

ASX Announcement

25 February 2021

HY21 Results Presentation

Proudly essential for 100 years

Reece Limited ("**Reece Group**"; ASX:REH) announces record financial results for the half-year ending 31 December 2020.

Attached is the HY21 Results Presentation.

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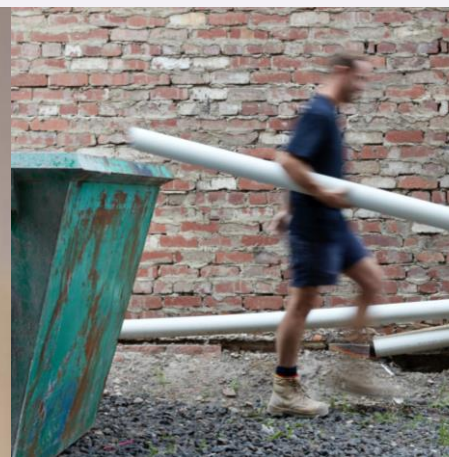
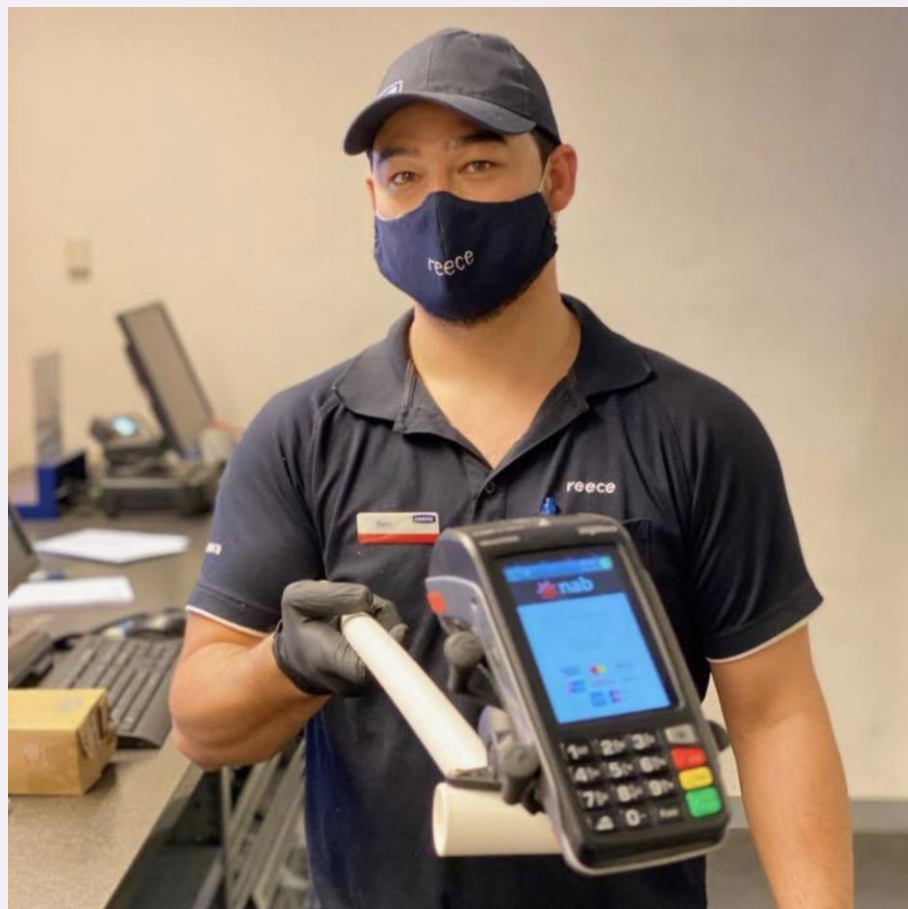
This announcement has been authorised by Chantelle Duffy, Company Secretary at the direction of the Board of Directors.

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 8,000 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 www.reecegroup.com.au.



Half Year Results

2021

25 February 2021

Presenters



Peter Wilson

Group Chief Executive Officer
& Managing Director since 2008

25+ years' experience at Reece,
including roles as General
Manager of Operations and
Chief Operating Officer

Board member since 1997



Andrew Cowlshaw

Group Chief Financial Officer

20+ years' experience in finance
roles. Former Partner at EY

Long-term advisor to Reece
working on key acquisitions

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. 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).

Subject to any continuing obligations under applicable law or any relevant listing rules of the Australian Securities Exchange, Reece disclaims any obligation or undertaking to disseminate any updates or revisions to any forward-looking statements in this presentation to reflect any change in expectations in relation to any forward-looking statements or any change in events, conditions or circumstances on which any such statement is based. Nothing in this presentation shall under any circumstances create an implication that there has been no change in the affairs of Reece since the date of these materials.

Information in this presentation, including any forecast financial or other information, should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities. Before acting on any information you should consider the appropriateness of the information having regard to these matters and, in particular, you should seek independent financial advice.

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.

Reece use non-IFRS financial measures, Normalised EBITDA and constant currency basis to reflect the underlying performance. These measures allow the comparability of the underlying financial performance by excluding the impact of business acquisition costs and finance income. Constant currency basis applies the same exchange rate of 0.6844 from HY20 to eliminate the effect of fluctuations when calculating comparative sales numbers from HY20 to HY21.

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 of components in tables contained in this presentation are due to rounding.

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**Financial
summary**

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**HY21 financial
performance**

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Our purpose and values have guided us now more than ever

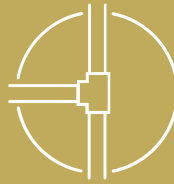
Improving the lives of our customers and people by striving for greatness every day.



**Customers
for life.**



**Discover
your best.**



**Grow as
a team.**



**Innovate
big and small.**



Try. Try. Try.



Own it.



**Keep it
simple.**



**Do the
right thing.**



Be humble.



**Write the
next chapter.**

2020 - Celebrating our 100th year

100
1920 — 2020



“My favourite part of
the job is the customer
feedback and hearing
the customer is happy.”

David, Kimber Plumbing

Our long-term regional approach

Australia & New Zealand

Customised service in a digital landscape

United States

Growth platform

Protect and accelerate through COVID-19

Protect and preserve

Resilience through uncertainty

Adapting to the new COVID normal

Accelerate for the long-term

Customised service in a digital landscape

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Customised service in a digital landscape

US growth platform

Our ESG approach

FY21

Our customer led sustainability strategy

Launching the Reece Foundation



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**HY21 financial
performance**

Financial highlights

**Sales
Revenue**



up 4%
to \$3.1b

**Normalised
EBITDA***



up 12%
to \$349m

EBIT



up 15%
to \$236m

NPAT



up 17%
to \$123m

EPS



up 2%^A
to 19 cents

Half year dividend

6 cents per share

Leverage ratio** (*Net Debt / EBITDA**)

1.9 x

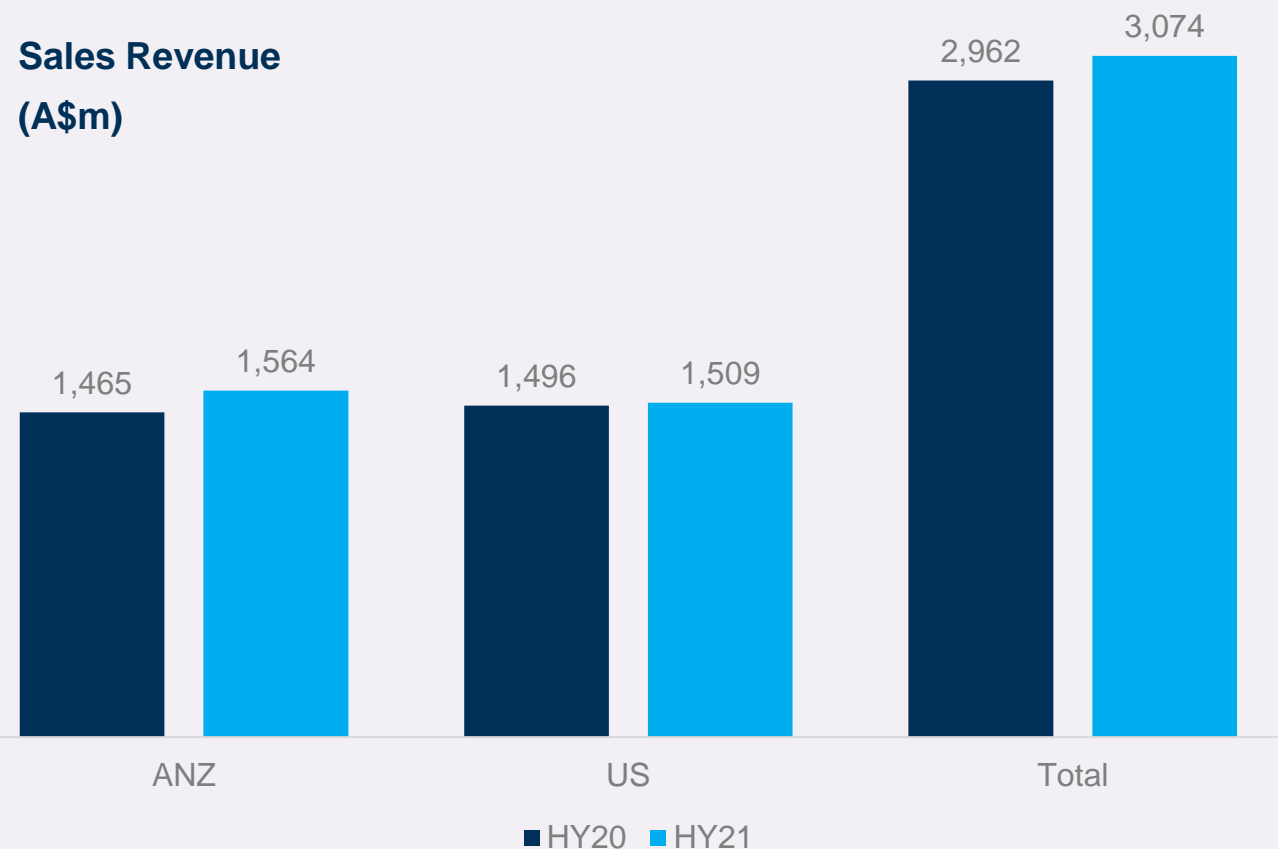
A: EPS has been diluted in HY21 due to 85.2m shares being issued in the April 2020 Equity raising.

*Normalised EBITDA excludes business acquisition costs and finance income/(costs) net

** Leverage ratio is senior debt and lease liabilities less cash and cash equivalents and add/(less) net FX derivative

Segment performance

Sales Revenue (A\$m)



ANZ

- Sales up 7%

US

- Sales up 1% on reported basis
- Sales up 7% on constant currency basis

Group

- Sales up 4%
- Unfavourable FX impact \$97m

Refer to Appendix A further information on FX impact for HY21

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Business highlights

**Digitising
the customer
experience
in ANZ**

**Foundations
for growth in
the US**

Business highlights

Digitising the customer experience in ANZ

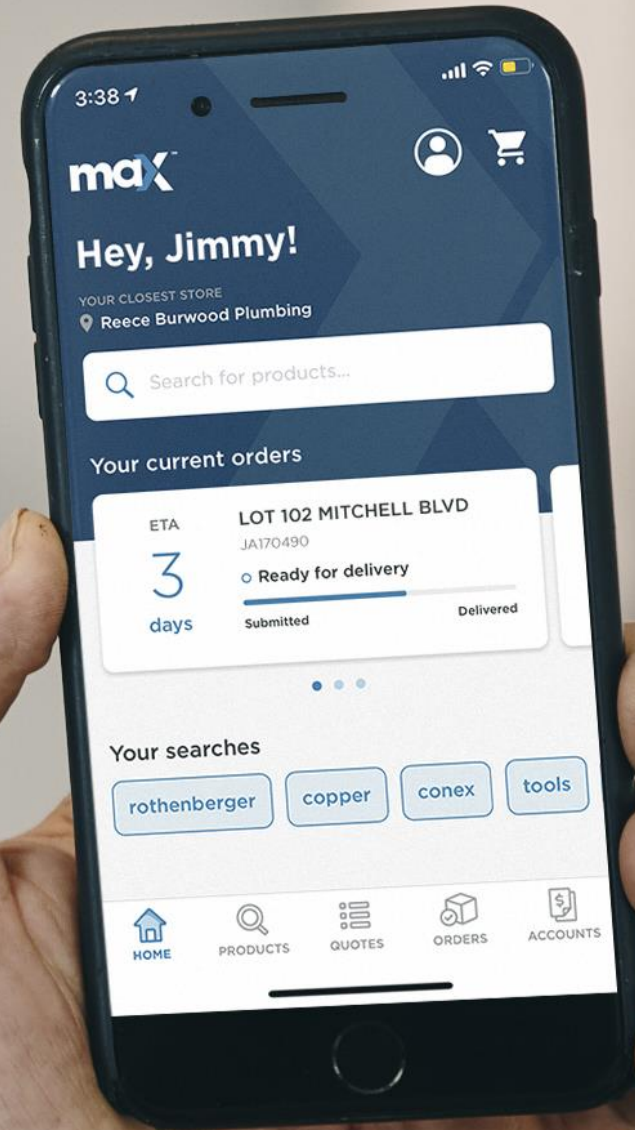
Digitising the customer experience

Continue to invest in digitising the customer experience

Accelerate utilisation of maX and online

Further embedding FieldPulse - integrating with key platforms

Blending the face to face experience with digital in new stores



maXTM
The smarter way to work



Bathroom Life



Expanding our market-leading products



Zurn



Ryker



Memo



Kaden

ANZ branches



Investing in the people experience

Culture

Our people are engaged and feel supported across the Group

Investing in our people

LXP, our innovative approach to blended learning

Top 10 Graduate Employer



Business highlights

**Digitising
the customer
experience
in ANZ**

**Foundations
for growth in
the US**

Business highlights

Foundations for growth in the US

Investing in our people

Launched our people promise

Focus on building long-term
capability

Strengthened commitment
to learning



Understanding our customers

Understanding the local market

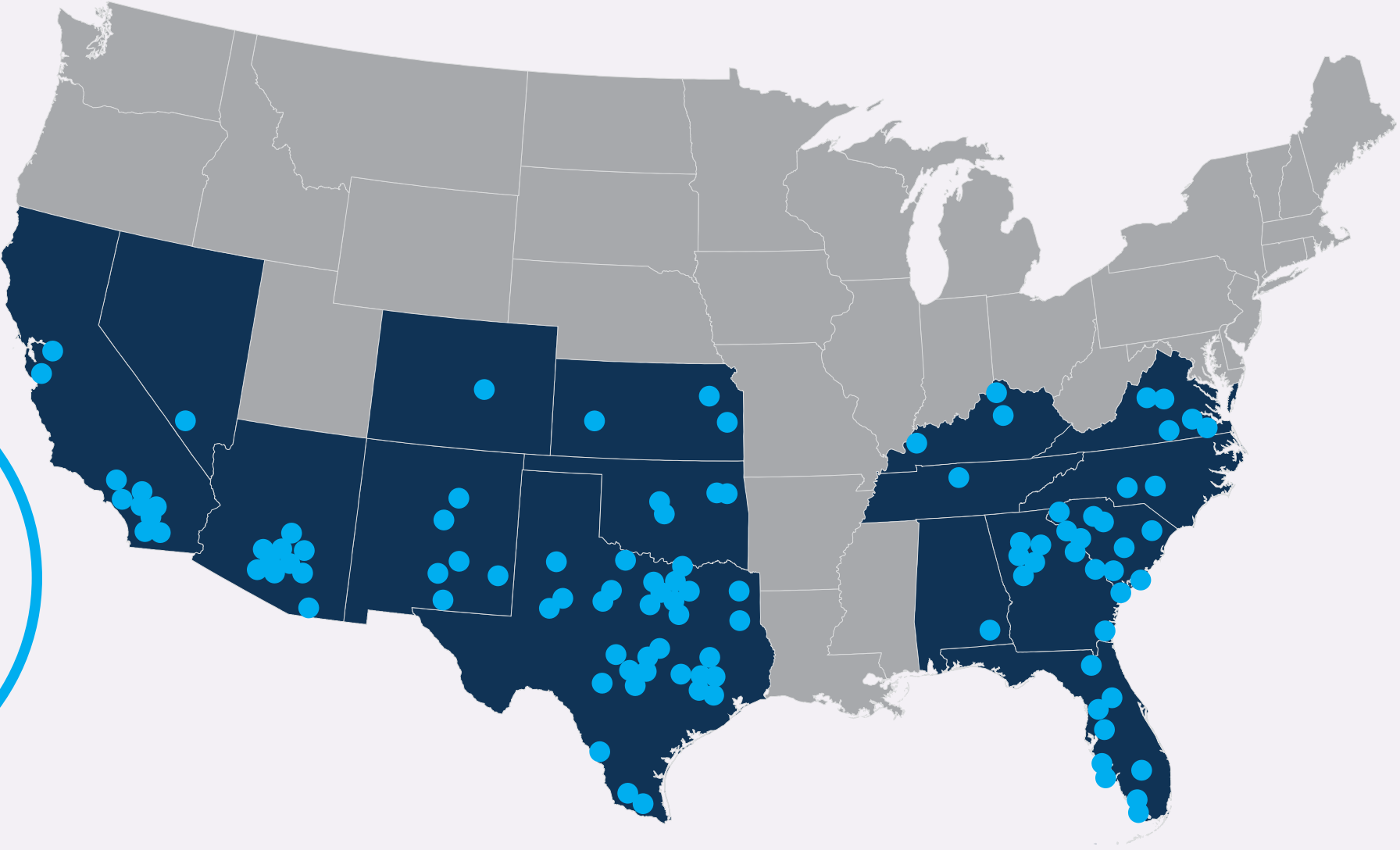
New store design trials

Rebuilding eCommerce approach



US branches

189



ersonal use only

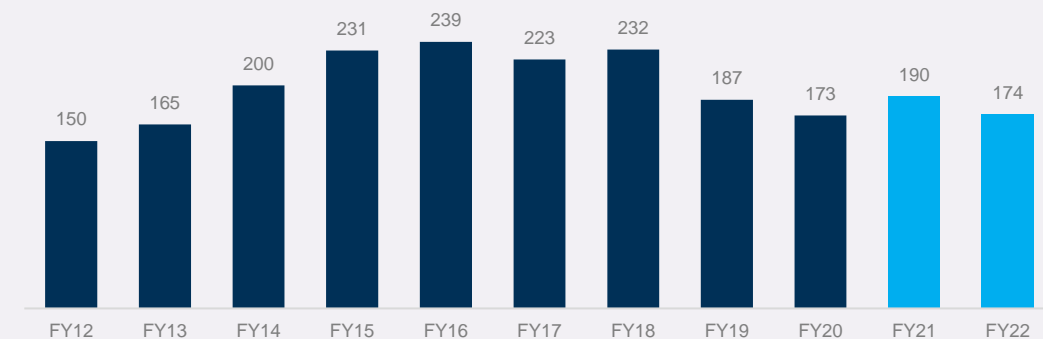


Economic commentary

ANZ economic commentary

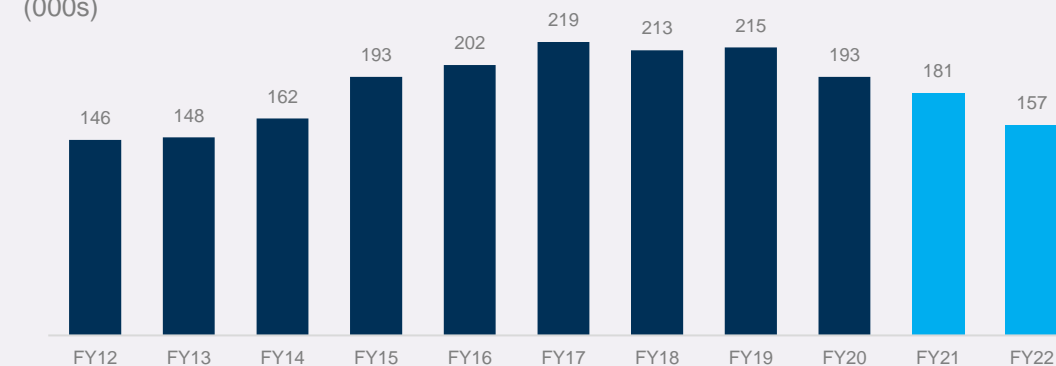
Dwelling Approvals

(000s)



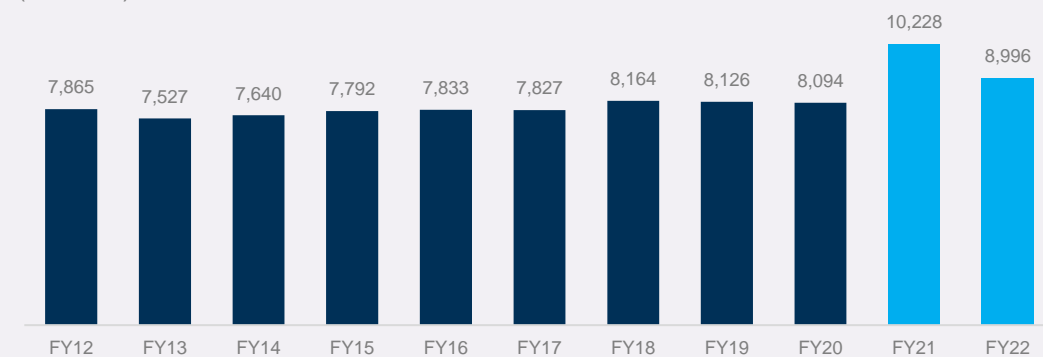
Dwelling Completions

(000s)



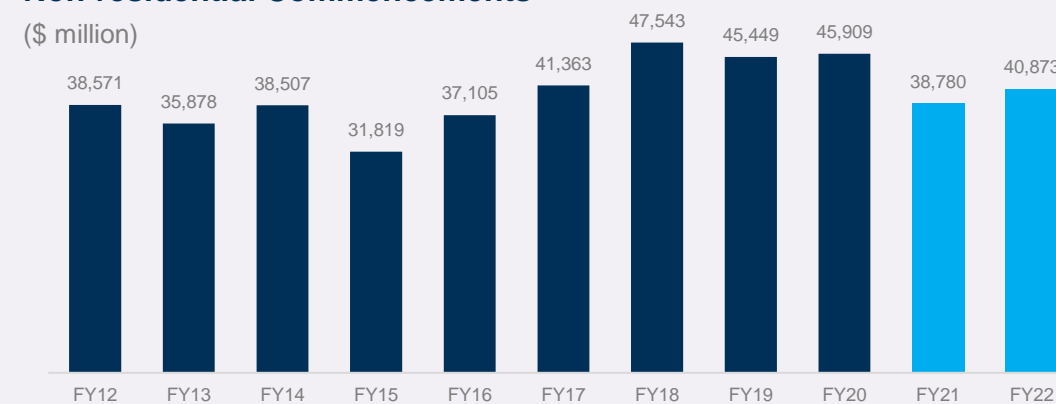
Alterations + Additions

(\$ million)



Non-residential Commencements

(\$ million)

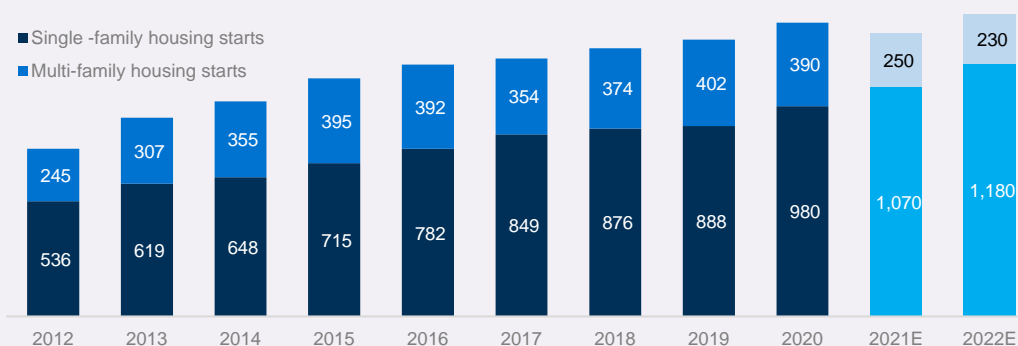


US economic commentary

Single + multi-family housing starts

(000s)

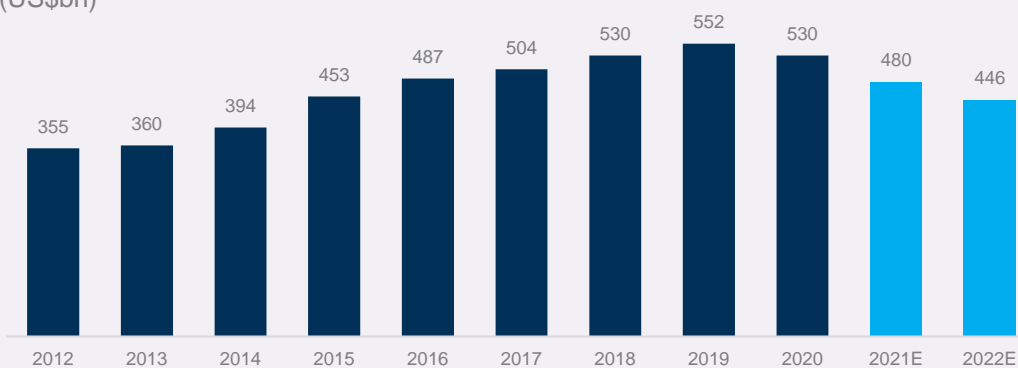
■ Single-family housing starts
■ Multi-family housing starts



Source: John Burns Consulting, J.P. Morgan forecasts as of July 2020

Non-residential building construction expenditure

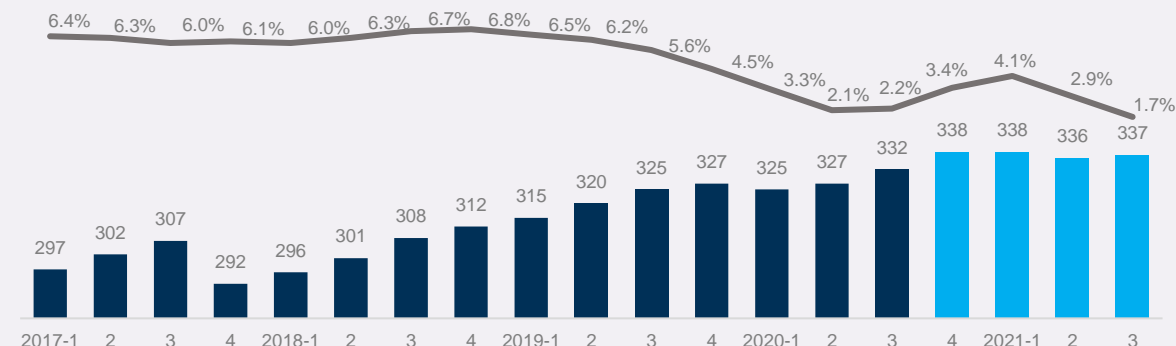
(US\$bn)



Source: FMI as of Q1 2020 (Includes both private and public expenditures)

Leading indicator of remodeling activity

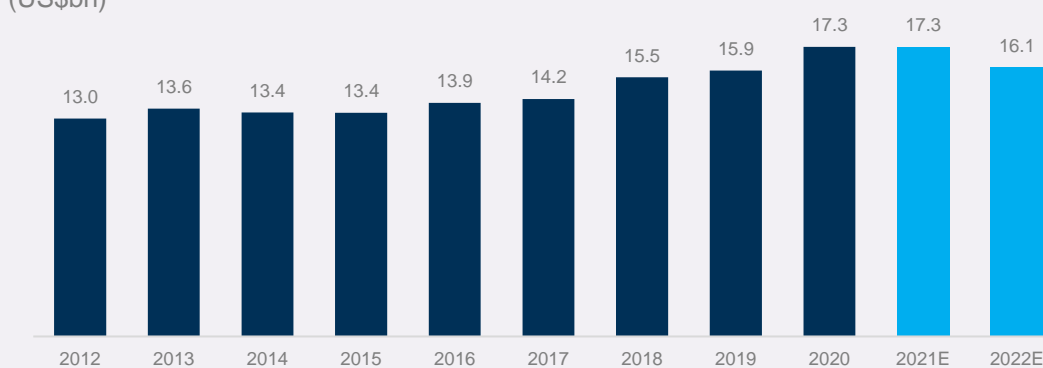
(US\$bn / ROC%)



Source: Joint Center for Housing Studies of Harvard University, LIRA and US Census Bureau as of June 2020

Water supply construction expenditure

(US\$bn)



Source: FMI as of Q1 2020

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Financial highlights

**Sales
Revenue**



**up 4%
to \$3,074m**

from \$2,962m

**Normalised
EBITDA***



**up 12%
to \$349m**

from \$313m

EBIT



**up 15%
to \$236m**

from \$205m

NPAT



**up 17%
to \$123m**

from \$105m

EPS



up 2%
to 19 cents**

from 18.7cents

**Half year
dividend**

**6 cents per share, fully
franked**

from 6 cents per share

**Normalised
EBITDA
margin**

**up 81 bps
11.4%**

from 10.6%

*Normalised EBITDA excludes business acquisition costs and finance income/(cost) net.

**EPS has been diluted in HY21 due to 85.2m shares being issued in the April 2020 Equity raising.

ANZ segment performance

- Record increase in financial metrics
- Sales revenue up 7% reflecting solid demand across all regions
- EBITDA margin expansion of 80 bps a function of sales volume and operational discipline

Half Year 21 31 December 2020 (A\$m)	HY21	HY20	Var. (%)	
Sales revenue	1,564	1,465	↑	7%
Normalised EBITDA*	235	208	↑	13%
EBIT	175	152	↑	15%
Normalised EBITDA margin	15.0%	14.2%	↑	80 bps

*Normalised EBITDA excludes business acquisition costs and finance income/(cost) net

US segment performance

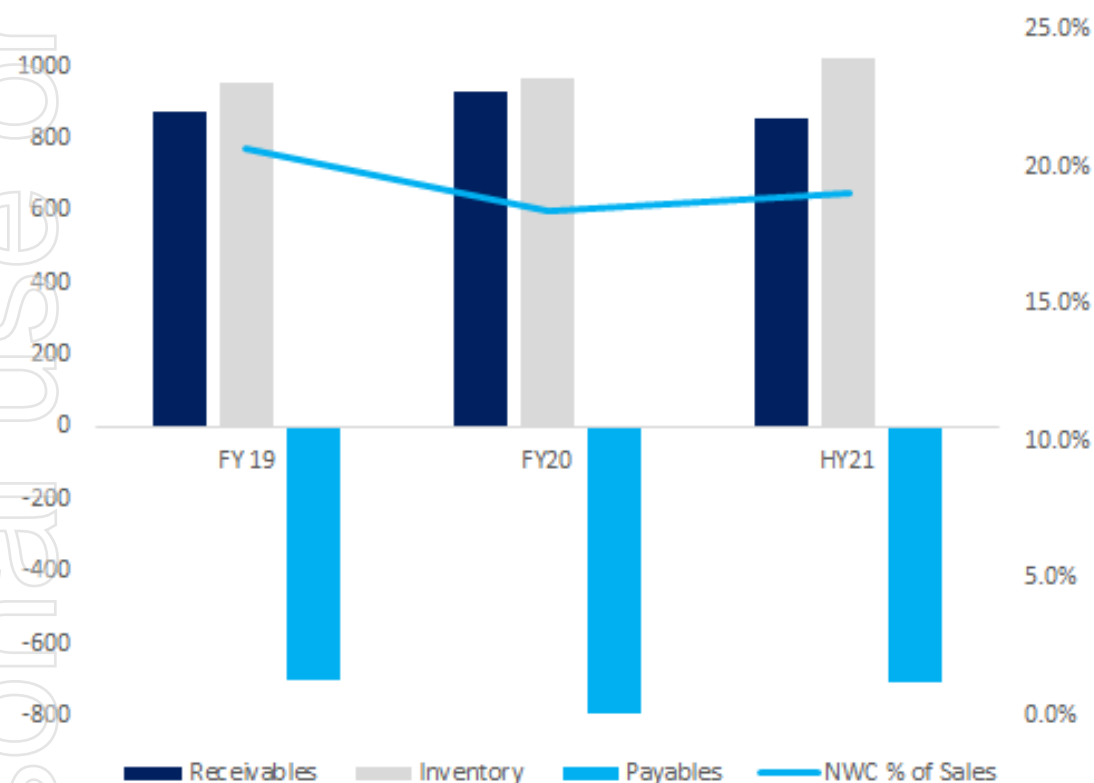
- Sales up 7% on a constant currency basis
- Unfavourable FX impact \$97m
- Normalised EBITDA up 17% on constant currency basis
- Expansion of 60 bps in EBITDA margin

Half Year 21 31 December 2020 (A\$m)	HY21	HY20	Var. (%)
Sales revenue	1,509	1,496	↑ 1%
Normalised EBITDA*	114	104	↑ 10%
EBIT	61	53	↑ 15%
Normalised EBITDA margin	7.6%	7.0%	↑ 60 bps

*Normalised EBITDA excludes business acquisition costs and finance income/(cost) net

Cashflow

Net Working Capital (A\$m)

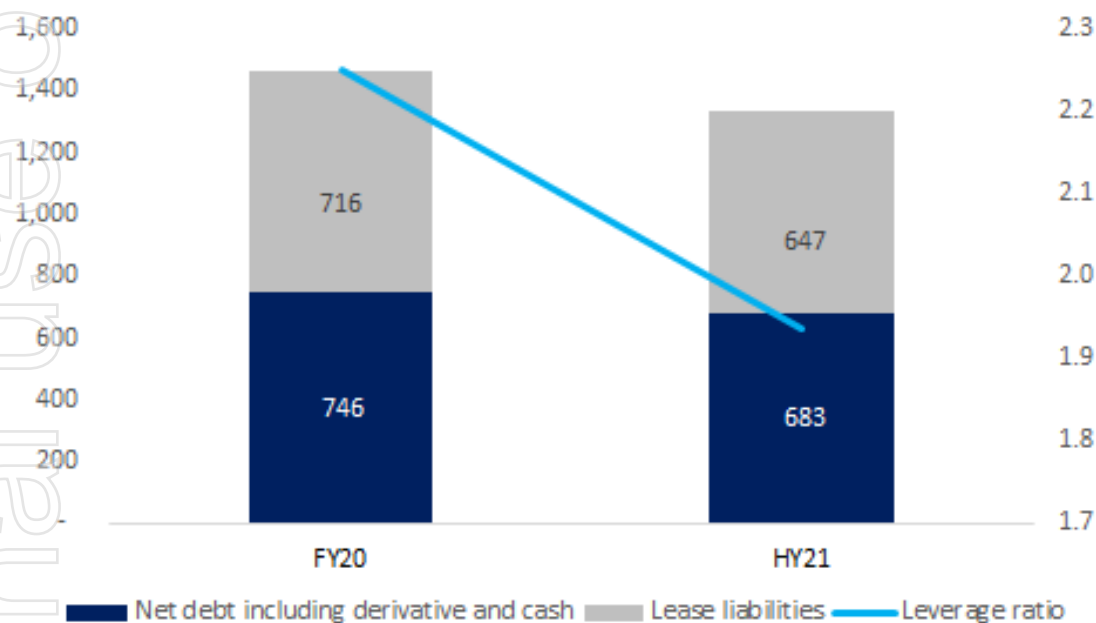


Half Year 21 31 December 2020 (A\$m)	HY21	HY20
Normalised EBITDA*	349	313
Net movements in working capital	(130)	(24)
Non-cash items in EBITDA	3	3
Income tax paid	(85)	(47)
Finance costs	(38)	(44)
Cash flow from operations	99	201
Capital expenditure	(28)	(46)
Proceeds from sale of assets	7	6
Lease payments	(51)	(50)
Dividends paid	(39)	(80)
Cash flow before acquisitions and repayment of borrowings	(12)	31
Business acquisitions/ investments	(13)	(186)
Net proceeds from borrowings	(8)	130
Net decrease in cash	(33)	(25)

*Normalised EBITDA excludes business acquisition costs and finance income/(cost) net

Balance sheet

Net Debt*
(A\$m)



Net debt including lease liabilities

(A\$m)	HY21	FY20
Cash and cash equivalents	954	1,005
Senior debt	1,565	1,765
Lease liabilities	647	716
Net debt*	1,258	1,476
Net Financial asset/ (liability) FX derivative	(71)	14
Net debt including FX derivative impact	1,329	1,462
Leverage Ratio** (Net Debt / EBITDA**)	1.9 x	2.3 x

Refer to Appendix B for detailed reconciliation to previously disclosed leverage ratios excluding lease liabilities

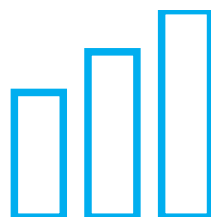
* Net debt is senior debt and lease liabilities less cash and cash equivalents and add/(less) net FX derivative

**Normalised EBITDA excludes business acquisition costs and finance income/(costs) net

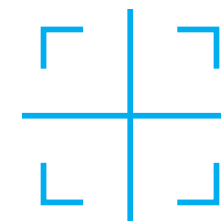
Summary

Summary

Record result



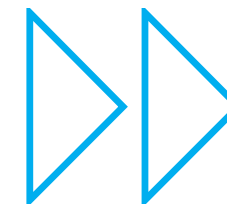
Focus on what we can control



Resilient business model, providing an essential service



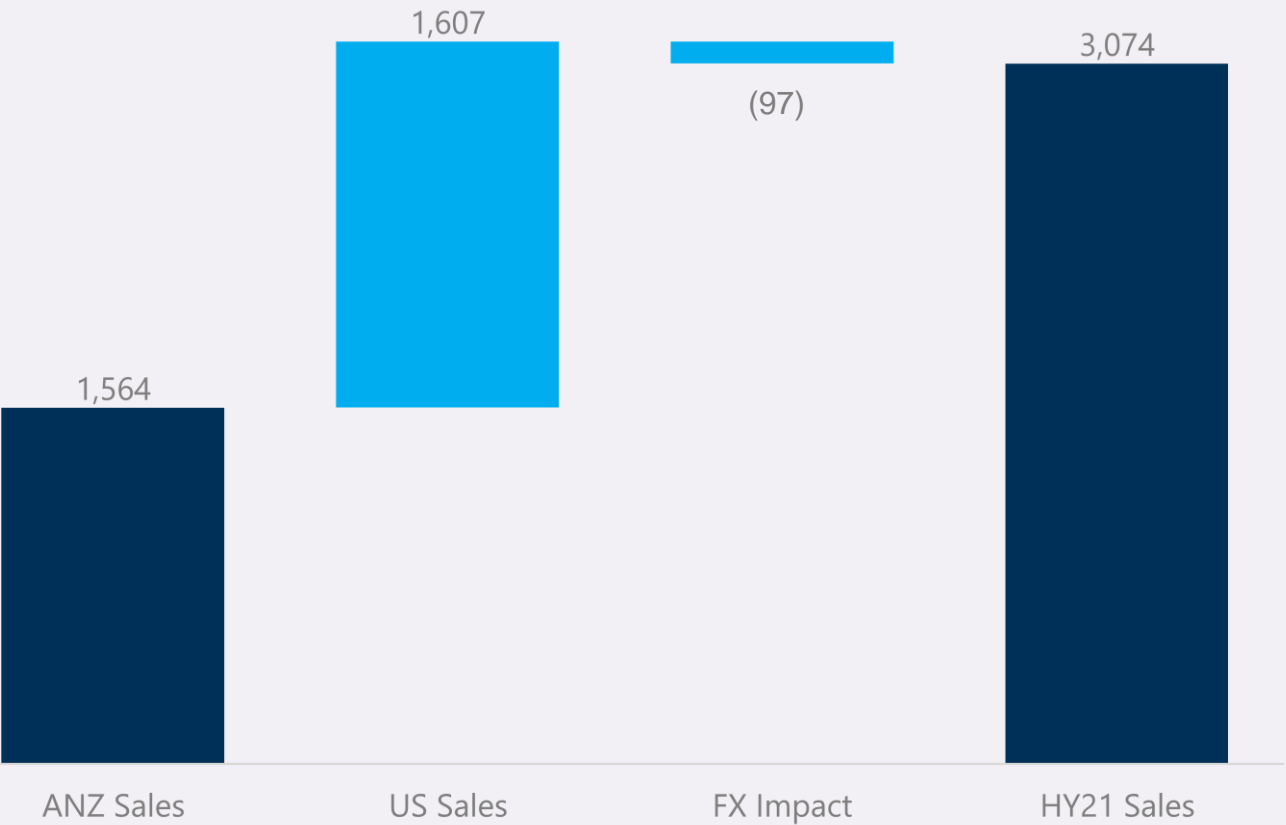
Protect & Accelerate



Q&A

Appendix A - FX bridge

(A\$m)



ersonal use only

Appendix B – AASB 16 Leases reconciliation

- AASB 16 was applicable to the Group for the first time in FY20
- FY20 leverage ratio was previously disclosed excluding lease liabilities
- Reconciliation below shows previously disclosed net leverage ratio and comparative leverage ratio including lease liabilities for the same period

	(A\$m)	FY20
Excluding lease liabilities	Cash and cash equivalents	1,005
	Senior debt	1,765
	Net debt	760
	Net Financial asset (FX derivative)	14
	Net debt including FX derivative impact	746
	Leverage Ratio <i>excluding</i> lease liabilities (Net Debt / Pre-AASB 16 EBITDA)	1.4 x
Including lease liabilities	Lease liabilities	716
	Net debt including lease liabilities	1,462
	Leverage Ratio <i>including</i> lease liabilities (Net Debt/EBITDA*)	2.3 x

*Normalised EBITDA excludes business acquisition costs and finance income/(costs) net