ULTIMATE PRODUCTS
HOME OF BRANDS

Welcome to the Home of Brands

Ultimate Products plc
Full Year Results FY23

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Presenters

- Simon Showman
  Chief Executive Officer

- Andrew Gossage
  Managing Director

- Chris Dent
  Chief Financial Officer

Our purpose, culture and values

Our Purpose

We provide beautiful and more sustainable products for every home.

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). Our purpose is to provide beautiful and more sustainable branded products for every home, across the UK and Europe. Our focus on sourcing appealing branded products at prices that resonate with both retail customers and consumers has helped us grow our business during challenging economic times.

Our Culture and Values

- We are passionate about product
- We always strive to do the right thing
- We love our brands
- We invest in our people
- We care about our community
- We go the extra mile for our customers
- We care about the environment

Business model

A model for **growth**

What we do...

We **develop brands**

Spotting trends early, being innovative and developing new and existing products at pace is key for providing competitively priced, and more sustainable product ranges that consumers want in their homes.

We **source beautiful products**

Our buying teams derive products from 16 countries with the majority coming from China. We have a sourcing office in Guangzhou, China which keeps us close to our suppliers. To protect our brands and ensure the quality and sustainability of what we source, we have in-house teams of quality assurance professionals.

We **protect our brands**

We are privileged to own Salter, the UK's oldest housewares brand, established in 1760, and Beldray, established in 1872. We also have a wide portfolio of other brands, such as Petra, Progress and Kleeneze. We are passionate that the products we source reflect the prestige of these brands. Through our innovation and marketing we build and grow awareness of these brands.

We **grow profits**

At the centre of our strategy is our desire to become the leading supplier of quality homeware products, with an ambition to be in every home across the UK and Europe; this leads to us increasing sales & profits, and growing value for our shareholders.

We **sell to retailers & consumers**

Our UK and European sales teams sell to over 300 retailers in 45 countries. In addition we have a growing online business with direct to consumer offering. Supply channels include bespoke forward orders as FOB or landed, along with a growing direct-from-stock option.

We **distribute globally**

Our supply chain team ensure smooth service for our customers, helping navigate the significant headwinds that have been experienced in shipping and haulage. Through our deep and long-lasting relationships with trusted partners, and our advanced systems and applications, we can manage the complexity of supplying retail and online in a cost-effective and scalable manner.

We **invest in people & productivity**

It is our people that drive our business model, from product development, to buying, to design, to QA, to shipping. We are, therefore, proud of our investment in our people and our sustainability. In particular, our graduate development scheme has been key in building our success.

Our priorities when pursuing our strategy are:

To generate **repeat** business and through this deliver increased revenue and higher operating margins.

To have a **unique** product offering achieved through innovation and a focus on our brands.

To have best-in-class **execution** in everything that we do.

To be **focused** on our four key growth drivers:

- Supermarkets
- Discounters
- Online
- International

To exercise strong **financial discipline** in management of operating costs, cash and risk.

Highlights

Operational highlights

- Successful relaunch of Petra, the German kitchen electrical brand, into the German market
- Renewal of the Group's Russell Hobbs licencing agreement on a rolling four-year basis
- Continued investment in AI and robotics yielding positive results, and supporting operating margin
- Launch of the Group's inaugural ESG Strategy
- Opening of the Group's new European showroom in Paris post period end acting as a catalyst for the European expansion

Financial highlights

Revenue
£166.3m
+8% FY22: £154.2m

Adjusted EBITDA*
£20.2m
+8% FY22: £18.8m

Adjusted EPS*
15.4p
+4% FY22: 14.7p

Statutory EPS
14.6p
+2% FY22: 14.3p

Full year dividend per share
7.38p
+4% FY22: 7.12p

Net bank debt/adjusted EBITDA
0.7x
-43% FY22: 1.3x

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

Investment case: what sets us apart?

We are passionate about product

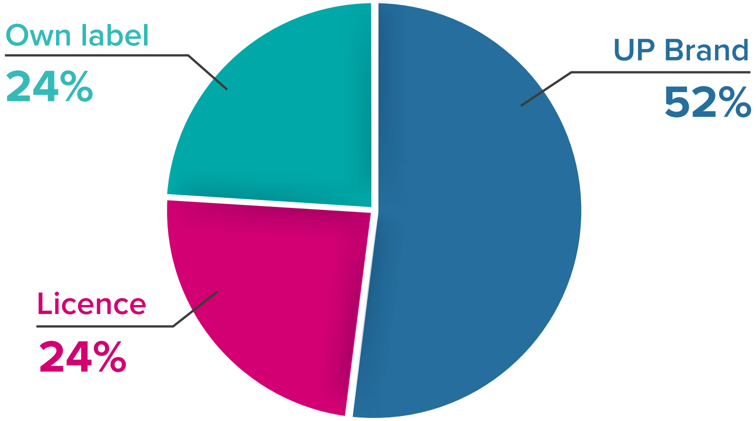
Our ambition is to be in every home across the UK and Europe

- Compelling customer proposition provides resilience demonstrated against a challenging consumer backdrop
- Established international and online presence provides oppurtunity for accelerated growth
- Focus on productivity provides profits

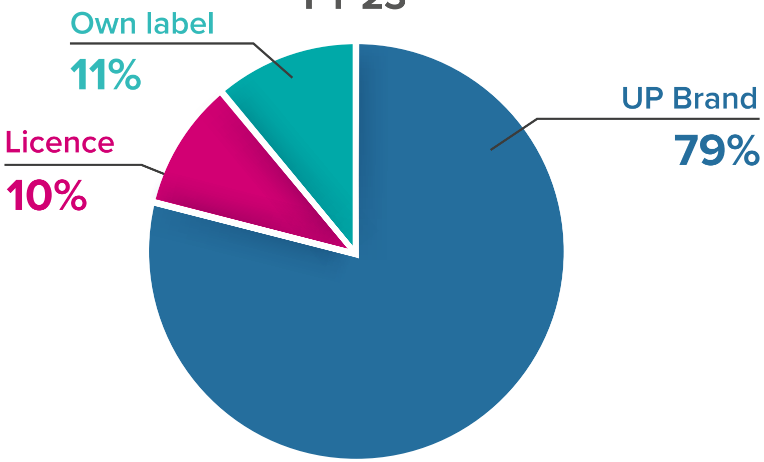
We develop and protect our brands

Compelling customer proposition **provides resilience**

FY 18



FY 23



Strategy

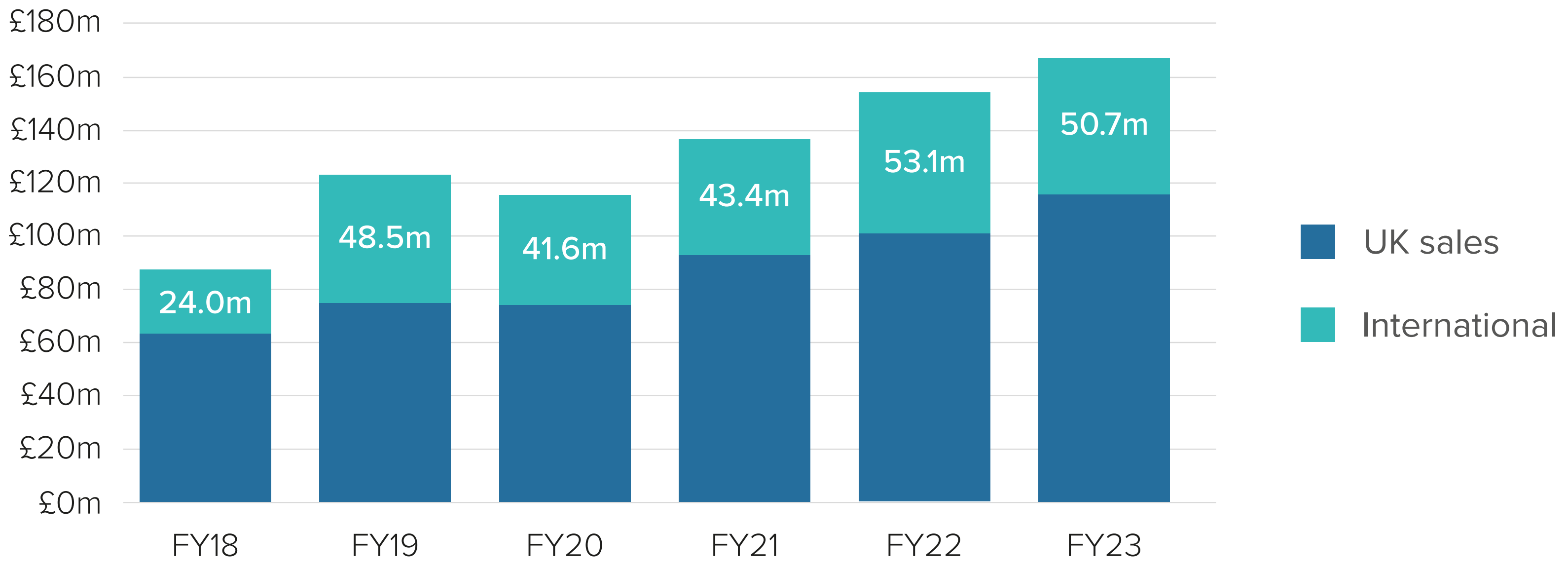
- Pivot to Brand Owner
- Our branded products appeal to both retail customers and consumers
  - Retailers earn 'own label margin' on branded products
  - Consumers purchase beautiful products at affordable prices
- Product refresh and innovation allows price resetting

Progress in Year

- **New Brand Director, who is professionalising our brand management**
- **Successful relaunch of Petra, the German kitchen electrical brand, into the German market**
- **Renewal of our Russell Hobbs Licence agreement on a rolling four-year basis**
- **Start of the refresh of the iconic Salter brand**

We sell beautiful products

Established international presence **provides growth**



Strategy going forward

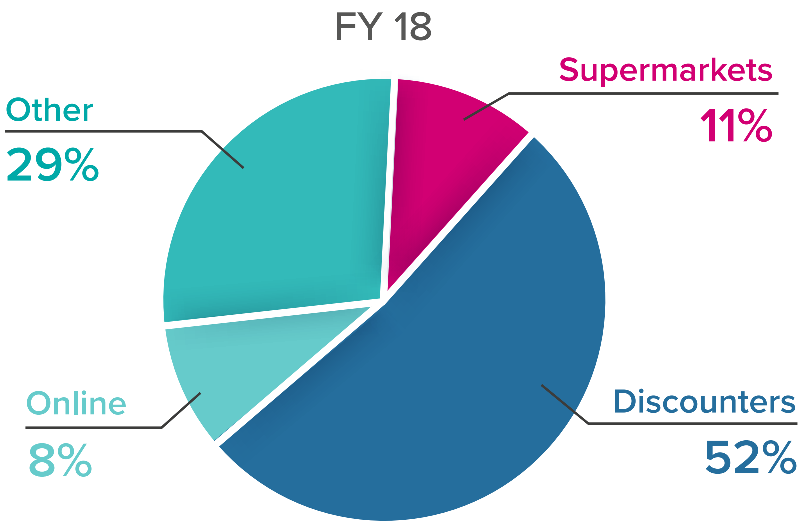
- Our products are as attractive to our retail partners and consumers in Europe as they are in the UK, and we view the continent as a key growth driver for the business
- We currently sell £1.72 of product per capita in the UK (population: c.67 million)
- Similar penetration in Europe (population: c.477 million), the financial effects would be transformational for our business
- In the short term we want European sales to be 50% of the total group sales
- In the medium term we want the same penetration in Europe as in the UK
- In the long term we want our products on kitchen counters around the world

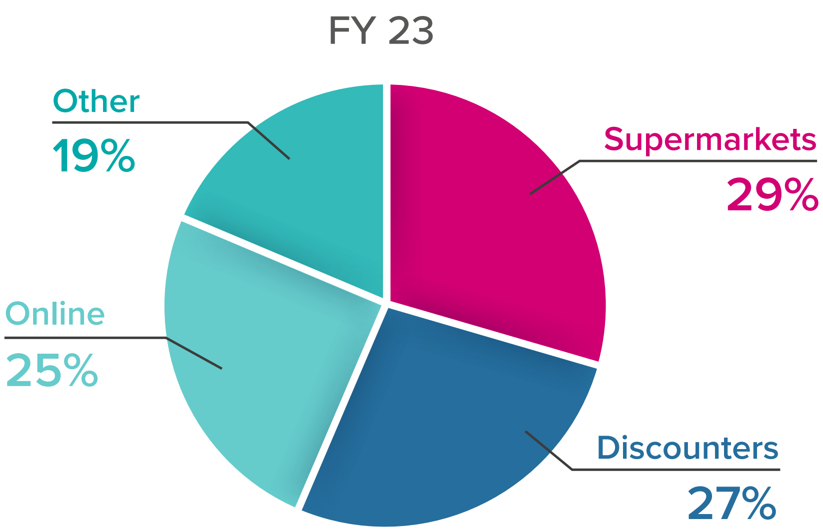
Progress in Year

- **Opening of the Group's new European showroom at the Homexpo Paris showroom complex, where the anchor tenant is JJA, one of France's largest home furnishing suppliers**
- **Successful relaunch of Petra, the German kitchen electrical brand, into the German market**
- **European sales held back due to over-stocking by German retailers**

Direct to Consumer

Established online presence **provides growth**





Strategy

- Our sales by channel has significantly diversified leading to more balanced business
- Supermarkets & Discounters continue to be strategic pillars, but sales held back by macroeconomic conditions
- Online sales are current driver of revenue growth
- Online sales to be 30% of revenue
- Investment is in place to drive medium term sales to £100m
- Experience gained in the UK helping to expand our online capabilities in Europe
- Capability, Capacity & Profitability

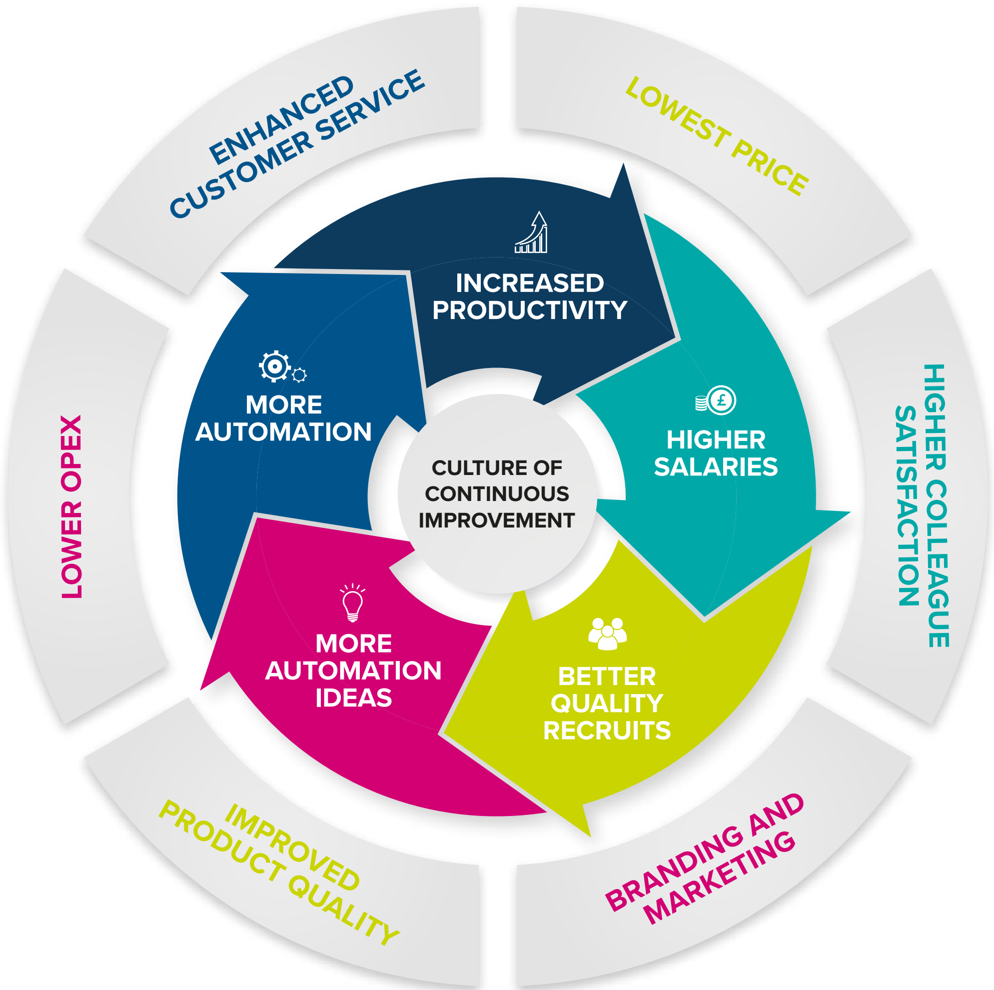
Progress in Year

- **Online sales grew 64% as supply chain issues reversed**
- **European online sales grew 115% to £4.3m**
- **Continued strong relationship with retail partners, sales held back due to overstocks & nervousness on large forward orders**
- **No customer concentration**

Top 12 Customers

Operational model

Focus on productivity **provides profits**



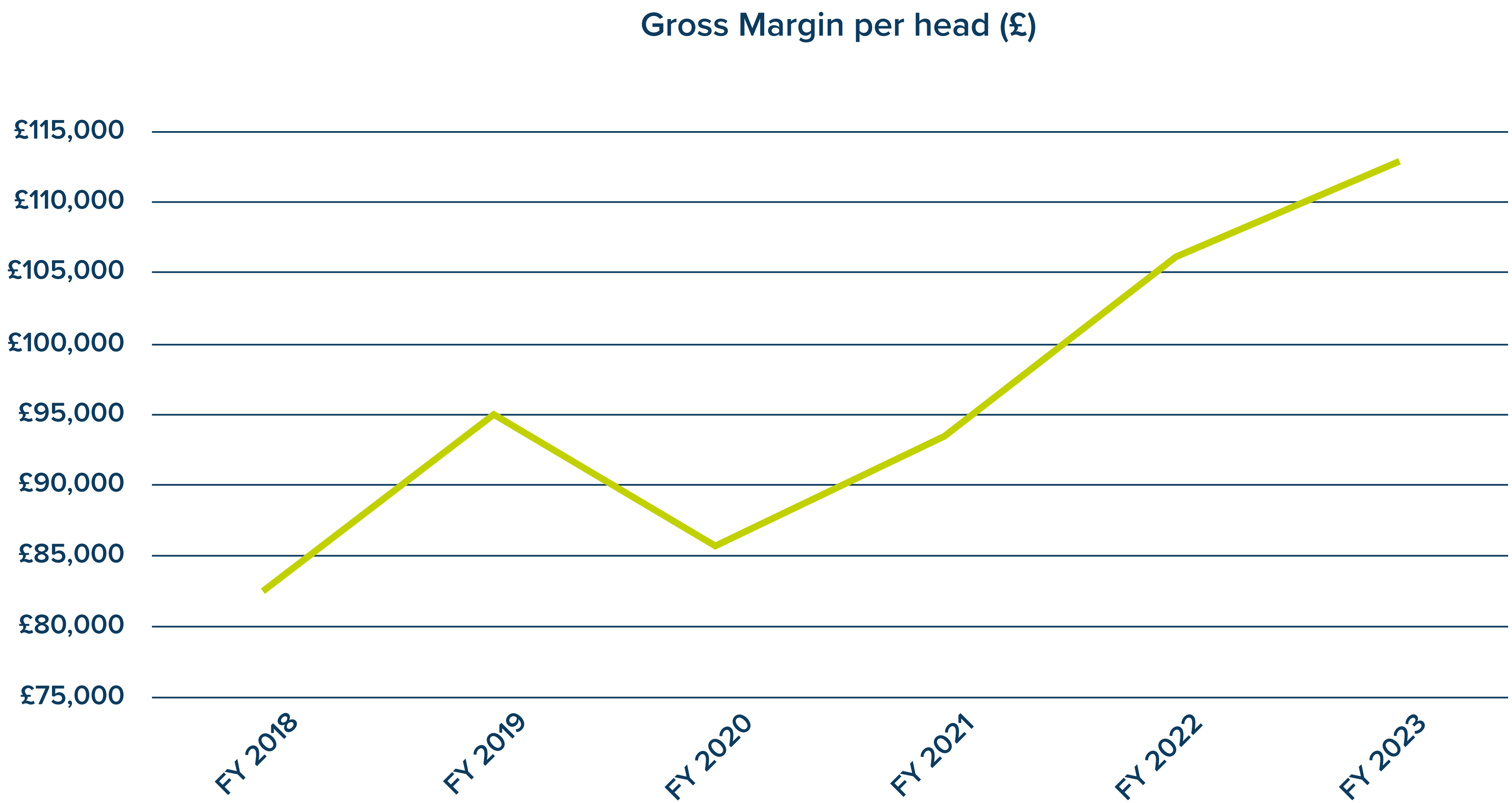
Strategy

- Our culture of continuous improvement has been instrumental in delivering record EBITDA of £20.2m, and helping us increase operating margins from 8.2% in 2018 to 12.2% in the current year
- Our operational model is not just an operating point
- Productivity gives us a competitive advantage to invest in
  - Enhanced customer service
  - Price
  - Branding and marketing
- Recycling time to higer tasks

Progress in Year

- **Continued investment in Robotics & AI**
- **451 Robotics tasks have now been automated**
- **1,021 hours saved each week**
- **Our unrelenting focus on productivity has driven gross profit per employee from £83k in FY18 to £113k in FY23**
- **Our people are back in the office**

Operating model drives gross margin per head



Income Statement: Revenue & Margins

	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	1 Year Growth	5 Year Growth
Revenue	**123.3**	**115.7**	**136.4**	**154.2**	**166.3**	**8%**	**8%**
Gross Profit	**27.2**	**26.6**	**30.2**	**38.4**	**42.7**	**11%**	**12%**
GM %	*22.1%*	*23.0%*	*22.2%*	*24.9%*	*25.7%*		
Adjusted EBITDA	**10.7**	**10.4**	**13.3**	**18.8**	**20.2**	**8%**	**17%**
OM %	*8.7%*	*9.0%*	*9.7%*	*12.2%*	*12.2%*		

- Group revenue increased by 8% to £166.3m in the period, driven by online growth, with retailers returning to growth in H2
- Due to our ongoing focus on supplying the best products at the best price for our retail customers and consumers, prices have followed their long-term trend with no price inflation contributing to our top line growth
- Gross margin increased to 25.7% from 24.9% as sales growth was driven by higher-margin online sales, and the fall in freight rates
- Administrative expenses rose 10% to £21.5m, reflecting inflationary environment
  - Wages, which make up 73% of admin costs, rose by 13%
  - £0.6m investment in trade shows such as Ambiente
- EBITDA up 8% to £20.2m despite a challenging inflationary environment

Income Statement: Profits

	FY23 £m	FY22 £m	Change £m	%
Adjusted EBITDA	**20.2**	**18.8**	**1.5**	**8%**
Depreciation & amortisation	**(2.3)**	**(2.1)**	**(0.2)**	**9%**
Finance expense	*(1.1)*	*(0.8)*	*(0.3)*	*34%*
Adjusted profit before tax	**16.8**	**15.8**	**1.0**	**6%**
Tax expense	*(3.6)*	*(3.1)*	*(0.4)*	*14%*
Adjusted profit after tax	**13.3**	**12.7**	**0.5**	**4%**
Share-based payment expense	**(0.8)**	**(0.4)**	**(0.4)**	**108%**
Tax on adjusting items	**0.2**	**0.1**	**0.1**	**218%**
Statutory profit after tax	**12.6**	**12.4**	**0.2**	**2%**

- Depreciation and amortisation increased 9% to £2.3m following our investment in solar panels at our Manor Mill head office during the summer of 2022
- The finance charge has increased to £1.1 m due to the higher level of interest rates
  - Benefit from the hedging instruments it entered into when interest rates were at historically low levels (an aggregate principle of £18.3m and are a mix of swaps and caps)
- The share based payment expense increased as a result of the modification of the MIP scheme which resulted in a one-off charge of £0.5m
- The tax charge for the period increased 14% due to the increase in UK corporation tax from 19% to 25%, increasing our blended rate

EPS & Dividend

	2019 £m	2020 £m	2021 £m	2022 £m	2023 £m	1 Year Growth	5 Year Growth
Adjusted EPS (p)	**8.4**	**8.3**	**11.1**	**14.7**	**15.4**	**5%**	**16%**
Dividend (p)	**4.09**	**3.96**	**5.02**	**7.12**	**7.38**	**4%**	**16%**
Dividend Yield *Based on 31st July share price*	*5.6%*	*5.5%*	*2.5%*	*6.7%*	*5.9%*		

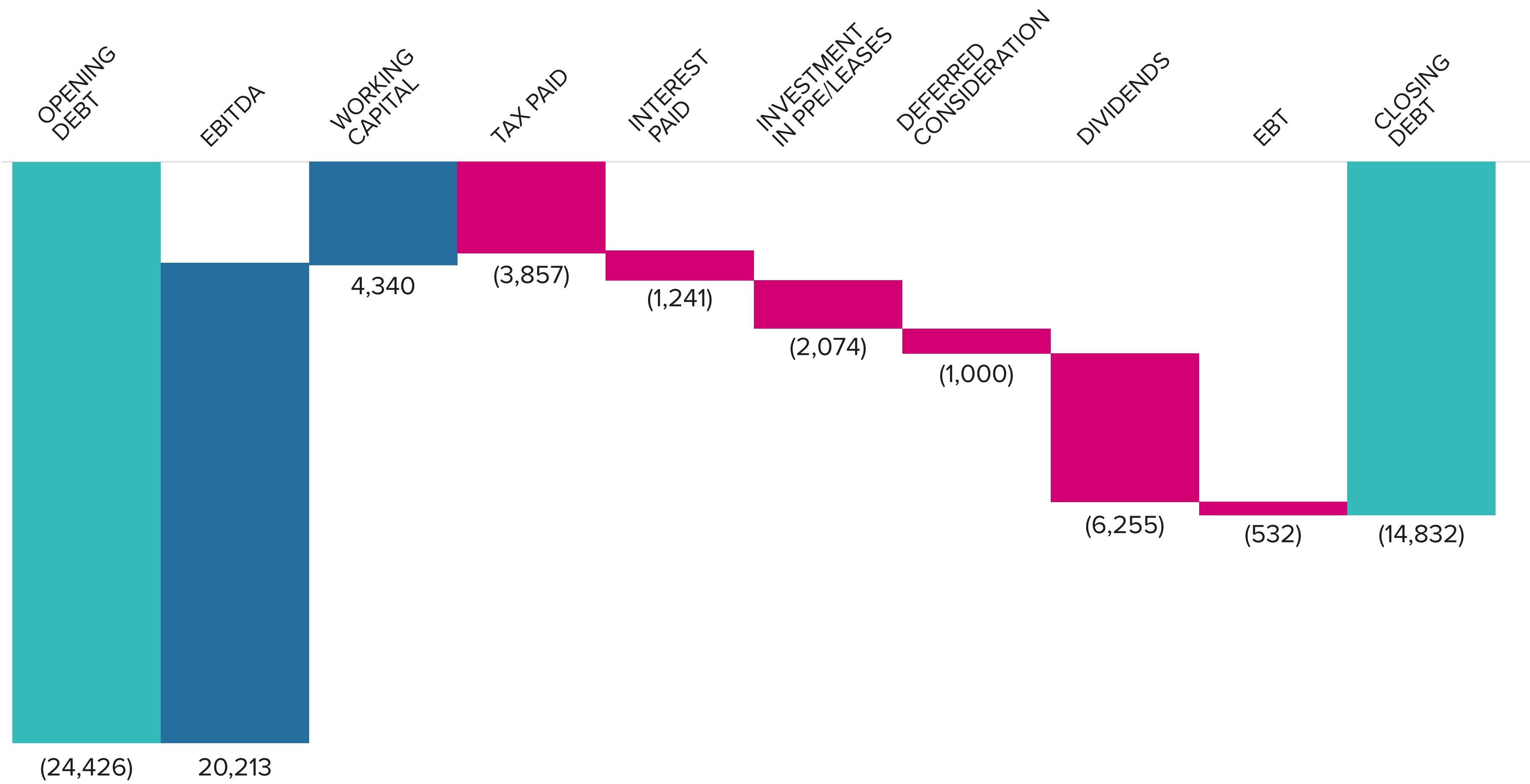
- Adjusted profit after tax increased 4%
- No change in overall number of shares
- Increase in adjusted EPS by 4% to 15.4p
- Supported by strong cash generation Board intention to continue its policy of paying out 50% of annual profits
- Total dividend increased 4% to 7.38p

Balance Sheet

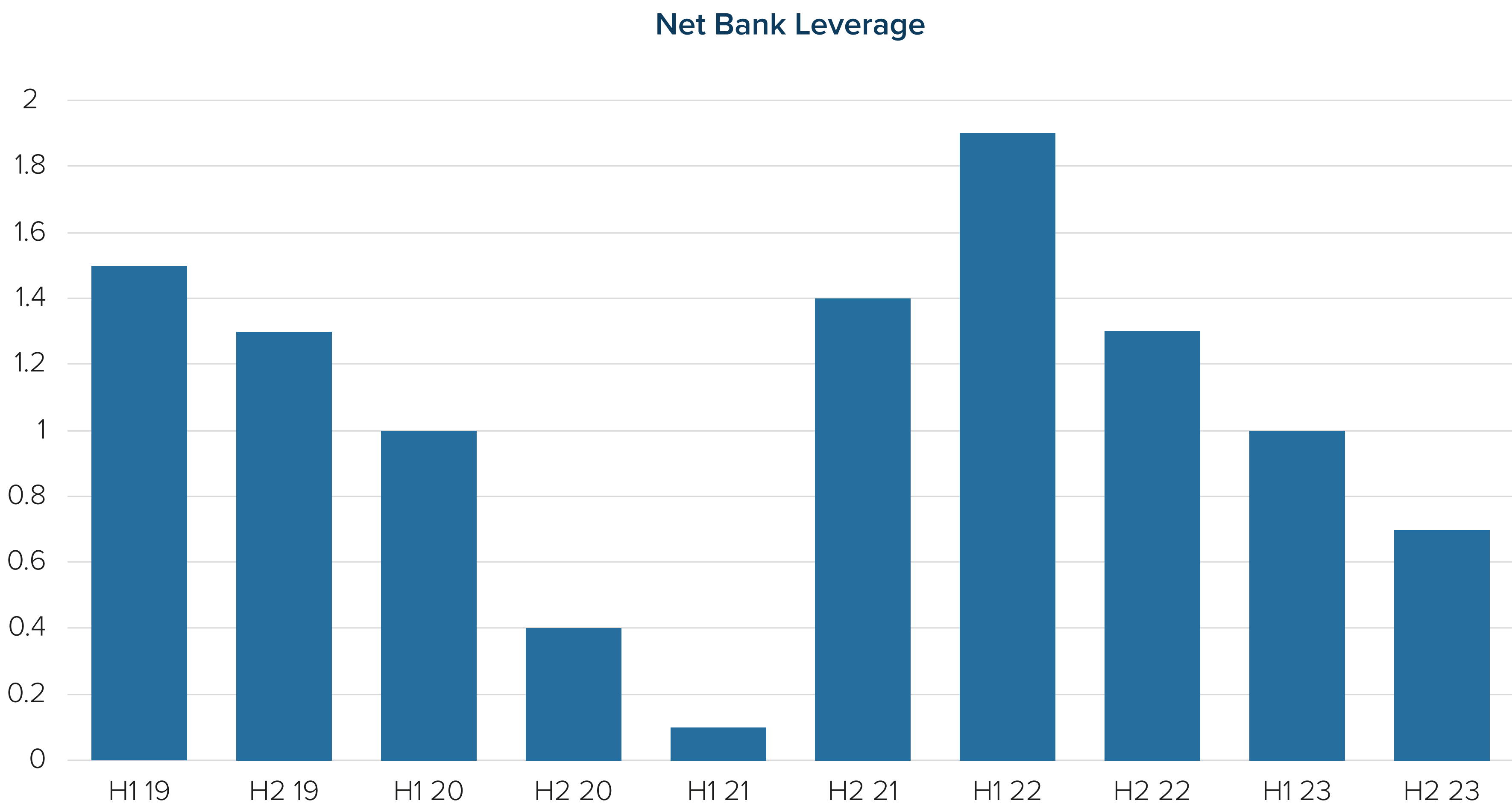
	2023 £m	2022 £m	Change £m	Change %
Net Fixed Assets	**3.3**	**3.6**	**(0.3)**	**-7%**
Stock	28.1	29.2	(1.1)	-4%
Debtors	29.9	32.2	(2.3)	-7%
Creditors	(30.0)	(29.6)	(0.4)	1%
Working Capital	**28.0**	**31.8**	**(3.8)**	**-12%**
Net Bank Debt	(14.8)	(24.3)	(9.4)	-39%
Deferred Consideration	0.0	(1.0)	1.0	-100%
Net Debt	**(14.8)**	**(25.2)**	**10.4**	**-41%**
Intangible Assets and Goodwill	37.0	37.0	(0.0)	0%
Hedging Instruments asset/(liability)	(0.6)	3.9	(4.5)	-115%
Deferred Tax	(6.8)	(7.6)	0.8	-10%
Accounting Assets	**29.6**	**33.4**	**(3.7)**	**-11%**
Net Assets	**46.1**	**43.5**	**2.6**	**6%**
Net Bank Debt Leverage	0.7	1.3		

- Strong cash generation form operating activities of £24.4m (FY22: £6.9m), representing a 121% operating cash conversion
- Working capital reduced due to tight control of stock and trade receivables
- Net bank debt has continued to reduce, with net bank debt leverage falling to 0.73x
- Debt from Salter acquisition paid down

Movement in net bank debt (£'000s)



Reduction in Leverage



- Bank debt has reduced rapidly following the Salter acquisition in H2 21 as profits turn to cash.

Summary & Outlook

Outlook Statement

The Board anticipates that full-year performance for FY24 will be in line with current market expectations. Net debt is continuing to reduce as the Group de-levers following the transformational Salter acquisition at the end of FY21. In the current environment of higher interest rates, the Group's low net bank debt/ adjusted EBITDA ratio, combined with its interest rate hedges, provides both a competitive advantage and growing optionality in the use of free cash flow.

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