

DISTIL BEVERAGES

DIS.L

1.15p

Market Cap: £5.7m

SHARE PRICE (p)



Source: LSE Data

KEY INFORMATION

Enterprise value	£4.8m
Index/market	FTSE AIM
Next news	Q4 17 TU - Apr 17
Gearing	N/A
Interest cover	N/A

 DISTIL IS A RESEARCH CLIENT OF
 PROGRESSIVE

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Successful Christmas trading leads to...

.....forecast upgrades

On the back of a very strong Q3 trading period, with revenues up by over 70% and volumes by 56%, the Board now anticipates that Distil's FY17 results "will be ahead of current market expectations". We are consequently raising our revenue forecasts for the next three years, which also see improvements to our bottom line PBT projections. Brand marketing spend growth of 88% in Q3 was running ahead of revenue growth, reflecting the ongoing brand investment across the product portfolio. This dilutes the impact of operational leverage, but still sees our previous PBT loss of c £120K reduce by to thirds to £40K. A strong Q4 performance could potentially see Distil achieve breakeven, but we prefer to err on the side of prudence at this stage.

- Strong Christmas trading** : Distil performed strongly in the UK in the peak Q3 trading season, with consumer sales moving ahead across all trade channels. Incremental supermarket listings with major chains has contributed to growth in the Retail channel, but this has been mirrored in the bars and pubs channel, as well as on-line retail. This growth has been driven by the cumulative marketing investments and promotional activity, which have delivered greater consumer awareness and wider distribution. Blackwoods gin has seen good growth in the buoyant premium gin sector. RedLeg has also progressed well, with Distil focusing on opening new market, including its launch into the USA.
- Export markets**: Sterling weakness has been beneficial for export sales, with distributors taking advantage to effectively reduce their purchase costs. Trading conditions remain tough as previously for Blavod black vodka in Eastern Europe, but with sales being through a licence, the impact on profits is negligible
- Forecast upgrades**: We have raised our FY17 revenue forecast by c 9% to £1.65m, implying around 30% growth in Q4, similar to H1's reported growth. As said above, this reduces our forecast PBT loss by around two thirds to £40K. We have not changed our outer year revenue growth forecasts – of 25% for FY18 and 20% for FY19 – but there is a positive benefit from FY17's higher sales base on outer year profitability. We now forecast PBT of £100K and £300K (from £59K and £265K), with gross profit gains tempered by the need for ongoing brand investment. We shall next formally review our forecasts at the prelims.

FYE MAR	2015	2016	2017E	2018E	2019E
Revenue	0.7	1.2	1.7	2.1	2.5
Adjusted EBITDA	-0.3	-0.1	0.0	0.1	0.3
Adjusted PBT	-0.3	-0.1	0.0	0.1	0.3
Adjusted EPS (p)	-0.1	0.0	0.0	0.0	0.1
EV/Sales (x)	7.1x	4.1x	2.9x	2.3x	1.9x
EV/Adj. EBITDA (x)	n.a.	n.a.	n.a.	48.0x	15.9x
P/E (x)	n.a.	n.a.	n.a.	57.4x	19.1x

Source: Company Information and Progressive Equity Research estimates

SUMMARY FINANCIALS

Year ended March	FY-14A	FY-15A	FY-16A	FY-17E	FY-18E	FY-19E
£m unless stated						
Profit & Loss						
Revenue	2.41	0.67	1.17	1.65	2.06	2.48
Adj EBITDA	-0.36	-0.28	-0.09	-0.04	0.10	0.30
Adj EBIT	-0.37	-0.29	-0.10	-0.04	0.10	0.30
Reported PBT	-0.39	-0.29	-0.10	-0.04	0.10	0.30
PBT before exceptionals and AAG	-0.39	-0.29	-0.10	-0.04	0.10	0.30
Fully adj PBT	-0.39	-0.29	-0.10	-0.04	0.10	0.30
NOPAT	-0.37	-0.29	-0.10	-0.04	0.10	0.30
Reported EPS (p)	-0.12	-0.08	-0.02	-0.01	0.02	0.06
EPS before exceptionals and AAG (p)	-0.12	-0.08	-0.02	-0.01	0.02	0.06
Fully adj EPS (p)	-0.12	-0.08	-0.02	-0.01	0.02	0.06
Dividend per share (p)	0.00	0.00	0.00	0.00	0.00	0.00
Cash flow & Balance sheet						
Operating cash flow	0.09	-0.37	-0.11	-0.27	0.00	0.25
Free Cash flow £m	0.07	-0.38	-0.12	-0.26	0.00	0.26
FCF per share p	0.02	-0.10	-0.03	-0.05	0.00	0.05
Acquisitions	-0.08	-0.02	-0.02	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00	0.00
Shares issued	0.55	0.56	0.60	0.00	0.00	0.00
Net cash flow	0.54	0.17	0.47	-0.26	0.00	0.26
Overdrafts / borrowings	0.00	0.00	0.00	0.00	0.00	0.00
Cash & equivalents	0.34	0.51	0.98	0.72	0.72	0.98
Net (Debt)/Cash	0.34	0.51	0.98	0.72	0.72	0.98
NAV and returns						
Net asset value	1.96	2.23	2.76	2.72	2.82	3.12
NAV/share (p)	0.54	0.51	0.55	0.55	0.57	0.63
Net Tangible Asset Value	0.46	0.72	1.24	1.20	1.30	1.60
NTAV/share (p)	0.13	0.16	0.25	0.24	0.26	0.32
Average equity	1.88	2.09	2.50	2.74	2.77	2.97
Post-tax ROE (%)	-20.9%	-13.8%	-3.9%	-1.5%	3.6%	10.1%
Metrics						
Revenue growth	-36.5%	-72.3%	75.6%	41.2%	25.0%	20.0%
Adj EBITDA growth	-15.8%	21.7%	66.8%	55.9%	-340.2%	201.3%
Adj EBIT growth	-14.7%	22.1%	66.2%	54.4%	-318.6%	207.1%
Adj PBT growth	46.9%	26.3%	66.2%	59.2%	-351.0%	200.3%
Adj EPS growth	46.9%	26.3%	66.2%	59.2%	-351.0%	200.3%
Adj EBIT margins	-15.3%	-43.0%	-8.3%	-2.7%	4.7%	12.0%
Valuation						
EV/Sales	2.0	7.1	4.1	2.9	2.3	1.9
EV/EBITDA	(13.2)	(16.9)	(50.8)	(115.3)	48.0	15.9
EV/NOPAT	(13.0)	(16.6)	(49.2)	(108.0)	49.4	16.1
PER	n.a.	n.a.	n.a.	n.a.	57.4	19.1
FCF yield	1.7%	-8.8%	-2.3%	-4.5%	0.0%	4.5%

Source: Company information, Progressive Equity Research estimates

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