‘Something awry’ at Naked Wines as new director leaves after three weeks

A
n analyst said “something has gone awry” at Naked Wines as a director left after only three weeks in the job, the business warned it is reviewing its plans for the next 18 months, and shares tanked.

The online retailer’s shares dropped by another quarter when markets first opened after the update, released late on Tuesday.

Naked Wines, which connects shoppers with wine makers, said it is trying to “address” the credit facility which allows it to borrow money from its banks.

It also announced the resignation of Pratham Ravi, who had joined the board just two weeks and five days ago.

He is an analyst with Florida-based investor Punch Card Capital, one of Naked Wines’ largest shareholders with an approximately 10% stake.

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Wayne Brown, an analyst at Liberum, said: “The departure of an NED (non-executive director) who represented the group’s largest shareholder and had joined less than three weeks ago… so, something has gone somewhat awry.”

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Naked Wines told shareholders on Tuesday: “The company is reviewing potential operational and financial plans for the next 18 months and will update on these plans alongside our trading update.

“The group’s focus is on developing plans demonstrating increased profitability, cost restraint and improved payback.

“Alongside this process we are in active discussions to address our credit facility to reflect any revised plan.

“The group remains in compliance with all obligations around this facility through (the first quarter) and expects to have headroom to the (second quarter) covenant tests.”

Liberum’s Mr Brown added: “The business update talks about cost-cutting, focusing on profitability going forward, which we interpret as a change in strategy and not being so aggressive on growth.

“This could imply a smaller business in the future and reining in ambitions, which makes sense considering how poor key performance indicators are.”

Naked Wines said it will publish a trading update for the first half of the financial year in the week beginning October 17.

It comes just a few months after the Norwich-based company warned that customers are not sticking around as much as it would have liked.

The business invests heavily in recruiting new subscribers in the hope that they will become loyal customers and more than offset that investment in the long term.

But, in a June update, it said retention rates had fallen from 88% to 80% in the last financial year. Days later the chief financial officer stepped down.

It marked the end of the pandemic highs for the online-only business. Shares fell 40% on that day alone, and are now down by more than 87% in the last year.