

Distil PLC

Trading update

Business remodels for accelerated growth

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

Unaudited year-on-year first quarter (April – June 2022) results:

- **Volumes decreased 79% and revenues decreased 81% from £624k to £120k**
 - Reported figures due to one-off impact of business remodel resulting in stock being removed from current distributor as business sets-up for accelerated growth
- **Export sales increased 84% year-on-year**
 - Expansion of existing and opening of new markets
- **Marketing investment increased 67% year-on-year**
 - Positive initial results following launch of first TV campaign for RedLeg Spiced Rum

Don Goulding, Executive Chairman, said:

“Reported year-on-year revenue and volume declines for the first quarter largely reflect the recently announced remodelling of our UK business (see RNS dated 6 July 2022), which will see us handling all sales and marketing to our major UK retail customers directly rather than through a third-party distributor. Whilst this major move will result in a one-off impact to full year revenue in the current financial year, we expect the change to our business model to yield significant revenue upside from 2023 financial year onwards.

The UK is by far our largest market and stock cover held by our outgoing distributor to service major retailers is significant. This inventory is being managed down and removed from the distributor supply chain as we prepare for the shift to direct sales at the end of Q2. We anticipate this one-off reduction in inventories will result in a c.£580k adverse impact to our reported UK sales during the first half of the current financial year ending 31 March 2023. However, these changes to distributor stock cover have no impact on sales at the consumer level.

The Board expects that the short-term impact of this major change on UK sales will be offset by greater benefits next year and into the future. The appointment of a Commercial Director is a pivotal step in the business remodel as it will enable us to take direct control of servicing our major customers, which will in turn allow us to take advantage of effective promotional activity, better manage market fluctuations, and develop business-building plans together with our key customers to drive visibility and brand growth while simultaneously reducing costs.

The overall UK spirits market in the first half of this calendar year has been challenging as it continues to recover from the impact of Covid, showing a small decline in the off-trade as

consumer drinking habits adjust to being back in hospitality which has grown off a low comparison during lockdown.

The on-trade continues to show strong signs of recovery as consumers return to hospitality, and as confidence rebuilds, we are positioned to take advantage of new listing opportunities. This quarter we have secured increased distribution with a major UK on-trade chain, and we are confident that working together with specialist on-trade distributor, Marussia Beverages and its award-winning team, we will continue to build on this success in this financial year.

Export sales continued to grow in the first quarter, up 84% year-on-year. Our international markets have largely experienced a quicker bounce-back from Covid restrictions, and we have been working diligently with existing markets to ensure stock levels are managed, as well as seeking out additional growth opportunities within new markets. This quarter has seen the team secure an additional listing for RedLeg Tropical in Australia, and new distribution agreements in Germany and The Baltics. Our newly appointed Commercial Director will be instrumental in accelerating growth of export not only through opening new markets, but also by fostering key existing markets to create joint growth plans for our brands.

The start of the current financial year saw us increase the front-line retail price of our brands in order to manage our margins in light of cost of goods increases caused by the impacts of Covid, Brexit, Eastern Europe conflict and the associated impact on price inflation. This is the first time we have advanced retail prices since 2017, and our brands still offer great value within their respective categories. Cost management and containment will remain a key priority this year while ensuring we maintain the premium product quality that our brands have become known for.

The quarter also saw marketing investment increase 67%, predominantly attributed to the launch of the first TV advertising campaign for RedLeg Spiced Rum in collaboration with ITV Adventures. The campaign, valued at over £500,000, ran on linear channels in targeted regions and nationally on-demand, was named Ad of the Week in leading trade publication, *The Grocer*, and has already begun to deliver positive results for the brand at consumer level. We are now working together with our strategic partners and customers to continue building on this success.

As with business change there will be initial non-recurring impacts of remodelling our business strategy however the Board and the wider team are excited by the opportunities that the improved business affords us, and we look forward to driving business growth and value for customers, shareholders, and stakeholders.”

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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, TRØVE Botanical Vodkas, Blavod Original Black Vodka and Diva Vodka.

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