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Artisanal Spirits Company PLC (The)
20 July 2022

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The Artisanal Spirits Company plc

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

Half Year Trading Update

Six months of further significant progress towards our ambition to double revenue by 2024

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, announces a trading update for the six months ended 30 June 2022.

Highlights

- Strong trading with sales up by c.25% to almost £10m (H1 2021: £7.9m), including a stand-out performance in China with revenue up by over 50%
- SMWS membership growth (a leading indicator of future revenue growth) increasing by around 24% to over 35,500 (30 June 2021: 28,700). This included robust growth in European members since the launch of the new EU route to market towards the end of FY21
- Healthy supply chain situation and good stock availability across markets
- Masterton Bond facility progressing on time and on budget ahead of operations beginning in H2-22
- On track to deliver full year performance in line with market expectations*
- Confident of delivering ambition to double revenue between 2020 and 2024

*The Board of The Artisanal Spirits Company considers that current consensus market revenue expectations for the year ending 31 December 2022 are £21.6m (2021 £18.2m).

David Ridley, Managing Director of ASC, said:

"The first half of 2022 was another period of substantial progress from both a strategic and commercial perspective. Thanks to the drive of everyone across the business and the continued support of our loyal SMWS members around the world, we enter the second half well positioned, and confident in our ability to realise our ambition of doubling revenue between 2020 and 2024.

Group sales in the period were very strong, with revenue increasing by c.25% to almost £10m (H1 2021: £7.9m). As previously noted, year on year growth of this level in part reflects the comparatively weak Q1-21 sales in UK Venues & Europe and the Group remains on course to deliver revenue growth for the full year in line with current consensus market revenue expectations.*

The sales performance includes a stand-out contribution from China, where sales were up by over 50%, reflecting the excellent membership growth delivered in FY21 and the fantastic work by our team on the ground despite the challenges posed by Covid lockdowns in April and May of this year.

SMWS membership growth, a key indicator of future sales growth, was excellent, increasing by around 24% to over 35,500 (30 June 2021: 28,700). This global membership growth underpins the confidence we have in our prospects and demonstrates the growing effectiveness of our recruitment strategies.

This outperformance was largely attributable to the solid start to the year in the UK as our largest market, as well as particularly strong growth in Europe, with Brexit-related issues now addressed, and an exceptionally successful recruitment campaign in Australia.

We continue to make good progress in fitting out our new multi-purpose supply chain facility at Masterton Bond in preparation for it becoming operational in the second half. Cask racking is now largely installed, and works are well underway on internal firewalls and electrical/mechanical installation. Completion of this project will be a major milestone in the development of the Group that will have a positive impact on the level of operating margin we are able to capture, with the benefits expected to begin flowing through as early as FY23.

As mentioned in the AGM Statement, we were proud to receive an overall Employee Engagement Index score of 81 from a recent staff survey. While improving this aspect of the business is an ongoing process, this score is significantly higher than reported UK and global averages, demonstrating the commitment of our colleagues to making The Artisanal Spirits Company and its brands successful, and enhancing the Group's reputation as a great place to work.

Looking ahead, we remain cognisant of changes in the external environment, but to date have experienced no material supply chain or production issues. As we enter the second half, we have plenty of stock in all our markets to deliver our plan. Beyond that, we continue to invest in growing our holding of outstanding whisky and other spirits - we currently have almost complete coverage to deliver growth through to the end of FY28, with substantial stock for the following years too - providing additional comfort and a significant inflation hedge.

With the momentum of the first half continuing, a robust business model and a proven strategy, we remain confident of delivering significant sales growth for the full year in line with market consensus revenue expectations."*

Mark Hunter, Chairman of ASC, commented:

"As we move into the second half of the financial year and reflect on our first 12 months as a listed company, I am proud of what the executive team and everyone at the business has been able to achieve.

We have done exactly what we said we would at IPO - with the disciplined programme of investment undertaken and the host of operational initiatives introduced to prepare the Group for long-term, sustainable growth, ASC is now a bigger, stronger and smarter business than it was a year ago.

While the operational progress has been remarkable, it is testament to the hard work, determination and planning of our teams that the Group has also been so successful in continuing the trend of delivering outstanding sales performance and

driving up SMWS membership numbers at the same time; consistently meeting or beating market consensus revenue expectations while making excellent progress towards our 2024 revenue target.

In the near-term, against a backdrop of inflationary pressures and consumer price sensitivity, we are insulated somewhat as we have stock cover at almost 100% through to end of 2028 and beyond and we offer a broad range of price points to members. Additionally, the long term growth trajectory of the ultra-premium category we operate in, our proven ability to grow our passionate and enthusiastic membership with the additional stickiness and predictability they afford the SMWS membership model, all underpin our business model.

Longer-term, there is no suggestion the growth trajectory for high-end whisky and other spirits is abating, and we have a strong presence and clear, localised strategies in all the high value markets around the world to capitalise on it.

I am grateful to all shareholders for their continued support and look forward to providing a more detailed update at the time of our interim results in September."

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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 35,000 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 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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