

**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](http://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

01

**FY22  
overview**

02

**Our focus**

03

**Operational  
overview**

04

**FY22 Financial  
Performance**

05

**Outlook and Q1**

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





02

**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

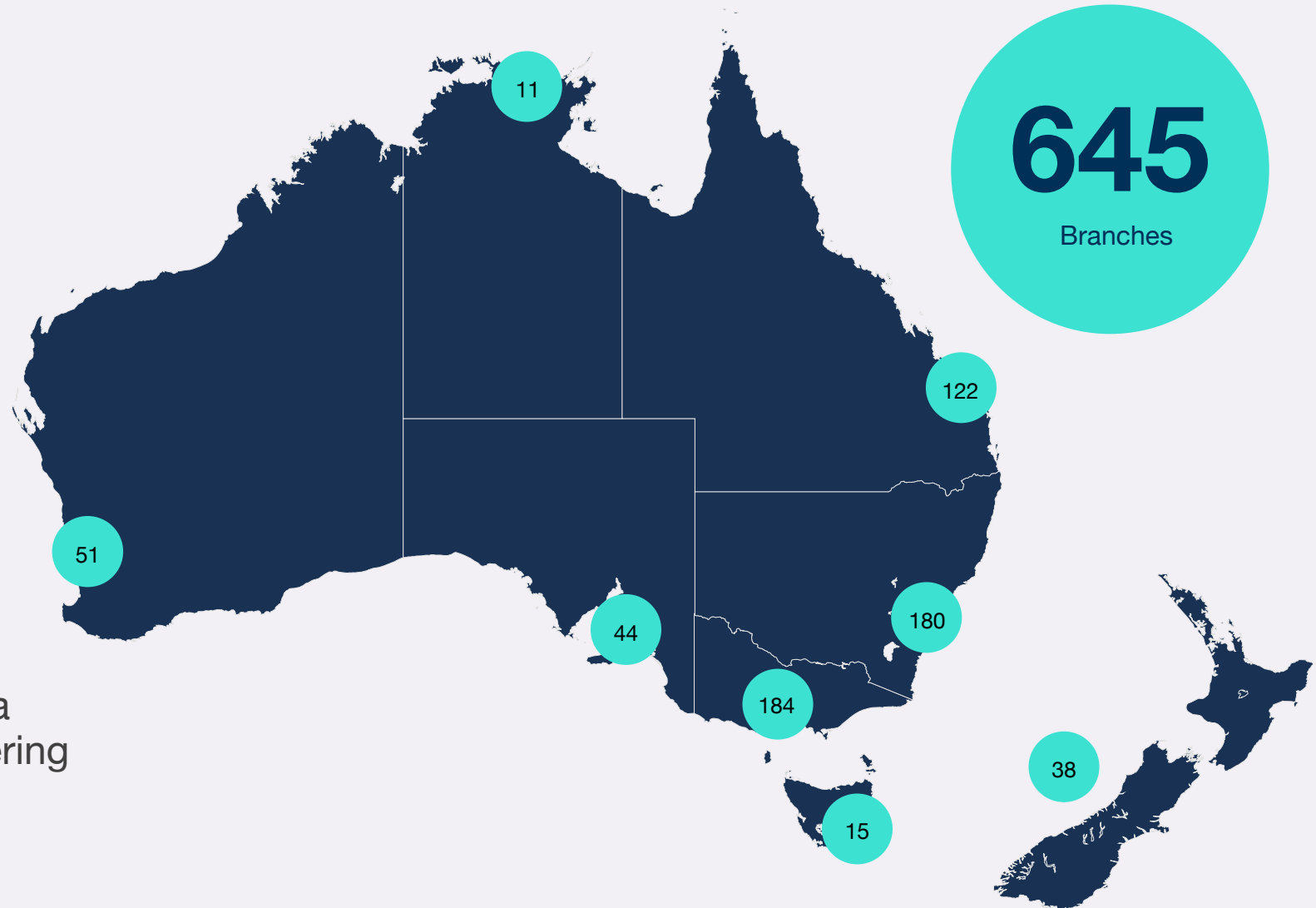
- Progressing innovation initiatives; focus on trade of the future
- New support centre - facilitate new ways of working
- Investment in future leaders

**2030  
Vision**



Brilliant Fundamentals

# Australia & New Zealand network



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



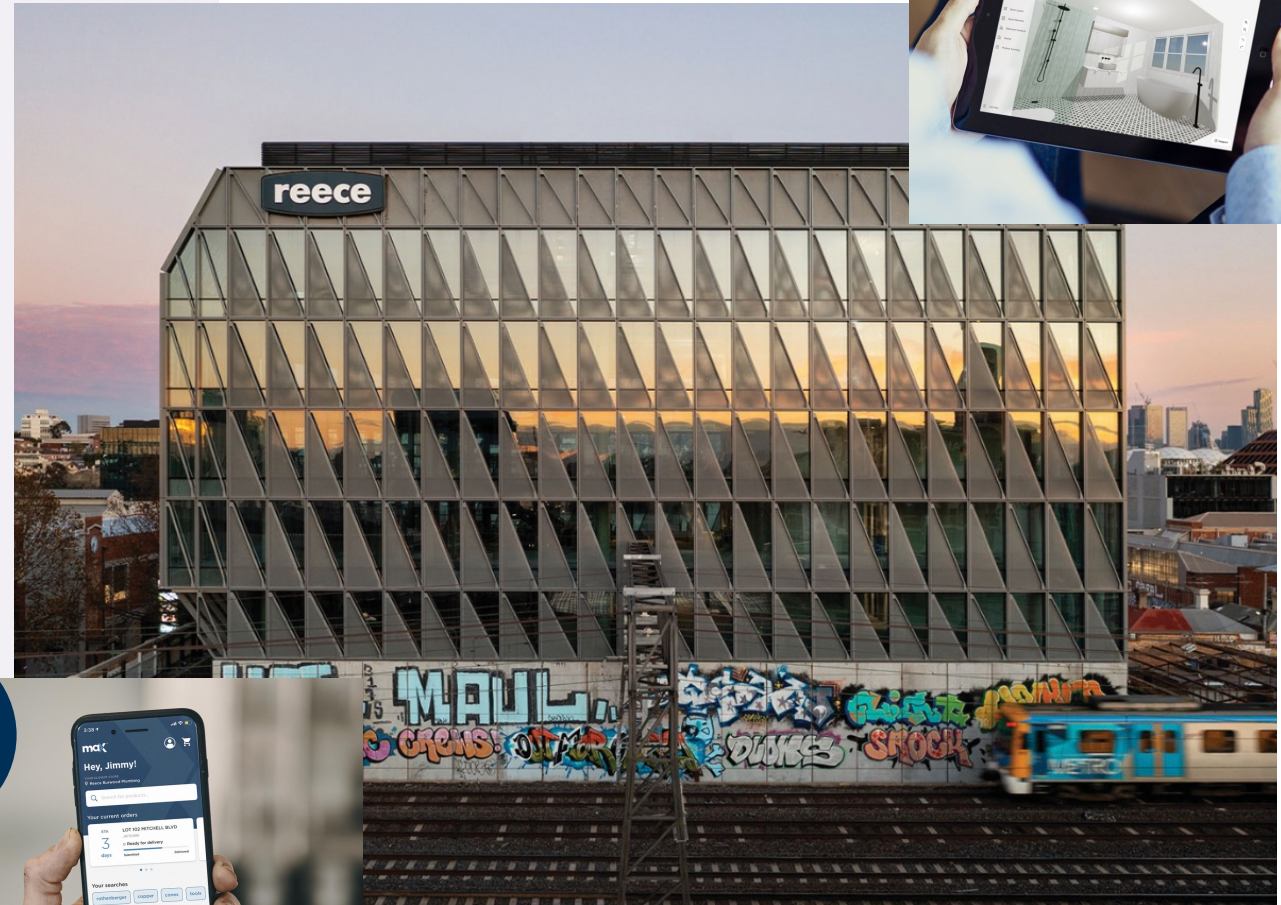
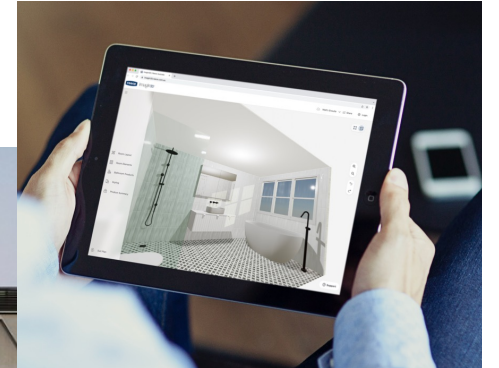
Delivering Innovation

# 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

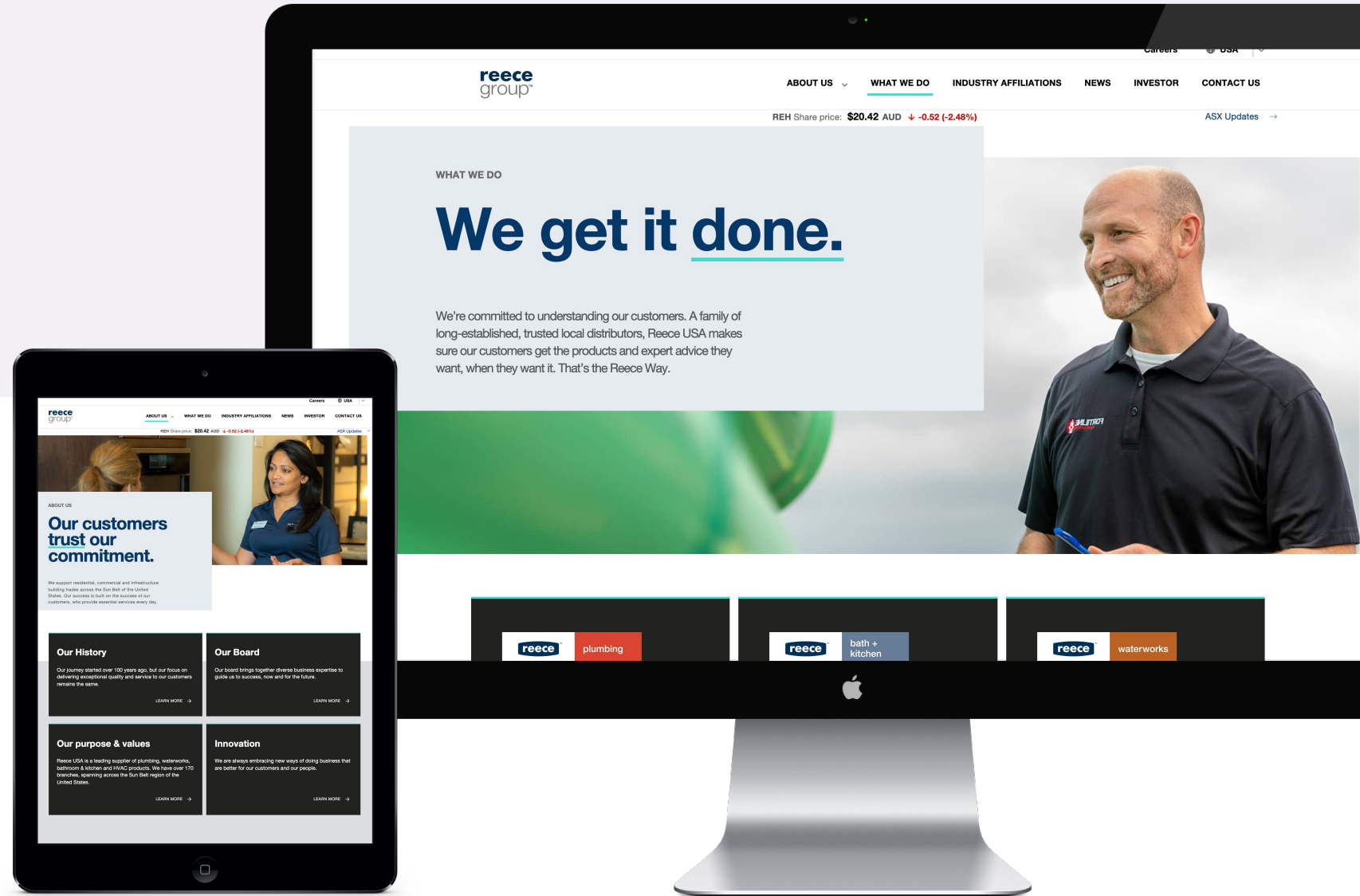


Investing for Growth

# 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

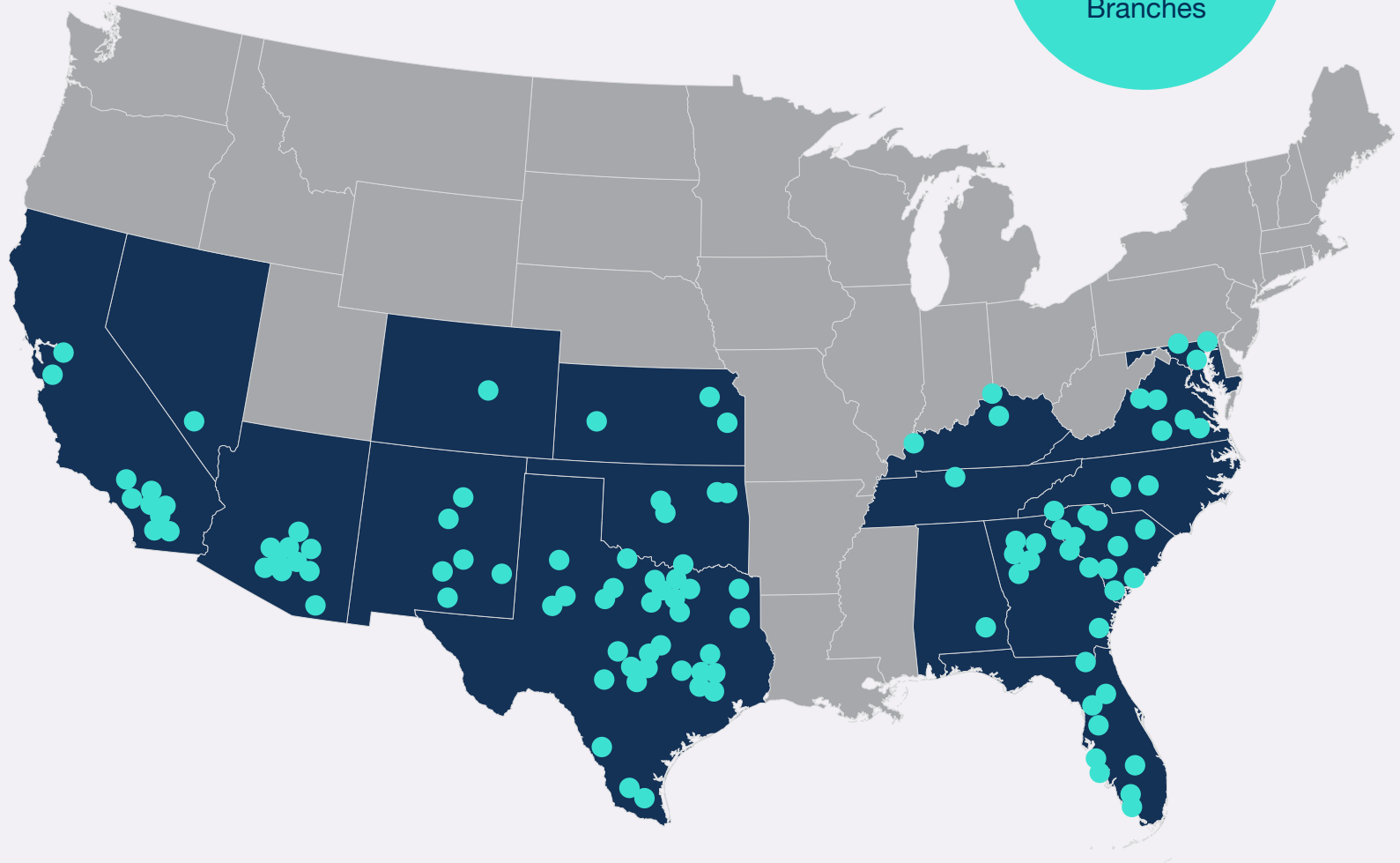


Investing for Growth

## US network

**204**

Branches





04

# 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

<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 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

<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)



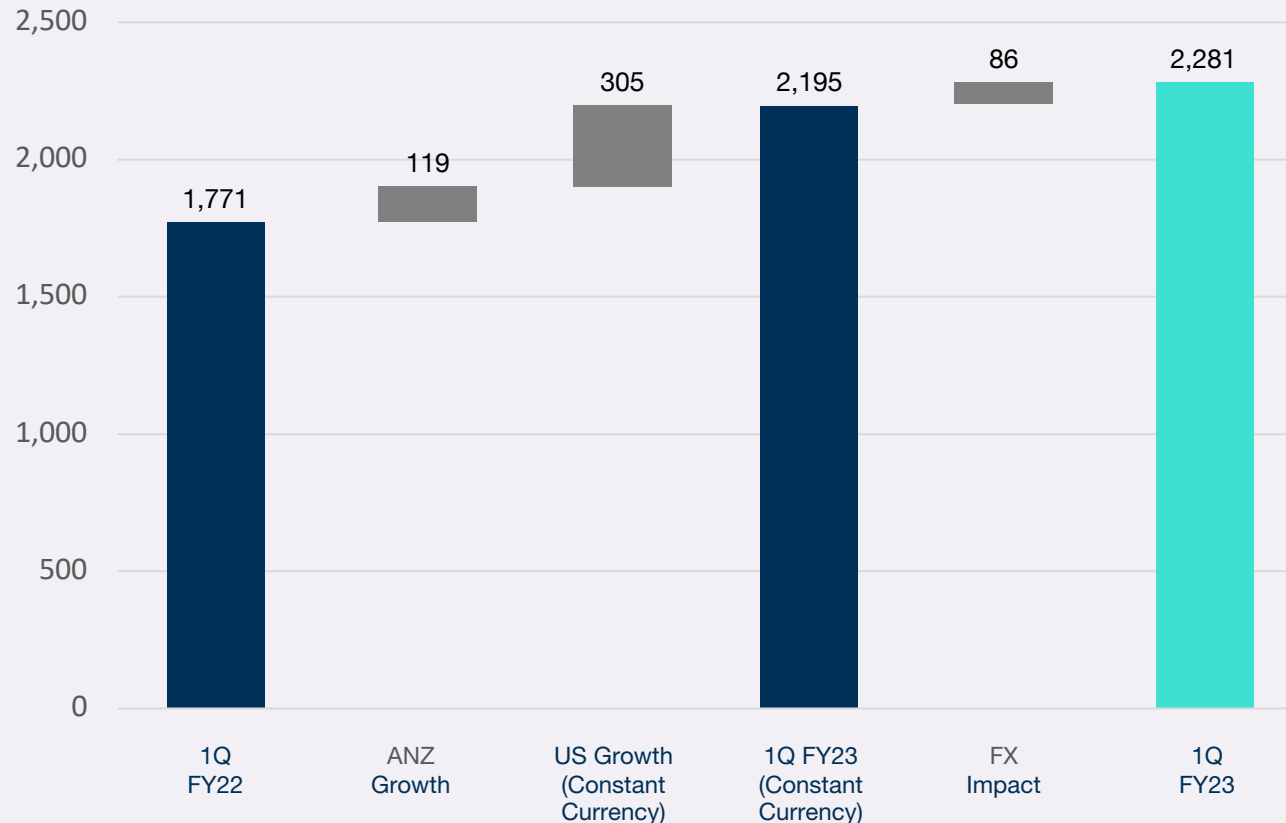
05

# 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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