moonpig group plc

Half Year Results Presentation

Six months ended
31 October 2022

7 December 2022

Disclaimer

This presentation and the discussion which follows it may include certain forward-looking statements with respect to the business, strategy and plans of the Company (together with its subsidiaries, the "Group") and its current goals and expectations relating to its future financial condition and performance. Statements that are not historical or current facts, including statements about the Group or its directors' and/or management's beliefs and expectations, are forward-looking statements. These forward-looking statements may include words such as "aims", "anticipates", "believes", "continues", "estimates", "expects", "goal", "intends", "likely, "may", "plans", "projected", "seeks", "sees", "should", "targets", "will" or the inverse of such terms or other similar words. These forward-looking statements involve known and unknown risks and uncertainties and other factors, many of which are beyond the Group's control and all of which are based on current beliefs and expectations about future events. They are necessarily based upon a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant risks, uncertainties, contingencies and other important factors. Known and unknown factors could cause actual results to differ materially from those projected in the forward-looking statements, such as (but not limited to) future market and economic conditions, currency fluctuations, the behaviour of other market participants, the response of customers to sales and marketing activities, the performance, security and reliability of the Group's online platform and other information technology systems, the cost of, and potential adverse results in, litigation involving any of the Group's intellectual property, changes in business strategy, political, economic and regulatory changes in the countries in which the Group operates or changes in economic or technological trends or conditions, and the success of the Group in managing the risks of the foregoing. As a result, investors are cautioned not to place undue reliance on such forward-looking statements. Forward-looking statements speak only as of their date and the Company expressly disclaims any obligation to supplement, amend, update or revise any of the forward-looking statements made herein, except where it would be required to do so in accordance with its regulatory or legal obligations.

Agenda

1. Overview – Nickyl Raithatha
2. Financial performance – Andy MacKinnon
3. Strategic update – Nickyl Raithatha

Solid H1 performance despite progressively more challenging conditions

Continued high profitability

Revenue
£143m, +0.1% YoY
+115% 3yr growth

Gross margin rate
54.1%
+511bps YoY

Adjusted EBITDA[1]
£34.6m, +130% 3yr growth
24.2% adjusted margin

A milestone period for strategy delivery

Unified technology platform for Moonpig and Greetz

Acquisition of Experiences (Red Letter Days and Buyagift) completed in July 2022

New in-house operational facilities in the UK and NL

Successfully navigating more challenging conditions

Resources focused towards higher-margin cards

Gifting range strengthened at lower price points

Increased emphasis on our loyal existing customers

Trading at Experiences in line with our expectations

1. Adjusted EBITDA is an Alternative Performance Measure. Refer to the details set out in the half year results announcement.

Strengths of our business model support today's reiteration of expected full year profit

High resilience	Sustainably high profitability	Strong cash generation
Card market track record of stability across two decades	Attractive unit economics from card-first and gift-attach strategy	Inventory light
90% of revenue from existing loyal customers[1]	Disciplined cost management	Capital light
Driven by proprietary data with 79m customer reminders[2]	No significant impact on gross margin from cost inflation	Strong balance sheet and hedged interest costs

Unchanged full year expectations for Adjusted EBITDA in FY23

1. For H1 FY23 for Moonpig and Greetz (excluding the Experiences segment).
2. As at 31 October 2022, for Moonpig and Greetz.

Financial performance

Andy MacKinnon

Chief Financial Officer

Solid financial delivery in a challenging environment

Solid overall revenue performance

£143m
Revenue

+0.1%
Year-on-year growth

+115%
Three year growth[1]

Adjusted EBITDA margin rate above our expectations

24.2%
Adjusted margin[2]

£34.6m
Adjusted EBITDA[2]

+130%
Three year growth[1]

Significant balance sheet liquidity with expected rapid deleveraging in H2

£209m
Net debt

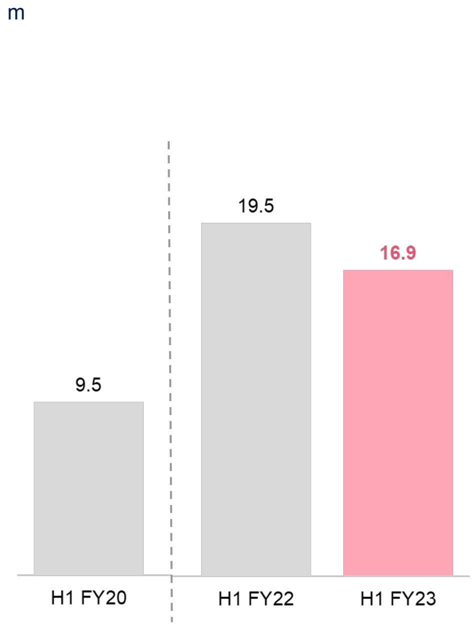
2.45x
Net leverage[3]

c.1.9x - 2.0x
Expected April 2023

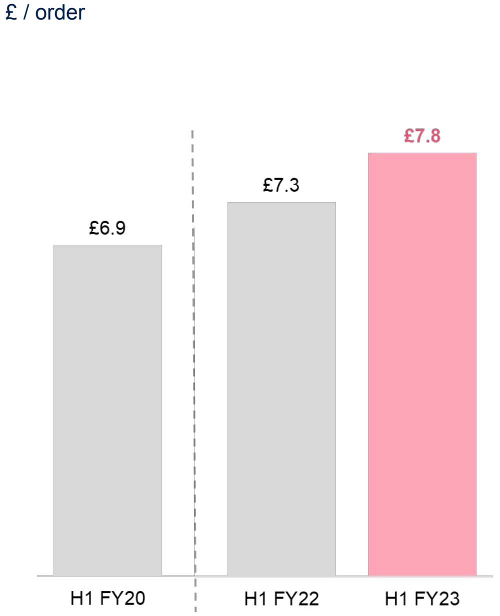
1. Cumulative three year growth rate, comparing the six months ended 31 October 2022 against the six months ended 31 October 2019.
2. Adjusted EBITDA is an Alternative Performance Measure. Refer to the details set out in the half year results announcement.
3. Net debt and net leverage are Alternative Performance Measures, Net leverage is defined as the ratio of net debt to last twelve months Adjusted EBITDA (stated pro forma to include a full year of Experiences Adjusted EBITDA). Refer to the details set out in the half year results announcement for the six months ended 31 October 2022.

Strong AOV growth at Moopig and Greetz, driven by Cards

Moonpig and Greetz Total Orders



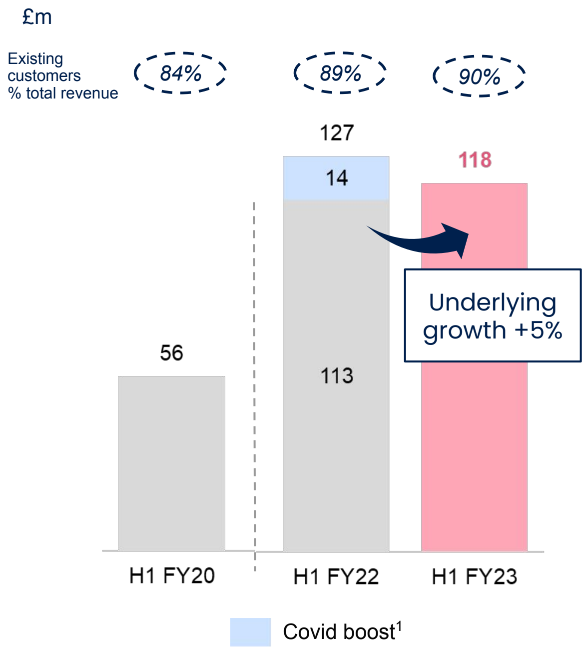
Moonpig and Greetz Average Order Value



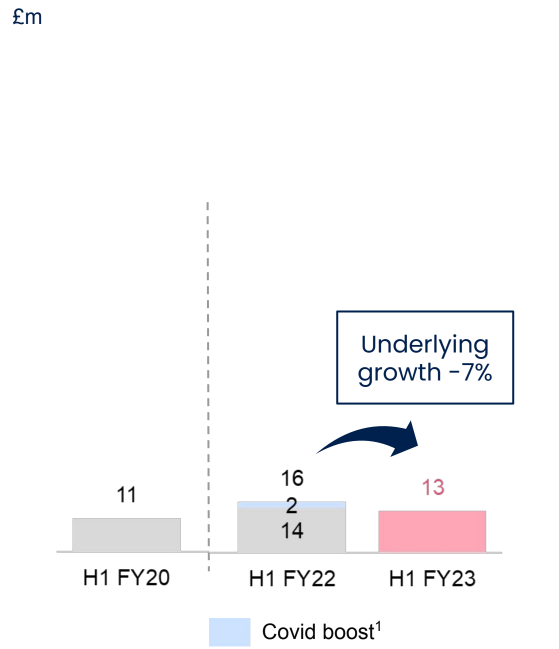
- Total orders decreased by 13%, driven primarily by **annualisation against prior year Covid boost**
- UK card orders impacted by **industrial action at Royal Mail** in September and October
- **Strong growth in Average Order Value** at 6% year-on-year reflecting card price changes and more targeted promotional discounting
- Demand for **gifting shifting to lower price points**, driving lower average selling prices

The Moonpig and Greetz existing customer base has continued to grow on an underlying basis and now represents 90% of revenue[2]

Moonpig and Greetz Revenue from Existing Customers



Moonpig and Greetz Revenue from New Customers



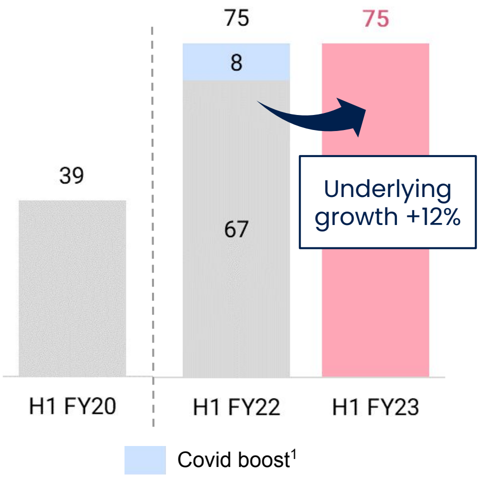
- **Revenue growth from existing customers** has been the key growth driver at Moonpig and Greetz
- Our medium term revenue growth target is **underpinned by revenue from a large and loyal existing customer base**
- We have reduced marketing spend to **maintain new customer payback within our framework**
- **Continued investment in our brands**, with a stronger focus of activity around peak trading periods

1. Revenue in H1 FY22 comprised £127m underlying and £16m Covid boost reflecting temporary elevation in customer purchase frequency (refer to management presentation for H1 FY22 dated 9 December 2021). Full year underlying revenue for FY22 was £265m (refer to Trading Update announcement dated 5 April 2022). Underlying revenue and covid boost are management belief statements.
2. Represents 90% of H1 FY22 revenue at Moonpig and Greetz (excluding the Experiences segment)

Cards revenue growing on an underlying basis, Gifting impacted by trading down, Experiences in line with expectations

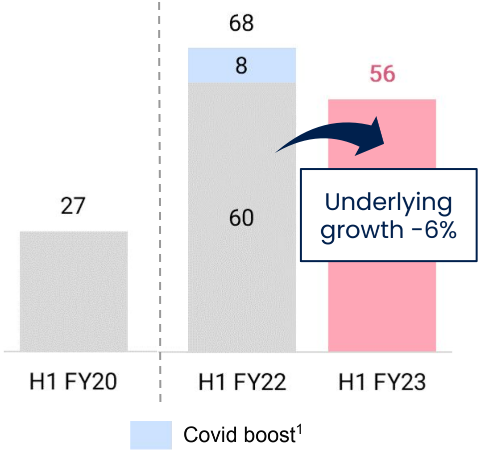
Cards revenue growing on an underlying basis

Moonpig and Greetz - Cards revenue
£m



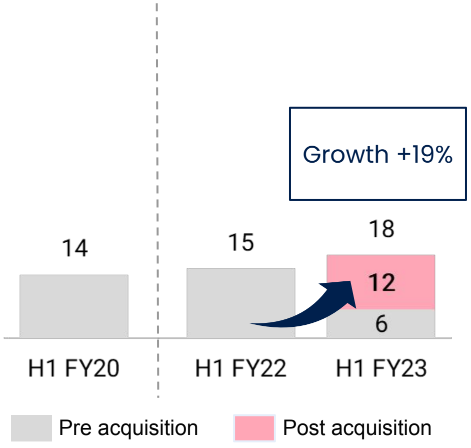
Gifting at Moonpig and Greetz impacted by trading down to lower price points

Moonpig and Greetz - Gifting revenue
£m



Experiences has traded in line with our expectations at the time of acquisition

Experiences revenue
£m



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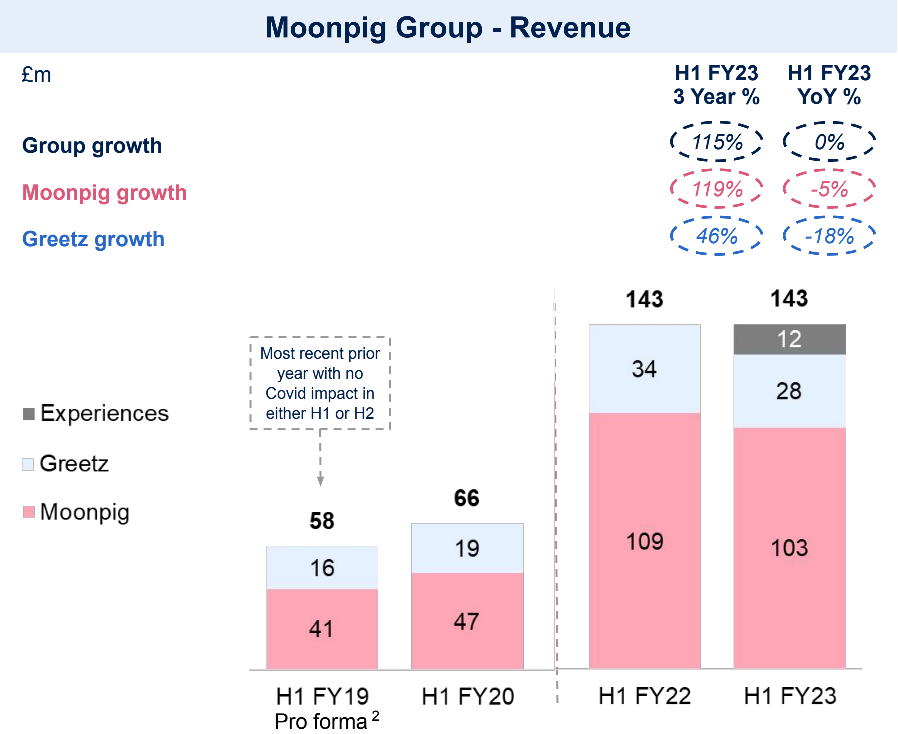
Revenue has grown +115% over three years versus pre-Covid comparatives



- **Group revenue of £143m** was in line with prior year reflecting:
  - **Acquisition of Experiences** (£12m) on 13 July 2022
  - Annualisation against **prior year H1 Covid boost** of £16m[1]
- Greatest **resilience in cards and existing customer cohorts**, with challenges in attached gifting and new customer acquisition
- Revenue **stronger at Moonpig than at Greetz**, consistent with previous periods:
  - Reflects **sustained technology investment at Moonpig** across the last four years
  - Greetz **migrated to the unified technology platform** in September 2022

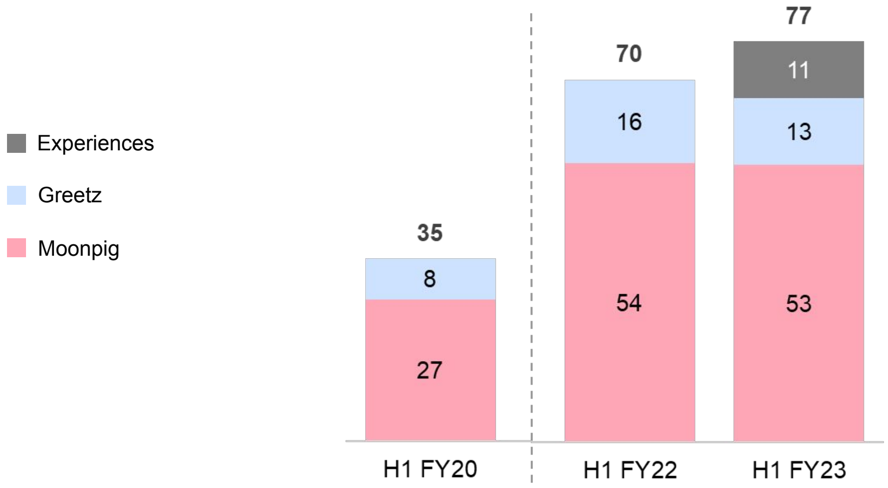
1. Revenue in H1 FY22 comprised £127m underlying and £16m Covid boost reflecting temporary elevation in customer purchase frequency (refer to management presentation for H1 FY22 dated 9 December 2021). Full year underlying revenue for FY22 was £265m (refer to Trading Update announcement dated 5 April 2022). Underlying revenue and covid boost are management belief statements.
2. Greetz was acquired in August 2018. For Moonpig and Greetz, combined revenue (stated pro forma as if Greetz had been controlled throughout the relevant periods) was £131.6m in FY19 (of which H1 accounted for £57.5m or 43.7% of total). Revenue in H1 FY20 was £66.3m representing year-on-year growth of 15%. H2 FY20 was Covid-impacted from March 2020 onwards.

We have strengthened gross margin rate by 511bps year-on-year

Moonpig Group Gross Profit

£m, % of total revenue

	H1 FY20	H1 FY22	H1 FY23
Group gross margin	53%	49%	54%
Moonpig gross margin	58%	50%	52%
Greetz gross margin	42%	47%	46%
Experiences gross margin[1]			94%[1]

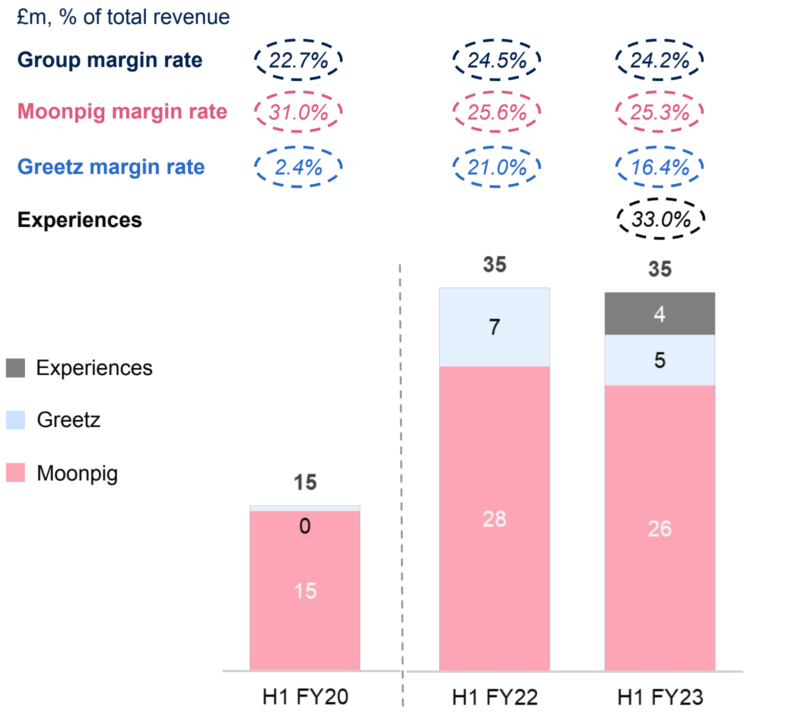


- **Gross margin rate improvement** at Moonpig:
  - Commercial negotiations to **strengthen intake margin**
  - **Card pricing** changes
  - Prioritising resources to increase **cards mix of revenue**
  - AI-powered **personalisation of promotions**
- The reduction in Greetz gross margin reflects low promotional intensity in H1 FY22
- The high Experiences gross margin rate reflects its agency commission business model[1]
- Across the Group, we continue to see **no significant impact from input cost inflation** on gross margin rate

1. At Experiences, the cost of goods sold primarily comprises packaging and delivery costs for instances where the customer chooses to have a physical gift box delivered, rather than selecting digital fulfilment.

Adjusted EBITDA margin rate of 24.2%, ahead of our expectations

Moonpig Group Adjusted EBITDA



- Adjusted EBITDA **more than doubled versus H1 FY20**
- Moonpig Adjusted EBITDA Margin rate reflects:
  - Gross margin **rate optimisation**
  - Good degree of **flexibility in our model**
  - **Disciplined indirect costs management** in the current uncertain environment
- Adjusted EBITDA Margin rate at Greetz:
  - Three year **improvement of 14.0%pts**
  - One year reduction reflects lower gross margin rate and the operational leverage impact from lower revenue
- Experiences margin **in line with expectations**

Note: Adjusted EBITDA is an Alternative Performance Measure. It is calculated as operating profit adding back depreciation, amortisation and adjusting items. Refer to the details set out in the half year results Announcement for the six months ended 31 October 2022, issued on 7 December 2022.

Operating cash conversion has a seasonal profile, with strong cash flow and deleveraging expected in the second half of the year

Moonpig Group Adjusted EBITDA to Cash Conversion

£m	H1 FY23	H2 FY22	H1 FY22
Adjusted EBITDA[1]	**34.6**	**39.9**	**35.0**
Less: Intangible capital expenditure	**(6.7)**	(4.6)	(3.7)
Less: Tangible capital expenditure	**(7.5)**	(1.1)	(0.4)
Adjust: Impact of Share-Based Payments	**0.9**	0.7	-
Add back: (Increase) / decrease in inventories	**(1.1)**	1.9	2.9
Less: Increase / (decrease) in receivables	**1.8**	(1.7)	1.4
Add back: Increase / (decrease) in payables[2]	**(20.9)**	11.0	(21.8)
Operating Cash Flow	**1.1**	**46.2**	**13.4**
Operating Cash Conversion[3]	**3%**	**116%**	**38%**

- **Strong annual operating cash conversion of 80%-115%** across the last four full financial years
- Cash inflows **weighted into second half** of each year
- H1 FY23 operating cash conversion of 3% reflects **higher capex** and **working capital seasonality**:
  - **Moonpig and Greetz: 26% operating cash conversion** (H1 FY22: 38%)
  - **Experiences: operating cash outflow in line with historical patterns**, reflecting payments to merchants in the ordinary course, as voucher redemptions by recipients seasonally exceed new voucher sales to customers in H1
- **Decrease in payables of £20.9m** comprises £11.0m at Moonpig and Greetz and £9.9m at Experiences
- Tangible capex includes one-off expenditure on **new operational facilities and** is expected to revert to below £2m per annum from next year

1. Adjusted EBITDA is an Alternative Performance Measure. It is calculated as operating profit adding back depreciation, amortisation and adjusting items. Refer to the details set out in the half year results Announcement for the six months ended 31 October 2022, issued on 7 December 2022.
2. Operating cash flow excludes the settlement of legacy incentive obligations to Experiences management on behalf of the vendor. Refer to definition in the half year results announcement.
3. Operating Cash Conversion = Operating Cash Flow / Adjusted EBITDA.

Significant balance sheet liquidity with deleveraging expected in H2

Net Debt to pro forma LTM Adjusted EBITDA

£m	Oct 2022
Senior borrowings	(229.9)
Gross cash	41.0
Senior debt less gross cash	**(188.9)**
Lease liabilities (IFRS 16)	(19.8)
Net debt	**208.8**
Reported LTM Adjusted EBITDA[1]	74.5
Pro forma LTM Adjusted EBITDA[1,2]	85.1
Total net debt to pro forma LTM Adjusted EBITDA[1,2]	**2.45x**

- Total net debt to pro forma Adjusted EBITDA was **2.45x** at 31 October 2022, lower than our expectation
- We expect to deleverage in H2 FY23 to **between approximately 1.9x and 2.0x by 30 April 2023**
- Senior facilities of £255m are **committed until January 2026**
- **Significant covenant headroom**
  - Total net debt to Adjusted EBITDA covenant.
  - Tested each six months
  - Threshold 4.0x until 30 April 2023 and 3.50x thereafter
- **Floating rate interest hedged** until 30 November 2024 for broadly three quarters of current expected senior debt (net of cash)[3]

1. Adjusted EBITDA is an Alternative Performance Measure, defined as profit before tax, interest, depreciation, amortisation, before Legacy Incentive costs and M&A transaction costs. Net debt is an Alternative Performance Measure, defined as total borrowings less cash and cash equivalents. Refer to the details set out in the half year results announcement for the six months ended 31 October 2022.
2. For the purposes of calculating leverage, Adjusted EBITDA is stated pro forma to include twelve months of Experiences segment EBITDA, including EBITDA arising prior to consolidation.
3. See Appendix for details of interest rate hedging.

Unchanged expectations for full year Adjusted EBITDA in FY23

Current trading and outlook

- **Trading conditions have become progressively more challenging** through October and November, and given the continued macroeconomic uncertainty, **we now expect revenue for FY23 to be approximately £320 million**.
- The actions that we have taken in response to the current environment mean that **our expectations for full year absolute Adjusted EBITDA remain unchanged**.
- The business is highly cash generative on an annual basis, and we expect deleveraging in the second half of the financial year such that the **ratio of net debt to pro forma Adjusted EBITDA[1] is between approximately 1.9x and 2.0x at 30 April 2023**.
- We remain confident in the structural growth opportunity in our markets, as well as the fundamental strength, resilience and agility of our business.

1. Stated pro forma to include a full year of Experiences profit.

Strategic Update

Nickyl Raithatha

Chief Executive Officer

Our card-first model leverages data to increase customer loyalty and drive gift upsell …

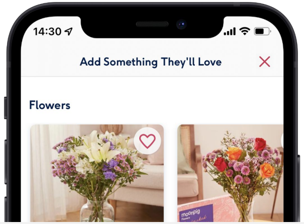
Card-first

Profitable customer acquisition with high loyalty

- ✔ 54[1] million card buyers in UK & NL
- ✔ Structural shift to online
- ✔ Market leadership supports profitable customer acquisition
- ✔ High frequency, recurring purchase occasions
- ✔ Loyal customers with 90% of revenue from existing customers

Gift Attach

The most relevant gifting platform with minimal acquisition cost



- ✔ >70%[2] cards given with a gift
- ✔ Card-first journey drives AI-powered gift recommendations
- ✔ Purchase intent high post card creation
- ✔ Zero marketing costs, supporting high margins
- ✔ Sidesteps expensive online competition for gifts/flowers

Note: 1. OC&C Estimates in 2019. 2. OC&C Estimates; UK Singles Card Purchases in 2019.

… which increases our resilience in more challenging conditions

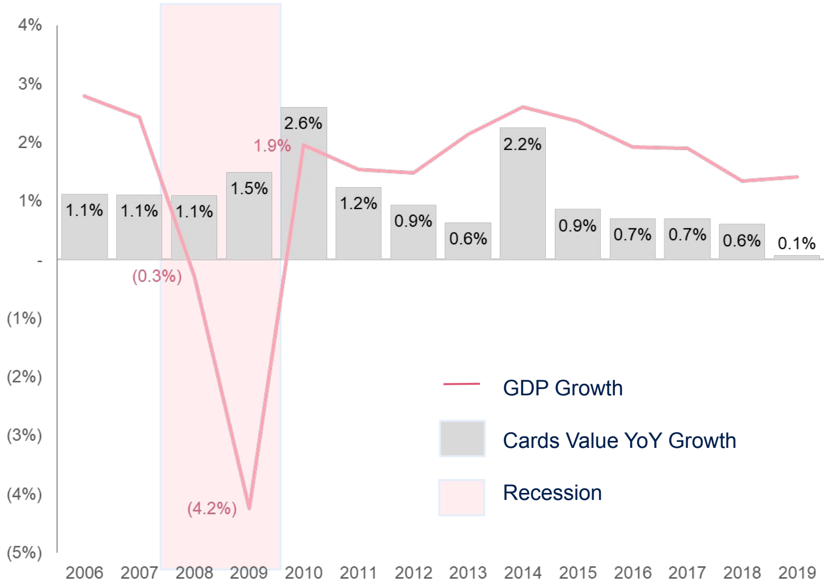
Clear online leader in a stable market	**Card-first strategy which leverages the counter-cyclicality of the cards market**	Across Moonpig and Greetz, more than 19 out of every 20 orders contain a greeting card
	Clear online market leadership in cards for each of our core markets	Online card market shares of 68% UK and 67% NL.[1] UK market leader in gift experiences
Data driven customer retention flywheel	**High retention, with over two decades of loyal customer cohorts[2]**	90% of Moonpig and Greetz revenue derived from existing customers
	Customer loyalty supported by proprietary data and AI	More than 79m customer reminders set[3]
Profitable and cash generative business model	**No significant impact of cost inflation on gross margin rate**	Gross margin rate raised to 54.1%, representing a 5.1%pts year-on-year increase
	Strong annual operating cash flow	Capital-light. Low stock risk with inventory £13m

1 Source: OC&C, June 2022. The Group held a 68% market share in the UK among online card specialists in 2021 and a 67% market share in the Netherlands amongst the top three online card operators in 2021. OC&C's review did not cover the Netherlands online market share of operator in 2020.
2. Moonpig and Greetz.
3. Moonpig and Greetz only October 2022.

The cards market is stable and has been resilient through recession, supported by relatively low price and high emotional relevance

Market growth through the 2008-09 downturn

UK Single Greeting Cards Market Value
Year on Year Growth, 2006-19



Limited Impact in a Recession

Correlation with % change in real GDP(2)

Source: OC&C. Note: Market data is calendar year end (1) Refers to single only cards market size (£bn) and growth (2) % Change in Real GDP would Create β Increase of Consumer Expenditure; Correlation B (or beta) is a measure of the sensitivity of expenditure to a change in GDP – the lower the beta, the more resilient a category is.

The flexibility in our model has enabled us to maintain profitability …

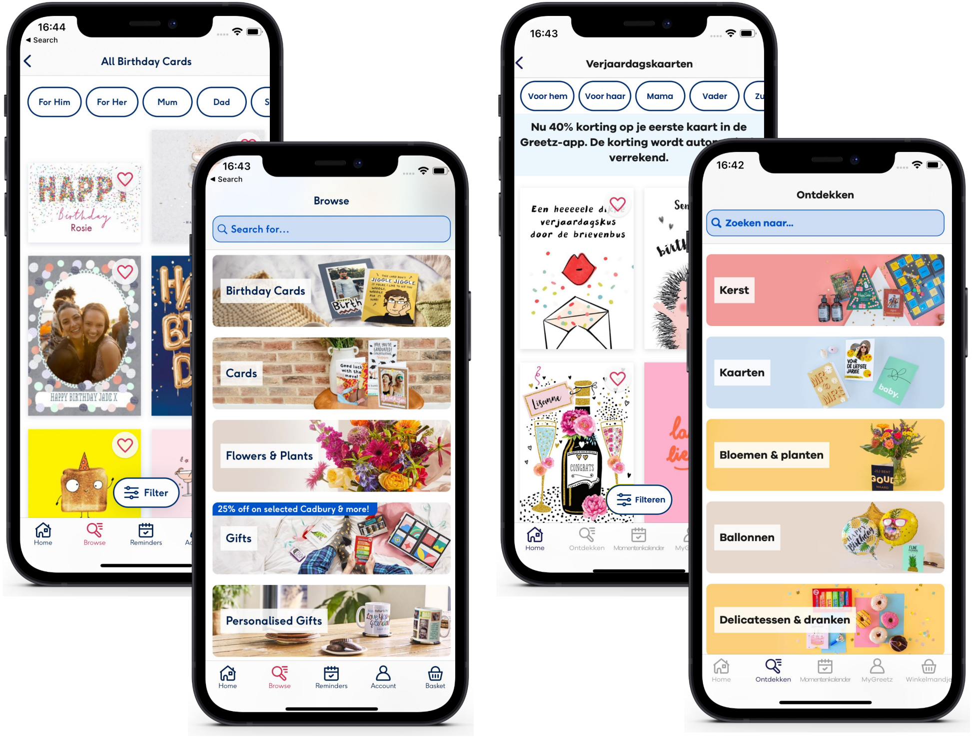
Ability to shift emphasis between categories and events	• Short term prioritisation of resources towards cards • Focusing of marketing investment ahead of peak trading events
Ability to change the gifting range and mix at short notice	• Moonpig “Moments for Less” gifts at price points of between £8 and £15 • Launch of a range of letterbox gifts in Greetz starting at €8
Dynamic approach to pricing	• Card pricing optimisation • Flexed promotions from strategic (app migration) to payback (“3 for 2”)
Flexible cost base	• Marketing spend reduced without significant short term revenue impact • Disciplined indirect cost management

… whilst continuing to deliver on our three strategic pillars

Becoming the Ultimate Gifting Companion

- **Leveraging data and technology** to make the gifting experience effortless
- **Building our brands** so receiving our product always means more
- **Ensuring the perfect range** of cards and gifts for every occasion

A single unified technology platform across Moonpig and Greetz …



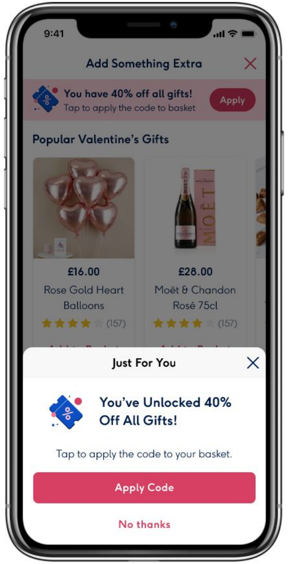
- Greetz migrated onto our central technology platform **three months ahead of plan**
- Our **recommendation algorithms are optimising** for the behaviour and preferences of the Dutch customer base
- Greetz now has **native iOS and Android apps** and we have started to encourage downloads
- Unlocks engineering resource to **focus on growth initiatives** across both card-first brands

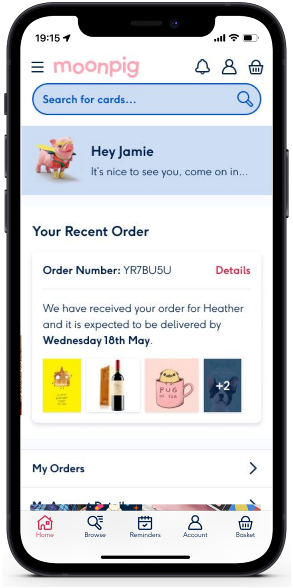
… which will increase the pace of technology development

Personalised promotions extended throughout online customer journey

Magic cards: Using AI to arrange up to 10 photos on one card

Personalisation of My Account with logic-based next best action

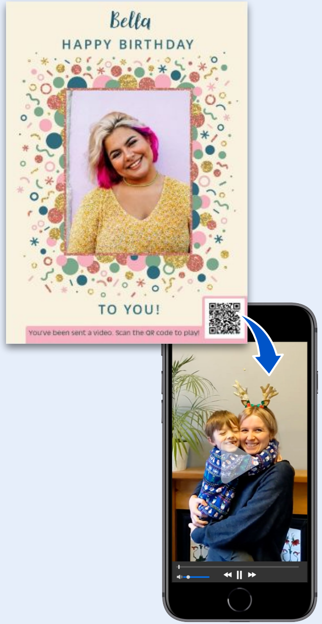




Initial launch of video cards and ongoing testing of Moonpig Plus

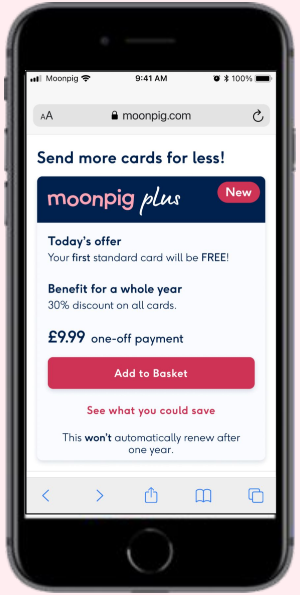
Video cards

- Video greeting cards launched for 50 designs with roll out across our range in 2023
- Customers can add a video message to their card, accessed through a QR code
- Introduces another competitive advantage versus rest of market
- Creates opportunities to increase AOV and to convert recipients into customers



Moonpig Plus subscription service

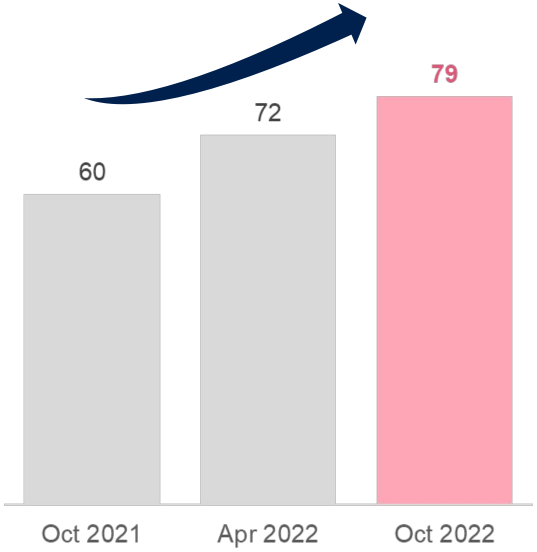
- Customers access benefits such as free cards and discounts for an up-front annual fee
- Testing of different combinations of fees and benefits is ongoing to optimise the proposition
- Drives customer purchase frequency and customer lifetime value
- We anticipate full rollout during FY24



Brand leaders in all of our markets, uniquely positioned through reminders to capture customer purchase intent

Ongoing growth of reminders database enables communication with customers at points of maximum purchase intent

Reminders set at each period end
Millions



Continued strong awareness for our card brands

moonpig

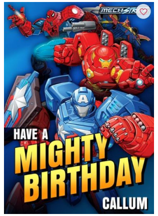
90% **Prompted brand awareness October 2022**

greetz

78% **Prompted brand awareness October 2022**

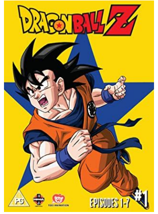
Expanded design range across cards and gifts at affordable price points

Card range expanded to 45,000 designs[1] with new licenced sports and childrens ranges and Disney at Greetz

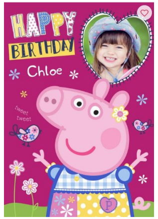


SPIDER-MAN

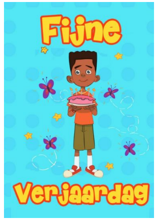
LAURA LONSDALE



DRAGON BALL Z



Peppa Pig



Doodles by Ini

"Moments for Less" are a range of gifts at price points of between £8 and £15, visible within our cross-sell function

£12

Cath Kidston®

£8

£12

£12

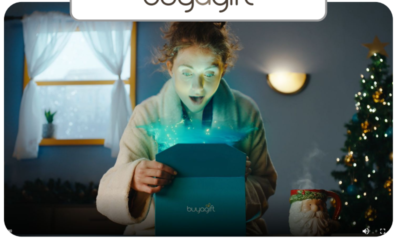
£15

£12

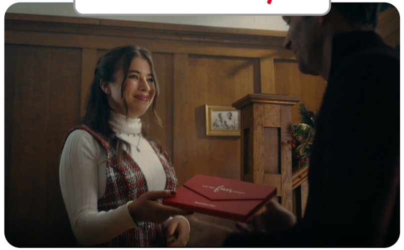
Our focus at Experiences has been range strengthening, marketing campaign optimisation and commencing the technology and data journey

Opportunity to strengthen and differentiate the Red Letter Days and Buyagift brands

buyagift



Red Letter days



New partnerships with popular brands around the UK

HARVEY NICHOLS

LEGOLAND

MACDONALD HOTELS & RESORTS

Alton Towers RESORT

HONEST BURGERS

lastminute.com London Eye

CHESSINGTON WORLD of ADVENTURES RESORT

THE BLACKPOOL TOWER

THORPE PARK

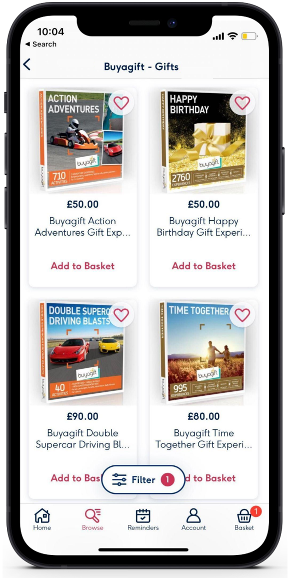
WARWICK CASTLE & KNIGHT'S VILLAGE

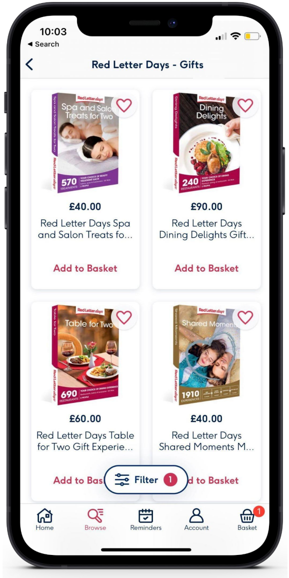
cityexperiences by Hornblower™

- Almost a quarter of Experiences SKUs retail at £50 (typically £25 per head)
- Marketing campaigns refocused around the most impactful online performance channels
- Experiences technology team strengthened by the transfer of senior leaders from Moonpig
- Technology platform investment commenced
- Continued strengthening of the range at affordable price points
- Onboarding new and exciting brands e.g. afternoon tea and dining at Harvey Nichols

Encouraging early sales of Experiences gifts on Moonpig, with technology development ongoing ahead of launching a digital gifting proposition

Moonpig.com is already the Experiences segment's largest online retail partner





Work ongoing to build Moonpig digital gifting capability during H2 FY23

Prototype of digital voucher to be printed inside card

- Growth acceleration through the flywheel of converting of gift recipients into future customers
- Platform for personalising range for Moonpig Group customer base
- Leveraging Moonpig Group's proprietary dataset on gifting intent
- Curating the UK's most relevant range of physical and experience gifts

Resilience, flexibility and unchanged Adjusted EBITDA expectations

moonpig group plc

1. Solid H1 trading and a milestone period of delivery against our strategy
2. Resilience and flexibility of our model highlighted against a backdrop of challenging conditions
3. Unchanged expectations for FY23 Adjusted EBITDA

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Appendix

FY23 Technical Guidance (1/2)

Moonpig and Greetz Trading seasonality	• Full year FY23 revenue cannot easily be compared against FY20, as the second half of that year was impacted by Covid-related lockdown restrictions from March 2020 onwards. However the preceding year provides a benchmark. • For Moonpig and Greetz, combined revenue (stated pro forma as if Greetz had been controlled throughout the relevant period) was £131.6m in FY19 (of which H1 accounted for £57.5m or 43.7% of total).
Adjusting items	• Expected cost of Pre-IPO Legacy Incentives is approximately £10m in FY23, £3m in FY24 and nil thereafter. • All transaction costs relating to the acquisition of Experiences have been recognised in H2 FY22 and H1 FY23.
Capital expenditure	• Tangible capex between approximately £11m and £13m in FY23 (reflecting fit out of two new warehouses on 10 year leases), falling thereafter to below £2m per annum. • Intangible capex between approximately £13m and £15m in FY23. • Further capex (tangible and intangible) at the Experiences segment of up to £2m in FY23. • Plus initial recognition of IFRS 16 Right of Use lease assets in H1 FY23.
Depreciation and Amortisation (“D&A”)	• Our expectation for full-year FY23 depreciation and amortisation (excluding the amortisation of acquired intangibles arising on business combination with Experiences) remains unchanged at between approximately £17m and £19m for Moonpig and Greetz, together with up to £2m for Experiences. • In addition to the above, and further to the purchase price allocation exercise performed following the acquisition of Experiences, we expect the amortisation of intangible assets arising on business combination with this segment to be approximately £5m in FY23 and £6m on an annualised basis thereafter.
Finance cost	• Total finance cost for FY23 is expected to be between approximately £14m and £15m. • Finance cost in FY24 is likely to be broadly unchanged, with the impact of lower net debt offset by higher base rates.
Taxation	• For the full financial year, the effective taxation rate is expected to be approximately 24%. • The rate will reflect the increase of the UK statutory rate of corporation tax to 25.0% from 1 April 2023 onwards.

FY23 Technical Guidance (2/2)

Interest Rate Hedging Structure
£m