

**ASX Announcement**

24 October 2024

**For personal use only** **2024 Annual General Meeting Addresses**

Attached for release are the 2024 AGM Chair and CEO addresses and AGM presentation.

**For further information contact:**

This announcement has been authorised by Chantelle Duffy, Company Secretary at the direction of the Reece Limited Board.

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

## Chair Address – Tim Poole

I'm delighted to address you today and share more about our performance and activities over the last 12 months.

*SLIDE: Financial highlights*

Reece had another positive year in FY24, delivering on its long-term growth strategy and navigating challenging markets to deliver a solid result. Sales revenue was up 3% to \$9.1 billion, Adjusted EBIT was up 2% to \$681 million, and Adjusted NPAT was up 3% to \$416 million. The Board declared a total dividend for the year of 25.75 cents per share, fully franked.

*SLIDE: [team photographs]*

I would like to thank our leadership team and Reece's wider team throughout Australia, New Zealand and the US for their hard work in delivering this result, particularly as we saw the markets we operate in soften over the course of the year following multiple years of record growth.

Reece always focuses on what is best for the business over the long term, and during the past year, I am pleased we have been able to continue evolving the Reece Board and senior leadership team in a way that I believe will benefit Reece for many years to come.

To summarise these changes;

We're delighted to welcome Ross McEwan to the Board, and we look forward to welcoming Angela Mentis from mid November. Both Ross and Angie will bring significant external expertise, complementing the contributions of the Wilson family. Succession is an ongoing process, and we will continue focusing on increasing the diversity of skills, experience, background, and gender on our Board.

We have prepared for Peter's transition to Executive Chairman by ensuring a strong management transition plan, with the appointment of Sasha Nikolic as Group President and Managing Director. Sasha has been instrumental in the success of our US business since acquisition and is already having a positive impact in his new Group role. We are also delighted he has joined the Reece Group Board.

Peter will transition to his new role as Chairman and CEO at the beginning of November. Peter's contribution to this business over more than 30 years has seen Reece transform into a successful international business with more than 9000 team members and over 900 branches. I am certain that the next stage of his leadership will bring many more successes.

I will remain on the Board until the end of the year then retire as a Director. The culture of Reece is foundational to its customer centric focus and its complete dedication to keeping things simple. Over the past eight and a half years, it has been a privilege to serve on the Board and I wish Reece, and everyone involved, the very best as the next chapters are written.

I will now hand over to our CEO and incoming Chairman, Peter Wilson, who will take you through a short presentation.

## CEO Address – Peter Wilson

Good morning and thank you for joining us for our 2024 AGM.

*SLIDE: Agenda*

Today I'll give you a recap on our strategy, talk through our operational and financial highlights for FY24 and share first quarter sales for FY25.

*SLIDE: Our Blueprint*

Our blueprint guides everything we do. We are a purpose and values led organisation, which we call The Reece Way. Our 2030 vision is to be our trade's most valuable partner. We are bringing this to life through three strategic priorities of operational excellence, accelerating innovation and investing for profitable growth. These strategic priorities help us deliver on our customer promise.

*SLIDE: The Reece Way*

This year, we refreshed our purpose and values, which are core to our culture and success as a business. Our new purpose is 'Building a better world for our customers by being the best'. An important change was to bring back the value of Entrepreneurial Spirit. This was a value that enabled our past success and is important to retain as we grow in complexity.

*SLIDE: Strong execution of strategic priorities*

Let's look at the progress we've made in FY24 on our strategic priorities.

As we faced into the softer trading environment, we intentionally set out to refocus on operational excellence. We also kept investing in our team and strengthening our culture, helping us to deliver our service standards. In the innovation space we continue to focus on staying one step ahead of our customers' needs and helping make their lives easier. And finally, we continued to expand and enhance our network to ensure we are where our customers need us.

*SLIDE: An established and growing network*

Turning to our network, we now have over 900 branches across 3 countries.

In ANZ, our network density remains a competitive advantage, enabling our market leading position and helping us deliver our customer promise. We invested in the network during the year, with 15 refurbishments, 10 relocations, and a net 6 new stores.

In the US, we continue to make strong progress in the expansion and upgrade of our network, with 15 new branches and four refurbishments this year. The team have put a huge amount of work into the rebrand project, with around 80% of targeted branches now trading as Reece across the US.

*SLIDE: Shadowboxer*

We are passionate about staying one step ahead of our customers' needs. We continually challenge ourselves to find new ways to be their most valuable partner.

Post year end, we invested in a small acquisition, Shadowboxer, an Australian digital start up focused on building and growing disruptive technology. Shadowboxer will enhance Reece's digital and innovation capabilities and bring some great talent in house, enabling us to continue to build new tools to make our customers lives easier.

*SLIDE: Financial overview*

Turning now to an overview of FY24. Our result for the year reflected disciplined execution as we continued to navigate challenging markets. Group sales were up 3% to \$9.1 billion. ANZ sales were flat at \$3.8 billion, with housing markets softening during the year. US sales were up 3% in US dollars to \$3.5 billion, with mixed demand across end markets. The US saw a softer first half, having entered the cycle around 6 to 12 months earlier than ANZ, and ANZ saw a slower second half.

We delivered adjusted EBIT of \$681 million, up 2%, and adjusted NPAT of \$416 million, up 3%. The Board declared a final dividend of 17.75 cents per share, bringing the total dividend for the full year to 25.75 cents.

*SLIDE: Group performance*

Over the past 5 years, we have delivered significant growth in sales, earnings and return on capital. FY24 has seen our growth rates moderate as housing end markets have softened. Despite the slowdown, we have continued to focus on our long-term investment strategy and disciplined approach to capital management. Continuing to invest through the cycle will ensure we are well placed to support customers as the market recovers and deliver long-term growth for our shareholders.

*SLIDE: ANZ financial highlights*

Our ANZ business navigated a challenging trading environment in FY24 as the housing market softened. Sales were flat at \$3.9 billion, with first half sales growth offset by the demand softening in the second half. Adjusted EBITDA was up 1% to \$560 million. Adjusted EBITDA margin increased by 10 basis points driven by focused execution on the fundamentals of our business. Adjusted EBIT was down 3% to \$410 million reflecting increased depreciation and amortisation.

*SLIDE: US financial highlights*

Our US business performed well in FY24, but demand in end markets was mixed. On a US Dollar basis, sales were up 3% to \$3.5 billion with an uplift in volumes in the second half. Adjusted EBITDA was up 9% to \$293 million, with a 44 basis points increase in our Adjusted EBITDA margin. This result reflects strong cost management and a disciplined approach to embedding the fundamentals of the Reece model across our US business. Adjusted EBIT increased 7% to \$178 million.

*SLIDE: Capital management priorities*

Turning to capital allocation, we have a framework to enable the sustainable long-term growth of Reece. Our first priority is to invest in organic growth and strategic bolt-on M&A. Our second priority is to maintain a strong balance sheet by paying down debt and maintaining flexibility to grow. And finally, we aim to provide returns to shareholders through ordinary dividends, and if surplus free cashflow exists - share buybacks.

*SLIDE: Trading update Q1FY25*

Turning now to look at the first quarter of the FY25 financial year. Q1 sales for the Group were down 5% to \$2.2 billion. ANZ sales were flat, supported by recent bolt-on M&A activity in region, with underlying volumes softening on last year. US sales were down 6.5% in US dollars, driven by deflation in select categories, adverse weather conditions and softer volumes.

As we indicated at the full year, lead indicators in housing across our regions continue to be challenging. The US has now seen a 50 bps rate cut, but this will take time to work through the system. As a result, we are expecting EBIT in the range of \$300 to \$320 million for the first half.

Our focus remains on the long term and delivering our customer promise.

*SLIDE: Summary*

In summary, despite short term challenges, our long-term approach remains unchanged. We are a diversified business by customer and end market and are well placed to face into a softer trading environment. The medium to long term fundamentals in our sector remain positive – particularly the housing underbuild, population growth, and the ongoing need for infrastructure in both regions.

Before I hand back to Tim, I would like to acknowledge Tim's departure from the Board at the end of this year. Tim has made a big contribution in enabling our aspirations as a business, and in supporting me and the Board over the past 8 years. Thank you, Tim, for everything you have done for Reece.

I'm also looking forward to taking on the new role as Chair & CEO for the Group.

And finally, I would like to thank all of our team for their hard work they do to deliver for our customers every day.

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The Reece logo, consisting of the word "reece" in a white, lowercase, sans-serif font inside a dark blue rounded rectangle.

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# Reece Group AGM 2024





# 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. 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.

# Chair's Address

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Tim Poole



# Financial highlights

## Sales revenue

up 3% to \$9.1b

## Adjusted EBIT

up 2% to \$681m

## Adjusted NPAT

up 3% to \$416m

## Adjusted EPS

up 3% to 64 cents

## FY24 final dividend

17.75 cents per share  
(fully franked)

## FY24 total dividend

25.75 cents per share  
(fully franked)

For all statutory metrics (EBIT, NPAT and EPS) refer to appendix  
For all Group definitions refer to appendix



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# CEO's Address

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Peter Wilson



# Agenda

- 01 Strategy & operational recap
- 02 FY24 financial review
- 03 Q1 FY25 update
- 04 Summary



01

# Strategy & operational recap





# Our Blueprint

## Inspired by our Purpose

Building a better world for our customers by being the best.

## Live the Reece Way

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

## Embrace our 2030 Vision

We will be our trade's most valuable partner.

## Execute Strategic Priorities



Operational Excellence



Accelerating Innovation



Investing for Profitable Growth

## Deliver Customer Promise

Customised service:  
Works For You

# The Reece Way

Our Purpose

Building a better world for our customers by being the best.

Create customers for life



Be your best



Team first



Entrepreneurial spirit



Innovate big and small



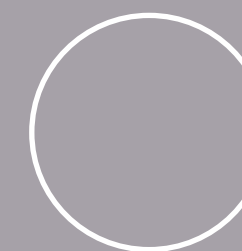
Try. Try. Try.



Own it



Keep it simple



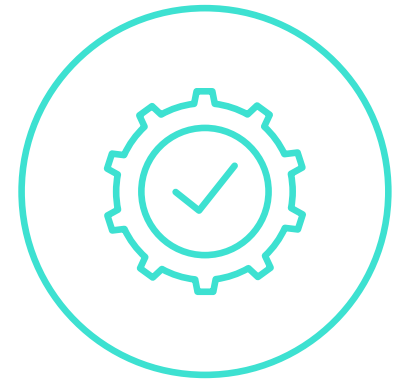
Do the right thing



Be humble



# Strong execution of strategic priorities



## Operational Excellence

- Ongoing focus on the fundamentals, continuous improvement and delivery of our customer promise.
- Attracting, retaining and developing teams.
- Refreshed 'The Reece Way'.



## Accelerating Innovation

- Remain focused on innovation initiatives supporting trade of the future.
- Digitising and enhancing the customer experience.



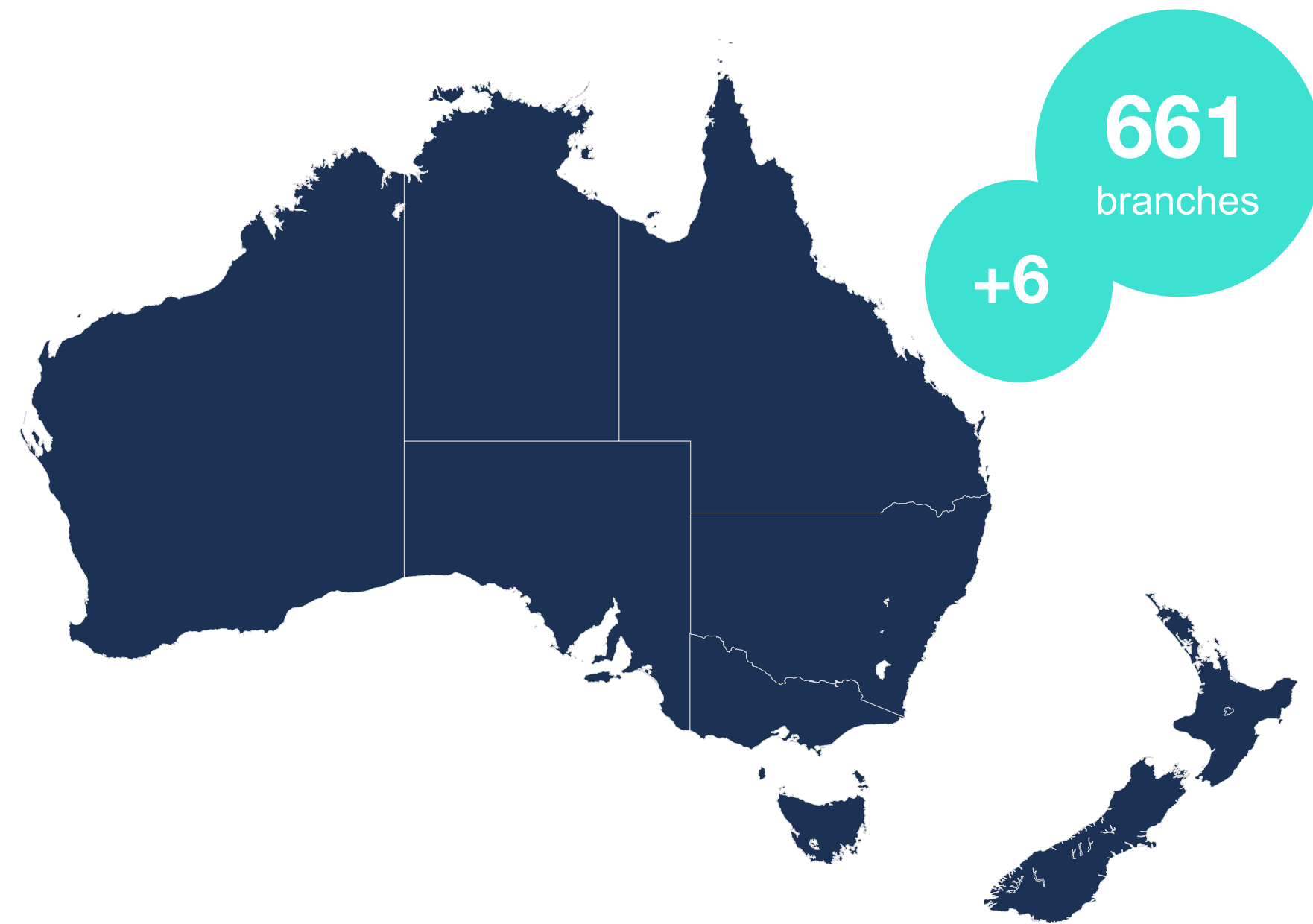
## Investing for Profitable Growth

- Ongoing expansion of network in both regions through organic and in-organic growth.

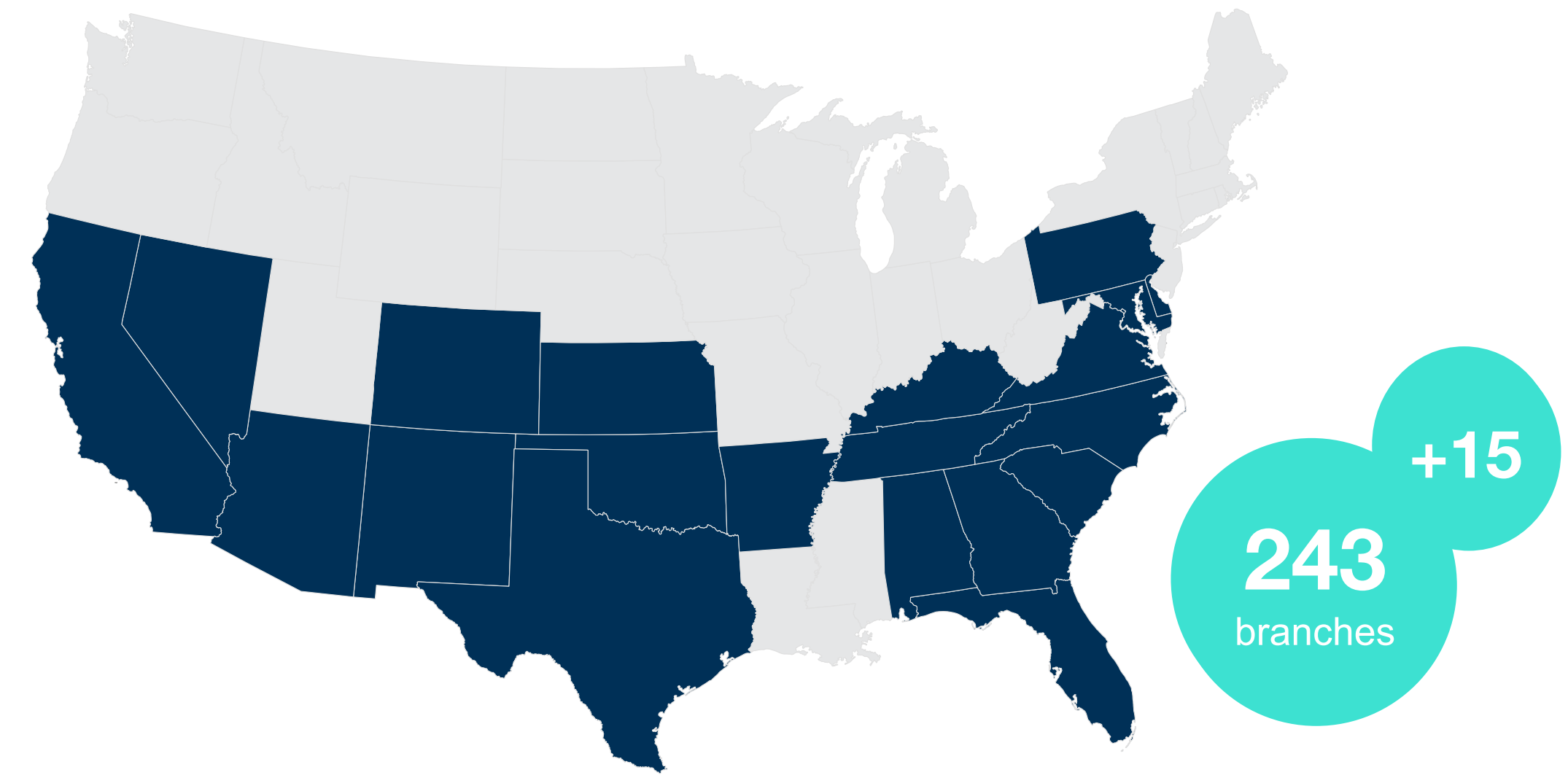
2030  
Vision



# An established and growing network



Market leader, leveraging network density to deliver customer promise.



Roll out progressing at pace, growth platform for the long term.



Shadowboxer

# Driving innovation for the future of our trade

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Delivering digital tools to help customers run their businesses.



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02

# FY24 Financial review

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# Financial overview

Disciplined execution in a challenging market environment

## Sales revenue

up 3% to \$9.1b

## Adjusted EBIT

up 2% to \$681m

## Adjusted NPAT

up 3% to \$416m

## Adjusted EPS

up 3% to 64 cents

## ANZ

Sales revenue  
flat at \$3.8b

## US

Sales revenue  
up 3% to US\$3.5b\*

## Net leverage ratio

0.6x (FY23 0.9x)

## FY24 total dividend

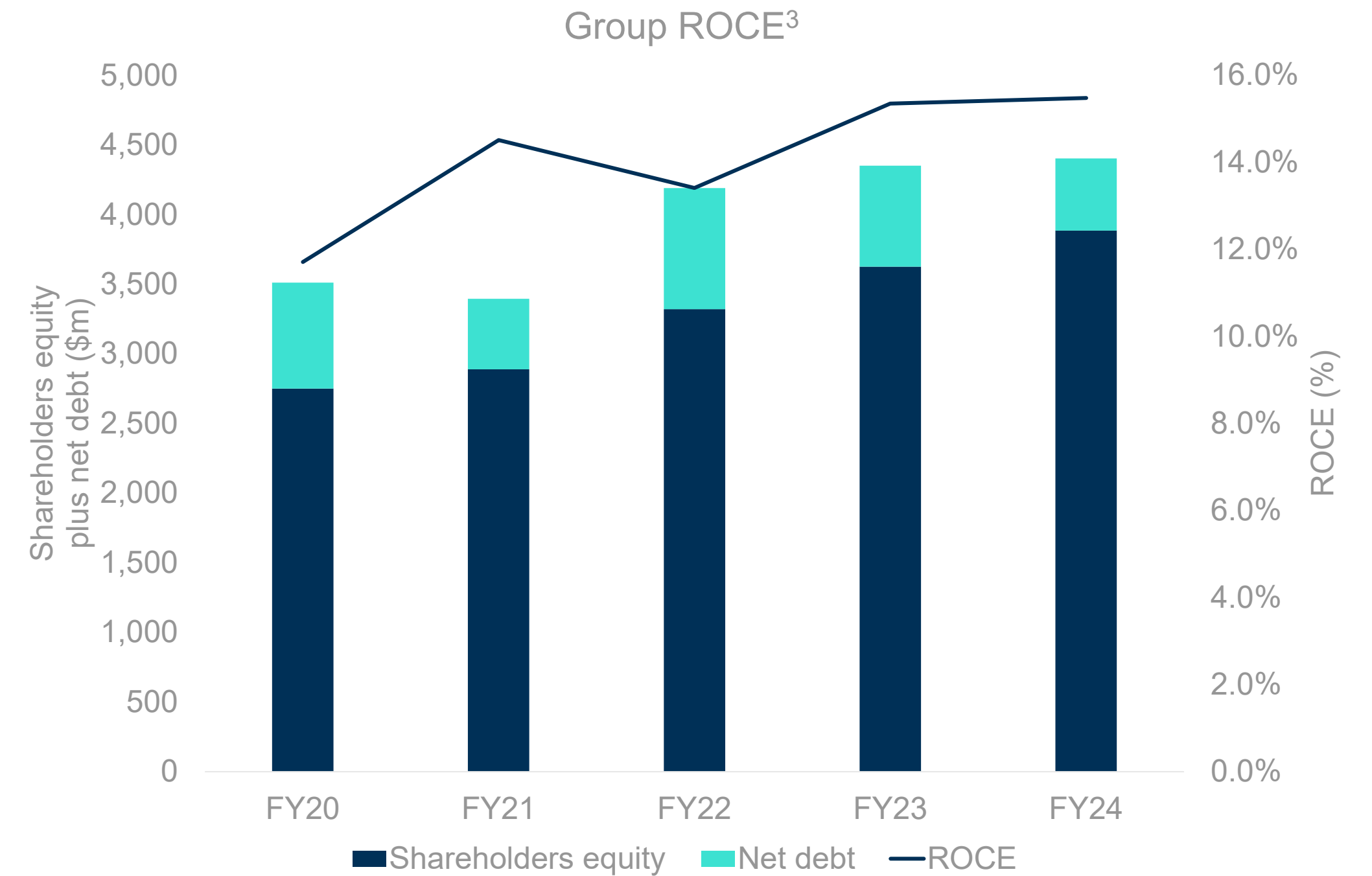
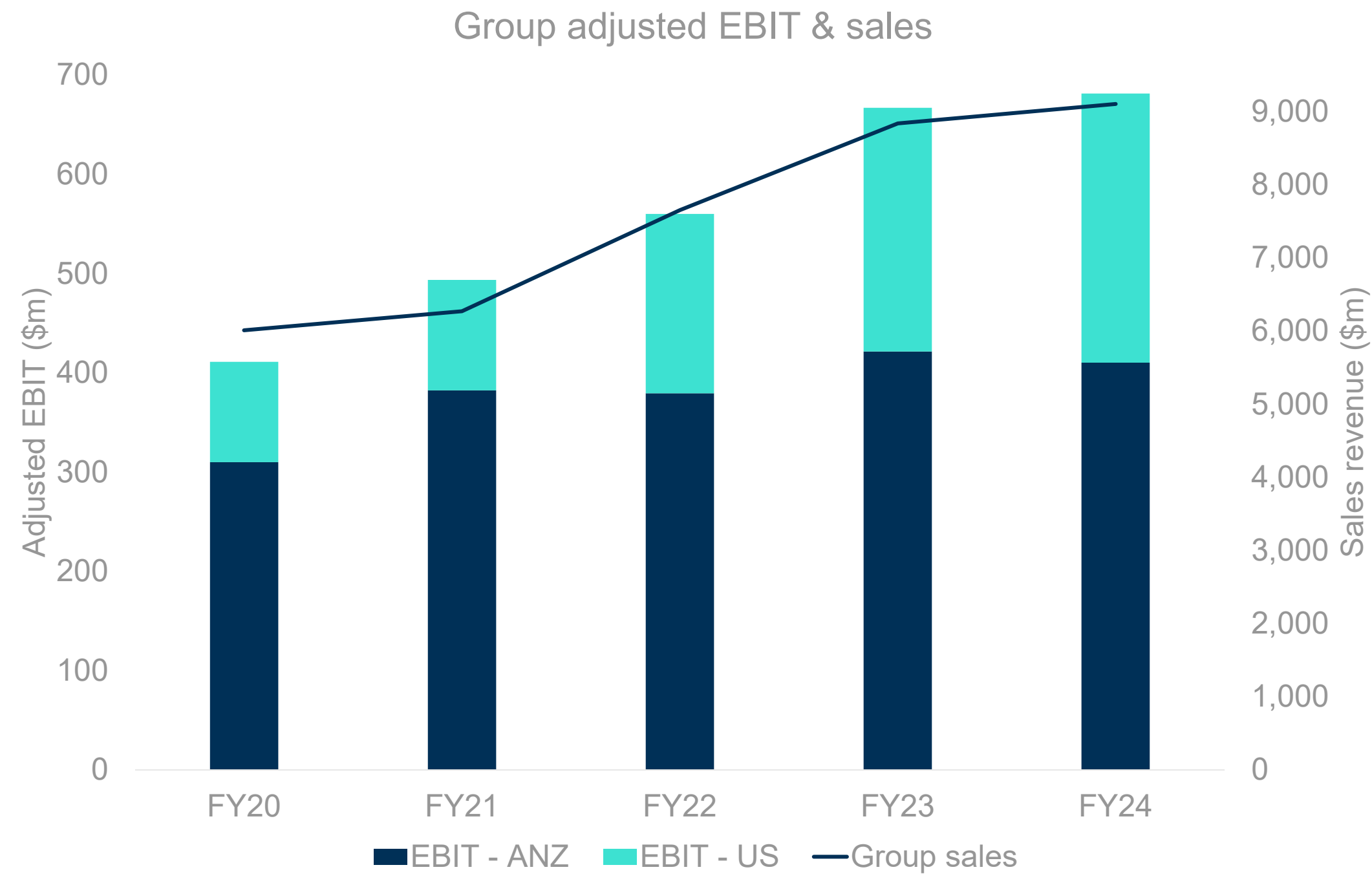
25.75 cents per  
share (fully franked)

\*US sales revenue up 5% in AUD to A\$5.3b  
For all statutory metrics (EBIT, NPAT and EPS) refer to appendix  
For all Group definitions refer to appendix



# Group performance

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Continued to invest through the cycle as activity softened.

# ANZ financial highlights

## Sales flat

- Softening housing market created headwinds.
- Backlog activity largely worked through.

## Adjusted EBIT down 3%

- Remained focused on execution of the fundamentals.
- Continued to invest through the cycle in network and core capabilities.

<b>FY24 30 June 2024 (A\$m)</b>	<b>1H</b>	<b>2H</b>	<b>FY24</b>	<b>FY23</b>	<b>Var. %</b>
Sales revenue	1,972	1,874	3,846	3,853	flat
Adjusted EBITDA <sup>1</sup>	307	253	560	557	1%
Adjusted EBITDA <sup>1</sup> margin	15.6%	13.5%	14.6%	14.5%	10bps
EBIT	233	177	410	408	0.5%
Adjusted EBIT <sup>1</sup>	233	177	410	421	(3%)

# US financial highlights

## Sales up 3% (US dollars)

- Overall trading environment challenging.

## Adjusted EBIT up 7% (US dollars)

- Continuing to embed fundamentals of the Reece model.
- Disciplined management of cost base.
- Investment in Reece rebrand, network expansion and branch upgrades.

USD

FY24 30 June 2024 (US\$m)	1H	2H	FY24	FY23	Var.
Sales revenue	1,683	1,769	3,452	3,342	3%
Adjusted EBITDA <sup>1</sup>	143	150	293	269	9%
Adjusted EBITDA <sup>1</sup> margin	8.5%	8.5%	8.5%	8.1%	44bps
EBIT	87	91	178	165	8%
Adjusted EBIT <sup>1</sup>	87	91	178	166	7%

AUD

FY24 30 June 2024 (A\$m)	1H	2H	FY24	FY23	Var.
Sales revenue	2,566	2,693	5,259	4,987	5%
Adjusted EBITDA <sup>1</sup>	219	228	447	401	11%
Adjusted EBITDA <sup>1</sup> margin	8.5%	8.5%	8.5%	8.1%	44bps
EBIT	134	137	271	246	10%
Adjusted EBIT <sup>1</sup>	134	137	271	247	10%

# Capital management priorities

Enable sustainable long term growth

01.

**Invest in growth**

Organic investments and M&A.

02.

**Strong balance sheet**

Pay down debt; retain flexibility for growth.

03.

**Shareholder returns**

Dividends, share buyback.



03

# Q1FY25 update

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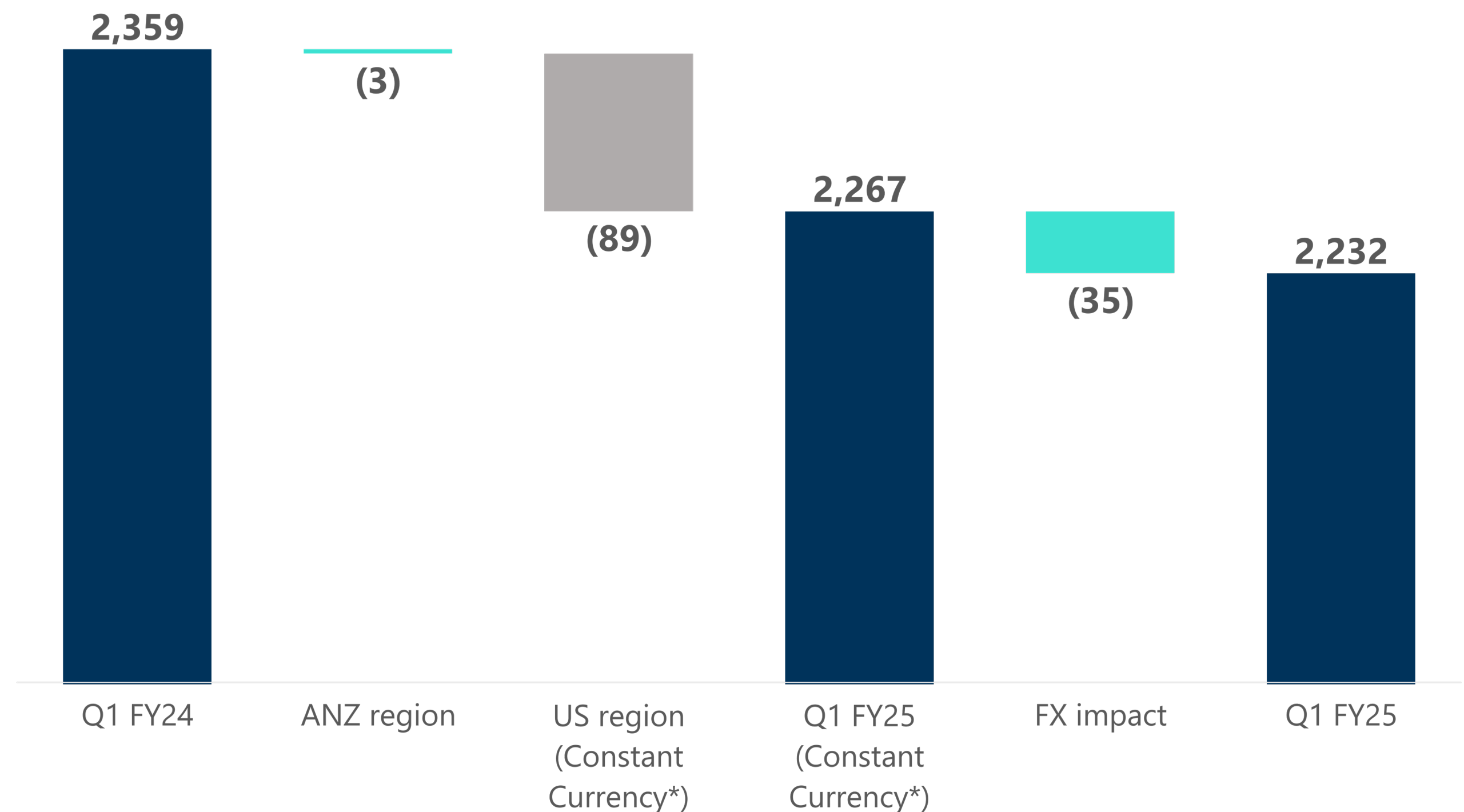




# Trading Update Q1FY25

- Softness in housing markets continues
  - ANZ revenue broadly flat YoY with underlying volumes softening on the same period last year. Sales supported by recent bolt-on M&A activity.
  - US revenue -6.5% (USD) YoY reflecting lower volumes, deflation in select categories and adverse weather conditions.
- Lead indicators remain challenging in both regions - not expecting significant change to demand setting in first half.
- Continue to invest in organic growth through the cycle to build a better business.
- Anticipate HY25 Adjusted EBIT<sup>1</sup> in the range of A\$300m - \$320m.

Sales revenue (\$M)



\* Q1 constant currency basis definition refer to appendix

04

# Summary

Reece approach remains unchanged.



Focus on the fundamentals



Customer proposition



Investing for the future

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# Appendix & supplementary information



# Key metrics

## Reconciliation from Statutory EBIT to Adjusted EBIT

FY24: 30 June 2024 (A\$m)	FY24	FY23	Var.
EBIT (statutory)	681	654	4%
<b>Add back/deduct:</b>			
BAC income	-	(16)	
Impairment	-	29	
Business acquisition costs	-	1	
<b>Adjusted EBIT</b>	<b>681</b>	<b>668</b>	<b>2%</b>

## Reconciliation from Statutory EBIT to Adjusted EBITDA

FY24: 30 June 2024 (A\$m)	FY24	FY23	Var.
EBIT (statutory)	681	654	4%
<b>Add back/deduct:</b>			
BAC income	-	(16)	
Depreciation and amortisation	326	290	
Impairment	-	29	
Business acquisition costs	-	1	
<b>Adjusted EBITDA</b>	<b>1,007</b>	<b>958</b>	<b>5%</b>

## Reconciliation from Statutory NPAT to Adjusted NPAT

FY24: 30 June 2024 (A\$m)	FY24	FY23	Var.
NPAT (statutory)	419	388	8%
<b>Add back/deduct (tax effected):</b>			
US tax adjustment (LIFO)	(3)	(2)	
BAC income	-	(11)	
Impairment	-	29	
Business acquisition costs	-	1	
<b>Adjusted NPAT</b>	<b>416</b>	<b>405</b>	<b>3%</b>
<b>EPS (statutory)</b>	<b>65 cents</b>	<b>60 cents</b>	<b>8%</b>
<b>Adjusted EPS (based on adjusted NPAT)</b>	<b>64 cents</b>	<b>63 cents</b>	<b>3%</b>

# Group definitions

1	Adjusted EBITDA / Adjusted EBIT	Adjusted EBITDA and Adjusted EBIT are non-IFRS metrics used by Reece for internal management reporting purposes as these metrics better reflect underlying performance. Non-IFRS information is not subject to review or audit by the Company's external auditor.
2	BAC income	Income from Boosting Apprenticeship Commencements (BAC) government incentive scheme
3	Return on capital employed	Adjusted EBIT as a percentage of shareholders equity plus net debt
4	Constant currency basis (FY24)	Constant currency basis applies the same US foreign exchange rate of 0.6710 from FY23 to FY24 sales to eliminate the foreign exchange impact when comparing sales to pcp
5	Constant currency basis (Q1 FY25)	Constant currency basis applies the same US foreign exchange rate of 0.6542 from Q1 FY24 to Q1 FY25 sales to eliminate the foreign exchange impact when comparing sales to pcp