Majestic Wine PLC

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Majestic Wine swings to a full year loss and warns on Brexit as chairman steps down

Majestic Wine PLC’s (LON:WINE) shares tipped lower as it swung to full year loss and announced the departure of its chairman.

The wine retailer posted a loss before tax of £1.5mln in the year to 3 April 2017, compared to a profit before tax of £4.7mln the prior year, reflecting costs associated with its three-year transformation plan and the acquisition of Naked Wines in April 2015.

In a separate statement, the group announced that Phil Wrigley will retire as chairman and step down from the board at the annual general meeting in August. He will be replaced by non-executive director Greg Hodder.

Shares fell 2.14% to 376.50p in morning trading.

“We are 18 months into our transformation and are moving out of the ‘test and learn phase’ of the plan and into the ‘roll out phase’,” said chief executive, Rowan Gormley.

“This means we need to recognise directors with the skills that can support this next stage. We’ve got a strong mix of skills on our board which will support the group as we move from a turnaround to a growth company.”

Benefits of transformation beginning to show, says Majestic Wine boss...

Gormley said the company remained confident about the medium-term outlook, despite tough economic conditions, as the benefits of the transformation plan begin to filter through. Costs have started to fall as the group reaches the next station of the restructuring, he said.

Majestic Wine reiterated its £500mln sales goal by fiscal year 2019. It also confirmed current analysts' expectations of adjusted pre-tax profit of £16.2mln in 2018 and £19.4mln in 2019.

The retailer said full year sales in 2017 were up 15.8% with underlying revenues up 11.4% to £461mln, boosted by its US-focused Naked Wine business.

Naked Wine delivered a 26.3% increase in sales to £142.2mln and gross profit rose 21.7% to £28.2mln, despite a £2.0mln hit to profits due to a failed direct marketing campaign.

Brexit helps overseas revenue but hurts UK sales...

Revenue from its US, Australian and French businesses were also supported by a weaker pound after the Brexit vote.

However, the company warned that most of its major businesses are in the UK and the slump in the pound has raised the prices of its wines and hurt consumer confidence.
Yet the group is confident that cash generation will continue and recommended a final dividend per share of 3.6p.

"Operationally, we are through the most risky and cost intensive phase of our transformation plan," said Gormley.

"Together these mean we have a business that is better able to weather the uncertain trading environment, with a sustainable growth model, the big strategic questions answered, a better paid and rewarded workforce and more effective systems and processes."

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