



Shareholder Update

23 December 2021

Dear Shareholder

On behalf of the board, I would like to provide you with an update on the activities and progress of VINEX through to December 2021, and also a summary of trading over the past 5 years since commercialisation.

SUMMARY

Trading (YTD 6mths Vs Prior YTD)

- Generated Sales up 25%, with bulk trading sales up 31%
- Trades Executed up 79%, but quantities only up 30% (with more frequent, smaller quantities traded reflective of conservative market conditions)
- Higher margin Export trades grew 100%, now representing 88% of all trades
- Trading Fee (take-rate) up 20% to 3.1% (from 2.6%) due to focus on Exports
- VINPay transactions up 51% to €2.7m
- Online Visitation is up 22%, averaging 3,887 per month and Page Views up 16%
- Introduction of post-trade 'fulfillment services' boosts revenues
- Trading conditions are improving, but still subdued compared to 2019

New Development

- Upgraded buy-side market software to deliver buyers their own 'Supply Management Operating System' (another industry-first) enabling buyers to more efficiently complete more of their daily procurement tasks without leaving their VINEX account.
- Expanding VINPay to enable wineries to transact their invoices to large retailers.

Corporate

- Successfully raised £201,000 through crowd-funding to more widely promote VINPay.
- Secured new investment of £820,000 towards optimally funding VINEX and pursue a pathway to an IPO within 2 years, for the benefit of all shareholders and the company.

TRADING CONDITIONS

The global wine conditions remain challenging to navigate, but with opportunities for VINEX:

- Europe 2021 harvest (Aug-Oct) produced 20-30% lower yields, pushing prices higher and causing buyers to look further afield for supply (some using VINEX for the first time to secure supply).
- NZ 2021 yields down 30% caused widespread shortage, and reduced the ability for VINEX to profit from trading higher value export contracts.
- Australian red surpluses, due to China not buying, saw market prices crash and significant restructuring taking place. White wines now only being sold if buyers also prepared to purchase Reds.
- South Africa benefiting from continuing growth of White wine consumption with VINEX benefiting from trading Sauvignon Blanc to New Zealand.
- South America, specifically Chile and Argentina, and Eastern Europe supply remains balanced with VINEX benefiting from enabling buyers to secure additional supply at commercial price points.

- China buyers remain frustrated not being able to access Australian supply, and have been active to find alternative supply sources.
- Universally wine producers are experiencing increasing overheads, higher input costs and delayed shipments with increasing storage and capital servicing costs.
- Global freight has continued to present challenges for buyers, in both securing equipment and vessel departures, plus there's been widespread cost increases of 300%. The US and China are more affected than Europe/UK.
- European wine buyers have needed to largely continue working remotely and been unable to travel to producing countries and wineries, providing opportunities for VINEX.

DEVELOPMENTS

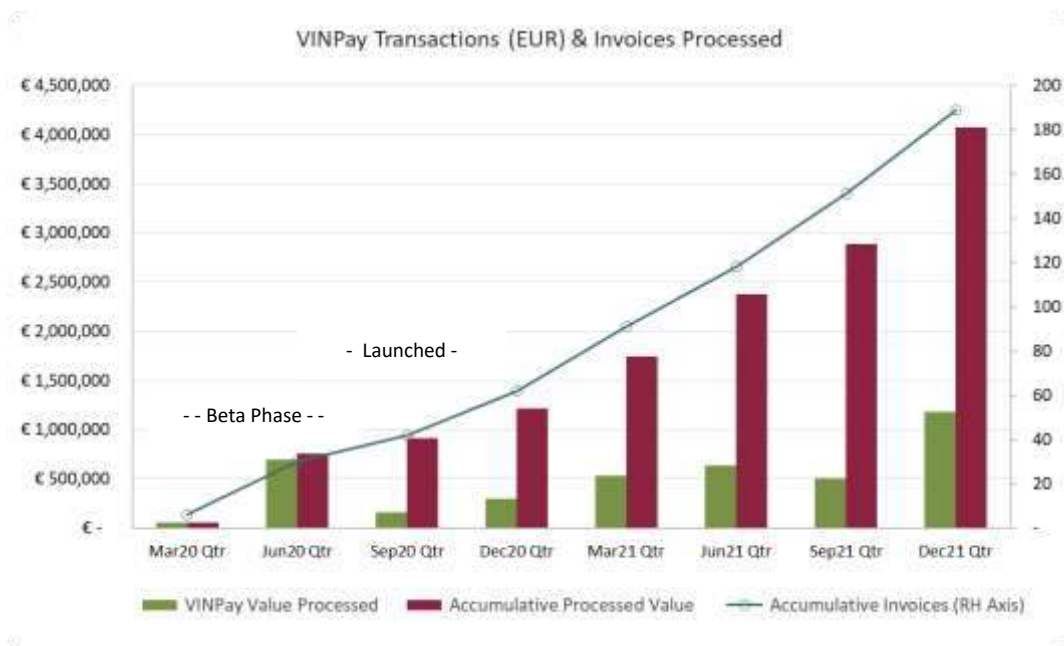
VINPay

- Since launched in August 2020, VINPay has processed 189 invoices totalling €4.0m (with current and pipeline contracts totalling €6.5m).
- VINPay approved buyers now span US, UK, Denmark and Germany.
- VINEX is currently trialling an 'intermediary' processing system with Aldi UK as some large buyers have a reluctance to integrate VINPay into their accounts payable system.
- VINPay transactions now represent 93% of all trades through VINEX.
- Capital funding raised in July is being deployed to more broadly promote VINPay.



Observations

- Most suppliers, after transacting through VINPay to a given buyer, are continuing to transact roll-over contracts (if the buyers continue to purchase from them).
- By offering VINPay prepayment terms, buyers were able to extract hard-to-find supply from several NZ wineries (which frustrated some brokers).



SUPPLY MANAGEMENT SYSTEM

- Following 18 months of development and validation, in November we launched the industry's first Wine Buyer Procurement operating system, which fronts the VINEX Marketplace enabling professional buyers to complete many of their daily tasks more efficiently, all streamlined through their account, without having to leave the platform.
- With only minimal software development, VINEX has been able to deliver buyers their own dashboard with enhanced functionality to better manage their entire brands portfolio, in addition to those wines they're wanting to source from the open market.
- This cloud-based solution saves buyers' time, increases the traceability of all transactions and comprehensively addresses corporate compliance requirements.
- VINPay is seamlessly integrated, meaning producers are automatically offered prepayment terms without the buyer having to offer a third-party payments solution.
- VINEX has begun completing introductory presentations to the management of med-large buying organisations (already aligned to VINEX) with annual purchases > €20m.
- Revenue will be generated by annual user license fee subscriptions (based on total purchased value), VINPay settlement fees and New Supply connection fees.



[View introduction video here](#)



FINANCIAL PERFORMANCE

YOY Key Performance Comparisons

- The chart below shows the company's overall financial performance, with 3 years of growth, then the impact of the pandemic and the last 12 months of re-building.
- Importantly, during 2020 VINEX was able to maintain trading momentum, even with a large reduction in sales expenses and 6 months of market uncertainty.



- During 2021, VINEX benefited further from its online presence, and the improving buyer confidence and market conditions, and particularly with the introduction of VINPay.

Take-Rates

- For the first two years VINEX traded only bulk wines and coexisted with brokers, offering similar commissions (take-rates). In 2018, VINEX introduced the Bottle exchange with no direct competition and was able to increase the average take rate from 1.7% to 2.5%
- To gain further market share and differentiate VINEX to brokers, the take-rates were eased in 2019 and 2020 (until the introduction of VINPay).
- During 2020 management responded to the uncertainty of Covid, reducing sales overheads by 65% (mostly in-market managers) to preserve capital and ensure the company survived. Trading revenue declined 36%. VINPay was introduced in Aug 2020 and by Nov 2020 had contributed to 15% of revenue.
- 2021 saw improved trading conditions and with the introduction of post-trade digitised fulfilment services grew overall revenue at a reducing marginal cost. VINPay grew, generating 29% of trading revenue.
- VINPay, provides VINEX with a unique competitive advantage, although (initially) at a reduced trading gross margin. The VINPay margin of 56% is shared equally with our external financing partner, reducing the margin received to 23%.

Higher Margin 'Export Trades'

- VINEX has successfully attracted higher average value 'export transactions', which also attract a 40% higher take-rate. Indeed, the share of export trades (vs domestic trades), now represents 80% of all trades through the marketplace.

Continuing Growth

- Wine Buyer confidence continues to return (as the industry navigates on-going pandemic interruptions), and VINEX is well placed to leverage its credible market positioning and customer base to substantially grow its marketplace transactions and revenue. Growth will be fuelled by an expanded team of in-market 'Buyer Facing Managers' growing members' marketplace frequency-of-use and expanding our integrated services with key customers.

CORPORATE

VINPay crowdfunding raised £200,000

- VINEX successfully completed a small capital raise in July, trialling a UK based crowdfunding (retail investment) platform.
- The funds were received in October, and are currently being deployed to promote VINPay more broadly to wine producers via digital wine trade media and a dedicated business development manager.
- The retail funds were raised on a company valuation of 19 pence per share.

Sophisticated Investor Pre-IPO Capital Raise Min. £1.0m

- The VINEX Board for some time has been wanting to achieve two things:
 1. Optimal funding for the company to fully realise its vision
 2. Provide more certainty for shareholders on an attractive liquidity option
- Management initiated discussions with Alto Capital in May 2021 with the view to attracting new investor capital to optimally fund the growth of VINEX going forward.

- VINEX agreed to raise up to £1.5m for circa 25% share of equity to attract investment from pre-IPO investors (and shareholders), and to actively pursue a pathway to a public listing within a 2-year timeframe.
- To date, new investors have committed £820k towards the raise, with a minimum of £1.0m being targeted. The funds will be transferred in two equal tranches, January and April; but not until all shareholders have an opportunity to exercise their pre-emptive right to secure their proportional share entitlement and avoid dilution.
- A pre-emptive rights release is planned for mid-January 2022, offering the same pre-IPO investment terms to all shareholders.

Thank you for your continued support, and I look forward to providing you with a further update on our progress after Q1 2022.

I am always available if you have any questions.



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