

ASX Announcement

22 February 2023

HY23 Financial Results

Attached for release is Reece Limited's HY23 results for the 6 month period ended 31 December 2022.

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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.

HY23 Results Announcement

Financial Highlights:

- Sales revenue up 23% to \$4,427 million
- Normalised EBITDA¹ up 25% to \$495 million
- EBIT up 18% to \$325 million
- NPAT up 18% to \$186 million
- Adjusted NPAT² up 28% to \$210 million
- EPS up 18% to 28.8 cents
- Adjusted EPS³ up 28% to 32.5 cents
- Interim dividend of 8 cents per share, fully franked, up 7%

Reece Limited (“Reece Group” or “Reece”; ASX: REH) today announces its financial results for the half year ended 31 December 2022 (HY23).

Peter Wilson, Group CEO, said: “We have delivered another strong result driven by persistent inflation and supported by the strong ongoing execution by our team.

“As expected, we saw a progressive softening in volumes over the first half and we are preparing for this to continue over the remainder of the year. In this context we will be disciplined on costs while investing through the cycle and maintaining our focus on our 2030 strategy to deliver for our customers, as we always do.

“With our truly long-term perspective and our resilient business model, we can look beyond the cycle to deliver on our vision of being our trade’s most valuable partner.”

HY23 Financial Summary⁴

31 December 2022	HY23 (\$m)	HY22 (\$m)	Variance %
Sales revenue	4,427	3,600	Up 23%
Normalised EBITDA ¹	495	397	Up 25%
EBIT	325	275	Up 18%
NPAT	186	157	Up 18%
Adjusted NPAT ²	210	164	Up 28%
EPS	28.8 cents	24.3 cents	Up 18%
Adjusted EPS ³	32.5 cents	25.4 cents	Up 28%
Interim dividend (per share)	8 cents	7.5 cents	Up 7%

¹ Normalised EBITDA is EBITDA adjusted to exclude impairment, business acquisition costs and refinance costs (as reported in note 2 of the Interim Financial Report)

² NPAT adjusted to exclude tax effected government incentive scheme income of \$5m (HY22: \$6m), impairment of \$29m (HY22: \$Nil) and refinance costs of \$Nil (HY22: \$13m)

³ EPS based on adjusted NPAT

⁴ All figures in this statement are in Australian dollars unless otherwise stated

Review of operations:

Reece has delivered a strong start to FY23. Sales revenue increased 23% to \$4,427m (HY22: \$3,600m), driven by persistent inflation and ongoing execution by the team. Normalised EBITDA was up 25% to \$495m (HY22: \$397m) and EBIT was up 18% to \$325m (HY22: \$275m). Statutory NPAT grew 18% to \$186m (HY22: \$157m), while adjusted NPAT increased 28% to \$210m (HY22: \$164m).

In our Australia and New Zealand (ANZ) region, sales revenue increased by 11% to \$1,928m (HY22: \$1,733m), with estimated product inflation of 11%. Normalised EBITDA was up 18% to \$293m (HY22: \$249m). EBIT grew 6% to \$198m (HY22: \$186m) impacted by a goodwill impairment of \$29m in the Metalflex business recognised in the half. This business unit was impacted particularly by COVID-19 disruptions and, more recently, irregular weather conditions.

In the US region, sales revenue increased by 34% to \$2,500m (HY22: \$1,867m), an uplift of 23% on a US dollar basis. Estimated product inflation was 22%. Normalised EBITDA increased by 36% to \$202m (HY22: \$148m) and EBIT grew 43% to \$127m (HY22: \$89m).

During the half, global supply chains improved but complexities remained. We worked closely with our suppliers and made strategic investments in inventory to avoid disruption for our customers. Our inventory position increased to \$1,575m at 31 December 2022 (30 June 2022: \$1,528m), translating to a net working capital to sales ratio of 22%, in line with 30 June 2022. We continued to make progress on delivering our 2030 strategy and our vision to be our trade's most valuable partner during the period.

In ANZ, we continued to progress a wide range of activity focused on operational excellence, while accelerating innovation and investing to strengthen our business. In particular, we were pleased to deliver a strong Customer Net Promotor Score of +60 following the extremely challenging pandemic period. This result was a testament to our team and reinforces our focus on building future leaders, which remained a priority during the half.

Post period end we also appointed Scott Marshall as ANZ CEO. Scott is the CEO of Supermarkets and Convenience at Metcash Limited. He is a strong cultural fit for Reece and will bring fresh perspectives from his time leading a large decentralised business.

In the US, we have continued to deliver on initiatives to uplift standards across the business. We made strong progress on expanding and upgrading our network and fleet during the half, opening seven new branches, acquiring one branch and completing five refurbishments. At the end of the period, we had a total of 212 branches. The team worked hard to uplift standards across our California branches, which were the first to convert to the Reece brand post period end in our multi-year rebrand process. We also continued to focus on developing our employee proposition, developing future leaders, creating high performing teams and embedding The Reece Way. We are delivering this through targeted programs for our managers to develop future leaders at all levels. This strengthens and enhances our employee value proposition to build a pool of future talent for our US business.

Dividend:

The Board has declared a fully franked dividend of 8 cents per share, with a record date of 22 March 2023 and a payment date of 5 April 2023.

Investor call:

Reece Group will hold an investor webcast today, Wednesday 22 February 2023, at 9:30am (AEDT). To join the webcast, register via the following link: <https://webcast.openbriefing.com/reh-hyr-220223/>

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Notes to Editors – Biography, Scott Marshall – incoming Reece ANZ CEO

Scott has worked with Metcash (ASX: MTS) for over 30 years, beginning his career in the Metcash Food warehouse. He has held leadership roles across Metcash Food and Australian Liquor Marketers (ALM) divisions, including warehousing operations and management, merchandise, sales, retail operations, State general management and marketing management.

Scott was appointed CEO of Metcash ALM in 2013. In 2018, he was appointed CEO, Metcash Food, where he oversaw a \$9bn+ revenue business supporting large contract customer agreements and a network over 1,600 stores.