

# Interim Results

for the six months ended 30 September 2021

December 2021



# The Supreme management team



Sandy Chadha

**Chief Executive Officer**

- Over 30 years with Supreme
- CEO and 100% beneficial shareholder<sup>(1)</sup>
- Responsible for overall management and strategy of the group



Suzanne Smith

**Chief Financial Officer**

- 15 years in finance, with Big 4 experience (PwC Manchester)
- Worked in private equity, plc, and family-owned environments across manufacturing, distribution and software
- Led businesses through re-capitalisations and bolt-on M&A



Andrew Beaumont

**Divisional Lead  
Batteries**

- Leads the Battery division
- >30 years with Supreme
- Vast experience of UK independent retail market



David Neilson

**Divisional Lead  
Lighting**

- Leads the Lighting division
- >12 years with Supreme



Michael Holliday

**Divisional Lead  
Vaping**

- Leads the Vaping division
- >7 years with Supreme
- Previous experience at Imperial Tobacco as regional sales director for the North of the UK



Dan Clark

**Divisional Lead  
Sports Nutrition & Wellness**

- Leads the Sports Nutrition & Wellness division
- >15 years of experience in health and wellness
- Successful track record of growing large industry brands, including USN and Musclepharm

# Supreme at a glance

**1975**

Founded

**£61.1m**

Revenue  
HY 2022

**14%**

Revenue CAGR  
FY 2018-FY 2021

**26%**

EBITDA CAGR  
FY 2018-FY 2021

**~2,000**

Orders dispatched  
every day

**17%**

EBITDA margin  
HY 2022<sup>3</sup>

**61%**

YoY reduction in Net  
Debt in HY 2022

**30%**

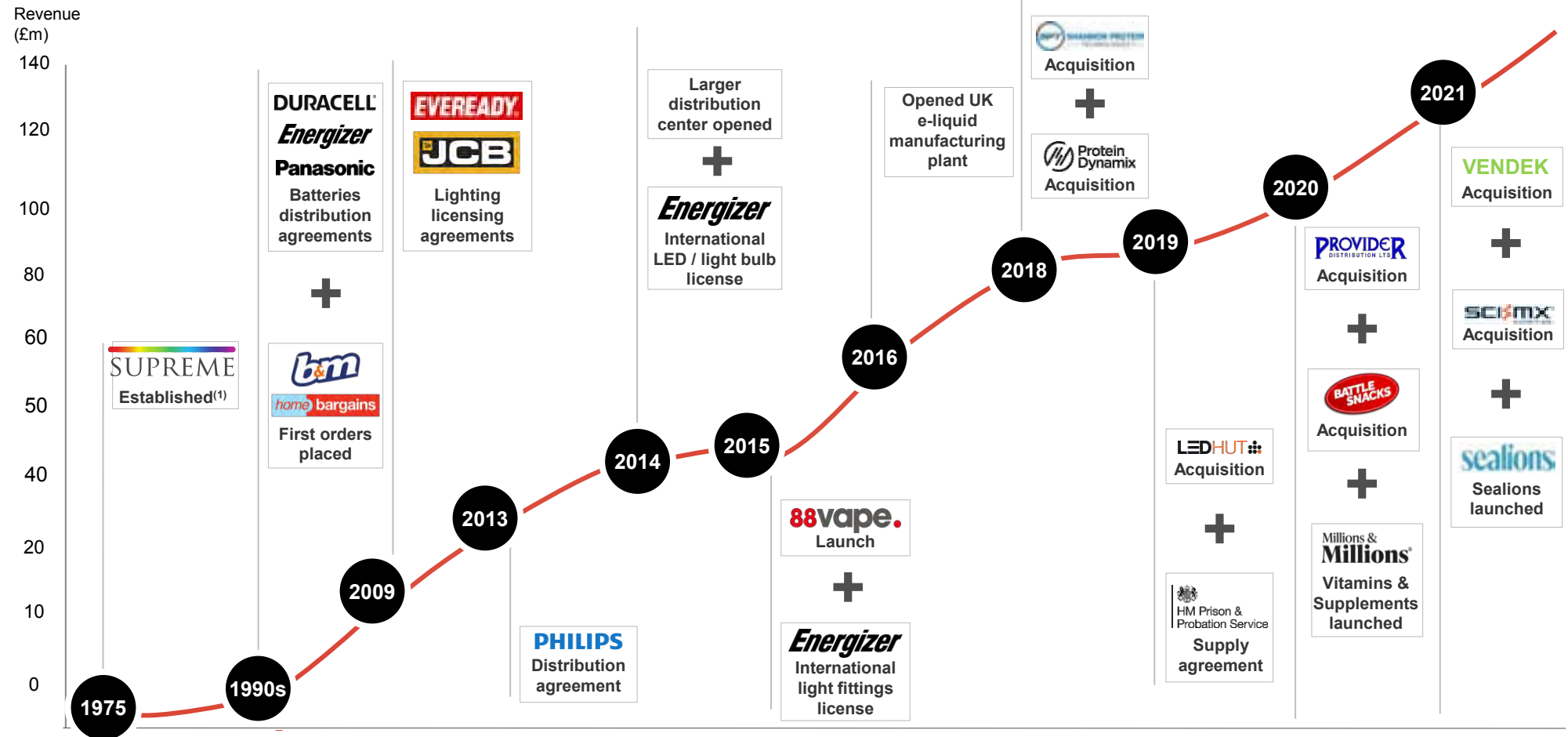
Gross profit  
margin



**LEVERAGING OUR VERTICALLY  
INTEGRATED PLATFORM TO TAKE FAST  
MOVING CONSUMER BRANDS TO OUR  
EXTENSIVE CUSTOMER NETWORK**

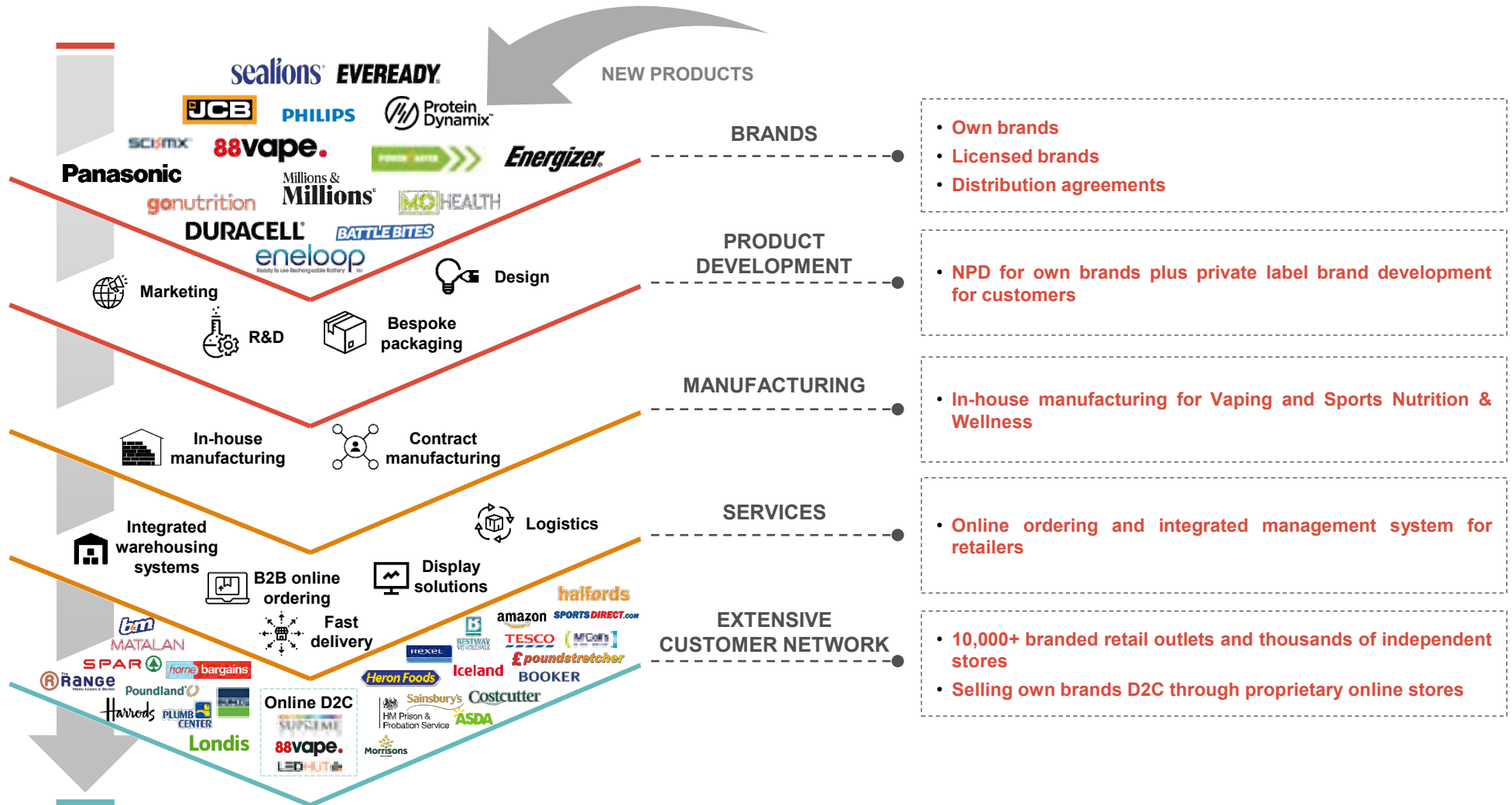


# A brief history of Supreme



# Bespoke operational platform underpins growth

*Vertical integration offers excellent route to market for leading brands*



# Key investment highlights

1

## Winning business model

2

## Strong growth

3

## Above average earnings

4

## High quality management team

5

## Forecast-ability

6

## Sensible use of the Balance Sheet

### **“That’s not fair” & “we can’t compete”**

- UK manufacturing base, lucrative product licensing agreements and own brands;
  - privileged access to an extensive and growing customer base
  - Diverse product portfolio with varied and independent macro tail winds
- 
- High growth Wellness and Vaping expansion complemented by established Batteries and Lighting
  - Proven success to enter new categories and replicate the distribution-to-manufacturing model via a de-risked, capital light approach
- 
- 14% revenue and 26% EBITDA CAGR FY18 - 21
  - Cash-generative and relatively capex-light
  - Discount retailers are in growth and the number of categories and SKUs purchased from Supreme is growing
- 
- PLC board depth alongside highly experienced executive team and Category leaders
- 
- Consumer staples drives “sticky” repeat purchasing behaviour
  - Own brands and exclusive licensed products means retailers can only purchase from Supreme
- 
- Less 1x leverage (now and in the future)
  - Tight working capital (high growth areas are the least working capital intensive)

# HY 2022 Financial highlights

*Strong profit performance driven by organic growth, M&A and product launches*

- Revenues **increased 9% to £61.1 million** (HY 2021: £56.3 million)
  - Vaping category grew revenues **organically by 13%**
  - Sports Nutrition and Wellness **grew revenues by 192%**
- Gross profit margin **increased to 30% due to enhanced product mix**
- 20% increase in Adjusted EBITDA<sup>1</sup>** to £10.1 million (HY 2021: £8.4 million) with margin of 16.5%
- Overheads remained tightly controlled with **minimal investment required to support additional brands launched or acquired in the period**
- Net debt of £8.4 million** (HY 2021: £21.7 million, FY 2021: £7.5 million)
- The Board has **declared a maiden dividend of 2.2p per share** payable on 14 January 2022



<sup>1</sup> Adjusted EBITDA means operating profit before depreciation, amortisation, share-based payments charge, fair value movements on non-hedge accounted derivatives and exceptional items (including all IPO-related costs)



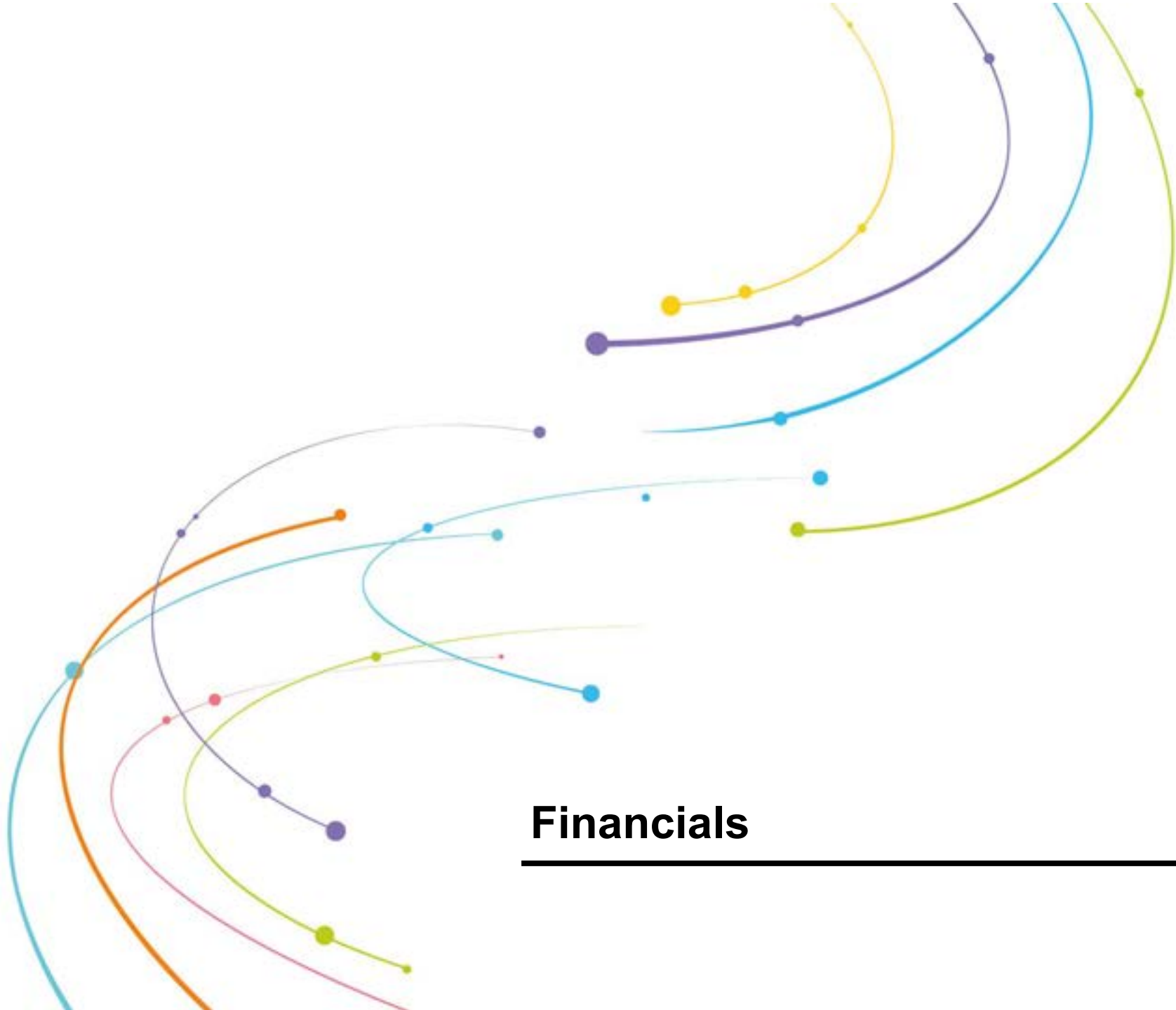
# HY 2022 Operational highlights

*Significant operational progress continues to underpin financial performance*

- Completed and **fully integrated two acquisitions** in HY 2021:
  - Vendek (batteries and lighting)
  - Sci-MX (sports nutrition)
- Successfully **launched two vitamins brands**:
  - Sealions (digital-only)
  - Millions & Millions
- Awarded high profile customer mandates including **Sainsbury's**
- Continued to **scale in-house manufacturing** to drive margin improvement
- **Proactively managing supply chain** to mitigate macroeconomic headwinds







## **Financials**

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# Income statement

	HY 2022 £m	HY 2021 £m	% change
<b>Revenue</b>	<b>61.1</b>	<b>56.3</b>	<b>+9%</b>
<b>Gross profit</b>	<b>18.1</b>	<b>14.3</b>	
%			
Administrative expenses	(9.4)	(7.1)	
<b>Adjusted EBITDA</b>	<b>10.1</b>	<b>8.4</b>	<b>+20%</b>
Adjusted items	0.1	(0.3)	
EBITDA	10.0	8.1	+23%
Depreciation & amortisation	(1.4)	(1.0)	
<b>Operating profit</b>	<b>8.8</b>	<b>7.2</b>	<b>+22%</b>
Finance costs	(0.3)	(0.4)	
<b>Profit before tax</b>	<b>8.5</b>	<b>6.8</b>	<b>+25%</b>
Tax	(1.7)	(1.3)	
<b>Profit after tax</b>	<b>6.8</b>	<b>5.4</b>	<b>+26%</b>
Basic EPS	5.8p	5.0p	+16%
<b>Adjusted profit before tax</b>	<b>8.5</b>	<b>7.1</b>	<b>+20%</b>
Adjusted EPS	5.9p	5.2p	+13%

## Commentary

- Revenue growth of £4.8m driven by:
  - M&A +£3.8m
  - Organic growth +£4.1m
  - Lighting (timing) +£1.1m
  - Household reduction -£4.2m
- Increased focus on higher margin categories of Vaping and Sports Nutrition which accounted for 60% of total gross profit (HY 2021: 55%)
- Gross profit increased from 25% to 30%
- Increase in administrative expenses was a result of increased selling costs (in line with revenue growth) and "PLC-related costs"
- Adjusted items are set out in the table below:

	HY 2022 £m	HY 2021 £m
Share-based payments	0.7	-
Fair value on financial derivatives*	(0.8)	-
Other non-recurring items	0.1	0.2
<b>TOTAL</b>	<b>-</b>	<b>0.2</b>

\*£19.1m open forward contracts at 30 Sep 21 with an average rate of 1.37

# Segmental breakdown

	HY 2022 £m	HY 2021 £m	% change
<b><u>Revenue</u></b>			
Batteries	15.0	14.8	+1%
Lighting	13.2	11.1	+18%
Vaping	21.7	19.2	+13%
Sports Nutrition & Wellness	6.4	2.2	+192%
Branded Household Consumer Goods	4.9	9.1	-46%
<b>Total revenue</b>	<b>61.1</b>	<b>56.3</b>	<b>+8%</b>
<b><u>Gross profit</u></b>			
Batteries	1.5	1.3	+16%
Lighting	4.5	3.4	+33%
Vaping	8.9	7.1	+25%
Sports Nutrition & Wellness	2.1	0.9	+136%
Branded Household Consumer Goods	0.5	1.0	+95%
FX	0.6	0.6	-
<b>Total gross profit</b>	<b>18.1</b>	<b>14.3</b>	<b>+27%</b>

## Commentary

- No post-COVID “reset” seen YTD for **Batteries**
- **Lighting** growth was a blend of underlying organic growth and timing benefits that will reverse in H2
- Growth in **Vaping** was largely organic growth across e-liquids, hardware and HMPPs supplemented by customer wins
- Increase in **Vaping** gross margin was a result of further economies of scale and the improved margin in HMPPS
- **Sports Nutrition** revenue growth driven by M&A, new product launches and underlying organic growth
- Change in **Sports Nutrition** gross margin was due to a change in mix within the category (the addition of protein snack bars and Sci-MX, neither of which are yet manufactured)
- Reduction in **Household** revenue was a result of the post-COVID “reset”. Reduced revenue was compensated by a rationalised cost base

# Balance sheet

	HY 2022 £m	HY 2021 £m
<b>Non-current assets</b>		
Right of use asset	2.5	1.2
Tangible assets	2.6	3.5
Intangible assets	3.8	1.9
	<b>8.9</b>	<b>6.6</b>
<b>Current assets</b>		
Stock	26.7	19.8
Trade & other debtors	21.5	22.4
Derivative financial instruments	0.3	-
Cash	4.3	3.5
	<b>52.7</b>	<b>45.7</b>
<b>Current liabilities</b>		
Trade & other payables	(19.6)	(15.8)
Borrowings	(9.4)	(10.6)
Derivative financial instruments	-	-
Income tax payable	(2.8)	(2.7)
	<b>(31.9)</b>	<b>(29.0)</b>
<b>Net current assets</b>	<b>20.9</b>	<b>16.7</b>
<b>Non-current liabilities</b>		
Borrowings	(3.2)	(14.6)
Deferred tax	(0.1)	(0.2)
	<b>(3.4)</b>	<b>(14.8)</b>
<b>Net Assets</b>	<b>26.4</b>	<b>8.6</b>
<b>Equity</b>		
Share capital	11.7	11.0
Share premium	7.2	-
Merger reserve	(22.0)	(22.0)
Share-based payment reserve	0.8	-
Retained earnings	28.7	19.6
<b>Total equity</b>	<b>26.4</b>	<b>8.6</b>
<b>Net debt</b>	<b>8.4</b>	<b>21.7</b>
Net debt excl. IFRS 16	5.7	20.3
Working capital	28.6	26.4

## Commentary

- A stronger balance sheet with net assets of £26.4m (Mar 21: £18.8m)
- Further reduction in bank borrowings since year end.
- Leverage ratio of 0.4x (Mar 21: 0.4x)
- Increased stock reflecting acquisitions, underlying growth and the planned decision to ship lighting stock earlier than last year to de-risk any potential disruption

# Cash flow statement

	HY 2022	HY 2021	FY 2021
	£m	£m	£m
Adjusted EBITDA	10.1	8.4	19.3
Movement in NWC	(4.5)	(6.5)	(1.6)
Tax paid	(1.3)	(1.0)	(3.0)
Cash-impacting Adjusted items	(0.1)	(0.2)	(2.4)
Operating cash flow	4.2	0.7	12.3
Debt (servicing) / raising	(4.1)	(3.3)	(14.2)
Capex (incl. M&A)	(3.4)	(1.1)	(2.1)
Dividends	-	(1.0)	(3.0)
Proceeds from IPO	-	-	7.8
<b>Net cash flow</b>	<b>(3.3)</b>	<b>(4.7)</b>	<b>0.8</b>

## Commentary

- Increase in operating cash flow of £3.5m – a result of increased profitability and effective cash flow management in HY 2022
- Debt servicing is ordinary course plus partial repayment of related party loan (expected to be fully paid by year end)
- Capex relates to the acquisition of **Sci-MX** (£2.3m including stock) and **Vendek** (£1m net of cash acquired)



**Operational update**

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# In-house manufacturing facilities has yielded superior returns



## Vaping



## Protein



## Vitamins

Volume	<p>A leading manufacturer of e-liquids in the UK, producing &gt;60m bottles per year – capacity for <b>295m bottles</b> (£295m at retail)<sup>(1)</sup></p>	<p>Production capacity to reach <b>&gt;8m protein powder units</b> per year in November 2020<sup>(2)</sup></p>	<p>Ability to produce <b>&gt;10m tablet units</b> per month in November 2021<sup>(2)</sup></p>
Efficiency	<p>Leveraging economies of scale and <b>reducing on-going unit production costs by 65%</b></p>	<p><b>Falling labour cost per unit: from 60p to 12p</b> per protein product</p>	<p>Recently opened <b>brand new, dedicated production facility</b> for vitamins</p>
Quality	<p>Dedicated, on-site clean room (<b>ISO Class 7 accreditations</b>) that complies with <b>EU TPD</b></p>	<p>Pharmaceutical grade laboratory equipment with <b>ISO Class 9</b> clean room, working to <b>GMP<sup>(5)</sup> standard</b></p>	<p>Trusted suppliers with ingredients <b>traceable to raw material</b> and <b>highest standards of quality and control</b></p>

Note(s): (1) Theoretical capacity based upon 510 bottles per minute, running 24/7 at 80% efficiency to allow for maintenance and changeovers; (2) Investment secured to increase production capacity in November 2020 and assuming 80% efficiency 24 hours a day; (3) Management estimates; (4) Tablet pressing production to begin in March 2021; (5) GMP refers to Good Manufacturing Practices  
Source(s): Company information

# Batteries category

**£14.9m**

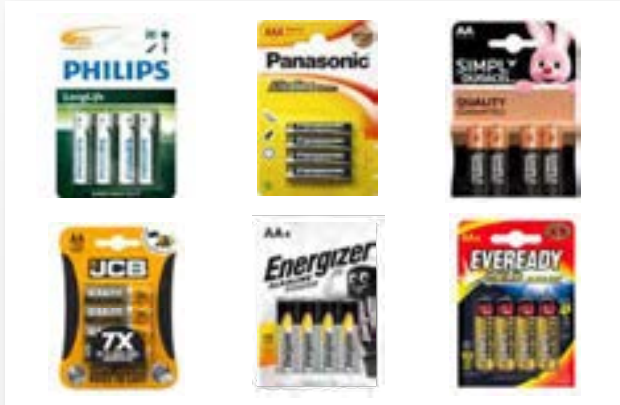
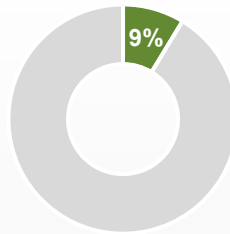
HY 2022  
revenues

**10%**

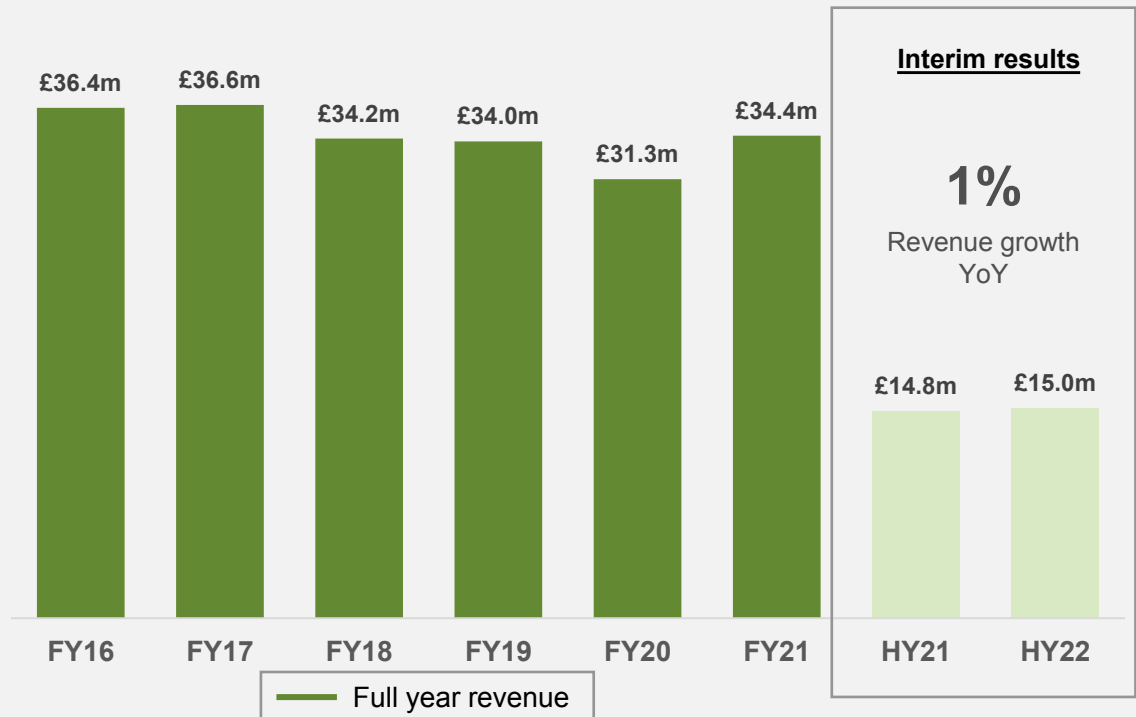
Gross profit margin  
in HY 2022

- **Stable, core revenue** base
- Drives **sticky customer relationships** and the opportunity to **cross-sell higher margin** categories
- **22-year relationship** with **Duracell**, **Energizer**, and **Panasonic**; **11-year relationship** with **JCB**, and **7-year relationship** with **Phillips**

**% Group GP contribution**



- Continued to perform well with demand remaining within budget
- Acquisition of Vendek broadens the division's reach and provides overlap with Supreme for certain customers



# Lighting category

**34%**

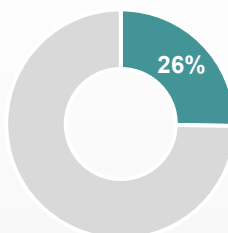
Gross profit margin in  
HY 2022

**£13.1m**

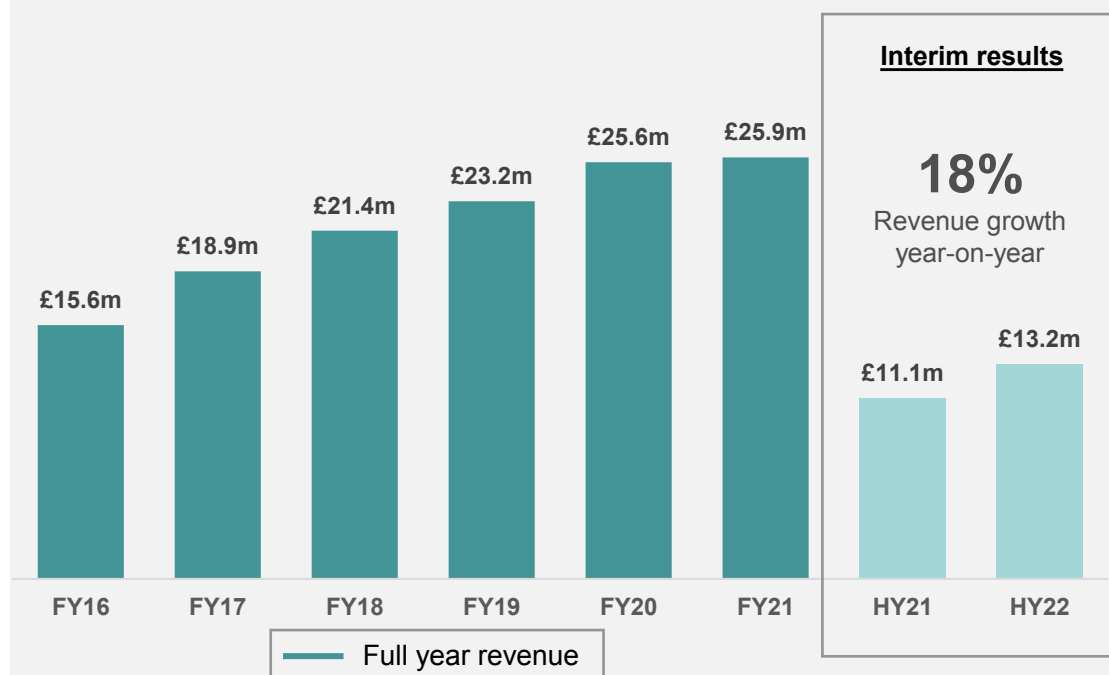
HY 2022  
revenues

- **Growing, resilient category** utilising existing customer relationships
- Global license with **Eveready / Energizer** valid until 2025, held since 2013
- **JCB license** valid until 2024

**% Group GP contribution**



- Lighting revenues increased 18% in the first half, partly due to a boost in demand relating to a legislative change across the sector
- Acquisition of Vendek provides platform through which to target significant customer base in Ireland



# Vaping category

**#1**

Value vaping brand in the UK<sup>(1)</sup>

**~1m**

88Vape users

**13%**

Increase in vaping revenue in HY 2022

**£21.7m**

HY 2022 revenues

**41%**

Gross profit margin

Maintained D2C online position

**60m**

Annualised production

**~30%**

Market share

- Continued to deliver excellent growth, achieving a 13% increase in revenues and a 25% increase in gross profit
- Secured and / or rolled out a number of new business mandates in the first half including Sainsbury's, Core Communications, McColl's and expansion of agreement with the prison service, all of which are being successfully serviced
- Increased gross profit as percentage of sales as a result of increased economies of scale in UK manufacturing and more cost-effective sourcing of prison stock
- Encouraging EPOS data from Supreme's largest retailers
- Vaping market continues to benefit from strong market tailwinds, particularly as the Government has pledged to make the UK smoke free by 2030

# Vaping category continued

*Continued track record of growth*

**+35%**

Revenue CAGR  
FY16-FY21

**+41%**

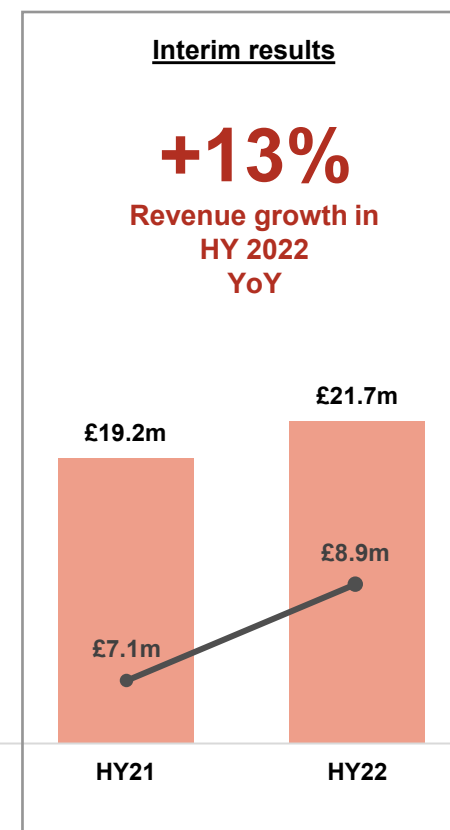
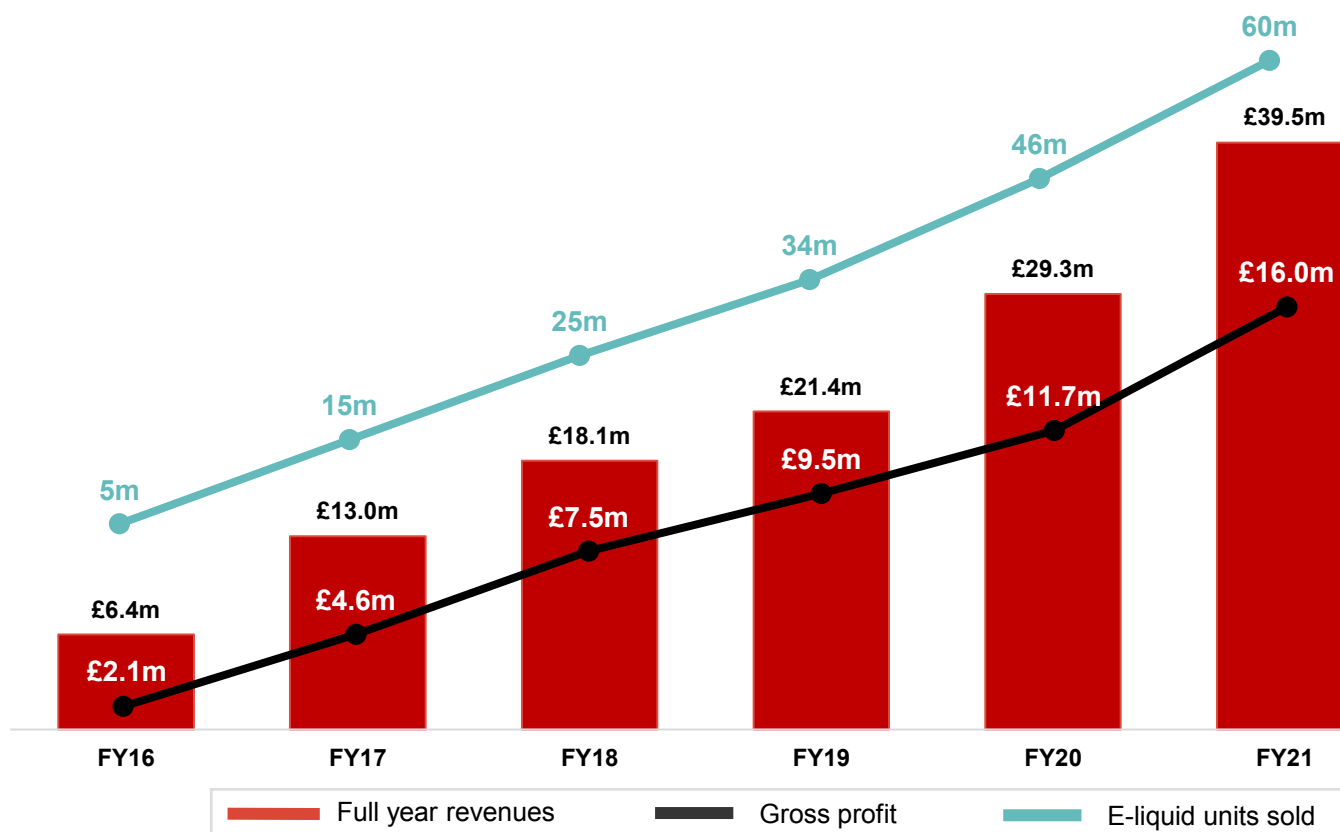
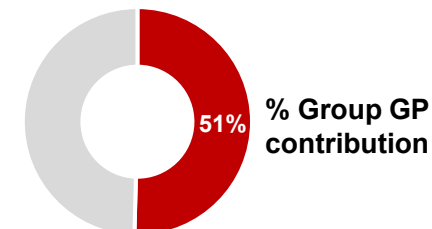
Gross profit CAGR  
FY16-FY21

**+51%**

FY16-FY21 CAGR of E-  
liquid units sold

**+25%**

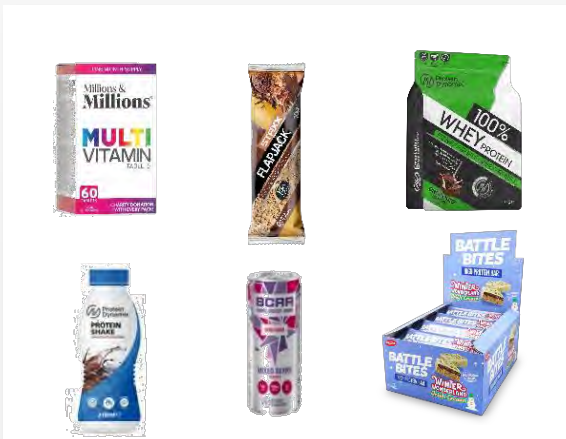
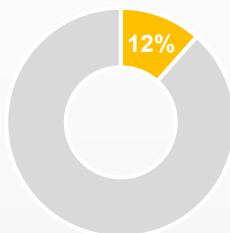
Gross profit growth  
HY 2022 YoY



# Sports Nutrition & Wellness category

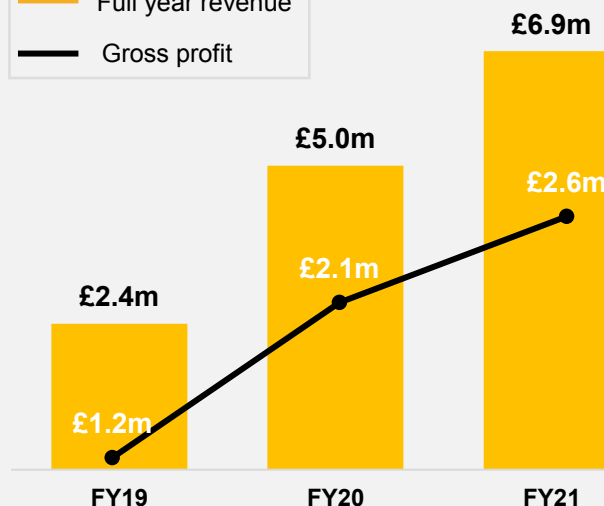
- **Rapidly growing division** driven by ability to cross-sell products to existing customers
- **Exciting growth opportunity** through expansion into vitamin and supplement market
- **Sustainable packaging** a key part of upcoming vitamin range

% Group GP contribution

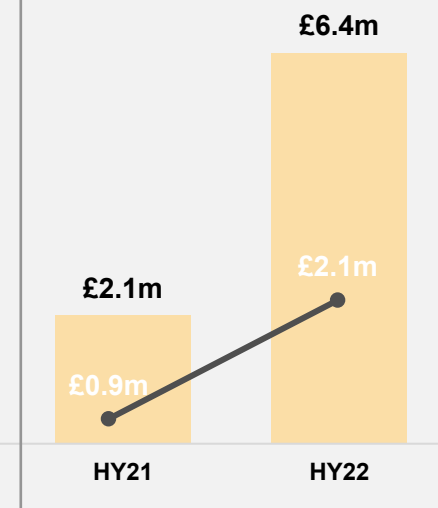


- Revenue growth of 192% in the first half to £6.4 million, which is significant as the division was only established three years ago
- Gross profit increased 136% to £2.1 million in the Period
- Acquisition of Sci-MX provides a number of potential cross-sell opportunities for the Group, with limited attrition occurred to Sci-MX's customer base
- Successfully launched two vitamin ranges in the period, with vitamins expected to be an exciting growth vertical for the Group

Full year revenue  
Gross profit



Interim results





# Product development

*Launch of two complementary vitamin ranges in a market worth c£450m that is expected to grow at a 7% CAGR between 2019 and 2022*



## Millions & Millions

- Initial orders received from large customers including Home Bargains and Poundland
- Opportunity to further improve margins through transition to in-house manufacturing
- Partnership launched with Davina McCall as brand ambassador
- Benefit of advertising spend expected to be realised in future periods



## Sealion's

- Quality products made in-house in the UK
- One year's supply of vitamins (365 tablets) retails for £5.00, making vitamins universal and available to all
- Sold directly from the Sealion's factory (35% margin)
- Sustainable – 100% compostable and plastic free

# Investing in our brands

sealions.com

£5

sealions Multivitamin + Iron  
sealions Vitamin D3  
sealions Vitamin C

FOR A YEAR'S SUPPLY OF EACH VITAMIN

Delivery £1.49. Mainland UK only

Health & Beauty

Q&A with...  
DANIELA DORNAN, MANAGING DIRECTOR AT DD CLINICAL

When did you know this was the industry you wanted to work in?  
During my time working at Dermatology, I witnessed the life-changing effects of combining advanced skin knowledge with effective treatment to create a change in not just clients' skin, but their self-confidence and esteem.

What's the first treatment you had and how has that affected your hair treatment choices?  
The first treatment I experienced was the original Supreme hair laser. The results were fantastic and actually the changing hair, and the reason we now have ten Supreme hair laser machines in the clinic.

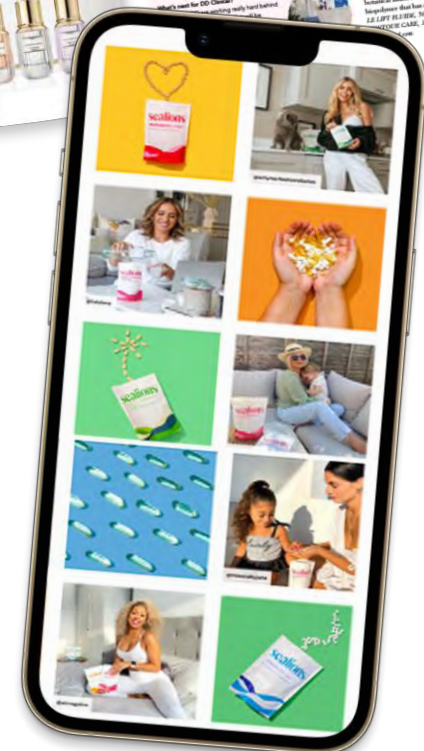
What have been your favourite treatments you have received?  
I love the PMS treatment which is ideal for treating multiple skin concerns. This treatment resurfaces the skin, allowing fresh skin to emerge. This treatment encourages collagen production, even skin tone by clearing away exfoliating collagen production. It treats, skin ageing, pigmentation and overall skin regeneration.

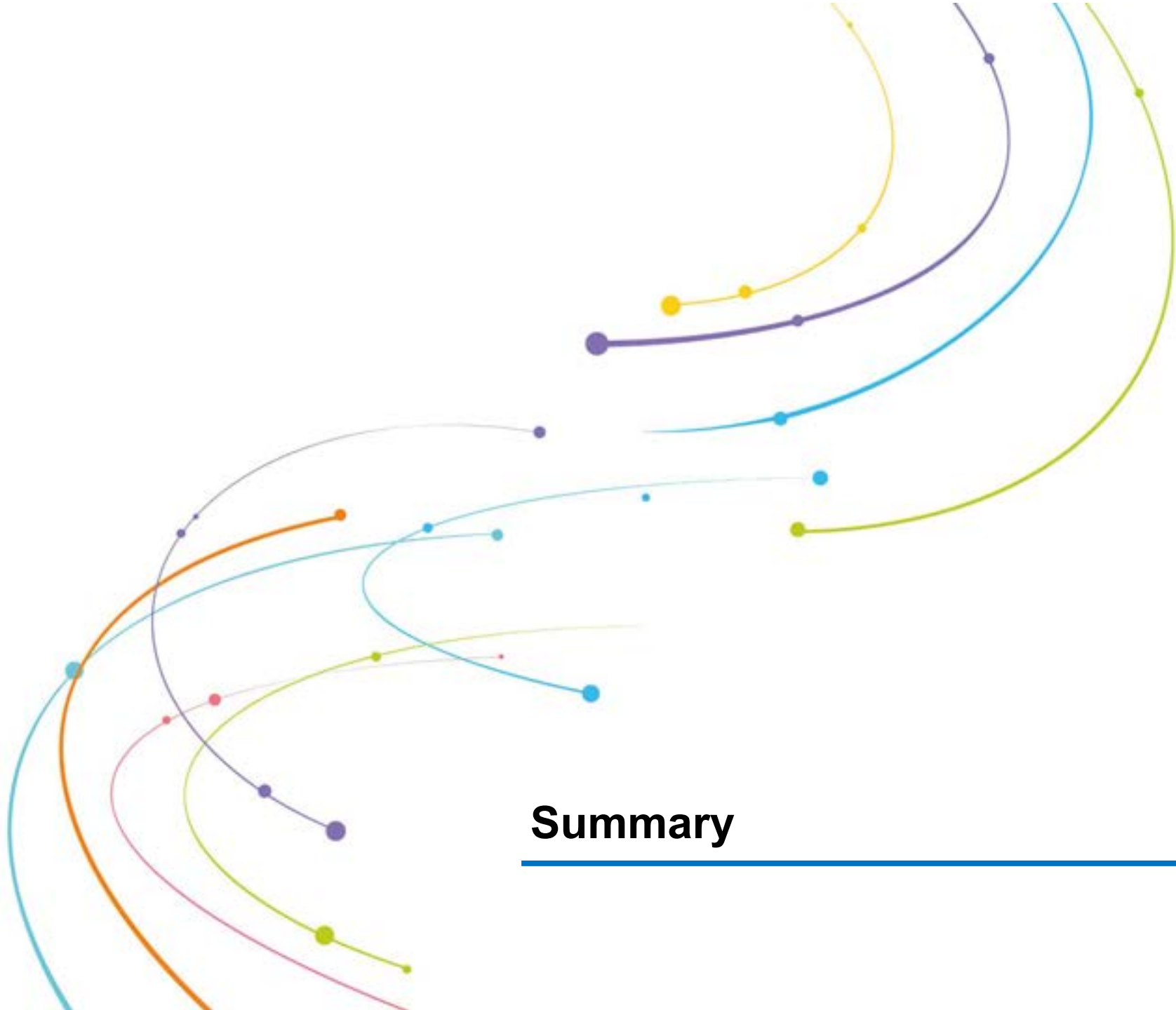
What were the first steps to setting up DD Clinical and what advice do you have for other entrepreneurs?  
A good business needs to be a strong brand identity that tells your story in a detailed business plan and a complete selling point. It's also important that you have a clear understanding of the industry, its needs and what your target audience would see in your research, aim to be the best in your business and think about the life cycle of your business. Build a strong team around you and plan for financial challenges, strong team around you and plan for financial challenges, strong team around you and plan for financial challenges.

New from Estée Lauder  
When the New York-based brand launched its new line of skincare, it was a game-changer. The brand's new line of skincare, it was a game-changer. The brand's new line of skincare, it was a game-changer. The brand's new line of skincare, it was a game-changer.

CHESHIRE LOVES  
Manifesto Beauty

LE LIFT





## Summary

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# Outlook



- Good start to the second half of the year
- Adjusted EBITDA<sup>1</sup> expected to be at least in line with expectations
- Well-covered for any potential labour or raw material shortages by further investments into stock
- We expect to conclude our search for a new premises to focus on further operational consolidation in the group
- The Board remains confident in the future growth prospects





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