

reece
group™

AGM — 2019

Disclaimer

Important Notice and Disclaimer

Disclaimer

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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.

Reece use non-IFRS financial measures, Normalised EBITDA and Normalised NPAT 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.

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.

Chairman's Address

Mr Alan Wilson

CEO & MD's Address



Mr Peter Wilson



Agenda

Our Strategic Approach

Financial Performance

Business Highlights

FY20 Preview

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Business Highlights

FY20 Preview

It all starts with our Purpose & Values

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

Create 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 

The background of the slide is a close-up, slightly blurred image of two flags. On the left is the United States flag, showing the stars and stripes. On the right is the Australian flag, showing the white seven-pointed star on a blue field and the red, white, and blue stripes. The text is overlaid on this image.

Our vision

**United
States**

Growth Platform

**Australia &
New Zealand**

Customised service in
a digital landscape



FY19 – a year of transition

- Local to global
- Focus on digital experience
- Investing for future growth
- Drawing on our strengths to succeed in a slowing market
- Debt management

Our inherent commitment stays the same

- Helping our customers succeed
- Being known for quality products and services
- Sharing our expertise

Agenda

Our Strategic Approach

Financial Performance

Business Highlights

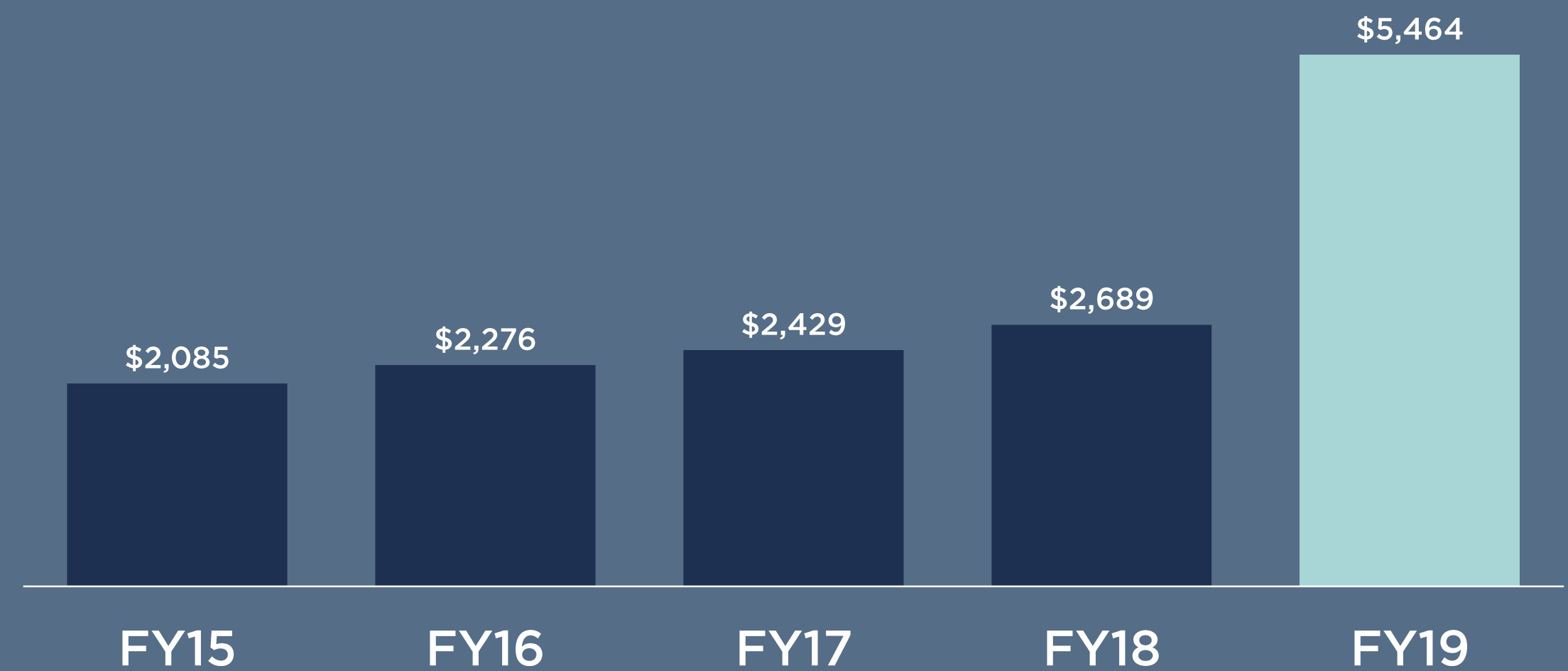
FY20 Preview

Sales Revenue

FY19 \$5,464m
FY18 \$2,689m

- Record sales result
- Acquisitions in the US & NZ

103%



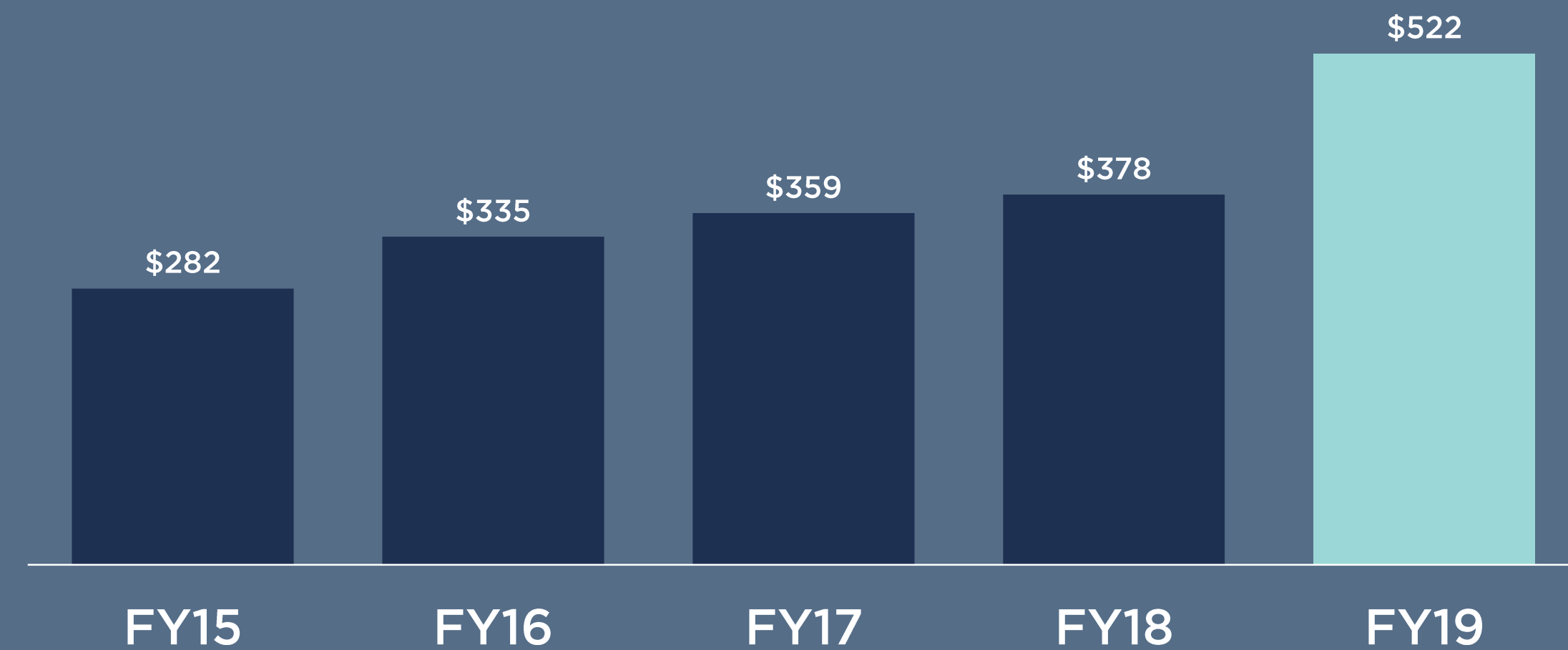
Normalised EBITDA

FY19 \$522m
FY18 \$378m

38%



- Solid performance in Australia with a slowing market
- MORSCO results in line with expectations
- Continuing to invest in people & technology

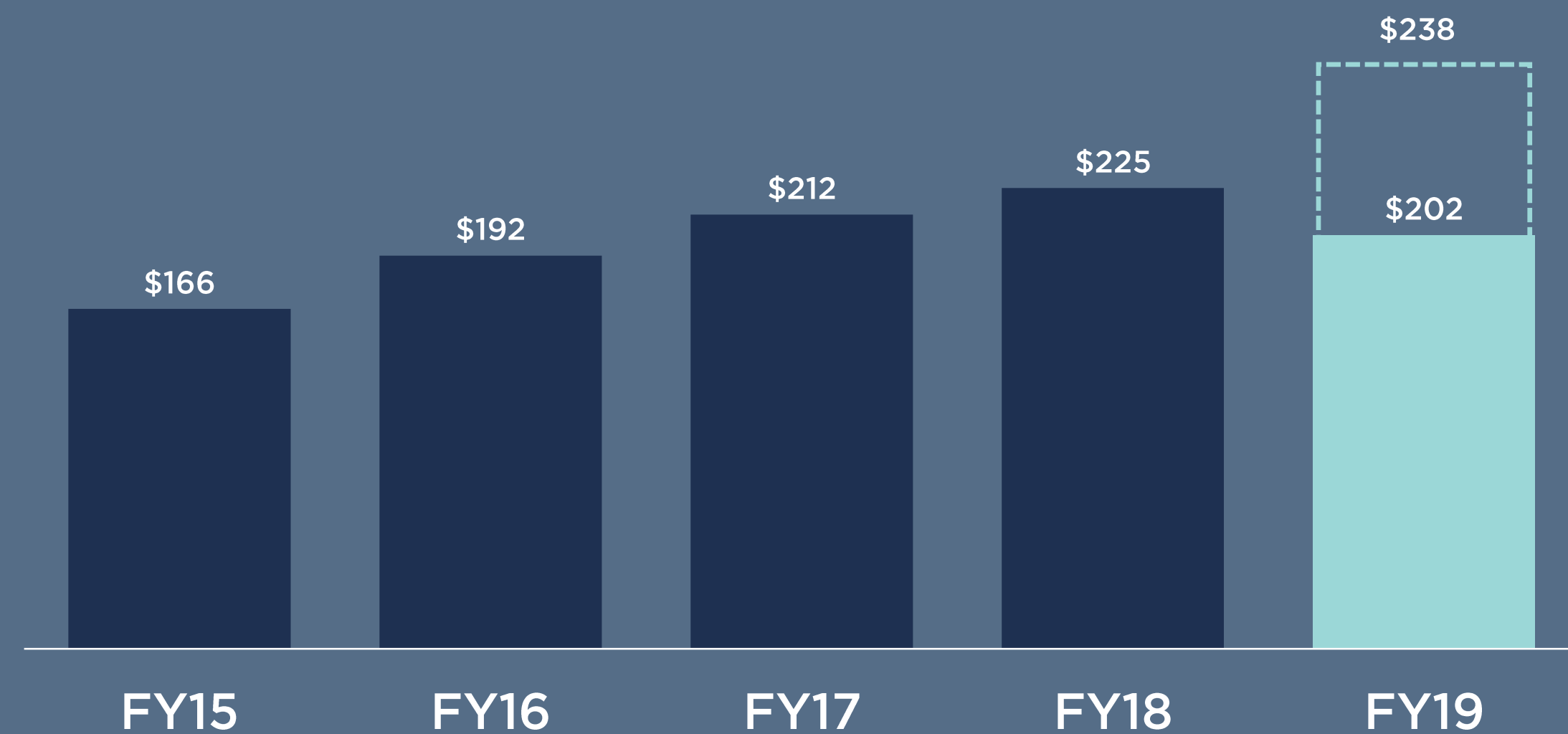


Statutory NPAT

FY19 \$202m
FY18 \$225m

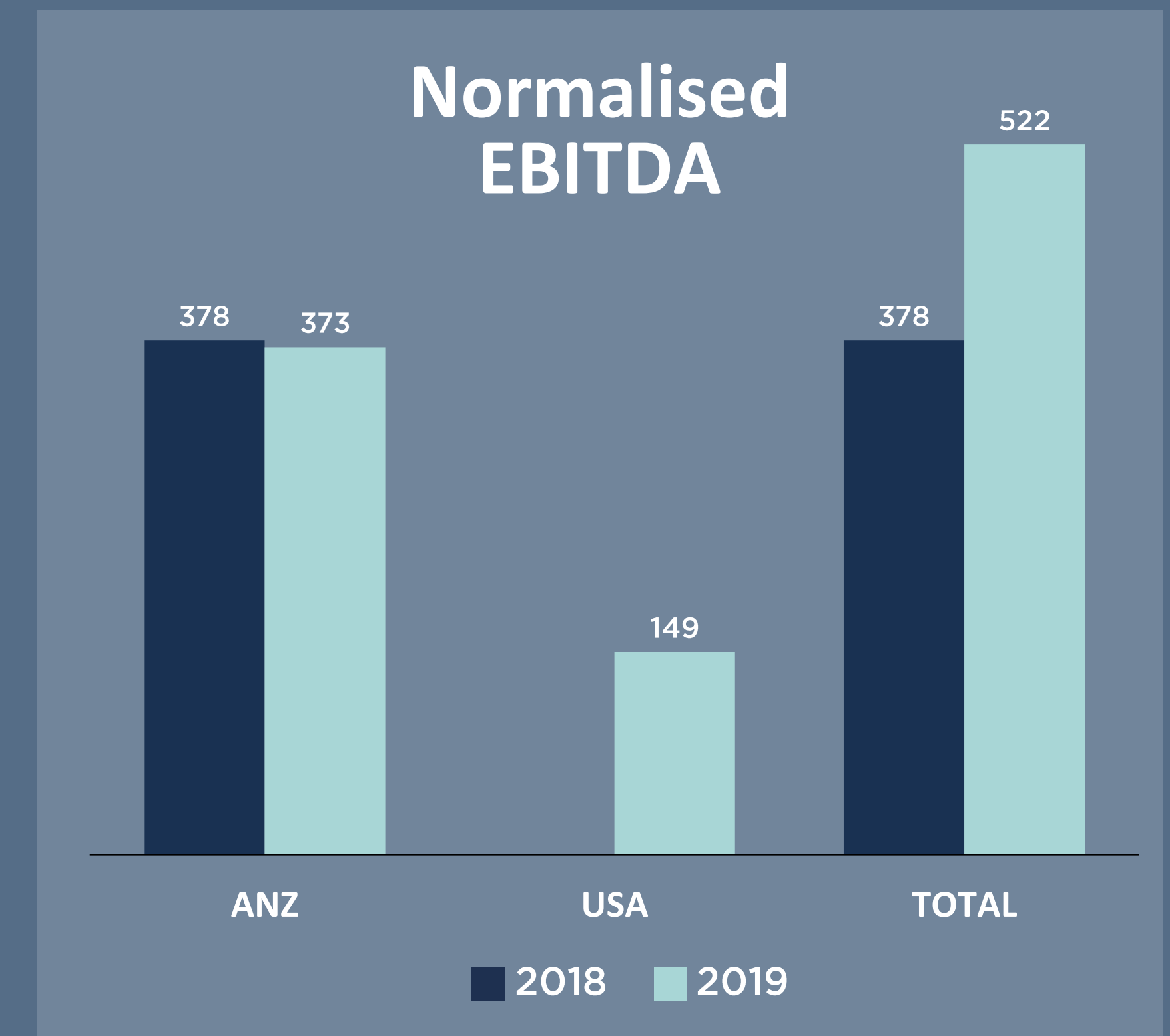
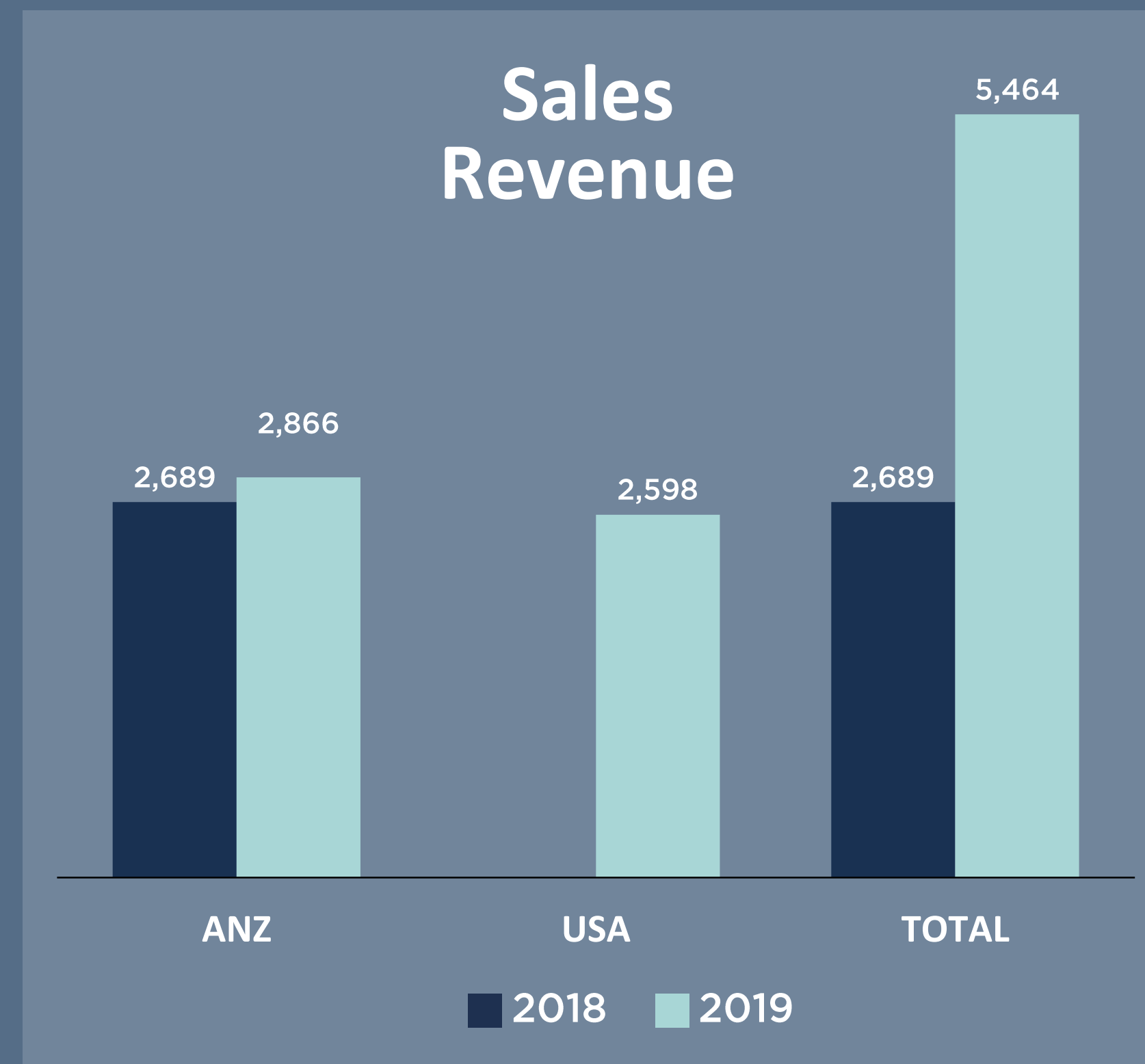
- Normalised NPAT up 6%
- Impact of one off acquisition costs and fair value inventory unwind
- ANZ moderated in the second half

10%



Segment Performance

- Record ANZ result, sales revenue up 6.6%
- MORSCO performing in line with expectations
- The business mix has impacted on EBITDA margins
- New housing approvals have slowed in Australia



Agenda

Our Strategic Approach

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Business Highlights

FY20 Preview



US Growth Platform

**Market Leading
Customer
Experience**

**Innovating for
the Future**

**Investing in
our People**



ONE YEAR IN

Strategy & Vision

Create customers for life



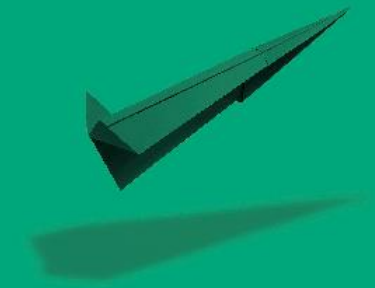
Discover your best



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



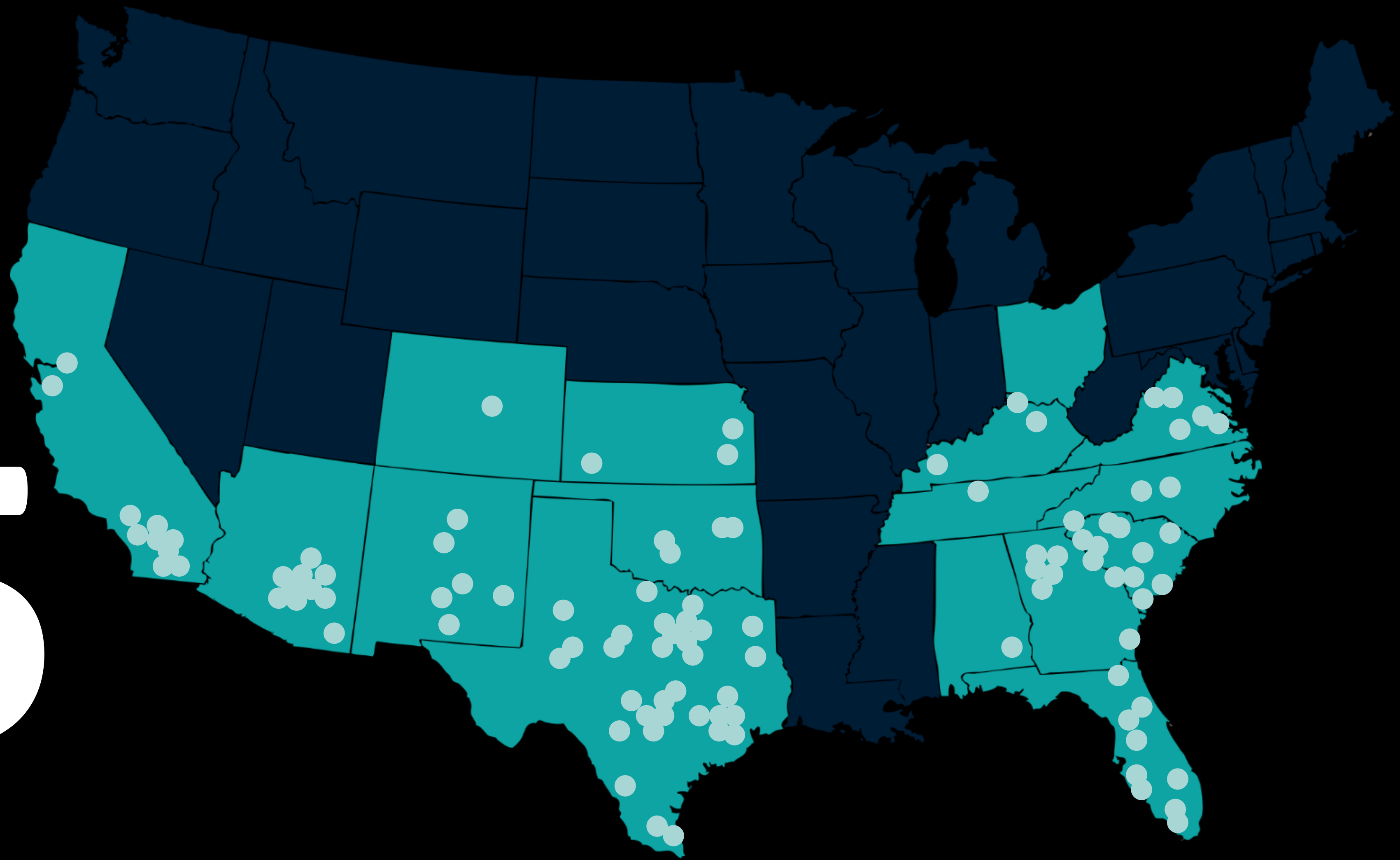
Laying the foundations for the long term



US Branches

175

+4



Growing in Southern California



California locations

 MORSCO	17
 Todd Pipe	6
Total	23



US Growth Platform

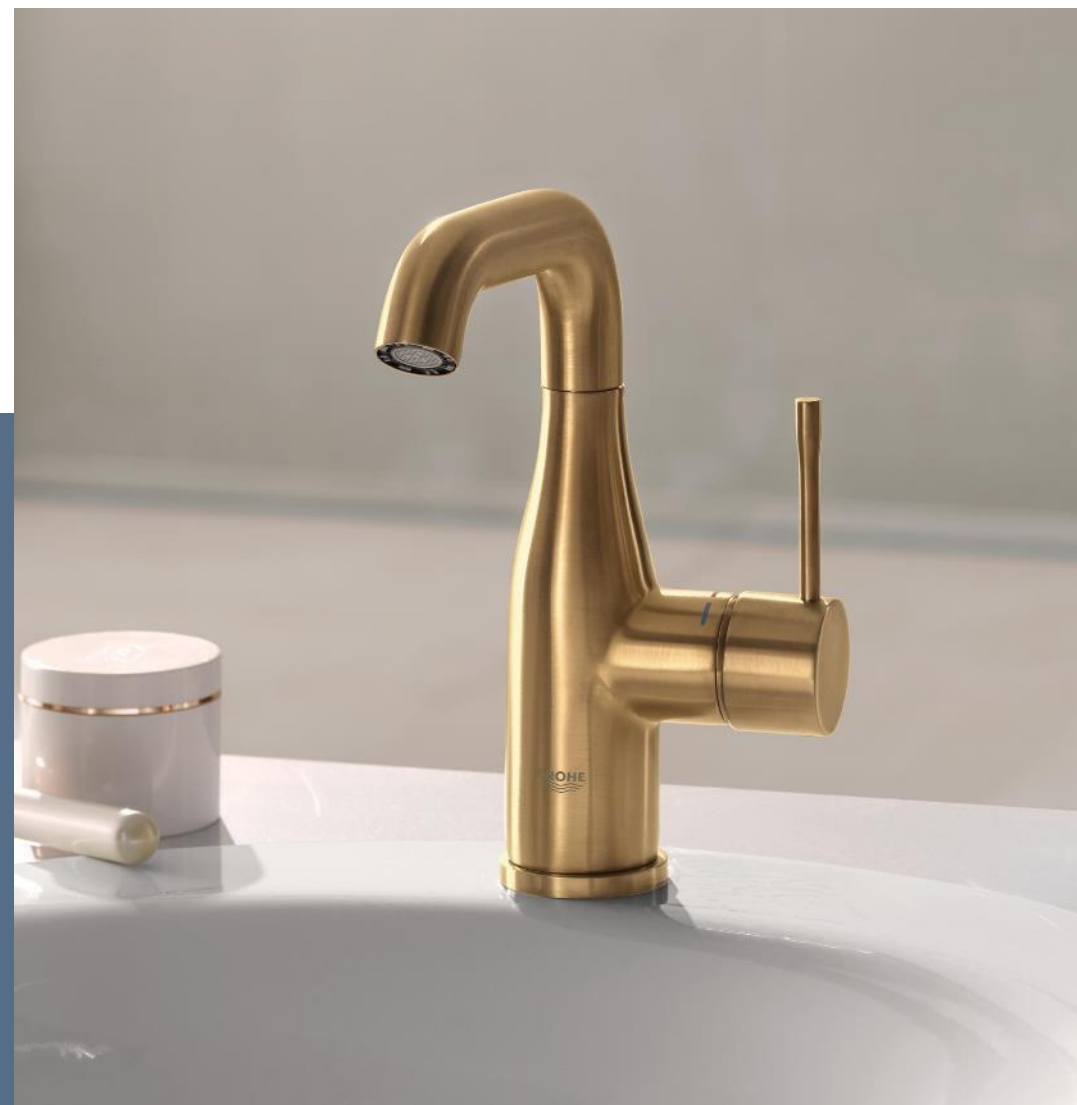
**Market Leading
Customer
Experience**

**Innovating for
the Future**

**Investing in
our People**

Product Innovation

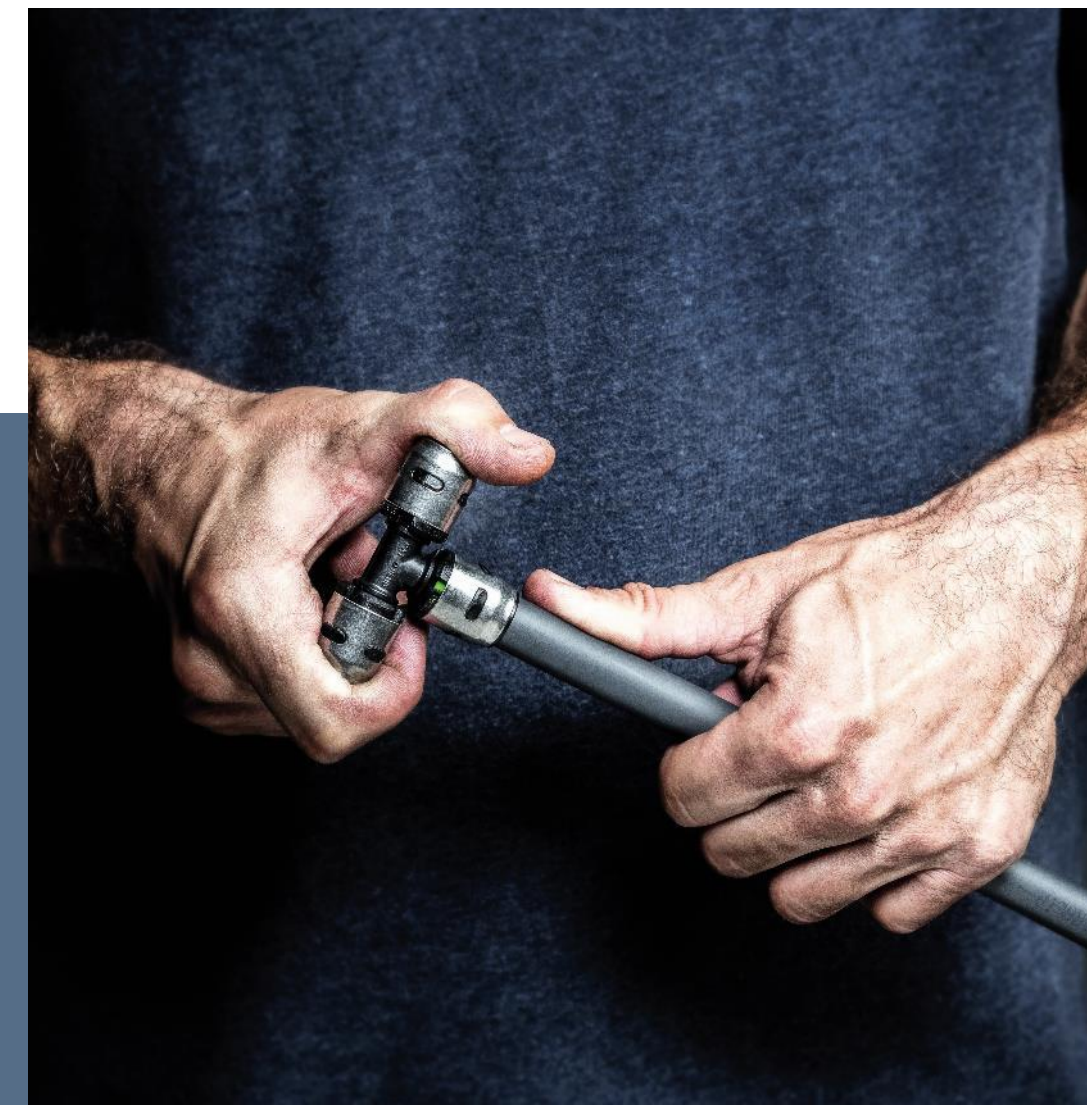
Exclusive brands, quality products, innovation and superior support are key to delivering value to our customers.



GROHE



Thermann



EvoPEX

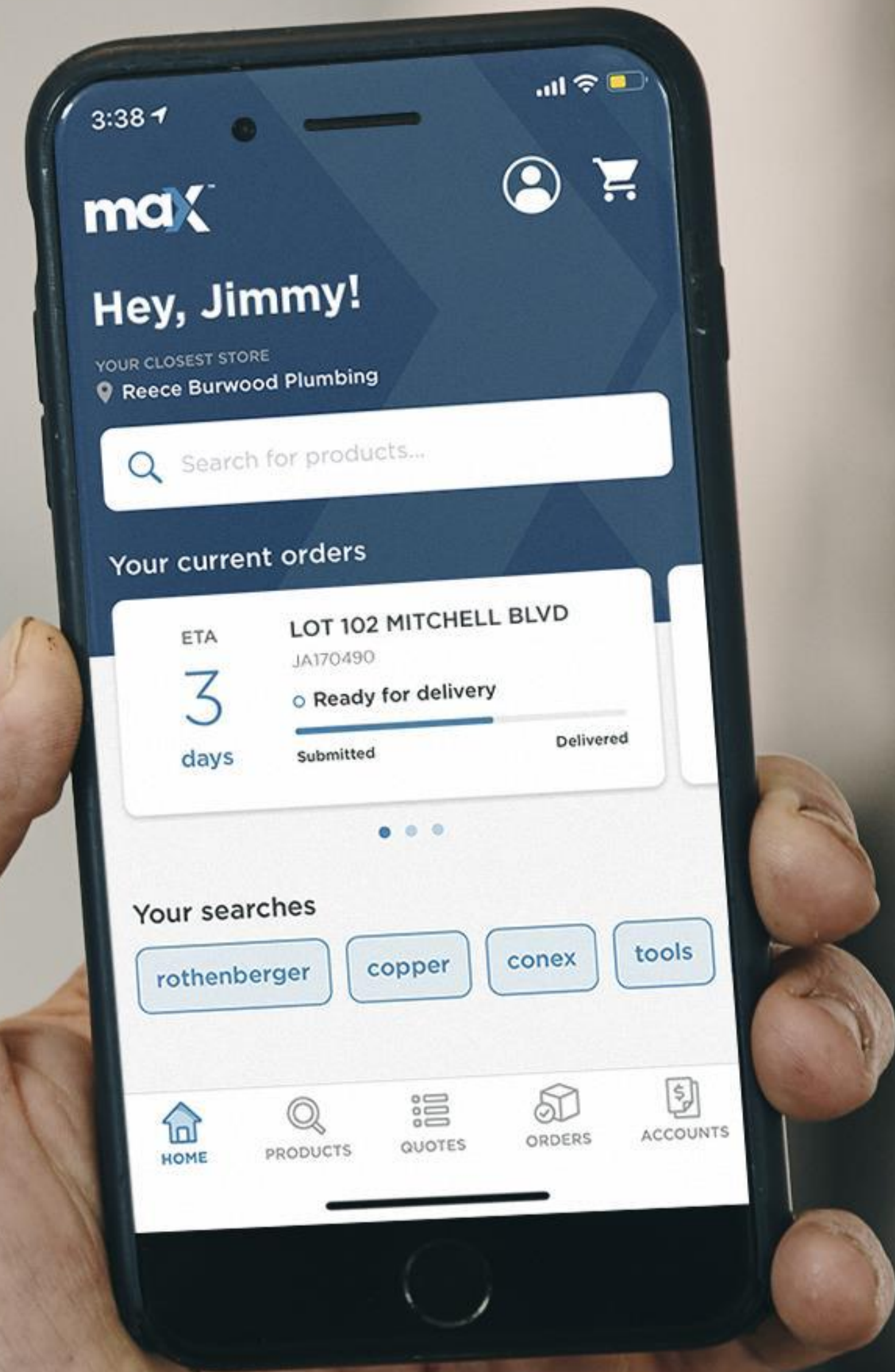


Kaden

Digitising the customer experience



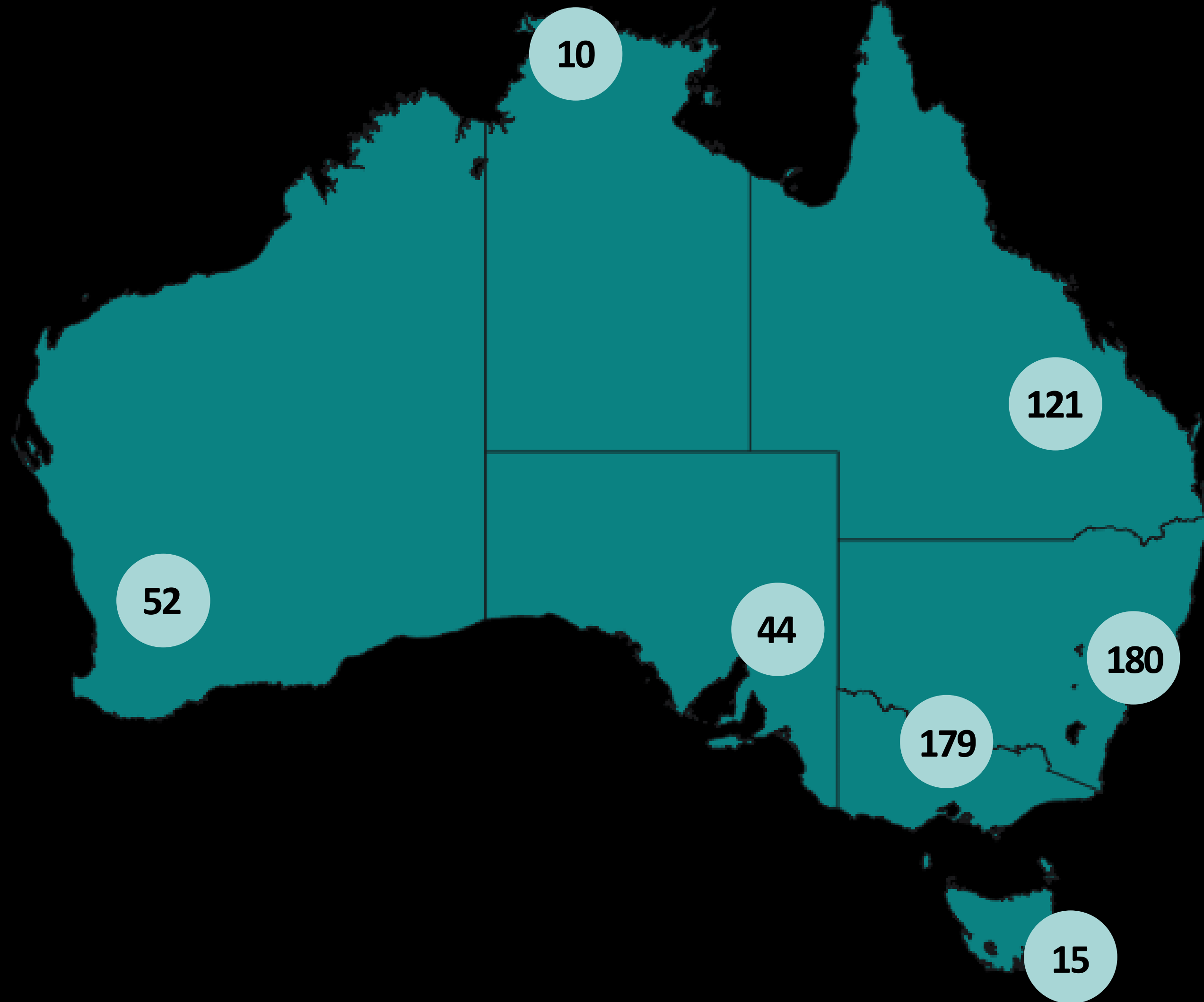
69%



Australian Branches

601

+5

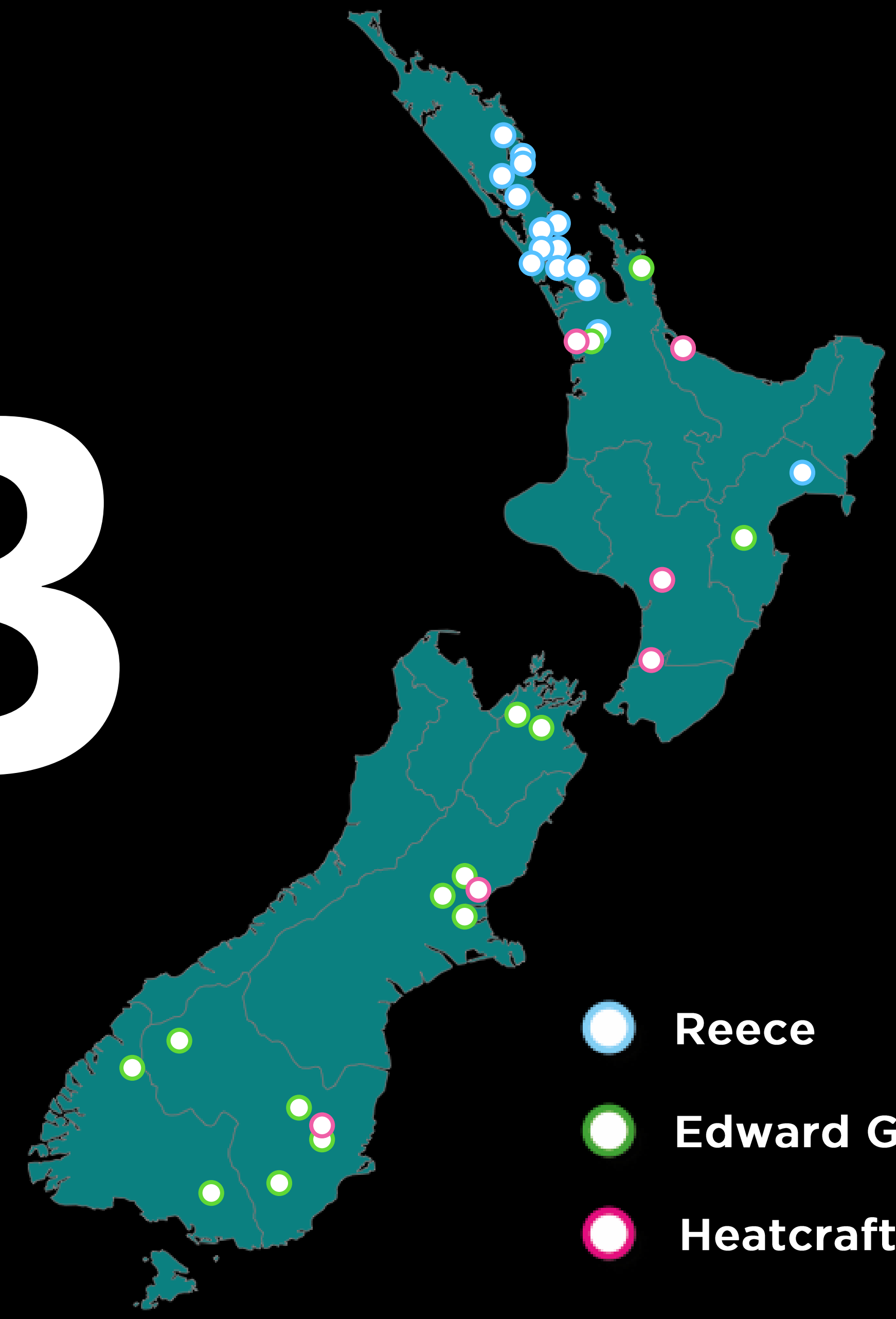


NZ Expansion

A truly national
footprint

33

+14



-  Reece
-  Edward Gibbon
-  Heatcraft



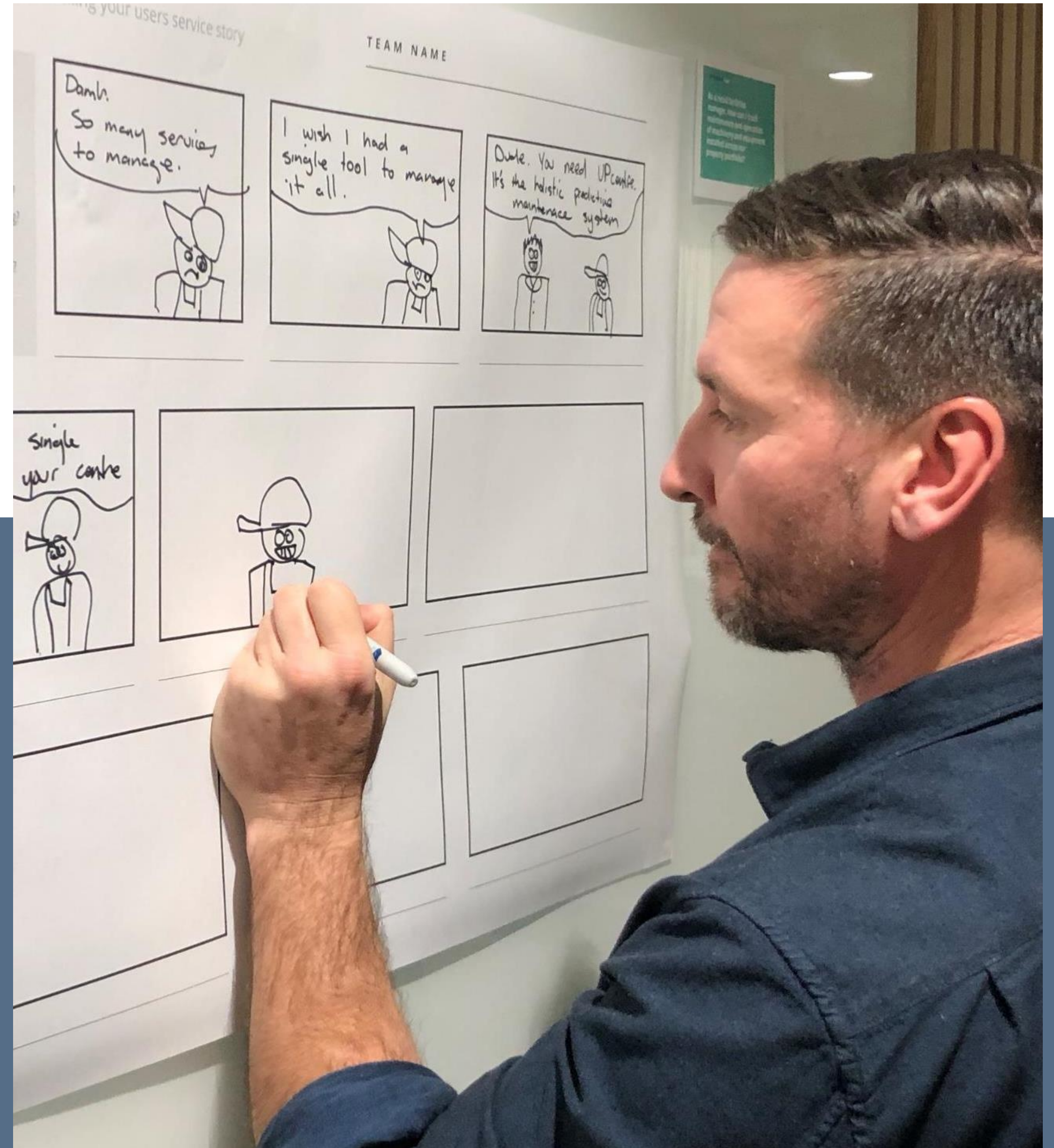
US Growth Platform

**Market Leading
Customer
Experience**

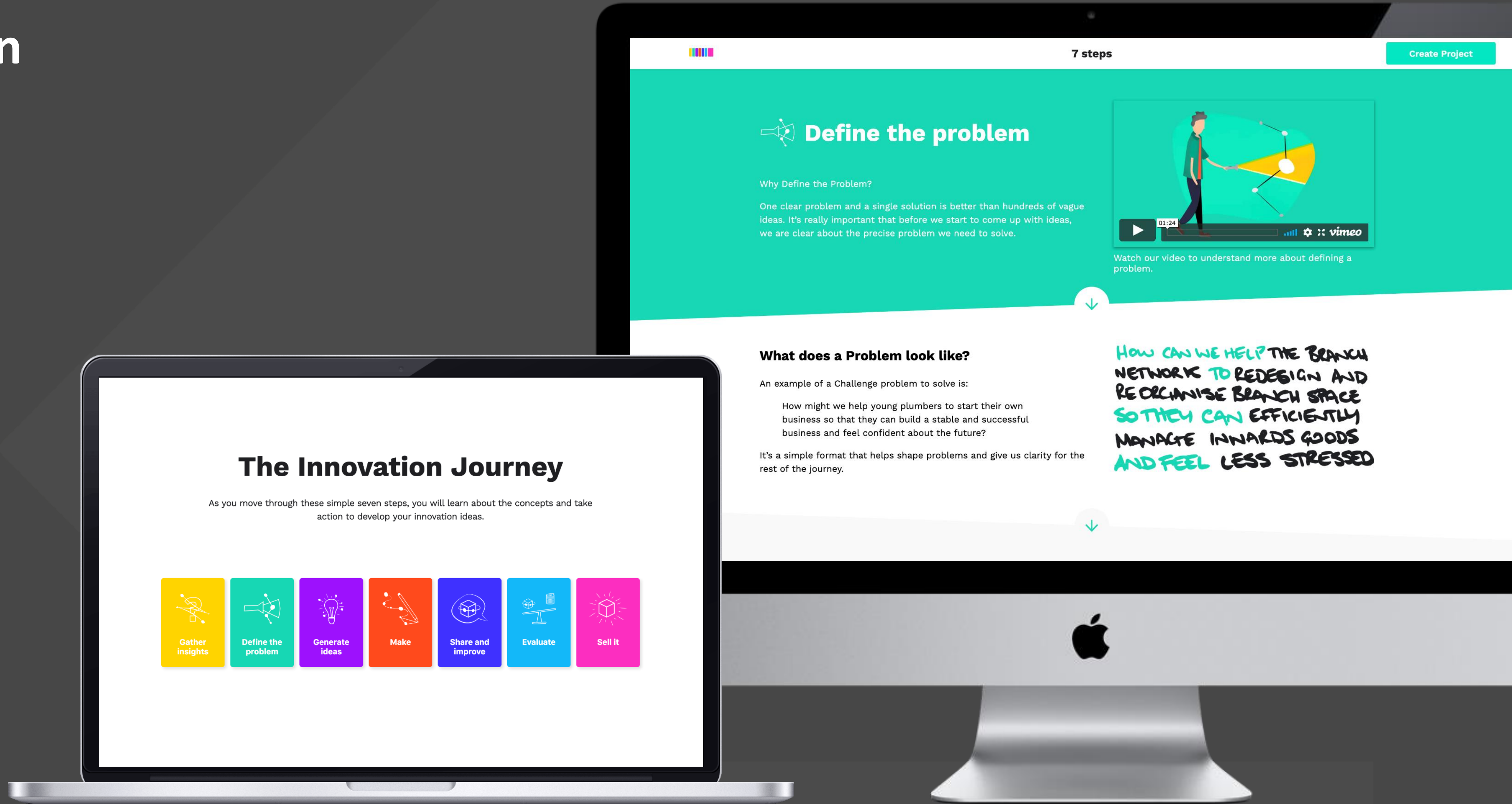
**Innovating for
the Future**

**Investing in
our People**

NEXT & Superseed



NEXT – innovation toolkit



Continuous
Improvement

**War on
waste**

A computer monitor is shown against a dark grey background. The monitor's screen is white and displays the text 'War on waste' in a large, bold, black sans-serif font. The word 'waste' is on the second line. A thick, bright pink horizontal line is drawn across the middle of the word 'waste', striking through it. The monitor's bezel is black, and the Apple logo is visible on the bottom bezel.

goodwork.

Australia's fastest
growing network built
just for tradies



WE MADE THE AFR BOSS

MOST INNOVATIVE COMPANIES LIST!

2019

— **FINANCIAL REVIEW BOSS** —

MOST INNOVATIVE
COMPANIES





US Growth Platform

**Market Leading
Customer
Experience**

**Innovating for
the Future**

**Investing in
our People**

A man with a beard and glasses, wearing a dark blue Reece V-neck sweater, and a woman with her hair in a bun, wearing a dark blue Reece jacket, are looking at a presentation board in a warehouse. The board displays a document with a bar chart. The background shows wooden pallets on shelves.

Future Leaders



Responsibility



Agenda

Our Strategic Approach

Financial Performance

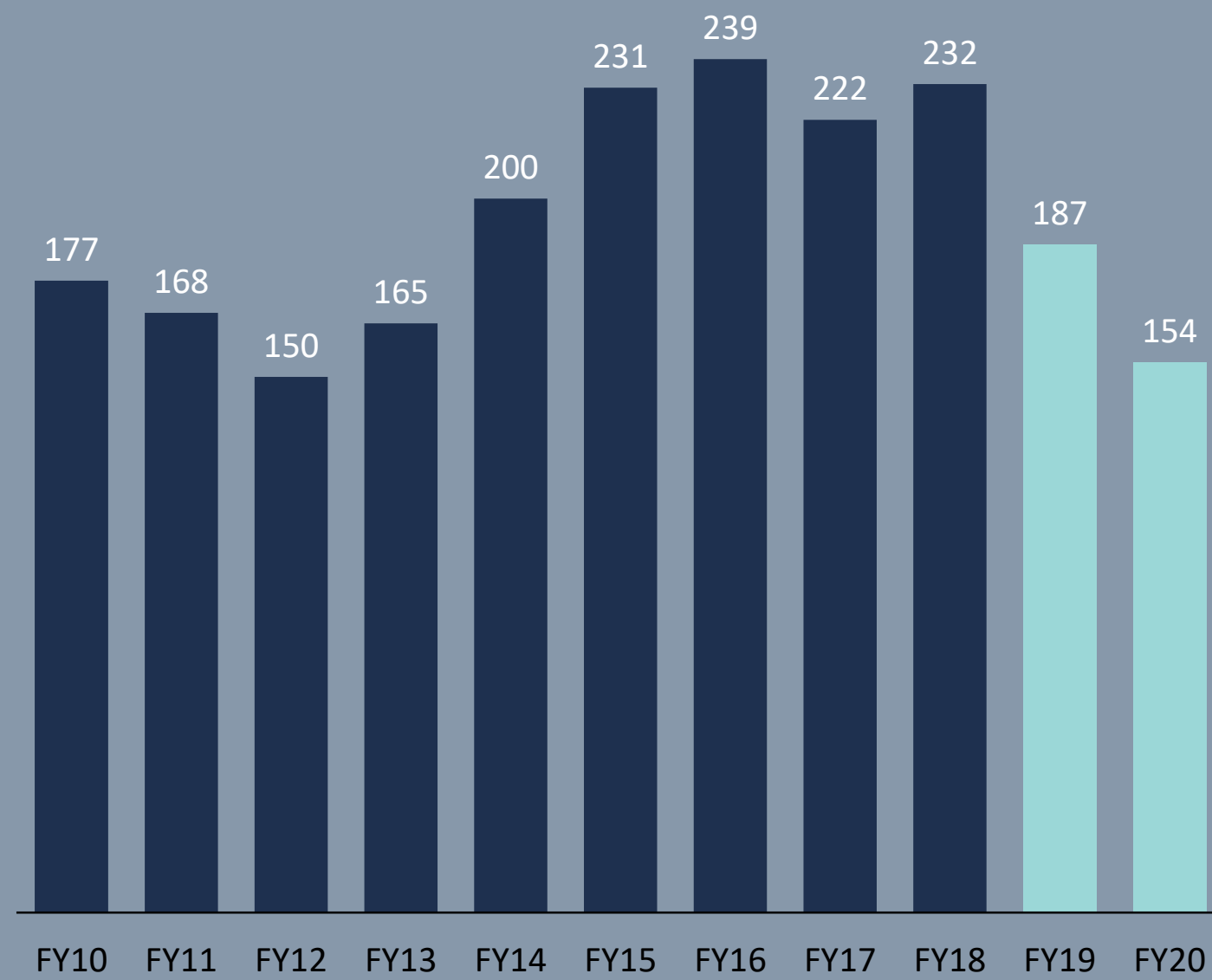
Business Highlights

FY20 Preview

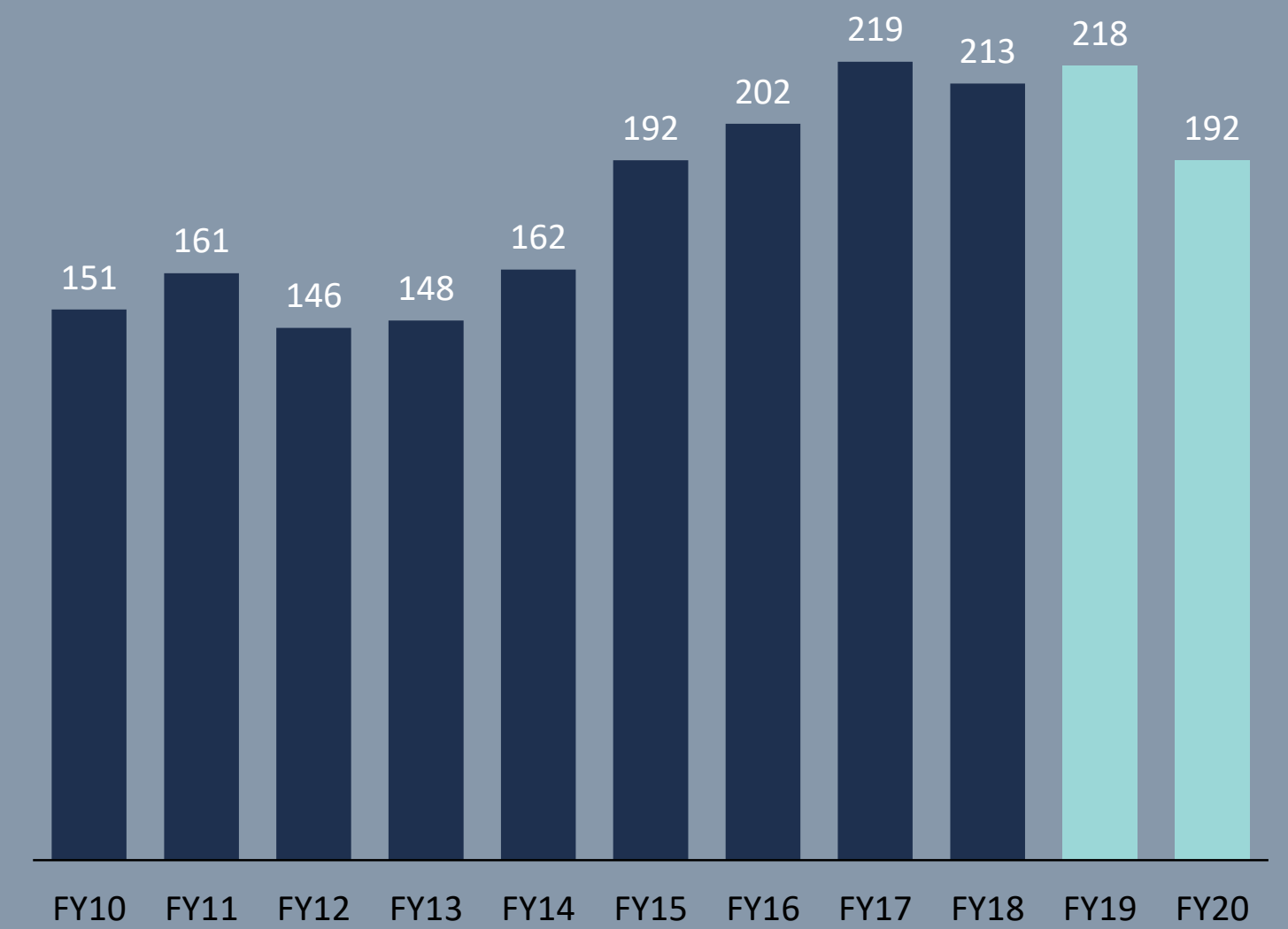
ANZ Building Commentary

A slower Australian economy underlining the importance of diversification

Dwelling Approvals
(000s)



Dwelling Completions
(000s)

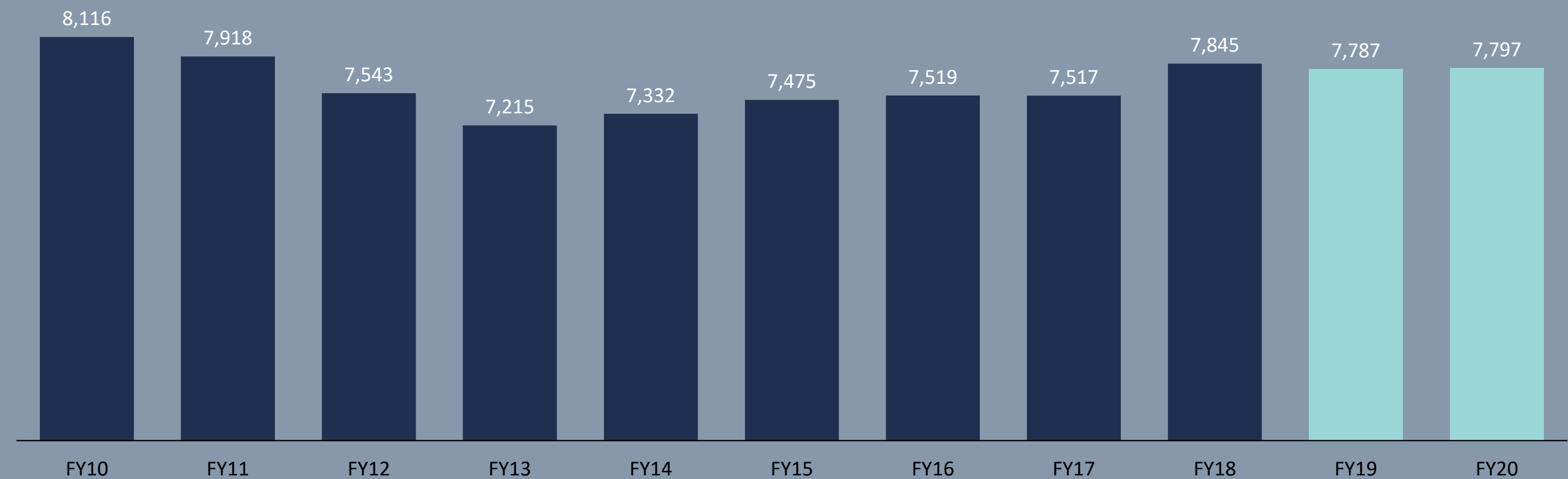


Source: BIS Oxford Economics

ANZ Alterations Commentary

A slower Australian economy underlining the importance of diversification

Alterations and Additions
(\$ million)

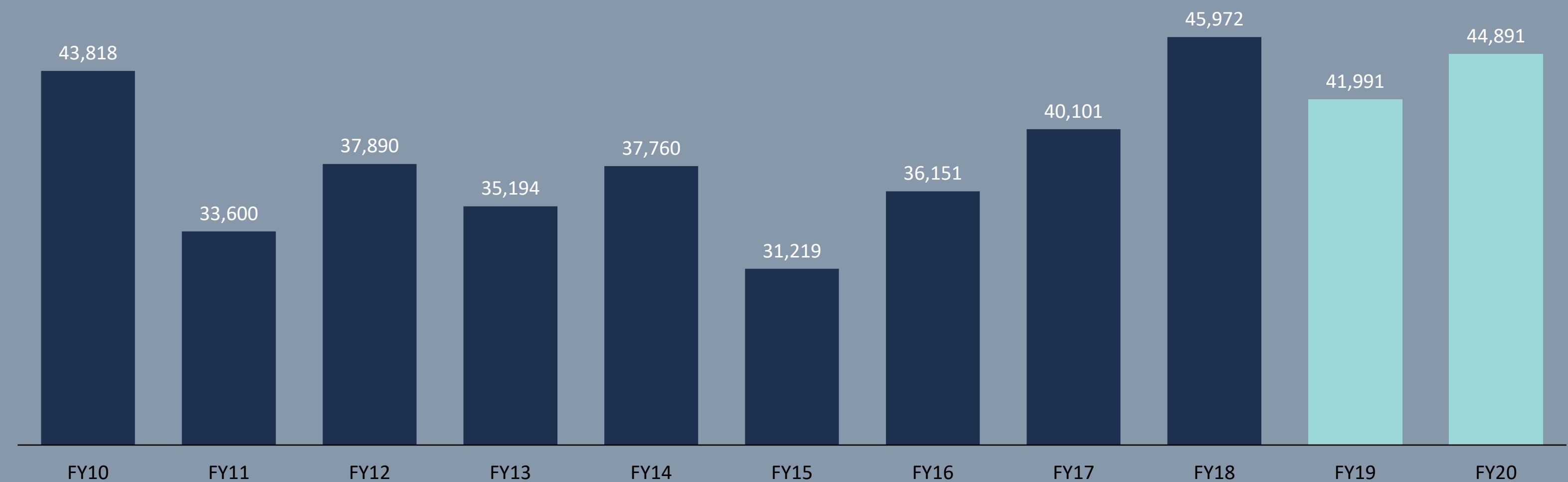


Source: BIS Oxford Economics

ANZ Non-Residential Commentary

A slower Australian economy underlining the importance of diversification

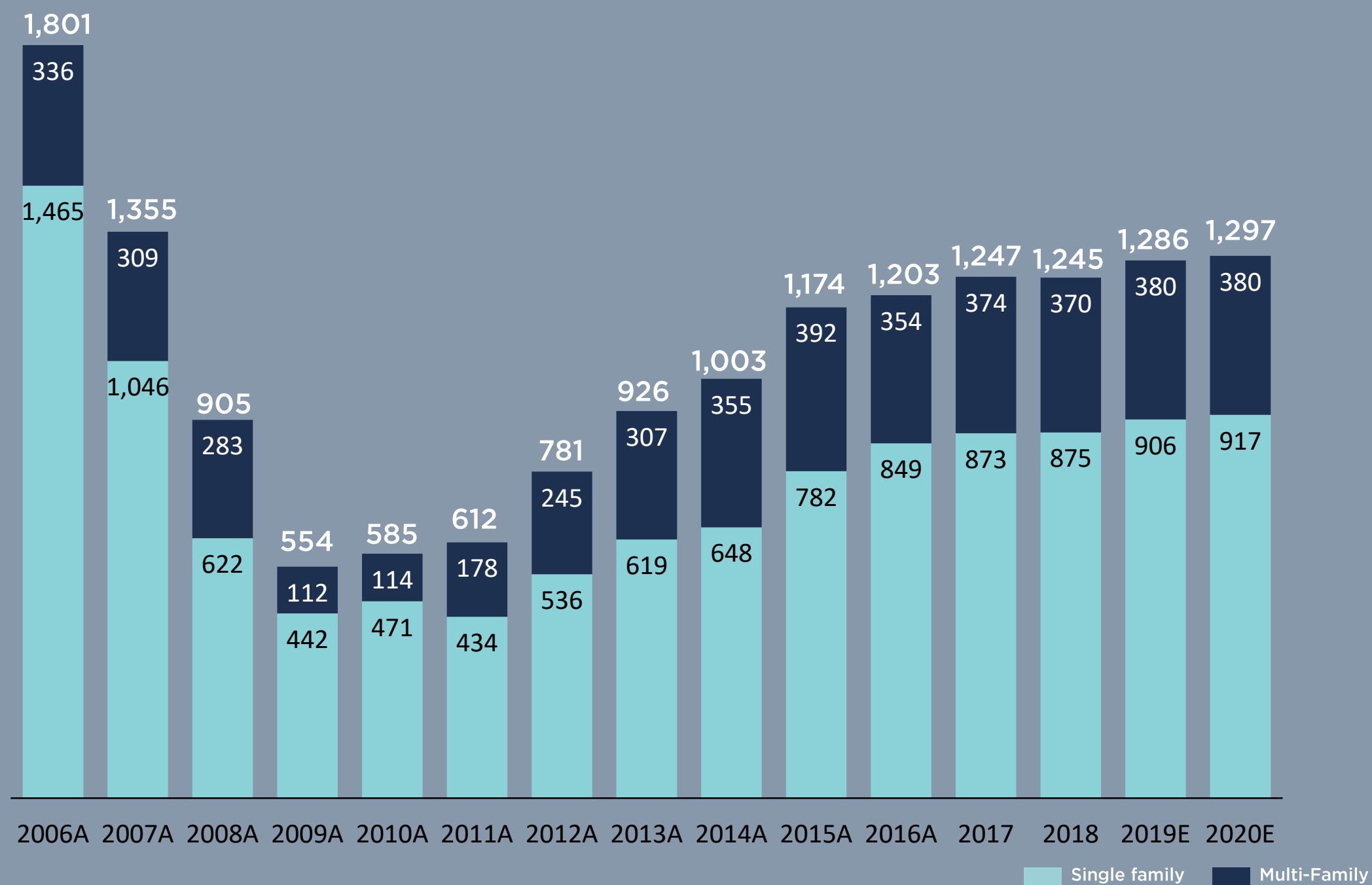
Non-residential Commencements
(\$ million)



Source: BIS Oxford Economics

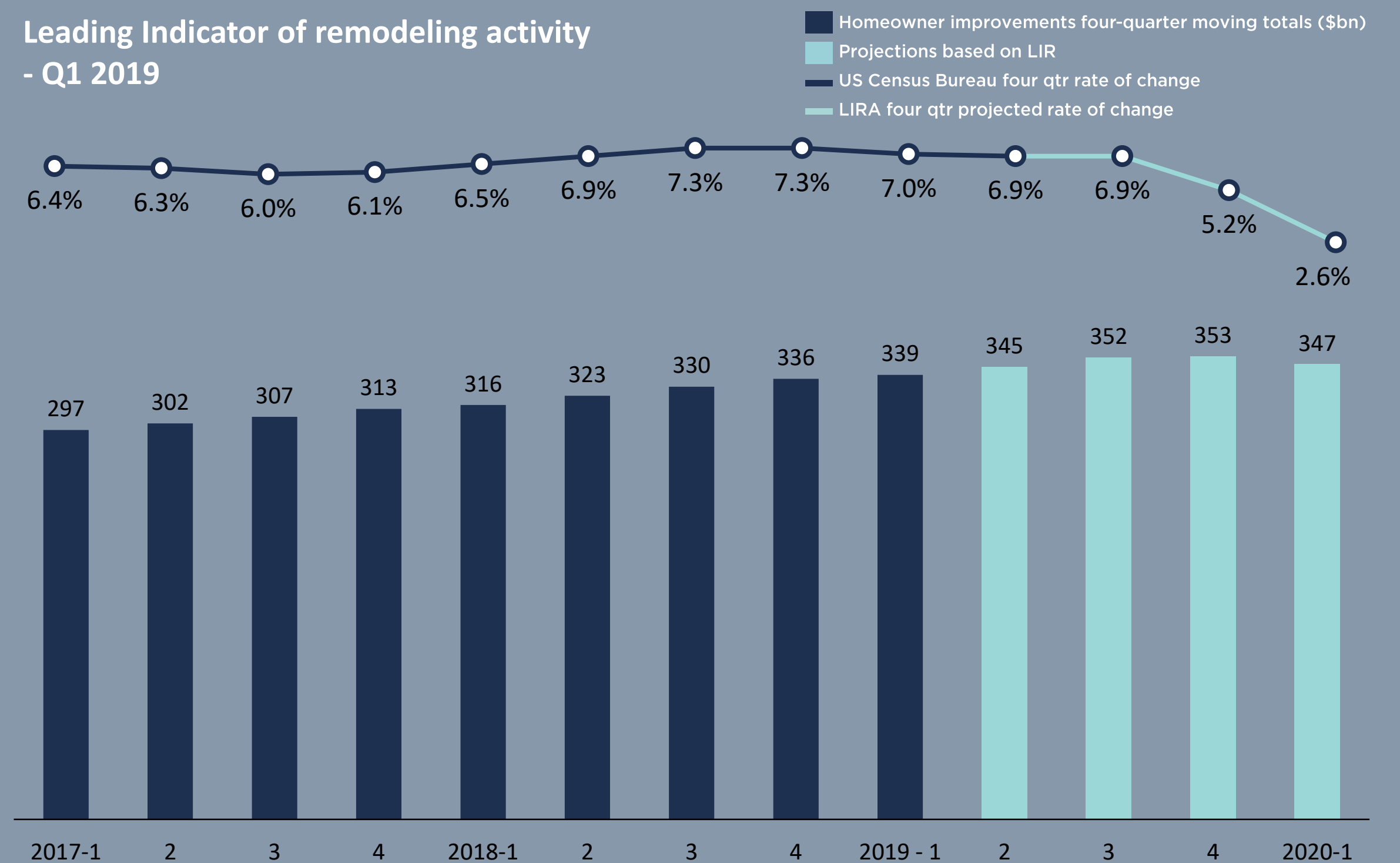
US Residential Commentary

Single and multi-family housing starts ('000's)



Source: National Association of Realtors Mortgage Bankers Association, Fannie Mae, National Association of Home Builders as of December 2018, John Burns Consulting as of June 2019

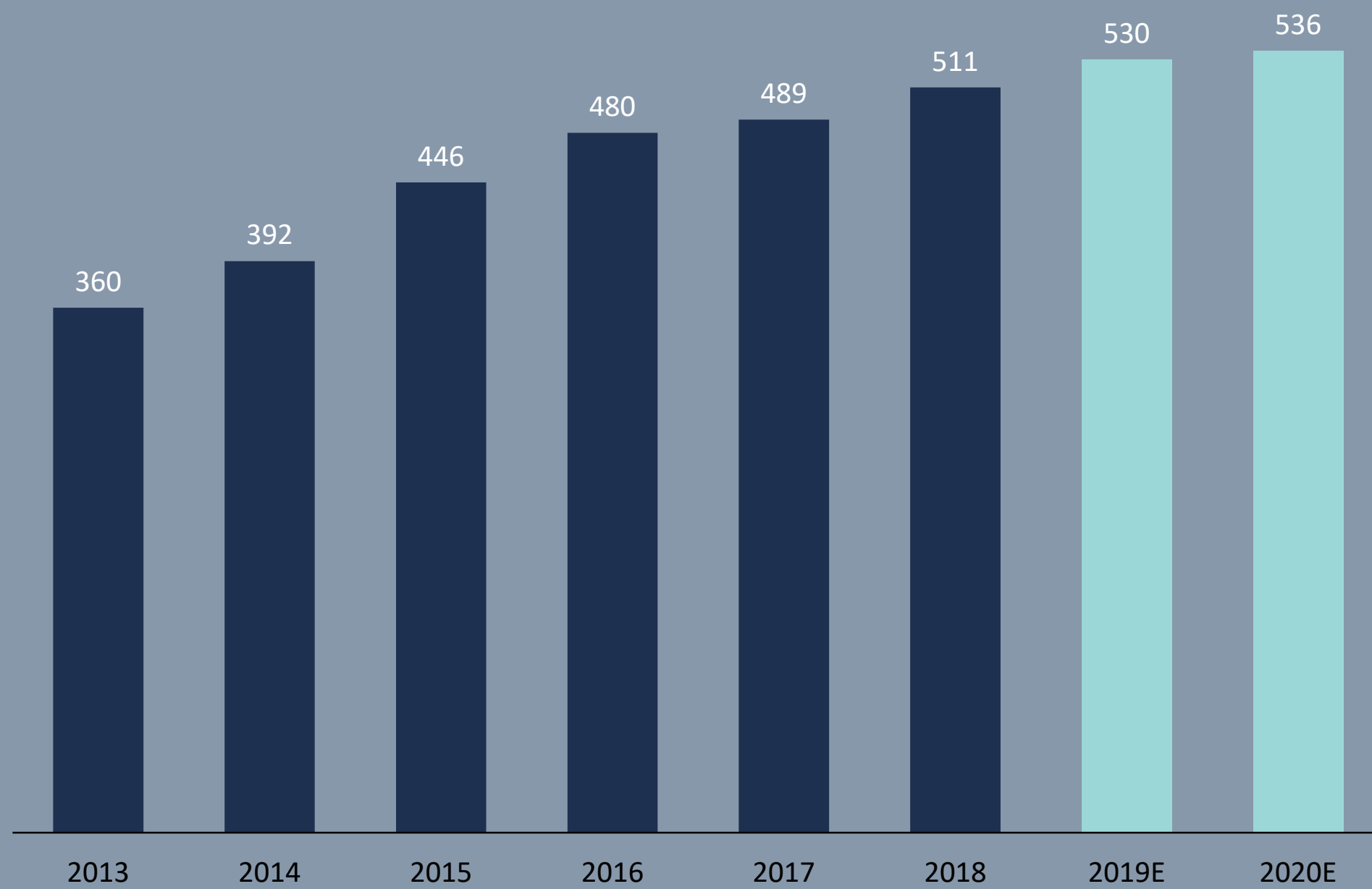
Leading Indicator of remodeling activity - Q1 2019



Source: Joint Center for Housing Studies of Harvard University, LIRA and U>S> Census Bureau as of May 2019

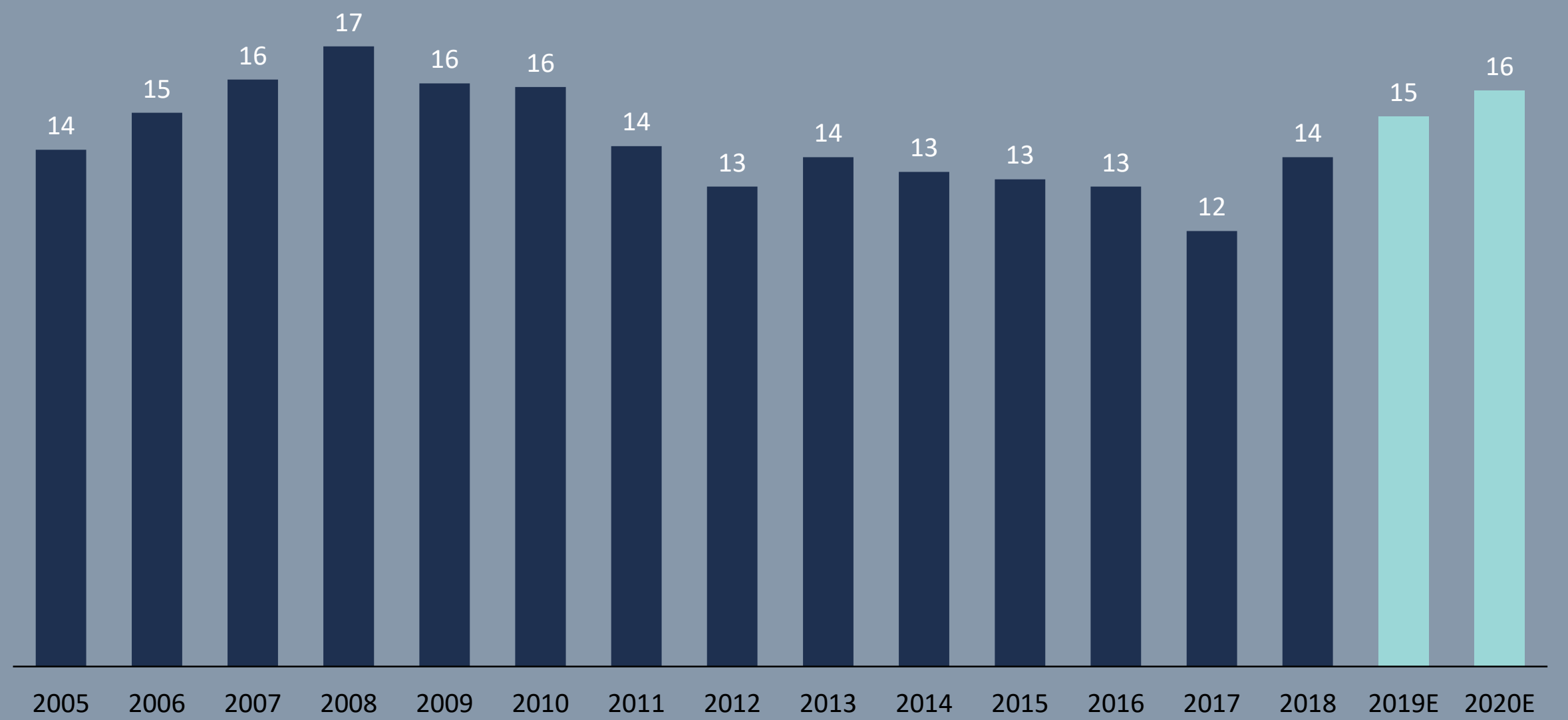
US Non-Residential Commentary

Non-Residential Building Construction Expenditure
(\$bn)



Source: FMI as of Q2 2019
Note Includes both private and public expenditures

Water Supply Construction Expenditure
(\$bn)



Source: FMI as of Q2 2019



Q&A