Moonpig Group plc

Capital Markets Event 2024 – Presentation Script

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Corporate participants

- **Nickyl Raithatha** Moonpig Group plc - Chief Executive Officer
- **Andy MacKinnon** Moonpig Group plc - Chief Financial Officer
- **Kristof Fahy** Moonpig Group plc - Chief Marketing Officer
- **David Rimmer** Moonpig Group plc - General Manager
- **Georgie Smallwood** Moonpig Group plc - Chief Product and Technology Officer

Section 1 (00:00) - Group Overview Section

Introductory video - "Introducing the Most Personal Card"

Introducing the most personal card ever. At Moonpig, it's never been easier to create the most personal and memorable cards to truly make their occasions unforgettable.

Let us show you how. After picking the perfect Mother's Day card from our extensive range, you can add a special photo to the front and even personalise the design with your name. With our "smart text" feature, you'll always find the ideal words, making mum's card more meaningful; and you can sign using your own handwriting saved as a font.

Decorating the inside of your card is now even greater fun. Pick from a growing range of stickers. Now you can make mum feel like you are right there in the room by adding more photos on the inside of the card and recording a voice note for her to listen to.

That's not all. You can add a special experience gift directly to the card, such as a luxury tea for two. Wow. And there you have it: a one-of-a-kind card packed with features and filled with love. It's not just a card, it's an experience she'll treasure forever.

Nickyl Raithatha - Chief Executive Officer

Good afternoon, everyone and thank you for coming and welcome to the first Moonpig Group capital markets event. I'm Nickyl Raithatha, Chief Executive Officer, and I'm excited today to share an update on all aspects of Moonpig Group, highlighting how we have built a platform designed to deliver sustainable compound growth for the long term.

First, I just want to draw your attention to the disclaimer. If you can take some time to read it in your own time.

In terms of the agenda, we have a packed agenda ahead of us today. First, I'm going to be walking through an update on our overall strategy and highlighting some of the most exciting initiatives that we're working on.

Next, our CMO, Kristof, will dive into the markets, the customer demographics and how our online marketing strategy is driving the shift online. David, our UK General Manager, will then showcase how our platform enables us to offer the best card and gifting ranges in the world.

After the break, Georgie, our Chief Product and Technology Officer, will explain how our use of technology and data is fuelling our growth now and into the future. And finally, Andy will present the financials, demonstrating how we've achieved a unique combination of growth, profitability and cash generation.

Before we start, I just want to give an overview of the team. The core leadership team has been together at Moonpig Group now for five years with the notable additions of Alex, who joined to lead our international markets, including Greetz, and Georgie, who joined just as we shifted our technology focus away from platforming and towards growth.

You have five of us presenting today, but the whole team is here in the audience in the front row. And so please do take the time to speak to any of the leadership team in the break or at the end of the session. Today, we're going to cover a lot of ground, and I want to begin by highlighting the key messages that underscore the opportunities ahead of us.

We have built a platform to deliver sustainable, compounding double-digit growth. It's underpinned by our extraordinary cohorts, which are now even more impressive than before and power our growth and profitability. We continue to extend our distant market leadership in a market that is rapidly transitioning online with a huge runway ahead of us. And our investments in technology and AI are now directly powering that growth.

Our business has structurally high profitability and cash generation, which combined with market leadership and our cohorts give us all the characteristics of a true platform business. The net result is that we are generating excess cash, and today, we're announcing a new dividend policy and our first share buyback programme of up to GBP25 million.

Moving now to the presentation. Moonpig Group today is the leading online platform for cards and gifts. We have 12 million customers across our four brands and together, sold almost 50 million cards and gifts last year. Moonpig represents over 70% of the business with Greetz in the Netherlands and our Experiences brands in the UK making up the rest with around 15% each.

Our vision is to become the ultimate gifting companion. We want to make it as easy as possible for our customers to be as thoughtful as possible on all of the occasions that matter to them. And we do that by investing in technology, investing in our brands and investing in our product range, so customers can always find the perfect card and gift, every time. We're confident that if we deliver on these pillars, then we will capture the huge growth opportunity in front of us.

The Group is now approaching 25 years old, but it's the last five years that have been absolutely transformational. During this time, we've not only expanded by adding Greetz, Buyagift and Red Letter Days to the Group, but we've also seen a significant step change in our scale.

We've built new technology, operational and supplier platforms that have unlocked a wave of innovation and expansion that are driving our growth today and positioning us for an exciting future. I'll now walk through the strategy and growth opportunity for our card brands, Moonpig and Greetz.

We operate on a card-first gift attach model. The strength of our brands and our market leadership have consistently allowed us to acquire card customers profitably, and cards are the key to generating incredibly rich customer data, which we then leverage to build loyalty to increase purchase frequency and then to cross-sell gifts effectively.

Over 60% of all cards are given with a gift, and our strategy allows us to capture this gifting opportunity without the need for additional marketing costs, as we use the data to recommend highly relevant gifts based on customer preferences through our cross-sell page. And in fact, we have designed our entire business model and technology ecosystem around this highly valuable and proprietary data set. It is a growth flywheel that strengthens with every interaction.

Each card purchase gives us deep insights into the unique relationships and occasions being celebrated and it feeds directly into our data science models to deliver highly relevant and personalised recommendations. 90% of all card giving occasions repeat on the same day every year, and that allows us to exponentially enhance personalisation over time.

And this is a really critical differentiator for our business. Unlike any other online shopping vertical, we have precise insight into future customer intent year after year. With every customer interaction, we improve the experience and that drives higher loyalty, higher purchase frequency, more gift attachments and viral acquisition.

And the flywheel continues to gain momentum as we accelerate the capture and use of data and as we implement new AI technologies, we collect more reminders, we drive more customers to our apps and more customers onto our subscription scheme; all of this driving increased customer lifetime value.

And the best way to see this flywheel in action is by looking at the remarkable strength of our customer cohorts.

What we have seen in the last few years is that our customers have become universally and unequivocally more loyal than before. If you look at the chart on the left-hand side, you can see that prior to the pandemic, all of our customer cohorts displayed astonishing resilience. Essentially, every group of customers became an annuity from year two onwards with 100% revenue retention.

And whilst the pandemic clearly disrupted that pattern, it only served to improve it. And what we've seen is that all of those cohorts have now settled at a new baseline, 20% higher than previous levels. What's even better is that it's not just the older cohorts that have improved.

What you can see on this slide is that all of the new customers that we acquired during and since the pandemic have shown higher revenue retention than customers did before Covid. This is the result of all of our strategic investments paying off, driving higher customer lifetime values across the board.

I'll turn now to the card market. We are the clear online leader in a large, growing and underpenetrated market that is rapidly transitioning online. We estimate that the market today is only 15% online in the UK and 20% in the Netherlands in value terms, and it's significantly lower in volume terms. Going forward, we expect the structural trend of the market moving online at 1 to 2 percentage points a year to resume. And indeed, as Kristof will show later, we see an enormous runway of growth ahead of us.

Why will the market continue to move online? Well, put simply, it's because we have a vastly superior proposition than the offline market. We have all of the advantages of standard e-commerce, including convenience and selection. But we also have a wealth of personalisation options, which make our product more meaningful to our customers and their loved ones. And as we continue to enhance our proposition with new ranges and new technologies, this gap compared to the offline market will continue to widen, and that will accelerate the move to online.

Looking within the online segment itself, we have distant market leadership. We're almost six times larger than our nearest competitor in the UK. And not only that, but our market share has continued to grow in the UK over the last few years, as our investments in brand, range and technology continue to power that flywheel that I outlined earlier. This is the clearest demonstration we can give of our strategy working.

So why does our market share continue to grow? It's because of the deep and ever-expanding competitive advantages that we've built. Our most enduring advantage is the strength of our brands and the scale we've achieved relative to our competitors. Being significantly larger than the next player in our markets gives us unmatched marketing power and viral growth potential. And the scale also drives highly attractive unit economics with lower customer acquisition and operational costs.

However, today, our most valuable moat is data. We have more data on gifting than anyone else, and we capture more new data points each day than the entire rest of market combined. Our 90 million reminders are a core part of this moat, driving nearly 40% of our business now.

The more data we collect, the more personalised and relevant we can make the customer experience and our proprietary technology platform is designed to fully leverage this data, making our model incredibly difficult to replicate.

Let's now shift to growth and how we will deliver it. There is still a long runway of growth ahead of us. And the best way to demonstrate it is to break down the opportunity into three compounding levers. We are still very early in our journey of capturing all card buyers in our markets, of capturing a significant share of their wallet, and of getting them to add more to their basket.

There is no reason why we shouldn't aim to double each of these metrics here, given the opportunity you can see on the slide. In fact, if you look at the right-hand side of the page, you can see that each of these levers has contributed significantly to our growth over the last five years. We've seen a 60% growth in our customer base, a 20% growth in their frequency and a 25% growth in average order value.

And it's exactly these three growth levers, which build to give us confidence in achieving double-digit growth for Moonpig and Greetz. Going forward, we expect our customer base to grow by 2 to 3 percentage points a year with each customer purchasing 3% to 4% more often and spending 3% to 5% more on each transaction. We'll now take a closer look at each of these levers one by one.

The first lever is growing our customer base. The number of active customers that we have is the net result of how many new customers we acquire and how effectively we retain our existing customers. We acquire new customers by optimising our current marketing channels, launching new ones, in particular, on social media, by forming new partnerships and by enhancing the on-boarding experience for first-time customers. It's been great to see all of these efforts coming together this year as our new customers have returned to really healthy growth.

We already have fantastic retention from our customers, evidenced by the cohort patterns I shared earlier, and the fact that 90% of our business is coming from repeat customers. Part of this is driven by our relentless focus on making sure the customer has a great end-to-end experience, which we measure through NPS. But the key way to drive retention is to leverage the fact that the majority of customer purchases repeat on the same day every year. And our hero tool for that is reminders. I'll deep dive into that now.

We've made significant efforts over the last years to collect more reminders from our customers, and we now have over 90 million across the Group. This is a crucial asset that really is quite unique to the gifting vertical, given that most e-commerce purchases are not linked to a calendar event. And over the last couple of years, we've started to focus more on how we use these reminders by personalising them to drive conversion, and it's starting to make a real difference. We now see that almost 40% of all orders are made when a customer already has a reminder set with us.

I'll turn now to the second lever, frequency, getting customers to make more purchases each year. It's a combination of getting them to our sites more often and then improving the conversion rate when they do.

On top of a regular marketing drumbeat, we have also made significant strides in moving our customers onto our apps, where we know they buy 15% more often. And we've launched numerous creative features inside our cards, which are starting to show a positive impact on frequency for customers that engage with them.

Our technology roadmap is heavily focused on driving conversion rates by removing friction throughout the journey and by using data science to personalise every part of that journey. And Georgie is going to talk a lot more about that later. But the one initiative that is really making a difference this year is our new subscription scheme, Plus, which I'll focus on now.

We launched Plus in June last year, and we have been overwhelmed by the results. Not only has the customer uptake been higher than we expected, but also the impact on customer behaviour and the renewal rates into year two. As a reminder, this is our membership scheme where customers pay GBP10 a year to get a 30% discount on all cards and various other benefits.

We now have over 700,000 subscribers across Moonpig and Greetz Plus, with that growth continuing even after we started to annualise the first renewal dates.

Customers signing up to Plus have a significantly higher base frequency than our average customer and yet we are still seeing this frequency jump by over 20% after they join. The scheme is not only profitable for us, but customers are also receiving great value with the average customer saving over GBP15 a year, which is critical in driving the high renewal rates that we have seen over the last few months.

Today, Plus is driving just short of 20% of our entire business and this will continue to grow over the next 12 months as we scale, supporting the long-term growth and frequency across the business.

I'll now turn to our third growth lever, average order value. The primary driver in the long term of average order value is our gift attach rates, getting customers to add a gift to each card purchase.

But there are also two other important factors that underpin our 3% to 5% annual growth target: price, which comes from a combination of direct increases in card or postage pricing and a gradual shift in the price mix of our gifting range; and upsell, where an increasing number of customers are choosing to upgrade to a larger card, a tracked delivery service or to add an extra gift to their main gift.

But the main driver is gift attach, and I'll focus on that now. Gift attach, powered by our cross-sell page, is driven by the range of gifts that we offer and most importantly, the specific gifts that we choose to recommend to each customer. You'll hear more about these key drivers later with each having a clear road map for significant enhancements in the coming years. Our gift recommendation engine is becoming increasingly sophisticated as we leverage advanced AI technologies to better understand our customers' intentions.

And we've built new fulfilment centres and stock management systems that enable us to collaborate with partners like The Entertainer, significantly expanding our gift range. And the introduction of digital gifting - a gift-in-a-card - opens up an entirely new and limitless way for customers to send exciting products.

And so, while gift attached growth has been slower in recent years due to our focus on card volumes amid a challenging external environment, we are confident that moving forward, gift attach will regain momentum and become the primary driver for AOV growth.

So, bringing together our overall strategy for Moonpig and Greetz. We have built a platform where a powerful data flywheel gives us extraordinary customer loyalty and unlocks a clear path to delivering consistent double-digit growth.

I'll now turn to our Experiences brands, Buyagift and Red Letter Days. As you know, we acquired these brands in 2022 with a clear strategic vision: to enter the structurally attractive experiential gifting market and to unlock transformative opportunities for Moonpig's gift offering.

Despite the challenging trading conditions over the past two years, driven by significant macroeconomic headwinds, we have consistently executed our strategy with focus and speed. And we remain as confident as ever in the long-term strategic value that these brands will deliver to the Group.

Our strategic execution rests on two key pillars. First, we've completely transformed the Experiences brands, including their operations, marketing, technology and commercial platforms. We've made significant progress here, and I'll walk you through that shortly. And second, we've integrated these brands with Moonpig, successfully launching and scaling digital gifts on our platform.

Since the launch 18 months ago, we've seen strong traction of this, and we anticipate substantial growth in this area over the coming years. The gift experience market has consistently outpaced the broader gifting market, and we expect this growth trend to resume once cyclical headwinds subside.

In the UK, the gift experience market is valued at over GBP6 billion. And yet gifting aggregators, where we are the clear market leader, account for just 5% of this market. As we advance our transformation, we're confident in capturing a larger share of this segment, something we're already achieving this year given our outperformance compared to the wider gifting market.

As I mentioned, we are in the later stages of a major transformation of our Experiences brands across three areas. First, we've completed an operational transformation by relocating head office, outsourcing non-core functions and building a new leadership team. This has resulted in greater efficiency and over GBP1 million in direct cost synergies.

Second, we've rebuilt the technology platform, replacing two decades of legacy systems with a modern AI-powered stack. This has already generated GBP20 million in gross sales growth. And with the re-platforming now complete, we are turning our focus fully towards leveraging this platform and accelerating growth.

Third, we are enhancing the customer proposition. Our new platform provides greater flexibility for us now to expand our range, to introduce new brands and to develop new and innovative ways for customers to discover and book experiences. This work is still underway, but we are confident this is going to allow us to better respond to shifting customer preferences.

And as such, it's going to be a major focus area for us going forward. So where does this transformation take us? Well, in the medium term, we anticipate double-digit growth for our Experiences brands, driven by the ongoing transformation plan and the structural shift towards more experiential gifting. Four key drivers underpin our growth expectations.

First, increasing the number of orders through range expansion, enhanced marketing efforts and a stronger focus on technology. Second, steady growth in average order value fuelled by price optimisations and smarter upselling strategies. Third, growth through third-party sales, not only via Moonpig but also through partnerships with major online platforms like Amazon and Argos and exclusive retail agreements with partners such as WH Smith and John Lewis. And fourth, we have a unique opportunity to boost the total value of each order by engaging gift recipients directly, offering multiple upsell and cross-sell opportunities.

And this focus has already started to deliver results with over 1,000 experiences now available for booking and upgrading through our platform. So, despite a challenging trading environment, our strategic transformation is well underway, and we are making significant progress in unlocking the full potential of our Experiences brands.

The second strategic pillar behind the acquisition was integrating Experiences products directly into Moonpig cards, creating not only a powerful distribution channel for the Experiences brands, but also introducing a new exciting way of gifting for Moonpig customers.

We launched the first ever gift-in-a-card on Moonpig 18 months ago. And as we've expanded the product range and increased awareness, we grew gift experience gross sales on Moonpig to GBP2.3 million last year. We expect this to double both this year and again next year. While there's still work to be done, refining which products and price points resonate best with customers and optimising our data science algorithms to better understand the new category, the strategic rationale for the acquisition remains as compelling as ever.

Let me take you now through our new markets business, where we're making significant progress on two exciting expansion initiatives, each with the potential to unlock substantial medium-term growth opportunities for the Group.

The first initiative is expanding our card business into new markets including Ireland, Australia, and the US, all of which have now successfully launched. The second is entering the corporate market with a new product, Moonpig for work, which enables companies to easily send personalised Moonpig cards and gifts at scale to their employees and clients. We'll go through each of these in turn, but first, it's important to highlight our operating principles and our expansion model.

Corporate innovation is challenging. And so, we have structured our expansion teams to remain as entrepreneurial as possible; small agile teams that operate separately from the core business and report directly to me. They are given clear short-term milestones, allowing us to test and learn quickly whilst continuously evaluating whether the path forward is viable.

Our expansion strategy is straightforward and focused. We aim to bootstrap our way to product market fit, which is the point where we can acquire customers profitably. And this approach applies to all of our new markets, allowing us to limit investment, to maintain a rigorous testing process and to only scale once we identify a clear path to profitability and the potential for significant returns.

Let me walk you through this approach on our international markets, where we've launched in three countries over the last two years. Each of these three markets has a strong culture of greeting cards and none has a direct Moonpig competitor, giving us a valuable first-mover advantage.

All new markets start in the discovery phase and over time, if successful, move into the product market fit stage and then the profitable growth phase. Ireland was our first market and is now firmly in the third phase. Two years ago, our small team quickly identified a target demographic, secured a local production partner, launched a small gifting range and tested a variety of marketing channels and partnerships. And through a combination of low-cost operations and rapid iteration, we successfully found a way to acquire customers profitably, well below their lifetime value. As a result, Ireland has become a profitable market today. While it's still small, it continues to grow steadily and offers a strong validation for our expansion strategy.

In Australia, which we launched just over a year ago, we started with very low brand awareness in a market of a similar size to the Netherlands. And so, whilst building brand recognition has taken time, we can see it steadily growing. And as a result, we're seeing consistent improvements in customer acquisition costs as our marketing efforts gain traction and lifetime value is rising every month. So as a result, we can see a path to profitable unit economics in Australia, though we are not there yet.

And finally, we launched in the US around six months ago. We are still incredibly early in exploring this market, but we have had some early exciting wins, including some viral TikTok videos at Father's Day in June, which led to more new customers in one month than we got in the entire previous year.

To highlight the disciplined investment approach that we take, these markets are self-funding in aggregate with the profits from Ireland offsetting the investments in the other two markets. And the only reason that is possible is because we have designed our expansion to leverage a huge amount of our central capabilities.

This international strategy is designed to use Group capabilities and assets wherever possible, only localising where essential. And this allows us to maximise on our existing strengths such as targeting Brits living in Melbourne or Americans in the UK and using our Group creative assets. We also leverage our tech platform to deliver world-class apps, reminders and APIs off the shelf and, of course, offer our full suite of 40,000 card designs instantly.

And this just leaves our international team to focus on the final 10%, tweaking comms to resonate with a local audience adding a tailored card range and finding local gift partners. A great example of this strategy in action is our approach to the US market. Rather than dealing with the complexities of physical gift sourcing and fulfilment we deployed the digital gifting capabilities that we developed for experiences in the UK, and we used it to launch gift vouchers in the US.

So, in summary, our international expansion leverages core Group strengths with a self-funding model. We have profitability in Ireland, strong momentum in Australia and promising early results in the US, which position us for continued growth in the future.

Next, I'm excited to introduce you to our latest product, Moonpig for Work. I thought the best way was through a short video introducing the product. So here we go.

Video – "Introducing Moonpig for Work"

Introducing Moonpig for Work, the world's first employee and client appreciation platform centred around a greeting card. It's now super-easy to send highly personalised cards to your team and clients.

Let's take a look at how you can celebrate your team's work anniversaries. Start by creating a new project, then choose a design from our range of work anniversary cards. You can then add your company logo for that extra personal and branded touch. Using our AI-powered editor, you can generate a heartfelt message, add a photo of the leadership team and decorate with stickers. Next, paste your list of recipients, complete with their names, addresses, and anniversary dates.

We'll then do the rest, scheduling each card to arrive right on time for each person's unique anniversary date. In just a few moments, you can create hundreds of personalised cards with the right anniversary year and recipient name and send them to a different home address, all on different dates. That is personalisation that doesn't exist in today's market.

Nickyl Raithatha - Chief Executive Officer

So, I think this is an incredible product and it has the potential to unlock a substantial new market for us. One of its key advantages is the ability to attract large corporate clients who could spend 100 times more than a typical customer. The product is inherently sticky; once companies start sending cards to employees, it's difficult to stop. And plus, it offers strong operating leverage; it requires no additional investment in our existing facilities.

We are though still in the very early stages of the product. We currently have five customers in a private trial and we've been refining the product based on their feedback. Over the coming months, we'll carefully expand the platform to more customers with a focus on continuous improvement before a full market launch.

Next year, our focus will mainly be on testing different customer acquisition strategies, whilst further enhancing the product, adding more automation, adding gift options and adding more occasions. Beyond that, there are many opportunities to scale. But for now, our only priority is to achieve product market fit within the core offering.

And that brings us to the end of the first section. Moonpig Group demonstrates all the hallmarks of a platform with market leadership, strong customer retention and high profitability. Our incredible customer cohorts at Moonpig and Greetz have grown even stronger over the last five years. We expect Moonpig and Greetz to achieve consistent and sustainable double-digit revenue growth, driven by increases in active customers, purchase frequency and average order value. Our Experiences business is executing well against its transformation plan and the long-term strategic opportunity remains as compelling as ever. And although still in the early stages, or new markets offer significant potential for long-term growth.

Section 2 (34:36) – Analyst Q&A with the CEO

So, with that, I will move to a short Q&A session just with myself to answer your questions. And then we'll continue with the rest of the presentation. So, we'll probably take 10, 15 minutes of questions now.

(Refer to separate transcript of the Q&A available on Moonpig Group's investor website).

So next up will be our Chief Marketing Officer, Kristof Fahy. He's going to be talking about the customer and the market.

Section 3 (49:05) – Market and Customer

Kristof Fahy - Chief Marketing Officer

Great. Thank you, Nickyl. Good afternoon, everyone. I'm Kristof Fahy. I'm the Chief Marketing Officer, and it's great to be speaking with you today.

So, I joined the Moonpig leadership team five years ago after two decades of leading marketing in organisations across a range of industries and sectors, working for companies such as William Hill, Yahoo!, Checkatrade and Ladbrokes Coral. And here are some of the things that have stood out in my time at Moonpig so far.

One, the power of our brands, from people singing the jingle to me when I tell them I work at Moonpig to the fact that nearly 90% of our traffic comes directly to us, a number I haven't seen in any other online business. Secondly, the strength of our installed base with nearly 90% of our revenue coming from existing customers.

And thirdly, there is so much market to go at. We believe there's a 5x opportunity to grow card volumes and as the market leader, it's ours for the taking. So, this afternoon, I'm going to be taking you through that opportunity and how today Moonpig Group operates in a large underpenetrated market that's moving online. And it's a market where we hold a clear leadership position and are well prepared to take full advantage of the consumer shift towards digital channels.

The market we operate in is significant, underpenetrated and moving online at pace. The gifting market across the UK, Netherlands and Republic of Ireland is worth GBP58 billion with GBP2 billion in cards alone, GBP24 billion in card attached gifting and GBP6.5 billion in experiences.

And there are two key points here, which I want to bring your attention to. Firstly, while we've seen a shift online with a 50% increase in both volume and value penetration between 2019 and 2023, only 6% of single greeting cards are currently purchased online.

Secondly, whilst the volume penetration of this larger market is still low, the customer penetration is much higher, with around 40% of people in the UK already in the habit of buying cards online. That means that a large part of the growth opportunity will come from getting existing online buyers to buy more of their cards online. And we are clearly in a position of strength with our large existing customer base and established market-leading brands.

The singles card market itself is large and growing, valued at GBP1.4 billion in 2023 in the UK and GBP309 million in the Netherlands, with both markets in year-on-year growth.

But most importantly, the cards market is characterised by predictable, recurring purchases with 88% of our current sales mix coming from recurring calendar occasions such as birthdays, anniversaries as well as major occasions like Mother's Day Father's Day, Valentine's Day and, of course, Christmas.

And this is where the magic of Moonpig reminders really matters. It means we can talk to customers at a point of purchase intent because for nearly all of those repeat occasions, we know when that's about to happen and nobody else in the market does. And this is core to why we have such strong retention in our customer base. Our 90 million reminders are driving almost 40% of orders and it's something that no other online shopping vertical has and that we can take full advantage of.

What's more, the greeting card market is incredibly resilient. Research shows that cards are among the consumer categories most resistant to economic downturns. And this was evident from research during the time of our IPO, and it still holds true today. So even when customers consider cutting back in other areas such as travel or groceries, card purchases remain a priority.

Additionally, all age groups continue to buy cards with cards per capita at an average of 19. And all consumer groups expect to buy more cards online in the future with the 18 to 34 age group showing the largest projected increase in online penetration at 12 percentage points over the next three years. And this means that the pool of our potential buyers will continue to increase, ensuring that this market is going to continue to grow.

So, what's going to drive the shift online? Well, as you can see on this chart at the top of the page are the reasons why customers buy cards online, and they're very clear, it's personalisation, choice and convenience. And as you've heard from Nickyl already, those are our core existing strategic pillars and central to what we've been focusing on as a business already.

What's interesting is we often hear the question of whether price is a barrier to buying more cards online. But consistently research, and our price elasticity tests, show this is not the case. And again, this latest piece of research backs this up as you can see towards the bottom of the chart.

So far, I've outlined the clear potential in the cards market and the fact that customers across all age groups expect to continue to move online, and that our core strategic pillars align with the core drivers of that migration. Now I'd like to talk to you about how we believe we are ready to take advantage of this.

Moonpig and Greetz have established clear brand leadership in the online cards market. As you can see on the left-hand side, the market has consistently moved online, and we expect that to continue. We anticipate online penetration to increase by 5 percentage points in the UK and 3 percentage points in the Netherlands by 2027.

Then on the right-hand side, we have clear market leadership, and that leadership has extended significantly over the last five years. In the UK, Moonpig outperforms its nearest competitor by nearly six times and in the Netherlands, Greetz leads by almost three. And this shows the flywheel of our business working as the market moves online, our leadership will only strengthen.

And we are proudly for everyone. Our existing customer base is broad with wide representation across all demographics: age, gender, region, and income. And during a period when our active customer base has risen from 7 million in 2019 to over 11.5 million in April 2024, this customer profile has remained consistent. This broad customer mix provides a stable foundation for growth because we already know that our current proposition has mass appeal and relevance and as the market continues to shift online, we are not reliant on any single group or income segment.

According to OC&C, after analysing market data and considering the current online proposition and the barriers preventing people from buying online, they estimate there's an almost fivefold increase in volume that could be achieved. And what's really interesting here is that it comes from two distinct levers, both of which are in our control.

Firstly, there is an opportunity to increase the number of online customers by 60%. Secondly, there's an opportunity to triple the frequency of online purchases from customers. Combine these two levers together - that's more customers buying more cards – and there's a potential fivefold increase in the current online market volume without us changing our current proposition. And there is potential for this to grow as we further evolve our product offering in the next few years.

Now we have designed our entire marketing strategy on two pillars designed to unlock those two growth levers.

The first pillar is focused on growing our customer base to capture that 50% market growth opportunity through new customer acquisition and retention. And we do this with strong leading brands, combined with data-led performance marketing, enabling us to acquire customers efficiently and effectively. And we build retention through our indispensable reminder service combined with personalised CRM to deliver the right message at the right time, resulting in remarkable customer stickiness, all of which we believe puts us in a strong position to take advantage of the opportunity we see in increasing online buyer penetration. Now while a large part of our increasing frequency is driven by our technology and data science, marketing also plays an important role.

So, our second marketing pillar focuses on increasing frequency for existing customers with our Plus subscriptions. We already have over 700,000 subscribers with a higher frequency than a standard customer. We know app drives frequency and lifetime value and is core to all our marketing activities. Combine these with our AI-driven next best action programmes, which expose customers to even more of our offer, and we believe we're in a great position to take advantage of the opportunity to increase frequency.

So, let's go into our acquisition strategy in a little more detail. Our acquisition activity uses broad reach brand campaigns and a targeted AI-led multi-channel approach with a broadly 50 / 50 budget split between awareness and conversion activity.

We have the strongest brands in the market, both at over 90% brand awareness. And to continue to build and maintain those brands, we use mass reach channels such as TV, YouTube, video-on-demand, and digital radio.

For conversion, we use Google, social platforms like TikTok and Instagram, and the app stores to harvest and convert intent. So wherever and whenever customers are looking for our brands or for a particular occasion, we are there.

And this combination of driving awareness and converting intent is how we acquire roughly a couple of million customers per year who pay back within 12 months.

So, what's the end result of this marketing strategy? Well, it's a business that has extraordinary customer characteristics, because our brand awareness and position in the market ensures that nearly 90% of our traffic come to us through brand search or direct. Now I've worked across many different industries and haven't come across an online business that has this level of direct traffic. It is both unique and compelling.

And over the last years, we have complemented this through a broad social media presence as those platforms have grown significantly. As just one example, in the past year alone, we have doubled our direct traffic from TikTok. All of this sets us apart from other businesses, who are largely dependent on paying Google and Meta to drive traffic for them; while our brands, built and nurtured over the last 20 years, do the heavy lifting for us.

The other key element in growing our customer base is keeping as many of the customers we have as possible. Let's turn now to how we do that. We create personalised welcome journeys for new customers as we know the importance of early engagement in developing that Moonpig and Greetz habit. In the last year alone, those journeys have driven a 10% improvement in the 60-day repurchase rate.

And as Nickyl highlighted earlier, our 90 million reminders are key to building loyal customer relationships with 39% of orders placed within seven days of a reminder. And we know our customers love our legendary reminders service. When I tell people I work at Moonpig, yes, they sing the jingle to me, but everyone has a story to tell about how our reminders have saved them from forgetting many important occasions. And where a customer hasn't set a reminder, we use our data to create intelligent personal reminders, recognising past behaviours to encourage customers to purchase again.

Data is also key to reactivating inactive customers through personalised win-back campaigns. All of this activity is core to driving retention, ensuring we build a strong customer base, creating more opportunities to drive usage, which continues to compound over time.

Now I'll focus on the second pillar of our marketing strategy and the second element of the market opportunity, growing customer order frequency.

Firstly, in order to engage with customers, we need them opted into marketing. And working with our colleagues in product and tech across the customer journey, we've achieved a 60% year-on-year improvement in opt-in rates, enabling us to engage more effectively with customers through all our CRM activities.

Our subscription product “Plus” drives both frequency and retention. With over 700,000 active subscribers already, Moonpig and Greetz Plus takes our best customers and grows their frequency by 20% compared to a standard one. Promoting Plus as a service is a core activity alongside the app, where we also see an increased order frequency from customers.

In addition, our next-best-action activity utilises a combination of AI and real-time data to create hyper-relevant customer e-mails to drive frequency. So as an example, if a customer has bought a new baby card and doesn't attach, they would get an e-mail highlighting our brilliant baby gift range. All of this activity combined is designed to ensure our customers return to us for more and more occasions, so that Moonpig becomes the first place they start for any gifting or card occasion.

So, to conclude, Moonpig and Greetz are the clear online leaders in a single cards market that is large and moving online. There's opportunity to grow online market volumes fivefold. And our marketing platform grows active customers by driving acquisition and retention. Our technology initiatives give us multiple levers to continue to drive customer frequency.

So, thank you for listening. I'm going to hand over to David now to take you through the customer proposition.

Section 4 (1:02:08) – Product Range

David Rimmer - General Manager

Thank you, Kristof. Good afternoon, everyone. I'm David, the General Manager for Moonpig and I'm really excited to be here to explain how the platform we have built enables us to source, create and personalise the perfect card and gift for every customer and occasion.

Now I've been with Moonpig Group for six years, having spent time in retail with the likes of Sainsbury's and WH Smith and the majority of my career in online, including Play.com and Rakuten.

Now our product range is a huge competitive advantage for us. And the platform we have built ensures we can always have the perfect card, which is critical in unlocking customer frequency; alongside, of course, continually evolving an amazing gifting range, which is part of our long-term strategy to grow gift attach.

Now let me explain how we've achieved this. We've created a platform that delivers the ideal card and gift combination for every occasion. What does this mean? Well, for our customers, it means they can easily find a card that reflects their relationship with the recipient, personalise it meaningfully and pair it with a recommended gift for a complete gifting solution. For our business, it means we have a world-class range that gets customers buying more cards and adding more gifts every time they engage with us.

The platform's strength is built on two key components: one, a design platform that offers a carefully curated personalise-able selection of cards for every occasion, powered by technology that lets customers create truly one-of-a-kind designs. And two, a flexible gifting platform designed to deliver curated gifts through diverse sourcing channels, which perfectly align with our card designs. Let's explore each of these in turn.

Our global design platform is the engine behind our cards, a marketplace that lets us source cards instantly from designers globally. The platform allows us to launch trending designs rapidly, adapting them to local markets to ensure every customer has relevant options.

Our technology then gives customers tools to personalise, edit templates and add features to both the front and inside of the cards delivering that unique card. And with over 13,000 customisable designs on the front of cards and 10 million creative features used, we really do make card creation effortless.

Now let me show you how our platform enables the creation of an unrivalled range of cards. Ensuring we have the perfect cards for every occasion is key to capturing all of our customers' card purchases and unlocking frequency. To do this, our card teams collaborate with a diverse network of creators worldwide to guarantee that we always have the designs our customers want and right when they need them.

This could mean our in-house design team delivering seasonal ranges or partnerships with independent artists, capturing moments like the buzz of a Taylor Swift tour or indeed strategic alliances with major brands such as Disney to secure exclusive collections.

Our marketplace model enables collaborations with a wide variety of content creators including leading card retailers, and we're thrilled to announce a new partnership with Scribbler, bringing their popular humour cards to our platform very soon. Scribbler's enthusiasm to join us highlights the value of our marketplace as a powerful distribution channel, and confirms that major brands see us as the go-to platform for cards.

But it is by blending our extensive card range with tech-driven personalisation features that we are able to truly differentiate our offer from the offline channel.

Our tech-powered platform allows customers to personalise cards in a way that truly sets them apart from the offline market. In recent years, we've significantly enhanced these features, adding custom stickers, video messages and flexible photo templates, creating even more options to help customers create cards that no one else can do. Customers also love them, using these features on over 10 million cards. Now, with our acquisition of Buyagift, we've taken the gift within a card concept to a whole new level, which I'll update you on later.

Our creative features don't stop there. We have an exciting road map of new innovative features driven by emerging AI technologies.

Our future AI features will set us apart from both the online and offline competitors, attracting new customers and giving all customers reasons to buy more cards with us. How will we achieve this? Well, we are just beginning to explore AI card creativity. In the last year, we launched "smart text", a ChatGPT-powered tool that assists customers in crafting meaningful messages, a feature which has now been used in over 600,000 cards. By removing barriers to online card purchases, this feature encourages repeat visits, offering a valuable solution when customers struggle to find the right words.

And we're only getting started with more AI-driven feature innovations launching soon. In the next few months, we will launch AI stickers where a few simple prompts enable customers to create custom stickers tailored to their cards. Imagine wanting to create a unicorn-themed card, which features a cake with exactly 17 candles on for your niece's 17th birthday. Well, soon, our new AI feature will bring this to life in seconds, adding a truly personal touch to any card.

Alongside this, our AI team is actively exploring new ideas that can completely reinvent the card creation process. AI-generated cards or features such as face-swap could all be possible in the future.

But it is our upcoming AI handwriting feature that I believe is a true game changer for new customer growth. Soon, customers will be able to upload their own handwriting to the platform, which addresses a major barrier to online card purchases as for many, the personal touch of a handwritten message is essential. So let me show you how we'll be bringing this feature to life.

Video – "Introducing personal handwriting"

Introducing "your personal handwriting" at Moonpig. Thirty per cent of card buyers don't buy cards online because they want to add their own handwriting. We launched handwriting functionality in 2017, and whilst this offers a great solution for doodling and children's drawings, customers told us it wasn't always convenient for handwriting with 72% not having a pen and paper to hand. We're about to make it easier than ever.

Simply create your own handwriting in under 60 seconds by writing out the letters with our simple creation tool, and it'll be saved to your own account, ready to use for any card, any occasion forever. Your personalised handwriting will appear like magic in your font list where you can easily select it, type your messages you normally would, and your own handwriting appears in the card. You can adjust it however you like, change the size, the colour, or even add stickers by using AI. We ensure your handwriting looks beautiful every time by perfecting your letters and joining them up too. It's fun, fast, and completely customisable.

And now it works seamlessly with our other creative card features to really make the most personal card ever. The first version of "your personal handwriting" launches this Christmas with more improvements coming in 2025.

David Rimmer - General Manager

I have to say, I absolutely love that feature and am so excited about it coming this Christmas. I'll definitely improve my handwriting.

Now let's turn to our gifting platform. Our gifting platform is transforming our business into a dynamic gifting marketplace, designed so that we can curate our range to drive long-term growth in attach rate.

Unlike traditional retail ranges, our mission-based sourcing approach is tailored so that we can recommend specific gifts for each occasion, delivering a low inventory, high-margin model. Our platform leverages a variety of supply routes, including wholesale, dropship, consignment and digital delivery to keep our gift offering flexible, relevant and scalable. So let me explain the approach for each of these supply options.

To drive attach rate, we must continue expanding our gift range to offer the perfect gift for every occasion. To achieve this, we've developed direct sourcing partnerships with leading brands, giving us access to fast-moving gifts with proven sales records, ensuring we not only boost attach rates, but also maximise margins. We collaborate with trusted brands to offer a wide range of gifts across categories. In chocolate, for example, we cover every occasion from everyday indulgences with Cadbury to premium milestone birthday occasions with Hotel Chocolat, with partners often collaborating with us to create exclusive products seasonal items and joint marketing initiatives.

Whilst this has previously formed the vast majority of our gifting range, that's now changing with the new capabilities we've built. Two years ago, we made the strategic move to bring gifting fulfilment in-house within our Tamworth facility. This decision has transformed our flexibility in product range and inventory management. Upgrades to our stock management systems mean that as of last month, we are now able to work with partners on a consignment basis which really is a game-changer for us.

It means we can find world-class partners to manage entire categories, getting access to leading brands and their complete product ranges, all with no inventory risk. Our first partner launched with this model is the toy giant, The Entertainer. The early results are encouraging, and we've already seen strong growth in the attach rate for baby and kids cards in the very short time since we launched.

Combined with our flower business, consignment now makes up over 20% of our gifting range and we have an ambition to double this in the coming years as we look to find new category partners in verticals like health and beauty, homeware, and books.

So, we have built the capability to create a physical gifting range that perfectly complements every card design. And with our acquisition of Buyagift, we also now have the capability to expand into digital gifting options as well.

Digital gifting is a key strategic pillar of our business providing customers with a new way to gift and enabling us to source an experience for every recipient and every occasion. In under two years, we have delivered a GBP2 million gross sales business that is on a trajectory to reach GBP5 million this year, and we see growth potential in this category rising to GBP10 million over the next 18 months.

Alongside strong growth in digital experience sales on Moonpig we've expanded our gift-in-a-card concept beyond the experiences sector. Our first step is launching digital gift cards in the US with plans to bring them to the UK very soon. And by introducing same-day gifting through e-cards, we've extended our peak sales periods and established ourselves as the go-to destination for last minute gifts.

So, in summary, the last couple of years have given us transformative new capabilities to grow and enhance our gifting range with the addition of consignment capabilities and digital gifting. As we continue to add more brands, new category partners and expand our digital range, we are confident that this will drive our gift attach rate higher in the long term.

Now, let me show you how bringing all of this together creates something truly unique, an experience that simply can't be matched by anyone else. So, for the ultimate gifters amongst you, here's what can be created when we combine all our unique features and extras into one unforgettable gift solution. Now while customers don't have to be this creative and many may choose not to be, those who want to unleash their creativity will find that only Moonpig has the tools to make it happen.

This Disney card showcases full personalisation: custom stickers, a video message, photo upload and even someone's handwritten note, paired with an afternoon tea experience and a Disney theme bouquet recommended by our engine. This card is a one-of-a-kind memorable gift only available with us.

So, in summary, our platform enables Moonpig and Greetz to source the best card designs and gifting brands from a broad range of partners.

Our technology is enabling a rapidly increasing number of our customers to personalise their cards in innovative ways. We now have a full consignment capability, enabling us to work with partners to manage entire categories all inventory free. And digital gifting sales are doubling year on year.

Thank you for your time. I'm excited about the road ahead and the incredible potential our platform holds for the future.

Now it's time for a break. There is tea and coffee outside, and we'll see you back here at 3:40 PM. Thank you very much.

(break)

Section 5 (1:18:20) - Technology

Nickyl Raithatha - Chief Executive Officer

All right, everyone. I think hopefully, everyone is in and seated. So, we'll kick off with the second half of the event. First, Georgie is going to talk through technology and how we're using data everywhere in the business to really enhance the growth, then Andy is going to take you through the much awaited financial section, which will remind you of the quality of our model and, of course, talk about cash returns.

And then we'll have the whole team up here to have an extended Q&A session after that. So, over to you, Georgie.

Georgie Smallwood - Chief Product and Technology Officer

Thank you, Nickyl. Welcome back from the break. I'm Georgie Smallwood, Chief Product and Technology Officer at Moonpig Group. I joined last year after almost two decades in tech, the last few years of which in Berlin, where I led tech teams at some of Europe's fastest-growing consumer technology companies, including N26 and TIER Mobility.

I was drawn to Moonpig because it's a brand with a clear purpose, a huge market reach and opportunity and, importantly, a commitment and talent for tech-driven growth.

When I joined, Moonpig's technology team was wrapping up a major re-platforming effort, and it was the perfect time to jump in as we pivoted from transformation to growth.

Today, I'm thrilled to show you how our rich data insights and tech capabilities position us at a powerful intersection of innovation and growth that redefines customer experiences and expands our impact at the Group level.

Before 2022, Moonpig embarked on a multi-year re-platforming journey. Since then, it's taken us less than 12 months to get our organisation running at true growth levels of impact and delivery. We introduced a strong focus on experimentation and this data-driven approach has enabled us to move rapidly into growth phase and a period where you really start to see the return on investment shine.

Since the last financial year, we've been accelerating that growth. With 162 experiments, we are delivering more personalised experience and faster product iterations every day. The step-up in experimentation and its corresponding impact is key to our payback model, where every single investment we make and every product we build pays back within two years.

What's been really fantastic is that the way that we designed our platforms perfectly set us up to take advantage of all the emerging technologies we are seeing now. The direct result of this is that technology is driving the revenue growth of Moonpig Group and we do this through two principal ways.

Those two ways are through continuous compound improvements to our user experience; and secondly, leveraging AI over our unique customer data. The good news is that both of them are flywheels that continue to get smarter every day.

Starting with the first. We are running large numbers of experiments and every time we roll one out, we get better at learning and get better at predicting the right experiment to run next.

Each of these experiments is a directly controlled test where we show different versions of a feature to different customer groups and then we measure the difference. With each test, we are then able to directly see the impact that the changes had on a particular KPI, such as conversion rate or order value.

The second way that we drive revenue growth through technology is by leveraging AI over our unique customer data. And this is where the magic of Moonpig really shines.

Online greeting cards provide rich multidimensional data sets, revealing demographic details, emotional context, relationships, and customer intent that other verticals just don't provide. Even having worked previously in a digital bank, I am astounded at the information that we have here at Moonpig. Many companies know what their customer is doing. But Moonpig's magic is that we know why they are doing it. and we can leverage that to drive each KPI.

Now I want to share some examples of the types of experiments that we are doing and those that make a huge difference to customers every day. The first bucket is about removing friction and improving the conversion rate for customers. We did over 70 experiments in this space in the last year alone, each one designed to create a more seamless journey for our customers. Many of you who use the product might have noticed this continuous stream of improvements over the last year.

Just one example is our introduction of social sign-on with Apple and Google. It's one of the many changes that streamline the user journey. Previously, customers had to manually enter their e-mail and password. But after implementing this feature, we saw an additional 2.5% of customers move on to the next step in the journey.

Another example is the functionality to save your card drafts. Before, customers could lose their progress if they left the page. But by allowing them to save their drafts, we've seen an additional 1% of customers complete their order with us. So, we can really see that small changes to the customer experience can have a huge impact on performance.

And we've also done loads of tests that have driven up our average order value. One example here is the introduction of new ways to showcase add-on gifting products. Previously, these product details were shown in a singular way. But after redesigning the experience to make it more engaging and give the customer more choice, we saw a 54% growth in adding a second gift to an order.

It's important to note though that not all of our experiments are technically complex. Some are as simple as testing different copy changes, like here, where we introduce emotive language to encourage upsell behaviour when selecting card sizes. Through this small adjustment from the actual card size to a more emotional copy, we saw an extraordinary change in the customers' behaviour. And only when you have a culture of experimentation like we do, can you test for things like this as they wouldn't show up as a statistical opportunity in performance reporting.

And another area that we are obsessed with experimenting on is customer satisfaction. Making the user experience more intuitive is crucial when focused on building a loyal customer base.

One improvement is in address suggestions. Previously, if an address was invalid, customers were required to correct it manually, but now we offer smart suggestions to auto correct the address, resulting in an incremental 75% of incorrect addresses being fixed. This reduces friction and ensure smoother ordering processes, but also more successful deliveries for our customers.

Another upgrade was the date first checkout flow which now allows customers to select their delivery date very easily with the experience prompting them to recognise that they can order in advance. This enhancement has led to 6.7 percentage point increase in forward ordering. As customers can more easily plan their deliveries and take advantage of more economical postage pricing.

These examples are just a glimpse of the many adjustments that we've made and each experiment contributes to a smoother and more efficient user experience. It's these continuous iterative approaches to testing and refining that drives the compound growth in our key metrics.

So, we've looked at how experimentation is driving significant improvements to the experience. But now let's have a closer look at our data intelligence layer, how we leverage our unique data sets with AI technologies to enhance our algorithms and ensure we connect customers with the perfect card and gift every time. And like I said earlier, this is really where the magic that is Moonpig comes to life.

So let me show you how we do it. First, our strategy begins with understanding who you're buying for, why, what and the style that you prefer. We even understand how much effort you're willing to put into personalising the card. This level of customer understanding is vastly superior to other online commerce verticals where they only know what you're buying and not much else.

This deep level of customer insight allows us a unique position to capture intent accurately and on an individual level. And then our proprietary algorithms process all of this collected data and provide recommendations at key moments in the customer journey. Our algorithm also knows where gift purchase intent is the highest and the AI will step in to make data-driven improvements in gift ranges, making sure that your experience is perfect. With over 40 million cards sold, this AI-driven approach enables us to provide an unmatched personalised experience, which ultimately drives a stronger conversion.

So, when thinking about that customer journey, we ensure that at every touch point, the online experience is highly targeted, thanks to this unique and extensive data set that only we have. We have tens of millions of visits to our home page every year. And because of that, our ability to personalise our content across sites and apps is incredibly important. For example, the homepage banner can be tailored specifically for you. Whether you're a target customer for our Plus membership or you need to understand the creative feature that you haven't used before, the homepage will ensure that you start your journey on the right foot.

And reminders, they are the most incredible asset that we have. For each of the 90 million of them that our customers have set, we actively suggest products tailored to previous purchases and what we believe will suit that occasion and your recipient the best. This drives the impact of reminders to nearly 40% of all orders; performance you won't find anywhere else.

Targeted promotions are something that we've really focused on in the last 12 months. We know that offering personalised promotions at the point where a customer is most open to convert makes them so much more impactful. We also know that not everyone needs the same level of discount and margin awareness was key when running the experiments in this area.

The most important thing about the algorithms that power these experience is that they're self-learning. So, every single page a customer visits, every card they click on, every reminder they set, all contributes to a more personalised and more optimised customer experience and thus more revenue.

But it's not just our existing data powering the customers personalised experience. At Moonpig Group, we create new insights and they're helping us to better understand our customers' intent and ensure we match them with the perfect card. So let me show you the transformation from manual processes to AI-enhanced methods that we've just begun to explore.

Before AI in the past, employees manually tagged each card with simple keywords like “anniversary”, or “bubbles” in this case. When a customer search for these terms, the system could only provide them an exact match based on those tags. For instance, if a customer searched for “bubbles”, it would return only the one card in our range of over 35,000 for Moonpig. With AI, the process has become far more sophisticated and we've begun to generate consistent and systemic detailed descriptions for every card using large language models, making it easier to find relevant matches to a search query.

Our AI now not only provides exact matches for those search terms but also delivers similar matches to the search that the customer entered. By analysing the meaning and context behind each word, the system surfaces cards that align more closely with what the customer is looking for. A great example is that “bubbles” now returns champagne, but also a picture of a bubble bath. And the reason this is so impactful is that in the last six months since beginning to build our semantic search, we've processed over 1 million completely unique search terms entered by customers. Manual exact matching isn't possible on this level. Hence, why only one card returned to the search of “bubbles”. But with AI, we can now return 440 relevant cards for the same search term.

One of the metrics which we track while experimenting in this space is how quickly the customer finds the card that they want. And we've seen this time reduced as we brought these enhancements to market, and we expect this to continue, making it faster than ever to find exactly what you're looking for, which we know drives conversion.

The best part of this is that we have built our search architecture to directly integrate with OpenAI. So, every enhancement that comes to market, for example, GPT5 will additionally and immediately improve our capabilities.

Our algorithms are the invisible driver within all of our performance metrics. None more important than gift attach. Attach rate is an absolutely critical part of the future growth of our company. And the way we use our data to power our gift recommendations is the primary driver of that. Over the past four or five years, we've nearly doubled our attach rate from around 9% to over 17%, marking an incredible journey of growth that is not nearly done. Each new data set that we integrate lifts our algorithms’ performance, making our recommendations more precise and more impactful.

Initially, our cross-sell algorithms focused only on customer browsing behaviour. If a customer browses romantic gifts for instance, we made a manual chosen suggestion like a heart-shaped chocolate box that matched that theme.

Next, we laid in card design data. If someone selected this “bundle of joy” card for a new baby, our algorithm started to intelligently recommend complementary gifts like a plush toy. These suggestions were reflective of the purchasing trends of customers who made similar choices, helping us to pinpoint the most popular gift pairings.

Then we've incorporated individual customer behaviour. For instance, if a customer like Emma here, tends to buy higher-priced items, then we tailor our recommendations to suggest premium gifts like a bottle of Moët. This approach ensures recommendations match each customer's spending profile, optimising every interaction at a single customer level.

But our journey hasn't stopped there. With the advent of AI, things are getting really, really exciting. And now we use AI to analyse the sentiment behind the messages customers write, even inside the card incorporating that real-time insight directly into our gifting algorithms. We call this “live inference” and it enables us to make recommendations even more meaningful. And let me show you this in a little bit more detail because it's actually really cool.

We've just started using live inference to interpret sentiment and context within a customer's message as they are writing it, allowing us to continue the enhancement of gift suggestions that drives a stronger attach rate and increases average order value.

So, imagine a customer is sending a birthday card to their mum. The message might include personal details like what birthday it is, that they love baths, and that it's sent from her daughter and her grandchildren, along with a heartfelt mention of a celebration of her new role as a grandmother.

Our AI system analyses these nuances in real time, informing the cross-sell algorithm of these insights about the recipient’s interests, family relationships and emotional tone. With this understanding, we can immediately recommend a truly thoughtful gift like a personalised mug, celebrating her as a grandmother, or a lovely bath gift set.

By capturing the finer points in each message, our AI delivers gift suggestions that resonate deeply and align with the customers' intent, ultimately enhancing the likelihood of them attaching a gift. And by combining these advanced AI capabilities with our unique data sets, card design, behavioural insights, and real-time sentiment analysis within messages, as well as our rich customer profile data on reminders, addresses and relationship types, we're delivering the most targeted gift recommendations in the world.

And this is only the beginning of our plans to optimise our unique data set. We've got years of enhancements planned to ensure that any journey with us is tailored just for you.

So, to wrap up, here are the key takeaways from today's presentation. Technology is driving the revenue growth of Moonpig Group. Rapid experimentation is delivering consistent upgrades to the customer experience and driving our key performance metrics. Pairing our customer data with intelligent capabilities delivers an unmatched personalised experience. And AI unlocks significant improvements to our recommendations which we expect to drive growth in conversion and gift attach rates.

Thank you for listening. And I'll now pass you to Andy to take you through the financials.

Section 6 (1:37:15) - Financials

Andy MacKinnon - Chief Financial Officer

Thanks, Georgie, and good afternoon, everyone. For those of you who don't know me, I'm Andy MacKinnon, the CFO of Moonpig Group.

Now today, you've heard from Kristof on how our marketing strategy positions us to grow the online card market fivefold. David has explained how our platform is designed to ensure we have the perfect card and gift for every customer on every occasion and Georgie has explained how we use technology and data to drive revenue growth. I'd now like to bring all of this together and explain how it provides us with a platform for delivering sustained, compounding double-digit revenue growth, high profitability and robust cash generation.

We've built a platform with outstanding financial characteristics. Our revenue base consists of loyal customer cohorts, which continue to strengthen, and our revenue growth is underpinned by clear drivers.

We have structurally high profit margins, low capex, which is managed within a clear ROI framework and negative working capital with low inventory. Together, these result in high, consistent, and growing operating cash flow.

These attributes are reflected in our medium-term targets, which are for double-digit percentage annual revenue growth, an Adjusted EBITDA margin rate of 25% to 26%, Adjusted EPS growth at a mid-teens percentage rate, and net leverage of approximately 1.0 times.

Our financial model is built on the foundation of loyal customer cohorts. At both Moonpig and Greetz existing customers now account for nine tenths of total revenue. This means that we have a high-quality, resilient and predictable revenue base. In addition, we've strengthened these cohorts consistently across all customer groups over the past five years, reinforcing the revenue growth potential of our business.

Our cohorts demonstrate exceptional loyalty, and we further strengthened them through significant increases in both retention and frequency.

At the time of the IPO, we highlighted how our cohorts exhibit remarkable predictability and consistency. And you can see this on the chart on the left, which relates to the years before Covid. It shows year one retention at around 50%, followed by an annuity-like retention pattern in subsequent years. Since then, we have step-changed our cohorts. The second year retention rate has risen to 58% and we've increased order frequency by 20% over the last five years. As a result, we've significantly increased customer lifetime value.

And importantly, these gains are not specific to particular cohorts because we've seen improvement across the entire customer base. Indeed, we strengthened every single annual customer cohort. The cohorts of customers that engaged with Moonpig during the lockdown period have seen the most notable uplift however, it's particularly encouraging that more recent cohorts are also outperforming those from equivalent to pre-Covid periods.

Let's look at the charts again. The chart on the left shows revenue retention from the cohort acquired in FY18, which has risen from 52% in the year following acquisition to 72% last year. The middle chart shows the cohort acquired in FY20, for which revenue retention reached 73% last year. This is materially higher than the retention rate for pre-Covid cohorts at the same five-year mark. And finally, the chart on the right shows the FY22 cohort with a retention rate of 56% last year. This compares favourably to the pre-Covid cohorts, which had a retention rate of around 50% at the equivalent three-year point.

This consistent upward trend across all cohorts gives us confidence that the improvements in cohort behaviour are not just temporary and should continue to be sustained over time.

Looking ahead, our goal is to create “smiling” cohort curves, where revenue consistently improves over time, driving an upward trend on the right-hand side of each chart.

Moonpig and Greetz have a clear path to double-digit revenue growth with three powerful revenue growth drivers. We aim for 2% to 3% of our growth to be delivered by expanding our active customer base; 3% to 4% by increasing frequency; and 3% to 5% by growing average order value, which includes raising gift attach rate, pricing and upsell.

Our goal is to drive revenue growth equally through both orders and average order value, which we demonstrated in our second half results for FY24. These growth drivers reinforce our confidence in the Group's medium-term target to deliver double-digit revenue growth.

Looking ahead, we will align our disclosure with these three drivers and routinely report on active customers, orders per active customer and average order value. We will explore these metrics on the following slides, in each case looking at: the position before Covid in FY19; during Covid in FY21; and most recently in FY24.

Our active customer base is back in growth. Moonpig and Greetz grew their customer base in the second half of last year, reaching 11.5 million active customers at the end of April 2024, and this upward trend has continued in the current financial year. Looking ahead, each new cohort of customers should reliably drive the first few percentage points of our annual revenue growth.

Now let's look at how we're driving growth through increased order frequency. We've uplifted frequency by one-fifth across the last five years. Orders per active customer have grown at a compound annual rate of 4%, powered by levers that include our reminders, our apps and Plus subscriptions. This is important because frequency represents a long-term growth opportunity. Whilst online buyer penetration of the cards market stands at 39%, customers are still buying most of their 19 cards per year from offline.

Now let's move on to the final of the three growth drivers, which is average order value. We've driven a 25% increase in average order value across the last five years through growing the gift attach rate, adjusting pricing and upselling. We've built a strong track record of growing gift attach rate, increasing it from 14.3% in FY19 to 17.3% in FY24.

Despite facing strong market headwinds for discretionary gifting, we've successfully maintained this rate above 17% during the downturn. Our card-first strategy ensures that even where attach rate remains steady, we can still grow attached gifting revenue by increasing card orders as we demonstrated in the second half of last financial year.

Through A/B testing, we've confirmed that we've positively impacted our attach rate through improving our recommendation algorithms, enhancing the user experience and strengthening our gifting product range. When the external environment becomes more favourable, we expect these initiatives to contribute more visibly to headline attach rate growth.

Recent gifting market headwinds have also impacted our Experiences Division.

We expect Experiences to deliver double-digit growth in the medium term, driven by four key levers. As Nickyl set out earlier, these four levers are: increasing orders through the Buyagift and Red Letter Days websites; growing average order value, including the impact of price inflation; expanding sales through third-party partners, with Moonpig now the largest of those; and leveraging our redemption website to drive upsell revenue from gift recipients.

We're executing strongly against our transformation plan for Experiences, with technology improvements contributing a cumulative GBP20 million of incremental gross sales. However, given the Division's price points and focus on discretionary gifting, Experiences is facing a challenging market environment, and this is reflected in our growth timeline expectations.

Our platform delivers structurally high profit margins and high operating leverage. All our revenue growth levers are margin accretive. This includes gift attach rate as the gross margin rate on gifting is higher than our target Adjusted EBITDA margin rate of 25% to 26%. As our business grows, this operating leverage could either boost profit margins or as we've chosen, enable us to reinvest any surplus above our target range to underpin and potentially strengthen revenue growth. This positions us to maintain profitability whilst fuelling future growth.

Our high profit margins are sustainable, thanks to the unique strengths of the Moonpig and Greetz business model. Our card-first strategy means that we can acquire customers on less than 12 months payback; nine tenths of our revenue comes from loyal customer cohorts; and we're able to cross-sell gifts to customers at nil incremental marketing cost. Together, these attributes give us direct control over most of our revenue base, shielding us from external risks such as competitive bidding for paid traffic acquisition. Moreover, our scalable technology platform enables us to invest in new technology features that drive revenue growth.

We've established a clear internal framework to monitor ROI. Georgie talked earlier about how our technology organisation is now focused on delivering growth. And we're determined to ensure that we optimise the return on our technology investment. Each technology team operates with quantitative targets that align with either revenue growth or profitability improvement.

We measure the impact of new features through A/B testing, which allows us to track the monthly financial contribution of each team. We work within an approximate two-year payback period, which translates to around a 20% pre-tax IRR over a three-year useful life. And our actual performance is tracking in line with these expectations. This gives us confidence that our technology investments are appropriately scaled and enables us to prioritise investments into the specific technology teams that are delivering the highest returns.

We have a highly efficient working capital structure with very low levels of inventory and negative net working capital. You heard earlier from David about how our gifting platform allows us to operate with very low inventory. Since the operational facilities that we opened in FY23 reached maturity, we've consistently kept net inventory in the single-digit millions, meaning that we have low exposure to inventory sell-through risk.

The balance sheet at April 2024, which represents a typical year-end working capital position, reflected negative net working capital equivalent to 25% of revenue. And this means that as our business grows, we will drive cash inflows from working capital, which feeds directly into our strong operating cash conversion rates.

Our business delivers consistently high levels of operating cash flow. Operating cash conversion has been around 80% in recent years (with FY23 an outlier due to investment in operational facilities in the UK and the Netherlands on 10-year leases). This operating cash flow has allowed us to rapidly deleverage. If we were to continue letting that cash flow feed through to lower net debt, our current trajectory would take net leverage clearly below our 1.0 times target during the second half of this financial year.

We follow a disciplined approach to capital allocation. Our target is to maintain net leverage at approximately 1.0 times over the medium term. We continue to prioritise organic investments to drive growth, in particular in areas like technology and marketing. Whilst we will always prioritise investment for growth, our strong cash generation provides us with the financial flexibility to return excess capital to shareholders, and this is reflected in our new dividend and share buyback policies.

Today, we're introducing a progressive dividend policy and launching our first share buyback programme.

Our new dividend policy commits to maintaining dividend cover of 3 times to 4 times in the medium term. For FY25, we intend to pay a total dividend of GBP10 million, which we expect to grow thereafter in line with Adjusted EPS. The first interim dividend will be declared when we announce our half year results in December 2024.

Alongside this, we've today announced our first share buyback programme returning up to GBP25 million starting in November 2024. Our policy is that we will only conduct buybacks when they use excess capital and they are earnings enhancing.

Let's now recap on the medium-term financial targets that align to our focus on compounding revenue growth, profitability and cash generation.

Our operational targets remain unchanged. We're targeting double-digit revenue growth, Adjusted EBITDA margin of approximately 25% to 26% and Adjusted EPS growth at a mid-teens percentage rate.

For operating cash flow, we aim to maintain inventory in the single-digit millions, we expect to hold capital expenditure at between 4% to 5% of revenue, and we aim for operating cash conversion of between 70% and 100% of Adjusted EBITDA.

And finally, as I've just outlined, our approach to capital allocation is to target net leverage of approximately 1.0 times, dividend cover of 3 times to 4 times, a dividend which grows in line with Adjusted EPS, and share buybacks where there is excess capital and it enhances earnings.

So, in summary, Moonpig Group has a financial model which features a standout combination of revenue growth, profitability and cash generation. We have clear drivers of revenue growth at each of our divisions. Revenue at Moonpig and Greetz is underpinned by resilient cohorts that we have strengthened. We have structurally high profit margins and robust cash generation. And we have today announced a new dividend policy and our first share buyback programme of up to GBP25 million.

Thank you, everyone. And now I'll hand over to Nickyl to summarise the key messages from today's event.

Section 7 (1:52:11) – Wrap-up

Nickyl Raithatha - Chief Executive Officer

Thanks, Andy.

So, I hope today's presentation has shown you how the competitive advantages that we have built position Moonpig Group as a true platform business with market leadership, exceptional customer retention, and strong profitability.

This all sets us up for a sustained double-digit growth trajectory. Our incredible customer cohorts at Moonpig and Greetz have grown even stronger over the last five years. We continue to extend our distant market leadership in a market that is rapidly transitioning online with a huge runway ahead of us.

Our investments in technology and AI are now directly powering that growth. And this all leads to high profitability and cash generation, which is why today we are announcing our new dividend policy and our first buyback programme.

Section 8 (1:53:57) – Q&A with the full presentation team

Nickyl Raithatha - Chief Executive Officer

So, we'll now move to Q&A. If you just bear with us, we need a minute or so just to get the chairs on the stage, you can chat among yourselves. And then we'll take the first question in a minute or so.

(Refer to separate transcript of the Q&A available on Moonpig Group's investor website).

Are there any more questions in the room? Otherwise, we will wrap up.

Amazing. Well, thank you, everyone. Thank you, everyone, for coming and for staying with us for the last three hours. Hopefully, you've heard just how excited we are about the future of Moonpig Group. We're proud of what we've built, and we're excited for what the Group can deliver in the future.

As many of you as possible, if you'd like to join us, we're heading downstairs to "The Happenstance" for some informal drinks. So, it'd be great to see you there. Thanks very much.

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