

ASX / MEDIA RELEASE

6 April 2020

Reece announces equity raising to set the Company up for long term success

Key points:

- **Reece is taking pre-emptive and decisive action to strengthen its balance sheet and position Reece strongly for the future**
- **Business has performed strongly through to the end of the March quarter, providing essential services to customers and the community**
- **Equity raising is prudent and will enable Reece to navigate through current market uncertainties from a position of strength**
- **Importantly, it provides Reece with the flexibility to accelerate its growth strategy**
- **The Wilson Family, Reece's major shareholder group, is fully supportive of the equity raising and will subscribe for A\$170 million of shares as part of the equity raising**

Reece Limited (ASX:REH) ("**Reece**" or the "**Company**") is taking pre-emptive action to strengthen its balance sheet, which will enable the Company to navigate current market uncertainties from a position of strength and remain well positioned for continued growth.

Reece today announces the launch of an equity offering to raise A\$600 million¹ comprising:

- a fully underwritten A\$232 million accelerated pro rata non-renounceable Entitlement Offer ("**Entitlement Offer**"); and
- a fully underwritten A\$368 million Institutional Placement ("**Placement**"); and
- a non-underwritten Share Purchase Plan ("**SPP**") (together, the "**Offer**").

Reece Chief Executive Officer, Peter Wilson, said:

"Reece has a 100-year history of strengthening the business through tough times – the current crisis is no exception. We believe that Reece, and the plumbing and construction trades it supports, has an essential role to play in times of crisis."

"We want to continue to run our business with a long-term view, despite the short-term challenges. A more conservative balance sheet will give us the confidence to continue to act on long term objectives for the benefit of our shareholders."

"This capital raising will set up Reece for the future. It will enable us to navigate through this period of uncertainty from a position of strength, and importantly it provides us with the flexibility to accelerate our growth strategy and pursue opportunities that may emerge."

The proceeds of the Offer will be used to:

- enhance balance sheet flexibility;
- support the business during the current macro-economic uncertainty; and
- materially increase liquidity and reduce net debt.

¹ Excluding any funds raised through the SPP and before costs of the Offer.

On completion of the equity raising, Reece's pro forma net leverage (as at 31 December 2019) will reduce to 1.9x and pro forma total liquidity will increase to A\$917 million.^{2,3}

Recent trading

Plumbing and construction are considered an essential service in both Australia and the US and so the majority of Reece's branches and distribution centres in these geographies remain open. The health and safety of Reece team members, trade partners, customers and the community remains paramount and management has acted quickly to build social distancing procedures and additional hygiene measures into the business' operations as part of the Company's health and safety culture, allowing Reece to continue operating in most locations.

As a result, Reece has had a solid start to the calendar year with strong March quarter sales. The Company has observed a shift to investment in home comforts, hot water units and repair and maintenance work.

At this stage, Reece has not experienced any material impact on its supply chain as a result of COVID-19. However, management notes that it is impossible to forecast the future impacts of this health and economic crisis on trading and the supply chain.

The Board of Directors has therefore made the prudent decision to temporarily suspend the Company's dividends.

The Reece investment thesis remains strong

Reece's strategy remains unchanged. In Australia and New Zealand, Reece is focused on maintaining and extending its market leading position through investing in its people, technology and network. In the US, MORSCO provides Reece with a strong platform with attractive long-term growth prospects through continued operational improvements, additional store roll-outs and industry consolidation.

Key Reece highlights include:

- **Market leader with strong customer proposition:** Reece is a leading supplier of plumbing, bathroom, heating, ventilation, air-conditioning ("HVAC"), waterworks and refrigeration products to customers in the trade, retail and commercial markets with ~100 years' operating history. Reece has strong market positions across its global footprint spanning Australia, New Zealand and the Sun-Belt region of the US, with a unique distribution platform of over 800 branches, and long term, entrenched customer relationships. Reece's strong market position is supported by its industry leading online offering, including mobile apps, inventory availability, pricing transparency and extensive digital product catalogue for trade customers.
- **Attractive market exposure with resilient / defensive earnings:** Reece has diversified end-market exposure to residential, commercial and public infrastructure construction across Australia, New Zealand and the growing Sun-Belt region of the US. A significant proportion of Reece's business services essential construction and maintenance activities. Reece has the experience of managing through various economic cycles and the ability to respond to changing market conditions.

² Excluding any funds raised through the SPP and before costs of the Offer.

³ Pro forma net leverage calculated as net debt / EBITDA for 12 month period ended 31 December 2019 and excludes the impact of AASB 16 Leases, business acquisition costs, finance income and fair value inventory unwind. In each case, USD debt converted from USD to AUD at 0.7006 (31-Dec-19 spot rate).

- **Fortified balance sheet to execute growth strategy:** Following the equity raising, Reece's balance sheet and liquidity position will be significantly enhanced. The strengthened balance sheet will enable Reece to navigate current market uncertainties, while providing the flexibility to accelerate its growth strategy and to capitalise on future opportunities.

Details of the Entitlement Offer and Placement

Reece is undertaking a fully underwritten 3 for 55 Entitlement Offer to raise A\$232 million, and a fully underwritten A\$368 million Placement, together raising approximately A\$600 million⁴.

The equity raising will be conducted at A\$7.60 per New Share ("**Offer Price**"), representing a:

- 12.5% discount to the last traded price of A\$8.69 on Friday, 3 April 2020; and
- 11.2% discount to TERP of A\$8.56 (including Placement)

The Entitlement Offer and Placement will result in approximately 79 million new shares being issued, representing approximately 14.1% of Reece's existing issued capital. New Shares issued will rank equally with existing Shares.

Eligible Retail Shareholders will have the opportunity to apply for additional Shares in excess of their entitlement under the Entitlement Offer.

The Wilson Family, Reece's major shareholder group, is supportive of the equity raising and will subscribe for A\$170 million of New Shares as part of the equity raising. The current structure of the Wilson Family's registered shareholdings makes it impractical for them to participate in the Entitlement Offer by taking up their entitlements directly. As a result, the Wilson Family's participation in the Entitlement Offer will come by way of a A\$170 million sub-underwriting commitment as "sub-underwriters of last relief", so that the first A\$170 million of any shortfall under the retail component of the Entitlement Offer will be taken up by the Wilson Family sub-underwriters.

The combination of the Placement and the Entitlement Offer, and the participation of the Wilson Family in the Entitlement Offer, will result in the aggregate holding of the various Wilson Family shareholders reducing from 73.3% to 67.7%⁴. Each of the three Wilson Family sub-underwriters is an entity controlled by a different Wilson Family member – L.A. Wilson, J.G. Wilson and B.W.C. Wilson. No fees are payable to the Wilson Family entities acting as sub-underwriters.

The Entitlement Offer and Placement are fully underwritten by J.P. Morgan Securities Australia Limited.

Details of the Share Purchase Plan

In addition to the Entitlement Offer and Placement, Reece will also offer existing eligible shareholders the opportunity to participate in a non-underwritten SPP. Under the SPP, eligible Reece shareholders, being shareholders with a registered address in Australia or New Zealand on Reece's register as at 7:00pm (Sydney time) on Friday, 3 April 2020, will have the opportunity to apply up to A\$30,000 of New Shares without incurring brokerage, commission or transaction costs

The issue price of the New Shares under the SPP will be the Offer Price. New Shares issued under the SPP will rank equally with existing Reece shares from the date of issue.

Full details of the SPP will be set out in the SPP offer booklet, which is expected to be released to ASX and dispatched to eligible shareholders on Wednesday, 15 April 2020.

⁴ Excluding any funds raised through the SPP and before costs of the Offer.

Reece is providing eligible shareholders with the opportunity to acquire additional New Shares under the SPP to provide retail shareholders with the opportunity, if they wish to do so, to minimise the dilutionary impact of the Placement.

Key dates

Event	Date
Record date for SPP	7:00pm (Sydney time), Friday, 3 April 2020
Trading halt, announcement of the equity raising, Institutional Entitlement Offer and Placement opens	Monday, 6 April 2020
Institutional Entitlement Offer closes	Monday, 6 April 2020
Institutional Placement closes	Monday, 6 April 2020
Announcement of results of Institutional Entitlement Offer and Institutional Placement	Tuesday, 7 April 2020
Trading halt lifted – shares recommence trading on ASX on an “ex-entitlement” basis	Tuesday, 7 April 2020
Record Date for Entitlement Offer (7pm)	Wednesday, 8 April 2020
Retail Entitlement Offer opens and Retail Offer Booklet (including Entitlement and Acceptance Form) despatched	Wednesday, 15 April 2020
SPP Offer opens and SPP Offer Booklet (including Acceptance Form) despatched	Wednesday, 15 April 2020
Settlement of Institutional Entitlement Offer and Institutional Placement	Friday, 17 April 2020
Allotment and commencement of trading of New Shares issued under Institutional Entitlement Offer and Institutional Placement	Monday, 20 April 2020
Retail Entitlement Offer and SPP Offer closes	Friday, 24 April 2020
Announcement of results of Retail Entitlement Offer and SPP Offer	Wednesday, 29 April 2020
Settlement of New Shares under Retail Entitlement Offer and SPP Offer	Thursday, 30 April 2020
Allotment of New Shares under Retail Entitlement Offer	Friday, 1 May 2020
Commencement of trading of New Shares issued under Retail Entitlement Offer	Monday, 4 May 2020
Dispatch of holding statements in respect of New Shares issued under Retail Entitlement Offer	Monday, 4 May 2020
Allotment of New Shares under SPP Offer	Monday, 4 May 2020
Commencement of trading of New Shares issued under SPP Offer	Tuesday, 5 May 2020
Dispatch of holding statements in respect of New Shares issued under SPP Offer	Tuesday, 5 May 2020

Additional information

Further details on the equity raising are set out in the Investor Presentation also provided to the ASX today. The Investor Presentation contains important information including key risks and foreign selling restrictions with respect to the equity raising.

Reece will conduct a conference call in relation to the announcement today at 10.30am (Sydney time). We recommend participants pre-register 5 to 10 minutes prior to the conference call via the following link: <https://s1.c-conf.com/diamondpass/10005480-invite.html>

Following pre-registration, participants will receive the teleconference details and a unique access passcode.

For further information regarding this announcement, please contact:

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Important Notice

Not for distribution or release in the United States

This announcement may not be distributed or released in the United States. This announcement does not constitute an offer to sell, or the solicitation of an offer to buy, any securities in the United States. The New Shares to be offered and sold under the Offer and the SPP have not been, and will not be, registered under the U.S. Securities Act of 1933 (the “**U.S. Securities Act**”) or the securities laws of any state or other jurisdiction of the United States. Accordingly, the New Shares may not be offered or sold, directly or indirectly, to any person in the United States, except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the U.S. Securities Act and any other applicable U.S. state securities laws.

Forward looking statements

The information in this announcement is subject to change without notice and Reece is not obliged to update or correct it. This presentation contains statements that constitute “forward-looking statements”. The forward-looking statements include statements regarding Reece’s intent, belief or current expectations with respect to the timetable, conduct and outcome of the Offer and the use of proceeds therefore, statements about the plans, objectives and strategies of the management of Reece, statements about the industry and markets in which Reece operates, statements about the future performance of Reece’s business and its financial condition, indicative drivers, forecasted economic indicators and the outcome of the Offer and the use of proceeds. Words such as “will”, “may”, “expect”, “indicative”, “intent”, “seek”, “would”, “should”, “could”, “continue”, “plan”, “probability”, “risk”, “forecast”, “likely”, “estimate”, “anticipate”, “believe”, “aim” or similar words are used to identify forward-looking statements.

You are strongly cautioned not to place undue reliance on forward-looking statements, particularly in light of the current economic climate and the significant volatility, uncertainty and disruption caused by the outbreak of COVID-19. Any such statements, opinions and estimates in this presentation speak only as of the date hereof and are based on assumptions and contingencies subject to change without notice, as are statements about market and industry trends, projections, guidance and estimates. Forward-looking statements are provided as a general guide only. The forward-looking statements contained in this announcement are not indications, guarantees or predictions of future performance and involve known and unknown risks and uncertainties and other factors, many of which are beyond the control of Reece, its officers, employees, agents and advisers, and may involve significant elements of subjective judgement and assumptions as to future events which may or may not be correct. .

There can be no assurance that actual outcomes will not differ materially from these statements. A number of important factors could cause actual results or performance to differ materially from the forward-looking statements, including (without limitation) the risks and uncertainties associated with the ongoing impacts of COVID-19, the Australian and global economic environment and capital market conditions and other risk factors set out in this presentation. Investors should consider the forward-looking statements contained in this presentation in light of those risks and disclosures. The forward-looking statements are based on information available to Reece as at the date of this presentation.

To the maximum extent permitted by law, responsibility for the accuracy or completeness of any forward-looking statements whether as a result of new information, future events or results or otherwise is disclaimed. Reece disclaims any responsibility to update or revise any forward-looking statement to reflect any change in Reece’s financial condition, status or affairs or any change in the events, conditions or circumstances on which a statement is based, except as required by law.