



Electrocomponents plc

Making amazing happen for a better world

Results for the half year ended
30 September 2021

4 November 2021

Safe harbour

This presentation 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 Electrocomponents 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 Electrocomponents 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 Electrocomponents 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, Electrocomponents plc has no intention or obligation to update forward-looking statements contained herein.

Front cover

Across the period our people have gone above and beyond 'making amazing happen for a better world' – our purpose. It remains our customer-centric people and culture that really differentiate us.





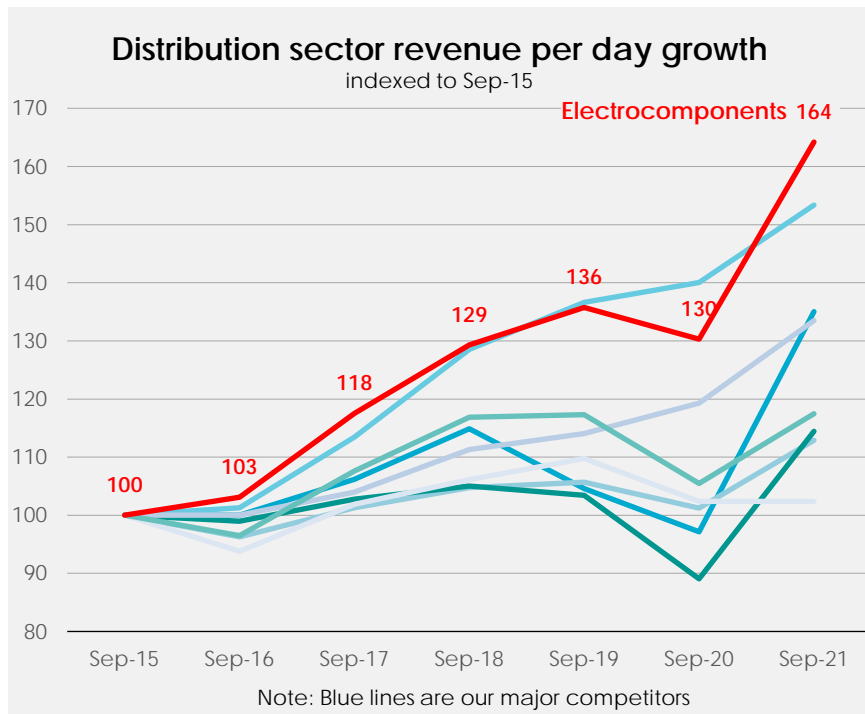
Lindsley Ruth
Chief Executive Officer
Introduction

Our people underpin our outperformance



- > Our people have delivered our outstanding results
- > Our strong performance in each region reflects a change in mindset
- > We have empowered our teams and seen increased operational ownership
- > Our teams, especially within our distribution centres and procurement, have faced huge external challenges
- > We have reacted quickly and been agile in our response, which has underpinned our performance

The drivers of our market share growth



Our needle movers



Product breadth



Omni-channel



Specialist own-brand



Product and service solutions



David Egan
Chief Financial Officer
Financial Performance

Ongoing market share gains and momentum

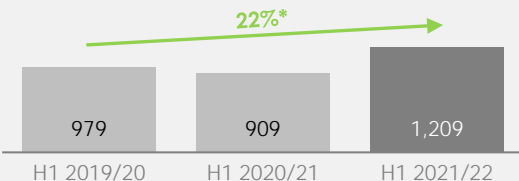
- > Very strong like-for-like growth, on a one and two-year basis
- > Increased profitability and margins in all regions
- > Significant improvement in profit performance in Asia Pacific
- > Strong free cash flow generation despite additional inventory investment
- > Return on capital employed of 24.7%
- > Interim dividend of 6.4 pence



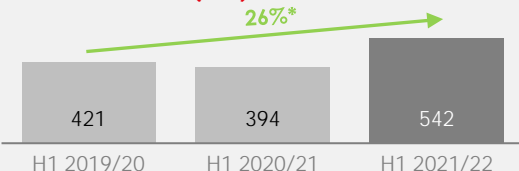
Strong profitable revenue growth and cash performance

Revenue growth

Total (£m)



Web revenue (£m)

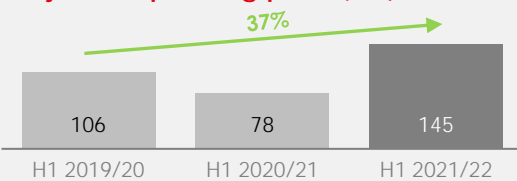


RS PRO (£m)

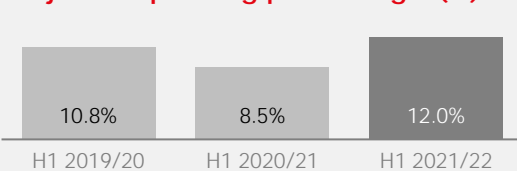


Profitability

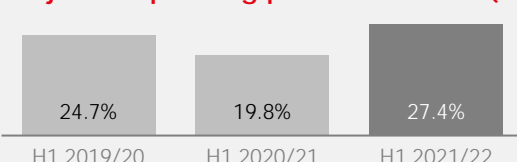
Adjusted operating profit (£m)



Adjusted operating profit margin (%)

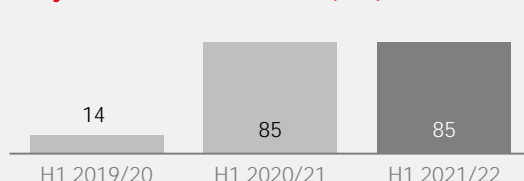


Adjusted operating profit conversion (%)

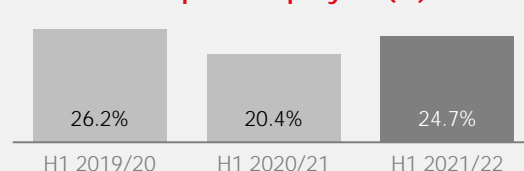


Returns and cash

Adjusted free cash flow (£m)



Return on capital employed (%)



Dividend per share (pence)



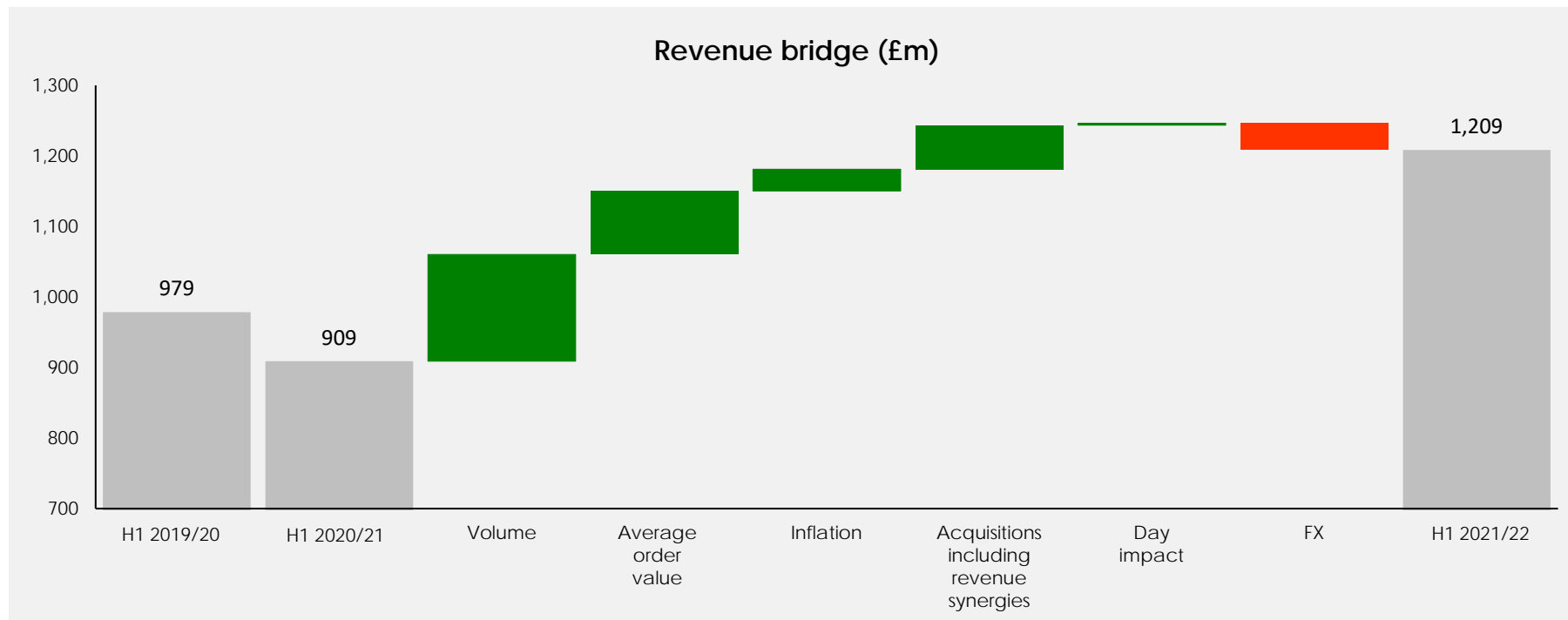
H1 driven by our people, differentiated offer and supply expertise

Income statement

£m	H1 2021/22	H1 2020/21	Change	Like-for-like change	H1 2019/20	Two-year change
Revenue	1,209	909	33%	31%	979	24%
Gross margin	43.7%	43.2%	0.5 pts	0.9 pts	43.7%	0.0 pts
Operating profit	139	59	136%	158%	91	53%
Adjusted operating profit	145	78	87%	95%	106	37%
Adjusted operating profit margin	12.0%	8.5%	3.5 pts	4.0 pts	10.8%	1.2 pts
Adjusted operating profit conversion	27.4%	19.8%	7.6 pts	8.7 pts	24.7%	2.7 pts
Profit before tax	136	56	145%	170%	89	53%
Adjusted profit before tax	142	74	91%	101%	103	37%
Earnings per share	21.5p	9.5p	126%	154%	15.2p	41%
Adjusted earnings per share	23.0p	12.8p	80%	89%	17.8p	29%
Adjusted effective tax rate	23.8%	23.0%			23.3%	
Weighted average number of shares	470m	447m			444m	

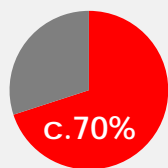


Revenue driven by volume and average order value

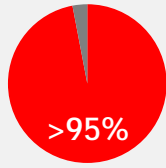


Our customer base and average order values have grown

B2B customer weighting

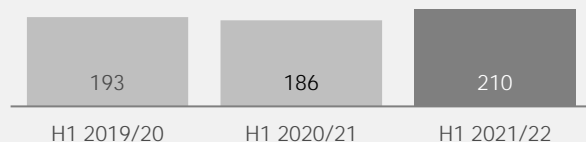


Customers

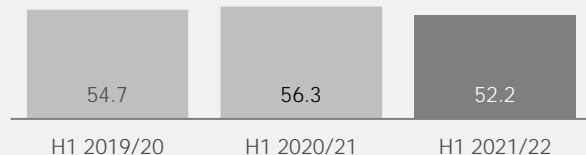


Revenue

Average order value (AOV) (£)

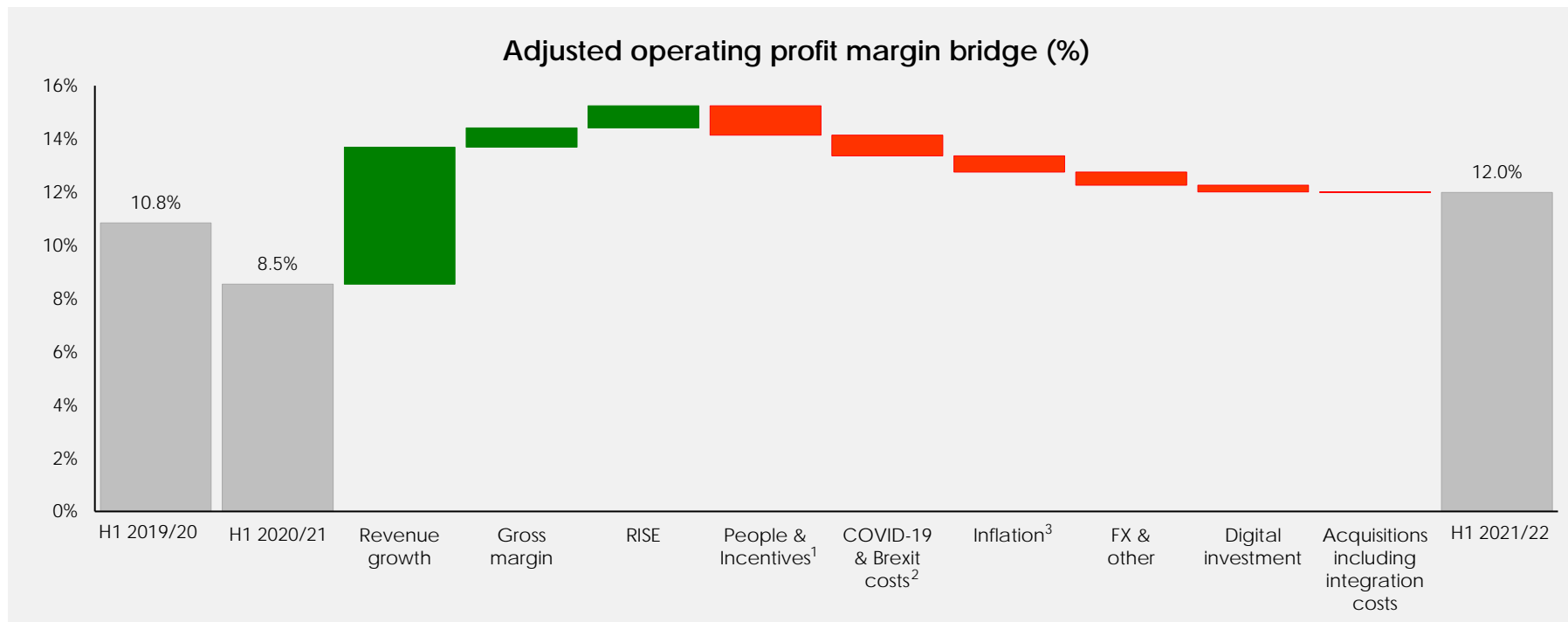


Net Promoter Score (NPS)

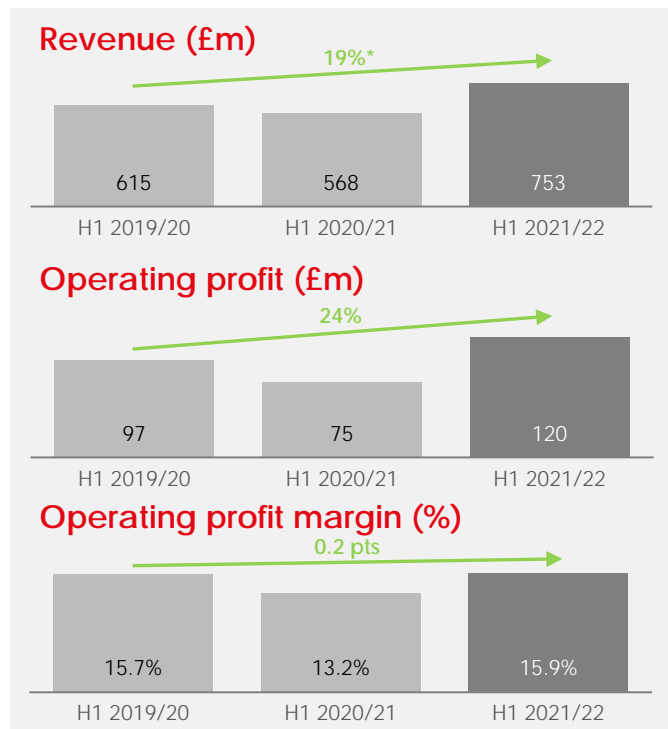


- Customer numbers grew by 24% over the last two years
- B2B customers, at >95% of Group revenue, are most profitable and grew 18% over the last two years
- AOV increased due to larger number of products in customers' baskets and a greater focus on higher value transactions
- NPS (12 month rolling) decline mainly due to external issues:
 - Industry supply shortages
 - Brexit
 - Severe weather in Texas, US
 - Introduced delivery charge for small value transactions in Asia Pacific to focus on larger more profitable orders

Adjusted operating profit margin growth despite cost pressures and investment

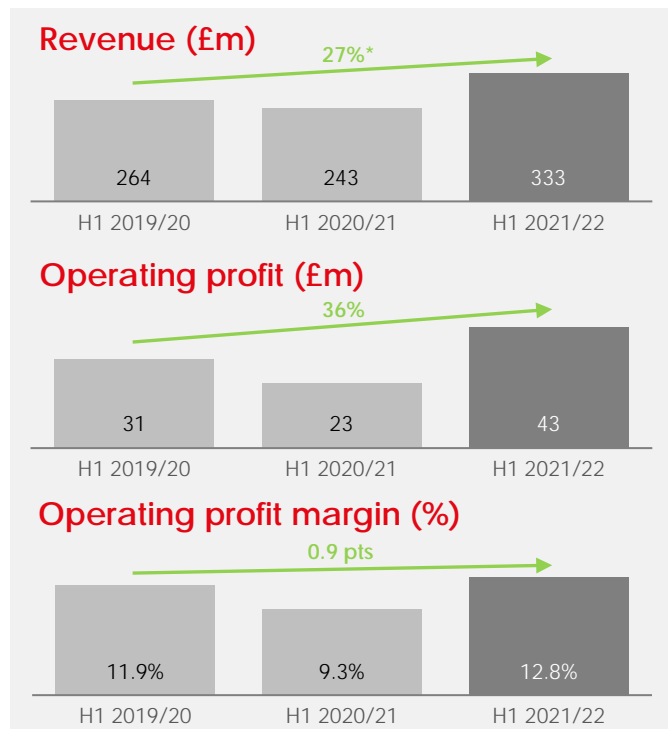


EMEA: Improved operational model and sales focus



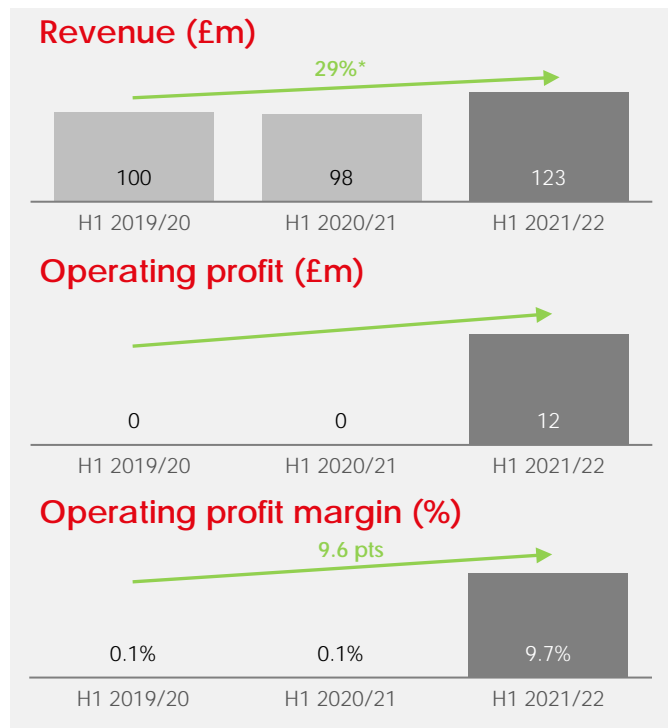
- Revenue growth similar across main markets
- Digital +21% like-for-like (two-year) with web +23% through:
 - Search engine optimisation (SEO) marketing
 - Mobile-responsive website and improving content
- RS PRO +27% like-for-like (two-year) despite limited electronic components
- Operating cost pressures due to:
 - Higher outbound freight costs
 - Brexit and COVID-19 costs
 - Greater cost to serve
- Operating profit margin of 15.9% due to better product margin focus, operational efficiencies and more agile model resulting from RISE
- Bad Hersfeld (Germany) distribution centre (DC) extension is now live, which will increase European warehouse capacity, improve service levels and reduce lead times

Americas: Invested in our people, product offer and distribution centre



- Revenue growth consistent across the region:
 - Strong growth within automation & control (A&C)
 - Extending offer into maintenance, repair and operations (MRO) market
- Digital +18% like-for-like (two-year) but pure web growth +34% due to:
 - Faster site speed
 - SEO traffic focus
- RS PRO growing, but still < 1% of revenue
- Operating profit margin benefited from:
 - Stronger volumes
 - Margin category work
 - Price optimisation
 - Reduced discounting
 - Better deployment of resources
 - Operational efficiencies

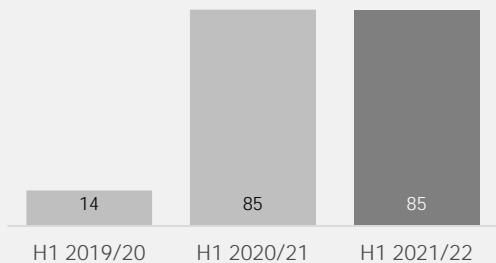
Asia Pacific: Greater focus on revenue and margin opportunities



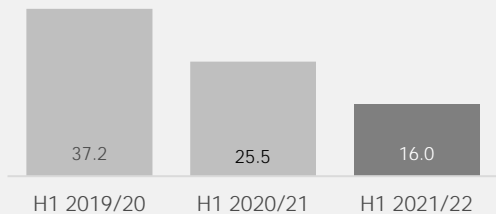
- Revenue growth benefited from greater focus on higher revenue generating opportunities and stronger electronic sales
- Taking share in industrial product market
- Digital and web both +35% like-for-like (two-year) due to:
 - Greater digital focus in Greater China and South East Asia
 - Strong recovery in eProcurement
- RS PRO +28% like-for-like (two-year) due to strong industrial product offer
- Significant turnaround in profit performance
- Operating profit margin +9.6 pts reflects:
 - Volume growth
 - Price increases
 - Implementation of a small handling charge
 - Operating leverage

Strong focus on cash returns

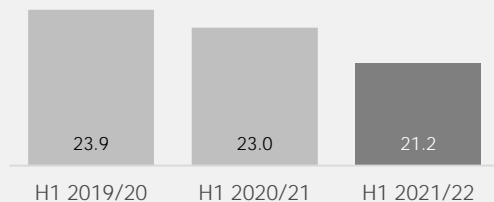
Adjusted free cash flow (£m)



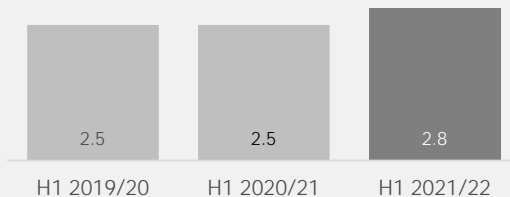
Net capital expenditure (£m)



Working capital / revenue (%)



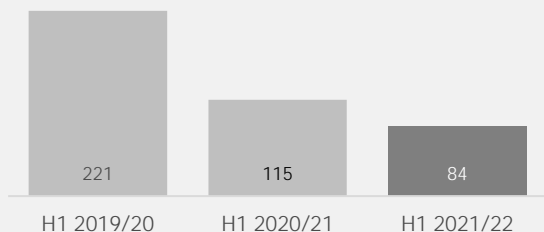
Inventory turn (x)



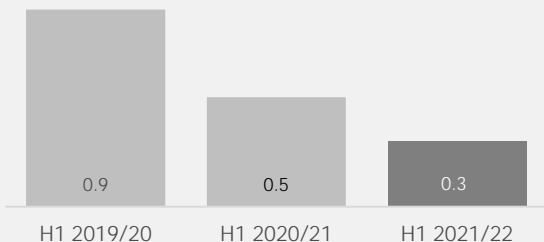
- Strong adjusted free cash flow despite inventory investment
- Adjusted operating cash flow conversion of 76.2%
- Capital expenditure lower as US DC expansion completed in H1 2020/21 and some German DC payments falling into H2
- Working capital to revenue of 21.2%:
 - Strong receivables focus
 - Active inventory management
 - We pay our suppliers to terms
- Inventory turn increase reflects higher demand. This will unwind as we continue to invest in our inventory and trading volume normalises.

Capital flexibility to invest in growth opportunities

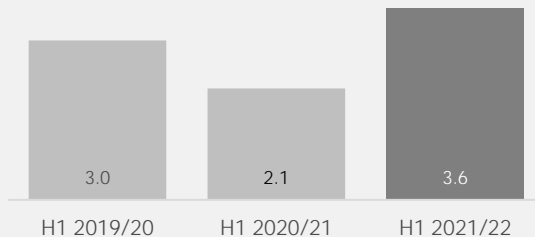
Net debt (£m)



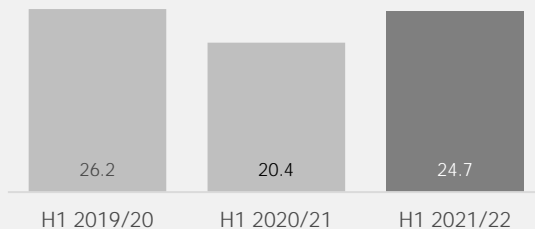
Net debt / adjusted EBITDA (x)



Adjusted earnings dividend cover (%)



Return on capital employed (%)



- Net debt (including lease liabilities) reduced to £84 million
- Restructured our existing £300 million 3-year revolving credit facility to be a sustainability-linked loan
- Progressive dividend policy, with stated policy of interim dividend being 40% of prior full-year
- Return on capital employed of 24.7%, a 4.3 pts increase due to higher annualised adjusted operating profit

Exciting inorganic opportunities, but we remain disciplined

Preferred characteristics

- Culture is key
- Accelerates our growth ambitions
- Sits within three strategic priority areas:
 - Expands product and service solutions offer
 - Broadens product categories
 - Deepens geographic strength

Strong financial discipline

- Revenue synergy opportunity
- Value accretive
- Earnings enhancing
- Strongly cash generative
- Robust track record

Our current state of play

- Working on a number of live deals
- Mix of:
 - Transaction size
 - Product and service businesses
 - Geographies
- Strict financial, strategic and cultural discipline
- Walked away from five opportunities during H1

Current trading: Momentum has continued into second half

Good momentum

- We have continued to see further good momentum across all regions in the first five weeks of H2 2021/22

Challenging external environment

- The external environment remains very challenging especially within the supply chain and potential impact on customer demand

Remain confident

- We remain confident of all we can influence and plan for, but mindful of the external uncertainties being faced



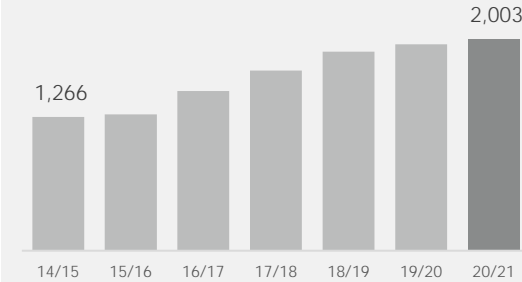


Lindsley Ruth
Our opportunity

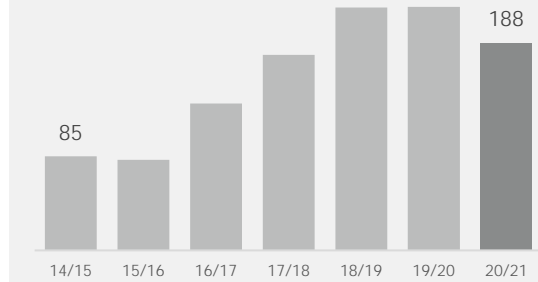
Strong record of value creation so far, but there is much more to come...

Having repositioned
our Group we are
now ready to
drive stronger
profitable growth

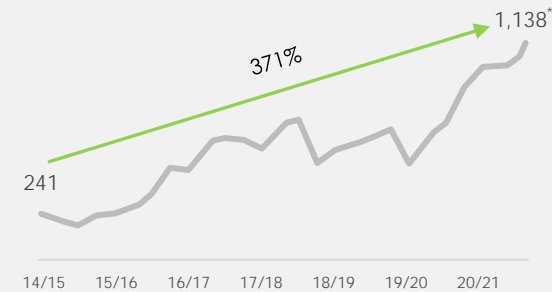
Revenue (£m)



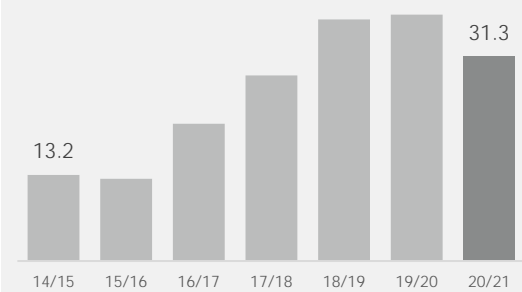
Adjusted operating profit (£m)



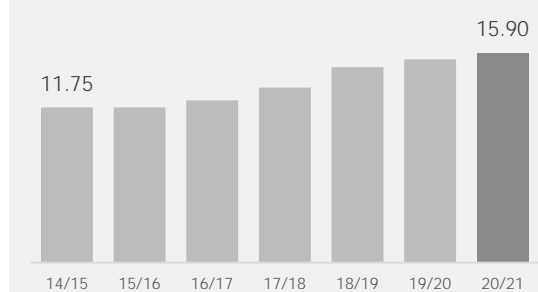
Share price (p)



Adjusted earnings per share (p)



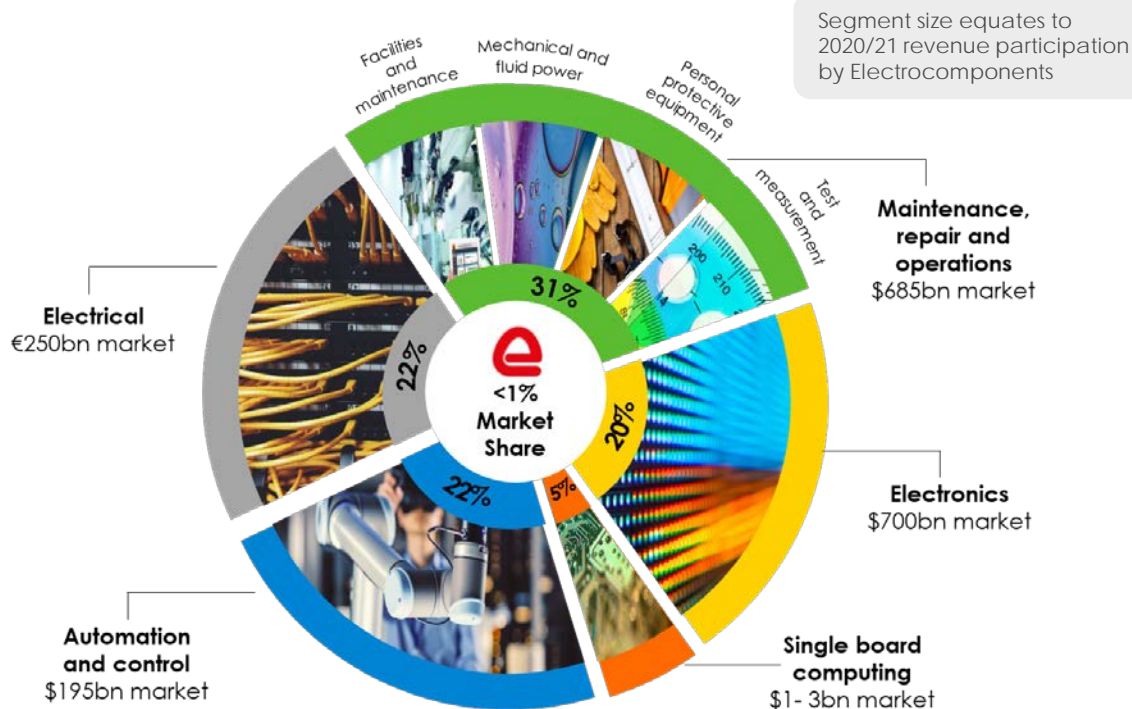
Dividend (p)



We operate in many large markets

With less than 1% market share we want to accelerate our organic growth prospects with inorganic opportunities

Our total addressable market is valued at **c. £400bn**



We have become a global omni-channel product and service solutions provider serving industrial B2B customers

We were:

~~British~~ | ~~American~~

~~Store~~ | ~~Catalogue~~ | ~~Phone~~
~~Excel~~ | ~~EDI~~ | ~~Web~~

~~Product distributor~~

~~Aerospace, defence,
manufacturing, chemicals,
public sector, transport,
utilities, energy, OEM,
financial and commercial
services~~

~~B2B~~ | ~~B2C~~



We are:

Global

Omni-channel

Product and service
solutions provider

Industrial

B2B customers

We have a sustainability advantage



Sustainable and alternative products

- We already offer products that improve sustainability for our customers
- Working with suppliers to extend our range of sustainable product solutions



Energy-saving solutions offer

- Expanding energy-saving service solutions via RS Maintenance Solutions
- Condition monitoring services to assess asset risk and minimise wastage



Being closer to the customer

- Global DC network enables a reduction in freight miles and transport emissions for suppliers and customers



Circular solutions

- Introducing product recycling initiatives
- Using reusable packaging totes with key customers



Strong external ratings

- We are a desirable partner given our strong ESG ratings, winning contracts with large multinational companies

For a better world

“Our 2030 ESG action plan is an integral part of our Destination 2025 strategy, and key for us **to become a truly great company.**”


Lindsley Ruth






Andrea Barrett
VP Social Responsibility and
Sustainability
For a better world


We have made strong ESG progress to date




ENVIRONMENT




- 62% reduction in Scope 1 and 2 emissions from premises' energy use, since 2014/15
- Solar panels on Bad Hersfeld
- 67% renewable electricity in 2020/21
- 76% waste recycled in 2020/21
- Three **automated packaging** systems installed in DCs




CUSTOMERS AND SUPPLIERS



- Sustainable product and service solutions
- Strengthened responsible sourcing
 - **UN Global Compact** signatories,
 - New ethical trading declaration
 - Partnership with **Sedex**
 - **89 RS PRO** ethical inspections with Asian suppliers since 2019/20



PEOPLE, HEALTH & SAFETY



- Global employee engagement score of **74**
- **44%** Board is female including Chair
- **57%** reduction in All Accident frequency rate since 2017/18
- Major focus on health, wellbeing and inclusion through pandemic and beyond



COMMUNITY



- Engaging **1.1m** DesignSpark members, students and start ups to develop sustainable solutions
- Partnered with **The Washing Machine Project** to improve lives through innovative technology
- Supporting students in **200+** universities to build engineering skills with RS educational products



Introducing our 2030 ESG action plan

4 GLOBAL GOALS BY 2030



1. ADVANCING SUSTAINABILITY



We are developing sustainable operations and product and service solutions



2. CHAMPIONING EDUCATION AND INNOVATION



We are building skills and fostering innovative solutions that improve lives



3. EMPOWERING OUR PEOPLE



We are creating a safe, inclusive and dynamic culture where our people can thrive and grow



4. DOING BUSINESS RESPONSIBLY



We ensure the highest ethical standards throughout our business and global value chain

Our key commitments

GLOBAL GOAL

2030 ACTIONS

ADVANCING SUSTAINABILITY

Net zero in direct operations by 2030, value chain before 2050.
SBTi, Business Ambition for 1.5°C and UN Race to Zero commitment

CHAMPIONING EDUCATION AND INNOVATION

Building skills and fostering innovation with 1.5 million engineers and innovators

EMPOWERING OUR PEOPLE

Working towards 40% women and 25% ethnically diverse leaders

DOING BUSINESS RESPONSIBLY

Increased screening and ESG objectives for suppliers.
ESG metrics in employee rewards and sustainability-linked loans





Our strategic plan

Destination 2025 – The needle movers, operating better and acquisitions

1

Needle movers drive top line and market share growth

- Growing product and service solutions
- Improving customer experience
- Expanding product offer
- Developing specialist own-brand

2

Be amazing at the basics to drive operational leverage

- Improve product buy-in cost
- Leverage DC capacity, technology and data
- Share business service expertise
- Bring supply chain closer to customer
- Greater analysis of cost to serve

3

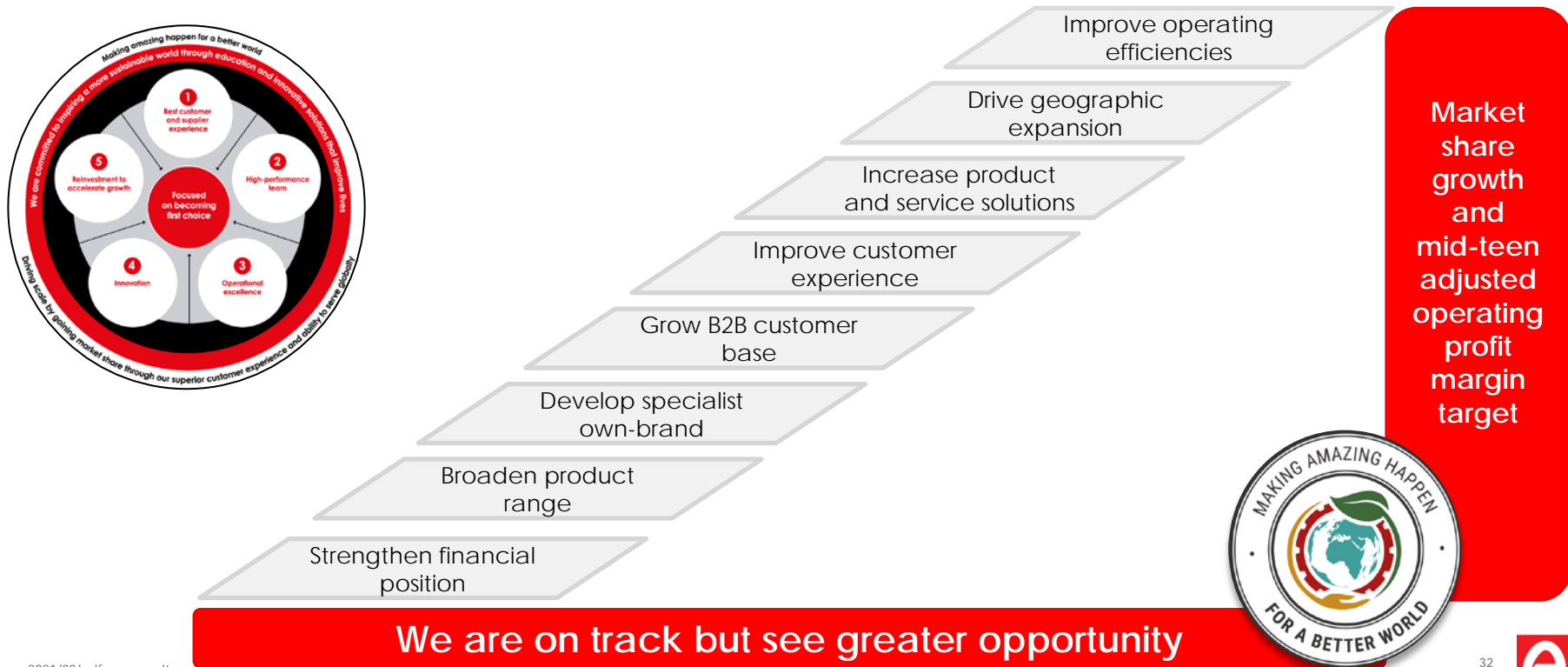
Strategic acquisitions can accelerate growth

- Strategically and culturally fit
- Grow needle movers
- Expand geographically
- Financially add value



Drive market share growth and improve operating efficiencies towards our goal of a mid-teen adjusted operating profit margin

The building blocks of our Destination 2025 target



We see the opportunity to deliver stronger profitable growth

We are a good operator but our strengths can be deployed better...

...to become truly great

Greater operational ownership

Wider product offer and better margin management

Increase customer life time value

Leverage database and digital advantage

Drive cross-Group benefits

Greater cost control



Delivering Destination 2025: case studies

Americas case study: Changing our mindset to drive profitable growth



Team



- Empowering our people
- Large change in leadership team
- 'Why not' attitude

Sales



- Proactive sales team
- Growth-focused sales mindset
- Customer service centralised

Distribution Centre



- Doubled throughput capacity
- Advanced automation
- Option to triple capacity in time

Product



- New product investment
- Adding MRO product
- Introducing RS PRO

Digital



- Integrated AI tools
- Coordinated marketing plan
- Improving platform capability

Solutions



- Virtual technology lab launched
- Expanded e-Procurement
- Working with Synovos / expanding integrated supply

Case studies: Where sustainability is driving revenue



Synovos

Synovos won a new contract with the largest US based semi-conductor manufacturer, based on our comprehensive service and excellent references, and shared commitment to sustainability, diversity and inclusion



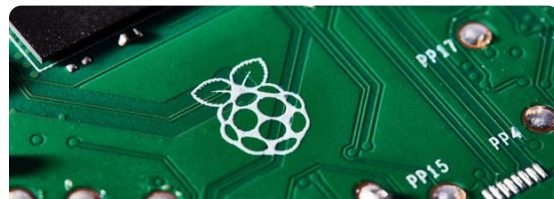
RS Maintenance Solutions

RS Maintenance Solutions has partnered with Amazon on their development of an end-to-end equipment monitoring system to detect abnormal conditions in industrial equipment and enable predictive maintenance.



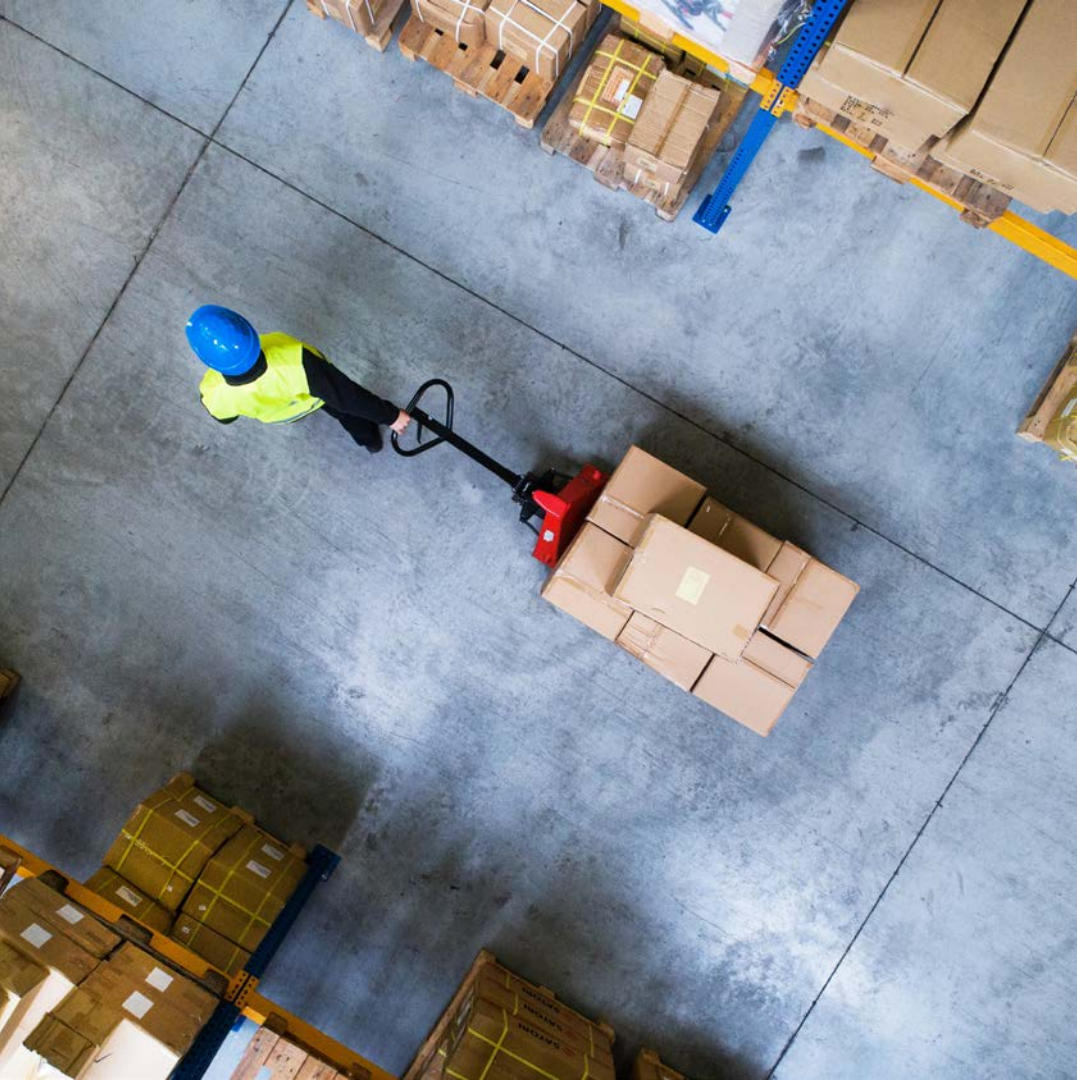
Suppliers

We are partnering with a major European industrial manufacturing supplier on their sustainable product development programme



OKdo

OKdo developed a Raspberry Pi recycling scheme to promote electronic waste recycling, generating revenue despite a supply shortage



Summary

Summary

Well positioned

- We have a strong team in place to drive stronger growth and a differentiated offer

For a better world

- We are committed to delivering **For a better world**, and we are positioned to benefit from a more sustainable future

We can go faster

- We are on track but see greater opportunity for Destination 2025 to deliver stronger profitable growth

We are confident

- Despite external pressures, we have never been more confident of the significant growth opportunities we see





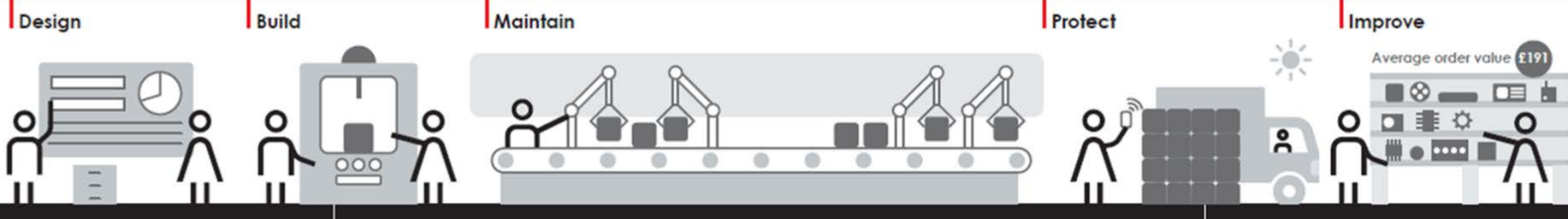
Q&A



Appendix

Who we are

We provide the product and service solutions that help businesses grow



Working with over
2,500
suppliers for our stocked
product range

Over
650,000
stocked and 3 million unstocked
high-quality industrial and
electronic products

Circa
60,000
parcels shipped
daily

Operations in
32
countries

Digital market leader
63%
of Group revenue through
digital channels

Over
1,200,000
customers

Five key reasons to invest

1

Uniquely positioned within an attractive market

<1% share

in a c. £400 billion global market

2

Market share gains driven by being first choice

c. 25% uplift

in spend when first choice

3

Leveraging our lean and scalable operating model

Mid-teen

adjusted operating profit margin target

4

Strong cash conversion and attractive returns

24.7%

return on capital employed

5

ESG integrated throughout, driving higher ratings

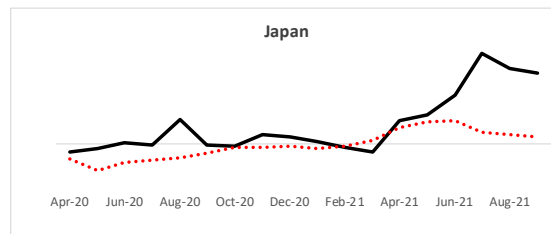
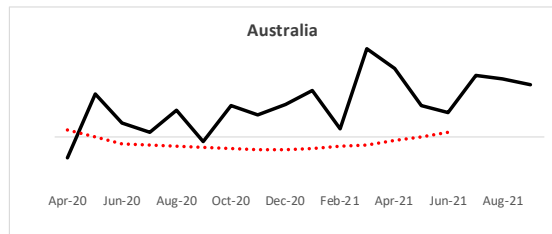
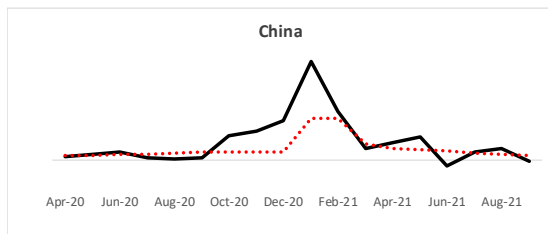
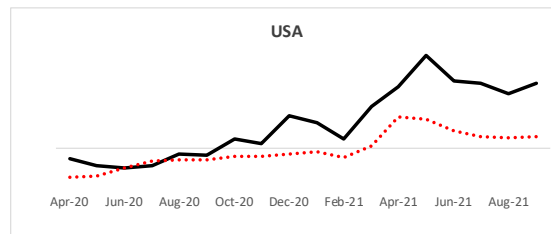
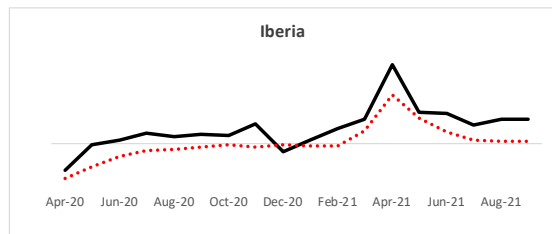
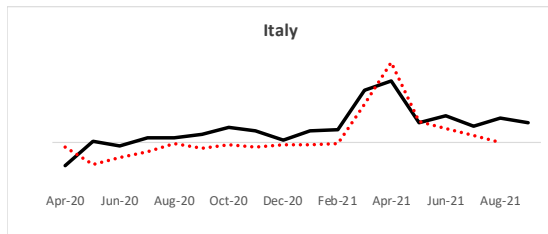
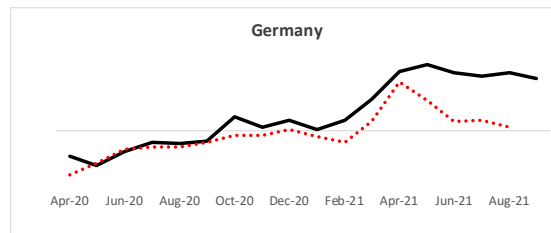
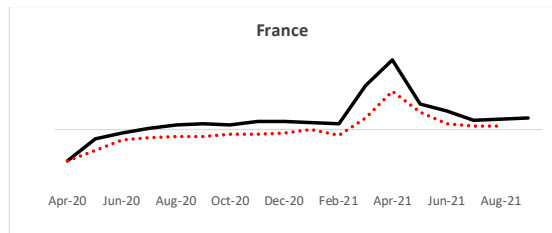
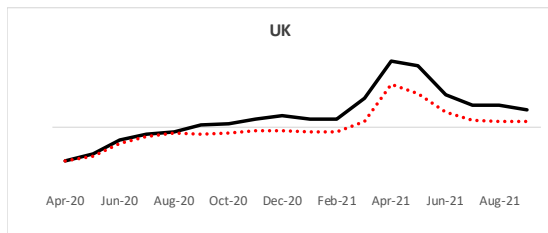
62%

reduction in tonnes of CO₂ since 2014/15

Note: Scope 1 and Scope 2 emissions due to premises' energy use, updated to reflect changes in reporting and emissions factors.



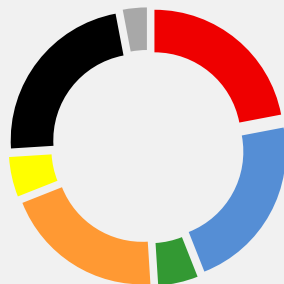
Gaining share across our markets



Specialist product breadth, depth and expertise

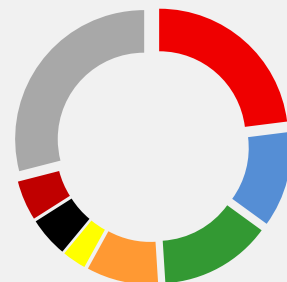
- The breadth and depth of our product offering continues to set us apart from our more transactional competition
 - We are expanding our range into new and innovative products and growing our expertise in an increasing number of product categories
 - Our extensive digital and customer data allows us to make informed decisions about range expansion
- The breadth our customer base meant we were relatively resilient as industry sectors were impacted to varying degrees across the pandemic

Providing product and service solutions...



Electrical	22%
Automation and control	22%
Mechanical fluid power	5%
Electronics	20%
Single-board computing	5%
Facilities and maintenance	23%
Other	3%

...across a broad range of industries



Original equipment manufacturing	23%
Commercial and financial services	12%
Electronics	14%
Process manufacturing	9%
Public sector	3%
Transport and defence	5%
Utilities and energy	5%
Other	29%

ESG frameworks, standards and ratings

Our ESG reporting is informed by best practice standards and we perform strongly in external benchmarks

ESG ratings and disclosures



ESG ratings and disclosures

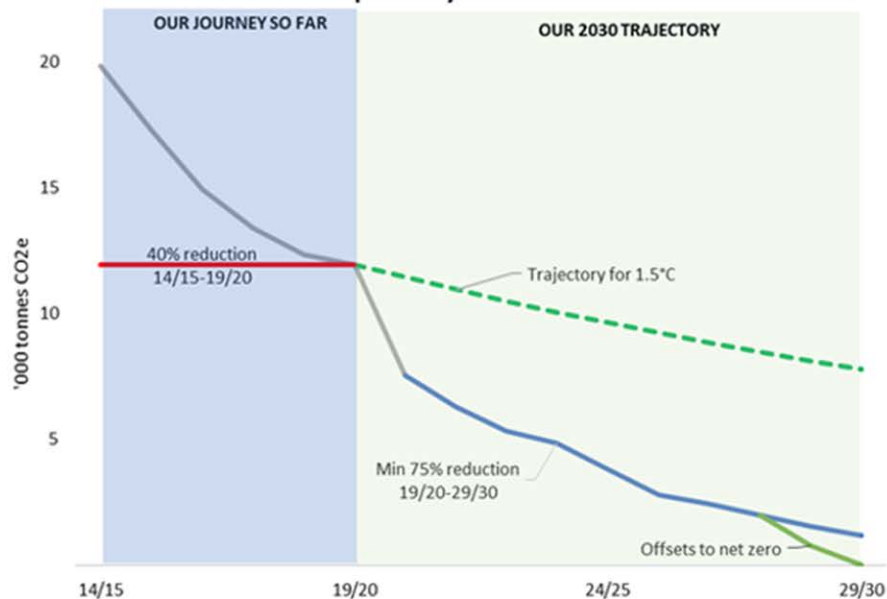


- CDP Climate change leadership score: A-
- Sustainalytics rating: negligible risk (6.2), 10/13,494 (all companies), 3/540 in sector
- MSCI ESG rating: A
- EcoVadis rating: gold medal
- FTSE4Good Index score: 3.2/5

OUR ROADMAP TO NET ZERO

**NET ZERO IN DIRECT OPERATIONS BY 2030 AND
WIDER VALUE CHAIN BY 2050**

Our pathway to net zero



- **Science-based targets** to be submitted to the **SBTi** for approval
- Joined the largest global alliance on climate change including the **Business Ambition for 1.5°C** and the **UN Race to Zero**



We're in the

RACE TO ZERO

Basis of preparation

Unless otherwise stated

- Figures have been prepared using UK-adopted International Financial Reporting Standards (IFRS)
- Adjusted excludes amortisation 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
- Like-for-like change excludes the impact of acquisitions and the effects of changes in exchange rates on translation of overseas operating results, with H1 2020/21 converted at H1 2021/22 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
- Changes in profit, cash flow, debt and share-related measures such as earnings per share are, unless otherwise stated, at reported exchange rates
- A net charge of £5.7 million (H1 2020/21: £18.7 million) was reported for items excluded from adjusted profit before tax



Guidance points

- > **Trading days**
 - Expect around £9 million benefit on revenue from additional trading days in 2021/22

- > **Other guidance points**
 - Net capital expenditure forecast to be c. £50 million in 2021/22
 - We expect the effective tax rate to rise due to corporate income tax rate increase in the UK, being c. 24% for 2021/22 and 2022/23, increasing to c. 26% for 2023/24

- > **Foreign exchange**
 - Currency movements decreased H1 2021/22 adjusted profit before tax by £5.5 million
 - If current rates persist, we would expect around a £11.1 million adverse impact to adjusted profit before tax in the full year *
 - Key exposure: net buyer of US dollars, net seller of euros and other currencies
 - Adjusted profit before tax sensitivity to a one cent movement in Euro is £1.5 million, in USD £0.4 million

Average FX rates	H1 2020/21 rates	H1 2021/22 rates	2021/22 rates*
Euro	1.116	1.165	1.171
USD	1.267	1.388	1.378

Financial key performance indicators

Financial key performance indicators	H1 2021/22	H1 2020/21	Change	Like-for-like change	H1 2019/20	Two-year change
Like-for-like revenue growth	31%					
Adjusted operating profit conversion	27.4%	19.8%	7.6 pts	8.7 pts	24.7%	2.7 pts
Adjusted operating profit margin	12.0%	8.5%	3.5 pts	4.0 pts	10.8%	1.2 pts
Adjusted operating cash flow conversion	76.2%	132.5%	(56.3) pts		42.3%	33.9 pts
Adjusted earnings per share	23.0p	12.8p	80%	89%	17.8p	29%
Return on capital employed* (ROCE)	24.7%	20.4%	4.3 pts		26.2%	(1.5) pts



Cash generation strong despite additional inventory investment

Cash flow

£m	H1 2021/22	H1 2020/21
EBITDA	171	86
Increase in inventories	(46)	(13)
Other movements in working capital	(2)	36
Movement in provisions	(2)	12
Other	4	3
Cash generated from operations	125	124
Net interest paid	(3)	(4)
Income tax paid	(23)	(14)
Net cash from operating activities	99	107
Net capital expenditure	(16)	(26)
Free cash flow	83	81
Add back cash effect of adjustments	2	4
Adjusted free cash flow	85	85



Net debt fell to £84m

Net debt		
£m	H1 2021/22	H1 2020/21
Net debt at 1 April	(122)	(190)
Adjusted free cash flow	85	85
Acquisition of businesses	2	-
Cash effect of adjustments	(2)	(4)
Equity dividends paid	(46)	-
New shares issued	2	3
Net lease additions	(2)	(9)
Translation differences	(1)	-
Net debt at 30 September	(84)	(115)

- We have maintained a strong financial position, and are looking at acquisitions that will accelerate our growth ambitions
- Lease liabilities of £55 million (H1 2020/21: £58 million)
- Net debt to adjusted EBITDA 0.3x (H1 2020/21: 0.5x)
- EBITA to interest 36.4x (H1 2020/21: 25.3x)
- Headroom to Group's banking covenants of net debt to adjusted EBITDA less than 3.25 times and EBITA to interest of greater than 3 times
- Net pension deficit £57 million (September 2020: £61 million)

