

Distil PLC
Trading Update

Distil plc (AIM: DIS), owner of premium drinks brands including RedLeg Spiced Rum, Blackwoods Gin and Vodka, and Blavod Black Vodka, issues a trading update for the last quarter (October - December 2024).

Unaudited year-on-year third quarter (October to December 2024) results:

- Revenues decreased 59% to £233k (October to December 2023: £571k)
 - Lapping exceptional 39% growth Q3 2023 in a market which was declining
- Volumes decreased 56%
- Gross margins decreased 6 percentage points to 42% (October to December 2023: 48%)
 - Due to fixed costs remaining constant
- Advertising and promotional spend decreased 55%, reflective of slower rate-of-sale in stores

Don Goulding, Executive Chairman of Distil, commented:

"Market conditions continue to be tough across the spirits industry, particularly in the UK, and our business has suffered as part of this, with Q3 sales declining by the same rate as reported in the interims.

Although we continue to maintain distribution within major customers, stock purchase phasing has shifted versus the prior year, in which we saw large orders in November and December filling pipelines through Spring. In comparison, this year those major customers have been more cautious, reducing stock cover by an additional 20%. With reduced stock overhang versus the previous year in Q4, we expect orders to continue more steadily through to the year-end.

In addition, rate of sale at retail store level was suppressed, continuing the trend we've seen in previous months, as consumers' spending continues to be stretched, with own label and aggressive discounting winning basket share. We are working with our partner, Global Brands, to define strategies to increase sales through Q4.

The UK on-trade also suffered during Q3. CGA data shows that spirits retail value over the seven days to Saturday 28 December fell -4% YoY, with volumes falling significantly above this number as consumers opted for longer drinks such as beer and cider, which are perceived to offer better value for money.

In response to these challenging market conditions, and in order to ensure we are putting our brands in the best position for growth, we will be moving our full UK distribution, including the on-trade, to long-term partners, Global Brands, who have been producing and successfully selling the RedLeg ready-to-drink can since 2019. The Global Brands portfolio, which includes VK, Hooch, and Franklin & Sons, alongside third-party brands Shanky's Whip and American Beverage Marketers (ABM), offers important synergies with Distil brands in terms of target consumers and trade accounts.

Utilising its larger sales force (approximately 4x the size of previous partners) which has strong relationships with national accounts, and proprietary logistics and warehouse capabilities, the extension of this partnership offers the opportunity to work closely with a longstanding partner to accelerate brand growth.

Beyond the UK, we're working closely with customers in key existing markets, as well as pursuing new markets to ensure that we are maximising opportunities for growth within export.

The medium-term macro-outlook continues to be challenging, as the overall spirits market remains soft in response to increased pressures on consumer spending and further duty increases in the UK. However, we are confident that the extended partnership with Global Brands will put our brands in the best position within the market and offer important opportunities for growth across the portfolio, and we are working to mitigate the impact on the full-year."

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