RNS Half-year/Interim Report

INTERIM RESULTS

EAST IMPERIAL PLC

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29 September 2023

East Imperial Plc

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

Interim Results for the Six Months Ended 30 June 2023.

East Imperial, the global purveyor of super-premium mixers, today announces unaudited half-year results for the period ended 30 June 2023, which can be viewed below and on the company website at www.eastimperial.com.

Anthony Burt, CEO of East Imperial, commented:

"There's little doubt that Q2 was challenging for the company, particularly after enjoying 40% YoY growth in Q1. New funding had been earmarked for late Q1, but unfortunately, this process took four months longer than we anticipated and hoped. We were forced to pause all production and supply solely through our inventory holding, and today's results reflect the impact of our cash constraints. Nevertheless, I am extremely excited to have a strong distribution investor and distribution partner in China, the world's largest market. Despite the delay in funding, in markets where we had stock, such as the APAC region, we grew 24.7% against the same period last year, showing the brand's core strength.

With the funding now in the bank, I am very pleased that normal production and supply have returned as the team clears the backlog of orders, focuses all efforts on H2, restocks the supply chains and gains important momentum into 2024.

The logistics and production costs we endured throughout the peak of COVID-19 in 2021-22 continue to impact margins. Still, we're now seeing an end to the affected inventory holding, and our margin improvement and cost rationalisation programs have been in full swing for 2023. I anticipate we'll return to more sustainable and acceptable margins in 1H24.

While the US remains strategically important to us, having INL Investments as a cornerstone partner also underpins our strong APAC strategy. We will use this relationship to gain a deeper and wider foothold in the South China market.

I am also pleased to add Jaron Berkhemer and Frank Andreu to the US team. Jaron will oversee all commercial aspects of our US strategy, and Frank will head up the all-important Southeast region. Frank was, up until recently, one of our key US competitors' top US salespersons. Frank and Jaron bring significant category experience, proven track records and high intensity to our US sales effort.

There have been some welcomed changes to the shareholder base as we saw the end of nearly two years of activism that had caused an unnecessary distraction for management. There are also changes to the board, and I am very pleased to welcome some strong industry experience back to the board with Horace Ngai joining. His executive experience in Asia aligns well with the new investments and opportunities presented.

Despite the supply constraints, we have made incredible progress with key strategic partnerships, such as Air New Zealand and Cocktail Courier. We're now in a great position to push forward and execute our strategy to be the only true super-premium mixer, fully funded and with a world-beating team."

Media Enquiries

Anthony Burt / Andrew Robertson - investors@eastimperial.com

About East Imperial

Founded in New Zealand and Singapore in 2012, East Imperial produces a range of ultra-premium mixers that sell throughout APAC, the 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 33 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 2023, East Imperial won 8 medals 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, please visit eastimperial.com.

Summary

East Imperial Plc revenues had grown strongly in Q1 of 2023; however, revenues stalled in Q2 due to a pause in production as the business rationalised resources and the anticipated cash injection was delayed until August 2023. There is little doubt this caused a challenging environment in which to operate. Still, the team has done an incredible job in a capital-constrained period. We're pleased to see production fully return, supply channels all operating, and the business ready for growth again.

Despite the supply challenges, revenues in the APAC region were up 24.7% compared to the same period last year. New Zealand was up 30.2%, mitigating some supply challenges due to its proximity to production and showing what the brand can do when fully supported. We expect a strong finish to the year from both New Zealand and the wider APAC region. This demonstrates a continued growth of market share in this region. More importantly, this market continues to be robust globally, with the need for a premium mixer expanding into less developed markets like South America, India and Africa.

US sales were down by 43.1%, a direct impact of production delays. We are pleased to see the US now has appropriate inventory in the market and sector-experienced sales resources and is making good progress in our core states. We have retained all our key accounts with supply constraints during the period, highlighting the strength of our relationships. The region is positioned well to finish the year strongly and have a robust, great 2024.

Looking forward, the management is confident that the company will be able to improve revenues as our key markets are once again adequately supplied with inventory and ready to meet the growing demand of our busiest time of the year.

Financial Review

Unaudited (£000)	**H1 2023**	H1 2022
Revenue	**1,255**	1,284
Gross Profit	**52**	224
Adjusted Gross Profit	**200**	224
Adjusted EBITDA	**(1,547)**	(1,485)
Operating loss	**(1,505)**	(1,464)

The Group's performance in H1 2023 saw revenues slightly down by only 2.2% to £1.26m, a surprisingly small decline given our supply issues.

The 2023 H1 adjusted gross margin of 16% reflects the normalising of the margin to account for inventory write-offs through H1 2023. These write-offs reflect products that, for a variety of product-life reasons, were unsellable and attracted costs of storage and movement before being destroyed. The normalised margins have also been held lower than what we are now seeing as we sold through US inventory that still had a high inventory cost value reflecting the COVID-era production, shipping and logistic costs of 2021 and 2022. While we have carried inventory in the US market, it has not always been the correct format, adding to the inability to supply particular formats in demand. We now have a solution to this for this coming financial year.

The inventory produced for the market now reflects the margins we expect as we continue our margin improvement program. Reported margins for H1 2023 of 4.2% reflect the unusually high-level write-offs for this period. Management believes over time that a goal of a margin above 45% is achievable for a super-premium product.

During H1 2023, underlying operating expenses decreased by 10% to £1.52m (2022: £1.68m). After the close of H1 2023, the new management team has constructed a program to rationalise the business's operating costs and will see significant savings. This is part of a program of revenue growth, margin improvement and operating cost reduction to expedite our journey to a break-even position and profitable growth focusing on the new management team and Board.

People costs were reduced by £0.12m while sales and marketing-related expenses increased by £0.1m. This reflects a reallocation of resources from support roles and using the savings to invest in sales and marketing initiatives. We remain a lean operating organisation and anticipate further efficiencies to help drive a lower operating cost base, including an incentive program tightly aligned to broader business targets and stock price.

The Group generated an operating loss before exceptional costs of £1.50m in H1 (2021: £1.46m).

Events After the Interim Period

On 14 August 2023, the company completed the first issue of 10% Secured Convertible Loan Notes to INL Investment Limited to the value of £1,466,666.67. INL Investment Limited has the right to convert the 2025 Convertible Loan Notes into Ordinary Shares at a price equal to a 20% discount to the 60-day VWAP of the Ordinary Shares as at the date of the conversion notice, subject to a minimum price per Ordinary Share of £0.01. The maturity date of the 2025 Convertible Loan Notes is the first business day, falling twenty-four months after the date of issue.

INL Investment Limited will subscribe for a further £733,333.33 of 2025 Convertible Loan Notes under the second completion of the investment. This is expected to occur on the first business day, three calendar months following the first completion, 15 November 2023.

Cash Position

As of 30 June 2023, the Group had cash balances of (£0.18m) and net assets of £1.6m. The company raised £2.2m for a convertible note placement in August 2023. This covers working capital and finances excess operating costs as the business moves towards a break-even position. Management continues to commit to getting to its cashflow break-even goal as soon as possible.

Outlook and Future Prospects

We continue to build a world-class team with the recent additions in the US of Jaron Berkhemer and Frank Andreu. Both have unparalleled sector experience and well-established relationships in our core US markets.

This week's Cocktail Courier announcement, which sees East Imperial become the official mixer in their cocktail kits delivered to over 1,000,000 US homes, is a testament to Jaron's business development capabilities and the power of our brand versus other players in the US market. Management believes that having East Imperial in the hands of this audience will drive both trial and sales.

Having Air New Zealand, voted the world's best airline, now pouring East Imperial on board their New York and Chicago routes and having Singapore's newest 5-star hotel from Ascendas Hospitality Trust (A-HTRUST) is another testament to the brand's competitiveness. In these closely contested accounts, we secured the win without compromising on price and "buying the business." This also demonstrated the calibre of partners the company continues to attract and with which it continues to work. We're excited to continue to work closely with both the partners above and expect to add to other illustrious names over time as we extend the working relationship and explore new opportunities together.

We were also pleased to announce our sponsorship of Tales of the Cocktail, the US's largest annual trade conference, festival and gathering of cocktail and spirits industry professionals in New Orleans, Louisiana. This partnership aligns with our strategy to reach and be seen by the best in the global on-trade as the only true super-premium mixer option available. This is another testament to the desirability of our brand and how it is viewed in the trade.

We are working on several other substantive opportunities and are excited to share other material news over the coming months as we win those partnerships and accounts.

Product-wise, we have taken the opportunity to review our SKU mix in some regions and consolidated our offering to reflect each region's distinct demands. This streamlines our supply chain and preserves important working capital-the right product at the right place.

Additionally, we will still look to move production for the US once demand reaches the critical level that makes it economically viable for us to do so. Pleasingly, we've seen relief as freight rates have fallen since the COVID highs, making the inflexion point for US production higher than 12 months ago. We're now switching most customers to FOB sales terms in the shorter term to preserve working capital and shorten the cash cycle, a key financial goal for the new Management team.

An exciting new SKU (to be announced later) is still being added in early 2024, a world first, but overall, we're pleased to see strong growth in our award-winning Grapefruit Soda, Yuzu Lemonade, and Yuzu Tonic. Flavours, the Management believes, encapsulates the distinct quality of East Imperial and sets us further apart from our competitors.

Looking into later in the year and into 1H24, we continue to see margin growth as we move past the production pause this year and the write-offs we've endured. We are sharply focused on margin improvement opportunities in the medium term and on driving profitable top-line growth. These improvement opportunities have been built into each market we are servicing, and we expect to see the benefits appear as soon as 1H24.

With the strategic investment from INL Investments, we will see a renewed focus on growing our position in China as the super-premium mixer for this market. The focus for Q4 and Q1 2024 will be Macau, focusing on luxury accommodation and exquisite dining experiences to which our products are well suited.

There are plenty of exciting initiatives now in play. With recent changes in the shareholder base and our team, we can rebuild shareholder value with fewer distractions, greater core shareholder support, and a renewed, deep commitment to financial discipline.

Principal Risks and Uncertainties

The Board reviews the principal risks and uncertainties currently faced by the Group. 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 2022.

- The Group is exposed to the impact of a pandemic 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 actively monitors the situation in all jurisdictions and remains 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 The Group can minimise the disruption caused by the potential loss of key personnel. The Company also has a Short-Term Incentive Plan (STIP) for all employees and an Options scheme for senior team members for motivation, 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 and achievable, it can give no assurance that these expectations, nor the timing of these expectations, will prove accurate or 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 due to new information, future events or otherwise.

Statement of Directors' responsibilities

The Directors are responsible for preparing the half-yearly financial report in accordance with applicable laws and regulations.

The Directors confirm to the best of their knowledge:

a) The interim consolidated financial statements have been prepared in accordance with International Accounting Standard 34 'Interim Financial Reporting', as adopted by the United Kingdom; and

b) The Management Report includes a fair review of the development and performance of the business and the position of the Company and the undertakings included in the consolidation taken as a whole, together with a description of the principal risks and uncertainties they face.

On behalf of the Board

Anthony Burt,

Chief Executive Officer & Founder

East Imperial plc

EAST IMPERIAL PLC

Interim Results

For the Six Months Ended 30 June 2023

Condensed Consolidated Statement of Comprehensive Income

For the six months ended 30 June 2023

	Note	(unaudited) 6 months to 30 June 2023 £000	(unaudited) 6 months to 30 June 2022 £000
Continuing operations			
Revenue	1	1,255	1,284
Cost of sales		(1,203)	(1,060)
Gross Profit		**52**	**224**
Administrative Expenses		(1,523)	(1,682)
Other Operating Income		8	15
Adjusted EBITDA		**(1,547)**	**(1,485)**
Depreciation		(8)	(9)
Depreciation - Right of use Asset		(34)	(7)
Amortisation		-	(5)
Share Based Payments		-	-
Operating (loss)		**(1,505)**	**(1,464)**
Finance Income		-	0
Finance Costs		(446)	(16)
(Loss) before tax		(1,951)	(1,481)
Income tax		-	-
(Loss) for the year		**(1,951)**	**(1,481)**
Other Comprehensive Income			
Items that may be subsequently reclassified to profit or loss:			
Foreign exchange differences on consolidation		365	168

	365	168
Total Comprehensive (Loss) for the Year	**(1,586)**	**(1,313)**
Loss attributable to :		
Owners of the company	(1,586)	(1,313)

Earnings per share (EPS)	**Pence**	**Pence**
Basic EPS	(0.47)	(0.80)

Condensed Consolidated Statement of Financial Position

For the six months ended 30 June 2023

Assets	**(unaudited) 30 June 2023 £000**	**(audited) 31 December 2022 £000**
Non - Current Assets		
Intangible assets	2,218	2,219
Property, Plant and Equipment	74	86
Right of Use Assets	508	589
Total Non-Current Assets	**2,801**	**2,894**
Current Assets		
Cash and Cash Equivalents	(181)	129
Trade and Other Receivables	152	459
Inventories	1,069	1,697
Total Current Assets	**1,041**	**2,285**
Total Assets	**3,841**	**5,179**
Liabilities		
Current Liabilities		
Trade and Other Payables	1,671	1,365
Lease Liability (S/T)	-	79
Total Current Liabilities	**1,671**	**1,444**
Net Current Assets/(Liabilities)	(630)	841
Non-Current Liabilities		
Provisions	65	38
Lease liability	503	508
Total Non-Current Liabilities	**568**	**546**
Net Assets	**1,603**	**3,189**
Equity attributable to owners of the parent		
Share Capital	3,382	3,382
Share premium	6,974	6,974
Share option reserve	290	290
Reverse acquisition reserve	5,039	5,039
Foreign exchange reserve	527	163
Retained Earnings / (Losses)	(14,610)	(12,660)

Total Equity	**1,603**	**3,189**

Condensed Consolidated Statement of Changes in Equity
For the six months ended 30 June 2023

	Share Capital £000	Share Premium £000	Convertible Loan £000	Share Option Reserve £000	For Reser £0
Balance at 1 January 2022	**3,057**	**4,033**	**-**	**248**	
Loss for the year	-	-	-	-	
Forex retranslation difference	-	-	-	-	1
Total comprehensive income	**-**	**-**	**-**	**-**	**1**
Issue of shares	325	3,077			
Share issue costs		(136)			
Convertible loan settled					
Balance at 30 June 2022	**3,382**	**6,974**	**-**	**248**	**2**
Balance at 31 December 2022	**3,382**	**6,974**		**290**	**1**
Loss for the year	**-**	**-**	**-**	**-**	
Forex retranslation difference	**-**	**-**	**-**	-	3
Total comprehensive income	**-**	**-**	**-**	**-**	**3**
Share Based Payments	**-**	**-**	**-**	-	
Balance at 30 June 2023	**3,382**	**6,974**	**-**	**290**	**5**

The above condensed consolidated statement should be read in conjunction with the accompanying notes.

Condensed Consolidated Statement of Cashflows
For the six months ended 30 June 2023

	(unaudited) 6 months to 30 June 2023 £000	**(unaudited) 6 months to 30 June 2022 £000**
Cashflows from operating activities		
(Loss) for the year	(1,951)	(1,481)
Adjusted for:		
Foreign Exchange differences on retranslation	365	167
Depreciation, amortisation and impairments	42	21
	407	188
Decrease/(increase) in trade and other receivables	322	(77)
Increase/(decrease) in trade and other payables	551	(252)
Other decreases/(increases) in net working capital	628	(74)
	1,501	(403)
Net cash flows from operating activities	**(43)**	**(1,696)**
Cashflows from investing activities		

Acquisition of property, plant and equipment	6	(149)
Net cash flows from investing activities	**6**	**(149)**
Cashflows from financing activities		
Increase/(decrease) in debt	(2)	-
Lease Payments	(38)	-
Proceeds from issue of ordinary shares, net of allowable issue costs	-	3,266
Net cashflows from financing activities	**(40)**	**3,266**
Net increase/(decrease) in cash and cash equivalents	**(77)**	**1,421**
Foreign exchange differences to cash and cash equivalents on consolidation	-	-
Cash and cash equivalents at beginning of the half-year	(104)	142
Cash and cash equivalents at end of the half-year	**(181)**	**1,563**

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

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 unaudited consolidated financial statements should be read in conjunction with the audited consolidated annual financial statements for the year ended 31 December 2022, which have been prepared in accordance with IFRS endorsed for use in the United Kingdom.

The condensed consolidated interim financial statements for the period ended 30 June 2023 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 preparing the condensed consolidated financial statements are unchanged from those applied to the Group's financial statements for the year ended 31 December 2022. They are consistent with those expected to be applied in the financial statements for the year ended 31 December 2023.

Adjusted EBITDA has been calculated consistently with the method applied in the financial statements for the year ended 31 December 2022. Operating profit is adjusted for several non-cash items, including amortisation, depreciation, and the share-based payment charge, which recognises 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 Directors have assessed the Group's activities, the financial position of the Group, and their identification of any material uncertainties and the principal risks to the Group. The impact of the capital raise has also been reflected in the Directors' assessment. The Directors have a reasonable expectation that the Group has adequate resources to continue in operational existence for the next twelve months. Therefore, the Directors consider it appropriate to adopt the going concern basis of accounting in preparing the condensed consolidated interim financial statements

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 unaudited 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 2022.

Notes to the Condensed Consolidated Financial Statements

For the six months ended 30 June 2023

1. Revenue by region

Type	%	Revenue by Country of Destination	(unaudited) 6 months to 30 June 2023 £000	(unaudited) 6 months to 30 June 2022 £000

Beverage distribution	100	New Zealand/Australia	761	537
		United States	240	422
		European Union	187	198
		Asia	62	102
		Pacific Islands	5	25

2. Earnings per share

	(unaudited) 6 months to 30 June 2023	(unaudited) 6 months to 30 June 2022
	£000	£000
Loss		
Loss used to calculate basic and diluted EPS	(1,586)	(1,313)
Number of shares		
Weighted average number of shares for the purpose of basic earnings per share	336,821,108	165,704,112
Basic loss per share (pence)	(0.47)	(0.80)

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