

ASX Announcement

19 August 2024

Preliminary Final Report

Reece Limited announces its financial results for the 12 month period ended 30 June 2024.

Attached for release is the FY24 Preliminary Final Report, Appendix 4E.

For further information contact:

Georgina Freeman
Investor Relations
Reece Group
E: georgina.freeman@reece.com.au
T: 0401 684 722

Siobhan Weaver
Corporate Affairs
Reece Group
E: siobhan.weaver@reece.com.au
T: 0477 480 813

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 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 who are focused on building a better world for our customers by being our best.

For further information on Reece Group and its portfolio of businesses please visit group.reece.com/au.

Reece Limited
and its controlled entities

(ABN 49 004 313 133)

Appendix 4E

Full-year information for the twelve months ended 30
June 2024 provided to the ASX under listing rule 4.3A

For personal use only

Appendix 4E - Preliminary Final Report

Reece Limited

(ABN 49 004 313 133)

1. Reporting period

This Appendix 4E presents the results of Reece Limited and its controlled entities ('the Group' or 'Reece') for the year ended 30 June 2024. The previous corresponding period is the financial year ended 30 June 2023.

2. Results for announcement to the market

	(\$000's)	
Revenue from sale of goods	9,104,772	Up 3%
Statutory EBIT	681,390	Up 4%
Statutory NPAT	419,171	Up 8%
Statutory net profit for the period attributable to members	419,171	Up 8%
Adjusted EBITDA ¹	1,006,800	Up 5%
Adjusted NPAT ²	415,962	Up 3%
Dividends	Amount per security	Franked amount per security
Interim dividend	8 cents	100%
Final dividend	17.75 cents	100%

Record date for determining entitlements to the dividend is 9 October 2024 to be paid on 23 October 2024.

All figures in this report are in Australian Dollars, unless otherwise stated.

¹ EBITDA is adjusted to exclude government incentive scheme income (Boosting Apprenticeship Commencements 'BAC' income), impairment expenses and business acquisition costs.

² NPAT is adjusted to exclude tax effected US inventory adjustment (LIFO), tax effected BAC income, impairment expenses and tax effected business acquisition costs.

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3. Statement of Profit or Loss and Other Comprehensive Income for the year ended 30 June 2024

	2024 (\$000's)	2023 (\$000's)
Revenue from sale of goods	9,104,772	8,839,572
Cost of sales	(6,499,068)	(6,321,354)
Gross profit	2,605,704	2,518,218
Other income	8,042	21,741
Selling and administrative expenses	(1,932,356)	(1,856,906)
Impairment of goodwill	-	(28,949)
Earnings before interest and tax	681,390	654,104
Finance costs (net)	(91,809)	(86,265)
Profit before income tax expense	589,581	567,839
Income tax expense	(170,410)	(180,232)
Net profit for the year	419,171	387,607
Other comprehensive income		
Items that may be reclassified subsequently to profit or loss:		
Exchange differences on translation of foreign operations, net of tax	(483)	71,288
Change in fair value of effective cash flow hedges, net of tax	(3,170)	(3,672)
Total comprehensive income, net of tax	415,518	455,223
Basic earnings per share	65 cents	60 cents
Diluted earnings per share	65 cents	60 cents

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4. Statement of Financial Position

as at 30 June 2024

	2024 (\$'000's)	2023 (\$'000's)
Current assets		
Cash and cash equivalents	341,380	372,706
Trade and other receivables	1,369,302	1,338,414
Inventories	1,496,348	1,504,892
Derivative financial instruments	-	3,047
Total current assets	3,207,030	3,219,059
Non-current assets		
Property, plant and equipment	909,369	786,922
Right-of-use assets	892,369	799,379
Investments	22,980	25,424
Intangible assets	1,983,219	2,020,888
Deferred tax assets	79,902	72,614
Total non-current assets	3,887,839	3,705,227
Total assets	7,094,869	6,924,286
Current liabilities		
Trade and other payables	1,240,395	1,179,405
Lease liabilities	135,847	131,360
Current tax liability	560	11,440
Provisions	102,088	98,823
Derivative financial instruments	122	-
Total current liabilities	1,479,012	1,421,028
Non-current liabilities		
Interest-bearing liabilities	859,322	1,097,490
Lease liabilities	837,094	732,917
Deferred tax liabilities	21,097	23,818
Provisions	14,201	23,609
Total non-current liabilities	1,731,714	1,877,834
Total liabilities	3,210,726	3,298,862
Net assets	3,884,143	3,625,424
Equity		
Contributed equity	1,246,918	1,246,918
Reserves	193,338	192,294
Retained earnings	2,443,887	2,186,212
Total equity	3,884,143	3,625,424

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5. Statement of Changes in Equity

for the year ended 30 June 2024

	Contributed equity	Reserves	Retained earnings	Total equity
	(\$000's)	(\$000's)	(\$000's)	(\$000's)
Balance as at 1 July 2022	1,246,918	126,769	1,947,182	3,320,869
Net profit for the year	-	-	387,607	387,607
Exchange differences on translation of foreign operations, net of tax	-	71,288	-	71,288
Change in fair value of effective cash flow hedges, net of tax	-	(3,672)	-	(3,672)
Total comprehensive income for the year, net of tax	-	67,616	387,607	455,223
Transactions with owners in their capacity as owners:				
Share-based payments	-	3,187	-	3,187
Shares purchased for employee share trust	-	(5,278)	-	(5,278)
Dividends paid	-	-	(148,577)	(148,577)
Total transactions with owners in their capacity as owners	-	(2,091)	(148,577)	(150,668)
Balance as at 30 June 2023	1,246,918	192,294	2,186,212	3,625,424
Balance as at 1 July 2023	1,246,918	192,294	2,186,212	3,625,424
Net profit for the year	-	-	419,171	419,171
Exchange differences on translation of foreign operations, net of tax	-	(483)	-	(483)
Change in fair value of effective cash flow hedges, net of tax	-	(3,170)	-	(3,170)
Total comprehensive income for the year, net of tax	-	(3,653)	419,171	415,518
Transactions with owners in their capacity as owners:				
Share-based payments	-	4,697	-	4,697
Dividends paid	-	-	(161,496)	(161,496)
Total transactions with owners in their capacity as owners	-	4,697	(161,496)	(156,799)
Balance as at 30 June 2024	1,246,918	193,338	2,443,887	3,884,143

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6. Statement of Cash Flows

for the year ended 30 June 2024

	2024 (\$000's)	2023 (\$000's)
Cash flow from operating activities		
Receipts from customers	9,736,723	9,543,357
Payments to suppliers and employees	(8,700,122)	(8,490,610)
Interest received	12,502	6,048
Finance costs paid	(68,933)	(60,713)
Interest repayments on leases	(35,378)	(31,600)
Income tax paid	(193,887)	(200,100)
Net cash from operating activities	750,905	766,382
Cash flow from investing activities		
Purchase of property, plant and equipment	(236,310)	(151,667)
Proceeds from sale of property, plant and equipment	15,911	13,847
Payment for intangible assets	(21,665)	(25,811)
Purchase of controlled entities and investments, net of cash acquired	(1,896)	(145,892)
Net cash used in investing activities	(243,960)	(309,523)
Cash flow from financing activities		
Proceeds from borrowings	438,596	144,969
Repayments of borrowings	(677,771)	(174,969)
Dividends paid	(161,496)	(148,577)
Principal repayments on leases	(138,131)	(123,261)
Payments for shares purchased for employee share trust	-	(5,278)
Net cash used in financing activities	(538,802)	(307,116)
Net increase/(decrease) in cash and cash equivalents	(31,857)	149,743
Net foreign exchange translation difference	531	2,480
Cash and cash equivalents at the beginning of the year	372,706	220,483
Cash and cash equivalents at the end of the year	341,380	372,706

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7. Acquisitions

There have been no material acquisitions during the year.

8. Associate entities

The table below shows investments in associate entities held by the Group:

	Ownership		Consolidated investment at cost	
	2024 (%)	2023 (%)	2024 (\$000's)	2023 (\$000's)
True Pillars Pty Ltd	43.0	40.1	10,500	10,000
FieldPulse Pty Ltd	20.9	26.1	10,874	10,086

9. Dividends

	Date of payment	Total amount of dividend \$
Interim dividend – year ended 30 June 2024	10 April 2024	51,678,735
Final dividend – year ended 30 June 2024	23 October 2024	114,662,192

Amount per ordinary security	Amount per security	Franked amount per security
Final dividend: Current year	17.75 cents	17.75 cents (at 30% tax rate)
Previous year	17.00 cents	17.00 cents (at 30% tax rate)
Interim dividend: Current year	8.00 cents	8.00 cents (at 30% tax rate)
Previous year	8.00 cents	8.00 cents (at 30% tax rate)

Total dividend per security	Current period	Previous period
Ordinary securities	25.75 cents	25.00 cents

10. Statement of retained earnings

	Consolidated Entity	
	2024 (\$000's)	2023 (\$000's)
Balance at beginning of year	2,186,212	1,947,182
Net profit attributable to members of the parent entity	419,171	387,607
Dividends paid	(161,496)	(148,577)
Balance at end of year	2,443,887	2,186,212

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11. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security at the end of the year (includes lease assets and lease liabilities in accordance with AASB16 Leases)	285 cents	241 cents

12. The financial information provided in the Appendix 4E has been prepared in accordance with Australian Accounting Standards.

13. Commentary on the results for the period

In FY24, Reece Group ('the Group') focused on executing the fundamentals of its business model in a challenging macro-economic setting across regions. Sales revenue increased 3% to \$9,105m (FY23: \$8,840m), and was up 2% on a constant currency basis⁵, impacted by softer housing markets in Australia and New Zealand (ANZ) and mixed demand across end markets in the United States (US).

Adjusted EBITDA¹ increased 5% to \$1,007m (FY23: \$958m) reflecting a continued focus on cost control to mitigate the impact of ongoing operating cost inflation, particularly related to wages. Adjusted EBIT¹ was up 2% to \$681m (FY23: \$668m), impacted by increased depreciation and amortisation from network expansion, refurbishments and US rebranding activity.

Adjusted NPAT² of \$416m (FY23: \$405m) was up 3%, while Statutory NPAT increased 8% to \$419m (FY23: \$388m), with the prior period impacted by a goodwill impairment of \$29m related to the Australian-based Metalflex business.

Operating cash flow remained strong at \$751m for the year (FY23: \$766m) supported by effective working capital management. The Group's net working capital to sales ratio reduced to 18% (FY23: 19%). The Group has continued to invest for the long-term with capital expenditure increasing by \$81m to \$258m (FY23: \$177m).

Reece maintained a strong balance sheet and continued to pay down debt during the period. Our net leverage ratio⁶ decreased to 0.6x (FY23: 0.9x), with net debt down to \$518m at 30 June 2024 (FY23: \$725m). During the year, the Group also completed a US\$300m unsecured note issuance in the US Private Placement market which enabled the business to diversify capital sources, reduce variable interest rate exposure and extend its debt maturity profile. Return on capital employed⁴ was 15.5% in FY24 (FY23: 15.3%).

We maintained focus on executing our three strategic pillars during the year; operational excellence, accelerating innovation and investing for profitable growth. Facing into the softer trading period, we took the opportunity to intentionally focus the team on the fundamentals of trade distribution, in core skill programs such as selling and trading. These are the foundations of the Reece model.

We also refreshed our purpose and values, known as The Reece Way, to ensure we are staying one step ahead of our customers. Our new purpose is 'Building a better world for our customers by being the best', and our daily mantra is to 'Make it better every day'. The Reece Way, which is critical to our culture, will be key to delivering our 2030 vision of being our trade's most valuable partner.

We continue to execute on our sustainability strategy across our three pillars of sustainable business, empowered trade and resilient communities, and have been making strong progress in preparing for mandatory climate related disclosures in FY26. Further information will be contained in our FY24 Sustainability Report.

¹ Non-IFRS metrics Adjusted EBITDA and Adjusted EBIT are statutory metrics adjusted to exclude government incentive scheme income (Boosting Apprenticeship Commencements 'BAC' income) of \$Nil (FY23: \$16m), impairment expenses of \$Nil (FY23: \$29m) and business acquisition costs of \$Nil (FY23: \$1m)

² Adjusted NPAT excludes tax effected BAC income of \$Nil (FY23: \$11m), impairment expenses of \$Nil (FY23: \$29m), LIFO US tax adjustment of \$3m (FY23: \$2m) and tax-effected business acquisition costs of \$Nil (FY23: \$1m)

³ EPS based on Adjusted NPAT

⁴ ROCE is Adjusted EBIT as a percentage of shareholders equity plus net debt

⁵ Constant currency basis applies the same US foreign exchange rate of 0.6710 from FY23 to current period sales to eliminate the foreign exchange impact when comparing sales to pcp

⁶ Net leverage ratio is Net debt over 12-month rolling EBITDA, calculated on a pre-AASB16 Leases basis

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13. Commentary on the results for the period (cont.)

ANZ Region

In the ANZ region, sales revenue was flat at \$3,846m (FY23: \$3,853m), impacted by softer housing markets. Adjusted EBITDA¹ was up 1% to \$560m (FY23: \$557m). Adjusted EBIT¹ decreased 3% to \$410m (FY23: \$421m), reflecting the impact of cost inflation and increased depreciation and amortisation from on-going investment in our network and core capabilities.

During the period we maintained our long-term focus, investing in the ANZ branch network with 15 refurbishments and store upgrades. We added six (net) branches to the network, ensuring we can continue to service our customers where they need us. Our network footprint in ANZ increased to 661 branches in FY24 (FY23: 655). A new distribution centre was opened in Auckland, New Zealand, tripling our storage capacity in the region and providing flexibility to scale.

US Region

In the US region, sales revenue increased by 3% to US\$3,452m (FY23: US\$3,342m), with mixed demand across end markets. In Australian dollars, sales were up 5%, benefiting from a favourable foreign exchange impact. Adjusted EBITDA¹ increased by 9% to US\$293m (FY23: US\$269m) and Adjusted EBIT¹ grew 7% to US\$178m (FY23: US\$166m).

Operationally, we continued to focus on developing our team, building capability and embedding the Reece Way, whilst executing our network expansion strategy. We have made significant progress upskilling our team and embedding the Reece culture through a range of customised learning and development programs across all levels of the business.

In the network, we added 12 (net) branches during the year, bringing our total US branch network to 243 stores (FY23: 231). We also completed 4 refurbishments and opened a distribution centre in Texas, which will support our service proposition across our growing network of branches. We also continued to make strong progress rolling out the Reece brand across our network, with the process expected to be completed during the 2024 calendar year.

Outlook

Looking ahead, we expect the near term to remain challenging in both regions. Over the longer term, fundamentals in our sector remain positive, with demand for housing and infrastructure supported by long term structural factors in our regions.

Dividends

The Board has declared a final dividend of 17.75 cents per share fully franked, taking the total dividends in respect of FY24 to 25.75 cents per share (FY23: 25 cents per share). The final dividend will be paid on 23 October 2024 with the record date for entitlement of 9 October 2024.

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14. Status of the audit

The financial information included in this document does not constitute the Group's full financial statements for the year ended 30 June 2024, which will be available on 22 August 2024. The financial information included in this document for the year ended 30 June 2024 is unaudited. The financial report is not expected to be subject to a modified audit opinion, emphasis of matter or other matters paragraph.

The annual general meeting will be held as follows:

Place	Virtual AGM, further details will be provided in the notice of meeting
Time	11am
Date	24 October 2024

The annual report will be available on 22 August 2024 at group.reece.com/au.

Chantelle Duffy
Company Secretary
19 August 2024