moonpig group plc

Moonpig Group plc

FY25 Full Year Results - Year Ended 30 April 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
- **Andrew Wade** Jefferies – Analyst
- **Fiyin Durojaiye** JPMorgan – Analyst
- **Adam Tomlinson** Berenberg – Analyst
- **Alison Lygo** Deutsche Numis – Analyst
- **Matthew McEachran** Singer Capital Markets – Analyst
- **Anubhav Malhotra** Panmure Liberum – Analyst
- **Wayne Brown** Panmure Liberum – Analyst

Operator

Good day ladies and gentlemen, and welcome to the Moonpig Group FY 2025 full year results Q&A session.

(Operator Instructions)

I will now hand over to Nickyl Raithatha, CEO for his opening remarks.

Section 1 (00:37) - Introduction

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Good morning all and thank you for joining. Moonpig Group has delivered another strong set of results in FY25, which reflects the resilience of our model and the consistent execution of our strategy. The Moonpig brand itself delivered nearly 9% growth, which we think is a standout result in what has been a challenging consumer environment. Growth was driven by continued customer acquisition and a return to healthy momentum in gift attach. Group Adjusted EBITDA margins came in at 27.6%, above the top end of our guidance, and Adjusted EPS increased by 18% ahead of expectations. We're generating significant free cash flow. Leverage is now at our target levels, and so we've introduced shareholder distributions – buyback and dividend in the second half of the year – and we've continued that with a £60 million buyback programme this year. And that just reflects our confidence in the underlying earnings power of this business and the capital efficiency of our model.

Our investment in technology and data continues to deliver tangible benefits. Moonpig Plus subscriptions grew 84% year-on-year, approaching 1 million subscribers, and now driving over 20% of our business. Occasion reminders surpassed 100 million entries, now driving over 40% of our business. And gift attach rate accelerated to 70 basis point growth in the second half. These levers continue to drive increased frequency and customer lifetime value across our 12 million users.

Looking at year to date trading, we've had a really strong start to the year. The Moonpig brand has returned to double-digit revenue growth. Greetz is now back to flat year-on-year. And Experiences is gaining operational momentum as we move into the final phase of our transition plan. We've also seen good progress internationally with continued healthy growth in Ireland, Australia, and the US. For the full year, we expect to grow Adjusted EBITDA in the mid-single digit range and deliver Adjusted EPS growth in the range of 8% to 12%.

As you'll also have seen this morning, I have decided to step down as CEO. After seven incredibly rewarding years, this is the right moment for me personally. I've loved leading this business and I'm extremely proud of what we've built. The decision forms part of a longer term planned succession process. The search for my successor is now underway, and I'll continue to work closely with the Board on this. I've made this decision because the business is in such a strong position, and it gives me full confidence that this is the right time to hand over.

We're delivering consistent growth, strong margins, and cash generation, and that's enabled us to start returning capital to shareholders whilst continuing to invest for the long term. We've got strong momentum, and the medium-term opportunity remains significant. Our strategy is clear, the leadership team is exceptional, and the platform is well set for the next phase. I'm fully committed to leading the business over the next 12 months, continue to deliver on our strategic priorities, and ensuring a smooth and effective transition to my successor.

Thank you for listening and I look forward to all of your questions.

Operator

(Operator Instructions)

Our first question comes from Ross Broadfoot from RBC Capital. Please unmute your line.

Section 2 (04:13) – RBC Capital Markets

Ross Broadfoot *RBC Capital Markets*

Morning gents, can you hear me?

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Hi Ross.

Ross Broadfoot *RBC Capital Markets*

Good, thank you. Yeah, so three from me, please. Just firstly on the strong customer growth. Can you give any colour on what's working particularly well in resonating with those customers, and the degree to which you think that growth is sustainable at this kind of level?

And then the second, how should we think about the order frequency from here? Obviously, some impact from that strong customer growth on frequency, but just thinking about that in the context of the higher frequencies from the growing Plus customer base.

And then number three, just on Greetz, as you mentioned, an improving trajectory, but still a bit more to do. Realise there are a number of things you're working on here, but what would you flag as the most important? Thanks very much.

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Great questions. Thanks, Ross. So, I think on the first – I think one of the things we've done on the customer growth. So, there's two things. I think one is just the general brand positioning around having the world's most personalised card, I think, is really starting to play through. So, as we continue to innovate, we continue to resonate with customers, what we're seeing from customers, they understand just how different we are versus buying a regular card from the offline market. And so, that's pulling more customers online.

I think in parallel with that, we've made some specific improvements to make the new customer journey easier. So last June, so it's been a year ago, we introduced social login for the first time. So, you can – to create an account, you can just log in with your Google or Apple credentials. It's e-commerce best practice, but we launched it then, and we saw a pretty significant step up in conversion rate at that step from customers that previously may have not wanted to create an account.

And then we've done a similar thing, actually with an ability to log back in. So, introducing something halfway through the year called “Magic Link”. So, if you've forgotten your password, you don't need to reset it, you click on it and from your email you can log directly back into your account. And that obviously helps massively with retention as well. So, bringing customers back who may not have used the business for a while and forgotten their password. So, there's been a few technical changes alongside the continued brand investment, and those have just driven that continued customer growth in what is not an easy environment to acquire customers, certainly on a performance marketing basis, but we've been very happy with the growth there.

On frequency, I think the underlying strength of our cohorts is very compelling. I think we gave some detail on this a few months ago at the capital markets day. But what we see is that the frequency of customers on a like-for-like basis, it continues to improve. And that's really a direct driver of Plus customers instantly increasing their frequency. Customers that are setting reminders, increase their frequency. Customers that download our app, increase their frequency. And more and more now we're seeing customers that interact with our creative features, that use our AI stickers, that use our AI handwriting, that use our video messages service, their frequency increases as well. And we measure that by how many of them come back in 30 days, 60 days, 90 days. So, I think, what you see this year is there's a big mix effect holding that back with a big cohort of new customers that pulls down the average. But, if we look at each cohort one by one, we're seeing that continuous progression in frequency as we execute our strategy, and that gives us confidence. If you think about our medium-term guidance, we've shown how much frequency should contribute to growth each year, and that's where we remain.

And the last one, on Greetz. So yeah, I think it's been really encouraging to see the progress in Greetz and great to be back on flat year-on-year in the last couple of months. And we're hoping that is a platform on which we continue to build. I think one of the biggest unlocks here – maybe the starting point here is, Greetz, the Dutch market is a much tougher consumer environment and macro environment than the UK even. And so, we are facing into some market headwinds there. Greetz is outperforming – I think certainly this year we can see Greetz is outperforming the market pretty significantly. And, I think, one of the big unlocks for us is really around getting the group technology platform to work for Greetz. So, it's been some time, it's been a couple of years since we migrated the Greetz business onto the new platform. And, I think, we did think that probably the benefits of the platform, which I think Moonpig demonstrates are pretty compelling, we thought those would reach Greetz a little bit sooner than they have. And we spoken in the past about why this has taken longer. I think partly it's because there was some customer reaction to the features changing, the user experience changing and getting used to that.

But one of the bigger things we learned was actually, the data models, which is ultimately what our platform is – it's about intelligent algorithms driving the process. They took a lot longer to learn on what is a smaller data set. And actually, just using the learnings from the Moonpig data set didn't really have that much value in the Netherlands, because the customers behave slightly differently. And so, we had to build that from scratch. And so, those data models are gathering momentum as they learn more and more each day.

And in parallel, we actually realised that some of the data architecture wasn't harmonised in the same way. So, the card tagging, for example, if you take an average card, it was tagged manually by a designer, and they may have tagged a card that this is for women, for ladies, for mum, for girls, but they may not have tagged it for aunts, or grandmas, or whatever. And so, there was just an inconsistency in tagging that meant when you were searching for a card, the algorithms couldn't quite work out exactly how to understand the card. What we've introduced now is we've introduced AI tagging. So, an AI tool basically scans the front of the card and decides who that card might be for and what that might be about, whether it's a funny card or not. And that means we've got consistent tagging across all 40,000 cards on the site. And that basically is a really big unlock when you think about AI intelligence models, you need to put high-quality data in to get high quality outputs. And now we're at that place. So, I think there's that.

And then the third thing is we've built a configuration layer for the first time at Greetz. So, we've realised there are just going to be some areas and some parts of the experience where the Dutch consumer just is different to the UK consumer. We saw this pretty starkly. We released a delivery selector tool to customers in the UK and the Netherlands on the same day a couple of months ago, which basically puts up your options where you choose the date you want it delivered, and we basically say, "Here are your postage options." And we say, "Look, if you want it fastest, this is your option. If you're not worried about time, this is your option." And so, we prioritised speed. And what we saw was in the UK, consumers massively gravitated towards it, and we saw a big surge in customers opting for that best-in-class delivery. What we saw in Greetz was actually NPS dropped because customers felt we were pushing them a more expensive service. And so, what we've built is a configuration layer. So, now Dutch customers, they see the most cost-efficient product first. So, a stamp price, and then the fastest delivery second. And actually, just something as simple as that, just massively changed the NPS and then therefore the lifetime value and retention of customers.

So, I think, the biggest on up for Greetz is getting the platform to work. We've done a huge amount – we've made a huge amount of progress now. We've got all of the data architecture aligned, we've got all of the systems aligned, and so I think we should really see that start to come through now in the foreseeable future.

Ross Broadfoot *RBC Capital Markets*

Brilliant. Thanks, Nickyl.

Operator

Our next question comes from Andrew Wade of Jefferies. Please unmute your line.

Section 3 (13:08) – Jefferies

Andrew Wade *Jefferies*

Morning team.

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Hi Andy.

Andrew Wade *Jefferies*

Hi there. A couple from me. The first one, just talking through the softer H2 trend, specifically in the Moonpig brand. Could you give any detail on where that's been? Has it been in the new customer acquisition side, the frequency, how prices work through trading down? Just what detail, if any, you can give us behind that? And then what levers you pulled to re-accelerate that? Because obviously we've seen an acceleration, the start of FY26. That's the first one. Do you want me to fire them off or do you want to do them in turn?

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

In turn's probably better.

Andrew Wade *Jefferies*

Cool. Okay.

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Let's do that. Yeah. So, I think, we did see a step down in consumer confidence in the second half compared to the first half of the year. And that probably was – post-Christmas was probably when we really started to see it.

And firstly, it talks to the resilience of the Moonpig model, that actually that was only a couple of points of growth, but we did see that. It is across the board. So, we see it partially through customer acquisition and then partially in the upsell piece as well. So, whether that's customers upgrading to a large card or buying a larger bouquet of flowers, I think that's where we see some of the pressure.

And I think on frequency – so, there's a very, very small couple of basis points, but it's still – we see some drag on frequency through that period. But what we can say is that we can see pretty clearly that actually, in that second half, we continue to significantly outperform the market, which is obviously good. And then, as you said, we put in place a series of initiatives to get back to the growth levels we want. And so, towards the end of the year, and what we're seeing play out now in the new year, is there was a bunch of initiatives that we launched, I think. So probably the main one was around our delivery service, so one of the UX changes that I talked about.

But we've really been pushing this Moonpig exclusive guaranteed delivery service. It's unique to the market, no one else is offering it, and certainly at this price, and with this guarantee. And customers are really starting to associate us with that offering and come to us for it. And so, we've seen a huge growth from almost a starting point of zero, 18 months ago, to now more than a third of customers paying for tracked, guaranteed delivery on a card. And that obviously has a revenue implication.

Also, I think gift attach is something we've been really excited about. I think we know it's been a tough couple of years for gift attach, and running to stand still, whereas actually now it feels we're starting to run on that. So, even in a tougher environment in the second half, we accelerated gift attach. That's continued in the new year, and again, that's driven by two things. It's the quality of brands we're bringing on board, and we've brought on board Next Home and The Fragrance Store and stuff which we're seeing really, really strong growth from. And then the algorithm just really starting to kick in. So, all of those AI initiatives we spoke about previously, our ability to understand the message in the card, and use that to recommend the gift. That is driving a lot more relevance in our recommendation engine. So, yeah, gifting has really picked up as well.

Andrew Wade *Jefferies*

Great, thanks. Very clear. And the second one, we had revenue come in towards the bottom of the guided range, but profit dropped through, whether you look at Adjusted EBITDA or Adjusted PBT it was stronger. Anything you can point to in terms of why that second half profit extraction was so strong? Was there any one-off element in there or it's just the trading?

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

I'll hand to Andy.

Andy MacKinnon *Chief Financial Officer, Moonpig Group plc*

Hi Andy. I think certainly at the operating profit level, the key driver there is the performance of gross profit at the Moonpig brand. I think now across a number of halves we've seen strong, consistent performance in terms of gross profit margin progression. And that's down to – the buying teams have really got the wind in their sails in terms of supplier management and intake margin management. We've got a programme of operational improvements at our UK facility, including during the year, in phases, we've insourced the fulfilment of balloons, and that's had a margin benefit. And I suppose the good news about both of those things is they're things that are enduring so they will carry forward into future periods.

And then on top of that, we talked a bit at the half year about the fact that we are growing our sales through sources of revenue which are 100% margin. So, obviously to the extent that we have moved our toy range across to an agency commission basis with The Entertainer and we are growing those sales and we're growing sales of gift experiences, that's at 100% margin and that's positive for gross profit margin. So, all of that is stuff that is enduring.

I think looking forward, you can expect that the gross margin percentage will be a little bit lower year-on-year, and that's effectively implicit in our guidance for Adjusted EBITDA margin growth, because there are some costs coming through. Obviously, there's been an increase in national minimum wage and national insurance – and whilst we're relatively unexposed compared to most B2C businesses, there is a little bit of cost that we'll need to absorb in gross profit. And then to the extent that we're seeing really good traction in terms of both growth in gift attach rate and tracked delivery penetration, those are great revenue drivers and absolutely strategically right, but obviously they are at lower than average gross margin rates, so, there'll be a mix impact as we move into FY26.

Andrew Wade *Jefferies*

Great. Very clear. And then final one. Nickyl, sorry to hear you're soon to move on, but good luck with whatever you do next. So, we've got a year of you left potentially. But I'm interested as to what you would do differently if Moonpig was private? And maybe now is a good time to reflect on that, if there is indeed anything you would do different?

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Yeah, great question, Andy. I think the main answer is probably not that much, right? I think we've got a great Board that works with us closely to work out how do we create as much of that long-term value as possible, and we work together to execute on that. If I'm pushed, I think there's probably a little bit more permission in private markets to take more risky bets. So, could we consider a slightly different capital approach to international expansion? Potentially. But I think there's actually something really powerful about the capital discipline that I think being public gives, and the way that we are bootstrapping our way to hopefully creating some pretty exciting new markets businesses. Actually, on balance it's probably a better way to go. So, yeah, probably no major things I'd say there.

Andrew Wade *Jefferies*

That's interesting. Thanks very much, guys. Appreciate your time.

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Thanks Andy.

Operator

Our next question comes from Fiyin Durojaiye of JP Morgan. Please unmute your line.

Section 4 (21:20) – JP Morgan

Fiyin Durojaiye *JPMorgan*

Hello, good morning, all. Just wanted to follow up on the gift attach rate and more specifically the stronger gift attach rate increase in H2. And just wondering how much of that is due to the business being better at nailing seasonal events versus fundamental factors at play driving this growth? And to follow on from that, also wondering where your gift attach rate ambitions now lie versus the current high teen levels that we see in the year?

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Thanks. Yeah, great question. The attach rate, it's not a peak phenomenon. I think it's an all-year-round phenomenon. So, if you think about our attach rate on any given day, it probably mirrors the average increase that we saw. So, the 70 basis points was probably pretty consistent through certainly the half and naturally accelerated through the half.

And yeah, I think what we see is that when we add a new brand or really step up a new category, or when we introduce a new algorithm that just step changes relevance, we can pretty clearly measure the impact that's having on global attach rate, and that just keeps ticking up. And so, we saw a big step change last year when we introduced The Entertainer, doing all of our kids and baby range. So, we saw a big step up within the attach rate for kids and baby cards, of course.

And then I think The Fragrance Store and Next home and beauty, I think were two of the other bigger ones. A lot more beauty brands, there's a lot more smaller brands launching as well, and we've got a really exciting pipeline coming in the next few months as well, of more of those. We're also trying new things. So, for the first time, actually with Virgin Wines that manages that category for us, we did some paid marketing on social, which they did the marketing contribution, and we co-branded some marketing on paid social for that to boost Virgin Wines at Moonpig. And that was incredibly successful. So, we saw really strong growth while we were doing that on wine sales on our business. So, again, that unlocks for us a new way of pushing it. So, we're continuing to deliver better products to the customer and put them in front of the customer, and that's driving attach every day.

In terms of where it goes in the long term, if you think about – our medium-term guidance is that we think that the average order value should grow at 4% to 6% a year, and the primary driver of that is attach rate. And so, when we think about what that means, it means we see an attach rate on a normal basis growing one percentage point plus a year, and we see no end to that runway. We know that 60% of all cards in the UK are given with a gift. We're at 17% or 18% today. So, I think our internal near-term focus is how do we get that to 30%? So, we see there's probably a 10-year runway here without really even eating into that much of the opportunity. So, no end in sight and we've got a whole bunch of ways to do that, including digital gifting, digital gift cards, and just working with more brand partners and brand heroes.

Fiyin Durojaiye *JPMorgan*

Perfect. Thank you so much.

Operator

Our next question comes from Adam Tomlinson of Berenberg. Please unmute your line.

Section 5 (25:04) – Berenberg

Adam Tomlinson *Berenberg*

Hello, can you hear me?

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Hi Adam. Morning.

Adam Tomlinson *Berenberg*

Hi. Thanks guys. Thanks for taking my questions. A lot of them have actually been asked, but I suppose first one for Andy, just on free cash flow, obviously stand out in today's results. And if you could maybe just talk through that slight step up you've seen there. And then looking forward, what we should expect. Are there any big investments I guess, coming, that could depress that free cash flow level? Just a bit of commentary around that would be helpful, please. That's the first question.

And then I suppose the second one, to Nickyl. Inevitably, the shares reacting today to the news of you stepping down. So, I suppose what might be helpful is just to get a recap on why there isn't a need for investors to worry here, why the Group is so well set looking forward. And perhaps with reference to some of the operational team that you have in place. And I know we met those at the capital markets day, but just a reminder of that might be quite helpful.

Andy MacKinnon *Chief Financial Officer, Moonpig Group plc*

I'll take the first question. Hi, Adam. Yeah, you're right, one of the features of results is continued strong free cash flow. So, £61 million last year and £66 million this year. And effectively that's inherent in the Moonpig operating model. We're relatively high profitability, low capital requirement, and a negative working capital cycle. So, I would certainly expect that strong cash generation to be a consistent feature in future periods, and indeed to continue growing as we continue to grow our Adjusted EBITDA.

Looking forward in the year ahead, you will see that it will continue to be weighted into the second half of the year. So, what you'll probably see is a slight increase in net leverage in H1 of FY26 but coming back down to the net leverage target of around 1.0x by the end of the financial year.

Probably the one thing to call out is probably slightly lower capital expenditure in the year just gone. We were at 3.8% of revenue and we – well, our medium-term guidance is 4% to 5% as a range. Part of that is just the mix of projects in the financial year. So, we had some projects such as a new warehouse management system, migration of Greetz onto the Stripe payment platform, which were SaaS configuration, and you're required to expense those rather than capitalise them. So, it's not a cash flow impact, it's a shift between P&L and capex.

But also within the overall capex envelope in the next financial year – and actually, probably in FY27 – we'll see a higher rate of tangible capex investment. So, we've previously talked about £2 million a year, in our results today we talk about an expectation of mid-single digits, so maybe £4million or £5 million. And that just reflects the opportunities that we have to leverage our in-sourced fulfilment to drive further improvement.

So, in particular in this year, we're looking at bringing the fabrication of giant cards, our largest card size, in-house. It's currently done by a third-party fulfilment partner, but we're going to bring that into our main operations. And then there's an investment in parcel sortation that we're looking to do. And that's not about margin; that's actually about being able to broaden the delivery offering for our customers. So, to the extent that you can sort parcels into different buckets, it's an enabler for being able to, for instance, do Tracked 48 as well as Tracked 24. So overall – expectation of continued and growing free cash flow generation and a little bit more capital expenditure compared to a relatively low base in this financial year.

Adam Tomlinson *Berenberg*

Okay, very helpful, thanks.

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Yeah. On your second point, I think from my side, I hit that seven-year mark, actually just last week. And as I've been thinking about this and just making what is a personal decision about just my career and just thinking that I'm ready to explore what the next chapter might be. I think one thing that was really important to me was to, I guess, in the words that I used, was to leave Moonpig on a high. And I feel like I'm actually able to do that with confidence now because what we've got is a business where we've got great momentum in the business with Moonpig having had, I think a very good year and currently at that double-digit growth range with operating leverage coming through. Greetz, I think we've unlocked now what we needed to unlock and so on a trajectory path where it's flat now and hopefully that continues to build. And then Experiences, clearly still some work to do, but we're in the final phase of our transformation plan. The operating momentum is accelerating, and I think pretty confident about what that business will do.

So, I feel like actually it's a platform where we've got strong momentum, we've rebuilt the technology platforms across the group. We've got an extraordinary leadership team. I think my bench is very strong. Andy, obviously you'll know and love, but I think just beyond that, whether we look across tech, across marketing, across operations, the general managers running each of the brands, I think we've got an exceptional team of capable, competent, stable, and entrepreneurial leaders that I think will continue to drive great value for the business.

And so actually, from my perspective, I think I'm able to step away at some point in the next 12 months, but knowing that my successor will come in to what is a growing, cash generative platform and will be able to build on top of that, hopefully take this business to the next level and deliver on our medium-term ambitions, which I think I'm still very, very confident about.

Adam Tomlinson *Berenberg*

Great. That's really helpful. Thank you very much.

Operator

Our next question comes from Alison Lygo of Deutsche Numis. Please unmute your line.

Section 6 (31:51) – Deutsche Numis

Alison Lygo *Deutsche Numis*

Morning, guys. Can you hear me?

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Hi Alison. Good morning.

Alison Lygo *Deutsche Numis*

Good, good. Thank you for taking my questions please. First one, could you talk a bit about advertising revenue that you are generating, interested in terms of how that trended through the year and what you're expecting and working on for the year ahead?

And then the second one, I'm just interested in terms of the consumer behaviour you're seeing around delivery options. Obviously, the gap between a first class price stamp and the tracked option you're offering isn't huge now. So, interested in terms of what you're seeing in terms of the consumer behaviour between picking between those two and how that's maybe trending.

And then the final one I had was just anything to highlight in terms of the development of that gifting range. So, thinking both in terms of new categories that you are feeling like you might want to expand into, but also how you're thinking about categories and premiumising within it. Thank you.

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Great. Yeah, so Andy, do you want to maybe take the ad rev one and I'll take the second two?

Andy MacKinnon *Chief Financial Officer, Moonpig Group plc*

Yeah, absolutely. I mean, we do earn small amounts of revenue from suppliers and through supply marketing income and some sources of advertising like income like sponsoring on email CRM. But it is a relatively small part of our business at the moment. The way I would think about that is as being a constituent and a contributor to the gross margin progression and part of our management of supply relationships as opposed to a large and distinct revenue stream. So, we're not, and I wouldn't see us being, the same as some other platforms where display advertising across the website real estate is a significant revenue driver. It's a small but helpful and growing part of our business.

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

So, I think on delivery, what's clear is – as we've introduced our guaranteed delivery service, which is, again, is unique to the market. One, it's a Royal Mail Tracked 24 service, but we're pricing it significantly below anywhere else, and we're adding the Moonpig guarantee where you get, we will credit your account if it's not delivered the next day. And that really is resonating with customers. So, we've seen that pretty much double this year as we've made that more prominent and customers have learned about that product and we're seeing it drive important customer satisfaction levels as well.

So, we've got more than a third of our customer base now using that. Obviously, all of those customers have come from previously buying first class stamps. And so, I think the long-term direction on first class stamps is a little bit uncertain. I think, if you look at what Royal Mail has done in the last few years is they've clearly raised the price from £0.80 to £1.70 in I think two or three years. So, there's a very clear direction from them to significantly increase the price of first class and ideally encourage customers to move into probably second class or into tracked. And I think with some of the changes that are being proposed with Ofcom – and we'll see what happens – but there is a consideration that actually, you move to a world where first class and tracked services converge in the long term.

So, I think for us, what's really important is – we are offering all of our customers the best offering we can. And so, we've got a compelling tracked service, we continue to offer first class stamps, but it's slightly less compelling given the reliability of that service and the price differential. And we're actually going to start exploring whether there's an economy service or some version of second class, which we can offer customers that actually are ordering cards in advance and a significant amount of our customers are now scheduling orders in advance. And so those could clearly use a second class service, which should be more economical. So, we will launch that in the coming months as well. So, I think it's a moving feast, but we feel really well positioned that we've got best in class options for customers and they've always got the option of adding a gift and moving straight into the courier network where we can use Royal Mail or DPD to deliver those. So, as gift attach grows, that also helps. So, when you look at the attached orders plus the tracked card orders, our dependence on first class is getting less and less.

And I think about your question on the gifting range. We've talked about some of the categories we've launched. I think going forward there's some pretty exciting brands lined up. We're going to be partnering with some very well-known brands on flowers to potentially launch a range of flowers, but that are branded under another flower brand. We're looking at books. Can we get a range of books from one of the national bookstores? Beauty, I think there's more we can do there. And we've actually signed with probably the largest chain of beauty products in the country. So, I think there's a lot coming there.

In terms of your question on premiumisation, yeah, we'd love to explore that further. I think what was really interesting was we launched, 15 months ago, we launched Hotel Chocolat onto our platform. It is our number one brand. It jumped straight to number one brand despite being twice the price of all our other chocolate brands. And so, it really resonates with customers as a gift. And we know we've got customers that are willing to spend a little bit more for the right product. And actually, that growth is continuing – even Hotel Chocolat saw pretty extraordinary growth even at Father's Day just two weeks ago. So, I think we know there is demand there for these brands.

On the alcohol side, we have those brands. On the fragrance side, we have those brands, but there are a couple of partners we're trying to work to get that. I can't share names at this point, but there's one brand in particular which is homeware and gifting. And we're in a place where even internally, their commercial team is very excited about working together, but the founder of the business is considering the brand resonance. And that's something we need to just prove. So, I think we're going to be adding more categories, better products, better well-known brands continuously through this year. The premiumisation thing, it's a little bit of a harder fight, but we've got some great case studies, and we'll get there.

Alison Lygo *Deutsche Numis*

Grand. That's helpful. Thank you very much, guys.

Operator

Our next question comes from Matthew McEachran of Singer Capital Markets. Please unmute your line.

Section 7 (39:31) – Singer Capital Markets

Matthew McEachran *Singer Capital Markets*

Great. Thanks very much. Morning, guys. You sound quite optimistic, Nickyl, about the Experiences changes that you are implementing. There's a bit of detail in terms of slides 28 to 30, but I just wondered if you could really elaborate a bit more – and also the timelines for some of these changes to make a real difference. You talked about medium term, but is there a scope for this business to start pivoting back to a growth trajectory later on this financial year?

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Yeah, great question. So, I think probably the first thing to say is, the Experiences business is a cyclical business, I think selling – the average price point is around £90 – for the customer, it's a more discretionary gift. And so it's more cyclical than certainly our card business will be. So, to some extent there's a market headwind or tailwind, which we're at the mercy of. We've been pretty clear that we wanted to transform the business when we bought it, and we are now in the final phase of that transformation. So, we've fully rebuilt the tech platform, I mean, every part of that. We've rebuilt the team. I think we started with the tech side. We've in the last probably six and six to nine months rebuilt the commercial, marketing, retail side of the team. So, we feel we've got the right people in the right seats and the right structure now.

And actually, those two things then enable us to move on the third pillar, which is really refreshing the range, and I think one of the things we've spoken about is, we spoke about it in December, is we accept that probably the range of products we're selling was a little bit tired. It hadn't changed that much. If you think back five or even ten years, the world has moved on and there are many experiential things that you can do that are very topical, that are very in demand. And there are some restaurants that have queues outside. There are concerts that sell out. There are experiences that just completely astonish. And so, I think our focus now is really accelerating the pipeline of bringing on board new partners and new categories which go to where the customer is rather than getting them to come to us. And so rather than continuing to say, buy afternoon teas and the hotel stays, which continue to sell, actually customers are going axe throwing in the evenings, they are doing VR, virtual reality, Squid Game events, and people are doing more at-home experiences as well. And so, I think we need to go there and that's what we're doing. So, we've got a really strong pipeline now and we're working through that pipeline to onboard these new partners. And so, I think what we'll start to see is in the next one month, three months, four months, five months, we'll really start to see the range change a lot.

And I think some of the categories we've talked about are subscriptions – I think we've got about 40 different subscription partners that are in the pipeline and hopefully we can build that. And we can become almost the home of subscription gifting in the UK, whether that's a beer subscription or a flower subscription or a coffee subscription, I think we want to offer those, those are digital and can all be done digitally.

I think for immersive experience and live experiences, I think that's really critical. We've got Squid Games experience, Traitors experience, those things. And we've got exclusives on those, so we'll be the exclusive third-party reseller of those events, which we know are going to be very popular. So really, I think there's those. And then just within gourmet, just making sure we've got all of the key brands that customers love and leveraging what we've got to do that.

So, I think for us, what we are confident on is that in the next few months, the range will start to look a lot more fresh and a lot more relevant to customers. And in parallel we've got a new tech platform so we can continue to optimise how we present those products to customers, how search technology works, how we can show them to customers.

And I guess, my experience in my career tells me that if you get those two things right, if you're offering relevant products to customers and you are doing it through a seamless digital experience, that will drive customer growth, that will drive conversion rates and that will drive NPS and frequency. And so, I think that's the plan. We've got a clear strategy, we're executing on it, and we hope that that will start to drive financial improvement as soon as possible. But I don't think we're committing to growth numbers in the short term.

Matthew McEachran *Singer Capital Markets*

No, sure. No, that is pretty helpful background. I mean, do you think that once you've got some scale in terms of the new proposition, the range, would you envisage the brands needing some additional marketing just to raise awareness? Or do you think you would just simply be trying to convert your existing traffic and spend and then reinvest some once the business is back on a positive footing, they then start reinvesting in additional marketing?

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Yeah, I think probably when – there won't be a big, big brand investment, I think we are being more and more creative across the Group actually, and just how we keep that drum beat of marketing on. And actually, Greetz is a good example of this where the acceleration in partnerships that we're doing, leveraging others' brands and just whether that's influencers, whether that's some of our suppliers and partners or whether that's just random partnerships. In the US we just did a partnership with Calm, the meditation app, and that brought a whole lot of new customers in. So, I think we're looking at partnerships as almost a way that doesn't require paid advertising dollars, but really just means that all year round we're just constantly getting in front of the customer. And I think Experiences has a really great opportunity to do that because we work with so many partners. So, I think really turning on partnerships, being clever with the way that we do social media, which can be a lot more cost-effective, I think we can create that drumbeat and build that brand momentum.

One thing I would say in Greetz, as an example, we've been doing this for about six, seven months now and what we've seen is the brand demand, so the amount of customers searching for Greetz on any given day, has gone from negative to positive in the last few months. And so actually that's growing year-on-year and that's a result of six, seven months of reasonably low touch investment and very hard work on the partnerships and PR side. And I think that's the strategy we'll look to replicate on the Experiences side. For example, we have exclusivity on the Traitors experience in London. We know that's going to be hugely in demand. It's going to be in vogue, it's going to be all over TikTok. There are ways to leverage that that don't require spending huge amounts of advertising dollars.

Matthew McEachran *Singer Capital Markets*

That's very helpful. Thanks very much indeed. Cheers.

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Thank you.

Operator

Our next question comes from Caroline Gulliver of Equity Development. Please unmute your line.

(pause)

Our next question comes from Anubhav Malhotra of Panmure Liberum. Please unmute your line.

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Hi Anubhav, I think you're still muted.

Section 8 (47:38) – Panmure Liberum

Anubhav Malhotra *Panmure Liberum*

Hi, can you hear me now?

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Hi, how are you?

Anubhav Malhotra *Panmure Liberum*

Hi, very good thank you. I just wanted to also ask on the Experiences business, do you feel comfortable with the level of earnings that you make in the Experiences business? And is that a factor in giving more back to some of the new suppliers that you want to on board onto the platform, to be able to let them get in without giving up too much of their – because obviously, I mean, some of the restaurants or the experiences businesses all over UK are under pressure on their margins as well. So maybe giving up some of that would be a way of getting them and do you feel that's something you can do?

And then second one, again on the Experiences business. You have two brands here, there's Buyagift and there's Red Letter Days. Do you think there's a need for a more clear differentiation between what each of the two brands stand for or do you think it is already very clear in the consumer's mind? Thank you.

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Andy, do you want to take the first and I'll take the second?

Andy MacKinnon *Chief Financial Officer, Moonpig Group plc*

Yeah, sure. I mean, I suppose I take the point, Anubhav, that that would be one strategy, but actually what we're finding is that we're getting really good traction with suppliers without having to do that. So, to the comments that Nickyl made, we are just starting to see new products come through to the website, but actually we have a really strong pipeline in the background. And that includes not just those immersive experiences, but also a significant number of conversations with people in the pub sector and casual dining and in subscriptions. So, I think we're in a really great place where we will be able to have a very significant impact on the product range and broaden it into categories where the Experiences brands haven't historically been as strong, but we won't need to dilute the margin rate of the business in order to do that.

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Yeah, and I think on the brand strategy, I think there probably is more we can do to differentiate. So, I think what's clear is Buyagift is more of a value driven brand for everyone where we want the broadest range. And it's almost, we think about it more as the Amazon of gift experiences, whereas Red Letter Days does cater to a more curated, slightly more premium offering. And I think there's more we can do to probably differentiate those, but I think for us that's probably not the key priority. I think the key priority is making sure we've got great products available on both of those brands and then working on the differentiation after that.

Anubhav Malhotra *Panmure Liberum*

Thank you very much.

Operator

Our next question comes from Wayne Brown of Liberum. Please unmute your line.

Section 9 (50:39) – Panmure Liberum

Wayne Brown *Panmure Liberum*

Morning gents. Hi. Sorry, I was a bit late to the call, so if this question's been asked, humble apologies, but Funky Pigeon is de facto up for sale and it's our understanding that their marketing budget has been pulled back somewhat. So, can you give us some indication on two levels. One, on an organic search perspective or maybe even also paid, are you performing better now than you were historically? And maybe is there some frustration maybe that isn't necessarily yet being seen in the underlying growth of Moonpig itself? Or am I just looking at this in the wrong way and I'm missing something? Thanks.

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Yeah, so if I understand your question correctly, I mean we haven't seen any change in the competitive environment, so I think we've always felt that Moonpig is taking share in the market and continues to do so, and we haven't seen a change in that trajectory. I think – Funky Pigeon – they publish their results every six months as far as we understand, the last results showed them at zero growth and zero profit. And so, it's unclear, we don't have visibility on exactly what the strategy is, but we haven't seen a change in the competitive environment. And I guess we are seeing growth come through on the Moonpig side, right? We're seeing order growth, attached growth, customer growth, frequency growth. So yeah, I'm not sure I fully understood the question.

Wayne Brown *Panmure Liberum*

Yeah, no, it's more a relative question as to trends, but that's fine. Thank you.

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Thanks.

Operator

As there are no further questions on the webinar, I will now hand over to Nickyl Raithatha for closing remarks. Please go ahead.

Section 10 (52:32) – Closing remarks

Nickyl Raithatha *Chief Executive Officer, Moonpig Group plc*

Well, thank you everyone for joining the call. Thanks for your questions and look forward to speaking to you hopefully very soon. Bye.

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