Meridian Retail Group — Financial Diagnostic

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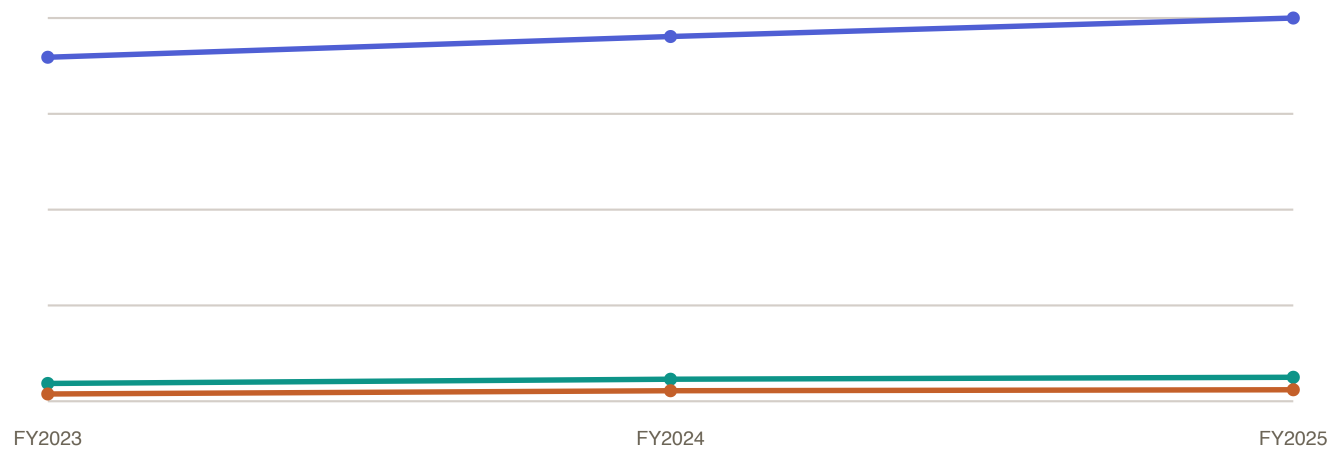
INDUSTRY	SECTOR	COUNTRY	CURRENCY
General Merchandise & Multi-Channel Retail	Big-box & E-Commerce Distribution	United States	USD

PERIODS
FY2023, FY2024, FY2025

Executive Summary

REVENUE	EBITDA MARGIN	NET MARGIN	ROIC
$415.45M	**6.3%**	**3.0%**	**15.6%**

Meridian Retail Group has strengthened profitability every year of this three-year window: EBITDA margin expanded from 5.2% to 6.3% and net margin rose from 2.1% to 3.0%, while ROE climbed from 13.8% to 19.7% on the back of steady 5-6% annual revenue growth. Gross margin held a stable, gently improving 25-26% even as SG&A grew alongside the store and fulfillment footprint, and leverage came down from 0.47x to 0.41x debt-to-equity over the period. The one figure moving the wrong way is free cash flow conversion, which fell from 107% to 73% of net income in FY2025 as capital expenditure intensity rose from 2.7% to 3.5% of revenue — a deliberate reinvestment story for now, but worth watching if it continues without a matching step-up in operating cash flow.



Profitability

Profitability improved on every measure across the three years — EBITDA margin from 5.2% to 6.3%, net margin from 2.1% to 3.0%, and ROE up more than five points to 19.7% from 13.8% in FY2023. Gross margin edged up modestly, from 25.3% to 26.1%, meaning most of the margin gain is coming from operating leverage on SG&A rather than pricing or mix shifts. ROA's climb from 5.4% to 7.9% confirms the balance sheet is being put to more productive use each year, not just growing in size.

INDICATOR	FORMULA	FY2023	FY2024	FY2025	TREND	BENCHMARK
Gross Margin	(Revenue − COGS) / Revenue	25.3%	25.6%	26.1%	↑ Sustained improvement across all periods	22.0% – 30.0% WITHIN RANGE
COGS %	COGS / Revenue	74.7%	74.4%	73.9%	↓ Sustained decline across all periods	70.0% – 78.0% WITHIN RANGE
SG&A %	SG&A / Revenue	22.0%	21.4%	21.8%	Volatile — no clear trend	18.0% – 24.0% WITHIN RANGE
EBITDA Margin	EBITDA / Revenue	5.2%	6.0%	6.3%	↑ Sustained improvement across all periods	5.0% – 9.0% WITHIN RANGE
Operating Margin (EBIT)	EBIT / Revenue	3.3%	4.2%	4.3%	↑ Sustained improvement across all periods	3.0% – 6.0% WITHIN RANGE
Net Margin	Net Income / Revenue	2.1%	2.9%	3.0%	↑ Sustained improvement across all periods	1.5% – 3.5% WITHIN RANGE
ROA	Net Income / Total Assets	5.4%	7.5%	7.9%	↑ Sustained improvement across all periods	4.0% – 8.0% WITHIN RANGE
ROE	Net Income / Total Equity	13.8%	17.0%	19.7%	↑ Sustained improvement across all periods	10.0% – 18.0% ABOVE RANGE

Liquidity & Leverage

Liquidity is structurally tight but stable — a current ratio holding around 0.83x across all three years, consistent with a big-box operating model that runs on supplier financing rather than a large cash buffer, not a deterioration to flag on its own. What is worth noting is the deleveraging: debt-to-equity fell from 0.47x to 0.41x over the period, and interest coverage improved from a comfortable 9.1x to a strong 10.2x. That combination — steady debt service capacity, a shrinking reliance on debt — gives the balance sheet real flexibility heading into the next planning cycle.

INDICATOR	FORMULA	FY2023	FY2024	FY2025	TREND	BENCHMARK
Current Ratio	Current Assets / Current Liabilities	0.83x	0.84x	0.83x	Volatile — no clear trend	0.90x – 1.40x BELOW RANGE
Quick Ratio (Acid Test)	(Current Assets − Inventory) / Current Liabilities	0.22x	0.25x	0.25x	↑ Sustained improvement across all periods	0.25x – 0.55x WITHIN RANGE
Cash Ratio	Cash / Current Liabilities	0.10x	0.10x	0.10x	Volatile — no clear trend	0.06x – 0.15x WITHIN RANGE
Debt to Equity	Total Debt / Total Equity	0.47x	0.45x	0.41x	↓ Sustained decline across all periods	0.35x – 0.65x WITHIN RANGE
Interest Coverage	EBIT / Interest Expense	9.09x	9.53x	10.17x	↑ Sustained improvement across all periods	5.00x – 12.00x WITHIN RANGE

Efficiency / Working Capital

Working capital efficiency is a genuine strength: the cash conversion cycle sits near zero across the period (3.5 days in FY2023, briefly negative in FY2024, 1.4 days in FY2025), meaning the business collects from customers and turns inventory almost as fast as it pays its own suppliers. Days of inventory improved from 42.5 to 36.4 days before ticking back up to 39.3 as the business carried more stock to support growth, while payment terms to suppliers held steady around 43-44 days throughout. None of the efficiency indicators moved sharply in either direction, which in a period of real margin expansion is itself a useful signal: the improvement wasn't funded by squeezing working capital, it came from the income statement.

INDICATOR	FORMULA	FY2023	FY2024	FY2025	TREND	BENCHMARK
Asset Turnover	Revenue / Total Assets	2.55x	2.60x	2.65x	↑ Sustained improvement across all periods	2.20x – 3.00x WITHIN RANGE
Inventory Turnover	COGS / Avg Inventory	8.58x	9.53x	9.84x	↑ Sustained improvement across all periods	7.00x – 10.00x WITHIN RANGE
Days Inventory Outstanding (DIO)	365 / Inventory Turnover	42.5 days	38.3 days	37.1 days	↓ Sustained decline across all periods	32.0 days – 50.0 days WITHIN RANGE
AR Turnover	Revenue / Avg AR	77.86x	78.30x	73.34x	Volatile — no clear trend	55.00x – 95.00x WITHIN RANGE
Days Sales Outstanding (DSO)	AR / Revenue × 365	4.7 days	4.9 days	5.3 days	↑ Sustained improvement across all periods	4.0 days – 7.0 days WITHIN RANGE
AP Turnover	COGS / Avg AP	8.34x	8.57x	8.57x	Volatile — no clear trend	7.00x – 10.00x WITHIN RANGE
Days Payable Outstanding (DPO)	AP / COGS × 365	43.8 days	43.8 days	43.3 days	Volatile — no clear trend	36.0 days – 50.0 days WITHIN RANGE
Cash Conversion Cycle (CCC)	DIO + DSO − DPO	3.5 days	-0.6 days	-0.9 days	↓ Sustained decline across all periods	-15.0 days – 35.0 days WITHIN RANGE

Cash Flow

Operating cash flow grew from $18.6M to $23.4M over the period, but free cash flow conversion is the figure to watch — it ran above 90% of net income in FY2023 and FY2024, then fell to 73% in FY2025 as capital expenditure intensity rose from 2.7% to 3.5% of revenue. That's consistent with a company stepping up investment to support the growth showing up in the income statement, and CFO still comfortably covers a healthy share of current liabilities in every year, but a second consecutive year of falling FCF conversion without acceleration in operating cash flow would be worth escalating.

INDICATOR	FORMULA	FY2023	FY2024	FY2025	TREND	BENCHMARK
CFO Margin	CFO / Revenue	5.0%	5.8%	5.6%	Volatile — no clear trend	4.0% – 7.0% WITHIN RANGE
CFO / Current Liabilities	CFO / Current Liabilities	0.35x	0.46x	0.41x	Volatile — no clear trend	0.30x – 0.55x WITHIN RANGE
Free Cash Flow (FCF)	CFO − CapEx	$8.41M	$10.59M	$9.13M	Volatile — no clear trend	no benchmark set
FCF Conversion	FCF / Net Income	106.9%	92.9%	73.3%	↓ Sustained decline across all periods	50.0% – 85.0% WITHIN RANGE
CapEx Intensity	CapEx / Revenue	2.7%	3.1%	3.4%	↑ Sustained improvement across all periods	2.2% – 4.0% WITHIN RANGE

Value Creation

ROIC crossed decisively above the 12% cost of capital during this window: from 10.5% in FY2023 — essentially breakeven on an economic basis — to 13.1% in FY2024 and 15.6% in FY2025, turning EVA from roughly neutral into a clearly positive, widening spread. That inflection matters more than the revenue growth on its own: the business moved from merely funding its cost of capital to genuinely compounding value per dollar employed, and the trend is accelerating, not leveling off.

INDICATOR	FORMULA	FY2023	FY2024	FY2025	TREND	BENCHMARK
ROIC	NOPAT / Invested Capital	10.5%	13.1%	15.6%	↑ Sustained improvement across all periods	8.0% – 14.0% ABOVE RANGE
EVA	NOPAT − (Invested Capital × WACC)	-$1.26M	$1.04M	$3.15M	↑ Sustained improvement across all periods	no benchmark set
EVA Spread	ROIC − WACC	-1.5%	1.1%	3.6%	↑ Sustained improvement across all periods	0.0% – 4.0% WITHIN RANGE

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