

27 January 2020

Western Gate Private Investments Limited

Publication of Western Gate's AGM Voting Intentions

Western Gate intends to vote against the Chairman, Senior Independent Director and Remuneration Report and Policy as concerns over governance remain

Western Gate Private Investments Limited ("Western Gate"), a 10% long-term shareholder in Stock Spirits, announces its voting intentions at the upcoming AGM on Thursday 6th February 2020 at 10am at Numis Securities, 10 Paternoster Square, London, EC4M 7LT.

As we have previously communicated, Western Gate has proposed to the Board of Stock Spirits the payment of a €0.1219 special dividend per ordinary share, contained in Resolution 20 of the Notice of Meeting. Our rationale for this resolution is to highlight the imbalance between Stock Spirits' stated strategy and its payments to shareholders, specifically questioning the capital allocation policy proposed by the Board. Western Gate is intent that shareholders are adequately rewarded for their support of the Company.

WE URGE SHAREHOLDERS TO VOTE FOR RESOLUTION 20 TO APPROVE A SPECIAL DIVIDEND.

Re-Election of Board of Directors

Western Gate intends to vote **AGAINST** the re-election of David Maloney, Chairman and John Nicolson, Senior Independent Director ("SID") of Stock Spirits (Resolutions 5-6). John Nicolson is Chair of the Remuneration Committee. Western Gate believes that the current culture of running the Company for the benefit of the Board rather than for shareholders comes from the top. These two roles are occupied by Directors who exhibit an entrenched belief in this culture and who have been on the Board since IPO.

It is also our belief that responsibility for the M&A strategy rests at Board level and we are yet to see a credible M&A strategy which has been either communicated or delivered by the Company. Acquisition expenditure is yet to positively impact underlying earnings or cash flow. Indeed, management guidance is that no material effect should be expected until 2023.

Western Gate believes that a new approach at the top is vital and therefore calls for the removal of the Chairman and SID and the immediate commencement of a process to appoint independent replacements using an independent executive search firm.

Western Gate will vote **FOR** the re-election of Miroslaw Stachowicz, CEO and Paul Bal, CFO (Resolutions 7-8) who have overseen a significant improvement in the operational performance of the business. In 2019, the business achieved profits up 107.8% to €28.3m and adjusted basic EPS up 17.7% to 19.68 cents per share. The results also included a positive turnaround in Poland, Stock Spirits' key market, with 29 consecutive months of year-on-year volume share growth as well as strong consolidation in the Czech market which resulted in improvements in top and bottom-line growth. We congratulate the management team on this performance.

Western Gate will **ABSTAIN** from voting for the remainder of the Board (Resolutions 9-12).

Remuneration & Governance

The Board of Stock Spirits has overseen a 16% total shareholder return compared to a total board pay increase of 101.2% since 2015. As such, Western Gate will be voting **AGAINST** the Directors' Remuneration Report and Directors' Remuneration Policy (Resolution 2-3). Placed in the context of corporate costs, remuneration now accounts for over a quarter of the total, growing by 18.0% per annum on average. This is far too high given the performance.

Western Gate will vote **AGAINST** the shortening of Notice of General Meetings, other than annual general meetings (Resolution 19), which allows the Company to call general meetings at 14 days' notice, rather than the statutory 21 days. Taken together with the Board's refusal to countenance acceptance of Resolution 20, regardless of result, we see this resolution as another evidence of poor governance and further proof of the Board undermining shareholders' rights by reducing the amount of time given to react to a notice of general meeting.

Resolution 20 – Approve a Special Dividend

Western Gate has called for and **RECOMMENDS THAT YOU VOTE FOR RESOLUTION 20 TO APPROVE A SPECIAL DIVIDEND**. All shareholders are currently stuck between an improving, but nascent, operating performance and a directionless M&A policy, which now appears to be taking precedence over returning capital to shareholders regardless of the impact on returns to investors. The Company has a low Net Debt/EBITDA ratio of x0.67 versus a sector average x1.68, and good cash generation. Despite this, the Company offers one of the lowest cash returns to shareholders amongst its peers, while it continues to increase director remuneration year on year. Considering this, we call on shareholders to force the Board to pay a special dividend, aligning shareholder returns to the sector peers.

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.

Other Resolutions

Western Gate will be voting **FOR** the remaining resolutions (Resolution 1, 4, 13-18).

Francisco Santos, Director, Western Gate said:

“For too long Stock Spirits has not been run for the owners of the Company, the shareholders. We will be voting against resolutions which we feel demonstrate poor governance and demonstrate poor culture which starts at the top.

“We have made our voting intentions clear, and we urge other shareholders to vote for Resolution 20. Shareholders deserve to be rewarded for their patience and to be aligned to sector peers as the executive team executes a turnaround of the business.”

Contact

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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.