

ASX Announcement

26 October 2023

2023 Annual General Meeting Addresses

Attached for release are the 2023 AGM addresses and presentation made today 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.

Chair Address – Tim Poole

Good morning. Reece has continued to execute its long-term growth strategy and delivered a strong result in FY23.

SLIDE: Financial highlights

Sales revenue was up 16% to \$8.8 billion driven by product price inflation and moderating demand across all markets. Normalised EBITDA was up 16% to \$975 million and statutory net profit after tax decreased 1% to \$388 million, noting adjusted net profit after tax increased 11% to \$405 million.

The Board declared a final dividend of 17 cents per share fully franked, taking the total dividends in FY23 to 25 cents per share fully franked.

SLIDE: Reece team

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.

SLIDE: Chair transition and Board Update

Since speaking to you last year, we have announced Peter's long-term commitment to leading Reece. Peter will move to become the Executive Chair of the Reece Limited Board in coming years. In the interim, I have accepted the role of Chair of the Board.

Many of the best family-controlled businesses around the world adopt a different model that allows them to benefit from the long-term view that inter-generational leadership enables. We believe Peter becoming Executive Chair in the future is the right solution for Reece. It allows Peter to continue to play an active role in leading the business for many years to come, provides stability and continuity, and will protect Reece's strong customer-focused model.

We are committed to expanding the Board in due course with an additional independent non-executive director who will Chair our Audit and Risk committee and we hope to be able to announce this appointment before the end of 2023.

Our long-term approach has shown we can manage through economic cycles, we will continue to focus on servicing our customers, delivering our 2030 strategy and our vision to be the trades most valuable partner.

I will now hand over to our Group CEO Peter Wilson who will take you through the highlights of the FY23 financial year and provide an update on trading during the first quarter of FY24.

CEO presentation – Peter Wilson

Good morning, and thank you for joining us for our 2023 AGM.

SLIDE: Agenda

Today we will take you through:

- An overview of our strategy and our operational highlights for the year

- A recap on our FY23 performance
- And an update on Q1 trading for FY24

SLIDE: Reece blueprint

As we have outlined previously, our Blueprint guides what we do across all areas of our business. We are a purpose and values led organisation, and our 2030 vision is to be our trade's most valuable partner.

Our 3 strategic priorities help bring our vision to life. Each of these elements come together to help us deliver our promise of customised service.

SLIDE: Operational update

We made good progress operationally in FY23.

After a couple of years of trading at peak levels, we took the opportunity to go back to basics by focusing on our customers and our people. We doubled down on core programs like selling skills which are fundamental to our business and enable the continued success of the Reece model. We also continued our focus on attracting and retaining talent, and rolling out new development programs. You'll hear a little more about this later in the session when we share a video on our US grad program. And we maintained our focus on strengthening our customer service proposition – both for today and in the future.

SLIDE: Our network

Turning to our network, we now have over 850 branches across 3 countries. In ANZ, our network density remains a competitive advantage, enabling our market leading position and helping us deliver our customer promise. We continued to invest in the network during the year, opening 9 new branches, acquiring 3, and completing 21 refurbishments.

And in the US, we continue to upgrade and improve our existing network and roll out new branches in refreshed formats. This year we opened 15 new branches and refurbished 10, with a positive customer response. We also made a strategic acquisition of a small 12 branch refrigeration wholesaler in Texas. We continue to see a sustainable rate of growth being around 10-15 branches per year.

And finally, we began rolling out the Reece brand, with our California network now trading as Reece and the rollout progressing across other states.

SLIDE: Five years in the US

It's worth taking a moment to reflect on our journey so far in the US. Since we acquired the business 5 years ago, the team have begun to uplift all aspects of the business.

Some of this is very visible: the physical upgrade of branches, the expansion of our network and the rolling out of the Reece brand. But equally important is hiring, training and developing a team who understand and embody the Reece way, and are ready to deliver our customer promise. We've more than doubled our senior branch team, who are setting the standard for serving our customers every day. There's still a long way to go, but 5 years in, we feel we are making good progress.

SLIDE: Group performance

Now turning to look at our financial performance in FY23. We achieved sales revenue of \$8.8 billion and adjusted EBIT of \$668 million, a result we are really proud of in the context of ongoing macro challenges. Over the past 5 years, we have continued to benefit from our long-term lens and disciplined operational culture. This has helped us to increase our return on capital employed by 200 bps to 15.3% this year, the highest level since the acquisition of our US business in 2018.

SLIDE: Financial highlights

Turning to look at FY23 in more detail. Sales were up 16% to 8.8 billion, and 11% on a constant currency basis. In ANZ, sales were up 10% to \$3.9 billion, and in the US, sales were up 12% to 3.3 billion in US dollars. In both markets we saw product inflation and demand moderate throughout the year as conditions in our end markets became more challenging.

Adjusted EBIT increased 19% to \$668 million for the year and adjusted Net Profit After Tax was up 11% to \$405 million. We closed the year with a strong balance sheet, with net debt down to \$725m and our net leverage ratio under 1x. The Board declared a total dividend in FY23 of 25 cents per share.

SLIDE: Q1 FY24 sales

Moving now to an update on the first quarter of trading for FY24. Q1 sales were up 3% to 2.4 billion, up 1% on a constant currency basis.

ANZ sales were up 3%, with inflation continuing to moderate but broadly in line with the fourth quarter of FY23. We also saw residential backlogs and project activity supporting trade slightly ahead of our expectations. In the US, sales were flat on a US dollar basis. This was impacted, as expected, by the slow down in residential end market demand and a reduction in product cost inflation.

Combined, our Q1 performance is slightly better than we had anticipated, but the outlook remains challenging in the second half. We expect product inflation to continue to moderate. And with labour markets still strong, we anticipate cost inflation pressure continuing. And finally, our end markets remain challenging in the current economic setting.

SLIDE: Summary

Our focus remains on the long term. By delivering our customer promise and continuing to invest, we know we will be able to emerge from a cyclical downturn as a stronger business. In summary, we delivered another strong FY23, and believe we are well placed to continue managing a softening external environment. As ever, we will maintain our long-term focus and continue investing to deliver our 2030 vision.



Works for you.

Reece Group AGM 2023

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. Group definitions are included in the appendix and supplementary information at the end of the presentation.

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. Any discrepancies in the calculation of percentage movements in financial amounts from one period to another are due to rounding.

Chair's Address

Tim Poole

Financial highlights

**Sales
Revenue***



up 16%
to \$8.8b

**Normalised
EBITDA¹**



up 16%
to \$975m

**Statutory
NPAT**



down 1%
to \$388m

**Adjusted
NPAT**



up 11%
to \$405m

Final dividend
17 cents per share,
fully franked

Total dividend
25 cents per share,
fully franked

*Group sales revenue up 11% on a constant currency basis⁴
Statutory NPAT and Adjusted NPAT calculated on Appendix 1
Group definition footnotes included in Appendix 2



Thank you to all our employees in Australia,
New Zealand and the United States of America.



Chair transition and Board update

- Peter Wilson will move to Executive Chair in coming years.
- Provides stability and continuity, while playing active role in business.
- Committed to expanding the Board to add an independent director who will Chair our Audit and Risk Committee.



Group CEO's Address

Peter Wilson

Agenda

01

**Strategy and
operational recap**

02

**FY23 financial
performance
recap**

03

**Q1 FY24
update**

02

Strategy & operational 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 our trade's most valuable partner

Execute Strategic Priorities



Operational Excellence



Accelerating Innovation

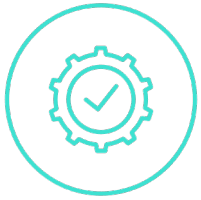


Investing for Profitable Growth

Deliver Customer Promise

Customised service

Strong FY23 operational execution under strategy



Operational Excellence

- Ongoing focus on being brilliant at the fundamentals, continuous improvement initiatives, delivery of customer promise
- Attracting talent, developing leaders and embedding US culture an ongoing priority



Accelerating Innovation

- Progressing innovation initiatives; focus on trade of the future
- Ongoing drive to enhance and digitise customer experience
- Lean path to market



Investing for Profitable Growth

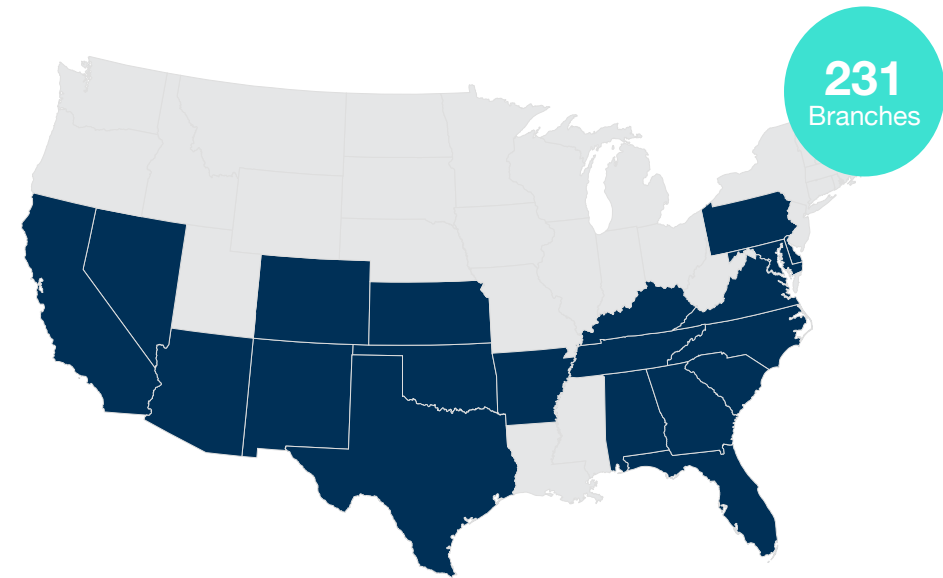
- US store rollout and Reece rebrand progressing at pace
- Bolt-on M&A
- ANZ network upgrades and non-plumbing network expansion

**2030
Vision**

An established and growing network



Market leader, leveraging network density to deliver customer promise.



Roll out progressing at pace, growth platform for the long term.

Five years in the US

80%

USD sales revenue growth*



3.1x

EBIT growth**



~35%

branch network growth



~125%

senior branch team growth



~30%

team growth



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bolt-on acquisitions



reece

commenced brand roll-out



max

launched



2030

Our
trade's
most
valuable
partner

*Revenue growth calculated from FY19 (first year post-acquisition) to FY23.

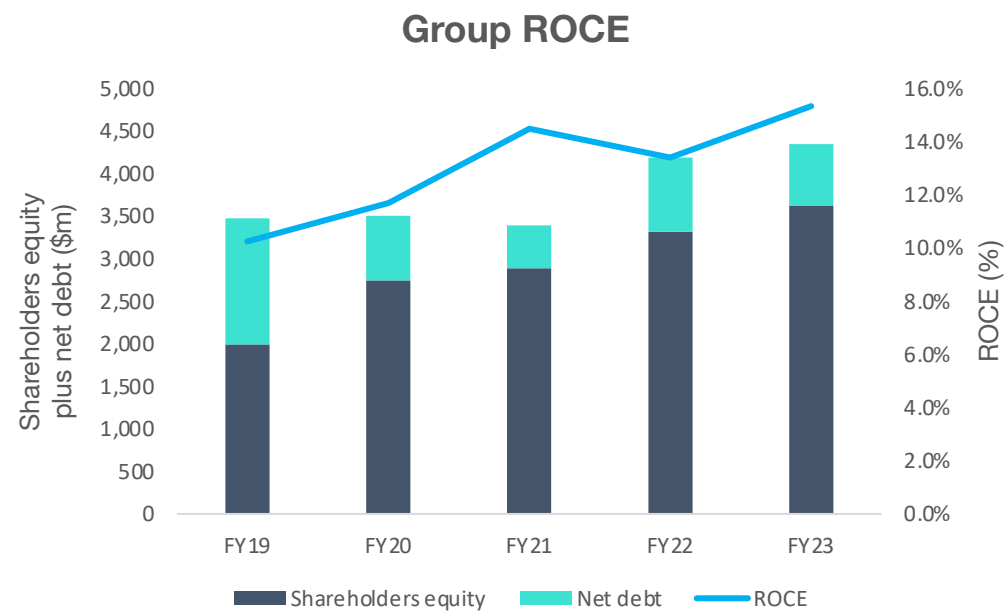
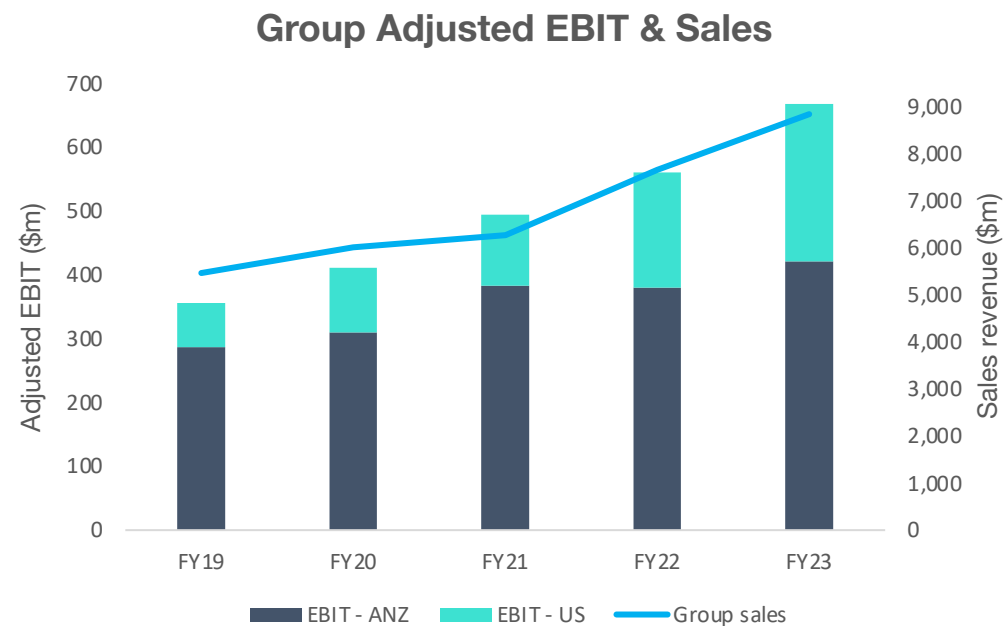
**EBIT growth calculated from FY19 to FY23, on a pre-AASB16 basis.

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FY23 financial performance recap



Group performance



Return on capital employed ("ROCE") definition included in Appendix 2

Solid growth in Group sales, EBIT and ROCE while navigating macro challenges

Financial highlights

**Sales
Revenue***



up 16%
to \$8.8b

From \$7.7b

**Normalised
EBITDA¹**



up 16%
to \$975m

From \$838m

**Adjusted
EBIT**



up 19%
to \$668m

From \$562m

**Adjusted
NPAT**



up 11%
to \$405m

From \$363m

**Adjusted
EPS**



up 11%
to 63 cents

Final dividend



17 cents per share,
fully franked

From 15 cents per share

Total dividend



25 cents per share,
fully franked

From 22.5 cents per share

**Normalised
EBITDA¹ margin**



up 7bps
to 11.0%

Net leverage ratio²

down to
0.9x

From 1.2x

*Group sales revenue up 11% on a constant currency basis⁴
All statutory metrics (EBIT, NPAT and EPS) included in Appendix 1
All Group definition footnotes included in Appendix 2

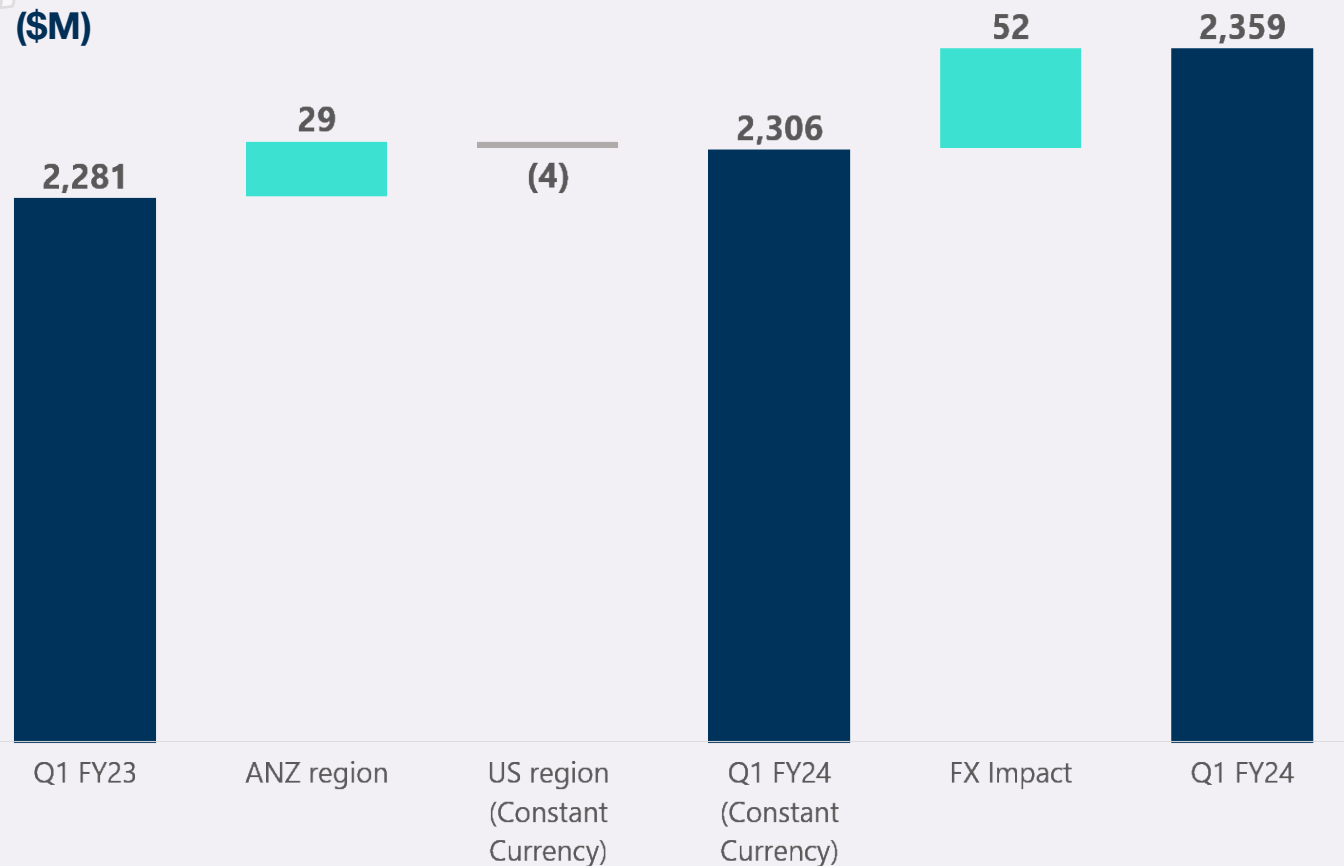
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Q1 FY24 update



Q1 FY24 Sales

Sales revenue
(\$M)



- Group sales up 3% on pcp, up 1% on constant currency basis⁵, slightly ahead of expectations
- ANZ sales up 3% on pcp
 - Ongoing product inflation
 - Backlogs supported activity
- US sales flat on USD basis
 - Slowdown in residential activity impacting demand as expected
 - Faster moderation in product inflation than ANZ
- H2 outlook remains challenging; continue to anticipate:
 - Product inflation continuing to moderate
 - Ongoing cost inflation pressure, particularly in labour and services
 - Ongoing pressure in housing markets – continue to expect volume declines

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Summary



Summary



**Strong
Result**



**Long-term
Focus**



**Investing for
the Future**



**Softening
environment**

ersonal use only

reece
group™

Appendix & supplementary information

Key FY23 metrics

Reconciliation from Statutory EBIT to Adjusted EBIT

FY23 - 30 June 2023 (A\$m)	FY23	FY22	Var. %
EBIT (statutory)	↑ 654	578	13%
Add back:			
BAC income	(16)	(22)	
Impairment	29	-	
Business acquisition costs	1	2	
Debt refinancing costs	-	4	
Adjusted EBIT	↑ 668	562	19%

Reconciliation from Statutory EBIT to Normalised EBITDA

FY23 - 30 June 2023 (A\$m)	FY23	FY22	Var. %
EBIT (statutory)	↑ 654	578	13%
Add back:			
Depreciation and amortisation	291	258	
Impairment	29	-	
Business acquisition costs	1	2	
Normalised EBITDA	↑ 975	838	16%

Reconciliation from Statutory NPAT to Adjusted NPAT

FY23 - 30 June 2023 (A\$m)	FY23	FY22	Var. %
NPAT (statutory)	↓ 388	392	(1%)
Add back (tax effected):			
US inventory adjustment (LIFO)	(2)	(28)	
BAC income	(11)	(15)	
Impairment	29	-	
Business acquisition costs	1	1	
Debt refinancing costs	-	13	
Adjusted NPAT	↑ 405	363	11%
EPS (statutory)	↓ 60 cents	61 cents	(1%)
Adjusted EPS (based on adjusted NPAT)	↑ 63 cents	56 cents	11%

Group definitions

1	Normalised EBITDA	EBITDA adjusted to exclude impairment, business acquisition costs and finance costs (as reported in note 2.1 of the Annual Report)
2	Net leverage ratio	Net borrowings over 12-month rolling EBITDA, calculated on a pre-AASB16 <i>Leases</i> basis
3	Return on capital employed	Adjusted EBIT (refer to Appendix 1 for calculation) as a percentage of shareholders equity plus net debt
4	Constant currency basis (FY23)	Constant currency basis applies the same US foreign exchange rate from FY22 to eliminate the effect of fluctuations when calculating comparative sales numbers from FY22 to FY23
5	Constant currency basis (Q1 FY24)	Constant currency basis applies the same US foreign exchange rate from Q1 FY23 to eliminate the effect of fluctuations when calculating comparative sales numbers from Q1 FY23 to Q1 FY24