

Western Gate calls for change at Stock Spirits

Key issues and rationale for shareholder action

December 2019

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Stock Spirits Group

Key Issues

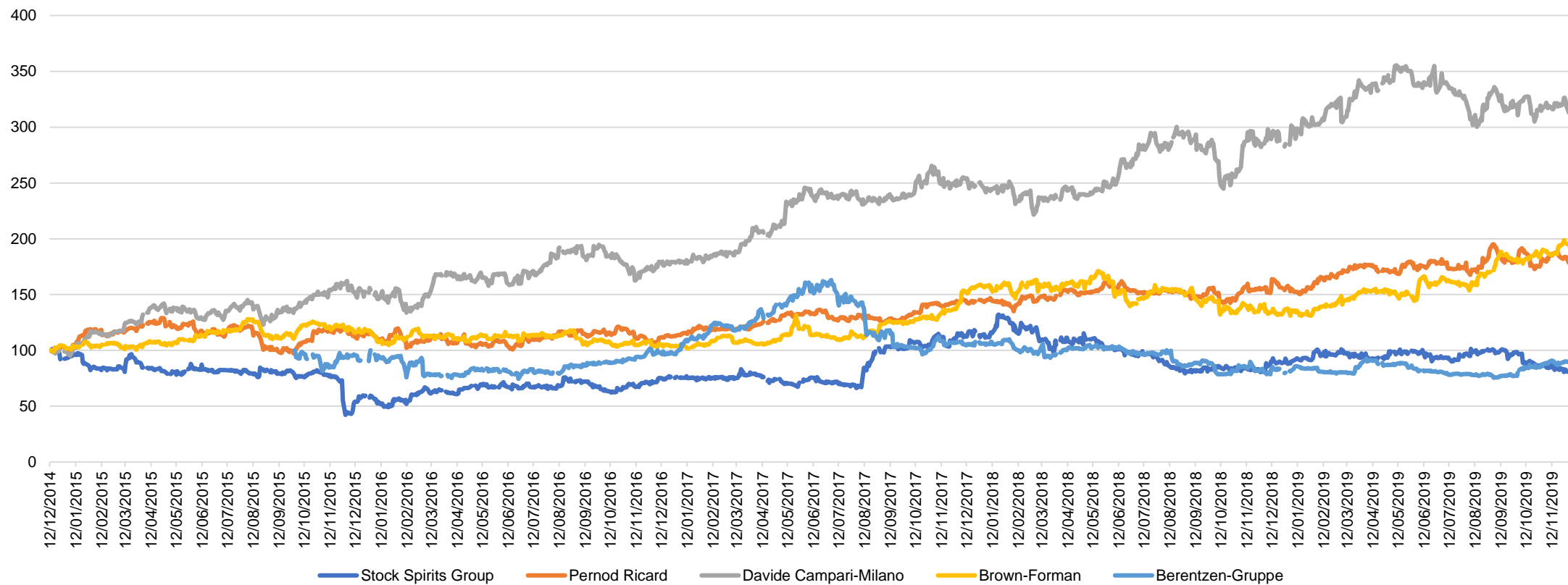
- In January 2019 we expressed our concerns over the Company's failure to articulate and execute a credible growth strategy
- Despite many meetings with the Chairman of the Board these issues remain
- With a share price performance in the last 5 years of -15.42% and the lowest cash returns to shareholders amongst in peers we will be proposing a resolution for a special dividend at the upcoming AGM
- **The resolution would be worded as follows:**
“To approve a special dividend The Company is proposing to shareholders a special dividend of €0.1219 per ordinary share. If this resolution is passed the recommended special dividend will be paid on 20 March 2019.”

The Board needs a review the Company's capital allocation, M&A and dividend policy

The Reasons for a Special Dividend

Shareholders are not experiencing an uplift in share price...

Share Price: Stock Spirits vs Peers (indexed)

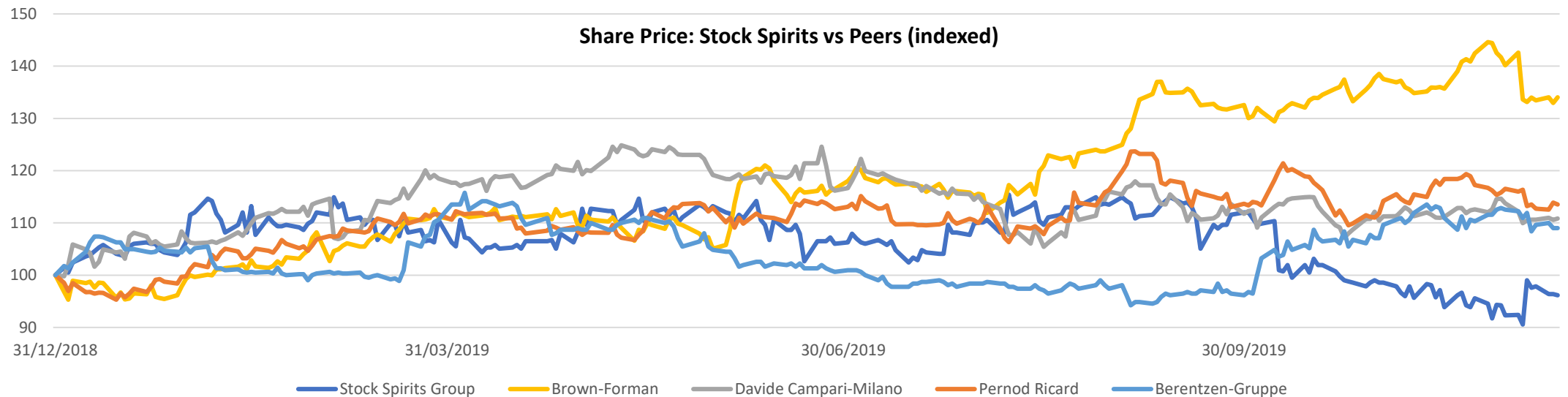


Share price performance (5 years)

- Stock Spirits: -15.42%
- Pernod Ricard: +10.43%
- Davide Campari-Milano: +210%
- Brown-Forman: +82%
- Berentzen-Gruppe: +77.95%

... and are not receiving shareholder returns

	Stock Spirits (£)	Pernod Ricard (eur)	Campari (eur)	Brown Forman (\$)	Berentzen (eur)	
31/12/2018	2,08	143,30	7,39	47,58	6,22	
11/12/2019	2,00	162,70	8,19	63,78	6,78	Average
Share Price Return	-3,8%	13,5%	10,8%	34,0%	9,0%	16,9%
Dividend	0,0754	1,94	0,05	0,6723	0,28	
Total Shareholder Return	-0,22%	14,89%	11,51%	35,46%	13,50%	15%



Stock Spirits' M&A will not deliver shareholder returns until 2023

- The Company has completed three acquisitions:
 1. Distillerie Franciacorta for €24,255,000 in January 2019
 2. Bartida for €8,260,000 in May 2019
 3. Quintessential for €15,000,000 in July 2017
- €47.5 million of invested capital is being put to work with no near term visible returns for patient shareholders
- We do not believe it is credible for the Board to tell shareholders that they will have to wait three years to get any form of return on this invested capital

The Company does not have a track record of acquisitions to look to and thus cannot be certain that the acquisitions will bring value if any

Stock Spirits has plenty of headroom to pay a special dividend

Stock Spirits is the lowest geared in the sector

- Management states openly that its leverage target is between 0.5x – 1.5x EBITDA and that the Group currently stands at 0.67x
- We note that this target has been set for the last couple of years and that this is the first time the lower threshold has been significantly crossed reinforces

	Dividend Payout	Net Debt/EBITDA
Pernod Ricard	57%	2,3
Campari	20%	2,7
Brown Forman	37%	2,05
Edrington	42%	1,8
Berentzen	51%	-0,44
Stock Spirits	60%	0,67x
Average Peers	41%	1,68x
Average Sector	71%*	

In light of this we look at the following scenarios

Target Leverage	Special Dividend (000 euros)	Special Dividend per share (euros)
Peer Level: 1.68x	51 401	0.2587
Upper Limit: 1.5x	40 022	0.2014
Proposed: 1.25x	24 218	0.1219

A special dividend at a leverage of 1.25x would substantially increase shareholder return and, more importantly, not put the company at risk

Actions to address our concerns

- Shareholders are not receiving an value from the Company's unacceptable capital allocation policy
- M&A will not be earnings enhancing until 2023
- We call upon the Board to pay a special dividend aligning shareholder returns to sector peers
- The Company has plenty of headroom to increase leverage, well inside managements target of 0.5x-1.5x EBITDA

We call for the payment of a special dividend of €0.1219 per ordinary share

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

Appendix

Introduction to Western Gate

Western Gate

- Western Gate is a private family office investor representing the interests of Luis Amaral
- Western Gate is currently a 10% owner and a large shareholder in Stock Spirits
- Luis is majority shareholder and CEO of Eurocash, a Warsaw listed wholesaling Company with all of its operations in Poland
- Eurocash is the largest customer of Stock Spirits

Luis Amaral

- Luis Amaral is a Portuguese citizen who has been operating businesses in Poland for 20 years
- Luis gained initial business experience at Unilever and Nissan in Portugal before joining Jeronimo Martins Holdings (JMH) as director of Poland in 1995
- While at JMH, planned and executed the expansion of Biedronka, the market leading discount supermarket chain in Poland, opening 550 stores
- Luis spent 2000 – 2002 working in private equity in Latin America before returning to Poland in 2003 to lead the management buyout of Eurocash from JMH

No conflict of interest

- As the largest shareholder in Stock Spirits, Western Gate is fully aligned financially with all shareholders to see the business turned around