

naked wines

# FY21 Results Presentation

Results for the 52 weeks ended 29 March 2021

*A bigger better business*

Winemaker: **Mike Paterson,** New Zealand

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# Introduction

**Nick Devlin**
Group CEO

Winemakers: **Stephen and Jamie de Wet,** South Africa

# FY21 highlights

## Market Transformed

USA now largest division

- Online inflection point
- Unprecedented channel shift

## Economics Enhanced

29.9%
Repeat Customer Contribution margin

- +320bps Repeat Customer Contribution margin improvement
- Unit economics delivered at scale
- On track to deliver >10% EBIT margin at scale

## Community Strengthened

886,000 Angels

- Improved retention rates
- Over £750,000 raised for good causes

## Winemaker Appeal Magnified

Over 60 new winemakers

- Unprecedented challenges for small wineries
- Delivering on mission: COVID Relief Fund, Stop the Squeeze

# Naked Wines

## Our **PURPOSE**



Connect everyday wine drinkers with the world's best independent winemakers

## Our **MISSION**




To disrupt the wine industry for the benefit of all wine drinkers, winemakers and our people

## Our **AMBITION**

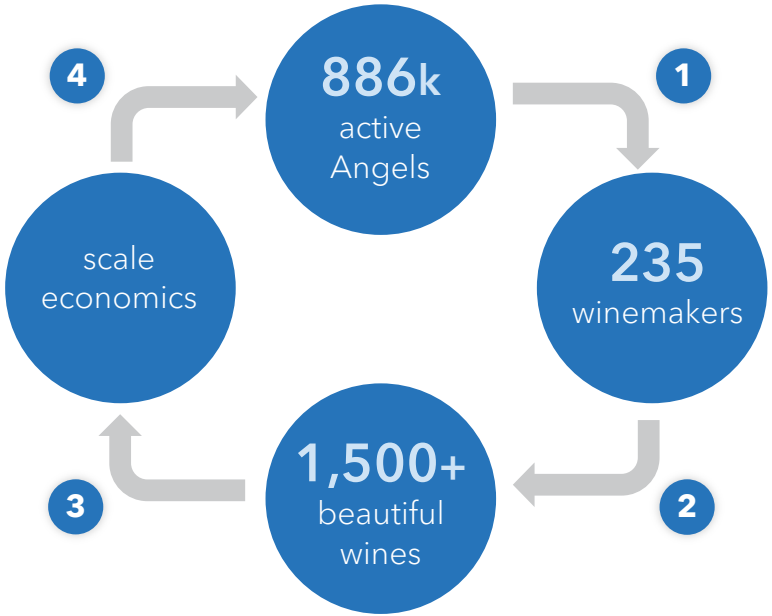



To go from impacting individuals, to changing how an entire industry works by shaping the whole wine industry in our image

# Business model provides for a virtuous circle and differentiation

**Building a bigger, better business unlocks scale economies**

Naked can share efficiencies with winemakers and offer better value to customers, while generating attractive margins




**Our subscribers (Angels) generate a stream of cash and product data**

The larger the Angel base the more cash we receive from monthly subscription payments

**Winemakers focus on creating beautiful wines and we handle the rest - resulting in preferential prices**

This offers our Angels beautiful wines which drives higher retention

**We use this money to back independent winemakers to make wine exclusively for us; the data enables them to make better wine**

The more funding we have the more winemakers we can onboard and offer them larger volumes and longer contract terms

# Uniquely differentiated customer proposition



- Quality / value advantage
- Satisfaction and pricing guarantees




- Exclusive access to world class wines
- Personalised recommendations



- Direct connection to world class winemakers
- Authentic brands built from winemaker stories




- Vibrant community of shared interest
- Part of it: polls, rating and feedback

## Rationally differentiated

## Emotionally differentiated

# Naked offers winemakers a unique proposition

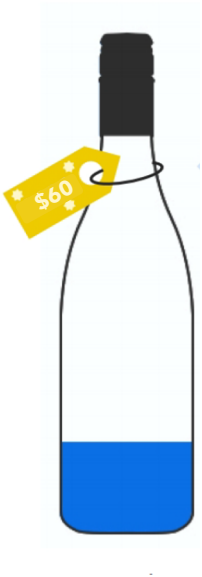


# Model engineered to deliver affordable luxury

## Where your money actually goes

Things you **can't** taste
- Marketing
- Middlemen
- Bottles, cork, labels

Things you **can** taste
- Winemaking
- Oak barrels
- Grapes




In this $60 bottle of Napa Cab … there is only $10 of Napa Cab

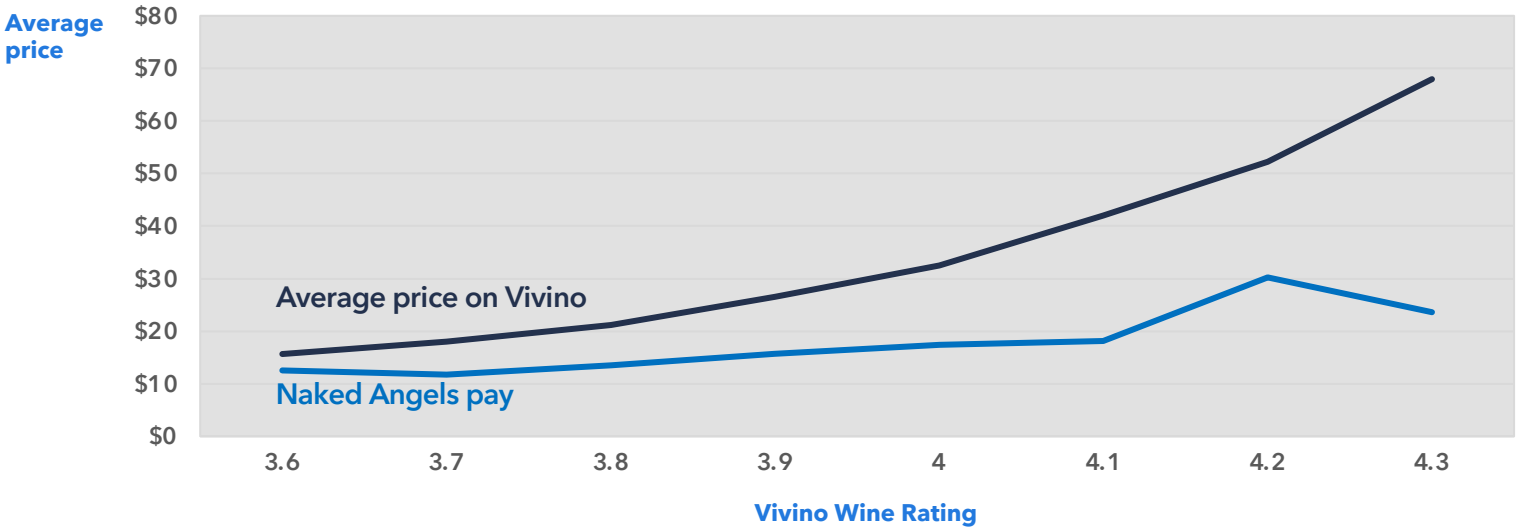
We can sell the same $10 of Napa Cab for $25 – and still make >50% margin




**Sweet Spot**
The best value for your money

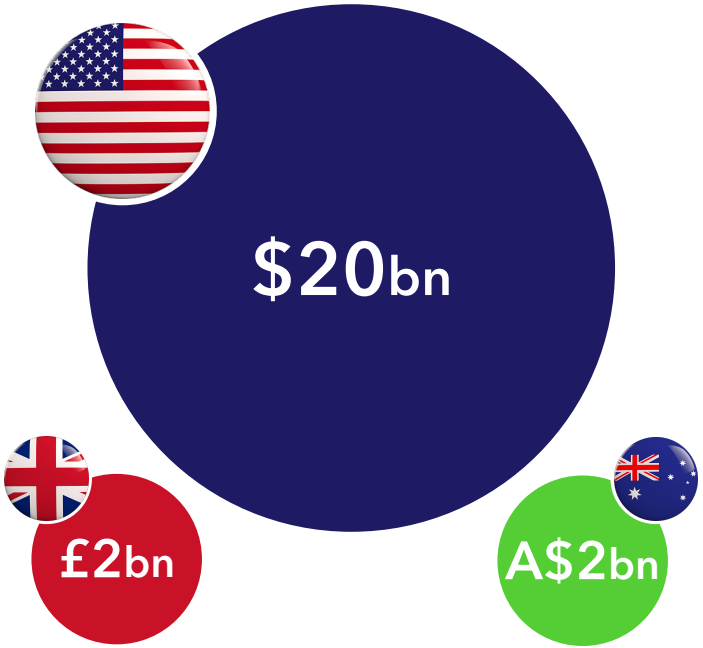
# With a measurable value for money advantage for Angels

**Naked Pricing vs Vivino Market Average** (red wine)




- When consumers come to Naked they get to enjoy even better wine for their money
- Angels get access to exclusive wines from world class winemakers at unbeatable value

# Large addressable market drives continued sales growth




Excl. states cannot sell to[1]

↓

Wine >$10 a bottle

↓

Those who buy wine regularly

↓

Those interested in wine

↓

**Naked $24bn TAM**

**Source:** 2020 Direct to Consumer Wine Shipping report. See https://www.sovos.com/shipcompliant/resources/wine-dtc-report/
Combination of D2C & online based on analysis commissioned by the company
1. Naked currently ships to more than 90% of consumers in the US in the 43 states Naked ships to.



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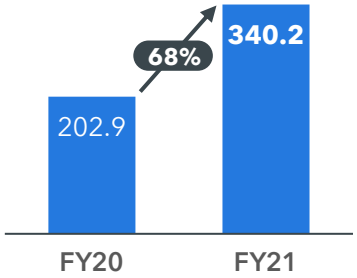
# Financial Review

## Shawn Tabak
Group CFO

Winemaker: **Leighton Joy,** Australia

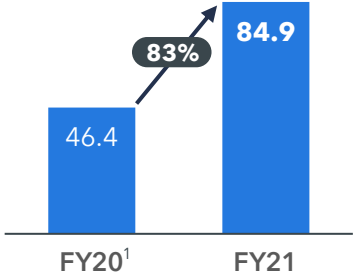
# FY21 financials at a glance

**Group Sales**
(£ million)



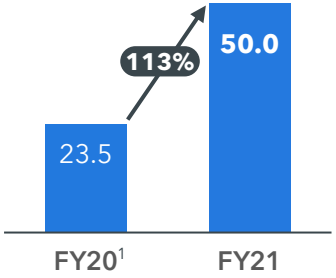

- Shift to online wine purchasing
- Higher customer retention
- More frequent purchases

**Repeat Customer Contribution profit**
(£ million)



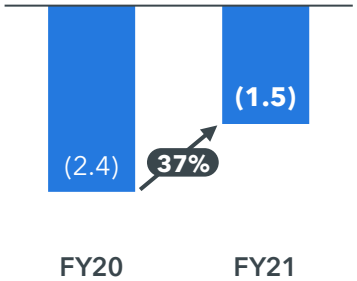

- Driven by +53% increase in active Angels
- Scale economies
- Mix shift to US

**Investment in New Customers**
(£ million)




- Funded by increase in Repeat Customer Contribution profit

**Adjusted EBIT**
(£ million)

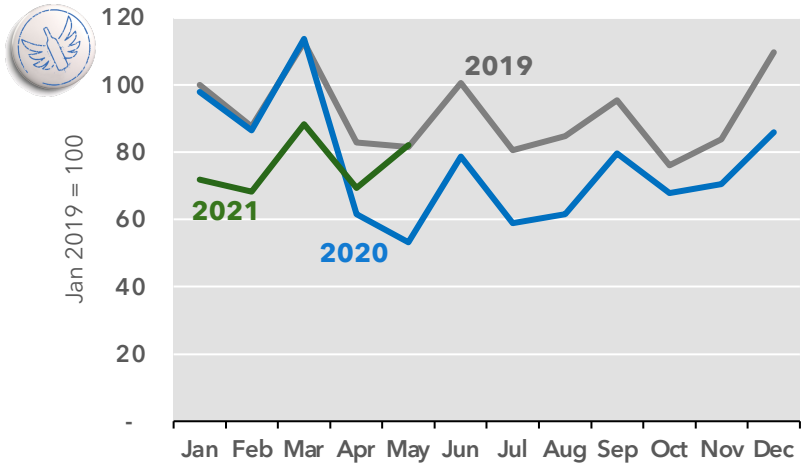



- Relatively flat compared to the prior year

1. Following a review of the allocation method for fulfilment costs in the current year, we have reallocated costs in the FY20 comparative figures on a consistent basis. This has resulted in a £0.7m movement of costs from Repeat to New Customer costs, which we think more accurately reflects the basis on which these costs arose.

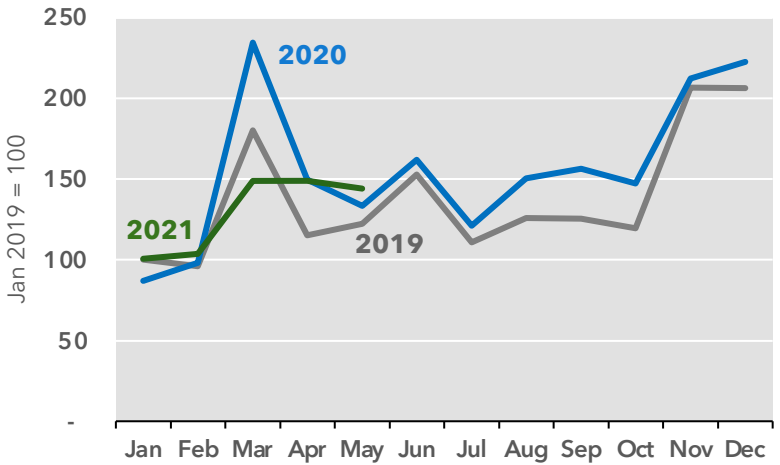
# COVID-19 has driven change in existing cohort behaviour

**Monthly Cancellation of Angels**
(>12 months tenure)




- Cancellation rates continue to be better than historic trends

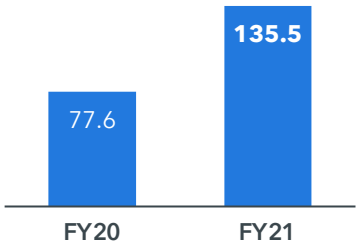
**Monthly Order Rate of Angels**
(>12 months tenure)




- Uplift in 2020 as the pandemic forced lockdowns
- Frequency returned toward historic trends as society reopened

# FY21 cost base

## Gross profit
(£ million)

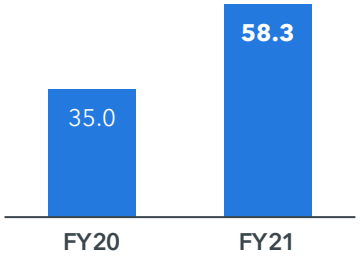



Gross profit margin:
38% 40%

### Gross margin +160 bps

- Mix shift to the US, which has a higher gross margin
- Product mix portfolio optimised to preserve quality of service during peak of COVID-19

## Fulfilment costs
(£ million)

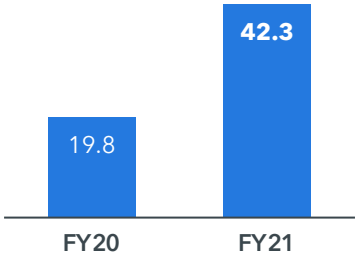



As a % of total sales:
17% 17%

### Fulfilment flat at 17% of total sales

- Lower stock levels and increased scale efficiencies
- Offset by increase in transportation and logistics rates

## Advertising costs
(£ million)

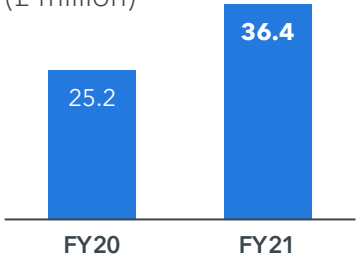



As a % of total sales:
10% 12%

### Advertising +270 bps as a percentage of total sales

- Robust growth in investment across all channels and geographies

## General and administrative costs
(£ million)[1]




As a % of total sales:
12% 11%

### G&A (175) bps as a percentage of total sales

- Increase reflects additional roles to support the growth of the Group

1. G&A costs reported here are as per the income statement excluding £3.6m of acquisition related amortisation costs, £2m of fair value adjustments relating to open FX contracts and £0.7m of PLC company foreign exchange revaluations. In FY21, G&A costs now include £1.0m of share-based payment charges, previously reported as adjusted items (FY20: £1.0m) and £3.0m expenditure in Marketing R&D.

# KPIs – New Customers

| | FY21 | FY20 | Change | |
|---|---|---|---|---|
| New Customer Contribution loss | £7.7m | £3.8m | +105% | • Loss attributable to sales to New Customers; represents loss on trial purchase, increasing due to the higher number of first orders in the period |
| + | | | | |
| Advertising costs | £42.3m | £19.8m | +114% | • Advertising costs to acquire New Customers, increase in the year as we expanded advertising investments in several channels to drive profitable growth |
| = | | | | |
| Investment in New Customers | £50.0m | £23.5m | +113% | • Significant increase in investment at attractive payback economics |
| 5-Year Forecast Payback[1] | 3.0x | 2.6x | +0.4x | • Increase in payback benefitted lower customer acquisitions costs in the first half of the year which normalised as the year progressed |
| Year-1 Payback | 82% | 67% | +1,480bps | • Payback from Investment in New Customers in the prior year, improvement vs prior year due to lower acquisition costs and increased frequency of orders |

1. 5-Year Forecast Payback shown here as the original forecast payback for that cohort
Full definitions of our KPIs can be found in the appendix to this presentation.

# 5-Year Forecast Payback progression

| 5-Year Payback Forecast | | | | |
|---|---|---|---|---|
| Cohort | Age at reporting date | Latest forecast[1] | Original forecast[2] | Payback to date |
| **FY16** | **61-72 months** | 3.1x (actual) | 3.1x (actual) | 3.7x |
| **FY17** | **49-60 months** | 2.6x | 2.5x | 2.6x |
| **FY18** | **37-48 months** | 2.8x | 2.5x | 2.1x |
| **FY19** | **25-36 months** | 2.4x | 2.3x | 1.4x |
| **FY20** | **13-24 months** | 3.0x | 2.6x | 1.1x |
| **FY21** | **0-12 months** | 3.0x | n/a | 0.5x |

1. Latest forecast per FY21 expectations.
2. Original forecast shows the expected payback in the year the cohort originated or for earlier years (FY16-FY18) this figures represents the estimate when the 5-Year Payback Forecast was introduced for that cohort.

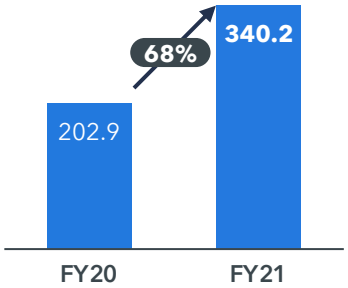
# KPIs – Repeat Customers

| | FY21 | FY20 | Change | |
|---|---|---|---|---|
| Repeat Customer sales | £283.9m | £173.7m | +63% | • Increase in the customer base and increased order frequency, which was even higher during COVID-19 related government restrictions and lockdowns |
| Repeat Customer Contribution profit | £84.9m | £46.4m | +83% | • Increase driven by an increase in active Angels, scale efficiencies and the geographic mix shift with significant growth in our higher margin US business |
| Repeat Customer Contribution margin | 29.9% | 26.7% | +320bps | • Increase driven by scale efficiencies, product mix and the geographic mix shift with significant growth in our higher margin US business |
| Repeat Customer sales retention | 88% | 83% | +565bps | • Increase driven by higher customer retention and an increase in the frequency of Angel orders |
| Active Angels | 886k | 580k | +53% | • The number of Angels (repeat subscription customers) placing an order in the 12-month period |

Full definitions of our KPIs can be found in the appendix to this presentation.

# Segmental overview: sales

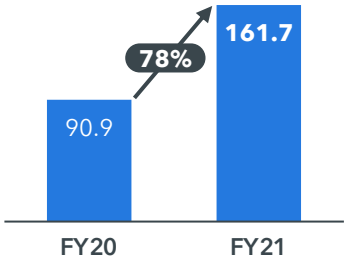
**Total**
(£ million)




**Group sales +68%**

- Significant growth in all our markets
- Benefitting from the shift to online wine purchasing

**US**
(£ million)

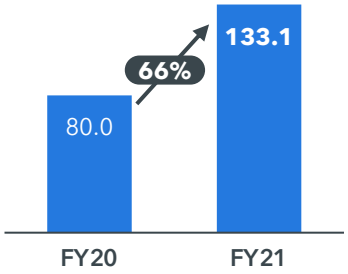



| As a % of total sales | |
|---|---|
| 45% | 48% |

**US sales +78%**

- Increased awareness, demand and order frequency
- Remains the largest market opportunity and focus for growth

**UK**
(£ million)

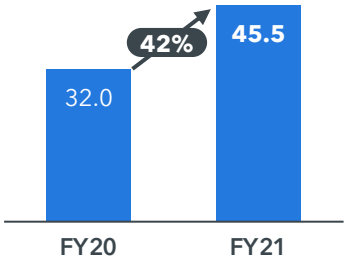



| As a % of total sales: | |
|---|---|
| 39% | 39% |

**UK sales +66%**

- Our most mature business
- Highest Repeat Customer sales retention across all business segments

**Australia**
(£ million)



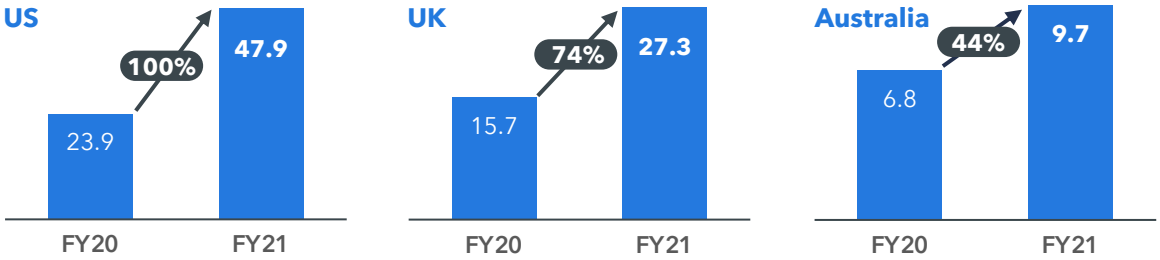

| As a % of total sales: | |
|---|---|
| 16% | 13% |

**Australia sales +42%**

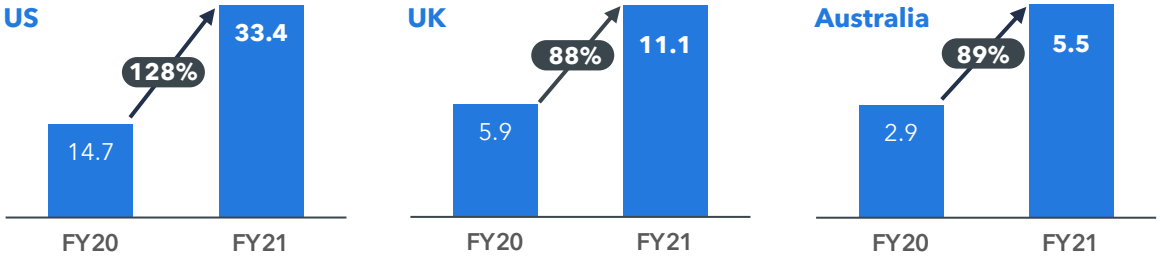
- The least impacted business segment by COVID-19
- Showing strong normalised retention trends

# FY21 summary financials

**Repeat Customer Contribution profit**
(£ million)




**Investment in New Customers**
(£ million)




## Repeat Customer Contribution profit

- All geographies benefitted from the increased demand for our offering and increased order frequency from the Repeat Customer base
- Strong growth in all of our markets, particularly in the US
- Repeat Customer Contribution margin by geography:
  - US 37% - the highest margin business in the Group, growth in this business increases the overall Group margin
  - UK 24%
  - Australia 25%

## Investment in New Customers

- Increased investment in all geographies to capture opportunity as consumers shift spend to online
- Significant investment in the US which presents the largest growth opportunity

# Balance sheet and cash flow

| **For the year ended** (£m) | **FY21** | FY20 | FY19 |
|---|---|---|---|
| Closing cash balance | 85.1 | 54.7 | (15.5) |
| Non-current assets | 52.6 | 59.7 | 41.9 |
| - Intangibles | 34.0 | 36.0 | 39.1 |
| - Others | 18.6 | 23.7 | 2.8 |
| Non-current liabilities | (3.4) | (5.8) | (22.6) |
| **Working capital** | | | |
| Inventory | 76.1 | 69.9 | 56.1 |
| Other current assets | 7.2 | 7.2 | 6.2 |
| Customer funds | (65.8) | (38.4) | (37.8) |
| Payables and accruals | (48.5) | (33.8) | (20.7) |
| **Net working capital** | **(31.0)** | **4.9** | **3.8** |
| Year on year change in working capital[1] | 32.3 | (1.5) | (6.3) |
| Year on year change in Investment in New Customers | 26.5 | 4.4 | 5.0 |
| | | | |
| Adjusted EBIT | (1.5) | (2.4) | (3.0) |
| Addback: Depreciation and IFRS 2 charges | 2.5 | 2.6 | 0.6 |
| Less: Capex | (2.7) | (1.1) | (0.9) |
| Changes in working capital | 32.3 | (1.5) | (6.3) |
| **Free Cash Flow** | **30.6** | **(2.4)** | **(9.6)** |

## Well positioned to continue to drive growth and intrinsic value

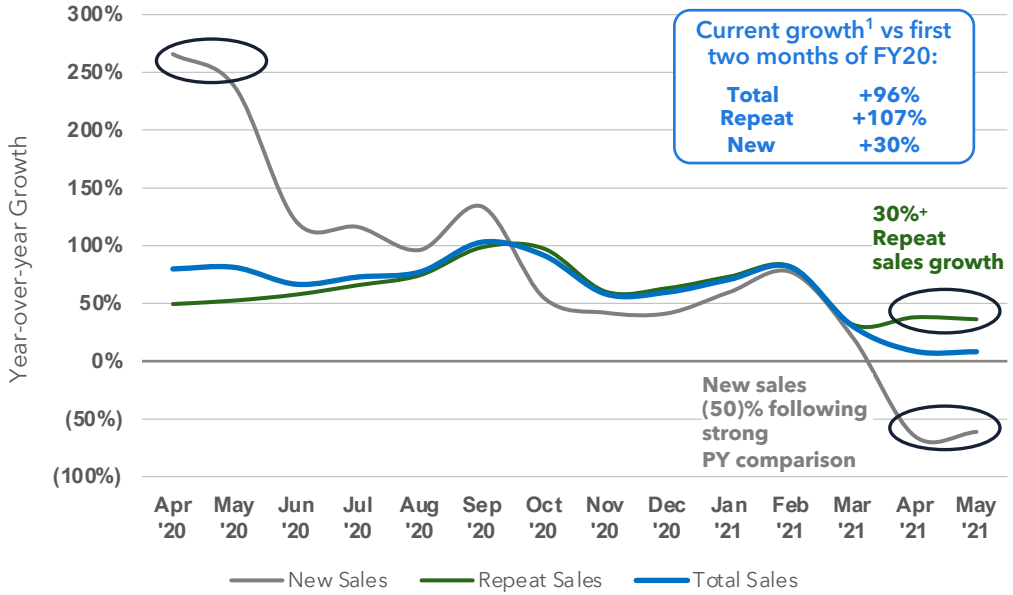
- Free cash flow of £30.6 million
- Sufficient cash position of £85.1 million to execute FY22 Plan, including:
  - Investment in customer acquisition subject to our returns criteria
  - Inventory purchases to increase availability, deliver our growth plans and enhance our customer proposition
  - Investment in strategic initiatives and building operational capacity to support this

1. The difference between the year on year change in working capital and the change in the net working capital presented on the face of the balance sheet relates to the translation of working capital movements from local currency to GBP.

# Current trading ahead of PY despite strong comparatives

- Positive sales growth[1] (+8% vs last year) in the first two months
  - Driven by Repeat Customers on the larger Angel base, sales[1] +30%
  - New Customers sales[1] down 50% as we lap strong PY growth
- 53% increase in Angels this year will continue to benefit FY22 sales
  - Expect growth rate of Angels to decline as New Customer growth normalises
- Continued strong demand for our DtC wine subscription model into FY22

**Sales Growth at Constant Currency**[1]




1. Growth based on sales on a constant currency basis, removing the impact of foreign currency translation adjustments.

# FY22 guidance

- Total sales of £355 million - £375 million (growth +4% to 10%), noting the strong comparatives in FY21
- Investment in New Customers of £40 million - £50 million, with continued discipline and data-driven approach to creating intrinsic value
- Repeat Customer Contribution profit of £85 million - £90 million
  - Margin expected to decline slightly as we expect around half of the increase to be enduring
  - Sales retention is expected to be in the mid-70%'s, below our long-term average of 83%
- General and administrative costs[1] of £46 million - £49 million, with investments in strategic initiatives
- Sufficiently capitalised to achieve FY22 Plan



1. General and administrative cost guidance excludes amortisation.

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# Strategy

**Nick Devlin**
Group CEO



Winemakers: **Easthope Family,** New Zealand

# FY22 Strategic Pillars

**1.**

**ENHANCE CUSTOMER PROPOSITION TO IMPROVE LTV**



**2.**

**LEVERAGE SCALE TO ENHANCE VALUE CREATION**



**3.**

**BROADEN AND ENHANCE GO TO MARKET STRATEGY**



# Optimising the customer shopping experience

## Recently delivered....

- **Subscriptions operating at scale:**
  Wine Genie and Never Miss Out combined
  >180,000 subscribers[1]
  >95,000 orders in FY21
- **New app launched** has 4.8* rating, with >70% of repeat orders being placed on the app following the first order
- **Launch of Multiple 'A-List' Winemakers**
  successful launch part of ramping up choice and enhancing quality perception
- **Fine Wine Club** trial successful in the UK
  > Proven high retention and LTV accretive

## Coming soon....

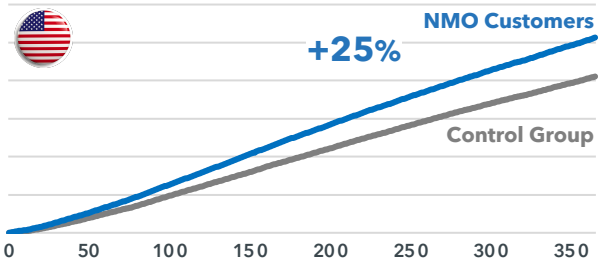
- Focus on ease and speed of shop for our Angels
- Increased winemaker content and greater prominence for 'quality cues' for our wines & winemakers
- Improved wine recommendations and enhanced features to aid customer discovery
- Continue to innovate our subscription products, including greater flexibility and customer control

1. Total number of customers with subscriptions, some customers have multiple subscriptions

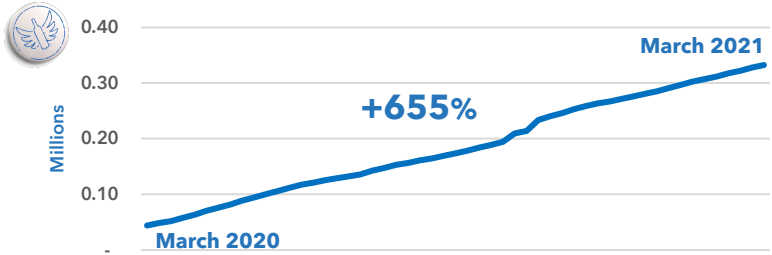
# Some highlights from this year

## Subscriptions scaled and incrementality proven

**Contribution per Angel days post 'Never Miss Out' sign up**

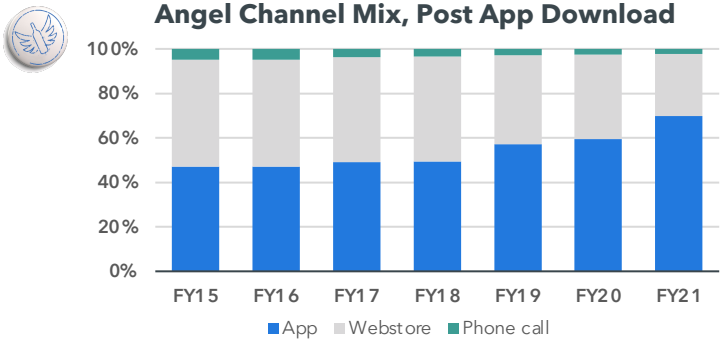



**Global Active Subscriptions**[1]




## Successful rollout of new app across all 3 Naked markets

- 4.8 star rating
- Enhanced features (scanning, recommendations, upsells)
- Driving ease of shop: Angels use the app for >70% of orders following their initial order




1. Total number of subscriptions across all three geographies, some customers have multiple subscriptions

# Communicating our wine quality




More awards & critics reviews




Highlighting 3rd party creds on site & app



Expand luxury: Luxury & classic regions



Greater space for winemaker led content

**Our research shows that our quality perception lags our objective quality: we see addressing this as a major opportunity to accelerate growth**

# More of the world's best on the platform



"Debut wine sold out in one weekend in Australia: our most expensive wine ever at $75"

**Josh Pfeiffer**



"Launched first wine from new Naked exclusive Exposed brand: already won Gold and 95pts at IWSC"

**Jesse Katz**

**Patricia Benitez**



"Debut 2018 vintage from Ribera del Duero legend: instant 95% rated sell-out in UK"

"Francophone brand launching summer 2021 in the US"



**Daniel Baron**

"Exclusive Strasser Collection range launching summer 2021 from Diamond Mountain AVA's founding father"



**Rudy Von Strasser**

# FY22 Strategic Pillars

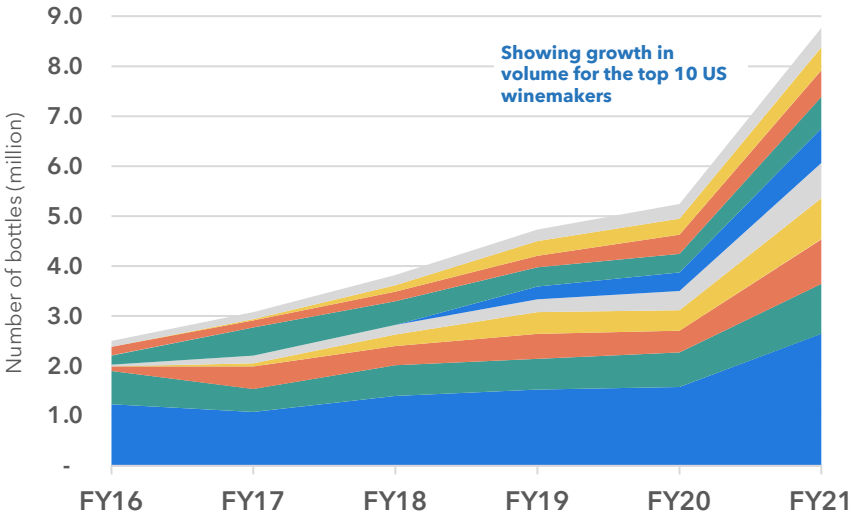
1. ENHANCE CUSTOMER PROPOSITION TO IMPROVE LTV

2. LEVERAGE SCALE TO ENHANCE VALUE CREATION

3. BROADEN AND ENHANCE GO TO MARKET STRATEGY

# Scale enabling further differentiation of wine offer

## Top Ten US Winemaker Volumes




- **Proof of model:** Naked established as viable platform to build scale brands
- **Increased appeal:** Naked able to support bigger initial commitments
- **Big niches:** Scale customer base allowing us to commit to broader range of wine styles, price points and winemakers

# FY22 Strategic Pillars

**1.**
ENHANCE CUSTOMER PROPOSITION TO IMPROVE LTV



**2.**
LEVERAGE SCALE TO ENHANCE VALUE CREATION



**3.**
**BROADEN AND ENHANCE GO TO MARKET STRATEGY**



# Our Go-to-Market priorities for FY22

**Brand Investment**

### Diversify beyond Direct Response

- Driving long term value via brand investment
- Measured risk: long-term testing mindset

**Direct Response Strategies**

### Increased Relevance: especially in our New Customer funnel

- Greater tailoring of initial offer by customer group and channel; including wine offer, subscription parameters, and content
- Lay foundations for better segmentation of early customer comms
- Investment efficiency from better serving "outliers"

### Continued Channel Expansion

- Continue to test and scale new channels
- Validate 2020 findings in "new abnormal"

# Brand investment

## Right time for brand to move from 100% Direct Response spend mix

- Clarity on brand positioning
- Enhanced market opportunity

## R&D spend in FY21 has shaped plans

- Proven ability to move key brand metrics
- Shows need for "long & slow" and to separate brand vs DR

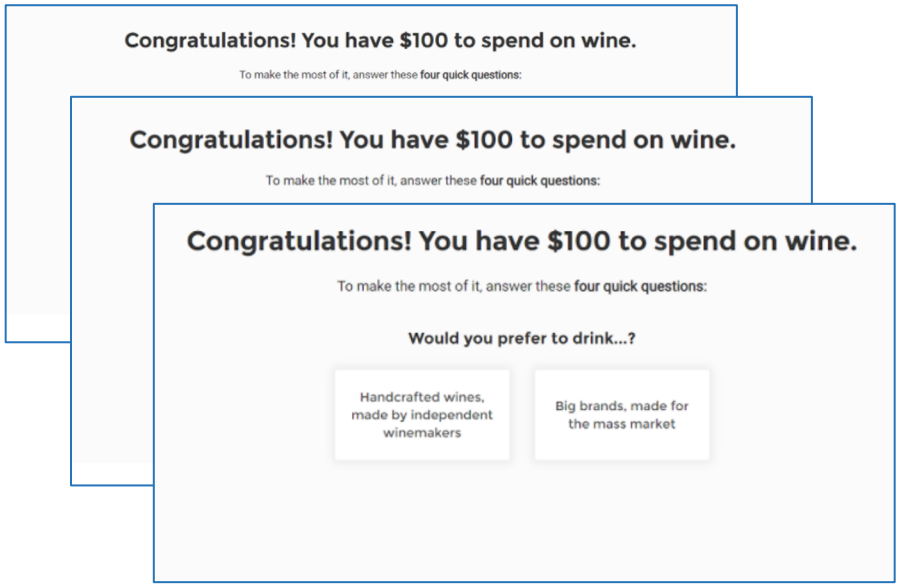
## Long-term investment: testing mindset

- Focused audience to replicate scale impact
- Clear brand goals and measurement
- Remain returns obsessed



**Where the world's best winemakers make their best wine**

# We've already seen proof of concept for relevant funnel




**Simple customisation of funnel via series of questions yields c.5-10% improvement in New Customer retention**

- Proof of concept established for "triage" of new traffic
- Rollout in FY22 once wine range replenished
- Investments in data & merchandising automation enable more sophisticated options later in year

# Direct response channel diversification

## Encouraging results

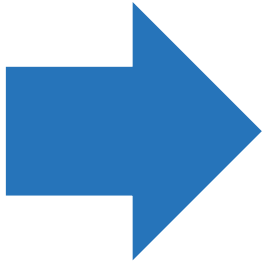
- Google shopping
- Native Platforms
- Lead Gen
- Direct mail

## Test & learn ongoing

- Direct Response TV
- Podcast

## Not currently viable

- YouTube
- Paid influencer



**For all new channels we are applying a note of caution and seeking to validate successful testing from 2020 in a post vaccine world before aggressive rollout of investment**

# Changes delivered enhance our long-term prospects




- Expanded addressable buyer pool
- Accelerated mid-term growth rate




- Improved economics = higher LTVs = higher viable investment levels
- Barriers to competition increased




- Scale to support further differentiated wine offer
- Proof that growth not capped by number of good customers




- Naked's appeal greater than ever
- Access to top wine talent
- Opportunity to enhance specialist credentials and quality perception




Winemaker: **Jen Pfeiffer,** Australia



# Appendices

# Income statement

| £m | FY21 | FY20 | YoY% |
|---|---|---|---|
| **Total sales** | **340.2** | **202.9** | **68%** |
| Cost of sales | (204.7) | (125.3) | 63% |
| **Gross profit** | **135.5** | **77.6** | **75%** |
| *Gross profit margin* | *40%* | *38%* | *+160bps* |
| Fulfilment costs | (58.3) | (35.0) | 67% |
| *% of total sales* | *17%* | *17%* | *(10)bps* |
| **Contribution profit** | **77.2** | **42.6** | **81%** |
| *% contribution profit margin* | *23%* | *21%* | *+170bps* |
| Advertising costs | (42.3) | (19.8) | 114% |
| *% of total sales* | *12%* | *10%* | *+270bps* |
| General and administrative costs[2] | (36.4) | (25.2) | 44% |
| *% of total sales* | *11%* | *12%* | *(175)bps* |
| **Adjusted EBIT** | **(1.5)** | **(2.4)** | **(37)%** |
| | | | |
| New Customer Contribution profit/(loss) | (7.7) | (3.8) | 105% |
| Advertising costs | (42.3) | (19.8) | 114% |
| **Investment in New Customers[1]** | **(50.0)** | **(23.5)** | **113%** |
| **Repeat Customer Contribution profit[1]** | **84.9** | **46.4** | **83%** |
| *Repeat Customer Contribution margin* | *30%* | *27%* | *+320bps* |

- Revenue +68% to £340 million driven by 78% growth in the US
- Gross profit +75% to £136 million, with increased gross profit margin benefitting from geographic mix shift the to US and product mix as we optimised the range to preserve quality of service during the peak of COVID-19
- Contribution profit +81%, with a contribution margin of 23%, a 170 basis point increase over the prior year, driven by gross margin improvements
- Repeat Customer Contribution profit +83% to £85 million, reflecting the growing customer base and increased frequency of Angel orders
- Investment in New Customers +113% to £50 million with a 3.0x 5-Year Forecast Payback
- Adjusted EBIT of £(1.5) million

1. Following a review of the allocation method for fulfilment costs in the current year, we have reallocated costs in the FY20 comparative figures on a consistent basis. This has resulted in a £0.7m movement of costs from Repeat to New Customer costs, which we think more accurately reflects the basis on which these costs arose.
2. G&A costs reported here are as per the income statement excluding £3.6m of acquisition related amortisation costs, £2m of fair value adjustments relating to open FX contracts and £0.7m of PLC company foreign exchange revaluations. In FY21, G&A costs now include £1.0m of share-based payment charges, previously reported as adjusted items (FY20: £1.0m) and £3.0m of expenditure in Marketing R&D.

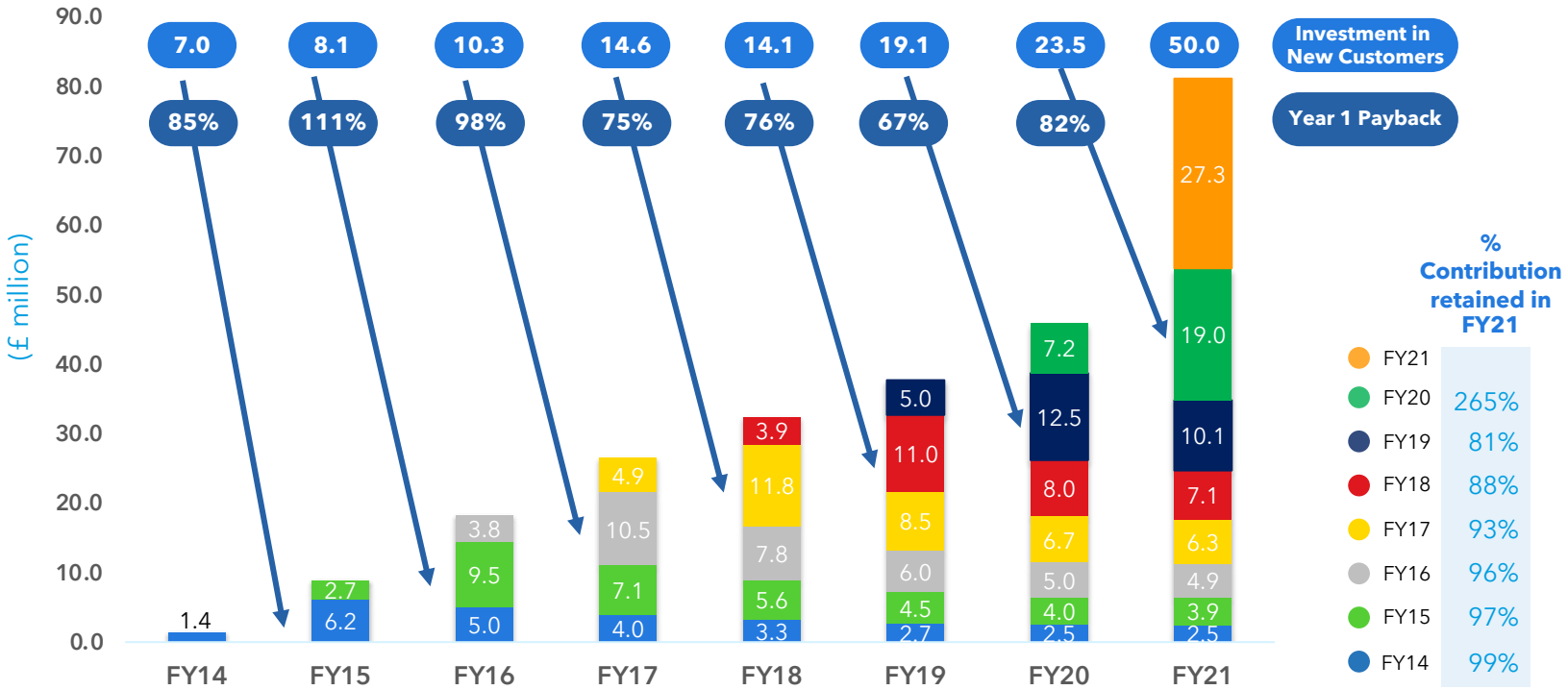
# Bridging contribution to Adjusted EBIT




**Adjusted EBIT loss of £(1.5) million, relatively flat with the prior year**

- Increased Repeat Customer Contribution profit helped fund the increase in Investment in New Customers

# Repeat Contribution by acquisition cohort and payback




1. Analysis excludes revenue recognition adjustments
2. Restated for constant currency

# Standstill EBIT (L12M)

| £m | FY19 | FY20 | **FY21** |
|---|---|---|---|
| Repeat Customer sales | 152.9 | 173.7 | 283.9 |
| Repeat Customer Contribution profit | 39.8 | 46.4 | 84.9 |
| Sales retention | 80.7% | 83.3% | 88.2% |
| Repeat Customer Contribution lost to attrition | 7.7 | 7.7 | 10.0 |
| Year-1 Payback (from PY cohort) | 78.0% | 67.0% | 82.0% |
| Spend to replenish lost Repeat Contribution | 9.9 | 11.6 | 12.2 |
| SS EBIT is calculated as | | | |
| Repeat Customer Contribution profit | 39.8 | 46.4 | 84.9 |
| Less: replenishment spend | (9.9) | (11.6) | (12.2) |
| Less: Naked G&A costs | (13.8) | (14.2) | (18.5) |
| Less: PLC G&A costs | (10.4) | (11.0) | (14.9) |
| **Standstill EBIT** | **5.7** | **9.6** | **39.3** |
| **Standstill EBIT margin** | | | **13.8%** |

Standstill EBIT is a measure of our annual profitability that would be reported if investment in new customers was reduced to the level needed to just replenish the current customer base. This proforma EBIT measure highlights the profitability of the business today.

# Glossary of terms

| Alternative performance measures | |
|---|---|
| **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 |
| **EBIT** | Operating profit as disclosed in the Group income statement per the Annual Report |
| **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 less net finance income / (charges) |
| **Free cash flow** | Cash generated by operating activities less capital expenditure and before adjusted items and taxation |
| **Net cash** | Cash at year end less amounts committed to remaining shareholder bonds and held under guarantee to meet statutory guarantee obligations |

# Glossary of terms (continued)

| Investment measures | |
|---|---|
| **5-Year Forecast Payback** | The ratio of projected future Repeat Customer Contribution profit we expect to earn from the new customers recruited in the year over 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. As this is an undiscounted forward-looking estimate it cannot be reconciled back to reported financial results. As we can refine this expectation over time, we also update the expected returns from prior year investment. For this year, we will also show the lifetime payback for comparative purposes. |
| **General and administrative costs** | Administrative costs excluding advertising cost |
| **Investment in New Customers** | The Investment in New Customers during the year, including contribution profit/loss from New Customer sales and advertising costs. Please note we have updated the description of this term to elaborate on its components, but the underlying calculation has not changed |
| **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 proportion of sales made to customers who met our definition of "Repeat" last year that were realised again this year from the same customers. 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 One Payback** | This short-term payback measure shows the actual return in this financial year of our investment in the prior year, removing the need to use a model to forecast the future |

# Glossary of terms (continued)

| 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 |
| **ESO** | Employee Stock Option |
| **Group** | Naked Wines plc and its subsidiary undertakings |
| **LTIP** | Long Term Incentive Plan |
| **Marketing** | 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 |
| **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 |
| **TAM** | Total Addressable Market (TAM) represents the available market which Naked sees as a revenue opportunity which it could serve |

# Glossary of terms (continued)

| 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 |
| **Service ratings – '5* customer service'** | The number of service ratings scoring 5* as a % of total ratings in the last 12 months as recorded by websites/apps/telephone feedback |