

ASX Announcement

27 October 2021

2022 AGM Presentation

Attached for release is Reece Limited's 2022 AGM slide presentation.

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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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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.

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AGM 2022

27 October 2022



Agenda

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overview**

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Summary

Navigating a challenging environment in FY22



Focused on team and customer

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

Increased inventory, prioritised being in stock for customers

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

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:

Works For You

A customer led sustainability strategy



1. Sustainable Business

We will reduce our environmental impact and promote sustainable business practices across Reece Group.



2. Empowered Trade

We will invest in our industry to create more sustainable ways of working.



3. Resilient Communities

We will meaningfully contribute to building resilient communities where we operate.

Vision: customers and team empowered to create sustainable change

Reducing our environmental footprint



35%

Scope 1 and 2 GHG emissions reduction from FY21 baseline by FY30



Net zero

Scope 1 and 2 GHG emissions by FY40



Partnership

Work in Partnership with suppliers to measure Scope 3 emissions impact and find ways to reduce collective footprint

Achieving our goals:

New branches designed to reduce impact

Invest in energy efficiency solutions for existing network

Expand efforts to source renewable energy

Explore options to decarbonise fleet

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

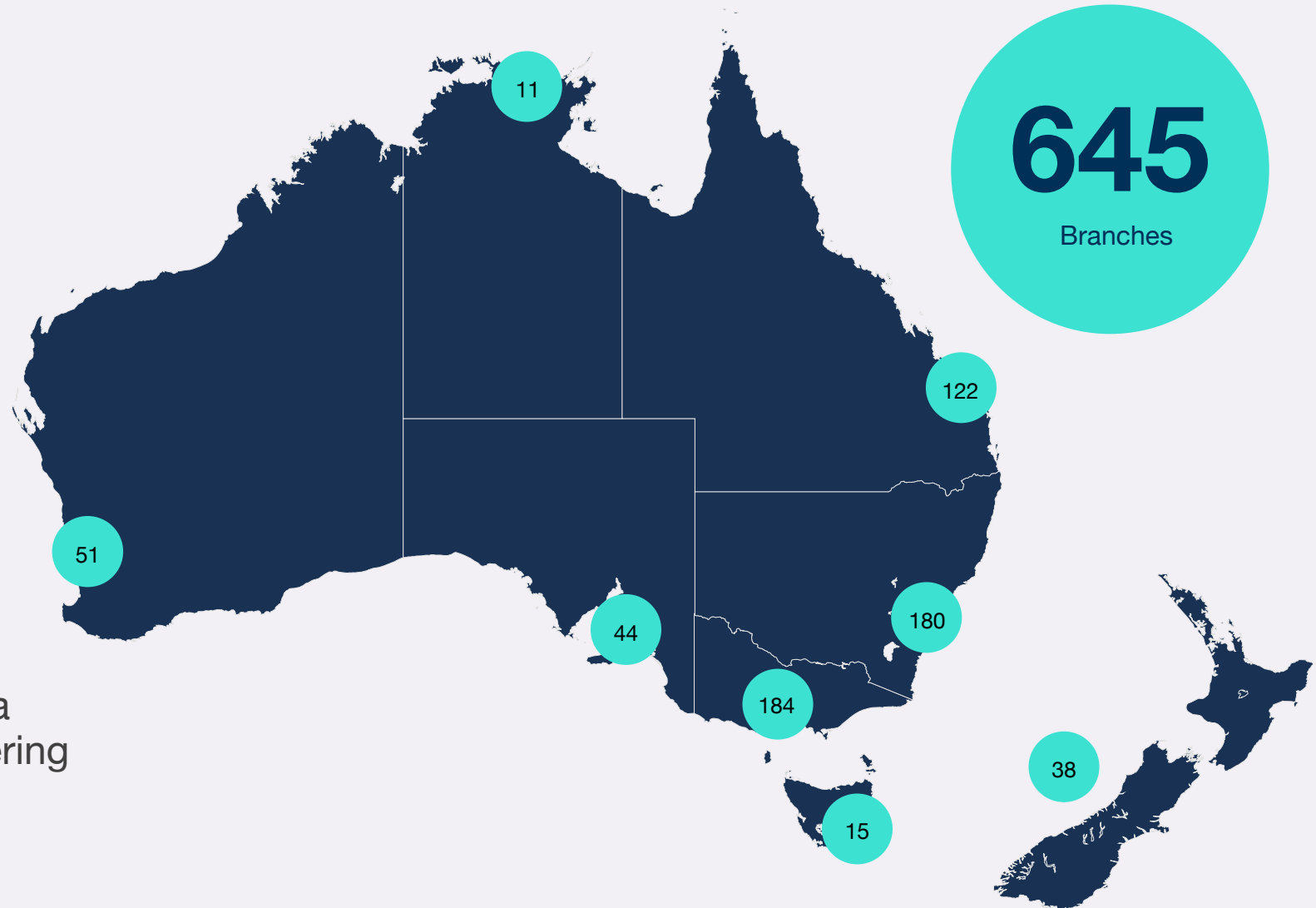
- Progressing innovation initiatives; focus on trade of the future
- New support centre - facilitate new ways of working
- Investment in future leaders

**2030
Vision**



Brilliant Fundamentals

Australia & New Zealand network



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



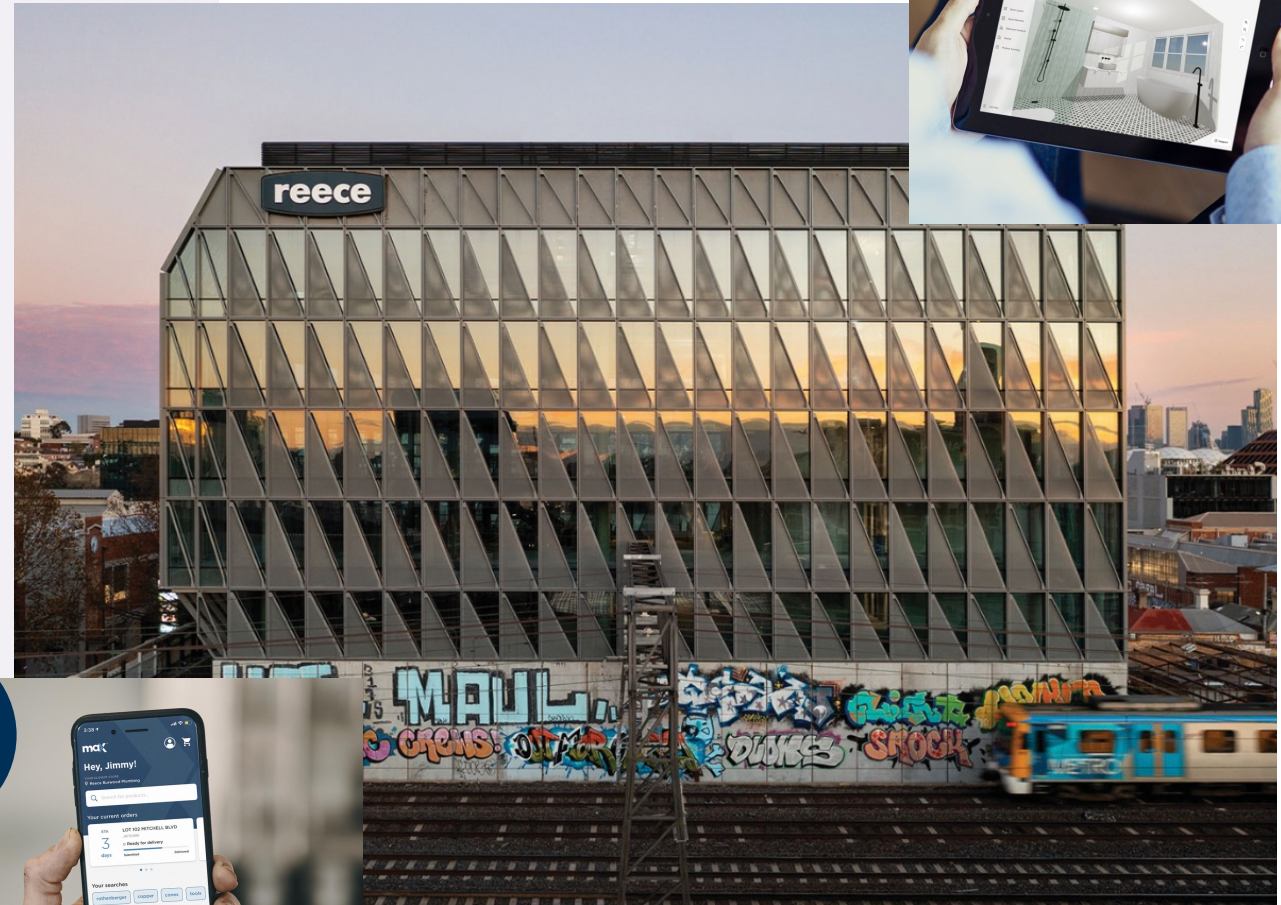
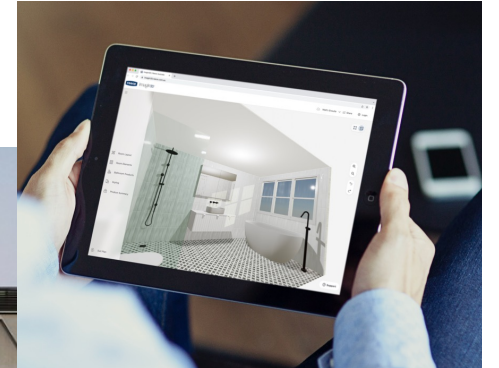
Delivering Innovation

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

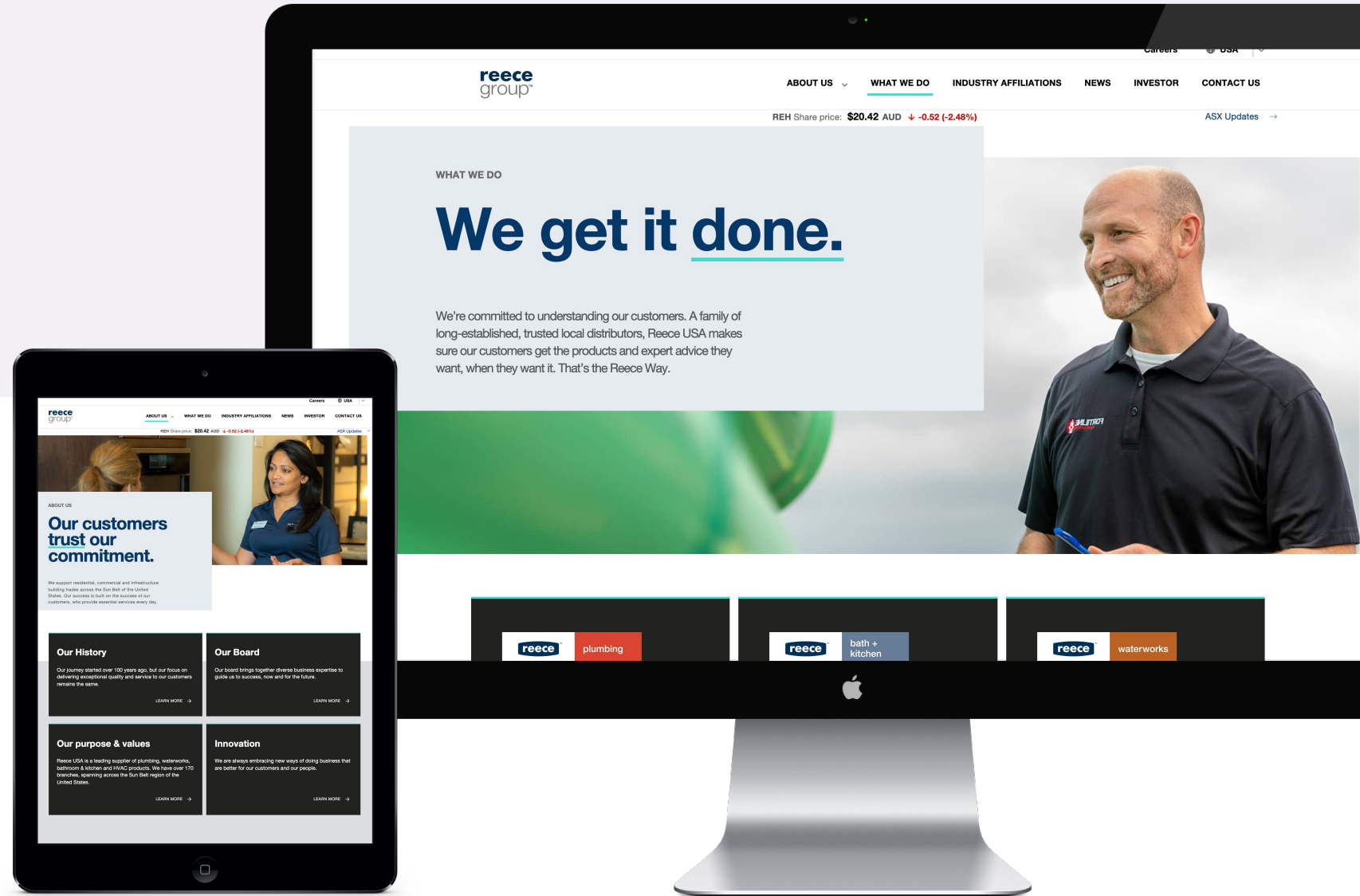


Investing for Growth

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

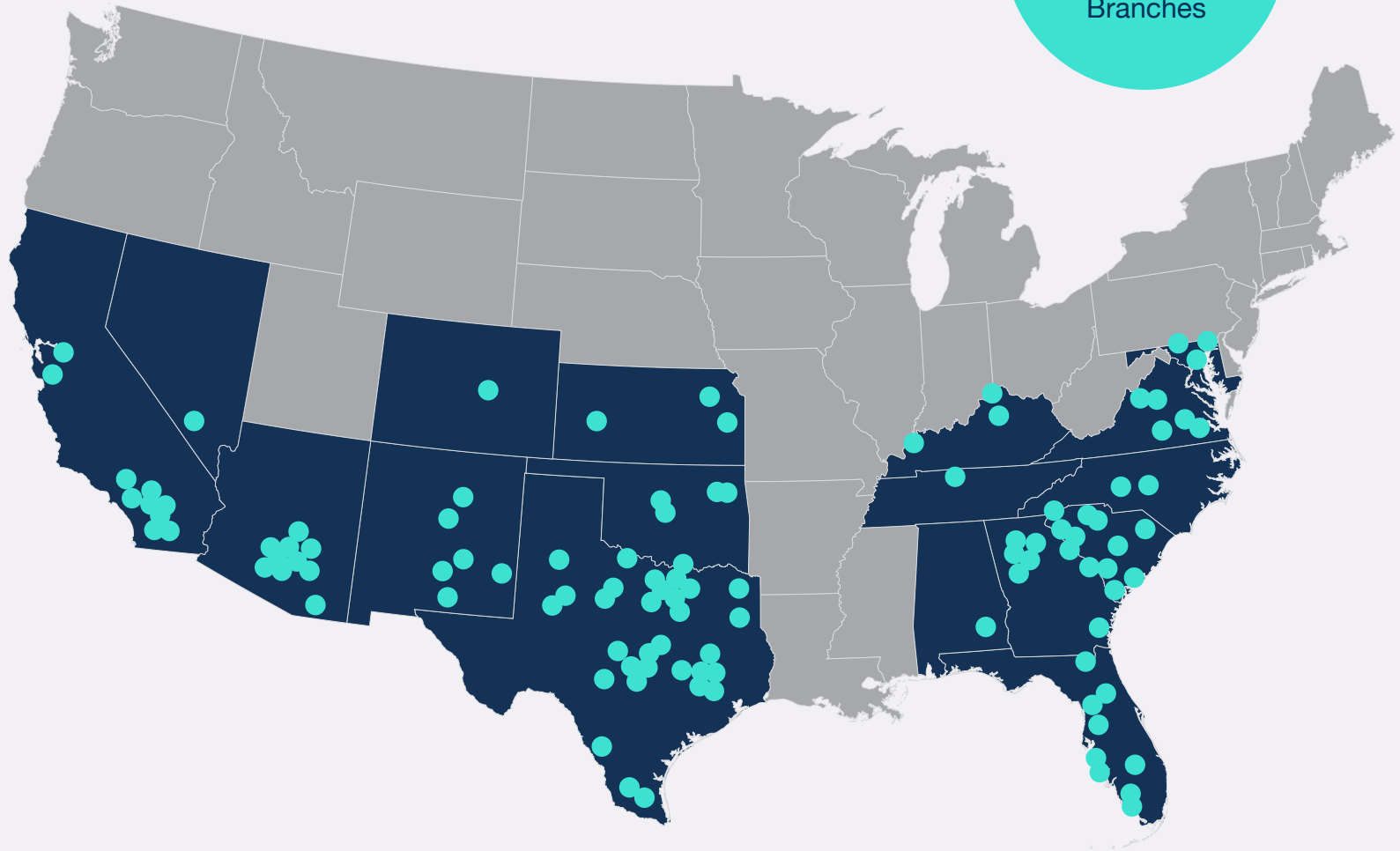


Investing for Growth

US network

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Branches



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FY22 Financial performance



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

FY22 30 June 2022 (AU\$m)	1HY	2HY	FY22	FY21	Var. %	FY20
Sales revenue	1,733	1,785	3,518	3,154	↑ 11.5%	2,888
Normalised EBITDA*	249	277	526	502	↑ 4.8%	431
EBIT	186	212	398	382	↑ 4.2%	310
Normalised EBITDA margin	14.4%	15.5%	15.0%	15.9%	↓ 90bps	14.9%
Adjusted EBITDA** margin	14.1%	14.8%	14.4%	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 26% (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

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

AUD

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

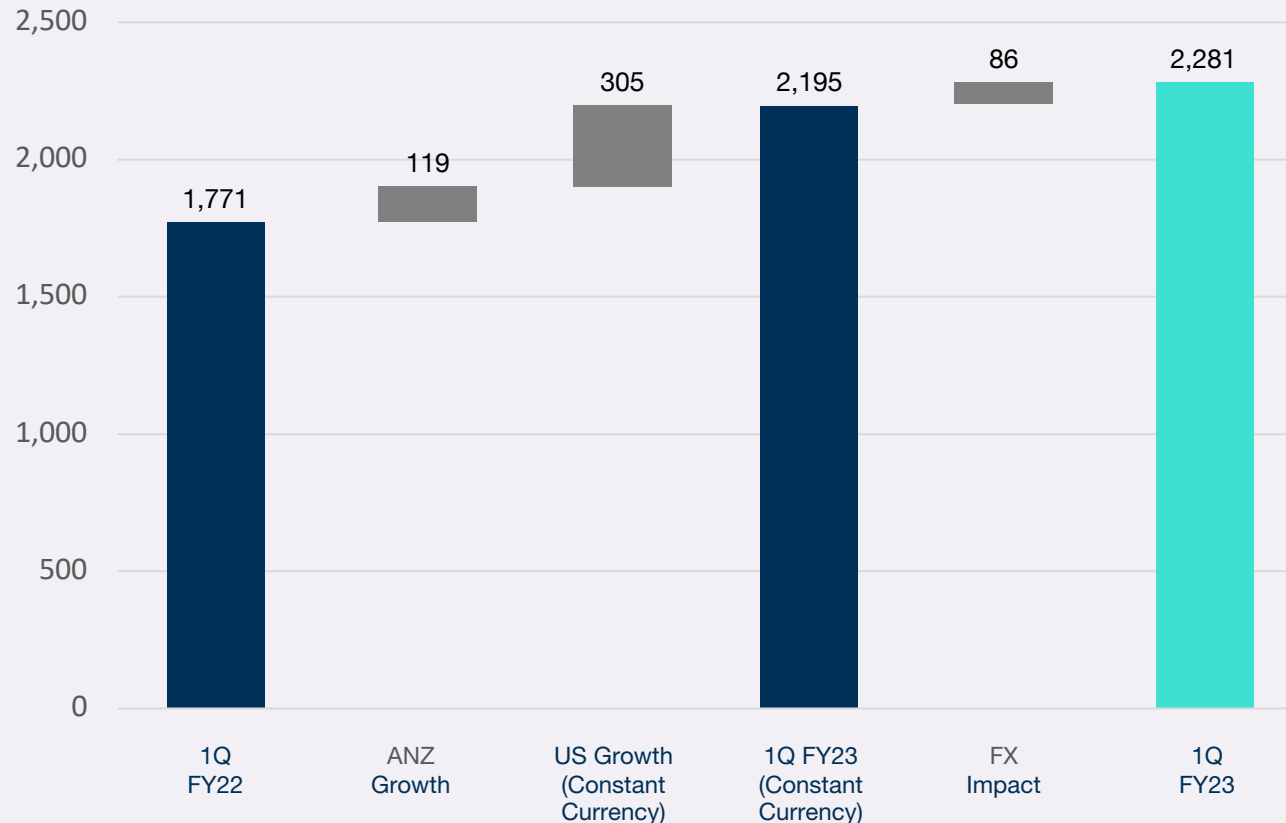
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Outlook



Q1 FY23 Sales

Q1 FY23 Sales
(\$M)



Q1 sales up 29% for the Group

Up 14% in ANZ

Up 33% in the US on USD basis

Inflation approx. 12% in ANZ,
approx. 25% in US vs Q1FY22

Gradual moderation in inflation and
softening demand anticipated in H2,
therefore Q1 performance not
illustrative of the remainder of FY23

Disciplined investment in Opex and
Capex through the cycle in line with
long-term approach

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

Summary



**Strong
Result**



**Long-term
Focus**



**Investing for
the Future**

ersonal use only

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