

ASX Announcement

19 August 2024

FY24 Financial Results

Attached for release is Reece Limited's FY24 results for the 12 month period ended 30 June 2024.

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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 900 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 who are focused on building a better world for our customers by being our best.

For further information on Reece Group and its portfolio of businesses please visit group.reece.com/au.

FY24 Results Announcement

Financial Highlights:

- Sales revenue up 3% to \$9,105 million
- Adjusted EBITDA¹ up 5% to \$1,007 million
- Adjusted EBIT¹ up 2% to \$681 million
- Statutory NPAT up 8% to \$419 million
- Adjusted NPAT² up 3% to \$416 million
- Adjusted EPS³ up 3% to 64 cents
- Final dividend of 17.75 cents per share, fully franked, up 4%

Reece Limited (“Reece Group” or “Reece”; ASX: REH) today announces its financial results for the full year ended 30 June 2024 (FY24).

Peter Wilson, CEO of Reece Group, said: “Reece delivered a solid result in a challenging environment in FY24, supported by the teams’ ongoing disciplined execution.

“As we faced into the softer trading environment, we intentionally set out to refocus the team on the fundamentals of trade distribution, in core skill programs such as selling and trading. These are the foundations of the Reece model underpinning the success of our business.

“And whilst we expect FY25 to remain challenging, we will continue to focus on the long-term. We invest through the cycle to ensure we are well placed to support customers as the market recovers.”

FY24 Financial Summary⁴

Statutory	FY24 (\$m)	FY23 (\$m)	Variance %
Sales revenue	9,105	8,840	Up 3%
Statutory EBIT	681	654	Up 4%
Statutory NPAT	419	388	Up 8%
Total dividend (per share)	25.75 cents	25 cents	Up 3%

Adjusted (non-IFRS)	FY24 (\$m)	FY23 (\$m)	Variance %
Adjusted EBITDA ¹	1,007	958	Up 5%
Adjusted EBIT ¹	681	668	Up 2%
Adjusted NPAT ²	416	405	Up 3%
Adjusted EPS ³	64 cents	63 cents	Up 3%

1. Non-IFRS metrics Adjusted EBITDA and Adjusted EBIT are statutory metrics adjusted to exclude government incentive scheme income (Boosting Apprenticeship Commencements ‘BAC’ income) of \$Nil (FY23: \$16m), impairment expenses of \$Nil (FY23: \$29m) and business acquisition costs of \$Nil (FY23: \$1m).

2. Adjusted NPAT excludes tax effected BAC income of \$Nil (FY23: \$11m), impairment expenses of \$Nil (FY23: \$29m), LIFO US tax adjustment of \$3m (FY23: \$2m) and tax effected business acquisition costs of \$Nil (FY23: \$1m).

3. EPS based on Adjusted NPAT.

4. All figures in this statement are in Australian dollars unless otherwise stated. Any discrepancies in the calculation of percentage movements in financial amounts from one period to another are due to rounding.

Review of operations:

In FY24, Reece Group focused on executing the fundamentals of its business model in a challenging macro-economic setting across regions. Sales revenue increased 3% to \$9,105m (FY23: \$8,840m), up 2% on a constant currency basis⁵, impacted by softer housing markets in Australia and New Zealand (ANZ) and mixed demand across end markets in the United States (US).

Adjusted EBITDA¹ increased 5% to \$1,007m (FY23: \$958m) reflecting a continued focus on cost control to mitigate the impact of ongoing operating cost inflation, particularly related to wages. Adjusted EBIT¹ was up 2% to \$681m (FY23: \$668m), impacted by increased depreciation and amortisation from network expansion, refurbishments and US rebranding activity. Adjusted NPAT² of \$416m (FY23: \$405m) was up 3%, while Statutory NPAT increased 8% to \$419m (FY23: \$388m), with the prior period impacted by a goodwill impairment of \$29m related to the Australian-based Metalflex business.

Operating cash flow remained strong at \$751m for the year (FY23: \$766m) supported by effective working capital management. The Group's net working capital to sales ratio reduced to 18% (FY23: 19%). The Group has continued to invest for the long-term with capital expenditure increasing by \$81m to \$258m (FY23: \$177m). Reece maintained a strong balance sheet and continued to pay down debt during the period. Our net leverage ratio⁶ decreased to 0.6x (FY23: 0.9x), with net debt down to \$518m at 30 June 2024 (FY23: \$725m). Return on capital employed⁷ was 15.5% in FY24 (FY23: 15.3%).

ANZ Region

In the ANZ region, sales revenue was flat at \$3,846m (FY23: \$3,853m), impacted by softer housing markets. Adjusted EBITDA¹ was up 1% to \$560m (FY23: \$557m). Adjusted EBIT¹ decreased 3% to \$410m (FY23: \$421m), reflecting the impact of cost inflation and increased depreciation and amortisation from on-going investment in our network and core capabilities.

During the period we maintained our long-term focus, investing in the ANZ branch network with 15 refurbishments and store upgrades. We also added six (net) branches to the network, ensuring we can continue to service our customers where they need us. Our network footprint in ANZ increased to 661 branches in FY24 (FY23: 655). A new distribution centre was opened in Auckland, New Zealand, tripling our storage capacity in the region and providing flexibility to scale.

US Region

In the US region, sales revenue increased by 3% to US\$3,452m (FY23: US\$3,342m), with mixed demand across end markets. In Australian dollars, sales were up 5%, benefiting from a favourable foreign exchange impact. Adjusted EBITDA¹ increased by 9% to US\$293m (FY23: US\$269m) and Adjusted EBIT¹ grew 7% to US\$178m (FY23: US\$166m).

Operationally, we continued to focus on developing our team, building capability and embedding The Reece Way, whilst executing our network expansion strategy. We delivered on a range of customised learning and development programs across all levels of the business.

5. Constant currency basis applies the same US foreign exchange rate of 0.6710 from FY23 to current period sales to eliminate the foreign exchange impact when comparing sales to pcp

6. Net leverage ratio is Net debt over 12-month rolling EBITDA, calculated on a pre-AASB16 Leases basis

7. ROCE is Adjusted EBIT as a percentage of shareholders equity plus net debt

In the network, we added 12 (net) branches during the year, bringing our total US branch network to 243 stores (FY23: 231). We also completed 4 refurbishments and opened a distribution centre in Texas, which will support our service proposition across our growing network of branches. We continued to make strong progress rolling out the Reece brand across our network, with the process expected to be completed during the 2024 calendar year.

Outlook

Looking ahead, we expect the near term to remain challenging in both regions. Over the longer term, fundamentals in our sector remain positive, with demand for housing and infrastructure supported by long-term structural factors in our regions.

Status of the audit

The financial information included in this document for the year ended 30 June 2024 is unaudited. The Group's full financial statements for the year ended 30 June 2024 will be available on 22 August 2024. The financial report is not expected to be subject to a modified audit opinion, emphasis of matter or other matters paragraph.

Dividends

The Board has declared a final dividend of 17.75 cents per share fully franked, taking the total dividends in respect of FY24 to 25.75 cents per share (FY23: 25 cents per share). The final dividend will be paid on 23 October 2024 with the record date for entitlement of 9 October 2024.

Investor call

Reece Group will hold an investor webcast today, Monday 19 August 2024, at 9:00am (AEST). To join the webcast, register via the following link: <https://webcast.openbriefing.com/reh-fyr-2024/>