

**ASX Announcement**

27 February 2024

## HY24 Investor Presentation

Attached for release is Reece Limited's HY24 investor presentation for the 6 month period ended 31 December 2023.

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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 approximately 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 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).

A photograph of three people, two men and one woman, standing in front of a dark grey building. They are all wearing dark blue short-sleeved t-shirts with the 'reece' logo on the chest and dark blue cargo pants. The man on the left has curly hair and a mustache, the woman in the middle has long dark hair in a braid, and the man on the right has short dark hair and his arms are crossed. The background shows a brick wall and a building entrance with a sign that says 'MAXIMUM CLEARANCE'.

**reece**

Works for you.

# Half Year Results FY24

6 months ended  
31 Dec 2023

# 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, 27th February 2024. 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).

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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. Group definitions are included in the appendix and supplementary information at the end of the presentation.

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. Any discrepancies in the calculation of percentage movements in financial amounts from one period to another are due to rounding.

# Presenters



**Peter Wilson**

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Group CEO



**Andy Young**

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Group CFO



# Agenda

01  
HY24 overview

02  
Strategy recap

03  
Operational review

04  
Financial review

05  
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06  
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01.

# HY24 overview



# Financial overview

Strong execution supported solid result in subdued environment.

**Sales revenue**



up 2.5% to \$4.5b

**Adjusted EBIT**



up 5% to \$367m

**Adjusted NPAT**



up 6% to \$224m

**Adjusted EPS**



up 6% to 35 cents

**ANZ**

Sales revenue  
up 2% to \$2.0b

**US\***

Sales revenue  
flat to US\$1.7b

**Net leverage ratio**

0.7x

**Half-year dividend**

8 cents per share  
(fully franked)

\*US sales revenue up 3% to A\$2.6b

All statutory metrics (EBIT, NPAT and EPS) included on slide 27

All Group definitions included on slide 28



02.

# 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 our trade's most valuable partner.

## Execute Strategic Priorities



Operational Excellence



Accelerating Innovation



Investing for 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**  
through economic  
cycles

**3** **Diversified business**  
by region, segment &  
customer; R+R focus

**4** **Large markets**  
with attractive long  
term fundamentals

**5** **Long term view**  
with a multi decade time  
horizon

**6** **Well capitalised**  
enabling investment to  
build a stronger business



03.

# Operational review



# Strong operational execution maintained in HY24



## Operational Excellence

- Ongoing focus on being brilliant at the fundamentals, continuous improvement and delivery of our customer promise.
- Attracting and retaining talent to strengthen capability.
- Embedding The Reece Way in the US an ongoing priority.



## Accelerating Innovation

- Innovation initiatives supporting trade of the future.
- Ongoing development in digitising and enhancing customer experience tools.
- Enhancing supply chain to ensure lean path to market.



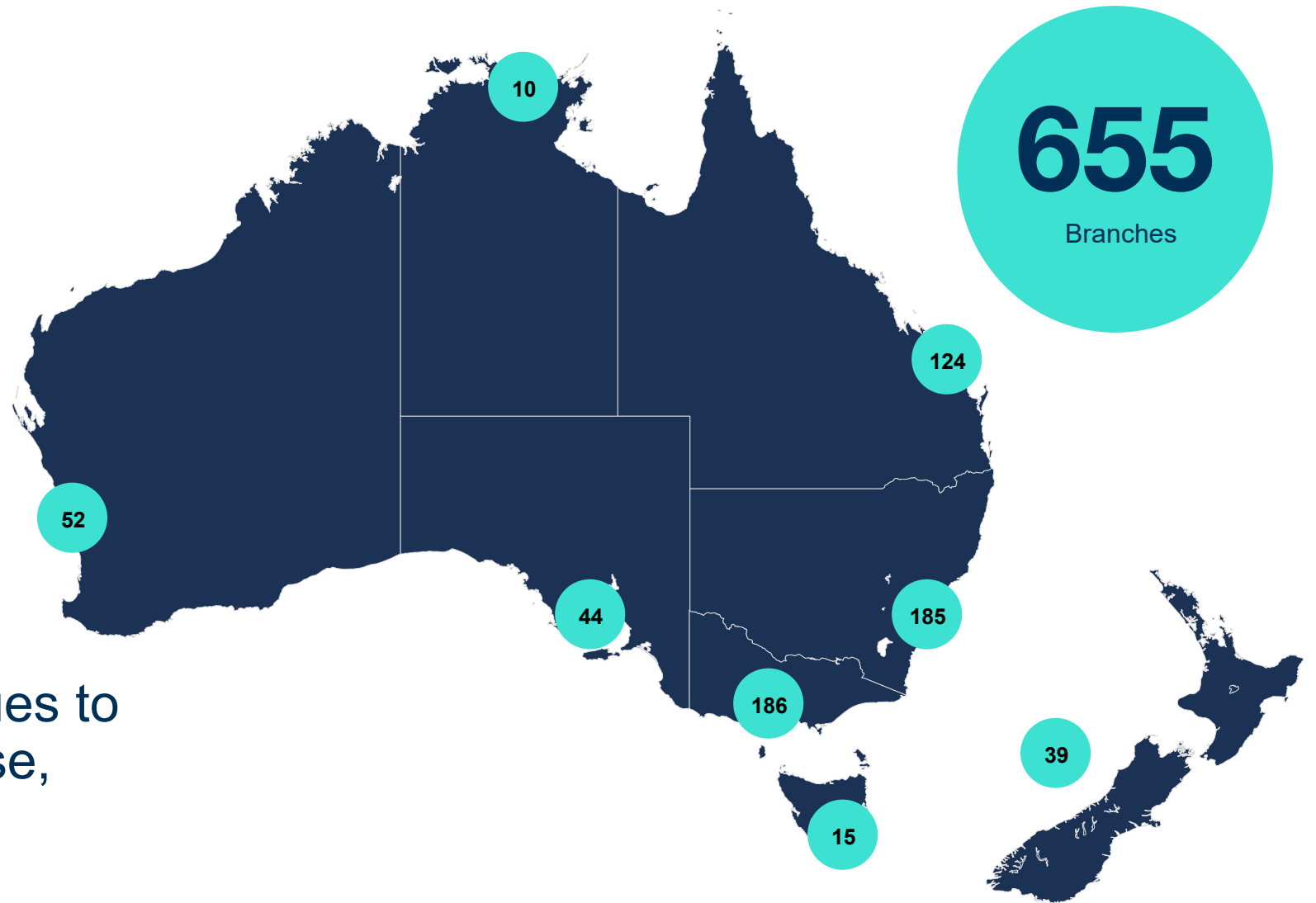
## Investing for Profitable Growth

- ANZ network upgrades and non-plumbing network expansion.
- US network expansion and Reece rebrand progressing well.

**2030  
Vision**



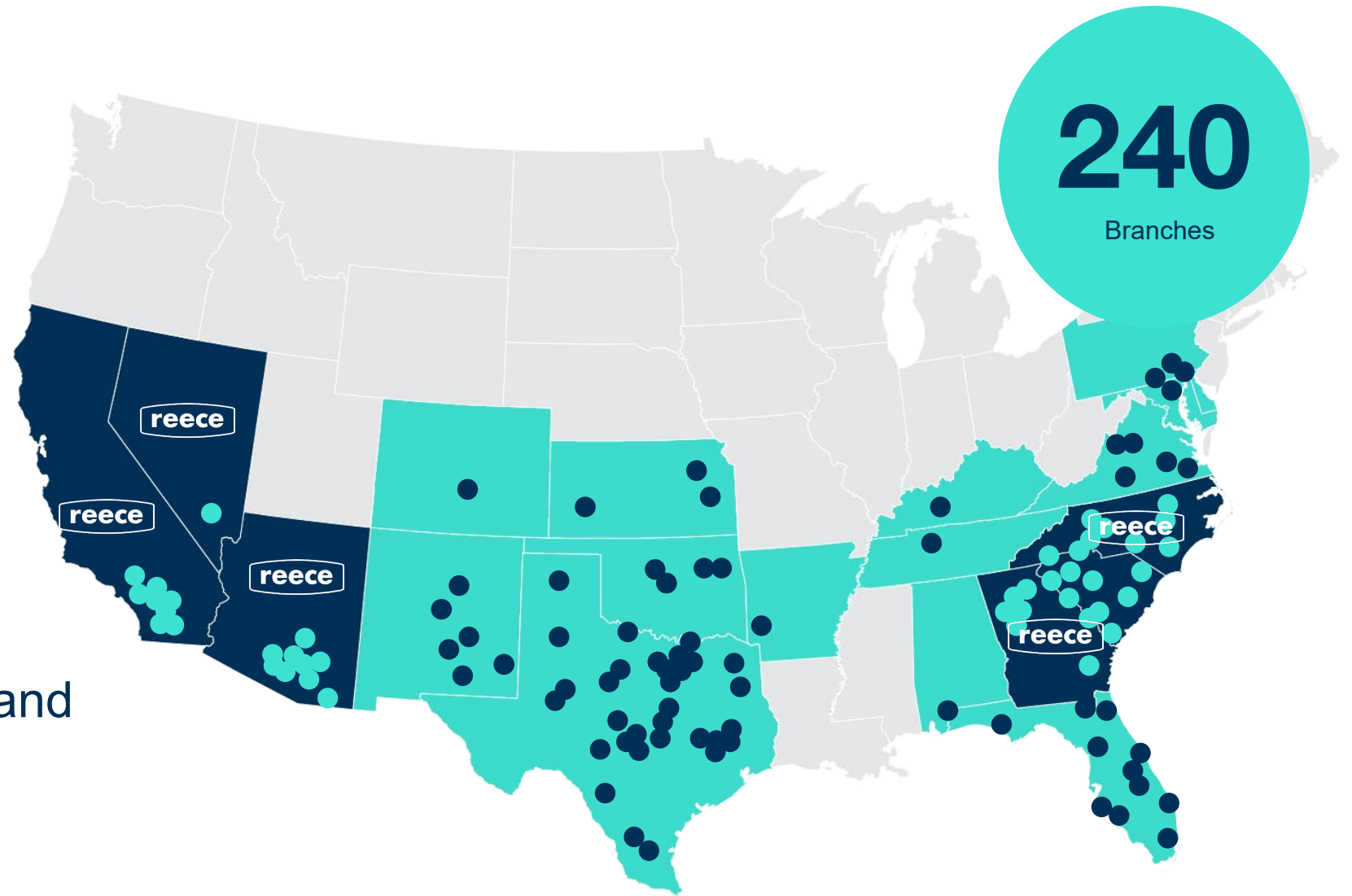
# ANZ network of scale



Network density continues to enable customer promise, ongoing investment in network standards.

# Building scale in the US

Continuing to expand and  
upgrade network, and  
strong progress on  
Reece rebrand.





04.

# Financial review



# Group financial highlights

## Statutory Sales



up 2.5%  
to \$4.5b

From \$4.4b

## Statutory EBITDA



up 13%  
to \$526m

From \$466m

## Statutory EBIT



up 13%  
to \$367m

From \$325m

## Statutory NPAT



up 20%  
to \$224m

From \$186m

## Statutory EPS



up 20%  
to 35 cents

From 29 cents

## Constant currency sales



up 1%

## Adjusted EBITDA



up 8%  
to \$526m

From \$488m

## Adjusted EBIT



up 5%  
to \$367m

From \$348m

## Adjusted NPAT



up 6%  
to \$224m

From \$210m

## Adjusted EPS



up 6%  
to 35 cents

From 33 cents

Adjusted (non-IFRS) metrics are statutory metrics adjusted to exclude government incentive scheme income (BAC income), impairment expenses and business acquisition costs  
All Group definitions included on slide 28

# ANZ financial highlights

Focus on operational disciplines in softening trading environment.

## Sales up 2%

- Backlog continued to support activity.
- Growth driven by inflation which continued to moderate during HY24.

## Adjusted EBIT up 6%

- Continued focus on the fundamentals enabled solid performance despite macro headwinds.
- Disciplined management of cost base and wage inflation.
- Investment through the cycle to build a stronger business, focus on network standards and digital capability.

HY24 31 December 2023 (A\$m)	HY24	HY23	Var.	HY22
Sales revenue	1,972	1,928	2%	1,733
Adjusted EBITDA	307	287	7%	241
Adjusted EBITDA margin	15.6%	14.9%	72bps	13.9%
Adjusted EBIT	233	221	6%	181
EBIT	233	198	18%	186



# US financial highlights

Ongoing operational uplift in challenging market conditions.

## Sales flat (US dollars)

- Trading environment subdued.
- Modest deflation for the half.

## Adjusted EBIT up 2% (US dollars)

- Continuing to embed fundamentals of the Reece model.
- Disciplined management of cost base and wage inflation.
- Investing through the cycle to build a stronger business, focus on network upgrade and expansion.

AUD

HY24 31 December 2023 (A\$m)	HY24	HY23	Var.	HY22
Sales revenue	2,566	2,500	3%	1,867
Adjusted EBITDA	219	202	8%	148
Adjusted EBITDA margin	8.5%	8.1%	46bps	7.9%
Adjusted EBIT	134	127	5%	89
EBIT	134	127	5%	89

USD

HY24 31 December 2023 (US\$m)	HY24	HY23	Var.	HY22
Sales revenue	1,683	1,678	0%	1,364
Adjusted EBITDA	143	136	6%	108
Adjusted EBITDA margin	8.5%	8.1%	46bps	7.9%
Adjusted EBIT	87	86	2%	65
EBIT	87	85	2%	65

# Cashflow

- Improved operating cash flow.
- Net working capital to sales 18% (FY23: 19%).
- Increased investment in priority areas: branch refurbishments, rebrand, new stores, fleet and technology.
- Interest expense range of \$65m - \$75m\* expected for full year.
- Anticipate ~30%\*\* effective income tax rate for FY24.

\*Estimate is indicative only and based on current drawdowns, interest and exchange rates (excludes AASB16 *Leases* interest)

\*\*Estimate is indicative only and subject to US tax adjustment (LIFO)

HY24 31 December 2023 (A\$m)	HY24	HY23
Adjusted EBITDA	526	488
Net movements in working capital (incl. FX)	4	(186)
Non-cash items and BAC income	(1)	15
Income tax paid	(105)	(90)
Net finance costs	(30)	(24)
Lease interest paid	(16)	(15)
<b>Cash inflow from operations</b>	<b>378</b>	<b>188</b>
Capital expenditure	(115)	(88)
Proceeds from sale of assets	8	7
Dividends paid	(110)	(97)
<b>Cash inflow before acquisitions and repayment of borrowings</b>	<b>161</b>	<b>10</b>
Business acquisitions/investments	(1)	(49)
Net repayment of borrowings (including leases)	(193)	(42)
<b>Net decrease in cash</b>	<b>(33)</b>	<b>(81)</b>
<b>Free cash flow</b>	<b>341</b>	<b>139</b>

# Balance sheet

- Strong balance sheet provides flexibility through the cycle.
- US\$300m USPP note issuance, diversifying funding sources and extending average maturity.

<b>HY24 31 December 2023</b>	<b>HY24</b>	<b>FY23</b>
Net leverage ratio	0.7x	0.9x
Average debt maturity	5.4 years	3.2 years
Available liquidity	\$1,463m	\$944m
Net debt	\$610m	\$725m
Return on capital employed	16.1%	15.3%

<b>HY24 31 December 2023 (A\$m)</b>	<b>HY24</b>	<b>FY23</b>
Cash	337	373
Trade and other receivables	1,230	1,338
Inventories	1,441	1,505
Other current assets	-	3
<b>Total current assets</b>	<b>3,008</b>	<b>3,219</b>
PPE and leases	1,641	1,586
Intangible assets	1,953	2,021
Other non-current assets	101	98
<b>Total non-current assets</b>	<b>3,695</b>	<b>3,705</b>
Trade and other payables	1,041	1,179
Other current liabilities	244	242
<b>Total current liabilities</b>	<b>1,285</b>	<b>1,421</b>
Interest bearing liabilities	947	1,097
Other non-current liabilities	798	781
<b>Total non-current liabilities</b>	<b>1,745</b>	<b>1,878</b>
<b>Net assets</b>	<b>3,673</b>	<b>3,625</b>
<b>Net tangible assets ratio</b>	<b>2.58</b>	<b>2.41</b>



# Capital management priorities

Enable sustainable long term growth

**01.**

**Invest in growth**

Organic investments and M&A.

**02.**

**Strong balance sheet**

With flexibility for growth.

**03.**

**Shareholder returns**

Dividends, share buyback.

05.

# Outlook



# H2 Outlook

- Anticipating subdued demand environment to continue; softening in ANZ.
- Medium to long term industry fundamentals remain supportive.
- Reece approach remains unchanged.
  - Focus on customer proposition and being brilliant at the fundamentals.
  - Disciplined approach to costs while maintaining customer proposition.
  - Investing through the cycle to build a stronger business.





06.

# Summary



# Summary



**Solid  
Result**



**Subdued  
environment**



**Long term  
Focus**



**Investing for  
the Future**





# Appendix and supplementary information

# Key metrics

## Reconciliation from Statutory EBIT to Adjusted EBIT

HY24 31 December 2023 (A\$m)	HY24	HY23	Var.
EBIT (statutory)	367	325	13%
<b>Add back/deduct:</b>			
BAC income	-	(7)	
Impairment	-	29	
Business acquisition costs	-	1	
<b>Adjusted EBIT</b>	<b>367</b>	<b>348</b>	<b>5%</b>

## Reconciliation from Statutory EBIT to Adjusted EBITDA

HY24 31 December 2023 (A\$m)	HY24	HY23	Var.
EBIT (statutory)	367	325	13%
<b>Add back/deduct:</b>			
BAC income	-	(7)	
Depreciation and amortisation	159	140	
Impairment	-	29	
Business acquisition costs	-	1	
<b>Adjusted EBITDA</b>	<b>526</b>	<b>488</b>	<b>8%</b>

## Reconciliation from Statutory NPAT to Adjusted NPAT

HY24 31 December 2023 (A\$m)	HY24	HY23	Var.
NPAT (statutory)	224	186	20%
<b>Add back/deduct (tax effected):</b>			
BAC income	-	(5)	
Impairment	-	29	
<b>Adjusted NPAT</b>	<b>224</b>	<b>210</b>	<b>6%</b>
<b>EPS (statutory)</b>	<b>35 cents</b>	<b>29 cents</b>	<b>20%</b>
<b>Adjusted EPS (based on adjusted NPAT)</b>	<b>35 cents</b>	<b>33 cents</b>	<b>6%</b>

# Group definitions

1	Adjusted EBITDA	EBITDA adjusted to exclude government incentive scheme income (BAC income), impairment expenses and business acquisition costs
2	Net leverage ratio	Net debt over 12-month rolling EBITDA, calculated on a pre-AASB16 <i>Leases</i> basis
3	BAC income	Income from Boosting Apprenticeship Commencements (BAC) government incentive scheme
4	Free cash flow	Adjusted EBITDA 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 as a percentage of shareholders equity plus net debt
7	Net tangible asset ratio	Net assets less intangible assets, over the number of ordinary shares fully paid on issue (as reported in the Appendix 4D)
8	Constant currency basis	Constant currency basis applies the same US foreign exchange rate of 0.6717 from HY23 to current period sales to eliminate the foreign exchange impact when comparing sales to pcg

# FX impact on sales

