Distil plc

("Distil" or the "Group")

Final Results for year ended 31 March 2021

"Rising to the challenge"

Distil plc (AIM: DIS), owner of premium drinks brands RedLeg Spiced Rum, Blackwoods Gin and Vodka, Blavod Black Vodka, Trøve Botanical Spirit, Jago's Cream Liqueur and Diva Vodka, announces its final results for the year ended 31 March 2021.

Operational review

- Multi award winning new-to-world brand TRØVE Botanical Vodka launched into the UK market in three varieties; Valencia Orange & Lime, Raspberry, Lemongrass & Mint and Green Apple & Ginger.
- RedLeg Banana Rum and RedLeg Tropical Rum successfully launched into the UK market
- Ready-to-drink ("RTD") RedLeg Pineapple Rum with Franklin & Sons Ginger Ale launched and listed in major UK retailers
- Increase in Marketing headcount and brand investment
- Increase in Product Development headcount, resources and investment
- Geographic footprint continues to grow. New markets opened in Austria, Hungary, Slovakia and Africa

Financial review

- Turnover increased 48% to £3,616k (2020: £2,441k)
- Gross profit increased 39% to £2,010k (2020: £1,446k)
- Margins decreased to 55.6% (2020: 59.2%)
- Advertising and promotion spend increased 61% to £1,071k (2020:£665k)
- Other administrative expenses increased 9% to £651k (2020: £597k)
- Operating profit increased 38% to £254k (2020: £184k)
- Net cash inflow of £204k (2020: £210k outflow) resulting in year-end cash reserves of £1,062k (2020: £858k)
- Net assets of £3.81m (2020: £3.43m) at 31 March 2021

Don Goulding, Executive Chairman of Distil, said:

“I am pleased to report significant growth and development of our business in the year ended 31 March 2021.

Our small but talented and impressive team were able to respond rapidly to the unique Covid pandemic related challenges we faced throughout the year. Despite prolonged closure of the important hospitality and travel retail sectors, plus supply disruptions, export shipping complications and remote working, they delivered an excellent set of results.

We also delivered against our promise of further new products and whilst these have been initially launched mainly in the UK with international markets to follow, we increased our export sales of existing brands by 81% year on year."

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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, Diva Vodka and Jago's Vanilla Cream Liqueur.

Chairman's Statement

I am pleased to report another year of increased profit, revenue growth and continued investment in our brands for the year ended 31 March 2021.

COVID-19

The COVID-19 pandemic created a unique, and hopefully one-off, set of circumstances which resulted in a challenging 12 months. As our financial year began in tandem with the first national UK lockdown, we reprioritised our investments and, by working closely with our partners at all levels of the business, were able to focus on meeting the rapidly changing needs of consumer and customer.

The safety and wellbeing of our staff remained paramount throughout, and my thanks go to the whole team for their adaptability, tenacity and hard work. They each did an outstanding job in managing the various issues faced and the added complication of working remotely. Many learnings will be taken from the past year; these challenges forced us to scrutinise our ways of working, and resulted in positive simplification and improvement of many processes which will remain in place as we move forward.

Performance

I am pleased to report that we achieved a strong set of results and closed the year having grown our combined business above that of spirits market growth with revenues increasing by 48% year on year.

Within this result our sales mix by spirit category shifted significantly; rum sales increased 50%, gin advanced 50% both enjoying breadth of distribution while vodka decreased by 45% due to distribution weight in Duty free.

Naturally, results by brand, by market, and by trade channel varied significantly. Whilst our overall sales were hit in the hospitality and travel retail sectors, these declines were offset by increases across grocery and online retail.

To support our goal of creating stakeholder value through premium spirit brand building in the UK and internationally, we increased our marketing investment by 61%, mainly in support of additional brand activation, but also in the area of new product development (NPD). This year has seen the continued move into new formats with the successful launch of RedLeg Pineapple and Ginger Ale ready-to-serve cans in partnership with Franklin & Sons (Global Brands), together with the launch of two new flavours – RedLeg Banana Rum and RedLeg Tropical Rum – to capitalise on the growing trend for flavoured spirits.

In addition, this year has seen the launch of TRØVE, a lower ABV botanical spirit crafted in partnership with Master Distiller, Sion Edwards. Three flavours were developed for launch, all sugar free, gluten free, lower calorie, and vegan while delivering the same complexity of flavour and rich mouthfeel as full-strength spirits to suit emerging consumer trends towards more balanced lifestyles. The brand has already been awarded medals in the prestigious Low & No Masters 2021, organised by The Spirits Business.

New product launches were heavily weighted in Q4, so the revenues are not material in these results, however we are confident that they will add significant value to the business in the coming years.

Expanding our geographical footprint remains a strategic priority and a key business driver, with new markets opened in Europe and Africa. As a result, combined export sales rose 85% year-on-year.

Our cost of goods increased, particularly in the first half of the year, reflecting COVID-19 inefficiencies driven by plant closures, social distancing, supply disruption, and movement of goods to more accessible locations to ensure we were able to fulfil demand. This reduced our gross profit margin in the short to mid-term from 59% to 56%.

Distil remains committed to reducing the environmental impact of our business and as such, this year saw us seek out new partners to support us in the move to cost effective eco-friendly packaging, including FSC certified labels, glue-free corks, and recyclable capsules.

All other costs in our business remain tightly controlled and this improved EBITDA by 55% year-on-year, with cash generation remaining strong resulting in a 24% increase in year-end cash reserves to £1.1 million.

Board Changes

In January, we welcomed Roland Grain on to the board as a Non-executive Director. He replaced Mark Quinn who had served as Non-executive Director since 2010. I am grateful to Mark for his excellent contribution to the board and thank him for his support throughout.

Roland is a successful entrepreneur based in Vienna, who founded his IT & HR business in 1995. Over the last 10 years he has built a spirits investment portfolio including Manly Spirits, (Australia), East London Liquor Company, Potstill Spirits Trading – Austria´s leading Whisky Importer and Distil Plc.

At the same time, we promoted Kate O'Connell, Marketing and Operations Director, to the board. Kate has been with the company for 10 years and played an integral role in helping to establish new ways of working and launching new products.

Outlook

The beverage alcohol market remains highly attractive globally, and we remain confident in our relatively small but talented team who are able to respond rapidly to changing environments and growth opportunities.

As we commence the new financial year, many UK restrictions relating to social distancing and entertainment are scheduled to be lifted. We are therefore hopeful that the hospitality and entertainment sector will resume full activity over the course of the summer and autumn months. This is particularly important for consumer confidence, brand building and new product development.

At this stage, with many export markets being under varying degrees of lockdown and timelines for the resumption of international travel uncertain, we believe it is too early to forecast with accuracy or certainty for the coming year. Market guidance will be released as soon as we are suitably confident in the stability of consumer free-movement and trade channels remaining open.

In the meantime, while maintaining tight control of costs and cash, we will continue to invest in our brands, NPD and new packaging to meet consumer needs longer term while keeping attention on supporting changing trade needs in the short to mid-term.

Don Goulding
Executive Chairman
Date: 11 June 2021

Strategic Report

Results for the year

The profit before tax attributable to shareholders for the year amounted to £243k (2020: £182k). Adjusted EBITDA* was £303k (2020: £195k).

Against the difficult backdrop of the COVID-19 pandemic and ongoing disruption to supply chains caused by the UK's withdrawal from the EU we delivered another year of successful growth. Overall sales volumes and revenues increased significantly during the period, supported by a 61% increase in marketing and promotional spend ahead of sales in line with our strategic plans. Despite a reduction in gross margin to 56% as a result of COVID-19 related production charges and the ramp up in marketing spend we were able to increase brand contribution from £781k to £939k. We anticipate a gradual recovery in gross margins as pandemic restrictions are eased and production capacity constraints are lifted albeit the timing of this remains uncertain.

The strong growth in overall sales and volumes was driven by another year of strong performance from Redleg Spiced Rum, revenue sales of which grew 50% and were enhanced by the successful launch of further flavour variants during the period. Blackwoods Vintage Gin also delivered significant sales revenue growth of 50% year-on-year. Sales of Blavod Vodka were impacted by the COVID-19 related closures across the Travel Retail (Duty free) sector resulting in a decline of 65% in sales revenue.

The Group continues to minimise overheads where possible, whilst ensuring sufficient investment to support the growth in sales of its existing brands and development of new brands. Other administrative expenses (including lease amortisation costs) increased by 9% over prior year, largely due to investment in staff recruitment to support business growth. The Group also seeks to carefully manage its cash resources and posted a net operating cash inflow of £254k (2020: £99k outflow) during the year.

The Group's position at the financial year end remained robust showing net assets of £3.81m (2020: £3.43m). This included cash reserves of £1.06m (2020: £0.86m) and intangible assets of £1.60m (2020: £1.58m) comprising expenditure on trademarks related to our brands. Inventories increased to £553k (2020: £349k) in line with the increase in monthly sales volumes.

**EBITDA is adjusted for share based payment expenses as well as one-off IFRS 16 amortisation and finance expenses in 2020. There are no IFRS 16 related amortisation or finance expenses in 2021.*

Principal activities and business review

Distil Plc (the "Company") acts as a holding company for the entities in the Distil Plc group (the "Group"). The principal activity of the Group throughout the period under review was the marketing and selling of RedLeg Spiced Rum, Blackwoods Vintage Gin, Blackwoods Vodka, Blavod Original Black Vodka, Trøve Botanical Spirit and Diva Vodka.
The results for the 2021 financial year reflect the continued focus on investing in the Group's key brands to drive top line growth in both domestic and international markets whilst ensuring overhead costs remain appropriate for the size of the Group.

Key performance indicators

The Group monitors progress with particular reference to the following key performance indicators:

- **Contribution – defined as gross margin less advertising and promotional costs**

Contribution increased £158k from £781k in 2020 to £939k in 2021. This increase was achieved through a 48% increase in overall sales revenues which more than offset a reduction in gross margin to 56% and a 61% increase in advertising and marketing costs during the year

- **Sales turnover versus previous year**

Total sales increased 48% year-on-year to £3.62m. RedLeg Spiced Rum and Blackwoods Gin were the key performance driver with both brands posting a 50% increase in revenue, ahead of the wider spirts market. Blackwoods Vodka and Blavod Original Black Vodka experienced declines of 60% and 66% respectively, albeit off relatively small bases.

- **Gross margin versus previous year**

Gross margin as a percentage of sales fell to 56% compared to 59% in the prior year due to an increase in production costs caused by the COVID-19 pandemic.

We also closely monitor both the level of, and value derived from our advertising and promotional costs and other administrative costs. As a percentage of sales, advertising and promotional spend amounted to 30% (2020: 27%) during the year, reflecting our continued commitment to investing in existing and new brand development.

Other administrative costs increased 9% to £651k (2020: £597k) as we increased headcount whilst continuing to carefully manage our cost base.

Principal risks and uncertainties

As a relatively small but growing business our senior management is naturally involved day to day in all key decisions and the management of risk. Where possible, structured processes and strategies are in place to monitor and mitigate as appropriate. This involves a formal review at Board level.

The directors are of the opinion that a thorough risk management process has been adopted which involves a formal review of the principal risks identified below. Where possible, processes are in place to monitor and mitigate such risks.

- **Economic downturn**

  The success of the business is reliant on consumer spending. An economic downturn, resulting in reduction of consumer spending power, will have a direct impact on the income achieved by the Group. In response to this risk, senior management aim to keep abreast of economic conditions. In cases of severe economic downturn, marketing and pricing strategies will be modified to reflect the new market conditions.

- **High proportion of fixed overheads and variable revenues**

  A large proportion of the Group's overheads are fixed. There is the risk that any significant changes in revenue may lead to the inability to cover such costs. Senior management closely monitor fixed overheads against budget on a monthly basis and cost saving exercises are implemented wherever possible when there is an anticipated decline in revenues.

- **Competition**

  The market in which the Group operates is highly competitive. As a result, there is constant downward pressure on margins and the additional risk of being unable to meet customer expectations. Policies of constant price monitoring and ongoing market research are in place to mitigate such risks.

- **Failure to ensure brands evolve in relation to changes in consumer taste**

  The Group's products are subject to shifts in fashions and trends and the Group is therefore exposed to the risk that it will be unable to evolve its brands to meet such changes in taste. The Group carries out regular consumer research on an ongoing basis in an attempt to carefully monitor developments in consumer taste.

- **Portfolio management**

  A key driver of the Group's success lies in the mix and performance of the brands which form the Group's portfolio. The Group constantly and carefully monitors the performance of each brand within the portfolio to ensure that its individual performance is optimised together with the overall balance of performance of all brands marketed and sold by the Group.

- **COVID-19 pandemic**

  The Group continues to comply with international governmental advice and requirements across its operations to prioritise safety, with all employees able to continue working effectively from home with minimal disruption to the company's day-to-day operations.
  Whilst the ongoing pandemic continues to present challenges in forecasting accurate market trends over the next six months, our brands remain relatively well positioned and we will continue to work closely with our trade partners and customers to ensure we maintain stock cover and flexibility through this uncertain period. In addition we will continue to prepare exciting new marketing programmes, line extensions and new to world brands to take advantage of the fresh opportunities that will naturally arise as consumer habits and trade structures continue to shift.

Future developments

We remain focused on four key growth drivers to maintain profitable brand growth and create value. These are listed below:

Brand activation and marketing at the point of sale:

- Precise timing and frequency of promotional activity including occasions & gifting.
- Bringing promotions to life and aligned with changing consumer needs.
- Marketing and promotional activity tailored to local market needs.

Innovation in liquid & packaging development:

- Pack sizes & formats, new brands, liquids and flavours.

Route to consumer:

- Build long term relationships with capable local distributors in each key market.
- Open new territories for each key brand, targeting premium growth markets.
- Develop new trade channels through format and product.

Access to new production and design:

- Across all aspects of distilling, bottling, packaging.

S Claydon

Director

11 June 2021

Consolidated statement of comprehensive income
For the year ended 31 March 2021

	2021 £'000	2020 £'000
Revenue	3,616	2,441
Cost of sales	(1,606)	(995)
Gross profit	**2,010**	**1,446**
Administrative expenses:		
Advertising and promotional costs	(1,071)	(665)
Other administrative expenses	(651)	(597)
Share based payment expense	(34)	-
Total administrative expenses	**(1,756)**	**(1,262)**
Profit from operations	**254**	**184**
Finance expense	(11)	(2)
Profit before tax	**243**	**182**
Taxation	100	76
Profit for the year and total comprehensive income	**343**	**258**

Earnings per share		
Basic and diluted (pence per share)	0.07	0.05

Consolidated statement of financial position
As at 31 March 2021

	2021 £'000	2020 £'000
Assets		
Non-current assets		
Property, plant and equipment	167	153
Intangible assets	1,598	1,577
Deferred tax asset	176	76
Total non-current assets	**1,941**	**1,806**
Current assets		
Inventories	553	349
Trade and other receivables	609	543
Cash and cash equivalents	1,062	858
Total current assets	**2,224**	**1,750**

Total assets	**4,165**	**3,556**
Liabilities		
Current liabilities		
Trade and other payables	358	126
Total current liabilities	**358**	**126**
Total liabilities	**358**	**126**
Net assets	**3,807**	**3,430**
Equity		
Share capital	1,292	1,292
Share premium	2,908	2,908
Share-based payment reserve	117	83
Accumulated losses	(510)	(853)
Total equity	**3,807**	**3,430**

Consolidated statement of changes in equity

For the year ended 31 March 2021

	Share capital	Share premium	Share-based payment reserve	Accumulated losses	Total equity
	£'000	**£'000**	**£'000**	**£'000**	**£'000**
Balance at 1 April 2019	1,292	2,908	83	(1,109)	3,174
Right-of-use asset opening balance	-	-	-	(2)	(2)
Profit for the year and total comprehensive income	-	-	-	258	258
Balance at 31 March 2020 and 1 April 2020	**1,292**	**2,908**	**83**	**(853)**	**3,430**
Profit for the year and total comprehensive income	-	-	-	343	343
Share option charges	-	-	34	-	34
Balance at 31 March 2021	**1,292**	**2,908**	**117**	**(510)**	**3,807**

Consolidated statement of cash flows

For the year ended 31 March 2021

	2021	**2020**
	£'000	**£'000**
Cash flows from operating activities		
Profit before taxation	**243**	**182**
Adjustments for non-cash/non-operating items:		
Finance expense	11	2

Depreciation	15	13
Amortisation of right of use assets	-	49
Share-based payment expense	34	-
	303	**246**
Movements in working capital		
Increase in inventories	(204)	(37)
Increase in trade and other receivables	(66)	(336)
Increase in trade and other payables	221	28
Net cash generated from/(used in) operating activities	**254**	**(99)**
Cash flows from investing activities		
Purchase of property, plant and equipment	(29)	(37)
Expenditure relating to licences and trademarks	(21)	(21)
Net cash used in investing activities	**(50)**	**(58)**
Cash flows from financing activities		
Interest on lease liabilities	-	(2)
Repayments of lease liabilities	-	(51)
Net cash used in financing activities	**-**	**(53)**
Net increase/(decrease) in cash and cash equivalents	204	(210)
Cash and cash equivalents at beginning of year	858	1,068
Cash and cash equivalents at end of year	**1,062**	**858**

1. Basis of preparation

The consolidated and company financial statements are for the year ended 31 March 2021. They have been prepared in accordance with International Accounting Standards in conformity with the requirements of the UK Companies Act 2006. The financial statements have been prepared on a consistent basis to the year ended 31 March 2020 and there have been no changes to accounting standards implemented.

The financial statements have been prepared under the historical cost convention.

Distil Plc is the Group's ultimate parent company. The Company is a public limited company incorporated and domiciled in England and Wales. The address of Distil Plc's registered office is 201 Temple Chambers, 3-7 Temple Avenue, EC4Y 0DT and its principal place of business is Suite 113, 3 More London Riverside, London, SE1 2RE.

These results are audited; however, the financial information does not constitute statutory accounts as defined under section 434 of the Companies Act 2006. The consolidated balance sheet at 31 March 2021 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended have been extracted from the Group's 2021 statutory consolidated financial statements upon which the auditor's opinion is unqualified. The statutory consolidated financial statements for the year ended 31 March 2021 were approved by the Board on 11 June 2021 and will be delivered to the Registrar of Companies in due course.

The financial information for the year ended 31 March 2020 has been derived from the Group's statutory consolidated financial statements for that year, as filed with the Registrar of Companies. Those consolidated financial statements contained an unqualified audit report.

Copies of the Annual Report will shortly be available on the Company's website www.distil.uk.com and from the Company's registered office.

2. Earnings per share

The calculation of the basic earnings per share is based on the results attributable to ordinary shareholders divided by the weighted average number of shares in issue during the year.

The diluted earnings per share is the same as the basic earnings per share as the exercise of warrants and options would be immaterial.

The earnings and weighted average number of shares used in the calculations are set out below.

	2021	**2020**
Profit attributable to ordinary shareholders (£'000)	343	258
Weighted average of number of shares	501,982,913	501,982,913
Basic and diluted per share (pence)	0.07	0.05

3. Segment reporting

	2021 **£'000**	**2020** **£'000**
Revenue		
UK	3,221	2,227
Export	395	214
	3,616	**2,441**
Gross profit		
UK	1,810	1,310
Export	200	136
	2,010	**1,446**

The directors have decided that providing a geographical split by two locations, UK and Export, offers an enhanced indicator of business activity. Only revenue and gross profit can be easily identifiable when splitting between UK and export markets. All trade is undertaken and assets are held in one geographic location, being the UK.

During the year ended 31 March 2021, 78% of the Group's revenue was derived from one wholesale distributor (2020: 77%). All of this related to UK revenue. There were no other customers who accounted for more than 10% of revenue.