# Chairman's letter

### **DEAR SHAREHOLDER**

### **Results overview**

It is a pleasure to report that the Group's performance has benefited from the investments in previous years and the recent strengthening of our markets. The year's results also demonstrate the inherent quality and attraction of the Group's business model, with sales growing by 0.9% to  $\pounds759.3m$  and profits by 1.1% to  $\pounds106.9m$  (on a like-for-like basis).

Notable features of the year's performance are:

- a) Strong growth in Allied and Japan
- b) The launch of a same-day despatch offer in Shanghai in China

c) Rapid growth of e-Commerce sales, which now represent 17% of Group sales (13% at the end of last year).

The Groupwide Processes continue to deliver cost and service advantages to all our operating companies, enabling us to build operational gearing.

The Board has conducted a penetrating review of the strategy and the long term prospects for the Group. This has reaffirmed its view that 'The Prize' concept and its attraction for value creation is realistic.

# Dividend

The Board recommends that the final dividend be increased by 7.2% to 12.6p, giving 18.2p for the year, a 7.1% annual increase.

Though the reported earnings per share (before amortisation of goodwill) of 17.5p do not fully cover the recommended total dividend, dividend growth this year is underpinned by the cash generation of our businesses and is covered by free cash flow. The Board's dividend decisions continue to be based on such considerations, together with its assessment of the Group's medium term growth opportunities which we believe will increase the dividend cover over time.

## **Board and Employees**

David Winterbottom will be retiring at the AGM after 13 years as a Non-Executive Director. His career with Electrocomponents has overseen many changes resulting in the focused international Group that we are today. Throughout his career with Electrocomponents, he has been a bulwark of shareholder interests. We wish him and his wife, Gillian, many happy years of well-earned retirement.

Upon David's retirement, Nick Temple, the longest serving UK based director, will become the Company's Senior Independent Director. The search for David's replacement has commenced, and it is anticipated that an appointment will be made during this year.

The Board has met eleven times in the year, including full Board visits to Allied in Fort Worth, Texas and to RS UK in Corby. These visits are an important part of the Board process and provide a valuable insight into the front line operations of the Group.

The executive team has focused resources on driving growth in the business through service. These efforts have not only returned the business to growth overall but have reaffirmed our service leadership, as assessed by customers. Outstanding service is delivered by all our people, each making their individual contribution, and I would like to express the Board's thanks for all their hard work and attention to detail. Our reputation in the market places that we serve is hard won, and the greater challenge is to maintain and indeed improve these standards in tough, demanding markets. The employees of your company have achieved these objectives in an exemplary manner.

## Outlook

**Bob Lawson** 

The encouraging trends of the second half have continued since the year end, supported by the improved market confidence reflected by the Purchasing Managers' Indices. Nevertheless continued caution remains appropriate.

We remain firmly committed to the successful execution of our strategy and generating the high returns for shareholders that will result.



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