

# DISTIL BEVERAGES

20 January 2020

**DIS.L**

0.7p

Market Cap: £3.5m

## SHARE PRICE (p)



12m high/low 2.5p/0.6p

Source: LSE Data

## KEY DATA

Net (Debt)/Cash	£1.1m
Enterprise value	£2.4m
Index/market	AIM
Next news	Trading update - May '20
Shares in Issue (m)	499.8
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](http://www.distil.uk.com)

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## ANALYSTS

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## Glad Q3 tidings....

### ....of Christmas and rum

Distil has performed strongly in its core Q3 trading period covering October to December despite a backdrop of economic uncertainty and generally weak consumer demand. Against a very tough comparative of 29% growth in Q3 last year, Distil has reported revenue growth of 7% for Q3 this year. This continues to be driven by RedLeg Spiced Rum, with volume sales increasing by 16% in an intensely competitive market. With the company remaining positive on the outlook for Q4, it expects full year profits to be ahead of last year and broadly in line with market expectations.

- Q3 trading:** The 7% revenue increase recorded for the peak Q3 period was delivered with a maintained rate of marketing investment and achieved against a very tough comparative last year (+29%). Q3 last year was also characterised by additional stock build by distributors ahead of potential Brexit disruption. This drove a stock overhang, which held back performance across the following three quarters, but had been cleared ahead of this year's peak trading period. The impressive 16% increase in Distil's rum volume was partially offset by reduced volume in gin, reflecting both more subdued growth in the classic London Dry gin sector and the loss of a retailer listing as previously reported. The revenue and volume growth in this key quarter sees an improvement in the nine-month run rate to a decline of 13% for both, compared with the -20% and -29% respectively reported at the interim stage.
- A record quarter:** We estimate Q3 turnover was just shy of £1m and almost three times higher than the turnover achieved four years ago in FY16. Given the impact on H1 as the stock overhang continued to work through, we estimate Q3 could account for around 45% of FY20E turnover, compared with a mix participation more typically of around 36% - 39%, as achieved in the prior three years.
- Forecasts unchanged:** Given management's positive comments on the Q4 outlook, which should see some incremental sales benefit coming from range extension into the ready-to-drink (RTD) market for the classic RedLeg Spiced Rum and the launch of the new Caramelised Pineapple variant, our forecasts are unchanged for the FY20E outturn.

FYE MAR (£M)	2018	2019	2020E	2021E	2022E
Revenue	2.01	2.40	2.20	2.53	2.91
Adj EBITDA	0.16	0.17	0.28	0.32	0.42
Fully Adj PBT	0.16	0.16	0.21	0.25	0.35
Fully Adj EPS (p)	0.03	0.03	0.04	0.05	0.07
EV/Sales (x)	1.2x	1.0x	1.1x	1.0x	0.8x
EV/EBITDA (x)	14.9x	14.4x	8.8x	7.7x	5.8x
PER (x)	22.2x	21.8x	16.7x	14.0x	10.0x

Source: Company Information and Progressive Equity Research estimates

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

**Financial Summary: Distil**

Year end: March (£m unless shown)

	2018	2019	2020E	2021E	2022E
<b>PROFIT &amp; LOSS</b>					
Revenue	2.01	2.40	2.20	2.53	2.91
Adj EBITDA	0.16	0.17	0.28	0.32	0.42
Adj EBIT	0.16	0.16	0.21	0.25	0.35
Reported PBT	0.16	0.16	0.21	0.25	0.35
Fully Adj PBT	0.16	0.16	0.21	0.25	0.35
NOPAT	0.16	0.16	0.21	0.25	0.35
Reported EPS (p)	0.03	0.03	0.04	0.05	0.07
Fully Adj EPS (p)	0.03	0.03	0.04	0.05	0.07
Dividend per share (p)	0.00	0.00	0.00	0.00	0.00
<b>CASH FLOW &amp; BALANCE SHEET</b>					
Operating cash flow	0.17	0.09	0.01	0.19	0.29
Free Cash flow	0.13	0.04	(0.01)	0.17	0.27
FCF per share (p)	0.03	0.01	0.00	0.03	0.05
Acquisitions	(0.02)	(0.01)	0.00	0.00	0.00
Disposals	0.00	0.00	0.00	0.00	0.00
Shares issued	0.01	0.00	0.00	0.00	0.00
Net cash flow	0.12	0.04	(0.01)	0.17	0.27
Overdrafts / borrowings	0.00	0.00	0.00	0.00	0.00
Cash & equivalents	1.03	1.07	1.06	1.23	1.50
Net (Debt)/Cash	1.03	1.07	1.06	1.23	1.50
<b>NAV AND RETURNS</b>					
Net asset value	3.01	3.17	3.38	3.63	3.98
NAV/share (p)	0.60	0.64	0.68	0.73	0.80
Net Tangible Asset Value	1.46	1.62	1.83	2.08	2.43
NTAV/share (p)	0.29	0.32	0.37	0.42	0.49
Average equity	2.91	3.09	3.28	3.51	3.81
Post-tax ROE (%)	5.4%	5.2%	6.4%	7.1%	9.2%
<b>METRICS</b>					
Revenue growth	22.6%	19.2%	(8.4%)	15.0%	15.0%
Adj EBITDA growth	1097.6%	3.4%	63.1%	14.6%	31.7%
Adj EBIT growth	1531.8%	1.6%	33.5%	18.9%	39.5%
Adj PBT growth	1531.8%	1.6%	31.0%	19.3%	40.1%
Adj EPS growth	1531.8%	1.6%	31.0%	19.3%	40.1%
Dividend growth	N/A	N/A	N/A	N/A	N/A
Adj EBIT margins	7.8%	6.7%	9.7%	10.0%	12.2%
<b>VALUATION</b>					
EV/Sales (x)	1.2	1.0	1.1	1.0	0.8
EV/EBITDA (x)	14.9	14.4	8.8	7.7	5.8
EV/NOPAT (x)	15.4	15.2	11.4	9.6	6.9
PER (x)	22.2	21.8	16.7	14.0	10.0
Dividend yield	N/A	N/A	N/A	N/A	N/A
FCF yield	3.7%	1.2%	(0.2%)	4.8%	7.7%

Source: Company information and Progressive Equity Research estimates

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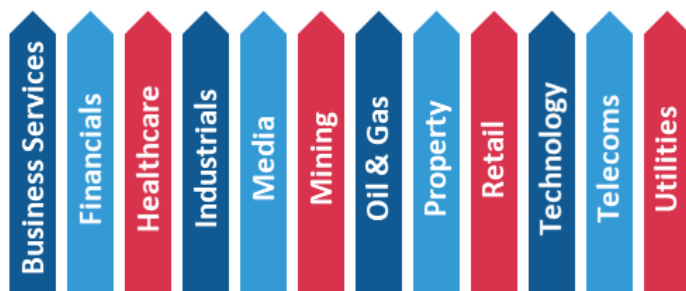
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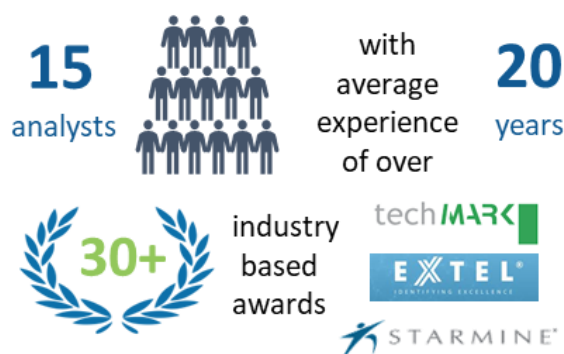
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