

Moonpig Group plc
FY26 Half Year Results – Six Months Ended 31 October 2025
Analyst Q&A Conference Call Transcript
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Participants

- **Nickyl Raithatha** Moonpig Group plc – Chief Executive Officer
- **Andy MacKinnon** Moonpig Group plc – Chief Financial Officer
- **Ross Broadfoot** RBC Capital Markets – Analyst
- **Georgina Johanan** JPMorgan – Analyst
- **Adam Tomlinson** Berenberg – Analyst
- **Andrew Wade** Jefferies – Analyst
- **Jonathan Pritchard** Peel Hunt – Analyst
- **Hai Huynh** UBS – Analyst
- **Matthew McEachran** Singer Capital – Analyst
- **Anubhav Malhotra** Panmure Liberum – Analyst

Operator

Good day, ladies and gentlemen, and welcome to the Moonpig Group FY 2026 Half Year Results Q&A session. Currently, all participants are in listen only mode. Later, we will conduct a question and answer session. If you wish to ask a question, we ask that you please use the raise hand function at the bottom of your Zoom screen. Participants can also submit questions through the webcast page using the ask a question button. I would like to remind all participants this call is being recorded. I will now hand over to Nickyl Raithatha, CEO, for his opening remarks.

Section 1 (00:38) - Introduction

Nickyl Raithatha - Chief Executive Officer, Moonpig Group plc

Hi, everyone. Thank you for joining the Q&A this morning. Hopefully you have had a chance to look through the announcements and to watch the video on the website. I'll just give a quick intro and then we will get to Q&A as soon as possible.

Overall, it's been a great period for the Group, and we now have strong momentum across the board. The first half of the year saw the core Moonpig brand delivering 9.4% revenue growth, saw Greetz returning to positive growth, and we delivered 13% Adjusted EPS as a group.

The Moonpig business continues to leverage our expanding data and technology capabilities to drive top line growth in a challenging consumer environment with both growth in customers and gift attach during the period. It's a direct result of the accelerating growth in our loyalty drivers. Our subscriptions grew over 36% to over a million subscribers now. Reminders keep growing, over 11% and over the year to over 107 million now. And our AI creative features are growing at a rapid pace over almost 60% year-on-year. And now over half of our cards include a creative feature.

Greetz has now successfully returned to growth. We delivered a 1.3% increase in constant currency over the period, and this is due to us fully embedding the benefits of the global technology platform to our Dutch business. And Greetz exited the half at a higher growth rate than the average of the first half, and we will see a sequential step-up in the second half.

The transformation at our Experiences business is now nearly complete, with the tech platform, the team, and the product range all rebuilt. And though this did not impact the first half results, we are very encouraged by the step-up in trading momentum that we've seen since the start of the second half, which is particularly crucial given that almost half of the year's trading is captured through November and December alone. We completed the first half of our £60 million share buyback, and we've increased our interim dividend by 25%, underscoring our commitment to significant capital returns.

On a personal note, this is my last and final results presentation and I wanted to take the opportunity to thank firstly, the extraordinary employees of the Moonpig Group that have supported me on this incredible journey over the last seven years as CEO, and also to thank everyone on this call, investors and analysts, for all of your support over the last few years.

My successor, Catherine, will be joining the business at the beginning of March and she's going to be inheriting a fantastic business, with great trading momentum, a super leadership team led by Andy, who you know well, and a vast long-term growth opportunity that we are really well-placed to capture. Thank you very much, and I will turn over to questions.

Operator

Thank you. If you wish to ask a question, we ask that you please use the raise hand function at the bottom of your Zoom screen. As a reminder, participants can also submit questions through the webcast page using the ask a question button. The first question is from Ross Broadfoot at RBC Capital Markets. Please unmute yourself and begin with your question.

Section 2 (03:54) – [RBC Capital Markets](#)

Ross Broadfoot, *RBC Capital Markets*

Morning, gents. Thank you for the presentation. Three from me, please. Number one, could you give any colour on how the Moonpig brand has started H2? You obviously gave a little bit of colour for Experiences.

Number two, just on the KPI mix, you've obviously had a bigger contribution from AOV, some contribution from new customers, and relatively flat order frequency. So, question 2(a), would you expect similar drivers of growth in H2, and do you have any early indicators that frequency may pick up?

And then number three, regarding the better performance that you've flagged at Experiences in November and early December, can you give any colour on what you think is moving the needle there from the customer's perspective? Thank you.

Nickyl Raithatha - *Chief Executive Officer, Moonpig Group plc*

Sure. Andy, do you want to take the first two and I'll take the Experiences one?

Andy MacKinnon *Chief Financial Officer, Moonpig Group plc*

The first one was around the trajectory of Moonpig for the start of the second half. And actually, we've seen trading consistent with the rate at which we exited the first half. So, we would, based on current trading, expect the business to continue delivering growth at a high single-digit rate, nudging close to the 10% mark.

The second question was around the KPI mix. And you're right, the primary driver of revenue growth at Moonpig in the first half was average order value with a contribution as well from growth in new customers. And we were pleased with strong continued delivery of new customer acquisition throughout the first half.

I think the point I'd make would be that we don't look to see each of our KPI drivers move in lockstep in each financial period. And we view each of those drivers as a portfolio that we can pull on in order to deliver revenue growth in each period. And for instance, if we looked last year, we saw particularly strong new customer acquisition; in the first half of this year, there's been a stronger AOV growth.

And specifically on frequency, that was flat year-on-year, but in the context of a tougher consumer environment and the fact that we have seen some increase in average selling price from moving people onto tracked delivery – which is a more expensive product, but also a better solution for customers and a better quality product – I think we're actually pretty comfortable with the fact that frequency has been flat, and we think that's a solid place to be.

Looking at where we are in current trading, I would expect the drivers of frequency in the second half to be similar. So, on AOV, we're continuing to see strong progress in terms of driving gift attach rate. I'd expect H2 to be another period where we drive gift attach. We're making great progress in terms of the rollout of trusted brands and we've got a number of brands such as Lush and some of the Boots beauty brands that we expect to launch in the second half, which will continue to drive gift attach.

And then if you think about the increase in tracked delivery, that really started from the end of FY25. So we've got a tailwind in terms of that for the majority of H2. So, I would expect the drivers of Moonpig growth to remain broadly consistent H1 versus H2.

Nickyl Raitatha - *Chief Executive Officer, Moonpig Group plc*

Thanks, Andy. Yeah, and on Experiences, I think we talked in the past about how we've had this three-phase transformation plan. So we've rebuilt the technology platform. That on its own doesn't do anything. What it does is it allows us to then optimise and improve the experience at a much faster pace. And that's something we've been working on delivering – huge volume of experiments, which have improved conversion rate consistently.

The team – we've finished the rebuild of the team, so the leadership team is now complete. We've improved the capabilities in particular on the buying and commercial side of the business. And actually, all of that work has been really targeted around how do we then take those capabilities and prepare the business for the peak period, which really is the key period in the year.

And so actually a lot of the products we've launched in the last few months have just been about building those supplier relationships, getting products live. But the real focus is actually on getting exclusive products for the peak period, exclusive supplier funded discounts, exclusive ranges. And just setting everything up so that once we hit the ground in the key trading period, that we're actually really well-placed. And we saw a pretty clear step change once we launched that peak trading offering. So, both from a product perspective, from the way we are doing promotions, from the CRM plan and from our marketing plan as well, where we've saved a lot of our marketing efforts for this period.

And so actually, I think from our side, what we're seeing is we've just got better capabilities to trade, but primarily we've also got better products to trade as well. And so, I think maybe to give you one bit of colour on this, it's not just about new suppliers. So, we have launched some really exciting new partners, and the ones that are driving value and driving excitement are the exclusive and the very topical ones. So, the Traitors Experience is – we have exclusivity on that. That drives a lot of interest, a lot of engagement. Clarkson's Farm similarly.

We've also got more products that are more utility type products. So something like a Spotify subscription where people feel if they don't want to do something that's one time and it's got a longer use, they're using that. But actually, what we've done is we've gone to some of our older suppliers that we've been working with for years and we said, "Rather than selling the same products, again, how can we package these up and refresh these to look more interesting or to make them more modern and re-excite the customer?"

And so, we've seen pretty good success in taking some of our old suppliers – spas or restaurants – and just creating new menus, new packages, new combinations of products, and that's driving value as well. So I think it's a new way of working that we're really working closely with suppliers, they're funding exclusive discounts. And we've just got a more compelling range. And I think that gives us confidence that actually the step change we've seen in the last couple of months will continue through into the future.

Ross Broadfoot, *RBC Capital Markets*

Thank you guys.

Operator

The next question is from Georgina Johanan at J.P. Morgan. Please unmute yourself and begin with your question.

Section 3 (10:59) – [JP Morgan](#)

Georgina Johanan, *JP Morgan*

Hi, can you hear me?

Nickyl Raithatha - *Chief Executive Officer, Moonpig Group plc*

Yeah. Hi, Georgie.

Georgina Johanan, *JP Morgan*

Hi. Hi, guys. Thanks for taking my question. Yeah, I just wanted to ask a question on capex, actually. Your guidance is really clear. I just wanted to understand on a midterm perspective, how we should expect the capex to be spent because it feels like you've invested well over the last 12 months and currently. So, what kind of investments are going to be made from a capex perspective and how should they be supporting growth over a midterm perspective, please?

Andy MacKinnon *Chief Financial Officer, Moonpig Group plc*

Yeah, sure. I'll pick up that. Hi, Georgie.

Georgina Johanan, *JP Morgan*

Hi.

Andy MacKinnon *Chief Financial Officer, Moonpig Group plc*

I think we would expect capex to continue within the 4% to 5% of revenue range over time. So steadily growing, broadly in line with revenue. There was a slightly different mix to capital expenditure in the first half of this year because I think generally, we expect relatively low tangible capital expenditure because the nature of our operations is relatively asset light, but we have seen opportunities for automation in our fulfilment centre.

And we call out in the announcement two particular projects that we've implemented in H1, which went live in November, which are: we've insourced the production of giant cards. So, our largest size format was previously outsourced, but now we're doing it ourselves. And we've implemented parcel sortation, which allows us to effectively dispatch packages by different courier services at different rates. And so, there's a good ROI on each of those in terms of effectively closing the year-on-year margin gap in Moonpig from H2.

The majority of our capex will continue to be spent on technology development. So, we obviously have about 250 software engineers and product people and data scientists within the organisation. And as we talked about when we did the capital markets day just over 12 months ago, we see that as a driver of revenue growth. It's people who are incrementally working on building out the tech platform, conducting UX experiments. And every time we deploy the winning variant, that makes a contribution to one of the drivers behind our revenue growth at Moonpig and Greetz.

And so broadly looking forward, I would expect the envelope of capex to be broadly similar. Tactically where there are opportunities to invest for efficiency in fulfilment, we'll do that, but it won't be the bulk. And the majority of our investment will be in tech. And obviously to the extent that's people internally and capitalised time, just to the extent that the salary rate increases, that will contribute to capex growth. But also, as we see opportunities to invest, we'll look to do that as well.

Georgina Johanan, JP Morgan

Thank you so much. Very clear.

Operator

The next question is from Adam Tomlinson at Berenberg. Please unmute yourself and begin with your question.

Section 4 (14:20) – [Berenberg](#)

Adam Tomlinson, Berenberg

Morning, all. Can you hear me okay?

Nickyl Raithatha - Chief Executive Officer, Moonpig Group plc

Yep. Hi, Adam.

Adam Tomlinson, Berenberg

Hi, guys. Thanks for taking my questions. So, the first question is, I suppose just on guidance, so with your EPS growth coming in H1, I think about 13% still guiding to that 8% to 12% for the full year, obviously implies a bit of a step back in H2. But to your mind – I get it's still peak trading to come – but is there anything we need to be thinking about in H2, headwinds or comps or anything like that as to why we should necessarily see that slowdown is the first question?

Second question is just a current trading question really. We've had, I suppose some of the retail sales data out there was a bit slower. Heading into the budget, just wondering, it doesn't feel like you have, but if you saw any kind of slowdown or consumer caution on that front and was there much volatility in terms of trading? And then third question was just actually on subscription customers, so obviously that number going up nicely and now about 20% of sales. And just a reminder, if you could please, just in terms of the characteristics of your subscription customers and some of the stats around those would be great. Thanks.

Nickyl Raithatha - Chief Executive Officer, Moonpig Group plc

Do you want to take the EPS question?

Andy MacKinnon *Chief Financial Officer, Moonpig Group plc*

Yeah, sure. Will do. Hi, good morning. Yeah, I mean you're right. We are really pleased with the fact that the H1 results had EPS growth at 13% ahead of our outlook for the full year of 8 to 12%, reflecting obviously both the strong results in terms of profit for the first half, but also the way that we're putting our Free Cash Flow to work through share buybacks and the £30 million that we bought back in the first half, which Nickyl talked about.

And I think our stance on guidance is very much informed by the point that you made, Adam, which is obviously we're coming into our peak trading period. We've still got Valentine's Day and UK Mother's Day ahead of us. So, I don't think we're foreseeing any particular headwind or reversal that we've factored in for the second half, but we think at this stage of the year, with two of our major peaks still to come, the right stance is to hold our guidance in its current place.

Adam Tomlinson, *Berenberg*

Okay, thanks. Thanks.

Nickyl Raithatha - *Chief Executive Officer, Moonpig Group plc*

And I think on the consumer impact of the budget, I think we were reading the same news articles as you, but we didn't see it in our business. I think one of the things about the Moonpig business is that it does have this pretty extraordinary resilience. And because the business is driven so much by existing customers, by reminders, by our CRM that actually, it was able to continue through November, December, we didn't see any volatility there, similarly in, well, obviously in Greetz, given there was no budget. But actually, on the Experiences side, I think the move into the peak season, but I think in particular, the change in our transformation plan probably outweighed any macro effects. And so that's why we saw the step-up. So yeah, I think our business didn't see any direct read from the consumer uncertainty.

On Moonpig Plus, as you mentioned, we're really thrilled with how this is going. It's two and a half years since launch now, and we're continually surprised by just how well it's going. Both in terms of how many customers are signing up, the type of customers that are signing up, the change in their behaviour, and the number of them renewing. And if you put all of those things together, those are the four ingredients for a pretty great subscription service. We've talked about in the past how the average customer is someone who is buying a high single digit number of cards a year, and their frequency once they sign up is up by about 25%. So, a subscriber, once they subscribe, they do buy more cards. And actually, what we've also seen is customers that become members, their attach rate also goes up by a percentage point or so.

So, we're seeing customers that sign up, they're buying more cards and they're adding slightly more gifts to those cards, which is obviously great. That's obviously in exchange for the discount they get. What's really encouraging is we're seeing very strong renewal numbers I think in year one to year two in the two thirds. Actually, higher than two thirds of customers are renewing, which we know is best in class for a membership scheme. And actually, as we've got the first cohorts moving from year two to year three, we're seeing equally encouraging numbers in terms of the customers that are staying with us into that year. And obviously the subscription fee is not discounted as you move into year two and year three. So, you're paying the full £10 subscription fee, which makes the scheme even more profitable.

So from our perspective, we've got a million very high value customers that are more locked in and embedded into the ecosystem than ever before. And actually we're just seeing the snowball effect of the behaviour. Those are the customers that use our new AI features earlier, which drives even more frequency. And so yeah, we've really got this virtuous cycle going. And so, the focus is very much on: how can we move more customers into it. Just probably to give you some colour, Greetz is further behind on the Plus journey. So Greetz Plus is live, but it's following a very similar pattern 18 months behind the UK. And so, I think we're excited for, again, what that can bring to the Netherlands as well.

Adam Tomlinson, Berenberg

Great. Really helpful. Thanks very much.

Operator

The next question is from Andrew Wade at Jefferies. Please unmute yourself and begin with your question.

Section 5 (20:34) – [Jefferies](#)

Andrew Wade, Jefferies

Morning chaps and a farewell to Nickyl, I suppose. Good luck in your next role. Onto my questions. I've got three of them. First one on the gift side of things. Obviously the easy answer to this is a bit of everything, but anything in particular you think that's moved that from being relatively flat over a number of years, to moving into quite a decent step forward? So that's the first one. Anything in particular in there or is it just a bit of everything?

The second one, EBITDA margin impact of gifts. Historically, you've talked to it not being a drag on EBITDA margin, being a drag at gross margin, but not EBITDA margin. But in your commentary, you talked to Adjusted EBITDA margin being down 110 basis points, reflecting the gift impact on gross margin. So interested as to how we see that one going forward now.

And then the third one, tracked delivery, obviously been a big boom to revenue this year. Just interested as to whether you're anticipating a step-down in top line growth in Moonpig once we annualise that tracked delivery step forward, i.e. at the start of next year, or if you are going to have other dynamics that you expect to pick up the slack? Thanks.

Nickyl Raithatha - Chief Executive Officer, Moonpig Group plc

Yeah, look, I'll take the first and then Andy can take the gift margin and next year's revenue comments.

You're right, the gift attached didn't move for a few years. We were saying at the time that on an underlying basis, we could see how we were driving increases in attach rate – so, AB tests when we were launching UX changes, algorithm upgrades – but those were being offset by macro headwinds. So as we entered the cost-of-living challenges and so on in '22, '23, what we see now is actually, I think everyone is aware it's not a particularly favourable consumer environment, but we think from our perspective it is a relatively stable consumer environment. And so actually the year-on-year, there is no macro headwind when you're annualising the previous year. And so actually what we're seeing is probably a continuation of the organic improvements we were making, just that they're no longer being offset by macro headwinds.

Those changes are very much linked to the momentum we've got in gifting brands. I think Andy just touched on this, but the brands that we're bringing on board, they're bigger and better, and we're able to execute them much better than before. So rather than just putting them on site, it's now a true partnership. If you look at what we've done with NEXT, we're the only third-party reseller of NEXT products in the world. NEXT has never in its history worked with anyone else to sell their own branded products. Not only are they working with Moonpig, but we launched a small range last Christmas, we grew it over Valentine's, over spring, over Mother's Day, Father's Day, and now we've expanded it into more categories. So it's a much bigger range. It's performing exceptionally well. We've launched NEXT Flowers. And so just our ability to work with these gifting partners has really improved.

And that obviously then provides case studies for more of them to come on board. And so I think our gifting team has never been this busy, but it's easier than it's been for them to actually convince the next partner to work on board because we're a more attractive proposition. We can demonstrate to pretty much any partner that we are an incremental channel for sales that doesn't compete with their own, and we're able to present their brand in a really positive light because it's a gifting business. So, I think lots happening there on the range.

Then on the data science side, there is, like I said, we've got a 5- or 10-year roadmap ahead of us in terms of just making those cross-sell recommendations more relevant month after month after month. And we are consistently doing that. We eke out a few basis points of attach rate every time. And I think with the new AI technologies that are out there, those will continue to deliver for years to come.

Andy, do you want to take the margin?

Andy MacKinnon *Chief Financial Officer, Moonpig Group plc*

Yeah, sure. Will do. I think the commentary in the RNS was intended to be an explanation of the movement in gross margin rather than EBITDA margin, but it's a useful opportunity just to reiterate: in our business model, every time we sell an additional gift, it's incremental absolute margin. We're not paying marketing money for gift sales because every time we sell a gift, it's on a cross-sell for somebody who's come to the business to buy a card. And the gross margin is net of all fulfilment costs, which means that actually there's hardly anything in the cost space which is variable beneath gross profit for that incremental gift – just a little bit of a card acquirer fees, but nothing much else. And so actually it remains the case that incremental gifting sales are not dilutive to Adjusted EBITDA margin; or otherwise stated, our gross margin on gifts and fully loaded is higher than our EBITDA margin rate. And so what you're seeing in the EBITDA margin in the first half is the benefit of operating leverage come through. It does mean, obviously, that there is a headline reduction in the gross margin percentage rate down to mix, but that isn't impacting us further down the P&L.

The third question was on tracked delivery. And probably just a reminder, tracked delivery is a fantastic product. The reason we originally introduced it was not as a revenue driver, but to solve for the customer. It's unique – nobody else in the market does it. It's a great price point – so £2.79 for guaranteed next day delivery. Nobody else in the market offers it and we see it as really positive for consumer net promoter score. We originally introduced it just over a year ago for peak periods only, but at the end of FY25, started to scale that as an everyday proposition. And it's up to about 40% of card only orders at the moment are through our Moonpig Guaranteed Delivery service.

To the point about what happens when the current penetration of tracked delivery rolls off, I think the answer is that actually we don't think that the current 4 in 10 is the limit of what we will do on tracked delivery. And I think there's opportunity in future periods for that to scale further. And in particular, at the moment, we have some commitments around the amount of first-class volume that we put through the network. And as they roll off, there's actually further opportunity to scale that product, and we think probably actually ways that we can drive further demand. So I don't see it as being something that we will necessarily annualise when we get to the end of the year.

More broadly, I would go back to the comments around the portfolio of levers that we have. And hopefully investors will see that actually over the past four or five halves, what we've done is effectively used the portfolio of levers that are available to us to drive growth. In some periods, it's particularly strong customer acquisition. That was the case last year when we had a particularly strong focus in our roadmap on things that reduce purchase friction and improve new customer acquisition. In other periods, it might be other levers, but no reason to think that we should see a step back in performance as a consequence.

Andrew Wade, *Jefferies*

Great stuff. Very clear. Thanks, and all the best.

Nickyl Raithatha - *Chief Executive Officer, Moonpig Group plc*

Thank you.

Operator

The next question is from Jonathan Pritchard at Peel Hunt. Please unmute yourself and begin with your question.

Section 6 (28:59) – [Peel Hunt](#)

Jonathan Pritchard, *Peel Hunt*

Morning all. A slightly different angle here. Just talk to us a bit about Catherine. I don't know, Nickyl or Andy, whether it's appropriate for you to talk about her strengths and how she won the interview process. And then Nickyl, as you leave and very best wishes for what you do in the future, what's the biggest challenge you think that Catherine faces?

Nickyl Raithatha - *Chief Executive Officer, Moonpig Group plc*

Yeah, good questions. I'm not sure, I guess, how well-placed we are. I mean, the Board obviously led the hire of Catherine as I think is the appropriate process in this. So that's very much something that maybe the Chair, if you can speak to her, is probably best placed to answer.

Myself and Andy have obviously spent time with Catherine, talking about the business and she's said hello to the team. From my perspective, she seems like a fantastic person, candidate, and experienced background, mindset to take this business onto great things. I'm very excited for the change and very happy I'm handing to her, but probably can't share more than that with a qualified view.

The biggest challenge for Catherine, I think it's actually going to be ... I'd probably reframe it. I think it's the biggest opportunity. I think Catherine is coming into a business which has great trading momentum and a really strong leadership team driving that. Actually, I think one of the things we look at in the business is we need to make sure we maintain that momentum on the Moonpig side and work out how we can continue to capture that opportunity, make sure that the turnaround of Greetz and then Experiences continue their trajectory. So I think the strategy is very clear there and actually continuing that is going to be really important.

Beyond that, I think the interesting thing is the smaller seeds that we've planted, so the New Markets business. Our international business is very nascent, but growing really well. Moonpig for Business is even more nascent. It's launched... just in the last two, three months, we've really started to see that scale quite nicely. I think the challenge will be how to invest for the future in new things alongside maintaining that momentum in the core business, but this is a business which is showing pretty strong stability, sustainable growth, and an ability to generate those high margins, deliver cash, deliver growth. Hopefully Catherine comes into a stable platform and her focus can be very much on how to build on top of that.

Jonathan Pritchard, *Peel Hunt*

Great. Thank you very much and all the best.

Nickyl Raithatha - *Chief Executive Officer, Moonpig Group plc*

Thank you. Thanks, Jon.

Operator

The next question is from Hai Huynh at UBS. Please unmute yourself and begin with your question.

Section 7 (32:02) – UBS

Hai Huynh, UBS

Hi there. Thank you for taking my questions. You alluded to this just now in your answer. I just wanted to ask on the contribution of Moonpig for Business at the moment in terms of revenue and profitability. Anything you can say there, a bit more colour?

Nickyl Raithatha - Chief Executive Officer, Moonpig Group plc

Yeah, sure. It's very small. It's very small at this point. We were in testing phase for quite some time. I think September is when we did a soft launch, and this was mostly through organic LinkedIn posts and referrals, but what we've seen is over the last 10, 12 weeks, we've seen really exciting week-on-week growth. Very much we think of this as a small startup in the company, but we've seen week-on-week growth. We've seen November was more than double October. First week of December was bigger than the whole of November. We're seeing some pretty exciting growth numbers on a very, very small base. What's been really interesting here is we've built a product that works great for multiple use cases in an enormous market. I think whilst the revenues and P&L are very small at this point, the potential of what this business could be is obviously huge given the size of the market within the UK, but also globally.

We're catering to two primary use cases. One is for employers, gifting to employees. We're seeing thank-you cards, new starter cards, "Well done on five years at UBS" cards going out or "Thank you for a great year." That's a really interesting use case to drive employee engagement, and that's probably about half of the orders we're seeing. Again, these are driving... think about the average order size of this business. It's cards, it's 50, 100, 150 cards per order, so significantly different to our consumer business so far. And then we're also seeing it used for corporate gifting as well. We added gifts to the product just – I think, beginning of November, so very recently – and we're seeing people gifting a bottle of champagne to thank you for the end of the year to their 20 clients to 100 clients.

We've got lots of interest. We've got a very, very small team working on this. It's a couple of individuals, but lots of inbound coming in, lots of momentum building. I think if we can find product market fit, then we'll look to scale this, and again, that's something that Catherine and Andy will be making decisions on. I think it's a big market and we're seeing lots of encouraging signs that this could be a really good fit for the business.

Hai Huynh, UBS

Sure. Just two other quick questions, if you don't mind. The first one is just to understand the longer-term economics a little bit, because you're guiding for 25% to 27% EBITDA margins, and part of that is because of increasing gift attach rate. What are the gift attach rates you're targeting in that midterm range that gives you that 25% to 27% guidance?

Andy MacKinnon Chief Financial Officer, Moonpig Group plc

Yeah. Hi Hai, I'll pick that one up. If you think about our business model with a relatively large, fixed element for cost base beneath gross profit, there's a large element of operating leverage inherent in our operating model. I think all things being equal, what you would expect is that the EBITDA margin rate percentage would increase over time. Our guidance is and has been since IPO for a flat percentage, and I think the important thing is that that's a choice. So it's us saying that what we want to do is have the opportunity to invest the surplus that would otherwise accrue into opportunities for growth within the business.

Probably the most obvious example of that at the moment is the expansion that we're doing in New Markets. The way that we operate Ireland, Australia and the US together is as a profit pool where, to the extent that we drive additional gross profit in those markets, we invest all of that into marketing to fund the growth in those markets. What that means is that to the extent that we drive an extra million

of revenue in those new markets, that's effectively at zero EBITDA. That's an example of us reinvesting the surplus that would otherwise accrue into revenue expansion within the business.

Now clearly, we've got choice in that going forwards, but our guidance as it stands is the EBITDA margin will stay constant, and that's because we think that there are lots of opportunities to continue investing to drive top-line growth.

Hai Huynh, UBS

Thank you. My last question is just on the competitive landscape. We're aware of a merger of a key competitor in the transition period, but do you see a longer-term threat there in terms of the competitive landscape, or do you think that the market's large enough for you to grow as you're targeting without being affected?

Nickyl Raithatha - Chief Executive Officer, Moonpig Group plc

I think what we've shown over the last several years is that actually we've been able to grow our market share because of the investments we've made in technology and the virtuous flywheel that it creates in terms of the fact that we are four or five times larger than the next player in both the UK and the Netherlands means we have significantly more firepower when it comes to marketing. We have significantly more data, significantly more investments in technology. And then when you combine those things together, that allows us to pull away from the competition in terms of the experience and then the loyalty drivers and the data moat that we're able to create. We think that will continue going forward.

We haven't seen any change in competitive dynamics or competitive behaviour over the last period, and actually we're not really anticipating it based on anything we've heard or read publicly.

I think maybe the other change that we're more focused on is whether there's a change in the marketing landscape and the growth in LLMs, all of that stuff, and that we're very focused on making sure that if those trends do emerge, we will be very well-placed to actually continue our market leadership and extend our market leadership through being the most prominent, whether that's on LLMs or new emerging channels and in other ways, because I think we've got the technology mindset and capabilities to make sure we are all over and at the forefront of any innovations that can come.

Hai Huynh, UBS

Thank you very much.

Operator

The next question is from Matthew McEachran at Singer Capital. Please unmute yourself and begin with your question.

Section 8 (39:49) – [Singer Capital](#)

Matthew McEachran, Singer Capital

Morning, gents. Thank you. A couple of questions left over for me, if that's okay. One just comes back to this query about Moonpig operating leverage and EBITDA margin. Let's go back to your point, Andy, about New Markets where you're going to be reinvesting the gains. You're annualising at, what, I don't know, £15 million of sales, roughly 4% of Group sales. Could you give us some idea as to the scale or critical mass in that side of the business where we should expect some contribution to drop through to profit? Is it plausible that doesn't start happening until you reach 10% of sales, in which case that is quite a bit of dilution against the accrued benefits through the core business?

Andy MacKinnon Chief Financial Officer, Moonpig Group plc

I think the honest answer is we don't have a fixed target for the scale of those businesses. We just think that there's a significant opportunity that we want to leverage going forwards. I think we think about it more in terms of, actually – outside of Ireland where we're already profitable – how do we get to a point where we're confident that we can scale investment on attractive economics?

I think we talked in the past about the fact that actually if you look at Australia and the US, the thing that we're solving for is the fact that at the moment our cost of new customer acquisition is higher than we'd want it to be because people don't know the Moonpig brand in those territories, and therefore we're working to find out better ways to acquire customers and paybacks that are getting closer to where we are in the UK, and we don't have the same lifetime value as we do in the UK, probably primarily because the gifting range is less mature, so our ability to monetise the customers over time is a bit less because the attach rate is lower.

So, the way we think about that and the work that we're doing is to bring down the cost of customer acquisition over time and to raise the lifetime value of customers by progressively improving the gifting range in each of those markets. We're really looking for the point where we're confident that if we increase our investment in those markets, and probably Australia is the furthest along in terms of being close to a point where we're able to look at that decision, where we're confident that if we invest in additional marketing, the payback is there because we know the way that the customer cohorts will behave and it presents us with a sensible return on investment.

When we get to that point, it may be that we come back and say we are going to scale and that actually one of the primary uses of that excess in EBITDA margin will be to increase our presence in one of those other markets, but I think we're not there in terms of that yet because it really is dependent upon what we see in the results on the ground.

Matthew McEachran, *Singer Capital*

Yeah. No, that's helpful. Thank you very much.

Second question, Nickyl, just in relation to Experiences. In your video, you talked about the pace of development and new initiatives never having been quicker, and you did talk quite a bit about the new suppliers and brand propositions coming through, some of which are they're supporting in terms of promotional activity. Sorry, yeah, I'll get to the point. Could you give us a flavour as to what's in the pipeline between now and the key upcoming events around Christmas? Is there still a lot to come or have you landed most of what needs to be landed and now it's just a case of getting some yield out of it?

Nickyl Raithatha - *Chief Executive Officer, Moonpig Group plc*

Yeah, look, I think there's a very clear Christmas plan, which started at the beginning of November. A lot of those key offers and products and exclusives were launched over the Black Friday weekend. And then as we ramp up over the next couple of weeks, I think every day there are different products that will be featured in different kind of exclusive offers, and then in those final couple of days, I think we've said many times, Christmas Eve is the biggest day of the year for the Experiences business. Christmas morning is also one of the top five days. There are many people that leave it very, very late. So, I think on those, we also want to have special products ready.

I don't think we can give colour on specific SKUs. I think just there's a daily newsletter in a daily website which we're featuring, but I think a lot of it will be the key suppliers that we have on the website, but that there's special products from within those. That might be, I think Marco Pierre White, there's a six-course tasting menu for a pretty extraordinary price. We've launched that. It's been on and off the website at various points, and I'm sure that that will come back in the next couple of weeks. That drives huge volume. We just launched Côte Brasserie, which is something we've been working on for a while, and that's gone live, I think, a couple of days ago. So, there are new products coming live, but I think primarily it's about tweaking the offering and the specific products within those and the promotional campaign that we'll do around that. So, I think I'd probably say the next two weeks are more of the same of the last two weeks in terms of just the way we're executing it.

Matthew McEachran, *Singer Capital*

That's very kind. Thank you very much. Cheers gents.

Nickyl Raithatha - *Chief Executive Officer, Moonpig Group plc*

Thank you.

Operator

The next question is from Anubhav Malhotra at Panmure Liberum. Please unmute yourself and begin with your question.

Section 9 (45:52) – [Panmure Liberum](#)

Anubhav Malhotra, *Panmure Liberum*

Hi, Nickyl. Hi, Andy. I've got three on the Experiences business, really.

Firstly, can you talk about in the Experience business, you said you have secured some supplier discounts for peak trading, but have you been investing more in the gross margin yourself in the second half to drive some of the revenue progress?

And then maybe talk about the operating leverage in the Experiences business in particular as the performance improves. I mean, you mentioned you're spending more on advertising in the second half; you kept the firepower, but any other operating costs that necessarily increase with growing revenue or improving revenue in that business?

And then just lastly, this competition seems to have launched a loyalty programme of their own in the Experiences business, your key competitor there. Is that something that you have considered? And I know you use the Moonpig branding already on the Buyagift website, so could that eventually be part of the same envelope of the Plus programme in your thinking? Thank you.

Nickyl Raithatha - *Chief Executive Officer, Moonpig Group plc*

Sure. I'll take the loyalty one, and I'll pass it to Andy to talk about the margin questions and the leverage. So I think we haven't considered launching a loyalty programme in the Experiences business directly. I think what we see ... if we think about the difference between the two platforms, the Moonpig business has an average frequency of three, but the average member who's signing up to this has a frequency in the high single digits. So buying seven, eight, nine cards a year before they sign up, which I think – it makes sense to be a reward member when you have a frequency that's slightly higher. In the Experiences business, that number is closer to one. And so it's above one, but it's quite low. So we haven't seen a priority to launch a loyalty product for a business that tends to have a lower frequency. But it doesn't rule it out in the future.

I think we'll stay close. But for now, our focus has really just been on operational execution and just making sure we've got amazing products and we're turning over that product and we're driving excitement for the customer and we're making it easier for them to find. Those kinds of e-commerce basics and range basics are very much where we are laser-focused, and we're not looking at adding ancillary features at this stage.

Andy MacKinnon *Chief Financial Officer, Moonpig Group plc*

And then the other two questions were around the impact upon profitability of discounts and advertising. I think the simple answer on both of those is that we wouldn't expect any change in mix in the first half to the second half.

So, it has always been a feature of the Buyagift business model that there is some discount which is funded by the Company. And that has historically been the primary way of providing value to

customers. So there's an agreed commission rate with the merchant providers, and part of what that has funded is effectively discounting as part of the trading calendar for Buyagift and Red Letter Days.

What we've actually got better at doing as part of the changes that we've made in the last year in the strengthening of the commercial team is that we're placing a much greater focus on supplementing that with supplier-funded discounts so that from a consumer perspective, the proposition that they see on the website is stronger and more attractive. And we've doubled the number of hero deals that we show on the website through November and December, and that has resonated very well with customers. And alongside that, we've put a lot of work into making sure that the hero deals that we show on the website are differentiated. So there's something about the proposition which is unique and attractive to the customer.

It's the same in advertising; clearly in a business model which is more focused than Moonpig on paid traffic acquisition, to the extent that we sell more in the second half, we spend proportionately more on advertising, but that's just a reflection of the seasonality of trading, and there's no sort of structural change in the economics of the business there.

And actually, if you look at the shape of the EBITDA margin in H1 versus H2 in previous years, what you'll see is that we actually typically have a higher EBITDA margin in the second half. And I would expect that in H2 of this year, reflecting the fact that, again, it's a business with a degree of operating leverage and November and December are particularly important for Buyagift. So about four tenths of revenue comes through the door in those two months of the year.

Anubhav Malhotra, Panmure Liberum

Thank you. That was really helpful.

Andy MacKinnon *Chief Financial Officer, Moonpig Group plc*

Thank you.

Operator

As there are no further questions on the webinar, I will now hand over to Gareth Davis to read out the written questions. Please go ahead.

Section 10 (51:19) – Written questions

Company representative

Good morning, everyone. This is Gareth Davis from the finance team here at Moonpig. We have a question each from a couple of individuals.

Firstly, we have a single question from Caroline Gulliver at Equity Development. It reads, "Could you add some colour on frequency? Although the average is just under three cards per annum, what is the variance? I understand that some customers order one or two cards per annum, and then a few customers order cards more frequently. Noting that you've had an 11% increase in reminders, what is the average number of reminders per customer and also the range of reminders per customer, and does this give you any insight into how much you could increase frequency?"

Nickyl Raithatha - *Chief Executive Officer, Moonpig Group plc*

Yeah, thanks. So I guess maybe the point to start with is if we look at – the average Moonpig customer in the UK buys 23 cards a year. And we've done this; we've surveyed, we've spoken to customers, we've done extensive research on this, and that's been verified multiple times. So when we think about the average Moonpig customer being slightly higher than the average UK consumer – but there are 23 cards a year being bought by our customers, and they are on average buying three from us. So it leaves 20 as the white space for us to grow into from our already loyal customer base. And so, when we think about how much frequency could increase, there's an enormous runway. I think that said, if we could get one more card from each customer, I think that would be

transformational for the business. If you can get beyond that, I think that's interesting. So there is a huge white space and a long runway for us to grow into.

Reminders are a useful indicator on this; they continue to grow. The average customer has set between six and seven reminders, which is an indication to the extent that those reminders are either linked to events they've previously bought for, or it's linked to events that we've encouraged them to set. Then I think it does give you an indication of maybe the near-term goal should be to absolutely capture all of those reminders. And we've used some pretty interesting tools in the past. So for everyone buying a card at Mother's Day, we've encouraged those customers to set a mother's birthday reminder, given we can pre-populate a lot of the information already, and that's been very successful. And so just trying to use user experience and behavioural tools to drive that next card from customers. So, I think we continue to try and set more reminders and then convert those better, and everything we're doing shows that it is working.

The final point was just on the average frequency. Yes, the average is three, but when we break that down, there really is a sort of barbell distribution where you've got 40%, 50% of customers buying one or two cards and the others buying five or six or more cards. And then there's a long tail of customers buying 10, 20, 30, 40, 50 cards a year. So actually, there is a point here with Moonpig that there are some customers that come once and don't come back – those tend to be the new customers. But once you're in the Moonpig ecosystem, once you're coming back in that second year where we've shown the cohorts, these consistently show those customers essentially never leave, those customers are in that higher bucket of buying five or six cards. And so actually the journey of getting them into Plus, getting them up the curve, getting them to seven cards, eight cards, nine cards is the key.

And so we think there's two big opportunities here. One is to get the half of our customers that are already using us to use us more, and Plus is a big, big driver of that. The other half is to get a lot of the one-time customers to make sure they do come back for that second and then third card. And that's where a lot of our CRM and promotional incentives go into. And both of those are [inaudible], got a pretty clear plan to deliver on.

Company representative

Secondly, we have a single and final written question from Hamish Adam, an individual investor. It reads, "What factors will influence how much of the £60 million buyback you complete, and what is your current best estimate of how much you will complete?"

Andy MacKinnon *Chief Financial Officer, Moonpig Group plc*

I'll take that. Hi, Hamish. In the last 12 months, our business has generated £65 million worth of Free Cash Flow. And the great thing about that is that that is funding some significant capital returns to shareholders. So, as you observe, we've got the £60 million buyback across the year, in addition to the fact that we've put up the interim dividend by 25%.

We've got a pretty clear approach to how we think about buybacks. So we do it where there is excess capital, where we're confident that it's earnings accretive, and then actually we also pay attention to whether or not, in terms of return on investment, it's a useful deployment of capital.

In terms of where we stand today, we do have excess capital because we are very well invested in all of the areas that we want to put money into the business. So, we've got, 10% of revenue has been spent on marketing, we're spending between 4% and 5% of revenue on capital expenditure, and we're doing everything that we can at the moment in our international markets. So as I touched on in one of the early questions, the constraint there is around how we get to the point where we're confident the economics will be able to scale further.

And then in terms of EPS accretion and ROI, at the current share price, we think that Moonpig investing in itself by buying back its own shares is an attractive use of capital. And therefore, whilst the share price remains at the current level, my expectation would be that we would continue to spend

all of the £60 million on buying back shares – and following the same approach that we've applied throughout each of the last two halves, which is broadly to be always on in the market in terms of activity.

Probably the one final thing that I'd note is actually the total amount of shares which we repurchased in the year will likely be higher than £60 million because in addition to the purchases as part of the share buyback programme, the employee benefit trust has started to make purchases of shares and because we've moved to satisfying share awards through market purchases rather than through dilution, as well. Actually, as we stand today across H1 and H2 today, the EBT has purchased just under £6 million in shares in addition to the £60 million programme. Thank you.

Company representative

Given there are no further questions, we shall now hand back to Nickyl for closing remarks.

Section 11 (58:54) – Closing remarks

Nickyl Raithatha - *Chief Executive Officer, Moonpig Group plc*

Thank you, everyone. Thanks for all your questions and thank you on a personal note for all of the interest and support you've shown to Moonpig over the last few years. I feel like I'm leaving Moonpig in a great place with very good momentum across the Group, a fantastic platform, a fantastic team, and a huge growth opportunity. And I think that this business is very well-placed to deliver extraordinary value for shareholders over the coming years. Thank you all for your time today, and hopefully I'll see as many of you as possible over the next couple of weeks on the roadshow, otherwise at a different point. Thank you.

Operator

Thank you for joining. We are no longer live. Have a nice day.

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