

Half Year Results

Cake Box Holdings PLC
 14 November 2023

Cake Box Holdings plc
 ("Cake Box", "the Company" or "the Group")
Unaudited Half Year Results for the six months ended 30 September 2023
Increase in revenues, profits, dividends and cash
Confident outlook, supported by investments in future growth platforms

Cake Box Holdings plc, the specialist retailer of fresh cream cakes, today announces its half-year results for the six months ended 30 September 2023.

Sukh Chamdal, Chief Executive Officer, commented

"We have performed well in the first half of the year, generating strong growth across key financial metrics and making further progress on our strategy. We achieved double digit increases in profits, cash and dividends, as raw material and input costs stabilised, and we started to benefit from the recent investments we have made in the business to drive growth.

As outlined in our recent Capital Markets Event, our new website has increased online sales and improved customer experience and loyalty, while brand awareness continues to increase as a result of the success of our marketing campaigns (including national radio) and multi-channel expansion.

Our franchise proposition remains attractive with nine new franchise stores opening over the period and a strong pipeline of future openings. We continue to engage with property consultants to identify target growth areas, which will help us reach our 400-store target over the medium term. We are also excited to launch our new Cake Box identity in the second half of the year, which will broaden the appeal of our brand to new customers and demographics, amplifying the opportunity for new store openings.

While we are mindful of the ongoing macro-economic uncertainty, customer demand remains robust, demonstrating Cake Box's enduring appeal. We enter the second half with momentum and are on track to deliver full year performance in line with market expectations. The Board remains confident in the Company's long-term prospects, underpinned by our ambitious growth strategy, the attractiveness of the brand and focused investment programme."

Financial Highlights

	Half year ended 30 September 2023	Half year ended 30 September 2022	Change* %
Revenue	£18.0m	£16.8m	6.8%
Gross profit	£8.9m	£8.0m	11.0%
EBITDA**	£3.1m	£2.8m	10.4%

Pre-tax profit	£2.4m	£2.0m	18.0%
Net cash	£5.9m	£4.2m	41.8%
Cash at Bank	£7.1m	£5.5m	30.6%
Earnings per share	4.45p	3.72p	19.6%
Interim dividend	2.90p	2.625p	10.5%

*Change % is calculated on the figures included in consolidated statement of comprehensive income and consolidated statement of financial position

**EBITDA is calculated as operating profit before depreciation and amortisation

- Group revenues up 6.8% to £18.0m (H1 FY23: £16.8m).
 - Driven by increased volumes from 20 stores opened in the prior year and 9 new stores opened in the six months to 30th September 2023
- The trading momentum for franchise store sales improved from the second half of the prior year, with like-for-like sales growth of 6.2% for the six months ended 30 September 2023.
- Gross margins increased to 49.6% (H1 FY23:47.7%) due to the partial easing of input cost increases and enhanced yield benefits achieved in the distribution centres.
- Continued balance sheet strength with net cash increasing to £5.9m (H1 FY23: £4.2m).
- Interim dividend up 10.5% to 2.9p per share reflecting the Group's progressive dividend policy and continued strong cash generation.

Operational highlights

- Franchise stores in operation increased to 214 as at 30 September 2023 (30 September 2022: 196).
- Nine new franchise stores added in the period (H1 FY23: 11 new franchise stores), entering new geographies such as Liverpool, Cambridge and Cheadle.
- Successful investments in growth platform, including:
 - New website launched in June 2023
 - Launch of our new CRM system in May 2023
 - £2m co-funded annual marketing fund agreed with our franchisees, to drive sales growth, raise brand awareness, broaden the customer base and evolve the brand
- Continued innovation for growth through new product development.
 - Summer launch of new premium Mango range proved very popular
- Effectively managing cost pressures, particularly through established supplier relationships.

Franchise store highlights

- Franchise store sales up 12.9% to £36.1m (H1 FY23 £31.8m).
- Franchise total sales including kiosks up 10.7% to £38.5m (H1 FY23 £34.8m).
- Franchisee online sales increased 15.1% to £7.7m (H1 FY23: £6.7m).
- Number of multi-site franchisees increased to 46 (H1 FY23: 43).

Current trading and outlook

- Trading has continued positively post the half year, with total franchise sales 5.1% ahead in October 2023 compared with the same period in the prior year and online sales increasing 12.8% versus last year.
- On track to deliver a full year performance in line with market expectations.

*Like-for-like: Stores trading for at least one full financial year prior to 30 September 2023

Webcast recording

A recording of the results presentation webcast will be available via the following link: <https://brrmedia.news/CBOXHYR>

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Operational and Financial Review

Strong first half performance

Our trading momentum continued through the first half of the year, with revenue growth of 6.8% and an increase in total franchise store sales of 12.9%, reflecting the strength of our proposition and continued robust customer demand. Franchise store like-for-like sales were up 6.2% (H1 FY23: down 1.6%) for the first half of the new financial year, compared to 3.4% H2 FY23.

In June 2023, we launched our new website and at the same time invested in expanding our marketing team, which has helped to increase our online sales by 15.1% year on year. Our new website is delivering a consistent increase in online sales month on month. Our new site improves our position by giving our customers a better user experience and in doing so, increases conversion rate and customer loyalty. The site is data driven and automated to deliver bespoke marketing campaigns to increase customer lifetime value.

New product development once again played a vital role in our strong trading performance, with the launch of our new premium Mango range, proving very popular amongst our customers. The release of new premium ranges continues to support our franchisee's ability to grow their margins through pricing.

Strategic progress with franchisee funding and marketing initiatives

During the period, we created a £2m co-funded annual marketing fund with our franchisees to drive brand awareness, broaden the customer base and evolve the brand. The fund will be utilised with the aim of creating the leading multi-channel cake business in the UK. A large proportion of the fund is being allocated for digital and social media marketing, and we are making good progress as we build on Cake Box's already strong 40% brand awareness. Both our national radio advertising campaigns, which went live in September 2023, and our outdoor advertising have been favourably received by our customers, driving increased demand.

Customer data is becoming central to our marketing strategy, and we have experienced strong growth since launching our new CRM system in May 2023. Our marketing database grew by 50%, from 200k to 300k in the five months to 30 September 2023, while our new SMS subscriptions went from zero to 80k in the same period. We expect our database to significantly increase as the investments we have made continue to deliver greater awareness and appeal.

Continued expansion in the franchise store estate

The confidence of our franchisees in our proposition continues with the opening of a further nine franchise stores during the period, despite the sharp rise in UK base interest rates. As a result, the total number of stores at 30 September 2023 rose to 214 (H1 FY23: 196).

New locations added in the period include Liverpool, Cambridge and Cheadle, where we have identified compelling growth opportunities and anticipate strong customer demand.

We now have 95 franchisees with 46 of them owning more than one store, with these multi store franchisees operating a total of 165 sites out of the total 214 stores. We continue to identify growth franchisees who are performing well and are ambitious, harnessing their entrepreneurial skills and supporting them in taking on additional sites.

Demand for new stores remains high, with 44 deposits held at the end of the period. Of these 44 deposits, 20 are from existing franchisees. As outlined at our recent Capital Markets Event, we continue to engage with our property consultants and franchisees as we identify new attractive target geographies to enhance growth.

Gross margin improvement

During the half-year, we saw a reduction and stabilisation of certain input costs, most noticeably in fuel and utility prices, which will benefit both franchisees and our Group profitability. This, coupled with the actions we have taken to improve efficiency in the business, supported a rise in our gross margin to 49.6% and an 18.0% increase in profit before tax.

Although our pricing strategy remains continually under review, we have been mindful to not increase pricing to our franchisees and likewise to their customers and maintain the value proposition, during the current period of heightened cost-of-living challenges.

Invested for growth opportunities

Since our IPO we have invested £7.7m, primarily on expanding and enhancing our production, warehousing and distribution capabilities. During that time, we have also focused on enhancing our IT and e-commerce to capitalise on our significant growth opportunities.

In addition, we have strengthened our management team, as well as bolstering the teams within the business, who will all be integral in delivering our strategy. These changes implemented across the 2023 financial year and the first half of the current year, have resulted in a planned increase in administration costs in the period to £6.4m (H1 FY23: £5.9m).

Balance Sheet and cashflow

The Group's balance sheet remains strong, underpinned by the highly cash generative nature of our business model. Cash at period end was £7.1m, up 30.6% from the same point last year, which is post paying a final dividend of £2.2m in August 2023. The Group's net cash position increased, by 41.8% to £5.9m (H1 FY23: £4.2m).

Dividends

In line with our progressive dividend policy which reflects our cash generation, earnings progression and confidence in our outlook, today we are declaring an interim dividend of 2.9 pence per share representing an increase of 10.5% from last year. The interim dividend will be paid on 15 December 2023 to those shareholders on the register at the close of business on 24 November 2023. The ex-dividend date is therefore 23 November 2023.

Board update

On 30 October 2023, the Board was delighted to announce the appointment of independent Non-Executive Director, Martin Blair as Non-Executive Chairman of the Company. He replaced Nilesh ("Neil") Sachdev who, after more than five years in the role, stepped down from the Board on 31 October 2023 to concentrate on his growing commitments outside of Cake Box.

Martin has a deep knowledge of Cake Box and its strategy, having sat on the Board as an Independent Non-Executive Director and chair of the Audit Committee, since the Company was admitted to trading on the AIM market of the London Stock Exchange in June 2018.

As announced at the same time, another of the Company's independent Non-Executive Directors, Adam Batty, was appointed to the role of Senior Independent Director. The Board has initiated a process to recruit a new independent Non-Executive Director to chair the Audit Committee. A further announcement will be made in this regard in due course. Until such time, Martin will continue to chair the Audit Committee.

Outlook

The investments made in our business continue to make a positive impact, with our marketing campaigns and improvements in digital, increasing brand awareness and driving online sales growth. This has supported ongoing trading momentum into H2 2024, with total franchise sales 5.1% ahead in October 2023.

Our engagement with property consultants and franchisees to identify target growth areas for new openings is progressing well and we are confident of reaching our medium-term store estate targets.

Cake Box's proposition continues to evolve, with an exciting range of new products in development and the launch of our new brand identity set for the second half, which will broaden the appeal of the Cake Box brand.

Whilst we remain mindful of the ongoing macro-economic challenges, consumer demand remains robust, and the Group's is on track to deliver a full year performance in line with market expectations. The Board remains confident in Cake Box's long term growth potential, underpinned by its attractive customer and franchisee proposition, strong balance sheet and ongoing investment in the business.

CAKE BOX HOLDINGS PLC				
UNAUDITED CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023				
		6 months to 30 September 2023 (unaudited)	6 months to 30 September 2022 (unaudited)	12 months to 31 March 2023 (audited)
	Note	£	£	£
Revenue	2	17,960,580	16,822,209	34,800,941
Cost of Sales		(9,047,974)	(8,791,924)	(17,626,671)
Gross profit		8,912,606	8,030,285	17,174,270
Administrative Expenses		(6,454,032)	(5,933,111)	(11,595,228)
Operating Profit		2,458,574	2,097,174	5,579,042
Finance income		44,130	6,711	25,019

Finance expenses		(107,593)	(73,839)	(160,494)
Profit before income tax		2,395,111	2,030,046	5,443,567
Income tax expense		(615,344)	(541,563)	(1,206,896)
PROFIT AFTER INCOME TAX		1,779,767	1,488,483	4,236,671
OTHER COMPREHENSIVE INCOME FOR THE PERIOD				
Items that will not subsequently be classified to profit or loss				
- Revaluation of freehold property		-	-	187,665
-Deferred tax on revaluation of freehold property		-	-	(35,656)
Total other comprehensive income for the period		-	-	152,009
TOTAL COMPREHENSIVE INCOME FOR THE PERIOD		1,779,767	1,488,483	4,388,680
EARNINGS PER SHARE - pence				
Basic	5	4.45	3.72	10.59
Diluted	5	4.45	3.72	10.59

CAKE BOX HOLDINGS PLC				
UNAUDITED CONSOLIDATED STATEMENT OF FINANCIAL POSITION AS AT 30 SEPTEMBER 2023				
		6 months to 30 September 2023 (unaudited)	6 months to 30 September 2022 - as restated (unaudited)	12 months to 31 March 2023 (audited)
	Note	£	£	£
ASSETS				
Non-current assets				
Intangible assets		480,924	107,273	399,186
Property, plant and equipment		11,095,006	10,973,813	11,267,783
Right-of-use assets		2,424,520	2,724,460	2,574,490
Other financial assets		562,931	595,314	508,532
		14,563,381	14,400,860	14,749,991
Current Assets				
Inventories		2,426,905	2,577,643	2,790,724
Trade and other receivables		2,188,484	2,962,332	2,683,621
Other financial assets		364,412	252,488	245,880
Cash and cash equivalents		7,135,660	5,464,364	7,353,583
		12,115,461	11,256,827	13,073,808
TOTAL ASSETS		26,678,842	25,657,687	27,823,799
EQUITY AND LIABILITIES				
EQUITY				
Issued share capital	4	400,000	400,000	400,000
Capital redemption reserve		40	40	40
Revaluation reserve		3,786,743	3,616,383	3,786,743
Retained earnings		13,132,338	12,209,822	13,552,572
EQUITY attributable to the owners of the parent company		17,319,121	16,226,245	17,739,355
Current liabilities				
Trade and other payables		3,116,420	2,996,742	3,766,413
Lease liabilities		275,224	213,963	270,117
Short-term borrowings		96,295	167,754	104,498
Current tax payable		401,736	749,834	294,262
Provisions		243,100	243,100	243,100
		4,132,775	4,371,393	4,678,390
Non-current liabilities				
Lease liabilities		2,290,940	2,617,568	2,429,838
Borrowings		1,092,082	1,101,223	1,132,292
Deferred tax liabilities		1,843,924	1,341,258	1,843,924
		5,226,946	5,060,049	5,406,054
TOTAL LIABILITIES		9,359,721	9,431,442	10,084,444
TOTAL EQUITY & LIABILITIES		26,678,842	25,657,687	27,823,799

	Share capital	Capital redemption reserve	Revaluation reserve	As restated - Retained earnings	Total
	£	£	£	£	£
At 1 April 2022	400,000	40	3,634,734	12,475,030	16,509,804
Adjustment to asset lives*	-	-	-	330,812	330,812
Deferred tax on adjustment to asset lives	-	-	-	(62,854)	(62,854)
At 1 April 2022 - as restated	400,000	40	3,634,734	12,742,988	16,777,762
Total comprehensive income for the period	-	-	-	1,488,483	1,488,483
Transfer of excess depreciation on revalued assets	-	-	(18,351)	18,351	-
Dividends paid	-	-	-	(2,040,000)	(2,040,000)
At 30 September 2022	400,000	40	3,616,383	12,209,822	16,226,245
Total comprehensive income	-	-	-	2,748,188	2,748,188
Revaluation of freehold property	-	-	187,665	-	187,665
Deferred tax on revaluation of freehold property	-	-	(35,656)	-	(35,656)
Tax rate changes	-	-	-	(337,088)	(337,088)
Transfer of excess depreciation on revalued assets	-	-	18,351	(18,351)	-
Dividends paid	-	-	-	(1,050,000)	(1,050,000)
At 31 March 2023	400,000	40	3,786,743	13,552,571	17,739,354
Total comprehensive income	-	-	-	1,779,767	1,779,767
Dividends paid	-	-	-	(2,200,000)	(2,200,000)
At 30 September 2023	400,000	40	3,786,743	13,132,338	17,319,121

* During the prior financial year, the Directors reviewed the fixed assets category and made adjustments to change the asset lives of various assets and determined that some assets were still being used by the business despite being almost fully depreciated.

CAKE BOX HOLDINGS PLC			
UNAUDITED CONSOLIDATED CASH FLOW STATEMENT FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023			
	6 months to 30 September 2023 (unaudited)	6 months to 30 September 2022 (unaudited)	12 months to 31 March 2023 (audited)
	£	£	£
Cash flows from operating activities			
Profit before income tax	2,395,111	2,030,046	5,443,567
Adjusted for:			
Depreciation	421,366	520,309	777,571
Depreciation of right-of-use assets	149,970	149,970	299,940
Amortisation of intangible assets	53,504	26,035	54,110
Profit on disposal of tangible fixed assets	-	(34,204)	(50,733)
Decrease/(Increase) in inventories	363,819	(108,722)	(321,803)
Decrease/(Increase) in trade and other receivables	495,137	(409,123)	(360,950)
(Increase)/decrease in other financial assets	(172,932)	219,804	263,307
(Decrease)/Increase in trade and other payables	(649,993)	335,371	1,105,042
Increase in provision	-	-	280,425
Share based payment provision	-	-	-
Finance income	(44,130)	(6,711)	(25,019)
Finance expense	151,723	73,839	160,494
Cash generated from operations	3,163,575	2,796,614	7,625,951
Taxation paid	(507,876)	(350,100)	(1,341,087)
Net cash inflow from operating activities	2,655,699	2,446,514	6,284,864
Cash flows from investing activities			
Proceeds from sale of property, plant and equipment	-	34,204	61,003
Purchase of property, plant and equipment	(383,825)	(1,267,412)	(1,961,233)
Finance income	44,130	6,711	25,019
Net cash flows from investing activities	(339,695)	(1,226,497)	(1,875,211)
Cash flows from financing activities			
Repayment of finance leases	(133,792)	(128,618)	(260,192)

Repayment of borrowings	(48,412)	(84,754)	(116,942)
Dividends paid	(2,200,000)	(2,040,000)	(3,090,000)
Finance expense	(151,723)	(73,839)	(160,494)
Net cash flows from financing activities	(2,533,927)	(2,327,211)	(3,627,628)
Net increase in cash and cash equivalents	(217,923)	(1,107,194)	782,025
Cash and cash equivalents brought forward	7,353,583	6,571,558	6,571,558
Cash and cash equivalents carried forward	7,135,660	5,464,364	7,353,583

CAKE BOX HOLDINGS PLC
NOTES TO THE INTERIM ACCOUNTS
FOR THE SIX MONTHS ENDED 30 SEPTEMBER 2023

1. Notes to the Interim Report

Basis of preparation

The consolidated half-yearly financial statements do not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. The statutory accounts for the year ended 31 March 2023 have been filed with the Registrar of Companies at Companies House. The auditor's report on the statutory accounts for the year ended 31 March 2023 was unqualified, did not include any matters to which the auditor drew attention by way of emphasis and did not contain any statements under Section 498 (2) or (3) of the Companies Act 2006.

The published financial statements for the year ended 31 March 2023 were prepared in accordance with the recognition and measurement principles of UK adopted International Financial Reporting Standards ("UK adopted IFRS") that are expected to be applied in the preparation of the next annual report.

The consolidated annual financial statements of Cake Box Holdings Plc for the year ended 31 March 2024 will be prepared in accordance with IFRS. Accordingly, these interim financial statements have been prepared using accounting policies consistent with those which will be adopted by the Group in the financial statements for the year ended 31 March 2024, but do not contain all the information necessary for full compliance with IFRS.

The consolidated half-yearly financial statements for the six months to 30 September 2023 have not been audited or reviewed by auditors.

The consolidated half-yearly financial statements have been prepared under the going concern assumption and historical cost convention as modified by fair value for property, plant and equipment.

Basis of consolidation

The Group consolidated half-yearly financial statements consolidates the company and its subsidiaries. All intra-group transactions, balances, income and expenses are eliminated on consolidation.

2. Segment reporting

Components reported to the chief operating decision maker, the board of directors, are not separately identifiable. The Group makes varied sales to its customers, but none are a separately identifiable component. The following information is disclosed:

	6 months to 30 September 2023 (unaudited)	6 months to 30 September 2022 (unaudited)	12 months to 31 March 2023 (audited)
	£	£	£
Sales of sponge	7,385,751	6,170,612	13,631,930
Sales of food	3,151,169	2,930,966	5,870,607
Sales of fresh cream	2,083,960	1,761,069	3,976,694
Sales of other goods	3,700,104	3,686,104	7,454,354
Online sales commission	546,021	487,168	1,001,192
Franchise packages	969,055	1,786,290	2,866,164
Marketing Levy	124,520	-	-
	17,960,580	16,822,209	34,800,941

3. Dividends

	6 months to 30 September 2023 (unaudited)	6 months to 30 September 2022 (unaudited)	12 months to 31 March 2023 (audited)
	£	£	£
Dividends paid	2,200,000	2,040,000	3,090,000

4. Share Capital

	6 months to 30 September 2023 (unaudited)	6 months to 30 September 2022 (unaudited)	12 months to 31 March 2023 (audited)
	£	£	£
40,000,000 Ordinary Shares of £0.01	400,000	400,000	400,000