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Moonpig Group

Retail

3 April 2025

FY25 update shows continued cash generation

Moonpig's trading statement for FY25 (to end April) shows that the year looks set to finish in line or slightly better than expected. This is despite a challenging consumer confidence and geopolitical environment. While disruptive, the group's business model continues to prove robust and therefore significant growth opportunities remain. Its modest capital base generates high returns, which suggests attractive underlying value in the shares.

Trading update

In its FY25 trading update, Moonpig states that it expects revenue of £350–353m (consensus £356m) with adjusted EBITDA margins at the top of 25–27% guidance. The company also announced a new £60m share buyback programme. Management reiterated its aim of delivering growth in adjusted EPS in the mid-teens over the medium term.

Growth drivers

The group has a very clear strategy to achieve compounding cash flows: firstly, grow its 11.5 million active customers to take a greater share of the 51 million card buyers in its markets; secondly, increase its customers' FY24 purchase frequency from 3.6 cards/year towards the average 19.4 cards/year bought in its offline markets; and thirdly, increase the 17.3% gift attachment rate, reflecting the 58% of occasions when a (non-cash) gift is given alongside a card (source: Moonpig, OC&C market research, October 2024). The growth drivers for its experiences products are similarly straightforward: increase order conversion through the offering; boost average order value through promotions; increase use of third-party channels; and upsell during voucher redemption. In addition, the group is exploring the US, Australian and Irish online card markets.

Valuation

The rapid deleveraging between October 2022 and October 2024 (when net debt fell from £209m to £120m), the initiation of a dividend at the last interim results and the £85m in share buybacks demonstrate the underlying cash generation of Moonpig's business model. Furthermore, the asset base used to generate these returns is very modest, leading to an annualised future return on capital (ex-goodwill, based on consensus) of c 180–200% versus a real cost of capital of around 5% (source: Quest). Conventional multiple analysis values Moonpig at a slight premium to other speciality retailers but, based on the group's returns profile, the underlying value is attractive.

Consensus estimates

Year end	Revenue (£m)	EBITDA (£m)	PBT (£m)	EPS (p)	DPS (p)	EV/EBITDA (x)	P/E (x)	Yield (%)
4/24	341.1	95.5	58.2	12.95	0.00	9.0	17.0	N/A
4/25e	355.9	94.8	63.0	13.80	3.01	9.0	16.0	1.4
4/26e	384.0	102.0	68.6	15.40	4.06	8.4	14.3	1.8
4/27e	416.5	111.2	77.9	18.20	4.20	7.7	12.1	1.9

Source: Moonpig. Note: EBITDA and EPS stated after adjustment for amortisation of acquired goodwill and extraordinary items.

Price	**220.50p**
Market cap	**£736m**

Share price performance

Share details

Code	MOON
Listing	LSE
Shares in issue	335.9m
Net cash/(debt) at 31 October 2024	£(119.5)m

Business description

Moonpig Group is a UK-based company providing online greeting cards, gifts and experiences. It trades as Moonpig, Red Letter Days and Buyagift in the UK and as Greetz in the Netherlands.

Bull points

- Strong cash generation and return on capital.
- Dominant position in online cards market, especially in the UK and the Netherlands.
- Modest share of total cards market suggesting growth opportunities.

Bear points

- Current difficult conditions in the experiences market.
- Slow/gradual adoption of disruptive business model by consumers.
- Low prices offered by more volume-sensitive competitors.

Analysts

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