Marley Spoon (ASX.MMM) 2019 H1 Financial Results

30 August 2019

1H 2019 Results highlights

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Revenue run-rate >A$200m	55% growth in 1H 2019 on PCP … run-rate based on €32M Q2 revenue
CM increased to 24%	Guidance confirmation: CM expected to reach mid to high 20s in 2019
New manufacturing technology	Rolled out in EU & Australia … foundation for future scalability & personalization
Australia profitability	Australia profitable on operating EBITDA basis in Q2 … entered into Woolworths partnership, actions underway
Profitable by 2020	Operating EBITDA margin improved 8 pts YOY … guidance confirmation: Operating EBITDA profitability by 2020

1 Operating EBITDA means earnings before interest, tax, depreciation and amortisation, excluding non-cash share based expenses, significant items of income and expenditure that are the result of an isolated, nonrecurring event such as certain impairments, and intercompany charges

Significant milestones in first year of ASX listing

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- ✓ Reaching an annualized revenue run rate of over A$200m, based on Q2 revenue
- ✓ Building upon valuable customer insights with over 10 million delivered meals in 1H 2019
- ✓ **Expanding Dinnerly market penetration in both the US and Australia**
- ✓ **Globally expanding menu choice to 20 weekly changing recipes for Marley Spoon and 14 for Dinnerly**
- ✓ Extending the strategic partnership with Martha Stewart in the US market until 2022
- ✓ Operationalising and rolling out new manufacturing technology across Europe and Australia
- ✓ Consolidating European manufacturing centers into one centralized hub in the Netherlands
- ✓ Launching a global shared service hub in Portugal … already handling customer communications for US & AU
- ✓ Almost tripling manufacturing footprint from ~8,000 sqm to ~23,000 sqm in the US
- ✓ **Reaching operating EBITDA profitability in the Australian segment in Q2 2019**
- ✓ **Entering into 5-yr strategic alliance with Woolworths in Australia to drive growth and synergies**

Woolworths

Marley Spoon grows fast in a large market

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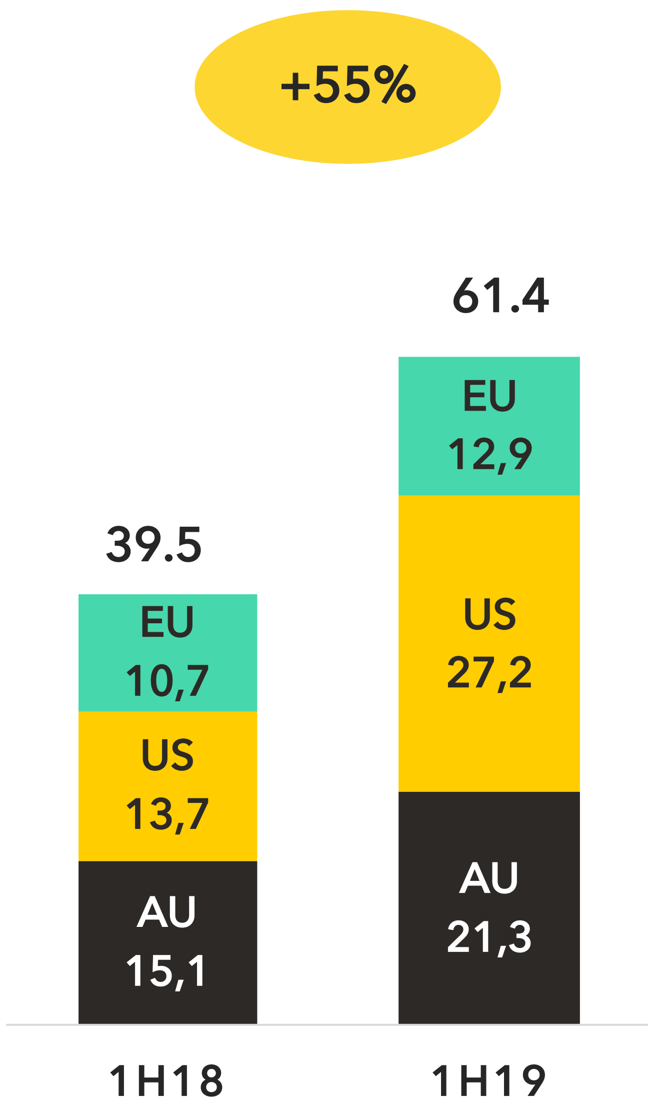
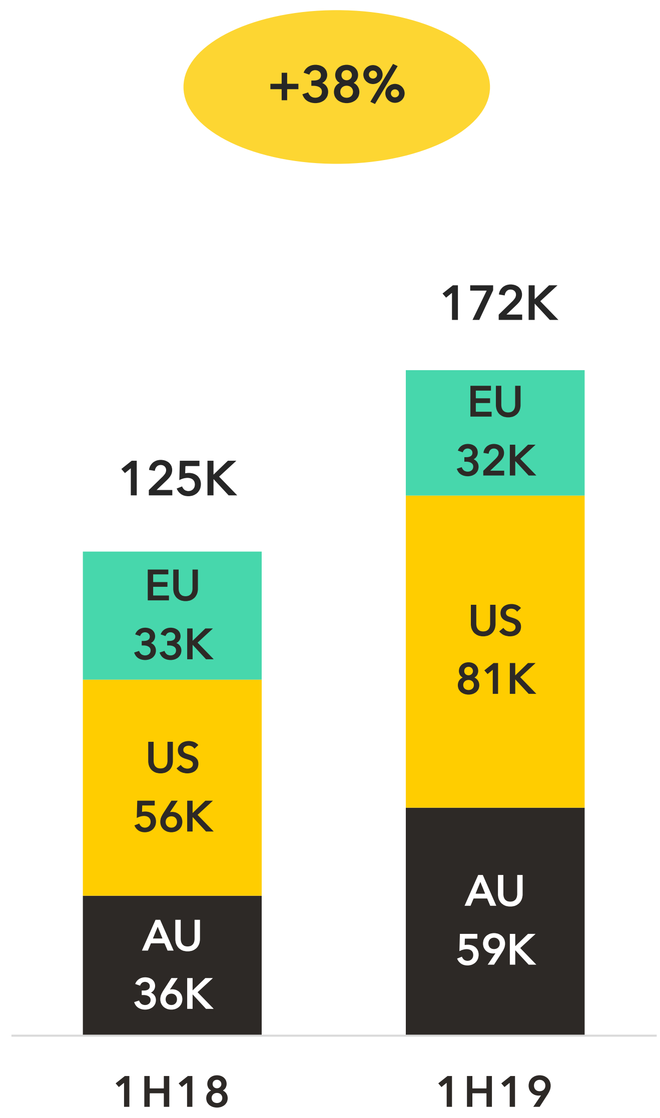
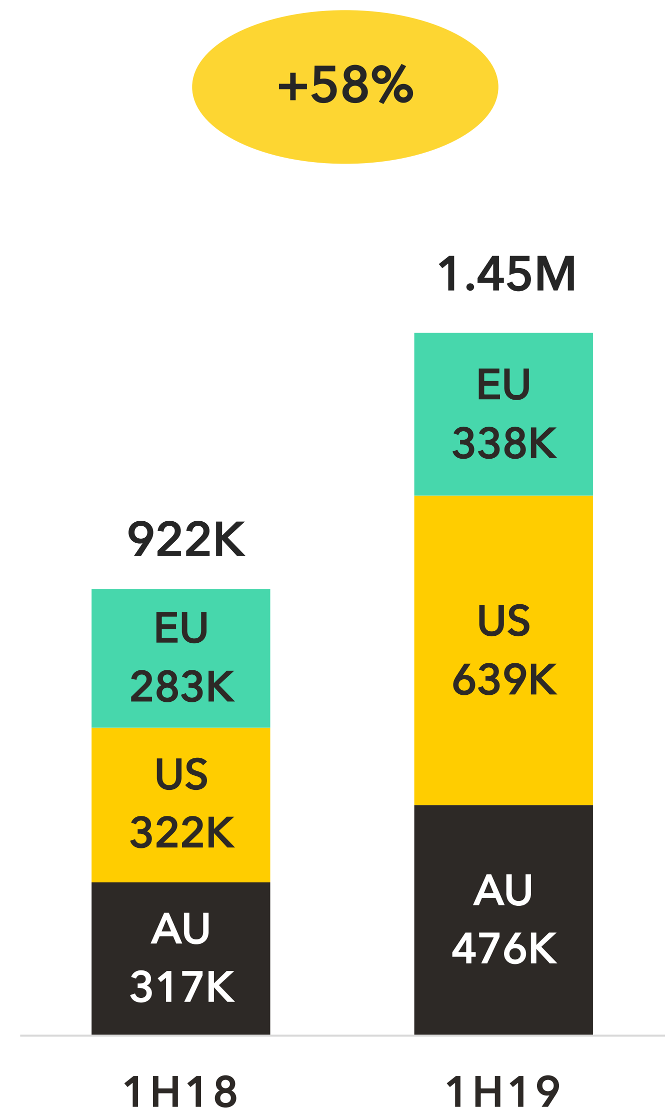
Net revenue (€ millions)



Active customers



Total orders



US main revenue driver with +98% … Europe and Australia also growing with solid double digit growth … revenue growth > active customer growth indicates more repeat customers in mix

Marley Spoons growth is based on repeat orders

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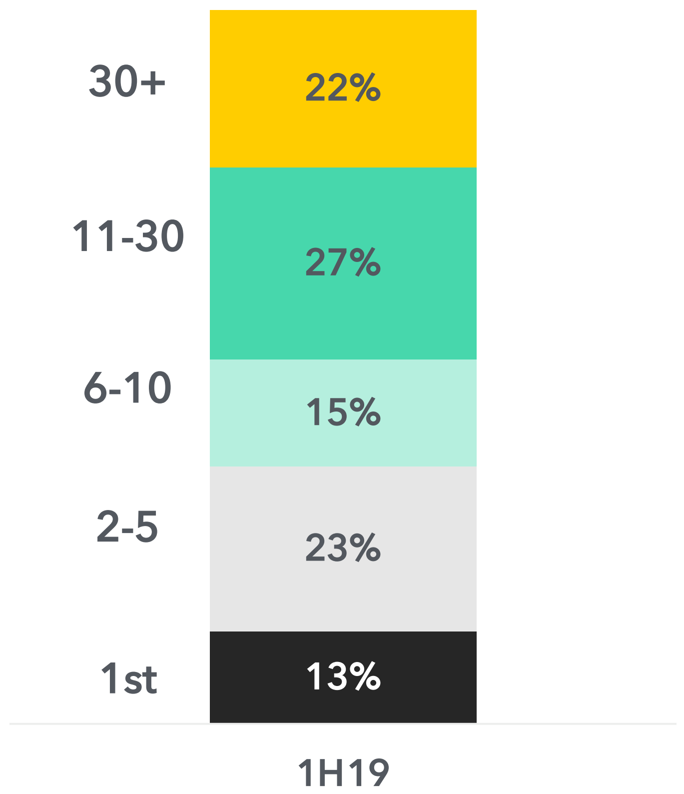
Revenue from repeat customers

- Track record of customer loyalty with repeat orders maintained at >90% of revenue
- Focus on retaining loyal, high-value customers and drive growth through repeat orders

Orders breakdown by ordinal



- >60% of orders in "steady state" 6+ … +2 pts year-on-year
- Only 13% of orders with 1st time buyers

Consistently high repeat % in addition to strong topline growth, higher than other e-commerce models … most revenue with very loyal customers … both measures stable/improving over time

Stable CACs and retention supporting path to profitability

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Marketing expenses	€18m deployed in 1H19 at stable acquisition costs (CACs) of €66
Active customer growth	Up 38% year on year to 172K as at 30 June 2019
Retain high value customers	91% of revenue from repeat customers and increased basket size per customer
Growth via recurring revenue	Revenue up 55% vs PCP to annualized run rate of >A$200m
Increased marketing efficiency	Marketing/revenue improved 3pts to 29% in 1H 2019

Improvement in contribution margin

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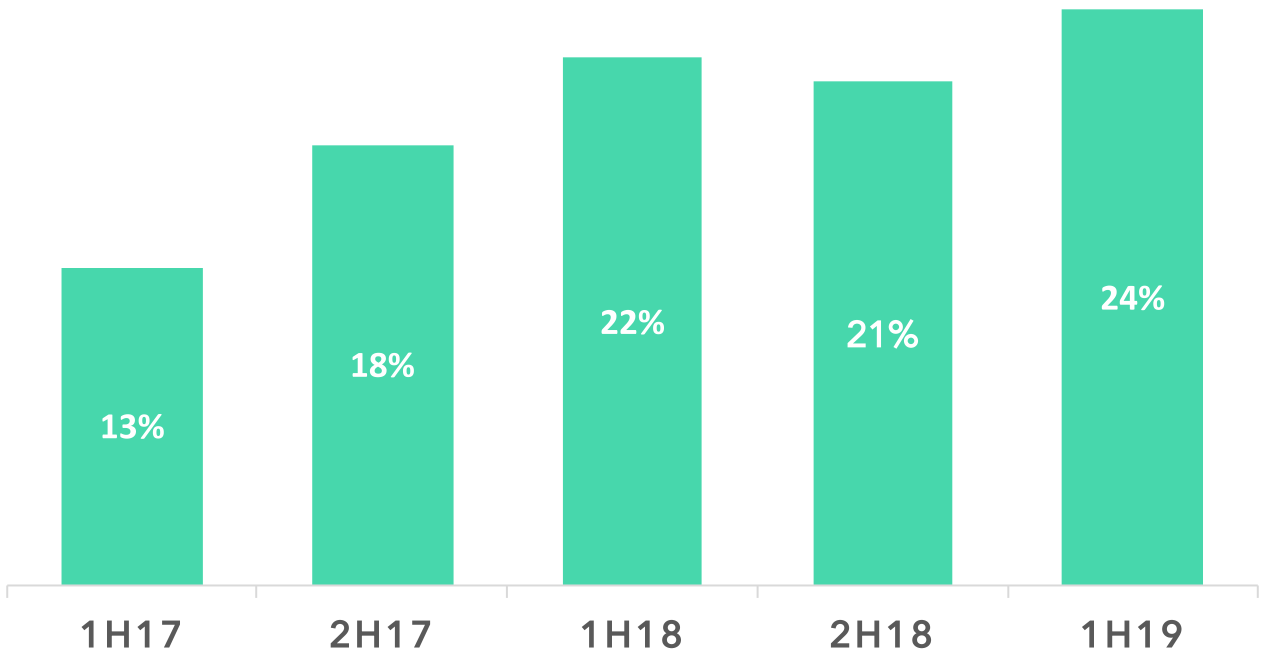
Global contribution margin (% of revenue)



Key developments by segment

- AU sustained best-in-class CM of 33% … operating EBITDA positive for the first time in Q2
- Significant YOY improvement in US operations with increase to 21% in 1H 2019, up from 13% in 1H 2018 due to purchasing benefits and increased manufacturing productivity
- Consolidation of German into the Netherlands manufacturing centre, together with rollout of new manufacturing technology led to 1% drop in CM in 1H 2019 for European segment to 17%

Expecting margin improvements to continue … US scaling benefits … AU Woolworths synergies … EU stabilization after site consolidation

Growth moving Marley Spoon towards profitability

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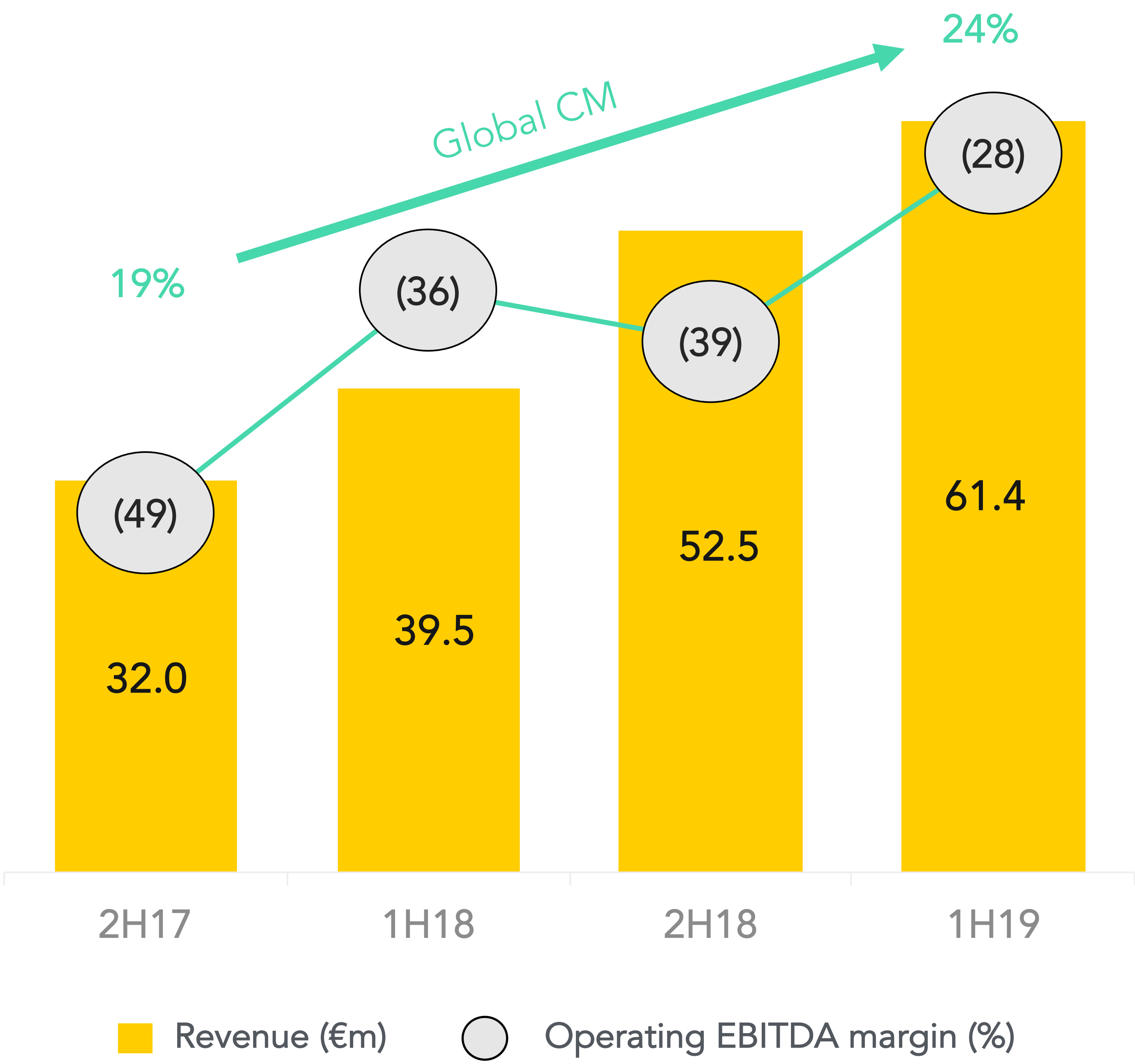
Net revenue vs operating EBITDA margin %



Key developments

- Consistently lowering EBITDA loss % thanks to increasing contribution margins (CM), more measured topline growth, and G&A cost control
- 2Q 2019 achieved improved margin with (16)% operating EBITDA loss
- Reaffirmed guidance for global CM% in the mid to high 20s in CY 2019 and operating EBITDA profitability by 2020

1H 2019 Segment performance

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Australia

REVENUE	€21.3M	↑ 44%[1]
CONTRIBUTION MARGIN	33%	Flat
OPERATING EBITDA %	(8%)	Flat

Key developments

- Rollout of new manufacturing technology completed in 2nd half of Q2 … starting to see quality & productivity benefits
- First marketing campaigns and cost synergy actions with Woolworths executed in August

United States

REVENUE	€27.2M	↑ 86%[1]
CONTRIBUTION MARGIN	21%	↑ +8pts
OPERATING EBITDA %	(25%)	↑ +24pts

Key developments

- Fastest growing segment due to successful two brand strategy
- CM with continued room for improvement … scaling benefits & labour productivity

Europe

REVENUE	€12.9M	↑ 20%
CONTRIBUTION MARGIN	17%	(1)pt
OPERATING EBITDA %[2]	(32%)	(3)pts

Key developments

- Currently moving Austrian production into Dutch site … to be completed in Q4
- New global shared services centre in Portugal already handling all US & AU customer communications as of August

1 Revenue growth on a constant currency basis
2 Ex HQ cost of €4.4m in 1H 2019

Woolworths

Profit & loss

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	1H19 (€m)	1H18 (€m)	Change € millions	Change %
Revenue	**61.4**	**39.5**	**21.8**	**55%**
Cost of goods sold	(34.4)	(23.0)	(11.4)	49%
Fulfilment expenses	(12.2)	(7.9)	(4.3)	55%
Contribution margin %	**24.0%**	**21.7%**		**+2.3pts**
Marketing expenses	(18.0)	(12.5)	(5.5)	44%
General & administrative expenses	(16.3)	(11.5)	(4.8)	42%
EBIT	**(19.6)**	**(15.4)**	**(4.2)**	**27%**
Net loss	(21.7)	(19.4)	(2.3)	12%
Operating EBITDA	(17.2)	(14.1)	(3.1)	22%
Operating EBITDA %	**(28%)**	**(36%)**		**+8 pts**

Key variances

- **Revenue:** Strong growth based on effective marketing strategy and repeat customer orders
- **CM:** Increase YOY primarily due to 8 point improvement in US business
- **Marketing:** Effective seasonal strategy with 12m spend in Q1 and 6m in Q2 … overall decrease in marketing/revenue to 29% in 1H 2019 from 32% in PCP
- **G&A:** Decrease in G&A/revenue to 26% in 1H 2019 from 29% in PCP
- **Operating EBITDA:** Significant margin improvement thanks to higher CM and continued operating leverage … Q1 at -12m, Q2 only -5m

Cash flows

	1H19 (€m)	1H18 (€m)
EBIT	**(19.6)**	**(15.4)**
Depreciation & amortisation	2.2	0.2
Share-based payments	0.2	1.1
Change in working capital	0.7	4.9
Interest & taxes paid, other	(0.7)	(0.1)
Net cash flows from operating activities	**(17.3)**	**(9.3)**
Net cash flows from investing activities	**(3.1)**	**(1.3)**
Net change in equity	2.5	37.6
Proceeds from convertible notes	12.0	-
Net change in borrowings	9.6	10.5
IFRS 16 lease payments	(1.6)	-
Net cash flows from financing activities	**22.4**	**48.1**
Net increase in cash and cash equivalents	**2.0**	**37.5**
Cash and cash equivalents at 30 June	10.6	39.8

- Continued improvement in **working capital**, mainly driven by payables … i**nventory flat since end of 2017**
- Increase in **depreciation** driven by accounting changes due to IFRS 16 (€1.4m) and product development amortisation (0.2m)
- **Capex** of €3.3m associated with US site build outs and new manufacturing technology … software development +€0.8m … partially offset by €1.0m in lease payments received
- **Financing activities** Mainly driven by Q1 convertibles (12m), Woolworths funding (18m), and Moneda repayment (7m)
- Continue to actively pursue future funding options, via debt and/or equity

Building a scalable and defendable D2C Platform

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Barriers to entry

Data & Personalisation

Driving ARPU via retention and cross/up-selling

Driving supply chain efficiency due to improved demand prediction

Aggregated customer behavior and taste data

Centralised Data Warehouse

Technology Layer

Digital direct-to-consumer brand experience platform

Centralised product development (menu) platform

Global ERP platform

Manufacturing Core

Mass product customisation

Driving productivity increases

Quality improvements to compete on service reliability

Patent pending 3rd generation manufacturing process (EU & AUS, US by 2020)

Global scale

Summary and outlook

Strong topline growth … +55% YOY (52% ex FX)

- Strong growth led by US with +98% growth YOY at stable CAC of EUR 66
- Business reached AU$ 200m run-rate revenue
- Growth driven by loyal customer behaviour … +55% revenue with 38% active customer growth, 91% revenue from repeat customers, >60% of orders with "steady state" customers (order # 6+)

Continuous operational improvements

- Contribution margin up 2 pts to 24% - on track for mid to high 20s in 2019
- US main positive driver year-on-year … AU stable at 33% (highest among the segments)
- Europe & US focus regions to improve operational efficiency going forward

On track to reach profitability on an operating EBITDA level by 2020

- EBITDA margin improved from (36%) to (28%), exiting in Q2 at (16%)
- Strategy of measured, disciplined growth in 2019
- Continued margin improvement and G&A cost control key to achieving profitability

Meal-kits an early industry in a vast market

- Groceries remain one of the largest untapped opportunities as consumer purchasing shifts online
- Marley Spoon well positioned to capture future growth with its 2 brands, across three continents
- Marley Spoons strategy focuses on building technology leadership through its investments in its manufacturing, software and data & personalisation platforms
- 5-year Woolworths strategic partnership kicked off … potential for growth and synergies

Company Contacts

Fabian Siegel (CEO)
Julian Lange (CFO)

Investor Relations

Katie Mackenzie
marleyspoon@we-buchan.com

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