MajesticWineplc

Dear Shareholders, Suppliers and Staff

We are in the very fortunate position of having a strategic choice.

Our business is in good shape. We are trading in line with expectations and growing. In the last three years, since its acquisition by Majestic, Naked Wines has doubled sales and delivered profitability in all three markets after increasing investment in new customer acquisition.

So we could keep going along as we are quite happily. Or we could accelerate our growth, which is a choice very few other retailers have.

I am writing to you today because we have decided to take the option of accelerating - and I wanted to explain our thinking to you directly.

In a nutshell...

1. We are on track
2. Our model of investing in customers rather than stores is working
3. The potential investment opportunity is bigger than we thought it was historically - and the returns are trending up.
4. Therefore we intend to step up our rate of growth, by increasing investment in customers - but we will do it safely, transparently and efficiently
5. And to give you better visibility of the company's performance, we will be increasing disclosures

If you're in a hurry, here is the quick version

- At current levels of investment, we add around £48m of future value per year by investing £12m in new customers at a lifetime return of 4x
- We believe that we have the potential to double the future value generated each year, because:
    - We have the opportunity to increase the level of investment
    - Returns are trending up
    - We have early indications that the same techniques work in Majestic Wine as well as Naked
- We are approaching this sensibly
    - We will invest an additional £9m to £12m, of which £7m to £10m is directed at growth and £2m will ensure we drive growth safely
    - We are enhancing our reporting to give you better information to assess our performance.
- As a result of this, profits will fall next year by £2m to £3m versus FY2018, but the rate of future value generation will increase from £48m to £80m+ a year

And if you have more time, here is the longer version:

Background - a quick timeline

- Majestic Wine acquired Naked Wines three years ago, after growth in the core business started to slow
- The three year plan was announced with the goal to deliver sustainable volume lead sales growth by investing in new customer acquisition rather than opening stores. A target of £500m of sales by 2019 was set.
- Three years on,
    - Sales are forecast to exceed £480m in FY18 with Naked having doubled in size since it was acquired
    - Adjusted EBIT is expected to hit £17.9m in FY18*. All Naked Wines markets are now profitable.
    - The acquisition debt is largely paid off, in part as we have stopped investing in new stores

1. This is our choice - we are on track

We are on track to achieve our £500m sales target in 2019, and to deliver profit in line with market expectations in FY18*. Our balance sheet is in good shape, with FY18 net debt expected to be reported at 0.4x EBITDA, and cash flow is strong - so we expect to pay a dividend in line with consensus estimates in FY2018 and FY2019.

2. Our model of investing in customers rather than stores is working

The reason we are in good shape despite a tough market is because our model is working. To refresh your memories, our model is:

- To aim for sustainable growth in shareholder value
- By investing in customer relationships rather than stores

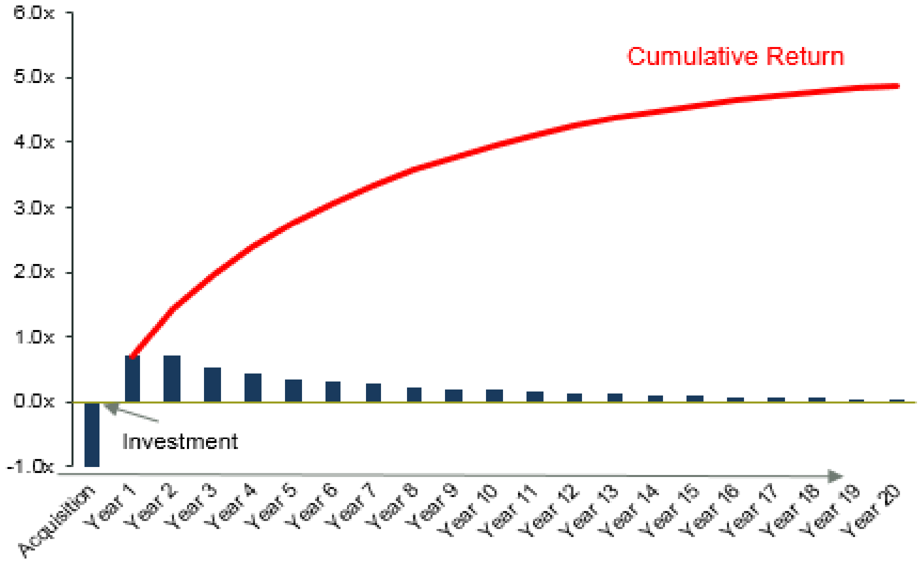
Practically what this means is that rather than investing in bricks and mortar, we are investing in acquiring new customers. We believe, and have good evidence to support, that this is a better strategy because:

- Investing in your customers makes you value them more, which improves loyalty, which builds a better business
- When you invest in bricks and mortar, you are committed for years - when you are investing in an advertising campaign on Facebook you are committed for days
- Finally, the payback is better. For every £1 we invest, we get a payback in excess of 4x.

Where does this 4x come from?

Take a look at this graph. We now have nearly 10 years of experience, with over a million customers, in three countries.

Average cohort economics
Naked Wines: All markets, Dec 2008 to Dec 2017
£ and LTV return including forecast period



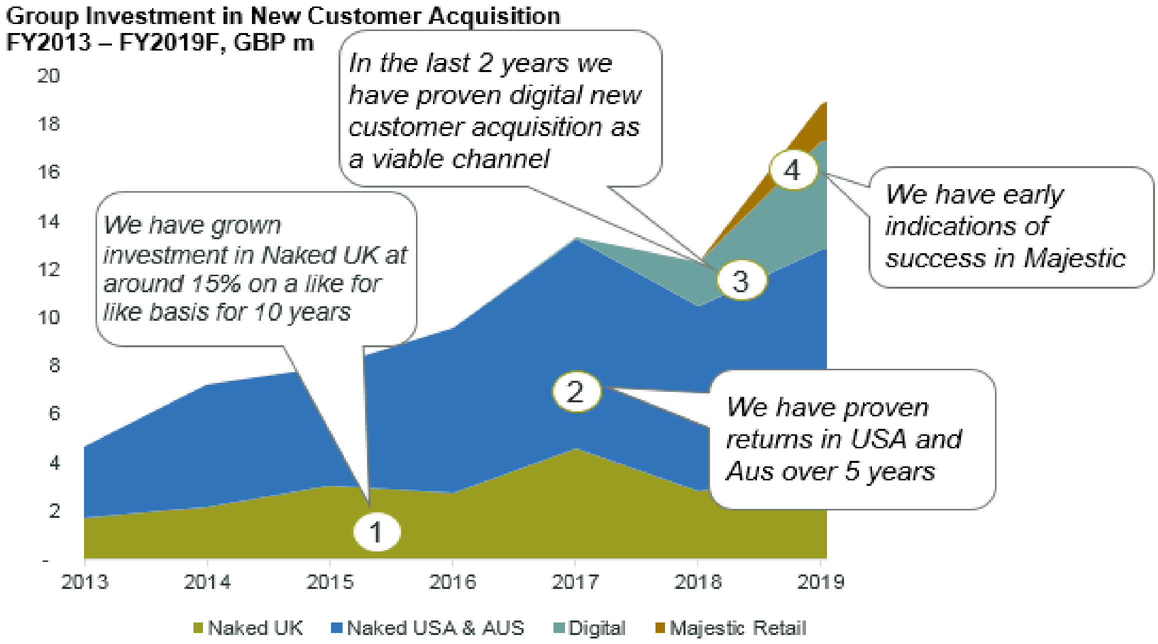
3. The potential investment opportunity is bigger than we thought it was historically

We currently invest around £12m a year in new customer acquisition, which, at a 4x payback, creates £48m of future value per year.

We believe we can double that - like this:

	Invest	**Payback**
Current	-£12m	£48m
Potential	-£24m	£100m+
Risk/Return	Months	Years

Why can we invest more? Because we have proven more opportunities and we have early indications that the same techniques that made Naked into a £150m+ business in under 10 years also work in Majestic Retail.



4. And some good news...returns are trending up, for 3 reasons

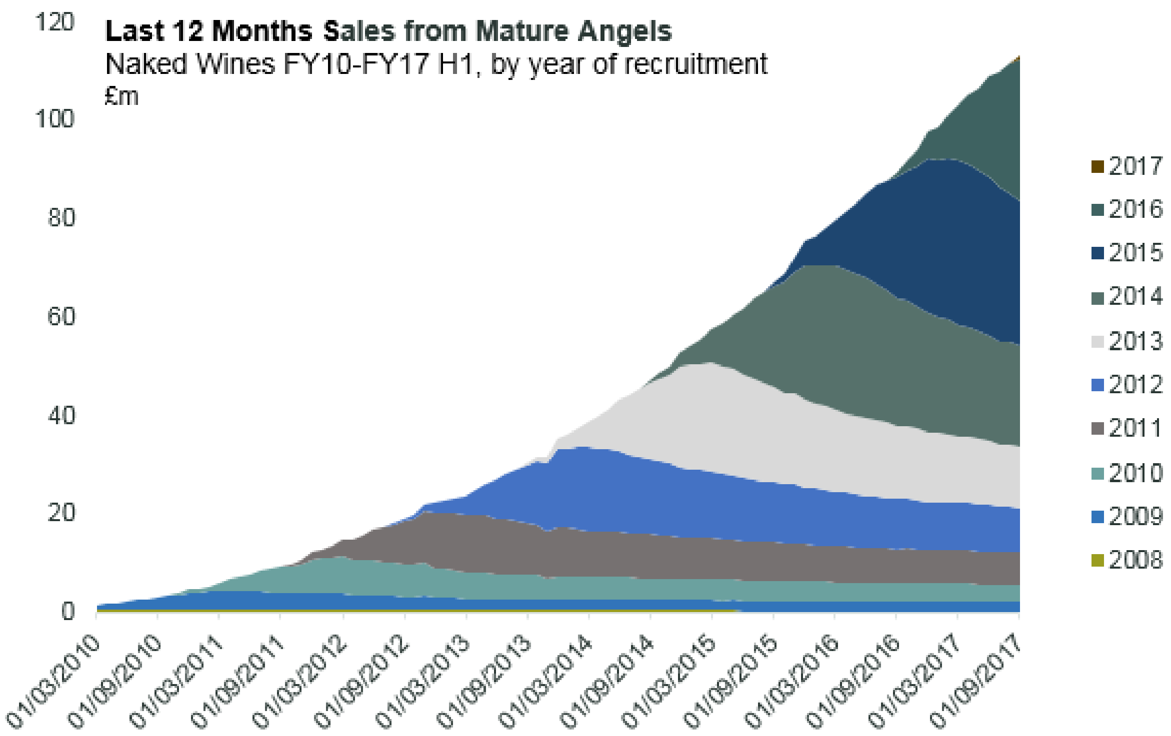
a. Retention is higher than previously reported
b. We are getting smarter - now that we have more data for longer periods we are able to optimise more effectively
c. The 4x payback figure we quoted includes all of our early test and learn experience - as we figure out what works, and don't repeat the tests that failed, returns creep up

The first point deserves more explanation

What we have discovered as the years go by is that customer retention is better than we forecast. Partly because we forecast conservatively, but also partly because the customers who stay are the best customers - better than the ones that leave.

What that means is that if we measure retention in sales terms, rather than in customer numbers our retention is more like 85% than the 70% we had been reporting.

This graph tells the story:



5. We plan to grow safely, efficiently and transparently

Our plan is to grow investment in new customer acquisition:

- At the rate at which we can prove new investment opportunities that meet our return criteria
- Prioritising long term value creation over short term EBIT
- Provided we can finance internally

The middle point is important, so I want to explain a little...what this means is we will keep investing as long as we are confident about the returns - we will not be pulling back on investment to hit short term targets. It does not mean, and I cannot emphasise this enough, that we will continue to invest if returns deteriorate. We track ongoing returns very closely and are very quick to pull out of investments that no longer deliver our required returns.

We are committed to growth, not for growth sake, but to build long term profits. If growth opportunities eventually dry up, we will switch from a growth to a cash strategy and return cash to shareholders.

To ensure that we invest safely and efficiently, we will also

- Maintain and strengthen our existing investment disciplines
- Invest in further controls and compliance ahead of growth, rather than playing catch up
- Invest in efficiencies in, for example, supply chain

6. We will enhance our reporting to make it easier for you to assess performance - and hold us to account.

Over the long term, you should measure success like any other company - through the P&L.

In the short term that is harder, because increased investment hits short term profits...and if we are successful in increasing investment at the rate we hope, that hit will be material and sustained.

To measure our real performance we need to separate

- Profit from existing customers - which is stable and predictable
- Results from investing in new customer acquisition -which may vary significantly from year to year depending on the opportunities available.

Therefore we will disclose six new measures to give you a real insight into our true underlying performance:

1. New Customer Contribution
2. Lifetime Return
3. Repeat Customer Sales
4. Repeat Customer Contribution
5. Repeat Customer Retention
6. Fixed Costs

Questions you may want to have answered:

1. How do you acquire new customers?

We acquire most of our customers by partnering with companies that have customers like ours e.g. Nordstrom or Barclays and digital campaigns e.g facebook advertising

2. What are you actually investing in?

We are not investing in hard assets – shops, vineyards or wineries – because the returns are low and the commitments are long. Instead, we invest in:
•Payments to partners for access to their customers
•Any profit or loss sustained on discounted first orders.

I.e. We invest in customers that pay us back over future years

3. How is investing in new customer acquisition different from marketing?

Unlike most retailers, we can track retention of acquired customers – and we know they pay back for years - we can do this with both Majestic and Naked

4. Are you going to have a repeat of the direct mail mistake you had two years ago?

The nature of test and learn is that we expect to have one step back for every few steps forward

BUT...

•The tests are smaller – eg USA nationwide digital test may cost £50k, rather than £1m

•We have tightened controls and are investing in these further

5. Will profits fall in the short term?

Yes. But only because we expense customer acquisition investment in year, rather than writing it off over 15 years (as we would with a new store)

6. What are you going to do IF investment potential shrinks?

•We will do what we have been saying all along: If we cannot allocate capital above our target return (4x payback) we will return to shareholders
We are not interested in growth for growth's sake

7. What if you're wrong, and the returns don't come through?

•We are taking it one step at a time

•The bulk of the planned spend for this year has already been tested and proven

•For the rest, if we are wrong…we know within 90 days, but if we are right…we earn returns for years

Summary
As I said at the beginning of this letter, we are in the fortunate position of having an option that not many retailers have...the option to accelerate growth.

The easy option would be to take it slowly and deliver steadily increasing sales and profits.

But the right option to optimise shareholder value is to do what we have chosen to do - to maximise investment as fast as we can prove the opportunities.

We believe the risk/reward analysis is clear

- The payback on investment is attractive and robust
- We have the investment disciplines in place to ensure we increase investment safely
- The downside is limited - if this strategy does not work we will know in a matter of months
- The upside is huge - if it does work, as we firmly believe it will, this strategy will deliver for years

Rowan Gormley
CEO, Majestic Wine plc
17 April 2018

MajesticWineplc

*Current analyst consensus estimates can be found below and on www.majesticwineplc.co.uk :

	FY 2018	FY 2019
Revenue	£484.3m	£518.0m
Adjusted EBIT	£17.9m	£20.8m
Adjusted Profit Before Tax	£16.8m	£19.9m
Adjusted, Diluted EPS	17.8 pence	21.1 pence
Dividend per share	5.6 pence	6.8 pence