

naked wines

H1'22 Results Presentation

Results for the 26 weeks ended 27 September 2021

Disruptive business model continues to drive growth at the largest DtC wine business in the world

Our Winemakers: Australia

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naked wines

Introduction

Nick Devlin
Group CEO

On the agenda today

Our Mission to Disrupt the Wine Industry

H1'22 Results Highlights

The Long-Term Growth Opportunity

A unique value proposition for both winemaker and consumer

CONSUMER

Value

Quality / value advantage

Satisfaction and pricing guarantees

Exclusivity

Exclusive access to world class wines

Personalised recommendations



Connection

Direct connection to world class winemakers

Authentic brands built from winemaker stories

Community

Vibrant community of shared interest

Part of the community: polls, rating and feedback

WINEMAKER

Autonomy

Creative freedom

Own brand

Self employed

Reward

Scale rapidly

Access 947k Angels

High income potential



Passion

Return to vineyard / cellar

Wines you want to make

Attractive lifestyle

Security

Limited capital risk

Guaranteed sales

Multi-year commitment

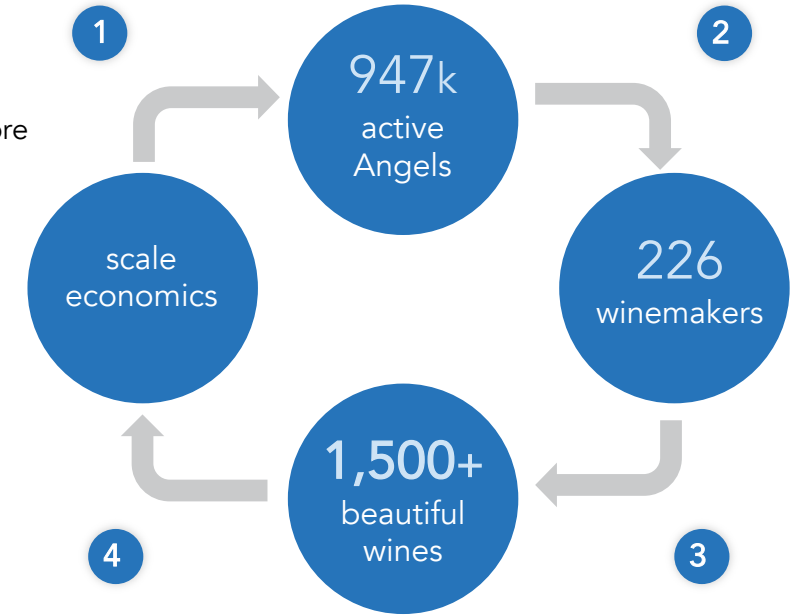
Differentiated model with a virtuous circle

Our subscribers (Angels) generate a stream of cash and product data

The larger the Angel base the more cash we receive from monthly subscription payments

Building a bigger, better business unlocks scale economies

Naked can share efficiencies with winemakers and offer better value to customers, while generating attractive margins



We use this money to back independent winemakers to make wine exclusively for us; the data enables them to make better wine

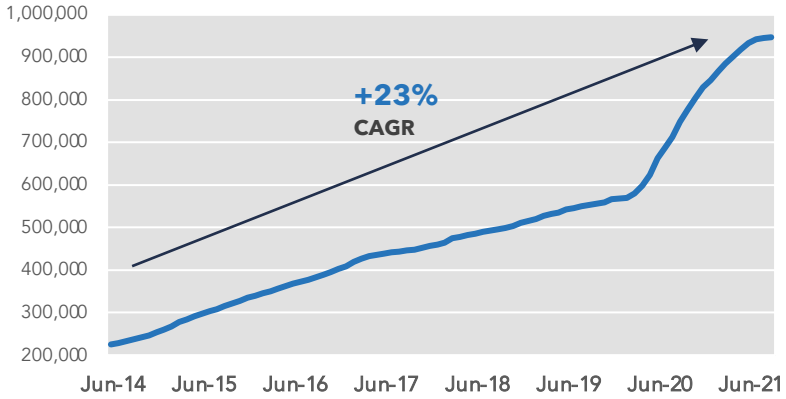
The more funding we have the more winemakers we can onboard and offer them larger volumes and longer contract terms

Winemakers focus on creating beautiful wines and we handle the rest - resulting in preferential prices

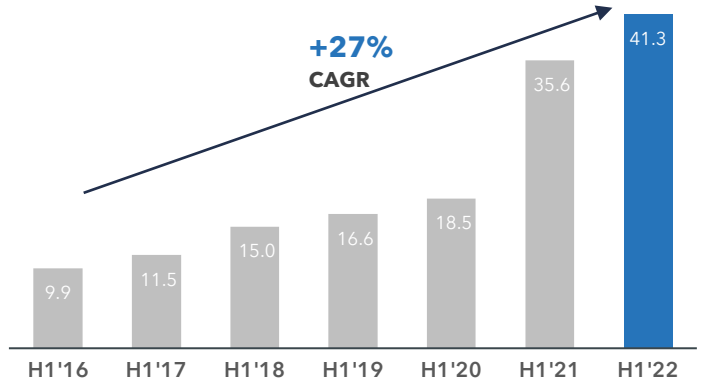
This offers our Angels beautiful wines which drives higher retention

The world's largest DtC wine business

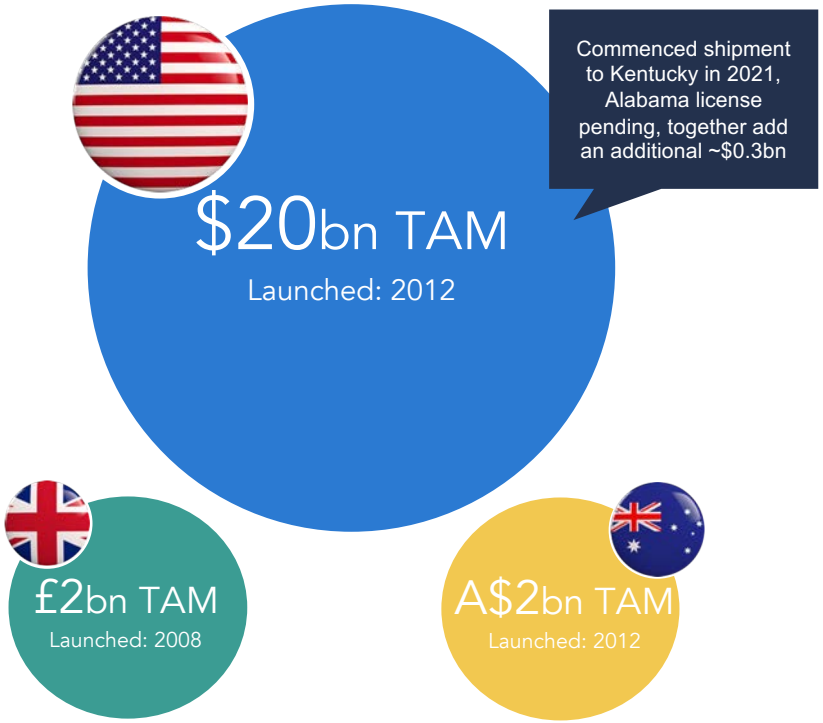
Total Active Angels, 2014-2021



Repeat Contribution, H1'16-22
(£ million)



Just getting started with Global TAM of $25bn



Excl. states cannot sell to[1]

↓

Wine <$10 a bottle

↓

Those who buy wine regularly

↓

Those interested in wine

↓

Naked $25bn TAM

Source: 2020 Direct to Consumer Wine Shipping report. See https://www.sovos.com/shipcompliant/resources/wine-dtc-report/
Combination of DtC & online based on analysis commissioned by the company.
1. Naked Wines held licenses to ship to 42 states and DC in H1'22, representing 91% of US wine market. We anticipate commencing shipping to a further state in Q3'22.

The model in action – accelerating creation of leading winemaker brands



- Silver Oak winemaker building his own iconic Napa brand
- Over 400k bottles commissioned from vintages ‘19 - ‘21
- Debut Francophone Cabernet was Naked’s best subscribed pre-sale ever with over $600,000 presold
- Long-term sourcing secured

Daniel Baron



- Winemaker at 100pt Bevan Cellars stepping out from the shadows with his own Napa & Sonoma label
- Over 7,000 followers on launch day
- 100% pre-sale of his debut wine by 9am on pre-release
- Range of projects commissioned from 2021 harvest

Mitchell Masotti

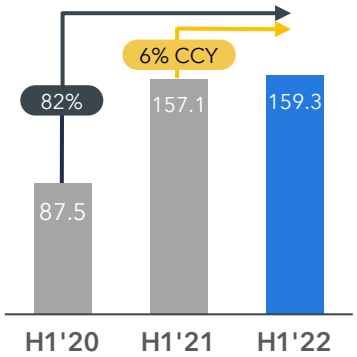


Financial Review

Shawn Tabak
Group CFO

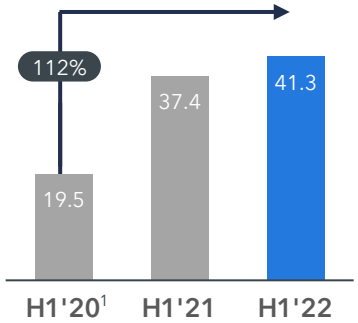
H1'22 financials at a glance

Group Sales
(£ million)



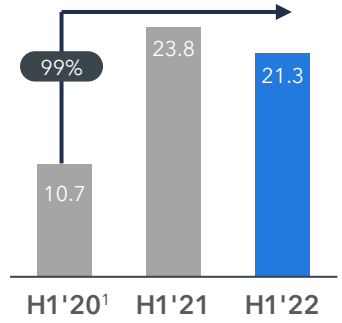
- Group sales +6% on constant currency basis vs. H1'21 (+1% reported)[2]
- Led by US segment

Repeat Customer Contribution profit
(£ million)



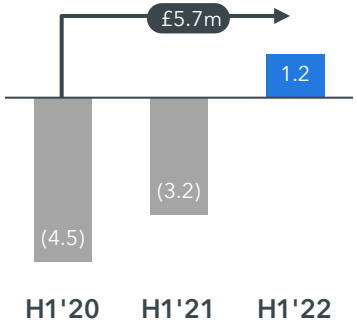
- 21% increase in Repeat Customer Sales vs. H1'21 on a constant currency basis
- Strong Sales retention of 80%, above expectations
- 112% increase over HY'20 highlights continued scale

Investment in New Customers
(£ million)



- Reduced investment to address higher CAC and consumer behaviour changes
- £2m of lower payback spend as market shifted faster than expected as economies re-opened

Adjusted EBIT
(£ million)

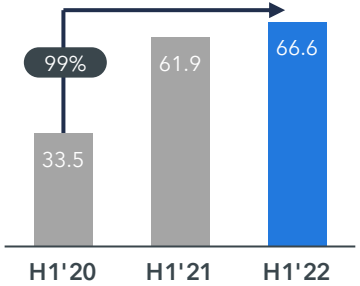


- Continuing to invest for long-term value creation
- Investment in New Customers funded by repeat customer contribution

1. Following a review of the allocation method for fulfilment costs in the current year, we have reallocated costs in the H1'20 comparative figures on a consistent basis. This has resulted in a £0.3m movement of costs from Repeat to New Customer costs, which we think more accurately reflects the basis on which these costs arose.
2. Constant currency basis using current period FX for the translation of the comparative period.

H1’22 cost base

Gross profit
(£ million)

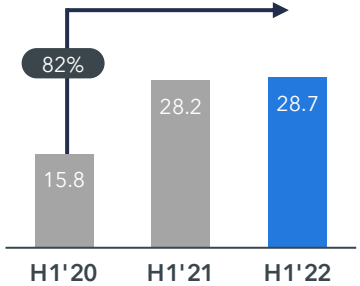


Gross profit margin:		
38%	39%	42%

Gross margin +350 bps vs H1’20

- Higher mix of repeat business which has a higher gross margin
- Improvement in Australia gross margin

Fulfilment costs
(£ million)

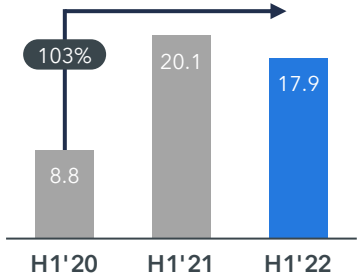


As a % of total sales:		
18%	18%	18%

Fulfilment flat at 18% of total sales

- Successful US fulfilment network remodel
- US and UK impacted by cost pressures in warehousing and transport due to labour market
- Navigated supply chain challenges

Advertising costs
(£ million)

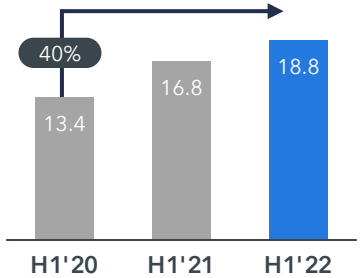


As a % of total sales:		
10%	13%	11%

Advertising +120 bps as a percentage of total sales vs. H1’20

- Higher advertising spend during COVID-19 lockdowns in prior year
- Increase in advertising spend vs. H1’20 driving growth

General and administrative costs
(£ million)[1]



As a % of total sales:		
15%	11%	12%

G&A -350 bps as a percentage of total sales vs. H1’20

- Decrease vs. H1’20 reflects scale in business
- Investing in strategic initiatives to drive growth and customer proposition

1. G&A costs reported here are as per the income statement excluding £0.7m of acquisition related amortisation costs, offset by £0.2m of fair value adjustments relating to open FX contracts and £0.1m of PLC company foreign exchange revaluations.

KPIs – New Customers

	H1'20	H1'21	H1'22	2 YOY Change	
New Customer Contribution loss	£1.9m	£3.7m	**£3.4m**	+79%	• Loss attributable to sales to New Customers; represents loss on trial purchase, increasing due to the higher number of first orders in the period
+					
Advertising costs	£8.8m	£20.1m	**£17.9m**	+103%	• US increase in customer acquisition costs
=					
Investment in New Customers	£10.7m	£23.8m	**£21.3m**	+99%	• Continuing to invest into the significant growth opportunity, particularly in the US, albeit less than would have liked to
5-Year Forecast Payback[1]	2.3x	3.9x	**1.7x**	(0.6x)	• Lower due to market conditions, maintain our focus on investing for growth at attractive unit economics
Year-1 Payback	66%	67%	**101%**	+3,400bps	• Higher than prior years driven by higher frequency trends in H1'21, which are normalising to historic long-term averages

1. 5-Year Forecast Payback shown here as the original forecast payback for that cohort
Full definitions of our KPIs can be found in the appendix to this presentation.

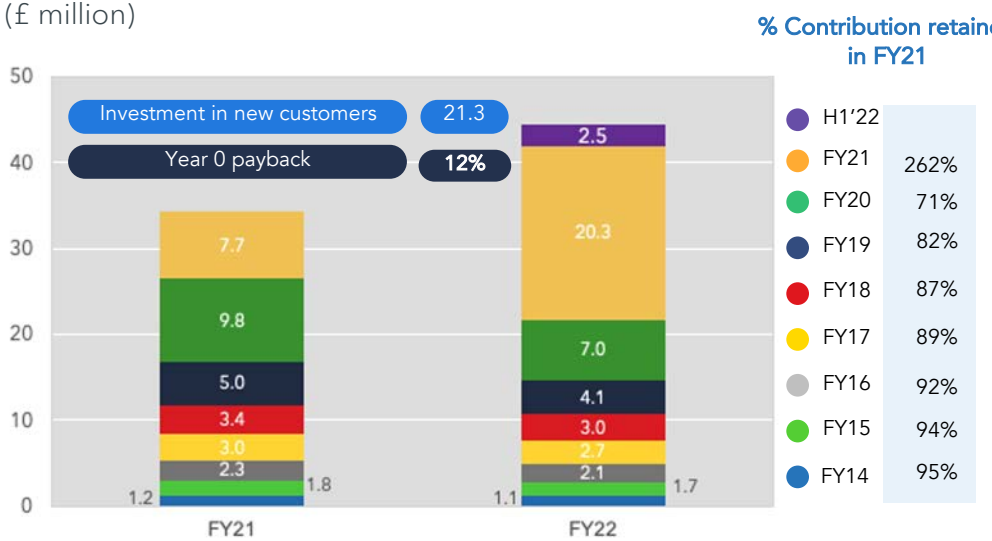
KPIs – Repeat Customers

	H1'20	H1'21	H1'22	2 YOY Change	
Repeat Customer sales	£75.4m	£124.9m	**£144.7m**	+92%	• Growth driven by strong retention and growing customer base
Repeat Customer Contribution profit	£19.5m	£37.4m	**£41.3m**	+112%	• Increase highlights the recurring revenue and cash flow generation in business
Repeat Customer Contribution margin	25.9%	29.9%	**28.5%**	+270bps	• Positive scale benefits, offset by supply chain challenges and non-recurring US network remodel
Repeat Customer sales retention	79%	95%	**80%**	+110bps	• Reflects the strength of the proposition with a strong comparative to H1'21, which benefited from higher order frequency and retention during COVID-19 lockdowns
Active Angels	553k	757k	**947k**	+71%	• Strength of the offering, and the growth opportunity reflected in large Angel base

Full definitions of our KPIs can be found in the appendix to this presentation.

Strong retention across cohorts

Repeat customer H1 contribution by acquisition cohort
(£ million)

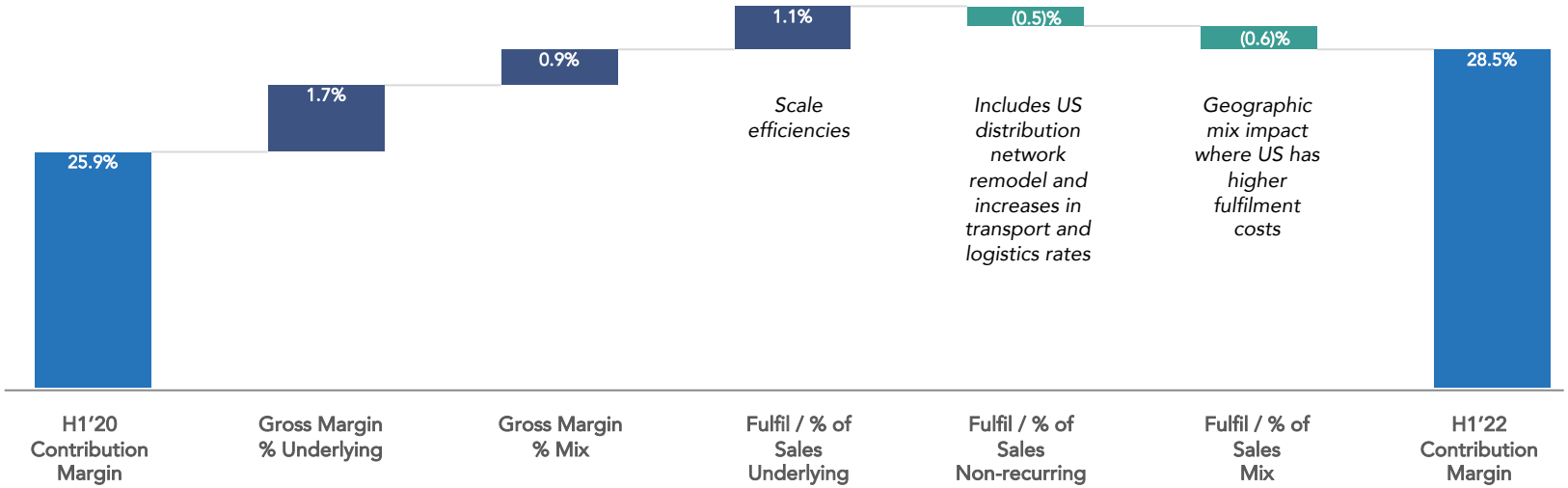


- Emerging from lockdown, customer retention remains strong while order frequency has normalised
- Sticky customer base driven by strong consumer proposition
- Cohorts of customers acquired in FY21 maintaining strong retention characteristics
- Continue to see significant opportunity for strong returns with a large TAM and have measures in place to ensure quality of cohorts
- Year 0 payback 12%, reflective of the lower marketing returns in the period

Notes:
Analysis excludes revenue recognition adjustments
Adjusted for constant currency

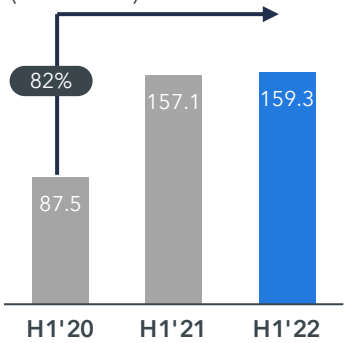
Margin rates ahead of expectations despite cost pressures

Repeat customer contribution margin bridge
(H1'20 to H1'22)



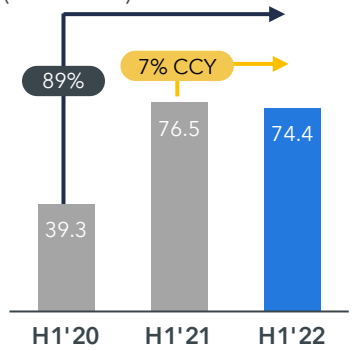
Segmental overview: H1'22 sales

Total
(£ million)



- Growth in our core US and UK markets

US
(£ million)

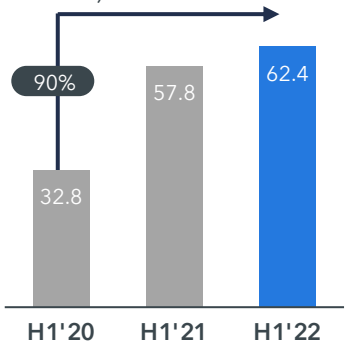


As a % of total sales		
45%	49%	47%

US sales +7% constant currency over H1'21[1]

- Well positioned with strong consumer offering
- 10% increase in FX rates offset reported growth
- Continue to take share of off-premise market

UK
(£ million)

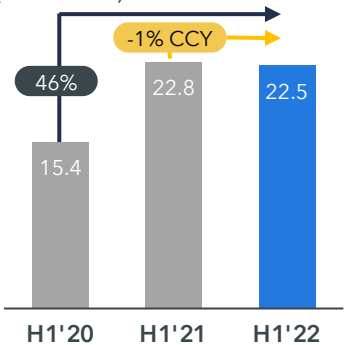


As a % of total sales		
37%	37%	39%

UK sales +8% over H1'21

- Naked's most mature market
- Benefited from highest retention rate in the group

Australia
(£ million)



As a % of total sales		
18%	14%	14%

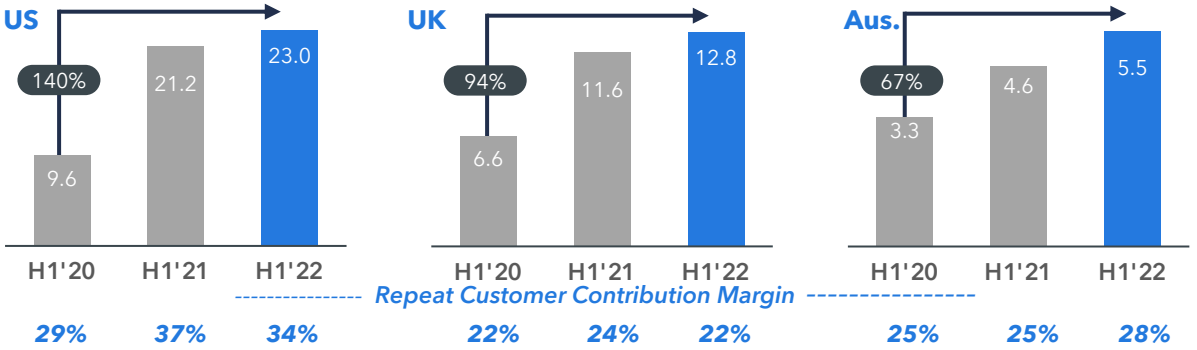
Australia sales -1% constant currency over H1'21[1]

- Improving unit economics driving a better investment opportunity

1. Constant currency basis using current period FX for the translation of the comparative period.

Segmental overview: H1'22 financials

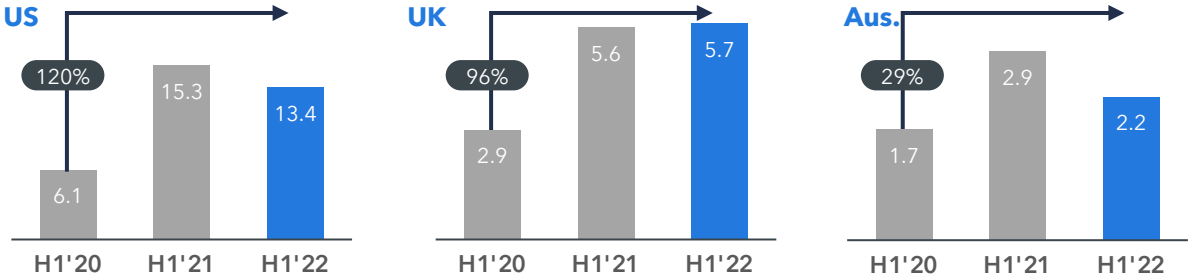
Repeat Customer Contribution profit
(£ million)



Repeat Customer Contribution profit

- Increase in US margin from H1'20 highlights scale efficiencies
- Australia margin increase driven by gross margin improvements
- Global supply challenges in US and UK markets increased costs

Investment in New Customers
(£ million)



Investment in New Customers

- Investment opportunities across all geographies
- Invested less than we would have liked in the US to preserve returns

Standstill EBIT (L12M)

£m	H1'20	H1'21	**H1'22**
Repeat Customer sales	162.9	223.2	303.7
Repeat Customer Contribution profit	41.5	64.6	88.8
Sales retention	81%	90%	82%
Repeat Customer Contribution lost to attrition	7.9	6.2	16.3
Year-1 Payback (from PY cohort)	66.3%	66.8%	100.6%
Spend to replenish lost Repeat Contribution	12.0	9.3	16.2
SS EBIT is calculated as			
Repeat Customer Contribution profit	41.5	64.6	88.8
Less: replenishment spend	(12.0)	(9.3)	(16.2)
Less: G&A costs	(26.4)	(27.9)	(35.4)
Standstill EBIT	3.1	27.4	37.2
Standstill EBIT margin	1.9%	12.3%	12.3%

Standstill EBIT is a measure of our annual profitability that would be reported if investment in new customers was reduced to the level needed to just replenish the current customer base. This proforma EBIT measure highlights the profitability of the business today.

Working capital and cash flow

Key Balance Sheet amounts (£m)	**H1'20**	H1'21	H1'22
Closing cash balance	85.1	76.3	57.1
Working capital			
Inventory	81.4	84.9	127.1
Other current assets	8.5	7.1	6.2
Customer funds	(44.7)	(61.1)	(71.8)
Payables and accruals	(30.5)	(48.9)	(64.2)
Net working capital	14.7	(18.0)	(2.7)

Free Cash Flow - half year ended (£m)	**H1'20**	H1'21	H1'22
Adjusted EBIT	(4.5)	(3.2)	1.2
Addback: Depreciation and IFRS 2 charges	1.3	1.5	1.9
Less: Capex	(0.6)	(0.6)	(0.7)
Changes in working capital	(7.6)	22.9	(28.9)
Free Cash Flow	(11.4)	20.6	(26.5)

- Cash position of £57m
- Investing in inventory to mitigate supply chain disruption - £42m increase vs. H1'21
- Capital prioritised for:
  - Investment in new customer acquisition
  - Inventory to preserve availability for Angels in challenging supply chain environment
  - Strategic investment to improve the customer proposition and operation investment for growth

1. The difference between the year on year change in working capital and the change in the net working capital presented on the face of the balance sheet relates to the translation of working capital movements from local currency to GBP.

FY22 guidance update

- Total sales of £340 million - £355 million compared to £355 million - £375 million previously, reflecting lower than anticipated Investment in New Customers
  - Growth of 2% to 7% on a constant currency basis
- Investment in New Customers expected to be £35 million to £45 million compared to £40 million to £50 million previously
- Repeat Customer Contribution profit outlook unchanged at £85 million - £90 million
  - FY22 margin expected to be 100-200 basis points below H1'22, driven by the supply chain and logistics environment and higher inventory storage costs
- General & Administrative expense outlook unchanged at £46 million to £49 million



1. General and administrative cost guidance excludes amortisation.



Strategy

Nick Devlin
Group CEO

Winemaker: Carmen Stevens, South Africa

H1'22 – Highlights

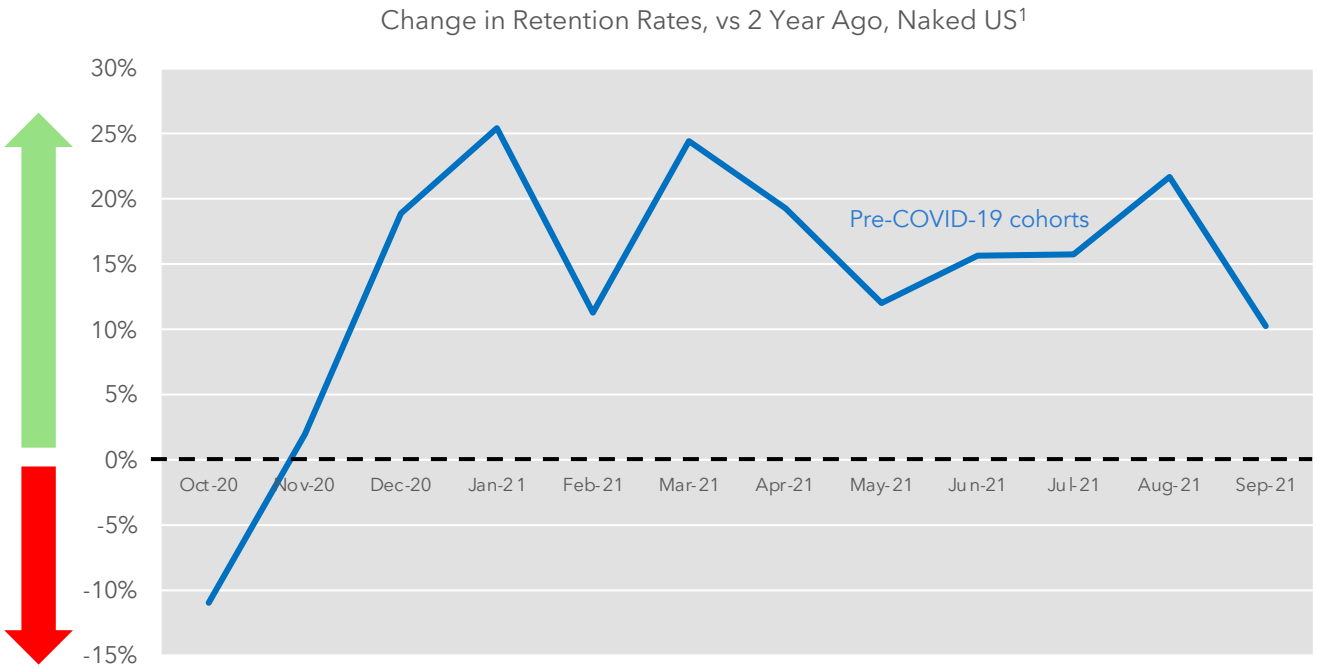
3 Key #s from today

- Key Numbers
- Strategic Highlights
- Challenges
- So What?

3 numbers from today's results that matter for long term opportunity

1. Enhancements to our proposition are driving better than anticipated retention rates in long-tenure members
2. …consequently, our investment returns are consistently better than we estimated
3. We are gaining share of our key US market

1 Long tenure member retention shows signs of enduring improvement; COVID-19 cohorts reverting to FY20 norms

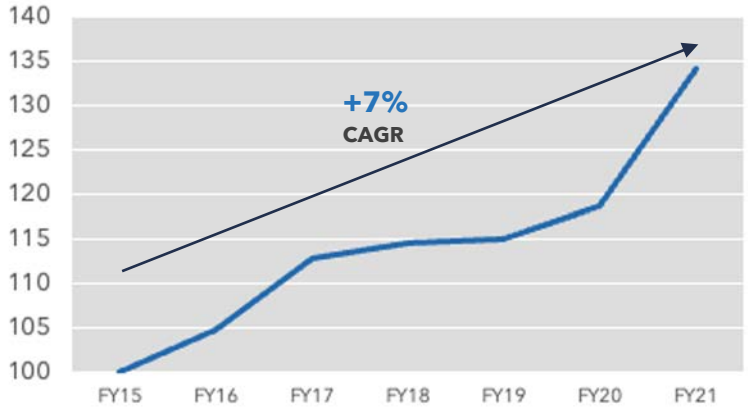


- Trend of improved retention rates in cohorts acquired pre-pandemic continued in H1
- Clear signs of enduring positive change driven by range & proposition enhancements

1. Pre-COVID-19 cohorts shows data for all Angels with >24 months tenure.

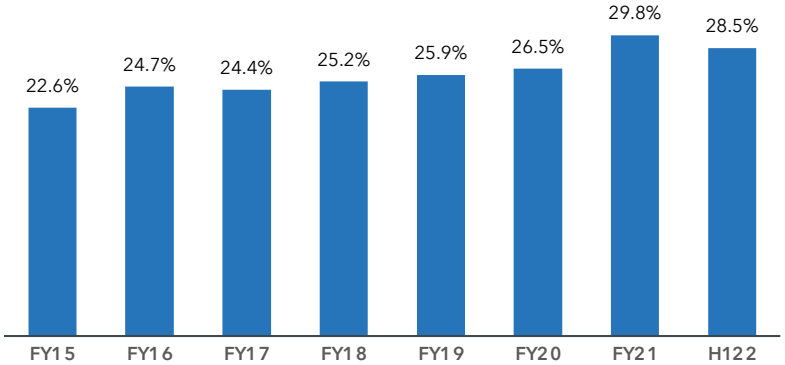
1 Proven track record of improving margins and revenue per member

Revenue per Mature Angel per month FY15 - FY21
Index FY15 100



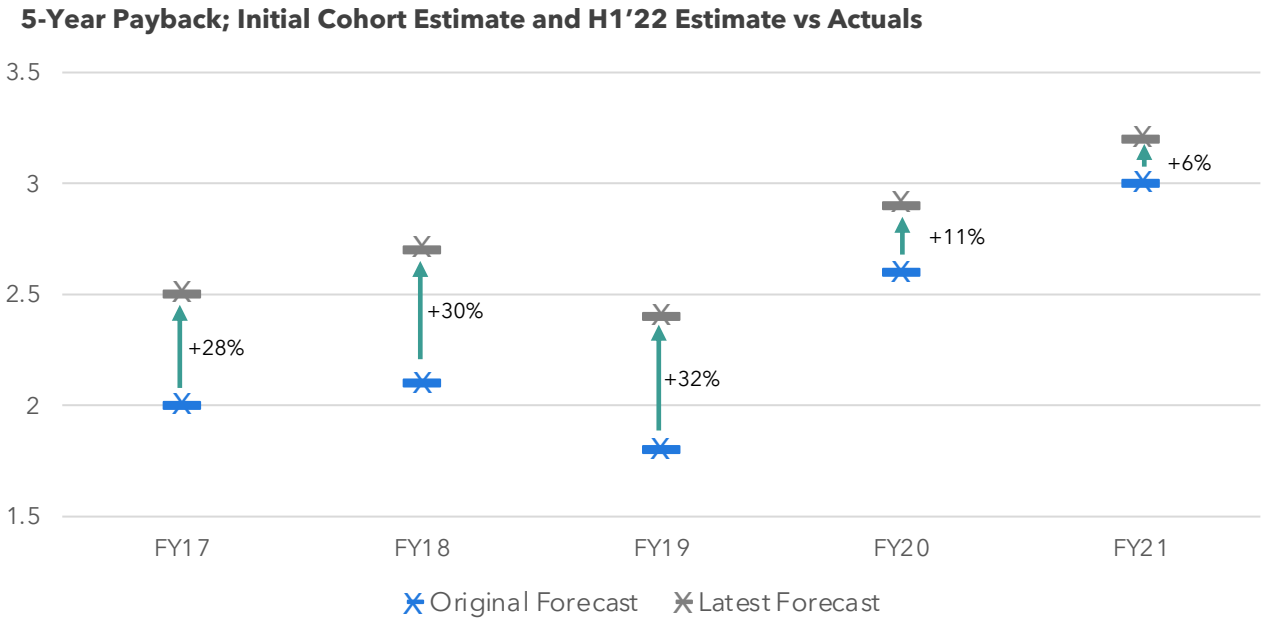
- Consistent increase: position enhanced, cohort quality increased
- Increased frequency and order values

Repeat Contribution Margin FY15 – H1'22



- Margin expansion with scale
- H1'22 impacted by supply chain disruption, but remains 200bps ahead of FY20
- Future expansion path via (1) Mix to US and (2) Scale leverage

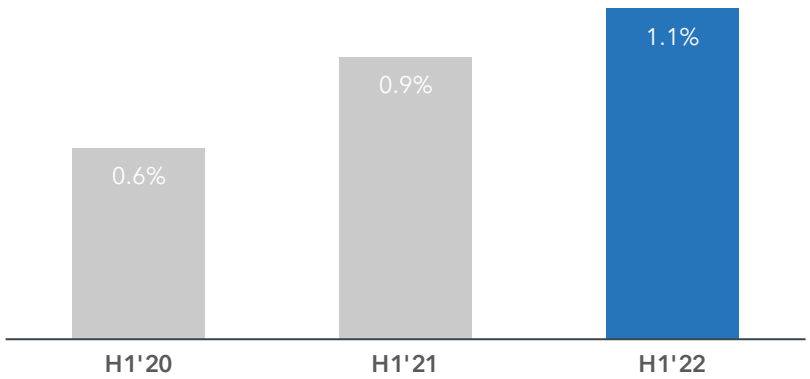
2 Improving underlying metrics result in substantially elevated paybacks vs our initial in-year estimates[1]



1. 5-year forecast payback introduced in FY20. Initial value for FY17-19 calculated by taking initial 20 year payback and adjusting based on current 5:20-year forecast payback

3 Share gain momentum in key US market continues as economy reopens

Naked USA Value Share of Off Premise Wine Market, Source – *Nielsen Off Premise Data*



	H1'20	H1'21	H1'22
9LE Share[1]	0.5%	0.8%	0.9%

- Naked gaining share in key US market through COVID-19 and re-opening periods
- Penetration of market remains low; and well below levels seen in most successful markets
- $ share ahead of volume share, reflecting Naked average price at premium vs total off premise market

1. Volume share based on total 9 Litre Equivalent "9LE" shipped by Naked vs Tracked Off Premise Market Total. Volume share lower than value share due to (1) Naked having higher average bottle price than the market (2) Volume share decline vs FY21 despite value share growth reflects shipment of fewer promotional cases to new customers

H1'22 – Highlights

Key Numbers

Strategic Highlights

- Enhance Customer Proposition
- Leverage Scale
- Broaden & Enhance Go to Market

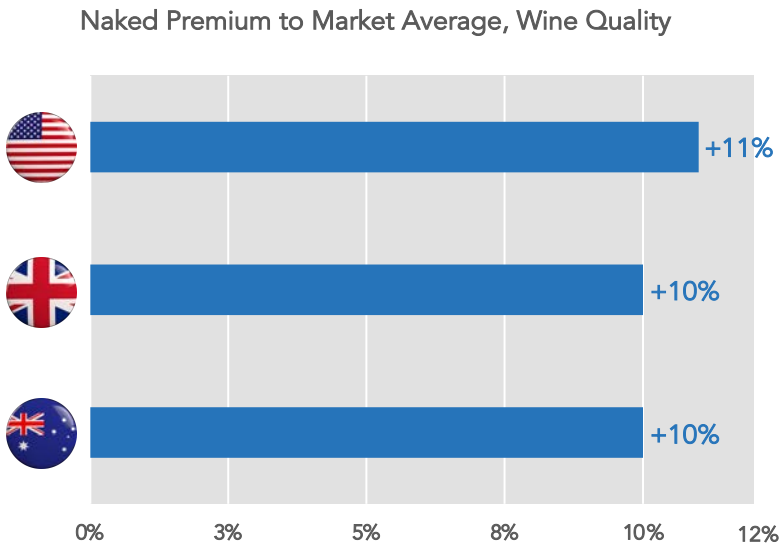
Challenges

So What?

Enhance Customer Proposition:

Awards strategy driving quality perception gains

Brand Tracker, Naked Wines Quality Perception vs Market Average



Record set of awards at the Decanter World Wines Awards 2021, the world's largest and most influential wine competition

- 18,094 wines entered
- Naked Wines won 1/3 of all platinum and 1/5 of all gold medals won by American winemakers
- 48 silver and 105 bronze medals

Naked also enjoyed wide success at IWSC awards

- Over 120 medals won
- Including 95pt Gold for Jesse Katz's debut Alexander Valley Exposed Cabernet Sauvignon

Enhance Customer Proposition:

DWWA – Dave Harvey showcases power of Naked platform





Dave's brand **>70k cases**

2016: Dave goes independent!

2017: Rave reviews for debut wines: signs 3 year contract

Feb '19: San Francisco Wine Chronicle Double Gold Winner

Oct '20: First releases from the winery snapped up by Angels

20 Years Hard Graft

Oct '17: First crush as Naked winemaker

2018: Angel backing allows Dave to fund his own winery in Dayton, WA

Oct '19: First crush in new winery

Jun '21: Dave wins double Gold @ DWWA – only Gold medals awarded to Washington based winemaker

Enhance Customer Proposition:

Subscription products adding further value

Helping our Angels discover & reserve the best wine for them

341,000
Never Miss Out
Annual subscriptions in place

1.8 active
Never Miss Out
subscriptions per
Never Miss Out customer

18,000
Wine Genie
Annual subscriptions
in place



Angels purchase outside of their chosen subscription leading to increase in retention of these customers

Never Miss Out Seasonal case subscriptions success

Our Summer Rose, 3 month subscription, saw 87% of subscribers completing the full 3 months and sold out

Enhance Customer Proposition:

Attracting super star winemakers for our Angels

Ken Wright
US



Megan & Ryan Glaab
US



Andrew & Jamie Pike
Australia

Enhance Customer Proposition:

Naked community in action

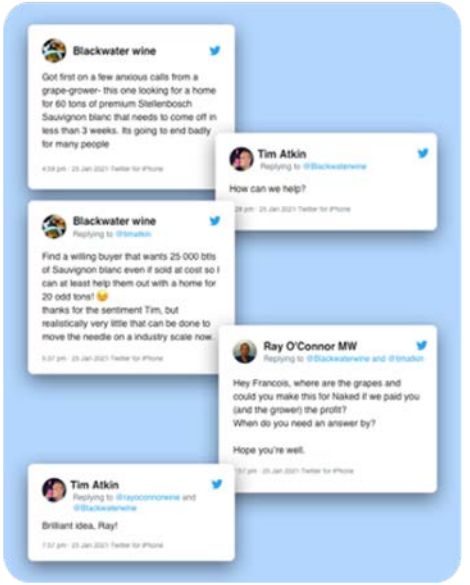


10,000 Angels

11 Winemakers

A$5m fund





Leverage Scale:

Operational improvements to support scale

US Network Remodeled to Support Growth

- Single long-term storage to distributed model
- Multiple benefits:
  - Shorter replenishment cycle = better availability
  - Lower per sq ft costs outside CA
  - Eliminate a “multiple touch” on products
  - Reduced risk
  - Network scale increased
  - One off costs to deliver of ~$1.5m

UK Warehouse Automation

- Automation rolled out ahead of peak trading
- Benefits include
  - Improved pick accuracy and improved on-time delivery performance
  - Scalable solution; mitigate labour cost pressure

Broaden & Enhance Go to Market Strategy:

Encouraging signs from Australian initial brand awareness testing

Recap

Believe we can add brand investment to proven direct response spend

- Interim goals to move the dial on brand metrics – awareness, understanding of proposition, quality perception and purchasing intent
- Initial testing in Australian market in H1

Results show

- Aus brand awareness 59% (from 40%) – #1 online only player
- Supports improvements in key brand metrics (quality perception, brand comprehension)
- Too early to be definitive on returns – aggregate market payback increased, but too early to conclude

Positive signs give confidence in strategy

- Initial results consistent with our belief we are investing for the long-term, brand building at attractive returns
- Move to next steps (Wave 2 in Aus, Wave 1 UK and US)







H1'22 – Challenges

Key Numbers

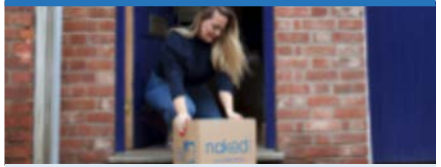
Strategic Highlights

Challenges

- Growth Investment Performance
- Supply Chain Disruption
- On time delivery

So What?

Three things we would have liked to have done better

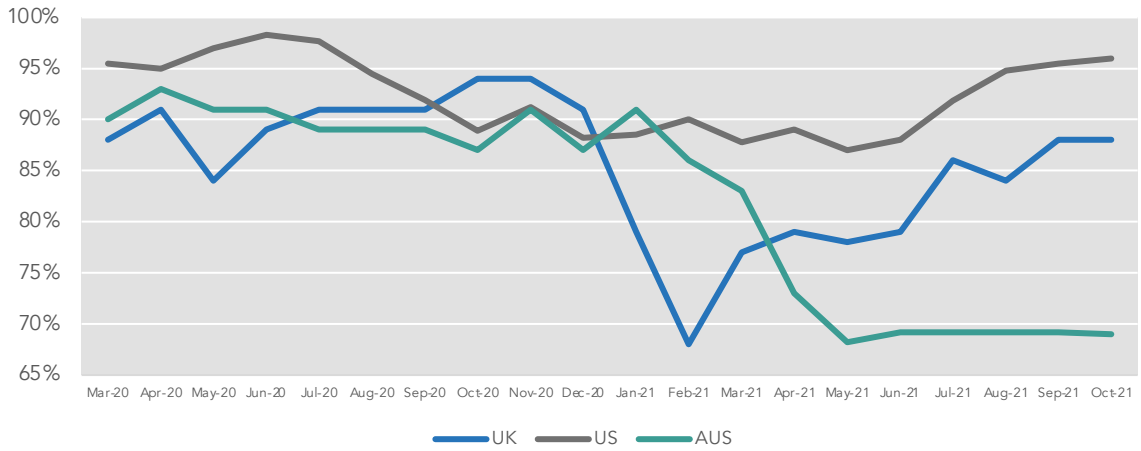
	Customer Acquisition	Supply Chain Disruption	Customer Service
			
What	Customer acquisition volumes lower than we expected in H1, with higher than planned CAC	Global supply chain disruption impacted supply & availability whilst adding cost	Delivery success rates below our targets driven by operational and stock challenges
Why	• Speed of change in customer & marketing environment faster than expected • Facebook efficiency reduced post iOS changes and substantial CPM inflation	• Disruption impacted availability and constrained growth in UK in Q1 • Cost pressure feeding into contribution margins and CAC	• Current infrastructure challenged by step change in volumes • Automation the solution, but not online until the end of the period • Carrier performance in Australia
Where		 	 

A few executional factors impacted payback in the period

	Facebook challenges	Consumer Environment	Cost Headwinds
	2 main challenges: • CPM inflation • iOS privacy changes	Normalised faster than expected in Spring in US • Impacted new channel testing (~$1.5m) • Some 2020 partnerships non viable (~$1m)	Cost Pressure + US Network Remodel = higher variable costs vs FY21 • Drives higher CAC via first order • And impacts LTV via Repeat Contribution Margin
Impact	CAC Increase via CPM LTV weaker due to targeting ~0.2x overall impact to payback in H1	CAC above our expectations LTV in line, too few customers ~0.2x overall impact to payback in H1	Incremental impact on all investment payback ~0.15x payback benefit at FY21 economics
Outlook	Reduced spend while test alternate creative routes	Issues addressed. Deal execution and forecasting improved	Likely our current estimate is conservative; will take action to restore margins

Availability challenges resolved ahead of peak holiday quarter

Availability Rate by Market



- Availability in key US and UK markets is good ahead of key peak trading period…
- …But levels consistently below 90% in the UK and USA over last 12 months
- Disruption to supply chain has extended time to restore availability
- Mid-term will carry more inventory to protect customer experience

H1'22 – Implications for the future

Key Numbers

Strategic Highlights

Challenges

So What?

Medium term opportunity

- Naked well positioned for medium-term growth
  - Significant market opportunity (TAM)
  - Strong value proposition for winemakers and consumers
  - Underlying economics & retention improving
  - Traction from investment in proposition
- Early positive signs from investments in customer proposition, such as brand and subscriptions
- Clear path to >10% EBIT margin, this potential indicated by today's Standstill EBIT margin
- Targeting medium-term sales growth of c.20% p.a, underpinned by continued strong unit economics



In summary

Our Mission to Disrupt the Wine Industry

- Disruptive model benefitting winemaker and consumer
- Over 947k Angels
- Recruiting world's best winemaking talent
- Proven model to create scale brands for talented independent winemakers

H1'22 Results Highlights

- Sustained retention led growth
- Improving retention and economics as Naked scales
- Good progress on building for the future
- Some execution challenges

The Long-Term Growth Opportunity

- Large & underpenetrated TAM
- Largest DtC player: scale advantages
- Improving underlying customer metrics
- Proven investment model; capitalised for future growth


naked wines
Q&A


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Appendices
PINOT NOIR

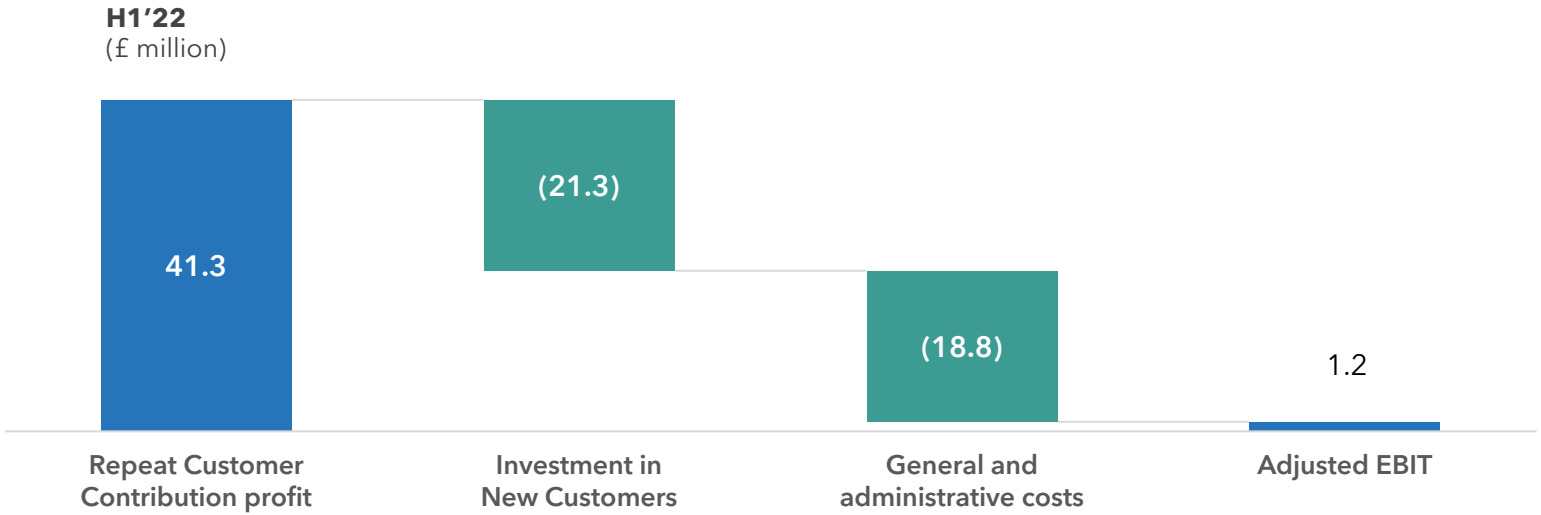
Income statement

£m	HY20	HY21	HY22	2YoY%
Total sales	**87.5**	**157.1**	**159.3**	**82%**
Cost of sales	(54.0)	(95.2)	(92.7)	72%
Gross profit	**33.5**	**61.9**	**66.6**	**99%**
Gross profit margin	*38%*	*39%*	*42%*	*+350bps*
Fulfilment costs	(15.8)	(28.2)	(28.7)	82%
% of total sales	*18%*	*18%*	*18%*	*+5bps*
Contribution profit	**17.7**	**33.7**	**37.9**	**114%**
% contribution profit margin	*20%*	*21%*	*24%*	*+360bps*
Advertising costs	(8.8)	(20.1)	(17.9)	103%
% of total sales	*10%*	*13%*	*11%*	*+120bps*
General and administrative costs[1]	(13.4)	(16.8)	(18.8)	40%
% of total sales	*15%*	*11%*	*12%*	*(350)bps*
Adjusted EBIT	**(4.5)**	**(3.2)**	**1.2**	**127%**
New Customer Contribution profit/(loss)	(1.9)	(3.7)	(3.4)	79%
Advertising costs	(8.8)	(20.1)	(17.9)	103%
Investment in New Customers	**(10.7)**	**(23.8)**	**(21.3)**	**99%**
Repeat Customer Contribution profit	**19.5**	**37.4**	**41.3**	**112%**
Repeat Customer Contribution margin	*26%*	*30%*	*29%*	*+270bps*

- Revenue +82% vs HY20 to £159.3 million driven by 89% growth in the US
- Total sales +6% on a constant currency basis vs H1'22
- Gross profit +99% to £66.6 million, with increased gross profit margin benefitting from geographic mix shift to the US
- Contribution profit +114%, with a contribution margin of 24%, a 360bps increase over H1'20, driven by gross margin improvements
- Repeat Customer Contribution profit +112% to £41.3 million, reflecting the growing customer base
- Investment in New Customers +99% to £21.3 million with a 1.7x 5-Year Forecast Payback
- Adjusted EBIT of £1.2 million

1. G&A costs reported here are as per the income statement excluding £0.7m of acquisition related amortisation costs, offset by £0.2m of fair value adjustments relating to open FX contracts and £0.1m of PLC company foreign exchange revaluations (see note 4 for further information on these items).

Bridging contribution to Adjusted EBIT



5-Year Forecast Payback progression

5-Year Payback Forecast				
Cohort	Age at reporting date	Latest forecast[1]	Original forecast[2]	Payback to date
FY16	67-78 months	3.1x (actual)	3.1x (actual)	3.7x
FY17	55-66 months	2.5x	2.0x	2.7x
FY18	43-54 months	2.7x	2.1x	2.3x
FY19	31-42 months	2.4x	1.8x	1.7x
FY20	19-30 months	2.9x	2.6x	1.5x
FY21	7-18 months	3.2x	3.0x	1.0x
FY22	**0-6 months**	**1.7x**	**n/a**	**0.1x**

Notes:
1. Latest forecast per FY22 expectations.
2. Shown at constant FX.
3. 5-year forecast payback introduced in FY20. Initial value for FY17-19 calculated by taking initial 20 year payback and adjusting based on current 5:20-year forecast payback

5-year Forecast Payback Reconciliation

Cohort	Original 20-Year Forecast[1]	Original 5-Year Forecast[2]	LTV Ratio % of 20-Year LTV in first 5 years[3]	5-Year Payback Original from 20 Year[4]	Latest 20-Year Forecast[5]
FY17	4.4x		45%	2.0x	5.7x
FY18	4.7x		45%	2.1x	6.1x
FY19	4.0x		45%	1.8x	5.3x
FY20	4.9x	2.6x			6.0x
FY21		3.0x			6.5x

1. Published payback at year end using CAC to 20-Year Forecast LTV. FY18-20 taken from Full Year Results Presentation, FY17 first published as Prior Year in FY18 Full Year Results
2. Published 5-Year Payback. Note 5 year and 20-year payback were both published for the FY20 cohort in the FY20 results presentation
3. 5-Year LTV for cohorts / 20 Year Lifetime value for cohorts. Calculated using cohort valuations from our ML-LTV models as of October 2021. Note whilst we have moved to reporting Payback externally on a 5-Year basis, we maintain both a 5-Year and 20-year LTV projection
4. This is a calculation. The original forecast multiplied by the 5:20 year LTV ratio. This is our best proxy for what we would have reported at end of the year, had we been reporting 5-Year Payback
5. For reference, these are the latest (October 2021) 20-year Payback forecasts by cohort

Glossary of terms

Alternative performance measures	
Adjusted EBIT	Operating profit adjusted for amortisation of acquired intangibles, acquisition costs, impairment of goodwill, restructuring costs and fair value movement through the income statement on financial instruments and revaluation of funding cash balances held
Constant currency	Constant currency basis using current period FX for the translation of the comparative period
EBIT	Operating profit as disclosed in the Group income statement per the RNS
EBITDA	EBIT plus depreciation and amortisation
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
Adjusted PBT	Adjusted EBIT less net finance income / (charges)
Free cash flow	Cash generated by operating activities less capital expenditure and before adjusted items and taxation
Net cash	Cash at year end less amounts committed to remaining shareholder bonds and held under guarantee to meet statutory guarantee obligations

Glossary of terms (continued)

Investment measures	
5-Year Forecast Payback	The ratio of projected future Repeat Customer Contribution profit we expect to earn from the new customers recruited in the year over the Investment in New Customers. We forecast contribution at a customer level using a machine learning algorithm which 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. As we can refine this expectation over time, we also update the expected returns from prior year investment. For this year, we will also show the lifetime payback for comparative purposes.
General and administrative costs	Administrative costs excluding advertising cost
Investment in New Customers	The Investment in New Customers during the period, including contribution profit/loss from New Customer sales and advertising costs.
5-Year Lifetime value	The future Repeat Customer Contribution profit we expect to earn from customers recruited in a discrete period of time. We calculate this future contribution using a Machine Learning (ML) 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 ML algorithms then predict the future (lifetime) value of that customer
Repeat Customer Contribution profit	The profit attributable to sales meeting the definition of sales to repeat customers after fulfilment and service costs
Repeat Customer sales retention	The proportion of sales made to customers who met our definition of "Repeat" last year that were realised again this year from the same customers. Using our website data, the population who were subscribers in the prior year are identified and their sales in the current year then assessed. This is done for each month and summed to calculate the full year retention
Year-1 Payback	This short-term payback measure shows the actual return in this financial year of our investment in the prior year, removing the need to use a model to forecast the future

Glossary of terms (continued)

Definitions	
Angel	A customer who deposits funds into their Angel 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) and marketing expenses. 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
Marketing	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
New Customer sales	Revenues derived from transactions with customers who meet our definition of a new customer
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
Standstill EBIT	The Adjusted EBIT that would be reported if investment in new customers was reduced to the level needed to just replenish the current customer base
TAM	Total Addressable Market (TAM) represents the available market which Naked sees as a revenue opportunity which it could serve

Glossary of terms (continued)

Customer experience KPIs	
Product availability	% of targeted range available on websites as indicated by our inventory reporting
Wine quality – 'Buy it again ratings'	% of "Yes" scores in the last 12 months as recorded by websites/apps
Service ratings – '5* customer service'	The number of service ratings scoring 5* as a % of total ratings in the last 12 months as recorded by websites/apps/telephone feedback