

# **RS Group Half Year Results 2025**

Thursday, 6<sup>th</sup> November 2025

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## Overview

Simon Pryce

*CEO, RS Group*

### Welcome

Thanks very much, and good morning, everyone. Welcome to the RS Group interim results call for the six-month period ending 30th September 2025, and thank you all for joining us this morning.

The presentation should take around 30 minutes, and then we will have some time at the end for questions. But we will try and make sure that we finish the call by no later than 10:00.

### Agenda

I am going to start by summarising our pleasing first-half performance. Kate will then run through our inline financials and what is driving them, both at a Group and a regional level. Then I will conclude by sharing with you the good underlying progress that we are making as we make the business better at RS and position ourselves to accelerate growth, improve efficiency, and drive better operating leverage over time.

### Safety moment and values highlight

Before we get into the details of this morning's presentation, we like to start our meetings, virtual or physical, at RS with a health and safety moment and a values highlight. Although we are virtual, please make sure you do take a safety moment to identify your nearest exit and safest evacuation route in the event of an emergency.

For our values highlight, I would just like to call out and celebrate our new multi-year global partnership with SolarAid to support their mission to light up lives across rural Africa.

As our new global charity partner, their and our purposes and values are completely aligned, that is one team delivering brilliantly, doing the right thing and making every day better. We will bring our people, our innovation, our technical expertise and our suppliers and partners together to help raise over £1 million to partner with SolarAid to deliver clean, safe solar light and power to over 150,000 people living in rural communities without electricity. This is very much RS demonstrating our values in action and continuing to make amazing happen for a better world.

### Creating a better business through focus and investment

As you know, we are on a journey to create a better business here at RS, and I am really pleased with the progress that we have made in the first half. Against the background of a challenging geopolitical environment and uncertain markets, our data tells us that we are continuing to outperform.

We are delivering financial outcomes that are in line with expectations. We are actively managing our business to reflect the trading environment we find ourselves in, but we are continuing to invest in the strategic and operational initiatives that are already beginning to deliver, which underpins our continued confidence in returning RS Group to growth and through focused investment and effective execution, delivering on those medium-term financial targets and much improved value creation that we first talked about at our Capital Markets Day last September.

**Markets are uncertain, improving in Americas and APAC**

Before Kate takes you through the financials, I think it is worth looking at what is going on in our markets, which remain uncertain, although I have to say a bit more stable.

As we shared with you at our Capital Markets Day, high service industrial MRO distribution markets are large, complex, and multifaceted, and they are also generally fragmented, as are the competitors who play in them.

It is for this reason that we have highlighted that the best way of thinking about our future direction of travel is to look at PMI data, and that our revenue growth is very closely correlated with trends in PMI data, typically lagged by between three and six months. During the first half of the year, this remained true.

As you can see from the chart on the left and in the red circle, PMI data, which is the grey bars, have been improving since a low point in our fiscal Q3 last year, but it still does remain below 50, suggesting modest contraction, and markets in the first half were probably a bit slower than we anticipated.

But against this backdrop, our revenue, shown by the red line, has stabilised and indeed started to move in the right direction over the last couple of quarters, and we actually returned to marginal growth in Q2.

As the chart of the regional PMI data on the right indicates, and as you will hear from Kate in a minute, this was reflected in good growth in Americas and APAC, broadly offsetting a small decline in EMEA.

**Continued market share gains enabled by our differentiated proposition**

Now, whilst PMI data is a good indicator of the likely future direction of travel, we use other data sources to assess our relative performance, and probably the most relevant of these are web searches and supplier reported channel shares. We monitor Google traffic for relevant search terms, and these were down 6% in the first half versus our own Group and indeed digital performance, which was only down 2%.

In the chart on the left, you can see that we have broken it down by product category across EMEA, where we have the most detailed data. And in all four of our major product categories, you can see that we are performing significantly better than the market.

On the right-hand side of the chart, on channel shares, supplier data continues to indicate that we are gaining share from other distributors across virtually all of our industrial product categories in Europe, and if anything, this has probably picked up a bit in the first half of this year, which is all indicative of our continued outperformance, which is enabled by our differentiated proposition.

With that market background, let me pass you over to Kate, who will take you through the numbers and the drivers behind them.

## Financial Review

Kate Ringrose

*CFO, RS Group*

### Performing as expected

Thank you, Simon, and good morning, everyone. I would like to echo what Simon has said. We have made considerable progress over the last couple of years. And although the market environment remains uncertain, RS Group is in a much better place today. There is plenty of evidence to support this in the first half.

In Q2, we moved into growth for the Group. We are actively demonstrating strong cost management, managing pricing and cash flow, alongside discipline in investment.

### Financial performance as expected with continued strong cash generation

Revenue decreased by 3% compared to last year on a reported basis. On a like-for-like, the decline is 1% after excluding impact of the weaker dollar and reduced trading days. EMEA performed relatively well in a weak industrial environment, and performance in the Americas and Asia Pacific was positive, and I will go through the revenue bridge on the next slide.

Lower revenue and increased investment drove single-digit reductions in our adjusted profit and earnings measures, despite the benefit of a slightly higher gross margin. And cash flow conversion was very strong at 107%, with continued good working capital management and ROCE stable at 15%.

In our unadjusted free cash flow, we also saw a £10 million cash contribution following a successful legal challenge.

We are increasing the interim dividend by 2% to 8.7p per share, in line with our progressive dividend policy and our expectation of low single-digit growth until cover grows back to historical levels. There are a few things to highlight on the progress we are making in our growth accelerators at the bottom right corner of this page.

As Simon has illustrated, in current market conditions, the digital revenue decrease of 2% is indeed a resilient performance, supported by the investment in web conversion and a 9% growth in our e-procurement solution for higher value customers. This largely offset reduced revenue from typically lower value web-only customers, including the temporary impact of our US digital platform upgrade.

This growth in e-procurement was also reflected in a 7% increase in like-for-like service solutions revenue, alongside improved revenue and profit from RS Integrated Supply, following the strategic refocusing of that business under new leadership last year.

RS PRO grew sales by 4% with growth in all of our regions. We continue to develop our product offering and improve the marketing of our range, and RS PRO now accounts for 14% of Group revenues.

Let us turn to look at revenue in a bit more detail.

### Price action benefiting revenue, offset by FX and working days

As I said, like-for-like revenue fell 1% compared with last year after excluding the impact of FX and working days, and in this chart, we also show the temporary impact on revenue of the US

digital platform upgrade. Most of that impact was in the first quarter, with steady recovery through Q2. And adding this back, like-for-like revenue would have been flat in the first half.

We also saw a reduced average order frequency and a lower number of customers as demand fell in markets that were in contraction through the period, including some expected customer attrition in Distrelec as customers migrated to the RS proposition. However, this was offset by the benefit of active pricing management, including supplier pricing pass-through, and importantly, the increased revenue from our higher value corporate and managed key customer accounts. These factors resulted in a 3% increase in the average order value in the first half.

At a product level, the more resilient categories of Facilities & Maintenance, Mechanical & Fluid Power, PPE & Site Safety grew 3%. Automation & Control and Electrification was down 2%, but show signs of recovery. Demand for semiconductors continues to be weak, with end markets remaining challenging.

### **Flat costs and disciplined cost management; continuing to invest to improve the business**

Turning to costs and cost management in the half year has been good, and I am really pleased with the discipline evidenced across the Group. We have held costs flat half-on-half despite inflation and increased organic OPEX investment, and the net impacts of inflation, a favourable FX impact on the weaker dollar, and a £5 million increase in organic OPEX investment was largely offset by restructuring and integration benefits, including those in Distrelec, which was an additional £9 million in the first half. We are on track to comfortably achieve our target of over £15 million of benefits for the full year.

Within an ongoing cost base, our efficiencies and savings which have also enabled us to absorb investments in people, capability and the migration of technology spend to the Software-as-a-Service model for solutions partners. This results in an ongoing cost base of £482 million for the half, effectively flat on last year.

One of the benefits relates to a £3 million profit on the disposal of part of the Distrelec Nordic business to our existing export partners, and the cost to deliver the restructuring and integration savings in the half was £4 million.

### **Stable operating profit margin; increased organic investment**

Underlying operating margin, excluding the elevated organic investment OPEX, was flat through the effective management of pricing and costs. The net impact of lowering revenue and cost inflation reduced margin by 100 basis points. However, this was offset by restructuring and integration benefits alongside a reduced cost to deliver these.

In addition, we have been delivering an increasing OPEX investment spend through the transition period, with the year-on-year increase reducing margin by 40 basis points, shown to the right of the chart. These investments will drive improved margins over time from our strengthened differentiated proposition and improved operating leverage.

### **EMEA: Stable performance and taking share in uncertain markets**

Moving on to the regions now and starting with EMEA, which delivered a resilient revenue and operating profit performance in weak economic conditions. PMIs were below 50 in our main markets for the period, indicating market contraction, and like-for-like revenue was down 2%,

which includes the anticipated Distrelec customer attrition post the closure of the Distrelec DC, which in and of itself saved us over €10 million per year.

Now let us build out by markets.

Business confidence remained weak in the UK, but we relatively outperformed. Our performance in France continued to be strong, and our targeted products and sales offering to more resilient industry verticals were successful, for example, those connected to process manufacturing, such as food and beverage.

The DACH market remains challenging, with volumes remaining weak in the manufacturing and automotive industry. Gross margin was slightly up with early benefits of pricing coming through. Operating costs increased by less than inflation through active cost management and strong synergy delivery.

Largely reflected the reduction in revenue on a like-for-like operating profit was down 11% to £86 million, and much of the increased organic OPEX investment resides in EMEA, which was a main factor in the operating margin decline to 10%.

### **Americas: Resilient performance and delivering growth**

Moving to Americas, which on a like-for-like basis, grew by 1%. On a reported dollar basis, it was down 5%, which is largely a function of a weaker US dollar. You can see the recovery in digital sales since May, which were impacted following the upgrade of our digital platform in Q1. And if we adjust Americas' like-for-like revenue for the temporary impact, H1 revenue would have been up around 5%.

Growth rates accelerated through Q2 in the US and Canada against a backdrop of resilient economic sentiment.

Markets in Mexico remain more volatile, with persistent concerns over tariffs and their impact on the wider Mexican economy, and this has led to a number of larger customers deferring capital expenditure which was the significant factor in a decrease in like-for-like revenue in Mexico. Gross margin for the region was slightly up, with a strong performance in the US against the tariff backdrop, more than offsetting increased cost of sales in Mexico due to unfavourable dollar to peso movement.

Inflation and strategic investment in digital and pricing optimisation were reflected in operating costs.

Like-for-like operating profit was down 9%. Profit was down in Mexico, which reflected reduced revenue and gross margin. However, profit was slightly up in US and Canada from improved revenue and gross margin.

### **Asia Pacific: Further revenue growth driving improved margin and profit**

Let us move on to Asia Pacific. We have been seeing positive momentum here since the final quarter of last year, and revenue was up 4% on a like-for-like basis. We delivered growth in Australia and New Zealand, with last year's Trident acquisition performing ahead of expectations. We also delivered growth in Southeast Asia and Japan and Korea.

Greater China was impacted by very weak performance in Hong Kong, reflecting significantly lower spend from a few large state-owned customers linked to government budgetary constraints. Gross margin benefited from favourable pricing and lower inventory provisions.

And with cost broadly stable, we saw a strong increase in operating profit, reflecting improved operational leverage.

### **Cash flow conversion well in excess of target; disciplined working capital management**

Let us move on to cash. Since where our continued focus has delivered strong cash conversion, our adjusted free cash flow was broadly flat, with our working capital metrics stable. This resulted in cash flow conversion of 107%, well in excess of our target of over 80%, and this was largely a function of disciplined inventory management in response to revenue demands.

Stable CAPEX of £25 million translated to 1.1 times depreciation as we continue to invest in our physical and system infrastructure.

Our well-funded pension obligations means we do not anticipate any further additional company contributions for these schemes.

Net debt decreased to £333 million, continuing a downward trend over the last 12 months, and is now equivalent to one-time net-debt-to-EBITDA at the low end of our 1 to 2 times range.

Our cash-generative business model and strong balance sheet, and indeed, facility headroom provide us with plenty of capacity for continued investment and selective M&A.

### **An established clear capital allocation policy underpinning financial strength and providing flexibility**

There is no change to our capital allocation policy.

- Firstly, we prioritise organic investments in order to significantly improve our efficiency and our market position;
- Secondly, financially disciplined acquisitions in this global fragmented market can accelerate our strategy, especially small bolt-ons; and
- Third, we believe in sharing cash generated with our shareholders through a progressive dividend policy.

If we cannot productively invest excess capital over a reasonable period of time, we will seek to return this to shareholders.

### **Full year 2025/26 outlook unchanged**

Finally, from me, our full year outlook, which is pretty consistent with what we indicated at the start of the year. There are a few points of emphasis for the second half:

- We now expect our gross margin to be a bit above 43%, so higher than last year;
- Our organic investment to deliver our strategic initiatives in OPEX is still likely to be at the lower half of the guided range of £35 million to £45 million per annum; and
- Depreciation and employee incentives are expected to be weighted to the second half.

We have demonstrated our active cost management in relation to the market environment, and we will continue to do so.

There are further guidance points, including trading days and forex, and a summary of our restructuring benefits to-date, which are included in slide 29 of the presentation.

I will now hand you back to Simon.

## **Strategic Progress & Conclusion**

Simon Pryce

*CEO, RS Group*

### **Strategic and Improvement Investment Delivering**

Thanks, Kate. As I think you can tell, there is a huge amount going on at RS. But I do recognise that in challenging markets, it is difficult to see this in our financial performance. Over the next few slides, I am going to highlight a number of the areas where I see the changes and the strategic improvement investments that we are making already beginning to deliver. Because it is this that I am pleased about, as it is real evidence of the progress we are making in repositioning RS to:

- Drive better growth;
- Improve efficiency;
- Deliver better operating leverage; and
- Much improved sustainable shareholder value over time.

### **Executing on our multi-year action plan; making tangible progress**

Just a quick reminder that we set out our ambitious strategy to improve RS at our capital market day just over a year ago, and we continue to execute to that multi-year plan.

Our aim is to deliver sustainable outcomes and to be first choice for all of our stakeholders, particularly our customers and suppliers. We have detailed actions in each of the areas of our strategic wheel set out on this slide.

Whilst it is still relatively early in our change journey, in the first half, we executed effectively, and we have set that out in a fair bit of detail in the RNS.

But what I would like to do here is just highlight a few areas where we are making real tangible progress, delivering increased resilience today, improving some of our key underlying operational metrics and supporting accelerated growth, that are all early indicators of us beginning to realise some of the exciting RS opportunity.

### **Enhancing our people capability; greater agility and efficiency**

Core to delivering our strategy is, of course, our people, and we have significantly strengthened our leadership over the past two years and we continue to do so, while investing in training and upskilling across the Group.

Our people buy into this strategic journey that we are on with our engagement score well into the mid-70s, despite the challenging markets and the level of change going on within the Group today. Our people are doing a fantastic job, and they remain the lifeblood of this business, as they embrace and drive change to create greater agility and efficiency.

### **Prioritising high potential customers; accelerated through enhanced data platforms**

But it is probably in customers where our biggest opportunity lies and where I am most excited about the progress that we have made over the last six months. There is huge potential here through the more effective use of our unique data to target the right type of high potential

value customers and to increase our share of wallet through delivering a tailored value proposition and a personalised experience, but with an optimised cost to serve.

This requires consistent and ultimately connected customer data engagement and management platforms coordinated across the channels globally. We have now reconfigured, cleansed, uploaded and matched over 90% of our customer data across EMEA and APAC with Americas to follow. And we are already starting to use this data to develop highly targeted and potential-based segmentation models, which will allow us to prioritise customer targeting with both human and digital marketing and to more effectively deploy our sales efforts next year, particularly in EMEA.

We have also completed in the first half the development of our customer data platform, which we are now using to develop opportunity-based personalised experiences, both online and offline, to better attract, nurture and gain a larger share of customers' wallet.

Our CRM system, which we completed the rollout of last year, has now recorded over 340,000 customer interactions. And to-date, this has enabled our sales team to identify more than 50,000 new sales opportunities. Leveraging this richer data insight, we have seen materially higher win rates and bigger deal sizes, which is part of how we have achieved that 4% growth in revenue from our corporate customer segment in half one that Kate referred to earlier.

This is all before we ultimately knit it all together and connect it to our enhanced digital commerce engine as we roll that out across the Group, all of which will accelerate customer and wallet capture through enhanced connected data platforms.

### **Strengthening our technical product offer; better supporting suppliers and customers**

I am also pleased with the progress we are making to further strengthen our technical product offer. Our Product Management Solution launched at the end of last year has allowed us to more than triple our average new product introductions to over 30,000 a month in the first half of this year. That has resulted in a nearly 30% increase in new product sales and great expansion of our curated product range.

Initial investment in more dynamic pricing has allowed us to process over three times the normal number of pricing changes that we make in the Americas, which is part of how we have dealt so effectively with the impact of tariffs. But the real opportunity of dynamic pricing and the database margin optimisation capability that comes with it is already supporting gross margin expansion in Americas and we will be rolling this out across the Group more widely over the next couple of years.

These investments are just examples of how we are better supporting both suppliers and customers and enhancing the value that we create for them.

### **Focusing our solutions and services offering; greater scalability and enhanced value**

Kate shared with you a bit earlier the growth that upgrading our e-procurement solution is already delivering, and we continue to invest in our other digital procurement solutions for upgrade next year.

Our investment in process and technology, as Kate alluded to, is also repositioning our integrated supply business, RSIS, which delivered strong growth in revenue and much improved profitability in the first half, which is all evidence that our solutions and services focus is driving

much improved strategic engagement, and importantly, product pull-through and enhanced value.

### **Investing to improve our customer experience releasing potential for AI/ML optimised decision making**

I would also like to call out the investments that we have made in the first half to improve our digital experience, which is also contributing to our performance. Our investment in enhanced findability tools have driven a 2% improvement to more than 18% in our Add to Cart rate when a customer searches for product on our website.

Our new basket and checkout functionality has resulted in a 5% improvement in basket-to-order conversion, which is now up to 41%. We have launched an upgraded version of our enhanced digital platform in North America in the first half, as you know, and we continue to tune that platform. Just an example of how much more effective it is, our website load times are now a third quicker compared to the old website.

We also continue to tune our delivery promise solution that we launched last year. That is already resulting in fewer cancellations and returns, but is importantly now beginning to yield increasingly granular data, which will allow commercialisation of artificial intelligence and machine learning optimised decisions, particularly in the areas of stock availability, inventory management and pricing.

### **Enhancing infrastructure efficiency; improving operational leverage**

Kate has already talked about much of what we have achieved to enhance the efficiency of our physical, digital and process infrastructure across the Group, and that is an ongoing initiative. But it is important to realise that we have now delivered sustainable restructuring and integration savings, totalling over £47 million over the last two years, and that is more than we anticipated at the outset.

We are also now well into the detailed plans that will deliver at least an additional 150 basis points of margin that we referred to as potential upside in our Capital Markets Day over a year ago. But it is not just about cost reduction.

As an example, our delivery to promise investment that I mentioned earlier is also allowing us to do things like optimise product flows through our distribution network. In the first half, we reduced the number of times we handled a product more than once from 52% to 40%, clearly reducing our cost to serve, and importantly, also reducing our carbon footprint. We see lots of opportunity to further optimise this with more data going forward.

All of these efforts around improving our infrastructure is driving significant improvement in our future operating leverage.

### **Significant opportunity for sustainable value creation**

Notwithstanding a decent inline financial performance, despite the challenging, albeit, a bit more stable markets, I hope this presentation has highlighted for you the real reason why I am pleased with the first half performance.

The change in investment we are making is already delivering better revenue resilience and continued outperformance. It is delivering growth in our accelerators and areas of focus, such as our corporate customer segment, RS PRO, and our solutions business.

It is driving improvements in our gross margin, in part driven by our investments in new pricing technology and capability, and we are also exercising good cost control and improved efficiency. Almost more importantly for me, it confirms that RS is uniquely positioned in fragmented markets with attractive through-cycle growth characteristics.

We have an increasingly differentiated technical and digital product and service solutions offer, which positions us to continue to drive market share gains. We are improving the efficiency of our global infrastructure, which will drive operating leverage and significant margin expansion over time. We can deliver value-creative growth through disciplined acquisitions. And although we have not made any in the first half, this was a result of value discipline, not a lack of opportunity, and we have a good pipeline going into the second half.

Most importantly, it is further evidence to me that our medium-term financial targets to grow revenues at twice the market with mid-teens adjusted operating margins, over 80% cash conversion and over 20% return on invested capital are more than achievable. This will all deliver exciting sustainable value creation for all of our stakeholders over time.

That is the end of the formal presentation. Thank you for listening. I would now like to open the call up to any questions you might have.

## Q&A

**David Brockton (Deutsche-Numis):** Can I ask three quick ones, please? Firstly, on the US. I guess that is a region where you have a little bit more visibility, or at least historically have done. Can you just touch on what the book-to-bill looks like there?

The second question relates to Germany. Clearly, that has still been a tough region for you. Can you maybe give any insight as to whether you are seeing any signs of improvement in that region?

Then the final question relates to some of the improvements that you have touched on, the share gains as well, that you clearly set out. The one lagging indicator or indicator that is still off a little bit looks like the net promoter score, which is down year-on-year. Can you maybe just give any insight into what you think is happening there, please?

**Simon Pryce:** Thanks, David, and morning. Yes, US book-to-bill rates, stable to slightly positive in North America. In Mexico, stable-ish. I think what we are seeing in Mexico is a continued deferral of some quite big capital projects. So although the book-to-bill rate looks okay, we do see pretty consistent deferral. We have not seen that capital investment spend loosen up yet, but generally pretty solid.

In Germany, yes, it remains difficult. There is the hope that stimulus will eventually feed through both to industrial confidence and to investment. I mean, the one thing about Germany is that lapping means the pace of decline is slowing. We have new leadership in Germany, and I am very confident that we are positioned to recover or to benefit from recovery in Germany when it happens. But no major signs of that happening yet, but equally, Germany is a lot more stable than it was even six months ago.

Then lastly, the NPS score that you referred to, David. The way we report NPS is on a rolling lagging basis 12-month basis. We did anticipate internally a decline in our NPS score, both in

Europe and in North America, firstly with the launch of DTP, and secondly with the introduction of our new digital commercial commerce engine.

I think, pleasingly, the monthly recovery in NPS has actually followed or slightly exceeded, if I am honest, our own expectations. Whilst the externally reported number still looks a bit weak, if you look at the movement that we can see internally month-on-month, we are on a very good trajectory on NPS.

**Michael Donnelly (Investec):** Just a couple from me, please. They are both about RS PRO. Now that it is 14% of Group, and we have seen great strength in the US, albeit from a low base, should we be thinking about a sustained mid-single-digit growth trajectory for that product in the medium term, or is it more likely to moderate to Group growth at some point?

Related to that, I think you have mentioned the potential in the past for RS to reach about a fifth of Group revenues. Could you comment on that potential, given the recent performance of the period?

**Simon Pryce:** Thanks, Michael. Good morning. We have seen a good performance for RS PRO in the first half. Given the very low base we are starting from in America, I am not sure that we are celebrating victory there quite yet. There is a lot of work to do to build both recognition and understanding of the RS PRO brand, to make sure we have got the right products stocked for our US customer base and are actively selling and promoting the brand in the right way.

I mean, it will be a little choppy, but I do expect, or I do think you should expect to continue to see RS PRO growth outperform the broader Group growth over time.

With reference to medium and long-term targets, I am not sure we have gone out there with a formal position on where our RS PRO brand should get to.

But if you look at world-class distributors, I think your comments about between 20% and 25% of revenue being about the right level for a private label product. I do not think we are necessarily disagreeing with that. It takes time to get there. We are on a journey with RS PRO that is not yet finished.

Thanks, everybody.

[END OF TRANSCRIPT]