naked wines

NEWS RELEASE

Trading Update

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Majestic Wine PLC

21 September 2016

For Immediate Release

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Trading Update

Majestic announces profits below expectations in 2017, but remains on track to hit 3 year plan of £500m in sales by 2019

Majestic Wine PLC (the "Group") today announces that despite;

- Majestic Retail trading on track and making good progress on the transformation plan
- Naked Wines UK and Australia are performing well and on plan
- A return to growth for Lay & Wheeler

EBIT for the current financial year ending 3 April 2017 is expected to fall below current

market expectations1. This is because:

1. Majestic Commercial

As detailed in our annual results for the year ended 31 March 2016, the Commercial business was not growing sales at the level to which we aspire and that necessary investment in new business development and the store network had reduced our profit growth to just 1% for the year.

The first half of the current financial year has proved to be even more challenging with the result that Commercial sales growth is flat year on year and the gross margin percentage achieved on those sales has declined by around 200 basis points. Assuming these negative trends persist through to the end of this financial year, and with the balance of the year being seasonally significant, the Commercial division's EBIT performance could be around £2m lower than expectations.

We need to find a better, more profitable approach for our Commercial operations as part of the Group and as a result an internal review is now underway.

2. Naked Wines USA

In our annual results we also explained that Naked Wines had made an 'unscheduled' maiden profit last year following a decision to reduce marketing in the USA whilst low stock levels were replenished. During the first half of the current financial year, improved stock levels have meant that we were able to resume our investment in acquiring new customers ("Angels") in this region.

The decision was taken to accelerate a number of initiatives, including testing a significant new direct mail campaign. It is now clear that, whilst most initiatives were successful, the direct mail campaign was not. We have now stopped this investment, but the short term impact will be higher costs in the first half of the year, with fewer new Angels acquired than hoped also impacting profits over the next 12 months. Accordingly, we now anticipate that the Naked Wines business will move back into making a small loss for the current financial year with an EBIT performance also approximately £2m lower than expectations.

Whilst it is disappointing that the direct mail channel has not proved to be as viable as early tests suggested, we are getting very encouraging returns from other channels, and are ready to scale them when we are confident that the returns are sustainable.

Rowan Gormley, Chief Executive commented:

"It is very disappointing that two isolated factors are distracting from the great progress across the rest of the Group. We have always said that we would adopt a test and learn approach, and be quick to redeploy capital from underperforming areas, which is exactly what we are doing. While, this approach is delivering good results in the other business units the scale of the US market means that even a test can have a material effect on profits.

The turnaround plan in Majestic Retail is progressing well, the key initiatives are on track to be delivered on time and on budget, and preparations for peak Christmas trading are well in hand. Naked Wines UK, Australia and the underlying US business continue to trade well, and we have managed to restore Lay and Wheeler to growth.

Despite these two factors, I am pleased to say we are still on track to resume dividend payments this year and to deliver our goal of £500m sales by 2019. We look forward to giving more details at our Interim results in six weeks time."

A further update will be given at the time of the Group's Interim Results on 17 November 2016.

For further information, please contact:

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About Majestic Wine PLC:

Majestic Wine PLC is a leading wine specialist, operating in four separate divisions, each with the fundamental goal of delivering sustained growth in shareholder value by doing the right thing for the Group's customers, suppliers and people:

•Majestic Retail - The UK's largest specialist wine retailer, with 210 branches in the UK and 2 in France. We help people find the wines they will love through over 900 highly trained, specialist store team members. Sales for the year ended 28 March 2016 were £244.0m.

•Naked Wines - Funds independent winemakers to make exclusive wines at preferential prices which we pass onto customers. Naked Wines currently has 152 winemakers in 14 countries and 301,000 Mature Angels (Customers). Sales for the full year ended 28 March 2016 were £104.3m (£102.5m of this was post acquisition).

•Majestic Commercial - A specialist on-trade supplier who aims to support businesses to make their wine lists more profitable, with the unique advantage of running their supply chain through Majestic Retail stores. Sales for the year ended 28 March 2016 were £45.6m.

•Lay and Wheeler - A Specialist fine wine merchant. Lay & Wheeler aims to be a trusted guide for people who love fine wine, supplying the world's finest wines with a personal service. Sales for the year ended 28 March 2016 were £10.0m.

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1 The board believe current consensus PBT for the year ending April 3 2017 to be £16.1m

This information is provided by RNS

The company news service from the London Stock Exchange

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