

19 December 2019

## Western Gate Private Investments Limited

### Western Gate calls for the payment of a special dividend of €0.1219 per ordinary share by Stock Spirits

Western Gate Private Investments Limited (“Western Gate”) a 10% long term shareholder in Stock Spirits, calls for the payment of a special dividend of €0.1219 per ordinary share by Stock Spirits and a review the Company’s capital allocation, M&A and dividend policy.

Investors are currently stuck in the middle between a management team improving the operating performance of the business and a Board that is unwilling to return cash to patient investors and who have overseen a poor performance since the IPO of the business in 2013. Stock Spirits is a mid-cap Company that is neither growing or delivering returns.

Specifically, Western Gate’s concerns, all of which have been left un-addressed following a meeting with the Chairman, are:

- Despite a low Net Debt/EBITDA ratio of x0.67 versus a sector average x1.68, and good cash generation, the Company offers one of the lowest cash returns to shareholders amongst its peers.
- A dividend payout of 60.5% versus an average of sector peers of 71.29%.
- The three acquisitions, 25% of Quintessential in 2017, Distillerie Franciacorta in 2019 and Bartida in 2019 have added €0.00 of EBITDA in 2019.

Since 2017, the Company has spent €47.5 million on three acquisitions. Despite this investment, shareholders will not see any returns on this invested capital until 2023. Shareholders are not receiving any value from the Company’s capital allocation policy. This is unacceptable.

Considering this, we call on shareholders to force the Board to pay a special dividend, aligning shareholder returns to the sector peers. We have proposed the Company pays a special dividend of €0.1219 per ordinary share. This would increase leverage to 1.25x EBITDA, well inside the management target of 0.5x – 1.5x EBITDA. It should also be noted that this level is materially lower than that of its peers (the peers that the Group referred to in its preliminary results presentation), which have an average leverage of 1.68x EBITDA.

Western Gate believes a large vote in favour of a special dividend should be taken as a mandate for change to review the Company’s capital allocation, M&A and dividend policy.

**Francisco Santos, Director, Western Gate said:**

***“We have previously requisitioned the Company for change, and this has resulted in an improved recent performance.***

***“Despite this, patient shareholders have seen the share price fall 15.42% in the past five years and will receive no value from the Company’s acquisitions until 2023. The Company has plenty of headroom to increase leverage to 1.25x EBITDA, well inside the management target of 0.5x – 1.5x EBITDA and as such we believe should be rewarding shareholders with a special dividend.***

***“We demand a review of the capital allocation policy and the payment of a special dividend to align shareholder returns to the sector peers.”***

## **Contact**

**Western Gate Private Investments Limited**      [www.westerngate.eu](http://www.westerngate.eu)

### **Camarco (PR representatives for Western Gate)**

Billy Clegg                      020 3757 4983 / 07977 578 153 / [billy.clegg@camarco.co.uk](mailto:billy.clegg@camarco.co.uk)

Tom Huddart                    020 3757 4991 / 07967 521 573 / [tom.huddart@camarco.co.uk](mailto:tom.huddart@camarco.co.uk)

### **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.