

## Acquisition of Typhoo Tea for £10.2m

4 December 2024

Supreme PLC has acquired the trade and selected assets of Typhoo Tea out of administration for a total cash consideration of £10.2m, including Typhoo's stock and trade debtors with a book value of £7.5m.

### Deal to take non-vape operations to c.50% of Group revenue

For the year to 30<sup>th</sup> September 2024 Typhoo generated revenue of c.£20.0m, and a pre-tax loss of c.£4.6m. Supreme estimates that the acquisition will boost the annualised contribution from non-vape revenue to c.50% of total, and with full integration into Supreme's cap-ex-light out-sourced manufacturing and distribution model, should contribute a 30% gross margin, which is in line with the Group's recent Interim 29.6% margin. In August 2023 Typhoo had suffered from what it called "a group of organised trespassers" at its Merseyside factory which caused extensive damage and loss of stock resulting in £24.1m of exceptional costs. Typhoo entered administration on 28<sup>th</sup> November; Supreme has acted quickly to assess and act upon the opportunity created for its operations.

### Acquisition opens new opportunities

Founded in 1903, in 2023 Typhoo was ranked 5<sup>th</sup> in UK market share<sup>1</sup> at c.6%, behind PG Tips (24%), Tetley (23%), Twinings (12%) and Yorkshire Tea (8%)<sup>1</sup>, and has a product portfolio ranging from traditional black teas to white and lemon flavours, herbal and fruit tea infusions, coffees and brands including QT, Lift and Heather & Heather. Supreme reports strong brand recognition, at 73%, as a recognised name in the UK tea industry. Customers include Holland & Barrett, the MoD and NHS, with overseas distribution into N. America, EMEA and S.E. Asia.

The acquisition offers Supreme a range of opportunities including:

- Broaden the Soft Drinks and Sports Nutrition & Wellness categories product offering.
- Add sales across the Group's range of supermarkets, wholesale, discount and online retailers.
- Develop additional own-label or licenced products, replicating the model deployed in its Batteries and Lighting categories.
- Add to the Group UK distribution network, through names such as Holland & Barrett.

**Supreme recently reported H1 25 results** ([ED report, 'H1 25: margin improvement and FY25 outlook raised'](#)) **with revenue +8%YoY and a 22%YoY increase in (adj.) EBITDA reflecting cost control and gross margin improvement.** As further details of the acquisition of Typhoo Tea emerge we will update our earnings outlook accordingly.

#### Company Data

EPIC	SUP
Price (last close)	174p
52 week Hi/Lo	210/87p
Market cap	£204m
ED Fair Value / share	225p
Net debt / (cash)	£(11.8)m

#### Share Price, p



Source: ADVFN

#### Description

Supreme Imports is a leading European and UK manufacturer, supplier and brand owner of fast-moving consumer products in six categories: Vaping, Sports Nutrition & Wellness, Batteries, Lighting, Branded Distribution (household goods) and Soft Drinks. It supplies leading brands such as Aldi, Amazon, Asda, B&M, Costcutter, Halfords, Home Bargains, Iceland, Morrisons, The Range, Sainsbury's, Tesco, Waitrose and, in addition, HM Prison & Probation Service. The Group has over 3,300 active business accounts with over 10,000 branded retail outlets.

#### Next event:

FY 25 results July 2025

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#### Financial outlook

Yr to March 31 (£m)	2022	2023	2024	2025E	2026E
Revenue	130.8	155.6	221.2	240.2	231.0
EBITDA (adj)	21.1	19.4	38.1	40.0	36.3
EPS (adj, p)	12.4	11.2	20.2	20.1	19.8
DPS (p)	2.2	4.6	3.7	5.2	4.6
Net debt / (cash)	1.8	11.1	1.8	(6.7)	(17.6)
EV/EBITDA	9.8x	10.6x	5.4x	5.1x	5.7x
P/E	14.1x	15.6x	8.6x	8.6x	8.8x
Div yield	1.3%	2.6%	2.1%	3.0%	2.7%

Source: Company data, Equity Development estimates. <sup>1</sup> Statista, [www.tea.co.uk](http://www.tea.co.uk).



## Typhoo Tea

Headquartered in Bristol, and well-known amongst UK tea brands such as PG Tips and Yorkshire Tea, Typhoo Tea (named from Mandarin for 'doctor', 'daifu') was founded in Bristol in 1903 by John Sumner. The company has accumulated a lengthy corporate restructuring track record. Merged with Schweppes in 1967, Typhoo was sold to Jeyes Fluid in 1986, became part of the Premier Brands management buyout, and was subsequently acquired in 2005 for £80.0m by Appjay Surrendra Group, India's oldest and third-largest tea producer. In 2021 Typhoo was sold to Zetland Capital (Zetland Special Situations Fund II SCSp SICAV-RAIF, see: <https://www.zetlandcapital.com>). Typhoo's financial condition deteriorated sharply in FY22/23. Notably, damage to property and loss of stock resulting from the incursion of trespassers to its Merseyside factory in August 2023 caused Typhoo to recognise exceptional costs totalling £24.1m, comprising restructuring, £6.9m; impairment of PPE, £6.6m; impairment of inventory, £3.3m; and impairment of intangibles, £7.2m. The site was sold for £4.3m.

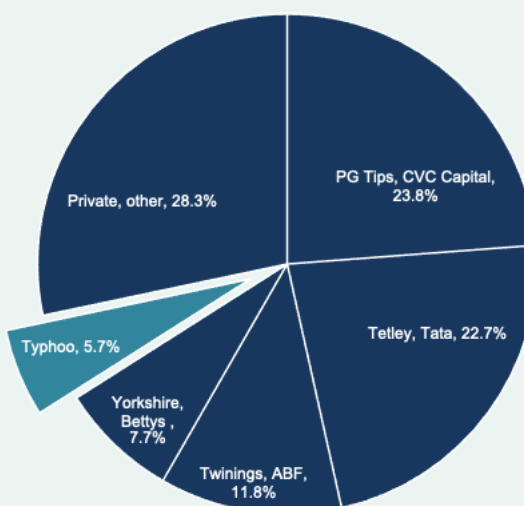
In addition to manufacturing a range of teas, Typhoo brings a range of subsidiary operations and brands:

- Ridgeways Ltd., Heath & Heather Ltd., The London Herb & Spice Company Ltd., Kardomah Ltd., London Tea & Produce Company Ltd., Glengettie Tea Company Ltd., The London Fruit & Herb Company Ltd., Melrose Ltd., Matunna Ltd., Red Mountain Coffee Company Ltd.

## UK tea market – brand consolidation

In a market estimated to be worth c.£748m<sup>1</sup> the leading UK tea brands have undergone regular changes of ownership; Twinings was acquired by Associated British Foods (LSE ABF, market cap. £16.25bn) in 1964, Tetley was acquired by Tata Tea in 2000 for £281m, and more recently Unilever sold its 'Ekaterra' tea business, containing PG Tips, Brooke Bond and Lipton Tea (34 brands and revenue of c.£1.7bn/year), to CVC Capital Partners in 2022 for £3.8bn. Fourth-placed Yorkshire Tea has remained independent as part of the Bettys & Taylors tea and coffee group. As illustrated, Typhoo occupies c.6% of the market in fifth place, ahead of a range of much smaller independent or specialist brands with sub-1% market shares.

### Typhoo ranked a fifth with c.6% market share



Source: Company data, Equity Development estimates. <sup>1</sup> [www.tea.co.uk](http://www.tea.co.uk)

## Financial data

P&L									
£m	H1 23	H2 23	H1 24	H2 24	H1 25	FY23	FY24	FY25E	FY26E
Batteries	15.7	23.9	15.9	24.6	17.4	39.5	40.5	43.0	44.0
Lighting	6.2	9.3	7.5	9.0	8.1	15.4	16.5	17.0	18.0
Vaping	31.8	41.7	42.1	40.7	36.6	76.1	82.8	73.2	71.0
Sports Nutrition & Wellness	7.6	9.1	8.9	9.0	9.5	16.7	18.0	20.0	22.5
Branded Distribution	3.4	4.4	30.6	32.9	34.4	7.8	63.5	64.0	46.0
Soft Drinks						0.0	0.0	18.0	24.5
<b>Revenue</b>	<b>64.6</b>	<b>88.4</b>	<b>105.1</b>	<b>116.2</b>	<b>113.0</b>	<b>155.6</b>	<b>221.2</b>	<b>240.2</b>	<b>231.0</b>
Gross Sum	17.6	22.0	27.9	34.5	33.5	39.6	62.4	70.4	68.3
<i>Mrg</i>	27.3%	24.9%	26.6%	29.7%	29.6%	25.4%	28.2%	29.3%	29.5%
<b>Gross inc forex</b>	<b>18.2</b>	<b>22.7</b>	<b>28.5</b>	<b>35.0</b>	<b>34.1</b>	<b>40.9</b>	<b>63.5</b>	<b>71.9</b>	<b>69.8</b>
<i>Mrg</i>	28.1%	25.7%	27.2%	30.1%	30.1%	26.3%	28.7%	29.9%	30.2%
Sum Op-ex	(13.4)	(14.8)	(15.5)	(16.1)	(20.6)	(28.2)	(31.5)	(40.7)	(41.0)
One-off costs	(1.4)	0.6	0.5	(1.1)	(1.8)	(0.8)	(0.6)	(2.4)	(1.0)
One off gain	0.0	0.0	0.0	0.0	0.0	2.8	0.0	0.0	0.0
EBIT Reported	4.8	7.9	13.1	18.9	13.5	15.4	32.0	31.2	28.8
<b>EBIT Adjusted</b>	<b>6.2</b>	<b>7.3</b>	<b>12.6</b>	<b>20.1</b>	<b>15.3</b>	<b>16.3</b>	<b>32.6</b>	<b>33.6</b>	<b>29.8</b>
<i>Mrg</i>	9.6%	8.2%	12.0%	17.3%	13.6%	10.5%	14.7%	14.0%	12.9%
Depreciation	(1.4)	(0.8)	(1.8)	(2.0)	(2.3)	(2.2)	(3.8)	(4.9)	(4.9)
Amortisation	(0.5)	(0.4)	(0.8)	(0.9)	(0.9)	(0.9)	(1.7)	(1.5)	(1.5)
EBITDA Reported	§	11.9	15.7	21.8	16.6	18.6	37.5	37.6	35.2
<b>EBITDA Adjusted</b>	<b>8.1</b>	<b>11.3</b>	<b>15.2</b>	<b>22.9</b>	<b>18.5</b>	<b>19.4</b>	<b>38.1</b>	<b>40.0</b>	<b>36.2</b>
<i>Mrg</i>	12.6%	12.8%	14.5%	19.7%	16.3%	12.5%	17.2%	16.7%	15.7%
Financial income	0.00	0.03	0.00	0.14	0.12	0.03	0.15	0.00	0.00
Financial expense	(0.4)	(0.6)	(0.8)	(1.3)	(0.7)	(1.0)	(2.0)	(1.4)	(1.4)
PBT Reported	4.4	10.0	12.3	17.8	12.9	14.4	30.1	29.8	27.4
<b>PBT Adjusted</b>	<b>5.8</b>	<b>9.4</b>	<b>11.8</b>	<b>18.9</b>	<b>14.7</b>	<b>15.3</b>	<b>30.7</b>	<b>32.2</b>	<b>28.4</b>
Tax	(1.1)	(1.4)	(3.0)	(4.7)	(2.2)	(2.5)	(7.7)	(8.0)	(6.8)
Reported tax rate	25.2%	13.5%	24.5%	26.2%	17.1%	20.0%	25.5%	25.0%	25.0%
PAT Reported	3.3	8.8	9.3	13.2	10.7	12.1	22.4	21.8	20.5
<b>PAT Adjusted</b>	<b>4.7</b>	<b>8.2</b>	<b>8.8</b>	<b>14.3</b>	<b>12.5</b>	<b>12.9</b>	<b>23.0</b>	<b>24.2</b>	<b>21.5</b>
Amortisation & tax items	0.5	(0.1)	0.2	0.0	0.5	1.8	2.6	2.4	3.3
<b>PAT Adjusted</b>	<b>5.2</b>	<b>8.7</b>	<b>9.5</b>	<b>13.2</b>	<b>13.0</b>	<b>13.8</b>	<b>25.0</b>	<b>24.2</b>	<b>23.8</b>
Diluted wtd. av. shares (m)	121.1	123.5	124.0	123.7	120.4	123.5	123.7	120.4	120.4
EPS rptd. basic (p)	2.8	7.5	7.9	11.2	9.2	10.3	19.1	18.7	17.6
<b>EPS adj. dil. (p)</b>	<b>4.3</b>	<b>7.0</b>	<b>7.7</b>	<b>10.6</b>	<b>10.8</b>	<b>11.2</b>	<b>20.2</b>	<b>20.1</b>	<b>19.8</b>

Source: Company data, Equity Development estimates.

Cashflow									
Yr to March 31 (£m)	H1 23	H2 23	H1 24	H2 24	H1 25	FY23	FY24	FY25E	FY26E
PAT Reported	3.3	8.7	9.3	13.2	10.7	12.0	22.4	21.8	20.5
One-off items	0.4	0.5	(0.5)	0.7	1.8	0.8	0.2	2.4	1.0
Depreciation	1.4	0.8	1.8	2.0	2.3	2.2	3.8	4.9	4.9
Amortisation	0.5	0.4	0.8	0.9	0.9	0.9	1.7	1.5	1.5
Tax	1.1	1.4	3.0	4.7	2.2	2.5	7.7	8.0	6.8
Finance/other	0.4	(0.4)	0.4	2.1	0.1	(0.0)	2.4	0.0	1.4
<b>Operating Cash Flow</b>	<b>7.0</b>	<b>11.3</b>	<b>14.8</b>	<b>23.4</b>	<b>17.9</b>	<b>18.4</b>	<b>38.2</b>	<b>38.6</b>	<b>36.2</b>
(Increase)/Decrease inventories	(2.2)	5.1	(5.2)	6.4	(6.8)	2.9	1.2	(5.2)	(2.0)
(Increase)/Decrease in receivables	(6.7)	6.0	(21.0)	6.3	3.5	(0.7)	(14.7)	6.0	(2.0)
Increase/(Decrease) in payables	8.4	(8.4)	14.4	(6.7)	(2.7)	(0.0)	7.7	2.3	(4.3)
<b>Movement in working capital</b>	<b>(0.5)</b>	<b>2.7</b>	<b>(11.8)</b>	<b>6.0</b>	<b>(5.9)</b>	<b>2.2</b>	<b>(5.8)</b>	<b>3.1</b>	<b>(8.4)</b>
<b>Cash generated by operations</b>	<b>6.5</b>	<b>14.1</b>	<b>2.9</b>	<b>29.5</b>	<b>12.0</b>	<b>20.6</b>	<b>32.4</b>	<b>41.8</b>	<b>27.8</b>
Tax (paid)/received	(1.7)	0.3	(2.5)	(2.8)	(0.7)	(1.3)	(5.3)	(8.0)	(6.8)
<b>Net cash from operations</b>	<b>4.9</b>	<b>14.4</b>	<b>0.4</b>	<b>26.7</b>	<b>11.3</b>	<b>19.3</b>	<b>27.1</b>	<b>33.8</b>	<b>21.0</b>
Interest received	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Intangibles	0.0	0.0	0.0	(0.1)	(0.1)	0.0	(0.1)	0.0	0.0
PPE	(0.5)	(0.7)	(2.8)	(2.5)	(1.1)	(1.3)	(5.3)	(2.0)	(2.2)
Acquisition	(10.1)	0.1	0.0	(2.5)	(15.6)	(10.1)	(2.5)	(15.0)	0.0
Sale of PPE	0.0	4.0	0.1	0.1	0.9	4.0	0.1	0.0	0.0
Net cash used in investing	(10.7)	3.2	(5.2)	(6.1)	(15.7)	(7.6)	(11.3)	(17.0)	(2.2)
<b>Net OpFCF</b>	<b>(5.9)</b>	<b>17.6</b>	<b>(4.8)</b>	<b>20.6</b>	<b>(4.4)</b>	<b>11.7</b>	<b>15.8</b>	<b>16.8</b>	<b>18.8</b>
Borrowings (net)	12.5	(13.8)	5.5	(9.9)	0.0	(1.3)	(4.4)	0.0	0.0
Share issue	0.0	0.3	0.0	(1.0)	0.0	0.3	(1.0)	0.0	0.0
Interest paid	(0.2)	(0.6)	(0.4)	0.4	(0.4)	(0.8)	0.0	0.0	0.0
Leases	(0.5)	(0.5)	(0.5)	(0.7)	(0.7)	(1.0)	(1.2)	(2.5)	(2.5)
Dividend	(4.4)	(0.9)	(2.6)	(1.8)	(3.7)	(5.4)	(4.3)	(6.1)	(5.4)
<b>Net cash from financing</b>	<b>7.3</b>	<b>(15.5)</b>	<b>2.1</b>	<b>(13.7)</b>	<b>(4.9)</b>	<b>(8.2)</b>	<b>(11.6)</b>	<b>(8.6)</b>	<b>(7.9)</b>
Net change cash	1.5	2.0	(2.7)	6.8	(9.3)	3.5	4.2	8.2	10.9
Cash start	3.9	5.4	7.5	4.9	11.6	3.9	7.5	11.6	19.8
Forex	0.0	0.1	0.0	(0.1)	(0.1)	0.1	(0.1)	0.0	0.0
<b>Cash end</b>	<b>5.4</b>	<b>7.5</b>	<b>4.9</b>	<b>11.6</b>	<b>2.3</b>	<b>7.5</b>	<b>11.6</b>	<b>19.8</b>	<b>30.7</b>

Source: Company data, Equity Development estimates.

Balance sheet									
Yr to March 31 (£m)	H1 23	H2 23	H1 24	H2 24	H1 25	FY23	FY24	FY25E	FY26E
Intangible assets	14.1	15.3	14.4	13.7	19.3	15.3	13.7	17.8	16.3
PPE net	3.6	5.2	7.1	7.5	15.4	5.2	7.5	13.6	10.9
RoU	1.7	15.6	14.7	13.9	12.7	15.6	13.9	13.9	13.9
Investments	0.6	0.0	0.0	0.0	0.2	0.0	0.0	0.0	0.0
<b>Sum Fixed Assets</b>	<b>20.1</b>	<b>36.1</b>	<b>36.2</b>	<b>35.1</b>	<b>47.6</b>	<b>36.1</b>	<b>35.1</b>	<b>45.3</b>	<b>41.1</b>
Inventories	30.6	25.6	30.8	24.4	32.3	25.6	24.4	29.6	31.6
Trade receivables	26.9	20.9	41.9	35.6	35.1	20.9	35.6	29.6	31.6
Tax assets	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Financial insts	0.8	0.0	0.9	0.0	0.3	0.0	0.0	0.0	0.0
Cash	5.4	7.5	4.9	11.6	2.3	7.5	11.6	19.8	30.7
<b>Sum Current Assets</b>	<b>63.8</b>	<b>54.0</b>	<b>78.6</b>	<b>71.7</b>	<b>70.1</b>	<b>54.0</b>	<b>71.7</b>	<b>79.1</b>	<b>94.0</b>
<b>Total Assets</b>	<b>83.8</b>	<b>90.1</b>	<b>114.9</b>	<b>106.8</b>	<b>117.7</b>	<b>90.1</b>	<b>106.8</b>	<b>124.4</b>	<b>135.1</b>
Trade payables	(31.8)	(26.1)	(39.8)	(27.3)	(28.4)	(26.1)	(27.3)	(29.6)	(25.3)
Bank borrowings	(0.4)	(4.3)	(9.7)	0.0	(1.0)	(4.3)	0.0	0.0	0.0
Tax, Other	(0.8)	(3.2)	(3.2)	(5.5)	(8.9)	(3.2)	(5.5)	(5.5)	(5.5)
<b>Sum Current Liabilities</b>	<b>(33.0)</b>	<b>(34.3)</b>	<b>(52.7)</b>	<b>(34.0)</b>	<b>(38.2)</b>	<b>(34.3)</b>	<b>(34.0)</b>	<b>(36.4)</b>	<b>(32.1)</b>
Total Assets less Current Liabilities	50.8	55.8	62.1	72.7	79.5	55.8	72.7	88.0	103.1
Bank borrowings non-current	(17.8)	(14.3)	(13.8)	(13.4)	(13.1)	(14.3)	(13.4)	(13.1)	(13.1)
Tax/Provisions	(0.3)	(1.6)	(0.6)	(1.3)	(1.1)	(1.6)	(1.3)	(1.3)	(1.3)
Sum Long-term liabilities	(19.8)	(15.9)	(14.3)	(14.8)	(14.2)	(15.9)	(14.8)	(13.4)	(12.4)
<b>Total liabilities</b>	<b>(52.9)</b>	<b>(50.2)</b>	<b>(67.1)</b>	<b>(48.8)</b>	<b>(52.4)</b>	<b>(50.2)</b>	<b>(48.8)</b>	<b>(49.8)</b>	<b>(44.5)</b>
Net Assets	31.0	40.0	47.8	58.0	65.3	40.0	58.0	74.6	90.7
Share Capital	11.7	11.7	11.7	11.7	11.7	11.7	11.7	11.7	11.7
Share Premium	7.2	7.4	7.4	7.4	7.6	7.4	7.4	3.9	(3.9)
Capital Reserve	(22.0)	(22.0)	(22.0)	(22.0)	(22.0)	(22.0)	(22.0)	(22.0)	(22.0)
Retained earnings	31.9	39.8	46.5	56.8	63.8	39.8	56.8	81.1	104.9
<b>Equity</b>	<b>31.0</b>	<b>40.0</b>	<b>47.8</b>	<b>58.0</b>	<b>65.3</b>	<b>40.0</b>	<b>58.0</b>	<b>74.6</b>	<b>90.7</b>
Net debt / (cash) pre-IFRS 16	12.9	11.1	18.6	1.8	11.8	11.1	1.8	(6.7)	(17.6)

Source: Company data, Equity Development estimates.



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