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Market share gains drive revenue growth

Significant market share gains in a particularly tough market environment were responsible for Marks Electrical recording a strong 13.7% sales revenue growth rate in the first four months of its FY2023 financial year. With a sustained and impressive 4.8 Trustpilot score, and flat inventory levels, the company appears well positioned to make further sales gains and convert revenue and profits into increased free cash flow. We reiterate our 150p / share fair value.

Marks Electrical's trading statement was issued ahead of today's AGM. The company's sales increase of 13.7% compared with the same four months of the previous year was driven by market share gains, both as an overall portion of its key categories and in the online segment. July 2022 recorded Marks Electrical's third strongest month of sales on record – behind only November and December 2021.

In the first three months of FY2023, Major Domestic Appliances share increased from 1.5% to 2.1% as online share rose from 2.5% to 3.8%. Consumer Electronics share increased from 0.2% to 0.3% while online share of this segment was also higher, increasing from 0.3% to 0.6%. The company's industry-leading 4.8 Trustpilot score and ability to deliver goods on a next day basis continue to underpin the quality of the offering and explain why Marks Electrical is capable of outperforming its key competitors, as highlighted in our 8 June 2022 report [Connecting with customers](#).

Cash conversion, evidenced by the company's proposed 0.67p final dividend for today's AGM, is a key component of the financial strategy. As a result, we view positively the company's ability to maintain inventory levels despite the strong sales growth in this opening period – i.e. stock turnover increased.

Overall growth strategy remains on track. The current market share position implies massive headroom for growth, driven by a superior premium branded product range and service offering. Financially, a focus on costs and working capital should ensure that the company has adequate resources to fund future sales revenue expansion.

Valuation does not reflect the clarity of Marks Electrical's growth outlook, in our view. We continue to argue that the company's well defined growth strategy - and ability to implement it - is superior to its peer group, much of which is not profitable. At our 150p fair value level, implied valuation ratings are an FY2023 EV/sales ratio of 1.6x and 18.6x EV/EBITDA.

Company Data

EPIC	MRK
Price (last close)	68p
52 weeks Hi/Lo	128p/68p
Market cap	£71m
ED Fair Value	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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Key Financials

Year to 31st March	2019A	2020A	2021A	2022A	2023E	2024E
Revenue (£m)	31.2	31.5	56.0	80.5	94.0	118.1
Revenue growth (%)		0.8	77.7	43.8	16.8	25.6
EBITDA (£m) (adj)	1.9	1.3	7.7	7.2	8.2	10.4
EPS adjusted (p)	1.10	0.66	5.05	5.01	5.31	6.30
DPS (p)				0.67	1.06	1.26
EV/sales (x)	2.2	2.1	1.2	0.8	0.7	0.6
EV/EBITDA (x)	35.8	52.7	8.8	9.3	8.2	6.5
P/E ratio (x)	61.6	103.4	13.5	13.6	12.8	10.8
Yield (%)	0.0	0.0	0.0	1.0	1.6	1.9

Source: ED estimates, company historic data



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