

Western Gate Private Investments Limited

1 February 2021

Dear Fellow Stock Spirits Shareholders,

Western Gate Private Investments Limited ("Western Gate") is a 10% shareholder of Stock Spirits Group PLC ("Stock Spirits" or the "Company"), and we are writing to inform you of our voting intentions and concerns in relation to the Company's Annual General Meeting to be held on Thursday, 4 February 2021 at Stock Spirit's registered office at Solar House, Mercury Park, Wooburn Green, Buckinghamshire, HP10 0HH.

Special Dividend

Firstly, Western Gate notes the Special Dividend to be paid in February 2021 of €0.11 announced by the Company. As you are aware, Western Gate proposed a resolution to the 2020 AGM for a special dividend (€0.1219) to be paid by Stock Spirits. Western Gate regrets that it took the Company a year to recognise that a special dividend should be paid to shareholders who have patiently been waiting for some return on their investments. Western Gate also highlights that the proximity of the two special dividend proposals show that Western Gate is aligned with the Company and would not put forward a proposal that would jeopardise the integrity and strength the balance sheet of Stock Spirits.

At the upcoming AGM, Western Gate will not be proposing any resolutions, however, we will be sharing our voting intentions and our concerns which are unchanged since we first became a shareholder in 2015. By sharing our view with The Company and shareholders over the years, we believe that we have added value to stakeholders and The Company. We will, therefore, continue to do so.

A Brief History of Western Gate interactions

In 2016, Western Gate successfully requisitioned for the removal of the CEO and the appointment of two new independent non-executive directors to provide the Board with a fresh perspective and relevant experience as the Company was going through a period of poor financial performance. The successful appointment of the two new independent non-executive directors in May 2016, supported by the majority of shareholders, coincided with a turnaround in financial performance.

Western Gate also highlighted and fought against the high headquarter costs that were subsequently cut by 20% in the two years following the campaign.

Over the years, Western Gate has questioned the role of the board and the lack of accountability in overseeing the Company to articulate and execute a credible growth strategy, which includes M&A.

Most recently, Western Gate fought for a special dividend that will be paid out to shareholders a year later.

We are a long term investor and have made our concerns public over the years in the spirit of open dialogue. Our engagement track record to date is available on our website: <http://www.westerngate.eu/news.html>.

Performance

2020 showed another year of revenue growth (up 9.1%) by Stock Spirits along with a, albeit reduced, increase in Adjusted EBITDA. It must also be noted that the acquisitions, having been in operation a full 12 months, have contributed positively to Adjusted EBITDA, is in line with the Company's 2019 guidance.

In 2018 and 2019, Stock Spirits delivered a negative share price performance, down-20% and 2%, respectively. It is the view of Western Gate that this came from poor visibility and execution of the Company's strategy. Having said this, 2020 was a positive year for share performance, showing a 27% increase after another year of top line growth.



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We congratulate the management team on this performance.

Our Concerns

It is now the third year in a row that Stock Spirits has announced impairments of a significant size. The impairments, in relative terms were 34%, 26% and 51% of EBITDA for 2018, 2019 and 2020 respectively. The Italian market and brands have suffered impairments in all three years, with the bulk of the impairment in 2020 attributable to the Quintessential Venture which has a carrying value at €2.1M, compared to €16.5M only a year ago.

The Italian segment had been in severe decline since 2014, Adjusted EBITDA falling from €8.1M to €2M (down 76%) raising the following questions: Why are impairments only being done now? Who is responsible for supervising decline? Stock Spirits has said that the reason for the consistent impairments in the Italian segments is that at around the time of the IPO, a certain value was attributed to the Italian business that the business has not been able to support. The only two members of the Board that were on the board at that time are David Maloney (Chairman) and John Nicolson (Senior Independent Director). This shows not only an error and lack of judgement at the time, but also a lack of supervision since. It must also be noted that both were on the Audit Committee in 2013, 2014 and 2015. In mid-2015, David Maloney was appointed as Chairman and stepped down from the Audit Committee, however, John Nicolson remains a member.

After having acquired a 25% stake in Quintessential in 2017 for a cash consideration of €15M, Quintessential suffered an impairment of €14.2M. Stock Spirits announced the impairment in March 2020, stating that it was Covid-driven. Once again, this seems like complacency from the board and especially the Audit committee. How can (not even) a month of the pandemic rid Quintessential of 86% of its carrying value? Or, was the same mistake committed as it was with the Italian business, meaning that Quintessential was attributed an inflated value at the time of acquisition.

Western Gate is of the view that the Chairman and Senior Independent Director no longer demonstrate objective judgement and constructively challenge the Board and the executive management. Both directors have served on the board since October 2013. The UK Corporate Governance Code states that directors (including the Chairman) should not serve on the Board for more than 9 years, maximum.

Aside from the UK Corporate Governance it is common practice, and our view, that following two mandates, a Chairman or Senior Independent Director should no longer be considered independent. Independence is key to having a well-functioning board that challenges the views of the members and management. We no longer see this occurring on the Board of Stock Spirits and we find it unreasonable to believe that these two members are still completely independent and objective.

Western Gate recognises that these two directors have given many years of service the Stock Spirits, however it is our view that a fresh set of eyes and a reshuffle of the board would add value.

Actions to Address our Concerns

Over the last three years we have had meetings with the Company in which we have consistently expressed our views, yet nothing seems to change. Western Gate highlighted issues with the old board, some of these issues remain. The supervision of the Chairman and the Board must be rigorous and cannot be complacent. Western Gate would like the Company to provide a clear succession plan and recommends that an independent executive search firm should be hired with the view of replacing these two directors.

Shareholders are faced with a 'dirty' P&L year in, year out, with exceptional items that reach 50% of EBITDA. EBITDA needs to be clean and transparent and cannot be subject to mistakes that were made in the past.

Western Gate believes that a vote against the Chairman and the Senior Independent Director and the immediate commencement of a process to appoint independent replacements using an



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independent executive search firm will deliver the necessary changes urgently needed to the Board to ensure its independence and that management are held to account.

Recommendations

Western Gate will be voting against the following resolutions:

- Resolution 5 – Re-elect David Maloney
- Resolution 6 – Re-elect John Nicolson
- Resolution 19 – Notice of General Meetings

Western Gate will be voting abstain on the following resolutions:

- Resolution 2 – Approve Directors' Remuneration Report
- Resolutions 9-12 – Re-election of Independent Non-Executive Directors

Our full voting intentions are also published on our website.

The formal Notice of Meeting can be found here:

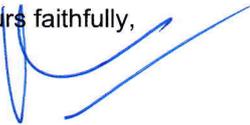
https://www.stockspirits.com/_userfiles/pages/files/ss_nom_and_letter_2021.pdf

Assistance

If you have any questions, or you would like to arrange a call or meeting with Western Gate, please contact Camarco, who are acting as our Financial Public Relations and Investor Relations Consultants for this AGM: info@camarco.co.uk, +44 (0) 203 757 4980.

Thank you for your continued and considered support.

Yours faithfully,



Francisco Santos

On the behalf of Western Gate