



04 May 2023

### Trading Statement

#### ("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, today provides an update on its recent trading and strategic progress.

#### Key highlights

##### Warehouse Management System

- Significant progress has been made in remedying the stability and software operational issues that previously affected the implementation of the new Warehouse Management System (WMS), which, as previously reported, negatively affected H1 revenue and profit.
- The Board is confident that these one-off issues are in the past, and the system is now working efficiently and driving increased productivity in the operational environment.
- This positive progress can be seen with the April cost per case for warehouse fulfilment being in line with April 2022 levels\*.

##### Cash

- The working capital position continues to be strengthened, with a reduction in stock holding of £1.2m (10%) since its January high point.
- The Group maintains a strong cash position with £12.3m gross cash as at 28 April 2023 and no debt.

##### Current trading

- As previously announced, Q3 trading continued to be negatively affected by a reduction in order frequency through the key WineBank customer membership, as customers continued to build their balances rather than spend.
- An increasingly competitive environment arose during Q3 as retailers discounted at aggressive levels to liquidate high stock holdings.
- However, encouragingly, cancellation and conversion rates have started to improve since the end of H1, whilst the trade rate has also recovered from its low point in November 2022.
- In addition, the total customer deposit balance in WineBank continues to build.
- Q4 revenue is expected to be in line with Q422 following a marginally positive YOY variance in April 2023 and improved order frequency.

#### Strategic progress

Delivering on the core pillars that have enabled the Group to generate growth and profit consistently for many years remains critical. The Group remains focused on:

- Acquiring large numbers of high-quality, new customers, at a low cost per recruit;
- Driving membership growth onto our WineBank scheme;
- Maximising gross margins through our DTC channels;
- Optimising working capital to maximise free cash flow; and
- Maintaining strict control of costs in a highly inflationary environment

Good progress has been made against these pillars, as the Company sees a number of positive trends emerging to support the business model, despite the challenging consumer environment. These include:

- A reduction in the cost per recruit by 12.5% YOY;
- The introduction of a number of large new strategic and Commercial partnerships with the potential for substantial scale over future years; and
- An increase of over 200 bps gross margin through the DTC sales channels

The Group has made good progress with its Business Review, with the initial introduction of a number of new initiatives to enable the Group to trade more effectively with a wider range of consumers, as well as refining and refreshing the appeal of the core business. These are expected to benefit trading from FY24 onwards. Further details on these initiatives and the outputs from the Business Review will be announced later this year.

#### Outlook

In light of recent trading, for FY23 the Group expects sales to be slightly lower than market expectations, at circa £60m, with underlying PBT to be in the region of £0.5m - £1m, with a profitable and cash generative Q423.

Thereafter, the Board expects double digit sales growth in FY24, alongside EBITDA margin of circa 4% - 5%, as inflationary pressures particularly on freight and glass start to ease. This will be supported by the elimination of the previously reported one-off factors that negatively affected this year's performance, alongside the development of the Group's new strategic initiatives and a return to operational efficiency.

**Lee Wright, Chief Executive Officer of Virgin Wines said:**

**Jay Wright, Chief Executive Officer of Virgin Wines said:**

'As previously reported, this financial year has seen an unprecedented range of external and internal challenges impact the business. We anticipated that trading would take some time to settle following our substantial growth during the COVID period, but despite the challenges of the trading environment over the last year, we are proud to have built a business that is circa 50% larger in revenue terms than it was moving into FY20.

"We have a number of exciting new initiatives in the pipeline aimed at delivering incremental growth, and our fundamental customer proposition and business model remains strong. With a record number of WineBank members, deposits at all-time highs, and cancellation and conversion rates trending positively, we are in a good position to benefit from ongoing improvements in the macroeconomic environment, and are optimistic as we look to FY24 and FY25."

. \* Excluding NLW increase.

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 700 wines, 150 spirits and 60 beers in its portfolio which it sells to an active customer base of 176,000 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 last 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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