

DISTIL BEVERAGES

17 January 2022

DIS.L

1.85p

Market Cap: £12.3m

SHARE PRICE (p)



12m high/low 3.1p/1.3p

Source: LSE Data

KEY DATA

Net (Debt)/Cash	£4.1m (at 31/12/21)
Enterprise value	£8.2m
Index/market	AIM
Next news	FY update - Apr '22
Shares in Issue (m)	662.7
Executive Chairman	Don Goulding
Finance Director	Shaun Claydon

COMPANY DESCRIPTION

Distil develops and markets internationally drinks brands, including RedLeg Spiced Rum and Blackwoods Vintage Gins.

www.distil.uk.com

DISTIL IS A RESEARCH CLIENT OF PROGRESSIVE

ANALYSTS

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Trading update...

...reflects ongoing Covid distortions

Distil's trading update continues to reflect the impact of distortions from Covid-related lockdowns and consumer stockpiling. The company has also moved from a predominantly promotional discounting stance in the UK to one of more premium price positioning. This marketing shift includes retail selling price increases, which both reinforce the premium positioning and mitigate the cost pressures accruing in an inflationary environment. These increases may impact short-term performance but should underpin a more premium brand positioning and longer-term shareholder value creation.

- Trading update.** For the nine months to December 2021, year-on-year (yoy) revenues fell by 28%, compared with the 70% increase reported last year. This current year performance for the first nine months was up 23% compared with the equivalent period to end December 2019, ie before the Covid pandemic and its subsequent distorting impacts. The Q3 outturn partially reflects the strategic reduction in UK promotional discounting in favour of longer-term brand and shareholder value creation. For the three months (Q3) to end December 2021, revenues were down 32% yoy, following last year's 22% increase in the Q3 period. Stronger yoy results were seen in the hospitality sector, export markets and Ready-to-Serve (RTS) sector. Against a Covid-ravaged performance last year, Hospitality sales rose 542% in Q3 (and +19% compared with the equivalent Q3 pre-Covid). Sales of RTS cans rose 150% in Q3, with a cumulative nine-month yoy increase of 46%. Export sales, driven by Russia, rose 16% yoy in Q3.
- Ardgowan Distillery progress.** Distil has made the initial net advance of £2.85m to Ardgowan. Planning for the Blackwoods gin distillery is underway and progressing in line with the planned timetable. Similarly, plans for Distil's new Malt Scotch are progressing well, with the launch anticipated in the coming months.
- Forecasts.** With disparate levels of consumer and hospitality restrictions pertaining across the UK and in key export markets, accurate forecasting of the full-year outturn remains problematic. Distil anticipates revenue growth in Q4, the smallest quarter by value in FY21. This should deliver full-year double-digit percentage growth compared with the (pre-Covid) FY20 financial year, albeit a decline on an extraordinary FY21 given the exceptional and distorting effects arising from the Covid pandemic.

FYE MAR (£M)	2018	2019	2020	2021
Revenue	2.01	2.40	2.44	3.62
Adj EBITDA	0.16	0.17	0.25	0.27
Fully Adj PBT	0.16	0.16	0.18	0.24
Fully Adj EPS (p)	0.03	0.03	0.05	0.07
EV/Sales (x)	4.1x	3.4x	3.3x	2.3x
EV/EBITDA (x)	49.9x	48.3x	33.2x	30.3x
PER (x)	58.7x	57.7x	36.0x	27.1x

Source: Company Information and Progressive Equity Research estimates.

This publication should not be seen as an inducement under MiFID II regulations.

Please refer to important disclosures at the end of the document.

Financial Summary: Distil

Year end: March (£m unless shown)

	2018	2019	2020	2021
PROFIT & LOSS				
Revenue	2.01	2.40	2.44	3.62
Adj EBITDA	0.16	0.17	0.25	0.27
Adj EBIT	0.16	0.16	0.18	0.25
Reported PBT	0.16	0.16	0.18	0.24
Fully Adj PBT	0.16	0.16	0.18	0.24
NOPAT	0.16	0.16	0.26	0.36
Reported EPS (p)	0.03	0.03	0.05	0.07
Fully Adj EPS (p)	0.03	0.03	0.05	0.07
Dividend per share (p)	0.00	0.00	0.00	0.00
CASH FLOW & BALANCE SHEET				
Operating cash flow	0.17	0.09	(0.10)	0.25
Free Cash flow	0.13	0.04	(0.14)	0.22
FCF per share (p)	0.03	0.01	(0.03)	0.04
Acquisitions	(0.02)	(0.01)	(0.02)	(0.02)
Disposals	0.00	0.00	0.00	0.00
Shares issued	0.01	0.00	0.00	0.00
Net cash flow	0.12	0.04	(0.21)	0.20
Overdrafts / borrowings	0.00	0.00	0.00	0.00
Cash & equivalents	1.03	1.07	0.86	1.06
Net (Debt)/Cash	1.03	1.07	0.86	1.06
NAV AND RETURNS				
Net asset value	3.01	3.17	3.43	3.81
NAV/share (p)	0.60	0.64	0.68	0.76
Net Tangible Asset Value	1.46	1.62	1.85	2.21
NTAV/share (p)	0.29	0.32	0.37	0.44
Average equity	2.91	3.09	3.30	3.62
Post-tax ROE (%)	5.4%	5.2%	7.8%	9.5%
METRICS				
Revenue growth	22.6%	19.2%	1.7%	48.1%
Adj EBITDA growth	1097.6%	3.4%	45.6%	9.3%
Adj EBIT growth	1531.8%	1.6%	15.0%	38.0%
Adj PBT growth	1531.8%	1.6%	13.7%	33.5%
Adj EPS growth	1531.8%	1.6%	60.4%	32.9%
Dividend growth	N/A	N/A	N/A	N/A
Adj EBIT margins	7.8%	6.7%	7.5%	7.0%
VALUATION				
EV/Sales (x)	4.1	3.4	3.3	2.3
EV/EBITDA (x)	49.9	48.3	33.2	30.3
EV/NOPAT (x)	51.8	51.0	31.3	22.8
PER (x)	58.7	57.7	36.0	27.1
Dividend yield	N/A	N/A	N/A	N/A
FCF yield	1.4%	0.5%	(1.5%)	2.4%

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

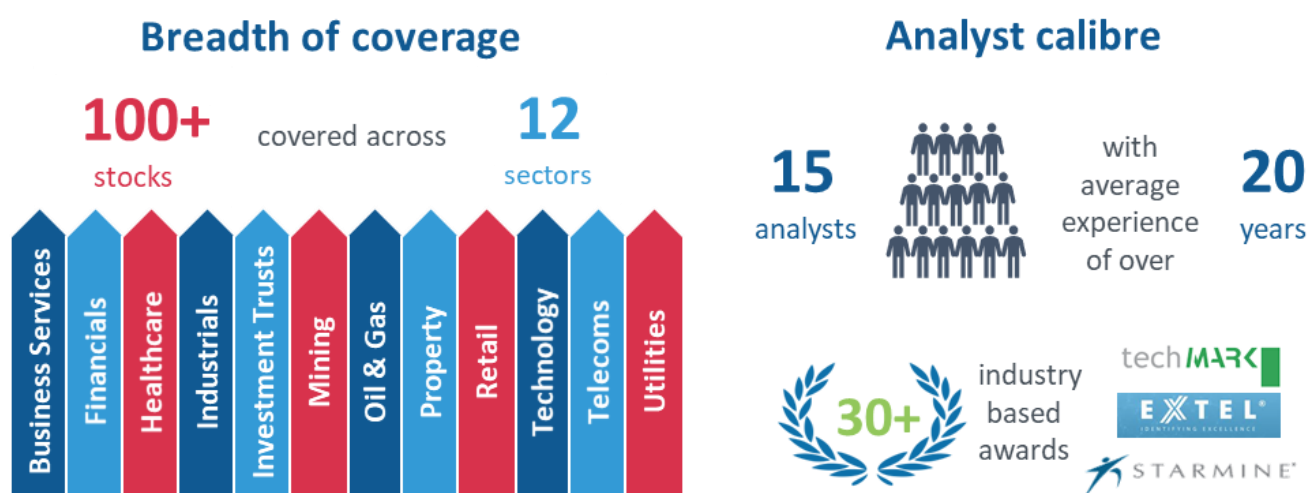
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