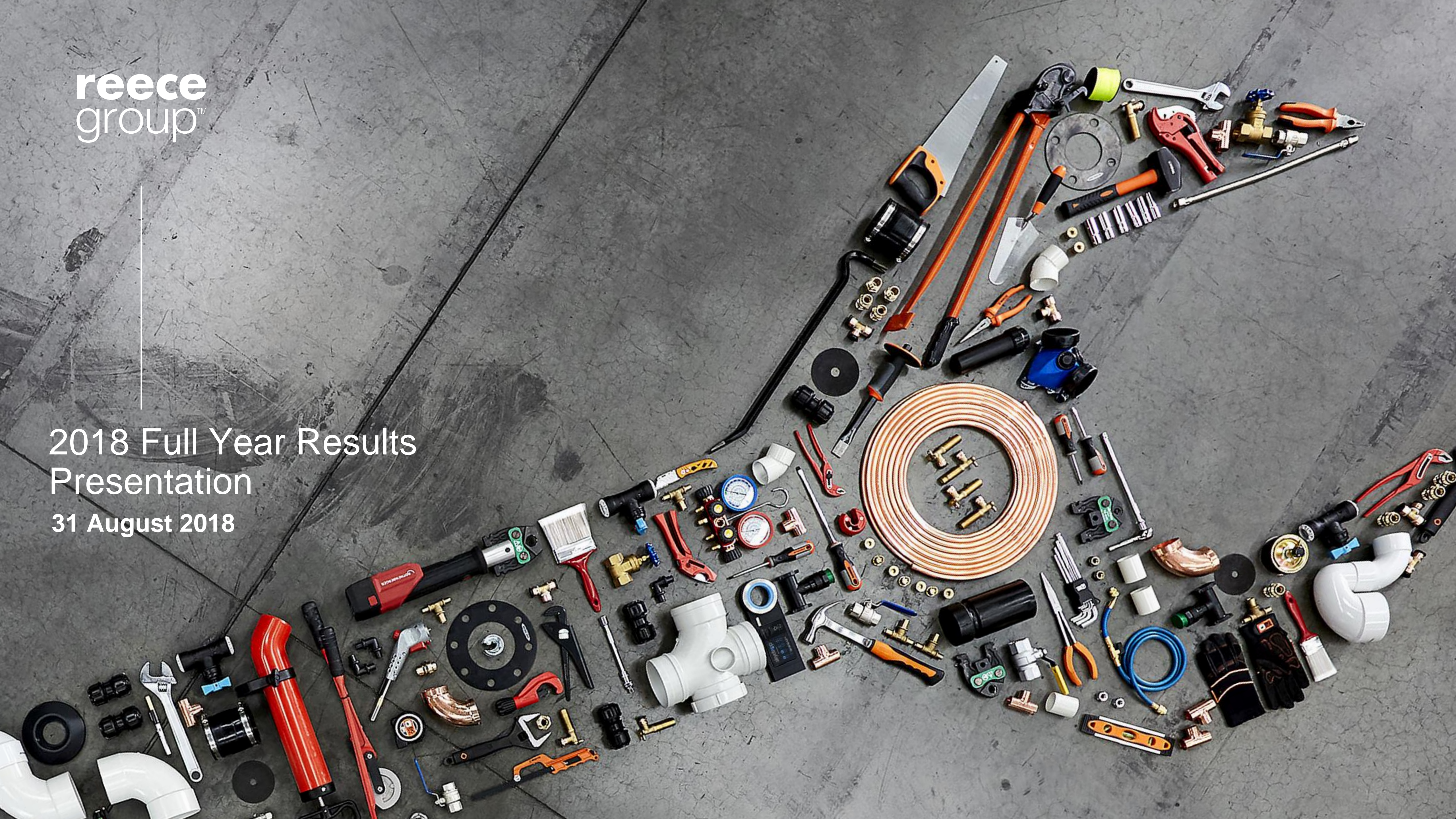


reece  
group™

2018 Full Year Results  
Presentation  
31 August 2018





# Disclaimer

---

## Important Notice and Disclaimer

### 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. 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).

Subject to any continuing obligations under applicable law or any relevant listing rules of the Australian Securities Exchange, Reece disclaims any obligation or undertaking to disseminate any updates or revisions to any forward looking statements in this presentation to reflect any change in expectations in relation to any forward looking statements or any change in events, conditions or circumstances on which any such statement is based. Nothing in this presentation shall under any circumstances create an implication that there has been no change in the affairs of Reece since the date of these materials.

Information in this presentation, including any forecast financial or other information, should not be considered as advice or a recommendation to investors or potential investors in relation to holding, purchasing or selling securities. Before acting on any information you should consider the appropriateness of the information having regard to these matters and, in particular, you should seek independent financial advice.

### 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.

**Note:** All financial amounts contained in this presentation are expressed in Australian dollars unless otherwise stated. Any discrepancies between totals and the sum of components in tables contained in this presentation are due to rounding.

# Our purpose

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

Daily mantra

**Strive for greatness every day.**

# Contents

**Financial  
Highlights**

**Operational  
Highlights**

**Recap of  
MORSCO  
acquisition**

**FY18 Financial  
Performance**



# Financial Highlights

# FY18 Highlights

---

## Sales Revenue

10.7%  to \$2,689 million

---

## NPAT

6.1%  to \$225 million

---

## EBITDA

5.4%  to \$378 million

---

## Dividend per share

1.3%  to 20.25 cps

---

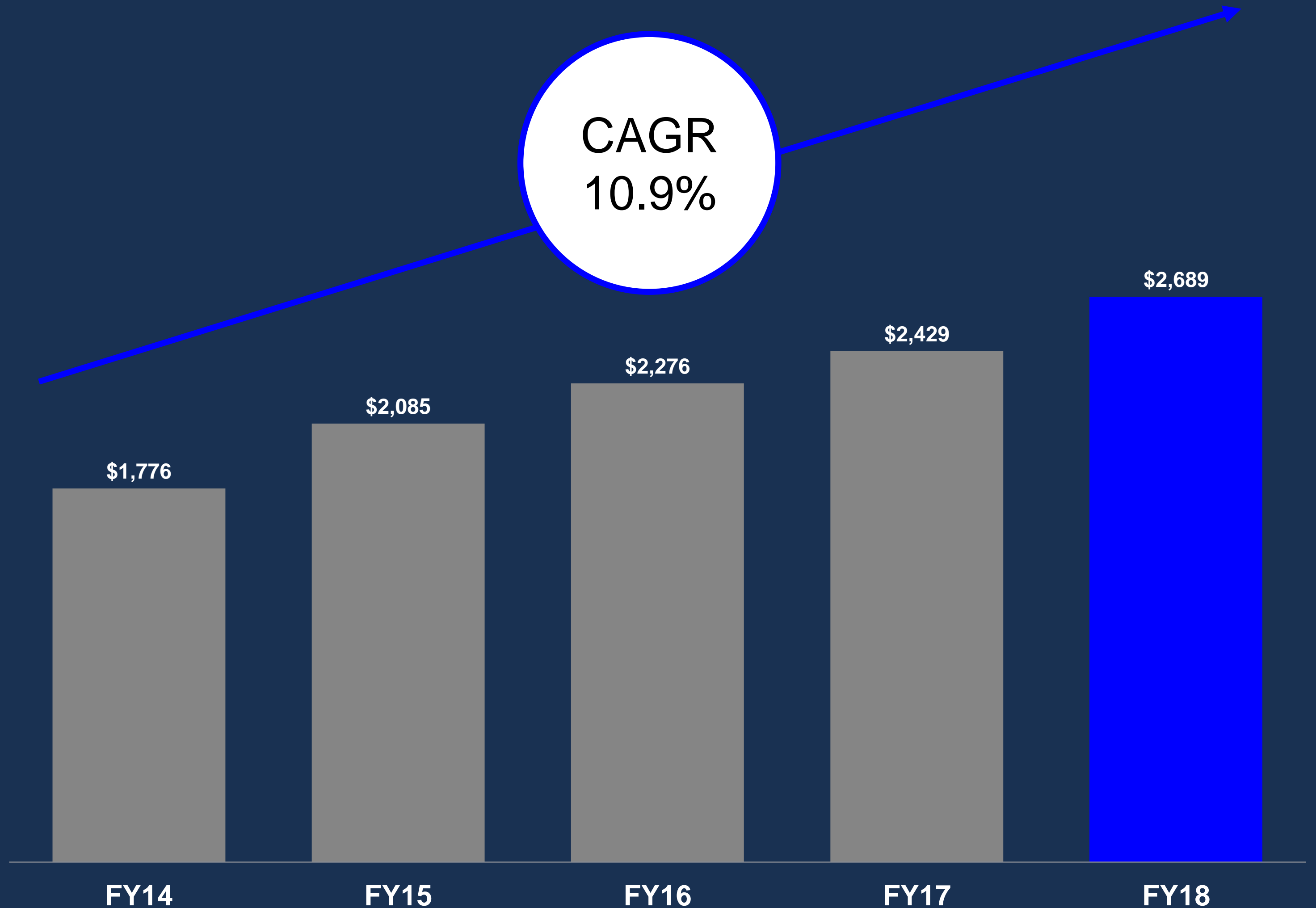
# Sales Revenue (A\$2,689m)

FY17 - \$2,429m  
FY18 - \$2,689m

↑ 10.7%

CAGR  
10.9%

- Record sales result
- Strong performance in underlying business
- Building activity solid



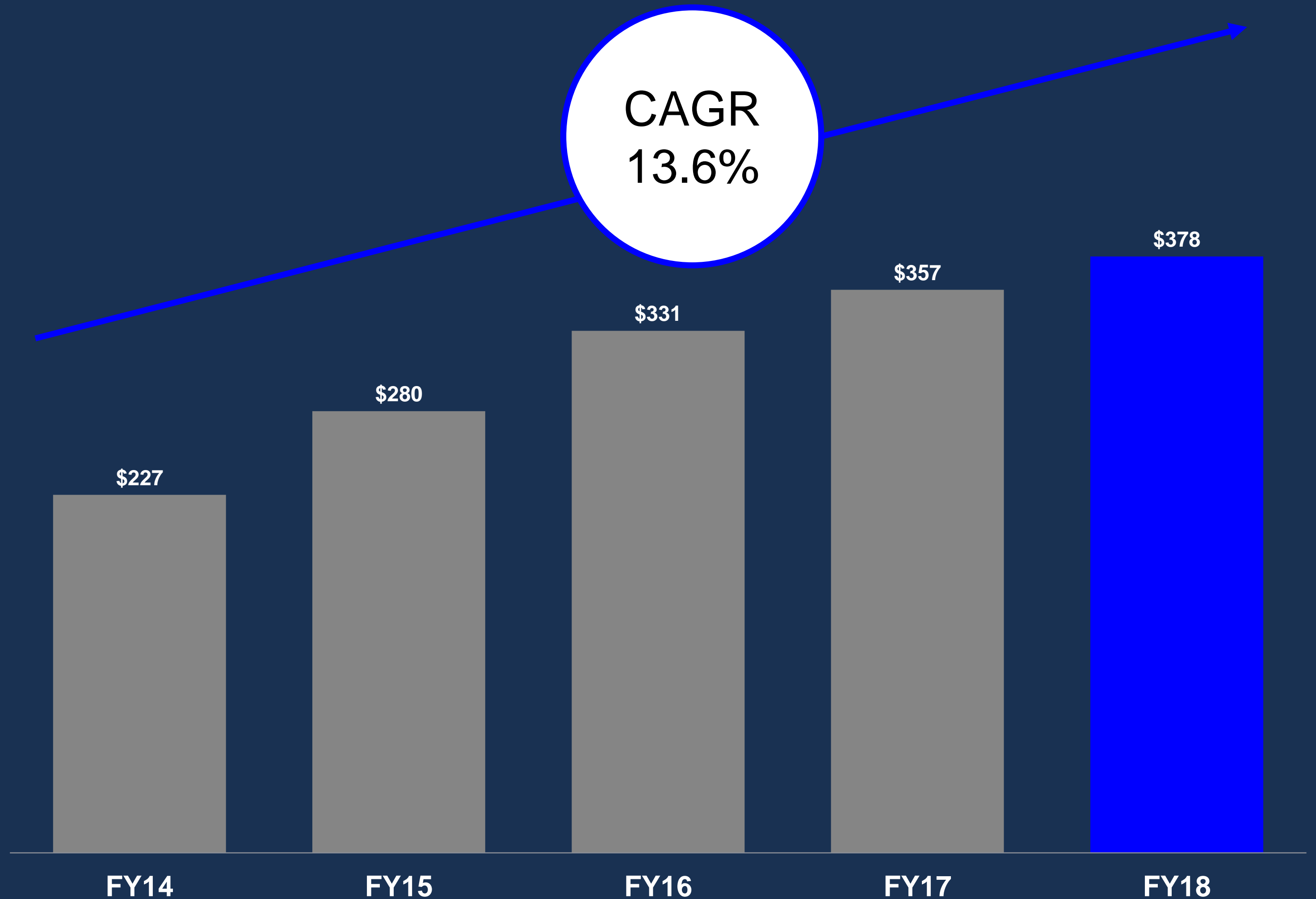
# EBITDA (A\$378m)

FY17 - \$357m  
FY18 - \$378m

↑ 5.4%

CAGR  
13.6%

- Investment in people to support growth
- Invested in technology and innovation





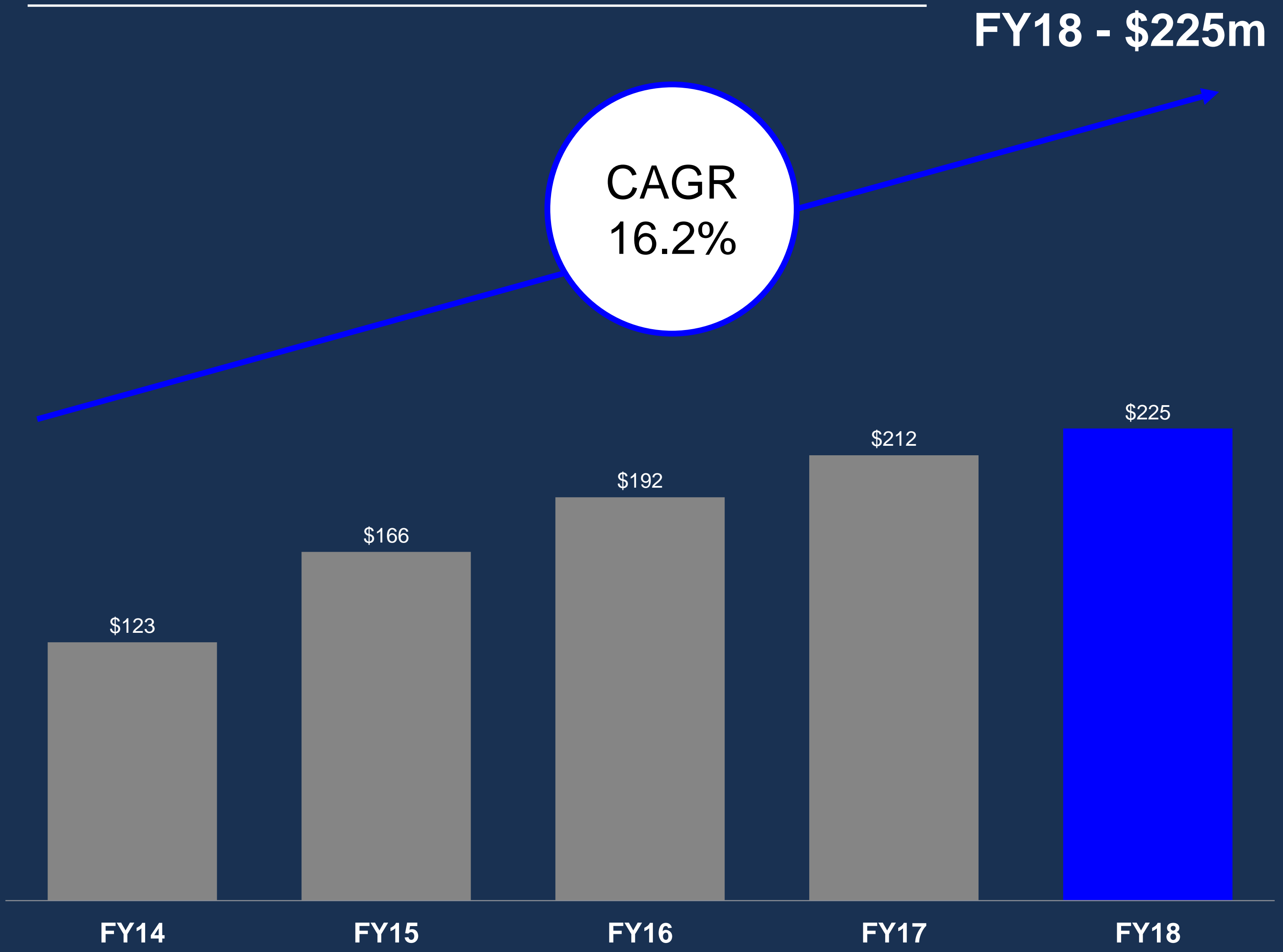
# NPAT (A\$225m)

↑ 6.1%

■ Record NPAT result

FY17 - \$212m  
FY18 - \$225m

CAGR  
16.2%

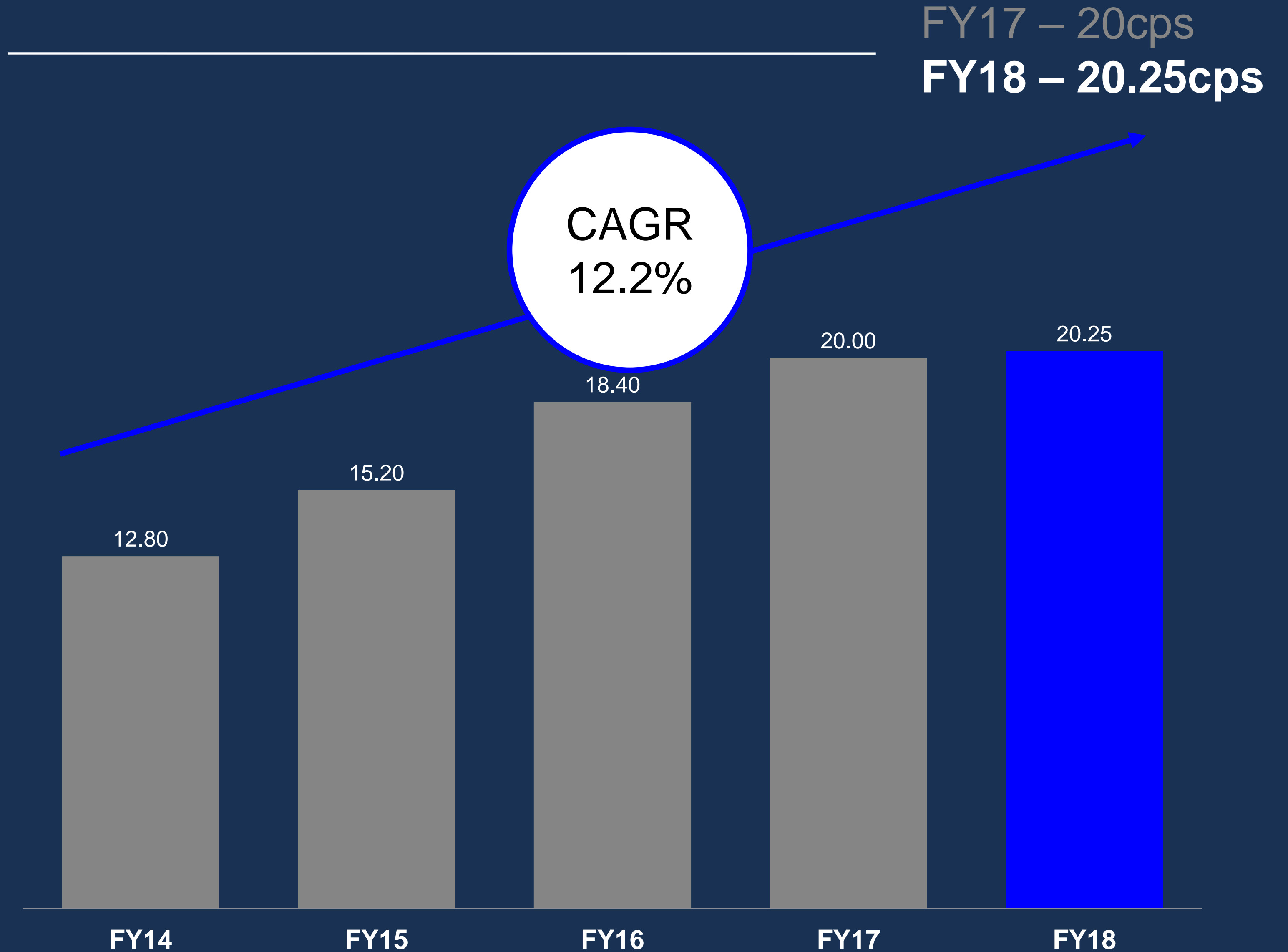




# Dividends (cps)

↑ 1.3%

- Total dividend declared for FY 2018 of 20.25 cents per share
- Final dividend of 14.25 cents per share

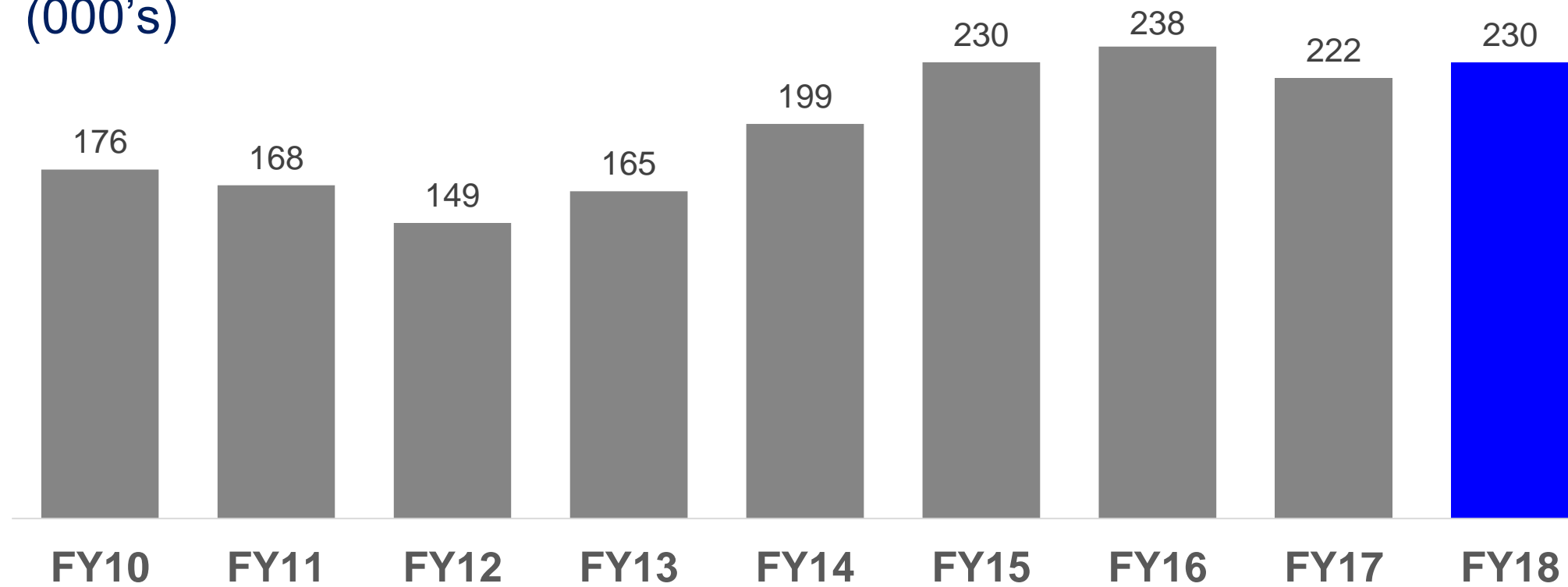




# Underlying Australian economic indicators remain supportive

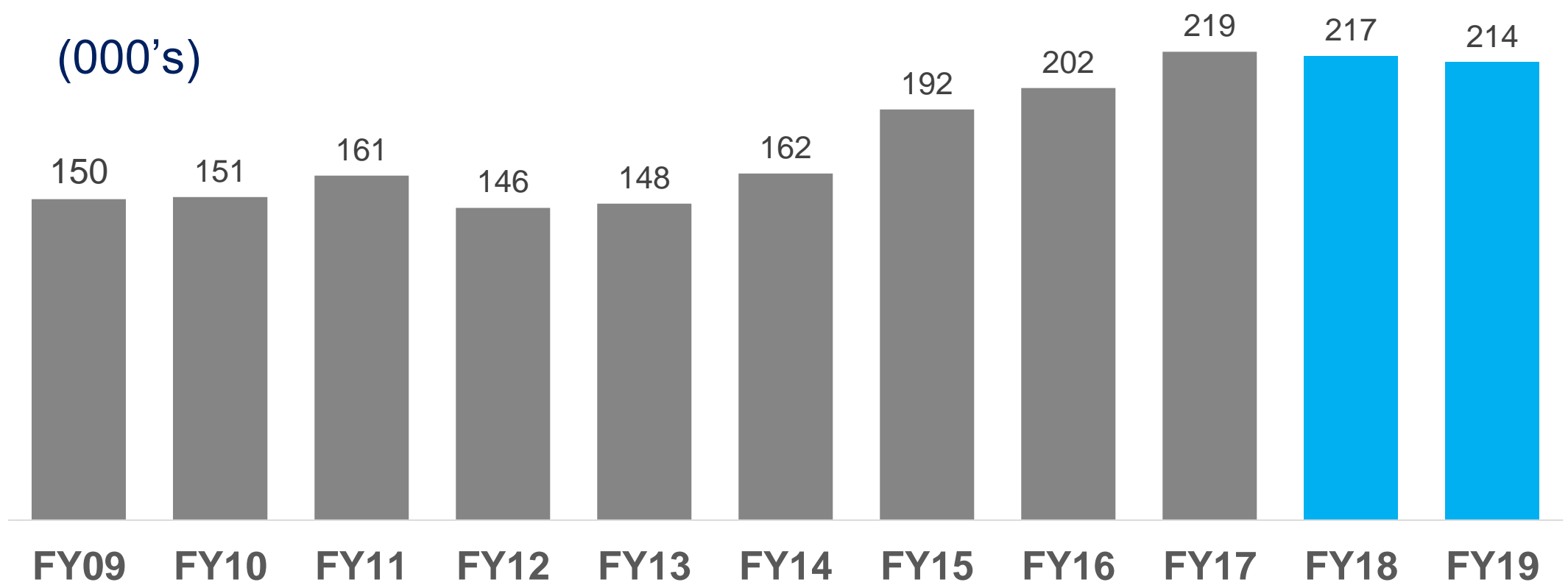
## Dwelling Approvals

(000's)



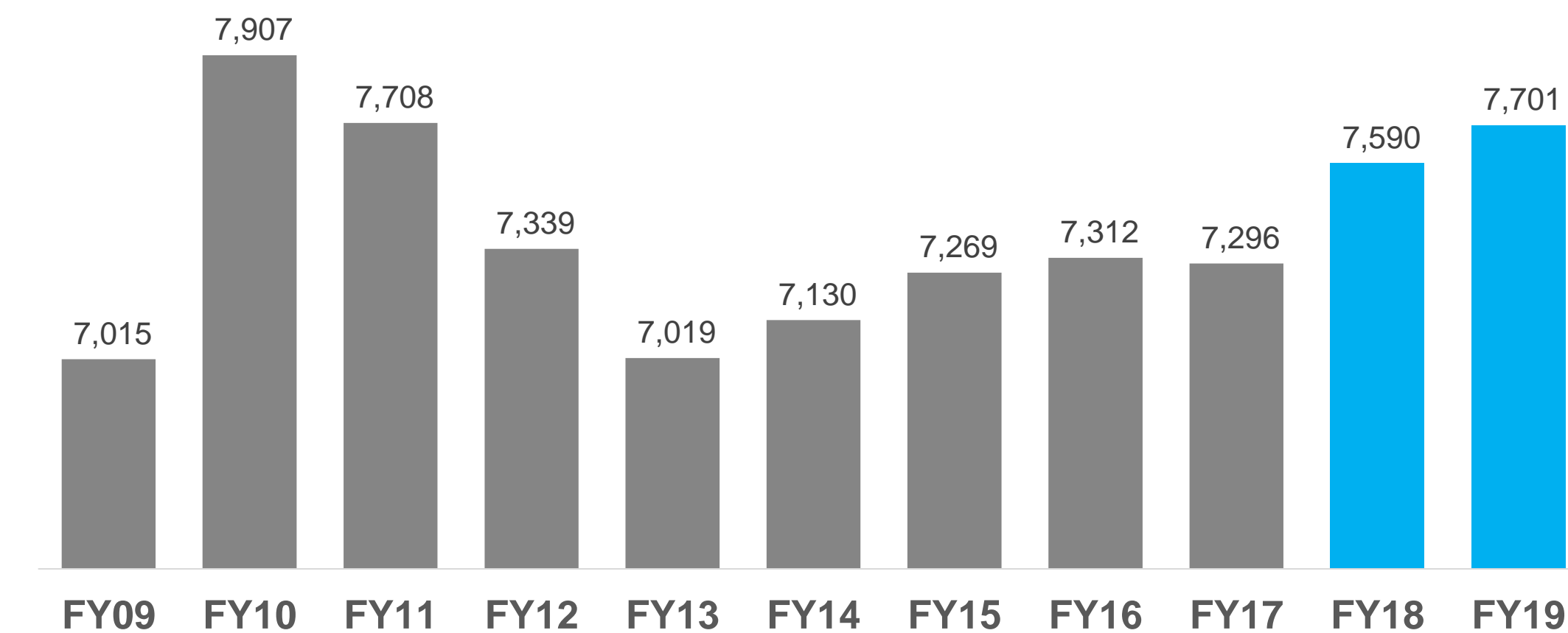
## Dwelling Completions

(000's)



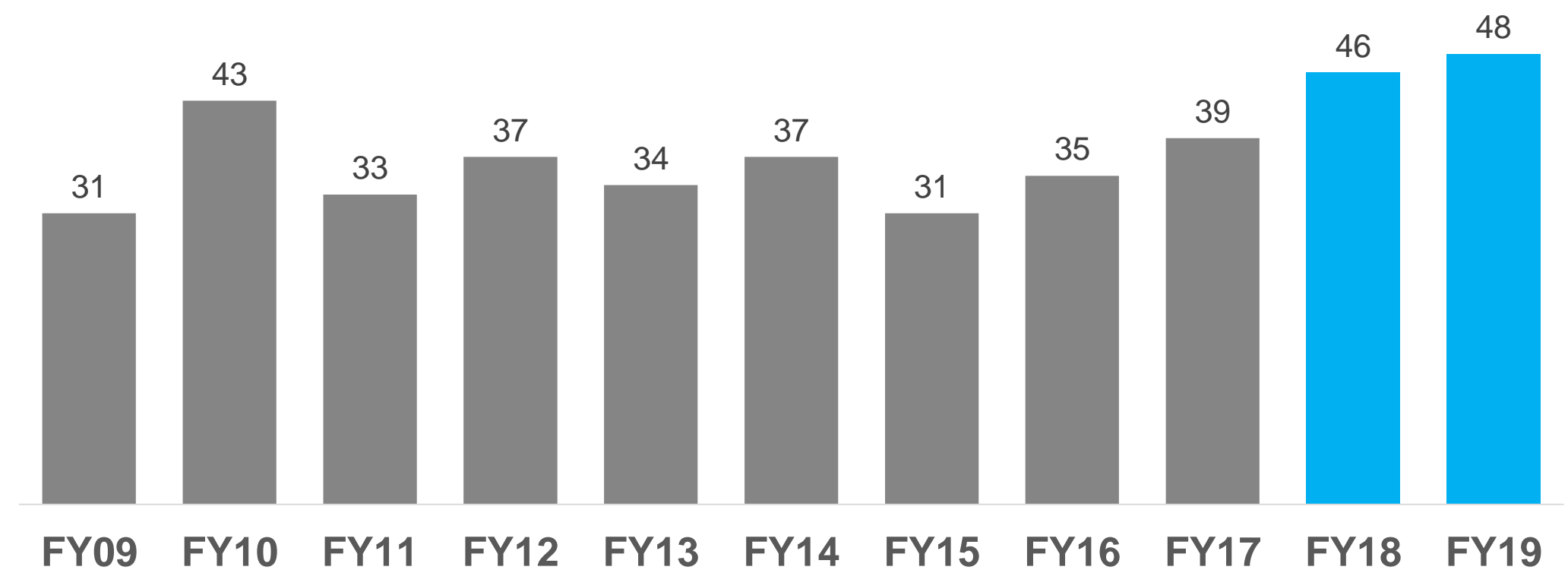
## Alterations and Additions

(000's)



## Non-residential Commencements

(000's)







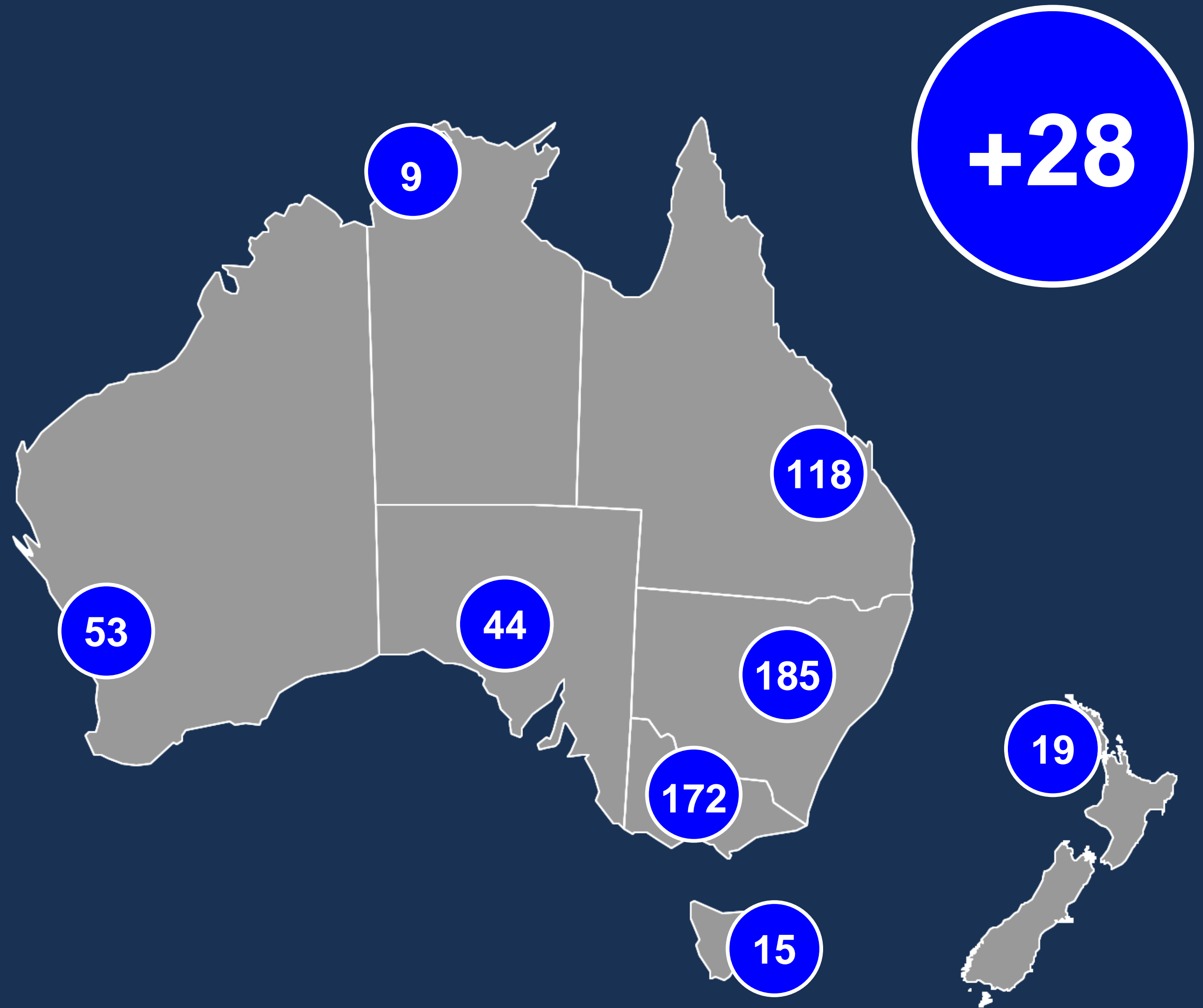
# Operational Highlights

# Three focus areas in 2018





**615**  
**OUTLETS**



\*2019 acquisitions not included



# Continue to deliver market leading products



ROTHENBERGER



Roca



henden



kaden°



# WORLD CLASS NPS

# +65





# Three focus areas in 2018





# Design and Innovation Centre, Next.

**Next**  
Innovation capability & culture

**Trout**  
Unique brand experiences

**Superseed**  
New growth opportunities





**SUPERSEED**



# reecetech



Core systems

+



Online

+



Integration

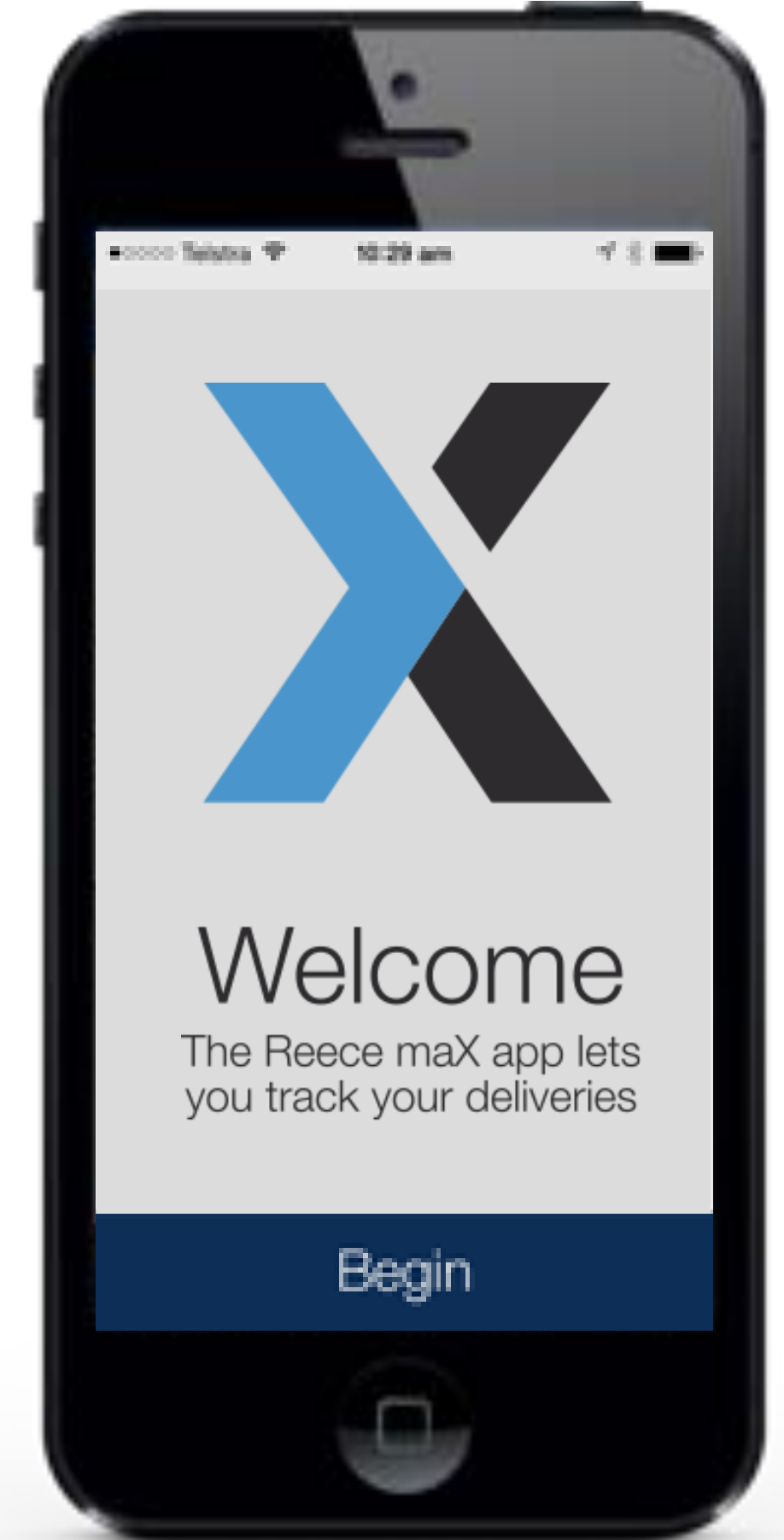
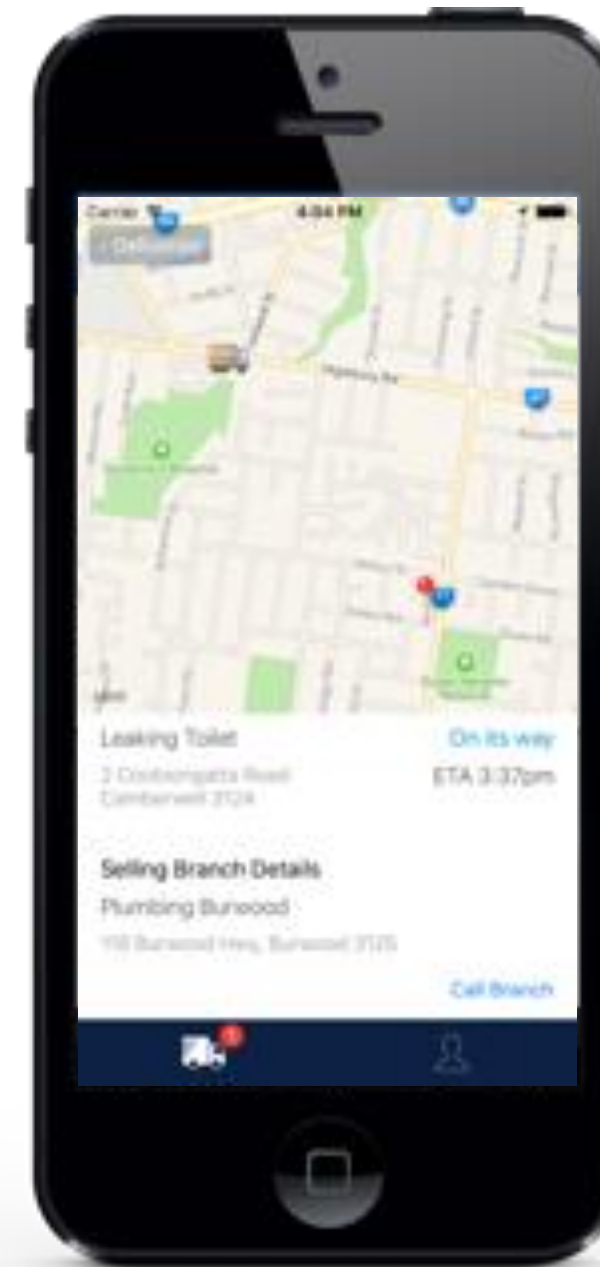
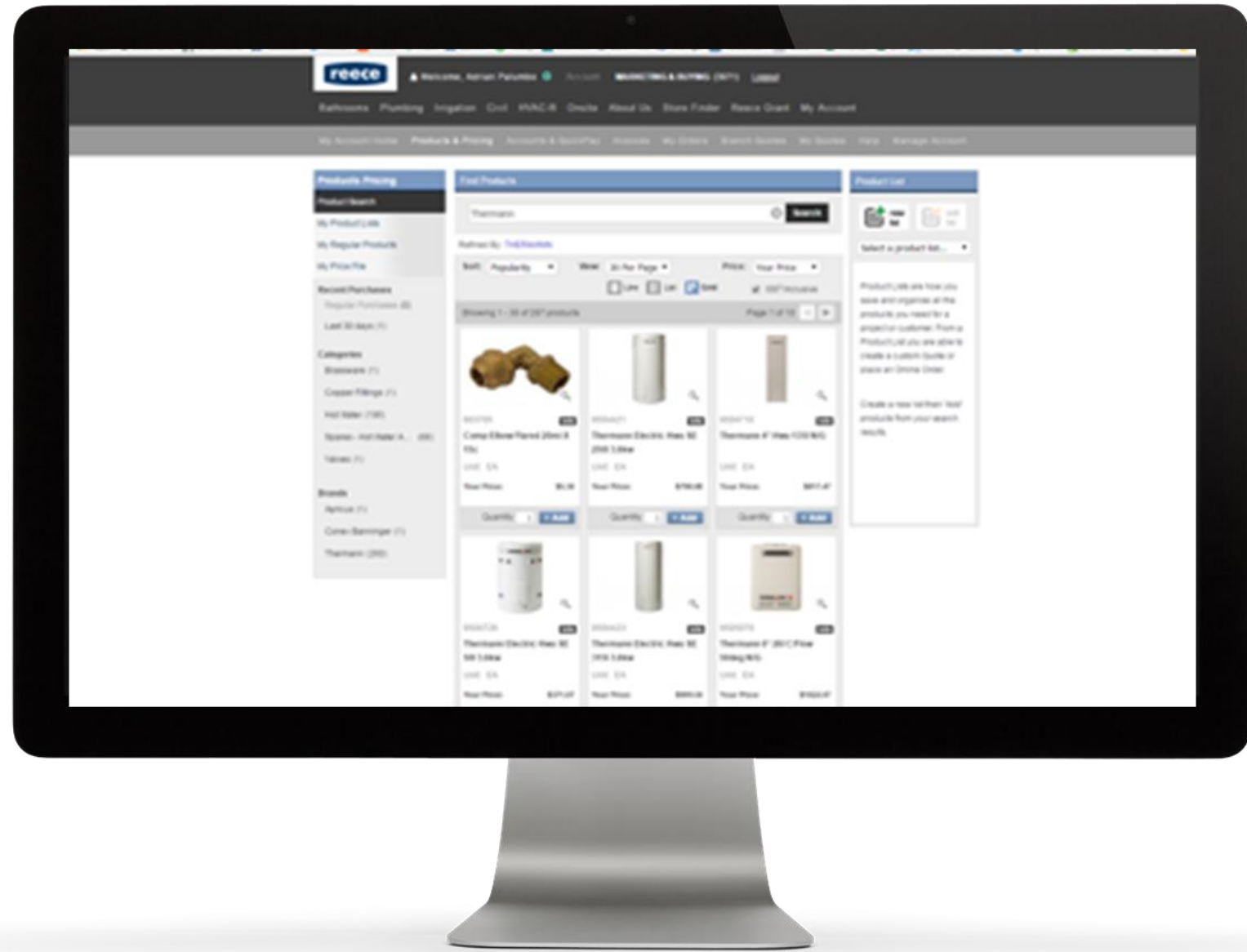
=



Digitised Reece



# max<sup>TM</sup>





# Deliver the Reece Support Centre of the future





# Three focus areas in 2018



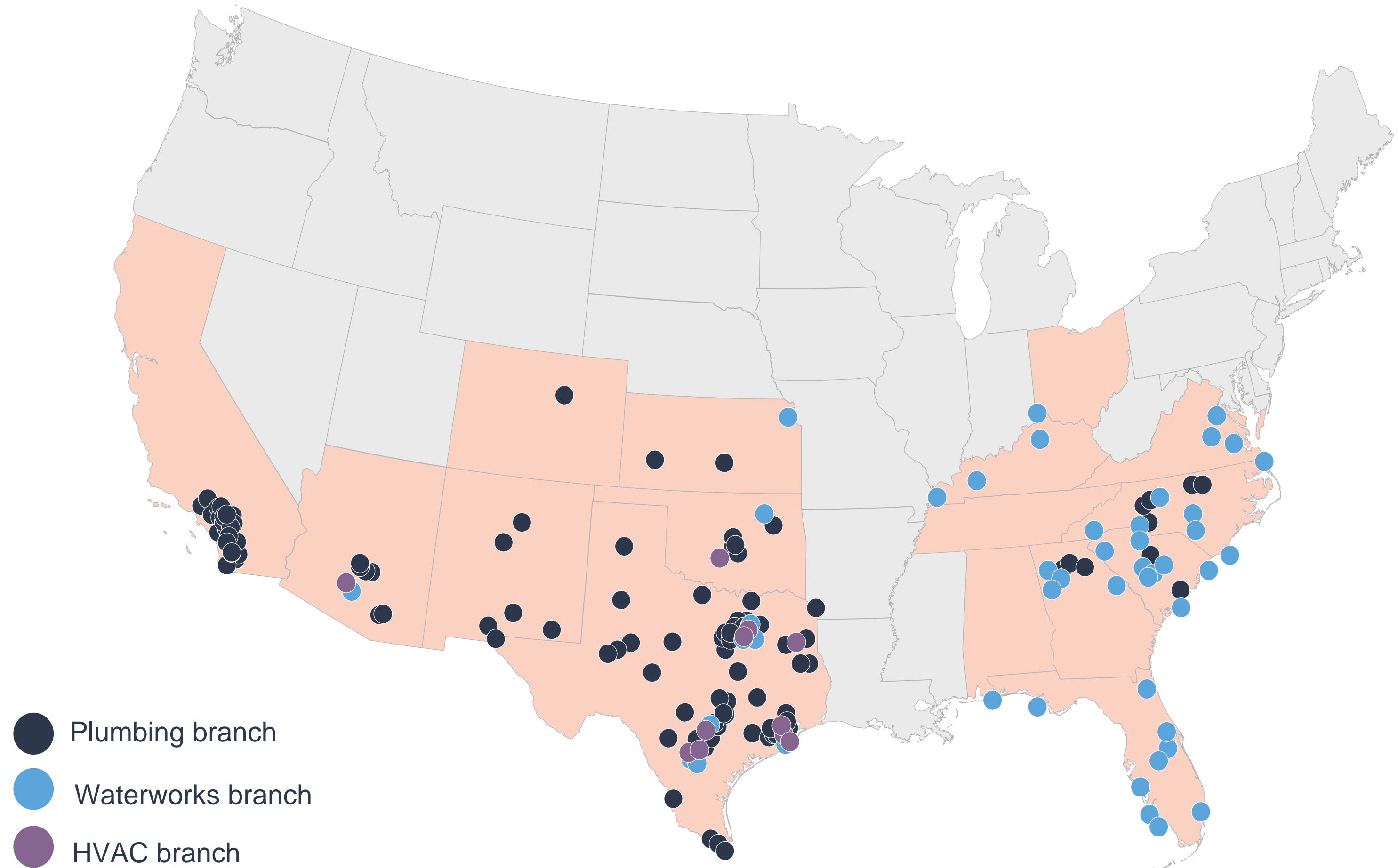


- **Strategic platform in the growing US Sun Belt region**
- **Access to large, growing markets with strong demand drivers**
- **Experienced management team with proven track record**
- **Ability to leverage operational expertise and relationships**
- **Significant opportunity to drive future organic and acquisition-led growth**



# About MORSCO

- **16 States**
- **171 Branches**
- **2,500 Employees**



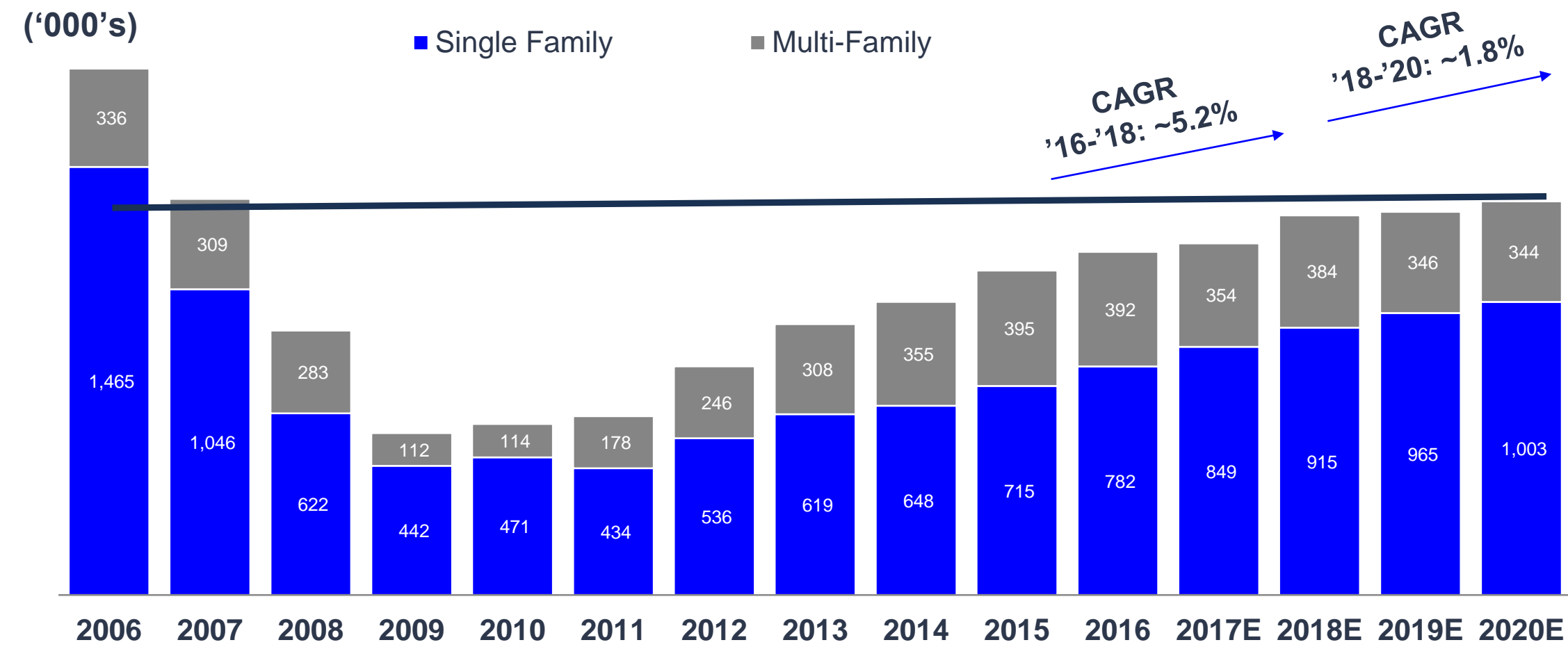


# Creating a A\$5.0bn sales plumbing, HVAC-R and waterworks distribution business



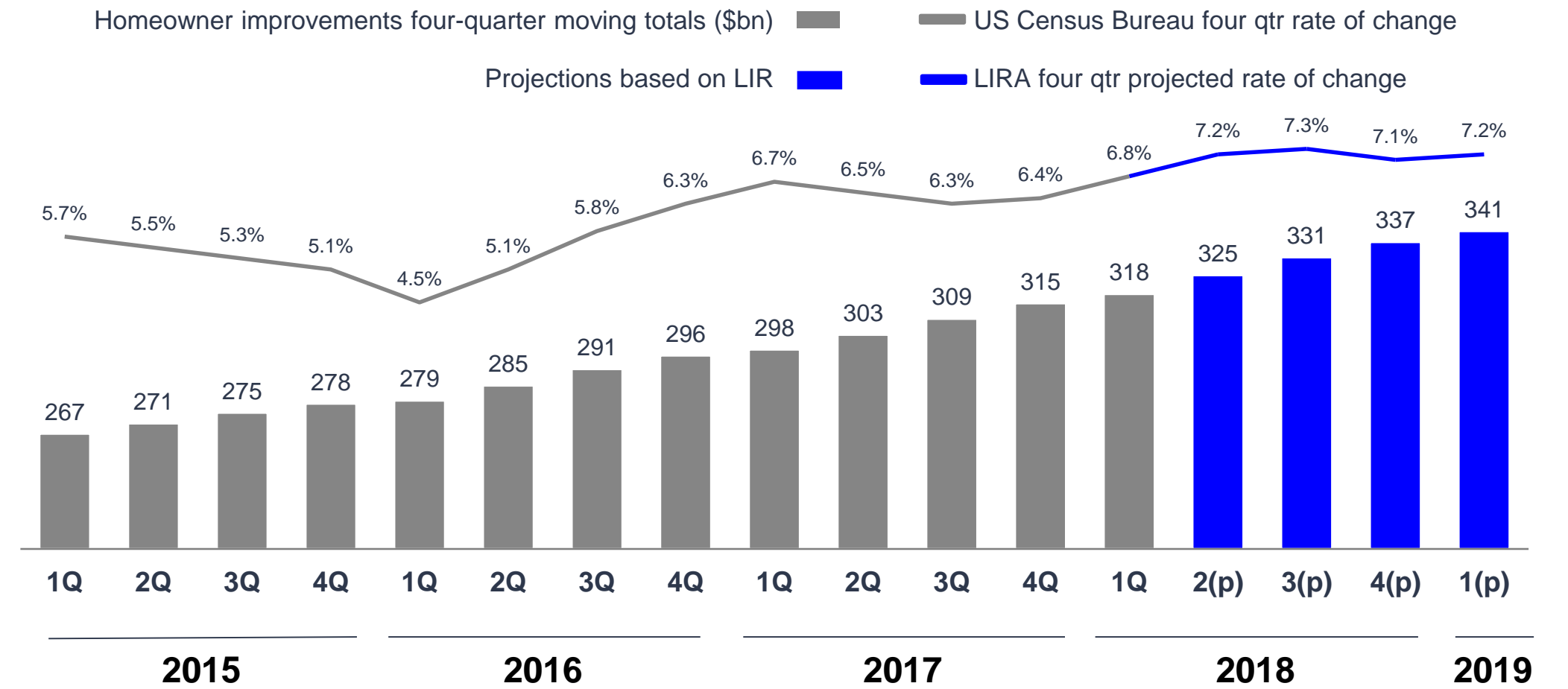
# Positive momentum sustained in US market

## Single and multi-family housing starts 2006 – 2020E



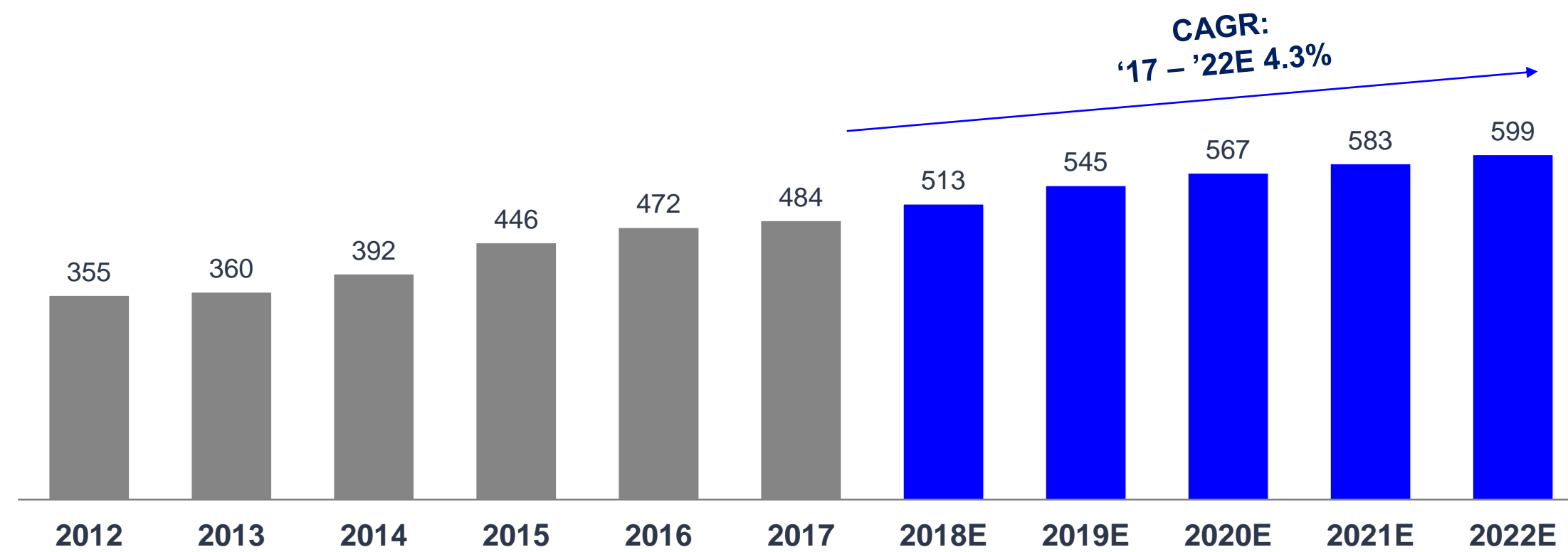
Source: National Association of Realtors Mortgage Bankers Association, Fannie Mae, National Association of Home Builders as of May 2018, John Burns Consulting as of April 2018

## Leading indicator of remodeling activity – Q1 2018



Source: Joint Center for Housing Studies of Harvard University, LIRA and U.S. Census Bureau as of Q1 2018

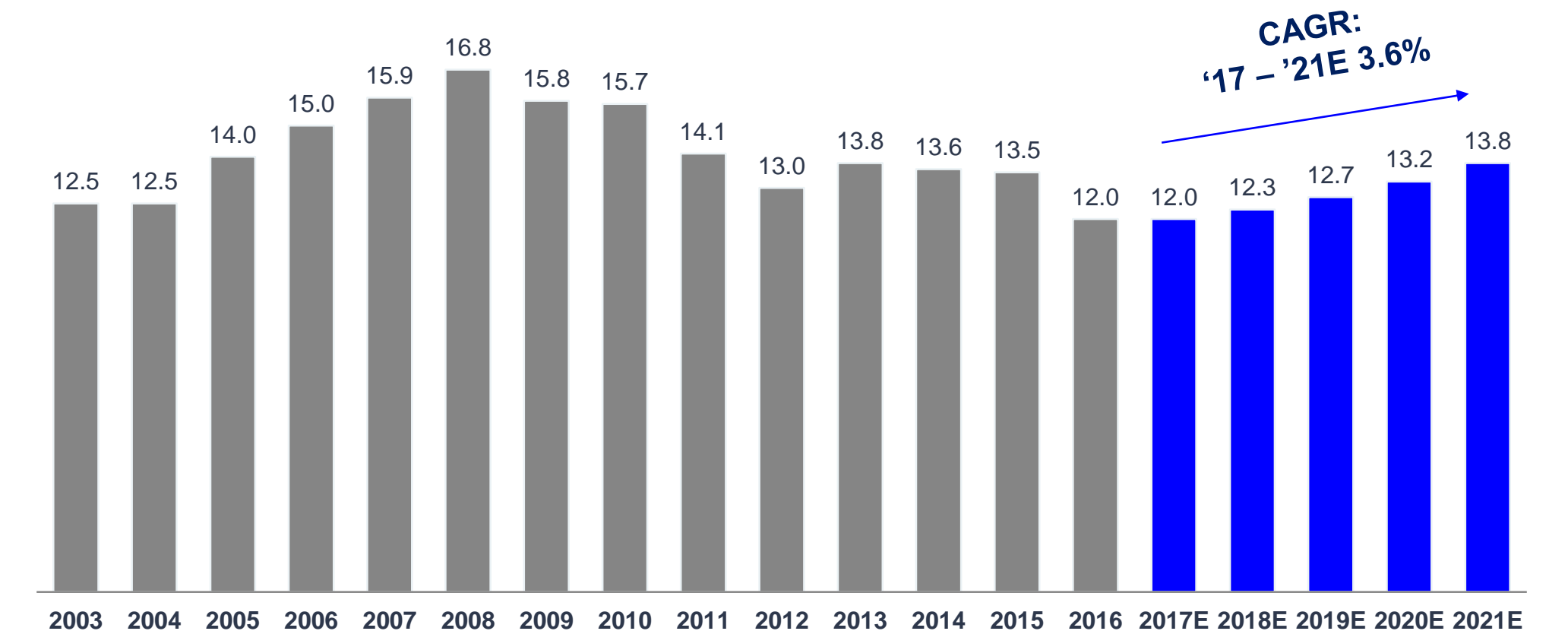
## Non-residential building construction expenditures (\$bn)



Source: FMI as of Q1 2018  
Note: Includes both private and public expenditures

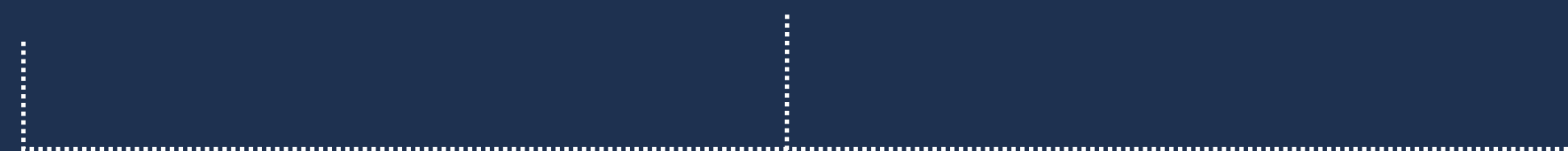
## Water Supply construction expenditures (\$bn)

Source: FMI as of Q2 2017





# Contents and agenda



Peter Wilson, CEO & MD



Gavin Street, CFO





**FY18  
Financial  
Performance**



# Results summary

June year end (A\$m)	FY18A	FY17A	Var. (%)
Net sales	\$2,689	\$2,429	10.7
EBITDA	\$378	\$359	5.4
EBIT	\$324	\$309	5.0
NPAT	\$225	\$212	6.1
EPS (cents)	45	43	4.7
DPS (cents)	20.25	20.0	1.3
<b>Key metrics</b>			
<i>EBITDA margin</i>	14.1%	14.7%	(0.6)
<i>EBIT margin</i>	12.0%	12.7%	(0.7)
<i>NPAT margin</i>	8.4%	8.7%	(0.3)

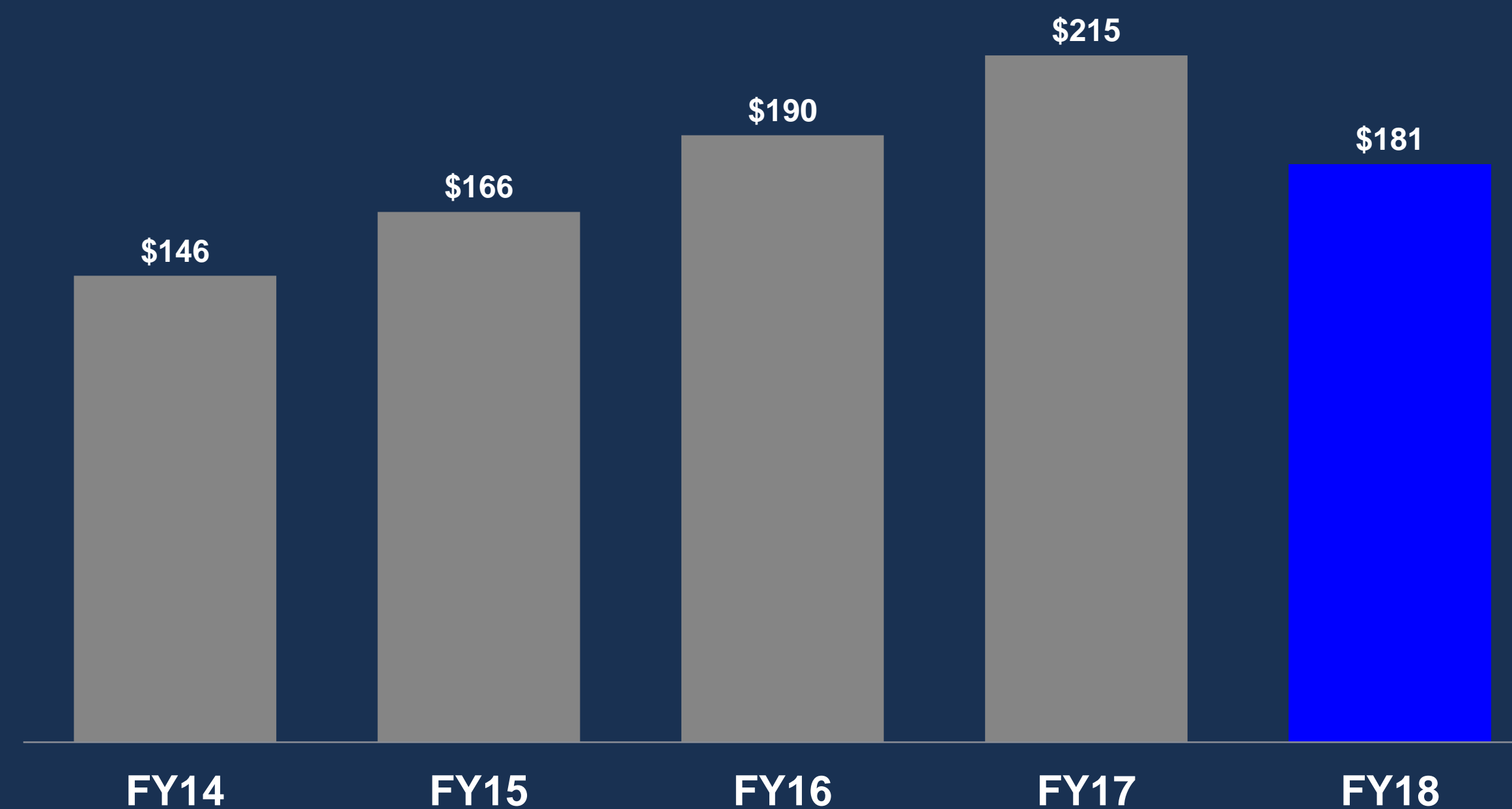
- FY18 was a record sales and profit result
- Strong performance in a market that has been resilient
- Completion of acquisitions
- Continued investment in people, technology and innovation
- Dividend in line with guidance



# Cash Flow

June year end (A\$m)	FY18A	FY17A	Var. (%)
EBITDA	378	359	5.4
Net movements in working capital	(91)	(44)	108.5
Non-cash items in EBITDA	7	3	128.4
Income Tax Paid	(109)	(98)	11.1
Finance Costs	(5)	(6)	(14.7)
Cash flow from operations	181	215	(15.8)
Capital expenditure	(88)	(95)	(7.0)
Proceeds from sale of assets	6	19	(70.5)
Business Acquisitions	(54)	(4)	1,417.0
Net Investing cash flow	44	135	(67.4)

## Historical cashflow from operations (FY14A–FY18A)



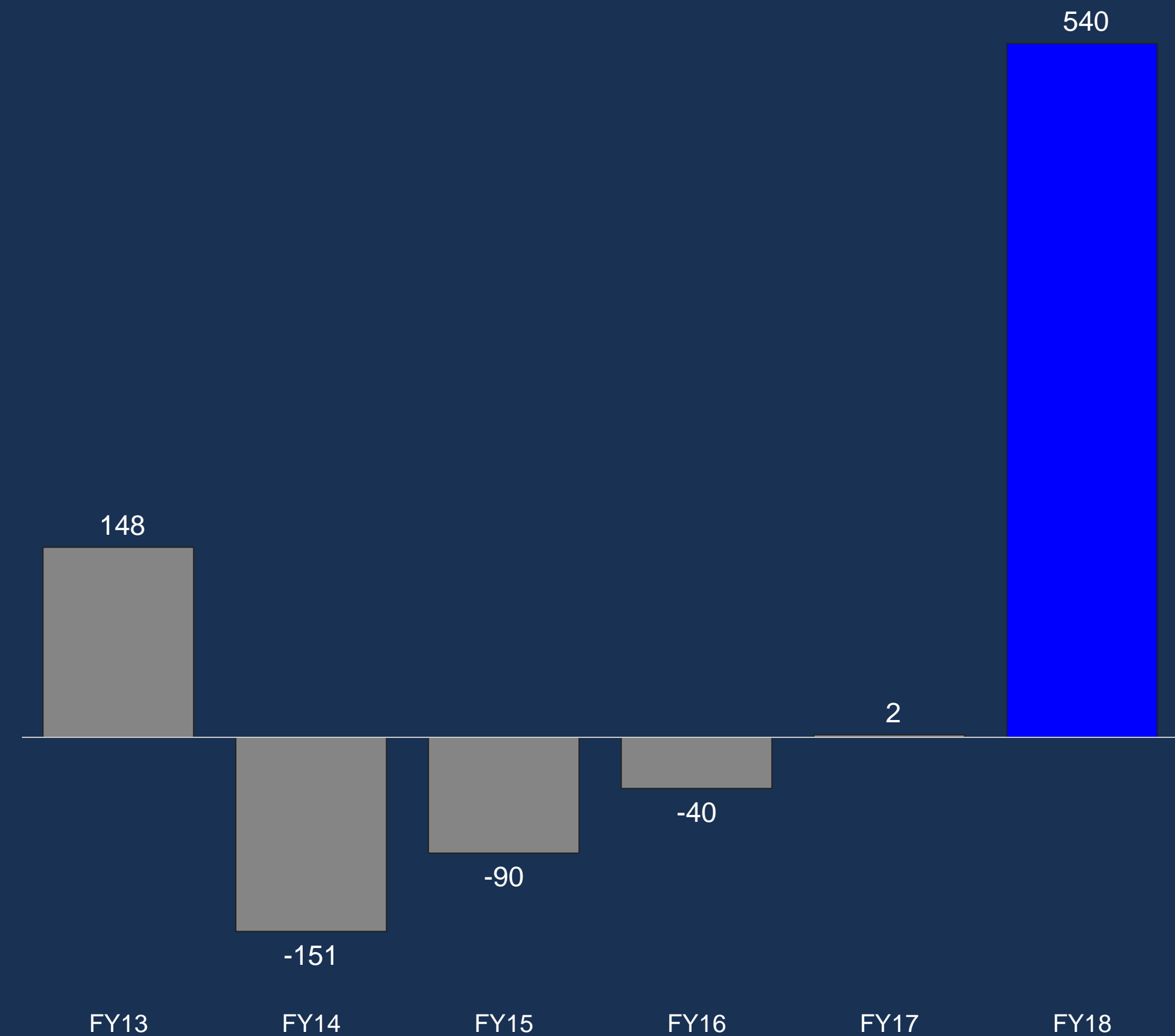


# Balance Sheet

June year end (A\$m)	As at 30 June 2018	As at 31 Dec. 2017
Cash and cash equivalents	540	50
Total debt	0	100
Net debt	(540)	50
FY18 EBIT / Net finance costs	56.7	55.6

- Balance sheet used to fund FY18 acquisitions in Australia and NZ
- Equity raise of \$600m completed in May
- Subsequently raised US\$1.1bn via US TLB to fund the acquisition of MORSCO
- Repaid \$100m loan facility

# Net debt





# FY18 Summary

**Strong financial position**

**Investing in the future**

**World-class customer experience**

**Innovation and digitisation focus**

**Acquisition of MORSCO**





# Q&As



**Thank you**