

# Becoming the ultimate gifting companion

Proposed Acquisition of Buyagift

23 May 2022



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# Acquisition of Buyagift: Becoming the ultimate gifting companion



# Highlights



## Transaction overview

- Attractive valuation: cash consideration of £124 million compared to FY22 Adjusted EBITDA of £14m<sup>(1)</sup>
- Funded through cash on balance sheet and extension of existing debt facilities
- Completion expected before the end of July 2022, conditional on UK regulatory clearance

## Strong Financial Model

- FY22 Revenue of £44m<sup>(1)</sup>
- FY22 Adjusted EBITDA of £14m<sup>(1)</sup>
- >100% operating cash conversion<sup>(2)</sup>
- Long track record of low double digit percentage revenue growth, that we will accelerate to mid-teens

## Compelling Financial benefits

- EBITDA margin accretive
- 20%+ EPS accretive in 1<sup>st</sup> year of acquisition
- ROIC > WACC during 3<sup>rd</sup> year of acquisition
- De-leveraging to comfortably below 2.0x<sup>(3)</sup> by April 2023

Note: Adjusted EBITDA is an Alternative Performance Measure ("APM"), the definition of which is set out in the Group's FY21 Annual Report and Accounts.

(1) Unaudited management estimates. Revenue refers to statutory revenue.

(2) Calculated as (Adjusted EBITDA – Capex + Working Capital) / Adjusted EBITDA.

(3) Pro forma leverage.



# Our strategy: Becoming the ultimate gifting companion

Creating better,  
more personal,  
connections  
between people that  
care about each  
other



Ensuring the **perfect range** of  
cards and gifts for **every**  
**occasion**



Building our brands so  
receiving our product  
**always means more**



Leveraging data and  
technology to make the **gift**  
**experiences effortless**



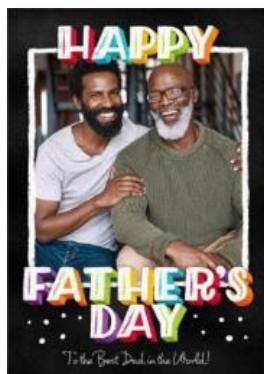
# Our data-led strategy delivers the UK's most powerful gifting recommendation engine

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Card-first

13 million loyal customers<sup>(1)</sup>

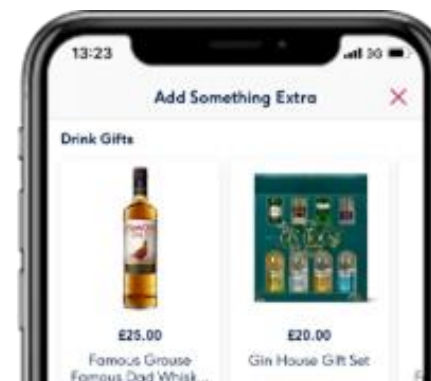


- Card purchase journey captures multiple unique datapoints including relationship, occasion, age, style, mood, depth of location, recipient address, propensity to spend
- 90% of card occasions linked to a calendar event (e.g. birthday, anniversary), repeating every year and building strong long term relationship data, strengthening over time
- Typical customer buys c.3 cards per year



Gift Attach

35+ million opportunities to cross-sell



- Extensive data from card journey powers proprietary cross-sell algorithms, driving highly relevant gift recommendations
- Huge upsell opportunity, with over 70%<sup>(2)</sup> of all cards in UK given with a gift
- Key is to build a wide range of curated gifts, so the algorithm can recommend the perfect gift for every gifting relationship and occasion

(1) Active customers.

(2) OC&C Estimates; UK Singles Card Purchases in 2019.

# Acquisition of Buyagift unlocks the £6bn UK gift experiences segment of a £57bn TAM

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We benefit from ...

... within a large and underpenetrated addressable market<sup>(1)</sup>

Data-driven insight  
into Customers'  
intent

Competitive  
advantage in  
attached-gifting

Profitable entry into  
the standalone  
gifting and gift  
experience market



The addition of Buyagift to the Group will:

- ✓ Step-change the gifting proposition for Moonpig's card cross-sell recommendations
- ✓ Unlock profitable entry into a fast growing segment of the standalone gifting market

Source: OC&C. (1) Based on OC&C estimates of UK, NL and ROI markets, 2019 (2) Based on midpoint of OC&C estimates for UK, NL and ROI (range: £23.5bn - £24.5bn). Defined by OC&C as value of spend of gifts given for the same occasion as a card is purchased. (3) Of the £57bn total gifting market, £33bn is incremental standalone gifting (i.e. not card-attached).

# Long-term secular trend from physical towards experiential gifting

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Post-war generations like to send extravagant gifts: an inherent need to show you care with material things



Millennials value **connections and memories** over traditional ownership

**Social media** and the hunt for “likes” is about consumers sharing authentic experiences

**Shift to distance gifting**, which digital delivery of gift experiences is ideally placed to serve

Consumers want **greater personalisation**, driving demand for more unique gifts

Greater consumer **focus on the environmental impact** of gift purchase decisions



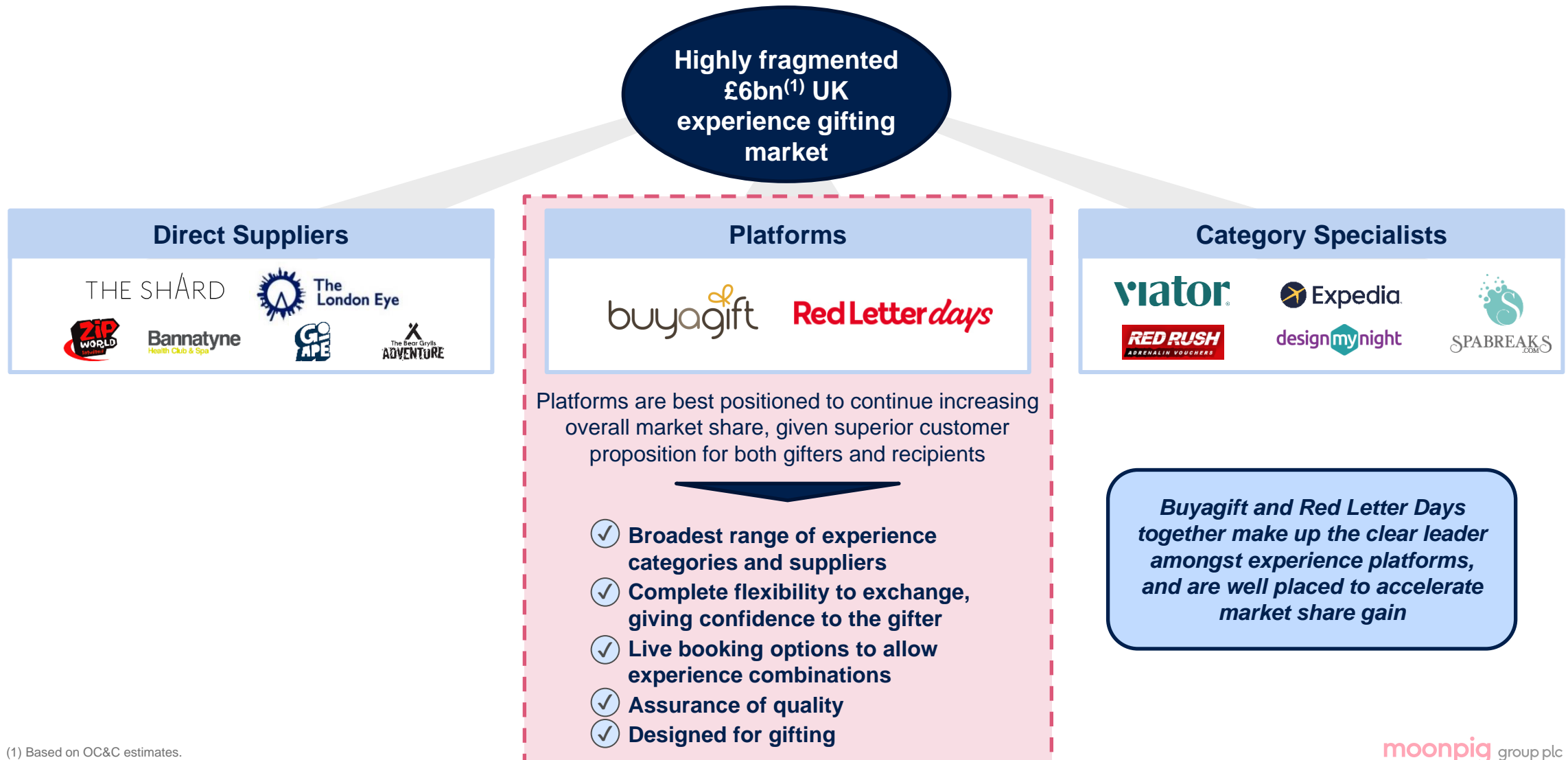
Post-millennial generations feel differently: an inherent need to share and give authentic experiences



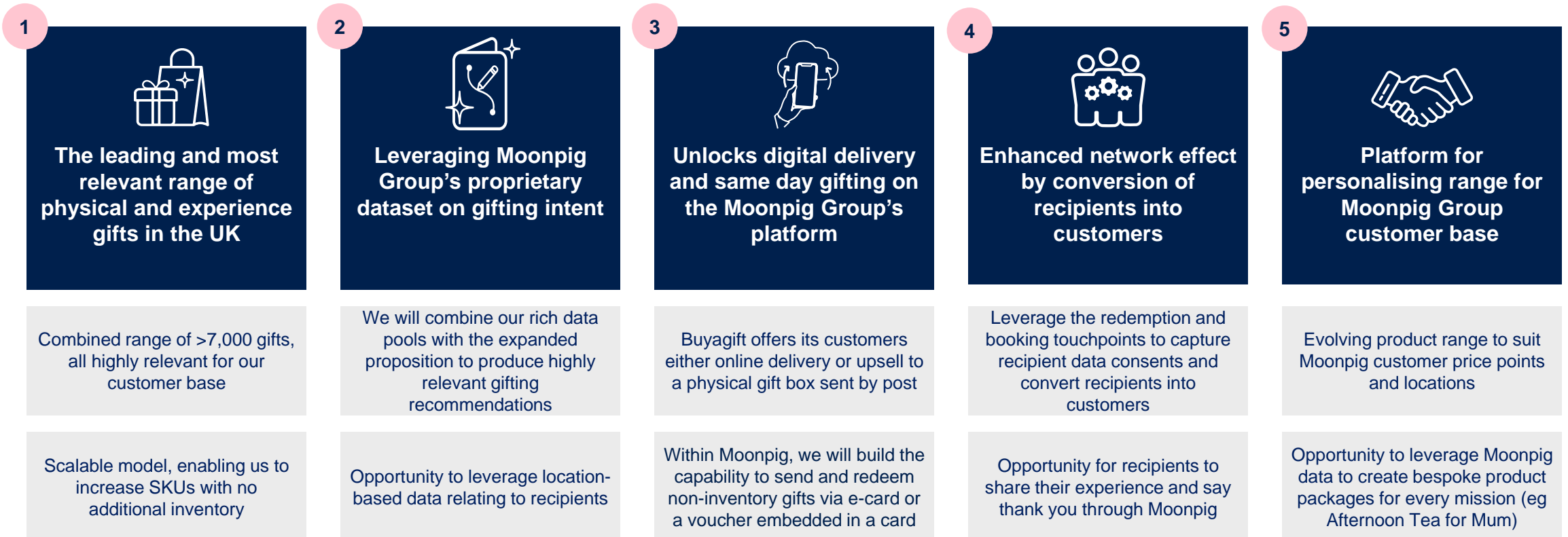


# We believe Buyagift will be the long-term winner in the large and fragmented gift experiences market

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# A superior gifting proposition to drive revenue synergies



# Leveraging our capabilities to accelerate Buyagift's growth



## Creating a technology and data led business

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- Transform from transactional online retailer into a customer relationship technology platform
- Fully digitalise the redemption experience to further drive upsell and cross sell
- Live booking across experiences key to building network effect



## Leveraging our marketing best practices and insight

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- Leverage Moonpig Group's marketing best practices and data insights to accelerate customer acquisition
- Build network effect by capturing and converting gift recipients into ecosystem
- Significantly boost CRM capabilities to drive higher LTV
- Brand building to drive organic traffic and lower acquisition costs



## Range optimisation

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- Strengthen the proposition across price points and categories, and develop ranges around the occasion and recipient
- Product bundling to drive more unique experiences
- Introduce new upsell opportunities (eg adding Moonpig card to the gift)

# Buyagift has two long-established brands with a leading market position and high levels of customer satisfaction

buyagift



Trustpilot



4.1

- #1 gift experiences platform
- Founded in 1999
- Largest categories: Short Stays and Gourmet
- c.2.4m customers<sup>(2)</sup>

Red Letter days



Trustpilot



4.0

- #3 gift experiences platform
- Founded in 1989
- Largest categories: Short Stays and Driving
- c.0.9m customers<sup>(2)</sup>

Retail, e-retail  
and B2B

- Buyagift and Red Letter Days experiences sold through retail, e-retail and B2B channels
- Over 2,500 retail points of sale

- Long-established brands, well known by customers
- High levels of customer satisfaction drive repeat purchases
- Generates 1.7x<sup>(1)</sup> website visits versus its nearest competitor with strong brand awareness and scope for upside under Moonpig Group ownership
- Significant investments in technology platform support seamless redemption experience for recipients

(1) Source: Similarweb. Based on three month website visits from February – April 2022.

(2) Based on emailable customer database as of December 2021.



# Broadest and deepest range of gift experiences in the UK, offering a proposition that is difficult to replicate

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Longstanding relationships with 4,400+ experience partners, built up over 20 years



## Best-in-class range of experiences

### Iconic Partners



### National Partners

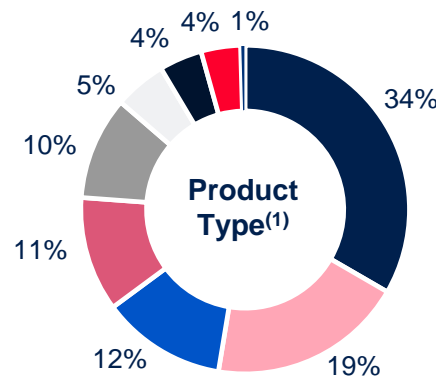


### Local Partners



## Widest range of experiences across categories

- 4,800+ experiences
- Unparalleled sourcing capability allowing bundling of products and upselling

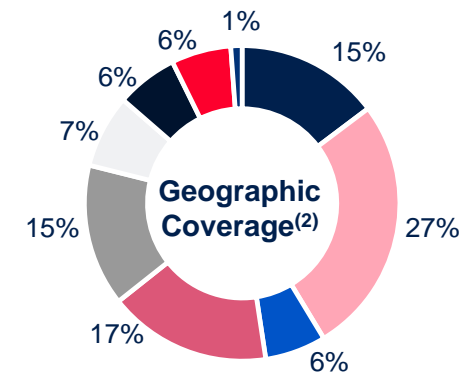


- Hotels
- Pampering
- Driving
- Adrenaline
- Other
- Gourmet
- Days Out
- Flying
- Money Vouchers



## Broadest and deepest geographical coverage in the UK

- Truly nationwide presence
- Widest range of national and local partners to serve customers across the UK



- London
- East England
- North East & North West
- Scotland
- Northern Ireland
- South East & South West
- Midlands
- Yorkshire
- Wales

(1) Split by product type based on sales, based on LTM Dec 22.

(2) Geographical split based on number of SKUs (Buyagift only).

# Buyagift has a strong standalone financial model



Note: Adjusted EBITDA is an Alternative Performance Measure ("APM"), the definition of which is set out in the Group's FY21 Annual Report and Accounts.

(1) Unaudited management estimates. Revenue refers to statutory revenue.

(2) FY11-22.

(3) Unaudited management estimate, based on statutory revenue.

(4) Calculated as (Adjusted EBITDA – Capex + Working Capital) / Adjusted EBITDA.

# In addition to strong strategic fit, the acquisition is financially attractive

## Attractive valuation

- Cash consideration of £124 million, compared to unaudited FY22 Adjusted EBITDA of £14m<sup>(1)</sup>
- FY22 revenue of £44m<sup>(2)</sup>, low double digit revenue CAGR over last ten years<sup>(3)</sup> which we plan to accelerate in the medium term

## Significant financial benefits

- 20+% EPS accretive in first year of acquisition
- ROIC > WACC during third year of acquisition

## Funding

- Funded through cash available on the Group's balance sheet and £60m of additional senior revolving credit facilities
- Following completion, the combined Group's pro forma net debt to Adjusted EBITDA as at 30 April 2022 is expected to be approximately 2.3x<sup>(4)</sup>. We expect this leverage ratio to increase by approximately half of a turn by 31 October 2022, driven by working capital seasonality, after which the combined Group will de-leverage rapidly to comfortably below 2.0x by April 2023

## Outlook

- We remain confident in our existing expectations for Group trading in FY23
- Based on completion of the Acquisition by the end of July 2022, we now expect revenue for the enlarged Moonpig Group in FY23 to be approximately £350 million
- In the medium-term, we expect to accelerate the revenue growth of Buyagift, and continue to target mid-teens percentage underlying revenue growth for the enlarged Group
- The Acquisition is expected to be margin accretive, in view of which we are raising the enlarged Group's medium-term Adjusted EBITDA margin rate target to between approximately 25% and 26%

Note: Adjusted EBITDA is an Alternative Performance Measure ("APM"), the definition of which is set out in the Group's FY21 Annual Report and Accounts.

(1) Unaudited management estimate.

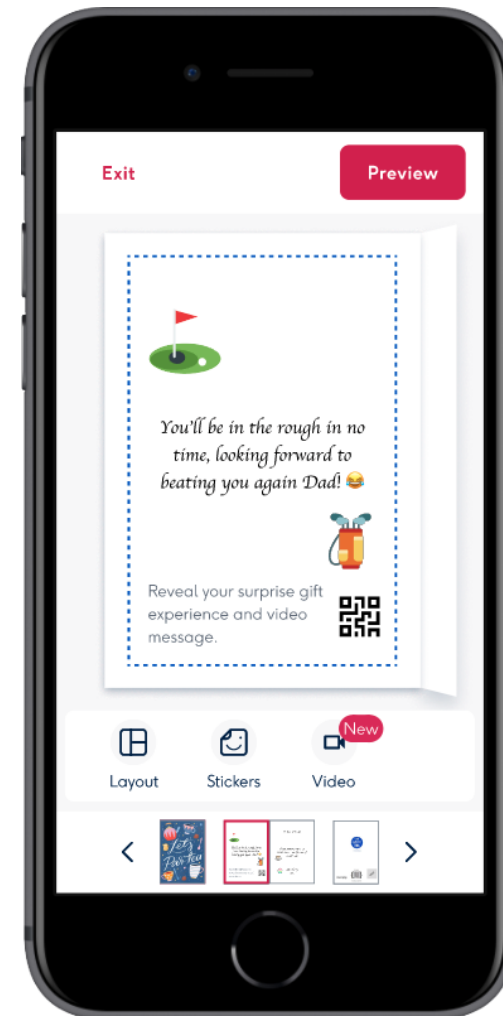
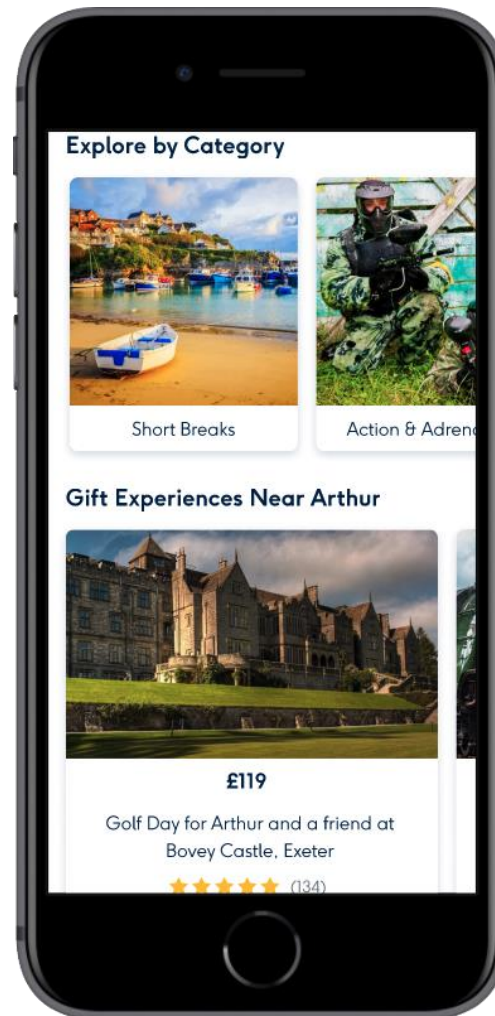
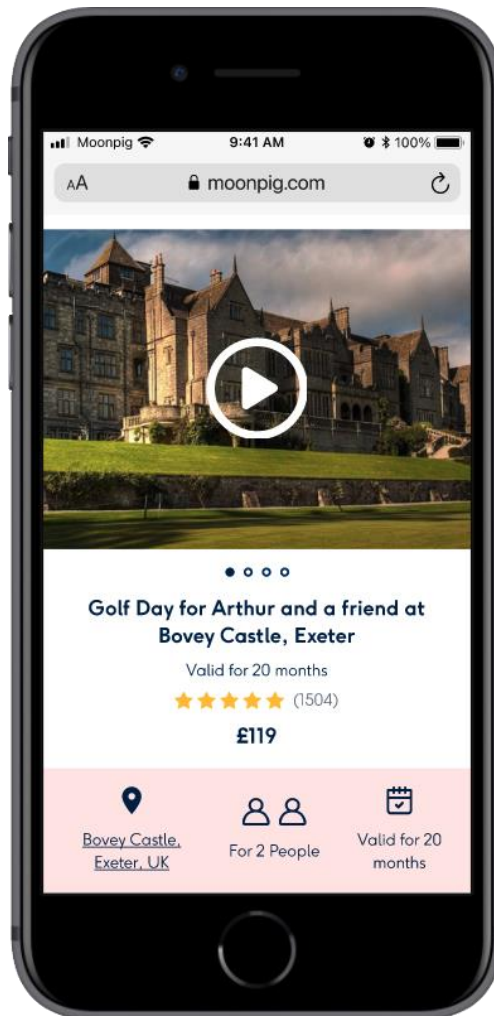
(2) Statutory revenue, based on unaudited management estimate.

(3) FY11-22.

(4) Based on pro forma Adjusted EBITDA for the preceding 12 months.

# Delivering digital gifting through Moonpig Group's technology platform is key to our plans for growth

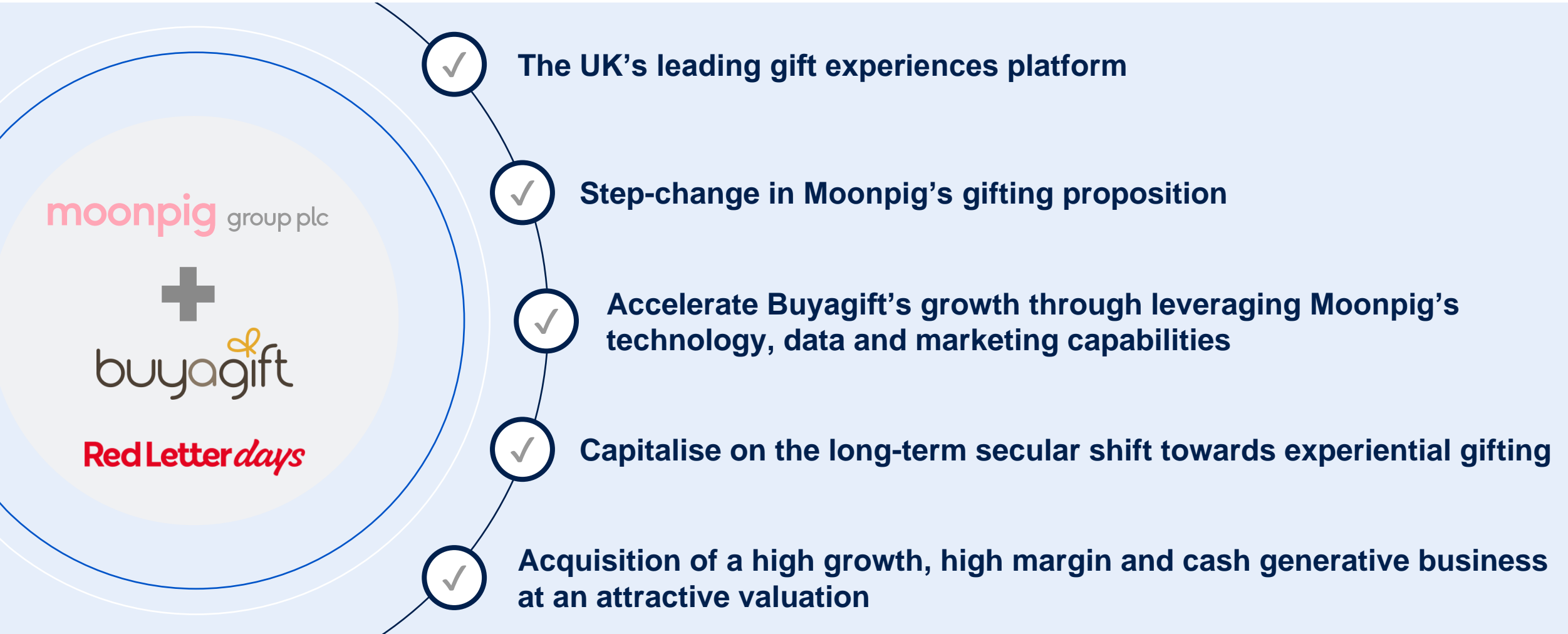
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Note: images show planned future integration



# Acquisition of Buyagift: Becoming the ultimate gifting companion





Please click here to watch our  
future vision video

moonpig group plc