



# Acquisition of Naked Wines International Ltd: A Transformational Deal

---

10 APRIL 2015





# Phil Wrigley

Chairman



# Transformational deal for Majestic Wine Plc (“Majestic”)



- ❑ The global wine market is an attractive retail sector
  - Majestic’s target market is large and growing
  - Evolving fast – ‘e-commerce’ and ‘international’ are huge opportunities for Majestic
- ❑ Majestic is well positioned in the UK as the No.1 specialist
  - 200+ stores, extensive range, excellent service, 640,000+ active customers
  - Emerging e-commerce (11% of total sales) with international a longer-term opportunity
- ❑ The acquisition of Naked Wines International Limited (“Naked Wines”) dramatically accelerates Majestic’s growth opportunities
  - A unique, customer led business model with world class online and CRM expertise
  - An eightfold increase in target market, through presence in the US and Australia
  - Entrepreneurial culture and very strong talent pool
- ❑ Structured consideration at a headline price that makes sense before synergies
  - Total consideration of up to £70m includes initial consideration of approximately £50m in cash with further contingent consideration of up to £20m in Majestic’s ordinary shares
  - Over 70% of Naked Wines management’s potential consideration in Majestic’s ordinary shares (wholly contingent on performance)
  - Naked Wines is a high growth business with sales of £80m, up over 40% year on year
  - Forecast breakeven EBITDA in the year to Mar-16 and continue to grow profits rapidly thereafter

# New leadership for a new phase



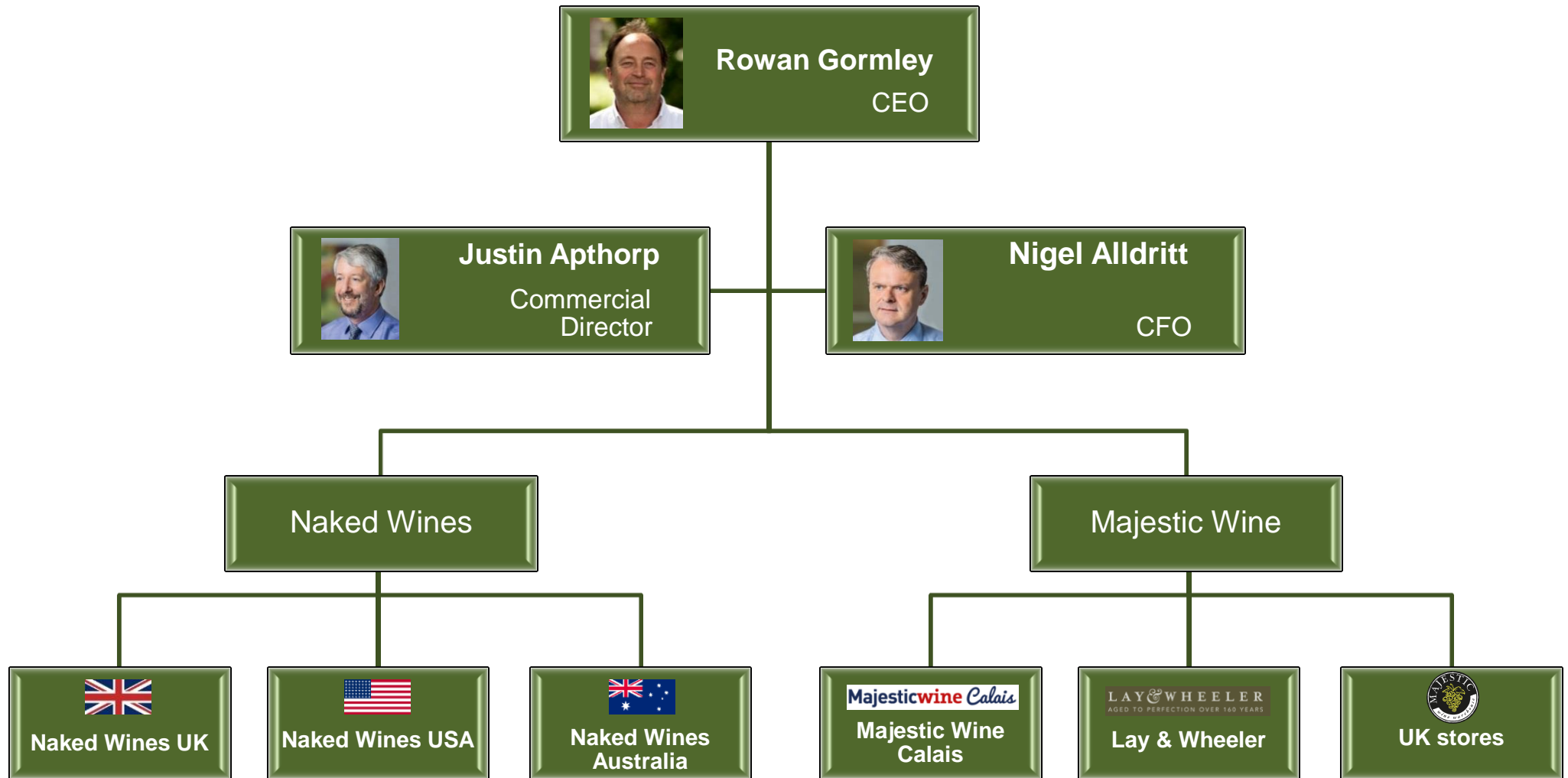
**Rowan Gormley**  
**CEO**

**Founder & CEO of Naked Wines**

**Founder & CEO of Virgin Wines**

**Previously founded Virgin ONE Account, Virgin Money**

# Executive team





# Rowan Gormley

CEO





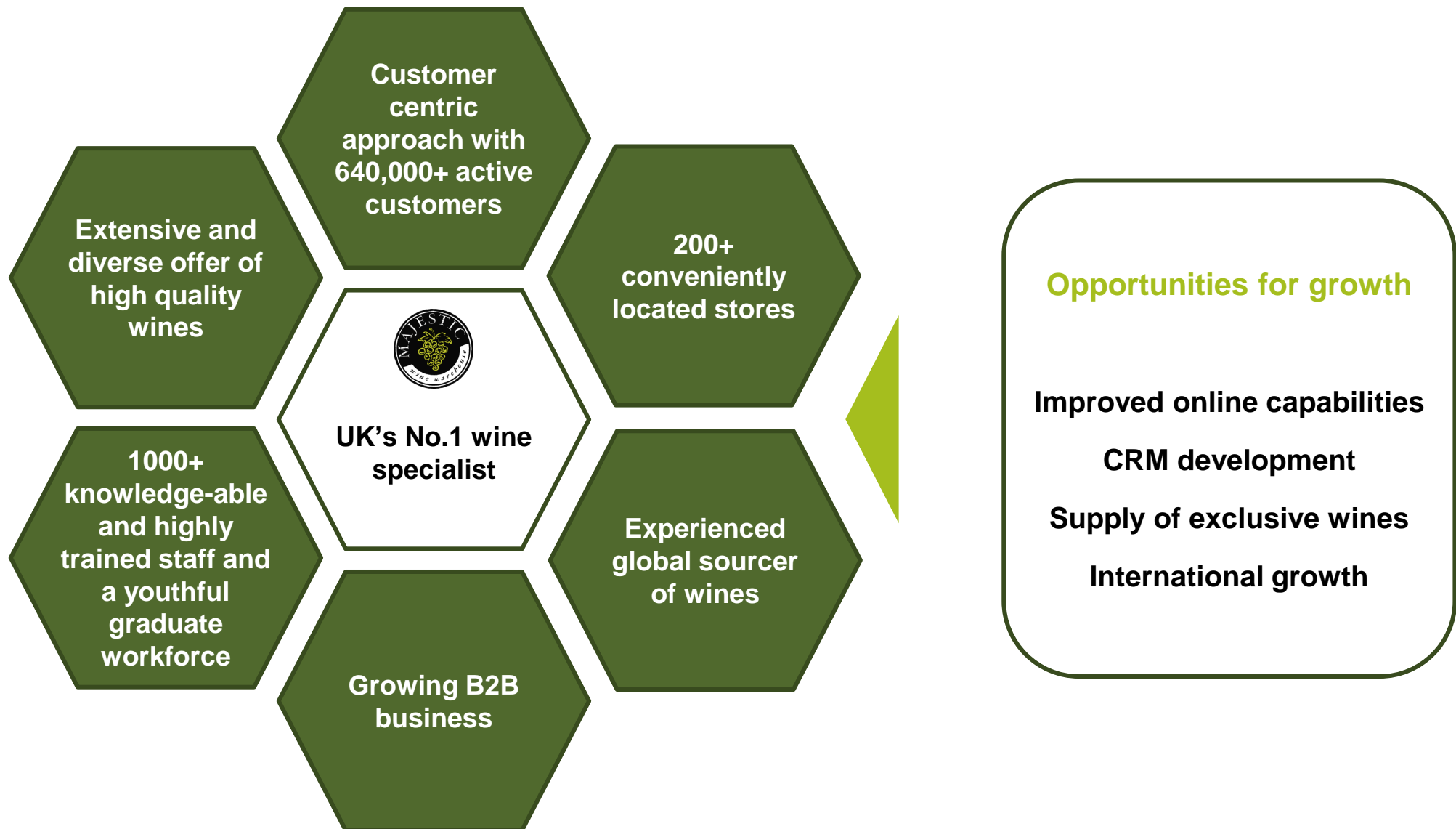
# The opportunity



To build a wine retailer...

- ❑ ...that can **THRIVE** in a market of commoditised, discounted and boring wines
- ❑ By giving customers the **INSPIRATION** they are looking for – and supermarkets can't provide
- ❑ By combining the core **STRENGTHS** of the two companies
  - Majestic's friendly knowledgeable staff and nationwide network
  - Naked Wines' ability to take customers on a journey
  - Both companies ability to source exclusive, exciting wines
- ❑ And using the **PREFERRED** tools customers want to use – especially mobile

# Majestic is well positioned in the UK as the No.1 specialist



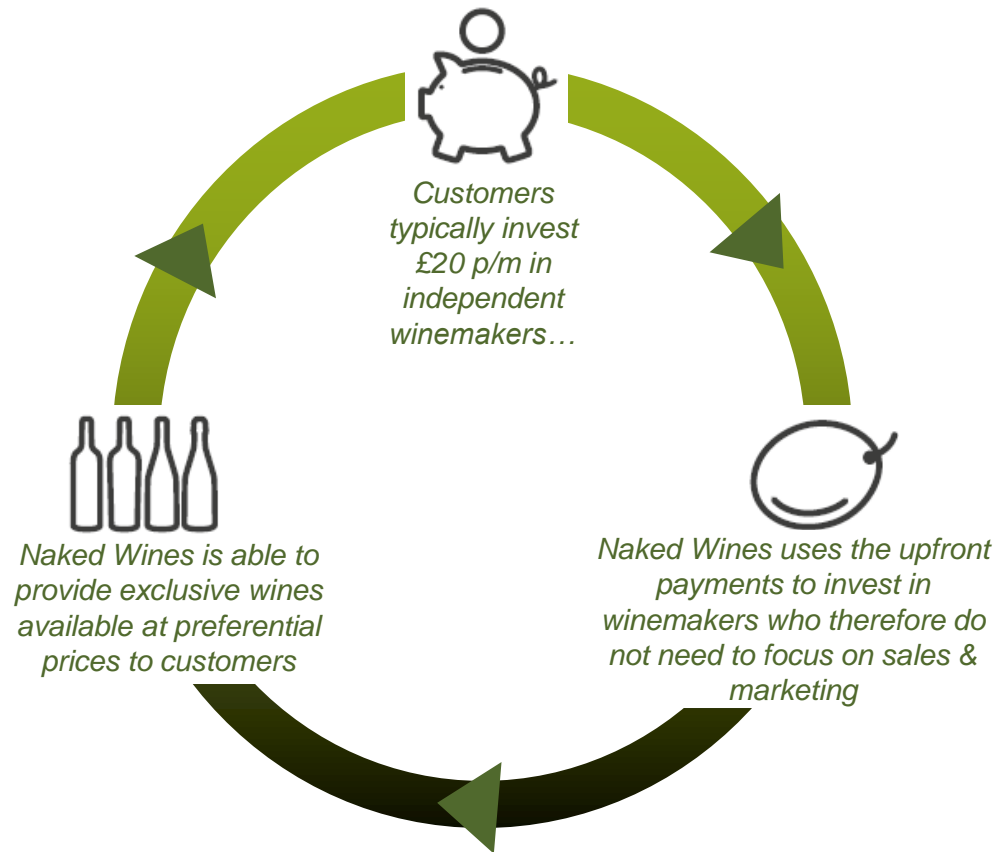


# The acquisition of Naked Wines dramatically accelerates growth opportunities of the enlarged business



- A unique, customer led business model with world class online and CRM expertise
- An eightfold increase in target market, through presence in the US and Australia
- Entrepreneurial culture and very strong talent pool

# Naked Wines – a unique, customer led business model

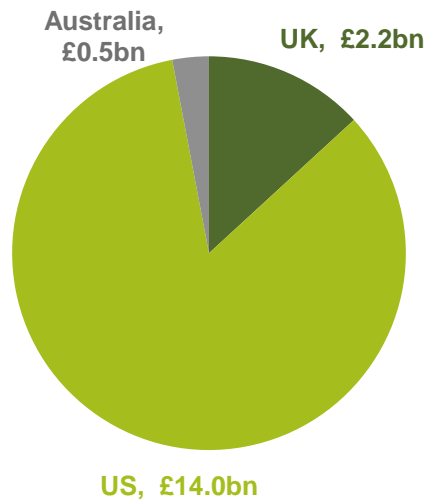


- ❑ A customer funded, online wine retailer
- ❑ Customer funding model delivers a sustainable cost/quality advantage over competitors, which leads to customer and winemaker loyalty
- ❑ Launched in 2008 in the UK, followed by USA and Australia in 2012
- ❑ Works with over 130 independent winemakers in 14 countries
- ❑ Strong recurring revenues with steady recurring cash in-flow from its 300,000+ strong subscriber base (called 'Angels')

# Naked Wines – international business means an eightfold increase in target market

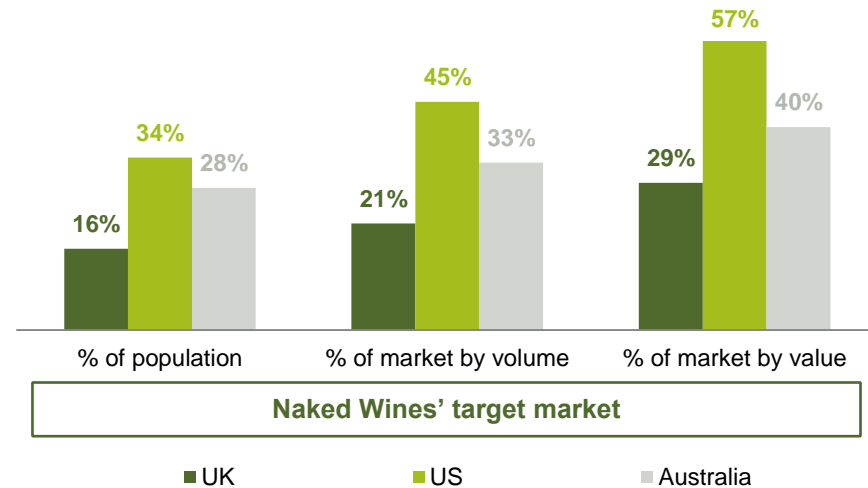


## Size of target market for Naked Wines



Source: Wine Intelligence

## Target market represents a large share by volume and even larger share by value



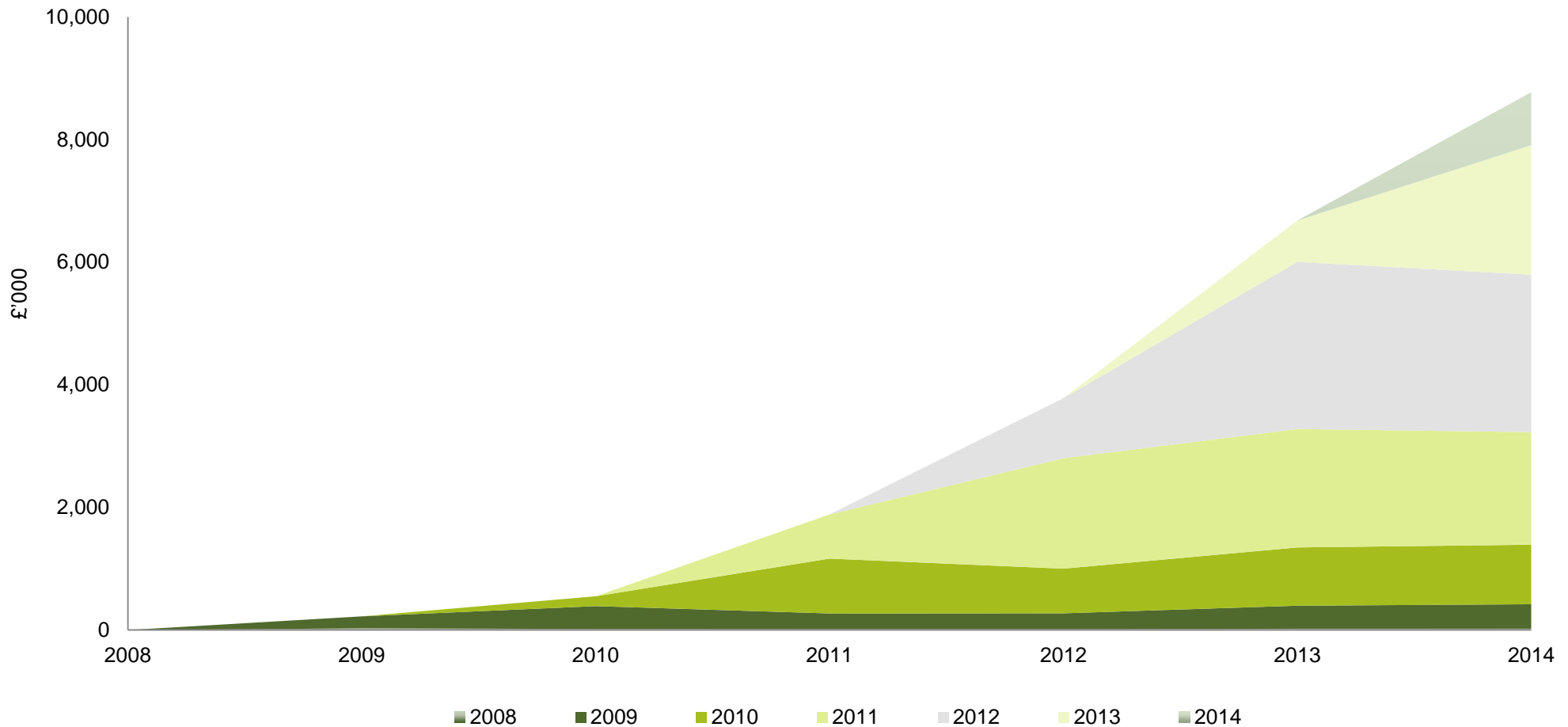
Source: Wine Intelligence

- ❑ Naked Wines defines its target market as wine drinkers who:
  - Spend more than £6 a bottle in the UK, and \$8 in US and Australia
  - Actively prefer to try new and different wines, rather than sticking to wines they know
  - Prefer to make considered purchase decisions
- ❑ Although they only make up a small percentage of the population, they represent a bigger share by volume and a materially bigger share by value
- ❑ Although the UK wine market is relatively flat overall, the target segment is growing at +3% a year
- ❑ US direct to consumer market is growing faster at 15+% a year

# Naked Wines – CRM expertise delivers excellent loyalty and lifetime values



Total contribution by year of Angel acquisition



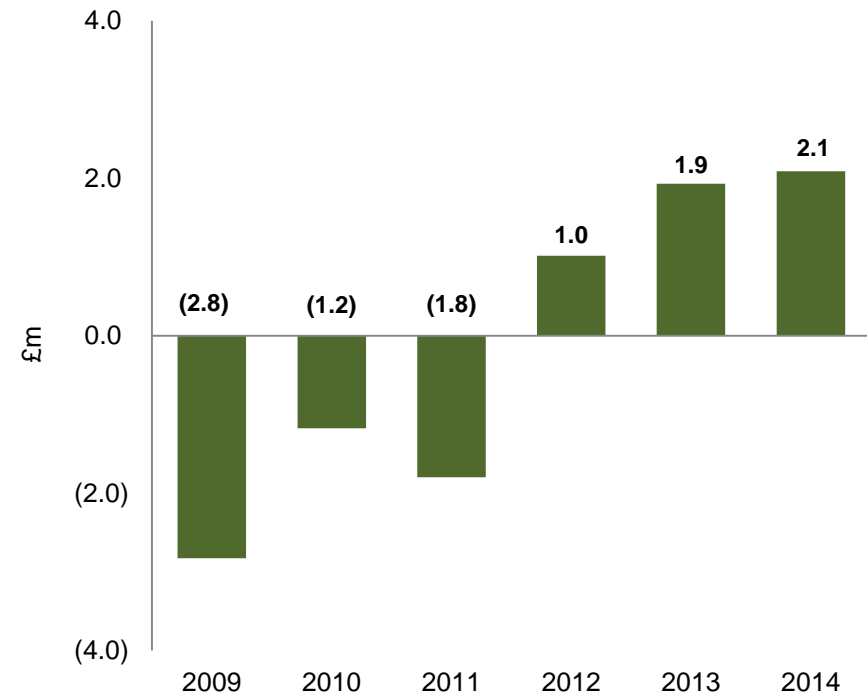
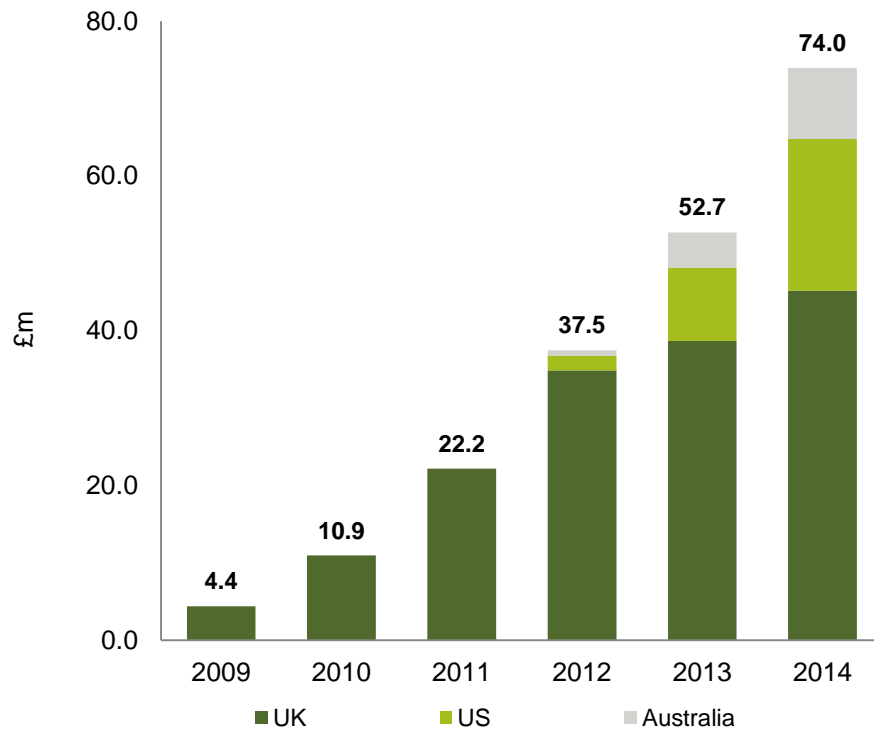
**Contribution compounds year on year driving growth, with even the earliest cohorts of Angels still in growth**

# Naked Wines – entrepreneurial culture has delivered significant growth



£74m of annual sales after 6 years<sup>1,2</sup>

UK in its fourth year of EBITDA profit<sup>1,3...</sup>



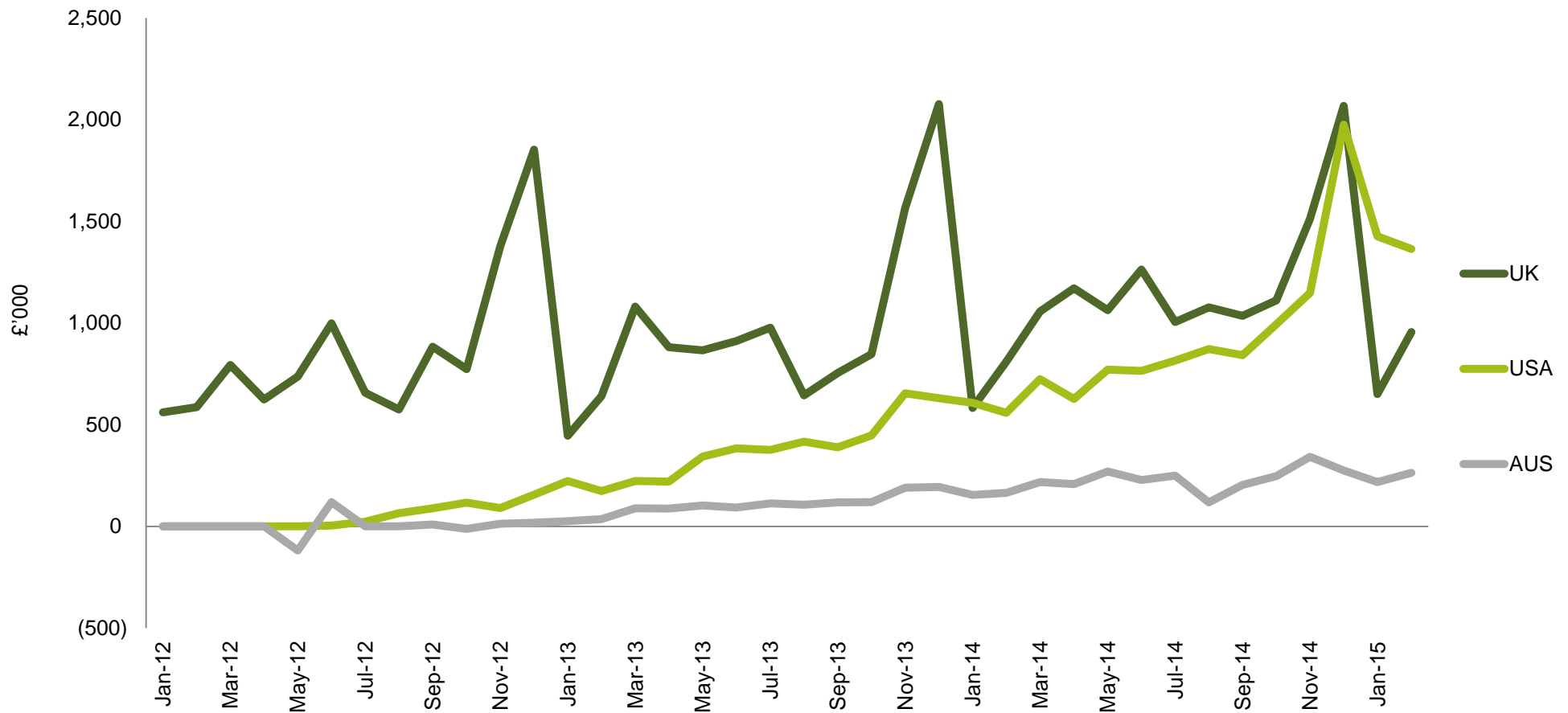
Note 1: Naked Wines year end to 31<sup>st</sup> December  
 Note 2: Total Naked Wines sales across all geographies  
 Note 3: EBITDA includes new customer acquisition costs

**The key to this growth is a robust test and learn culture, where Naked Wines prototypes new ideas, backs the ones that work and discards the ones that don't**

# Naked Wines – after just 3 years the international business in the US is starting to overtake the UK



## Naked Wines' monthly gross profit





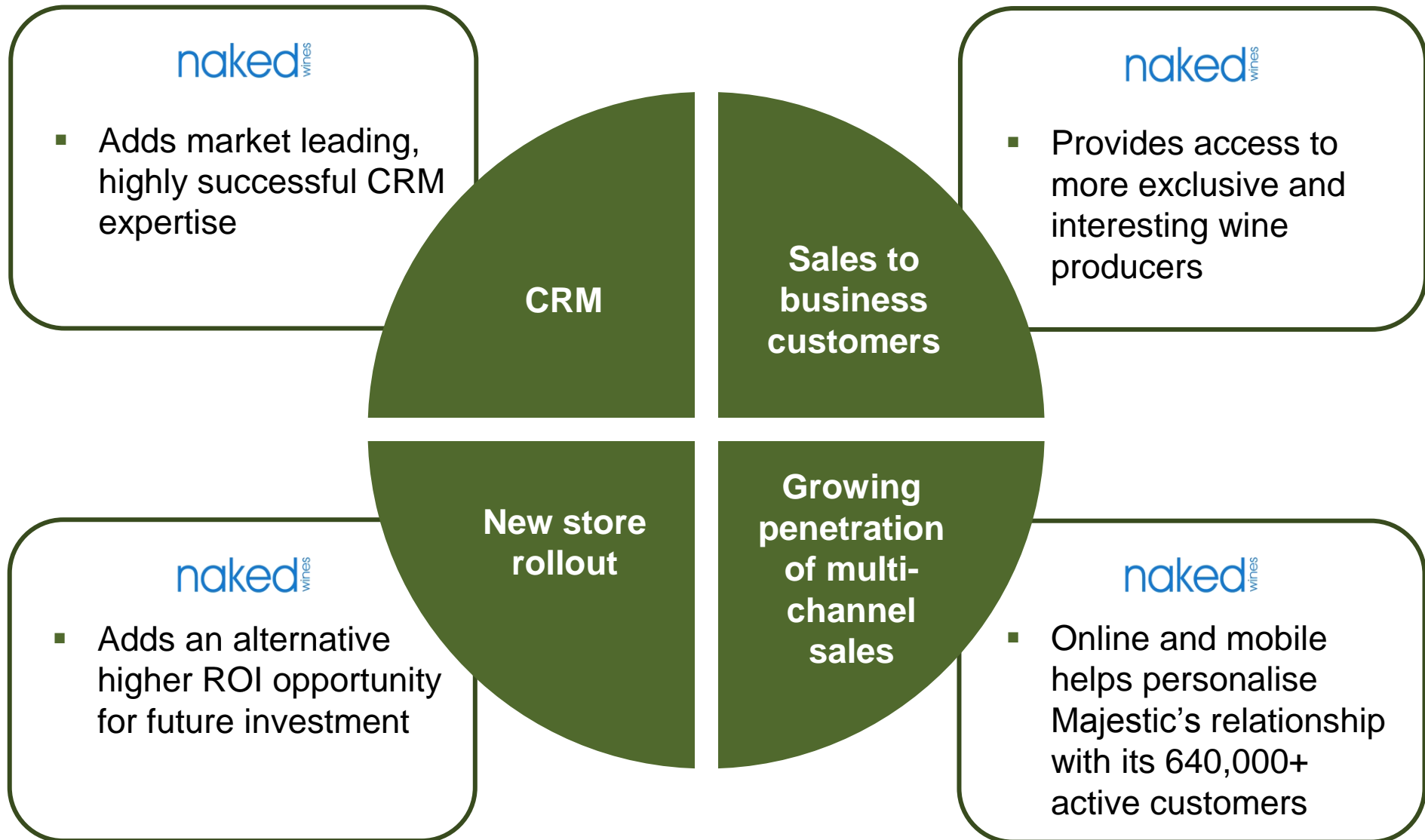


# Nigel Alldritt

CFO



# Acquisition will also accelerate and enhance Majestic's existing strategy





# Acquisition terms

- ❑ Maximum total consideration of up to £70m (0.9x Mar-15 sales)
  - Initial consideration of £50m in cash (0.6x Mar-15 sales), £30m of which utilised for existing debt repayment (with the £5m Naked Fine Wine Bond to be kept in place)
  - Performance related consideration of up to £20m<sup>1</sup> in ordinary shares
- ❑ Price compares well with relative valuations and supported by fundamental DCF valuation
  - Sales of £80m (Mar-15), up over 40% year on year
  - Although businesses are to be run separately, there is significant synergy potential which is not priced in
- ❑ Naked Wines as a whole expected to be profitable by FY to Mar-16 and the combined business EPS accretive in FY to Mar-17
  - Expected EBITDA loss of c.£2m for FY to Mar-15, including new customer acquisition costs
- ❑ Management are incentivised to deliver both Naked Wines' plan and grow Majestic
  - Over 70% of management's consideration is in Majestic's ordinary shares
  - All shares linked to performance criteria with the potential to vest over a 3 year period to Mar-19
  - Criteria are based on Naked Wines' target ROI of 75% and challenging growth in EBITDA



# Capital structure and debt coverage

- ❑ The transaction has been conservatively financed via a new five year £85m RCF provided by Barclays and HSBC
  - £50m drawn on day 1 implies opening net leverage of approximately 1.7x pro-forma EBITDA (3.8x lease adjusted net debt / EBITDAR)
  - Structuring enables ample headroom for the enlarged business' working capital requirements
  - Sufficient liquidity headroom to support growth for both businesses
- ❑ Transaction builds on Majestic's long-term banking relationship with Barclays, with HSBC's participation demonstrating the selective widening of Majestic's funding sources
- ❑ Final dividend for FY 2015 along with the interim dividend for FY 2016 will be withheld, with progressive reinstatement by FY 2018
  - Accelerates balance sheet deleveraging
  - Ensures sufficient working capital
  - Enables continued investment in the business
- ❑ Deleveraging profile anticipates net debt/EBITDA to be approx. 0.5x by Mar-18



# Rowan Gormley

CEO



# All stakeholders will benefit from the combination of the Majestic and Naked Wines model





# First steps to accelerate growth...



naked  
wines

1. Invest in customer acquisition in UK, USA and Australia
2. Test Click & Collect/personalised delivery of Naked Wines through Majestic's network



1. Reinvigorate entrepreneurial culture
2. Use Naked Wines CRM techniques to drive Majestic's store traffic
3. Use Naked Wines CRM capability to improve customer experience, loyalty and wallet share

- Further update on 15 June 2015 with the full year results announcement
- Investor and analyst event later in the year to update on progress

**This is the start of an exciting journey!**

**..and our commitment to the future**

---



**We will thrive in the large and growing global wine market**

**We will combine the complementary strengths of the two businesses**

**We will create value for our shareholders**



# Appendix



# Other transaction related information



## Performance related consideration in ordinary shares

	Tranche 1	Tranche 2	Tranche 3
<b>Number of ordinary shares (m)</b>	2.35	2.35	1.70
<b>Assessment period<sup>1,2,3</sup> (24 months to) and vesting date</b>	Mar-17	Mar-18	Mar-19
<p>Note 1: If 75% ROI and minimum investment thresholds are not achieved, Tranches 1 and 2 only roll over for one year (with ROI and investment testing over an extended period)</p> <p>Note 2: Payment subject to continued employment (with the exception of certain limited good leaver conditions)</p> <p>Note 3: Any outstanding tranches become payable at Mar-19 if EBITDA target is achieved</p>			

## Key debt terms

<b>Size</b>		<b>Pricing</b>	
Day 1 drawdown	£ 50m	Margin <sup>1</sup>	1.0% - 2.0% above LIBOR
Balance available for future drawdown	£ 35m	Arrangement fee	0.75%
Total RCF	£ 85m	Utilisation fee	0.2% - 0.4%
		Commitment fee	35% of margin
<b>Maturity</b>	<b>5 years</b>		
<b>Covenants</b>			
Leverage (net debt / EBITDA)	< 3.0x	Note 1: Margin based on leverage ratio	
Interest cover	> 4.0x		



# Naked Wines – further financial information

## P&L information<sup>1</sup>

<i>£m (Dec y/e)</i>	<b>2012</b>	<b>2013</b>	<b>2014</b>
No. of Angels	149,000	219,000	293,000
<b>Sales</b>	<b>37.5</b>	<b>52.7</b>	<b>74.0</b>
<i>Growth</i>	-	40.6%	40.4%
<b>EBITDA</b>	<b>(3.7)</b>	<b>(5.3)</b>	<b>(3.3)</b>
<i>Margin</i>	(9.8)%	(10.1)%	(4.5)%
Of which customer acquisition costs	(2.7)	(3.2)	(4.9)
<i>% sales</i>	(7.1)%	(6.1)%	(6.7)%
Depreciation	(0.1)	(0.1)	(0.1)
<b>EBIT</b>	<b>(3.8)</b>	<b>(5.5)</b>	<b>(3.5)</b>
<i>Margin</i>	(10.1)%	(10.4)%	(4.7)%

<i>£m (Dec y/e)</i>	<b>2012</b>	<b>2013</b>	<b>2014</b>
EBITDA UK	1.0	1.9	2.1
EBITDA USA	(3.3)	(5.3)	(4.0)
EBITDA Australia	(1.4)	(2.0)	(1.2)
NWI operating costs	-	-	(0.2)
<b>Total EBITDA</b>	<b>(3.7)</b>	<b>(5.3)</b>	<b>(3.3)</b>

## IMPORTANT NOTICE

This document, which has been prepared by Majestic Wine plc (the "**Company**"), has been prepared solely in connection with the acquisition by the Company of the entire issued share capital of Naked Wines International Limited (the "**Acquisition**") and the associated issue of new ordinary shares of 7.5 pence each (the "**Consideration Shares**") in the capital of the Company and the admission of the Consideration Shares to trading on the AIM market of the London Stock Exchange plc (the "**Issue**").

This document does not constitute or form part of any offer or invitation to sell or issue or any solicitation of any offer to purchase or subscribe for any shares or other securities of the Company nor shall it (or any part of it), or the fact of its distribution, form the basis of, or be relied upon in connection with or act as any inducement to enter into, any contract or commitment whatsoever. This document is not a recommendation regarding the securities of the Company. Recipients should not purchase, subscribe for or otherwise acquire any securities of the Company on the basis of this document or the presentation made in conjunction with this document (the "**Presentation**").

This presentation has not been approved by an authorised person within the meaning of the Financial Services and Markets Act 2000 ("**FSMA**"). Reliance on the information provided for the purpose of engaging in any investment activity, including subscribing for shares in the Company, may expose you to a significant risk of losing all of the property or other assets invested.

This document is being distributed only to and is only directed at: (i) persons in member states of the European Economic Area who are "qualified investors" within the meaning of Article 2(1)(e) of the Prospectus Directive (Directive 2003/71/EC) ("**Qualified Investors**"), (ii) persons in the United Kingdom: (a) who have professional experience in matters relating to investments falling within Article 19(5) of the Financial Services and Markets Act 2000 (Financial Promotion) Order 2005, as amended (the "**Order**"); (b) who are high net worth persons or entities falling within Article 49(2)(a) to (d) of the Order or (c) to whom it may otherwise be lawfully distributed (all such persons together being referred to as "**Relevant Persons**") and (iii) persons in the United States who are "qualified institutional buyers" ("**QIBs**") as defined in Rule 144A under the United States Securities Act of 1933, as amended (the "**Securities Act**"). Any person who is not either (i) both a Qualified Investor and a Relevant Person or (ii) a QIB should not act or rely on the information contained in this document. If you are in any doubt as to the matters contained in this document (including whether you fall within the definitions of Qualified Investor, Relevant Person or QIB), you should consult an authorised person specialising in advising on investments of the kind contained in this document. Any investment or investment activity to which this document relates is available only to Qualified Investors, Relevant Persons and QIBs.

This document does not constitute or form part of an offer or invitation to issue or sell, or the solicitation of an offer to subscribe or purchase, any securities to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful. This document and its contents are confidential and are being supplied to you for your own information and may not be distributed, transmitted, published, reproduced or otherwise made available to any other person, in whole or in part, directly or indirectly, for any purposes whatsoever.



In particular, this document should not be distributed, transmitted, published, reproduced or otherwise made available, directly or indirectly, in, into or from Canada, Australia, Japan, New Zealand, the Republic of South Africa or the United States, its territories or possessions or in any other jurisdiction outside of the United Kingdom where such distribution or availability may lead to a breach of any law or regulatory requirements. The distribution of this document in other jurisdictions may be restricted by law, and persons into whose possession this document come should inform themselves about, and observe, any such restrictions. Any failure to comply with these restrictions may constitute a violation of the laws of the relevant jurisdiction.

The securities of the Company have not been, and will not be, registered under the Securities Act, or under the applicable securities law or with any securities regulatory authority of any state or jurisdiction of the United States or under the securities laws of Australia, Canada, Japan, New Zealand, the Republic of South Africa or any state, province or territory thereof or any other jurisdiction outside the United Kingdom and may not be taken up, offered, sold, resold, pledged, transferred, delivered or distributed, directly or indirectly, through CREST or otherwise, within, into or from Australia, Canada, Japan, New Zealand, the Republic of South Africa or the United States, or to, or for the account or benefit of, any person with a registered address in, or who is a resident or ordinary resident in, or a citizen of such jurisdictions or to any person in any country or territory where to do so would or might contravene applicable securities laws or regulations except pursuant to an applicable exemption. The securities of the Company have not been approved or disapproved by the US Securities and Exchange Commission, any state securities commission or other regulatory authority in the United States, nor have any of the foregoing authorities passed upon or endorsed the merits of the Acquisition, the Issue or the accuracy or adequacy of this document. Any representation to the contrary is a criminal offence in the United States.

This document contains forward-looking statements that involve substantial risks and uncertainties and actual results and developments may differ materially from those expressed or implied by these statements by a variety of factors. Forward-looking statements are sometimes identified by the use of forward-looking terminology such as "believe", "expects", "may", "will", "could", "should", "shall", "risk", "intends", "estimates", "aims", "plans", "predicts", "continues", "assumes", "positioned" or "anticipates" or the negative thereof, other variations thereon or comparable terminology. These forward-looking statements speak only as at the date of this document. In addition, all projections, valuations and statistical analyses provided in this document may be based on subjective assessments and assumptions and may use among alternative methodologies that produce different results and should not be relied upon as an accurate prediction of future performance.

Except as required by applicable law or regulation, neither the Company nor any of its directors, officers, partners, employees, agents, affiliates, representatives or advisers undertakes or agrees any obligation to update or revise any forward-looking or other statements or information in this document, whether as a result of new information, future developments or otherwise and neither the Company nor any of their respective directors, officers, partners, employees, agents, affiliates, representatives or advisers or any other party undertakes or agrees or is under any duty to update this document or to correct any inaccuracies in, or omissions from, any such information which may become apparent or to provide you with any additional information. No statement in this document is intended as a profit forecast or profit estimate (unless otherwise stated).

To the fullest extent permitted by applicable law or regulation, no undertaking, representation or warranty or other assurance, express or implied, is made or given by or on behalf of the Company or any of its subsidiary undertakings or any of their respective directors, officers, partners, employees, agents, affiliates, representatives or advisers, or any other person, as to the accuracy, sufficiency, completeness or fairness of the information, opinions or beliefs contained in this document. This document has not been independently verified. Save in the case of fraud, no responsibility or liability is accepted by any person for any errors, omissions or inaccuracies in such information or opinions or for any loss, cost or damage suffered or incurred, howsoever arising, directly or indirectly, from any use of, as a result of the reliance on, or otherwise in connection with, this document. In addition, no duty of care or otherwise is owed by any such person to recipients of this document or any other person in relation to the Presentation.

This document and its contents are confidential and you and your directors, officers, partners, employees, agents and affiliates shall treat and safeguard as strictly private and confidential all information contained in this document and any oral information made available at the Presentation. You shall not use this document or the information contained herein in any manner detrimental to the Company.

By attending the Presentation and/or by receiving this document (whether in hard copy form or electronically), you irrevocably represent, warrant and undertake to the Company that: (i) you are (a) either a Relevant Person and a Qualified Investor or (b) a QIB; and (ii) you have read and agree to comply with, and be bound by, the contents of this notice.