



<b>Company</b>	Reece
<b>Code</b>	REH
<b>Meeting</b>	AGM
<b>Date</b>	Wednesday 30 October 2019
<b>Venue</b>	Grand Hyatt Melbourne
<b>Monitor</b>	John Whittington assisted by Michael Muntisov

<b>Number attendees at meeting</b>	39 shareholders plus 66 visitors
<b>Number of holdings represented by ASA</b>	33
<b>Value of proxies</b>	\$4.4m
<b>Number of shares represented by ASA</b>	440,217 (outside the top 20 largest holders)
<b>Market capitalisation</b>	\$5.6b
<b>Were proxies voted?</b>	Yes, on a poll
<b>Pre AGM Meeting?</b>	Yes, with Executive Chair Alan Wilson, Chair of Remuneration Committee Tim Poole, and Company Secretary Gavin Street

**Global diversification – check – board succession (with Mr 100%) – check**

There was further changing of the guard this year with the Chair dropping – almost by accident – that Tim Poole has been appointed Deputy Chair. This provides the basis of good board succession to an independent Chair once the current Chair retires.

The Chair gave a brief presentation which was followed by a confident, comprehensive, and upbeat presentation with quite a few videos from his son, the CEO ([text available here](#), [presentation slides available here](#)). His infectious conviction was noted last year and seemed just as strong this year.

The presentation highlighted that the year was one of transition from a local business to a global business where US is the growth platform. They have spent most of this year learning the US business and market and consciously not making any significant changes. The US operations however, which were rather fragmented as they had been built by acquisition in recent years, had decided to adopt Reece values. A long-term Reece employee has been appointed CEO of the US operations (MORSCO) and the previous head has moved to the role of Executive Chair of MORSCO with the responsibility of looking at further acquisitions. Reece’s plans over the next decade or two are establishing the global business, moving to more provision of services to their core market of plumbers, and deleveraging.

The CEO also highlighted the importance of technology, giving a number of examples, pointing out that this investment is expensed not capitalised, and highlighting their third place in the AFR Boss Innovation awards.

The 2020 outlook was then discussed. In Australia dwelling approvals and completions are down significantly this year and the renovation market stable but moderating. In the US the housing market is recovering and still below long-term averages, so more growth is expected there.

The ASA asked the Chair, based on his long experience in this cyclical business, about the downturn in Australia. He indicated that this is the benefit of the move offshore as that regional diversification is the best protection against downturns and that this was important to Reece in the past when Victoria was in the doldrums, but other states were performing well. We also asked about the performance of MORSCO since acquisition and he said he was pleased with the acquisition and there had been no surprises.

There was a good range of other questions asked covering topics such as the success rate of Australian companies moving overseas, whether they were using Reece's Australian IT in their US operations, why only focus on the sunbelt in the US, ideas for further services to plumbers, the risks in a US trade war, was real estate included in the MORSCO purchase, and digitisation efforts.

The remuneration part of the meeting was handled by the Chair of the Rem Committee and newly designated Deputy Chair who gave a popular answer to our question on the quantum of CEO's remuneration but was unable to tell the meeting the actual number of options to be issued as part of the LTI plan nor their strike price as it couldn't be calculated yet. He also committed to increase his personal shareholding in the very near future in response to our request for him to do so.

Despite the ASA's vote against remuneration report, the long term incentive plan, and the grant of equity (options) for the CEO, all items were passed easily (in excess of 99%) with the re-election of the new Deputy Chair receiving something this monitor hasn't seen before – a For vote of 100.00%.