Naked Wines plc
(“Naked Wines” or “Group”)
Half Year Results for the 26 weeks ending 28 September 2020

Acceleration delivering step change in scale

Accelerated growth rate sustained through H1 FY21[1]

- H1 FY21 revenues of £157.1m +80% vs H1 FY20
- Repeat customer contribution[5] of £36.2m, +£17.0m (+89%) as repeat customer contribution margin improves by 3.5 percentage points (“ppts”) to 29.0% on revenues +66%
- Material uplift in investment in new customers[5] +121% to £22.7m with 20 year payback[5] doubled to 7.6x driving growth in future value (5 year payback 3.9x, +70%)
- Adjusted EBIT[5] loss of £(3.2)m improved by £1.3m despite higher investment
- Loss before tax of £(8.9)m increased by £(2.7)m vs H1 FY20 driven by a non-cash write down
- Cash strengthened by £21.6m in the half year to £76.3m (H1 FY20: net debt £(21.0)m) with no COVID-19 related Government support taken

Operation scaled quickly and effectively in response to demand

- Warehouse capacity increased by 104%
- Customer service capacity increased by 80%
- Operating KPIs for availability, 5* customer service and wine quality ratings all remained above our 90% targets

Step change in scale is delivering enduring benefits

- Naked the largest direct to consumer (“DtC”) wine business in the USA by volume[6]
- Active Angels base +37% to 757k with strong indicators of future customer value
    - Newly acquired Angel retention and purchase frequency improved year on year
    - Contribution per new Angel currently tracking +99% vs historic averages
- Repeat contribution margin improvement driven by:
    - Improved gross margin due to mix shift towards the USA
    - Improved utilisation of supply chain and customer service capacity
- Fixed costs[5] as percentage of revenue reduced by 5ppts

Appointment of Chief Financial Officer and director

As announced on 17 November, Shawn Tabak will join as CFO on 7 December 2020.

Upgrading FY 2021 outlook

The positive trading momentum has been sustained into the start of the second half of the year, although we are mindful of significant levels of political and economic uncertainty.

The many scale achievements are seen as enduring and based on our central case assumptions we are upgrading expected sales growth to +55-65% for the current year.

Nick Devlin, Group Chief Executive, commented:

"Naked Wines is a bigger, better business than it was twelve months ago. The last six months have been a critical period in the development of the company. We have delivered exceptional growth and a permanent step change in scale and efficiency for the organisation. We have a business today that is not only larger, but structurally improved and ideally positioned to deliver sustained growth in the coming years.

Ultimately the most significant impact of COVID-19 on Naked Wines is not found in these interim results, but in the way it has accelerated the growth of the online wine category and increased consumer willingness to trial a new and better way to buy wine.

Delivering transformative growth, against a backdrop of new working conditions required by COVID-19, has required us to rapidly solve a series of operational challenges. We have done this whilst maintaining high levels of customer satisfaction and I am tremendously proud of the resilience, flexibility and capability displayed by our staff around the world. I would like to personally thank all of them for their commitment and the passion with which they have pursued our mission to connect the world's best independent winemakers to our community of wine drinkers.

Looking ahead, whilst the economic outlook remains uncertain, we move into the second half with continued trading momentum, supported by a strong cash balance and with conviction in the potential to unlock further growth opportunities in all our markets."

Total Group		**Reported**		
		H1 FY21	H1 FY20(1)	%YoY
Revenue	£m	157.1	87.5	+79.6%
Adj EBIT(2)(5)	£m	(3.2)	(4.5)(4)	+29.1%
Adj LBT(3)(5)	£m	(2.7)	(5.0)(4)	+46.6%
Loss for the period	£m	(8.1)	(5.4)	(49.3)%
Basic EPS	p	(11.1)p	(7.6p)	
Cash / (Net Debt)	£m	76.3	(21.0)	
Standstill EBIT(5) (rolling 12 month basis)	£m	26.0	4.0	+554.5%

Naked Wines plc will host an analyst and investor conference call at 2pm GMT / 9am EST / 6am PST on 19 November 2020. The briefing will be webcast using the following link https://webcasting.brrmedia.co.uk/broadcast/5f7d7d71c4d0076f2b93c8b4 alternatively it can be found on our website. To ask a question please dial in via the conference call line, call details are available from the Investor Relations Team at IR@nakedwines.com. A recording will also be made available after the meeting on our investor website results centre.

Notes:

(1) Unless otherwise stated, comparative figures reflect continuing operations only in H1 FY20 as a result of the disposal of the Majestic Wine and Lay & Wheeler businesses in the prior year.

(2) Adjusted EBIT is operating profit adjusted for amortisation and impairments of acquired intangibles and goodwill, acquisition costs, impairment charges, foreign exchange revaluations on PLC company foreign currency bank accounts and fair value movement through P&L on financial instruments.

(3) Adjusted LBT is defined as Adjusted EBIT less net finance income.

(4) This figure has been revised for share based payment charges which were previously included in adjusted items (see note 4 for an explanation of this change).

(5) This is an alternative performance measure. See the 'Definitions and Operational KPIs' from page 26 of this document.

(6) Naked the largest direct to consumer wine business in the USA by volume per internal management calculations based on market and company data.

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About Naked Wines plc

Naked Wines connects everyday wine drinkers with the world’s best independent winemakers.

Why? Because we think it's a better deal for everyone. Talented winemakers get the support, funding and freedom they need to make the best wine they’ve ever made. The wine drinkers who support them get much better wine at much better prices than traditional retail.

It's a unique business model. Naked Wines customers commit to a fixed prepayment each month which goes towards their next purchase. Naked in turn funds the production costs for winemakers, generating savings that are passed back to its customers. It creates a virtuous circle that benefits both wine drinker and winemaker.

Our mission is to change the way the whole wine industry works for the better. In the last year, we have served over 750,000 individual customers in the US, UK and Australia, making us a leading player in the fast growing direct-to-consumer wine market.

Our customers (who we call Angels) have direct access to over 230 of the world’s best independent winemakers making over 1,000 quality wines in 21 different countries. We collaborate with some of the world's best independent winemakers like Matt Parish (Beringer, Stags’ Leap) and 8-time Winemaker of the Year Daryl Groom (Penfolds Grange).

CHIEF EXECUTIVE REVIEW

A period of transformational growth

For winemakers around the world COVID-19 has completely reshaped demand and routes to market overnight. While continued economic uncertainty makes planning challenging, producers in the USA and Australia have also had to contend with difficult fire seasons.

At Naked, that backdrop has only strengthened our determination to disrupt the wine industry to the benefit of producers and consumers. With the depth of our community of over 750,000 Angel members we are able to support over 230 independent winemakers, offering them a growth-focussed, long-term partner and allowing them to focus on what they do best - making amazing wine. Together we know we can achieve things that wouldn't normally be possible, especially in the face of a global pandemic.

I believe the past six months have been a permanent step change for Naked and its future potential. With exceptionally strong trading performance in all markets, we have:

- Delivered an increase in repeat customer contribution +89% vs H1 FY20; the same growth we achieved in total between FY14 and FY20
- Grown Group revenue +80% to £157.1m
- Invested in new customers (up 121% to £22.7m) at 20 year payback of 7.6x, doubled from 3.8x in the prior year. On the five year basis, which we are moving to as our primary payback measure, this is an increase from 2.3x in H1 FY20 to 3.9x, implying an increase of +218% in future value generated to £89m
- Added 204k additional active Angels +37% in the last 12 months, now 757k

Adjusted EBIT was a loss of £(3.2)m for the first half, an improvement of £1.3m. The statutory loss for the period of £(8.1)m increased £2.7m year on year, driven principally by the non-cash write down in the fair value of deferred contingent consideration detailed later in this statement.

A step change in scale with enduring benefits

Deep in our ethos is the principle that growth is the engine that benefits all our stakeholders and we have seen that brought to life in the first half. The scale increase means we have a better business, as well as a substantially larger one:

- **Operating at scale:** starting to showcase the scale leverage potential of the Naked model
- **Our economics are improved:** repeat contribution margin enhancement of 3.5ppts, scale benefits and proposition improvement driving contribution margin and customer lifetime value[5] ("LTV") to new highs
- **Our appeal to winemakers is enhanced:** proving the potential of the Naked model to create a compelling home for the world's best winemakers

A reshaping of customer demand in our biggest market, the US

Whilst the strength of our business is clear in our first half performance, arguably the most important consequence of the pandemic has been the rapid acceleration of demand online in the wine category, most notably in the US market, which is where we believe the Group will add the most substantial value in the future.

The trend toward shopping online and for products with real provenance has been apparent for years. The pandemic has combined this with a period of people being more frequently at home, looking for safer and more convenient ways to buy the things they want. Quite simply, many customers did not know they could order wine online, to be delivered to their door, until

COVID-19 motivated them to look, and they are now embracing it. As a result, US online sales of wine have grown from 5% of off-premise value pre-COVID-19 to 20% in April of this year. Benefitting from this shift, the Naked US business delivered the strongest revenue growth in the first half (+95%) and now represents 49% of Group sales.

While that is exciting in itself, what is also clear is that the Direct to Consumer ("DtC") model which we operate has come of age. As a reminder, we believe our addressable market in the USA to be $20bn in value, with the "delivered to you" segment including online and DtC segments totalling $5bn, and the DtC sub-segment being $3bn in value. Following the periods of lockdown, we saw sustained growth of the DtC channel even as individual states began to re-open through summer and into the autumn with DtC market revenue +20% YoY in Q1 accelerating to +28% in Q2. This is evidence of consumer recognition that DtC models offer genuinely better value and within the DtC segment we continue to thrive. USA Today voted us the Best Wine Club in the US for the second year running, and we now ship one bottle in every five that is sold through DtC having grown our volume share across H1 FY21 to 21% vs 14% in H1 FY20 (source: SOVOS ShipCompliant 2020 DtC wine shipping report).

Looking ahead, we are ideally positioned to continue to grow in the US with favourable market conditions, positive customer retention and order patterns, ongoing heightened consumer awareness and enhanced business economics. This supports our ongoing initiatives to open further customer acquisition channels and scale our existing channels as marketing effectiveness is enhanced by an expanded addressable consumer base willing to buy online. Given this outlook, we believe there remains substantial growth headroom whilst maintaining strong investment returns. Consequently, we intend to continue to invest aggressively in growth and are well positioned to continue to expand our share of the online market in all our markets.

Delivering on our ambition to scale and improve the core business

Against the backdrop of disruption from COVID-19 I am incredibly proud of the work undertaken by my colleagues around the world to scale our operations and maintain focus on enhancing experiences for our customers and winemakers. A few personal highlights from the first half include:

1. **Scaling our operation while maintaining service levels:** Fulfilment capacity doubled (104%); full remote customer service model launched whilst maintaining 91% 5* feedback from customers.

2. **Engaging our customers in innovative and compelling ways:** The community we create by connecting our customers directly to winemakers has been more valuable than ever. There were over 900,000 comments on winemaker and Angel walls in the half and over 40,000 Angels have attended our 'Virtually Naked' tour and 'Thirsty Toosdays' events in the UK.

3. **Generating 45k orders on our automated ordering products:** Our Never Miss Out and WineGenie products are now subscribed by 16% of our customer base and we have future forward orders worth £12m.

4. **Living our pledge to change the industry:** As demand from on-premise retailers collapsed for quality independent winemakers in the summer we launched a $5m COVID Relief Fund. This resulted in us sourcing 105 new wines from 36 new winemakers, a number of which will be going on to become permanent in the range following high customer ratings.

5. **Supporting our communities:** We believe in paying it forward. In the UK we donated £115k to meals for the NHS, and 715 cases of wine to NHS workers. In the US, Our "Cellar Cru" red blend project raised $127,000 for Kenwood Volunteer Firefighters Association and our collaboration with star winemaker Daryl Groom on DRG "Wine with Heart" has raised $16,000 so far this year.

6. **Committing to support diversity and the underprivileged in the wine industry:** The Black Lives Matter movement brought the challenges of entering the wine industry for minorities into sharp focus. Alongside our sponsorship of a South African winemaking scholarship, we have partnered with The Roots Foundation to launch a full winemaking scholarship to University of California Davis, and are launching a mentor program to support new minority winemaking talent in the US.

Capital to invest in growth opportunities

We move into the second half with continued trading momentum, £76m of cash on the balance sheet and strong conviction in the potential for further growth in all our markets.

The progress we have made in the last six months lays the foundations for further investment in our core business, both in accelerating our rate of investment in customer acquisition and in continued investment in capability, especially in data, technology and people.

Our current assessment of the outlook for FY22 is to at least maintain the investment levels we expect to achieve in FY21 albeit with payback reverting towards our 4.0x target for 20 year forecast payback. We also intend to continue to invest alongside our winemakers to expand our range and build our reputation as the home to the world's best independent winemakers.

We maintain a disciplined approach with regard to capital allocation, investing where long-term returns are most attractive. We continue to believe we will create the most value for our shareholders by investing in high return growth opportunities whilst maintaining a robust balance sheet to give us competitive advantage. This approach has served us well throughout H1.

At this point in time with such a high degree of growth opportunity and continued global macroeconomic uncertainty, we see our balance sheet as a strategic asset, allowing us to be focused on realising the growth opportunities present in a time of disruption. Consequently, we are not planning any distributions or returns to shareholders at this time. We will, however, remain committed to returning surplus cash to our shareholders in the most efficient way should the circumstances arise in the future.

Appointment of Chief Financial Officer

I'm delighted that Shawn Tabak will be joining Naked on 7 December 2020 as CFO. Shawn is ideally suited to the role through his experience and his understanding of the US market will be valuable. I am excited about partnering with him to deliver the next stage in Naked's growth as we take another key step in our transition from British start-up to a US-led global pureplay.

I'm also pleased to continue to work with James Crawford following the support he has given over six years as CFO, guiding us through many challenges as a start-up to our current growth story. As UK MD, I am confident James will continue to grow our business in the years to come.

FINANCIAL REVIEW

Group performance

The Group has delivered a record growth performance and continues to trade strongly, with total sales in the first half +80% vs the prior year. Growth has accelerated in all of our markets, with the US becoming the clear lead market at 49% (H1 FY20: 45%) of Group sales.

Adjusted EBIT was a loss of £(3.2)m, down from £(4.5)m in the prior year. This reduction was achieved despite a substantial uplift in investment in new customers and higher fixed costs due to the strong growth in repeat sales and contribution from our existing customers.

Reported PBT dropped by £2.7m to £(8.9)m (H1 FY20: £(6.2)m) as a result of a write down in the fair value of the Calais-related deferred contingent consideration from the disposal of the Majestic Wine business (see adjusted items commentary below for a fuller explanation of this write-down).

Our headline performance has been strong in all markets with revenue +95% in the US, +76% in the UK and +48% in Australia. Growth was driven by:

- New customer sales +166%, with investment in new customers +121%
- Repeat customer sales +66%, with sales retention of 95% and contribution margin improved by 3.5ppts to 29.0%

Our growth rate accelerated slightly through the period as the high level of new customer sales started to translate into repeat customer orders. We expect this to moderate through the second half of the year as described in our updated central case assumptions below.

	H1 2021 £m	**H1 2020(1) £m**	**YoY %**
New customers			
- Revenue	32.2	12.1	+165.5%
- Contribution(5)	(22.7)	(10.3)	+120.9%
Repeat customers			
- Revenue	124.9	75.4	+65.8%
- Contribution(5)	36.2	19.2	+88.8%
Fixed costs (including central costs)(5)	(15.3)	(12.8)	(20.3)%
Marketing R&D spend	(0.8)	-	n/a
IFRS2 costs(4)	(0.6)	(0.6)	-

Adjusted EBIT[(5)]	**(3.2)**	**(4.5)**	**+29.1%**
Finance income / (charges)	0.5	(0.5)	n/a
Adjusted loss before tax	**(2.7)**	**(5.0)**	**+46.6%**
Memo: Total revenue	**157.1**	**87.5**	**+79.6%**
KPIs			
Forecast payback (5 year)	3.9x	2.3x	+69.6%
Forecast payback (20 year)	7.6x	3.8x	+100.0%
Year 1 payback (L12M)	67%	66%	+1.5%
Active Angels	757k	553k	+36.9%
Repeat customer sales retention	95%	79%	+16.0ppts
Repeat customer contribution margin	29.0%	25.5%	+3.5ppts
Standstill EBIT (L12M)	£26.0m	£4.0m	554.5%

New customers

Taking advantage of the market conditions and increase in online demand for wine, we increased investment in new customers by 121% in the period to £22.7m (H1 FY20 £10.3m), realising lower costs of acquisition for new customers due to a combination of favourable marketing costs and improved response rates. As a result of this, our forecast 20 year payback was strongly enhanced at 7.6x (H1 FY20 3.8x). At the full year results we introduced a five year forecast payback measurement period and on this basis we forecast payback of 3.9x (H1 FY20 2.3x). We will be moving to five year payback as our primary payback measure in future.

Contribution margin on new customer sales was (70)% vs (84)% in the prior year comparative, this improvement being due to lower marketing costs per new customer. Our central case forecast anticipates this trend reversing in the second half, assuming normalisation of the marketing environment and a reduction in the average number of bottles we include in first orders.

Note that the majority of the increase in new customer acquisition was in marketing spend, which is reported within administrative expenses in the consolidated income statement.

Repeat customers

The number of active Angels has grown by 37% in the last 12 months and our customer base now consists of 757k active Angels, i.e. those who have shopped as Angels in the last 12 months (H1 FY20: 553k). Revenue from repeat customer sales grew by 66% in the period reflecting the growing customer base and increased frequency of customer orders during the pandemic.

Of particular note is that repeat contribution sourced from the cohort of new customers recruited in the period constituted 22% of total repeat contribution in the period, significantly higher than prior years (H1 FY20: 6%) and represented 0.35x payback on the investment in this cohort being realised already (H1 FY20: 0.12x). As the data on this cohort builds so does the confidence in the quality of this cohort, where they are showing higher retention and early purchasing than equivalent cohorts in prior years, with trends consistent across markets and channels.

In addition, we saw an improvement in sales retention in the period to 95%, benefitting from an uplift in purchase frequency and therefore significantly ahead of our typical levels and the prior year (H1 FY20: 79%). Angel retention is showing an improvement for all cohorts, offset by a mix shift to younger tenures.

These factors converted to repeat customer contribution growth of 89% as margins improved to 29.0% vs 25.5% in the prior year. The drivers of this improvement were:

Underlying gross margin improvements:	+1.6%
Gross margin country mix shift	+0.6%
Fulfilment cost underlying improvements	+1.6%
Fulfilment costs country mix shift	-0.3%

The underlying gross margin improvements were, in part, a result of marketing and range changes necessitated by the increased order volume and as such are likely to reverse over time. The drivers of the remaining 1.9ppts, being driven by the scale and geographic distribution of the business, are more likely to be sustainable.

Fixed costs

Total fixed costs of £16.7m consist of £0.6m of IFRS2 share based payment charges, previously reported as adjusted items (H1 FY20: £0.6m), £0.8m spend from the marketing R&D fund and £15.3m of costs comparable to the prior year (H1 FY20: £12.8m), an increase of 20%. This is below our medium-term target that fixed costs should grow at half the rate of revenues but reflect:

1. Additional roles in support of the growth of the Group, most significantly the appointment of a new country Managing Director and a Director of Growth in the US and the annualisation of the appointment of Nick Devlin as CEO at a market aligned compensation package.
2. An enhanced variable compensation plan to reflect the level of discretionary effort being put in by the teams to support the extraordinary growth we have seen.

Standstill EBIT

Our calculated Standstill EBIT, a measure of our annual profitability if we only invested enough in new customers to maintain the size of the business, has substantially increased to £26.0m (H1 FY20 £4.0m). This increase is predominantly driven by a £21.1m increase in repeat contribution in the last twelve months, and also a £3m reduction in replenishment costs driven by improved retention and payback KPIs.

Financing costs and tax

Interest income of £0.5m (H1 FY20: £(0.5)m charge) is derived from our cash held on deposit with a range of banks and the non-cash amortised interest income on the loan note created as part of the disposal of the Majestic business.

Total tax credit of £0.8m (H1 FY20: credit £0.8m) amounts to an effective tax rate of 9.3%, substantially distorted by the non-deductible write down in the fair value of the deferred contingent consideration acquired on the disposal of Majestic and the non-recognition of deferred tax assets in UK Group companies whilst they remain likely to continue to be loss making.

Cash and cash flow drivers

The business has been strongly cash generative in the period with Free Cash Flow(5) of £20.6m (H1 FY20: cash utilised £(11.4)m). The main drivers of this have been:

- Adj. EBIT loss of £(3.2)m
- Outflows to build inventory of £(14.9)m
- Inflow from Angel fund increases of £17.6m
- Inflow from increased payables and accruals of £21.5m

As a result, we end the period with £76.3m of cash (H1 FY20: net debt £21.0m).

Free Cash Flow was materially affected by the net working capital improvement of £23.5m (H1 FY20: £(7.2)m outflow) in the period. This was the result of inventory levels remaining lower than planned whilst purchases, and consequently payable balances, increased as a result of accelerated sales. Looking forward, we anticipate needing to build further inventory to support the bigger customer base and the working capital cycle returning to historic patterns. We plan to maximise investment in customer acquisition and our technology and infrastructure to accelerate growth and maximise the opportunities ahead, while holding a material cash buffer against the economic uncertainty which continues. As a result, we are not making any distributions or returns of capital to shareholders at this time.

Adjusted items and write down in the fair value of Majestic Calais deferred contingent consideration

Our adjusted items totalled £6.2m in the period, up from £1.2m in H1 FY20 (after reclassifying IFRS2 charges to fixed costs).

The biggest driver of this was a £4.0m charge reflecting a write down to nil in the fair value of the deferred contingent consideration receivable for the Majestic Calais stores agreed as part of the disposal of the Majestic business. The terms of the disposal left £5m of consideration contingent on the post-Brexit regulatory environment and business performance of the Majestic Calais stores, which was fair valued at £4.0m as of the end of FY20. In September 2020 the UK Government outlined new personal allowances for duty free import of alcoholic beverages from Europe which are considerably lower than the personal import allowance in place when the UK was part of the EU customs union. It is the Board's understanding that this is likely to result in a material impact on the Majestic Calais business sufficient to render the consideration non-payable and as a result we have written down the fair value of this asset to nil.

Current trading and central case assumptions

We have sustained positive trading momentum into the start of the second half in all geographies. We remain mindful of significant levels of political and economic uncertainty, including the potential for future lockdowns across our geographies or operational disruption and the impacts these may have on peak purchasing at Christmas.

New customer recruitment remains heightened into autumn, and while we expect our metrics to revert once we experience more normalised trading conditions, we see many of the scale achievements as enduring. While we maintain a range of potential scenarios, we are upgrading our FY21 central case assumptions as follows:

- Total sales growth for the full year of around 55-65%
- Repeat customer contribution of £75m - £80m
- Investment in new customers of £40m - £45m with a slightly improved margin vs the prior year
- Fixed costs of £37m - £39m, which includes the marketing R&D spend of £3m and the IFRS 2 charge taken above the line of £2m

We remain committed to maximising our investment in new customer acquisition subject to meeting our returns criteria and will invest in inventory and operational capacity to support this. While it remains challenging to give detailed guidance for FY22, we are confident that we are well placed and envisage a central outlook including:

- Investment in new customers at or above the level expected to be achieved in FY21, with payback reverting towards our targeted 4.0x 20-year forecast
- A wide range of potential performance outcomes for repeat customers, ranging from reversion to historic purchase frequency (implying lower than historic sales retention due to FY21 uplift) to sustaining the higher frequency seen in the year to date (implying a reversion to historic levels of sales retention)
- Continued investment into our fixed cost base and continued R&D spending at levels similar to FY21

Independent review report to Naked Wines plc

We have been engaged by the company to review the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 28 September 2020 which comprises the income statement, statement of comprehensive income, the statement of changes in equity, the balance sheet, the cash flow statement and related notes 1 to 9. We have read the other information contained in the half-yearly financial report and considered whether it contains any apparent misstatements or material inconsistencies with the information in the condensed set of financial statements.

Directors' responsibilities
The half-yearly financial report is the responsibility of, and has been approved by, the directors. The directors are responsible for preparing the half-yearly financial report in accordance with the AIM Rules of the London Stock Exchange.

As disclosed in note 2, the annual financial statements of the group are prepared in accordance with IFRSs as adopted by the European Union. The condensed set of financial statements included in this half-yearly financial report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting," as adopted by the European Union.

Our responsibility
Our responsibility is to express to the Company a conclusion on the condensed set of financial statements in the half-yearly financial report based on our review.

Scope of review
We conducted our review in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council for use in the United Kingdom. A review of interim financial information consists of making inquiries, primarily of persons responsible for financial and accounting matters, and applying analytical and other review procedures. A review is substantially less in scope than an audit conducted in accordance with International Standards on Auditing (UK) and consequently does not enable us to obtain assurance that we would become aware of all significant matters that might be identified in an audit. Accordingly, we do not express an audit opinion.

Conclusion
Based on our review, nothing has come to our attention that causes us to believe that the condensed set of financial statements in the half-yearly financial report for the 26 weeks ended 28 September 2020 is not prepared, in all material respects, in accordance with International Accounting Standard 34 as adopted by the European Union and the AIM Rules of the London Stock Exchange.

Use of our report
This report is made solely to the company in accordance with International Standard on Review Engagements (UK and Ireland) 2410 "Review of Interim Financial Information Performed by the Independent Auditor of the Entity" issued by the Financial Reporting Council. Our work has been undertaken so that we might state to the company those matters we are required to state to it in an independent review report and for no other purpose. To the fullest extent permitted by law, we do not accept or assume responsibility to anyone other than the company, for our review work, for this report, or for the conclusions we have formed.

Deloitte LLP
Statutory Auditor
Cambridge, United Kingdom
18 November 2020

Unaudited consolidated income statement

For the period 26 weeks to 28 September 2020

	Note	**26 weeks to 28 Sep 2020 £'000**	26 weeks to 30 Sep 2019 £'000	52 weeks to 30 Mar 2020 £'000
Continuing operations				
Revenue		**157,098**	87,463	202,911
Cost of sales		**(95,220)**	(53,976)	(125,352)
Gross profit		**61,878**	33,487	77,559
Distribution costs		**(28,228)**	(15,825)	(34,955)
Administrative expenses		**(38,996)**	(23,332)	(47,478)
Fair value loss arising on deferred contingent consideration	*4*	**(4,043)**	-	-
Operating loss		**(9,389)**	(5,670)	(4,874)
Net finance income/(charges)		**497**	(541)	(501)
Loss before tax		**(8,892)**	(6,211)	(5,375)
Analysed as:				
Adjusted loss before tax *		**(2,684)**	(5,022)	(2,896)
Adjusted items*:				
- Non-cash charges relating to acquisitions	*4*	**(1,823)**	(1,823)	(3,646)
- Other adjusted items	*4*	**(4,385)**	634	1,167
Loss before tax		**(8,892)**	(6,211)	(5,375)
Tax	*5*	**830**	810	(1,310)
Loss for the period from continuing operations		**(8,062)**	(5,401)	(6,685)
Discontinued operations				
(Loss)/profit from discontinued operations, net of tax		**-**	(1,012)	14,837
(Loss)/profit for the period		**(8,062)**	(6,413)	8,152
Loss per share - continuing operations				
Basic and diluted	*6*	**(11.1p)**	(7.6p)	(9.3p)
(Loss)/earnings per share - Total Group				
Basic	*6*	**(11.1p)**	(9.0p)	11.3p
Diluted	*6*	**(11.1p)**	(9.0p)	11.1p

* Share based payment charges have been reclassified in the period from adjusted items and are included within adjusted loss before tax in the 26 weeks to 28 September 2020. Comparatives have been restated accordingly. See note 4 for further details.

Unaudited consolidated statement of comprehensive income

For the period 26 weeks to 28 September 2020

	26 weeks to 28 Sep 2020 £'000	26 weeks to 30 Sep 2019 £'000	52 weeks to 30 Mar 2020 £'000
(Loss)/profit for the period	**(8,062)**	(6,413)	8,152
Items that may be reclassified subsequently to profit or loss:			
Exchange differences on translation of foreign operations	**342**	1,125	(1,320)
Other comprehensive income/(loss)	**342**	1,125	(1,320)
Total comprehensive (losses)/income for the period	**(7,720)**	(5,288)	6,832

The total comprehensive income for the period and the prior periods is wholly attributable to the equity holders of the parent company, Naked Wines plc.

Unaudited consolidated statement of changes in equity

For the period 26 weeks to 28 September 2020

	Note	Share capital £'000	Share premium £'000	Capital reserve - own shares £'000	Capital redemption reserve £'000	Currency translation reserve £'000	Retained earnings £'000	Total shareholders' funds £'000
At 1 April 2019		5,411	21,116	(17)	363	2,701	79,577	109,151
Adjustment on initial application of IFRS16		-	-	-	-	-	36	36
Loss for the period		-	-	-	-	-	(6,413)	(6,413)
Other comprehensive income for the period		-	-	-	-	1,125	-	1,125
Shares issued		51	47	-	-	-	(49)	49
Credit to equity for equity settled share based payments		-	-	-	-	-	482	482
Deferred tax on share based payments		-	-	-	-	-	(450)	(450)
At 30 September 2019		**5,462**	**21,163**	**(17)**	**363**	**3,826**	**73,183**	**103,980**
Profit for the year		-	-	-	-	-	14,565	14,565
Other comprehensive loss for the period		-	-	-	-	(2,445)	-	(2,445)
Shares issued		4	(1)	-	-	-	(4)	(1)
Credit to equity for equity settled share based payments		-	-	-	-	-	1,213	1,213
Dividends paid	*7*	-	-	-	-	-	(3,786)	(3,786)
Deferred tax on share based payments		-	-	-	-	-	53	53
At 30 March 2020		**5,466**	**21,162**	**(17)**	**363**	**1,381**	**85,224**	**113,579**
Loss for the period		**-**	**-**	**-**	**-**	**-**	**(8,062)**	**(8,062)**
Other comprehensive income for the period		**-**	**-**	**-**	**-**	**342**	**-**	**342**
Shares issued		**19**	**-**	**-**	**-**	**-**	**(19)**	**-**
Transfer of shares into an employee benefit trust		**-**	**-**	**17**	**-**	**-**	**(17)**	**-**
Credit to equity for equity settled share based payments		**-**	**-**	**-**	**-**	**-**	**461**	**461**
Deferred tax on share based payments		**-**	**-**	**-**	**-**	**-**	**102**	**102**
At 28 September 2020		**5,485**	**21,162**	**-**	**363**	**1,723**	**77,689**	**106,422**

Unaudited consolidated balance sheet

As at 28 September 2020

	Note	28 Sep 2020	30 Sep 2019	30 Mar 2020
		£'000	£'000	£'000
Non-current assets				
Goodwill and intangible assets		34,205	41,036	35,996
Property, plant and equipment		1,297	2,111	1,234
Right-of-use assets		3,373	4,804	5,289
Investment property		877	-	899
Deferred tax assets		3,107	2,681	3,309
Other receivables		9,413	-	13,005
		52,272	**50,632**	**59,732**
Current assets				
Inventories		84,917	81,409	69,935
Trade and other receivables		7,084	8,545	5,737
Financial instruments at fair value		352	95	539
Cash and cash equivalents		76,383	10,870	54,736
		168,736	**100,919**	**130,947**
Assets classified as held for sale	*8*	-	194,526	953
Total current assets		**168,736**	**295,445**	**131,900**
Total assets		**221,008**	**346,077**	**191,632**
Current liabilities				
Trade and other payables		(47,495)	(29,216)	(26,046)
Deferred Angel and other income		(61,102)	(44,673)	(43,632)
Lease liabilities		(749)	(1,271)	(1,165)
Provisions		(1,407)	(1,235)	(1,165)
Bond financing		(78)	(85)	(84)
Financial instruments at fair value		-	-	(143)
		(110,831)	**(76,480)**	**(72,235)**
Liabilities directly associated with assets classified as held for sale	*8*	-	(127,636)	-
Total current liabilities		**(110,831)**	**(204,116)**	**(72,235)**
Non-current liabilities				
Provisions		(326)	(511)	(348)
Bank loan		-	(31,820)	-
Lease liabilities		(2,711)	(3,763)	(4,198)
Deferred tax liabilities		(718)	(1,887)	(1,272)
		(3,755)	**(37,981)**	**(5,818)**
Total liabilities		**(114,586)**	**(242,097)**	**(78,053)**
Net assets		**106,422**	**103,980**	**113,579**
Shareholders' funds				
Called up share capital		5,485	5,462	5,466
Share premium		21,162	21,163	21,162
Capital reserve - own shares		-	(17)	(17)
Capital redemption reserve		363	363	363
Currency translation reserve		1,723	3,826	1,381
Retained earnings		77,689	73,183	85,224
Equity shareholders' funds		**106,422**	**103,980**	**113,579**

Unaudited consolidated balance sheet

We confirm that to the best of our knowledge:
(a) the condensed set of financial statements has been prepared in accordance with IAS 34 ”Interim Financial Reporting”;
(b) the interim management report includes a fair review of the information required by DTR 4.2.7R (indication of important events during the first 26 weeks of the year); and
(c) the interim management report includes a fair review of the information required by DTR 4.2.8R (disclosure of related parties’ transactions and changes therein).

By order of the Board

James Crawford
Chief Financial Officer
18 November 2020

Unaudited consolidated cash flow statement

For the period 26 weeks to 28 September 2020

	Note	26 weeks to 28 Sep 2020 £'000	26 weeks to 30 Sep 2019 £'000	52 weeks to 30 Mar 2020 £'000
Cash generated by operating activities				
Cash generated/(utilised) by operations	*9*	**21,777**	**(10,393)**	**(117)**
UK income tax received/(paid)		**274**	(367)	(276)
Overseas income tax paid		**(515)**	(452)	(268)
Net cash generated/(utilised) by operating activities - continuing operations		**21,536**	**(11,212)**	**(661)**
Net cash generated by operating activities - discontinued operations		**-**	8,775	22,290
Net cash generated/(utilised) by operating activities		**21,536**	**(2,437)**	**21,629**
Cashflows from investing activities				
Disposal of discontinued operations, net of cash disposed of		**-**	**-**	63,761
Interest received		**116**	**-**	-
Purchase of property, plant and equipment		**(464)**	(1,569)	(569)
Purchase of intangible fixed assets		**(102)**	(625)	(544)
Purchase of prepaid lease assets		-	(18)	-
Proceeds from sale of assets classified as held for sale		**953**	-	-
Net cash generated/(used) in investing activities - continuing operations		**503**	**(2,212)**	**62,648**
Net cash used in investing activities - discontinued operations		-	-	(2,430)
Net cash generated/(used) in investing activities		**503**	**(2,212)**	**60,218**
Cashflows from financing activities				
Interest paid		-	(467)	(344)
Issue of ordinary share capital		-	48	53
Repayments of principal under lease liabilities		(567)	(5,840)	(1,153)
Draw down of borrowings		-	9,300	-
Repayment of borrowings		(6)	(14)	(22,459)
Equity dividends paid		-	-	(3,786)
Net cash from financing activities - continuing operations		**(573)**	**3,027**	**(27,689)**
Net cash from financing activities - discontinued operations		**-**	**-**	**(6,625)**
Net cash from financing activities		**(573)**	**3,027**	**(34,314)**
Net increase/(decrease) in cash		**21,466**	**(1,622)**	**47,533**
Cash and cash equivalents at beginning of year		54,736	6,997	6,997
Effect of foreign exchange rate changes		181	393	206
Cash and cash equivalents at end of the period		**76,383**	**5,768**	**54,736**

Notes to the unaudited financial statements

1. General information

Naked Wines plc is a public limited company ("Company") and is incorporated in the United Kingdom under the Companies Act 2006. The Company's ordinary shares are traded on the Alternative Investment Market ("AIM").

The registered office is Norvic House, Chapel Field Road, Norwich, NR2 1RP. The Group's principal activity is the online retailing of wines, beers and spirits. The Company's principal activity is to act as a holding company for its subsidiaries.

2. Basis of preparation

The annual financial statements of the Group are prepared in accordance with International Financial Reporting Standards (IFRSs) as adopted by the European Union and the accounting policies set out in the annual report for the year ended 30 March 2020.

The information for the year ended 30 March 2020 does not constitute statutory accounts as defined in section 434 of the Companies Act 2006. A copy of the statutory accounts for that year has been delivered to the Registrar of Companies. The auditor's report on those accounts was not qualified, did not include a reference to any matters to which the auditors drew attention by way of emphasis without qualifying the report and did not contain statements under section 498(2) or (3) of the Companies Act 2006.

The condensed set of financial statements included in this interim report has been prepared in accordance with International Accounting Standard 34 "Interim Financial Reporting" as adopted by the European Union. The condensed financial statements are not statutory accounts. The financial reporting period represents the 26 week period to 28 September 2020 and the prior period, 26 weeks to 30 September 2019.

Going concern

The Directors have, at the time of approving the interim financial statements, a reasonable expectation that the Company and the Group have adequate resources to continue in operational existence for the foreseeable future. The Group has continued to experience current trading ahead of expectations during the course of the 26 weeks to 28 September 2020. Management have prepared a conservative forecast covering more than the next complete financial year which supports the assumption of going concern which has been reviewed by the Board of Directors. Management have also produced two maximum stress downside scenarios which have been deliberately engineered to challenge the Group's liquidity position in the very short term by either a sustained reduction in Angel numbers or a single one-off exit of Angel numbers and which have been assessed for likelihood and determined to be highly unlikely in the face of current trading and realistic worst case expectations.

These forecasts and the analysis demonstrate that the Group's freely deployable cash reserves and its ability to moderate working capital flows over a realistic timescale are sufficient for the Group to meet its obligations as they fall due for a forecast period of more than twelve months beyond the date of the signing of these financial statements.

Accordingly, the Directors have continued to adopt the going concern basis of accounting in preparing the financial statements.

3. Segmental reporting

IFRS 8 requires operating segments to be determined based on the Group's internal reporting to the Chief Operating Decision Maker (CODM). The CODM has been determined to be the Board as it is primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

Following the disposal of the Majestic Wine businesses and the Lay & Wheeler businesses in 2019, the Group only operates one distinct business unit, being Naked Wines which is a customer funded international online wine retailer.

Performance of this Business Unit is assessed on revenue, adjusted EBIT (being operating profit less any adjusted items) and adjusted PBT (being profit before taxation less any adjusted items). These are the financial performance measures that are reported to the CODM, along with other operational performance measures, and are considered to be useful measures of the underlying trading performance of each segment. Adjusted items are not allocated to the operating segment as this reflects how they are reported to the Board.

Operating segments set out below reflect the segments on which the performance of the business is presented to the Board. The Board considers that, as a single route to market and solely consumer facing business, the business is comprised of a single segment being exposed to similar underlying economic drivers across its whole business. The Group reports revenue from external customers as a single product group being wine and associated beverages.

Costs relating to centralized Group functions are not allocated to the operating segment for the purposes of assessing segmental performance and consequently central costs are presented as a separate segment. For the first time in 26 weeks to 28 September 2020, share based payment charges have been reclassified from adjusted items to adjusted EBIT in order to reflect their now stabilized and recurring nature as a cost to the group. Comparative statements have been restated accordingly and are included in unallocated costs.

Revenues are attributed to the countries from which they are earned. The Group is not reliant on a major customer or group of customers.

26 weeks to 28 Sep 2020	**Naked Wines**	**Un-allocated**	**Total**
	£'000	**£'000**	**£'000**
Reported revenue	**157,098**	**-**	**157,098**
Segment result - adjusted EBIT	**4,117**	**(7,298)**	**(3,181)**
Finance income	10	557	**567**
Finance charges	(70)	-	**(70)**
Adjusted profit/(loss) before taxation	**4,057**	**(6,741)**	**(2,684)**
Adjusted items:			
- Non-cash items relating to acquisitions			**(1,823)**
- Other adjusted items			**(4,385)**
Loss before taxation			**(8,892)**
Depreciation	749	25	**774**
Amortisation	-	1,891	**1,891**

Geographical analysis	**UK**	**US**	**Australia**	**Total**
	£'000	**£'000**	**£'000**	**£'000**
Reported revenue	57,750	76,511	22,837	**157,098**
Non-current assets excluding deferred tax assets	44,667	3,910	588	**49,165**

3. Segmental reporting (continued)

26 weeks to 30 Sep 2019

	Continuing operations			Discontinued operations				Group
	Naked Wines	Un-allocated	Total	Retail	Commercial	L&W	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Segment revenue	87,463	-	87,463	116,492	21,848	7,693	146,033	233,496
Movement in en primeur sales	-	-	-	-	-	(477)	(477)	(477)
Reported revenue	87,463	-	87,463	116,492	21,848	7,216	145,556	233,019
Segment result - adjusted EBIT *	911	(5,392)	(4,481)	1,293	587	298	2,178	(2,303)
Finance charges	(74)	(467)	(541)	(901)	-	(2)	(903)	(1,444)
Adjusted profit/(loss) before tax *	837	(5,859)	(5,022)	392	587	296	1,275	(3,747)
Adjusted items*:								
- Non-cash items relating to acquisitions			(1,823)				(112)	(1,935)
- Other adjusted items			634				(1,903)	(1,269)
Loss before tax			(6,211)				(740)	(6,951)
Depreciation	792	7	799	7,038	-	64	7,102	7,901
Amortisation	-	1,831	1,831	144	-	179	323	2,154
Impairments	-	-	-	740	-	-	740	740

Geographical analysis	UK	US	Australia	Total	UK	Rest of Europe	Total	Group Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reported revenue	32,797	39,245	15,421	87,463	141,828	3,728	145,556	233,019
Non-current assets excluding deferred tax assets	44,948	2,420	583	47,951	-	-	-	47,951

3. Segmental reporting (continued)

52 weeks to 30 Mar 2020

	Continuing operations			Discontinued operations					Group
	Naked Wines	Un-allocated	Total	Retail	Commercial	L&W	Un-allocated	Total	Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Segment revenue	202,911	-	202,911	177,021	31,564	7,693	-	216,278	419,189
Movement in en primeur sales	-	-	-	-	-	477	-	477	477
Reported revenue	202,911	-	202,911	177,021	31,564	8,170	-	216,755	419,666
Segment result - adjusted EBIT *	8,470	(10,865)	(2,395)	3,947	733	298	(892)	4,086	1,691
Finance income	-	321	321	1	-	10	-	11	332
Finance charges	(179)	(643)	(822)	(1,271)	-	(12)	-	(1,283)	(2,105)
Adjusted loss before tax *	8,291	(11,187)	(2,896)	2,677	733	296	(892)	2,814	(82)
Adjusted items*:									
- Non-cash items relating to acquisitions			(3,646)					(113)	(3,759)
- Other adjusted items			1,167					(531)	636
Loss before tax			(5,375)					2,170	(3,205)
Depreciation	1,623	15	1,638	9,731	-	64	-	9,795	11,433
Amortisation	-	3,698	3,698	198	-	179	-	377	4,075
Impairments	-	-	-	740	-	-	-	740	740

Geographical analysis	UK	US	Australia	Total	UK	Rest of Europe	Total	Group Total
	£'000	£'000	£'000	£'000	£'000	£'000	£'000	£'000
Reported revenue	79,993	90,904	32,014	202,911	211,185	5,570	216,755	419,666
Non-current assets excluding deferred tax assets	51,637	4,161	625	56,423	-	-	-	56,423

* Comparative statements have been restated for the reclassification of share based payments. See note 4 for further details.

4. Adjusted items

The Directors believe that adjusted profit before tax and adjusted diluted earnings per share measures provide additional useful information for shareholders on underlying trends and performance. These measures are used for performance analysis. Adjusted profit is not defined by IFRS and therefore may not be directly comparable with other companies' adjusted profit measures. It is not intended to be a substitute for, or superior to IFRS measurements of profit.

Reclassification of share-based payment charges
As the Group has built up a consistent rolling three years of LTIP and SIP schemes year on year, share-based payment charges are now more comparable. For the first time, in the 26 weeks to 28 September 2020, these charges have been reclassified from adjusted items to adjusted EBIT and the comparative statements have been restated accordingly (H1 FY20: £0.6m).

4. Adjusted items (continued)

The adjustments made to reported (loss)/profit before tax are:

	26 weeks to 28 Sep 2020 £'000	26 weeks to 30 Sep 2019 £'000	52 weeks to 30 Mar 2020 £'000
Non-cash charges relating to acquisitions			
Amortisation of acquired intangibles	(1,823)	(1,823)	(3,646)
	(1,823)	**(1,823)**	**(3,646)**
Other adjusted items*			
Fair value loss arising on deferred contingent consideration during the period	(4,043)	-	-
Fair value movement through P&L on foreign exchange contracts	(43)	634	396
Foreign exchange movements on plc company currency bank balances	(299)	-	771
	(4,385)	**634**	**1,167**
Total adjusted items	**(6,208)**	**(1,189)**	**(2,479)**

Amortisation of acquired intangibles

These items reflect costs of customer acquisition from prior to the purchase of the Naked Wines business. As we expense ongoing customer acquisition in full each year we remove the amortisation as otherwise we overstate the level of investment driving the current rate of growth.

Fair value loss arising on deferred contingent consideration during the period

As part of the Group's disposal of the Majestic Wine businesses, Naked Wines received two financial instruments in part consideration for the business; a five year vendor loan note and deferred contingent consideration in respect of the disposal of the Calais business.

As a result of the new duty free allowances announced by the UK government on the 11 September 2020, the Directors believe that the deferred contingent consideration is highly unlikely to become payable and as such have revised the fair value of this financial asset to nil at the reporting date. This valuation includes a number of accounting estimates which the Directors will continue to evaluate following the introduction of the new duty free arrangements on the 1 January 2021. The Directors draw attention to the fact that this may result in material fair value adjustments to the carrying value of the deferred contingent consideration as further evidence becomes available.

Fair value movement on foreign exchange contracts

We commit in advance to buying foreign currency to purchase wine in order to mitigate exchange rate fluctuations. International Accounting Standards require us to mark the value of these to market at the balance sheet date. As this may fluctuate materially we adjust it out to better reflect our trading profitability.

Foreign exchange movements on plc company currency bank accounts

Following the disposal of the Majestic Wine businesses and the Lay & Wheeler businesses during the prior year, the Group is now holding net cash on its balance sheet and this includes sums of foreign currency which it will deploy to fund its US and Australian businesses. The FX revaluation of foreign currency balances held in the company are reported as adjusted items so as not to distort the picture of the underlying business cost base.

5. Tax

Tax for the 26 week period is charged at an effective tax rate of 9.3% (Sep 2019:13.0%) representing the best estimate of the Group's expected annual effective tax rate, applied to the loss before tax of the period.

6. Earnings per share

Basic earnings per share is calculated by dividing the profit attributable to ordinary shareholders by the weighted average number of ordinary shares in issue of the Company, excluding 191,707 (Sep 2019: 378,026) held by Employee Share Trusts.

The dilutive effect of share options is calculated by adjusting the weighted average number of ordinary shares in issue to assume conversion of all dilutive potential ordinary shares. These comprise contingently returnable shares and share options granted to employees where the exercise price is less than the average market price of the Company's Ordinary Shares during the period. Share options granted over 9,912 (Sep 2019: 399,150) ordinary shares have not been included in the dilutive earnings per share calculation because they are anti-dilutive at the period end.

Adjusted earnings per share is calculated by excluding the effect of Adjusted items (see note 4) This alternative measure of earnings per share is presented so that users of the financial statements can better understand the Group's underlying trading performance.

		Continuing operations		Total Group	
	26 weeks to 28 Sep 2020	26 weeks to 30 Sep 2019	52 weeks to 30 Mar 2020	26 weeks to 30 Sep 2019	52 weeks to 30 Mar 2020
	£	£	£	£	£
(Loss)/earnings per share					
Basic (loss)/earnings per share	**(11.1p)**	(7.6p)	(9.3p)	(9.0p)	11.3p
Diluted earnings per share	**(11.1p)**	(7.6p)	(9.3p)	(9.0p)	11.1p
Adjusted basic (loss)/earnings per share *	**(2.5p)**	(5.9p)	(5.8p)	(4.5p)	15.7p
Adjusted diluted earnings per share *	**(2.5p)**	(5.9p)	(5.8p)	(4.5p)	15.3p
	26 weeks to 28 Sep 2020	26 weeks to 30 Sep 2019	52 weeks to 30 Mar 2020	26 weeks to 30 Sep 2019	52 weeks to 30 Mar 2020
	£'000	£'000	£'000	£'000	£'000
(Loss)/profit for the period	**(8,062)**	(5,401)	(6,685)	(6,413)	8,152
Add back adjusted items*:					
Non-cash charges relating to acquisitions	**1,823**	1,823	3,646	1,936	3,759
Other adjusted items	**4,385**	(634)	(1,167)	1,268	(636)
Adjusted (loss)/profit after tax*	**(1,854)**	(4,212)	(4,206)	(3,209)	11,275
	26 weeks to 28 Sep 2020	26 weeks to 30 Sep 2019	52 weeks to 30 Mar 2020	26 weeks to 30 Sep 2019	52 weeks to 30 Mar 2020
Weighted average number of shares in issue	**72,833,756**	71,291,875	71,909,151	71,291,875	71,909,151
Dilutive potential ordinary shares:					
Employee share options and contingently returnable shares	**1,091,984**	1,848,704	1,552,166	1,848,704	1,552,166
Weighted average number of shares for the purpose of diluted earnings per share	**73,925,740**	73,140,579	73,461,317	73,140,579	73,461,317
Total number of shares in issue	**73,138,446**	72,816,733	72,874,018	72,816,733	72,874,018

* Comparative statements have been restated for the reclassification of share based payments. See note 4 for further details.

If the Group's share option schemes had vested at 100% the Company would have 74,948,561 (Sep 2019: 75,583,914) issued shares.

7. Dividend

	26 weeks to 28 Sep 2020	26 weeks to 30 Sep 2019	52 weeks to 30 Mar 2020
	£'000	£'000	£'000
Amounts recognised as distributions to shareholders in the period:			
Special dividend	-	-	3,786
	-	**-**	**3,786**

8. Assets held for sale

There are no assets classified as held for sale at 28 September 2020. The balance in the prior period to 30 September 2019 related to the disposal of Majestic Wines Warehouses Ltd and Lay and Wheeler which completed during the 52 weeks to 30 March 2020.

9. Notes to the cash flow statement

	26 weeks to 28 Sep 2020	26 weeks to 30 Sep 2019	52 weeks to 30 Mar 2020
	£'000	£'000	£'000
Cash generated/(utilised) by operations			
Operating loss	(9,389)	(5,670)	(4,874)
Add back:			
Depreciation and amortisation	2,665	2,630	5,336
Loss on disposal of property, plant and equipment	128	4	71
Fair value loss arising on deferred contingent consideration	4,043	-	-
Fair value movement on foreign exchange contracts	43	(634)	(935)
Share based payment charges	464	484	833
Operating cashflows before movements in working capital	**(2,046)**	**(3,186)**	**431**
Increase in inventories	(14,902)	(23,041)	(13,291)
Increase in customer funds in deferred income	17,553	6,657	5,312
Decrease/(increase) in trade and other receivables	(583)	1,577	594
Increase in trade and other payables	21,755	7,600	6,837
Net cash generated/(utilised) by operating activities	**21,777**	**(10,393)**	**(117)**

Cash and cash equivalents			
Cash and cash equivalents	76,383	10,870	54,736
Cash and bank balances included in disposal group held for sale	-	(5,102)	-
Total cash and cash equivalents	**76,383**	**5,768**	**54,736**
Borrowings			
Revolving credit facility	-	(31,820)	-
Customer funded bond	(78)	(85)	(84)
IFRS 16 lease liabilities	(2,711)	(3,763)	(4,198)
Total borrowings	(2,789)	(35,668)	(4,282)
Total net cash/(debt)	**73,594**	**(29,900)**	**50,454**

Definitions and operational KPIs

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 options
Group	Naked Wines plc and its subsidiary undertakings
LTIP	Long Term Incentive Plan
Marketing – R&D spend	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. A reconciliation and analysis including this metric is shown below.
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. A reconciliation and analysis including this metric is shown below.
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.

Operational 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.

Definitions and operational KPIs

Alternative performance measures		Investment measures	
EBIT	Operating profit as disclosed in the Group income statement.	Investment in new customers (also referred to as new customer contribution)	The contribution earned from sales to new customers. An analysis including this metric is shown below.
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.	Lifetime payback (also referred to as forecast payback)	The ratio of the Lifetime value (see below) of the customers recruited this year to the investment we made recruiting them. 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.
EBITDA	EBIT plus depreciation and amortisation.	Lifetime value	The future contribution 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.
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.	Repeat customer contribution	The profit attributable to sales meeting the definition of sales to repeat customers after fulfilment and service costs. An analysis including this metric is shown below.
Adjusted PBT	Adjusted EBIT less net finance income / (charges).	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.
Free cash flow	Cash generated by operating activities less capital expenditure and before adjusted items and taxation. A reconciliation of free cash flow is shown below.	Fixed costs	Administrative costs excluding marketing spend.
		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.

Unaudited additional information

Analysis of sales and contribution between new and repeat customer components

	26 weeks to 28 Sep 2020			26 weeks to 30 Sep 2019		
		Analysed as:			Analysed as:	
		Repeat	**New**		Repeat	New
	£'000	**£'000**	**£'000**	£'000	£'000	£'000
Revenue	**157,098**	**124,861**	**32,237**	87,463	75,319	12,144
Contribution	**13,579**	**36,249**	**(22,670)**	8,914	19,175	(10,261)
Operating loss ("EBIT")	**(9,389)**			(5,670)		
Memo						
Administrative expenses analysed as:						
Marketing costs (included above within contribution)	**(20,071)**			(8,748)		
Central R&D spend	**(846)**			-		
Fixed costs	**(15,914)**			(13,395)		
Adjusted items (excluding fair value loss arising on deferred contingent consideration)	**(2,165)**			(1,189)		
	(38,996)			(23,332)		

Free cash flow reconciliation

	26 weeks to 28 Sep 2020 £'000	26 weeks to 30 Sep 2019 £'000
Adjusted EBIT	**(3,181)**	(4,481)
Add back: depreciation and amortisation *(excludes adjusted amortisation of acquired intangibles)*	**970**	807
Add back: share based payment charges	**464**	482
Adjusted EBITDA	**(1,747)**	**(3,192)**
Working capital movement		
Inventories	**(14,902)**	(23,041)
Deferred Income	**17,553**	6,657
Trade and other receivables	**(583)**	1,627
Trade and other payables	**21,456**	7,560
Working capital movement	**23,524**	(7,197)
IFRS 16 rent paid	**(567)**	(410)
Pre-tax operating cash flow	**21,210**	(10,799)
Capital expenditure	**(566)**	(565)
Pre-tax operating cash flow / "Free cash flow"	**20,644**	**(11,364)**
Reconciliation to statutory cash flow statement		
Free cash flow	**20,644**	(11,364)
Cash adjusted items	**-**	(4)
Capital expenditure	**566**	565
Repayments of principal under lease liabilities	**567**	410
Cash generated/(utilised) by operations	**21,777**	**(10,393)**

Unaudited additional information

12 month rolling standstill EBIT calculation

	28 Sep 2020	30 Sep 2019
	£m	£m
Repeat contribution (a)	**63.0**	41.9
Sales retention (b)	**90.4%**	80.9%
Repeat contribution lost to attrition (=a x(1-b)) (c)	**6.1**	8.0
Year I payback (d)	**66.8%**	66.3%
Spend to replenish lost repeat contribution (=c/d) (e)	**9.1**	12.1
Standstill EBIT is calculated as		
Repeat contribution (a)	**63.0**	41.9
Less: replenishment spend (e)	**(9.1)**	(12.1)
Less: fixed costs	**(27.9)**	(25.8)
	26.0	4.0