RS1 RS Group PLC

RS Group's first half beats its own plan as all three regions return to growth

Following the Half-year Financial Report · 5 November 2026

H1 REVENUE	ADJUSTED OPERATING PROFIT	ADJUSTED OPERATING MARGIN	NET DEBT TO ADJUSTED EBITDA
£1,544m	£142m	9.2%	1.1x
▲ up 10% on £1,403m; 7% like-for-like	▲ up 17% on £122m; 15% like-for-like	▲ up 0.5ppt on 8.7%; mid-teen medium-term target	▲ net debt £369m; covenant below 3.25x

Share price, past 12 months

Daily close; latest price as at 16:29 on 4 November 2026 · Ticker Data API



RS Group's interim results today showed revenue up 10% to £1,544m in the six months to 30 September 2026, with like-for-like growth of 7% and gains in every region: 5% in EMEA, 9% in the Americas and 15% in Asia Pacific. Adjusted operating profit rose 17% to £142m and the adjusted margin widened to 9.2% from 8.7%, helped by a 0.6 percentage point like-for-like gain in gross margin. Management says the half ran ahead of its own expectations, though partly because of easier comparatives. Statutory operating profit rose a more modest 7% to £131m, because the prior half included a one-off legal settlement. Net debt rose to £369m, mostly through new warehouse leases, and leverage stayed at a comfortable 1.1 times adjusted EBITDA. The interim dividend rises 2% to 8.9p.

Over a longer view, the half restores growth after a 2025/26 in which like-for-like revenue fell, but the adjusted margin is only back to the 9.2% of last year, a long way short of the mid-teen target. Company-compiled consensus of £284m adjusted operating profit for the year needs another £142m in the second half. That is roughly flat on last year's second half, while fixed costs are guided up about 7% and freight costs are rising. The balance sheet is not the constraint. The open questions are whether second-half costs can be held, whether the £639m inventory sells through, and how much of the profit gain came from much smaller stock write-downs.

> **“As a result, our performance was ahead of our expectations and well ahead of the prior period, in part due to easier comparatives.”**
>
> **Simon Pryce**, Chief Executive Officer · Half-year Financial Report, 5 November 2026

Every region grew, led by data centres and automation

RS Group distributes industrial and electronic products, more than 875,000 lines from over 2,500 suppliers, to engineers and maintenance teams in 33 markets. Most orders are small and repeat, which is why the group tracks purchasing-manager surveys (PMIs, monthly readings of factory sentiment where above 50 signals expansion). This half PMIs stayed above 50 across its regions. Industrial demand was stronger than RS expected, especially in automation, energy infrastructure and data-centre work.

The Americas grew 9% like-for-like. Strip out RS Integrated Supply (RSIS), the outsourced procurement arm, and growth was 12%. RSIS itself fell 17% after losing customer contracts and starting new ones late. The US and Canada were up 12%, but part of that reflects a soft comparison after last year's digital platform disruption, and excluding that effect growth was 9%. Asia Pacific grew 15%, with Greater China up 32% on electronics and data-centre demand. Australia and New Zealand, a third of the region, managed 1%.

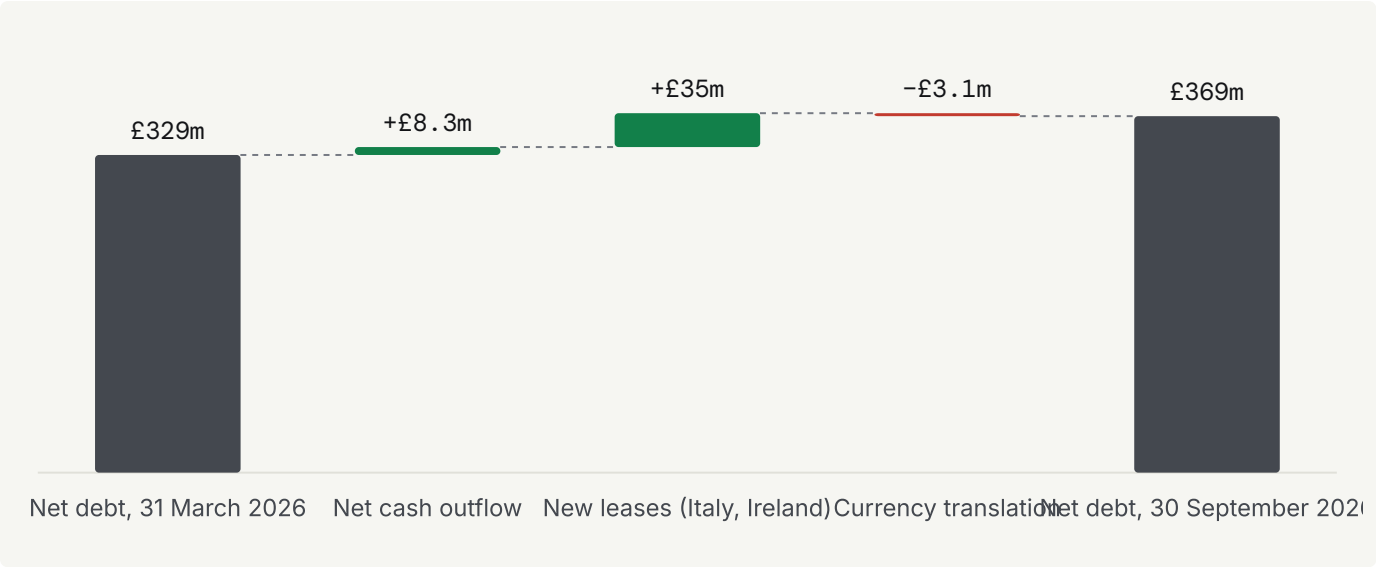
EMEA, the largest region at £946m of revenue, grew 5% like-for-like with volumes up 3%. DACH (Germany, Austria and Switzerland) returned to growth for the first time since 2023/24 as the Distrelec integration recovered. The 2025 acquisition BPX added 4% of regional revenue at lower margins. By product, the electronics-linked categories grew fastest: semiconductors, passives, cables and connectors rose 12%, against 4% for the steadier facilities and maintenance lines.

The strategic measures are moving the right way, though more slowly than the headline. Digital revenue, 58% of the group, grew 5% like-for-like, and only 1% in the Americas on a reported basis. The RS PRO own brand grew 5% and now makes up 14% of revenue, while eProcurement grew 8%. New distribution centres in Italy and Ireland, and a warehouse system upgrade at Nuneaton, are due to go live in the second half. The Italian site carries the robotic automation that RS intends to copy across its regional warehouses, ahead of a three-year ERP upgrade (the back-office system that runs orders and finance) starting in 2027/28.

H1 2026/27	VALUE	CHANGE
EMEA like-for-like revenue growth	5%	+5%
Americas like-for-like revenue growth	9%	+9%
Asia Pacific like-for-like revenue growth	15%	+15%
RSIS like-for-like revenue	-17%	
Digital revenue	£892m	+6% 5% like-for-like
RS PRO share of group revenue	14%	

Sources: Half-year results RNS, 5 Nov 2026

How net debt rose from March to September 2026



Taken from the movements in net debt table in Note 9: the cash outflow is after dividends of £65.7m and £35.3m of buybacks.

Pricing and lower stock write-downs did much of the work

Gross margin rose to 43.4%, a 0.6 percentage point gain like-for-like, which RS puts down to price increases, stronger volumes and cost savings. Adjusted operating costs grew 9% to £528m, slower than revenue, so the adjusted operating margin widened to 9.2%. RS says that, excluding last year's one-off benefits and acquisitions, the underlying margin gain was 1.0 percentage point. Revenue growth contributed 1.3 points, gross margin 0.7 and cost savings 0.6, partly offset by higher fixed costs and staff incentives.

One line deserves more weight than the commentary gives it. The charge for writing inventory down to its sale value was £1.1m this half, against £15.4m a year earlier. Inventory provisions fell to £70.8m from £92.6m, and the provision rate dropped to 10.0% from 11.9%. The Americas gross margin gain explicitly includes inventory provision favourability. RS attributes this partly to selling more slow-moving items. Even so, a swing of about £14m in write-down charges is large against a £20m rise in adjusted operating profit.

The statutory figures are more modest. Operating profit rose 7% to £131m and the statutory margin slipped to 8.5% from 8.7%, because the prior half included £10.5m of legal settlement income from an arbitration over a past acquisition. This half's £11m gap between adjusted and statutory profit is mostly £10.4m of amortisation on acquired intangibles. Central costs rose to £8.0m from £3.0m. The adjusted tax rate edged up to 27% from 26% on a less favourable country mix. Adjusted earnings per share rose 19% to 20.9p, helped by the buyback cutting the weighted share count to 461.2 million from 468.6 million, while statutory EPS rose 7% to 19.0p.

H1 2026/27	VALUE	CHANGE
Gross margin	43.4%	up 0.3ppt; 0.6ppt like-for-like
Adjusted operating costs	£528m	+9%
Inventory write-down expense	£1.1m	−93% against £15.4m in H1 2025/26
Operating profit (statutory)	£131m	+7%
Adjusted basic EPS	20.9p	+19% 16% like-for-like
Basic EPS (statutory)	19p	+7% on 17.7p

Sources: Half-year results RNS, 5 Nov 2026; Half-year results RNS, Note 7, 5 Nov 2026

Net debt rose on leases, not on borrowing for buybacks

Net debt rose £40m over the half to £369m, and £35m of that came from new lease liabilities for the Italy and Ireland distribution centres. Cash flows added only £8.3m, after £65.7m of dividends and £35.3m of share buybacks. Leverage of 1.1 times adjusted EBITDA sits far inside the 3.25 times bank covenant, and EBITA interest cover of 16.3 times compares with a three-times minimum. At 30 September RS had £355m of committed facilities undrawn, none maturing before October 2028. That leaves room for the £60m private placement repayment due in December.

Cash flow was solid but weaker than profit growth. Cash generated from operations fell 5% to £158m because working capital absorbed £20m, against an £11m release a year earlier. Adjusted free cash flow still rose to £93m, which is close to the £88m of statutory profit for the period. The 96% adjusted cash conversion clears the company's 80% target comfortably, but falls short of the 107% reported a year earlier.

Inventory is the item to watch. Stock rose £44m since March to £639m, which RS says supports sales growth, and inventory turn held at 2.7 times. Against September 2025, net stock is up about 7% while revenue is up 10%, so stock has not run ahead of sales. The figures do not show ageing or post-period sell-through. Provisions fell sharply as described above, so if stock built now turns out to be slow-moving, the reversal would show up in margins.

For capital allocation, about £65m of the £100m buyback remains, and the interim dividend will cost an estimated £40.8m. Together that exceeds a repeat of the half's £93m adjusted free cash flow. If stock stops converting to cash, the buyback is the obvious item to slow. Return on capital employed improved to 16.5% from 15.0%, still below the target of more than 20%.

FIGURE	VALUE	CHANGE
Net debt 30 Sep 2026	£369m	+12% up £40m from £329m at 31 Mar 2026
Increase in lease liabilities H1 2026/27	£35m	
Undrawn committed facilities 30 Sep 2026	£355m	
EBITA to interest 30 Sep 2026	16.3x	covenant above 3x
Cash generated from operations H1 2026/27	£158m	−5% on £166m
Adjusted free cash flow H1 2026/27	£93m	+9% on £86m
Inventories 30 Sep 2026	£639m	up £44m since 31 Mar 2026
ROCE 12 months to 30 Sep 2026	16.5%	+15% up from

Sources: Half-year results RNS, 5 Nov 2026

> **“Pricing discipline and our continued focus on operational efficiency delivered improved profitability and strong cash generation ahead of our internal plans, despite increased investment in inventory and unanticipated freight cost increases associated with the ongoing conflict in the Middle East.”**
>
> **Simon Pryce**, Chief Executive Officer · Half-year Financial Report, 5 November 2026

Consensus needs a flat second half, and costs are rising

RS gave no new numerical guidance beyond expecting a stable gross margin and keeping its May guidance for organic investment, restructuring and capital expenditure, which is about £50m of capital spending for the year. It flags tougher comparatives in the second half and Middle East-related freight and fuel costs. Company-compiled consensus for the year to March 2027 is £3,017m of revenue and £284m of adjusted operating profit, up slightly from £3,014m and £282m in July.

Subtracting the first half gives about £1,473m of second-half revenue and £142m of adjusted operating profit, a margin of 9.6%. On the full-year and first-half figures in the report, last year's second half produced about £1,478m of revenue and £143.5m of adjusted operating profit. Consensus therefore assumes a second half roughly flat on a year ago, despite 7% like-for-like growth in the first half. On revenue alone that looks modest.

Costs are the harder part. At a 43.4% gross margin, £1,473m of revenue produces £639m of gross profit, so earning £142m implies adjusted operating costs near £497m. That compares with £528m in the first half and about £502m in last year's second half. Against that, RS guides fixed costs, about 57% of run costs, to grow 7% net of savings in the second half. Variable costs should stay near 14% of revenue. Organic investment was £18m in the first half against £35m-£45m for the year, so £17m-£27m is still to come and RS expects it to accelerate.

If revenue beats consensus, operating leverage can cover the cost growth. If revenue only meets it, the cost guidance makes £142m of second-half profit hard to reach. Interim dividend dates are 19 November (ex-dividend) and 8 January 2027 (payment). The private placement repayment falls in December, and the warehouse go-lives in Italy, Ireland and Nuneaton fall within the second half.

FIGURE	VALUE	CHANGE
Consensus revenue, year to 31 Mar 2027	£3.02bn	
Consensus adjusted operating profit, year to 31 Mar 2027	£284m	+0.7% from £282m in July
H2 fixed cost growth guidance H2 2026/27	approximately 7%	
Full-year organic operating cost investment 2026/27	£35-£45 million	£18 million spent in H1
Capital expenditure guidance 2026/27	c.£50m	

Sources: Half-year results RNS, 5 Nov 2026; Half-year results RNS, 5 Nov 2026; Ticker guidance record, 16 Jul 2026

A recovery already sits in the price

Ticker's market data puts RS Group's market value at £3.63bn, with the shares quoted at 775.50p on 5 November, down 1.78% on the day. Within a 52-week range of 541.50p to 821.71p, the price sits towards the top. Net debt of £369m adds to that equity value. The 22.9p dividend paid for 2025/26 is about 3% of the 775.50p price.

The gauge that matters is profit against history. Adjusted operating profit of £265m in 2025/26 was down from £274m the year before, and statutory operating profit is still below the £280m of 2023/24. Consensus at £284m would be a new high on the adjusted measure, so the shares are priced on an earnings recovery already under way. The higher valuation the medium-term plan would justify depends on a mid-teen margin. RS has not yet shown that, with the half's 9.2% margin matching last year's full-year figure.

The buyback supports the share count. By 23 October, RS had bought 5,908,887 shares for cancellation under the programme. Purchases in October ran between about 745p and 799p a share, and 467,965,228 shares were in issue on 2 November. The chief financial officer bought 125 shares at 683.5p in July. Disclosed short positions add up to 14.44% across ten disclosures. The latest single disclosure, 1.19% on 28 October, suggests the total overstates how much of the stock is currently sold short.

FIGURE	VALUE	CHANGE
Market capitalisation 5 Nov 2026	£3.63bn	
52-week range	541.50p - 821.71p	
Dividend per share, 2025/26	22.9p	+2.2% up from 22.4p
Adjusted operating profit, 2025/26	£265m	−3.3% down from £274m
Shares in issue 2 Nov 2026	467,965,228	
Latest disclosed short position 28 Oct 2026	1.19%	

Sources: Ticker market data; Final results, 20 May 2026 (Ticker reported results record); Total Voting Rights RNS, 2 Nov 2026; Ticker disclosed short positions

Momentum faded before the results, near 754p support

The shares entered results week in a sideways range of roughly 742p to 803p, after a strong run over the past year. On 4 November, the session before the announcement, they fell 3.6% to close at 760p, on volume slightly below the 20-day average. That close sat just above a support level at 753.63p, which the price has tested four times, most recently on 20 October.

The longer trend is intact: the 50-day moving average crossed above the 200-day in early June and both are still rising. Short-term momentum had weakened, though. The price was below its 20-day and 50-day averages, and the October high at 803p came without a matching high in momentum indicators, a divergence that often comes before a pause. The trend-strength reading was low, so neither direction had control.

Three levels stand out. A close back above the 780p-807p band, and especially above 803p, on heavier volume would show buyers backing the recovery. A close below that 753.63p support would open the way to the next support near 707p, about 7% lower. Anything between would leave the chart undecided.

FIGURE	VALUE	CHANGE
Share price quoted 5 Nov 2026	775.5p	−1.8% on the day
52-week high	821.71p	

Sources: Ticker market data

The case for and against

FOR

The case for starts with breadth. Like-for-like growth came from price and volume in all three regions, and the gross margin gain came with a falling ratio of costs to revenue. Profit is backed by cash: adjusted free cash flow of £93m exceeded statutory profit even after a £20m working capital build. Management has a decent near-term record. It warned in March that 2025/26 like-for-like revenue would fall about 0.6%, then delivered £265m of adjusted operating profit, in line with consensus, and this half ran ahead of its own plan. Consensus implies a second half in line with last year, so continued growth even at a slower pace would put £284m within reach. The balance sheet, at 1.1 times leverage with £355m undrawn, leaves room for investment, the dividend and the rest of the buyback. If the new Italian and Irish warehouses go live cleanly, they could produce the operating leverage the mid-teen margin target needs.

AGAINST

The case against starts with quality. Statutory operating profit grew 7%, and management itself credits easier comparatives. More than £14m of the year-on-year profit improvement came from lower inventory write-downs, just as stock rose £44m. Fixed costs are guided up 7%, £17m-£27m of organic investment is still to come, and freight and fuel costs were not in the plan. Brent crude was at $103.31 on 4 November. Longer supplier lead times can prompt customers to order early to secure supply, and orders placed that way can reverse. The margin is still 9.2%, return on capital 16.5%, and digital growth in the Americas was 1%. Those numbers do not yet support the medium-term targets, and the share price already reflects a recovery.

WHAT TO WATCH

The next six months will show which reading holds. The first test is RS's next trading update: whether like-for-like growth in EMEA and the Americas holds near first-half rates against tougher comparatives, and whether gross margin holds at 43.4% as guided. The second is the cost line, where second-half adjusted costs need to stay close to last year's level for the £142m implied profit to arrive. The third is inventory: whether working capital releases cash in the second half, whether provisions rise again, and whether net debt falls back after the December note repayment. Clean go-lives in Italy, Ireland and Nuneaton, and any change to the pace of the buyback, will show how management reads its own cash flow.

Risks

- Second-half cost growth: fixed costs are guided up 7% and £17m-£27m of organic investment remains, while consensus implies second-half adjusted costs below both this half's and last year's level.

- Inventory: stock rose £44m to £639m while provisions fell to a 10.0% rate, so slower sell-through could bring write-downs back into the margin.
- Freight and fuel: unanticipated Middle East-related freight costs have already appeared, and the ability to pass them on to customers without losing volume is untested.
- Demand pulled forward: longer supplier lead times may have encouraged precautionary ordering that reverses when supply normalises, against tougher second-half comparatives.
- Execution: the Italy, Ireland and Nuneaton go-lives all fall in the second half, ahead of a three-year ERP programme starting in 2027/28, and past system changes at Distrelec and in the US disrupted trading.
- Currency: RS does not hedge translation, and a one cent move in the euro changes annual adjusted profit before tax by £1.8m.
- RSIS: the outsourced procurement business fell 17% like-for-like on contract churn and slow new-contract ramp-up.

THE OTHER VIEW

A more sceptical reading treats this half as a cyclical rebound flattered by the accounts. Management attributes part of the growth to easier comparatives, and the comparison base was unusually weak: the US business was recovering from its own platform disruption and EMEA from the Distrelec warehouse move. Inventory write-downs fell to £1.1m from £15.4m and the provision rate dropped to 10.0% from 11.9%, so more than £14m of the £20m rise in adjusted operating profit lines up with lower stock charges. That happened just as gross stock climbed to £709.9m. If customers are building buffers because supplier lead times are lengthening and freight is disrupted, some of the current demand is borrowed from 2027. The stock bought to meet it could then need provisions again, reversing the margin gain. On costs, consensus implies second-half adjusted costs of about £497m, below both this half's £528m and last year's second-half level, while management guides fixed costs up 7% and investment higher. On that reading the 9.2% margin is a cyclical recovery to last year's level, and the mid-teen target remains as distant as before.

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