

# Naked Wines PLC - Full Year Results

9/19/2023

RNS Number : 8464M

Naked Wines PLC

19 September 2023

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## **Naked Wines plc**

("Naked Wines" or "Group")

### **Full Year Results for the 53 weeks ending 3 April 2023**

#### **Foundations laid to focus on profitable growth and cash generation**

#### **Full year highlights:**

- Total sales of £354m, +1% year-on-year (down 8% on a 52 week comparable basis<sup>1</sup>)
- Adjusted EBIT<sup>2</sup> of £17.4m, or £16.3m on a 52 week comparable basis (FY22: £2.0m), ahead of guidance (£13-17m) due to lower new customer investment
- Statutory loss before tax of -£15.0m (FY22: profit before tax £2.9m) driven by non-cash goodwill impairment and inventory provision charges
- Inventory in line with prior guidance, £166m at year end (FY22: £142m), net £10.3m provision (FY22: £nil)
- Net cash<sup>2</sup> (ex. lease liabilities) of £10.3m (FY22: £39.8m), total available liquidity (cash and credit facility) of £49.1m (FY22: £39.8m)

#### **Strategic highlights**

- Credit facility covenants revised to accommodate the destocking process
- £10m p.a. of further cost savings identified, enhancing customers lifetime value and profitability
- Foundations laid to make profitability sustainable, growth investment opportunities developing

- Expect material cash generation across H2 of FY24 and FY25 as excess stock is unwound

Group Financial Summary (£m)	Reported		52 wk comp.	FY23 vs FY22	
	FY23	FY22	FY23	Reported	52 wk comp. <sup>1</sup>
<b>Total Sales<sup>3</sup></b>	<b>354.0</b>	350.3	343.7	1%	(8)%
New	<b>26.9</b>	34.0	26.0	(21)%	(29)%
Repeat	<b>320.7</b>	315.1	314.5	2%	(6)%
New customer investment	<b>(21.4)</b>	(41.3)	(20.7)	(48)%	(54)%
Repeat Customer contribution	<b>86.5</b>	86.2	84.8	-%	(9)%
General & administrative <sup>4</sup>	<b>(48.0)</b>	(43.0)	(48.0)	12%	
Operating G&A	<b>(41.1)</b>	(38.9)	(41.1)	6%	
Share based payments	<b>(1.5)</b>	(1.1)	(1.5)	36%	
Marketing R&D	<b>(5.4)</b>	(3.0)	(5.4)	80%	
<b>Adjusted EBIT</b>	<b>17.4</b>	2.0	16.3	770%	7%
Adjusted items	<b>(31.6)</b>	(0.1)	-	n/a	n/a
Profit/(loss) before tax	<b>(15.0)</b>	2.9		(617)%	
Net cash excluding lease liabilities	<b>10.3</b>	39.8	10.3		

**Nick Devlin, Group Chief Executive, commented:**

"The trading environment is tough, but Naked remains highly resilient. We have taken decisive action and have met the key goals in our "pivot to profit" strategy. Our focus now is on delivering profitable growth.

We recognise that the environment is likely to remain tough and are configuring the business to be profitable and cash generative despite challenging conditions. A leaner and more focussed Naked will be best placed to deliver for our customers and winemakers. I believe we can emerge from these challenges a stronger business

I want to thank our teams and winemakers for their support and commitment over the past year. Across the board they have embraced a program of rapid change and laid the foundations for future profitable growth ahead"

Notes:

1) FY23: 53 weeks versus 52 weeks in the previous financial year: All financial and non-financial information in this document relates to our 53 week financial period ended 3 April 2023, unless otherwise stated. Within this announcement and the Chairman's statement, the Chief Executive's review and the Financial review, we provide comparable 52 week constant currency financial information to facilitate comparison with our prior financial period, 52 weeks ended 28 March 2022. For reference, we call this 52 week constant currency measure '52 week comparable' (or simply comparable) where it is referred to in this document. See the reconciliation of reported results to 52 week comparable figures in the APM section at the end of this announcement. Please note that whilst the 53 week results from which this statement has been extracted have been audited, the 52 week comparable numbers in the underlying financial statements are unaudited.

2) In addition to statutory reporting, Naked Wines reports alternative performance measures (APMs) which are not defined or specified under the requirements of International Financial Reporting Standards (IFRS). The Group uses these APMs to improve the comparability of information between reporting periods, by adjusting for certain items which impact upon IFRS measures, to aid the user in understanding the activity taking place across the Group's businesses. Definitions of the APMs used are given at the end of this announcement.

3) Total Sales includes £6.4m (FY22: £1.2m) of Other sales, which includes bulk wine disposals.

4) General & Administrative excludes adjusted items of £5.1m (FY22: £0.1m).

## Current Trading - Q1

FY24 has started off slower than expected, with Q1 revenue down 18% versus prior year. This reduction is a combination of:

- Sales to new customers being 41% lower, the comparable period being prior to our pivot to profitability and reduction in new customer investment; and
- Sales to repeat customers being 15% lower, reflecting the smaller customer base year on year

With revenue below our initial plan, we are marginally behind our destocking plans but have taken steps to further reduce future purchase commitments while continuing to manage costs tightly.

## Guidance & Outlook

We expect full year revenue to decline 8% to 12% as the prior period comparison eases in the second half of the year and the rate of decline in customer base slows. Our current view on FY24 trends are shown below:

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• Sales (52 week comparable)	-8 to -12% (on constant currency)
• New customer investment	£23-27m
• Repeat customer contribution	£72-£80m
• Operating G&A inc share based payments	£37-£40m
• Marketing R&D	Nil
• Adj EBIT	£8-12m
• Inventory (YE)	£145-£155m
• Net cash (YE) ex. lease liabilities	£10-30m

This guidance is provided based on FX rates of 1 GBP = 1.24 USD and 1.74 AUD.

Naked Wines plc will host an analyst and investor conference call at 9am BST / 4am ET / 1am PT on 19 September 2023. The briefing will be webcast using the following link:  
[https://brrmedia.news/WINE\\_FY23](https://brrmedia.news/WINE_FY23)

If you would like to ask a question, please dial, UK-Wide: +44 (0) 33 0551 0200 / UK Toll Free: 0808 109 0700 / USA Toll Free: 866 580 3963 - quote **Naked Wines Full Year** when prompted by the operator.

Alternatively, it can be found on our website. A recording will also be made available after the briefing on our results in the announcements section of our investor website.

**For further information, please contact:**

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**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 commit to a fixed prepayment each month which goes towards their next purchase. Naked in turn 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 867,000 Angel members in the US, UK and Australia, making us a leading player in the fast-growing direct-to-consumer wine market.

Our customers (who we call Angel members) have direct access to 293 of the world's best independent winemakers making over 1,800 quality wines in 21 different countries. We collaborate with some of the world's best independent winemakers like Matt Parish (Beringer, Stags' Leap) and 8-time Winemaker of the Year Daryl Groom (Penfolds Grange).

**Chairman's letter**

Dear Shareholders

Firstly, an apology. The whole Board of Naked Wines regret that your support and patience as shareholders, winemakers, Angels and employees has not been rewarded. We are all determined to remedy that.

I am pleased to report that the management team have recognised the challenges very clearly, acknowledge where different actions could have been taken and are acting decisively to steer Naked through this period. They are highly motivated and determined to ensure that all stakeholders are rewarded for their support.

For those of you who I have not met, I founded Naked Wines 15 years ago, was CEO for 12 years, and have rejoined the Board as non-Executive Chairman nine weeks ago. I remain a shareholder owning 2.7% of the Company.

As I am new to the job, I have taken the opportunity to immerse myself in the business and I thought it may be useful to share my first impressions...

1. Trading is tough. But Naked will come through it leaner and tougher,
2. The problems are fixable - and the management team have a good plan to do so,
3. We are determined to ensure that shareholders are rewarded for their patience.

### **1. Trading is tough. But Naked will come through it leaner and tougher**

Make no mistake, trading conditions are tough. As you would expect, high inflation, higher taxes on alcohol and falling disposable incomes has put pressure on sales and costs. Combine that with multi-year production cycles for wine and falling new customer acquisition and you have a perfect storm, driving inventory build-up and pressure on cash, which has resulted in our reporting a material uncertainty around our going concern (see note 3 for further details).

That's the bad news. The good news is that the business has proved to be very resilient even in these tough conditions. And the management team have taken the steps necessary to ensure that we don't just survive - we come through this as a leaner, tougher business, conditioned to do more with less and with some battle scars that will remind us of hard learned lessons.

Specifically, the team have:

- Reduced costs to ensure that we are able to invest in growth AND deliver a healthy level of profit;
- Reset volumes with our winemakers at a level where we can rebuild growth; and
- Renegotiated our banking facilities to ensure that they are fit for purpose.

### **2. The problems are fixable - and the team have a good plan to do so**

With a clear plan on costs and inventory commitments, the team is able to focus on our next challenge - to get sales growing again, so that we can reward all stakeholders for their support.

The key finding here is that we do not have a general sales problem. Our existing customers are resilient despite the tough conditions. In fact, the attrition rate of existing customers, which is the number of Angels who have cancelled as a proportion of the Angel count at the start of the year, improved by 2% in this last year. What we do have is a new customer acquisition problem.

The management team has a good plan to fix that, focused on generating higher levels of new customer traffic and extending the number of ways we service our customers to monetise that traffic more effectively. Early evidence from testing these initiatives looks promising, but they need to be tested at scale before we can draw conclusions.

### **3. We are determined to ensure that shareholders are rewarded for their patience**

While I think that the team's plan is a good one, success is not guaranteed.

This is not as gloomy as it sounds. If we can't improve our new customer acquisition economics, then we still expect to have a profitable, cash generative business, albeit smaller than the one we have today.

Obviously, we intend to do better than that, and remain convinced that Naked has a set of competitive advantages which have the potential to give customers and winemakers a better deal than they can get from anywhere else - and we intend to fulfil that potential.

What we can promise you is that this will be done in a disciplined way to ensure that the

value created is realised.

To do that we have agreed to commit to...

- Limit general and administrative costs to around 11% of sales
- Maintain investment in new customer acquisition at £23 to £27 million per annum through to March 2026 - enough to rebuild growth, with further growth to come from increased efficiency rather than increased spend
- Allocate capital in a rational way, including serious consideration of share buy backs when the liquidity outlook improves
- Drawing a line under our overstock issues and allowing us to get back to sustainable growth for key winemaker partners

I would like to thank David Stead, who has served as a non-Executive Director, Chair of the Audit Committee and Chairman, for his many years of wise advice and leadership.

Finally, I would like to thank all of our people and our winemakers for their hard work during a difficult time. I know it has been tough for you and we are determined to make sure that your support is rewarded.

**Rowan Gormley**  
Chairman

## **Chief Executive's review**

It has been a challenging year for Naked Wines. Ultimately though I believe it is one in which we have undertaken important work to stabilise the business alongside work to lay the foundations for a future in which we deliver on our ambition of profitable growth.

In October 2022 we took decisive action and laid out a plan to "pivot to profit". That plan had three main elements:

1. Secure our credit facility to provide funding while we undertook a change of path;
2. Demonstrate profitability; and
3. Develop a path to sustainable, profitable growth.

Our focus over most of FY23 has been primarily on the first two of these goals to ensure Naked was on a more secure footing and demonstrate the underlying profitability of the business. We have met the majority of the short-term goals we laid out with our "pivot to profit" to create breathing space for the business to address the core challenge of returning to profitable growth. Despite much progress the trading environment remains challenging moving into FY24 and as a result we are undertaking further actions to ensure we fully right-size our stock levels and cost base.

We have much more to do. We have ambitious goals and in some areas our testing has not yet unlocked the progress we need. Equally we recognise the consumer environment remains uncertain and the global wine industry is challenged with over-supply.

However, we are ready and motivated for the challenges ahead. We are absolutely committed to returning Naked to profitable growth and recognise the need for decisive action and tough near-term decisions to get us there. We have a core business and membership base that even in a tough environment remains incredibly robust. That platform creates options for Naked - and as a team we are determined to use that to establish Naked's long-term potential in a way which creates clear value for all our stakeholders.

## **Recent challenges**

The past year has been one of the most volatile in Naked's history. Specifically, we have

been wrestling with three key challenges that we did not anticipate when we laid out growth plans following the pandemic:

- Sustained high inflation at, or near to, double digits in our key markets, especially impacting supply chain and fulfilment costs;
- The severity of Apple's privacy changes on our overall marketing effectiveness; and
- The reversion of online penetration trends in the wine category: the direct-to-consumer (DTC) wine market in the US has been in short-term volume decline (versus long-term expansion of over 10% per annum).

As a consequence of these, and our failure to deliver our growth plans, we created two new challenges for the business:

- We have too much stock. This has not only impacted short-term liquidity, but has created real costs that are burdening our P&L and investment metrics; and
- We have a supply chain built for growth and we are operating it below capacity which has added substantial excess cost on a per order basis.

While it is important to acknowledge that we made mistakes in pursuit of growth, it is more important that we are committed to ensuring that as we rebuild a better business, we take the steps to learn from these and ensure they cannot be repeated.

### **Decisive action taken**

Reflecting these challenges, we moved decisively to address them and, in October, announced our pivot to profit strategy. Since then, we have executed at pace and with a willingness to confront tough decisions across our business.

We have been able to make crucial progress to address these challenges:

- Renegotiated and subsequently revised further our credit facility with improved covenant tests to underpin liquidity in downside scenarios;
- Renegotiated and reduced our wine purchasing commitments and developed the capability to sell excess wine on the bulk market. We have done this in an orderly fashion and whilst maintaining the support and engagement of our winemakers which is a crucial part of our competitive advantage. As a result, forward commitments are now below anticipated sell-through levels. Consistent with the plans announced in October, stock levels ended the year at £166 million and we confirm our guidance that our peak inventory point was in October 2022 and that we expect to deliver cash generation from inventory unwind from the second half of FY24; and
- Demonstrated improving trends in Angel fund withdrawals, reflecting the underlying high loyalty and predictable revenue streams associated with our established member base.

In addition, we have undertaken a series of measures to deliver on our near-term goal of demonstrating Naked's ability to trade profitably. These measures have resulted in adjusted EBIT of £17.4 million in FY23 (FY22: £2.0 million).

- We have reversed the trend of rising general and administrative (G&A) costs, with costs falling in the second half of the year despite high levels of inflation and have undertaken workforce reduction programmes that have reduced non-customer service headcount by 12% during the year. As a result, we are able to guide to flat operating G&A into FY24, despite sustained inflationary pressure.
- We have reduced underperforming marketing spend and reconfirm that there will be no additional expense classed as marketing R&D in FY24.
- We have identified ways to recover cost inflation through our pricing and promotional strategy. FY23 saw higher levels of like-for-like pricing increase that I would wish to see on a sustained basis, but our ability to pass through increases

whilst preserving retention rates reflects the work we have done to build exclusive, quality winemaker brands with real equity.

These are important steps forward but alone will not be sufficient to meet our goals. Notably, given the new fiscal year has not started in line with expectations, necessitating a harder look at plans, costs, and a challenge for the team to return Naked to growth in FY24 whilst reinvesting more into growth and delivering less profit next year as a result.

We are not fully satisfied with our achievements:

- We have not met our goals in terms of new member recruitment. Our excess adjusted EBIT versus initial guidance reflects this and as a result we start FY24 with a smaller member base than we aimed for. To make profits sustainable we must increase new member recruitment and stabilise member numbers heading into FY25.
- Payback levels have improved in each of the last three half-year periods, and reached 1.7x in the second half of FY23, with LTV per member acquired in FY23 25% higher than FY22. However, we aimed to deliver a greater improvement as we cut marketing spend and we are disappointed that we have not been able to find greater levels of attractive investment opportunity in the last six months.
- As a result of our weaker performance we have recognised substantial charges reflecting, amongst other things, impairment of goodwill and provisioning of inventory we expect to be unable to sell before it risks quality deterioration. As a result of these items we are reporting a statutory loss before tax of £15.0 million (FY22: £2.9 million profit).

## Looking forward

FY24 is a crucial year for Naked Wines. As a team we remain focused on completing the job of rebuilding liquidity by delivering cash generation in the second half of the year and underpinning the profitability we delivered this year with additional cost focus. We have tracked below our plans in the first part of FY24 and, as such, are taking further measures to restructure our group buying and inventory plans to ensure we continue to meet cash generation goals by the end of FY25.

Alongside a focus on inventory and costs, we must turn a greater share of attention to the third goal of our pivot to profit strategy: the delivery of sustainable, profitable growth. Our current challenges ultimately stem from lower levels of member recruitment over the last 12 months and we are committed to reversing this. Whilst I do not expect it to be easy, I believe that Naked has the potential to combine a return to growth with profitability and cash generation. To do so will require us to make progress in three key areas.

### 1. Reset our cost base

Taking cost out of the business supports our ability to offer leading value for money to consumers and will underpin our efforts to build sustainable profitability. As we start to look ahead into the next financial year, we see the possibility for considerable further cost reduction.

We moved G&A cost from growth to decline in the second half of FY23. However, we acknowledge we have more to do in terms of efficiency. We have set a goal of achieving £10 million of annual run rate cost reduction by the end of FY24, on top of the elimination of the marketing R&D spend of £5.4 million in FY23. Our current focus is in our fulfilment operations, and we have preliminary indications we may be able to achieve our savings goals from this area alone.

A large component of this will be sourced from our warehousing where we have made significant progress through RFP and renegotiation processes to create commercial arrangements that better reflect the scale of the business today. Additionally, as we move

into FY25 and operate with substantially lower absolute inventory levels, we will see further volume-based savings especially in warehousing.

## **2. Increase our marketing efficiency**

It is no secret that we would like to deliver higher levels of payback than we have been able to in FY22 and FY23. Given an advantaged customer proposition and a large TAM there is a clear question as to why we haven't been able to sustain higher growth rates in Naked. There are many potential reasons for our recent challenges:

- Consumer fundamentals have certainly been tough;
- The long-term secular tailwind of online migration has taken an unprecedented pause (and even step back) in the last year;
- But equally, we should recognise that we may have underestimated the scale of some of the barriers to moving consumers in our addressable market online and into the Naked proposition.

We have identified two key barriers to adoption that we believe can be removed, and are working through a structured testing plan to establish if we can enhance marketing efficiency by doing so:

- The suitability of our "Angel Piggy Bank" model for all segments of our addressable market; and
- The requirement of a subscription relationship to access best value from our proposition.

In addition, we expect to see results in the year from our work to rebuild our checkout experience and add to the range of payment options that we provide to our customers in all markets.

Our testing programme in these areas commenced in October 2022 and we are encouraged at this early stage by the results we are seeing. We believe we may have uncovered a route to better serve younger wine drinkers which could both expand the segments of the market we can actively target and support enhanced payback in channels that drive a broad range of traffic such as our parcel insert partnerships. We are currently focused on validating our initial findings in different markets and testing at scale before we build these benefits into our marketing plans.

It is worth noting that, while each is individually encouraging, if we can deliver both cost reduction and enhanced marketing efficiency, we benefit from a multiplier effect which would materially improve our chances of scaling customer acquisition spend at attractive payback.

- Variable cost savings both reduce the cost of serving the first order (lower CAC) and enhance margins on all ongoing orders (allowing us to convert the progress we have made on gross margin to higher contribution margins and LTVs).
- If we can much better monetise younger traffic that will also lift aggregate cohort LTVs.
- The combination should increase payback, and in so doing, make more investment opportunities viable to increase attractive marketing opportunities, which was an area where we have been challenged in FY23.

## **3. Explore new ways to drive traffic**

To return to growth will require us to leverage the improvements above to deploy additional capital to drive qualified traffic to Naked and increase our rate of new member additions. We are testing new strategies to invest in content creation and to develop new campaign approaches to restore the viability of investment in key paid digital channels. We believe that we have the team and capabilities to translate higher allowable traffic cost into higher

levels of qualified traffic. However, we have not yet proven that we can do that successfully in the current consumer and advertising environment. As we start the year, this third part of our plan to deliver sustainable profitability is a key area of focus.

### **What does that mean for our mid-term prospects?**

We are at a place where we can reasonably lay out some scenarios that we see as plausible for the Company over the coming years, and share what we need to prove to deliver against these.

We continue to see Naked stabilising as a substantially larger, and considerably more profitable, business than it was pre-pandemic. Under a scenario where we are not able to find sufficient attractive investment opportunities to return to growth, we would anticipate continued profitability, a focus on cost reduction and strong cash conversion as we unwind excess inventory.

However, the above doesn't reflect our ambition for the business. Our goals in the new LTIP reflect a better sense of where we would aspire to see the business in the coming years: delivering £60 million of free cash flow, achieving £350 million of revenue with a 4% EBIT margin, and translating that to significantly improved share price performance. To realise these goals requires us to successfully extract the cost savings we have line of sight of, enhance investment returns through our testing plan for the proposition, and leverage that to increase investment levels to return Naked to at least single digit top line growth in the next three years. Against a tough backdrop for the category, this would position Naked as a profitable, growing and cash generative business. A return to growth will also accelerate the timing at which we can unwind the excess inventory on the balance sheet.

Most importantly though, after a period of high volatility we have the opportunity to return focus to working to fulfil the long-term potential of Naked to create long-term shareholder value by building a better alternative for wine drinkers and winemakers.

The steps we have taken so far mean that we can be confident in our foundations. Under either of the scenarios outlined, we see a business that will be profitable and cash generative, with the potential to generate tens of millions in cash as we unwind the excess stock on the balance sheet over the next 24 to 36 months. In any scenario, as a management team we are entirely committed to delivering value for all our stakeholders.

As a result of the foundations laid over the past six months, we are well placed to win in a tough market. At this stage in Naked's development we believe we are close to delivering something we have not achieved before, with the potential for cash generative profitable growth over the coming years. Together, as a leadership team, as a company, and as a community of Angels and winemakers, we are excited about the years ahead.

**Nick Devlin**  
**Chief Executive Officer**

## **Financial review**

### **Overview**

In July 2022 I was asked to return to the CFO role. At this time it was clear to both Nick and I that we should not, in the near term at least, continue to aggressively target growth. LTVs had fallen as cost inflation worked its way into the supply chain reducing order profitability. Coupled with a reduction in marketing efficiency as the pandemic tailwinds reversed, paybacks were dropping. The original plans for FY23 contemplated investment in additional G&A and, as a result, the Group was forecast to be less profitable year-on-year, despite seeing little or no growth. Naked had been built with a view to delivering profits in the event we weren't investing to grow, and it was clear to us that we could and should deliver that.

We quickly pivoted, reducing poor performing marketing investments, eliminating plans to hire and undertaking changes to our organisational structure to better align costs with our revenue trajectory. We have focused on recruiting fewer but higher quality Angels as it became clear that a portion of our pandemic recruitment was low quality. We have also focused on providing great wine and service to our existing Angels to maximise the revenue opportunity they represent. As a result, while reported profit before tax shows a loss of £15.0 million, after recognising material provisioning against our excess inventory and an impairment of goodwill, adjusted EBIT - which we consider to be reflective of the underlying profitability of the business - increased to £17.4 million. While total reported revenue was marginally up, revenue on a comparable 52 week basis declined by 8% as a result of the changes we have made in strategy and the consequent reductions in customer recruitment and Angel numbers.

	<u>As reported</u>			<u>52 week comparable</u>		
	<b>FY23 £m</b>	<b>FY22 £m</b>	<b>YoY %</b>	<b>FY23 £m</b>	<b>FY22 £m</b>	<b>YoY %</b>
Revenue	<b>354.0</b>	350.3	1%	<b>343.7</b>	373.2	(8)%
Cost of sales	<b>(205.7)</b>	(208.6)	(1)%	<b>(181.7)</b>	(219.8)	(17)%
<b>Gross profit pre inventory provisions</b>	<b>148.3</b>	141.7	5%	<b>162.0</b>	153.4	6%
Inventory provision	<b>(10.3)</b>	-	n/a	-	-	n/a
<b>Gross profit</b>	<b>138.1</b>	141.7	(3)%	<b>162.0</b>	153.4	6%
<b>Contribution<sup>1</sup></b>	<b>69.9</b>	79.1	(12)%	<b>81.2</b>	85.4	(5)%
Advertising costs	<b>(17.7)</b>	(34.1)	(48)%	<b>(17.0)</b>	(37.1)	(54)%
General & administrative costs	<b>(53.1)</b>	(43.1)	23%	<b>(48.0)</b>	(44.8)	7%
Analysed as:						
Operating general and administrative costs <sup>2</sup>	<b>(41.1)</b>	(38.9)	6%	<b>(41.1)</b>	(40.4)	2%
Marketing R&D	<b>(5.4)</b>	(3.0)	80%	<b>(5.4)</b>	(3.3)	64%
Share based payments	<b>(1.5)</b>	(1.1)	36%	<b>(1.5)</b>	(1.1)	36%
Software as a Service costs <sup>3</sup>	<b>(2.3)</b>	-	n/a	-	-	n/a
Restructuring costs <sup>3</sup>	<b>(1.5)</b>	-	n/a	-	-	n/a
Other adjusted items <sup>3</sup>	<b>(1.3)</b>	(0.1)	n/a	-	-	n/a
	<b>(53.1)</b>	(43.1)	23%	<b>(48.0)</b>	(44.8)	7%
Impairments	<b>(18.2)</b>	-	n/a	-	-	n/a
Profit on disposal of asset held for sales <sup>3</sup>	<b>4.8</b>	-	n/a	-	-	n/a
Operating (loss)/profit	<b>(14.3)</b>	1.9	(853)%	<b>16.3</b>	3.5	366%
Analysed as:						
Adjusted EBIT	<b>17.4</b>	2.0	770%			
Adjusted items	<b>(31.6)</b>	(0.1)	n/a			
Operating (loss)/profit	<b>(14.3)</b>	1.9	(853)%			

Note 1. Contribution is calculated as gross profit less fulfilment costs per the Income statement. 2. Refer to the table in the APM section at the end of this announcement for a reconciliation of G&A costs to those reported in the Income statement. 3. Refer to note 5 Adjusted items for further details.

At the outset of the year, we were operating with an excess level of stock and future stock commitments which consumed cash. We have been working with our winemakers and supply chain partners to balance our own liquidity requirements with the support and purchases they rely on, by continuing to fund and purchase some stock as we simultaneously seek to unwind this position in an orderly fashion. We closed the year with £165.7 million of inventory (net of a £10.3 million provisioning charge), £39.5 million of cash and cash equivalents and £10.3 million of net cash excluding lease liabilities. Our rate of cash consumption has slowed with £45.3 million of net cash excluding lease liabilities\* consumed during FY22, £16.9 million during the first half of FY23 and £12.6 million during the second half of FY23. See reconciliation of net cash excluding lease liabilities in the APM section at the end of this announcement.

Our credit facility, which we renegotiated during the year to reflect the pivot to profit strategy and ensure accessibility in the event of a downturn, remained accessible on the same terms following the takeover of Silicon Valley Bank by First Citizens Bank. Subsequent to year end we agreed a further amendment to this facility in light of the more challenging current trading conditions to enable us to incur further costs, should we need to, in order to reduce inventory commitments and operating expenses further.

Our FY23 performance was achieved against a difficult market backdrop due to increased inflationary pressure within our supply chain and low consumer confidence. These challenges are continuing into FY24 and trading in the early part of the year has been slower than we had planned. As a result we are continuing to review our inventory intake commitments to ensure we remain on track to reduce stock levels and further reviewing our cost structure. We are executing against a range of opportunities to drive cost out of our fulfilment operations while continuing to expand our customer recruitment strategy to penetrate the considerable addressable market that we operate in. In the near-term we will take a more aggressive approach to payback decisions focusing more heavily on cash returns while we plot a pathway back to revenue growth.

\* Net cash excluding lease liabilities is a change in naming convention only from net cash as previously used by management. The calculation of this measure remains consistent with previous disclosures (see the APM section at the end of this announcement).

### **FY23 basis of comparison**

FY23 has been a 53 week year, which we use periodically to allow our trading periods to always align to weeks of the year. Exchange rate movements have also been substantial, with the average USD translation rate for revenues of 1.206 in FY23 versus 1.368 in FY22. To add further complexity, we have made some disposals of excess inventory as bulk commercial sales which have not been undertaken at scale previously.

Given these complexities, we offer two comparators to provide insight into the trading trends in the business:

1. Reported to reported, as shown on the face of the financial statements, and
2. Comparable 52 week basis with all foreign currency balances translated at FY23 rates, the impact of week 53 removed and provisioned inventory sales removed and reported net within adjusted items. See note 5 Adjusted items for further information.

The key drivers of the difference between these measures are as follows:

	FY23		FY22	
	Sales	EBIT	Sales	EBIT
	£m	£m	£m	£m
Reported	354.0	(14.3)	350.3	1.9
Adjusted items	(3.1)	31.6	-	0.1
<b>Adjusted</b>	<b>350.9</b>	<b>17.4</b>	350.3	2.0
Less: 53rd week	(7.2)	(1.1) <sup>1</sup>	-	-
Translation to FY23 FX rates	-	-	22.9	1.5
52 Weeks comparable	<b>343.7</b>	<b>16.3</b>	373.2	3.5

Note 1: The EBIT impact of the 53rd week of £1.1 million is at a contribution level and does not include an apportionment of fixed costs borne across the financial year.

### Drivers of Group P&L performance

In FY23 our total sales grew by 1% to £354.0 million. On a comparable 52 week basis this was an 8% decline. This reflects:

- Lower sales to new customers as a result of reduced levels of investment; and
- An Active Angel number decline to 867,000, a 10% decrease compared to FY22.

Our revised strategy has moved us in the direction of higher quality customers as evidenced by the 52 week comparable drop in sales to repeat customers being a more moderate 6% decline.

Repeat Customer contribution of £86.5 million is marginally ahead on a 53 week basis and reduced by 9% on a 52 week comparable basis. This trend is driven by a reduction in Repeat Customer sales due to lower Angel numbers and a reduction in Repeat Customer contribution margins which have moved from 27.7% in FY22 to 27.0% in FY23. This reduction reflects increased transportation and warehousing costs not being fully offset by our price increases, in particular in the UK and Australian markets.

Our investment in the acquisition of new customers in the year fell 48% to £21.4 million on a 53 week basis (down 54% on a 52 week basis) as part of our shift in strategy. By focusing the lower spend on the best returning investments we improved our 5-Year Forecast Payback to 1.7x, up from 1.5x reported last year. This higher quality recruitment is supported by higher first order price points resulting in a 29% decline in New Customer sales on a 52 week basis.

Operating G&A costs were £41.1 million (see reconciliation of G&A costs in the APM section at the end of this announcement for further details), an increase of 2% on a 52 week comparable basis. During the year, in light of the focus on profitability and significant inflation being seen in salaries, we undertook a restructuring program seeking to generate improved efficiency and reduce our total staffing expense. The effect of this is only fully reflected during FY24 with the final steps having completed in March 2023.

We invested £5.4 million into our marketing R&D program in the year (FY22: £3.0 million), experimenting with above the line advertising in our UK and US markets to drive enhanced brand awareness and earlier stage consideration of Naked for new customers. Whilst these initiatives showed early promise, they were not generating material payback levels and have been paused while we focus on driving profitability and reducing cash consumption. Any future above the line spending will be included in our overall marketing costs and payback calculations.

Share based payment charges (excluding associated social security costs) for the year totalled £1.6 million, increased from £1.3 million in FY22 because of the awards of options made under the "transition scheme" announced during the year.

The net of the above factors results in adjusted EBIT of £17.4 million, or £16.3 million on a 52 week comparable basis. The increase versus FY22 can be summarised as:

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	<b>£m</b>
<b>FY22 adjusted EBIT</b>	<b>3.5</b>
Reduced Investment in New Customers	23.9
Change in Repeat Customer contribution	(8.0)
Change in other contribution	0.1
Increase in G&A costs	(0.7)
Increase in share based payment charge	(0.4)
Increased marketing R&D spend	(2.1)
<b>52 week adjusted EBIT</b>	<b>16.3</b>
Plus: week 53 impact	1.1
<b>FY23 adjusted EBIT</b>	<b>17.4</b>

Reported operating loss of £14.3 million reflects the impact of £31.6 million of costs across a range of adjusted items. Refer to note 5 Adjusted items for further details. These are adjusted as they are either material one-time charges we do not expect to be repeated or they are non-trading related. We feel that treating them as adjusted items provides clarity of these non-recurring events and also a more comparable view of business trading performance. The key components of these items are:

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	<b>£m</b>
Right-sizing of US inventory	(14.0)
Impairment of goodwill, property, plant and equipment and right-of-use assets	(18.2)
Restructuring costs	(1.5)
Gain on sale of ex-Majestic store	4.8
Amortisation of acquired intangibles	(1.3)
Interchange fee litigation settlement	0.7
Software as a Service investments	(2.3)
Revaluation of FX contracts	0.1

Interest charges totalled £0.8 million in the year, being the net of interest earned on cash balances and the Majestic Wine disposal vendor loan note, and charges relating to the asset backed lending arrangement with Silicon Valley Bank and interest on IFRS 16 leases.

The Group's statutory effective tax rate (ETR) of (15.9)% is substantially driven by the distortionary impact of the non-tax recoverable impairment charge reported in the year and the net impact of changes to deferred tax recognition. Current tax of £4.6 million was driven by profitable trading in the US and Australia, including the impact of material non-deductible temporary timing differences in the US relating to the US inventory provision and US 'unicap' inventory tax adjustments, partially offset by corresponding deferred tax credits as set out above.

	52 week comparable		
	FY23 £m	FY22 £m	YoY
New Customer sales	26.0	36.5	(29)%
Investment in New Customers	(20.7)	(44.6)	(54)%
Repeat Customer sales	314.5	335.4	(6)%
Repeat Customer contribution	84.8	92.8	(9)%
Repeat Customer contribution margin	27.0%	27.7%	
Other revenue	3.2	1.3	146%
Other contribution	0.2	0.1	100%
<b>KPIs</b>			
Repeat Customer sales retention	78%	80%	(200)bps
Active Angels	867,000	964,000	(10)%
5-Year Forecast Payback	1.7x	1.5x	0.2x
Year 1 Payback	39%	68%	(29)%
Standstill EBIT	(5.8)	21.2	(27.0)

See the APM section at the end of this announcement for definitions of alternative performance measures and reconciliations to statutory reported figures.

### **New and repeat customers and our subscription KPIs**

Note: commentary in this subsection is given on a comparable 52 week basis.

#### **New customers**

Investment in New Customers was £20.7 million compared to £44.6 million in FY22. This halving of investment reflects the change in strategy implemented during the year to improve paybacks versus FY22 levels (currently forecast at 1.4x) and drive profitability in preference to growth.

We have reduced spending in all our markets and most channels, and increased prices to new customers as we know this drives higher quality recruitment. Our largest decrease was in the UK, where we saw a significant deterioration in customer quality. Our reduction has meant increasing our promotional offer prices significantly, while advertising spend has focused on the most efficient areas, and given an increased average price for first orders, the reduction in New Customer sales is less severe than the reduction in investment, albeit

still significant.

In the US market, we have moved the majority of our first order offers to 12-bottle cases to increase prices and sell additional inventory. The US is also the most advanced in testing our new recruitment journey, which has provided additional support to New Customer sales. As a consequence of these changes, our revenues from new customers reduced by 29%.

Our 5-Year Forecast Payback, which is the ratio of projected future Repeat Customer contribution we expect to earn from new customers recruited in the year, over the investment spend related to acquiring those new customers, was 1.7x (FY22: 1.5x reported). This was achieved due to higher forecast LTVs as we have focused on higher quality customers, with the cost of each recruited Angel flat year-on-year.

We would like to be investing more in new customer recruitment, but our current marketing mechanics and market conditions don't support this while driving acceptable payback. We have accepted payback lower than our 2x target during the year for two reasons:

- Our reducing scale leads, in the near-term, to lower efficiency in our fulfilment operations which contain a significant level of fixed costs. As such the marginal cost of each incremental order we generate is significantly lower and the profitability higher, and we consider it rational to drive these incremental orders; and
- With significant amounts of excess inventory, the cash profile of each order we generate is higher than the contribution of the order (which is the basis of our payback calculations). For as long as we are reducing inventory, this effect means cash paybacks are significantly higher than our payback measure suggests.

### **Repeat customers**

Repeat Customer sales were £314.5 million, a 6% decrease. With Angel numbers reducing as a result of the lower level of recruitment, this represents an increase of 4.3% in sales per Active Angel.

To support repeat revenues, we have continued to drive our "Never Miss Out", "Wine Genie" and "Fine Wine Club" propositions, with over 25% of our Angel subscribers having adopted an average of 1.7 of these each. Our Repeat Customer sales retention, which is the proportion of sales made to customers who met our definition of "repeat" last year and placed orders again this year, was 78% (FY22: 80%). Sales retention can be separated into customer retention and the change in sales per Angel year-on-year. The reduction we have seen this year is due to early FY22 having high rates of purchase due to the tail end of the COVID-19 pandemic, which were not sustained into the following year leading to a reduction in sales per retained Angel and consequently lower sales retention.

Our Repeat Customer sales performance reflects the lower-than-average rate of retention in the US, with contribution trends better than revenue as we have been able to realise price increases offsetting inflating fulfilment costs and lower volume throughput. In the UK, Repeat Customer sales have been driven by a well-executed promotional strategy and higher fulfilment effectiveness year-on-year. In Australia, trends have mirrored the US and UK, albeit lagged slightly due to seasonality and the timing of COVID.

However, significant increases in fulfilment costs due to price inflation and under-utilisation of committed capacity, have substantially eroded contribution margins, despite price increases being introduced.

Repeat Customer contribution margins have decreased in the year from 27.7% to 27.0%. The majority of this is due to fulfilment cost increases in the UK and Australian markets not being fully recovered through price. In our largest market, the US, we achieved a 0.5% improvement in our contribution margin supported by price and mix improvements ahead of cost inflation.

Our Year 1 Payback for the year, which is the contribution realised in this financial year from repeat customers recruited in the prior financial year, divided by the investment made in the prior year recruiting those customers, was 39% (FY22: 68%) reflecting the high acquisition costs and low expected LTVs and payback from our FY22 customer recruitment.

Standstill EBIT is our measure of the adjusted EBIT which we would report if we had invested, at latest reported economics, in new customers to only replenish Repeat Customer contribution lost to attrition. In the year, our Standstill EBIT was £(5.8) million. This metric remains negative due to the very low Year 1 Payback we are recording from the FY22 recruitment. With paybacks improving we expect this metric to improve and converge towards adjusted EBIT through FY25. The calculation of Standstill EBIT can be found in the APM section at the end of this announcement.

### **Other revenue and contribution**

Other revenue and contribution in the US reflect commercial disposals of excess inventory at above cost. Disposals below cost are combined with provisioning charges and shown as adjusted items.

Detailed analysis of each geographic segment and a full reconciliation of reported results to 52 week comparable figures can be found in the APM section at the end of this announcement.

### **KPI review**

As the business has matured and our focus has shifted to profitable growth, we intend to undertake a review of our KPIs and APMs during FY24 with the goal of simplifying the explanation of the business drivers and ensuring they are the most relevant measures to determine success against our plans.

### **Balance sheet and cashflow**

During the year our goals changed to focus on profitability at the expense of growth. Achieving this meant a reduction in Investment in New Customers and a consequent reduction in revenues versus prior plans. As a result, the Group has consumed less inventory than would previously have been forecast, requiring cash consumption to fund higher levels of stock. To mitigate this, during the year we reduced the stock intake we had originally agreed with our winemakers by £15 million, the majority of the reduction being in the US division where we have the longest supply chain.

During the year the Group's net cash excluding lease liabilities balance reduced by £29.5 million. The drivers of this are:

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	<b>£m</b>
Operating loss	(14.3)
Add back: depreciation and amortisation	4.3
Add back: other non-cash charges	7.8
Add back: impairments	18.2
Change in inventory	(28.8)
Change in payables	(14.5)
Change in Angel funds and other deferred income	(6.2)
Other working capital movements	3.5

<b>Operating cash flow</b>	<b>(30.0)</b>
Tax and net interest paid	(3.2)
Capital expenditure	(1.5)
Proceeds from sale of investment property	5.6
Lease liabilities paid	(1.3)
<b>Net movement in net cash excluding lease liabilities</b>	<b>(30.4)</b>
Opening net cash excluding lease liabilities	39.8
Net movement in net cash excluding lease liabilities	(30.4)
FX	0.9
<b>Closing net cash excluding lease liabilities</b>	<b>10.3</b>

The Group generates over 50% of its revenues from international operations. As a result, the year-end balance sheet is subject to the impact of changes in exchange rates as well as underlying movements. As shown in the table below, additional inventory, reducing Angel deposits (due to fewer Angels) and lower outstanding payables balances (due to less stock purchases) all contributed to the cash usage in the year.

Key balance sheet Items (£m)	FY22	Impact in the year			FY23
		FX adj	Non-cash inventory provision	Underlying Movement	
Net cash excluding lease liabilities	39.8	0.9	-	(30.4)	10.3
Inventory	142.4	4.8	(10.3)	28.8	165.7
Angel funds and other deferred income	(76.0)	(1.5)	-	6.2	(71.3)
Trade and other payables*	(54.6)	(1.4)	-	13.6	(42.4)

\* Excludes current tax liabilities

We expect to continue reducing the level of inventory on hand over the next 24 months, rebuilding our cash reserves. Our future inventory intake commitments have reduced from £223 million at the end of FY22 to £162 million at the end of FY23, with reductions achieved in all of our markets.

The Group's policy is to test for the existence of excess capital bi-annually as we update our forecasts for the business. Should it be determined that we have excess capital, available investment opportunities will be compared to expected returns from repurchasing the Company's shares and capital allocated to the highest returning opportunities. At present we do not believe the business has excess capital and no returns of capital, either as dividends or through other mechanics, are planned at this time.

#### **Failure and acquisition of Silicon Valley Bank (SVB)**

One of the Group's banking partners, SVB, was closed by regulators on 10 March 2023. SVB provided 50% of the Group's credit facility with the other 50% coming from Bridge Bank. The operations of SVB, including the Group's credit facility, were transferred to First

Citizens Bank on 28 March 2023. This event did not impact our day-to-day operations and no loss has occurred to the Group because of the failure of SVB. We have also not seen any change in the level of withdrawals made from our Angel fund because of the failure of SVB.

### **Recent trading and outlook**

Trading in the first quarter of FY24 has been significantly slower year-on-year with total revenues 18% lower than the comparable period in FY23. This reduction is a combination of:

- Sales to new customers being 41% lower, the comparable period being prior to our pivot to profitability and reduction in new customer investment; and
- Sales to repeat customers being 15% lower, reflecting the smaller customer base year-on-year.

We have provided updated guidance for FY24 at the start of this announcement. This guidance reflects a balanced view of current trends in the business as seen in the first quarter, expected cost improvements and inventory commitment reductions we will deliver during the year. Our primary goal is to invest in new customers to stabilise and then grow our repeat customer revenues. We believe this requires an investment level of around £27 million, albeit recent improvements in our customer attrition trends could reduce this. As we continue to operate below this run rate, we expect to see repeat customer revenues continue to decline during FY24, however the rate of decline is expected to reduce considerably during the year. With new customer investment targeted to be £23 to £27 million, revenue trends from new customers should begin to stabilise during the year as the comparator periods begin to include the prior year reductions in investment levels. In aggregate we now believe total revenues are likely to decline by 8 to 12% in the year.

Repeat Customer contribution margins remain under pressure, especially in the UK where we will continue to face underutilisation of warehouse capacity into early FY25. Group-wide, we will continue to realise benefit from our FY23 price increases in FY24, as well as assessing opportunities to continue to increase prices and support margins while retaining strong value credentials. We have line of sight of £10 million of fulfilment cost savings that will predominantly be reflected in Repeat Customer contribution margins. We expect to see the full impact of these in FY25 and will provide further updates on our progress towards these important initiatives during our half-year reporting. The net of these movements is expected to be a Repeat Customer contribution margin that is relatively consistent with FY23, delivering Repeat Customer contribution of £72 to £80 million.

Elimination of marketing R&D spend will generate a £5 million cost saving year-on-year. Our operating G&A base should be slightly lower year-on-year despite inflationary salary adjustments having been made. In the event we see revenue and Repeat Customer contribution at the low end of our guided range we would expect to pursue cost savings in variable compensation and other areas of discretionary spending.

The net of all this would be an expected adjusted EBIT of £8 to £12 million for the year, with the lower end underpinned by cost actions as required.

Through additional reductions in stock intake we continue to target closing inventory of approximately £145 to £155 million at the end of FY24, delivering cash generation in the second half of the year and closing net cash excluding lease liabilities of £10 to £30 million.

### **Liquidity and going concern**

With trading performance in the first quarter below expectations we have undertaken a comprehensive reforecast process for the year, resulting in a delay to the publication of these results. As at the date of publication we are trading broadly in line with this revised forecast. The reforecast process resulted in a revised baseline outlook as described above,

in which the Group would expect to comfortably meet all borrowing covenants over the next 12 months and retain significant headroom to the cash balances required to run the business. As such the Directors feel the going concern treatment remains appropriate.

In assessing our going concern position the Board also reviewed a downside scenario with adverse trends to the baseline. This downside scenario, which forecasts a sales decline for the year of 17%, also shows the Group meeting all borrowing covenants and having sufficient liquidity to operate the business. To increase headroom to the adjusted EBITDA covenant in our borrowing agreement in this downside scenario we have agreed with our banking syndicate that certain costs associated with reducing inventory levels and operating costs would be excluded from our covenant calculations, as well as measuring covenant EBITDA on a rolling 12-month basis from the beginning of FY25 to provide additional flexibility as to when certain costs were incurred. The Board recognises that this cash flow forecast relies on:

- Trading performance which is currently volatile and impacted by the challenging macroeconomic environment;
- The delivery of a number of cash and cost improvement actions which will, in part, require the cooperation of strategic suppliers; and
- Access to a forecast level of borrowing from the Group's asset backed lending facility.

As a result, there remains a risk that a combination of these assumptions could result in a reduction in actual cash flows which would result in the business being unable to meet its covenant commitments. As such these factors give rise to a material uncertainty that may cast significant doubt over the going concern assumption of the financial statements. Refer to note 3 for further details.

**James Crawford**  
Chief Financial Officer

## Group income statement

For the 53 weeks ended 3 April 2023

<b>Continuing operations</b>	Note	<b>53 weeks ended 3 April 2023 £'000</b>	52 weeks ended 28 March 2022 £'000
<b>Revenue</b>		<b>354,045</b>	350,263
Cost of sales		<b>(205,739)</b>	(208,542)
<b>Gross profit pre inventory provision</b>		<b>148,306</b>	141,721
Inventory provision		<b>(10,254)</b>	-
<b>Gross profit</b>		<b>138,052</b>	141,721
Fulfilment costs		<b>(68,159)</b>	(62,601)
Advertising costs		<b>(17,690)</b>	(34,131)
General and administrative costs		<b>(53,092)</b>	(43,085)
Impairment of goodwill, property, plant and equipment and right-of-use assets		<b>(18,183)</b>	-

Profit on disposal of asset classified as held for sale		<b>4,814</b>	-
<b>Operating (loss)/profit</b>		<b>(14,258)</b>	1,904
Analysed as:			
<b>Adjusted EBIT</b>		<b>17,365</b>	1,995
Adjusted items:	5		
- Non-cash charges relating to acquisitions		<b>(1,293)</b>	(1,321)
- Right-sizing of US inventory		<b>(13,964)</b>	-
- Impairment of goodwill, property, plant and equipment and right-of-use assets		<b>(18,183)</b>	-
- Other adjusted items		<b>1,817</b>	1,230
<b>Operating (loss)/profit</b>		<b>(14,258)</b>	1,904
Finance costs		<b>(2,217)</b>	(111)
Finance income		<b>1,455</b>	1,080
<b>(Loss)/profit before tax</b>		<b>(15,020)</b>	2,873
Tax	6	<b>(2,393)</b>	(490)
<b>(Loss)/profit for the year</b>		<b>(17,413)</b>	2,383
<hr/>			
<b>(Loss)/earnings per share</b>	7		
Basic		<b>(23.6)p</b>	3.3p
Diluted		<b>(23.6)p</b>	3.2p

## Group balance sheet

As at 3 April 2023

	<b>3 April 2023</b>	28 March 2022
	<b>£'000</b>	£'000
<b>Non-current assets</b>		
Goodwill and intangible assets	<b>14,938</b>	33,516
Property, plant and equipment	<b>2,757</b>	2,544
Right-of-use assets	<b>5,374</b>	3,370
Deferred tax assets	<b>7,328</b>	5,402
Other receivables	<b>10,711</b>	10,114
	<b>41,108</b>	54,946
<b>Current assets</b>		
Inventories	<b>165,666</b>	142,444
Trade and other receivables	<b>5,610</b>	9,161
Financial instruments at fair value	<b>30</b>	324
Cash and cash equivalents	<b>39,474</b>	39,846
	<b>210,780</b>	191,775
Assets classified as held for sale	-	810

	<b>210,780</b>	192,585
<b>Current liabilities</b>		
Trade and other payables	<b>(42,427)</b>	(54,621)
Current tax liabilities	<b>(1,836)</b>	-
Angel funds and other deferred income	<b>(71,314)</b>	(76,003)
Lease liabilities	<b>(2,030)</b>	(991)
Provisions	<b>(1,709)</b>	(2,011)
Bond financing	<b>(35)</b>	(35)
Financial instruments at fair value	<b>(290)</b>	(476)
	<b>(119,641)</b>	(134,137)
<b>Net current assets</b>	<b>91,139</b>	58,448
<b>Total assets less current liabilities</b>	<b>132,247</b>	113,394
<b>Non-current liabilities</b>		
Provisions	<b>(14)</b>	(122)
Lease liabilities	<b>(3,821)</b>	(2,576)
Borrowings	<b>(29,131)</b>	-
Deferred tax liabilities	<b>(603)</b>	(813)
	<b>(33,569)</b>	(3,511)
<b>Net assets</b>	<b>98,678</b>	109,883
<b>Equity</b>		
Share capital	<b>5,550</b>	5,508
Share premium	<b>21,162</b>	21,162
Capital redemption reserve	<b>363</b>	363
Currency translation reserve	<b>7,930</b>	3,183
Retained earnings	<b>63,673</b>	79,667
<b>Total equity</b>	<b>98,678</b>	109,883

## Group cash flow statement

For the year ended 3 April 2023

	Note	53 weeks ended 3 April 2023 £'000	52 weeks ended 28 March 2022 £'000
<b>Operating activities</b>			
Net cash flows used in operations	8	<b>(29,981)</b>	(40,929)
Overseas income tax paid		<b>(2,020)</b>	(2,189)
		<b>(32,001)</b>	(43,118)
<b>Investing activities</b>			
Interest received, including interest received on the vendor loan note		<b>737</b>	486
Purchase of property, plant and equipment		<b>(1,478)</b>	(1,681)

Purchase of intangible assets		-	(253)
Proceeds on disposal of property, plant and equipment		11	7
Proceeds from sale of asset held for resale		5,624	-
		<b>4,894</b>	<b>(1,441)</b>
<b>Financing activities</b>			
Interest paid		(1,719)	(6)
Lease interest paid		(233)	(105)
Repayments of principal under lease liabilities	8	(1,299)	(845)
Debt issuance costs paid	8	(791)	-
Movement in customer funded bonds	8	-	5
Drawdown of borrowings	8	30,464	-
		<b>26,422</b>	<b>(951)</b>
<b>Net decrease in cash</b>	8	<b>(685)</b>	<b>(45,510)</b>
Cash and cash equivalents at the beginning of the year	8	39,846	85,148
Effect of foreign exchange rate changes	8	313	208
<b>Cash and cash equivalents at the end of the year</b>	8	<b>39,474</b>	<b>39,846</b>

## Notes to the financial statements

### 1. General Information

Naked Wines plc, (the Company) is a public limited company and is limited by shares. It is incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Company is the ultimate controlling party of the Naked Group and its ordinary shares are traded on the Alternative Investment Market (AIM).

The Company's registered address and principal place of business is The Union Building, 51-59 Rose Lane, Norwich, NR1 1BY. The Group's principal activity is the direct-to-consumer retailing of wine. The Company's principal activity is to act as a holding company for its subsidiaries.

### 2. Basis of accounting

The financial information set out above does not constitute statutory accounts within the meaning of section 435(1) and (2) of the Companies Act 2006 nor contain sufficient information to comply with the disclosure requirements of International Financial Standards (IFRS) but are derived from those statements.

The consolidated financial statements comprise the financial statements of the Group as at 3 April 2023 and are presented in GBP and all values are rounded to the nearest thousand (£'000), except when otherwise indicated.

The auditor has reported on the underlying accounts from which this financial information has been drawn and their report is unqualified, did not draw attention to any matters by way of emphasis and did not contain any statements under section 498 (2) or (3) of the Companies Act 2006 but did include a section highlighting a material uncertainty that may cast significant doubt on the Group and Company's ability to continue as a going concern. Further details are provided in the going concern section of this announcement.

The financial statements of Naked Wines plc for the year ended 3 April 2023 were authorised for issue by the Board of Directors on 18 September 2023 and the balance sheet was signed on behalf of the Board by James Crawford, Chief Financial Officer.

The Group's financial reporting year represents the 53 weeks to 3 April 2023 and the prior financial year, 52 weeks to 28 March 2022.

### **3. Going concern**

#### **Background and context**

Like many online retail businesses, Naked Wines has been severely impacted by COVID-19, rising inflation and falling consumer confidence. Lockdowns in all markets saw customers moving online which generated significant revenue growth for the Group and required significant investment in both operational capacity and inventory.

Naked Wines emerged from the COVID-19 pandemic almost double the size of pre-pandemic levels. However, expectations of the level of ongoing new customer acquisition have not been met and the level of business performance has been below the Directors' expectations. In particular, the number of new customers acquired and the return on investment in new customers have been below expectations which in turn has led to a fall in the repeat customer base. These changes have led to reduced expectations of the future sales and cash flow for the Company versus previously prepared financial plans.

In response to these challenging macroeconomic conditions, Naked changed strategy to "pivot to profit", (refer to the Chief Executive's review for further details) focusing on short-term profit generation over long-term customer expansion and with a recognised near-term increase in cash investment in inventory.

Alongside this pivot to profit, the Company commenced a comprehensive review of the business which included a suite of further actions:

- Removing unnecessary costs from the business that had been introduced to support a business with significantly higher growth levels;
- Identifying several operational savings and cost efficiencies across the Group;
- Undertaking a project to remove excess inventory from the business whilst continuing to support independent winemakers; and
- Piloting and trialling new customer propositions.

These actions are ongoing, with progress already being made to remove unnecessary costs and identify efficiencies. Achievement of the Group's forecasts will, in part, require the alignment and cooperation of strategic suppliers in order to achieve the Board's planned outcomes. If the outcome of these key strategic initiatives is not as anticipated by the Board, subsequent performance may be significantly different to that set out in the Company's financial plans.

#### **Borrowing facilities**

The Group has an asset backed lending (ABL) facility of up to \$60 million and as at the year-end \$36.75 million (FY22: \$nil) had been drawn down. The Group met all its credit facility covenant requirements in the current financial year, despite the material uncertainty noted regarding going concern in the FY22 Annual Report and Accounts relating to the Group's ABL credit facility profit covenant.

Following the Group's renegotiation of its senior secured lending facility covenants in October 2022 which addressed the underlying cause of the material uncertainty, the Group has three principal negative pledge covenant commitments, defined within the credit facility. These covenants, in effect for periods starting after 26 September 2022

for the remaining duration of the agreement to 30 March 2025, relate to:

- 1) A facility defined minimum balance sheet current asset to current liability ratio test;
- 2) A facility defined minimum qualified cash balance of \$20 million to be held by loan parties with the lender group at all times; and
- 3) A facility defined measure of EBITDA business profitability.

As set out more fully in note 9 Events after the balance sheet date, on 22 August 2023 the Group concluded a further amendment to its credit facility, moving the facility defined adjusted EBITDA covenant threshold from a trailing three to a trailing 12-month basis from the beginning of FY25 as well as increasing the size and specificity of the non-recurring expense add back in the calculation of the facility defined adjusted EBITDA measure.

Effective from 27 March 2023, the Group's credit facility was acquired as part of the loan portfolio purchased by First Citizens Bank & Trust Company as part of their acquisition of Silicon Valley Bridge Bank, N.A, previously Silicon Valley Bank. The Directors have received written confirmation from First Citizens Bank & Trust Company that First Citizens Bank has assumed all the liabilities and obligations of Silicon Valley Bridge Bank, formerly Silicon Valley Bank, associated with this facility. The administrative agent and issuing lender for the facility is now Silicon Valley Bank, a division of First Citizens Bank & Trust Company. As a result of the sale and purchase agreement of Silicon Valley Bridge Bank to First Citizens Bank and the confirmation of the transfer of all the liabilities and obligations in relation to the Company's credit facility to First Citizens Bank, the Directors have a reasonable expectation that the Group's lending facility provides the security of funding necessary to support its going concern assumptions.

#### **Base case**

In assessing the appropriateness of the going concern assumption, the Board has considered (i) the cash requirements of the business to pursue its intended strategy, (ii) the funding available to the Group from existing cash reserves and ABL facility and (iii) potential variations in the cash requirements of the Group taking into account severe but plausible downside scenarios that appropriately reflect the current uncertain macroeconomic outlook and post year-end trading.

The Directors have prepared cash flow forecasts extending for more than 12 months from the date of the approval of these financial statements to assess the liquidity of the Group. The first of these forecasts, prepared ahead of the end of the financial year in the final quarter of FY23, was based on expectations formed by trading experience at the time and anticipated future trends. It also included cost savings and efficiencies that the Group is already benefiting from, as well as additional cost and cash savings expected to be implemented over the going concern period including working capital improvements. Under this base case scenario (the "Original Baseline"), the Group had sufficient liquidity over this period and meets its credit facility covenant commitments.

Trading in the first quarter of FY24, beginning in April 2023, was below expectations with total revenues 18% lower than the comparable period in FY23. This reduction was a combination of:

- Sales to new customers being 41% lower, the comparable period being prior to our pivot to profit and reduction in new customer investment; and
- Sales to repeat customers being 15% lower, reflecting the smaller customer base year-on-year.

As a result, management revised its original plan for FY24 and FY25. This revised plan (the "Revised Baseline") took into account emerging trends in new customer

acquisition and the rate of growth of revenue per Angel, partially offset by an improvement in mature Angel attrition and resulted in lower forecasts for sales, profitability and cash flow generation versus the original plan for FY24 and FY25.

#### **Sensitivities and reverse stress test**

The Directors have considered several downside scenarios against both the Original Baseline and the Revised Baseline. The scenarios applied to the Original Baseline are:

- Increased year-on-year repeat customer attrition of between 10% and 30% (based on the level, by market, of the worst experienced attrition rate over a three-month period in recent history);
- Sustained lower level of new customer acquisition spend resulting in 15% year-on-year decline in Investment in New Customers; and
- A decline in repeat customer activation of 10% versus the Original Baseline.

The Directors also prepared a further severe but plausible downside customer activation scenario modelling the impact of a 10% decline in repeat customer activation versus the Revised Baseline.

Under each downside scenario individually the forecasts show all covenant requirements being met. In the most severe downside scenario, being the 10% repeat customer activation downside versus the Revised Baseline, the most sensitive covenant was the \$20 million minimum cash requirement where headroom fell to £4 million, rising to £10 million with application of a contingency plan (see below), in excess of this covenant requirement at the lowest point of the forecast.

A reverse stress test of the Revised Baseline downside scenario was also performed, being the downside scenario deliberately engineered to identify the point at which a covenant breaks. This reverse stress test shows that an additional 2% reduction in repeat customer activation (beyond the 10% severe but plausible downside scenario noted above) results in the Group not meeting its minimum cash covenant, reflecting the relatively high degree of sensitivity over downside modelling in this scenario.

The Directors have identified a contingency plan to improve cash generation should evidence of this downside scenario become apparent, including further working capital management and promotional sales and margin opportunities. Management believes that together, these actions add an additional

2% headroom between the severe but plausible downside scenario and reverse stress test. The modelled breach in the reverse stress test, including the identified additional mitigation, occurs 17 months after the balance sheet date in the second quarter of FY25.

In addition to the trading sensitivity disclosed above, compliance with the minimum cash covenant is reliant on being able to continue to access the anticipated level of the Group's ABL facility, where the level of available credit (the 'facility borrowing base') is determined by the level and carrying value of the Group's US inventory. The Directors highlight the key source of estimation uncertainty over inventory valuation and also the requirement to maintain the existing level of supplier waivers (to include wine held at their facilities within the facility borrowing base calculation) in order to support the Group's forecast available credit. Together, these factors give rise to additional uncertainty over the level of the ABL facility available to be drawn down across the forecast period.

Given experienced trading volatility and the macroeconomic conditions increasing the uncertainty over future forecasts, the Directors note that forecast variances of more than 4% outside of the currently severe but plausible downside scenario would result in a breach of the Company's minimum cash holding covenant and whilst the

Company's credit provider has proven to be responsive to accommodating the needs of the business, any further covenant amendments, should they be required, will be subject to negotiation.

This assessment is linked to a robust assessment of the principal risks facing the Group and the reverse stress test reflects the potential impact of these risks being realised.

### **Summary**

After considering the forecasts, sensitivities and mitigating actions available and having regard to the risks, uncertainties and challenges in recent trading and the macroeconomic environment, the Directors note that a material uncertainty exists that may cast significant doubt over the Group's ability to continue as a going concern and therefore, it may not be able to realise its assets and discharge its liabilities in the normal course of business.

The material uncertainty with regards to going concern relates to the Group's ability to generate sufficient future cash flows while trading in a volatile environment, successful completion of planned actions and maintaining access to the forecast level of ABL facility in order to meet its minimum cash covenant in the going concern period.

The financial statements have been prepared on a going concern basis, whilst noting the material uncertainty above.

## **4. Segmental reporting**

IFRS 8 Operating segments requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker (CODM). The Board has determined that the Executive Directors of the Company are the CODM of the business. This is on the basis that they have primary responsibility for the allocation of resources between segments and the assessment of performance of the segments. In line with the information presented to the Executive Directors of the Company, the Group presents its segmental analysis based on the three geographic locations in which the Group operates.

Performance of these operating segments is assessed on revenue and adjusted EBIT (being operating profit excluding any adjusted items), as well as analysing the business between new customer and repeat customer lines of business.

These are the financial performance measures that are reported to the CODM, along with other operational performance measures, and are considered to be useful measures of the underlying trading performance of the segments. Adjusted items are allocated in accordance with how they are reported to the CODM.

The table below sets out the basis on which the performance of the business is presented to the CODM. The CODM considers that, as a single route to market and solely consumer-facing business in three geographically and economically diverse locations, the business comprises three operating segments. The Group reports revenue from external customers as a single product group, this being principally wine and some spirits.

Costs relating to global Group functions are not allocated to the operating segments for the purposes of assessing segmental performance and consequently global costs are presented separately. This is consistent with the presentation of those functions to the CODM.

Revenues are attributed to the countries from which they are earned. The Group is not reliant on a major customer or group of customers.

53 weeks ended 3 April 2023	Naked Wines US £'000	Naked Wines UK £'000	Naked Wines Australia £'000	Unallocated £'000	Total £'000
<b>Revenue</b>	<b>171,035</b>	<b>137,192</b>	<b>45,818</b>	-	<b>354,045</b>
Revenue associated with the US inventory impairment	(3,110)	-	-	-	(3,110)
<b>Total adjusted sales 1</b>	<b>167,925</b>	<b>137,192</b>	<b>45,818</b>	-	<b>350,935</b>
Analysed as:					
New Customer sales	17,180	6,400	3,312	-	<b>26,892</b>
Repeat Customer sales	147,448	130,792	42,506	-	<b>320,746</b>
Other revenue	3,297	-	-	-	<b>3,297</b>
<b>Total adjusted sales 1</b>	<b>167,925</b>	<b>137,192</b>	<b>45,818</b>	-	<b>350,935</b>
Investment in New Customers	(15,057)	(3,417)	(2,937)	-	<b>(21,411)</b>
Repeat Customer contribution	50,314	24,990	11,196	-	<b>86,500</b>
Other contribution	255	-	-	-	<b>255</b>
<b>Total contribution after advertising costs<sup>2</sup></b>	<b>35,512</b>	<b>21,573</b>	<b>8,259</b>	-	<b>65,344</b>
General and administrative costs <sup>3</sup>	(12,830)	(6,896)	(3,561)	(24,692)	<b>(47,979)</b>
<b>Adjusted EBIT</b>	<b>22,682</b>	<b>14,677</b>	<b>4,698</b>	<b>(24,692)</b>	<b>17,365</b>
Adjusted items (see note 5):					
Non-cash items relating to acquisitions	-	-	-	(1,293)	<b>(1,293)</b>
Right-sizing of US inventory	(13,964)	-	-	-	<b>(13,964)</b>
Impairment of goodwill, property, plant and equipment and right-of-use assets	-	-	-	(18,183)	<b>(18,183)</b>
Other adjusted items	-	-	-	1,817	<b>1,817</b>
<b>Operating profit/(loss)</b>	<b>8,718</b>	<b>14,677</b>	<b>4,698</b>	<b>(42,351)</b>	<b>(14,258)</b>
Finance costs	(2,155)	(36)	(24)	(2)	<b>(2,217)</b>
Finance income	342	-	-	1,113	<b>1,455</b>
<b>Profit/(loss) before tax</b>	<b>6,905</b>	<b>14,641</b>	<b>4,674</b>	<b>(41,240)</b>	<b>(15,020)</b>
Tax	(2,275)	(1,482)	(1,396)	2,760	<b>(2,393)</b>
<b>Profit/(loss) for the year</b>	<b>4,630</b>	<b>13,159</b>	<b>3,278</b>	<b>(38,480)</b>	<b>(17,413)</b>
Depreciation	1,897	353	225	38	<b>2,513</b>
Amortisation	1	-	-	1,785	<b>1,786</b>
Impairment	-	-	-	18,183	<b>18,183</b>
Total assets	146,629	47,626	23,139	34,494	<b>251,888</b>
Total liabilities	93,275	41,127	13,731	5,077	<b>153,210</b>
<b>53 weeks ended 3 April 2023</b>		<b>US £'000</b>	<b>UK £'000</b>	<b>Australia £'000</b>	<b>Total £'000</b>
<b>Geographical analysis</b>					
Revenue		171,035	137,192	45,818	<b>354,045</b>
Non-current assets excluding deferred tax assets		7,710	26,070	-	<b>33,780</b>

1. Total adjusted sales are calculated as revenue excluding revenue associated with the right-sizing of US inventory as analysed in note 5 Adjusted items.
2. Contribution after advertising costs is calculated as gross profit, less fulfilment and advertising costs, excluding transactions associated with the right-sizing of US inventory included in contribution (details in note 5 Adjusted items).
3. Refer to the table in the APM section at the end of this announcement for a reconciliation of G&A costs to those reported in the income statement.

52 weeks ended 28 March 2022	Naked Wines US £'000	Naked Wines UK £'000	Naked Wines Australia £'000	Unallocated £'000	Total £'000
<b>Revenue</b>					
New Customer sales	17,556	11,342	5,137	-	34,035
Repeat Customer sales	138,665	135,617	40,777	-	315,059
Other revenue	1,169	-	-	-	1,169
	<b>157,390</b>	<b>146,959</b>	<b>45,914</b>	-	<b>350,263</b>
Investment in New Customers	(23,225)	(13,495)	(4,583)	-	(41,303)
Repeat Customer contribution	46,648	28,225	11,342	-	86,215
Other contribution	77	-	-	-	77
	<b>23,500</b>	<b>14,730</b>	<b>6,759</b>	-	<b>44,989</b>
General and administrative costs <sup>1</sup>	(14,939)	(6,614)	(3,879)	(17,562)	(42,994)
<b>Adjusted EBIT</b>	<b>8,561</b>	<b>8,116</b>	<b>2,880</b>	<b>(17,562)</b>	<b>1,995</b>
Adjusted items (see note 5):					
Non-cash items relating to acquisitions	-	-	-	(1,321)	(1,321)
Other adjusted items	-	-	-	1,230	1,230
<b>Operating profit/(loss)</b>	<b>8,561</b>	<b>8,116</b>	<b>2,880</b>	<b>(17,653)</b>	<b>1,904</b>
Finance costs	(91)	(9)	(11)	-	(111)
Finance income	-	1	-	1,079	1,080
<b>Profit/(loss) before tax</b>	<b>8,470</b>	<b>8,108</b>	<b>2,869</b>	<b>(16,574)</b>	<b>2,873</b>
Tax	(1,384)	(568)	(326)	1,788	(490)
<b>Profit/(loss) for the year</b>	<b>7,086</b>	<b>7,540</b>	<b>2,543</b>	<b>(14,786)</b>	<b>2,383</b>
Depreciation	1,113	264	230	50	1,657
Amortisation	1	-	-	1,900	1,901
Total assets	122,278	41,622	24,912	58,719	247,531
Total liabilities	63,495	45,203	20,126	8,824	137,648

52 weeks ended 28 March 2022	US £'000	UK £'000	Australia £'000	Total £'000
<b>Geographical analysis</b>				
Revenue	157,390	146,959	45,914	350,263
Non-current assets excluding deferred tax assets	4,919	44,261	364	49,544

1. Refer to the table in the APM section at the end of this announcement for a reconciliation of G&A costs to those reported in the income statement.

## 5 Adjusted items

The Directors believe that adjusted EBIT provides additional useful information for shareholders on trends and performance. These measures are used for performance analysis. Adjusted EBIT is not defined by IFRS and therefore may not be directly comparable with other companies' adjusted profit measures. It is not intended to be a substitute for, or superior to, IFRS measurements of profit.

In the year, the adjustments made to operating profit are:

	<b>53 weeks ended 3 April 2023 £'000</b>	52 weeks ended 28 March 2022 £'000
<b>Non-cash charges relating to acquisitions - amortisation of acquired intangibles</b>	<b>(1,293)</b>	(1,321)
US inventory provision	<b>(10,254)</b>	-
US cancellation of winemaker contracts	<b>(527)</b>	-
Sale of US inventory - contribution loss (see glossary of definitions in the APM section at the end of this announcement)	<b>(2,360)</b>	-
Right-sizing of US inventory included in contribution	<b>(13,141)</b>	-
Disposal of US inventory - charitable donations	<b>(823)</b>	-
<b>Right-sizing of US inventory</b>	<b>(13,964)</b>	-
<b>Impairment of goodwill, property, plant and equipment and right-of-use assets</b>	<b>(18,183)</b>	-
Profit on disposal of asset classified as held for sale	<b>4,814</b>	-
structuring costs	<b>(1,522)</b>	-
Software as a Service costs incurred in the implementation of new ERP platform	<b>(2,347)</b>	-
Legal settlement for Payment card Interchange fees	<b>740</b>	-
Fair value movement through the income statement on foreign exchange contracts and associated unrealised foreign currency inventory	<b>132</b>	1,091
Foreign exchange movements on plc company bank balances	-	139
<b>Other adjusted items</b>	<b>1,817</b>	1,230
<b>Total adjusted items</b>	<b>(31,623)</b>	(91)

### Amortisation of acquired intangibles

These items reflect costs of customer acquisition from prior to the purchase of the Naked Wines business. In order to reflect the cost of current new customer acquisition

in its adjusted EBIT, the Group includes the expenses of all ongoing customer acquisitions in its adjusted profit measures but removes the amortisation cost of those customers acquired before acquisition by Naked Wines plc.

#### **Right-sizing of US inventory**

As a result of the Group's pivot to profit strategy in the current financial year, management has engaged in a rigorous review of inventory holdings and concluded that in the US business unit, as a result of the revision to future sales and growth forecasts, an inventory right-sizing exercise was required.

On the basis of this evaluation, the Group has recorded a charge of £14.0 million in the year in order to allow the US business to consolidate its inventory holdings around wine and winemakers core to the Group's mission to connect everyday wine drinkers with the world's best independent winemakers.

As a result of this decision, a number of winemakers, brands and products have been delisted, winemaker commitments cancelled, and plans made to exit certain quantities of inventory at less than historic cost. Where inventory that has been sold on the secondary market as part of this right-sizing exercise for less than historic cost of goods, these transactions are reported net within adjusted items as part of adjusted performance measures and are disclosed as sale of US inventory - contribution loss.

#### **Right-sizing of US inventory continued**

Management considers these provisions and charges to be one-off in nature as amounts relate to purchases made on the back of continued expected growth following the COVID-19 pandemic and based on the Group's previous strategy of customer acquisition. As a result of the strategic shift from customer acquisition to short-term profitability and cash generation, this impairment charge forms part of the one-off exercise undertaken in the year to better align purchasing and inventory management going forwards whilst still ensuring the Group holds sufficient inventory to meet customer demand.

Management has concluded it is appropriate to include the inventory impairment within adjusted items to provide a more consistent basis with the comparative adjusted EBIT alternative performance measure.

#### **Impairment of goodwill, property, plant and equipment and right-of-use-assets**

As a result of the Company's decision to focus on short-term profitability and cash generation over long-term growth, an impairment of £18.2 million has been recognised in the FY23 income statement. This represents a partial impairment of the goodwill allocated to the US business and a full impairment of the goodwill, property, plant and equipment and right-of-use assets in the Australian business.

#### **Profit on disposal of asset classified as held for sale**

In May 2022, the sale of the asset classified as held for sale was completed. The profit arising on the sale is the difference between the proceeds of £5.85 million less commissions and costs of £0.2 million and the carrying value of the asset of £0.8 million.

#### **Restructuring costs**

The Group undertook a restructuring program in FY23 seeking to generate improved efficiency and reduce costs. Following this review, one-off termination payments and associated costs were incurred in the US and the UK.

#### **Software as a Service cost**

During the year, the Group incurred upfront configuration and implementation costs relating to the development of a new ERP system. Under the change of accounting policy, these costs are reported as incurred in the income statement. As material non-recurring expenditure, the costs relating to the configuration of the ERP platform have

been disclosed as an adjusted item.

#### **Legal settlement in relation to Payment card Interchange fees**

Naked Wines were part of a class action group that brought proceedings against Visa and Mastercard for engaging in anti-competitive conduct in relation to arrangements for setting and implementing multilateral Payment card Interchange fees. This amount is net of costs and is in full and final settlement of the claim.

#### **Fair value movement on foreign exchange contracts and associated unrealised foreign currency inventory**

We commit in advance to buying foreign currency to purchase wine to mitigate exchange rate fluctuations. International accounting standards require us to mark the value of these contracts to market. As this may materially fluctuate, we adjust this, and associated foreign currency inventory revaluation, as to better reflect our trading profitability.

#### **Foreign exchange movements on plc company bank accounts**

In the prior year, the parent company held foreign currency cash balances, which it used to fund its US and Australian businesses. The revaluation of the foreign currency balances held were reported as adjusted items so as not to distort the picture of the underlying business cost base.

## **6 Tax**

### **(a) Tax charge**

	<b>53 weeks ended 3 April 2023 £'000</b>	52 weeks ended 28 March 2022 £'000
<b>Current tax</b>		
UK tax	-	4
Overseas tax	<b>(4,198)</b>	(2,011)
Adjustment in respect of prior periods	<b>(377)</b>	27
<b>Current tax charge</b>	<b>(4,575)</b>	(1,980)
<b>Deferred tax</b>		
Origination and reversal of temporary differences	<b>1,085</b>	1,077
Adjustment in respect of prior periods	<b>560</b>	64
Effect of change in tax rate on prior period balances	<b>537</b>	349
<b>Deferred tax credit</b>	<b>2,182</b>	1,490
<b>Total tax charge for the year</b>	<b>(2,393)</b>	(490)

### **(b) Tax reconciliation**

The tax charge for the year differs from the standard rate of corporation tax in the UK of 19% (2022: 19%). The reasons for this are detailed below:

**53 weeks ended**      52 weeks ended

	3 April 2023 £'000	28 March 2022 £'000
<b>(Loss)/profit before tax</b>	<b>(15,020)</b>	2,873
Tax charge at the standard UK corporation tax rate of 19% (2022: 19%)	2,854	(546)
Adjustments in respect of prior periods	183	91
Disallowable expenditure	(1,926)	(485)
Overseas income tax at higher rates	(588)	(44)
Income not taxable	-	12
Fixed asset differences	60	-
Change in unrecognised deferred tax assets	(3,054)	475
Share based payments	(138)	141
Change in tax rate on prior period deferred tax balances	263	(134)
Foreign exchange	(47)	-
<b>Total tax charge</b>	<b>(2,393)</b>	<b>(490)</b>
<b>Effective tax rate</b>	<b>(15.9)%</b>	17.1%

Deferred tax balances have been calculated to the substantively enacted rate at which they are expected to reverse.

The chancellor has confirmed an increase in the corporation tax rate from 19% to 25% with effect from 1 April 2023 which received Royal Assent on 10 July 2021.

## 7 (Loss)/earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue of the Company, excluding 220,137 (2022: 145,557) shares held by the Naked Wines plc Share Incentive Plan Trust and the Naked Wines Employee Benefit Trust (which have been treated as dilutive share based payment awards).

The dilutive effect of share based payment awards is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. Share awards granted over 3,382,710 (2022: nil) ordinary shares have been excluded from the calculation as they are anti-dilutive. All other outstanding share awards have been included in the calculation as they are potentially dilutive at the year end.

	53 weeks ended 3 April 2023	52 weeks ended 28 March 2022
<b>(Loss)/earnings per share</b>		
Basic (loss)/earnings per share	(23.6)p	3.3p
Diluted (loss)/earnings per share	(23.6)p	3.2p

	53 weeks ended 3 April 2023	52 weeks ended 28 March 2022
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<b>(Loss)/earnings for the purpose of basic earnings per share calculation (£'000)</b>	<b>(17,413)</b>	2,383
<hr/>		
Weighted average number of ordinary shares used as the denominator in calculating basic earnings per share	<b>73,663,498</b>	73,172,727
Dilutive potential ordinary shares:		
Employee share awards	<b>520,030</b>	1,803,937
<b>Weighted average number of ordinary shares and potential ordinary shares used as the denominator in calculating diluted earnings per share</b>	<b>74,183,528</b>	74,976,664
<hr/>		
<b>Total number of shares in issue</b>	<b>74,004,135</b>	73,439,132

As noted above, the denominator for the purposes of calculating both basic and diluted earnings per share has been adjusted to exclude the shares held by the Naked Wines plc Share Incentive Plan Trust and the Naked Wines Employee Benefit Trust.

If all the Company's share awards had vested at 100%, the Company would have 77,370,058 issued shares.

There have been no transactions involving ordinary shares or potential ordinary shares between the reporting date and the date of authorisation of these financial statements.

## 8 Notes to the cash flow statement

### (a) Reconciliation of profit to cash flows from operations

	<b>53 weeks ended 3 April 2023 £'000</b>	52 weeks ended 28 March 2022 £'000
<b>Cash flows from operations</b>		
Operating (loss)/profit	<b>(14,258)</b>	1,904
Add back/(deduct):		
Depreciation and amortisation	<b>4,299</b>	3,558
Impairment of goodwill, property, plant and equipment and right-of-use assets	<b>18,183</b>	-
Loss on disposal of fixed assets	<b>327</b>	18
Intangible assets previously capitalised under former accounting policy	<b>253</b>	-

Profit on sale of asset held for resale	(4,814)	-
Fair value movement on foreign exchange contracts	109	(1,212)
US segment inventory provision	10,254	-
Share based payment charges	1,604	1,311
<b>Operating cash flows before movements in working capital</b>	<b>15,957</b>	<b>5,579</b>
Increase in inventories <sup>1</sup>	(28,770)	(61,174)
(Decrease)/increase in Angel funds and other deferred income	(6,193)	3,582
Decrease/(increase) in trade and other receivables	3,501	(1,779)
(Decrease)/increase in trade and other payables	(14,476)	12,863
<b>Net cash flows used in operations</b>	<b>(29,981)</b>	<b>(40,929)</b>

1. Increase in inventories is calculated as the GBP movement in the balance sheet of £23.3 million (FY23 inventory of £165.7 million less FY22 inventory of £142.4 million), plus the non-cash inventory provision of £10.3 million and after adjusting for FX of £4.8 million.

### (b) Cash and cash equivalents

	3 April 2023 £'000	28 March 2022 £'000
<b>Cash and cash equivalents</b>	<b>39,474</b>	<b>39,846</b>

### (c) Analysis of movement in net cash and changes in liabilities arising from financing activities

	28 March 2022 £'000	Cash flows £'000	Non-cash movements <sup>1</sup> £'000	3 April 2023 £'000
<b>Cash and cash equivalents</b>	<b>39,846</b>	<b>(685)</b>	<b>313</b>	<b>39,474</b>
<b>Borrowings:</b>				
Borrowings, net of issuance costs	-	(29,673)	542	(29,131)
Customer funded bond	(35)	-	-	(35)
Lease liabilities	(3,567)	1,299	(3,583)	(5,851)
<b>Net liabilities arising from financing activities</b>	<b>(3,602)</b>	<b>(28,374)</b>	<b>(3,041)</b>	<b>(35,017)</b>
<b>Total net cash/(borrowings)</b>	<b>36,244</b>	<b>(29,059)</b>	<b>(2,728)</b>	<b>4,457</b>

1. Non-cash movements relate to lease additions and foreign exchange movements.

## 9 Events after the balance sheet date

On 22 August 2023, the Directors concluded an amendment to the principal covenant obligations of the Group's asset backed lending facility. This amendment moves the facility defined adjusted EBITDA covenant commitment threshold from a trailing three to a trailing 12-month basis from the beginning of FY25 and increases the size and

specificity of the non-recurring expense add-back in the calculation of the facility defined adjusted EBITDA covenant commitment. The amendment also documented as a post-close completion obligation the inclusion of the Group's Australian businesses as loan parties to the agreement. These revised covenant obligations come into effect for periods beginning after 2 October 2023.

The introduction of the revised covenant commitments has no financial effect on the operation of the credit facility. However, the Directors believe that the revised profit covenant test provides the Company with greater latitude in the unwind of the Group's excess inventory and management of its operating cost base.

There were no other events after the balance sheet date that had a material impact on the financial position and performance of the Group.

## Glossary of definitions, alternative performance measures (APMs) and key performance indicators (KPIs)

<b>Definitions</b>		
<b>5* customer service</b>	The percentage of feedback ratings received by our Customer Happiness teams that expressed 5* satisfaction on a scale of 1 to 5.	Customer experience KPI
<b>5-Year Forecast Payback</b>	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.	Investment measure
<b>5-Year Lifetime Value (LTV)</b>	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 measure
<b>Active Angel</b>	An Angel that is an active subscriber who has placed an order in the past 12 months.	
<b>Adjusted EBIT</b>	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 and any items that are either material one-time charges we do not expect to be repeated or are non-trading related. A reconciliation to operating profit can be found on the face of the Group income statement.	APM
<b>Adjusted EBITDA</b>	Adjusted EBIT plus depreciation and amortisation, but excluding any depreciation or amortisation costs included in our adjusted items e.g. amortisation of acquired intangibles.	APM

<b>AGM</b>	Annual General Meeting	
<b>Angel</b>	A customer who deposits funds into their account each month to spend on the wines on our website.	
<b>CAGR</b>	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.	
<b>Company, Naked or Naked Wines</b>	Naked Wines plc	
<b>Contribution</b>	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. A reconciliation of operating profit to contribution is shown in note 4 Segmental reporting.	
<b>DtC</b>	Direct-to-Consumer	
<b>EBIT</b>	Operating profit as disclosed in the Group income statement.	APM
<b>EBITDA</b>	EBIT plus depreciation and amortisation.	
<b>Free cash flow</b>	Cash generated by operating activities less capital expenditure and before adjusted items and tax. A reconciliation of this metric is provided in the APM section at the end of this announcement.	APM
<b>Group</b>	Naked Wines plc and its subsidiary undertakings	
<b>Investment in New Customers</b>	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.	Investment measure
<b>LTIP</b>	Long Term Incentive Plan	
<b>Marketing R&amp;D</b>	Expenditure focused on researching and testing new marketing channels and creative approaches, with the aim of opening up significant new growth investment opportunities.	
<b>Net cash excluding lease liabilities</b>	The amount of cash we are holding less borrowings at year end excluding lease liabilities.	APM
<b>New customer</b>	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.	
<b>New Customer sales</b>	Revenues derived from transactions with customers who meet our definition of a new customer. A reconciliation of total sales to New Customer sales is shown in note 4 Segmental reporting.	
<b>Other revenue</b>	Revenue from stock optimisation activities.	
<b>Other contribution</b>	The profit or loss attributable to sales meeting the definition of other revenue.	Investment measure
<b>Product availability</b>	The average percentage of products we have defined as core to the portfolio that is available to our customers throughout the year.	Customer experience KPI
<b>Repeat customer</b>	A customer (Angel) who has subscribed and made their first monthly subscription payment.	
<b>Repeat Customer contribution</b>	The profit attributable to sales meeting the definition of Repeat Customer sales after fulfilment and service costs. A reconciliation of adjusted EBIT to Repeat Customer contribution	Investment measure

is shown in note 4 Segmental reporting.

<b>Repeat Customer contribution margin</b>	Repeat Customer contribution as a percentage of Repeat Customer sales.	Investment measure
<b>Repeat Customer sales</b>	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 4 Segmental reporting.	
<b>Repeat Customer sales retention</b>	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.	Investment measure
<b>SIP</b>	Share Incentive Plan	
<b>Standstill EBIT</b>	The adjusted EBIT that would be reported if Investment in New Customers was reduced to the level needed only to replenish the portion of the customer base that was lost to attrition during the period. A calculation of this metric is provided in the APM section at the end of this announcement.	Investment measure
<b>Total addressable market (TAM)</b>	TAM represents the available market which Naked sees as a revenue opportunity which it could serve.	
<b>Wine quality - "Buy it again" ratings</b>	The percentage of "Yes" scores given by customers in the year indicating that the customer would buy the product again.	Customer experience KPI
<b>Year 1 Payback</b>	A short-term payback measure showing the actual return in this financial year of our investment in the prior year.	Investment measure

## Alternative performance measures (APMs)

### Reconciliation of reported results to 52 week comparable figures

Sales	Group	FY23					FY22				
		Reported	Adjusted items	Adjusted	53rd week	52 week comparable	Reported	Adjusted items	Adjusted	Constant FX	Comparable
		£m	£m	£m	£m	£m	£m	£m	£m	£m	£m
	New Customer sales	26.9	-	26.9	(0.9)	26.0	34.0	-	34.0	2.5	36.5
	Repeat Customer sales	320.7	-	320.7	(6.2)	314.5	315.1	-	315.1	20.3	335.4
	Other revenue	6.4	(3.1)	3.3	(0.1)	3.2	1.2	-	1.2	0.1	1.3
		354.0	(3.1)	350.9	(7.2)	343.7	350.3	-	350.3	22.9	373.2
	<b>Naked Wines US</b>										
	New Customer sales	17.2	-	17.2	(0.4)	16.8	17.6	-	17.6	2.2	19.8
	Repeat Customer sales	147.4	-	147.4	(3.3)	144.1	138.7	-	138.7	18.3	157.0
	Other revenue	6.4	(3.1)	3.3	(0.1)	3.2	1.2	-	1.2	0.1	1.3
		171.0	(3.1)	167.9	(3.8)	164.1	157.5	-	157.5	20.6	178.1
	<b>Naked Wines UK</b>										

	New Customer sales	6.4	-	6.4	(0.4)	6.0	11.3	-	11.3	-	11.3
	Repeat Customer sales	130.8	-	130.8	(1.6)	129.2	135.6	-	135.6	-	135.6
		137.2	-	137.2	(2.0)	135.2	146.9	-	146.9	-	146.9
	<b><i>Naked Wines Australia</i></b>										
	New Customer sales	3.3	-	3.3	(0.1)	3.2	5.1	-	5.1	0.3	5.4
	Repeat Customer sales	42.5	-	42.5	(1.3)	41.2	40.8	-	40.8	2.0	42.8
		45.8	-	45.8	(1.4)	44.4	45.9	-	45.9	2.3	48.2
<b>Contribution after advertising costs</b>	<b>Group</b>										
	Investment in New Customers	(21.4)	-	(21.4)	0.7	(20.7)	(41.3)	-	(41.3)	(3.3)	(44.6)
	Repeat Customer contribution	86.5	-	86.5	(1.7)	84.8	86.2	-	86.2	6.6	92.8
	Repeat contribution margin (%)	27%	-	27%	-	27%	27%	-	27%	-	28%
	Other contribution	(12.9)	13.2	0.3	(0.1)	0.2	0.1	-	0.1	-	0.1
		52.2	13.2	65.4	(1.1)	64.3	45.0	-	45.0	3.3	48.3
	<b><i>Naked Wines US</i></b>										
	Investment in New Customers	(15.1)	-	(15.1)	0.7	(14.4)	(23.2)	-	(23.2)	(3.1)	(26.3)
	Repeat Customer contribution	50.3	-	50.3	(1.2)	49.1	46.6	-	46.6	6.1	52.7
	Repeat contribution margin (%)	34%	-	34%	-	34%	34%	-	34%	-	34%
	Other contribution	(12.9)	13.2	0.3	(0.1)	0.2	0.1	-	0.1	-	0.1
		22.3	13.2	35.5	(0.6)	34.9	23.5	-	23.5	3.0	26.5
	<b><i>Naked Wines UK</i></b>										
	Investment in New Customers	(3.4)	-	(3.4)	-	(3.4)	(13.5)	-	(13.5)	-	(13.5)
	Repeat Customer contribution	25.0	-	25.0	(0.1)	24.9	28.2	-	28.2	-	28.2
	Repeat contribution margin (%)	19%	-	19%	-	19%	21%	-	21%	-	21%
	Other contribution	21.6	-	21.6	(0.1)	21.5	14.7	-	14.7	-	14.7
	<b><i>Naked Wines Australia</i></b>										
	Investment in New Customers	(2.9)	-	(2.9)	-	(2.9)	(4.6)	-	(4.6)	(0.2)	(4.8)
	Repeat Customer contribution	11.2	-	11.2	(0.4)	10.8	11.3	-	11.3	0.6	11.9
	Repeat contribution margin (%)	26%	-	26%	-	26%	28%	-	28%	-	28%
	Other contribution	8.3	-	8.3	(0.4)	7.9	6.7	-	6.7	0.4	7.1
<b>General and administrative</b>	Naked Wines US	(13.6)	0.8	(12.8)	-	(12.8)	(14.9)	-	(14.9)	(1.6)	(16.5)
	Naked Wines UK	(6.9)	-	(6.9)	-	(6.9)	(6.6)	-	(6.6)	-	(6.6)
	Naked Wines Australia	(3.6)	-	(3.6)	-	(3.6)	(3.9)	-	(3.9)	(0.2)	(4.1)
	Unallocated	(28.9)	4.2	(24.7)	-	(24.7)	(17.7)	0.1	(17.6)	-	(17.6)
	<b>Group</b>	<b>(53.1)</b>	<b>5.0</b>	<b>(48.0)</b>	<b>-</b>	<b>(48.0)</b>	<b>(43.1)</b>	<b>0.1</b>	<b>(43.0)</b>	<b>(1.8)</b>	<b>(44.8)</b>
<b>Other costs</b>	Profit on sale of property	4.8	(4.8)	-	-	-	-	-	-	-	-
	Impairment	(18.2)	18.2	-	-	-	-	-	-	-	-
<b>EBIT</b>	Naked Wines US	8.7	14.0	22.7	(0.6)	22.1	8.6	-	8.6	1.4	10.0
	Naked Wines UK	14.7	-	14.7	(0.1)	14.6	8.1	-	8.1	-	8.1
	Naked Wines Australia	4.7	-	4.7	(0.4)	4.3	2.9	-	2.9	0.1	3.0
	Unallocated	(42.4)	17.6	(24.7)	-	(24.7)	(17.7)	0.1	(17.6)	-	(17.6)
	<b>Group</b>	<b>(14.3)</b>	<b>31.6</b>	<b>17.4</b>	<b>(1.1)</b>	<b>16.3</b>	<b>1.9</b>	<b>0.1</b>	<b>2.0</b>	<b>1.5</b>	<b>3.5</b>

## General and administrative costs reconciliation

	53 weeks ended 3 April 2023 £m	52 weeks ended 28 March 2022 £m
<b>G&amp;A costs per income statement</b>	<b>(53.1)</b>	<b>(43.1)</b>
Add back/(deduct) adjusted items:		
Amortisation of acquired intangibles	1.3	1.3
Disposal of US inventory - charitable donations	0.8	-
Restructuring costs	1.5	-
Software as a Service costs	2.3	-
Legal settlement for Payment card Interchange fees	(0.7)	-
Fair value movement on open foreign exchange contracts	(0.1)	(1.1)
Plc company foreign exchange revaluations	-	(0.1)
<b>G&amp;A costs per note 4 Segmental reporting</b>	<b>(48.0)</b>	<b>(43.0)</b>
Add back marketing R&D spend	5.4	3.0
<b>G&amp;A costs per the calculation of the APM Standstill EBIT</b>	<b>(42.6)</b>	<b>(40.0)</b>
Add back share based payment charges including social security costs	1.5	1.1
<b>Operating G&amp;A costs</b>	<b>(41.1)</b>	<b>(38.9)</b>

## Free cash flow

	53 weeks ended 3 April 2023 £m	52 weeks ended 28 March 2022 £m
Adjusted EBIT	17.4	2.0
Add back depreciation and amortisation (excludes adjusted amortisation of acquired intangibles)	3.3	2.3
<b>Adjusted EBITDA</b>	<b>20.7</b>	<b>4.3</b>
Intangible assets previously capitalised under former accounting policy	0.3	-
Add back share based payment charges	1.6	1.3
<b>Cash flows before movements in working capital</b>	<b>22.6</b>	<b>5.6</b>
Working capital movement		
Inventories	(29.4)	(61.2)

Angel Funds and other deferred income	(6.2)	3.6
Trade and other receivables	3.5	(1.8)
Trade and other payables	(14.5)	12.9
Repayments of principal under lease liabilities	(1.3)	(0.8)
<b>Working capital movement</b>	<b>(47.9)</b>	<b>(47.3)</b>
<b>Pre-tax operating cash flow</b>	<b>(25.3)</b>	<b>(41.7)</b>
Capital expenditure	(1.5)	(1.9)
<b>Free cash flow</b>	<b>(26.8)</b>	<b>(43.6)</b>
<b>Reconciliation to statutory cash flow statement</b>		
Free cash flow	(26.8)	(43.6)
Cash adjusted items	(6.0)	-
Capital expenditure	1.5	1.9
Repayments of principal under lease liabilities	1.3	0.8
<b>Net cash flows from operating activities</b>	<b>(30.0)</b>	<b>(40.9)</b>

#### Net cash excluding lease liabilities

	53 weeks ended 3 April 2023	52 weeks ended 28 March 2022
	£m	£m
Cash and cash equivalents	39.5	39.8
Borrowings:		
Credit facility net of issuance costs	(29.2)	-
Customer funded bond	-	-
<b>Net cash excluding lease liabilities</b>	<b>10.3</b>	<b>39.8</b>

#### Standstill EBIT

	53 weeks ended 3 April 2023	52 weeks ended 28 March 2022
	£m	£m
Standstill EBIT is calculated as:		
Repeat Customer contribution (a)	86.5	86.2
Less: replenishment spend (e)	(49.7)	(25.0)
Less: G&A costs <sup>1</sup>	(42.6)	(40.0)
	<b>(5.8)</b>	<b>21.2</b>

(a) Repeat Customer contribution	<b>86.5</b>	86.2
(b) Repeat Customer sales retention	<b>77.6%</b>	80.4%
(c) Repeat Customer contribution lost to attrition (a x (1-b))	<b>19.4</b>	16.9
(d) Year 1 Payback	<b>39.0%</b>	67.5%
(e) Spend to replenish lost Repeat Customer contribution (c/d)	<b>49.7</b>	25.0

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1. Refer to general and administrative costs reconciliation above. Adjusted items and marketing R&D spend included within G&A costs are excluded in the calculation of the Standstill EBIT due to these costs being one-off or non-recurring transactions.

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