“Creating sustainable growth in shareholder value, by doing the right thing”
Presentations:

Introduction: Our Group Vision

Part 1: Naked Wines - a real life working example

Part 2: Customer Engagement

Part 3: Proof the model works: Taste the difference!

AGENDA

10.30 Train departs Liverpool St
12.27 Arrive Norwich
12.30 Transfer to Naked HQ and lunch on arrival
13.00 Presentations and Questions
14.45 Walk-round
15.15 Wine Tasting and Presentation
16.30 Bus departs for Norwich Train station / Football
17.00 Train departs for London
18.57 Train arrives at Liverpool St
Introduction: Our Group Vision
OUR VISION IS TO.. Deliver sustainable growth in shareholder value

...by doing the right thing*

for our customers, suppliers and people

* If we wouldn’t want to tell our mums about it, we don’t do it!
## GROUP OVERVIEW

<table>
<thead>
<tr>
<th></th>
<th>Majestic Retail</th>
<th>Naked Wines</th>
<th>Majestic Commercial</th>
<th>Lay &amp; Wheeler</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Market size</strong>*</td>
<td>£2.2bn (UK)</td>
<td>£17bn (Global)</td>
<td>£2.0bn</td>
<td>£0.7bn</td>
</tr>
<tr>
<td><strong>Sales for the year to March 2015</strong></td>
<td>£231m</td>
<td>£81m</td>
<td>£42m</td>
<td>£10m</td>
</tr>
<tr>
<td><strong>Proposition</strong></td>
<td>Help people find wines they will love</td>
<td>Making a privilege into a pleasure</td>
<td>Making your wine list profitable</td>
<td>Your trusted guide into fine wine</td>
</tr>
<tr>
<td><strong>Competitive advantage</strong></td>
<td>800 delightful graduates who love wine</td>
<td>The model – crowdfunding independent winemakers</td>
<td>200 delivery hubs</td>
<td>Normal people who happen to love fine wines</td>
</tr>
</tbody>
</table>

* Source: Internal data
NAKED WINES MODEL

Delivering sustained growth in shareholder value by doing the right thing for our customers, suppliers and people

Delivering high levels of customer loyalty, drives retention...

High retention drives strong cash flow...

...enabling us to target profitable segments with compelling customer propositions...

High growth attracts the best people and suppliers

...which we reinvest aggressively in growth
Part One: Naked Wines – Real life example
Naked & Majestic target the most profitable segment of the wine market: **customers looking for inspiration**. Why? Because...

- These customers value **SERVICE**
- **QUALITY** matters – a good buyer can add value
- It’s **FUN** for staff and customers
- ‘That’s where the money is’

**Majestic Average Price Point: £7.88 / bottle**

**Naked Average Price Point: £9.54 / bottle**

* FY16 YTD, ex sales tax, excluding beer/spirits
Customers got a great deal…

One of our wine makers needed help…

…so we launched an appeal

...AND the satisfaction of helping a talented wine maker
Naked Wines UK Total contribution by year of Angel acquisition (£k)

Contribution compounds year-on-year, driving growth – with even the earliest cohorts of Angels still in growth.
If we stopped investing in growth, we would make £5m a year
...WHICH WE **INVEST AGGRESSIVELY**

**Growth spend & ROI history (rolling 12 months)**

*Increasing investment while improving ROI*
Mature Angel Numbers (thousands)

H1: +29k net new Mature Angels* (vs +16k in H1 FY15)

*Reminder: A Mature Angel is an Angel who has started their fourth month
GROWTH ATTRACTS THE BEST PEOPLE AND WINE MAKERS

Some of our Famous Wine Labels:
OUR APPROACH TO INVESTMENT – AGGRESSIVE AND DISCIPLINED

JAMES’ JOB DESCRIPTION:

“Release under-performing capital and redeploy it into proven high ROI opportunities, while being agnostic about Country, Company, Open/Capex, Customer acquisition/retention etc...”
### AIM TO DELIVER ABOVE MARKET ROI

**WE ARE AGNOSTIC ABOUT COUNTRY, COMPANY, OPEX/CAPEX, ACQUISITION/RETENTION**

#### Current ROI’s:

<table>
<thead>
<tr>
<th></th>
<th>Retail</th>
<th>Commercial</th>
<th>Naked Wines</th>
<th>L&amp;W</th>
</tr>
</thead>
<tbody>
<tr>
<td>New Customers</td>
<td>30%+</td>
<td>60-80%</td>
<td>&gt;100%</td>
<td>TBC</td>
</tr>
<tr>
<td>Stores</td>
<td>&lt;25%</td>
<td>n/a</td>
<td>n/a</td>
<td>n/a</td>
</tr>
<tr>
<td>Wine quality – Bottle ageing</td>
<td>TBC</td>
<td>TBC</td>
<td>~20%</td>
<td>TBC</td>
</tr>
<tr>
<td>Wine Quality - Product</td>
<td>TBC</td>
<td>TBC</td>
<td>50%+</td>
<td>TBC</td>
</tr>
<tr>
<td>Service – 5* Inbound</td>
<td>TBC</td>
<td>TBC</td>
<td>&gt;100%</td>
<td></td>
</tr>
<tr>
<td>Service – Outbound</td>
<td>TBC</td>
<td>TBC</td>
<td>&lt;0% to &gt;100%</td>
<td>TBC</td>
</tr>
<tr>
<td>Earlier Wine Maker</td>
<td></td>
<td></td>
<td>20-25%</td>
<td></td>
</tr>
</tbody>
</table>

We have a rich opportunity to redeploy capital efficiently
EXAMPLE 1: CUSTOMER ACQUISITION

1. Cut the new business budget by this much at the start of the year
2. Review proposals to build spend back up
3. Ensure that deals in here are not repeated
Redeployed resource out of low value campaigns

Test and Learn – analyzing ROI down to the level of individual outbound campaigns – optimize our service for ROI

### EXAMPLE 2: OUTBOUND SERVICE

<table>
<thead>
<tr>
<th></th>
<th>UK</th>
<th></th>
<th>USA</th>
<th></th>
</tr>
</thead>
<tbody>
<tr>
<td></td>
<td>% Contacts</td>
<td>Roll</td>
<td>% Contacts</td>
<td>Roll</td>
</tr>
<tr>
<td>Jul-15</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Campaign 1</td>
<td>47%</td>
<td>148%</td>
<td>36%</td>
<td>375%</td>
</tr>
<tr>
<td>Campaign 2</td>
<td>29%</td>
<td>1204%</td>
<td>24%</td>
<td>610%</td>
</tr>
<tr>
<td>Campaign 3</td>
<td>11%</td>
<td>216%</td>
<td>26%</td>
<td>385%</td>
</tr>
<tr>
<td>Campaign 4</td>
<td>9%</td>
<td>72%</td>
<td>11%</td>
<td>-75%</td>
</tr>
<tr>
<td>Campaign 5</td>
<td>3%</td>
<td>-15%</td>
<td>3%</td>
<td>20%</td>
</tr>
<tr>
<td>Dec-15</td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Campaign 1</td>
<td>38%</td>
<td>54%</td>
<td>19%</td>
<td>73%</td>
</tr>
<tr>
<td>Campaign 2</td>
<td>45%</td>
<td>1629%</td>
<td>60%</td>
<td>1223%</td>
</tr>
<tr>
<td>Campaign 3</td>
<td>17%</td>
<td>69%</td>
<td>14%</td>
<td>236%</td>
</tr>
<tr>
<td>Campaign 4</td>
<td>0%</td>
<td>n/a</td>
<td>8%</td>
<td>7%</td>
</tr>
<tr>
<td>Campaign 5</td>
<td>0%</td>
<td>n/a</td>
<td>0%</td>
<td>n/a</td>
</tr>
</tbody>
</table>
EXAMPLE 3: INBOUND SERVICE

<table>
<thead>
<tr>
<th>Key Metrics (Indexed to 5*=100)</th>
<th>12M Attrition</th>
<th>Annual Value</th>
</tr>
</thead>
<tbody>
<tr>
<td>1*</td>
<td>84</td>
<td>27</td>
</tr>
<tr>
<td>2*</td>
<td>88</td>
<td>43</td>
</tr>
<tr>
<td>3*</td>
<td>94</td>
<td>58</td>
</tr>
<tr>
<td>4*</td>
<td>97</td>
<td>68</td>
</tr>
<tr>
<td>Total 1 to 4*</td>
<td>95</td>
<td>60</td>
</tr>
<tr>
<td>5*</td>
<td>100</td>
<td>100</td>
</tr>
</tbody>
</table>

An Angel giving a 5* rating has twice the lifetime value of 1*-4* rating

5* ratings have gone up from 65% to 85%
EXAMPLE 4: IMPACT OF WINE INVESTMENT ON RETENTION

Customers with stronger BIA* %’s across their initial orders go on to deliver substantially greater loyalty and consequently lifetime value.

Learning points:
- First... Guide people to the highest rated wines during the recruitment process
- Connect new customer budgets for new angels to BIA rating achieved
- Then... Review winemaking options to improve scores: Better wine, lower price, longer aging

Example Wine 1:
Substituted with a reserve level product:
Result: Gross Profit reduced by 4.3% however base BIA score increased by 10bps to 91

* BIA = Buy It Again
EXAMPLE 5: IMPACT OF FIRST ORDER VALUE ON ROI

Retention rate & annual contribution/customer (by first order spend, UK)

Focus our recruitment activity on higher quality prospects, who are willing to spend more on first case...

...leads to much lower attrition and step change in customer lifetime value
HOW DO YOU PUT A **VALUE** ON NAKED?

1. How big could it be?
2. How quickly can we get there?
3. The Plan...
**HOW BIG COULD IT BE?**

Benchmark examples:

<table>
<thead>
<tr>
<th></th>
<th>UK</th>
<th>USA</th>
<th>AUS</th>
</tr>
</thead>
<tbody>
<tr>
<td>Market size</td>
<td>£2bn</td>
<td>£14bn</td>
<td>£1bn</td>
</tr>
<tr>
<td>Notable competitors and sales</td>
<td>Laithwaites (c.£170m); Virgin Wines (c.40m); Wine Society (c.£80m)</td>
<td>Laithwaites USA (c.$170m?); Winery direct (c.$1.6bn)</td>
<td>??</td>
</tr>
</tbody>
</table>
HOW QUICKLY CAN WE GET THERE: MODELLING

**NOTE: COST CATEGORISATIONS ARE NOT THE SAME AS RESULTS PRESENTATION**

See comments in cells for FY16 assumptions

<table>
<thead>
<tr>
<th></th>
<th>FY15</th>
<th>FY16</th>
<th>FY17</th>
<th>FY18</th>
<th>FY19</th>
<th>FY20</th>
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<tbody>
<tr>
<td><strong>INPUTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Growth Spend</td>
<td>120%</td>
<td>140%</td>
<td>140%</td>
<td>140%</td>
<td>140%</td>
<td>140%</td>
</tr>
<tr>
<td>&quot;Growth in Growth Spend&quot;</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Role on Growth Spend</td>
<td>140%</td>
<td>140%</td>
<td>140%</td>
<td>140%</td>
<td>140%</td>
<td>140%</td>
</tr>
<tr>
<td>Growth in Admin Costs</td>
<td>26%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Average contrib margin</td>
<td>7.2%</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>OUTPUTS</strong></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td>Contribution (after mkting costs)</td>
<td>5.7</td>
<td>10.7</td>
<td>14.9</td>
<td>19.1</td>
<td>23.3</td>
<td>27.5</td>
</tr>
<tr>
<td>Admin (exc mkting costs)</td>
<td>-8.3</td>
<td>-10.5</td>
<td>-10.5</td>
<td>-10.5</td>
<td>-10.5</td>
<td>-10.5</td>
</tr>
<tr>
<td>EBIT</td>
<td>-2.6</td>
<td>0.2</td>
<td>4.4</td>
<td>8.6</td>
<td>12.8</td>
<td>17.0</td>
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<tr>
<td>Sales</td>
<td>79</td>
<td>107</td>
<td>#DIV/0!</td>
<td>#DIV/0!</td>
<td>#DIV/0!</td>
<td>#DIV/0!</td>
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<tr>
<td>Sales growth</td>
<td>35%</td>
<td></td>
<td>#DIV/0!</td>
<td>#DIV/0!</td>
<td>#DIV/0!</td>
<td>#DIV/0!</td>
</tr>
</tbody>
</table>
THE PLAN: INVESTING IN OUR CUSTOMERS ALLOWS US TO MAXIMISE RETURNS, FOR LONGER

Target higher value customers
- Lower volumes short term – but greater lifetime return
- Higher acquisition cost per customer

More attentive customer service
- Increases service cost but delivers enhanced ROI

Strengthen our Value proposition to enhance customer lifetime value
- Improved quality by investing deeper in supply chain
- Hold wine longer
- Improve range breadth & depth

Acquisition + Retention = Long term Value
### THE PLAN: APPLYING NAKED’S PRINCIPLES ACROSS THE GROUP

<table>
<thead>
<tr>
<th></th>
<th>Loyalty</th>
<th>Cash Flow</th>
<th>Investment</th>
<th>Growth</th>
<th>Attracting the best people &amp; suppliers</th>
<th>Compelling proposition</th>
</tr>
</thead>
<tbody>
<tr>
<td><strong>Naked Wines</strong></td>
<td>Focus on: Retention, Loyalty</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Majestic Commercial</strong></td>
<td>Focus on: Investment, Growth, Proposition</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Majestic Retail</strong></td>
<td>Focus on: Investment, Growth, People</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
<tr>
<td><strong>Lay &amp; Wheeler</strong></td>
<td>Focus on: Cash, Investment, Growth</td>
<td></td>
<td></td>
<td></td>
<td></td>
<td></td>
</tr>
</tbody>
</table>
Part Two: Customer engagement
OUR CUSTOMER ENGAGEMENT STRATEGY IS...

1. Unique
2. Hard to Copy
3. Our Competitive advantage
ENGAGING CUSTOMERS IS ABOUT SPEAKING TO THE THINGS THAT REALLY MATTER TO THEM

**Functional needs**
(money, time, health)

**Emotional needs**
(recognition, expression, inspiration, excitement)

*We want customers to feel...*
...they matter
...they’re doing something good
...they’re safe
...they’re smarter than their peers
OUR LOYALTY STRATEGY IS ABOUT MAKING CUSTOMERS FEEL GOOD

Feel-good narrative – the difference you can make as an Angel

1. Tone – friendly, approachable, not stuffy

2. Personalised communication
   - Feedback changes recommendations
   - Over 100 different personal emails sent daily on the same campaign
   - 6 million ratings on products in our taste database

3. Test and Learn
   - Constantly improving everything we do using the data we’ve collected through our database
OUR CAMPAIGNS ARE ABOUT **FOSTERING LOYALTY** – NOT DIRECT SELLING

“Pockets are the most sensitive part of a human. To reach them, you must touch hearts and minds first”

Lula da Silva

**Most ask...**

‘What do I think they’ll buy?’

**WE ask...**

‘What do I know they buy?’
HOW DO WE KNOW WHAT OUR CUSTOMERS WANT?

...they tell us every single day through our website
SERVICE: OUR STAFF ARE **GIVEN THE TOOLS**
TO MAKE OUR CUSTOMERS HAPPIER

- **Project ‘Giraffe’** - £25 per agent per month to ‘blow customers away’
- **‘Shark Tank’** - Dragon’s Den for staff ideas – e.g. text for wine service
An Angel giving a 5* rating has twice the lifetime value of 1*-4* rating... so

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<tr>
<td>Total 1 to 4*</td>
<td>95</td>
</tr>
<tr>
<td>5*</td>
<td>100</td>
</tr>
</tbody>
</table>

... Staff are incentivised to deliver a 5* service
Guardian Angels to help new Angels (improves retention)

Customers can influence products
3,000 Angels voted to help Mike choose between making Viognier or Sauvignon Blanc
GOING THE EXTRA MILE – OUR CUSTOMERS ARE PART OF OUR JOURNEY

Angels raised £120k in 8 hours to set Carmen up in business...

...and another £60k to fund her soup kitchen & feed 3,000 kids for a year!
Part Three:
Proof the model works. Taste the difference!
There’s only $20 of wine in a $100 bottle!

Significant cost built into wine pricing that the Naked model avoids:

- Multiple tiers of margin, particularly in the USA
- Winery sales and marketing costs are often greater than the cost of the wine
- Cost of capital and risk – wineries typically have to finance 40-48 months of production
The three-tier system of alcohol distribution is the system for distributing alcohol in the US. The three tiers are producers, distributors, and retailers. Therefore there are two ways for Americans to buy Wine:

...Through the Three-Tier System

1. THE PRODUCERS (WINERIES)
2. DISTRIBUTORS
3. RETAILERS & RESTAURANTS
4. THE CONSUMER

OR ...Directly from the producer (The Naked Model)

1. THE PRODUCERS (US!)
2. THE CONSUMER
UNDER THE TRADITIONAL 3 TIER MODEL:
THE COSTS OF REACHING THE CONSUMER MEAN SALES COSTS EXCEEDING MONEY SPENT ON MAKING THE WINE

US Small Winery Example Economics
Willamette Valley Vineyards Inc, Y/E 31st December 2014
$15.1m

100%
90%
80%
70%
60%
50%
40%
30%
20%
10%
0%

Pre Tax Income, 19%

Selling, General & Admin Costs, 41%

Cost of Goods, 40%

102%
Ratio of Selling and Admin costs to actual cost of wine production

- Willamette Valley are a boutique, listed, Oregon based producer
- Selling wines with retail prices from $12 to $100 a bottle
- Annual production of 108,000 cases across 3 sites in Oregon
- Focus on direct / retail sales channel (c50% of revenues)

Source: Willamette Valley Vineyards Inc 10k filing – 2015-03-26
THE NAKED MODEL IN ACTION: TASTE THE DIFFERENCE!

1. Breaking the Economics
2. Hero Winemaker
3. A little goes a long way
4. SuperTuscan vs Superstar
5. Customer is King
Jean Philippe Moulin – Chef de Cave
(previously of Ruinart, Perrier Jouet, Mumm)

- Bond holder request to “Land a rockstar”
- 1er Cru vs Grand Cru
- 24 months vs 48 months Ageing
- Ruinart 65% more in price.
Bill Small – New Zealand Winemaker

- Saw the chance to snap up grapes from a vineyard destined for a famous wine
- Cloudy Bay - £25
- Small & Small Sylvia Reserve - £10.49
- 92% of 32,300 BIA
- Intl. Trophy for Best Sav Blanc at Decanter
- Price: £10.49
Much loved Portuguese wine by Hermano Veloso

- 91% Buy It Again Rating
- Top 10 in Winemaker Scorecard
- What can a little more cash do to a Proven Winner...?

...£0.26 additional investment in Cogs =

- 94% Buy it Again Rating
- Fuller, richer, smoother wine
- Premium packaging
- Greater LTV
KATIE JONES
SUPERTUSCAN VS. SUPERSTAR

Stefano di Blasi
Curator & winemaker of Tignanello & Solaia.
Poggio di Guardia – an icon in the making
...at 25% of the price of Tignanello!
Daryl Groom
Maker of Grange...

“I make more money selling my wine through Naked at $15 a bottle than through the 3 tier system at $50 a bottle”

Result: 94% rated Fine Wine
Price: £14.99
## UK TASTING SHEET

<table>
<thead>
<tr>
<th>Order</th>
<th>Wine</th>
<th>Price</th>
</tr>
</thead>
<tbody>
<tr>
<td>1</td>
<td>Ruinart Blanc de Blanc</td>
<td>£64.99</td>
</tr>
<tr>
<td>2</td>
<td>Jean Philippe Moulin Blanc de Blanc</td>
<td>£22.99</td>
</tr>
<tr>
<td>3</td>
<td>Cloudy Bay Sauvignon Blanc 2015</td>
<td>£25.00</td>
</tr>
<tr>
<td>4</td>
<td>Small and Small Sylvia Reserve Sauvignon Blanc 2015</td>
<td>£10.49</td>
</tr>
<tr>
<td>5</td>
<td>Galodoro</td>
<td>£6.99</td>
</tr>
<tr>
<td>6</td>
<td>Galodoro Reserva</td>
<td>£7.99</td>
</tr>
<tr>
<td>7</td>
<td>Katie Jones Fitou 2014</td>
<td>£14.99</td>
</tr>
<tr>
<td>8</td>
<td>Tignanello 2012</td>
<td>£75.00</td>
</tr>
<tr>
<td>9</td>
<td>Stefano di Blasi Super Tuscan 2014</td>
<td>£18.99</td>
</tr>
<tr>
<td>10</td>
<td>DRG Daryl Groom Barossa Shiraz 2013</td>
<td>£14.99</td>
</tr>
</tbody>
</table>
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