

# Cake Box Holdings Plc



## Underlying FY2020 Growth Confirmed

14th April 2020

**Cake Box's FY2020 trading statement released today confirmed that, ahead of the impact of the COVID-19 measures, the company was enjoying brisk growth – both in terms of overall and like-for-like sales revenue. Moreover, in the current period of uncertainty the company's finances are underpinned by its strong balance sheet and franchised business model.**

Cake Box announced that in the period to 8<sup>th</sup> March 2020 the group's sales advanced by 5.1% on a like for like basis in its franchised stores. However, the first effects of the virus were felt in that month with the closure – in accordance with government guidelines – of all franchised stores on 23<sup>rd</sup> March. As a result, annual like for like sales growth was 2.0% compared with 6.5% in FY2019.

In the full year to 31 March 2020, the group expects to report revenue of around £18.7m, which would still be a 10% increase from the same period in last year, despite the early impact of the virus and associated measures. Pre-tax profits are expected to be in the £4.1m to £4.3m range, a figure which excludes any uplift from the freehold revaluation of the group's Enfield warehouse and head office, compared with £4.0m on a similar basis last year.

Looking ahead, management retains confidence in the Cake Box proposition and its attractiveness to new and existing customers nationwide. As a result, it expects to recover quickly once restrictions are lifted. Moreover, the company's relationship with its franchisees should be supported by the group's exploration of all possible routes to support them during the crisis. Cake Box is currently assisting its franchisees with the process of applying for significant assistance through the government's grant system.

## Well set to ride out the storm

The Cake Box growth opportunity, market positioning, customer loyalty, strong levels of stock and financial strength arguably support the case for a relatively quick recovery. As we highlighted in our 25<sup>th</sup> November 2019 report "*Growth Outlook Remains Sweet,*" Cake Box enjoys good scope for geographical expansion within the UK with some clearly under-represented regions. Its concept of affordable treats should remain attractive to consumers.

Cake Box will confirm the date for its full year results to the year ending 31<sup>st</sup> March 2020 in due course, and the Board has sensibly said it would not be appropriate to recommend a final dividend recommended pending more clarity. We shall also temporarily withdraw our forecasts for FY 2021.

Based on the prior 113p closing share price, the company's FY2020 trailing valuation is around a 2.2x EV/sales ratio. Clearly, there is uncertainty with regards to the immediate outlook, but comfort comes from the Group's financial strength. The latter confirmed by its minimal debt – i.e. a £1.6m mortgage which is secured against its properties. Moreover, at present, the company has cash holdings of £4.0m which appear plentiful in the context of a £0.2m monthly burn rate.

### Company Data

EPIC	CBOX
Price (last close)	113p
52 week Hi/Lo	185p/90p
Market cap	£49m

### Share Price, p



Source: ADVFN

### Description

Cake Box Holdings is a franchise retailer and manufacturer of egg-free cakes with a growing store base across the UK.

The company specialises in making high quality, affordable, bespoke and personalised fresh cream cakes for immediate purchase and for advanced orders, both on-premise and online.

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