

ASX Announcement

27 February 2024

HY24 Financial Results

Attached for release is Reece Limited's HY24 financial results 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.

HY24 Results Announcement

Financial Highlights

- Sales revenue up 2.5% to \$4,537 million, up 1% on constant currency basis
- Adjusted EBITDA¹ up 8% to \$526 million
- Adjusted EBIT¹ up 5% to \$367 million
- Statutory NPAT up 20% to \$224 million
- Adjusted NPAT² up 6% to \$224 million
- Adjusted EPS³ up 6% to 34.6 cents
- Interim dividend of 8 cents per share, fully franked

Reece Limited (“Reece Group” or “Reece”; ASX: REH) today announces its financial results for the half-year ended 31 December 2023 (HY24).

Peter Wilson, Group CEO, said: “We delivered a very solid HY24 result, underpinned by our resilient business model and strong ongoing execution by our team.

“The team has focused on strong execution of the fundamentals to continue delivering our customer promise, which is the driver of our success as a business.

“As we look ahead to the second half, we expect subdued demand across our business with a softening in the environment in ANZ. We take a long-term view and will continue to invest to build a stronger business and deliver on our 2030 vision of being our trade’s most valuable partner.”

HY24 Financial Summary⁴

Statutory	HY24 (\$m)	HY23 (\$m)	Variance %
Sales revenue	4,537	4,427	Up 2.5%
Statutory EBIT	367	325	Up 13%
Statutory NPAT	224	186	Up 20%
Interim dividend (per share)	8 cents	8 cents	-

Adjusted (non-IFRS)	HY24 (\$m)	HY23 (\$m)	Variance %
Adjusted EBITDA ¹	526	488	Up 8%
Adjusted EBIT ¹	367	348	Up 5%
Adjusted NPAT ²	224	210	Up 6%
Adjusted EPS ³	34.6 cents	32.5 cents	Up 6%

¹ Non-IFRS metrics Adjusted EBITDA and Adjusted EBIT are statutory metrics adjusted to exclude government incentive scheme income (Boosting Apprenticeship Commencements ‘BAC’ income): \$Nil (HY23: \$7m), impairment expenses: \$Nil (HY23: \$29m), and business acquisition costs: \$Nil (HY23: \$1m)

² Adjusted NPAT excludes tax effected BAC income of \$Nil (HY23: \$5m) and impairment expenses of \$Nil (HY23: \$29m)

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

Reece delivered a solid result despite a subdued demand setting and macro environment in the first half of FY24. Sales revenue increased 2.5% to \$4,537m (HY23: \$4,427m), up 1% on a constant currency basis, excluding the positive impact of foreign exchange during the half. The impact of product inflation was neutral at a Group level, with demand subdued across regions.

Adjusted EBITDA¹ was up 8% to \$526m (HY23: \$488m) driven by disciplined operational cost management and continued focus on executing the fundamentals of the Reece model. Adjusted EBIT¹ was up 5% to \$367m (HY23: \$348m). Group costs increased by 5% for the half, principally driven by higher employee expenses and an increase in depreciation and amortisation from recent investments in the network (organic and inorganic) and digital capabilities. Statutory NPAT was up 20% to \$224m (HY23: \$186m), while adjusted NPAT² increased 6% to \$224m (HY23: \$210m).

Reece maintained a strong balance sheet with net debt down to \$610m (FY23: \$725m) and a net leverage ratio⁵ of 0.7x (FY23: 0.9x). During the half, Reece completed a US\$300m unsecured note issuance, with fixed coupon rates, in the US Private Placement market. This has enabled Reece to diversify capital sources, reduce variable interest rate exposure and extend its debt maturity profile. Cash flow from operating activities increased to \$378m (HY23: \$188m). Return on capital employed increased to 16.1%.

ANZ Region

In the Australia and New Zealand (ANZ) region, sales revenue increased 2% to \$1,972m (HY23: \$1,928m), driven by moderating inflation and supported by ongoing backlog of activity. Adjusted EBITDA¹ was up 7% to \$307m (HY23: \$287m). Statutory EBIT increased 18% to \$233m (HY23: \$198m) while Adjusted EBIT¹ increased 6% to \$233m (HY23: \$221m).

In ANZ, the business continued its focus on operational excellence and disciplined cost management following a period of significant growth. In particular, our focus on 'brilliant fundamentals' in core skill sets like selling and trading were refreshed and embedded across all facets of the business. We also continued to optimise the network to ensure delivery of the Reece customer promise, with five branches relocated, six refurbished, one closed and one new branch opened during the period. At the end of the half there was a total of 655 branches across the ANZ network with a pipeline of incremental network activity planned for the second half.

US Region

In the US region, sales revenue was flat at US\$1,683m (HY23: US\$1,678m), driven by a subdued trading environment and modest deflation for the half. In Australian dollars, sales were up 3%, with the headline growth benefiting from favourable foreign exchange movements between the periods. Adjusted EBITDA¹ increased 6% to US\$143m (HY23: US\$136m). Adjusted EBIT¹ increased 2% to US\$87m (HY23: US\$86m).

In the US, we continue to focus on uplifting all aspects of the business and building scale. During the half, nine new branches were opened, bringing the total branch network to 240 stores. The Reece brand rollout continued, with 62 branches now trading as Reece across six states. We also continued our focus on training and developing our team and building a strong employee value proposition in the US.

⁵ Net debt over 12-month rolling EBITDA, calculated on a pre-AASB16 Leases basis

Board appointment

In December 2023, Reece welcomed Karen Penrose to the Reece Limited Board as an independent Non-Executive Director and new Chair of the Audit and Risk Committee. Karen's proven breadth of experience across financial management, global operations, and driving customer outcomes across multiple sectors complements and expands the Board's skill set.

Dividend

The Board has declared a fully franked dividend of 8 cents per share, with a record date of 28 March 2024 and a payment date of 10 April 2024.

Investor call

Reece Group will hold an investor webcast today, Tuesday 27 February 2024, at 9:30am (AEDT). To join the webcast, register via the following link: <https://webcast.openbriefing.com/reh-hyr-2024/>

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