>	<b>3,123</b>	<b>3,012</b>
PPE and leases	1,493	1,257
Intangible assets	1,906	1,781
Other non-current assets	85	68
<b>Total non-current assets</b>	<b>3,484</b>	<b>3,106</b>
Trade and other payables	1,216	984
Other current liabilities	244	275
<b>Total current liabilities</b>	<b>1,460</b>	<b>1,259</b>
Interest bearing liabilities	1,090	1,319
Other non-current liabilities	736	652
<b>Total non-current liabilities</b>	<b>1,826</b>	<b>1,971</b>
<b>Net assets</b>	<b>3,321</b>	<b>2,888</b>
<b>Net tangible assets ratio</b>	<b>2.14</b>	<b>1.71</b>



05

# Outlook



# Complex macro environment



**Constrained supply chain**



**Persistent inflation**



**Mixed demand outlook**



**Low labour availability**



**Consumer sentiment weakening**



**Rising interest rates**



**Capacity constraints**



**Strong consumer balance sheets**



**Structural shift to the home**



**Recession risks rising**

# Reece well placed to navigate complex environment

1

**A trusted brand**  
with a differentiated  
customer proposition

2

**Clear track record**  
100 years of growing  
through the cycle

3

**Diversified business**  
By geography, segment,  
customer; focused on  
resilient R+R

4

**Large markets**  
with attractive long  
term fundamentals

5

**Long term focus**  
Invest to build  
stronger business

6

**Well capitalised**  
Strong balance sheet to  
support investment  
agenda

# Chair Transition

Alan Wilson, currently Executive Chair, to transition to Executive Director role from 1 September

Will continue to share expertise and mentor teams in an advisory role

Will remain a committed, long term contributor to Reece

Peter Wilson to remain Group CEO



“I love what I do and look forward to continuing to help drive the success of this great business.”



06

# Summary



# Summary



**Strong  
Result**



**Long-term  
Focus**



**Investing for  
the Future**

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**reece**  
group™

# Supplementary information

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# Reconciliation of normalisations

## Normalised EBITDA

<b>FY22 30 June 2022 (AU\$m)</b>	<b>FY22</b>
EBIT (statutory)	<b>578</b>
<b>Add back:</b>	
Depreciation and amortisation	<b>258</b>
Business acquisition costs	<b>2</b>
Normalised EBITDA	<b>838</b>

## Adjusted EBITDA – ANZ

<b>FY22 30 June 2022 (AU\$m)</b>	<b>FY22</b>
Normalised EBITDA	<b>526</b>
<b>Deduct non-recurring:</b>	
Boosting Apprenticeship Commencements (BAC) income	<b>(22)</b>
Debt refinancing expenses – advisors, establishment and legal fees	<b>4</b>
Adjusted EBITDA	<b>508</b>

## Adjusted NPAT

<b>FY22 30 June 2022 (AU\$m)</b>	<b>FY22</b>
NPAT (statutory)	<b>392</b>
<b>Deduct non-recurring (tax effected):</b>	
US inventory adjustment (LIFO)	<b>(28)</b>
BAC income	<b>(15)</b>
Debt refinancing costs	<b>13</b>
Adjusted NPAT	<b>362</b>

# FX impact on sales

