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Artisanal Spirits Company PLC (The)
08 December 2023

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The Artisanal Spirits Company plc

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

Update on Trading and Strategic Initiatives

The Artisanal Spirits Company (AIM: ART), the owner of The Scotch Malt Whisky Society ("SMWS" or "the Society"), the leading curator and provider of premium single cask Scotch malt whisky and other spirits for sale primarily online to a discerning global membership, provides an update on trading, recent strategic initiatives and operational progress.

Trading update:

The Group is pleased to announce that SMWS has now surpassed 40,000 members, a significant milestone in its 40th anniversary year.

Our globally diversified footprint, growing membership and pioneering model, combined with the demographics of our loyal and engaged customers, position ASC well to continue to grow despite wider macroeconomic market conditions. Whilst we remain confident of the opportunity ahead, we have identified two areas that are expected to challenge the current year result.

Our full year revenue is now expected to be around £23 million (plus or minus 1%). This would represent mid to high single digit full year revenue growth, with an acceleration in revenue growth in H2-23, from the 3% delivered in H1-23, albeit below the current consensus revenue forecast of £25 million.

Firstly, the expected strong uplift in revenue growth of 25% during H2-23 v H2-22 may not be fully met due to weaker performance in China in Q4-23 against strong double-digit growth in Q3-23 which included a record performance in September. Secondly, the Group has experienced a slower than anticipated rate of sales on the brand-new 50th anniversary member cask sales programme launched at the end of November; whilst generating a positive contribution this year, sales will not be at the anticipated level by the 31 December 2023 year end.

Whilst sales and EBITDA have continued to grow year on year with strong EBITDA growth in H2-23, Group Adjusted EBITDA* for H2-23 is likely to be nearer to £2 million and therefore the Group will record a result of around breakeven at an Adjusted EBITDA level for FY23.

Looking forward, the Group remains confident that it can continue to grow profitably with FY24 anticipated to deliver revenue and Adjusted EBITDA similar to that which was previously expected in 2023, with the phasing of growth therefore deferred by a year.

Despite the two specific challenges listed above, other areas of the Group continue to trade well and further progress on strategic objectives has been made as detailed below. The Group's stock-backed balance sheet is strong, even more so since recently agreeing its partnership with Ferovinum which has allowed ASC to convert maturing stock into a just-in-time asset at a truer valuation without increasing its overall debt level, giving the Group financial flexibility and optionality. Under the current arrangement ASC can draw up to a further £12.4 million providing ample cash and liquidity.

Update on Strategic Initiatives

Continued progress has been made on creating new revenue streams:

Monthly subscription service: On 29 November, SMWS launched *Drop & Dram*, its new whisky subscription pack which allows non-members to 'try before they buy'. The £45 monthly subscription comprises a carefully curated selection of 3x50ml cask strength whiskies and membership benefits including access to SMWS's four member rooms in London, Glasgow, and Edinburgh (Queen Street and the newly refurbished Vaults venue in Leith), as well as the opportunity to buy full-size 70cl bottles.

The *Drop & Dram* entry level subscription is designed to be a recruitment tool and operates in addition to SMWS's core annual membership offer of £85.

Membership and a Bottle: the Group also launched SMWS' new *Membership and a Bottle* product in November to further improve its value proposition for new members. Designed and launched in time to capitalise on the all-important festive Christmas period, the gift pack includes a personalised message and bottle of single-cask, limited-edition whisky alongside an SMWS membership card and 12-month membership.

SMWS App: As part of the Group's strategy to further develop its digital experience, a new SMWS mobile App has now been completed and will be launched for members later this month.

40-year-old release: To celebrate four decades of creating exceptional flavour experiences, SMWS released a specially curated 40-year-old anniversary edition, Cask No: 12.79. This "prestige" product complements the existing Vaults Collection range and further develops the Company's prestige pricing. This was released in October and sold out in most markets in the first few days.

Confident for the future

Through 2023 the Group has continued to grow both revenue and membership, as well as making good progress on its strategic initiatives. These positive steps reinforce the Group's confidence in its model and its ability to continue to grow profitably. The Group is well financed for its future and remains set on a transitional path to double digit EBITDA margin by FY26.

Andrew Dane, CEO of The Artisanal Spirits Company, commented:

"Our business continues to develop and grow strongly with successful strategic initiatives and membership growth driving profitable sales. Whilst it is disappointing that our Q4 sales in China and the sales rate of the brand-new cask programme have not yet met anticipated levels, the remainder of the business has performed well and grown in line with expectations and we are on track to deliver substantial EBITDA growth in H2-23. Our model is robust, throughout FY23 we have ensured that we have the right cost base for the business, we are well financed and we remain confident of future profitable growth."

** EBITDA Adjustments relate to exceptional and restructure costs consistent with those disclosed in the Interim Results*

The information contained within this announcement is deemed by the Group to constitute inside information as stipulated under the Market Abuse Regulation (EU) No. 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018.

For further enquiries:

The Artisanal Spirits Company plc via Instinctif Partners
Andrew Dane, Chief Executive Officer
Billy McCarter, Chief Financial Officer

Liberum Capital Limited (Nominated Adviser and Broker) Tel: +44 (0) 20 3100 2222
Edward Thomas
Dru Danford
Miquela Bezuidenhoudt

Instinctif Partners (Financial PR) Tel: +44 (0)20 7457 2020
Justine Warren
Matthew Smallwood
Joe Quinlan

About The Artisanal Spirits Company

The Artisanal Spirits Company (ASC) are curators of the world's favourite, single-cask and limited-edition whisky.

Based in Edinburgh, ASC owns The Scotch Malt Whisky Society (SMWS) which was established in 1983 and currently has a growing worldwide membership of over 40,000 paying members.

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, with current stocks sourced from over 100 distilleries in 20 countries and expertly curated with diligence and care.

Since producing the Society's very first cask, we have created around 10,000 different whisky releases, producing a constant flow of unique and exciting one-of-a-kind whiskies.

With proven e-commerce reach and new brands like J.G. Thomson, ASC is building a portfolio of limited-edition and small-batch spirits brands for a global movement of discerning consumers - delivering c.£22 million in annual revenues with over 80% of revenue generated online and over 65% from outside the UK, with a growing presence in the key global whisky markets including UK, China, USA and Europe.

ASC has a pioneering business model, a substantial and growing addressable market presenting a long-term global growth opportunity and a strong and resilient business primed to deliver growth.

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