

RS GROUP PLC
RESULTS FOR THE HALF YEAR ENDED 30 SEPTEMBER 2022

A STRONG FIRST HALF PERFORMANCE WITH CONTINUED MARKET SHARE GAINS

DAVID EGAN, ACTING CHIEF EXECUTIVE OFFICER, COMMENTED:

“We have delivered a strong revenue and profit performance in the first half as our differentiated proposition continues to resonate with all our stakeholders. Our performance has been driven by our people who are aligned to our purpose-led culture and are working hard to improve our customer experience and commercial focus further. We continue to invest in our Group to become stronger, more profitable and to take greater market share. While mindful of a slowing economic backdrop, we remain optimistic that we will continue to outperform the market.”

Highlights	H1 2022/23	H1 2021/22	Change	Like-for-like² change
Revenue	£1,458.0m	£1,208.9m	21%	16%
Adjusted ³ operating profit	£196.1m	£144.8m	35%	30%
Adjusted ³ operating profit margin	13.4%	12.0%	1.4 pts	1.5 pts
Adjusted ³ profit before tax	£191.6m	£141.8m	35%	30%
Adjusted ³ earnings per share	31.5p	23.0p	37%	32%
Operating profit	£187.0m	£139.1m	34%	29%
Profit before tax	£182.5m	£136.1m	34%	29%
Earnings per share	30.0p	21.5p	40%	34%
Interim dividend	7.2p	6.4p	13%	
Adjusted ³ free cash flow	£111.9m	£84.8m	32%	
Net cash / (debt)	£2.6m	£(83.6)m		
Net debt to adjusted ³ EBITDA	n/m	0.3x		

Outperformance reflects the strength of our people, purpose-led culture and differentiated offer

- Our people are the most powerful driver of our success, delivering our strong revenue and profit performance
- Employee engagement score of 78 (2021/22: 75), placing us near the upper quartile of top performing companies
- Ongoing increase in average order value as our proposition gains traction with our core customers
- Industrial products, 74% of Group revenue, grew volumes c. 8% with total like-for-like growth of 21%
- Net Promoter Score of 48.5 (rolling six month⁴), with all regions increasing slightly, remains a Group-wide focus
- Awarded Platinum medal with EcoVadis: we are committed to being net zero in our operations by 2030
- All employees are empowered and aligned to our Journey to Greatness through a share-based award⁵

Margin accretion driven by a tighter commercial focus and operating leverage while investing strategically

- Revenue growth of 21% includes a 16% like-for-like contribution and a 5% currency benefit²
- Gross margin of 45.5%, up 1.8 pts year on year, due to improved pricing and tighter discount policy
- One-off payment of c. £5 million to financially support our employees during these more difficult economic times
- Adjusted³ operating profit margin of 13.4% benefits from gross margin gains and strong operating cost leverage
 - EMEA operating profit margin of 15.4% includes ongoing targeted investment in our operating model
 - Americas operating profit margin of 17.0% reflects strong operational leverage on the underlying base
 - Asia Pacific operating profit margin of 16.4% due to growing scale and a tighter commercial focus
- Adjusted operating profit conversion of 29.6%

Rigorous financial management and balance sheet strength supports organic and inorganic growth opportunities

- Adjusted free cash flow generation was strong at £111.9 million with inventory investment supporting growth
- Modest net cash position, with proforma net debt to adjusted EBITDA of c. 0.6x upon acquisition of Risoul⁶
- Return on capital employed of 31.4%, a 6.7 percentage point increase year on year due to strong profitability
- Increased sustainability-linked loan to £400 million and maturity extended to five years at similar terms
- Acquisitions of domnick hunter, Thailand, and Risoul⁶, Mexico, enhance our product, service and market offer
- Strong pipeline of acquisition opportunities and strict financial, strategic and cultural discipline being maintained

Current trading and outlook

Overall, trading over the first four weeks of the second half has been in line with our expectations.

Despite the more difficult economic backdrop, our performance in EMEA remains broadly in line with the second quarter driven by our strong industrial offer, greater proportion of service solutions revenue and improving service levels. Americas continues to deliver strong revenue, against toughening comparatives, as we maintain our investment in our operational capabilities after a period of exceptional growth. Trading in Asia Pacific continues to be affected by the slower electronics market and reduced availability of single-board computing product as well as a more challenging geopolitical backdrop and lockdowns resuming in China.

Notwithstanding the tougher global economic environment, trading remains in line with our and consensus expectations for the full year.

1. Consensus for the year ending 31 March 2023 is revenue of £2,919 million, adjusted operating profit of £372.4 million and adjusted profit before tax of £364.9 million. Source: [rsgroup.com/investors/analyst-coverage](https://www.rsgroup.com/investors/analyst-coverage).
2. Like-for-like change excludes the impact of acquisitions and the effects of changes in exchange rates on translation of overseas operating results, with 2021/22 converted at 2022/23 average exchange rates for the period. Revenue is also adjusted to eliminate the impact of trading days year on year. Acquisitions are only included once they have been owned for a year, at which point they start to be included in both the current and comparative periods for the same number of months. Currency movements increased revenue by £48.7 million and fewer trading days decreased revenue by £8.0 million during the period. Currency movements increased adjusted profit before tax by £5.8 million.
3. Adjusted excludes amortisation and impairment of intangible assets arising on acquisition of businesses, acquisition-related items, substantial reorganisation costs, substantial asset write-downs, one-off pension credits or costs, significant tax rate changes and associated income tax. See Note 11 for definitions and reconciliations of all alternative performance measures.
4. Our customer key performance indicator is Group rolling 12-month Net Promoter Score (NPS). We have updated the methodology from 1 April 2022 to make it more representative of our customer base. The changes made are to weight NPS by percentage of orders; separate out business to business (B2B) from business to consumer (B2C) customers, with B2B becoming our primary metric; and customers that opted out of marketing can be included in the survey. As a result, we currently do not have the data to calculate a Group rolling 12-month NPS (see appendix in 2021/2022 full year results presentation for full details).
5. Awarded to all permanent and fixed-term employees and apprentices employed on 14 July 2022.
6. Acquisition of Risoul is subject to review by Mexican competition authorities and we anticipate it will be completed by the end of December 2022.

Enquiries:

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There will be an analyst presentation today at 9am (UK time) at Numis, 45 Gresham Street, London EC2V 7BF. We will also provide a video webcast, which can be accessed live and later as a recording on the RS Group website at www.rsgroup.com.

Webcast link: <https://www.investis-live.com/rsgroup/634585495cf89d1500069ce5/qbke>

It is advisable to pre-register early to avoid any delays in joining the conference call.

Participant dial-in numbers

United Kingdom (Local): 020 3936 2999

All other locations: +44 20 3936 2999

Participant access code: 362958

Presentation timing

Date: Thursday, 3 November 2022

Time: 9am UK time

Venue: Numis, 45 Gresham Street, London EC2V 7BF

Notes to editors:

RS Group plc is a leading global omni-channel industrial product and service solutions provider to customers who are involved in designing, building and maintaining industrial equipment and operations, safely and sustainably. We stock more than 700,000 industrial and electronic products, sourced from over 2,500 leading suppliers, and provide a wide range of product and service solutions to over 1.2 million customers. With operations in 32 countries, we trade through multiple channels and ship over 60,000 parcels a day.

We support customers across the product lifecycle, whether via innovation and technical support at the design phase, improving time to market and productivity at the build phase, or reducing purchasing costs and optimising inventory in the maintenance phase. We offer our customers tailored product and service propositions that are essential for the successful operation of their businesses and help them save time and money.

RS Group plc is listed on the London Stock Exchange with stock ticker RS1 and in the year ended 31 March 2022 reported revenue of £2,554 million.

BUSINESS REVIEW

Our first half performance has been strong: we have delivered excellent revenue and profit growth while continuing to invest in our proposition and support our strategic aspirations. Our people are driving this outperformance and the investment we have made in them is supporting a high-performance, purpose-led culture.

This investment has been the most powerful component of our success and we never underestimate the value our people bring to all our stakeholders. We thank them all, demonstrating our appreciation and ensuring all employees can share in our success through a share-based award based on our Journey to Greatness plan. We have also invested in more inclusive and relevant employee benefit programmes and are providing ad-hoc financial support to all employees during these more difficult economic times.

This has been an exciting six months for our Group. We have rebranded our corporate name from Electrocomponents plc to RS Group plc and our businesses are gradually transitioning to the RS brand. Operating as RS brings recognition to our global reach, strengthens our product and service solutions offer and unites our Group. We see significant opportunity from leveraging the RS proposition globally.

Our work in making amazing happen for a better world, our purpose, continues to be recognised externally. EcoVadis, the independent provider of global sustainability ratings, has awarded RS Group a Platinum medal, its highest ranking, for notable leadership in the fields of environment and sustainable procurement. This is another step forward on our Journey to Greatness.

We are a global business with one vision that is delivered regionally. Our strategy, The RS Way, remains unchanged but we are increasing accountability and responsibility by empowering our regional teams. This allows each country manager to operate their business according to their local markets and customer needs, which in turn provides a more relevant, competitive and agile offer.

We continue to grow market share. We have invested to ensure strong inventory availability at a time when industry supply chain constraints persist. We have focused on widening our proposition, solving our customers' problems through providing more product and service solutions and improving our customer service so our customers can operate more efficiently.

We are delivering operational efficiencies as we benefit from the investment we have made in people, processes and tools that have improved our inventory management, pricing, customer analysis, marketing and sales effectiveness. This has resulted in greater agility and a more proactive offer as we utilise the skills and expertise we have across the Group. Additionally, we are benefiting from greater automation within our distribution centres (DCs), allowing us to redeploy our people into more productive and value-adding operations. We are running a more commercial operating model, using our extensive data and insight, which is generating better returns.

At the same time, we are excited about the opportunities we see for our Group and so continue to invest in our operating model in areas such as innovation, branding, marketing, systems, technology and people. We believe that ongoing investment will ensure we are fit for the future and are strong enough to withstand external challenges as they occur. Fundamentally, ensuring we remain relevant and agile, do not become complacent and can adapt to our environment will underpin our success.

We are committed to acting as a responsible and sustainable business for all our stakeholders to ensure we are fulfilling our purpose of making amazing happen for a better world. We continue to make progress on our 2030 ESG action plan – For a Better World and are now reporting on our key eight metrics every six months.

Our number one priority remains to ensure that we create a safe, inclusive and dynamic culture in which our people can thrive and grow. In our most recent employee engagement survey, our engagement score improved three points to 78, placing us near the upper quartile of high-performing organisations. Our commitment has been recognised externally with our US business ranking 33rd on the list of Top 50 Inspiring Workplaces in North America in 2022, receiving special recognition for its inclusive practices.

Given our technical expertise, supplier relationships and product breadth we are well placed to help our customers on their sustainability journey. Working closely with our suppliers, we are developing a range of sustainable product and service solutions that help our customers maximise operational and environmental benefits such as reducing energy use, reducing water waste and cutting CO₂ emissions.

Our organic growth remains a priority. However, with less than a one percent share of our total addressable market, we want to accelerate our growth with high-quality acquisitions that have a compelling strategic, financial and cultural fit.

We are delighted to welcome both domnick hunter in Thailand and Risoul, subject to Mexican anti-trust clearance expected by the end of the calendar year. Both these acquisitions expand our capabilities into new product and service solutions categories and strengthen our geographic coverage. These are strong specialist businesses with exceptional teams, which we are very pleased to retain, who will drive cross-selling synergies in line with our strategic growth ambitions.

We have transformed and strengthened our Group materially over recent years, embracing the trends within a rapidly changing market with significantly greater revenue from service solutions and digital channels, utilising our extensive data and insight and driving greater responsibility. We have invested in our model, both our assets and operations, and have a strong business which supports our outperformance.

Most importantly we have a different mindset and culture within our Group; we are more proactive, agile and commercial, operating a dynamic pricing model, a strong inventory management system and having a greater understanding of our customers. We have proven we operate well during more difficult times and have emerged stronger over recent years despite the COVID-19 pandemic and supply constraints.

We outlined at the start of our financial year our plans and vision, within our Journey to Greatness plan, to drive stronger revenue and high-quality profitable growth. We believe that the fundamentals of our plan are in place, our proposition is resonating with all our stakeholders and our future aspirations are underpinned by providing a best-in-class service and experience in everything we do.

While we are mindful of a more difficult economic backdrop and inflationary pressures, we are concentrating our efforts on improving what we can control and seeing challenges as potential opportunities. We are confident in the strength of our people and proposition and believe we are well positioned to deliver continued market share gains and attractive returns.

OVERALL RESULTS

	H1 2022/23	H1 2021/22	Change	Like-for-like¹ change
Revenue	£1,458.0m	£1,208.9m	21%	16%
Gross margin	45.5%	43.7%	1.8 pts	2.1 pts
Operating profit	£187.0m	£139.1m	34%	29%
Adjusted ² EBITDA	£222.4m	£170.5m	30%	25%
Adjusted ² operating profit	£196.1m	£144.8m	35%	30%
Adjusted ² operating profit margin	13.4%	12.0%	1.4 pts	1.5 pts
Adjusted ² operating profit conversion	29.6%	27.4%	2.2 pts	1.9 pts

1. Like-for-like change excludes the impact of acquisitions and the effects of changes in exchange rates on translation of overseas operating results, with 2021/22 converted at 2022/23 average exchange rates for the period. Revenue is also adjusted to eliminate the impact of trading days year on year. Acquisitions are only included once they have been owned for a year, at which point they start to be included in both the current and comparative periods for the same number of months. See Note 11 for definitions and reconciliations.
2. Adjusted excludes amortisation and impairment of intangible assets arising on acquisition of businesses, acquisition-related items, substantial reorganisation costs, substantial asset write-downs and one-off pension credits or costs. See Note 11 for definitions and reconciliations.

Revenue

Group revenue in H1 2022/23 was £1,458.0 million (H1 2021/22: £1,208.9 million). This included a benefit of £48.7 million from favourable exchange rate movements and £2.3 million from acquisitions offset by £8.0 million negative impact from reduced trading days. Like-for-like revenue growth was 16%, of which volumes and mix accounted for c. 5 percentage points.

Industrial production figures, supplier indications and results reported by peers indicate that we are outperforming the industrial market and gaining share as our customers benefited from our strong product availability, breadth of product range and service delivered by our experienced teams. We have focused on our core customers and away from low-value, transactional customers resulting in a 5% decrease in our total customer numbers year on year, with our average order value growing by 23% (excluding RS Integrated Supply's pass-through sales orders).

Our industrial products ranges, which account for 74% of Group revenue, grew by 21% like-for-like including a c. 8% contribution from volume growth. Towards the end of the first half, growth in our electronic product range and our

single-board computing (SBC) product range slowed partly due to tougher comparatives but also owing to the ongoing supply constraints, particularly in relation to the SBC product, Raspberry Pi. Electronics grew by 12% on a like-for-like basis with demand lower for passives and semiconductors. OKdo (our technology solutions business focused on SBC, Internet of Things and education) declined by 39% on a like-for-like basis and now accounts for 2% of revenue.

RS PRO, which is our main own-brand product range and accounts for 12% of Group revenue, grew by 21% on a like-for-like basis. Our offer continues to gain traction driven by strong availability, new product launches and greater online personalisation. We have a good product pipeline with a focus on sustainability and are excited about the opportunities to drive stronger revenue across the Group.

Digital, accounting for 63% of Group revenue, performed slightly ahead of the Group overall, growing by 20% like-for-like. Web revenue, which is a truer representation of our digital proposition and demand as it excludes eProcurement, increased by 18% on a like-for-like basis. eProcurement and other digital, which are used predominantly by our larger customers, grew 25% on a like-for-like basis.

We are delivering improvements to our return on marketing spend. We have focused on driving customer lifetime value based on marginal return on investment post customer acquisition costs. We continue to benefit from promoting a 'test and learn' environment, resulting in quicker, more iterative development improvements.

Gross margin

Group gross margin increased 1.8 percentage points to 45.5%, (H1 2021/22: 43.7%). Excluding the small dilutive impact from exchange rates and acquisitions, like-for-like growth was 2.1 percentage points.

We have taken actions to improve our gross margin through our margin optimisation tool, revising our discount policy, improving our own-brand ranges and buying better. Additionally, we have benefited from price inflation and our low inventory turn which we expect to unwind going forward. Our gross margin gains are despite regional and product mix dilution and ongoing pressures from inbound freight inflation. We have had limited transactional currency effects with most of our products for EMEA and Asia Pacific bought in sterling and euros. Our Americas business is sourced locally in US dollars.

Operating costs

Total operating costs, which include regional and central costs, increased by 22%. Excluding amortisation and impairment of acquired intangibles, total adjusted operating costs also increased by 22%, 18% on a like-for-like basis, to £467.4 million (H1 2021/22: £383.4 million). A third of this increase relates to foreign exchange rates and inflation, a third is volume driven and the balance relates to strategic investment, rebranding and c. £5 million one-off payment to all our employees during these more difficult economic times. Excluding the latter, adjusted operating costs as a percentage of revenue were flat year on year.

A large proportion of our operating costs relates to our people. We awarded a pay rise across the Group early in the year but are continuing to see inflationary pressures within the labour market given general employment shortages across many specialist areas, including technology, and greater labour demand within DCs generally. We are mindful of the competitive pressures for new talent so have updated many of our employee benefits programmes to be more inclusive and increased the level of benefits relating to health and wellbeing. Our employee turnover rate is 12.1% on a rolling 12-month basis, higher than the first half of last year of 10.2% as the labour market has become more competitive generally.

Benefits from our RISE programme to simplify the Group have been realised now. We have a more agile business with leaders that have greater operational focus and ownership. This simpler operating model has allowed us to adapt to change faster, improve margins and operate more efficiently.

We have increased operational investment as we develop our expertise, technological capabilities and product and service solutions capacity further. This is to support the significant growth opportunities that we see, both organically and inorganically as part of our Journey to Greatness.

Higher energy and fuel costs are a feature of all three regions, albeit more prevalent within EMEA and less so within Asia Pacific. Air freight rates are currently stable and are expected to remain so during the remainder of the calendar year. There has been some decrease in sea freight rates, but this has been largely offset by premium fees to secure and expedite shipments given ongoing supply issues. Our parcel delivery charges have increased in the UK. We are managing our overall freight cost by sourcing and storing product closer to the customer. We expect our expanded DC in Bad Hersfeld, Germany will reduce some of these costs further over time as we route fewer products through our DCs in the UK.

Adjusted operating costs as a percentage of revenue increased by 0.4 percentage points to 32.1% (H1 2021/22: 31.7%). Our improved trading momentum and simplified operating model have driven higher conversion of gross profit into operating profit, with adjusted operating profit conversion 2.2 percentage points higher at 29.6% (H1 2021/22: 27.4%). We remain committed to our strategic target of a 30% adjusted operating profit conversion and high-quality profitable growth.

Items excluded from adjusted profit

To improve the comparability of information between reporting periods and between businesses with similar assets that were internally generated, we exclude certain items from adjusted profit measures. The items excluded are described below. See Note 11 for definitions and reconciliations of adjusted measures.

Amortisation and impairment of acquired intangibles

Amortisation and impairment of acquired intangibles was £9.1 million (H1 2021/22: £5.7 million) and relates to the intangible assets arising from acquisitions. As a result of the rebranding of Needlers to RS Safety Solutions effective from 1 November 2022, this includes an impairment of £3.3 million for the net book value of the Needlers brand acquired in December 2020.

Operating profit

Operating profit increased by 34% to £187.0 million (H1 2021/22: £139.1 million). Excluding the impact of acquisitions and the £6.1 million benefit from currency movements, adjusted operating profit saw a like-for-like increase of 30% helped by strong operating leverage. Adjusted operating profit margin improved 1.4 percentage points to 13.4%.

Non-financial key performance indicators (KPIs)

We have eight non-financial KPIs to help measure progress against our strategy and the commitments of our 2030 ESG action plan – For a Better World. To provide greater transparency on our performance in the period, a summary of our progress is included below with further details available in the ESG section on our website: www.rsgroup.com.

	H1 2022/23 ¹	H1 2021/22
Carbon intensity ^{2,3,4} (tonnes of CO ₂ e due to Scope 1 and 2 emissions / £m revenue)	1.4	1.8
Carbon emissions ^{2,3,4} (tonnes of CO ₂ e due to Scope 1 and 2 emissions)	2,100	2,300
Packaging intensity ² (tonnes / £m revenue)	1.66	2.04
Waste (% of waste recycled)	73%	77%
Group Net Promoter Score (see below)	48.5	
Employee engagement	78	74 ⁵
Percentage of management that are women	32%	30%
All Accidents (per 200,000 hours)	0.35	0.41

1. Acquisitions in 2022/23 are not included
2. KPIs are on a constant exchange rate basis and are updated to reflect changes in reporting methodology and emissions factors.
3. As a result of recent conditions in the energy markets, or for other reasons, some reports include estimated data where suppliers have been unable to provide their usual reports.
4. Market based Scope 2 emissions due to electricity use.
5. Comparative employee engagement score is from January 2021 MyVoice survey.

Net Promoter Score

We changed the methodology of calculating our Group rolling 12-month Net Promoter Score (NPS) on 1 April 2022 to better reflect our customer base. Our new NPS methodology is weighted by percentage of orders (rather than unweighted) and uses business to business (B2B) customers as our primary metric, thus excluding our business to consumer customers. We now also include customers that have opted out of marketing campaigns, but still provide service feedback. As a result, we currently do not have the data to calculate a Group rolling 12-month NPS.

Our rolling six-month NPS was 48.5, with all regions increasing slightly compared with the shadow survey using the new metrics in the prior six-month period ended 31 March 2022. Improving NPS is an area of significant Group-wide focus and we expect to drive significant improvements through the Journey to Greatness initiatives, consistent with our objective to provide a best-in-class customer experience.

Regional performance

EMEA

EMEA accounts for 58% of Group revenue and is managed across the key markets of: UK and Ireland; France; Italy; Iberia; Germany, Austria and Switzerland; and rest of EMEA which includes Benelux, Eastern Europe, Scandinavia,

South Africa and our export business (covering 32 international distribution partners servicing 82 countries). During the first half, we traded under our brand names of RS, RS PRO, OKdo, RS Integrated Supply (formerly IESA in EMEA), Needlers and Liscombe. From 1 November 2022 Needlers and Liscombe were rebranded to RS Safety Solutions. A broad range of products, high inventory availability and specialist expertise are key priorities for our customers. We differentiate our offering by providing an online experience supported by a knowledgeable sales force, technical expertise, 24/7 customer support and a range of product and service solutions. Delivering on these differentiators drives stronger customer relationships, higher average order values and operational efficiencies.

	H1 2022/23	H1 2021/22	Change	Like-for-like ¹ change
Revenue	£854.3m	£753.2m	13%	15%
Operating profit ²	£131.2m	£119.8m	10%	10%
Operating profit margin	15.4%	15.9%	(0.5) pts	(0.5) pts

1. Like-for-like adjusted for currency; revenue also adjusted for trading days.

2. See Note 2 for reconciliation to Group operating profit.

- Overall, EMEA revenue grew 13%, 15% on a like-for-like basis, to £854.3 million (H1 2021/22: £753.2 million), benefiting from an improved operating model and sales focus. We continued to gain share during the period as the security of our offer, in terms of product availability and financial strength, resonated with customers with average order value continuing to improve.
- UK and Ireland, which accounts for c. 40% of the region's revenue, delivered solid volume growth resulting from a greater focus on higher value B2B customers and digital revenue growth. Price optimisation activity has further supported revenue growth and gross margin gains.
- Germany remains strong, marginally above EMEA's growth, driven by our ongoing investment in and improvement to the commercial and operating model which is focusing on people development, improved digital capabilities and product range expansion.
- France has focused on improving the customer experience through targeted sales campaigns to drive increased digital and own-brand participation.
- RS Integrated Supply in EMEA continues to win new contracts across a wide range of industries, with the pipeline remaining very strong especially within Europe where we have invested in developing our coverage and reach. However, the operational investment from expanding into new territories and delay in some new contracts launching, largely from the customer side, has had an impact on the financial performance. As part of the rebrand to RS Integrated Supply (which combines IESA with Synovos in Americas) we have adapted to the best combined commercial model. We have won new contracts based on having a global offer with improved procurement strength. We see more opportunities for cross-Group benefits including expanding our RS PRO reach.
- Digital, accounting for 73% of the region's revenue, outperformed with 19% like-for-like revenue growth as greater focus continued to be placed on driving organic growth through search engine optimisation marketing, improving content and greater focus on delivering greater lifetime customer value. Our mobile responsive website has delivered a significant improvement in enabling our customers to use us in real time during their production process. Web revenue grew 17% on a like-for-like basis. We continue to see increased activity from our larger customers, benefiting our eProcurement business.
- RS PRO, which accounts for 19% of the region's revenue, performed well with 21% like-for-like revenue growth.
- OKdo, which accounts for 2% of revenue in the region, declined 34% on a like-for-like basis with growth impacted by lack of SBC product.
- Gross margin has benefited from a cross functional focus to optimise our pricing proposition, reduce the level of discounting and implement more agile processes enabling faster pass through of product cost inflation.
- Operating profit improved 10%, also up 10% like-for-like, to £131.2 million (H1 2021/22: £119.8 million).
- Operating profit margin declined 0.5 percentage points to 15.4% (H1 2021/22: 15.9%) due to operational investment including expanding further into Europe within RS Integrated Supply, improving our customer experience and reducing the cost to serve.
- EMEA's rolling six-month NPS was 48.0, a 0.3 point improvement from the 47.7 score of the shadow survey conducted in the six months ended 31 March 2022. We maintained relatively stable levels of availability during the period due to forward planning, our strong relationships with suppliers and investment in our inventory position, with some improvement as we exited the first half. Our teams have continued to work hard to mitigate

the impact of industry-wide supply challenges, improving our service proposition and making it easier for customers to complete their journey online.

Americas

Americas accounts for 32% of Group revenue, with Allied Electronics & Automation (Allied), RS Integrated Supply (formerly Synovos in Americas), RS PRO and OKdo being our trading brands during the first half. We are expecting to change our trading name from Allied to RS in early calendar 2023. We have operations in the US, together with smaller operations in Canada, Mexico and Chile. We are driving ongoing gains from the changes we have made in recent years to focus our sales teams on identifying new revenue generating opportunities, utilising our shared expertise across the Group and continuing improvements to our digital proposition. This is resulting in greater customer engagement and marketing returns.

An agreement to acquire Risoul, a distributor of industrial and automation product and service solutions in Mexico, for US\$275 million was announced in August 2022 with completion expected, subject to review by Mexican competition authorities, by the end of December 2022.

	H1 2022/23	H1 2021/22	Change	Like-for-like ¹ change
Revenue	£461.0m	£333.2m	38%	21%
Operating profit ²	£78.3m	£42.5m	84%	61%
Operating profit margin	17.0%	12.8%	4.2 pts	4.2 pts

1. Like-for-like adjusted for currency; revenue also adjusted for trading days.

2. See Note 2 for reconciliation to Group operating profit.

- Like-for-like revenue grew 21%, underpinned by a strong market and the investment we have made over the last few years in our people, operating model and DC. We are seeing strong growth in the automation and control product range and we continue to extend our proposition into the maintenance, repair and operations (MRO) market. Our customer base has an industrial bias with our strong growth being across most industry verticals and locations.
- The investment we have made, in our people and culture, digital and marketing proposition, distribution centre and product and service solutions offer, is driving our outperformance. We significantly expanded our DC in summer 2020 and are seeing the benefits of having a more automated, efficient and larger operation and expanded product offer. We have a much more focused field sales team who are incentivised on customer acquisition and retention, and a central customer service team that provides specialist support and help with administrative functions. Our incentive scheme is aligned to the scorecard we use across the Group to deliver our strategy, The RS Way. This includes profit as well as revenue growth.
- Digital accounted for 45% of the region's revenue, with 25% like-for-like growth. Like-for-like growth in web revenue was 22%.
- RS PRO accounts for under 1% of the region's revenue and grew like-for-like revenue by 46%. The RS PRO brand is less known to our Americas customers and has an MRO focused range, rather than automation and control. We expect to benefit from the Group rebranding as we move towards becoming RS Americas, while the movement into more MRO focused products and customers to continue widening our offer will also help drive RS PRO's participation in the region.
- RS Integrated Supply in Americas has seen several changes as we have focused on profitable accounts and put in place processes that will allow the business to scale more quickly and efficiently. Following the rebrand from Synovos (and IESA in EMEA) we now offer customers a best-in-class commercial model, improved procurement strength and global coverage. We have signed several new contracts with multinational customers and see more opportunities for cross-business benefits including expanding our RS PRO reach.
- Gross margin grew due to a strong product margin focus to reduce the level of discounting and improve price optimisation across our products.
- Operating profit improved 84%, 61% on a like-for-like basis, to £78.3 million (H1 2021/22: £42.5 million).
- Operating profit margin improved 4.2 percentage points, to 17.0% (H1 2021/22: 12.8%) which is a function of larger volumes, gross margin gains and operational leverage due to the strong revenue growth on our cost base. We plan to invest further in our operating model to ensure we can continue to service our customers well and thus expect there to be some dilution to this margin in the second half.

- Americas' rolling six-month NPS was 67.5, a 1.3 point improvement from the 66.2 score of the shadow survey conducted in the six months ended 31 March 2022. Our focus remains on delivering a strong offline and online customer experience and mitigating the external industry issues we are facing.

Asia Pacific

Asia Pacific accounts for 10% of Group revenue and consists of Australia and New Zealand (ANZ), Greater China, Japan and Korea, and South East Asia. RS, RS PRO, OKdo and domnick hunter are our main trading brands in Asia Pacific. Our broadening product offer, strong technical expertise, omni-channel service and a growing range of product and service solutions underpin our market share growth. This allows us increasingly to become a one-stop-shop partner of choice for our customers.

	H1 2022/23	H1 2021/22	Change	Like-for-like ¹ change
Revenue	£142.7m	£122.5m	16%	10%
Operating profit ²	£23.4m	£11.9m	97%	80%
Operating profit margin	16.4%	9.7%	6.7 pts	6.6 pts

1. Like-for-like adjusted for currency and to exclude the impact of acquisitions; revenue also adjusted for trading days.

2. See Note 2 for reconciliation to Group operating profit.

- Asia Pacific revenue increased 16%, 10% on a like-for-like basis, to £142.7 million (H1 2021/22: £122.5 million).
- Average order value has continued to improve across the region as the sales teams focused on the industrial components market, where we are increasing share, and our higher value corporate customers.
- Japan and Korea have benefited from strong growth in industrial products. Greater China has seen several changes as we became more commercially focused and concentrated on our proposition within industrial products. Operational capabilities continue to be developed in South East Asia which saw strong growth in the first half, with the acquisition of domnick hunter accelerating the development of our service offer in the region. ANZ's performance continues to benefit from high margin RS PRO growth.
- OKdo, which accounts for 4% of the region's revenue (H1 2021/22: 9%), declined 51% on a like-for-like basis having been impacted by the constrained supply of SBC product.
- Digital, which accounts for 61% of the region's revenue, increased 13% on a like-for-like basis driven by like-for-like digital share gains in Japan, Korea and South East Asia, which saw a strong recovery in eProcurement. Web like-for-like revenue grew by 10%.
- RS PRO, which accounts for 14% of the region's revenue, saw strong like-for-like growth of 17%, with growth spread across all markets.
- Gross margin improvement was driven by greater focus on higher revenue opportunities, the implementation of a small order handling charge in the second half of 2021/22 and price increases.
- Operating profit was £23.4 million, nearly double that of H1 2021/22 which delivered £11.9 million.
- The operating profit margin of 16.4% (H1 2021/22: 9.7%) was a 6.7 percentage points improvement, benefiting from strong revenue growth, gross margin gains, continued cost discipline and our scalable operating model. The region remains focused on improving cost to serve, reducing freight costs by shifting shipments from air to sea and sourcing products locally.
- Asia Pacific's rolling six-month NPS was 22.0, a 0.8 point improvement from the 21.2 score of the shadow survey conducted in the six months ended 31 March 2022. We remain committed to improving the customer experience and actions we have implemented, including a more focused sales force and proactive engagement to mitigate issues in relation to supply shortages, have been well received by customers.

Central costs

Central costs are Group head office costs and other one-off strategic investments and include Board, Group Finance, Group Professional Services and People costs that cannot be attributed to region-specific activity.

	H1 2022/23	H1 2021/22	Change	Like-for-like ¹ change
Central costs	£(36.8)m	£(29.4)m	25%	25%

1. Like-for-like adjusted for currency.

- Central costs increased by £7.4 million to £36.8 million (H1 2021/22: £29.4 million) due to costs related to strategic investment to support future growth opportunities. This included investments in global rebranding, innovation and Group technology infrastructure.

FINANCIAL REVIEW

Net finance costs

Net finance costs were £4.9 million (H1 2021/22: £3.2 million) with no interest capitalised (H1 2021/22: £0.5 million) as our DC expansions were completed last year. Our fixed to floating rate interest rate swaps increased net finance costs by £0.4 million; these swap US\$85 million of our private placement loan notes to floating rates and mature before the end of the year and we have no plans to replace them. At 30 September 2022, 30% (H1 2021/22: 37%; 2021/22: 35%) of the Group's gross borrowings excluding lease liabilities was at fixed rates, with surplus cash deposited at variable rates and with low floating interest rates on deposits there has been little benefit seen from our lower net debt position.

Profit before tax

Profit before tax was up 34% to £182.5 million (H1 2021/22: £136.1 million). Adjusted profit before tax was up 35% to £191.6 million (H1 2021/22: £141.8 million), up 30% on a like-for-like basis.

Taxation

The Group's income tax charge was £41.1 million (H1 2021/22: £34.9 million). The adjusted income tax charge, which excludes the impact of tax on items excluded from adjusted profit before tax, was £43.1 million (H1 2021/22: £33.8 million). The effective tax rate on adjusted profit before tax was 22.5% (H1 2021/22: 23.8%) with the decrease predominantly due to the impact in H1 2021/22 of recalculating deferred tax balances, as a result of the UK corporate income tax rate change from 19% to 25% effective from 1 April 2023 and enacted in May 2021.

Going forward we expect the full year 2022/2023 effective tax rate on adjusted profit before tax to be c. 23%, increasing to c. 26% in 2023/2024 reflecting the increase in the UK corporate income tax rate.

Earnings per share

Earnings per share increased 40% to 30.0p (H1 2021/22: 21.5p). Adjusting for items excluded from adjusted profit and associated income tax effects, adjusted earnings per share of 31.5p (H1 2021/22: 23.0p) grew 32% like-for-like.

Cash flow

£m	H1 2022/23	H1 2021/22
Operating profit	187.0	139.1
Add back depreciation and amortisation	32.1	31.4
EBITDA	219.1	170.5
Add back impairments and loss on disposal of non-current assets	6.7	-
Movement in working capital	(51.0)	(48.2)
Movement in provisions	(1.1)	(1.8)
Other (equity-settled share-based payments and dividends from joint venture)	8.4	4.3
Cash generated from operations	182.1	124.8
Net interest paid	(4.1)	(3.0)
Income tax paid	(44.4)	(22.5)
Net cash from operating activities	133.6	99.3
Net capital expenditure	(22.1)	(16.0)
Free cash flow	111.5	83.3
Add back cash effect of adjustments ¹	0.4	1.5
Adjusted¹ free cash flow	111.9	84.8

1. Adjusted excludes the impact of substantial reorganisation cash flows.

Cash generated from operations increased to £182.1 million (H1 2021/22: £124.8 million) as we continue to be focused on our cash conversion. Higher EBITDA more than offset continued inventory investment to support revenue growth. As a result, adjusted operating cash flow conversion was 81.8%, an increase of 5.6 percentage points.

Net interest paid increased by £1.1 million to £4.1 million (H1 2021/22: £3.0 million) due to our higher net finance costs.

Income tax paid increased to £44.4 million (H1 2021/22: £22.5 million) due to taxable profit being higher than in H1 2021/22.

Net capital expenditure increased to £22.1 million (H1 2021/22: £16.0 million) due to the resumption of our ongoing investment schedule, although this is weighted towards the second half. Capital expenditure was 1.0 times depreciation (H1 2021/22: 1.0 times), which is in line with our typical maintenance capital expenditure levels of 1.0 - 1.5 times depreciation. We anticipate capital expenditure in 2022/23 will be c. £50 million.

Free cash flow increased to £111.5 million (H1 2021/22: £83.3 million). Excluding cash outflows of £0.4 million (H1 2021/22: £1.5 million) related to substantial reorganisation costs provided for in 2020/21, adjusted free cash flow was £111.9 million (H1 2021/22: £84.8 million).

Working capital

Working capital as a percentage of revenue increased by 1.6 percentage points to 22.8% (H1 2021/22: 21.2%). We continue to monitor receivables collection closely, which remains our greatest short-term liquidity sensitivity. Our continued effort to limit our exposure by tightening credit policies, including short payment terms and low credit limits for new customers and seeking payment commitments for overdue balances before releasing new orders to existing customers, have led to higher cash generation. Trade and other receivables at £636.1 million (H1 2021/22: £536.1 million; 2021/22: £594.3 million) are higher due to the £41.8 million impact of the weaker sterling exchange rate and the balance due to our increased revenue.

Gross inventories increased to £663.6 million (H1 2021/22: £505.7 million; 2021/22: £559.2 million). We have extended our product offering in Americas and invested in inventory across the Group to ensure continuous availability, supporting strong customer demand. £36.4 million of the increase was due to the weaker sterling exchange rate. This has led to a decline in our inventory turn to 2.4 times (H1 2021/22: 2.8 times; 2021/22: 2.7 times). We expect our inventory turn to improve from this level over the next six months as we tighten our inventory commitments given the more uncertain economic backdrop we face. We are restricting our investment to higher inventory turn products, which we know will sell through quickly, and utilising information from our customers' digital searches. Inventory provisions have increased by £1.6 million to £31.3 million since the year end mainly due to the slowdown in sales of electronics products.

Overall trade and other payables increased to £629.5 million (H1 2021/22: £517.9 million; 2021/22: £ 584.1 million) reflecting the growth in inventory and £31.8 million impact of the weaker sterling exchange rate. We pay our suppliers to terms and have continued to work with some of our larger suppliers to improve terms where possible. Looking forward we continue to manage actively our working capital position.

Net debt

Our cash generation has been strong, leading to a net cash position of £2.6 million, compared to £42.1 million of net debt at 31 March 2022 and £83.6 million of net debt at 30 September 2021, despite foreign exchange translation impacts of £7.5 million. Net cash / debt comprised gross borrowings of £376.5 million (H1 2021/22: 285.9 million; 2021/22: £300.1 million), including lease liabilities of £44.6 million (H1 2021/22: £54.8 million; 2021/22: £48.7 million), and interest rate swaps with a fair value of £0.7 million liability (H1 2021/22: £0.9 million asset; 2021/22: £0.1 million liability), offset by cash and short-term deposits of £379.1 million (H1 2021/22: £201.4 million; 2021/22: £257.9 million).

On 24 October 2022 we refinanced our £300 million sustainability-linked loan (SLL) which had a maturity of November 2024. The new SLL is for £400 million with a five-year term on broadly unchanged rates and we increased our lender base by three to a total of 11 banks. The SLL has a lender option accordion of up to a further £100 million and an option for the Group to extend for up to two further one-year terms subject to individual lender approval. The SLL was undrawn at 30 September 2022 and, together with £176.3 million of private placement loan notes, form our committed debt facilities of £476.3 million.

The Group's financial metrics remain strong, with EBITA to interest of 44.3x and net debt to adjusted EBITDA not being meaningful due to the Group's net cash position. On a proforma basis, adjusted for the pending completion of the Risoul acquisition, net debt to adjusted EBITDA would be 0.6x. These leave significant headroom for the Group's banking covenants of EBITA to interest greater than 3 times and net debt to adjusted EBITDA less than 3.25 times.

Return on Capital Employed (ROCE)

ROCE is the adjusted operating profit for the 12 months ended 30 September 2022 expressed as a percentage of the monthly average capital employed (net assets excluding net cash / debt and retirement benefit obligations). ROCE

remained strong at 31.4%, up 6.7 percentage points year on year (H1 2021/22: 24.7%) mainly as a result of higher adjusted operating profit.

Retirement benefit obligations

The Group has defined benefit pension schemes in the UK and Europe, with the UK scheme being by far the largest. All these schemes are closed to new entrants and in Germany and Ireland the pension schemes are closed to accrual for future service.

Overall, the accounting deficit of the Group's defined benefit schemes at 30 September 2022 was £41.2 million compared to £12.4 million at 31 March 2022 and £57.4 million at 30 September 2021.

At 30 September 2022, the UK defined benefit scheme had an accounting surplus of £27.7 million (H1 2021/22: an accounting deficit of £42.9 million; 2021/22: accounting surplus of £24.9 million). Under the scheme's matching asset portfolio, the decrease in liabilities mainly caused by a 2.5 percentage points increase in the discount rate (which increased from 2.8% to 5.3%) was significantly offset by the decrease in the value of the assets, leading to the increase in the accounting surplus. Under the scheme's rules the Group does not have an unconditional right to any surplus that may arise on the scheme and so the accounting surplus has been restricted to £nil. An additional liability of £31.0 million was recognised which is equal to the present value of the agreed future deficit contributions under the revised recovery plan.

The triennial funding valuation of the UK scheme at 31 March 2022 showed a deficit of £36.4 million on a statutory technical provisions basis. A new recovery plan, which replaces the previous recovery plan, has been agreed with the trustee of the UK scheme and deficit contributions of £11.1 million per annum will be paid with the aim that the scheme is fully funded on a technical provisions basis by 30 September 2025.

Due to the high degree of liability hedging in the scheme's investment strategy, its statutory technical provisions basis has remained relatively stable since March 2022 despite the current volatility in the UK markets. In line with the recommendation of the scheme's liability-driven investments (LDI) manager, the scheme had sufficient liquidity in its portfolio to more than double its cash collateral since the end of September 2022.

Dividend

The Board intends to continue to pursue a progressive dividend policy while remaining committed to a healthy dividend cover over time by driving improved results and stronger cash flow.

In the normal course, the interim dividend is equivalent to approximately 40% of the prior year full-year dividend. As such, the Board proposes an interim dividend of 7.2p per share. This will be paid on 6 January 2023 to shareholders on the register on 25 November 2022.

Foreign exchange risk

The Group does not hedge translation exposure on the income statements of overseas subsidiaries. Based on the mix of non-sterling denominated revenue and adjusted operating profit, a one cent movement in the euro would impact annual adjusted profit before tax by £1.8 million and a one cent movement in the US dollar would impact annual adjusted profit before tax by £0.7 million.

The Group is also exposed to foreign currency transactional risk because most operating companies have some level of payables in currencies other than their functional currency. Some operating companies also have receivables in currencies other than their functional currency. Group Treasury maintains three to seven months hedging against freely tradable currencies to smooth the impact of fluctuations in currency. The Group's largest exposures related to euros and US dollars.

The Group is exposed to translational exposure on the net assets of overseas subsidiaries, although local currency debt is used where economically and fiscally efficient in the financing of subsidiaries and this provides a degree of natural hedging. The Group's largest exposures related to US dollars and euros. The Group's private placement loan notes are also denominated in US dollars and euros, with a small proportion designated as hedges of net investments in its US subsidiaries. Overall, the weaker sterling exchange rate at 30 September 2022 resulted in an increase of £106.4 million to net assets in the first half.

RISKS AND UNCERTAINTIES

The Board has overall accountability for the Group's risk management, which is managed by the Senior Management Team (SMT) and co-ordinated by the Group's risk team.

The Group's risk management process identifies, evaluates and manages the Group's principal risks and uncertainties. These risks are identified through a variety of sources, both external, to ensure that developing risk themes (emerging risks) are considered, and internal, including the Board, senior, regional and country management teams. These risks are reviewed by both the Group's SMT Risk Committee, comprising the Group's senior managers, and the Board.

The Group has a defined risk appetite, which has been adopted by the Board, and is considered across three risk categories: strategic, operational and regulatory / compliance. These three categories use both quantitative and qualitative criteria.

Principal risks and uncertainties

The principal risks and mitigations disclosed in the 2022 Annual Report and Accounts (pages 50 to 55) were:

Strategic risk category

1. Prolonged effects of the ongoing COVID-19 pandemic across different geographies (now amended, see below)
2. Fail to respond to strategic market shifts, for example, changes in customer demands / competitor activity and related stakeholder requirements
3. The Group's revenue and profit growth activities are not successfully implemented
4. Effects on the business due to geopolitical developments

Operational risk category

5. Failure in the business's critical infrastructure
6. Cyber security breach / information loss
7. UK defined benefit pension scheme cash requirements are more than the cash available (now removed, see below)
8. People resources unable to support the existing and future growth of the business
9. Impact on the business if the macroeconomic environment deteriorates
10. Potential impact on the business due to climate change effects

Regulatory / compliance risk category

11. Fail to comply with international and local legal / regulatory requirements

Two changes have been made to the Group's principal risks from those disclosed in the 2022 Annual Report and Accounts. These are:

- amending wording for risk 1: prolonged effects of the ongoing COVID-19 pandemic across different geographies. This risk has been revised to reflect the wider pandemic risk rather than a focus on the current COVID-19. Although COVID-19 continues as a global pandemic, the success of the global vaccination programme and subsequent reductions in hospitalisations and deaths and the lessening severity of new strains has led to many countries either significantly reducing or removing restrictions. While further increased infection rates are likely the Group is better placed to manage these challenges.
- removing risk 7: UK defined benefit pension scheme cash requirements are more than the cash available. Owing to the pension scheme's improved position on a long-term funding basis and its de-risked investment strategy which reduces volatility in the funding position, the likelihood of the risk crystallising has reduced sufficiently to be no longer reported as a principal risk for the Group.

GOING CONCERN

Overview

In adopting the going concern basis for preparing these condensed Group accounts, the Board has considered the Group's future trading prospects; the Group's available liquidity, the maturity of its debt facilities and obligations under its debt covenants; and the Group's principal risks as summarised above.

As described in more detail in the Viability Statement in the 2022 Annual Report and Accounts, our business model is

structured so that the Group has a global network of 14 DCs; a talented and customer-centric team; strong supplier relationships; a strong digital presence; a very broad spread of customers both in terms of industry sector and geography and is not reliant on one particular group of customers or suppliers; and a broad range of products and service solutions.

Financial position, liquidity and debt covenants

Our capital position is supported by regular reviews of the Group's funding facilities and debt covenants' headroom, through the Board's Treasury Committee.

The Group's net cash at 30 September 2022 was £2.6 million (31 March 2022: net debt £42.1 million). Our committed debt facilities and loans were £476.3 million, of which £300.0 million were undrawn (see the net debt section in the Financial Review for more details of our committed facilities). The earliest facility expiring was the Group's £300 million SLL with a maturity of November 2024 and an option for the Group to extend for a further one-year term subject to individual lender approval. Since 30 September 2022, this SLL has been refinanced to a five-year £400 million SLL with a lender option accordion of up to a further £100 million and an option for the Group to extend for up to two further one-year terms subject to individual lender approval.

The Group's debt covenants are EBITA to interest to be greater than 3 times and net debt to adjusted EBITDA to be less than 3.25 times, which are measured on a rolling 12-month basis at half year and year end. At 30 September 2022 EBITA to interest was 44.3x (31 March 2022: 44.6x) and net debt to adjusted EBITDA was not meaningful due to the Group's net cash position (31 March 2022: 0.1x) (see Note 11 for reconciliations).

Financial modelling

We frequently update our rolling 18-month forecast and this is regularly reviewed, and the assumptions approved, by the Board.

We have undertaken reverse stress tests on the latest forecast to assess the circumstances that would threaten the Group's current financing arrangements. These included significant declines in like-for-like revenue, significant declines in gross margin and a major deterioration in cash collection and would have resulted in adjusted operating profit margin falling to under 2% in at least one of the following five quarters. These reverse stress tests assumed no mitigations and that capital expenditure and dividends are unchanged from those forecast. The Board considers the risk of these circumstances occurring to be remote.

Going concern basis

Based on the assessment outlined above, the Board has a reasonable expectation that the Group will be able to continue in operation and meet its liabilities as they fall due over the going concern period of at least 12 months from 3 November 2022. Therefore, the Board believes that it is appropriate to continue to adopt the going concern basis in preparing these condensed Group accounts.

RESPONSIBILITY STATEMENT OF THE DIRECTORS IN RESPECT OF THE HALF-YEAR FINANCIAL REPORT

The Directors confirm that these condensed Group accounts have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting' as contained in UK-adopted International Financial Reporting Standards and that the interim management report includes a fair review of the information required by Disclosure and Transparency Rules (DTR) 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the first six months and their impact on the condensed set of accounts, and a description of the principal risks and uncertainties for the remaining six months of the financial year; and
- Material related party transactions in the first six months and any material changes in the related party transactions described in the last annual report.

The Directors of RS Group plc are listed in the RS Group Annual Report and Accounts for the year ended 31 March 2022. A list of current Directors is maintained on the RS Group plc website: www.rsgroup.com.

David Egan, Acting Chief Executive Officer
2 November 2022

Forward-looking statements

This financial report contains certain statements, statistics and projections that are or may be forward-looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the future financial position, strategy, projected costs, plans and objectives for the management of future operations of RS Group plc and its subsidiaries is not warranted or guaranteed. These statements typically contain words such as "intends", "expects", "anticipates", "estimates" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although RS Group plc believes that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are a number of factors, which may be beyond the control of RS Group plc, which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Other than as required by applicable law or the applicable rules of any exchange on which our securities may be listed, RS Group plc has no intention or obligation to update forward-looking statements contained herein.

GROUP INCOME STATEMENT

For the six months ended 30 September 2022

	Notes	Six months ended		Year ended
		30.9.2022	30.9.2021	31.3.2022
		£m	£m	£m
Revenue	2	1,458.0	1,208.9	2,553.7
Cost of sales		(794.5)	(680.7)	(1,425.8)
Gross profit		663.5	528.2	1,127.9
Distribution and marketing expenses		(430.6)	(354.0)	(755.6)
Administrative expenses		(45.9)	(35.1)	(63.5)
Operating profit	2	187.0	139.1	308.8
Finance income		0.5	0.5	1.0
Finance costs		(5.4)	(3.7)	(8.1)
Share of profit of joint venture		0.4	0.2	0.5
Profit before tax	2	182.5	136.1	302.2
Income tax expense		(41.1)	(34.9)	(72.2)
Profit for the period attributable to owners of the Company		141.4	101.2	230.0
Earnings per share attributable to owners of the Company – Basic	3	30.0p	21.5p	48.9p
Earnings per share attributable to owners of the Company – Diluted	3	29.8p	21.4p	48.6p

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the six months ended 30 September 2022

	Six months ended		Year ended
	30.9.2022	30.9.2021	31.3.2022
	£m	£m	£m
Profit for the period	141.4	101.2	230.0
Other comprehensive income			
Items that will not be reclassified subsequently to the income statement			
Remeasurement of retirement benefit obligations	(33.4)	(6.2)	21.8
Income tax on items that will not be reclassified to the income statement	6.9	5.6	(0.9)
Items that may be reclassified subsequently to the income statement			
Foreign exchange translation differences of joint venture	0.3	-	0.1
Foreign exchange translation differences	106.1	10.9	21.8
Movement in cash flow hedges	9.3	4.5	1.4
Income tax on items that may be reclassified to the income statement	(2.0)	(1.0)	(0.3)
Other comprehensive income for the period	87.2	13.8	43.9
Total comprehensive income for the period attributable to owners of the Company	228.6	115.0	273.9

GROUP BALANCE SHEET

As at 30 September 2022

	Notes	30.9.2022 £m	30.9.2021 £m	31.3.2022 £m
Non-current assets				
Intangible assets		524.6	468.5	473.3
Property, plant and equipment		192.9	171.4	177.3
Right-of-use assets		41.9	51.9	45.8
Investment in joint venture		1.9	1.2	1.5
Other receivables		3.6	2.7	3.0
Interest rate swaps	8	-	0.9	-
Retirement benefit net assets	5	1.1	0.8	0.3
Deferred tax assets		12.6	12.7	4.9
Total non-current assets		778.6	710.1	706.1
Current assets				
Inventories	6	632.3	469.8	529.5
Trade and other receivables	7	636.1	536.1	594.3
Cash and cash equivalents – cash and short-term deposits	8	379.1	201.4	257.9
Interest rate swaps		-	-	0.1
Other derivative assets		7.4	1.4	1.4
Current income tax receivables		15.7	16.2	11.9
Total current assets		1,670.6	1,224.9	1,395.1
Total assets		2,449.2	1,935.0	2,101.2
Current liabilities				
Trade and other payables		(629.5)	(517.9)	(584.1)
Cash and cash equivalents – bank overdrafts	8	(154.9)	(81.2)	(99.5)
Lease liabilities	8	(16.2)	(17.0)	(16.7)
Interest rate swaps	8	(0.7)	-	(0.2)
Other derivative liabilities		(4.0)	(1.1)	(3.2)
Provisions		(2.3)	(2.5)	(2.6)
Current income tax liabilities		(23.6)	(22.8)	(19.9)
Total current liabilities		(831.2)	(642.5)	(726.2)
Non-current liabilities				
Other payables		(11.0)	(7.7)	(6.9)
Retirement benefit obligations	5	(42.3)	(58.2)	(12.7)
Borrowings	8	(176.3)	(149.9)	(151.7)
Lease liabilities	8	(28.4)	(37.8)	(32.0)
Provisions		(2.7)	(2.8)	(2.8)
Deferred tax liabilities		(71.5)	(61.6)	(60.4)
Total non-current liabilities		(332.2)	(318.0)	(266.5)
Total liabilities		(1,163.4)	(960.5)	(992.7)
Net assets		1,285.8	974.5	1,108.5
Equity				
Share capital and share premium		279.0	277.8	278.5
Own shares held by Employee Benefit Trust (EBT)		(0.3)	(0.1)	(3.0)
Other reserves		169.6	51.5	60.2
Retained earnings		836.8	645.3	772.8
Equity attributable to owners of the Company		1,285.1	974.5	1,108.5
Non-controlling interests		0.7	-	-
Total equity		1,285.8	974.5	1,108.5

GROUP CASH FLOW STATEMENT

For the six months ended 30 September 2022

		Six months ended		Year ended
	Notes	30.9.2022	30.9.2021	31.3.2022
		£m	£m	£m
Cash flows from operating activities				
Profit before tax		182.5	136.1	302.2
Depreciation and amortisation		32.1	31.4	63.7
Impairment of intangible assets		6.6	-	-
Loss on disposal of non-current assets		0.1	-	2.4
Equity-settled share-based payments		8.2	4.2	9.9
Net finance costs		4.9	3.2	7.1
Share of profit of and dividends received from joint venture		(0.2)	(0.1)	(0.3)
Increase in inventories		(62.4)	(46.2)	(102.1)
Decrease / (increase) in trade and other receivables		2.0	(40.0)	(96.5)
Increase in trade and other payables and retirement benefit obligations		9.4	38.0	82.4
Decrease in provisions		(1.1)	(1.8)	(1.7)
Cash generated from operations		182.1	124.8	267.1
Interest received		0.5	0.5	1.0
Interest paid		(4.6)	(3.5)	(8.0)
Income tax paid		(44.4)	(22.5)	(57.1)
Net cash from operating activities		133.6	99.3	203.0
Cash flows from investing activities				
Acquisition of businesses	10	(3.1)	2.2	2.2
Cash and cash equivalents acquired with businesses		1.2	-	-
Aggregate of cash paid to acquire and cash and cash equivalents acquired with businesses		(1.9)	2.2	2.2
Purchase of intangible assets, property, plant and equipment		(22.1)	(16.0)	(42.5)
Net cash used in investing activities		(24.0)	(13.8)	(40.3)
Cash flows from financing activities				
Proceeds from the issue of share capital		0.5	2.3	3.0
Purchase of own shares by EBT		(0.1)	-	(2.9)
Loans repaid	8	-	(0.7)	(0.7)
Payment of lease liabilities	8	(8.9)	(9.1)	(17.8)
Dividends paid	4	(54.6)	(46.1)	(76.2)
Net cash used in financing activities		(63.1)	(53.6)	(94.6)
Net increase in cash and cash equivalents		46.5	31.9	68.1
Cash and cash equivalents at the beginning of the period		158.4	86.4	86.4
Effects of exchange rate changes		19.3	1.9	3.9
Cash and cash equivalents at the end of the period	8	224.2	120.2	158.4

GROUP STATEMENT OF CHANGES IN EQUITY

For the six months ended 30 September 2022

	Attributable to owners of the Company					Non-controlling interests £m	Total equity £m
	Share capital and share premium £m	Own shares held by EBT £m	Other reserves £m	Retained earnings £m	Total £m		
At 1 April 2021	275.5	(1.5)	37.6	587.8	899.4	-	899.4
Profit for the period	-	-	-	101.2	101.2	-	101.2
Remeasurement of retirement benefit obligations	-	-	-	(6.2)	(6.2)	-	(6.2)
Foreign exchange translation differences	-	-	10.9	-	10.9	-	10.9
Net gain on cash flow hedges	-	-	4.5	-	4.5	-	4.5
Taxation on other comprehensive income	-	-	(1.0)	5.6	4.6	-	4.6
Total comprehensive income	-	-	14.4	100.6	115.0	-	115.0
Cash flow hedging gains transferred to inventories	-	-	(0.6)	-	(0.6)	-	(0.6)
Tax on cash flow hedging gains transferred to inventories	-	-	0.1	-	0.1	-	0.1
Dividends (Note 4)	-	-	-	(46.1)	(46.1)	-	(46.1)
Equity-settled share-based payments	-	-	-	4.2	4.2	-	4.2
Settlement of share awards	2.3	1.4	-	(1.4)	2.3	-	2.3
Tax on equity-settled share-based payments	-	-	-	0.2	0.2	-	0.2
At 30 September 2021	277.8	(0.1)	51.5	645.3	974.5	-	974.5
Profit for the period	-	-	-	128.8	128.8	-	128.8
Remeasurement of retirement benefit obligations	-	-	-	28.0	28.0	-	28.0
Foreign exchange translation differences	-	-	11.0	-	11.0	-	11.0
Net loss on cash flow hedges	-	-	(3.1)	-	(3.1)	-	(3.1)
Taxation on other comprehensive income	-	-	0.7	(6.5)	(5.8)	-	(5.8)
Total comprehensive income	-	-	8.6	150.3	158.9	-	158.9
Cash flow hedging losses transferred to inventories	-	-	0.1	-	0.1	-	0.1
Dividends (Note 4)	-	-	-	(30.1)	(30.1)	-	(30.1)
Equity-settled share-based payments	-	-	-	5.7	5.7	-	5.7
Settlement of share awards	0.7	-	-	-	0.7	-	0.7
Purchase of own shares by EBT	-	(2.9)	-	-	(2.9)	-	(2.9)
Tax on equity-settled share-based payments	-	-	-	1.6	1.6	-	1.6
At 31 March 2022	278.5	(3.0)	60.2	772.8	1,108.5	-	1,108.5
Profit for the period	-	-	-	141.4	141.4	-	141.4
Remeasurement of retirement benefit obligations	-	-	-	(33.4)	(33.4)	-	(33.4)
Foreign exchange translation differences	-	-	106.4	-	106.4	-	106.4
Net gain on cash flow hedges	-	-	9.3	-	9.3	-	9.3
Taxation on other comprehensive income	-	-	(2.0)	6.9	4.9	-	4.9
Total comprehensive income	-	-	113.7	114.9	228.6	-	228.6
Cash flow hedging gains transferred to inventories	-	-	(5.3)	-	(5.3)	-	(5.3)
Tax on cash flow hedging gains transferred to inventories	-	-	1.0	-	1.0	-	1.0
Dividends (Note 4)	-	-	-	(54.6)	(54.6)	-	(54.6)
Equity-settled share-based payments	-	-	-	8.2	8.2	-	8.2
Settlement of share awards	0.5	2.8	-	(2.7)	0.6	-	0.6
Purchase of own shares by EBT	-	(0.1)	-	-	(0.1)	-	(0.1)
Tax on equity-settled share-based payments	-	-	-	(1.1)	(1.1)	-	(1.1)
Sale of subsidiary's shares to non-controlling interests	-	-	-	(0.7)	(0.7)	0.7	-
At 30 September 2022	279.0	(0.3)	169.6	836.8	1,285.1	0.7	1,285.8

NOTES TO THE CONDENSED GROUP ACCOUNTS

1. Basis of preparation

These condensed Group accounts were approved by the Board of Directors on 2 November 2022 and are unaudited but have been reviewed by the auditors. They do not constitute statutory accounts within the meaning of section 434 of the Companies Act 2006, but have been prepared in accordance with the UK-adopted International Accounting Standard (IAS) 34 'Interim Financial Reporting' and the Disclosure and Transparency Rules of the UK's Financial Conduct Authority. As outlined in the Going Concern statement, the Directors consider it appropriate to continue to adopt the going concern basis in preparing these condensed Group accounts. The Annual Report and Accounts for the year ended 31 March 2022 was prepared in accordance with UK-adopted international accounting standards (UK IAS) and has been delivered to the Registrar of Companies. The auditors' report on those accounts was unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain any statement under section 498(2) or 498(3) of the Companies Act 2006.

These condensed Group accounts have been prepared on the basis of the accounting policies set out in the Annual Report and Accounts for the year ended 31 March 2022 except for the estimation of income tax. Under IAS 34, the tax charge for the period is calculated using the estimated weighted average effective tax rate for the year ending 31 March 2023. Where tax balances are revised due to changes in tax rates or estimates of tax liabilities for prior periods, the full effect is included in the tax charge for the first half of the year.

The significant judgements made by the Group in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the Group accounts for the year ended 31 March 2022, although the assumptions used in the judgements involved in estimations have been updated to take account of the Group's latest expectations of the likely impact of climate change, economic and geopolitical uncertainties and the COVID-19 pandemic and its variants.

2. Segmental reporting

The Group's operating segments comprise three regions: EMEA, Americas and Asia Pacific.

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Six months ended 30 September 2022				
Revenue from external customers	854.3	461.0	142.7	1,458.0
Segmental operating profit	131.2	78.3	23.4	232.9
Central costs				(36.8)
Adjusted operating profit				196.1
Amortisation and impairment of acquired intangibles (Note 11)				(9.1)
Operating profit				187.0
Net finance costs				(4.9)
Share of profit of joint venture				0.4
Profit before tax				182.5
Six months ended 30 September 2021				
Revenue from external customers	753.2	333.2	122.5	1,208.9
Segmental operating profit	119.8	42.5	11.9	174.2
Central costs				(29.4)
Adjusted operating profit				144.8
Amortisation of acquired intangibles				(5.7)
Operating profit				139.1
Net finance costs				(3.2)
Share of profit of joint venture				0.2
Profit before tax				136.1

2. Segmental reporting (continued)

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Year ended 31 March 2022				
Revenue from external customers	1,579.5	718.7	255.5	2,553.7
Segmental operating profit	243.7	99.3	29.3	372.3
Central costs				(51.9)
Adjusted operating profit				320.4
Amortisation of acquired intangibles				(11.6)
Operating profit				308.8
Net finance costs				(7.1)
Share of profit of joint venture				0.5
Profit before tax				302.2

In the table below, revenue is disaggregated by own-brand products or other products and service solutions, and also by sales channels. The Group's largest own-brand is RS PRO. £1,419.3 million of revenue is recognised at a point in time (six months ended 30 September 2021: £1,203.5 million; year ended 31 March 2022: £2,483.9 million) and £38.7 million over time (six months ended 30 September 2021: £5.4 million; year ended 31 March 2022: £69.8 million).

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Six months ended 30 September 2022				
Own-brand / other products and service solutions				
Own-brand products	170.6	3.7	19.2	193.5
Other product and service solutions	683.7	457.3	123.5	1,264.5
Group	854.3	461.0	142.7	1,458.0

Sales channel

Web	431.4	154.9	66.2	652.5
eProcurement and other digital	192.6	50.1	20.3	263.0
Digital	624.0	205.0	86.5	915.5
Offline	230.3	256.0	56.2	542.5
Group	854.3	461.0	142.7	1,458.0

Six months ended 30 September 2021

Own-brand / other products and service solutions				
Own-brand products	145.3	2.2	15.7	163.2
Other product and service solutions	607.9	331.0	106.8	1,045.7
Group	753.2	333.2	122.5	1,208.9

Sales channel

Web	372.8	111.3	58.1	542.2
eProcurement and other digital	159.6	32.6	16.0	208.2
Digital	532.4	143.9	74.1	750.4
Offline	220.8	189.3	48.4	458.5
Group	753.2	333.2	122.5	1,208.9

Year ended 31 March 2022

Own-brand / other products and service solutions				
Own-brand products	300.2	4.8	34.0	339.0
Other product and service solutions	1,279.3	713.9	221.5	2,214.7
Group	1,579.5	718.7	255.5	2,553.7

Sales channel

Web	781.7	241.8	121.8	1,145.3
eProcurement and other digital	344.6	69.8	33.9	448.3
Digital	1,126.3	311.6	155.7	1,593.6
Offline	453.2	407.1	99.8	960.1
Group	1,579.5	718.7	255.5	2,553.7

3. Earnings per share

	Six months ended		Year ended
	30.9.2022	30.9.2021	31.3.2022
	Number	Number	Number
Weighted average number of shares	471,098,269	470,194,538	470,552,792
Dilutive effect of share-based payments	2,655,779	2,767,829	2,669,271
Diluted weighted average number of shares	473,754,048	472,962,367	473,222,063
Basic earnings per share attributable to owners of the Company	30.0p	21.5p	48.9p
Diluted earnings per share attributable to owners of the Company	29.8p	21.4p	48.6p

4. Dividends

	Six months ended		Year ended
	30.9.2022	30.9.2021	31.3.2022
	£m	£m	£m
Final dividend for the year ended 31 March 2022 – 11.6p (2021: 9.8p)	54.6	46.1	46.1
Interim dividend for the year ended 31 March 2022 – 6.4p	-	-	30.1
	54.6	46.1	76.2

An interim dividend of 7.2p will be paid on 6 January 2023 to shareholders on the register on 25 November 2022 with an ex-dividend date of 24 November 2022 and the estimated amount to be paid of £34.0 million has not been included as a liability in these accounts.

5. Retirement benefit obligations

The Group operates defined benefit schemes in the United Kingdom and Europe.

	30.9.2022	30.9.2021	31.3.2022
	£m	£m	£m
Fair value of scheme assets	421.4	605.6	593.3
Present value of defined benefit obligations	(403.9)	(663.0)	(580.8)
Effect of asset ceiling / onerous liability	(58.7)	-	(24.9)
Retirement benefit net obligations	(41.2)	(57.4)	(12.4)
Amount recognised on the balance sheet – liability	(42.3)	(58.2)	(12.7)
Amount recognised on the balance sheet – asset	1.1	0.8	0.3

The volatility at the end of September 2022 in the UK markets caused the discount rate assumption to move from 2.8% at 31 March 2022 to 5.3% at 30 September 2022. This decreased the UK defined benefit scheme's present value of defined benefit obligations by £179.3 million. This was offset by the decrease in the UK scheme's fair value of scheme assets as a result of the scheme's liability hedging strategy.

As a result, the sensitivity of the calculation of the defined benefit obligations to the assumptions used has decreased. The sensitivity analysis below is based on a change in the assumption on the UK scheme while holding all other assumptions constant; in practice changes in some of the assumptions may be correlated.

A change would have the following increase / (decrease) on the UK defined benefit obligations as at 30 September 2022:

	Increase in assumption	Decrease in assumption
	£m	£m
Effect on obligation of a 0.1% change to the assumed discount rate	(5.3)	5.4
Effect on obligation of a 0.1% change in the assumed inflation rate	5.0	(5.0)
Effect on obligation of a change of one year in assumed life expectancy	11.0	(10.1)

6. Inventories

	30.9.2022	30.9.2021	31.3.2022
	£m	£m	£m
Gross inventories	663.6	505.7	559.2
Inventory provisions	(31.3)	(35.9)	(29.7)
Net inventories	632.3	469.8	529.5

During the six months ended 30 September 2022 £13.4 million was recognised as an expense relating to the write-down of inventories to net realisable value (six months ended 30 September 2021: £1.7 million; year ended 31 March 2022: £7.7 million).

Currently the Group does not expect any reasonable likely changes, including regulatory changes, impacts of the economic and geopolitical uncertainty and any further impacts of the COVID-19 pandemic and any future variants, to have a material impact on the net realisable value of inventories.

7. Trade and other receivables

	30.9.2022	30.9.2021	31.3.2022
	£m	£m	£m
Gross trade receivables	568.3	461.4	535.8
Impairment allowance	(11.4)	(8.4)	(9.1)
Net trade receivables	556.9	453.0	526.7
Other receivables (including prepayments)	79.2	83.1	67.6
Trade and other receivables	636.1	536.1	594.3

Trade receivables are written off when there is no reasonable expectation of recovery, for example when a customer enters liquidation or the Group agrees with the customer to write off an outstanding invoice. The Group continues to limit its exposure by maintaining tight credit policies, including short payment terms and low credit limits for new customers and seeking payment commitments for overdue balances before releasing new orders to existing customers. Historically, the Group has generally experienced very low levels of trade receivables not being recovered, including those significantly past due, and this was also the case during the six months ended 30 September 2022. However, with the continued uncertainty about the global economy, the Group remains cautious about its exposure and so has carefully reviewed, and maintained at a higher level, its expected loss rates for those markets and industries that are most affected.

8. Net cash / (debt)

	30.9.2022	30.9.2021	31.3.2022
	£m	£m	£m
Cash and short-term deposits	379.1	201.4	257.9
Bank overdrafts	(154.9)	(81.2)	(99.5)
Cash and cash equivalents	224.2	120.2	158.4
Non-current private placement loan notes	(176.3)	(149.9)	(151.7)
Non-current interest rate swaps designated as fair value hedges – assets	-	0.9	-
Current interest rate swaps designated as fair value hedges – assets	-	-	0.1
Current interest rate swaps designated as fair value hedges – liabilities	(0.7)	-	(0.2)
Current lease liabilities	(16.2)	(17.0)	(16.7)
Non-current lease liabilities	(28.4)	(37.8)	(32.0)
Net cash / (debt)	2.6	(83.6)	(42.1)

Movements in net cash / (debt) were:

	Borrowings	Lease liabilities	Total liabilities from financing activities	Interest rate swaps	Cash and cash equivalents	Net cash / (debt)
	£m	£m	£m	£m	£m	£m
Net debt at 1 April 2021	(148.0)	(61.5)	(209.5)	1.1	86.4	(122.0)
Cash flows	0.7	9.1	9.8	-	31.9	41.7
Net lease additions	-	(2.1)	(2.1)	-	-	(2.1)
Gain / (loss) in fair value in period	0.2	-	0.2	(0.2)	-	-
Translation differences	(2.8)	(0.3)	(3.1)	-	1.9	(1.2)
Net debt at 30 September 2021	(149.9)	(54.8)	(204.7)	0.9	120.2	(83.6)
Cash flows	-	8.7	8.7	-	36.2	44.9
Net lease additions	-	(2.6)	(2.6)	-	-	(2.6)
Gain / (loss) in fair value in period	1.0	-	1.0	(1.0)	-	-
Translation differences	(2.8)	-	(2.8)	-	2.0	(0.8)
Net debt at 31 March 2022	(151.7)	(48.7)	(200.4)	(0.1)	158.4	(42.1)
Cash flows	-	8.9	8.9	-	46.5	55.4
Acquired with businesses	-	(0.3)	(0.3)	-	-	(0.3)
Net lease additions	-	(2.9)	(2.9)	-	-	(2.9)
Gain / (loss) in fair value in period	0.6	-	0.6	(0.6)	-	-
Translation differences	(25.2)	(1.6)	(26.8)	-	19.3	(7.5)
Net cash / (debt) at 30 September 2022	(176.3)	(44.6)	(220.9)	(0.7)	224.2	2.6

On 24 October 2022 we refinanced our £300 million SLL to a five-year £400 million SLL, on broadly unchanged rates, with a lender option accordion of up to a further £100 million and an option for the Group to extend for up to two further one-year terms subject to individual lender approval. The SLL was undrawn at 30 September 2022.

9. Fair values of financial instruments

The other derivatives, interest rate swaps and the fair value of the private placement loan notes they are hedging are measured at fair value using Level 2 inputs. These are estimated by discounting the future contractual cash flows using appropriate market-sourced data at the balance sheet date.

For all financial assets and liabilities, fair value approximates the carrying amounts shown in the balance sheet except for the following:

	30.9.2022		30.9.2021		31.3.2022	
	Carrying amounts	Fair value	Carrying amounts	Fair value	Carrying amounts	Fair value
	£m	£m	£m	£m	£m	£m
Private placement loan notes	(176.3)	(170.1)	(149.9)	(147.5)	(151.7)	(144.8)

The fair values are calculated using Level 2 inputs by discounting future cash flows to net present values using prevailing interest rate curves and the Group's credit margin.

10. Acquisitions

On 30 June 2022 the Group acquired 100% of the issued share capital of domnick hunter-RL (Thailand) Co., Ltd. (DH), a leading distributor and service provider of major air compression, purification and filtration products in Thailand. DH accelerates development of the Group's service solutions offer in Asia Pacific. The goodwill is attributable to the synergies which are expected to arise from opportunities to cross-sell product and service solution ranges. As part of the transaction, immediately following the acquisition, the Group sold 51% of its shares in Electrocomponents Holdings (Thailand) Limited, an intermediate holding company of DH, for £nil (THB 1.5 million). This resulted in a 13.26% non-controlling interest in DH as the Group still controls Electrocomponents Holdings (Thailand) Limited and DH.

The fair value of the net assets acquired, consideration paid and payable and goodwill arising were:

	£m
Intangible assets – customer contracts, relationships and distribution agreements	1.9
Property, plant and equipment	1.1
Right-of-use assets	0.6
Non-current other receivables	0.7
Inventories	2.6
Current trade and other receivables	3.3
Cash and cash equivalents – cash and short-term deposits	1.2
Current trade and other payables	(8.3)
Current lease liabilities	(0.1)
Non-current lease liabilities	(0.3)
Non-current other payables	(0.8)
Non-current other provisions	(0.4)
Current income tax liabilities	(0.5)
Deferred tax liabilities	(0.4)
Net assets acquired	0.6
Goodwill	3.4
Consideration paid – cash	3.1
Consideration payable – accrued, due on agreement of completion accounts	0.4
Contingent consideration payable – accrued	0.5

The goodwill will not be deductible for tax purposes. The fair values are provisional as the completion accounts are yet to be approved. The gross contractual amounts receivable for trade and other receivables was £3.8 million, of which £0.5 million is not expected to be collected. No acquisition-related costs for DH were incurred in the six months ended 30 September 2022. The contingent consideration payable is due 12 months after the completion date and is based on revenue growth with a range of £nil to £0.5 million. Amortisation is calculated on a straight-line basis to write off customer contracts, relationships and distribution agreements at annual rates of 20% – 25%.

DH contributed revenue of £2.3 million and profit after tax of £0.2 million to the Group's results since acquisition and is included in Asia Pacific. If the acquisition had occurred on 1 April 2022, the Group's revenue and profit for the six months ended 30 September 2022 would have been £1,460.8 million and £140.3 million respectively.

On 10 August 2022 we announced we had agreed to acquire Risoul y Cia, S.A. de C.V., a leading distributor of industrial and automation product and service solutions in Mexico, for a cash consideration of US\$275 million on a cash-free and debt-free basis. The acquisition is expected to be completed by the end of December 2022 as it is subject to review by Mexican competition authorities.

Movements in the Group's goodwill in the period were:

Cost and net book value	£m
At 1 April 2022	330.5
Acquisition	3.4
Translation differences	53.0
At 30 September 2022	386.9

11. Alternative Performance Measures (APMs)

The Group uses a number of APMs in addition to those measures reported in accordance with UK IAS. Such APMs are not defined terms under UK IAS and are not intended to be a substitute for any UK IAS measure. The Directors believe that the APMs are important when assessing the underlying financial and operating performance of the Group. The APMs are used internally for performance analysis and in employee incentive arrangements, as well as in discussions with the investment analyst community.

The APMs improve the comparability of information between reporting periods by adjusting for factors such as fluctuations in foreign exchange rates, number of trading days and items, such as reorganisation costs, that are substantial in scope and impact and do not form part of operational or management activities that the Directors would consider part of underlying performance. The Directors also believe that excluding recent acquisitions and acquisition-related items aid comparison of the underlying performance between reporting periods and between businesses with similar assets that were internally generated.

Adjusted profit measures

These are the equivalent UK IAS measures adjusted to exclude amortisation and impairment of intangible assets arising on acquisition of businesses, acquisition-related items, substantial reorganisation costs, substantial asset write-downs, one-off pension credits or costs, significant tax rate changes and, where relevant, associated tax effects. Adjusted profit before tax is a performance measure for the annual bonus and adjusted earnings per share is a performance measure for the Long Term Incentive Plan (LTIP). Adjusted operating profit conversion, adjusted operating profit margin and adjusted earnings per share are financial key performance indicators (KPIs) which are used to measure the Group's progress in delivering the successful implementation of its strategy and monitor and drive its performance.

	Operating costs ¹ £m	Operating profit £m	Operating profit margin ² %	Operating profit conversion ³ %	Profit before tax £m	Profit for the period £m	Basic earnings per share p	Diluted earnings per share p
Six months ended 30 September 2022								
Reported	(476.5)	187.0	12.8%	28.2%	182.5	141.4	30.0p	29.8p
Amortisation and impairment of acquired intangibles	9.1	9.1			9.1	7.1	1.5p	1.5p
Adjusted	(467.4)	196.1	13.4%	29.6%	191.6	148.5	31.5p	31.3p
Six months ended 30 September 2021								
Reported	(389.1)	139.1	11.5%	26.3%	136.1	101.2	21.5p	21.4p
Amortisation of acquired intangibles	5.7	5.7			5.7	6.8	1.5p	1.4p
Adjusted	(383.4)	144.8	12.0%	27.4%	141.8	108.0	23.0p	22.8p

⁽¹⁾ Operating costs are distribution and marketing expenses plus administrative expenses.

⁽²⁾ Operating profit margin is operating profit expressed as a percentage of revenue.

⁽³⁾ Operating profit conversion is operating profit expressed as a percentage of gross profit.

As a result of the rebranding of Needlers to RS Safety Solutions effective from 1 November 2022, the net book value of the Needlers brand acquired in December 2020 has been impaired by £3.3 million.

Like-for-like revenue and profit measures

Like-for-like revenue and profit measures are adjusted to exclude the effects of changes in exchange rates on translation of overseas profits. They exclude acquisitions in the relevant periods until they have been owned for a year, at which point they start to be included in both the current and comparative periods for the same number of months. These measures enable management and investors to track more easily, and consistently, the underlying performance of the business.

The principal exchange rates applied in preparing the Group accounts and in calculating the following like-for-like measures are:

	Average for six months ended		Closing		31.3.22
	30.9.2022	30.9.2021	30.9.2022	30.9.2021	
US dollar	1.216	1.388	1.105	1.347	1.313
Euro	1.174	1.165	1.132	1.163	1.183

11. Alternative Performance Measures (APMs) (continued)

Like-for-like revenue change

Like-for-like revenue change is also adjusted to eliminate the impact of trading days year on year. It is calculated by comparing the revenue of the base business for the current period with the prior period converted at the current period's average exchange rates and pro-rated for the same number of trading days as the current period. It is a performance measure for the annual bonus and a financial KPI.

	£m
Revenue for six months ended 30.9.2021 (H1 2021/22)	1,208.9
Effect of exchange rates	48.7
Effect of trading days	(8.0)
Revenue for H1 2021/22 at H1 2022/23 rates and trading days	1,249.6

	H1 2022/23 Group £m	Less: acquisitions owned <1 year £m	H1 2022/23 base business £m	H1 2021/22 £m	H1 2021/22 at H1 2022/23 rates and trading days £m	Like-for-like change %
EMEA	854.3	-	854.3	753.2	742.0	15%
Americas	461.0	-	461.0	333.2	379.6	21%
Asia Pacific	142.7	2.3	140.4	122.5	128.0	10%
Revenue	1,458.0	2.3	1,455.7	1,208.9	1,249.6	16%

Gross margin and like-for-like gross margin change

Gross margin is gross profit divided by revenue. Like-for-like change in gross margin is calculated by taking the difference between gross margin for the base business for the current period and gross margin for the prior period with revenue and gross profit converted at the current period's average exchange rates.

	H1 2022/23 Group £m	Less: acquisitions owned <1 year £m	H1 2022/23 base business £m	H1 2021/22 £m	H1 2021/22 at H1 2022/23 rates £m	Like-for-like change pts
Revenue	1,458.0	2.3	1,455.7	1,208.9	1,257.6	
Gross profit	663.5	1.0	662.5	528.2	545.7	
Gross margin	45.5%	43.5%	45.5%	43.7%	43.4%	2.1 pts

Like-for-like profit change

Like-for-like change in profit is calculated by comparing the base business for the current period with the prior period converted at the current period's average exchange rates.

	H1 2022/23 Group £m	Less: acquisitions owned <1 year £m	H1 2022/23 base business £m	H1 2021/22 £m	H1 2021/22 at H1 2022/23 rates £m	Like-for-like change %
Segmental operating profit						
EMEA	131.2	-	131.2	119.8	118.9	10%
Americas	78.3	-	78.3	42.5	48.6	61%
Asia Pacific	23.4	0.3	23.1	11.9	12.8	80%
Segmental operating profit	232.9	0.3	232.6	174.2	180.3	29%
Central costs	(36.8)	-	(36.8)	(29.4)	(29.4)	25%
Adjusted operating profit	196.1	0.3	195.8	144.8	150.9	30%
Adjusted profit before tax	191.6	0.3	191.3	141.8	147.6	30%
Adjusted earnings per share	31.5p	-	31.5p	23.0p	23.9p	32%
Adjusted diluted earnings per share	31.3p	-	31.3p	22.8p		

11. Alternative Performance Measures (APMs) (continued)

Free cash flow, adjusted free cash flow and adjusted operating cash flow conversion

Free cash flow is the net cash from operating activities less purchase of intangible assets, property, plant and equipment plus any proceeds on sale of intangible assets, property, plant and equipment. Adjusted free cash flow is free cash flow adjusted for the impact of substantial reorganisation and acquisition-related items cash flows and is a performance measure for the annual bonus. Adjusted operating cash flow conversion is adjusted free cash flow before income tax and net interest paid, expressed as a percentage of adjusted operating profit and is a financial KPI.

	Six months ended		Year ended
	30.9.2022	30.9.2021	31.3.2022
	£m	£m	£m
Net cash from operating activities	133.6	99.3	203.0
Purchase of intangible assets, property, plant and equipment	(22.1)	(16.0)	(42.5)
Free cash flow	111.5	83.3	160.5
Add back: impact of substantial reorganisation cash flows	0.4	1.5	2.4
Adjusted free cash flow	111.9	84.8	162.9
Add back: income tax paid	44.4	22.5	57.1
Add back: net interest paid	4.1	3.0	7.0
Adjusted free cash flow before income tax and net interest paid	160.4	110.3	227.0
Adjusted operating profit	196.1	144.8	320.4
Adjusted operating cash flow conversion	81.8%	76.2%	70.8%

Earnings before interest, tax, depreciation and amortisation (EBITDA) and net debt to adjusted EBITDA

EBITDA is operating profit excluding depreciation and amortisation. Net debt to adjusted EBITDA (one of the Group's debt covenants) is the ratio of net debt to EBITDA excluding acquisition-related items, substantial reorganisation costs, substantial asset write-downs and one-off pension credits or costs for the preceding twelve-month period.

	30.9.2022	30.9.2021	31.3.2022
	£m	£m	£m
Operating profit	187.0	139.1	308.8
Add back: depreciation and amortisation	32.1	31.4	63.7
EBITDA	219.1	170.5	372.5
Add back: impairment of acquired intangibles	3.3	-	-
Adjusted EBITDA for this period	222.4	170.5	372.5
Adjusted EBITDA for prior year	372.5	237.8	
Less: adjusted EBITDA for prior first half	(170.5)	(102.0)	
Annualised adjusted EBITDA	424.4	306.3	372.5
Net cash / (debt) (Note 8)	2.6	(83.6)	(42.1)
Net debt to adjusted EBITDA	n/m	0.3x	0.1x

Earnings before interest, tax and amortisation (EBITA) and EBITA to interest

EBITA is adjusted EBITDA after depreciation. EBITA to interest (one of the Group's debt covenants) is the ratio of EBITA to finance costs including capitalised interest less finance income for the preceding twelve-month period.

	30.9.2022	30.9.2021	31.3.2022
	£m	£m	£m
Adjusted EBITDA for this period	222.4	170.5	372.5
Less: depreciation	(17.9)	(16.6)	(33.5)
EBITA for this period	204.5	153.9	339.0
EBITA for prior year	339.0	205.3	
Less: EBITA for prior first half	(153.9)	(86.1)	
Annualised adjusted EBITA	389.6	273.1	339.0
Finance costs	5.4	3.7	8.1
Less: finance income	(0.5)	(0.5)	(1.0)
Add back: capitalised interest	-	0.5	0.5
Interest (per debt covenants) for this period	4.9	3.7	7.6
Interest (per debt covenants) for prior year	7.6	7.7	
Less: interest (per debt covenants) for prior first half	(3.7)	(3.9)	
Annualised interest (per debt covenants)	8.8	7.5	7.6
EBITA to interest	44.3x	36.4x	44.6x

11. Alternative Performance Measures (APMs) (continued)

Return on capital employed (ROCE)

ROCE is annualised adjusted operating profit expressed as a percentage of annualised monthly average net assets excluding net cash / debt and retirement benefit obligations and is an underpin for the LTIP and a financial KPI.

	30.9.2022	30.9.2021	31.3.2022
	£m	£m	£m
Annualised monthly average net assets	1,116.5	885.4	982.8
Add back: annualised average net debt	36.4	96.4	82.7
Add back: annualised average retirement benefit net (assets) / obligations	31.5	54.2	49.3
Annualised average capital employed	1,184.4	1,036.0	1,114.8
Adjusted operating profit for this period	196.1	144.8	320.4
Adjusted operating profit for prior year	320.4	188.3	
Less: adjusted operating profit for prior first half	(144.8)	(77.6)	
Annualised adjusted operating profit	371.7	255.5	320.4
ROCE	31.4%	24.7%	28.7%

Working capital as a percentage of revenue

Working capital is inventories, current trade and other receivables and current trade and other payables. Working capital as a percentage of revenue is working capital expressed as a percentage of annualised revenue.

	30.9.2022	30.9.2021	31.3.2022
	£m	£m	£m
Inventories	632.3	469.8	529.5
Current trade and other receivables	636.1	536.1	594.3
Current trade and other payables	(629.5)	(517.9)	(584.1)
Working capital	638.9	488.0	539.7
Revenue for this period	1,458.0	1,208.9	2,553.7
Revenue for prior year	2,553.7	2,002.7	
Less: revenue for prior first half	(1,208.9)	(908.9)	
Annualised revenue	2,802.8	2,302.7	2,553.7
Working capital as a percentage of revenue	22.8%	21.2%	21.1%

Inventory turn

Inventory turn is annualised cost of sales divided by inventories.

	30.9.2022	30.9.2021	31.3.2022
	£m	£m	£m
Cost of sales for this period	794.5	680.7	1,425.8
Cost of sales for prior year	1,425.8	1,146.7	
Less: cost of sales for prior first half	(680.7)	(516.6)	
Annualised cost of sales	1,539.6	1,310.8	1,425.8
Inventories	632.3	469.8	529.5
Inventory turn	2.4	2.8	2.7

Ratio of capital expenditure to depreciation

Ratio of capital expenditure to depreciation is capital expenditure divided by depreciation and amortisation excluding amortisation of acquired intangibles and depreciation of right-of-use assets.

	Six months ended		Year ended
	30.9.2022	30.9.2021	31.3.2022
	£m	£m	£m
Depreciation and amortisation	32.1	31.4	63.7
Less: amortisation of acquired intangibles	(5.8)	(5.7)	(11.6)
Less: depreciation of right-of-use assets	(8.9)	(9.0)	(17.7)
Adjusted depreciation and amortisation	17.4	16.7	34.4
Capital expenditure	17.0	17.4	45.5
Ratio of capital expenditure to depreciation	1.0 times	1.0 times	1.3 times

12. Capital commitments

As at 30 September 2022, the Group is contractually committed to, but has not provided for, future capital expenditure of £0.7 million (30 September 2021: £2.9 million; 31 March 2022: £1.1 million) for property, plant and equipment and £4.5 million for intangible assets (30 September 2021: £2.9 million; 31 March 2022: £5.5 million).

13. Related party transactions

There has been no material change in related party relationships in the six months ended 30 September 2022. There were no significant related party transactions which have materially affected the financial position or performance of the Group during that period.

INDEPENDENT REVIEW REPORT TO RS GROUP PLC

Report on the condensed Group accounts

Our conclusion

We have reviewed RS Group plc's condensed consolidated interim financial statements (the interim financial statements) in the condensed Group accounts of RS Group plc for the six month period ended 30 September 2022 (the period).

Based on our review, nothing has come to our attention that causes us to believe that the interim financial statements are not prepared, in all material respects, in accordance with UK-adopted International Accounting Standard 34 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

The interim financial statements comprise:

- the Group balance sheet as at 30 September 2022;
- the Group income statement and Group statement of comprehensive income for the period then ended;
- the Group cash flow statement for the period then ended;
- the Group statement of changes in equity for the period then ended; and
- the explanatory notes to the condensed Group accounts.

The interim financial statements included in the condensed Group accounts of RS Group plc have been prepared in accordance with the UK-adopted International Accounting Standard 34 'Interim Financial Reporting' and the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority.

Basis for conclusion

We conducted our review in accordance with International Standard on Review Engagements (ISRE) (UK) 2410 'Review of Interim Financial Information Performed by the Independent Auditor of the Entity' issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making enquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures.

A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and, consequently, does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

We have read the other information contained in the condensed Group accounts and considered whether it contains any apparent misstatements or material inconsistencies with the information in the interim financial statements.

Conclusions relating to going concern

Based on our review procedures, which are less extensive than those performed in an audit as described in the Basis for conclusion section of this report, nothing has come to our attention to suggest that the Directors have inappropriately adopted the going concern basis of accounting or that the Directors have identified material uncertainties relating to going concern that are not appropriately disclosed. This conclusion is based on the review procedures performed in accordance with this ISRE. However, future events or conditions may cause the Group to cease to continue as a going concern.

Responsibilities for the interim financial statements and the review

Our responsibilities and those of the Directors

The condensed Group accounts, including the interim financial statements, is the responsibility of, and has been approved by, the Directors. The Directors are responsible for preparing the condensed Group accounts in accordance with the Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority. In preparing the condensed Group accounts, including the interim financial statements, the Directors are responsible for assessing the Group's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the Directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

Our responsibility is to express a conclusion on the interim financial statements in the condensed Group accounts based on our review. Our conclusion, including our Conclusions relating to going concern, is based on procedures that are less extensive than audit procedures, as described in the Basis for conclusion paragraph of this report. This report, including the conclusion, has been prepared for and only for the Company for the purpose of complying with the

Disclosure Guidance and Transparency Rules sourcebook of the United Kingdom's Financial Conduct Authority and for no other purpose. We do not, in giving this conclusion, accept or assume responsibility for any other purpose or to any other person to whom this report is shown or into whose hands it may come save where expressly agreed by our prior consent in writing.

PricewaterhouseCoopers LLP
Chartered Accountants
London
2 November 2022