



Chapel Down Group Plc
('CDG' or 'the Company')
EPIC: CDGP

UNAUDITED RESULTS FOR THE SIX MONTHS ENDED 30 JUNE 2022

Chapel Down, England's leading and largest winemaker, is pleased to announce a strong financial performance in line with management expectations in the six months ended 30 June 2022.

Financial highlights

- Net sales revenues (which excludes duty) up 4% to £6.88m (H1 2021: £6.61m) with strong traditional method sparkling wine performance (+35% on H1 2021), offsetting the anticipated decline in lower margin still wine availability following the challenging 2021 harvest
- Group gross sales revenue from continuing operations up 1% to £7.88m (H1 2021: £7.82m)
- Adjusted EBITDA, excluding share-based payments, up 14% to £912,840 (H1 2021: £800,774)
- Profit before tax up 6.4% to £488,737 (H1 2021: £459,226)
- Strong growth of traditional method sparkling wines (+35%) driven by our planned premiumisation strategy; sparkling now represents 72% of wine sales by value (Full year 2021: 61%)
- Average selling prices increased 21% due to a combination of the increased share of traditional method sparkling wines in our sales mix and price increases on both sparkling and still wines in April 2022. Price increases had no negative impact on volume, demonstrating the strength of the Chapel Down brand
- Gross margin increased by 5 percentage points to 51% (H1 2021: 46%) primarily as a result of the above factors
- We remain cash positive, with net cash at 30 June 2022 of £3.76m (H1 2021: net debt of £0.85m). Additionally, we have an asset-backed borrowing facility for £15m in place, of which £12m is unused
- The balance sheet remains strong with reported net assets, including freehold land and buildings, planted vineyards and stock of £31.8m, equivalent to 20 pence per share. The Board continues to believe that the market value of the tangible assets is considerably higher than this UK GAAP reported value

Operational highlights

- Chapel Down is now entirely focused on the growth of our English wine business having divested our Beer and Cider business on 23 April 2021
- Brand awareness continues to grow as a result of a number of outstanding partnerships, most notably becoming the 'Official Sparkling Wine' of the England and Wales Cricket Board earlier this year
- The quality of our wines continued to be recognised internationally with 38 awards won for our sparkling wines, still wines and spirits this year, including six gold medals
- 38 additional acres of vines planted this year at our existing Boarley site, with plans to plant 118 more to take us to over 900 acres planted by this time next year, the largest in the English wine industry
- The 2022 harvest looks very positive. Due to the hot summer, it is the first time that we have started harvesting in August and we expect 2022 to combine a strong yield with excellent quality

Outlook

- Previously announced plan to double the size of our business in the next five years has started strongly, with no additional external funding required
- Current trading is in line with management expectations and our outlook for 2022 remains positive. We expect to deliver further net sales revenue growth and sustained margins for the full year and our 2022 harvest will provide the platform for continued growth in 2023 and beyond

Note: Beer and Cider sales from Curious Brewery were £0.29m which incurred a loss of £0.31m in H1 2021. Curious was disposed of in April 2021. These numbers have been excluded from the “ongoing operations” commentary here, but are included in the summary financial tables in the Appendix

Ongoing Operations	H1 2022	H1 2021	Variance
Gross Sales	£7.88m	£7.82m	+1%
Sales net of Duty	£6.88m	£6.61m	+4%
Traditional Method Sparkling Sales net of Duty	£3.88m	£2.87m	+35%
Gross Profit	£3.57m	£3.06m	+17%
Gross Profit %	51%	46%	+5%
Operating Profit	£0.54m	£0.44m	+22%
Net cash	£3.76m	-£0.85m	

Andrew Carter, Chief Executive Officer of Chapel Down, commented: *“The profitable growth achieved in the first half of the year was primarily driven by 35% growth in traditional method sparkling wine sales, as we delivered a substantial shift in our sales mix in line with our premiumisation strategy. Since the summer of 2021, we have been preparing for the impact of that year’s challenging harvest and the resulting lower availability of still wines in 2022. The exceptional growth of sparkling wine sales, together with the price increases in April, with no adverse impact on volumes, has supported the 51% gross margin achieved in the period.*

“English wine is in the ascendancy as a result of our terroir, climate and the sustained investment in the industry resulting in our wines winning both international recognition and growing loyalty from UK consumers. In an exciting and growing market, Chapel Down is the leading and largest brand, with unrivalled brand awareness driven higher this year by partnerships with the England and Wales Cricket Board, the Boat Race and Ascot.

“With a strong first half delivered, we look to the remainder of the year with confidence. Despite the evolving consumer backdrop, we continue to trade positively and expect to deliver net sales revenue growth and sustained margins for the full year. This, together with our positive 2022 harvest, ensures we are on track to meet our target of doubling the size of the business by 2026.”

Chairman’s commentary;

- H1 2022 has seen the re-focus of our business on wine, in particular sparkling wine and building the Chapel Down brand in line with our strategic plan. Our focus is to double the size of the business between 2021 and 2026

- We are part of an exciting, growing market. Wines of Great Britain (WineGB) estimate that the English wine market grew to 9.3m bottles in 2021, with the English sparkling wine market growing by +29% to 5.8m bottles in 2021
- Our new executive team is now in place under the leadership of CEO, Andrew Carter, and new CFO, Rob Smith, with a focus on driving the brand, growth and premiumisation of Chapel Down. In this half we have seen very significant growth in traditional method sparkling (+35%), benefitting our average selling price (+21%) and our gross margin, which has increased by 5 percentage points to 51%. This premiumisation of Chapel Down will continue in H2 and in future years, enabled by our growing scale, brand strength and the quality of our sparkling and still wines
- Chapel Down has delivered strong growth in the period, however we remain vigilant on wider market conditions and believe that our business is more resilient to the headwinds many consumer markets currently face;
 - We remain the category and brand leader in the UK. We have the highest brand awareness in English wine and our investment supports our significant opportunity for growth
 - We are strong across all customer channels and are well positioned to serve changing consumer buying habits from on-trade to off-trade, and retail stores to ecommerce channels
 - We have a range of premium sparkling and still wines at different price points
 - Favourable conditions enabled us to start our harvest earlier than usual (in August for the first time ever), and it looks very positive in terms of both yield and quality. This will underpin greater volumes of sparkling and still wines in 2023 and increased stocks of traditional method sparkling wines from 2025
 - We have a very loyal core consumer group, many of whom are shareholders, who underpin our Direct-to-Consumer (DTC) ecommerce and Tenterden retail business. Overall, our combined DTC channel grew +3% despite the strong, Covid- related, ecommerce comparative in 2021
 - We have a strong balance sheet with net cash of £3.76m and £12m remaining of a £15m asset-backed borrowing facility. This gives us considerable operational flexibility and ability to invest in future growth, where we see outstanding opportunities to do so

Chief Executive's Commentary

- We have delivered our H1 2022 plans in line with management expectations as we delivered strong growth in our sparkling wine portfolio to offset the lower availability of still wine volumes anticipated following the 2021 Harvest. We have exciting brand, customer and operation plans in place to deliver a strong second half
- Highlights of the first half of the year include;
 - A 4% increase in net sales revenue as we concentrated on sparkling wine sales growth to offset the 33% decline in still wine availability as a result of the challenging 2021 harvest
 - A significant step up in our gross margin to 51% in H1 2022 (46% in H1 2021). We continue to be profitable, growing operating profit on an ongoing basis to £0.54m in H1 2022, an increase of 22% from H1 2021 (£0.44m)
 - We have the strongest customer distribution base across English wine with a growing significant off-trade distribution, growing on-trade outlet numbers and a strong DTC offering that includes both ecommerce and our retail site in Tenterden

- The on-trade has rebounded strongly from 2021 and was +109% in H1 2022, underpinned by a significant increase in outlet numbers from 420 at the start of the year to 1,230 as at 30 June 2022
- Our tourism experience at Tenterden has also grown significantly due to a resurgence in visitor numbers compared to H1 2021. Retail sales have grown +117% and our combined retail and tour income delivered £1.07m in H1 2022 (+154% on H1 2021). We received the TripAdvisor “Travelers’ choice” in 2022, which places Tenterden in the top 10% of worldwide attractions. The reward is in recognition of our consistent high-scoring TripAdvisor reviews, where we average 4.5/5 stars.
- In H1 2022, we delivered the substantial change in category mix that we previously flagged as part of our premiumisation plans - our traditional method sparkling wines grew by +35% in H1 2022 and are now 61% of our wine sales by value (2021: 44%). We plan for sparkling wines to grow to 70% volume mix by the end of the fully funded five year plan
- We remain the ‘Power Brand’ of English sparkling wine with the highest brand awareness amongst both “all drinkers” (28%) and amongst “sparkling wine drinkers” (36%), with penetration levels of 11.2%. (Source: Wine Intelligence). This has been underpinned by numerous partnerships and events in H1 2022, notably becoming the Official Sparkling Wine to the England and Wales Cricket Board, the Boat Race and Ascot Racecourse
- We continue to step-change our social media presence. We have grown our followers 7% since year end to 85k across Instagram (+6%), Facebook (+16%), Twitter (+1%) and LinkedIn (+19%)
- As expected, ecommerce has been the most challenging part of our DTC business, partly due to a very tough, Covid-19 influenced, comparative period. Despite this, ecommerce still accounted for 15% of sales, and our average order value grew 20% to £139. This remains a key strategic channel for future growth
- We are proud of the quality of our wines, and this is recognised in the numerous awards we have won in H1 2022 for our sparkling wines, still wines, and spirits. We received an impressive 38 awards this year, including six gold medals. Notable highlights include our Chapel Down Kit’s Coty Chardonnay which continues to receive critical acclaim having received a further two Gold medals at the International Wine Challenge and Decanter World Wine Awards, and our Chapel Down Kit’s Coty Bacchus received the Bacchus Trophy at the Wine GB Awards for the third consecutive year
- We have planted 38 additional acres of vines this year at our existing Boarley site, and plan to plant a further 118 early next year. This will take us to over 900 acres planted by this time next year, the largest in the English wine industry
- The harvest for 2022 is also looking very positive. It is the first time that we have started harvesting in August, and we expect 2022 to be very positive in terms of yield and quality. We have made extensions to our current winery facility at Tenterden to enable us to process the increased tonnage of grapes from this year’s harvest. We will provide a further update on the harvest in November 2022
- As previously shared, we have invested to double the size of our business in the next five years and our plans have started strongly. This growth is enabled by the investments that we have already made. We continue to look at investments to drive further long-term growth and are in active discussions on sourcing new, high quality acres for further vineyard plantings. We have also recently begun a public consultation as part of our planning application to build a new, efficient, scalable winery near Canterbury in Kent. We will continue to provide updates on the progress of both land and winery development

- We have seen some cost inflation in labour and materials, however these costs have been largely offset primarily by customer price increases and continued focus on developing operational efficiencies as we increase business scale and operational capability
- Our outlook for H2 2022 is positive, and trading is in line with plans. Our new leadership team expect to deliver further net sales revenue growth and sustained margin supported by our premiumisation strategy for the full 2022 year. In addition, our expected very positive 2022 harvest will set the platform for a favourable sales mix and continued growth in 2023 and beyond, in line with our company five year aspirations.

Andrew Carter
Chief Executive Officer

Contacts

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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.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited Continuing Operations H1 2022 £	Unaudited Total H1 2022 £	Unaudited Continuing Operations H1 2021 £	Unaudited Curious Drinks Discontinued operations H1 2021 £	Unaudited Total H1 2021 £	Audited Continuing Operations FY 2021 £	Audited Curious Drinks Discontinued Operations FY 2021 £	Audited Total FY 2021 £
	1	2	3	4	5	6	7	8
Turnover	7,883,261	7,883,261	7,822,032	287,284	8,109,316	16,639,885	287,284	16,927,169
Cost of sales	(4,314,281)	(4,314,281)	(4,767,040)	(226,685)	(4,993,725)	(9,592,142)	(226,685)	(9,818,827)
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Gross profit	3,568,980	3,568,980	3,054,992	60,599	3,115,591	7,047,743	60,599	7,108,342
Administrative expenses	(3,014,926)	(3,014,926)	(2,584,868)	(243,474)	(2,828,342)	(5,610,351)	(243,474)	(5,853,825)
Share based payment charge	(15,019)	(15,019)	(27,408)	-	(27,408)	(23,564)	-	(23,564)
Exceptional administrative expenses	-	-	-	(100,208)	(100,208)	(287,416)	(100,208)	(387,624)
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Operating (loss)/profit	539,035	539,035	442,716	(283,083)	159,633	1,126,412	(283,083)	843,329
Government grant income	-	-	73,254	57,261	130,515	73,255	57,261	130,516
Interest receivable and similar income	312	312	-	-	-	38	-	38
Interest payable and expenses	(50,610)	(50,610)	(56,744)	(85,019)	(141,763)	(98,723)	(85,019)	(183,742)
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(Loss)/profit before tax	488,737	488,737	459,226	(310,841)	148,385	1,100,982	(310,841)	790,141
Tax on (loss)/profit	-	-	-	-	-	287,485	-	287,485
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(Loss)/profit for the financial year	488,737	488,737	459,226	(310,841)	148,385	1,388,467	(310,841)	1,077,626
	=====	=====	=====	=====	=====	=====	=====	=====
Loss for the year attributable to:								
Non-controlling interests	-	-	-	(156,460)	(156,460)	-	(156,460)	(156,460)
Owners of the parent company	488,737	488,737	459,226	(154,381)	304,845	1,388,467	(154,381)	1,234,086
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	488,737	488,737	459,226	(310,841)	148,385	1,388,467	(310,841)	1,077,626

Adjusted performance measures								
Adjusted EBITDA								
Operating (loss)/profit	488,737	488,737	442,716	(283,083)	159,633	1,126,412	(283,083)	843,329
Share based payment	15,019	15,019	27,408	-	27,408	23,564	-	23,564
Depreciation and amortisation	358,786	358,786	330,650	-	330,650	675,806	-	675,806
Exceptional costs	-	-	-	100,208	100,208	287,416	100,208	387,624
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Adjusted EBITDA excluding share based payment	912,840	912,840	800,774	(182,875)	617,899	1,608,380	(182,875)	1,930,323
	=====	=====	=====	=====	=====	=====	=====	=====
(Loss)/Profit per share – diluted (pence)		0.295			0.094			0.795

There was no other

comprehensive income for 2022 (2021 - £Nil).

Notes:

1. Represents the consolidated unaudited results for Chapel Down Group Company and English Wines Plc for the period 01 January 2022 to 30 June 2022
2. Represents the consolidated unaudited results for Chapel Down Group Company and English Wines Plc for the period 01 January 2022 to 30 June 2022
3. Represents the consolidated unaudited results for Chapel Down Group Company and English Wines Plc for the period 01 January 2021 to 30 June 2021, excluding Curious Drinks Limited for the period 01 January 2021 to 30 June 2021 which is reported separately under Curious Drinks discontinued operations
4. Represents the discontinued operations for Curious Drinks Limited for the period 01 January 2021 to 30 June 2021
5. Represents the consolidated unaudited results for Chapel Down Group Company, English Wines Plc and Curious Drinks Limited for the period 01 January 2021 to 30 June 2021.
6. Represents the consolidated audited results for Chapel Down Group Company and English Wines Plc for the period 01 January 2021 to 31 December 2021, excluding Curious Drinks Limited for the period 01 January 2021 to 31 December 2021 which is reported separately under Curious Drinks Limited discontinuing operations
7. Represents the discontinued operations for Curious Drinks Limited for the period 01 January 2021 to 31 December 2021
8. Represents the consolidated audited results for Chapel Down Group Company, English Wines Plc and Curious Drinks Limited for the period 01 January 2021 to 31 December 2021

CONSOLIDATED BALANCE SHEET FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited as at 30.06.2022 £	Unaudited as at 30.06.2021 £	Audited as at 31.12.2021 £
Fixed assets			
Intangible assets	101,586	91,447	116,834
Tangible assets	15,024,207	14,081,653	14,577,720
Investment in associate	1,000	-	-
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	15,126,793	14,173,100	14,694,554
Current assets			
Stocks	12,781,010	11,168,362	12,579,207
Debtors due within one year	2,886,711	3,223,356	1,309,301
Cash at bank and in hand	6,440,107	2,950,139	9,215,130
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	22,107,828	17,341,857	23,103,638
Trade and other creditors	(2,655,613)	(3,616,973)	(3,819,857)
Bank loans	(376,283)	(1,208,085)	(380,377)
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Creditors: amounts falling due within one year	(3,031,896)	(4,825,058)	(4,200,234)
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Net current assets	19,075,932	12,516,799	18,903,404
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Total assets less current liabilities	34,202,725	26,689,899	33,597,958
Bank loans	(2,307,868)	(2,596,397)	(2,452,311)
Deferred income	(54,792)	(47,056)	(29,357)
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Creditors: amounts falling due after more than one year	(2,362,660)	(2,643,453)	(2,481,668)
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Provisions for liabilities			
Deferred tax	-	(286,639)	-
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Net assets	31,840,065	23,759,807	31,116,290
	=====	=====	=====
Capital and reserves			
Called up share capital	7,964,506	7,291,779	7,877,902
Share premium account	32,143,576	26,165,196	32,010,161
Capital redemption reserve	400	400	400
Revaluation reserve	979,276	1,010,730	992,702
Non-controlling Interests	-	-	-
Profit and loss account	(9,247,693)	(10,708,298)	(9,764,875)
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	31,840,065	23,759,807	31,116,290
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CONSOLIDATED STATEMENT OF CASH FLOWS FOR THE SIX MONTHS ENDED 30 JUNE 2022

	Unaudited H1 2022 £	Unaudited H1 2021 £	Audited FY 2021 £
Cash flows from operating activities			
(Loss)/profit for the period	488,737	148,385	1,077,626
Adjustments for:			
Amortisation of intangible assets	15,248	3,535	25,098
Depreciation of tangible fixed assets	343,537	327,114	650,708
Loss on disposal of tangible assets	-	-	8,850
Accounting profit on elimination of subsidiary following loss of control	-	(55,348)	(55,348)
Share based payments	15,019	27,408	23,564
Interest payable	50,610	141,763	183,742
Interest receivable	(312)	-	(38)
Taxation charge	-	-	(287,485)
Decrease / (increase) in stocks	(201,803)	545,029	(865,817)
Decrease / (increase) in debtors	(1,577,410)	(475,703)	1,376,476
(Decrease) / increase in creditors	(1,138,809)	(946,034)	(761,379)
Corporation tax refund	-	-	63,252
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Net cash generated from operating activities	(2,005,183)	(283,851)	1,439,249
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Cash flows from investing activities			
Purchase of intangible assets	-	-	(46,950)
Purchase of tangible fixed assets	(791,024)	(228,464)	(1,056,976)
Cash eliminated on loss of control of subsidiary		(2,349)	(2,349)
Interest received	312	-	38
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Net cash from investing activities	(790,712)	(230,813)	(1,106,237)
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Cash flows from financing activities			
Issue of shares	220,019	8,400	6,439,488
New secured bank loans	-	3,000,000	3,000,000
Repayment of bank loans	(148,537)	(4,262,445)	(5,234,239)
Interest paid	(50,610)	(141,763)	(183,742)
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Net cash used in financing activities	20,872	(1,395,808)	4,021,507
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Net (decrease)/increase in cash and cash equivalents	(2,775,023)	(1,910,472)	4,354,519
Cash and cash equivalents at beginning of year	9,215,130	4,860,611	4,860,611
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Cash and cash equivalents at the end of year	6,440,107	2,950,139	9,215,130
	=====	=====	=====
Cash and cash equivalents at the end of year comprise:			
Cash at bank and in hand	6,440,107	2,950,139	9,215,130
	=====	=====	=====

1. BASIS OF PREPARATION/ACCOUNTING POLICIES

The Company's report for the year ended 30 June 2022 was authorised for issue by the Directors on 21st September 2022. 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 2021, 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 £15,019 (H1 2021: £27,408) resulting in a Group pre-tax profit of £488,737 (H1 2021: pre-tax profit of £148,385).

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 realisable value.

The statutory accounts for the year ended 31 December 2021, 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 2022 and 30 June 2021 have been drawn up using accounting policies and presentation adopted in the Company's full financial statements for the year ending 31 December 2021 being FRS102.

2. BALANCE SHEET REVIEW

The net asset value of the Company as at 30 June 2022 was £31,840,067 which includes:

- Fixed assets of £15,126,792 including the 2015 market value of the sites at Tenterden and Kit's Coty, as well as the vineyard development expenditure at Kit's Coty and the Boarley vineyards which is capitalised at cost.
- £12,781,010 of stock is valued at cost being the lower of cost and net realisable value.

3. PROFIT PER SHARE

The calculation of the profit per share of 0.295 pence for the six months ended 30 June 2022 is based on the profit for the period of £488,737 and the weighted average number of diluted shares in issue during the period of 165,787,903.

4. DISTRIBUTION OF THE INTERIM 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, Kent TN30 7NG. An electronic version will be available on the Company's website, www.chapeldown.com.