

**Company:** RS Group

**Date:** 20 May 2026

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**[START OF TRANSCRIPT]**

Simon Pryce: Good morning everybody. Welcome to the RS Group Preliminary Results Presentation for the year ended 31 March 2026, which was a year for us of good progress and building momentum. Thanks for joining us here today at the Teneo offices and thank you for your continuing interest in RS.

Our presentation should take about 30 minutes today. We'll leave some time at the end for questions, but we'll try and make sure everybody gets away by no later than 10:00. The presentation materials are already available on our website. There are some hard copies in the room and a recording of this presentation, and the Q&A will be available on that website later today.

Before we start, we always begin our meetings at RS with a health and safety moment. There are no planned fire drills today. The fire exit is through the door on my right. Don't take the lift, take the stairs to the left of the lift and assemble outside the building.

At RS we also start each of our meetings with a values moment. I'd just like to take this opportunity to call out that as one team delivering brilliantly, doing the right thing and making every day better, recognising the efforts of our RS colleagues across the world who for the last two weeks have taken part in an Active for Change challenge. In two weeks, they've actually walked 36,000 miles between them, which is the equivalent of going around the world one and a half times and that's all to raise funds for our new social impact partner, SolarAid, that delivers clean and safe solar light and power to over 150,000 people living in rural communities without access to electricity in Sub-Saharan Africa. They've been around the world 1.5 times. Goodness knows how many times they'll get around the world by the time they finish their challenge.

On to the meat of the presentation this morning. I'm going to start by summarising that good progress and building momentum that I referred to earlier. Kate's then going to run through our financials that were in line or slightly ahead of expectations and she'll also take us through what's driving them both at Group and regional level.

I'll then remind you of the multi-year journey that we're on, share with you in a bit more detail where we are on that journey and the progress that we're seeing, and also where our major initiatives are going to be for 2027 as we continue to improve RS and to deliver on the significant value creation opportunity here. Then I'll conclude with how a couple of years of this disciplined execution is increasing our confidence in our ability to deliver against those medium-term financial targets and sustainable returns that we shared with you over the last year or so.

So, to that good year of more disciplined strategic execution and strong operational discipline. In challenging markets, as you'll hear from Kate in a minute, we delivered a resilient financial performance that was in line with or marginally ahead of expectations. Volumes were slightly down but revenue was flat through good pricing discipline which also led to improved gross margins. Costs were well controlled and as a result, operating margins were maintained.

We're two years into this multi-year value acceleration plan and we continue to make strategic and operational investments in the business that are already beginning to deliver. As you can see from the slide, our growth drivers of RS Pro and our solutions and services grew well ahead of the rest of the Group. Even in digital where we did see a small decline in the year, this was in part due to some of the short-term disruption arising from the enhancements and the technology upgrades that we're making to improve our customer experience, and digital is already back in growth.

Our internal and external data tells us that we're continuing to outperform in most of our markets and in most of our component categories and we saw sequential improvement both in sentiment and performance across the year, particularly in Q3 and Q4. This is despite the quite challenging macro environment and the difficult market environment that that's creating.

We acquired BPX in March for an acquisition consideration of up to about £30 million. We've also got a good M&A pipeline, but excellent cash generation and a very strong balance sheet means that we've got more than sufficient financing capacity at this point in the cycle to execute both our organic investment programme and to enhance it with value creative acquisitions. In line with our disciplined approach to capital structure and allocation, we will therefore be returning an additional £100 million back to shareholders by way of a buyback programme, which we started this morning. Therefore, we enter the next financial year with attractive and building momentum notwithstanding the quite challenging macro environment that remains out there.

We set out our multi-year plan about two years ago and there's still a lot to do at RS, but our great people have embraced the change journey that we're on and I'm really pleased with the progress that we've made. You'll recognise the diagram on the left-hand side of this slide highlighting where we're making strategic investments in the five areas and later in the presentation I'll share with you a bit more detail of what those investments actually are. I'll also explain the coloured banding, and I'll talk to where the focus of our investment will be in FY27.

The Gantt chart on the right is the summary of the plan we're executing, which hasn't really changed since we launched it. It shows at a high level where we're investing and importantly, where we expect those investments to start delivering. I know it's a bit of an eye chart but when you get your rulers out and dig into it, what it should show you is that after a lot of foundational investment, particularly in customers, experience, product and supply chain, in FY27 we're now moving into activation phase and we're already beginning to see some of the benefits of the investments that we've made over the last couple of years.

You'll have seen these charts before. As we've highlighted, PMI data, which is the grey bars on the chart on the left, which typically lags by three to six months, is a pretty good indicator of whether RS has a headwind or a tailwind for its revenue growth which is the red line on that chart. Despite that tough and volatile macro that we've referred to, the chart shows actually PMI data has been surprisingly stable over the last year and has actually started to move in an upward trajectory and even got into expansion territory in the last quarter of fiscal '26. Given our three-to-six-month lag, our revenue is doing broadly what it should against that background.

On the right-hand side of the chart, we've set out the regional PMI data which Kate will discuss and allude to in a minute, but that is supporting the growth that we've seen in North America and in APAC throughout the year, which particularly accelerated into the second half when EMEA also returned to growth. With that PMI improvement now extending over a couple of

quarters, whilst there's still a lot of uncertainty out there, it does feel like we have a bit of a zephyr or maybe even a tailwind going into '27.

As you know, our high service industrial MRO distribution markets are large, they're complex, they're multifaceted and it's quite difficult to get independent share data. So, in order to determine how we're performing against our markets, we use lots of imperfect data sources to triangulate our relative performance, and we've highlighted a couple of those on this slide. On the left-hand side of the chart, in our digital channel we monitor Google traffic for relevant search terms in our product category areas, and you can see it broken down in that chart on the left by product categories. As you can see, across all four major drivers of our revenue we are performing significantly better than the market as defined by search frequency on Google.

On channel shares across EMEA and Americas where we can get data from our suppliers, on the right-hand side of the slide, in looking at our relative performance to our suppliers' channel share data, we continue to gain or hold share in categories that make up over 90% of our revenue and are only losing share in categories that make up less than 7% of our revenue. All of which is indicative to us that our differentiated proposition and the strategic investments that we're making are continuing to drive share gain.

With that quick trot through the highlights of the year and what's been going on in our markets, let me pass you over to Kate who will take you through the numbers and the drivers behind them.

Kate Ringrose: Thank you, Simon and good morning everyone. I'd like to echo what Simon has said. We have made considerable progress over the two years as we execute our strategic plan, and although the market environment remains uncertain with recent events in the Middle East, RS Group is in a much better place today. There's plenty of evidence to support this in the numbers we've reported. In the second half of the year, the Group showed good revenue momentum, demonstrated strong discipline in pricing, cost and working capital and investment choices.

Revenue decreased by 1% compared with last year on a reported basis. Our like-for-like decline is flat after excluding the impact of a weaker dollar, reduced trading days and one month of revenue from BPX, our recent acquisition. Group revenue growth improved in the second half of the year with EMEA returning to growth and continued growth in APAC and North America. I'll go through a revenue bridge slide in the next page or so.

Our gross margin improved in the second half of the year through ongoing price discipline and active inventory management. Reduced revenue volumes and increased organic investment was offset by reduced interest charges such that adjusted profit before tax reduced by low single digits. Our reported operating profit includes two large offsetting items which are exceptional in nature, an £11 million positive settlement of a legal dispute relating to our purchase of the Synovos business and a £15 million write-off of old and unused code which had previously been capitalised.

Cash flow conversion was strong at 109% with continued good working capital management and return on capital employed was stable at 15%. The business continues to demonstrate strong cash generation characteristics. We remain committed to our progressive dividend and will increase the final dividend by 2% to 14.2 pence per share, taking the full year to 22.9 pence per share, and our balance sheet is now at the bottom of our target net debt to EBITDA range of one to two times. Given this and consistent with our capital allocation policy, we have

commenced a £100 million share buyback over a 12-month period. Our M&A pipeline remains strong, and we continue to pursue inorganic opportunities which would accelerate our strategy.

Let's turn to look at revenue in a bit more detail. As already mentioned, like-for-like revenue is flat year-on-year after excluding impacts of FX and working days. However, when I look at like-for-like daily average growth, price is up around 2% and volumes are down about 2.5%, and we see a very similar shape in EMEA and Americas. Volume trends also improved through the second half of the year. We've welcomed BPX into the business on 1 March.

To give you a little bit more colour on revenue performance, average order value was up from £263 to £276, improving across all customer segments and outpacing price movements, whilst the number of orders was down, specifically in the smaller key and standard customers who mostly purchase infrequently and through our web channel.

Moving on to that, the digital revenue which accounts for about 60% of our Group revenues decreased by 1% on a like-for-like basis which is largely as a result of this web demand which declined in softer markets and short-term H1 impacts. At a product level the more resilient categories of facilities and maintenance and mechanical and fluid power grew 2% and 8%, respectively. Automation and control and electrification, our largest product category, was down 2%. Demand for semis and passives continued to be weak, with end markets remaining challenging. RS Pro continued to outpace other categories, growing by 5% in year and increasing revenue share by almost 100 basis points to 14.4%.

We continue to demonstrate discipline in our cost management, whilst ensuring we have the appropriate skills and tools to deliver our strategy. Our adjusted operating cost base includes the strategic uplift in organic project investment and restructuring and integration costs. Reported operating costs were flat year-on-year and remained stable at 35% of revenue. Our ongoing run cost base, excluding one-offs, increased by 2%. We continued to build back our employee incentives and inflation increased costs by £29 million. These cost increases were in part offset by £17 million restructuring and integration benefits.

What is not visible in these bridges though is how we're absorbing the investment in key skills and the migration of software payment models to Software as a Service. Our total efficiency savings over the last three years now total £55 million and we have increased our organic OpEx investment in the year by £4 million to the lower end of our guidance range which was £35 million to £45 million. We benefited from a £5 million one-off gain largely driven by the £3 million profit on the disposal of Distrelec's Nordic and Baltics business. The cost to deliver the restructuring and integration savings in year was £9 million.

Wrapping it all up in operating profit margin, the underlying operating margin excluding the choice to increase organic investment. OpEx was flat through the year. You can see on the chart that revenue inflation offset cost inflation very neatly. Gross margin was positive, offset against volume reductions, and so on a net basis reduced operating margins by 90 basis points. This was mitigated by our cost reduction program and lower restructuring and integration costs in financial year '26 versus the previous year.

Let's focus a bit on the regions and specifically on EMEA, the key messages here to share with you. We had revenue momentum in H2 in all our markets. PMI indicators moved into expansion territory. However, these are indicators and we tend to have a three-to-six-month lag in our performance versus markets in industrial production recovery. The UK has shifted to growth.

France continues to outperform and the DACH region was mostly impacted by Germany, where broader market context remained challenging.

Our strategic focus areas are outperforming the markets, notably corporate customers, services and solutions, and RS Pro. NPS did take a dip in H1 and is recovering, but given it's a rolling 12-month measure, it does take a little while for this to fully reflect in the numbers. We are pleased with the integration of Distrelec into the business, which is almost complete. Our business case targeted €30 million of margin and cost synergies on a euro basis, and so far we've delivered €41 million on an annualised basis, with a bit more to come.

Switching to Americas, again a couple of key points to pull out. US&C growth accelerated through the second half. Offline sales show good momentum as the customer relationship management tools and targeted supplier strategy are actively deployed. Gross margins in the US improved off the back of pricing and better inventory management and provisioning.

Also, I said at the half year that we were seeing some delays in Mexico in customers committing to large capital projects and that while the order book was robust, large projects had been shifting to the right off the back of the trade arrangement that hadn't been fully agreed with the US, Canada and Mexico. We still see that impact in the second half while we wait for that resolution, but we also have a mechanistic decrease in revenue in Mexico because of a significant strengthening of the peso versus the dollar.

Most of our sales in Mexico and our inventory purchases are dollar priced, and they are then converted into peso, which is the reporting country currency. This accounted for about half of the 21% revenue decline that you see in H2. It has an equivalent offset in cost of sales, so from a gross profit, gross margin perspective, it was flat in Mexico. Finally, there's a positive story to tell in APAC, where our subregions are all in growth in both price and volume and showing positive sales momentum. Gross margins are holding and good cost management means we see evidence of positive drop-through in our operating profit year-on-year.

Let's move on to cash, where our continued focus delivered cash flow conversion at 109%, broadly similar to last year, and well in excess of our target of over 80%. Adjusted free cash flow was down £12 million, primarily reflecting lower adjusting operating profit. Our working capital was well managed with key metrics showing inventory purchasing discipline and stability in receivables and payables. We would expect cash conversion percentages to reduce in more buoyant market conditions in order to support volume growth while maintaining working capital discipline, and that will be a pleasant problem to contend with.

We slightly increased our CapEx investment in the year, notably on the build-out of our new Italy and Ireland warehouses, and our business remains well invested with the CapEx to depreciation ratio at 1.3 times. Net debt decreased to £329 million and is now equivalent to one times net debt to EBITDA.

On our capital allocation policy, this cash generative business model, strong balance sheet and the debt facility headroom does provide us with plenty of capacity for continued organic investment and selective M&A, as well as returning capital back to shareholders in the form of both dividends and share buybacks, as we've announced today. There is no change to our previously communicated capital allocation policy.

Finally, from me, just to give a little bit of help, a few guidance points with next year's modelling. We are not signalling a change in gross margins from full year '25 to '26, albeit there may be

some movement between gross margin and variable costs depending on what happens with freight movements in the year. Specifically on operating costs, you'll recall on slide 11, I took you through our ongoing cost base in full year '26 to £981 million. That excludes our one-off benefits and in-year restructuring and integration costs.

With that as your starting point, things to take into account for '27. The cost inflation is likely to continue at around 3%. Variable costs - don't forget those for those who are modelling volume increases in revenue - are about 6% of revenues. Our organic OpEx investment is likely to increase towards the top of the stated range of £35 million to £45 million as we increase our spend on process harmonisation and technology, and we expect to continue at that rate for a few years.

The continued rebalancing of employee incentives, including the change to the RSU, and our choice to make our people shareholders in the business, will increase employee incentives by around £5 million to £10 million. Net integration and cost efficiencies are around £10 million, and we're also making additional cost savings to absorb the investments required and capability, for example, data analytics, security, pricing, as well as the continued transition to the software as a service pricing model that many of our technology partners deploy. We will ultimately reduce our technology CapEx spend. We expect around £10 million to £15 million of integration and restructuring costs to enable some of these efficiencies and CapEx to remain at around £50 million.

I'll now hand you back to Simon.

Simon Pryce: Thanks, Kate. As touched on at the beginning of the presentation, here's the infamous RS wheel. This is where we have started a program in 2024 to enhance and accelerate our sustainable growth, to improve the efficiency of our business and to deliver much better operating leverage from RS over time, and particularly as end markets move into recovery.

We're investing in five areas: customers; customer experience; products and suppliers; solutions; and operational excellence, which is all underpinned by improving capability and our great people. In the next few slides, I'm going to take you through a bit more of the detail of what we've invested in so far, where see us beginning to realise some benefits from that investment and where we're going to continue to invest in '27.

The pie chart on the left-hand side of the page sets out the investments and where we made them in 2026. The dark red colouring represents the strategic OpEx investment, the light red is strategic CapEx and the purple is investment in our physical infrastructure. As you can see, a good chunk of that investment was foundational and focused on frontend systems, data and processes to enhance our customer capture, to improve our share of wallet and to drive better experience for them. I will talk more about that in the next couple of slides.

As we move into '27, whilst we'll be activating a lot of these investments, the major additional investment we'll be doing is more around operational excellence as we position ourselves well for enhanced drop-through of future growth in the years to come.

Now let's go through each of these areas in a bit more detail. I'm particularly encouraged by the progress we've made in unifying our customer data and platforms to allow us to better target high potential value customers and drive share of wallet growth with them through more personalised experiences and at an optimised cost to serve. Last year, we finished and completed our global customer data platform and rolled out a common CRM across our digital

and EMEA high-touch channels, giving us a unified, behaviour-led view of customers and of their potential.

As we deploy these insights, early results are encouraging with improving conversion rates, stronger sales conversion, pipeline conversion and a 6% like-for-like revenue increase across our high-touch corporate customers. We'll continue to build on this momentum through '26-'27 as we optimise and increase the automation of data flows across our customer-facing platforms and channels.

We'll also start integrating all our data and tools with our CRM which will allow us to drive an increasingly automated and efficient deployment of our sales and marketing resources to target those high potential value customers with a more personalised and efficient sales service and support engagement. All of this is targeted, allowing us to continue to grow market share and to capture more of our customers' wallet.

The design and development and upgrade of our digitally enabled omnichannel customer experience is now largely complete and most of the foundational investments to enable it have been made. This year we completed the rollout of our AI-enabled web search and began integrating it with our existing digital commerce platform. We've seen significant increases, as Kate alluded to, in our add-to-cart rate and a meaningful increase in our basket-to-order conversion.

We also completed the development of and launched an upgraded digital commerce platform based on Adobe in America in the first half of the year, which is now beginning to deliver improved functionality, greater personalisation and much richer data capture, particularly as we tune it with our global digital data and experience capability. We're continuing to enhance this digital commerce platform, which will ultimately replace the existing platform we have across the Group and it's already in testing phase in EMEA.

We also finished the rollout across EMEA and APAC of the final phase of our Delivery-to-Promise solution which, after the expected decline in NPS on preliminary implementation, which you heard about from Kate, has led to significant improvements in H2 and also drove a 4% uplift in average order value. Combined with stronger search and a new basket and checkout experience, we're seeing meaningful gains in findability and conversion. Our focus in '27 is to start the phased rollout of our upgraded digital engine in Europe while scaling and tuning our experiences to support enhanced retention and again greater wallet capture.

Our product management solution moved into activation phase this year and is significantly accelerating the pace at which we can bring new products to market. We can now list in excess of 50,000 new products a month and now have also a non-stocked capability which we've launched with more than 185,000 products available for customer-only order. In addition to listing more complete line cards for suppliers, this also allows us and provides data for us to test demand and make better informed new product inventory decisions.

Our enhanced product management capability extends to our own label business, RS Pro, where we launched an additional 10,000 new products, up more than 45% this year. It's part of the reason that RS Pro delivered a record year and we continue to see good opportunity for further pro-growth over time.

We're continuing to invest in pricing tools and capability, particularly in North America, which has strengthened our ability to navigate trade uncertainty and inflation effectively. By combining

strong capability and execution with AI-enabled pricing tools, we were able to deliver three times more targeted price actions than we did in the prior year, which proves our alignment to both our cost and market dynamics and supports both our customers and suppliers.

As we go into '27 we'll continue to tune our product management system to further optimise global stocking decisions and build on our American, data-based margin optimisation capability, automating it and integrating it before rolling it out across the rest of the Group over the next couple of years, all of which will improve inventory management and greater pricing agility.

We continue to enhance and scale our solutions offer which is delivering 6% like-for-like growth this year and now represents over 25% of Group revenue. Digital procurement remains a key driver, with eProcurement growing 9% like for like, and this allows us also to build much deeper and stickier relationships with our higher potential value customers.

Our RS integrated supply business delivered a strong year, as we further improved our in-house tech platform, RS SYNC, with AI-enabled product identification and an expanded curated marketplace for our customers. This supports those large customers with multi-site facilities that are seeking to optimise their total indirect procurement costs by outsourcing processes and acquisitions and drives total MRO cost efficiency.

In '27 we'll be upgrading and launching an enhanced PurchasingManager solution that enables SMEs to have greater control and oversight over their indirect procurement across the site, as well as continuing to enhance and build our eProc system into our broader technical base, technology base. We'll also finish the rollout of our improved integrated supply solution to all of our integrated supply customers, which drives those deeper relationships that are important for share gain.

There's a lot going on at RS, and we should not forget we continue to invest and optimise our physical distribution network as well as our process and technology estate. In '26, as you've heard from Kate, we completed the exit from our Distrelec warehouse in the Netherlands and made significant progress in the build of upgraded facilities in Italy and Ireland. This will include the installation of a state-of-the-art robotic automation system in Italy, which will become the standard for all of our regional distribution centres going forward.

We're continuing to simplify our technology estate. To date, we've taken out more than 100 applications, and we see further opportunities for consolidation and harmonisation as we continue to drive process and operational excellence. This will allow our business to absorb the increased licensing costs that we see as a result of our shift from an organic development model to a Software as a Service technology approach.

We optimised our flow through our distribution network. We've removed non-value added touch, and we've reduced the number of times we handle a product, which has resulted in a 50% increase in our supply chain efficiency ratio and a much improved cost to serve. As we enter '27, we'll commence operations in Italy and complete Ireland and our UK warehouse management systems upgrade.

Importantly, we'll start to prepare in earnest for the upgrade of our enterprise resource planning system, scrubbing the data, completing the process design and mapping current and future state with the first country market rollout anticipated in calendar '28. All of which allows us to

access the next phase of process harmonisation, automation and that improved operating leverage that we referred to.

Value accretive M&A remains an important addition to our organic growth strategy. In the year, as you've heard from Kate, we broadly completed the integration of Distrelec, Trident's going well and we also acquired BPX. As we enter '27, we've got a decent pipeline of further opportunity. As you've heard from Kate, after two years of positive underlying progress, a clear plan and an understanding of what we will be investing organically and what that will deliver, we have more than sufficient financing capacity to execute our organic investment program and continue with these bolt-ons. So, in line with our disciplined approach to capital structure and allocation, we've announced this £100 million buyback this morning.

With that quick trot-through of what's going on here, I hope we've given you a feel for why we're pleased with both performance and strategic progress. As we go into FY27, whilst there is still a lot of uncertainty out there, we've demonstrated resilience. We are seeing stable to improving sentiment, sequential increase in growth and most of our major markets are performing as they should. We've got a differentiated proposition that's allowing us to continue to gain share across most categories.

There is a lot going on here, but the significant strategic investments that we've made to accelerate growth, improve efficiency, and drive better operating leverage are all on track. More importantly, they are beginning to deliver, and I'm comfortable that the level and pace of change at RS and our people's capacity to execute our value acceleration plan is all in hand and proceeding as anticipated.

We continue to deploy capital in a disciplined way through organic investments, M&A, dividend and where it's surplus, returning capital to shareholders. Whilst being alert to volatile macro and geopolitical conditions, we are keeping focused on the things that we can control on activating those investments that we've already made, continuing to drive operating leverage through global collaboration, cooperation and process harmonisation and maintaining capital discipline whilst pursuing value accretive external opportunities.

All of this gives me and the Board increasing confidence that our medium-term financial targets, growing revenues at twice the market, achieving mid-teens operating margins, strong cash conversion and returns on investor capital aren't just credible, they're achievable and will deliver sustainable value for all stakeholders over time.

Thank you for listening. We'll now be happy to take any questions. If you could raise your hands, state the name of the institution that you represent and then ask your questions, we will answer them as best we can. We also have people online and they will submit their questions online and somebody will ask them for us.

Tom Callan: (Investec, Analyst) Morning. It's Tom Callan from Investec. I've got three please. Firstly, just on average order values, strong year-on-year, ahead of inflation at the Group level. Just so I'm clear, was this growth mainly price or volume led and was there any disparity between the regions?

On services and solutions, you continue to outperform. How important is the continued scaling of eProcurement and integrated supply to achieving your medium term margin ambitions? Then just on the pipeline that you alluded to, Simon, in terms of M&A, are there any obvious strategic or operational gaps that you're looking to fill here? Thanks.

Simon Pryce: Thanks, Tom. Average order values are up, mainly price, a little bit of volume, depending on where you are. A little bit of more lines per order, but generally it's price and a little bit volume. No real difference, I think, across any of the regions. Kate.

Kate Ringrose: I would say average order value is outpacing price, but we are seeing number of orders going down, supportive of what Simon said. Across all regions it's all very similar, so the degree of improvement is the same in the Americas, APAC. If you take £263 to £276 and apply that differential across each region, it's very similar.

Simon Pryce: Rather than on a regional basis, if you look at the touch versus non-touch customers, the growth in both volume and price is in the customers. The average order value is a bit lower in standard transactional come-to-the-web-type customers.

On how important is services and integrated supply to margin development, it's a piece of it, but our ability to achieve mid-teens operating margins is not dependent on RSIS or our services business, it's actually dependent a little bit on volume.

Then in terms of M&A pipeline, we've got a good M&A pipeline, and I think we continue to monitor all sorts of opportunities out there. If we think that there's a reasonable chance of us on a risk-adjusted basis creating value from them, we've got plenty of capacity to do that, but there's nothing immediately that I'm sitting here thinking we must do this and we should tell you about it before we do it.

Tom Callan: (Investec, Analyst) Thanks.

Simon Pryce: Thanks, Tom.

David Brockton: (Deutsche Numis, Analyst): Thanks. Good morning, it's David Brockton from Deutsche Numis. Can I ask two as well, please? Firstly, it's great to see improving momentum coming back into the business. Can you give any insight into how that trended through Q3 and Q4, and if you can't do that, can you give a view as to what the exit rate was, just to help understand the magnitude of that momentum? I appreciate you're lapping a weak comp as you enter the year.

Then the second question relates to electronics and specifically semis and passives. I appreciate you've acknowledged that you're losing share in that category, but we are in the midst of one of the strongest semi cycles for quite some time. I want to know if you're seeing that strength come through in the business and why you think you're losing share there and what plans you have to turn it around. Thanks.

Simon Pryce: Thanks, David. Do you want to do Q3, Q4 exit rates and I'll do the electronics?

Kate Ringrose: Yes. We did see improvement Q3 to Q4. Group Q3 was 0.6% negative, Q4 was 0.3 negative. Good progression in EMEA which went from negative to positive Q3 to Q4, continued growth in APAC. Really the change was Americas and that's largely to do with Mexico, and quite specifically around that dollar denominator dynamic as well that is probably worth adjusting for.

Simon Pryce: I referred to zephyrs rather than tailwinds. It's feeling better, but we're conscious that there's a macro world out there, but we're definitely feeling better, David. On electronics, I think as we've spoken to you in the past, there was a period where we went into probably greater depth in electronics than our traditional customer set was really interested in, and that's been unwinding over the last couple of years. Electronics is a super important category for us, but it's for our MRO users, not for production-level buyers of electronics.

I think your reference about semis and passives is absolutely true. There is good driving demand going on in the moment in semis and passives but it's mainly in semis, not passives. It's mainly driven by data and AI and for our MRO customers that's not a big demand need right now. So, whilst we do carry a lot of Nvidia, Arduino type product we're selling it into R&D labs and things like that, where the demand level is relatively low. We would expect, as the semis and particularly semis side of electronics continue to move into a supply constrained environment, we will see that growth, but we will underperform those people that are supplying into mainstream production because of our target on those MRO customers. Thanks.

David Brockton: (Deutsche Numis, Analyst): Great. Thank you.

Andrew Nussey: (Peel Hunt, Analyst) Good morning. Andrew Nussey from Peel Hunt. Again, another couple of questions. First of all, on RS Pro, how many more products do you think you can put onto the platform? Then do you have any updated thoughts on what regional penetration might be over the medium term, and once you've tried RS Pro, do you tend to stick with it, is the first area of questions.

Then secondly, you mentioned there's a lot going on at RS, particularly in terms of moving into the backend. If we subscribe to a view where we start to see volume and mix improve, just your confidence that you can continue to meet your customer expectations as that ramps up.

Simon Pryce: Thanks, Andrew. Both really good questions - all of them being really good questions, just to be clear. On RS Pro, I think RS Pro is always a balance between ensuring that we're carrying the right products for our strategic suppliers and then supporting that strategic supplier content with some of our own label business. We're not limited by the pace at which we can take on new RS Pro products, other than we've got to source them. It's more about making sure we're balancing those strategic suppliers and those strategic products with our own RS Pro offering.

Once you've bought Pro, you tend to stick with it for a certain range of products and so it does create some customer stickiness but we're far from complete on our RS Pro journey. RS Pro by proportion of sales is largest in Europe and we see good building growth in Asia Pacific and strong growth in America but off an extremely low base. As you know, we've now got a slightly different approach to Pro America which is to think about what our customers want, what our key strategic suppliers are and what RS Pro products better suit that American customer. So, there's a long way to go for Pro, there's still more to do in Europe, a lot more to do in Asia, and a huge amount more to do in America, but it will take time.

Kate Ringrose: The share in RS Pro grew in all regions.

Simon Pryce: Yes. Then, yes, there is a lot going on, Andrew, across RS, but I'm comfortable with the capacity of the organisation to deal with it. Hopefully, you won't have missed the fact that a lot of the stuff we've been focusing in in this downcycle is improving the front-end of our business, so being able to target the right customers with a better service and a better delivery. I'm comfortable that those investments are going to pay off as we continue to support the customer into what feels like a bit of a recovery. The organisation is finally beginning to be able to breathe a bit, which is good, and maintain that customer focus. Yes, I think we're in a good place. Thanks.

Andrew Nussey: (Peel Hunt, Analyst) Thank you.

James Rose: (Barclays, Analyst) Hi, there. James Rose from Barclays. I'll go for three, please, if I can. Firstly, on Mexico. Given the visibility you may have there and where the peso is currently, do you still expect that to be a material drag over the first half of '27? Secondly, the gross margin increases throughout the year. Could you unpick and explain what's driving that particularly?

Then thirdly, the guide for core OpEx inflation is about 3%. I think that's pretty similar to what we had in the prior year. Is there any sign that that's starting to tick up already within the business if you just think across fuel freight and energy and what are the potential offsets you've got if that happens?

Simon Pryce: Thanks, James. I'll let Kate deal with her favourite subject of Mexico and the peso and gross margins and let me just touch on OpEx inflation. We're guiding to 3%. We are seeing more than that in some cost areas, freight, fuel, things like that, but we do see and have the ability to pass that on in terms of pricing, so it's a good working assumption. As the impact of this macro Middle East thing plays through, it'll become much clearer which elements of our cost base move in what way, but what we have shown is our ability to pass that on in terms of pricing. So, if that helps a little bit with that OpEx guidance discussion.

Kate Ringrose: On Mexico, let's just separate two things that are going on in Mexico. If we focus on the mechanistic dynamic around the revenue and the COGS base, dollar denominated in peso, the dollar significantly weakened versus the peso, particularly in the second half. That mechanistic calculation of revenue in dollars into peso and then into pound was a small upside in H1, and a big downside in H2. Using spot rates going forward, then I'd expect that that will be similar, but who knows. Last year it was up and then down, so let's see how it is, but if I look at spot rates, then yes, that'll continue to be a drag.

If we then look at the underlying what's going on, which is really around those capital projects, we really saw the delays of that kicking in around Q2 of last year. I think comparators wise, Q1 probably will still be a little bit tricky and then we'll get into a better comparator set from Q2 onwards. Then cross fingers that the trade agreement gets resolved, the order book that we have really converts at the pace that it used to, and we'll see that coming through, but it depends on what happens with that trade agreement.

Simon Pryce: I think the important thing in Mexico, James, though is that these projects aren't going away, they're moving to the right. We aren't losing them, it's just the capital investment decision is being deferred until the trade arrangements with North America, I think, are finally in place. Frankly, there are some underlying issues in Mexican stability that need to be resolved as well.

Kate Ringrose: Then just looking at gross margins. Not much to say about APAC, but if I just differentiate a little bit in EMEA and Americas. Good underlying gross margin improvement in EMEA, net of discount, so feeling pretty comfortable around that. From an Americas perspective, there was some inventory management in particular that gave us a bit of a bump in H2 favourable that I don't expect to continue into next year, which is why net-net I guide to a flat position from '25-'26 into '27.

James Rose: (Barclays, Analyst) Great. Thanks very much.

Simon Pryce: Thanks.

William Blunt: (Rothschild & Co, Analyst) Good morning, it's William Blunt with Rothschild & Co. My first question is just on the 6% growth that you saw from the corporate customers. That

marks quite an acceleration, I think, in the second half versus the first half of the year. Was there any regional disparity between that recovery? Then maybe do you think you could give some colour around the split between how much of that was increasing share from existing accounts versus winning new corporate accounts?

Then my second question is just on managing operating costs going forwards. I think previously you talked to letting some natural attrition lower your headcount rates across the Group. Is that still the strategy going forward now you're seeing maybe a bit more momentum improving? Thank you.

Simon Pryce: Thanks, William. That 6% corporate growth is a bit of an acceleration. It's a mix of new customers and increased share, and it's mainly in Europe and a little bit in Asia Pacific. In North America, we don't have as many of those large corporate customers today. It's a more automation and control and SME-focused business, although over time, I'm sure that will evolve. Do you want to do op costs?

Kate Ringrose: Yes. On op costs, we seek to do this as efficiently as we possibly can. The change in cost is both third party and labour cost. As you see, we've been spending a bit of money on both integration and restructuring charges through the year, and we'll continue to do that where we think it's the right thing to do.

Part of that, William, as well, is about changing sometimes our emphasis on skillsets, so reducing some things that we don't think we need as much of and increasing some skills that we think we need more of. So, there's a bit of redistribution there. On natural attrition I think, like many companies, we're seeing our voluntary attrition, if anything, go down, so perhaps not giving us as much of ability of flex as we had before. That, again, is the driver behind us being alert to the potential need to do more on the restructuring base.

Simon Pryce: I think, William, that it's important that we understand that we're always actively managing our cost base to reflect the environment we see without damaging the business going into a potential recovery and upcycle, so we're playing that balance all the time.

I think it is fair to say we're also investing not just in hiring external capability but upskilling our own people. Quite a lot of investment last year was in supporting our leaders and our people in upskilling them because the world we're entering is quite a different world from the one that they've historically dealt with, and a lot of that process optimisation and harmonisation that we're talking about will have a big automation piece in it. There will be an active management of the cost base going forward but also an upskilling of our capability and our people.

On the phone we have a question.

Operator: We have a question from Zach Al-Qaryooti. Your line is now open.

Zach Al-Qaryooti: (Morgan Stanley, Analyst) Morning, Simon. Morning, Kate. Just two questions, please. Firstly, on Germany, you noted that it remained more challenging there. Are you seeing more recently any green shoots there that you would call out or any more generally optimism in the market given the stimulus? Then secondly, just on the cash conversion, that was one of the standout metrics today. Could you unpack that performance a little bit and maybe were there any one-offs we should be aware of in there? Thank you.

Simon Pryce: Great, thanks. I'll take the German question and then Kate will talk to cash. Germany continues to be challenging, although after two years of a challenging environment in

Germany, the lapping comparators are definitely getting easier. I think there is some signs of sentiment improvement in Germany but the automotive industry, which supports a lot of German industry and indeed Italian industry, remains quite challenged.

I think we have started to see the odd green day, week or month in Germany but again that's as much from weaker lapping comparators as it is from a fundamental recovery in German industrial production. I think we will lag a little bit of that industrial stimulus, because a lot of it will go into aerospace and defence and it will go into new production, rather than maintenance, repair and overhaul, which is what we support.

We are softly optimistic that Germany will not be as bad this year as it was last year. Whether it shifts into growth or not we'll see during the course of the year, but we're pretty confident that we continue to outperform in Germany, notwithstanding it's a difficult market for most people. The interesting thing is we are seeing some recovery in Italy and a lot of the smaller industrial manufacturers in Italy are supplying into broader German industry. If that's a bit of a lead indicator, there may be a bit of hope there too, if that helps. Cash conversion?

Kate Ringrose: Yes. I think from cash conversion, no significant funnies there. I think we had a large amount of cash come in from that legal dispute, but we adjust for that out, so cash conversion doesn't include that. The real dynamic around that is what you'd expect to see in an environment where volumes are coming down a bit, is you would expect really tight inventory control, and that inventory converting into cash whilst you maintain your metrics so your turns, your days payables outstanding, your days sales outstanding.

I think what you see in the numbers is good discipline around the metrics and a release of inventory sold into the market and that's what's driving the cash conversion to be north of 100%. As I said, in an environment where we have more buoyant markets or volume growth, then it is very likely that we would increase our investment in inventory and whilst holding our metrics, there would be more of a working capital investment which may drop that cash conversion below 100%, and that would be a very lovely problem to be actively managing.

Simon Pryce: I think though the key that people should also take away here is that active management of the business now extends not just to revenue, to gross margin, to operating cost and to operating margin, it also extends to cash flow. There is an increased and regular drumbeat that Kate and the team have introduced, which is driving a much greater focus on cash in a positive way, and I do think you're seeing the benefits of that in the cash conversion again that you saw this year.

That looks like it from questions on the phone or online or in the room. Thanks very much for attending and have an enjoyable day.

**[END OF TRANSCRIPT]**