NEWS RELEASE

Naked Wines PLC - Operational and Financial Update

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Naked Wines PLC

20 October 2022

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Naked Wines plc

("Naked" or the "Group")

Operational and Financial Update
Renegotiated credit facility improves liquidity, concurrent with pivot to profit

- Strengthened balance sheet and liquidity
  - Net cash of £22m, with £64m of available liquidity as of end H1
  - Revised credit facility covenants provide considerable downside protection
  - Inventory commitments reduced to destock over 18-month time-frame
- Pivot to profit
  - Guiding to deliver adjusted EBIT of £9-13m in FY2023 with further improvement expected in FY24
  - £18m reduction across marketing spend and general & administrative ("G&A") costs vs mid-point of prior guidance
  - Growth investment reduced from £41m in FY22 to £22-24m, targeting a payback in excess of 2.0x and sustainable scale

- Short-term impact
    - Sales and Active Angels will fall in near-term due to focus on profits over growth
    - Inventory is expected to peak now, remain elevated for 12 months, before reducing
    - Cash consumption expected during H2 FY23, fully supported by available liquidity
    - One-off costs of up to £12m (of which up to £4m are cash) to reduce inventory and G&A costs
- H1 performance in line with revised plan
    - Adjusted EBIT estimated at £4m, approximately 3x H1 FY22 levels
    - Revenue expected to be £166m, +4% vs 1H22 (-3% on constant currency basis)
    - Significant improvements in revenue trend, profitability and payback in Q2

Nick Devlin, CEO, said:
"We recognise that in pursuit of rapid growth we have made mistakes. Whilst the business today remains materially bigger than pre-pandemic, in 2021 we bought inventory and added to our cost base in anticipation of sustained faster growth which has not been delivered; today we are taking steps to reset our cost base and unwind inventory levels.

We commit to not only resolve these challenges but also to ensure they are not repeated. While the operating environment remains challenging, with low consumer confidence and high levels of supply chain inflation, we have taken steps to reconfigure Naked appropriately:

- We have already ensured that Naked is well funded by renegotiating our banking facilities onto a sustainable long term basis and reduced future inventory commitments
- We have taken decisive action to pivot to profit, reducing marketing investment that was not delivering satisfactory returns but maintaining scope for sufficient investment to maintain Naked at today's scale
- We have restructured some of our teams to create a leaner and more focused organisation

These steps will lay the foundation for a return to our ambition of sustained, profitable growth, whilst also providing us with greater resilience against macroeconomic challenges. We look forward to sharing more detail of the progress we have made with our interim results in December.

Alongside these operational and strategic changes we have separately announced today a number of changes to our Board. I would like to thank Darryl Rawlings for his service and counsel over the past 18 months and welcome David Stead into his new role as Chairman of the Board.

This change in direction has been hard, but it has been necessary. We are committed

to driving Naked forward and to deliver for all of our stakeholders - customers, winemakers, people and shareholders."

Revised Guidance

We have reshaped our plans to deliver profitability at a sustainable level. Our plans also offer us a choice whether to invest in growth when conditions permit or deliver improved margins.

Given the uncertain economic outlook into next year, we intend to continue to operate on a reduced cost base in FY24 with G&A costs benefiting from a full year of savings offsetting inflationary pressure.

Marketing costs will remain substantially lower than FY22 in FY24 unless we see a marked improvement in customer recruitment economics. Overall, we anticipate stronger profitability in FY24 as a result of a full year of cost reductions and the elimination of our Marketing R&D spend.

KPI	FY23 guidance at 9 June	FY23 guidance revised	FY24 guidance
Revenue	£345m - 375m	£340m - 360m	-
Revenue growth (CCY)	-4% to +4%	-9% to -4%	-
Inv. in New Customer Acquisition	£30m - 40m	£20m - 24m	-
Repeat Customer Contribution profit	£83m - 93m	£80m - 88m	-
General & Administrative costs	£45m - 48m	£42m - 44m	Flat
Share based payment charge	£4m	£1.5m - 2.5m	£2.5m - 3.5m
Marketing R&D costs	£5m	£5m	Nil
Adjusted EBIT	"Breakeven Adj. EBITDA"	£9m - £13m	Improvement vs FY23
Adjusted EBIT % Margin		2-4%	Improvement vs FY23
One-time costs - Non-cash - Cash	 0 0	 Up to £8m Up to £4m	 0 0
Depreciation		c.£2m	£2-3m

Revised guidance has been provided based on a 1.15 GBP/USD rate for future planning purposes. Note, FY23 is a 53-week year which contributes approximately £5m of sales or two percentage points of growth.

Balance sheet and revisions to credit facility

We have successfully renegotiated the profitability covenant on our credit facility, resulting in £64m of available liquidity based on closing H1 cash on hand and available borrowing contingent on the terms of the facility. The previous covenant, based on Repeat Customer Contribution, was agreed on an assumption of continued growth which has not been delivered. A replacement covenant has been set at a level where we have considerable headroom, even on a downside basis, and is linked to facility adjusted EBITDA (as defined in the terms of our Credit Agreement and excluding share based payment charges). We have more short term control over this metric than the original Repeat Customer Contribution metric.

Under the revised agreement, Naked must deliver £1m of facility adjusted EBITDA per quarter for fiscal year quarters one through three, and an aggregate £4m of facility adjusted EBITDA for the full fiscal year. We have already delivered £5-6m in facility adjusted EBITDA for H1.

As a result of these changes, we have a credit facility that delivers four important elements:

1. Supports a long-term capital structure where the seasonal working capital cycle is not equity-funded
2. Provides flexibility as we align our supply and demand outlooks and undertake a necessary destocking process over the next 18 months
3. Provides the capital we need to support selective growth initiatives and range enhancements such as higher levels of luxury wine
4. Offers a substantial buffer against the risk of a material downturn in business performance

This amendment removes the fact pattern which resulted in the material uncertainty cited in the FY22 accounts going concern assessment which related to the Group's ability to meet its Repeat Contribution covenant in the event of a downturn in business performance. The Company will be updating its going concern assessment in light of our revised plans and the credit facility amendment. We will provide an update on the outcome of that exercise with our half year reporting in December.

Pivot to profit and cash generation

We have taken decisive action to demonstrate the liquidity, profitability and attractive unit economics of the business in the near-term:

1. Reduced Growth investment to a run rate of c. £20-24m per annum,

targeting payback in H2 of 2-2.5x

2. Reduced G&A costs in FY23 to £42-44m vs previous guidance of £45-48m
3. Developed a destocking plan, with FY23 stock intake expected to be c.25% lower than in FY22 and a material reduction inventory levels by the end of FY24

New customer marketing programmes have been reduced in all geographies to ensure that we are delivering attractive payback across all geographies and channels.

G&A cost reductions have been targeted across our UK, US and Central business units across a mix of roles and spend categories. The group share based payment charge has been reduced by £1.5 - 2.5m versus prior guidance.

Implications and Future Growth

In the near-term, the pivot to profitability will slow sales and increase stock holding, resulting in additional cash investment in inventory over the second half of the year that is well-supported by our liquidity position. Inventory is expected to peak in October 2022, with the Group ending FY23 with approximately £185m of inventory and reverting to approximately £145m by end FY24.

We expect that these actions will stabilise the business and enable the Group to deliver sustained profitability and baseline cash generation. We remain committed to identifying paths to profitable growth or driving enhanced EBIT margins beyond that.

We are rebuilding payback levels on new customer investment, so that, once we have delivered our profitability goals, we can resume profitable growth.

To undertake the changes in our plans we will incur a one-time charge of up to £12m during FY23 reflecting our best estimate of the cost to undertake these actions through a combination of bulk wine sales and negotiated exit of commitments. c. £8m of this is expected to be non-cash in nature, with the remaining c.£4m being cash costs from undertaking organisational changes and exiting inventory commitments.

H1 performance

As a result of the decisive actions we have taken as part of our strategic review and our pivot to profit, we are now trading profitably and in line with our revised guidance for FY23. The Group will provide more detail on these initiatives and their early outcomes during its interim results presentation.

Due to the reduction in new customer investment, the Group expects to report revenue declining by 3% in the first half (at constant exchange rates) with FX changes bringing this to +4% on a reported basis. The first quarter accounted for the decline as the comparator period still had pandemic-driven buying in evidence.

In the second quarter Group revenues were +4% (at constant exchange rates) and +14% on a reported basis. Revenue growth (at constant currency) in our biggest markets improved sequentially during the quarter US (Q1: -9%, Q2: +12%) and the

UK (Q1: -13%, Q2: +3%).

Adjusted EBIT is expected to be significantly ahead of the prior year at c.£4m (FY22 H1: £1.2m). However statutory profit before tax will be impacted by one-time costs of up to £12m relating to restructuring, inventory provisioning and stock commitment changes, offset by a profit of £4.8m on disposal of the freehold of the property retained on the sale of Majestic in 2019.

Closing H1 net cash of £22m (FY22: £40m) reflects further outflows in the half into stock as a result of our lower sales and long-term commitments to our winemakers. As outlined above we have a clear plan to address our overstock position going forwards and expect to deliver substantial positive cash flow from H2 of FY24 onwards.

Board Changes
As separately announced today, the following changes have been made to the board:

- Darryl Rawlings will step down as Chairman of the board, effective today and as a member of the Board at month's end
- David Stead will assume the role of Chairman of the Board, effective from today
- Deirdre Runnette will assume the role of Senior Independent Director also effective from today
- The Board has initiated the process to recruit a new Audit Committee Chair and an announcement will be made in due course
- The Board is in active discussions with James Crawford to assume the CFO role on a permanent basis to support delivery of our new operating & financial plan

Financial calendar
The group expects to report the first half financial results in early December 2022, [at which time, we will share additional detail on the Group's pivot to profit and early evidence of this strategy in action.

Naked Wines plc will host an analyst and investor conference call at 9:00 AM BST / 4:00 AM EST / 1:00 AM PST on 20 October 2022. Toll free call numbers are as follows:

UK Toll Free: 0808 109 0700
USA Toll Free: 1 866 966 5335

Call Password: Naked Wines

The briefing will also be webcast which can be joined at
https://stream.brrmedia.co.uk/broadcast/634d03956815e65bb9fd5041

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.

Cautionary note regarding forward-looking statements
This announcement includes statements that are forward-looking in nature. Forward-looking statements involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the group to be materially different from any future results, performance or achievements expressed or implied by such forward-looking statements. Except as required by the Listing Rules and applicable law, Naked Wines undertakes no obligation to update or change any forward-looking statements to reflect events occurring after the date such statements are published.

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 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 960,000 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 Angels) have direct access to 266 of the world's best independent winemakers making over 2,500 quality wines in 20 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).

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