21 May 2019, 7.00 am

ELECTROCOMPONENTS PLC
RESULTS FOR YEAR ENDED 31 MARCH 2019

STRONG RESULTS WITH REVENUE GROWTH, MARKET SHARE GAINS AND IMPROVED PROFITABILITY

Highlights	2019	2018	Change	Like-for-like[1] change
Revenue	**£1,884.4m**	£1,705.3m	10.5%	8.3%
Adjusted[2] operating profit	**£220.3m**	£177.1m	24.4%	20.8%
Adjusted[2] operating profit margin	**11.7%**	10.4%	1.3 pts	1.1 pts
Adjusted[2] profit before tax[3]	**£214.5m**	£173.1m	23.9%	20.8%
Adjusted[2] earnings per share	**37.0p**	28.4p	30.3%	26.8%
Adjusted[2] free cash flow	**£84.5m**	£105.1m	(19.6)%	
Net debt	**£122.4m**	£65.0m		
Net debt to adjusted[2] EBITDA	**0.5x**	0.3x		
Full-year dividend	**14.80p**	13.25p	11.7%	
Operating profit	**£201.0m**	£172.6m	16.5%	
Profit before tax	**£195.2m**	£168.6m	15.8%	
Earnings per share	**33.4p**	33.9p	(1.5)%	

Continued focus on customer driving market share gains
- Revenue growth of 10.5%, like-for-like up 8.3%, strong market share gains in EMEA as well as in the Americas
- Digital and RS PRO outperformed Group growth with like-for-like revenue growth of 8.9% and 11.6% respectively
- IESA delivered strong double-digit growth and is on track to meet our cost of capital in its first year of ownership
- Driving best-in-class customer experience – Group (excluding acquisitions) Net Promoter Score[4] up 5.1% to 54.0

Profitability improvement
- Gross margin rose 0.5 pts to 44.5% aided by higher margin acquisitions, up 0.2 pts on a like-for-like basis
- Adjusted operating profit margin rose 1.3 pts to 11.7%, all regions improved, with Asia Pacific now profitable
- £4 million of savings delivered and on track for £12 million of cumulative annualised savings by March 2021
- Profit before tax (PBT) up 15.8%; adjusted PBT up 20.8% on a like-for-like basis

Growth in EPS and dividend
- Adjusted EPS up 26.8% on a like-for-like basis; EPS fell 1.5% as 2018 benefited from non-cash deferred tax credit
- Adjusted free cash flow fell to £84.5 million due primarily to the distribution centre expansion in the Americas
- Strong growth in the proposed full-year dividend reflecting confidence for future prospects of the Group

Current trading
In the first seven weeks we have seen a moderation in like-for-like revenue growth. April saw low single-digit like-for-like revenue growth, with performance impacted by the timing of holidays. However, May has started encouragingly with Group like-for-like revenue growth closer to the trends seen during Q4 2019. EMEA (64% of revenue) continues to see good growth and market share gains, which is more than offsetting softness in the Americas (26% of revenue). Asia Pacific (10% of revenue) continues to see similar trends to Q4 2019.

Investing to accelerate long-term share gains and improve returns
Over the last four years we have demonstrated an ability to outperform a highly fragmented market with a sharper focus on the customer and best-in-class capabilities. Where we see opportunity we will continue to invest to further differentiate our offer. Our customers are increasingly looking to consolidate spend to fewer partners who can offer them not just products but full inventory or purchasing solutions. We are leveraging our scale and increasing capital expenditure to around £80 million in both 2020 and 2021 to build the right capabilities and infrastructure to enable us to continue to grow profits by significantly scaling our range, improving service, increasing efficiency and accelerating market share gains so we can win new customers and continue to increase our share of wallet with our existing customer base. We expect to generate medium-term returns on this investment that are broadly consistent with Group Return on Capital Employed (ROCE) and well in excess of our Group cost of capital.

LINDSLEY RUTH, CHIEF EXECUTIVE OFFICER, COMMENTED:

"Progress on our journey to become first choice for our customers, suppliers and employees has delivered another year of revenue growth, market share gains and improved profitability. Our opportunity remains large, our momentum is strong and we can continue to improve performance. The right investment in scalable infrastructure will deliver another step change in our progress, further differentiating customer experience, improving our efficiency and accelerating share gains. Therefore we are leveraging our strong financial position to accelerate capital investment in the strategic development of the Group to support sustainable long-term growth, whilst continuing to focus on tightly managing our operating costs in what remains an uncertain external environment. Overall, we believe we are well positioned to make good progress in the current financial year."

(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 2018 converted at 2019 average exchange rates. Revenue is also adjusted to eliminate the impact of trading days year on year. The IESA and Monition acquisitions contributed £27.7 million to revenue. Currency movements increased revenue by £1.3 million, extra trading days increased revenue by £8.4 million.
(2) Adjusted excludes amortisation of intangible assets arising on acquisition of businesses, substantial reorganisation costs, asset write-downs, one-off pension credits or costs, significant tax rate changes and associated income tax (refer to Note 12 on pages 22 to 26 for reconciliations).
(3) Currency movements reduced adjusted profit before tax by £0.1 million.
(4) Rolling 12-month Net Promoter Score is a measure of customer satisfaction.

Enquiries:

Lindsley Ruth, Chief Executive Officer	Electrocomponents plc	020 7239 8400
David Egan, Chief Financial Officer	Electrocomponents plc	020 7239 8400
Polly Elvin, Head of Investor Relations	Electrocomponents plc	020 7239 8427
Martin Robinson / David Allchurch	Tulchan Communications	020 7353 4200

There will be an analyst presentation today at 8.45am at UBS, 5 Broadgate, London EC2M 2QS. We will also provide an audio webcast which can be accessed live, and later as a recording, on the Electrocomponents website at www.electrocomponents.com.

Notes to editors:

Electrocomponents plc is a global multi-channel provider of industrial and electronic products and solutions. We offer more than 500,000 industrial and electronic products, sourced from over 2,500 leading suppliers, and provide a wide range of value-added services to over one million customers. With operations in 32 countries, we trade through multiple channels and ship over 50,000 parcels a day.

We support customers across the product life cycle, whether via innovation and technical support at the design phase, improving time to market and productivity at the build phase, or reducing purchasing costs and optimising inventory in the maintenance phase. We offer our customers tailored product and service propositions that are essential for the successful operation of their businesses and help them save time and money.

Electrocomponents plc is listed on the London Stock Exchange and in the last financial year ended 31 March 2019 reported revenue of £1.88 billion. Electrocomponents plc has seven operating brands; RS Components, Allied Electronics & Automation, RS PRO, OKdo, DesignSpark, IESA and Monition.

INVESTING TO ACCELERATE SHARE GAINS AND IMPROVE RETURNS

Our market remains fragmented and we have a clear plan of where we want to be as a business in five years' time. We have the opportunity to scale our business and further improve profitability by significantly increasing our customer count and driving a higher share of wallet with existing customers who are looking to consolidate spend with fewer suppliers. Investing in the right offer, infrastructure, capabilities and talent will help us drive sustainable revenue growth at over two times the market and progress towards our goal of a mid-teen adjusted operating profit margin.

Over the last four years, strong growth and efficiency gains have enabled us to reinvest in our business to further differentiate our customer offer. We have increased spend to improve our offer in areas such as value-added solutions, RS PRO and more recently electronics with the launch of an RS Electronics website in the Americas. Also in April 2019, we launched a new company, OKdo, focused on improving our offer in the fast growing single-board computing (SBC) and Internet of Things (IoT) market. We have also significantly increased investment in digital, mobile and data which remains a competitive differentiator and the key lever for driving growth in customer count. Looking forward, we will focus our investment on the following key areas:

- **Continued investment in best-in-class digital and mobile experience and data-driven insight:** We spend around 4% of revenue per annum on digital talent, marketing and online / mobile experience teams. Unlike many of our small, local competitors, we have the scale, digital talent and expertise to deliver the best-in-class online experience that our customers increasingly expect. We need to continue to move at pace to digitally disrupt our marketplace. As we grow we will continue to seek opportunities to increase investment in:
  - Raising brand awareness and using new tools and technology to drive more customers to our websites
  - Building an online and mobile experience which is easy to use, hyper-personalised and 'faster than real-time'
  - Enhancing our data capabilities, to drive value from the data we have within our business helping us improve and, in time, automate our decision-making and offer more valuable insight to our suppliers.

Today we are also announcing plans to accelerate our capital expenditure plans to enable us to scale our offer so we can sell more to our existing customer base. We will build the right infrastructure to drive faster share gains and improved efficiency in the medium term. Our capital expenditure will be focused on three key areas:

- **Unrivalled choice:** Our customers are increasingly seeking a one-stop shop. Today we offer a much broader product range than many of our smaller competitors. However, with advances in technology we need to ensure we stay ahead of the competition in the future. As such, we are investing in a new product information management system and a new document management system to ensure we can further expand our range into new and adjacent verticals. This will enable us to offer more of our suppliers' ranges, either on a stocked or non-stocked basis, on our website - thereby greatly improving choice for our customers so we can gain a higher share of customer spend. It will enable us to dramatically speed up new product introduction and give us the capability to collect, process and analyse large volumes of data to drive improved insight and decision-making. It is also a key enabler to support the expansion and growth of our value-added solutions proposition.
- **Transformation of our technology:** Our previous investments in technology, such as ERP and digital, have put us ahead of the market. However, we now face an inflection point where new technology is available such as cloud, mobile and artificial intelligence that brings significant opportunities for us and our customers. To take advantage of this we are investing in upgrades, replacements and new technology. We will do this systematically based on where the greatest opportunities are to create scalability and simplicity starting with: user experience, mobile, product and content management, value-added solutions, supply chain and data and technology infrastructure.
- **Best-in-class supply chain:** We are accelerating investment in our supply chain to ensure our distribution centres (DC) are more automated and efficient and have the capacity and capabilities to underpin our future growth and service aspirations. During 2019, we started a two-year £40 million project to more than double the size of our DC in the Americas, which will be completed in summer 2020. Moving into 2020, we are accelerating work to build a scalable customer-centric supply chain with the expansion of our German DC. This two-year c. £60 million project will greatly increase the throughput of the DC and build capacity to enable further range expansion for RS. The new enlarged DC will act as a replenishment centre to support other DCs across the globe with automatic storage and retrieval systems, as well as having the capabilities to house both electronic and industrial products.

We will increase capital expenditure to around £80 million in each of the next two years to finance these plans. As a result, we expect capital expenditure to depreciation of around 2.7 times in both 2020 and 2021 (2019: 1.8 times). We expect to generate medium-term returns on this investment that are broadly consistent with Group ROCE and well in excess of our Group cost of capital.

ACQUISITIONS

On 31 May 2018 we completed the acquisition of IESA, which enables the Group to service larger corporate customers who choose to outsource their maintenance repair and operations (MRO) and other indirect purchases and inventory management. IESA contributed £27.3 million to revenue and saw strong double-digit annual like-for-like revenue growth, as well as contributing £6.7 million of adjusted operating profit. IESA's adjusted operating profit margin of 24.5% was accretive to Group operating profit margin. It has been accretive to Group earnings per share during the year and is on track to meet our cost of capital in its first year of ownership.

On 31 January 2019 we acquired Monition, a business that enhances the Group's offer in condition monitoring and predictive maintenance. During its first two months of ownership, Monition added £0.4 million to revenue and had a negligible impact on Group adjusted operating profit.

Both these acquisitions have enhanced the Group's value-added solution capabilities and are reported within the Group's EMEA region, with these results including ten months of IESA and two months of Monition. We remain excited by the opportunity to scale and internationalise these businesses over time.

OVERALL RESULTS

	2019	2018	Change	Like-for-like[1] change
Revenue	£1,884.4m	£1,705.3m	10.5%	8.3%
Gross margin	44.5%	44.0%	0.5 pts	0.2 pts
Operating profit	£201.0m	£172.6m	16.5%	15.3%
Adjusted[2] operating profit	£220.3m	£177.1m	24.4%	20.8%
Adjusted[2] operating profit margin	11.7%	10.4%	1.3 pts	1.1 pts
Adjusted[2] operating profit conversion %	26.3%	23.6%	2.7 pts	2.5 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 2018 converted at 2019 average exchange rates. Revenue is also adjusted to eliminate the impact of trading days year on year.

(2) Adjusted excludes amortisation of intangible assets arising on acquisition of businesses, substantial reorganisation costs, asset write-downs, one-off pension credits or costs, significant tax rate changes and associated income tax (refer to Note 12 on pages 22 to 26 for reconciliations).

Revenue

Group revenue increased by 10.5% to £1,884.4 million (2018: £1,705.3 million). The acquisitions of IESA and Monition contributed £27.7 million to revenue during the year. Excluding the impact of acquisitions, additional trading days and foreign exchange movements, like-for-like revenue growth was 8.3%. All three of our geographic regions being EMEA, the Americas and Asia Pacific, saw like-for-like revenue growth. RS PRO, our own-brand range, which accounts for around 12% of Group revenue, outperformed the growth rate of the Group with like-for-like revenue growth of 11.6%. Digital, which accounts for around 62% of Group revenue, also modestly outperformed with like-for-like revenue growth of 8.9%.

Gross margin

Group gross margin increased by 0.5 percentage points to 44.5% (2018: 44.0%). The acquisitions were accretive to gross margin by 0.4 percentage points, while translational foreign exchange movements were negative to gross margin by 0.1 percentage point. Gross margin improved by 0.2 percentage points on a like-for-like basis, aided by continued progress on management initiatives on pricing and product mix. We launched a new pricing tool in EMEA during the year and saw a strong acceleration in growth at RS PRO, aided by expansion of the product range. Regionally, the Americas saw the strongest improvement in gross margin with good progress on discount discipline and enhanced product mix offsetting a decline in gross margin in Asia Pacific. EMEA gross margin also saw a modest increase during the year.

Long term our aim remains to maintain stable, and where possible improve, gross margin to support our progress towards our aspiration of a mid-teen adjusted operating profit margin. Our new venture, OKdo, will incorporate our existing SBC business, which today accounts for approximately 4% of Group revenue and is one of our lower gross margin product categories. With a sharper focus we can increase scale and improve mix in this high-growth area of the business, to drive improved gross margin and, in time, deliver a double-digit adjusted operating profit margin. Moving forward, we will disclose any impact of driving growth in OKdo on Group gross margin.

Operating costs
We continue to focus on increasing efficiency and simplification so we can convert a higher proportion of gross profit into operating profit.

During the year, total adjusted operating costs, which include regional costs and central costs (and exclude substantial reorganisation costs, amortisation of acquired intangibles and one-off pension costs), increased by 5.7% on a like-for-like basis, to £618.3 million (2018: £572.7 million). We saw a c. 2.3 percentage point impact from inflationary increases to overheads including wages. As such, this and the impact of higher variable costs driven by higher volumes accounted for approximately 60% of the like-for-like increase. The majority of the balance of the increase was driven by increased investment in digital, talent and innovation offset by the £4 million savings generated from the second phase of the performance improvement plan.

As revenue growth outpaced cost growth, our adjusted operating profit conversion ratio improved by 2.5 percentage points on a like-for-like basis, to 26.3% (2018: 23.6%). Adjusted operating costs as a percentage of revenue fell by 0.8 percentage points to 32.8% (2018: 33.6%).

Substantial reorganisation costs
The Group incurred substantial reorganisation costs of £13.1 million (2018: £4.5 million), which primarily related to labour-related restructuring costs.

Amortisation of acquired intangibles
Amortisation of acquired intangibles was £4.4 million (2018: £nil) and relates to the intangible assets arising on the acquisitions of IESA and Monition.

One-off pension costs
On 26 October 2018, the High Court ruled in the Lloyds Banking Group case that GMP must be equalised between members of different sexes. No assumption for GMP equalisation had been included in the valuation of the Group's UK defined benefit obligations historically. This increases the Group's retirement benefit obligations by £1.8 million which has been recognised as a past service cost in 2019 and included in one-off pension costs.

Operating profit
Operating profit rose 16.5% to £201.0 million (2018: £172.6 million). Excluding substantial reorganisation costs, amortisation of acquired intangibles and one-off pension costs, adjusted operating profit increased by 24.4% to £220.3 million. Excluding acquisitions and currency movements, like-for-like growth in adjusted operating profit was 20.8%. Adjusted operating profit margin rose by 1.3 percentage points, 1.1 percentage points on a like-for-like basis, to 11.7% (2018: 10.4%).

Regional performance

In the first half of the year, we successfully reorganised the business around three regions: EMEA, the Americas and Asia Pacific. Our new model is simpler and more customer centric, bringing activities such as product and supplier management, digital and marketing closer to our customers and suppliers thereby allowing us to adapt to customer needs more quickly and make our offer more relevant to the local market. In order to drive further accountability, we also took the opportunity to move a greater proportion of costs that had previously been charged in central costs to the regions. The 2018 comparatives below have been restated accordingly.

Across the globe, our teams remain focused on becoming first choice for our customers by delivering a best-in-class customer experience. Our research shows that when we become first choice for customers, they spend over 25% more with us, so this remains our priority. We were pleased to see a further increase in our Net Promoter Score (NPS), a measure of customer satisfaction, which rose 5.1% to 54.0 (2018: 51.4).

Overall, we have continued to grow ahead of the market with key markets such as the UK, Germany and the US all continuing to see market share gains as well as good growth in smaller markets such as Scandinavia, Eastern Europe, Australia and New Zealand (ANZ) and South East Asia. This has been driven through growing our customer count and selling more to our existing customers. We continue to grow our customer count by investing in digital marketing and brand awareness to drive more traffic to our websites and improving our online experience so we can convert a higher proportion of this traffic into revenue. We capture a larger share of our existing customers' wallets by continuing to focus on expanding our range of products and value-added solutions and ensuring we sell efficiently both offline, via implementing sales effectiveness programmes, and online, via increased personalisation of our websites.

EMEA

EMEA accounts for 64% of Group revenue and breaks down into four sub-regions: Northern Europe, Southern Europe, Central Europe and our emerging market operations. IESA's and Monition's results are included within Northern Europe. RS, RS PRO, IESA and Monition are our key trading brands in EMEA. Our largest offering of value-added solutions sits in EMEA, helping to make our customers' lives easier. A broad range of products and high inventory availability are key priorities for our customers. We differentiate our offering from that of the competition by providing a best-in-class online experience, supported by a knowledgeable sales force, technical expertise, 24/7 customer support and value-added solutions.

	2019	2018	Change	Like-for-like[1] change
Revenue	£1,210.0m	£1,083.5m	11.7%	8.5%
Operating profit	£193.5m	£161.0m	20.2%	16.2%
Operating profit margin	16.0%	14.9%	1.1 pts	0.9 pts

(1) Like-for-like adjusted for currency and to exclude the impact of acquisitions; revenue also adjusted for trading days.

- Overall, EMEA revenue increased 11.7%, 8.5% on a like-for-like basis, to £1,210.0 million (2018: £1,083.5 million). We estimate that over two-thirds of our growth in EMEA was driven by market share gains in a healthy underlying market despite a backdrop of political and economic uncertainty. Like-for-like revenue growth remained strong in both the first and second half of the year (H1 9.3%; H2 7.7%).
- All four sub-regions within EMEA saw strong like-for-like revenue trends across the year, with Central Europe seeing the strongest growth.
- EMEA rolling 12-month NPS rose by 5.5% to 55.3, as improved online customer experience was a continued focus.
- Digital, which accounts for around 70% of the region's revenue, grew at 9.8% on a like-for-like basis, higher than that of the region.
- RS PRO, which accounts for around 17% of the region's revenue, outperformed the region with 11.2% like-for-like growth.
- EMEA saw modest like-for-like gross margin improvement, positively impacted by a change in product mix with strong growth from RS PRO as well as initiatives to drive discount discipline.
- Operating profit rose 20.2%, 16.2% on a like-for-like basis, to £193.5 million (2018: £161.0 million).
- Operating profit margin rose 1.1 percentage points, 0.9 percentage points on a like-for-like basis, to 16.0% (2018: 14.9%), driven by strong revenue growth, gross margin improvement and continued cost discipline.

EMEA sub-regional revenue performance

	2019	2018	Change	Like-for-like[1] change
Northern Europe	£529.5m	£454.3m	16.6%	9.7%
Southern Europe	£367.7m	£344.8m	6.6%	6.1%
Central Europe	£265.1m	£238.8m	11.0%	10.3%
Emerging markets	£47.7m	£45.6m	4.6%	5.0%
Total EMEA revenue	£1,210.0m	£1,083.5m	11.7%	8.5%

(1) Like-for-like adjusted for currency and trading days and to exclude the impact of acquisitions.

All the sub-regions within EMEA saw strong like-for-like revenue trends across the year:

- **Northern Europe (44% of EMEA revenue)** is the largest sub-region within EMEA and consists of the UK, Ireland and Scandinavia. The UK is the main market in this sub-region, accounting for around 90% of the revenue. Northern Europe's revenue increased by 9.7% on a like-for-like basis, to £529.5 million (2018: £454.3 million). The team in Northern Europe continued to make significant progress at broadening our value-added solutions offering to deepen customer relationships and extend them further across the product life cycle. Northern Europe saw significant growth in solutions such as calibration, inventory management, purchasing manager and eProcurement, which were key drivers of the strong performance. The IESA and Monition acquisitions, which are reported within Northern Europe, have also accelerated the Group's strategy in this area. The Northern European team remains focused on improving its go-to-market strategy, accelerating digital customer acquisition, expanding its value-added service proposition and continuing to drive improved sales effectiveness which together have driven an increase in customer numbers. Northern Europe saw the strongest growth in customer count of all markets in EMEA.

- **Southern Europe (30% of EMEA revenue)** consists of our operations in France, Italy and Iberia (Spain and Portugal). France is the main market, accounting for approximately two-thirds of Southern Europe's revenue. Revenue increased by 6.1% on a like-for-like basis with growth broadly consistent across the two halves. Southern Europe continued to experience economic headwinds, leading to slower market growth than that of the rest of our European sub-regions. We continued to outperform market growth across the sub-region. France grew slightly above the sub-region performance, while Iberia and Italy were below. France's growth was aided by strong growth in corporate accounts. Both Iberia and Italy saw leadership team changes during the year. The teams have started to build the foundations to implement new initiatives to support stronger growth in the medium term. Across the sub-region we have been redefining our sales team processes and tools and in 2020 we will accelerate this initiative further. We also continue to enhance our value-added solutions offering across Southern Europe with calibration, inventory management and 3D printing solutions.
- **Central Europe (22% of EMEA revenue)** consists of our operations in Germany, Austria, Benelux, Switzerland and Eastern Europe. Germany is the main market in the sub-region accounting for approximately 60% of the revenue and has the largest growth opportunity within EMEA. Central Europe was the strongest performing sub-region in EMEA, with 10.3% like-for-like revenue growth. All countries within the region saw good growth, however Eastern Europe saw significant growth, benefiting from strong execution and an increasing trend of manufacturing companies moving their production to Eastern Europe. The new Central European leadership team is now in place and has been further strengthened over the past year. As a result we have seen significant cultural change within the sub-region and the new team has focused on improving the basics with a particular focus on customer experience and sales force effectiveness. We have begun work to enhance our sales process in the sub-region and driven successful initiatives to improve service reliability, online technical content, eProcurement capabilities and customer call handling. We are also expanding our German DC to build a scalable and more customer-centric supply chain. This c. £60 million project will greatly increase the throughput of the DC, allowing for further range expansion for the RS operation.
- **Emerging market operations (4% of EMEA revenue)** has operations in South Africa and third-party distributors in other territories. During 2019, our emerging market operations saw 5.0% like-for-like revenue growth with good growth from South Africa in the second half of the year, outweighing the negative impact of foreign exchange volatility experienced in the first half. The sub-region's revenue was also impacted by slower growth in SBC.

Americas

The Americas accounts for 26% of Group revenue. Allied Electronics & Automation (Allied) is our main trading brand in the Americas, where we have operations in the US, together with smaller operations in Canada, Mexico and Chile. Allied's key focus remains on the automation and control market, offering a broad range of national franchises to customers. Its strong digital presence and technical expertise differentiate Allied from competitors that are primarily niche focused and digitally immature.

	2019	2018	Change	Like-for-like[1] change
Revenue	£483.6m	£440.8m	9.7%	8.6%
Operating profit	£62.1m	£51.4m	20.8%	19.4%
Operating profit margin	12.8%	11.7%	1.1 pts	1.1 pts

(1) Like-for-like adjusted for currency; revenue also adjusted for trading days.

- The Americas revenue increased 9.7%, 8.6% on a like-for-like basis, to £483.6 million (2018: £440.8 million), with just under half of our growth in the Americas estimated to be driven by market share gains. Like-for-like revenue growth slowed to 6.3% in the second half versus 10.9% in the first half, as we saw tougher comparators and a moderation in market growth.
- The Americas rolling 12-month NPS score rose a further 2.3% to 69.7 (2018: 68.1) and remained the highest of our three regions. It has continued to provide a strong customer experience, both online and offline.
- Digital, which accounts for around 42% of revenue in the region, grew at 6.9% on a like-for-like basis.
- RS PRO continued to grow strongly, adding 7,000 new products online. It currently represents less than 1% of regional revenue and therefore is a significant growth opportunity within the region.

- The Americas continued to see growth in customer count during the year, however, the key driver was growth in average order value as we continued to expand the range successfully and sell more to customers. The team added 25,000 new stocked products across the year.
- The £40 million expansion of the Americas DC is progressing well with completion expected in summer 2020. The new DC will offer scope to more than double the Allied stocked range in the coming years.
- The team in the Americas saw a gross margin improvement from a number of initiatives which drove improved pricing and discount discipline.
- Operating profit rose 20.8%, 19.4% on a like-for-like basis, to £62.1 million (2018: £51.4 million).
- Operating profit margin rose 1.1 percentage points to 12.8%, driven by improved gross margin and tight underlying cost control which more than offset the increased investment across the business.

Asia Pacific

Asia Pacific accounts for 10% of Group revenue and consists of four similarly sized sub-regions: ANZ, Greater China, Japan and South East Asia. RS and RS PRO are our key trading brands in Asia Pacific. Similar to EMEA, there is great potential for our Asia Pacific region to become the one-stop-shop partner of choice for industrial customers, offering a broad, localised range with strong technical expertise, a multi-channel approach and a growing range of value-added services.

	2019	2018	Change	Like-for-like[1] change
Revenue	£190.8m	£181.0m	5.4%	6.2%
Operating profit / (loss)	£3.0m	£(0.9)m	433.3%	300.0%
Operating profit margin	1.6%	(0.5)%	2.1 pts	2.4 pts

(1) Like-for-like adjusted for currency; revenue also adjusted for trading days.

- Overall, Asia Pacific revenue increased 5.4%, 6.2% on a like-for-like basis, to £190.8 million (2018: £181.0 million). Growth slowed to 2.7% in H2 from 9.6% in H1, impacted by revenue declines in Greater China and Japan primarily due to digital performance issues. These declines were more than offset by double-digit growth in H2 of both ANZ and South East Asia as we continued to benefit from a healthy market backdrop and take market share.
- Digital, which accounts for around 59% of revenue in the region, grew at 6.9% on a like-for-like basis.
- RS PRO, which accounts for around 12% of revenue in the region, grew at 12.3% on a like-for-like basis. Across the year we expanded the reach of RS PRO in Asia Pacific by working with new partners and local resellers in China.
- We continue to make strong progress on our journey to improve customer experience in the region, with our rolling 12-month NPS score rising 12.3% to 36.4. Despite further progress our NPS score in Asia Pacific still remains below our other regions and we remain committed to continuing to drive improvement in customer experience in the region. Looking forward, we are focused on localising the digital experience in Japan and Greater China, as well as offering more local and relevant product ranges for our customers.
- We also continue to invest to strengthen our leadership and capabilities in the region. The greatest single opportunity in Asia Pacific remains China. The opening of our regional centre of expertise in Foshan, China has been an important step in developing a low-cost infrastructure capable of building a scalable business in this region. In May 2019, we appointed a new leader for our Greater China business, with a strong background in eCommerce and electronics, who will be focused on strengthening and building our local leadership team and offer so we can take our business in China forward at a faster pace.
- Gross margin saw a decline year-on-year due to a change in product mix driven by the increasing proportion of SBC revenue.
- During the year the region moved into profit, with operating profit of £3.0 million (2018: loss of £0.9 million), as lower gross margin was more than offset by revenue growth and tight cost control. Our new regional centre of expertise has been key in driving operational efficiencies and during the year we closed three physical office locations across the region as we move further towards a leaner primarily web-based model in South East Asia.

Central costs

	2019	2018	Change	Like-for-like[1] change
Central costs	£(38.3)m	£(34.4)m	(11.3)%	(11.3)%

(1) Like-for-like adjusted for currency.

Central costs are Group head office costs and include Board, Group Finance and Group Professional Services & People that cannot be attributed to region-specific activity.

Central costs increased to £38.3 million (2018: £34.4 million). Approximately half this increase related to the annualisation of the additional investments made in H2 2018 to expand our capabilities in areas such as corporate development and information security. The balance primarily relates to start-up costs for our new SBC and IoT business, OKdo.

FINANCIAL REVIEW

Net finance costs
Net finance costs increased to £6.1 million (2018: £4.0 million) primarily reflecting the increase in net debt due to the acquisitions.

Profit before tax
Profit before tax was up 15.8% to £195.2 million (2018: £168.6 million). Excluding substantial reorganisation costs, amortisation of acquired intangibles and one-off pension costs, adjusted profit before tax was up 23.9%, 20.8% on a like-for-like basis to £214.5 million (2018: £173.1 million).

Taxation
The Group's tax charge was £47.1 million (2018: £19.0 million which benefited from a non-cash tax credit of £27.9 million due to the recalculation of deferred tax balances as a result of the US Tax Cuts and Jobs Act). The adjusted tax charge, which excludes the impact of tax relief on substantial reorganisation costs, amortisation of acquired intangibles and one-off pension costs was £50.7 million (2018: £47.8 million), resulting in an effective tax rate of 24% on adjusted profit before tax (2018: 28%). The key reason for the decrease in the effective tax rate was the reduction in the US tax rate following the enactment of the US Tax Cuts and Jobs Act in December 2017.

Earnings per share
Earnings per share was down 1.5% to 33.4p (2018: 33.9p, which benefited from the non-cash deferred tax credit mentioned above). Excluding substantial reorganisation costs, one-off pension costs, amortisation of acquired intangibles, significant tax rate changes and associated income tax effects, adjusted earnings per share of 37.0p (2018: 28.4p) was up 30.3%, 26.8% on a like-for-like basis.

Cash flow

£m	**FY19**	FY18
Operating profit	**201.0**	172.6
Add back depreciation and amortisation	**31.9**	25.8
EBITDA	**232.9**	198.4
Add back impairments and (profit) / loss on disposal of non-current assets	**2.3**	1.7
Movement in working capital	**(64.8)**	(38.5)
Movement in provisions	**5.9**	1.9
Other	**7.9**	5.4
Cash generated from operations	**184.2**	168.9
Net interest paid	**(6.1)**	(4.2)
Income tax paid	**(50.8)**	(37.8)
Net cash from operating activities	**127.3**	126.9
Net capital expenditure	**(50.8)**	(24.2)
Free cash flow	**76.5**	102.7
Add back cash effect of adjustments[1]	**8.0**	2.4
Adjusted[1] free cash flow	**84.5**	105.1

(1) Adjusted excludes the impact of substantial reorganisation cash flows.

Cash generated from operations increased to £184.2 million (2018: £168.9 million) driven by strong growth in operating profit which more than offset continued inventory investment to support revenue growth.

Working capital as a percentage of revenue increased by 2.0 percentage points to 22.2% (2018: 20.2%), 0.8 percentage points of this increase related to acquisitions, with the balance related to investment in additional inventory as we expand our product range and improve our offer. As a result, inventory turn reduced to 2.7 times (2018: 2.9 times).

Net interest paid was higher at £6.1 million (2018: £4.2 million) due to the debt taken on to finance the acquisitions. Income tax paid rose to £50.8 million (2018: £37.8 million) mainly due to the increases in profit in 2018 and 2019 on which tax was paid in 2019.

Net capital expenditure was £50.8 million (2018: £24.2 million) as we initiated a £40 million two-year project to expand our DC in the Americas during the year. As a result, capital expenditure was 1.8 times depreciation (2018: 1.0 times).

As a result, free cash flow was £76.5 million (2018: £102.7 million). Adjusted free cash flow was £84.5 million (2018: £105.1 million) and excludes a net cash outflow related to substantial reorganisation activities of £8.0 million (2018: £2.4 million), which largely relates to labour restructuring charges. Adjusted operating cash flow conversion, which is defined as adjusted free cash flow before income tax and net interest paid as a percentage of adjusted operating profit and is one of our eight KPIs, was 64.2% (2018: 83.1%).

Looking forward to 2020, we expect income tax paid to increase by around £11 million as a result of the one-off impact of changes to the timing of UK tax payments which mean we are required to pay half of 2019 income tax and all of 2020 income tax in 2020. Also in 2020 and 2021 we expect capital expenditure to increase to around £80 million or 2.7 times depreciation as we accelerate our initiatives to build a more efficient and scalable infrastructure. This investment will be focused in three key areas: 1) the completion of the Americas DC expansion project; 2) a new c. £60 million project to expand and automate our German DC, which will support future growth in EMEA; and 3) increased IT expenditure to transform our technology estate. This will include a project to introduce a new product information management system and document management system enabling us to scale our stocked and non-stocked range and upgrades to our technology infrastructure to allow us to deliver future change quicker and more cost effectively.

Return on Capital Employed (ROCE)

Net assets at the end of the year were £589.3 million (2018: £482.5 million). ROCE, calculated using adjusted operating profit for the 12 months ended 31 March 2019 and year-end net assets excluding net debt and retirement benefit obligations, was 27.7% (2018: 28.6%).

Net debt

At 31 March 2019 net debt was £122.4 million. This was £57.4 million higher than at 31 March 2018. This increase was principally due to the acquisitions and associated loans, with adjusted free cash flow of £84.5 million more than offsetting the dividend payments of £58.9 million.

Net debt comprised gross borrowings of £253.4 million offset by cash and short-term deposits of £129.2 million and a cross currency interest rate swap with a fair value of £1.8 million.

In May 2018 the Group arranged a flexible two-year term loan, which is now £75 million, to run alongside its existing c. £186 million syndicated multi-currency bank facility which has a maturity of August 2022. These facilities, together with US$100 million private placement loan notes maturing in June 2020, provide the majority of the Group's committed debt facilities and loans of £337 million, of which £161.8 million was undrawn as at 31 March 2019. The cross currency interest rate swap has switched US$20 million of the private placement loan notes from fixed dollar to fixed sterling, giving the Group an appropriate spread of financing maturities and currencies.

The Group's financial metrics remain strong, with net debt to adjusted EBITDA of 0.5x, leaving significant headroom for the Group's banking covenants.

Pension
The Group has defined benefit 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.

The combined accounting deficit of the Group's defined benefit schemes at 31 March 2019 was £83.6 million; this compares to £66.1 million at 30 September 2018 and £72.4 million at 31 March 2018. The UK defined benefit scheme's deficit at 31 March 2019 was £69.4 million, which compares to £51.6 million at 30 September 2018 and £58.1 million at 31 March 2018.

The increase in the UK deficit at 31 March 2019 was principally driven by an increase in liabilities due to the discount rate reducing by 0.3% from 2.7% to 2.4% and the increase in inflation-linked assumptions.

The triennial funding valuation of the UK Scheme at 31 March 2016 showed a deficit of £60.8 million on a statutory technical provisions basis. A recovery plan is in place, which has been agreed with the trustees of the UK scheme and our deficit contributions will continue with the aim that the scheme is fully funded on a technical provisions basis by 2023.

Dividend
The Board proposes to increase the final dividend to 9.5p per share. This will be paid on 25 July 2019 to shareholders on the register on 14 June 2019. As a result, the total proposed dividend for the 2019 financial year will be 14.8p per share, representing an increase of 11.7% over the 2018 full-year dividend and resulting in adjusted earnings dividend cover of 2.5 times. The increase in the dividend reflects the Board's confidence in the future prospects of the Group and the strong balance sheet.

The Board intends to pursue a progressive dividend policy whilst remaining committed to a healthy dividend cover over time by driving improved results and stronger cash flow. In the normal course, the interim dividend will be equivalent to approximately 40% of the full-year dividend of the previous year.

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 £1.4 million and a one cent movement in the US dollar would impact annual adjusted profit before tax by £0.5 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 month hedging against freely tradable currencies to smooth the impact of fluctuations in currency. The Group's largest exposures relate to euros and US dollars.

RISKS AND UNCERTAINTIES

The Group's risk management process identifies, evaluates and manages the Group's principal risks and uncertainties. These are reviewed by both the Group's Risk Committee, comprising the Group's senior managers, and the Board, which regularly discusses the principal risks and receives risk reports covering risk mitigations and controls.

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

Principal risks and uncertainties

The Group has identified 10 principal risks, which are the same as those disclosed last year, with the only changes being the development of some already identified risks. These principal risks are:

Strategic risk category

1. Consequences on the organisation of the UK exit from the EU
2. Fail to respond to strategic market shifts e.g. changes in customer demands and / or competitor activity
3. The Group's revenue and profit growth initiatives are not successfully implemented

Regulatory/ compliance risk category

4. Failure to comply with international and local legal / regulatory requirements

Operating risk category

5. Failure in supply chain infrastructure
6. Prolonged system outage
7. Information loss / cyber breach
8. UK defined benefit pension scheme cash requirements are in excess of cash available
9. People resources unable to support the existing and future growth of the business
10. Macroeconomic environment deteriorates

The UK exit from the EU

The principal risk which has been subject to most focus and activity in the Group during the financial year has been that associated with the UK's exit from the EU. The Group has undertaken a number of significant activities across many business areas to mitigate, insofar as is possible, any potential and negative, future effects of the UK leaving the EU. The planning and actions have involved considering various scenarios for the UK's exit. These scenarios include an agreed transition period to a different trading relationship between the UK and the EU or a more significant, and immediate, UK exit from the EU without a withdrawal agreement and to a World Trade Organisation (WTO) trading relationship (termed hard Brexit).

We judge the key risk to our business from the UK exiting the EU without a withdrawal agreement to be across four key areas. In each of these four areas we have undertaken mitigating actions to attempt to reduce the impact of these risks on the business.

1) Reduced free movement of products, goods and services across the UK / EU border

A restriction on the smooth passage of goods across the UK / EU border leading to disruption to customer service is a key risk.

- We have invested in £26m of additional fast moving inventory across our European network to lessen any customer service impact from any potential delays at the UK / EU border.
- Measures are in place with our freight forwarders on our combined contingency plans in the event of a hard exit.

2) Increased tariff and duty costs on goods moving between the UK and EU

Following the UK's exit from the EU goods moving between the UK and EU member states, and potentially other areas of the world, may be subject to additional tariff and duty costs. At this stage, before we know the detail of any exit deal and any reciprocal agreements, the exact impact of tariffs is difficult to assess. However, we believe the more notable area of risk is for goods sourced from the EU into the UK or where products are shipped from the UK to the EU.

- We have reviewed our current transport routes against individual product demand and will use our international distribution network to mitigate this risk, as best we can, to continue to offer our customers the market leading service they expect.
- We have reviewed the potential tariff impacts on our top selling product lines to optimise product sourcing to mitigate any incremental duty impact. Where this is not possible we will look to pass on tariffs and duties in the form of price increases.

3) Increased administration to process the required cross border data flows

We anticipate increased requirements for data collection as shipments move across the UK / EU border. More information may be required for customs declarations and import / export forms for each consignment shipped into the EU. We could also be required to make additional payments for customs clearance charges for goods moving across the UK / EU border.

- We have invested in IT systems to automate the customs declaration process.
- We have reviewed our current people resources to support our existing skilled export teams as required.

4) Material movement in the value of sterling impacting the price of goods

Sterling could depreciate materially in the event of the UK leaving the EU on 31 October 2019 with no transition deal in place.

- To hedge against transactional foreign exchange risk we currently maintain three to seven months of cover against freely tradable currencies to smooth the impact of fluctuations in currency. We will maintain our existing hedging strategy to mitigate against any immediate devaluation in sterling.
- Our global trading mix and product sourcing arrangements mean that historically we have had a natural gross margin hedge against a depreciation in sterling at a Group level.

GROUP INCOME STATEMENT

For the year ended 31 March 2019

	Notes	2019 £m	2018 £m
Revenue	2	**1,884.4**	1,705.3
Cost of sales		**(1,045.8)**	(955.5)
Gross profit		**838.6**	749.8
Distribution and marketing expenses		**(580.0)**	(528.2)
Administrative expenses		**(57.6)**	(49.0)
Operating profit	2	**201.0**	172.6
Finance income		**3.5**	7.5
Finance costs		**(9.6)**	(11.5)
Share of profit of joint venture		**0.3**	-
Profit before tax	2	**195.2**	168.6
Income tax expense	4	**(47.1)**	(19.0)
Profit for the year attributable to owners of the Company		**148.1**	149.6
Earnings per share – Basic	5	**33.4p**	33.9p
Earnings per share – Diluted	5	**33.2p**	33.6p

GROUP STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 March 2019

	2019 £m	2018 £m
Profit for the year	**148.1**	149.6
Other comprehensive income		
Items that will not be reclassified subsequently to the income statement		
Remeasurement of retirement benefit obligations	**(15.1)**	29.0
Income tax on items that will not be reclassified to the income statement	**2.7**	(4.9)
Items that may be reclassified subsequently to the income statement		
Foreign exchange translation differences	**20.0**	(29.3)
Movement in cash flow hedges	**3.8**	(1.4)
Income tax on items that may be reclassified to the income statement	**(1.4)**	0.3
Other comprehensive income / (expense) for the year	**10.0**	(6.3)
Total comprehensive income for the year attributable to owners of the Company	**158.1**	143.3

GROUP BALANCE SHEET

As at 31 March 2019

	Notes	2019 £m	2018 £m
Non-current assets			
Intangible assets		**320.9**	233.3
Property, plant and equipment		**119.6**	97.3
Investment in joint venture		**0.9**	0.8
Other receivables		**4.3**	5.5
Cross currency interest rate swap	9	**1.8**	0.5
Deferred tax assets		**15.6**	20.2
Total non-current assets		**463.1**	357.6
Current assets			
Inventories	7	**387.2**	331.0
Trade and other receivables	8	**414.7**	294.2
Cash and cash equivalents - cash and short-term deposits	9	**129.2**	122.9
Other derivative assets		**2.7**	0.8
Current income tax receivables		**2.1**	0.9
Total current assets		**935.9**	749.8
Total assets		**1,399.0**	1,107.4
Current liabilities			
Trade and other payables		**(384.5)**	(280.9)
Cash and cash equivalents - bank overdrafts	9	**(78.1)**	(87.5)
Other derivative liabilities		**(0.8)**	(2.8)
Provisions		**(6.9)**	(1.5)
Current income tax liabilities		**(17.2)**	(18.3)
Total current liabilities		**(487.5)**	(391.0)
Non-current liabilities			
Other payables		**(11.4)**	(12.7)
Retirement benefit obligations	10	**(83.6)**	(72.4)
Borrowings	9	**(175.3)**	(100.9)
Provisions		**(1.6)**	(1.2)
Deferred tax liabilities		**(50.3)**	(46.7)
Total non-current liabilities		**(322.2)**	(233.9)
Total liabilities		**(809.7)**	(624.9)
Net assets		**589.3**	482.5
Equity			
Share capital		**44.4**	44.2
Share premium account		**49.6**	47.1
Hedging reserve		**0.2**	(0.5)
Own shares held by Employee Benefit Trust (EBT)		**(1.2)**	(4.2)
Cumulative translation reserve		**61.1**	41.1
Retained earnings		**435.2**	354.8
Equity attributable to owners of the Company		**589.3**	482.5

GROUP CASH FLOW STATEMENT

For the year ended 31 March 2019

	Notes	2019 £m	2018 £m
Cash flows from operating activities			
Profit before tax		**195.2**	168.6
Depreciation and amortisation		**31.9**	25.8
Impairment of intangible assets		**2.2**	-
Loss on disposal of non-current assets		**0.1**	1.7
Equity-settled share-based payments		**7.7**	5.3
Net finance costs		**6.1**	4.0
Share of profit of and dividends received from joint venture		**(0.1)**	0.1
Increase in inventories		**(50.7)**	(36.7)
Increase in trade and other receivables		**(28.7)**	(23.0)
Increase in trade and other payables		**14.6**	21.2
Increase in provisions		**5.9**	1.9
Cash generated from operations		**184.2**	168.9
Interest received		**3.8**	7.5
Interest paid		**(9.9)**	(11.7)
Income tax paid		**(50.8)**	(37.8)
Net cash from operating activities		**127.3**	126.9
Cash flows from investing activities			
Acquisition of businesses		**(34.6)**	-
Cash and cash equivalents acquired with businesses		**1.3**	-
Purchase of intangible assets, property, plant and equipment		**(50.8)**	(24.2)
Net cash used in investing activities		**(84.1)**	(24.2)
Cash flows from financing activities			
Proceeds from the issue of share capital		**2.6**	1.7
Purchase of own shares by EBT		**(2.3)**	(3.5)
Loans drawn down		**97.7**	25.5
Loans repaid		**(70.5)**	(52.8)
Dividends paid	6	**(58.9)**	(55.4)
Net cash used in financing activities		**(31.4)**	(84.5)
Net increase in cash and cash equivalents		**11.8**	18.2
Cash and cash equivalents at the beginning of the year		**35.4**	21.4
Effects of exchange rate changes		**3.9**	(4.2)
Cash and cash equivalents at the end of the year	9	**51.1**	35.4

GROUP STATEMENT OF CHANGES IN EQUITY

For the year ended 31 March 2019

	Share capital £m	Share premium account £m	Hedging reserve £m	Own shares held by EBT £m	Cumulative translation reserve £m	Retained earnings £m	Total £m
At 1 April 2017	44.2	44.5	0.6	(2.3)	70.4	231.6	389.0
Profit for the year	-	-	-	-	-	149.6	149.6
Remeasurement of retirement benefit obligations	-	-	-	-	-	29.0	29.0
Foreign exchange translation differences	-	-	-	-	(29.3)	-	(29.3)
Net loss on cash flow hedges	-	-	(1.4)	-	-	-	(1.4)
Tax on other comprehensive income	-	-	0.3	-	-	(4.9)	(4.6)
Total comprehensive income	-	-	(1.1)	-	(29.3)	173.7	143.3
Dividends (Note 6)	-	-	-	-	-	(55.4)	(55.4)
Equity-settled share-based payments	-	-	-	-	-	5.3	5.3
Shares allotted in respect of share awards	-	2.6	-	1.6	-	(2.5)	1.7
Purchase of own shares by EBT	-	-	-	(3.5)	-	-	(3.5)
Tax on equity-settled share-based payments	-	-	-	-	-	2.1	2.1
At 31 March 2018	44.2	47.1	(0.5)	(4.2)	41.1	354.8	482.5
Profit for the year	-	-	-	-	-	148.1	148.1
Remeasurement of retirement benefit obligations	-	-	-	-	-	(15.1)	(15.1)
Foreign exchange translation differences	-	-	-	-	20.0	-	20.0
Net gain on cash flow hedges	-	-	3.8	-	-	-	3.8
Tax on other comprehensive income	-	-	(1.4)	-	-	2.7	1.3
Total comprehensive income	-	-	2.4	-	20.0	135.7	158.1
Cash flow hedging gains transferred to inventories	-	-	(2.6)	-	-	-	(2.6)
Tax on cash flow hedging gains transferred to inventories	-	-	0.9	-	-	-	0.9
Dividends (Note 6)	-	-	-	-	-	(58.9)	(58.9)
Equity-settled share-based payments	-	-	-	-	-	7.7	7.7
Shares allotted in respect of share awards	0.2	2.5	-	5.3	-	(5.4)	2.6
Purchase of own shares by EBT	-	-	-	(2.3)	-	-	(2.3)
Tax on equity-settled share-based payments	-	-	-	-	-	1.3	1.3
At 31 March 2019	**44.4**	**49.6**	**0.2**	**(1.2)**	**61.1**	**435.2**	**589.3**

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 2019 or 31 March 2018 but is derived from those accounts. The accounts are prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union. Except as described below, they have been prepared on the basis of the accounting policies set out in the Annual Report and Accounts for the year ended 31 March 2018. Statutory accounts for 2018 have been delivered to the Registrar of Companies and those for 2019 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 2019 were approved by the Board of Directors on 20 May 2019.

Changes in significant accounting policies

The Group adopted IFRS 9 'Financial Instruments' and IFRS 15 'Revenue from Contracts with Customers' on 1 April 2018.

Except for the first-time application of IFRS 9 and IFRS 15, the significant judgements made by the Group in applying its accounting policies and the key sources of estimation uncertainty were the same as those applied to the Group accounts for the year ended 31 March 2018.

IFRS 9 'Financial Instruments'

IFRS 9 sets out requirements on the classification and measurement of financial instruments, impairment on financial assets and new general hedge accounting requirements plus expanded disclosures and replaces existing guidance in International Accounting Standard (IAS) 39 'Financial Instruments: Recognition and Measurement'. It replaces the incurred loss model with the expected loss model for assessing impairment of trade receivables and other financial assets. Adoption of IFRS 9 resulted in no adjustments to previously reported results.

IFRS 15 'Revenue from Contracts with Customers'

IFRS 15 establishes a comprehensive framework for determining whether, how much and when revenue is recognised. The standard is based on the principle that revenue is recognised when control of goods or services transfers to the customer. Adoption of IFRS 15 resulted in no adjustments to previously reported results.

Standards or interpretations issued but not yet applied

IFRS 16 'Leases'

IFRS 16 will be adopted by the Group on 1 April 2019 and will result in almost all leases being recognised on the balance sheet, as the distinction between operating and finance leases is removed. Under the new standard, an asset (the right to use the leased item) and a financial liability to pay rentals discounted to present value will be recognised. The only exceptions are short-term leases (or leases that end before 31 March 2020) and leases of low-value assets which will both be recognised on a straight-line basis over the lease term as an operating expense.

The Group will apply the new standard retrospectively with the cumulative effect of applying the new rules recognised in equity as an adjustment to the opening balance of retained earnings on 1 April 2019 and with no restatement of comparative information. Lease liabilities will be measured at the present value of the remaining lease payments discounted at the Group's incremental borrowing rate at 1 April 2019. The Group will then elect on a lease by lease basis whether to measure the right-of-use asset at its carrying amount as if IFRS 16 had applied since the start of the lease discounted using the Group's incremental borrowing rate at 1 April 2019, or at the same value as the lease liability adjusted for any prepaid or accrued lease payments.

As at 31 March 2019, the Group had non-cancellable operating lease commitments of £59.1 million. The Group estimates lease liabilities of £51 million to £54 million and right-of-use assets of £50 million to £53 million will be recognised on the balance sheet at 1 April 2019. The accounting for leases under IFRS 16 will result in higher operating profit, with a lower lease expense partly offset by depreciation of the right-of-use asset, and higher interest expense due to the unwinding of the discount on the present value of the liability. Based on existing leases only, operating profit will increase by approximately £0.7 million and finance costs will increase by £1.0 million, with a net decrease to profit before tax of approximately £0.3 million. Return on capital employed will decrease by approximately 1.6%.

2. Segmental reporting

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

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Year ended 31 March 2019				
Revenue from external customers	**1,210.0**	**483.6**	**190.8**	**1,884.4**
Segmental operating profit	**193.5**	**62.1**	**3.0**	**258.6**
Central costs				**(38.3)**
Adjusted operating profit				**220.3**
One-off pension costs (Note 10)				**(1.8)**
Amortisation of acquired intangibles				**(4.4)**
Substantial reorganisation costs (Note 3)				**(13.1)**
Operating profit				**201.0**
Net finance costs				**(6.1)**
Share of profit of joint venture				**0.3**
Profit before tax				**195.2**
Year ended 31 March 2018 (restated)				
Revenue from external customers	1,083.5	440.8	181.0	1,705.3
Segmental operating profit / (loss)	161.0	51.4	(0.9)	211.5
Central costs				(34.4)
Adjusted operating profit				177.1
Substantial reorganisation costs (Note 3)				(4.5)
Operating profit				172.6
Net finance costs				(4.0)
Profit before tax				168.6

In the following table, revenue is disaggregated by major products / services and sales channels. Of Electronic products / services' revenue £369.6 million is recognised at a point in time and £1.4 million over time (2018: £369.2 million recognised at a point in time and £1.5 million over time). Of Industrial products / services' revenue £1,497.3 million is recognised at a point in time and £16.1 million over time (2018: £1,327.4 million recognised at a point in time and £7.2 million over time).

	EMEA £m	Americas £m	Asia Pacific £m	Group £m
Year ended 31 March 2019				
Major products / services lines				
Industrial products / services	**982.2**	**406.4**	**124.8**	**1,513.4**
Electronic products / services	**227.8**	**77.2**	**66.0**	**371.0**
Group	**1,210.0**	**483.6**	**190.8**	**1,884.4**
Sales channel				
Digital	**846.2**	**202.9**	**111.9**	**1,161.0**
Offline	**363.8**	**280.7**	**78.9**	**723.4**
Group	**1,210.0**	**483.6**	**190.8**	**1,884.4**
Year ended 31 March 2018				
Major products / services lines				
Industrial products / services	854.7	366.2	113.7	1,334.6
Electronic products / services	228.8	74.6	67.3	370.7
Group	1,083.5	440.8	181.0	1,705.3
Sales channel				
Digital	741.6	187.9	105.4	1,034.9
Offline	341.9	252.9	75.6	670.4
Group	1,083.5	440.8	181.0	1,705.3

3. Substantial reorganisation costs

As described in the Annual Report and Accounts for the year ended 31 March 2018, in May 2018 the Group launched a second phase to the Performance Improvement Plan (PIP) which aims to enhance the Group's organisational model and capabilities to drive continued growth and improved profitability and gave rise to the following substantial reorganisation costs, which are excluded from adjusted performance measures:

	2019 £m	2018 £m
Redundancy and associated costs	**13.8**	2.2
Dilapidation costs for leased buildings	**0.1**	-
Onerous lease credits / (costs)	**(0.8)**	2.1
Asset write-offs	**-**	0.2
Total substantial reorganisation costs	**13.1**	4.5

During the year ended 31 March 2018, the Group consolidated its Oxford-based headquarters with its London-based digital office into one enlarged head office and digital hub in King's Cross, London. As a result, onerous lease costs on the Oxford premises as well as redundancy costs associated with the office closure were incurred. Also, the Group incurred some other labour-related restructuring costs, concluding the first phase of the PIP.

On 10 April 2019, the Group completed the assignment of the lease of the Oxford premises to a third party and so during the year ended 31 March 2019 released the surplus onerous contract provision.

4. Income tax expense

	2019 £m	2018 £m
UK taxation	**18.1**	21.2
Overseas taxation	**29.0**	25.7
Significant tax rate change – US deferred tax credit	**-**	(27.9)
	47.1	19.0

The enactment of the US Tax Cuts and Jobs Act in December 2017 lowered the US corporate income tax rate from 35% to 21% from January 2018 and so lowers the effective tax rate. During the year ended 31 March 2018, the US deferred tax balances were remeasured at this new income tax rate resulting in a deferred tax credit of £27.9 million which was excluded from adjusted profit for the year.

5. Earnings per share

	2019 m	2018 m
Weighted average number of shares	**442.9**	441.2
Dilutive effect of share-based payments	**3.3**	4.1
Diluted weighted average number of shares	**446.2**	445.3
Basic earnings per share	**33.4p**	33.9p
Diluted earnings per share	**33.2p**	33.6p

6. Dividends

	2019 £m	2018 £m
Final dividend for the year ended 31 March 2018: 8.0p (2017: 7.3p)	**35.4**	32.2
Interim dividend for the year ended 31 March 2019: 5.3p (2018: 5.25p)	**23.5**	23.2
	58.9	55.4

The proposed final dividend of 9.5p is subject to approval by shareholders at the Annual General Meeting on 17 July 2019 and the estimated amount to be paid of £42.1 million has not been included as a liability in these accounts. This will be paid on 25 July 2019 to shareholders on the register on 14 June 2019 with an ex-dividend date of 13 June 2019.

7. Inventories

	2019 £m	2018 £m
Gross inventories	**415.0**	359.3
Inventory provisions	**(27.8)**	(28.3)
Net inventories	**387.2**	331.0

During the year £8.0 million (2018: £7.9 million) was recognised as an expense relating to the write-down of inventories to net realisable value.

8. Trade and other receivables

	2019 £m	2018 £m
Gross trade receivables	**365.2**	275.5
Impairment allowance	**(3.5)**	(4.8)
Net trade receivables	**361.7**	270.7
Other receivables (including prepayments and accrued income)	**53.0**	23.5
Net inventories	**414.7**	294.2

At 31 March 2019 the largest trade receivable balance was £16.7 million owed by British Steel Limited, of which £6.1 million has been received since the year end and the balance is not yet due.

9. Net debt

	2019 £m	2018 £m
Cash and short-term deposits	**129.2**	122.9
Bank overdrafts	**(78.1)**	(87.5)
Cash and cash equivalents	**51.1**	35.4
Bank facilities repayable after more than one year	**(98.7)**	(29.9)
Private placement loan notes	**(76.6)**	(71.0)
Interest rate swaps designated as fair value hedges	**1.8**	0.5
Net debt	**(122.4)**	(65.0)

Movement in net debt	2019 £m	2018 £m
Net debt at 1 April	**(65.0)**	(112.9)
Net increase in cash and cash equivalents	**11.8**	18.2
Loans and finance leases acquired with businesses	**(42.1)**	-
Loans drawn down	**(97.7)**	(25.5)
Loans repaid	**70.5**	52.8
Translation differences	**0.1**	2.4
Net debt at 31 March	**(122.4)**	(65.0)

10. Retirement benefit obligations

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

	2019 £m	2018 £m
Fair value of scheme assets	**532.4**	511.7
Present value of defined benefit obligations	**(616.0)**	(584.1)
Retirement benefit obligations	**(83.6)**	(72.4)

A past service cost in the UK of £1.8 million relating to the equalisation of guaranteed minimum pensions (GMP) between members of different sexes has been excluded from adjusted profit measures.

11. Acquisitions

On 31 May 2018 the Group acquired 100% of the issued share capital of AGHOCO 1079 Limited and its subsidiaries (IESA), a leading provider of value-added outsourcing services to industrial customers. In line with the Group's strategy, IESA significantly enhances and accelerates the Group's value-added services offering giving it additional capabilities to service corporate customers who choose to outsource their maintenance repair and operations (MRO) and indirect purchases and inventory management. Goodwill is attributable to the synergies which are expected to arise from opportunities to accelerate growth in revenue by increasing the Group's penetration with IESA's customers, plus from opportunities for IESA to grow through benefiting from the Group's global presence.

On 31 January 2019 the Group acquired 100% of the issued share capital of Monition Limited, a UK-based pioneer in the design, development and application of leading reliability and condition-monitoring systems. In line with the Group's strategy, Monition enhances the Group's existing range of value-added solutions. Goodwill is attributable to the synergies which are expected to arise from opportunities to accelerate development of differentiated value-added solutions, plus from opportunities for Monition to benefit from the Group's resources and customers.

The fair value of the net assets acquired, consideration paid and goodwill arising were:

	IESA £m	Monition £m	Total £m
Intangible assets	**45.6**	**1.7**	**47.3**
Property, plant and equipment	**0.9**	**0.2**	**1.1**
Non-current other receivables	**0.9**	**-**	**0.9**
Current trade and other receivables	**87.7**	**1.2**	**88.9**
Cash and cash equivalents – cash and short-term deposits	**1.0**	**0.3**	**1.3**
Current trade and other payables	**(83.4)**	**(0.4)**	**(83.8)**
Borrowings and finance leases	**(42.0)**	**(0.1)**	**(42.1)**
Current income tax (liabilities) / assets	**(1.7)**	**0.1**	**(1.6)**
Deferred tax liabilities	**(7.6)**	**(0.3)**	**(7.9)**
Net assets acquired	**1.4**	**2.7**	**4.1**
Goodwill	**29.5**	**1.2**	**30.7**
Consideration paid – cash	**30.9**	**3.7**	**34.6**
Consideration payable – accrued, due on agreement of completion accounts	**-**	**0.2**	**0.2**

No acquisition-related costs for IESA and acquisition-related costs of £0.1 million for Monition were incurred and included in administrative expenses in the year ended 31 March 2019. The goodwill will not be deductible for tax purposes.

IESA contributed revenue of £27.3 million and profit after tax of £0.8 million and Monition contributed revenue of £0.4 million and loss after tax of £0.1 million to the Group's results since acquisition and are included in EMEA. If the acquisitions had occurred on 1 April 2018, the Group's revenue and profit for the year ended 31 March 2019 would have been £1,892.5 million and £148.0 million respectively.

12. Alternative Performance Measures (APMs)

The Group uses a number of APMs in addition to those measures reported in accordance with IFRS. Such APMs are not defined terms under IFRS and are not intended to be a substitute for any IFRS measure. The Directors believe that the APMs are important when assessing the underlying financial and operating performance of the Group. 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 APMs are used internally for performance analysis and in employee incentive arrangements, as well as in discussions with the investment analyst community. As a result of acquisitions of businesses in the year, the Group has updated its APMs so that like-for-like measures exclude acquisitions and adjusted measures exclude amortisation of intangible assets arising on acquisition of businesses (amortisation of acquired intangibles). Also the definition of free cash flow has been updated to exclude cash spent on the acquisition of businesses and cash and cash equivalents acquired with those businesses. The Directors believe that these changes aid comparison of the underlying performance between reporting years and between businesses with similar assets that were internally generated.

12. Alternative Performance Measures (APMs) continued

Base business

The Group's base business excludes 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.

	2019		
	Base business £m	**Acquisition £m**	**Group £m**
Revenue			
EMEA	**1,182.3**	**27.7**	**1,210.0**
Americas	**483.6**	**-**	**483.6**
Asia Pacific	**190.8**	**-**	**190.8**
Group	**1,856.7**	**27.7**	**1,884.4**
Segmental operating profit			
EMEA	**186.9**	**6.6**	**193.5**
Americas	**62.1**	**-**	**62.1**
Asia Pacific	**3.0**	**-**	**3.0**
Segmental operating profit	**252.0**	**6.6**	**258.6**
Central costs	**(38.3)**	**-**	**(38.3)**
Adjusted operating profit	**213.7**	**6.6**	**220.3**
Adjusted profit before tax	**209.0**	**5.5**	**214.5**
Adjusted earnings per share (EPS)	**36.0p**	**1.0p**	**37.0p**
Adjusted diluted EPS	**35.7p**	**1.0p**	**36.7p**

Like-for-like revenue growth

Like-for-like revenue growth is growth in revenue adjusted to eliminate the impact of acquisitions and changes in exchange rates and 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. This measure enables management and investors to track more easily, and consistently, the underlying revenue performance.

	2019 £m	2018 £m	2018 at 2019 rates and trading days £m	Like-for-like growth %
EMEA	**1,182.3**	1,083.5	1,089.8	8.5%
Americas	**483.6**	440.8	445.5	8.6%
Asia Pacific	**190.8**	181.0	179.7	6.2%
Group's base business	**1,856.7**	1,705.3	1,715.0	8.3%

	£m
Revenue for 2018	1,705.3
Effect of exchange rates	1.3
Effect of trading days	8.4
Revenue for 2018 at 2019 rates and trading days	1,715.0

12. Alternative Performance Measures (APMs) continued

Like-for-like profit growth rates

Like-for-like growth rates are adjusted to exclude the effects of changes in exchange rates on translation of overseas profits. The rates are calculated by comparing the base business for the current year with the prior year converted at the current year's average exchange rates.

	2019	2018	2018 at 2019 rates	Like-for-like growth
	£m	£m	£m	%
Segmental operating profit / (loss) of base business				
EMEA	**186.9**	161.0	160.8	16.2%
Americas	**62.1**	51.4	52.0	19.4%
Asia Pacific	**3.0**	(0.9)	(1.5)	300.0%
Segmental operating profit for base business	**252.0**	211.5	211.3	19.3%
Central costs	**(38.3)**	(34.4)	(34.4)	11.3%
Adjusted operating profit for base business	**213.7**	177.1	176.9	20.8%
Adjusted profit before tax for base business	**209.0**	173.1	173.0	20.8%
Adjusted EPS for base business	**36.0p**	28.4p	28.4p	26.8%

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

	2019 Average	**2019 Closing**	2018 Average	2018 Closing
US dollar	**1.31**	**1.30**	1.33	1.40
Euro	**1.13**	**1.16**	1.13	1.14

Adjusted measures

These are the equivalent IFRS measures adjusted to exclude amortisation of intangible assets arising on acquisition of businesses, substantial reorganisation costs, asset write-downs, one-off pension credits or costs, significant tax rate changes and, where relevant, associated tax effects.

	2019					2018			
	Reported	**Amortisation of acquired intangibles**	**Substantial reorganisation costs (Note 3)**	**One-off pension costs (Note 10)**	**Adjusted**	Reported	Substantial reorganisation costs (Note 3)	Significant tax rate change (Note 4)	Adjusted
	£m	**£m**	**£m**	**£m**	**£m**	£m	£m	£m	£m
Operating profit	[illegible]	**4.4**	**13.1**	**1.8**	[illegible]	172.6	4.5		177.1
Operating profit margin[1]	[illegible]				[illegible]	10.1%			[illegible]
Operating profit conversion[2]	[illegible]				[illegible]	23.0%			[illegible]
Profit before tax	[illegible]	**4.4**	**13.1**	**1.8**	[illegible]	168.6	4.5		173.1
Profit for the year	[illegible]	**3.7**	**10.5**	**1.5**	[illegible]	149.6	3.6	(27.9)	125.3
Basic EPS	[illegible]	**0.8p**	**2.5p**	**0.3p**	[illegible]	33.9p	0.8p	(6.3)p	[illegible]
Diluted EPS	[illegible]	**0.8p**	**2.4p**	**0.3p**	[illegible]	33.6p	0.8p	(6.3)p	[illegible]

[1] Operating profit margin is operating profit expressed as a percentage of revenue.

[2] Operating profit conversion is operating profit expressed as a percentage of gross profit.

12. Alternative Performance Measures (APMs) continued

Free cash flow, adjusted free cash flow and adjusted operating cash flow conversion

Free cash flow is the net movement in cash and cash equivalents before net cash used in financing activities, acquisition of businesses and cash and cash equivalents acquired with businesses. Adjusted free cash flow is free cash flow adjusted for the impact of substantial reorganisation cash flows. Adjusted operating cash flow conversion is adjusted free cash flow before income tax and net interest paid, expressed as a percentage of adjusted operating profit.

	2019 £m	2018 £m
Net increase in cash and cash equivalents	**11.8**	18.2
Add back: cash used in financing activities	**31.4**	84.5
Add back: cash used in acquisition of businesses	**34.6**	-
Less: cash and cash equivalents acquired with businesses	**(1.3)**	-
Free cash flow	**76.5**	102.7
Add back: impact of substantial reorganisation cash flows	**8.0**	2.4
Adjusted free cash flow	**84.5**	105.1
Add back: income tax paid	**50.8**	37.8
Add back: net interest paid	**6.1**	4.2
Adjusted free cash flow before income tax and net interest paid	**141.4**	147.1
Adjusted operating profit	**220.3**	177.1
Adjusted operating cash flow conversion	**64.2%**	83.1%

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

EBITDA is operating profit excluding depreciation and amortisation. Net debt is defined and reconciled in Note 9. Net debt to adjusted EBITDA is the ratio of net debt to EBITDA excluding one-off pension costs and substantial reorganisation costs.

	2019 £m	2018 £m
Operating profit	**201.0**	172.6
Add back: depreciation and amortisation	**31.9**	25.8
EBITDA	**232.9**	198.4
Add back: one-off pension costs	**1.8**	-
Add back: substantial reorganisation costs	**13.1**	4.5
Adjusted EBITDA	**247.8**	202.9
Net debt	**122.4**	65.0
Net debt to adjusted EBITDA	**0.5x**	0.3x

Return on capital employed (ROCE)

ROCE is adjusted operating profit expressed as a percentage of net assets excluding net debt and retirement benefit obligations.

	2019 £m	2018 £m
Net assets	**589.3**	482.5
Add back: net debt	**122.4**	65.0
Add back: retirement benefit obligations	**83.6**	72.4
Capital employed	**795.3**	619.9
Adjusted operating profit	**220.3**	177.1
ROCE	**27.7%**	28.6%

12. Alternative Performance Measures (APMs) continued

Working capital as a percentage of revenue

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

	2019 £m	2018 £m
Inventories	**387.2**	331.0
Current trade and other receivables	**414.7**	294.2
Current trade and other payables	**(384.5)**	(280.9)
Working capital	**417.4**	344.3
Revenue	**1,884.4**	1,705.3
Working capital as a percentage of revenue	**22.2%**	20.2%

Inventory turn

Inventory turn is cost of sales divided by inventories.

	2019 £m	2018 £m
Cost of sales	**1,045.8**	955.5
Inventories	**387.2**	331.0
Inventory turn	**2.7**	2.9

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.

	2019 £m	2018 £m
Depreciation and amortisations	**31.9**	25.8
Less: amortisation of acquired intangibles	**(4.4)**	-
Adjusted depreciation and amortisation	**27.5**	25.8
Capital expenditure	**49.2**	24.9
Ratio of capital expenditure to depreciation	**1.8 times**	1.0 times

SAFE HARBOUR

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 Electrocomponents 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 Electrocomponents 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 Electrocomponents 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, Electrocomponents plc has no intention or obligation to update forward-looking statements contained herein.