

The Artisanal Spirits Company



11th December 2023

A year is a short time in Scotch malt whisky

The Artisanal Spirits Company (ASC) announced on Friday that it expects both sales revenue and EBITDA to be lower than previous market expectations. Effectively the company is now on track to achieve our former FY2023 forecasts in FY2024. However, the underlying growth messages remain strong, supported by both membership growth and fresh strategic initiatives. While the FY2023 outcome is disappointing, our counter argument is that, given the long duration to maturity of the product, a year is but a brief period in Scotch malt whisky.

A combination of weaker performance in China and slower than expected sales of the brand-new 50th anniversary member cask sales programme prompts us to lower our forecasts for FY2023 and FY2024. Our sales revenue forecast in FY2023 is reduced from £24.6m to £23.0m and in FY2024 from £28.5m to £24.5m. We now envisage break-even EBITDA in FY2023 compared with £1m previously and in FY2024 a £1m EBITDA outcome, rather than £3m. Hence, our expectations have effectively been put back by one year.

Membership remains a critical driver of the ASC's Scotch Malt Whisky Society business. Investors should be encouraged that the total membership has surpassed 40,000 compared with 37,416 at end FY2022. The implied compound annual growth rate in membership numbers in the past 5 years is impressively strong at a little over 10%.

Moreover, the strategic initiatives referred to in Friday's release focus on creating new revenue streams. Such initiatives include the launch of a monthly *Drop & Dram* subscription service which allows non-members to "try before they buy." ASC also launched a new *Membership and a Bottle* gift pack service ahead of Christmas and a *40-year-old* anniversary release to celebrate the Scotch Malt Whisky Society's 40th anniversary. In addition, a new SMWS mobile app is due to be launched for members later this month as the company continues to adopt best practices in online retail service.

The intrinsic value of ASC's SMWS operation remains robust, as it boasts not only a sizable and growing membership but also substantial maturing whisky stocks. We highlighted the importance of the £492m notional retail value of the company's maturing whisky stocks and recent business developments in Taiwan, South Korea, Malaysia and Singapore in our 18th September report [Western growth enhanced by eastern promise](#). We also note that Ferovinium uplifted its estimated value of a parcel of held stock by 380% relative to net book value in a [17th November press release](#).

Fair value reset

Despite its strength as a membership organization and substantial intrinsic value in relation to the maturing whisky mentioned above the ASC's relative valuation is subject to a negative impact from international headwinds also being faced by its key distilled spirits and luxury brand owning peers. A 100p share price implies 3.8x EV/sales and a £70m market capitalisation.

We revise our fair value down from 150p a share to 100p, which still stands well above the current share price.

Company Data

EPIC	ART
Price	49p
52 weeks Hi/Lo	105p / 44p
Market cap	£34m
ED Fair Value/share	100p

Share Price Chart (p)



Source: ADVFN

Description

The Artisanal Spirits Company (ASC) are curators of the world's favourite, single-cask and limited-edition whisky.

Based in Edinburgh, ASC owns The Scotch Malt Whisky Society (SMWS) which was established in 1983 and currently has a growing worldwide membership of over 40,000 paying members. SMWS is focused on providing premium single cask spirits. Since producing SMWS's first cask the company has created around 10,000 different whisky releases, which represents a constant flow of unique and exciting one-of-a-kind whiskies

Key financials

Year to 31 Dec	2020A	2021A	2022A	2023E	2024E	2025E
Revenue (£m)	15.0	18.2	21.8	23.0	24.5	27.8
Revenue growth (%)	2.6	20.2	19.4	5.6	6.4	13.6
EV/sales (x)	3.3	2.7	2.3	2.1	2.0	1.8

Source: ED estimates, company historic data

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