

FY22 results in line: FY23 emphasis on Vaping

5 July 2022

For the year to 31 March 2022, Supreme PLC reported revenue of £130.8m, +7.0%YoY, gross profit of £38.5m, +16.6%YoY, and EBITDA (adj.) of £21.1m, +9.3%YoY. The contribution to total revenue from Vaping dominated at 33.3%, with Sports Nutrition and Wellness rising from 5.6% to 12.2%. Year-end net debt was £4.0m, with a proposed full year dividend of 6.0p/share.

FY22 performance was within 1.0% variance of our estimates. During the year the Group noted: the addition of new vaping contracts with Sainsbury's, Morrisons and Core Communications; acquisition of Vendek Ltd., in Ireland, allowing access to the EU; acquisition of the Sci-MX sports nutrition products and brand; over 3,300 retail and public sector clients and 70,000 active customer accounts.

Revised estimates: Lighting downturn, emphasis on Vaping

Headwinds in Lighting reduce our FY23E EBITDA outlook from £22.8m to £17.5m.

- Group customers in the Lighting products division report inventory and stock build which should reduce the pipeline of demand in the current year. High margin (33.1%) Lighting products contributed 24.3% of FY22 gross profits, making the impact of inventory correction noteworthy.
- Accordingly we reduce our Group FY23 revenue outlook from **£143.5m to £129.5m**, and EBITDA from **£22.8m to £17.5m**.
- Our Fair Value / share is reduced from 245p to 190p.**
- The shift towards vaping as the mainstay of earnings continues. Supreme expects continued strong growth in Vaping products, expecting c.+30%YoY growth in FY23, resulting from the combination of new product launches and distribution expansion, and the post year-end acquisition of Liberty Flights. Since Vaping contributed 53% of FY22 gross profits, growth in this division represents mainstay of profits growth in the coming years.
- The positive outlook for vaping is also highlighted in the recent 9 June **Government report, 'Making smoking obsolete'** which notes *"the government must embrace the promotion of vaping as an effective tool to help people to quit smoking tobacco"*.
- Reflecting prudence in the FY23 outlook, going forward, Supreme proposes a 25% dividend pay-out ratio, compared to 50% to be paid for the year reported.

Financial outlook

Yr to March 31 (£m)	2020	2021	2022	2023E	2024E
Revenue	92.3	122.3	130.8	129.5	142.2
EBITDA (adj)	16.0	19.3	21.1	17.5	22.2
EPS (adj, p)	10.1	11.8	12.4	9.3	11.7
FCFS (p)	15.5	11.1	10.1	11.6	13.3
DPS (p)	10.0	2.7	2.2	4.7	2.6
Net cash / (debt)	(21.3)	(7.6)	(4.0)	(4.7)	3.8
EV/EBITDA	9.4x	7.8x	7.1x	8.6x	6.8x
P/E	12.4x	10.6x	10.1x	13.4x	10.7x
FCF yield	12.4%	8.8%	8.1%	9.3%	10.7%
Div yield	8.0%	2.2%	1.8%	3.7%	2.1%

Source: Company data, Equity Development estimates

Company Data

EPIC	SUP
Price (last close)	125p
52 weeks Hi/Lo	245/114p
Market cap £m	146
ED Fair Value / share	190p
Net cash (debt) £m	(4.7)

Share Price, p



Source: ADVFN

Description

Formed in 1975, Supreme Imports is a leading European and UK manufacturer, supplier and brand owner of fast-moving consumer products. It supplies five key categories of consumer spending: Vaping, Sports Nutrition & Wellness, Batteries, Lighting and Branded Household Consumer items.

Its customer base includes leading brands such as Costcutter, B&M, ASDA, TK Maxx, Poundland, Sainsbury's, Home Bargains, Heron Foods, Booker, Bestway, Aldi, Tool Station, Range, Travis Perkins and Nisa.

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FY 22 revenue performance +7%YoY, in-line

As summarised below, FY22 divisional revenue closely matched our estimates, led by 10.2%YoY growth in Vaping to 33.3% of total, and an increase of 1.3x in Sports Nutrition & Wellness products revenue to 12.2% of total. As expected, the contribution from Branded Household Goods declined (-39%YoY, from 12.7% of total to 7.2%). Lighting products revenue in H2 fell 6.3%YoY despite registering full year growth of 4.3%.

Group gross margins remained firm at 28.2% (pre-forex) compared to 26.1% in FY21, by division:

- Batteries, 10.6% vs 9.5%; Lighting, 33.1% vs 30.9%; Vaping, 44.7% vs 41.4%. Gross margins in the Sports Nutrition & Wellness segment, however, declined sharply 38.6% to 22.3% for the year (H2: 14.9%) as the wholesale price of Whey Protein Concentrate (WPC) spiked to a 20-year high (see page 11).

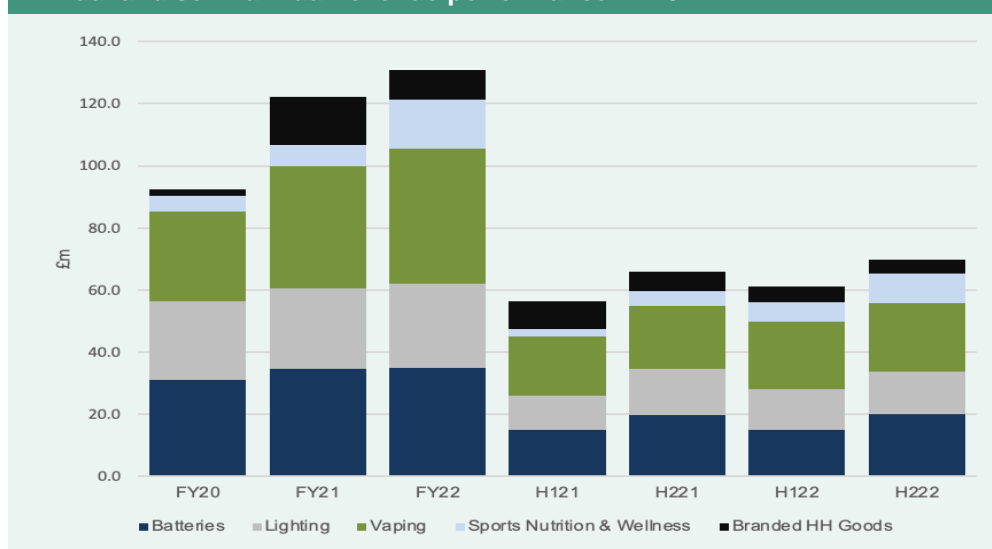
Divisional revenue performance, FY20 - FY22

Yr to March 31 (£m)	FY20	FY21	FY22	YoY	FY22E	Beta
Batteries	30.9	34.4	34.9	1.3%	34.4	-1.3%
Lighting	25.3	25.9	27.0	4.3%	27.3	1.0%
Vaping	29.0	39.5	43.6	10.2%	43.5	-0.2%
Sports Nutrition & Wellness	5.0	6.9	15.9	132%	15.8	-0.6%
Branded HH Goods	2.0	15.5	9.4	-39.3%	9.4	-0.2%
Sum	92.3	122.3	130.8	7.0%	130.4	-0.3%

	H121	H221	H122	H222	YoY	H222E	Beta
Batteries	14.8	19.7	15.0	19.9	1.2%	19.4	-2.3%
Lighting	11.1	14.8	13.2	13.9	-6.3%	14.1	2.0%
Vaping	19.2	20.4	21.7	21.9	7.8%	21.8	-0.4%
Sports Nutrition & Wellness	2.2	4.7	6.4	9.5	104%	9.4	-1.0%
Branded HH Goods	9.1	6.4	4.9	4.5	-30.2%	4.5	-0.3%
Sum	56.3	65.9	61.1	69.7	5.7%	69.3	-0.6%

Source: Company data, Equity Development estimates

Annual and semi-annual revenue performance FY20 – FY22



Source: Company data, Equity Development estimates

Revised FY23 outlook

In FY22, backed by 6.2%YoY growth in (adjusted) EBIT to £18.1m (£17.0m rptd.) and 9.3%YoY growth in (adjusted) EBITDA to £21.1m (£20.0m rptd.), (adjusted) PBT grew 6.4%YoY to £17.4m. On this basis (adjusted) profit after tax was £14.976m (tax rate 14.8%) and adjusted diluted EPS 12.4p/share.

For FY23, we revise:

- **Revenue -9.8% lower** to £129.5m, -1.0%YoY, compared to £143.5m previously, with £14.9m of the net £14.0m reduction stemming from the Lighting division, i.e. a £2.2m reduction in Branded HH Goods revenue partially offset by a £0.4m increase in Batteries outlook and a £2.8m increase in our outlook for Vaping.
- **EBITDA (adj.) -23.2% lower** at £17.5m, 13.5% margin compared to our prior estimate of 15.9%. At gross level, of the £5.1m reduction in outlook, 98%, £5.0m originates in the Lighting division.
- **Our FY23 EPS (adj., dil.) outlook is reduced from 13.7p/share to 9.3p/share**, a 32% decrease reflecting an increase in financial costs resulting from the acquisition of Liberty Flights from an estimated £0.26m to £0.8m annually.

Outlook to FY24E with change in estimates

Yr to March 31 (£m)	2022	2023E	2024E	FY23E	FY24E	FY24/FY20
Revenue	130.8	129.5	142.2	-1.0%	9.8%	8.7%
Gross	38.5	38.8	44.0	0.7%	13.6%	14.3%
EBITDA (adj)	21.1	17.5	22.2	-16.9%	26.7%	5.3%
EPS (adj, p)	12.4	9.3	11.7	-24.8%	25.7%	-5.5%
Net cash / (debt)	(4.0)	(4.7)	3.8			
Prior estimates						
Revenue	130.4	143.5	151.2	10.0%	5.4%	
Gross	38.9	44.5	49.3	14.4%	10.8%	
EBITDA (adj)	21.2	22.8	25.5	7.7%	11.8%	
EPS (adj, p)	12.2	13.7	15.4	11.9%	13.0%	
Net cash / (debt)	(2.2)	(9.1)	(7.8)			
Beta						
Revenue	0.3%	-9.8%	-6.0%			
£m	0.4	(14.0)	(9.0)			
Gross	-0.9%	-12.8%	-10.6%			
£m	(0.3)	(5.7)	(5.2)			
EBITDA (adj)	-0.5%	-23.2%	-13.1%			
£m	(0.1)	(5.3)	(3.3)			
EPS (p)	1.3%	-32.0%	-24.3%			
(p)	0.2	(4.4)	(3.8)			
<i>EBITDA mrg prior</i>	16.2%	15.9%	16.9%			
<i>EBITDA mrg new</i>	16.1%	13.5%	15.6%			

Source: Company data, Equity Development estimates

Liberty Flights acquisition broadens vaping offering

On 13 June Supreme announced the acquisition of Liberty Flights Holdings Limited for £7.75m plus a deferred £2.0m and performance-related earn-outs taking the total consideration to between £10.45m (net of sale of land assets) and £14.75m. The acquisition was immediately earnings accretive.

Founded in 2010, Liberty Flights is the manufacturer and owner of the *Liberty Flights* vaping brand and brings the *Dot Pro* closed-system vaping device range to complement Supreme's *88Vape* open-system products. The acquisition was funded from Supreme's £25.0m HSBC revolving credit facility and brings property worth £1.3m. The principal benefits to Supreme are:

- Access to the increasingly popular pod, closed-system, vaping market via Liberty's *Dot Pro* range.
- Additional production capacity of 200,000 - 300,000 e-liquid units/month.
- Access to Liberty's customer base for Supreme's range of lighting, batteries, and sports nutrition and wellness product ranges.
- Cost savings, to accrue from 12 months post-acquisition, repatriation of *Dot Pro* manufacture currently sourced in China and, potentially, the transfer of open-system production to Supreme.

Earnings accretive

We estimate that in FY23 (9 months) the acquisition brings additional revenue of c.£7.0m (+5.1%), and EBITDA (adj.) of c.£0.8m (+3.5%), followed in FY24 by c.£9.0m (+6.3%) and £1.5m (+6.2%) respectively. Liberty Flights revenue for the year to 31 January 2021 was c.£9.0m, approximately 50:50 from open system vaping products and Dot Pro devices, with c.£3.0m sold online. EBITDA was £1.5m.

As a result of the acquisition, contribution to vaping products revenue and cost savings in manufacturing projected over the coming two years vaping products rise from an estimated 33.3% of total Supreme revenue in FY22 to an estimated 45.7% by FY24.

Acquisition valuation

The initial consideration of £7.75m, deferred payment of £2.0m, sale value of £1.3m of property acquired, and an estimated £2.0m in performance-related earn out, indicates a combined cost for the transaction of **£10.45m**.

On this basis the projected FY24 contribution to EBITDA of £1.5m indicates an acquisition EV/EBITDA multiple of **7.0x**.

Liberty Flights acquisition, £m				
Consideration		Sum	EBITDA	Multiple
Cash initial	7.75		1.5	
Deferred	2.00			
Earn-out (Est.)	2.00	11.75		7.8x
Property	(1.3)	10.45		7.0x

Source: Company data, Equity Development estimates

Vaping part of UK government initiative to cut smoking

ENDS[†] smoking

The health risks of cigarette smoking are well-documented, in the UK causing around 78,000 deaths annually (NHS England) and contributing to a long list of cancers in addition to lung cancer. Most recently, on 9 June 2022, the **UK Government report, 'Making smoking obsolete'** (<https://www.gov.uk/government/publications/the-khan-review-making-smoking-obsolete/making-smoking-obsolete-summary>) observed that England "will miss the smokefree 2030 target by at least 7 years" with the result that further initiatives are required to "accelerate the rate of decline of people who smoke by 40%". **Of four major initiatives to meet this challenge promoting vaping is highlighted** with the report noting "the government must embrace the promotion of vaping as an effective tool to help people to quit smoking tobacco".

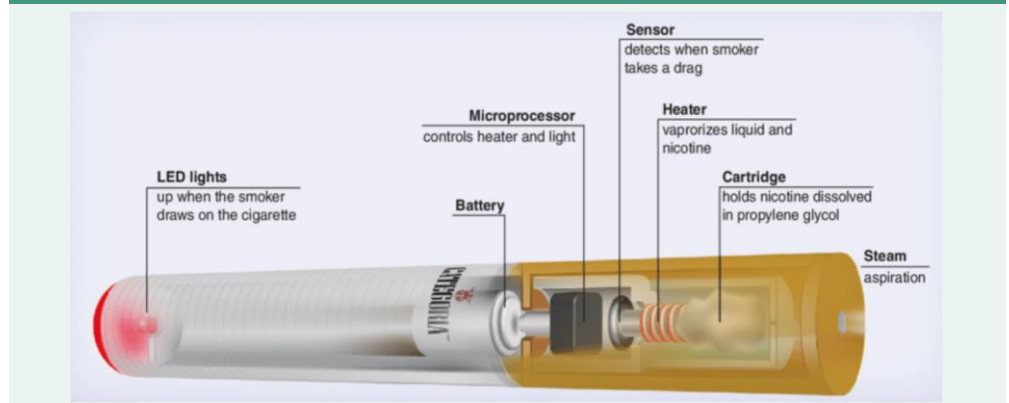
A February 2020 ASH-Adult survey found that the prevalent motivations to vape were to: quit (29.7%), stay off (19.4%) or reduce (11.2%) smoking tobacco. The Office of National Statistics Opinions and Lifestyle (OPN) 2019 survey found that 52.8% of vapers did so to quit smoking. The UK Vaping Industry Association (ukvia.co.uk) presents a number of 'facts on vaping' which show the relative health benefits of vaping or switching to vaping compared to smoking: "vaping is at least 95% less harmful than smoking" (Public Health England, Vaping Evidence Review, 2019); "over 3m smokers have already used vaping to quit or reduce their smoking" (Action on Smoking and Health, 2018); "there have been no identified health risks of passive vaping to bystanders" (Public Health England, Vaping Evidence Review, 2018). In 2021 the UK market for e-cigarettes (***ENDS: electronic nicotine delivery systems**) was worth an estimated £2.601bn, with growth to 2025 expected at a 5.3% CAGR to reach £3.198bn (Source: Statista).

Vaping nicotine delivery

The vaping process delivers nicotine of varying strengths (0mg/litre, i.e. nicotine free, 8mg/l, 12mg/l, 18mg/l or 20mg/l) in a vapour mix of Propylene Glycol (PG) and Vegetable Glycerin (VG), typically in a 70/30 or 50/50 ratio. Propylene glycol is clear and odourless solvent and synthetic water-absorbent widely used in the food and pharmaceuticals sectors, also as a fire-retardant or de-icer, which the US Food and Drug Administration rates "generally recognised as safe".

Vapour delivery depends on the wattage (power) resulting from voltage and coil (wire) resistance; typically 8-13W via a <1 ohm resistance coil. Safe maintenance of controlled power is a key feature of efforts to regulate the manufacture of vaping kit and delivery products to prevent overheating, variable vapour concentration or short-circuiting. All devices contain a battery, and atomiser e-liquid (containing flavoured nicotine), whilst sensors monitor and coordinate the release of nicotine-laden vapour.

Vaping device generic components



Source: *Expert Review of Respiratory Medicine* 6(1):63-74, February 2012

Classified by convenience

Vaping devices are classified according to how they are refilled or replaced:

- Open System** vape pens are refilled manually with e-liquid added to a *clearomiser* chamber. Adding liquid according to preference widens the range of flavours and strengths available and choice of mouth-to-lung (MTL) or direct-to-lung (DTL) delivery; there is the possibility for unauthorised doctoring of the liquid content. An open system starter device or vape pen costs c.£15.00 - £20.00, with 10ml refills costing c.£1.00 each.
- Closed System** devices use pre-loaded refills or *pods*, similar to cartridges, which are slotted into the device. Refill exchange is generally possible for up to 15 exchanges before units become worn and prone to leaks. As refills are sealed their quality may be assured by the brand provider. A closed system device costs c.£30.00, with refills costing c.£11.00 for 5 units or c.£35.00 for 20 units. Spare coils costing c.£6.00 for five units extend device life.
- Disposable devices** are typically 2ml, pre-filled, self-contained and designed for one-off use, costing c.£5.00 each.

From market entry in 2015, Supreme's e-liquid Vaping products segment has grown rapidly, from 5m e-liquid units produced to 60m annually, comprising a leading 53% of FY22 gross profits on the basis of 33.3% of revenue. The *88vape* Supreme brand, retailing at £1.00 per 10ml, with a nicotine content ranging from 3mg to 20mg, dominates the UK value segment. The Supreme *Zillion* disposable brand - *Watermelon Ice, Mango Ice, Grape Ice, Sour Blue Razz, Double Apple, Pink Lemonade, Strawberry Kiwi, Cool Spearmint, Energy Ice* - is priced at £5.00 or 3 for £10.00

Supreme holds an overall UK share of the vaping e-liquids market of c.30% by volume, and, we estimate, a 95% share of the value sector (October 2021 Supreme Investor Relations company presentation slide 13), manufacturing c.62m bottles annually at its Manchester facility.

Supreme and Liberty Flights open, closed and disposable products



Source: Supreme PLC, Liberty Flights Holdings Limited

Vaping product segment

At year-end FY22 the division comprised 33.3% of Group revenue and 52.9% of gross profits.

- FY22 revenue rose 10.2%YoY to £43.6m, with gross contribution up 19.2% to £19.5m on an increase in margin from 41.4% to 44.7%. Gross profits from vaping comprised 50.6% of H1 and 55.0% of H2 total.

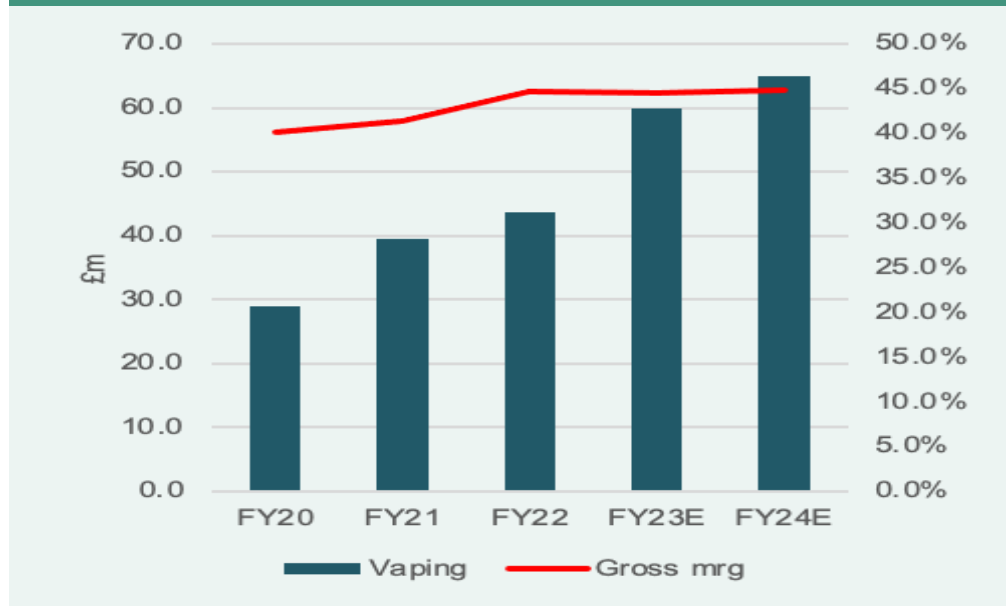
Supreme noted an increase in market share amongst existing customers including Sainsbury's and Morrisons, and convenience retail outlets via Core Communications. Our outlook includes a £7.0m contribution to revenue from Liberty Flights (acquired in June) in FY23 and an estimated £3.9m gross contribution (14.6% of divisional total), followed by £9.0m and £5.0m respectively for full-year FY24.

Vaping performance to FY22, outlook to FY24

Yr to March 31 (£m)	FY21	H122	H222	FY22	FY23E	FY24E	FY22YoY
Vaping revenue	39.5	21.7	21.9	43.6	60.0	65.0	10.2%
Prior est.					57.2	65.2	
Gross	16.4	8.9	10.6	19.5	26.7	29.1	19.2%
Mrg	41.4%	40.9%	48.5%	44.7%	44.5%	44.8%	3.4%
Pct of revenue	32.3%	35.5%	31.5%	33.3%	46.3%	45.7%	
Pct of gross	51.2%	50.6%	55.0%	52.9%	70.5%	67.6%	

Source: Company data, Equity Development estimates

Vaping revenue, gross margin to FY24E



Source: Company data, Equity Development estimates

Lighting product segment

The segment exhibited consistent growth (FY16-21 CAGR 10.7%) backed by strong customer relationships such as Eveready / Energizer (2013 contract renewed to 2025) and JCB (contracted to 2024).

- FY22 revenue was £27.0m, +4.3%YoY, to 20.7% of total.
- Gross contribution was £9.0m, +12.1%YoY, 24.3% of total, margin 33.1% (FY21: 30.9%).

The June 2021 acquisition of Dublin-based **Vendek Ltd** for €1.82m, distributor in Ireland for Osram, Panasonic and Duracell products with FY20 revenue of €5.6m, EBITA of €0.5m, opened opportunities for trade both within the Irish Republic and into the EU.

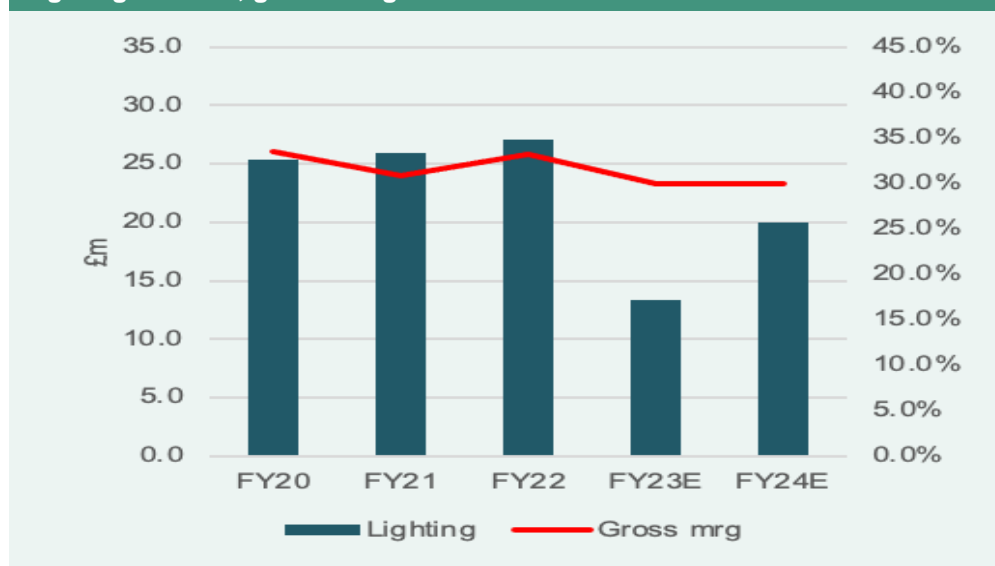
Supreme notes the negative impact of the slowdown in Free On Board (FOB) sales (in which the vendor records a sale once shipment is made and product is warehoused) resulting from overstocking by customers. Also, H1 demand was unseasonably high. We expect this to take c.6-9 months to unwind and effectively stalls H1 23 revenue momentum.

Lighting performance to FY22, outlook to FY24

Yr to March 31 (£m)	FY21	H122	H222	FY22	FY23E	FY24E	FY22YoY
Lighting revenue	25.9	13.2	13.9	27.0	13.4	20.0	4.3%
Prior est.					28.3	30.0	
Gross	8.0	4.5	4.5	9.0	4.0	6.0	12.1%
Mrg	30.9%	34.1%	32.3%	33.1%	29.9%	29.9%	2.3%
Pct of revenue	21.2%	21.5%	19.9%	20.7%	10.3%	14.1%	
Pct of gross	25.0%	25.6%	23.1%	24.3%	10.6%	13.9%	

Source: Company data, Equity Development estimates

Lighting revenue, gross margin FY20 - FY24E



Source: Company data, Equity Development estimates

Batteries product segment

Batteries represent a relatively stable, core, revenue segment (FY16 £36.5m – FY22 £34.9m) backed by long-standing distribution relationships with major manufacturers - Duracell, Energizer and Panasonic (each 22 years), JCB (11 years) and Phillips (7 years) which offer the opportunity to cross-sell higher margin categories.

- FY22 revenue was £34.9m, +1.3%YoY, to 26.7% of total.
- Gross contribution was £3.7m, +12.3%YoY, 10.0% of total, margin 10.6% (FY21: 9.5%).

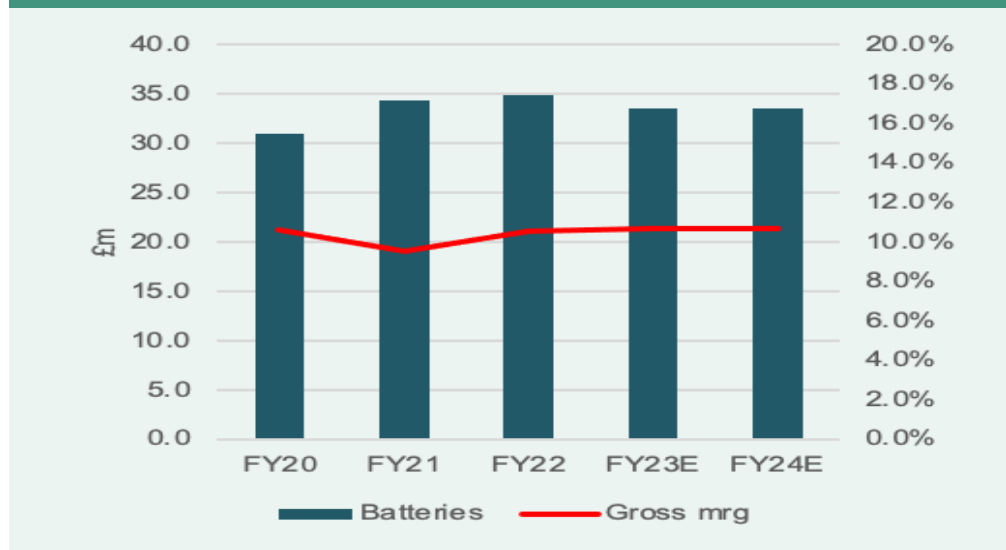
Our FY23 outlook is unchanged.

Batteries performance to FY22, outlook to FY24

Yr to March 31 (£m)	FY21	H122	H222	FY22	FY23E	FY24E	FY22YoY
Batteries revenue	34.4	15.0	19.9	34.9	34.4	34.4	1.3%
Prior est.					34.0	34.5	
Gross	3.3	1.5	2.1	3.7	3.8	3.8	12.3%
Mrg	9.5%	10.2%	10.8%	10.6%	11.0%	11.0%	1.0%
Pct of revenue	28.2%	24.5%	28.6%	26.7%	26.6%	24.2%	
Pct of gross	10.3%	8.7%	11.1%	10.0%	10.0%	8.8%	

Source: Company data, Equity Development estimates

Batteries revenue, gross margin FY20 - FY24E



Source: Company data, Equity Development estimates

Sports Nutrition & Wellness product segment

From an initial base of £2.4m revenue in FY19, the Sports Nutrition & Wellness division has demonstrated strong growth, 88.0% CAGR FY19-22, expanding 132% in FY22 alone. Supreme highlights the launch of its *Millions & Millions* and *Sealions* vitamins brands, with growth augmented by the acquisition of Vendek and Sci-MX. It is notable that the division's *Battle Bites* branded protein snack is well-positioned to supplant chocolate-based alternatives as new regulations governing products with *High Fat Sugar and Salt* (HFSS) content are introduced.

- At year-end FY22 the division comprised 12.2% of total revenue (FY21: 5.6%), £15.9m, and 9.6% of gross, £3.5m. Gross margin, however, declined from 38.6% to 22.3%, principally a reflection of the sharp rise in whey protein concentrate (WPC), with H2 at 14.9% compared to 33.3% in H1.

Our FY23 revenue outlook is unchanged, although we assume gross profitability will continue to reflect pressure on raw materials prices.

Sports Nutrition & Wellness performance to FY22, outlook to FY24

Yr to March 31 (£m)	FY21	H122	H222	FY22	FY23E	FY24E	FY22YoY
Sports N&W revenue	6.9	6.4	9.5	15.9	12.9	14.0	132%
Prior est.					13.0	14.0	
Gross	2.6	2.1	1.4	3.5	2.3	3.1	33.9%
Mrg	38.6%	33.3%	14.9%	22.3%	17.8%	22.0%	-16.3%
Pct of revenue	5.6%	10.4%	13.7%	12.2%	10.0%	9.8%	
Pct of gross	8.3%	12.1%	7.4%	9.6%	6.1%	7.2%	

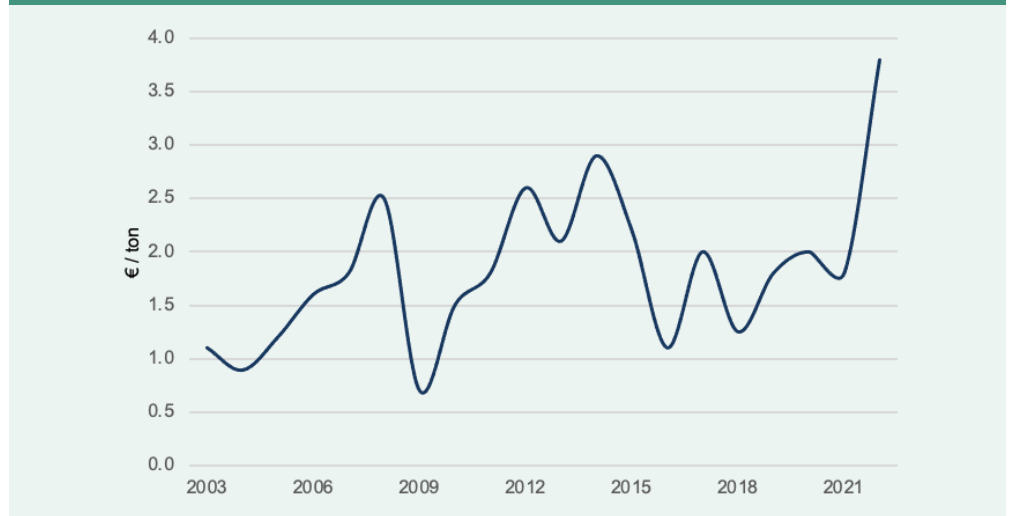
Source: Company data, Equity Development estimates

Sports nutrition & Wellness revenue, gross margin FY20 - FY24E



Source: Company data, Equity Development estimates

Supreme noted the increase in the raw material price of both whey and creatine (muscle mass protein), indicating that price rises will enter the consumer chain in FY23. As illustrated below, the price of whey protein concentrate (WPC) has reached a 20-year high, having risen from €1.837/ton in June 2020 to €2.109/ton in June 2021 and, by June 2022, €3.803/ton, +80.3%YoY (source: CLAL.it, USDA AMS Dairy Market News 24.06.2022), a trend mirrored and influenced by other milk products such as skim milk powder and non-fat dry milk.

Whey price, €/ton, 2003 - 2022


Source: CLAL.it, Italian Dairy Economic Consulting

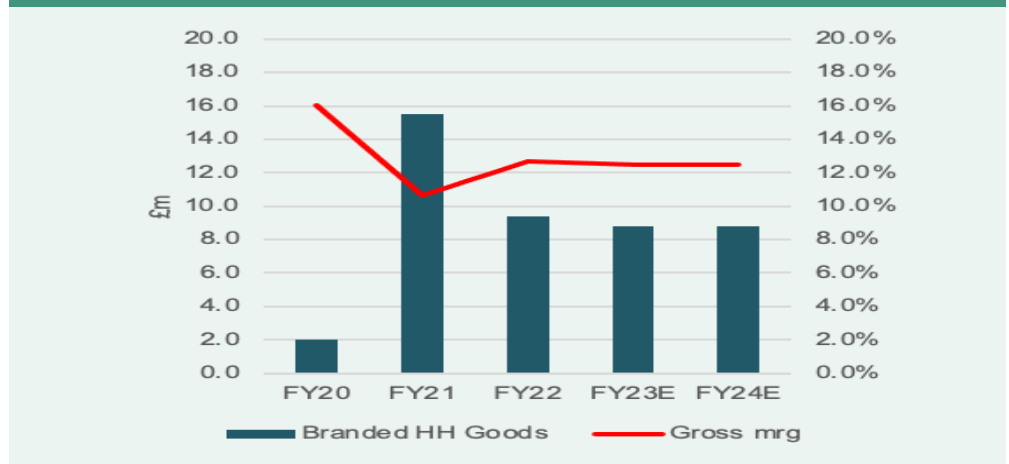
Branded Household consumer goods

The pandemic period saw increased sales of household cleaning products, a feature which tailed off in FY22, whilst a FY21 pharmaceutical bottling contract was not repeated. FY22 revenue was £9.4m, -39.3%YoY to 7.2% of total, with a gross contribution of £1.2m, -27.4%YoY, 3.2% of total, margin 12.7%

Branded Household consumer goods performance to FY22, outlook to FY24

Yr to March 31 (£m)	FY21	H122	H222	FY22	FY23E	FY24E	FY22YoY
Branded HH G rev.	15.5	4.9	4.5	9.4	8.8	8.8	-39.3%
Prior est.					11.0	7.5	
Gross	1.6	0.5	0.7	1.2	1.1	1.1	-27.4%
Mrg	10.6%	10.5%	15.1%	12.7%	12.5%	12.5%	2.1%
Pct of revenue	12.7%	8.1%	6.4%	7.2%	6.8%	6.2%	
Pct of gross	5.2%	3.0%	3.5%	3.2%	2.9%	2.6%	

Source: Company data, Equity Development estimates

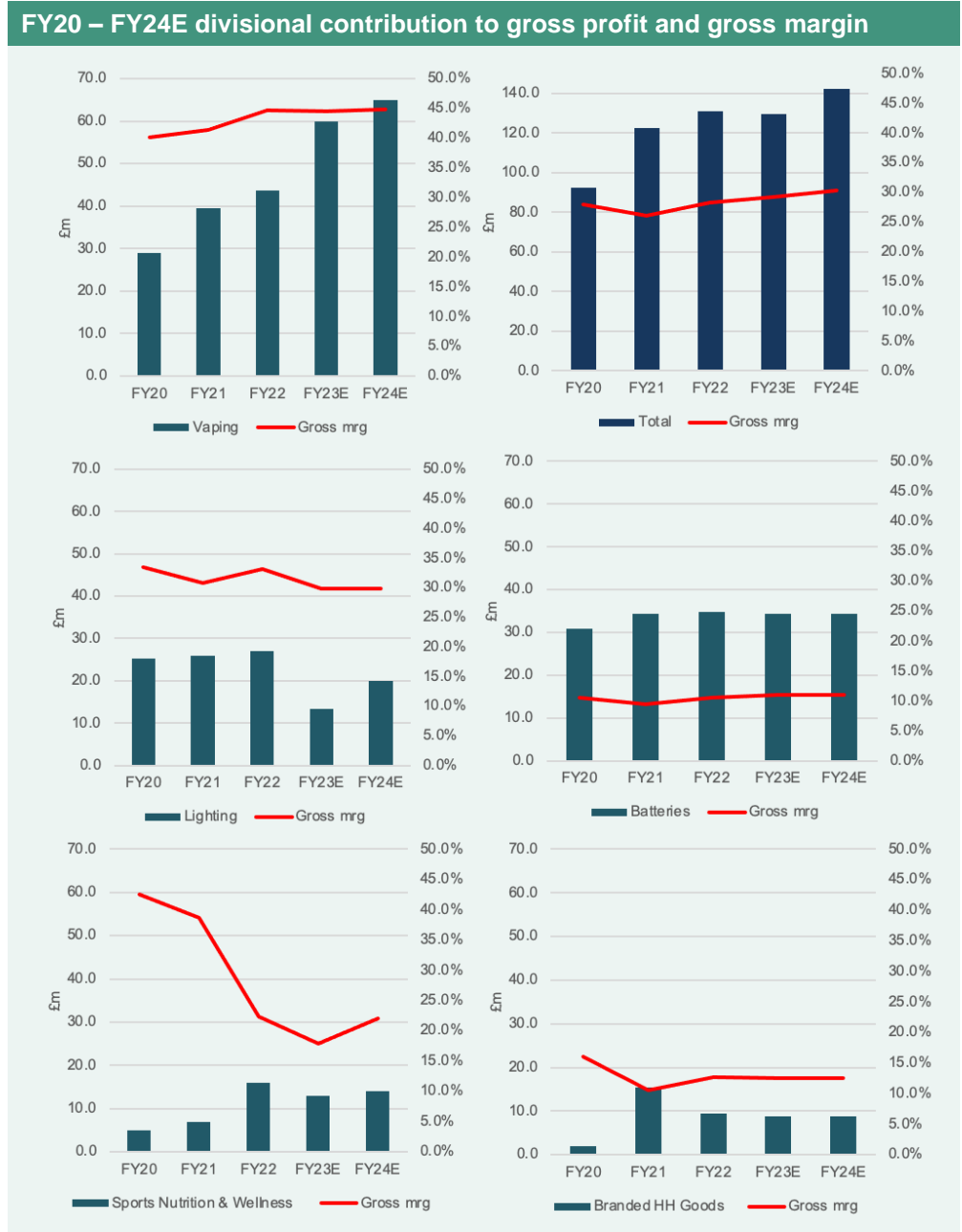
Branded Household Goods revenue, gross margin FY20 - FY24E


Source: Company data, Equity Development estimates

Summary - divisional contribution to gross

As illustrated below, against the background of projected overall gross profit growth to FY24 and margin improvement to c.30%, the impact of the contribution from the Vaping division is evident, supported by Batteries and expected to recover in FY24, the Lighting products segment.

Although high growth, the Sports Nutrition & Wellness division remains a prospect for future expansion, and in our view, a candidate for growth aided by acquisition.

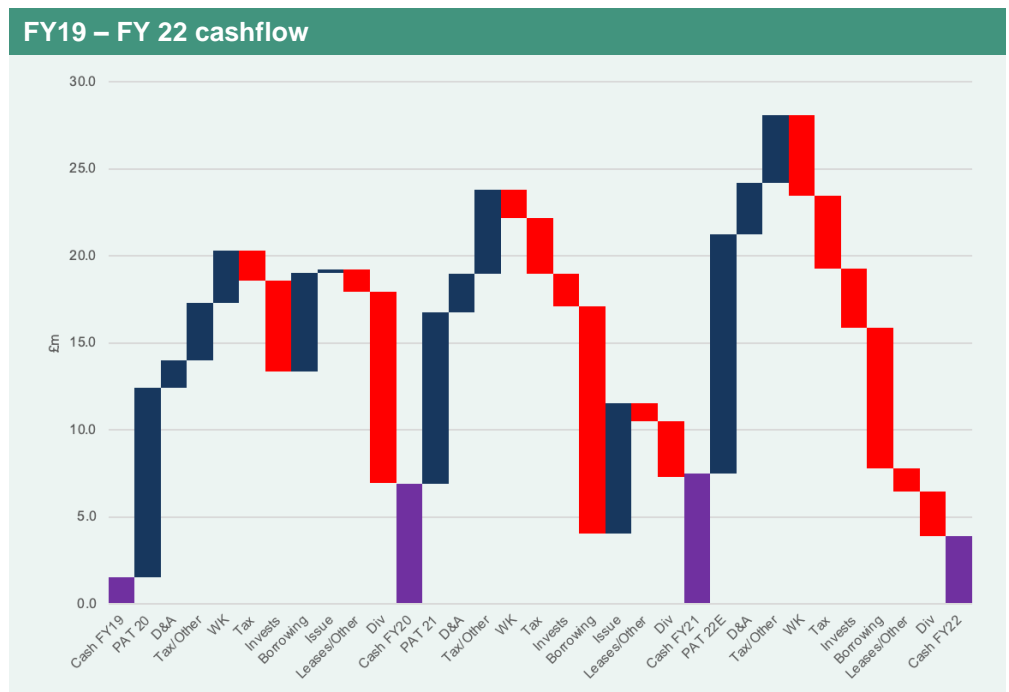


Source: Company data, Equity Development estimates

Cashflow

The year-end cash balance was £3.926m, with net debt at £4.033m. The key elements of FY22 cashflow were:

- Profit after tax of £13.737m and operating cashflow of £20.597m (FY21: 16.869m).
- Movement in working capital of £(4.665)m, comprising: inventory build of £4.937m (FY21 5.286m), to £25.898m (72 days: FY21 59 days); increase in receivables of £2.226m to £19.035m (53 days: 48 days); increase in payables of £2.498m to £17.296m (48 days: 40 days).
- Net operating free cashflow £11.771m.
- Investment in intangibles of £1.454m; cap-ex of £1.296m (FY21: 1.667m).
- Borrowings were reduced by £8.083m and £2.566m paid in interim dividend resulting in a £(3.547)m movement in cash.



Source: Company data, Equity Development estimates

Valuation considerations

On our revised outlook Supreme trades on a FY23 (E) EV/EBITDA of 8.6x, and PE 13.4x, which compares to (market cap-weighted averages):

- Distributors - Diploma, Bunzl, Ferguson, Travis Perkins, Clipper Logistics: 9.3x / 17.0x.
- Consumer Staples - Unilever, P&G, Nestle, Walmart, PepsiCo, Reckitt: 15.9x / 22.4x.
- Tobacco - BATS, Philip Morris, Altria, Imperial Brands: 12.9x / 16.5x.
- AIM classification peers - Parsley Box, Accrol, IG Design, Kitwave, Uniphar: 8.5x / 23.4x.

Data: Yahoo Finance, LSE AIM, 01-07-22

Summary P&L

Summary P&L FY20 – FY24E

Yr to March 31 (£m)	FY20	FY21	FY22	FY23E	FY24E
Revenue	92.3	122.3	130.8	129.5	142.2
Gross Sum	25.9	31.9	36.9	37.9	43.0
<i>Mrg</i>	28.0%	26.1%	28.2%	29.2%	30.3%
COGS	(66.5)	(90.3)	(93.9)	(91.6)	(99.2)
Forex	0.7	1.1	1.6	0.9	1.0
Gross inc forex	26.6	33.0	38.5	38.8	44.0
<i>Mrg</i>	28.8%	27.0%	29.4%	29.9%	31.0%
Sum Op-ex	(12.6)	(19.4)	(21.5)	(25.8)	(26.4)
One-off costs	(0.4)	(3.4)	(1.1)	(1.5)	(1.5)
EBIT Reported	14.0	13.6	17.0	13.0	17.7
EBIT Adjusted	14.4	17.0	18.1	14.5	19.2
<i>Mrg</i>	15.6%	13.9%	13.8%	11.2%	13.5%
Depreciation	(1.5)	(2.0)	(2.6)	(2.6)	(2.6)
Amortisation	(0.0)	(0.2)	(0.4)	(0.4)	(0.4)
EBITDA Reported	15.6	15.8	20.0	16.0	20.7
EBITDA Adjusted	16.0	19.3	21.1	17.5	22.2
<i>Mrg</i>	17%	16%	16%	14%	16%
Financial income	0.0	0.0	0.0	0.0	0.0
Financial expense	(0.8)	(0.7)	(0.7)	(0.8)	(0.8)
PBT Reported	13.2	13.0	16.3	12.2	16.9
PBT Adjusted	13.6	16.4	17.4	13.7	18.4
Tax	(2.3)	(3.1)	(2.6)	(2.4)	(4.2)
Reported tax rate	17.5%	24.1%	15.8%	20.0%	25.0%
<i>Tax rate adjusted</i>	17.0%	19.0%	14.8%	17.8%	23.0%
PAT Reported	10.9	9.8	13.7	9.8	12.7
PAT Adjusted	11.3	13.3	14.8	11.3	14.2
Amortisation & tax items	(0.1)	0.1	0.1	0.0	0.0
PAT Adjusted	11.2	13.4	15.0	11.3	14.2
Basic wtd. Av. shares (m)	110.0	111.1	116.6	116.6	116.6
Diluted wtd. av. shares (m)	111.3	113.2	121.1	121.1	121.1
EPS Reported Basic (p)	9.9	8.9	11.8	8.4	10.8
EPS Reported Diluted (p)	9.8	8.7	11.4	8.1	10.4
EPS Adjusted Basic (p)	10.2	12.0	12.8	9.7	12.1
EPS Adjusted Diluted (p)	10.1	11.8	12.4	9.3	11.7

Source: Company data, Equity Development estimates

Summary cashflow

Summary cashflow FY20 – FY24E					
Yr to March 31 (£m)	FY20	FY21	FY22	FY23E	FY24E
PAT Reported	10.9	9.8	13.7	9.8	12.7
One-off items	0.4	3.4	1.1	1.5	1.5
Depreciation	1.5	2.0	2.6	2.6	2.6
Amortisation	0.0	0.2	0.4	0.4	0.4
Tax	2.3	3.1	2.8	2.4	4.2
Finance/other	0.6	(1.7)	0.0	0.0	0.0
Operating Cash Flow	15.8	16.9	20.6	16.7	21.4
(Increase)/Decrease inventories	2.5	(5.3)	(4.9)	(0.7)	(1.4)
(Increase)/Decrease in receivables	(0.9)	1.0	(2.2)	0.2	(1.8)
Increase/(Decrease) in payables	1.4	2.7	2.5	(0.2)	1.7
Movement in working capital	3.0	(1.6)	(4.7)	(0.7)	(1.6)
Cash generated by operations	18.7	15.3	15.9	16.0	19.8
Tax (paid)/received	(1.7)	(3.0)	(4.2)	(2.4)	(4.2)
Net cash from operations	17.0	12.3	11.8	13.6	15.5
Investing activities	0.0	0.0	0.0	0.0	0.0
Interest received	0.0	0.0	0.0	0.0	0.0
Intangibles	(0.0)	(0.1)	(1.5)	(7.8)	(4.0)
PPE	(1.7)	(1.7)	(1.3)	(1.0)	(1.3)
Acquisition	(3.5)	(1.0)	(1.0)	0.0	0.0
Sale of PPE	0.0	0.9	0.4	0.0	1.3
Net cash used in investing	(5.2)	(1.9)	(3.4)	(8.8)	(4.0)
Net OpFCF	11.8	10.4	8.4	4.8	11.5
Borrowings	5.7	(13.0)	(8.1)	7.8	4.0
Share issue	0.0	7.5	0.0	0.0	0.0
Interest paid	(0.7)	(0.6)	(0.3)	0.0	0.0
Leases	(0.6)	(0.6)	(1.0)	0.0	0.0
Dividend	(11.0)	(3.0)	(2.6)	(5.4)	(3.1)
Net cash from financing	(6.6)	(9.6)	(11.9)	2.3	0.9
Net increase in cash / equivalents	5.2	0.8	(3.5)	7.1	12.5
Cash at beginning of year	1.5	6.7	7.5	3.9	11.1
Forex	(0.0)	0.0	(0.0)	0.0	0.0
Cash at year end	6.7	7.5	3.9	11.1	23.5

Source: Company data, Equity Development estimates

Summary balance sheet

Summary balance sheet FY20 – FY24E					
Yr to March 31 (£m)	FY20	FY21	FY22	FY23E	FY24E
Intangible assets	1.8	2.6	3.7	11.1	14.7
PPE net	3.5	2.8	2.6	1.0	(0.3)
RoU assets	1.5	1.5	2.1	2.1	2.1
Investments	0.0	0.0	1.3	1.3	1.3
Sum Fixed Assets	6.7	6.9	9.7	15.4	17.7
Inventories	14.5	19.9	25.9	26.6	28.1
Trade receivables	16.7	16.1	19.0	18.8	20.7
Tax assets	0.0	0.0	0.0	0.0	0.0
Financial instrumentts	0.2	0.0	0.5	0.5	0.5
Cash, Equivalents	6.7	7.5	3.9	11.1	23.5
Sum Current Assets	38.1	43.4	49.3	57.0	72.8
Total Assets	44.9	50.3	59.0	72.4	90.5
Trade payables	(10.3)	(13.3)	(17.3)	(17.1)	(18.8)
Borrowings	(10.6)	(10.5)	(6.7)	(6.7)	(6.7)
Tax, Other	(2.3)	(2.9)	(1.3)	(1.3)	(1.3)
Sum Current Liabilities	(23.2)	(26.7)	(25.3)	(25.1)	(26.8)
Total Assets less Current Liabilities	21.7	23.6	33.8	47.3	63.7
Borrowings	(17.4)	(4.7)	(1.3)	(9.0)	(13.0)
Tax	(0.2)	(0.1)	(0.2)	(0.2)	(0.2)
Sum Long-term liabilities	(17.6)	(4.8)	(1.5)	(9.2)	(13.2)
Total liabilities	(40.8)	(31.5)	(26.7)	(34.3)	(40.0)
Net Assets	4.1	18.8	32.3	38.1	50.5
Share Capital	11.0	11.7	11.7	11.7	11.7
Share Premium	0.0	7.2	7.2	4.2	2.4
Capital Reserve	(22.0)	(22.0)	(22.0)	(22.0)	(22.0)
Retained earnings	15.1	21.9	33.1	44.3	58.5
Equity	4.1	18.8	32.3	38.1	50.5
Net cash/(debt)	(21.3)	(7.6)	(4.0)	(4.7)	3.8

Source: Company data, Equity Development estimates



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