Distil plc

("Distil" or the "Group")

Interim Results for the six months ended 30th September 2019

Distil (AIM: DIS), owner of premium drinks brands RedLeg Spiced Rum, Blackwoods Gin and Vodka, Blavod Black Vodka, Jago's Cream Liqueur and Diva Vodka, today announces its unaudited interim results for the six months ended 30th September 2019.

Operational review:

- RedLeg Caramelised Pineapple Spiced Rum successfully launched into the On-trade
- Ready-to-drink ("RTD") RedLeg Spiced Rum and RedLeg Caramelised Pineapple Spiced Rum listed in major UK national retailers
- Mardi Gras trademark secured in Europe and USA
- Implementation of improvements to the structure and capability of New Product Development
- UK blending and bottling relocated to a single site and raw materials stock build
- New markets opened in Czech Republic and Russia

Financial Review – versus same period last year:

- Revenue decreased by 29% to £824k (2018: £1.164m)
- Gross profit decreased by 30% to £499k (2018: £710k)
- Volume (litres) decreased by 28%
- Investment in brand marketing and promotion decreased by 30% to £219k (2018: £312k)
- Other administration costs decreased by 15% to £248k (2018: £293k)
- Operating profit of £1k (2018: profit £101k)
- Cash reserves of £836k (2018: £957k)

Don Goulding Executive Chairman, commenting on these results said:

"We experienced trading challenges in our core markets, particularly the UK unflavoured gin market where we had fewer promotions and retail distribution declined by approximately one hundred outlets, during the six months to 30 September 2019. By contrast the spiced rum market continued to enjoy good year-on-year growth during the period.

Whilst we expect further growth in the spiced rum market we anticipate further softening of the unflavoured gin category into the foreseeable future. Despite these headwinds we remain confident in our strategy of investment in marketing support to our brands, coupled with new product innovation, to deliver growth over the medium term

We look forward to the retail availability and promotional support of RedLeg Caramelised Pineapple Spiced Rum in five hundred outlets and RedLeg ready-to-drink in three hundred stores in Q3.

To reduce and offset the risk of interruption to product supply we have increased our stock of raw materials given the uncertainty of materials and supplies movement in the EU post Brexit."

Executive Chairman's Statement

Results versus same period last year

Overall year-on-year sales revenue and volumes were down during the period. Sales revenue decreased 29% and volumes decreased 30%, against the backdrop of strong year-on-year comparatives and a slow-down in the UK gin market. Despite these falls we successfully maintained gross margins at 61% and, through continued tight control over overheads, were able to report a breakeven result during the first half.

RedLeg Spiced Rum shipments to distributors were flat year-on-year. However, depletions (sales from our customers to consumers) continue to show double digit growth in line with overall spiced rum market volumes, despite lapping strong sales in 2018 and a growing number of new entrants to the spiced rum category.

Gin sales have been disappointing. The gin market, according to latest market data, shows a slow-down during the summer of traditional, unflavoured gin, with overall category volume sales down in the twelve weeks to mid-August 2019. On-trade distribution for Blackwoods 2017 Vintage Dry Gin increased over the period although not enough to offset a range reduction in major retail. The shortfall in gin volumes represent the revenue difference versus prior year.

Sales of Blavod Black Vodka were in line with our expectations, with sales volume performance tracking ahead of the overall vodka market.

Operations

A key area of focus has been to reduce trade inventory overhang from the fourth quarter of the prior financial year and in turn to build our raw materials stock in preparation for likely changes within Europe and possible impact on movement of goods.

We also relocated our UK blending and bottling operations into a single site during the period, enabling further opportunity for operational efficiencies as we grow our business.

Flavoured gin continues to show good growth in the UK. This trend has highlighted the opportunity for Distil to ramp up its innovation capability and speed to market of both new products and new brands.

During the period we have reviewed our capability and identified the key improvements needed to move ahead and to better anticipate innovation trends. The first stage of these changes has been implemented. Consequently, we secured the Mardi Gras trademark in Europe and USA. Product launch will follow in 2020. Our first entry into the growing RTD category in collaboration with Franklin & Sons was announced in September for launch in October.

Outlook

We anticipate continued growth in the spiced rum market with possible continued softening of the unflavoured gin category. We have therefore increased our promotional brand support for the second half of the year, especially through the traditionally stronger Q3 and Christmas trading period, to grow volumes ahead of the market.

UK stock levels have now returned to normal levels and our raw material stock build should ensure we have sufficient product throughout the second half regardless of any product movement delays as a result of Brexit.

RedLeg Caramelised Pineapple Spiced Rum, launched at the start of the financial year, successfully focused on pub distribution and trial. I am pleased to confirm its first major national retail listing in the UK goes live in November, supported by instore activity

Given the prevailing headwinds in our chosen markets, particularly the UK gin market, we anticipate full year revenue to be below current market forecasts. However, due to ongoing operational efficiencies and continued tight control of overheads, we expect operating profit to remain in line.

Distil plc - Half Year Results
Consolidated comprehensive interim income statement

	Six months ended 30 September 2019 Un-audited £'000	Six months ended 30 September 2018 Un-audited £'000	Year ended 31 March 2019 Audited £'000
Revenue	824	1,164	2,401
Cost of sales	(325)	(454)	(972)
Gross profit	**499**	**710**	**1,429**
Administrative expenses:			
Advertising and promotional costs	(219)	(312)	(688)
Other administrative expenses	(248)	(293)	(572)
Amortisation	(25)	-	-
Depreciation	(6)	(4)	(9)
Total administrative expenses	(498)	(609)	(1,269)
Operating profit	**1**	**101**	**160**
Finance income	-	-	-
Finance expense	(2)	-	-
Profit/(loss) before tax from continuing operations	**(1)**	**101**	**160**
Income tax	-	-	-
(Loss)/profit for the period	**(1)**	**101**	**160**
(Loss)/profit per share:			
From continuing operations			
Basic (pence per share)	(0.00)	0.02	0.03
Diluted (pence per share)	(0.00)	0.02	0.03

Consolidated interim statement of financial position	As at 30 September 2019 Un-audited £'000	As at 30 September 2018 Un-audited £'000	As at 31 March 2019 Audited £'000
ASSETS			
Non-current assets			
Right-of-use asset	37	**-**	**-**
Property, plant and equipment	143	128	129
Intangible fixed assets	1,566	1,553	1,556
Total non-current assets	**1,746**	**1,681**	**1,685**
Current assets			
Inventories	383	221	312
Trade and other receivables	379	519	207
Cash and cash equivalents	836	957	1,068
Total current assets	**1,598**	**1,697**	**1,587**
Total assets	**3,344**	**3,378**	**3,272**
LIABILITIES			
Current liabilities			
Trade and other payables	(133)	(263)	(98)
Lease liability	(38)	-	-
Total current liabilities	**(171)**	(263)	(98)
Total liabilities	**(171)**	**(263)**	**(98)**
Net Assets	**3,173**	**3,115**	**3,174**
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	1,292	1,292	1,292
Share premium	2,908	2,908	2,908
Share based payment reserve	83	83	83
Accumulated deficit	(1,110)	(1,168)	(1,109)
Total equity	**3,173**	**3,115**	**3,174**

Consolidated interim cash flow statement

	Six months ended 30 September 2019 Un-audited £'000	Six months ended 30 September 2018 Un-audited £'000	Year ended 31 March 2019 Audited £'000
Cashflows from operating activities			
(Loss)/profit before tax	(1)	101	160
Adjustments for non-cash/non-operating items:			
Finance expense	2	-	-
Amortisation	25	-	-
Depreciation	6	4	9
	32	105	169
Movements in working capital			
(Increase) in inventories	(71)	(44)	(135)
(Increase)/decrease in trade receivables	(172)	(138)	188
Increase/(decrease) in trade payables	35	42	(137)
Cash (used in) operations	(208)	(140)	(84)
Net cash (used in)/generated by operating activities	**(176)**	**(35)**	**85**
Cashflows from investing activities			
Purchase of property plant & equipment	(20)	(37)	(43)
Expenditure relating to the acquisition and registration of licenses and trademarks	(10)	(2)	(5)
Net cash used in investing activities	**(30)**	**(39)**	**(48)**
Cashflows from financing activities			
Repayment of lease liabilities	(26)	-	-
Net cash used in financing activities	**(26)**	**-**	**-**
Net (decrease)/increase in cash and cash equivalents	(232)	(74)	37
Cash & cash equivalents at the beginning of the period	1,068	1,031	1,031
Cash & cash equivalents at the end of the period	**836**	**957**	**1,068**

Notes to the interims accounts:

1. Basis of preparation

This interim consolidated financial information for the six months ended 30 September 2019 has been prepared in accordance with AIM rule 18, '*Half yearly reports and accounts*'. This interim consolidated financial information is not the group's statutory financial statements within the meaning of Section 434 of the Companies Act 2006 (and information as required by section 435 of the Companies Act 2006) and should be read in conjunction with the annual financial statements for the year ended 31 March 2019, which have been prepared under International Financial Reporting Standards (IFRS) and have been delivered to the Register of Companies. The auditors have reported on those accounts; their report was unqualified, did not include references to any matters to which drew attention by way of emphasis of matter without qualifying their report and did not contain any statements under Section 498 (2) or (3) of the Companies Act 2006.

The interim consolidated financial information for the six months ended 30 September 2019 is unaudited. In the opinion of the Directors, the interim consolidated financial information presents fairly the financial position, and results from operations and cash flows for the period. Comparative numbers for the six months ended 30 September 2018 are also unaudited.

IFRS 16 – Accounting Policies and Transition

The Group has initially adopted IFRS 16 Leases from 1 January 2019. IFRS 16 introduced a single, on-balance sheet accounting model for leases. As a result, the Group, as a lessee, has recognised right-of-use assets representing its rights to use the underlying assets and lease liabilities representing its obligation to make lease payments.

The Group has applied IFRS 16 using the modified retrospective approach, under which the cumulative effect of initial application is recognised in retained earnings at 1 April 2019. Accordingly, the comparative information presented for the six months ended 30 September 2018 and the year ended 31 March 2019 have not been restated – i.e. it is presented, as previously reported, under IAS 17 and related interpretations.

2. Availability

Copies of the interim report will be available from the Distil's registered office at 201 Temple Chambers, 3-7 Temple Avenue, EC4Y 0DT and also on www.distil.uk.com.

3. Approval of interim report

This interim report was approved by the Board on 23 October 2019.

For further information please contact:

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