

Investor Presentation

Is a High Growth Model Feasible?

December 2019

Winemaker: Scott Kelley

Purpose

- At our interim results we signaled the start of a new chapter for Naked
  - Clear focus on US growth opportunity
  - Capital and resources required in place
  - Team in place to deliver
- We also signaled 2 potential trajectories for the business
  - Medium growth, cash to return
  - High growth
- The objective today is to help show you how we are organizing to see if we can unlock the High Growth option
  - Overview of the opportunity
  - Our approach to investment opportunities
  - The team to deliver

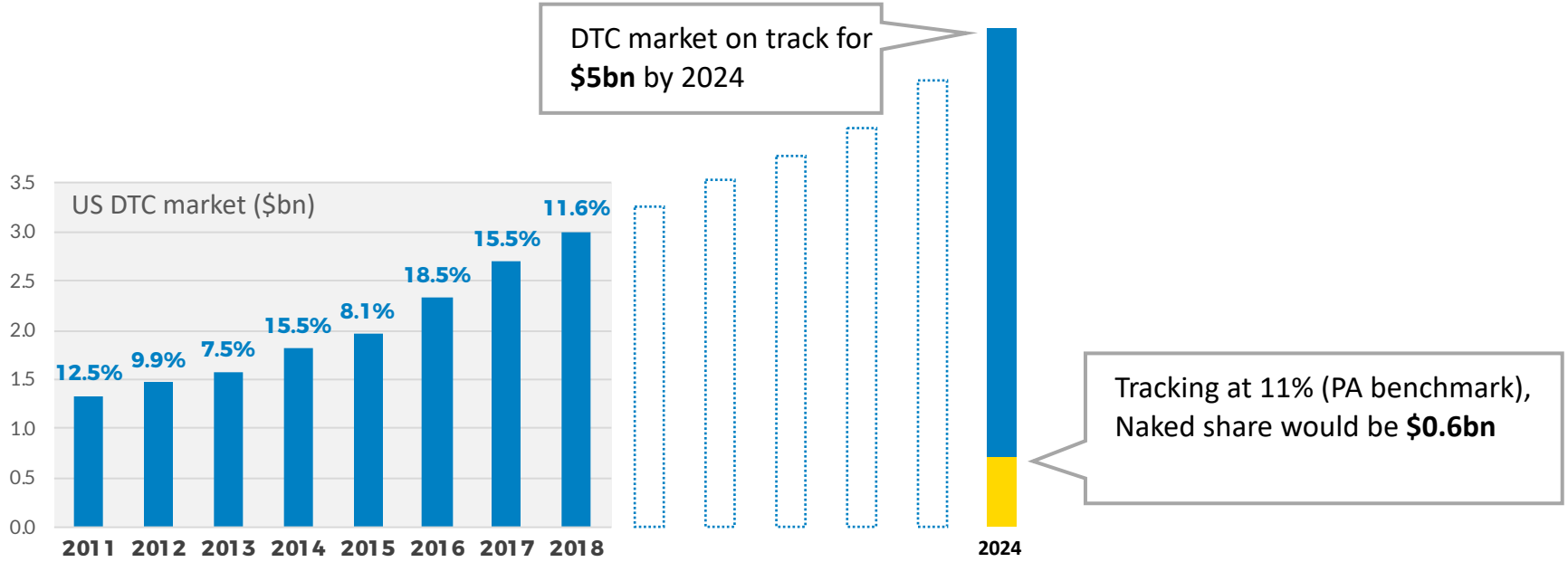
The US opportunity

Improve proposition to increase LTV

Harness scale efficiency to drive LTV

Unlock new investment channels

The US market opportunity is huge



Source: 2019 Direct to Consumer Wine Shipping Report. See www.shipcompliant.com/dtcreport19 for more information.

We have favourable economics

We are NOT a wine retailer.
Like Netflix, we produce original content, so...

1

We are regulated as a winery

We can access 96% of US wine drinking population

2

We access 3 levels of GP

We can beat our competitors on price and still make healthy margins

3

We own our brands

Customers become loyal to our exclusive wines and winemakers

And an advantaged model vs competitors

Vs Retailers

Ship to 43 states vs 12

Access 3 tiers of GP vs 1

Exclusive product range

No legacy issues from physical retail

3 Tier system constrains Retailer ability to match Naked value prop

Vs Traditional Wineries

Large winery DtC offers configured to avoid harm to 3 Tier business and relationships

Naked also offers broad assortment driving higher retention and LTV

Narrow customer offer and remain reliant on 3-Tier for profits

Vs DTC Competitors

Scale & capability advantaged:

- 2 day national delivery network
- 200+ leading winemakers
- Millions of customer ratings

Substantial scale advantage delivers superior proposition

Vs Other Models

Amazon locked into retail model post Whole Foods acquisition

Unregulated Platforms (like Vivino) only able to access limited margin pool due to working with 3-Tier partners

Wine industry regulation provides barriers to entry

And an established leadership position

Nakedwines.com
voted as the
#1 US wine club by USA Today



Nakedwines.com
is the market leader in Pennsylvania - the
most recent major state to open for DTC

Winery	% sales
NAKEDWINES.COM INC	11.0%
WINE INSIDERS	8.6%
LAITHWAITES	5.4%
WOLF BLASS/ WINDSOR	2.8%
FIRSTLEAF	2.4%
WINE ACCESS	2.3%
TREASURY WINE ESTATES AMERICAS COMPANY	1.9%
FN CELLARS LLC	1.7%
WINC	1.6%
HALL WINES LLC	1.5%
1-800 WINESHOP.COM, INC	1.5%
VINTAGE WINE ESTATES INC	1.5%
HUNEEUS VINTNERS LLC	1.1%
HARLAN ESTATE WINERY INC	1.0%
JACKSON FAMILY WINES INC	1.0%
KB WINES LLC	1.0%
GIFT SERVICES INC	1.0%
PETER MICHAEL WINERY	0.9%
DUCKHORN WINE COMPANY	0.9%
STAGS LEAP WINE CELLARS LLC	0.9%

The proof is in the drinking!

Competitive advantage translates into measurably better wine for less



Vivino ratings back up our promise - of all the Napa Cabs on Vivino rated 4.3 out of 5 and below...

- The average price was $100.11
- The highest price is close to $400



Matt Parish Rutherford Reserve Cab

- $34.99 Angel price saving 65% vs Market Price of $104.99
- 96% customer rating
- 9,300 bottles sold out in 2 months (estimated annual demand 40,000 bottles)

Try for yourself later!

Capitalized to support growth

Business will have c. £50m of cash post initial completion(s)

	£m
FY20 disposal proceeds	84
Net debt at closing (estimated)	(32)
Continuing business cash	**52**

If we can deploy the capital …

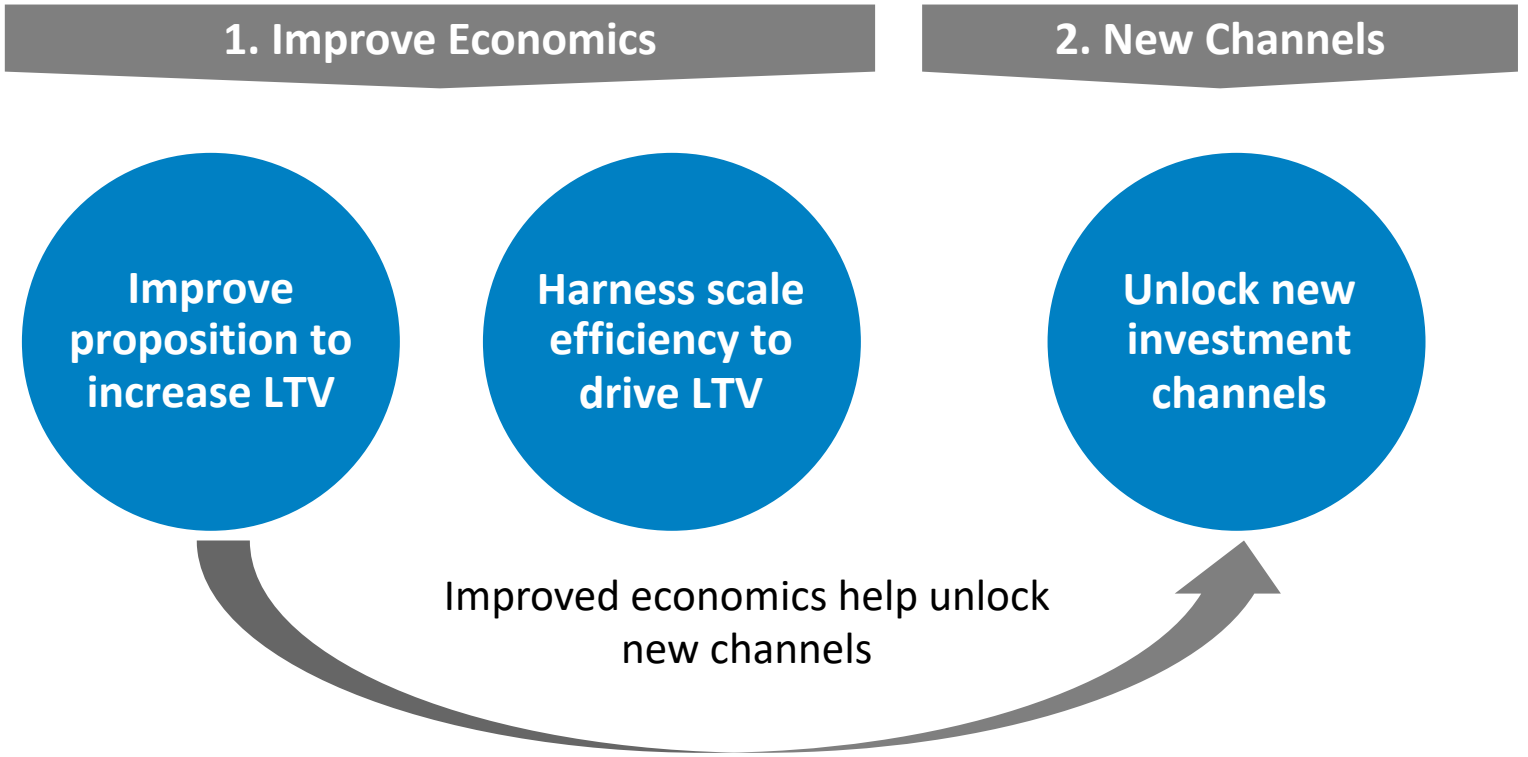
	Current trajectory	Deploy excess capital
Sales trajectory	+10% - 15% p.a.	+20% p.a.
SS EBIT % at maturity	c.10%	c.10%
Total cumulative cash burn[1]	£10-15m	£40m

- Illustrative example showing what the business is capable of at different levels of investment
- Two attractive outcomes:
  - Medium growth, high cash
  - High growth, low cash

1. Total cumulative cash requirement, including working capital, until business becomes cashflow positive. I.e. this is not an annual cash burn.

Any forward looking and / or pro forma financial information is for purely illustrative purposes, reflecting assumptions based on historical data and guidance. It should not be interpreted as a forecast of future performance.

Why do we believe we can accelerate?



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Unlock new investment channels

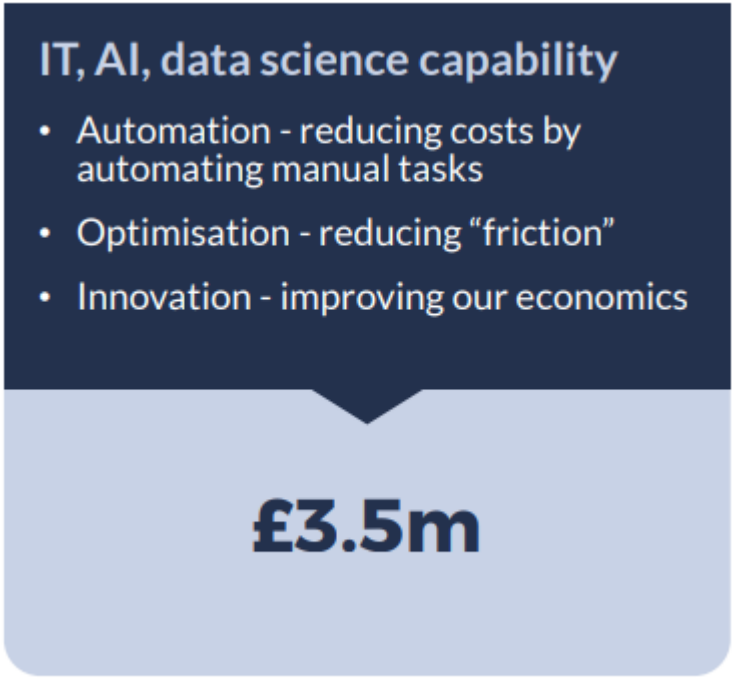
Increase LTV: Why?

Driving retention and LTV has been and will continue to be single greatest lever to unlocking new investment

Compound impact	Deepen moat	We've done it
1ppt increase in retention = ~8% increase in LTV and allowable CAC	Stickier model with more loyal customers AND higher allowable spend levels	Sales retention levels higher in more mature UK business

Increase LTV: Why do we believe?

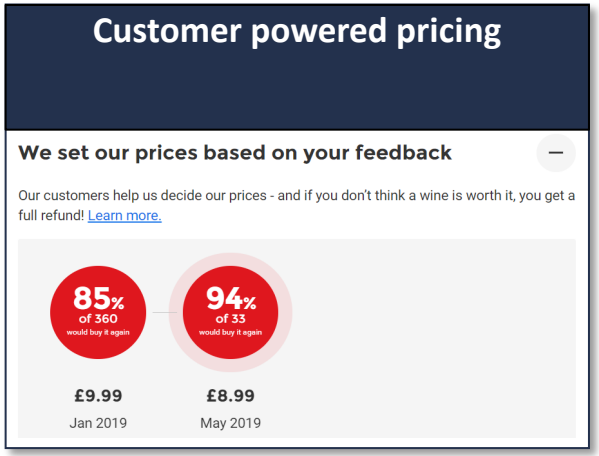
(1) We've invested in capability



- Material investment in capability announced at FY19 results as we planned to exit Majestic
- Resource in prior 4 years biased to Majestic
- Initial wave of proposition enhancement projects for Naked now starting to be released…

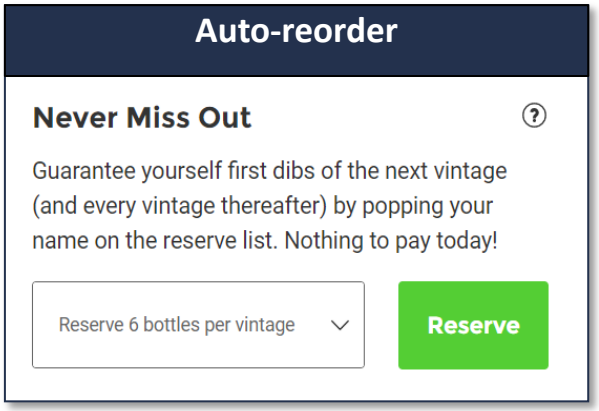
Increase LTV: Why do we believe?

(2) Early positive signs from investment



Driving retention AND contribution per Angel

Signed c.15k Angels in first 2 months

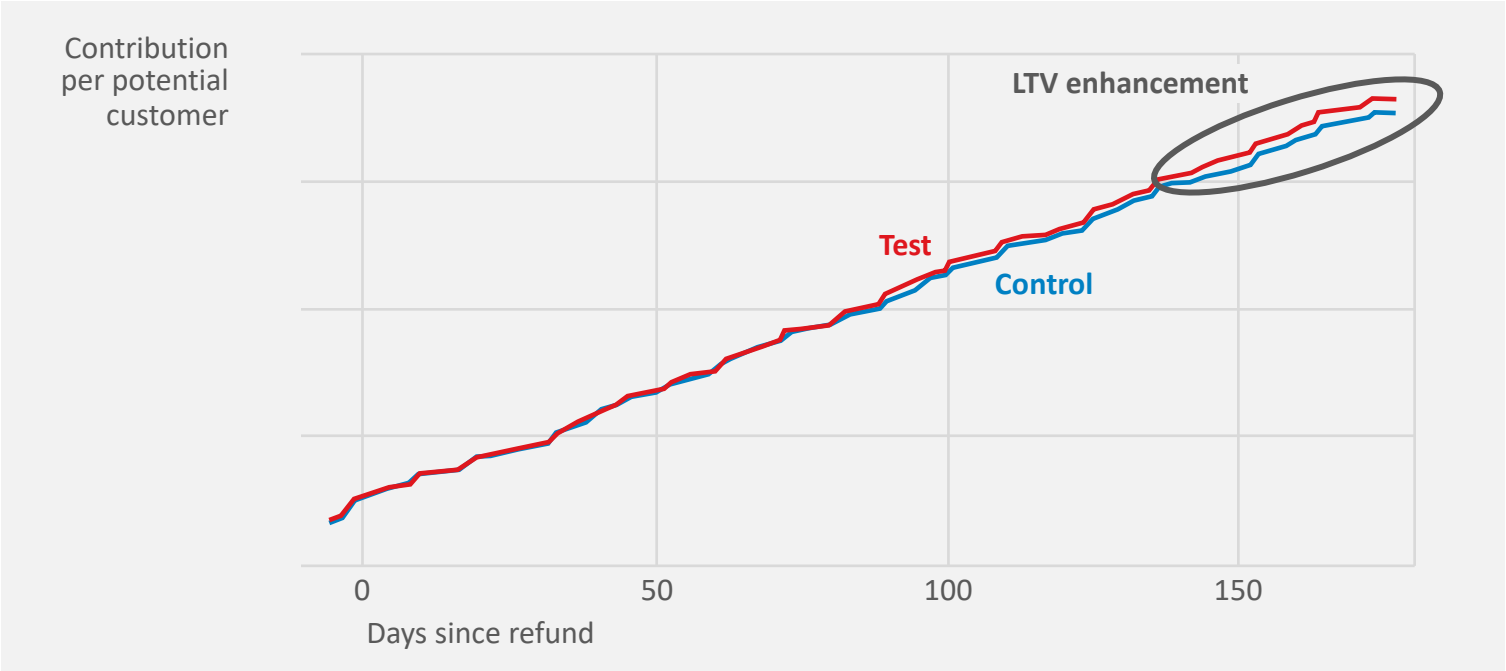


LOTS more projects in pipeline:

- Funnel curation
- Wine Genie
- Next Best Action
- Subscription level testing

Increase LTV: Why do we believe?

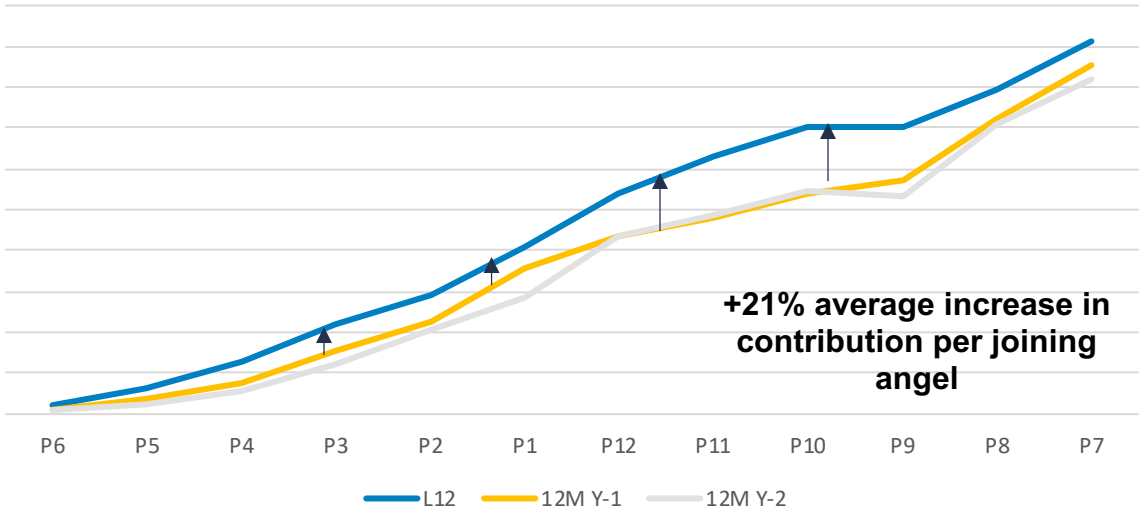
(2) Early positive signs from investment



Increase LTV: Why do we believe?

(3) Translating into higher LTV amongst recent US cohorts

Cumulative Contribution per Joining Angel
(H2 FY19 and H1 FY20 Cohorts, USA)



Increase LTV: Why do we believe?

(3) Disciplined investment model applied to LTV maximization

- Our approach to investing in increasing lifetime value is underpinned by same discipline as investment in customer acquisition
  - Discrete & measurable investments
  - Test & learn approach
  - Back the winners & unwind the rest
- Early signs suggest we will be able to generate attractive returns from our investments in technology resource and customer proposition
- However, if that is not the case, we are able to unwind these investments
  - Fixed costs reduced
  - Margin investment reversed

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Scale Leverage: Why?

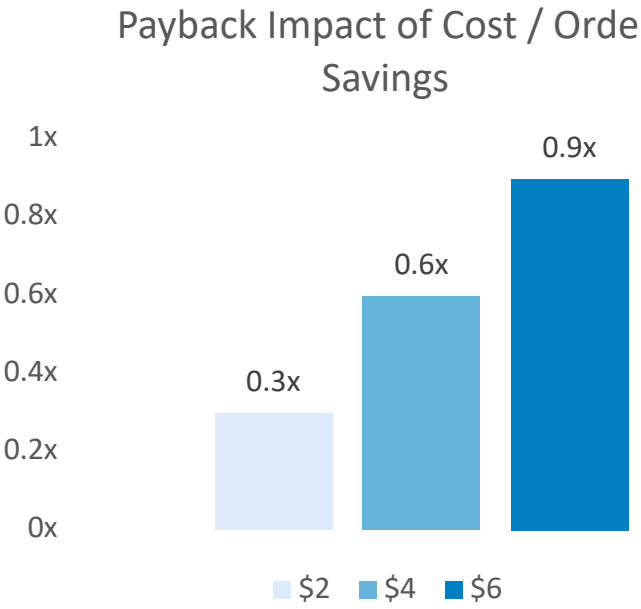
Opportunity to drive material scale efficiency

1. **Leveraging our scale will allow us to deepen competitive moat**
   Increasing scale allows us to deliver BOTH cost reduction and an advantaged customer proposition, heightening barriers to entry (e.g. National 2-day fulfillment network, 7 day a week shipping etc)

2. **Benefits of scale reinforce investment economics**
   Medium term goal of $4-6 / order in scale leverage would unlock ~30-40% additional investment at today's economics

Scale Leverage: Why?

Scale benefits materially enhance investment economics



- Scale benefits to order costs could unlock material extra payback
- Our intent would be to ‘re-invest’ in opening more spend at 4x
- $6 saving would open ~30-40% more spend in existing channels

Scale Leverage: Why Believe?

Experienced team in place

Brian Peabody



- Operations Director
- Since joining in 2017 has reconfigured network best in industry whilst extracting cost
- End-to-end supply chain experience from Colgate

Antonio Trevino



- VP Winemaking with 24 years of wine industry experience
- Former Director of Winemaking and Chief Production Officer at Purple Wine & Spirits

Lucy Devlin



- VP Planning, Procurement & Customer Experience
- Former Head of Procurement Hello Fresh UK, and Head of Fresh Buying at Ocado

Scale Leverage: Why Believe?

Clear opportunities over medium term



Warehouse delivery

Major opportunities in network configuration and efficiency

Potential $4-$6 savings per order



Buying

Opportunities in dry goods, production and grape sourcing



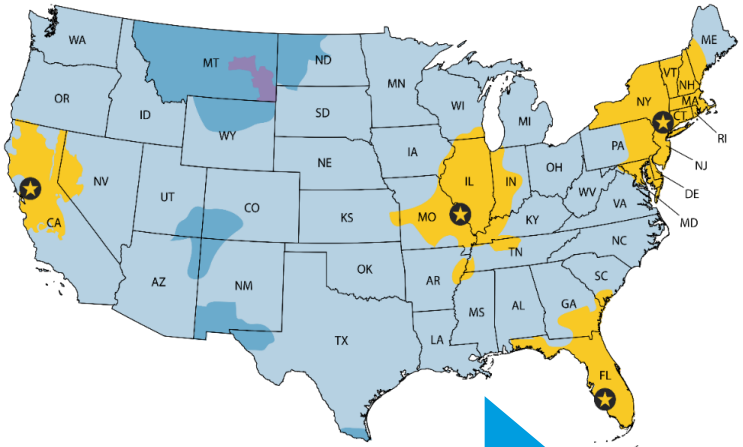
Customer service

Opportunities to drive self service and innovate service delivery model

Scale Leverage: Why Believe?

Early benefits already being realized

Restructured US supply chain



Next day - 48.3% of shipments

2nd day - 50.1% of shipments

3rd day - 1.6% of shipments

Restructure will deliver $1m of cost savings p.a. (~$1 / order)

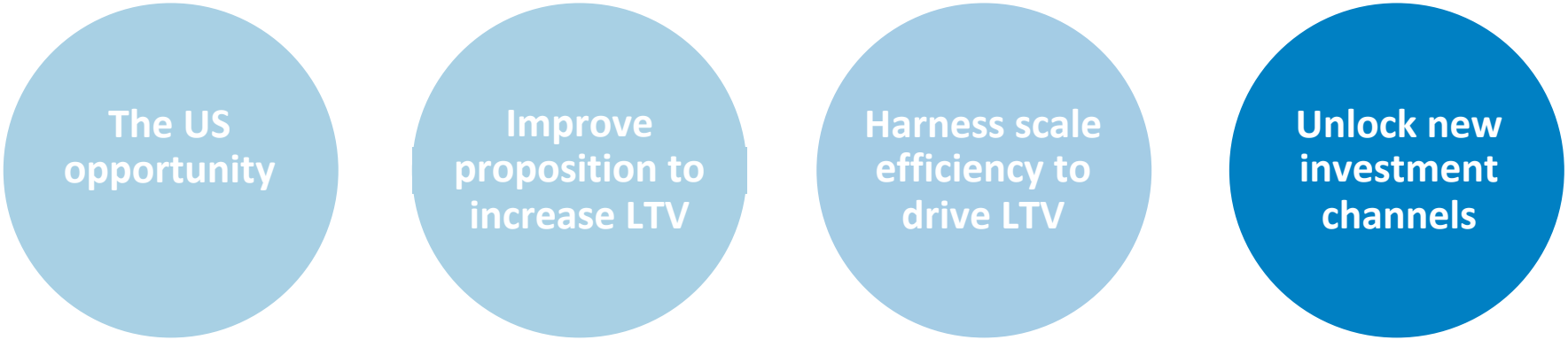
Initial network strategic plan now complete:

- Scalable commercial agreement with our Logistics partners
- Network capacity doubled
- 98% national 2-day coverage
- Warehouse restructure to enhance service and remove cost

Scale Leverage: Why Believe?

We've identified 4 key efficiency levers

Warehouse Partner Margin	Warehouse Efficiency	Final Mile	Inventory Holding Efficiency
Commercial agreement in place to lock-in reduced costs as we scale	Higher throughput per site driving fixed cost leverage and labor efficiency	Approaching scale required to negotiate volume based savings	Reduced stock cover as % sales driving lower warehouse space / sales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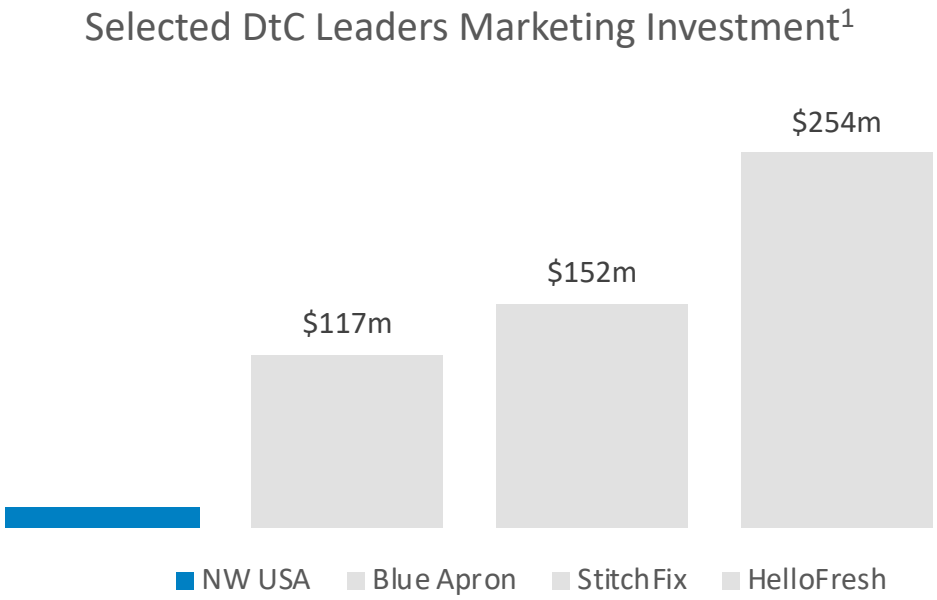
New Channels: Why?

We are currently sub-scale vs DtC leaders



1. Naked Wines USA FY19 Investment, Blue Apron, HelloFresh and StitchFix investment levels from latest full year annual reports. US investment only. HelloFresh converted from Euro to USD

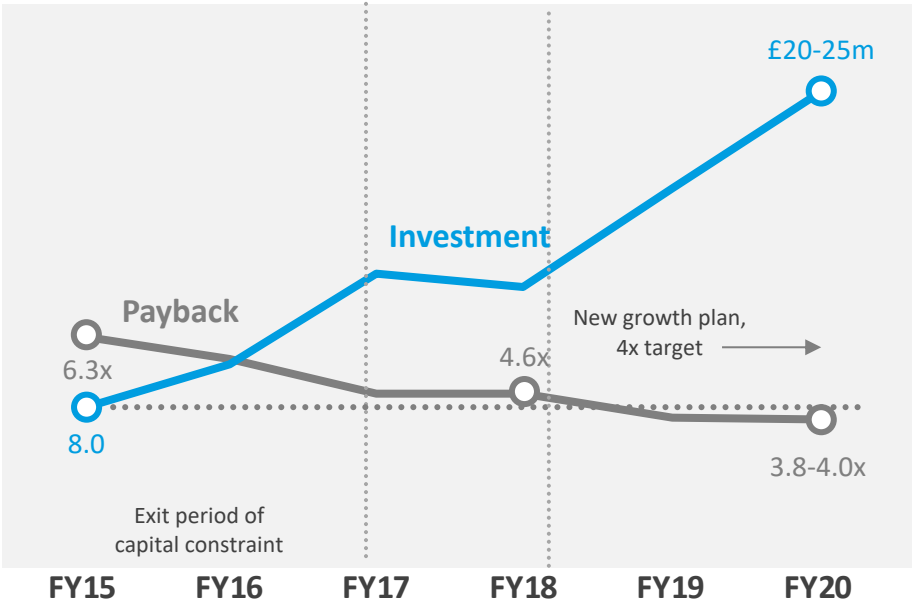
New Channels: Why Believe?

Multiple additional channels available that are working for peers

	Naked Scale
Partner Insert Marketing	High
Facebook, Google	Med
Strategic Partnerships	New
Paid Influencer, Affiliate, Direct Mail, DR TV, Native, Display, Podcast, Outdoor, Print Media, YouTube, Lead Gen	Low / None

New Channels: Why Believe?

Data Science capability allowing higher ‘hit-rate’ on investment growth



We have …

- Refined our investment approach
- Improved early warning systems
- Developed effective data analytics

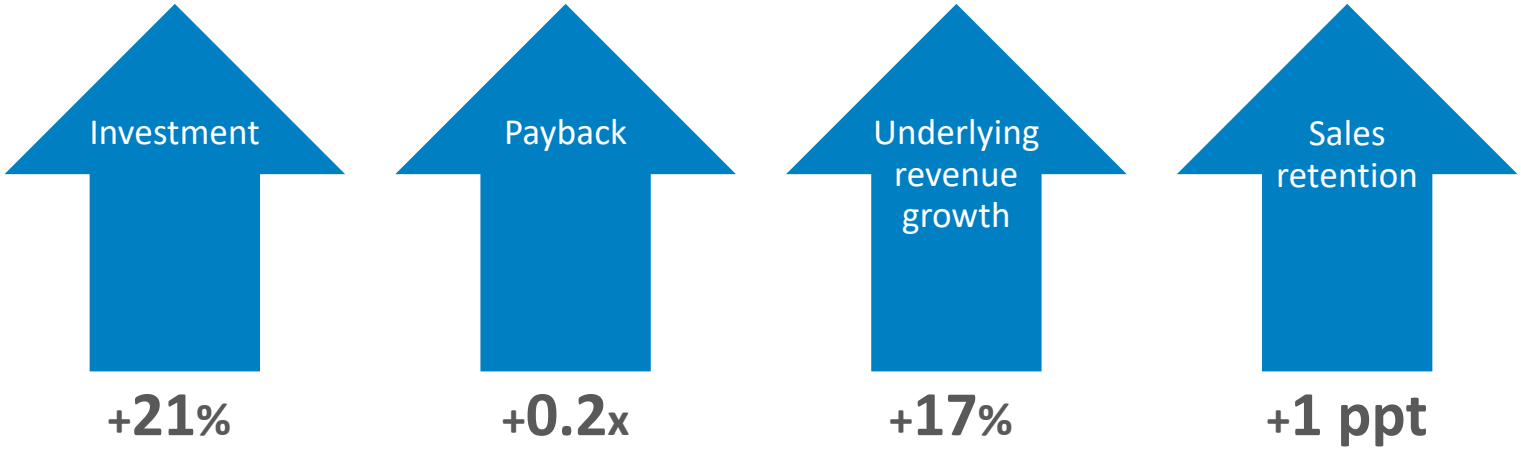
Enabling us to …

- Triple investment in 5 years
- Maintain payback at target levels
- Able to ‘put foot on gas’ much more confidently vs 2016

New Channels: Why Believe?

Evidenced by growth in investment AND payback

US performance, H1 FY20



New Channels: Why Believe?

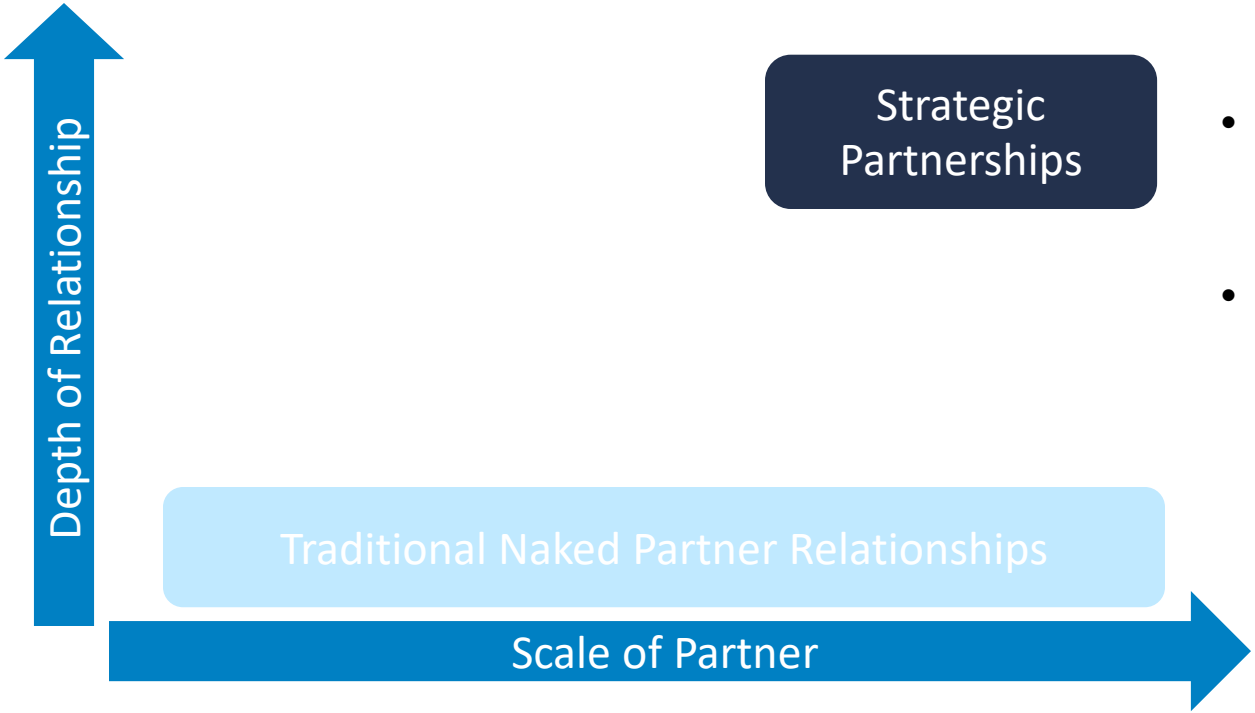
Investing in team & capability



- Naked co-founder
- Relocated to NY to as VP Growth
- Focus on growing investment & broadening channel mix
- Unique mix of business development skillset and knowledge of Naked model

New Channels: Why Believe?

Strategic Partnerships – what's that?



- **Scale partners offering step change growth**
- **True partnership with 2-way value creation**

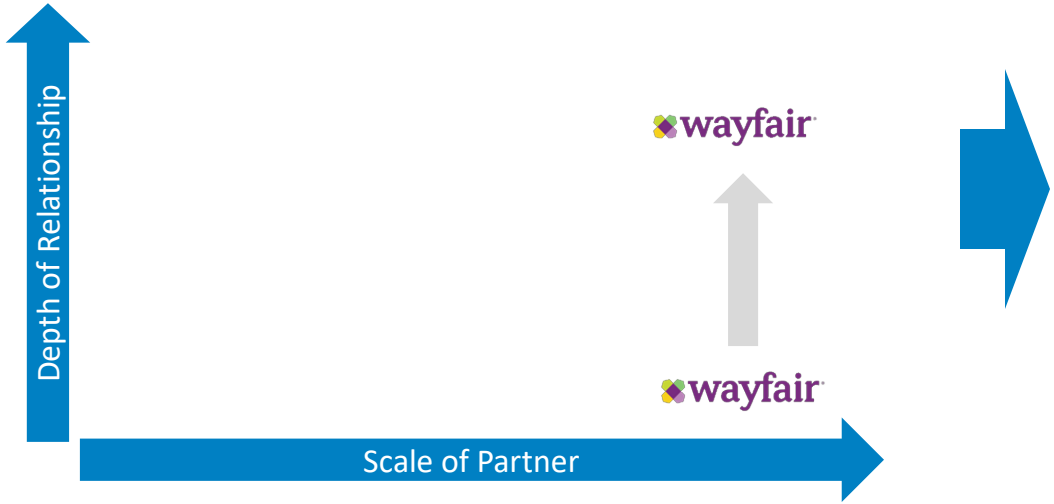
New Channels: Why Believe?

Strategic Partnerships approach

- Target transformational partners with game-changing customer bases
- Take a more strategic approach than simply parcel inserts:
  - Longer-term Profit/Revenue share agreements
  - Change currency to include access to our high value customers
  - Collaborate on new customer acquisition
  - Build integrated digital experiences which may require IT development
  - Using content as a value add

New Channels: Why Believe?

An Example: Wayfair



- Initial deal signed with Wayfair a more commoditized partnership
- Low level of engagement and moderate results
- Through deeper engagement and refresh of marketing content now top 5 partner this peak OND
- Performance proven and now basis for larger future relationship

New Channels: Why Believe?

Naked already attracting top-tier partners

New

AARP Real Possibilities

Green Chef

Barnes & Noble

Office Depot

EveryPlate

Existing

HelloFresh

zooplus

Book Depository

Blacks

zulily

Shutterfly

American Express

kogan

wayfair

trainline

Staples

ProFlowers

Crate&Barrel

amazon.com.au

Saks Fifth Avenue

Fanatics Official Partner

In Summary

NOT a promise of a certain rate of future growth
While we see a material opportunity and a path to faster growth, the rate of growth remains uncertain and progress from year to year will be lumpy

NOT a single initiative that will transform business
There are no silver bullets. Accelerating growth will be product of testing multiple potential opportunities and backing those that work. You don't need to believe everything works to see a path to faster growth.

IS about a method that we believe will allow us to unlock faster growth if it is available
We see our disciplined investment approach and capability to rapidly identify and back the winners as key. We can't tell you which ideas will be the winners but we can tell you how we will find them.

AND an experienced team to deliver
We have a strong team in place to scale US business efficiently

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