

The Single Malt Fund Trading Company

Whisky Investment and Market Report – Q1, 2023

Welcome to the Q1 2023 Single Malt Fund Trading Ltd report, where we comment on the latest developments in the rare whisky as well as broader industry markets and give an update on our trading operations.



Industry news

There was a flurry of reports from the top spirits groups in Q1, with one overriding theme dominating all of them: Premiumisation. We and the rest of the industry have been talking about how the increasing demand and short supply of aged whisky, coupled with consumers' behaviour leaning more and more towards drinking better quality spirits at home, is resulting in brands putting greater emphasis on the premium sector. The reports in Q1 suggest that this is now an established norm and, more importantly for the trade, it is paying off.

Pernod Ricard, in their 6 months to end Dec 22 results, released in Feb, announced that Super Premium brands now represent 42% of sales. Premium brands making up a further 37% of sales. This led to organic growth of 12% for the period. Beam Suntory reported that, in their full year 2022, Premium-plus spirits are now more than half of their sales. The +15% growth "reflected our strategy to premiumize our spirits portfolio and focus on value over volume". Diageo, in their 6 months to end Dec report, revealed that Premium-plus brands drove 65% of their organic net sales growth (+9.4%), while Moët Hennessey, owned by the number 1 luxury goods company in the world, LVMH, announced net sales growth of 19% for the full year 2022.

As the Drinks Business reported in February, "everyone is playing the Premiumisation game".

The other trend we have reported on in recent times, which seems to be gaining momentum, is the growth of the Irish Whiskey

market. We have heard that Irish Whiskey is set to overtake Scotch in the US by 2030. To add to this story, IMARC, a market research company is forecasting the Irish Whiskey category to grow by a CAGR of 7.44% between 2023 and 2028, to reach US\$7.5 billion, up from US\$4.7 billion in 2022. Irish whiskey is hot right now and is expected to remain so for quite some time as the giants increase market share and more and more of the new generation of distilleries bring their own liquid to market.

India has been in the news recently, as the industry speculates on what an opening up of the US\$36 billion spirits market could mean. An expected UK trade deal is widely estimated to add a potential US\$ 1 billion to exports of scotch. Contrary to popular belief, India is not just a mass market brand for cheap blends. Diageo reported in Q1 that, 72% of its US\$ 1.2 billion in net sales in India comes from premium brands. We wait with bated breath.

E commerce is a category that, for obvious reasons, we look at very closely, and it remains clear that consumers across the globe are increasingly benefiting from the convenience of buying their alcoholic drinks online. The US, of course, is leading the way. MikMak, the leading e-commerce acceleration platform released the MikMak Shopping Index 2023 Alcohol E-Commerce Benchmarks and Insights Report, which outlines key behaviours of alcohol shoppers in the US. Rachel Tipograph, founder and CEO of MikMak, said: "Alcohol

pandemic. Despite a shift back to pre-pandemic purchasing habits, alcohol e-commerce sales are still strong and growing." According to MikMak, e commerce alcohol sales are expected to reach US\$40bn in the US by 2026. To add to this, Drinks Business reported on Jan 10th that the number 1 US Distributor, Southern Glazer Wines and Spirits, passed US\$ 3 billion in revenue in 2022. There is no reason why such trends will not spread across the globe as brands look more and more to the digital channel and consumers continue to demand the convenience of having their bottles delivered to their door.



Whisky Investment and Market Report – Q4, 2022



Rare Whisky Q1 results

The Rare Whisky 101 Apex 1000, the barometer of the UK auction market for rare whisky bottles, declined for the third quarter in succession by 0.8% in Q1. This was an improvement on the Q4 numbers which may suggest a corner has been turned. At the top end of the market, the RW Icon 100, recovered from -10% in Q4 to -1.8% in Q1, while the Japan 100 is back in positive territory with growth of +2.2%.

From a brand perspective, it was a mixed bag. Thankfully, there were more brands in positive territory than not, with Glenmorangie the winner with a growth of 5.4%. However, The Macallan, the dominant player, did slip below last year by -0.4%. The big standout brand, for the wrong reasons, was Glenfarclas with a double-digit decline of -17.5%.

The word on the street is that this drop in the auction prices in recent quarters is more of a temporary correction due to more macro-economic reasons, as opposed to a fundamental decline in demand for rare and collectible whisky. It may be a while before we see the heady heights of \$1 million + bottles of The Macallan again, but rare whisky is only getting rarer and consumer interest shows no sign of slowing down. What is more, the big auction houses reported some very impressive results at the very premium end of the market in Q1.

Index	2022			2023
	Q3	Q4	YTD	Q1
RW Apex 1000	-0.6%	-1.7%	6.9%	-0.8%
RW Icon 100	-3.2%	-10.0%	1.0%	-1.8%
Japan 100	3.0%	-4.1%	11.8%	2.2%
Single Grain	0.2%	0.0%	0.8%	-0.5%
Ardbeg	0.9%	-4.1%	6.1%	-0.6%
Balvenie	19.3%	3.5%	20.5%	-4.3%
Bowmore	1.3%	-1.3%	2.5%	-2.2%
Brora	-11.0%	1.1%	-0.1%	-4.3%
Bruichladdich	-8.6%	-8.1%	8.9%	3.1%
Bunnahabhain	-2.8%	-11.9%	-3.4%	0.4%
Caol Ila	-7.0%	-1.7%	1.7%	0.7%
Clynelish	-1.9%	2.9%	-0.3%	1.1%
Dalmore	-0.9%	-1.2%	-6.3%	3.2%
Karuizawa	5.5%	-4.1%	25.0%	1.2%
Glendronach	12.4%	3.5%	29.8%	3.5%
Glenfarclas	6.2%	-6.4%	-0.5%	-17.5%
Glenfiddich	2.6%	-4.9%	-1.1%	0.3%
Glenlivet	0.9%	1.9%	3.2%	0.8%
Glenmorangie	-5.1%	-0.7%	-2.6%	5.4%
Highland Park	-0.2%	-2.5%	3.0%	0.8%
Lagavulin	-1.1%	-6.7%	-6.0%	0.1%
Laphroaig	-6.6%	3.9%	6.8%	-2.0%
Macallan	5.9%	-11.0%	10.7%	-0.4%
Port Ellen	2.5%	-18.7%	-10.0%	-2.0%
Rosebank	-5.5%	-7.8%	-13.2%	0.8%
Springbank	2.1%	-0.1%	8.6%	0.1%
Talisker	2.6%	-4.6%	20.5%	-3.6%
Yamazaki	6.8%	-3.6%	55.2%	-1.0%

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Auction Update

Sotheby's, the most premium global auctioneer of rare whisky have held a few sales so far this year across their main international hubs. These were notable for some very eye catching lots of premium Japanese bottlings, which commanded impressive prices;

- **Hong Kong April 5th (technically Q2 but hot off the press);** a bottle of Yamazaki 50- year-old first edition sold for HK\$ 4,750,000 or c US\$608,000
- **Paris March 14th;** a bottle of Yamazaki 55-year-old sold for €400,000
- **Hong Kong March 7th;** a collection of four bottles of Karuizawa single cask Toulouse Lautrec sold for HK\$ 325,000 or US\$42,000

The Single Malt Fund Trading Activities in Q1 2023

Q1 tends to be quiet for whisky retail, but we at www.thesinglemaltshop.com have been busy. Traffic to the site is more than double the same period last year. Not only that, but visitors spent more than 70% more time on the site than they did in 2022 which is a very positive sign. This has translated into orders, with more than double the number of customers versus Q1 last year, and almost 2.5 x the number of orders.

We have spent a lot of Q1 investing in site optimization, which has resulted in speed increasing from 32% to 73% of speed potential. On top of that, we have added a new checkout which includes Apple Pay, soon to be joined by Google Pay. You can now buy your drams in a few seconds with a simple double click on your phone!

On the product side, we added 75 new skus to the site in the first quarter of 2023, launching brands like Bruichladdich and Tullamore Dew for the first time. The highlight was the much-awaited annual release of Midleton Very Rare. We were very grateful to our friends at Irish Distillers, who gave us a significantly larger allocation of bottles, but, as usual, they sold out in a couple of days!

We would like to take this opportunity to thank all our suppliers and partners for all their support as we move forward into our second full year of trading.

Slainte!

Ed Forrest

Managing Director – The Single Malt Fund Trading Ltd.

