

ASX Announcement

27 February 2024

HY24 Investor Presentation

Attached for release is Reece Limited's HY24 investor presentation for the 6 month period ended 31 December 2023.

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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 approximately 900 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.

A photograph of three people, two men and one woman, standing in front of a dark grey building. They are all wearing dark blue short-sleeved t-shirts and dark blue cargo pants. The t-shirts have a small white 'reece' logo on the left chest. The woman is in the center, smiling broadly. The man on the left is also smiling. The man on the right has his arms crossed. The background shows a building with a dark grey facade and a sign that says 'MAXIMUM CLEARANCE' with three slanted lines above it.

reece

Works for you.

Half Year Results FY24

6 months ended
31 Dec 2023

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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.

Presenters



Peter Wilson

Group CEO



Andy Young

Group CFO

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Agenda

01
HY24 overview



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01.

HY24 overview



Financial overview

Strong execution supported solid result in subdued environment.

Sales revenue



up 2.5% to \$4.5b

Adjusted EBIT



up 5% to \$367m

Adjusted NPAT



up 6% to \$224m

Adjusted EPS



up 6% to 35 cents

ANZ

Sales revenue
up 2% to \$2.0b

US*

Sales revenue
flat to US\$1.7b

Net leverage ratio

0.7x

Half-year dividend

8 cents per share
(fully franked)

*US sales revenue up 3% to A\$2.6b
All statutory metrics (EBIT, NPAT and EPS) included on slide 27
All Group definitions included on slide 28

02.

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 our trade's most valuable partner.

Execute Strategic Priorities



Operational Excellence



Accelerating Innovation



Investing for 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**
through economic
cycles

3 **Diversified business**
by region, segment &
customer; R+R focus

4 **Large markets**
with attractive long
term fundamentals

5 **Long term view**
with a multi decade time
horizon

6 **Well capitalised**
enabling investment to
build a stronger business

03.

Operational review



Strong operational execution maintained in HY24



Operational Excellence

- Ongoing focus on being brilliant at the fundamentals, continuous improvement and delivery of our customer promise.
- Attracting and retaining talent to strengthen capability.
- Embedding The Reece Way in the US an ongoing priority.



Accelerating Innovation

- Innovation initiatives supporting trade of the future.
- Ongoing development in digitising and enhancing customer experience tools.
- Enhancing supply chain to ensure lean path to market.

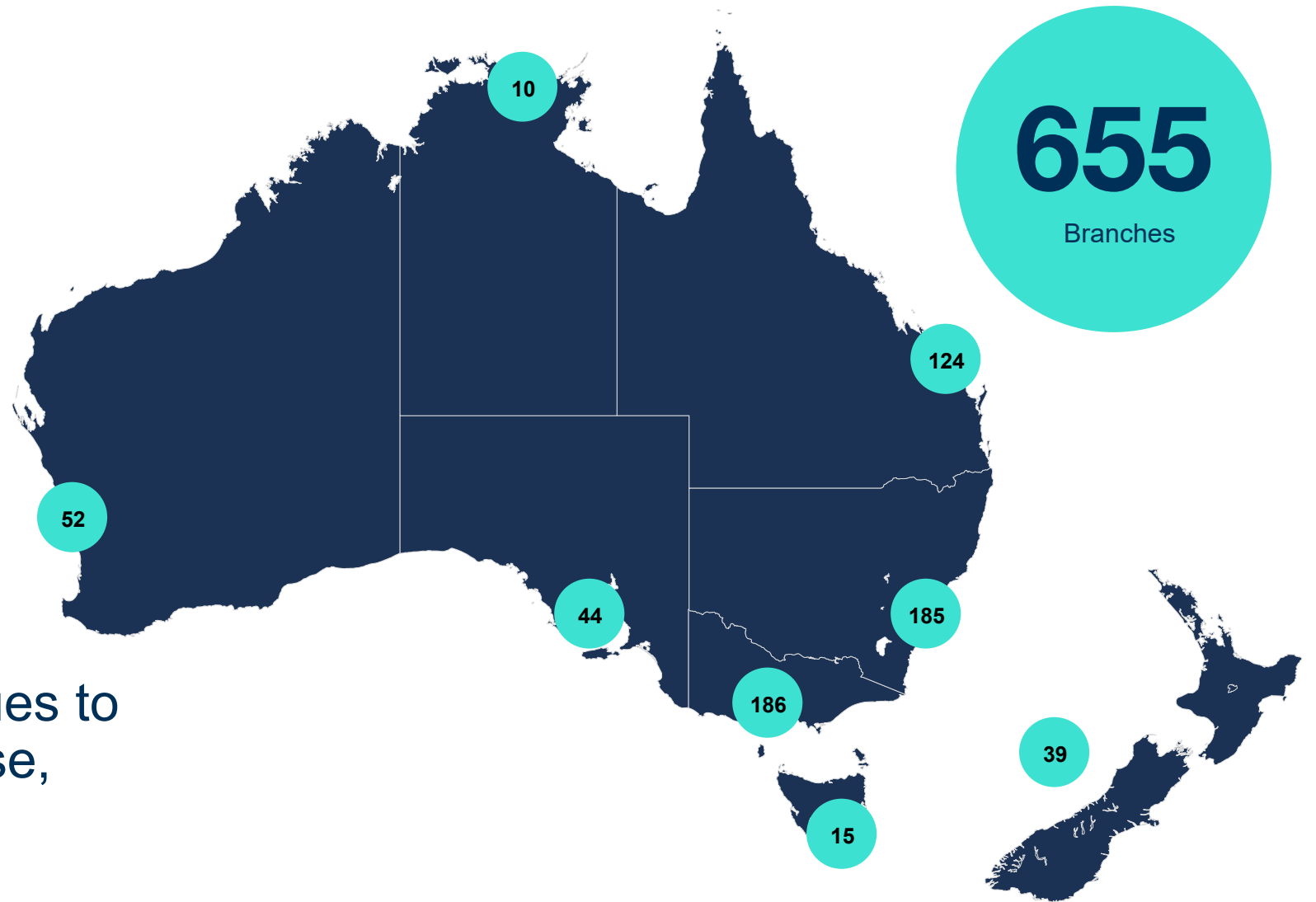


Investing for Profitable Growth

- ANZ network upgrades and non-plumbing network expansion.
- US network expansion and Reece rebrand progressing well.

**2030
Vision**

ANZ network of scale



Network density continues to enable customer promise, ongoing investment in network standards.

04.

Financial review



Group financial highlights

Statutory Sales



up 2.5%
to \$4.5b

From \$4.4b

Statutory EBITDA



up 13%
to \$526m

From \$466m

Statutory EBIT



up 13%
to \$367m

From \$325m

Statutory NPAT



up 20%
to \$224m

From \$186m

Statutory EPS



up 20%
to 35 cents

From 29 cents

Constant currency sales



up 1%

Adjusted EBITDA



up 8%
to \$526m

From \$488m

Adjusted EBIT



up 5%
to \$367m

From \$348m

Adjusted NPAT



up 6%
to \$224m

From \$210m

Adjusted EPS



up 6%
to 35 cents

From 33 cents

Adjusted (non-IFRS) metrics are statutory metrics adjusted to exclude government incentive scheme income (BAC income), impairment expenses and business acquisition costs
All Group definitions included on slide 28

ANZ financial highlights

Focus on operational disciplines in softening trading environment.

Sales up 2%

- Backlog continued to support activity.
- Growth driven by inflation which continued to moderate during HY24.

Adjusted EBIT up 6%

- Continued focus on the fundamentals enabled solid performance despite macro headwinds.
- Disciplined management of cost base and wage inflation.
- Investment through the cycle to build a stronger business, focus on network standards and digital capability.

HY24 31 December 2023 (A\$m)	HY24	HY23	Var.	HY22
Sales revenue	1,972	1,928	2%	1,733
Adjusted EBITDA	307	287	7%	241
Adjusted EBITDA margin	15.6%	14.9%	72bps	13.9%
Adjusted EBIT	233	221	6%	181
EBIT	233	198	18%	186

US financial highlights

Ongoing operational uplift in challenging market conditions.

Sales flat (US dollars)

- Trading environment subdued.
- Modest deflation for the half.

Adjusted EBIT up 2% (US dollars)

- Continuing to embed fundamentals of the Reece model.
- Disciplined management of cost base and wage inflation.
- Investing through the cycle to build a stronger business, focus on network upgrade and expansion.

AUD

HY24 31 December 2023 (A\$m)	HY24	HY23	Var.	HY22
Sales revenue	2,566	2,500	3%	1,867
Adjusted EBITDA	219	202	8%	148
Adjusted EBITDA margin	8.5%	8.1%	46bps	7.9%
Adjusted EBIT	134	127	5%	89
EBIT	134	127	5%	89

USD

HY24 31 December 2023 (US\$m)	HY24	HY23	Var.	HY22
Sales revenue	1,683	1,678	0%	1,364
Adjusted EBITDA	143	136	6%	108
Adjusted EBITDA margin	8.5%	8.1%	46bps	7.9%
Adjusted EBIT	87	86	2%	65
EBIT	87	85	2%	65

Cashflow

- Improved operating cash flow.
- Net working capital to sales 18% (FY23: 19%).
- Increased investment in priority areas: branch refurbishments, rebrand, new stores, fleet and technology.
- Interest expense range of \$65m - \$75m* expected for full year.
- Anticipate ~30%** effective income tax rate for FY24.

*Estimate is indicative only and based on current drawdowns, interest and exchange rates (excludes AASB16 Leases interest)

**Estimate is indicative only and subject to US tax adjustment (LIFO)

HY24 31 December 2023 (A\$m)	HY24	HY23
Adjusted EBITDA	526	488
Net movements in working capital (incl. FX)	4	(186)
Non-cash items and BAC income	(1)	15
Income tax paid	(105)	(90)
Net finance costs	(30)	(24)
Lease interest paid	(16)	(15)
Cash inflow from operations	378	188
Capital expenditure	(115)	(88)
Proceeds from sale of assets	8	7
Dividends paid	(110)	(97)
Cash inflow before acquisitions and repayment of borrowings	161	10
Business acquisitions/investments	(1)	(49)
Net repayment of borrowings (including leases)	(193)	(42)
Net decrease in cash	(33)	(81)
Free cash flow	341	139

Balance sheet

- Strong balance sheet provides flexibility through the cycle.
- US\$300m USPP note issuance, diversifying funding sources and extending average maturity.

HY24 31 December 2023	HY24	FY23
Net leverage ratio	0.7x	0.9x
Average debt maturity	5.4 years	3.2 years
Available liquidity	\$1,463m	\$944m
Net debt	\$610m	\$725m
Return on capital employed	16.1%	15.3%

HY24 31 December 2023 (A\$m)	HY24	FY23
Cash	337	373
Trade and other receivables	1,230	1,338
Inventories	1,441	1,505
Other current assets	-	3
Total current assets	3,008	3,219
PPE and leases	1,641	1,586
Intangible assets	1,953	2,021
Other non-current assets	101	98
Total non-current assets	3,695	3,705
Trade and other payables	1,041	1,179
Other current liabilities	244	242
Total current liabilities	1,285	1,421
Interest bearing liabilities	947	1,097
Other non-current liabilities	798	781
Total non-current liabilities	1,745	1,878
Net assets	3,673	3,625
Net tangible assets ratio	2.58	2.41

Capital management priorities

Enable sustainable long term growth

01.

Invest in growth

Organic investments and M&A.

02.

Strong balance sheet

With flexibility for growth.

03.

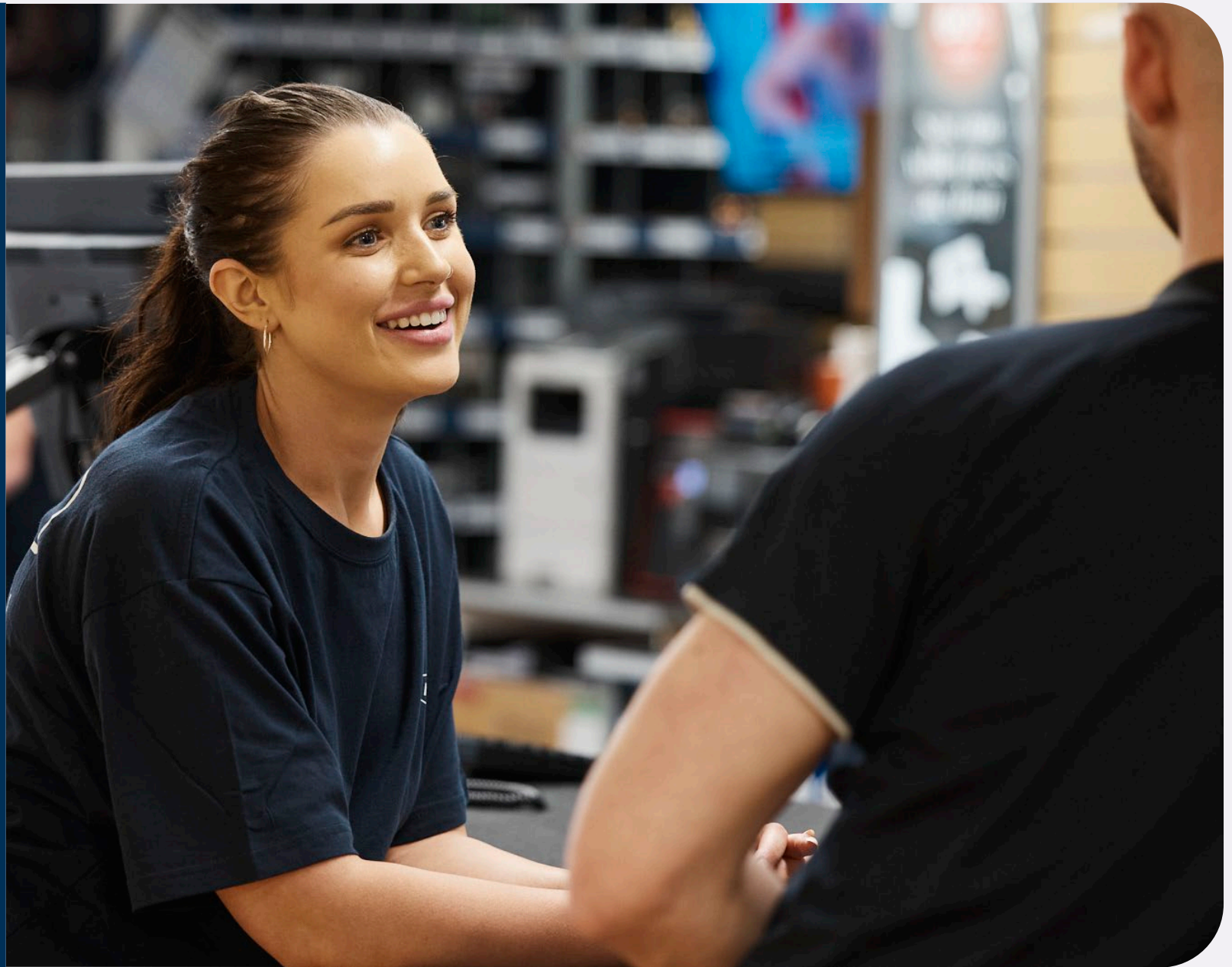
Shareholder returns

Dividends, share buyback.

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05.

Outlook



H2 Outlook

- Anticipating subdued demand environment to continue; softening in ANZ.
- Medium to long term industry fundamentals remain supportive.
- Reece approach remains unchanged.
 - Focus on customer proposition and being brilliant at the fundamentals.
 - Disciplined approach to costs while maintaining customer proposition.
 - Investing through the cycle to build a stronger business.



06.

Summary



Summary



**Solid
Result**



**Subdued
environment**



**Long term
Focus**



**Investing for
the Future**

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reece
group™

Appendix and supplementary information

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Key metrics

Reconciliation from Statutory EBIT to Adjusted EBIT

HY24 31 December 2023 (A\$m)	HY24	HY23	Var.
EBIT (statutory)	367	325	13%
Add back/deduct:			
BAC income	-	(7)	
Impairment	-	29	
Business acquisition costs	-	1	
Adjusted EBIT	367	348	5%

Reconciliation from Statutory EBIT to Adjusted EBITDA

HY24 31 December 2023 (A\$m)	HY24	HY23	Var.
EBIT (statutory)	367	325	13%
Add back/deduct:			
BAC income	-	(7)	
Depreciation and amortisation	159	140	
Impairment	-	29	
Business acquisition costs	-	1	
Adjusted EBITDA	526	488	8%

Reconciliation from Statutory NPAT to Adjusted NPAT

HY24 31 December 2023 (A\$m)	HY24	HY23	Var.
NPAT (statutory)	224	186	20%
Add back/deduct (tax effected):			
BAC income	-	(5)	
Impairment	-	29	
Adjusted NPAT	224	210	6%
EPS (statutory)	35 cents	29 cents	20%
Adjusted EPS (based on adjusted NPAT)	35 cents	33 cents	6%

Group definitions

1	Adjusted EBITDA	EBITDA adjusted to exclude government incentive scheme income (BAC income), impairment expenses and business acquisition costs
2	Net leverage ratio	Net debt over 12-month rolling EBITDA, calculated on a pre-AASB16 <i>Leases</i> basis
3	BAC income	Income from Boosting Apprenticeship Commencements (BAC) government incentive scheme
4	Free cash flow	Adjusted EBITDA 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 as a percentage of shareholders equity plus net debt
7	Net tangible asset ratio	Net assets less intangible assets, over the number of ordinary shares fully paid on issue (as reported in the Appendix 4D)
8	Constant currency basis	Constant currency basis applies the same US foreign exchange rate of 0.6717 from HY23 to current period sales to eliminate the foreign exchange impact when comparing sales to pcp

FX impact on sales

