

ASX Announcement

24 August 2021

FY21 Investor Presentation

Growth and opportunity.

Reece Limited ("**Reece Group**"; ASX:REH) announces its financial results for the full year ended 30 June 2021.

Attached is the FY21 Results Presentation.

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This announcement has been authorised by Chantelle Duffy, Company Secretary at the direction of the Reece Group 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 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 group.reece.com/au.

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Full Year Results 2021

August 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 0.7485 from FY21 to eliminate the effect of fluctuations when calculating comparative sales numbers from FY20 to FY21.

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.

What we'll share today

Our focus

**Financial
summary**

**Business
highlights**

**FY21
Financial
performance**

2021 continued to challenge the business



What we'll share today

Our focus

**Financial
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**Business
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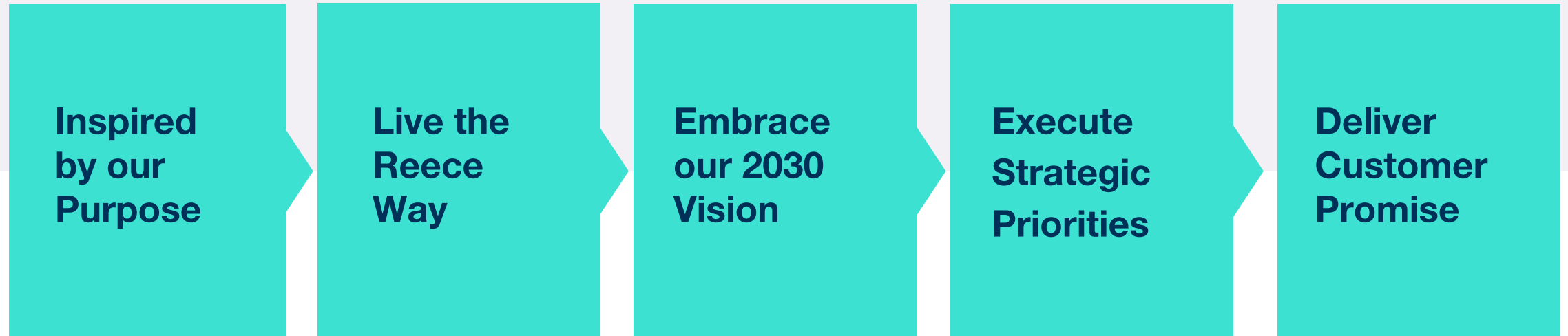
**FY21
Financial
performance**

01

Our focus



Our Blueprint



Our Purpose & Values

To improve the lives of our customers and our 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.**

Doing the right thing



Reece came 2nd in top 10 performing brands in CSR in Australia.

It's good to be good

Australia's leaders in corporate social responsibility

Australia's top 10:

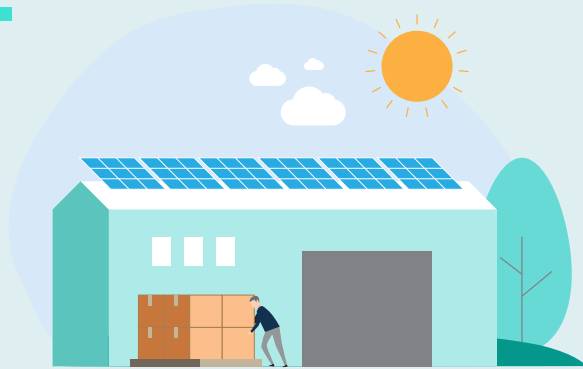
- 1 NRMA
- 2 reece
- 3 Bendigo Bank
- 4 afterpay
- 5 SYDNEY OPERA HOUSE



Our sustainability strategy

Our Focus Areas

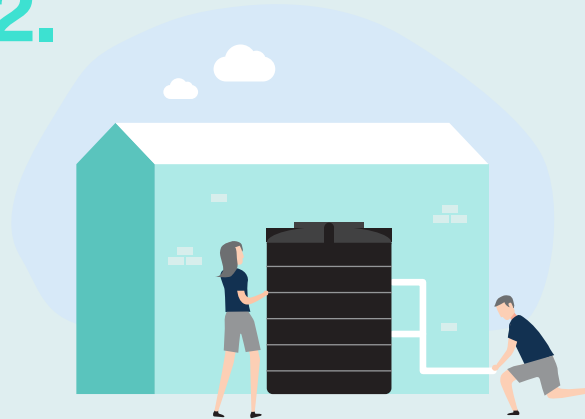
1.



Sustainable Business

Reducing our environmental impact and promoting sustainable business practices.

2.



Empowered Trades

Investing in our industry to create more sustainable ways of working.

3.



Resilient Communities

Meaningfully contributing to building resilient communities where we operate.

2030 Vision

We will be the trade's most
valuable partner helping them
succeed in a digital world.

Our Strategic Priorities

01

Brilliant
Fundamentals

02

Investing for
Growth

03

Delivering
Innovation

What we'll share today

Our focus

**Financial
summary**

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Financial
performance**

Financial highlights

**Sales
Revenue**



up 4%
to \$6.3b

**Normalised
EBITDA***



up 11%
to \$720m

EBIT



up 20%
to \$493m

NPAT



up 25%
to \$286m

EPS



up 10%
to 44 cents

Final dividend

12 cents per share

Total FY21 dividend 18 cents

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

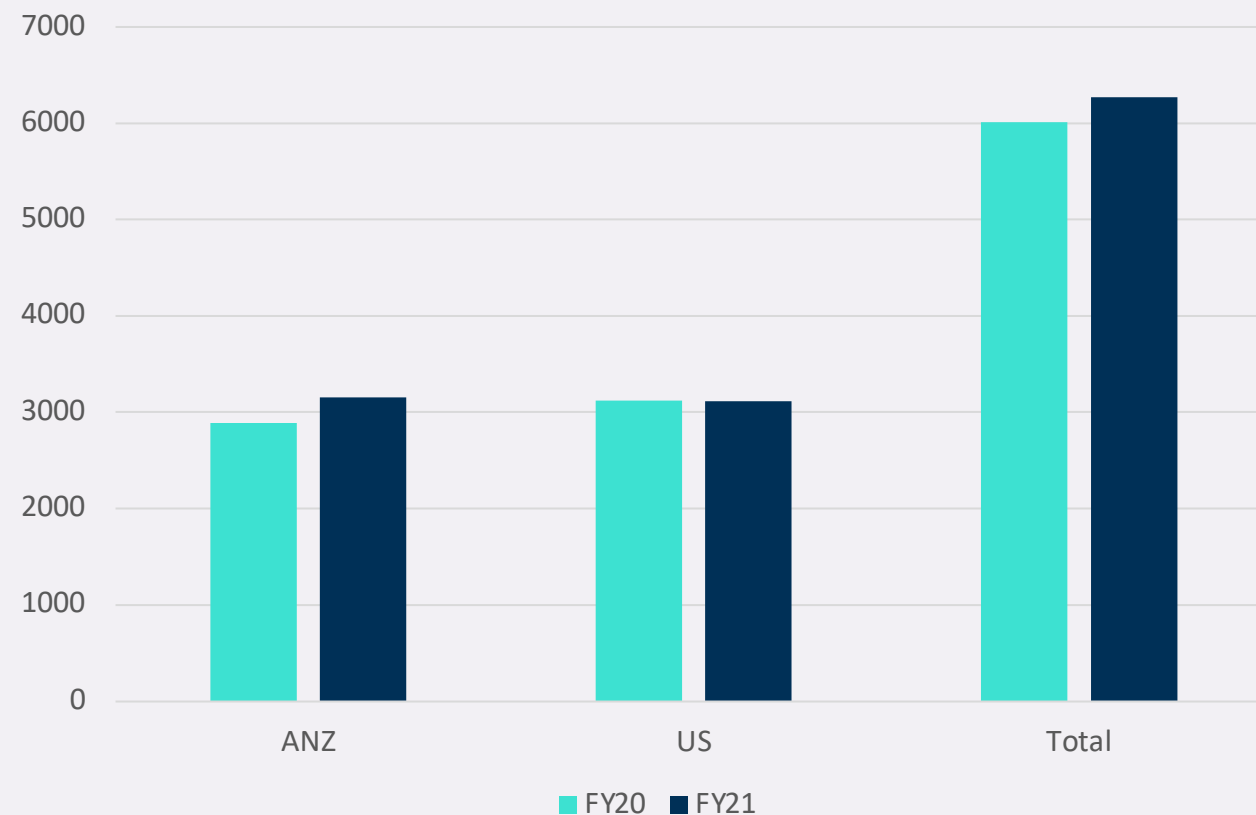
1.7x

*Normalised EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude business acquisition costs, FY20 impairment expense and finance income/(costs) - net

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

Segment performance

Sales Revenue (A\$m)



ANZ

- Sales up 9%

US

- Sales up 11% on constant currency basis
- Sales flat on reported basis

Group

- Sales up 4%
- Unfavourable FX impact \$362m

Refer to Appendix A further information on FX impact for FY21

03

Business Highlights



Business highlights

ANZ

US

Business highlights

ANZ

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01

Brilliant Fundamentals

SafeR – digitising our safety journey

20%



LTIFR incidents

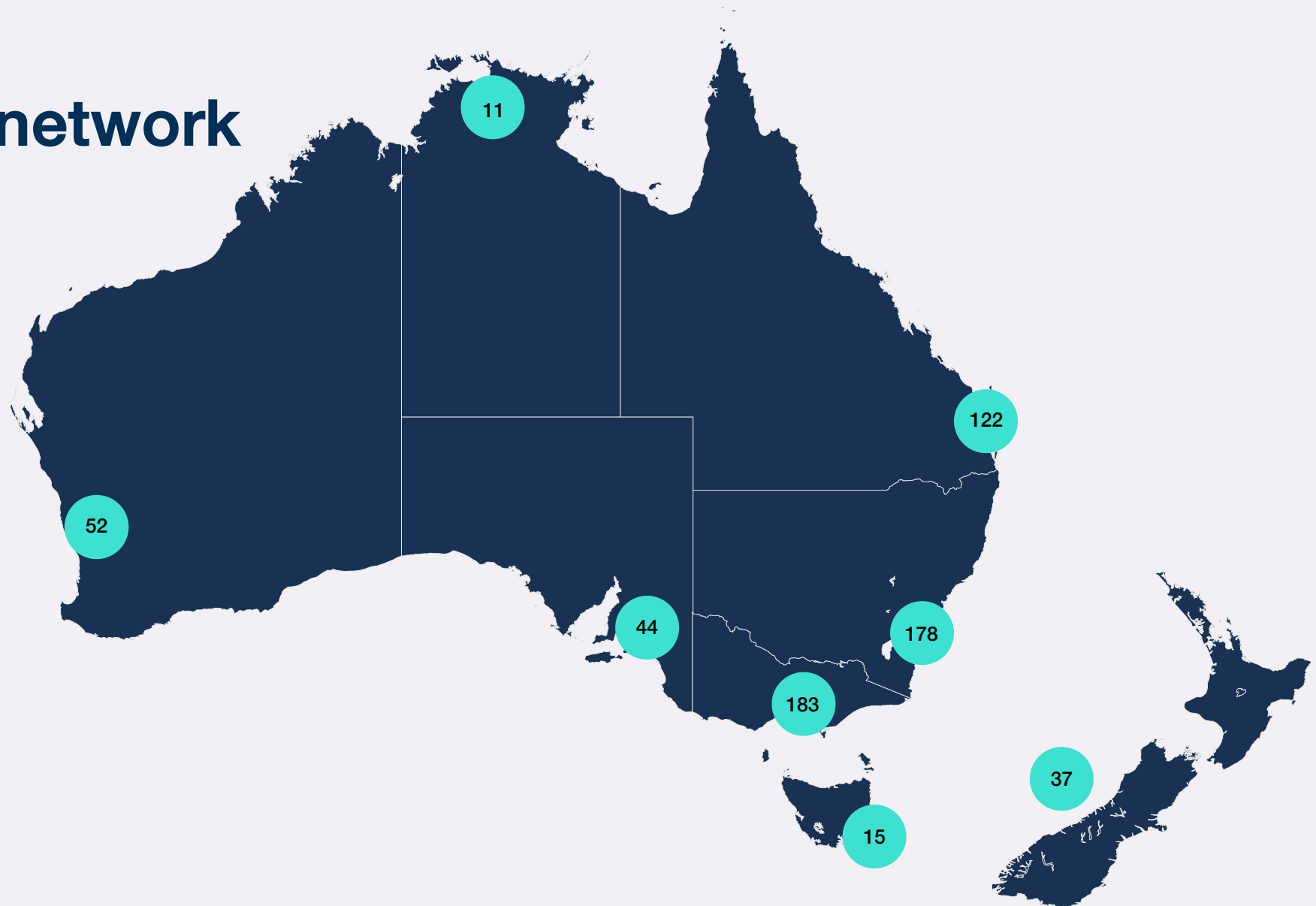
200k



safety walks completed

Australia & New Zealand network

642



Expanding our market leading products



 **ENVIROPOD™**



 *Tecumseh*



memo



THERMANN



ZURN®

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Helping to
connect
tradespeople
to a digital
ecosystem



Continuous Improvement

“At a minimum we’re going to double our capacity, so we’re going to be able to get a lot more quotes done for our customers”

Chris, Business Development Manager, Metalflex

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02

Investing for Growth

Current environment has enabled growth

Market Conditions

- Homebuilder
- Investment in living spaces
- Movement to suburban fringe & rural areas
- Standalone housing

Ability to supply

- Consistent sourcing challenges
- More consistent supply than competitors
- Long standing supplier relationships
- Maintaining high stock levels

Handling COVID

- Safe branches
- BAU wherever possible
- Digital tools – safe ordering
- Trusted and respected brand

Managing inflation

- Large increases across core product ranges
 - PVC, copper & steel
- Depth of customer relationships

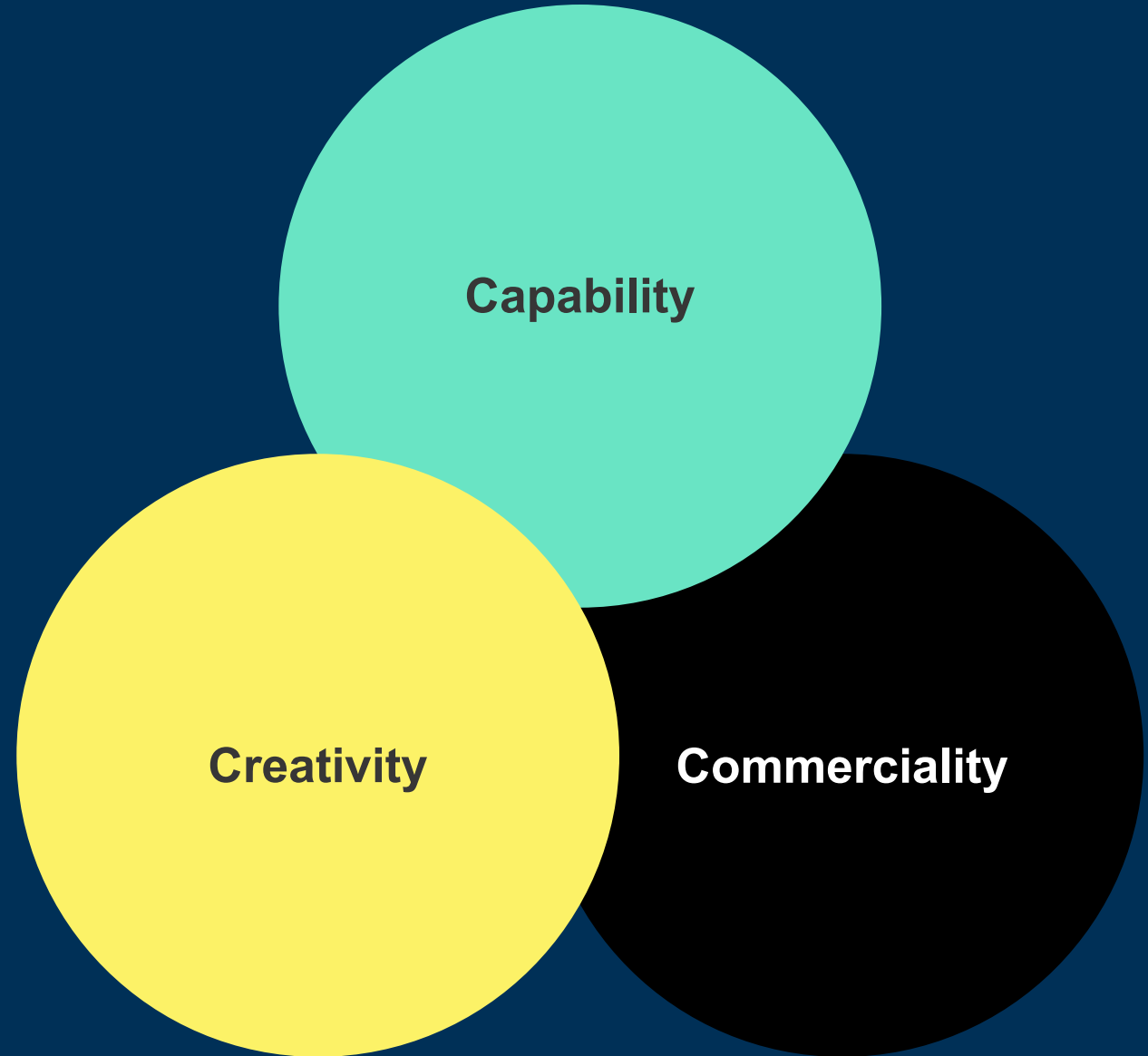
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03

Delivering Innovation

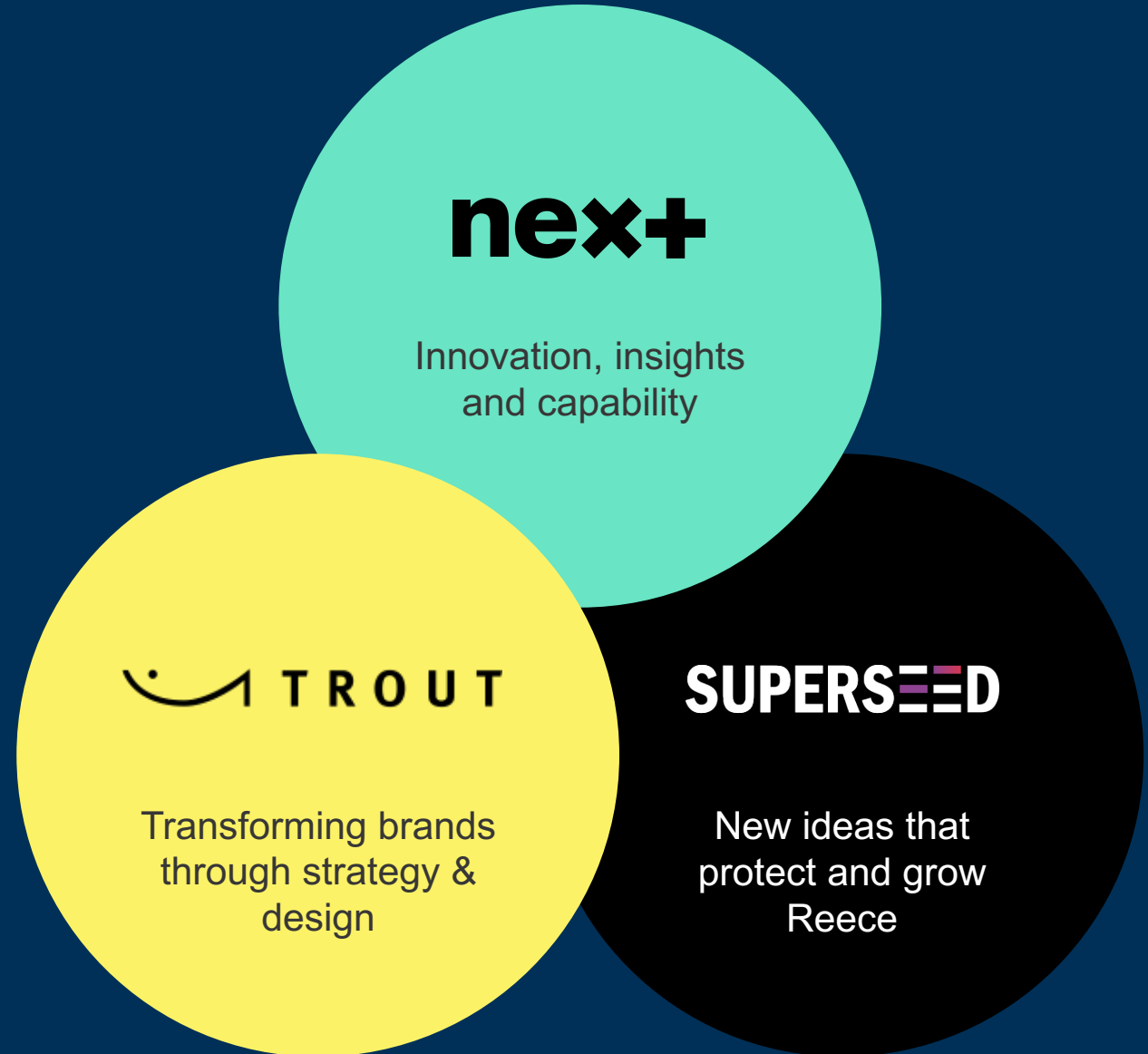
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Delivering innovation



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Breakthrough Innovation Group (BIG)



SUPERSEED

Superseed Ventures invests in start-ups, creates new businesses and helps them scale within the Reece Group and beyond.

**Digitising
trades**

**Re-inventing
trade
education**

**Connecting
trades
to platforms**

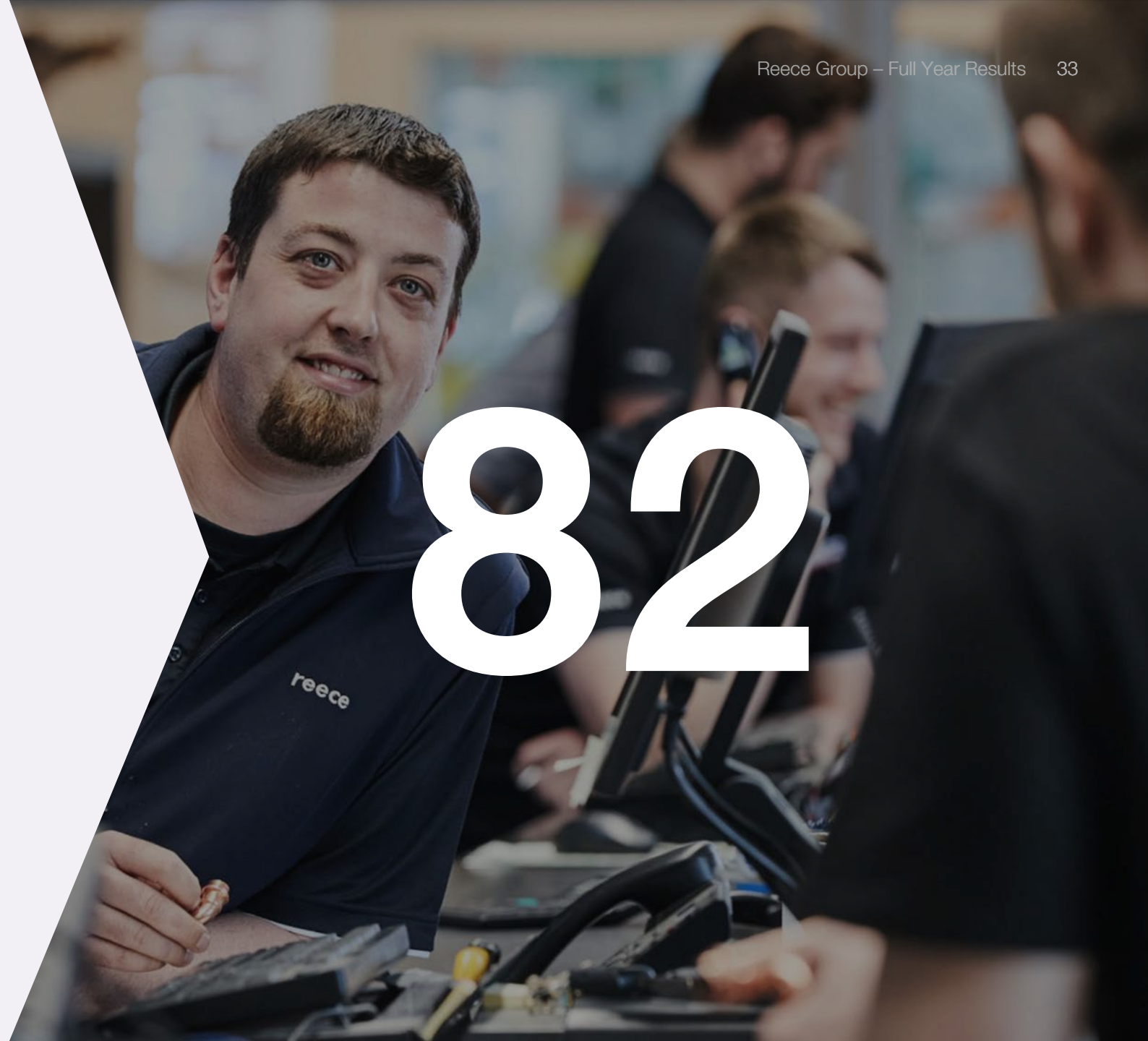
**Tailoring
trades
finance**

**Delivering
Innovation
today**

**Our people
feel supported**

**Employee
engagement
score**

82



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FINANCIAL REVIEW BOSS

BEST

PLACES
TO WORK

Ranked fourth in the
Property, Construction &
Transport sectors, 2021



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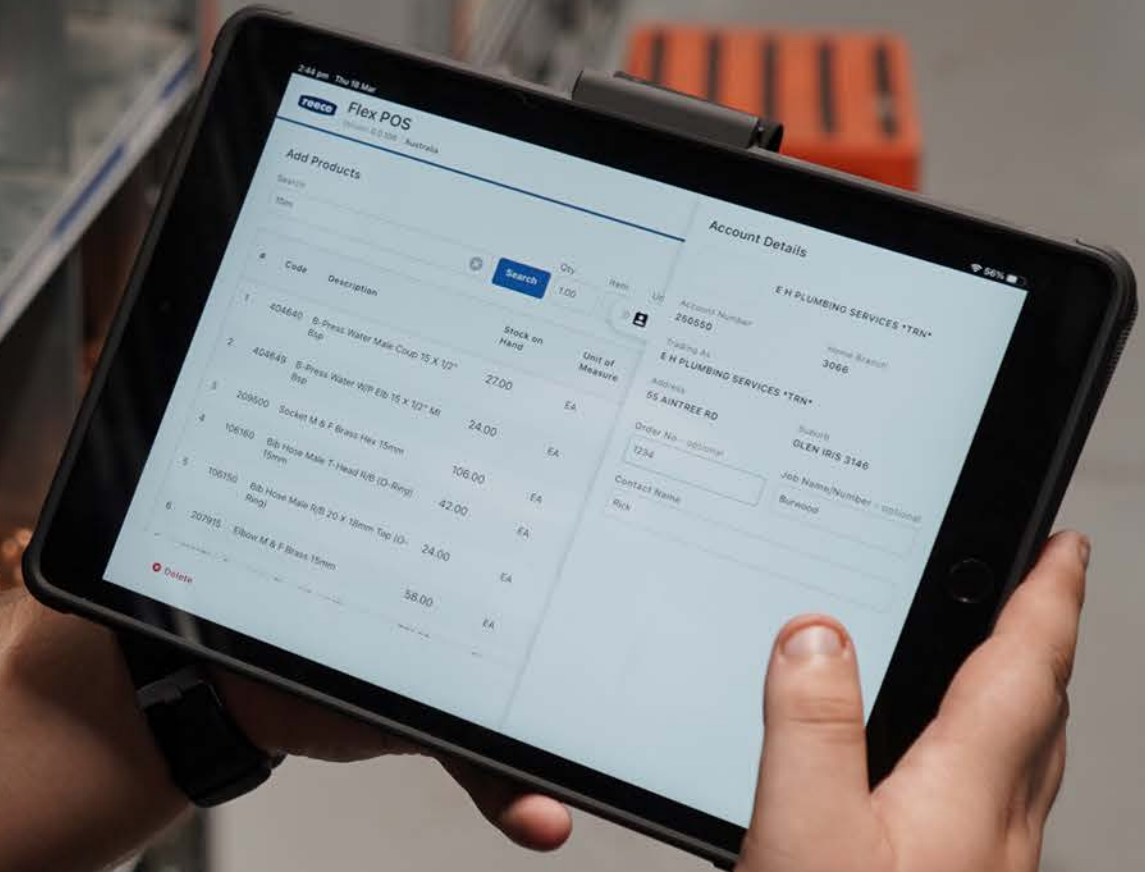
FieldPulse

**An exclusive job
management service,
customised for our
market.**



Next Gen Point of Sale

Easy to learn
Faster to serve
Improved accuracy



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POWERUP

**Re-inventing
education for trades
through innovative
content and digital
delivery.**



goodwork.

35% ↑

Active users



Business highlights

US

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01

Brilliant Fundamentals

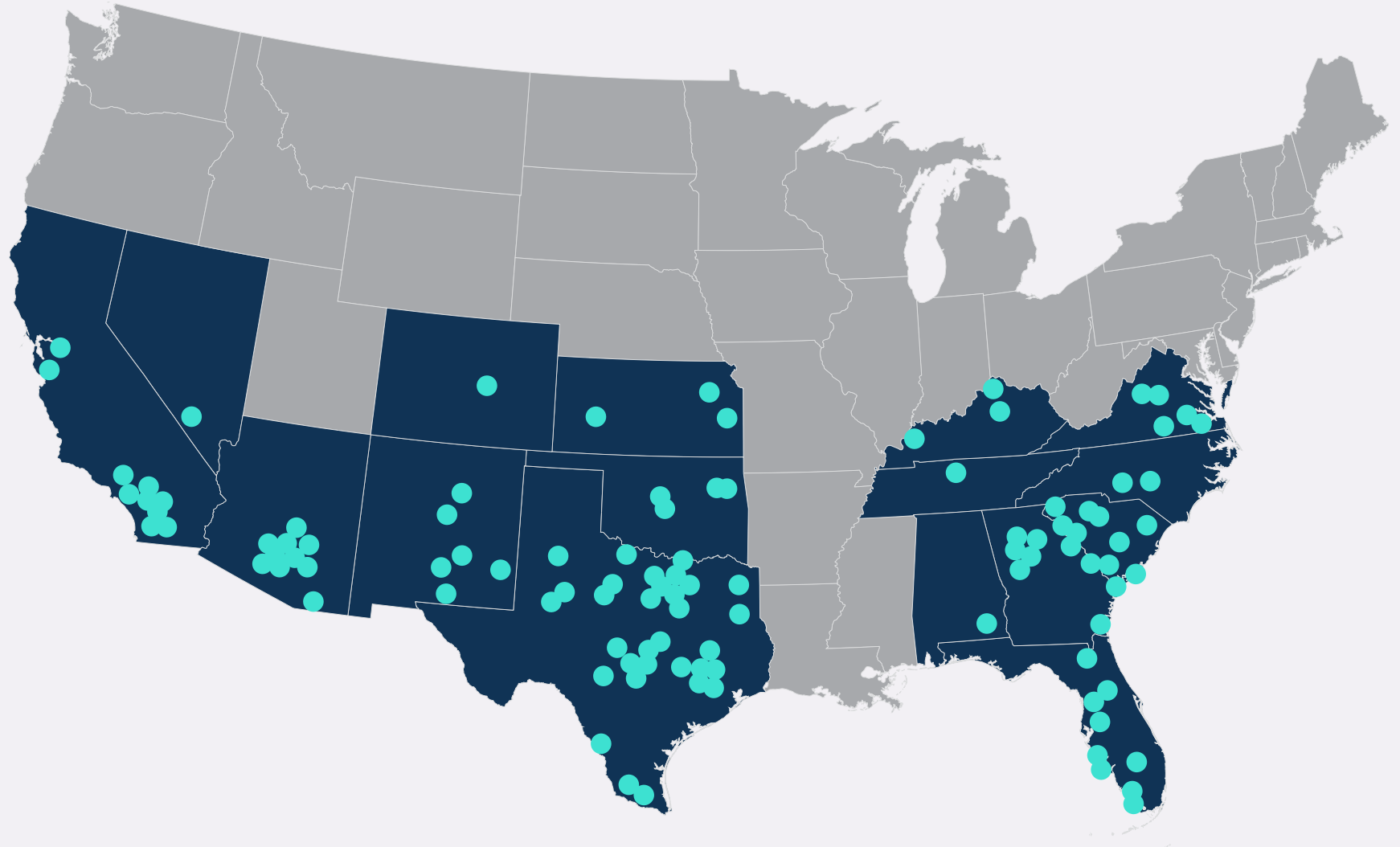
Safety

**Providing an
exceptional and safe
customer and team
member experience**



US network

189



Continuous Improvement

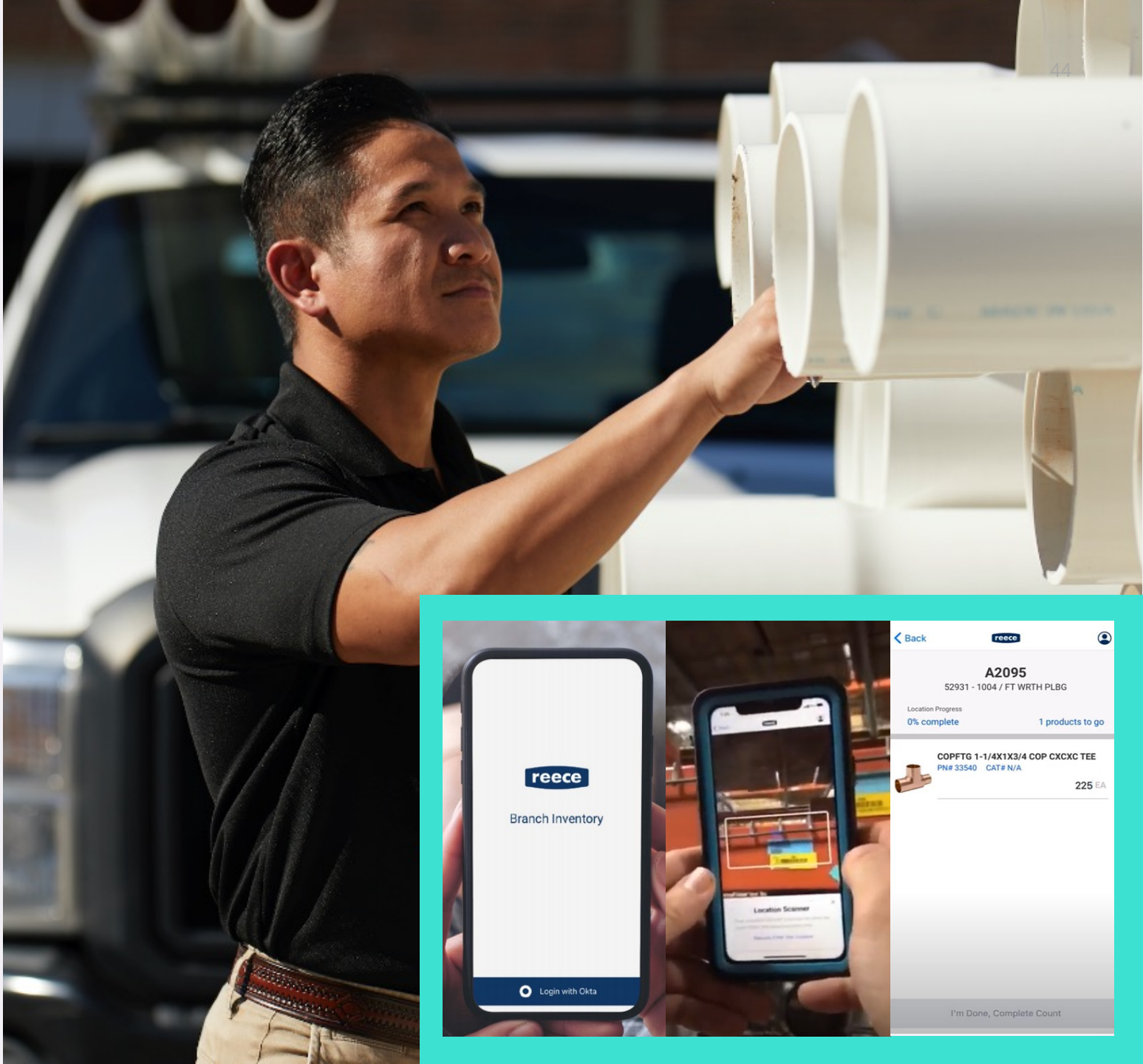
“It’s saving an hour and a half out of my day, everyday, so that’s pretty exciting”

Jenny, Cash Applications Manager, MORSCO

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Embedding operational excellence

Improving our branch process and reporting approach



People promise

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Proudly Essential

Supporting the
Plumbing, HVAC
& Waterworks
contractor.



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02

Investing for Growth

R&R Trials

Instant credit

Saturday trade

Storage lockers

Relationship building



New stores testing new models



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Customers
recommend us

Net
Promoter
Score

+64

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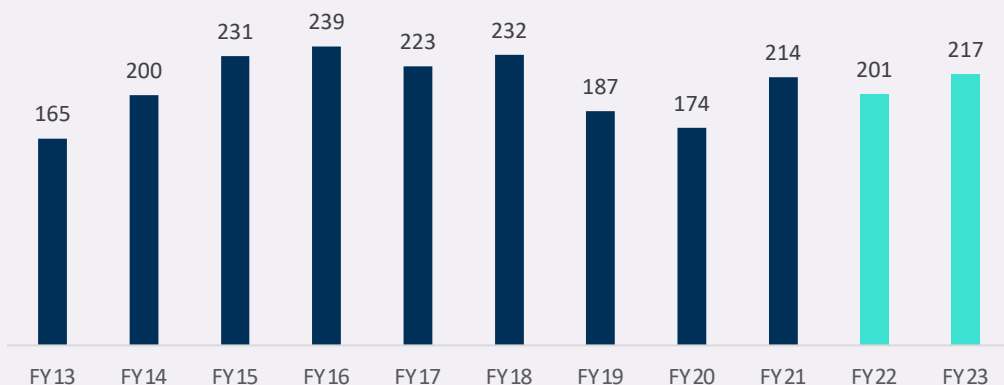


Economic commentary

ANZ economic commentary

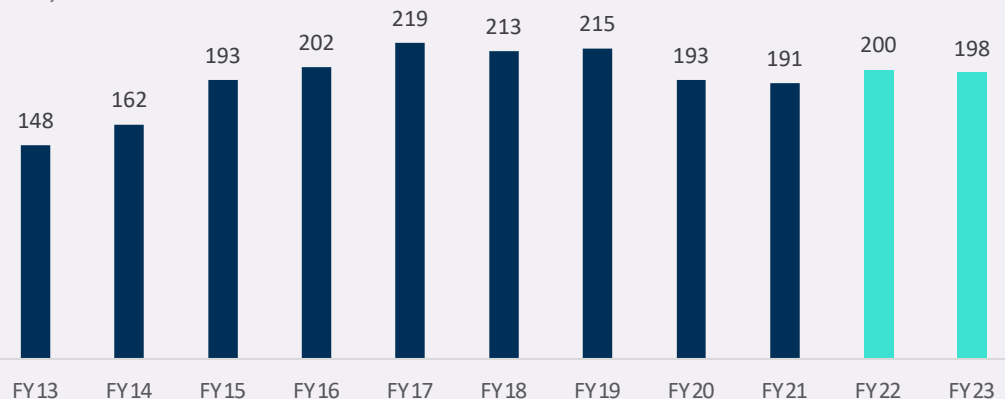
Dwelling Approvals

(000s)



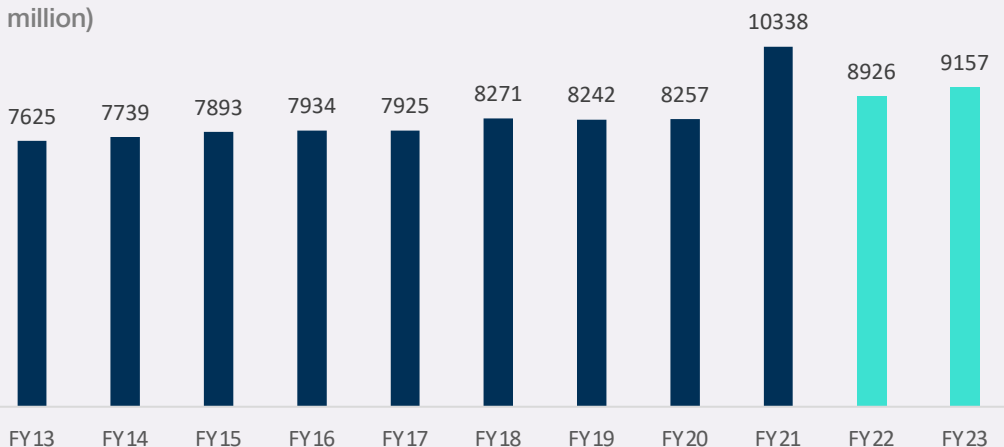
Dwelling Completions

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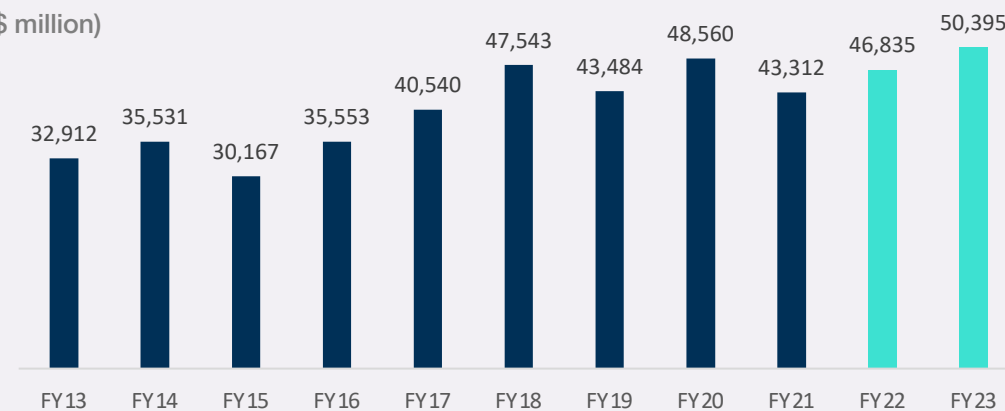
Alterations + Additions

(\$ million)



Non-residential Commencements

(\$ million)

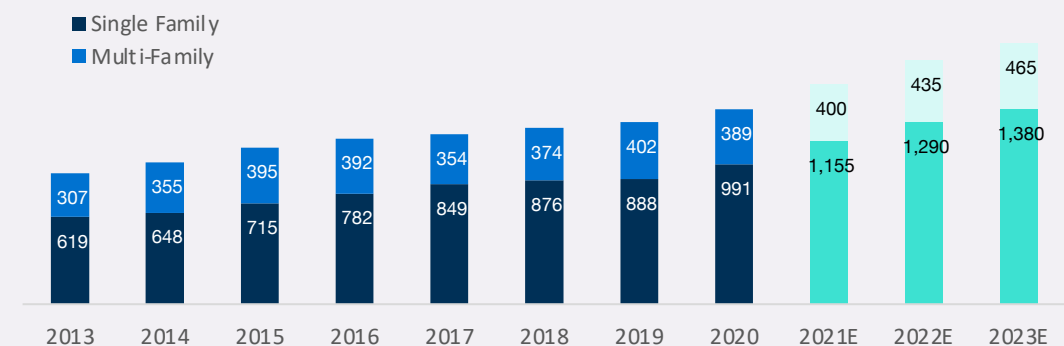


Source: BIS Oxford Economics

US economic commentary

Single + multi-family housing starts

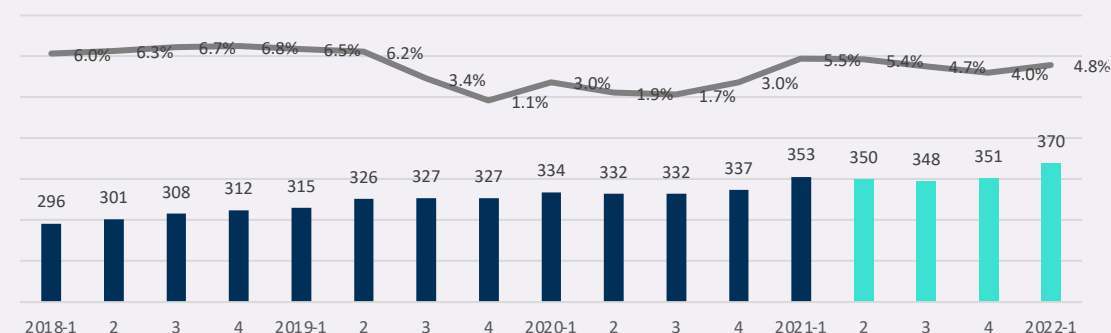
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Source: John Burns Consulting, J.P. Morgan forecasts

Leading indicator of remodeling activity

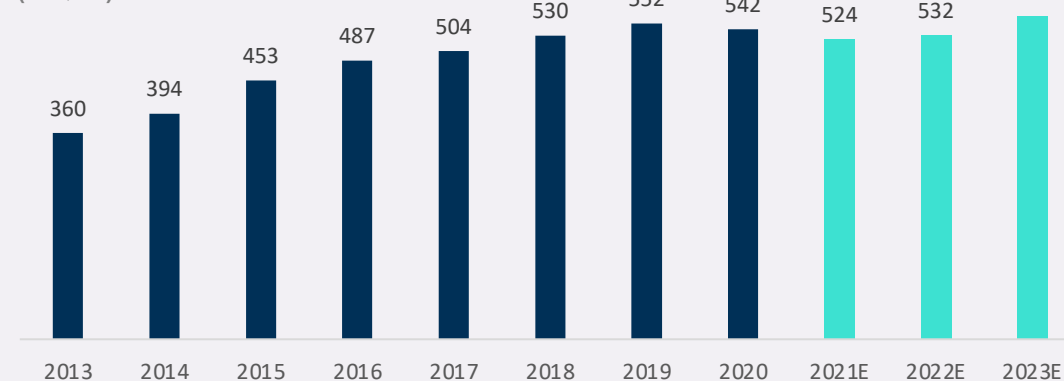
(US\$bn / ROC%)



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

Non-residential building construction expenditure

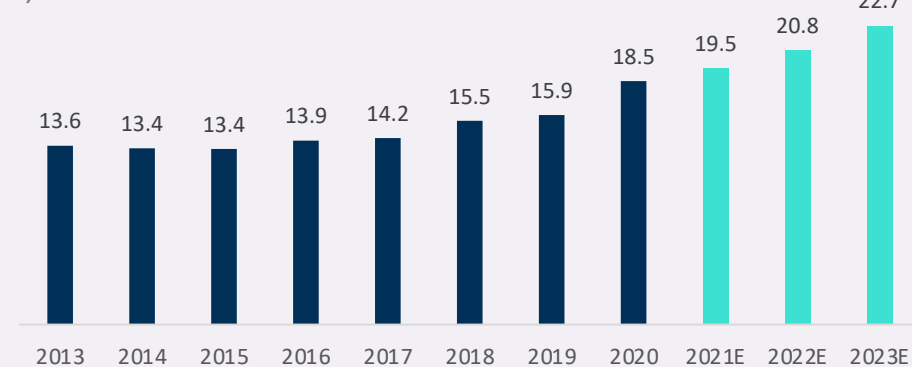
(US\$bn)



Source: FMI (Includes both private and public expenditures)

Water supply construction expenditure

(US\$bn)



Source: FMI

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Financial highlights

**Sales
Revenue**



**up 4%
to \$6,271m**

from \$6,010m

**Normalised
EBITDA***



**up 11%
to \$720m**

from \$650m

EBIT



**up 20%
to \$493m**

from \$411m

NPAT



**up 25%
to \$286m**

from \$229m

EPS



**up 10%
to 44 cents**

**Final
dividend**

12 cents per share, fully franked
from 6 cents per share



**Total
dividend**

18 cents per share, fully franked



**Normalised
EBITDA
margin**

**up 70 bps
11.5%**

from 10.8%



*Normalised EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude business acquisition costs, FY20 impairment expense and finance income/(costs) - net

ANZ segment performance

- Record increase in financial metrics
- Sales revenue up 9% reflecting solid demand across all regions
- Inflation dynamic H2 3%
- EBITDA margin expansion of 100 bps a function of sales volume and operational discipline

FY 21 30 June 2021 (A\$m)	FY21	FY20	Var. (%)	
Sales revenue	3,154	2,888	↑	9%
Normalised EBITDA*	496	424	↑	17%
EBIT	382	310	↑	23%
Normalised EBITDA margin	15.7%	14.7%	↑	100 bps

*Normalised EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude business acquisition costs, FY20 impairment expense, management fees and finance income/(costs) - net

US segment performance

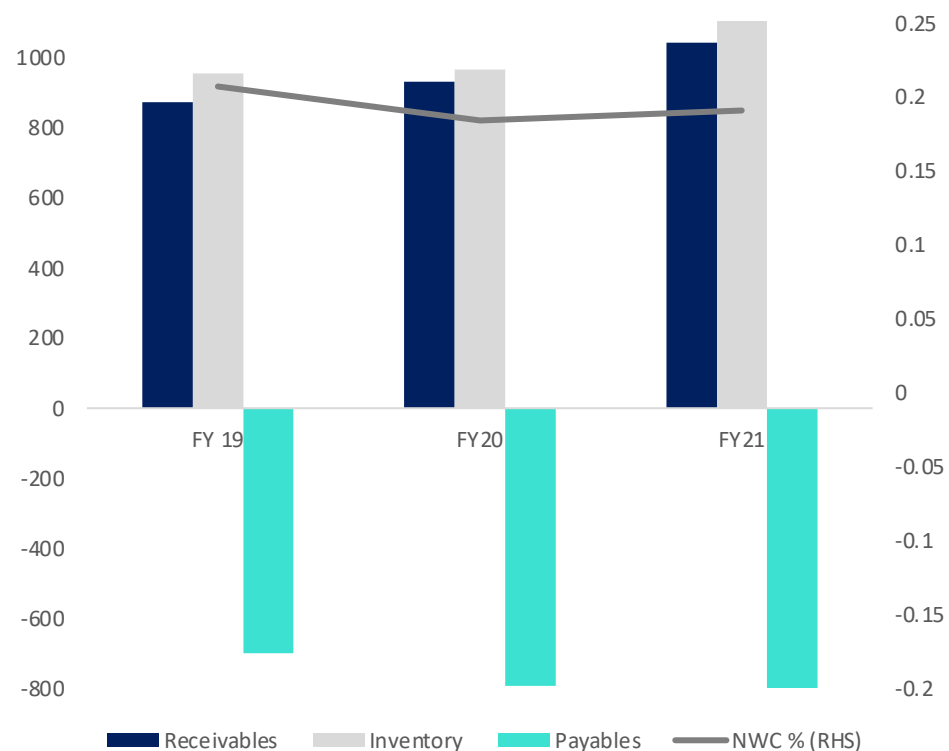
- Sales up 11% on a constant currency basis
- Unfavourable FX impact \$362m
- Excluding Todd Pipe, USD sales growth of 9.5%
- FY Inflation ~2.0%
- Normalised EBITDA up 10% on USD basis

	AUD			USD		
FY 21 30 June 2021 (A\$m)	FY21	FY20	Var. (%)	FY21	FY20	Var. (%)
Sales revenue	3,117m	3,122m	→	2,333m	2,094m	↑ 11%
Normalised EBITDA*	224m	226m	↓ 1%	167m	152m	↑ 10%
EBIT	111m	101m	↑ 10%	83m	67m	↑ 24%
Normalised EBITDA margin	7.2%	7.2%	→	7.2%	7.2%	→

*Normalised EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude business acquisition costs, FY20 impairment expense, management fees and finance income/(costs) - net

Cashflow

Net Working Capital (A\$m)

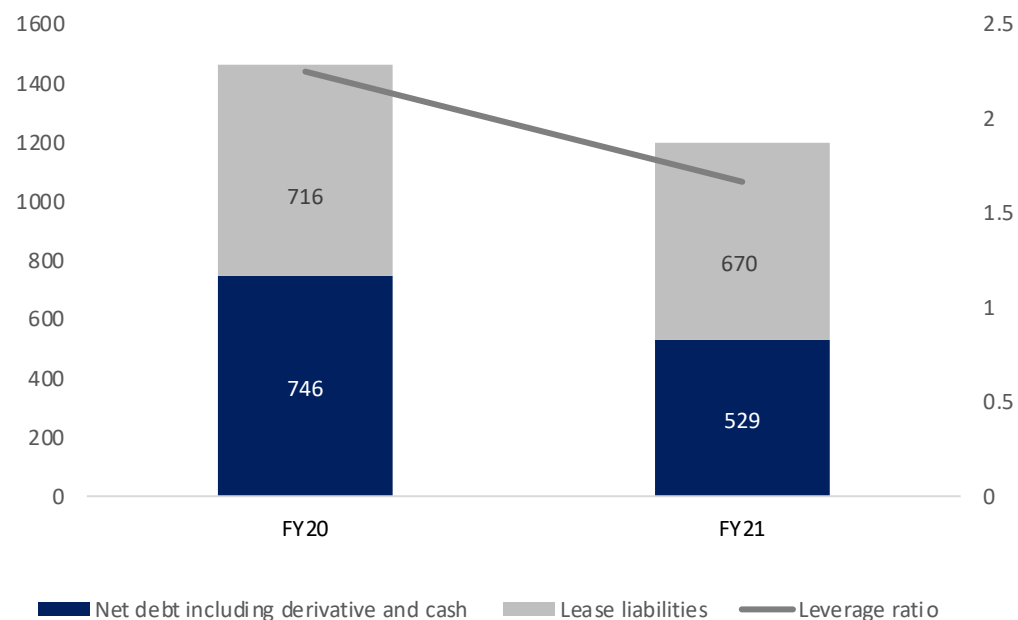


FY21 30 June 2021 (A\$m)	FY21	FY20
Normalised EBITDA*	720	650
Net movements in working capital	(152)	134
Non-cash items in EBITDA	(2)	(8)
Income tax paid	(119)	(90)
Finance costs	(75)	(85)
Cash flow from operations	372	601
Capital expenditure	(70)	(83)
Proceeds from sale of assets	17	8
Lease payments	(108)	(95)
Dividends paid	(78)	(114)
Cash flow before acquisitions and repayment of borrowings	133	317
Equity raising	-	642
Business acquisitions/ investments	(15)	(205)
Repayment of borrowings	(276)	-
Net proceeds from borrowings	-	124
Net increase/ (decrease) in cash	(158)	878

*Normalised EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude business acquisition costs, FY20 impairment expense and finance income/(costs) - net

Balance sheet

Net Debt* (A\$m)



Net debt including lease liabilities

(A\$m)	FY21	FY20
Cash and cash equivalents	829	1,005
Senior debt	1,336	1,765
Lease liabilities	670	716
Net debt*	1,177	1,476
Net Financial (asset)/ liability FX derivative	21	(14)
Net debt including FX derivative impact	1,198	1,462
Leverage Ratio** (Net Debt / EBITDA**)	1.7 x	2.2 x

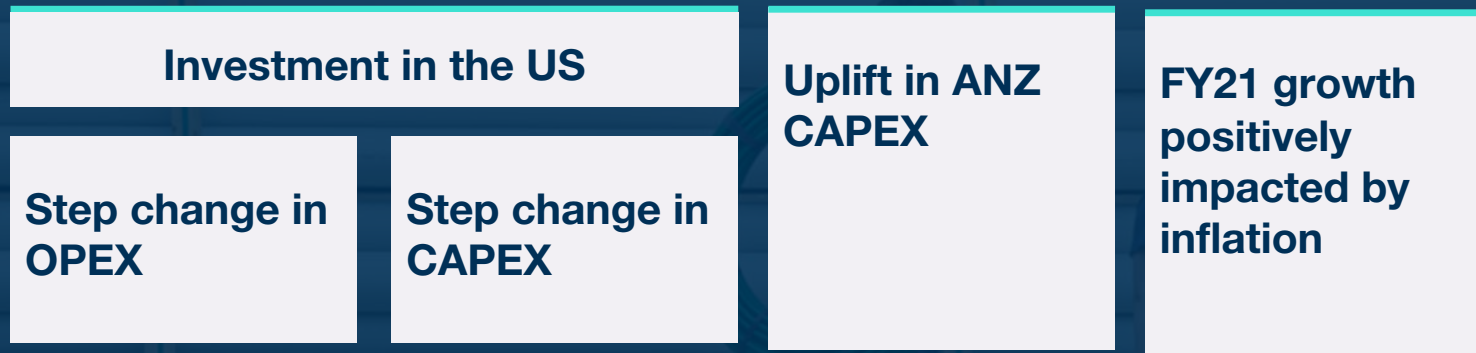
* Net debt is senior debt and lease liabilities less cash and cash equivalents

**Normalised EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude business acquisition costs, FY20 impairment expense and finance income/(costs) - net

Summary

The future continues to be unpredictable

Operational

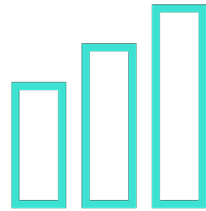


Market

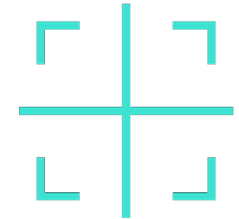


Summary

Record result



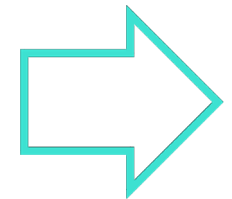
Continued
external challenges



Long-term focus



Investing for the future



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reece
group™

FX bridge

