Marks Electrical Group plc

Results for the six months ended 30 September 2024

Marks Electrical Group plc ("Marks Electrical" or "the Group"), a fast growing online electrical retailer, today announces its unaudited results for the six months ended 30 September 2024 ("the Period" or "H1-25" or "first half").

Financial highlights

- Robust first half trading period with revenue growth of 9.3% to £58.8m (H1-24: £53.9m).
- Particularly strong volume growth with Major Domestic appliances achieving 13% volume growth during the Period and Consumer Electronics over 90% volume growth against H1-24.
- Adjusted EBITDA[1] of £2.0m (H1-24: £2.3m) at 3.4% margin (H1-24: 4.3%).
- Gross product margin was 24.6% (H1-24: 24.9%), with underlying margin expansion in Major Domestic Appliances offset by a strong mix-shift towards lower margin Consumer Electronics.
- Continued focus on working capital management and disciplined approach to capital expenditure delivered free cash flow of £1.7m (H1-24: £1.7m).
- Adjusted EPS of 0.72p (H1-24: 1.11p)[2], Statutory EPS of (0.79)p (H1-24: 0.83p).
- Robust, debt-free balance sheet with closing net cash position of £6.7m[3] (H1-24: £10.9m), supporting an interim dividend maintained at 0.30p per share (H1-24: 0.30p), to be be paid on 20 December 2024 to shareholders who are on the register at the close of business on 29 November 2024, and shares will be marked ex-dividend on 28 November 2024.

Operational highlights

- Successful implementation and switchover to new business-wide, Enterprise Resource Planning ("ERP") system, Microsoft Dynamics 365, replacing our legacy Everest platform.
- Completed transition away from the Euronics buying group, providing greater opportunities to develop deeper relationships with our manufacturer brand partners and drive further growth in revenue and margin.
- Continued growth in Major Domestic Appliances and Consumer Electronics market share.
- Maintained our Trustpilot score of 4.8, reaching over 85,000 reviews with 95% of those reviews being 4 and 5 star, demonstrating the enduring strengths of our best-in-class customer proposition, despite significant operational headwinds brought about by changing our supply relationships and implementing our new ERP.

Outlook

- Outbound deliveries in September and to a lesser extent, October were reduced to enable the successful implementation and switchover to our new ERP system. Whilst this held back H2-25 growth, we still anticipate a recovery in revenue growth in the second half.
- During the Period we saw a significant reduction in average order values (-9%) as demonstrated by our volume growth outstripping the pace of our revenue growth. Whilst this is positive from a customer acquisition and market share perspective, it means that distribution costs represent a higher proportion of revenue, which ultimately has a detrimental impact on profit margin and unit economics, given the relatively fixed cost of delivery. As a result, we now expect to achieve revenue in FY25 of circa £120.0m with EBITDA in excess of £4.0m.
- Going forward, we will actively return to our historically successful premium focus in order to deliver an uplift in margin performance. We recognise this may have medium-term implications on the speed of our revenue growth, but our objective is to drive a sustainable margin recovery from the levels seen in H1-25.
- Looking beyond FY25, we will also harness our disciplined approach to cost control to best manage the significant increases brought about by the recently announced rises to employer national insurance and the national minimum wage, following the UK Government's Autumn Budget. We estimate the changes to cost the business in the region of £0.75m per annum.

Mark Smithson Chief Executive Officer, commented:

"The first half has included two of the largest structural changes the business has seen, the departure from Euronics and the implementation of our new ERP system, but despite these, we continued to remain profitable and cash generative and grew revenue by 9.3% to £58.8m.

These investments, while involving short-term challenges, have been made to position the business for long-term success. They will ensure that Marks Electrical is well placed to benefit when broader market sentiment picks up and will give us even greater vertical integration, visibility and control, enabling us to deliver growth, returns and value for all our stakeholders.

I'm proud of the strong operational focus demonstrated throughout the Period from our team of dedicated colleagues, which has allowed us to maintain our 4.8 Trustpilot rating during what has been a challenging period of change for the business, and the patience of both our customers and suppliers during this period was highly appreciated.

As the consumer has continued to trade-down, we have evolved our business to meet those needs, perhaps leaning too much into non-premium products, which has led to erosion in our premium average order value. The knock-on implications of this on our distribution costs are something that we need to actively address moving forward by pivoting back to our historically premium focussed operating model.

Whilst this pivot back to premium is likely to have an impact on the speed of our revenue growth, we are focussed on continuing to execute our strategy of driving profitable market share gains, ultimately enabling the Group to deliver long-term value creation and become the UK's leading premium electrical retailer."

Notes

(1) Adjusted EBITDA is a non-statutory measure defined as earnings before interest, tax, depreciation, and amortisation and adjusted for exceptional items, share-based payment charges and revaluation of investments.

(2) Adjusted EPS is a non-statutory measure of profit after tax, adjusted for exceptional items, ERP replacement project, share-based payment charges and revaluation of investments, over the total diluted ordinary number of shares in issue.

(3) Net cash/(debt) represents cash and cash equivalents less financial liabilities (excluding lease liabilities)

The information contained within this announcement is deemed by the Company to constitute inside information pursuant to Article 7 of EU Regulation 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 as amended. Upon the publication of this announcement via a Regulatory Information Service, this inside information is now considered to be in the public domain.

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About Marks Electrical

Marks Electrical is a fast growing, highly scalable, technology driven e-commerce electrical retailer which sells, delivers, installs and recycles a wide range of household electrical products. The Group was founded in Leicester in 1987 by Mark Smithson and has scaled into a nationwide online retailer with a compelling growth track record, thanks to its vertically integrated, low-cost, high-quality operating model, supported by the ongoing structural shift of consumers to purchase online. The Group operates within the UK Major Domestic Appliances (MDA) and Consumer Electronics (CE) market, estimated to be worth approximately £7 billion.

Primarily through its simple, clear and intuitive website - markselectrical.co.uk - the Group offers over 4,500 products from over 50 leading brands across its main product categories, which include Cooking, Refrigeration, Washers & Dryers, Dishwashers and Audio-Visual. These products are sourced from UK distributors of the brands, with whom the Group maintains strong and direct relationships. Marks Electrical delivers direct to customers in its owned and branded vehicles, operated by the Group's skilled team of delivery drivers, who are also able to offer installation and recycling services.

For further information, visit the Marks Electrical corporate website: https://group.markselectrical.co.uk and its retail website: https://markselectrical.co.uk/.

Group Chief Executive Officer's review

The first half of FY25 has been a period of significant change for the business:

- We successfully implemented our new business-wide, Enterprise Resource Planning ("ERP") system, Microsoft Dynamics 365, replacing our legacy Everest platform; and
- We exited the Euronics buying group and established new trading relationships with over 50 brand partners.

We continued to gain market share and grew revenue 9.3% to £58.8m, whilst generating a profit and maintaining a net cash position, despite operational headwinds created by the above activities.

Over the past two years, consumers have been highly price-conscious, which, given our premium focus, continues to have an impact on our average order value, resulting in customer order volumes growing faster than revenue. This impact has diluted our margin, when taking into account the relatively fixed cost of delivery.

Our objective in H1-25 was to maintain stability whilst undertaking the significant operational changes of leaving the buying group and implementing a new ERP system, measures that will ensure the business is better positioned for long-term success. As a result of these factors, during the Period our average order value has drifted further which has impacted our profitability year on year.

Our current H1-25 EBITDA margin of 3.4% is not where we want to position the business and as we look ahead to H2-25 and beyond, our objective will be to pivot back to premium products and enhance the unit economics of each delivery, in order to start improving profitability from current levels, ultimately enabling the Group to deliver long-term value creation and position us as the UK's leading premium electrical retailer.

Market share – a small share of a big opportunity

We are predominantly focussed on the Major Domestic Appliances ("MDA") market but have also been rapidly expanding our footprint in the Consumer Electronics ("CE") market, primarily in the television category.

During the first half, the MDA market was broadly flat, with the CE market growing by 3.3% as a result of Euro 2024. During this period, we were able to increase our market share to 3.0% in MDA (H1-24: 2.9%) and 0.8% in CE (H1-24: 0.5%). Furthermore, we started to add focus to Small Domestic Appliances, where we are taking a specific and premium approach to our growth strategy, albeit it is still early days for this part of our business.

Whilst our market share growth in MDA has not been as strong as in prior periods, due to the lower average order values, we continued to acquire customers and grow the brand awareness of Marks Electrical, a key pillar of our strategy. Furthermore, the excellent growth we saw in Consumer Electronics added additional customers that were either returning to or experiencing Marks Electrical for the first time.

Our tiny share of such an enormous market with significant scope for market share gains underpins our strategy for driving brand awareness in the years to come.

Our strategy for growth

Our strategic approach is very clear – we put the customer at the heart of everything we do and have four key elements to our strategy for growth:

Customer proposition

Our operating model continues to be unique across the MDA sector in that we consistently offer next day delivery for in-stock items, throughout our wide range of products, to over 90% of the UK population. In addition, our installation service offering provides customers with the ability to add integrated, gas, electric and television installation services to their order, which can be carried out within a rapid time frame.

This proposition centres around the vertical integration of our delivery model, with our own fleet, employed drivers and installers, in-house training academy, and our centralised single-site distribution centre, maximising efficiency and service quality.

During the period we have made further advancements in developing our customer proposition, including:

- Implementing our new ERP system to drive strategic improvements in our operational and customer services activities both currently and for the years ahead;
- Carrying out further training in our ME academy, our leading in-house product installation facility for driver, installer and customer service training;
- Further developing our website to continually improve the customer journey; and
- Maintaining our excellent Trustpilot score of 4.8.

During the Period, our exit from Euronics has also strengthened our direct brand relationships allowing us direct access to the best quality products for customers and competitive prices and the enhanced flexibility that comes with having a national account.

Brand awareness

A key to our success is to grow our brand awareness.

Due to the activity of leaving the buying group and implementing our new ERP system, we carried out fewer brand awareness activities in H1-25 versus previous years. This allowed us to focus on performance marketing as a priority with some brand awareness in targeted locations.

The locations on which we carried out smaller scale brand awareness activities saw elevated order growth in key geographies. Furthermore, as this was a year of strategic change, in which we exited Euronics, we also spent significant time developing our relationships with our brand partners' marketing teams, in order to offer them innovative opportunities to advertise with us going forward.

Whilst we are proud of the progress we have made, we also recognise that there is significant opportunity for further brand awareness growth, as more people across the UK come into contact with our brand for the first time.

Operational capacity

Across the four pillars of our strategy, operational capacity is one that was in significant focus in FY24 as we invested materially in our warehouse capabilities and fleet size. In FY25, this activity has been centred around technology and saw the replacement of our legacy Everest ERP system, with Microsoft Dynamics, a solution much more tailored to our growth aspirations.

Following our significant expenditure of £4.6m on the project, through FY24 and FY25, we successfully went live in September 2024 and whilst we faced a number of inevitable teething issues, we are proud to report that the move across to the new system was a success and is powering Marks Electrical across our business operations.

We see significant scope for further technology enhancements now that Microsoft Dynamics is in place, enabling us to improve our level of automation and sophistication, both improving the customer journey and operational leverage.

We continue to believe that investing across our business in people, processes and equipment will ensure that we retain talent and provide them with the best tools to provide customers with a market-leading experience.

Financial performance

Our profitability was impacted in the first half due to two major factors:

- Significant growth in Consumer Electronics versus Major Domestic Appliances creating a negative margin mix effect; and
- The trade down from consumers impacting the premiumisation of our product offering. An impact that has been market driven but has been particularly exacerbated in our business and impacts the distribution cost of delivery.

Additionally, the operational headwinds faced by the departure from the buying group, as well as the ERP replacement were also contributing factors to our performance during H1-25.

Despite this, we continued to deliver volume growth in excess of 18.0%, revenue growth of 9.3%, remained profitable at 3.4% EBITDA margin and retained a healthy net cash position of £6.7m, with £1.7m of underlying free cash flow.

As we look forward, we aim to pivot the business back towards premium products, improving the underlying unit economics. This will drive margin improvements in the years ahead and be a contributing factor in our strengthening net cash position.

Our ROCE remains strong at 20% in H1-25 and we believe this combination of profitable market share growth, high return on capital and dividend income provides a compelling proposition to drive attractive long-term shareholder returns and despite lower profitability in the current year, we are focussed on driving improvements in FY25 and beyond.

Outlook – focussed on delivering profitable market share growth

Whilst FY25 is a year of strategic investment and change, with multiple significant operational developments impacting performance, we are still growing volume and revenue, gaining market share, remain profitable and retaining our net cash position. This is all being achieved whilst providing market-leading customer service against a very competitive back-drop.

As momentum continues to develop and our brand awareness increases, our focus on operational excellence and cash flow generation, combined with our healthy net cash position, provides us with a robust platform to generate continued profitable market share growth and become the UK's leading premium electrical retailer.

Mark Smithson
Chief Executive Officer

Financial review

The Group made a robust start to FY25, against a broadly flat market back-drop. Volume growth was very strong, at over 18.0%, whilst revenue growth stood at 9.3% due to a material decline in average order value. Profitability was impacted by both the significant mix shift towards Consumer Electronics during the Period and in addition, the lower average order values impacting distribution costs.

As a result of these impacts, we expect lower profitability in the current year but are focussed on pivoting back to a more premium product mix in order to recover the unit economics and ultimately the margin.

Revenue and gross product profit

In H1-25, the Group delivered revenue growth of 9.3% to £58.8 million. Gross product profit margin was 24.6%, down 30bps from H1-24, driven by product mix as a result of our significant growth in Consumer Electronics, which typically attracts a lower margin than Major Domestic Appliances. This was partially offset by underlying margin growth in our Major Domestic Appliances business.

We expect gross margin to improve marginally in H2-25.

	Six months ended 30 September 2024 £000	Six months ended 30 September 2023 £000	Year ended 31 March 2024 £000
Revenue	58,844	53,858	114,262
Cost of Sales*	(44,346)	(40,471)	(85,230)
Gross product profit	14,498	13,387	29,032
Gross product profit margin	**24.6%**	**24.9%**	**25.4%**

Distribution and installation costs

During the Period, we saw a significant reduction in average order values (-9%) as demonstrated by our volume growth outstripping the pace of our revenue growth. Whilst this is positive from a customer acquisition perspective, the knock-on implication of this is that distribution costs represent a higher proportion of revenue, which ultimately has a detrimental impact on profit margin and unit economics.

We expect distribution and installation costs to remain broadly flat as a percentage of sales during H2-25.

	Six months ended 30 September 2024 £000	Six months ended 30 September 2023 £000	Year ended 31 March 2024 £000
Revenue	58,844	53,858	114,262
Distribution & installation costs	(5,825)	(4,907)	(11,089)
Distribution & installation costs as % of revenue	**9.9%**	**9.1%**	**9.7%**

Advertising and marketing costs

Advertising and marketing cost were tightly controlled at 5.3% of revenue, versus 5.6% in the prior year. The Group has continued to invest in brand awareness across various channels, including digital marketing, social, radio and out-of-home campaigns.

Full year marketing costs are expected to be 5.0% of revenue, reflecting lower spend in H2-25.

	Six months ended 30 September 2024 £000	Six months ended 30 September 2023 £000	Year ended 31 March 2024 £000
Revenue	58,844	53,858	114,262
Advertising and marketing costs	(3,097)	(2,995)	(5,754)
Advertising and marketing as % of revenue	**5.3%**	**5.6%**	**5.0%**

Other operating expenses (excluding depreciation)

Other operating expenses are in line with FY24 at 6.0% of revenue, as we retained a tight control on our operating cost base.

Due to increased technology costs as a result of the new ERP system implementation, we anticipate overheads in H2-25 to be within the range of 6.5 – 7.0% of revenue but are actively working on activities to mitigate this increase.

	Six months ended 30 September 2024 £000	Six months ended 30 September 2023 £000	Year ended 31 March 2024 £000
Revenue	58,844	53,858	114,262
Other operating expenses	(3,553)	(3,173)	(6,827)
Other operating expenses as % of revenue	**6.0%**	**5.9%**	**6.0%**

Adjusted earnings before Interest, Tax, Depreciation and Amortisation ("EBITDA")

The Group achieved Adjusted EBITDA for the period of £2.0m representing a margin of 3.4%, down 90bps against H1-24. This decrease in margin year on year is primarily due to category mix and distribution costs, as previously detailed.

	Six months ended 30 September 2024 £000	Six months ended 30 September 2023 £000
Statutory profit after tax	**(827)**	**873**
Addback:		
Exceptional items net of tax	1,411	439
Underlying profit after tax	584	1,312
Addback:		
Underlying tax charge	236	291
Underlying profit before tax	820	1,603
Addback:		
Net finance (income)/costs	(122)	(55)
Share based payment costs	233	149
Less:		
Buying group rebates	-	(195)
Adjusted EBIT	931	1,502
Depreciation and amortisation	1,090	772
(Profit)/Loss on disposal of fixed assets	1	38
Adjusted EBITDA	2,022	2,312
Adjusted EBITDA margin	**3.4%**	**4.3%**

Statutory Profit after tax

During the Period, the statutory loss after tax was £0.8m, down £1.7m versus H1-24. This decrease is primarily driven by exceptional costs incurred in relation to our ERP implementation project of £1.9m incurred in the Period.

ERP implementation project

Costs of £1.9m (H1-24: £0.4m) were incurred in the Period in relation to our ERP implementation project, which was successfully implemented during September 2024. For the purposes of aiding comparability, these costs are removed from adjusted financial performance measures.

Share-based payments

The Group issued new awards under its long-term incentive plan during the year to senior and junior management. This, combined with previously issued awards resulted in an expense of £0.2m in the income statement (H1-24: £0.1m).
This charge and related professional fees are removed from adjusted financial performance measures.

Depreciation

Depreciation increased to £1.1m (H1-24: £0.8m), driven by:

- Fleet modernisation and growth to accommodate the increase in sales volumes;
- A renewal of the main property lease at 4 Boston Road, Leicester; and
- Leasehold improvements added during FY24 and H1-25 including; office refurbishment to increase capacity, dock levellers, the ME Academy training facility and new racking to improve warehouse efficiency.

	Six months ended 30 September 2024 £000	Six months ended 30 September 2023 £000	Year ended 31 March 2024 £000
Right of use assets: vans	327	203	393
Right of use assets: property	300	282	565
Property, plant and equipment	464	287	758
Total depreciation	**1,091**	**772**	**1,716**

Taxation

Tax credits and charges are recognised based on management’s best estimate given the information available at the interim period. The credit for the six months ended 30 September 2024 was £234,000 (H1-23: £291,000 charge). The key driver of the tax credit is in relation to the ERP expenditure. The Group’s adjusted consolidated effective tax rate for the six months ended 30 September 2024 was 25.0% (H1-24: 25.0%). The deferred tax liability is expected to reverse within 36 months.

Earnings per share

Basic earnings per share (“EPS”), which is calculated for both the current and comparative period based upon the weighted average number of shares in the year, was a loss of (0.79)p per share (H1-24: earnings 0.83p).

Adjusted EPS was 0.72p per share (H1-24: 1.11p per share), the table below shows the reconciliation between statutory and adjusted earnings. See Note 3 to the financial statements for further details.

	Six months ended 30 September 2024 £000	Six months ended 30 September 2023 £000
Statutory profit after tax	**(827)**	**873**
Addback:		
Exceptional items	1,881	439
Tax effect of exceptional items	(470)	(110)
Underlying profit for the period	584	1,202
Charges relating to share-based payments net of tax	175	111
Buying group rebates	-	(146)
Adjusted profit for earnings per share	759	1,167
Fully diluted number of ordinary shares	104,949,050	105,248,083
Adjusted earnings per share	**0.72p**	**1.11p**

Cashflow and statement of financial position

During H1-25 the Group achieved an underlying cash flow from operations of £2.6m and free cash flow of £1.7m. This operational cashflow generation is primarily due to working capital improvements, and cashflow from trading.

The Group has invested in several areas of the business during H1-25 to continue the long-term objective of accommodating growth and maximising the potential of the current site. Key additions include a new office space, increased fleet capacity through the addition of 12 vehicles, warehouse improvements to increase efficiency and stock capacity, and yard improvements to optimise daily procedures. In H1-25 the total capital expenditure amounted to £0.5m, which was significantly lower than the high level of expenditure in the prior year (H1-24: £1.4m).

Heading into the 2024 peak trading period, we significantly increased the inventory levels with a particular focus on Consumer Electronics. This resulted in working capital outflow of £7.15m but was partly offset by an increase in payables to suppliers of £6.87m.

The Group closed the period in a comfortable net cash position of £6.7m versus £7.8m at FY24 and £10.9m at H1-24.

	Six months ended 30 September 2024 £000	Six months ended 30 September 2023 £000
Underlying profit before tax	**820**	**1,603**
Addback:		
Finance (income)/costs	(122)	(55)
(Profit)/Loss on disposal of fixed assets	1	38
Depreciation and amortisation	1,091	772
Share based payment cost	233	148
(Increase)/decrease in inventories	(7,151)	227
(Increase)/decrease in receivables	860	(1,188)
Increase/(decrease) in payables	6,870	2,533
Payables movement in relation to ERP	-	(236)
Underlying cash flow from operating activities	2,602	3,842
Less:		
Outflows for lease payments	(612)	(484)
Underlying operating cash flow for conversion	1,990	3,358
Operating cash conversion	*98%*	*145%*
Investing activities	(508)	(1,350)
Tax received/(paid)	76	(350)
Interest received/(paid)	120	45
Underlying free cash flow	**1,678**	**1,703**

RCF

During the Period we successfully established a Revolving Credit Facility (“RCF”) with Lloyds Bank, the Group’s primary banking partner. This was structured as a £4.0m committed undrawn facility and a £1.0m overdraft facility. The purpose of the facility is to provide flexibility for working capital during peak trading periods, especially in light of new trading relationships now we are outside of the Euronics buying group. Whilst we intend on strategically maintaining a net cash position, this facility will provide the Group with additional comfort during periods of inventory build.

Events after the reporting period

There have been no material events to report after the end of the reporting period.

Consolidated Statement of comprehensive income

Six months ended 30 September 2024

	Notes	Six months ended 30 September 2024 Underlying £000	Six months ended 30 September 2024 Non-underlying £000	Six months ended 30 September 2024 Statutory £000	Six months ended 30 September 2023 Statutory £000	Year ended 31 March 2024 Statutory £000
Revenue		58,844		58,444	53,858	114,262
Cost of Sales		(44,346)		(44,346)	(40,276)	(85,230)
Gross profit		14,498		14,498	13,582	29,032
Distribution costs		(5,825)		(5,825)	(4,907)	(11,089)
Administrative expenses		(7,975)	(1,881)	(9,856)	(7,566)	(17,455)
Operating profit		698	(1,881)	(1,183)	1,109	488
Finance income		168		168	79	167
Finance expenses		(46)		(46)	(24)	(39)
Profit before income tax		820		(1,061)	1,164	616
Tax on profit	4	(236)	470	234	(291)	(189)
Profit for the financial period		584	(1,411)	(827)	873	427
Total comprehensive income for the period		584	(1,411)	(827)	873	427
Earnings per share						
Statutory basic and diluted earnings per share				(0.79p)	0.83p	0.41p

Consolidated Balance sheet

At 30 September 2024

	Notes	**At 30 September 2024 £000**	At 31 March 2024 £000
Non-current assets			
Property, plant and equipment		2,545	2,671
Right-of-use asset		2,947	1,152
Trade and other receivables		129	71
		5,621	3,894
Current assets			
Inventories		20,165	13,015
Trade and other receivables		8,566	9,172
Current tax assets		619	461
Cash and cash equivalents		6,679	7,817
		36,029	30,465
Total assets		41,650	34,359
Current liabilities			
Trade and other payables		(25,552)	(18,501)
Lease liabilities		(1,005)	(621)
		(26,557)	(19,122)
Non-current liabilities			
Lease liabilities		(1,938)	(534)
Deferred tax liabilities	4	(991)	(991)
Total liabilities		(29,486)	(20,647)
Net assets		12,164	13,712
Shareholders' equity			
Called up share capital		1,049	1,049
Share premium		4,575	4,815
Treasury shares		(6)	(3)
Merger reserve		(100,000)	(100,000)
Retained earnings		106,546	107,851
Total shareholders' equity		12,164	13,712

The interim financial statements of Marks Electrical Group plc were approved by the Board on 11 November 2024 and signed on its behalf by:

Josh Egan

Chief Financial Officer

Marks Electrical Group plc

Consolidated Statement of changes in equity

Six months ended 30 September 2024

	Notes	Called up share capital £000	Share premium £000	Merger reserve £000	Treasury shares £000	Retained earnings £000	Total shareholders' equity £000
At 31 March 2023		1,049	4,694	(100,000)	(4)	108,085	13,824
Profit for the financial year		-	-	-	-	427	427
Contributions by and distributions to owners:							
-Dividends paid		-	-	-	-	(1,007)	(1,007)
-Share options and LTIP charge		-	-	-	-	346	346
Sale of treasury shares		-	121	-	1	-	122
At 31 March 2024		1,049	4,815	(100,000)	(3)	107,851	13,712
Loss for the period		-	-	-	-	(827)	(827)
Contributions by and distributions to owners:							
-Dividends paid		-	-	-	-	(690)	(690)
-Share based payment charge		-	-	-	-	212	212
-Purchase of treasury shares		-	(240)	-	(3)	-	(243)
At 30 September 2024		1,049	4,575	(100,000)	(6)	106,546	12,164

All the results arise from continuing operations.

Marks Electrical Group plc

Consolidated Cash flow

Six months ended 30 September 2024

	Six months ended 30 September 2024 £000	Six months ended 30 September 2023 £000	Year ended 31 March 2024 £000
Cash flows from operating activities			
(Loss)/profit for the period	(827)	873	427
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	464	287	758
Depreciation of right-of-use assets	627	485	958
(Profit)/loss on disposal of property, plant and equipment	1	38	71
Share based payment expense	233	148	362
(Interest income)	(168)	(79)	(167)
Interest expense	46	24	39
Taxation charged	(234)	291	189
Movements in working capital:			
(Increase)/decrease in inventories	(7,151)	227	1,185
Decrease/(increase) in receivables	860	(1,188)	(3,535)
Increase in payables	6,870	2,533	2,101
Cash flow generated from operations	721	3,639	2,388
Corporation tax paid	76	(350)	(743)
Net cash flow generated from operations	797	3,289	1,645
Cash flows from investing activities			
Purchase of property, plant and equipment	(355)	(1,367)	(2,023)
Deposits on right-of-use assets	(154)	-	(144)
Proceeds from sale of property, plant and equipment	-	17	52
Proceeds from sale of right-of-use assets	-	-	33
Interest received	168	69	157
Net cash used by investing activities	(341)	(1,281)	(1,925)
Cash flows from financing activities			
Sale/(purchase) of shares	(244)	122	122
Interest paid on lease liabilities	(48)	(24)	(42)
Principal repayment of lease liabilities	(612)	(484)	(948)
Equity dividends paid	(690)	(693)	(1,007)
Net cash used by financing activities	(1,594)	(1,079)	(1,875)
Net increase in cash and cash equivalents	(1,138)	929	(2,155)
Cash and cash equivalents at the beginning of the period	7,817	9,972	9,972
Cash and cash equivalents at end of the period	6,679	10,901	7,817

Notes to the unaudited financial statements

Six months ended 30 September 2024

1 General Information

Marks Electrical Group plc (the “Company”) is a public limited company incorporated in the United Kingdom under the Companies Act 2006 (registration number 13509635). The Company is domiciled in the United Kingdom and its registered address is 4 Boston Road, Leicester, LE4 1AU. The Company’s ordinary shares are listed on the AIM market, of the London Stock Exchange.

The principal activity of the Company and its subsidiaries (the “Group”) throughout the period is the supply of domestic electrical appliances and consumer electronics in the United Kingdom.

2 Accounting policies

2.1 Basis of preparation

This consolidated financial information has been prepared in accordance with UK adopted international accounting standards. There are no new standards, interpretations and amendments which are not yet effective in these financial statements, expected to have a material effect on the Group’s future financial statements.

The financial information has been prepared on a going concern basis under the historical cost convention unless otherwise specified within these accounting policies. The financial information and the notes to the financial information are presented in thousands (‘£‘000’) except where otherwise indicated. The functional and presentation currency of the Group is pound sterling.

The figures for the period to 30 September 2024 and the comparative period to 30 September 2023 have not been audited or reviewed. The figures for 31 March 2024 have been extracted from the financial statements for the year to 31 March 2024, which have been delivered to the Registrar of Companies. The interim financial statements do not constitute statutory accounts within the meaning of the Companies Act 2006.

The policies have been consistently applied to all periods presented, unless otherwise stated. The principal accounting policies adopted in the preparation of the financial statements are set out below. These policies have been consistently applied to all the periods presented, unless otherwise stated.

2.2 Going concern

The Group has traded positively during the period, delivering sales growth of 9.3%, whilst achieving a net operating cashflow of £0.8m.

Management have prepared detailed financial projections for the period to 30 November 2025. These projections are based on the Group’s detailed annual business plan. Sensitivity analysis has been performed to model the impact of more adverse trends compared to those included in the financial projections in order to estimate the impact of severe but plausible downside risks.

The key sensitivity assumptions applied include:

- A material slow-down in e-commerce sales;

- A significant increase in goods sold.

Mitigating actions available to the Group were applied and the Board challenged the assumptions used.

Notes to the unaudited financial statements (continued)

The Board of Directors has completed a rigorous going concern assessment and taken the following actions to test or enhance the robustness of the Company's liquidity levels for the period to 30 November 2025. As part of its assessment, the Board has considered:

• The cash flow forecasts and the revenue projections for the Company;

• Reasonably possible changes in trading performance, including a severe yet plausible downside scenario and other

extreme scenarios which are not plausible;

• The Company's robust policy towards liquidity and cash flow management;

• The Company's ability to successfully manage the principal risks outlined in this report;

• The current cost of living crisis;

• Inflation pressures facing the Company and its employees; and

• The impacts of leaving Euronics.

In total, six stress tests were performed on the base case with varying severities and multiple combinations, under the severe yet plausible scenario the Company remains in a cash positive position, with no mitigating actions required. Only in the extreme, not plausible, scenario referenced above, is where mitigating action would be required. The mitigating response that would be necessary is short-term inventory level management, which would not be considered to have any long-term impacts on the Company's performance.

After reviewing the forecasts and risk assessments and making other enquiries, the Board has formed the judgement at the time of approving the financial statements that there is a reasonable expectation that the Company has adequate resources to continue in operational existence for at least twelve months from the date of approval of these financial statements.

2.3 Consolidation

The Group financial statements include those of the parent Company and its subsidiaries, drawn up to 31 March 2024. Subsidiaries are entities over which the Company obtains and exercises control through voting rights. Income, expenditure, unrealised gains and intra-group balances arising from transactions within the Group are eliminated.

At the time of the IPO, the acquisition of the trading subsidiaries was achieved by way of share for share exchange and the difference between the par value of the shares issued and the fair value of the cost of investment was recorded as an addition to the merger reserve. The parent company statement of financial position shows a merger reserve of £nil and an investment of £60,656,676.

On a Group basis, an accounting policy was adopted based on the predecessor method as this is not a business combination but rather a group re-organisation and thus falls outside the scope of IFRS 3. IFRS does not specifically state how group re-organisations are accounted for. Therefore, in accordance with IAS 8, the Directors have considered the accounting for group re-organisations using merger accounting principles, as set out in FRS 102, The Financial Reporting Standard applicable in the UK and Republic of Ireland. Under this method, the financial statements of the parties to the combination are aggregated and presented as though the combining entities had always been part of the same group. The investment by Marks Electrical Group plc in Marks Electrical Limited was eliminated and the difference between the fair value and nominal value of the shares was adjusted through the merger reserve in the Group statement of financial position.

2.4 Operating exceptional charges

The Group presents exceptional items on the face of the statement of comprehensive income these are material items of income and expense which the Directors consider, because of their size or nature and expected non-recurrence, merit separate presentation to facilitate financial comparison with prior periods and to assess trends in financial performance. Exceptional items are included in Administration expenses in the consolidated statement of comprehensive income but not considered to be part of the underlying trading performance of the business.

Notes to the unaudited financial statements (continued)

2.5 Significant accounting estimates and judgements

The Group makes certain estimates and assumptions regarding the future. Estimates and judgements are continually evaluated based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances. In the future, actual experience may differ from these estimates and assumptions. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are discussed below.

2.6 Long term equity incentive plans

Employees and directors receive remuneration from the Company in the form of share-based payment transactions, whereby they meet performance criteria required by the Company and in consideration receive equity instruments. The cost of the equity settled transactions is measured by a reference to the fair value at the date of grant and is recognised as an expense in the statement of comprehensive income over the vesting period of the schemes.

Market Value Options and Free Shares (issued on IPO)

A Black-Scholes pricing model is used to measure the fair value of the employee share options using six variables, the volatility, type of option, share price on issue, time, strike price and the risk-free rate. Other conditions which are required to be met in order for an employee to become fully entitled are taken into consideration, such as employee attrition rates.

2022, 2023 and 2024 Long-Term Incentive Plan (“LTIP”)

The 2022, 2023 and 2024 LTIP is split into three tranches, earnings per share (“EPS”), cash flow and total shareholder return (“TSR”). In estimating the EPS and cash flow, management have considered the likelihood of conditions being met based on current forecasts and performance. This has been applied to the share price at the valuation date after stripping out expected future dividends. For the TSR metric, a Monte Carlo simulation model has been used for the valuation, the model is appropriate given the share-based payments are subject to market conditions.

At each statement of financial position date before the vesting date, the cumulative expense is calculated, representing the expired vesting period and the best estimate of the number of equity instruments that will ultimately vest. The movement in the cumulative balance is recognised in the statement of comprehensive income.

3. Earnings per share

(a) Earnings

	Six months ended 30 September 2024 £000	Six months ended 30 September 2023 £000	Year ended 31 March 2024 £000
Statutory earnings	(827)	873	427

(b) Number of shares

	Six months ended 30 September 2024	Six months ended 30 September 2023	Year ended 31 March 2024
Basic weighted average number of shares	104,949,050	104,949,050	104,949,050
Dilutive effect of share options and awards	-	299,033	-
Diluted weighted average number of shares	104,949,050	105,248,083	104,949,050

Notes to the unaudited financial statements (continued)

(c) Earnings per share

	Six months ended 30 September 2024	Six months ended 30 September 2023	Year ended 31 March 2024
Statutory earnings			
Basic statutory earnings per share	(0.79)p	0.83p	0.41p
Diluted statutory earnings per share	(0.79)p	0.83p	0.41p

3.1 Non-Statutory earning per share

(a) Earnings

	Six months ended 30 September 2024 £000	Six months ended 30 September 2023 £000	Year ended 31 March 2024 £000
Statutory earnings	(827)	873	427
Add:			
Non underlying costs net of tax	1,411	329	2,045
Share-based payments net of tax	175	111	365
Less:			
Buying group rebate	-	(146)	(268)
Adjusted earnings	759	1,167	2,569

(b) Number of shares

	Six months ended 30 September 2024	Six months ended 30 September 2023	Year ended 31 March 2024
Basic weighted average number of shares	104,949,050	104,949,050	104,949,050
Dilutive effect of share options and awards	-	299,033	-
Diluted weighted average number of shares	104,949,050	105,248,083	104,949,050

(c) Earnings per share

	Six months ended 30 September 2024	Six months ended 30 September 2023	Year ended 31 March 2024
Adjusted earnings			
Basic adjusted earnings per share*	0.72p	1.12p	2.45p
Diluted adjusted earnings per share	0.72p	1.11p	2.45p

Adjusted earnings per share is a non-statutory measure the Group is using to provide comparability and ease of understanding to the users of the financial statements. This includes adjustments to the earnings and the number of shares.

Adjusted earnings exclude all exceptional costs as disclosed above.

The number of ordinary shares as at 31 March 2024 through to 30 September 2024 has been used as the basis for the current and prior periods adjusted earnings per share calculation.

Notes to the unaudited financial statements (continued)

4. Taxation

Income tax credit/(expense) is recognised based on management's best estimate of the average annual income tax rate expected for the full financial year applied to the pre-tax income of the interim period. The income tax credit for the six months ended 30 September 2024 is £234,000 (H1-24: £291,000). The Group's adjusted consolidated effective tax rate for the six months ended 30 September 2024 is 25.0% (H1-24: 25.0%).

5. Dividends paid

	Six months ended 30 September 2024 £000	Year ended 31 March 2024 £000
Dividends paid during the period:		
Final dividend for 2024: 0.66p (2023: 0.66p)	690	692
Interim dividend for 2025: Nil (2024:0.30p)	-	315
Dividends paid	690	1,007
Final dividend for 2025: Nil (2024: 0.66p)	-	693

Dividends paid and issued during the period totalled £690,060 (2024: £692,586).

An interim dividend has been proposed to be paid on 20 December 2024 for 0.30p per share (HY-24: 0.30p).

6. Operating exceptional charges

During the period the Group incurred exceptional one-off expenditure in administrative expenses in relation to the implementation of a new ERP system. The ERP implementation was completed in September 2024 with all the costs expensed through the statement of comprehensive income and in order to aid comparability, it has been disclosed separately as a non-underlying items. During H1-25 £1,881,000 was incurred as an expense with an associated tax credit of £470,000. The Group anticipates further minor costs in H2-25 in relation to the implementation, with all exceptional costs expected to be completed within the FY25 financial year.