

ASX Announcement

22 February 2023

HY23 Investor Presentation

Attached for release is Reece Limited's results presentation for the 6 month period ended 31 December 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.



Works for you.

Half Year Results 2023

6 months ended
31 December 2022



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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

Group Chief
Executive Officer



Andrew Cowlshaw

Group Chief
Financial Officer

What we'll share today

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**HY23
overview**

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overview**

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Summary

Financial overview

Strong first half driven by inflation in softening volume environment

**Sales
Revenue**



up 23%
to \$4.4b

**Normalised
EBITDA¹**



up 25%
to \$495m

EBIT



up 18%
to \$325m

NPAT



up 18%
to \$186m

EPS



up 18%
to 28.8 cents

ANZ

Sales Revenue up
11% to \$1.9b

US

Sales Revenue up
34% to \$2.5b*

Net leverage ratio²

1.2x

HY23 dividend

8 cents
per share

*Expressed in Australian dollars. US sales revenue up 23% to \$1.7b in US dollars
All Group definition footnotes included on slide 30

01

Strategy recap



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

-  Operational Excellence
-  Accelerating Innovation
-  Investing in Profitable Growth

Deliver Customer Promise

Customised service

Strategy positions Reece for long term success

1

A trusted brand
with a differentiated
customer proposition

2

Clear track record
100 years of growth
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 a
stronger business

6

Well capitalised
strong balance sheet to
support investment

Operational Overview

ANZ



Ongoing resilience in complex environment

ANZ



Operational Excellence

- Ongoing focus on being brilliant at the fundamentals
- Continued resilience facing supply chain and weather challenges; strong in-stock position
- Strong NPS score: proposition continues to resonate with customers
- ANZ CEO appointment



Accelerating Innovation

- Progressing innovation initiatives; focus on trade of the future
- Ongoing focus on enhancing and digitising customer experience, and lean path to market
- Focus on productivity uplift



Investing for Profitable Growth

- Network upgrades; store refurbishment program

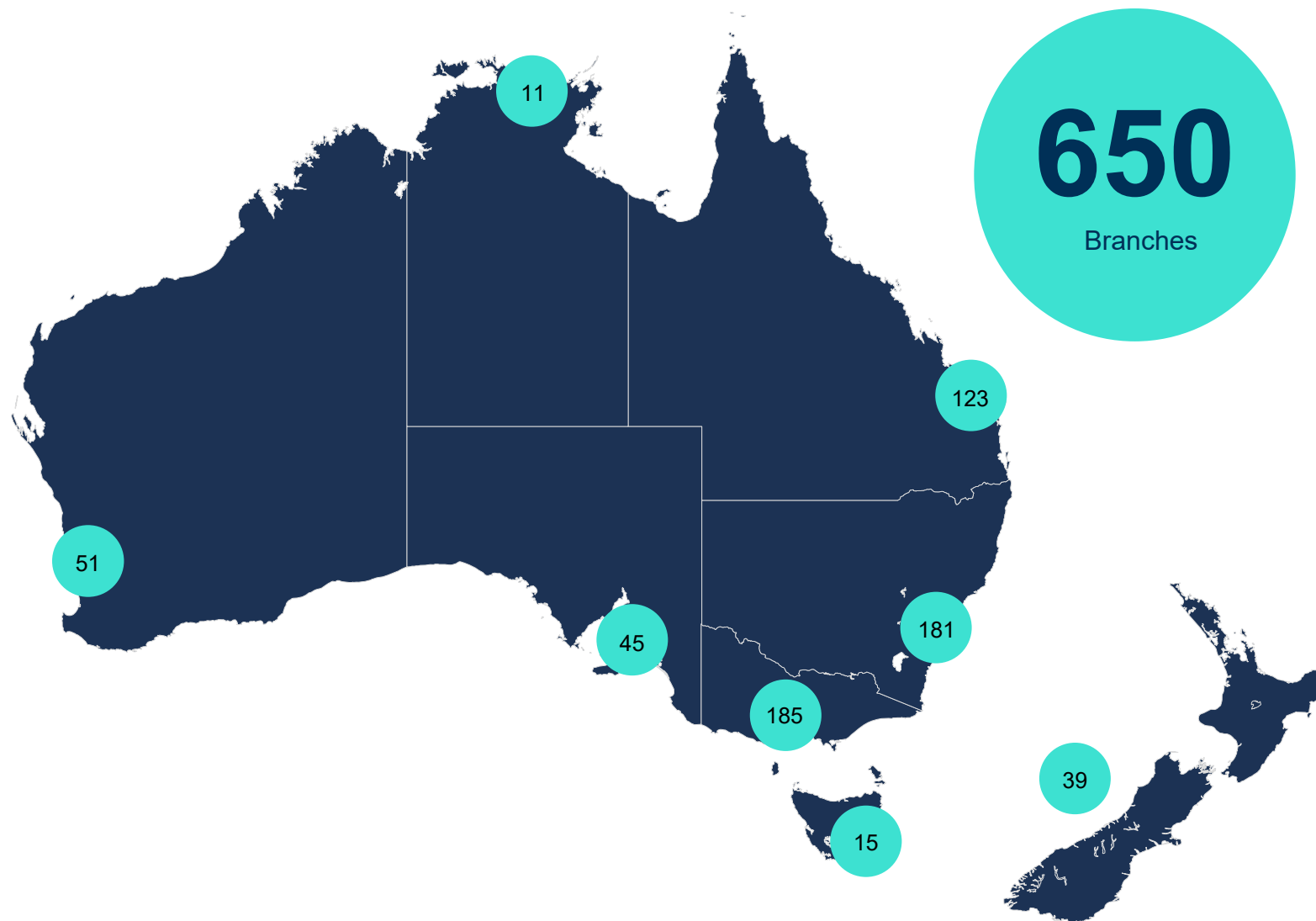
**2030
Vision**



Investing for
Profitable Growth

ANZ network of scale

Network density enables
delivery of our customer
promise





Operational Excellence

Customer at the core

World-class NPS of 60

Feedback continues to
reinforce importance of
our customer focused
approach



ersonal use only



Operational Excellence

**Strong in-stock
position for customers**

98.5%



Operational Overview US



Continued execution of long-term strategy

US



Operational Excellence

- Embedding culture, building out training and development program
- Focus on attracting and developing talent
- Ongoing continuous improvement upgrades



Accelerating Innovation

- Investing in digitising customer experience



Investing for Profitable Growth

- Progressed network investment program (refurb, new stores, rebranding program, bolt-on M&A)

**2030
Vision**



Investing for
Profitable Growth

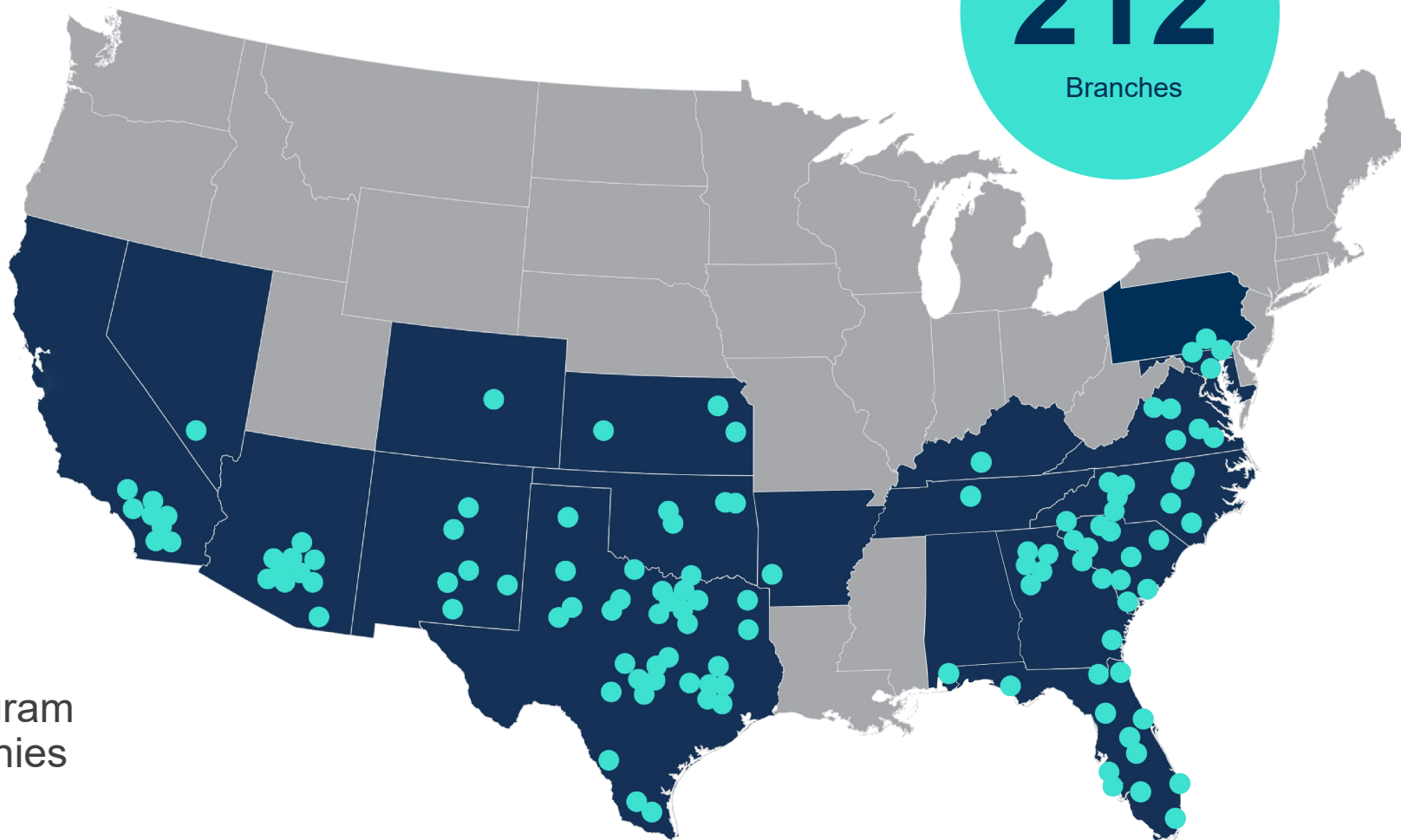
Building our US footprint

Brand rollout commenced
West coast

Refurb and new branch program
progressing across geographies

212

Branches





Investing for
Profitable Growth

Reece brand roll out commenced

Local Reece
presence a symbolic
milestone

California branches
now trading as Reece



02

HY23 Financial performance



Financial highlights

**Sales
Revenue**



up 23%
to \$4.4b
from \$3.6b

**Normalised
EBITDA¹**



up 25%
to \$495m
from \$397m

EBIT



up 18%
to \$325m
from \$275m

NPAT



up 18%
to \$186m
from \$157m

EPS



up 18%
to 28.8 cents

**Half
year
dividend**

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



**Normalised
EBITDA¹ margin**

up 14bps
11.2%
from 11.0%



**Net
leverage
ratio²** 1.2x

Adjusted metrics: EBIT, NPAT and EPS slide 29
All Group definition footnotes included on slide 30

ANZ performance

- Sales up 11% driven by 11% estimated product inflation in HY23
- Volumes softened progressively over HY23, contracting ~2% in Q2 vs. pcg
- Normalised EBITDA¹ up 18%
- EBIT up 6%
 - Goodwill impairment of \$29m
- Normalised EBITDA¹ margin up 82bps
 - BAC income³ in HY23 \$7m (HY22: \$8m)
 - No BAC income³ expected in FY24

HY23 31 December 2022 (AU\$m)	1HY23	1HY22	Var. %	2HY22
Sales revenue	1,928	1,733	↑ 11%	1,785
Normalised EBITDA ¹	293	249	↑ 18%	277
EBIT	198	186	↑ 6%	212
Normalised EBITDA ¹ margin	15.2%	14.4%	↑ 82bps	15.5%

US performance

- Sales up 23% on USD basis driven by 22% estimated product inflation in HY23
- Volumes softened progressively over HY23, contracting ~6% in Q2 vs. pcg
- Normalised EBITDA¹ margin up 15bps
 - Sales growth > opex growth
- Favourable foreign currency impact to sales \$205m

USD

HY23 31 December 2022 (US\$m)	1HY23	1HY22	Var. %	2HY22
Sales revenue	1,678	1,364	↑ 23%	1,622
Normalised EBITDA ¹	136	108	↑ 26%	118
EBIT	85	65	↑ 31%	66
Normalised EBITDA ¹ margin	8.1%	7.9%	↑ 15bps	7.2%

AUD

HY23 31 December 2022 (AU\$m)	1HY23	1HY22	Var. %	2HY22
Sales revenue	2,500	1,867	↑ 34%	2,269
Normalised EBITDA ¹	202	148	↑ 36%	164
EBIT	127	89	↑ 43%	92
Normalised EBITDA ¹ margin	8.1%	7.9%	↑ 15bps	7.2%

Cashflow


- Improved operating cash flows
- Strategic investment in inventory
- Invest through the cycle
 - Branch refurbishment and new stores, fleet, technology
 - Bolt-on acquisitions
- Reduction in finance costs under new facility
 - Anticipate increase in interest expense on debt and borrowings in 2HY23

HY23 31 December 2022 (A\$m)	HY23	HY22
Normalised EBITDA ¹	495	397
Net movements in working capital (incl. FX)	(186)	(348)
Non-cash items in normalised EBITDA ¹	8	7
Income tax paid	(90)	(88)
Finance costs	(24)	(42)
Lease interest paid	(15)	(10)
Cash inflow / (outflow) from operations	188	(84)
Capital expenditure	(88)	(87)
Proceeds from sale of assets	7	3
Dividends paid	(97)	(78)
Cash inflow / (outflow) before acquisitions and repayment of borrowings	10	(246)
Business acquisitions/ investments	(49)	(72)
Net repayment of borrowings (including leases)	(42)	(398)
Net decrease in cash	(81)	(716)
Free cash flow⁴	↑ 146	(102)

Disciplined approach to capital management

- Investment in organic growth
- Strategic M&A
- Balance sheet efficiency
- Dividends

HY23 31 December 2022	HY23	FY22
Net leverage ratio ²	1.2x	1.2x
Available liquidity ⁵	\$375m	\$520m
Net debt	\$987m	\$870m
Return on capital employed ⁶	14.5%	13.3%

HY23 31 December 2022 (A\$m)	HY23	FY22
Cash	142	220
Trade and other receivables	1,293	1,368
Inventories	1,575	1,528
Other current assets	-	7
Total current assets	3,010	3,123
PPE and leases	1,496	1,493
Intangible assets	1,906	1,906
Other non-current assets	90	85
Total non-current assets	3,492	3,484
Trade and other payables	988	1,216
Other current liabilities	246	244
Total current liabilities	1,234	1,460
Interest bearing liabilities	1,129	1,090
Other non-current liabilities	713	736
Total non-current liabilities	1,842	1,826
Net assets	3,426	3,321
Net tangible assets ratio	 2.29	2.14

05

Outlook and summary



Expect ongoing macro softening in FY23

Anticipate volumes to contract further in 2H23

Disciplined approach to costs while continuing to invest in the business

Long-term fundamentals supporting our markets remain attractive

Resilient business model and long term approach to deliver 2030 vision

Summary



**Strong
Result**



**Long-term
Focus**



**Investing for
the Future**

ersonal use only

reece
group™

Appendix & supplementary information

Adjusted metrics

Reconciliation from Statutory EBIT to Adjusted EBIT

HY23 31 December 2022 (A\$m)	HY23	HY22	Var. %
EBIT (statutory)	325	275	
Add back:			
BAC income	(7)	(8)	
Impairment	29	-	
Adjusted EBIT	347	267	↑ 30%

Reconciliation from Statutory EBIT to Normalised EBITDA

HY23 31 December 2022 (A\$m)	HY23	HY22	Var. %
EBIT (statutory)	325	275	
Add back:			
Depreciation and amortization	141	122	
Impairment	29	-	
Normalised EBITDA	495	397	↑ 25%

Reconciliation from Statutory NPAT to Adjusted NPAT

HY23 31 December 2022 (A\$m)	HY23	HY22	Var. %
NPAT (statutory)	186	157	
Add back (tax effected):			
BAC income	(5)	(6)	
Impairment	29	-	
Debt refinancing costs	-	13	
Adjusted NPAT	210	164	↑ 28%
Adjusted EPS (based on adjusted NPAT)	32.5 cents	25.4 cents	↑ 28%

Group definitions

1	Normalised EBITDA	EBITDA adjusted to exclude impairment, business acquisition costs and refinance costs (as reported in note 2 of the Interim Financial Report)
2	Net leverage ratio	Net borrowings over 12-month rolling EBITDA, calculated on a pre-AASB16 <i>Leases</i> basis
3	BAC income	Income from Boosting Apprenticeship Commencements government incentive scheme
4	Free cash flow	Normalised EBITDA ¹ less net movements in working capital, income tax paid and lease payments
5	Available liquidity	Cash plus headroom on the Group's available facilities at period end
6	Return on capital employed	12-month rolling adjusted EBIT (refer to slide 29 for calculation) as a percentage of shareholders equity plus net debt

FX impact on sales

