Chief Financial Officer's review

We have delivered a return to revenue growth, increased profitability and strong cash generation.

Overview

The Group delivered consolidated revenue growth at 6.6% in FY24, underpinned by revenue at the Moonpig brand, which grew year-on-year at 8.2% and by the consolidation of a full year of trading at Experiences.

Alongside positive and strengthening Group revenue growth, we have continued to focus on profitability, raising Adjusted EBIT margin rate to 22.9% (FY23: 21.6%) 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.

The Group has amended its definition of Adjusting Items such that amortisation of intangible assets arising on business combinations (acquisition amortisation) is now treated as an Adjusting Item.

The change has been made in response to investor feedback that it would bring the Group's approach into closer alignment with majority market practice and result in the reporting of Alternative Performance Measures that are more readily comparable with those of other listed businesses. As a result, current year and prior year Adjusted EBIT, Adjusted profit before taxation and Adjusted EPS are stated excluding acquisition amortisation of £8.3m (FY23: £7.5m).

The Group remains strongly cash generative, with operating cash inflows of £74.2m in FY24, compared to £56.2m in FY23. Net debt to Adjusted EBITDA decreased from 1.99x at 30 April 2023 to 1.31x at 30 April 2024. In February 2024, the Group agreed a new four-year, committed, multi-currency revolving credit facility ("RCF") of £180m with a syndicate of banks. The Group's previous £175m term loan and £80m revolving credit facilities have been fully repaid and cancelled. The RCF is fully available for general corporate purposes.

Financial performance – Group

	Year ended 30 April 2024	Year ended 30 April 2023	Year-on-year growth %
Revenue (£m)	**341.1**	320.1	6.6%
Gross profit (£m)	**202.5**	179.7	12.7%
Gross margin (%)	**59.4%**	56.1%	3.3%pts
Adjusted EBITDA (£m)[1]	**95.5**	84.2	13.5%
Adjusted EBITDA margin (%)[1]	**28.0%**	26.3%	1.7%pts
Adjusted EBIT (£)[2]	**78.1**	69.0	13.2%
Adjusted EBIT margin (%)[2]	**22.9%**	21.6%	1.3%pts
Reported profit before taxation (£m)	**46.4**	34.9	32.9%
Adjusted profit before taxation (£m)[2]	**58.2**	55.4	5.0%
Earnings per share – basic (pence)	**10.0**	7.8	28.2%
Earnings per share – diluted (pence)	**9.6**	7.7	24.7%
Net debt (£m)[3]	**(125.1)**	(167.7)	25.4%

1 Before Adjusting Items of £3.5m in FY24 and £13.1m in FY23. See Adjusting Items at Note 6 and definition of Alternative Performance Measures at page 174.

2 Before Adjusting Items of £11.8m in FY24 and £20.6m in FY23. The Group has amended its definition of Adjusting Items such that £8.3m of acquisition amortisation (FY23: £7.5m) is treated as an Adjusting Item in both the current year and prior year. See Adjusting Items at Note 6 and definition of Alternative Performance Measures at page 174.

3 Net debt is defined as total borrowings, inclusive of lease liabilities, less cash and cash equivalents.

The Group delivered revenue of £341.1m in FY24, representing year-on-year growth of 6.6% on a consolidated basis. This reflects the inclusion of a full year of Experiences revenue in FY24, which would have contributed an additional £6.3m of prior year revenue if owned throughout FY23. Pro forma revenue growth was 4.5%, underpinned by the Moonpig brand.

Gross margin rate strengthened by 3.3%pts year-on-year reflecting the benefits from insourcing fulfilment in the UK, the full year impact of changes to card prices and shipping prices for gifts and the mix impact of a full year of trading at Experiences. Combined with continued disciplined control of indirect costs, this enabled the Group to deliver increases in Adjusted EBITDA margin to 28.0% (FY23: 26.3%) and Adjusted EBIT margin to 22.9% (FY23: 21.6%).

FY24 revenue and Adjusted EBIT include a mid-single-digit millions uplift from temporarily higher breakage on gift boxes (primarily distributed through high street retail partners) and individual experience vouchers that were sold during Covid with extended expiry dates. As these extended expiry dates have now passed, this benefit is not expected to recur in future years.

Reported profit before taxation increased by 32.9% to £46.4m (FY23: £34.9m), as a lower charge for Adjusting Items was offset in part by higher depreciation and amortisation and higher finance costs. Net finance costs increased from £13.6m in FY23 to £19.9m in FY24, primarily reflecting higher SONIA charges on the unhedged element of borrowings, the accelerated amortisation of loan arrangement fees arising on refinancing and the imputation of interest on the Experiences merchant liability balance. Adjusted profit before taxation increased year-on-year by 5.0% to £58.2m. Adjusting Items were lower in FY24 as there were no M&A transaction fees and the cost of only the final tranche of the pre-IPO award which vested on 30 April 2024.

Net debt is a non-GAAP measure and is defined as total borrowings, inclusive of lease liabilities, less cash and cash equivalents. Group net debt as at 30 April 2024 was £125.1m (30 April 2023: £167.7m), resulting in a ratio of net debt to Adjusted EBITDA of 1.31x (30 April 2023: 1.99x). Net debt excluding lease liabilities was £108.8m (30 April 2023: £148.1m).

Revenue

	Year ended 30 April 2024	Year ended 30 April 2023	Year-on-year growth %
Moonpig and Greetz orders (m)	**33.9**	33.8	0.1%
Moonpig and Greetz average order value (£ per order)	**8.6**	8.2	5.1%
Moonpig and Greetz revenue (£m)	**292.5**	278.5	5.0%
Moonpig revenue (£m)	**241.3**	223.1	8.2%
Greetz revenue (£m)	**51.2**	55.4	(7.5%)
Moonpig and Greetz revenue (£m)	**292.5**	278.5	5.0%
Experiences revenue (£m)	**48.6**	41.6	16.8%
Group revenue (£m)	**341.1**	320.1	6.6%

Chief Financial Officer's review continued

Moonpig and Greetz orders were flat year-on-year for full year FY24. However, there has been a positive trend in performance, with new technology features delivering volume growth in the second half of the year. Orders decreased by 14.9% in full year FY23, decreased by 5.1% in H1 FY24 and increased by 5.2% in H2 FY24. The key driver of orders growth in H2 FY24 was the strong performance of existing customer cohorts at Moonpig, reflecting initiatives including Moonpig Plus subscriptions. New customer orders at Moonpig decreased year-on-year but with an improving trajectory, reaching flat year-on-year in the final quarter. Greetz order performance also improved although the exit run-rate was not yet in growth.

Average order value at Moonpig and Greetz increased by 5.1% year-on-year, reflecting the full annual impact of card price increases implemented at the end of H1 FY23, stamp price increases and subscription membership fee income.

This was reflected in the strengthening of Moonpig revenue, which increased by 8.2% across the full year and 11.0% in H2 FY24, underpinned by orders growth in the second half. However this includes annualisation against prior year disruption from industrial action at Royal Mail, excluding which, growth would have been at a high single digit rate.

The revenue trajectory at Greetz has continued to improve with year-on-year revenue declines abating to 5.3% in H2 FY24 from 9.8% in H1 FY24 and 20.4% in FY23. This reflects organisational changes that have enabled Greetz to better leverage Group capabilities, the roll-out of new technology features such as audio and video messaging for Dutch customers, a sharper brand marketing focus on the differentiated features of Greetz cards and encouraging customer adoption of functionality that drive lifetime value such as Greetz Plus subscription membership and the Greetz app. Trading across the last two years has been impacted by the migration of Greetz onto our unified technology platform, which features a clearly card-first online customer journey and has therefore led to the foregoing of standalone gifting revenue, which is not core to our strategy; however, the resulting card-first business is now positioned for growth in FY25.

Trading at Red Letter Days and Buyagift has been resilient, in the context of its higher average selling price and the more discretionary nature of its gifting offering. We continue to make good progress with strategic delivery, including the technology re-platforming of Red Letter Days and Buyagift and launch of same-day gifting on Moonpig by combining e-cards with digital gift experiences. Experiences revenue totalled £48.6m, which represents an increase of 1.5% relative to full-year revenue for FY23 of £47.9m (stated pro forma to include the period prior to acquisition). Pro forma revenue would have decreased year-on-year if not for the mid-single-digit million upside from temporarily higher breakage on gift boxes and vouchers that were sold during Covid with extended expiry dates; these expiry dates have now passed, so this benefit is not expected to recur in future years.

Breakage is revenue earned in respect of vouchers that expire without being redeemed. When a voucher is purchased, the expected value of future amounts that will become payable to merchant providers is recorded within trade and other payables on the consolidated balance sheet. The Group considers historical redemption rates when estimating future payments to merchant providers and estimates are trued up for actual customer redemption rates. For cohorts of vouchers where non-redemption exceeds the expected rate, the Group recognises revenue from the additional unredeemed vouchers and derecognises the accrued merchant payable once its legal obligations to the merchants expire.

Gifting mix of revenue

	Year ended 30 April 2024	Year ended 30 April 2023	Year-on-year growth %
Moonpig and Greetz cards revenue (£m)	**172.0**	157.7	9.1%
Moonpig and Greetz attached gifting revenue (£m)	**110.8**	109.4	1.3%
Moonpig and Greetz standalone gifting revenue (£m)	**9.7**	11.4	(14.8)%
Moonpig and Greetz revenue (£m)	**292.5**	278.5	5.0%
Experiences gifting revenue (£m)	**48.6**	41.6	16.8%
Group revenue (£m)	**341.1**	320.1	6.6%
Moonpig/Greetz total gifting revenue (£m)	**120.5**	120.8	(0.2)%
Moonpig/Greetz gifting revenue mix (%)	**41.2%**	43.4%	(2.2)%pts
Group gifting mix of revenue (%)	**49.6%**	50.7%	(1.1)%pts

Gifting mix of revenue remained broadly flat at 49.6% (FY23: 50.7%), reflecting a full year of consolidated revenue at Experiences. Excluding the Experiences segment, gifting revenue mix decreased from 43.4% in FY23 to 41.2% in FY24. This primarily reflected the full year impact of greeting card price increases implemented during the prior year. Gift attachment rate was stable notwithstanding the more challenging market environment for gifting. Standalone gifting revenue decreased by 14.8% year-on-year, however this is not an area of focus as our strategy at Moonpig and Greetz is to drive growth in cards and attached gifting.

Gross margin rate

	Year ended 30 April 2024	Year ended 30 April 2023	Year-on-year growth %
Moonpig gross margin (%)	55.2%	51.8%	3.4%pts
Greetz gross margin (%)	47.1%	46.8%	0.3%pts
Moonpig and Greetz gross margin (%)	53.8%	50.8%	3.0%pts
Experiences gross margin (%)	92.9%	92.0%	0.9%pts
Group gross margin (%)	59.4%	56.1%	3.3%pts

Management has maintained its focus on margin rate improvement, increasing the Group's gross margin rate to 59.4% (FY23: 56.1%). This primarily reflects a 3.4%pts year-on-year improvement in gross margin rate at Moonpig, which was driven by operational efficiencies in the UK delivered in the year after opening new operational facilities, and the full year impact of FY23 greeting card price increases.

Experiences gross margin rate remained relatively consistent year-on-year at 92.9% (FY23: 92.0%). The relatively high gross margin rate at Experiences reflects the nature of revenue recognised at this segment, which comprises agency commission earned from partners for the distribution of experiences, rather than gross transaction value. Cost of goods at the Experiences segment relates primarily to packaging and distribution for those orders where the consumer elects to pay for a physical gift box rather than digital delivery.

Adjusted EBITDA margin

	Year ended 30 April 2024	Year ended 30 April 2023	Year-on-year growth %
Moonpig Adjusted EBITDA margin (%)	30.1%	26.8%	3.3%pts
Greetz Adjusted EBITDA margin (%)	15.3%	20.3%	(5.0)%pts
Moonpig and Greetz Adjusted EBITDA margin (%)	27.5%	25.5%	2.0%pts
Experiences Adjusted EBITDA margin (%)	30.9%	31.4%	(0.5)%pts
Group Adjusted EBITDA margin (%)	28.0%	26.3%	1.7%pts

Adjusted EBITDA margin rate at Moonpig increased by 3.3%pts, reflecting pass-through of the higher gross margin rate. The reduction in Adjusted EBITDA margin rate at Greetz reflects the operational leverage impact of lower revenue. Across both businesses, we have applied disciplined management of indirect costs.

Adjusted EBITDA margin at Experiences was 30.9%, which is comparable to a pro forma Adjusted EBITDA margin rate of 29.2% for FY23 (stated as though the business had been owned throughout the year). The reported prior year Adjusted EBITDA margin rate of 31.4% relates to only part of the year and is therefore impacted by the seasonality of trading, which is typically lower in the pre-acquisition months that were excluded from consolidation.

Adjusted EBIT margin

	Year ended 30 April 2024	Year ended 30 April 2023	Year-on-year growth %
Moonpig Adjusted EBIT margin (%)	24.1%	21.5%	2.6%pts
Greetz Adjusted EBIT margin (%)	11.6%	16.6%	(5.0)%pts
Moonpig and Greetz Adjusted EBIT margin (%)	21.9%	20.6%	1.3%pts
Experiences Adjusted EBIT margin (%)%	28.7%	28.3%	0.4%pts
Adjusted EBIT margin (%)	22.9%	21.6%	1.3%pts

Adjusted EBIT increased year-on-year by 13.2% to £78.1m reflecting revenue growth and the pass through of higher gross margin rates. Adjusted EBIT margin rate increased year-on-year by 1.3%pts to 22.9%, whereas Adjusted EBITDA margin rate increased by 1.7%pts to 28.0%. This reflects an increase in depreciation and amortisation (excluding acquisition amortisation) from £15.2m in FY23 to £17.4m in FY24, resulting from additional investment in operational facilities and technology development. There has been no change in the Group's accounting policies or practices relating to the capitalisation of costs as internally generated intangible assets. We continue to amortise internally generated intangible assets over a relatively short useful life of three years.

Chief Financial Officer's review continued

Profit before taxation

	Year ended 30 April 2024	Year ended 30 April 2023	Year-on-year growth %
Adjusted EBIT (£m)[1]	**78.1**	69.0	13.2%
Net finance costs (£m)	**(19.9)**	(13.6)	(46.7)%
Adjusted profit before taxation (£m)	**58.2**	55.4	5.0%
Adjusting Items (£m)	**(11.8)**	(20.6)	42.6%
Reported profit before taxation (£m)	**46.4**	34.9	32.9%

1 Adjusted EBIT for both FY24 and FY23 excludes acquisition amortisation following a change in the definition of Adjusting Items. The impact of this change on Adjusted EBIT is set out in the Alternative Performance Measures section at page 174.

Reported profit before taxation increased by 32.9% to £46.4m (FY23: £34.9m), as stronger operating profit and a lower charge for Adjusting Items were only partially offset by higher net finance costs.

Net finance costs increased from £13.6m in FY23 to £19.9m in FY24:

- Interest on bank borrowings increased from £11.6m in FY23 to £12.3m in FY24. The impact of a higher reference rate on the unhedged element of the Group's interest rate exposure was offset in part by lower draw-down of the Group's revolving credit facilities.
- Amortisation of fees increased from £2.0m in FY23 to £5.0m in FY24, reflecting a non-cash interest charge of £3.1m in FY24 for the accelerated amortisation of loan arrangement fees arising on refinancing (which would otherwise have been recognised in FY25 and FY26).
- There was an additional £1.6m relating to imputation of interest on the Experiences merchant liability balance, which we treat as a financial liability and discount to present value in accordance with IFRS 9.
- Interest on lease liabilities remained unchanged year-on-year at £0.9m.
- There was a £1.3m year-on-year movement in the monetary foreign exchange impact of Euro-denominated intercompany loan balances. The Group recognised a £0.4m loss (FY23: £0.9m gain), with the corresponding intercompany gain recognised in other comprehensive income in accordance with IAS 21.

Adjusted profit before taxation increased year-on-year by 5.0% to £58.2m. Adjusting Items were lower in FY24 as there were no M&A transaction fees and the cost of the pre-IPO award related only to the final tranche following vesting of the first tranche in June 2023.

Taxation

The taxation charge of £12.2m (FY23: £8.3m) represents an effective taxation rate of 26.4% (FY23: 23.8%). This exceeded the prevailing rates of corporation tax of 25.0% in the UK and 25.8% in the Netherlands primarily because of the impact of the Group's share schemes. Expressed as a percentage of Adjusted profit before taxation, the effective tax rate was 25.1% (FY23: 19.9%).

Earnings Per Share ("EPS")

Basic EPS for FY24 was 10.0p (FY23: 7.8p) and Adjusted Basic EPS, which is stated before Adjusting Items was 12.7p (FY23: 13.1p). After accounting for the effect of employee share arrangements, diluted earnings per share was 9.6p (FY23: 7.7p).

The calculation of basic EPS is based on the weighted average number of ordinary shares outstanding during FY24 of 343,093,868 (FY23: 340,061,402), which includes the issue of 1,198,394 shares to employees following vesting of the first tranche of the pre-IPO award and in relation to the DSBP where shares have been awarded to good leavers.

Throughout FY23, total issued share capital was 342,111,621, however 3,075,329 shares issued to employees prior to the IPO remained subject to recall within a two-year period if employment conditions were not met. These shares were excluded from the relevant portion of FY23 in accordance with paragraph 24 of IAS 33 on the basis that they were contingently returnable. The employment condition fell away in January 2023 therefore these shares are included in the number of ordinary shares outstanding throughout FY24.

Alternative Performance Measures

The Group has identified certain Alternative Performance Measures ("APMs") that it believes provide additional useful information on the performance of the Group. These APMs are not defined within IFRS and are not intended to substitute or be considered as superior to IFRS measures. Furthermore, these APMs may not necessarily be comparable to similarly titled measures used by other companies. The Group's Directors and management use these APMs in conjunction with IFRS measures when budgeting, planning and reviewing business performance. Executive management bonus targets for FY25 include an Adjusted EBIT measure (FY24: Adjusted EBITDA) and long-term incentive plans include an Adjusted Basic Pre-Tax Earnings Per Share ("EPS") measure.

	Year ended 30 April 2024			Year ended 30 April 2023		
	Adjusted Measures[1]	Adjusting Items[1]	IFRS Measures	Adjusted Measures[1,2]	Adjusting Items[1,2]	IFRS Measures
EBITDA (£m)	**95.5**	**(3.5)**	**92.0**	84.2	(13.1)	71.1
Depreciation and amortisation (£m)	**(17.4)**	**(8.3)**	**(25.7)**	(15.2)	(7.5)	(22.7)
EBIT (£m)	**78.1**	**(11.8)**	**66.3**	69.0	(20.6)	48.5
Finance costs (£m)	**(19.9)**	**–**	**(19.9)**	(13.6)	–	(13.6)
Profit before taxation (£m)	**58.2**	**(11.8)**	**46.4**	55.4	(20.6)	34.9
Taxation (£m)	**(14.6)**	**2.4**	**(12.2)**	(11.0)	2.7	(8.3)
Profit after taxation (£m)	**43.6**	**(9.4)**	**34.2**	44.4	(17.9)	26.6
Basic earnings per share (pence)	**12.7p**	**(2.7)p**	**10.0p**	13.1p	(5.3)p	7.8p
EBITDA margin (%)	**28.0%**	**–**	**27.0%**	26.3%	–	22.2%
EBIT margin (%)	**22.9%**	**–**	**19.5%**	21.6%	–	15.2%
PBT margin (%)	**17.1%**	**–**	**13.6%**	17.3%	–	10.9%

1 See Adjusting Items at Note 6 and Alternative Performance Measures at page 174.

2 The Group has amended its definition of Adjusting Items, which now include acquisition amortisation in both the current and prior year.

Note: figures in this table are individually rounded to the nearest £0.1m. As a result, there may be minor discrepancies in the subtotals and totals due to rounding differences.

The definitions for the adjusted measures in the table are as follows:

- Adjusted profit after taxation is profit after taxation and before Adjusting Items.
- Adjusted profit before taxation is profit before taxation and Adjusting Items. Adjusted PBT margin is Adjusted profit before taxation divided by total revenue.
- Adjusted EBIT is profit before taxation, interest and Adjusting Items. Adjusted EBIT margin is Adjusted EBIT divided by total revenue.
- Adjusted EBITDA is profit before taxation, interest, depreciation, amortisation and Adjusting Items. Adjusted EBITDA margin is Adjusted EBITDA divided by total revenue.

	Year ended 30 April 2024	Year ended 30 April 2023	Year-on-year movement
Pre-IPO share-based payment charges (£m)	**(1.1)**	(5.4)	4.3
Pre-IPO bonus awards (£m)	**(2.4)**	(3.3)	0.9
M&A related transaction costs (£m)	**–**	(4.4)	4.4
Acquisition amortisation (£m)	**(8.3)**	(7.5)	(0.8)
Adjusting Items (£m)	**(11.8)**	(20.6)	8.8

Adjusting Items comprise:

- Pre-IPO incentive scheme costs, consisting of £1.1m (FY23: £5.4m) share-based payment charges and £2.4m (FY23: £3.3m) cash bonus awards. These relate to one-off compensation arrangements, which have now fully vested, granted prior to IPO and set out in the Prospectus. The Group treats these costs as Adjusting Items as they relate to one-off awards implemented whilst the Group was under private equity ownership and are not part of the Group's ongoing remuneration arrangements.
- M&A-related transaction costs of £nil (FY23: £4.4m). The prior year costs comprise advisers' fees, stamp duty and other costs directly relating to the acquisition of Experiences. The Group treats these costs as Adjusting Items as they are not part of normal business operations.
- Acquisition amortisation of £8.3m (FY23: £7.5m). For FY24, the Group has changed its definition of Adjusting Items to include acquisition amortisation. The change means that the Group now reports Alternative Performance Measures on a basis that is more readily comparable with other listed businesses. Adjusted taxation includes the deferred taxation impact of acquisition amortisation.

Chief Financial Officer's review continued

The impact of changing the definition of Adjusting Items to include acquisition amortisation is summarised below.

	Revised Definition			Previous Definition		
	FY24	FY23	Year-on-year %	FY24	FY23	Year-on-year %
Revenue (£m)	341.1	320.1	6.6%	341.1	320.1	6.6%
Adjusted EBITDA (£m)	95.5	84.2	13.5%	95.5	84.2	13.5%
Adjusted depreciation and amortisation (£m)	(17.4)	(15.2)	(14.9)%	(25.7)	(22.7)	(13.6)%
Adjusted EBIT (£m)	78.1	69.0	13.2%	69.8	61.5	13.5%
Net finance costs (£m)	(19.9)	(13.6)	(46.7)%	(19.9)	(13.6)	(46.7)%
Adjusted profit before taxation (£m)	58.2	55.4	5.0%	49.9	48.0	4.2%
Adjusted taxation (£m)	(14.6)	(11.0)	(36.8)%	(12.5)	(10.1)	(28.7)%
Adjusted profit after taxation (£m)	43.6	44.4	(2.9)%	37.4	37.9	(2.6)%
Adjusted basic earnings per share (pence)	12.7p	13.1p	(3.1)%	10.9p	11.1p	(1.8)%
Adjusted EBITDA margin (%)	28.0%	26.3%	1.7%pts	28.0%	26.3%	1.7%pts
Adjusted EBIT margin (%)	22.9%	21.6%	1.3%pts	20.5%	19.2%	1.3%pts
Adjusted PBT margin (%)	17.1%	17.3%	(0.2)%pts	14.6%	15.0%	(0.4)%pts

Determining which items should be classified as Adjusting Items involves the exercise of judgement. We do not classify the following as Adjusting Items on the basis that they are recurring costs associated with delivery of financial performance. However, we have observed that certain users of our accounts adopt a different approach in their own financial modelling and have therefore provided the information below to assist these users:

	Year ended 30 April 2024	Year ended 30 April 2023
Share-based payment charges relating to operation of post-IPO Remuneration Policy[1] (£m)	(3.1)	(2.5)

1 Stated inclusive of employer's national insurance of £0.5m (FY23: £0.3m).

Net debt

Net debt decreased during the period, from £167.7m at 30 April 2023 to £125.1m as at 30 April 2024. Net leverage improved to 1.31x (30 April 2023: 1.99x). Net debt is a non-GAAP measure and is defined as total borrowings, inclusive of lease liabilities, less cash and cash equivalents.

	As at 30 April 2024 £m	As at 30 April 2023 £m
Borrowings[1]	(118.4)	(170.5)
Cash and cash equivalents	9.6	22.4
Borrowings less cash and cash equivalents	(108.8)	(148.2)
Lease liabilities	(16.3)	(19.5)
Net debt	(125.1)	(167.7)
Last twelve months Adjusted EBITDA	95.5	84.2
Net debt to last twelve months' Adjusted EBITDA	1.31:1	1.99:1
Committed debt facilities (£m)	180.0	255.0

1 Borrowings are stated net of capitalised loan arrangement fees and hedging instrument fees of £2.7m as at 30 April 2024 (30 April 2023: £4.6m).

In February 2024, the Group agreed a new four-year, committed, multi-currency revolving credit facility ("RCF") of £180m with a syndicate of banks. The Group's previous £175m term loan and £80m revolving credit facilities have been fully repaid and cancelled. The RCF is fully available for general corporate purposes.

The RCF has an initial maturity date of 29 February 2028 with an option to extend by one year, subject to lender approval. Borrowings are subject to interest at a margin over the relevant currency reference interest rate dependent on net leverage, with margins of between 2.00%-2.50% at net leverage levels of 1.0x-2.0x. The facility covenants are tested semi-annually and comprise a maximum ratio of net debt to Adjusted EBITDA of 3.5x until 30 April 2025 and 3.0x thereafter and a minimum Adjusted EBITDA interest cover ratio of 3.5x for the term of the facility. For FY24 the actual interest cover was 7.5x calculated as the ratio of Adjusted EBITDA (£95.5m) plus share based payments (£3.1m) to the total of bank interest payable (£12.3m) and interest payable on leases (£0.9m). Other line items within finance income and charges are excluded from the covenant definition in the facility agreement.

The Group's interest rate hedging arrangements now comprise an interest rate cap in place with a cap strike rate of 3.00% on £70m notional until 30 November 2024 and a new cap, put in place during the current financial year, of 5.00% on £50m notional from this date until 1 June 2025 and £35m until 30 November 2025. This follows the expiry of an interest rate swap (a rate of 2.4725% on £90m notional) on 30 November 2023.

Cash flow

Cash generated from operations was £85.3m (FY23: £57.9m):

- There was a cash inflow from lower inventory of £5.2m (FY23: £0.8m outflow) driven through more efficient stock management. Net inventory at 30 April 2024 was £7.1m (FY23: £12.3m).
- Trade and other receivables remained broadly unchanged year-on-year, with a net inflow of £0.3m (FY23: £5.3m). The prior year inflow includes the collection of a £3.2m receivable balance in the Experiences opening balance sheet at acquisition, consisting of funds placed in escrow to settle deferred legacy incentive obligations.
- There was a cash outflow from trade and other payables of £16.2m (FY23: £25.3m). This reflects lower trade creditors and a reduction in the Experiences merchant accrual, including the impact of additional breakage on vouchers sold during Covid with extended expiry dates. The prior year outflow includes the impact of the one-off settlement in FY23 of £13.5m of legacy incentive obligations associated with the acquisition, which were fully provided for in the opening balance sheet.
- Capital expenditure decreased year-on-year to £13.7m (FY23: £22.6m) reflecting one-time expenditure on plant and equipment in the prior year to fit out new operational facilities in both the UK and the Netherlands.

Within trade and other payables as at 30 April 2023, we have reclassified £2.3m from merchant accrual to other taxation and social security. As such, merchant accrual balances of £45.3m as at 30 April 2024 and £53.5m as at 30 April 2023 are stated excluding the corresponding VAT.

Chief Financial Officer's review continued

Adjusted Operating Cash Conversion

The Group is strongly cash generative, with operating cash inflows of £74.2m (FY23: £56.2m) representing Adjusted Operating Cash Conversion of 78% (FY23: 67%). The increase in Operating Cash Conversion reflects prior year one-time capital expenditure on new operational facilities in both the UK and the Netherlands.

	Year ended 30 April 2024	Year ended 30 April 2023[4]
Profit before taxation	**46.4**	34.9
Add back: Finance costs	19.9	13.6
Add back: Adjusting Items (excluding share-based payments)[1]	10.7	15.1
Add back: Adjusting Items - Share-based payments	1.1	5.4
Add back: Depreciation and amortisation (excluding acquisition amortisation)[1]	17.4	15.2
Adjusted EBITDA	**95.5**	84.2
Less: Capital expenditure (fixed and intangible assets)	(13.7)	(22.6)
Adjust: Impact of share-based payments[2]	3.1	1.9
Add back: Decrease/(increase) in inventories[3]	5.2	(0.8)
Add back: Increase in trade and other receivables[3]	0.3	5.3
Add back: (Decrease) in trade and other payables[3]	(16.2)	(11.8)
Operating cash flow[4]	**74.2**	56.2
Adjusted Operating Cash Conversion	**78%**	67%
Add back: Capital expenditure	13.7	22.6
Add back: Loss on disposal and right of use asset impairment	0.2	0.5
Add back: (Decrease)/increase in debtors and creditors with undertakings formerly under common control	–	0.3
Less: Adjusting Items (excluding share-based payments and amortisation)	(2.4)	(7.7)
Less: Research and development tax credit	(0.4)	(0.4)
Cash generated from underlying operations	**85.3**	71.5
Settlement of M&A related employee bonuses at Experiences[4]	–	(13.5)
Cash generated from / (used in) operations	**85.3**	57.9

1 The prior year Adjusting Items (excluding share-based payments) and Depreciation and Amortisation numbers have been restated to reflect the classification of acquisition amortisation as an Adjusting Item.

2 Comprises: (1) the add-back of non-cash share-based payment charges of £2.6m (FY23: £2.2m) relating to operation of post-IPO Remuneration Policy, which are not classified as an Adjusting Item; offset by (2) the cash impact of employer's national insurance of £0.2m (FY23: £0.3m) arising on pre-IPO share-based payment charges, which are classified as an Adjusting Item (Refer to Note 6). In FY24 the charge was offset by a release of £0.7m in relation to a true up of NI at year end to reflect the share price at the vesting date of the pre-IPO share awards.

3 Working capital movements for the year ended 30 April 2023 have been adjusted for the opening balances arising upon acquisition of Experiences.

4 Operating cash flow excludes settlement of legacy incentive obligations in FY23 associated with the acquisition, which were fully provided for in the opening balance sheet.

Operating cash flow and Adjusted Operating Cash Conversion are non-GAAP measures. Adjusted Operating Cash Conversion is defined as operating cash flow divided by Adjusted EBITDA, expressed as a ratio. Adjusted Operating Cash Conversion informs management and investors about the cash operating cycle of the business and how efficiently operating profit is converted into cash.

Capital allocation

We remain disciplined in our approach to allocation of capital[1] and continue to prioritise organic investment to drive growth, including investment in technology and marketing. Future investments may extend to new geographical markets, contingent upon achieving optimal customer acquisition costs and confidence in customer lifetime value. We will also selectively consider value-accretive M&A opportunities, maintaining a high threshold for strategic and financial returns.

Over the past two financial years, we have also focused on balance sheet deleveraging. In FY24, we reduced net leverage from 1.99x to 1.31x, a decrease of approximately 0.7 turns. Given our strong cash generation, there is potential for a similar reduction in net leverage in FY25. To maintain an efficient capital structure, our target is to operate with net leverage of approximately 1.0x over the medium term, with flexibility to move beyond this as business needs require.

We will continue to prioritise investment to drive the execution of our growth strategy. With our consistent strong operating cash generation and the progress being made with deleveraging, we will also have the financial flexibility to consider returning excess capital to shareholders.

Outlook

Trading since the start of the year has been in line with our expectations, with both new and existing customer orders in growth. In the context of the current macroeconomic environment, we expect FY25 revenue growth (after adjusting for temporarily higher breakage on experience vouchers in FY24) at a mid to high single digit percentage rate, underpinned by growth in orders at the Moonpig brand.

Our business is well positioned to deliver sustained growth in revenue, profit and free cash flow, driven by our continued focus on data and technology. With respect to the medium-term, we are targeting double digit percentage annual revenue growth, an Adjusted EBITDA margin rate of approximately 25% to 26% and growth in Adjusted earnings per share at a mid-teens percentage rate.

Technical guidance

Capital expenditure	We expect total recurring tangible and intangible capital expenditure to equate to between 4% and 5% of revenue in FY25, and we plan to maintain this ratio in the same range going forwards. Within this, we expect that tangible capital expenditure will be in the region of £2m per year. We are evaluating potential for investment in automation and robotics at our UK fulfilment centre to increase efficiency and provide additional capacity at periods of peak throughput for gifting. If pursued, this would require additional capital expenditure in the range of low to mid single digit millions in FY26.
Depreciation and amortisation	We expect depreciation and amortisation of between £20m and £23m in FY25. This includes depreciation of purchased tangible fixed assets (including right-of-use assets) and amortisation of internally generated intangible fixed assets but excludes the amortisation of intangible fixed assets arising on business combinations.
Acquisition amortisation	We expect the amortisation of intangible fixed assets arising on business combinations to be approximately £8m in FY25 and anticipate that this will be the only Adjusting Item for the year.
Net finance costs	We expect net finance costs in FY25 to be in the region of £12m. This includes expected interest payments on the new RCF of approximately £8m (based on the Group's expected deleveraging profile, current forward market expectations for SONIA and hedging arrangements currently in place). Deemed interest on the merchant accrual is expected to be approximately £2m. The remainder relates to deemed interest on lease liabilities and the amortisation of up-front RCF arrangement fees and hedging fees. We have assumed no monetary gain or loss on Euro-denominated intercompany loan balances.
Taxation	We expect the Group's effective tax rate to be between 25% and 26% of reported profit before taxation in FY25 and thereafter.
Share based payments	We expect the total charge for share based payments (relating to the LTIP, DSBP and SAYE share schemes) to be approximately £6m in FY25. The actual charge may vary to the extent that there are "bad" leavers and, for the element of each LTIP award which is subject to an EPS performance condition, in the event of profit outcomes that vary from current expectations. These share based payment charges will not be classified as an Adjusting Item.
Pre-IPO Award	The final tranche of the pre-IPO award vested on 30 April 2024. This is expected to result in cash outflows of approximately £5m (excluding national insurance costs) and the expected issue of 1,413,971 shares, both arising in Q1 FY25.

Andy MacKinnon

Chief Financial Officer
26 June 2024