

**ASX Announcement**

28 October 2021

# 2021 AGM – Addresses to Shareholders and Group CEO presentation

Attached for release is a copy of the addresses and presentation to be made at today's Reece Limited AGM.

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

# 2021 AGM – Addresses to Shareholders and Group CEO presentation

## **Bridget McIntyre, External Moderator:**

Welcome to the Reece Limited 2021 Annual General Meeting. I'm Bridget McIntyre and am joining the Board at Reece today to ensure we can create the best experience for all Reece's shareholders as you join us virtually.

Before we get started, on behalf of Reece, I'd like to begin by acknowledging the Traditional Owners of the various lands from which you are joining us for the meeting today. I would also like to pay my respects to their elders, past, present and emerging. I extend that respect to Aboriginal and Torres Strait Islander peoples joining us.

And now I'll pass over to our Chair, Alan Wilson to begin the proceedings.

## **Alan Wilson, Chair:**

Thanks Bridget, and a warm welcome to all our shareholders who are joining us today online.

The minutes of the previous AGM of the Company, held on 29 October 2020, were signed on 17 December 2020 as a true and correct record of proceedings. The notice of meeting was distributed to all shareholders on 27 September 2021. I will take this as read.

I'll now introduce the members of the Board:

- Peter Wilson, Group CEO and Managing Director
- Tim Poole, Chair of the Audit and Risk Committee and Chair of the Remuneration Committee
- Bruce Wilson
- Megan Quinn
- Andrew Wilson

I would like to welcome Andrew Cowlshaw our Group CFO and Chantelle Duffy our Company Secretary.

I'd like to welcome our audit partners from KPMG, Mr Bernie Szentirmay and Ms Julie Carey who are present and I thank them for attending virtually. I'll now hand back to Bridget who will run through the procedures of the meeting, including voting and asking questions.

## **Bridget McIntyre, External Moderator:**

We will begin the meeting with a short presentation then go through the formal proceedings, which includes four resolutions. The resolutions will be decided by poll. Voting on the resolutions is now open. Click the voting icon in the navigation bar of your screen to display the resolutions. The persons entitled to vote are shareholders, representatives and attorneys of shareholders, and proxyholders. You can vote

any time during the proceedings until voting is declared closed. You can also change your vote at any time throughout the proceedings until the voting is closed.

We will give you a clear prompt later in the meeting to warn of the close in voting.

You can start submitting questions now by clicking the question icon. We have also received questions prior to the AGM and these together with questions raised during the meeting will be addressed towards the end prior to adoption of the resolutions.

If you have questions you would like to ask, you can start submitting them at any time during the presentation, by clicking the question icon. Once you have finished typing, please hit the arrow symbol to send.

An audio questions facility is also available during this meeting. To use this service, please pause the broadcast on the Lumi platform and then click on the link under “Asking audio questions”. A new page will open where you will be prompted to enter your name and the topic of your question before being connected. You will listen to the meeting on this page while waiting to ask your question.

We have also received questions prior to the AGM and these together with questions raised during the meeting will be addressed towards the end prior to adoption of the resolutions. Due to time constraints, we may not get to answer all questions. If this happens, we will answer them in due course via email/posting responses on our website.

If you have any difficulties voting or submitting questions, please consult the Lumi user guide which can be accessed within the platform or use the link within our Notice of Meeting or on the Reece Group Investor page.

Now back to you Alan.

**Alan Wilson, Chair:**

The first item of business is the tabling of the financial reports and the Directors’ and auditors’ reports for the year ended 30 June 2021. The reports tabled will not be the subject of a resolution, as it is not required by the Corporations Act 2001.

I will give a short address and then will hand over to Peter Wilson, the Group CEO and Andrew Cowlshaw, the Group CFO for their presentation. We will then go through the formal business of the AGM as per the notice of meeting.

This year the world has continued to present us with many challenges. From the ongoing uncertainty of the pandemic to the Texas Freeze, 2021 has tested us. But it has also proved how flexible and resilient our business is. I am so proud of the way our people have continued to live our purpose and values to deliver on our customers’ needs.

By keeping our doors open, our customers have been able to continue providing their essential services – ensuring warm homes, access to clean water, providing refrigeration and gas services, and preventing disease.

This year has seen major investment in the construction industry, which buoyed the economy and made our tradespeople busier than ever. This led to a record sales revenue for Reece Group of \$6.3b for FY21, up 4% on FY20. Normalised earnings before interest, tax, depreciation and amortisation improved 11% to \$720m. Statutory net profit after tax rose 25% to \$286m.

The Board has declared a final dividend of 12 cents per share fully franked, taking the total dividends in FY21 to 18 cents per share fully franked.

This year we have also listened to the role our customers want us to play in sustainability and developed a customer led strategy called Reece Cares, which you will hear more about in a moment.

We know that the next few years will continue to be challenging and unpredictable, likely to be impacted by inflation, supply chain challenges and the possibility of ongoing COVID impacts. Our focus will be on servicing our customers, who we know are already operating at full capacity.

I'd like to take this opportunity to thank all our employees for their resilience, commitment and contribution in what was again another extraordinary year.

We will now play a short video about our sustainability program, Reece Cares, following which you will hear from our Group CEO Peter Wilson and our Group CFO Andrew Cowlshaw, who will take you through Reece's financial year 2021 highlights and the first quarter of financial year 2022

*VIDEO TO PLAY*

**Peter Wilson, Group CEO:**

Thank you and a very warm welcome to everybody

Today, Andrew and I will take you through our focus for FY21, our financial summary, our business highlights, and an update on the 1st quarter of 2022. Please note for consistency, all figures are in Australian dollars, unless otherwise stated.

Of course, we have to start our review by acknowledging that it was a challenging year, from the ongoing impact of the pandemic to extreme weather events. Our people did everything they could to keep our doors open, support one another and be there for our customers so they could continue to carry out their essential trade. Our supply chain withstood the test too, and we are proud of how the Reece model continues to support our customers when they need us.

We take a long-term approach that comes to life through our blueprint. From being inspired by our purpose to delivering our unique promise of customised service, we continue to stay one step ahead of our customer's needs. We are a purpose and values led organisation and we call this living the Reece Way. Our purpose helps our people across the US, Australia and New Zealand maintain a unified focus, stay resilient and continue to improve in a rapidly changing environment.

One of our core values is to do the right thing, and this year we used insight from our customers to define our sustainability approach. We have three areas of focus and our priority is to build a more sustainable business. Our strategy is brought to life through the Reece cares program which you heard about in our video earlier.

This year, we created our 2030 vision to be the trade's most valuable partner, helping them succeed in a digital world. This vision was built through insight into how trades will change in the years ahead and how we will respond to it. It means that we will be both a bricks and mortar and a digital business. Providing the quality products we are known for and creating services to help tradespeople run their businesses more effectively.

Our vision is brought to life by focusing on three strategic priorities.

- The first is being brilliant at the fundamentals of trade distribution – an intentional focus on the foundations of the Reece model, to ensure we continue to improve in the areas our customers care about most today.
- The second is investing for growth – growing our business by expanding in adjacencies and markets where we can realise growth opportunities.
- And finally, we will accelerate our strategy by innovating to stay ahead of our customer's needs.

In the US, we are focusing on the first two areas. In ANZ, we will work on all three and will leverage innovation learnings in the US where it makes sense. With the context explained, I will hand over to Andrew to share our financial results.

### **Andrew Cowlshaw, Group CFO**

Thank you Peter.

We are pleased to announce that Reece has achieved another record result in Financial year 2021. Sales revenue for the Group was up 4% to \$6.3b for the period. Normalised EBITDA grew 11% to \$720m, while Net Profit after tax was up 25% to \$286m. Earnings per share for FY 21 of 44 cents was up 10% on last year. Due to this strong performance, the final dividend was 12 cents per share, fully franked, meaning the total dividend for the full year is 18 cents.

In the Australia and New Zealand region sales revenue increased by 9% to \$3.15 billion dollars. Due to our essential service status, we were able to keep our doors open during the various state and regional lockdowns, and did not receive JobKeeper or any other government support packages.

In the United States, our revenue grew 11% on a constant currency US dollar basis. This translates to being flat on the prior year, reporting \$3.1 billion dollars when converted into AUD. For the period, we experienced an unfavourable Foreign exchange impact of \$362 million due to the strengthening position of the Australian dollar against the US dollar. We're pleased with the US result, which was achieved through a period of COVID related challenges and severe weather events.

The ANZ region delivered well, despite a backdrop of operational COVID-19 restrictions continuing to impact the Australian and New Zealand businesses. Sales revenue in the ANZ operations was up 9% on the prior year. The ANZ region experienced a notable inflationary dynamic in the second half of FY21 and we estimate this to be circa 3% of our growth for the year. Normalised EBITDA was up 17% to \$496 million reflecting the strengthening performance, and EBIT has increased 23% to \$382 million. ANZ normalised EBITDA margin has also increased 100 basis points, the outcome of strong operational disciplines and sales growth for the period.

The US region performed well operationally, in a market that experienced numerous disruptions during the year. Sales revenue was up 11% on constant currency US dollar basis, and flat when converted into Australian dollars. Excluding Todd Pipe, revenue growth would be 9.5% on a constant currency basis. Todd Pipe was acquired on 1 October 2019, and as such, contributed 9 months revenue to FY20. Inflation in the second half (post the Texas freeze) impacted the business and we estimate this to be circa 2.0% of the US growth for FY21.

COVID-19 has continued to impact our US operations, through short-term branch closures and increased cost of doing business. Normalised EBITDA was flat on prior year with margin constant at 7.2%

I'll now hand you back to Peter who will take us through the business highlights.

**Peter Wilson, Group CEO:**

Thanks Andrew

Now, let's look at how we have progressed with our first priority of being brilliant at the fundamentals of trade distribution. Our branch network in Australia and New Zealand continues to be the core of our business, ensuring we are where our customers need us and positioning us for growth. This year we opened 3 new stores in New Zealand and a specialised fire branch in Victoria. We closed 3 stores, bringing the total to 642.

Another fundamental of our business in ANZ is to provide our customers with quality, innovative products. In the last six months, this has included the EnviroPod, a storm gully pit designed to prevent litter entering the storm water system and our ocean. We have also added to our market leading hot water product range with the launch of the Therman e-plus which helps the end customer to reduce their carbon footprint.

In our HVAC business we have made progress in bringing more efficient products to the refrigeration market. During the voting today, we will show you a video which will demonstrate the impact this has for a small business and the tradespeople who support them.

This year we have seen a continued uplift in our customers ordering and interacting with us online. We have enhanced the integration of maX into accounting applications, seeing a 25% increase in invoices being processed automatically. We have more than doubled the number of customers we connect with, with online sales increasing 57% year on year.

Turning to the fundamentals in the US business, this year we have continued to focus on delivering great customer experiences across the Sun-Belt region. In the second half we closed one WaterWorks branch and opened a plumbing branch, both in Texas, and we have focused on embedding our continuous improvement mindset. In FY21, we standardised policies and procedures across MORSCO and developed behaviors to drive adherence to our standards, which has made our approach more efficient. We have used automation to eliminate manual processes and saved over 7,000 hours of our people's time.

Now let's look at our second priority, investing for growth. 2021 is a good example of how we do this, despite the challenge of COVID-19. The pandemic unexpectedly increased demand for housing and home improvement as lockdowns saw people prioritise and invest in their living space.

This created challenges but also an opportunity for growth for Reece, requiring us to execute well, invest in stock, and support our people to succeed. Our safety-first approach helped us to keep our doors open and serve our customers while they navigated lockdowns and capacity and resource issues. We worked together and stayed focused, which enabled us to deliver growth and realise opportunity.

We know that our people are the real driver of our success and investing in their development is a key long term focus. In the US, we defined our people promise this year, helping to foster a culture where everyone can achieve their best. We enhanced our benefits offering from wellness programs to flu-shots and vaccine support and invested in our people and accelerated our training approach, with over 1000 team members enhancing their coaching, selling or pricing skills.

Staying in the US, this year we focussed on improving and growing our presence in the Sun-Belt region. In our new stores we trialled different ways of working to understand the best model for our different customer segments. From Waterworks to HVAC and plumbing, we are testing and learning before we roll-out an approach for all future stores and refurbishments.

We have gained deep customer insight over the last three years and we are using this to accelerate our transformation program. It has given us the confidence to commit to a symbolic step forward – bringing the Reece brand to US network, starting with our Californian branches in early 2022. This is something the US team have been waiting for and are really excited about. We have taken our time to ensure we had the right capability, processes and support in place to deliver the Reece customer experience. It will be a significant investment to enable our business and reputation, helping us realise great opportunity across the US sun-belt.

Our third strategic priority is delivering innovation. At Reece we believe innovation is about increasing our capability, creativity and commerciality. To enable this, in FY21 we established the Breakthrough Innovation Group, or BIG. BIG has a global mandate and enables the acceleration of our 2030 vision. We believe BIG will help keep us at least one step ahead of our customers and the potentially disruptive trends in the trade industry. The following video explains BIG in more detail.

[VIDEO PLAYS]

And now for a look at how we are creating innovation in our workplace today. Our focus on innovation was acknowledged externally earlier this month with the AFR naming Reece the most innovative company in the property, construction and transport sector for 2021. This award was in recognition of the great innovation culture we have at Reece, where everyone is part of innovating big and small. This was great validation for us that our focus on innovation over the past 4 years is starting to be realised.

We will be super charging our innovation strategy in 2022 when we move to our new custom built headquarters called The Works. The move is part of enabling our 2030 strategy and has been in the pipeline since 2016, but comes at a perfect time. We've incorporated all our learnings around flexible working through COVID and creating the right environment to help our people perform at their best.

The Works will help us attract and retain talent, enable a culture of collaboration and innovation, and ensure we continue to deliver on our customer promise for years to come. Now let's look at a short video which will show you why we are so excited about the move and how it will accelerate our innovation approach.

[VIDEO PLAYS]

Now let's look at the economic environment in our key markets. First, Australia and New Zealand. As we know, COVID has had an ongoing impact – increasing demand for housing and home improvement from the consumer but leading to uncertain trading conditions as changing lockdown rules are navigated.

Residential approvals were estimated to be up 27% in FY21 driven by the HomeBuilder program and very low interest rates. Significant capacity constraints are showing through in the delivery of projects, which is expected to smooth the delivery of the HomeBuilder projects. Our customers have never been busier and with the lack of immigration, labour is in short supply. Combined with the complexity of the changing COVID environment and supply chain issues, there are likely to be sustained challenges to meet demand.

Non-residential construction is estimated to have decreased 10% in FY21 with moderate growth of 4% projected for FY22 driven by a significant pipeline of public works and commercial projects.

In New Zealand we continue to see a strong housing market, falling unemployment rates and increased renovation activity. This has been tempered by strict recent lockdowns but we anticipate the overarching trends to remain resilient into the medium term.

Moving to the US, residential housing continues to be resilient with starts expected to grow over the next 18 months. As interest rates remain at historically low levels, demand remains strong and inventory scarce. Non-Residential construction declined in 2020 and is estimated to fall again in 2021.

Remodelling activity is expected to remain strong, supported by home sales and house price growth. Like Australia and New Zealand, we are seeing inflation across most commodities. Supply chain constraints and stock shortages are expected to persist in the short term. These factors, coupled with trade labour shortages, are expected to lead to affordability issues which could also be impacted if interest rates are increased as a result of macroprudential policy.

So, in summary, there are positive short-term indicators in both regions, but the medium term remains more uncertain. We will need to navigate the impact of the pandemic, labour shortages, rising inflation, supply challenges and a lack of availability in skilled labour. With strong execution, we believe our model is both flexible and resilient in the face of a continuing challenging environment.

Moving now to the Q1 update. Sales for Q1 have been strong, reflecting momentum from FY21. We have continued to see growth in both regions which has exceeded expectations. ANZ sales revenue was up 9%. MORSCO sales revenue was up 18.6% on a constant currency basis, and Group sales revenue was up 13.2% for the 1st Quarter. Inflation remains persistent across a wide range of building inputs, including a number of Reece's core inventory items.

Tight labour markets and wage inflation have also become factors across both of our regions, which is putting pressure on our operating expenses. We believe that EBITDA margins in both the ANZ and US regions will be under pressure for the remainder of the financial year. EBITDA for the first half of FY22 is expected to be up between 8 and 11% on the first half of FY21.

So, in the near term, the environment remains unpredictable. As we look ahead, we'll continue to invest in the business, including additional expenditure in both OPEX and CAPEX. The elevated capex profile is the result of three factors:

- The first is a catch up dynamic after the Covid related disruptions and caution of the past two years. We are planning a significant step up in branch refurbishments.
- The second is an accelerated investment in our technology capabilities, both internal and market facing digital tools; and
- The third is what we're calling Project Warp speed – an accelerated investment into the US business to consolidate the operating platform and begin the Reece USA rebrand.

Market dynamics will require careful management. Inflation is expected to persist, and supply chain challenges will continue for the remainder of FY22. A deliberate approach to investing in a strong stock position has helped us consistently supply our customers. Being in stock on critical items is likely to be an ongoing issue, which we will continue to navigate by leveraging our long-standing supplier



relationships. Labour shortages and elevated demand for the services of tradespeople is driving capacity constraints. We believe these shortages may be an additional cap on growth in the second half.

Like we have always done, we will focus on what we can control and invest in the long-term success of the business.

In summary, we achieved another record result in FY21. We have a resilient business model, and guided by our blueprint, we continue to focus on our customers and our strategic priorities for the future. Thank you for your time today. I will now hand back to Bridget.

**Bridget McIntyre, External Moderator:**

Thanks Peter and Andrew.

As I mentioned at the start of the meeting, voting on the resolutions is currently open, and you can vote at any time until voting is declared closed. Results will be released to the ASX after the conclusion of the meeting and will be available on the Reece Group website.

And a reminder that only shareholders, proxy holders or authorised shareholder representatives may vote. Any directed proxies given to you by the shareholder will automatically be cast as directed when the poll is closed. The voting icon is available within the navigation bar.

Once you click on this, the resolutions will appear on your screen along with the For, Against and Abstain voting options. Simply select one of these options to cast your vote. When voting is closed, your final voting selection will be recorded. If you have any difficulties, please refer to the user guide, which can be accessed through the platform. I will now move hand over to Alan for consideration of the resolutions. Any undirected proxy votes given to the Chair will be voted in favour of the relevant resolutions.

**Alan Wilson, Chair:**

Under the Corporations Act 2001, ASX listed companies are required to include as part of their Directors' report a remuneration report. The Directors have prepared a remuneration report in respect of the year ended 30 June 2021 and it is included in the Annual Report on pages 39 to 49.

The Act also requires companies to put to shareholders a non-binding vote to enable shareholders to voice their opinion on matters included in the report. Displayed on the screen are the details of the proxies received in relation to the adoption of the Remuneration Report. I have directed all open usable votes to be in favour of this resolution. As this item will be determined by poll, you can now vote online now in relation to item 2.

The third item of ordinary business is the re-election of Andrew Wilson. Andrew, who retires by rotation in accordance with the Company's Constitution, and, being eligible, offers himself for election. Andrew joined the Board in 2018. Details of Andrew's background, qualifications and experience are set out in the Notice of Meeting.

I'll now hand over to Andrew.

Displayed on the screen are the details of the proxies received in relation to the re-election of Andrew Wilson. As Chair I have directed all open usable votes in favour of this resolution. As this item will be determined by poll, you can now vote online now in relation to Item 3.

For the fourth item of ordinary business approval of the Company's 2021 Long Term Incentive Plan, I will hand over to our Chair of the Remuneration Committee, Mr Tim Poole.

#### **Tim Poole, Chair of Remuneration Committee**

Thank you Alan. In FY21 the Remuneration Committee reviewed the incumbent Reece long-term incentive plan to ensure it is aligned with our focus on achieving our long-term goals while also enabling us to attract and retain key executives. The Committee engaged Godfrey Remuneration Group to assist this assessment, which led to some changes and improvements to our LTI plan. The 2021 LTI Plan represents a modernisation of the available equity instruments and terms, aligned with current regulations and market practices.

The details of the 2021 LTI plan are included in the notice of meeting. Some areas of relevance include the following:

- The LTI will be based on a 4-year performance period
- The LTI has an Earnings Per Share (EPS) performance measure based on a compound annual growth rate (CAGR) over the four-year period
- The plan structure will be performance rights

The Company intends to purchase shares "on-market" to avoid any shareholder dilution.

#### **Alan Wilson, Chair:**

Thank-you Tim. I move that approval is given for the establishment and operation of the Company's 2021 LTI Plan. Displayed on the screen behind me are the details of the proxies received in relation to the approval of the Company's 2021 LTI plan. I have directed all open usable votes to be in favour of this resolution.

As this item will be determined by poll, please vote online now in relation to item 4.

For the fifth item of ordinary business I will again hand over to Tim.

#### **Tim Poole, Chair of Remuneration Committee**

Thank you Alan. The Board are committed to rewarding and retaining Mr Peter Wilson as he continues to deliver outstanding company results. The Board believes that part of the rewards for Mr Peter Wilson's services to the Company should be performance based, at risk, and involve equity interests in the Company. Peter has served as the Group Chief Executive Officer since 1 January 2008, and during this time has continued to transform and grow Reece both organically and via acquisition.

The Remuneration Committee has undertaken a review of Peter's remuneration package to ensure it remains fit for purpose, aligned to Australian market practice, and reflects the desire to incentivise Peter to deliver long-term sustainable growth for the Company

As explained in the Notice of Meeting on pages nine to eleven, these performance rights will be granted in accordance with the terms and conditions of the Company's 2021 long-term incentive plan.

Mr Peter Wilson will be granted 129,838 performance rights. This calculated by dividing \$2,662,500 (being 125% of Peter's fixed remuneration) by \$20.5064 which is the 20 day volume weighted average price of the shares from 24 August 2021 until 20 September 2021. These performance rights will be issued at no cost for Mr Peter Wilson.

**Alan Wilson, Chair:**

Thank you Tim. The Board, with Mr Peter Wilson abstaining, considers the grant of performance rights to the Managing Director and Group CEO appropriate in all the circumstances and recommends that shareholders vote in favour of the grant.

Displayed on the screen are the details of the proxies received in relation to the approval of the FY22 Award under the 2021 Company's LTI plan. I have directed all open usable votes to be in favour of this resolution. As this item will be determined by poll, please vote online now in relation to item 5.

We'll now open the meeting to all members to ask questions of the Directors or make comments on the management of the Company.

[Q&A]

Before I close the meeting, I would like to take this opportunity to once again thank all our employees for their resilience, commitment and contribution in what was again another extraordinary year. I'd also like to thank all of our shareholders for their continued support.

END

# Growth & Opportunity

AGM / 2021

October 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).

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 uses 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 0.7224 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.

## Chair's Address

Alan Wilson

# Group CEO's Address

Peter Wilson

## Agenda

Overview of  
2021

Financial  
summary

Business  
highlights

Q1 Update

## Agenda

Overview of  
2021

Financial  
summary

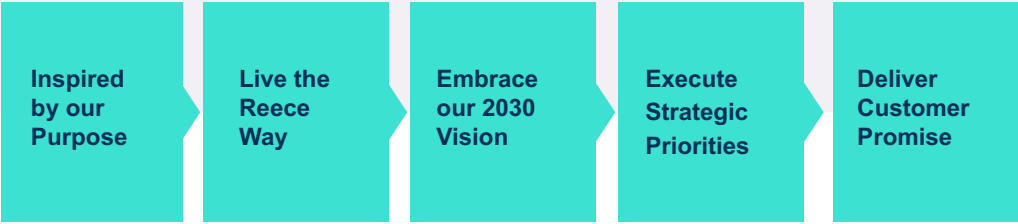
Business  
highlights

Q1  
update

## 2021 continued to challenge the business













## 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.

# 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

# Agenda

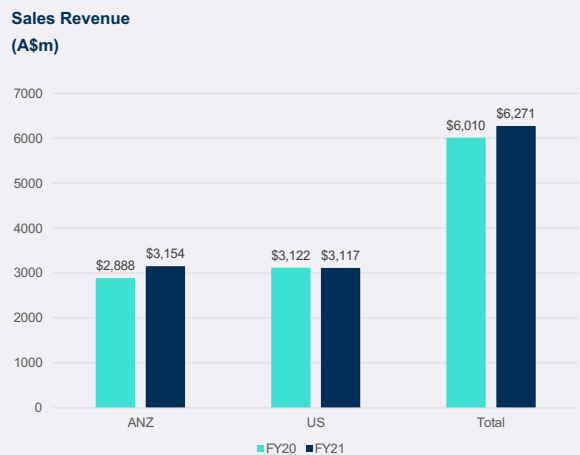


## Financial highlights

<b>Sales Revenue</b> ↑ up 4% to \$6.3b	<b>Normalised EBITDA*</b> ↑ up 11% to \$720m	<b>EBIT</b> ↑ up 20% to \$493m	<b>NPAT</b> ↑ up 25% to \$286m	<b>EPS</b> ↑ up 10% to 44 cents
<b>Final dividend</b> 12 cents per share Total FY21 dividend 18 cents		<b>Leverage ratio** (Net Debt / EBITDA*)</b> 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



### 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



## ANZ segment performance

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

<b>FY 21 30 June 2021 (A\$m)</b>	<b>FY21</b>	<b>FY20</b>	<b>Var. (%)</b>	
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

<b>FY 21 30 June 2021 (A\$m)</b>	<b>AUD</b>			<b>USD</b>		
	<b>FY21</b>	<b>FY20</b>	<b>Var. (%)</b>	<b>FY21</b>	<b>FY20</b>	<b>Var. (%)</b>
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

## Agenda

Our focus

Financial  
summary

Business  
highlights

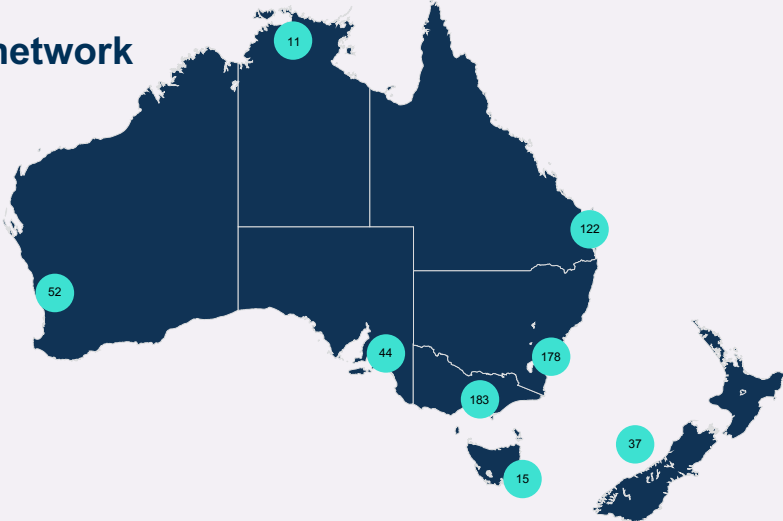
FY21  
Financial  
performance

01

# Brilliant Fundamentals

## Australia & New Zealand network

642



## Expanding our market leading products



**ENVIROPOD**



**Tecumseh**



**memo**



**THERMANN**



**ZURN**

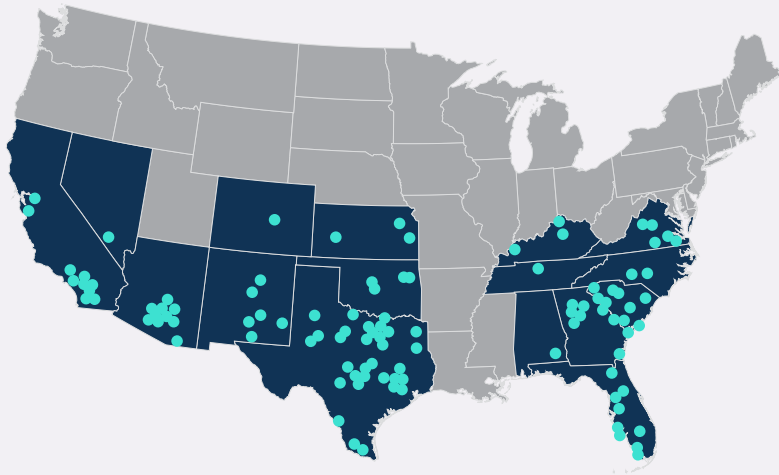
**max**<sup>™</sup>  
The smarter way to work

57%  
↑



## US network

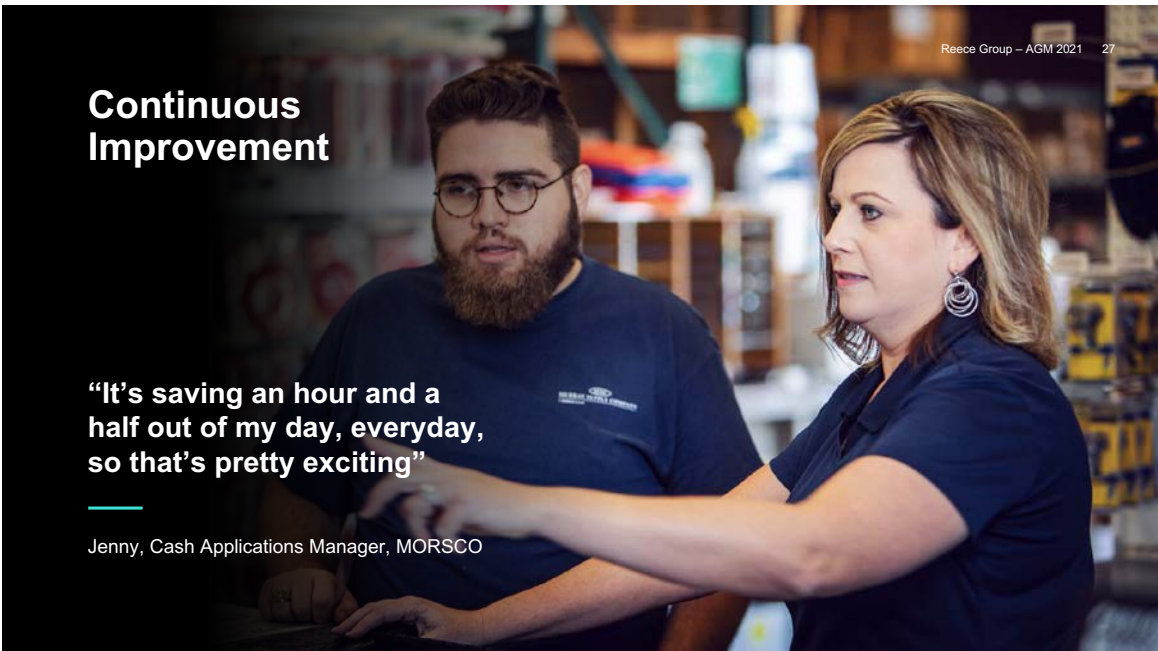
189



## 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



# 02

## Investing for Growth

### The Reece model enabling opportunity

**Stop/start lockdown uncertainty**

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**High demand: Customers at capacity**

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**Global Supply Chain constrained**

**1. Invest in stock position**

- Long standing supplier relationships
- Maintaining high stock levels

**2. Invest in the team**

- Ensure safe environment and team feel supported amidst Covid uncertainty
- Accelerated training, work on talent pipeline

### People promise



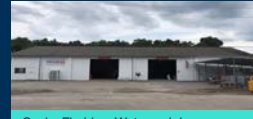
## New stores in the US testing new models



Rockwell Texas – Plumbing & HVAC



Buelton, CA – Plumbing



Ocala, Florida – Waterworks



Kissimmee, FL – Waterworks

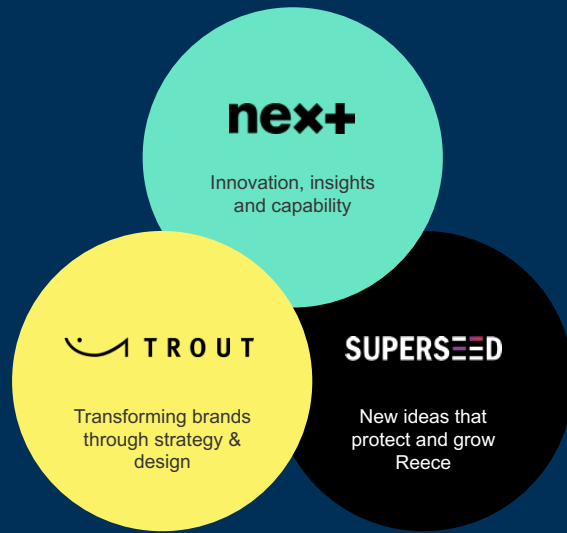
## Bringing Reece to the US



03

Delivering Innovation

## Breakthrough Innovation Group (BIG)



- BIG Video

Delivering  
Innovation  
today

FINANCIAL REVIEW BOSS  
**MOST INNOVATIVE  
COMPANIES**

**Most Innovative Company  
in Property, Construction  
and Transport for 2021**

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**Our new home  
The tech hub of Cremorne**

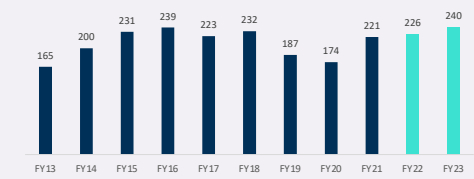
**The works video**



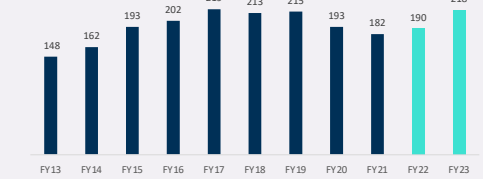
## Economic commentary

### ANZ economic commentary

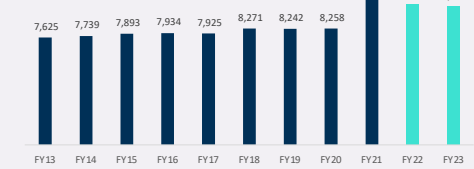
**Dwelling Approvals**  
(000s)



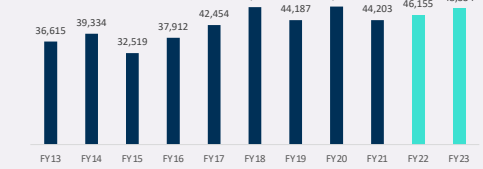
**Dwelling Completions**  
(000s)



**Alterations + Additions**  
(\$ million)



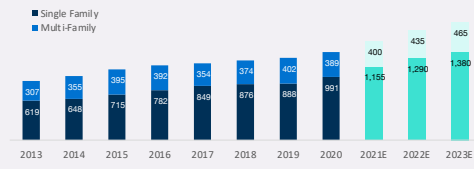
**Non-residential Commencements**  
(\$ million)



Source: SBS Oxford Economics

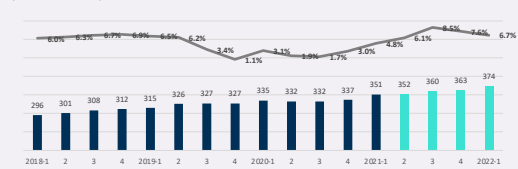
### US economic commentary

**Single + multi-family housing starts**  
(000s)



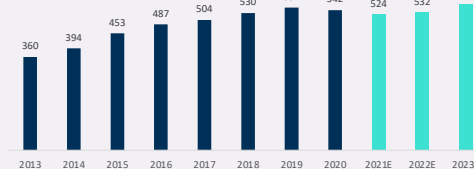
Source: John Burns Consulting, J.P. Morgan forecasts

**Leading indicator of remodeling activity**  
(US\$bn / ROC%)



Source: Joint Center for Housing Studies of Harvard University, IPIA 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

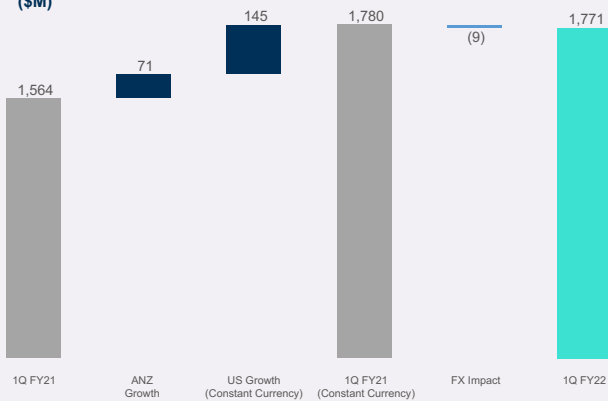


# Agenda

Our focus	Financial summary	Business highlights	<b>Q1 update</b>
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## Q1 FY22 Sales

Q1 FY22 Sales (\$M)



Inflation expected to persist in FY22




Labour shortages and wage inflation impacting opex

Investment in opex and capex will put pressure on EBITDA margins

## The future continues to be unpredictable

Operational	Investment in the US		Uplift in ANZ CAPEX	FY21 growth positively impacted by inflation	
	Step change in OPEX	Step change in CAPEX			
Market	Price inflation	Supply chain constraints	Ongoing COVID impact	Labour shortages	Capacity shortages

# Summary

Record result 	Continued external challenges 
Long-term focus 	Investing for the future 