

Distil PLC

Trading update and review of strategic options

Distil plc (AIM: DIS), owner of premium drinks brands including RedLeg Spiced Rum, Blackwoods Gin and Vodka, and Blavod Black Vodka, provides an update on expected Q4 and full-year performance, three-year plan and near-term cash requirement. The Company also announces the commencement of a review of strategic options to stabilise the business and drive long-term shareholder value.

Q4 & full year revenues

Expected revenues for the final quarter ("Q4") of the current financial year ending 31 March 2025 have increased 34% to £498k vs the same period last year (FY23/24: £344k) whilst volumes have increased by 30%. Volumes increased in Q4 largely due to key customers entering the period carrying lower inventories versus previous year (as noted in our announcement dated 15 January 2025) resulting in improved order phasing.

Despite this strong Q4 performance, our full-year outlook reflects ongoing difficult market conditions, with an expected 31% decrease in full year revenues to £1.1m (FY23/24: £1.5m) and 32% decrease in volumes.

Market conditions

Following a challenging Christmas period across the UK trade, conditions are expected to remain difficult due to continued rising inflation impacting disposable income and consumer confidence levels. This has been exacerbated in the beverage alcohol industry by the latest UK duty increase which came into effect from 1 February 2025 - the second rise in 18 months - adding an additional 4% to consumer facing pricing.

The on-trade is also battling significant pressures. Along with duty increases, the channel is facing additional employment costs and higher energy bills at a time when consumers are changing out of home socialising habits. Due both to the squeeze on consumers' disposable income and changes in working patterns, the trade is seeing a shift towards earlier day part, putting pressure on opening times and trading days.

The looming introduction of EPR (extended producer responsibility), a tax on packaging, is set to come into effect in October 2025, which will further drive-up costs of products for consumers.

There continues to be a lack of leadership from the major suppliers in the industry to address these pressures, and so, as a business, we are assuming from a planning point of view that these market conditions will continue to prevail for the next three years. We are therefore looking at a wide range of possible options to mitigate the impact of these headwinds to the business.

Three-year plan & current forecasts

The outlook over the next three years sees the business recovering to previous levels and returning to growth, driven primarily by the UK distribution change, ensuring that Distil brands are in a strong position and part of a strong portfolio to access and expand our reach in key on-trade channels, and also through targeted promotional support, ensuring that our brands remain price competitive.

Export will also be a key focus over this period, growing existing customers as well as opening new markets, including the USA and key emerging markets for core brands.

We are currently exploring all aspects of cost management to ensure we manage both external inflationary pressures and reduce discretionary expenditure wherever possible. As part of this review the team is working diligently to recalibrate the cost base in order to balance future growth with the ongoing cash needs of the business.

UK distribution - partnership with Global Brands

The launch of Distil brands into the Global Brands portfolio has been a success, with full-team brand immersion hosted by the Distil team at Global Brands' offices in January, ahead of the launch in mid-February.

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 Distil's previous partners), Global Brands 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.

The Global Brands team has already made good headway, with several proposals submitted, and accounts won in the on-trade. We will continue to work closely with the team and are confident that we will be able to build on this initial success.

Ardgowan progress

Works continue to make good progress at the Ardgowan whisky distillery, with plans for the first whisky distillation to take place in April, ahead of a grand opening event scheduled for 20 June 2025. Further details will be released to shareholders in due course.

The first distillation will mark a significant milestone in the journey, and will be the first liquid laid down in casks to be bottled under the Ardgowan brand once it comes of age.

The total investment into the site currently stands at over £28m.

As shareholders will be aware Distil invested £3m into the Ardgowan Distillery project in 2021 in the form of a convertible loan (convertible into Ardgowan equity at a fixed pre-conversion valuation of £30m representing 9.09% of Ardgowan's fully diluted share capital) to support the development of the new Malt Whisky distillery. The strategic investment provides the Company with a long-term interest in a growing premium category, ability to develop our own Malt Scotch, as well as providing a home for Blackwoods Gin with its own distillery, Gin school and visitors' centre.

Blackwoods production has already commenced on site, and fit-out of the brand home experience is underway. Once open to the public, the Blackwoods brand home will provide an important new revenue stream for the business.

Near term cash requirement

Previous cash forecasts assumed some easing in market conditions, particularly over Christmas 2024, however, as previously reported, December trading was disappointing, and so this easing has not materialised, with current losses expected to continue despite 50% revenue growth budgeted in FY25/26.

Attention is therefore currently focused on further cost cutting within the business, including overheads, advertising and promotional spend. As with many peers in the market, consumer-facing marketing spend is being reviewed and reduced, balancing impact on brand growth. Whilst aggressive cost cutting will cover some of the budgeted losses, we expect there will be a cash requirement during the first half of the next financial year to build stock cover to allow for activation of the stabilisation plan, which will be addressed through the strategic review.

Review of strategic options

In addition to the implementation of cost reductions, we are undertaking a review of strategic options, to determine how best to support the Company in delivering long-term shareholder value. Whilst not exhaustive, these options will include the potential sale of unused intellectual property, exit options for non-core brands, and seeking near-term funding to support the stabilisation plan. Currently the review is not actively considering an offer for the Company. A further announcement regarding the outcome of this review will be provided in due course.

Don Goulding, Executive Chairman of Distil, commented:

"Like many businesses in our industry, we are acutely feeling the effects of a challenging market. Layers of economic pressures on both the trade and consumers over recent years, including extraordinary fuel prices driving up production and logistics costs, significant duty increases, and exceptional levels of inflation, have changed the market and with ongoing geo-political

uncertainty, recovery has been slower than anticipated.

In order to stabilise the business and deliver shareholder value, we are taking aggressive cost cutting measures, as well as undertaking a review of strategic options. We are committed to finding the best solution for the business and to open and ongoing communication with our shareholders."

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