

**ASX Announcement**

22 February 2023

## HY23 Investor Presentation

Attached for release is Reece Limited's results presentation 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.

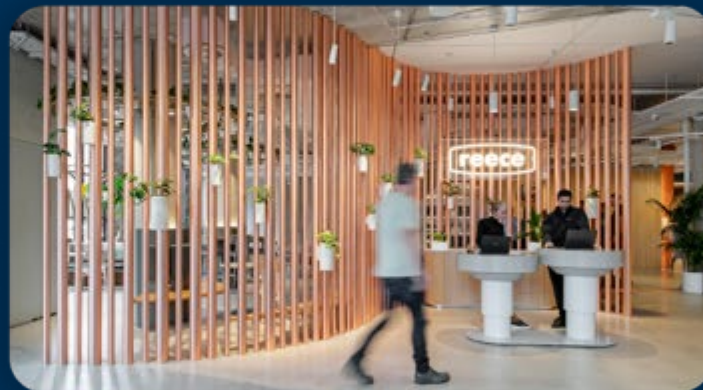
For further information on Reece Group and its portfolio of businesses please visit [group.reece.com/au](https://group.reece.com/au).



Works for you.

# Half Year Results 2023

6 months ended  
31 December 2022



# 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.

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 or calculation 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

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**HY23  
overview**

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Performance**

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**Summary**

# Financial overview

Strong first half driven by inflation in softening volume environment

**Sales  
Revenue**



up 23%  
to \$4.4b

**Normalised  
EBITDA<sup>1</sup>**



up 25%  
to \$495m

**EBIT**



up 18%  
to \$325m

**NPAT**



up 18%  
to \$186m

**EPS**



up 18%  
to 28.8 cents

**ANZ**

Sales Revenue up  
11% to \$1.9b

**US**

Sales Revenue up  
34% to \$2.5b\*

**Net leverage ratio<sup>2</sup>**

1.2x

**HY23 dividend**

8 cents  
per share

\*Expressed in Australian dollars. US sales revenue up 23% to \$1.7b in US dollars  
All Group definition footnotes included on slide 30



01

# Strategy recap



# Our Blueprint

## Inspired by our Purpose

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

## Live the Reece Way

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Our purpose and values guide our decisions and our actions, big and small

## Embrace our 2030 Vision

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We will be the trade's most valuable partner

## Execute Strategic Priorities

- 
-  Operational Excellence
  -  Accelerating Innovation
  -  Investing in Profitable Growth

## Deliver Customer Promise

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Customised service



# Strategy positions Reece for long term success

1

**A trusted brand**  
with a differentiated  
customer proposition

2

**Clear track record**  
100 years of growth  
through the cycle

3

**Diversified business**  
by geography, segment,  
customer; focused on  
resilient R+R

4

**Large markets**  
with attractive long  
term fundamentals

5

**Long term focus**  
invest to build a  
stronger business

6

**Well capitalised**  
strong balance sheet to  
support investment

# Operational Overview

## ANZ



# Ongoing resilience in complex environment

**ANZ**



## Operational Excellence

- Ongoing focus on being brilliant at the fundamentals
- Continued resilience facing supply chain and weather challenges; strong in-stock position
- Strong NPS score: proposition continues to resonate with customers
- ANZ CEO appointment



## Accelerating Innovation

- Progressing innovation initiatives; focus on trade of the future
- Ongoing focus on enhancing and digitising customer experience, and lean path to market
- Focus on productivity uplift



## Investing for Profitable Growth

- Network upgrades; store refurbishment program

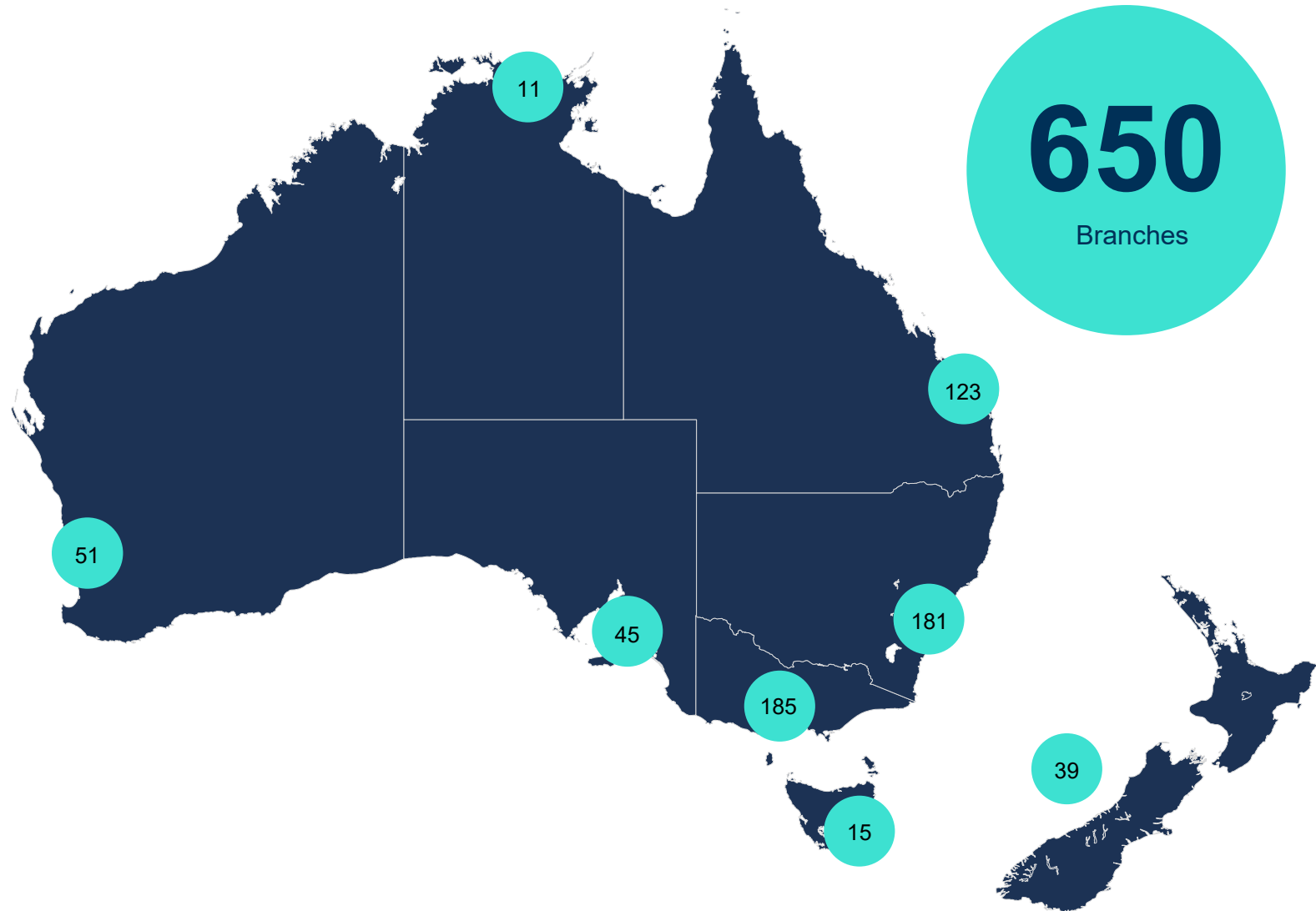
**2030  
Vision**



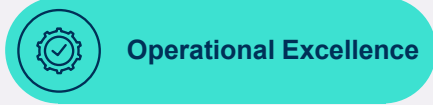
Investing for  
Profitable Growth

# ANZ network of scale

Network density enables  
delivery of our customer  
promise







# Customer at the core

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World-class NPS of 60

Feedback continues to  
reinforce importance of  
our customer focused  
approach







Operational Excellence

**Strong in-stock  
position for customers**

**98.5%**





# Operational Overview US



# Continued execution of long-term strategy

US



## Operational Excellence

- Embedding culture, building out training and development program
- Focus on attracting and developing talent
- Ongoing continuous improvement upgrades



## Accelerating Innovation

- Investing in digitising customer experience



## Investing for Profitable Growth

- Progressed network investment program (refurb, new stores, rebranding program, bolt-on M&A)

**2030  
Vision**



Investing for  
Profitable Growth

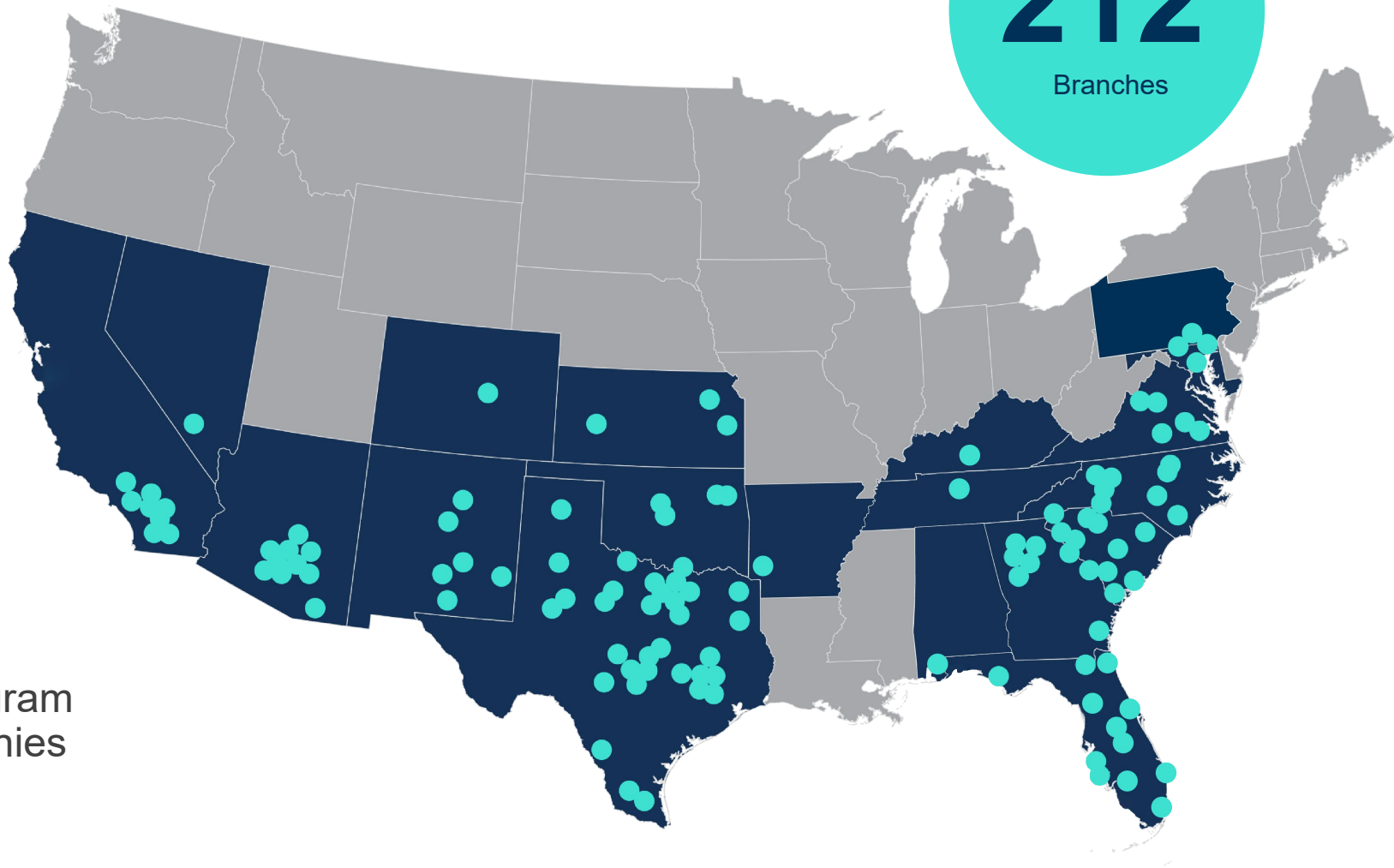
## Building our US footprint

Brand rollout commenced  
West coast

Refurb and new branch program  
progressing across geographies

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Branches





Investing for  
Profitable Growth

# Reece brand roll out commenced

Local Reece presence a symbolic milestone

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California branches now trading as Reece

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02

# HY23 Financial performance



# Financial highlights

**Sales  
Revenue**



up 23%  
to \$4.4b  
from \$3.6b

**Normalised  
EBITDA<sup>1</sup>**



up 25%  
to \$495m  
from \$397m

**EBIT**



up 18%  
to \$325m  
from \$275m

**NPAT**



up 18%  
to \$186m  
from \$157m

**EPS**



up 18%  
to 28.8 cents

**Half  
year  
dividend**

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



**Normalised  
EBITDA<sup>1</sup> margin**

up 14bps  
11.2%  
from 11.0%



**Net  
leverage  
ratio<sup>2</sup>** 1.2x

Adjusted metrics: EBIT, NPAT and EPS slide 29  
All Group definition footnotes included on slide 30



# ANZ performance

- Sales up 11% driven by 11% estimated product inflation in HY23
- Volumes softened progressively over HY23, contracting ~2% in Q2 vs. pcg
- Normalised EBITDA<sup>1</sup> up 18%
- EBIT up 6%
  - Goodwill impairment of \$29m
- Normalised EBITDA<sup>1</sup> margin up 82bps
  - BAC income<sup>3</sup> in HY23 \$7m (HY22: \$8m)
  - No BAC income<sup>3</sup> expected in FY24

<b>HY23 31 December 2022 (AU\$m)</b>	<b>1HY23</b>	<b>1HY22</b>	<b>Var. %</b>	<b>2HY22</b>
Sales revenue	1,928	1,733	↑ 11%	1,785
Normalised EBITDA <sup>1</sup>	293	249	↑ 18%	277
EBIT	198	186	↑ 6%	212
Normalised EBITDA <sup>1</sup> margin	15.2%	14.4%	↑ 82bps	15.5%

# US performance


- Sales up 23% on USD basis driven by 22% estimated product inflation in HY23
- Volumes softened progressively over HY23, contracting ~6% in Q2 vs. pcg
- Normalised EBITDA<sup>1</sup> margin up 15bps
  - Sales growth > opex growth
- Favourable foreign currency impact to sales \$205m

USD				
HY23 31 December 2022 (US\$m)	1HY23	1HY22	Var. %	2HY22
Sales revenue	1,678	1,364	↑ 23%	1,622
Normalised EBITDA <sup>1</sup>	136	108	↑ 26%	118
EBIT	85	65	↑ 31%	66
Normalised EBITDA <sup>1</sup> margin	8.1%	7.9%	↑ 15bps	7.2%

AUD				
HY23 31 December 2022 (AU\$m)	1HY23	1HY22	Var. %	2HY22
Sales revenue	2,500	1,867	↑ 34%	2,269
Normalised EBITDA <sup>1</sup>	202	148	↑ 36%	164
EBIT	127	89	↑ 43%	92
Normalised EBITDA <sup>1</sup> margin	8.1%	7.9%	↑ 15bps	7.2%

# Cashflow


- Improved operating cash flows
- Strategic investment in inventory
- Invest through the cycle
  - Branch refurbishment and new stores, fleet, technology
  - Bolt-on acquisitions
- Reduction in finance costs under new facility
  - Anticipate increase in interest expense on debt and borrowings in 2HY23

<b>HY23</b> <b>31 December 2022 (A\$m)</b>	<b>HY23</b>	<b>HY22</b>
Normalised EBITDA <sup>1</sup>	495	397
Net movements in working capital (incl. FX)	(186)	(348)
Non-cash items in normalised EBITDA <sup>1</sup>	8	7
Income tax paid	(90)	(88)
Finance costs	(24)	(42)
Lease interest paid	(15)	(10)
<b>Cash inflow / (outflow) from operations</b>	<b>188</b>	<b>(84)</b>
Capital expenditure	(88)	(87)
Proceeds from sale of assets	7	3
Dividends paid	(97)	(78)
<b>Cash inflow / (outflow) before acquisitions and repayment of borrowings</b>	<b>10</b>	<b>(246)</b>
Business acquisitions/ investments	(49)	(72)
Net repayment of borrowings (including leases)	(42)	(398)
<b>Net decrease in cash</b>	<b>(81)</b>	<b>(716)</b>
<b>Free cash flow<sup>4</sup></b>	 <b>146</b>	<b>(102)</b>

# Disciplined approach to capital management

- Investment in organic growth
- Strategic M&A
- Balance sheet efficiency
- Dividends

<b>HY23 31 December 2022</b>	<b>HY23</b>	<b>FY22</b>
Net leverage ratio <sup>2</sup>	1.2x	1.2x
Available liquidity <sup>5</sup>	\$375m	\$520m
Net debt	\$987m	\$870m
Return on capital employed <sup>6</sup>	14.5%	13.3%

<b>HY23 31 December 2022 (A\$m)</b>	<b>HY23</b>	<b>FY22</b>
Cash	142	220
Trade and other receivables	1,293	1,368
Inventories	1,575	1,528
Other current assets	-	7
<b>Total current assets</b>	<b>3,010</b>	<b>3,123</b>
PPE and leases	1,496	1,493
Intangible assets	1,906	1,906
Other non-current assets	90	85
<b>Total non-current assets</b>	<b>3,492</b>	<b>3,484</b>
Trade and other payables	988	1,216
Other current liabilities	246	244
<b>Total current liabilities</b>	<b>1,234</b>	<b>1,460</b>
Interest bearing liabilities	1,129	1,090
Other non-current liabilities	713	736
<b>Total non-current liabilities</b>	<b>1,842</b>	<b>1,826</b>
<b>Net assets</b>	<b>3,426</b>	<b>3,321</b>
<b>Net tangible assets ratio</b>	 <b>2.29</b>	<b>2.14</b>

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# Outlook and summary





# Expect ongoing macro softening in FY23

Anticipate volumes to contract further in 2H23

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Disciplined approach to costs while continuing to invest in the business

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Long-term fundamentals supporting our markets remain attractive

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Resilient business model and long term approach to deliver 2030 vision





# Summary



**Strong  
Result**



**Long-term  
Focus**



**Investing for  
the Future**

**reece**  
group™

# Appendix & supplementary information

# Adjusted metrics

## Reconciliation from Statutory EBIT to Adjusted EBIT

HY23 31 December 2022 (A\$m)	HY23	HY22	Var. %
EBIT (statutory)	325	275	
<b>Add back:</b>			
BAC income	(7)	(8)	
Impairment	29	-	
<b>Adjusted EBIT</b>	<b>347</b>	<b>267</b>	<b>↑ 30%</b>

## Reconciliation from Statutory EBIT to Normalised EBITDA

HY23 31 December 2022 (A\$m)	HY23	HY22	Var. %
EBIT (statutory)	325	275	
<b>Add back:</b>			
Depreciation and amortization	141	122	
Impairment	29	-	
<b>Normalised EBITDA</b>	<b>495</b>	<b>397</b>	<b>↑ 25%</b>

## Reconciliation from Statutory NPAT to Adjusted NPAT

HY23 31 December 2022 (A\$m)	HY23	HY22	Var. %
NPAT (statutory)	186	157	
<b>Add back (tax effected):</b>			
BAC income	(5)	(6)	
Impairment	29	-	
Debt refinancing costs	-	13	
<b>Adjusted NPAT</b>	<b>210</b>	<b>164</b>	<b>↑ 28%</b>
<b>Adjusted EPS (based on adjusted NPAT)</b>	<b>32.5 cents</b>	<b>25.4 cents</b>	<b>↑ 28%</b>

# Group definitions

1	Normalised EBITDA	EBITDA adjusted to exclude impairment, business acquisition costs and refinance costs (as reported in note 2 of the Interim Financial Report)
2	Net leverage ratio	Net borrowings over 12-month rolling EBITDA, calculated on a pre-AASB16 <i>Leases</i> basis
3	BAC income	Income from Boosting Apprenticeship Commencements government incentive scheme
4	Free cash flow	Normalised EBITDA <sup>1</sup> less net movements in working capital, income tax paid and lease payments
5	Available liquidity	Cash plus headroom on the Group's available facilities at period end
6	Return on capital employed	12-month rolling adjusted EBIT (refer to slide 29 for calculation) as a percentage of shareholders equity plus net debt

# FX impact on sales

