Naked Wines sinks to annual loss despite lockdown sales surge

Naked Wines has suffered a lockdown hangover as it slumped to a £10.7m annual loss, despite growing sales by 68% thanks to a boom in online demand for booze.

A splurge on spending to acquire new customers, including a doubling in the advertising budget to £42.3m, helped send the group into the red.

The loss for the year to 29 March was double that recorded a year earlier.

Image:
The business connects customers with products from independent winemakers

That was despite Naked's sales growing to £340.2m, "driven by the accelerated channel shift to online wine purchasing due to COVID-19".

It was helped by a major expansion in the US, which now represents nearly half of revenues and is the company's largest market.

Naked said sales in April and May this year had been 8% ahead of the same period in 2020 – and 96% up on pre-pandemic levels in 2019.

It is pencilling in revenues of up to £375m for the current financial year, while it is also planning to invest another £50m in acquiring new customers.

More from Business

'Hammer blow' as government advised to drop steel quotas

COVID-19: Sunak hails 'promising sign' as April reopening sees fastest GDP growth since last summer

Brexit: Raab says 'ball is very much in the EU's court' after Macron raises heat in Northern Ireland protocol row

Whitbread in firing line over executive pay packages during pandemic

Ian King Business Podcast: G7 – protests, ambitions and expectations

New rail pass and vouchers for tourist attractions part of tourism recovery plan

The group, which connects its subscribers with products from independent winemakers, said it had made "significant progress" over the past year, as it grew its active customer base by 53% to 886,000.

Naked, whose business model typically involves making a loss on the first case of wine it sells, at a discount, to each customer, was bullish about its prospects despite being in the red for the year and said it had sufficient cash available to press ahead with its expansion.

Image:
Naked Wines was boosted by the shift to online wine sales during the pandemic
Chief executive Nick Devlin said it saw "outstanding growth

potential ahead", while chairman Ian Harding said it had been an "unprecedented" period.

"We coped well with the sudden step up in demand from COVID-19 in the first quarter, and we built on this momentum throughout the rest of the year," Mr Harding said.

"As a result, the business dramatically exceeded our expectations."

Shares fell by nearly 3% in early trading.

Independent retail analyst Nick Bubb said: "It is a surprise that losses actually increased slightly, given new customer acquisition costs, but investors will be reassured to hear that sales are still increasing."