

CMO Group Plc
("CMO" or "the Group")

Preliminary Results for the year ended 31 December 2023

CMO Group Plc the UK's largest online-only retailer of building materials, today announces its Preliminary Results for the year ended 31 December 2023.

CMO's vision is to be the destination of choice for everyone building or improving a house or home in the UK. CMO is disrupting a huge, predominantly offline, market with a digital first proposition through the widest range, specialist expertise, and helpful customer solutions.

CMO has created category authority by offering market-leading choice listing over 130,000 products through its portfolio of specialist SUPERSTORES. This, together with the unique dropship model for delivery, provides an enhanced experience for its digital native customers.

A challenging market and financial performance

- CMO faced a difficult market backdrop in 2023 which has been well-publicised. In 2023 GfK* reported YoY declines of 14% and 20% in the Builders Merchant and Tiles market, respectively, with the online segment of the Tiles market particularly challenging with a drop of 29% YoY.
- Cost-of-living pressures and higher interest rates impacted demand in consumer markets and the UK experienced the wettest 18-months on record which had a particular impact on the domestic construction sector.
- As a result, total revenue for the year fell 14% to £71.5m, significantly impacted by the fall in the Tiles market.
- Group revenue up 59% on pre-covid levels of £44.9m.
- The SUPERSTORES outperformed the market growing share by c.10% H2 v H1.
- TILES like-for-like sales declined 31%, in line with the market. Tiles market c.20% down on pre-covid levels, but TILES sales +53% vs FY2019.

Revenue	Building	Plumbing	Tiles	Total
2023 (£m)	53.0	7.3	11.2	71.5
2022 (£m)	59.1	8.0	16.0	83.1
	-10%	-9%	-31%	-14%

- Gross profit totalled £14.9m (2022: £16.5m), reflecting a gross margin of 20.8%, (2022:19.8%).
- Adjusted EBITDA** was £0.9m (2022: £2.1m).
- Closing cash at 31 December 2023 was £4.7m (2022: £6.2m) and net debt, being cash less the balance drawn on the revolving credit facility, was £0.6m.

A more efficient business and progress on strategy

In 2023, CMO overlayed its longer-term strategy with shorter-term strategic priorities and has had significant success:

- Margin growth, a 1% increase in gross product margin achieved.
- Recovery in the cost of carriage with 56% improvement achieved.
- Matching headcount to market demand - cost reduction of 18% achieved.
- GOOD BUILD SUPERSTORE has taken its first orders.
- PLUMBING SUPERSTORE is gaining traction.
- LANDSCAPING SUPERSTORE (6000 products) soft launched.

Customers loyal

- 65% of orders from repeat customers, up from 50% in 2022.
- Customer acquisition remains balanced between paid and non-paid digital marketing.
- Average order value declined by 22% primarily impacted by lower order value from new customers. Existing Customer AOV was maintained.
- Marketable database grew by 18% year on year to almost 300,000 email addresses.
- Over 40,000 customers rate CMO's service as excellent on Trustpilot.

Current trading and outlook

- The poor weather continued into Q1, and the tiles market continued to show major decline in both online and bricks and mortar segments. Multi-point plan developed to assist recovery of the tile business being implemented by the new management team.
- Whilst market conditions are expected to remain challenging, the Group is seeing an improving trend and some momentum in Q2 which is anticipated to continue into H2.
- Improvements seen in AOVs (Average Order Value) from Q1 to Q2 after nine months of suppression indicate consumer confidence is returning to larger RMI projects.
- Improving sales order trend in Q2:

Consolidated P&L - like-for-like sales orders performance		
Channel	Q1 LFL	Q2 to date LFL
Building	(12.7%)	(4.9%)
Plumbing	(17.4%)	(2.1%)
Tiles	(39.3%)	(24.3%)
Total	(18.2%)	(7.9%)

- As previously reported significant cost reductions have been undertaken to offset the impact of the slower than expected start to the year. This has seen a headcount reduction to 174 at the end of March, a c.15% reduction from the start of the year and more than 30% since the peak.
- Strategic initiatives delivering improved sales trend with continued focus on improving product margin, maintaining carriage cost recovery, ensuring excellent customer service and reducing refunds, as well as bringing the digital marketing spend down to or below 6%.
- FY benefit of brand consolidation of JTM and Clickbasin into PLUMBING SUPERSTORE expected in 2024.
- Launch of 'Super Rewards' and UX optimisations of mobile experience in H2.
- Development of next store launch in early 2025 as CMO continues to deliver on its mission to bring the widest range to the market.
- With inflation easing, a reduction in National Insurance and expected falls in interest rates, we anticipate the gradual improvement in consumer confidence to continue and accelerate into H2.
- The Group remains well financed with cash and available facilities of over £4m at the end of April 2024. In addition, we have made progress with our flexible banking partner to strengthen the Group's available liquidity with the bank facilities and associated covenants renegotiated in January 2024 to meet the Groups future requirements.

Dean Murray, CEO of CMO Group said:

"2023 has been a difficult year for all allied to the housing industry. However, whilst CMO is not immune to this, we have focussed our energies on profitable sales and becoming a better, more efficient business which is primed to take advantage of improvements in market conditions when they materialise which we have seen signs of recently.

We are encouraged that our SUPERSTORES have outperformed the market and that we gained market share in the second half.

We have a proven business model and continue to deliver on the strategic roadmap set out at the time of our IPO. We remain focussed on successfully navigating what we expect to be another challenging year, but one that is beginning to show some signs of improvement. If that continues, we will benefit and return to growing our sustainable and profitable business."

31 May 2024

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*GfK (an NIQ company): <https://www.gfk.com/about-gfk>

**Adjusted EBITDA is defined as earnings before interest; tax; depreciation and amortisation; foreign exchange; share option expenses; restructuring, redundancy and non-recurring payroll expenses; integration of acquisitions into the superstore environment; one off infrastructure costs; acquisitions expenses; and certain professional fees and expenses.

Chairman's Statement

2023

The well-publicised market challenges of 2022 have continued into 2023 compounded by new disruptive forces. The onset of war in Gaza and the related problems for shipping in the Red Sea and Suez Canal, together with the UK's macro-economic inflationary pressures as much driven by the Ukraine conflict and the unwinding of COVID coupled with Brexit, have all exacerbated the impact on disposable income.

These issues have had a significant impact on the construction and building industry leading to declines in new works and reductions in mortgage approvals which as a direct driver of the repair maintenance and improvement (RMI) market has made 2023 a year of challenge for CMO. At the top line revenue reduced by 14%, with the more discretionary categories such as tiles

continuing to be the most affected.

Despite these challenges and the revenue position achieved, CMO's tile business has performed in line with the tile category and the SUPERSTORES have outperformed the sector, demonstrated by growth in their share of the Builders Merchants market. This growth once again demonstrates the effectiveness of the business model, proving that the mission to bring the widest category and product choice, backed by product expertise and helpful customer service to market through a range of specialist ecommerce propositions remains attractive to customers.

Strategy

CMO continues to progress the long-term strategy to provide customers with everything they need to build or maintain homes through a seamless and dedicated ecommerce experience.

However, the ongoing challenging market conditions necessitated further agility from the team and at the commencement of 2023 the operational focus turned to five strategic priorities to protect profit and cash. CMO has been successful in progressing the majority of them achieving growth in the gross product margin percentage, recovery in the cost of carriage, matching headcount to market demand, and delivering successful integration of JTM Plumbing into the new PLUMBING SUPERSTORE specialist vertical. This has led to a more efficient operation and provided further penetration into the c.£1.6bn online plumbing, heating, and bathrooms category. This with the relentless focus on profit rather than non-value accretive sales has proven to be a prudent and effective strategy for this period.

The belief in the model and strategy is unwavering and CMO has continued to deliver to the published strategic roadmap. Early 2023 saw the launch of the fledgling consumer focussed horizontal GOOD BUILD SUPERSTORE and more recently the specialist vertical LANDSCAPING SUPERSTORE. CMO will continue to extend the customer base through effective, mainly digital marketing strategies and enhance the product offering and service through listening to customers and effecting change to deliver an even better service.

Our vision for a better world

The Board takes its governance responsibilities very seriously, the approach to which is set out in the Corporate Governance section of our Annual Report. CMO recognises that responsibilities are wide-ranging, and the team work to continuously evolve and improve governance towards the best practices required of a larger business.

The Board, alongside the wider team and other stakeholders, remains determined that the Group plays its part in addressing environmental and social challenges as our position as a leader in our field rightly demands. We continue with our programme of using science-based targets to reduce our greenhouse gas (GHG) footprint and are actively seeking ways to help customers choose more sustainable products.

More detail on our approach to these matters can be found in the Environmental, Social and Governance (ESG) section of our Annual Report.

Senior management, team, and Directorate changes

The Board comprises an experienced and skilled group of individuals and they continue to face some of the most difficult market challenges in recent times and navigate them effectively. Against this backdrop I congratulate the management team for their absolute rigour on delivery of the 2023 operational pillars. CMO is a better business primed to take advantage of economic upturn when it happens.

CMO takes great pride in its people and seeks to develop each person to their full potential. I am pleased to report that ours are talented, dedicated, and critical to our future success. On behalf of the whole Board, I thank them for their hard work particularly during these tough market conditions.

After nearly 40 years in industry and five years with the Company, Sue Packer, Chief Operating Officer, retired at the end of March 2024 and stepped down from the Board on 8 February 2024. Commercial Director Callum Tasker has been appointed to the Board as Chief Commercial Officer.

Mike Fell, Co-Founder of Key Capital Partners ("Key Capital"), the Company's largest shareholder replaced James Excell as Key Capital's representative on the Board on the 8 February 2024. Mike Fell co-founded a private equity firm Key Capital 17 years ago and was part of the original team that invested in CMO. He holds a number of other directorships of investee companies

which will bring wide experience to CMO.

The Board wishes to express deep gratitude to Sue and James for their contribution to the Company.

Outlook

Despite having a disruptive business model, CMO has not been able to overcome the widespread macro-economic and geopolitical challenges which have impacted the construction industry as a whole and the disposable income of our customers. Whilst cost inflation is abating and there are downward movements in interest rates, predicting the year ahead is no easier than it was last year, suffice to say that we are not anticipating rapid economic recovery.

CMO is well funded and has a strong balance sheet and a proven business model. The focus remains on successfully navigating the tough market conditions and if needs be making the necessary hard decisions to protect the business and shareholder interests for the future. The actions taken in 2023, we believe, will build a growing, sustainable, profitable business that will thrive when conditions allow.

Ken Ford

Chairman

Chief Executive Officer's review

Market overview

Since floating the Business on AIM in July 2021, we have not enjoyed normal market conditions for any length of time and faced both supply and demand challenges and had to contend with substantially increased cost base against a backdrop of volatile consumer confidence and declining disposable income. The challenges faced have been onerous, but whilst we are not immune to such challenges, the strength of our proposition is allowing us to navigate through what we hope to be the worst of it with our business in good shape and primed for when the economy improves.

In 2023, GfK* reported declines in the Builders Merchant market of 14%, 20% declines in the Tiles market, with the online segment even further challenged with a drop of 29% YoY.

Results

	2023	2022
Revenue	£71.5m	£83.1m
Gross profit	£14.9	£16.5m
(Loss)/ Profit Before Tax	(£2.3m)	£0.2m
EPS	(2.55p)	0.51p
Net (debt)/ cash	(£0.6m)	£1.4m
Adjusted EBITDA**	£0.9m	£2.1m

****Adjusted EBITDA is defined as earnings before interest; tax; depreciation and amortisation; foreign exchange; share option expenses; restructuring, redundancy and non-recurring payroll expenses; integration of acquisitions into the superstore environment; one off infrastructure costs; acquisitions expenses; and certain professional fees and expenses.**

Strategic initiatives

Faced with this environment, we have overlayed our longer-term strategy with five shorter-term strategic priorities designed to support profit and protect cash. Success against these priorities was reported at the half year and was tangible, with a 1 percentage point increase in gross product margin, a substantial 56% improvement in carriage recovery and an overhead efficiency programme that has seen certain costs reduce by 18%.

Operations

Revenue at both the SUPERSTORES and Tiles on a like-for-like basis were down on prior year -9% and -35% respectively.

A sound performance in SUPERSTORES against the margin and carriage priorities mitigated most of the sales deficit to leave gross margin after carriage costs unchanged year-on-year at c. £10.4m, and whilst the tiles business shrank, we traded broadly in line with the pureplay market.

A change in base of the market share calculation through our market data providers blurs year on year comparison but the data indicates we achieved a 10% increase in market share in the SUPERSTORES H2 v H1. This we consider a very credible achievement and testament to the hard choices we made throughout the year.

We have made progress with the brand consolidation integrating the acquisitions JTM Plumbing into PLUMBING SUPERSTORE and we continue to progress our strategy to provide everything you need to build and improve a home through developing the vertical propositions, fine tuning our segmentation, and improving our offer across existing verticals which will benefit from brand and digital marketing benefits over time.

*GfK (an NIQ company): <https://www.gfk.com/about-gfk>

Implementing our strategy

The CMO strategy has historically been successful in growing the business and has again allowed us to gain market share. This strategy remains unchanged: To provide our customers the confidence they need to build and improve homes through the widest range, specialist expertise, and helpful customer solutions. We recognise that our customers prefer to shop through specialist stores offering sound advice and our strategy is to continue adding specialist stores, either organically or through acquisition.

It is fundamentally important in a multi-site retail environment that customers know who they are shopping with and the rebrand rolled out between December 2022 and January 2023, has had impressive results. Repeat customers now account for 65% of revenue up from 50% prior to rebranding, and all measures of customer engagement showed clear improvement post rebranding. We've seen the marketable database grow by 18% YoY to almost 300,000 email addresses with click through rates on email as an indicator of brand engagement increasing by 80%.

With cost-of-living challenges impacting consumer confidence we saw a general decline on Average Order Value (AOV), primarily from new customers with AOV declining 22% compared to 2022. Encouragingly AOV from repeat customers remained flat YoY and was 54% more than our new customers. Conversion Rate (CVR) was flat YoY.

Delivered in early 2023, phase 1 of our dedicated project based horizontal the GOOD BUILD SUPERSTORE soft launched. This site provides homeowners with project led content that seeks to take a DIYer from project inspiration to product confidence and act as a referral channel to the SUPERSTORES. Whilst the store has seen its first orders we recognise that certain changes in consumer behaviour indicate that time to purchase is drawing out as credit becomes more expensive and projects get put on hold. We are therefore focussed on developing the commercial aspects of the site to create a tighter relationship between inspiration and product basket and we anticipate a phase 2 and phase 3 development cycle.

2023 has seen PLUMBING SUPERSTORE gaining traction. JTM Plumbing has now been fully integrated and is beginning to benefit from consolidation synergies including utilising a single platform reducing operational costs and more targeted and efficient marketing focussed on a single entity. After the inevitable period of disrupted sales as search engines realign to the new site, PLUMBING SUPERSTORE is enjoying the strongest conversion rates across the Group and providing us access to a growing online category worth an estimated £1.6bn. All Click Basin products have also now been listed on PLUMBING SUPERSTORE and are trading well which continues to demonstrate the strength of the model, team, and our technology.

It remains CMO's intention to deliver on our promise of a fully supported shopping experience for homeowners and tradespeople alike, and to maintain our position as a major disruptor in the market.

I am also pleased that we have soft launched LANDSCAPING SUPERSTORE with over 6000 products at the very end of 2023 and brings our complement of SUPERSTORES to nine. Creating specialist verticals gives us category authority to dominate internet search and awareness.

CMO continues to pursue an active acquisition pipeline to speed up the achievement of its strategic goal but recognises the need for cautious cash investment until the current economic climate improves.

Primed to deliver

CMO is a better, more efficient business than it was a year ago as we fine-tune both our strategy and operations. With the prevailing market conditions, we will remain focussed on achieving profitable sales rather than driving volume. Our primary focus remains on maintaining and building margin both at the product level and after carriage, improving our refund control, driving conversion, continuing to become even more efficient on carriage costs and managing better our stockturn.

The tile market has been extremely difficult for some time now, but we have largely performed in line with the market. We have recruited a new management team who are tasked with improving this vertical's performance. They have carried out an exhaustive and thorough review covering every aspect and analysed trends for the future to ensure we have a broad range of the most attractive products for customers to acquire. A multi-point plan has been developed and is being implemented over the course of 2024, a key feature of which is to improve margin and conversion in this category.

Across the business we continually review pricing across all products to be competitive within each market and seek to constantly improve and evolve our online experience, range, and service proposition to ensure we continue to deliver on our strategic defined mission.

We are seeking further efficiencies exploring how we deliver multiple orders to the same customer in one consignment which we see as the next paradigm shift to enhance our dropship model. We expect to see a benefit in warehousing costs and greatly improved customer experience that will continue to see us disrupt the market.

Strong balance sheet

We have a strong balance sheet with ample liquidity to fund the business. The year-end cash position is £4.7m and, including unutilised bank facilities, we have available funds of £7.7m. We are controlling costs tightly and managing cash effectively.

People and culture

CMO remains extremely grateful to its loyal workforce which has continued to perform with energy and agility in pursuit of CMO's strategy and goal to disrupt its market. The protracted period of economic challenge and change we discussed last year has shown no signs of abating, yet the team continuously rises to meet the next challenge with optimism and ingenuity.

Culture is defined and set by the people in the business and is being promoted through facilitated training sessions for the wider management team which have seen excellent participation and engagement.

The speed at which we were able to restructure the operational management team early in 2024 on the announcement by our COO of her retirement is testament to CMO's culture of positivity, empowerment, and promotion from within.

The goal of share ownership throughout the business has been augmented during 2023 by a further distribution of options under the CSOP scheme launched in 2021.

Directorate changes

Our Chief Operating Officer, Sue Packer retired from CMO at the end of March 2024 which we announced to the market and our shareholders on 8 February 2024.

Sue has been an instrumental part of the team that has made CMO into the Company it is today. I, personally, will miss her knowledge and experience, but also wish her the happiest of retirements.

I am delighted that Callum Tasker has taken the role of Chief Commercial Officer post and joined the Board. The Board will benefit from his industry experience and long-term knowledge of CMO. We could not have a better replacement for Sue in Callum, who has worked with and alongside her for the past five years. This will provide a seamless succession.

We are also delighted that Mike Fell joined the Board replacing James Excell as Key Capital Partner's representative. We will benefit from his broad experience and counsel, and many thanks to James who has provided invaluable support and advice in his role as non-executive director.

The Board wishes to express deep gratitude to Sue and James for their contribution to the Company. In Sue's case, particularly her part in driving and delivering upon the Company's growth strategy and in James's for his advice and counsel.

Looking to the future

It's clear that the year ahead will continue to be difficult, but CMO will continue to progress and deliver on its shorter-term strategic imperatives: increasing margins; constantly monitoring the cost base and processes for further efficiencies; bedding in and incrementally improving the carriage improvements already made; and further consolidation of the acquisitions for brand promotion as well as synergistic purposes.

Our main focus will be to deliver on our strategy by growing organically whilst monitoring the market for exceptional value opportunities that will deliver incremental value to our existing categories or provide the foundation for new.

As we enter a new financial year, the board is confident that CMO's strategy will see it confidently through the year ahead, with the continuous addition of new products, new stores and technical innovation will prime it back into growth when market conditions improve. We have a strong relationship with our supportive banking partners and have renegotiated our bank facilities and covenants to ensure we have a robust financial platform to support delivery of our strategic goals.

Dean Murray

Chief Executive Officer

Chief Financial Officer Review

Overview

Total revenue for the year reduced by 14% to £71.5m driven mainly by challenging market conditions particularly in tiles and

the cost-of-living pressures reducing demand in consumer markets. Gross profit totalled £14.9m (2022: £16.5m) which represented a gross margin of 20.8%, a 0.9% improvement compared with 2022 when gross margin totalled 19.8%. Adjusted EBITDA was £0.9 (2022: £2.1m), as defined on page 4.

	31 Dec 2023 £m	31 Dec 2022 £m
Revenue	71.5	83.1
Cost of sales	(56.6)	(66.6)
Gross profit	14.9	16.5
Gross Margin	20.8%	19.8%
Administrative expenses	(16.6)	(15.9)
Operating (loss)/ profit	(1.7)	0.6
Finance income	0.0	0.0
Finance expense	(0.6)	(0.4)
(Loss)/ profit before taxation	(2.3)	0.2

Closing cash at 31 December 2023 was £4.7m (2022: £6.2m) and net debt, being cash less the balance drawn on the revolving credit facility, was £0.6m (2022: net cash £1.4m).

Revenue

Group sales for 2023 were £71.5m (2022: £83.1) reflecting particularly challenging market conditions in tiles where revenue fell 31% against a backdrop of a decline in online market volume of 29%. Building and plumbing reported market share gains while reporting reduced sales.

Revenue	Building	Plumbing	Tiles	Total
2023	53.0	7.3	11.2	71.5
2022	59.0	8.1	16.0	83.1
	-10%	-9%	-31%	-14%

We adapted our strategy to prevailing market conditions to ensure a focus on margin at the expense of sales where necessary to manage risk, including actively declining trade sales where credit insurance was not available. This strategy included a focus on recovery of carriage costs to protect against margin dilution in a competitive market as well as prioritising variable and overhead cost efficiency.

Gross profit

Gross margin has benefitted from this approach gaining 1% to 20.8% compared to 2022 (19.8%) despite sales declines in some higher margin verticals. Net carriage costs have reduced 56% in 2023 compared to 2022 demonstrating the success of this ongoing initiative.

Variable costs and overheads

Variable costs have reduced in the period reflecting lower activity levels and a focus on cost efficiencies. In the face of increasing cost per click dynamics we modified our approach to digital marketing during the year to focus on session quality and target high intent traffic. This has driven operational improvements and enabled costs for 2023 to be maintained in line with 2022.

Overhead efficiency has also been a key component of our response to the challenging market conditions and remains a core focus. We have enhanced the ecommerce infrastructure, launched new SUPERSTORES and had a full year of trade for Clickbasin (acquired June 2022) during the period. However, despite inflation peaking at over 10% in the first quarter and remaining a significant contributor to increasing costs, we have taken action to manage costs, including headcount reductions. Administrative expenses have increased slightly to £16.6m (2022: £15.9m) of which fixed overhead costs, including payroll, infrastructure, legal and professional fee have remained consistent with 2022 at £6m (2022: £6m).

EBITDA

The Group generated Adjusted EBITDA of £0.9m (2022: £2.1m) for the year. Adjusted EBITDA is defined by management as earnings before: interest; tax; depreciation and amortisation; foreign exchange; share option expenses; restructuring, redundancy and non-recurring payroll expenses; integration of acquisitions into the superstore environment; one off infrastructure costs; acquisitions expenses; and certain professional fees and expenses. In respect of the Adjusted EBITDA calculation cost adjustments have been identified and defined by management.

The calculation of Adjusted EBITDA is based on the following data:

	31 Dec 2023 £	31 Dec 2022 £
Net (loss)/ profit attributable to equity holders of the parent	(1,834,798)	366,978
<i>Add back:</i>		
Taxation	(492,963)	(191,951)
Interest	641,353	452,781
Depreciation and impairment of property, plant and equipment, and right of use assets	644,386	719,057
Amortisation and impairment of intangible fixed assets	1,228,526	1,088,650

Foreign exchange	24,102	108,026
EBITDA	210,606	2,543,541
Share options expenses	108,977	(286,118)
Costs in respect of superstore integration	552,115	-
Professional fees and similar costs	53,031	-
Change in deferred consideration	-	(458,648)
Non-recurring payroll and similar costs	-	98,944
Costs incurred directly related to acquisitions	-	156,349
Adjusted EBITDA	924,729	2,054,068

Earnings Per Share

Basic earnings per share ("EPS") is calculated based on the weighted average number of shares in issue. The table below shows the impact on EPS ("Adjusted EPS") of earnings before: interest; tax; depreciation and amortisation; foreign exchange; share option expenses; restructuring, redundancy and non-recurring payroll expenses; integration of acquisitions into the superstore environment; one off infrastructure costs; acquisitions expenses; and certain professional fees and expenses. Diluted EPS is calculated by adjusting the weighted average number of ordinary shares outstanding to assume conversion of all dilutive potential ordinary shares. The Company being loss making in the current period would mean that any exercise would be anti-dilutive.

The calculation of the basic and diluted earnings per share is based on the following data:

	31 Dec 2023	31 Dec 2022
	£	£
Earnings		
Net (loss)/ profit attributable to equity holders of the parent for the purpose of basic earnings per share calculation	(1,834,798)	366,978
Effect of dilutive potential ordinary shares	-	-
Earnings for the purposes of diluted earnings per share	(1,834,798)	366,978
<i>Add back:</i>		
Share options expenses	108,977	-
Costs in respect of superstore integration	552,115	-
Professional fees and similar costs	53,031	-
Non-recurring payroll and similar costs	-	73,586
Costs incurred directly related to acquisitions	-	156,349
Adjusted earnings	(1,120,675)	596,913
Number of shares		
Weighted average number of ordinary shares for the purposes of basic earnings per share	71,969,697	71,969,697
Effect of dilutive potential ordinary shares	216,970	216,970
Weighted average number of ordinary shares for the purposes of diluted earnings per share	72,186,667	72,186,667

Earnings per share from continuing operations attributable to owners of the parent:

	Pence	Pence
Basic	(2.55)	0.51
Diluted	(2.55)	0.51
Adjusted basic earnings per share	(1.56)	0.83
Adjusted diluted earnings per share	(1.56)	0.83

Taxation

The charge for taxation was £nil (2022: £nil) due to the availability of brought forward losses. A tax credit has been recognised in the year of £492,963 (2022: £191,951) in respect of a deferred tax asset. The forecasted taxable profits of the Group support the carrying value of the deferred tax assets.

Cash flow and net debt

Cash has reduced from £6.2m at 31 December 2022 to £4.7m at 31 December 2023. Operating cash inflow of £2.3m was reduced by payment of the final instalment of deferred consideration across all acquisitions of £1.7m. This was partially offset by: additional drawdown on the acquisition loan facility of £0.5m; interest (£0.6m) predominantly relating to the revolving credit facility; and capital expenditure of £1.4m which includes development costs for the ecommerce platform, integration and migration costs and performance enhancements. Bank facility utilisation has increased £0.5m following payment of the final tranches of deferred consideration for JTM Plumbing Limited and Clickbasin.

Bank facilities

The Group held a revolving bank loan credit facility ("RCF") with Clydesdale Bank plc as at 31 December 2023. The facilities with Clydesdale Bank totalled £9,250,000 of which £5,250,000 relates to financing permitted acquisitions and £4,000,000 relates to working capital. At 31 December 2023 the Group and Company have drawn down from the RCF Acquisition Facility only. This facility is denominated in pounds sterling with a nominal interest rate of 3.85% plus Bank of England base rate, and the final instalment due on the acquisition facility is 30 June 2026, and the working capital facility 30 June 2027. The carrying amount at the year-end of amounts drawn down were £5,250,000 (2022: £4,787,678). As at the 31 December 2023 the Group was not subject to any external covenant or capital management tests, while its banking facilities were being renegotiated.

In January 2024 the Group renegotiated its banking facilities which include a revolving credit facility for acquisition purposes of up to £5,250,000 and a revolving credit facility for working capital purposes of £3,000,000. The Group will be subject to banking covenants on the renegotiated facilities, with the new covenants including a minimum EBITDA target, a de minimis cash balance and capital expenditure control, and the final instalment due on the acquisition facility is 30 June 2026, and the working capital facility 30 June 2027.

Interest and financing costs

Interest costs have increased to £0.6m for 2023 (2022: £0.5m) reflecting the impact of increases in the base rate on the interest rate the group pays on its bank facility.

Statement of financial position

Net assets of the Group totalled £16.4m (2022: £18.1m) and can be summarised as follows:

	31 Dec 2023 £m	31 Dec 2022 £m
Non-current assets	26.9	25.3
Inventories	5.1	5.5
Trade and other receivables	2.0	2.7
Cash and cash equivalents	4.7	6.2
Trade and other payables	(15.8)	(16.6)
Loans and borrowing	(5.3)	(4.8)
Lease liabilities	(1.2)	(0.2)
	16.4	18.1

Non-current assets have increased reflecting changes to lease terms on existing properties and creating updated right of use assets and liabilities. Inventory levels are the result of active management to reduce the volume of stock held following the elevated stock holdings in 2022 that were required to support supply chain frailties, lower activity levels and the benefit to stock holding of the drop ship model. Trade receivables have reduced as we have extended less credit as part of our risk management focus. Other receivables include balances to be collected relating to volume rebate agreements. Cash and bank facility movements are set out in the cash flow and net debt section above. Trade and other payables reflect settlement in the year of deferred consideration balances, volume related reduction in deferred income and a temporary pause in the Groups VAT payments, as requested by HMRC, as it worked to put a VAT Group in place. This has recently been established and we now expect the position to normalise over the coming periods.

Jonathan Lamb
Chief Financial Officer

Cautionary Statement

Certain statements in this trading update are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, we can give no assurance that these expectations will prove to have been correct. Because these statements contain risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. We undertake no obligation to update any forward-looking statements, whether as a result of new information, future events or otherwise.

CONSOLIDATED STATEMENT OF TOTAL COMPREHENSIVE INCOME FOR THE YEAR ENDED 31 DECEMBER 2023

	31 Dec 2023 £	31 Dec 2022 £
Revenue	71,503,861	83,072,635
Cost of sales	(56,584,272)	(66,530,988)
Gross profit	<u>14,919,589</u>	<u>16,541,647</u>
Administrative expenses	(16,605,997)	(15,913,839)
Operating (loss)/ profit	<u>(1,686,408)</u>	<u>627,808</u>
Finance income	230	436
Finance expense	(641,583)	(453,217)
(Loss)/ profit before taxation	<u>(2,327,761)</u>	<u>175,027</u>
Taxation	492,963	191,951
(Loss)/ Profit for the year attributable to owners of the parent	<u>(1,834,798)</u>	<u>366,978</u>
Other comprehensive income for year	-	-
Total comprehensive (loss)/ profit for the year attributable to owners of the parent	<u>(1,834,798)</u>	<u>366,978</u>
Earnings per share from continuing operations attributable to owners of the parent:	Pence	Pence
Basic	(2.55)	0.51
Diluted	(2.55)	0.51
Adjusted basic earnings per share	(1.56)	0.83
Adjusted diluted earnings per share	(1.56)	0.83

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

AS AT 31 DECEMBER 2023

	31 Dec 2023 £	31 Dec 2022 £
Assets		
<i>Non-current assets</i>		
Goodwill	20,445,122	20,445,122
Other intangible assets	3,085,999	2,967,848
Property, plant, and equipment	1,416,296	1,451,461
Right-of-use-assets	1,108,591	119,490
Deferred tax assets	817,412	324,449
Total non-current assets	<u>26,873,420</u>	<u>25,308,370</u>
<i>Current assets</i>		
Inventories	5,062,859	5,454,126
Trade and other receivables	1,951,295	2,731,988
Cash and cash equivalents	4,680,883	6,209,910
Total current assets	<u>11,695,037</u>	<u>14,396,024</u>
Total assets	<u>38,568,457</u>	<u>39,704,394</u>
Liabilities		
<i>Current liabilities</i>		
Trade and other payables	(15,781,101)	(16,579,099)
Lease borrowings	(2,217)	(859)
Lease liabilities	(498,694)	(210,140)
Total current liabilities	<u>(16,282,012)</u>	<u>(16,790,098)</u>
<i>Non-current liabilities</i>		
Loans and borrowings	(5,250,000)	(4,787,678)
Lease liabilities	(635,648)	-
Total non-current liabilities	<u>(5,885,648)</u>	<u>(4,787,678)</u>
Total liabilities	<u>(22,167,660)</u>	<u>(21,577,776)</u>
Net assets	<u>16,400,797</u>	<u>18,126,618</u>
Equity		
Share capital	719,697	719,697
Share premium	25,873,451	25,873,451
Merger reserve	(513,000)	(513,000)
Share option reserve	242,607	133,630
Retained deficit	(9,921,958)	(8,087,160)
Total equity attributable to owners of the parent	<u>16,400,797</u>	<u>18,126,618</u>

**CONSOLIDATED STATEMENT OF CHANGES IN EQUITY
FOR THE YEAR ENDED 31 DECEMBER 2023**

	Share Capital £	Share Premium £	Merger Reserve £	Share Option Reserve £
As at 1 January 2022	719,697	25,873,451	(513,000)	419,748
Profit for the year	-	-	-	-
Total comprehensive profit for the year	-	-	-	-
<i>Transactions with owners</i>				
Share-based payment adjustments	-	-	-	(286,118)
Total transactions with owners				(286,118)
As at 31 December 2022	719,697	25,873,451	(513,000)	133,630
As at 1 January 2023	719,697	25,873,451	(513,000)	133,630
Loss for the year	-	-	-	-
Total comprehensive loss for the year	-	-	-	-
<i>Transactions with owners</i>				
Share-based payment adjustments	-	-	-	108,977
Total transactions with owners				108,977

**CONSOLIDATED STATEMENT OF CASH FLOW
FOR THE YEAR ENDED 31 DECEMBER 2023**

	31 Dec 2023 £	31 Dec 2022 £
Cash flows from operating activities	2,340,194	2,443,251
Investing activities		
Payments to acquire intangible fixed assets	(1,366,389)	(1,277,763)
Payments to acquire tangible fixed assets	(49,866)	(68,893)
Cash outflow on business combination	(1,697,301)	(4,661,217)
Net cash used in investing activities	<u>(3,113,556)</u>	<u>(6,007,873)</u>
Financing activities		
Receipts from borrowings draw downs	462,322	1,699,536
Repayment of lease liabilities	(576,404)	(547,731)
Interest paid on lease liabilities	(95,946)	(66,062)
Interest paid	(545,637)	(387,155)
Net cash generated from financing activities	<u>(755,665)</u>	<u>698,588</u>
Net decrease in cash and cash equivalents	(1,529,027)	(2,866,034)
Cash and cash equivalents at beginning of year	6,209,910	9,075,944
Cash and cash equivalents at end of year	<u>4,680,883</u>	<u>6,209,910</u>

Notes to the Financial Statements

Year Ended 31 December 2023

1. Summary of significant accounting policies

a. General information and basis of preparation of the financial statements

CMO Group Plc ("the Company") is a public company limited by shares incorporated and domiciled in the United Kingdom. Its registered address is Burrington Business Park, Burrington Way, Plymouth, United Kingdom, PL5 3LX.

CMO Group PLC was incorporated on 11 June 2021 and began trading on 23 June 2021.

The principal activity of the Group is the provision of construction materials through the Group's websites, with a digital-first proposition and market-leading product choice, supported by high-quality customer service and technical expertise.

The financial information is presented in pound sterling which is the functional currency of the group. Monetary amounts in the financial information are rounded to the nearest £1

The financial information contained within this preliminary announcement for the years to 31 December 2023 and 31 December 2022 does not comprise statutory financial statements within the meaning of section 435 of the Companies Act 2006. The financial statements for the year ended 31 December 2022 have been delivered to the Registrar of Companies and those for the year ended 31 December 2023 will be delivered following the Company's Annual General Meeting. The auditors have reported on the 2022 and 2023 financial statements; their reports were unqualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain a statement under Section 498 (2) or (3) of the Companies Act 2006.

The preliminary announcement has been prepared in accordance with UK-adopted International Financial Reporting Standards ("IFRS") including standards and interpretations issued by the International Accounting Standards Board. Whilst the financial information included in this preliminary announcement has been prepared in accordance with IFRS, this announcement does not itself contain sufficient information to comply with IFRS. The consolidated financial information has been prepared on a going concern basis. The Group generated Adjusted EBITDA (see note 6) of £0.9m for the year compared to £2.1m in 2022.

The directors are continuing to identify acquisitions as well as focussing on the continuation of the organic growth experienced in recent years. The directors expect growth in gross profits and operating profits in 2024.

The Group has net current liabilities of £4,586,975 (2022: £2,394,074) at the year end, however this was expected by the directors whilst the Group continues to reinvest in growth. The secured rolling cashflow facility to support future growth plans provides headroom to ensure that there are sufficient cash resources to enable the Group to meet all liabilities as they fall due. The Group has revolving credit facilities with Clydesdale Bank plc which, at 31 December 2023 includes £5,250,000 which can be used for financing permitted acquisitions. In addition, the Group has access to an additional revolving credit loan facility of £3,000,000 which can be used for working capital. The amount drawn on the acquisition facility at the year-end is £5,250,000 (2022: 4,787,678).

The directors are confident that the measures they have available will result in sufficient working capital and cash flows to continue in operational existence. Taking these matters in consideration, the Directors continue to adopt the going concern basis of accounting in the preparation of the financial statements. In January 2024 the Group renegotiated its banking facilities which includes a RCF for acquisition purposes of up to £5.3m and a RCF for

working capital purposes of £5m. The final instalment due on the acquisition facility is 30 June 2026, and the working capital facility 2027.

2. Profit for the year

(Loss)/ profit for the year has been arrived at after charging (crediting):

	31 Dec 2023 £	31 Dec 2022 £
Depreciation of owned property, plant and equipment, and other leases	95,645	206,978
Depreciation expense on right-of-use assets (note 14)	548,741	512,080
Amortisation of intangible assets (note 16)	1,228,526	1,088,650
Acquisition and other costs	-	156,349
Foreign exchange loss	24,102	108,026
Wages and salaries (note 9)	6,966,835	6,435,439
Social security	669,563	640,123
Cost of defined contribution scheme	167,919	132,450
Costs in respect of superstore integration	552,115	-
Professional fees and other costs	53,031	-
Share-based payment charge/ (gain)	108,977	(286,118)
Non-recurring payroll costs (note 9)	-	73,586
	<u> </u>	<u> </u>
	<u> </u>	<u> </u>

3. Cash and cash equivalents

For the purposes of the statement of cash flows, cash, and cash equivalents include cash on hand and in banks and investments in money market instruments. Cash and cash equivalents at the end of the financial year as shown in the statement of cash flows can be reconciled to the related items in the statement of financial position as follows:

	Group 31 Dec 2023 £	31 Dec 2022 £
Cash and cash balances	<u>4,680,883</u>	<u>6,209,910</u>

4. Loans, borrowing, and other payables

	Group 31 Dec 2023 £	31 Dec 2022 £
Non-current		
Bank borrowings	5,250,000	4,787,678
	<u>5,250,000</u>	<u>4,787,678</u>

	Group 31 Dec 2023 £	31 Dec 2022 £
Current		
Hire purchase contracts	2,217	859
	<u>2,217</u>	<u>859</u>

5. Share capital

	31 Dec 2023	31 Dec 2022
	No. £	No. £
Ordinary shares of £0.01 each	<u>71,969,697 719,697</u>	<u>71,969,697 719,697</u>

There were no share issues in the year ended 31 December 2023 (2022: Nil).

6. The calculation of the basic and diluted earnings per share is based on the following:

	31 Dec 2023 £	31 Dec 2022 £
Earnings		
Net (loss)/ profit attributable to equity holders of the parent for the purpose of basic earnings per share calculation	(1,834,798)	366,978
Effect of dilutive potential ordinary shares	-	-
Earnings for the purposes of diluted earnings per share	<u>(1,834,798)</u>	<u>366,978</u>

Earnings for the purposes of diluted earnings per share	(1,300,977)	596,913
<i>Add back:</i>		
Share options expenses	108,977	-
Costs in respect of superstore integration	552,115	-
Professional fees and similar costs	53,031	-
Change in deferred consideration	-	-
Non-recurring payroll and similar costs	-	73,586
Costs incurred directly related to acquisitions	-	156,349
Adjusted earnings	(1,120,675)	596,913

Number of shares

Weighted average number of ordinary shares for the purposes of basic earnings per share	71,969,697	71,969,697
Effect of dilutive potential ordinary shares	-	216,970
Weighted average number of ordinary shares for the purposes of diluted earnings per share	72,186,667	72,186,667

7. Changes in liabilities arising from financing activities

	<i>At January 2023</i>	<i>Financing cash flows</i>	<i>Interest</i>	<i>New leases and adjustments</i>	<i>At December 2023</i>
	£	£	£	£	£
Long-term borrowings	4,787,678	(83,315)	545,637	-	5,250,000
Other lease liabilities	859	1,358	-	-	2,217
Lease liabilities	210,140	(672,350)	95,946	1,500,606	1,134,342
Total liabilities from financing activities	4,998,677	(754,307)	641,583	1,500,606	6,386,559

	<i>At January 2022</i>	<i>Financing cash flows</i>	<i>Interest</i>	<i>New leases and adjustments</i>	<i>At December 2022</i>
	£	£	£	£	£
Long-term borrowings	3,088,142	1,312,381	387,155	-	4,787,678
Other lease liabilities	2,839	(1,980)	-	-	859
Lease liabilities	451,691	(613,793)	66,062	306,180	210,140
Total liabilities from financing activities	3,542,672	696,608	453,217	306,180	4,998,677

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