

01 February 2021

Western Gate Private Investments Limited

Publication of Western Gate's AGM Voting Intentions

Western Gate intends to vote against the Chairman and Senior Independent Director due to concerns over M&A strategy and governance

Western Gate Private Investments Limited ("Western Gate"), a 10% long-term shareholder in Stock Spirits, calls for the removal of David Maloney, Chairman and John Nicolson, Senior Independent Director ("SID") of Stock Spirits and the immediate commencement of a process to appoint independent replacements using an independent executive search firm.

Western Gate is of the view that the Chairman and SID no longer demonstrate objective judgement or constructively challenge the Board and the executive management, resulting in consistent impairments, a malfunctioning M&A strategy and shareholder value destruction.

Specifically, Western Gate's concerns, are:

- This is 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 suffered impairments in all three of those years.
- In 2017, Stock Spirits acquired a 25% stake in Quintessential Brands Group's Irish Whiskey Division for a cash consideration of up to €18.3M, the carrying value is now only €2.1M.
- The Italian segment, which includes the 2019 acquisition of Distillerie Franciacorta SpA, has been in severe decline since 2014 with adjusted EBITDA falling from €8.1M to €2M (-76%).
- The Chairman and SID have both been on the Board since 2013 with no succession plan articulated.

In light of Stock Spirits' unconvincing M&A track record, Western Gate will vote to remove the Chairman and SID. These roles are held by two entrenched Directors who are the only two that have been on the Board since IPO. They have overseen a lack of judgment throughout their tenure and Western Gate recommends that an executive search firm should be hired with the view of replacing these two directors.

Western Gate has a strong track record of improving shareholder value at Stock Spirits.

We call for the hiring of an executive search firm now to ensure plans are in place for an orderly succession as in October 2022 both David Maloney, Chairman and John Nicolson, SID, will have served on the Board for nine years. The UK Corporate Governance Code states that independent directors (including the Chairman) should not serve on the Board for more than nine years, maximum. In our experience and given our strong track record of campaigning for change at Stock Spirits, it takes the Board at least one year to realise that our suggestions are indeed correct.

If you look at Western Gate's track record of success in improving shareholder value at Stock Spirits you will see that in December 2019, Western Gate called for the payment of a special dividend of €0.1219 per ordinary share by Stock Spirits. It took until February 2021 for Stock Spirits to pay a special dividend of €0.11.

In 2016, we called for a reduction in the head office costs which at the time equated to 31.2% of the Company's reported FY15 EBITDA. Two years later Stock Spirits cut head office costs by 20%.

Also, in 2016, we called for the removal of the CEO, Chris Heath, and proposed two new non-executive directors. This campaign coincided with a turnaround in operational performance and we once again congratulate Miroslaw Stachowicz, CEO and Paul Bal, CFO who have overseen a significant improvement in the operational performance of the business.

Western Gate believes that now is the time to vote against the Chairman and the SID and initiate the search for replacements. Stock Spirits' track record of proactively delivering shareholder value is woeful and a change at the top **will deliver the necessary changes urgently needed to the Board to ensure its independence and that management are held to account.**

Francisco Santos, Director, Western Gate said:

"Year in, year out, shareholders are faced with a 'dirty' P&L, with exceptional items that reach 50% of EBITDA. This is indicative of the lack of leadership at Board level and the impairments reflect a malfunctioning M&A strategy.

"We will be voting against the reappointment of the Chairman and Senior Independent Director and we urge the Company to commence the search for replacements immediately. Stock Spirits needs to learn from the mistakes it has made in the past so it can have a positive future delivering value for all stakeholders."

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About Western Gate

Western Gate is a large individual shareholder in Stock Spirits holding an interest in 10% of the Company's outstanding share capital. Western Gate is a long-term investor with a 10-year investment horizon and represent the private family office of Luis Amaral.