Welcome to the Home of Brands

UP Global Sourcing Holdings PLC
Interim Results FY23

2023

ULTIMATE PRODUCTS
HOME OF BRANDS

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We are passionate about product.

Our purpose at the centre of everything we do; "**We provide beautiful and more sustainable products for every home.**"

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Outlook Statement

Salter Stock Pot
Stylish cooking from hob to oven

Presenters

Simon Showman
Chief Executive Officer

Andrew Gossage
Managing Director

Chris Dent
Chief Financial Officer

An Introduction to Ultimate Products

We employ **300+** people

We sell to **300+** retailers

We sell to **45** countries

Ultimate Products is the owner of a number of leading homeware brands including Salter (the UK's oldest housewares brand, est. 1760) and Beldray (est. 1872).

We manage, design, and develop a wide range of mass-market focused consumer goods brands, focused on the home.

Our range of branded products creates the opportunity for retailers to price our products competitively compared to their own-label equivalents.

Our Premier Brands

SALTER SINCE 1760 | Beldray est. 1872 | PROGRESS Est. 1931 | Kleeneze SINCE 1923 | PETRA ELECTRIC SINCE 1968 | Russell Hobbs

Salter Fern
Co-ordinated and on-trend countertop electricals

What Sets Us Apart

- Competitively-priced customer proposition
  - Branded products
  - Dependable; offering excellent service to our exacting retail customers
- Mix of growth and income
- Resilient business model
  - Diverse customer base
  - Ownership of the brands
  - Established international presence
- Investment in robotics and AI
- Leading ESG approach

Beldray Spot Buster
Remove tough stains, spills and messes

Financial Highlights

Revenue
£87.6m
+2%
HY22: £85.7m

Adjusted EBITDA*
£11.2m
+0%
HY22: £11.2m

Adjusted Profit Before Tax*
£9.4m
-5%
HY22: £9.9m

Adjusted Earnings Per Share*
8.6p
-6%
HY22: 9.1p

Dividend Per Share
2.43p
+6%
HY22: 2.3p

Net Bank Debt: Adjusted EBITDA
1.0x
HY22: 1.9x

*Adjusted measures are earnings before share-based payment expense and non-reccuring items.

Operational Highlights

01
Appointment of first dedicated Brand Director

02
Successful relaunch of the Petra brand into the German market

03
Renewal of the Russell Hobbs trademark licence on improved terms

04
Launch of the Group's inaugural ESG Strategy

05
Investment into robotics and AI

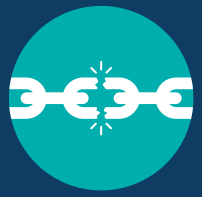
06
Attendance at Ambiente; Europe's largest Trade Fair (Germany)

07
Beginning our journey to diversify our supply chain

A Consistent and Resilient Track Record Despite Unprecedented Changes

Brexit

COVID-19



Supply Chain disruptions

Freight cost fluctuations

Retail overstocking

Sterling weakness

Cost of Living crisis

Inflation

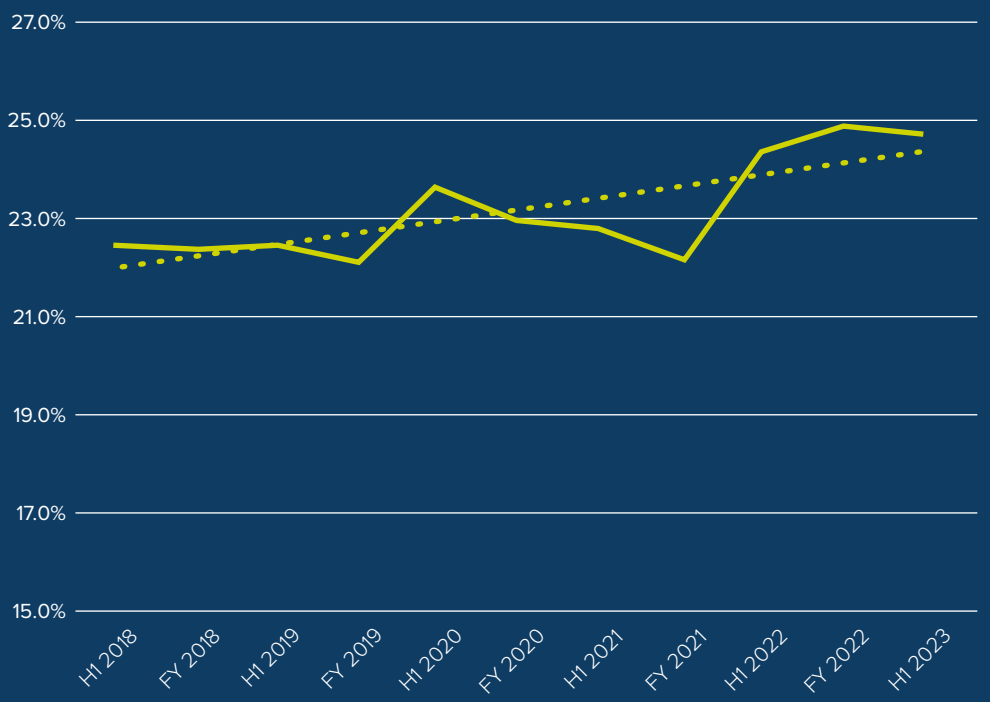
Dependable Long-Term Growth

	Revenue £'m	Adjusted EBITDA £'m	EPS pence	DPS pence
2018	87.6	7.2	5.4	2.72
2019	123.3	10.7	8.4	4.09
2020	115.7	10.4	8.3	3.96
2021	136.4	13.3	11.1	5.02
2022	154.2	18.8	14.7	7.12
CAGR	**15%**	**30%**	**28%**	**27%**

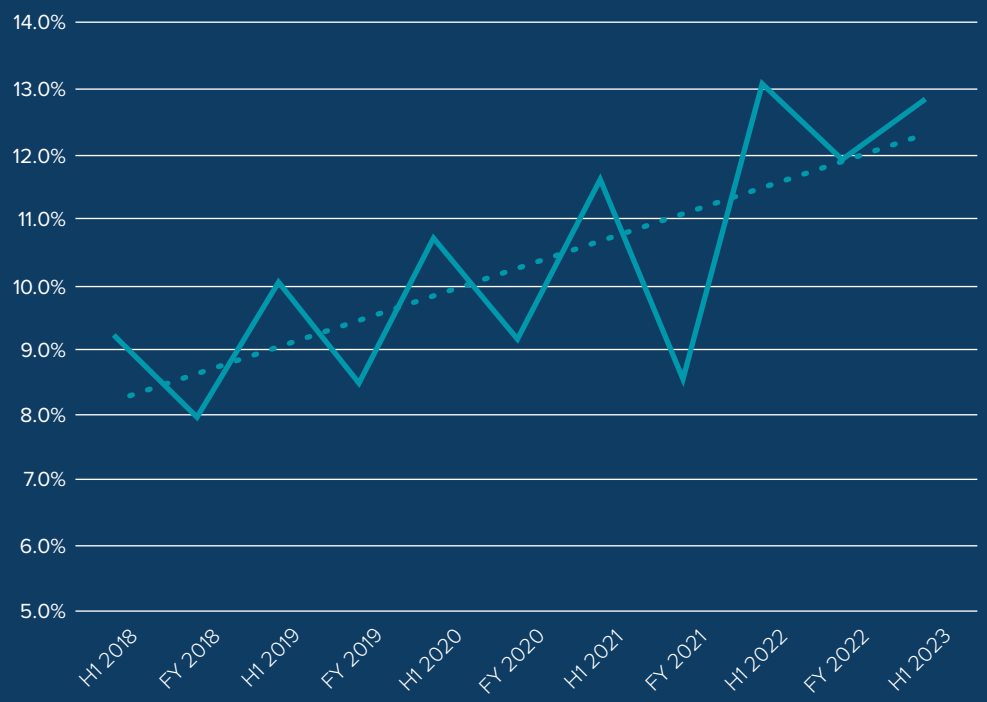
- Despite continual challenges, financial performance has been strong
- Meaningful growth in revenues, profits and margin
- All of which demonstrate the Group's resilience and growth prospects

Consistent Margins

Gross Margins since 2018



Operating Margins since 2018

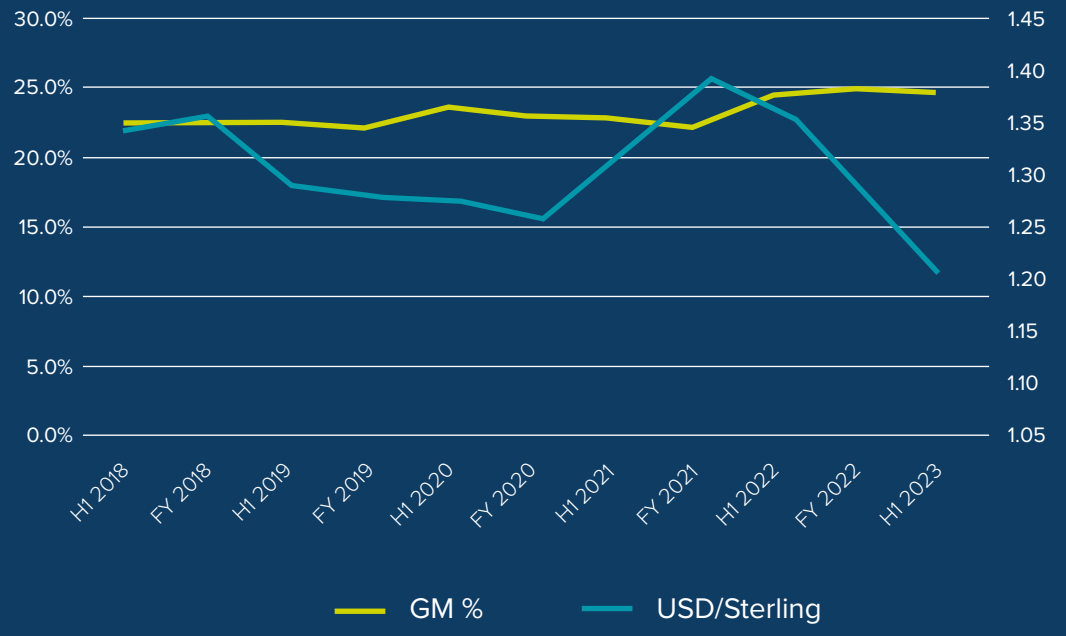


- Stable gross margin, and increasing operating margin are a result of:
  - Portfolio of brands
  - Supply chain management expertise
  - New product development
  - Productivity gains

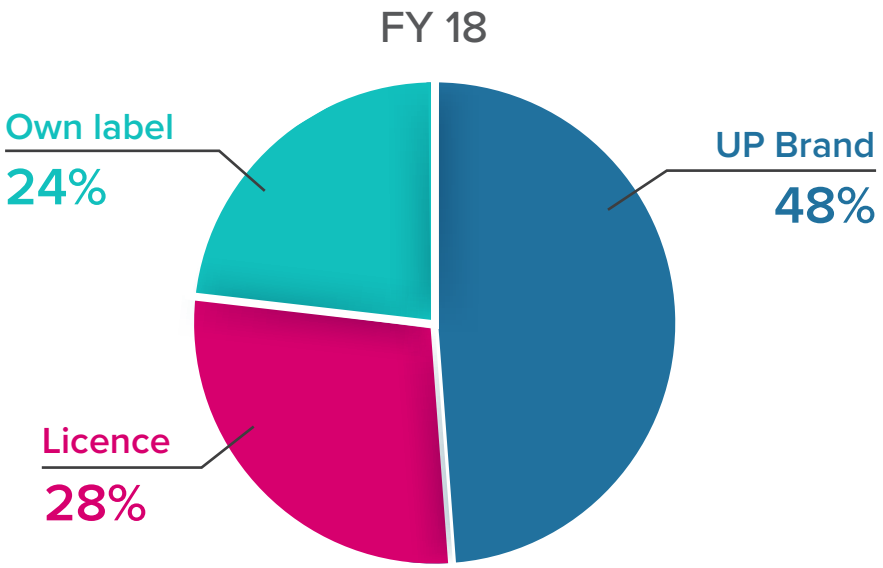
Maintaining Margin in Spite of Market Fluctuations

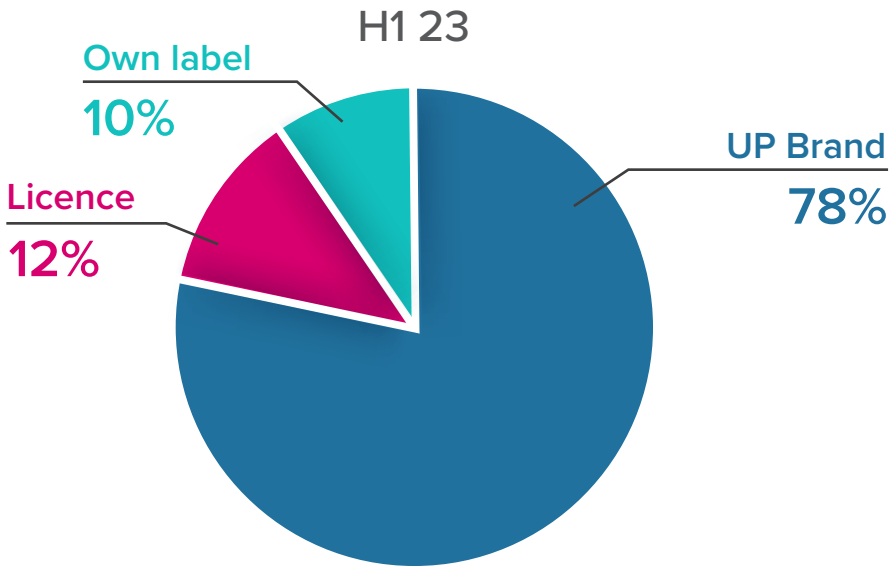
Gross Margin % & Freight Cost

Gross Margin % & FX Rate



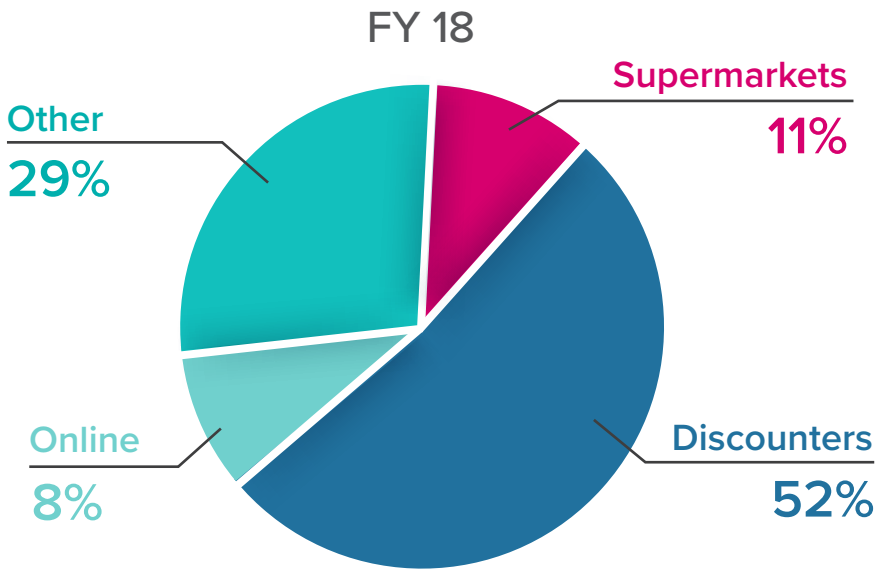
Strength of Our Brands

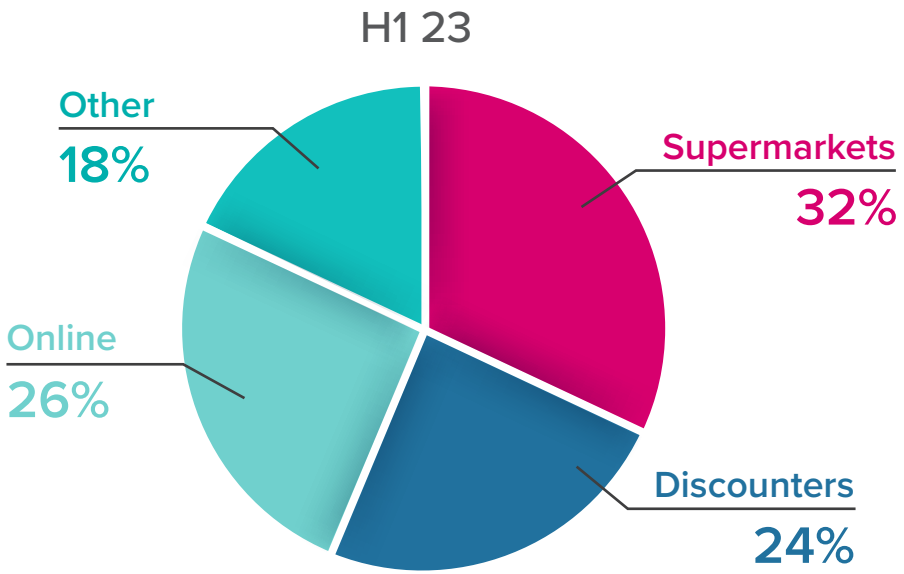




- The Group has built a sizeable proprietary brand portfolio with a focus on six core brands
- 78% of revenues now relate to UPGS owned brands, compared to 52% in 2018
- Salter brand has seen particularly strong trading, with its energy-saving Small Domestic Appliances resonating with UK consumers
- Brands provide an opportunity to leverage consumer loyalty, and give more pricing ability

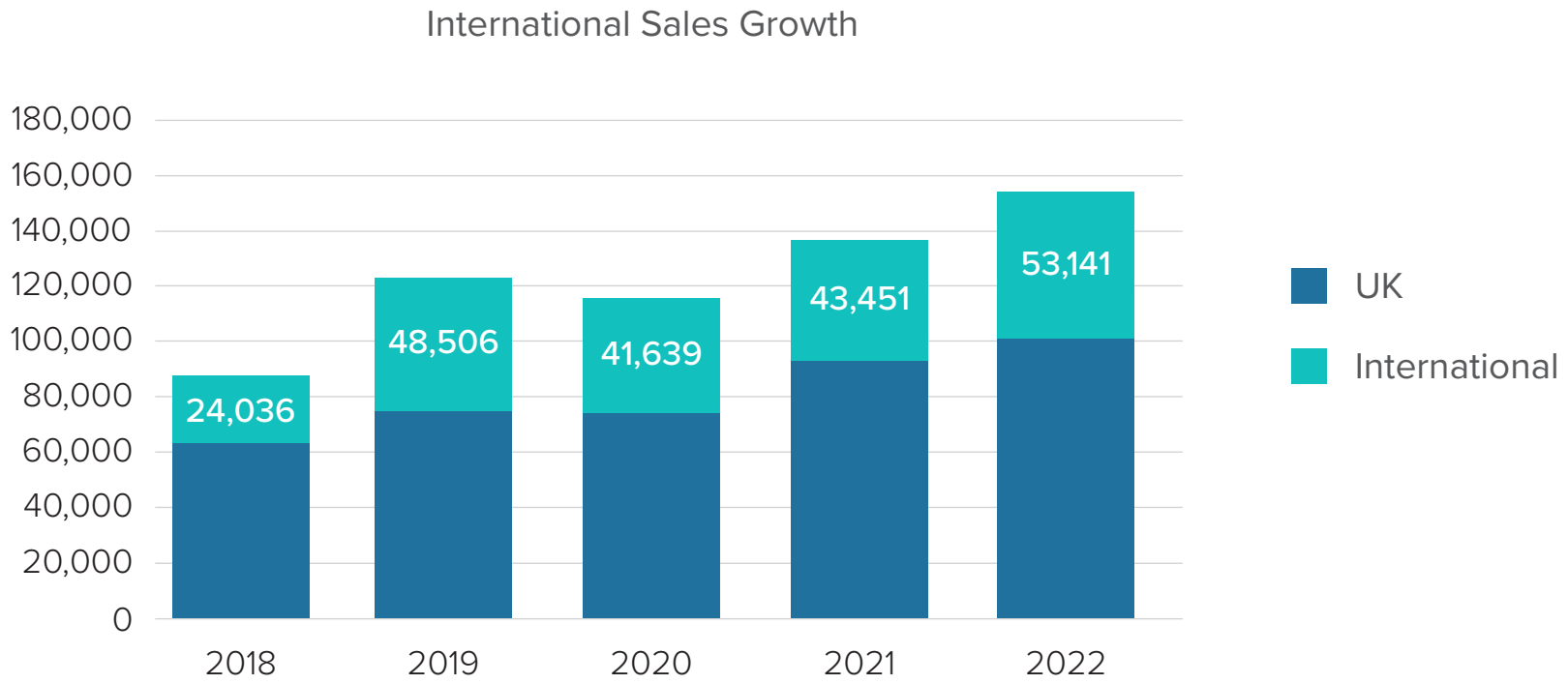
Resilience of Our Model





- Sales by Channel have been significantly diversified, with multiple customers across multiple geographies
  - Supermarkets continue to be our largest revenue channel, making up 32% of the total, up from 11% in 2018
  - Online has seen strong growth, with the prior period held back due to supply constraints, in-line to meet strategic goal of 30% of sales
  - Discounters have suffered most from post-COVID overstocking

Growth Opportunities



- International sales have matched the revenue growth in the UK driven by our relationships with supermarkets
- Broad customer base of 45 countries
- UK sales up 10% where energy saving products have resonated with customers; International sales held back due to retailer overstocking
- Significant opportunities
  - New customers
  - Expansion with existing customers
  - Online still nascent (less than 10% of International sales)

Investment in Our Future

1. Drive long product life cycles through customer diversification
2. Enhancing our systems through use of robotics & AI
3. Diversifying supply chains away from their narrow geographical base
4. Continual investment in our people led by our Graduate Development Scheme

Income Statement

	H1 2023 £'000	H1 2022 £'000	£'000	%
Revenue	**87,606**	**85,746**	**1,860**	**2%**
Cost of Sales	(65,976)	(64,845)	(1,131)	2%
Gross Profit	**21,630**	**20,901**	**729**	**3%**
GM %	*24.7%*	*24.4%*	*0.3%*	
Administrative expenses	(10,397)	(9,669)	(728)	8%
Adjusted EBITDA	**11,233**	**11,232**	**1**	**0%**
EBITDA margin %	*12.8%*	*13.1%*	*-0.3%*	

- Group revenue has increased by 2% to £87.6m, with General Merchandising continuing its long-term trend of seeing little to no price inflation.
- GM% has increased by 0.3% as the business began to see the benefit of the fall in freight rates at the end of the period.
- Administrative expense increased by 8%, reflecting the inflationary environment.
  - Wages, which make up 70% of the cost, are up by 6%
  - £0.6m renewed investment in trade shows such as Ambiente to drive European sales growth.
- In a challenging inflationary environment, EBITDA steady at £11.2m.

Breakdown of Revenue

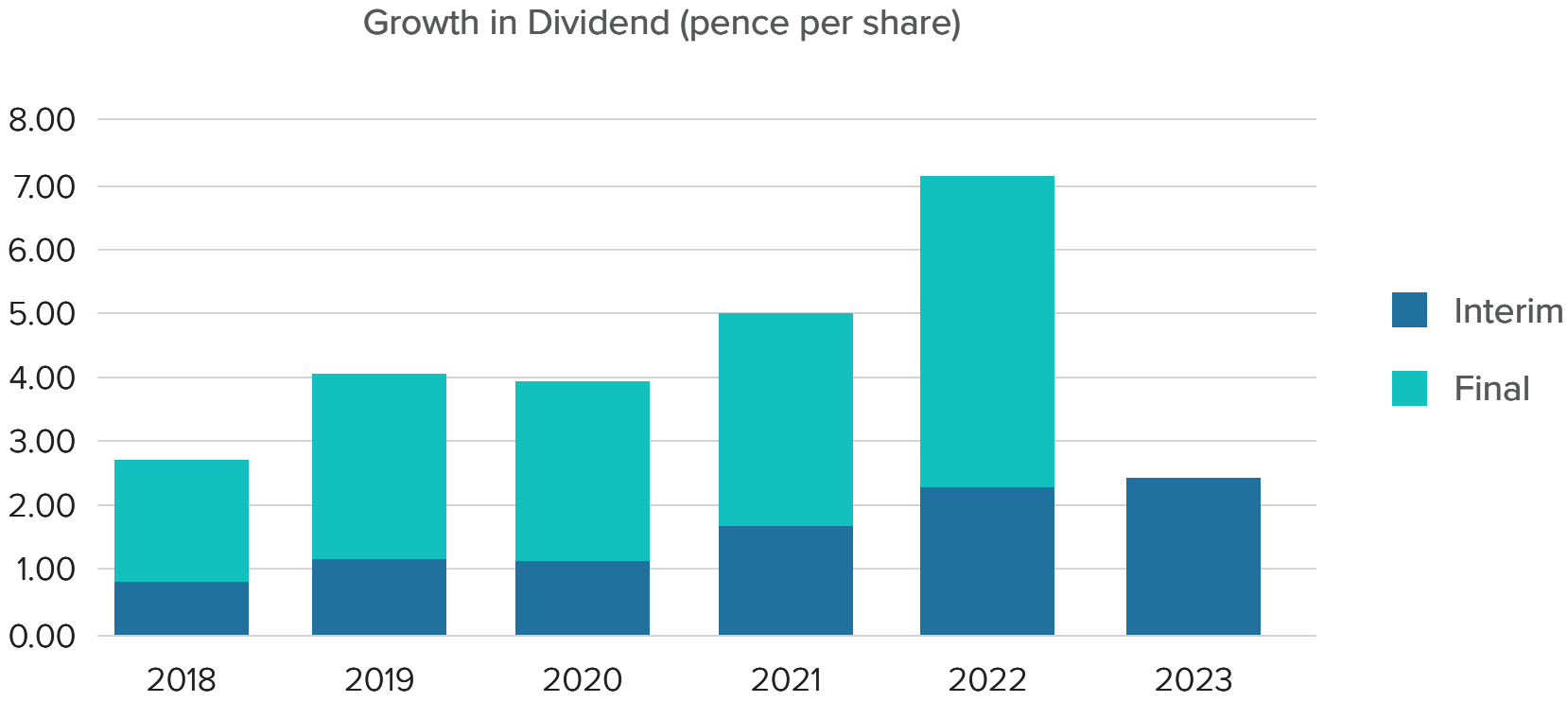
	H1 2023	H1 2022	Change	%	H1 2023	H1 2022	FY 2018
	£'000	£'000	£'000		%	%	%
Supermarkets	28,097	31,835	(3,738)	-12%	32%	37%	11%
Online channels	22,904	12,835	10,069	78%	26%	15%	8%
Discount retailers	21,063	25,109	(4,046)	-16%	24%	29%	52%
Other	15,542	15,967	(425)	-3%	18%	19%	29%
Total	**87,606**	**85,746**	**1,850**	**2%**			
UK	62,569	56,718	5,851	10%	71%	66%	73%
International	25,037	29,028	(3,991)	-14%	29%	34%	27%
Total	**87,606**	**85,746**	**1,850**	**2%**			

Adjusted & Statutory Profit

	H1 2023 £'000	H1 2022 £'000	£'000	%
Adjusted EBITDA	**11,233**	**11,232**	**1**	**0%**
Depreciation & amortisation	(1,136)	(957)	(179)	19%
Finance expense	(711)	(361)	(350)	97%
Adjusted profit before tax	**9,386**	**9,914**	**528**	**-5%**
Tax expense	(2,007)	(2,177)	170	-8%
Adjusted profit after tax	**7,379**	**7,737**	**(358)**	**-5%**
Share-based payment expense	(128)	(144)	16	-11%
Tax on adjusting items	29	27	2	7%
Statutory profit after tax	**7,280**	**7,620**	**(340)**	**-4%**

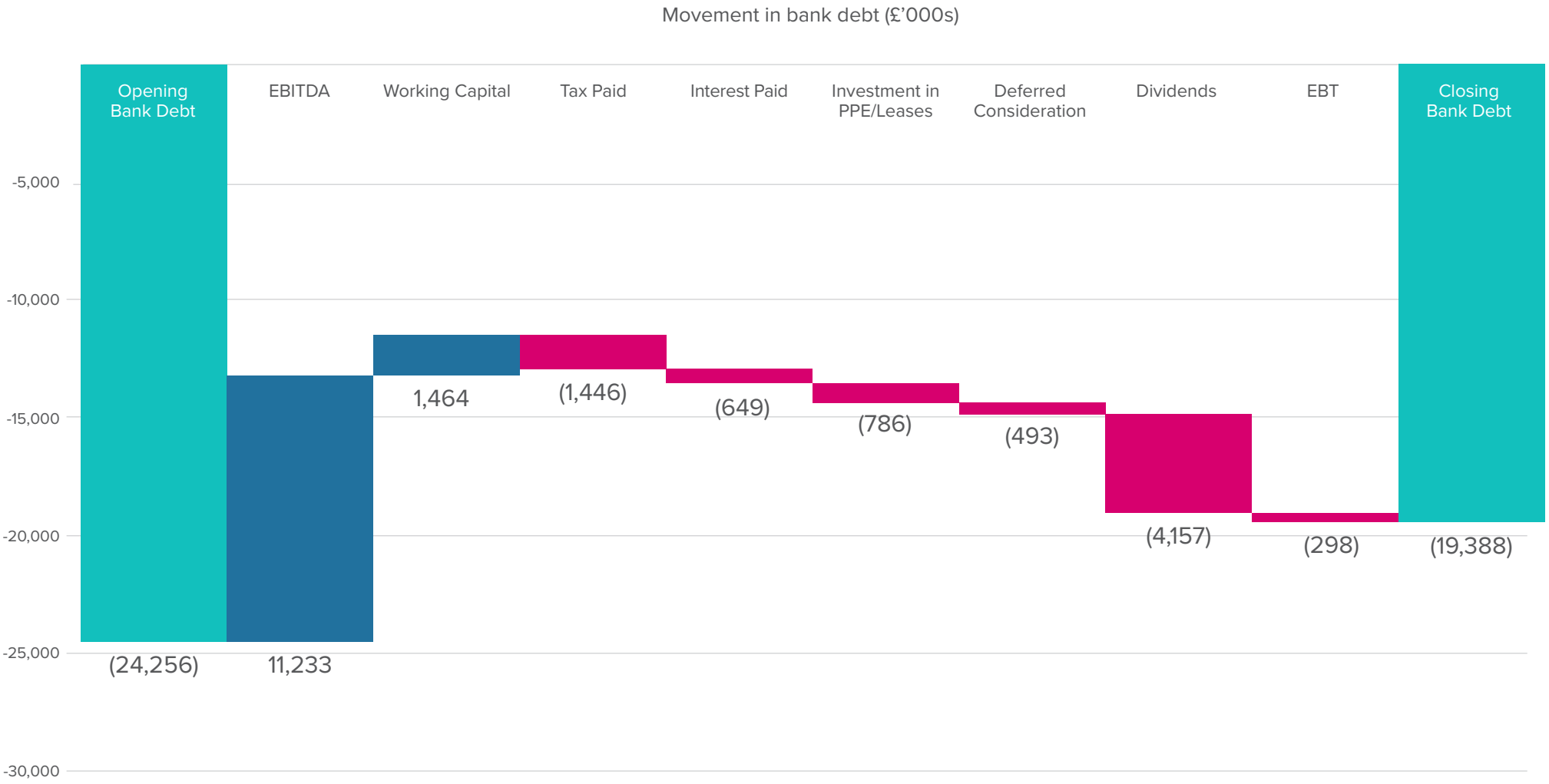
- Depreciation has been impacted by our investment in solar panels
- Finance expense increased with interest rates, with our caps and swaps limiting the negative impact
- Effective tax rate for the period at 21% (H1 2022: 22%) was higher than the statutory rate of 19% due to the higher statutory rate of tax paid on our European foreign branches in Germany and Poland.

EPS & Dividend



- Adjusted profit decreased 5%
- Weighted average number of shares increased as a result of successful vesting of SAYE
- Adjusted EPS decreased 6% to 8.56
- Board intention to continue its policy of paying out 50% of annual profits, with a similar interim/final split
- Interim dividend increased 6% to 2.43p

Cash Flow


Movement in bank debt (£'000s)
Opening Bank Debt
EBITDA
Working Capital
Tax Paid
Interest Paid
Investment in PPE/Leases
Deferred Consideration
Dividends
EBT
Closing Bank Debt
-5,000
-10,000
-15,000
-20,000
-25,000
-30,000
(24,256)
11,233
1,464
(1,446)
(649)
(786)
(493)
(4,157)
(298)
(19,388)

Balance Sheet

	Jan 23 £'000	Jul 22 £'000	£'000
Property, Plant and Equipment	**5,606**	**6,369**	**(763)**
Inventory	27,290	29,162	(1,902)
Debtors	34,323	32,194	2,129
Creditors	(32,081)	(29,816)	(2,267)
Total Working Captial	**29,532**	**31,542**	**(2,010)**
Cash	5,004	182	4,822
Working Capital Facilities	(17,392)	(14,376)	3,016
Long-term Bank Debt	(7,000)	(10,062)	3,062
Net Bank Debt	**(19,388)**	**(24,256)**	**4,868**
Leases	(2,353)	(2,757)	404
Deferred Consideration	(494)	(987)	493
Net Debt	**(22,235)**	**(28,000)**	**5,765**
Intangibles	37,014	37,025	(11)
Deferred Tax	(6,928)	(7,585)	657
Derivatives	240	4,142	(3,902)
Accounting Assets	**30,326**	**33,582**	**(3,256)**
Net Assets	**43,229**	**43,493**	**(264)**

- Total Working Capital £1.8m lower due to post peak balance sheet. In July we see inventory starting to build towards seasonal highs
- Bank debt below £20m
- Net bank debt / 12 month rolling EBITDA ratio is 1.0x
- Fall in value of derivatives as 'good' forex deals have been used - allowing time for gross margin management.

Petra Dual Air Fryer
Tasty and energy efficient way to cook

03 | Summary & Outlook

Outlook Statement

The Board anticipates full-year performance for FY23 will be in line with current market expectations*, with H2 performance benefiting from significant growth in our online channel which is less seasonal. The Group is well placed to respond to the challenges of the current cost of living crisis given its relentless focus on delivering value and growth.

* Consensus market expectations for the financial year ending 31 July 2023:
  - Revenues of £165.3m (actual FY22: £154.2m)
  - Adjusted EBITDA of £20.1m (actual FY22: £18.8m)
  - Adjusted EPS of 14.8p (actual FY22: 14.3p)

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UP Global Sourcing Holdings PLC
Manor Mill
Victoria Street
Chadderton
Oldham
OL9 0DD

+44 (0) 161 627 1400
www.upgs.com