

Results for the year ended 31 March 2023



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Meet the team

CHIEF EXECUTIVE OFFICER



SANDY CHADHA

CHIEF FINANCE OFFICER



SUZANNE SMITH

DIVISIONAL LEAD BATTERIES



ANDREW BEAUMONT

DIVISIONAL LEAD LIGHTING



DAVID NEILSON

DIVISIONAL LEAD VAPING



MIKE HOLLIDAY

DIVISIONAL LEAD SPORTS NUTRITION



JAMES WILLIAMS

- The Executive Team is supported by 4 Divisional (product) leaders
- Each has deep sector and industry knowledge and experience
- Wholly responsible for their own category
- 100 years' service for Supreme across the team

- Supreme is a manufacturer, licensee, brand owner and distributor of branded, discounted staple consumer goods sold principally to UK high street discount retailers and supermarkets
- Our products are high-repeat, non-discretionary purchases that are not returned and principally exist in the following categories:
 - Batteries
 - Lighting
 - Vaping; and
 - Sports & Nutrition & Wellness
- The business was established over 30 years ago and has been run by Sandy Chadha since inception
- For **retailers**, our brands represent some of the highest margin per square foot products within their stores.
- For **consumers**, our centralised platform of tightly-managed overheads and our integrated supply chain mean we can deliver the lowest priced branded goods on the market
- For **competitors**, our scaled and long-established distribution across UK retail and wholesale is unrivalled.



Key investment highlights

Leveraging our vertically integrated platform to take fast-moving consumer brands to our extensive customer network



Unrivalled business model



We own brands & we manufacture



Strong financials



High quality management team



Proven and successful M&A strategy



Compelling customer offering with emphasis on value



Diverse product & customer portfolio



Our customers



BOOKER

Sainsbury's

Iceland

MATALAN

Poundland

home bargains

TESCO

Morrisons
Since 1899

OneBelow.

amazon

SPAR

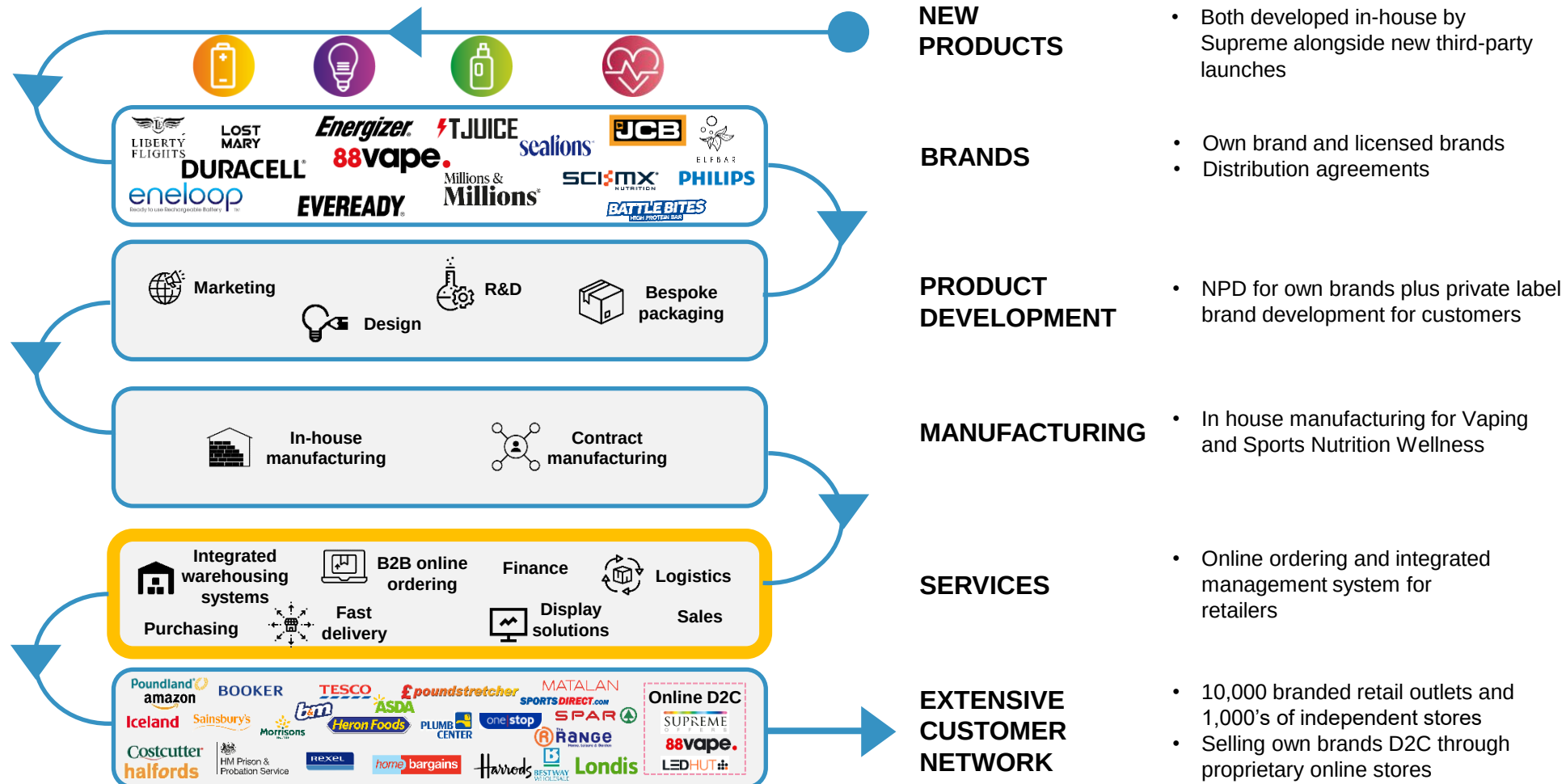
The RANGE
Home, Leisure & Garden

Londis

b&m

Vertically integrated platform

Offers a seamless route to market for both owned and other leading brands





Financial highlights

- 19% revenue growth
- 75% increase in Vaping revenue to £76.1m
- Reduction in Adjusted EBITDA¹ driven by temporary factors
- Highly cash generative; £19.3m cash from operations
- Net debt (pre-IFRS16) neutral at year end plus £30m unutilised borrowing facilities





Operational summary

- 3 acquisitions completed and integrated
- New lease for 167,000 sq ft facility to support growth
- Disposal of T Juice generated £4.0m of cash in FY23
- Record levels of investment in M&A and capex to support future growth



- Very strong start to FY24
- The core business and all FY23 acquisitions are performing better than expected
- The Group recently announced its status as master distributor for the UK's leading vaping brands; Elfbar and Lost Mary into grocery retail chains
- The combined impact of the accelerated trading and the new vaping opportunity mean that the Board now expect that **trading in FY24 will be significantly ahead of current consensus**
- Its highly-cash generative core business + the £30m unutilised borrowings facilities mean that Supreme can continue to take advantage of opportunistic M&A



BATTERIES

Energizer[®]

JCB

DURACELL[®]

EVEREADY[®]

Panasonic



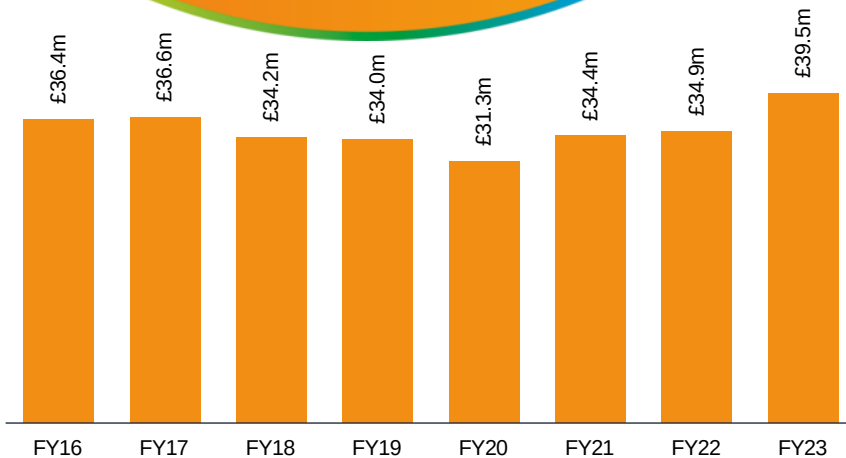
Stable core product set

£39.5m
revenues

+13%
revenue

11%
gross profit
margin

25%
of group revenue



- Best year ever in Supreme's 35-year history
- The bedrock of the business and the “door-opener”
- Another year of solid profitable growth – 13% growth in revenue
- £3.9m of gross profit with minimal overheads to service



Panasonic

Energizer

DURACELL®

eneloop
Ready to use Rechargeable Battery™



Energizer®

LUMiLiFE

POWER  **MASTER**

LIGHTING

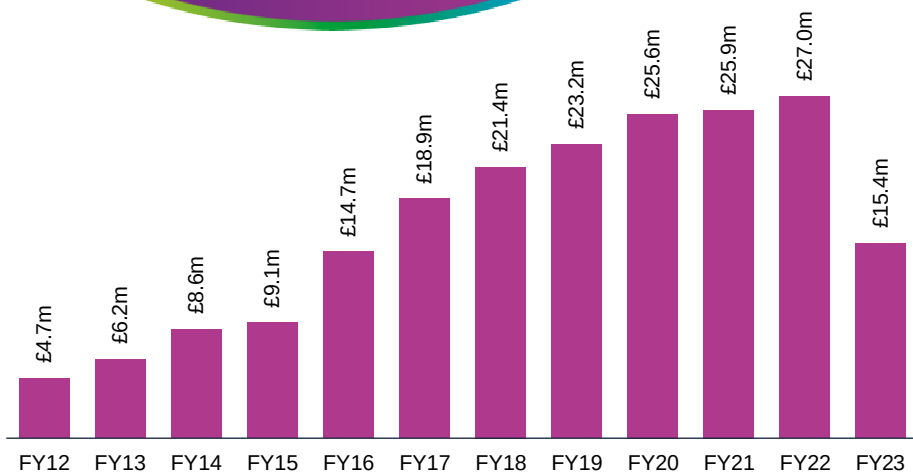


Recovery underway

£15.4m
revenue

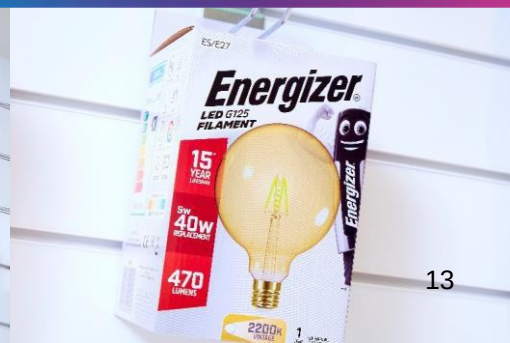
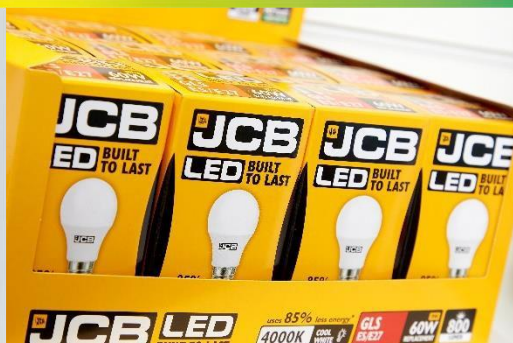
27%
gross profit margin

10%
of group revenue



- Revenue fell by 43%
- Retailer overstocking and temporary slow-down in consumer spending
- BUT all customer relationships and listings retained
- New licence agreements signed & others extended until 2030
- Recovery expected across FY24 and FY25

SUPREME



BATTLE BITES
HIGH PROTEIN BAR

SCI:MX[®]
NUTRITION

 **Protein
Dynamix**[™]

Millions &
Millions[®]



HEALTH & WELLNESS

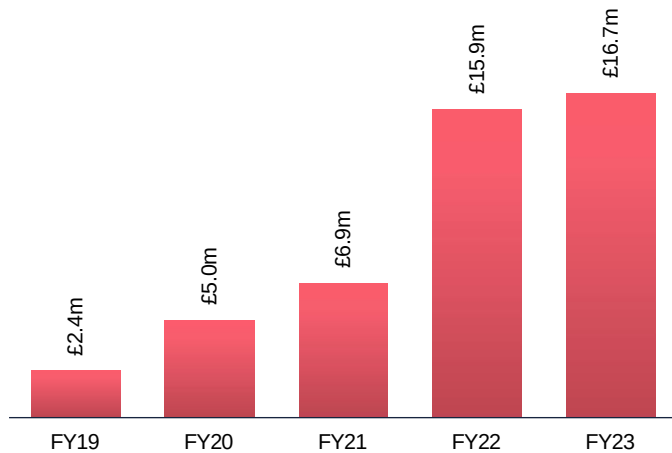


Gaining market share

- £0 to £16m since FY19
- In-house UK manufacturing category

11%

of group revenue



- 5% growth in revenue against a backdrop of unprecedented inflation (2–3x price increases)
- Launched new-look Sci-MX and transferred all manufacturing inhouse
- Buoyant private label business alongside power brands
- Continued focus on NPD across powders and snacking
- M&A under constant review to supplement organic growth

SUPREME

sealions®

SCI-MX®
NUTRITION

Millions &
Millions®

BATTLE BITES®
HIGH PROTEIN BAR



88vape.

 **TJUICE**


LIBERTY
FLIGHTS



ELFBAR

Z
zillion

VAPING





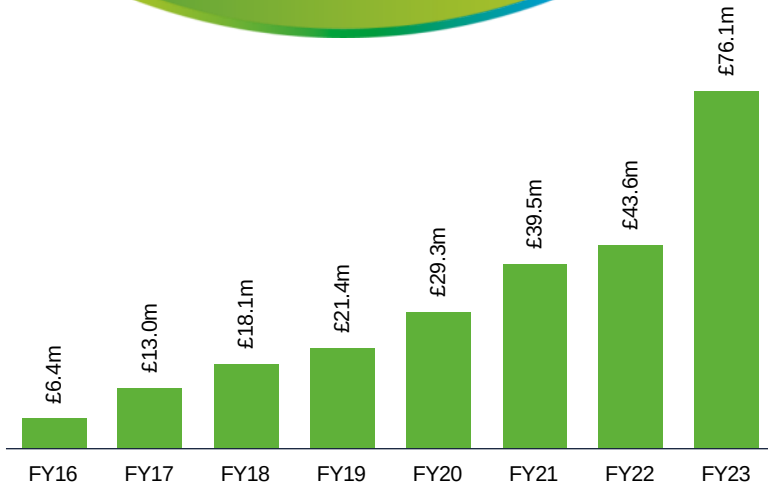
Outstanding performance

£76m
revenues

>1.3m
regular users
of 88vape

75%
sales growth

50%
of group revenue



- Record performance driven by:
 - 3 acquisitions (manufacturing consolidated for all 3)
 - NPD (disposables launched in FY23)
 - prison contract (25% growth)
 - general market growth
- Ongoing government support despite increased media scrutiny
- Elfbar distribution in FY24 will complement the existing category into grocery retail

SUPREME

88vape.


**LIBERTY
FLIGHTS**

 **TJUICE**



M&A track record

Implemented a highly successful and targeted acquisition strategy since IPO

1

Proven track record

2

Can execute deals & integrate operations quickly

3

Six deals since IPO

4

All deals have been earnings-enhancing

5

Additional earnings upside following integration

6

M&A will continue to be a key part of the growth strategy

7

£30m un-utilised facilities at year end

- Fully integrated Liberty Flights and Cuts Ice, generating strong market traction to complement our 88vape brand's sales momentum
- Superdragon acquisition already added to FY24 earnings
- Incremental revenue from the acquisitions of Liberty Flights and Cuts Ice constituted 40% of the vaping category's growth

- Significantly scaled the Group, provided access to new customers and territories, wider manufacturing know-how and state-of-the-art technology
- Delivered increased synergies as well as further cross-sell opportunities
- M&A reflective of Supreme's strategy to support a tobacco-free UK by offering both credible and safer alternatives for nicotine consumption

TJUICE


LIBERTY
FLIGHTS

ecig[®]

Neil O'Brien MP 2023 statement on *Achieving Smoke-free 2030* (April 2023)

- “ We need to exploit the huge potential of vaping to help adult smokers to quit
- “ For adults, vaping is substantially less harmful than smoking and we now have high-quality evidence from Oxford University that compared to nicotine gum or patches, vapes are significantly more effective as a quit tool, but not more hazardous
- “ Vapes are not yet being used widely enough to reach their full potential as smoking quit aids
- “ We will work with councils and others to offer a million smokers across England a free vaping starter kit as part of the Swap to Stop campaign
- “ There has been a very sharp increase in children vaping - particularly disposable vapes marketed to kids with bright colours or cartoon characters or child-friendly flavours
- “ Over 1.3 million disposable vapes are thrown away each week



Institutions supporting vaping vs tobacco-based products





Supreme welcomes all Government measures that tackle the growing challenge of youth vaping whilst simultaneously allowing for vaping to continue its good work

- We **do not target younger audiences**; we do not market our owned brands on social media nor do we believe our flavours or packaging are directed at children
- Our most popular flavours continue to be tobacco and menthol – flavours **popular with ex-smokers**
- Supreme now conducts **third-party testing** to ensure products are consistently compliant with UK vaping regulations
- Supreme has also commenced ‘pre-order’ due diligence across its customers to ensure adequate **age verification** protocols are maintained in store
- We acknowledge the environmental concerns associated with disposable vapes and we continue to be entirely compliant with all the battery compliance and WEEE compliance requirements



£25-30m revenue expected in FY24 with around £2m of incremental Adjusted EBITDA¹

- Master distributor for Elfbar and Lost Mary
- Will supply UK's biggest grocers and retailers
- Cross-sell opportunities
- Low gross margin % but very modest overheads
- Working capital investment, 35% ROCE



**LOST
MARY**



WH Smith



Ark, Trafford Park

In November 2022, Supreme signed a 15 year lease for a 167,000 sq ft facility

1

Based in Trafford Park (Manchester), Ark will become the new principal site for the Group covering manufacturing, storage and distribution

2

The site will allow for consolidation of existing operations

3

Its proximity to the existing Supreme properties will drive minimal amounts of disruption to staff, suppliers and customer service during the move

4

Consolidation will deliver efficiencies (reduced product touch points and consolidation of services e.g. security)

5

Ark is now operational following



Today
£150m
revenue
served

Future
£350-£450m
revenue
potential

Financial summary



Income statement

	FY23 £m	FY22 £m	% change
Revenue	155.6	130.8	+19%
Gross profit	40.9	38.5	+6%
Gross profit margin	26%	29%	-3%
Admin expenses	(21.5)	(17.4)	+23%
Adjusted EBITDA¹	19.4	21.1	-8%
Adjusted items	(0.8)	(1.1)	-25%
EBITDA	18.6	20.0	-7%
Depreciation & amortisation	(3.1)	(3.0)	+2%
Operating profit	15.4	17.0	-9%
Finance costs	(1.0)	(0.7)	+46%
Profit before tax	14.4	16.3	-11%
Tax	(2.5)	(2.6)	-4%
Profit after tax	12.0	13.7	-13%
Basic EPS	10.3p	11.8p	-15%
 Adjusted profit after tax²	 13.8	 15.0	 -8%
Adjusted EPS³	11.8p	12.8p	-8%

- Revenue growth of £24.8m (19%)
 - £12.8m from M&A
 - £12.0 organic
- Reduced GP % due to sales mix (Vaping) and inflationary pressure (Sports Nutrition)
- Incremental overheads from businesses acquired plus inflationary pressure

- Adjusted items:
 - Share-based payments -£1.5m
 - Losses on derivatives -£1.1m
 - Acquisition & integration costs -£1.0m
 - Profit on disposal of Tjuice +£2.8m

¹ Adjusted EBITDA means operating profit before depreciation, amortisation and Adjusted items (as defined in Note 7 of the financial statements). Adjusted items include share-based payments charge, fair value movements on non-hedge accounted derivatives and non-recurring items

² Adjusted profit after tax is defined as profit after tax but before amortisation of acquired intangibles and Adjusted items (as defined in Note 7 of the financial statements). Adjusted items include share-based payments, fair value movements on non-hedge accounted derivatives and non-recurring items

³ Adjusted EPS means Earning per share, where Earnings are defined as Adjusted profit after tax

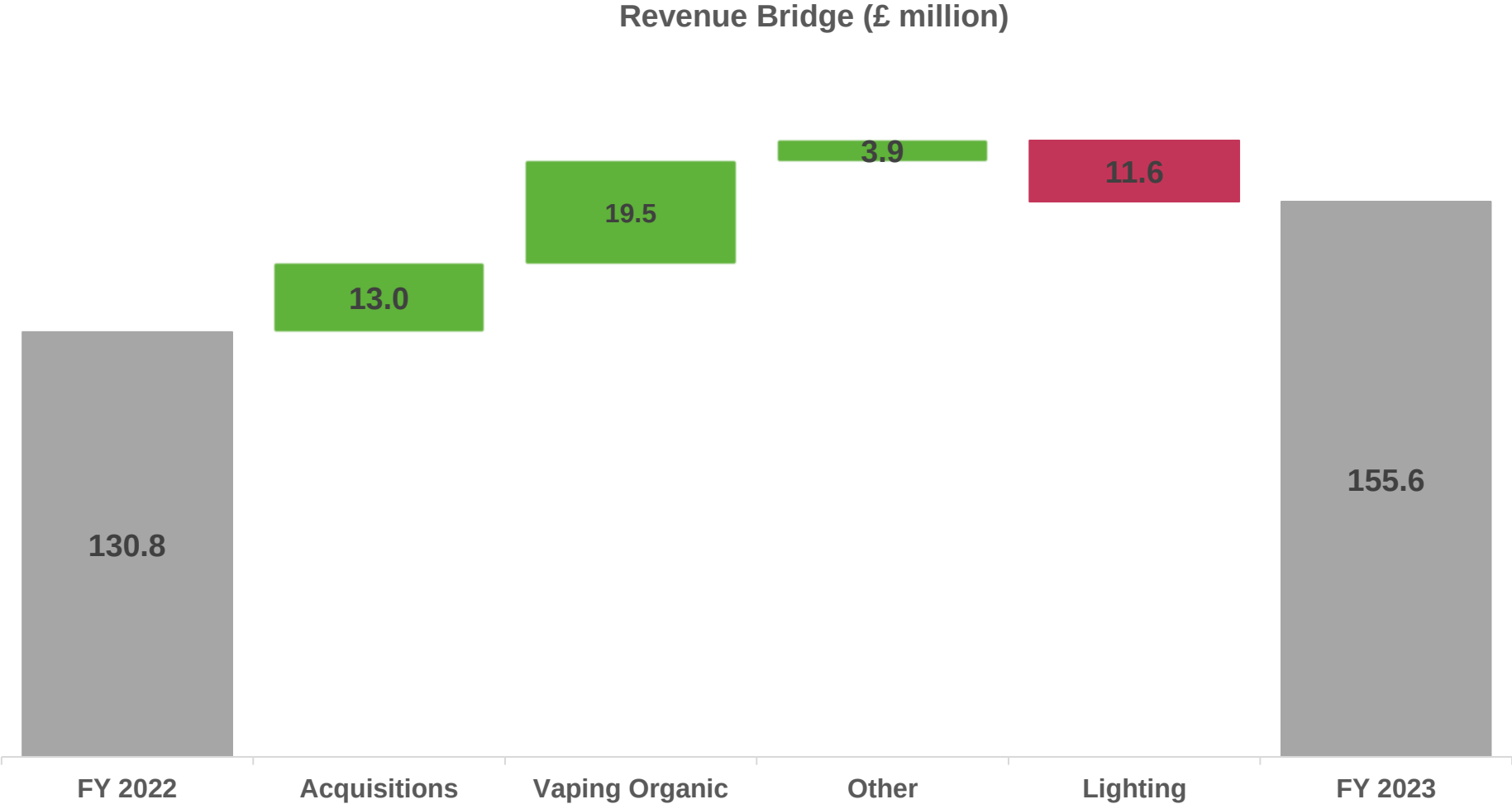
Segmental breakdown

	FY23 £m	FY22 £m	% change
Revenue			
Batteries	39.5	34.9	+13%
Lighting	15.4	27.0	-43%
Vaping	76.1	43.6	+75%
Sports Nutrition & Wellness	16.7	15.9	+5%
Household & Other	7.8	9.4	-17%
TOTAL REVENUE	155.6	130.8	+19%
Gross profit			
Batteries	3.9	3.7	+6%
Lighting	4.1	9.0	-54%
Vaping	28.1	19.5	+44%
Sports Nutrition & Wellness	2.7	3.5	-25%
Household & Other	0.8	1.2	-32%
FX	1.3	1.6	-23%
TOTAL GROSS PROFIT	40.9	38.5	+6%

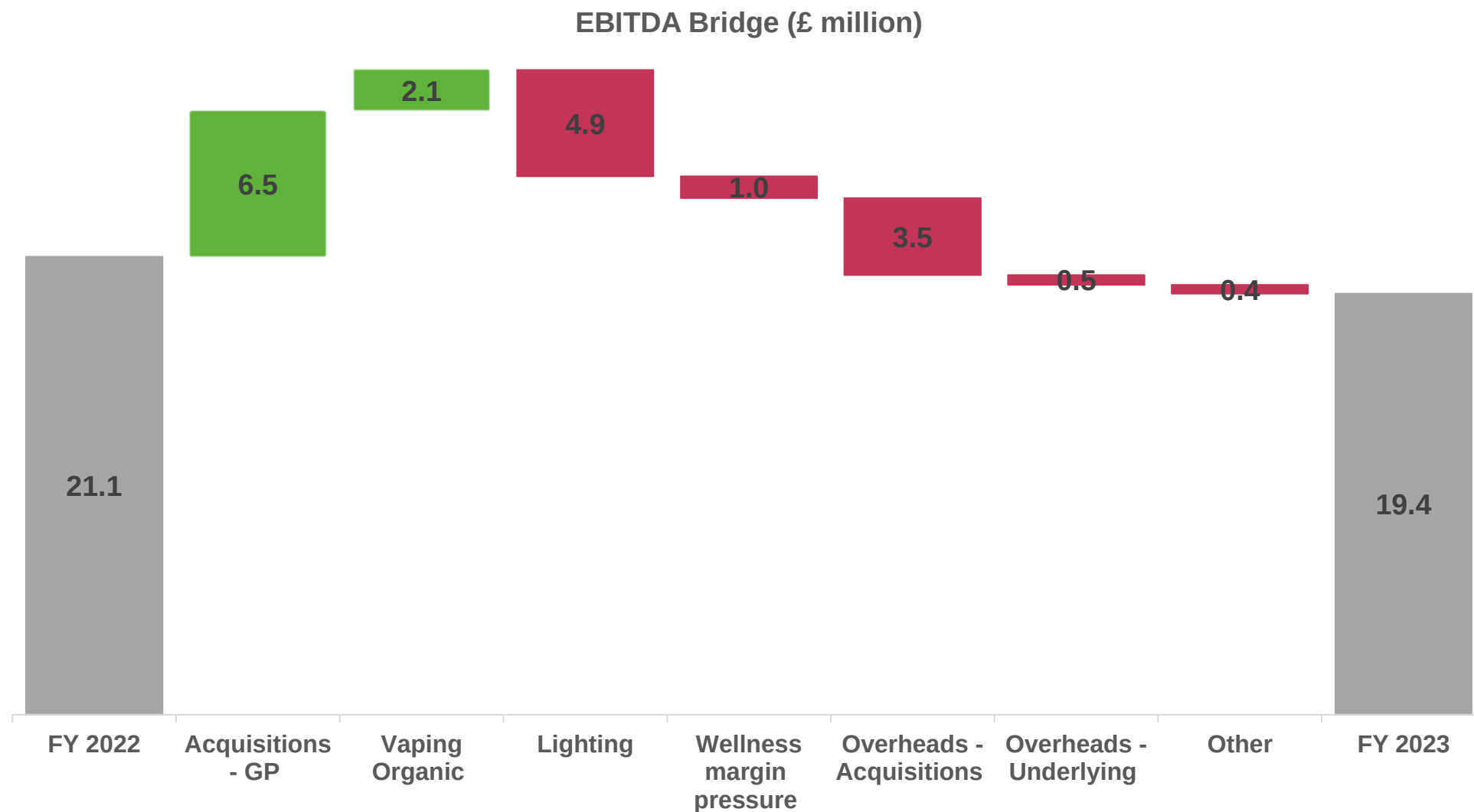
- Lighting reduction owing to retailer over-stocking and slow down in consumer spending
- Vaping growth of £32.5m (75%)
 - 40% arising from M&A
 - Remainder from new product launches and existing customer growth

- Vaping GP % reduction due to change in sales mix
- Reduction in Sport GP % due to inflationary pressures
- Reduction in Lighting GP % owing to FX

Revenue bridge



Adjusted EBITDA bridge



Balance sheet

	FY23 £m	FY22 £m
Fixed Assets		
Property, Plant & Equipment	20.8	4.7
Intangibles	15.3	3.7
TOTAL	36.1	8.4
Working capital		
Stock	25.6	25.9
Debtors & prepayments	20.9	19.0
Creditors & accruals	(26.1)	(17.3)
Corporation tax	(2.5)	(1.3)
TOTAL	17.9	26.3
Net debt		
Cash	7.5	3.9
Borrowings	(5.1)	(4.1)
IFRS 16 (leases)	(15.0)	(2.1)
Related party borrowings	-	(1.8)
TOTAL	(12.6)	(4.1)
Other		
Deferred Tax	(0.8)	1.2
Derivatives	(0.7)	0.5
TOTAL	(1.4)	1.7
TOTAL ASSETS	40.0	32.3

- PPE increase due to new 15 year lease signed
- Intangibles increase arising from acquisitions
- Very tight management of working capital
- Net debt neutral (before IFRS16) at year end

Cash flow statement

	FY23 £m	FY22 £m
Adjusted EBITDA	19.4	21.1
Movement in working cap	2.6	(4.8)
Tax paid	(1.7)	(4.2)
Operating cash before adjusted items	20.3	12.1
Cash impacting Adjusted items	(1.0)	(0.4)
Operating cash flow	19.3	11.7
Debt servicing / raising / repaying	(2.1)	(8.4)
Lease payments	(1.0)	(1.0)
Capex (including M&A)	(11.6)	(3.8)
Proceeds from sale of assets	4.0	0.4
Dividends net of share issues	(5.1)	(2.5)
Net cash flow	3.5	(3.6)

- Cash generated from operations almost doubled despite less profit reported
- Capex includes
 - £10m for M&A
 - £1.6m of capex (incl Ark fit-out)
- £4m from sale of Tjuice brand

- Combination of recent acquisitions and organic growth **underpin strong performance** from Vaping division
- Alongside Vaping, Sports Nutrition & Wellness is also trading **ahead of expectations**
- Recently announced Elfbar and Lost Mary vape distribution agreement will further drive both revenue and Adjusted EBITDA¹ growth
- Supreme's highly cash generative core business coupled with established M&A strategy underpins both profit growth and dividend policy
- Board now expects trading across FY24 to be **significantly ahead of current consensus²**

¹Adjusted EBITDA means operating profit before depreciation, amortisation and Adjusted items (as defined in Note 7 of the financial statements). Adjusted items include share-based payments charge, fair value movements on non-hedge accounted derivatives and non-recurring items

²Analysts' consensus immediately before these results were published were Revenue of £159 million and Adjusted EBITDA of £22.6 million



Appendices

Disposable pod

SUPREME





SUPREME
PLC