

**CAPITAL MARKETS DAY**

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**FOCUS ON PROFITABLE GROWTH AND VALUE CREATION**

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Rexel, a leader in the professional distribution of products and services for the energy world, is holding a Capital Markets Day today in Paris to provide an update on its strategy and medium-term ambitions.

**Patrick BERARD, Chief Executive Officer, said:**

*“With a strong footprint in key geographies, a broad and valuable base of customers and key partnerships with global manufacturers, Rexel is well positioned to seize opportunities in the fast-changing world of energy.*

*The strategy that we will implement in the coming years will focus on three priorities: accelerate organic growth to gain market share, increase selectivity in capital allocation and reduce indebtedness and, lastly, improve operational and financial performance.*

*Together with my new Executive Committee and committed teams, we will make Rexel a more focused, stronger and more profitable company that delivers growth and creates value for all stakeholders.”*

During its Capital Markets Day, Rexel presented the key attributes that will allow the Group to achieve its medium-term ambitions, focusing on profitable growth and value creation.

In a fast-changing energy world that opens up new growth opportunities, Rexel plays a key role in the value chain between manufacturers and customers and can count on:

- **A broad and valuable customer base:** In 2016, Rexel managed over 650,000 active customer accounts in three end-markets (residential, commercial and industrial);
- **A strong footprint in key geographies:** Rexel holds leading or strategic positions in most markets in which it operates;
- **Key partnerships with global and leading manufacturers:** Rexel manages long-term relationships with its suppliers, notably strong partnerships with the top 25 suppliers representing over 50% of Rexel’s total purchases;
- **Best-in-class core capabilities:** Rexel offers a unique combination of local reach, broad offer of products and solutions, deep expertise, high level of service, robust logistics capabilities and IT backbone;
- **An increasingly multichannel customer approach,** including a strong digital presence with sales on the webshop already reaching 1 billion euros.

**Over the medium-term, Rexel aims to be a company that:**

- Is more focused in terms of geographies and market segments,
- Structurally generates sales growth above that of the market,
- Is more profitable,
- Boasts a stronger financial structure, allowing greater flexibility,
- Rests on strengthened and committed teams,
- Creates value for its stakeholders.

To achieve these aims, Rexel will implement a strategy based on three priorities:

## 1. ACCELERATE ORGANIC GROWTH

Rexel's priority on organic growth is based on two fundamental pillars: **"More customers & More SKUs"**.

Indeed, Rexel targets both net customer gains and increasing its share of wallet with each customer.

Its customer approach will be differentiated, according to three main customer profiles:

- **"Proximity" customers (representing c. 60% of Group sales):** Rexel will broaden its footprint and expand its presence in selected areas through branch/counter openings, accelerate its multi-channel approach and constantly improve its service level;
- **"Projects" customers (representing c. 25% of Group sales):** Rexel will industrialize its offer process of products and solutions to customers managing industrial and commercial projects;
- **"Specialty" customers (representing c. 15% of Group sales):** Rexel will increase its ability to meet specific requirements for specialized products and solutions.

This "More Customers & More SKUs" strategy will be supported by accelerated digitization of business and operations, including the development and implementation of new tools and applications.

Consistent with this strategy, Rexel has aligned its business KPIs and created new scorecards across the Group, revised its incentive policies and is constantly adapting its human resources strategy to reflect the need for new skills.

**Rexel's medium-term ambition is to grow organic sales faster than the market.**

**Rexel's 2017 target is in line with this medium-term ambition**

In 2017, after two years of decline, Rexel targets a resumption of organic growth, with sales up in the low single digits (on a constant and same-day basis).

## 2. INCREASE SELECTIVITY IN CAPITAL ALLOCATION & STRENGTHEN FINANCIAL STRUCTURE

Rexel intends to increase selectivity in capital allocation, both in terms of capital expenditure and investment. The Group also intends to strengthen its financial structure and increase its financial flexibility through deleveraging.

Reflecting Rexel's strategy to increase its focus on geographies and market segments that offer the best profitable growth and value-creation opportunities, Rexel announced today a divestment program that will be completed by the end of 2018. Based on full-year 2016 consolidated accounts, total divestments, once achieved, should have the following financial impacts:

- A reduction of c. €800m in the Group's consolidated sales,
- A positive contribution of c. 25bps to the Group's consolidated adjusted EBITA<sup>1</sup> margin,
- A slight improvement in the indebtedness ratio.

As regards capital expenditure, Rexel's investments will be focused on both organic growth enablers and productivity enhancers, through increasing digitization and optimization of its branch network, on the one hand, and automation of logistics and back-office digitization, on the other hand.

<sup>1</sup> At comparable scope of consolidation and exchange rates and excluding (i) amortization of PPA and (ii) the non-recurring effect related to changes in copper-based cables price.

Rexel aims also at strengthening its balance-sheet through deleveraging, while maintaining an attractive dividend policy of paying out at least 40% of recurring net income.

Rexel now targets to be structurally at an indebtedness ratio<sup>2</sup> below 2.5x at each year-end as from December 31, 2018.

In the medium-term, Rexel will continue its targeted bolt-on acquisition strategy from 2018 onwards, in line with its deleveraging objective and strict value-creation criteria. This acquisition strategy follows three main objectives: broaden its footprint in the most attractive geographies and segments (with a priority on the US market), expand to adjacent segments in key markets and capture more of the value chain.

**Rexel's medium term ambition is to allocate capital to high growth/high profitability geographies and segments and use solid cash generation to (by order of priority):**

- Fund capital expenditure of between €100m and €150m,
- Pay out a dividend of at least 40% of recurring net income,
- Reduce its indebtedness ratio<sup>2</sup>, targeting to be structurally below 2.5x at each year-end as from December 31, 2018,
- Finance selective bolt-on acquisitions from 2018 onwards, with strict value-creation criteria,
- Return excess cash to shareholders, in the absence of M&A opportunities.

**Rexel's 2017 target is in line with this medium-term ambition**

In 2017, Rexel will pay in cash a stable dividend of €0.40 per share, put M&A on hold as well as dispose of non-strategic assets and reduce its indebtedness ratio<sup>2</sup> to below 3x at December 31, 2017.

### 3. IMPROVE OPERATIONAL AND FINANCIAL PERFORMANCE

Rexel aims at continuously increasing its profitability through gross margin enhancement and strict cost control.

Gross margin improvement will be driven by systematic implementation of pricing initiatives and supplier relationship management. Rexel will also strictly manage its cost base, reducing overhead and improving productivity, while, at the same time, reallocating operating expenses to accelerate sales growth and digitization.

In addition to these Group initiatives, Rexel will enhance its performance in key geographies, mainly the USA, Germany, the UK and Australia, which offer significant turnaround potential.

- In the USA, Rexel will gradually move from a national/banner approach to a regional/multi-banner approach, focusing on seven key regions. Through this approach, Rexel aims at gaining market share and gradually reaching an adjusted EBITA<sup>1</sup> margin at or above Group level.
- In Germany, the UK and Australia, through adapted and differentiated actions, Rexel also aims at gaining market share. In Australia, Rexel aims at gradually reaching an adjusted EBITA<sup>1</sup> margin at or above Group level, while in the UK and Germany it aims at posting adjusted EBITA<sup>1</sup> CAGR above the Group's performance and adjusted EBITA<sup>1</sup> margin gradually approaching Group level.

**Rexel's medium term ambition is to continuously grow adjusted EBITA<sup>1</sup> and improve adjusted EBITA<sup>1</sup> margin through enhanced gross margin, strict cost control and turnaround of countries that offer significant potential.**

**Rexel's 2017 target is in line with this medium-term ambition**

In 2017, Rexel targets a mid to high single-digit increase in adjusted EBITA<sup>1</sup>.

<sup>2</sup> Net debt/EBITDA as calculated according to the Senior Credit Agreement terms under current IFRS standards  
Press Release February 13, 2017 – Capital Markets Day

## CALENDAR

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April 28, 2017	First-quarter results
May 23, 2017	Annual shareholders' meeting
July 31, 2017	Second-quarter and half-year results
October 27, 2017	Third-quarter and nine-month results

## FINANCIAL INFORMATION

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The financial report for the period ended December 31, 2016 is available on the Group's website ([www.rexel.com](http://www.rexel.com)), in the "Regulated information" section, and has been filed with the French *Autorité des Marchés Financiers*.

A slideshow of the fourth-quarter and full-year 2016 results is also available on the Group's website.

## ABOUT REXEL GROUP

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Rexel, a leader in the professional distribution of products and services for the energy world, addresses three main markets - residential, commercial and industrial. The Group supports its customers to be at their best in running their business, by providing a broad range of sustainable and innovative products, services and solutions in the field of technical supply, automation and energy management. Rexel operates through a network of some 2,000 branches in 32 countries, with more than 27,000 employees. The Group's sales were €13.2 billion in 2016.

Rexel is listed on the Eurolist market of Euronext Paris (compartment A, ticker RXL, ISIN code FR0010451203). It is included in the following indices: SBF 120, CAC Mid 100, CAC AllTrade, CAC AllShares, FTSE EuroMid, STOXX600. Rexel is also part of the following SRI indices : FTSE4Good, STOXX® (STOXX® Global ESG Impact, STOXX® Low Carbon indices Global, Europe et EURO), Ethibel Sustainability Index Excellence Europe and Dow Jones Sustainability Index Europe, in recognition of its performance in corporate social responsibility (CSR). For more information, visit Rexel's web site at [www.rexel.com](http://www.rexel.com)

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