

28 July 2022

Trading Update

("Virgin Wines", the "Company" or the "Group")

A strong, stable and resilient business model, coupled with disciplined customer acquisition, that delivers market leading profitability

Virgin Wines UK plc (AIM: VINO), one of the UK's largest direct-to-consumer online wine retailers, today provides an update on trading for the year ended 30 June 2022.

Highlights

- Total revenue of £69m (FY21: £73.6m)
 - o Revenue is up 63% on a 3-year, pre-Covid basis (FY19:£42.4m), highlighting that the business has retained much of the substantial growth achieved during the Covid-19 lockdowns, despite the lifting of restrictions and opening up of hospitality
- EBITDA post IFRS at£6.3m (FY21: £7m)
 - o Industry-leading EBITDA margin of 9.1%
 - o EBITDA post-IFRS up 136% on a pre-Covid basis (FY19:£2.3m)
 - o Gross margin (including distribution costs and packaging) of 31.5% (FY21: 31.6%)
- Membership of WineBank (main subscription scheme) increased 8% YOY
 - o Revenue from WineBank customers up 21% YOY
 - o Annual cancellation rate of WineBank members just 16.7% (FY21: 15.7%)
 - o Revenue from subscription customers contributed 81% of DTC sales (FY21: 67%)
 - o Overall customer sales retention rate of 91%
- 105,000 new customers acquired across all schemes in the year, 5% ahead of expectations
 - o Disciplined approach remains with cost per recruit just£13.22 (FY21: £13.49)
 - o Q422 customer acquisition 37% ahead YOY delivering strong momentum into FY23
 - o Conversion rate of new customers onto subscription schemes of 53%
 - o New partnerships signed include the i newspaper, Priority fromO2 and The Rail Delivery Group
 - o Strong pipeline of further partnerships to come in FY23
- Gross cash of£15.2m and net cash (excluding customers' WineBank funds) of£7.8m as at 30 June 2022 (FY21: £8.4m)
 - o The Group has strategically used cash to bolster working capital and accelerate capital investments, while supply chain uncertainty continues

Virgin Wines' unique business model continues to position the Group apart from the sector, which it has outperformed on several key indicators including cost per recruit (£13.22), sales retention rate (91%) and profitability, delivering 9.1% margin.

Despite widely documented headwinds, the Group has succeeded in retaining much of the substantial growth achieved during the Covid-19 lockdowns, with 63% growth in revenue versus 2019 and 136% increase in profit. This has resulted in market share growth from 6.1% in 2021 to 8.4% in 2022, according to industry benchmark IBISWorld¹.

The customer base remains loyal, with subscription membership and demand for the WineBank scheme and Wine Advisor service demonstrably resilient.

Strict discipline has been maintained in relation to the Company's customer acquisition strategy with cost per recruit below budget and FY21 levels. Outperformance against customer acquisition targets in Q4 following the onboarding of a number of new partnerships has led to an increased total investment over this period. The Group has strong momentum in customer acquisition heading into 2023, with Q422 acquisitions up 37% year-on-year, and a comprehensive pipeline of new partnership opportunities, giving optimism for the FY23 customer acquisition strategy.

The Commercial arm of the business continues to perform strongly, with significant new annual partnerships signed in the period, including those with Moonpig and Great Western Railway, and further commercial partnerships in the pipeline set to go live in 2023.

The Group remains strong and resilient with a gross cash balance of£15.2m as at 30 June 2022.

Outlook

The Group's focus has been on customer acquisition, as well as mitigating the pressures of rising costs and supply chain challenges. It has managed these successfully as a result of its resilient business model, its flexible open-source wine-buying, increased levels of UK bottling and its ability to manage margins through the bespoke pre-mixing of cases.

The Board looks forward to a year of growth driven by strong H222 customer acquisition levels, increased levels of Commercial revenue following new partnerships, and its loyal and growing WineBank customer base.

Preliminary results for the year ended 30 June 2022 will be announced mid-October.

Jay Wright, Chief Executive Officer at Virgin Wines, commented:

"The popularity of our unique consumer propositions, our low customer acquisition costs, our high levels of customer retention and the outstanding quality and value of our wines continue to give us great confidence for the future. Our growth, driven by a substantial pipeline of new partnerships to drive increased customer acquisition, will continue in a post Covid world, and we continue to drive levels of profitability unseen elsewhere in our market sector whilst maintaining our gross margins despite the widely documented global cost pressures. We have increased our market share from 6.1% to 8.4% in the last year, according to industry benchmark IBISWorld and we aim to continue that trend throughout the next 12 months.

Our disciplined approach to customer acquisition continues to generate strong returns on investment and our wider strategy and business model continue to position us well to mitigate rising costs and to help us deliver against our growth plans."

¹ IBISWorld Online Alcohol Retailing in the UK Industry Report 2022, March 2022.

- Ends -

Enquiries:

Virgin Wines UK plc

Jay Wright, CEO
Graeme Weir, CFO

Via Hudson Sandler

Liberum Capital Limited
(Nominated Adviser and Sole Broker)

Clayton Bush
Edward Thomas
John Fishley
Lucas Bamber

Tel: +44 20 3100 2222

virginwines@hudsonsandler.com

Hudson Sandler
(Public Relations)

Alex Brennan
Dan de Belder
Charlotte Cobb
Nick Moore

Tel: +44 20 7796 4133

Notes to editors:**About Virgin Wines**

Virgin Wines is one of the UK's largest direct-to-consumer online wine retailers. It is an award-winning business which has a reputation for supplying and curating high quality products, excellent levels of customer service and innovative ways of retailing.

The Company, which is headquartered in Norwich, UK, was established in 2000 by the Virgin Group and was subsequently acquired by Direct Wines in 2005 before being bought out by the Virgin Wines management team, led by CEO Jay Wright and CFO Graeme Weir, in 2013. It listed on the London Stock Exchange's Alternative Investment Market (AIM) in 2021.

Virgin Wines has more than 500 wines, 250 spirits and 100 beers in its portfolio which it sells to an active customer base of 187,000 members. It has approximately 200 employees and more than 40 trusted winemaking partners and suppliers around the world.

The Company drives the majority of its revenue through its fast-growing WineBank subscription scheme, using a variety of marketing channels, as well as through its Wine Advisor team, Wine Plan channel and Pay As You Go service.

Along with its extensive range of award-winning products, Virgin Wines was delighted to be named Online Drinks Retailer of the Year for 2022 at this year's Drinks Retailing Awards, as well as receiving the bronze award for Contact Centre of the Year at the 2022 UK National Contact Centre Awards.

<https://www.virginwinesplc.co.uk/>

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