

DISTIL BEVERAGES

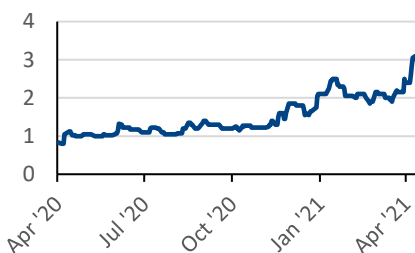
15 April 2021

DIS.L

2.95p

Market Cap: £14.8m

SHARE PRICE (p)



12m high/low

3.1p/0.8p

Source: LSE Data

KEY DATA

Net (Debt)/Cash	£1.0m (at 31/03/21)
Enterprise value	£13.8m
Index/market	AIM
Next news	Prelims, June '21
Shares in Issue (m)	502.0
Executive Chairman	Don Goulding
Finance Director	Shaun Claydon

COMPANY DESCRIPTION

Distil develops and markets internationally drinks brands, including RedLeg Spiced Rum and Blackwoods Vintage Gins.

www.distil.uk.com

DISTIL IS A RESEARCH CLIENT OF PROGRESSIVE

ANALYSTS

David Jeary

+44 (0) 20 7781 5306

djeary@progressive-research.com



www.progressive-research.com

Another year of strong sales growth....

.....and product portfolio expansion

Distil's full-year trading update for FY21 bears witness to strong sales and EBITDA growth, despite the challenges presented by Covid. The company's New Product Development (NPD) activities have also delivered product portfolio expansion, with further products coming to market in 2021, thereby underpinning future growth prospects. Unaudited figures for FY21 show revenues increasing 48% to £3.616m, with adjusted EBITDA rising by around 55% to £302K on a like-for-like (LFL) basis. Strong cash generation saw year end cash reserves rise to £1m, compared with £858K at the prior year-end and £570K at the interim stage.

- Trading details:** Distil's EBITDA grew by 55% on an adjusted basis, ahead of revenue growth of 48% and volume growth of 30%. The EBITDA margin expanded by some 35 bps, notwithstanding a decline in gross margin and a 60% increase in brand marketing and NPD. The gross margin fell back to 56% (from 59.2%), primarily reflecting incremental production and logistics costs arising from the impacts of Covid. The latter included substantial channel shift into the off-trade (retail), with the on-trade (hospitality) channel enduring extended periods of closure. Export markets enjoyed substantial growth of 81%, including the opening up of new territories. Our analysis suggests a revenue increase of around 7% in H2, following the substantial 128% growth achieved in H1. Against a particularly strong Q4 last year, where revenues rose by around 100%, revenues fell some 15% in Q4 – still around 70% higher than Q4 in FY19.
- Brand performance:** Distil continues to grow faster than the broader spirits market. This was led by RedLeg Spiced Rum and Blackwoods Vintage Gin, with each growing revenues by 50% across the year. Conversely, with Travel Retail adversely impacted by travel restrictions, Blavod Vodka recorded a sales decline of 65%. In terms of product launches, RedLeg added both flavour (Banana and Tropical) and format variants to its range. In January, Distil also announced the launch of a new botanical vodka brand, TRØVE, with three flavour variants.
- Outlook and forecasts:** With restrictions easing, on-trade activity and socialising both increasing, management describes the outlook for FY22E as positive. We therefore look to re-initiate forecasts at the Prelims stage.

FYE MAR (£M)	2018	2019	2020
Revenue	2.01	2.40	2.44
Adj EBITDA	0.16	0.17	0.25
Fully Adj PBT	0.16	0.16	0.18
Fully Adj EPS (p)	0.03	0.03	0.05
EV/Sales (x)	6.9x	5.8x	5.7x
EV/EBITDA (x)	84.5x	81.7x	56.1x
PER (x)	93.5x	92.1x	57.4x

Source: Company Information and Progressive Equity Research estimates.

This publication should not be seen as an inducement under MiFID II regulations.

Please refer to important disclosures at the end of the document.

Financial Summary: Distil

Year end: March (£m unless shown)

	2018	2019	2020
PROFIT & LOSS			
Revenue	2.01	2.40	2.44
Adj EBITDA	0.16	0.17	0.25
Adj EBIT	0.16	0.16	0.18
Reported PBT	0.16	0.16	0.18
Fully Adj PBT	0.16	0.16	0.18
NOPAT	0.16	0.16	0.26
Reported EPS (p)	0.03	0.03	0.05
Fully Adj EPS (p)	0.03	0.03	0.05
Dividend per share (p)	0.00	0.00	0.00
CASH FLOW & BALANCE SHEET			
Operating cash flow	0.17	0.09	(0.10)
Free Cash flow	0.13	0.04	(0.14)
FCF per share (p)	0.03	0.01	(0.03)
Acquisitions	(0.02)	(0.01)	(0.02)
Disposals	0.00	0.00	0.00
Shares issued	0.01	0.00	0.00
Net cash flow	0.12	0.04	(0.21)
Overdrafts / borrowings	0.00	0.00	0.00
Cash & equivalents	1.03	1.07	0.86
Net (Debt)/Cash	1.03	1.07	0.86
NAV AND RETURNS			
Net asset value	3.01	3.17	3.43
NAV/share (p)	0.60	0.64	0.68
Net Tangible Asset Value	1.46	1.62	1.86
NTAV/share (p)	0.29	0.32	0.37
Average equity	2.91	3.09	3.30
Post-tax ROE (%)	5.4%	5.2%	7.8%
METRICS			
Revenue growth	22.6%	19.2%	1.7%
Adj EBITDA growth	1097.6%	3.4%	45.6%
Adj EBIT growth	1531.8%	1.6%	15.0%
Adj PBT growth	1531.8%	1.6%	13.7%
Adj EPS growth	1531.8%	1.6%	60.4%
Dividend growth	N/A	N/A	N/A
Adj EBIT margins	7.8%	6.7%	7.5%
VALUATION			
EV/Sales (x)	6.9	5.8	5.7
EV/EBITDA (x)	84.5	81.7	56.1
EV/NOPAT (x)	87.7	86.3	52.9
PER (x)	93.5	92.1	57.4
Dividend yield	N/A	N/A	N/A
FCF yield	0.9%	0.3%	(0.9%)

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

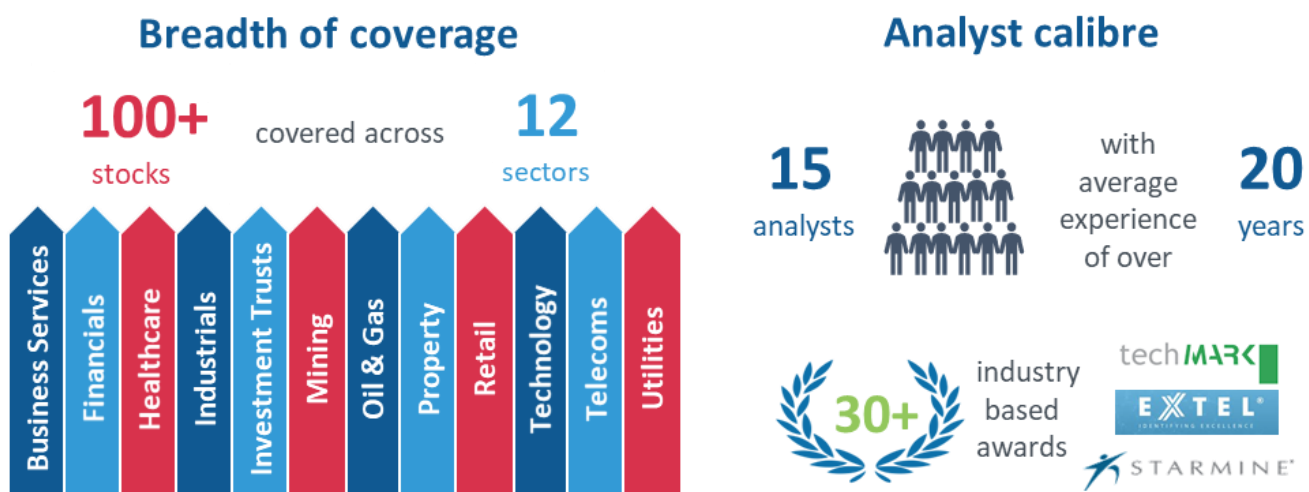
Copyright 2021 Progressive Equity Research Limited (“PERL”). All rights reserved. Progressive’s research is commissioned by the subject company under contract and is freely available to the public and all institutional investors. Progressive does not offer investors the ability to trade securities. Our publications should not, therefore, be considered an inducement under MiFID II regulations. PERL provides professional equity research services, and the companies researched pay a fee in order for this research to be made available. This report has been commissioned by the subject company and prepared and issued by PERL for publication in the United Kingdom only. All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable; however, PERL does not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of the research department of PERL at the time of publication, and any estimates are those of PERL and not of the companies concerned unless specifically sourced otherwise. PERL is authorised and regulated by the Financial Conduct Authority (FCA) of the United Kingdom (registration number 697355).

This document is provided for information purposes only, and is not a solicitation or inducement to buy, sell, subscribe, or underwrite securities or units. Investors should seek advice from an Independent Financial Adviser or regulated stockbroker before making any investment decisions. PERL does not make investment recommendations. Any valuation given in a research note is the theoretical result of a study of a range of possible outcomes, and not a forecast of a likely share price. PERL does not undertake to provide updates to any opinions or views expressed in this document.

This document has not been approved for the purposes of Section 21(2) of the Financial Services & Markets Act 2000 of the United Kingdom. It has not been prepared in accordance with the legal requirements designed to promote the independence of investment research. It is not subject to any prohibition on dealing ahead of the dissemination of investment research.

PERL does not hold any positions in the securities mentioned in this report. However, PERL’s directors, officers, employees and contractors may have a position in any or related securities mentioned in this report. PERL or its affiliates may perform services or solicit business from any of the companies mentioned in this report.

The value of securities mentioned in this report can fall as well as rise and may be subject to large and sudden swings. In addition, the level of marketability of the shares mentioned in this report may result in significant trading spreads and sometimes may lead to difficulties in opening and/or closing positions. It may be difficult to obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance.



To arrange a meeting with the management team, or for further information about Progressive, please contact:

Emily Ritchie
+44 (0) 20 7781 5311
eritchie@progressive-research.com