

ASX Announcement

28 August 2019

Reece Limited FY19 Full Year Results

Key financial highlights

- Sales revenue up 103% to \$5,464m
- Normalised EBITDA up 38% to \$522m
- EBIT up 17% to \$380m
- Normalised NPAT up 6% to \$238m
- Statutory NPAT down 10% to \$202m

Reece Limited (“Reece Group”; ASX: REH) today announces its financial results for the year ending 30 June 2019.

The Company delivered record sales revenue of \$5,464m, up 103%, including a full 12-month contribution from MORSCO. Normalised Earnings Before Interest Tax Depreciation and Amortisation (“EBITDA”) increased by 38% to \$522m.

Peter Wilson, CEO and Managing Director of Reece Group said: “FY19 has been a year of transition, from local to global. We continue to grow our market leading position in Australia and New Zealand while writing our next chapter as a diversified and global business.”

“Our first year as a global business has seen MORSCO perform in line with expectations, with no surprises following a very thorough pre-purchase due diligence. The last year has seen the US team lay foundations for the future.

“Closer to home, our relentless attention on our customer is more important than ever. We continue to tailor in-store and online experiences to individual needs. Our exclusive brands, quality products, innovation and superior support are key to the success of our customers,” Mr Wilson said.

2019 Financial Summary

Year ending 30 June 2019 (A\$m)	FY19A	FY18A	Variance (%)
Net Sales	\$5,464	\$2,689	↑ 103
Normalised EBITDA*	\$522	\$378	↑ 38
EBIT	\$380	\$324	↑ 17
Normalised NPAT**	\$238	\$225	↑ 6
NPAT	\$202	\$225	↓ 10

DPS (cents)	20.25	20.25	→ 0
Total Dividend	\$114	\$110	↑ 3

*excludes business acquisition costs, finance income and fair value inventory unwind

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Review of Operations

Sales revenue was up 103% to a record \$5,464m. ANZ revenue was up 6.6% to \$2,866m, a record result for the Company. Mr Wilson said “We achieved record sales revenue in our ANZ business despite an economy that was slowing in the second half of FY19. With new housing approvals coming off record highs, we have continued to focus on our customers, investing in the business for the long-term and driving productivity opportunities”.

US sales revenue was \$2,598m, in line with expectations. Mr Wilson said “The MORSCO business has performed well in our first year of operations. The US economy continued to grow, particularly in the Sun-Belt region”.

MORSCO leadership changes

Following Reece’s acquisition of MORSCO in July 2018, the Group has undertaken 12 months of intensive listening and learning, to better understand the US business, its strengths and growth opportunities. The integration has now progressed, and the US team are focussing on long-term success in the US, with the support of the Reece Group.

Having led the acquisition and integration of MORSCO into the Reece Group, Sasha Nikolic has provided expert guidance to the business and will continue to drive its success as CEO of MORSCO, effective 1 September. Mr Nikolic has been with Reece for over a decade in numerous roles including CFO, Actrol Leader, Operations Support Leader and most recently in the US as Chief Transformation Officer at MORSCO.

Chip Hornsby will move into the role of Executive Chair of MORSCO. In this role he will continue to leverage the immense value of his industry relationships and knowledge to drive the strategic direction of MORSCO. Mr Hornsby has over 40 years’ experience in the industry and is invaluable to MORSCO and its future success.

Dividend

The Board has declared a fully franked final dividend of 14.25 cents per share. This brings the total dividend for financial year to 20.25 cents. The record date for the dividend is 9 October 2019 and will be paid on 30 October 2019.

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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 800 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 7,800 employees committed to improving the lives of their customers by striving for greatness every day.

For further information on Reece Group and its portfolio of businesses please visit www.reecegroup.com.au.