RNS Half-year/Interim Report

Interim results

EAST IMPERIAL PLC

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East Imperial Plc

(the **"Group"** or the **"Company"**)

Interim results for the 6 months ended 30 June 2022

Strong revenue growth and significant strategic milestones achieved

East Imperial, the global purveyor of ultra-premium beverages, today announces unaudited half-year results for the period ended 30 June 2022.

Summary

- Revenues up 26.3% from £1.02m to £1.28m, reflecting the return of key on premise markets and normalised trading patterns in the US and Europe
- Strong improvement in net cash of £1.5m (H1 2021: £0.2m) due to the capital raise in January 2022. Q2 saw significant lowering of cash requirements compared to Q1 2022
- Margins recovering in Q2 2022 (YTD at 17.4%; June 2022 up to 22.3%) as margin improvement programme continues
- Key US market saw sales up 132% year on year as expansion in this priority market continues and cornerstone APAC market shows positive signs of post-Covid recovery
- The current operating loss represents our commitment to the investment in the business and the growth opportunities in global markets.

Strategic Highlights

- US distribution agreement with Republic National Distributing Company (RNDC) and national distribution partnership enjoying successful roll out with East Imperial now available in 12 states
- China distribution agreement with Wen Hua Hang Wine Spirits Company to supply East Imperial's entire range across the Chinese Mainland and Macau.

- In advanced talks to appoint a bottling partner in the fast-growing US market, offering significant cost savings as the brand expands
- Light Tonic introduced in Q2 satisfying ongoing demand in all territories for lower sugar options and offering an ultra-premium low calorie tonic water, without compromising on flavour

£m	**H1 2022**	**H1 2021**	**Change**
Revenue	1,284	1,017	26.2%
Gross Profit	224	261	(14.1%)
Gross Margin	17%	26%	(9%)
Operating Loss	(1,464)	(437)	(235%)
Net cash	1,563	231	(576%)

Anthony Burt, CEO of East Imperial, commented:

"I'm very pleased to be reporting double digit revenue growth for the half, as well as a significantly improved net cash position. Our revenue growth was driven by a very strong performance in the US and Europe as these markets return to normal trading patterns. While the impact of Covid has lasted longer in APAC, we are starting to see signs of recovery in our business there and we expect to see the return to growth in the second half.

Significant expansion in the US market remains an absolute priority for us, and we are seeing sales growth and market share gains in US on-trade due to our laser focus on luxury. Establishing powerful US distribution networks in our core US and China markets are significant strategic milestones that will put East Imperial in a strong position to expand in the future. We are in advanced talks to appoint a US-based bottler, which will reduce the capital costs involved in expanding in this fast-growing market and support our margin improvement programme, which is already starting to bear fruit.

The positive momentum has continued into the second half, which is traditionally the stronger half for our business and this, combined with the strength of the underlying business, underpins my confidence that we are well positioned to deliver long term sustainable growth to create value for our shareholders. We can't ignore the fact that consumers more broadly are feeling the squeeze, but our focus on luxury means that we are benefitting from the continuing shift towards premiumisation across the beverage industry. We are confident in our strategy of aiming to be the only ultra-premium choice for mixers in our markets and focusing on higher-end and luxury on-premise outlets."

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About East Imperial

Founded in New Zealand and Singapore in 2012, East Imperial produces a range of ultra-premium mixers that sell throughout APAC, US and EMEA. Guided by a clear strategy to capitalise on the growing demand for premiumisation across the beverage industry, East Imperial has sold over 20 million bottles in over 20 countries since its founding, with popular products including Old World Tonic, Grapefruit Tonic, Yuzu Tonic and Mombasa Ginger Beer. In 2022, East Imperial won 8 medals, with two awarded best in class at the coveted Tonic & Mixers Masters Competition in London.

The company was founded on the philosophy of creating exquisite products defined by heritage, tradition and authenticity. All products are made from the highest quality, all-natural ingredients, reflecting East Imperial's commitment to providing a sustainable product and minimising environmental impacts at every stage of the manufacturing process.

For more information about East Imperial and its ultra-premium mixers, visit eastimperial.co.uk.

Strategic Update

£000	**H1 2022**	**H1 2021**	**Change**
Revenue			
APAC	664	742	(10.5%)
USA	422	182	132%
Other	198	93	113%

East Imperial Plc revenues grew strongly in the first half of 2022 up 26.3% from £1.02m to £1.28m. This growth reflects the return of key on premise markets in the US and Europe as well as continued off-premise growth in New Zealand as grocery ranging was extended. H2 is traditionally the stronger half for the business typically in the vicinity of 80% greater.

Revenues in the APAC region was below last year due to New Zealand maintaining heavy Covid restrictions during the summer high season. However, New Zealand is now seeing on-premise return to pre covid levels bolstered by significant off-premise growth. Momentum has begun to build in Singapore as it opened fully through H1. The Asia Pacific region is the cornerstone of the East Imperial brand story and we are now seeing the region return with expectations of a strong H2. Our new distribution partnerships in Singapore and Hong Kong are building strongly. The addition of our new China distribution partner will begin to see volume uplifts in Q4 and beyond.

US sales are 132% up on last year as we implemented phase one of the Republic National Distribution Company (RNDC) national distribution rollout through twelve states. This has placed the business in a strong position to leverage for a strong finish in H2. With the work carried out in the US in H1, we are confident that we have a strong base for growth in 2023 and 2024.

The first six months of 2022 has seen the challenging environment in the previous year continue. The team has done an incredible job operating in such a challenging environment to successfully manage the pressures on margins.

Financial Review

Unaudited (£000)	**H1 2022**	H1 2021	Movement
Revenue	**1,284**	1,017	26.2%
Gross Profit	**224**	261	(14.1%)
Adjusted EBITDA	**(1,485)**	(447)	(233%)
Operating loss	**(1,464)**	(437)	(235%)
Cash	**1,563**	231	576%

The Group's performance in H1 2022 was pleasing as we saw significant growth with revenues up by 26.3% to £1.28m demonstrating continued post-Covid recovery. Revenue improvement has been driven by the key US market experiencing significant growth as the US returned to more normalised trading patterns and the new national distribution partnership rolled out.

The 2022 H1 gross margin of 17.5% reflects a fall compared to 25.6% in 2021. This fall reflects the industry-wide challenges of the supply chain through this period. Much of the margin challenges were evident in Q1 and by June 2022 margins have returned to 22.3%. We will continue to see this improve through H2 as volume grows. Much of the Q1 margin issues were due to lower volumes and the impact the semi-variable margins costs such as warehousing have on our business. There are a number of large fixed costs which require a build of volumes to normalise these costs and the improvement seen in June demonstrates this beginning to happen. We expect this margin improvement to continue and to grow as we move operations closer to markets.

We are focused on the significant opportunity ahead for the Group and growth opportunities in global markets. We have invested in the brand, our people and our ability to execute on growth. This led to underlying operating expenses increasing by 238% to £1.68m (2021: £0.45m). It is worth noting that the costs of the listed structure drove significant cost increase of £0.33m with directors +£0.13m and professional services and regulatory fees + £0.2m.

People costs increased by £0.32m while sales and marketing-related expenses increased by £0.16m, both reflecting the investment in growth of the business. The increase in people costs reflects our commitment to invest in the building of our team in 2022, with a particular focus on the building of capability and growth capacity in the US. We do remain a lean operating organisation and do not anticipate growing head count significantly from where we are today. Marketing and sales costs reflect the extra support costs invested as we roll out in the US market.

The Group generated an operating loss before exceptional costs of £1.46 m in H1 (2021: £0.5m). This was in line with expectations reflecting the ongoing investment in growth.

Outlook

Looking into later in the year and into 2023 the pressures on margins will be addressed as volume grows and as we move to bottle products closer to key market. With the strategic importance of the US, we will be bottling in the US to service this market. This will allow us to control costs more effectively and become more proactive to the demands of this market. We remain focused on margin improvement opportunities in the medium term while also focusing on driving significant top-line growth.

Cash Position

As at 30 June 2022, the Group had cash balances of £1.56m and net current assets of £2.8m. The company raised £3.4m as part of a private placement of new share issuance in January 2022, this is being used to cover working capital, and to finance ongoing growth initiatives. Cash burn showed significant improvement in Q2 with a reduction in the cash balance of £0.47m.

Going Concern

The condensed consolidated interim financial statements have been prepared on a going concern basis. The Directors have carefully assessed the Group's ability to continue trading and have a reasonable expectation that the Group and Company have adequate resources to continue in operational existence for at least twelve months from the date of approval of these condensed consolidated interim financial statements and for the foreseeable future.

The Directors have assessed the strategic plan and forecasts prepared for the next three years. An assessment of cash flows for the next three financial years has indicated an expected level of cash generation would be sufficient to allow the Group to fully satisfy its working capital requirements and cover all principal areas of expenditure.

Having assessed the principal risks and the other matters discussed over a three-year period to June 2025, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing its condensed consolidated interim financial statements.

Principal Risks and Uncertainties

The principal risks and uncertainties currently faced by the Group are reviewed regularly by the Board. The principal risks faced by the Group are set out below and the Board considers the risk levels to have remained the same since December 2021.

- The Group is exposed to the impact of the ongoing outbreak of COVID-19 and the risks relating to measures imposed by national governments to control the outbreak. In the past, this has seen the closing of on-premise locations across multiple key territories. The Group continues to actively monitor the situation in all jurisdictions they operate in and remain agile in adapting to changing market and operational conditions.

- Regulatory changes in each market could have an adverse impact on the Group. The Group monitors legislative and regulatory changes and alters its business practices where and when appropriate.
- An unforeseen loss of key personnel. The Group has a continuity program in place to ensure that Directors are able to minimise the disruption caused by the potential loss of key personnel. The Company also has in place a Short-Term Incentive Plan (STIP) for all employees and an Options scheme for senior team members for the purposes of both reward and retention.

Forward-Looking Statements

Certain statements in this interim report are forward-looking. Although the Group believes that the expectations reflected in these forward-looking statements are reasonable, it can give no assurance that these expectations will prove to be correct. Because these statements involve risks and uncertainties, actual results may differ materially from those expressed or implied by these forward-looking statements. It undertakes no obligation to update any forward-looking statements whether as a result of new information, future events or otherwise.

Statement of Directors' Responsibilities

The Directors confirm that the condensed consolidated interim financial statements for the six-month period ended 30 June 2022 have been prepared in accordance with the Disclosure and Transparency Rules (DTR) of the Financial Conduct Authority and with International Accounting Standard 34, 'Interim financial reporting', as endorsed for use in the United Kingdom and gives a true and fair view of the Group's assets, liabilities, financial position and profit and loss.

In addition, the interim management report herein includes a fair review of the information required by DTR 4.2.7 and DTR 4.2.8, namely:

- An indication of important events that have occurred during the period and their impact on the condensed interim financial statements, and a description of the principal risks and uncertainties for the remaining period of the financial year; and
- Material related party transactions in the period and any material changes in the related party transactions described in the last annual report.

The Directors of East imperial Plc are listed in the East imperia Plc Annual Report for the year ended 31 December 2021. A list of current directors is maintained on the East Imperial Plc website.

The interim management report was approved by the Board of Directors and the above responsibility statement was signed on its behalf by Anthony Burt.

EAST IMPERIAL PLC

INTERIM REPORT
FOR THE SIX MONTHS ENDED 30 JUNE 2022

Condensed Consolidated Statement of Comprehensive Income
For the six months ended 30 June 2022

		(Unaudited)	(Unaudited)
		6 months to 30 June	6 months to 30 June
		2022	2021
	Note	£000	£000
Revenue	4	1,284	1,017
Cost of Sales		(1,060)	(756)

Gross Profit	**224**	**261**
Administrative Expenses	(1,682)	(690)
Other Operating Income	15	-
Adjusted EBITDA	**(1,485)**	**(445)**
Depreciation	(9)	(8)
Depreciation - Right of use asset	(7)	-
Amortisation	(5)	-
Operating Loss	**(1,464)**	**(437)**
Finance Income	-	-
Finance Costs	(16)	(70)
Loss Before Tax	**(1,481)**	**(507)**
Income Tax	-	-
Loss for the period	**(1,481)**	**(507)**
Other Comprehensive Income		
Foreign exchange differences on consolidation	168	3
Total Comprehensive Loss for the period	**(1,313)**	**(504)**

Condensed Consolidated Statement of Financial Position
For the six months ended 30 June 2022

	(Unaudited) 30 June 2022	(Audited) 31 December 2021
Assets	**£000**	**£000**
Non - Current Assets		
Intangible assets	2,332	2,228
Property, Plant and Equipment	77	45
Right of Use Assets	771	62
Total Non-Current Assets	**3,180**	**2,335**
Current Assets		
Cash and Cash Equivalents	1,563	266
Trade and Other Receivables	647	566
Inventories	1,890	1,849
Total Current Assets	**4,100**	**2,681**
Total Assets	**7,280**	**5,016**
Current Liabilities		
Trade and Other Payables	1,153	1,535
Lease Liability	110	37
Total Current Liabilities	**1,263**	**1,572**
Net Current Assets	2,837	1,109

Non-Current Liabilities		
Lease Liability	644	24
Total Non-Current Liabilities	**644**	**24**
Net Assets	**5,374**	**3,420**
Equity attributable to owners of the parent		
Share Capital	3,381	3,057
Share premium	6,975	4,033
Share option reserve	248	248
Reverse acquisition reserve	5,040	5,040
Foreign exchange reserve	216	48
Retained Losses	(10,486)	(9,006)
Total Equity	**5,374**	**3,420**

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2022

	Share Capital £000	Share Premium £000	Share Option Reserve £000	Foreign Exchange Reserve £000	Reverse Acquisition Reserve £000	Retained Losses £000	Total Equity £000
Balance at 1 January 2021 (Audited)	**222**	**1,098**	**-**	**(91)**	**3,837**	**(3,637)**	**1,429**
Loss for the period	-	-	-	-	-	(507)	**(507)**
Forex retranslation reserve	-	-	-	3	-	-	**3**
Total Comprehensive Income	**-**	**-**	**-**	**3**	**-**	**(507)**	**(504)**
Balance at 30 June 2021 (unaudited)	**222**	**1,098**	**-**	**(88)**	**3,837**	**(4,144)**	**925**
Balance at 31 December 2021 (audited)	**3,057**	**4,033**	**248**	**48**	**5,040**	**(9,006)**	**3,420**
Loss for the period	-	-	-	-	-	(1,481)	**(1,312)**
Forex retranslation reserve	-	-	-	168	-	-	**-**
Total Comprehensive Income	**-**	**-**	**-**	**168**	**-**	**(1,481)**	**(1,312)**
Issue of shares	324	3,078	-	-	-	-	**3,402**
Share issue costs	-	(136)	-	-	-	-	**(136)**
Exercise of options	-	-	-	-	-	-	**-**
Balance at 30 June 2022 (unaudited)	**3,381**	**6,975**	**248**	**216**	**5,040**	**(10,487)**	**5,374**

Condensed Consolidated Statement of Cashflows
For the six months ended 30 June 2022

	(unaudited) 6 months to 30 June 2022 £000	(unaudited) 6 months to 30 June 2021 £000
Cashflows from operating activities		
Loss for the period	(1,481)	(507)
Adjusted for:		
Foreign Exchange differences on retranslation	167	3
Depreciation, amortisation and impairments	21	8
	188	11
Increase) in trade and other receivables	(77)	(178)
(Decrease)/Increase in trade and other payables	(252)	511
(Increase)/Decrease in net working capital	(74)	154
	(403)	487
Net cash flows from operating activities	**(1,696)**	**(9)**
Cashflows from investing activities		
Acquisition of property, plant and equipment	(149)	(17)
Net cash flows from investing activities	**(149)**	**(17)**
Cashflows from financing activities		
Lease Payments	-	-
Increase in Bank Overdrafts	-	12
Proceeds from issue of ordinary shares, net of allowable issue costs	3,266	-
Net cashflows from financing activities	**3,266**	**12**
Net increase/(decrease) in cash and cash equivalents	**1,421**	**(14)**
Cash and cash equivalents at beginning of period	142	245
Cash and cash equivalents at end of period	**1,563**	**231**

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2022

Basis of preparation and accounting policies

These condensed consolidated interim financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting'. They do not constitute statutory accounts as defined in s434 of the Companies Act 2006.

The condensed consolidated financial statements should be read in conjunction with the audited consolidated annual financial statements for the year ended 31 December 2021, which have been prepared in accordance with IFRS endorsed for use in the United Kingdom.

The condensed consolidated financial information for the year ended 31 December 2021 does not constitute the Company's statutory accounts for that year, but is derived from those accounts. Statutory accounts for the year ended 31

December 2021 have been delivered to the Registrar of Companies. The auditors reported on those accounts: their report was unqualified, did not draw attention to any matters by way of emphasis and did not contain a statement under s498(2) or (3) of the Companies Act 2006.

The condensed consolidated interim financial statements for the period ended 30 June 2022 have not been audited or reviewed in accordance with the International Standard on Review Engagements 2410 issued by the Auditing Practices Board.

The principal accounting policies adopted in the preparation of the condensed consolidated financial statements are unchanged from those applied to the Group's financial statements for the year ended 31 December 2021 and are consistent with those expected to be applied in the financial statements for the year ended 31 December 2022.

Adjusted EBITDA has been calculated consistently with the method applied in the financial statements for the year ended 31 December 2021. Operating profit is adjusted for a number of non-cash items, including amoritsation, depreciation, and the share-based payment charge which recognizes the fair value of share options granted. The intention is for Adjusted EBITDA to provide a comparable, year-on-year indicator of underlying trading and operational performance.

The impact of COVID-19 has also been reflected in the Directors' assessment of the going concern basis of preparation for the group financial statements. This has been considered by modelling the impact on the Group's cashflow for the period to the end of December 2023. In completing this exercise, the Directors established there were no plausible scenarios that would result in the Group no longer continuing as a going concern.

The Directors have therefore concluded that the Group has adequate resources to continue in operational existence for at least the 12 months following the publication of the interim financial statements, that it is appropriate to continue to adopt the going concern basis of preparation in the financial statements, that there is not a material uncertainty in relation to going concern and that there is no significant judgement involved in making that assessment.

The preparation of financial statements in accordance with IFRS requires the use of estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the year to date. Although these estimates are based on management's best knowledge of the amount, events or actions, the actual results may ultimately differ from those estimates.

In preparing these condensed consolidated interim financial statements, the significant judgements made by management in applying the Group's accounting policies and the key sources of estimation uncertainty were the same as those that applied to the audited consolidated financial statements for the year ended 31 December 2021.

Notes to the Condensed Consolidated Financial Statements
For the six months ended 30 June 2022

1. Revenue by region

Type	%	Revenue by Country of Destination	(unaudited) 6 months to 30 June 2022 £000	(unaudited) 6 months to 30 June 2021 £000
Beverage distribution	100	New Zealand/Australia	537	596
		United States	422	182
		European Union	198	93
		Asia	102	146
		Pacific Islands	25	-

2. Earnings per share

	(unaudited) 6 months to 30 June 2022	(unaudited) 6 months to 30 June 2021
	£000	£000
Profit		
Profit used to calculate basic and diluted EPS	(1,331)	(504)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	165,704,112	110,087,671
Basic earnings per share (pence)	(0.0080)	(0.0046)

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