

Chief Executive Officer's review



We delivered a return to revenue growth, underpinned by acceleration in technology innovation.



Overview

FY24 has been a period of strong financial and strategic delivery, with activity focused in the following key areas:

- Innovation on our unified technology platform, which drove a strengthening in revenue growth to 6.6% in the second half of the year. Our product, data and technology teams have significantly increased the velocity of delivery for customer-facing growth initiatives. These include Moonpig Plus and Greetz Plus subscriptions, card creativity features (such as audio and video messages, group cards, digital delivery of gift experiences) and AI technologies that leverage data on previous customer purchase behaviour to enhance gifting recommendation algorithms.
- Continued execution of the transformation project at Experiences, including phased migration to a new technology platform and the launch of a new visual identity for both brands to support differentiated market positioning.
- Developing our pipeline of initiatives intended to drive medium-term growth, including marketing investment in Ireland, targeted testing to identify profitable ways to scale customer acquisition in Australia and the US, and testing of our prototype Moonpig for Work solution for SME business to employee gifting.

Moonpig Group has maintained its investment in technology, marketing and operations through the economic cycle due to the resilience, profitability and cash generation of our business:

- Our focus on customer lifetime value equips us with resilience in more challenging conditions. Our approach at Moonpig and Greetz is focused on acquiring loyal customer cohorts that drive recurring revenue and 89% of revenue at these brands was generated from existing customers (FY23: 89%). The long-term “sticky” nature of these customer cohorts is supported by our data and technology platform, which allows us to personalise the user experience. More generally, the greeting cards market has a long track record of recession-resilience.
- Adjusted EBITDA margin rate increased to 28.0% (FY23: 26.3%) through a combination of gross margin rate improvement and disciplined control of indirect costs. Our low-inventory strategy means that profit margins are not exposed to significant stock-related risks.
- Our business is highly cash generative. We improved the ratio of net debt to Adjusted EBITDA to 1.31x at 30 April 2024, from 1.99x at 30 April 2023.

Leveraging data and technology

Last year, we completed a multi-year project to unite Moonpig and Greetz onto a single technology platform. This freed most of our technology teams to focus on innovation and experimentation, driving an acceleration of the pace at which we deploy new features.

We have further enhanced our use of AI to personalise customer experience:

- Significant upgrade to our algorithms by incorporating individual customer level data into our gift recommendation engine, unlocking the ability to show different price ranges to different customer cohorts.
- Introduced personalisation elements into all parts of the journey, including homepage banners and promotions unique to the individual customer.
- Enhanced the capabilities of our AI-powered Customer Service chatbot, driving a significant reduction in the number of customer contacts being handled by agents.
- Launched AI semantic search capability, using large language models to better understand and interpret customer search terms, which will drive increasingly more relevant search results over time.

We are leveraging technology to drive higher customer lifetime value:

- Moonpig Plus subscriptions passed the milestone of half a million members, with continued strong sign-up rates and promising renewal rates for the first cohort who joined in June 2023.
- Greetz Plus launched in January 2024 and is following a similar encouraging trajectory to the UK.
- Our creativity features were used over 10 million times, allowing customers to add video and audio messages, "sticker" images, digital gift vouchers and AI-driven customised messages to greeting cards.

We are building deeper network effects:

- We have deployed features that enable online interaction with recipients (such as video messages and digital gifts) and message contributors (group cards), increasing the potential to convert them into new customers.
- Moonpig for Work is live in beta version for several customers ahead of planned launch in FY25. This solution is initially targeted at SME business-to-employee card giving and gifting around events such as birthdays, work anniversaries and Christmas.

We are investing in technology at Experiences, and upgrading how we cross-sell gift experiences to Moonpig customers:

- We have launched same-day gifting capability on Moonpig by combining e-cards with digital gift experiences, with encouraging early traction across peak event days so far.
- Technology re-platforming of the Red Letter Days and Buyagift websites continues at pace with a full rebuild of the front end now complete.
- We completed an integration with a premium dining partner unlocking access to restaurants in London such as Harvey Nichols, Benihana, Colonel Saab, Corrigan's Mayfair and Harrods.

Building our brands

Our strategy remains focused on delivering revenue growth through our existing customer base and we grew Moonpig and Greetz revenue from existing customers by 5.9% to £261.3m (FY23: £246.8m). Our key areas of focus remain:

- Continuously improving how we leverage our database of 90 million customer occasion reminders (April 2023: 84 million) to communicate with customers. Reminders represent a powerful ecosystem, enabling us to engage with customers at moments of high card-giving intent, and drive a significant proportion of Moonpig and Greetz revenue.
- Encouraging customer sign-up to Moonpig Plus and Greetz Plus, as well as migrating Greetz customers to the app that we launched in FY23. Greetz app penetration increased during the year to 33% (April 2023: 22%).
- Raising customer awareness of differentiated card creativity options that we believe will drive customer loyalty and increase lifetime value. By showcasing innovative features such as video and audio messages, we emphasise that our offering is superior to the online and offline competition. This message is delivered through our website real estate, social media and video on demand. Initiatives include the "With Greetz you give more than a card" campaign in the Netherlands and new creative advertising copy for Moonpig, which we plan to launch across all channels including TV in the UK in FY25.

We were pleased that revenue from newly acquired customers moved back into year-on-year growth at Moonpig in H2 FY24, whilst the behaviour of cohorts acquired in the past year remained consistent with historical cohorts. Our brands are powerful assets, built over several decades, with high levels of consumer awareness and a strong association with convenience, service and range. Across FY24 we have maintained significant investment in marketing in the UK and the Netherlands, in line with prior year levels. We continue to acquire loyal customer cohorts that deliver lifetime value rather than pursuing short-term, transactional revenue.

We want to build a pipeline of early-stage revenue expansion initiatives and have increased our activity in new geographical markets. Revenue from Moonpig websites in Ireland, Australia and the US grew by 34.3% to £8.7 million (FY23: £6.5 million). We successfully increased new customer acquisition in Ireland and are conducting tests to identify scalable marketing strategies in Australia and the US. Additionally, we are enhancing the customer proposition by introducing localised card design ranges, expanding the gifting range (through physical gifts in Ireland and Australia and retail gift vouchers in the US) and building partnerships with local gifting providers. Where we gain confidence in customer lifetime value in any of these markets, we would look to further scale our marketing investment.

At Experiences, we have continued the process of differentiating the Red Letter Days and Buyagift brands, so that the former emphasises iconic experiences and a more curated range, whilst the latter is more value-led. A new, fresh visual identity has been rolled-out at each brand. We have also increased marketing investment during the key pre-Christmas trading period, supplementing the optimisation of performance marketing with new brand marketing activity focused around online video and social media to build awareness and purchase consideration.

Chief Executive Officer's review continued

Evolving our range

Our customers love well-known brands that provide reassurance that the gift will delight the recipient. As part of our ongoing programme to onboard "trusted brands" at Moonpig, we expanded our partnership with Virgin Wines to cover personalised still and sparkling wine and launched Hotel Chocolat in February 2024, which instantly became one of our most popular gifting options. Similarly, at Greetz we are likewise strengthening our roster of trusted brands, for instance through the recent launch of Lindt chocolate.

We have established a unified global team responsible for all designs on greeting cards and personalised gifts. This team continues to negotiate with global licensors to bring internationally recognised properties to Greetz that already feature on Moonpig. Given the popularity of "sticker" images that customers can use to personalise the inside of greeting cards on Moonpig and Greetz, we have also expanded our range of sticker designs to include images from franchises such as Disney Princess, Marvel, Star Wars and Harry Potter.

In FY24, our Experiences division onboarded "hero" brands such as Champneys Health Spa and W Hotels. With Moonpig scaling sales of gift experiences as both physically printed codes in cards and instantly delivered digital attachments to e-cards, we are now focused on expanding our range of mid-priced experiences in categories such as casual dining that resonate well with Moonpig customers.

In the current trading environment, we have also focused on operational process efficiency and the delivery of improvements in gross margin. We delivered an increase in Group gross margin rate to 59.4% (FY23: 56.1%), the reduction in inventories to £7.1m (April 2023: £12.3m) and an extension in the Greetz cut-off time for same-day dispatch to 11pm for all cards, gifts and flowers.

Maintaining high ethical, environmental and sustainability standards

We continue to execute against our sustainability strategy, which commits the Group to eight long-term goals focused on the environment, its people and its communities. In particular, the Group has made strong progress against its target to obtain commitments from suppliers to set net zero emissions reduction targets aligned with SBTi criteria, representing 67% of Scope 3 emissions by 30 April 2030. At the end of the financial year, the Group had obtained supplier commitments covering 19.3% of Scope 3 emissions, compared to 9.7% at 30 April 2023.

A key area of focus remains customer net promoter score, which has been impacted by the delivery performance of postal service providers in the UK and the Netherlands. To address this, we have implemented a clear strategy focused on:

- Encouraging earlier ordering and delivery, including sending the first reminder message to customers 14 days before each occasion.
- Improving how we communicate estimated delivery dates. Our new "date first" user experience flows at the checkout on our website and apps clearly inform customers about the possibility of scheduling their orders for cards and gifts in advance.
- Providing more options for tracked delivery. We have collaborated with Royal Mail to introduce a tracked delivery service at an attractive consumer price. This service, available during peak demand periods such as Christmas, Valentine's Day, and Mother's Day, allows customers to send greeting cards even after the cut-off for first-class letter post.
- Expanding our digital offering to include e-cards with same-date digital delivery of a gift experience, leveraging the range of Red Letter Days and Buyagift.

We are passionate about diversity in the technology sector. As at 30 April 2024, the combined representation of women and ethnic minorities on our extended leadership team stands at 49% (April 2023: 52%). Female representation at this level is 41%, exceeding the 40% target set by the FTSE Women Leaders Review Target. We were proud to be ranked 32nd in the FTSE 250 for women on boards and in leadership by the FTSE Women Leaders Review 2023.

Nickyl Raithatha

Chief Executive Officer
26 June 2024