

Our Business Model

Making us essential to our customers



What we put in

Essential Products

Our businesses focus on supplying essential products and services funded by customers' operating rather than capital budgets and supplied across a range of specialised industry segments.



The majority of the Group's revenues are generated from consumable products. In many cases, the products will be used in repair and maintenance applications and refurbishment and upgrade programmes, rather than supplied to original equipment manufacturers.

Essential Solutions

Our businesses design their individual business models to provide solutions which closely meet the requirements of their customers.



The solutions can be in the form of:

- Highly responsive customer service, such as the next day delivery from stock of essential, but low value items.
- Deep technical support, where we work closely with our customers in designing our products into their specific applications.
- Added value services which, if we did not provide these services, customers would have to pay others to provide them or would require them to invest in additional resources of their own.

Essential Values

We encourage an entrepreneurial culture across our businesses, through a decentralised management structure.



We want the managers to feel that they have the freedom to run their own businesses, while being able to draw upon the support and resources of a larger group where this is beneficial.

Within our businesses we have strong, self-standing management teams who are committed to and rewarded according to the success of their businesses.

What we get out

Recurring income and stable revenue growth

Our focus on essential products and services contributes to the Group's record of stable revenue growth over the business cycle.

Our businesses target GDP plus levels of organic revenue growth, over the economic cycle, with higher growth rates achieved at the Group level through carefully selected value enhancing acquisitions.

Sustainable and attractive margins

By supplying solutions, not just products, we build strong long term relationships with our customers and suppliers, supporting sustainable and attractive margins.

Our businesses achieve sustainable and attractive gross margins by offering strongly differentiated products and customer focused solutions within specialised market segments. By running efficient operations, these gross margins are converted into healthy operating margins.

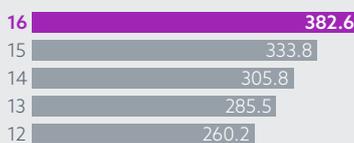
Agility and responsiveness

Our decentralised organisational model ensures that decisions are made close to the customer and that the businesses are agile and responsive to changes in the market and the competitive environment.

Agility and responsiveness in the businesses ensure close management of operating costs and working capital and deliver strong free cash flow.

KPIs

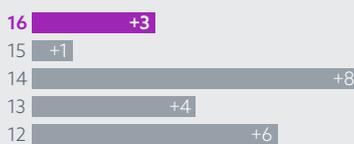
Total revenue growth (£m)



+11% p.a.

Five-year compound

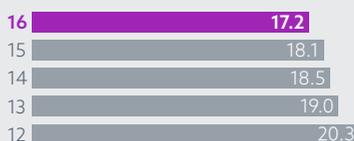
Underlying revenue growth (%)



+4% p.a.

Five-year average

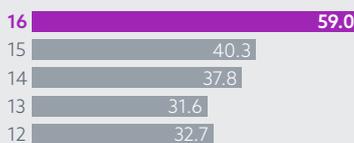
Adjusted operating margins (%)



18-19%

Five-year average

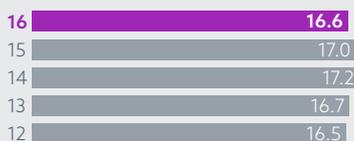
Cash flow (£m)



£40m p.a.

Five-year average

Working capital (%)



16-17%

of revenue

