NEWS RELEASE

Naked Wines PLC - Half-year Results

11/18/2021

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Naked Wines PLC

18 November 2021

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Naked Wines plc

("Naked Wines" or "Group")

Half Year Results for the 26 weeks ending 27 September 2021

Disruptive business model continues to drive growth as the largest direct-to-consumer wine business in the world with 947k Angels

Nick Devlin, Group Chief Executive, commented:

"We have a large long-term value creation opportunity driven by a disruptive business model, an underpenetrated $25 billion total addressable market (TAM), exceptional winemakers and wine, and a loyal customer base with attractive unit economics and recurring revenues. Our disruptive business model connects consumers directly with winemakers, stripping out the cost of traditional sales and distribution and delivering consumers exclusive world-class wines at fair prices and with a genuine connection to their maker.

I'm delighted by the progress we have made so far this year in further strengthening our winemaker lineup and customer proposition. We are now serving a global community of 947,000 members - an increase of 25% over the last year - reflecting sustained consumer desire for an alternative to traditional wine distribution.

I'd like to thank all our teams for their hard work in a challenging supply environment for ensuring we are well stocked and prepared for what we anticipate to be a record holiday season. We are focused on delivering an incredible experience for our members and on continuing to invest to grow Naked Wines and connect more wine drinkers to the world's best independent winemakers."

Growth driven by sales increase and strong customer retention

- Total sales +6% on a constant currency basis[1] and +1% on a reported basis vs H1'21 (+82% on a reported basis vs H1'20) to £159.3 million, driven by strong Repeat Customer sales retention[2] and growth in Repeat Customer sales in key US segment
- Growth partially offset by a decline in New Customer sales[2], with a tough comparison to the first half of 2021 which benefited from COVID-19 lockdowns
- Active Angel base (our subscription customers) now at 947k, a 25% increase over H1'21
- Repeat Customer Contribution profit[2] of £41.3 million (+10% on a reported basis), driven by a 21% increase in Repeat Customer sales on a constant currency basis
- Repeat Customer Contribution margin[2] of 29% (-140 bps vs H1'21, +270 bps vs H1'20) as we effectively managed headwinds from global supply chain disruption
- Investment in New Customers[2] of £21.3 million, delivering a 5-year Forecast Payback[2] of 1.7x in a changing market environment as wine consumers sought in-person experiences emerging from COVID-19 lockdowns
- Profit before tax of £1.3 million versus a loss of £8.9 million in H1'21, and adjusted EBIT[2,3] of £1.2 million versus a loss of £3.2 million in H1'21
- Closing cash balance of £57.1 million down from £85.1 million at FY'21 as we invested in inventory availability for the customer base

Outlook

FY'22 guidance updated as follows:

- Total sales updated to £340 million to £355 million (£355 million to £375 million previously), which equates to 2% to 7% sales growth at constant currency, reflecting lower than anticipated Investment in New Customers
- Investment in New Customers expected to be £35 million to £45 million (£40 million to £50 million previously), as we preserve cohort quality
- Repeat Customer Contribution profit outlook unchanged at £85 million to £90 million, with the Repeat Customer Contribution margin expected to be 100bps - 200bps below H1'22, driven by the supply chain and logistics environment and higher inventory storage costs
- General and administrative costs outlook unchanged at £46 million to £49 million
- Inventory balance of £127 million as of 27 September 2021 (£85 million as at 28 September 2020), well positioned for what we anticipate will be our largest holiday season. Mindful of the challenges in restoring availability over the last 12 months and continued supply chain disruption we intend to run the business with higher inventory balances over the medium-term to preserve availability for customers and ensure we do not constrain our growth potential

Total Group	**Reported**				
	H1'22	H1'21	H1'20	H1'22 vs H1'21 %	H1'22 vs H1'20 %
Total Sales	**£159.3m**	**£157.1m**	**£87.5m**	**1%**	**82%**
Growth on a constant currency basis[1]				*6%*	*91%*
Gross profit	**£66.6m**	**£61.9m**	**£33.5m**	**8%**	**99%**
Gross profit margin	***42%***	*39%*	*38%*	*+240bps*	*+350bps*
Contribution profit[2]	**£37.9m**	**£33.7m**	**£17.7m**	**13%**	**114%**
Contribution profit margin	***24%***	*21%*	*20%*	*+230bps*	*+360bps*
Adj EBIT[2,3]	**£1.2m**	**£(3.2)m**	**£(4.5)m**	**nm**	**nm**
Adj PBT/(LBT)[2,4]	**£1.7m**	£(2.7)m	£(5.0)m	nm	nm
Profit/(loss) for the period	**£1.0m**	£(8.1)m	£(5.4)m	nm	nm

KPIs	**H1'22**	H1'21	H1'20	H1'22 vs H1'21 %	H1'22 vs H1'20 %
Repeat Customer sales	**£144.7m**	£124.9m	£75.4m	16%	92%
Repeat Customer sales growth on a constant currency basis[1]				*21%*	*101%*
Repeat Customer sales retention	**80%**	95%	79%	(1500)bps	+110bps
Investment in New Customers	**£(21.3)m**	£(23.8)m	£(10.7)m	(11)%	99%
Active Angels (repeat customers)	**947k**	757k	553k	25%	71%
5-Year Forecast Payback	**1.7x**	3.9x	2.3x	(2.2)x	(0.6)x
Year-1 Payback[2]	**101%**	67%	66%	3,380bps	3,430bps
Standstill EBIT[2]	**£37.2m**	£27.4m	£3.1m	36%	1,084%

Naked Wines plc will host an analyst and investor conference call at 2pm GMT / 9am ET / 6am PT on 18 November 2021. The briefing will be webcast using the following link **https://webcasting.brrmedia.co.uk/broadcast/6183efc3c00c704181b76453**.

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.

Notes:

1. Constant currency basis using current period FX for the translation of the comparative period.
2. This is an alternative performance measure. See the 'Alternative performance measures (APMs)' from page 34.
3. Adjusted EBIT is 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.
4. Adjusted PBT/(LBT) is defined as Adjusted EBIT less net finance income / (charges).

For further information, please contact:

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About Naked Wines plc

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

Why? Because this business model allows us to generate better economics for everyone. Talented winemakers get the support, funding and freedom they need to make the best wine possible, while wine drinkers who support them get much better wine at more attractive prices than at traditional retail.

It's a unique business model. Naked Wines customers commit to a fixed prepayment each month, which is applied 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 drinkers and winemakers.

Our mission is to change the way the whole wine industry works for the better. In the last year, we have served more than 945,000 members (who we call Angels) across the US, UK and Australia, making us a leading player in the fast-growing direct-to-consumer wine market.

Our Angels have direct access to 226 of the world's best independent winemakers making over 1,500 quality wines in 20 different countries. We collaborate with some of the world's best independent winemakers, such as Matt Parish (Beringer, Stags' Leap) and eight-time Winemaker of the Year, Daryl Groom (Penfolds Grange).

CHIEF EXECUTIVE REVIEW

Long-term opportunity to disrupt the wine industry

- We are disrupting a large category by delivering a better value proposition for winemakers and consumers
- Our value proposition to Angels and winemakers continues to get even stronger
- We are the largest DtC wine business in the world with 947k Angels
- The pace at which some of our wines sell out, and numbers of awards that our wines won from prestigious international competitions is proof that our disruptive business model is working

Winemaking may not be the "oldest profession" but it's certainly on the list. Recent decades have seen a stream of improvements in viticultural practices; the confirmation of the "new world" as a proven source of world class wine and a more adventurous and knowledgeable wine consumer. However, change has been harder to find in the way wine is sold.

The American wine industry, especially, remains familiar to an observer from the 1930s. Access to distribution networks and brick and mortar points of sale remains key in getting wine into consumers' hands. Consumers are left to fend for themselves with little information about the wines they're buying, and are asked to make choices about which wines they may like based on labels. The traditional environment is not conducive to discovering a new wine, a new varietal, or even a new winemaker. The results? Extreme consolidation in production, high costs from a 3 tier distribution model and limited meaningful consumer choice. In short, too many are paying too much for too little.

Naked Wines solves these problems. Over the past 13 years, we have had one mission: *to disrupt the wine industry for the benefit of our customers, winemakers and employees*.

- We connect customers directly with the world's best independent winemakers
- For winemakers, our scale, collective purchasing, funding and long-term commitment means they can craft exceptional wines at substantially lower costs
- Consumers enjoy access to exclusive wines, direct from their maker, building a personal connection to their favourite brands
- And by stripping out the costs of marketing, selling & distributing wine that typically exceed the cost of production for small winemakers we offer consumers compelling value whilst generating attractive margins

Today, we give 947k Angels access to world-class wine with authentic experiences at fair prices. We provide 226 of the world's best winemakers the opportunity to make their best wines, with security, autonomy and attractive economics. In the past 12 months our total Active Angels increased by 190k Angels, reflecting the appeal of the community we have created.

In the first half of FY'22, it has been gratifying to see many of our winemakers get the credit they deserve. Our winemakers won awards at some of the world's most prestigious wine competitions, including a record set of awards at the Decanter World Wines Awards 2021, the world's largest and most influential wine competition. Our winemakers won 33% of all platinum and 20% of all gold medals won by American winemakers. Dave Harvey's story typifies the impact of working with Naked. In just 4 years since launching his brand Dave has opened his own production facility on the banks of the Columbia River in Washington and was the only Washington based winemaker to win Gold in this year's DWWAs. He won 2 Gold Medals, and better yet, whilst most Gold medal winners cost consumers upwards of $30 a bottle our Angels can buy Dave's wines for $9.99 and $12.99.

At the same time, we continued to make progress in assembling the world's best independent winemakers, including contracts signed with:

- Ken Wright: Founding legend of Dundee Hills, in the Willamette Valley. Ken is recognised as one of the world's best winemakers, with over 100 scores of >90 in Wine Spectator and Wine Enthusiast, and has had his wines voted the best wine in the world
- Mitchell Masotti: Rising star behind the 100pt wines of Bevan Cellars, whose debut Napa Cabernet sold out by 9:30am on its launch day

In Australia our team and members have championed the cause of independent Aussie winemakers squeezed by Chinese tariffs on Aussie wine. During the first half of the year our "Stop the Squeeze" campaign supported 11 winemakers with over 280k bottles sold, delivering over A$2 million in additional revenue and still selling.

I'm delighted with the progress we are making in all markets to continually enhance our range and bring onboard top winemaking talent. Our ability to empower talented winemakers to make their best wine, and make it available at great value, is the foundation on which our disruptive model is built. As a result, we have a loyal Angel base that are delighted by the wine, and the engagement and authentic experiences that our winemakers provide.

The second highlight of the first half was the extremely strong levels of retention amongst our Angel base. For any subscription model the most important long-term metric is retention.

- Our sales retention for H1'22 of 80% was ahead of our expectations, and despite a challenging H1'21 comparative of 95%, was also ahead of the 79% delivered in H1'20
- Strong sales retention was built off a sustained improvement in customer retention amongst our established cohorts that were acquired pre COVID-19

This is a continuation of a theme we have seen repeatedly. Our enhancements to the range and winemaker lineup, improvements in the customer experience and additions of new products like "Never Miss Out" have driven consistent increases in monthly revenue per member. At the same time as we have scaled the business we have enhanced Repeat Contribution margins. The net impact is that our latest payback expectations for our FY'17-FY'20 cohorts are 25% higher than our initial payback projections. In short the model is working and our investments are translating to a stronger business and improved customer economics.

<u>5 Year Forecast Payback Progression</u>

	Original Forecast[1]	Latest Forecast[2]	Payback to date
FY'17	2.0x	2.5x	2.7x
FY'18	2.1x	2.7x	2.3x
FY'19	1.8x	2.4x	1.7x
FY'20	2.6x	2.9x	1.5x
FY'21	3.0x	3.2x	1.0x
H1'22	n/a	1.7x	0.1x

1 Original forecast shows the expected payback in the year the cohort originated. For earlier years (FY'17-FY'19) this figure represents the originally reported 20 year payback, translated to a 5 year basis using today's ratio of LTV between first 5 years and 20 years.
2 Latest forecast per H1'22 expectations.

Certainly COVID-19 has further accelerated the shift toward online wine models and as such the growth profile of Naked Wines, but underlying that is a differentiated consumer experience and a business with a consistent track record of generating improved underlying customer economics and margins as it grows.

I am confident that the migration of demand online in the wine category will continue and today we can start to make some more confident assessments about the new members we've acquired during the pandemic. Our COVID-19 cohorts have shown themselves to be remarkably similar to those that came before in terms of quality, albeit larger in size.

There will continue to be challenges and we will undoubtedly make some mistakes (I detail a couple we have made in the last six months below), but I believe we have a truly differentiated proposition for both winemakers and consumers that can build substantial share in all our markets over the next decade.

H1'22 Performance

- We reported sales of £159.3 million, +6% on a constant currency basis and (+1% reported), driven by strong retention and demand from existing members
- We continue to take share of the off-premise wine market and effectively grow our US business
- Margin performance was slightly ahead of expectations despite cost headwinds from a challenging global supply and logistics environment
- Despite operational action to mitigate impacts, wine availability and delivery measures were below our targets for substantial parts of the period, impacting customer experience and new customer growth
- We would have liked to invest more in New Customers and at a greater payback but ultimately decided to constrain our growth investment due to higher than anticipated new customer acquisition costs

In H1'22 we continued to grow our business and take market share. We grew both our US and UK markets, driven by better than expected retention rates:

- Our active Angel base grew by 25% to 947k
- Repeat sales +21% vs H1'21, and +101% vs H1'20 on a constant currency basis (+16% and +92% respectively on a reported basis)
- Our Repeat Customer Contribution profit grew by 10% and 112% over the same periods on a reported basis

By any measure this is a strong performance after the exceptional demand levels seen in FY'21.

In Australia our team have executed impressively through a period of continued disruption, making great progress against a set of agreed actions to strengthen the fundamental customer economics as a base for faster future growth. I am delighted with the progress we have made, which is reflected in the expansion of the Repeat Customer Contribution margin to 28% (+310bps) vs prior year. Our business in Australia enters our peak trading season in great shape and firmly back on track for long-term growth.

Turning to the USA specifically, here we have seen the greatest changes in consumer behaviour as much of the country has embraced a chance to return to somewhat of "life as normal". In the wine category that has played out with traditional wineries reporting record revenues, boosted by extremely strong winery visitation rates. Overall off-premise sales have been below levels seen during the peak of the COVID-19 lockdowns in 2020, albeit they remain above 2019 levels.

Against this context I'm pleased to say our differentiated model has continued to take market share, now at 1.1% versus 0.9% in the first six months of last year and 0.6% two years ago (source: NielsenIQ - Total US Wine Data).

Naked Wines Share of US Off Premise Wine Market by Value, *Source - NielsenIQ - Total US Wine Data*

Year	**Market share %**
H1'20	0.63
H1'21	0.93
H1'22	1.09

A few challenges

Whilst I'm proud of the continued dedication of our teams globally and our ability to deliver growth in all our markets it's only right to acknowledge that there were a couple of things we could have done better in the period.

Firstly our payback on customer growth investment could have been higher. We were surprised by the speed at which the consumer and marketing environment changed, especially in the USA. This impacted us in a few ways:

- Some of the deals we signed in late 2020 and early 2021 did not meet our returns expectations - we could have better anticipated this
- Some of our new channel investments did not translate from 2020 tests to 2021 investment at expected returns which led to some lower payback investment
- The marketing environment on Facebook in particular became more challenging, due to (1) rapid CPM inflation and (2) reduced targeting effectiveness post iOS privacy changes

In aggregate we spent approximately £2 million to acquire new customers at below our preferred payback. We of course cannot predict the future, or eliminate all risk from the endeavour of scaling our growth investment, but we can review when things go wrong and ensure we learn from the experience. We have reviewed how we execute deals and made some changes internally to our partnership between the Growth, Finance & Analytics teams as well as the cadence of new channel testing. I would hope that in the same circumstances in the future we could reduce the financial impact of being wrong.

Like many, we also experienced supply chain disruption. Specifically, our ability to move wine and key non-wine materials such as glass into markets on schedule was impacted, and we also experienced cost pressures in warehousing and transport due to labour market constraints.

Whilst we have effectively managed the business to mitigate margin impacts we have not been able to eliminate customer impact. It has taken us longer than we anticipated to restore availability, which was 81% for H1'21, for our customers to target levels in both the UK and US markets and this has impacted our sales retention in these markets as key items have been out of stock. In the UK, it has also meant we have had to constrain growth for some months to preserve a minimum level of availability for our members. Looking forward, we have restored availability to our target of 90% in the US and UK ahead of the key holiday season.

Finally our customer experience has at times fallen short of the high standards we set for ourselves in terms of delivery on-time and in-full. Too many customers have experienced delays to delivery or substitution of items - and for that we are sorry. Financially we know that any compromise to the delivery experience of a new customer is especially costly.

We offset some of these challenges, increased availability of wine for our customers and reduced our inventory risk profile by: i) remodeling our distribution network in the US, moving from a central location in Napa to smaller distributed warehouses closer to our distribution centres; ii) increasing modes of transportation in all geographies, and; iii) implementation of automation in our UK distribution centre.

We anticipate disruption to international shipping and supply chain cost pressures to continue through at least the second half of this fiscal year, and as such it is useful to give guidance on how we will manage them in the medium term.

1. We recognise that it has taken us too long to restore availability levels; and we intend to create additional buffer via our guidance of increased levels of stock-holding in the medium term
2. Where possible, and where cost pressures appear temporary we have sought

to absorb them and mitigate via efficiencies from scale and savings initiatives. To the extent that changes in our cost base are enduring, we have the ability to manage margin mix and offset these additional costs, and will take steps to do so
3. Strategically we benefit from an efficient end-to-end model with advantaged pricing and fewer product touches vs competitors (especially 3 tier models in the USA). As such, whilst never welcome, inflationary cost pressures are on balance likely to widen, not reduce, the relative value for money advantage we present to customers

Good progress against strategic pillars
All our teams have continued to do an incredible job of managing our growth and the business, while investing against our strategy. We have increased our investment in G&A, including product and engineering teams, to accelerate our delivery against our three strategic pillars outlined at our FY'21 Results.

Enhance customer proposition to improve LTV
Quality Perception
We have made significant progress in enhancing the quality perception of Naked. Our key brand metric around perceived quality improved year on year in our brand tracking research, and is now at around a 10% premium to the market in all of our markets.

During the period we were delighted to have the excellent quality of our wines recognised through multiple prestigious international awards including the Decanter World Wines Awards ("DWWA") 2021 where the Company's exclusive wines received 162 medals.

It remains the most pleasing to receive awards voted by wine drinkers and we were awarded the title of Best Wine Club in the USA Today Readers' Choice Awards for the third straight year.

Scaling subscription products, adding further value
Our Never Miss Out and Wine Genie subscriptions help our Angels discover, understand and reserve the best wines according to their unique preferences. Our subscription products were a key area of success in FY'21, and this success has continued throughout the first half of this year. During the period we saw further growth in subscription customers, delivering incremental revenue and profit.

Our Never Miss Out subscription is particularly popular with our mature customers, giving them the opportunity to pre-order the next vintage of their favourite wines, delivering enhanced value:

- Never Miss Out subscribers (341k) have 1.8 active subscriptions on average
- Angels purchase outside of their usual wine orders and show higher levels of retention

Our Wine Genie product, which curates a tailored case of wines for our consumers, is also growing. With this subscription our website picks a case of wine for a customer based on personal recommendations generated by our proprietary algorithms. 18k customers are subscribed to Wine Genie and we've seen encouraging signs of incremental value and uptake from traditionally lower value customer segments. We intend to drive the adoption of Wine Genie in the remainder of the year.

Leverage scale to enhance value creation
As Naked grows, we continue to leverage our increasing scale to enhance value creation across the business:

Successful implementation of fulfilment network
We have remodeled our fulfilment network in the US, where we have eliminated our main hub, with wines now delivered straight to one of our four fulfilment centres before distribution. This delivers multiple advantages, including additional capacity to support sustained growth, less network risk, faster replenishment times, enhanced customer availability, and lower cost per case at scale with one less building to operate. In the period we incurred around $1.5m of additional cost related to the remodelling.

In the UK, we have rolled out new warehouse automation technology. Our UK pick and pack warehousing has been fitted with new automation technology that enables higher volume throughput and increases picking accuracy. This is a critical initiative to enable us to deliver high levels of service as the business continues to grow.

Good progress on key infrastructure projects
Our investment in our technology function has allowed us to progress a number of infrastructure projects that will unlock future value and improve our ability to operate efficiently at scale. In the period we integrated and deployed a new CMS system and a new marketing platform. We are progressing on target and cost with work to integrate NetSuite. We have made a vendor selection for a new payments platform to support a broader set of customer options and are on track for deployment in the second half of the year.

<u>Broaden and enhance our go-to-market strategy</u>
We see the opportunity to continue to drive customer value via an enhanced customer proposition and through scale efficiency, which gives us an ideal platform to increase our long-term investment in customer acquisition while maintaining attractive returns. We are also improving our ability to win back our customers through various channels.

Continuing to invest in marketing research and development
During the period we continued work to develop new direct response marketing channels. We are currently exploring other marketing channels including TV, audio, print, member referral, search engines, partnerships, email and affiliate.

We have seen some positive early signs from this investment, such as direct mail in the UK. We will continue to test and learn trends before deploying spend through these channels. It is worth reiterating that we are still not operating in 'normalised' market conditions, therefore we will continue testing these new channels over time before deploying any significant investment.

Encouraging initial results from brand marketing investment
During the period we saw encouraging early signs from our first phase of brand marketing investment, which has been tested in our Australian market:

- We have identified clear opportunities to support long-term growth via improving key brand metrics - notably awareness, brand comprehension and the perception of wine quality. During the period we ran tests in Australia to determine the impact of brand marketing on these key measures
- Australian brand awareness grew to 59% from 40%, surpassing ecommerce competitors, with only the biggest of bottle shop competitors having a higher brand awareness score
- This growth in awareness was accompanied by substantial improvements in brand comprehension and quality perception

The positive results from the tests give us confidence in our strategy but we know there is more to learn. The second wave of our testing in Australia is underway, and we are planning for media deployment in the USA and UK in the second half of FY'22.

So what does all this mean for Naked Wines?

The first half of FY'22 has seen Naked deliver healthy, retention led growth after a step-change in scale in 2020. At the highest level the story is one of three parts:

1. Our proposition for our members and our winemakers is stronger than ever. That is reflected in our retention metrics, improving customer economics and higher investment returns across our prior cohorts than we had previously expected,
2. However, we've faced some specific challenges acquiring new members at the efficiency we would like over the last six months, which will impact our near term growth. We are still investing at 2x the rate we were in 2019 and continue to see a clear path to sustained increases in investment in the years to come, but will need to continue to innovate to do so,
3. The operational environment has been challenging: overall we have handled the challenges presented well, but we are committed to taking steps to ensure we fully insulate customers from the impact of disruption.

Our long term growth opportunity remains clear

- We deliver a differentiated proposition to winemakers and consumers
- Which generates attractive (and improving) customer economics
- We see a clear path to continue to improve our proposition and customer economics further, and have invested in the capability required to do that
- The evidence we are seeing shows us that the model is working even better than we thought previously...
- ...with improving underlying economics meaning we are generating better cohort investment returns than we originally anticipated

Our strategy is to maximise our growth, via increased investment in new customer acquisition, subject to our ability to maintain attractive unit economics. In the medium term, we expect to grow sales at c.20% p.a, and as the business scales we see a clear path to an EBIT margin in excess of 10% at mature scale. We believe this will maximise long-term value creation for all our stakeholders.

I believe we have a truly differentiated proposition for both winemakers and consumers that can build substantial share in all our markets over the next decade. In short, we are excited about the opportunity ahead.

FINANCIAL REVIEW

Group performance

Naked Wines delivers a strong value proposition for both winemakers and consumers. This value proposition is evident in the strong retention characteristics of our Angel base, the quality of our winemakers, the consistently high ratings of our wines from our Angels, and, as we saw in H1'22, from external wine accolades. We expect the differentiation in our value proposition to drive significant opportunity in a largely-underpenetrated addressable market ($25 billion).

Total sales grew 6% on a constant currency basis (+1% reported basis), driven by strong retention of our loyal customer base. In the US segment, which is our largest market opportunity, sales increased 7% on a constant currency basis over H1'21 (down 3% on a reported basis).

Our Angel subscriber base increased to 947k Active Angels, a 25% increase over H1'21 and a 71% increase over H1'20. In H1'22 we saw strong retention from both i) the large cohort of customers we acquired in FY'21, and ii) cohorts acquired in previous years.

Repeat Customer Contribution profit was £41.3 million, a 10% increase over H1'21, driven by a 21% increase in Repeat Customer sales on a constant currency basis, and the strong retention characteristics of our consumer base. Repeat Customer Contribution profit increased 112% (on a reported basis) over H1'20 highlighting the continued benefits of scale across the business. Sales retention was 80%, above our expectations even as order frequency, which increased in H1'21 due to COVID-19 lockdowns, returned to normalised levels.

In H1'22, Naked Wines experienced challenges around the global supply chain, including higher transportation and logistics costs. While we mitigated the impact of these challenges, we have seen some cost inflation, which put pressure on margins in H1'22. We expect this trend to continue in the second half of the year.

We invested £21.3 million in New Customers in H1'22 (H1'21: £23.8 million) delivering a 5-year Forecast Payback on this investment of 1.7x (H1'21: 3.9x). H1'22 presented a changing market environment in our US segment as wine consumers sought experiences that had not been possible in the prior 12 months due to COVID-19 lockdowns. Additionally, customer acquisition costs increased in the period.

Adjusted EBIT was £1.2 million as Repeat Customer Contribution profit funded investments in growth.

	H1'22	H1'21	H1'20	H1'22 vs H1'21%	H1'22 vs H1'20 %
Total sales	**£159.3m**	**£157.1m**	**£87.5m**	**1%**	**82%**
Sales growth on a constant currency basis[1]				*6%*	*91%*
Cost of sales	**£(92.7)m**	£(95.2)m	£(54.0)m	(3)%	72%
Gross profit	**£66.6m**	**£61.9m**	**£33.5m**	**8%**	**99%**
Gross profit margin	***42%***	*39%*	*38%*	*+240bps*	*+350bps*
Fulfilment costs	**£(28.7)m**	£(28.2)m	£(15.8)m	2%	82%
% of total sales	***18%***	*18%*	*18%*	*(10)bps*	*+5bps*
Contribution profit	**£37.9m**	**£33.7m**	**£17.7m**	**13%**	**114%**
Contribution profit margin	***24%***	*21%*	*20%*	*+230bps*	*+360bps*
Advertising costs	**£(17.9)m**	£(20.1)m	£(8.8)m	(11)%	103%
% of total sales	***11%***	*13%*	*10%*	*(160)bps*	*+120bps*

General and administrative costs2	**£(18.8)m**	£(16.8)m	£(13.4)m	12%	40%
% of total sales	***12%***	*11%*	*15%*	*+110bps*	*(350)bps*
Adjusted EBIT	**£1.2m**	**£(3.2)m**	**£(4.5)m**	**nm**	**nm**
Finance income / (charges)	**£0.5m**	£0.5m	£(0.5)m	-	nm
Adjusted profit /(loss) before tax	**£1.7m**	**£(2.7)m**	**£(5.0)m**	**nm**	**nm**

1 Constant currency basis using current period FX for the translation of the comparative period.
2 General and administrative costs reported here are as per the income statement excluding £0.7m of acquisition related amortisation costs, offset by £0.2m of fair value adjustments relating to open FX contracts and £0.1m of PLC company foreign exchange revaluations (see note 4 for further information on these items).

H1'22 performance

The Group delivered sales of £159.3 million, an increase of 6% on a constant currency basis, or 1% on a reported basis over H1'21, driven by growth in active Angels and Repeat Customer sales due to our high retention business model. This increase was partially offset by a decrease in New Customer sales of 52% on a constant currency basis over H1'21, due to the significant increase in new customers last year as the company invested into the low customer acquisition cost environment during COVID-19 related lockdowns.

Gross profit was £66.6 million, with a gross profit margin of 42%, a 240 basis point increase over H1'21, driven by higher mix of repeat versus new business in the period and an improvement in the Australian gross margin.

Fulfilment costs were £28.7 million, remaining flat at 18% of total sales. In the period we remodeled our US distribution network, which included approximately $1.5 million of cost to transport inventory in our legacy Napa warehouse to 4 distributed warehouses which are closer to our distribution centres and our customers. We also saw increases in transportation and logistics rates and costs, which we partially offset with operating efficiencies and new modes of transportation.

Contribution profit was £37.9 million, with a Contribution profit margin of 24%, a 230 basis point increase over H1'21, driven by Gross profit margin increases discussed above.

Advertising costs were £17.9 million, representing 11% of total sales, a 160 basis point decrease over H1'21, driven by the higher marketing spend during the pandemic in the prior year and offset by higher customer acquisition costs, predominantly in the US.

Total general and administrative costs were £18.8 million, representing 12% of total sales, a 110 basis point increase over H1'21 primarily driven by investments in our strategic initiatives, and a 350 basis point decrease over H1'20 driven by growth in the business.

Adjusted EBIT profit was £1.2 million, and adjusted profit before tax was £1.7million.

	H1'22	H1'21	H1'20	H1'22 vs H1'21 %	H1'22 vs H1'20 %
New Customer sales	**£14.6m**	£32.2m	£12.1m	(55)%	21%
New Customer sales growth on a constant currency basis[1]				*(52)%*	*26%*
New Customer Contribution loss	**£(3.4)m**	£(3.7)m	£(1.9)m	(8)%	79%
Advertising costs	**£(17.9)m**	£(20.1)m	£(8.8)m	(11)%	103%
Investment in New Customers	**£(21.3)m**	**£(23.8)m**	**£(10.7)m**	**(11)%**	**99%**
Repeat Customer sales	**£144.7m**	£124.9m	£75.4m	16%	92%
Repeat Customer sales growth on a constant currency basis[1]				*21%*	*101%*
Repeat Customer Contribution profit	**£41.3m**	**£37.4m**	**£19.5m**	**10%**	**112%**
Repeat Customer Contribution margin	***29%***	*30%*	*26%*	*(140)bps*	*+270bps*
KPIs					
Repeat Customer sales retention	**80%**	95%	79%	(1,500)bps	+110bps
Active Angels (repeat customers)	**947k**	757k	553k	25%	71%
5-Year Forecast Payback	**1.7x**	3.9x	2.3x	(2.2)x	(0.6)x
Year-1 Payback	**101%**	67%	66%	+3,380bps	+3,430bps
Standstill EBIT	**£37.2m**	£27.4m	£3.1m	36%	1,084%

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

New and Repeat Customer breakdown

New Customers

Investment in New Customers was £21.3 million, including New Customer Contribution loss of £3.4 million and advertising costs of £17.9 million.

5-year Forecast Payback was 1.7x. We had approximately £2 million of investment below our expected payback levels as the market environment shifted sooner than we had expected coming out of the COVID-19 lockdown periods. Additionally, increases in digital marketing acquisition costs (mainly Facebook) and the impact of iOS changes added pressure to our forecasted payback metric. As a result, we invested less than we would have liked to in new customers in H1'22.

Repeat Customers

Repeat Customer sales were £144.7 million, an increase of 21% on a constant currency basis, or 16% on a reported basis over H1'21, driven by the growing customer base and higher than expected sales retention. In H1'21, order frequency increased in-line with COVID-19 lockdown measures whilst customer retention increased. As we have emerged from lockdown restrictions, customer retention has continued to be strong while order frequency has normalised.

Our subscription offerings, Never Miss Out (341k annual subscriptions) and Wine Genie (18k subscriptions) continue to add further value for our Angels. Never Miss Out subscriptions continued to increase customer lifetime value, driven by strong retention and an increase in wallet share for customers that are subscribed. On average, Never Miss Out customers have 1.8 active subscriptions.

Repeat Customer sales retention was 80%, a decrease over H1'21 reflecting the strong comparative as order frequency and retention increased during the COVID-19 lockdowns. We had 947k active Angels at the end of H1'22, a 25% increase over H1'21.

Repeat Customer Contribution profit was £41.3 million, a 10% increase over H1'21 and a 112% increase over H1'20, driven by the higher Angel base and the strong retention characteristics of our consumer base. Repeat Customer Contribution margin was 29%, a 140 basis point decrease over H1'21, driven by higher storage, transportation and logistics costs in the US and the UK, non-recurring costs for the US distribution network remodel, and partially offset by a higher gross margin in Australia. Repeat Customer Contribution margin increased 270 basis points over H1'20 driven by the geographic mix shift with significant growth in our higher-margin US business.

Adjusted EBIT profit of £1.2 million equals Repeat Customer Contribution profit of £41.3 million, less Investment in New Customers of £21.3 million and general and administrative costs of £18.8 million.

US Segment

Total US sales were £74.4 million in H1'22, a 7% increase on a constant currency basis over H1'21 (a 3% decrease on a reported basis).

US Adjusted EBIT was £3.7 million, and includes Repeat Customer Contribution profit of £23.0 million, Investment in New Customers of £13.4 million, and general and administrative costs of £5.9 million.

Our US segment continued to take market share in the off-premise wine market, driven by strong Repeat Customer sales constant currency growth of 28%. Repeat Customer contribution profit was £23.0 million, a 9% increase over H1'21 and a 140% increase over H1'20.

Repeat Customer contribution margin decreased 260 basis points over H1'21 to 34% driven by the US distribution network remodel, and higher storage, transportation and logistics costs. Repeat Customer contribution margin increased 490 basis points over H1'20 driven by scale efficiencies in the business.

Investment in New Customers was £13.4 million, a 12% decrease over H1'21 and a 120% increase over H1'20. We invested less in New customers in H1'22 than we would have liked given the market conditions.

Foreign exchange rates offset reported growth in the US segment as the average monthly rate for H1'22 was USD/GBP 1.39, a 10% increase over H1'21.

US	H1'22	H1'21	H1'20	H1'22 vs H1'21 %	H1'22 vs H1'20 %
Total sales	**£74.4m**	£76.5m	£39.3m	(3)%	89%
Total sales (at constant currency)[1]				*7%*	*109%*
Investment in New Customers	**£(13.4)m**	£(15.3)m	£(6.1)m	(12)%	120%
Repeat Customer Contribution profit	**£23.0m**	£21.2m	£9.6m	9%	140%
Repeat Customer Contribution margin	***34%***	*37%*	*29%*	*(260)bps*	*+490bps*
Adjusted EBIT	**£3.7m**	£0.2m	£(1.0)m	1,750%	470%

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

UK Segment
Total UK sales were £62.4 million in H1'22, a 8% increase over H1'21.

UK Adjusted EBIT was £3.9 million and includes Repeat Customer Contribution profit of £12.8 million, Investment in New Customers of £5.7 million and general and administrative costs of £3.2 million.

Our UK segment has the highest retention rate in the group. Repeat Customer contribution profit was £12.8 million, a 10% increase over H1'21 and a 94% increase over H1'20.

Repeat Customer contribution margin decreased 150 basis points over H1'21 driven by higher fulfilment costs. Repeat Customer Contribution margin was broadly unchanged versus H1'20.

Investment in New Customers was £5.7 million, 2% increase over H1'21 and a 97% increase over H1'20.

UK	H1'22	H1'21	H1'20	H1'22 vs H1'21 %	H1'22 vs H1'20 %
Total sales	**£62.4m**	£57.8m	£32.8m	8%	90%
Investment in New Customers	**(5.7)**	(5.6)	(2.9)	2%	97%
Repeat Customer Contribution profit	**12.8**	11.6	6.6	10%	94%
Repeat Customer Contribution margin	***22%***	*24%*	*22%*	*(150)bps*	*(30)bps*
Adjusted EBIT	**3.9**	3.7	1.7	5%	129%

Australia Segment
Total Australia sales were £22.5 million in H1'22, a 1% decrease on a constant currency basis over H1'21 (decrease of 1% on a reported basis).

Adjusted EBIT was £1.6 million in the Australia segment, and includes Repeat Customer Contribution profit of £5.5 million, Investment in New Customers of £2.2 million, and general and administrative costs of £1.7 million.

Repeat Customer contribution margin increased 280 basis points over H1'21 driven by gross margin improvements.

Foreign exchange rates did not have a material impact in the Australia segment as the average monthly rate for H1'22 was AUD/GBP 1.85, a 0.1% reduction over H1'21.

Australia	**H1'22**	**H1'21**	**H1'20**	**H1'22 vs H1'21 %**	**H1'22 vs H1'20 %**
Total sales	**£22.5m**	£22.8m	£15.4m	(1)%	46%
Total sales (constant currency)[1]				*(1)%*	*48%*
Investment in New Customers	**£(2.2)m**	£(2.9)m	£(1.7)m	(24)%	29%
Repeat Customer Contribution profit	**£5.5m**	£4.6m	£3.3m	20%	67%
Repeat Customer Contribution margin	***28%***	*25%*	*25%*	*+280bps*	*+310bps*
Adjusted EBIT	**£1.6m**	£0.4m	£0.3m	300%	433%

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

Standstill EBIT
Our calculated Standstill EBIT, the Adjusted EBIT that would have been reported if we had only invested in New Customers to replenish the current customer base rather than for growth, increased 36% to £37.2 million (£27.4 million in H1'21). This increase is predominantly driven by a £24.2 million increase in Repeat Customer Contribution profit in the last 12 months.

Financing costs and taxes
Interest income was £0.5 million in H1'22, flat compared to the prior year period. This income is derived from our cash held on deposit with a range of banks and the non-cash amortised interest income on the loan note created as part of the disposal of the Majestic business.

The total tax charge of £0.3 million amounts to an effective tax rate of 23.3%. This is made up of a £1.4 million corporation tax charge in respect of the overseas companies, offset by a £1.1 million deferred tax credit, with future changes in the UK tax rate and US inventory movements accounting for the bulk of the impact.

Cash and cash flow drivers
Cash at 27 September 2021 was £57.1 million, versus £76.3 million at H1'21 and £85.1 million at FY'21.

Inventory at 27 September 2021 was £127.1 million compared to £84.9 million at 28 September 2020 as we increased availability over the course of H1'22.

We continue to allocate capital to support growth, including investments in customer acquisition, as well as in our customer proposition and our go-to-market strategy. Our investment in inventory drives availability for our customers, enabling us to satisfy demand during our growth journey and enables us to meet our strategic objectives around enhancing the customer proposition. Given the investment opportunities we see before us, we think the best utilisation of capital is to reinvest in the business. We are not proposing any distributions or returns of capital to shareholders at this time.

We utilised £26.5 million of free cash flow during H1'22, with an adjusted EBIT profit of £1.2 million and a net working capital outflow of £28.9 million. This net working capital outflow was driven by an increase in inventory holdings of £51.2 million, offset by increases in Angel funds and other deferred income of £6.8 million and trade and other payables of £15.3 million.

Adjusted items
Adjusted items totalled £0.4 million in the period, down from £6.2 million in H1'21. This was made of £0.7 million amortisation of acquired intangibles, a £0.2 million fair value gain on foreign exchange contracts and associated unrealised foreign currency inventory and a £0.1 million foreign currency gain on plc company currency bank balances.

The biggest driver of the year-over-year change was a £4.0 million charge in H1'21 reflecting a write down of the fair value of the deferred contingent consideration receivable for the Majestic Calais stores agreed as part of the disposal of the Majestic business. The amortisation of acquired intangibles was £1.1 million less than in H1'21 as the customer lists acquired by Naked in 2015 fully amortised during the first period of H1'22.

Independent review report to Naked Wines plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 27 September 2021 which comprises the income statement, statement of comprehensive income, the statement of changes in equity, the balance sheet, the cash flow statement and related notes 1 to 7. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting," as adopted by the European Union.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 27 September 2021 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

Use of our report
This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
Cambridge, United Kingdom
17 November 2021

Unaudited consolidated income statement
For the period 26 weeks to 27 September 2021

	Note	**26 weeks to 27 Sep 2021 £'000**	26 weeks to 28 Sep 2020 £'000	52 weeks to 29 Mar 2021 £'000
Revenue	3	**159,328**	157,098	340,226
Cost of sales		(92,735)	(95,220)	(204,732)
Gross profit		**66,593**	61,878	135,494

Fulfilment costs		(28,699)	(28,228)	(58,294)
Advertising costs		(17,894)	(20,071)	(42,334)
General and administrative costs		(19,216)	(18,925)	(42,675)
Fair value loss arising on deferred contingent consideration, net of settlement	4	-	(4,043)	(3,868)
Operating profit/(loss)		**784**	(9,389)	(11,677)
Net finance income		527	497	1,002
Profit/(loss) before tax		**1,311**	(8,892)	(10,675)
Analysed as:				
Adjusted profit/(loss) before tax		**1,740**	(2,684)	(514)
Adjusted items:	4			
- Non-cash charges relating to acquisitions		(690)	(1,823)	(3,646)
- Other adjusted items		261	(4,385)	(6,515)
Profit/(loss) before tax		**1,311**	(8,892)	(10,675)
Tax	5	(306)	830	635
Profit/(loss) for the period		**1,005**	(8,062)	(10,040)

Earnings/(loss) per share	6			
Basic earnings/(loss)		**1.4p**	(11.1p)	(13.8p)
Diluted earnings/(loss)		**1.4p**	(11.1p)	(13.8p)

Unaudited consolidated statement of comprehensive income

For the period 26 weeks to 27 September 2021

	26 weeks to 27 Sep 2021 £'000	26 weeks to 28 Sep 2020 £'000	52 weeks to 29 Mar 2021 £'000
Profit/(loss) for the period	**1,005**	(8,062)	(10,040)
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**(437)**	342	(1,282)
Other comprehensive (loss)/income	**(437)**	342	(1,282)
Total comprehensive income/(loss) for the period	**568**	(7,720)	(11,322)

The total comprehensive income for the period and the prior periods is wholly attributable to the equity holders of the parent company, Naked Wines plc.

Unaudited consolidated statement of changes in equity

For the period 26 weeks to 27 September 2021

	Share capital	Share premium	Capital reserve - own shares	Capital redemption reserve	Currency translation reserve	Retained earnings	Total shareholders' funds
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 30 March 2020	5,466	21,162	(17)	363	1,381	85,224	113,579
Loss for the period	-	-	-	-	-	(8,062)	(8,062)
Other comprehensive income for the period	-	-	-	-	342	-	342
Total comprehensive loss for the period	-	-	-	-	342	(8,062)	(7,720)
Shares issued	19	-	-	-	-	(19)	-
Transfer of shares to employee benefit trust account	-	-	17	-	-	(17)	-
Credit to equity for equity-settled share based payments	-	-	-	-	-	461	461
Deferred tax on share based payment	-	-	-	-	-	102	102
At 28 September 2020	**5,485**	**21,162**	**-**	**363**	**1,723**	**77,689**	**106,422**
Loss for the period	-	-	-	-	-	(1,978)	(1,978)
Other comprehensive losses for the period	-	-	-	-	(1,624)	-	(1,624)
Total comprehensive loss for the period	-	-	-	-	(1,624)	(1,978)	(3,602)
Shares issued	2	-	-	-	-	(2)	-
Credit to equity for equity-settled share based payments	-	-	-	-	-	316	316
Deferred tax on share based payment	-	-	-	-	-	229	229
At 29 March 2021	**5,487**	**21,162**	**-**	**363**	**99**	**76,254**	**103,365**
Profit for the period	**-**	**-**	**-**	**-**	**-**	**1,005**	**1,005**
Other comprehensive losses for the period	**-**	**-**	**-**	**-**	**(437)**	**-**	**(437)**
Total comprehensive income for the period	**-**	**-**	**-**	**-**	**(437)**	**1,005**	**568**
Shares issued	**21**	**-**	**-**	**-**	**-**	**(21)**	**-**
Credit to equity for equity-settled share based payments	**-**	**-**	**-**	**-**	**-**	**968**	**968**
At 27 September 2021	**5,508**	**21,162**	**-**	**363**	**(338)**	**78,206**	**104,901**

Unaudited consolidated balance sheet

As at 27 September 2021

	Note	**27 Sep 2021 £'000**	28 Sep 2020 £'000	29 Mar 2021 £'000
Non-current assets				
Goodwill and intangible assets		**33,111**	34,205	33,982
Property, plant and equipment		**1,874**	1,297	1,452
Right of use assets		**2,968**	3,373	2,780
Investment property		**832**	877	855
Deferred tax assets		**4,757**	3,107	3,993
Other receivables		**9,996**	9,413	9,520
		53,538	52,272	52,582
Current assets				
Inventories		**127,133**	84,917	76,130
Trade and other receivables		**6,188**	7,084	7,168
Financial instruments at fair value		**-**	352	41
Cash and cash equivalents	7	**57,125**	76,383	85,148
		190,446	168,736	168,487
Total assets		**243,984**	221,008	221,069
Current liabilities				
Trade and other payables		**(56,049)**	(47,495)	(40,757)
Deferred Angel and other income		**(76,392)**	(61,102)	(69,902)
Lease liabilities		**(837)**	(749)	(645)
Provisions		**(1,594)**	(1,407)	(1,570)
Bond financing		**(23)**	(78)	(30)
Current tax liabilities		**(281)**	-	-
Financial instruments at fair value		**(906)**	-	(1,405)
		(136,082)	**(110,831)**	(114,309)
Non-current liabilities				
Provisions		**(245)**	(326)	(393)
Lease liabilities		**(2,285)**	(2,711)	(2,231)
Deferred tax liabilities		**(471)**	(718)	(771)
		(3,001)	(3,755)	(3,395)
Total liabilities		**(139,083)**	(114,586)	(117,704)
Net assets		**104,901**	106,422	103,365
Shareholders' funds				

Called-up share capital	**5,508**	5,485	5,487
Share premium	**21,162**	21,162	21,162
Capital redemption reserve	**363**	363	363
Currency translation reserve	**(338)**	1,723	99
Retained earnings	**78,206**	77,689	76,254
Equity shareholders' funds	**104,901**	106,422	103,365

We confirm that to the best of our knowledge:
(a) the condensed set of financial statements has been prepared in accordance with IAS 34 "Interim Financial Reporting";
(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first 26 weeks of the year); and
(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties' transactions and changes therein).

By order of the Board

Shawn Tabak
Chief Financial Officer
17 November 2021

Unaudited consolidated cash flow statement

For the period 26 weeks to 27 September 2021

	Note	**26 weeks to 27 Sep 2021 £'000**	26 weeks to 28 Sep 2020 £'000	52 weeks to 29 Mar 2021 £'000
Cash generated by operating activities				
Cash (used)/generated by operations	7	**(25,430)**	21,777	34,207
UK income tax received		**-**	274	274
Overseas income tax paid		**(733)**	(515)	(880)
Net cash (used)/generated by operating activities		**(26,163)**	21,536	33,601
Cash flows from investing activities				
Interest received, including interest received on the vendor loan note		**99**	116	559
Purchase of property, plant and equipment		**(698)**	(464)	(845)
Purchase of intangible fixed assets		**(24)**	(102)	(1,824)
Proceeds received on settlement of deferred contingent consideration		**-**	-	175
Proceeds from sale of asset held for resale		**-**	953	953

Net cash (used in)/from investing activities	**(623)**	503	(982)
Cash flows from financing activities			
Interest paid (including lease interest)	**(47)**	-	(116)
Repayments of principal under lease liabilities	**(374)**	(567)	(904)
Repayment of borrowings	**(7)**	(6)	(54)
Net cash used in financing activities	**(430)**	(573)	(1,074)
Net (decrease)/increase in cash	**(27,216)**	21,466	31,545
Cash and cash equivalents at beginning of year	**85,148**	54,736	54,736
Effect of foreign exchange rate changes	**(807)**	181	(1,133)
Cash and cash equivalents at end of period	**57,125**	76,383	85,148

Notes to the unaudited financial statements

1. General information

Naked Wines plc is a public limited company ("Company") and is incorporated in the United Kingdom under the Companies Act 2006. The Company's ordinary shares are traded on the Alternative Investment Market ("AIM").

The registered office is The Union Building, 51-59 Rose Lane, Norwich, NR1 1BY. The Group's principal activity is the online retailing of wines, beers and spirits. The Company's principal activity is to act as a holding company for its subsidiaries.

2. Basis of preparation

The annual financial statements of the Group are prepared in accordance with the International Financial Reporting Standards and International Accounting Standards as issued by the International Accounting Standards Board (IASB) and Interpretations (collectively IFRSs). The financial statements have also been prepared in accordance with international accounting standards in conformity with the requirements of the Companies Act 2006 and the accounting policies set out in the annual report for the year ended 29 March 2021.

The information for the year ended 29 March 2021 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting". The condensed financial statements are not statutory accounts. The financial reporting period represents the 26 week period to 27 September 2021 and the prior period, 26 weeks to 28 September 2020.

Going concern

The Directors have, at the time of approving the interim financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Group has continued to experience current trading in line with its expectations during the course of the 26 weeks to 27 September 2021.

These forecasts and the analysis demonstrate that the Group's cash reserves are sufficient for the Group to meet its obligations as they fall due for a forecast period of at least twelve months beyond the date of the signing of these financial statements. These cash forecasts include the impact of managing inventory levels, anticipated one off cash inflows and further mitigating actions including discretionary spend, should they be necessitated.

The Directors' have considered the uncertainty relating to these future actions within the going concern assessment and performed sensitivity analyses to model the impact of possible adverse trends. The impact of adverse trends would be mitigated by actions undertaken as noted above.

Based on the results of the assessment, the Directors have continued to adopt the going concern basis of accounting in preparing the financial statements.

3. Segmental reporting

IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Executive Directors of the Company. This is on the basis that the Executive Directors 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, adjusted EBIT (being operating profit excluding any adjusted items) and adjusted PBT (being profit before tax excluding 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 not allocated to the operating segments as this reflects 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 being wine and associated beverages.

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.

The Group is subject to seasonal fluctuations resulting in varying profits over the full year period. The Group experiences increased sales in the third quarter which covers the holiday period, accounting for c.40% of total sales compared to c.20% in each of the other quarters.

26 weeks to 27 September 2021

	Naked Wines USA £'000	Naked Wines UK £'000	Naked Wines Australia £'000	Unallocated £'000	Total £'000
New customer sales	7,158	4,635	2,834	-	**14,627**
Repeat customer sales	67,188	57,772	19,741	-	**144,701**
Total revenue	**74,346**	**62,407**	**22,575**	**-**	**159,328**
New Customer Contribution loss	(1,273)	(1,644)	(476)	-	**(3,393)**
Advertising costs	(12,104)	(4,040)	(1,750)	-	**(17,894)**
Investment in New Customers	(13,377)	(5,684)	(2,226)	-	**(21,287)**
Repeat Customer Contribution profit	23,022	12,746	5,519	-	**41,287**
	9,645	**7,062**	**3,293**	**-**	**20,000**
General and administrative costs	(5,902)	(3,225)	(1,676)	(7,984)	**(18,787)**
Adjusted EBIT	**3,743**	**3,837**	**1,617**	**(7,984)**	**1,213**
Finance income	-	-	-	574	**574**
Finance charges	(37)	(4)	(6)	-	**(47)**
Adjusted profit/(loss) before tax	**3,706**	**3,833**	**1,611**	**(7,410)**	**1,740**
Adjusted items:					
- Non cash items relating to acquisitions	**-**	-	-	**(690)**	**(690)**
- Other adjusted items	**-**	-	-	**261**	**261**
Profit/(loss) before tax	**3,706**	**3,833**	**1,611**	**(7,839)**	**1,311**
Depreciation	456	122	112	26	**716**
Amortisation	1	-	-	894	**895**

Segmental reporting for the 26 weeks to 27 September 2021 (continued)

Geographical analysis	**USA £'000**	**UK £'000**	**Australia £'000**	**Total £'000**
Revenue	74,346	62,407	22,575	**159,328**

Non-current assets excluding deferred current assets	792	47,939	50	**48,781**

Segmental reporting for the 26 weeks to 28 September 2020 *

In line with the information presented to the Executive Directors of the Company, the Group now presents its segmental analysis based on the three geographic locations in which the Group operates rather than one operating segment which it was previously based on and therefore prior year comparatives are stated on a consistent basis.

	Naked Wines USA £'000	**Naked Wines UK £'000**	**Naked Wines Australia £'000**	**Unallocated £'000**	**Total £'000**
New customer sales	18,935	8,763	4,562	-	**32,260**
Repeat customer sales	57,576	48,987	18,275	-	**124,838**
Total revenue	**76,511**	**57,750**	**22,837**	**-**	**157,098**
New Customer Contribution loss	(1,424)	(1,712)	(644)	-	**(3,780)**
Advertising costs	(13,886)	(3,916)	(2,269)	-	**(20,071)**
Investment in New Customers	(15,310)	(5,628)	(2,913)	-	**(23,851)**
Repeat Customer Contribution profit	21,179	11,650	4,601	-	**37,430**
	5,869	**6,022**	**1,688**	**-**	**13,579**
General and administrative costs	(5,744)	(2,281)	(1,321)	(7,414)	**(16,760)**
Adjusted EBIT	**125**	**3,741**	**367**	**(7,414)**	**(3,181)**
Finance income	10	-	-	557	**567**
Finance charges	(48)	(13)	(9)	-	**(70)**
Adjusted profit/(loss) before tax	**87**	**3,728**	**358**	**(6,857)**	**(2,684)**
Adjusted items:					
- Non cash items relating to acquisitions	**-**	-	-	**(1,823)**	**(1,823)**
- Other adjusted items	**-**	-	-	**(4,385)**	**(4,385)**
Profit/(loss) before tax	**87**	**3,728**	**358**	**(13,065)**	**(8,892)**
Depreciation	442	206	101	25	**774**
Amortisation	-	-	-	1,891	**1,891**

Geographical analysis	**USA £'000**	**UK £'000**	**Australia £'000**	**Total £'000**
Revenue	76,511	57,750	22,837	**157,098**
Non-current assets excluding deferred current assets	3,910	44,667	588	**49,165**

* The allocation of variable costs has been changed from nine litres of wine to a hybrid basis of allocation which better reflects the correct allocation of variable costs between nine litre equivalent and six bottle cases which became a larger part of the business in the second half of the prior year. This has impacted on the allocation between New and Repeat contribution and prior year comparatives are stated on a consistent basis.

Segmental reporting for the 52 weeks to 29 March 2021

	Naked Wines USA £'000	Naked Wines UK £'000	Naked Wines Australia £'000	Unallocated £'000	Total £'000
New customer sales	31,908	17,303	7,160	-	**56,371**
Repeat customer sales	129,797	115,755	38,303	-	**283,855**
Total revenue	**161,705**	**133,058**	**45,463**	**-**	**340,226**
New Customer Contribution loss	(3,275)	(3,585)	(852)	-	**(7,712)**
Advertising costs	(30,163)	(7,529)	(4,642)	-	**(42,334)**
Investment in New Customers	(33,438)	(11,114)	(5,494)	-	**(50,046)**
Repeat Customer Contribution profit	47,870	27,301	9,741	-	**84,912**
	14,432	**16,187**	**4,247**	**-**	**34,866**
General and administrative costs	(12,445)	(5,279)	(3,303)	(15,355)	**(36,382)**
Adjusted EBIT	**1,987**	**10,908**	**944**	**(15,355)**	**(1,516)**
Finance income	10	-	-	1,108	**1,118**
Finance charges	(85)	(14)	(17)	-	**(116)**
Adjusted profit/(loss) before tax	**1,912**	**10,894**	**927**	**(14,247)**	**(514)**
Adjusted items:					
- Non cash items relating to acquisitions	**-**	-	-	**(3,646)**	**(3,646)**
- Other adjusted items	**-**	-	-	**(6,515)**	**(6,515)**
Profit/(loss) before tax	**1,912**	**10,894**	**927**	**(24,408)**	**(10,675)**
Depreciation	859	315	227	49	**1,450**
Amortisation	1	-	-	3,837	**3,838**

Geographical analysis	**USA £'000**	**UK £'000**	**Australia £'000**	**Total £'000**
Revenue	161,705	133,058	45,463	**340,226**
Non-current assets excluding deferred current	3,516	44,597	476	**48,589**

assets

4. Adjusted items

The Directors believe that adjusted profit before tax measure provide additional useful information for shareholders on underlying trends and performance. These measures are used for performance analysis. Adjusted profit 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.

The adjustments made to reported profit before tax are:

	26 weeks to 27 Sep 2021 £'000	26 weeks to 28 Sep 2020 £'000	52 weeks to 29 Mar 2021 £'000
Non-cash charges relating to acquisitions			
Amortisation of acquired intangibles	**(690)**	(1,823)	(3,646)
	(690)	(1,823)	(3,646)
Other adjusted items			
Loss arising on settlement of deferred contingent consideration, net of settlement	**-**	(4,043)	(3,868)
Fair value movement through P&L on foreign exchange contracts and associated unrealised foreign currency inventory	**227**	(43)	(1,966)
Foreign exchange movements on plc company currency bank balances	**34**	(299)	(681)
	261	(4,385)	(6,515)
Total adjusted items	**(429)**	(6,208)	(10,161)

Amortisation of acquired intangibles

These items reflect costs of customer acquisition from prior to the purchase of the Naked Wines business in 2015. In order to reflect the cost of current New Customer acquisition in its adjusted PBT, 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.

Fair value loss arising on deferred contingent consideration, net of settlement in prior periods

During the year ended 29 March 2021, the Directors were approached by CF Bacchus Holdco Limited, the holder of the deferred contingent consideration obligation issued as part of the disposal of the Majestic business. In the light of restrictions on travel and as a result of the new duty-free allowances which came into force on 1 January 2021, the Directors accepted an offer of £175,000 in full settlement of the Group's deferred contingent consideration in respect of the disposal of Majestic's French retail business.

This settlement was received on 19 March 2021. The deferred contingent consideration was valued in the books at £4,043,000 at the end of the previous year and a fair value adjustment was taken at during the first half of 2020 bringing the value down to £nil. After proceeds of £175,000 were received, a loss of £3,868,000 was taken to the Income Statement and disclosed in adjusted items.

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

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

Foreign exchange movements on plc company currency bank accounts

The Group holds net cash on its balance sheet and this includes sums of foreign currency which it will deploy to fund its US and Australian businesses. At each balance sheet date, the FX revaluation of foreign currency balances held in the Company were reported as adjusted items so as not to distort the picture of the underlying business cost base.

5. Tax

Tax for the 26 week period is charged at an effective tax rate of 23.3% (26 weeks to 28 Sep 2020: 9.3%) representing the best estimate of the Group's expected annual effective tax rate, applied to the profit before tax of the period.

6. 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 130,868 shares (Sep 2020: 191,707) held by the Naked Wines plc Share Incentive Plan Trust (which have been treated as dilutive share based payment awards).

The dilutive effect of share options is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. All outstanding share based payment award grants have been included in the dilutive earnings per share calculation as they are potentially dilutive at the period end.

A negative diluted EPS equals a negative basic EPS as it would have an anti-dilutive effect if the dilutive shares are included in the calculation.

	26 weeks to 27 Sep 2021	26 weeks to 28 Sep 2020	52 weeks to 29 Mar 2021
Earnings/(loss) per share			
Basic earnings/(loss) per share	**1.4p**	(11.1p)	(13.8p)
Diluted earnings/(loss) per share	**1.4p**	(11.1p)	(13.8p)

	26 weeks to	26 weeks to	52 weeks to

	27 Sep 2021	28 Sep 2020	29 Mar 2021
Weighted average number of shares in issue	**73,090,926**	72,833,756	72,896,800
Dilutive potential ordinary shares:			
Employee share options	**1,340,545**	1,091,984	1,496,174
Weighted average number of shares for the purpose of diluted earnings per share	**74,431,471**	73,925,740	74,392,974
Total number of shares in issue	**73,439,132**	73,138,446	73,161,485

If the Company's share option schemes had vested at 100% the Company would have 75,316,108 (Sep 2020: 74,948,561) issued shares.

7. Notes to the cash flow statement

	26 weeks to 27 Sep 2021 £'000	26 weeks to 28 Sep 2020 £'000	52 weeks to 29 Mar 2021 £'000
Cash generated/(used) by operations			
Operating profit/(loss)	**784**	(9,389)	(11,677)
Add back:			
- Depreciation and amortisation	**1,611**	2,665	5,288
- Loss on disposal of fixed assets	**15**	128	51
- Loss arising on settlement of deferred contingent consideration	**-**	4,043	3,868
- Fair value movement on foreign exchange contracts	**(458)**	43	1,760
- Share based payment charges	**969**	464	777
Operating cash flows before movements in working capital	**2,921**	(2,046)	67
Increase in inventories	**(50,968)**	(14,902)	(8,984)
Increase in customer funds in deferred income	**6,795**	17,553	28,244
Decrease/(Increase) in trade and other receivables	**613**	(583)	(1,445)
Decrease in trade and other payables	**15,209**	21,755	16,325
Net cash (used)/generated by operating activities	**(25,430)**	21,777	34,207

	27 Sep 2021 £'000	28 Sep 2020 £'000	29 Mar 2021 £'000
Cash and cash equivalents	**57,125**	76,383	85,148

	52 weeks to 29 Mar 2021 £'000	Cash flows £'000	Non-cash movements £'000	**26 weeks to 27 Sep 2021 £'000**
Cash and cash equivalents	**85,148**	**(27,215)**	**(808)**	**57,125**
Borrowings - customer funded bond	(30)	7	-	**(23)**
Borrowings - IFRS 16 lease liabilities	(2,876)	374	(620)	**(3,122)**
Gross borrowings	**(2,906)**	**381**	**(620)**	**(3,145)**
Total net funds/(borrowings)	**82,242**	**(26,834)**	**(1,428)**	**53,980**

Definitions and Customer experience KPIs

Definitions	
Angel	A customer who deposits funds into their Angel account each month to spend on the wines on our website.
CAGR	Compound annual growth rate. The year-on-year growth rate required for a number of years for a value to grow from its beginning balance to its ending balance.
Company, Naked or Naked Wines	Naked Wines plc
Contribution	A profit measure between gross profit and EBIT, calculated as gross profit less the costs of fulfilling and servicing (e.g. credit card fees, delivery costs, customer-facing staff costs) and marketing expenses. We often split contribution into that from new and repeat customers as they can have different levels of profitability.
DtC	Direct to Consumer
Group	Naked Wines plc and its subsidiary undertakings
LTIP	Long Term Incentive Plan
Marketing R&D	Expenditure focused on researching and testing new marketing channels and creative approaches, with the aim of opening up significant new growth investment opportunities.
New Customer	A customer who, at the time of purchase, does not meet our definition of a repeat customer; for example, because they are brand new, were previously a Repeat Customer and have stopped subscribing with us at some point or cannot be identified as a Repeat Customer.
New Customer sales	Revenues derived from transactions with customers who meet our definition of a new customer.

Repeat Customer	A customer ('Angel') who has subscribed and made their first monthly subscription payment.
Repeat Customer sales	These are the revenues derived from orders placed by customers meeting our definition of a repeat customer at the time of ordering.
SIP	Share Incentive Plan
Standstill EBIT	The adjusted EBIT that would be reported if Investment in New Customers was reduced to the level needed to just replenish the current customer base.
Total Addressable Market (TAM)	TAM represents the available market which Naked sees as a revenue opportunity which it could serve.
Customer experience KPIs	
Product availability	% of targeted range available on websites as indicated by our inventory reporting.
Wine quality - "Buy it again ratings"	% of "Yes" scores in the last 12 months as recorded by websites/ apps.
5* customer service	The number of service ratings scoring 5* (out of 5) as a % of total ratings in the last 12 months as recorded by websites/apps/telephone feedback.

Alternative performance measures (APMs)

EBIT	Operating profit as disclosed in the Group income statement.
Adjusted EBIT	Operating profit adjusted for amortisation of acquired intangibles, acquisition costs, impairment of goodwill, restructuring costs and fair value movement through the income statement on financial instruments and revaluation of funding cash balances held.
EBITDA	EBIT plus depreciation and amortisation.
Adjusted EBITDA	Adjusted EBIT plus depreciation and amortisation, but excluding any depreciation or amortisation costs included in our adjusted items e.g. amortisation of acquired intangibles.
Adjusted PBT	Adjusted EBIT adjusted for net finance income
Free cash flow	Cash generated by operating activities less capital expenditure and before adjusted items and tax. A reconciliation of this metric is provided below.
Net cash	The amount of cash we are holding less debt at period end.
Investment Measures	
Investment in New Customers	The Investment in New Customers during the period, including contribution profit/loss from New Customer sales and advertising costs.
New Customer Contribution loss	The contribution earned from sales to New Customers.
5-Year Forecast Payback	The ratio of projected future Repeat Customer Contribution profit we expect to earn from the new customers recruited in the period divided by the Investment in New Customers. We forecast contribution at a customer level using a Machine Learning algorithm which weighs several characteristics

	including demographics, interactions and transactions forecast over a five-year horizon. This is then aggregated to a monthly, then annual, cohort level for reporting purposes.
5-Year Lifetime Value	The future Repeat Customer Contribution profit we expect to earn from customers recruited in a discrete period of time. We calculate this future contribution using a Machine Learning (ML) model. Collecting data for a number of key customer characteristics including retention, order frequency and order value along with customer demographics and non-transactional data, the ML algorithms then predict the future (lifetime) value of that customer.
Repeat Customer Contribution profit	The profit attributable to sales meeting the definition of sales to repeat customers after fulfilment and service costs.
Repeat Customer sales retention	The ratio of sales made to customers who met our definition of "Repeat" last year that were realised again this year. Using our website data, the population who were subscribers in the prior year are identified and their sales in the current year then assessed. This is done for each month and summed to calculate the full year retention.
Year 1 Payback	This short-term payback measure shows the actual return in this financial year of our investment in the prior year.

Unaudited additional information

Free cash flow reconciliation

	26 weeks to 27 Sep 2021 £m	26 weeks to 28 Sep 2020 £m
Adjusted EBIT	**1.2**	(3.2)
Add back depreciation and amortisation *(excludes adjusted amortisation of acquired intangibles)*	**0.9**	1.0
Add back IFRS 2 charges	**1.0**	0.5
Adjusted EBITDA	**3.1**	(1.7)
Inventories	**(51.2)**	(14.9)
Deferred Income	**6.8**	17.6
Trade and other receivables	**0.6**	(0.6)
Trade and other payables	**15.3**	21.4
Repayments of principal under lease liabilities	**(0.4)**	(0.6)
Working capital movement	**(28.9)**	22.9
Pre-tax operating cash flow	**(25.8)**	21.2
Capital expenditure	**(0.7)**	(0.6)
Pre-tax operating cash flow / "Free cash flow"	**(26.5)**	20.6

Reconciliation to statutory cash flow statement		
Free cash flow	**(26.5)**	20.6
Capital expenditure	**0.7**	0.6
Repayments of principal under lease liabilities	**0.4**	0.6
Net cash (used)/generated by operating activities	**(25.4)**	21.8

12 month rolling standstill EBIT calculation

	27 Sep 2021 £m	28 Sep 2020[1] £m
Standstill EBIT is calculated as		
Repeat Customer Contribution profit (a)	88.8	64.6
Less: replenishment spend (e)	(16.2)	(9.3)
Less: General and administrative costs[2]	(35.4)	(27.9)
	37.2	27.4
(a) Repeat Customer Contribution profit	**88.8**	64.6
(b) Repeat Customer sales retention	**82%**	90%
(c) Repeat Customer Contribution profit lost to attrition (a x (1-b))	16.3	6.2
(d) Year 1 Payback	**101%**	67%
(e) Spend to replenish lost Repeat Customer Contribution profit (c/d)	16.2	9.3

1. The basis of the cost allocation was updated during the second half of the prior year and prior year comparatives are stated on a consistent basis.
2. General and administrative costs exclude adjusted items and marketing R&D spend.

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