



Chapel Down Group Plc

('CDG' or 'the Company')

EPIC: CDGP

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2023

Chapel Down, England's leading and largest winemaker, is pleased to report the delivery of a highly successful 2023 H1 performance, for the period ended 30th June 2023.

Andrew Carter, CEO, commented: "Our focus remains on delivering significant growth in traditional method sparkling wine sales, margins, profits and cash flow, so we are extremely pleased with the powerful momentum of the business in the first half of the year. We are continuing to deliver on our growth plans by building our leadership position in the fast-growing English traditional method sparkling wine category to deliver long-term shareholder value.

"Consumers' love for Chapel Down continues to grow with record levels of brand awareness and household penetration, as more people at home and abroad learn about our brand and our wines. This is fuelling strong and profitable growth across all our distribution channels. We have a world-class team in place, are successfully executing our premiumisation strategy to support and grow our margins and have a strong balance sheet to enable us to meet our target of doubling the size of our business by 2026."

Financial Highlights

- Continued strong sales growth momentum with H1 net sales revenue ("NSR") growth, which excludes duty, of 21% to £8.4m (H1 2022: £6.9m).
- Strong NSR growth across all trade channels:
 - Off-trade sales were a highlight, up 25% to £4.8m (H1 2022: £3.8m), with Chapel Down market share increasing to 36% in H1 (Full year 2022: 31%) and the brand driving 80% of overall English sparkling wine category value growth (Nielsen YTD 03/07/23).
 - On-trade net sales grew by 20% through increased distribution in premium outlets. This is now a total of 1,997 outlets, up 40% since 31 December 2022.
 - A highly successful launch into Duty Free with listings secured at London Heathrow and London Gatwick, contributing to the 90% growth in export revenues.
 - Direct to Consumer sales grew 4% to £2.1m (H1 2022: £2.0m). This was supported by an e-commerce growth of 6% to £1.1m (H1 2022: £1.0m) and strong sales at summer events.

- Traditional method sparkling wine continued its outstanding performance, growing NSR 45% to £5.7m (H1 2022: £3.9m)
- Total wine volumes increased 6% to 721k bottles, with traditional method sparkling wine volumes up +32% to 428k (H1 2022: 324k), reflecting the successful delivery of our premiumisation strategy.
- Volume growth was amplified by Average Sales Price (ASP) growth of 16%, driven partly by a stronger mix of traditional method sparkling wine and partly by realised unit price increases across our categories, reflecting brand strength.
- Gross profit margin increased by 3% points to 55% in H1 (H1 2022: 52%). This was primarily driven by the continued mix shift to traditional method sparkling wine as part of our premiumisation strategy alongside the increase in unit ASP.
- Operating profit grew 27% to £685k, Profit before tax grew 26% to £618k and EBITDA grew 36% to £1.2m due to NSR growth, Gross margin expansion, and remaining disciplined in Overheads at £2.4m (H1 2022: £2.1m). We have continued to invest in Marketing at £1.3m (H1 2022: £0.8m) and 16% of NSR (H1 2022: 12% NSR).
- Balance sheet remains strong, with net cash on 30th June of £1.1m (Year end 2022: £3.3m, H1 2022: £3.8m) and a further £12m of liquidity is available through our unused revolving credit facility with PNC.
- NAV at historic cost was £33.2m (Year end 2022: £32.4m, H1 2022: £31.8m). The Board remain confident that the net realisable value of these tangible assets is considerably higher than the UK GAAP reported values.

Operational Highlights

- 118 acres of Chardonnay and Pinot Noir were planted at Boarley on the Kent Downs this spring, taking us to 906 acres (367 Ha) of planted vines. Planning is well underway for our 2024 plantings at Boughton Corner, which will take our total land under vine to 1,023 acres (414 Ha).
- Our wines continue to win multiple international wine awards with 28 major successes (Silver and above) in H1, the highlight of which was Chapel Down Kit's Coty Cœur de Cuvée receiving gold medals in the International Wine Challenge ("IWC"), Decanter World Wine Awards and Wine GB awards, as well as the 'Best Prestige Cuvée Trophy' in the Wine GB Awards. Furthermore, Chapel Down Grand Reserve was also awarded a gold medal at the IWC.
- Chapel Down is the power brand of the English wine industry, and it continues to grow strongly as a result of our exceptional wines and sustained investment. This is reflected in brand awareness increasing in H1 to 37% (full year 2022: 29%) and penetration to 14% (full year 2022: 11%) (Source: BrandVue).
- We launched our new brand identity in May and our new product packaging is now available through all distribution channels.
- We continue to be the 'Official Sparkling Wine' of the England and Wales Cricket Board (ECB) benefiting from the exposure of a "home" Ashes series, as well as new partnerships including being the 'Official English Sparkling Wine' for the UK's largest food and music festival, Pub in the Park, and a new agreement to be the 'Official English Sparkling Wine' of Ascot racecourse.

- Chapel Down is strongly committed to growing our business in balance with the environment. In H1 we commissioned a full Carbon Net Zero assessment and are currently developing our plans and timescale to reach our net zero carbon ambitions and further develop our bio-diversity plans

Outlook

- Current trading is in line with management expectations and our outlook for the full year 2023 remains positive. We expect to deliver continued double digit net sales revenue growth and sustained margins for the full year.
- The outlook for 2023 harvest is very positive due to excellent growing conditions. No damage from frost was incurred, and the weather during the key period of flowering was favourable. We have recently begun harvesting and expect the 2023 vintage to be of an exceptional quality and with a record-breaking volume and yield. We expect it to be materially larger than last year's excellent harvest (2022: 2,050 tonnes) as well as our previous record year of 2018 (2018: 2,173 tonnes). This will provide a platform for increased stocks of traditional method sparkling wine to deliver our 2026 business ambition. We will provide a full update when the harvest is complete.
- Winemaking is a long-term enterprise and planning for profitable growth beyond 2026 is well developed. A proposed new purpose-built winery at Highland Court Farm, outside Canterbury, has now received planning approval.
- Alongside plans for a new winery, we will continue to explore future opportunities for vineyards and an expanded tourism offering in the short to medium term.
- We continue to evaluate the optimal way to deliver these growth opportunities, with a listing on AIM under active consideration.

Chairman's Commentary

In the first half of 2023 Chapel Down, a focused wine business and the leading and largest in the sector, delivered an outstanding performance. We are pleased to confirm that we remain on track to double the size of the business between 2021 to 2026.

We have grown our leadership position in the UK market with our outstanding wines consistently winning prestigious awards. We also have the strongest brand and the deepest distribution in the English wine industry, that continues to grow. Our expanding profitability is a core strength which, along with our strong balance sheet, gives us resilience, as well as an incredible platform for further profitable growth.

We are the leading operator in the exciting and fast-growing English wine industry with c9% of all land under vine. We also remain committed to our sustainability pledge and look forward to sharing our ambitious targets and timeline to become net zero in due course.

A strong and experienced executive team, led by Andrew Carter, is in place, developing a dynamic high-performance culture and delivering exceptional results. I have every confidence we will continue to lead the way in English wine.

Finally, I would like to thank all our customers, our teams, our growers, as well as our committed, loyal and enthusiastic shareholders, without whom this progress would not have been possible.

Chief Executive's Commentary

The growth of the English wine industry continues to be very dynamic. There are now over 943 vineyards, 209 wineries and over 3,900 hectares of land under vine in the UK. Chapel Down is the largest English winemaker and we have continued to see strong sales growth, with H1 NSR growth of 21% to £8.4m (H1 2022: £6.9m), which has further developed our category leadership position.

Gross profit margin increased by 3% points to 55% in H1 (H1 2022: 52%). The primary drivers of this improvement are the continued mix shift to traditional method sparkling wine as part of our premiumisation strategy alongside the increase in ASP.

Operating profit grew 27% to £685k, Profit before tax grew 26% to £618k and EBITDA grew 36% to £1.2m due to NSR growth, Gross margin expansion, and remaining disciplined in Overheads at £2.4m, which is 29% of NSR (H1 2022: £2.1m, 31% of NSR).

We have continued to invest in Marketing as we continue to strengthen the brand and grow brand awareness and penetration. Marketing costs were £1.3m (H1 2022: £0.8m) and 16% of NSR (H1 2022: 12% NSR).

	H1 2023 £000's	H1 2022 £000's	% Variance
Gross Sales Revenue (GSR)	9,337	7,883	+18%
Duty	(968)	(955)	+1%
Net Sales Revenue (NSR)	8,369	6,928	+21%
Gross Profit	4,575	3,569	+28%
Gross Profit %	55%	52%	+3% points
Operating Profit	685	539	+27%
EBITDA	1,246	913	+36%
ASP	£11.09	£9.60	+16%

Channel review

All our channels showed growth in the first half.

NSR by channel	H1 2023 £000's	H1 2022 £000's	% Variance
Off trade	4,785	3,831	+25%
On trade	1,057	884	+20%
Export	383	201	+90%
E-commerce	1,086	1,027	+6%

Retail & Tours	887	817	+8%
Other Sales	172	168	+2%
Total	8,369	6,928	+21%
Of which DTC	2,095	2,007	+4%

Off-trade sales grew by 25%, with our market share increasing to 36% in H1 (full year 2022: 31%) and the brand driving 80% of overall English sparkling wine category value growth (Nielsen YTD to 3rd July).

On-trade net sales grew by 20% through increased distribution in premium outlets. This is now a total of 1,997 outlets, up 40% since 31 December 2022.

A highly successful launch into Duty Free, including at London Heathrow and London Gatwick, contributed to the 90% growth in our export business. We continue to focus on building our brand in the most promising global Export markets.

Direct to Consumer sales grew 4% to £2.1m (H1 2022: £2.0m). This was supported by an E-commerce growth of 6% to £1.1m (H1 2022: £1.0m) and strong sales at summer events. Highlights of E-commerce performance were traffic to site (+17% to 460k sessions) and increased revenue from new customer acquisition (up 30% on 2022).

Tour numbers at our brand home in Tenterden increased by 4% over the course of H1, despite the mixed weather. 11,236 people enjoyed a tour of the vineyard and a tutored tasting at our brand home in Tenterden during H1 (H1 2022: 10,822), in addition to many visitors to the shop, restaurant and vineyards. We estimate that there were over 22,000 visitors to Tenterden in H1, also +4%.

Category review

NSR by category	H1 2023	H1 2022	% Variance
	£000's	£000's	
Traditional Method Sparkling	5,661	3,903	+45%
Carbonated	727	781	-7%
Still	1,340	1,589	-16%
Spirits	239	252	-5%
Tours & Other sales	401	403	-1%
Total	8,369	6,928	+21%
ASP	£11.09	£9.60	+16%

Consistent with our premiumisation strategy, and as result of the strong brand metrics and sustained investment, traditional method sparkling wine continued its outstanding performance as a category, growing 45% to £5.7m net sales (H1 2022: £3.9m). Traditional method sparkling Rose is becoming a larger part of this mix, +91% by volume in H1 to 135k (H1 2022 2022: 71k) driven by consumer tastes and increased distribution.

Still wine sales have declined in H1 due to a reduction in rate of sale at the higher retail price points and the strategic decision to reduce levels of promotional activity and increase focus behind traditional method sparkling wines.

Carbonated wine's sales variance was primarily driven by focussing distribution opportunities behind our traditional method sparkling wines with key off trade retailers.

As we look to develop ourselves as a focused wine business, spirits have played an increasingly minor strategic role, resulting in lower sales and the decision to exit this part of our business at the end of 2023.

Operational review

The Chapel Down brand continues to grow as a result of our award-winning wines and sustained investment, including excellent growth in brand awareness in H1 to 37% (full year 2022 full: 29%) and brand penetration to 14% (full year 2022: 11%) (Source: BrandVue, all sparkling wine drinkers).

Our wines continue to win multiple awards with 28 major successes (Silver and above) in H1, the highlight of which was Chapel Down Kit's Coty Coeur de Cuvée receiving gold medals in the International Wine Challenge, Decanter World Wine Awards and Wine GB awards, as well as the 'Best Prestige Cuvée Trophy' in the Wine GB Awards. Furthermore, Chapel Down Grand Reserve was also awarded a gold medal at the IWC.

Our new brand identity and packaging design was successfully launched in May which gives Chapel Down a more premium, modern and distinctive look. We have also invested in more premium materials and finishes to ensure our packaging lives up to the quality of our wines. Our new look wines are available now and the branding of our website, event space and brand home have also been updated.

This market leading performance has been supported by our successful sponsorships and events programme. In March, we were once again the 'Official Sparkling Wine' of The Boat Race, with the winning men's and women's teams presented with jeroboams of Chapel Down sparkling wine, which was broadcast live to a television audience of 3.7m on BBC One. This summer, saw our partnership as the 'Official Sparkling Wine' of the England and Wales Cricket Board (ECB) heightened with The Ashes being played on home soil. The winning teams, as well as 'Player of the Match' and 'Player of the Series', celebrated with magnums of Chapel Down sparkling wine to a television audience of 17.8m (+14% on 2019, which was the last comparable Ashes home series).

This summer also saw us sign a new partnership as 'Official Sparkling Wine' of Tom Kerridge's Pub in The Park, the biggest food and music festival tour in the UK, which has given the Chapel Down brand exposure to 150k attendees. We served c25,000 attendees, as well as hosting wine masterclasses for over 1,000 consumers.

A new three-year agreement has been signed with Ascot racecourse, which will come fully into effect in 2024, and marks the first time in the 300-year history of the prestigious British racecourse that an English wine brand has become an Official Supplier.

During English Wine Week our “Chapelle en Bas” brand campaign, in the heart of France’s Champagne region, generated record engagement on social media, and showed that in blind tastings Chapel Down was preferred by 60% of consumers to a best-selling branded champagne.

Our brand activities and activations have allowed us to grow our social media followers to over 100k (Year end 2022: 91k), a significant milestone for us which we will continue to build upon.

Chapel Down are strongly committed to growing our business in balance with the environment. Sustainability is very important to us and a strong, ongoing focus. We are founding members of sustainable Wine GB and practicing sustainable viticulture, reintroducing indigenous grasses in our vine rows, and trialling new mechanical weeding techniques. All our packaging is recyclable, and our glass is made from 75% recycled glass and packaging 80% recycled content. Our grape skins are sent for anaerobic digestion to convert them into green electricity and soil conditioner and 100% of the electricity we use is from renewable sources. However, this is just the start point and we want to accelerate the development of our sustainability plans and to this end we have commissioned a full Carbon Net Zero assessment in H1 and are currently developing our plans and timescale to reach our net zero carbon ambitions and further develop our biodiversity plans.

We have launched an ERP and CRM project, moving to an integrated cloud-based system, which is progressing to plan, with a go-live date in January 2024.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Unaudited H1 2023	Unaudited H1 2022
	£'000	£'000
Gross Sales	9,337	7,883
Duty	(968)	(955)
	-----	-----
Net Sales	8,369	6,928
Cost of sales	(3,794)	(3,359)
	-----	-----
Gross profit	4,575	3,569
Administrative expenses	(3,804)	(3,015)
Share based payment charge	(86)	(15)
	-----	-----
Operating profit / (loss)	685	539
Interest receivable and similar income	20	-
Interest payable and expenses	(87)	(50)
	-----	-----
Profit / (loss) before taxation	618	489
Tax on profit / (loss)	-	-
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Profit / (Loss) and total comprehensive income for the period	618	489
	=====	=====
Profit/(loss) for the period attributable to:		
Non-controlling interests	-	-

Owners of the parent company	618	489
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	618	489
Adjusted EBITDA		
Operating profit / (loss)	685	539
Share based payment	86	15
Depreciation and amortisation	474	359
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EBITDA excluding share based payment	1,245	913
	=====	=====
Profit per share – basic (pence)	0.388	0.307
Profit per share – diluted (pence)	0.387	0.295

CONSOLIDATED BALANCE SHEET AS AT 30 JUNE 2023

	Unaudited as at 30.06.2023	Unaudited as at 30.06.2022	Audited as at 31.12.2022
	£'000	£'000	£'000
Fixed assets			
Intangible assets	149	103	79
Tangible assets	16,541	15,024	15,850
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	16,600	15,127	15,929
 Current assets			
Stocks	15,545	12,781	15,394
Debtors: amounts falling due within one year	3,625	2,887	2,695
Cash at bank and in hand	3,538	6,440	5,801
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	22,708	22,108	23,890
 Trade and other creditors	 (3,221)	 (2,656)	 (4,288)
Bank loans	(2,390)	(376)	(467)
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Creditors: amounts falling due within one year	(5,611)	(3,032)	(4,755)
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Net current assets	17,097	19,076	19,135
	-----	-----	-----
Total assets less current liabilities	33,697	34,203	35,064
 Bank loans	 -	 (2,308)	 (2,071)
Deferred income	(18)	(55)	(18)
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Creditors: amounts falling due after more than one year	(18)	(2,363)	(2,089)
Provisions for liabilities			
Deferred tax	(528)	-	(528)
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Net assets	33,151	31,840	32,447
	=====	=====	=====
Capital and reserves			
Called up share capital	7,965	7,965	7,965
Share premium account	32,144	32,144	32,144
Revaluation reserve	954	979	970
Capital redemption reserve	-	-	-
Profit and loss account	(7,912)	(9,248)	(8,632)
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Shareholders' funds	33,151	31,840	32,447
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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2023

	Unaudited H1 2023	Unaudited H1 2022
	£'000	£'000
Cash flows from operating activities		
Profit for the period	618	489
Adjustments for:		
Amortisation of intangible assets	19	15
Depreciation of tangible fixed assets	455	344
Gain on disposal of tangible assets	(4)	-

Share based payments	86	15
Interest payable	87	50
Interest receivable	(20)	-
(Increase) / Decrease in stocks	(151)	(202)
(Increase) / Decrease in debtors	(931)	(1,577)
(Decrease) / Increase in creditors	(1,066)	(1,139)
	-----	-----
Net cash (used in) / generated from operating activities	(907)	(2,005)
	-----	-----
Cash flows from investing activities		
Purchase of intangible assets	(88)	-
Purchase of tangible fixed assets	(1,053)	(791)
Interest received	20	-
	-----	-----
Net cash from investing activities	(1,121)	(791)
	-----	-----
Cash flows from financing activities		
Issue of ordinary shares	-	220
Repayment of loans	(148)	(149)
Interest paid	(87)	(50)
	-----	-----
Net cash used in financing activities	(235)	21
	-----	-----
Net (decrease) / increase in cash and cash equivalents	(2,263)	(2,775)
Cash and cash equivalents at beginning of period	5,801	9,215
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Cash and cash equivalents at the end of period	3,538	6,440

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Cash and cash equivalents at the end of period comprise:

Cash at bank and in hand

3,358

6,440

3,538

6,440

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1. BASIS OF PREPARATION/ACCOUNTING POLICIES

The Company's report for the period ended 30 June 2023 was authorised for issue by the directors on 20 September 2023. The financial information does not constitute statutory accounts within the meaning of Section 434 of the Companies Act 2006. Accordingly, this report is to be read in conjunction with the Annual Report for the year ended 31 December 2022, which was prepared in accordance with the Company's reporting standard (FRS102) that was in effect at that time.

The accounting standard requires the Company to restate its profit to attribute a notional cost of non-cash share option agreements to the business. After adopting the standard, the accounts show a decrease in profit of £86k (H1 2022: £15k) resulting in a Group pre-tax profit of £618k (H1 2022: pre-tax profit of £489k).

The Company is required to value net assets in accordance with the Company's reporting standard (UK GAAP). The assets (wine stock, land, vineyard) are held at cost which the Directors believe is considerably less than the net realisable value.

The statutory accounts for the year ended 31 December 2022, prepared under UK GAAP, have been reported on by the Company's auditors, received an unqualified audit report and have been filed with the registrar of companies at Companies House. The unaudited interim financial statements for the six months ended 30 June 2023 and 30 June 2022 have been drawn up using accounting policies and presentation adopted in the Company's full financial statements for the year ended 31 December 2022, being FRS102.

2. BALANCE SHEET REVIEW

The net asset value of the Company as at 30 June 2023 was £33,151k which includes:

- Fixed assets held at net book value of £16,451k, including vineyard development expenditure which is capitalised at cost.
- £15,545k of stock, which is valued at cost being the lower of cost or net realisable value.

3. PROFIT PER SHARE

The calculation of the profit per share for the year ended 30 June 2023 is based on the profit for the period of £618k and the weighted average number of shares in issue during the period of 159,253,885 exclusive of the effect of dilutive share options, and 159,742,577 inclusive of dilutive options.

4. DISTRIBUTION OF THE FULL YEAR STATEMENT

Copies of this statement will be available for collection free of charge from the Company's registered office at Chapel Down Winery, Small Hythe Road, Tenterden, TN30 7NG. An electronic version will be available on the Company's website, www.chapeldown.com.

This announcement contains inside information for the purposes of the retained UK version of the EU Market Abuse Regulation (EU) 596/2014 ("UK MAR").

Contacts

Chapel Down Group plc

Andrew Carter	Chief Executive	01580 763 033
Rob Smith	Chief Financial Officer	

Singer Capital Markets

Shaun Dobson	AQSE Corporate Adviser and	020 7496 3000
Tom Salvesen	Broker	
Asha Chotai		
James Fischer		

H/Advisors Maitland

Sam Cartwright	020 73795151
Jonathan Cook	

About Chapel Down

Chapel Down is England's leading wine producer with an award-winning range of sparkling and still wines. Based in Kent, in the heart of the Garden of England, Chapel Down produces wines of the highest quality and which the winemaker believes offer the best expression of England.