

Reece Limited FY 2016 Full Year Results

Highlights

- Sales Revenue was up 9.2% to \$2,276 million
- Profit before tax and unrealised loss on foreign exchange contracts up 23.2% to \$280.7 million
- Net Profit after Tax up 16.1% to \$192.2 million
- Total Dividend for FY 2016 up 21.1% to 92 cents

Business Overview

Reece Limited today announced record sales and profit results. Sales revenue was \$2,276m up 9.2% on the prior year (2015: \$2,085m). Net profit before tax and unrealised loss or gain on foreign exchange contracts was \$280.7m, up 23.2% on the prior year (2015: \$227.9m) and net profit after tax increased by 16.1% to \$192.2m (2015: \$165.6m).

Reece Limited CEO, Peter Wilson, said "It was another very good year for Reece with record sales, profitability and dividends. We also improved on both our customer and staff satisfaction results." The group has continued to utilise forward exchange contracts to manage currency risk. With the AUD being less volatile than previous years, Reece recorded an unrealised loss on foreign exchange contracts of \$0.8m compared to an unrealised gain of \$10.4m in FY 2015.

The profit after tax result included the profit on sale of a property in NSW and the recognition of an impairment charge on goodwill. Peter Wilson commented "The integration of the Actrol Group is now complete and we have a very good understanding of the business. As a result of undertaking a detailed review we have recognised an impairment of goodwill for AC Components, a subsidiary of the Actrol Group." Whilst the impairment was recognised in the current year the CEO, Peter Wilson added "The Actrol Group is an important part the Reece Group continuing to deliver value to our shareholders."

Business Investment

Reece has continued to develop its logistic capability with new distribution centres opened in Perth and Sydney to complement the existing distribution centres in Melbourne and Brisbane. Peter Wilson commented "We have market leading logistics capability to support the growth of the business into the future and continue to deliver a great service to our customers."

In addition to the new distribution centres, Reece opened six new branches during the year and continued to invest in the branch refurbishment program. Peter Wilson said “We are committed to providing a great in store experience to our customers. We launched our latest BathroomLife design, developed the new store layout for AC Components and Actrol and continued to refurbish existing branches.”

Reece also launched new customer applications and improved the online offering for both trade and retail customers. Peter Wilson commented “We developed a new delivery app for our customers allowing them to track and receive notification of deliveries and be kept updated at all times.” During the year Reece launched a number of new products, the CEO commented “We launched a number of great new products during the year and increased our range of exclusive brands. We also conducted a number of trade shows providing the opportunity for our customers to learn more about our products.”

The Reece Grant was launched helping Reece customers undertake important projects in the community. Peter Wilson said “It has been a privilege for us to be able to support our customers doing some amazing projects, changing lives and making a real difference to a local community.” In addition to the Reece Grant the business has continued to focus on sustainability. Solar panels have been installed in several branches across the country, with work currently underway on more branches.

The customer satisfaction and staff satisfaction surveys both increased on the prior year, CEO Peter Wilson commented “Both our customer and staff satisfaction results were a record. As an organisation we are committed to improving the lives of our customers and staff by living our mantra of *striving for greatness every day*. We have continued to invest in the training and development of our people to allow us to deliver great service to our customers.”

The Reece Group is in a very strong financial position. Net assets increased by 12.4% to \$1,041m, costs continued to be well managed and the business maintained a very strong cash position.

Dividend

The Board announced a final dividend of 65 cents per fully franked share to be paid on the 27th October 2016, with a record date for entitlement being 11th October 2016. Total dividends to be paid for FY 2016 were up 21.1% over the prior year to 92 cents.

Summary

Reece Limited CEO, Peter Wilson, said “It was a record year for the Reece Group, building activity was at historical highs and we have continued to invest in our business. Although we are expecting building activity to slow in FY 2017, the Reece Group is very well positioned to deliver on its FY 2017 objectives.”