

**ASX Announcement**

19 August 2024

## FY24 Investor Presentation

Attached for release is Reece Limited's FY24 Investor Presentation for the 12 month period ended 30 June 2024.

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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 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](http://group.reece.com/au).

The Reece logo, consisting of the word "reece" in a white, lowercase, sans-serif font, centered within a dark blue rounded rectangular background.

# Full Year Results 2024

12 months ended  
30 June 2024

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# Disclaimer

The material in this presentation has been prepared by Reece Limited (ABN 49 004 313 133) ("Reece") (ASX:REH) and is general background information about Reece's activities current as at the date of this presentation, 19 August 2024. The information is given in summary form and does not purport to be complete. In particular you are cautioned not to place undue reliance on any forward-looking statements regarding Reece's belief, intent or expectations with respect to Reece's businesses, market conditions and/or results of operations. Although due care has been used in the preparation of such statements, actual results may vary in a material manner. No representation, warranty or assurance (express or implied) is given or made in relation to any forward-looking statement by any person (including Reece).

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## **IFRS Financial Information**

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

## **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.

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

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CEO



Andy Young

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CFO

# Agenda

- 01 FY24 overview
- 02 Strategy recap
- 03 Operational review
- 04 Financial review
- 05 Outlook
- 06 Summary
- 07 Q&A

01

# FY24 Overview



# Financial overview

Disciplined execution in a challenging market environment

## Sales revenue

up 3% to \$9.1b

## Adjusted EBIT

up 2% to \$681m

## Adjusted NPAT

up 3% to \$416m

## Adjusted EPS

up 3% to 64 cents

## ANZ

Sales revenue  
flat at \$3.8b

## US

Sales revenue  
up 3% to US\$3.5b\*

## Net leverage ratio

0.6x (FY23 0.9x)

## FY24 total dividend

25.75 cents per  
share (fully franked)

\*US sales revenue up 5% in AUD to A\$5.3b  
All statutory metrics (EBIT, NPAT and EPS) included on slide 36  
All Group definitions included on slide 37

02

# Strategy recap





# Our Blueprint

## Inspired by our Purpose

Building a better world for our customers by being the best.

## 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:  
Works For You

# The Reece Way

1997

THE REECE WAY

OUR GOAL  
**TO BE THE BEST**  
BY CONSTANTLY IMPROVING  
THE SERVICE WE PROVIDE  
OUR CUSTOMERS

OUR VALUES

**customer focus**  
We must provide each customer with the very best personalized service.

**continuous improvement**  
Continually look at ways of doing things better and more efficiently.

**initiative**  
Be enthusiastic. Always "have a go" - don't wait for someone else to do it.

**commitment**  
Hard work, loyalty and performance will be recognized.

**integrity**  
We must behave honestly and ethically. Make your word your bond. If you promise something, deliver it.

**responsibility**  
Always lead by example. Take responsibility for your actions - even when things go wrong.

**respect**  
Give everyone a fair go. Listening to others and sharing ideas leads to better results.

**teamwork**  
Never let your team mates down. Work together and support majority decisions.

**simplicity**  
Keep it simple and use your common sense.

**humility**  
Be humble when we enjoy success and recognize the efforts of those who have contributed to it.

reece

## R10 The Reece Way

Our Goal  
**To be the best by constantly improving the service we provide our customers.**

### Our Values

- 1 Customer Focus**  
Listen to your customers and build relationships so you can understand their needs and provide them with the very best customer service.
  - 2 People Development**  
Take advantage of opportunities to learn and grow and support others in their development. Encourage people to be the best they can be. Our success depends on having the right people in the right positions with the right attitude.
  - 3 Continuous Improvement (CIP)**  
Continually look at ways of doing things better and more efficiently. Aim to do it right the first time. Be positive and open to new ideas. Listening to others, sharing ideas and measuring progress always leads to better results.
  - 4 Hard Work & Performance**  
Be persistent, always "have a go" and make things happen. Implement ideas and produce results. If you promise something, do it. Enthusiasm, commitment and performance will be rewarded. Enjoy what you do.
  - 5 Lead by Example & Take Responsibility**  
Always lead by example and set the highest standards. Take responsibility for your actions and results. Don't blame other people or events when things go wrong.
  - 6 Teamwork & Respect**  
Work together and never let your team mates down. Show respect for all points of view and understand all the facts before passing judgement. Support majority decisions.
  - 7 Be Entrepreneurial**  
Use your initiative and be creative to grow the business. Think of the business as your own.
  - 8 Keep it Simple**  
Keep it simple, use your common sense and move quickly. Embrace our "single systems" approach.
  - 9 Honesty & Integrity**  
Be honest. Behave ethically. Act with integrity. Make your word your bond.
  - 10 Be Humble**  
Be humble when we enjoy success and recognise the efforts of those who have contributed to it.
- reece

2016

## THE REECE WAY

reece group

### Our Purpose

**To improve the lives of our customers and our people by striving for greatness every day.**

### Our Values

<b>Create customers for life</b> ∞	<b>Discover your best</b> ★
<b>Grow as a team</b> 🌳	<b>Innovate big and small</b> ✓
<b>Try. Try. Try.</b> 👤	<b>Own it</b> 👉
<b>Keep it simple</b> 🍊	<b>Do the right thing</b> 💧
<b>Be humble</b> 📄	<b>Write the next chapter</b> 📖

2024

## The Reece Way

reece

**Building a better world for our customers by being the best.**

<b>Create customers for life</b> Understand your customers to help solve their problems. Build relationships and create loyalty.	<b>Be your best</b> Keep learning. Keep growing. Become your best and bring out the best in others.
<b>Team first</b> Work and grow together. And never let your team mates down.	<b>Entrepreneurial spirit</b> Drive the business as if it's your own. Treat every day like it's our first. Move with speed and make it happen.
<b>Innovate big and small</b> Be one step ahead of our customer's needs. Continually improve - there is always a better way. Embrace change.	<b>Try. Try. Try.</b> Achieving anything worthwhile takes grit and resilience. Never give up.
<b>Own it</b> Lead by example and if something goes wrong, just fix it.	<b>Keep it simple</b> Make it clear. Cut the complexity and act quickly.
<b>Do the right thing</b> Be honest. Think about the impact of your actions on Reece and the world around you.	<b>Be humble</b> Listen first. Understand that success is a team sport. Show pride without ego.

2006

# The Reece Way

## Our Purpose

Building a better world for our customers by being the best.

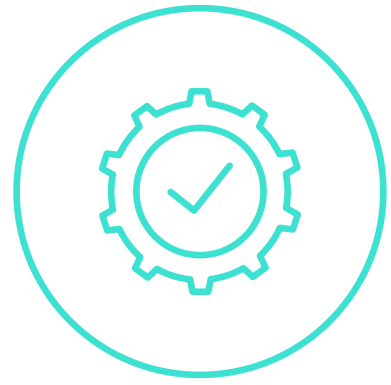
Create customers for life 	Be your best 
Team first 	Entrepreneurial spirit 
Innovate big and small 	Try. Try. Try. 
Own it 	Keep it simple 
Do the right thing 	Be humble 

03

# Operational review



# Strong execution of strategic priorities



## Operational Excellence

- Ongoing focus on the fundamentals, continuous improvement and delivery of our customer promise.
- Attracting, retaining and developing teams.
- Refreshed 'The Reece Way'.



## Accelerating Innovation

- Remain focused on innovation initiatives supporting trade of the future.
- Digitising and enhancing the customer experience.



## Investing for Profitable Growth

- Ongoing expansion of network in both regions through organic and in-organic growth.

2030  
Vision

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Operational overview

ANZ



# ANZ network of scale



Leveraging network density to deliver customer promise; ongoing investment in network infill and upgrades.

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# New Auckland distribution centre

To support and scale our operations in New Zealand.



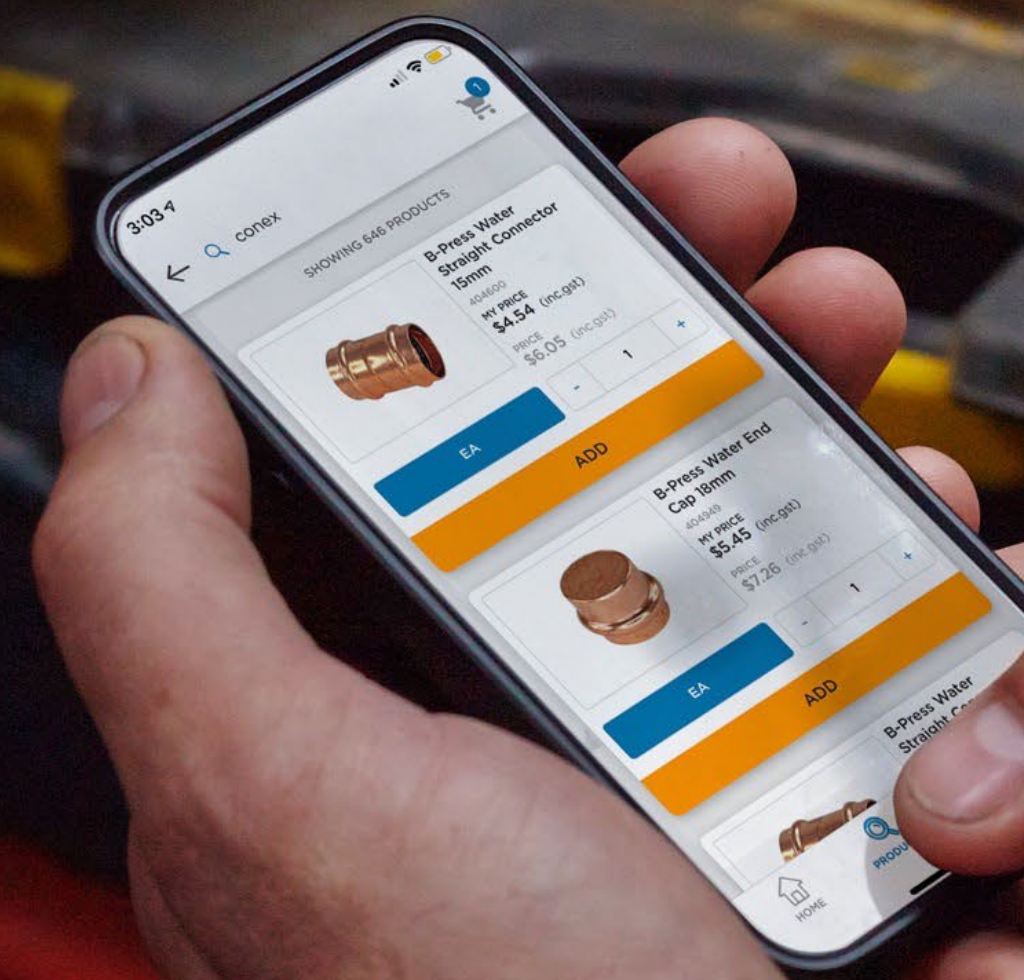


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# Driving innovation for the future of our trade

Staying at the forefront of future trends;  
helping our customers run their  
business with ease.

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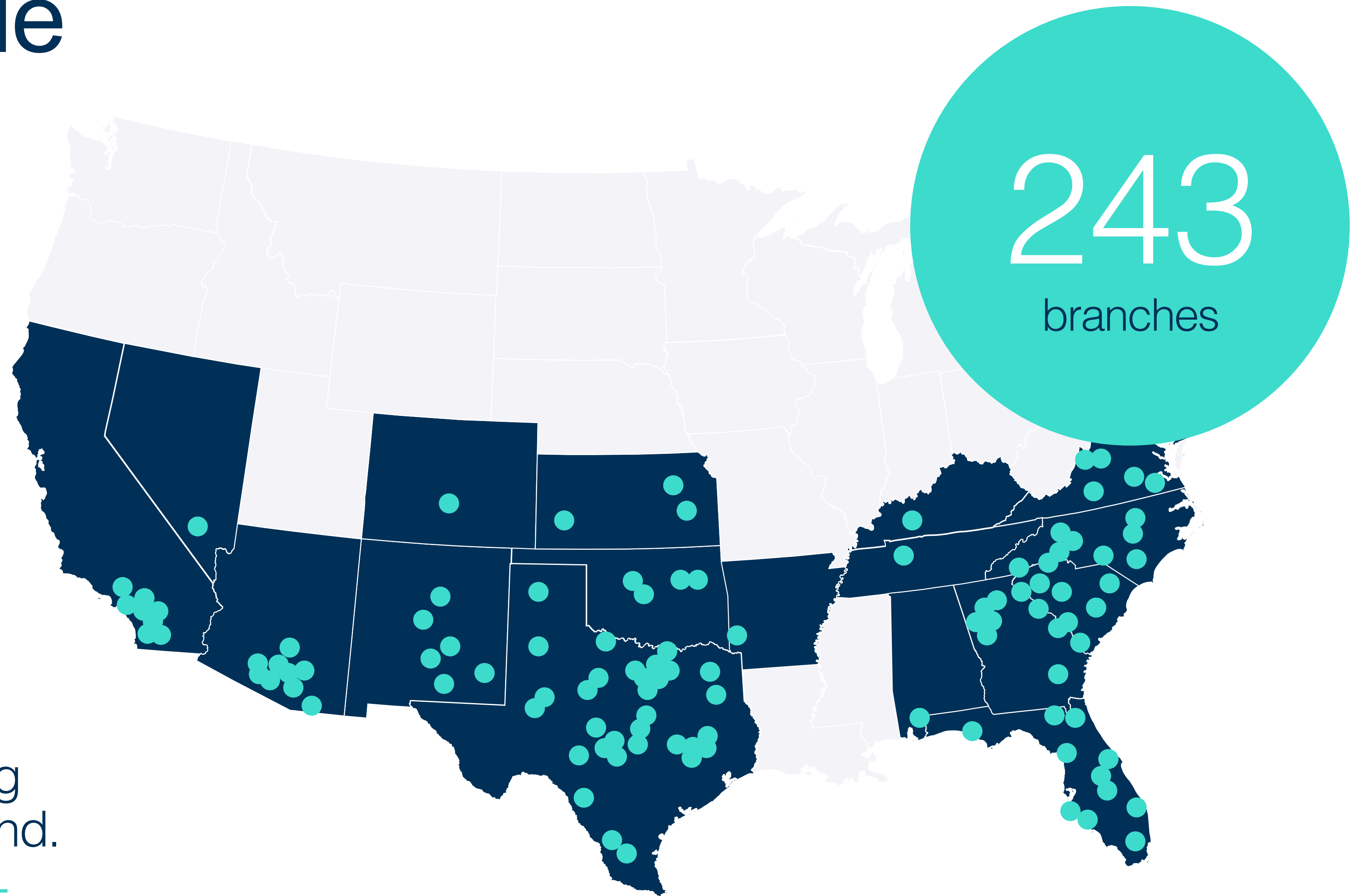
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Operational overview

US

# Building scale in the US



Network expansion and upgrades continue; strong progress on Reece rebrand.

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# Supporting growth in the US

New distribution centre will  
support service proposition.



# Continuing to invest in our team

Building capability to support the growth of our network.



04

# Financial review



# Group financial highlights

## Statutory sales revenue

up 3%  
to \$9.1b

From \$8.8b

## Statutory EBITDA

up 7%  
to \$1.0b

From \$944m

## Statutory EBIT

up 4%  
to \$681m

From \$654m

## Statutory NPAT

up 8%  
to \$419m

From \$388m

## Statutory EPS

up 8%  
to 65 cents

From 60 cents

## Constant currency sales revenue

up 2%

## Adjusted EBITDA

up 5%  
to \$1.0b

From \$958m

## Adjusted EBIT

up 2%  
to \$681m

From \$668m

## Adjusted NPAT

up 3%  
to \$416m

From \$405m

## Adjusted EPS

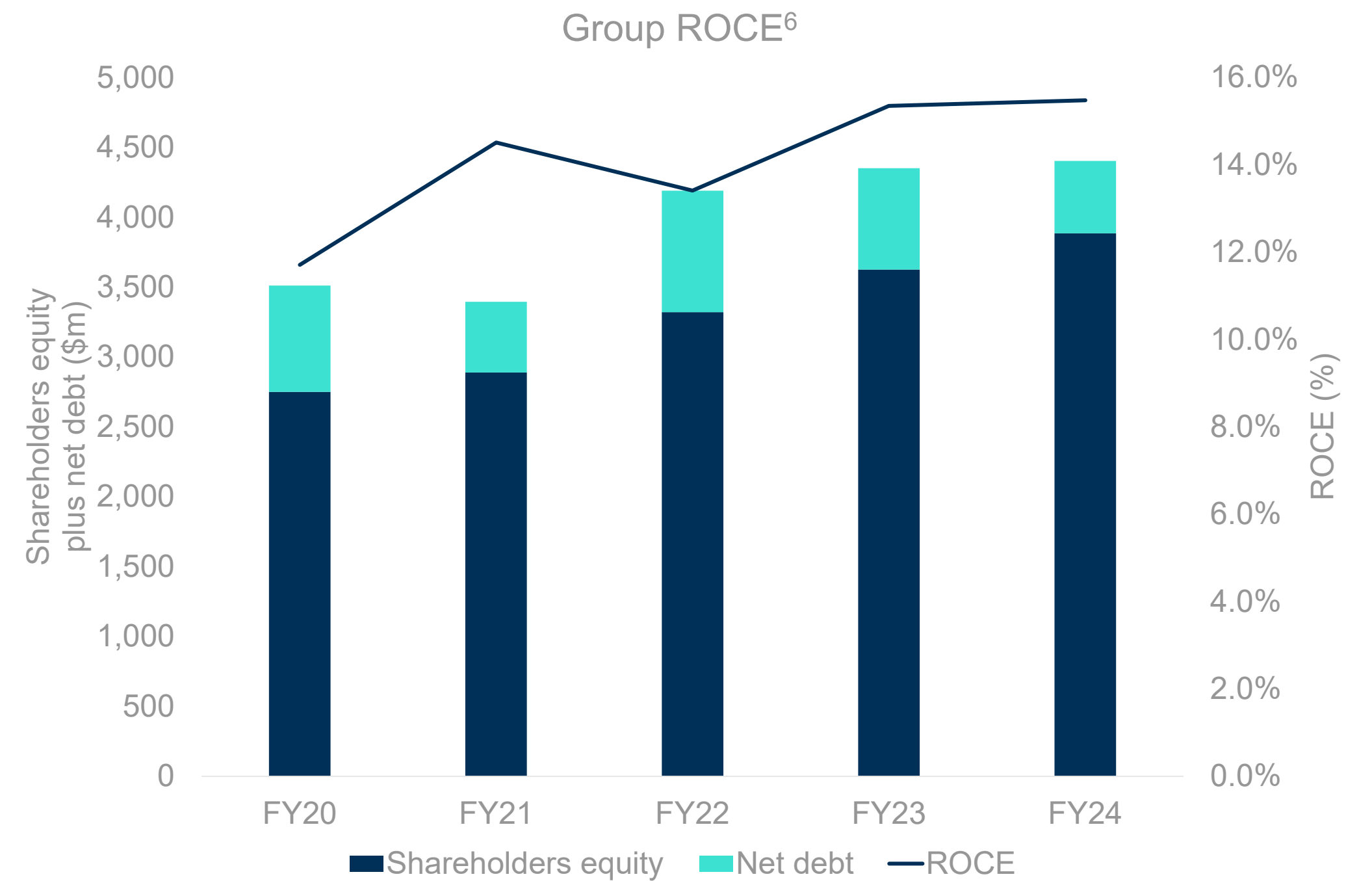
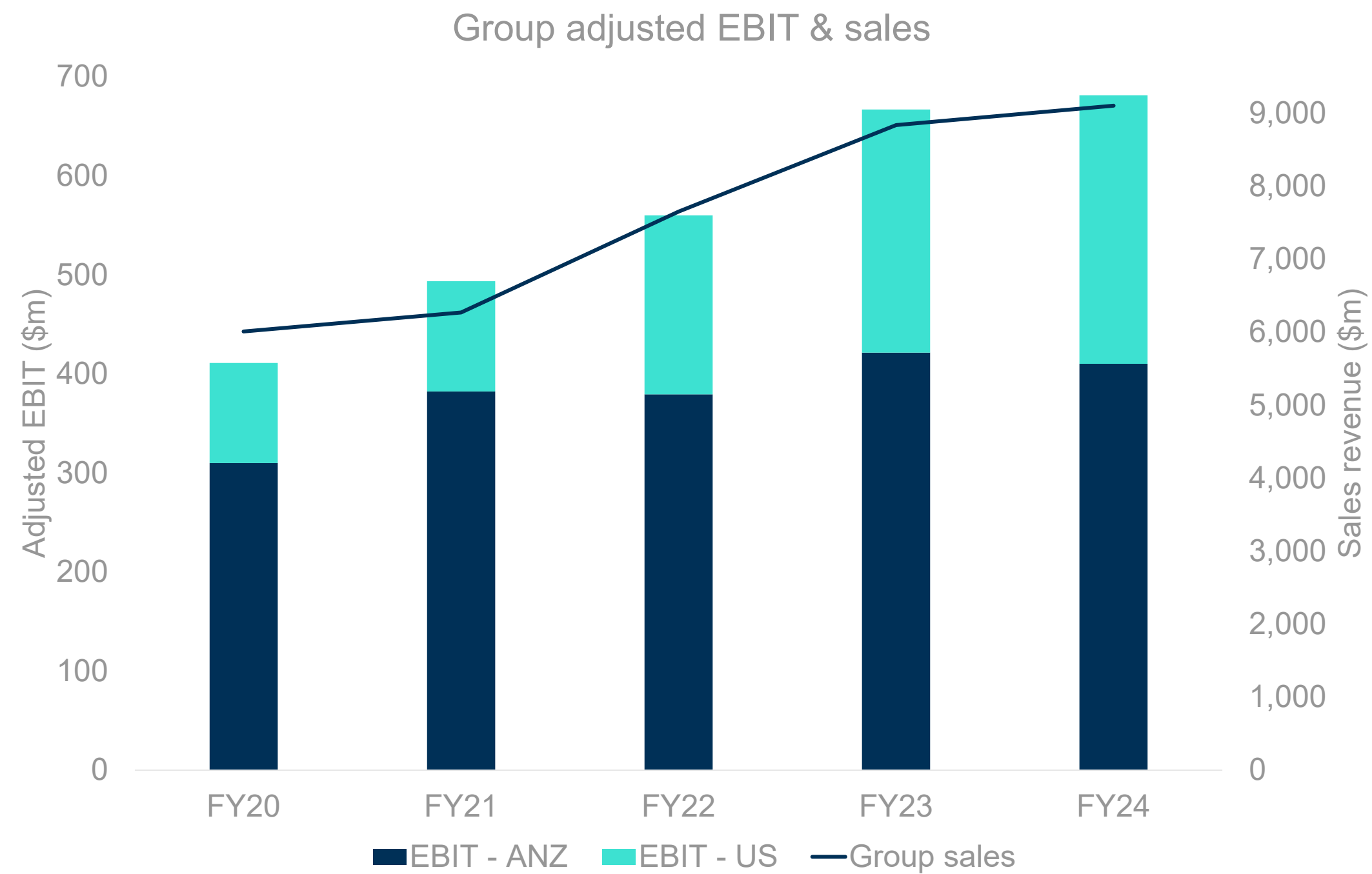
up 3%  
to 64 cents

From 63 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 37

# Group performance

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Continuing to invest through the cycle as activity softened.



# ANZ financial highlights

More challenging trading environment in 2H

## Sales flat

- Softening housing market created headwinds in 2H.
- Backlog activity largely worked through.

## Adjusted EBIT down 3%

- Despite macro environment, business remained focused on execution of the fundamentals.
- Disciplined management of cost base to offset inflationary pressure.
- Continuing to invest through the cycle in network and core capabilities, driving increased D&A.

<b>FY24 30 June 2024 (A\$m)</b>	<b>1H</b>	<b>2H</b>	<b>FY24</b>	<b>FY23</b>	<b>Var. %</b>
Sales revenue	1,972	1,874	3,846	3,853	flat
Adjusted EBITDA <sup>1</sup>	307	253	560	557	1%
Adjusted EBITDA <sup>1</sup> margin	15.6%	13.5%	14.6%	14.5%	10bps
EBIT	233	177	410	408	0.5%
Adjusted EBIT	233	177	410	421	(3%)

# US financial highlights

End markets remain mixed

## Sales up 3% (US dollars)

- Overall trading environment challenging, despite improvement in 2H sales.

## Adjusted EBIT up 7% (US dollars)

- Continuing to embed fundamentals of the Reece model.
- Disciplined management of cost base to offset inflationary pressure.
- Investment in Reece rebrand, network expansion and branch upgrades.

USD

FY24 30 June 2024 (US\$m)	1H	2H	FY24	FY23	Var.
Sales revenue	1,683	1,769	3,452	3,342	3%
Adjusted EBITDA <sup>1</sup>	143	150	293	269	9%
Adjusted EBITDA <sup>1</sup> margin	8.5%	8.5%	8.5%	8.1%	44bps
EBIT	87	91	178	165	8%
Adjusted EBIT	87	91	178	166	7%

AUD

FY24 30 June 2024 (A\$m)	1H	2H	FY24	FY23	Var.
Sales revenue	2,566	2,693	5,259	4,987	5%
Adjusted EBITDA <sup>1</sup>	219	228	447	401	11%
Adjusted EBITDA <sup>1</sup> margin	8.5%	8.5%	8.5%	8.1%	44bps
EBIT	134	137	271	246	10%
Adjusted EBIT	134	137	271	247	10%

# Cashflow

- Strong operating cash flow generation.
- Increased investment in priority areas: branch refurbishments, rebrand, new stores, fleet and technology.
- Continuing to pay down debt; gross interest expense of \$69m\* for FY24.
- Gross interest expense range of \$53m - \$63m\*\* expected for FY25.
- Effective tax rate of 29% for FY24.

\*Gross interest expense excluding AASB16 Leases interest

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

FY24 - 30 June 2024 (A\$m)	FY24	FY23
Adjusted EBITDA <sup>1</sup>	1,007	958
Net movements in working capital (incl. FX)	29	70
Non-cash items and BAC income <sup>3</sup>	-	25
Income tax paid	(194)	(200)
Net finance costs	(56)	(55)
Lease interest paid	(35)	(32)
<b>Cash inflow from operations</b>	<b>751</b>	<b>766</b>
Capital expenditure	(258)	(177)
Proceeds from sale of assets	16	14
Dividends paid	(161)	(149)
<b>Cash inflow / (outflow) before acquisitions and repayment of borrowings</b>	<b>348</b>	<b>454</b>
Business acquisitions / investments	(2)	(146)
Net repayment of borrowings (including leases)	(378)	(158)
<b>Net increase / (decrease) in cash</b>	<b>(32)</b>	<b>150</b>
<b>Free cash flow<sup>4</sup></b>	<b>672</b>	<b>673</b>

# Balance sheet

## Net working capital

- Disciplined management of NWC in subdued volume environment.
- NWC to sales ratio 18% (FY23: 19%).

<b>Net working capital</b>		<b>(A\$m)</b>
NWC 30 June 2023		1,664
Inventory	↓	(9)
Receivables	↑	31
Payables	↑	(61)
NWC 30 June 2024		1,625

## Debt

- Strong cashflow generation continuing to support debt paydown.
- Decrease in net leverage ratio to 0.6x (FY23: 0.9x).
- US\$300m USPP note issuance diversifying funding sources and extending average maturity.

	<b>FY24</b>	<b>FY23</b>
Net leverage ratio <sup>2</sup>	0.6x	0.9x
Available liquidity <sup>5</sup>	\$1,470m	\$944m
Net debt	\$518m	\$725m
Average debt maturity	5.9 years	3.2 years

# Capital management priorities

Enable sustainable long term growth

01.

**Invest in growth**

Organic investments and M&A.

02.

**Strong balance sheet**

Pay down debt; retain flexibility for growth.

03.

**Shareholder returns**

Dividends, share buyback.

05

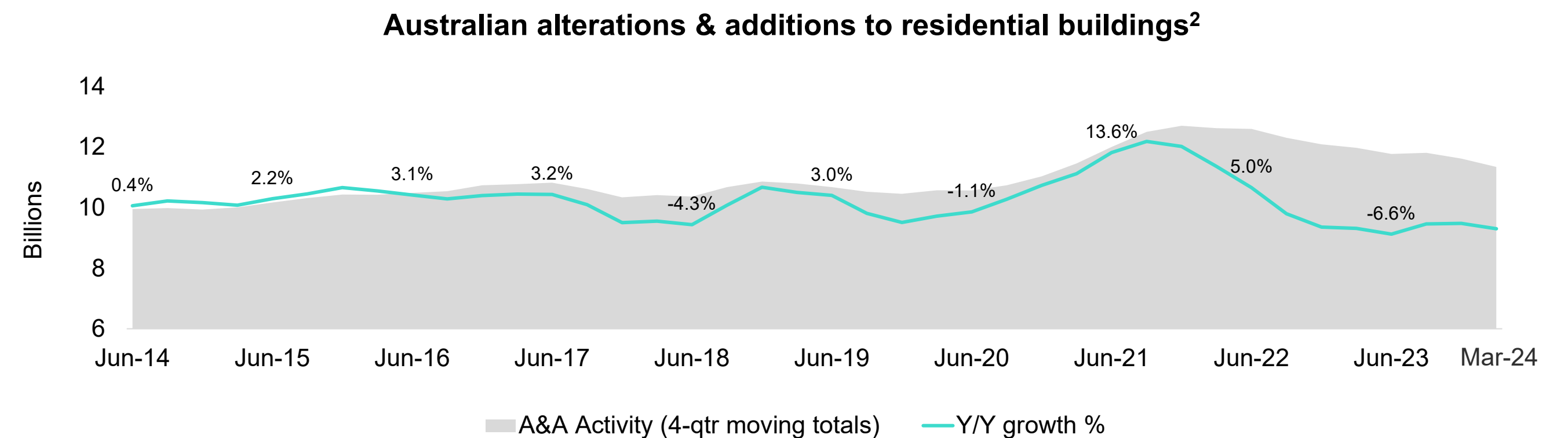
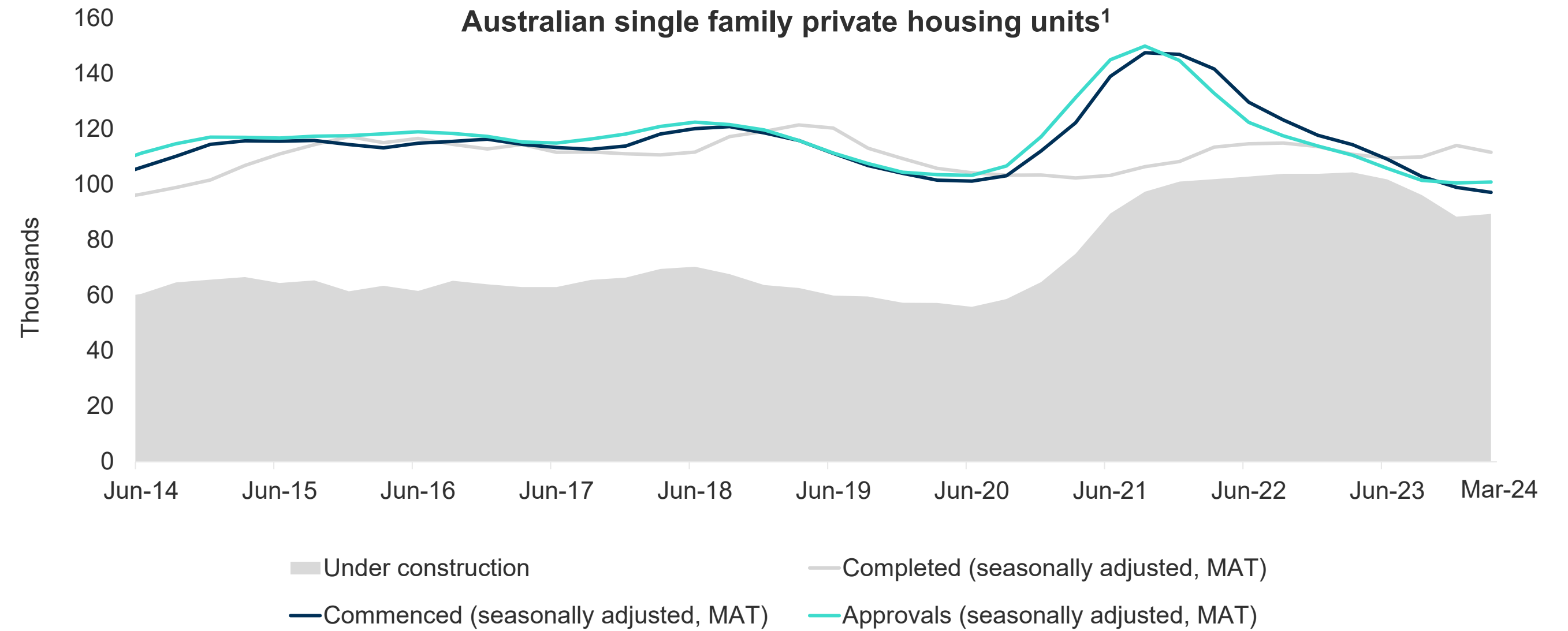
# Outlook



# Expect near term to remain challenging

## ANZ

- Backlog largely worked through.
- Housing activity expected to remain soft.



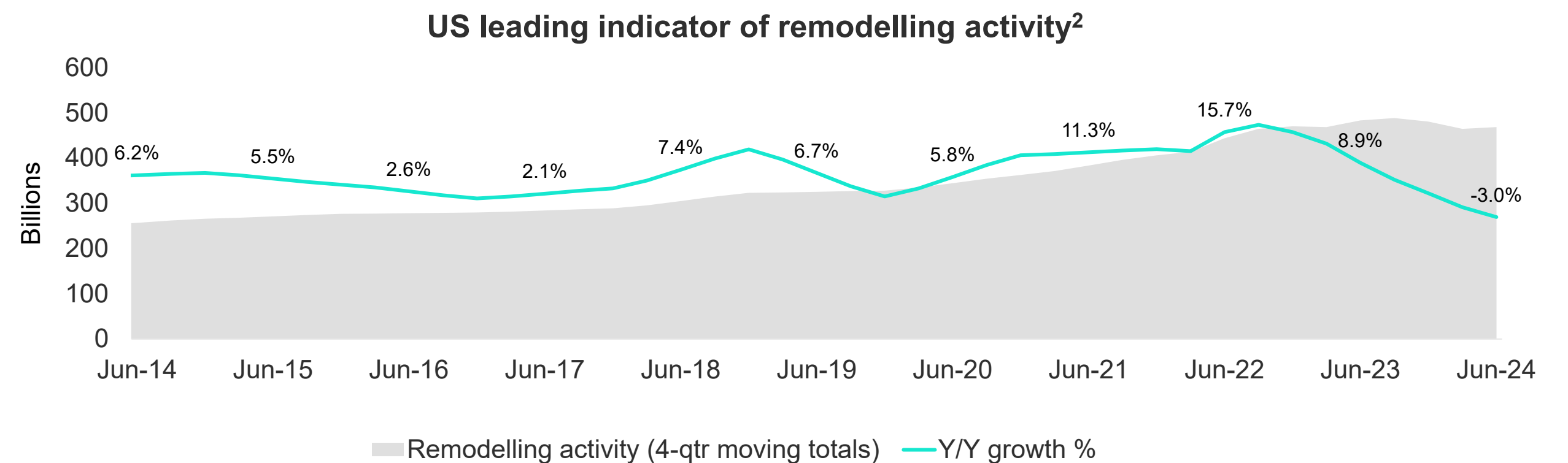
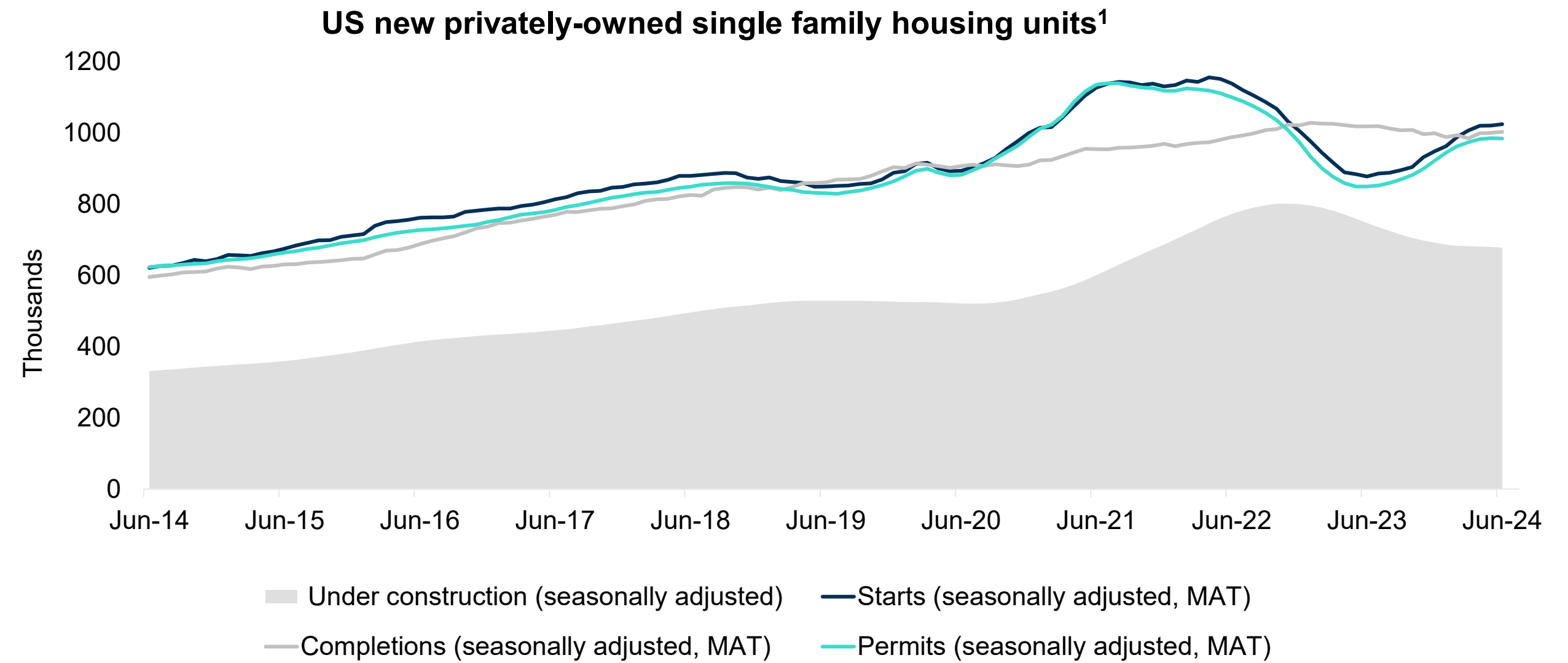
<sup>1</sup> Australian Bureau of Statistics, private sector houses

<sup>2</sup> Australian Bureau of Statistics, value of work done during quarter, chain volume measures, total residential, original

# Expect near term to remain challenging

## US

- Remain cautious given economic uncertainty.
- Current trading environment remains mixed.
- Lag between improving lead indicators and increased activity levels.



<sup>1</sup> US Census Bureau, single family new privately-owned housing

<sup>2</sup> Joint Center for Housing Studies of Harvard University <https://www.jchs.harvard.edu/research-areas/remodeling/lira>



06

# Summary

Reece approach remains unchanged.



Focus on the fundamentals



Customer proposition



Investing for the future

07

# Q&A



# Appendix and supplementary information

# Key metrics

## Reconciliation from Statutory EBIT to Adjusted EBIT

FY24: 30 June 2024 (A\$m)	FY24	FY23	Var.
EBIT (statutory)	681	654	4%
<b>Add back/deduct:</b>			
BAC income	-	(16)	
Impairment	-	29	
Business acquisition costs	-	1	
<b>Adjusted EBIT</b>	<b>681</b>	<b>668</b>	<b>2%</b>

## Reconciliation from Statutory EBIT to Adjusted EBITDA

FY24: 30 June 2024 (A\$m)	FY24	FY23	Var.
EBIT (statutory)	681	654	4%
<b>Add back/deduct:</b>			
BAC income	-	(16)	
Depreciation and amortisation	326	290	
Impairment	-	29	
Business acquisition costs	-	1	
<b>Adjusted EBITDA</b>	<b>1,007</b>	<b>958</b>	<b>5%</b>

## Reconciliation from Statutory NPAT to Adjusted NPAT

FY24: 30 June 2024 (A\$m)	FY24	FY23	Var.
NPAT (statutory)	419	388	8%
<b>Add back/deduct (tax effected):</b>			
US tax adjustment (LIFO)	(3)	(2)	
BAC income	-	(11)	
Impairment	-	29	
Business acquisition costs	-	1	
<b>Adjusted NPAT</b>	<b>416</b>	<b>405</b>	<b>3%</b>
<b>EPS (statutory)</b>	<b>65 cents</b>	<b>60 cents</b>	<b>8%</b>
<b>Adjusted EPS (based on adjusted NPAT)</b>	<b>64 cents</b>	<b>63 cents</b>	<b>3%</b>

# Group definitions

1	Adjusted EBITDA	EBITDA adjusted to exclude government incentive scheme income (BAC income <sup>3</sup> ), 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	Adjusted EBIT as a percentage of shareholders equity plus net debt
7	Constant currency basis	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

# FX impact on sales

