

Stock Data

Share Price:	0.40p
Market Capitalisation:	£3.62m*
Shares in issue:	905.11m*
52 week high/low:	0.28p/0.95p

*Post-Placing numbers

Company Profile

Sector:	Beverages
Ticker:	DIS
Exchange:	AIM

Activities

Distil plc ('Distil', 'the Company', 'DIS') pursues a strategy to develop a range of its own alcohol brands and market them globally through arrangements with local market distributors.

www.distil.uk.com

5-year share price performance



Source: [LSE](https://www.lse.com)

Past performance and forecasts are not a reliable indicator of future results.

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Turner Pope acts as sole broker to Distil plc.

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Distil plc

On the 24th November Distil, the premium drinks brands owner, conditionally raised £0.765m (gross) through a Placement and Subscription of new shares (together the 'fundraising') priced at 0.35p per Placing Share (the 'Issue Price').

Perhaps anticipated following publication of interim results on 12 October, which detailed cash reserves as of 30 September 2023 down to just £321,000, the fundraising is intended to provide working capital to enable Distil to service customers with stock throughout the busiest time of the year, as well as support increased promotion of its brands at point of sale. It will also provide an important springboard for growth planning through to the end of March 2025, which comprises the opening of the Blackwoods gin experience at Ardgowan, consumer brand activation at key events, development of premium line-extensions, limited-edition bottlings, and the launch of a new-to-world brand in an emerging category, which could take the business into an exciting new space for capturing sales. With opportunity to build on recent promising trade wins within both the UK on-trade and export markets throughout the remainder of this financial year and next, the Company has positioned itself to sustain growth registered in the first half of FY2023/24 going forward, while gradually rebuilding profitability against a background of continuing expansion of the global alcohol market. Although short term inflationary pressures are expected to remain, close working with both existing and new suppliers to stabilise and reduce overall cost of goods appear capable of delivering a gradual improvement to gross margins, starting in the coming financial year. An improving operational background, along with the announcement that Ardgowan Distillery Company Limited, in which Distil has made a £3m interest-bearing strategic investment to access malt whisky and create a brand home experience for Blackwoods, has broken ground on phase one of its £20m whisky distillery build, suggests the 50%+ discount to net assets that the shares presently trade on remains far too deep.

Placing & Subscription - Transaction highlights

- Placing and Subscription to raise £0.765m (before expenses) through the issue of 218.6m new Ordinary Shares at the Issue Price;
- Grain GmbH (£200,000) which is connected to Roland Grain, a non-executive director of the Company, and substantial shareholder BERO SAS (£120,000), which is associated with Baron Eric de Rothschild, have agreed to subscribe for, in aggregate, 91.4m Ordinary Shares in the Subscription; being both substantial existing shareholders in the Company, these were related party transactions under the AIM Rules.
- Dr Graham Cooley (the former CEO of ITM Power), is also investing £200,000 for 57.1m Ordinary Shares in the Placing
- The Placing Shares and Subscription Shares will represent approximately 24.1 per cent. of the Enlarged Share Capital following Admission; and
- General meeting to approve the resolutions (the 'Resolutions') required to implement the Fundraising is to be held at Temple Chambers, 3-7 Temple Avenue, London EC4Y 0DT at 10.00 a.m. on 12 December 2023.

New distribution model combined with inflationary pressures impacted working capital needs

Distil's remodelling of its product distribution in FY2022/23 was an important step, in terms of both being able to accelerate growth and improve operating efficiency. The result of passing its on-trade and independent sectors to independent agent, Marussia Beverages, while instead handling sales and marketing to its major UK retail customers internally in order to secure control and steer development of such relationships, however, resulted in a one-off knock-on hit to sales as existing UK inventories were depleted over the period.

Accordingly, full year accounts to 31 March 2023 reported a net loss of £748,000 for the period (2021: profit of £174,000), with cash/cash equivalents at period-end falling to £717,000 (2021/22: £1.56m). Consumers globally remained cautious during H1 FY2023/24, while the business was presented with additional challenges including the impact of wide-spread increases in its cost of goods as a result of rising inflation and international unrest (including the war in Ukraine), along with a UK duty increase on all alcoholic beverages. This meant that the Company produced a further, albeit reduced, net loss for the six months of £314,000 (H1 FY2022/23: net loss of £555,000), taking cash-in-hand down to £321,000 (H1 FY2022/23: £948,000) and necessitating the fundraising. Against a now slightly improved trading background and expectation of rising profitability, however, the Board consider the c.£708,000 net new funds to be received will position it for the 37% lift in sales registered during the first half to be sustained or bettered for the year as a whole, while also providing an important springboard for its detailed growth planning through to the end of March 2025.

(Risk warning: Financial forecasts and any statements made regarding future performance expectations are not reliable indicators of future results and should not be relied upon to make investment decisions)

Half year financial results demonstrate early benefits of the businesses' remodelling

The first six months of FY2023/24 allowed the Board to embrace the autonomy that the remodelled business was designed to create, resulting in a return to growth. Challenges remain, however, given that widespread upward pressures on cost of goods (in response to inflation and international unrest) have not yet subsided, while consumer spending is also being impacted by a UK duty increase on all alcoholic beverages.

As can be seen below, financial highlights for the period reflected success in terms of consumer-facing brand activation, new product development and encouraging progress in re-establishing its portfolio within the on-trade with the help of Distil's partners at Marussia Beverages UK:

- 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)

Rebuilding operations from a stronger base during the second half

Operational highlights recorded for the first half included the following:

- 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/new revenue stream with attractive margins
- Additional on-trade listings secured for RedLeg and Blackwoods Gin and Vodka

The remodelling of operations that was completed last year was designed to provide greater control of Distil's direct and indirect marketing. This action has subsequently presented it with various new growth opportunities. Investment into brand marketing and promotion during the first half decreased 58% as it lapped H1 2022, which included the RedLeg TV commercial. Now being able to steer such spending itself, however, last summer saw RedLeg being reactivated in-store at point of sale and directly with consumers at two key events with a combined total of 135,000 attendees. Although commissioning of Blackwoods Gin at Ardgowan has been delayed due to the need to change some of the process instrumentation, this landmark event is now near finalisation with a schedule to open to the public in Q1 FY2024/25 following commencement of gin distillation across the range in February 2024.

Reflecting the economic climate, consumers globally remain cautious, the impact of which is presently being felt across the trade and is expected to continue in the short to medium term. Rebuilding from a stronger base under its new structure, however, Distil now appears to be well positioned to continue reported H1 FY2023/24 growth as it enters its busiest trading time of the year. Exports could play a key in this, having seen H1 FY2023/24 combined sales of Blackwoods gin and vodka increase 125% year-on-year, driven by existing customers repurchasing following market recovery post-COVID. As such, the Company's focus is on continuing to grow brands from a stronger base in both the UK and export markets, with emphasis on driving value for shareholders.

Distil plc - Summary Financial Accounts

Consolidated statement of comprehensive income For the years ended 31 March

£'000	2022	2023
Revenue	2,942	1,320
Cost of sales	-1,313	-636
Gross profit	1,629	684
<i>Gross profit margin</i>	<i>55%</i>	<i>52%</i>
Administrative expenses*:		
Advertising and promotional costs	-890	-582
Other administrative expenses	-812	-903
Share based payment expense	-59	-3
Total administrative expenses	-1761	-1488
Adjusted EBITDA**	-9	-785
Loss from operations	-132	-804
Finance income	37	150
Loss before tax	-95	-654
Taxation	269	-94
(Loss)/profit for the year	174	-748
(Loss)/earnings per share		
Basic (pence per share)	0.03	-0.11
Diluted (pence per share)	0.02	-0.11

*Administrative costs in 2022 adjusted to remove the one-off transaction costs associated with the Ardgowan investment

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

Source: Distil

**Consolidated statement of financial position
For the years ended 31 March**

£'000	2022	2023
Assets		
Non-current assets		
Property, plant and equipment	167	153
Intangible assets	1,606	1,633
Financial assets at amortised cost	3,000	3,000
Deferred tax asset	445	351
Total non-current assets	5,218	5,137
Current assets		
Inventories	637	1,069
Trade and other receivables	687	883
Cash and cash equivalents	1,562	717
Total current assets	2,886	2,669
Total assets	8,104	7,806
Liabilities		
Current liabilities		
Trade and other payables	407	854
Financial liabilities at amortised cost	150	150
Total current liabilities	557	1004
Total liabilities	557	1,004
Net assets	7,547	6,802
Equity		
Share capital	1,474	1,474
Share premium	6,211	6,211
Share-based payment reserve	198	201
Accumulated losses	-336	-1,084
Total equity	7,547	6,802

Source: Distil

Consolidated statement of cash flows
For the years ended 31 March

	2022	2023
Cash flows from operating activities		
Loss before taxation	-95	-654
Adjustments for non-cash/non-operating items:		
Finance income	-37	-150
Depreciation	16	16
Expenses settled by shares	15	0
Share-based payment expense	59	3
	-42	-785
Movements in working capital		
Increase in inventories	-84	-432
Increase in trade and other receivables	-78	-196
Increase in trade and other payables	54	447
Cash used in operations	-108	-181
Net cash used in operating activities	-150	-966
Cash flows from investing activities		
Purchase of property, plant and equipment	-16	-2
Expenditure relating to licences and trademarks	-8	-27
Payment on issue of convertible loan notes	-2,850	0
Net cash used in investing activities	-2874	-29
Cash flows from financing activities		
Proceeds from issue of shares, net of issue costs	3,492	0
Interest received on convertible loans	32	150
Net cash generated from financing activities	3,524	150
Net (decrease)/increase in cash and cash equivalents	500	-845
Cash and cash equivalents at beginning of year	1,062	1,562
Cash and cash equivalents at end of year	1562	717

Source: Distil

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