

DISTIL BEVERAGES

13 April 2023

DIS.L

0.48p

Market Cap: £3.3m

SHARE PRICE (p)



12m high/low

1.9p/0.5p

Source: LSE Data (priced as at prior close)

KEY DATA

| | |
|---------------------|----------------------|
| Net (Debt)/Cash | £0.5m (at 03/03/23) |
| Enterprise value | £2.7m |
| Index/market | AIM |
| Next news | Final results - June |
| Shares in Issue (m) | 684.4 |
| 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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Q4 revenue performance best of the year, though slightly shy of market expectations

Distil's FY23E trading performance has been disappointing, with full-year revenue more than halving, resulting in a higher loss before tax. The disappointing optics primarily reflect the change in business model, moving from a distributor-based model to Distil assuming direct control of supplying its major UK customers. This strategic shift required a one-off but prolonged clearing of stocks from the previous distributor's supply chain. With this complete, Distil can focus on driving domestic and export revenue growth through multi-channel marketing activities and new product launches.

- Q4 trading – best quarter of FY23.** While Q4 revenues and volumes were down 37% and 40%, respectively, year-on-year (YOY), reflecting both a 66% decrease in promotional spend and battling against a period of strong export sales, Q4 represented the best trading quarter of the year. This was in terms of absolute revenue achieved at an estimated £450k, as well as on a YOY change basis. Full-year revenue guidance of £1.32m compares with our revised revenue forecast of £1.50m following the January 9M and Q3 trading update. Management has also guided to a full-year loss before tax of £0.71m, compared with our forecast of a £0.45m loss. Despite this shortfall, cash reserves of £515k as at 31 March, compared with £277k as at 31 December 2022, are some 18% higher than our £436k forecast. This points to continued vigilance over, and control of, the cost base.
- Operating model changes – a fresh start in FY24.** The transition to the new direct supply model to major UK customers, complemented by Marussia assuming distribution of Distil brands for the on-trade sector and export markets, has been more prolonged than envisaged, leading to dispiriting results for FY23. However, with a robust cash position, Distil is well positioned to bounce back in FY24. Distil has been busy developing new products over and above the blended malt whisky from its Ardgowan partnership, due to launch in H2 23. These should both complement the current brand portfolio and broaden customer appeal. Work continues on the design of the visitor centre and experience at Ardgowan, with the still due for installation in May and trade visits planned later this year.
- Forecasts – FY24 market guidance alongside final results in June.** As previously announced, Distil intends to issue guidance on its expectations for FY24 alongside the publication of its final results in June. We shall reinitiate our forecasts for FY24E at that stage.

| FYE MAR (£M) | 2020 | 2021 | 2022 | 2023E |
|-------------------|-------|-------|--------|--------|
| Revenue | 2.44 | 3.62 | 2.94 | 1.50 |
| Adj EBITDA | 0.25 | 0.27 | (0.12) | (0.58) |
| Fully Adj PBT | 0.18 | 0.24 | (0.09) | (0.45) |
| Fully Adj EPS (p) | 0.05 | 0.07 | 0.03 | (0.07) |
| EV/Sales (x) | 1.1x | 0.8x | 0.9x | 1.8x |
| EV/EBITDA (x) | 11.1x | 10.2x | -23.4x | -4.7x |
| PER (x) | 9.2x | 7.0x | 18.5x | N/A |

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)

| | 2020 | 2021 | 2022 | 2023E |
|--------------------------------------|--------|--------|----------|----------|
| PROFIT & LOSS | | | | |
| Revenue | 2.44 | 3.62 | 2.94 | 1.50 |
| Adj EBITDA | 0.25 | 0.27 | (0.12) | (0.58) |
| Adj EBIT | 0.18 | 0.25 | (0.13) | (0.60) |
| Reported PBT | 0.18 | 0.24 | (0.09) | (0.45) |
| Fully Adj PBT | 0.18 | 0.24 | (0.09) | (0.45) |
| NOPAT | 0.26 | 0.36 | 0.24 | (0.60) |
| Reported EPS (p) | 0.05 | 0.07 | (0.01) | (0.07) |
| Fully Adj EPS (p) | 0.05 | 0.07 | 0.03 | (0.07) |
| Dividend per share (p) | 0.00 | 0.00 | 0.00 | 0.00 |
| CASH FLOW & BALANCE SHEET | | | | |
| Operating cash flow | (0.10) | 0.25 | (0.15) | (1.13) |
| Free Cash flow | (0.14) | 0.22 | (0.17) | (1.16) |
| FCF per share (p) | (0.03) | 0.04 | (0.03) | (0.19) |
| Acquisitions | (0.02) | (0.02) | 0.00 | 0.00 |
| Disposals | 0.00 | 0.00 | 0.00 | 0.00 |
| Shares issued | 0.00 | 0.00 | 3.49 | 0.00 |
| Net cash flow | (0.21) | 0.20 | 0.50 | (1.13) |
| Overdrafts / borrowings | 0.00 | 0.00 | 0.00 | 0.00 |
| Cash & equivalents | 0.86 | 1.06 | 1.56 | 0.44 |
| Net (Debt)/Cash | 0.86 | 1.06 | 1.56 | 0.44 |
| NAV AND RETURNS | | | | |
| Net asset value | 3.43 | 3.81 | 7.55 | 7.10 |
| NAV/share (p) | 0.68 | 0.76 | 1.10 | 1.04 |
| Net Tangible Asset Value | 1.85 | 2.21 | 5.94 | 5.48 |
| NTAV/share (p) | 0.37 | 0.44 | 0.87 | 0.80 |
| Average equity | 3.30 | 3.62 | 5.68 | 7.32 |
| Post-tax ROE (%) | 7.8% | 9.5% | (1.7%) | (6.1%) |
| METRICS | | | | |
| Revenue growth | N/A | 48.1% | (18.6%) | (49.0%) |
| Adj EBITDA growth | N/A | 9.3% | (143.4%) | (396.6%) |
| Adj EBIT growth | N/A | 38.0% | (151.9%) | (351.5%) |
| Adj PBT growth | N/A | 33.5% | (139.0%) | (374.7%) |
| Adj EPS growth | N/A | 32.9% | (62.4%) | (359.2%) |
| Dividend growth | N/A | N/A | N/A | N/A |
| Adj EBIT margins | 7.5% | 7.0% | (4.5%) | (39.7%) |
| VALUATION | | | | |
| EV/Sales (x) | 1.1 | 0.8 | 0.9 | 1.8 |
| EV/EBITDA (x) | 11.1 | 10.2 | (23.4) | (4.7) |
| EV/NOPAT (x) | 10.5 | 7.6 | 11.3 | (4.6) |
| PER (x) | 9.2 | 7.0 | 18.5 | N/A |
| Dividend yield | N/A | N/A | N/A | N/A |
| FCF yield | (5.7%) | 9.4% | (6.0%) | (39.6%) |

Source: Company information and Progressive Equity Research estimates

Disclaimers and Disclosures

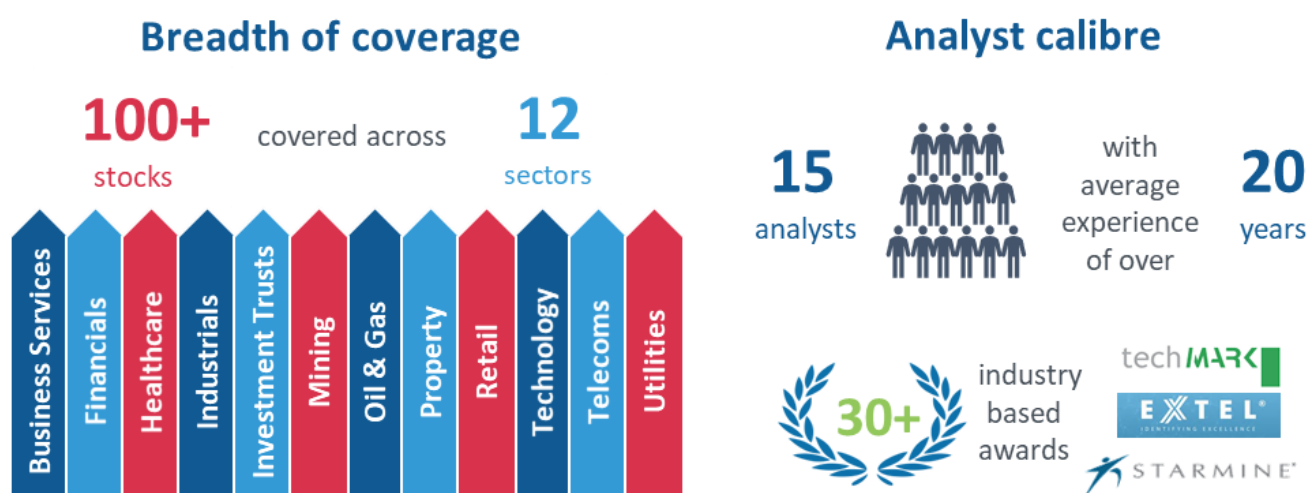
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