For Immediate Release

14 June 2018

Majestic Wine PLC
("Majestic")

Full Year Results for the 52 weeks ended 2 April 2018

Making headway: Profitable growth despite a challenging UK retail climate

- Group reported sales up 2.3% (+4.0% underlying[(1),(7)]) driven by 11.3% underlying sales growth in Naked Wines
- £9.8m improvement in Profit Before Tax (PBT) to £8.3m (FY17: £1.5m loss) and underlying adjusted PBT up 63.0% to £17.2m
    - o Naked Wines key driver of profit growth with adjusted underlying EBIT six times higher than FY17
    - o Majestic Retail profitability flat - underlying sales growth of 1.9% and improved cost controls offset by foreign exchange pressures on margin
- Naked Wines new customer acquisition spend of £14m[(4)]
    - o Returns good and improving – Forecast lifetime payback[(7)] of customers recruited in the year of 4.7x vs 4.4x on £14.8m of spend in FY17
- Cash flow and balance sheet robust - Net Debt reduced to £8.4m, 0.35x Adjusted EBITDA (FY17: £25.4m, 1.2x Adjusted EBITDA)[(7)]
- Final dividend of 5.2 pence per share, bringing total dividend to 7.2 pence per share, +41.1% vs FY17

		FY2018	**FY2017**	**% YoY**	**FY2018 Underlying** [(1),(7)]	**FY2017 Underlying** [(1),(7)]	**% YoY Underlying** [(1),(7)]
		52 weeks	**53 weeks**		**52 weeks**	**52 weeks**	
Reported Revenue	£m	**476.1**	**465.4**	**+2.3%**	**477.7**	**459.5**	**+4.0%**
Adjusted EBIT[(2),(7)]	£m	**18.2**	**14.1**	**+29.1%**	**18.2**	**11.8**	**+54.5%**
Adjusted PBT[(3),(7)]	£m	**17.2**	**12.9**	**+33.3%**	**17.2**	**10.5**	**+63.0%**
Adjusted EPS	**p**	**23.9p**	**17.7p**				
Profit / (Loss) before tax	£m	**8.3**	**(1.5)**				
Basic EPS	P	10.9p	(4.1p)				
Final Dividend per share	p	5.2p	3.6p				
Free Cash Flow[(5),(7)]	£m	24.9	6.2				
Net debt[(7)]	£m	(8.4)	(25.7)				

To provide a meaningful comparison with last year, operating performance commentary is stated on an underlying basis (unless otherwise stated). A full reconciliation between our reported numbers and these underlying measures is provided in the financial review.

Rowan Gormley, Group Chief Executive, commented:
"We are making headway despite headwinds.

This past year we:

- Delivered profitable growth, despite a tough UK market, which is a testament to our people, our international positioning and the robustness of our model.
- Achieved greater efficiency throughout the business
- Paid down our debt to below our target gearing level, and extended our access to borrowing should we need it

Looking forward, we expect the U.K. market to remain tough, possibly even tougher than last year. Certainly trading since year end has been harder than the prior year in the UK. Despite this, we expect to hit FY19 market expectations [(6)] because unlike many retailers:

- We are able to generate growth through profitable customer acquisition, even in tough markets
- 20% of our business takes place in the growth markets of the USA and Australia, 45% of Group sales are online

- We have already, or will shortly, complete projects that eliminate unproductive work, freeing up our people to engage with customers and allowing us to reduce cost

If the UK is headed for a retail crisis, as some commentators are suggesting, then we are planning for a great crisis. We founded Naked Wines during the financial crisis of 2008 and proved that investing in acquiring customers and generating loyalty through great products and service, will drive profitable growth even in a tough market."

Majestic Wine PLC will host an analyst and investor briefing on Thursday 14 June 2018 at 8.45am at the offices of Instinctif, 65 Gresham Street, London, EC2V 7NQ. To attend please contact Gabby Clinkard on the details below.

A webcast will be made available after the meeting on our investor website: http://majesticwineplc.co.uk/investor-centre/results-centre/

Notes:

(1) Underlying movement (a) includes en primeur revenues in year of order not year of fulfilment, (b) is calculated using constant FX rates for translation of the comparative period and (c) adjusts the prior year to a 52 week period, comparable to the current year d) shows IT costs reallocated to PLC on a consistent basis

(2) Adjusted EBIT is operating profit adjusted for amortisation and impairments of acquired intangibles and goodwill, acquisition costs, share based payment charges, restructuring costs, net fair value movement through P&L on financial instruments and adjusting en primeur results to reflect profits on orders rather than on wine fulfilment

(3) Adjusted PBT is defined as Adjusted EBIT less net finance charges

(4) Naked Wines New Customer Acquisition Spend excludes immature contribution of £1.0m, which was included previously

(5) Free cash flow is defined as cash generated from operations less capital expenditure and excluding cash Adjusted items

(6) Market consensus estimates can be found on www.majesticwineplc.co.uk

(7) This is an Alternative performance Measure. See details at the end of this document

For further information, please contact:

Majestic Wine PLC	**Tel: 01923 298 200**
Rowan Gormley, Chief Executive Officer	
James Crawford, Chief Financial Officer	
Gabriella Clinkard, Public & Investor Relations	**Tel: 07891 206239**
	gabby.clinkard@majestic.co.uk
Investec (NOMAD & Joint Broker)	**Tel: 0207 597 5970**
Garry Levin / David Flin / David Anderson / Carlton Nelson	
Liberum (Joint Broker)	**Tel: 020 3100 2222**
Peter Tracey / Richard Bootle	
Instinctif Partners (PR Agency)	**Tel: 0207 457 2020 or 07931 598 593**
Damian Reece / George Yeomans	

About Majestic Wine PLC:

Majestic Wine PLC is a quality wine specialist, with over 1m customers in the UK, USA and Australia.

Our goal is to try to beat the market by investing in customer relationships, rather than stores. We do that through:

- Investing in business models that compound, i.e. that get stronger with growth
- Investing with discipline, because we are able to test new opportunities before we roll them out
- Using data and technology to continuously improve - every quarter we double up on our best performing investments, and cancel the worst performers.

Our divisions:

1) Majestic Retail - The UK's largest specialist wine retailer. We help people find wines they will love by employing highly engaged, well trained people equipped with state of the art tools and unique wines.

2) Naked Wines - Naked's customers in the UK, USA and Australia crowdfund independent winemakers in exchange for preferential prices on exclusive wines.

3) Majestic Commercial - A specialist on-trade supplier. We help our customers make more money from their wine list by offering national pricing and scale but local delivery and training.

4) Lay and Wheeler - A specialist fine wine merchant. We are a trusted guide for people who love fine wine, supplying the world's finest wines with a personal service.

Chairman's statement

Overview
I have become Chairman at a critical time in the Company's history.

The UK retail market is incredibly challenging with consumer spending under pressure, costs continuing to increase and a structural shift online.

What I knew before I took the job was that the Group has a unique combination of assets that other UK retailers can only wish for, including:

- A £19 billion pound international market opportunity
- Almost half of Group sales online
- A wealth of customer data, and the ability to use it
- A strong balance sheet
- Last mile delivery in the UK
- An entrepreneurial management team who are also shareholders

On being appointed Chairman, it was clear to me we faced a choice:

a) Hunker down and wait for the UK retail storm to pass?
b) Try to use the conditions and our unique assets to our advantage?

As Rowan explains, we have chosen to do both. We have already undertaken initiatives to unlock productivity. And we are in the happy position of being able to confidently increase our rate of investment in customer acquisition.

We did not reach the decision to invest in growth lightly. I set out three criteria that any plan would have to meet to get our support:

1. We need to be sure that we can maintain the excellent returns on investment that we have delivered historically
2. We must be able to identify clear milestones to allow us to course correct if returns deteriorate
3. We should invest in a control environment commensurate with the investment plans

We recognise that short term profits may be more volatile. As previously announced, and as a sign of our near term confidence we are currently planning to maintain a progressive dividend in FY19, but it is possible dividend growth may be suppressed medium term as we prioritise growth investment. However we firmly believe that this strategy is in the best long-term interest of shareholders.

Performance
FY2018 was a year of finishing the heavy lifting and rolling out the winning projects from our test and learn investments. As a result the Group has delivered another steady year of growth, but more importantly is now in a place where it can accelerate investment with confidence.

Reported revenue was up 2.3% in the year. On an underlying 52 week basis full year revenue of £477.7m was up 4.0%. Reported PBT was up to £8.3m from a loss of £1.5m in FY17. Adjusted underlying PBT was up 63% to £17.2m. These results reflect a year of steady performance for Majestic, Naked and Lay & Wheeler.

Majestic Retail has delivered a solid performance with underlying sales up 1.9%. The model of focusing on customer retention rather than opening new stores is working and projects such as Franchise-Lite and store refits are showing positive initial signs.

Naked Wines continues to storm ahead with underlying sales growth of 11.3% in the year. The business has grown considerably in the exciting US and Australian markets and has proved that the digital customer acquisition channel is delivering high quality new customers in addition to our traditional Partner channel.

Majestic Commercial saw revenues fall 5.4% in the period as the division has been in a holding pattern up until the appointment of a new Managing Director, Olivia Fitzgerald, in April 2018. Olivia has extensive sales and hospitality experience, and has jumped straight in. We are hopeful that this business is now in a position to start to grow again following the investment in the Majestic Retail IT systems and processes.

Lay & Wheeler, delivered flat results, after turning around a business that was stuck in the past. We are pleased it continues to make a positive contribution to Group performance.

Board Changes
At the AGM in August 2017, Phil Wrigley, our Chairman of seven years retired from the Board. David Stead was appointed to the Board on 10 October 2017. David has brought significant retail and financial expertise to the Board which fit well with the existing Directors skills. On 14 March 2018 Anita Balchandani stepped down from the Board after joining McKinsey & Co. We have started the search for Anita's replacement and would like to thank her for her support and brilliant advice since 2015.

Outlook
In the short-term the UK market remains tough. However the Board expect to achieve £500m in sales by 2019 and continue to meet FY19 market expectations(6). Our model of investing in customers is working and we remain excited about the opportunity ahead.

Greg Hodder
Chairman
13 June 2018

Chief Executive's Review

Keep doing what we're doing, but do it faster and do it better

Dear shareholders, suppliers and staff,

The short story
Over 2 years into our 3 year transformation plan, we are in reasonable shape – a better business in a tougher market.

Where are we?

- Delivering profitable growth
- With the means to grow faster
- And a solid platform for growth

Now we plan to keep doing what we are doing – because it is working. But we plan to do it faster and better.

Faster – We plan to double our investment in new customer acquisition from £14m to £28m a year – of which we plan to deliver an increase of £5-£8m additional investment in FY2019, depending on the opportunities available that meet our investment criteria.

Better – I am going to devote most of this letter to what we plan to do better. Our goal is to make ourselves unbeatable in our chosen markets, by reinforcing and growing our competitive advantages.

Update on the 2018 Financial Year
As a group we delivered a £9.8m improvement in reported Profit before Tax to £8.6m (FY17 loss of £1.5m) of which £6.6m was underlying growth in adjusted profit before tax. This was driven by 4.0% underlying growth in revenue, which is satisfactory, but only just.

At a divisional level, the picture looked like this:

	Underlying			
Business	Revenue (£m)	% Change	Adjusted EBIT[7]	% Change
Majestic Retail	£263.8	+1.9%	£13.3m	+0.4%
Naked Wines	£156.1	+11.3%	£8.7m	+571.2%
Majestic Commercial	£43.4	-5.6%	£2.4m	+1.7%
Lay & Wheeler	£14.5	+0.2%	£0.9m	-1.0%

Key drivers of performance in 2018

1. Naked Wines got one year older – because we are investing £14m a year in new customer acquisition (NCA) in Naked, and delivered a forecast 4.7x payback on that in FY18, every year that goes by sees our contribution from existing customers grow. In this year it grew by £6.9m. As expected, sales growth slowed in Naked Wines to 11.3%, as a result of the previously announced reduction in investment in new customer acquisition in H1 FY18.

2. The impact of currency and duty increases in the UK – Since 2015 average market bottle prices should have gone up by 60p, but actually only increased by 21p. We estimate that our UK COGS increased by £8.7m due to FX driven cost movements.

3. Majestic Retail managed to deliver 1.9% underlying revenue growth, offsetting £4.9m of the Costs of Goods Sold (COGS) pressure but resulting in gross profit all but flat.

4. Improved efficiency of new customer investment – we added the same amount of future value but spent £0.8m less to get it (4.7x forecast payback vs 4.4x for FY17 investments).

5. We added £1m of underlying cost to our central teams, reflecting investments in digital marketing staff and additional IT resource.

6. The non-cash items, generally costs, that we adjust out of our underlying performance shrank by £5m, mainly due to the charges relating to the Naked Wines acquisition beginning to drop away with time.

Our KPIs take time to respond to our initiatives but we are seeing signs of improvement across the Group:

Transformation KPIs	Definition	Retail	Naked Wines	Commercial	Lay & Wheeler
Repeat Customer Sales Retention[7]	Our new KPI - The level of sales delivered in the year from the repeat customers in place a year ago, expressed as a % of the prior year sales	92% (FY17:96%)	83% (FY17: 83%)	83% (FY17: 87%)	n/a (n/a)
Product availability	% of targeted range available in stores / on websites as indicated by our inventory reporting	86% (FY17:82%)	90% (FY17: 85%)	90% (FY17: 79%)	n/a (n/a)
Team retention	% of key staff (e.g. store managers) as of 12 months ago still working per payroll records	81% (FY17: 74%)	94% (FY17: 64%)	71% (FY17: 62%)	100% (2017: 79%)
Wine quality (Buy it Again Ratings)	% of "Yes" scores in the last 12 months as recorded by websites / apps	89% (FY17: 91%)	91% (FY17: 90%)	n/a (n/a)	n/a (n/a)
Proportion of 5-star service ratings	% of service ratings scoring 5* in last 2 months as recorded by	89% (FY17: 87%)	90% (FY17: 89%)	n/a (n/a)	n/a (FY17:93%)

	websites / apps / telephone feedback				

* Majestic Commercial and Lay & Wheeler did not collect enough customer ratings in the year to measure this accurately.

And how do we expect those to play out in 2019?

- Naked will get another year older – so the £14m we invested in 2018 will deliver additional repeat customer contribution in 2019
- We will increase investment in New Customer Acquisition by £5-8m
- UK market – we expect the UK to remain tough
- Commercial – as said in previous letters, we believe commercial is a good business, but have not been able to focus on it because we had bigger fish to fry. We are now in the happy position that those fish are fried, we have a brilliant Managing Director for the business and we are at last getting back to driving growth
- Digital customer acquisition – we expect continued growth
- Majestic Retail branch improvements – we believe that the improvements in branch will be able to overcome the adverse market conditions through improving customer experience

What will we keep doing?

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

What this means in practice 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 and treat them better. This 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.

What will we do faster?

We are aiming to double the value we create every year by doubling our investment in acquiring new customers.
In 2018 we invested £14m in acquiring new customers in Naked Wines, which we expect to payback at the rate of at least 4.7 to 1 over the next 20 years. So £66m of future value. Over the next few years, we aim to double by doubling the rate of investment. We are not giving an exact timeframe for this as the returns should drive how much we invest. We hope to also improve the returns, so growing the future value generated per year to over £100m a year.

What has changed?

1. **The potential investment pool is bigger than we thought**

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

2. **The returns are trending up, not down**

- Repeat Customer Sales Retention is higher than Customer Retention
- We are getting smarter - now that we have more data covering longer periods we are able to optimise more effectively
- Our historic payback performance 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. Based on their early performance, our investments in FY18 look on track to deliver 4.7x their money back over 20 years. (An IRR of 89%)

The first point deserves more explanation. What we have discovered as the years go by is that sales retention is a better measure than customer retention, 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 Naked Wines retention is circa 83% for FY18 vs 67% customer retention for FY17.[7]

3. **We have early indications that the same tactics work in Majestic Retail.**

We have acquired over 100,000 Retail customers in FY18 using similar techniques that deliver the 4x payback in Naked, and the early indications are that we are getting acceptable returns. A good example of this would be a deal we did with Barclays Premier, to surprise and delight their customers. To me the happy outcome with this kind of deal is that everyone wins:

- Barclays customers get a delightful and unexpected reward
- Barclays is able to deliver that seamlessly and at a sensible cost
- And we get thousands of great potential customers walking through the door to taste our wines.

What's not to like?

What are we going to do better?

Our goal is to become unbeatable in our chosen markets. We aim to do this by reinforcing and growing our competitive advantages. Specifically, we aim to

1. Invest more. And to invest more efficiently
2. Step up customer engagement in Majestic Retail
3. By stepping up people engagement
4. Significantly improve our product range
5. Deliver a step change in efficiency

These are important goals, so let's run through them in more depth...

1. Invest more. And to invest more efficiently

In addition to increasing new customer investment covered above, we have a number of projects on the go to see if we can find additional opportunities. Right now we have no real insight as to which, if any, will be successful, but it is important that you know that we have this element of test and learn spend with no budgeted sales impact, which will either deliver for us – or can be cut from the spending plans.

We invest more efficiently by cutting investment in areas that are not delivering the payback we aim for, and increasing it in areas where we are.

Obviously the reality is more complex than this sounds, but this simple approach has a great deal to be said for it:

Test and Learn – We don't debate, we test and let the data do the talking

Active Capital Allocation – We don't ration capital. We actively pull underperforming capital out and aggressively increase high performing capital

Continuous Improvement – Constantly improving the average by losing the bottom 10% of products, suppliers and people

2. Step up customer engagement in Majestic Retail

The new team in Retail has already done a great job of improving customer engagement, but we have further to go. A key engagement metric for us is the percentage of customers who give us a valid email address (in a GDPR compliant way) which has increased to 57% in the past months. Service generally has also improved with 5* performance around 89% becoming the norm (vs FY17 of 87%). Finally, around 18,000 customers have signed up to early testing of a Concierge service (a new loyalty scheme for Majestic Retail) and customer satisfaction and retention levels look positive.

3. By stepping up people engagement...

We've spent the past two years taking boring repetitive task out of stores and making our people's lives easier through automation, IT investments and improvements in the supply chain.

Last year I told you about a major new initiative, our Franchise-Lite Programme, designed to retain our best store managers for longer, by giving them more autonomy, a more interesting role and the potential to increase their income.

I am pleased to report that this has been a great success, the performance of our Partners has been excellent, and we are looking forward to growing the share of our stores that participate in it.

4. Significantly improve our product range
We have been improving the range we sell across the group but from 2019 onwards we want to take this on to the next level. As a Group we have some competitive advantages when it comes to buying wine – and we aim to make best use of them:

- Data on our customers likes and dislikes
- Cash to invest in recruiting new customers

Internally we use the term "Netflix wines". We are all Netflix devotees because the content is so damn good. Why? Because when Netflix commission a show, they get the best writers and the best actors and directors, they do this with confidence because they have no risk – their data tells them what works. We have been doing the same, but we can and will do it more. But remember it's a slow process…we can't make wine like cola!

5. A step change in efficiency
Over the last year we have put significant focus into driving efficiency to ensure that where we are spending money it is directed at productive activity. We have made the following efficiency improvements across the business:

- More shelving in stores – reducing staff time stacking boxes
- More tasks automated – again, reducing staff's time on boring tasks
- Renegotiated countless supply and service agreements across Naked and Majestic to ensure our costs reflect the scale we are achieving
- Consolidated Naked UK and Majestic Retail online order fulfilment facilities to secure improved cost and service

What did not go right?
1. The market. Britain's vote to leave the EU has hit the buying power of the Pound, which has in turn increased our cost of goods. In previous cycles, the wine industry has passed this increase on to the consumer.
This has not happened this time around. As I said above... as a group we have some unique advantages when it comes to buying, and we are putting them to work, but it takes time for the benefit of that to flow through to our P&L. In the meantime our policy is to price competitively with the market, and to earn loyalty through superior service.

2. Commercial. You may remember that we separated our specialist B2B division, Majestic Commercial, from the core Retail business, because it was apparent that Commercial's growth was hampering Retail. This proved to be the right decision, but has exposed the extent to which Commercial relied on a cross subsidy of time and effort from their Retail colleagues, in the absence of strong systems and processes. We are finally at the point where we can invest the time and effort required to get Commercial growing again. The first step was to hire an excellent new Managing Director, Olivia Fitzgerald. I look forward to being able to share her plans with you in future reports.

Conclusion
The UK market will be tough, and sales and margins will be under pressure BUT we are on track to achieve FY19 market expectations (1) despite the market because unlike most retailers:

- We have the means to grow, without opening new stores, even in tough markets
- We have great businesses in the USA and Australia, both of which are growth markets
- We have the team to deliver the plan and the projects in place to drive growth.
- We're coming to the end of the heavy lifting – and can now direct our resources towards being better and faster
- We have proven our ability to deliver growth, in four countries with a total addressable wine market of £19bn.

Despite the headwinds, we are excited about the future, because we are finally at the point in the plan where we do what we are good at – GROW!

I look forward to sharing more in my next report.

Rowan Gormley
Group Chief Executive
13 June 2018

Chief Financial Officer's Investment Review

As communicated last year, we took a different course in FY18, one with a lower level of investment and a greater focus on productivity. I'm pleased to be able to say that despite the "pause for breath" on investing in growth we have been successful in investing both in driving productivity and unlocking a pipeline of investment behind growth that we will be executing against next year:

Driving Productivity

1. Staff

By shelving stores and rescheduling certain processes e.g. delivery and store merchandising, stock counts, as well as balancing throughput between national and local fulfilment, we have been able to increase the productivity of store staffing.
FY19 implication: We will invest a further £3m to fully shelve all stores, and continue to drive efficiency in the staffing model.

2. Van fleet

We have installed telematics devices in our fleet of vans to provide insight into utilisation and improved ability to communicate delivery status to our customers.
FY19 implication: We are identifying opportunities to maximise utilisation or reduce capacity, as well as targeting future insurance savings by measuring and rewarding improved driving.

3. Telesales / Service

We have tested a number of new customer journeys to generate orders and handle expiring credit cards, with greater automatic contact to reduce the amount of telephone contacts needed to achieve the same objectives.
FY19 implication: We are reducing the staffing costs charged to gross margin across Naked Wines.

4. Packaging

We have identified new formats for key promotional cases that reduce packaging levels and improve customer experience by ensuring all items are delivered simultaneously.
FY19 implication: Continued focus on lower costs and better customer service.

5. New customer acquisition

We reduced our spend in new customer marketing where we had identified returns below 60% ROI, and focused our teams on building a new pipeline of higher returning activity.
FY19 implication: We aim to sustain our ROI at 75% or higher. We have also compared our ROI calculation with alternative lifetime value ("LTV") calculations. We will be embedding LTV into our teams over the coming year.

6. Purchased goods and services

We realised savings on a large number of contracts, ranging from insurance to milk for the office, while maintaining or improving service.
FY19 implication: We are investing in dedicated procurement resource both for our product portfolio and our operations, admin and marketing costs.

Investing for future growth. As per our business model, our main growth strategy is New Customer Acquisition, but we also invest in retaining existing customers.

1. Naked Wines new business

We invested £14.0m in new customers for Naked Wines this year, in line with our long term growth trend, by incorporating digital and improving returns in the partner marketing channel.
FY19 implication: We are in a position to step up the rate of new customer acquisition while maintaining our high ROI of 100%, equivalent to 4.7x life time value. In order to continue to grow the pipeline we will also invest in additional members of the new business team.

2. Central digital marketing team

Our central team of experts have generated a material pipeline (£4m+ per year) of high returning investment in digital media.
FY19 implication: We will be significantly scaling up digital new business investment in Naked Wines. We will add additional resource to the team to develop new channels and marketing for Retail and Lay & Wheeler.

3. IT development team

Our central development team have delivered a new website for Majestic (saving c. £0.3m p.a in site operating costs) and improving performance.
They have also delivered:

- Increased product availability by integrating our sales data to our supply chain planning tools to provide improved analytics and demand forecasting
- Centralised quick turnaround store replenishment to reduce costs and in store tasks of performing store to store transfers
- A re-platform of the Naked Wines website to improve scalability and resilience during peak periods

FY19 implication: We will add further additional IT resource to deliver upgrades to core systems across the Group e.g. EPOS while continuing to develop our customer facing experience in line with the latest technology.

4. Retail Concierge

We invested c.£0.8m recruiting around 18,000 customers into our "Concierge" proposition.
Our initial analysis shows that concierge customers have higher annual spend and improved retention driving an 85% return on the cost of recruiting them
FY19 implication: We will invest at higher levels to build this customer base further

5. Lay & Wheeler Fine Wine Discovery Club (FWDC)

We slowed investment in new customers for the FWDC in FY19 in order to analyse the behaviour of the members acquired to date. This has shown good retention and a satisfactory rate of incremental spend.
FY19 implication: We will be looking to invest over £100,000 into testing more aggressive recruitment into the Fine Wine Discovery Club in FY19 to create a more stable revenue base for Lay & Wheeler which remains exposed to fluctuating returns from the En Primeur campaigns

Looking forward to FY19:

The first half of FY18 was one where we "paused for breath", followed by "putting our foot on the gas" in H2 FY18 where we stepped up the investment rate by £2.4m. FY19 is shaping up to be a year where we "double down" on the areas where we are seeing positive results from our investment. Specifically, we are intending to:

1. Invest £5-8m p.a. more into growing and improving our customer base by:

- Significantly increasing the level of new business investment in Naked Wines, expected to be £4-6m in total
- Spend over £0.5m upgrading Retail customers to our Concierge service
- Spend c. £0.1m to recruit more customers into L&W's FWDC
- Continuing to invest in resources and new marketing approaches to unlock new channels for growth

2. Invest £2 - £2.5m in teams, systems and tools to improve our customer proposition and efficiency

- Additional IT staff to bolster the existing group while a large proportion of time is dedicated to replacing our Retail EPOS system
- A small team dedicated to website optimisation
- Additional business intelligence staff, and global rollout of standardised reporting on the Tableau data platform

3. Invest £1.5 – 2m in the controls and compliance agenda to ensure that our growth remains well managed

- Dedicated compliance resource to support the US business, which operates in a complex regulatory environment
- Additional finance resource to ensure local controls are tightly implemented, and provide centralised expertise around areas as diverse as legal work, procurement and share based incentives
- Replacement of the Retail EPOS system, and bringing the group onto a common accounting platform

As a result of these investments we envisage profitability in FY19 being lower than FY18, as announced at our Capital Markets Day on 17 April 2018. Our profitability will ultimately be determined by the level of new business investment we are able to deploy in the year at satisfactory levels of return, and this will be a critical metric that we intend to report as the year progresses.

Financial Review

Financial values used in this commentary reflect the adjusted figures, as reconciled in the notes to the financial statements. As FY17 was a 53 week year, the commentary on this page focuses on the 52 week underlying trends as more representative of the underlying business performance. Any metric marked as "underlying" is a constant FX, 52 week comparator. Any other measurement is the reported difference.

1. **Group overview**

		Adjusted Items (See Note 5)	Adjusted	Impact of foreign exchange	53rd week	Underlying(7)
Year ended 2 April 2018						
Revenue	476.1	1.6	477.7			477.7
EBIT(7)	9.3	8.9	18.2			18.2
PBT	8.3	8.9	17.2			17.2
Year ended 3 April 2017						
Revenue	465.4	2.4	467.8	(1.7)	(6.6)	459.5
EBIT(7)	(0.2)	14.3	14.1	(0.3)	(2.0)	11.8
PBT	(1.5)	14.3	12.9	(0.3)	(2.0)	10.5

Group Overview

The Group generated statutory profit before tax of £8.3m, a significant uplift from the £1.5m loss reported in FY17. On an adjusted underlying basis our Profit before Tax of £17.2m reflected a 63% underlying increase vs FY17. The group grew reported revenue by 2.3% to £476.1m. On an underlying basis we delivered an increase of 4.0% to £477.7m. Underlying revenue growth has slowed vs the 11.4% rate seen in F17, as we anticipated in our results reporting last year, due to a combination of higher prices in the UK following Brexit-induced weakening of the Pound and our reduction in marketing investment at Naked Wines as we eliminated inefficient activity.

As the Group's operations are increasingly derived internationally, our results – in particular our reported revenues – are increasingly impacted by the exchange rates that we translate foreign operations at. In FY18 we used average exchange rates that were different to the rates we were seeing at year end as follows:

	FY18 Average	FY18 Year End	Variance
USD	1.3317	1.403	5.4%
AUD	1.7173	1.829	6.5%
EUR	1.1347	1.141	0.5%

Had the average rate for the year been at the level at year end our revenue would have been £5m lower than we reported. Projecting that impact forward into FY19 our revenues would be expected to be £7m lower than they would have been at constant exchange rates.

The significant step up in profitability is reflective of:

- Naked Wines delivering adjusted EBIT of £8.7m, an underlying increase of £7.4m (571%) due to:
  - – The payback on the investment made in customers in Naked Wines in the prior year
  - – A reduced level of investment in customer recruitment in the year.
- An offset by a £1m increase in our central costs reflecting additional resources in IT and digital marketing
- The remainder of the trading business units achieving flat profitability
- The total of our adjusted items reducing from £14.3m to £8.9m as the acquisition related items decrease in line with the share vesting periods and useful lives of the intangible assets.
- Our finance charges were £0.2m lower year on year as we continue to pay down the debt raised to acquire Naked Wines
- Despite our higher profitability our tax charge was reduced from £1.2m to £0.9m in the year. This reported tax rate of 11% reflects a number of exceptional changes such as a review of historic capital allowances which will drive a cash tax saving this year and in future periods, and creation of a deferred tax asset that we had not previously recognised while the Australian business remained loss-making.

2. Business Unit Highlights

Majestic Retail:

		Impact of foreign exchange	IT reallocation/ cost re-categorisation	53rd week	Underlying[7]	Analysed as "Repeat"	Analysed as "New"
	£m	£m		£m	£m	£m	£m
Year ended 2 April 2018							
Revenue	263.8	-	-	-	263.8	207.9	55.9
Contribution (=EBIT exc. Fixed Costs)	24.6	-	-	-	24.6	20.1	4.5
Adjusted EBIT[7]	13.3	-	-	-	13.3	n/a	n/a
Memo:							
Admin costs, analysed as:	(16.7)	-	-	-	(16.7)		
- Marketing	(5.4)	-	-	-	(5.4)		
- Fixed costs	(11.3)	-	-	-	(11.3)		
Year ended 3 April 2017							
Revenue	262.2	0.4	-	(3.8)	258.8	204.1	54.8
Contribution (=EBIT exc. Fixed Costs)	28.5	0.1	(0.8)	(1.1)	26.7	22.3	4.4
Adjusted EBIT[7]	13.3	-	1.0	(1.0)	13.3	n/a	n/a
Memo:							
Admin costs, analysed as:	(20.1)	-	1.8	-	(18.3)		
Marketing	(4.9)	-	-	-	(4.9)		

Fixed costs	(15.2)	-	1.8	-	(13.4)		

Reported revenue was up 0.6%, while on a 52 week underlying basis, we achieved revenue growth of 1.9% in the year. With gross margin 40bps lower year on year gross profit was flat. Gross margins continue to be eroded as we strive to balance profitability with competitive pricing. Our trading margin (i.e. the difference between what we sell for versus what we buy for) was 55bps lower year on year. By shelving stores and improving our IT systems and process we have improved staffing productivity, which delivered an offsetting improvement of 11bps. Continued focus on cost control across the division in the face of the higher rate of inflation resulted in our operating costs remaining flat year on year, such that adjusted EBIT of £13.3m was just 0.4% higher year on year.

It's worth noting that, after a strong start to the financial year, trends in Retail worsened towards the end of the financial year. If Easter 2017 had been at the same time as 2018 the underlying revenue trend in Retail would have been flat. We understand the drivers of this:

- Our customer data tells us that we have lost sales across customers old and new, with repeat customer sales retention down from 96% in FY17 to 92% this year. However we have not lost the customers i.e. they are still shopping with us but not buying certain products.
- Our wine market data suggests that we are maintaining value share but losing volume, in particular in certain category / price point combinations.

We are taking action to close these gaps in our range as well as continuing to improve our in-store service proposition and the quality and targeting of our sales and marketing activity. Specifically we are:

- Continuing to reach new customers with sales to this group 2% higher in FY18
- Building a base of "Concierge" customers, who deliver increased annual spend by buying regularly scheduled cases of wine
- Continuing to drive the cost agenda, for example we have combined the Majestic and Naked Wines online fulfilment operations to increase service levels while reducing costs

As a result of these actions we believe the Retail business can continue to grow sales and profits in FY19 despite the challenging market conditions, but we do expect the market to remain tough.

Naked Wines:

		Impact of foreign exchange	**IT reallocation**	**53rd week**	**Underlying(7)**	**Analysed as "Repeat"**	**Analysed as "New"**
	£m	**£m**		**£m**	**£m**	**£m**	**£m**
Year ended 2 April 2018							
Revenue	156.1	-	-	-	156.1	134.5	21.6
Contribution (=EBIT exc. Fixed Costs)	19.8	-	-	-	19.8	33.8	(14.0)
Adjusted EBIT(7)	8.7	-	-	-	8.7	n/a	n/a
Memo:							
Admin costs, analysed as:	(22.4)	-	-	-	(22.4)		
Marketing	(11.3)	-	-	-	(11.3)		
Fixed costs	(11.1)	-	-	-	(11.1)		
Year ended 3 April 2017							
Revenue	144.3	(2.1)	-	(2.0)	140.2	114.3	25.9
Contribution (=EBIT exc. Fixed Costs)	13.3	(0.5)	-	(0.7)	12.1	26.9	(14.8)
Adjusted EBIT(7)	1.4	(0.4)	1.0	(0.7)	1.3	n/a	n/a
Memo:							
Admin costs, analysed as:	(24.9)	0.1	1.0	-	(23.8)		

Marketing	(13.0)	0.1	-	-	(12.9)		
Fixed costs	(11.9)	-	1.0	-	(10.9)		

Revenue growth at Naked was 8.1% (underlying 11.3%), with repeat customers growing revenue by 17.6% more than offsetting a 16.7% decline in revenue to new customers as we reduced marketing spend in the year. This sales increase, driven by our profitable repeat business, grew Naked Wines profitability almost six times higher this year, with full year adjusted EBIT[7] reaching £8.7m, an underlying[7] increase of £7.4m. Of this increase:

- £4.4m is attributable to the returns on prior year investments in new customer recruitment i.e. more angels year on year
- £2.4m was due to improvements in the economics of each angel (more orders or improved order profitability)
- £0.8m was due to our investment in new customers reducing from £14.8m to £14.0m in the year
- All of which was offset by an increase of £0.2m in the underlying[7] fixed cost base

Last year we reported a Return on Investment[7] in new customers of 83%, lower than in prior years due to some poor investment campaigns, in particular in the USA. This year the ROI recovered to 100% as we eliminated the poor campaigns. We have replaced the eliminated investment with a pipeline of higher returning activity, with a run rate at year end such that we expect to materially grow the level of investment in FY19.

Going forward we intend to focus on two new critical measures of performance for Naked Wines:

1. Repeat customer sales retention[7]: The proportion of sales repeated in the current period by customers who were also generating sales in the same period a year ago. In FY18 this was 83%, the same level as in FY17.
2. Lifetime return (LTV)[7]: The expected multiple of contribution over 20 years from angels recruited in the year vs the cost per angel recruited. This forecast payback is based on the behaviour seen in the year compared to the average historical behaviour of angels. In FY18 this was 4.7x compared to 4.4x for those recruited in FY17. Because we get more data about the customers we have recruited over time, we can also refine our expectations on payback of older cohorts of customers. Had we reported this in FY17 we would have forecast 4.5x, very close to the 4.4x now calculated.

We move into FY19 with the outlook for investment in new customers at Naked Wines looking very positive. Following a decline in sales to new customers this year as we reduced our investment in new customers by 5%, we intend to grow investment in FY19 and expect to see new customer sales growth accelerate as a result.

Majestic Commercial:

		Impact of foreign exchange	**IT reallocation**	**53rd week**	**Underlying[7]**
	£m	**£m**			
Year ended 2 April 2018					
Revenue	43.4	-	-	-	43.4
Adjusted EBIT[7]	2.4	-	-	-	2.4
Year ended 3 April 2017					
Revenue	46.6	-	-	0.7	45.9
Adjusted EBIT[7]	2.5	-	-	(0.1)	2.4

The Commercial business remains challenging with reported revenue declining by 7.0% and underlying[7] revenue lower by 5.6%. The decline has been largely driven by poor repeat customer sales retention. While some of this is due to factors beyond our control e.g. business failures, there has been a higher level of churn than we had forecast. We announced a reduction in investment in Commercial with last year's results and that clearly impacted employee engagement levels and customer service levels. Through focus on costs the business managed to make 1.7% more underlying[7] adjusted EBIT year on year.

The wholesale market has been a volatile environment in the past year. At the start of the year there was significant competition for business and staff, and as we announced a reduction in the level of investment in Commercial business generation we lost a number of staff that we had planned to retain. This had an impact on customer relationships and service levels leading to the higher level of customer attrition. Towards the end of the year a large player in the sector had some well publicised financial problems that ultimately led to the break-up of that business. That in turn provided opportunities to service some new customers that had supply problems. We are hopeful that will translate to some ongoing business and that the level of price-led competition in the market will subside as a result, supporting the stabilisation of the Commercial business for Majestic.

Lay & Wheeler:

		Impact of foreign exchange	IT reallocation	53rd week	En Primeur	Underlying[7]
	£m	£m				
Year ended 2 April 2018						
Revenue	12.9	-	-	-	1.6	14.5
Adjusted EBIT[7]	0.9	-	-	-	-	0.9
Year ended 3 April 2017						
Revenue	12.2	-	-	(0.1)	2.4	14.5
Adjusted EBIT[7]	1.0	-	-	(0.1)	-	0.9

Lay & Wheeler reported revenue was down 1.1%. Underlying revenue and profits were flat, sustaining the level achieved after 36% underlying growth in FY17. Despite the muted headline this masks continued progress selling full price wine to both new and existing customers, as we have continued to experiment with building a base of subscription customers as well as reducing the level of deeply discounted sales being made. Looking forward, the expectations around the key En Primeur campaigns are lower than in recent years and we expect to see some revenue and profit reduction from Lay & Wheeler in FY19.

Central Costs:

Central costs grew from £4.2m in FY17 to £7.2m this year. Of this increase £2.0m relates to movement of IT costs from the Retail and Naked Wines businesses into a centralised team supporting all businesses. Of the remaining £1m, £0.4m relates to additional digital marketing resource, £0.4m is an underlying increase in IT costs with the remainder being a mix of staffing and advisory costs.

Taxation:

Despite our higher profitability our tax charge was reduced from £1.2m to £0.9m in the year. This reported tax rate of 11% reflects a number of exceptional changes such as a review of historic capital allowances which will drive a cash tax saving this year and in future periods, and creation of a deferred tax asset that we had not previously recognised while the Australian business remained loss-making.

We provide you with an Adjusted Effective tax[7] rate to try and eliminate the impact of these items. We define this as the current income tax charge of £2.1m divided by our adjusted Profit Before Tax of £17.2m This was reduced from 19.9% in FY17 to 12.1% this year. The key drivers of this low rate is the review to our historic capital allowances which has provided a one-time reduction of £0.5m and one time impact of foreign currency balance revaluations . Excluding these we estimate the adjusted effective tax rate to be c.18% and would expect the rate in FY19 to be of that order.

Cash flow and Net debt:

In FY18 the business delivered pre-tax operating cashflow[7] of £32.4m before investment in growth in Naked Wines (by acquiring customers in excess of those needed to replenish attrition in the customer base). This cash was used as follows:

1.	**Investments in supporting growth**	
-	New customer acquisition in excess of replenishment	£3.7m
-	Expenditure Projects e.g. shelving, software	£3.8m

2.	**Taxation**	**£2.0m**
3.	**Financing and Debt Reduction**	
-	Interest and fees	£1.2m
-	Reduction in net debt	£17.0m
4.	**Returns to shareholders**	**£4.0m**
5.	**Other items (foreign currency translation, issue of share capital)**	**£0.7m**

The Group generated strong cashflow this year through a combination of higher earnings, CapEx remaining at a low level versus our depreciation charge and improved working capital efficiency. 136% of our adjusted EBIT of £18.2m was converted to Free Cash Flow (pre-tax) of £24.9m[7]. This cash was used to satisfy interest and tax obligations of £3.2m, pay dividends of £4m and reduce the Group's net debt from £25.7m at the end of FY17 to £8.4m at the end of FY18. As a result our closing net debt is 0.35x adjusted EBITDA[7] against our target of 0.5x and a covenant maximum of 3x.

Our Dividend Policy is to pay-out 35% of adjusted earnings, defined as adjusted PBT less the current income tax charge. Consequently a final dividend per share of 5.2p will be paid in August, subject to shareholder approval at the Annual General Meeting.

Having reviewed our growth plans and expected future growth, the Board have indicated their intent, assuming no change to expectations of performance, to maintain a progressive dividend in FY19. While this is likely to result in the FY19 dividend being higher than our policy it remains our intent at this time to make payment within the policy in subsequent years. The final dividend of 5.2p will be payable on 15 August 2018 to shareholders on the register at 22 June 2018. The ex-dividend date is 21 June 2018. This will give a total dividend for the 2018 financial year of 7.2p per share, (FY17: 5.1p per share) an increase of 41.1%.

In order to maintain strategic flexibility and mitigate commitment costs, we extended and amended our revolving credit facility during the year. The new facility is available until December 2022 and provides up to £60m of credit at the same interest rates as our previous £85m facility. We agreed amended covenants with the lending group, with maximum leverage of 3x adjusted EBITDA dropping to 2x over the 5 year term, and the previous interest cover covenant being replaced by a commitment to maintain fixed charge cover (the ratio of rent plus interest to EBITDAR) above 1.75x (3.0x at end FY18).

Outlook

We find ourselves at an exciting point in the group's evolution. Three years after the acquisition of Naked Wines:

- Naked Wines has over twice the scale it had when acquired and has demonstrated its ability to deliver strong profitability while sustaining double digit underlying[7] sales growth
- The group is on track to deliver our goal of £500m in revenue in FY19
- Our net debt is below our targeted leverage of 0.5x Net Debt: Adjusted EBITDA

On 17 April 2018 we held a Capital Markets day where we outlined our plans for the next phase of the Group's evolution. At that day we showed how:

- The returns from our marketing investment to recruit new customers for Naked Wines were better than we have previously disclosed, due to sales retention being materially higher than the customer retention we had previously reported
- The level of investment we can make in marketing while delivering those returns is increasing significantly
- There are early signs that we may be able to invest in growth in the Retail business using the same approach

With capital available and investment opportunities visible, we have taken the decision to increase the level of new customer investment by £5-8m year on year. We are also adding new resources to further increase the rate and efficiency of our investment (£2-2.5m) and additional control and compliance resource to ensure we are growing the business safely (£1.5-2m). Due to these investments we expect profitability to decrease by at least £2.5m year on year in FY19.

James Crawford
Chief Financial Officer
13 June 2018

Group Income Statement

For the year ended 2 April 2018

	Note	Year ended 2 April 2018 £'000	Year ended 3 April 2017 Reallocated* £'000
Revenue		**476,134**	**465,444**
Cost of sales		(349,032)	(343,366)
Gross profit		**127,102**	**122,078**
Distribution costs		(58,806)	(56,123)
Administrative expenses		(59,850)	(67,012)
Other operating income		846	811
Operating profit/(loss)		**9,292**	**(246)**
Net finance charge		(994)	(1,222)
Profit/(loss) before taxation		**8,298**	**(1,468)**
Analysed as:			
Adjusted profit before taxation		**17,184**	**12,877**
Adjusted items:			
- Non cash charges relating to acquisitions	*5*	(8,018)	(11,267)
- Other adjusted items		(868)	(3,078)
Profit/(loss) before taxation		**8,298**	**(1,468)**
Taxation	*6*	(901)	(1,227)
Profit/(loss) for the period		**7,397**	**(2,695)**
Earnings/(loss) per share	*7*		
Basic		10.9p	(4.1p)
Diluted		10.1p	(4.1p)

*Prior year numbers have been reallocated for comparison purposes. (See note 3 for details)
The results are all derived from continuing operations.

Group Statement of Changes in Equity

For the year ended 2 April 2018

	Share capital	Share premium	Capital reserve - own shares	Capital redemption reserve	Currency translation reserve	Retained earnings	Total shareholders' funds
	£'000	£'000	£'000	£'000	£'000	£'000	£'000
At 28 March 2016	5,307	20,441	(17)	363	2,058	81,062	109,214
Total comprehensive income for the period	-	-	-	-	1,780	(2,695)	(915)
Shares issued	2	64	-	-	-	-	66
Share based payment charges - ongoing	-	-	-	-	-	599	599
Share based payment charges - acquisition related	-	-	-	-	-	6,673	6,673
Dividends paid	-	-	-	-	-	(1,062)	(1,062)
Deferred tax on share based payment	-	-	-	-	-	(3)	(3)
At 3 April 2017	**5,309**	**20,505**	**(17)**	**363**	**3,838**	**84,574**	**114,572**
Total comprehensive income for the period	-	-	-	-	(1,352)	7,397	6,045
Shares issued	54	484	-	-	-	(43)	495
Share based payment charges - ongoing	-	-	-	-	-	607	607
Share based payment charges - acquisition related	-	-	-	-	-	3,800	3,800
Dividends paid	-	-	-	-	-	(3,993)	(3,993)
Deferred tax on share based payment	-	-	-	-	-	235	235
At 2 April 2018	**5,363**	**20,989**	**(17)**	**363**	**2,486**	**92,577**	**121,761**

Group Balance Sheet

As at 2 April 2018

	Note	2 April 2018 £'000	3 April 2017 £'000
Non-current assets			
Goodwill and intangible assets		48,126	51,447
Property, plant and equipment		65,032	68,011
En primeur purchases		2,390	1,841
Prepaid operating lease costs		1,640	1,905
Deferred tax assets	6	2,243	1,696
		119,431	**124,900**
Current assets			
Inventories		97,259	94,834
Trade and other receivables		15,880	14,973
En primeur purchases		3,779	3,030
Cash and cash equivalents		15,618	23,007
		132,536	**135,844**
Total assets		**251,967**	**260,744**
Current liabilities			
Trade and other payables		(59,579)	(56,019)
En primeur deferred income		(4,824)	(3,937)
Deferred Angel income		(32,542)	(28,406)
Bank overdraft	8	(8,837)	(12,537)
Provisions		(564)	(235)
Deferred lease inducements		(657)	(437)
Bond financing	8	(2,445)	(2,619)
Financial instruments at fair value		(897)	(1,090)
Current tax liabilities		(246)	(185)
		(110,591)	**(105,465)**
Non-current liabilities			
En primeur deferred income		(2,822)	(2,122)
Deferred lease inducements		(1,672)	(2,215)
Provisions		(917)	(829)
Bank loan	8	(12,793)	(33,512)
Deferred tax liabilities	6	(1,411)	(2,029)
		(19,615)	**(40,707)**
Total liabilities		**(130,206)**	**(146,172)**
Net assets		**121,761**	**114,572**
Shareholders' funds			
Called up share capital		5,363	5,309
Share premium		20,989	20,505
Capital reserve - own shares		(17)	(17)
Capital redemption reserve		363	363
Currency translation reserve		2,486	3,838
Retained earnings		92,577	84,574
Equity shareholders' funds		**121,761**	**114,572**

Group Cash Flow Statement

For the year ended 2 April 2018

	Note	Year ended 2 April 2018 £'000	Year ended 3 April 2017 £'000
Cash generated by operating activities			
Cash generated by operations	*9*	**28,670**	**9,127**
UK income tax paid		(2,035)	(3,354)
Overseas income tax paid		-	(591)
Net cash from operating activities		**26,635**	**5,182**
Cashflows from investing activities			
Purchase of property, plant and equipment		(2,921)	(3,311)
Purchase of intangible fixed assets		(869)	(190)
Purchase of prepaid lease assets		-	(22)
Proceeds from sale of non-current assets		2	21
Net cash from investing activities		**(3,788)**	**(3,502)**
Cashflows from financing activities			
Interest paid		(802)	(874)
Issue of ordinary share capital		495	66
Draw down of borrowings		19,500	9,000
Repayment of borrowings		(40,174)	(2,371)
Loan arrangement fees paid		(411)	(88)
Equity dividends paid		(3,993)	(1,062)
Net cash from financing activities		**(25,385)**	**4,671**
Net (decrease)/increase in cash		**(2,538)**	**6,351**
Cash and cash equivalents at beginning of year		10,470	3,804
Effect of foreign exchange differences		(1,151)	315
Cash and cash equivalents at end of year		**6,781**	**10,470**

Notes to the financial statements

1. General information

Majestic Wine PLC is a public limited company ("Company") and is incorporated in the United Kingdom under the Companies Act 2006 and is registered in England and Wales. The Company's ordinary shares are traded on the Alternative Investment Market ("AIM").

The Company's registered address is Majestic House, The Belfry, Colonial Way, Watford WD24 4WH.

The Group's principal activity is the retailing of wines, beers and spirits.

2. Basis of preparation

The financial information set out above does not constitute statutory accounts within the meaning of section 435(1) and (2) of the Companies Act 2006 or contain sufficient information to comply with the disclosure requirements of International Financial Standards ("IFRS"). The auditors have reported on these accounts and their reports were unqualified, did not draw attention to any matters by way of emphasis and did not contain any statements under section 498 (2) or (3) of the Companies Act 2006.

The financial statements of Majestic Wine PLC for the year ended 2 April 2018 were authorised for issue by the Board of Directors on 14 June 2018 and the balance sheet was signed on behalf of the Board by James Crawford, Chief Financial Officer.

The financial information presented in this document has been prepared in accordance with International Financial Reporting Standards ("IFRSs") and International Financial Reporting Interpretations Committee ("IFRIC") interpretations as adopted by the European Union as they apply to the financial statements of the Group for the 52 week period ending 2 April 2018.

The Group's financial reporting year represents the 52 weeks to 2 April 2018 and the prior financial year, 53 weeks to 3 April 2017.

There has been no significant impact on the Group's results, net assets, cash flows and disclosures on adoption of new or revised standards.

3. Reallocation of prior year comparatives

During the year the Group revisited and changed the recharge and cost allocation model between Retail and Commercial business segments. The Group believes that the current recharge and allocation process best represents operations of these segments. The impact of these reclassifications on the year ended 3 April 2017 is a reduction in Cost of sales and a corresponding increase in Distribution costs and Administration expenses of £471,000.

4. 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 they are primarily responsible for the allocation of resources to segments and the assessment of performance of the segments.

The Group's operating segments are organised into four distinct business units, each operating in a separate segment of the overall wine market. Retail is a customer based wine retailer, selling wine, beer and spirits from stores across the UK, and online, and also incorporates the Group's French business. Commercial is a Business to Business ('B2B') wine retailer selling to pubs, restaurants and events. Lay & Wheeler is a specialist in the fine wine market and also provides cellarage services to customers. Naked Wines is a customer funded international online wine retailer.

Performance of each operating segment is based on revenue and adjusted EBIT (being operating profit 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(7) trading performance of each segment. Adjusted Items are not allocated to the operating segments as this reflects how they are reported to the CODM.

The revenue and profits of the Lay & Wheeler operating segment as presented to the CODM are recognised on the receipt of orders, cash receipts and payments in relation to en primeur campaigns. The segment performance is reviewed in this way as resources utilised in generating these sales are expensed as incurred. This differs from the revenue recognition policy required under IAS 18 where revenue is recognised on delivery of the wine to the customer, which may be up to two years after the original order and payment. As a result a reconciling item is presented between the total operating segments revenue and results and the IFRS statutory measure.

Costs relating to centralised Group functions are not allocated to operating segments for the purposes of assessing segmental performance and consequently central costs are presented as a separate segment.

Inter-segment transactions are conducted on an arm's length basis. The Group is not reliant on a major customer or group of customers.

Year ending 2 April 2018	**Retail £'000**	**Commercial £'000**	**Naked Wines £'000**	**L&W £'000**	**Unallocated £'000**	**Group £'000**
Segment revenue	**263,754**	**43,360**	**156,058**	**14,549**	**-**	**477,721**
Movement in en primeur sales	-	-	-	(1,587)	-	(1,587)
Reported third party revenue	**263,754**	**43,360**	**156,058**	**12,962**	**-**	**476,134**
Segment result - Adjusted EBIT	**13,349**	**2,435**	**8,666**	**937**	**(7,209)**	**18,178**
Net finance costs	-	-	-	-		(994)
Adjusted profit before taxation						**17,184**
Adjusted items:						
- Non cash items relating to acquisitions						(8,018)
- Other adjusted items						(868)
Profit before taxation						**8,298**
Depreciation	4,894	-	353	106	-	**5,353**
Amortisation	332	-	3,882	106	-	**4,320**

Geographical analysis	**UK**	**Rest of Europe**	**US**	**Australia**	**Group**
Reported third party revenue	378,826	7,812	61,481	28,015	**476,134**
Non-current assets	114,666	2,977	1,027	761	**119,431**

Year ended 3 April 2017	**Retail £'000**	**Commercial £'000**	**Naked Wines £'000**	**L&W £'000**	**Unallocated £'000**	**Group £'000**
Segment revenue	262,200	46,628	144,341	14,715	-	467,884
Inter-segment revenue	-	-	-	(2,440)	-	(2,440)
Reported third-party revenue	**262,200**	**46,628**	**144,341**	**12,275**	**-**	**465,444**
Segment result - Adjusted EBIT	**13,345**	**2,541**	**1,417**	**980**	**(4,184)**	**14,099**
Net finance costs						(1,222)
Adjusted profit before taxation						**12,877**
Adjusted items:						
- Non cash items relating to acquisitions						(11,267)
- Other adjusted items						(3,078)
Loss before taxation						**(1,468)**

Depreciation	4,982	-	362	106	-	**5,450**
Amortisation	1,201	-	4,096	321	-	**5,618**

Geographical analysis	**UK**	**Rest of Europe**	**USA**	**Australia**	**Group**
Reported third party revenue	377,398	7,658	58,347	22,041	**465,444**
Non-current assets	119,414	2,845	2,544	97	**124,900**

5. 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. The adjustments made to reported profit before tax are:

	Year ended 2 April 2018 £'000	**Year ended 3 April 2017 £'000**
Non-cash charges relating to acquisitions		
Amortisation of acquired intangibles	(3,882)	(4,321)
Acquisition related share based payment charges	(4,136)	(6,946)
	(8,018)	**(11,267)**
Other adjusted items		
Acquisition costs	-	(53)
Restructuring costs	-	(819)
Fair value movement through P&L on foreign exchange contracts	193	(957)
En primeur adjustment	(289)	(517)
Share based payment charges	(772)	(732)
	(868)	**(3,078)**
Total adjusted items	**(8,886)**	**(14,345)**

6. Taxation

(a) Taxation charge

	Year ended 2 April 2018	**Year ended 3 April 2017**
Current income tax expense	**£'000**	**£'000**
UK income tax	(2,716)	(2,345)
Overseas income tax	(98)	(492)
Adjustment in respect of prior periods	741	-
Foreign exchange	-	275
Current income tax expense	**(2,073)**	**(2,562)**
Deferred tax expense		
Origination and reversal of temporary differences	1,069	1,705
Adjustment in respect of prior periods	155	(237)
Effect of change in tax rate on prior period balances	(52)	59
Foreign exchange	-	(192)

Total deferred tax credit	**1,172**	**1,335**
Total income tax charge for the year	**(901)**	**(1,227)**

Changes to the UK corporation tax rates were enacted as part of Finance Bill 2015 on 18 November 2015. These included reductions to the main rate to reduce the rate to 19% from 1 April 2017 and to 18% from 1 April 2020. A subsequent change to reduce the UK corporation tax rate to 17% from 1 April 2020 was included within Finance Bill 2016 which was enacted on 6 September 2016.

(b) Taxation reconciliation

The tax charge for the year differs from the standard rate if corporation tax in the UK of 19% (2017: 20%). The reasons for this are detailed below:

	Year ended 2 April 2018 £'000	**Year ended 3 April 2017 £'000**
Profit/(loss) before taxation	8,298	(1,468)
Taxation (charge)/credit at the standard UK corporation tax rate of 19% (2017: 20%)	(1,576)	293
Adjustments in respect of prior periods	896	(237)
Overseas income tax at higher rates	(338)	(130)
Disallowable expenditure	(939)	(1,404)
Income not subject to income tax	516	23
Deferred tax not previously recognised	616	87
Capital gains	(24)	-
Change in tax rate on prior period deferred tax balances	(52)	59
Foreign exchange	-	82
Total income tax expense	**(901)**	**(1,227)**
Effective tax rate	10.9%	-83.4%
Adjusted effective tax rate	12.1%	19.9%

(c) Taxation on items recorded in other comprehensive income

	Year ended 2 April 2018 £'000	**Year ended 3 April 2017 £'000**
Deferred tax credit/(charge) on share based payments	235	(3)
Total tax on items credited / (changed) to other comprehensive income	**235**	**(3)**

(d) Deferred tax

	Year ended 2 April 2018 £'000	**Year ended 3 April 2017 £'000**
At beginning of year	(333)	(1,665)
Adjustment in respect of prior years	155	(237)
Credited to the income statement in the year	1,017	1,764
Credited/(charged) to other comprehensive income in the year	235	(3)
Foreign Exchange	(242)	(192)
At end of year	**832**	**(333)**

Deferred tax assets	Accelerated tax depreciation £'000	Share based payments £'000	Tax losses carried forward £'000	Total deferred tax assets £'000
At 28 March 2016	114	247	768	1,129
Credited/(charged) to other comprehensive income in the year	-	(3)	-	(3)
Credited/(charged) to income statement	69	618	(117)	570
At 3 April 2017	**183**	**862**	**651**	**1,696**
Credited/(charged) to other comprehensive income in the year	-	235	-	235
(Charged)/credited to income statement	(47)	(62)	501	393
Foreign exchange	10	13	(104)	(81)
At 2 April 2018	**146**	**1,048**	**1,049**	**2,243**

Deferred tax liabilities	Rolled over gains £'000	Short term timing differences £'000	Total deferred tax liabilities £'000
At 28 March 2016	(289)	(2,505)	(2,794)
Credited to income statement	30	735	765
At 3 April 2017	**(259)**	**(1,770)**	**(2,029)**
Credited/(charged) to other comprehensive income in the year	-	-	-
Credited to income statement	49	730	779
Foreign exchange	(10)	(151)	(161)
At 2 April 2018	**(220)**	**(1,191)**	**(1,411)**

	Year ended 2 April 2018 £'000	Year ended 3 April 2017 £'000
Deferred tax assets	2,243	1,696
Deferred tax liabilities	(1,411)	(2,029)
	832	(333)

Deferred tax on losses of £11.5m (2017: £11.5m) has not been recognised in these financial statements.

(e) Factors that may affect future tax charges

The Group’s overseas tax rate is higher than that in the UK as profits earned by Les Celliers de Calais S.A.S. in France are taxed at a rate of 33.3% and profits earned by its Naked Wines subsidiaries in the United States of America and Australia are taxed at 39.8% and 28.5% respectively.

No deferred tax is recognised on the unremitted earnings of overseas subsidiaries as following the enactment of the Finance Act 2009 the Group considers that it would have no liability to additional taxation should such amounts be remitted.

7. 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 3,067,028 (2017: 4,920,863) contingently returnable shares issued as a result of the acquisition of Naked Wines (which have been treated as dilutive share options), 139,609 (2017: nil) shares held by the Majestic Wine plc Share Incentive Plan Trust (which have been treated as dilutive share options) and 3,934 (2017: 3,934) held by the Employee Share Ownership Trust.

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 year. Share options granted over 112,003 (2017: 475,453) 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 5) This alternative measure of earnings per share is presented so that users of the financial statements can better understand the Group's underlying[(7)] trading performance.

	Year ended 2 April 2018	Year ended 3 April 2017
Earnings / (loss) per share		
Basic earnings / (loss) per share	10.9p	(4.1p)
Diluted earnings/(loss) per share	10.1p	(4.1p)
Adjusted basic earnings per share	23.9p	17.7p
Adjusted diluted earnings per share	22.3p	16.3p

	Year ended 2 April 2018 £'000	Year ended 3 April 2017 £'000
Profit / (loss) for the period	7,397	(2,695)
Add back adjusted items:		
- Non-cash charges relating to acquisitions	8,018	11,267
- Other adjusted items	868	3,078
Adjusted profit after taxation	**16,283**	**11,650**

	Year ended 2 April 2018	Year ended 3 April 2017
Weighted average number of shares in issue	68,051,900	65,848,467
Dilutive potential ordinary shares:		
Employee share options and contingently returnable shares	5,036,886	5,598,621
Weighted average number of shares for the purpose of diluted earnings per share	**73,088,786**	**71,447,088**
Total number of shares in issue	**71,499,086**	**70,778,262**

If all the company's share option schemes had vested at 100% the Company would have 74,483,264 issued shares.

8. Bank and other borrowings

	2 April 2018 £'000	3 April 2017 £'000
Current		

Bank overdrafts	8,837	12,537
Customer bond finance	2,445	2,619
Total bank and other borrowings due within one year	**11,282**	**15,156**
Non current		
Revolving credit facility	13,500	34,000
Debt issuance costs	(707)	(488)
Total bank and other borrowings due after one year	**12,793**	**33,512**
Total bank and other borrowings	**24,075**	**48,668**

During the year, the Group amended an existing revolving credit facility to reduce from £85m to £60m. The amended facility is due to mature in December 2022. Interest has been charged at margins between 1% and 1.25% above LIBOR, depending on the Group's leverage (being net debt/EBITDA).

Banking covenants are in place and are tested quarterly. The covenants tested are the Group's leverage and fixed charge cover.

9. Notes to the cash flow statement

	Year ended 2 April 2018 £'000	Year ended 3 April 2017 £'000
Cash generated by operations		
Operating profit/(loss)	9,292	(246)
Add back:		
- Depreciation and amortisation	9,899	11,301
- Profit on disposal of property, plant and equipment	28	(6)
- Impairment of property, plant and equipment	447	-
- Impairment of prepaid operating leases	39	(38)
- Fair value movement on foreign exchange contracts	(193)	957
- En primeur movement in income statement	289	517
- Share based payment charges	4,407	7,678
Operating cashflows before movements in working capital	**24,208**	**20,163**
(Increase)/decrease in inventories	(2,425)	(9,787)
Increase in customer funds in deferred income	4,137	8,044
(Increase)/decrease in trade and other receivables	(130)	(4,876)
Increase/(decrease) in trade and other payables	2,880	(4,417)
Cash generated by operations	**28,670**	**9,127**

	2 April 2018 £'000	3 April 2017 £'000
Cash and cash equivalents		
Cash and cash equivalents	15,618	23,007
Bank overdraft	(8,837)	(12,537)
Total cash and cash equivalents	**6,781**	**10,470**

Alternative Performance Measures

Since last year we have replaced Customer Retention with Customer Sales Retention and have not separately disclosed like-for-like as there has been no change in store numbers.

Underlying movement	a) includes en primeur revenues in year of order not year of fulfilment; (b) is calculated using constant FX rates for translation (c) restates the prior year to a 52 week period comparable to the current year.
EBIT	Operating profit as disclosed in the Group income statement.
Adjusted EBIT	Operating profit adjusted for amortisation of acquired intangibles, acquisition costs, share based payment charges, impairment of goodwill, restructuring costs, fair value movement through P&L on financial instruments and adjusting en primeur results to reflect profits on orders rather than on wine fulfilment.
Adjusted EBITDA	Adjusted EBIT plus depreciation and amortisation, but excluding any costs included in our adjusted items e.g. amortisation of acquired intangibles.
Operating Costs	Defined as administrative expenses less other operating income excluding adjusted items
Adjusted PBT	Adjusted EBIT less net finance charges. Group reconciliation is found in the financial review
Free cash flow	Cash generated by operating activities less capital expenditure and before adjusting items and taxation. A reconciliation of this metric is provided below.
Net Debt	Borrowings less cash and debt issuance cost.
Return on Investment	A measure of the money we subsequently earn from investment in new customers. This measure is akin to a yield on an upfront capital investment, defined as the annual contribution per repeat customer less the cost of replenishment, all divided by the cost per repeat customer. Note that we are phasing this measure out and replacing it with lifetime return, but is still currently used as part of our remuneration policy.
Investment Measures	
Investment in new customers (also referred to as new customer contribution)	The contribution earned from sales to new customers.
New customer sales	Revenues derived from transactions with customers who meet our definition of a new customer. A reconciliation of this metric for Majestic Retail and Naked Wines is provided in the financial review.
Lifetime Payback	The ratio of the future contribution we expect to earn from the customers recruited this year to the investment we made recruiting them. We calculate this by reviewing the level of sales and contribution generated in the current year from new customers and compare this to a reference level based on historic behaviour of all new customers, then projecting forwards to a 20 year lifetime to estimate the payback ratio. 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 in the financial review
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 of this metric Majestic Retail and Naked Wines is provided in the financial review.
Repeat customer contribution	The profit attributable to those sales after fulfilment and service costs. A reconciliation of this metric Majestic Retail and Naked Wines is provided in the financial review.

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 till and website data the population who were active 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. This APM replaces customer retention as it gives a better indicator of our retention rates
Fixed costs	Administrative costs by division excluding marketing spend.
Definitions	
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. A reconciliation of this metric Majestic Retail and Naked Wines is provided in the financial review.
Repeat customer	A customer that has bought from one of our businesses more than once, recently. For Naked Wines these are “Angels” who have subscribed. For Majestic they are people who have shopped with us at least once within the last 12 months, with that shop not being their first time.
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 shopping with us at some point or cannot be identified.
Adjusted effective tax rate	Defined as the current year’s tax change divided by the adjusted profit before tax.

1. **Free Cash Flow reconciliation**

	02 April 2018 £'m	03 April 2017 £'m
Adjusted EBIT	18.2	14.1
Add back depreciation and amortisation *(excludes adjusted amortisation of acquired intangibles)*	6.5	6.9
Adjusted EBITDA	**24.7**	**21.0**
Naked Wines Growth Spend	3.7	4.8
Working capital movement		
- Inventories	(2.4)	(9.8)
- Deferred Income	4.1	8.0
- Trade and other receivables	(0.1)	(4.9)
- Trade and other payables	2.4	(4.6)
Working capital movement	4.0	(11.3)
Pre-tax operating cash flow excluding growth	**32.4**	**14.5**
Investments supporting growth		
Naked Wines Growth Spend	(3.7)	(4.8)
Capital expenditure	(3.8)	(3.5)
	(7.5)	(8.3)
Pre-tax operating cash flow / "Free cash flow"	**24.9**	**6.2**

Reconciliation to statutory cash flow statement		
Free cash flow	24.9	6.2
Cash adjusted items	0.0	(0.5)
Capital expenditure	3.8	3.5
Cash generated by operations	**28.7**	**9.2**

Additional unaudited information

To provide a meaningful comparison with last year, further analysis is presented below on an underlying(7) basis which means:

- En-primeur revenues are included in year of order, not year of fulfilment
- Calculated using current period foreign exchange rates for re-translation of the comparative period
- Adjusting the prior year to a 52 week period, comparable to the current year
- Re-allocating prior year costs relating to the IT development team that were centralized in FY18

1. Reported and underlying(7) results by segment

			Underlying(7)	
	Year ended 02 April 2018	**Year ended 03 April 2017**	**Year ended 02 April 2018**	**Year ended 03 April 2017**
	£'000	**£'000**	**£'000**	**£'000**
Retail				
Revenue	263,754	262,200	263,754	258,877
Gross profit	60,420	61,425	60,420	60,430
Distribution costs	(30,384)	(28,793)	(30,384)	(28,783)
Administrative costs	(16,687)	(19,287)	(16,687)	(18,348)
Adjusted EBIT	13,349	13,345	13,349	13,299
Commercial				
Revenue	43,360	46,628	43,360	45,933
Gross profit	7,694	7,992	7,694	7,841
Distribution costs	(3,059)	(3,158)	(3,059)	(3,155)
Administrative costs	(2,200)	(2,293)	(2,200)	(2,292)
Adjusted EBIT	2,435	2,541	2,435	2,394
Lay & Wheeler				
Revenue	12,962	12,275	14,549	14,521
Gross profit	4,042	3,882	4,042	3,847
Distribution costs	(1,198)	(1,060)	(1,198)	(1,059)
Administrative costs	(1,907)	(1,842)	(1,907)	(1,842)
Adjusted EBIT	937	980	937	946
Naked Wines				
Revenue	156,058	144,341	156,058	140,220
Gross profit	55,236	49,296	55,236	47,363

Distribution costs	(24,165)	(23,008)	(24,165)	(22,321)
Administrative costs	(22,405)	(24,871)	(22,405)	(23,750)
Adjusted EBIT	8,666	1,417	8,666	1,291
Central costs				
Administrative costs	(7,209)	(4,184)	(7,208)	(6,166)
Adjusted EBIT	(7,209)	(4,184)	(7,208)	(6,166)
Group				
Revenue	476,134	465,444	477,721	459,551
Gross profit	127,391	122,595	127,391	119,481
Distribution costs	(58,806)	(56,019)	(58,806)	(55,318)
Administrative costs	(50,407)	(52,476)	(50,407)	(52,397)
Adjusted EBIT	18,178	14,099	18,178	11,765

2. Naked Wines business split reconciliation

	Per Capital Markets Day categorisation	Move immature	As reported
	£'m	£'m	£'m
New Customers			
Sales	31.9	(10.3)	21.6
Contribution	(13.0)	(1.0)	(14.0)
Repeat Customers			
Sales	124.2	10.3	134.5
Contribution	32.8	1.0	33.8
Fixed Costs	(11.1)	-	(11.1)
Adjusted EBIT	8.7	-	8.7

3. Revised Naked Wines forecasting metrics

	Naked FY19
New customer investment	£19 - 22m
Repeat sales retention	c.85%

New to repeat sales conversion	c.180%
New customer margin	-600 to -900bpsYoY
Repeat contribution margin	Unchanged
Fixed cost growth	+10-15%

4. **Naked Wines historic performance (£m, unaudited, restated to constant FX rates)**

	New customers		**Repeat customers**		
	Sales	**Contribution**	**Sales**	**Contribution**	**Fixed costs**
	£'m	£'m	£'m	£'m	£'m
FY14	15	(7)	45	7	(8)
FY15	21	(8)	66	14	(10)
FY16	22	(10)	90	21	(11)
FY17	26	(15)	114	27	(11)
FY18	22	(14)	134	34	(11)

5. **Naked Wines split by country**

	Sales	**Adjusted EBIT**	**Adjusted EBIT %**
	£'m	£'m	%
UK	66.6	5.2	7.8%
USA	61.5	2.8	4.5%
Australia	28.0	0.7	2.5%
Total Naked Wines	156.1	8.7	5.6%
Addback growth spend		3.7	
Zero growth Adjusted EBIT		**12.4**	**7.9%**