

Distil plc
("Distil" or the "Group")

Final Results for the Year Ended 31 March 2018

"Another year of strong growth supported by continued brand investment"

Distil (AIM: DIS), owner of premium drinks brands including Blackwoods Gin and Vodka, RedLeg Spiced Rum, Blavod Black Vodka, Diva Vodka and Jago's Vanilla Cream Liqueur, announces its final results for the year ended 31 March 2018.

Operational review

- Sales volumes and revenues continue to grow strongly across all trade channels
- New listings and listing extensions secured in both major UK retail multiples and pub chains
- Successful launch of Blackwoods new 2017 Vintage Dry Gin and proprietary packaging
- Further progress in opening up new European markets for our brands

Financial review

- Turnover, supported by increased marketing investment, increases 23% to £2,014k from £1,642k
- Gross profit increased 23% from £950k to £1,172k
- Margins maintained at 58% for the same period, year-on-year
- Other administrative expenses increased by <1%
- Operating profit of £157k compared to prior year profit of £10k
- Net operating cash inflow of £166k (2017: £(2)k) resulting in year end cash reserves of £1.03m (2017: £910k)
- Net assets of £3.01m (2017: £2.81m) at 31 March 2018

Don Goulding, Executive Chairman of Distil, said:

"We are pleased to have delivered a strong set of results with significant growth in volumes, revenue and profits, supported by investment in our brands. Importantly we were able to grow sales, drive contribution margins, invest in marketing and improve operating cash flow during the year.

Distil is growing into a stronger business with a healthier balance sheet and increasingly attractive owned brands. We look forward to building on this success through further investment in our key brands in the coming year."

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Chairman's Statement

We delivered another year of strong growth through focused investment and targeted activity in support of our key brands. Our team continued to successfully nurture brand appeal, grow sales, ensure excellent product quality and generate cash.

Performance

The Company was able to achieve its key growth objectives, particularly that of advancing the business from a breakeven position in 2017. It was an important year because we were able to demonstrate that our business can successfully grow the top line, the bottom line, invest in brands and improve cash flow.

I am delighted to report an operating profit of £157k (2017: £10k) for the full year.

Sales revenue increased 23% to £2.01m, gross profits increased by 23% to £1.17m and contribution margins improved to 35%. Adjusted EBITDA (EBITDA adjusted for share-based expense) improved from £46k to £185k.

We also achieved a positive net operating cash flow of £166k (2017: £(2)k) resulting in a strong year end cash position with no debt.

Key Brands

Blackwoods 2017 Vintage Dry Gin began its roll-out to distributors in January 2018 with proprietary glass design, premium packaging and our unique gin recipe using Shetland botanicals harvested in 2017. Importantly, we were able to achieve the highest quality improvements whilst maintaining an 'affordable premium' positioning. Initial stock releases commenced in the UK domestic market post-Christmas followed by export markets being phased-in as inventories of the 2012 vintage depleted. Trade and consumer reaction has been very positive and the gin has already received its first medal for quality. Blackwoods Gin 40%, posted a 32% increase in volume sales year on year.

Distribution of RedLeg Spiced Rum continued to expand in both the on-trade and off-trade as the brand gathered a consumer following. We know RedLeg is a great tasting product, therefore product trial is an advantage and consequently we are focusing on awareness and trial with consumers at the point of decision.

During the course of the year we prioritised those export markets with an established and growing spiced rum category. RedLeg volume sales grew by 37% in the full year.

Licensed sales of Blavod Black Vodka helped drive a 34% improvement in volume sales. The majority of this growth was from European Duty Free and Eastern European markets which returned to growth following a lull in political and economic uncertainty.

UK market

As our home market, the UK is naturally an important source of business. It also provides an accessible opportunity to test marketing initiatives. Gin and spiced rum categories continue to grow faster than total spirits, taking sales from other sectors including vodka which has been in decline. Total spirits are growing value faster than both beer and wine. We are encouraged by leading rum and gin brands investing in above-the-line advertising campaigns. This stimulus will help further build these categories and provide smaller brands with additional growth opportunities.

Premium brands have performed well as consumers appear to be choosing to drink 'affordable quality spirits in moderation'. I expect this trend to continue for the foreseeable future. Our brands have benefitted from this trend.

International markets

We are in talks and negotiations with potential US distributors for our brands, except for Blavod where we already have a US distributor. We are seeking a long term, strategic partner for this market. As the US market represents an important long-term brand building opportunity, we have broadened our search to find the best distribution partner for our brands in terms of being able to provide market coverage and activation support. We will keep shareholders informed of further progress and developments.

We opened new markets in Europe with initial shipments moving through to consumer as outlet distribution builds and promotional activation begins to raise consumer awareness of our brands. I am particularly encouraged by new opportunities for identified spiced rum.

Asia remains a region with significant potential for our product portfolio and we will resource development in this area.

Productivity and cost management

Gross profit grew by 23% in line with revenue growth reflecting our efforts to contain product costs while making product quality and packaging improvements. We never compromise on product quality, packaging or liquid, but we do seek to drive down or at least hold costs through continual improvements in planning, sourcing of dry goods, stock management and procurement. We successfully secured new suppliers and bottling contracts in 2017.

Outlook

Work continues to best minimise any likely impact as the UK exits the European Union. For example, we now source glass in the UK for all of our production in England and Scotland. Similarly we source glass in Europe for our Blavod Black Vodka production in Germany. We only invoice in GBP thereby minimising our exposure to currency fluctuation. Other measures will be taken once we have a clearer understanding of potential challenges and opportunities.

Over the coming year we will build on current success by maintaining or growing investment in proven brand building activities and, in addition, invest in the four growth levers outlined under Future Developments contained within our Strategic Report.

Surplus cash will be invested in growth opportunities. Initially we will prioritise product development, including new packs and new liquids.

Our Brand priorities remain: RedLeg Spiced Rum, Blackwoods Gin and Blavod Black Vodka.

We will also invest in talent to resource market expansion opportunities and to manage the growing number of export markets.

Don Goulding

Executive Chairman

Date: 7 June 2018

Strategic report

Results for the year

The operating profit attributable to shareholders for the year amounted to £157k (2017: £10k).

Sales volumes and revenues from our brands have shown further strong growth during the year, supported by our continued investment in brand building through increased distribution, marketing and promotion.

During the final quarter of the year we launched our new Blackwoods 2017 Vintage Gin with new proprietary packaging. Both have been well received by our customers.

Growth has been primarily driven by another year of strong performances from our RedLeg Spiced Rum and Blackwoods Vintage Gin. We are also encouraged by the further growth of licensed sales of Blavod Black Vodka during the year.

Rate of sale per point of distribution has continued to increase, supported by our success in securing both new listings and listing extensions in major UK retail multiples and pub chains. In addition, we opened new export markets for RedLeg Spiced Rum and Blackwoods Vintage Gin.

The Group continues to minimise overheads where possible, whilst ensuring sufficient investment to support the growth in sales of its brands. Other administrative expenses were in line with the prior year despite sales increasing. The Group also seeks to carefully manage its cash resources posting a net operating cash inflow of £166k (2017: £(2)k) during the year.

The Group's position at the financial year end remains robust showing net assets of £3.01m (2017: £2.81m) including cash reserves of £1.03m (2017: £910k).

Having attained our previous stated goal of returning the Group to a sustainable break even position we have continued to profitably expand sales of our key brands to produce a pleasing set of results in the current year.

Principal activities and business review

Distil Plc (the "Company") acts as a holding company for the entities in the Distil Plc group (the "Group"). The principal activity of the Group throughout the period under review was the marketing and selling of RedLeg Spiced Rum, Blackwoods Gin and Vodka, Diva Vodka and Blavod Black Vodka domestically and internationally.

The results for the 2018 financial year reflect the continued focus on investing in the Group's key brands to drive top line growth in both domestic and international markets whilst ensuring overhead costs remain appropriate for the size of the Group.

Key performance indicators

The Group monitors progress with particular reference to the following key performance indicators:

- Contribution - defined as gross margin less advertising and promotional costs

Contribution increased £141k from £566k in 2017 to £707k in 2018. This increase was achieved through a significant increase in overall volumes and revenues which more than offset a 21% increase in advertising and marketing costs during the year.

- Sales volume versus prior year

Total volumes increased 31% year-on-year largely driven by a significant increase in volume sales of RedLeg Spiced Rum and Blackwoods Vintage Dry Gin 40% which showed year-on-year growth of 37% and 32% respectively. Blavod Black Vodka increased by 34% over the prior year, mainly due to strong growth in licensed volume sales in Eastern Europe whilst volume sales of Blackwoods Vodka showed an overall year-on-year decline in volume sales during the year as the vodka market declined and listings contracted.

- Sales turnover versus previous year

Total sales increased 23% year-on-year. RedLeg Spiced Rum continued to be the key performance driver posting a 32% increase in sales. Blackwoods Gin increased 22% and Blavod Black Vodka 13%, which is lower than the increase in Blavod Black Vodka volumes due to the volume increase being skewed toward licenced sales where only the licence fee is recorded as revenue. Sales of Blackwoods Vodka decreased by 41% off a small base.

- Gross margin versus previous year

Gross margin as a percentage of sales was in line with prior year at 58%.

We also closely monitor both the level of and value derived from our advertising and promotional costs and other administrative costs. Advertising and promotional costs increased in absolute terms by £81k from £384k to £465k as the Group continued to invest in marketing activities to promote its brand portfolio and drive top line sales growth. During the year we invested in the development and launch of Blackwoods new 2017 Vintage Dry Gin and associated packaging. As a percentage of sales, advertising and promotional spend amounted to 23% (2017: 23%) during the year.

Other administrative costs marginally increased by £2k from £520k to £522k as we continued to carefully manage our cost base.

Principal risks and uncertainties

As a relatively small but growing business our senior management is naturally involved day to day in all key decisions and the management of risk. Where possible, structured processes and strategies are in place to monitor and mitigate as appropriate. This involves a formal review at Board level.

The directors are of the opinion that a thorough risk management process has been adopted which involves a formal review of the principal risks identified below. Where possible, processes are in place to monitor and mitigate such risks.

Economic downturn

The success of the business is reliant on consumer spending. An economic downturn, resulting in reduction of consumer spending power, will have a direct impact on the income achieved by the Group. In response to this risk, senior management aim to keep abreast of economic conditions. In cases of severe economic downturn, marketing and pricing strategies will be modified to reflect the new market conditions.

High proportion of fixed overheads and variable revenues

A large proportion of the Group's overheads are fixed. There is the risk that any significant changes in revenue may lead to the inability to cover such costs. Senior management closely monitors fixed overheads against budget on a monthly basis and costs saving exercises are implemented wherever possible when there is an anticipated decline in revenues.

Competition

The market in which the Group operates is highly competitive. As a result there is constant downward pressure on margins and the additional risk of being unable to meet customer expectations. Policies of constant price monitoring and ongoing market research are in place to mitigate such risks.

Failure to ensure brands evolve in relation to changes in consumer taste

The Group's products are subject to shifts in fashions and trends and the Group is therefore exposed to the risk that it will be unable to evolve its brands to meet such changes in taste. The Group carries out regular consumer research on an ongoing basis in an attempt to carefully monitor developments in consumer taste.

Portfolio management

A key driver of the Group's success lies in the mix and performance of the brands which form the Group's portfolio. The Group constantly and carefully monitors the performance of each brand within the portfolio to ensure that its individual performance is optimised together with the overall balance of performance of all brands marketed and sold by the Group.

Future developments

Distil is focused on four key growth drivers to maintain profitable brand growth and create value. These are listed below:

Brand activation and marketing at the point of sale:

- Precise timing and frequency of promotional activity including occasions & gifting.
- Bringing promotions to life and aligned with changing consumer needs.
- Marketing and promotional activity tailored to local market needs.

Innovation in liquid & packaging development:

- Pack sizes & formats. New liquids, flavours. New brands and liquids.

Route to consumer:

- Build long term relationships with capable local distributors in each key market.
- Open new territories for each key brand, targeting premium growth markets.
- Develop new trade channels through format and product.

Access to new production and design:

- Across all aspects of distilling, bottling, packaging.

Approved by the Board and signed on its behalf.

S Claydon

Director

7 June 2018

Consolidated statement of comprehensive income

for the year ended 31 March 2018

	2018 £'000	2017 £'000
Revenue	2,014	1,642
Cost of sales	(842)	(692)
Gross profit	1,172	950
Administrative expenses:		
Advertising and promotional costs	(465)	(384)
Other administrative expenses	(522)	(520)
Share-based payment expense	(22)	(32)
Depreciation	(6)	(4)
Total administrative expenses	(1,015)	(940)
Operating profit before tax	157	10
Taxation	-	-
Profit for the year and total comprehensive income	157	10
Earnings per share		
Basic and diluted (pence per share)	0.03	0.00

Consolidated statement of financial position

as at 31 March 2018

	2018 £'000	2017 £'000
Assets		
Non-current assets		
Property, plant and equipment	95	64
Intangible assets	1,551	1,535
Total non-current assets	1,646	1,599
Current assets		
Inventories	177	199
Trade and other receivables	395	329
Cash and cash equivalents	1,031	910
Total current assets	1,603	1,438

Total assets	3,249	3,037
Liabilities		
Current liabilities		
Trade and other payables	235	227
Total current liabilities	235	227
Total liabilities	235	227
Net assets	3,014	2,810
Equity		
Equity attributable to equity holders of the parent company		
Share capital	1,292	1,291
Share premium	2,908	2,884
Share-based payment reserve	83	61
Retained earnings	(1,269)	(1,426)
Total equity	3,014	2,810

Consolidated statement of changes in equity

for the year ended 31 March 2018

	Share capital £'000	Share premium £'000	Share- based payment reserve £'000	Retained earnings £'000	Total equity £'000
Balance at 1 April 2016	1,290	2,880	29	(1,436)	2,763
Share issued (note 14)	1	4	-	-	5
Transaction with owners	1	4	-	-	5
Profit for the year and total comprehensive income	-	-	-	10	10
Share-based payment expense	-	-	32	-	32
Balance at 31 March 2017 and 1 April 2017	1,291	2,884	61	(1,426)	2,810
Share issued (note 14)	1	24	-	-	25
Transaction with owners	1	24	-	-	25
Profit for the year and total comprehensive income	-	-	-	157	157
Share-based payment expense	-	-	22	-	22

Balance at 31 March 2018	1,292	2,908	83	(1,269)	3,014
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Consolidated statement of cash flows

for the year ended 31 March 2018

	2018	2017
	£'000	£'000
Cash flows from operating activities		
Profit for the year	157	10
Adjustments for:		
Depreciation	6	4
Expenses settled by shares	17	-
Share-based payment expenses	22	32
	202	46
Movements in working capital		
Decrease in inventories	22	5
Increase in trade and other receivables	(66)	(55)
Increase in trade payables	8	2
Net cash generated/(used in) operating activities	166	(2)
Cash flows from investing activities		
Purchase of property, plant and equipment	(37)	(65)
Expenditure relating to licenses and trademarks	(16)	(10)
Net cash used in investing activities	(53)	(75)
Cash flows from financing activities		
Proceeds from share options exercised / issue of shares net of issue costs	8	5
Net cash generated by financing activities	8	5
Net increase/(decrease) in cash and cash equivalents	121	(72)
Cash and cash equivalents at beginning of year	910	982
Cash and cash equivalents at end of year	1,031	910

1 Basis of preparation and summary of significant accounting policies

The consolidated financial statements are for the year ended 31 March 2018. They have been prepared in accordance with the requirements of International Financial Reporting Standards (IFRS) as adopted by the European Union (EU) and with those parts of the Companies Act 2006 applicable to companies reporting under IFRS.

The financial statements have been prepared under the historical cost convention.

These consolidated financial statements are presented in Pounds Sterling (£), which is also the functional currency of the parent company. Unless otherwise stated, all amounts are given in round £'000s.

Distil Plc is the Group's ultimate parent company. The Company is a public limited company incorporated and domiciled in the United Kingdom. The address of Distil Plc's registered office is 201 Temple Chambers, 3-7 Temple Avenue, EC4Y 0DT and its principal place of business is First floor, 10-11 Moor Street, London W1D 5NF.

These results are audited; however, the financial information does not constitute statutory accounts as defined under section 434 of the Companies Act 2006. The consolidated balance sheet at 31 March 2018 and the consolidated statement of comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended have been extracted from the Group's 2018 statutory consolidated financial statements upon which the auditor's opinion is unqualified.

The financial information for the year ended 31 March 2017 has been derived from the Group's statutory consolidated financial statements for that year, as filed with the Registrar of Companies. Those consolidated financial statements contained an unqualified audit report.

Copies of the Annual Report will shortly be available on the Company's website www.distil.uk.com and from the Company's registered office.