



HY24 Interim Results

16 November 2023



Marks Electrical Group plc

Results for the six months ended 30 September 2023

Continued trading momentum driven by premium next-day service offerings

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 2023 (“the Period” or “H1-24” or “first half”).

Financial highlights

- Strong first half trading period with revenue growth of 24.8% to £53.9m (H1-23 £43.1m)
- Adjusted EBITDA⁽¹⁾ of £2.3m (H1-23 £2.7m), with the strategic decision to introduce our own installation service, combined with inflationary pressures in distribution costs impacting H1 margins, but expect this pressure to ease over H2 as we benefit from improved operating leverage during the seasonal peak trading period
- Continued focus on working capital management, reducing inventory days from 82 in H1-23 to 64 in H1-24 and driving a strong operating cash conversion of 145% (H1-23 189%)
- Free cash flow of £1.7m (H1-23 £4.5m), with £1.4m invested in our vehicle fleet and distribution centre
- Adjusted EPS of 1.11p (H1-23 1.66p)⁽³⁾, Statutory EPS of 0.83p (H1-23 1.66p)
- Robust, debt-free balance sheet with closing net cash position of £10.9m (H1-23 £7.7m), supporting an interim dividend maintained at 0.30p per share (H1-23 0.30p), to be paid on 22 December 2023 to shareholders who are on the register at the close of business on 1 December 2023, and shares will be marked ex-dividend on 30 November 2023

Operational highlights

- Growth in Major Domestic Appliances (“MDA”) market share from 2.4% in H1-23 to 2.9% in H1-24, with our share in the online segment of the market growing from 4.5% to 5.4%⁽⁴⁾
- Growth in Consumer Electronics (“CE”) market share from 0.3% in H1-23 to 0.5% in H1-24, with our share in the online segment of the market growing from 0.6% to 0.9%⁽⁴⁾
- Strong performance driven across all major product categories with particularly high growth in televisions (+71%), washer-dryers (+74%) and American fridge-freezers (+36%)
- Developed the Marks Electrical Academy, a purpose-built training facility, where our drivers and installers are trained on integrated, gas, electrical and freestanding connections and appliance installations
- Rapid growth in our premium service offerings with the attachment rate for installation and connection services having improved from 9% of all orders in H1-23 to over 15% in H1-24
- Began the implementation of a new ERP system expected to complete in FY25
- Proudly maintained our industry leading Trustpilot score of 4.8, reaching over 55,000 reviews with 95% of those reviews being 4 and 5 star, demonstrating the strength of our best-in-class customer proposition

Outlook

- Continued double-digit revenue growth in October and a strong start to November leaves us well positioned for both the peak Christmas trading period and to achieve our full year targets

Mark Smithson Chief Executive Officer, commented:

“We’ve made a strong start to the year with the Group’s sales up 24.8%, whilst also delivering multiple operational improvements to further enhance the customer experience. This relentless focus on operational excellence and customer service has enabled us to continue to gain share in a very competitive market, growing our share in the first half from 2.4% to 2.9% of the overall MDA market and from 4.5% to 5.4% in the online segment.

Our strategic decision to add in-house installation services to our offering has strengthened the Group’s premium service proposition, alongside the creation of our own ME Academy training facility. These additions, whilst margin dilutive in the short term, will enable the Group to deliver long-term value creation and position us as the UK’s leading premium electrical retailer.

Despite the first half margin pressure, which occurred within distribution costs, we continued to remain disciplined on marketing costs, maintained our focus on overhead cost control and are continuing to gain market share profitably, a key differentiator of our growth strategy.

Our market-leading customer service and next day delivery, combined with in-house installation expertise through our vertically integrated operating model, provides a compelling and unique offering, that sets us apart from the competition.

As momentum builds going into the peak trading period, with continued double-digit revenue growth in October and a strong start to November, our focus on operational excellence and customer service, combined with our strong net cash position, provides us with a robust platform to improve profitability in the second half and achieve our full year targets.”

Marks Electrical Group plc

Key financial highlights:	Six months ended	Six months ended	Year ended
	30 September	30 September	31 March
	2023	2022	2023
	£000	£000	£000
Revenue	53,858	43,146	97,754
Adjusted EBITDA⁽¹⁾	2,312	2,704	7,549
Adjusted EBITDA margin	4.3%	6.3%	7.7%
Adjusted EBIT	1,501	2,130	6,242
Adjusted EBIT margin	2.8%	4.9%	6.4%
Adjusted profit after tax	1,203	1,741	5,067
Adjusted earnings per share ⁽³⁾	1.11p	1.66p	4.82p
Operating profit	914	2,031	5,938
Operating margin	1.7%	4.7%	6.1%
Statutory profit after tax	873	1,738	5,157
Statutory earnings per share	0.83p	1.66p	4.91p
Operating cash flow for conversion⁽⁵⁾	3,358	5,117	8,886
Operating cash conversion	145%	189%	118%
Free cash flow	1,703	4,523	7,117
Net cash⁽⁶⁾	10,901	7,692	9,972
Return on Capital Employed⁽²⁾	37%	49%	41%

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) Return on Capital Employed (ROCE) is defined as Adjusted EBIT / (Total Assets – Current liabilities)
- (3) 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.
- (4) Based on the Group's analysis of GfK Market Intelligence sales tracking GB data, Major Domestic Appliances. During the year GfK reclassified floorcare from major domestic appliances to small domestic appliances. As such the current year 2.9% is on the new definition and the prior year 2.0% has been restated and is now 2.4%.
- (5) Operating cash flow for cash conversion is defined as cash generated from operations less outflows for lease payments and exceptional items
- (6) Net cash/(debt) represents cash and cash equivalents less financial liabilities (excluding lease liabilities)

Results presentations

A live online presentation for sell-side analysts hosted by Mark Smithson, CEO, and Josh Egan, CFO, will take place at 9.30am this morning. Please contact markseletrical@dentonsglobaladvisors.com for further information.

In addition, management will also provide a live online presentation for investors at 2pm on 20 November 2023. The online event is open to all existing and potential shareholders and registration is free. Questions can be submitted during the presentation and will be addressed at the end. To register, please go to: [link to sign up](#).

A recording of the presentation will be available shortly after the event at this link: [Marks Electrical content page](#).

Marks Electrical Group plc

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Marks Electrical Group plc

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About Marks Electrical

Marks Electrical is a fast growing, highly scalable premium 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/>.

Marks Electrical Group plc

Group CEO review

We've made a strong start to the year with the Group's sales up 24.8%, whilst also delivering multiple operational improvements to enhance the customer experience.

Our strategic decision to add in-house installation services to our offering has strengthened the Group's premium service proposition, alongside the creation of our own "ME Academy" training facility. These additions, whilst margin dilutive in the short term, will enable the Group to deliver long-term value creation and position us as the UK's leading premium electrical retailer.

We proudly maintained our industry leading Trustpilot score of 4.8, reaching over 55,000 reviews with 95% of those reviews being 4 and 5 star, demonstrating the strength of our best-in-class customer proposition and the continued focus that our teams across the business put into delivering an excellent customer experience.

Market share

Our primary focus remains on the Major Domestic Appliances (MDA) segment, where we gained 50bps of market share from 2.4% to 2.9% during our first half, with a greater improvement in the online segment from 4.5% to 5.4%. This was a strong performance against a relatively stable MDA market.

In Consumer Electronics (CE), we made further advances from 0.3% to 0.5% market share, with our online market share growing from 0.6% to 0.9%. This still represents a very small market share and we are excited about the growth opportunities ahead.

Despite the growth in our TV business being over 70%+ in the first half, and with this being typically lower margin sales than our core MDA business, thanks to our tight operational grip, we were able to maintain our gross product margin at 24.9% with the minor decline from 25.2% in H1-23 being driven by the CE mix impact.

Strategic growth initiatives

Our strategy is to become the UK's leading premium electrical retailer. To achieve this, we split our focus into four key areas:

1. Customer proposition

Our unique operating model distinguishes us in the Major Domestic Appliances sector, consistently providing next-day delivery services for in-stock items to over 90% of the UK population. Along with this, our installation services, covering gas, electric, integrated and television installations, further enhance our customer proposition and are available to over 70% of the UK population.

During H1-24 we have seen significant growth in our premium next-day service offerings with installation services achieving over 7,000 installation orders in the first half, vs. 2,500 in the prior year (+180%), and over 11,000 freestanding connection services vs. 5,000 in the prior year (+120%). All of this whilst maintaining our industry leading Trustpilot score of 4.8.

Our strategic partnerships with a diverse range of premium brands, combined with our focus on best-in-class, in-house installation and connection services, enables us to deliver an excellent customer offering and positions us favourably to continue gaining profitable market share.

Our customer proposition centres around the vertical integration of our delivery model, using our own fleet of vehicles, employed drivers and installers, enhanced by our in-house training facility ME Academy, enabling us to deliver high standards of installation and connection training to improve the customer experience.

2. Brand awareness

We have continued to invest in our brand awareness campaigns during H1-24, with further activity in television, radio and out-of-home advertising, including:

- Continued investment in television marketing, including Sky and Channel 4, introducing a range of new adverts throughout the period featuring our mascot MRK 1;
- Strategically investing in radio ads with stations that fit our customer demographic, to target premium product sales;
- Out-of-home focus located in areas of strategic importance for maximum impact; and
- Increased presence on social media platforms.

We served over 100,000 customers during H1-24 with 24.5% of these being returning customers. This demonstrates our market leading customer service levels driving repeat business once someone has come into contact with the Marks Electrical brand.

Marks Electrical Group plc

3. Operational capacity

In H1-24, we completed significant enhancements to our warehouse and distribution centre. We invested in improved racking and very narrow aisle (VNA) systems, optimising capacity and expediting order picking. Additionally, we increased our loading and unloading capacity by introducing new dock levellers. These levellers allow for efficient rear unloading of HGVs, substantially reducing unloading times, and increasing our stock throughput capacity for outbound loading.

We developed our in-house vehicle maintenance centre by acquiring new equipment and expanding our team, resulting in increased vehicle availability and reduced fleet downtime, with fewer vehicles off-site for extended periods.

We increased our delivery capacity by adding 20 new vehicles, supporting the rapid growth of our installation team. Additional delivery vehicles are scheduled for delivery in H2-24, further enhancing our delivery capacity and demonstrating our confidence in the growth opportunities ahead.

4. Financial performance

Our financial performance has been robust with 24.8% revenue growth and gross product margin of 24.9% in H1-24, highlighting the strength of our product and customer value proposition.

The strategic decision to introduce our own installation service, combined with inflationary pressures in distribution costs impacted H1-24 margins, but we expect this pressure to ease over H2-24 as we benefit from improved operating leverage during the peak trading period.

Our laser-focus on working capital management continued and we were able to improve inventory efficiency, reducing inventory days from 82 days in H1-23 to 64 days in H1-24. We have delivered an operational cash conversion of 145%, finishing the period with a net cash position of £10.9m, demonstrating the highly cash generative nature of our operating model.

We believe that the combination of profitable growth, high return on capital, and dividend income offers an attractive proposition for total shareholder returns.

Outlook – well placed to deliver profitable market share growth

Our current share of the UK MDA market of 2.9% and online share of 5.4% continues to provide significant scope and opportunity for growth. Our market-leading customer service and next day delivery, combined with in-house installation expertise through our vertically integrated operating model, provides a compelling and unique offering, that sets us apart from the competition.

As momentum builds going into the peak trading period, with continued double-digit revenue growth in October and a strong start to November, our focus on operational excellence and customer service, combined with our net cash position, provides us with a robust platform to improve profitability in the second half and achieve our full year targets.

Mark Smithson
Chief Executive Officer

Marks Electrical Group plc

Financial review

The Group made a strong start to FY24, against a broadly flat market back-drop. Sales growth was widespread across product categories, with notable increases in televisions, washer dryers, ovens, and energy-efficient major domestic appliances. Throughout this period, we maintained our focus on profitable market share expansion, despite headwinds in distribution and installation costs. While these factors put pressure on H1-24 margins, we expect this to ease over H2-24 as we benefit from operating leverage in the peak trading period.

In order to help improve understanding of the income statement dynamics, we have added additional disclosure and are now reporting gross product profit margin and distribution and installation costs as separate line items.

Revenue and gross product profit

In H1-24 the Group delivered a strong revenue performance, up 24.8% to £53.9 million. Gross product profit margin was 24.9%, down 30bps from H1-23, driven by product mix as a result of our 70%+ growth in television which typically attracts a lower margin than Major Domestic Appliances (MDA).

We expect an improvement in gross product profit margin in H2-24, as we enter the peak trading period.

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Revenue	53,858	43,146	97,754
Cost of Sales*	(40,471)	(32,294)	(71,543)
Gross product profit	13,387	10,852	26,211
Gross product profit margin	24.9%	25.2%	26.8%

*The presentation of cost of sales and gross profit has been redefined in the H1-24 results and comparatives have been amended. This change splits our gross product profit and distribution and installation costs. This decision was made to aid the understandability of movements within gross margin for the users of the financial statements.

Distribution and installation costs

The strategic decision to introduce our own installation service, combined with inflationary pressures in driver costs impacted our H1-24 distribution and installation cost base. The 200bps cost increase from 7.1% of sales to 9.1% of sales was the main contributor to the overall Group EBITDA margin decline in the first half.

Whilst the addition of in-house installation services are margin dilutive in the short term, the services are now break even, whereas outsourcing the services in the prior year was a loss-making activity in order to generate the product sale, which we considered to be unsustainable. As the business grows and density improves, there will be improved operating leverage on the installation cost base.

Long-term, having this service vertically integrated strengthens our proposition, enhancing the overall value opportunity and assisting in positioning us as the UK's leading premium electrical retailer.

We expect distribution and installation costs in H2-24 to be broadly similar to H1-24, as a percentage of sales.

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Distribution & installation costs	(4,907)	(3,043)	(7,249)
Distribution & installation costs as % of revenue	9.1%	7.1%	7.4%

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Advertising and marketing costs

During H1-24, advertising and marketing costs remained consistent year-on-year, at 5.6% of revenue. Marketing was allocated across various channels, including digital marketing, social, TV, radio and out-of-home campaigns in order to ensure we managed the correct mix of performance marketing and brand awareness.

We anticipate a slightly lower level of investment in advertising & marketing in H2-24 to keep us on track for our 5.0% of sales target and to leverage the investments made in the first half.

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Revenue	53,858	43,146	97,754
Advertising and marketing costs	(2,995)	(2,421)	(4,906)
Advertising and marketing as % of revenue	5.6%	5.6%	5.0%
Other operating expenses (excluding depreciation)			

Other operating expenses decreased as a percentage of revenue to 5.9% in H1-24 versus 6.3% in H1-23, and 6.7% in FY23, as we retained a tight control on our operating cost base.

We anticipate improved operating leverage in H2-24, keeping us in line with stated full year target of 5.5 – 6.5% of revenue.

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Revenue	53,858	43,146	97,754
Other operating expenses	(3,173)	(2,684)	(6,507)
Other operating expenses as % of revenue	5.9%	6.2%	6.7%

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

The Group achieved Adjusted EBITDA for the period of £2.3m representing a margin of 4.3%, down 200bps against H1-23. This decrease in margin year on year is a direct result of the increase in distribution and installation costs as previously detailed.

We anticipate an improvement in Adjusted EBITDA margin in H2-24, as we benefit from peak trading and improved operating leverage.

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000
Statutory profit after tax	873	1,738
Addback:		
Tax	291	379
Net finance (income)/costs	(55)	32
ERP costs	439	-
Share based payment costs	149	99
Less:		
Revaluation of investments	(195)	(118)
Adjusted EBIT	1,502	2,130
Depreciation and amortisation	772	619
(Profit)/Loss on disposal of fixed assets	38	(45)
Adjusted EBITDA	2,312	2,704
Adjusted EBITDA margin	4.3%	6.3%

Statutory Profit after tax

During the year statutory profit after tax was £0.9m, down £0.8m versus H1-23 at £1.7m. This decrease is primarily due to increased distribution and installation costs and exceptional costs incurred in relation to our ERP implementation project.

ERP implementation project

During the period we incurred costs of £0.4m in relation to our ERP implementation project, which is anticipated to span FY24 and FY25. For the purposes of aiding comparability, these costs are removed from adjusted financial performance measures. During the period the project had a cash outflow of £0.2m due to invoice timing.

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 the market value options and free shares awarded in FY23 resulted in a P&L charge of £0.1m (2023: £0.1m). This charge and related professional fees are removed from adjusted financial performance measures.

Depreciation

Depreciation has increased to £0.8m (H1-23: £0.6m), this was driven by:

- Fleet modernisation and growth to accommodate the increase in sales volumes; and
- Leasehold improvements 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 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Right of use assets: vans	203	228	455
Right of use assets: property	282	283	566
Property, plant and equipment	287	108	326
Total Depreciation	772	619	1,347

Taxation

Tax expense is recognised based on management's best estimate of the average annual income tax rate expected for statutory the pre-tax income of the interim period. The expense for the six months ended 30 September 2023 is £291,000 (H1-23: £379,000). The Group's adjusted consolidated effective tax rate for the six months ended 30 September 2023 is 25.0% (H1-23: 17.9%) in line with the increase in the corporation tax rate from 19% to 25% effective from 1 April 2023. The deferred tax liability is expected to reverse within 36 months.

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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, is 0.83p per share (H1-23: 1.66p per share).

Adjusted EPS is 1.11p per share (H1-23: 1.66p per share), the table below shows the reconciliation between statutory and adjusted earnings per share. See Note 3 to the financial statements for further details.

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000
Statutory profit after tax	873	1,738
Addback:		
Exceptional items	439	-
Tax effect of exceptional items	(110)	-
Underlying profit for the period	1,202	1,738
Charges relating to share-based payments net of tax	111	99
Fair value gains net of tax	(146)	(89)
Adjusted profit for earnings per share	1,167	1,748
Fully diluted number of ordinary shares	105,248,083	104,949,050
Adjusted earnings per share	1.11p	1.66p

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Cashflow and statement of financial position

During H1-24 the Group achieved and adjusted cash flow from operations of £3.8m and free cash flow of £1.7m. This operational cashflow generation is primarily due to working capital improvements, including the negotiation of new terms with suppliers enabling a £2.5m increase in payables, and improved efficiency in inventory turn through a reduction in inventory days.

During the period, the Group has made selected capital investments to accommodate growth, including the conversion of a new office space, increased fleet capacity through the addition of 20 more vehicles, and warehouse improvements to increase efficiency and stock capacity. In addition to operational improvements, during the period we developed the ME Academy, a bespoke, purpose-built in-house training centre for our drivers and installers. In H1-24 the total capital expenditure amounted to £1.4m (H1-23: £0.08m).

The Group closed the period in a net cash position of £10.9m versus £10.0m at FY23 and £7.7m at H1-23.

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000
Underlying profit before tax	1,603	2,117
Addback:		
Finance (income)/costs	(55)	32
(Profit)/Loss on disposal of fixed assets	38	(45)
Depreciation and amortisation	772	619
Revaluation of investments	(195)	(118)
Share based payment cost	148	99
(Increase)/decrease in inventories	227	60
(Increase)/decrease in receivables	(993)	(542)
Increase/(decrease) in payables	2,533	3,379
Payables movement in relation to ERP	(236)	-
Underlying cash flow from operating activities	3,842	5,601
Less:		
Outflows for lease payments	(484)	(484)
Underlying operating cash flow for conversion	3,358	5,117
<i>Operating cash conversion</i>	<i>145%</i>	<i>189%</i>
Investing activities	(1,350)	(82)
Tax paid	(350)	(475)
Interest received/(paid)	45	(37)
Underlying free cash flow	1,703	4,523

Events after the reporting period

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

Current trading and outlook

Whilst the addition of in-house installation services and driver cost increases added pressure to the first half margin, we believe that long-term, having these services vertically integrated enhances the overall value creation and assists in positioning us as the UK's leading premium electrical retailer. Furthermore, as we benefit from improved gross product profit margin and operating leverage during the peak trading period in H2-24, we expect to improve our Adjusted EBITDA margin and remain on track to achieve our full year targets.

Marks Electrical Group plc

Consolidated Statement of comprehensive income

Six months ended 30 September 2023

	Notes	Six months ended 30 September 2023 Underlying £000	Six months ended 30 September 2023 Non-underlying £000	Six months ended 30 September 2023 Statutory £000	Six months ended 30 September 2022 Statutory £000	Year ended 31 March 2023 Statutory £000
Revenue		53,858	-	53,858	43,146	97,754
Cost of Sales *		(40,471)	-	(40,471)	(32,294)	(71,543)
Gross product profit *		13,387	-	13,387	10,852	26,211
Distribution costs*		(4,907)	-	(4,907)	(3,043)	(7,249)
Gross profit *		8,480	-	8,480	7,808	18,962
Administrative expenses		(6,979)	-	(6,979)	(5,678)	(13,024)
Share based payment expenses		(148)	-	(148)	(99)	-
Operating exceptional charges	6	-	(439)	(439)	-	-
Total administrative expenses		(7,127)	(439)	(7,566)	(5,777)	(13,024)
Operating profit		1,353	-	914	2,031	5,938
Fair value gains through the profit and loss		195	-	195	118	481
Finance income		79	-	79	-	71
Finance expenses		(24)	-	(24)	(32)	(67)
Profit before income tax		1,603	(439)	1,164	2,117	6,423
Tax on profit	4	(401)	110	(291)	(379)	(1,266)
Profit for the financial period		1,202	(329)	873	1,738	5,157
Other comprehensive income		-	-	-	-	-
Total comprehensive income for the period		1,202	(329)	873	1,738	5,157
Earnings per share						
Statutory basic and diluted earnings per share		-	-	0.83p	1.66p	4.91p

*The presentation of cost of sales and gross profit has been redefined in the H1-24 results and comparatives have been amended. The change made splits our gross product profit and distribution and installation costs. This decision was made to aid the understandability of movements within gross margin for the users of the financial statements.

Marks Electrical Group plc

Consolidated Balance sheet

At 30 September 2023

	Notes	At 30 September 2023 £000	At 31 March 2023 £000
Non-current assets			
Property, plant and equipment		2,667	1,559
Right-of-use asset		915	1,418
Investments		1,911	1,716
		5,493	4,693
Current assets			
Inventories		13,973	14,200
Trade and other receivables		4,985	3,982
Cash and cash equivalents		10,901	9,972
		29,859	28,154
Total assets		35,352	32,847
Current liabilities			
Trade and other payables		(19,146)	(16,545)
Lease liabilities		(862)	(921)
Current tax liabilities	4	(243)	(302)
		(20,251)	(17,768)
Non-current liabilities			
Lease liabilities		(48)	(473)
Deferred tax	4	(782)	(782)
Total liabilities		(21,081)	(19,023)
Net assets		14,271	13,824
Shareholders' equity			
Called up share capital		1,049	1,049
Share premium		4,815	4,694
Treasury shares		(3)	(4)
Merger reserve		(100,000)	(100,000)
Retained earnings		108,410	108,085
Total equity shareholders' funds		14,271	13,824

The interim financial statements of Marks Electrical Group plc were approved by the Board on 15 November 2023 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 2023

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 2022	1,049	4,694	(100,000)	(4)	103,671	9,410
Total comprehensive income for the period	-	-	-	-	5,157	5,157
Contributions by and distributions to owners:						
-Dividends paid	-	-	-	-	(1,017)	(1,017)
-Share based payment charge	-	-	-	-	274	274
At 31 March 2023	1,049	4,694	(100,000)	(4)	108,085	13,824
Total comprehensive income for the period	-	-	-	-	873	873
Contributions by and distributions to owners:						
-Dividends paid	-	-	-	-	(693)	(693)
-Share based payment charge	-	-	-	-	145	145
-Sale of treasury shares	-	121	-	1	-	122
At 30 September 2023	1,049	4,815	(100,000)	(3)	108,410	14,271

All the results arise from continuing operations.

Marks Electrical Group plc

Consolidated Cash flow

Six months ended 30 September 2023

	Six months ended 30 September 2023 £000	Six months ended 30 September 2022 £000	Year ended 31 March 2023 £000
Cash flows from operating activities			
Profit for the period	873	1,738	5,157
Adjustments for non-cash items:			
Depreciation of property, plant and equipment	287	108	326
Depreciation of right-of-use assets	485	511	1,021
(Profit)/loss on disposal of property, plant and equipment	38	(45)	(41)
Fair value gains	(195)	(118)	(481)
Share based payment expense	148	99	304
Interest (income)/expense	(55)	32	(4)
Taxation charged	291	379	1,266
Movements in working capital:			
(Increase) in inventories	227	60	189
Decrease/(increase) in receivables	(993)	(542)	(1,345)
Increase in payables	2,533	3,379	3,461
Cash flow generated from operations	3,639	5,601	9,853
Corporation tax paid	(350)	(475)	(784)
Net cash flow generated from operations	3,289	5,126	9,069
Cash flows from investing activities			
Purchase of property, plant and equipment	(1,367)	(99)	(1,049)
Deposits on right-of-use assets	-	(33)	(33)
Proceeds from sale of property, plant and equipment	17	45	45
Income from investments	-	5	58
Interest received	69	-	61
Net cash used by investing activities	(1,281)	(82)	(918)
Cash flows from financing activities			
Sale of treasury shares	122	-	-
Interest paid on lease liabilities	(24)	(37)	(67)
Principal repayment of lease liabilities	(484)	(484)	(967)
Equity dividends paid	(693)	(703)	(1,017)
Net cash used by financing activities	(1,079)	(1,224)	(2,051)
Net increase in cash and cash equivalents	929	3,820	6,100
Cash and cash equivalents at the beginning of the period	9,972	3,872	3,872
Cash and cash equivalents at end of the period	10,901	7,692	9,972

Marks Electrical Group plc

Notes to the unaudited financial statements

Six months ended 30 September 2023

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 2023 and the comparative period to 30 September 2022 have not been audited or reviewed. The figures for 31 March 2023 have been extracted from the financial statements for the year to 31 March 2023, 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 24.8%, whilst remaining profitable with a closing cash position of £10.9m.

Management have prepared detailed financial projections for the period to 30 November 2024. 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 input costs, including goods sold and distribution costs.

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

Marks Electrical Group plc

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 Group's liquidity levels for the period to 30 November 2024. As part of its assessment, the Board has considered:

- The cash flow forecasts and the revenue projections for the Group
- Reasonably possible changes in trading performance, including severe yet plausible downside scenarios
- An assessment of historical forecasting accuracy by comparing forecast cash flow to those actually achieved by the Group
- The Group's robust policy towards liquidity and cash flow management
- The Group's ability to successfully manage the principal risks
- The current cost of living crisis
- Inflation pressures facing the Group and its employees

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 Group 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 2023. 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 £59,999,999 and an investment of £159,999,998.

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.

Marks Electrical Group plc

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.

IFRS 13 fair value fixed asset investments

Estimates and assumptions are used to determine the carrying value of unlisted investments at fair value through statement of comprehensive income. The fixed asset investment in CIH ("Euronics") entitles the Group to a share of profit based on purchases made during any given period. The fixed asset investment is made up of an initial buy-in cost plus share of profits accrued since entering Euronics. Due to the timing of Euronics producing their annual results, the Group estimates the current periods profit share, based on a percentage of total purchases from Euronics. The profits from Euronics are seldom distributed; however, if the Group were to leave Euronics, the total accrued profits including the initial buy-in cost would become payable in full.

Long-term equity incentive plans

In calculating the charge in the statement of comprehensive income for the share-based remuneration for employees and Directors, estimates and judgements must be made on various inputs to valuation model to determine a theoretical fair value. 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 taken into consideration, such as employee attrition rates.

3. Earnings per share

(a) Earnings

	Six months ended 30 September 2023 £000	Year ended 31 March 2023 £000
Statutory earnings	873	5,157

(b) Number of shares

	Six months ended 30 September 2023	Year ended 31 March 2023
Basic weighted average number of shares	104,949,050	104,949,050
Dilutive effect of share options and awards	299,033	85,183
Diluted weighted average number of shares	105,248,083	105,034,233

(c) Earnings per share

	Six months ended 30 September 2023	Year ended 31 March 2023
Statutory earnings		
Basic statutory earnings per share	0.83p	4.91p
Diluted statutory earnings per share	0.83p	4.91p

Marks Electrical Group plc

Notes to the unaudited financial statements (continued)

3.1 Non-Statutory earning per share

(a) Earnings

	Six months ended 30 September 2023 £000	Year ended 31 March 2023 £000
Statutory earnings	873	5,157
Add:		
ERP costs net of tax	329	-
Share-based payments net of tax	111	271
Less:		
Fair value gains net of tax	(146)	(361)
Adjusted earnings	1,167	5,067

(b) Number of shares

	Six months ended 30 September 2023	Year ended 31 March 2023
Basic weighted average number of shares	104,949,050	104,949,050
Dilutive effect of share options and awards	299,033	85,183
Diluted weighted average number of shares	105,248,083	105,034,233

(c) Earnings per share

	Six months ended 30 September 2023	Year ended 31 March 2023
Adjusted earnings		
Basic adjusted earnings per share*	1.12p	4.83p
Diluted adjusted earnings per share	1.11p	4.82p

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, plus the add back of the revaluation in the investment of the Group's buying group, as disclosed above.

The number of ordinary shares as at 31 March 2023 through to 30 September 2023 has been used as the basis for the current and prior periods adjusted earnings per share calculation.

4. Taxation

Income tax 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 expense for the six months ended 30 September 2023 is £291,000 (H1-23: £379,000). The Group's adjusted consolidated effective tax rate for the six months ended 30 September 2023 is 25.0% (H1-23: 17.9%).

Marks Electrical Group plc

Notes to the unaudited financial statements (continued)

5. Dividends paid

	Six months ended 30 September 2023 £000	Year ended 31 March 2023 £000
Dividends paid during the period:		
Final dividend for 2023: 0.66p (2022: 0.67p)	693	703
Interim dividend for 2024: Nil (2023: 0.30p)	-	314
Dividends paid	693	1,017
Final dividend for 2024: Nil (2023: 0.66p)	-	693

Dividends paid and issued during the period totalled £692,586 (2023: £703,159).

An interim dividend has been proposed to be paid 22 December 2023 for 0.30p per share totalling £314,746.

6. Operating exceptional charges

During the period the Group began the implementation of a new ERP system. The ERP implementation is expected to be complete in FY25 and the Group will incur professional fees in relation to the set up and integration of the new system until completion. All costs are expected to be expensed through the statement of comprehensive income and in order to aid comparability, will be disclosed separately as non-underlying items. During H1-24 £439,000 was incurred as an expense with a tax benefit of £110,000.