ULTIMATE PRODUCTS

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UP GLOBAL SOURCING HOLDINGS PLC
INTERIM RESULTS FY20

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INTERIM RESULTS FY20: AGENDA

1. FINANCIAL & OPERATIONAL HIGHLIGHTS
2. COVID-19: IMPACT & RESPONSE
3. H1 TRADING OVERVIEW BY CUSTOMER-TYPE
4. H1 OPERATIONAL REVIEW
5. CURRENT TRADING & OUTLOOK

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1. FINANCIAL & OPERATIONAL HIGHLIGHTS

- Revenue up 2.8% (or £1.9m) to £67.7m (H1 FY19: £65.8m), driven by UK and European supermarket customers (revenue up 45.4%) and online platforms (revenue up 25.5%)
- International revenue up 9.8% on an underlying basis (i.e. excluding the cessation of business with our largest German customer, following the sale of that operation by its parent company)
- Underlying EBITDA up 3.5% to £7.2m (H1 FY19: £7.0m)
- Underlying profit before taxation up 4.8% to £6.2m (H1 FY19: £5.9m)
- Net bank debt/underlying EBITDA ratio at 31 January 2020 was 1.0x (31 July 2019: 1.3x; 31 January 2019: 1.5x)
- Successfully extended the Group's banking facilities to 2024, with funding headroom at 31 January 2020 of £13.2m (31 July 2019: £10.1m; 31 January 2019: £10.5m)
- 90% of the Group’s factories in China now back up to full production, following the initial disruption caused by COVID-19
- Agreed terms on a 10-year lease extension at Manor Mill, the Group's head office and second distribution centre in Oldham, Greater Manchester, in anticipation of planned investment in the site
- Interim dividend being suspended: one of a range of steps being taken to conserve cash and maintain the financial strength of the business in light of the impact of COVID-19

2. COVID-19: IMPACT & RESPONSE

SUPPLY:
- Manufacturing operations in China have now normalised, with over 90% of our factories back up to full production
- Delays earlier in the year estimated to result in a reduction of c. £0.8m to FY20 revenue

DEMAND:
- Customers deferring / cancelling existing orders and delaying placing new orders since UK lockdown started

OPERATIONS:
- Online business remains open as per UK government guidance, with strictly monitored safety measures
- UK and European office teams working remotely with no resulting disruption to the running of the business
- Product development continues, and commercial teams in close contact with customers

FINANCIAL AND OPERATIONAL MEASURES TO PRESERVE THE GROUP'S CAPITAL BASE:
- All capex projects temporarily ceased
- Making use of the UK government's VAT deferral and Time to Pay initiatives
- Agreed with HSBC:
  - An increase of £4.0m in the Group's RCF facility
  - A short-term relaxation in covenant tests
  - An increase in the percentage of receivables advanced via the invoice discounting facility
  - An extension of the funding period of our import loan facility from 120 days to 180 days
- Purchase orders placed with manufacturers under constant review and being deferred / slowed down in the supply chain where necessary
- Interim dividend suspended
- A number of employees placed into the COVID-19 Job Retention Scheme ('furlough'), but no permanent headcount reductions

COMMUNITY:
- Providing much-needed practical and financial support to local charities, hospitals and other community organisations, in part funded by CEO and MD waiving salaries and other directors' 20% voluntary salary cuts

3. H1 TRADING OVERVIEW BY CUSTOMER-TYPE

DISCOUNTERS:
- Sales declined by £5.6m or 16.5%
- Driven by cessation of business with our largest German customer as its parent company undertook a strategic review of that operation
- Relative decline in intake from another large European customer as a result of additional intake last year on new lines

SUPERMARKETS:
- Revenue grew by £5.0m or 45.4%.
- Brands continued to resonate well with supermarkets in both the UK and, increasingly, in Europe

ONLINE PLATFORMS:
- Revenue up £1.6m or 25.5%
- Accounted for 11.3% of overall revenue (H1 FY19: 9.3%) against a long-term target of over 20%
- Growth rate has accelerated during the COVID-19 lockdown, with particularly strong sales in cleaning and laundry products

INTERNATIONAL:
- Revenue declined by £2.7m or 10.2% (for the reason noted above under DISCOUNTERS)
- Underlying growth (i.e. excluding the above) was 9.8% overall and 102.2% in Germany
- International continues to be a key priority, both as a growth opportunity in its own right and to provide diversification away from the UK

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4. H1 OPERATIONAL REVIEW

RENEWAL OF BANK FACILITIES

- Prior to the renewal:
  - RCF of £6.2m, invoice discounting ("ID") facility of £17m, import loan facility of £8.7m

- As a result of the renewal:
  - RCF and ID facility extended to 2024 and increased to £8.2m (up £2.0m) and £23.5m (up £6.5m) respectively
  - Import loan facility remains at £8.7m and, as before, is repayable on demand and subject to annual renewal
  - No material changes made to the facilities' terms or financial covenants

- Further agreements made in March and April in response to COVID-19 (detailed separately)

HEAD OFFICE INVESTMENT

- Extended lease in January of Manor Mill in anticipation of planned improvements to the site
- Lease extension is for 10 years with the annual rent maintained at the current rate of £180,000
- Planning to invest £1.8m for additional capacity for future growth, although plans now deferred to 2021 in light of COVID-19

RUSSELL HOBBS LICENCE RENEWAL

- Renewed trademark licence agreement in September with Spectrum Brands for exclusive licence to use Russell Hobbs brand
- Covers the distribution of cookware and laundry products in the UK and EU until March 2023, and does not include electrical appliances
- Generated revenues of £9.4m in FY19 under the Russell Hobbs brand, representing 7.6% of the total revenue for that period

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5. CURRENT TRADING & OUTLOOK

- Group was trading well and in line with expectations until early March, despite supply chain challenges in China
- However, now anticipating a significant drop in revenue and profitability in H2 FY20 due to prevailing demand issues
- Continuing to make sales via online and to retailers that remain open, albeit at a reduced level
- Total revenue for FY20 at 24 April 2020 was £85.9m (FY19: £90.6m), with order book for the remainder of FY20 of £18.1 m (FY19: £27.0m)
- Further deferrals and cancellations remain a risk
- The Board is confident that the business has sufficient financial strength to trade its way through the current disruption.
- The Group is well capitalised with a strong balance sheet and good access to funding, its bank facilities having recently been extended
- We believe there may be attractive growth opportunities for the Group as it emerge from this period of uncertainty
- As a result, we remain confident in the long-term prospects of the business