

6 January 2020

**Western Gate Private Investments Limited**

**Response to the Stock Spirits (“the Company”) notice of General Meeting and hostility towards special dividend AGM resolution**

***Concerns about corporate governance and capital allocation intensify***

Western Gate Private Investments Limited (“Western Gate”) a 10% long term shareholder in Stock Spirits, notes the response from the Company to its special dividend AGM resolution and has intensified concerns over the governance at Stock Spirits as a result.

As a major shareholder, Western Gate identified issues concerning capital allocation at Stock Spirits with the Company making earnings dilutive acquisitions and offering one of the lowest cash returns to shareholders amongst its peers, whilst trading on the lowest P/E multiple. This issue has been raised with the management and Board of Directors both privately and publicly over the past two years with no action taken. The share price has continued to drift sideways and Total Shareholder Returns are lower decile.

Our concerns over the governance of the Company have come to the fore following the publication of the Notice of Annual General Meeting 2020. Stock Spirits has arrogantly stated that even if shareholders vote FOR a special dividend the Board will not comply with that recommendation. This shows a total disregard for shareholder rights and is a further red flag to shareholders that the Company is run for the Board and management rather than for the shareholders themselves.

The idea standing behind the advisory resolutions of the Shareholders is to give the Shareholders the right to recommend certain solutions to the Board. Once this recommendation is given, the Board should consider it and take a respective decision only once the voice of the Shareholders is heard. Western Gate feels that the Board of Stock Spirits is focusing on bureaucratic issues to avoid responding to the resolution as they state that: *Under the Company’s Articles of Association, any dividend declared by shareholders by way of an ordinary resolution must not exceed the amount recommended by the Directors. The Directors do not recommend the proposed dividend.* The Board of Stock Spirits is unwilling to hear the opinion of its Shareholders and communicates its decision without any interaction with them.

There is no economic rationale behind the decision to recommend voting against the resolution. In fact, Western Gate’s resolution for a special dividend will not lead to financial stress. Stock Spirits will have a Net Debt/EBIDTA ratio 20% below the upper level defined by the Board and 33% below the sector average.

In addition, Western Gate was concerned to read in the Annual Report that director compensation, which includes a £200,000 relocation expense claim to the CEO, has increased to 3,599,000€ during the year (9 months to 2018: 1,724,000€) whilst the share price has decreased by 15.42% in the past five years. This evidences our belief that the Company is run for the Board and management rather than for the shareholders. This relationship between

director's remuneration and total shareholder return is ongoing and is shown in the following table.

	<b>Total Director Remuneration 2015-2019</b>	<b>Total Shareholder Returns 2015-2019</b>
Stock Spirits Group	+101.2%	+16.9%
Pernod Ricard	+90.2%	+88.8%
Brown-Forman Corporation	+8.7%	+102.3%
Berentzen-Gruppe AG	-(13.9%)	+94.3%

Western Gate believes that this response to the resolution highlights a major issue for shareholders who are stuck in a mid-cap Company which is neither growing nor returning excess free cash flow generated from operations, which is delivering below sector average returns and trading on a sector low P/E multiple.

We have proposed in an AGM resolution 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 and well below the sector average. We believe the vote for a special dividend should be taken as a mandate for change to review the Company's capital allocation, M&A and dividend policies.

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

***“This is a red flag to all investors. The response to our reasonable call for a special dividend is unacceptable. In our view, the Board of any company – private or public – is obligated to at least consider the recommendation of the Shareholders and not to state openly that no matter what the recommendation is, it will not be followed by the Board. The Board is obligated to represent the interest of the Company and its Shareholders as well as communicate duly with the latter. Those are some basic corporate governance standards which we would expect to be complied with.***

***“We call on fellow shareholders to vote FOR Resolution 20 at the upcoming AGM and for the Company to see a large vote in favour as a mandate for a review of the capital allocation policy.”***

## Contact

Western Gate Private Investments Limited

[www.westerngate.eu](http://www.westerngate.eu)

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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.