

Stock Spirits FY 2016 results

More concerns about the Company's future

Western Gate, March 2017

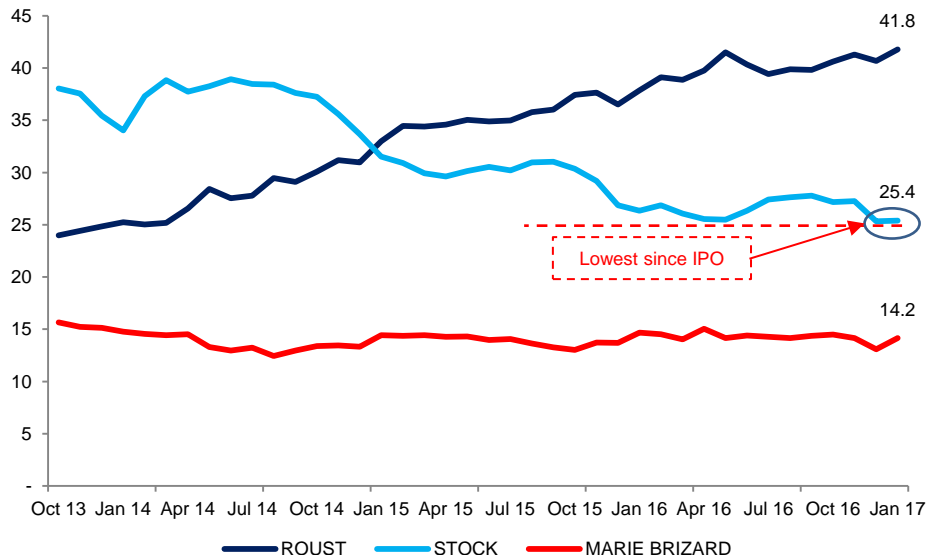
Stock Spirits – Western Gate’s concerns after full year results

- Western Gate continues to be concerned about the competitive position of the Company
- 2H16 showed a clear decline in sales and profitability relative to 2H15, a trend driven for the most part by further losses of market share in the core Poland region
- Market share data provided by the Company in its presentation masks the longer term trajectory of continued losses of share relative to prior years
 - We provide the full picture and highlight that the trend appears to be continuing, with December 2016 and January 2017 the two lowest months on record for total Poland value share since IPO
- Marginal cost savings achieved do not compensate for significant deterioration in operational performance
- The fact that the Chairman is ‘pleased’ with the results highlights the lowering of expectations taking place at the Company and also the lack of vision for any future growth

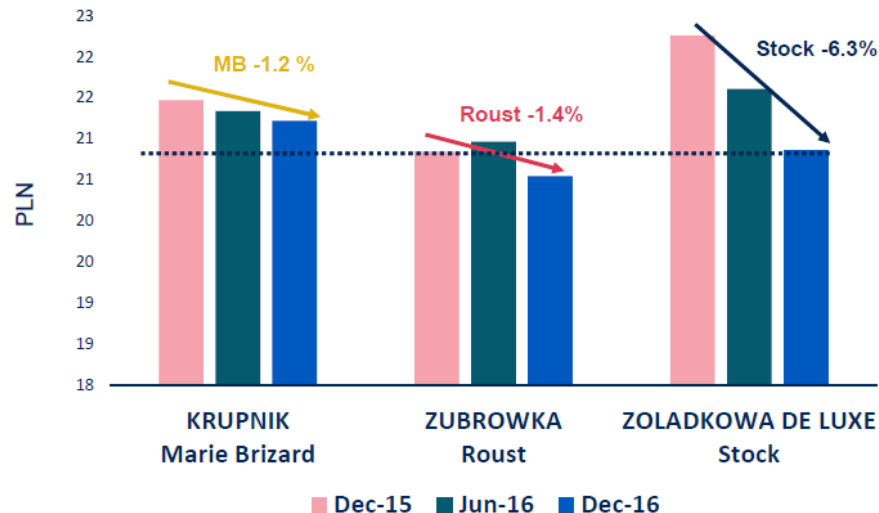
Market share progression after price reduction

Value market share at lowest levels since IPO in December 2016 and January 2017

Total Poland – Value¹



Pricing of 50cl top selling brands in mainstream vodka price segment - Traditional Trade²

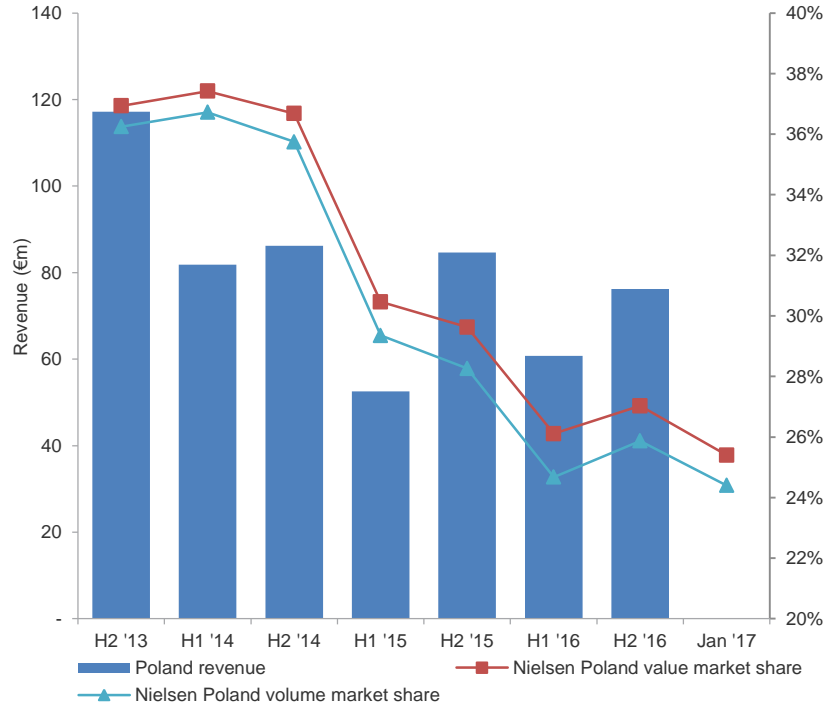


- Despite reduced prices in 2H 2016, market share at year end reached the lowest levels since IPO

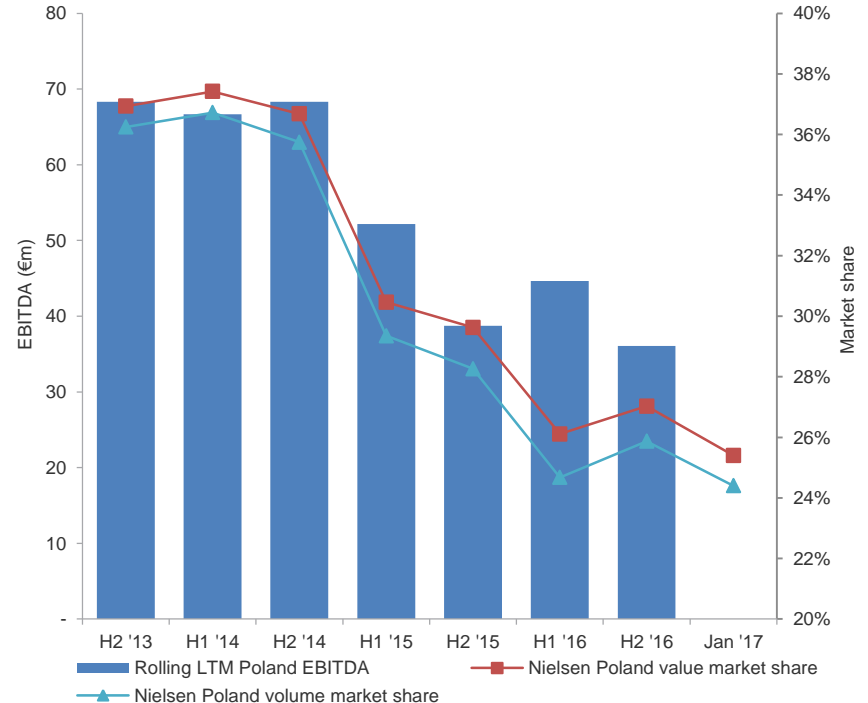
Nielsen data and Company performance

We find Nielsen data to be a good indicator of performance and are concerned by recent trajectory

Semi annual Poland revenue



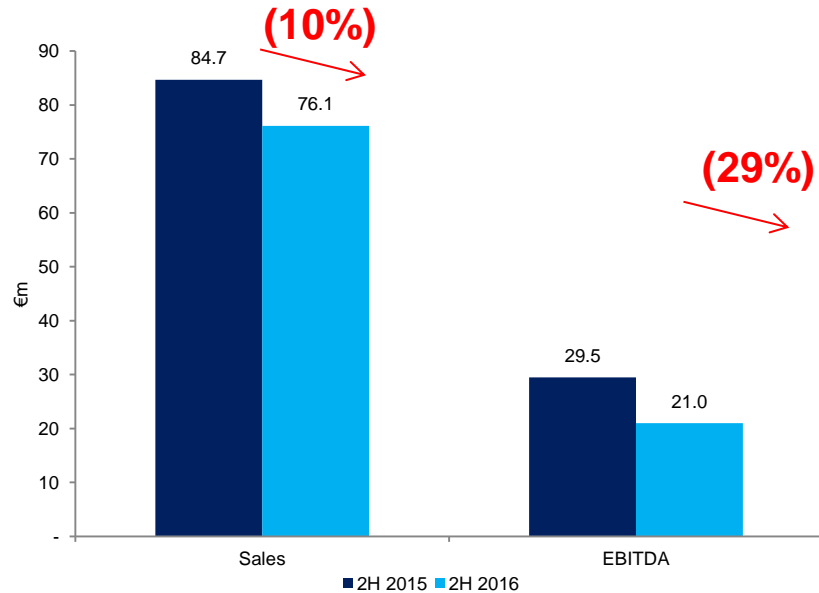
Rolling LTM Poland EBITDA



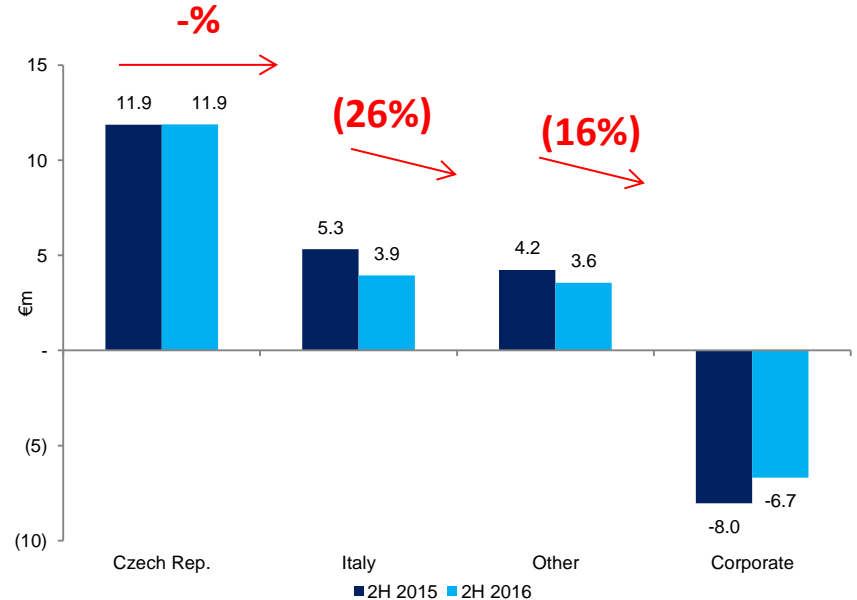
2nd half 2016 Stock Spirits performance

Lower sales and profitability

2H performance of Stock Spirits in Poland



2H EBITDA of Stock Spirits in other markets



- EBITDA across all operating segments decreased by €10.6m YoY
- Savings at the Corporate level do not compensate for the loss of operational earnings

Financial results analysis

2016 results have benefitted from a number of non-operational improvements

Semi annual results breakdown

€m	H1 15	H2 15	H1 16	H2 16
Revenue	108.0	154.6	116.0	145.0
COGS	(49.8)	(72.2)	(54.1)	(74.6)
Gross profit	58.3	82.4	61.9	70.3
<i>Gross profit margin %</i>	54%	53%	53%	49%
Selling expenses	(33.4)	(29.6)	(30.8)	(30.5)
Other operating expenses	(19.7)	(16.2)	(18.6)	(12.2)
Operating profit	5.2	36.5	12.5	27.7
<i>SG&A as a of revenue</i>	49%	30%	43%	29%
EBITDA	10.8	43.0	17.9	33.7
<i>EBITDA margin</i>	10%	28%	15%	23%
Finance income	1.0	1.4	1.6	0.1
Finance costs	(4.3)	(8.4)	(1.3)	(1.3)
Profit before tax	2.0	29.5	12.7	26.4
Income tax expense	(1.7)	(10.3)	(4.3)	(6.4)
Profit for the period	0.2	19.2	8.4	20.1

Reduced pricing (and lower gross margins) without a concurrent increase in market share / volumes has resulted in a material drop in 2H YoY gross profit

Marginal reduction in SG&A has not had a meaningful impact on bottom line given fall in revenue

EBITDA margin has fallen in line with gross margin and a lack of material cost reduction

While reduction in financing costs is commendable, comparisons to H2 2015 are flattered by the one off write off of ING facility arranging costs (€4.3m)

Head Office costs

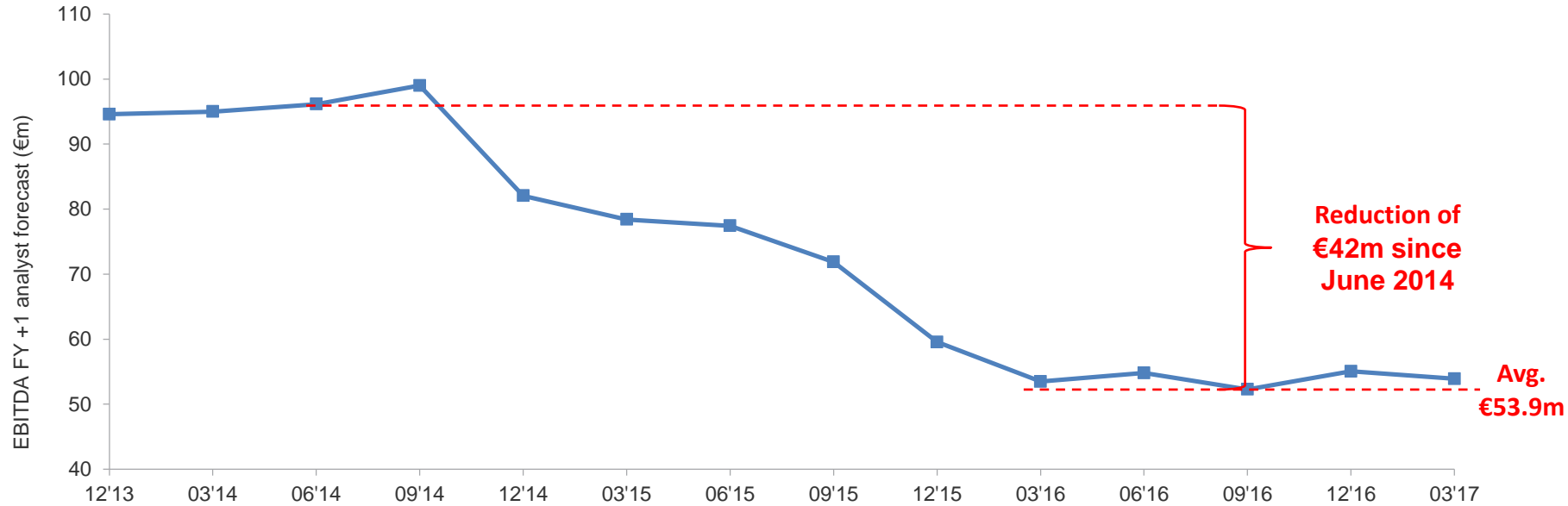
- Company has decided to keep the Head Office in the UK without making public the results of the analysis conducted
- We still do not see the justification for replication of overheads in the UK and local markets
- Despite small cost savings achieved, opportunity for material value uplift still available through moving HQ to core market of Poland
 - Based on current trading multiples, 14x any cost savings from the move represents significant equity value uplift potential

EUR 10.7m still not justified

€m at reported rates	2015	2016
Head office costs	7.7	6.4
PLC related costs including NED's, internal audit and external communications	1.6	1.4
Group and external audit	0.3	0.3
PSP and share based payments	0.4	0.7
Local market support costs including Operations, IT and NPD	4.2	4.3
Insurance	1.1	0.7
Sub total	15.3	13.8

Meeting expectations?

FY+1 analyst EBITDA expectations



Questions for Stock Spirits Board

- With the reduction in 2H 2016 vs 2H 2015 EBITDA and the continued decline in market share, what is your view on the outlook for 2017?
- Please can you share with shareholders the study which looked at the possibility of moving the HQ to Poland?
- Why have you chosen to limit your disclosure to shareholders?
 - Cancellation of investor day, no 3Q trading statement, pre-close trading statement with no sales data and so on
- Given the significant changes in your core market since IPO, where would you like to see the business in 3 years time and what are the strategic objectives you will be pursuing in order to achieve that vision?

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Thank You

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