

Moonpig Group plc
Capital Markets Event 2024 – Analyst Q&A Transcript
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Participants

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- **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
- **John Stevenson** Peel Hunt - Analyst
- **Andrew Wade** Jefferies - Analyst
- **Beatrice Allen** UBS Equities - Analyst
- **David Hughes** Shore Capital Markets - Analyst
- **Georgina Johanan** JPMorgan - Analyst
- **Ross Broadfoot** RBC Capital Markets - Analyst
- **Alison Lygo** Deutsche Numis - Analyst
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Q&A Session 1 of 2 - Nickyl Raithatha only

Capital Markets Day Video - [Chapter 2 \(34:36\)](#)

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

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.

John Stevenson *Peel Hunt - Analyst*

John Stevenson, Peel Hunt. A couple to get us going. First question, you've done a lot of heavy lifting, obviously, in terms of the systems behind this in getting particularly gifting into the card business. What are the biggest blockers now for attach and how are you trying to solve these? And the second question, just on Plus. I mean clearly, your best customers have gone in there and you've got great results. To what extent have you got experience of bringing in newer and lower level spending customers? And are they showing the same trajectory?

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

Yeah. Great questions. So, I think on attach, you're going to hear a lot more about that later. I think actually you'll see David will walk us through exactly what we're doing with the gifting range and

Georgie is going to talk a lot about how the algorithms are getting smarter. Those are the two drivers of attach. It's really -- it's all about how can you make sure you have the best gifts and then you show the right gift to the right person, given we have limited real estate. And we've got a long runway there.

I think the key is that we've built capabilities that allow us to now really execute. So, within the range, we've built a consignment capability, which means we can work with new partners in much more interesting ways than before. And we've built digital gifting, which is an unlimited variation of where that can take us. So that's really exciting.

And I think the way that we are using AI to leverage that data to understand exactly what your intent is to understand the message inside the card is making our algorithm smarter every day. And so, but we'll cover that a lot more in the next couple of hours.

I think on Moonpig Plus, we've seen, as you would expect, our best customers were the first to sign up. And so, I think it was quite an interesting moment for us when we started to annualise in June, because not only do you see, well, what are the renewal rates going to be of existing members, but you start to see: do you start to lower the sign-ups? What we've seen is that the sign-up rates (so that essentially, we measure the percentage of customers that are signing up every day or percentage of orders signing up) hasn't changed as we started to annualise. So even customers that are coming back in the second year, we're still seeing really good sign-up rates.

All of the sign-up is organic. We haven't spent a penny acquiring any members. So, this is just basically customers as they're going through their journey being tempted and of course, you optimise that flow.

The last point, I think, to your question was as customers have kind of, I guess, less frequent -- I wouldn't say lower quality, but less frequent -- as customers have joined, what we've seen is the frequency uplift has been consistent. And so actually, we see that more than 20% frequency uplift regardless if a customer was buying 15 cards before or five cards before, and that's been very, very consistent across the base, and that's really encouraging for us.

Andrew Wade Jefferies - Analyst

Andy Wade from Jefferies. A couple for me. The first one, I suppose, on gift attach. We've got the 17.3% in terms of that gift attach rate. Now, obviously, just reflecting back on that, it's about the same level we were at, at the IPO in FY19. But there's been a huge amount that's been done in that time. You know, your gift range has extended, you've added more categories, you've got brands in there you didn't have, and the algorithms have gotten smarter over that time as well.

So, I appreciate that we've seen a bit of a cyclical headwind from, I think it was September, October 22, that sort of time, when you first noted it. But I guess the question is, I'm coming into land here, is the quantum of what you've got to change going to be significant enough to drive the uplift given what we've already seen in the last years hasn't done that?

Nickyl Raithatha Moonpig Group - Chief Executive Officer

Yeah, absolutely. I think we probably look at the trajectory before the pandemic was essentially, we were adding between 1 and 2 points a year to attach. So that trajectory was pretty consistent if you look at 2018, 2019, 2020.

It hasn't moved that much since 2021, so, since the peak of the pandemic. And I think we have seen pretty significant headwinds on gifting, and we see that across the Group.

The way that we think about it and the way that we know that actually, what we're doing is adding real value is, we measure the uplift. And so, every time we deploy a new algorithm or a new upgrade to our recommendation engine, we A/B test that. So, we show it to two different groups of customers, and we can measure the difference. And so, we know that actually we've driven the attach rate significantly through what we've done.

We do similar things when we launch a new brand. So, we saw the attach rate lift on the kids' range when we launched The Entertainer. We saw a lift on food and drink when we launched Hotel Chocolat. So, we're able to measure the impact we're making, which tells us that if we weren't doing this, the attach rate probably would have been going backwards.

So, I think really, the macro headwinds have been pretty real. We're starting to see those stabilise at the gift prices that we offer. So, at the GBP15 to GBP20 average gift price on Moonpig. And actually, I think that gives us a lot of confidence that now we'll really start to see that attach rate momentum pick up.

And so, I think the other thing to remember is we're selling two or three times the amount of cards that we were prior to the pandemic. We've got 60% more customers. So, the fact that we maintain the attach rate, even as we've really grown the customer base also is something that is quite exciting to see.

Andrew Wade *Jefferies - Analyst*

And just following on from that, just from what you said there its clearly inferring that the propensity to attach from your customers over that period has gone down. You said that it would have fallen. Presumably, you are confident that that is a cyclical factor rather than a competitive factor. And what makes you confident in that is the first part of the follow-up? And the second part is, if it is a cyclical rather than competitive factor ...

I don't want to talk about competitive factors, it could be that more people are just using Amazon Prime than they were as an example, three or four years ago. But what makes you comfortable it's a cyclical rather than competitive factor?

And secondly, if you do believe it's a cyclical factor, could we see quite a big reversal if as and when? As in a positive shift back?

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

So, we absolutely believe it is a cyclical factor. I think all of the research, and we'll run through some of the research, tells us that customers are still getting gifts with cards. And that's something that is a huge market.

We offer the most convenient solution, obviously, to attach a gift with Moonpig compared to buying it elsewhere, it's harder to combine those cards. And so, from our perspective, I think the research tells us that customers are still willing to do it. I think all of the evidence we've shown in terms of how actually when we put the right product in front of the customer, they do buy it, when you put the right brand in front of the customer, they do buy it tells us it's there. But we have data on gifting. The gifting market we track pretty closely. You can see this year, it's down 15% year on year. Last year, it was down, I think, even slightly more, the UK gifting market.

And so, I think we're very confident there's no there's absolutely no structural trend away from gifting. I think this is just actually getting people to -- if you think about the nature of our business, they come to buy a GBP4 card, getting them to upsell to a GBP15, GBP20, GBP25 gift, it's harder when there's a cost of living crisis going on.

And actually, I think the important thing now is our attach rate is in growth. And so, as we -- if we think about a flat baseline, then actually, we're pretty confident that the sort-of what we're doing in terms of self-help is actually going to really drive that momentum of attach going forward.

Andrew Wade *Jefferies - Analyst*

Really helpful. Thanks, Nickyl. I've got a couple more, but I think I'll let someone else have a go.

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

Only two?

Andrew Wade *Jefferies - Analyst*

For now.

Beatrice Allen *UBS Equities - Analyst*

Hi. Beatrice Allen from UBS. Just a really quick follow-on from that one, just a kind-of side thought. The convenience factor of that gift attached for you guys is obviously even more compelling if the card is being sent directly to the recipient rather than going via the buyer, as it were, because it's all sent in one convenient package, right? What percentage of the cards bought do you know go to a different person than the buyer, go directly to the recipient?

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

So, it's around 60% in the UK. It's 95% in the Netherlands.

Any other questions? We've got one at the back.

David Hughes *Shore Capital Markets - Analyst*

David Hughes at Shore Cap. Previously, you've talked about international expansion in the US and Australia having challenges to do with the reliability of next-day delivery through the postal services there. Is there anything you're doing in terms of your proposition, or the way you're targeting that, or your way you're planning to deliver to try and overcome that?

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

Yeah. I mean, look, it's a fundamental difference with at least how the postal services used to operate in Europe, which was a reliable next-day service for a very affordable price. I think the way we're approaching it is twofold. I think one is to make sure we give the customer options. So, I think even in the US, there's an option for a FedEx option. It's pretty expensive, but actually, a large amount of customers are taking that premium option, because they want it the next day.

But the major focus for us is really on telling customers, they do need to order things in advance. And I think actually, there are lots of categories and products where customers are accustomed to buying and waiting, even knowing you need to wait three days or five days for something to arrive.

And so, for us, the way we can do that really grows over time when we build that reminders space. And so, a lot of our education in these markets is we're not entering a market selling convenience. We're entering a market selling a product that you cannot get elsewhere because the concept of a personalised card in Australia, or a printed personalised card in Australia or the US, is completely new. It doesn't exist.

And so actually, we're selling that novelty factor, which is why we're bringing customers to us. As they come to us, as we get their reminders data, I think that's when the flywheel really starts to work and you can offset it. And it mirrors to some extent what we're doing in Europe, which is trying to pull our customer orders forward so they get better at planning because we know that actually the days of 100% reliable next-day delivery are not here anymore.

David Hughes *Shore Capital Markets - Analyst*

And just one more, if I may. In terms of the overall card market, you've talked historically that that's very consistent at around twenty cards per person per year, but it's the online penetration you expect to grow. Is that still the case? Are you still seeing that stability in the overall market, do you think?

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

Yeah. So, actually Kristof in the next section is going to run through the updated market data. So, we've got refreshed data there. But the overall cards market in the UK and the Netherlands is growing in terms of value, it's still very healthy in terms of per capita.

We talked about frequency being a big driver for us. We have a huge amount of share of wallet to go for. Our average customer is buying just over 3 times a year with us, and we know that they're buying close to 20 cards in total. So, there's still a huge opportunity for us.

Georgie.

Georgina Johanan *JPMorgan - Analyst*

Thanks. Hi, it's Georgina Johanan from JPMorgan. Just a really quick one, please. Just at the beginning of the slides, you talked about how that 2016 cohort had actually landed higher in terms of spend than the previous annuity. How much of that step-up is actually volume, be it frequency or incremental gift attach from that cohort? And how much is perhaps just inflation in card prices and so on, please?

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

That's just order frequency. The jump in frequency is a 20% growth in order frequency from all customers.

Georgina Johanan *JPMorgan - Analyst*

Maybe I misunderstood it. I think on the slide, it's showing an annual revenue percentage versus first year revenue going from 51% to 63%. That's all coming from the order frequency?

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

No, sorry. So, the slide I think there's a chart on the right, which shows the average uplift in frequency. So, 20% of that growth in all cohorts is frequency and the rest would be through average order value.

Ross Broadfoot *RBC Capital Markets - Analyst*

Hi. Ross Broadfoot from RBC. So, 51 million card buyers in the UK and Netherlands and currently at around a GBP4 card. So that's really the gateway. By lowering that gateway in terms of that price? What do you think that could do for the business? Is that something you considered?

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

So, it's actually something we've considered, but it's not something we see as an obstacle to growing in any way. So, one thing about greeting cards is they are incredibly price inelastic. And so, we've done a lot of testing over the years, increasing prices, decreasing prices, testing different prices, and we see zero impact on conversion in either direction. And so actually, that's something that is a really interesting component.

There are other players out there that offer similar-ish products for us, at least on the surface, for GBP1.99 and they've been unable to get traction. So, and then probably the third thing, as Kristof will show shortly, is when you survey customers, when you ask them their reasons for buying online, their reasons not for buying more online, price just sits right at the bottom of that list.

And so, for us actually to grow the business, it's really about just having exciting, compelling product that brings people on board, marketing in the right way and then using that data to really just get that flywheel working and get them to buy more cards more often. For us, it's about having a better product, a more convenient product and a better design, not price.

Should I take one more question, and then I'll turn it over to Kristof, if there is one?

All right. Thank you. Thanks very much.

Q&A Session 2 of 2 – all corporate participants

Capital Markets Day Video - [Chapter 8 \(1:53:57\)](#)

Nickyl Raithatha *Moonpig Group - 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.

All right. Well, you have the whole team here. Who has our first question?

Alison Lygo *Deutsche Numis - Analyst*

Hi. Alison Lygo from Deutsche Numis. I'll kick off with two if that's okay.

So, one just on Experiences. You talked about the customer survey data you've got in terms of what holds customers back from maybe buying a card online. Do you have any similar insight in terms of what maybe holds them back from purchasing a gift online or attaching a gift? And then wondering if you could talk a bit about how you're looking at evolving the offer for the consumer in the Experiences businesses or anything that you're looking to do in terms of evolving the proposition for a new consumer?

And then the second one would just be on M&A. So clearly, you've said disciplined in your approach to that, but just wondering what would be high on your wish list in terms of acquisition if it was to come up? Is that a new capability, a market, anything like that? Thank you.

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

Sure. I'll take the first, and Andy can pick up the second. And I think just for your information, Ronan, who runs our Experiences business is here, so maybe grab him afterwards if you want any detail that I don't share.

I think that the data we do have on the UK is obviously the market is in decline. I think we get that data pretty consistently. And I think it's just really a result of discretionary gifting at a pretty high price point is naturally going to come under pressure when the consumer isn't in a strong position. I think that said, there are pockets of demand. When Coldplay is in town, no one minds spending GBP200 on a ticket, right? 800,000 times. So, I think there are areas of demand.

So really for us, what we're looking at now is, we've built a platform that gives us flexibility to do a lot more with the range. And so, there's a lot of work now on, well, what do we do with that? And so, one pillar is trusted brands. So, actually, can we follow the UK model and really bringing on more brands? And so, we're starting to see that. So, we've got some great brands. We've got Merlin theme parks. We've got Harvey Nick's, Harrods on board. One of the big launches actually in the last couple of months was getting the Stonegate Group, so Slug and Lettuce pubs, Be at One bars, onboard. And actually, you see instantly, they get traction with customers when you just have these brands that just feel like people feel more comfortable gifting than maybe an unknown provider of a flying lesson. So, I think pillar one is trusted brands.

I think the second thing is looking at more immersive experiences. So that might be -- if you think about the balloon museum that popped up, or there are various exhibitions going on, or things that happen, including live events. And I think can we tap into that in some way? I think that's something we're looking at and maybe even offer a live booking service rather than giving it without a date booked.

And then the third area is subscriptions. So actually, we offer a HelloFresh box on the platform and it's been one of the best-selling products not only on the Experiences business side, but actually on the Moonpig platform as well. Amazingly, a lot of people want to give their mum or dad HelloFresh boxes on Mother's Day or Father's Day, who knew.

But actually, I think there's something really there with subscriptions that actually could you take that to flower subscriptions, Netflix subscriptions, chocolates subscriptions, cookery courses, lessons. I think there's like a lot we can do, and that's something we haven't really tapped.

So, I think for us now, the work is about we've now got the capabilities to expand a lot more than we were able to before. And so, it's really saying where are those pockets where our customer is still spending and still gifting and actually just going there. So I think the next year, we'll see a pretty strong evolution of the product, and we think that chasing the demand is obviously the right -- a better -- strategy than waiting for it to come to us.

Andy MacKinnon *Moonpig Group - Chief Financial Officer*

On the second point, there's nothing on the horizon in terms of M&A. I think a couple of points there. Firstly, we're very conscious of the need to deliver on what we see as the potential of the Experiences business before we look at other assets. Also there isn't a huge universe of assets that meet what would be our criteria. So, I talked in the presentation about the fact that we'd need to have both a high strategic and financial bar. It has to make sense in terms of being able to sell that product and cross-sell across to Moonpig customers; but also, you've got a stand-alone business that you acquire, so it has to have a really attractive P&L structure in-and-of-itself. And so, I think we'd be very selective.

We do look at things in the market as they come up. There obviously isn't a universe of assets to acquire in terms of moving into new markets because nobody outside of Moonpig and Greetz in the UK and the Netherlands has created this concept of the online purchase of a physical card. So, the route to market there is organic because it's us doing the work that we've done in the UK and the Netherlands again in other territories. But we continue to look at the market, but as I say, with a very high bar.

Andrew Wade *Jefferies - Analyst*

Sorry, John, you were ahead of me there, but I'm nicking the mic. Hopefully, I don't ask your question.

I'm interested in your payback on your capex. You talk about an approximately two-year pretax cash payback. So, on 5% of revenue. So, if we think about that, you're doing GBP350 million of revenue, 5% is what GBP17.5 million, two-year payback, that's GBP8.5 million a year of benefit from ROI on projects that you're investing in broadly. And that compares to PBT of GBP60 million. So if you get an GBP8.5 million of benefit from payback on projects, plus the market is moving in your favour, perhaps some cyclical tailwind at some point. Is there a potential that we just massively overshoot 10% growth?

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

I think that's definitely one for you, Andy.

Andy MacKinnon *Moonpig Group - Chief Financial Officer*

Yeah. I mean look, when we talked about those paybacks, we're talking about the payback on the capex that we invest into the technology team.

Clearly, we've talked about our revenue growth drivers, and I think the important point is that delivery on tech investment is not on top of the delivery of each of those three drivers. It's actually how we deliver the improvement in AOV, frequency and to an extent actually customer acquisition.

I think as Georgie said, we're effectively at that pivot point of moving into technology-driven growth. I think we're comfortable with where we sit with our revenue guidance at the moment, and I wouldn't want to call out any acceleration beyond that.

John Stevenson *Peel Hunt - Analyst*

John Stevenson from Peel Hunt. Two questions any they're different, which is good.

Can you talk about the level of churn you see in the active customer base? I guess you get the year one drop-off and then people are inherently sticky.

And second question, just wondering about gift abandonment. So, for customers that are -- look interested in -- attaching, buy the card, but actually don't attach. And I guess you're not going to give me a number, but how is that improving over time? How are you getting better at stopping those gift abandons?

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

Yeah. So maybe, Kristof, if you can talk to what we're doing on retention and about some of the initiatives there. Yeah. And sorry, can you remind me the second question? I didn't get to write it down.

John Stevenson *Peel Hunt - Analyst*

Yeah, I don't think I put in a brilliant terminology. But I mean I guess, customers that abandon a potential gift purchase, I guess. So you buy a card, you are interested, they're clearly browsing gifts, but they actually don't attach. What's your abandon rate? And I'm assuming you're not going to tell me what it is, but how is that number improving? And how are you improving that number?

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

Yeah. And I think actually, Georgie can talk to that. So, a lot of the work we've done on personalised promotions is actually really helping on that front. That's probably the main initiative there.

So do you want to start with ...

Kristof Fahy *Moonpig Group - Chief Marketing Officer*

Yeah. I mean my job is to keep the customers we pay to get and we do that in a variety of ways, right? So obviously, we talked about it earlier, we have clear welcome journeys, which are becoming more and more personalised with the help of Georgie's team in terms of if you've come in through one channel, we might get you onto the app, we might put a free card in, might put a free gift. So that those personalised welcome journeys are increasingly more important to us to get you locked into the Moonpig or Greetz habit. So that's the first thing we do.

We obviously have a huge amount of reminders. We talked about 90 million working across Georgie's team as well in terms of putting that through the customer flow because that's another great reason to get you locked in. We also want to get you on the app because we see better retention and better lifetime value on the app as well.

So those are three of the key tools we put in place during your first customer journey to get you locked into the Moonpig or Greetz ecosystem. So that's really what we do to try and get you back and get you back quickly and get you into that Moonpig habit.

John Stevenson *Peel Hunt - Analyst*

Is there a number on churn we can talk to?

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

So, I mean the revenue churn after year two is essentially zero. And I think you can see that in the cohorts. And so essentially, the question is just how many customers don't come only by once and never come back. And I think that's actually where we don't share the number. It's probably slightly less than half. That's probably the ballpark there. But really for us, it's like if you can grow that number, it's great because we know if we do get them, we've basically got them forever.

Georgie?

Georgie Smallwood *Moonpig Group - Chief Product and Technology Officer*

Yeah, I can add a little bit. So, our personalised promos work is looking at exactly that. So exactly where at the point in the journey is best to put that promotion to make sure that we convert that customer into an order. And then also all the way down to the basket. So, for instance, if you go through the funnel and you only have a card in, then we can add a promo for a gift to increase that average order value and making sure that all those personalisation algorithms are giving you exactly what you didn't really know that you needed, maybe all the way through that journey. So, the likelihood that you abandon in the basket is actually quite low.

David Rimmer *Moonpig Group - General Manager*

I think the other example I would just give on that is we obviously have a huge amount of data, both from search terms and what people are clicking on. So, we can see in real time how people are shopping and what they're converting. The one example I would just say is in the baby category and the toys category, which was absolutely driven from the fact we could see an abandonment rate. We didn't have the right complementary cards in kids' brands or in baby products, and that was the area which is why when we talk about trusted brands, they are targeted trusted brands to complement that data. And that's exactly the reason that we ended up with a fantastic relationship with Early Learning Centre.

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

I think just that there is another point actually that one of the other strategies we've looked at is actually if a customer isn't attaching, we give them a promo they're still not attaching. Is there a chance to get them to attach something? And so actually, we tried at the checkout having a second mini cross-sell where you show much lower-priced items. And that's actually where we're going to be experimenting with gift cards when we bring them to the UK that actually maybe that's an opportunity just to put a GBP10 voucher for another brand in there, which is a low margin, but at least it's getting you to do something. So, we're trying to be creative about where, when and how we show different gifts and promotions.

Charlie Rothbarth *HSBC - Analyst*

Charlie from HSBC. Could you please comment on the disparities between yourselves and where your cards are sold versus the offline market? For example, my mother would probably send one card to me but would buy 40 Christmas cards. I'm just wondering where the disparity is for you versus, say, the offline market?

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

David, do you want to talk to that? I guess it's a difference in probably category mix and pricing.

David Rimmer *Moonpig Group - General Manager*

Yeah. I mean I think the difference really is when we're looking at the style of cards. So our big focus is on personalised cards and driving that. So, we look at the occasion and recipient combination, which we refer to as mission as the real focus of how we really drive cards. And I think there's an element of -- Nickyl mentioned it earlier, there are other places where you can get a cheaper card, but that's not really what we're driving because they don't have the benefits within that.

I think your point to Christmas is, again, a different proposition where you're buying often in bulk to send multiple cards. What we're doing is really trying to focus on the personalisation, the upsell and the features to offset that in other markets.

So, I think the whole point of the change from the online to offline is around what we're doing making the features so much better to drive that point, which is why maybe you said your mum buys one versus the other one -- the further ones in Christmas.

I think the only other thing I would say is when we talk about frequency, we also talk about how many times we are trying to get cards. So, we're doing a lot of work in terms of be it the promotions that we said through the journey to try and encourage you to buy more. There is a level of activity that we do with Plus, et cetera, so whilst we know that customers come for specific missions, we're doing a huge amount in some of the small missions. And Grandparents Day is a fantastic example where we've really embraced those sorts of things to try and get people to come and shop a wider range of cards with us. And certainly, that is our focus to make sure that we're communicating we're there for every occasion and not just a big birthday or whatever it might be.

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

Yeah. I think just for clarity, all of the market data that Kristof shared in terms of the card market, the growth that excludes what we call "box sets". So that's where you buy 10 or 20 or 30 cards in a box, that doesn't include it. So, all the data we look at is all about single send cards.

And so, I think there is a question of can we really tap into that Christmas market and you probably saw some of the capabilities in Moonpig for work could probably very naturally apply to that, but that will be a focus in the future.

Kristof Fahy *Moonpig Group - Chief Marketing Officer*

I think we're also trying to build the Moonpig brand to being a better card, right? So actually, for sender and recipient, it means more. And I think that's part of the move as well that we're trying to push.

Anubhav Malhotra *Panmure Liberum - Analyst*

It's Anubhav Malhotra from Panmure Liberum. I just had a couple of questions.

First one on, in the slide pack, you did say 37% of customers do buy online, but only 6% of the cards are sold online, individual cards. So, is there still a case that personalised cards are seen as something that is for a special occasion? And then is there a case for you to differentiate between -- on pricing between personalised cards and non-personalised cards on your website? That's the first one.

And second one is on attachment rate. Clearly, that's a focus of the group to drive attachment rates. Is that a metric that you would be disclosing now onwards in your financial report consistently?

And then just the last one, which is more a personal question. Can you get your tech to please tell the people buying cards that they're buying the same card that they bought last year because my wife gave me a lot of pain for that?

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

On that last question, our previous CTO had exactly the same issue. And so, reminders do you remind you of which card you bought the previous year. Yeah, it's not a common error, but it's more than non-zero. Yeah.

So, I think maybe, Kristof, do you want to talk to the customer trend and the, I guess, how we can capture more wallet share from those 37% people buying online? And then Andy, you can remind on the disclosures set?

Kristof Fahy *Moonpig Group - Chief Marketing Officer*

Yeah. I think that's our opportunity, right? So we've got 6%, but people are in the habit. And I think the whole point of what we've talked about today, better proposition, better products, "Moonpig is a better card" as well as we've got reminders and all these other services about driving that habit and getting people to come back to us more. So, I think all of those tools are in place.

And obviously, we have a huge amount of direct traffic as well, but obviously through our paid traffic, we are pushing that message out as well. So that's how I would talk about that.

Andy MacKinnon *Moonpig Group - Chief Financial Officer*

Yeah. And in terms of metrics, obviously, during today, what we set out is what we see as being the three key drivers of revenue growth from Moonpig and Greetz. We've said that we'll disclose against each of those. So, we are expanding our disclosure set to give active customers, orders per active customer and alongside that average order value. I think attach rate is one, but not the only driver of average order value. We're not planning to routinely report on attach rate. But I think as we have done in the past, it's something that we'll periodically update the market on the points that we think is appropriate.

Georgina Johanan *JPMorgan - Analyst*

It's Georgina from JPMorgan. Just three quick ones, please.

The first one, just around the double-digit revenue growth guidance for mid-term. Should we be thinking about you reaching that next year? Or is it more like a mid-term target that you'd expect to build to?

And second one, just in terms of marketing, I know that you don't share that as a consistent metric. But just given that we're here today, is there anything that you can share in terms of maybe how that's grown as a proportion of sales or anything over the period versus pre-pandemic?

And then finally, just all of the initiatives that you've talked about, about supporting growth. I thank you, it's all been super clear, but just to understand, like we can see that now starting, I think, to come through in the Moonpig brand, but it seems like Greetz has struggled a bit more to benefit from those initiatives. And it would just be good to understand a bit why Greetz is struggling a bit, I suppose. Thank you.

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

Sure. So, Andy, do you want to take the first? Kristof, you can take the marketing and I'll do the last.

Andy MacKinnon *Moonpig Group - Chief Financial Officer*

Yeah, sure. I mean, the double-digit growth is a medium-term target rather than something that we're saying that we will deliver on this year or next year. I mean, clearly, you can see in the trajectory of the businesses and the updates on current performance that we've provided in our most recent set of results that each of our businesses are in different stages.

I think the Moonpig brand is clearly at that level and is effectively your proof of concept that this is a business model that is capable of delivering double-digit growth.

Greetz is perhaps 18 months behind. Nickyl I think, is going to talk a little bit more about that in a second. But clearly, there's an improving trajectory in terms of the Group's business and moving in the right direction.

And then obviously, at Experiences, given, as we've talked about the fact that the gifting market is going backwards by 14%, whilst we're outperforming that, it's a tough headwind and it's in a slightly different place.

Kristof Fahy *Moonpig Group - Chief Marketing Officer*

Yeah. I mean we operate with a 12-month payback in terms of marketing budgets. So, when I have my yearly sessions with Nickyl about how much budget I can spend, he asked me how much I could do to give him a 12-month payback, and that's basically where we settle. So obviously, it's the better I do my job and the better I get customers back, potentially, the more I can spend.

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

Yeah, exactly. And I mean just historically, that marketing spend hasn't been wildly different. When it was easier to get customers during Covid, we did spend more. But I think on average, I think we worked to that payback model, and I think we don't see huge volatility going forward.

I think on Greetz, the real story in Greetz is it's not that it's worse, we think of it as behind. And so actually, the real power of the platform meant that, firstly, we had the platform at Moonpig during the pandemic, which is why actually Moonpig was able to hold on to so much of the uplift we saw during the extraordinary period, whereas Greetz didn't. The platform came about 18 months later on Greetz, and it takes time really to work. And I think a huge part of the growth that we see is not just the features you see in experiments, but it's actually the data starting to kick in, the collection of those reminders, the personalisation. And actually, all of the algorithms basically are seeded with fresh data when you re-platform and Greetz being smaller, it has much less data each day. So, it just takes longer to ramp up. And so, we've seen that trajectory improve. We've seen it go from minus 20% headwind to pretty much flat now. And so actually, I think we're hoping that actually in the not-too-distant future, you'll really start to see Greetz mimic Moonpig. The economy, the consumer in the Netherlands, from all we can understand is in a slightly worse position than the UK, so that's not helping. But really, the story here is just one of timing. And actually, we'd expect to see that follow through.

Any more questions?

Alison Lygo *Analyst – Deutsche Numis*

So, first and actually just following on from Georgina's question, so clear in terms of the pillars to getting towards that double-digit growth and not expecting to give different guidance for different businesses. But I just wonder, UK versus Netherlands is one of those buckets more of a focus in each, like should we think about UK being more of a customer and Greetz being more of a frequency or something like that?

And then yes, sorry, I forgot my second one. So go with that first and hopefully it'll come back to me.

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

Yeah. I think the answer is no. I think we see both -- they're very similar markets, similar customers and we've got almost close to identical platform just at different stages. And so we'd actually expect the mechanics and the structural growth that we deliver through the platform to follow a similar combination.

Alison Lygo *Analyst – Deutsche Numis*

Great. And the other one was on those that 2%, 3% active customer growth. Just wondering if there's anything you can share in terms of where you're looking at. Is there a demographic or type of customer or channel you're reaching for like where you're looking to acquire those customers?

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

Do you want to talk about our acquisition strategy?

Kristof Fahy *Moonpig Group - Chief Marketing Officer*

I mean, as you've seen from the data we shared today, we have a really broad base of customers. We're proud for everyone. So, there isn't one demographic. We're not relying on one demographic nor is there one that we're targeting. So, I think it's a general behaviour. We're moving across multiple demographics. And again, you can see from the data we're seeing potential growth in every single one of those age groups. So, I think it's about moving that, taking those barriers down, moving people online and increasing their frequency as well as new customer acquisition.

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

So, we're always trying new channels, and I think that's something that's really important. But I think what new is we're also trying new messages now. And so previously, we were always repeating the same message. We're convenient or we're personal, download the app. And I think now you're starting to see innovation come through. It gives us an opportunity to talk to different customers in different ways. So, there is an audience out there that may really be interested in our handwriting feature. There is an audience out there that may really be interested in our stickers feature or our photo feature. And I think that's where we're starting to be able to cut through to different audiences, but it's all through the marketing machine that Kristof runs.

Kristof Fahy *Moonpig Group - Chief Marketing Officer*

But I think also we can -- back to Nickyl's point, we can use -- there's many more channels we have in play now. So, we can use those channels to best effect. So, if we need to talk about handwriting, we may want to demonstrate that on YouTube, for example, versus mass reach like TV, where we may just mention it. So, we use those channels to the best effect.

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

Any other questions in the room?

Anubhav Malhotra *Panmure Liberum - Analyst*

Just on Moonpig at Work, which was quite exciting what you talked about there. Have you done any work on scoping out the scale of the opportunity there?

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

I mean, we've got some high-level numbers. I think as you look at it in multiple different ways. You can look at just how many small medium businesses are there are the 50 to 1,000 employees, and there a couple of million in the UK, they are a much bigger number globally.

Again, this is unlike birthday cards, if you're looking at client appreciation and employee appreciation, that's a global market. So, I think the size of the market is absolutely enormous. Corporate gifting, probably within your own companies, is a big market on its own.

So, I think we know the market is huge. I think the specific numbers are not something we spend a huge amount of time because we know it's big. But for us, really, it's about can we prove that product market fit. Can we show that actually we can get, we can find a customer profitably, and we know there are a lot of customers out there if we can make that happen.

I think we've got a few, have we got any from the online audience?

Company representative

Okay. So, a question from Will Tamworth from Artemis. "*With regards to gifting, to what extent are there operational challenges? So, for example, a gift arriving separately to the card or a gift arriving after the target date?*"

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

Yeah. Thanks, Will. David, do you want to talk to that how we're looking to manage those operational challenges?

David Rimmer Moonpig Group - General Manager

Yeah. I mean the point around cards arriving at different times to gifts, we have a pretty simple principle, which is the card is always delivered with the gift. So, when you attach, we always make sure that the two go in the same box. So, there are those different operational channels of customers expecting a card at any one point when they attach a gift. And we continue to evolve our packaging and our recipient experience to get around that. So, when we take flowers, for example, we are evolving even the packaging that goes in delivery so we can make sure that when Georgie talked about add-ons, when we add a vase or whatever it may be, we're also making sure that it all goes in one delivery. So, everything we do is about focusing to make sure that the customer gets the card and gift together as a fantastic present when they receive it.

Nickyl Raithatha Moonpig Group - Chief Executive Officer

Yeah. I think there is one exception, which is when you order two gifts, but such a tiny fraction of our customers actually do that, unless it's through bundling or add-ons, that we haven't put the resource on to solve that.

And I think the other question was on how we manage delivery. I think that's really about better communication with the customer. So, we're constantly trying to make sure we're helping the customer understand when it will arrive.

And we're no longer -- we're not -- in a world where we are promising that a first-class stamp will guarantee delivery tomorrow because it doesn't anymore. We don't see that changing anytime soon. So, I think really, it's about encouraging customers to order earlier, being really clear on what different postal options will give you. And I think something that is really interesting is actually we're looking at can we offer a Moonpig tracked service that actually allows you to send a card next day guaranteed. And that's something we're exploring with Royal Mail, but something that will be potentially exclusive to us, but could be a really interesting option for a premium, but something that can give the customer the clarity they want.

Company representative

Okay. Next question from Benji Dawes from Premier Miton. *"How do you think about pricing in the long term, principally for cards, but also for the key gifting channels? And how might your approach be adapted if a credible competitor was able to offer similarly efficient online experience at a material discount?"*

Nickyl Raithatha Moonpig Group - Chief Executive Officer

Yeah. So, I'll let David take the pricing question. And yes, and then maybe, Georgie can take the second question because, really, I think the price is not the competitive factor here, it's data. And so, I'll let Georgie touch on that.

David Rimmer Moonpig Group - General Manager

Yeah, sure. I mean when we think about pricing primarily in cards, I think Nickyl mentioned it earlier, we have done an enormous amount of price testing over a sustained period now. And what we see every time is that it has no material -- literally zero effect on any conversion rate that we see in customers, both up and down. So, and that's after numerous amounts of A/B testing on different standard card pricing.

What we do look on pricing is promotional activity. And the way in which we use that is very much around the data which Georgie will talk to but making sure we use price to drive long-term good behaviours. Whether that is via the app, whether that is through use of reminders, et cetera. So, we look at pricing not from a standard flat price on retail, but more about how we can encourage people to do long-term behaviours that are good. And we use promotions tactically in that way. And of course, algorithms are a big part of how we use that and understand customers as well.

Georgie Smallwood *Moonpig Group - Chief Product and Technology Officer*

Yeah. So, I mean, look, we have hundreds of millions of data points a year that we collect. And unlike a lot of online verticals, we're not only taking data points that are demographics or what you're buying, but we're also having the reminders, we know who you're buying for, we know why you're buying for them. We know where they live. We know what you bought them last year. And all of that information is feeding into our algorithms on a daily basis. So, they keep getting better and better. And as the market leader, we have so many more data points than anyone else. It just continually contributes to our competitive advantage.

So, it would be very, very difficult for a competitor just to lower the price and compete with us because we just have so much more data than anyone else in the market, and we just know our customers so much better, that the offer that we can give and the personalised experience is just at completely different level.

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

Yeah. And I think there's a few proof points here. I think one is that the largest card brand, offline business in the UK has an online offering that is a disruptive pricing compared to ours and isn't able to get traction. And I think that's a proof point that really, it's the data moat that we've created, which is driving it.

And then to answer the pricing question probably directly, if you think about the guidance, we have double-digit growth and the AOV within that, that does not rely on card price increases. I think that's something that is one of many factors that some of this happens. We know postage prices can change, delivery prices can change, but we don't have a reliance on higher card prices to hit that double-digit growth.

Company representative

There's a question here from Neil Shah from the London Stock Exchange Group. "*So, what's the environmental footprint of a printed card in comparison to an electronic card? And do you see electronic cards making a comeback?*"

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

I never knew they were a thing. So no, we don't, is the answer on ecards. I think we see no evidence whatsoever that certainly in the UK and the Netherlands, there is demand or appeal for electronic cards. If it's created, it will be us creating it because we're able to make the card so special and put the gift inside the card. And actually, we know that in the US, that does have more traction. But we haven't seen any real evidence of that.

In terms of the environmental footprint, and Andy, do you want to talk on that?

Andy MacKinnon *Moonpig Group - Chief Financial Officer*

I mean, obviously, to the extent that a physical card is being delivered, then there is a greater carbon footprint and that's Scope 3 within the value chain as opposed within our organisation. What I would say is that in common with most listed businesses, we've got very clear net zero commitments and a strong operational focus on making sure that we engage with our suppliers to reduce not just our internal carbon footprint, but also our Scope 3 emissions over time.

Nickyl Raithatha *Moonpig Group - Chief Executive Officer*

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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