RNS Number : 3139G
Artisanal Spirits Company PLC (The)
29 March 2022

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

Preliminary Results

Growth comfortably ahead of market expectations and decisive early delivery against strategic objectives

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 its preliminary results for the 12 months ended 31 December 2021 ("FY 2021").

Financial highlights

- Revenue increased 21% to £18.2m (2020: £15.0m), comfortably ahead of market expectations
- Gross profit increased 27% to £11.2m (2020: £8.8m), resulting from the revenue growth, as well as gross margin improvement to 61.5% (2020: 58.6%) which is largely attributable to the long-term suspension of US tariffs
- EBITDAE loss of £0.6m (2020: profit of £0.6m) with planned ongoing investment for growth offsetting the increase in gross profit (EBITDAE defined as earnings before interest tax, depreciation, amortisation and exceptional costs, details set out in Note 7)
- Loss after tax of £3.4m (2020: £1.6m), including the impact of £0.9m of exceptional IPO costs
- The Group's net debt position improved to £5.2m (2020: £13.7m), as a portion of the proceeds of the IPO fundraise were used to temporarily reduce Group borrowings (to minimise interest costs)

£'m	**FY 2021**	**FY 2020**	**change**
Revenue	18.2	15.0	21%
Gross profit	11.2	8.8	27%
Gross margin	61%	59%	2ppt
EBITDAE	(0.6)	0.6	(1.2)
Net Debt	5.2	13.7	(8.5)

Operational highlights

- 18% overall membership growth (a leading indicator of future revenue growth)

- 15% global membership growth in the second half of the year (over 33,000 members at year end up from 28,700 at 30 June 2021)
- UK membership grew by 20%, with growth in other markets averaging 15% over the year as a whole. Exceptionally strong growth in China offset by lower levels of growth in Europe (reflecting Brexit related challenges in H1)

· Lifetime member value ("LTV") of £1,445 (2020: £932). A consistently high LTV, coupled with growing global membership, demonstrates the Group's ability to deliver sustainable and profitable growth

· Continued recovery in UK venue & events sales following phased reopening in Q2 2021
  - Robust performance through to year end despite the emergence of the Omicron variant during Q4, demonstrating the advantages of ASC's multi-channel business model
  - UK venue sales in the second half surpassed those in the entirety of FY 2020

· Successful admission to AIM in June 2021, raising gross proceeds of £26m. Decisive early progress made against strategic growth objectives outlined at IPO:
  - Significant investment in matured and new make spirit stock and cask wood
  - 10-year lease signed on a new supply chain facility
  - Launch of new brand J.G. Thomson
  - Increased equity interests in joint venture entities in China and Japan

· Strengthened the Group's leadership team through key strategic hires

· Established a warehouse in mainland Europe, enabling the Group to mitigate Brexit-related logistical challenges and reduce shipping and delivery times to EU members

· Record number of top awards (for both SMWS and J.G. Thomson) from several of the most prestigious competitions in the global whisky calendar

Global membership			
'000s	**FY 2021**	**FY 2020**	**% change**
UK	16.4	13.7	20%
US	5.2	4.4	18%
China	1.7	1.1	57%
Europe*	3.3	3.3	3%
Australia	1.3	1.1	18%
Japan	1.5	1.4	14%
Rest of World	3.8	3.3	15%
Total members	**33.3**	**28.3**	**18%**

*Europe represents direct sales markets within continental Europe, but excludes franchise markets in Denmark and Switzerland which are shown within Rest of World

Post-period highlights

· Strong start to the new financial year with revenues ahead by over 30% year-on-year, in line with management expectations, cycling over low Q1-21 sales in UK Venues & Europe

· Global membership of 34,200 at the end of February (up 3% from the position at year end). This was in line with management expectations

· Landmark 150th distillery bottling, sourced from southwest Ireland

· 13 prestigious gold and silver awards across both SMWS (8 awards) and J.G. Thomson (5 awards) ranges at IWSC 2022

· Site manager recruited and first materials delivered for new supply chain facility, known as Masterton Bond

- With positive momentum in business, the Group remains well placed to deliver another year of significant growth

David Ridley, Executive Managing Director of the Company, said:

"Following what was an exceptional year for the Artisanal Spirits Company against a challenging backdrop, I am pleased to be able to present such a positive first set of results as a listed business, with strong growth in both sales and member numbers.

In the months since IPO to year end, we made excellent early progress in delivering against our strategic objectives; investing in, enhancing and optimising our operations to create a platform capable of delivering high, sustainable and ultimately profitable growth, always keeping the interests of our loyal SMWS members firmly at the centre of everything we do. This work behind the scenes will benefit the Group and SMWS members for many years to come, and on behalf of the Board I would like to thank all our colleagues for their efforts during the year to make it happen.

Moving into 2022, we have made an encouraging start to the new financial year, again from both a sales and member growth perspective. The outlook is positive, notwithstanding the inherent unpredictability of the pandemic and its effects, giving us confidence in our ability to continue our track record of delivering significant year-on-year growth, while remaining on course to deliver our ambition of doubling sales between 2020 and 2024.

Global macrotrends such as premiumisation continue unabated, and as we move away from the worst of Covid-19, we are ideally equipped to operate in a more hybrid world, straddling both on-line and in-person. While we have made an encouraging start to life as a listed company, we recognise there is no room for complacency. We will continue to meet challenges head on while vigorously pursuing our goal of growing and developing the Group. This is being delivered by taking our proposition to a growing global community of whisky enthusiasts, offering the very highest quality crafted spirits & experiences and creating significant value for members and shareholders alike."

Investor presentation

The Company's Executive Managing Director, David Ridley, and Executive Finance Director, Andrew Dane, will host a live online investor presentation and Q&A on Wednesday 30 March 2022 at 11:00 am BST.

The presentation is open to all existing and potential shareholders. To register to attend, please use the link below:

https://www.equitydevelopment.co.uk/news-and-events/artisanal-fyresults-presentation-30march

A recording of the presentation will also be made available via the Group's website www.artisanal-spirits.com/ following the webinar.

A video overview of the results from the Executive Managing Director, David Ridley, and Executive Finance Director, Andrew Dane, is available to watch here:

https://www.fmp-tv.co.uk/2022/03/29/the-artisanal-spirits-company-preliminary-results/

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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 34,000 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 2021 around 83% of Group revenue was generated online, whilst 13% 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 2021 sales from outside the UK. SMWS has a growing presence in the key global whisky markets including UK, China, USA and Europe.

ASC is building a portfolio of premium brands that bring together some of the world's best spirits 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.

CHIARMAN'S STATEMENT

AN EXCITING START TO THE JOURNEY AHEAD

In this, our first full set of results following our IPO in June 2021, I am delighted to report the momentum seen in the first half continued to build through the second half across all geographies, resulting in full year revenue comfortably ahead of market expectations.

Our priority in the year, alongside protecting the wellbeing of our colleagues, partners and everyone connected with the business, was to deliver growth across the most important global whisky markets while using the IPO proceeds to lay the foundations for future success. Given the challenges presented by the Covid-19 pandemic, the fact that we have achieved this is testament to the quality and hard work of our teams, the strength of our membership offering and the resilience of our model.

Decisive early progress

The Company's successful admission to AIM in June 2021, raising gross proceeds of £26m, was a significant milestone in our history. Since then, we have been driving forward plans and initiatives to take the business to the next level. Using the proceeds raised at IPO, in a few short months we have made significant investment in matured and new make spirit stock and cask wood, secured a new supply chain facility, launched a new brand in the shape of J.G. Thomson, increased our stakes in our China and Japan joint ventures and accelerated growth in our global membership. While we are still at the beginning of our journey as a listed company, we have made an encouraging start in testing circumstances that stands us in good stead.

A winning team

This year saw the completion of our company culture project, helping to codify and communicate our purpose, ambition, strategy and values. We believe having the right culture to be a prerequisite for business success, and thus it remains a core focus.

Recognising the role every one of our colleagues plays in helping us reach our strategic goals, we strive to offer an outstanding working environment for everyone at the business, working hard to give colleagues the flexibility and respect they need to thrive.

In my time at the Artisanal Spirits Company, I have been impressed by the way everyone is aligned and engaged by the unique ethos of the business. Through innovation, grit and determination and by fostering a progressive culture, together we have navigated what was at times a difficult year. Our team members have shown exceptional resolve and adaptability throughout the year, ensuring the business continued to progress while minimising disruption caused by the pandemic, and on behalf of the Board I would like to express heartfelt thanks.

Prior to IPO, several changes were made to the Board in preparation for our journey as a listed business, with a view to embedding high standards of corporate governance from the outset of the Company's life as a listed entity. Alongside my appointment as Non-Executive Chair, Lesley Jackson and Helen Page joined the Board as Non-Executive Directors, joining Gavin Hewitt, Mark Bedingham and Paul Skipworth. Paul, who was previously Chair, stepped into the role of Non-Executive Deputy Chair. I would like to take this opportunity to thank former directors Stella Morse, Mehdi Shalfrooshan and Benjamin Thompson, who left the Board prior to IPO, for their exceptional stewardship in helping shape the Group into its current form.

A compelling offering

While becoming a listed company inevitably brings with it a certain amount of change to how things are done, one thing that will always remain absolutely consistent is our uncompromising approach to keeping the interests of our loyal SMWS members firmly at the centre of everything we do.

Every year we deliver more and better experiences to SMWS members, and 2021 was no different despite the uncertain backdrop. During the year, we produced over 200,000 bottles of limited-edition whiskies, we launched the new SMWS EU site, we doubled down on the amount of engaging online content we create and we took several steps to make the online member and e-commerce experience even more engaging.

Looking ahead, we plan to deliver new and exciting additions to the membership proposition, alongside an increase in in-person events as Covid-19 restrictions continue to ease, and we look forward to seeing how members react.

We are grateful to all our members, new and old, for their continued support and at times patience when contending with Covid-19 and Brexit-related logistical issues. Our teams are working hard to ensure they receive the very highest level of service and are committed to repaying the faith they have shown in us.

We continue to achieve universal recognition for our outstanding whiskies with 2021 being a standout year. The Artisanal Spirits Company won a record number of awards for both its SMWS and J.G. Thomson products across three of the most prestigious competitions in the global spirits calendar - the International Wine & Spirits Competition, Ultimate Spirits Challenge, and The Luxury Masters hosted by The Spirits Business.

Looking to the future

With a clear strategy, a significantly enhanced organisational infrastructure and favourable long-term growth drivers, we are confident of continued progress in 2022 and beyond. We remain cognisant of the inherent unpredictability of the pandemic, the Ukraine crisis and cost of living increases in most of our markets. We will continue to execute against our growth strategy in a disciplined and measured way, building out our already established presence in all the key international spirit markets and continuing to deliver exceptional spirit experiences wherever there are touch points with our customers.

Whilst our intent to accelerate growth is evident, we are committed to doing so responsibly, taking our environmental impact into consideration. We currently operate within the Scotch Whisky Association's Sustainability Strategy, adhering to best practice, and remain focused on exploring further areas for improvement which we will update on periodically.

The opportunity before us is vast, and we are increasingly well positioned to capitalise on it. I am grateful to all shareholders, including those historical investors without whom we wouldn't be here today. I warmly welcome those who have joined us on our journey in the year and look forward to keeping them all updated with further progress as we move through the new financial year.

Mark Hunter
Chair

Executive Managing Director's Review

OPTIMISING OPERATIONS FOR SUSTAINABLE AND PROFITABLE GROWTH

In the months since IPO, we have successfully achieved the first steps in our growth plan - delivering an impressive sales performance, comfortably ahead of market expectations, while investing in the enhancement and optimisation of our operations to create a platform for high, sustainable and ultimately profitable growth.

A clear plan for growth

We have made decisive early progress against our ambition to double revenue between 2020 and 2024, delivering revenue growth ahead of market expectations, and beginning to execute on our strategy with focus on the five key growth pillars set out below.

#1 Grow Membership

Global membership growth in the year, a leading indicator of future revenue growth, was extremely strong, particularly in the second half, with significant growth in both UK and International membership. This was driven by a material acceleration of sign-ups in several key markets including the UK, China and the US, supported by strong returns on campaigns targeted at recently lapsed members, as well as gains from extending our marketing to new potential members.

This was also supported by improving retention rates, particularly in the same key markets of the UK, China and the US, where the increasing focus on onboarding, combined with practical steps such as the introduction of auto-renewal in some markets has generated fantastic initial results, which we will continue to embed in these locations and roll out to other markets as appropriate.

To have accomplished all this and more in the face of unforeseen challenges presented by the pandemic is a remarkable achievement and I am incredibly grateful to our teams for making it happen.

#2 Enhance E-commerce & Digital Content

We continued to build our e-commerce experiences for our SMWS Members worldwide, expanding our digital ecosystem and significantly expanding the volume and quality of our digital content production, as well as introducing new websites for our European SMWS members and launching the J.G. Thomson e-shop.

Work continues in this space, with a new website for our Japanese members expected during the first half of 2022, and other markets to follow thereafter.

#3 Value Creation - Improve Margins

We continue to build on our vast and unique range of outstanding single cask Scotch malt whiskies, with a view to ensuring that stock investment supports the Group's long-term membership and revenue growth expectations. In particular, we've also made great progress on expanding our investment in younger and new make spirit, which helps drive down the spirit cost over time, and will drive sustainable long-term gross margin improvement.

We have continued to enter into new rolling agreements for new make spirits since the first agreement in November 2019. We have been delighted with both the range of suppliers we have engaged with (with 15 different distillery makes now covered) and the level of commitments made (with the equivalent of 275,000 bottles per annum now covered).

Alongside this, we also signed a ten-year lease on a new multi-purpose facility in Scotland. Once this becomes operational, it will provide us with much greater control of our supply chain later this year. We expect bringing certain processes in-house will have a beneficial impact on margin contribution over time, which is a key objective for the Group. The 37,000 sq. ft. facility comprises a high-quality warehouse, production building and offices. It is

located on a secure yard with excellent transport links. Design work and the process of sourcing equipment is underway. The materials for cask racking were delivered in February 2022 and initial bottling line equipment in early March 2022. We expect the facility to become fully operational in the second half of 2022.

#4 New Complementary Brands

In November 2021 we launched J.G. Thomson, a creator of small batch blended malt whiskies, grain whiskies, rum and gin, in line with our strategy of launching complementary but independent brands, without compromising our core SMWS proposition.

The soft launch period has been a success and we look forward to the active launch in 2022 with the addition of new distribution channels and geographies.

Work is ongoing to develop further opportunities. In particular we are considering the exciting potential within the sizeable and fast growing American domestic whiskey market. According to IWSR, there is now a $1.4bn domestic market for American whiskey at Ultra-Premium price points and above, having grown by 1,000% in the last decade. We continue to develop a proposition to target this opportunity and look forward to providing further updates on this during this year.

#5 Talent and Organisational Development

This is a key area of focus for us, with an emphasis on talent development and with clear alignment across the business on values and behaviours. We have made good progress on helping capture and codify the culture, values and behaviours. The focus now is to work to help embed these across the business as well as developing and implementing the more formal talent and organisational development plan that has been delivered.

In the period, we strengthened our Leadership Team through a number of key strategic hires, including Rebecca Hamilton as Marketing & E-Commerce Director, and Douglas Aitken as Company Secretary and Legal Counsel.

A growing global presence

Outside its UK home market, the Artisanal Spirits Company has operations in all the key whisky markets around the world, including the US, China, Japan and Australia as well as a number of major European markets such as France, Germany and Sweden.

United Kingdom

Alongside encouraging e-commerce performance, the strong year-on-year performance in UK venue and events sales resulted from a continued recovery through to the end of the year, despite the emergence of Omicron during the fourth quarter. Special thanks are due to our venue staff, who have dealt with the well-publicised pandemic-related issues, such as staff availability, admirably.

This demonstrates the strength of our unique multi-channel business model, where revenue mixes can ebb and flow between in-person and online depending on the trading environment. While we expect the revenue mix in the UK will continue to shift and change as conditions normalise, we continue to see strong growth momentum across both online and in venue, giving us confidence in our ability to make further progress in our home market.

Asia

We saw extraordinary growth in the number of members in China. Optimising our route to market and consumer accessibility in China has been a key strategic focus, and we are now seeing the benefits of the partnerships established with purchasing platforms in prior periods filter through strongly, both from a sales and member recruitment perspective. We have also invested in our team on the ground in the territory while making enhancements to our local CRM capability, all of which have contributed to making our SMWS China joint venture a more robust and efficient operation capable of scaling at pace. In December 2021, in recognition of its importance to the growth story of the Artisanal Spirits Company and in line with our strategy of extracting greater value from our assets, we announced that we had increased our equity interests in our China operation and Japan join venture. Although Japan was severely impacted by tight Covid-19 restrictions during the year (particularly in H1), making marketing challenging and impacting consumer confidence, we continue to see a substantial opportunity in the territory and are working hard to strengthen our platform to capture it.

North America

In the US, the world's largest whisky market, member numbers and underlying in-market sales both grew strongly. Retention was also a major area of focus in the year, with particular success from the auto-renewal programme implemented in Q2. We also bolstered our membership offering, hosting a greater number of virtual tastings and making greater use of our social media channels, which helped drive interest. Although we are making excellent headway in the US, despite the impact of Covid, we are still only scratching the surface in terms of market penetration. In June, we were buoyed by the US Government's decision to extend the suspension of tariffs on imports of Scotch whisky for a period of five years. This allows us to plan with much greater certainty, as well as having a positive impact on profitability with the Group having budgeted to absorb those costs.

Europe

We continued to work our way through a variety of Brexit-related logistical challenges in the year, culminating in the establishment of a warehouse in mainland Europe which enabled us to reduce shipping times to members on the continent. From the moment Britain left the EU single market and customs union in January 2021, we, like so many other exporters, were thrust into uncharted territory. It was a steep learning curve for all parties and in some cases led to delivery delays. We are extremely grateful to SMWS members outside the UK who were affected by these challenges for their understanding. We are pleased to report that the vast majority of the issues have now been resolved.

Australia

In Australia, a market where we bought back the business from the franchise holder at the end of February 2020, we have seen strong performance in both revenue and membership growth. Our Australian face-to-face events business is a larger component of revenue than it is elsewhere, meaning the strict local Covid related lockdowns had a proportionately higher impact, but sales growth was boosted by improved availability of stock versus the previous year. In Q4 2021, we were excited to release the first of two unique whiskies created and curated in the territory, with the second release made available to Australian SMWS members in Q1 2022. This is the first time that we have bottled Australian single malt whisky in Australia and is an initiative we are giving consideration to recreating in other geographies.

Our sustainability journey

Our impact on the environment remains a key focus area for the Group, working within the Scotch Whisky Association's industry-wide sustainability framework and taking appropriate steps such as increasing the level of recycled glass content in bottles and reducing the level of non-recyclable packaging we use. At the same time, we acknowledge we are near the start of our journey and that there is more work to be done in terms of measurement, actions and communication of our strategy. We are working behind the scenes across these fronts.

Current trading and outlook

We have made a strong start to the new financial year. Revenues are ahead by over 30% year-on-year and in line with management expectations, cycling over low Q1-21 sales in UK Venues & Europe. Global membership at the end of February stood at 34,200, an increase of 3% from the position at the year end and also in line with management expectations.

Progress since IPO has been encouraging, and against a backdrop of favourable long-term growth drivers, we will continue to execute against our growth strategy in a disciplined and measured way. As we move through the new financial year, we remain focused on delivering the very best SMWS member experiences, driving membership growth and increasing revenues across our brands while investing a significant proportion of the funds raised to ensure we realise the immense potential in the business. Meanwhile our product goes from strength to strength - earlier this month we presented our landmark 150th SMWS distillery bottling, from the south-west of Ireland, and celebrated another impressive awards haul at IWSC 2022, taking home several prestigious gold and silver awards across both SMWS and J.G. Thomson.

Recognising that the first quarter is seasonally less active, that the Covid-19 pandemic continues to generate operational uncertainties and that comparative performance figures will get tougher as the year progresses given the beneficial impact of the gradual unwinding of Covid-related trading restrictions in the second half of last year, our expectations for the year as a whole remain unchanged at this stage. However, with the momentum in the business and key performance indicators positive for the early months of the year, we are confident in our prospects, and remain well placed to deliver another year of significant growth.

David Ridley
Managing Director

Executive Finance Director's Review

BUILDING A PLATFORM FOR LONG-TERM PROFITABLE GROWTH

This year, we have made good early progress in deploying IPO funds, investing in a strong platform to support ongoing development, while delivering better than expected revenue growth.

Investing strategically

We have made good early progress towards investing the IPO funds to deliver our strategic priorities. Most notably, significant investment has been made in spirit stock and cask wood, with around £4m invested during 2021, delivering progress against a range of objectives, including:

- The acquisition of mature stock to fill known gaps in the stock planning model, meaning that we now hold 100% of the stock we plan to sell through to the end of

2026.

- Ramping up the investment in younger and new make spirit that drive up margins over time; during 2021 we added over 1,000 extra casks of new make spirit.
- Continuing to enter further rolling agreements for new make spirit, we now have coverage for the equivalent of around 275,000 bottles per year with an average cost of less than a third of the cost of the mature stock currently being sold.
- Making good progress with our ex-sherry cask maturation programme, investing around £0.5m in ex-sherry cask wood during the year to deliver growth in our range of ex-sherry cask influenced whiskies which our members love and which generate additional value for the Artisanal Spirits Company.

Significant progress has also been made against the other strategic objectives, including:

- The supply chain facility Masterton Bond, where the lease was signed and initial costs of c£0.6m (inc £0.2m lease deposit) incurred in Q4-21, but the majority of costs (c£2m) are expected to be incurred during 2022.
- Launch of J.G. Thomson, with around £0.2m deployed initially on brand and product development.
- Increased equity interests in joint venture entities in China and Japan. The total cost of acquiring the additional 10% interest in the China JV is c£0.5m, comprising £0.4m in relation to the profit multiple for FY21 results, and £0.1m relating to the December 2021 cash balance. There was no material cost associated with Japan increase.

Strong Group financial performance

Overall, the Artisanal Spirits Company delivered strong revenue and membership growth, with momentum continuing to build, despite the global impact of Covid-19. We were also delighted to deliver a 55% year on year increase in member Lifetime Value (LTV) to £1,445, driven by a combination of factors. The most significant was the improving retention rates in the UK, China and the US. While China and the US were driven by improved onboarding and the introduction of auto-renewal respectively, the largest impact was from the UK. This reflects both an underlying improvement in retention rates, but also a slightly lower proportion of first year renewals in 2021, as a result of the lower 2020 recruitment experienced. The second largest factor impacting Group LTV, was the positive impact on contribution as a result of the long-term suspension of US tariffs. In addition to these two key factors, the relative expansion in high LTV markets such as China and positive performance in Australia also supported this improvement. Overall, this demonstrates the Group's progress on executing its strategy to deliver sustainable profitable growth.

At present, as stated at IPO, we remain in a growth and reinvestment phase while retaining a focus on gross margin improvement, with the goal of returning to positive EBITDAE in the near term and delivering profitability in the medium term. Increased investment has also been directed into building the platform to support further growth, in particular the teams and systems needed to fulfil our ambition of doubling revenue between 2020 and 2024. While this conscious decision to front load the investment has resulted in losses during 2021, the growth in absolute gross profit, and notably the improvement in gross margin, both provide a degree of comfort over the path to delivering profitability in the medium term.

Growing global revenue

United Kingdom

In the UK, we saw growth in online sales of 8% to £3.5m (2020: £3.2m). There was also a very strong rebound in venue revenue, with H2-21 growing by 120% versus H2-20 (and

surpassing the total for FY20). Despite the emergence of the Omicron variant towards the end of the year, December 2021 sales reached around 90% of pre-pandemic levels in December 2019. Overall this meant that the UK as a whole remained the largest individual market for the Group and contributed 31% of total Group sales.

Member numbers were up 20% in the year, from 13,700 to 16,400, thanks in large part to a particularly strong second half.

Asia

In China, we saw extraordinary growth in members, up 57% in the year, with sales up 28% to £3.9m (2020: £3.0m). Particularly pleasing was the growth in retention rates, which increased significantly during the year, but still have scope for further significant value, which will continue to drive up member LTV in China which already has the Group's highest level of gross margin and LTV.

While member numbers in Japan grew 14% in the year, sales were flat at £0.7m, with the growth in direct to consumer sales offset by the fall in sales to partner bars. As noted, while Japan was particularly impacted by Covid-19 restrictions in H1 making it challenging to deliver growth, we have worked hard to build on our platform to support future growth.

North America

For the US, revenue is recognised on a shipment basis, and on this basis, sales were up by 50% to £4.1m. This growth in part reflects the comparatively low level of shipments in 2020. In-market depletions grew by 21% to $5.5m (c£4.1m). 2021 profitability was significantly boosted versus the prior year following the long-term suspension of US import tariffs on single malt Scotch whisky during the period.

Europe

In Europe, member numbers were relatively flat in the year, with sales down 20% from £2.1m to £1.7m reflecting Brexit related logistical challenges. Although member retention dipped towards the middle of the year, we saw improved momentum in member growth and trading towards the end of the year as confidence in our ability to fulfil orders returned, meaning that H2 sales were flat year-on-year at £1.2m.

Australia

In Australia, the decision to convert from a franchise to a wholly owned subsidiary in February 2020, has continued to deliver results, with member numbers up 18% in the year, and sales up 46% from £0.6m to £0.9m.

Cost base expanding as we invest to support continued growth across the business

Gross profit growth, driven by the improving revenue (and removal of US tariffs) noted above, is being re-invested for further growth in the business.

Payroll costs increased by 33% to £4.5m (2020: £3.4m) reflecting additional Board and Executive Team members as well as investment in other operational and support functions across the world.

Marketing costs increased by 32% to £2.4m (2020: £1.8m) with the initial deployment of IPO funds supporting the substantial membership growth in the latter part of the year (as well

as the development and launch of J.G. Thomson). The majority of these funds remain to be deployed during 2022.

Commission costs largely relate to the US, and have grown by 47% to £1.4m (2020: £1.0m). This was driven by the 50% growth in US revenue, partially offset by improved terms agreed in December 2020.

Other significant overhead cost increases included increased IT & Systems costs, new Investor Relations & AIM costs and share option costs. Other operating income (primarily relating to furlough payments and other Covid-19 related support) decreased to £0.2m (2020: £0.4m).

There were also substantial exceptional costs of £0.9m (2020: £0.4m) relating to the legal and other professional fees associated with the IPO.

Overall this resulted in an increase in the loss per share to 4.9p (2020: loss of 3.0p per share), though as noted, since the Company is in a phase of investing for growth, management does not consider that this metric is a relevant measure of success at this point.

Share incentive schemes

During the year a new long-term incentive plan was introduced with a total of 1.4m new share options awarded at the time of the IPO. These all carry performance conditions, based on Revenue, EBITDA and Share Price. Full details are included in the Annual Report & Accounts. No new schemes are expected in 2022, though some additional awards will be made under this existing scheme during the year and in future periods.

Tax

A change to the future UK corporation tax rate was announced in the March 2021 budget. The rate will increase to 25% with effect from 1 April 2023. This change has been reflected in these financial statements, with full details included in the Annual Report & Accounts.

Strong, well capitalised, asset backed balance sheet

We have continued to invest in high quality spirits - principally single malt Scotch whisky - in the year. At the period end we had £20.4m of cask stock, providing a strong asset backing to the business and providing the security of stock to cover 100% of sales through to the end of 2026 and also the vast majority of 2027 and 2028.

Reduction in net debt pending full deployment of IPO proceeds

Net debt reduced significantly in the year to £5.2m (2020: £13.7m), as a portion of the proceeds of the IPO fundraise were used to reduce outstanding Group borrowings, pending the deployment of the remaining balance expected largely to occur during 2022.

Net operating cash outflow driven by EBITDAE loss, and growth in stock and debtors

During the year we saw an increase in working capital, principally driven by an increase in debtors, reflecting the growth in sales to the US which represents the majority of the debtor balance (with hedging in place for this FX exposure). Contract terms with the US importer agreed in late 2020 provide for a reduction in debtor days, which took effect from 1 January 2022, which would therefore partially offset some of the future impact of ongoing growth.

Finished goods stock increased in the year. This in part reflected the correction of the short stock position at 31 December 2020, which was driven by production issues in 2020 during the Covid-19-related lockdowns.

Looking ahead to 2022

In the current financial year we expect to see further deployment of funds raised at IPO in spirit and wood, underpinning our ambitious long-term growth plans. We also intend to ramp up marketing spend on member recruitment and retention to continue to grow our global membership, alongside paying the majority of costs relating to the new supply chain facility "Masterton Bond".

As noted at the time of the IPO, we identified venue investment as part of the long-term plan for the business. We are taking the opportunity presented by the pandemic-related closures to reassess the Group-wide approach to venues, partner bars and physical engagement and expect to complete that assessment during 2022.

The Group is currently conducting a tender of its external audit this year, with any potential change to be effective for the year ending 31 December 2022.

Looking forward, we expect to see improving profitability and operational cash flows, continued investment to support strategic growth pillars and ongoing balance sheet strength.

Andrew Dane
Finance Director

Consolidated Statement of Comprehensive Income
For the year ended 31 December 2021

	Notes	**2021 £'000**	2020 £'000
Continuing operations			
Revenue	6	**18,237**	15,026
Cost of sales		**(7,026)**	(6,222)
Gross profit		**11,211**	8,804
Selling and distribution expenses		**(4,046)**	(2,979)
Administrative expenses		**(9,694)**	(6,938)
Finance costs		**(348)**	(499)
Other income	9	**160**	410
Loss on ordinary activities before taxation	7	**(2,717)**	(1,202)
Taxation	11	**(631)**	(418)
Loss for the year		**(3,348)**	(1,620)
Other comprehensive income:			
Items that will not be reclassified to profit or loss:			
Movements in cash flow hedge reserve		**(113)**	51
Movements in translation reserve		**-**	-
Tax relating to other comprehensive profit/(loss)		**23**	(11)
		(90)	40
Total comprehensive loss for the year		**(3,438)**	(1,580)
Loss for the year attributable to:			
- Owners of parent company		**(3,653)**	(1,688)

- Non-controlling interest		**305**	68
		(3,348)	(1,620)
Total comprehensive loss for the year attributable to:			
- Owners of parent company		**(3,743)**	(1,648)
- Non-controlling interest		**305**	68
		(3,438)	(1,580)
Basic EPS (pence)	12	**(5.9p)**	(3.0p)
Diluted EPS (pence)	12	**(5.9p)**	(3.0p)

Consolidated Statement of Financial Position
As at 31 December 2021

	Notes	**2021 £'000**	2020 £'000
Non-current assets			
Investment property	13	**391**	391
Property, plant and equipment	14	**8,377**	5,785
Intangible assets		**2,420**	2,599
		11,188	8,775
Current assets			
Inventories	15	**23,719**	21,651
Trade and other receivables		**2,968**	1,956
Forward currency contracts		**-**	83
Cash and cash equivalents		**2,012**	2,176
		28,699	25,866
Total assets		**39,887**	34,641
Current liabilities			
Trade and other payables		**3,949**	3,157
Current tax liabilities		**277**	332
Financial liabilities	16	**392**	14,963
Lease liability		**259**	139
Forward currency contracts		**31**	-
		4,908	18,591
Net current assets		**23,791**	7,275
Non-current liabilities			
Financial liabilities	16	**6,796**	901
Lease liability		**3,332**	1,428
Deferred tax liabilities		**563**	324
Provisions		**407**	404
Total non-current liabilities		**11,098**	3,057
Total liabilities		**16,006**	21,648
Net assets		**23,881**	12,993
Equity			
Called up share capital		**174**	135
Share premium account		**14,938**	99
Translation reserve		**(17)**	(15)
Retained earnings		**8,505**	12,544
Cash flow hedge reserve		**(23)**	67
Equity attributable to parent company		**23,577**	12,830

Non-controlling interest	**304**	163
Net assets	**23,881**	12,993

Consolidated Statement of Cash Flows
For the year ended 31 December 2021

	Notes	2021 £'000	2020 £'000
Loss for the year after tax		**(3,348)**	(1,620)
Adjustments for:			
Taxation charged		**631**	418
Finance costs		**348**	499
Interest receivable		**(5)**	(19)
Movements in provisions		**3**	2
Share-based payments		**216**	51
Depreciation of tangible assets		**671**	683
Amortisation of intangible assets		**271**	283
(Profit)/loss on disposal of assets		**-**	250
Movements in working capital:			
(Increase)/decrease in stocks		**(2,068)**	(698)
(Increase)/decrease in debtors		**(929)**	591
Increase/(decrease) in creditors		**252**	(655)
Cash absorbed by operations		**(3,958)**	**(215)**
Income taxes paid		**(360)**	(327)
Interest paid		**(347)**	(477)
Net cash outflow (used in)/from operating activities		**(4,665)**	**(1,019)**
Cash flow from investing activities			
Purchase of intangible assets		**(92)**	(437)
Purchase of property, plant and equipment	14	**(1,101)**	(660)
Proceeds received on sale of fixed assets		**-**	1
Interest receivable		**5**	19
Net cash used in investing activities		**(1,188)**	**(1,077)**
Cash flows from financing activities			
Share issue		**14,878**	991
Asset backed lending drawn down		**(14,823)**	1,980
Inventory secured RCF facility		**6,200**	-
Dividends paid		**(385)**	(254)
Loan received		**93**	214
Repayment of loan		**(145)**	(103)
Repayment of leases		**(139)**	(125)
Net cash from financing activities		**5,679**	**2,703**
Net increase in cash and cash equivalents		**(174)**	**607**
Cash and cash equivalents at beginning of year		**2,176**	1,536
Other reserve movements		**10**	33
Cash and cash equivalents at end of year		**2,012**	**2,176**
Relating to:			
Bank balances and short term deposits		**2,012**	2,176

Consolidated Statement of Changes in Equity
For the year ended 31 December 2021

£'000	Called up share capital	Share premium account	Retained earnings	Cash flow hedge reserve	Translation reserve	Other reserves	Total controlling interest	Non-controlling interest	Total equity
Balance at 31 December 2019	131	15,980	(2,687)	27	(48)	-	13,403	349	13,752
Issue of share capital	4	987	-	-	-	-	991	-	991
Loss for the period	-	-	(1,688)	-	-	-	(1,688)	68	(1,620)
Share-based compensation	-	-	51	-	-	-	51	-	51
Dividend paid	-	-	-	-	-	-	-	(254)	(254)
Share premium reduction	-	(16,868)	16,868	-	-	-	-	-	-
Other comprehensive gain	-	-	-	40	33	-	73	-	73
Balance at 31 December 2020	135	99	12,544	67	(15)	-	12,830	163	12,993
Issue of share capital	**39**	**15,579**	**-**	**-**	**-**	**-**	**15,618**	**-**	**15,618**
Share issue direct costs	**-**	**(740)**	**-**	**-**	**-**	**-**	**(740)**	**-**	**(740)**
Loss for the period	**-**	**-**	**(3,653)**	**-**	**-**	**-**	**(3,653)**	**305**	**(3,348)**
Adjustment to non-controlling interest	**-**	**-**	**(252)**	**-**	**-**	**-**	**(252)**	**252**	**-**
Share-based compensation	**-**	**-**	**216**	**-**	**-**	**-**	**216**	**-**	**216**
Dividend paid	**-**	**-**	**-**	**-**	**-**	**-**	**-**	**(280)**	**(280)**
Investment in subsidiary	**-**	**-**	**(350)**	**-**	**-**	**-**	**(350)**	**(136)**	**(486)**
Other comprehensive gain/(loss)	**-**	**-**	**-**	**(90)**	**(2)**	**-**	**(92)**	**-**	**(92)**
Balance at 31 December 2021	**174**	**14,938**	**8,505**	**(23)**	**(17)**	**-**	**23,577**	**304**	**23,881**

Notes to the Financial Statements

1) Basis of preparation:

The condensed interim financial information presents the consolidated financial results of The Artisanal Spirits Company plc and its subsidiaries (together the "Group") for the twelve months ended 31 December 2021 and the comparative figures for the twelve months ended 31 December 2020.

The Group's consolidated financial statements have been prepared on a going concern basis under the historical cost convention; in accordance with UK adopted International Accounting Standards.

This statement does not include all the information required for the annual financial statements and should be read in conjunction with the Annual Report & Accounts.

The financial information set out above does not constitute the company's statutory accounts for 2021 or 2020. The statutory accounts for 2020 have been delivered to the Register of Companies, and those for 2021 will be delivered in due course. The independent auditor has reported on these accounts, their reports were (i) unqualified, (ii) did not draw attention to any matter by way of emphasis without qualifying their report and (iii) did not contain a statement under section 498 (2) or (3) of the Companies Act 2006.

This announcement was approved on behalf of the Board on 28 March 2021.

2) Accounting Policies:

The accounting policies applied in preparing the condensed consolidated financial information are the same as those applied in the preparation of the Annual Report and

Accounts for the year ended 31 December 2021, and those applied in the preparation of the Group's Historical Financial Information included within the Company's Admission Document.

3) Going concern:

The financial information has been prepared on the basis that the Group will continue as a going concern. The directors have considered relevant information, including annual budget sensitivities, forecast future cash flows up until June 2023, availability of financing and the impact of subsequent events in making their assessment.

The directors have considered in detail both the impact Covid-19 and Brexit have had on the Group's business to date and based on their forecasts and sensitivity analysis including the potential impact of further lockdown scenarios, are satisfied there is sufficient headroom in their cashflow forecasts to continue to operate as a going concern.

Based on this assessment, and taking into account the Group's and the Company's current position, the directors have a reasonable expectation that the Group and the Company will be able to continue in operation and meet its liabilities as they fall due over the 12 month period from the date of this announcement.

4) Principal risks and uncertainties

The principal risks and uncertainties affecting the Group are separately disclosed in the Annual Report & Accounts.

5) Dividends

No dividend was declared or paid during the period (prior period £nil).

6) Revenue

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision maker has been identified as the Executive Team, which is responsible for developing strategy and leading its execution. The Executive Team includes the Managing Director, Finance Director, Spirits Director, Marketing & E-Commerce Director and Group Commercial & Operations Director.

An analysis of the Company's revenue is as follows:

	2021 £'000	2020 £'000
Revenue from sale of whisky	**14,439**	12,047
Membership income	**1,591**	1,523
Revenue from sale of other spirits	**395**	384
Member rooms	**1,095**	552
Events and tastings	**467**	340
Other	**250**	180
Total revenue	**18,237**	15,026

An analysis of Group revenue by geographical area is as follows

	2021 £'000	2020 £'000
United Kingdom (venue)	**2,291**	1,503
United Kingdom (online)	**3,497**	3,234
US (shipments)	**4,095**	2,730
China	**3,864**	3,029
Europe*	**1,706**	2,079
Australia	**905**	619

Japan	**729**	727
Rest of World	**1,150**	1,106
	18,237	15,026

*Europe represents direct sales markets within continental Europe, but excludes franchise markets in Denmark and Switzerland which are shown within Rest of World.

7) Loss on ordinary activities before taxation

	2021 £'000	2020 £'000
EBITDAE*	(626)	572
Depreciation of tangible assets	(575)	(600)
Amortisation of intangible assets	(271)	(283)
Finance Costs	(348)	(499)
Exceptional items	(897)	(392)
Loss on ordinary activities before taxation	**(2,717)**	**(1,202)**

*EBITDAE defined as earnings before interest tax, depreciation, amortisation and exceptional costs

8) KPIs

An analysis of Group KPIs by geographical area is as follows:

	Revenue £'000	Year End Members	Average Members	Annual Revenue/ Avg Member £	Annual Contribution[1]/ Avg Member £	Retention %	Expected Years[2]	LTV[3] (Avg Members) £
UK	**5,788**	16,445	13,960	415	190	85%	6.7	1,280
United States	**4,095**	5,207	4,804	852	445	60%	2.5	1,123
China	**3,864**	1,732	1,378	2,804	1,956	40%	1.7	3,244
Europe[4]	**1,706**	3,349	3,109	549	169	69%	3.2	541
Rest of World	**1,150**	3,761	3,555	323	203	82%	5.5	1,124
Australia	**905**	1,337	1,227	738	423	85%	6.6	2,790
Japan	**729**	1,496	1,412	516	363	82%	5.4	1,968
Total	**18,237**	**33,327**	**29,445**	**619**	**332**	**77%**	**4.4**	**1,445**
Change vs prior year	**+21%**	**+18%**	**+4.5%**	**+16%**	**+20%**	**+10%**	**+28%**	**+55%**

1) Contribution is a non-IFRS measure, and is defined by Management as Gross Profit less Commission.
2) Expected Years is a non-IFRS measure, and is defined by Manager as one divided by one minus retention 1/(1-r%)
3) Lifetime Value (LTV) is a non-IFRS measure, and is defined as Annual Contribution per member, multiplied by expected years.
4) Europe represents direct sales markets within continental Europe, but excludes franchise markets in Denmark and Switzerland which are shown within Rest of World.

9) Other operating income

An analysis of Group KPIs by geographical area is as follows:

	2021 £'000	2020 £'000
Coronavirus Job Retention Scheme	**50**	169
Government grants (UK)	**105**	187
Government grants (Australia)	**-**	35
Other income	**5**	19
	160	410

Other operating income primarily relates to furlough payments and other government support for the impact of Covid-19. These payments largely related to the UK venues and their staff.

10) Exceptional items

	2021 £'000	2020 £'000
ERP system expenditure	**-**	240
Legal and professional fees	**897**	152
	897	392

The 2021 exceptional legal and professional fees are in relation to the June 2021 AIM listing following an IPO. These represent the expenses which were charged to the Consolidated Statement of Comprehensive Income in the period and are in addition to the share issue expenses shown in Note 25. The exceptional items are included within administrative expenses in the statement of comprehensive income. The cash flow statement shows both "Loss for the year after tax" and "Cash absorbed by operations" after payments of £897k relating to the exceptional IPO costs which are not part of the underlying cash flow of the Group.

11) Taxation

	2021 £'000	2020 £'000
Current income tax		
UK corporation tax	**(14)**	-
Foreign tax	**382**	346
Deferred tax		
Relating to origination and reversal of temporary timing differences	**263**	72
Tax on ordinary activities	**631**	418

12) Earnings per Shares (EPS)

	2021 £'000	2020 £'000
Earnings used in calculation	**(3,743)**	(1,648)
Number of shares	**63,009,163**	54,071,820
Basic EPS (p)	**(5.9p)**	(3.0p)
Number of dilutable shares	**68,272,288**	59,599,160
Diluted EPS (p)	**(5.9p)**	(3.0p)

13) Investments

In December 2021, the Group agreed to acquire 10 per cent. of the equity in SMWS China beneficially held by Christina Leung (the MD of SMWS China) for cash consideration of around £0.5 million, funded by the Company's existing cash resources, following which, SMWS and Christina Leung now hold 75 per cent. and 25 per cent. of the equity in SMWS China respectively. While the transaction occurred in December, the final consideration is based on full year 2021 results and hence was deferred until 2022, with the liability and investment therefore recognised at the year end.

Additionally, in December 2021, the Group also agreed to acquire the entire 30 per cent. equity interest in SMWS Japan previously held by Mark Bedingham, for cash consideration of £25k. Following this acquisition, the Group then sold 20 per cent. of its interest in SMWS Japan to Pei Hong Ong, the newly appointed local managing director of SMWS Japan, for consideration of ¥4.35m (approximately £20k).

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.

14) Property, plant and equipment

	Land and buildings freehold £'000	Land and buildings leasehold £'000	Leasehold improvements £'000	Fixtures, fittings and equipment £'000	Casks £'000	Right-of -use asset £'000	Total £'000
Cost or valuation							

As at 1 January 2020	678	1,616	789	2,069	1,791	2,065	9,008
Additions	-	-	169	177	314	116	776
Disposals	-	(211)	(460)	(697)	(6)	-	(1,374)
As at 31 December 2020	678	1,405	498	1,549	2,099	2,181	8,410
Additions	-	36	-	419	646	2162	3,263
As at 31 December 2021	678	1,441	498	1,968	2,745	4,343	11,673
Accumulated depreciation							
As at 1 January 2020	137	1,099	567	1,088	142	275	3,308
Charge for the year	16	70	93	219	86	199	683
On Disposals	-	(212)	(460)	(693)	(1)	-	(1,366)
As at 31 December 2020	153	957	200	614	227	474	2,625
Charge for the year	15	70	51	230	118	187	671
As at 31 December 2021	168	1,027	251	844	345	661	3,296
Net book value							
As at 31 December 2020	525	448	298	935	1,872	1,707	5,785
As at 31 December 2021	510	414	247	1,124	2,400	3,682	8,377

£96k (2020: £83k) of the depreciation charge for casks has been capitalised as a cost of stock. The remaining balance has been expensed to the Statement of Comprehensive Income.

15) Inventories

	2021 £'000	2020 £'000
Cask whisky and bottled stock	**23,719**	21,651

The above balance is net of a provision for aged stock of £83k (2020: £33k). This provision relates entirely to glass and dry goods relating to potentially obsolete designs.

16) Financial liabilities

	2021 £'000	2020 £'000
Inventory Secured RCF	**6,200**	-
Asset based lending facility	**-**	14,823
Bank loans	**913**	946
Other loans	**75**	95
Total financial liabilities	**7,188**	15,864

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