Marks Electrical Group

Built-in installations enhance growth outlook

14th June 2023

With confirmation of 21.5% sales growth in a down market and significantly improved brand awareness in its key London trading area, the growth case for Marks Electrical (MRK) is clear. Moreover, the addition of a full next-day installation service appears already to be reaping rewards. MRK's ability to combine a consistent growth strategy with constant improvements in its offering and expanding awareness should, in our view, be rewarded with a higher share price. We maintain our 150p fair value, implying material upside for the shares.

MRK's preliminary FY2023 results confirmed the 21.5% sales growth and £7.5m EBITDA announced in the company's 12th April trading update (we wrote on this in our report: Sales advance by 21.5% to £97.8m in FY2023). The company generated £7.1m of free cash flow in FY2023, compared with £5.7m a year earlier, to end the year with a £10.0m positive net cash balance. Moreover, **sales gains were 30% in the first two months of the current financial year**.

An upgraded built-in installations programme represents an important addition to MRK's service offering. This activity is now managed in-house and enables the company to install appliances into fitted areas within dwellings – notably kitchens – using a specially trained team of installers including gas safe registered engineers. Built-in installations suit MRK's focus on premium branded products.

MRK's raised awareness levels were notable in London in FY2023, where they increased from 12% to 22% between October 2022 and May 2023. Indeed, London now has the highest awareness rate for MRK in the UK, surpassing even the company's East Midlands home region. As the UK's second largest region by population after the South-East and comfortably the largest by consumer spend, a reinforced presence in the nation's capital should be seen as a clear route to growth.

The key drivers of MRK's investment case remain in place, as outlined in our March 2022 initiation report: Lighting the touch paper. However, the consistency of overall approach should not mask significant ongoing changes and continuing improvements within the group as it enlarges the business overall. MRK's positive momentum should, in our opinion, be clear.

Significant potential upside to our 150p fair value

MRK's delivery against service level, brand awareness, growth and cash generation objectives are not currently reflected in MRK's share price, in our view. **As a result we maintain our 150p fair value**, despite a challenging consumer backdrop, which implies FY2024 EV/sales of 1.3x and 16.2x FY2024 EV/EBITDA based on our current forecasts.

Key Financials

Year to 31st March	2020A	2021A	2022A	2023A	2024E	2025E
Revenue (£m)	**31.5**	**56.0**	**80.5**	**97.8**	**114.5**	**131.4**
Revenue growth	0.8%	77.7%	43.8%	21.5%	17.2%	14.8%
EBITDA (£m) (adj)	**1.3**	**7.7**	**7.2**	**7.5**	**8.9**	**11.3**
EPS diluted (adj) (p)	0.66	5.05	5.01	4.82	5.37	7.30
DPS (p)			0.67	0.97	1.08	1.36
EV/sales (x)	**2.6**	**1.5**	**1.0**	**0.8**	**0.7**	**0.6**
EV/EBITDA (x)	64.5	10.7	11.4	10.9	9.2	6.9
P/E ratio (x)	**138.4**	**18.0**	**18.2**	**18.9**	**16.9**	**12.5**
Yield			0.7%	1.1%	1.2%	1.6%

Source: ED estimates, company historic data

Company Data

EPIC	MRK
Price (last close)	91p
52 weeks Hi/Lo	100p/55p
Market cap	£96m
ED Fair Value/share	150p

Share Price, p

Source: ADVFN

Description

Marks Electrical Group PLC (MRK) is a fast growing online electrical goods retailer, which was founded by its current CEO Mark Smithson in 1987.

MRK focuses on premium branded Major Domestic Appliances, which it can deliver with its in-house wholly owned fleet of vehicles to more than 99% of the English population on a next day basis.

The company operates from a single site in Leicester, which also houses its headquarters.

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Built-in installations enhance growth outlook

Marks Electrical Group's preliminary FY2023 financial and operating performance is consistent, in our view, with a company which has clearly defined growth ambitions, the headroom and capability to meet those growth objectives and the execution power to deliver not only sales expansion but also higher margins and cash balances. **But that consistency should not detract from important changes which have taken place within the company since its IPO** and the impact of key tactical shifts in delivering faster growth.

While Marks Electrical's business model and visibility of growth are well articulated and arguably understood, there is potential for the commercial benefits of the company's culture of continuous improvement and execution of better practices to be overlooked. Hence, we retain our 150p value for the shares and see a clear route for the current discount to that valuation being eroded.

This report looks first at Marks Electrical's preliminary FY2023 results in more detail before discussing the importance of the upgraded installations offering (a tangible improvement to the business), raised awareness levels (i.e. effective marketing) and the impact of this culture of continuous improvement on the investment case.

We look at valuation not only on a relative basis to peer group but also in the context of how much change there has been at Marks Electrical since IPO with eight "KPIs" identified by the company. We leave FY2024 forecasts broadly unchanged at this stage. However, we note a strong start to FY2024 – i.e., 30% sales gains in March and April, which improves the achievability of our estimates.

FY2023 results in detail

Financial highlights

FY2023 was a strong year in terms of sales growth and free cash flow margin expansion. Moreover, MRK continued to reinvest in its core brand with advertising and marketing again being 5.0% of sales revenue.

MRK's strong growth in FY2023 was achieved despite estimated contractions in both its main markets, by 20% and 7% for Major Domestic Appliances (MDA) and Consumer Electronics (CE) respectively, as the company continued to enjoy significant gains in market share.

Financial highlights for FY2023 as a whole are summarised in Figure 1, which uses adjusted data. The impressive sales momentum followed a tough comparison with FY2022 when growth was extraordinarily fast at 44.0%.

Margins at both EBITDA and net income level (hence lower EPS) fell from their FY2022 level. This, alongside higher logistics costs, reflects to some extent the intensely competitive nature of the company's primary sectors which resulted in gross margins thinning from 19.4% to 19.0%.

Moreover, the company did not offset this competitive effect through short-term measures and **maintained its advertising as a portion of sales at 5.0%, which has clearly delivered benefits in terms of both awareness and market share**. Without such a sustained level of investment in marketing – albeit one which demonstrates disciplined cost control on marketing spend to ensure value to the company – MRK's sales growth may well have suffered as a result of the market contraction experienced.

Confidence in the underlying growth of the business and its cash generative capability arguably **supports the case for ongoing dividend growth** with a significant bump-up having been experienced in FY2023 based on the proposed final pay-out.

Figure 1 - FY23 results - financial highlights

All figures in £m	FY2022	FY2023	change	
Net sales revenue	**80.5**	**97.8**	**21.5%**	
EBITDA – adjusted	7.2	7.5	4.2%	
EBITDA margin – adjusted	9.0%	7.7%	-1.3	points
EBIT – adjusted	**6.4**	**6.2**	**-2.3%**	
EBIT margin – adjusted	7.9%	6.4%	-1.5	points
EPS - adjusted (pence)	**5.01**	**4.83**	**-3.6%**	
Dividend per share (pence)*	0.67	0.96	43.3%	

Source: Company
** includes proposed final FY2023 dividend of 0.66p*
Note - data refer to audited accounts for 31st March 2023 year end

Cash highlights

MRK's cash generation and end-period cash balance are summarised in Figure 2 which also includes a calculation for return on capital employed (ROCE). Cash generation and cash conversion reflect a firm commitment to working capital management. We calculate the inventory sales ratio to have reduced from 17.9% to 14.5% in FY2023, and for net working capital overall to have shrunk from 4.9% of sales to 1.7%.

Both receivables and payables increased as a portion of sales with the latter being a significantly larger number, as our financial forecasts later in this report illustrate.

Going forward, MRK's return on capital employed should recover from a setback in FY2023 albeit to a still very acceptable level i.e., well in excess of its cost of capital. In particular, the company operates from a single, strategically positioned site in Leicester. Moreover, the addition of new vehicles will be directly in proportion with increases in demand for the company's products and service offering.

Figure 2 - Cash and returns highlights

All figures in £m	**FY2022**	**FY2023**	**change**	
Operating cash flow for conversion	8.6	8.9	3.1%	
Operating cash conversion	119.0%	118.0%	-1.0	points
Free cash flow	5.8	7.1	23.9%	
Free cash flow margin	7.1%	7.3%	0.1	points
Net cash	3.9	10.0	6.1	
Return on capital employed *	57%	41%	-16.0	points
ROCE excluding cash **	87%	122%	35.1	points

Source: Company and ED estimates
** Adjusted EBIT/total assets less current liabilities*
*** Adjusted EBIT/total assets less current liabilities less cash*

Operational highlights

The operational highlights in Figure 3 are central to the investment case for Marks Electrical. **What they clearly demonstrate is the awareness benefits generated by the company's consistent commitment to investing in advertising and marketing, and the ensuing market share gains.**

Given setbacks for both the MDA and CE categories in the past financial year, market share gains have been essential for MRK to grow sales revenue, which it has achieved at a rapid pace.

Importantly, we separate the online shares from overall. **MRK achieved online market shares which were close to double its overall share in both its core categories**, supporting its case for being regarded as a major player in the online space.

The brand awareness and Trustpilot scores are indicative of the underlying quality of the company's sales growth, given they are leading and trailing indicators respectively. Without awareness new customers are unlikely to be recruited. However, a poor end-customer experience would be a deterrent to repeat business and reputation. There is significant value in the company scoring well from both metrics in our view.

Figure 3 - Operational highlights

	FY2022	FY2023	change	
MDA market share	2.0%	2.5%	0.5	points
CE market share	0.2%	0.3%	0.1	points
MDA market share – online	3.5%	4.7%	1.2	points
CE market share – online	0.4%	0.6%	0.2	points
Brand awareness (England May data)	7.0%	15.0%	8.0	points
Trustpilot score	4.8	4.8	unchanged	

Source: Company

Installations – adding to the growth story

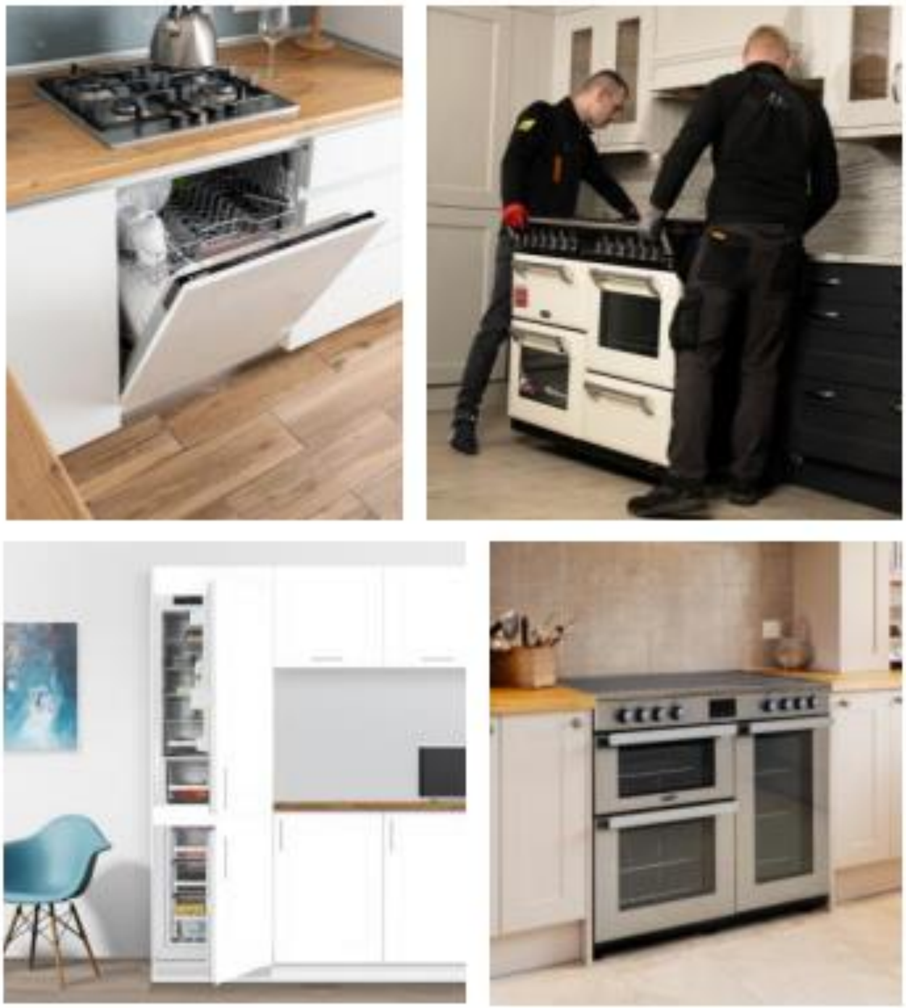
Marks Electrical upgraded its installations programme to include "built-in" installation services in FY2023 which has **important implications for the uniqueness of the company's service offering, and its associated ability to secure new business through differentiation**.

Built-in installations refer to integrated appliances and items which require specialist installation on delivery for an incremental fee. These contrast with the company's traditional service which offered what the company refers to as "free standing wet connections" – i.e., relatively straightforward appliance swaps of freestanding devices, notably in laundries.

This historic service contrasts markedly with the "built-in" service not only in terms of relative simplicity but also in terms of suitability for premium appliances which are arguably more likely to form part of an installation. Examples include integrated dishwashers, integrated fridge freezers, range gas cookers, and electric hobs in fully fitted kitchens, and wall mounted televisions in living spaces.

MRK's "built-in" installation process – which covers all of integrated appliances, including gas and electrical, as well as television wall mounts, is illustrated in Figure 4.

Figure 4 – Built-in installation service in action



Source: Company

Aside from the uniqueness of the built-in installation offering - it is offered by company-employed installers on a next day basis – MRK benefits from both a revenue and a cost perspective directly. First, incremental revenue is generated by the company being able to price the service in a range of £99 to £159 per installation, depending on complexity.

Second, MRK is able to bring this installation service in-house which reduces cost and effectively allows the company to capture more of the value chain. In the first 5 months of calendar year 2023 the company estimates that it provided around 5,100 built-in installations on an in-house basis compared with 2,200 using outsourced contractors in the same period last year, representing a 130% increase.

Barriers to entry for the built-in service are robust. In particular, the service requires qualified, experienced personnel. Through ownership of its own delivery system of 10, soon to increase to 20, specialist vehicles and a 35-person strong team, MRK is already able to offer this service to 65% of the UK population.

Hence, built-in installations are an example of a new development which has potential to add shareholder value at multiple levels as the service adds to revenue per purchase, has the ability to capture new - arguably more premium business – and enhances the MRK reputation overall.

Raising brand awareness – why wouldn't you?

In past reports we have focused on MRK's single digit market shares and relatively low brand awareness outside its home region of the East Midlands as indicative of headroom for sales growth and significant opportunities for expansion.

However, we argue that it is equally important to focus on the impact that the company's raised awareness is having, not least because it vindicates the 5.0% of sales revenue which MRK commits to reinvesting in advertising and marketing. Consistency appears to be paying off.

MRK's "why wouldn't you?" campaign refers to the company's ability to execute best-in-class next day delivery and installation and its top ranking Trustpilot reviews for service and competitive prices. The concluding message, as shown in this hyperlink, is simply: "Why wouldn't you?"

The most striking example of raised awareness in the past 6-7 months has been the company's near doubling of awareness in London, which is the UK's second largest region after the South-East and boasts around 13% of the country's population. In addition, it is the largest region economically and attractive as a potential purchaser of premium products and services. **London is now the region with the highest level of awareness for the Marks Electrical brand.**

Between October 2022 and May 2023 awareness of Marks Electrical in response to the question "Have you ever heard of Marks Electrical" carried out by YouGov increased from 10% to 15% nationally. The regional improvements, everywhere apart from the North-East, are summarised in Figure 5.

The company's FY2023 brand building initiatives, which incorporate the slogan "Why wouldn't you?" included new television advertisements, expanded out-of-home advertising and a more aggressive approach to social media. The digital campaigned was enhanced by introduction of a proprietary MRK1 mascot and has been rewarded by increases in followers, impressions and interactions.

Figure 5 - Brand awareness in England

	Oct-22	May-23	Change (ppts)
London	12%	22%	10
East Midlands	19%	20%	1
West Midlands	14%	16%	2
East of England	10%	15%	5
Yorkshire & Humber	8%	13%	5
North-West	10%	12%	2
South-East	8%	11%	3
South-West	7%	10%	3
North-East	9%	8%	-1
England total	**10%**	**15%**	**5**

Source: YouGov PLC
Figures refer to "yes" respondents to the question "Have you ever heard of Marks Electrical?

In line with our comments related to built-in installations, brand awareness is an important indicator of Marks Electrical's ability to combine a consistent strategy and exploit clearly defined longer-term opportunities with the delivery of significant changes and achievement of new milestones in the shorter term - hence sustainable but visible and growing value creation.

Investment case

Consistent message

The central investment case for Marks Electrical's shares remains firmly in place, in our view. The company is well invested to meet demand growth in its business both financially and operationally, as well as enjoying significant scope to generate this demand growth through increased brand awareness. Furthermore, market share is comparatively small despite rising to close to 5% of online MDA sales in FY2023 and online CE share remains beneath 1%.

Operational highlights include strong service levels, with a **best-in-class 4.8 TrustPilot rating**, tight management of working capital - which delivers significant free cash flow benefits - and consistent market share gains through increased awareness. **A focus on premium brands should also be noted, especially as the company seeks to increase its penetration in higher spend per order regions with progress in London being a prime example.**

Positive momentum

But the consistency of Marks Electrical's key investment messages should not obscure the company's positive underlying momentum and quest for continuous improvement. As we showed in Figure 5 the company made significant progress in expanding its brand awareness footprint in FY2023, is gaining share in the smaller of its two product segments (Consumer Electronics) and added a key service level in the form of built-in installations.

MRK was admitted to the London AIM market via an IPO on 5th November 2021. **In the eighteen months since then it is possible to identify at least eight significant Key Performance Indicators which relate both to underlying growth and improved business quality**. We summarise these KPIs in Figure 6.

Figure 6 - Selection of KPIs since Marks Electrical's IPO

	Nov-21	Jun-23	Change
Trustpilot score	4.7	4.8	+0.1 points
Employees	>190	>250	~+32%
Vehicles	36	50	+39%
Installation offering	Third party	In-house	
Brand awareness	6%	15%	+9 pct points
CRM database	~110,000	~200,000	~+82%
Daily website traffic	15,000	23,000	+53%
Net cash position (£m)	3.9	10.0	+6.1

Source: Company

The central message from the selected change indicators in Figure 6 is arguably one of a **consistent business strategy which delivers continuous growth and an organisation which shows signs of positive momentum.** Importantly, these indicators all demonstrate growth which is driven not only by improved service levels and awareness expansion but **also by having the ability – as the net cash position tends to verify – to fund further expansion going forwards**.

We show a soft toy version of the MRK1 mascot referred to above in Figure 7.

Figure 7 – MRK1 mascot

Source: Company website (www.markselectrical.co.uk)

Valuation & financials

Relative valuation

Our relative valuation in Figures 8 and 9 assesses Marks Electrical against peer groups of MDA and CE providers and online retail businesses. We maintain our fair value at 150p, which implies FY2024 EV/sales of 1.3x and 16.2x FY2024 EV/EBITDA based on our forecasts that remain unchanged despite the company reporting a strong start to the current financial year. Sales growth in the first two months of FY2024 accelerated to in excess of 30%.

Moreover, despite the positive developments which we highlight in Figure 6, we note that Marks Electrical is trading at a share price which is 20% beneath its close on 5th November 2021. While the comparator companies have also fared poorly as a basket with an unweighted average fall of 38.3% (source: ADVFN) **we continue to highlight that MRK is a profitable business with high returns on capital employed and positive free cash flow.**

These relative arguments were articulated in our 8th November 2022 report: Connecting the growth drivers.

Figure 8 - Relative valuation - online MDA providers

	Share price (p)	Mkt cap (£m)	Net debt (£m)	EV (£m)	Sales 2024 (£m)	EV/ sales (x)	EBITDA 2024 (£m)	EV/ EBITDA (x)	EPS 2024 (p)	P/E (x)	DPS 2024 (p)	Yield
AO World (AO)	78	388	102	490	1137	0.4	56.5	8.7	3.5	22.4	n/a	n/a
Currys (CURY)	52	596	1342	1938	9432	0.2	522.0	3.7	7.8	6.6	3.0	5.8%
Marks Electrical (MRK)	**91**	**96**	**-13**	**83**	**115**	**0.7**	**8.9**	**9.2**	**5.4**	**16.9**	**1.1**	**1.2%**
Average						0.5		7.2		16.4		3.5%

Source: ADVFN, MarketScreener, Stockopedia and Equity Development estimates

Figure 9 - Relative valuation - online consumer goods providers

	Share price (pence)	Mkt cap (£m)	Net debt (£m)	EV (£m)	Sales 2024 (£m)	EV/ Sales (x)	EBITDA 2024 (£m)	EV/ EBITDA (x)	EPS 2024 (p)	P/E (x)	DPS 2024 (p)	Yield
ASOS (ASC)	325	325	778	1103	3758	0.3	218	5.1	20.6	15.8	n/a	n/a
B&M (BME)	539	5409	2018	7427	5296	1.4	825	9.0	35.9	15.0	20.4	3.8%
Boohoo (BOO)	35	426	133	559	1727	0.3	70	8.0	-0.8	Nmf	n/a	n/a
Dunelm (DNLM)	1175	2397	251	2648	1715	1.5	293	9.0	73.9	15.9	59.2	5.0%
Marks Electrical (MRK)	**91**	**96**	**-13**	**83**	**115**	**0.7**	**8.9**	**9.2**	**5.4**	**16.9**	**1.1**	**1.2%**
Next (NXT)	6492	8116	1811	9927	5140	1.9	1091	9.1	505.0	12.9	207	3.2%
Ocado (OCDO)	405	3133	2498	5631	3117	1.8	141	Nmf	0.0	Nmf	n/a	n/a
Pets at Home (PETS)	393	1959	362	2321	1488	1.6	260	8.9	20.9	21.2	12.7	3.2%
Average						1.2		8.3		16.3		3.3%

Source: ADVFN, MarketScreener, Stockopedia and Equity Development estimates

DCF valuation

We include a DCF valuation for Marks Electrical in Figure 10, which gives a valuation message consistent with our 150p fair value – i.e., an intrinsic value per share which is well above the current share price.

We have modified the basis of our terminal value calculation to be more conservative than in our most recent calculation which appeared in our 12th April 2023 report (Sales advance by 21.5% to £97.8m in FY2023). The revised figure is marginally in excess of our 150p estimated fair value for the shares.

The discounted free cash flow calculation in the table is based on unlevered free cash flow. It excludes any finance costs because these are captured in the group's net cash position.

We use a standard 8.5% discount or hurdle rate as a proxy for the company's weighted average cost of capital (WACC). The terminal growth rate is 2.0%, which is consistent with a long-term GDP growth trajectory for the UK economy.

Figure 10 - DCF calculation

31st March year-end All figures in £'000s	**2024F**	**2025F**	**2026F**	**2027F**	**2028F**	**2029F**	**2030F**	**2031F**	**2032F**	**2033F**
Free cash flow (unlevered)	4,042	6,659	7,917	9,494	11,302	11,528	11,759	11,994	12,234	12,479
Discount rate used (%)	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%	8.5%
Timing factor	0.75	1.75	2.75	3.75	4.75	5.75	6.75	7.75	8.75	9.75
Discount factor	0.94	0.87	0.80	0.74	0.68	0.63	0.58	0.53	0.49	0.45
Present value	3,802	5,773	6,326	6,992	7,671	7,212	6,780	6,374	5,992	5,633
Sum of discounted cash flows	**62,555**									
Terminal growth rate (%)	2.0%									
Terminal value	**94,026**									
Net debt/cash if positive	9,972									
Equity value	**166,553**									
No. of shares (m)	104.9									
Value per share (pence)	**159**									

Source: Equity Development

Financial forecasts

We leave our key forecasts unchanged following the publication of full year FY2023 results. However, it should be noted that FY2024 has already benefited from a strong start.

Key features of our current forecasts include a high-teens pace of sales growth in FY2024, gross margins of around 19.0%, sustained reinvestment in advertising and marketing to the tune of 5.0% and significant free cash flow conversion. The ability of Marks Electrical to fund expansion remains an important "financials" component of the sustainability of the company's growth outlook.

Our forecasts for income statement, balance sheet and free cash flow appear in Figures 11, 12 and 13. **The central messages are sustained sales revenue growth, high returns on capital employed and strong cash conversion**.

Figure 11 - Income statement

31st March year-end All figures in £'000s	2021A	2022A	2023A	2024E	2025E
Revenue	**55,984**	**80,478**	**97,754**	**114,525**	**137,012**
Increase (%)	77.7%	43.8%	21.5%	17.2%	19.6%
Cost of sales	-44,064	-64,583	-78,792	-92,765	-110,980
Gross profit	11,920	15,895	18,962	21,760	26,032
Gross margin(%)	21.3%	19.8%	19.4%	19.0%	19.0%
Other operating income	165				
Advertising & marketing	-1,641	-4,004	-4,906	-5,727	-6,851
Other operating expenses (exc depn)	-2,580	-4,644	-6,507	-7,100	-7,150
Total operating expenses	-4,221	-8,648	-11,413	-12,827	-14,001
As % sales revenue					
Advertising & marketing	-2.9%	-5.0%	-5.0%	-5.0%	-5.0%
Other operating expenses	-4.6%	-5.8%	-6.7%	-6.2%	-5.2%
Total operating expenses	-7.5%	-10.7%	-11.7%	-11.2%	-10.2%
EBITDA (adjusted)	**7,699**	**7,247**	**7,549**	**8,933**	**12,032**
EBITDA margin adj. (%)	13.8%	9.0%	7.7%	7.8%	8.8%
Depreciation & amortisation	-875	-861	-1,307	-1,640	-1,962
Operating profit (adjusted)	**6,824**	**6,386**	**6,242**	**7,293**	**10,070**
Operating margin adj (%)	12.2%	7.9%	6.4%	6.4%	7.3%
Net income (adjusted)	**5,296**	**5,255**	**5,067**	**5,643**	**7,665**
EPS (adjusted) (pence)	5.05	5.01	4.83	5.38	7.30
EPS (adjusted) (pence) - fully diluted	**5.05**	**5.01**	**4.82**	**5.37**	**7.30**
DPS (pence)		0.67	0.96	1.08	1.46

Source: Company historic data and Equity Development estimates

Figure 12 - Balance sheet

31st March year-end	2021A	2022A	2023A
All figures in £'000s			
Assets			
Non-current assets			
Investments	1,146	1,293	1,716
Property, plant & equipment	5,623	841	1,559
Right-of-use assets	779	2,328	1,418
Total non-current assets	**7,548**	**4,462**	**4,693**
Current assets			
Inventories	11,432	14,389	14,200
Trade and other receivables	2,839	2,627	3,982
Cash and cash equivalents	1,493	3,872	9,972
Total current assets	**15,764**	**20,888**	**28,154**
Total assets	**23,312**	**25,350**	**32,847**
Liabilities			
Current liabilities			
Trade and other payables	8,303	13,067	16,545
Corporation tax liabilities	1,557	145	302
Borrowings	233		
Lease liabilities	330	938	921
Total current liabilities	**10,423**	**14,150**	**17,768**
Non-current liabilities			
Other payables	17		
Borrowings	1,304		
Lease liabilities	422	1,324	473
Deferred tax liabilities	618	466	782
Provisions for liabilities	155		
Total non-current liabilities	**2,516**	**1,790**	**1,255**
Total liabilities	**12,939**	**15,940**	**19,023**
Issued capital and reserves			
Share capital	100,000	1,049	1,049
Share premium account		4,694	4,694
Treasury shares		-4	-4
Merger reserve	-99,994	-100,000	-100,000
Revaluation reserve	1,235	0	0
Retained earnings	9,132	103,671	108,085
Total equity	**10,373**	**9,410**	**13,824**
Total liabilities and equity	**23,312**	**25,350**	**32,847**

Source: Company historic data

Figure 13 - Free cash flow

31st March year-end	2021A	2022A	2023A	2024E
All figures in £'000s				
Cash from operating activities	**7,747**	**4,416**	**7,548**	**9,033**
Changes in operating assets and liabilities				
Inventories	-7,110	-2,957	189	-3,419
Receivables	-1,197	212	-1,345	-683
Payables	3,513	4,926	3,461	2,839
Cash from operations	**2,953**	**6,598**	**9,853**	**7,769**
Corporation tax paid	-66	-2,042	-784	-1,750
Net cash from operating activities	**2,887**	**4,556**	**9,069**	**6,019**
Cash flows from investing activities				
Property, plant & equipment – purchases	-216	-583	-1,049	-2,004
Deposits on right of use assets		-304		
Property, plant & equipment – disposals	26	65		
Income from investments		48		
Net cash from investing activities	-190	-774	-918	-2,004
Issue of ordinary share capital		4,740		
Repayment of borrowings	-227	-1,537		
Interest paid	-42	-11		
Interest paid on lease liabilities	-28	-54		
Principal repayment of lease liabilities	-312	-657		
Net cash from finance activities exc dividends	-609	2,481	-1,034	
Free cash flow before dividends on shares	**2,088**	**6,263**	**7,117**	**4,015**
Dividends paid		-3,884	-1,017	-1,065
Free cash flow after dividends	**2,088**	**2,379**	**6,100**	**2,950**

Source: Company historic data and Equity Development estimates

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