

Sohn Hearts and Minds Investment Leaders Conference
Manager recommendation in focus
Airlie Funds Management – Emma Goodsell



Emma Goodsell
 Portfolio Manager
 Airlie Funds Management

Airlie is a specialist Australian equities fund manager which brings together some of Australia’s most experienced industry participants. Airlie has an active, value-based investment style that aims to deliver attractive long-term capital growth and regular income to its investors. Founded in 2012 by John Sevier and David Cooper, and headquartered in Sydney, Airlie manages a range of Australian equities strategies, primarily for institutional and high net wealth clients. Magellan Asset Management (‘Magellan’) purchased Airlie in early 2018, providing retail investors exclusive access to Airlie’s investment expertise for the first time, through the Airlie Australian Share Fund. www.airlieaustraliansharefund.com.au

Recommendation: Reece Limited (REH.AX)

Reece Limited was founded in 1920, and operates as a plumbing, building and hardware merchant throughout Australia. The Company offers a variety of bathroom, kitchen and laundry products through its national stores and showrooms. Reece’s products are utilised by plumbers, consumers, architects, builders and interior designers.

52-week range: A\$9.11- A\$12.95 | Bloomberg consensus: 2 Buys, 0 Holds, 0 Sells | Average price target: A\$13.18

What Emma says about Reece Limited

- The plumbing wholesale business of Reece is best compared with Tradelink. In 1998, Tradelink had double the sales and profit of Reece, which was a much smaller business. Investment over the past 20 years and a focused management team has seen Reece come to dominate the sector, with sales increasing 6-fold and profit up 18x over the period 1998-2017, while Tradelink sales have remained fairly flat over the same period.
- Reece has enjoyed a consistently high return on funds employed (>15%) over many housing / business cycles, while still investing heavily in the business. There are 350 stores and per-store profitability has steadily increased. Reece has 140 software developers, which powers a very sophisticated supply chain, technology and customer service offering.
- Reece recently bought the 3rd biggest plumbing business in the US (Morsco). While Ferguson is the clear #1 across the US, its market share is weaker in the south, where Morsco is present. Emma firmly believes there is significant scope for inorganic and organic growth there. Even though Texas alone has a population greater than Australia, there are just 50 Morsco stores in Texas, compared to 350 Reece stores in Australia.

- Emma believes there is \$3 of upside in Reece from current levels, coming from its US store rollout, improving US margins, and a slow but steady profit growth in its core Australian business.

Company information

ASX Code	REH
Market Capitalisation	5.715Bn
Volume	371,309

REH: 5 year share price history

