

# The Artisanal Spirits Company



## Taiwan subsidiary uplifts Asian growth outlook

22nd August 2023

Today's announcement by The Artisanal Spirits Company that it has successfully launched a new subsidiary in Taiwan is important. The country is the world's third largest market for Ultra-Premium Scotch Whisky globally, and thus one which should welcome the ASC's unique offering of single cask malt whiskies. Moreover, the action is consistent with the ASC enjoying significant headroom for incremental revenue growth – notably through Asian expansion. We continue to argue that fair value for the shares is 150p, and Asian strength supports this view.

ASC's newly created SMWS Taiwan subsidiary replaces the company's existing franchise agreement. The company will own 70% of the entity, which will be led by an experienced management team comprising Murphy Chang (formerly Moet Hennessy Taiwan) and Eric Huang, the former franchise partner. Group CEO Andrew Dane will assume the role of Taiwan entity chair. The transition from franchise to subsidiary should therefore be comparatively smooth.

The addressable market for the SMWS offering in Taiwan is sizable. The country is estimated to be the world's third largest market for Ultra-Premium Scotch Whisky based on value. According to IWSR data, the estimated total addressable market is \$593m (or £463m at today's £1=US\$1.28 exchange rate). By comparison, the UK (ASC's largest online market) generated around £5m in net sales revenue in FY2022.

Early impact from the announcement was positive. In the first day of trading SMWS Taiwan enrolled 500 paying members. The group should be in a strong position to embellish this enthusiasm and drive sales growth through the SMWS website, in-person events and digital marketing as well as social media activity – all of which draw on the company's proven success in other markets.

Taiwan clearly increases the ASC's market weight in Asia where it arguably demonstrates critical mass through its subsidiaries in China in Japan. In addition, the company has franchise partners in a range of Asian markets, of which the most salient are new partners in Malaysia and the recently established franchise in South Korea.

### Ability to execute in Asia is positive for valuation

We base our 150p fair value/share, which implies a 4.8x FY2023 EV/sales ratio, on a relative valuation comparison with other international distilled spirits companies and luxury providers, which were detailed in our July 2023 report: [Investing in ultra-premium Scotch's global growth](#).

Moreover, today's announcement in relation to Taiwan strengthens our view that ASC – in contrast to some of the larger spirits and luxury companies – still has **substantial growth headroom and can accelerate with incremental organic measures**. The company is on the move in Asia!

### Key financials

Year to 31 Dec	2020A	2021A	2022A	2023E	2024E	2025E
Revenue (£m)	15.0	18.2	21.8	24.7	28.7	32.9
Revenue growth (%)	2.6	20.2	19.4	13.6	15.9	14.7
EV/sales (x)	4.4	3.6	3.0	2.7	2.3	2.0

Source: ED estimates, company historic data

### Company Data

EPIC	ART
Price (last close)	74p
52 weeks Hi/Lo	108p / 57p
Market cap	£51 million
ED Fair Value/share	150p

### 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 38,000 paying members. SMWS is focused on providing premium single cask spirits.

Since producing SMWS's first cask the ASC has created around 10,000 different whisky releases, which represents a constant flow of unique and exciting one-of-a-kind whiskies.

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