

29 November 2022

Supreme plc

("Supreme," the "Company" or the "Group")

Unaudited Results for the Half Year Ended 30 September 2022

*Outstanding trading performance from Vaping category underpins growth aspirations
Trading for the year ended 31 March 2023 now expected to be ahead of market expectations*

Supreme (AIM:SUP), a leading manufacturer, distributor and brand owner of fast-moving consumer products, announces its unaudited results for the six-month period ended 30 September 2022 ("H1 2023" or the "Period").

Financial Highlights

- Revenues increased by 6% to £64.6 million (H1 2022: £61.1 million), supported by outstanding performance from Vaping category mitigating one-off declines in Lighting category
- 47% increase in Vaping category fuelled by organic growth and bolt-on acquisitions
- Revenue and profitability impacted largely by the temporary slowdown in Lighting category, which is now starting to recover
- Solid revenue growth of 19% and 5% for Sports Nutrition & Wellness and Batteries respectively
- Gross profit margin 28% (H1 2022: 30%)
- Investment in overheads broadly a result of acquisitions and expanded revenue base
- Strong balance sheet and optimal allocation of working capital

	H1 2023 £m	H1 2022 £m	Change %
Revenue	64.6	61.1	+6%
Gross profit	18.2	18.1	+1%
Gross profit %	28%	30%	-2%
Adjusted EBITDA ¹	8.1	10.1	-20%
Profit before tax	4.4	8.5	-48%
Adjusted profit before tax ²	5.8	8.4	-31%
EPS	2.8p	5.8p	-52%
Adjusted EPS ³	4.5p	5.9p	-24%
Net debt	19.6	8.4	-133%
Adjusted net debt ⁴	17.9	5.7	-212%
Dividend	0.8p	2.2p	-64%

Operational Highlights

- Completed two strategic bolt-on acquisitions within Vaping category, delivering incremental Adjusted EBITDA alongside the following strategic benefits:
 - Delivers highly complementary product and customer sets, whilst providing additional cross-sell opportunities;
 - Increased synergies, facilitating the extension of Supreme's market reach both domestically and in Europe; and
 - Provides immediate access to a European base of distributors and retailers, alongside entry into the "pod" market, a new segment which de-risks Supreme's overall Vaping proposition
- Sci-MX brand now delivering encouraging sales momentum, with the demand for protein supplements, particularly powders, growing
- Lighting category now stabilising, with early signs of recovery in retail sales, likely to be reflected in FY 2024 orders
- Signed a 15-year lease on a new warehouse facility in Manchester, capable of housing much of the Group's manufacturing and distribution activities from one principal location

Outlook

- Positive start to H2 2023, with trading now ahead of market expectations for FY 2023
- Vaping category expected to deliver a robust performance in H2 2023, reflecting positive impact of both organic and acquisitive growth
- The business continues to navigate global trading challenges arising from raw material cost price increases, and inflationary increases to its overhead base
- The Board remains confident in the future growth prospects for Supreme in the medium to long term, with the Group focusing on generating organic growth whilst fully integrating its recent Vaping acquisitions

Sandy Chadha, Chief Executive Officer of Supreme, commented:

"Blessingly, the business has delivered a solid trading performance in the period, buoyed by

creasingly, the business has delivered a solid trading performance in the period, buoyed by excellent sales growth from within our Vaping category. The additional expansion of our Vaping and Sports Nutrition & Wellness product portfolios, combined with our enhanced retail and online footprint and the rationalisation of our manufacturing operations, continues to support our value consumer proposition.

With our Lighting division stabilising after a temporary setback, and pricing pressures beginning to ease, the Board's confidence in the Group's future growth prospects remains high, and we look forward to a productive second half of the financial year."

Investor Presentation

Management will be hosting a presentation for investors in relation to the Company's results on Tuesday, 29 November 2022 at 3.00 p.m. BST. To register for the event, please go to:

<https://www.equitydevelopment.co.uk/news-and-events/supreme-investor-presentation-29nov2022>

¹ Adjusted EBITDA means operating profit before depreciation, amortisation and Adjusted items (as defined in Note 4 of the financial statements). Adjusted items include share-based payments charge, fair value movements on non-hedge accounted derivatives and other non-recurring items (including all IPO-related costs)

² Adjusted Profit before tax means profit before tax and Adjusted items (as defined in Note 4 of the financial statements). Adjusted Items include share-based payments charge, fair value movements on non-hedge accounted derivatives and other non-recurring items

³ Adjusted EPS means Earning per share, where Earnings are defined as profit after tax but before amortisation of acquired intangibles and Adjusted items (as defined in Note 4 of the financial statements). Adjusted items include share-based payments, fair value movements on non-hedge accounted derivatives and other non-recurring items (including all IPO-related costs).

⁴ Adjusted net debt means net debt as defined in the year-end financial statements (Note 29) excluding the impact of IFRS16.

The information contained within this announcement is deemed to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 which is part of UK law by virtue of the European Union (withdrawal) Act 2018. Upon the publication of this announcement, this inside information is now considered to be in the public domain.

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About Supreme

Supreme supplies products across five key categories; batteries, lighting, vaping, sports nutrition & wellness, and branded household consumer goods. The Company's capabilities span from product development and manufacturing through to its extensive retail distribution network and direct to consumer capabilities. This vertically integrated platform provides an excellent route to market for well-known brands and products.

The Group has over 3,300 active business accounts with retail customers who manage over 10,000 branded retail outlets. Customers include B&M, Home Bargains, Poundland, The Range, Sports Direct, Lonsdale, SPAR, Costcutter, Asda, Halfords, Iceland and HM Prison & Probation Service.

In addition to distributing globally-recognised brands such as Duracell, Energizer and Panasonic, and supplying lighting products exclusively under the Energizer, Eveready and JCB licences across 45 countries, Supreme has also developed brands in-house, most notably 88Vape and has

a growing footprint in Sports Nutrition and Wellness.

investors.supreme.co.uk

Chief Executive Officer's Review

Introduction

The Group delivered a credible trading performance across H1 2023, which has been undoubtedly impacted by a temporary slowdown within the Lighting category and which pleasingly is now normalising. Elsewhere within the business, our Vaping category continues to grow at pace, with record sales underpinned by strong organic growth alongside strategic acquisitions in the Period.

In H1 2023, Supreme delivered a modest increase in revenues of 6% to £64.6 million (H1 2022: £61.1 million), alongside Adjusted EBITDA¹ of £8.1 million (H1 2022: £10.1 million). Regardless of this modest start to the year, sales momentum continues to build, and we now expect to be ahead of market expectations for FY 2023.

With our significant retail footprint, focused product mix, and enhanced manufacturing and distribution capabilities, Supreme is ideally positioned to capitalise on market opportunities whilst maximising our profit growth.

Operational Review

We remain focused on our established growth strategy, utilising our vertically integrated platform to deliver great value, high quality products to market, which in turn helps us to mitigate the impact of the cost-of-living crisis on consumers.

Investment in our warehousing facilities has elevated the Group's manufacturing capabilities, further strengthening our operating model. To this end, we have now signed a 15-year lease on a new facility in Manchester, capable of housing much of our manufacturing and distribution activities from one principal location. We are pleased to have secured this facility which allows us to plan for the Group's growth and which is in the vicinity of our current warehouse, and we will be commencing planning for fit-out and transition during FY24. Bringing the manufacturing of more products in-house has been integral to the growth of our core Vaping and Sports Nutrition & Wellness categories, enhancing the efficiency of our distribution platform and minimising distances between production and our core end markets, with 90% of our customers UK-based.

Despite challenging trading conditions, we successfully completed two bolt-on acquisitions in the Period, which have generated significant opportunities to increase our overseas footprint, one of the Group's key strategic growth drivers. In line with our company ethos, we remain focused on 'affordability', and will continue to deploy our expert R&D and distribution capabilities to both maintain and grow our loyal customer base.

Vaping

Our Vaping division delivered an exceptional performance in the Period, underpinned by a combination of strong organic and acquisitive growth. Revenues grew to £31.8 million (H1 2022: £21.7 million), a substantial increase of 47%, whilst the division's growth profit margin has marginally reduced to 38% (H1 2022: 41%) owing to changes in sales mix, with consumers purchasing a higher proportion of disposables and pods sourced from the Far East where margins are lower.

We enhanced our market position by securing additional distribution across the grocery, discount, and retail spaces, further increasing our UK footprint. After extending our contract in H1 2022, we further increased our penetration of the HMPPS market in the Period, providing a greater range of bespoke vaping products to facilitate safe and controlled vaping within the prison system.

We completed the immediately earnings-enhancing acquisitions of Liberty Flights and Cuts Ice & Flavour Core, which constituted £3.4 million of the division's revenues growth (16%), with the remainder of growth (31%) arising organically. Pleasingly, we have successfully integrated the Cuts Ice business into the Group within three months of the acquisition, and there has been strong interest in Cuts Ice from retailers and distributors since the assets were acquired. Given the business' European platform and its extensive manufacturing and flavour development operations, the rapid integration was a significant achievement for Supreme and presents a sizeable commercial opportunity for the business.

The continued expansion of our product offering is generating additional cross-sell opportunities, with the ongoing demand for our 10ml "hero" product from the 88vape range driving increasing rates of return. As the demand for disposable vaping products continues to rise, we focused on

enhancing our existing product offering with the launch of new 88vape disposables in July 2022 and a Zillion Plus disposable nicotine-free range in September 2022. Simultaneously, the acquisition of Liberty Flights, which predominantly operates in the "pod" market, has enabled us to establish a foothold in the closed system vaping market as well as convenience retail.

As the UK Government and global health experts continue to endorse vaping as an effective smoking cessation tool, Supreme recognises the significant role the Group will play in supporting a tobacco free UK by continuing to offer both credible and safer alternatives for nicotine consumption, and will continue to pursue opportunities to further grow our already robust market presence.

Sports Nutrition & Wellness

Our Sports Nutrition & Wellness category increased revenues by 19% to £7.6 million (H1 2022: £6.4 million), a pleasing performance given the impact of well-documented price pressures on the market. Gross profit as a percentage of revenue fell to 18% (HY 2022: 33%) driven by raw material price increases most notably in whey protein concentrate, the principal component of most of our powder products.

Acquired in July 2021, Sci-MX has traded well following its seamless integration into the Group. Alongside retaining Sci-MX's key customers, we completed a prudent rebrand in the Period, which included the roll out of plastic-free packaging and enhanced sales and marketing initiatives. By retaining a disruptively affordable price point, the brand is well positioned to deliver further sales growth. Vitamins traded in line with expectations, remaining a minor revenue contributor in the overall category, and was also subject to cost pressures depressing demand.

We continue to monitor opportunities to expand our footprint in fast-growing markets, from protein powders to protein bars, and remain focused on augmenting our existing product stack. As anticipated, margins will be squeezed for FY 2023, but the category is poised to return to an improved profitability profile in the medium term as inflationary pressures impacting whey prices ease.

Lighting

As previously highlighted, the Group's Lighting category generated revenues of £6.1 million (H1 2022: £13.2 million), with the category slowing down during the Period in line with the slowdown across the market. In addition, gross profit decreased 58% to £1.8 million (H1 2022: £4.5 million).

This downturn was attributed to the overstocking by retailers in FY 2021 and FY 2022, as well as the widely publicised slowdown in consumer spending across the market.

Since late September, we have begun to see early signs of recovery, reaffirming the temporary nature of this slowdown, and, significantly, Supreme has retained all listings and all customers during the slowdown, with the category expected to make a full recovery. Leveraging Vendek's distribution platform and extensive customer network, the Group will continue to explore strategic opportunities to bolster the division and grow its international presence in the medium to long term.

Batteries

Revenues of £15.7 million (H1 2022: £15.0 million) were achieved by the Group's Batteries division, up 5% which is ahead of underlying market growth.

The division delivered a solid performance and has benefitted significantly from the integration of Vendek, completed in FY 2022, with the expansion of our distribution capabilities cementing Supreme's position as a leading UK batteries provider.

Branded Household Consumer Goods

The division experienced a 31% reduction in revenues to £3.4 million in the Period (H1 2022: £4.9 million), but has now stabilised, increased in gross margin and significantly reduced its investment into stock. Consequently, the category continues to provide a pleasing return for management.

Dividend

The Board proposes an interim dividend of 0.8 pence per share. This dividend will be payable on 13 January 2023 to shareholders on the register at 16 December 2022. The ex-dividend date is 15 December 2022.

Outlook

The Group has made a positive start to H2 2023 and is now expected to trade ahead of expectations for FY 2023, driven by the incremental EBITDA from acquisitions and further gains in the core business.

New product roll outs, together with the completion of three strategic acquisitions and our upgraded manufacturing capabilities, ensures the Group has the strong foundations in place to explore further opportunities to accelerate our growth.

Prudent management of our key categories, including buying forward whey to mitigate the impact of inflationary pressures and existing long-term Lighting licensing contracts, has put the Group in a stable position to further mitigate macroeconomic headwinds and lingering pandemic pressures, and enables us to continue to advance potential growth opportunities, particularly across Vaping.

Whilst the current cost of living crisis represents a substantial challenge to all consumer-facing businesses, our proven resilience and adaptability, together with the quality and value of our products, ensures Supreme remains well placed to continue delivering future growth.

Sandy Chadha

Chief Executive Officer

28 November 2022

Chief Finance Officer's Review

The Group delivered a credible financial performance for the Period, underpinned by record growth and profitability for Vaping, the Group's dominant category, a marked but temporary decline in Lighting, and a stable performance for the remainder of the Group.

As noted at the time, last year was a particularly strong six months with a more favourable weighting towards the first half, in terms of revenue and profitability, than the business has reported historically, owing to regulatory changes in Lighting which meant sales were brought forward to summer, whereas sales for this category are typically stronger during the darker winter months.

	H1 2023	H1 2022	Change
	£m	£m	%
Revenue	64.6	61.1	+6%
Gross profit	18.2	18.1	+1%
Gross profit %	28%	30%	-2%
Adjusted EBITDA ¹	8.1	10.1	-20%
Adjusted EBITDA ¹ %	13%	16%	-3%
Profit before tax	4.4	8.5	-48%
Adjusted profit before tax ²	5.8	8.4	-31%
EPS	2.8p	5.8p	-52%
Adjusted EPS ³	4.5p	5.9p	-24%
Net debt	19.6	8.4	-133%
Adjusted net debt ⁴	17.9	5.7	-212%
Operating cash flow	4.9	4.2	+15%
Net assets	31.0	26.4	+17%

Revenue

Revenue for the Period was £64.6 million (H1 2022: £61.1 million), representing an increase of 6%. The increase was driven by a £10.1 million, or 47%, increase from Vaping, £3.4 million of which arose from the businesses acquired in the Period, with the remaining £6.7 million coming from organic growth in the form of new product launches and increased distribution. This growth was offset by a £7.0 million, or 53%, reduction in Lighting revenues, driven by a slowdown in consumer spending and retailer overstocking in FY 2022. Revenue also grew for Sports Nutrition & Wellness by 19% and Batteries increased 5%, whilst Branded Household Consumer Goods revenues fell, as expected, despite the division still generating the same amount of cash gross profit.

Gross profit

Gross profit for the Period was £18.2 million (H1 2022: £18.1 million) and gross profit as a percentage of revenue was 28% (H1 2022: 30%). This reduction of 2% was a result of a change in sales mix within categories. For instance, the slowdown in Lighting revenue was largely that sourced for customers on an FOB basis (i.e. shipped directly from China by the customer), where margins were the highest for the category. Within Vaping, new product launches have focused on Far East-sourced technology, where margins are lower than the UK-manufactured lines. Gross margin as a percentage of sales was also affected by raw material price pressure, particularly for Sports Nutrition & Wellness where whey protein concentrate (the principal component for most powders) has increased around 2.5x since last year.

Adjusted EBITDA¹

Administrative expenses reported within Adjusted EBITDA¹ were £10.0 million (H1 2022: £8.0 million), an increase of £2.0 million. This increase was a result of the overheads associated with the acquired businesses (£1.2 million) neither of which were fully integrated by the end of the

Period. The remainder of the increase related to increased direct selling costs on the incremental domestic sales, the impact of the people investments made in FY22 and general inflationary increases in the cost base largely relating to utilities and transport. As a result, Adjusted EBITDA¹ for the Period was £8.1 million (H1 2022: £10.1 million).

Lighting contributed £2.6 million less to gross profit in the Period compared to the first half of FY22. Most of this was product shipped on an FOB basis where the costs to serve are negligible meaning that the vast majority of the lost gross profit translated directly to lost EBITDA.

Depreciation and amortisation

The total charge for the Period was £1.9 million (H1 2022: £1.4 million). The £0.5 million increase was attributable to the intangibles acquired as part of the Liberty Flights acquisition.

Adjusted items

In total, £1.4 million was adjusted from Administrative expenses in the Period. As set out in Note 4, these comprise the share-based payment charge of £0.7 million (H1 2022: £0.7 million) relating largely to the awards made at IPO, the fair value movement of open forward USD currency contracts at Period end of £0.4 million credit (H1 2022: £0.9 million credit), adviser fees relating to the acquisitions undertaken during the period of £0.2 million (H1 2022: £0.1 million), and finally the costs associated with the integration of the Cuts Ice and Flavour Core businesses into Supreme's core platform of £0.9 million, £0.6 million of which related to the redundancy costs.

Finance costs

Finance costs were £0.4 million (H1 2022: £0.3 million). The increase related to the debt associated with the Liberty Flights and Cuts Ice acquisitions which was financed using the revolving credit facility.

Dividends

In July 2022, Supreme announced that it was revising its dividend policy to 25% of profit after tax. As a result, the proposed interim dividend declared by the Board is 0.8p per share. This will be payable on 13 January 2023 to all shareholders on the register on the 16 December 2022.

Cash flow

	HY 2023	HY 2022	FY 2022
	£m	£m	£m
Adjusted EBITDA ¹	8.1	10.1	21.1
Movement in working capital	(0.5)	(4.5)	(3.9)
Tax paid	(1.7)	(1.3)	(4.2)
Cash-impacting Adjusted items	(1.1)	(0.1)	(0.4)
Operating cash flow	4.9	4.2	12.6
Debt (servicing) / raising	12.3	(3.7)	(8.4)
Lease payments	(0.5)	(0.4)	(1.0)
Capex	(0.6)	(2.4)	(2.4)
M&A	(10.1)	(1.0)	(1.9)
Dividends	(4.4)	-	(2.6)
Net cash flow	1.5	(3.3)	(3.7)

Cash generated from trading activities was £6.0 million in the Period (before the adjusted items), an increase of 40% on last year. Supreme remained focused on carrying the optimal levels of working capital, to ensure high levels of customer servicing, cost-effective shipping rates, and to avoid any disruption to supply arising from the shipping crisis whilst simultaneously ensuring an optimal use of space in our warehouses and appropriate allocation of financial capital.

Capital expenditure (on plant and machinery or property improvements) was minimal in the Period, and we expect this to continue for the foreseeable future whilst we focus efforts on the new property fit-out which will commence in early 2023.

On 31 March 2022 the Group committed to a £25 million revolving credit facility ("RCF") with HSBC. The facility has since been utilised to settle the existing senior debt and then finance the acquisitions that have taken place in the Period. The benefit of the facility is that the Group can repay this as soon as there are adequate cash reserves to do so. £3 million has been repaid post Period end. Net debt equates approximately to 1x EBITDA.

Net debt

	H1 FY23	H1 FY22	FY22
	£m	£m	£m
Cash	(5.4)	(4.3)	(3.9)
Borrowings	18.3	6.3	4
Deferred & contingent consideration	5.0	-	0
Related party borrowings	-	1.7	1.8
Other	-	1.9	0

Adjusted net debt⁴	17.9	5.7	1.9
IFRS 16 (leases)	1.7	2.6	2.1
Net debt	19.6	8.4	4.0

¹ Adjusted EBITDA means operating profit before depreciation, amortisation and Adjusted items (as defined in Note 4 of the financial statements). Adjusted items include share-based payments charge, fair value movements on non-hedge accounted derivatives and other non-recurring items (including all IPO-related costs)

² Adjusted Profit before tax means profit before tax and Adjusted items (as defined in Note 4 of the financial statements). Adjusted Items include share-based payments charge, fair value movements on non-hedge accounted derivatives and other non-recurring items

³ Adjusted EPS means Earning per share, where Earnings are defined as profit after tax but before amortisation of acquired intangibles and Adjusted items (as defined in Note 4 of the financial statements). Adjusted items include share-based payments, fair value movements on non-hedge accounted derivatives and other non-recurring items (including all IPO-related costs).

CONDENSED CONSOLIDATED INTERIM FINANCIAL INFORMATION OF SUPREME PLC

Consolidated Statement of Comprehensive Income

		Unaudited 6 months ended 30 September 2022	Unaudited 6 months ended 30 September 2021	Audited Year ended 31 March 2022
	Note	£'000	£'000	£'000
Revenue	3	64,636	61,082	130,789
Cost of sales		(46,468)	(42,956)	(92,272)
Gross profit		18,168	18,126	38,517
Administration expenses		(13,370)	(9,371)	(21,498)
Operating profit		4,798	8,755	17,019
Adjusted EBITDA¹		8,119	10,078	21,055
Depreciation		(1,372)	(1,219)	(2,563)
Amortisation		(511)	(146)	(378)
Adjusted items	4	(1,438)	42	(1,095)
Operating profit		4,798	8,755	17,019
Finance costs		(400)	(278)	(693)
Profit before taxation		4,398	8,477	16,326
Income tax	5	(1,109)	(1,659)	(2,579)
Profit for the period/year		3,289	6,818	13,747
Other comprehensive income				
Currency translation differences		(4)	(4)	(32)
Total comprehensive income for the period/year		3,285	6,814	13,715
Earnings per share - basic	6	2.8p	5.8p	11.8p
Earnings per share - diluted	6	2.7p	5.5p	11.4p

Note 1: Adjusted EBITDA, which is defined as profit before finance costs, tax, depreciation, amortisation and adjusted items is a non-GAAP metric used by management and is not an IFRS disclosure.

All results derive from continuing operations.

Consolidated Statement of Financial Position

	Unaudited As at 30 September 2022	Unaudited As at 30 September 2021	Audited As at 31 March 2022
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	£'000	£'000	£'000
Assets			
Goodwill and other intangibles	14,113	3,796	3,704
Property, plant and equipment	3,636	2,578	2,557
Right of use asset	1,688	2,544	2,116
Deferred tax asset	624	-	1,312
Investments	7	7	7
Total non-current assets	20,068	8,925	9,696
Current assets			
Inventories	30,628	26,711	25,898
Trade and other receivables	26,913	21,465	19,035
Derivative financial instruments	833	293	467
Cash and cash equivalents	5,386	4,259	3,926
Total current assets	63,760	52,728	49,326
Total assets	83,828	61,653	59,022
Liabilities			
Current liabilities			
Borrowings	443	9,403	6,665
Trade and other payables	31,803	19,640	17,296
Income tax payable	780	2,820	1,299
Total current liabilities	33,026	31,863	25,260
Net current assets	30,734	20,865	24,066
Borrowings	19,575	3,239	1,294
Deferred tax liability	263	141	156
Total non-current liabilities	19,838	3,380	1,450
Total liabilities	52,864	35,243	26,710
Net assets	30,964	26,410	32,312
Equity			
Share capital	11,663	11,663	11,663
Share premium	7,231	7,231	7,231
Merger reserve	(22,000)	(22,000)	(22,000)
Share-based payments reserve	2,167	801	2,368
Retained earnings	31,903	28,715	33,050
Total equity	30,964	26,410	32,312

Unaudited Consolidated Statement of Changes in Equity

	Share capital £'000	Share premium £'000	Merger reserve £'000	Share-based payments reserve £'000	Retained earnings £'000	Total equity £'000
As at 1 April 2021	11,650	7,195	(22,000)	75	21,901	18,821
Profit for the year	-	-	-	-	13,747	13,747
Other comprehensive expense	-	-	-	-	(32)	(32)
Total comprehensive income for the year	-	-	-	-	13,715	13,715
<i>Transactions with shareholders:</i>						
Issue of shares	13	36	-	-	-	49
Employee share schemes - value of employee services	-	-	-	1,452	-	1,452
Deferred tax on share-based payment charge	-	-	-	841	-	841
Dividends	-	-	-	-	(2,566)	(2,566)
	13	36	-	2,293	(2,566)	(224)
As at 31 March 2022	11,663	7,231	(22,000)	2,368	33,050	32,312
As at 1 April 2021	11,650	7,195	(22,000)	75	21,901	18,821
Profit for the period	-	-	-	-	6,818	6,818
Other comprehensive income	-	-	-	-	(4)	(4)
Total comprehensive income for the period	-	-	-	-	6,814	6,814
<i>Transactions with shareholders:</i>						
Issue of shares - options exercised	13	36	-	-	-	49
Employee share schemes - value of employee services	-	-	-	726	-	726
As at 30 September 2021	11,663	7,231	(22,000)	801	28,715	26,410

As at 1 April 2022	11,663	7,231	(22,000)	2,368	33,050	32,312
Profit for the period	-	-	-	-	3,289	3,289
Other comprehensive income	-	-	-	-	(4)	(4)
Total comprehensive income for the period	-	-	-	-	3,285	3,285
<i>Transactions with shareholders:</i>						
Employee share schemes - value of employee services	-	-	-	644	-	644
Deferred tax on share-based payment charge	-	-	-	(845)	-	(845)
Dividends	-	-	-	-	(4,432)	(4,432)
As at 30 September 2022	11,663	7,231	(22,000)	2,167	31,903	30,964

Consolidated Statement of Cash Flows

	Unaudited 6 months ended 30 September 2022 £'000	Unaudited 6 months ended 30 September 2021 £'000	Audited Year ended 31 March 2022 £'000
Net cash flow from operating activities			
Profit for the period	3,289	6,818	13,747
Adjustments for:			
Amortisation of intangible assets	510	146	378
Depreciation of tangible assets	1,372	1,219	2,563
Finance costs	372	197	404
Amortisation of capitalised finance costs	28	81	289
Loss on disposal of fixed assets	54	25	-
Income tax expense	1,109	1,659	2,579
Movement on forward foreign exchange contracts	(366)	(852)	(1,026)
Share based payments expense	644	726	1,663
Working capital adjustments			
(Increase)/decrease in inventories	(2,166)	(4,764)	(4,937)
(Increase)/decrease in trade and other receivables	(6,689)	(4,741)	(2,226)
Increase in trade and other payables	8,354	4,997	2,498
Taxation (paid)/received	(1,652)	(1,271)	(4,161)
Net cash (used in)/generated from operations	4,859	4,240	11,771
Cash flows used in investing activities			
Purchase of intangible fixed assets	-	(2,300)	(1,454)
Purchase of property, plant and equipment	(526)	(426)	(1,296)
Purchase of Cuts Ice net of cash acquired	(2,571)	(1,040)	(1,040)
Purchase of Liberty Flights Holdings Limited net of cash acquired	(7,566)	-	-
Proceeds from sale of property, plant, and equipment	-	378	378
Directors loan account movement	(68)	(3)	-
Net cash used in investing activities	(10,731)	(3,391)	(3,412)
Cash flows used in financing activities			
Drawdown of loans	18,252	771	-
Repayment of loans	(5,769)	(4,365)	(8,083)
Proceeds from issue of options	-	49	49
Payment of deferred consideration	-	-	(66)
Dividends paid	(4,432)	-	(2,566)
Finance costs paid	(218)	(101)	(285)
Lease payments	(501)	(449)	(955)
Net cash used in financing activities	7,332	(4,095)	(11,906)
Net increase/(decrease) in cash and cash equivalents	1,460	(3,246)	(3,547)
Cash and cash equivalents brought forward	3,926	7,505	7,505
Foreign exchange	-	-	(32)
Cash and cash equivalents carried forward	5,386	4,259	3,926

Notes to the condensed consolidated interim financial information

1. Basis of preparation

Supreme PLC ("the Company") is a public company limited by shares, registered in England and Wales and domiciled in the UK, with company registration number 05844527. The principal activity is the manufacture (vaping and sports nutrition & wellness only) and wholesale distribution of batteries, lighting, vaping, sports nutrition & wellness and branded household consumer goods. The registered office is 4 Beacon Road, Ashburton Park, Trafford Park, Manchester, M17 1AF.

These condensed consolidated interim financial statements of the Group are for the period ended 30 September 2022. They have been prepared on the basis of the policies set out in the 2022 annual financial statements and in accordance with UK adopted IAS 34.

The condensed consolidated interim financial statements have not been reviewed or audited, nor do they comprise statutory accounts for the purpose of Section 434 of the Companies Act 2006, and do not include all of the information or disclosures required in the annual financial statements and should therefore be read in conjunction with the Group's 2022 annual financial statements, which were prepared in accordance with UK adopted international accounting standards in conformity with the requirements of the Companies Act 2006.

Financial information for the year ended 31 March 2022 included herein is derived from the statutory accounts for that year, which have been filed with the Registrar of Companies. The auditors' report on those accounts was unqualified, did not contain an emphasis of matter paragraph and did not contain a statement under Section 498 of the Companies Act 2006.

The interim condensed consolidated financial statements are presented in the Group's functional currency of pounds Sterling and all values are rounded to the nearest thousand (£'000) except when otherwise indicated.

2. Summary of significant accounting policies

The accounting policies adopted in the preparation of the interim condensed consolidated financial statements are consistent with those followed in the preparation of the Group's annual financial statements for the year ended 31 March 2022 as described in the Group's Annual Report and full financial statements for that year and as available on the Company's website (www.supreme.co.uk).

2.1 Taxation

Taxes on income in the interim periods are accrued using management's best estimate of the weighted average annual tax rate that would be applicable to expected total annual earnings.

2.2 Forward looking statements

Certain statements in these condensed consolidated interim financial statements are forward looking with respect to the operations, strategy, performance, financial condition and growth opportunities of the Group. The terms "expect", "anticipate", "should be", "will be", "is likely to" and similar expressions identify forward-looking statements. Although the Board believes that the expectations reflected in these forward-looking statements are reasonable, by their nature these statements are based on assumptions and are subject to a number of risks and uncertainties. Actual events could differ materially from those expressed or implied by these forward-looking statements. Factors which may cause future outcomes to differ from those foreseen in forward-looking statements include, without limitation: general economic conditions and business conditions in the Group's markets; customers' expectations and behaviours; supply chain developments; technology changes; the actions of competitors; exchange rate fluctuations; and legislative, fiscal and regulatory developments. Information contained in these condensed consolidated interim financial statements relating to the Group should not be relied upon as a guide to future performance.

2.3 Key risks and uncertainties

The Group has in place a structured risk management process which identifies key risks and uncertainties along with their associated mitigants. The key risks and uncertainties that could affect the Group's medium-term performance, and the factors that mitigate those risks have not substantially changed from those set out in the Group's Annual Report which can be found on the Group's website (www.supreme.co.uk).

2.4 Going concern

Supreme PLC provides essential products to well-established retailers. The nature and price point of the products offered means that the Group is well positioned to navigate the current uncertainty in the economic climate.

The Group is funded by external facilities; firstly a £25 million revolving credit facility ("RCF") until March 2025 and a £8.5 million invoice financing facility, both of which are provided by HSBC. The Group also utilises credit insurance to mitigate any credit risk, and foreign exchange forward contracts to mitigate foreign currency risk. The Board and senior management regularly review revenue, profitability and cash flows across the short, medium and longer term.

In assessing the appropriateness of adopting the going concern basis in the preparation of these financial statements, the Directors have prepared cash flow forecasts and projections for the 18-month period to 31 March 2024. The forecasts and projections, which the Directors consider to be prudent, have been further sensitised by applying reductions to revenue and profitability, to consider downside risk. Under both the base and sensitised case the Group is expected to have headroom against covenants, which are based on interest cover and net leverage, and a sufficient level of financial resources available through existing facilities when the future funding requirements of the Group are compared with the level of committed available facilities.

Based on this, the Directors are satisfied that the Group has adequate resources to continue in operational existence for the foreseeable future. For this reason, they continue to adopt the going concern basis in preparing the Group and Company financial statements.

3. Segmental analysis

The Chief Operating Decision Maker ("CODM") has been identified as the Board of Directors. The Board reviews the Company's internal reporting in order to assess performance and allocate resources. No balance sheet analysis is available by segment or reviewed by the CODM. The Board has determined that the operating segments, based on these reports, are the sale of:

- batteries;
- lighting;
- vaping;
- sports nutrition & wellness; and
- branded household consumer goods.

	Batteries	Lighting	Vaping	Sports nutrition & wellness	Branded household consumer goods	Unaudited 6 months ended 30 September 2022
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	15,660	6,161	31,796	7,615	3,404	64,636
Cost of sales	(13,844)	(4,278)	(19,666)	(6,273)	(2,956)	(47,017)
Gross profit before foreign exchange	1,816	1,883	12,130	1,342	448	17,619
Foreign exchange						549
Gross profit						18,168
Administration expenses						(13,370)
Operating profit						4,798
Adjusted earnings before tax, depreciation, amortisation and adjusted items						8,119
Depreciation						(1,372)
Amortisation						(511)
Adjusted items						(1,438)
Operating profit						4,798
Finance income						-
Finance costs						(400)
Profit before taxation						4,398
Income tax						(1,109)
Profit for the period						3,289

	Batteries	Lighting	Vaping	Sports nutrition & wellness	Branded household & consumer goods	Unaudited 6 months ended 30 September 2021 £'000
	£'000	£'000	£'000	£'000	£'000	£'000
Revenue	14,959	13,157	21,658	6,367	4,941	61,082
Cost of sales	(13,427)	(8,674)	(12,803)	(4,249)	(4,420)	(43,573)
Gross profit before foreign exchange	1,532	4,483	8,855	2,118	521	17,509
Foreign exchange						617
Gross profit						18,126
Administration expenses						(9,371)
Operating profit						8,755
Adjusted earnings before tax, depreciation, amortisation and adjusted items						10,078
Depreciation						(1,219)
Amortisation						(146)
Adjusted items						42
Operating profit						8,755
Finance income						-
Finance costs						(278)
Profit before taxation						8,477
Income tax						(1,659)
Profit for the period						6,818

Analysis of revenue by geographical destination

	Unaudited 6 months ended 30 September 2022 £'000	Unaudited 6 months ended 30 September 2021 £'000
United Kingdom	59,624	56,127
Rest of Europe	4,756	4,663
Rest of the World	256	292
	64,636	61,082

The above revenues are all generated from contracts with customers and are recognised at a point in time. All assets of the Group reside in the UK.

4. Adjusted items

	Unaudited 6 months ended 30 September 2022 £'000	Unaudited 6 months ended 30 September 2021 £'000
Share based payments charge	733	726
Fair value movements on financial derivatives	(366)	(852)
Transaction related costs	162	78
Restructuring costs	-	6
Integration costs	909	-
	1,438	(42)

The charge for share-based payments is made up of £89,000 related to Employers National Insurance Contributions and £644,000 related to the share-based payments charge.

The financial derivatives relate to open foreign exchange forward contracts (the Group typically holds 1 years' worth of USD-denominated purchases on open forward contracts). The credit in the period reflects the movement in the fair value of these open forward contracts at the balance sheet date since the year end.

Transaction related costs represent adviser fees for acquisitions performed to date.

Integration costs are related to the integration of businesses following acquisition. In particular, these relate to the integration and streamlining of operations of Cuts Ice, which was based primarily in London but has been transferred up to Supreme's HQ in Trafford Park.

5. Taxation

The income tax expense for the half year ended 30 September 2022 is based upon management's best estimate of the weighted average annual tax rate expected for the full year ending 31 March 2023. The income tax expense is higher than the standard rate of 19%, primarily due to the non-deductible nature of certain expenses.

6. Earnings per share

Basic earnings per share is calculated by dividing the net income for the year attributable to ordinary equity holders after tax by the weighted average number of ordinary shares outstanding during the period.

Diluted earnings per share is calculated with reference to the weighted average number of shares adjusted for the impact of dilutive instruments in issue. For the purposes of this calculation an estimate has been made for the share price in order to calculate the number of dilutive share options.

The basic and diluted calculations are based on the following:

	Unaudited 6 months ended 30 September 2022 £'000	Unaudited 6 months ended 30 September 2021 £'000
Profit for the period after tax	3,289	6,818
	No.	No.
Weighted average number of shares for the purposes of basic earnings per share	116,627,074	116,584,719
Weighted average dilutive effect of conditional share awards	7,004,961	7,324,757
Weighted average number of shares for the purposes of diluted earnings per share	123,632,035	123,909,476
	Pence	Pence
Basic profit per share	2.8	5.8
Diluted profit per share	2.7	5.5

Adjusted EPS

The calculation of adjusted earnings per share is based on the after tax adjusted operating profit after adding back certain costs as detailed in the table below. Adjusted earnings per share figures are given to exclude the effects of depreciation, amortisation and adjusted items, all net of taxation, and are considered to show the underlying performance of the Group.

	Unaudited 6 months ended 30 September 2022 £'000	Unaudited 6 months ended 30 September 2021 £'000
Adjusted earnings (see below)	5,207	6,906
	No.	No.
Weighted average number of shares for the purposes of basic earnings per share	116,627,074	116,584,719
Weighted average dilutive effect of conditional share awards	7,004,961	7,324,757
Weighted average number of shares for the purposes of diluted earnings per share	123,632,035	123,909,476
	Pence	Pence
Adjusted basic profit per share	4.5	5.9
Adjusted diluted profit per share	4.2	5.6

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

Unaudited 6 months ended 30 September 2022	Unaudited 6 months ended 30 September 2021
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	----- £'000	----- £'000
Profit/(loss) for the period attributable to equity shareholders	3,289	6,818
Add back/(deduct):		
Amortisation of acquisition related intangible assets	511	146
Adjusted items	1,438	(42)
Tax effect of the above	(31)	(16)
Adjusted earnings	5,207	6,906

7. Financial instruments

The fair values of all financial instruments included in the statement of financial position are a reasonable approximation of their carrying values.

8. Business combinations

Acquisition of Cuts Ice Limited

On 8 August 2022 Supreme Imports Limited acquired the trade and assets of Cuts Ice Limited ("Cuts Ice") and Flavour Core Limited ("Flavour Core"), for initial consideration of £2,571,000. Cuts Ice is an independent vaping manufacturer with major own brands as well as OEM manufacturing contracts, and Flavour Core is a flavour development and regulatory compliance business in e-liquids.

Management is currently in the process of performing the purchase price allocation exercise for this acquisition and as such the consideration paid over the fair value of the net assets acquired has initially been recorded as goodwill. It is currently estimated that the amount to be allocated between goodwill and other identified intangible assets is £1,389,000. Management will finalise this exercise in time for the financial statements for the Year Ended 31 March 2023.

Acquisition of Liberty Flights Holdings Limited

On 10 June 2022 Supreme Imports Limited acquired the entire share capital of Liberty Flights Holdings Limited ("Liberty Flights"), a leading UK vaping manufacturer best known for their Liberty Flights vaping brand and the market-leading Dot Pro device, for initial consideration of £9,432,000.

Recognised amounts of identifiable assets acquired and liabilities assumed (unaudited)

	Book value £'000	Fair value adjustment £'000	Fair value £'000
Fixed assets			
Goodwill and other intangible assets	62	4,744	4,806
Property, plant and equipment	1,251	-	1,251
	1,313	4,744	6,057
Current assets			
Inventory	1,715	-	1,715
Debtors due within one year	1,160	-	1,160
Cash at bank and in hand	1,866	-	1,866
	4,741	-	4,741
Total assets	6,054	4,744	10,798
Creditors			
Trade and other payables	(894)	-	(894)
Corporation tax	(77)	-	(77)
	(971)	-	(971)
Total identifiable net assets	4,964	4,744	9,708
Goodwill			4,724
Total purchase consideration			14,432
Consideration			
Cash			9,350
Stamp duty			82
Deferred consideration			2,000
Contingent consideration			3,000
Total purchase consideration			14,432
Cash outflow on acquisition			
Purchase consideration settled in cash, as above			9,432
Less: cash and cash equivalents acquired			(1,866)
Net cash outflow on acquisition			7,566

Following a purchase price allocation exercise the company identified further acquired intangible assets. The fair value adjustments reflect the recognition of Customer Relationships of £1,647,000 and the Trade name of £3,097,000. The additional consideration paid over the fair value of the net assets acquired is recognised as goodwill.

9. Dividends

Dividends of £4,432,000 were declared in the 6 months ended 30 September 2022 (2021: £nil). This amounted to £0.038 per share (2021: £nil).

10. Post balance date events

On 21 November 2022, the Group signed a 15-year property lease for a 167,000 sq ft facility in Trafford Park (Manchester). The facility will become the principal site for the Group, housing manufacturing and distribution operations and will allow for consolidation of existing facilities that currently span four separate locations. The fit-out of the new facility will begin immediately and management expect to be in occupation by summer 2023. Following the consolidation of operations, the facility is expected to cost around £0.5 million p.a. more than the existing facilities and will allow the Group to fulfil its growth ambitions both organically and by-acquisition.

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