



# EAST IMPERIAL

*Superior Beverages*



EAST IMPERIAL (EISB LSE)  
INVESTMENT CASE  
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## COMPANY OVERVIEW

East Imperial plc, founded in 2012 in New Zealand, produces and markets a line of branded super-premium mixers currently sold throughout APAC, US and EMEA. The company was founded on the philosophy of creating products defined by heritage, tradition and authenticity. East Imperial's range utilises authentic Asian ingredients, a 1903 East African family recipe, and a flavour-enhancing cold-filling batch manufacturing process.

Through the development of our brand, East Imperial has created a competitive advantage in the marketplace by combining its intrinsic product qualities with its marketing strategy. The unique appeal of East Imperial mixers enables the company to promote our beverage lines across a broad range of countries and high-end establishments.

*In 2022-23, East Imperial took home 3 Masters medals (the highest accolade available) for our Mombasa Ginger Beer, Grapefruit Tonic Water and Grapefruit Soda, as well as 8 Gold medals and 6 Silver medals.*

East Imperial's signature line of beverages targets a fast-growing segment of the beverage industry. This world-class, high-quality premium mixer portfolio perfectly complements crafted spirit brands.

## PRODUCT OVERVIEW

Inspired by a family recipe from 1903, East Imperial tracked down the source of the original, handpicked ingredients throughout Asia, home of the original tonic water. We then worked with the best global distillers and barmen to create a collection based on tradition with the obsession to be the ultimate complement to premium spirits.

*The strong and iconic branding is coupled with the exquisite taste of the liquid. Behind our design is a unique narrative, an aesthetic perspective that evokes passion, idealism, exploration and a sense of atmosphere.*

Our design principles are based on tradition & heritage. We are honing a visual identity that defines not only the collection but also gives East Imperial a powerful, emotionally expressive signature aesthetic. We did not follow a set of colour themes like most (yellow for tonic, for example), but instead created a visually evocative collection. The colour palette is rooted in regal tradition, with our first expressions based on the Queen's Racing Silks.

*Our proprietary bottle holds 150 ml. For a very good reason: it allows for what we like to call the perfect ratio or an optimal mix.*

Let us explain how 300 ml is the total volume in the ideal G&T glass. We have then divided this by 0.35 to account for the space taken by your ice, which gives us 105ml. Subtracting this from 300 ml leaves us with 195 ml for the drink. 45ml for your serving of premium spirit + 150ml of East Imperial brings us to the magical number of 195ml. No waste and a perfect mix every time.

We also have a proprietary 500ml bottle. Both formats are available in the following flavours: Old World Tonic, Burma Tonic Water, Yuzu Tonic, Grapefruit Tonic, Thai Dry Ginger Ale, Ginger Beer, Grapefruit Soda, Yuzu Lemonade, Soda Water, and a collaboration with the Kew, Royal Botanic Gardens, London called Royal Botanic Tonic

## 2023 INTERM RESULTS

Revenues had grown strongly in Q1 2023, up 40% YoY, but revenues in Q2 stalled due to a pause in production (late February) as the business rationalised resources. Our anticipated cash injection was five months delayed and was finalised with Hong Kong-based INL Investments in early August 2023.

US sales were down by 43.1% due to the production delays to supply the region. But it was pleasing to see our key US accounts have been retained despite the supply challenges, and the region is well-positioned to finish the year strongly with a robust year of growth also forecasted for 2024.

*APAC remains our cornerstone territory, and despite the supply challenges of H1, revenues in the region were up 24.7% YoY and New Zealand was up 30.2% YoY.*

H1 adjusted gross margin of 16% reflects the normalising of the margin to account for inventory write-offs through H1 2023. These were due to product-life matters, supply chain challenges and production faults. Normalised margins reported are lower than we are now, as we sold through US inventory carrying abnormally high inventory cost value reflecting the COVID-era production, shipping and logistic costs of 2021 and 2022.

Underlying operating expenses decreased by 10% to £1.52m (2022: £1.68m). 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.

After the close of H1 2023, the management team has constructed a program to rationalise the business's operating costs and will see significant savings. We are pushing harder to grow margins to expected levels for super-premium products.

*June ended nearly two years of shareholder activism from one particular shareholder. This brings to a close a chapter that was a massive distraction for the management team.*

## MARKET CONTEXT

*The global mixer market was estimated to be worth £7.05 billion in 2022 and will grow to £11.97 billion by the end of 2028.\**

*\*Drinks International - Growth Ahead for Mixers - 25 January, 2023*

The market in recent years has become heavily commoditised due to deep discounting, particularly in retail channels by some major players. However, significant growth is still projected as new consumers are introduced to the category alongside the complementary demand created by the growth of premium spirits.



*Our full range of products have also been awarded an Excellence certification by the illustrious Difford's Guide, the World's best and biggest guide to cocktails, spirits and liqueurs.*

A more strategic approach to our off-premise positioning and avoidance of deep discounting channels where our competitors now find themselves.

## STRATEGIC INTENT 2023-24

In a category with low customer engagement and increasingly commoditised by established players and new entrants, showcasing East Imperial's positioning is more critical than ever. This will require us to focus and execute on;

East Imperial is the only super-premium carbonated mixer on the market.

East Imperial is the only mixer brand born in, supported by, and engaging the global on-premise community.

East Imperial trading on a genuine tradition, heritage, quality and authenticity platform.

Our positioning as the only super-premium choice and our in-market experience give us a unique opportunity. We will continue serving our traditional luxury and high-end on-premise accounts while building a multi-channel approach with a deep digital customer acquisition focus, including select off-premise and direct-to-consumer.

Through investing in marketing, collaborations, new products, technology and people, we will continue to focus on growing our leadership position in the Asia Pacific while pursuing multi-channel solid growth in the US.

*Our first goal is to achieve a cash flow break even at 35,000 cases sold at a 35% margin with a 175,000 monthly operating cost.*



## REVENUE GROWTH

### Critical KPIs

- Add 40 Tier 1 outlets annually super-premium, high volume outlets (>100 cases per month)
- Add 175 Tier 2 outlets annually prestige cocktail and fine-dining outlets (>50 cases per month)
- Continue to build performance in existing locations

With the hangover of COVID and resulting supply chain challenges behind us, we're focusing all our efforts on profitable revenue growth and ensuring the entire team's efforts are focused in the right areas.

- We acknowledge that we can't afford to be everywhere for everyone, but the East Imperial brand can be at the best places. It's our sweet spot and what we've always done best.





## MARGIN IMPROVEMENT

### Critical KPIs

- Reduce warehousing costs from the current £1.30 per case
- Reduce local freight cost from the current £0.75 per case
- Reduce ocean freight cost from the current £3.50 per case

We're currently executing our *Margin Improvement Program*. This includes;

- We are removing ourselves from the logistics game as much as possible.
- We are moving all customers to FOB shipping terms to preserve working capital and significantly shorten the cash cycle.
- SKU rationalisation.
- Price increases in markets with appropriate price elasticity.
- Shipping costs continue to reduce quickly on critical routes.
- Continuous review of all input costs as we grow to enable any benefits of scale that become available

*We believe a super-premium product, like East Imperial, should see margins above 45% over the medium term.*

## OPERATIONAL COST REDUCTION

### Critical KPIs

- Reduce annualised operating costs by £600,000

Operating Cost Rationalisation Program is underway. This includes;

- Rationalisation of board structure, removing bloat, and improving effectiveness.
- Restructuring New Zealand operations, removing Digital role, and simplifying our digital presence and eCommerce approach.
- Restructuring of Asia sales functions, removing the Key Accounts role and implementing a broker-led model alongside our key distribution partners.
- Removal of advisory functions such as financial PR.
- Rationalisation of administration costs.
- Termination of partnerships that provide minimal value.



## KEY GROWTH DRIVERS 2023-24

### 1. US Expansion

We've added firepower to our US team and continue developing key strategic relationships. • Jaron Berkhemer joins as US Commercial Director and has a wealth of experience and a proven track record, including being ex-head of marketing for one of our largest US competitors.

Frank Andreu joins the team as VP of Sales Florida. • Frank also has a proven track record, where he was the number one national salesperson of one of our largest US competitors.

California, Florida and Texas are our strategic focus, and we will soon announce a new sales resource in Dallas.

*The directors believe 2024 will be the year that will see a fundamental change in sales growth for East Imperial in the US.*

### 2. APAC Expansion

Leverage the INL Investment for the China and Hong Kong regions while continuing to focus distribution on luxury hotels and upmarket and specialist grocers and retailers.

We will continue the activity with key regional strategic players - Brown-Forman, Rémy Cointreau, William Grant & Sons, and Pernod Ricard.

### 3. Direct-to-consumer (DTC)

We have revised our DTC strategy.

We will continue to operate our storefront for New Zealand via [www.eastimperial.nz](http://www.eastimperial.nz). For the US, drive customers to our own Amazon marketplace site.

We will Look to build out our relationships and 'piggyback' on established drinks and cocktail delivery partners in key regions. The recently announced Official Mixer for Cocktail Courier in

the US will allow access to over one million US customers engaged with the premium drinks at home category.

### 4. Financial Discipline

A solid financial and operational plan is in place for the next eighteen months that the team has bought into and owns. -

Keeping plan in focus - Operating a program of constant review and recalibrations against the plan. We will ensure we understand what is happening so we can respond and adapt to maximise our outcomes.

Team Member's Compensation - Compensation is tied to share price. We all understand what we do that drives profitable growth, ultimately driving share price appreciation.

Individual KPIs are understood in the context of the company goals and measured regularly.

Cash flow - Achieving cash flow breakeven is a clear internal goal.

Everyone understands what is needed to get there.

### 5. Innovation

New Product Development - We will continue to bring acclaimed new products to market that capitalise on the global premiumisation trend.

We've recently released our Crafted Gin & Tonic on tap: A new tailored solution offering a high-quality pre-mixed G&T for on-trade and events. A unique G&T solution that delivers our customers consistency, speed of service and profitability without compromise.

This product allows us to offer a premium product to new channels while introducing new customers to East Imperial.