

18 July 2024

The Artisanal Spirits Company plc

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

Half Year Trading Update

H1 profit on track and whisky cask inventory levels now optimised

The Artisanal Spirits Company (AIM: ART), the creator of outstanding, limited-edition whiskies and experiences around the world, and owner of The Scotch Malt Whisky Society ("SMWS"), Single Cask Nation & J.G. Thomson, announces a trading update for the six months ended 30 June 2024.

Trading Update

The Group is pleased to confirm that the positive profit improvement momentum which characterised H2-23 has continued through H1 FY24, with a c£1m year on year increase in EBITDA vs H1 FY23.

The trading conditions and consumer purchasing behaviour witnessed in FY23 have continued in H1 24 and ASC continues to focus on maintaining a high quality, committed and engaged global membership which will underpin sustainable, long-term revenue and profit growth.

Our increasing global footprint with launches in new markets such as Taiwan, the acquisition of Single Cask Nation (SCN) in January of this year and the development of our members' cask sales programme, enables ASC to mitigate the Group's exposure to any given market, such as China where trading continues to be challenging. With a larger, more diversified business, China is increasingly proportionately smaller for the Group.

Group revenue was broadly flat in H1-24, SMWS membership was broadly stable and year on year costs were reduced.

As we focus on the FY24 consensus EBITDA delivery of £1m, the business priorities remain driving quality membership growth through international development and initiatives such as 'Membership and a Bottle', a product range review which will simplify and optimise our offer to members, our members' cask sales programme now available internationally, further growth from SCN and continued cost efficiency management.

Whisky Stock and Balance Sheet Strategy

The Group continually reviews its capital allocation strategy, to maximise value for shareholders, which contains three key priorities;

- ØTo invest in the business
- ØTo optimise our leverage over time
- ØTo return cash to shareholders

Post IPO, we have continued to optimise our whisky cask purchasing by evolving to a greater acquisition of new make spirit (transitioning from historical acquisitions of more aged stock), building an exceptional collection of around 18,000 casks, from approximately 150 leading distilleries and representing over 200 different makes.

As a result, we now have whisky stocks in place to satisfy demand for the foreseeable future, and therefore the cash profile of the Group will adjust significantly going forward as we transition from material net cash investments in stock over the last decade to a replacement approach.

Given this inflection point for the business, we have undertaken an independent valuation of the Group's Scotch Whisky cask spirit stock held at the end of June 2024. Encouragingly, the work by independent sector experts, Des McCagherty and Dr Alan Rutherford (with a combined eight decades of industry experience), has estimated the current value of the Scotch Whisky cask inventory to be £98.4m, representing around £76m uplift to the current carrying value (equivalent to 4.4x NBV). Combined with around £3.5m book value of American, other world whiskies and other spirits, this represents a total cask spirit value of just over £100m, with net debt (£22.8m at Dec-23) representing only around a quarter of this total.

The Group will continue to invest in the sustainable growth of the business. Management are of the view that the Group's current level of debt funding is entirely appropriate within ASC's wider capital structure, further supported by the significant cask spirit valuation of just over £100m.

Andrew Dane, CEO of Artisanal Spirits Company, commented:

"While trading conditions remain challenging in a few markets, we are pleased with the ongoing improvement in year-on-year profitability in H1 and remain focussed on delivering the full year consensus EBITDA expectations of £1m and ensuring sustainable profitability over time. ASC's proven strategy of investing in whisky stock has built an impressive inventory which will satisfy our requirements well into the next decade, as well as delivering a significant uplift in value creation, and whilst we have an independent expert valuation estimate of just over £100m today for the casks, the business is focussed on generating maximum value creation through maturing and bottling these premium whiskies which ultimately delivers a multiple on the cask value, with estimated future retail value in bottles of almost £0.5 billion."

"Furthermore, with our cask levels now reaching an optimal level, we have reached a turning point in the cash investment requirement in the business. Historic levels of investment in whisky stocks are no longer required as we transition to purchasing on a replacement basis to satisfy future growth demands, representing a very positive inflection point for the cash profile of the Group."

Notes

1. The Board of The Artisanal Spirits Company considers that current consensus market expectations for the year ending 31 December 2024 are revenue of £25.0m (2023: £23.5m) and EBITDA of £1.0m (2023: Adjusted EBITDA £0.1m)

For further enquiries:

The Artisanal Spirits Company plc

via Instinctif PR

Andrew Dane, Chief Executive Officer
Billy McCarter, Chief Financial Officer

Panmure Liberum Limited (Nominated Adviser and Broker)

Tel: +44 (0) 20 3100 2222

Dru Danford
Edward Thomas
John More

Tel: +44 (0)20 7457 2020

Instinctif Partners (Financial PR)

Justine Warren
Matthew Smallwood
Joe Quinlan
Hannah Scott

About The Artisanal Spirits Company

ASC's purpose is to captivate a global community of whisky adventurers, creating and selling outstanding, limited-edition whiskies and experiences around the world with an ambition to create a high quality, highly profitable and cash generative, premium global business.

Based in Edinburgh, ASC owns The Scotch Malt Whisky Society (SMWS), Single Cask Nation (SCN) and J.G. Thomson (JGT). Owning over 18,000 casks primarily comprising Single Malt Scotch Whisky, ASC's stock includes outstanding whisky (and other spirits) from 150 different distilleries across 20 countries which is sold to members both as individual bottles and whole casks.

With an established global presence in some 30 countries, SMWS operates a direct-to-consumer model (90% of revenue) primarily through e-commerce, in addition to four member rooms in the UK. SMWS provides members with inspiring experiences, content and exclusive access to a vast and unique range of outstanding, expertly curated Scotch malt and other whiskies.

In January 2024, ASC acquired SCN which sources, curates and bottles single-cask whiskies and other spirits selling both online and via traditional retail channels to its following of over 10,000 whisky enthusiasts in the USA. SCN also retails to key international whisky markets around the world.

Launched in the UK in late 2021, JGT has a focus on outstanding small batch blended malt whiskies and other spirits, available both through direct-to-consumer online sales and through traditional retail channels. The award-winning brand has subsequently expanded into international markets.

With proven e-commerce reach and a growing family of brands, ASC is building a portfolio of limited-edition and small-batch whisky and other spirits brands for a global movement of discerning consumers - delivering revenue of £23.5 million in FY23, predominantly from outside the UK, with an expanding presence in the other key global whisky markets including USA, China, Europe, Japan, Australia and Taiwan.

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

This information is provided by RNS, the news service of the London Stock Exchange. RNS is approved by the Financial Conduct Authority to act as a Primary Information Provider in the United Kingdom. Terms and conditions relating to the use and distribution of this information may apply. For further information, please contact rns@lseg.com or visit www.rns.com.

RNS may use your IP address to confirm compliance with the terms and conditions, to analyse how you engage with the information contained in this communication, and to share such analysis on an anonymised basis with others as part of our commercial services. For further information about how RNS and the London Stock Exchange use the personal data you provide us, please see our [Privacy Policy](#).

END

TSTFLFSDDFIDLIS