



## RS Group

Industrials, benefitting from digitalisation and a broad range of products and services

### FIRST BOUGHT

April 2017.

### WHAT IS IT?

A UK-based global distributor of industrial and electronic products and services.

### WHY DO WE OWN IT?

RS Group<sup>1</sup> is one of a few distributors with a global presence and superior digital capabilities in a fragmented and digitally immature industry. It has continued to grow its market share — versus primarily small local or regional players — after its former CEO, Lindsley Ruth, transformed the company through an ambitious improvement agenda. We think he has put into place an excellent management team that should support the company's future growth plans. We have also been impressed with the level of the distributor's customer service, one-stop-shop experience, diverse revenue mix by region (mostly generated online outside the UK), and its omni-channel business model (which includes providing expert advice from a technical

sales team). RS Group's extensive and broadening product range and industry-leading availability mean that its customers increasingly rely on the company to ensure continuity of their own businesses. In addition, RS Group has also increased its warehouse capacity in Europe and the US to allow for further product ranges, which we believe is potentially a key driver for future growth; in our view, this marries well with its high level of inventory and buffer stock to maintain service quality and delivery capability, even in case of supply disruptions.

### COMPETITIVE ADVANTAGE – A FOCUS ON VALUATIONS

Due to a period of share-price weakness in 2023 owing, in part, to cyclical concerns — transitory in our view — in its electronics business along with several management changes, we think that the market undervalues the growth opportunity for the business. In our view, the company has the potential to be able to consistently deliver high single-digit growth. We think it can continue increasing its sales and drive further growth, which, if achieved, should lead to attractive shareholder returns.

### KEY POINTS FOR RS GROUP

- A digital-first industrials and electronics distributor with a diverse product range and a global presence
- Its differentiated omni-channel business model marries superior digital capabilities with expert advice from a technical sales workforce
- Acquisitions of smaller competitors have helped expand the company's presence in continental Europe and Latin America

### CONSIDER THE RISKS

Investors should consider the risks that may impact their capital, before investing. The value of your investment may fluctuate from the time of the original investment. Please refer to the risks section enclosed. Past performance is not a guide to future performance. A decision to invest should take account of all the characteristics and objectives described in the prospectus and KIID/KID and/or offering documents. Please refer to the sustainability related disclosures for information on the commitments of the portfolio: [www.wellington.com/en/legal/sfdr](http://www.wellington.com/en/legal/sfdr).

<sup>1</sup>All figures mentioned in this document, unless stated otherwise, have been taken from this website: [www.rsgroup.com](http://www.rsgroup.com), as of 31 March 2023.

### FOR PROFESSIONAL, ACCREDITED INVESTORS AND WHOLESALE CLIENTS ONLY.

This is a marketing communication. Please refer to the prospectus of the Fund and to the KIID/KID and/or offering documents before making any final investment decisions. The example shown is for illustrative purposes only. It should not be assumed that an investment in the example has been or will be profitable. The commentary should not be taken as advice on an individual stock. Please refer to the annual and semi-annual report for the full holdings.



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**Please refer to the Fund offering documents for additional information on the risks associated with investing.**

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