Market Report

Moonpig Group plc

3 December 2020

OC&C Strategy consultants

uncommon sense

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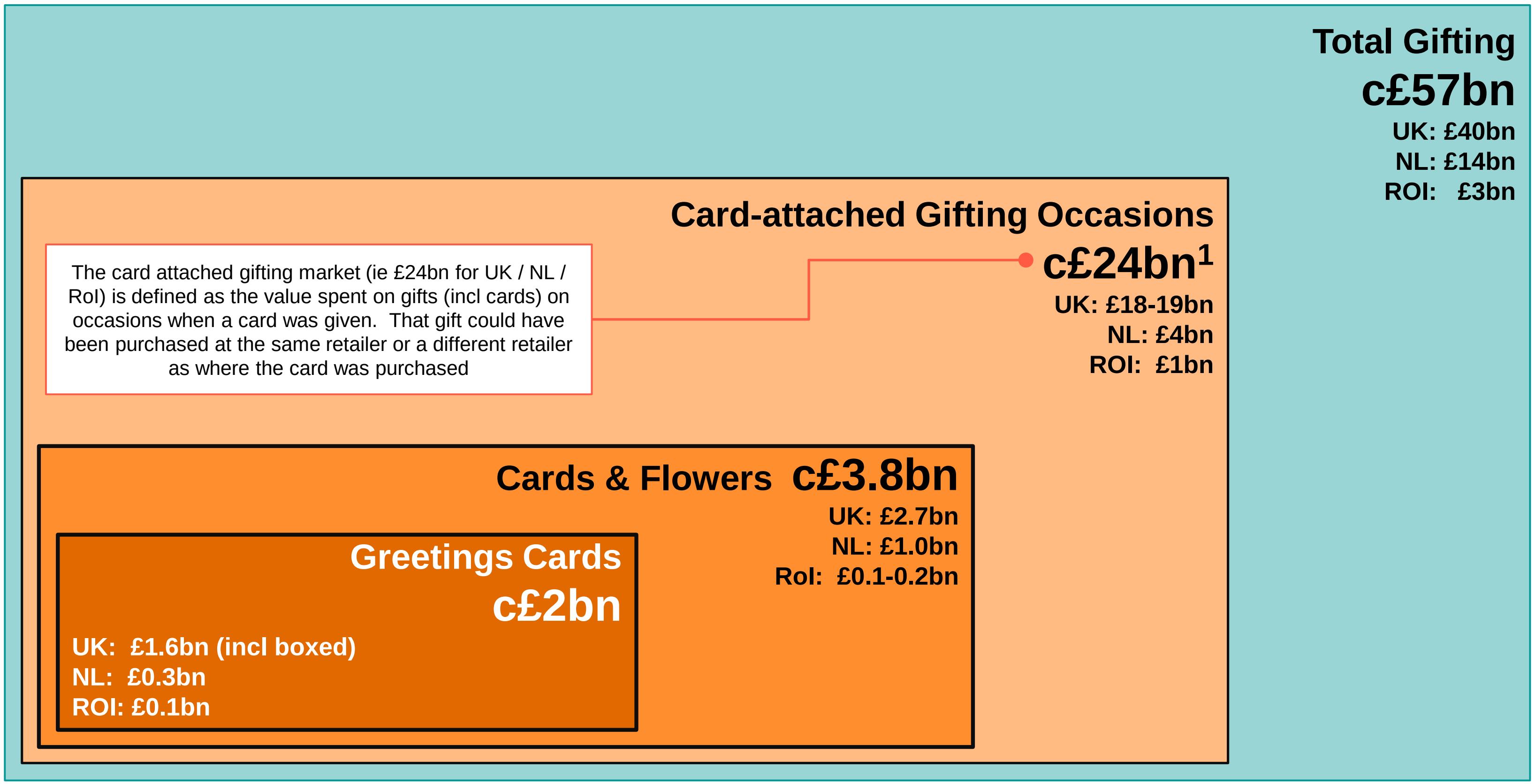
Agenda

Total UK+NL+RoI gifting spend is worth c£57bn per year of which £24bn is on occasions where a greeting card is sent

Summary of UK + NL + RoI Market Size - 2019



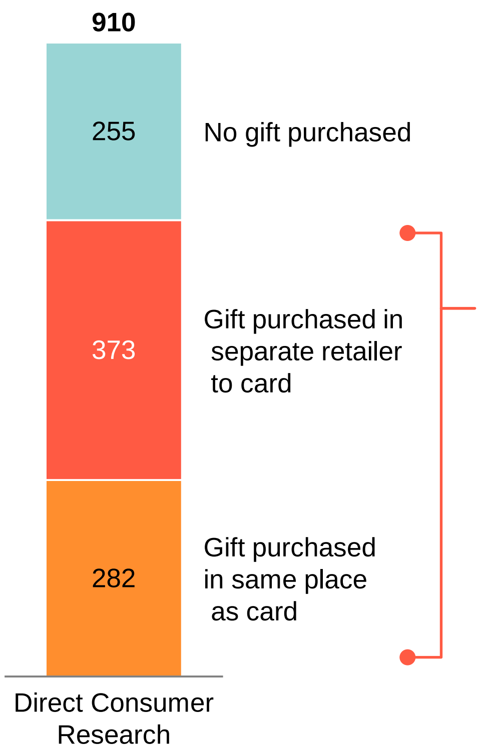
1. Based on OC&C estimates for UK, NL and ROI, including approximately £2.0 billion in relation to the total cards market, with the incremental card-attached gifting representing £22 billion

Source: Consumer research, OC&C market model

Two different approaches triangulate towards a gift being given on 650-680m of the 910m UK singles card giving occasions

Proportion of Card Purchases where Gift Purchased

UK Singles Card Purchases 2019 (m)



655m greeting cards are sent on occasions where gifts are given (ie 72% of card giving occasions also have a gift given on same occasion. This gift may be purchased at same or different retailer as the card)

×

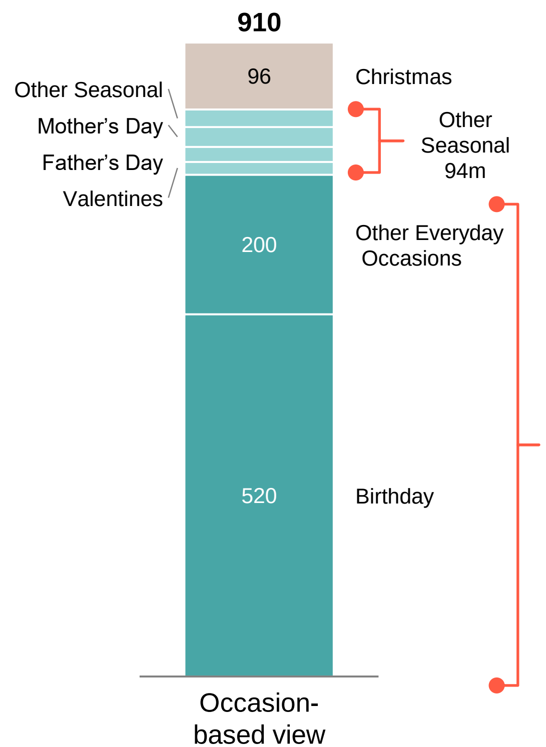
£27 average spend per gift

=

c£18bn gift spend

Breakdown of Card Giving Occasions

UK Singles Card Purchases 2019 (m)



	% of Occasions where Gift Given	*# Singles Card + Gifting Occasions*	*Gifting Spend on Gift + Card Occasions*
Christmas	86%	83m	£2.2bn
Other Seasonal 94m	>95%	94m	£3bn
Other Everyday Occasions	19%	38m	£1.1bn
Birthday	90%	468m	£12.6bn

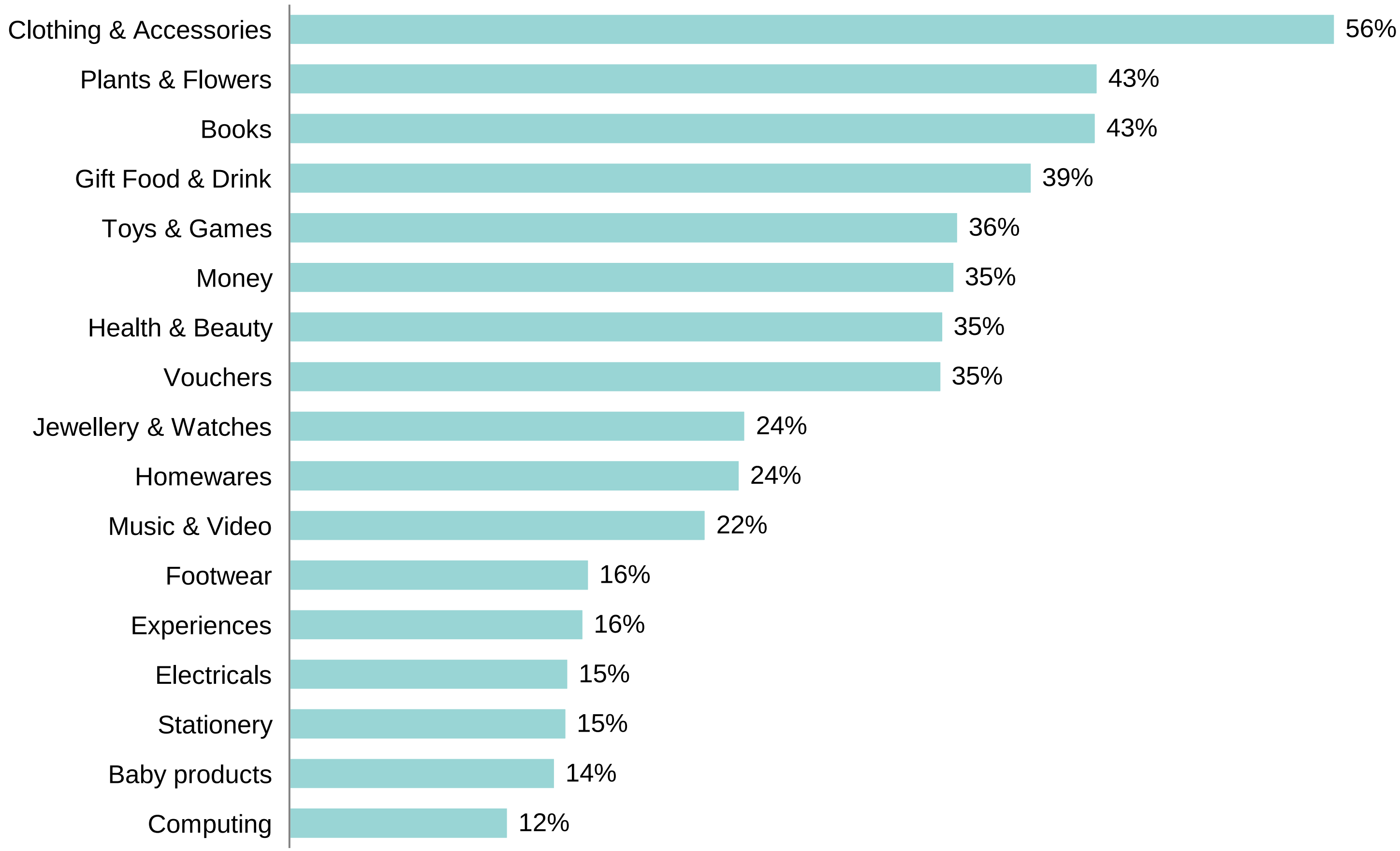
=

c£19bn gift spend

Source: Consumer survey, OC&C market model, OC&C analysis

Gifting spend is fragmented across a broad set of categories

Categories Purchased for a Gifting Occasion – All Year UK Gifting Occasions – 2019
% of respondents

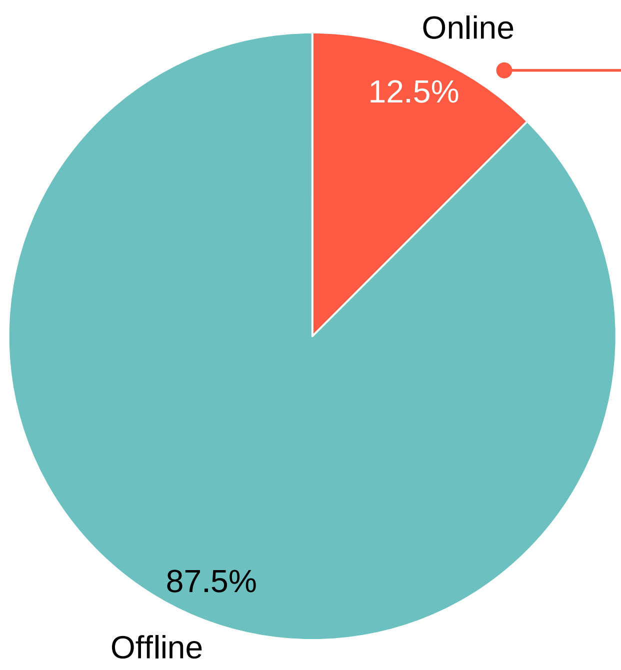


Source: Consumer survey, OC&C analysis

Online penetration of card-attached gifting is c12% - with this online segment expected to grow faster that the 12.5% CAGR 21-24 that the online cards market is expected to grow at

Online Penetration of UK Card Attached Gifting (% of Sales) – 2019

Card attached gifting is the purchasing of gifts given on occasions where a card is also given (irrespective of whether the gift is purchased from the same or different retailer as the card)



This online segment for card attached gifting is expected to grow faster than the 12.5% CAGR at which the online cards market is expected to grow from 2021 to 2024

Online penetration of total gifting is estimated at 22% of sales. Much of this is Christmas gifting where online penetration of gifting much higher (35-45%) than everyday occasions

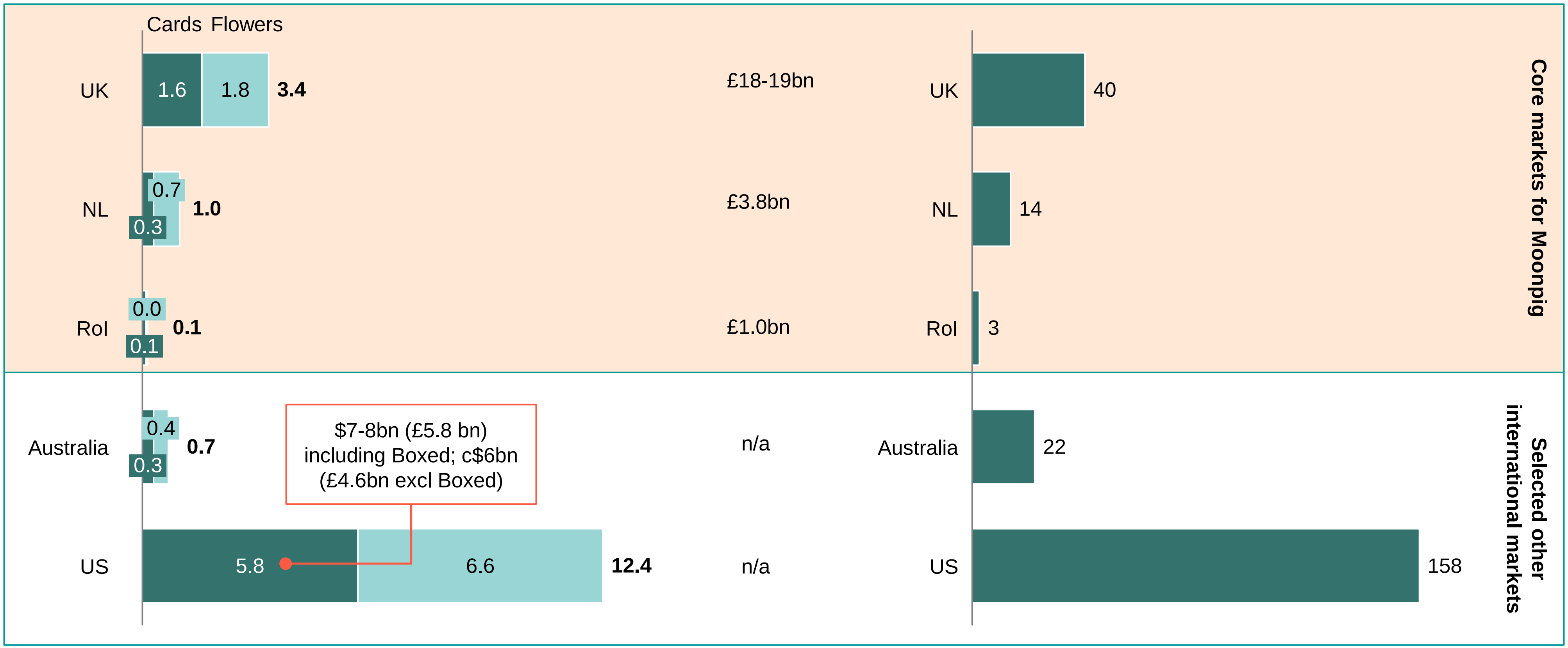
Source: OC&C market model

Looking at the market to include other major countries for Moonpig (eg NL+RoI), suggests total gifting spend of £57bn in these territories

Greetings Card and Flower Market Size – 2019 (£bn)

Spend on Gifts on Occasions when a Card is Given (Card Attached) 2019 (£bn)

Total Gifting Market 2019 (£bn)



Source: OC&C Market model, (US) GCA, BEA,, OC&C analysis

Agenda

Broader Gifting Market

UK Card Market and Moonpig Competitive Position

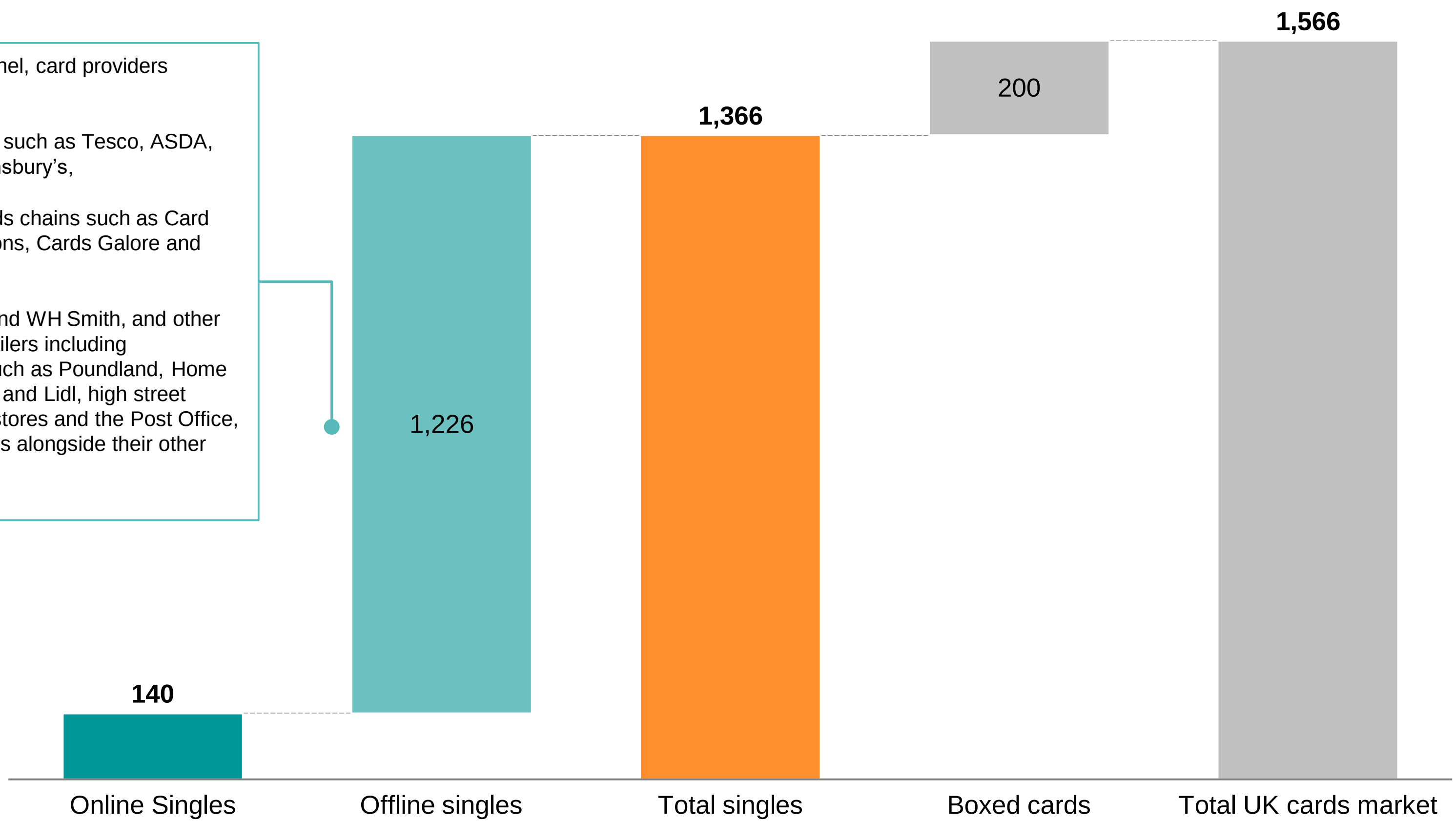
UK Flowers & Gifts

NL Card and Gifts Market & Greetz Competitive Position

In the UK, singles (where Moonpig focuses) account for £1.4bn out of the £1.6bn UK greeting card market

UK Greetings Card (Single + Boxed) Market Value (£m) 2019

- In the offline channel, card providers include
  - Supermarkets such as Tesco, ASDA, M&S and Sainsbury's,
  - Specialist cards chains such as Card Factory, Clintons, Cards Galore and Scribbler
  - Paperchase and WH Smith, and other generalist retailers including discounters such as Poundland, Home Bargains, Aldi and Lidl, high street convenience stores and the Post Office, who offer cards alongside their other products

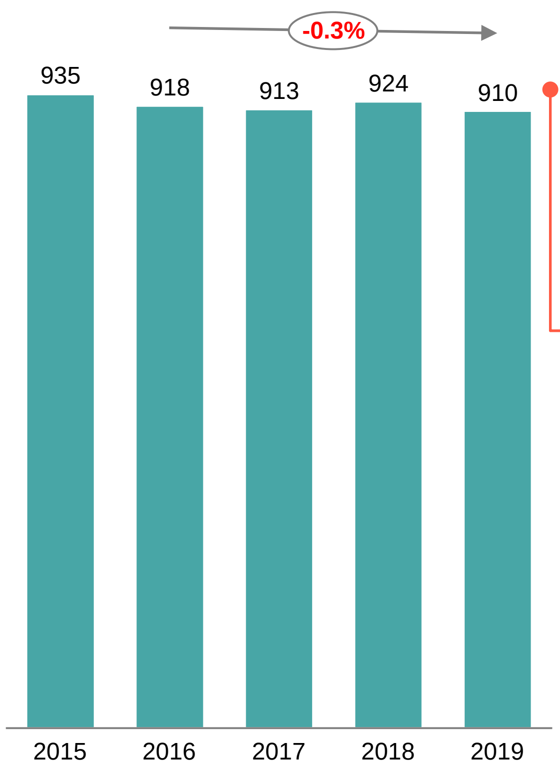


Source: OC&C market model

The singles market has broadly been stable experiencing slight (0-1%) volume decline and modest (0-1%) value growth

UK Singles Greetings Card Market Evolution, 2016-19

UK Singles Greetings Card Market Volume (Millions Cards)



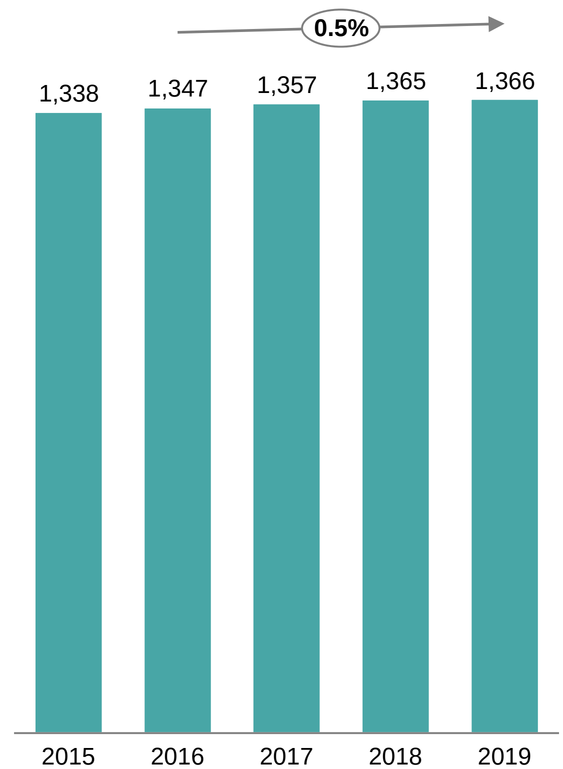
Of this volume, the share of singles by occasion breaks down as follows

Everyday: **79%**
(eg birthday, wedding, Thank you etc)

Spring seasons: **10%**
(Mothers Day, Fathers Day, Valentines, Easter: 10%

Christmas: **11%**
(note this is singles only; there is a larger boxed component at Christmas)

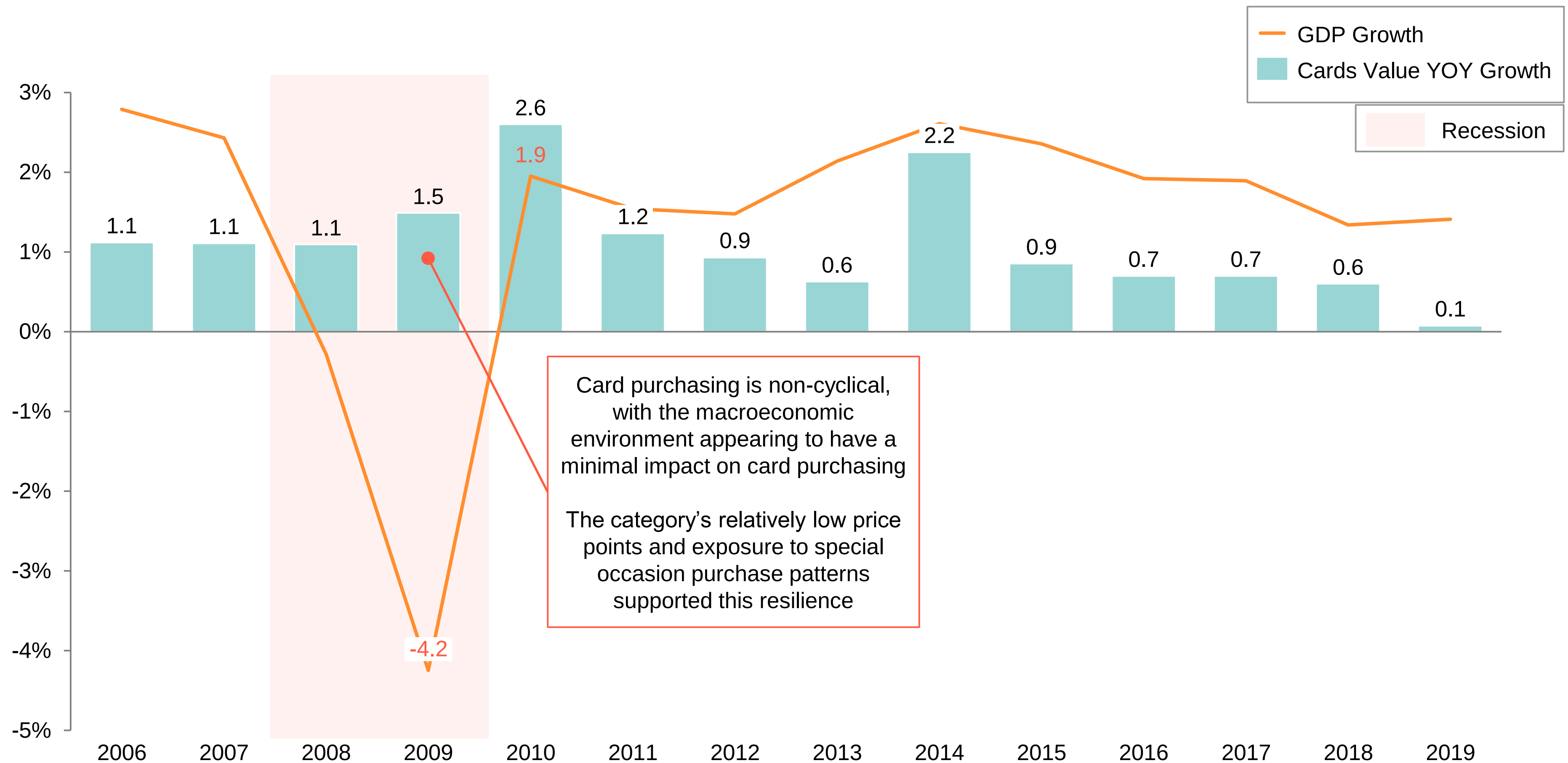
UK Singles Greetings Card Market Value (£m)



Source: OC&C market model

The overall UK greeting card market has historically proven recession resilient – demonstrating consistent growth through the 08-09 downturn

UK Singles Greetings Card Market Value, Year on Year Growth[1], 2006-19



1. 2012 cards value YOY growth is estimation based on 2011 and 2013 data given limited available data

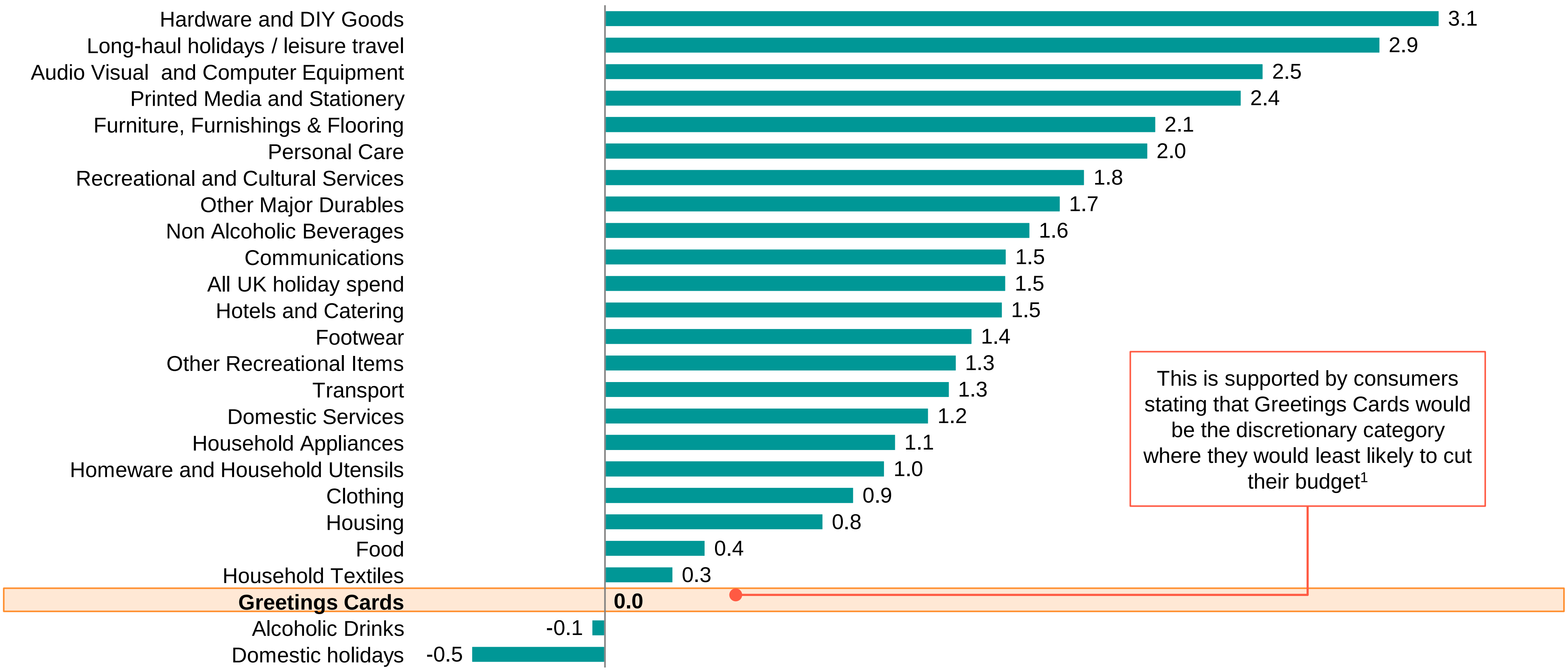
Source: OC&C market model, UK Gov Data, OC&C analysis

Greetings cards show high resilience to recession versus other categories

Recession Impact on Consumer Products and Services Spending[2] (β value)

Correlation ***β*** (or beta) is a measure of the sensitivity of expenditure in GDP – the lower beta, the more resilient a category is

A 1% change in real GDP would create β increase of consumer expenditure in that category



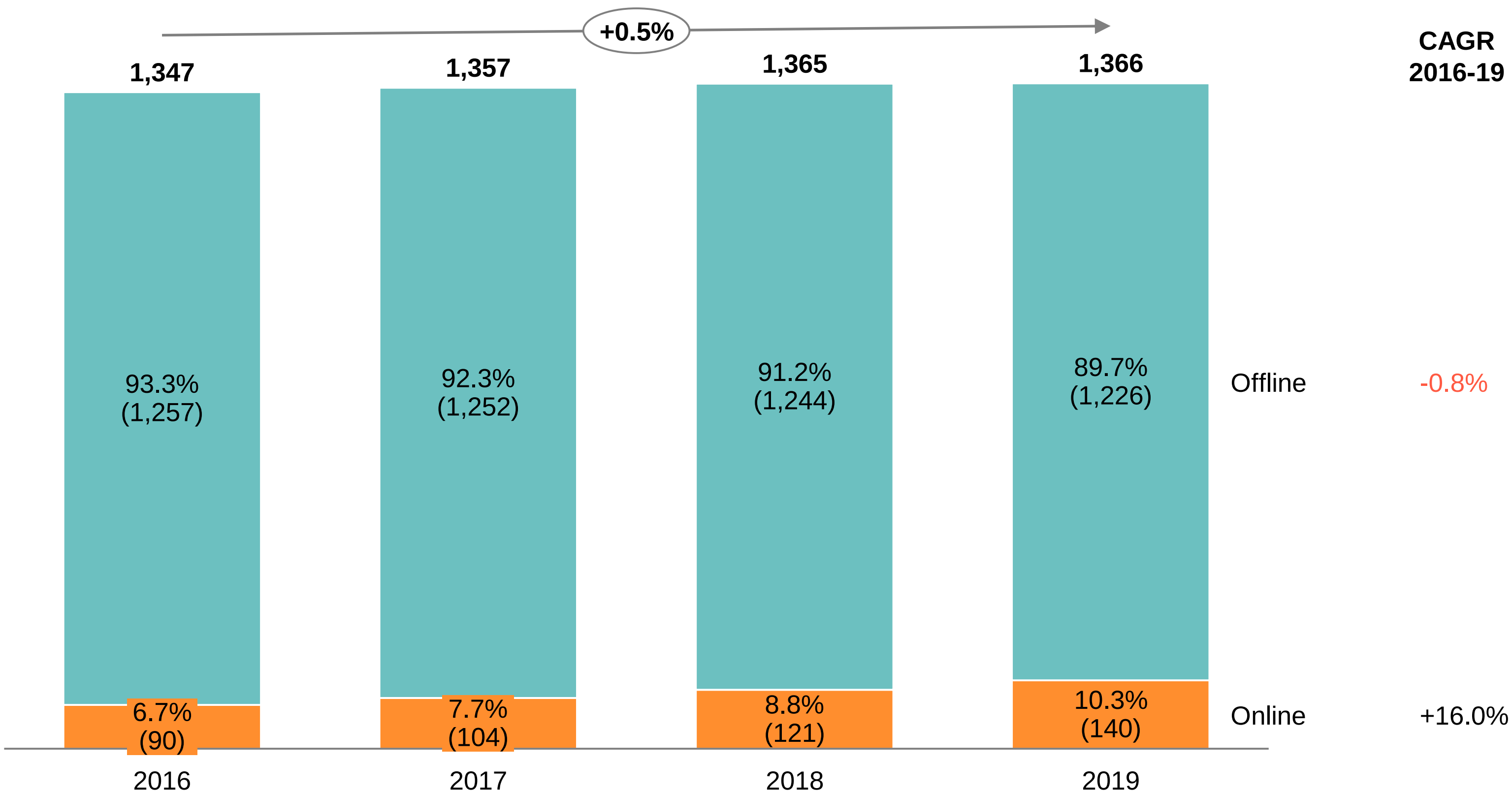
This is supported by consumers stating that Greetings Cards would be the discretionary category where they would least likely to cut their budget[1]

1. Based on a consumer survey question asking *"In financial hardship, for example during a recession, how would you manage your spending in each of the following categories?"* and covering the following categories; Cards, Small gifts, Sports / Fitness products, Clothing, Photo personalised products, Health & Beauty products, Homewares, Consumer Electronics
2. Analysis conduct in August 2020

Source: UK Government data, OC&C analysis

The UK online channel is worth £140m (representing 10.3% of card revenue by value) and is growing rapidly at 16%pa as share migrates from offline

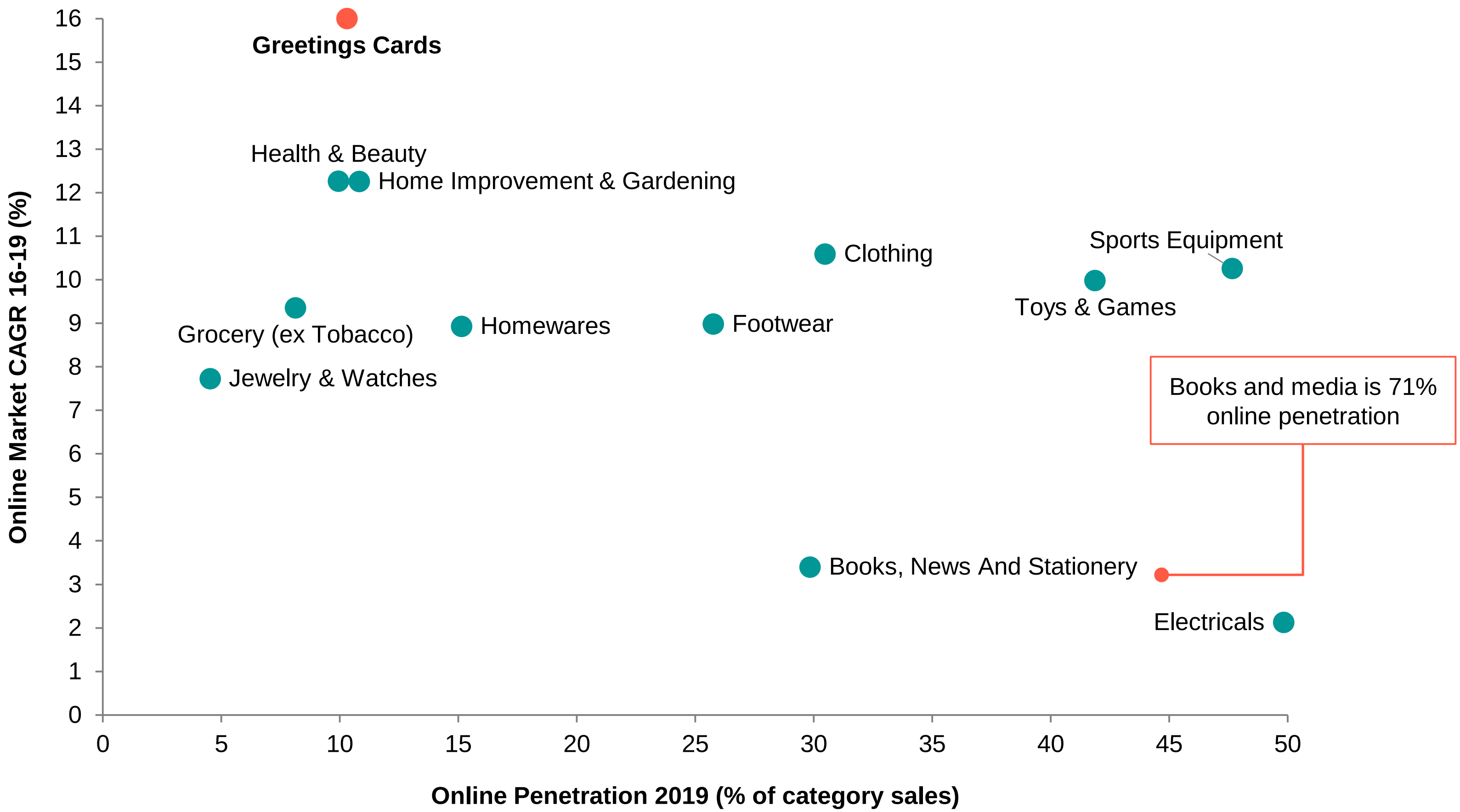
UK Greeting Cards Market (Singles) by Channel, 2016-19 (£m)



Source: OC&C market model

Greetings cards category has seen higher growth in the online segment (16% CAGR) than other product categories

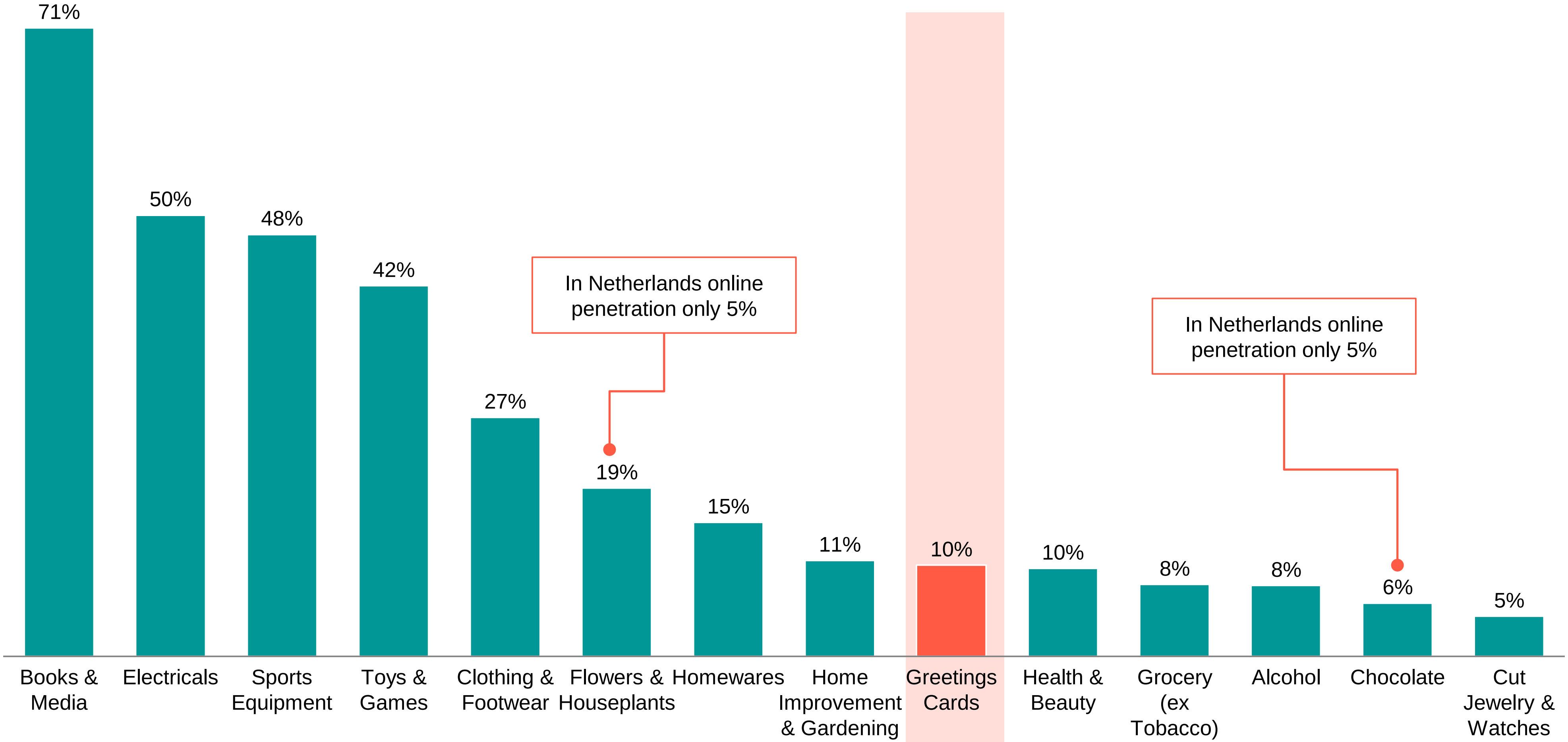
UK Online Market Growth by Product Category (2016-19 CAGR)



Source: OC&C market model and analysis

Online penetration of greetings cards remains low at c.10% in the UK indicating headroom for continued growth

UK Online Sales Penetration by Product Category, 2019 (%)



Source: OC&C analysis

Our view of the overall 2020 online market outlook has been built up by considering market growth trajectory at different periods through the year

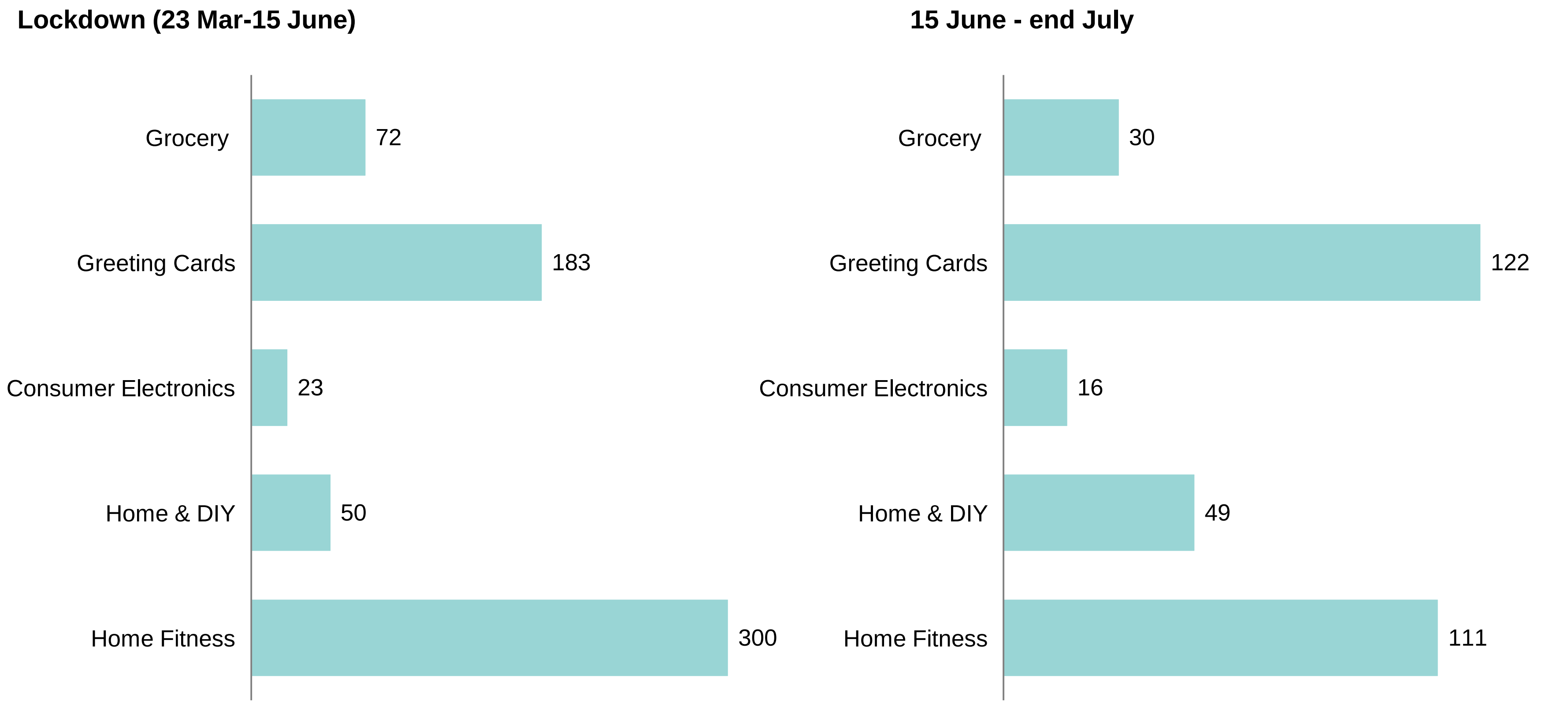
OC&C Best View of 2020 Online Card Segment Outlook: UK

	2018-19 Market Growth (+Size)	2019-20 Growth Rates			2019-20 Market Growth (+Size)
	Total	January – Mid March	Mid March - August	September - December	Total
Proportion Of Annual Revenue (Based on Market Traffic Split)	100%	19%	47%	34%	100%
Online Segment of Cards Market Growth (Size)	16% (£140m)	5% (£28m)	123% (£149m)	53% (£71m)	77% (£248m)

Source: OC&C analysis

Traffic uplifts for cards have been larger and more sustained than many other retail categories, suggesting a more structural shift in behaviour

Average Weekly YoY Traffic Delta across Industries[1], 2019 – 2020
%

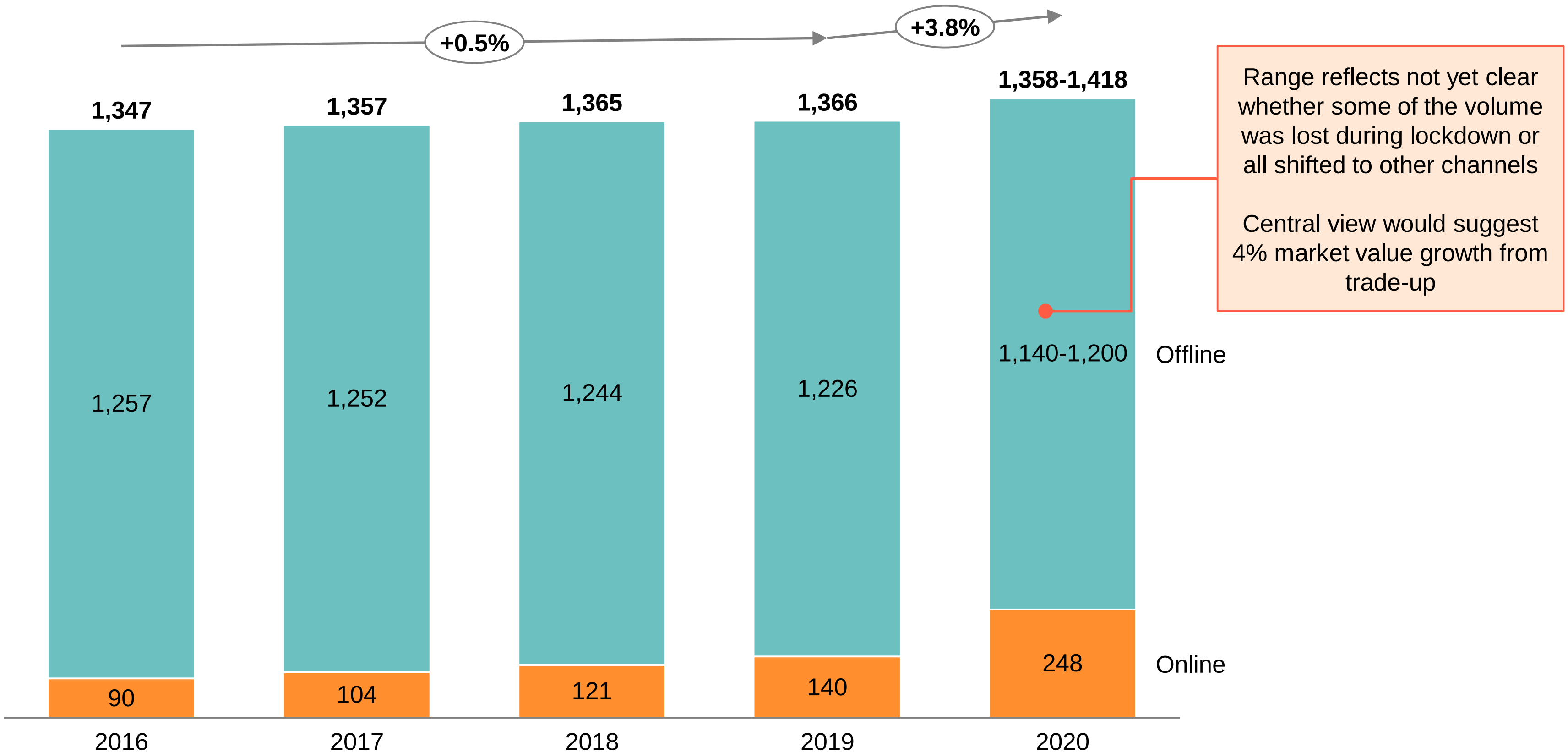


1. Home Fitness: Fitness SuperStore, Powerhouse Fitness, Best Gym Equipment, Fitnessinn; Home & DIY: B&Q, Wickes, Screwfix, Homebase, Wilko; Grocery: Tesco, Asda, Sainsbury's, Morrisons; Consumer Eletronics: Maplin, John Lewis, Argos, ao, Currys
2. Consumer Electronics don't include Amazon, which is the top player of the industry – therefore the industry growth is underestimated

Source: Traffic data, , OC&C analysis

For 2020, this implies overall UK card market growth will accelerate to c4% (range 2-6%) as channel shift drives ASP

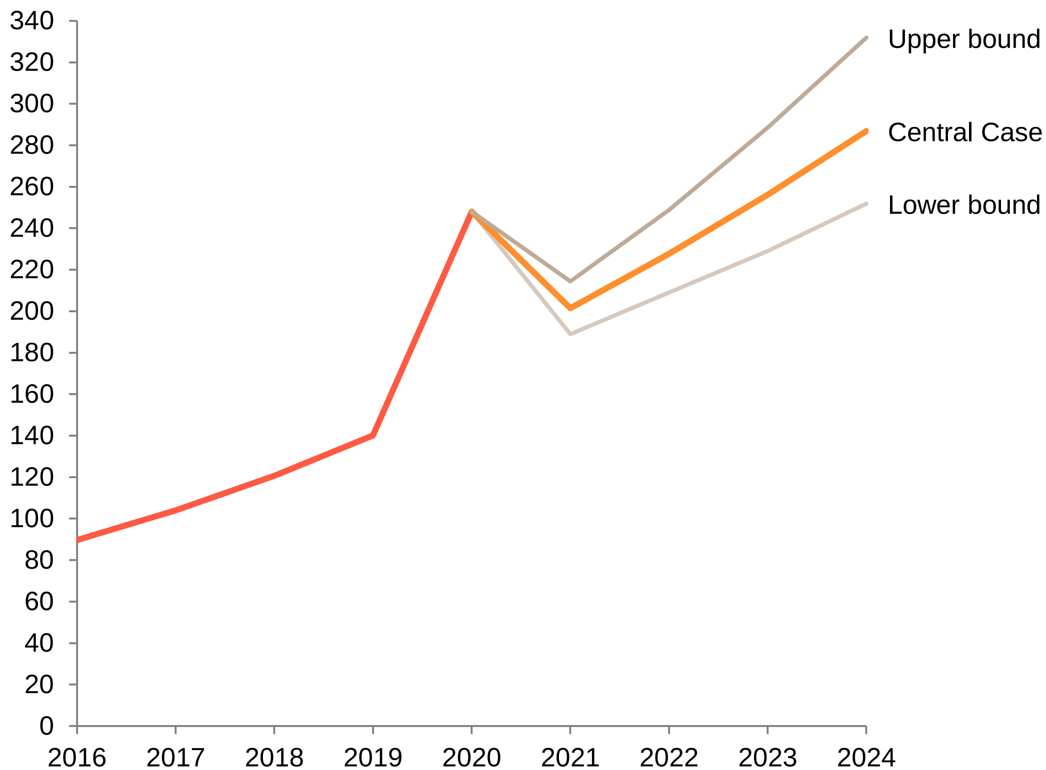
UK Singles Greeting Cards Market Value by Segment, 2016-19 (£m)



Source: OC&C market model

Our central case for online channel suggests a 2021 rebasing to a "new normal" annualising against 2020, then 12-13% online channel growth over 2021-24

UK Singles Greetings Card Online Channel Sales, 2016-24F
£m



Scenario Overview

Upper bound Case: 15.7% CAGR 21-24

- Repeat rates of existing cohorts remain 1.0% higher than historical average – as some of the shift to online is structural and sustained to 2023
- Beyond 2021, acceleration (+2.5% pts pa) in the penetration shift to online mirroring more mature categories

Central Case: 12.5% CAGR 21-24

- Frequency rates continue to decline into 2022 - but remain slightly above pre-lockdown normal long term
- Assume underlying online growth in category slows by 3-4ppts as penetration doubles – in line with trend seen in more developed other categories

Lower bound Case: 10.0% CAGR 21-24

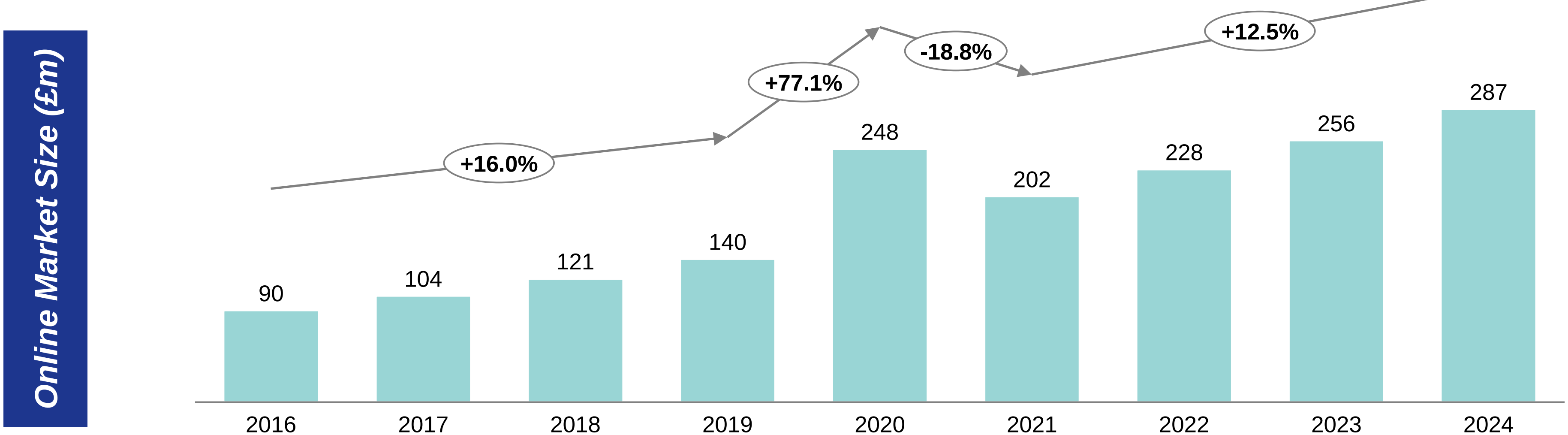
- Frequency rates return to pre-lockdown normal – driving a large renormalisation in 2021
- Beyond 2021, there is no structural acceleration to online, so the shift in card spend from offline to online continues at historic rates of 1.2% pts per annum

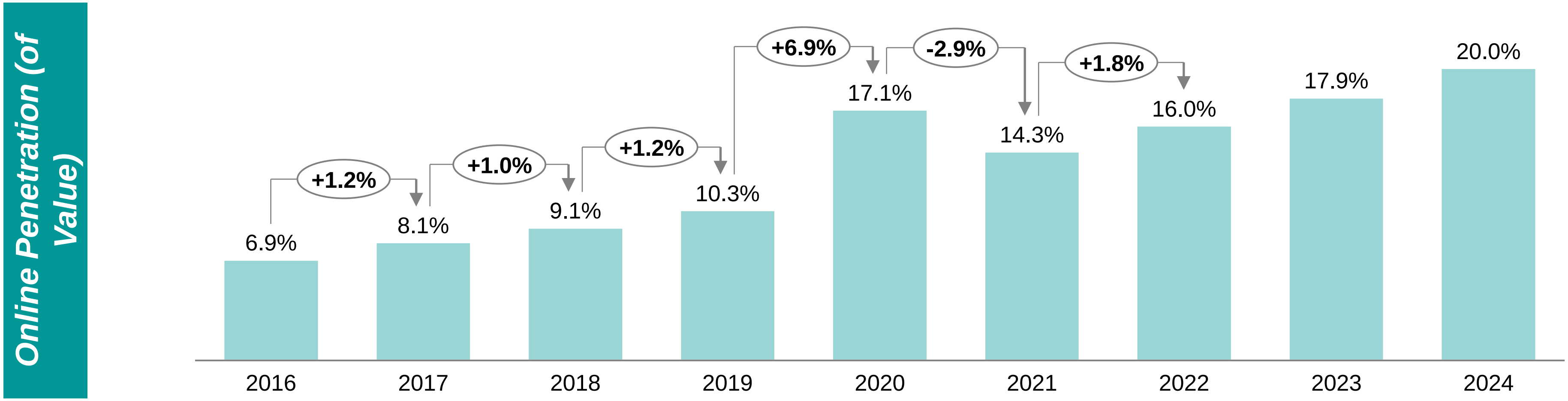
Source: OC&C market model

This would imply online penetration increase to 20% share of the market by 2024

Central Case: UK Singles Greetings Card Online Market, 2016-24F

No assumption made on market exit by any legacy players

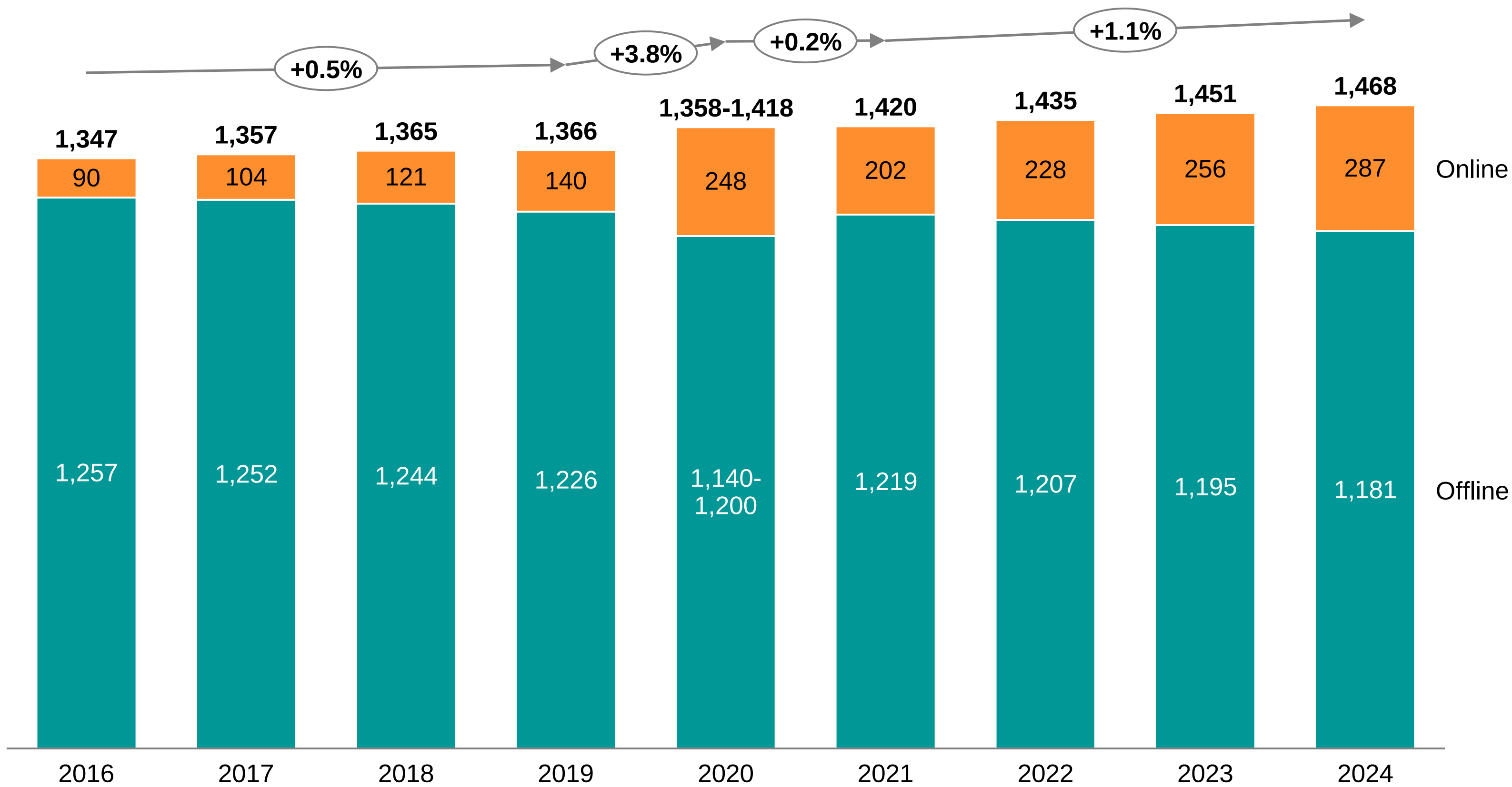




Source: OC&C market model

This central case projects online continuing to gain share in the overall singles market (where growth accelerates slightly from ASP increase from shift online)

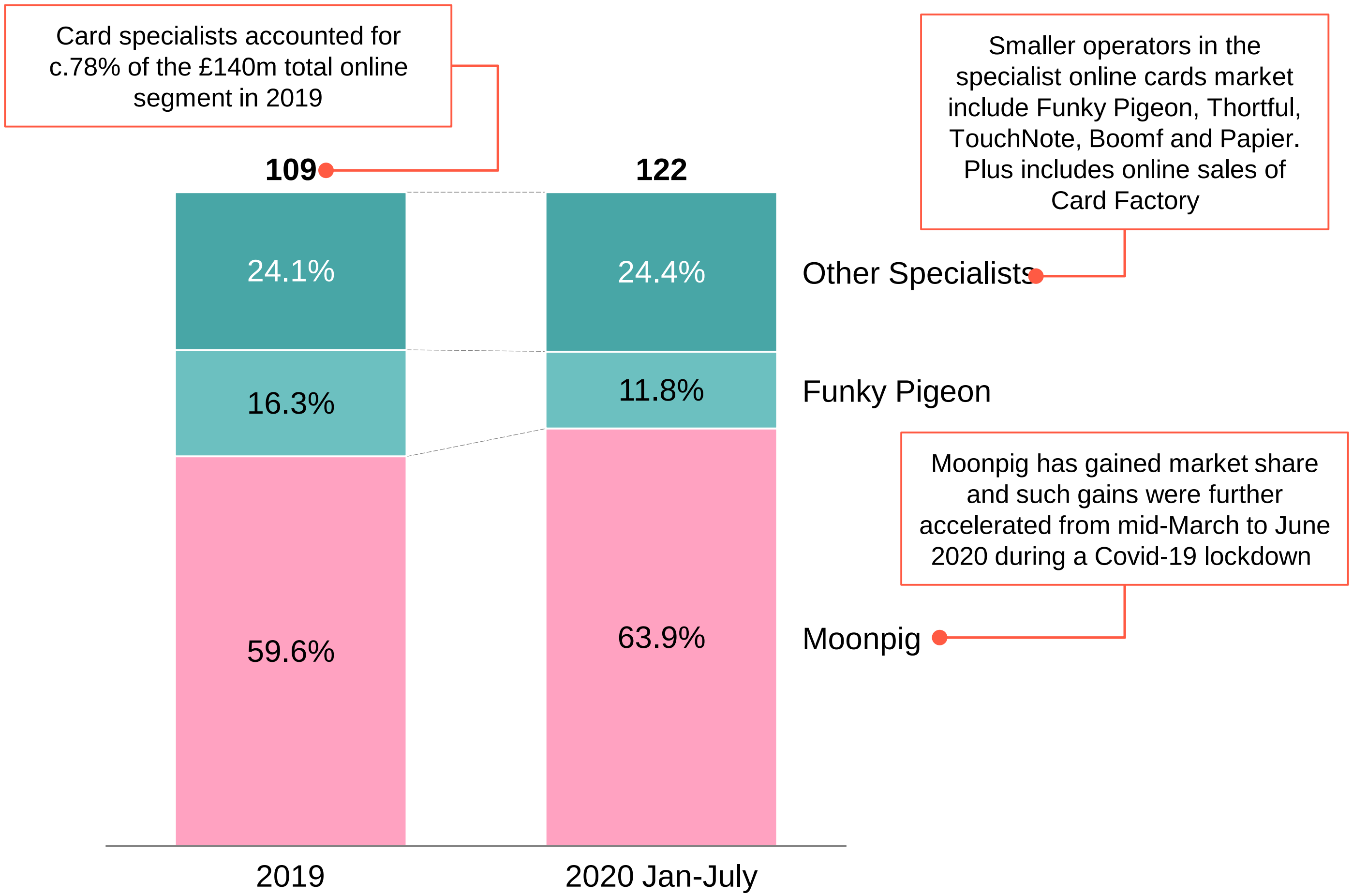
UK Singles Greeting Cards Market by Channel, 2016-24F (£m)



Source: OC&C market model

Against a narrow competitor set of online card specialists Moonpig has gained share – and this has accelerated in 2020

Share of Online Sales of Major Specialist Greetings Card Players[1], 2019 and 2020 Jan-July
(% of total online card specialist sales; excludes online sales of non-specialists)

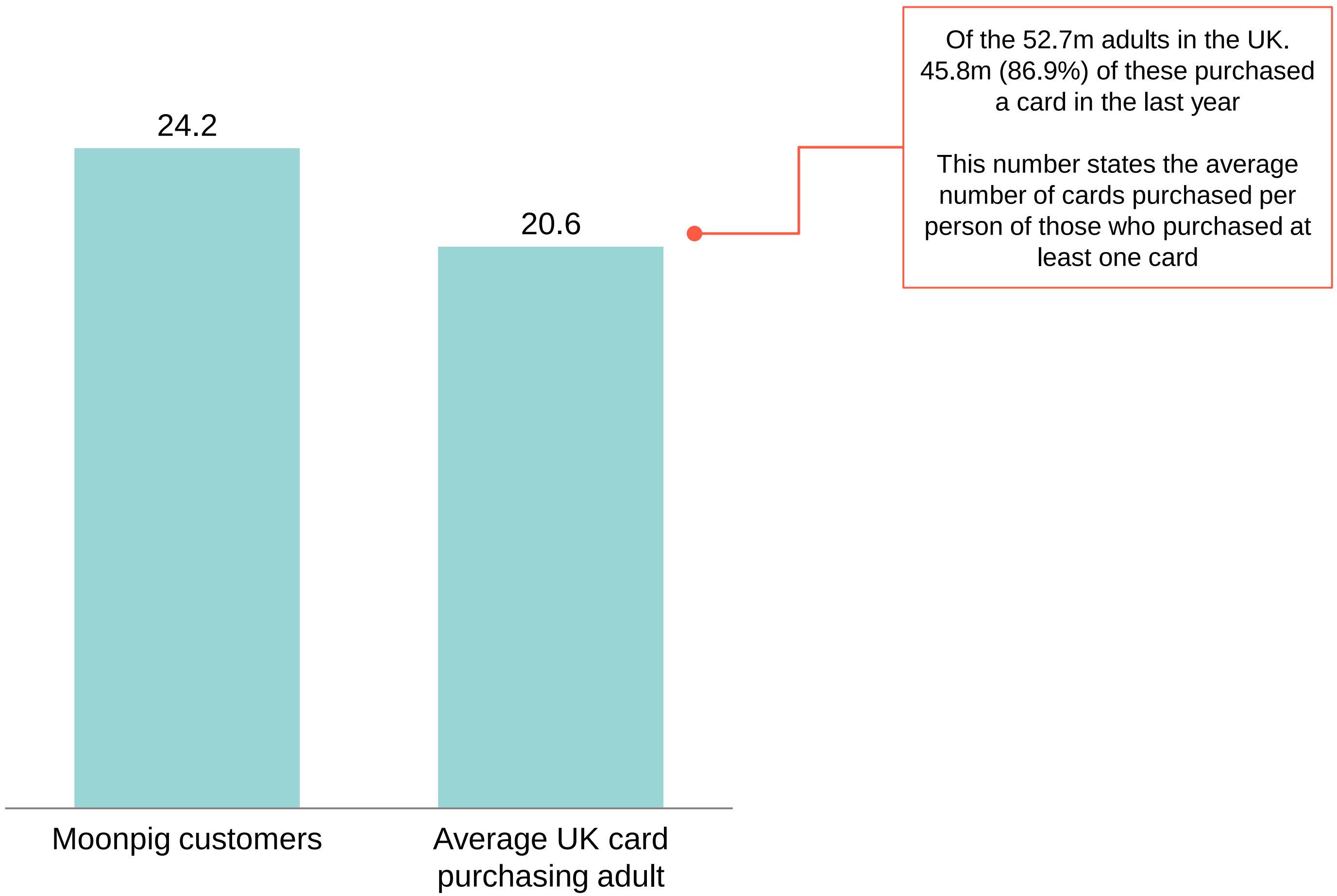


1. Other specialists include Card Factory, Thortful, TouchNote, Clintons, Paperchase, Hallmark, Boomf, Papier

Source: Management Data, Company Accounts, OC&C analysis and market model

The average Moonpig customers purchases c24 singles cards per year across all retailers – higher than the average UK card purchasing adult

Total Singles Card Purchased per Person – Last 12 months



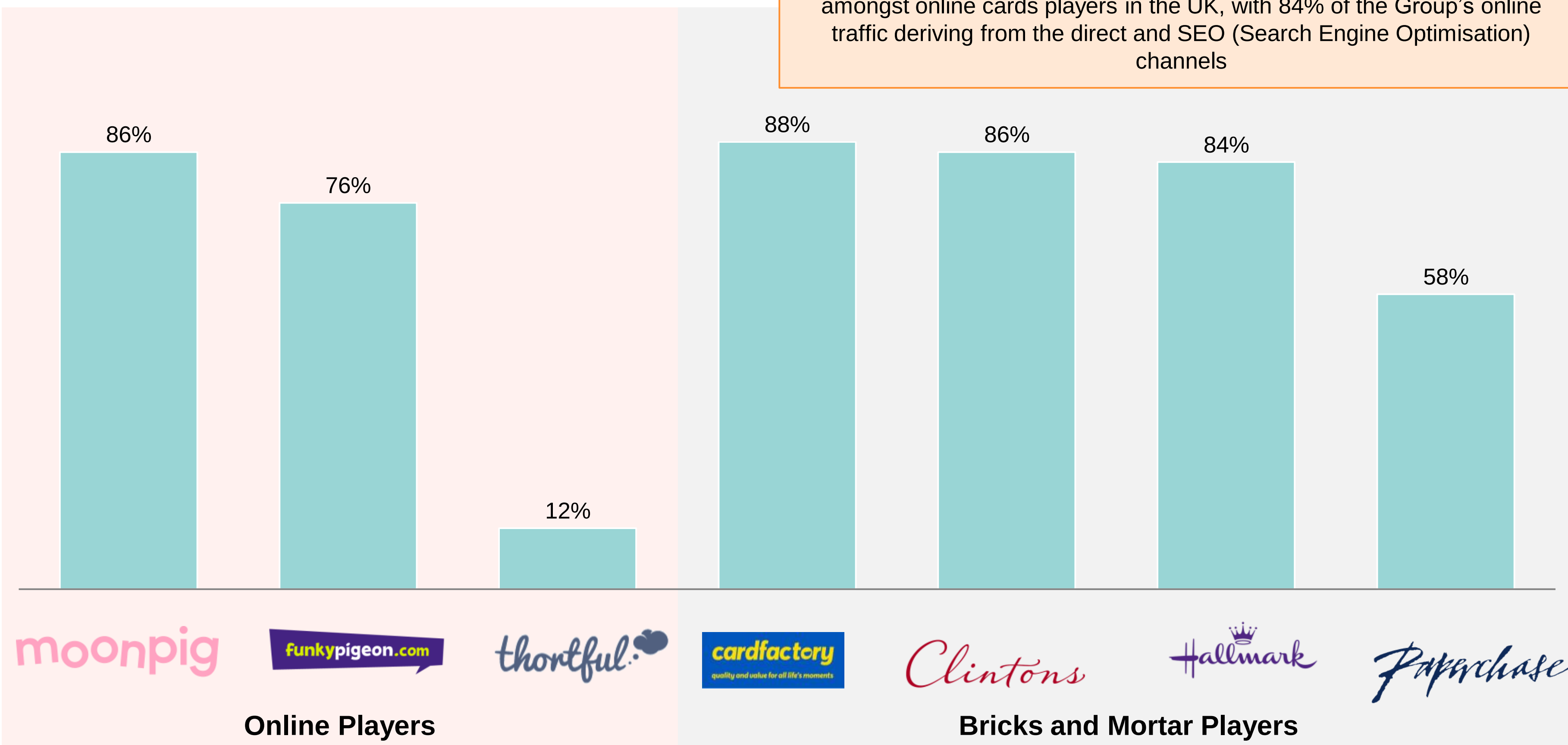
Source: Customer survey, ONS, OC&C market model

Moonpig has the highest prompted awareness among online focused players, which drives a strong scale advantage

Prompted Awareness by Brand, 2020

High prompted awareness drives scale benefits

For example, Moonpig delivers the highest share of "free" driven traffic amongst online cards players in the UK, with 84% of the Group's online traffic deriving from the direct and SEO (Search Engine Optimisation) channels

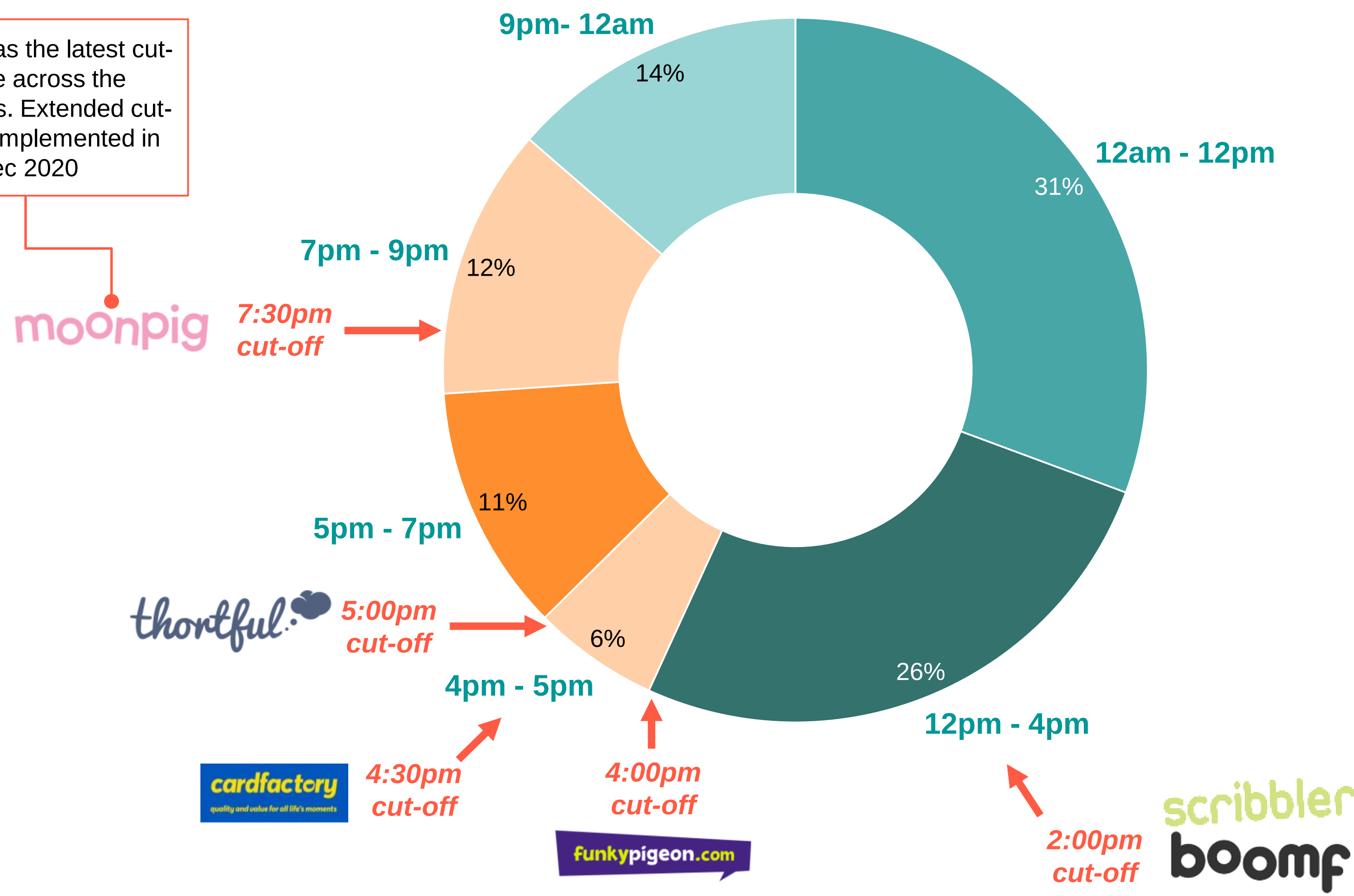


Source: Internal Consumer Research, OC&C analysis

Moonpig offers a later cut-off on next day delivery than its competitors which likely drives a portion of the c.15-20% of sales occurring during this time

Moonpig Cards Sales over Time, FY20 (£m)

Moonpig has the latest cut-off time across the competitors. Extended cut-off to 9m implemented in Dec 2020



Source: Internal Data, OC&C analysis

Agenda

Broader Gifting Market

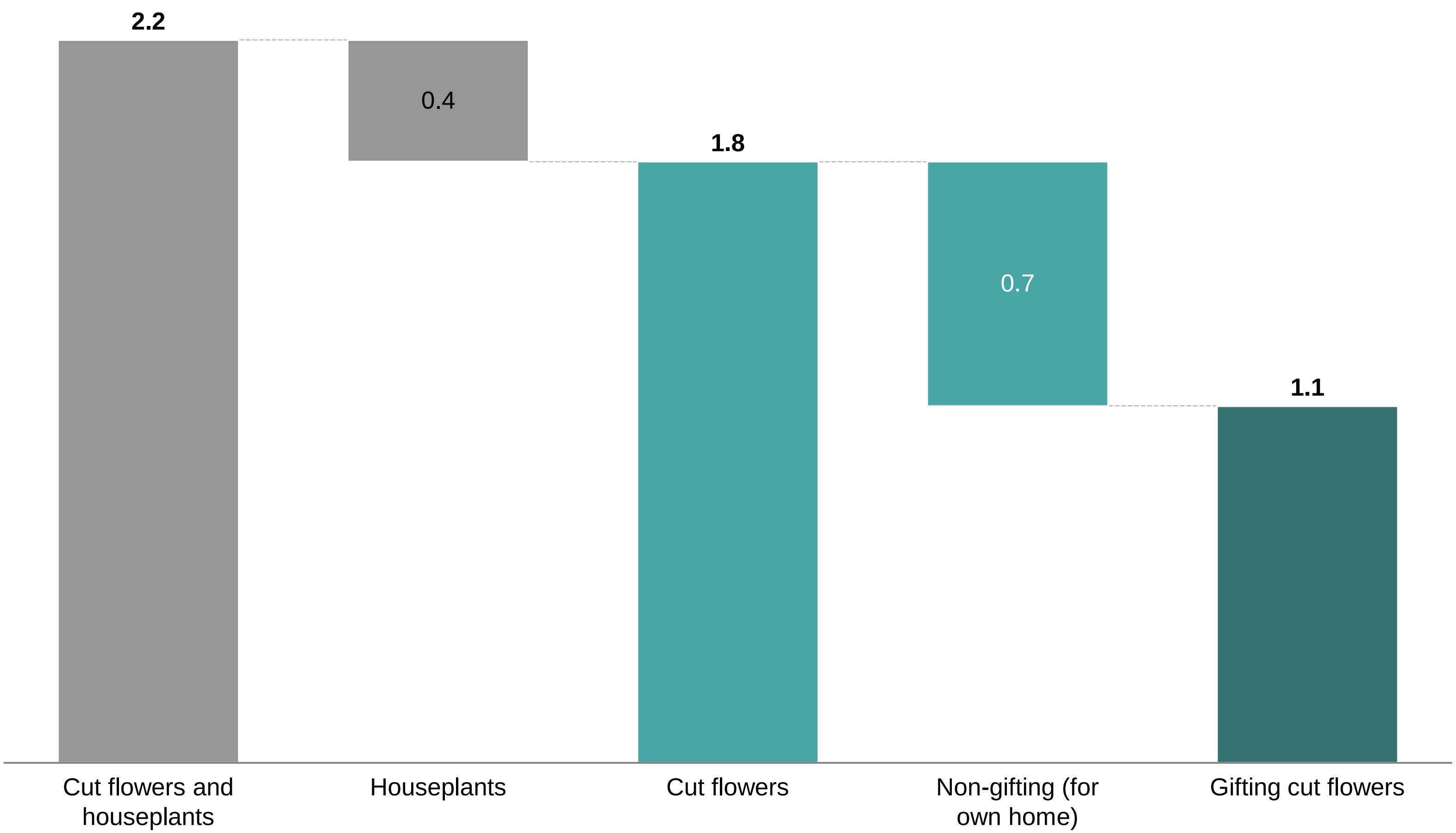
UK Card Market and Moonpig Competitive Position

UK Flowers & Gifts

NL Card and Gifts Market & Greetz Competitive Position

Gifted cut flowers account for £1.1bn of the £1.8bn UK cut flowers market

UK Cut Flowers Spend 2019 (bn)

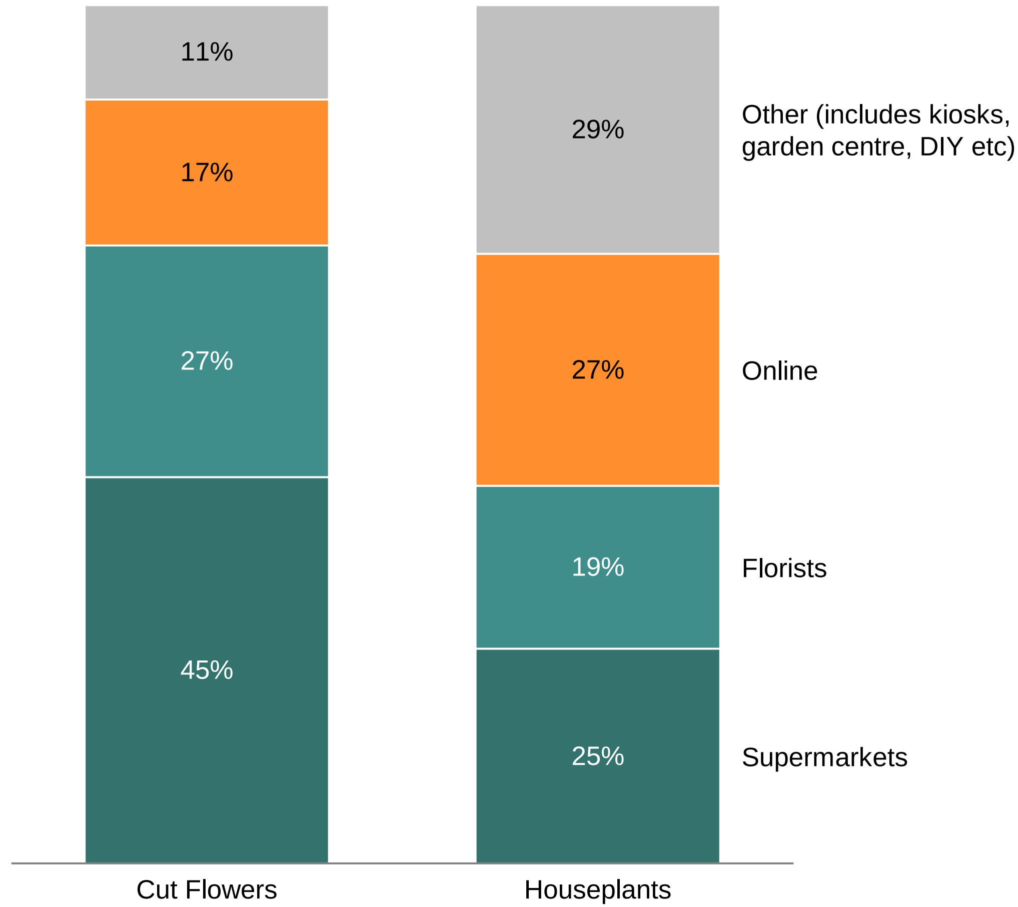


Source: Consumer survey, OC&C market model, OC&C analysis

17% of flowers were sold through online specialists in 2018 with the market fragmented across channels

UK Cut Flowers & Houseplants Retail Channel Mix, 2018 (% of Value)

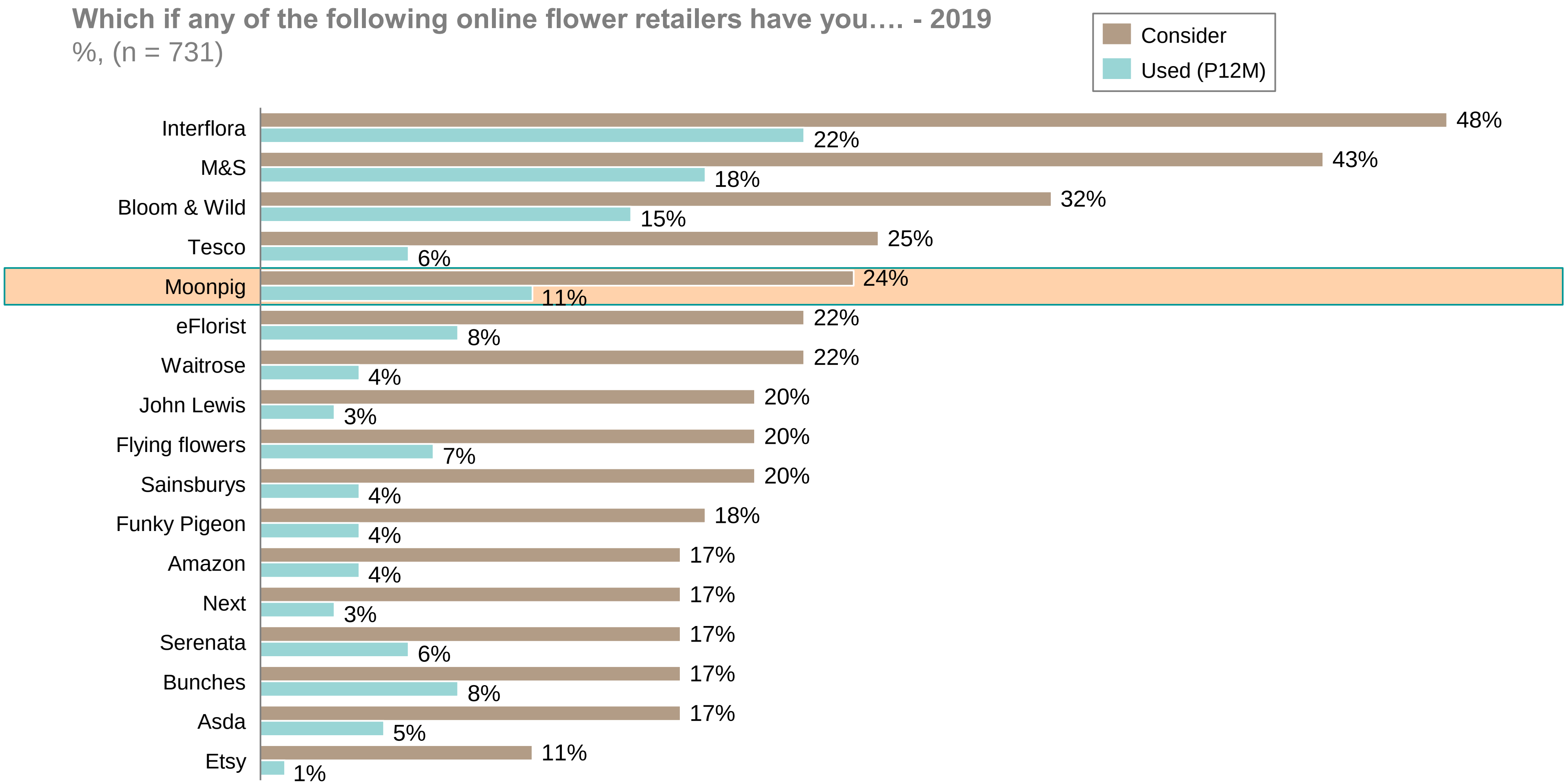
- Market fragmented across many channels
- Supermarkets are the main players in cut flowers



Source: Consumer survey, OC&C market model, OC&C analysis

Within online, Moonpig is one of the Top 5 players in cut flowers with consumer use fragmented across many different players

UK Cut Flower and House Plants Market - Online



1. Others includes: Retail Stores, DIY Stores, Petrol Station

Source: Consumer survey, OC&C analysis

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NL Card and Gifts Market & Greetz Competitive Position

Dutch card market comprises of c150m volume of singles greetings cards with a lower proportion of adults purchasing than the UK

Netherlands vs UK Greetings Cards Market Summary

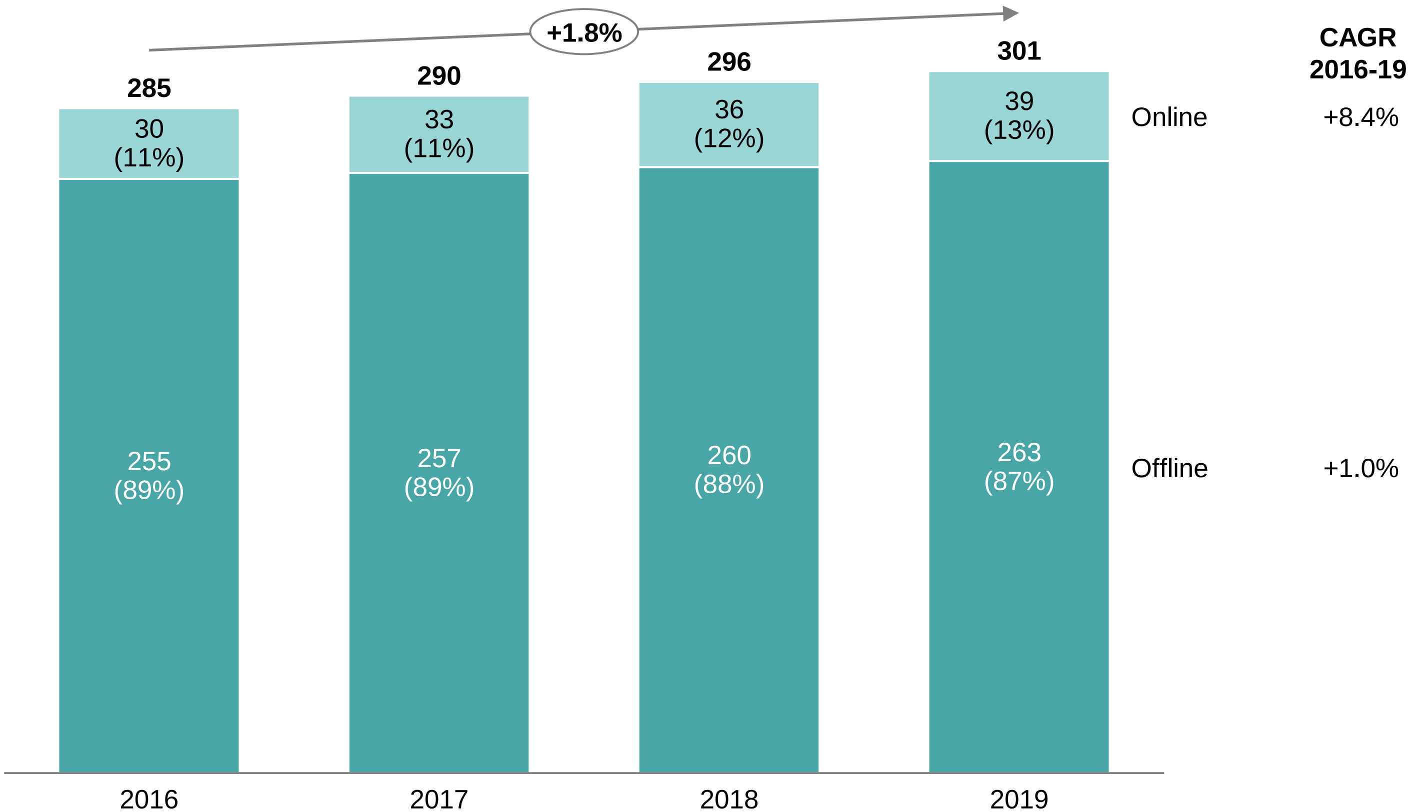
	Greetz in NL	Moonpig in UK
Value of Singles Market (€m)	c.£300m	c. £1.4bn
Market Card Volume (# Singles Cards)	c.150m	c.910m
% Adults Purchasing	57%	87%
No of card buyers	45.8m	8.0m
# Singles Cards per person purchasing from Moonpig / Greetz	18.8	24.4

UK + NL Total:
53.8m

Source: OC&C Consumer Survey June 2018; Internals; OC&C Market Modelling, OC&C analysis

The Dutch greeting cards market is worth c.£300m of which online (c.13% of value) has been growing at c.8% pa

Estimated NL Greeting Cards Market by Segment, 2016-19 (£m)



Source: Company Annual Accounts, Management Accounts, OC&C Survey, OC&C market model

We have estimated the overall greeting cards market top down to be c.£290-340m, in line with market sources

Top Down Overall Market Sizing, 2019

Adult Population of the Netherlands	×	Penetration	×	Cards Bought per Card Buyer	×	Average Price
14m		**57%**		**17-19**		**€2.40-2.60**
Supporting data • Centraal Bureau voor de Statistiek**:** 17m (2019) • UN World Population: 83.2% of population over 15 **Explanation** 17m *83.2% = c.14m		**Supporting data** • UK penetration: 85% • Survey suggests a penetration of c.57% in NL **Explanation** The Netherlands is similar to the UK, but survey suggests a larger share of the population rarely buy cards		**Supporting data** • Survey data suggests 19 cards bought per card buyer **Explanation** Conservative estimate: 17-19		**Supporting data** • Benchmarking / Store checking
14m		**7-9m**		**Total Market Volume: 136-151m**		**Market Value Total:€330-390m *(£290m-340m)***

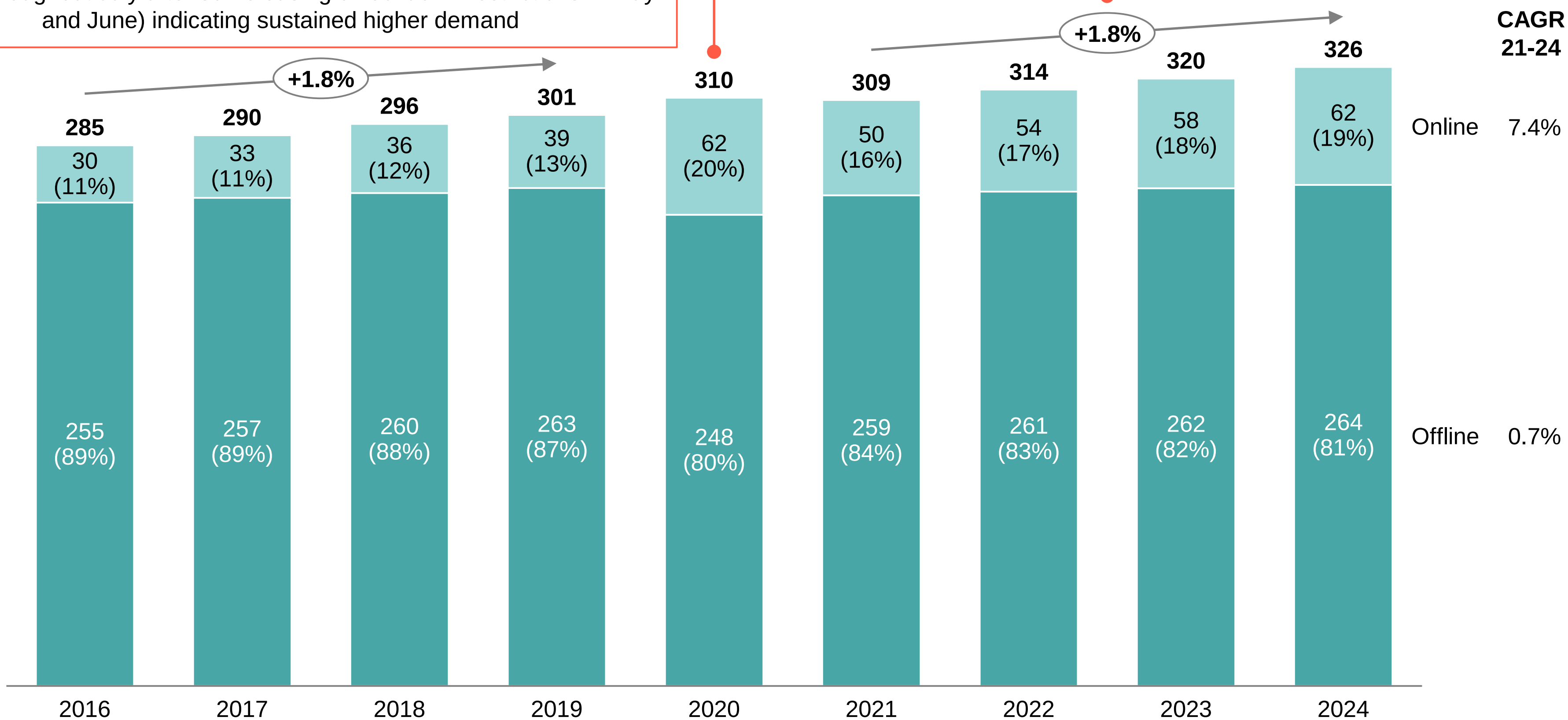
Source: OC&C Consumer Survey June 2018, Internals, OC&C analysis

Best view of future Netherlands greeting card market growth suggests it will follow a similar post COVID dynamics to the UK

Estimated NL Greeting Cards Market by Segment, 2016-24 (£m)

In Jan-July 2020, web traffic for the leading online players grew by 76% vs the same period the previous year. Web traffic of leading online card players and Greetz revenue continued to be elevated above historical levels (throughout July after some easing of lockdown restrictions in May and June) indicating sustained higher demand

Similar to the UK, value growth of the cards market in the Netherlands has been driven by price and partially offset by decreasing volume. Cards market in the Netherlands estimated to follow a similar trajectory to the UK



Source: Company Annual Accounts, Management Accounts, OC&C Survey, OC&C market model

Dutch online cards segment is relatively concentrated with 2 major pure online players, and Greetz holding the majority share position

NL Greeting Cards Market in Online Segment, 2019 (£m)

Online Players

greetz.nl

Hallmark

Kaartje2go

Offline Card / Gift Specialists

Primera

Generalist Retail Chains selling cards

HEMA

ah

Kruidvat

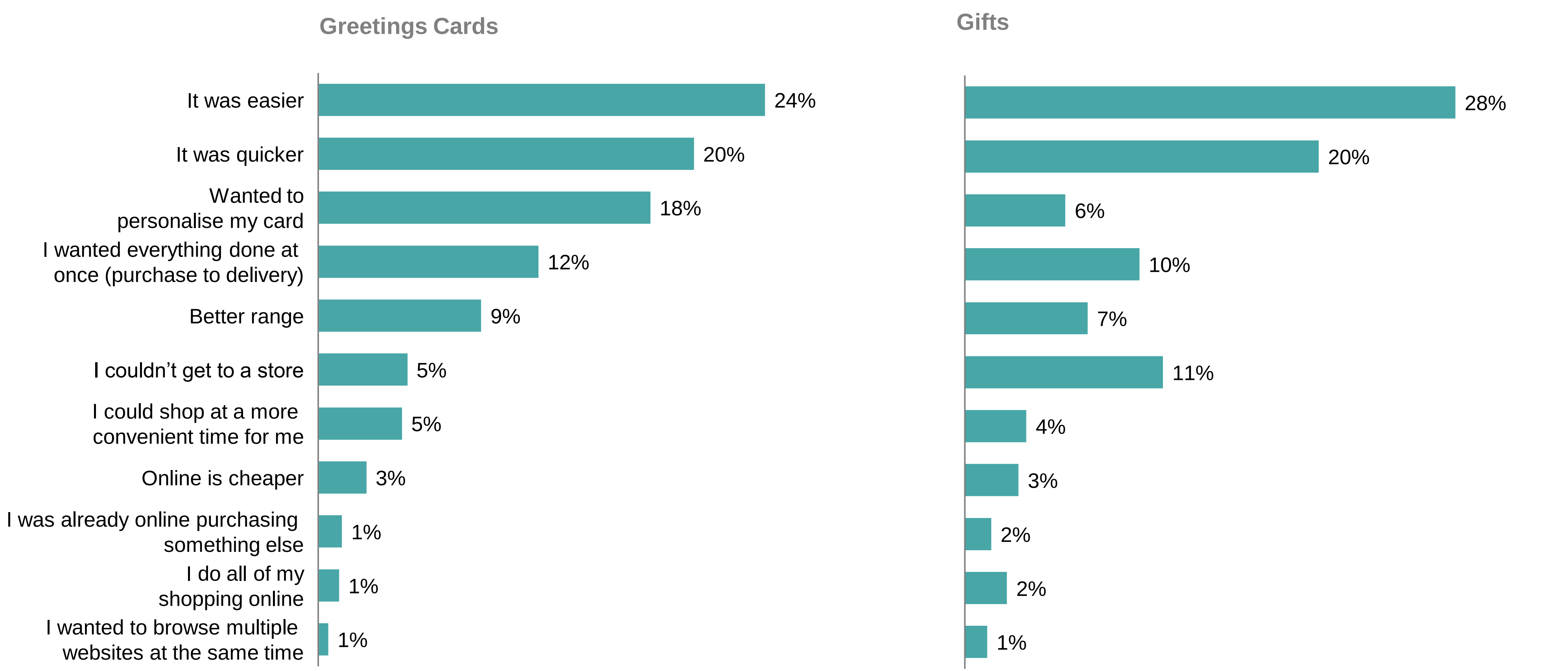
Sells Greeting Cards offline and online

Source: OC&C analysis

Consumer research from 2018 found that ease, speed, convenience, larger range and options for personalisation were key factors driving customers to online gifting platforms in the Netherlands

Reason for Purchasing Online in the NL Market - 2018[1]

This data and analysis from July 2018



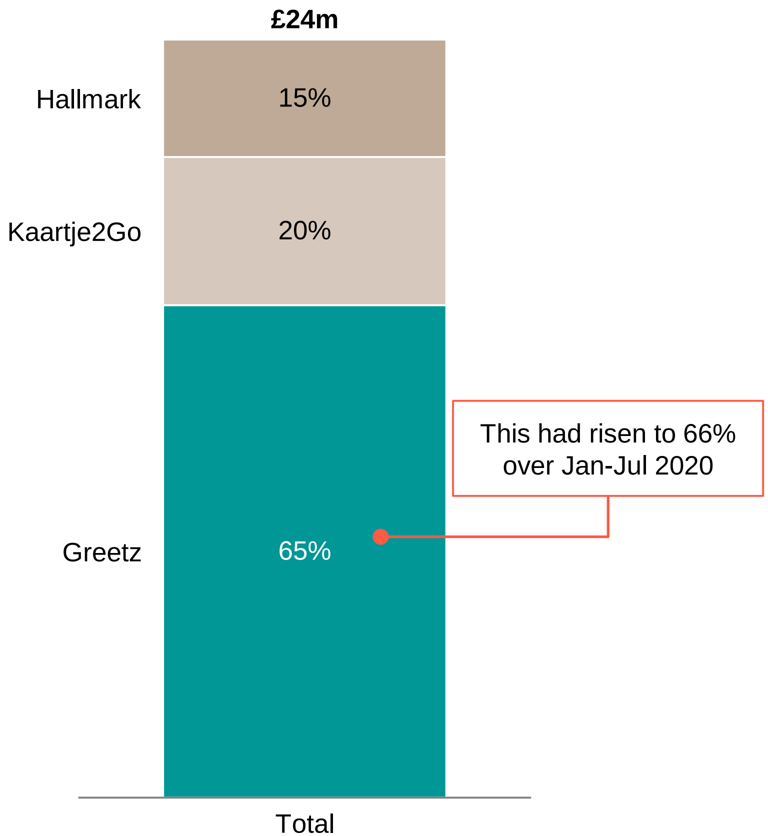
1. Q: Why did you buy the xx online rather than in store?

Source: OC&C Consumer Survey June 2018; OC&C analysis

Among the largest three online card players, Greetz has a c.65% share of online card revenue in NL

Online Sales of Major Specialist Greetings Card Players in NL - 2019

Share of Leading Online Specialist Card Players, 2019 (% of online specialist card sales)



Largest 3 online card players are based on estimated online greeting card sales in the Netherlands. Based on reported revenue data where available; where not, estimated by traffic to these players from which revenue is estimated based on ratio of Greetz revenue/ traffic. This has been triangulated with consumer survey data from previous work at Greetz analysing stated purchasing levels by retailer

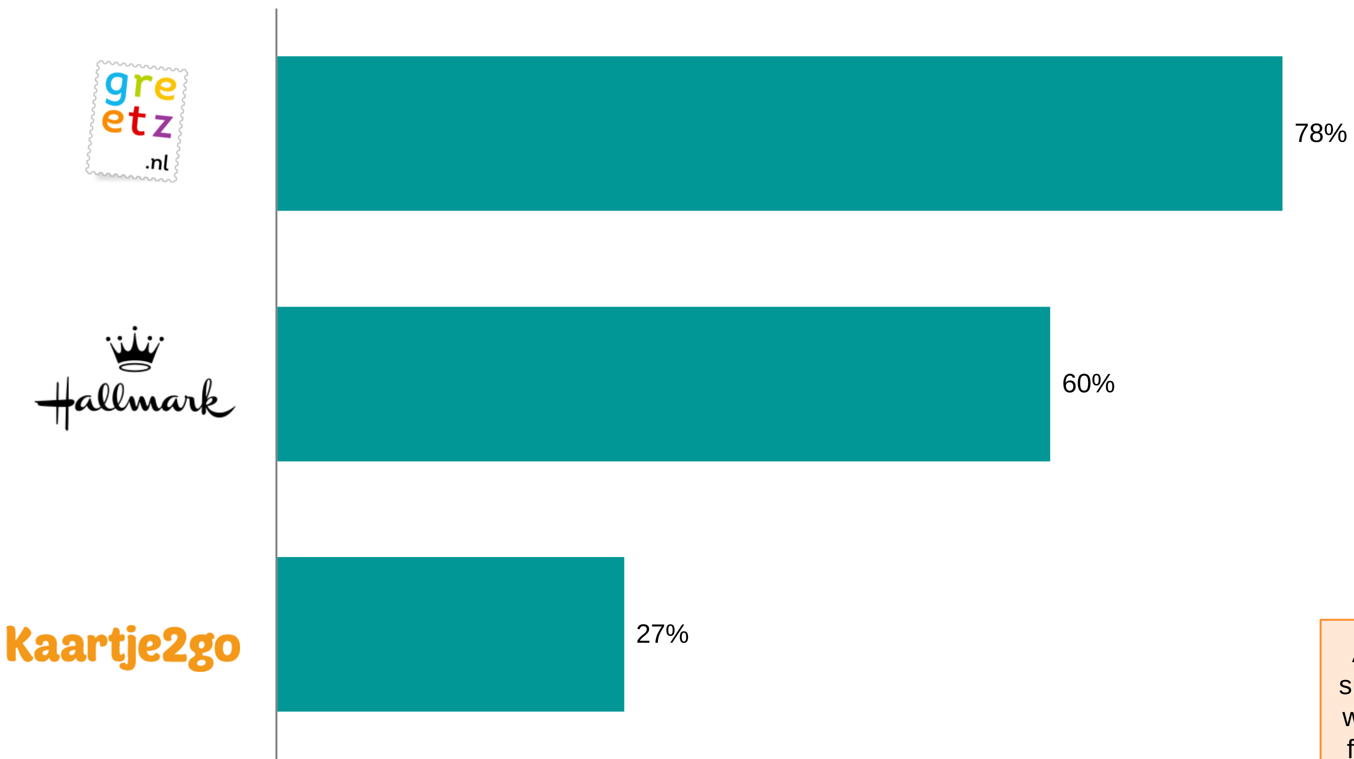
Commentary

- 3 major players in Netherlands account for 64% of total online cards market - £39m in 2019
- The revenue of Kaartje2Go and Hallmark is estimated by scaling Greetz revenue according to relative to traffic, given similar category offering and business model
- Greetz has an estimated 65% of the online segment
  - This is supported by survey data, which shows that 37% of consumers have bought from Greetz vs 14% for Hallmark and 6% for Kaartje2go

Source: OC&C market model, OC&C analysis

Greetz has a clear advantage versus peers in prompted awareness

Card Market: Prompted Awareness by Brand – April 2020



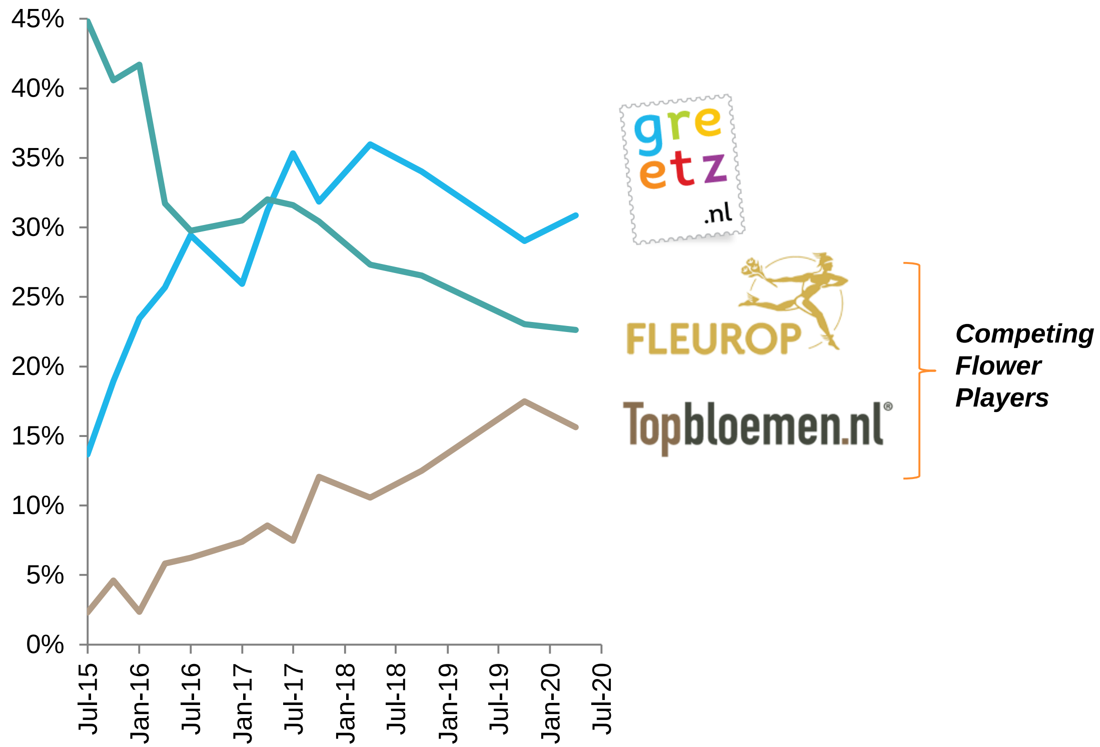
Additionally, according to OC&C survey data covering 2017, Greetz was also the first choice for online flower gifting amongst customers in the Netherlands

Source: Consumer Survey, OC&C analysis

In flowers, Greetz has driven a significant increase in top of mind awareness in the past several years, overtaking Fleurop to become the number 1 player

Specifically for Flowers

Top of Mind Awareness in Flowers, % of Respondents, July 2015-April 2020



- Within the Netherlands gifting market, Greetz has higher-than-average penetration in the flowers market
- The flowers market in the Netherlands is highly fragmented, similar to the dynamics in the UK market
- Competitors for Greetz in this space include Fleurop and Topbloemen.nl

Source: Management Survey Data, OC&C analysis