

10 January 2023, 7.00am

RS Group plc today issues a trading update for the third quarter ended 31 December 2022

ONGOING GROWTH FROM PROFITABLE MARKET SHARE GAINS

DAVID EGAN, ACTING CHIEF EXECUTIVE OFFICER, COMMENTED: “Our differentiated proposition continues to resonate as we grow market share with our core industrial customer base, prioritising our efforts on where we can add greatest value. We have continued to outperform thanks to the strength of our high-performing people who are focused fully on delivering our strategy. Tight control of our pricing, costs and inventory indicates that our full year adjusted profit will be towards the top end of consensus estimates¹. We are delighted to welcome Risoul into our Group as we continue to accelerate our growth opportunities both organically and inorganically. We are mindful of the more challenging economic backdrop but believe that this also presents opportunities to drive further profitable market share growth as we continue our Journey to Greatness.”

Region	Like-for-like revenue growth ²			
	Q1 to Jun 2022	Q2 to Sep 2022	Q3 to Dec 2022	9 months to Dec 2022
EMEA	16%	14%	12%	14%
Americas	24%	19%	6%	16%
Asia Pacific	13%	6%	(8)%	3%
Group	18%	15%	8%	14%

Q3 revenue performance remains solid

- Like-for-like revenue growth of 8% despite a tougher economic backdrop and strong comparatives.
- Industrial products, c. 77% of Group revenue, grew like-for-like revenue by 15% with low single digit volume growth.
- Electronics products’ like-for-like revenue fell 4%, reflecting the slower market.
- EMEA’s growth remained strong as our differentiated proposition resonates with customers, with UK and Ireland performing the best within the region. We continue to focus on developing our service solutions offer and working more closely with strategic suppliers to broaden our range while improving our customer service levels further.
- Americas is trading against very strong comparative growth (of 37%). Our revenue per day remains strong due to investment in our people, product range, digital and operational capabilities. Our strengthened proposition, deeper relationships with customers and suppliers and improved sales initiatives are delivering market share growth.
- Asia Pacific’s performance continues to be affected by greater exposure to electronics (c. 35% of region’s revenue), low availability of single-board computing (SBC) product, a challenging geopolitical backdrop and tough comparatives. Like-for-like revenue excluding SBC was down 2% with industrial products’ like-for-like revenue growing 10%. We continue to focus on profitable revenue growth and developing our industrial product and service solutions, helped by our acquisition of domnick hunter.
- RS PRO like-for-like revenue grew 19% due to greater brand equity, focused campaigns and better marketing tools.
- Web like-for-like revenue increased by 9%, with digital participation of 64%.

Inflationary cost headwinds are being offset by margin optimisation and tight cost control as we continue to invest

- Our gross margin continues to benefit from margin optimisation work and an improved pricing and discount model.
- Our inventory turn has increased from H1 as our purchases reflect faster-turning lines and customer demand.
- Despite inflationary pressures, we are managing costs tightly while continuing to invest in growth opportunities.

Our performance leads us to expect full year profit to be towards the top end of consensus estimates

On 3 January 2023 Risoul became part of RS Group and our teams are now working closely together in developing product and service solutions further across Americas, including our own brand, RS PRO. We continue to deliver profitable market share growth, focusing our proposition where we can generate the greatest value and drive future opportunities. Given our performance year to date we expect our full year adjusted profit before tax to be towards the top end of current consensus estimates¹. We continue to be mindful of a more challenging backdrop but remain confident in the strength of our people and differentiated proposition. We are focused on driving further market share gains to generate stronger revenue and high-quality, profitable growth.

Notes:

1. Consensus for the year ending 31 March 2023 is revenue of £2,930 million (range of £2,709 million – £3,043 million), adjusted operating profit of £373.5 million (£356.8 million – £384.1 million) and adjusted profit before tax of £365.5 million (£350.4 million – £374.9 million). Source: [rsgroup.com/investors/analyst-coverage](https://www.rsgroup.com/investors/analyst-coverage).
2. Like-for-like revenue growth is growth in revenue adjusted to eliminate the impact of acquisitions and the effects of changes in exchange rates and 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. 2021/22 is converted at 2022/23 average exchange rates for the period.
3. Our profit remains sensitive to movements in exchange rates on translation of overseas profits. Average exchange rates for the year ended 31 March 2022 for euro and US dollar were €1.176 and \$1.366 respectively. Average exchange rates for the half year ended 30 September 2022 for euro and US dollar were €1.174 and \$1.216 respectively. Every 1 cent movement in the euro has a c. £1.8 million impact on annual adjusted profit before tax. Every 1 cent movement in the US dollar has a c. £0.7 million impact on annual adjusted profit before tax.
4. We expect to see a negative impact of around £10 million on revenue from fewer trading days in 2022/23 compared to 2021/22.

Enquiries:

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Conference call details

There will be a conference call for analysts and investors today at 8.00am UK time. A recording of the conference will be provided shortly after the event via the investor relations page of the RS Group website: www.rsgroup.com/investors

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-jan23/>

Participant dial in number:

United Kingdom: 020 3936 2999
All other locations: +44 20 3936 2999
Access code: 039451

Conference call timing

Date: Tuesday, 10 January 2023

Time: 8.00am UK time