

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF ARTICLE 7 OF EU REGULATION 596/2014 AS RETAINED AS PART OF UK LAW BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 (AS AMENDED) ("UK MAR").

17 December 2021

The Artisanal Spirits Company plc
("The Artisanal Spirits Company", "ASC", "the Company" or "the Group")

Update on Group's Asia operations

The Artisanal Spirits Company (AIM: ART), the owner of The Scotch Malt Whisky Society ("SMWS"), the leading curator and provider of premium single cask Scotch malt whisky and other spirits for sale primarily online to a discerning global membership, is pleased to announce that it has agreed to increase its equity interests in its subsidiary undertakings The Scotch Malt Whisky Society Japan Limited (incorporated in Japan) ("SMWS Japan") and The Scotch Malt Whisky Society Limited (incorporated in Hong Kong) ("SMWS China").

David Ridley, Executive Managing Director of the Company, commented: *"With Asia being one of the fastest growing whisky markets in the world, our China and Japan operations will continue to form an integral part of the ASC growth story for years to come. With an established presence in each, we believe that now is the time to take these steps to increase our share of the value created and help support the future growth in both China and Japan. We have a wide range of exciting plans in place to enhance the experience of our members in Asia and, supported by these improved terms, we are excited about what the future holds for The Scotch Malt Whisky Society in the region."*

Background

As outlined in the Company's Admission Document, SMWS's operations in China and Japan have been structured as joint ventures for strategic business development reasons. The Board considers it to be in the interests of the Company to increase its shareholdings in SMWS China and SMWS Japan as both represent key growth markets for the Group. The modified joint venture agreements, and new employment contracts with the respective managing directors, underpin ASC's growth plans in each market for the next three years.

The Company's increased interests in both SMWS China and SMWS Japan will also result in proportionally reduced dividend payments to the respective minority joint venture partners in future years. The minority joint venture partner in SMWS China is Christina Leung, managing director of SMWS China, and the minority joint venture partner in SMWS Japan is Mark Bedingham, Non-Executive Director of ASC.

SMWS China

SMWS has agreed to acquire 10 per cent. of the equity in SMWS China beneficially held by Christina Leung for cash consideration expected to be around £0.4 million, funded by the Company's existing cash resources, following which, SMWS and Christina Leung will hold 75 per cent. and 25 per cent. of the equity in SMWS China respectively. Having led the business, since its launch into this new market for SMWS in late 2017, the Company has also agreed a new three year contract to retain Christina Leung as Managing Director, reflecting her strong performance in building the Joint Venture to date.

The final consideration for the equity interest will be equivalent to 2.5x operating profits of SMWS China for the year ending 31 December 2021, in accordance with the terms of the call option within the original joint venture agreement between SMWS and Christina Leung (the "China Joint Venture Agreement"), entered into in 2017. The payment of the consideration is expected to occur in Q1-22 once the audited results for SMWS China are available.

In the year ended 31 December 2020, SMWS China recorded an unaudited consolidated operating profit of £1.2 million, and as at 31 December 2020, had consolidated net assets of £1.3 million.

The Company will also amend the China Joint Venture Agreement, such that the put and call options available to the parties will now be calculated on a revised formula based upon a combination of a lower multiple of 1.3x operating profit for the relevant period, plus a fixed fee per SMWS China member and cash resources available for dividend multiplied by the percentage holding of the selling party. Management expects that this revision will be to the Company's advantage in financial terms under realistic growth scenarios.

SMWS Japan

Additionally, SMWS has agreed to acquire the entire 30 per cent. equity interest in SMWS Japan currently held by Mark Bedingham, for cash consideration of £25,000. Mark Bedingham will retain his position as Director of SMWS Japan, reflecting his depth of knowledge and experience in the market, and management is grateful for his support as a shareholder in the past. Following this acquisition, the Company intends to sell 20 per cent. of its interest in SMWS Japan to Pei Hong Ong, the newly appointed local managing director of SMWS Japan, for cash consideration of ¥4,350,000 (approximately £20,000). Following the above changes, SMWS and Pei Hong Ong will hold 80 per cent. and 20 per cent. of the equity in SMWS Japan respectively.

This joint venture agreement contains a similar put and call option mechanism based on the same operating profit multiple as the China JV agreement, in addition to a fixed fee per SMWS Japan member and cash resources available for dividend multiplied by the percentage holding of the selling party.

Related Party Transaction

As Christina Leung, the minority joint venture partner in SMWS China, is a director of a subsidiary of the Company, the purchase of 10 per cent. of the equity in SMWS China and the amendments to the China Joint Venture Agreement constitute transactions with a related party pursuant to Rule 13 of the AIM Rules for Companies. The Directors consider, having consulted with Singer Capital Markets, the Company's nominated adviser, that the terms of the purchase of the additional equity interest and the modifications to the joint venture agreement are fair and reasonable insofar as the Company's shareholders are concerned.

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About The Artisanal Spirits Company

Artisanal Spirits Company (ASC) is based in Edinburgh. It owns The Scotch Malt Whisky Society (SMWS) which was established in 1983 and currently has a growing worldwide membership of over 30,000 paying subscribers.

Harnessing the experience of some of the most knowledgeable stewards in the industry, SMWS provides members with inspiring experiences, content and exclusive access to a vast and unique range of outstanding single cask Scotch malt whiskies and other craft spirits, sourced from over 100 distilleries in 20 countries and expertly curated with diligence and care. In 2020 over 85% of Group revenue was generated online, whilst 9% was generated through SMWS's four UK venues.

Having initially proven its premium experience model in the UK, SMWS is now able to offer its unrivalled breadth of distinguished flavours to an expanding international market, with 69% of 2020 sales from outside the UK. SMWS has a growing presence in the key global whisky markets of UK, China, USA and Europe.

ASC is building a portfolio of premium brands that bring together some of the world's best producers with a growing movement of discerning consumers by curating unrivalled collections of craft spirits. In November 2021 it launched J.G. Thomson & Co. Inspired by its namesake, which was originally a wine and spirits merchant in Leith, Scotland, in the 1700s, J.G. Thomson is a new, adventurous blender, creating small batch blended malt whiskies, blended grain whiskies, rum and gin. J.G. Thomson products are available from www.jgthomson.com as well as a range of leading whisky shops, bars and restaurants.

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