

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION

27 April 2023

RS GROUP PLC ANNOUNCES ACQUISITION OF DISTRELEC FOR €365 MILLION ACCELERATING EUROPEAN GROWTH AND VALUE CREATION

- Acquisition of complementary high-service, digital-led industrial and maintenance, repair and operations (MRO) product distributor
- Significantly expands our continental European presence especially in Germany, Switzerland and Sweden
- Material cost synergies including procurement, logistic and warehousing with additional revenue synergies
- Accretive to adjusted¹ earnings per share in first full year and comfortably exceeds Group cost of capital within three years
- Significant potential revenue growth and value creation opportunities for our stakeholders

We are pleased to announce that we have reached agreement to acquire Distrelec B.V. (Distrelec), a high-service, digital-led distributor of industrial and MRO products for a consideration of €365 million (c. £323 million) on a cash-free and debt-free basis. The consideration represents an acquisition multiple of under 11x adjusted EBIT on a 12-month basis to 31 December 2022.

Compelling strategic rationale

Distrelec is a complementary business to RS; a high-service distributor of industrial and MRO products with a comparable product mix and customer-centric focus. There is a cultural and strategic fit between the two businesses. Like RS, Distrelec promotes a high-performance culture with good levels of employee engagement and satisfaction. Distrelec serves c. 180,000 customers across 19 countries and has very low customer concentration. Around two thirds of Distrelec's revenue is from digital channels, the average order value is comparable to RS and product availability is industry leading.

The acquisition of Distrelec significantly expands our presence in continental Europe. Distrelec has a strong competitive position in attractive European markets, increasing our revenue by c. 40% in DACH (Germany, Austria and Switzerland), c. 80% in Scandinavia and adding scale in Italy, Benelux and Eastern Europe. The combination of Distrelec and RS in these key markets will leverage our existing operations to drive value-accretive growth.

There is a high degree of overlap in the largely European supplier base and the combined distribution network will improve the operational efficiency and customer experience of both RS and Distrelec. Therefore, we expect to extract significant cost synergies in procurement, logistics and warehousing, and marketing and administration, in addition to revenue synergies from cross-selling opportunities of our own brand and solutions offer. We have a high level of confidence in realising these synergies given our complementary operating models and cost management capabilities, with the most significant items being within our direct control.

Strong financial returns

The acquisition of Distrelec by RS will significantly expand our presence in key European markets and at an attractive rate of financial return. The acquisition is expected to be accretive to adjusted¹ earnings per share in the first full year of ownership and comfortably exceeds Group cost of capital within three years net of integration costs. In addition, we expect the combination to greatly enhance our growth prospects and generate value for all stakeholders.

For the year ended 31 December 2022, Distrelec generated revenue of €270 million and EBIT of €34 million. The acquisition will be financed from our existing resources and the addition of a new three-year acquisition term loan facility of €150 million. Completion is expected within two to three months, subject to customary closing conditions including German, Austrian and Italian regulatory clearance. Following the acquisition, our balance sheet will remain strong, with a pro forma net debt to adjusted EBITDA, based on consensus estimates to 31 March 2023, of around 1x, well within the Group's banking covenants leaving plenty of financing capacity to continue driving our organic and inorganic growth ambitions.

SIMON PRYCE, CHIEF EXECUTIVE OFFICER, COMMENTED: "Strategic acquisitions that are value creative is part of our strategy, and I'm pleased with what I've seen of our disciplined identification, assessment, valuation and integration processes. These have helped to drive good progress at Risoul since we acquired it in January 2023. Distrelec is a complementary business to RS with excellent value creation potential under our ownership. It materially strengthens our presence in key European markets, there is a strong cultural and operational fit and there are significant potential soft and hard synergies from the combination. We look forward to welcoming Distrelec to RS and to realising the significant potential growth and value creation opportunities it creates for all our stakeholders."

Notes:

1. 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.

Enquiries:

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Conference call details

There will be a presentation for analysts and investors today at 8.00am UK time via an audio conference call. A copy of the presentation will be available on the investor relations page of the RS Group website shortly before the call (www.rsgroup.com/investors). A replay of the conference call will be provided after the call.

Please find the registration link below to join digitally. It is advisable to pre-register early to avoid any delays in joining the conference call. To ask a question, participants will need to be connected by phone.

Pre-registration link: <https://webcast.openbriefing.com/rsgroup-apr2023/>

Participant dial in number

United Kingdom:	020 3936 2999
All other locations:	+44 20 3936 2999
Access code:	042577

Conference call timing

Date: Thursday 27 April 2023

Time: 8.00am UK time

Additional information on Distrelec

Distrelec has c. 400 employees and is headquartered in Manchester, UK, with 12 sales offices across Europe. It operates two distribution centres in Switzerland and the Netherlands and a shared service centre in Latvia, enabling Distrelec to offer 146,000 stocked and a further 104,000 non-stocked products. Distrelec will be integrated into the Group's EMEA region, overseen by Peter Malpas (President EMEA, RS) with key members of Distrelec's management team including Raj Patel (Chief Operating Officer and Managing Director) and Ben Scholey (Chief Information Officer).

Acquisition details and financing

RS has entered into an agreement to acquire Distrelec for a total enterprise value of €365 million (c. £323 million) from Distrelec Group Holding B.V., an AURELIUS Group company, who hold the entire shareholding of Distrelec. This is subject to customary closing conditions, including German, Austrian and Italian regulatory clearances, and is expected to be completed within two to three months. The acquisition will be financed from our existing resources in addition to a new three-year acquisition term loan facility of €150 million on broadly similar terms to our sustainability linked loan albeit excluding sustainability targets.

The acquisition constitutes a class 2 transaction for the purposes of the UK Financial Authority's Listing Rules. Total gross assets as of 31 December 2022 were c. €160 million.

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. As per the 2022 Annual Report and Accounts, 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.

This announcement contains inside information for the purposes of article 7 of EU regulation 596/2014 (which forms part of domestic UK law pursuant to the European Union (withdrawal) act 2018 ("EUWA")) ("UK MAR").