Distil plc

(“Distil” , the “Company” or the “Group”)

Interim Results for the six months ended 30 September 2021

Distil plc (AIM:DIS), owner of premium drinks brands RedLeg Spiced Rum, Blackwoods Gin and Vodka, TRØVE Botanical Vodka and Blavod Black Vodka is pleased to announce its unaudited interim results for the six months ended 30 September 2021.

Operational highlights:

- RedLeg Tropical Rum launched into the UK market
- Additional listings secured for the Redleg Spiced Rum range
- TRØVE Botanical Vodka listed in prestigious premium UK retailer
- TRØVE Trademark successfully registered in USA
- New export market opened in Ukraine

Financial* and corporate highlights

- Turnover decreased by 23% to £1.44 million (2020: £1.88 million) (2019: £824k)
- Gross profit decreased by 23% to £794k (2020: £1.03 million) (2019: £499k)
- Volumes (litres) decreased by 21% (increased 49% over volumes in same period in 2019)
- Investment in brand marketing and promotion decreased by 30% to £398k (2020:£565k) (2019:£219k)
- Adjusted** administrative costs increased by 10% to £338k (2020: £307k) (2019: £279k)
- Adjusted*** operating profit of £58k (2020: £159k) (2019: £1k)
- Operating loss of (£44k) (2020: £154k profit)(2019:£1k profit)
- Cash reserves at period end of £4.22 million (2020:£570k) (2019: £836k)
- Successful equity fund raise of £3.20 million (before expenses) to invest in Ardgowan Distillery Company Limited to support the development of a new Malt Scotch and provide a ‘home’ for Blackwoods Gin, with its own distillery, gin school and visitors’ centre
- Appointment of Michael Keiller as Non-Executive Director

**Due to the unprecedented one-off surge in sales in the prior period, especially during Q2 (June-September), caused by the impact of lockdown and associated unusual trading patterns, the above financial highlights are presented for both the prior period and H1 2019 to enable a proper understanding of key trends.*

*** Administrative costs adjusted to remove the one-off transaction costs associated with the Ardgowan investment*

**** Operating profit adjusted for one-off transaction costs associated with Ardgowan investment and share based payment expense*

Don Goulding, Executive Chairman, commenting on these results said:

“Our brands continue to perform well as the market begins to recover from the effects of lockdown. Results for the half year are below those of 2020 due to sales lapping an extraordinary increase last year when the combination of lockdown, a hot summer and unusual trading conditions led to a significant surge in sales, particularly in Q2 (July to September) when revenues advanced by 265% versus the prior year.

Comparing sales for the half year to the same period in 2019 (pre Covid pandemic) we increased revenues by 75%.

Our team has managed well the widespread disruption and cost pressures associated with extensive labour shortages throughout the supply chain, production and distribution networks. This is likely to remain an area of focus for the foreseeable future particularly during the key Christmas trading period. To date we have successfully maintained supply to all customers across all brands.

Following a successful equity fund raise for investment in Ardgowan Distillery in Scotland, exciting development work has begun with the Ardgowan whisky maker and other renowned whisky connoisseurs to create our own distinctive Malt Scotch for launch planned 2022."

Executive Chairman's Statement

After an uncertain start, the UK On Trade has had a successful reopening over the summer as consumers returned to venues. As confidence returns, we have secured new listings across the RedLeg Spiced Rum range, and expect to continue building on these provided the UK remains lockdown free. The first half of our financial year has also seen the business secure a new listing for TRØVE within a prestigious premium retailer.

Global lockdowns continue to ease and have largely ended in our key export markets, with the exception of Australia which is still experiencing restrictions. Throughout the period, we have continued to expand our international reach and have opened a new export market in Ukraine. In addition, as confidence in international travel returns, the Duty Free market is showing encouraging signs of growth. The TRØVE trademark application in the USA has now been approved.

Operations

Throughout the period, the main challenge to our business has been ongoing disruption to the supply chain due to widespread staff shortages across production and distribution, which in turn has driven production cost increases. Vigorous work with suppliers behind the scenes has successfully mitigated disruption and kept our product in the hands of consumers. We are pleased to have broadly maintained margins versus the same period last year despite these challenges.

These issues are likely to continue throughout the current financial year and will remain a priority.

In addition, we are anticipating further cost of goods and energy price increases across the business, and endeavouring to maintain margins in light of this.

Investment in Ardgowan

In August, we announced a £3 million strategic investment (in the form of a convertible loan and with an option to increase to £5 million) in Ardgowan Distillery Company Limited which will see the development of a new Malt Whisky distillery, planned for opening in 2023. This move will provide the Company with a long-term interest in a growing premium category as we develop our own Malt Scotch, as well as providing a new home for Blackwoods Gin with its own distillery, Gin school and visitors' centre. This investment forms part of a total initial investment package of £11.4 million, which will be used by Ardgowan to build the Ardgowan Distillery and visitors' centre.

To enable the Ardgowan investment, we completed an equity fundraising in August that raised £3.2 million (before expenses) from existing and new shareholders. Net proceeds from the fund raise are held in cash reserves at the period end pending drawdown of the £3 million loan by Ardgowan, expected in the next three months.

The Ardgowan Distillery project is aiming to become the most CO_2 efficient distillery in the Scotch Whisky industry. Site clearance has begun and construction works will start, as planned, early in 2022 including conversion of existing buildings to create Distil's Blackwoods distillery and Gin school.

Results versus same period last year

Results for the half year are below together with those for the prior comparative period which benefited from an unprecedented surge in sales, particularly in the second quarter, due to the combination of lockdown, a hot summer and unusual trading conditions.

Total revenues fell 23% to £1.44 million against challenging comparatives. Compared to pre-pandemic sales in the same period in 2019 total revenues increased 75%.

The Company achieved an operating profit (after adjusting for one-off costs of investment in Ardgowan and share based payment expense) of £58k (2020: £154k; 2019; £1k). Despite an increase in production costs caused by supply chain disruptions we successfully maintained our year on year margins at 55% during the period. In the short term we do not expect margins to return to pre-Covid levels due to cost increases throughout the supply chain.

Cash reserves stood at £4.22 million at the end of the period. This includes the proceeds of the fundraising completed in August amounting to £3.20 million before expenses.

Outlook

Christmas is our key trading period and all of our efforts will focus on keeping our customers in stock at all times. We are working closely with manufacturers and suppliers to maintain continuity against ongoing uncertainties regarding hauliers' ability to attract a sufficient number of drivers.

Given ongoing supply chain challenges and uncertain timelines for the resumption of normal activity levels it is difficult to forecast with accuracy and certainty for the second half of the year. Market guidance will be released following our key Christmas trading period.

If the UK remains lockdown-free throughout this period, social gatherings at home and enjoyment of the On Trade will help facilitate a return to normal trading/activity levels. Our brands across the portfolio are well positioned and supported to enjoy growth in line with this.

Distil plc - Half Year Results
Consolidated comprehensive interim income statement

	Six months ended 30 September 2021 Un-audited £'000	Six months ended 30 September 2020 Un-audited £'000	Year ended 31 March 2021 Audited £'000
Revenue	1,435	1,878	3,616
Cost of sales	(641)	(847)	(1,606)
Gross profit	**794**	**1,031**	**2,010**
Administrative expenses:			
Advertising and promotional costs	(398)	(565)	(1,071)
Other administrative expenses	(410)	(307)	(651)
Share based payment expense	(30)	(5)	(34)
Total administrative expenses	(838)	(877)	(1,756)
Operating (loss)/profit	**(44)**	**154**	**254**
Finance income	-	-	-
Finance expense	(1)	-	(11)
Loss/profit before tax from continuing operations	**(45)**	**154**	**243**
Income tax	65	64	100
Profit for the period	**20**	**218**	**343**
Profit per share:			
From continuing operations			
Basic (pence per share)	0.01	0.04	0.07
Diluted (pence per share)	0.01	0.04	0.07

Consolidated interim statement of financial position	As at 30 September 2021 Un-audited £'000	As at 30 September 2020 Un-audited £'000	As at 31 March 2021 Audited £'000
ASSETS			
Non-current assets			
Property, plant and equipment	167	151	167
Intangible fixed assets	1,602	1,586	1,598
Financial assets	3,000	-	-
Deferred tax assets	241	140	176
Total non-current assets	**5,010**	**1,877**	**1,941**
Current assets			
Inventories	542	405	553
Trade and other receivables	674	1,157	609
Cash and cash equivalents	4,215	570	1,062
Total current assets	**5,431**	**2,132**	**2,224**
Total assets	**10,441**	**4,009**	**4,165**
LIABILITIES			
Current liabilities			
Trade and other payables	512	356	358
Financial liabilities	3,000	-	-
Total current liabilities	3,512	**356**	358
Total liabilities	**3,512**	**356**	**358**
Net Assets	**6,929**	**3,653**	**3,807**
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	1,308	1,292	1,292
Share premium	5,964	2,908	2,908
Share based payment reserve	147	88	117
Accumulated losses	(490)	(635)	(510)
Total equity	**6,929**	**3,653**	**3,807**

Consolidated interim cash flow statement

	Six months ended 30 September 2021 Un-audited £'000	Six months ended 30 September 2020 Un-audited £'000	Year ended 31 March 2021 Audited £'000
Cashflows from operating activities			
(Loss)/profit before tax	(45)	154	243
Adjustments for non-cash/non-operating items:			
Finance expense	-	-	11
Depreciation	8	7	15
Share based payment expense	30	5	34
	(7)	166	303
Movements in working capital			
Decrease/(increase) in inventories	11	(56)	(204)
Increase in trade receivables	(65)	(614)	(66)
Increase in trade payables	154	230	221
Cash generated by/(used in) operations	100	(440)	(49)
Net cash generated by/(used in) operating activities	**93**	**(274)**	**254**
Cashflows from investing activities			
Purchase of property plant & equipment	(8)	(5)	(29)
Expenditure relating to the acquisition and registration of licenses and trademarks	(4)	(9)	(21)
Net cash used in investing activities	**(12)**	**(14)**	**(50)**
Cashflows from financing activities			
Net proceeds from issue of shares	3,072	-	-
Net cash used in financing activities	**3,072**	**-**	**-**
Net increase/(decrease) in cash and cash equivalents	3,153	(288)	204
Cash & cash equivalents at the beginning of the period	1,062	858	858
Cash & cash equivalents at the end of the period	**4,215**	**570**	**1,062**

Notes to the interims accounts:

1. Basis of preparation

This interim consolidated financial information for the six months ended 30 September 2021 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 2021, 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 2021 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 2020 are also unaudited.

2. Financial Assets/Liabilities

On 20 July 2021, the Company agreed to advance a loan of £3 million to Ardgowan Distillery Company Limited to fund the development of a new whisky distillery, which is due to be drawn down in January 2022. As a result, a financial liability and corresponding financial asset have been recognised as at 30 September 2021. The loan is being funded by the placing and subscription of 160,000,000 shares completed in August 2021, which raised £3.2 million before expenses.

3. Availability

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

4. Approval of interim report

This interim report was approved by the Board on 15 October 2021.

For further information please contact:

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