

DISTIL BEVERAGES

DIS.L

0.825p

Market Cap: £4.1m

SHARE PRICE (p)



12m high/low

2.7p/0.8p

Source: LSE Data

KEY INFORMATION

Enterprise value	£3.1m
Index/market	AIM
Next news	Interims - Oct '19
Gearing	N/A
Interest cover	N/A

 DISTIL IS A RESEARCH CLIENT OF
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Mixing it up....

...with diversification into the ready-to-drink market

Distil has announced the launch of a pre-mixed rum and cola drink, which takes RedLeg Spiced Rum into the high growth ready-to-drink (RTD) category. This is a new brand collaboration with Franklin & Sons, the premium soft drink, tonic and mixer brand, owned by Global Brands Ltd. This new venture brings two commercial advantages to Distil, firstly through incremental revenues and secondly through the introduction of the RedLeg Spiced Rum brand to new consumers.

- Product details:** The new product is a blend of RedLeg Spiced Rum and Franklin & Sons' 1886 Cola, with a twist of lime. This will be sold in a 250ml can with a 5% ABV (alcohol by volume). Franklin & Sons has a long heritage in developing flavour combinations, and its 1886 Cola includes West African kola nut and Columbian coffee beans.
- Launch and distribution:** The product will be available shortly and sold initially through a major UK national retailer. We would anticipate broader distribution into other retailers over the medium-term. Global Brands will handle the distribution of this product alongside its existing product portfolio, with distribution for Distil's standalone brands unchanged.
- Entry into a high growth sector:** This new product development marks an incremental product diversification with Distil's entry into the RTD sector. This is a high growth market, whose sales value grew by 30% in the year to mid-July 2019. It will also act as a brand ambassador for the RedLeg Spiced Rum brand, introducing new customers to the brand. The rum sector is currently worth £367m in the UK off trade market, with RedLeg positioned in the higher growth spiced rum segment, which grew at just under 13% in the year to mid-July.
- Next newsflow:** The next scheduled newsflow will be the interim results in October. This announcement is positive for the broader prospects of Distil and underpins the potential of its flagship RedLeg Spiced Rum brand. However, with no update on broader trading, ongoing challenging conditions for retailers and the uncertainties around Brexit, we leave our forecasts unchanged at this stage, to be reviewed at the interim stage.

FYE MAR (£M)	2018	2019	2020E	2021E	2022E
Revenue	2.01	2.40	2.50	3.00	3.51
Adj EBITDA	0.16	0.17	0.22	0.36	0.51
Fully Adj PBT	0.16	0.16	0.21	0.35	0.50
Fully Adj EPS (p)	0.03	0.03	0.04	0.07	0.10
EV/Sales (x)	1.5x	1.3x	1.2x	1.0x	0.9x
EV/EBITDA (x)	18.9x	18.3x	14.1x	8.6x	6.0x
PER (x)	26.2x	25.7x	19.6x	11.8x	8.2x

Source: Company Information and Progressive Equity Research estimates

Financial Summary: Distil

Year end: March (£m unless shown)

	2018	2019	2020E	2021E	2022E
PROFIT & LOSS					
Revenue	2.01	2.40	2.50	3.00	3.51
Adj EBITDA	0.16	0.17	0.22	0.36	0.51
Adj EBIT	0.16	0.16	0.21	0.35	0.50
Reported PBT	0.16	0.16	0.21	0.35	0.50
Fully Adj PBT	0.16	0.16	0.21	0.35	0.50
NOPAT	0.16	0.16	0.21	0.35	0.50
Reported EPS (p)	0.03	0.03	0.04	0.07	0.10
Fully Adj EPS (p)	0.03	0.03	0.04	0.07	0.10
Dividend per share (p)	0.00	0.00	0.00	0.00	0.00
CASH FLOW & BALANCE SHEET					
Operating cash flow	0.17	0.09	0.18	0.21	0.27
Free Cash flow	0.13	0.04	0.15	0.18	0.24
FCF per share (p)	0.03	0.01	0.03	0.04	0.05
Acquisitions	(0.02)	(0.01)	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00
Shares issued	0.01	0.00	0.00	0.00	0.00
Net cash flow	0.12	0.04	0.15	0.18	0.24
Overdrafts / borrowings	0.00	0.00	0.00	0.00	0.00
Cash & equivalents	1.03	1.07	1.22	1.41	1.65
Net (Debt)/Cash	1.03	1.07	1.22	1.41	1.65
NAV AND RETURNS					
Net asset value	3.01	3.17	3.38	3.73	4.23
NAV/share (p)	0.60	0.64	0.68	0.75	0.85
Net Tangible Asset Value	1.46	1.62	1.83	2.18	2.68
NTAV/share (p)	0.29	0.32	0.37	0.44	0.54
Average equity	2.91	3.09	3.28	3.56	3.98
Post-tax ROE (%)	5.4%	5.2%	6.4%	9.8%	12.5%
METRICS					
Revenue growth	22.6%	19.2%	4.0%	20.0%	17.0%
Adj EBITDA growth	1097.6%	3.4%	30.0%	64.4%	41.8%
Adj EBIT growth	1531.8%	1.6%	31.0%	67.0%	42.8%
Adj PBT growth	1531.8%	1.6%	31.1%	66.9%	42.7%
Adj EPS growth	1531.8%	1.6%	31.1%	66.9%	42.7%
Dividend growth	N/A	N/A	N/A	N/A	N/A
Adj EBIT margins	7.8%	6.7%	8.4%	11.7%	14.3%
VALUATION					
EV/Sales (x)	1.5	1.3	1.2	1.0	0.9
EV/EBITDA (x)	18.9	18.3	14.1	8.6	6.0
EV/NOPAT (x)	19.6	19.3	14.8	8.8	6.2
PER (x)	26.2	25.7	19.6	11.8	8.2
Dividend yield	N/A	N/A	N/A	N/A	N/A
FCF yield	3.1%	1.0%	3.7%	4.5%	5.9%

Source: Company information and Progressive Equity Research estimates

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