



naked wines

## FY22 Results Presentation

*March 2022*

Largest DtC Wine Business in the World Continues to  
Drive Growth via Disruptive Business Model



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## Introduction

**Nick Devlin**

Group CEO



# Agenda

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To Disrupt the Wine  
Industry for the Benefit  
of Our Customers,  
Winemakers & Our  
People

FY22  
Results

FY23 Outlook &  
Long-Term Plan



# The Problem We Exist to Solve

**Problem:** For Winemakers, It's Hard to Get Recognition. For Consumers, It's Hard to Make Sense of Market & Inefficient Economics.

## WINEMAKER

1. **Access to capital:** *Making wine is expensive; scaling your business even more so*
2. **Access to Distribution:** *Gaining market access extremely hard for independents in what is a hyper-consolidated market*

## CONSUMER

1. **Access to real choice:** *Consolidation means the few determine choice of consumers*
2. **Value for money:** *High quality wine is more expensive than it needs to be*
3. **Connection & Provenance:** *Wine isn't meeting consumer desire to know the story behind the brand*

**Solution:** We Offer Exclusive Wines on Our Website & Build Long-Term Relationships With Our Winemakers.



# A Unique, Win(e)-Win(e) Value Proposition

**Problem:** For Winemakers, It's Hard to Get Recognition. For Consumers, It's Hard to Make Sense of Market & Inefficient Economics.

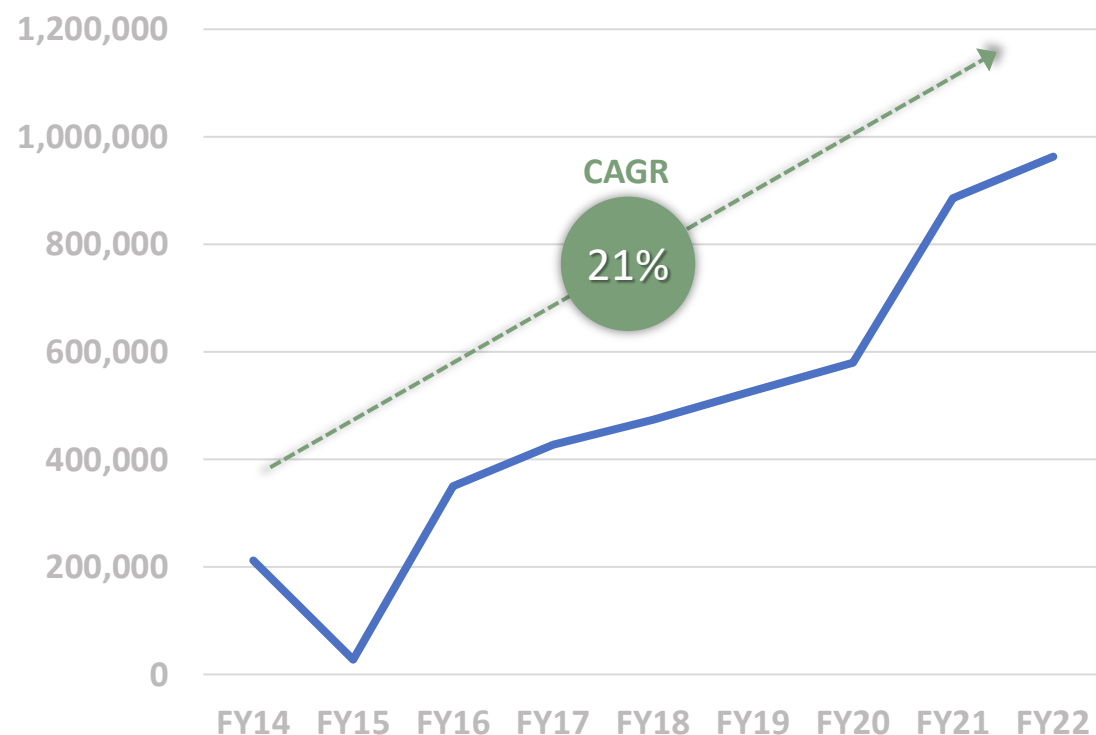


**Solution:** We Offer Exclusive Wines on Our Website & Build Long-Term Relationships With Our Winemakers.

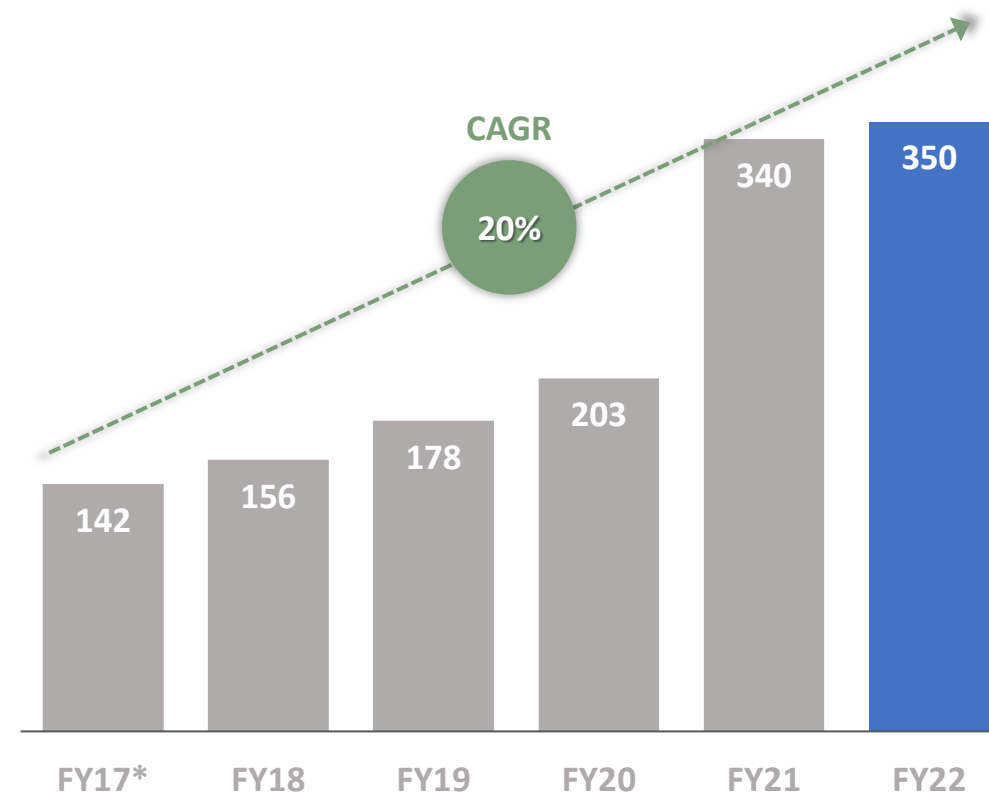


# The World's Largest DtC Wine Business

## Active Angels by FY



## Total Group Sales (£ million)



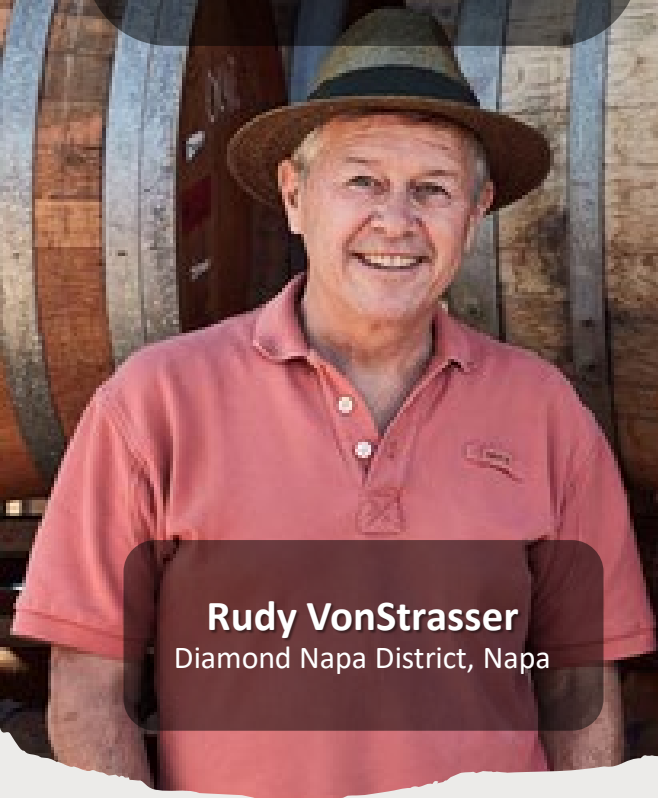
(1) \*FY17 is 52-weeks



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## Financial Review

**Shawn Tabak**  
Group CFO



**Rudy VonStrasser**  
Diamond Napa District, Napa



**Jacqueline Bahue**  
Sonoma / Lodi



**Ondine Chattam**  
Mendocino / Sonoma



**Camille Benitah**  
Napa



# FY22 Performance Themes

## Consolidated FY21 Growth

- 5% Group sales increase constant currency

## Disciplined Investment Approach

- Investment moderated based on payback outlook
- Full year EBIT ahead of guidance

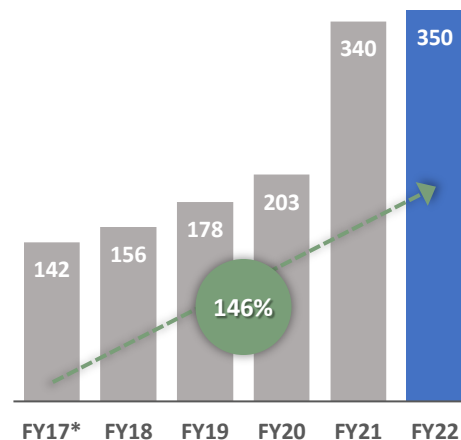
## Enduring Appeal of Proposition

- Repeat Customer sales retention of 80%
- Active Angel base increased 9% YoY to 964k in FY22



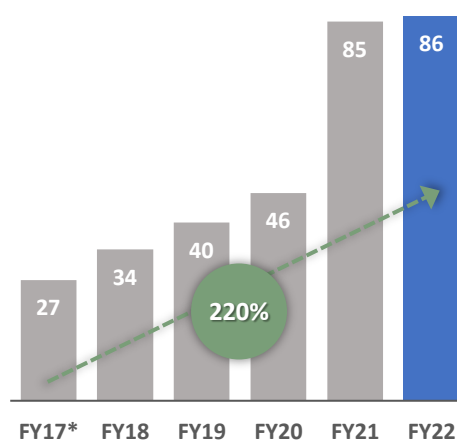
# FY22 Financials At-a-Glance

**Group Sales**  
(£ million)



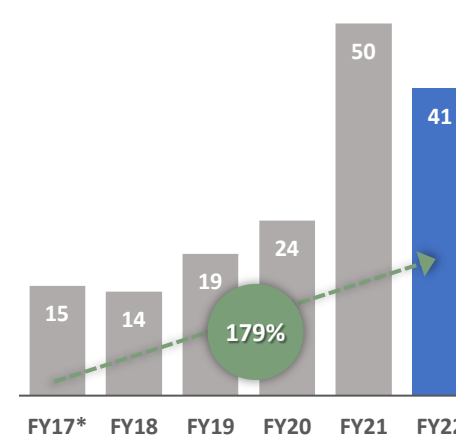
- 5% Group sales increase on a constancy currency basis<sup>(2)</sup>
- Driven by strong demand from existing members
- Consistent with expectations

**Repeat Customer Cont. Profit**  
(£ million)



- 13% increase in Repeat Customer Sales vs. FY21 on a constant currency basis
- Offset by higher logistics & transportation costs in FY22 driven by global supply chain disruption
- Strong Sales retention of 80%, above expectations

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



- Disciplined investment approach
- Investment reduced relative to FY21 when we accelerated spend to capture reduced acquisition costs

**Adjusted EBIT**  
(£ million)



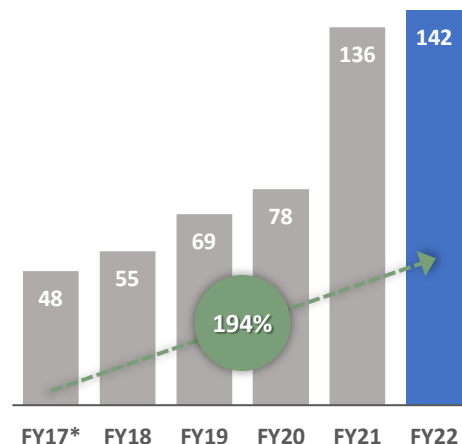
- Adjusted EBIT driven by Repeat Customers & strong expense control

(1) \*FY17 is 53-weeks  
(2) Constant currency basis using current period FX for the translation of the comparative period.



# FY22 Cost Base

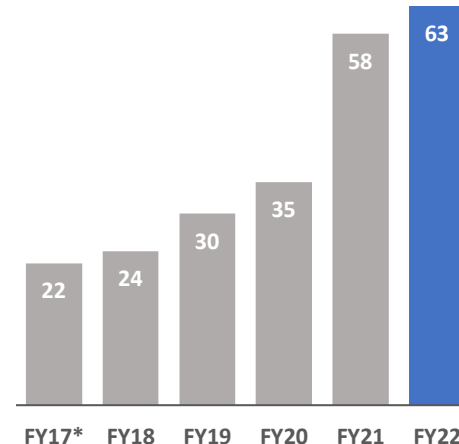
**Gross Profit**  
(£ million)



Margin					
34%	35%	38%	38%	40%	40%

- Higher mix of repeat business, which has a higher gross margin
- Improvement in Australia gross margin

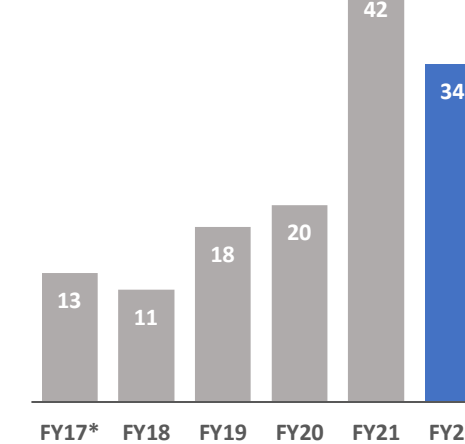
**Fulfilment Costs**  
(£ million)



As a Percentage of Sales					
16%	16%	17%	17%	17%	18%

- Automation in UK distribution Centre & remodeled US distribution network
- Navigated supply chain challenges

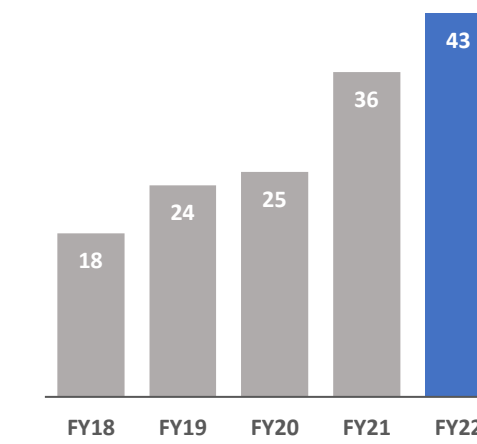
**Advertising Costs**  
(£ million)



As a Percentage of Sales					
9%	7%	10%	10%	12%	10%

- Disciplined investment approach
- Lower than planned due to lower 5-year Forecast Payback of customer cohorts

**G&A Costs<sup>(2)</sup>**  
(£ million)



As a Percentage of Sales				
12%	13%	12%	11%	12%

- Increase vs. FY21 reflects investment in customer experience, mostly related to technology
- Investing in strategic initiatives to drive growth & customer proposition

(1) \*FY17 is 53-weeks

(2) G&A costs reported here are as per the income statement excluding £(1.3) million of acquisition related amortisation costs, £1.1 million of fair value adjustments relating to open FX contracts and £0.1 million of plc company foreign exchange revaluations. G&A costs for FY17 (fixed costs were combined with Majestic) and therefore are not presented here. FY22 G&A costs include £3 million of marketing R&D and £1.1 million of share-based compensation charges.



# KPIs – Repeat Customers<sup>(1)</sup>

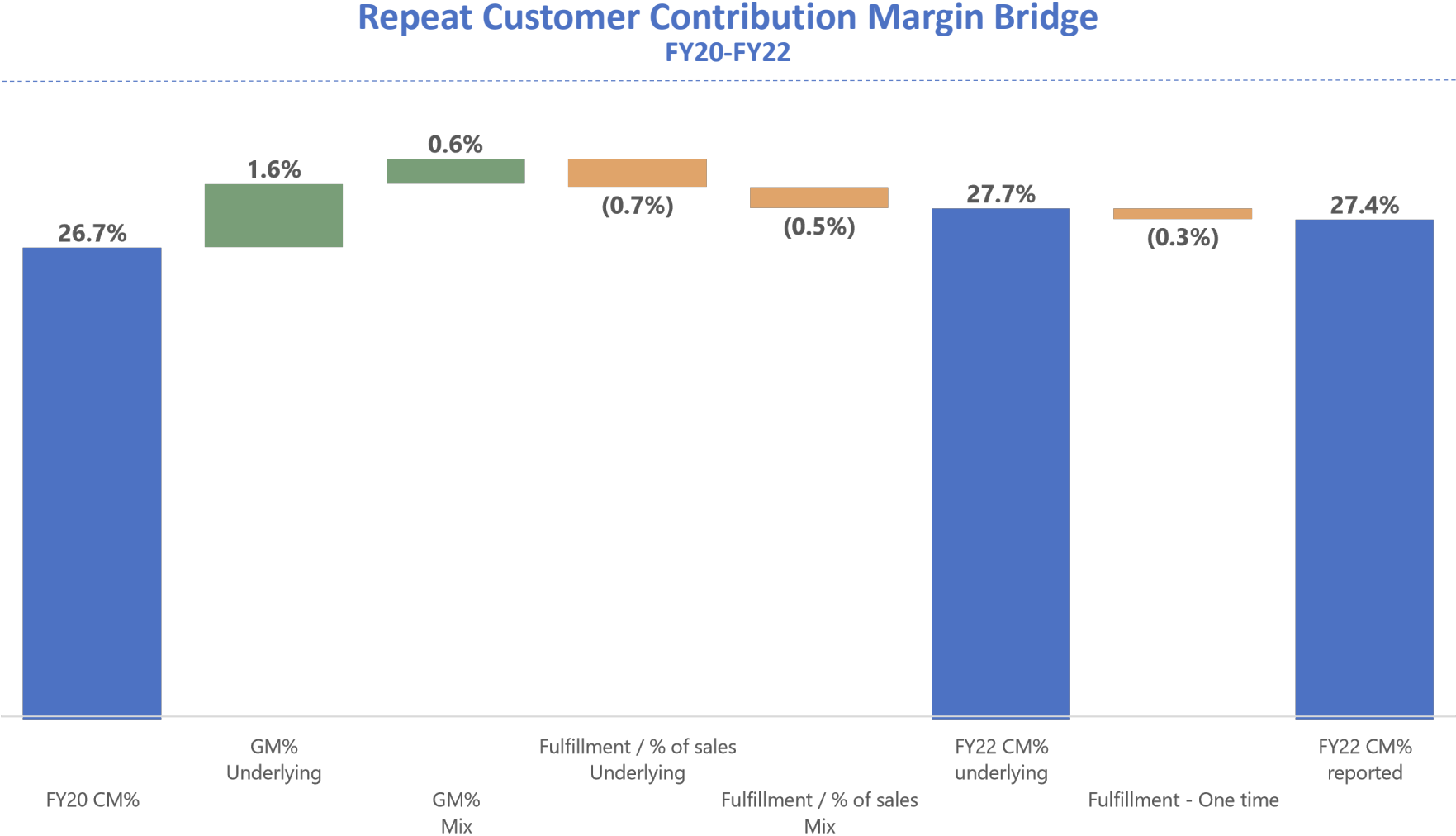
£ million	FY17 <sup>(2)</sup>	FY18	FY19	FY20	FY21	FY22	YoY	2 Yr. Chg.	
Repeat Customer Sales	114.3	134.5	152.9	173.7	283.9	<b>315.1</b>	<b>11%</b>	81%	Driven by strong consumer proposition
Repeat Customer Contribution Profit	26.9	33.8	39.8	46.4	84.9	<b>86.2</b>	<b>2%</b>	86%	Maintained profit, which was offset by higher transportation & logistic costs in both the UK and US, as well as non-recurring costs for the US distribution network remodel
Repeat Customer Contribution Margin	23.5%	25.1%	26.0%	26.7%	29.9%	<b>27.4%</b>	<b>(250) bps</b>	+70 bps	Positive scale benefits, offset by supply chain challenges & non-recurring US network remodel
Repeat Customer Sales Retention	83%	83%	81%	83%	88%	<b>80%</b>	<b>(800) bps</b>	(300) bps	Reflects the strength of the proposition with a strong comparative to FY21, with higher order frequency & lower cancellations during COVID-19 lockdowns
Active Angels (k)	427	475	528	580	886	<b>964</b>	<b>9%</b>	66%	Strong sales retention from existing members

(1) Full definitions of our KPIs can be found in the appendix to this presentation

(2) FY17 is 53-weeks



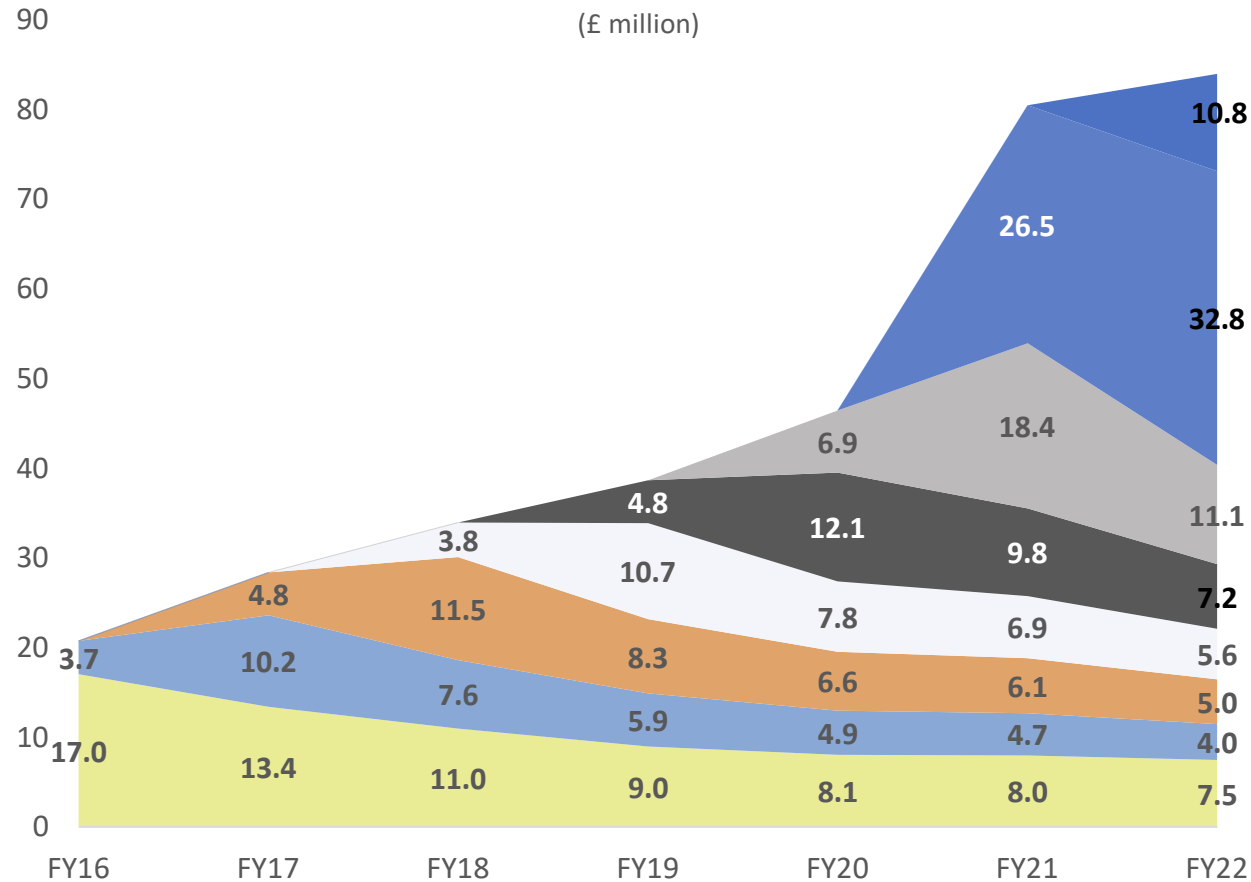
# Margin Rates Ahead of Expectations Despite Cost Pressures





# Strong Retention Across Cohorts...

Contribution Profit by Cohort<sup>(1)</sup>



Percentage Contribution Retained in FY22

FY21	124%
FY20	60%
FY19	74%
FY18	81%
FY17	82%
FY16	85%
FY13-15	94%

- Sales retention of 80% driven by strong consumer proposition
- Loyal customers drive a solid base of contribution profit
- Contribution retained vs. FY21 impacted by lower year-over-year Contribution Margin

(1) Naked Wines' Repeat Customer FY22 Contribution profit by Acquisition Cohort



## ...Is generating attractive & proven returns

Cohort	Cumulative Contribution Profit	Initial Investment	Contribution Profit After Payback	Payback to date
FY13-FY15	92.4	19.4	73.0	4.8x
FY16	41.1	10.9	30.2	3.8x
FY17	42.2	15.1	27.1	2.8x
FY18	34.8	14.2	20.7	2.5x
FY19	33.9	18.3	15.7	1.9x
FY20	36.4	22.6	13.9	1.6x
FY21	59.2	48.5	10.7	1.2x
FY22	10.8	41.3	NA	0.3x
Total	350.9	190.3	NA	1.8x

- Since FY13 we have invested £190M which has returned contribution profits of £350M
- We have generated over £190M of contribution profit in excess of our investments
- All cohorts FY13-FY21 have already paid back

(1) Shown at constant FX.



# Standstill EBIT<sup>(1)</sup> – L12 Months

As Reported - £ million	FY18	FY19	FY20	FY21	FY22	FY22 PF <sup>(2)</sup>
<i>Standstill EBIT calculation</i>						
Repeat Customer Contribution	33.8	39.8	46.4	84.9	86.2	86.2
Less: Replenishment Spend	(7.0)	(9.8)	(11.7)	(12.2)	(25.0)	(19.2)
Less: General & Admin Costs	(18.3)	(23.7)	(25.2)	(33.4)	(40.0)	(40.0)
<b>SS EBIT</b>	<b>8.5</b>	<b>6.3</b>	<b>9.6</b>	<b>39.3</b>	<b>21.2</b>	<b>27.0</b>
<i>Replenishment spend calculation</i>						
Repeat Contribution	33.8	39.8	46.4	84.9	86.2	86.2
Sales Retention	83%	81%	83%	88%	80%	84%
Repeat Profit Lost to Attrition	5.7	7.7	7.8	10.0	16.9	13.8
Year-1 Payback	81%	78%	67%	82%	68%	72%
Spend to Replenish Customers lost to Attrition	7.0	9.8	11.7	12.2	25.0	19.2

(1) 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.

(2) In response to feedback from shareholders, we have added an additional standstill EBIT calculation which uses a trailing 3-year simple average for sales retention and Yr1 payback, given these metrics have changed from than usual due to the pandemic-related lockdowns.



# KPIs – New Customers<sup>(1)</sup>

£ million	FY17	FY18	FY19	FY20	FY21	FY22	YoY	2 Yr. Chg.	New Customer Contribution Loss + Advertising Costs = Investments in New Customers
New Customer Contribution Loss	(1.8)	(2.7)	(1.5)	(3.7)	(7.7)	<b>(7.2)</b>	<b>(7)%</b>	95%	Loss attributable to sales to New Customers; represents loss on trial purchase
Advertising Costs	13.0	11.3	17.6	19.8	42.3	<b>34.1</b>	<b>(19)%</b>	72%	Advertising spend lower reflecting disciplined and data led investment approach
Investment in New Customers	14.8	14.0	19.1	23.5	50.0	<b>41.3</b>	<b>(18)%</b>	76%	Continuing to invest into the significant growth opportunity, albeit less than would have liked in FY22 due to challenging market environment
5-Year Forecast Payback <sup>(2)</sup>	2.0x	2.1x	1.8x	2.6x	2.6x	<b>1.5x</b>	<b>(42)%</b>	(42)%	Reflecting easing lockdowns in our markets & a challenging consumer environment; also, higher performance marketing, logistics & transportation costs
Year-1 Payback	97%	81%	78%	67%	82%	<b>68%</b>	<b>(15)%</b>	1%	Decrease in FY22 driven by higher order frequency in FY21 driven by pandemic

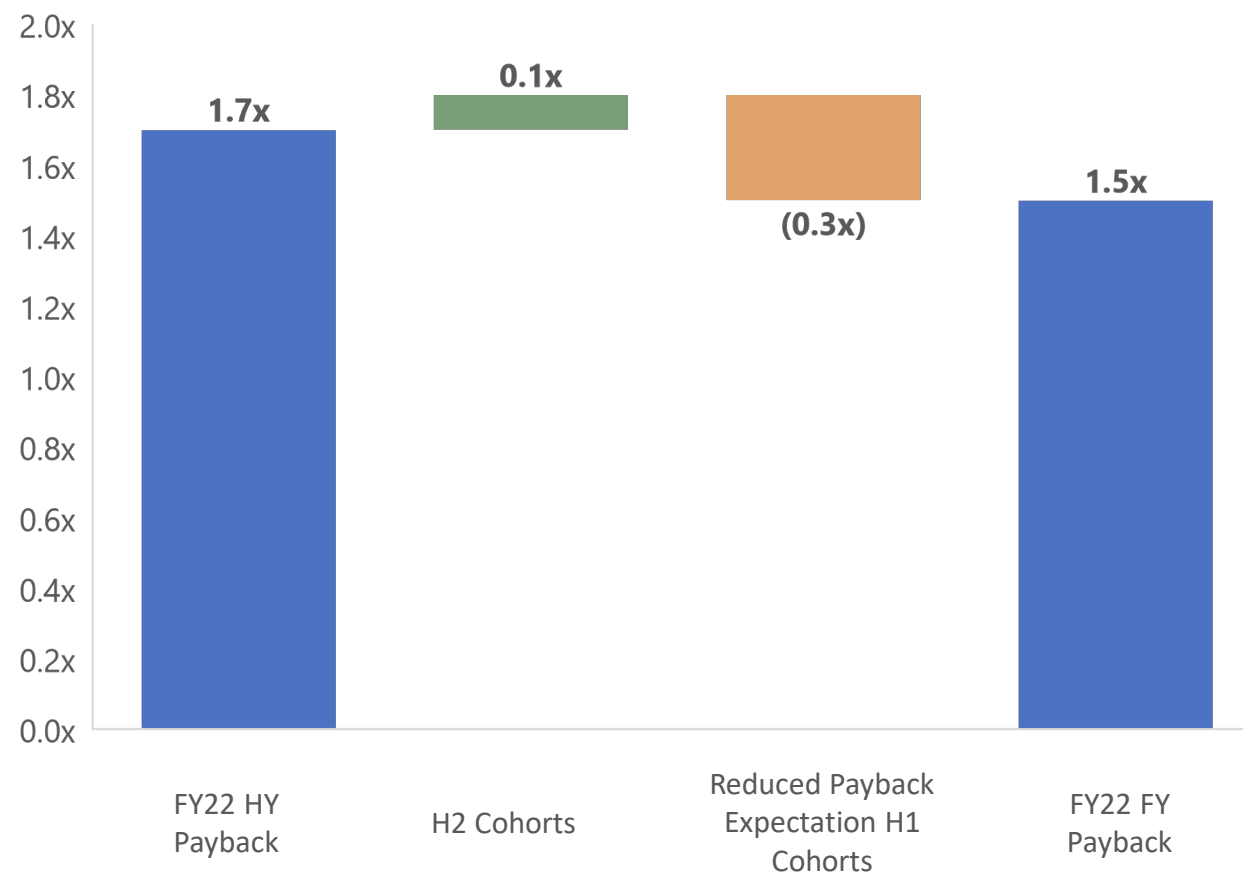
(1) Full definitions of our KPIs can be found in the appendix to this presentation

(2) FY22 YTD - Shown as the original forecast payback for that cohort. FY21 based on current forecast payback (original forecast payback for FY21 was 3.0x)



# FY22 Payback

## Group HY to FY Payback bridge

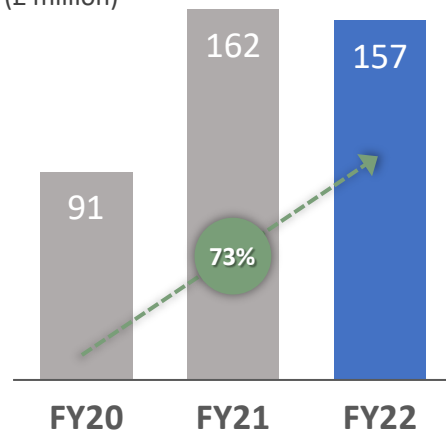


- Payback outlook for cohorts acquired in H1 is lower than reported at Interims
  - We have seen some pressure on consumer sentiment that has resulted in higher early attrition
  - UK market position – opportunity to move toward higher value offering & customer
  - Lower contribution margin during supply chain disruption period is impacting LTV projections
- Payback on cohorts acquired in H2 improved vs. H1



# Segmental Overview: FY22 Sales

## US (£ million)

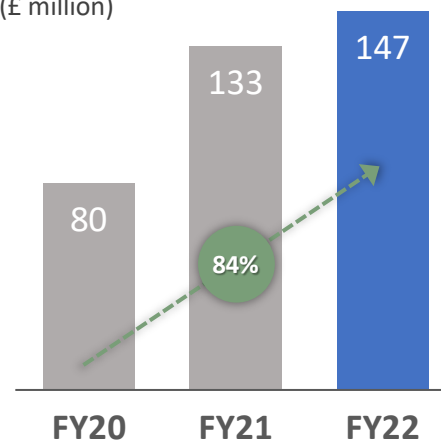


### As a Percentage of Total Sales

45%	48%	<b>45%</b>
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- Increased 2% YoY on constant currency<sup>(1)</sup>
- Increase driven by higher Repeat Customer sales
- 5% increase in FX rates offset reported increase

## UK (£ million)

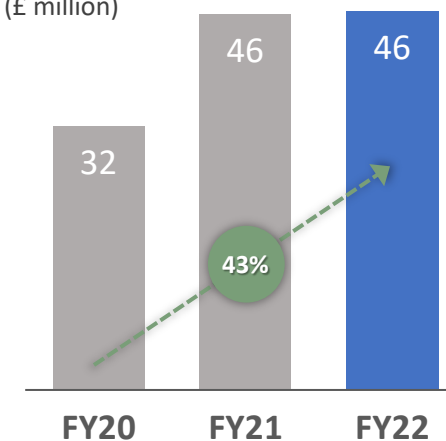


### As a Percentage of Total Sales

39%	39%	<b>42%</b>
-----	-----	------------

- Increased 10% YoY
- Naked's most mature market
- Continues to benefit from highest retention rate in the group

## Australia (£ million)



### As a Percentage of Total Sales

16%	13%	<b>13%</b>
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- Increased 3% YoY on constant currency<sup>(1)</sup>
- Improving unit economics driving a better investment opportunity
- Driven by an increase in Repeat Customer sales

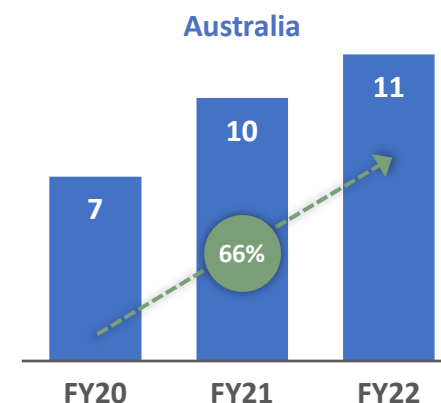
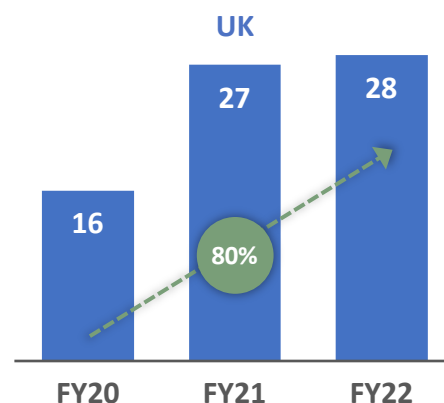
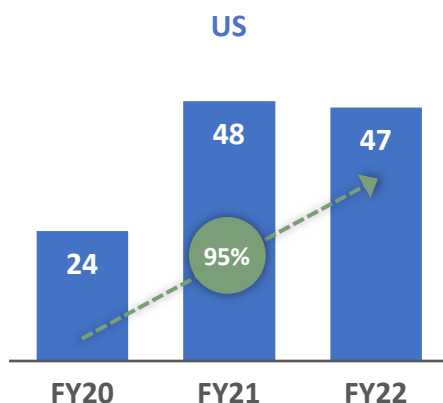
(1) Constant currency basis using current period FX for the translation of the comparative period



# Segmental Overview: Customer Contribution & Investment

(£ million)

## Repeat Customer Contribution Profit



### Repeat Customer Contribution Profit

- Australia margin increase driven by gross margin improvements
- Global supply challenges in US & UK markets increased costs
- US impacted by FX, +2% on constant currency basis

33% 37% 34%

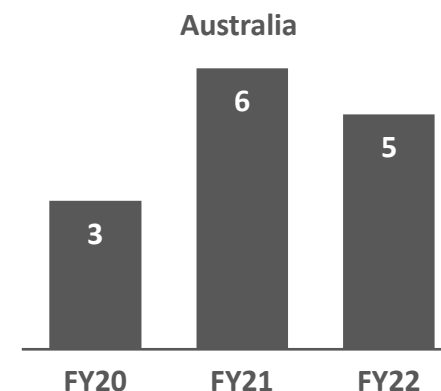
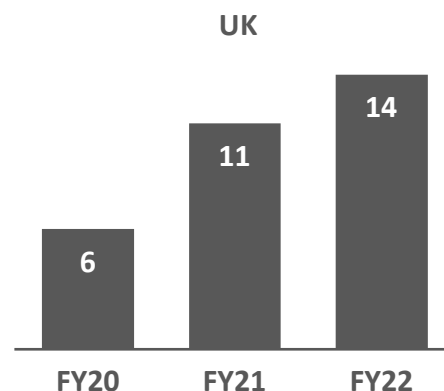
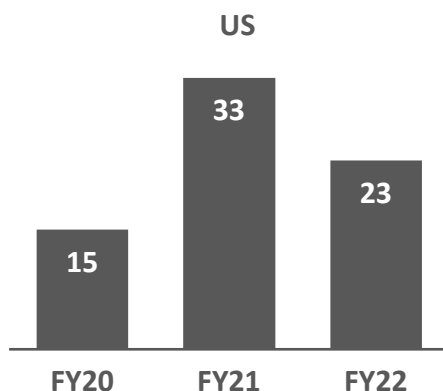
## Repeat Customer Contribution Margin

22% 24% 21%

24% 25% 28%

(£ million)

## Investment in New Customers



### Investment in New Customers

- Investment opportunities across all geographies
- Invested moderated in US as we followed disciplined, and data led investment approach



# Strengthened Balance Sheet: Added A \$60M Credit Facility

Key Balance Sheet Amounts (£ million)	FY20	FY21	FY22
Closing Cash Balance	54.7	85.1	39.8
<i>Working Capital<sup>(1)</sup></i>			
Inventory	69.9	76.1	142.4
Other Current Assets	7.2	7.2	10.4
Customer Funds	(38.4)	(65.8)	(72.2)
Payables & Accruals	(33.8)	(48.5)	(61.9)
Net Working Capital	4.9	(31.0)	18.7

Free Cash Flow (£ million)	FY20	FY21	FY22
Adjusted EBIT	(2.4)	(1.5)	2.0
Addback: Depreciation & IFRS	2.6	2.5	3.6
Less: Capex	(1.1)	(2.7)	(1.9)
Changes in Working Capital	(1.5)	32.3	(47.3)
Free Cash Flow	(2.4)	30.6	(43.6)

- Cash position of £40m
- Invested in inventory to restock, offset by customer funds & payables
- \$60m credit facility with banking syndicate (SVB) expected to fund
- Expect to continue to increase inventory levels, which the credit facility can be used for if needed
- Capital prioritized for:
  - Investment in new customer acquisition
  - Inventory to preserve availability for Angels in challenging supply chain environment
  - Strategic investment to improve the customer proposition & operation investment for growth

(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



# FY23 Guidance Update

Themes relevant to FY23 guidance:

- Inflationary pressure in all markets
- Consumer sentiment impacted by inflation & geopolitical environment
- UK business shifting toward a more premium offering, resulting in approximately £5 million less Investment in New Customers & relatively flat YoY sales

Given the current macroeconomic environment, expect to manage to a break-even adjusted EBITDA (excluding share-based compensation and non-cash charges).

Additionally, given this uncertainty, we provide the following guidance:

- Total Group sales range of £345 million to £375 million (-4% to +4% on a constant currency basis).
- Investment in New Customer acquisition range of £30 million to £40 million, while maintaining a disciplined approach to investment spending.
- Repeat Customer Contribution profit range of £83 million to £93 million.
- General and administrative costs range of £45 million to £48 million. Additionally, expect to invest £5 million in Marketing R&D and incur £4 million of share-based compensation charges.



(1) Naked Wines normally reports on a 52-week fiscal year. Every seven years the fiscal year is 53 weeks. FY23 is a 53-week fiscal year. Removing the extra week of FY23 removes approximately £5 million of revenue, or 200bps of growth. This sales guidance is based on a USD/GBP exchange rate of 1.299. Furthermore, we expect year-on-year sales growth to accelerate throughout the year.

(2) General & administrative cost guidance excludes amortization, anticipated marketing R&D of £5 million, and anticipated share-based compensation charges of £4 million.



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## Strategy

**Nick Devlin**  
Group CEO



# FY22 Highlights

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**Observations  
on FY22**

**Our FY23 Operating  
Approach**

**Strategic Growth  
Initiatives**



Naked navigated a dynamic consumer environment & inflationary pressures well in FY22 & consolidated the step change achieved in FY21

## *Proposition Resonates*

Our consumer proposition continues to resonate with members

- Double digit increase in revenue from members
- 80% sales retention - ahead of expectations
- Repeat contribution margin percentage ahead of pre-COVID trend

## *Disciplined Investment*

Our long-term record of disciplined investment is generating attractive returns

- Investment discipline in FY22 in face of challenging environment
- All cohorts from FY21 onwards fully paid back
- FY17-19 cohorts payback already exceeds initial 5-Year Payback Forecast

## *Enhanced Winemaker Appeal*

We continue to enhance our appeal to the world's best winemakers

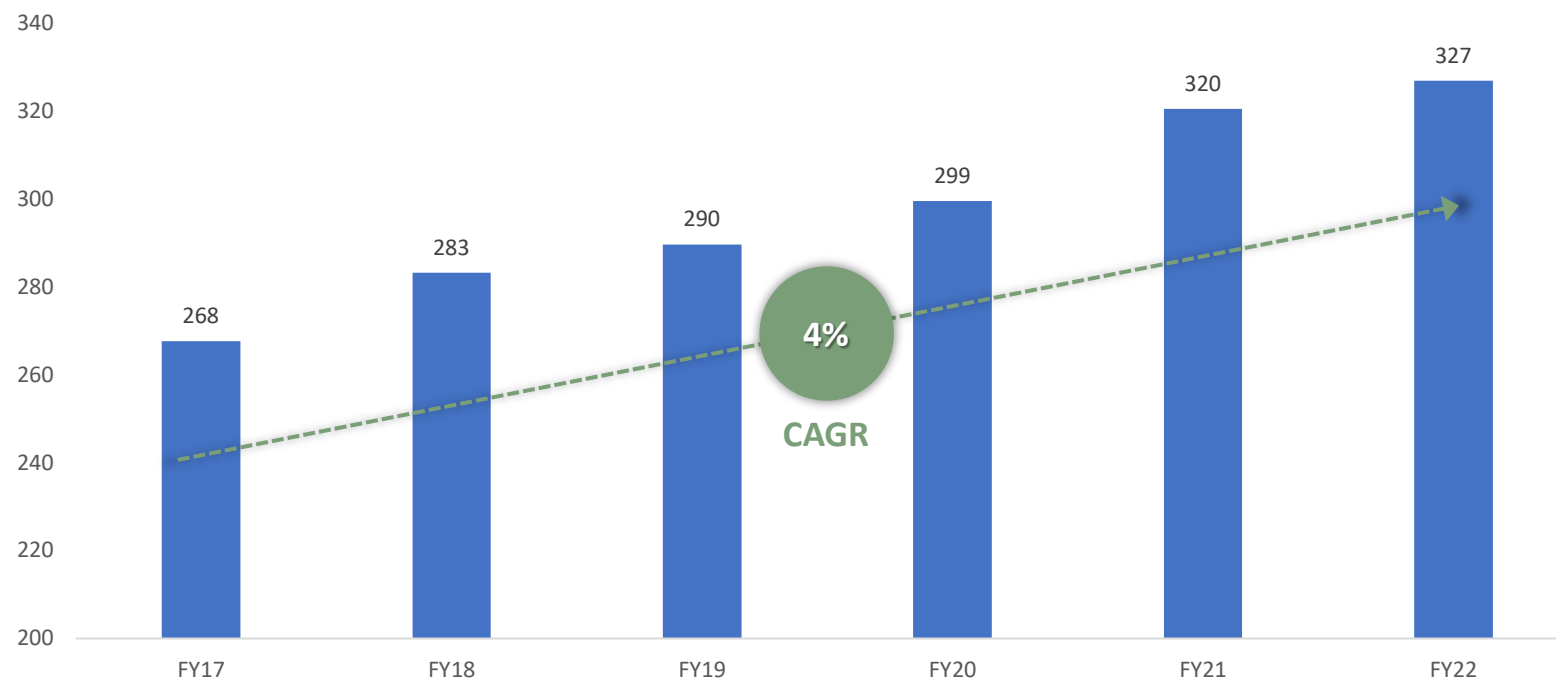
- Attracting outstanding new winemakers
- Broader range of wines paying dividends: 540 awards won in FY22
- Increasing Luxury wine sales in US



# Proposition Resonates

## We Have a Proven Track Record of Improving Revenue per Active Angel

### Repeat Revenue per Active Angel, FY17-22, GBPm<sup>(1)</sup>



- Proven track record of expanding revenue per active angel through range & proposition enhancement
- FY22 revenue per active angel exceeded FY21 metrics, which had been supported by lockdown consumer behaviour

(1) Full definitions of our KPIs can be found in the appendix to this presentation



## *Proposition Resonates*

Consumer & Industry Recognition as Leading Online Wine Offering

### Recent Naked Wines Recognition





#### DRIVING FACTORS

- Marketing inflationary pressure (esp. in digital channels H1)
- Success of investments impacted by rapid changes in customer behavior (esp. in H1)
- Impact of higher logistics and fulfilment costs on first orders & therefore CAC
- Repeat contribution margin contraction reflected in modeled projections of future LTV

#### IMPACTS & ACTIONS

- Current view of H1 payback is 1.4x vs 1.7x previously reported
- Plan to increase contribution margins over next ~24 months - should increase payback
- Actions in H2 successfully increased Q4 run-rate to its historic payback range



# *Disciplined Investment*

## Three Levers We Are Pulling to Address Lower Payback

Market  
Positioning



Media vs  
First Order Loss



Investment in  
Early Customer  
Experience

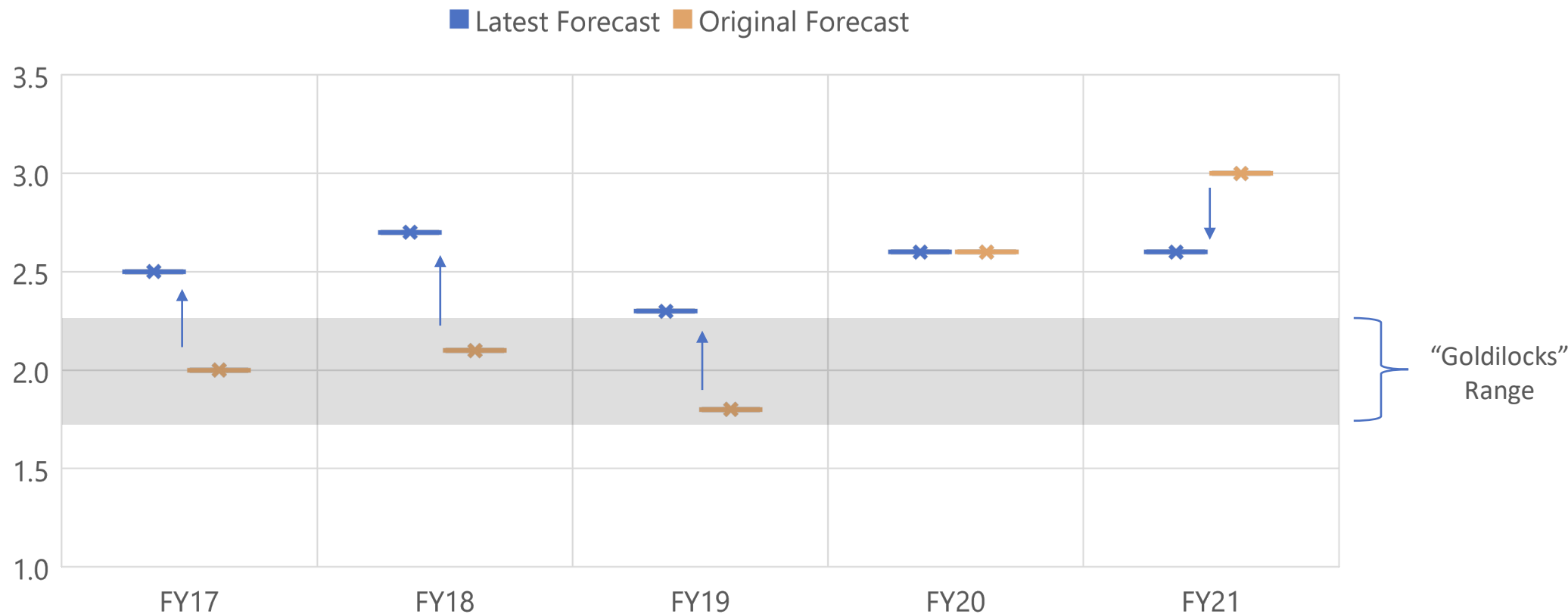




# Disciplined Investment

Over Time we Continue to See Realized 5-Year Returns Exceed Initial Expectations

5 Year Payback; Initial Cohort Estimate Latest Estimate / Actuals



(1) Bottles sold “bespoke” i.e., not as part of pre-merchandise cases with an angel price of >\$25 per bottle. Q3 = October-December and reflects the time of year we have our largest range of premium wines available  
(2) Naked Wines Australia, average value of orders to repeat customers in AUD



# Enhanced Winemaker Appeal

## Strengthening Our differentiation

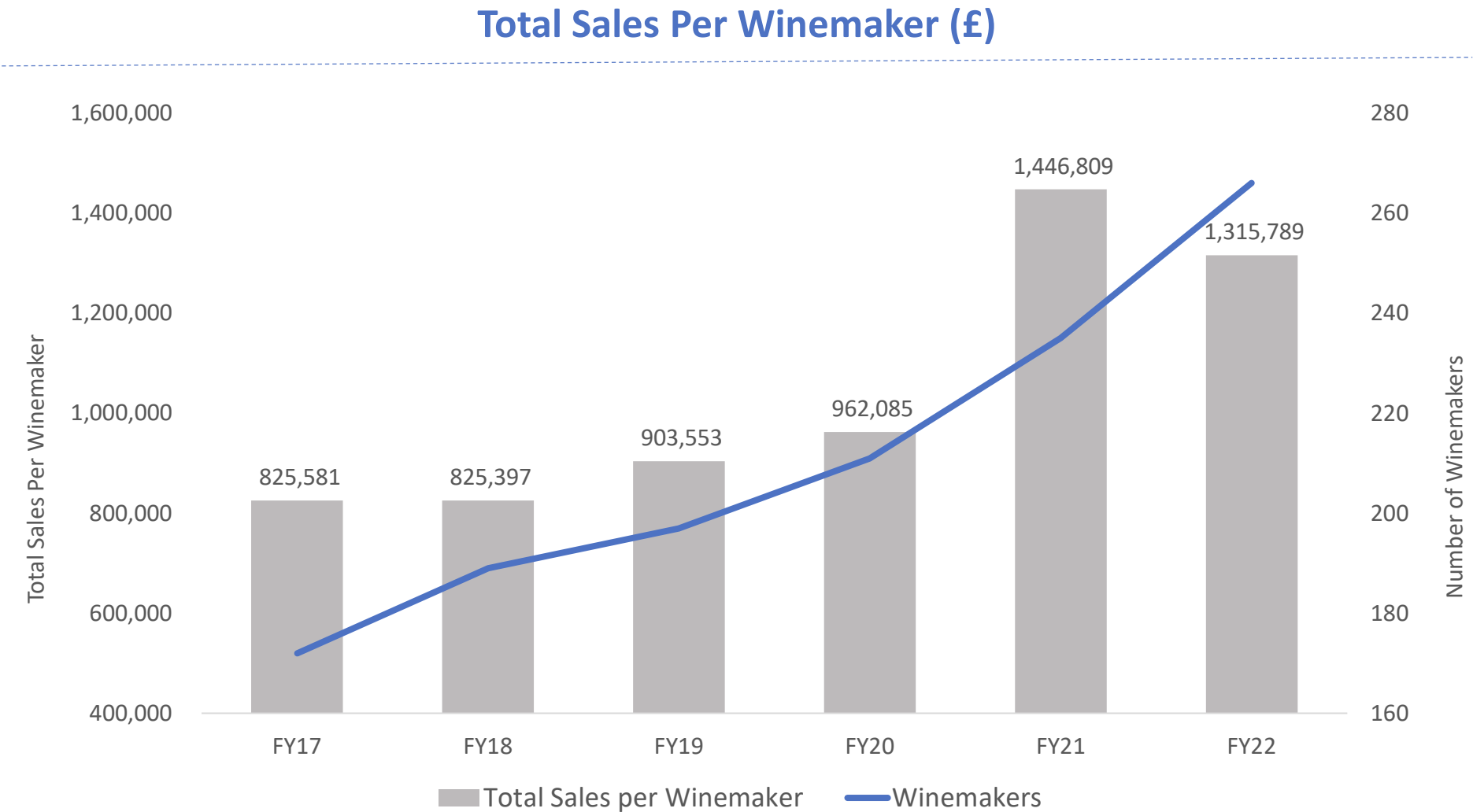


(1) Awards for Naked Wines USA Range and International Wines & Spirits Challenge (IWSC) and Decanter World Wine Awards (DWAA) 2022 editions vs 2020  
(2) Based on brand tracker association with statement "Makes High Quality Wine". Index score for Naked vs market average. FY21 is average of surveys in July 20 and Feb 21, FY22 is average of July 21 and Feb 22. Data is Naked Group, weighted average of UK, US and Aus scores



# Enhanced Winemaker Appeal

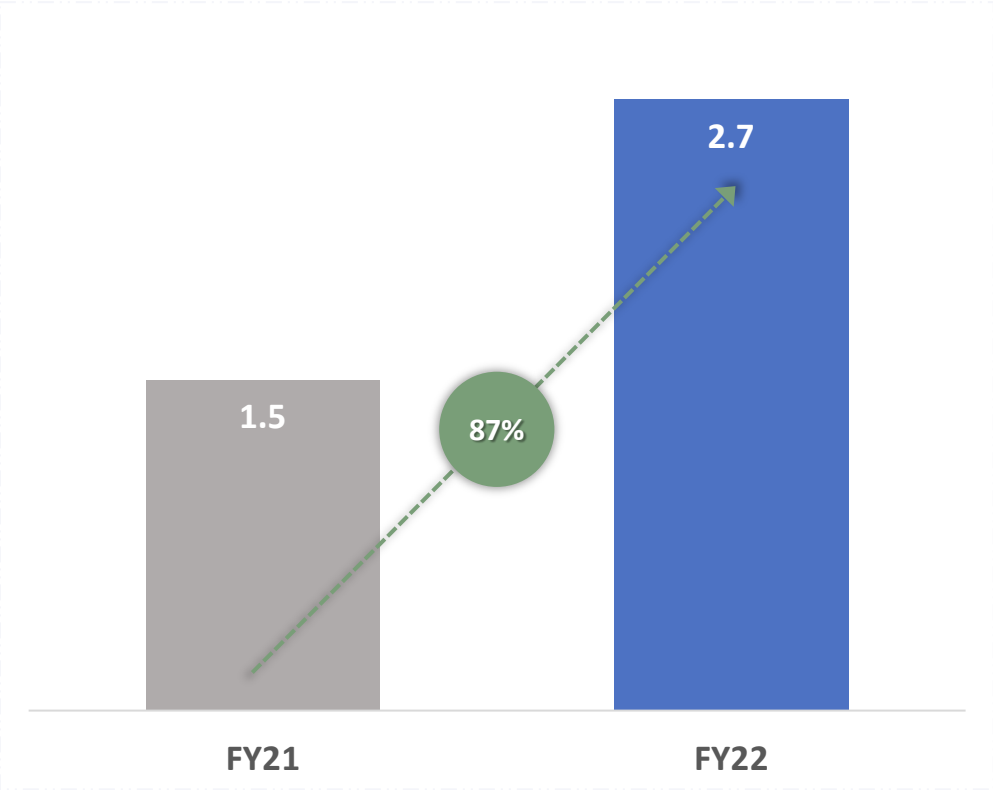
## Sales Per Winemaker Increasing



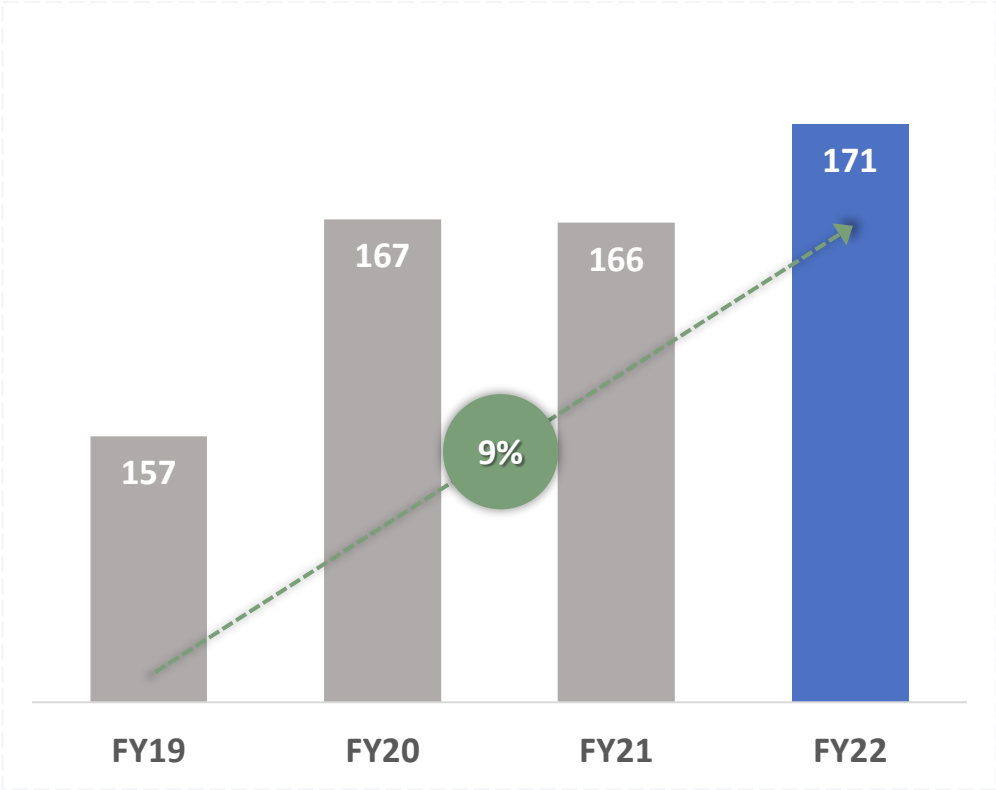


# Multi-Year Investment: Enhancing Wine is Showing Dividends

Naked US, Q3 Luxury Wine Sales, FY22 vs FY21, USD million<sup>(1)</sup>



Naked Australia, Average Repeat Order Value, AUD<sup>(2)</sup>



(1) USD Value of wine sold to US members with an angel price of >\$25 per bottle. Q3 = October-December and reflects the time of year we have our largest range of premium wines available  
(2) Naked Wines Australia, average value of orders to repeat customers in AUD



## Enhanced Winemaker Appeal

### Our Scale & Premiumization is Unlocking New A-List Winemaking Talent



- Multi-award-winning Napa winemaker & owner of Von Strasser brand
- This year Rudy moved to working exclusively with Naked, including distribution of award winning von Strasser brand
- Rudy's wines at Naked generated more than \$1 million in sales in FY22
- Rudy's single vineyard cabernets from Diamond mountain extending Naked's range with member price of \$50-60



# FY22 Highlights

naked  
wines

Observations  
on FY22

FY23 Operating  
Approach

Strategic Growth  
Initiatives



# Our Perspective on an Uncertain Macro-Economic Climate

1. **Wine category is robust in downturn:**
  - *Volume inelastic*
  - *US wine market saw strong performance in GFC*
  - *Consumers change buying behaviour*
2. **Naked's model is Resilient:**
  - *Evidence from UK market*
  - *High level of loyalty (NPS, Retention Rates)*
  - *Substantial discretionary expense (High SS EBIT)*
3. **Our customer base is well positioned:**
  - *Higher affluence; less exposed*
4. **However, economic & consumer confidence signals are concerning**
  - *Consumer confidence outlook weak*
  - *Inflation levels at generational highs*

***Naked well positioned in downturn...***

***...however, evidence of generational risks***



# This Informs Our Intended Trading Approach to FY23

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## *1. Ensure Naked is well positioned to endure downside risk*

- Strengthen balance sheet
- Prudent trading approach
- Create space to respond to opportunities
- Continuous monitoring of member behaviour

## *2. Reinforce key differentiators*

- Better wine for your money vs competitors
- Customer first mindset
- Rational & Emotional differentiation

## *3. Seek opportunities to benefit from changes in consumer behaviour*

- Continue to invest based on disciplined & data-led approach
- Right time to invest in brand: greater consumer switching



# FY22 Highlights

naked  
wines

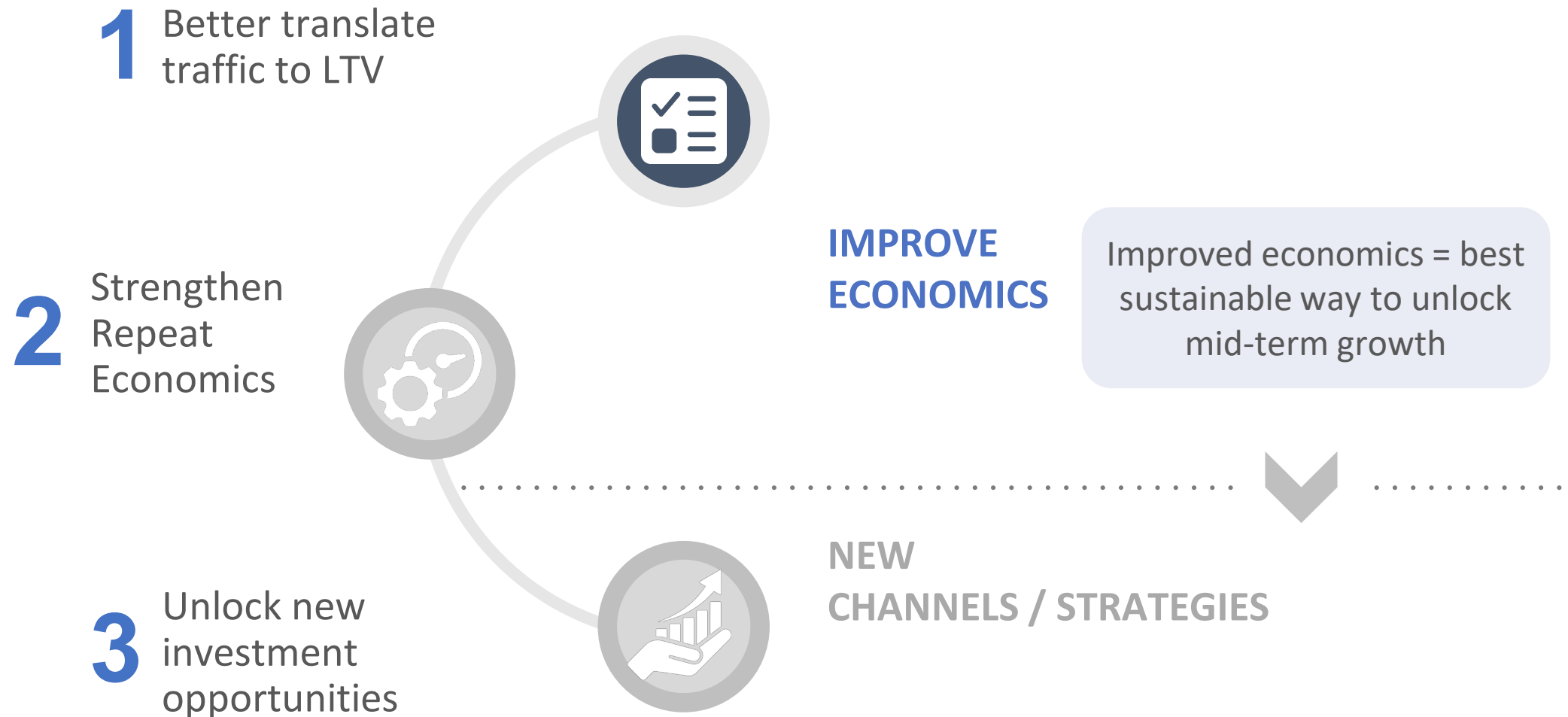
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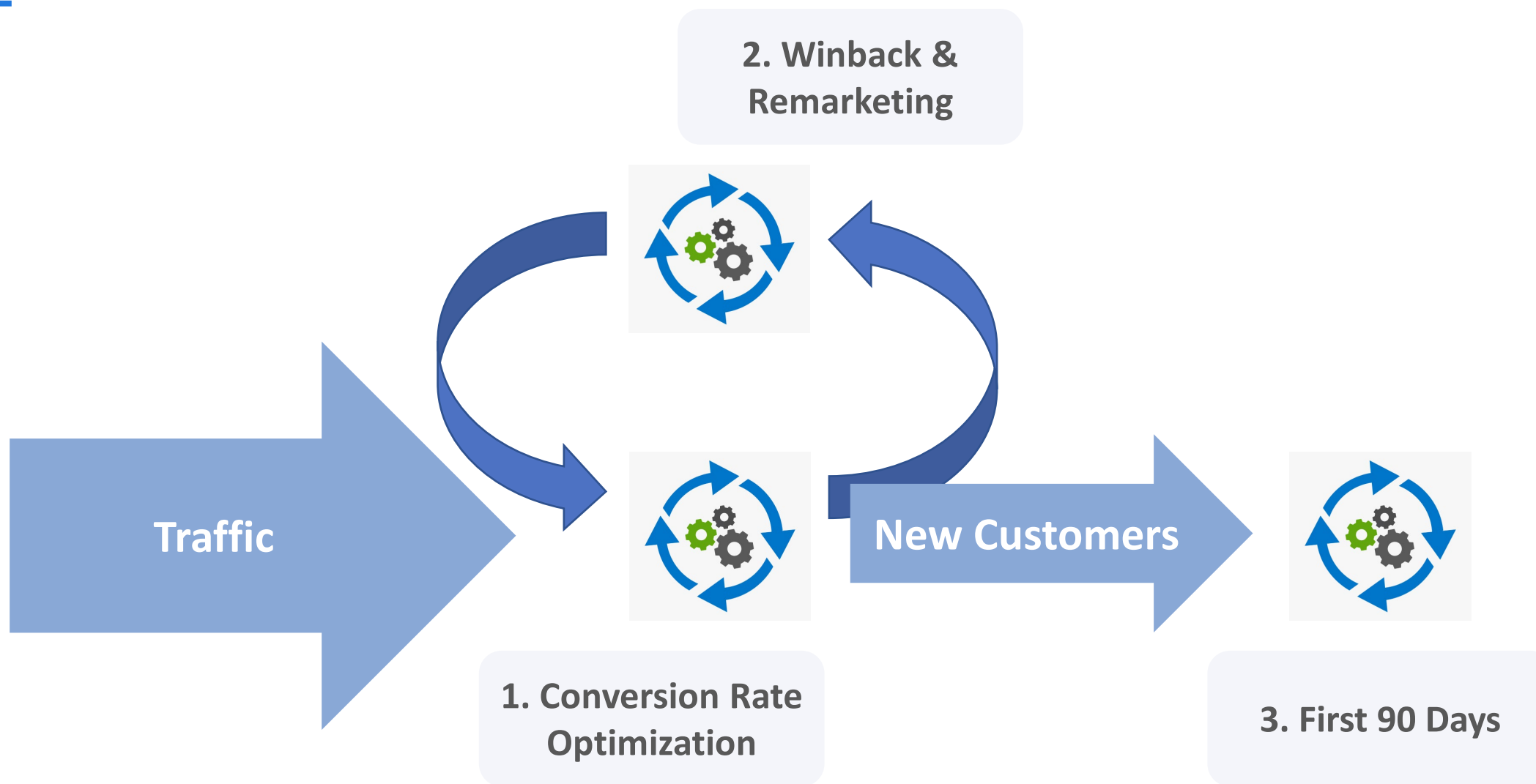
# We are Focused on Improving Our Economics to Drive Sustainable Growth





# Translate Traffic to LTV

We are Investing in Improving 3 Key Processes to Increase LTV per Session





# Translate Traffic to LTV

## Enhancing LTV by Driving Higher Conversion to 2<sup>nd</sup> Order



### Naked's model generates high 80%+ revenue retention from repeat shoppers

- Opportunity to materially increase LTV per member; focus on initial 90 days of member experience
- Increasing resource & organizational factors on this part of experience



### We have data-led hypothesis around how we will improve retention

- Personalization of wine to customers
- Offers & incentives
- Leveraging our unique content & stories better



### Improvement materially enhances cohort economics

- 10% improvement in year-one revenue per cohort increases our IRR by 3 ppts



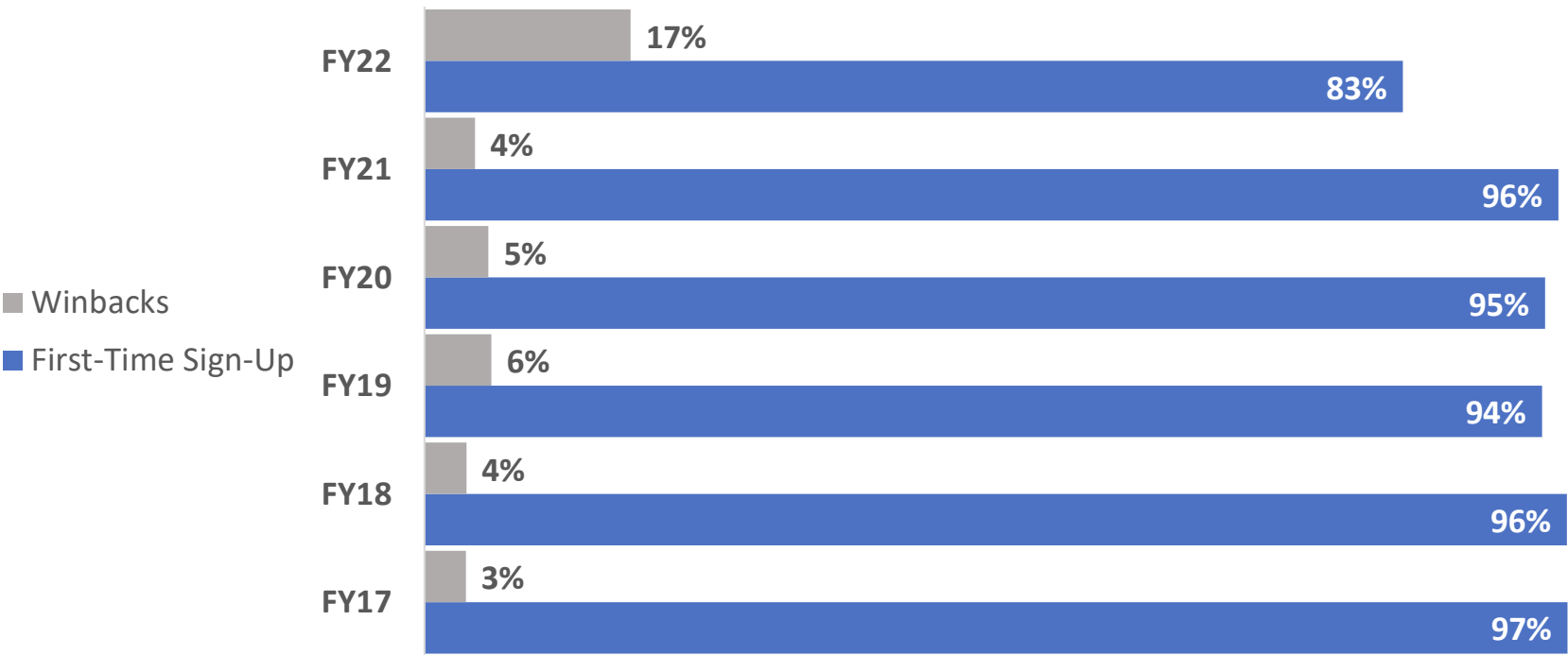
# Translate Traffic to LTV

## We Have Proof of Concept for Increasing Share of Angels via Remarketing



Building a smart model to indicate probability to reactivate

### Winbacks vs. First-Time Angels



Reactivation of former members offers lever to smooth growth rates & reduce CAC

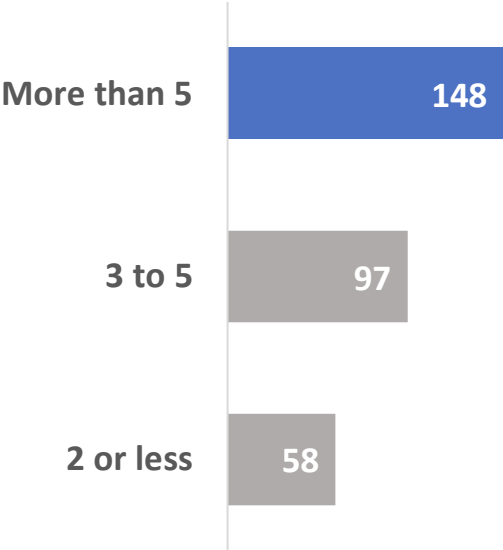


# Translate Traffic to LTV

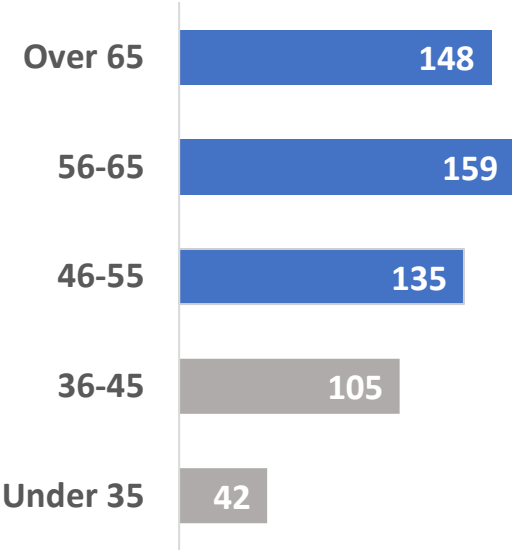
These Strategies Leverage our Data & LTV Models to Drive Cohort Economics

## LTV Variance by Customer Attribute, US Example

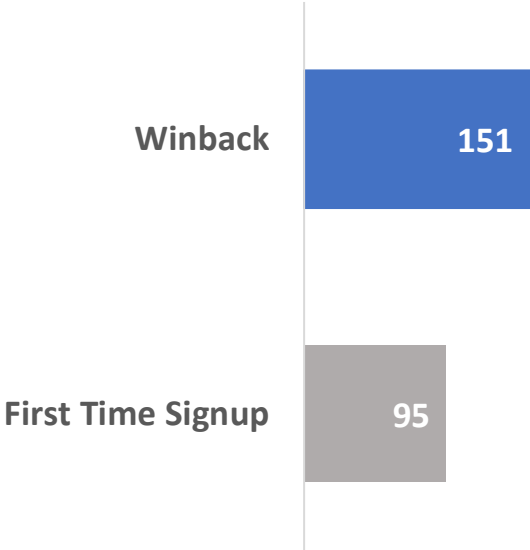
LTV by Self-Reported Monthly Wine Consumption  
*Index average LTV = 100*



LTV by Customer Age Band  
*Index average LTV = 100*



LTV by First Time Signup vs Winback  
*Index average LTV = 100*





# Strengthen Repeat Economics

## Repeat Contribution Economics: We Have Pricing Power

Naked's ecosystem allows high level of control over realized margins

### Vertically-integrated production model



- Product & package redesign
- Collective sourcing opportunities

### Exclusive brands & products



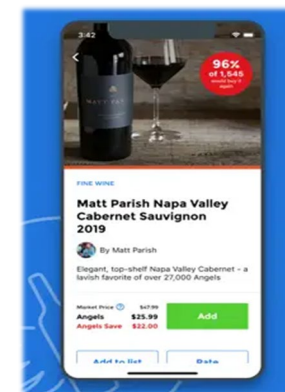
- No price comparison

### Measurable consumer surplus



- Promotion & marketing management

### Ownership of sales channels



- Range & mix strategy



# Strengthen Repeat Economics

## Case Study: Playbook in action in Australia

**Case Study:** We've added 4.5 pts to repeat contribution margin in Australia

Australia Repeat Contribution Margin Percentage: +4.5%

Australia Repeat Business	FY20	FY21	FY22
Sales	\$53M	\$70M	\$76M
Gross Margin	39.9%	40.8%	43.8%
Fulfilment Cost (% of Sales)	16.1%	15.5%	15.8%
<b>Contribution Margin</b>	<b>23.80%</b>	<b>25.30%</b>	<b>28.10%</b>

### Key Levers

- 36% of Lift: Deepened collective sourcing for dry good (bottle cost) elements of COGS
- 22% of Lift: Range review:
- 42% of lift: Targeted price lift of +4-5% ABP achieved while exceeding sales retention at 79% and contribution retention at 89% vs plan (OR mature attrition at 3.8%)



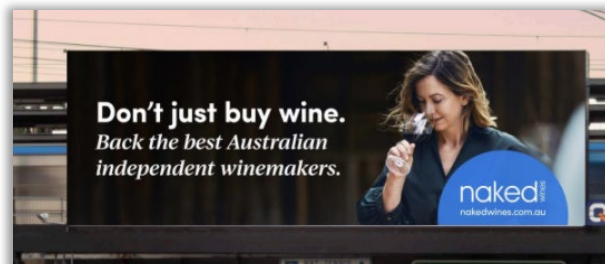
We believe brand investment can accelerate our growth

### Investment Thesis

- Investing in long & short-term advertising represents large investment opportunity
- Move from 100% Direct Response spend mix is right
- Improving brand perception key to growth - key metrics e.g., wine quality behind competitors

### Key FY22 Learnings

- We can cost effectively change perception of Naked (Australia, Denver)
- Response builds over time – still building after 8 weeks in Australia test
- “Low & slow” beats “big bang” – more cost effective, allows for sustained build (Australia, Denver)

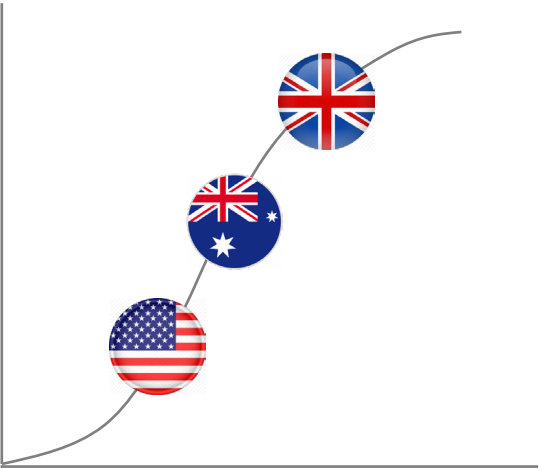




# Unlock New Opportunities

## Investment in Brand – An Approach With Measurement at its Core

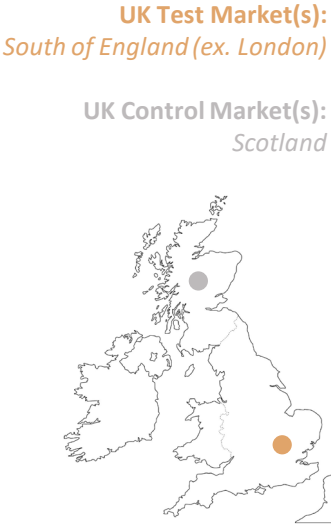
Our plans for FY23 are to elevate long-term brand impact via key learnings on prior FY brand investment



Different content ad channel approach for markets reflects stage of model development



Long-term “low & slow” spend approach with clear control & test markets to measure impact



Estimated Marketing Mix, Percentage

	Direct Response	Brand
Naked FY22	96%	4%
UK Test Region FY23	55%	45%
US Test Region FY23	30%	70%

Focused £5 million investment allows us to simulate a very different brand vs direct response marketing mix







# Setting Our Infrastructure & Organization up to Scale Efficiently

## *Investment in Key Infrastructure to support Naked at Scale*

Key Projects to be delivered in FY23:

- ERP / Netsuite implementation
- New payments platform
- Data Warehouse Migration

Supporting platform for enhanced customer and winemaker experience, and reduced operational complexity

Ensuring our infrastructure keeps pace with business that is 2x FY20 scale

## *Setting up the Organization for Efficiency*

New role created of Group Chief Operating Officer (COO)

Mandate for “how” Naked delivers on its mission at scale and efficiently across our markets

Internal candidate – Alicia Kennedy – proven track record in Australia

- Lean team
- Turnaround of key performance metrics
- Deep understanding of Naked culture



# In Summary

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## Clear Mission to Disrupt Wine Industry

- Disruptive model benefitting winemaker & consumer
- Proven at scale 964k Active Angels / 260 winemakers

## FY22 Results Show Proposition Resonates

- Consolidated FY21 step-change
- High retention model
- Growing spend / angel

## A Focus on Responsible Growth in FY23

- Robust position in face of economic uncertainty
- Balanced approach: mitigate risk and seek opportunities

## Compelling Long-Term Growth Path

- Large & underpenetrated TAM
- Largest DtC player: scale advantages
- Proven investment model; capitalized for future growth





naked<sup>wines</sup>

Q&A



# naked<sup>wines</sup>

## Appendix





# Income Statement

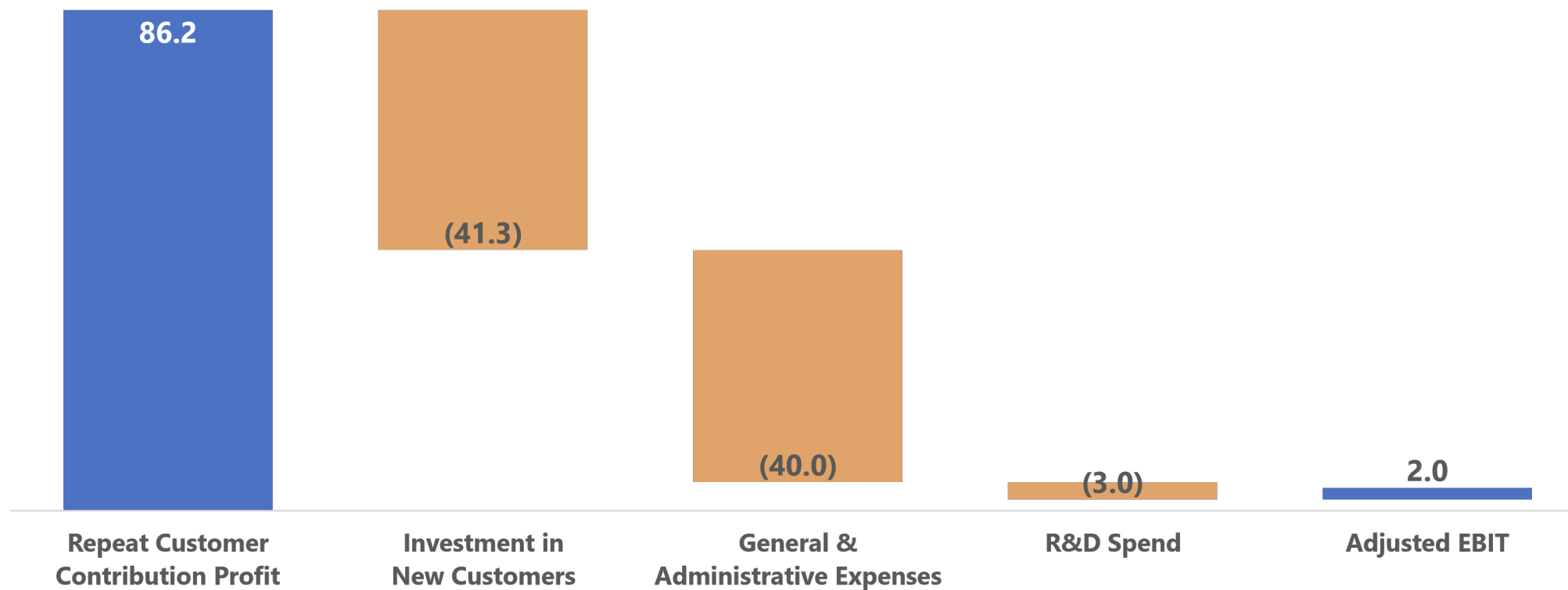
£m	FY20	FY21	FY22	YoY	2YoY
<b>Total sales</b>	<b>202.9</b>	<b>340.2</b>	<b>350.3</b>	<b>3%</b>	<b>73%</b>
Cost of sales	(125.3)	(204.7)	(208.6)	2%	66%
<b>Gross profit</b>	<b>77.6</b>	<b>135.5</b>	<b>141.7</b>	<b>5%</b>	<b>83%</b>
<i>Gross profit margin</i>	<i>38%</i>	<i>40%</i>	<i>40%</i>	<i>+60bps</i>	<i>+220bps</i>
Fulfilment costs	(35.0)	(58.3)	(62.6)	7%	79%
<i>% of total sales</i>	<i>17%</i>	<i>17%</i>	<i>18%</i>	<i>+80bps</i>	<i>+70bps</i>
<b>Contribution profit</b>	<b>42.6</b>	<b>77.2</b>	<b>79.1</b>	<b>2%</b>	<b>86%</b>
<i>% contribution profit margin</i>	<i>21%</i>	<i>23%</i>	<i>23%</i>	<i>(10)bps</i>	<i>+160bps</i>
Advertising costs	(19.8)	(42.3)	(34.1)	(19)%	72%
<i>% of total sales</i>	<i>10%</i>	<i>12%</i>	<i>10%</i>	<i>(270)bps</i>	<i>Flat</i>
General and administrative costs	(25.2)	(36.4)	(43.0)	18%	71%
<i>% of total sales</i>	<i>12%</i>	<i>11%</i>	<i>12%</i>	<i>+160bps</i>	<i>(10)bps</i>
<b>Adjusted EBIT</b>	<b>(2.4)</b>	<b>(1.5)</b>	<b>2.0</b>	<b>233%</b>	<b>183%</b>
New Customer Contribution loss	(3.7)	(7.7)	(7.2)	(7)%	95%
Advertising costs	(19.8)	(42.3)	(34.1)	(19)%	72%
<b>Investment in New Customers</b>	<b>(23.5)</b>	<b>(50.0)</b>	<b>(41.3)</b>	<b>(17)%</b>	<b>76%</b>
<b>Repeat Customer Contribution profit</b>	<b>46.4</b>	<b>84.9</b>	<b>86.2</b>	<b>2%</b>	<b>86%</b>
<i>Repeat Customer Contribution margin</i>	<i>27%</i>	<i>30%</i>	<i>27%</i>	<i>(250)bps</i>	<i>+70bps</i>

- Revenue +3% vs FY21 to £350.3 million driven by the strong retention & demand from existing members
- Total sales +5% on a constant currency basis vs FY21
- Gross profit +5% to £141.7 million, with increased gross profit margin benefitting from a higher mix of repeat vs new customer sales in the period
- Contribution profit margin of 23% similar to FY21, despite continued cost headwinds from a challenging global supply chain
- Repeat Customer Contribution profit up 2% compared to prior year as a result of higher costs in the UK & US
- Investment in New Customers down 17% to £41.3 million with a 1.5x 5-Year Forecast Payback
- Adjusted EBIT of £2.0 million

(1) G&A costs reported here are as per the income statement excluding £(1.3) million of acquisition related amortisation costs, £1.1 million of fair value adjustments relating to open FX contracts and £0.1 million of plc company foreign exchange revaluations



# Bridging Contribution to Adjusted EBIT<sup>(1)</sup>



(1) Excluding statutory adjustment for other contribution



# Glossary of Terms

## Alternative performance measures

<b>Adjusted EBIT</b>	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
<b>Constant currency</b>	Constant currency basis using current period FX for the translation of the comparative period
<b>EBIT</b>	Operating profit as disclosed in the Group income statement per the RNS
<b>EBITDA</b>	EBIT plus depreciation and amortisation
<b>Adjusted EBITDA</b>	Adjusted EBIT plus share-based compensation charges, non-cash charges, depreciation and amortisation, but excluding any depreciation or amortisation costs included in our adjusted items e.g. amortisation of acquired intangibles
<b>Adjusted PBT</b>	Adjusted EBIT less net finance income / (charges)
<b>Free cash flow</b>	Cash generated by operating activities less capital expenditure and before adjusted items and taxation
<b>Net cash</b>	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 Payback

The ratio of projected future Repeat Customer Contribution profit we expect to earn from the New Customers recruited in the year divided by the Investment in New Customers. We forecast contribution at a customer level using a Machine Learning (ML) model which weighs several key characteristics including retention, order frequency and order value, along with customer demographics and non-transactional data. The ML algorithms then predicts 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.

### General and administrative costs

Administrative costs excluding advertising cost

### Investment in New Customers

The Investment in New Customers during the period, including contribution profit/loss from New Customer sales and advertising costs.

### Lifetime value (LTV)

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 over a five-year horizon.

### 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-1 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	
<b>Angel</b>	A customer who deposits funds into their Angel account each month to spend on the wines on our website
<b>CAGR</b>	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
<b>Company, Naked or Naked Wines</b>	Naked Wines plc
<b>Contribution</b>	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
<b>DtC</b>	Direct to consumer
<b>Group</b>	Naked Wines plc and its subsidiary undertakings
<b>Marketing</b>	Expenditure focused on researching and testing new marketing channels and creative approaches, with the aim of opening up significant new growth investment opportunities
<b>New Customer</b>	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
<b>New Customer sales</b>	Revenues derived from transactions with customers who meet our definition of a new customer
<b>Repeat Customer</b>	A customer ('Angel') who has subscribed and made their first monthly subscription payment
<b>Repeat Customer sales</b>	These are the revenues derived from orders placed by customers meeting our definition of a repeat customer at the time of ordering
<b>Standstill EBIT</b>	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
<b>TAM</b>	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

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**Wine quality – ‘Buy it again ratings’**                      % of “Yes” scores in the last 12 months as recorded by websites/apps

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**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

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