

Distil plc

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

Interim Results for the six months ended 30 September 2023

Distil plc (AIM:DIS), owner of premium drinks brands RedLeg Spiced Rum, Blackwoods Gin and Vodka, TRØVE Botanical Vodka and Blavod Black Vodka, announces its unaudited interim results for the six months ended 30 September 2023.

Operational highlights:

- Production of RedLeg Limited Edition bottle, available from October
- Sales and marketing drive for RedLeg in Brighton, including exclusive rum sponsorship of city-wide event increased distribution in the city by 179% in the lead-up to the event
- Further consumer brand activation at Taste of London over the summer with 55,000 attendees
- Launch of RedLeg ecommerce site driving brand visibility and a new revenue stream with attractive margins
- Additional on-trade listings secured for RedLeg and Blackwoods Gin and Vodka

Financial highlights:

- Turnover increased by 37% to £632k (2022: £460k)
- Gross profit increased by 35% to £283k (2022: £210k)
- Volumes (litres) increased by 48%
- Investment in brand marketing and promotion decreased by 58% to £159k (2022: £376k)
- Administrative costs increased by 12% to £489k (2022: £436k)
- Loss before tax of £314k (2022: £555k)
- Cash reserves at period end of £321k (2022: £948k)

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

“The first six months of this financial year have enabled us to embrace the autonomy that the business remodel in H1 2022 was designed to afford, and I’m pleased to report that the business has returned to growth.

The period has been marked with consumer-facing brand activation, new product development and encouraging progress re-establishing our portfolio within the on-trade with the help of our partners at Marussia Beverages UK.

H1 has not been without its challenges, as the business continues to face wide-spread cost of goods increases in response to inflation and the war in Ukraine, as well as a UK duty increase on all alcoholic beverages. Reflecting the economic climate, consumers globally remain cautious, the impact of which is being felt in the trade and is expected to continue in the short to medium term.

However, despite this, our year-on-year results are encouraging. We are rebuilding from a stronger base under the new structure, and the team is working diligently to ensure that we are well positioned to continue this growth as we enter our busiest trading period.”

Executive Chairman’s Statement

H1 results show double-digit growth year-on-year, which reflects that, despite the economic backdrop, we are continuing to rebuild following the business remodel in H1 2022.

The full effects of consumer reaction to duty increases in the UK, which went live from 1 August, are yet to be seen, however we have been working closely with our customers to ensure that our brands remain well

positioned and marketed to demonstrate true value to consumers and minimise the effects of the changes on our business.

The market remains uncertain due to the economic climate, particularly in the UK, however we remain excited by the opportunities presented by the business remodel, and focused on continuing to grow our brands from a stronger base in both the UK and export markets to drive value for our shareholders.

Operations

Our operations team has continued to work closely with both existing and new suppliers to reduce our cost of goods following significant increases in response to inflation and the conflict in Ukraine. We anticipate continued cost pressures in the short to medium term, however we expect to begin to see the benefits of the reductions secured through this close collaboration from H2 onwards.

Reducing the environmental impact of the business remains a priority, and the team is working closely with partners at all stages of the supply chain to minimise emissions and wastage.

Marketing and New Product Development

Investment into brand marketing and promotion decreased 58% as we lapped H1 2022 which included the RedLeg TV commercial. However, the remodel in 2022 has given us greater control of our marketing investment, and as a result, this summer we were able to activate RedLeg directly with consumers at two key events with a combined total of 135,000 attendees.

Activation in Brighton for the brand gave us a platform on which to rebuild on-trade distribution, increasing listings by 179% over the month leading up to the event, and we hope to continue to build on this success for the rest of the year and beyond. Taste of London in Regent's Park saw a fully branded RedLeg pop-up activation, with the full range showcased in a variety of serves over the course of the 5-day event, driving revenue across the brand. Event marketing will continue to be a focus for our brands moving forward to drive awareness and consumer trial.

These events coincided with the launch of the RedLeg ecommerce site, selling directly to consumers online. This provides a new revenue stream and platform on which to launch new products and branded merchandise, delivering additional volume at attractive margins.

The RedLeg Limited Edition bottle will be the first line extension to be launched onto the site. Following development and trials with our partners, the first batch was bottled in September and is now available to purchase online and from major grocery. We are confident that the product will have great stand-out on shelf, and are delighted to be able to offer something new to consumers. More information and images can be found at www.distil.uk.com/news.

Alongside the RedLeg Limited Edition bottle, the team has been working to lay the groundwork for new product development, which will include both line extensions and new-to-world brands in lucrative new categories for the business. We look forward to sharing more details with shareholders in the second half of the year.

Exports

Export continues to be a key area for the business and H1 saw combined sales of Blackwoods gin and vodka increase 125% year-on-year. This has been driven by existing customers repurchasing following market recovery post-covid. We have received resoundingly positive feedback on the 2022 vintage; customers are excited by the refreshed branding and liquid, and development of the brand home.

Similarly, we are regaining traction for Blavod within export markets, tracking an increase of 102% year-on-year, driven predominantly by Duty Free as consumer confidence in travel returns.

Ardgowan Distillery Project

Ardgowan Distillery Company hosted its first annual Open Day in June at the distillery site in Inverkip, with representatives from Distil in attendance. Ardgowan reported 5,000 visitors on the day from the local area and as far afield as the USA. Response on the day was resoundingly positive, and the Blackwoods range continues to be a hit, with visitors returning to repeat purchase at the distillery shop. More information regarding the Open Day can be found [here](#). More information and images can be found at www.distil.uk.com/news.

Commissioning of the gin still has been delayed due to the need to change some of the instruments, however we are working closely with the team to monitor progress with the aim of distilling the first Blackwoods at Ardgowan as soon as possible.

Results versus same period last year

Despite a difficult economic backdrop total revenues increased 37% to £632k during the period as we rebuilt following the business remodel in H1 2022.

Revenue growth is behind volume (+48% year-on-year), largely due to sizable increase on Blavod exports (+102% year-on-year) driven by license sales in travel retail.

The Company reduced the loss before tax by 43% to £314k for the period (2022: £555k) despite continued pressure on gross margins caused by increased production costs. Advertising and marketing spend was significantly below prior period which included one-off costs associated with the RedLeg TV campaign. Other administrative costs increased 12% over the prior period primarily due to an increase in staff and professional costs.

Cash reserves stood at £321k at the end of the period reflecting the losses incurred during the period, and build-up in inventory ahead of Q3, our largest and most profitable trading period.

Outlook

We are confident we will continue to build on promising wins within both the UK on-trade and export markets for the remainder of the year, demonstrating that we are successfully rebuilding from a stronger position.

Amidst a demanding economic climate and shifting consumer behaviours, the global alcohol market is projected to continue to grow +2% in value year-on-year from 2022-2027 (IWSR).

We anticipate that rum category growth in the UK trade (+63% volume vs 4 years ago, off-trade) will continue, and the team is working to ensure that RedLeg Spiced Rum remains well positioned in line with consumer needs, and is supported with cross-trade channel marketing support in order to benefit from the upward trend.

We head into our biggest trading period having implemented price premiumisation across the portfolio and as a result of this, coupled with the work of the operations team to reduce cost of goods, we anticipate that we will begin to recover margins.

H2 will see the launch of the new limited-edition SKU for RedLeg, the development of further new product development for both existing and new-to-world brands to diversify our offering, and increased marketing and promotional support internationally to drive growth across our portfolio through to the end of the financial year.

For further information please contact:

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This announcement contains inside information as stipulated under the UK version of the Market Abuse Regulation No 596/2014 which is part of English Law by virtue of the European (Withdrawal) Act 2018, as amended. On publication of this announcement via a regulatory information service this information is considered to be in the public domain

About Distil

Distil Plc is quoted on the AIM market of the London Stock Exchange. It owns drinks brands in a number of sectors of the alcoholic drinks market. These include premium spiced rum, vodka, gin, vodka vanilla cream liqueur and are called RedLeg Spiced Rum, Blackwoods Vintage Gin, Blackwoods Vodka, Blavod Original Black Vodka, TRØVE Botanical Spirit and Diva Vodka.

Distil plc - Half Year Results
Consolidated comprehensive interim income statement

	Six months ended 30 September 2023 Un-audited £'000	Six months ended 30 September 2022 Un-audited £'000	Year ended 31 March 2023 Audited £'000
Revenue	632	460	1,320
Cost of sales	(349)	(250)	(636)
Gross profit	283	210	684
Administrative expenses:			
Advertising and promotional costs	(168)	(376)	(582)
Other administrative expenses	(489)	(436)	(903)
Share based payment expense	(17)	(30)	(3)
Total administrative expenses	(674)	(842)	(1,488)
Operating loss	(391)	(632)	(804)
Finance income	77	77	150
Loss before tax from continuing operations	(314)	(555)	(94)
Income tax	-	-	-
Loss for the period	(314)	(555)	(748)
Loss per share:			
From continuing operations			
Basic (pence per share)	(0.05)	(0.08)	(0.11)
Diluted (pence per share)	(0.05)	(0.08)	(0.11)

Consolidated interim statement of financial position

	As at 30 September 2023 Un-audited £'000	As at 30 September 2022 Un-audited £'000	As at 31 March 2023 Audited £'000
ASSETS			
Non-current assets			
Property, plant and equipment	150	159	153
Intangible fixed assets	1,648	1,613	1,633
Financial assets	3,000	3,038	3,000
Deferred tax assets	351	445	351
Total non-current assets	5,149	5,255	5,137
Current assets			
Inventories	1,189	793	1,069
Trade and other receivables	479	586	883
Cash and cash equivalents	321	948	717
Total current assets	1,989	2,327	2,669
Total assets	7,138	7,582	7,806
LIABILITIES			
Current liabilities			
Trade and other payables	483	410	854
Financial liabilities	150	150	150
Total current liabilities	633	560	1,004
Total liabilities	633	560	1,004
Net assets	6,505	7,022	6,802
EQUITY			
Equity attributable to equity holders of the parent			
Share capital	1,474	1,474	1,474
Share premium	6,211	6,211	6,211
Share based payment reserve	218	228	201
Accumulated losses	(1,398)	(891)	(1,084)
Total equity	6,505	7,022	6,802

Consolidated interim cash flow statement

	Six months ended 30 September 2023 Un-audited £'000	Six months ended 30 September 2022 Un-audited £'000	Year ended 31 March 2023 Audited £'000
Cashflows from operating activities			
Loss before tax	(314)	(555)	(654)
Adjustments for non-cash/non-operating items:			
Finance income	(77)	(77)	(150)
Depreciation	8	8	16
Share based payment expense	17	30	3
Unrealised foreign currency gains	2	-	-
	(364)	(594)	(785)
Movements in working capital			
Increase in inventories	(120)	(156)	(432)
Decrease/(increase) in trade receivables	404	101	(196)
(Decrease)/increase in trade payables	(371)	3	447
Cash used in operations	(87)	(52)	(181)
Net cash used in operating activities	(451)	(646)	(966)
Cashflows from investing activities			
Purchase of property plant & equipment	(5)	-	(2)
Expenditure relating to the acquisition and registration of licenses and trademarks	(15)	(7)	(27)
Net cash used in investing activities	(20)	(7)	(29)
Cashflows from financing activities			
Interest received on convertible loans	75	38	150
Net cash generated by financing activities	75	38	150
Net decrease in cash and cash equivalents	(396)	(615)	(845)
Cash & cash equivalents at the beginning of the period	717	1,563	1,562
Cash & cash equivalents at the end of the period	321	948	717

Notes to the interims accounts:

1. Basis of preparation

This interim consolidated financial information for the six months ended 30 September 2023 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 2023, which have been prepared under UK-adopted International Accounting 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 2023 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 2022 are also unaudited.

3. 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.

4. Approval of interim report

This interim report was approved by the board on 11 October 2023.