

HY25 Results Presentation

10th December 2024

Today's Presenters

Rodrigo Maza

Chief Executive Officer



- Before becoming CEO on 2 April 2024, Maza was Naked's UK Managing Director since September 2023
- Launched and scaled several online alcohol delivery businesses including at AB Inbev
- Also held various executive roles at Grupo Modelo S.A. de C.V. and AB InBev

Dominic Neary

Chief Financial Officer



- Joined Naked as CFO on 11 November 2024
- 5 years as CFO, most recently at MindGym plc.
- And 10 years experience from senior finance roles in international high growth consumer, digital and FMCG companies, including Just Eat, MoneySupermarket and Reckitt Benckiser

Overview



Financials

Robust financial foundations, with notable improvements in liquidity and cash



Strategy

Comprehensive Strategic Initiatives and Testing programme progressing according to plan



Outlook

Peak season trading so far has been solid
FY25 performance currently in line with guidance



HY25 Highlights

Dominic Neary
Group CFO

Performance in line with guidance

£112.3m Revenue	£15.7m G&A	£0.6m Adj. EBIT before inv. liq*
-14% vs HY24	-£2.9m vs HY24	-£2.0m vs HY24
£5.6m LBT	**£139.2m Inventory**	**£22.9m Net cash**
+£4.1m vs HY24	-21% vs HY24	+£20.1m vs HY24

All numbers at constant currency
*Inventory liquidation costs include changes to the US stock provision and losses on disposal and other wine liquidation costs



Reduced revenue broadly in line with membership movement



£2.9m G&A reduction on HY24 reflects savings program implemented in FY24

Adj. EBIT in line with management expectations

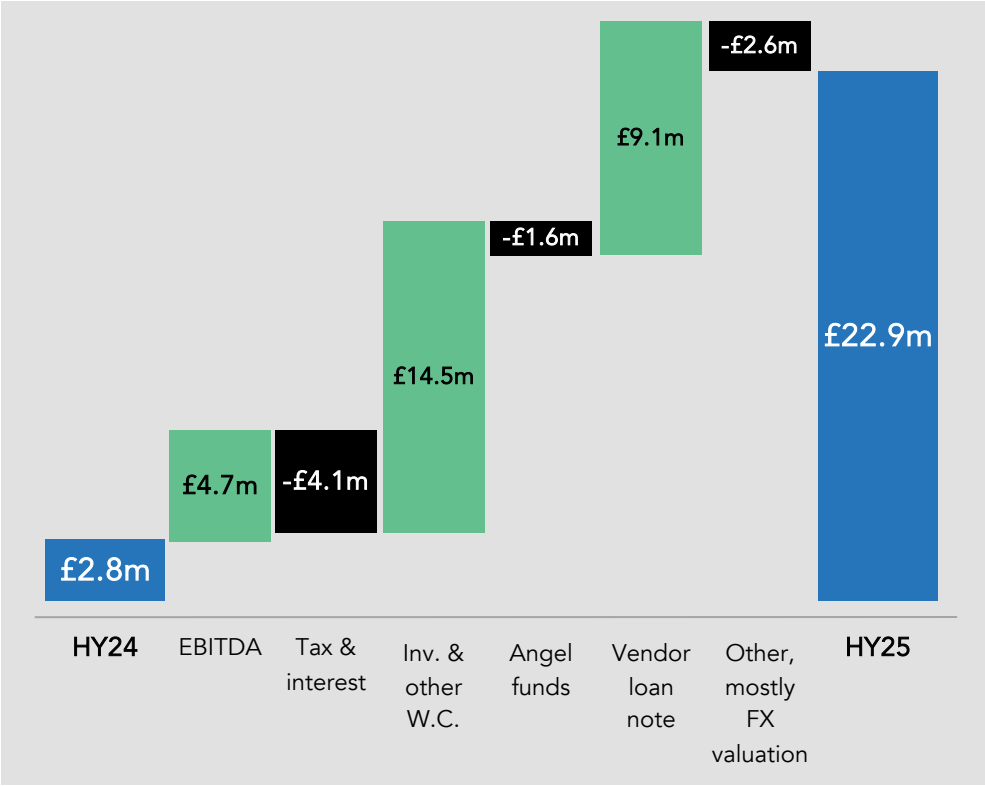


LBT includes £3.7m cost of eliminating inventory and £1.8m adjusted cost for under-absorption of winery overheads in US



Cash up £20.1m on HY24 reflecting impact of stock reduction and £9.1m vendor loan note

Liquidity and cash is strong and improving



Inventory has fallen, but still more than £30m of excess stock in the US

86% of Angel funds are with our core members. Movements will track behind decline/growth in revenue

Supported by new credit facility, we are slightly in excess of group treasury policy

Monitoring funds vs. requirements to assess if we are likely to have excess funds in the future

Thoughts after 1st month

Our membership is unique and valuable

- Customer NPS is excellent at 76 (73 PY)
- The rate of member decline continues to improve; including the maturation of exceptional acquisition levels in FY21-FY23
- Core members* now represent 74% of our revenues, (67% PY); they generate c. £46m of annual contribution

* Core members defined as +24 months

Digital test and learn is progressing

- Repeat sales retention has improved from 72% to 74%
- H1 payback headwind, but likely H2 tailwinds:
  - Recent testing wins
  - Wine Genie testing reversed
  - Marketing channel econometric modelling

Multiple routes to profit/cash

- Significant efficiencies from move to non-voucher channels from H2 and FY26
- Substantial procurement and other opportunities in COGS and fulfillment
- Tech investments will start to free up resources
- Reducing excess US stock more quickly



Strategic Review

Rodrigo Maza

Group CEO

Customer Value Proposition is landing. Thanks Janet from Sheffield



I have to admit, I did seriously consider pressing cancel on my account over the weekend.
But I can't. I simply cannot do it. You'll be pleased to know.
For a start thanks to Naked Wines,
I am now a complete wine snob.
I cannot drink supermarket wine.
I can only drink Naked.
Ooh that sounds wrong. Let me try that again.
Naked Wines. I should quickly clarify.
I can only drink Naked Wines.
But it's not just the wine. It's the customer service! Wow, I have never known a company to look after their customers as well as you do. The slightest thing to go wrong and you reward the customer. Every single person I have spoken to over the years has treated me as an individual and made me feel special and important.
So in a nutshell, am I leaving Naked?
Nope 'not on your Nelly' as we say up in Yorkshire.
You have a customer for life with me.

Janet, Sheffield

- Ongoing alignment across the business to our core customer value proposition
- Regular and ongoing feedback that it's landing with our new and existing member base

Great wine

World class winemakers

Thousands of wine lovers like you rating wines

Winemakers and us making decisions with your feedback in mind

Fair prices

We get preferential prices in return for backing our winemakers, which we pass on to you

You don't have to worry about the price

'Great wines at reasonable prices straight to your door'

Without guesswork

Tailored recommendations we know you'll love

Risk free - only pay for the wines you love

Learn by drinking rather than reading

Growth Levers

Acquisition

Get the right customers through the door… for the right reasons!

Personalisation

Get early customers into the relationship that's right… for them!

Retention

Effectively manage customers and deliver value… beyond deals!

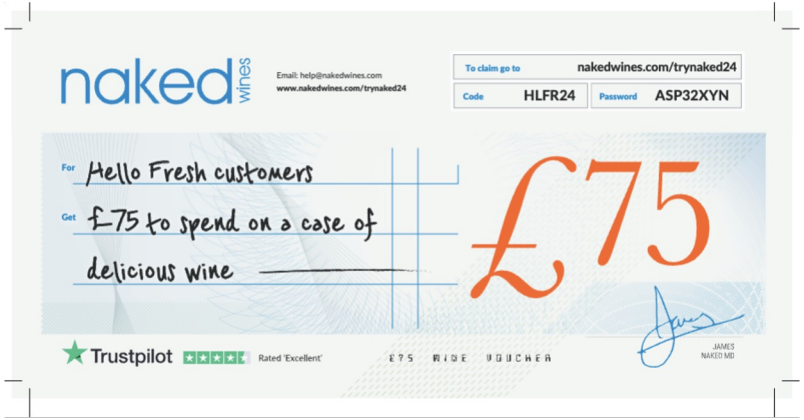
In H1 we learnt from both positive and negative testing results

	Learnings in H1	Impact on H2 and into FY26
Acquisition	→ Voucher inefficiency (UK&US) ↑ CAC → Earned media (Aus) ↓ CAC → ££ efficiencies identified	→ New investment efficiency realised → Playbook for earned media → ↓ CAC
Personalisation	→ New Angel journey ↑ CVR → Limiting manual CRM system	→ Scaled new member conversion journeys ↓ CAC → CRM transformation = personalised journeys ↑ LTV
Retention	→ Better onboarding journey = +3pp → Genie depressed LTV vs Angel → New ratings flow = ↑ engagement	→ Angel focus ↑ LTV → Better churn prediction & prevention ↓ churn

Acquisition - Acquisition testing has identified significant efficiencies to reverse the recent trend in payback

Customer acquisition costs increases have been a key driver in the decline of payback to 1.0x in HY25 (1.3x HY24), largely reflecting the industry-wide decline in the voucher mechanic.

Efficiencies identified in this FY, with more opportunity in FY26.



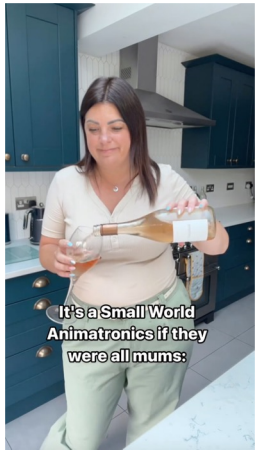
- Mechanic (a discount) has become the message
- Voucher response rates have significantly declined and softer ecommerce trading impacting circulation volumes - slow feedback loop limiting optimisation
- Channel is past point of diminishing returns ie when we spend more, we don't acquire any more customers (less true during Peak/Q3)

Acquisition - Priority channels showing flywheel effect

Finding the right channels to scale continues to be a top priority. Priority channels are driving a virtuous cycle, where PR and content creators get wide reach cost-effectively, then member conversion is more efficient via Meta, member referral and brand search. Customers via channels have +400bps 2 year sales retention vs partner channels.

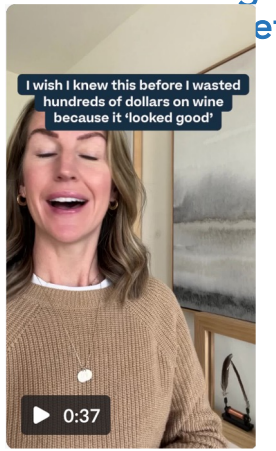
Driving cost effective reach

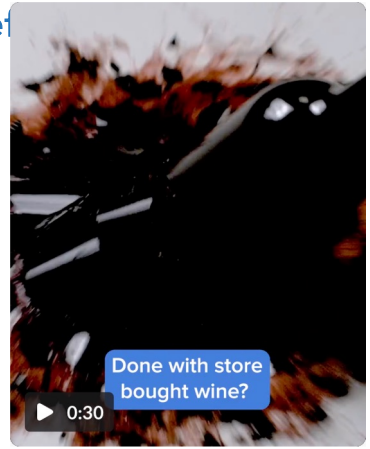




- SEO - Now ranking #1 for wine in Australia
- PR and content creators telling the Naked story at scale

Converting new members more



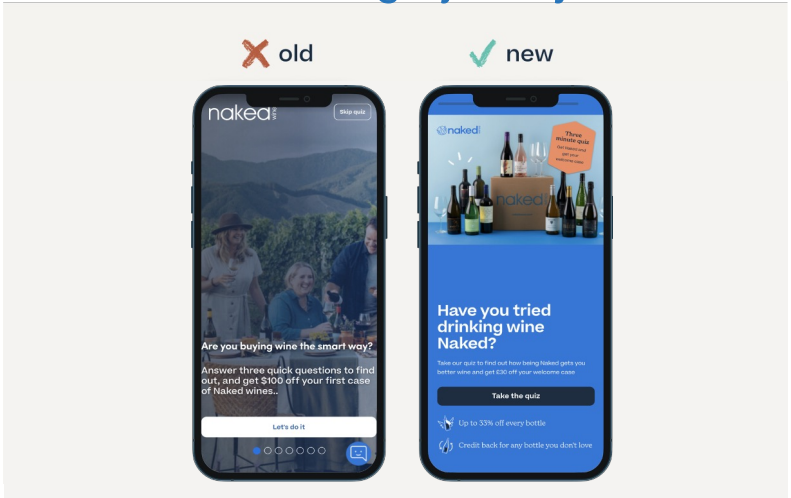


- Meta creative tests driving scale - UK Meta CAC <£50
- Paid influencer content driving both Naked demand and acquisition efficiencies

Personalisation - New user conversion significantly improved

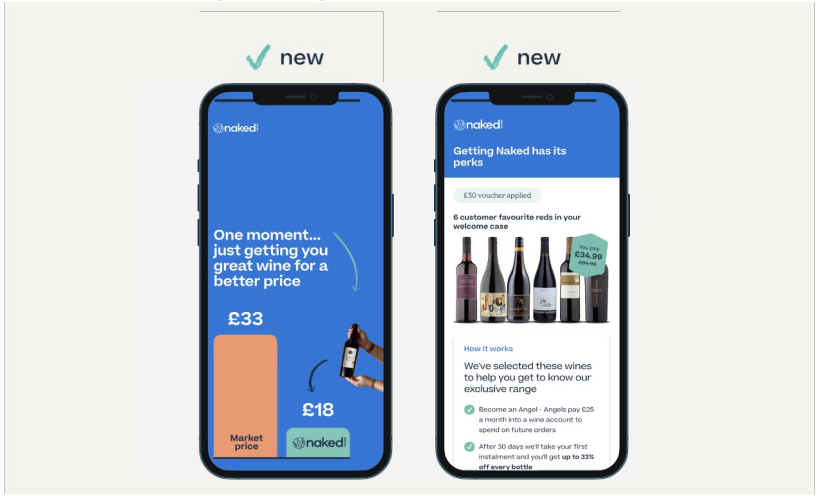
Recently re-launched new user journeys are delivering significant improvements in conversion, most notably the newly launched Angel acquisition journey, where we have seen improved UK conversion uplifts between 16% and 43%.

New Angel journey



+16-43% increase in UK member conversion

Taking the guesswork out of wine

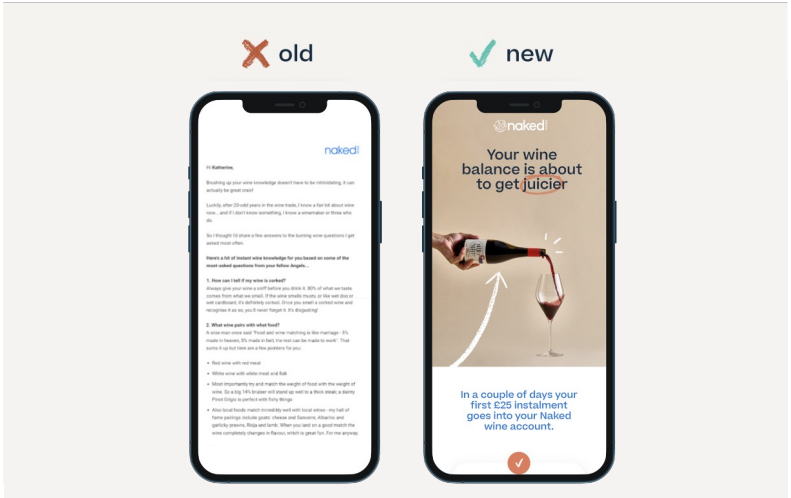


More significant alignment to our distinctive value proposition

Retention - up 200bps on last year for our mature customer base

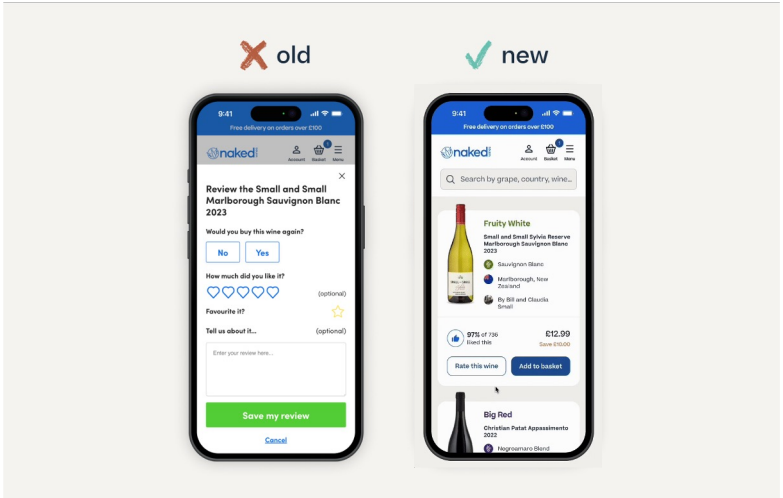
Material improvements in retention are feeding through to KPI's, including the impact of redesigned onboarding flows for new members in their first 90 days. We continue to improve our onsite experience to remove the guesswork from wine.

New 90 day onboarding flow



+300bps 0-90 day retention

New wine ratings flow



+10% add to basket rate
63% to 94% completion rate improvement

Our Commitment

Transparent & Scientific

Impactful testing, focus on clear and consistent comms

Focused & Disciplined

Guardrails on SG&A, MKT investment, capital, and stock

Responsible & Pragmatic

Performance review underway evaluating options to maximise shareholder value

Summary

Financials in line with guidance

Early peak season trading solid

Liquidity and cash continuing to improve

FY25 performance expected to be in line with guidance

Strategic test & learn agenda happening at pace

Payback challenge and causation clear, efficiencies identified in FY25, and more opportunities in FY26

Valuable learnings from strategic initiatives focused on retention, personalisation and acquisition

Performance review to maximise shareholder value

Conclusions from testing programme ready in Q4 FY25

Efficiencies from shifting acquisition focus away from non-voucher channels

Options to accelerate inventory reduction, and drive continued efficiencies



naked wines

Q&A



naked wines

Appendix

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Glossary of terms

Alternative performance measures	
Adjusted EBIT	Operating profit adjusted for amortisation of acquired intangibles, acquisition costs, impairment of goodwill, restructuring costs, fair value movement through the income statement on financial instruments and revaluation of funding cash balances held and any transaction or event that management considers quantitative as well as qualitative factors such as the frequency or predictability of the item. A reconciliation to operating profit can be found on the face of the Group income statement.
Adjusted EBITDA	Adjusted EBIT plus depreciation and amortisation, but excluding any depreciation or amortisation costs included in our adjusted items e.g. amortisation of acquired intangibles.
EBIT	Operating profit as disclosed in the Group income statement.
Free cash flow	Cash generated by operating activities less capital expenditure and before adjusted items and tax.
Net cash excluding lease liabilities	The amount of cash we are holding less borrowings at year end excluding lease liabilities.

Glossary of terms (continued)

Investment measures	
5-Year Forecast Payback	The ratio of projected future Repeat Customer contribution we expect to earn from the new customers recruited in the year, divided by the Investment in New Customers. We forecast contribution at a customer level using a machine learning algorithm that weighs several characteristics including demographics, interactions and transactions forecast over a five-year horizon. This is then aggregated to a monthly, then annual, cohort level for reporting purposes. As this is an undiscounted forward-looking estimate it cannot be reconciled back to reported financial results.
5-Year Lifetime Value (LTV)	The future Repeat Customer contribution we expect to earn from customers recruited in a discrete period of time. We calculate this future contribution using a machine learning model. Collecting data for a number of key customer characteristics including retention, order frequency and order value along with customer demographics and non-transactional data, the machine learning algorithms then predict the future (lifetime) value of that customer.
Investment in New Customers	The amount we have invested in acquiring new customers during the year, including contribution profit/loss from New Customer sales and advertising costs. Please note that we have updated the description of this term to elaborate on its components, however the underlying calculation has not changed.
Other Contribution	The profit or loss attributable to sales meeting the definition of other revenue.
Repeat Customer contribution	The profit attributable to sales meeting the definition of Repeat Customer sales after fulfilment and service costs.
Repeat Customer contribution margin	Repeat Customer contribution as a percentage of Repeat Customer sales.
Repeat Customer sales retention	The proportion of sales made to customers who met our definition of "repeat" last year and who placed orders again this year, calculated on a monthly basis and summed to calculate the full year retention.

Glossary of terms (continued)

Customer experience KPIs	
5* customer service	The percentage of feedback ratings received by our Customer Happiness teams that expressed 5* satisfaction on a scale of 1 to 5.
Product availability	The average percentage of products we have defined as core to the portfolio that is available to our customers throughout the year.
Wine quality - "Buy it again" ratings	The percentage of “Yes” scores given by customers in the year indicating that the customer would buy the product again.

Glossary of terms (continued)

Definitions	
AGM	Annual General Meeting
Angel	A customer who deposits funds into their account each month to spend on the wines on our website.
CAGR	Compound annual growth rate. The year-on-year growth rate required for a number of years for a value to grow from its beginning balance to its ending balance.
Company, Naked or Naked Wines	Naked Wines plc
Contribution	A profit measure between gross profit and EBIT, calculated as gross profit less the costs of fulfilling and servicing (e.g. credit card fees, delivery costs, customer-facing staff costs). We often split contribution into that from new and repeat customers as they can have different levels of profitability.
DtC	Direct-to-consumer
Group	Naked Wines plc and its subsidiary undertakings
LTIP	Long Term Incentive Plan
Marketing R&D	Expenditure focused on researching and testing new marketing channels and creative approaches, with the aim of opening up significant new growth investment opportunities.
New Customer	A customer who, at the time of purchase, does not meet our definition of a repeat customer; for example, because they are brand new, were previously a repeat customer and have stopped subscribing with us at some point or cannot be identified as a repeat customer.
New Customer sales	Revenues derived from transactions with customers who meet our definition of a new customer.
Other revenue	Revenue from stock optimisation activities.
Repeat Customer	A customer (Angel) who has subscribed and made their first monthly subscription payment.
Repeat Customer sales	These are the revenues derived from orders placed by customers meeting our definition of a repeat customer at the time of ordering. A reconciliation of total sales to Repeat Customer sales is shown in note 6 Segmental reporting.
SIP	Share Incentive Plan
Total addressable market (TAM)	TAM represents the available market which Naked sees as a revenue opportunity which it could serve.

For full glossary please refer to the Half Year Results statement.

Guidance remains unchanged

£m	FY25
Revenue	240 - 270
Revenue trend (%)	(16)% - (4)%
Repeat contribution	54 - 65
New customer investment	(22) - (25)
G&A	(29) - (31)
Adj EBIT exc inventory liquidation	3 - 8
Inventory liquidation losses	(2) - (5)
Adj EBIT inc inventory liquidation	(2) - 6
Finance charges	(1.5) - (2)
Closing net cash excluding lease liabilities	25 - 35

Notes:
1) This guidance is provided based on FX rates of 1 GBP = 1.27 USD and 1.85 AUD