

**ASX Announcement**

24 February 2022

## 1H22 Investor Presentation

Attached for release is Reece Limited's first half FY22 results presentation for the 6 month period ended 31 December 2021.

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



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# Half Year Results 2022

6 months ended  
31 December 2021



# 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).

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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.

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.

# Presenters



**Peter Wilson**

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Group Chief  
Executive Officer



**Andrew Cowlshaw**

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Group Chief  
Financial Officer

# What we'll share today

01

**HY22  
overview**

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**Our  
focus**

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**HY22  
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**HY22 Financial  
performance**

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**Economic  
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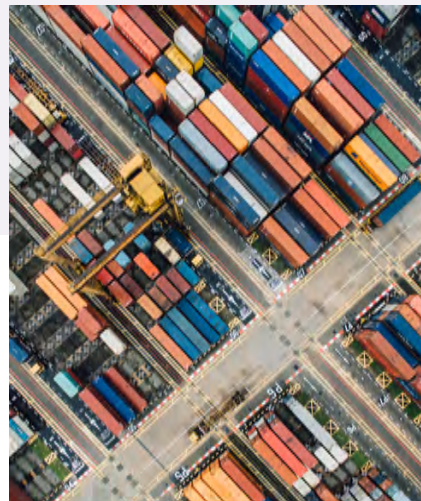
**Summary**



# Navigating an ever-changing environment



Complex  
COVID  
environment



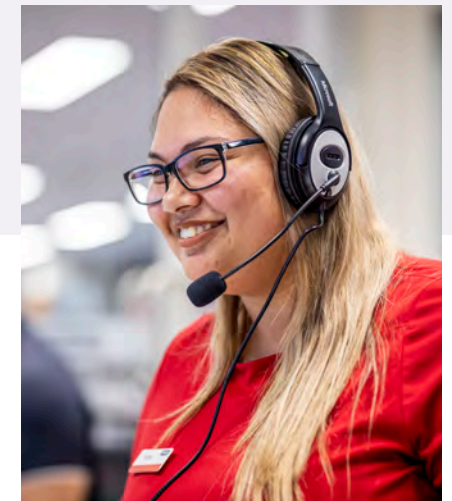
Constrained  
global supply  
chains



Inflationary  
impacts



Strong  
demand  
setting



Strong  
execution by  
Reece team

# Financial highlights

Strong result in a complex environment; significant inflation tailwind

**Sales  
Revenue**



up 17%  
to \$3.6b

**Normalised  
EBITDA\***



up 14%  
to \$397m

**EBIT**



up 16%  
to \$275m

**NPAT**



up 28%  
to \$157m

**EPS**



up 28%  
to 24 cents

**Dividend**

7.5 cents per share

**ANZ**

Sales Revenue up 11%  
to \$1.7b

**US**

Sales Revenue up 24%  
to \$1.9b

\*Normalised EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude business acquisition costs

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02

**Our focus**

# Our Blueprint

**Inspired  
by our  
Purpose**

**Live the  
Reece  
Way**

**Embrace  
our 2030  
Vision**

**Execute  
Strategic  
Priorities**

**Deliver  
Customer  
Promise**

# 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 the trade's most valuable partner helping them succeed in a digital world.

## Execute Strategic Priorities

-  Brilliant Fundamentals
-  Investing for Growth
-  Delivering Innovation

## Deliver Customer Promise

Customised service

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# Business Highlights HY22





A woman with blonde hair, wearing a red short-sleeved shirt, is smiling and looking towards a man. The man, seen from the back, is wearing a dark blue long-sleeved shirt. They are in an office environment with a computer monitor and keyboard visible on a desk. In the background, there are large potted plants and a glass partition.

Business highlights

**ANZ**

# Strong execution to manage macro challenges



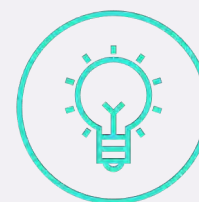
## Brilliant Fundamentals

- Managed inflation, supply chain, COVID-19 interruptions
- Supported team wellbeing
- ANZ CEO appointment
- Continuous improvement initiatives



## Investing for Growth

- Digital upgrades, enhanced customer experience
- Store refurbishment program



## Delivering Innovation

- Continued to progress breakthrough opportunities
- Focus on trade of the future

**2030  
Vision**

ANZ



Enabling our people  
to be their best

Supporting our  
people to remain  
resilient, building the  
leaders of tomorrow

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# Strong management of supply chain disruption

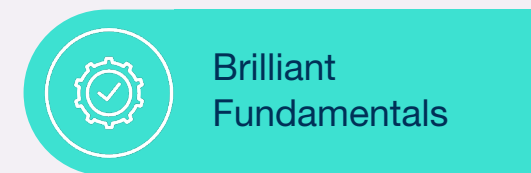
Leveraged scale and flexible model to ensure service maintained

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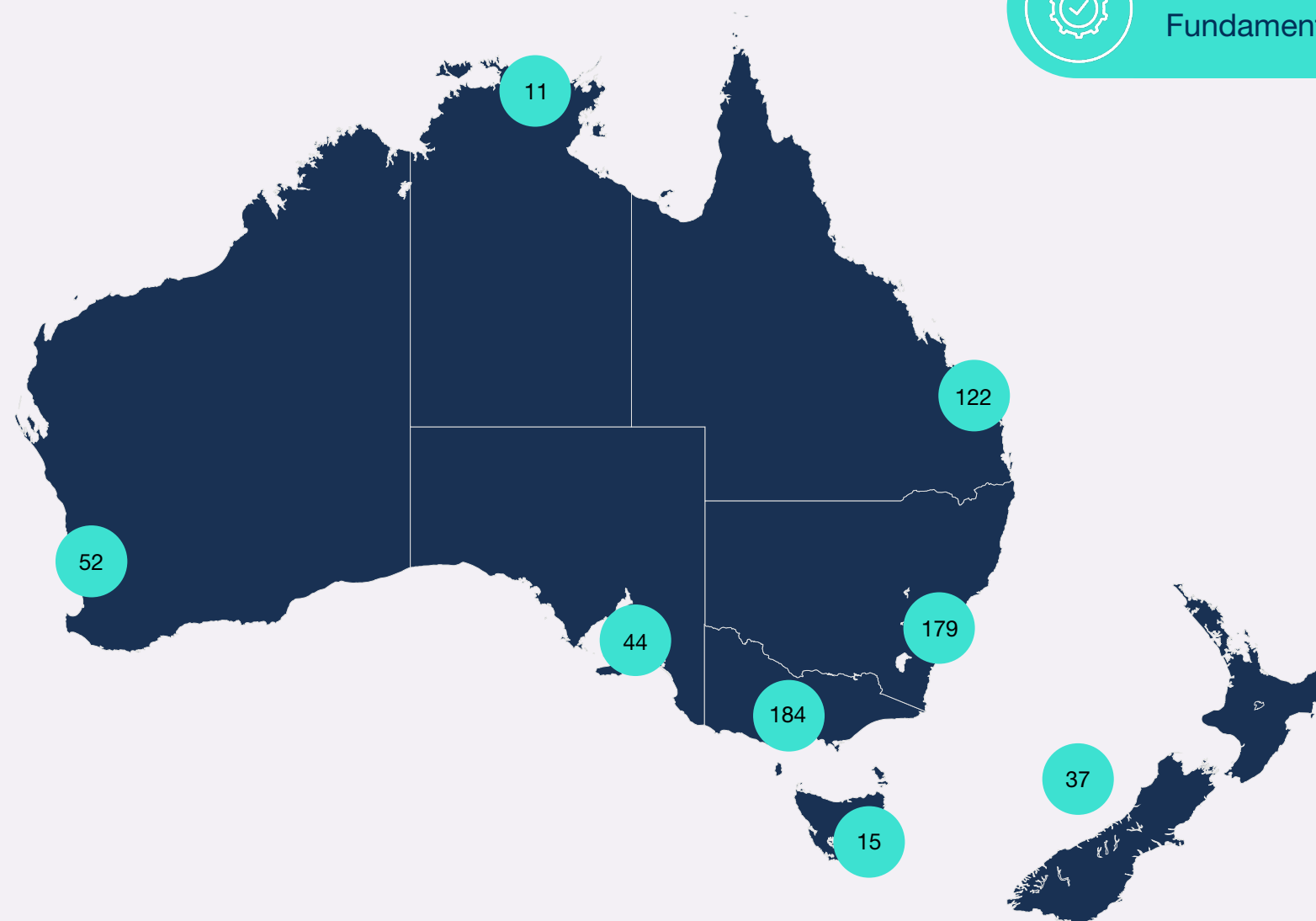


Brilliant  
Fundamentals

# Australia & New Zealand network



644  
branches





# Enhancing our customer experience



## maX

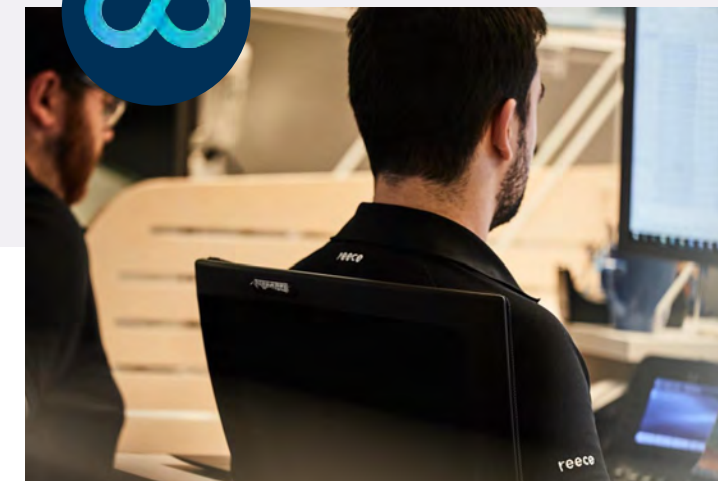
- Upgraded customer functionality drove increase in weekly active users
- Enhanced security

## Flex POS



## FlexPOS

- Nextgen Point of Sale rollout continued
- Driving branch efficiency, improved customer experience



## ReeceConnect

- Expanded ecosystem with new integrations
- Connected ~3000 customers to Reece ecosystem

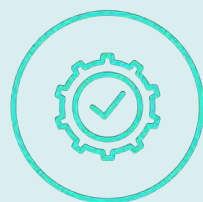
A man with short dark hair and a goatee, wearing a dark blue polo shirt with the Morrison Supply Company logo and a name tag, is smiling warmly at a customer. He is standing behind a counter in a hardware store, with shelves of tools and supplies visible in the background. A customer's arm and hand are visible in the foreground, pointing towards the employee. A computer monitor is also visible on the right side of the counter.

Business highlights

US



# Investing to enable long term growth



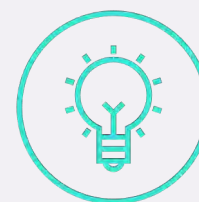
## Brilliant Fundamentals

- Strong management of inflation, supply chain, COVID-19
- Progressed improvement program; introduced key automation processes and operational upgrades



## Investing for Growth

- Store rollout and upgrade program progressing
- Online offer re-launched
- Reece corporate brand roll-out commenced



## Delivering Innovation

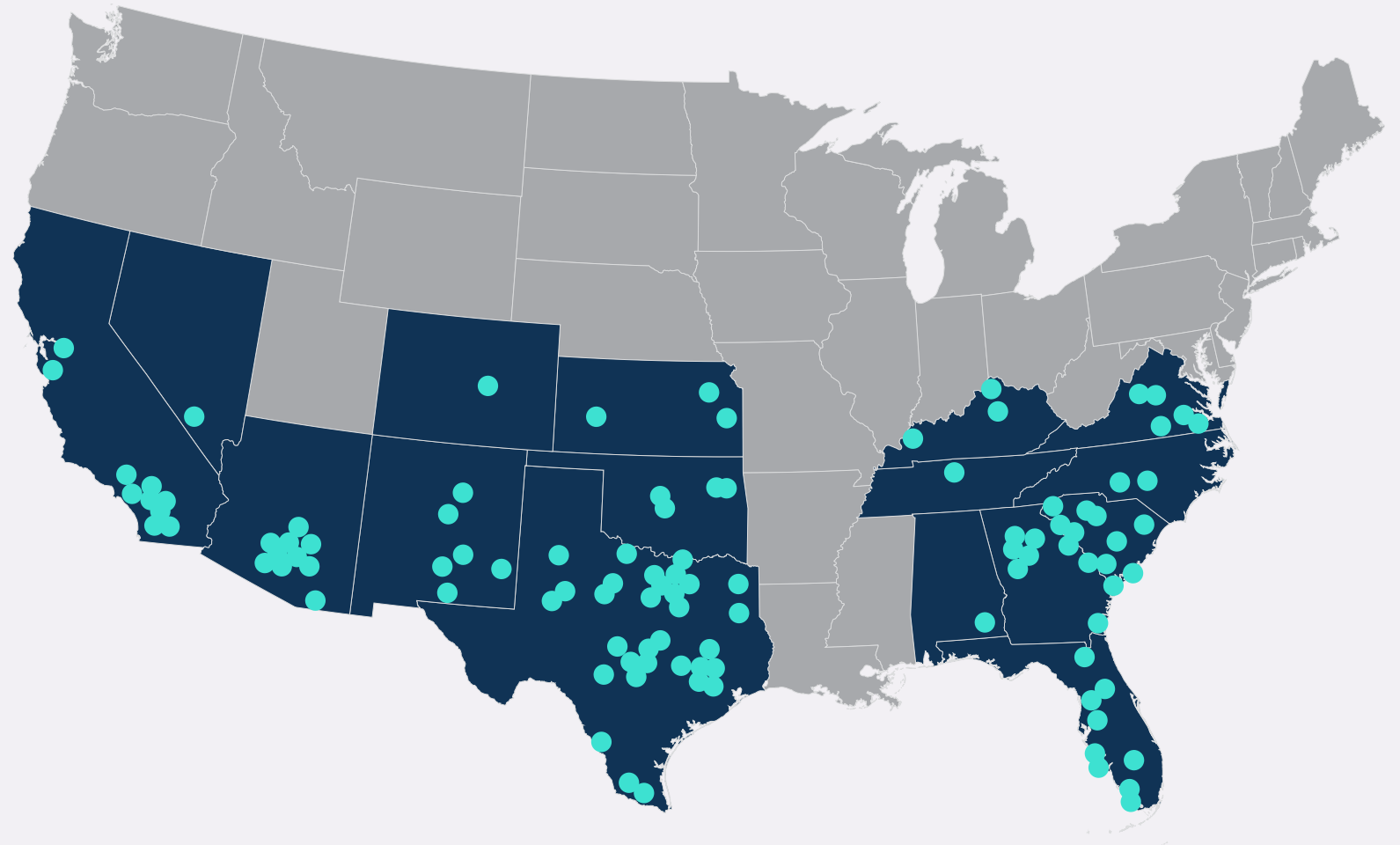
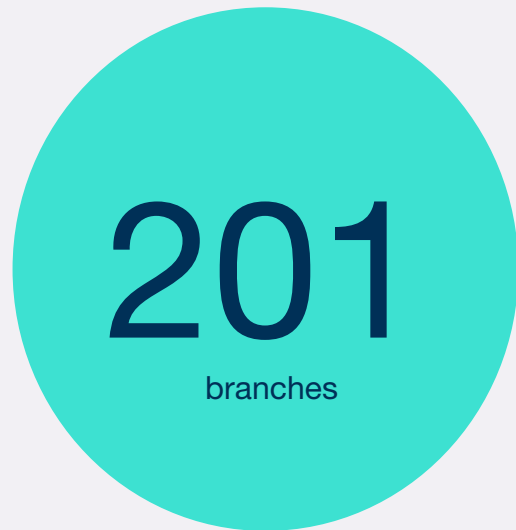
- Initial focus on first two strategy pillars
- Breakthrough innovation learnings shared by ANZ

**2030  
Vision**

US

ersonal use only

# US network



# Enhancing the digital customer experience

Launched maX  
tailored for the  
US market

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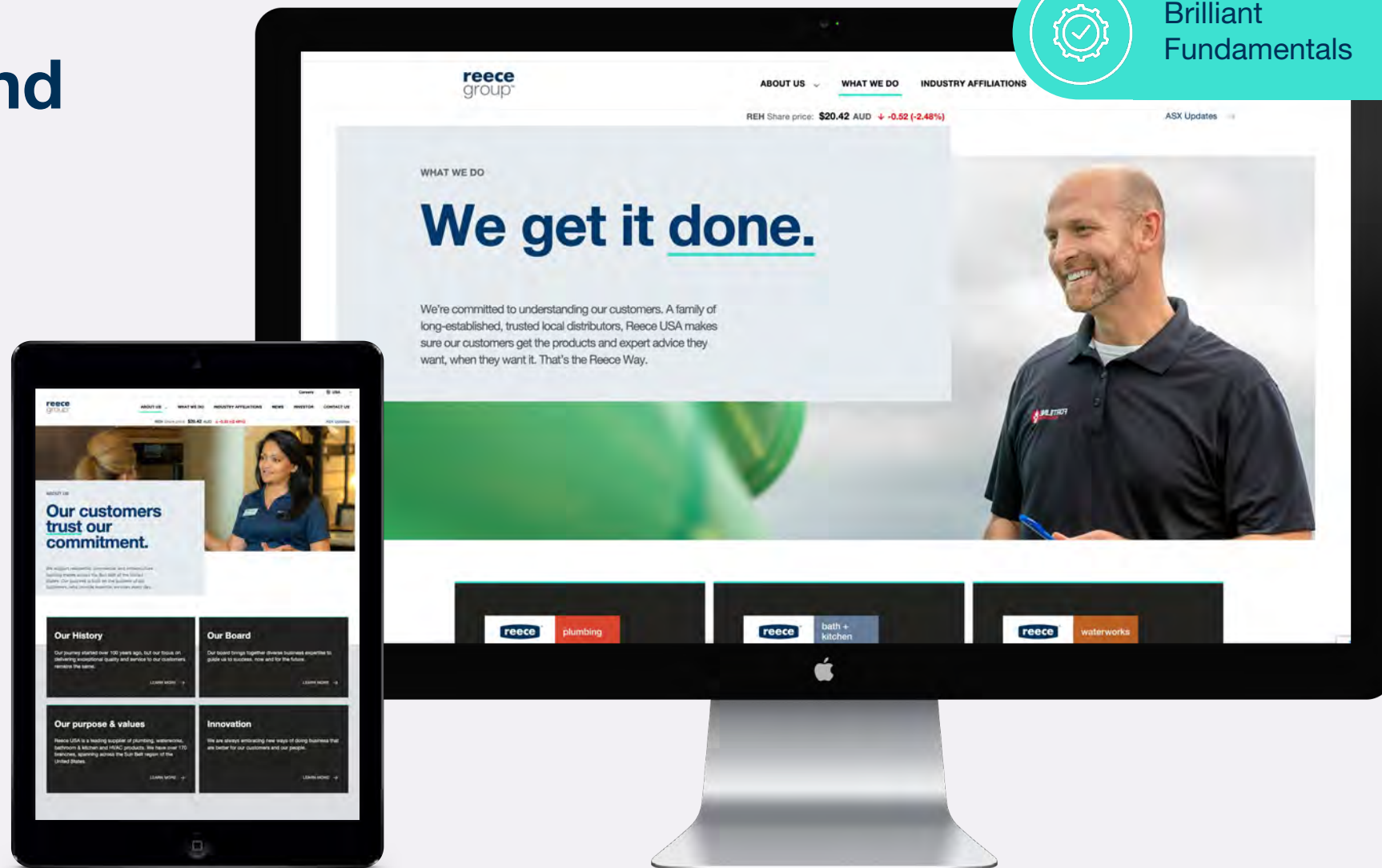
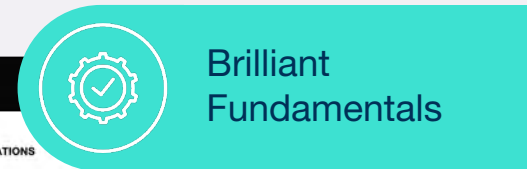


Brilliant  
Fundamentals



# Launching the Reece brand

Local Reece presence a symbolic milestone



# What we'll share today

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# HY22 Financial performance



# Financial highlights

## Sales Revenue



up 17%  
to \$3.6b  
from \$3.1b

## Normalised EBITDA\*



up 14%  
to \$397m  
from \$349m

## EBIT



up 16%  
to \$275m  
from \$236m

## NPAT



up 28%  
to \$157m  
from \$123m

## EPS



up 28%  
to 24 cents

## Half year dividend

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



## Normalised EBITDA margin

down 40bps  
11.0%  
from 11.4%



\*Normalised EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude business acquisition costs

# ANZ segment performance

- Record result for sales revenue, EBITDA and EBIT
- Sales up 11% reflecting solid demand
- Estimated product inflation dynamic H1 8%-9%
- EBITDA margin compression of 60 bps due to increased OPEX
- Ongoing EBITDA margin excludes non-recurring revenue and refinance costs down 90 bps

<b>HY22 31 December 2021 (A\$m)</b>	<b>1HY22</b>	<b>1HY21</b>	<b>Var. (%) vs HY21</b>	<b>1HY20</b>
Sales revenue	1,733	1,564	↑ 11%	1,465
Normalised EBITDA*	249	235	↑ 6%	208
EBIT	186	175	↑ 6%	152
Normalised EBITDA margin	14.4%	15.0%	↓ 60 bps	14.2%
Ongoing EBITDA** margin	14.1%	15.0%	↓ 90 bps	14.2%

\*Normalised EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude business acquisition costs

\*\*Ongoing EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude business acquisition costs, refinance costs and non-recurring revenue



# US segment performance

- Sales up 24%
- Estimated 1HY Inflation low-mid teens
- Normalised EBITDA up 37 bps
- Immaterial impact from FX

	AUD			USD		
<b>HY 22 31 December 2021 (\$m)</b>	<b>HY22</b>	<b>HY21</b>	<b>Var. (%)</b>	<b>HY22</b>	<b>HY21</b>	<b>Var. (%)</b>
Sales revenue	1,867	1,509	↑ 24%	1,364	1,100	↑ 24%
Normalised EBITDA*	148	114	↑ 30%	108	83	↑ 30%
EBIT	89	62	↑ 44%	65	45	↑ 44%
Normalised EBITDA margin	7.9%	7.6%	↑ 30 bps	7.9%	7.6%	↑ 30 bps

\*Normalised EBITDA is earnings before interest, tax, depreciation, amortisation and has been adjusted to exclude business acquisition costs

# Successful refinancing of debt

- Diversity of maturity dates
- Reduced interest expense
- Flexibility to draw down in AUD or USD
  - Fully repaid Term Loan B
  - \$1.25 billion syndicated multi-currency revolving facilities
  - Facilities governed by a Common Term Deed
  - Unsecured
  - Completed 16 December 2021
  - Maintenance covenants in place
- 2H FY22 expected interest expense within the range of \$10 million - \$12 million<sup>2</sup>

**\$50 million** three year revolving credit facility;

**\$300 million** four year revolving credit facility; and

**\$900 million** five year revolving cash advance facility.

**$\leq 3.5 \times$  Net Leverage Ratio<sup>1</sup>**  
 **$\geq 2.5 \times$  Interest Coverage Ratio**

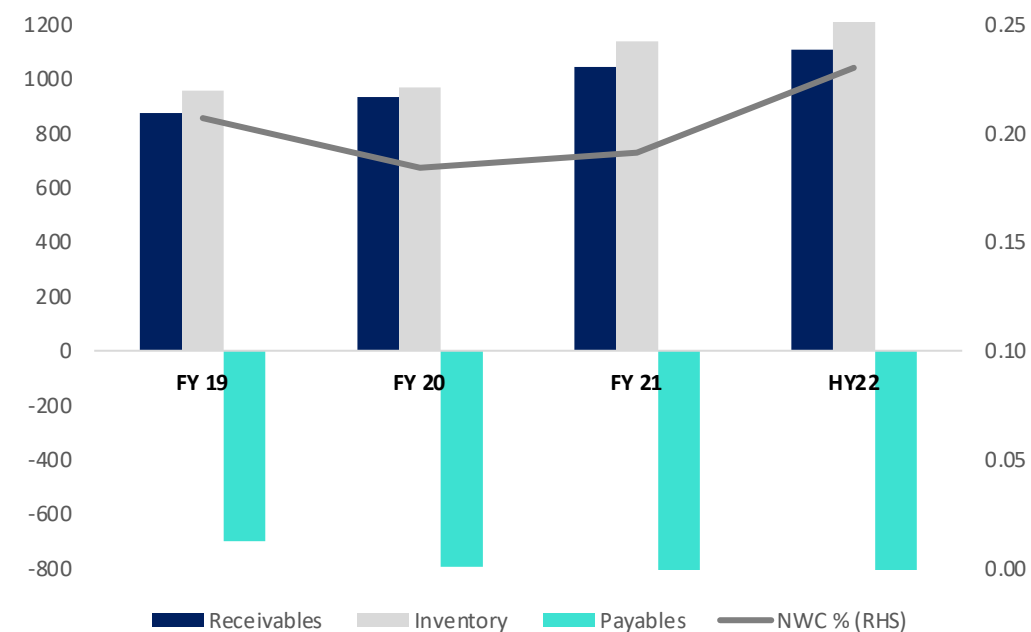
1. Calculated on a pre-AASB 16 Leases basis

2. Based on current drawn debt and assuming no material changes to interest rates or AUD/USD rates

# Cashflow

## Net Working Capital

(A\$m)

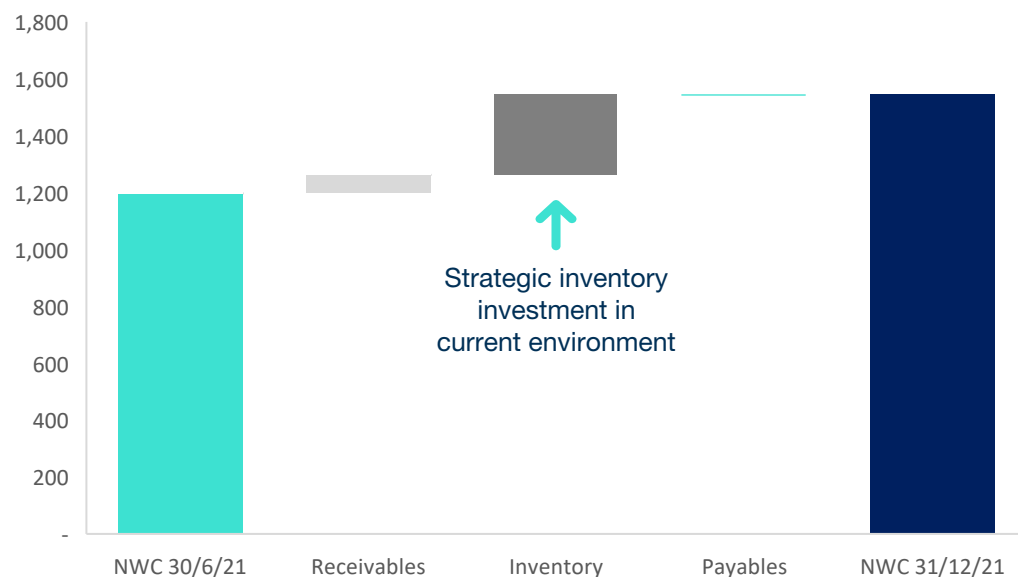


HY22 31 December 2021 (A\$m)	HY22	HY21
Normalised EBITDA*	397	349
Net movements in working capital	(348)	(130)
Non-cash items in EBITDA	(3)	3
Income tax paid	(88)	(85)
Finance costs	(42)	(38)
Cash inflow/ (outflow) from operations	(84)	99
Capital expenditure	(87)	(28)
Proceeds from sale of assets	3	7
Lease payments	(53)	(51)
Dividends paid	(78)	(39)
Cash inflow/ (outflow) before acquisitions and repayment of borrowings	(299)	(12)
Business acquisitions/ investments	(73)	(13)
Repayment of borrowings	(1,356)	(8)
Net proceeds from borrowings	1,012	-
Net increase/ (decrease) in cash	(716)	(33)

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



# Net working capital HY22

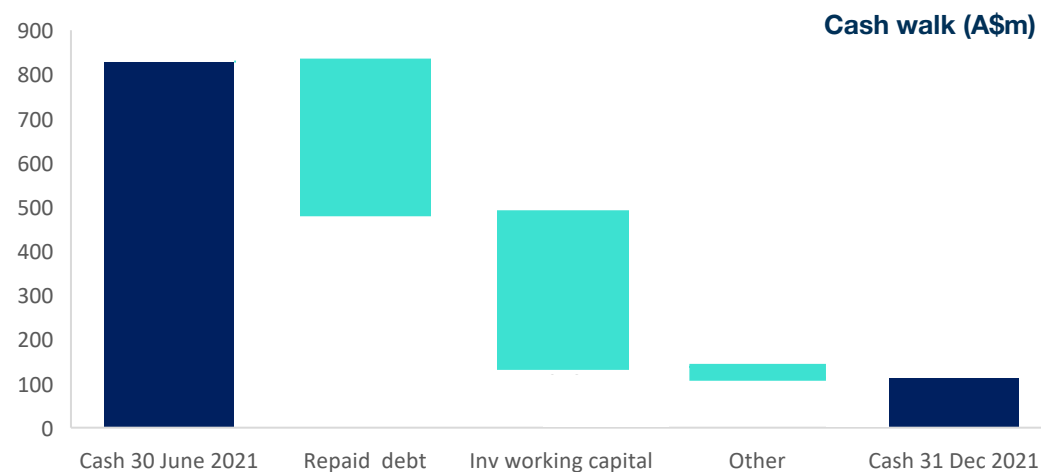
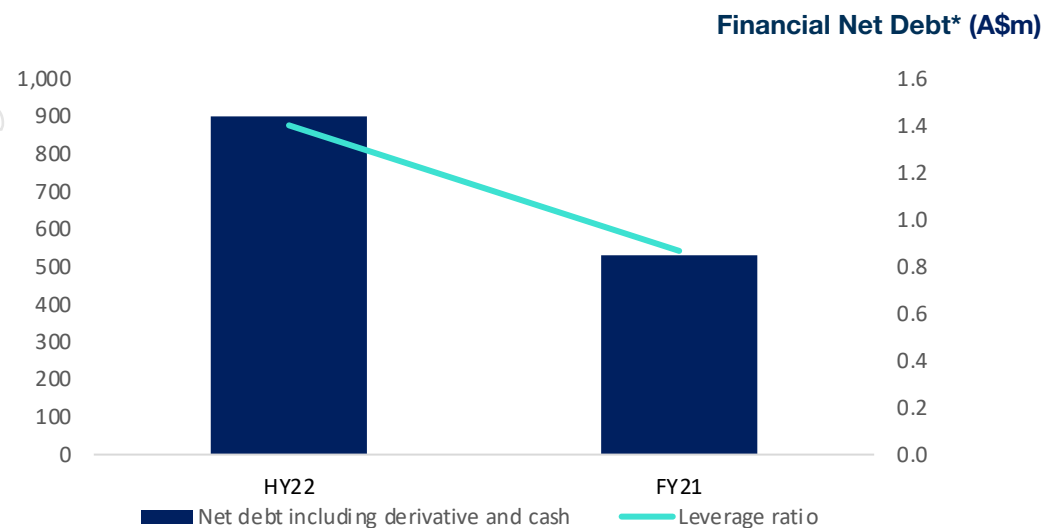


## Net working capital

(A\$m)

NWC 30 June 2021		1,198m
Inventory	↑	283m
Receivables	↑	63m
Payables	↓	3m
NWC 31 December 2021		1,547m

# Balance Sheet



## Financial Net Debt

(A\$m)	HY22	FY21
Cash and cash equivalents	118	829
Senior debt	1,016	1,336
Net debt	898	507
Net Financial (asset)/ liability FX derivative	-	23
Net debt including FX derivative impact	898	530
Leverage Ratio* (Net Debt / EBITDA*)	1.4x	0.9x

\*Net leverage ratio calculated on a pre-AASB16 Leases basis.

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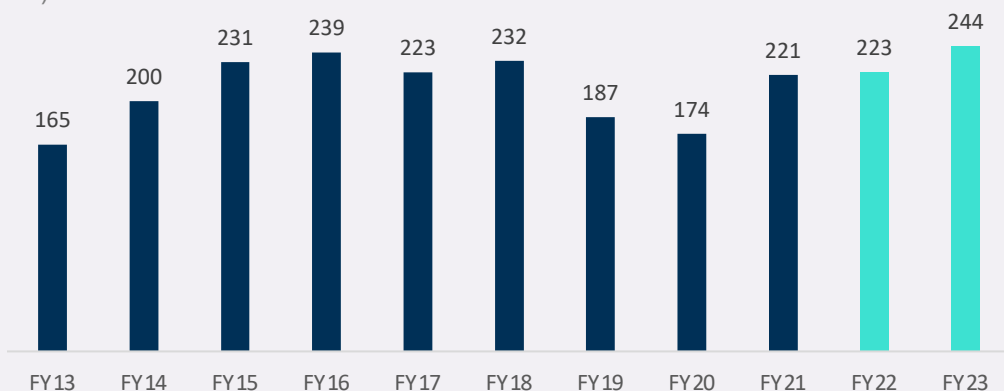
## Economic commentary



# ANZ – headline indicators solid in near term

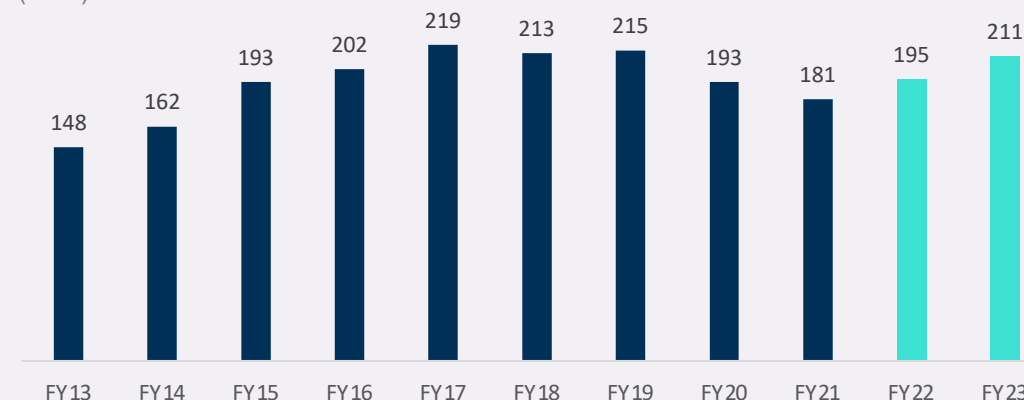
## Dwelling Approvals

(000s)



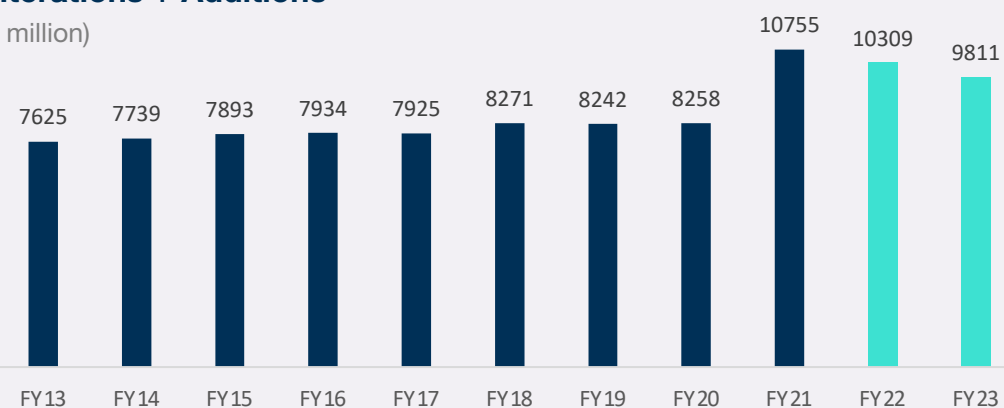
## Dwelling Completions

(000s)



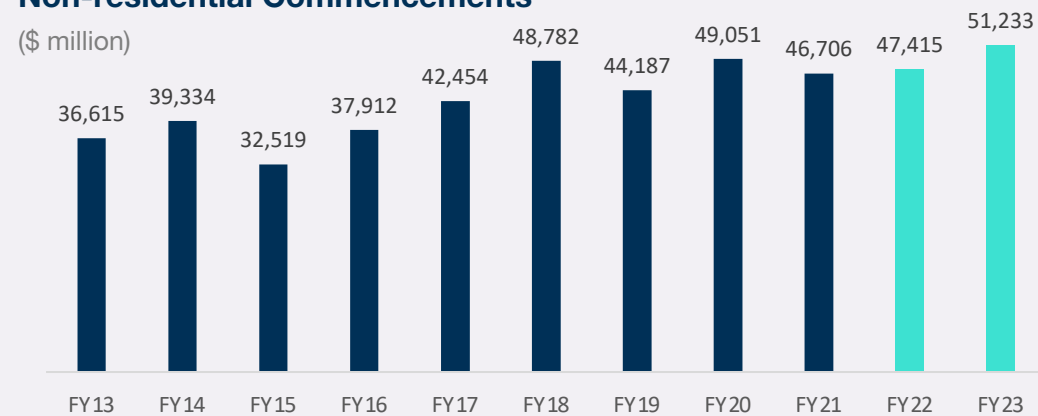
## Alterations + Additions

(\$ million)



## Non-residential Commencements

(\$ million)

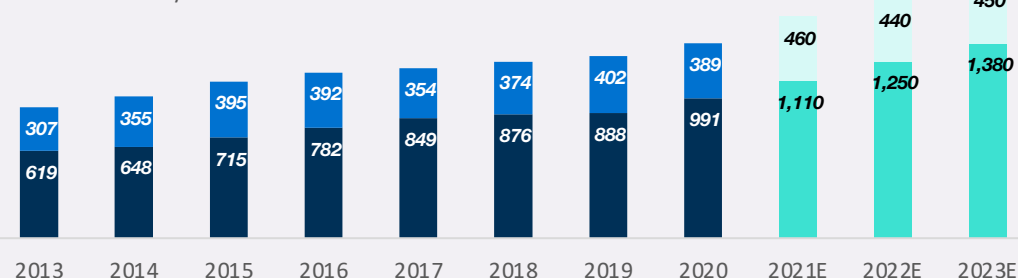


# US – underlying market drivers healthy

## Single + multi-family housing starts

(000s)

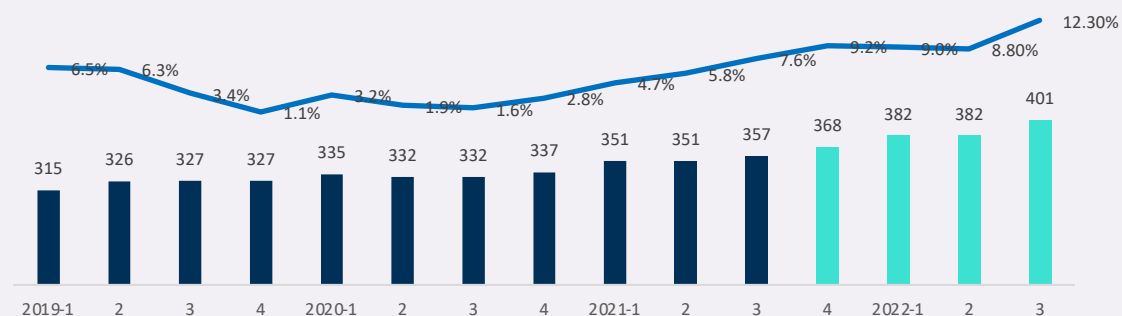
■ Single Family  
■ Multi-Family



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

## Leading indicator of remodeling activity

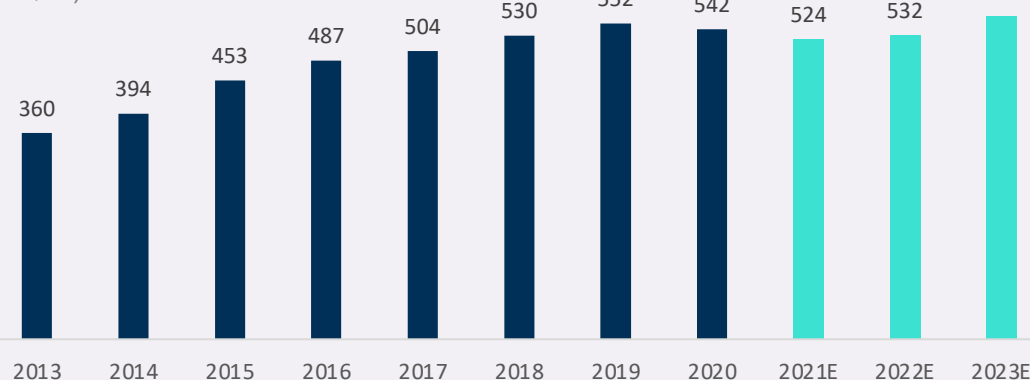
(US\$bn / ROC%)



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

## Non-residential building construction expenditure

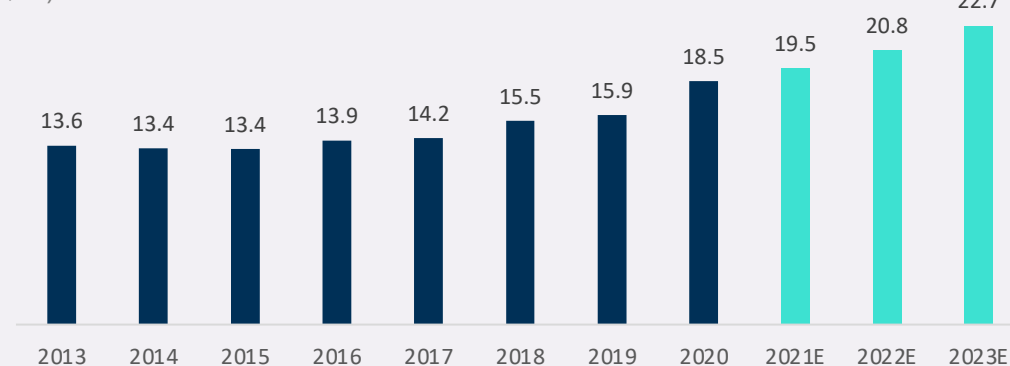
(US\$bn)



Source: FMI (Includes both private and public expenditures)

## Water supply construction expenditure

(US\$bn)



Source: FMI



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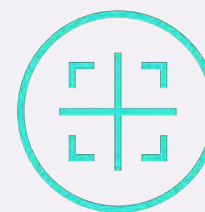
# Summary



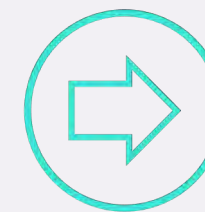
Record  
Result



Long-term  
Focus



Positive  
Near-term  
External Setting



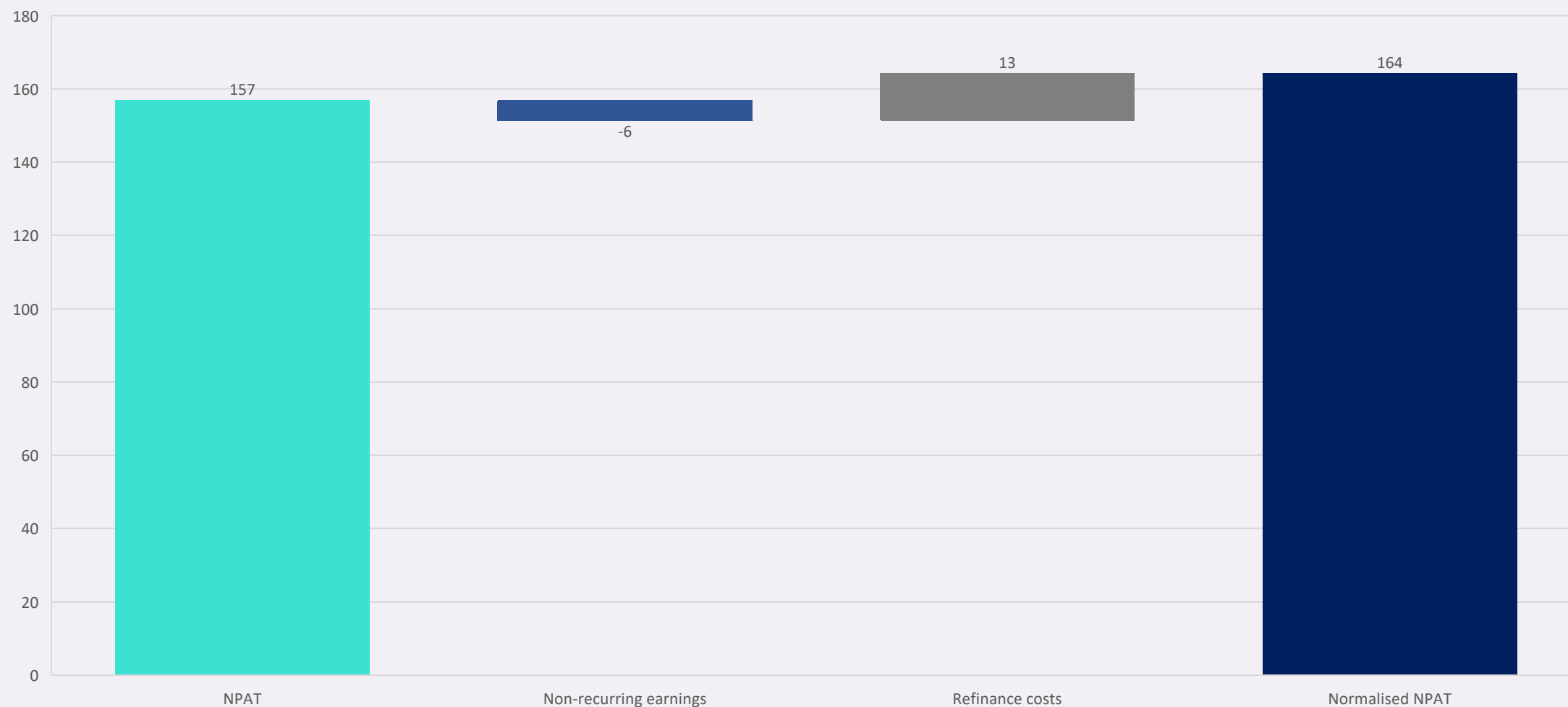
Investing for  
the Future



# Supplementary information

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# Normalised NPAT reconciliation



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**reece**  
group™