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Artisanal Spirits Company PLC (The)
18 December 2024

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The Artisanal Spirits Company plc

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

Preclose Trading Update

On track for FY24 EBITDA forecast, with improved cash outlook for FY25 and FY26
Additional FY25 strategic investment in USA Operations

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 ("SCN") & J.G. Thomson, provides an update on tradingand membership and announces a strategic investment in the Group's USA operations.

FY24 on track

The Group remains on track to deliver the consensus EBITDA forecast of £1m for FY24. This would represent a c£1.5m year on year improvement in reported EBITDA (FY23: £0.5m loss) and a c£1m improvement in Adjusted EBITDA (FY23: £0.1m).

Total SMWS membership has increased to around 42,000 (up 5% vs June 2024), with significant growth in the UK in H2-24, supported by a successful member referral programme.

We expect full year revenue to be broadly flat on FY23 (£23.5m).

Net Debt peaked at £27m at June 2024 (backed by whisky assets worth around £100m). The Group has now started to reduce net debt as it transitions into a phase of generating positive operating cash flows.

This creditable performance has been achieved despite ongoing challenging trading conditions in certain markets and further demonstrates the strength and flexibility of the ASC business model. Growing profitability has been delivered through quality product innovation, the evolution of our cask programme, successful expansion into new markets and new brands with the acquisition of Single Cask Nation in the USA, as well as a continued focus on efficient cost management.

In addition, in line with our continued focus on diversifying the Group's operations across the wider Asian region, we have now successfully completed the buy-out, for a non-material consideration, of the 25% minority interest in the SMWS Japan subsidiary and now own this entity outright.

Outlook for FY25, FY26 and further investment in US operations

We expect to deliver further profitable growth in FY25 in line with the current business strategy. Revenue expectations remain in line with consensus forecasts.

We also expect continued positive operating cash flows to result in a significantly improved net debt position versus the current consensus forecast through to FY26.

The opportunity for growth in the USA remains a key focus for the Group. Correspondingly, we announce a further £0.5m investment in The Scotch Malt Whisky Society in America ("SMWSA") which will provide a transition to full operational control with effect from 1 January 2025. This one-off cost will result in a (non-recurring) reduction to reported EBITDA in FY25. We are excited by this change, whereby the in-country marketing and operations team will become ASC employees from the start of 2025, providing ASC with direct operational control as well as an optimised cost structure in the market. We are confident that this change will provide the Group with an enhanced platform from which to deliver more substantial membership and profit growth in the world's largest Ultra-Premium Whisky market.

We expect that underlying Group trading in FY25 will remain in line with current consensus prior to accounting for this one-off investment. We expect this SMWSA investment to deliver net savings from year two, with savings generated in FY25 predominantly offset by other factors across the Group, including NI costs in the UK and a more conservative perspective on China.

On this basis, FY25 EBITDA is expected to now be at least £1.5m. Further growth is expected in FY26 with EBITDA remaining in line with the current consensus forecast, which would represent EBITDA almost doubling in the year.

Furthermore, the cash profile is expected to continue to improve. ASC has transitioned from material net cash investments in stock to a replenishment approach, which alongside positive operating cash flows from improved profitability, results in a net debt reduction trajectory for the Group, which is encouraging.

Andrew Dane, CEO of Artisanal Spirits Company, commented:

"Our ambition remains to create a high quality, highly profitable and cash generative, premium global business and we are making good progress on that journey with a creditable performance against a backdrop of uncertain trading conditions prevailing in certain markets. We are pleased to have increased membership to around 42,000 whisky enthusiasts and continue to demonstrate the strength of our pioneering model through growing revenue diversification, product innovation, evolution of our cask programme and efficient cost management.

"Our acquisition of Single Cask Nation in the USA is well aligned with our ambition to take greater advantage of the sizable and growing American Whiskey market. The additional investment in our USA operations announced today further augments the exciting opportunity for ASC to deliver profitable growth in this key market.

"In addition, our proven strategy of investing in whisky stock continues to generate substantial value, with the current cask inventory value of just over £100m representing around 4x both NBV and Net Debt. With ASC now only needing to acquire stock on a replenishment basis, this continues to increase the positive future cash profile of the business which is encouraging.

"We exit FY24 on track for a strong set of results and on track to deliver further profitable growth in FY25 and beyond."

THIS ANNOUNCEMENT CONTAINS INSIDE INFORMATION FOR THE PURPOSES OF THE MARKET ABUSE REGULATION (EU) NO. 596/2014 (INCLUDING AS IT FORMS PART OF THE LAWS OF ENGLAND AND WALES BY VIRTUE OF THE EUROPEAN UNION (WITHDRAWAL) ACT 2018 ("MAR")

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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.

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