NEWS RELEASE

Group Transformation Plan

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Majestic Wine PLC

25 March 2019

For Immediate Release
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Majestic Wine PLC

(the "Group")

Group Transformation Plan
Focusing on growth from Naked Wines

Majestic Wine PLC today announces plans to focus the business on the significant growth opportunities in Naked Wines ("Naked") while releasing capital from its Majestic Retail and Commercial ("Majestic") operations.

Highlights

- Group trading broadly in line with consensus:
  - We expect to achieve our £500m sales target in the financial year ending 1 April 2019 ("FY19") with Group adjusted profit before tax ("PBT") for the year expected to be around the current consensus level1.
  - Naked continues to perform well with growth in repeat customer contribution expected to increase by 10-15% vs FY18.
- We intend to present a new Group Transformation Plan in June 2019 focused on

accelerating growth in Naked, to be funded by releasing capital from Majestic.

- As a consequence of this plan:
    - We intend to accelerate new customer investment in Naked by an additional c. £6m per annum to £26m in FY20, up from the current level of c.£20m per annum.
    - We expect to recognise largely non-cash restructuring charges of up to £10m in FY19.
    - There may be further restructuring charges from FY20 onwards, but any cash outflow is expected to be largely offset by cash inflows from asset sales.
    - We will review the dividend in June 2019 in light of the increased investment levels and transformation actions.

Context

Following the acquisition of Naked in April 2015, the Group embarked on a transformation plan to broaden our sales footprint outside of the UK, drive growth through investment in customer relationships and increase our digital capability. As a result we are now almost 45% online and over 20% international and have significant growth potential driven, in particular, by the US business. We are now moving towards the next phase of the Group's evolution in which we will tightly focus on the significant Naked growth opportunity.

Naked Wines

Since its acquisition by the Group in 2015, Naked has:

- More than doubled in size, with sales expected to exceed £175m this year bringing the total since acquisition to nearly £600m.
- Built a highly loyal customer base, generating repeat customer contribution approaching £40m a year...
- ...of which we are investing c.£20m in new customer investment, targeting an average payback of 4x.
- Built a 200 strong winemaker portfolio - including the makers of Grange, Tignanello, Solaia, Stags' Leap Winery, Ruinart Champagne - making over 1,000 wines in 18 countries.
- Built a robust infrastructure able to deliver market leading service levels in each of the UK, USA and Australia.

Group Transformation Plan

We intend to announce a Group Transformation Plan in June 2019 alongside our Full Year Results, focused on:

1. Accelerating the growth of Naked Wines through:
    a. Transforming the Group into one model and one management team with one focus, all under the Naked brand;
    b. Increasing spend on new customer investment, including a Naked face-to-face new customer recruitment channel.

2. This is expected to be funded by releasing capital from Majestic through a combination of:
    a. Migrating customers and stores to the Naked brand;
    b. Asset sales; and
    c. Store closures.

    The exact combination of the above is expected to be finalised by June 2019.

3. Renaming the Group "Naked Wines plc" reflecting focus on a single brand and model.

Short-term guidance update

The Group expects to achieve its sales target of £500m in FY19 and anticipates reporting Group Adjusted PBT, excluding restructuring charges, around the current consensus level.

Our plans to transform the business are well advanced, and will be laid out in detail alongside our Full Year Results in June. Between now and then we are running a test programme, which will enable us to quantify the changes more precisely.

However, what we can say now is:

- We expect to increase investment in new customer acquisition in Naked from c.£20m in FY19 to c. £26m in FY20 and we expect it to continue to grow for some years thereafter.
- We expect to recognise restructuring charges of up to £10m in our FY19 results relating to the Group Transformation Plan, which will be largely non-cash.
- Depending on the final plan to release capital from Majestic, there may be substantial cash restructuring charges from FY20 onwards.
- In line with our comments at the Half Year Results, we will review the dividend in June in light of the increased investment levels in Naked and the combination of transformation actions to be undertaken.

Regardless of which route forward we take, our current expectation is that:

1. We can release capital from Majestic without erosion of shareholder value; and
2. The one-off costs of exiting retail stores can largely be recouped through asset disposals.

Medium-term term financial guidance will be provided alongside the Full Year Results in June.

Rowan Gormley, Group Chief Executive, commented:

"It is clear that Naked Wines has the potential for strong sustainable growth, and we will deliver the best results for our shareholders, customers, people and suppliers by focusing all our energies on delivering that potential.

We also believe that a transformed Majestic business does have the potential to be a long-term winner, but that we risk not maximising the potential of Naked if we try to do both.

Where we have no choice but to close stores we will aim to minimise job losses by migration into

Naked.

Therefore we have taken a decision to focus all of our capital and energies into delivering the long-term potential of Naked, and releasing value from Majestic. Our plans for doing this are well advanced, and we look forward to sharing the final details in June."

Conference call
Majestic Wine PLC will host a call for analysts and investors at 9.00am GMT today. To request dial-in details, please contact Sarah Ahmed at Instinctif Partners: **Sarah.Ahmed@instinctif.com** or +44 0207 427 1428.

Notes:
1. Current market consensus for Group Adjusted PBT is £11.1m.
2. Alternative performance measures referred to herein are defined in the glossary last published with the Half Year Results for the period ended 1 October 2018 and listed on the corporate website at **https://majesticwineplc.co.uk/investor-centre/results-centre/**.

For further information, please contact

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