

New supply chain facility progressing as planned

15 November 2022

The Artisanal Spirits Company (ASC) continues to execute its plans to take advantage of the sizeable and fast-growing global premium whisky market, as detailed to investors at the time of its IPO in 2021.

Masterton Bond

ASC has announced today that good progress continues to be made in relation to the Group's new multi-purpose supply chain facility at Masterton Bond, near Glasgow. Masterton represents an important focal point of business expansion and efficiency improvement for the group and the steady progress of the project throughout the year should be welcomed by investors.

The company highlights that the facility is being built to schedule and on budget. It has completed its construction phase and now moved to the commissioning phase, having commenced initial bottling operations at Masterton. The plan is for phased development over coming months, and it is still anticipated that the facility will be fully operational during Q1 of FY2023: providing production, cask storage, fulfilment and distribution of ASC's whisky and other spirit stock from this state-of-the-art, new warehouse and supply chain facility.

Financial benefits

As we have noted in our previous reports on ASC, once fully operational this facility will lead to a significant improvement in operating margins. Managing Director David Ridley confirming in today's release that *"This is an exciting milestone in ASC's continued development which we are confident will deliver tangible operating margin upside of around 2% in FY23."*

At this stage, we leave our forecasts unchanged but operational progress of this nature will clearly make our FY2023 profit expectations easier to achieve.

Shares still appear undervalued

ASC's stock-market valuation represents a discount on EV/sales ratio to both its publicly listed distilled spirits and luxury goods peer groups, which we regard as the most relevant comparators. In addition, the £455m notional value of the company's whisky stock at retail is **around 9 times** the current market capitalisation of £50m. These analyses were detailed in our recent note [Successfully following a clear route to growth](#) which followed a strong set of interim results from ASC.

We reiterate our 150p per share fair value, which on our estimates implies ratings of just 5.5x EV/sales in FY2022 and 4.1x sales in FY2024.

Summary Financials						
Yr to 31 Dec	2020A	2021A	2022E	2023E	2024E	2025E
Revenue (£m)	15.0	18.2	21.6	24.8	28.6	32.7
Revenue growth	2.6%	21.4%	18.3%	15.1%	15.3%	14.2%
EV/sales (x)	4.4	3.6	3.1	2.6	2.3	2.0

Source: ED estimates, company historic data

Company Data

EPIC	ART
Price (last close)	74p
52 weeks Hi/Lo	118p/52p
Market cap	£51m
ED Fair Value / share	150p

Share Price, p



Source: ADVFN

Description

The Scotch Malt Whisky Society (SMWS) is focused on providing premium single cask spirits. With an average whisky cask yielding around 250 bottles each time, each release is by its very nature a limited edition with exclusive characteristics.

ASC's objective is to bring together spirits from some of the world's best spirits producers, add value by managing the maturation process and provide exclusive access to a vast and unique range of outstanding single cask Scotch malt whisky and other spirits to The Scotch Malt Whisky Society's global membership.

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