

Letter to shareholders

#20

MAY
2017

Rexel, a leader in the professional distribution of products and services for the energy world



To help me implement our strategy, I have named a new Executive Committee with a strong operational focus.

Dear Shareholders,

Rexel posted a good performance in 2016, demonstrating once again the strength of its model in an economic environment that remained difficult in most of its markets.

Net income from continuing operations, at €134.2 million, was up sharply by 58%, while Group sales of €13.2 billion were down by a limited 1.9% on a constant and same-day basis. With an adjusted EBITA margin of 4.2% and free cash flow before interest and taxes amounting to 69% of EBITDA, Rexel proved its resilience. The Group also continued to strengthen its financial structure and extended the maturity of its debt.

This solid performance allows us to propose a cash dividend of €0.40 per share, stable compared to the previous year.

On February 13, we held a Capital Market Day to present our mid-term strategy, focusing on three priorities. First, accelerate organic growth in order to increase our market share through two fundamental pillars, summed up by a simple formula: "More customers & More SKUs." Second, be more selective in our

capital allocation and reduce our debt. Finally, improve our operational and financial performance.

For 2017, we are aiming for a resumption of organic growth with sales up in the low single-digits, a mid to high single-digit increase in adjusted EBITA, an indebtedness ratio of less than three times EBITDA and the distribution of a dividend of at least 40% of recurring net income.

To help me implement our strategy, I have named a new Executive Committee with a strong operational focus. Among its members, I am delighted to welcome Laurent Delabarre, who will join us on May 15 as Group Chief Financial Officer. His deep knowledge of Rexel and its financial expertise will enable him to take up his duties quickly and efficiently.

I am delighted to welcome you in Paris on May 23 for our Annual Shareholders' Meeting, which will allow us to present to you in greater detail our results and ambitions.

Thank you for your continued trust.

Patrick BERARD
Chief Executive Officer

ZOOM

Digital
A global e-commerce platform

STRATEGY

Medium term orientations
Profitable growth and value creation

FINANCE

2016 results and 2017 first quarter results

REXEL & YOU

May 23 shareholders' meeting
Distribution of €0.40 per share

A global e-commerce platform

Rexel has been implementing a new global e-commerce platform since 2015, with nearly 250 customizable features to better meet customers' needs according to market and local context.

Already operational in Germany, France, Austria, Sweden and the Netherlands, as well as within Gexpro in the United States, the platform will soon be rolled out notably in North America, the United Kingdom and Scandinavia. All of the Group's entities will have adopted this platform by 2018.

The webshop completes Rexel's service offering, enabling customers to make orders or obtain information on products, prices and availability anywhere, anytime. Just like in the Group's branches, the live chat feature enables customers to contact a sales representative at will.

The e-commerce sites now offer new features: guest checkout allows unregistered customers to make orders quickly, without having to create an account beforehand. Likewise, automatic customer account registration using, for example, a Siret number in France, is a feature that centralizes, simplifies and speeds up processes that previously required several steps and took more time.

Concurrently with its market implementation, this e-commerce

platform is continually improving and acquiring new features. The broadening of Rexel's multichannel offering, including the availability of an increasing number of digital tools, is having an impact on the Group's business growth. Whenever customers use traditional channels at the same time as they use digital ones, such as webshops or mobile applications, their purchase sizes are far superior to those made by customers using a single channel alone.

For example, in Sweden, a multichannel customer represents 27% higher sales on average than a branch-only customer. The multichannel offering thus has a leveraging effect on the Group's overall business activity, including via its traditional channels.

“Digital technology enables us to be ever closer to our customers and to constantly innovate, so that our expertise is even more accessible and an even greater creator of value for them.”

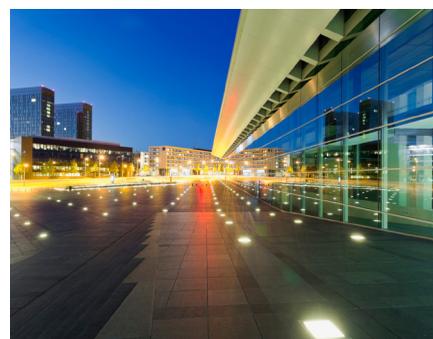
Luc Siri, Europe E-Commerce Director



€1bn: sales made via Rexel's webshops in 2016.

Electrical renovation for Toys “R” Us

Toys “R” Us contacted Rexel in 2015 for a technical assessment and a financing solution for new LED lighting in one of its largest stores in Europe, located in La Défense, next to Paris. The resulting savings enabled a 30% reduction in lighting-related electrical consumption while improving lighting quality by 50%. Toys “R” Us renewed its trust in Rexel teams in 2016 by asking them to renovate eight additional stores.



Electric vehicles

In Sweden, Rexel won a contract for electric car charging stations in several local airports managed by Swedavia, one of the country's leading airport operators. Intended for airport personnel and passenger cars, they will enable a 20-kilogram reduction in the average weight of CO₂ emitted by the vehicles traveling to and from these airports.



Energy efficiency

Since 2011, the Group's sales of energy efficiency solutions have almost multiplied by two and reached €1.5bn in 2016. In posting this strong progression, Rexel has reached its goal of doubling its sales of energy efficiency products and solutions by 2020, which was announced at COP21 in Paris in December 2015.

Medium term orientations

On February 13, 2017, Rexel updated its medium-term strategy and ambitions. Giving priority to profitable growth and value creation, the strategy focuses on 3 priorities to make Rexel a more concentrated company in terms of geographies and market segments, stronger and more profitable, generating growth and creating value for all stakeholders.

Organic growth supported by 3 enablers

“More customers”

Net customer gains



“More SKUs”

Increased share of wallet



Market share gain
Profitability improvement

Priority # 1: accelerating organic growth

Through a differentiated customer approach, Rexel targets both net customer gains and increasing its share of wallet with each customer.

> Proximity (60% of its sales):

Rexel will broaden its footprint and expand its presence in selected areas through branch or counter openings, accelerate its multi-channel approach and constantly improve its service level.

> Projects (25% of its sales):

Rexel will industrialize its offer process of products and solutions for its clients managing industrial or commercial projects.

> Specialty (15% of its 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.

Priority #2: increase selectivity in capital allocation and strengthen financial structure

Rexel will be more selective in allocating its capital. Operational investments will be focused on both organic growth enablers and productivity enhancers. This strategy includes an asset disposal program that will be completed by the end of 2018. Once fully achieved, it should have the following financial impacts based on full-year 2016 consolidated accounts:

- > A reduction of c. €800m in the Group’s consolidated sales,
- > A positive contribution of c. 25 basis points to the Group’s consolidated adjusted EBITA margin,
- > A slight improvement in the debt ratio.

Rexel will pursue its targeted bolt-on acquisitions strategy from 2018 onwards, in line with its objective of deleveraging 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.

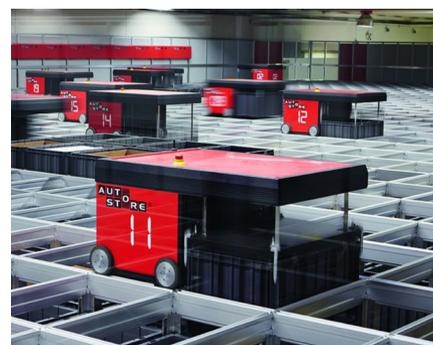
Priority #3: improve operational and financial performance

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 reallocating resources 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 United States, Rexel will gradually move from a national/banner approach to a regional/multi-banner approach, focusing on seven key regions in order to gain market share and gradually reach an adjusted EBITA margin at or above Group level.



To improve productivity, Rexel plans to invest in highly automated logistics centers. The Group has already set up several in Switzerland, Sweden and Norway.

Medium term ambitions and 2017 targets

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 this, Rexel has set itself the following three objectives:

1 Medium term ambition : Grow organic sales faster than the market

2017 target in line with this medium-term ambition

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

2 Medium term ambition : 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 ratio¹, 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.

2017 target 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 ratio¹ to below 3x at December 31, 2017.

3 Medium term ambition : Continuously grow adjusted EBITA² and improve adjusted EBITA² 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 EBITA².

1. Net debt/EBITDA as calculated according to the Senior Credit Agreement terms under current IFRS standards

2. 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.

Laurent Delabarre appointed as Group Chief Financial Officer & member of the Executive Committee

The Nomination and Compensation Committee has approved the appointment of Laurent Delabarre as Chief Financial Officer and member of the Executive Committee, effective May 15, 2017.

Laurent Delabarre is thoroughly familiar with the Rexel Group, having been Director of Financial Control between 2004 and 2008 and Vice-President for Finance, reporting to the Deputy

GEO and Chief Financial Officer, between 2008 and 2015. In 2014, he also served for several months as acting Chief Financial Officer of Rexel's operations in the United States in addition to his Group duties.

Since 2015, Laurent Delabarre has been Executive Director of Financial Control of Carrefour Group.

2016 Results

Despite an economic environment that has remained challenging throughout the year, Rexel's 2016 results are in line with targets. Sales trend improved sequentially during the last quarter of 2016 and the Group recorded stable organic sales after three quarters of decline.

€ 13,2 bn
Sales

€ 397,0 m
Operating
income¹

€ 250,3 m
Recurring net
income

Organic sales stabilized in Q4, improvement in the 3 geographical zones

In 2016, sales decreased by 2.8% on a reported basis, to €13.2 billion, unfavorably impacted by a currency effect (-1.6%). They were down 1.9% on a constant and same-day basis, mainly reflecting the negative impact of lower oil prices on the oil and gas industry and lower copper prices.

However, during the last quarter of the year, sales increased sequentially in the three geographic areas, mainly driven:

> By France, reflecting improved activity in all of its final markets;

> By the United States where the oil and gas industry appears to be stabilizing while construction has remained solid;

> And by China, thanks to the improvement of industrial activity.

Profitability is down by 27 points compared to 2015, as the quasi-stability of administrative and sales costs in value has not been sufficient to compensate for the lower volume of sales in the three zones. In this context, the adjusted EBITA¹ margin was 4.2%, in line with targets.

Net income amounted to €134.3 million (compared with €15.7 million in 2015) and recurring net income was €250.3 million (compared with €269.4 million in 2015).

Strong cash flow generation

Rexel generated free cash flow before interest and taxes of €439.1 million (vs. €562.6 million in 2015) and €265.6 million after interest and tax (vs. €313.3 million in 2015). The conversion rates to EBITDA² were respectively 69% and 42% inline with targets.

An optimized financial profile

Net financial debt at December 31, 2016 remained broadly stable composed, at €2.2 billion. The net debt-to-equity to last year end ratio was 3.0x EBITDA, well below the limits set in the Senior Credit Agreement.

Rexel continued to optimize its financing structure, extending the maturity of its debt to approximately 4 years, and to reduce its financial expenses, reaching an average effective interest rate of 3.5% in 2016 (versus 3.9% in 2015).

2017 First Quarter Results

The first-quarter performance was in line with expectations and allows us to confirm our annual financial targets, as announced in February 2017. For the first time in several quarters, Rexel posted organic sales growth on a constant and same-day basis with a simultaneous improvement in profitability. In addition, sales in the United States returned to growth after seven consecutive quarters of organic decline on a constant and same-day basis.

Sales in the quarter reached c. €3.3 billion, a 5.1% rise on a reported basis. Organic growth of 4.8% was boosted by a strong calendar effect of 4.1%. On a constant and same-day basis, sales were up 0.6% of which:

- > Europe : +1.2%
- > North America: +1.2%, supported by a return to growth in the US (+2.1%)
- > Asia-Pacific: -4.8%, due to a sharp 33.6% drop in South-East Asia

Adjusted EBITA reached €135 million, up 9.3%. This translates into an adjusted EBITA margin of 4.1% of sales, up 17 basis points year-on-year. Net income stood at €62.8 million, a sharp rise of 62% compare to €38.8 million in Q1 2016.

"These results confirm that the measures we are taking to revitalize organic growth and improve profitability are starting to show results." declared Patrick Berard, Chief Executive Officer.

Find our **detailed results** on Rexel's website

1. 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.
2. Free cash flow as a percentage of EBITDA.

Shareholders' meeting

Rexel's Annual Shareholders' Meeting of will take place in Paris on May 23, at Eurosites George V, at 10 am.

At the AGM, Rexel will propose to distribute a dividend of €0.40 per share, similar to last year and representing 48% of the Group's recurring net income, payable in cash. This amount is in line with the Rexel's policy to pay out at least 40% of recurring net income.

The record date is July 5.

Payment will be made on July 7, 2017.

Agenda 2017

Wednesday, May 23

> Shareholders' Meeting, Paris

Monday, July 31

> 2017 Second-Quarter & Half-Year Results

Friday, October 27

> 2017 Third-Quarter Results and Nine-months Results

Contact us

Toll-free

0800 666 111 (Toll-free from a fixed-line phone in France)

E-mail

actionnaires@rexel.com

Internet

www.rexel.com

> finance > shareholders

Social Networks



Mail/Post

Service Actionnaires
13, boulevard du Fort-de-Vaux
75017 Paris

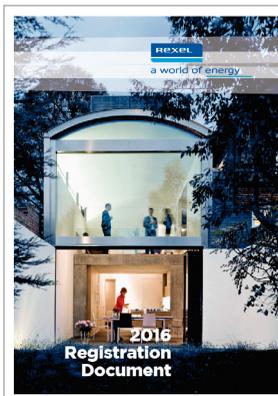
To take part

- > **Read the full summary of resolutions on our website in the AGM section;**
- > **Request an admission pass from your financial intermediary if you wish to attend;**
- > **Vote:**
 - by submitting the completed proxy form (which allows you to give your proxy vote to the Chairman or to a person of your choice);
 - by connecting to Sharinbox before May 22, 3.00pm (Paris time);
- > **And follow the AGM live or in replay on our website.**

2016 Registration Document

The Registration Document is now available in French and English at www.rexel.com.

It contains the Annual Report, the Group's regulatory information and details regarding the Annual Shareholders' Meeting taking place on May 23, 2017, at 10 am, at Eurosites George V, Paris 8.



SHARE PRICE



Securities services

Société Générale Securities Services (SGSS)

32, rue du champ de tir
CS 30812 - 44308 Nantes Cedex 3
From France: 02 51 85 58 08
From abroad: +33 (0)2 51 85 67 89
www.sharinbox.societegenerale.com

Company details

- > ISIN **FR0010451203**
- > Mnemonic code **RXL**
- > Market **Eurolist by NYSE Euronext**

At March 31, 2017

- > Number of shares **302.9 million**
- > Market capitalisation **€5.2bn**