ASX Announcement
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2022 AGM – Addresses to Shareholders

Attached for release is a copy of the addresses and presentation to be made at today's Reece Limited AGM.

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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.

2022 AGM – Addresses to Shareholders

Tim Poole, Acting Chair:

Good afternoon everyone.

On behalf of Reece Board and senior team, I would like to welcome you to the Reece Limited 2022 Annual General Meeting. Thank you for taking the time to attend our meeting and thank you for your interest in Reece. My name is Tim Poole and I am the Acting Chair of the Reece Limited Board.

I would like to begin by acknowledging the Traditional Owners of the various lands from which you are joining us. We acknowledge the Traditional Custodians of Country throughout Australia and their continuing connection to land, culture and community. I would also like to pay my respects to their elders, past, present and emerging. I extend that respect to Aboriginal and Torres Strait Islander peoples joining us here today.

Today's meeting is being held online via the Computershare platform and all attendees can view a live streaming of the meeting. In addition, shareholders and proxy's can ask questions and submit votes via the Computershare platform.

I am advised a quorum of members is present and I declare the 2022 Reece Annual General Meeting open.

The minutes of the previous AGM of the Company, held on 28 October 2021, were signed on 16 December 2021 as a true and correct record of proceedings. The notice of meeting was shared with all shareholders on 21 September 2022, and I will take this as read.

I will now introduce the members of the board. Joining the meeting in the room next door to us today are our directors; Alan Wilson, Bruce Wilson, Megan Quinn, Andrew Wilson. And they are joined by our Group CFO, Andrew Cowlishaw. In the studio with me are Peter Wilson, our Group CEO, and Chantelle Duffy, our Company Secretary.

I would also like to welcome our audit partners from KPMG, Bernie Szentirmay and Julie Carey, who are present and available to answers questions on the conduct of the audit of the Company's financial report for the year ended 30 June 2022 or the content and preparation of their audit report.

We are going to begin the meeting with some short presentations then go through the formal proceedings, which includes five resolutions.

Before we get to the presentations, I would like to briefly explain the procedure for voting and asking questions. The resolutions before the meeting today will be decided by a poll.

If you are eligible to vote, once voting opens press the vote icon and all resolutions will be activated with voting options. To cast your vote simply select one of the options. There is no need to hit a submit or enter button as the vote is automatically recorded. You will receive a vote confirmation notification on your screen.

In relation to questions, online attendees can submit questions at any time. To ask a question, select the Q&A icon. Type your question in to the text box. Once you have finished typing, please hit the arrow symbol to send.

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Please note that while you can submit questions from now on, I will not address them until the relevant time in the meeting. Please also note that if we receive multiple questions on one topic, we may amalgamate them together.

To ask a verbal question, please follow the instructions written below the broadcast. During the meeting, questions can be asked using the chat facility in the platform or, you can ask a question verbally. To ask a verbal question, please follow the instructions on the platform – where a telephone number will be provided. You can vote any time during the proceedings until voting is declared closed. You can also change your vote at any time throughout the proceedings until the voting is closed.

I now declare voting open on all items of business. I will give you a clear prompt later in the meeting to warn of the close in voting. Questions raised during the meeting will be addressed towards the end, prior to considering the resolutions.

If you have any difficulties voting or submitting questions, please consult the Computershare user guide which can be accessed within the platform or refer to the Notice of Meeting or on the Reece Group Investor website.

Chair Address – Tim Poole, Acting Chair:

Reece has continued to execute its long-term growth strategy and delivered a strong result in FY22.

Sales revenue was up 22% to $7.6 billion driven by demand and price inflation across all markets. Normalised EBITDA was up 16% to $838 million and net profit after tax increased by 37% to $392 million. The Board declared a final dividend of 15 cents per share fully franked, taking the total dividends in FY22 to 22.5 cents per share fully franked.

The Reece team has successfully navigated: the issues arising from the pandemic, supply chain constraints, inflation, staff shortages and natural disasters. I would like to take this opportunity to thank all our employees in Australia, New Zealand and the US for their resilience, commitment and contribution in what was again another extraordinary year.

I would also like to recognise and thank our Group CEO, Peter Wilson and his senior leadership team for continuing to execute Reece's long-term strategy and maintaining their focus on our customers, notwithstanding the challenging external environment.

A few weeks ago, Reece reached a major milestone when Alan Wilson announced he would transition from Executive Chairman to an Executive Director role. During my time on the Board, I have witnessed firsthand the way in which Alan embodies Reece's entrepreneurial spirit. From his humble beginnings, running a hardware business on the trade counter to opening his own hardware store - Austral - at 20 years old, Alan Wilson has been a supporter of Aussie tradies for over 60 years. After joining Reece in 1969, Alan was asked to serve as General Manager in 1970. As the business began to experience rapid growth, he went on to become Managing Director from 1974 until 2008, was appointed to the Board in 1969 and has been Executive Chairman since 2001.

In his transition to Executive Director, we have ensured a smooth transition and continuity on the Board and within the business. We are excited about the ongoing contribution Alan will be able to make, both as a Board member, and by continuing to share his expertise across the Reece network in an advisory role. On behalf of the Board, I would like to thank Alan for leading and chairing the Board for the last 21 years and for his enormous contribution.

We are progressing well in our process to find and appoint a new Independent Chair and remain committed to further expanding the Board with an additional independent non-executive director who will Chair our Audit and Risk committee. We are focused on completing these processes the Reece way, with a long term lens and a clear view of the skills and profile we need for our next stage of growth.

Cultural fit, skill set, experience and diversity will be important considerations in this process. This will result in the number of directors on the Board expanding from six to eight – four independent non-executive directors and four Wilson family directors.

This year we have also listened to the role our customers want us to play in sustainability and Peter will share more about our first Reece Sustainability Report shortly.

We know that the next few years will be challenging as the macro environment continues to be volatile and unpredictable. Our focus will be on servicing our customers, delivering our 2030 strategy and our vision to be the trades most valuable partner.

Tim Poole, Acting Chair:

I will now hand over to our Group CEO Peter Wilson and our Group CFO Andrew Cowlishaw, who will take you through the highlights in relation to the 2022 financial year and provide an update on trading during the first quarter of the 2023 financial year.

Peter Wilson, Group CEO:

Thank you and a very warm welcome to everybody

Today, we will take you through an overview of our FY22 results and our strategic priorities, a review of our operational highlights for the year, and an update on the first quarter of FY23 and the macro economic outlook. Please note for consistency, all figures are in Australian dollars, unless otherwise stated

FY22 was another year of external change and challenge. We continued to navigate issues from constrained supply chains to disruptive weather events, ongoing COVID impacts, high demand and high inflation.

Our approach was to focus on the fundamentals of looking after our team and delivering our customer promise. We did this while continuing to invest to improve our business for the future.

Our customers, and our network were busier than ever. I am very proud of how our team withstood these constraints and I want to thank them for all their hard work. This environment translated into a strong result for Reece.

Sales were up 22% on the prior year to $7.7 billion as we saw strong demand across all regions and a significant inflation tailwind driving growth. ANZ sales were up 12% and US sales were up 33% in Australian dollars, or 28% on a US dollar basis. Normalised EBITDA for the period was up 16% to $838 million. Net profit after tax was up 37% to $392 million, boosted by a significant tax credit in the US. The Board declared a final dividend of 15 cents per share, bringing total dividends to 22.5 cents per share.

In short, this was a strong result driven by the market conditions and supported by our resilient business model and strong execution.

Turning now to our focus. We are a purpose and values led organisation and our blueprint guides what we do across all areas of our business. Our 2030 vision is to be the trade's most valuable partner. We are bringing this vision to life through our three strategic priorities.

The first is being brilliant at the fundamentals of trade distribution. We cannot achieve our vision unless we are the best at the basics. The second is investing for growth – like we've always done, continuing to invest in our business for the long term. And finally, staying ahead of our customer's needs through our innovation approach. And all of this comes together through the delivery of our customised service promise.

Now before we look at our progress under our strategic priorities in FY22, we'd like to take a moment to talk about our sustainability approach. For over 100 years our success has been driven by our focus on the long term, and by building a business that is one step ahead of our customers' needs.

We've intentionally taken the same approach to define our sustainability strategy, which is published in our first report today. Our approach has three areas of focus; building a sustainable business, empowering the trade, and creating resilient communities. As the world around us changes, our customers are increasingly looking to us to guide the way.

We know we have a lot to learn, and we are committed to engaging with stakeholders to collectively strengthen our approach and to publish our progress annually. We are also making a commitment to reduce our environmental footprint and to achieve Net Zero by 2040.

Through our culture of continuous improvement, we will increase efficiency, expand our use of renewable electricity and explore new technologies to decarbonise. I'd now like to play a short video summarising our approach in more detail.

[VIDEO PLAYS]

Turning to our achievements in FY22. In ANZ we continued to progress a wide range of 'brilliant fundamentals' activity while investing and driving innovation forward. As our network and customers remained at capacity, focusing on the basics of trade distribution was critical. We looked for ways to give our branches and customers time back in their day and continued to invest in the network to uphold standards.

On the innovation front we also made good progress. We moved to our new support centre, called The Works, in April, and delivered a range of other initiatives.

Before we look at these in more detail, I want to flag that I will be stepping back in as ANZ CEO, in addition to my Group CEO role, as Marius Vermeulen has resigned due to personal circumstances. We have started an external search to find his replacement and will take our time to find the right candidate.

Turning to look at some of the activity in our ANZ business this year in a little more detail. In the high demand, high disruption environment that we've already outlined, our network density in ANZ remained a competitive advantage. It enabled us to take a flexible approach to directing our resources effectively, allowing us to deliver our customer proposition despite a high level of absenteeism and supply chain disruptions. We continue to invest in the network, opening three new stores during the period, taking the total to 645, and delivering 33 refurbishments over the course of the year.

On the innovation front, we continue to focus our efforts on the trade of the future. As I mentioned, this year we moved into our new support centre in Cremorne, Melbourne. The building is a strategic investment to help us attract and retain talent, facilitate new ways of working, inspire collaboration and deliver innovation for our customers.

An example of the type of innovation we want to keep driving was the launch of our new 3D bathroom planner. The planner, called Imagin3D, helps customers bring their vision to life with quality bathroom renders, and we will see a bit more about this in a short video later.

And we kept innovating in the digital space to support our customers' needs. Across maX, our customer facing digital platform, we continue to improve the customer experience, and new services like Fieldpulse have been rolled out to save customers time and help them grow their business. Across the board, we are challenging ourselves to stay one step ahead of our customers' needs.

Now turning to our US business. Before we look at FY22 specifically, I wanted to take a minute to reflect on where we are four years on from the acquisition of MORSCO. In 2018 we outlined what we saw as a significant opportunity to secure a foothold in a large and growing market, through a business model that we knew and understood.

Four years on, the rationale for the acquisition is still intact – we believe this is proving to be a highly strategic platform in an attractive and growing region. So, despite all the external challenges that we've had to navigate, the business is on track and the opportunity remains.

And with the significant work the team have done since acquisition, we have reached another milestone of moving to a single Reece brand in the US. This symbolic move is an acknowledgement that we are approaching the moment when our customer promise can be delivered in the US market. This began with the Reece corporate brand launch during the year and is now progressing to rebranding the network over the next few years, starting in California in January.

Looking now at the activity under our strategic priorities, we continued to deliver a wide range of brilliant fundamentals initiatives. We have a program of operational upgrades, network expansion, building out training and development programs, and launched our US online offer through our maX platform this year. We are starting to see the benefit of this work and will continue investing to build a sustainable long term business.

Turning to look at our network in particular, we have a multi-pronged strategy to upgrade and improve our existing network, and to roll out new stores in refreshed formats across our business units. We see an opportunity to deliver a differentiated proposition in the more resilient R+R market that we are exposed to in ANZ. We rolled out nine new branches this year, refurbished eleven and completed a small bolt on acquisition. We have a clear pipeline for organic growth in FY23 and anticipate the rate of new stores will land around 10-15 a year.

I will now hand over to Andrew to go through our financial results for FY22 in more detail.

Andrew Cowlishaw, Group CFO:

Thank you Peter.

The ANZ region delivered a solid result, but remained impacted by COVID related lockdowns and construction restrictions during the first HY. Sales revenue for FY22 was up 11.5% to $3.5 billion. From a quality of earnings perspective, its is important to note that we experienced product inflation across our range of 9% during the period.

Normalised EBITDA was up 4.8% to 526 million, and EBIT increased 4.2% to 398 million. Normalised EBITDA margin decreased 90 basis points for the year, and this is inclusive of BAC income (a government incentive scheme) and the costs of our December 2021 debt re-finance. These two items are non recurring and therefore are excluded in the calculation of Adjusted EBITDA.

Adjusted EBITDA margin experienced a 150 basis point compression. This was primarily a function of higher employee numbers and wage inflation, together with a deliberate strategy to invest in supply chain, innovation and marketing.

We remain cautious on the outlook for the ANZ region, and as such were prudent in assessing inventory valuation and accounts receivable.

The US region produced a very strong performance for FY22, with record results being achieved across the majority of our markets.

Sales revenue of $4.1 billion was up 33%. On a constant currency US Dollar basis, the region was up 28%. It is important to note that product inflation was significant and the average inflation for our US business was estimated to be circa 20% for the year.

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Although diminished, COVID-19 continued to impact our US operations, through supply chain disruptions, staff shortages and illness. Operating expenses in the US have increased driven by additional head count, wage inflation and inflation across other components of our costs of doing business.

Normalised EBITDA was up 42.5% to 312 million and EBIT was up 63% to 181 million. Notwithstanding the higher operating expenses, the US region was able to increase its Normalised EBITDA margin by 50bps.

In line with the approach taken in the ANZ region, the US region were also prudent in assessing inventory valuation and accounts receivable.

I will now hand back to Peter.

Peter Wilson, Group CEO

Thanks Andrew.

Moving now to the Q1 update. Sales for Q1 have been strong, reflecting ongoing inflation and demand.

We have continued to see growth in both regions, with ANZ sales revenue up 14%, US sales revenue up 33% on a constant currency basis and Group sales revenue up 29%. Inflation remained persistent at 12% in ANZ and approx. 25% in the US compared to the same quarter last year.

Looking ahead, we anticipate gradual moderation in inflation. Volumes have begun to contract since September in both regions. We see softening demand continuing into the second half.

We are focused on cost control, while maintaining our long-term focus and our commitment to invest through the cycle to build a stronger business.

Taking a step back, we think our business is well placed to navigate the complexity of the external setting. Firstly, we are a trusted brand with a clear customer proposition. Secondly, we have a track record of delivering a sustainable level of profitability through the economic cycle. We are a more diversified business than ever before, and we are operating in what we think are the two of the most attractive geographic regions in the current environment. Finally, we have a strong balance sheet to fund our long-term focus on investing to build a stronger business.

In summary, we delivered another strong result in FY22 driven by the positive external setting and execution by the team. We believe we are well placed to manage the external environment in FY23, always maintaining our long term focus and investing to deliver our 2030 vision.