18 January 2024

Naked Wines plc

("Naked Wines" or "Group")

Peak trading in line with expectations, £7m SG&A reduction announced

Trading over Q3, the peak quarter for the business, has been in line with company's expectations:

- Constant currency sales -10% versus prior year, in line with expectations, showing an improving trend from -18% during H124
    - Average repeat customer base 12% smaller
    - Sales per repeat customer 2% higher
- New customers acquired +35% on prior year with 70% increase in new customer investment
    - YTD forecast payback at 1.4x remaining broadly in line with H1 trend as we continue to balance scale and cashflow with investment economics
- Q3 Adj EBIT expected to be £3-5m, consistent with expectations
- Stabilisation of Q3 closing net cash position year on year at £3m (Q3 FY23: £4m). Total liquidity available of £45m

The Group is delivering on key initiatives including the execution of further SG&A and inventory reductions as indicated alongside half year reporting:

- Cost saving actions taken this month to reduce annual run rate of SG&A (excluding adjusted items) by a further £7m to £30-33m in FY25 (FY24 guidance £37-40m)
    - One-off cash costs of c.£3m to execute to be reported as an adjusted item in FY24
- Closing Q3 inventory levels of £163m vs £173m at end Q3 FY23

Rowan Gormley, Executive Chairman, said:

"I'm delighted with how the team pulled together to deliver a well-executed peak trading season. As we saw at the half year, the reason sales are down on prior year is entirely due to a smaller repeat customer base reflecting lower investment in customer recruitment in the previous year. But for the first time we are seeing signs of new customer acquisition coming back to life which should support further improvement in the top line trend. We have also seen a stabilisation in net cash levels year on year, and continue to expect cash generation in the second half of FY25.

Notwithstanding this, we have to recognise that we are a smaller company post Covid and our cost base has to reflect this. We have therefore taken the painful but necessary decision to reduce SG&A costs by £7m per year, securing our profit potential. Sadly this means that we will be losing a number of valued colleagues who have been informed of our plans. Reflecting this change across all levels of the organisation we have decided to reduce the size of the board and would like to thank Melanie Allen for her service to the Company as a Non-Executive Director.

I remain committed to building a leaner and stronger Naked as we continue to address the challenging revenue trends. I'd like to thank the team, our suppliers and our shareholders for their patience and support as we continue to drive these changes."

For further information, please contact:
Naked Wines plc

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About Naked Wines plc

Naked Wines connects everyday wine drinkers with the world's best independent winemakers.

Why? Because we think it's a better deal for everyone. Talented winemakers get the support, funding and freedom they need to make the best wine they've ever made. The wine drinkers who support them get much better wine at much better prices than traditional retail.

It's a unique business model. Naked Wines customers (who we call Angels) commit to a fixed prepayment each month which goes towards their next purchase. In turn. Naked funds the production costs for winemakers, generating savings that are passed back to its customers. It creates a virtuous circle that benefits both wine drinker and winemaker.

Our mission is to change the way the whole wine industry works for the better. In the last financial year we served more than 792,000 Angels in the US, UK and Australia, making us a leading player in the fast-growing direct-to-consumer wine market.

Our customers have direct access to 293 of the world's best independent winemakers making over 2,000 quality wines in 22 different countries. We collaborate with some of the world's best independent winemakers like Matt Parish (Beringer, Stags' Leap) and eight-time Winemaker of the Year Daryl Groom (Penfolds Grange).