

**ASX Announcement**

30 October 2019

## 2019 AGM - Address to Shareholders

Reece Limited (“Reece Group”; ASX: REH) today provides a transcript of Chairman’s and CEO & Managing Director’s address to shareholders at today’s AGM.

**Alan Wilson, Chairman:**

Reece achieved a record sales revenue of \$5.5 billion up 103% on the prior year and included a full 12-month contribution from MORSCO. Normalised EBITDA amortisation was up 38% to \$522m with Normalised NPAT up 6% to \$238m.

In Australia and New Zealand we have continued to grow sales revenue in a more challenging environment where housing market has come off record highs. In the US we completed our first full 12-months ownership of MORSCO with the business on track.

Total dividends paid and to be paid for the year ending 30 June 2019 were 20.25 cents per share.

The final fully franked dividend of 14.25 cents per share will be paid today, the 30 October 2019.

I will now pass you over to our CEO & MD, Peter Wilson, who will take you through our financial year 2019 results.

**Peter Wilson, CEO & Managing Director:**

It has again been a successful year for the Reece Group. After our historic acquisition of MORSCO, 2019 was a year of transition. We transitioned from a local to global business. Throughout, we’ve continued to deliver the world-class customer experience that we’re known for, while working with our US colleagues to build a growth strategy for the US Sun-Belt region.

We started on our journey toward being a successful, global business and we’ve created the right environment and the right leadership to support this. In Australia and New Zealand, we accelerated our digital customer experience. This has meant that we have invested heavily in our innovation and technology capabilities. In the US, we’ve spent considerable time understanding the business and getting the foundations right for the future.

**Performance**

In FY19 we achieved another record sales performance with sales revenue up 103% to \$5.5 billion. Sales revenue for ANZ was up 6.6% for the year, to \$2.9 billion. This continues our strong growth of previous years. Like for like sales are up 3.2% and we believe this is faster than the market. Sales revenue in the US was \$2.6 billion, in line with our budget, and expectations.

We achieved a record normalised EBITDA of \$522 million. An increase of 38% on last year. The cost of doing business was up 100% on the prior year and reflects the impact of our MORSCO and the New Zealand acquisitions, as well as our continued investment in people, technology and innovation.

Normalised NPAT was up 6% to \$238 million, our Statutory NPAT was down 10%. This result was impacted by acquisition costs for MORSCO and New Zealand of approximately \$40 million. The Group also recognised amortisation relating to the purchase of MORSCO in the FY19 accounts, this amounted to approximately \$42 million.

We feel that the 2019 result is a very solid result, given the underlying economic conditions and the position we face in the housing cycle.

## Business Highlights

The last year has seen the US team lay foundations for the future and key Reece employees who commenced long term secondments to MORSCO have settled in well. In January, MORSCO moved to a new head office from Fort Worth to Dallas, creating the right environment to support our growing network.

As we announced at full year results, Sasha Nikolic will continue to drive MORSCO's success, and on 1 September became the Chief Executive Officer of MORSCO, with Chip Hornsby moving into the role of Executive Chair, of MORSCO. In Chip's new role, he will leverage his deep industry knowledge and relationships to help steer the strategic direction of MORSCO, while continuing to play a mentoring role to Sasha. A few months ago, Manny Perez, former president and CEO of POOLCORP joined the Board of MORSCO.

In Australia and New Zealand, we want to win in a digital world, and with the relaunch of our mobile app maX, our online sales increased by 69% for the year. We're seeing record levels of engagement and activity. We want maX to become a key part of our customers' digital ecosystem and integrate with their administration platforms. maX already integrates with Australia's two leading accounting platforms, MYOB and Xero, and this year we connected maX with a job management software package called AroFlo. This allows our customers to use their software in parallel with maX, providing them with complete visibility over every order.

We're also excited to announce, that Ben Chan, who was the Chief Operating Officer of Envato, the world's leading online marketplace for digital content and creatives, will join Reece as our Chief Customer Experience and Commercial Officer on 1 November 2019. Ben is a rare talent, and joins Marcos Kurowski, who was appointed Chief Technology Officer, last year, to help lead the digital transformation of Reece.

Our ventures arm, Superseed, tasked with advancing ideas that shape the future, identified the need for tradies to contact other reliable contractors with ease. This insight led us to develop Australia's fastest growing tradie network called "Goodwork". In the first year alone, the app has been embraced by 20,000 members. Together, these members have created more than 4,000 projects. Our innovation efforts are also starting to get recognised, Reece came 3rd in the AFR's most innovative companies list for Property and Construction. The judging panel considered our innovation process, our culture and the development of Goodwork.

## Investing in our People and the Community

This year we created a new approach to corporate social responsibility through Reece Cares. The program is aimed at improving the lives of our people, our customers and the community. It included launching our first innovate Reconciliation Action Plan, to support Aboriginal and Torres Strait Islander peoples, businesses and their communities. It also includes a workplace giving platform, with Reece matching our people's pre-tax charitable donations up to \$500 per year. In 2019 we announced our three-year charity partners, SANE, Baker Heart and Diabetes Institute and The Reach Foundation and we've started to work with them there on hero projects impacting the causes that have the greatest impact on our people and customers. These include mental health, men's health, disease prevention, supporting rural and regional communities and creating youth employment pathways.

In summary, the MORSCO acquisition was an important milestone in our history, to diversify our business and provide a growth platform into the future. In this year of transition, our focus is, as always, on setting ourselves up for the long term. Today, Reece is a multifaceted, globally diverse business. We are committed to staying ahead of our customers' ever-changing needs by investing in technology, innovation and the capability of our people. With our strategic blueprint in place, we get the opportunity to write our next chapter, deliver on our promise of customised service in a digital world and build on our growth platform in the US Sun-Belt region.

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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 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](http://www.reecegroup.com.au).