

Reece Limited
(ABN 49 004 313 133)
and controlled entities

FINANCIAL INFORMATION
FOR THE YEAR ENDED
30 JUNE 2018

PROVIDED TO THE ASX
UNDER LISTING RULE 4.3A



Appendix 4E

Preliminary Final report

Reece Limited
(ABN 49 004 313 133)

1. Reporting period

Report for the financial year ended 30 June 2018

Previous corresponding period is the financial year ended 30 June 2017

2. Results for announcement to the market

		\$A'000
Revenues from ordinary activities	Up 10.7% to	2,688,576
Earnings before interest, tax, depreciation and amortisation	Up 5.4% to	378,323
Profit before tax	Up 5.4% to	319,441
Profit from ordinary activities after tax attributable to members	Up 6.1% to	224,620
Total Comprehensive income for the period attributable to members	Up 8.5% to	228,744

Dividends	Amount per security	Franked amount per security
Interim dividend	6.0 cents	6.0 cents
Final dividend	14.25 cents	14.25 cents
Record date for determining entitlements to the dividend		10 October 2018

3. Statement Of Comprehensive Income

Consolidated Statement Comprehensive Income

	Consolidated Entity	
	2018 (\$000s)	2017 (\$000s)
Revenue and other income		
Sales revenue	2,688,576	2,429,307
Other income	2,780	1,651
	2,691,356	2,430,958
Less: Expenses		
Cost of goods sold	1,799,481	1,619,208
Employee benefits expense	299,730	266,360
Depreciation	53,847	49,956
Finance costs	5,035	5,901
Other expenses	213,822	186,486
Profit before income tax	319,441	303,047
Income tax expense	94,821	91,256
Net Profit for the year from continuing operations	224,620	211,791
Other Comprehensive Income		
Items that maybe reclassified subsequently to profit and loss:		
Exchange differences on translation of foreign operations, net of tax	(1,204)	(43)
Cash flow FX hedge, net of tax	5,328	(849)
Total comprehensive income	228,744	210,899
Basic earnings per share	45 cents	43 cents
Diluted earnings per share	45 cents	43 cents

4. Statement of Financial Position

Consolidated Balance Sheet

	Consolidated Entity	
	2018 (\$000s)	2017 (\$000s)
Current Assets		
Cash and cash equivalents	539,891	101,805
Receivables	410,212	360,912
Inventories	540,564	457,063
Total Current Assets	1,490,667	919,780
Non-Current Assets		
Property, plant and equipment	568,714	528,908
Intangible assets	225,741	205,169
Deferred tax assets	39,125	34,089
Total Non-Current Assets	833,580	768,166
Total Assets	2,324,247	1,687,946
Current Liabilities		
Payables	369,557	353,942
Current tax payable	7,624	16,171
Provisions	60,013	54,585
Total Current Liabilities	437,194	424,698
Non-Current Liabilities		
Long-term payables	2,212	1,863
Long-term borrowings	-	100,000
Provisions	4,003	3,084
Total Non-Current Liabilities	6,215	104,947
Total Liabilities	443,409	529,645
Net Assets	1,880,838	1,158,301
Equity		
Contributed equity	604,349	9,960
Reserves	7,872	3,748
Retained earnings	1,268,617	1,144,593
Total Equity	1,880,838	1,158,301

5. Statement of Cash Flows

Consolidated Statement of Cash Flows

	Consolidated Entity	
	2018 (\$000s)	2017 (\$000s)
Cash flow from operating activities		
Receipts from customers	2,926,274	2,643,569
Payments to suppliers and employees	(2,633,037)	(2,325,738)
Interest received	1,987	1,065
Finance costs	(5,753)	(6,372)
Income tax paid	(108,546)	(97,715)
Net cash provided by operating activities	180,925	214,809
Cash flow from investing activities		
Payment for property, plant and equipment	(88,244)	(94,883)
Payment for intangibles	-	(282)
Payment for business acquisitions	(54,050)	(3,563)
Proceeds from sale of property, plant and equipment	5,662	19,225
Net cash used in investing activities	(136,632)	(79,503)
Cash flow from financing activities		
Proceeds from capital raising	594,389	-
Dividends paid	(100,596)	(93,624)
Repayments of borrowings	(282,000)	(160,000)
Proceeds from borrowings	182,000	115,000
Net cash used in financing activities	393,793	(138,624)
Net (decrease)/ Increase in cash and cash equivalents	438,086	(3,318)
Cash and cash equivalents at the beginning of the year	101,805	105,123
Cash and cash equivalents at the end of the year	539,891	101,805

6. Dividends

	Date of payment	Total amount of dividend \$
Interim dividend – year ended 30 June 2018	29 March 2018	29,880,000
Final dividend – year ended 30 June 2018	25 October 2018	79,917,257

Amount per ordinary security		Amount per security	Franked amount per security
Final dividend:	Current year	14.25 cents	14.25 cents (at 30% tax rate)
	Previous year	14.20 cents	14.20 cents (at 30% tax rate)
Interim dividend:	Current year	6.0 cents	6.0 cents (at 30% tax rate)
	Previous year	5.8 cents	5.8 cents (at 30% tax rate)

Total dividend per security	Current period	Previous period
Ordinary securities	20.25 cents	20.0 cents

7. Statement of retained earnings

	Consolidated Entity	
	2018 (\$000's)	2017 (\$000's)
Balance at beginning of year	1,144,593	1,026,426
Net profit attributable to members of the parent entity	224,620	211,791
Dividends paid	(100,596)	(93,624)
Balance at end of year	1,268,617	1,144,593

8. Net tangible assets per security

	Current period	Previous corresponding period
Net tangible asset backing per ordinary security	288 cents	164 cents

9. The financial information provided in the Appendix 4E has been prepared in accordance with Australian Accounting Standards.

10. Commentary on the results for the period

For the year ending 30 June 2018, total revenue increased by 10.7% to \$2,691m (2017: \$2,431m), a record result for the Reece Group. Profit before tax was up 5.4% to \$319.4m (2017: \$303.0m) and net profit after tax was \$224.6m, an increase of 6.1% on the previous year (2017: \$211.8m).

This year, the business continued to grow our branch network, adding 28 branches. This included opening 12 new branches and integrating 16 following the acquisition of Viadux (September 2017) and Heatcraft New Zealand (May 2018).

Viadux is a leading Australian distributor of water pipeline systems to the civil and industrial markets; while Heatcraft New Zealand is a leading HVAC-R distributor. These acquisitions complement the Reece Group's portfolio of strategic businesses.

In July 2018, the Reece Group acquired New Zealand plumbing business, Edward Gibbon. This acquisition builds on our existing branch network in the North and South Islands, enabling national coverage with 10 new branches supported by our distribution centre in Auckland.

In addition to the acquisitions in Australia and New Zealand, Reece Group completed the acquisition of MORSCO in July 2018 through a debt and equity raising. MORSCO is a leading US-based plumbing, HVAC and waterworks distribution business servicing customers in 16 states in the Sun Belt region.

During the year, the Reece Group has continued to invest in the core business. The cost of doing business increased by 12.5% to \$572.4m (2017: \$508.7m) due to the investment in people and technology. Employee benefits expense was up 12.5% to \$299.7m (2017: \$266.4). This reflects the continued investment in people related to our organic and acquisition-led growth and investment in people to develop our technology and service offering. Reece has continued the development of its digital platform to allow customers to transact with Reece in store, online and through mobile devices.

The customer satisfaction score increased again this year to a new record. Customers for life is a core value for the Reece Group and the Company has continued to ask for customer feedback, listen and develop action plans to improve products and services.

The New Zealand distribution centre was fully operational in July 2017, adding to the five distribution centres operating in Melbourne, Sydney, Brisbane and Perth. This logistics capability is market leading and will continue to support the growing branch network. Inventory levels increased to \$540.6m up 18.3% on the previous year (2017: \$457.1m), driven by the growth of the business, acquisitions and the introduction of new products and improved service levels.

The \$600m equity raising completed in May 2018 was utilised to pay down existing borrowings (\$100m) and increased the cash balance to \$539.9m as at 30 June 2018 (2017: \$101.8m). Property, plant and equipment increased by 7.5% to \$568.7m as a result of the investment in the branch network and assets acquired as a part of the acquisitions in Australia and New Zealand.

The Board has declared a final dividend of 14.25 cents per share fully franked. The final dividend will be paid on 25 October 2018 with the record date for entitlement of 10 October 2018. Total dividends paid and to be paid relating to the year ended 30 June 2018 will be 20.25 cents per share (2017: 20 cents per share), an increase of 1.3% over the previous year.

11. The audit has been completed

The financial report is not subject to audit dispute or qualification.

The annual general meeting will be held as follows:

Place	Time	Date
Sofitel Melbourne on Collins 25 Collins Street Melbourne, Victoria	3.00 pm	25 October 2018

Approximate date the annual report will be distributed
20 September 2018

G W Street
Company Secretary
30 August 2018

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Reece Limited
A.B.N. 49 004 313 133