



FY21 Annual Results

October 2021





**MULTI-AWARD
WINNING**



Online Drinks Retailer Of The Year

Winner - 2017 & 2018 Finalist - 2019, 2020 & 2021

The year in review - *EXCELLENT RESULTS*

Group revenue up **30% to £73.6m** (FY20: £56.6m) – the second year of **30%** growth in succession, up **73% against 2019**

Revenue growth was consistent across all sales channels and business segments

- » Repeat Direct to Consumer revenues up **31.5% in FY21** and **29.2% in FY20**
- » Revenue from the commercial department up **72.8% in FY21** and **13.7% in FY20**

Adjusted EBITDA up **46% to £7.0m** (FY20: £4.8m), a **169% increase over FY19**

Gross profit margin up from **30.3% to 31.6%**

Continued high rates of cash conversion and a tightly managed balance sheet

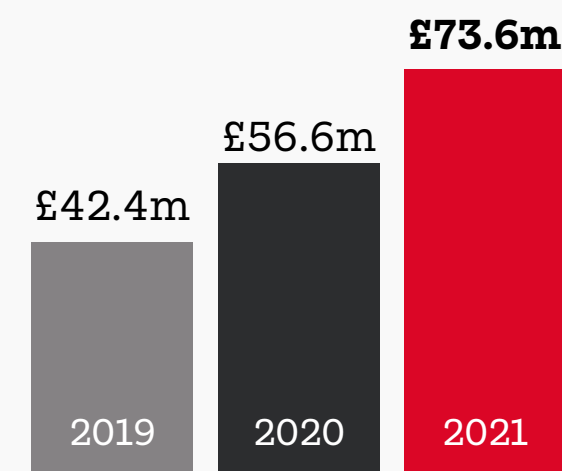
Increase in active customer base by 24% over the year, with all core trading channels seeing substantial year-on-year growth

Sales retention rate maintained at **113%** (FY20: 112%), showing strong customer loyalty

Consistently high levels of customer service – **‘Excellent’ rating on Trustpilot**

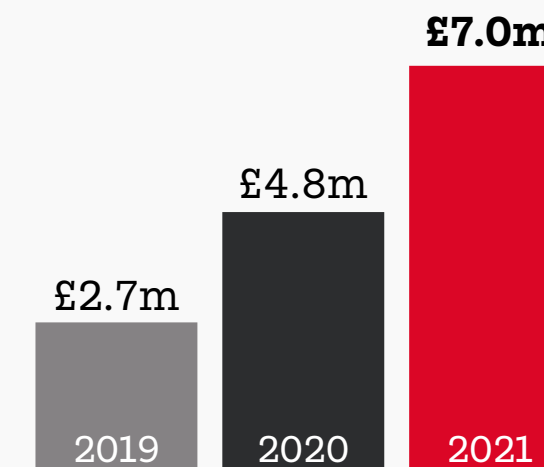
Admitted to AIM on 2 March 2021

Note 1. Adjusted EBITDA is calculated after adding back IPO transaction fees in FY21. The IPO fees are shown as exceptional costs.



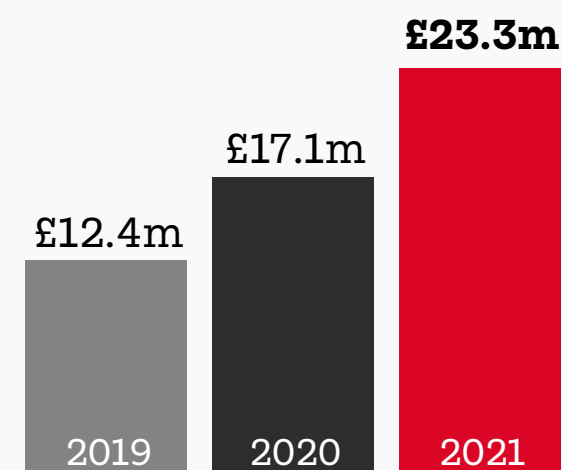
Group revenue

£73.6m
+30%



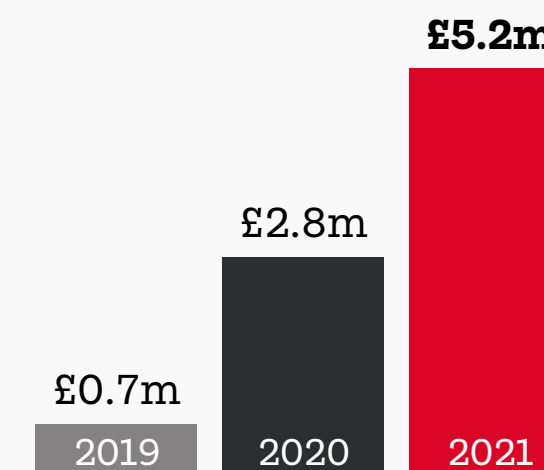
Adjusted EBITDA

£7.0m
+46%



Gross profit

£23.3m
+36%



Profit before tax & exceptional items

£5.2m
+86%



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Group income statement

Basis of preparation: the consolidated financial statements have been prepared in accordance with IFRS.

The Group adopted the predecessor accounting approach. The regulatory guidance is that comparative figures should be stated as unaudited.

In the prior year Virgin Wines Holding Company Limited consolidated financial statements under FRS102 (which form the basis of the comparative period but subject to IFRS adjustments) were audited.

	FY21 £'m audited	FY20 £'m unaudited*	Change £'m	Growth %	
Revenue	73.6	56.6	17.0	30%	
Gross Profit	23.3	17.1	6.2	36%	
Operating expenses	16.3	12.3	4.0	32%	
Underlying EBITDA	7.0	4.8	2.2	46%	<i>Non recurring IPO listing Fees</i>
Exceptional costs (IPO fees)	3.5	0.0	3.5		
Amortisation and Depreciation	0.8	0.7	0.1		
Operating Profit	2.7	4.1	-1.4		
Finance expense	1.0	1.3	-0.3		
Profit before tax	1.7	2.8	-1.1		
Tax	0.9	0.2	0.7		
Profit for the period	0.8	2.6	-1.8		
Profit before tax and exceptional costs	5.2	2.8	2.4	86%	
Basic and diluted (loss)/earnings per share (pence)	-0.5	5.4			
Adjusted Basic and diluted (loss)/earnings per share (pence)	9.0	6.5	2.5	38%	<i>Earnings adjusted for exceptional costs and preference dividend</i>



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Group balance sheet

	30 June 2021 £'m audited	30 June 2020 £'m unaudited	
ASSETS			
Non-current assets			
Intangible assets	10.8	11.0	
Property, plant and equipment	0.2	0.1	
Right of use assets	2.9	1.5	New lease Bolton NDC Sept 20
Deferred tax asset	1.1	2.0	
Total Non-current assets	15.0	14.7	
Current assets			
Inventories	7.2	5.0	Extra inventory for growth and supply disruption
Trade and other receivables	1.6	2.4	
Derivative financial instruments	0.0	0.1	
Cash and cash equivalents	15.7	19.9	
Total current assets	24.5	27.4	
Total assets	39.4	42.1	
LIABILITIES AND EQUITY			
Current liabilities			
Trade and other payables	(18.3)	(22.1)	
Derivative financial instruments	(0.0)	0.0	
Lease liability	(0.5)	(0.3)	
Total current liabilities	(18.8)	(22.4)	
Non-current liabilities			
Provisions	(0.3)	(0.2)	
Lease liability	(2.7)	(1.4)	
Loans and borrowings	0.0	(12.0)	Repaid in full March 21
Total non-current liabilities	(3.0)	(13.6)	
Total liabilities	(21.8)	(36.0)	
Net assets	17.6	6.1	
Equity			
Share capital	0.6	0.5	
Share premium	12.0	0.0	
Own share reserve	(0.0)	(0.0)	
Merger reserve	0.1	0.0	
Retained earnings	5.1	5.7	
Total Equity	17.6	6.1	



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Group cash flow

	30 June 2021 £'m audited	30 June 2020 £'m unaudited
Profit before taxation	1.7	2.8
Adjustments for:		
Depreciation and amortisation	0.8	0.7
Net finance costs	1.0	1.3
Decrease/(increase) in trade and other receivables	1.0	(0.9)
Increase in inventories	(2.2)	(0.0)
(Decrease)/increase in trade and other payables	(3.6)	12.3
Net cash (used in)/generated from operating activities	(1.4)	16.2
Cash flows from investing activities		
Interest received	0.0	0.0
Purchase of intangible and tangible fixed assets	(0.2)	(0.2)
Net cash used in investing activities	(0.2)	(0.2)
Cash flows from financing activities		
Dividend paid	(1.4)	(0.2)
Interest on loans and borrowings	(1.0)	(1.3)
Repayment of borrowings	(12.0)	0.0
Share issue	12.1	0.0
Payment of lease liabilities	(0.3)	(0.2)
Payment of lease interest	(0.1)	(0.1)
Net cash used in financing activities	(2.6)	(1.8)
Net (decrease)/increase in cash and cash equivalents	(4.2)	14.1
Cash and cash equivalents at beginning of year	19.9	5.8
Cash and cash equivalents at end of year	15.7	19.9
	(4.2)	14.1
Cash and cash equivalents comprise:		
Cash at bank and in hand	15.7	19.9



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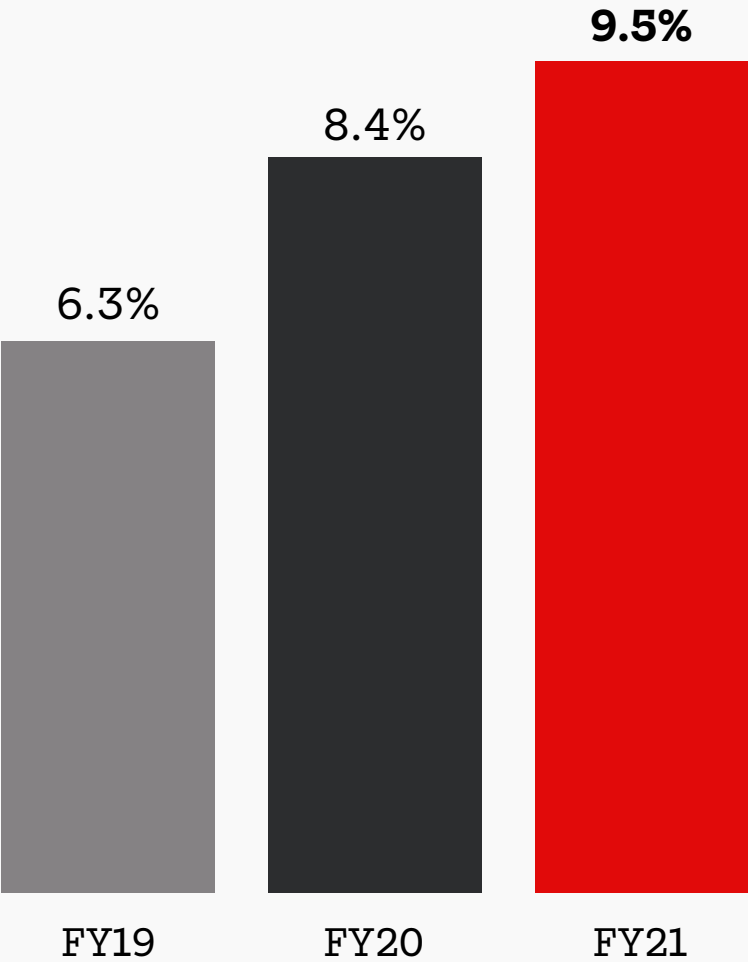
EBITDA bridge FY20-FY21

Earnings jump on the back of sales growth and margin improvements, allowing the Group to invest in new customer acquisition and overhead cost to support growth.



Adjusted EBITDA bridge

■ Increase ■ Decrease



Adjusted EBITDA margin

Percentage return up to 9.5% from 8.4%

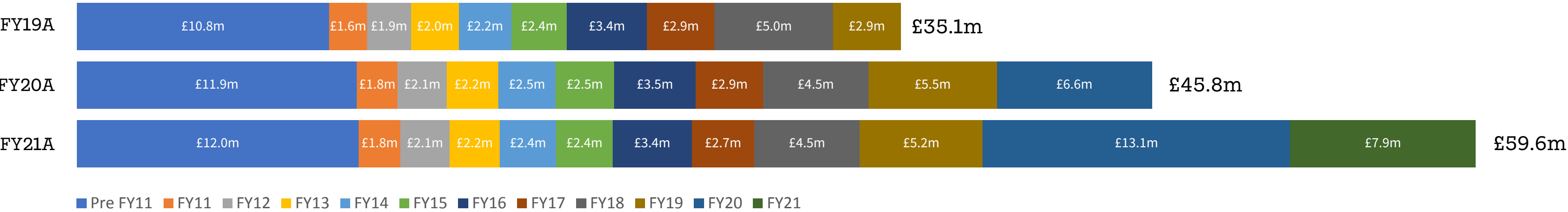


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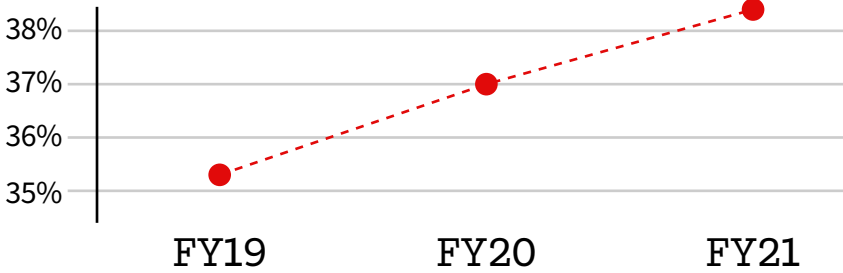


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Key earnings drivers

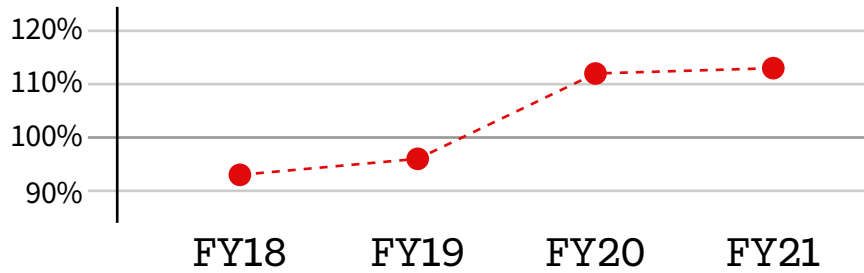


Repeat revenue by cohort - Active loyal customer cohorts underpinning future earnings



Product margins %

Increase in full margin revenue improving average product margin



Sales retention rate

Sales retention rate remaining at historical high

Payback forecast by cohort	5yr	10yr
FY18	3.7x	5.1x
FY19	4.5x	6.4x
FY20	5.0x	7.0x
Long term average		
Previous	4.1x	5.8x
New	5.1x	6.5x

Improving returns

Both FY20 and FY21 new recruits over 2x payback after first year. Uplift in long term average from last 24 months trading performance



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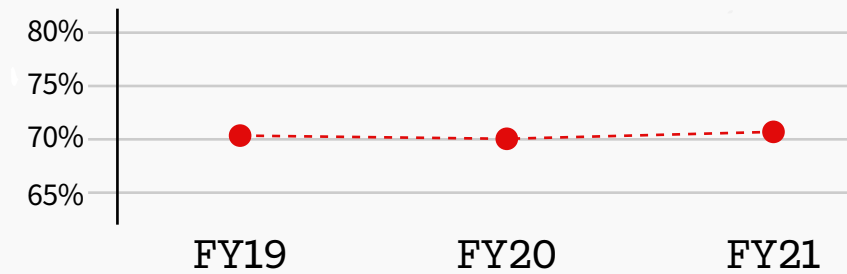


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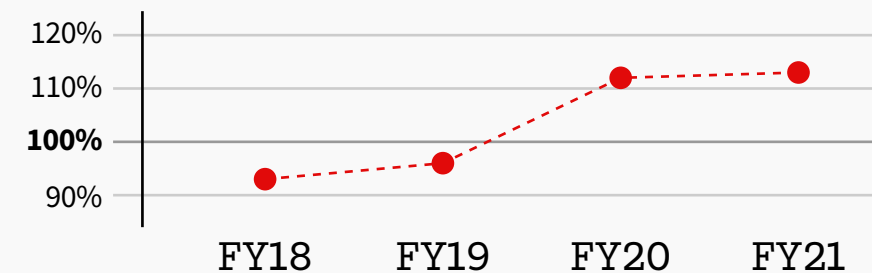
A growing number of **LOYAL CUSTOMERS**

Core to the business model is acquiring large numbers of new customers, converting them into loyal advocates of Virgin Wines and maximising retention rates.

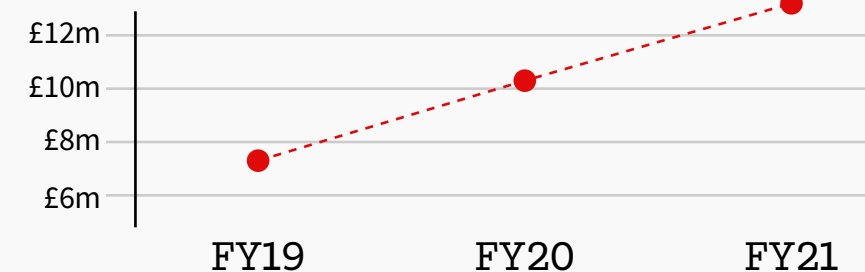
- » A **record number of new customers were acquired in FY21**, following on from a significant increase in FY20.
- » Revenue per new recruit for FY20 has averaged **79%** more than recruits in FY19 and have delivered **87% more gross profit** each.
- » The **conversion rate has increased** over the past 12 months.
- » The trade rate, whilst always predictably positive at the 70% level, has **edged up even higher**.
- » The sales retention rate has also increased slightly, **up to 113%**.
- » **The active base grew by +24% in FY21** whilst investment in customer acquisition only increased by 11% to deliver that growth.
- » Net contribution through the active customer base has **grown by 78.8% from FY19 – FY21**.



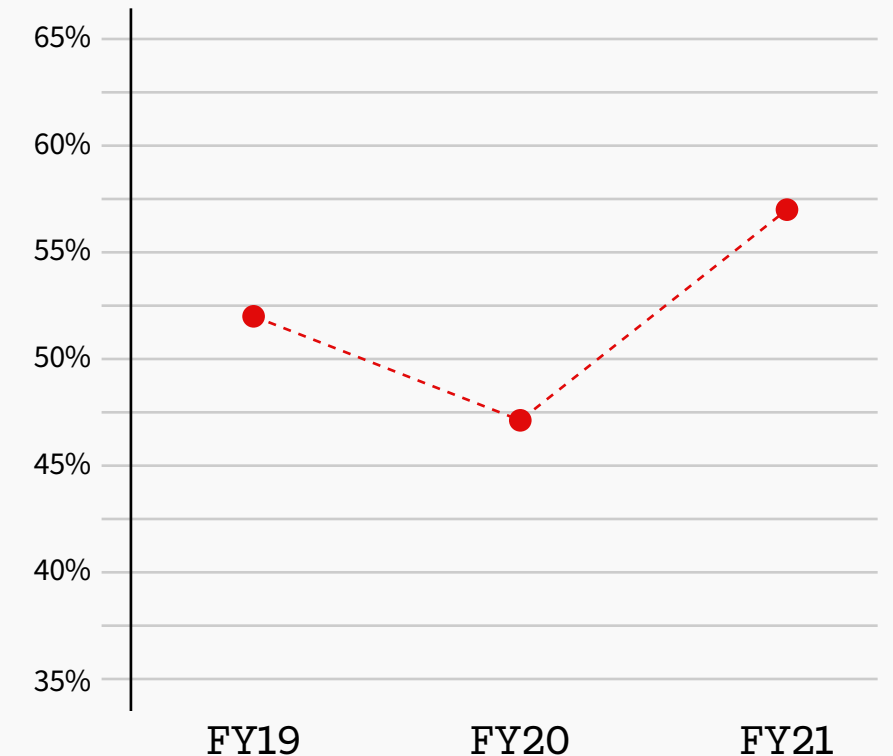
Rolling 12 customer trade rate



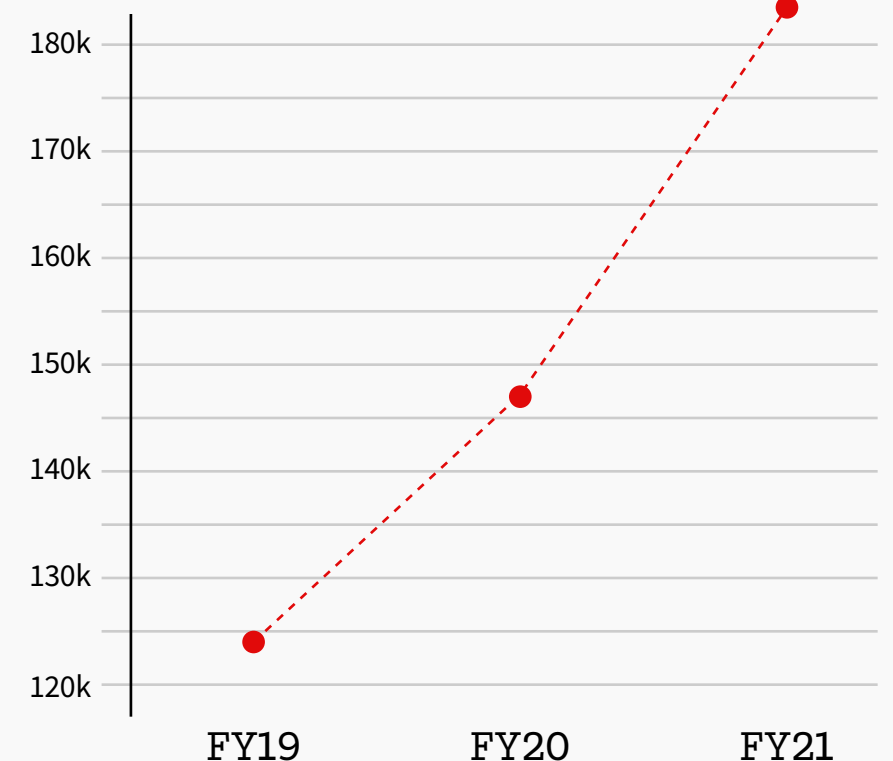
Sales retention rate



Repeat customer Net contribution



Rolling 12 month customer conversion rates



Active 1-12 month customers



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Growing subscription schemes creating *INCREASED LOYALTY*

Virgin Wines offers more ways to buy than any other online wine retailer.

WineBank – 59% of Revenue

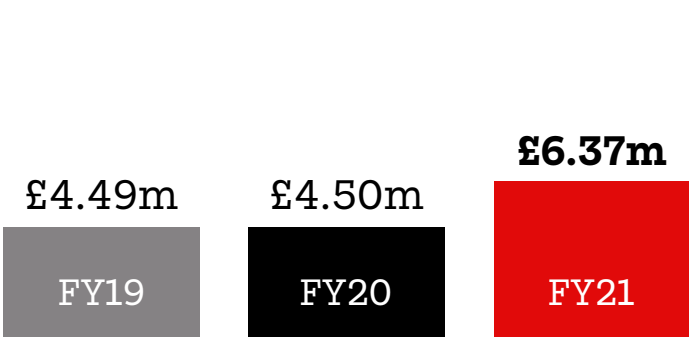
- » **Membership of over 120k**, up 22% in FY21.
- » Drives outstanding loyalty with **low cancellation rates** and our **highest frequency of purchase**.
- » Currently **£2.3m of WineBank savings are deposited by customers each month**.
- » Current balance of over £6m WineBank savings being held in a separate ring-fenced account.

Wine Plan – 16% of Revenue

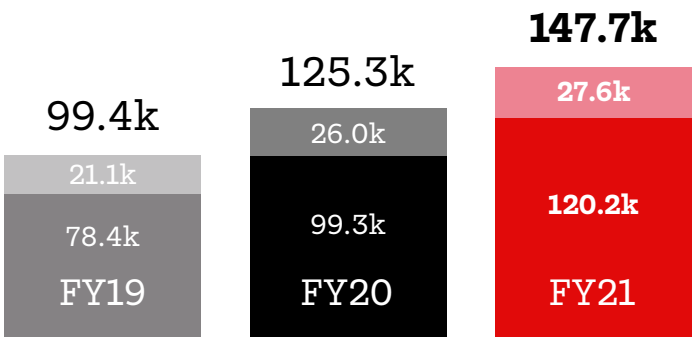
- » Membership **increased by 6% to 27.6k** in FY21.
- » Two core schemes - **Discovery Club** and **justREDS**.
- » Continually optimised service with customers given access to their own ‘Wine Plan Hub’ online, comprehensive tasting notes, informative videos, interesting articles and recipes to accompany specific wines.

Pay As You Go – 25% of Revenue

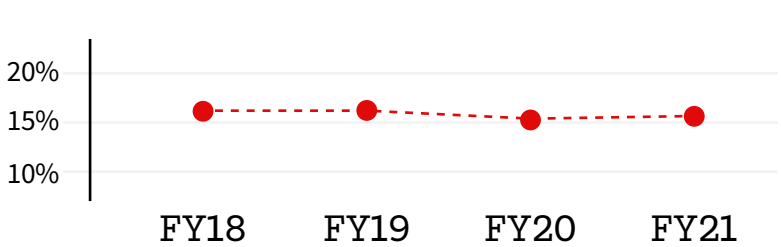
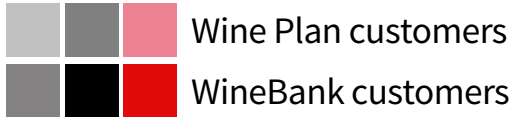
- » A **service for all customers** who would prefer not to have the perceived commitment of a subscription scheme.
- » Customers have access to the full product portfolio of **over 700 wines, 350 spirits and 150 beers**.
- » An important part of the consumer proposition being an excellent starting point for new customers or as a ‘soft landing’ for customers who decide a subscription isn’t for them.
- » A key driver to minimise the lapsed rate and ensure a subscription cancellation doesn’t equal the loss of a customer.



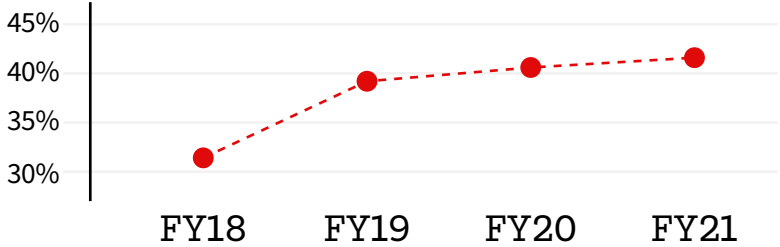
WineBank cash balance



Subscription memberships



WineBank cancellation rates



WinePlan cancellation rates



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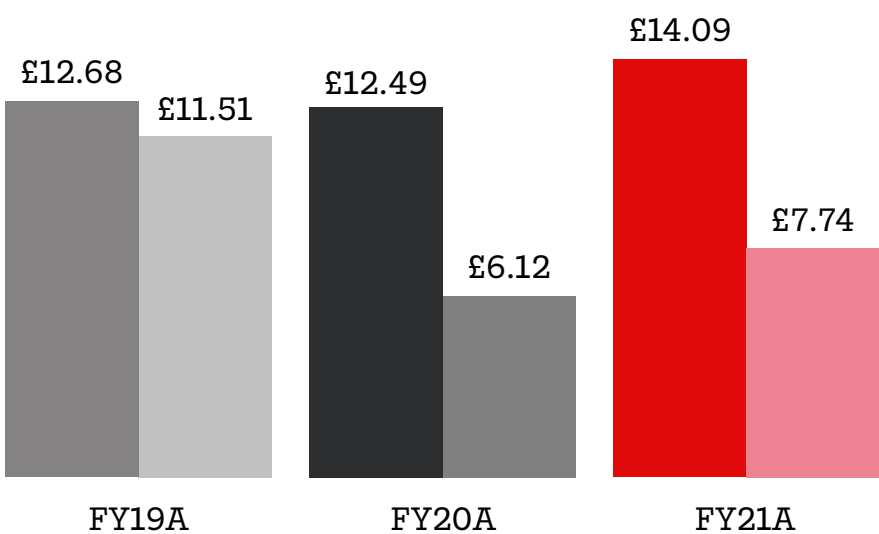
How we *ACQUIRE CUSTOMERS*

We continue to use a wide range of acquisition channels to drive customers cost efficiently into our business.

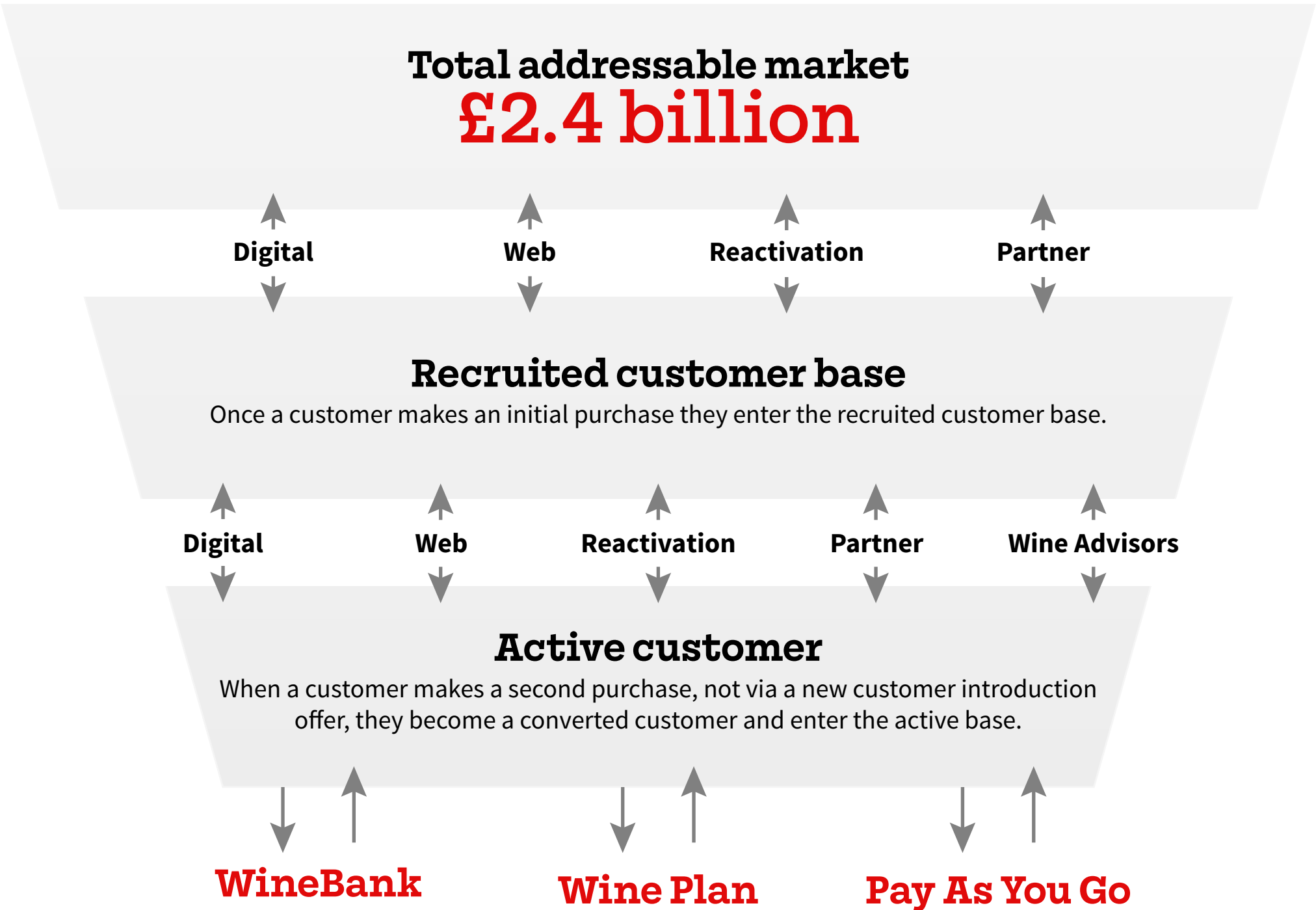
The cost profile remains market leading with **FY21 customers** acquired at an average **CPR of £14.09**.

The number of new customers is up **67%** from FY19.

The quality of customers acquired remains high with **increasingly positive conversion rates despite the higher number of recruits**.



Cost / Investment per recruit





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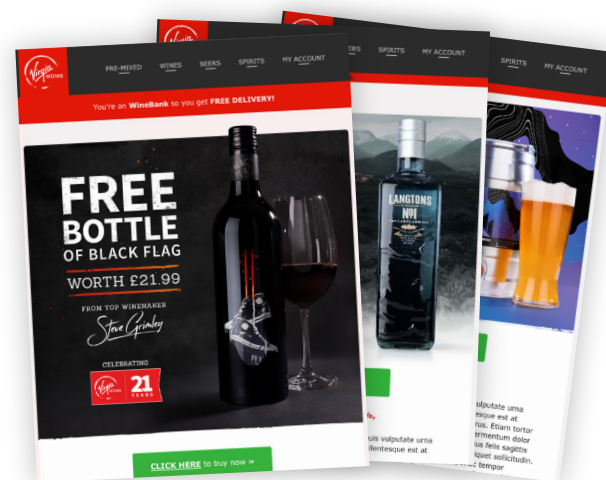


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We use 4 main channels to **DRIVE REVENUE** from the customer base

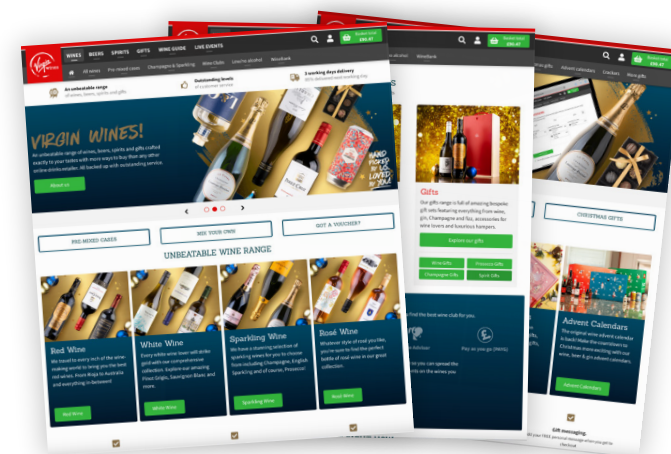
Email - revenue +39%

- » A targeted promotional plan that delivers relevant and timely offers regularly to the active customer base.
- » A fully automated suite of emails triggered by a variety of customer interactions.
- » Continued investment in technology to increase personalisation of content and relevancy of offer.
- » All emails designed by our in-house creative team.



Web - revenue +18%

- » All key metrics positive with increased traffic, sessions and orders whilst maintaining increased conversion rates.
- » Digital marketing through search, programmatic, google shopping, native advertising, social and PR all contributing positively to increased awareness and sales.
- » Extensive A/B testing across the website to continually drive improvements in customer experience and conversion rates.



Wine Advisor - revenue +22%

- » We continue to invest in the team to mirror the growth in the customer base.
- » Outstanding one-to-one, personal service delivered to all Wine Advisor customers which in turn drives increased customer loyalty, higher average order values and lower churn.
- » Free service to all customers who may find it beneficial although selections are largely driven by internal data.



Wine Plan - revenue +19%

- » Our highest margin sales channel and operationally our lowest cost to serve, therefore a key driver of net contribution.
- » A hassle free, convenient service that takes the strain out of wine buying.
- » Works perfectly in tandem with WineBank and Pay As You Go to offer customers the ideal service for their own personal requirements.





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Continued growth through our *COMMERCIAL CHANNEL*

The Commercial division within Virgin Wines is focused on the supplying corporate B2B solutions to individual clients or wider ranging wholesale solutions for key National Accounts.

Our Corporate B2B offering allows our clients and partners to gift, reward and incentivise their clients, customers and employees with a diverse range of products.

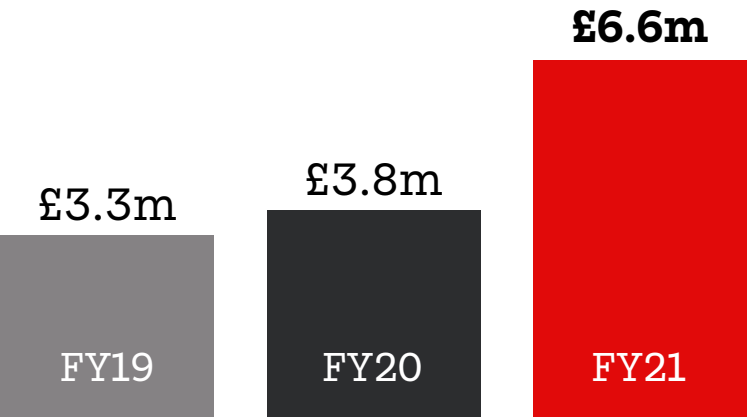
Our Commercial team leverages our core competencies of buying, new product development, fulfilment, and logistics with a focus on all-year round, on going relationships.

Key Growth drivers:

- » An increase in sales of 73%.
- » Net contribution increased by **199% to £1.2m** from **£393k in FY20**.
- » A positive partnership with Virgin Money was particularly successful either side of the Christmas trading period.
- » We have continued to invest in the corporate sales team increasing the resource in that channel.

Focus for FY22

- » To continue to **grow partnerships** in a variety of market sectors using our expertise in product, fulfilment and logistics to create solutions in the B2B space. New relationship with Moonpig already launched and showing great potential.
- » To **leverage the brand synergies within the Virgin Group** to add value by providing product and service led solutions to help those 'sister' businesses grow their customer base or deliver a superior product to their customers.
- » To continue to **innovate in all areas** whether that be product development or partnership solutions.



Commercial revenue

+73%

increase over FY20
+96% increase over FY19



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The past year has been one of high growth for our *GIFT CHANNEL*

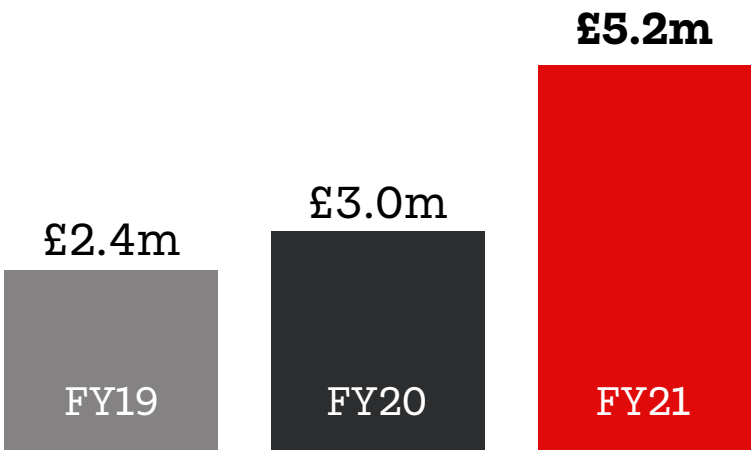
The online gift market has seen significant growth in recent years and our ability to source and deliver a wonderfully curated and beautifully packaged range of gifts fits perfectly into our core competencies around product sourcing, innovative product development, fulfilment and delivery.

Key Growth Drivers:

- » Increased investment in digital marketing helped drive a **75%** increase in revenue.
- » Net contribution increased **107% to £797k** from **£383k in FY20**.
- » A particularly successful Christmas period with record sales from our advent calendar campaign.
- » A continued focus on innovative packaging, growing the customer base and exciting new partnerships, especially with our new hamper service.
- » The launch of an automated gift reminder service on the website to remind customers of forthcoming occasions.

Focus For FY22

- » To continue to **build and gain increased repeat purchase** levels through gift customers, both for further gift purchases as well as converts to the core product offering.
- » To launch a **personalised label service** to allow customers to choose bespoke messaging and design on individual bottles of wine, Prosecco and Champagne.
- » To continue to **drive growth through digital and social marketing** with specific focus on video through increased investment, specifically to deliver incremental revenue at Christmas, Valentine’s Day, Mother’s Day and Father’s Day.



Gifts revenue

+75%

increase over FY20
+115% increase over FY19



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Good progress made in the **BEER** and **SPIRIT** product categories

The growth of the craft sectors for both beers and spirits presents a significant opportunity to grow revenue to both our existing customer base as well as attract new customers into the Virgin Wines business.

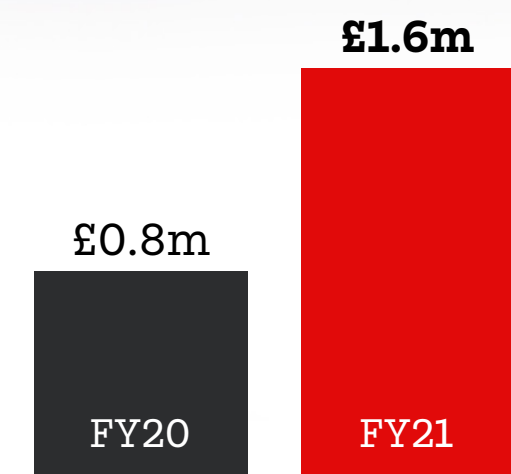
Research to our customer base showed an enthusiasm for both these adjacent product categories.

Key Growth Drivers:

- » A positive year with **sales 98% up** as these new product categories continue to gain traction.
- » The development of an **exclusive range** in both product portfolios continues to track ahead of schedule with **over 40 products now successfully launched**.
- » Growth in customers specific to both product categories as well as increased sales to the core Virgin Wines customer.

Focus For FY22

- » **Exclusive Range** – The buyers continue to build on the exclusive range of products in the portfolio to increase gross margin, deliver better quality/value ratios for customers and to ensure repeat purchase without price comparison.
- » **BeerSave/SpiritSave Scheme** – A savings scheme for both product categories has been developed so members can save each month and receive special membership pricing for their commitment. Membership pricing also available to all WineBank customers in the core Virgin Wines base.
- » **Monthly Subscription Services** – BeerBox, a monthly/bi-monthly subscription service has already been launched offering a regular supply of specially sourced craft beers from around the world. 2022 will see the introduction of a craft spirits club, offering an exclusive spirit of the customers choice each month.



Beers and Spirits revenue

+98%

increase over FY20





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Operations

New 50,000sq ft fully bonded warehouse in Bolton secured in Autumn '20 to **double operational capacity** prior to the peak Christmas trading period.

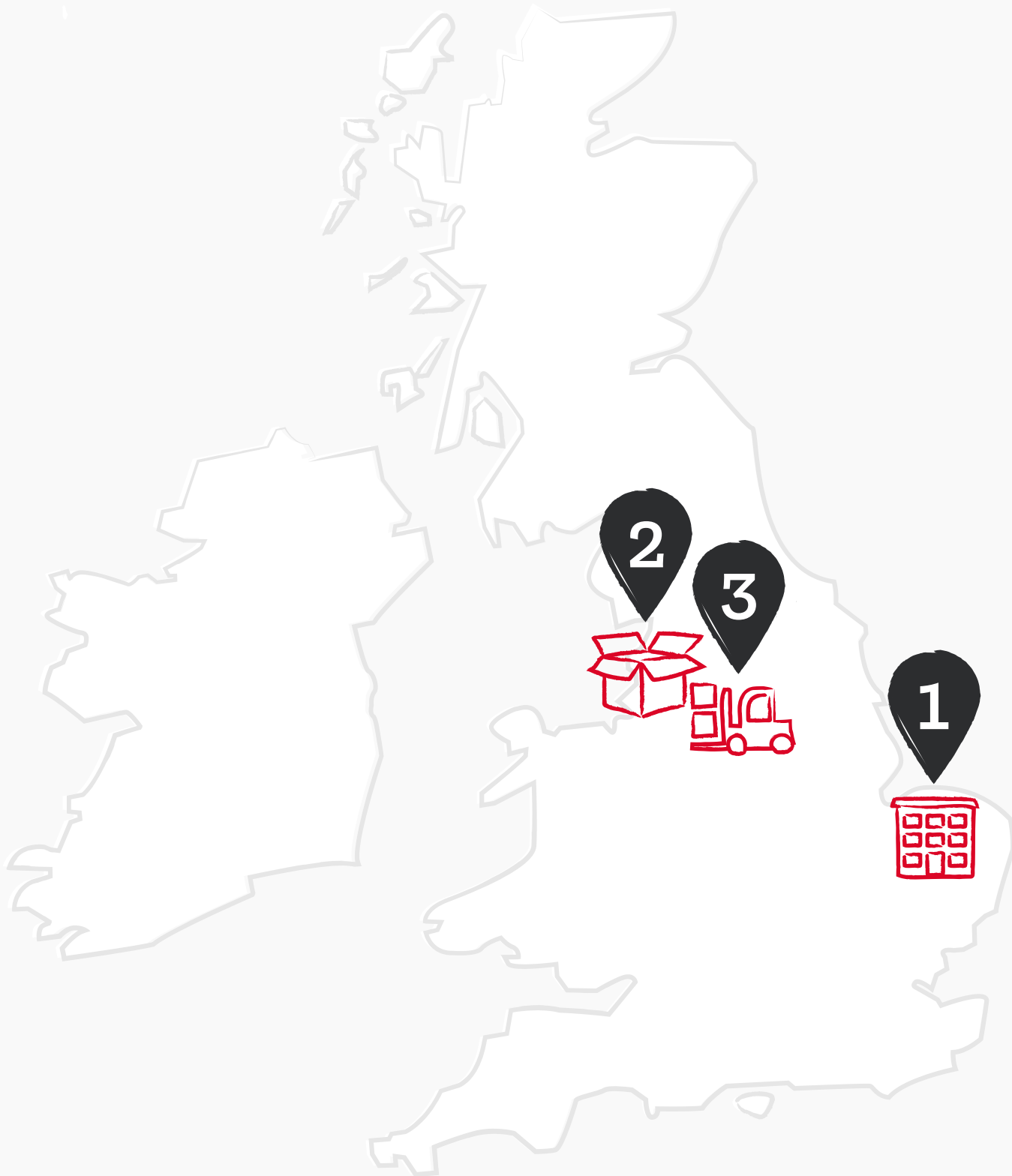
Current capacity capable of servicing **1.5m cases per annum**.

All operational functions with the exception of the final delivery are handled internally **to ensure the highest standards** are maintained whilst **efficiency and productivity is maximised**.

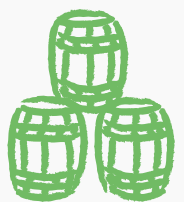
Second 'back-up' courier introduced as an insurance measure to ensure the highest levels of delivery service are always maintained.

New Warehouse Management System in development to be implemented in Summer '22.

Outstanding Customer Service continues to be a priority.
Rated **'Excellent' on Trustpilot** from over 19,600 reviews.



182,000
active
customers



40+
trusted
winemaking
partners and
suppliers



187
employees



1,200
products in
our portfolio



Norwich HQ



Preston NDC



Bolton NDC



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Our **WINEMAKERS**

Over the years we have developed close relationships with a large number of outstanding independent winemakers from all around the world who we are **PROUD** to call our friends as well as our partners.

These relationships allow us to work hand in hand with the wineries, at source, to create the perfect bespoke blends of wines for our customers based on their continuous feedback. These relationships have proved to be as valuable to the winemakers as they have been to Virgin Wines UK plc as they have embraced the model of customer-informed wine creation.



**BORTJA
RIPA**

 **Finca Manzanos**

“From the start we understood that hearing from Virgin Wines UK plc customers and what they thought was really key to us making the right wines together. It’s an idea and a model we now love”



**NADIA
ENGLEBRECHT**

 **Perdeberg**

“Every year the guys from Virgin Wines UK plc come to the Cape to weave their magic on what we present to them. It’s a process we all enjoy and the wines we make together are undoubtedly more than the sum of their parts”



**STEVE
GRIMLEY**

 **Five O’clock
Somewhere**

“I have been working with Virgin Wines UK plc for over 16 years since I first became independent. They offered me an opportunity to make wines in collaboration with them from the start and it’s been great to build on this over the years and see the leaps in quality we’ve achieved”



**NICOLA
ALLISON**

 **Château de Seuil**

“One of the great things for Château de Seuil has been showing our wines at Virgin Wines UK plc tastings, meeting literally thousands of people who drink our wines and talking about what turns everyone on about our range”



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Our CUSTOMERS

At the very **HEART** of our business is an unrivalled passion for delighting our customers.

The customer experience is at the centre of our decision-making process with the constant aim of eliminating every point of friction a customer could experience. This is why we are rated ‘Excellent’ on Trustpilot with over 15k five-star customer reviews.

“Every bottle deserves 10 stars each. Every one amazing in their own right. Each bottle has so much taste and are bursting with so much flavour. They are great for sharing with friends but are equally good shared with the one you love”

MICK R



“A bouquet of excellence. I cannot praise Virgin Wines UK plc highly enough. I have never had a single bad bottle – and I have tried many new wines. The delivery service is excellent – as is the interest you receive when you join WineBank”

JANE W



“The best way I know of buying wines. Thoroughly professional and friendly service, easy website, great wines. What’s more to say?”

ANTHONY L

“Excellent customer service and great wines and plenty of variety”

GARY O



“Consistent quality and excellent value for money, some stunning wines and great offers regularly – thanks very much”

ANDREW L



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A *POSITIVE IMPACT*, from grape to glass

Our ESG Ambition

To be a leader in creating positive impacts on our environment and communities within the drinks industry

INITIATIVES

Reducing Our Carbon Footprint by UK Bottling

- » 25% of wine shipped is bottled in the UK saving approximately **40% of the carbon emissions**.
- » All bottling carried out by Greencroft in Durham, a **BRC Grade AA+ facility**.
- » **Three wind turbines power the Greencroft estate** with 40% of the energy produced feeding back into the National Grid.

Recycling Ethos

- » Rigorous recycling practises with the aim to **recycle all plastic film and cardboard packaging**.
- » Fully compliant with the **Packaging Recovery Notes** scheme with a levy paid to cover the cost of recycling imported packaging.
- » Boxes manufactured from **100% FSC certified paper which is 100% recyclable, 100% bio-degradable** and has up to **88% recycled content**.

Charitable Initiatives

- » We partnered with the industry wellness charity **The Drinks Trust** and the mental health charity **Growing Well** over the last year to financially support a variety of initiatives.



ENVIRONMENT



Strive to continuously reduce our emissions and operate in an environmentally thoughtful manner

SOCIAL



A fun, supportive and inclusive place where people are proud to work

GOVERNANCE



Operate an ethical and stable business, that understands the importance of creating a culture of responsible drinking



MULTI-AWARD
WINNING



Online Drinks Retailer Of The Year
Winner - 2017 & 2018 Finalist - 2019, 2020 & 2021

Our **PEOPLE**

Our most important asset is our people. The last 18 months has been a challenging time for many individuals, and we have done more than ever to create a safe working environment, a flexible approach and additional resource and support where required.



Employee Assistance Programme

All employees have fully funded access to independent, qualified advice and support including counselling sessions, legal advice and debt management expertise.



Mental Wellbeing

Senior Management completed a half day training seminar for awareness of 'Mental Health in the Workplace' run by the charity Mind.



Hybrid Working

We have adopted a hybrid approach to working giving employees the option of office working within the safe Covid protocols that have been adopted across all locations along with the flexibility of home working, should that be a favoured approach.



Culture

At the centre of our brand DNA is our purpose – ***'To make people's life more enjoyable'***. This is as applicable for own people as it is for our customers and creating a dynamic, fun, inclusive and supportive working environment core to our values.

Our **BRAND VALUES** are at the heart of everything we do and believe

PASSIONATE | HEARTFELT SERVICE | STRAIGHT UP | INSATIABLE CURIOSITY | SMART DISRUPTION | DELIGHTFULLY SURPRISING | WE ARE FAMILY



**MULTI-AWARD
WINNING**



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Our robust buying and merchandising model **MINIMISES RISKS** in the supply chain

There are challenges across businesses with a number of headwinds.

We are in the favourable position of being able to mitigate a number of the risks.



A challenging vintage

It has been a difficult vintage in a number of countries with frosts in France and poor yields in New Zealand leading to particularly challenging conditions.

Virgin Wines' open source buying model allows us to secure stocks from any winery or supplier, and this flexibility has reduced the impact compared to those who are contracted to specific wineries.



Cost pressure

Whilst there are rising costs in a number of areas, particularly shipping and packaging, overall, this is a relatively small proportion in the cost of a bottle of wine.

Sales channels work to specific margin requirements and the merchandising model allows for increased costs or cost benefits (FX) to be catered for in the planning process.

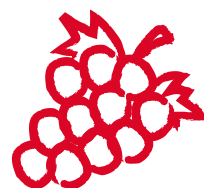


Global delays in shipping

Anticipation of potential shipping delays led to an earlier than normal build up of stocks.

We are experiencing a haphazard shipping schedule, but this has little to no effect on the end consumer due to our flexible merchandising model.

Margins are also maintained due to the ability to utilise a fluid selection of wines at all price points, allowing the merchandising team to proactively curate outstanding value case selections.





MULTI-AWARD
WINNING



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Outlook

A loyal, growing customer base continues to drive growth.

Virgin Wines is evolving into a lifestyle brand rather than a transactional e-commerce retailer with high levels of customer engagement and advocacy.

A customer base that is highly biased towards subscription services leads to highly predictable levels of future revenue.

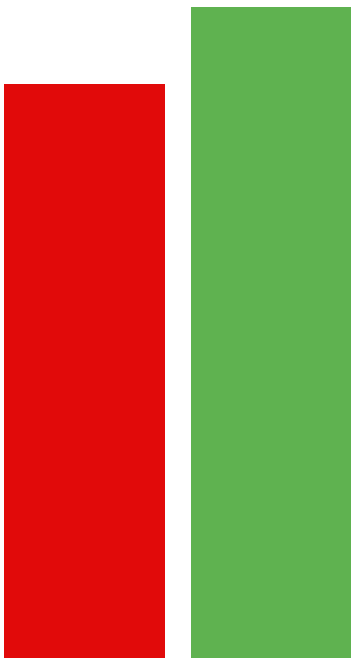
Concern over ‘stickability’ of customers acquired over the lockdown periods has proved unfounded with long term 5 year payback rising significantly to 5.1x from 4.1x.

Well placed to mitigate against stock shortages or supply delays through our open source buying model and pragmatic merchandising.

Whilst we acknowledge there are various headwinds, we believe our robust, disciplined business model is well placed to cope when market conditions are less favourable as well as being able to take advantage of opportunities when trading conditions are more positive.

We are therefore confident in our prospects and expect our current year trading performance to be in line with expectations.

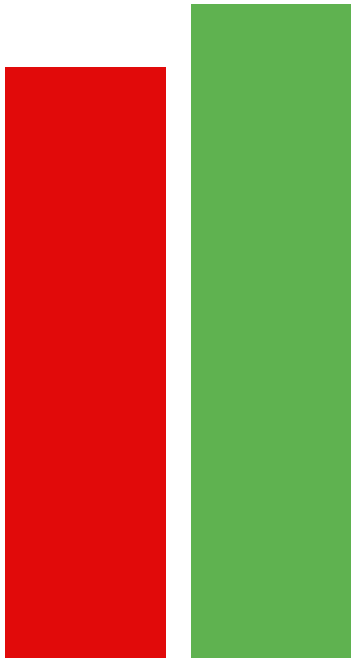
Q1 TRADING HIGHLIGHTS



FY21Q1 FY22Q1

Q1 Revenue

+13.3%



FY21Q1 FY22Q1

Q1 New customers

+10.7%



FY21Q1 FY22Q1

Q1 Repeat revenue

+16.1%

A photograph of three women laughing and clinking wine glasses. The woman on the left wears a red bandana with white polka dots and a white shirt. The woman in the middle wears a dark blue top. The woman on the right wears a red top with a white pattern. They are all smiling and holding wine glasses filled with white wine. The background is a blurred outdoor setting with wooden structures.

LIFE'S TOO SHORT
FOR BORING WINE

Thank
you

