23 May 2023

RS GROUP PLC
RESULTS FOR THE YEAR ENDED 31 MARCH 2023

STRONG PERFORMANCE

SIMON PRYCE, CHIEF EXECUTIVE OFFICER, COMMENTED: "RS delivered a strong performance in 2022/23 despite a more challenging macroeconomic backdrop in the second half. This reflected our on-going operational excellence initiatives, geographical, industry and product mix, inventory availability and strong pricing. Together with the efforts of our people this resulted in good financial results. We also acquired domnick hunter and Risoul and, after year end, agreed to acquire Distrelec.

After 30 days in the role, I am excited about the opportunity I see for RS going forward. We have a solid business, a sound strategy and great people. We are transitioning to an omni-channel operator in a large and fragmented market. We are supplier and increasingly customer focused, who see the value we bring as we move from being a product distributor to a solutions provider. We continue to invest in operational improvement, customer experience and digital and technical capabilities, and are extending our relevant product offer and value-added service solutions.

While we are mindful of near-term external challenges, we remain comfortable with current consensus profit expectations for 2023/24 and have the tools, proposition, financial capacity and roadmap to deliver significant outperformance over time and capitalise on further strategic opportunities to accelerate growth and value creation."

Highlights	**2023**	**2022**	**Change**	**Like-for-like[1] change**
Revenue	**£2,982.3m**	£2,553.7m	17%	10%
Adjusted[2] operating profit	**£402.2m**	£320.4m	26%	18%
Adjusted[2] operating profit margin	**13.5%**	12.5%	1.0 pts	0.9 pts
Adjusted[2] profit before tax	**£390.7m**	£313.8m	25%	17%
Adjusted[2] earnings per share	**63.6p**	51.3p	24%	16%
Operating profit	**£383.0m**	£308.8m	24%	17%
Profit before tax	**£371.5m**	£302.2m	23%	16%
Earnings per share	**60.4p**	48.9p	24%	16%
Full-year dividend	**20.9p**	18.0p	16%	
Adjusted free cash flow[3]	**£263.6m**	£162.9m	62%	
Cash generated from operations	**£413.0m**	£267.1m	55%	
Net debt[3]	**£113.0m**	£42.1m		
Net debt to adjusted[2] EBITDA	**0.2x**	0.1x		

Strong financial performance driven by availability, inflation and improved adjusted operating profit conversion
- Revenue growth of 17% includes 10% like-for-like, 2% acquisition contribution and 5% currency benefit
- Industrial products, 76% of Group revenue, grew like-for-like revenue by 16% with electronics products, 23% participation, growing 1%
- Adjusted operating costs grew 18%, 13% like-for-like, reflecting inflation, ongoing strategic investment of c. £20 million and c. £10 million of ad hoc payments to support our people during more difficult times
- Adjusted[2] operating profit margin grew 1.0 pts to 13.5%, with adjusted operating profit conversion[3] of 29.7%
- Final dividend increased to 13.7p; full-year dividend of 20.9p

Ongoing investment in operational and strategic improvements
- Enhanced product and content management work to develop our proposition
- Freight and distribution optimisation work as our model becomes more local, regionalised and sustainable
- Detailed customer analysis to understand our customers better and improve our service offer

Good financial management and cash generation supporting organic and inorganic investment
- Adjusted free cash flow of £264 million despite inventory investment
- Net debt of £113 million includes £234 million for acquisitions, with net debt to adjusted EBITDA of 0.2x (0.9x proforma post Distrelec)
- Return on capital employed remains strong at 30.8%, due to profitability and maintained financial discipline
- Acquired domnick hunter and Risoul and announced agreement to buy Distrelec post year end[4]

Current trading and outlook

We continue to outperform in the industrial market, especially in EMEA, although trading over the first seven weeks of 2023/24 reflects a slowing in industrial growth, as indicated by PMI data, and continued weakness and aggressive competition in electronics. Despite this more uncertain economic environment and the strong comparator period last year, we are comfortable with current consensus profit expectations[5] for 2023/24, albeit with performance more weighted to the second half.

1. Like-for-like change excludes the impact of acquisitions and the effects of changes in exchange rates on translation of overseas operating results, with 2021/22 converted at 2022/23 average exchange rates. Revenue is also adjusted to eliminate the impact of trading days year on year. Acquisitions are only included once they have been owned for a year, at which point they start to be included in both the current and comparative periods for the same number of months (see Note 10 for reconciliations).
2. Adjusted excludes amortisation and impairment 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 (see Note 10 for reconciliations).
3. See Note 10 for definition and reconciliation.
4. Acquisition of Distrelec B.V. subject to regulatory clearances and we anticipate it will be completed by the end of July 2023.
5. Consensus for the year ending 31 March 2024 is revenue of £3,116 million, adjusted operating profit of £390 million and adjusted profit before tax of £379 million. Source: rsgroup.com/investors/analyst-coverage.

Enquiries:

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There will be an analyst presentation today at 9am (UK time) at Numis, 45 Gresham Street, London EC2V 7BF. We will also provide a video webcast, which can be accessed live and later as a recording on the RS Group website at www.rsgroup.com.

Webcast link: www.investis-live.com/rsgroup/64634a5a4170900d00559b9e/ewpp
It is advisable to pre-register early to avoid any delays in joining the conference call.

Participant dial-in numbers
United Kingdom (Local): 020 3936 2999
All other locations: +44 20 3936 2999
Participant access code: 159746

Presentation timing
Date: Tuesday, 23 May 2023
Time: 9am UK time
Venue: Numis, 45 Gresham Street, London EC2V 7BF

Notes to editors:

RS Group plc provides product and service solutions that help our customers design, build, maintain, repair and operate industrial equipment and operations, safely and sustainably. We stock more than 750,000 industrial and electronic products, sourced from over 2,500 leading suppliers, and provide a wide range of product and service solutions to 1.1 million customers.

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, repair and operation 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 2023 reported revenue of £2,982 million.

BUSINESS REVIEW

RS is full of great people who have delivered strong profitable growth against a more challenging economic backdrop working together as a team to continue making amazing happen for a better world.

Our journey

We continue to make progress on our journey as we transition from being a product distributor to a solutions provider for industrial customers around the world. The strength of our proposition lies in the combination of our broad product offer, high-touch and digital-enabled service and growing solutions portfolio, all delivered through the increasingly effective use of data and the knowledge and commitment of our amazing people.

During the year, we have transformed our brand architecture towards the RS brand globally that can be recognised by our stakeholders anywhere in the world. Operating as RS we can leverage our brand strength and marketing assets more widely to generate stronger supplier relationships and deliver a better customer service. This will help us fulfil our vision of becoming first choice for all our stakeholders.

We are a global business operating under one brand but are managed at a regional and local market level to ensure we can meet the specific needs of our customers and suppliers better. This allows us to understand the unique drivers of each market so that we adapt our offer to local demands and utilise local resources as much as possible to increase efficiency and reduce costs. Our global business functions, such as technology, people, marketing and data, provide specialist support and insight which the regional teams utilise to suit their specific requirements. This empowers our regions and local country markets giving them greater accountability and responsibility.

For a Better World

We have made good progress towards our 2030 ESG action plan – For a Better World. We are making positive strides towards our 2030 net zero ambition and have set science-based targets covering our Scope 1, 2 and 3 emissions, including a commitment to reduce our direct emissions by 75% by 2029/30 relative to 2019/20. We have achieved leading status in a number of global ESG ratings including being awarded AA rating from MSCI and being included in the Dow Jones Sustainability Indices Europe for the first time.

The world is at a pivotal point in the fight against climate change and all businesses need to take action to decarbonise their wider supply chain. We are working together with our customers and suppliers to reach a net zero value chain by 2050. This involves us optimising our facilities and supply chain, as we use our regional model to increase the amount of inventory held locally, so reducing freight miles.

This is also an exciting business opportunity for RS as we help our suppliers develop new products that use lower impact materials, offer our customers solutions to reduce energy consumption and decarbonise their facilities, and offer a more sustainable product range, our Better World products, that help customers tackle their sustainability challenges.

Reviewing 2022/23

We generated 17% revenue growth during the year and our operating profit grew by 24%.

We have delivered very strong growth in our industrial product ranges in all three regions, due to a strong proposition and market share gains, but experienced volume declines in our electronics product range, reflecting the softer market and strong comparative performance of last year.

We are working hard to support our customers better – the designers, operators and maintainers of industrial equipment and operations. Our average order value has increased 21% to £255 (excluding RS Integrated Supply's pass-through sales orders), over and above inflation, as we have focused our sales and marketing efforts on our higher spending customers and promoted our digital self-service to lower-spending transactional customers. Our on time to promise metric improved by 5 percentage points to 91%. We have a lot of data, insight and knowledge of our customers and their needs, and can see significant upside from providing a more customised and personalised offer as we develop our customer segmentation and service model and deploy our sales forces more appropriately.

We provide an important service to our suppliers given our customer reach, technical knowledge and execution capabilities. Our customers generally require small volumes of many products for their maintenance, repair and operations (MRO) needs and we provide the expert knowledge for them to understand if these products are compatible with their current operations. Our suppliers do not tend to have the distribution capabilities, or desire, to service or deliver directly to these customers in such small volumes. RS plays a very important role connecting over 2,500 suppliers and 1.1 million customers.

Developing our offer
We are continuing to widen our product offer to provide more specialist ranges, allowing us to strengthen our supplier relationships further as we help market, sell and distribute their existing and new products. Such an example has been in safety product and service solutions in EMEA where we now offer a much more extensive, comprehensive and specialist range after our acquisitions in 2020/21 of Needlers and Liscombe.

We have seen strong growth in our own brand, RS PRO, which has benefited from enhanced brand recognition and more targeted marketing campaigns, such as an energy efficiency promotion earlier this year. RS PRO also offers a quality-assured alternative to the branded ranges, providing customers with a lower priced option. During the year, we invested in a state-of-the-art RS PRO lab at our distribution centre (DC) in Corby, UK, which allows our team of engineers to test, monitor and measure new products better.

We continue to grow our portfolio of product and service solutions that increase the value add we provide to our customers, driving greater loyalty, recurring revenue and product pull through. During the year, we expanded our service solutions offer in Americas and Asia Pacific and have enhanced our offer in EMEA, especially within the maintenance areas where we have delivered strong growth within calibration, predictive maintenance and energy optimisation. RS Integrated Supply, which provides outsourced procurement and storeroom solutions to large organisations, has seen a significant increase in new contracts signed. We believe our global offer is industry leading and are excited by our proposition given the number of existing customers who are expanding the number of sites we service for them.

We are monitoring our offer versus the market and competitors to ensure we are providing value to our customers while optimising our gross margin. During the year, we benefited from the combined effect of price inflation and a lagging effect in our cost of sales due to our low inventory turn and greater utilisation of our price optimisation tools to calculate the best pricing and discounts.

Continuing to invest in the future
Cost pressures have continued to be a headwind during the year, especially for labour, technology, freight and energy. Additionally, we have invested in our operating model to strengthen our proposition. This has focused on areas such as branding, digital, technology and systems and areas relating to our strategy.

As an organisation, we believe we are connected closely to our people and are aware of the more difficult economic backdrop and cost of living crisis they have experienced. We have therefore taken steps to support our employees during the year with an ad hoc payment in November 2022. A further ad hoc payment was approved in March 2023 and paid in April to all eligible employees, excluding our senior leaders, to help them deal with the impact of exceptional personal cost inflation.

Creating value through acquisitions
We have accelerated our growth inorganically in the year with the addition of domnick hunter-RL (Thailand) Co., Ltd. (DH) in Thailand and Risoul y Cia, S.A. de C.V. and its subsidiaries (Risoul) in Mexico. Both acquisitions have expanded our service solutions capabilities, our product range and deepened our geographic coverage. In addition, Risoul will benefit from the global trend of near shoring, especially within North America, and so is experiencing a strong market backdrop and is performing slightly ahead of our initial expectations. Integration of both businesses is going well and we are excited about the opportunities to develop their service solutions capabilities and to introduce our own-brand range. We expect to generate significant shareholder value through expansion of their product range and services, developing their digital offer and leveraging our execution expertise.

Our acquisition pipeline remains strong. We have a disciplined approach to mergers and acquisitions, focusing on four areas: (i) our solution capabilities; (ii) product range; (iii) geographic reach and (iv) operational and cost efficiencies through consolidation opportunities. We continue to focus on acquiring high-quality, high-synergy businesses and, more critically, businesses with a strong cultural fit. We announced, post the year end on 27 April 2023, that we have reached agreement to acquire Distrelec B.V. for €365 million which will significantly expand our presence in continental Europe, bring strong synergy potential and accelerate our value creation further.

Our strong M&A track record was externally recognised by the ICAEW as we were awarded the 2023 Corporate Development Award for increasing our shareholder value through our strategic market acquisitions.

Aligning our people with our strategy
Our performance has been driven by our people and we recognise the importance of investing in them to incentivise and reward the value they bring to all our stakeholders. It has been an ambition of the Group that all our people share

in the long-term success of the Company, which is why we launched the RS YAY! Award during the year, awarding up to 100 performance shares to every eligible employee.

How we drive our vision

At RS, our vision is to become first choice for all our stakeholders: our people, customers, suppliers, communities and shareholders. This includes finding the best answers to solve our customers' problems and partnering more closely with our suppliers to provide efficient and sustainable solutions. We want to work with all our stakeholders on our journey to realising our vision.

<u>Working to a set of shared values</u>

Our people bring our ambition and aspiration to life, which is why having a high-performance, purpose-led culture remains our highest priority. To cultivate this culture we need to provide a clear set of values and behaviours, and the training and development support to achieve this. We have been strengthening our leadership structure and have a clear focus on executing our Amazing Leaders framework while increasing diversity and inclusion. All of this will ensure that we have the very best people working together to deliver results that delight all our stakeholders.

<u>Operational efficiency</u>

We want to do the basics brilliantly, thereby putting in place strong foundations for us to operate more efficiently. Key to this is executional excellence and simplifying our business model. By operating more efficiently, we become more effective which enables our customers and suppliers to trust us to act as partners to help solve their problems, allowing us to engage in value-creating activities. Innovation is crucial to support us in being more efficient.

<u>Developing our differentiated proposition</u>

We see significant opportunity to increase our market share through differentiating our proposition further through our product and service solutions offer and enhancing our customer experience. Ultimately, we want our customers to come to RS as their first choice for their industrial and MRO needs.

Ease of doing business

We provide a digital offer with human touch; a combination that is crucial in delivering the best customer service. Our customers want us to provide the knowledge and insight but also the ease of doing business. Being able to provide our customers with a service that reduces the time and increases the efficiency of their MRO procurement will improve the overall customer experience and differentiate us from our competitors, so expanding our share of customers' wallets and increasing their loyalty.

Solving our customers' problems

We aspire to be more than just a product or price to a customer. We want to provide product and service solutions that meet the needs of designers, operators and maintainers of industrial equipment and operations as they manage their design, procurement, inventory and maintenance needs. Our ability to solve challenges for our customers by combining our products, services and digital solutions together is a key differentiator.

Extensive product offer

We continue to introduce new products across our wide product portfolio, helped by our strong supplier relationships, our digital capabilities and greater DC capacity. Our own brand, RS PRO, is a huge lever for growth and profitability and a great value alternative for our customers.

Looking forward

We operate in a large and fragmented market and have great people with the capabilities to turn our opportunities into realities, customers with whom we can grow our share of wallet and suppliers with whom we work in partnership. We have a solid strategy that we are executing where ESG is both core and represents a potentially significant business opportunity. We continue to strengthen our proposition through widening our product range including our own brand and sustainable product ranges, expanding innovative and sustainable solutions and developing our digital, technical and service capabilities to improve our customer experience. We are financially strong, providing us with the opportunity to accelerate our growth ambitions organically and inorganically.

Despite the challenging external environment, the breadth of opportunity for both improvement and growth is exciting. We will continue to invest to drive future market share gains while managing our cost base appropriately as we target value-creating sustainable growth. We are confident of the Group's strategy and future prospects and look forward to taking this business forward at pace.

REGIONAL PERFORMANCE

EMEA

	2023	2022	Change	Like-for-like[1] change
Revenue	**£1,768.5m**	£1,579.5m	12%	12%
Operating profit[2]	**£275.8m**	£243.7m	13%	12%
Operating profit margin	**15.6%**	15.4%	0.2 pts	0.1 pts
Digital revenue[3]	**£1,311.1m**	£1,126.3m	16%	16%
RS PRO revenue[3]	**£338.0m**	£279.9m	21%	21%
Service solutions revenue[3]	**£519.3m**	£430.3m	21%	21%

1. Like-for-like adjusted for currency; revenue also adjusted for trading days.
2. See Note 2 for reconciliation to Group operating profit.
3. See Note 2 for disaggregation of revenue analysis and reconciliations to region's revenue.

Revenue grew by 12% to £1,768.5 million benefiting from price inflation and strong engagement with our larger customers who participate in many of our service solutions. Operating profit increased by 13%, 12% on a like-for-like basis, with operating profit margin increasing to 15.6% driven by improvements to gross margin and operating efficiencies in our markets.

Digital performance remains ahead of the region's revenue growth as we continue to improve user experience and content quality for customers transacting on our websites. As larger customers migrate to eProcurement, we have also been able to increase our share of wallet. Web revenue grew by 14% on a like-for-like basis.

Our main own brand, RS PRO, has continued to outperform in all markets. We have continued to build the RS PRO range with a focus on products that promote efficiency. We have also expanded our design and test facilities in Corby, UK, to allow us to demonstrate and validate RS PRO's quality.

Our industrial product ranges performed consistently well throughout the year with like-for-like revenue growth of 17%.

UK and Ireland, our largest market in EMEA accounting for 39% of the region's revenue, saw strong growth. There was a benefit from selling price increases, most of which were a direct pass-through of supplier cost increases, along with continued recovery in sectors such as transport, defence and original equipment manufacturing which had been impacted significantly during COVID-19. We have focused on industries where we believe we can deliver most value through our service solutions.

Our German business grew strongly in the first half as we continued to benefit from our deep and broad product range. In the second half growth slowed with a reduction in electronic product volumes as supply constraints eased and demand softened. Our highly automated and recently expanded DC in Bad Hersfeld, Germany, is increasing its stocked product lines.

France has continued to see solid growth and share gains due to our strong proposition. The teams have utilised data and insight to ensure we have the right products available locally, with high-quality content and relevant pricing.

RS Integrated Supply in EMEA secured several new customers during the year. However, the operational investment from expanding into new territories and delay in some new contracts launching, largely from the customer side, has had an impact on the financial performance. Spend levels from customers in some of the heavier industries are now recovering to pre-pandemic levels.

OKdo revenue was impacted by the termination of the Raspberry Pi supply agreement. This has led to a decline in OKdo's revenue of 46% like-for-like and it now accounts for 2% of the region's revenue. New innovative lines have been added including ROCK products launched in July 2022.

Supply shortages, which impacted the early part of 2022/23, have eased during recent months and enabled an improved service to our customers. This has supported an improvement in our rolling 12-month Net Promoter Score (NPS) over the year.

Americas

	2023	2022	Change	Like-for-like[1] change
Revenue	**£945.5m**	£718.7m	32%	11%
Operating profit[2]	**£148.5m**	£99.3m	50%	28%
Operating profit margin	**15.7%**	13.8%	1.9 pts	2.3 pts
Digital revenue[3]	**£404.8m**	£311.6m	30%	15%
RS PRO revenue[3]	**£7.1m**	£4.8m	48%	31%
Service solutions revenue[3]	**£166.0m**	£123.8m	34%	16%

1. Like-for-like adjusted for currency and to exclude the impact of acquisitions; revenue also adjusted for trading days.
2. See Note 2 for reconciliation to Group operating profit.
3. See Note 2 for disaggregation of revenue analysis and reconciliations to region's revenue.

Revenue increased 32% to £945.5 million, driven by our acquisition of Risoul which has delivered slightly ahead of our expectations. Excluding Risoul, exchange rate movements and the impact of trading days, like-for-like revenue growth of 11% was driven by price increases and product availability. Operating profit increased 28% on a like-for-like basis with operating profit margin increasing from 13.8% to 15.7%, due to improving gross margin and a leaner cost base.

Given market supply constraints in the first half, we benefited from our strong product availability and customers building inventory levels to protect continuity in their production. In the second half, the market weakened resulting in an easing in global supply constraints and increased competitive pricing pressures, reflected in our like-for-like growth of only 1% against very strong comparatives, following 21% like-for-like growth in the first half.

We saw a reduction in the number of resellers and small customers who traded with us during the period of global supply constraints as they reverted to their legacy and lower priced volume suppliers. Additionally, there have been significant decreases in trading within specific market segments due to some legislative shifts.

Our sales and marketing teams have focused on identifying new revenue generating opportunities tied to providing a more comprehensive and total solution for our customers. This has included our expanded product offering, exciting new supplier partners and a new virtual technical solutions centre capable of helping customers evaluate products, design projects and maintain their operations.

Our digital like-for-like revenue growth was ahead of the region's revenue growth as we moved some of our large customers onto our eProcurement platforms. Web revenue like-for-like growth was in line with the region's revenue growth due to reduced traffic associated with a lower demand mainly from lower value customers who had used our website during supply shortages. There was expected, temporary disruption with our transactional customers during the February 2023 rebrand as search engines re-indexed our new ecommerce domain and our sales teams concentrated our marketing efforts on our higher-service, higher-value customers. We have increased our paid advertising to attract higher value traffic.

RS Integrated Supply in Americas has benefited from a greater focus on more profitable accounts and operational processes that provide greater scalability and improved efficiency. This led to an improvement in customer retention rates. We have a robust future pipeline and, because of working closely with our operations in EMEA, have won contracts to service the European operations of some of our US-based customers.

RS PRO has a low participation rate within Americas, but we expect strong growth following the branding changes as customers associate the product range with the brand.

Our stocked product range expanded by 25% in line with our strategy to broaden our offer further into the industrial MRO market. Service levels from our DC have been stable throughout the year and we continue to drive efficiency benefits from the recent investment in scale and automation.

Despite supply chain disruption over the year, our teams were able to provide great customer service and availability across our product range which meant our rolling 12-month NPS was broadly stable.

Asia Pacific

	2023	2022	Change	Like-for-like[1] change
Revenue	**£268.3m**	£255.5m	5%	(2)%
Operating profit[2]	**£38.4m**	£29.3m	31%	22%
Operating profit margin	**14.3%**	11.5%	2.8 pts	2.9 pts
Digital revenue[3]	**£160.8m**	£155.7m	3%	0%
RS PRO revenue[3]	**£37.2m**	£34.0m	9%	5%
Service solutions revenue[3]	**£48.7m**	£33.9m	44%	37%

1. Like-for-like adjusted for currency and to exclude the impact of acquisitions; revenue also adjusted for trading days.
2. See Note 2 for reconciliation to Group operating profit.
3. See Note 2 for disaggregation of revenue analysis and reconciliations to region's revenue.

Revenue increased 5% to £268.3 million, driven by beneficial currency movements, strong performance in the industrial sector and our acquisition of DH in Thailand. Like-for-like revenue declined by 2% reflecting a challenging geopolitical backdrop and tough comparators particularly in respect to the weakening electronics sector, the latter accounting for over a third of the region's revenue. Operating profit increased 31%, 22% like-for-like, with operating profit margin increasing from 11.5% to 14.3%, having benefited from improving gross margin and effective cost control.

While digital like-for-like revenue change is better than the region's, weaker market demand and global inventory constraints, particularly in electronics products, have impacted web conversion with higher growth where our paid activities are focused on buoyant industries and products with good availability. Customers are migrating away from web channels, in particular to our eProcurement platforms, which resonate well with our larger customers who are focused on reducing procurement costs through vendor rationalisation.

Like-for-like growth in our own brand, RS PRO, outperformed the region's revenue. In support of our improved go-to-market strategy, we have launched bespoke RS PRO product ranges focused on solutions and energy efficient products.

OKdo revenue fell by 66% like-for-like, impacted by the termination of the Raspberry Pi supply agreement. The new OKdo product range with ROCK is being rolled out across the region. OKdo now accounts for 3% of the region's revenue.

We have boosted our product and service solutions proposition within the region by adding onsite services capability from our acquisition, DH; the launch of integrated solutions including vendor managed inventory, Product Plus; onsite calibration services and air leak surveys. Revenue from larger customers has grown as this proposition resonates, driving profitable growth and increased share of wallet.

Revenue from Australia and New Zealand has grown solidly throughout the year, benefiting from strong growth in large industrial customers. Our success with this customer group provides a blueprint to scale across the rest of the region.

Greater China, which represents 26% of the region's revenue, was impacted by extended lockdowns under the zero COVID-19 policy, ongoing geopolitical uncertainty and greater exposure to the electronics sector leading to a contraction in revenue during the second half.

South East Asia saw strong growth in the first half but lower growth in the second half with softer demand for electronics products. We have invested in expanding our local inventory capacity in Thailand and Singapore which will support revenue growth and improve lead times.

Japan and Korea grew in the first half, continuing the trend from the second half of the previous year, but revenue contracted in the second half, impacted by supply issues of single-board computing products and lower demand of electronics products which together represent more than half of the market's revenue.

Supply shortages, which have only recently started to improve, impacted our rolling 12-month NPS.

FINANCIAL REVIEW

	2022/23	2021/22	Change	Like-for-like[1] change
Revenue	**£2,982.3m**	£2,553.7m	17%	10%
Gross margin	**45.3%**	44.2%	1.1 pts	1.8 pts
Operating profit	**£383.0m**	£308.8m	24%	17%
Adjusted[2] operating profit	**£402.2m**	£320.4m	26%	18%
Adjusted[2] operating profit margin	**13.5%**	12.5%	1.0 pts	0.9 pts
Adjusted[2] operating profit conversion	**29.7%**	28.4%	1.3 pts	0.9 pts

1. Like-for-like change excludes the impact of acquisitions and the effects of changes in exchange rates on translation of overseas operating results, with 2021/22 converted at 2022/23 average exchange rates. Revenue is also adjusted to eliminate the impact of trading days year on year. Acquisitions are only included once they have been owned for a year, at which point they start to be included in both the current and comparative periods for the same number of months (see Note 10 for reconciliations).
2. Adjusted excludes amortisation and impairment 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 (see Note 10 for reconciliations).

Revenue

Group revenue increased by 17% to £2,982.3 million. Like-for-like growth was 10% after adjusting for the £54.0 million impact of acquisitions, £116.6 million from favourable exchange rate movements and a negative impact of £10.6 million from fewer trading days. Revenue momentum slowed during the year, with second half like-for-like revenue growth of 4%, after 16% in the first half, due to tougher comparatives and the more challenging macroeconomic environment which has resulted in lower demand.

Industrial production figures, supplier indications and results reported by peers show that we continue to outperform the industrial market and are gaining share as our customers have relied on our product availability, the breadth of our range and service delivered by our experienced teams.

We have seen a reduction in our total customer numbers to 1.1 million from over 1.2 million as we have focused less on low lifetime value and one-off low margin transactional customers with high costs to serve, instead concentrating on higher-value opportunities. Our average order value grew to £255 from £211 (excluding RS Integrated Supply's pass-through sales orders) with much of the growth driven by price inflation.

Our industrial product ranges, which account for 76% of Group revenue, grew by 16% like-for-like during the year with strong growth across all ranges, with 21% like-for-like growth in the first half and 12% in the second half.

Our electronics products range accounts for 23% of Group revenue and is predominantly supplied to our industrial customers as they become more digitalised and connected. We had a more challenging year as supply constraints eased and demand softened especially for passives and semiconductors components. This was coupled with record growth last year causing tough comparatives especially in the second half, resulting in like-for-like growth of 1% in 2022/23 overall but split between 12% like-for-like growth in the first half to a 10% decline in the second.

OKdo (our technology solutions business focused on single-board computing (SBC), Internet of Things (IoT) and education) declined by 52% on a like-for-like basis following the end of the Raspberry Pi supply agreement, reducing our Group like-for-like revenue growth from 12% to 10%. OKdo now accounts for 1% of Group revenue and we are repositioning the offer closer to our industrial customer base.

RS PRO, which is our main own-brand product range and accounts for 13% of Group revenue, grew by 19% on a like-for-like basis, due to the broadening product range and end-to-end sales and marketing focus in the regions. Our competitively priced offer continues to gain traction particularly in the current less favourable economic climate and we now have the capability to demonstrate quality and value through our expanded design and test facilities.

Digital, accounting for 63% of Group revenue, performed slightly ahead of the Group overall, delivering like-for-like revenue growth of 14%. Web revenue increased by 12% on a like-for-like basis, while eProcurement and other digital, which are used predominantly by our larger customers, grew by 21% on a like-for-like basis.

Service solutions revenue, accounting for 25% of our Group revenue, increased by 25%, 21% like-for-like, to £734.0 million with our digital solutions offer being one of the strongest areas.

Gross margin

Group gross margin increased 1.1 percentage points to 45.3%. Like-for-like gross margin improvement was 1.8 percentage points excluding the dilutive impact from exchange rates and our recent acquisitions. The dilutive impact from acquisitions, in part, reflects the lower digital participation within the acquired businesses compared to the rest of the Group. We expect this dilutive impact, on a full-year basis, to reduce over time as integration continues. During the year we benefited from a lagging effect in our cost of sales due to our low inventory turn and a more constrained electronics supply chain for most of the year providing pricing opportunities. The gross margin also benefited from our continued focus on gross margin optimisation through direct procurement initiatives, commercial discipline, discount policies and expanding our own-brand ranges.

Operating costs

Total operating costs, which include regional and central costs, increased by 18%. Excluding amortisation and impairment of acquired intangibles and acquisition-related items, total adjusted operating costs increased by 18%, 13% on a like-for-like basis.

A large proportion of our operating costs relates to our people and broadly half of the like-for-like cost increase. We remain mindful of the competitive pressures for talent we continue to face and so have updated many of our employee benefits programmes to be more inclusive and increased the level of benefits relating to health and wellbeing. These, together with the pay rise across the Group in June 2022 and the c. £10 million ad hoc payments to our employees, have helped reduce our employee voluntary annual turnover rate to 9.9%.

Operating costs in the regions have been impacted in the second half by electricity and gas cost increases. More recently, sea freight costs have started to ease and fuel surcharges have been avoided in most of our domestic carriers. We remain focused on optimising our network of distribution centres to minimise freight costs and miles and we anticipate further benefits from our expanded DC in Bad Hersfeld, Germany, as we route less inventory through our UK DCs and source more products from continental Europe.

We invest in our business to ensure it can support the strong organic growth we are delivering and the organic and inorganic opportunities we see. As a result, operating costs included c. £20 million of strategic investment, a c. £7 million increase year on year, to strengthen our digital and commercial capabilities, technology platform, product and service solutions capacity, our rebranding and to improve our operating basics.

Central costs (Group strategic investment, Board, Group Finance and Group Professional Services and People costs that cannot be attributed to region-specific activity) increased by £8.6 million to £60.5 million. This included investment in global rebranding, innovation and Group technology infrastructure.

Adjusted operating costs as a percentage of revenue increased by 0.3 percentage points to 31.9%, although excluding the one-off payments to our employees this would have been 0.1 percentage point lower than last year. Our simplified operating model has driven higher conversion of gross profit into operating profit, with adjusted operating profit conversion 1.3 percentage points higher at 29.7%. We remain committed to our target of a 30% adjusted operating profit conversion and high-quality profitable growth.

Items excluded from adjusted profit

To improve the comparability of information between reporting periods and between businesses with similar assets that were internally generated, we exclude certain items from adjusted profit measures. The items excluded are described below (see Note 10 for definitions and reconciliations of adjusted measures).

<u>Amortisation and impairment of acquired intangibles</u>

Amortisation and impairment of acquired intangibles was £16.6 million (2021/22: £11.6 million) and relates to the intangible assets arising from acquisitions. Although Needlers has traded as expected since acquisition, its rebranding to RS Safety Solutions, effective from 1 November 2022, has entailed an impairment of £3.3 million for the net book value of the Needlers brand acquired in December 2020. This has resulted in an update to the definition of adjusted profit to exclude impairment of acquired intangibles as well as their amortisation.

<u>Acquisition-related items</u>

Acquisition-related items of £2.6 million relate to transaction costs incurred in the year which are directly attributable to the businesses acquired during the year.

Operating profit

Operating profit increased by 24% to £383.0 million. Excluding the impact of acquisitions and the favourable impact of currency movements, adjusted operating profit saw a like-for-like increase of 18%. Adjusted operating profit margin improved 1.0 percentage points to 13.5%.

Net finance costs

Net finance costs were £12.2 million up from £7.1 million mainly due to the impact of higher interest rates and higher net debt due to the acquisition of Risoul. Our fixed to floating rate interest rate swaps matured during the year and, as a result, 49% of the Group's gross borrowings excluding lease liabilities at 31 March 2023 (2021/22: 35%) was at fixed rates, with surplus cash deposited at variable rates.

Profit before tax

Profit before tax grew 23% to £371.5 million. Adjusted profit before tax was up 25% to £390.7 million, 17% on a like-for-like basis.

Taxation

The Group's income tax charge was £86.7 million (2021/22: £72.2 million). The adjusted income tax charge, which excludes the impact of tax relief on items excluded from adjusted profit before tax, was £90.5 million (2021/22: £72.3 million), resulting in an effective tax rate of 23.2% on adjusted profit before tax (2021/22: 23.0%).

Going forward we expect the effective tax rate on adjusted profit before tax to increase to c. 26% in 2023/24 reflecting the increase in the UK corporate income tax rate.

Earnings per share

Earnings per share increased by 24% to 60.4p. Adjusting for items excluded from adjusted profit and associated income tax effects, adjusted earnings per share of 63.6p grew 16% on a like-for-like basis.

Cash flow

£m	**2023**	**2022**
Operating profit	**383.0**	308.8
Add back depreciation and amortisation	**64.6**	63.7
EBITDA	**447.6**	372.5
Add back impairments and loss on disposal of non-current assets	**11.5**	2.4
Movement in working capital	**(48.9)**	(94.8)
Defined benefit retirement contributions in excess of charge	**(10.6)**	(21.4)
Movement in provisions	**(1.4)**	(1.7)
Other	**14.8**	10.1
Cash generated from operations	**413.0**	267.1
Net capital expenditure	**(46.0)**	(42.5)
Operating cash flow	**367.0**	224.6
Add back cash effect of adjustments[1]	**3.1**	2.4
Adjusted[1] operating cash flow	**370.1**	227.0
Net interest paid	**(12.6)**	(7.0)
Income tax paid	**(93.9)**	(57.1)
Adjusted[1] free cash flow	**263.6**	162.9

1. Adjusted excludes the impact of substantial reorganisation and acquisition-related items cash flows.

Cash generated from operations was £413.0 million (2021/22: £267.1 million) as we continue to be focused on our cash conversion. Higher EBITDA (earnings before interest, tax, depreciation and amortisation) more than offset continued inventory investment to support revenue growth. As a result, adjusted operating cash flow conversion was 92.0%, an increase of 21.2 percentage points.

Net interest paid increased by £5.6 million to £12.6 million due to our higher net finance costs.

Income tax paid rose to £93.9 million from £57.1 million due to taxable profit being higher than 2021/22 with more significant growth in higher tax jurisdictions. Also, we made some small overpayments which we expect to utilise in 2023/24.

Net capital expenditure increased to £46.0 million from £42.5 million as we continued to focus our investments on optimising our DCs, implementing new product management systems, augmenting digital commerce capabilities and strengthening our technology platforms.

Capital expenditure remained at 1.3 times depreciation, in line with our typical maintenance capital expenditure levels of 1.0 – 1.5 times depreciation. We anticipate capital expenditure in 2023/24 to be £50 – 60 million including planned spend to deliver our 2030 ESG action plan such as c. £4 million to begin decarbonising our DC in Beauvais, France.

Given our focus on conserving cash, adjusted free cash flow, which excludes cash outflows of £3.1 million (2021/22: £2.4 million) related to substantial reorganisation costs and acquisition-related items, was £263.6 million (2021/22: £162.9 million).

Working capital
Working capital as a percentage of revenue increased by 0.7 percentage points to 21.8% (see Note 10).

We continue to monitor receivables collection closely, which remains our greatest short-term liquidity sensitivity. We continue to limit our exposure through tightening credit policies, including short payment terms and low credit limits for new customers, and seeking payment commitments for overdue balances before releasing new orders to existing customers, which have helped lead to higher cash generation. The acquisitions increased trade and other receivables by £39.7 million and, combined with the impact of the weaker sterling exchange rate, led trade and other receivables to end the year at £692.0 million (2021/22: £594.3 million).

Gross inventories increased by £100.8 million to £660.0 million with £32.2 million due to the acquisitions. We have extended our product offering in Americas, started to add inventory into our extended DC in Bad Hersfeld, Germany, and invested in inventory across the Group to ensure continued availability. Our inventory turn has decreased slightly to 2.6 times from 2.7 times, but improved from the 2.4 times delivered in the first half. Inventory provisions have increased by £14.0 million to £43.7 million, £2.5 million due to the acquisitions and the balance mainly due to the slowdown in sales of electronics products.

Overall trade and other payables increased to £658.9 million from £584.1 million with the acquisitions accounting for £35.6 million of this increase. The remaining increase reflects the growth in inventory and the impact of the weaker sterling exchange rate.

Looking forward we continue to manage our working capital position actively and remain focused on receivables collection. Given the more uncertain economic backdrop, we are restricting our investment in inventory to products which we know, from utilising data from our customers' website searches, will sell quickly. However, we understand that demand and supply dynamics can change quickly and that our systems and orders need to remain agile to be able to adapt according to market forces. We will continue to invest in the right inventory to ensure that we remain well positioned to maintain service levels and deliver strong growth as the markets recover. We pay our suppliers to terms and continue to work with some of our larger suppliers to improve terms where possible.

Net debt
Our net debt was £113.0 million (see Note 8), only £70.9 million higher than at 31 March 2022 as a result of our strong cash generation despite the acquisitions increasing net debt at their acquisition dates by £234.3 million.

On 24 October 2022 we refinanced our £300 million sustainability-linked loan (SLL) facility which had a maturity of November 2024. The new SLL facility is for £400 million with a five-year term on broadly unchanged rates and we increased our lender base by three to a total of 11 banks. The SLL has a lender option accordion of up to a further £100 million and an option for the Group to extend for up to two further one-year terms subject to individual lender approval. £24.2 million was drawn down at 31 March 2023 and subsequently repaid in April 2023. This SLL together with the £160.4 million of private placement loan notes, form our committed debt facilities of £560.4 million.

The Group's financial metrics remain strong, with net debt to adjusted EBITDA of 0.2x and EBITA to interest of 34.2x, leaving significant headroom for the Group's banking covenants of net debt to adjusted EBITDA less than 3.25 times and EBITA to interest greater than 3 times.

Return on Capital Employed (ROCE)
ROCE is the adjusted operating profit for the 12 months ended 31 March 2023 expressed as a percentage of the monthly average capital employed (net assets excluding net debt and retirement benefit obligations). ROCE remained strong at 30.8% up from 28.7% last year.

Retirement benefit obligations
The Group has defined benefit pension schemes in the UK and Europe, with the UK scheme being by far the largest. All these schemes are closed to new entrants and in Germany and Ireland the pension schemes are closed to accrual for future service.

Overall, the accounting deficit of the Group's defined benefit schemes at 31 March 2023 was £36.4 million compared to £12.4 million at 31 March 2022.

At 31 March 2023, the UK defined benefit scheme had an accounting surplus of £34.9 million (2021/22: £24.9 million). Under the scheme's matching asset portfolio, the decrease in the value of assets was mainly offset by the decrease in liabilities, which was mainly caused by a 2.1 percentage points increase in the discount rate to 4.9%, leading to the increase in accounting surplus. Under the scheme's rules the Group does not have an unconditional right to any surplus that may arise on the scheme and so the accounting surplus has been restricted to £nil. An additional liability of £26.2 million has been recognised which is equal to the present value of the agreed future deficit contributions under the revised recovery plan.

The triennial funding valuation of the UK scheme at 31 March 2022 showed a deficit of £36.4 million on a statutory technical provisions basis. A recovery plan, which replaces the previous recovery plan, has been agreed with the trustee of the UK scheme and deficit contributions of £11.1 million per annum will be paid with the aim that the scheme is fully funded on a statutory technical provisions basis by 30 September 2025.

Dividend
The Board intends to continue to pursue a progressive dividend policy while remaining committed to a healthy dividend cover over time by driving improved results and stronger cash flow. The Board proposes to increase the final dividend to 13.7p per share. This will be paid on 21 July 2023 to shareholders on the register on 16 June 2023. As a result, the total proposed dividend for 2022/23 will be 20.9p per share, representing an increase of 16% over the 2021/22 full-year dividend. Adjusted earnings dividend cover for 2022/23 was 3.0 times.

Foreign exchange risk
The Group does not hedge translation exposure on the income statements of overseas subsidiaries. Based on the mix of non-sterling denominated revenue and adjusted operating profit, a one cent movement in the euro would impact annual adjusted profit before tax by £2.1 million and a one cent movement in the US dollar would impact annual adjusted profit before tax by £1.2 million.

The Group is also exposed to foreign currency transactional risk because most operating companies have some level of payables in currencies other than their functional currency. Some operating companies also have receivables in currencies other than their functional currency. Group Treasury maintains three to seven months hedging against freely tradable currencies to smooth the impact of fluctuations in currency. The Group's largest exposures related to euros and US dollars.

NON-FINANCIAL KEY PERFORMANCE INDICATORS (KPIs)

We have eight non-financial KPIs to help measure progress against our strategy and the commitment of our 2030 ESG action plan – For a Better World. To provide greater transparency on our performance in the period, a summary of our progress is included below with further details available in the ESG section on our website: www.rsgroup.com/esg.

	2022/23	2021/22
Carbon intensity [1,2] (tonnes of CO_2e due to Scope 1 and 2 emissions / £m revenue)	1.7	2.4
Carbon emissions[1,2] (tonnes of CO_2e due to Scope 1 and 2 emissions)	5,000	6,300
Packaging intensity[1,2] (tonnes / £m revenue)	1.63	2.01
Waste[1,2,3] (% of waste recycled)	76%	75%
Group rolling 12-month Net Promoter Score[4]	49.6	50.6
Employee engagement	78	75
Percentage of management that are women	30%	32%
All Accidents (per 200,000 hours)	0.40	0.53

1. Metric excludes data from acquisitions completed in 2022/23.
2. KPIs are on a constant exchange rate basis and are updated to reflect changes in reporting methodology and emissions factors.
3. Prior year % of total waste recycled updated following supplier data corrections.
4. We have updated our NPS methodology from 1 April 2022 to make it more representative of our customer base. The changes made are to weight NPS by percentage of orders; separate out B2B from B2C customers, with B2B becoming our primary metric; and customers that opted out of marketing can be included in the survey. The prior year has not been restated.

RISKS AND UNCERTAINTIES

The Board has overall accountability for the Group's risk management, which is managed by the Senior Management Team (SMT) and co-ordinated by the Group's risk team. The principal elements of the process are: the identifying of risks, their assessment, their mitigation and then the ongoing monitoring of these risks.

The Group has a defined risk appetite, which has been adopted by the Board, and is considered across three risk categories: strategic, operational and regulatory / compliance. These three categories use both quantitative and qualitative criteria.

Principal risks and uncertainties

The principal risks and mitigations disclosed in the 2023 Annual Report and Accounts (pages 40 to 47) were:

1. Talent and people resources
2. Change in customer, supplier or competitor behaviours
3. Geopolitical environment
4. Delivery of strategy: The RS Way
5. M&A activity
6. Organisational resilience
7. Cyber security breach / information loss
8. Future global pandemics
9. Macroeconomic environment
10. Climate change
11. Legal and regulatory compliance

Two changes have been made to the Group's principal risks from those disclosed in the 2022 Annual Report and Accounts. These are:

- the removal of the risk that the UK defined benefit pension scheme cash requirements are more than the cash available. This is due to the reduced likelihood and lowered impact of this risk driven by ongoing improvements to the scheme funding position and the de-risked cash flow driven investment strategy.
- including a risk to reflect the increased importance, and associated risks, of the Group's activity to acquire value-accretive businesses.

In addition, we have amended the principal risk associated with the COVID-19 pandemic, disclosed last year, to a more general risk associated with the risk of a pandemic more generally.

Forward-looking statements

This financial report contains certain statements, statistics and projections that are or may be forward looking. The accuracy and completeness of all such statements, including, without limitation, statements regarding the future financial position, strategy, projected costs, plans and objectives for the management of future operations of RS Group plc and its subsidiaries is not warranted or guaranteed. These statements typically contain words such as "intends", "expects", "anticipates", "estimates" and words of similar import. By their nature, forward-looking statements involve risk and uncertainty because they relate to events and depend on circumstances that will occur in the future. Although RS Group plc believes that the expectations reflected in such statements are reasonable, no assurance can be given that such expectations will prove to be correct. There are a number of factors, which may be beyond the control of RS Group plc, which could cause actual results and developments to differ materially from those expressed or implied by such forward-looking statements. Other than as required by applicable law or the applicable rules of any exchange on which our securities may be listed, RS Group plc has no intention or obligation to update forward-looking statements contained herein.

GROUP INCOME STATEMENT

For the year ended 31 March 2023

	Notes	2023 £m	2022 £m
Revenue	2	**2,982.3**	2,553.7
Cost of sales		**(1,630.1)**	(1,425.8)
Gross profit		**1,352.2**	1,127.9
Distribution and marketing expenses		**(889.5)**	(755.6)
Administrative expenses		**(79.7)**	(63.5)
Operating profit	2	**383.0**	308.8
Finance income		**2.0**	1.0
Finance costs		**(14.2)**	(8.1)
Share of profit of joint venture		**0.7**	0.5
Profit before tax	2	**371.5**	302.2
Income tax expense		**(86.7)**	(72.2)
Profit for the year attributable to owners of the Company		**284.8**	230.0
Earnings per share attributable to owners of the Company			
Basic	3	**60.4p**	48.9p
Diluted	3	**60.2p**	48.6p

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2023

	2023 £m	2022 £m
Profit for the year	**284.8**	230.0
Other comprehensive income		
Items that will not be reclassified subsequently to the income statement		
Remeasurement of retirement benefit obligations	**(34.2)**	21.8
Related income tax	**7.9**	(0.9)
Items that may be reclassified subsequently to the income statement		
Foreign exchange translation differences of joint venture	**(0.1)**	0.1
Foreign exchange translation differences	**43.1**	21.9
Fair value gain / (loss) on net investment hedges	**5.4**	(0.1)
Movement in cash flow hedges	**3.9**	1.4
Related income tax	**(0.7)**	(0.3)
Other comprehensive income for the year	**25.3**	43.9
Total comprehensive income for the year attributable to owners of the Company	**310.1**	273.9

GROUP BALANCE SHEET
As at 31 March 2023

	Notes	**2023** **£m**	2022 £m
Non-current assets			
Intangible assets		**704.8**	473.3
Property, plant and equipment		**186.3**	177.3
Right-of-use assets		**46.9**	45.8
Investment in joint venture		**1.5**	1.5
Other receivables		**6.5**	3.0
Retirement benefit net assets	5	**0.8**	0.3
Deferred tax assets		**6.9**	4.9
Total non-current assets		**953.7**	706.1
Current assets			
Inventories	6	**616.3**	529.5
Trade and other receivables	7	**692.0**	594.3
Cash and cash equivalents – cash and short-term deposits	8	**260.3**	257.9
Interest rate swaps	8	**-**	0.1
Other derivative assets		**1.8**	1.4
Current income tax receivables		**19.9**	11.9
Total current assets		**1,590.3**	1,395.1
Total assets		**2,544.0**	2,101.2
Current liabilities			
Trade and other payables		**(658.9)**	(584.1)
Cash and cash equivalents – bank overdrafts	8	**(139.8)**	(99.5)
Lease liabilities	8	**(14.6)**	(16.7)
Interest rate swaps	8	**-**	(0.2)
Other derivative liabilities		**(1.7)**	(3.2)
Provisions		**(1.8)**	(2.6)
Current income tax liabilities		**(22.1)**	(19.9)
Total current liabilities		**(838.9)**	(726.2)
Non-current liabilities			
Other payables		**(9.3)**	(6.9)
Retirement benefit obligations	5	**(37.2)**	(12.7)
Borrowings	8	**(184.6)**	(151.7)
Lease liabilities	8	**(34.3)**	(32.0)
Provisions		**(4.7)**	(2.8)
Deferred tax liabilities		**(90.1)**	(60.4)
Total non-current liabilities		**(360.2)**	(266.5)
Total liabilities		**(1,199.1)**	(992.7)
Net assets		**1,344.9**	1,108.5
Equity			
Share capital and share premium		**283.3**	278.5
Own shares held by Employee Benefit Trust (EBT)		**(2.2)**	(3.0)
Other reserves		**108.8**	60.2
Retained earnings		**954.3**	772.8
Equity attributable to owners of the Company		**1,344.2**	1,108.5
Non-controlling interests		**0.7**	-
Total equity		**1,344.9**	1,108.5

GROUP CASH FLOW STATEMENT

For the year ended 31 March 2023

	Notes	2023 £m	2022 £m
Cash flows from operating activities			
Profit before tax		**371.5**	302.2
Depreciation and amortisation		**64.6**	63.7
Impairment of intangible assets		**7.1**	-
Loss on disposal of non-current assets		**4.4**	2.4
Equity-settled share-based payments		**14.2**	9.9
Net finance costs		**12.2**	7.1
Share of profit of and dividends received from joint venture		**(0.1)**	(0.3)
Increase in inventories		**(44.3)**	(102.1)
Increase in trade and other receivables		**(37.8)**	(96.5)
Increase in trade and other payables		**33.2**	103.8
Decrease in provisions		**(1.4)**	(1.7)
Defined benefit retirement contributions in excess of charge		**(10.6)**	(21.4)
Cash generated from operations		**413.0**	267.1
Interest received		**2.0**	1.0
Interest paid		**(14.6)**	(8.0)
Income tax paid		**(93.9)**	(57.1)
Net cash from operating activities		**306.5**	203.0
Cash flows from investing activities			
Acquisition of businesses	9	**(237.2)**	2.2
Cash and cash equivalents acquired with businesses	9	**12.7**	-
Total cash impact on acquisition of businesses		**(224.5)**	2.2
Purchase of intangible assets		**(27.5)**	(24.8)
Purchase of property, plant and equipment		**(18.6)**	(17.7)
Proceeds on sale of property, plant and equipment		**0.1**	-
Net cash used in investing activities		**(270.5)**	(40.3)
Cash flows from financing activities			
Proceeds from the issue of share capital		**4.8**	3.0
Purchase of own shares by EBT		**(2.1)**	(2.9)
Loans drawn down	8	**83.2**	-
Loans repaid	8	**(58.1)**	(0.7)
Payment of lease liabilities	8	**(18.8)**	(17.8)
Dividends paid	4	**(88.6)**	(76.2)
Net cash used in financing activities		**(79.6)**	(94.6)
Net (decrease) / increase in cash and cash equivalents		**(43.6)**	68.1
Cash and cash equivalents at the beginning of the year		**158.4**	86.4
Effects of exchange rate changes		**5.7**	3.9
Cash and cash equivalents at the end of the year	8	**120.5**	158.4

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2023

	Attributable to owners of the Company						
	Share capital and share premium	Own shares held by EBT	Other reserves	Retained earnings	Total	Non-controlling interests	Total equity
	£m	£m	£m	£m	£m	£m	£m
At 1 April 2021	275.5	(1.5)	37.6	587.8	899.4	-	899.4
Profit for the year	-	-	-	230.0	230.0	-	230.0
Remeasurement of retirement benefit obligations	-	-	-	21.8	21.8	-	21.8
Foreign exchange translation differences	-	-	21.9	-	21.9	-	21.9
Movement in cash flow hedges	-	-	1.4	-	1.4	-	1.4
Tax on other comprehensive income	-	-	(0.3)	(0.9)	(1.2)	-	(1.2)
Total comprehensive income	-	-	23.0	250.9	273.9	-	273.9
Cash flow hedging gains transferred to inventories	-	-	(0.5)	-	(0.5)	-	(0.5)
Tax on cash flow hedging gains transferred to inventories	-	-	0.1	-	0.1	-	0.1
Dividends (Note 4)	-	-	-	(76.2)	(76.2)	-	(76.2)
Equity-settled share-based payments	-	-	-	9.9	9.9	-	9.9
Settlement of share awards	3.0	1.4	-	(1.4)	3.0	-	3.0
Purchase of own shares by EBT	-	(2.9)	-	-	(2.9)	-	(2.9)
Tax on equity-settled share-based payments	-	-	-	1.8	1.8	-	1.8
At 31 March 2022	278.5	(3.0)	60.2	772.8	1,108.5	-	1,108.5
Profit for the year	-	-	-	284.8	284.8	-	284.8
Remeasurement of retirement benefit obligations	-	-	-	(34.2)	(34.2)	-	(34.2)
Foreign exchange translation differences	-	-	48.4	-	48.4	-	48.4
Movement in cash flow hedges	-	-	3.9	-	3.9	-	3.9
Tax on other comprehensive income	-	-	(0.7)	7.9	7.2	-	7.2
Total comprehensive income	-	-	51.6	258.5	310.1	-	310.1
Cash flow hedging gains transferred to inventories	-	-	(3.7)	-	(3.7)	-	(3.7)
Tax on cash flow hedging gains transferred to inventories	-	-	0.7	-	0.7	-	0.7
Dividends (Note 4)	-	-	-	(88.6)	(88.6)	-	(88.6)
Equity-settled share-based payments	-	-	-	14.2	14.2	-	14.2
Settlement of share awards	4.8	2.9	-	(2.9)	4.8	-	4.8
Purchase of own shares by EBT	-	(2.1)	-	-	(2.1)	-	(2.1)
Tax on equity-settled share-based payments	-	-	-	1.0	1.0	-	1.0
Sale of subsidiary’s shares to non-controlling interests	-	-	-	(0.7)	(0.7)	0.7	-
At 31 March 2023	**283.3**	**(2.2)**	**108.8**	**954.3**	**1,344.2**	**0.7**	**1,344.9**

NOTES TO THE PRELIMINARY ACCOUNTS

1. Basis of preparation

The financial information contained in this release does not constitute the Company's statutory accounts for the years ended 31 March 2023 or 31 March 2022 but is derived from those accounts. The accounts are prepared in accordance with UK-adopted international accounting standards (UK IAS) and the requirements of the Companies Act 2006. None of the new accounting standards, amendments or revisions to existing standards or interpretations which have become effective have had a material impact on the reported results or financial position of the Group. Statutory accounts for the year ended 31 March 2022 have been delivered to the Registrar of Companies and those for the year ended 31 March 2023 will be delivered following the Company's Annual General Meeting. The auditors have reported on both of these sets of accounts. Their reports were unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying their report and did not contain any statement under sections 498(2) or 498(3) of the Companies Act 2006. The accounts for the year ended 31 March 2023 were approved by the Board of Directors on 23 May 2023.

2. Segmental reporting

The Group's operating segments comprise three regions: EMEA, Americas and Asia Pacific.

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Year ended 31 March 2023				
Revenue from external customers	**1,768.5**	**945.5**	**268.3**	**2,982.3**
Segmental operating profit	**275.8**	**148.5**	**38.4**	**462.7**
Central costs				**(60.5)**
Adjusted operating profit				**402.2**
Amortisation and impairment of acquired intangibles				**(16.6)**
Acquisition-related items				**(2.6)**
Operating profit				**383.0**
Net finance costs				**(12.2)**
Share of profit of joint venture				**0.7**
Profit before tax				**371.5**
Year ended 31 March 2022				
Revenue from external customers	1,579.5	718.7	255.5	2,553.7
Segmental operating profit	243.7	99.3	29.3	372.3
Central costs				(51.9)
Adjusted operating profit				320.4
Amortisation of acquired intangibles				(11.6)
Operating profit				308.8
Net finance costs				(7.1)
Share of profit of joint venture				0.5
Profit before tax				302.2

2. Segmental reporting (continued)

In the table below, revenue is disaggregated by sales channels and also by own-brand products or other product and service solutions. The Group's largest own-brand is RS PRO. With the growing focus on value-creating service solutions, a differentiating economic characteristic is now whether it is a service solution or not and so this has been added to the table. £2,901.2 million of revenue is recognised at a point in time (2021/22: £2,483.9 million) and £81.1 million over time (2021/22: £69.8 million).

Sales channel

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Year ended 31 March 2023				
Web	**893.8**	**304.3**	**121.2**	**1,319.3**
eProcurement and other digital	**417.3**	**100.5**	**39.6**	**557.4**
Digital	**1,311.1**	**404.8**	**160.8**	**1,876.7**
Offline	**457.4**	**540.7**	**107.5**	**1,105.6**
Group	**1,768.5**	**945.5**	**268.3**	**2,982.3**
Year ended 31 March 2022				
Web	781.7	241.8	121.8	1,145.3
eProcurement and other digital	344.6	69.8	33.9	448.3
Digital	1,126.3	311.6	155.7	1,593.6
Offline	453.2	407.1	99.8	960.1
Group	1,579.5	718.7	255.5	2,553.7

Own-brand / other products and service solutions

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Year ended 31 March 2023				
Own-brand product and service solutions	**360.2**	**7.1**	**37.2**	**404.5**
Other product and service solutions	**1,408.3**	**938.4**	**231.1**	**2,577.8**
Group	**1,768.5**	**945.5**	**268.3**	**2,982.3**
Year ended 31 March 2022				
Own-brand product and service solutions	300.2	4.8	34.0	339.0
Other product and service solutions	1,279.3	713.9	221.5	2,214.7
Group	1,579.5	718.7	255.5	2,553.7

Service solutions / other

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Year ended 31 March 2023				
Service solutions	**519.3**	**166.0**	**48.7**	**734.0**
Other	**1,249.2**	**779.5**	**219.6**	**2,248.3**
Group	**1,768.5**	**945.5**	**268.3**	**2,982.3**
Year ended 31 March 2022				
Service solutions	430.3	123.8	33.9	588.0
Other	1,149.2	594.9	221.6	1,965.7
Group	1,579.5	718.7	255.5	2,553.7

3. Earnings per share

	2023 **Number**	2022 Number
Weighted average number of shares	**471,717,928**	470,552,792
Dilutive effect of share-based payments	**1,194,205**	2,669,271
Diluted weighted average number of shares	**472,912,133**	473,222,063
Basic earnings per share	**60.4p**	48.9p
Diluted earnings per share	**60.2p**	48.6p

4. Dividends

	2023	2022
	£m	£m
Final dividend for the year ended 31 March 2022 – 11.6p (2021: 9.8p)	**54.6**	46.1
Interim dividend for the year ended 31 March 2023 – 7.2p (2022: 6.4p)	**34.0**	30.1
	88.6	76.2

A proposed final dividend for the year ended 31 March 2023 of 13.7p is subject to approval by shareholders at the Annual General Meeting on 13 July 2023 and the estimated amount to be paid of £64.7 million has not been included as a liability in these accounts. This will be paid on 21 July 2023 to shareholders on the register on 16 June 2023 with an ex-dividend date of 15 June 2023.

5. Retirement benefit obligations

The Group operates defined benefit schemes in the United Kingdom and Europe.

	2023	2022
	£m	£m
Fair value of scheme assets	**432.0**	593.3
Present value of defined benefit obligations	**(407.3)**	(580.8)
Effect of asset ceiling / onerous liability	**(61.1)**	(24.9)
Retirement benefit net obligations	**(36.4)**	(12.4)
Amount recognised on the balance sheet – liability	**(37.2)**	(12.7)
Amount recognised on the balance sheet – asset	**0.8**	0.3

A change would have the following increase / (decrease) on the UK defined benefit obligations as at 31 March 2023:

	Increase in assumption	**Decrease in assumption**
	£m	**£m**
Effect on obligation of a 0.5 pts change to the assumed discount rate	**(25.9)**	**28.9**
Effect on obligation of a 0.1 pts change in the assumed inflation rate	**4.9**	**(4.8)**
Effect on obligation of a change of one year in assumed life expectancy	**11.1**	**(11.1)**

6. Inventories

	2023	2022
	£m	£m
Gross inventories	**660.0**	559.2
Inventory provisions	**(43.7)**	(29.7)
Net inventories	**616.3**	529.5

£33.0 million was recognised as an expense relating to the write-down of inventories to net realisable value (2021/22: £7.7 million).

Currently the Group does not expect any reasonably likely changes, including regulatory changes and the current global economic and geopolitical uncertainties, to have a material impact on the net realisable value of inventories.

7. Trade and other receivables

	2023	2022
	£m	£m
Gross trade receivables	**621.0**	535.8
Impairment allowance	**(12.6)**	(9.1)
Net trade receivables	**608.4**	526.7
Other receivables (including prepayments and accrued income)	**83.6**	67.6
Trade and other receivables	**692.0**	594.3

Trade receivables are written off when there is no reasonable expectation of recovery, for example when a customer enters liquidation or the Group agrees with the customer to write off an outstanding invoice. The Group continues to limit its exposure by maintaining tight credit policies, including short payment terms and low credit limits for new customers and seeking payment commitments for overdue balances before releasing new orders to existing customers. Historically, the Group has generally experienced very low levels of trade receivables not being recovered, including those significantly past due, and this was also the case during 2022/23. However, with the continued global economic and geopolitical uncertainties, the Group remains cautious about its exposure and so has reviewed carefully, and maintained at a higher level, its expected loss rates for those markets and industries that are most affected.

8. Net debt

	2023	2022
	£m	£m
Cash and short-term deposits	**260.3**	257.9
Bank overdrafts	**(139.8)**	(99.5)
Cash and cash equivalents	**120.5**	158.4
Non-current private placement loan notes	**(160.4)**	(151.7)
Non-current sustainability-linked loan	**(24.2)**	-
Current interest rate swaps designated as fair value hedges – assets	**-**	0.1
Current interest rate swaps designated as fair value hedges – liabilities	**-**	(0.2)
Current lease liabilities	**(14.6)**	(16.7)
Non-current lease liabilities	**(34.3)**	(32.0)
Net debt	**(113.0)**	(42.1)

The amount borrowed under the sustainability-linked loan facility was repaid in April 2023

Movements in net debt were:

	Borrowings	Lease liabilities	Total liabilities from financing activities	Interest rate swaps	Cash and cash equivalents	Net debt
	£m	£m	£m	£m	£m	£m
Net debt at 1 April 2021	(148.0)	(61.5)	(209.5)	1.1	86.4	(122.0)
Cash flows	0.7	17.8	18.5	-	68.1	86.6
Net lease additions	-	(4.7)	(4.7)	-	-	(4.7)
Gain / (loss) in fair value in period	1.2	-	1.2	(1.2)	-	-
Translation differences	(5.6)	(0.3)	(5.9)	-	3.9	(2.0)
Net debt at 31 March 2022	(151.7)	(48.7)	(200.4)	(0.1)	158.4	(42.1)
Cash flows	(25.1)	18.8	(6.3)	-	(43.6)	(49.9)
Acquired with businesses	-	(9.8)	(9.8)	-	-	(9.8)
Net lease additions	-	(8.4)	(8.4)	-	-	(8.4)
(Loss) / gain in fair value in period	(0.1)	-	(0.1)	0.1	-	-
Translation differences	(7.7)	(0.8)	(8.5)	-	5.7	(2.8)
Net debt at 31 March 2023	**(184.6)**	**(48.9)**	**(233.5)**	**-**	**120.5**	**(113.0)**

9. Acquisitions

On 30 June 2022 the Group acquired 100% of the issued share capital of domnick hunter-RL (Thailand) Co., Ltd. (DH), a leading distributor and service provider of major air compression, purification and filtration products in Thailand. DH accelerates development of the Group's service solutions offer in Asia Pacific. The goodwill is attributable to the synergies which are expected to arise from opportunities to cross-sell product and service solution ranges. As part of the transaction, immediately following the acquisition, the Group sold 51% of its shares in Electrocomponents Holdings (Thailand) Limited, an intermediate holding company of DH, for £nil (THB 1.5 million). This resulted in a 13.26% non-controlling interest in DH as the Group still controls Electrocomponents Holdings (Thailand) Limited and DH. DH is included in Asia Pacific.

On 3 January 2023 the Group acquired 100% of the issued share capital of Risoul y Cia, S.A. de C.V. and its subsidiaries (Risoul), a leading distributor of industrial and automation product and service solutions in Mexico. Risoul expands the Group's geographic reach, extends targeted product adjacencies and accelerates development of the Group's offer in Mexico. The goodwill is attributable to the synergies which are expected to arise from combining Risoul's established presence in Mexico with the Group's range of complementary and ancillary products, including the Group's own-brand RS PRO customers. We will develop Risoul's digital presence by leveraging the Group's digital expertise. Risoul is included in Americas.

The fair value of the net assets acquired, consideration paid and goodwill arising, plus transaction costs and contribution to the Group's results since acquisition were:

	DH £m	Risoul £m	Total £m
Intangible assets	**1.9**	**105.9**	**107.8**
Property, plant and equipment	**1.1**	**1.8**	**2.9**
Right-of-use assets	**0.6**	**9.4**	**10.0**
Working capital	**(2.4)**	**36.2**	**33.8**
Cash and cash equivalents – cash and short-term deposits	**1.2**	**11.5**	**12.7**
Lease liabilities	**(0.4)**	**(9.4)**	**(9.8)**
Non-current other payables	**(0.8)**	**-**	**(0.8)**
Non-current other provisions	**(0.4)**	**(1.7)**	**(2.1)**
Current income tax liabilities	**(0.4)**	**(2.5)**	**(2.9)**
Deferred tax liabilities	**(0.4)**	**(30.2)**	**(30.6)**
Net assets acquired	**-**	**121.0**	**121.0**
Indemnification assets (included in non-current other receivables)	**0.7**	**4.0**	**4.7**
Goodwill	**3.4**	**108.4**	**111.8**
Consideration paid – cash	**3.6**	**233.6**	**237.2**
Consideration refundable – accrued, due on agreement of completion accounts	**-**	**(0.2)**	**(0.2)**
Contingent consideration payable – accrued	**0.5**	**-**	**0.5**

The goodwill arising on all acquisitions completed during the year will not be deductible for tax purposes. The fair values of tax balances and other related assets / liabilities for Risoul are provisional while the Group continues to assess the liabilities acquired.

10. Alternative Performance Measures (APMs)

The Group uses a number of APMs in addition to those measures reported in accordance with UK IAS. Such APMs are not defined terms under UK IAS and are not intended to be a substitute for any UK IAS measure. The Directors believe that the APMs are important when assessing the underlying financial and operating performance of the Group. The APMs are used internally for performance analysis and in employee incentive arrangements, as well as in discussions with the investment analyst community.

The APMs improve the comparability of information between reporting periods by adjusting for factors such as fluctuations in foreign exchange rates, number of trading days and items, such as reorganisation costs, that are substantial in scope and impact and do not form part of operational or management activities that the Directors would consider part of underlying performance. The Directors also believe that excluding recent acquisitions and acquisition-related items aid comparison of the underlying performance between reporting periods and between businesses with similar assets that were internally generated.

10. Alternative Performance Measures (APMs) (continued)

Adjusted profit measures

These are the equivalent UK IAS measures adjusted to exclude amortisation and impairment 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, where relevant, associated tax effects. Adjusted profit before tax is a performance measure for the annual bonus and the all employee Long Term Incentive Plan (LTIP) called the RS YAY! Award. Adjusted earnings per share is a performance measure for the LTIP and Journey to Greatness (J2G) LTIP award. Adjusted operating profit conversion, adjusted operating profit margin and adjusted earnings per share are financial key performance indicators (KPIs) which are used to measure the Group's progress in delivering the successful implementation of its strategy and monitor and drive its performance.

	Operating costs[1] £m	Operating profit £m	Operating profit margin[2] %	Operating profit conversion[3] %	Profit before tax £m	Profit for the year £m	Basic earnings per share p	Diluted earnings per share p
Year ended 31 March 2023								
Reported	**(969.2)**	**383.0**	**12.8%**	**28.3%**	**371.5**	**284.8**	**60.4p**	**60.2p**
Amortisation and impairment of acquired intangibles	**16.6**	**16.6**			**16.6**	**13.3**	**2.8p**	**2.8p**
Acquisition-related items	**2.6**	**2.6**			**2.6**	**2.1**	**0.4p**	**0.4p**
Adjusted	**(950.0)**	**402.2**	**13.5%**	**29.7%**	**390.7**	**300.2**	**63.6p**	**63.4p**
Year ended 31 March 2022								
Reported	(819.1)	308.8	12.1%	27.4%	302.2	230.0	48.9p	48.6p
Amortisation of acquired intangibles	11.6	11.6			11.6	11.5	2.4p	2.4p
Adjusted	(807.5)	320.4	12.5%	28.4%	313.8	241.5	51.3p	51.0p

(1) Operating costs are distribution and marketing expenses plus administrative expenses.
(2) Operating profit margin is operating profit expressed as a percentage of revenue.
(3) Operating profit conversion is operating profit expressed as a percentage of gross profit.

Acquisition-related items comprise transaction costs directly attributable to the acquisition of businesses and any deferred consideration payments relating to the retention of former owners of acquired businesses.

Like-for-like revenue and profit measures

Like-for-like revenue and profit measures are adjusted to exclude the effects of changes in exchange rates on translation of overseas profits. They exclude acquisitions in the relevant years until they have been owned for a year, at which point they start to be included in both the current and comparative years for the same number of months. These measures enable management and investors to track more easily, and consistently, the underlying performance of the business.

The principal exchange rates applied in preparing the Group accounts and in calculating the following like-for-like measures are:

	2023 Average	**2023 Closing**	2022 Average	2022 Closing
US dollar	**1.206**	**1.239**	1.366	1.313
Euro	**1.158**	**1.137**	1.176	1.183

10. Alternative Performance Measures (APMs) (continued)

Like-for-like revenue change

Like-for-like revenue change is also adjusted to eliminate the impact of trading days year on year. It is calculated by comparing the revenue of the base business for the current year with the prior year converted at the current year's average exchange rates and pro-rated for the same number of trading days as the current year. It is a performance measure for the annual bonus and a financial KPI.

	£m
Revenue for 2022	2,553.7
Effect of exchange rates	116.6
Effect of trading days	(10.6)
Revenue for 2022 at 2023 rates and trading days	2,659.7

	2023 Group £m	**Less: acquisitions owned <1 year £m**	**2023 base business £m**	2022 £m	2022 at 2023 rates and trading days £m	Like-for-like change %
EMEA	**1,768.5**	**-**	**1,768.5**	1,579.5	1,581.3	12%
Americas	**945.5**	**46.9**	**898.6**	718.7	813.2	11%
Asia Pacific	**268.3**	**7.1**	**261.2**	255.5	265.2	(2)%
Revenue	**2,982.3**	**54.0**	**2,928.3**	2,553.7	2,659.7	10%

Gross margin and like-for-like gross margin change

Gross margin is gross profit divided by revenue. Like-for-like change in gross margin is calculated by taking the difference between gross margin for the base business for the current year and gross margin for the prior year with revenue and gross profit converted at the current year's average exchange rates.

	2023 Group £m	**Less: acquisitions owned <1 year £m**	**2023 base business £m**	2022 £m	2022 at 2023 rates £m	Like-for-like change pts
Revenue	**2,982.3**	**54.0**	**2,928.3**	2,553.7	2,670.3	
Gross profit	**1,352.2**	**15.1**	**1,337.1**	1,127.9	1,172.8	
Gross margin	**45.3%**	**28.0%**	**45.7%**	44.2%	43.9%	1.8 pts

Like-for-like profit change

Like-for-like change in profit is calculated by comparing the base business for the current year with the prior year converted at the current year's average exchange rates.

	2023 Group £m	**Less: acquisitions owned <1 year £m**	**2023 base business £m**	2022 £m	2022 at 2023 rates £m	Like-for-like change %
Segmental operating profit						
EMEA	**275.8**	**-**	**275.8**	243.7	246.8	12%
Americas	**148.5**	**3.3**	**145.2**	99.3	113.3	28%
Asia Pacific	**38.4**	**0.6**	**37.8**	29.3	30.9	22%
Segmental operating profit	**462.7**	**3.9**	**458.8**	372.3	391.0	17%
Central costs	**(60.5)**	**-**	**(60.5)**	(51.9)	(52.5)	15%
Adjusted operating profit	**402.2**	**3.9**	**398.3**	320.4	338.5	18%
Adjusted profit before tax	**390.7**	**3.5**	**387.2**	313.8	331.2	17%
Adjusted earnings per share	**63.6p**	**0.4p**	**63.2p**	51.3p	54.4p	16%
Adjusted diluted earnings per share	**63.4p**	**0.4p**	**63.0p**	51.0p		

10. Alternative Performance Measures (APMs) (continued)

Adjusted free cash flow and adjusted operating cash flow conversion

Adjusted free cash flow is net cash from operating activities less purchases of intangible assets, property, plant and equipment plus any proceeds on sale of intangible assets, property, plant and equipment, adjusted for the impact of substantial reorganisation and acquisition-related items cash flows and is a performance measure for the annual bonus.

Adjusted operating cash flow is adjusted free cash flow before income tax and net interest paid. Adjusted operating cash flow conversion is adjusted operating cash flow expressed as a percentage of adjusted operating profit and is a financial KPI.

	2023	2022
	£m	£m
Net cash from operating activities	**306.5**	203.0
Purchase of intangible assets	**(27.5)**	(24.8)
Purchase of property, plant and equipment	**(18.6)**	(17.7)
Proceeds on sale of property, plant and equipment	**0.1**	-
Add back: impact of substantial reorganisation cash flows	**0.5**	2.4
Add back: impact of acquisition-related items cash flows	**2.6**	-
Adjusted free cash flow	**263.6**	162.9
Add back: income tax paid	**93.9**	57.1
Add back: net interest paid	**12.6**	7.0
Adjusted operating cash flow	**370.1**	227.0
Adjusted operating profit	**402.2**	320.4
Adjusted operating cash flow conversion	**92.0%**	70.8%

Earnings before interest, tax, depreciation and amortisation (EBITDA) and net debt to adjusted EBITDA

EBITDA is operating profit excluding depreciation and amortisation. Net debt to adjusted EBITDA (one of the Group's debt covenants) is the ratio of net debt to EBITDA excluding impairment of intangible assets arising on acquisition of businesses, acquisition-related items, substantial reorganisation costs, substantial asset write-downs and one-off pension credits or costs.

	2023	2022
	£m	£m
Operating profit	**383.0**	308.8
Add back: depreciation and amortisation	**64.6**	63.7
EBITDA	**447.6**	372.5
Add back: impairment of acquired intangibles	**3.3**	-
Add back: acquisition-related items	**2.6**	-
Adjusted EBITDA	**453.5**	372.5
Net debt (Note 8)	**113.0**	42.1
Net debt to adjusted EBITDA	**0.2x**	0.1x

Earnings before interest, tax and amortisation (EBITA) and EBITA to interest

EBITA is adjusted EBITDA after depreciation. EBITA to interest (one of the Group's debt covenants) is the ratio of EBITA to finance costs including capitalised interest less finance income.

	2023	2022
	£m	£m
Adjusted EBITDA	**453.5**	372.5
Less: depreciation	**(36.2)**	(33.5)
EBITA	**417.3**	339.0
Finance costs	**14.2**	8.1
Less: finance income	**(2.0)**	(1.0)
Add back: capitalised interest	**-**	0.5
Interest (per debt covenants)	**12.2**	7.6
EBITA to interest	**34.2x**	44.6x

10. Alternative Performance Measures (APMs) (continued)

Return on capital employed (ROCE)

ROCE is adjusted operating profit expressed as a percentage of monthly average net assets excluding net debt and retirement benefit obligations and is an underpin for the LTIP and J2G LTIP Award and a financial KPI.

	2023 £m	2022 £m
Average net assets	**1,258.0**	982.8
Add back: average net debt	**25.6**	82.7
Add back: average retirement benefit net (assets) / obligations	**24.1**	49.3
Average capital employed	**1,307.7**	1,114.8
Adjusted operating profit	**402.2**	320.4
ROCE	**30.8%**	28.7%

Working capital as a percentage of revenue

Working capital is inventories, current trade and other receivables and current trade and other payables.

	2023 £m	2022 £m
Inventories	**616.3**	529.5
Current trade and other receivables	**692.0**	594.3
Current trade and other payables	**(658.9)**	(584.1)
Working capital	**649.4**	539.7
Revenue	**2,982.3**	2,553.7
Working capital as a percentage of revenue	**21.8%**	21.1%

Inventory turn

Inventory turn is cost of sales divided by inventories.

	2023 £m	2022 £m
Cost of sales	**1,630.1**	1,425.8
Inventories	**616.3**	529.5
Inventory turn	**2.6**	2.7

Ratio of capital expenditure to depreciation

Ratio of capital expenditure to depreciation is capital expenditure divided by depreciation and amortisation excluding amortisation of acquired intangibles and depreciation of right-of-use assets.

	2023 £m	2022 £m
Depreciation and amortisation	**64.6**	63.7
Less: amortisation of acquired intangibles	**(13.3)**	(11.6)
Less: depreciation of right-of-use assets	**(18.3)**	(17.7)
Adjusted depreciation and amortisation	**33.0**	34.4
Capital expenditure	**42.4**	45.5
Ratio of capital expenditure to depreciation	**1.3 times**	1.3 times

11. Post balance sheet events

On 27 April 2023 the Group announced that it had 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 on a cash-free and debt-free basis. Completion is expected to be around July 2023 as it is subject to regulatory clearances in Germany, Austria and Italy. The acquisition will be financed from the Group's existing resources and the addition of an approved new three-year acquisition term loan facility of €150 million.