

18 July 2024

Midwich Group plc
("Midwich" or the "Group")

Pre-close Trading Statement

Robust revenue, gross margin & market share performance, driven by a continued focus on value-added technical solutions, despite challenging market conditions. Board's expectations of adjusted operating profit for the full year remain in line with previous expectations.

Midwich Group (AIM: MIDW), a global specialist audio visual distributor to the trade market, is pleased to provide a trading update for the six months ended 30 June 2024 ("H1 2024").

Revenue for H1 2024 is expected to be approximately £645 million, representing an increase of over 5.7% versus H1 2023 (7.5% growth on a constant currency basis). Organic revenue on a constant currency basis reduced by 1.1% versus H1 2023. This reflected the continued challenging market conditions, particularly in the UK & Ireland ("UK&I"), as previously detailed in the Group's AGM statement on 14 May 2024. Mainstream product categories have been particularly impacted, we believe due to some over-supply of products resulting in short-term price erosion this year.

Nevertheless, the Group delivered a record gross margin of approximately 17.3%, which was significantly higher than the 16.3% achieved in H1 2023. The main factor for this strong growth, was the mix of sales, which was weighted towards higher margin technical products, in line with the Group's strategy.

Group overheads increased as expected during the period, due to the acquisitions completed in H2 2023, and labour cost inflation, which is now showing signs of easing. Given the ongoing delayed market recovery which has resulted in overhead cost growth in excess of the increase in gross profits, the Group is focused on delivering targeted efficiencies in order to improve profitability in the second half of 2024.

Adjusted EBIT was approximately £21.5 million in the period, a reduction of around 17% versus H1 2023 on constant currency basis. The EBIT margin was approximately 3.3% of sales (H1 2023: 4.3%). Adjusted profit before tax for H1 2024 is expected to be not less than £16.8 million (H1 2023: £21.8 million).

Revenue in the UK&I was in line with H1 2023, but down approximately 4% on an organic basis. The Group has its highest market share in the UK&I and the ongoing market backdrop resulted in slightly lower gross margins compared to H1 2023. Operating profits in the region were significantly below H1 2023.

Trading in EMEA was robust, with revenue in line with H1 2023 on a constant currency basis. Continued investment in the technical businesses resulted in gross margins improving significantly in this region, whilst the impact of softer mainstream category demand resulted in operating profits below H1 2023 at constant currency.

Trading remained strong in North America with sales up approximately 69% on a constant currency basis, including the impact of acquisitions completed in the last twelve months. Organic revenue was up approximately 17%, with record gross margins and operating profit significantly ahead of H1 2023.

Cash generation in H1 2024 was in line with the Board's expectations. Adjusted net debt* increased by approximately £50 million from the prior year end to £132 million, as a result of deferred acquisition payments, normal working capital seasonality and further investment in the Group's ERP system, which went live in the first country in June 2024. At 2.0x adjusted net debt over adjusted EBITDA** at the period end, leverage is expected to reduce to approximately 1.8x by the year end and remains comfortably within the Group's covenants.

Outlook

Whilst the Board believes it is prudent to assume macroeconomic conditions in certain markets, such as the UK&I, will likely remain challenging for the remainder of 2024, market survey data indicates a return to growth in mainstream product demand in a number of our key geographies during H2 2024. The Group has a strong pipeline of new vendor opportunities as well as targeted acquisition opportunities it continues to review which, when combined with a tight focus on overheads efficiencies in H2, means that the Board's expectations of adjusted operating profit for the full year remain in line with its previous expectations.

Stephen Fenby, Group Managing Director, commented:

"The Group has continued to navigate challenging trading conditions in the first half of 2024, particularly in the UK & Ireland, and has delivered a solid result, despite this backdrop. Midwich remains well positioned as the leading global specialist Pro AV distributor, with the Group's £1.3bn revenue in 2023 representing less than 1% of the global market and just 3-4% of our target addressable market.

"Over the coming years, we anticipate there being significant opportunities to continue growing faster than the overall market, both organically and through acquisition and the Board remains excited by the long-term prospects for the Group."

Midwich will announce its half year results for the six months ended 30 June 2024 on 3 September 2024.

* Adjusted net debt is borrowings less cash and cash equivalents and excludes IFRS 16 equivalent lease liabilities

** Adjusted EBITDA represents operating profit before acquisition related expenses, exceptional costs, share based payments and associated employer taxes, depreciation, amortisation and impairments. For leverage calculations, it includes a proforma twelve-month contribution from

acquisitions.

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About Midwich Group

Midwich Group is a specialist AV distributor, with operations in the UK and Ireland, EMEA, Asia Pacific and North America. The Group's long-standing relationships with over 800 vendors, including blue-chip organisations, support a comprehensive product portfolio across major audio visual categories such as displays, projectors, technical AV, broadcast, professional audio, lighting and unified communications. The Group operates as the sole or largest in-country distributor for a number of its vendors in their respective product sets.

The Directors attribute this position to the Group's technical expertise, extensive product knowledge and strong customer service offering built up over a number of years. The Group has a large and diverse base of over 24,000 trade customers, most of which are professional AV integrators and IT resellers serving sectors such as corporate, education, retail, residential and hospitality.

Initially a UK only distributor, the Group now has approximately 1,900 employees across the UK and Ireland, EMEA, North America and Asia Pacific. A core component of the Group's growth strategy is further expansion of its international operations and footprint into strategically targeted jurisdictions.

For further information, please visit www.midwichgroupplc.com

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