

12 January 2023

## Distil Plc

### Trading Update

Distil plc (AIM: DIS), owner of premium drinks brands RedLeg Spiced Rum, Blackwoods Gin and Vodka, TRØVE Botanical Vodka and Blavod Black Vodka, provides an update on trading for the third quarter of its current financial year ending 31 March 2023.

- Year-on-year third quarter (October to December 2022) unaudited revenues decreased 48% to £411k (October to December 2021: £789k)
- Decrease in revenue primarily due to:
  - One-off reduction in UK market stock cover associated with removal of UK distributor as previously forecast
  - Significant one-off reduction in stock availability during key Christmas trading period within a major retailer
- RedLeg Spiced Rum delivered a strong performance across other major retailers during the quarter
- Blackwoods performance adversely impacted by delist in medium-sized retailer
- Marussia (UK distributor) has taken control of on-trade and is making positive progress increasing distribution
- New export markets opened in Scandinavia, and Latin America
- Option to invest additional £2m in Ardgowan not taken up at this time in order to focus cash resources on core business
- Ardgowan Distillery Project
  - External renovation of gin building complete with internal renovations ongoing
  - Site construction underway following revised plans for a more ambitious whisky distillery
- Full-year revenue will be significantly below market expectations, with the Company expected to make a full year EBITDA loss of c£0.6m in line with previous market guidance
- Cash reserves at period end of £277k, net of receivables and payables £840k

#### **Don Goulding, Executive Chairman of Distil, said:**

“The business faced several challenges in Q3 leading to disappointing year-on-year performance versus the previous year. These are one-off issues affecting this financial year and will not continue into FY23.

As announced in our interim results in October, at the end of H1 we progressed our move away from our previous UK distributor and commenced the implementation of a new business model, taking direct control of major customers. This move was completed in October, and in Q3 we were still seeing the associated impact of the significant reduction in

UK market stock cover, which in turn has reduced revenue in this fiscal year as forecast when the move was announced.

The third quarter, and December in particular, is the key trading period for our business, however, the wider UK spirits market was softer than anticipated during the quarter, with overall UK spirits sales down in response to a challenging economic environment.

It is important to be able to maximise sales throughout this key trading period but, regrettably, a system issue within one of our major customers resulted in reduced stock cover. RedLeg was performing well with a strong rate of sale, however the system issue meant that stock was not being replenished quickly enough, resulting in erratic promotional activity and out of stock issues at store level. Our team has been working hard with the customer over the quarter to resolve the issue and have together found a solution, with normality expected to return from Q4.

Our other major retail customers performed well across the quarter, with sales at a consumer level showing on average +38% YOY growth in December.

I am disappointed to report that despite positive brand growth, a mid-sized retailer took the decision in Q3 to reduce its gin range in response to the overall decline in the gin market, which included delisting Blackwoods 40% Gin from its stores. This news will have a significant impact on the brand; however, this gives us the opportunity to re-examine the brand positioning in the current market and focus efforts on rebuilding the brand in its home territory of Scotland with on-trade and regional off-trade listings.

The effect of these issues is that the Company's turnover for the current year will be materially beneath market expectations; the Board's expectation is that adjusted EBITDA loss for the current year will be around £0.6m, in line with previous market guidance.

To mitigate the effects of the issues faced on the full year results, our focus for Q4 is firmly on driving growth, with promotional activity and additional marketing support in place to help recover volumes where possible.

In the UK on-trade, new partner Marussia has been making encouraging progress in driving distribution and we will begin to see the fruits of these efforts in Q4 and beyond into the next financial year.

Expansion of our brand footprint in export markets has made positive progress, with new markets opened in Scandinavia and Latin America in Q3. Export growth remains a key objective for Q4, including increased marketing support in key territories to support accelerated brand growth.

We took the decision in Q3 not to exercise the option (which expired at the end of December 2022) to invest a further £2m into the Ardgowan Distillery project at this time to focus cash resources on our core business. The Ardgowan plans remain intact, however revised plans for a larger, more ambitious carbon negative whisky distillery naturally led to a resubmission of plans which have now been approved. External renovation of the gin building is complete

with internal works ongoing. Bespoke distillation equipment is due to be installed and commissioned over the coming months. The project still represents a significant long-term investment for our business, and we continue to support the team’s vision.

We remain cautious as the market faces challenges around inflation, and consumer confidence is impacted. Our brands are in strong positions to withstand market turbulence, and we are confident in our plans moving forward to the end of this financial year and beyond. However, given the challenges experienced in Q3 and the prevailing headwinds in our chosen markets, we expect full year revenue to be below, and operating losses in line with, current market forecasts. We will provide longer-term market guidance reflecting our new operational model at the time of publishing our full year financial results.

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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 in the alcoholic drinks market. These include premium spiced rum, vodka, gin, lower ABV spirit drinks and are called RedLeg Spiced Rum, Blackwoods Vintage Gin, Blackwoods Vodka, Blavod Original Black Vodka, TRØVE and Diva Vodka.