



FY22 Interim Results  
March '22





**MULTI-AWARD  
WINNING**



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

## H1 highlights

» **Total revenue of £40.6m**, in line with the six months ended 31 December 2020 (*H1 2021*) and up 55% compared to the six months ended 31 December 2019 (*H1 2020*).

» Subscription based revenue of **£26.3m up 23%** on £21.4m in H1 2021.

» EBITDA of £3.7m (*H1 2021: £4.5m*) the change is due to **increased investment in new customer acquisition** and additional operating costs as a listed business.

» Profit before tax of £3.2m (*H1 2021: £3.4m*).

» Earnings per share of 4.6p (*H1 2021: 6.0p*).

» Net cash of **£13.6m up £5.2m** since 30 June 2021 (*H1 2021: £8.4m*).

### Customer base:

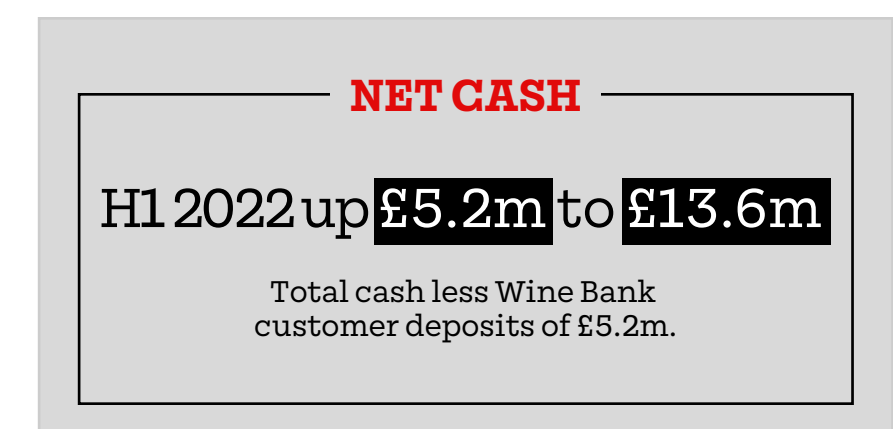
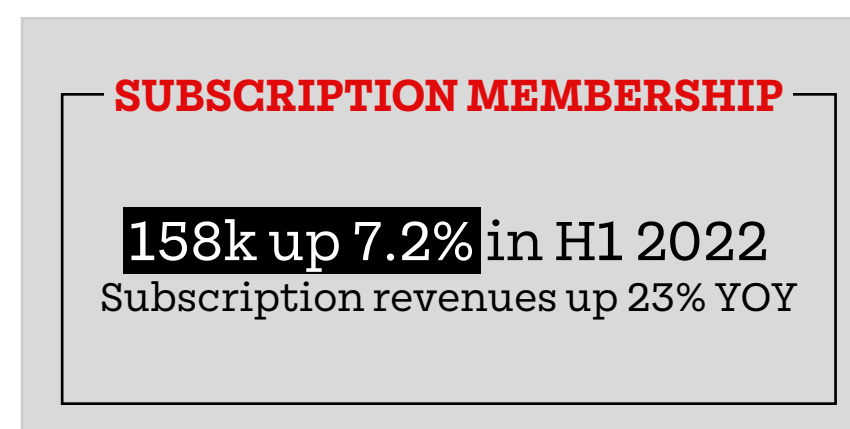
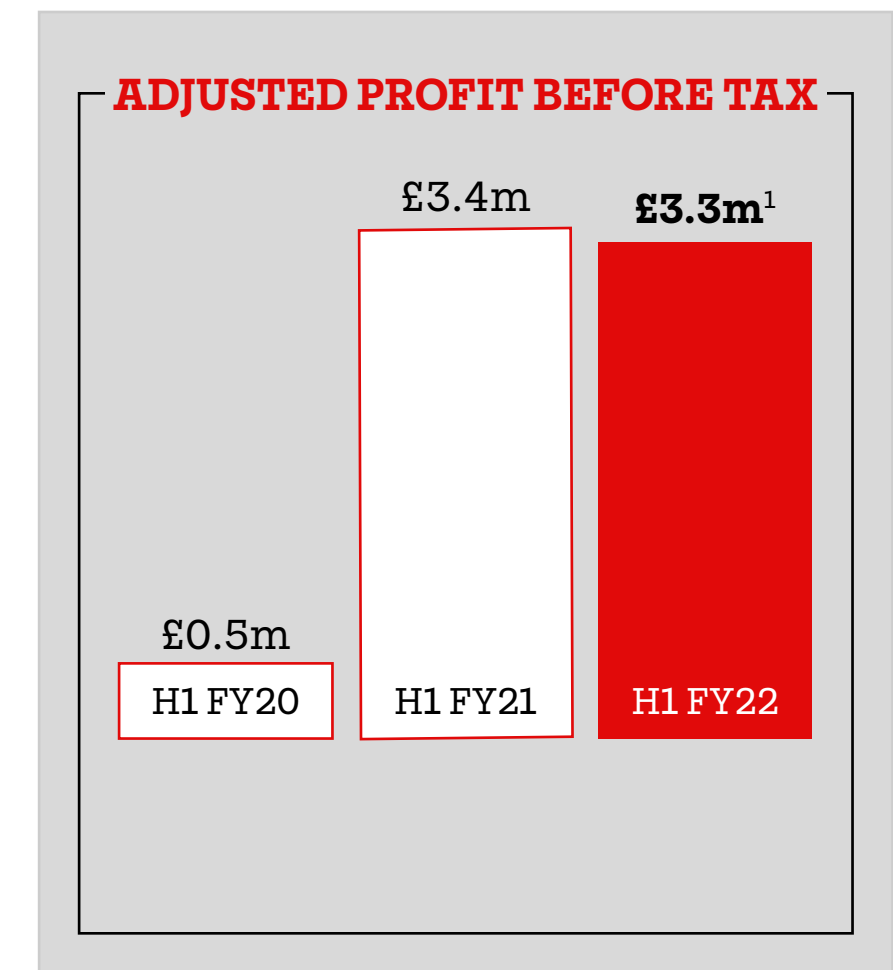
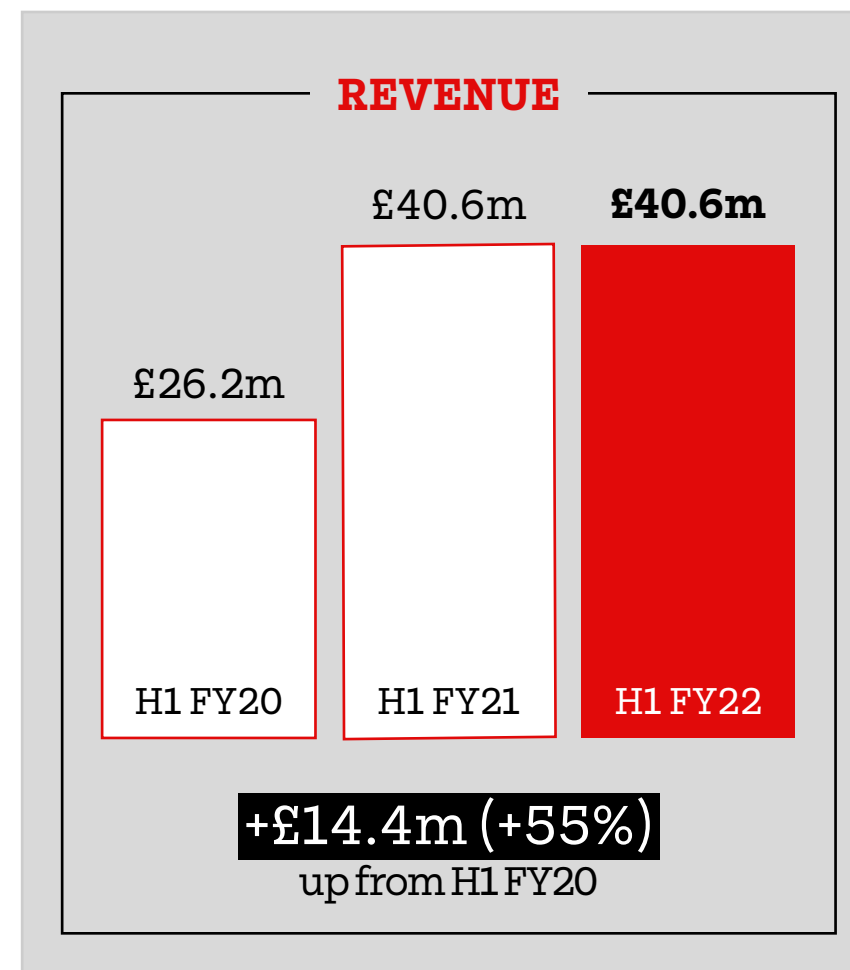
» Subscription memberships **increased by 7%** during H1 2022 to 158k.

» Active customer base **grew to 185k up by 9%** since H1 2021.

» 12 month rolling new customer conversion **up to 56.2%** (*H1 2021: 51.3%*).

» New partnership with **Moonpig**, driving sales in the commercial channel.

» Launch of **BeerSave** and **SpiritSave** subscription schemes.



<sup>1</sup> Added back share based incentive of £177K



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## Group income statement

The consolidated interim financial information of the Virgin Wines UK Plc group has been prepared in accordance with the principal accounting policies used in the Group's consolidated financial statements for the year ended 30 June 2021.

|   | Unaudited<br>31 Dec 2021<br>£'000 | Unaudited<br>31 Dec 2020<br>£'000 |
|---|-----------------------------------|-----------------------------------|
| <b>Revenue</b>  | <b>40,609</b>                     | 40,589                            |
| Cost of sales   | (27,979)                          | (27,850)                          |
| <b>Gross profit</b>   | <b>12,630</b>                     | 12,739                            |
| Operating expenses  | (9,401)                           | (8,678)                           |
| <b>Operating profit</b>   | <b>3,229</b>                      | 4,061                             |
| Finance income  | 0                                 | 0                                 |
| Finance costs   | (70)                              | (679)                             |
| <b>Profit before taxation</b>   | <b>3,159</b>                      | 3,382                             |
| Taxation  | (608)                             | (595)                             |
| <b>Profit for the financial period and total comprehensive income</b> | <b>2,551</b>                      | 2,787                             |
| <b>Basic earnings per share (pence)</b>                               | <b>4.6</b>                        | 6.0                               |
| <b>Diluted earnings per share (pence)</b>                             | <b>4.5</b>                        | 6.0                               |



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# Group balance sheet

|                                      | Unaudited<br>31 Dec 2021<br>£'000 | Unaudited<br>31 Dec 2020<br>£'000 | Audited<br>30 June 2021<br>£'000 |
|--------------------------------------|-----------------------------------|-----------------------------------|----------------------------------|
| <b>ASSETS</b>                        |                                   |                                   |                                  |
| <b>NON-CURRENT ASSETS</b>            |                                   |                                   |                                  |
| Intangible assets                    | 11,027                            | 10,886                            | 10,842                           |
| Property, plant and equipment        | 288                               | 179                               | 163                              |
| Right of use assets                  | 2,656                             | 3,023                             | 2,867                            |
| Deferred tax asset                   | 492                               | 1,438                             | 1,100                            |
| <b>Total Non-current assets</b>      | <b>14,463</b>                     | <b>15,526</b>                     | <b>14,972</b>                    |
| <b>CURRENT ASSETS</b>                |                                   |                                   |                                  |
| Inventories                          | 10,176                            | 6,372                             | 7,239                            |
| Trade and other receivables          | 1,930                             | 2,244                             | 1,552                            |
| Derivative financial instruments     | 16                                | 31                                | -                                |
| Cash and cash equivalents            | 18,799                            | 20,038                            | 15,660                           |
| <b>Total current assets</b>          | <b>30,921</b>                     | <b>28,685</b>                     | <b>24,451</b>                    |
| <b>Total assets</b>                  | <b>45,384</b>                     | <b>44,211</b>                     | <b>39,423</b>                    |
| <b>LIABILITIES AND EQUITY</b>        |                                   |                                   |                                  |
| <b>CURRENT LIABILITIES</b>           |                                   |                                   |                                  |
| Trade and other payables             | (21,754)                          | (19,771)                          | (18,314)                         |
| Lease liability                      | (506)                             | (501)                             | (489)                            |
| Loans and borrowings                 | -                                 | (11,980)                          | (5)                              |
| <b>Total current liabilities</b>     | <b>(22,260)</b>                   | <b>(32,252)</b>                   | <b>(18,808)</b>                  |
| <b>NON-CURRENT LIABILITIES</b>       |                                   |                                   |                                  |
| Provisions                           | (267)                             | (248)                             | (275)                            |
| Lease liability                      | (2,502)                           | (2,787)                           | (2,713)                          |
| <b>Total non-current liabilities</b> | <b>(2,769)</b>                    | <b>(3,035)</b>                    | <b>(2,988)</b>                   |
| <b>Total liabilities</b>             | <b>(25,029)</b>                   | <b>(35,287)</b>                   | <b>(21,796)</b>                  |
| <b>Net assets</b>                    | <b>20,355</b>                     | <b>8,924</b>                      | <b>17,627</b>                    |





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## Group cash flow

|   | Unaudited<br>31 Dec 2021<br>£'000 | Unaudited<br>31 Dec 2020<br>£'000 |
|---|-----------------------------------|-----------------------------------|
| <b>CASH FLOWS FROM OPERATING ACTIVITIES</b>                   |                                   |                                   |
| <b>PROFIT BEFORE TAXATION</b>                                 | 3,159                             | 3,382                             |
| Adjustments for:  |                                   |                                   |
| Depreciation and amortisation                                 | 464                               | 398                               |
| Net finance costs   | 70                                | 679                               |
| Share-based payment   | 177                               | -                                 |
| Decrease/(increase) in trade and other receivables            | (394)                             | 248                               |
| Increase in inventories                                       | (2,938)                           | (1,376)                           |
| (Decrease)/increase in trade and other payables               | 3,426                             | (2,267)                           |
| <b>Net cash (used in)/generated from operating activities</b> | <b>3,964</b>                      | <b>1,064</b>                      |
| <b>CASH FLOWS FROM INVESTING ACTIVITIES</b>                   |                                   |                                   |
| Interest received   | -                                 | -                                 |
| Purchase of intangible and tangible fixed assets              | (561)                             | (106)                             |
| <b>Net cash used in investing activities</b>                  | <b>(561)</b>                      | <b>(106)</b>                      |
| <b>CASH FLOWS FROM FINANCING ACTIVITIES</b>                   |                                   |                                   |
| Interest on loans and borrowings                              | -                                 | (690)                             |
| Payment of lease liabilities                                  | (194)                             | (73)                              |
| Payment of lease interest                                     | (70)                              | (61)                              |
| <b>Net cash used in financing activities</b>                  | <b>(264)</b>                      | <b>(842)</b>                      |
| <b>Net (decrease)/increase in cash and cash equivalents</b>   | <b>3,139</b>                      | <b>134</b>                        |
| Cash and cash equivalents at beginning of period              | 15,660                            | 19,904                            |
| <b>Cash and cash equivalents at end of period</b>             | <b>18,799</b>                     | <b>20,038</b>                     |
|   | <b>3,139</b>                      | <b>134</b>                        |





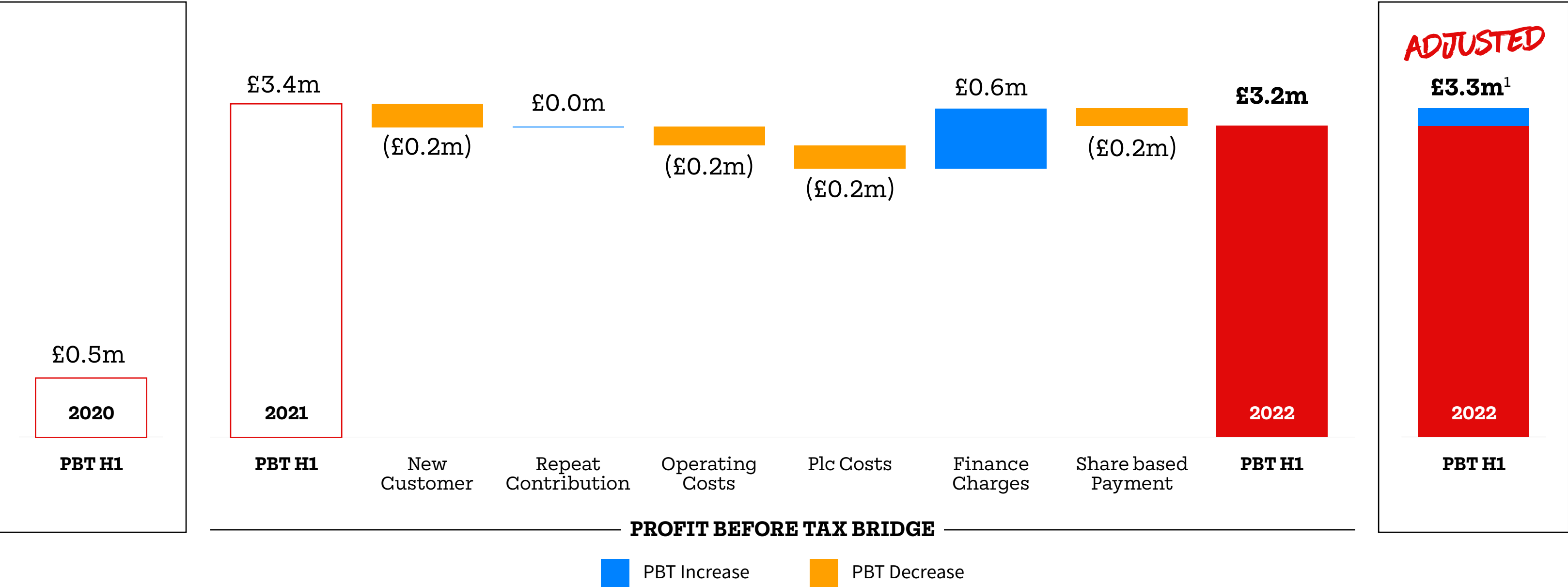
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# Profit before tax bridge

Consistent year on year performance against tough comparatives



<sup>1</sup> Added back share based incentive of £177K





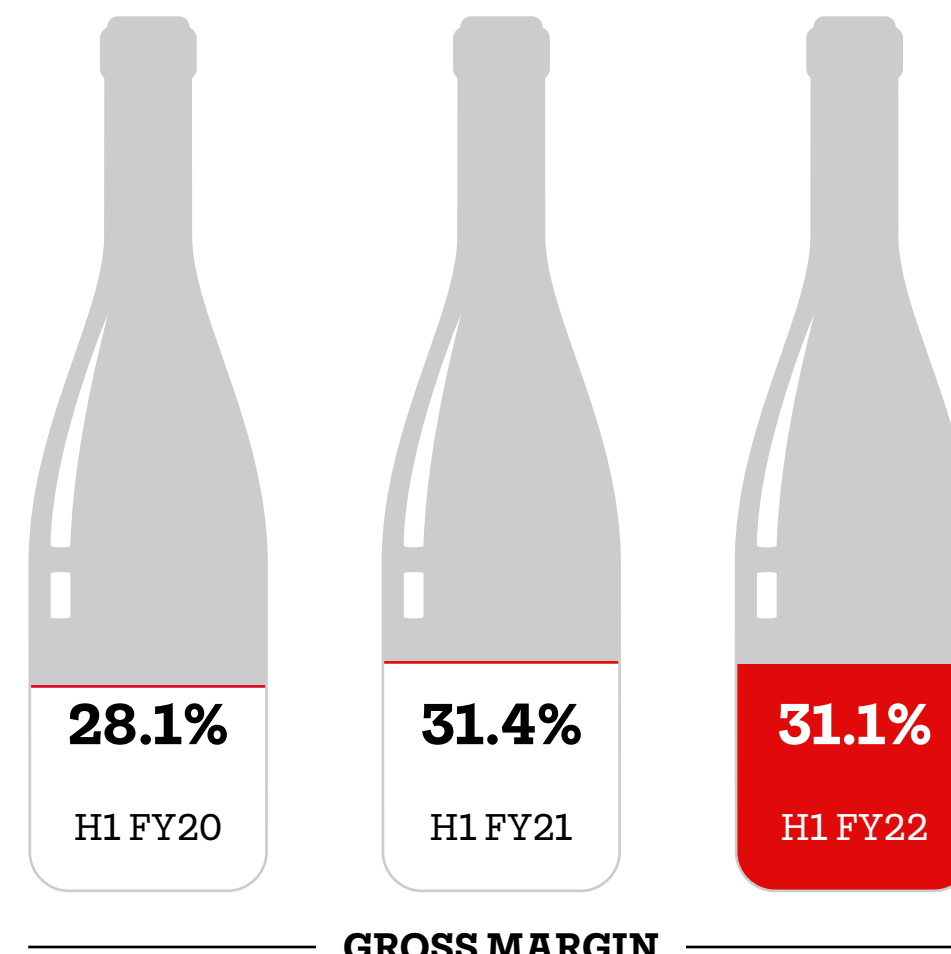
## MULTI-AWARD WINNING



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# Gross margin

- » **Maintained margin discipline** despite cost inflation from inbound freight and packaging.
- » Average gross margins remain **300bps higher than H1 FY20**.
- » Down 30bps from H1 FY21 from changes in mix.
  - » Expected fall in new business margin due to change in activity from PAYG back to subscription.
  - » Commercial average margin impacted by change in mix as more bulk shipping activity came back on stream.
- » Core repeat product margins (*sales less cost of wine*) **continue to be robust H1 FY22 40.4%**, H1 FY21 40.5% and H1 FY20 38.9%.
- » Margins managed through case configuration and channel targets.



Sales - Wine Cost - Packaging - Delivery = Gross margin







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## Customer acquisition

» A challenging environment with reduced consumer intent to respond to acquisition activity and aggressive pricing strategy from competitors.

» **55% more** partner deals live in the market YOY but a significant reduction in traffic generated from all activity.

» Good discipline regarding discounting and activity mix keeps the **quality of customer high** with **rolling 12 month conversion rates up at 56.2% from 51.3% in H1 2021**.

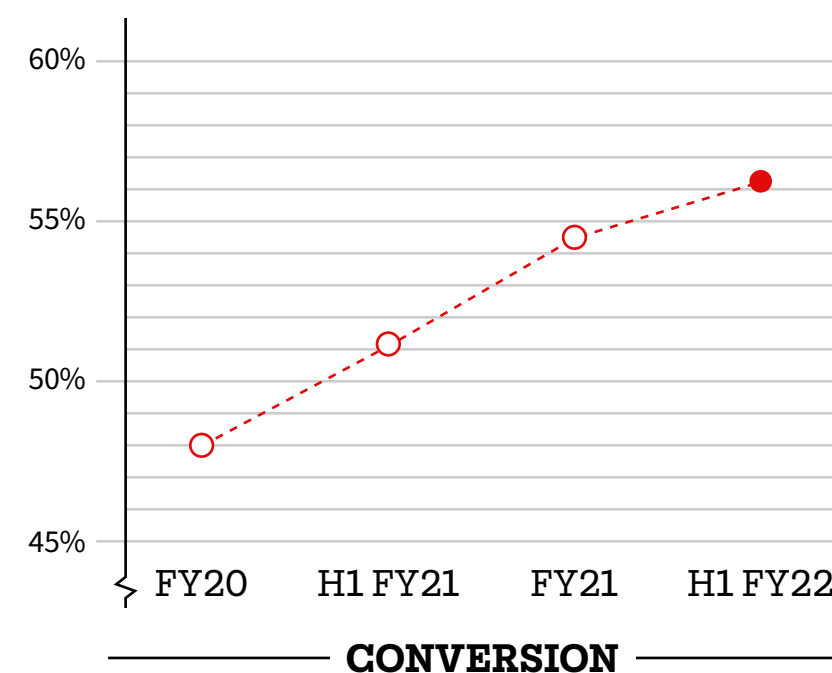
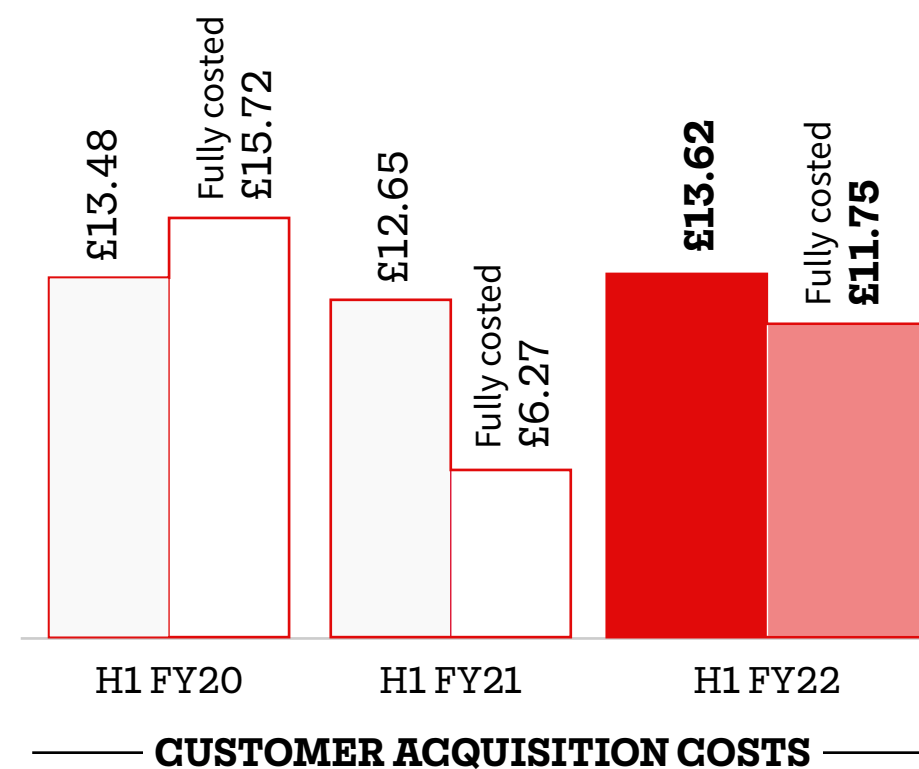
» Similarly, **cost per recruit remains low at £13.62** (£12.65 in H1 2021) despite headwinds, meaning payback levels being maintained at 5x original investment over 5 years.

» Current focus on delivering a selection of larger-scale individual partners with annual, ongoing marketing plans.

» Current project to look at feasibility of increasing digital, tele-marketing and CRM activity within the overall mix whilst **maintaining cost and quality profiles**.

» Fully costed cost per recruit increased on the back of lower full margin PAYG recruitment from 'free' walk up traffic. **Still considerably lower than historic levels**.

» Continued **upward trend** in new customer conversion, **up to 56.2%** for H1 2022 compared to 51.3% H1 2021.







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## Loyal and growing subscription base

### Subscription Schemes

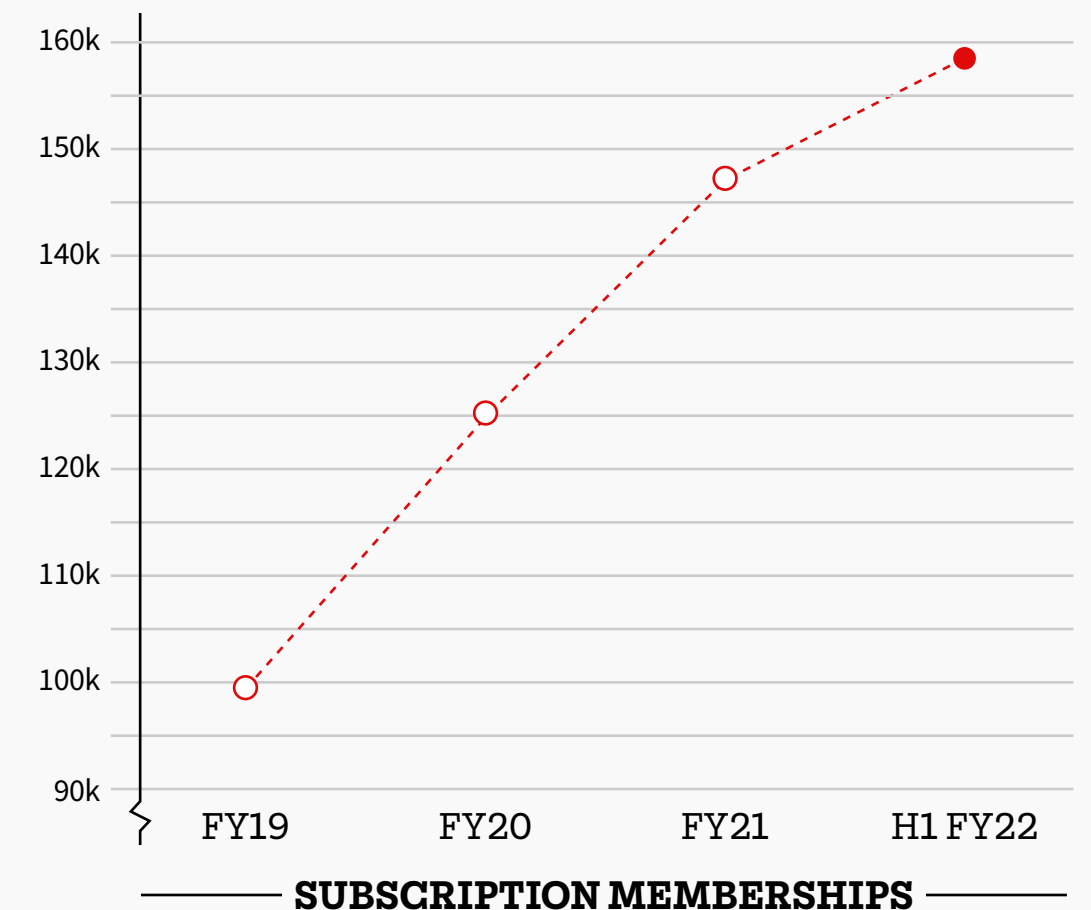
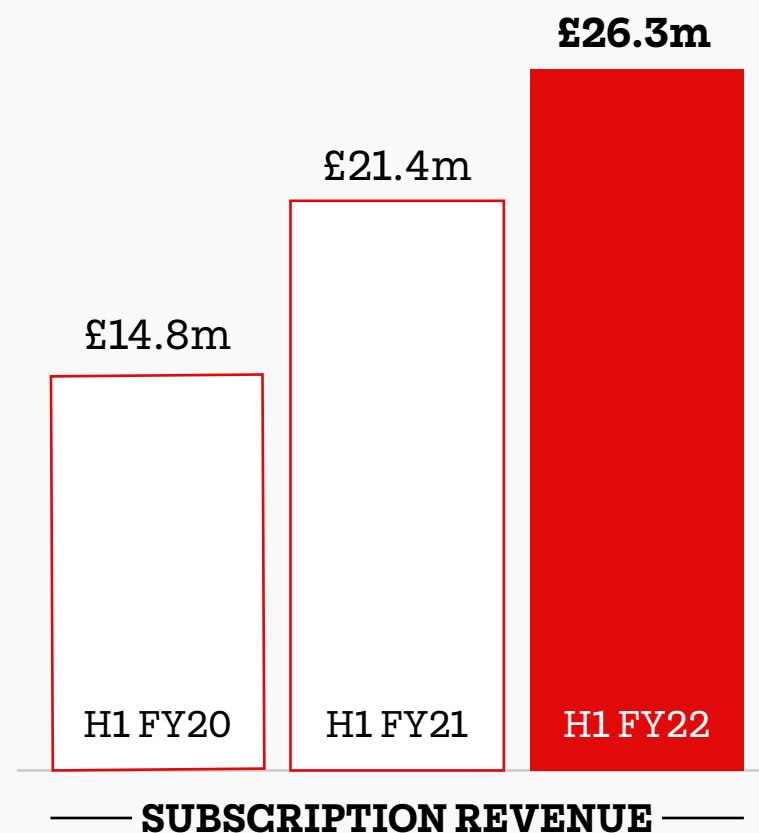
- » Continued membership and revenue **growth from the overall subscription base.**
- » The total membership of subscription schemes has **increased by 59%** since 2019.
- » Revenue from members of subscription schemes **grew by £5m, 23%** v H1 FY21 and up 77% from H1 FY20.
- » Average spend per member **consistently increasing** each year driving sales at a faster rate than customer growth.

### WineBank

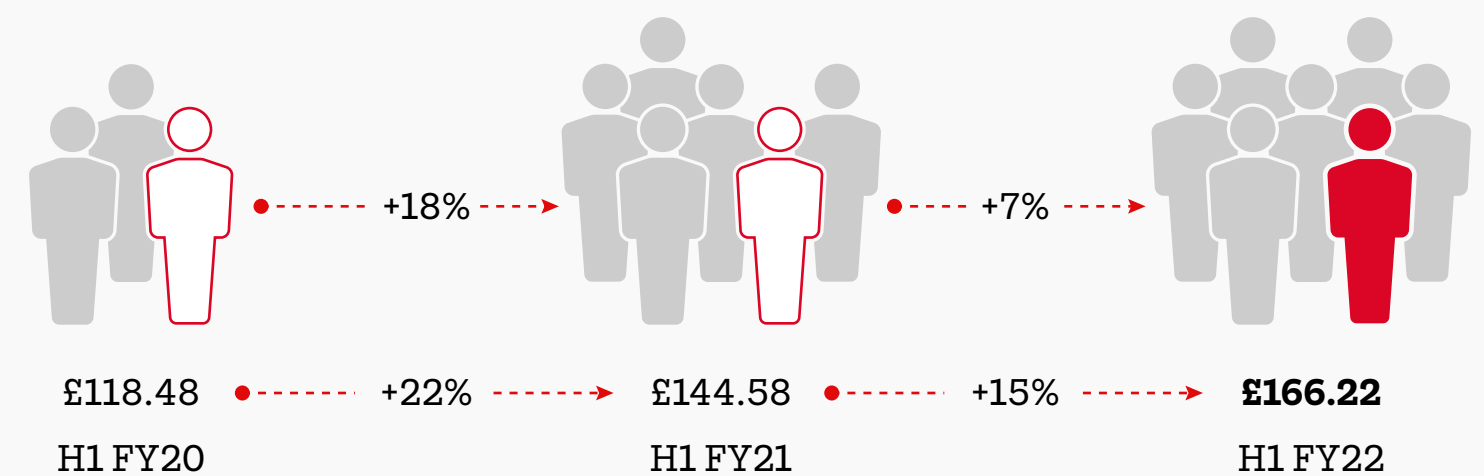
- » WineBank membership **up 11k, 7.2%**, since end of June '21.
- » WineBank customer deposits are **£1.9m higher, 42% more** than December 2020.

### Wine Plan

- » Average yield from Wine Plan customers taking their quarterly case has **increased from 64.1% to 68.5% YOY.**
- » **Orders through all Wine Plan schemes up 15% YOY.**



**INCREASED  
BRAND  
LOYALTY**







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## Repeat sales channel performance

Sales through email, web, wine advisors and wine plan finished **5.8% ahead year-on-year** delivering sales in line with original expectations and ahead of last year despite challenging YOY comparatives. Sales through these channels were **up 60.3% against H1 2020**.



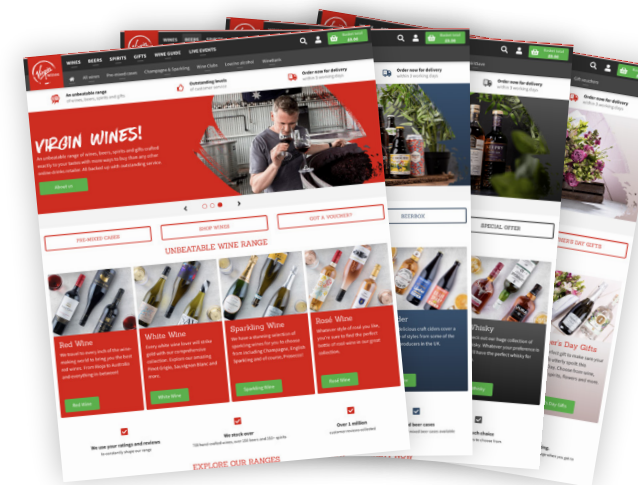
### Email

- » Our main sales channel continues to perform strongly.
- » Sales growth through the channel of **7.8% YOY** and **up 75% on H1 2020**.
- » Increased levels of customer segmentation through data and analytics has delivered positive levels of response and customer penetration.
- » Tactical use of SMS improving individual campaign response by **up to 20%**.



### Wine advisor team

- » **Over 50,000** customers now enjoy the services of a personal Wine Advisor.
- » Sales **growth of 7.3% YOY** and **37.7% on H1 2020**.
- » Benefits realised in efficiency and targeting through the increased use of Salesforce.
- » High levels of loyalty, engagement and frequency of purchase from Wine Advisor customers.



### Web sales

- » A challenging period for web driven sales with a reduction of visitors.
- » Tough YOY comparatives as traffic to the website declined following the all-time highs of the Covid period.
- » Sales declined by 7.5% but were still **85.8% up against H1 2020**.
- » The introduction of Interaction Studio has enabled a customised and consistent consumer journey across platforms.



### Wine plan

- » Quarterly case schemes are still popular with many customers wanting a convenient, hassle-free experience.
- » Our highest margin channel with the lowest warehouse fulfilment cost makes the scheme highly profitable.
- » Sales **growth of 14.1% YOY** and **49.6% ahead of H1 2020**.





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## Development channels

We continue to grow the business focussing on areas that utilise our core competencies and our infrastructure to diversify our earnings into incremental sales channels. Circa 20% of total revenue is now delivered through these channels.



### Commercial

- » Strong growth through building additional partnerships, such as Moonpig, that have long term potential for scale.
- » The opening up of travel has been beneficial to the channel with our train partners, LNER and Avanti, operating more normally once again.
- » **Sales grew by 25%** in H1 2022 YOY and are 71% ahead of H1 2020.
- » IT investment to deliver a 'Partner Portal' to help grow the B2B channel will go live in Q4 2022.



### Gift

- » Tough comparatives against H1 2021 when retail was closed and online gifting was a huge beneficiary, specifically over Christmas 2020.
- » Sales down 27% against H1 2021 but still ahead of our original gift forecasts for FY22 and **47% ahead of H1 2020**.
- » The key advent calendar campaign was a success with like-for-like sales against Christmas 2020 despite very different market conditions.
- » The launch of a personalised wine label service is planned for Q4 2022.
- » Successful partnerships launched with **Virginia Haywood** (hampers) and **Arena Flowers**.



### Beers and Spirits

- » Focus on creating higher margin opportunities through building the exclusive range across both product categories.
- » The development of subscription schemes for both categories went **live in November 2021**.
- » WineBank customers also benefit from preferential subscription pricing to drive incremental sales through our most active existing customers.
- » Sales down 7% year-on-year as we focused on refining the portfolio and rebalancing the range to more premium, exclusive lines as well as advancing the consumer proposition with the introduction of the BeerSave and SpiritSave subscription schemes.





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## Operational highlights

### Fulfilment costs

- » A 10 basis points reduction in fulfilment costs as a percentage of sales 11.9% v 12.0% H1 2021.
- » This has been achieved against a backdrop of increasing labour rates, packaging and carrier costs.

### Warehouse operation

- » New National Distribution Centre at Bolton fully operational for the first time over the Christmas trading period.
- » Finding and retaining good quality temporary staff over peak trading proved hard with high churn and Covid absences in the last couple of weeks before Christmas. As a result we did cut off earlier than planned to ensure customers received their orders in time.

### Carriers

- » New second carrier integrated and fully operational during Q2.

### Customer experience

- » Rated Excellent on TrustPilot from over 20,000 reviews.



★ Trustpilot

### Operational initiatives to drive future gains

- » New initiatives to increase automation and further reduce error rates.
- » Learnings from peak and two centre operation to improve warehouse efficiency.
- » Increase proportion of fully trained operatives in the NDCs to reduce the reliance on seasonal workers.
- » Product range review to streamline the portfolio and continue to drive up quality and customer loyalty.
- » CRM enhancements with our Salesforce partner to improve targeting and relevance of offers.







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# Managing the macroeconomic headwinds

Significant cost pressures make this a challenging environment for both managing and forecasting the business.

The Group's disciplined approach to effective cost management, focus on cash generation and plans to mitigate the worst impacts of these headwinds will ensure we can continue to perform well.



## **Product availability & cost:**

- » Supply chain issues and a variety of increased costs has created a more challenging economic environment.
- » We continue to take a number of steps to mitigate the worst impacts of these factors.
- » In H1 2022 we invested in inventory by increasing supplier lead times, bringing in seasonal requirements early and holding more stock in our UK warehouses.
- » We continue to monitor the supply risks and plan to return to a more normal stockholding when we see these pressures ease.
- » Our flexible purchasing model allows us to move supply between different countries and regions so we can provide a high quality product at the best price. We can also manage our margin profile effectively through the selection of wines for our premix cases.

## **Workforce availability & retention:**

- » The employment landscape has evolved rapidly post Covid with increased labour rates and a more challenging environment in terms of employee retention.
- » We are fortunate to have a highly talented and motivated team, something we never take for granted.
- » We work hard to create a culture that is supportive, motivating and professionally rewarding.
- » We offer a fun but professional environment to create a great culture across the Group.
- » Our brand and sector are attractive allowing us to find and retain high calibre talent.
- » Our adoption of hybrid and flexible working protocols across the Group is welcomed by all staff and opens up recruitment opportunities outside our traditional geographical regions.





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## Growth opportunities

The cash generative nature of the business means there are a number of additional ways we can continue to grow the business.

### **M&A**

There are an increasing number of opportunities through mergers or acquisitions as businesses come out of the Covid period.

There are potential opportunities across all our existing product categories as well as the opportunity to enter adjacent markets.

### **International Expansion**

We have always been open to looking at the possibilities of moving into different geographic locations if we felt there were substantial growth opportunities and the ability to transfer our business model into other domestic markets following thorough due diligence.

### **Investment in our development channels**

There is significant headroom to further scale our commercial and gift channels while also driving forward our beer and spirit product categories.

We also have the ability to invest further in our customer acquisition and digital marketing to grow our core offering.

### **The 'On Trade'**

Our exclusive product portfolio is well placed to work in an online trade environment building brand recognition, creating value in IP and delivering increased value to the online environment due to the higher pricing structure in the on-trade.





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## Brand and ESG

- » Development of updated Brand DNA Board in conjunction with Virgin Group.
- » Internal 'cross-departmental' brand group tasked with bringing our 'brand board' to life across the business and at all touchpoints.
- » Continued support to all our people through our Employee Assistance Programme.
- » On-going support for our charity partners including the recent launch of our 'Benevolent Wine Range'.
- » Introduction of an internal ESG Committee with a particular focus on driving our social ambitions internally and externally.
- » We are in the process of collecting our scope 3 emission data alongside creating an emission reduction roadmap in order to work towards net zero.
- » Target date to be finalised but our aim is to more than half our emissions over the coming 10 years.
- » A continued focus on increasing the percentage of wine bottled in the UK, exclusively using Greencroft Estate, a BRC Grade AA+ facility.



**HOT 'OUT OF' THE PRESS!**  
**THE BENEVOLENT RANGE**  
LAUNCHED 10.03.22 AND SUPPORTING



WE LIVE AND BREATHE

## OUR BRAND DNA

**Our Purpose**

**TO MAKE PEOPLE'S LIFE  
MORE ENJOYABLE**

**Our Mission**

**THE UK'S FAVOURITE  
DRINKS RETAILER**

**Our Values**

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





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# Outlook

## A robust business model

- » A robust business model that has proved over the years to be resilient at times of economic volatility.
- » A highly cash generative business which has increased its cash holding by another £5.2m in H1 2022.
- » A variety of potentially attractive opportunities to use cash through investment in the core business, tactical M&A or geographic expansion.

## Current trading

- » Sales growth through the key WineBank subscription scheme continues to be strong.
- » Our commercial channel has significant potential to build on its current growth.
- » Investment in IT to help develop the commercial channel and operational efficiency.
- » Trading through Q3 to date in line with management expectations.

## Tackling headwinds

- » Plans in place to develop larger partnerships to help drive customer acquisition along with continued optimisation through digital and CRM.
- » Continued ability to deliver high quality recruits at low cost.
- » Strict margin discipline and open source buying model allows flexibility in purchasing to help mitigate against significant increases in costs.







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Thank  
you.