

12 January 2023



Trading Update

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

Virgin Wines UK plc (AIM: VINO), one of the UK's largest direct-to-consumer online wine retailers, provides a trading update for the six months ended 31 December 2022 (the "Period").

Total revenue for the Period was £33.7m (FY22: £40.5m), as despite strong rates of customer acquisition in the face of high inflation and cost-of-living pressures, sales were impacted by some one-off factors, particularly over the Christmas trading period.

As previously reported, September sales were significantly affected by the pause on all marketing activities following the passing of the Queen (with an estimated impact on sales of approximately £1.7m), whilst the festive period was impacted by both external and internal issues.

The recent implementation of a new Warehouse Management System to support the operation of our two warehouses led to operational difficulties, creating a backlog of orders in the peak weeks to Christmas. The Company increased its labour allocation in both warehouses to mitigate these delays and manage customer service levels, resulting in exceptional one-off costs during Q2.

In addition, due to the postal strikes and the bad weather in the lead-up to Christmas, a number of couriers brought forward delivery cut-off dates and reduced trailer capacity. We therefore cut off our Christmas orders one week earlier than usual to guarantee customer deliveries in time for Christmas. We estimate the impact of these factors on the Company to be approximately £1.5m in lost revenue.

A review of the new system is underway, with customer service levels outside of peak season unaffected and no further impact on sales in H2 anticipated. There will be further resource (of circa £300k) required to rectify the issues in the short-term, however the Company is confident of returning to normalised operating costs in the near future.

Virgin Wines continues to attract new customers in significant numbers, with 60,000 new recruits during the Period. This was 4% ahead of the comparable period last year and a 24% LFL increase during Q2 (Q223: 44,000; Q222: 35,600). Cost per recruit was better than expectations at £13.62.

Our WineBank subscription scheme, in particular, continues to drive new customer acquisitions, with over 42k new customers acquired during the Period, representing a 21% increase versus the same period last year. The Group is pleased to confirm that the total membership of its key WineBank scheme is at a record level of 142k customers, up 9% from 130k in June 2022.

In H123 the same number of existing WineBank customers purchased as in H122 (83,500) showing that customers are remaining loyal and continuing to be active. However, the average spend per customer reduced from £258 to £231.

Strategic partnerships remain a key driver of our business model, specifically in attracting new customers, and our major new partnership with Saga plc, which went live in late November 2022, successfully delivered 2,000 new customers during its initial launch period. The Group's other commercial agreements, including with Moonpig Group plc and Great Western Railway, also continue to perform strongly.

FY23 outlook

The Group remains debt free with a strong net cash balance of £7.8m at 31 December 2022 and with good levels of high quality inventory. The business continues to be profitable with strong cash reserves, and the Board expects top-line performance in H2 to remain resilient, although full year revenue and profit will be impacted by the factors in H1 outlined above. As a result, the Board now expects revenue



for FY23 to be around £63m and full year EBITDA margin to be between 4% and 5%. The Board expects underlying EBITDA margin excluding exceptional factors to be 2% higher, in the range of 6-7%.

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

"We are disappointed with our profitability performance over what has been a difficult trading period, which has been exacerbated by one-off exceptional circumstances. However, our underlying business model remains resilient as the consumer proposition continues to resonate strongly. We are pleased to have attracted a significantly increased number of new customers onto our WineBank scheme, our strategic partnership with Saga has started promisingly and our other commercial partnerships continue to perform well. Whilst being mindful of the pressures on the business, especially with regards to the high inflationary landscape, we remain confident in our future prospects, driven by the ongoing strength of the brand, our unique offering and loyal customer base."

This announcement contains inside information for the purposes of Article 7 of the Market Abuse Regulation (EU) 596/2014 as it forms part of UK domestic law by virtue of the European Union (Withdrawal) Act 2018 ("MAR"), and is disclosed in accordance with the Company's obligations under Article 17 of MAR.

- Ends -

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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/>