Marley Spoon (ASX.MMM)
CY 2019 results

February 27, 2020

Marley Spoon changes the way people cook…

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is bringing delightful, market-fresh and easy cooking back to the people.

- **22 million meals** in 2019
- **92%** revenue from repeat customers in 2019
- Active in **8 countries**
- **Guidance exceeded with -41%** revenue growth
- **Australian segment operating EBITDA positive**
- **>26,000** recipes developed

CY2019 summary

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Foundations built in 2019 to continue on path to profitability

- **Strong Growth:** Consumer adoption of online grocery shopping driving continued strong growth – still early days ... CY2019 at €130m, exceeded guidance with 41% growth year-on-year (YOY) … 92% of revenue from repeat customers

- **Improved Contribution Margin:** Investments in infrastructure yielded +4 pts in contribution margin (CM) … CY2019 at 25%, within guidance … Q4 at 28.6% with all regions higher than their CY2019 average

- **Improved operating EBITDA:** Turning point on losses reached in H2 2019 … operating EBITDA loss improved significantly YOY from €20m to €12m … +20 pts as a % of revenue … Q4 at -€2.4m or (7%) of revenue

- **Australia profitable:** Australia with positive oper. EBITDA from Q2 to Q4 … US on similar trajectory: oper. EBITDA as % of revenue improved 23 pts YOY, Q4 2019 at (11%)

Marley Spoon grows strongly in major markets

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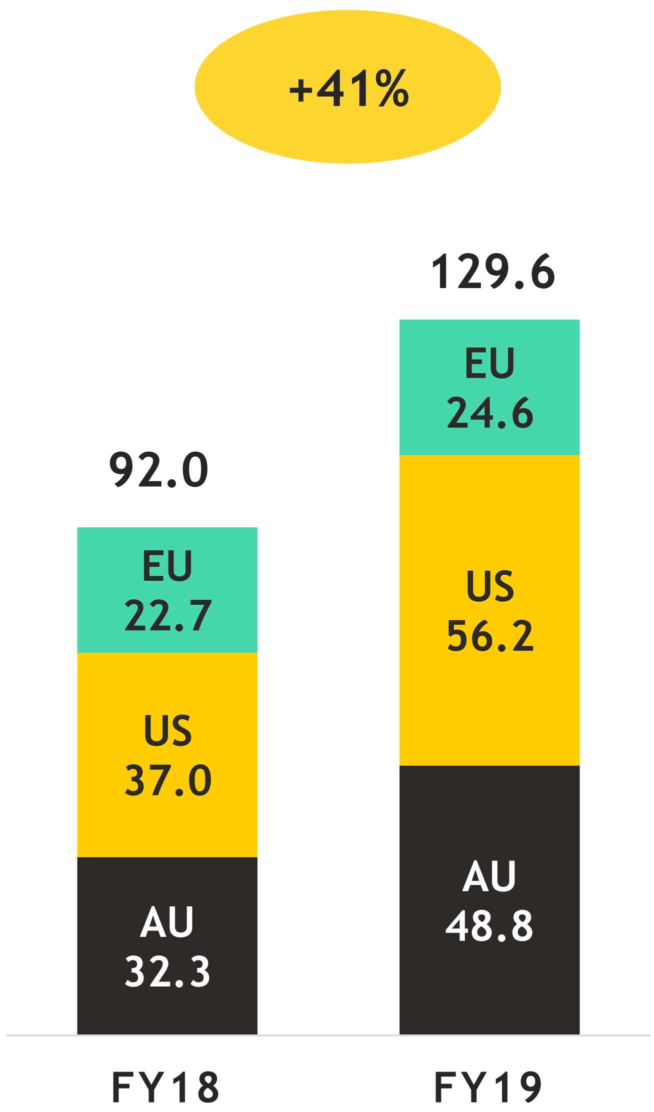
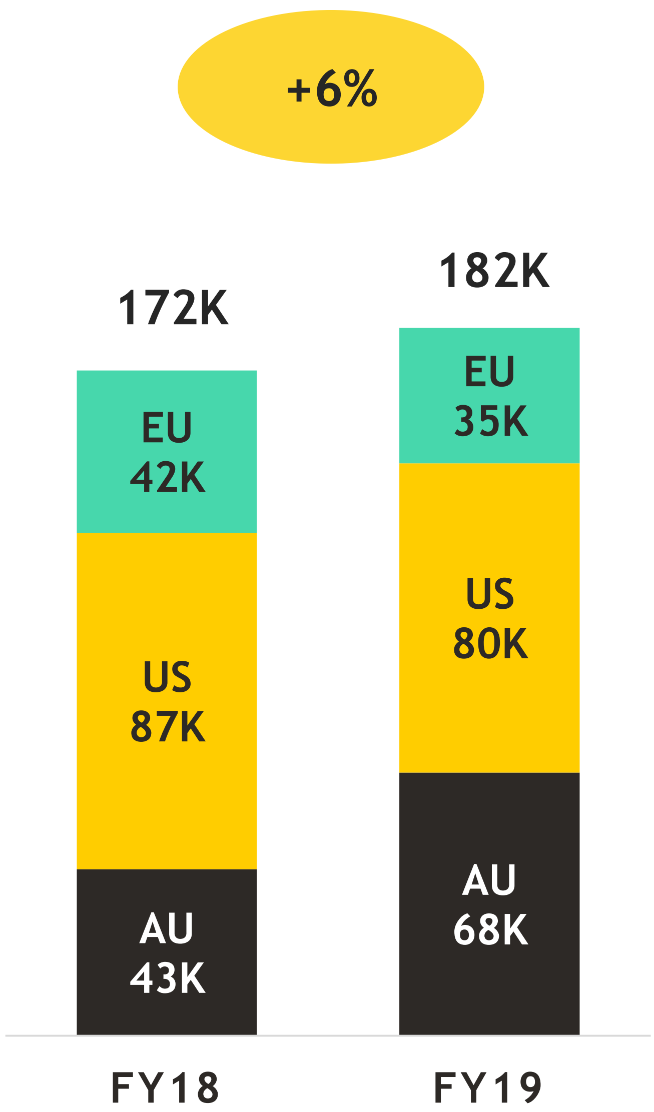
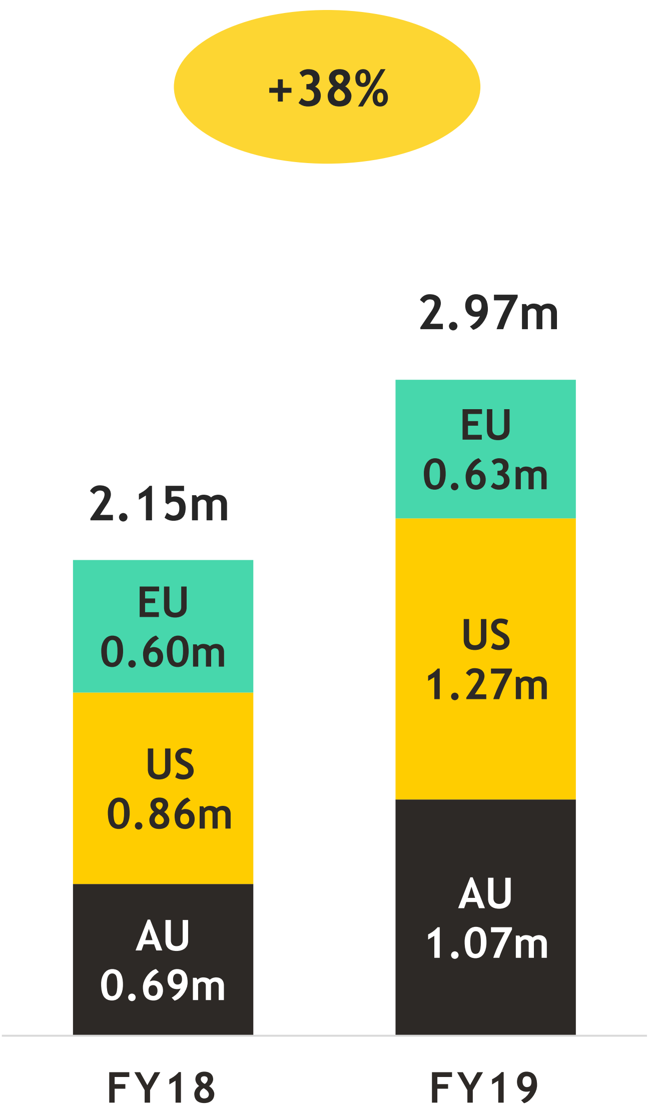
Net revenue (€ millions)



Active customers



Total orders



US and AU main revenue growth driver with >50% YOY … revenue growth > active customer growth due to strong retention and customer loyalty

Marley Spoon's growth underpinned by repeat orders

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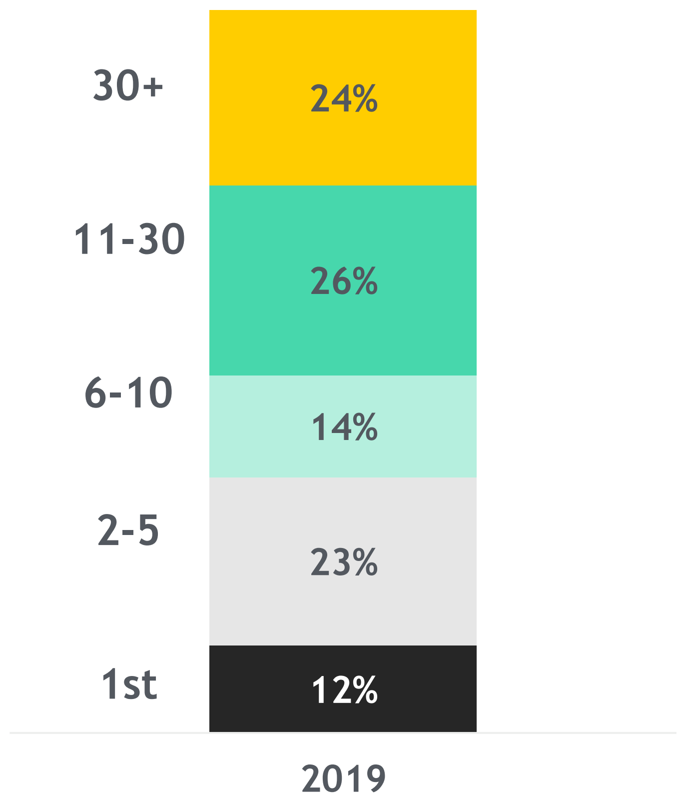
Revenue from repeat customers

- 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 order frequency



- 64% of orders in "steady state" 6+ … +6 pts year-on-year
- Only 12% of orders with 1st time buyers

Growing, high quality "back book" of loyal customers with consistent repeat orders

Key metrics – growth across the Group

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	Q4 19	Q4 18	V%	CY2019	CY2018	V%
Group						
Active customers[1] (k)	182	172	6%			
Number of orders (k)	800	673	19%	2,969	2,153	38%
Orders per customer	4.4	3.9	12%			
Meals (m)	6.2	4.8	29%	22.4	15.2	47%
Avg. order value (€, net)	43.9	42.5	3%	43.7	42.7	2%
Australia						
Active customers[1] (k)	68	43	56%			
Number of orders (k)	300	195	54%	1,070	688	56%
Meals (m)	2.4	1.5	67%	8.6	5.1	67%
USA						
Active customers[1] (k)	80	87	(8%)			
Number of orders (k)	339	298	14%	1,272	865	47%
Meals (m)	2.6	2.1	25%	9.4	5.9	59%
Europe						
Active customers[1] (k)	35	42	(17)%			
Number of orders (k)	161	179	(10)%	627	600	5%
Meals (m)	1.2	1.3	(8)%	4.5	4.2	7%

1) Active customers are customers who have purchased a Marley Spoon or Dinnerly meal kit at least once over the past three months

Key developments

- YOY order growth across all regions, driven by increased orders per customer and higher average order value.
- US and Australia main growth drivers
- After consolidation in 2019, Europe ready for growth in 2020. Increased orders per customer.

Marley Spoon growing towards profitability

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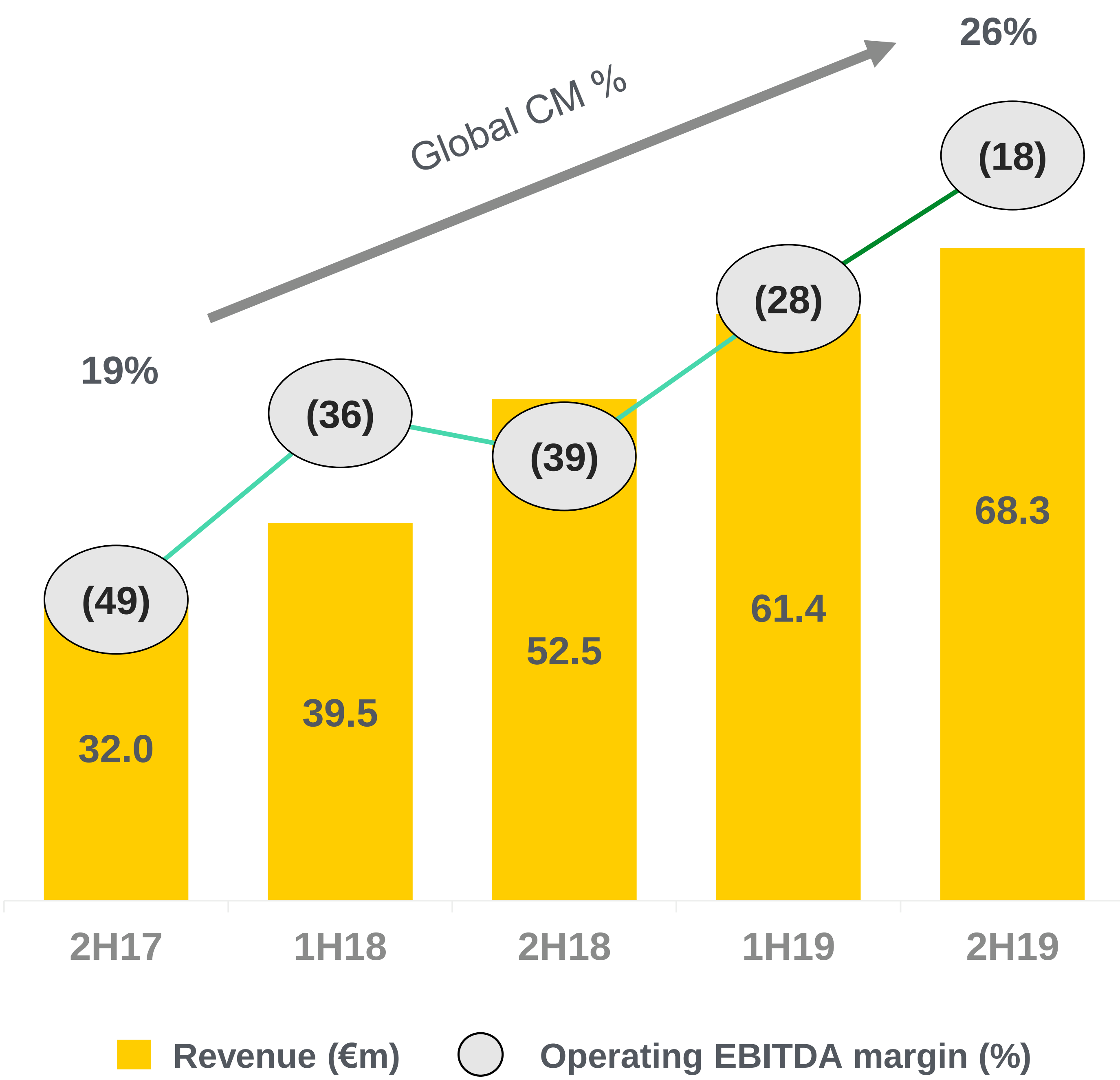
Revenue growth & operating EBITDA margin improvement



Key developments

- Lowering EBITDA loss % thanks to increasing CM, consistent topline growth, and G&A cost control
- Marketing improved from 33% of revenue in 2H17/2H18 to 24% in 2H19 … CAC lower YOY. Brand maintenance rate (= to maintain sales level) estimated at 10-11%.
- G&A improved from 34% of revenue to 24% over the last two years
- Marley Spoon is working towards turning operating EBITDA positive by the end of CY2020 … Q4 2019 already at €(2.4)m

H2 regional performance

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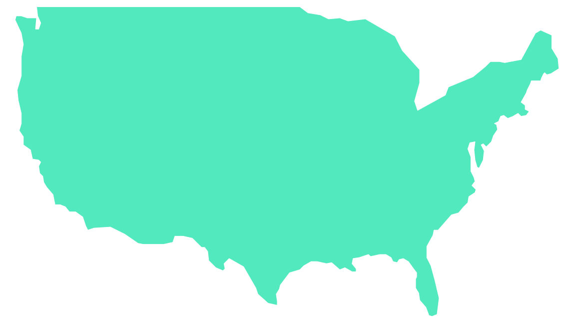
Australia

REVENUE	€27.6m	↑	60%
CONTRIBUTION MARGIN	33%	↑	flat
OPERATING EBITDA %	-%	↑	+11 pts

Key developments

- Australia with positive operating EBITDA since Q2
- Price increase in Oct for both Marley Spoon (MS) & Dinnerly (DN) increased CM to 36% in 4Q
- Expanded MS menu, including weekly vegan options



United States

REVENUE	€29.0m	↑	24%
CONTRIBUTION MARGIN	20%	↑	+8pts
OPERATING EBITDA %	(21)%	↑	+23 pts

Key developments

- More focus on AU marketing in H2 … growth picking back up in January (high DN growth in PCP)
- Strong margin improvements
- New CEO US hired, experienced CPG leader (P&G, etc.)

Europe

REVENUE	€11.7m	↓	(2)%
CONTRIBUTION MARGIN	23%	↑	+4pts
OPERATING EBITDA %[1]	(29)%	↑	+13pts

Key developments

- Manufacturing centre consolidation completed in October (from 3 to 1), serving 6 markets out of NL site now
- Launched deliveries to Denmark in October and Sweden in January to leverage infrastructure and support future growth

1 excluding HQ cost

Contribution margin … all regions trending up

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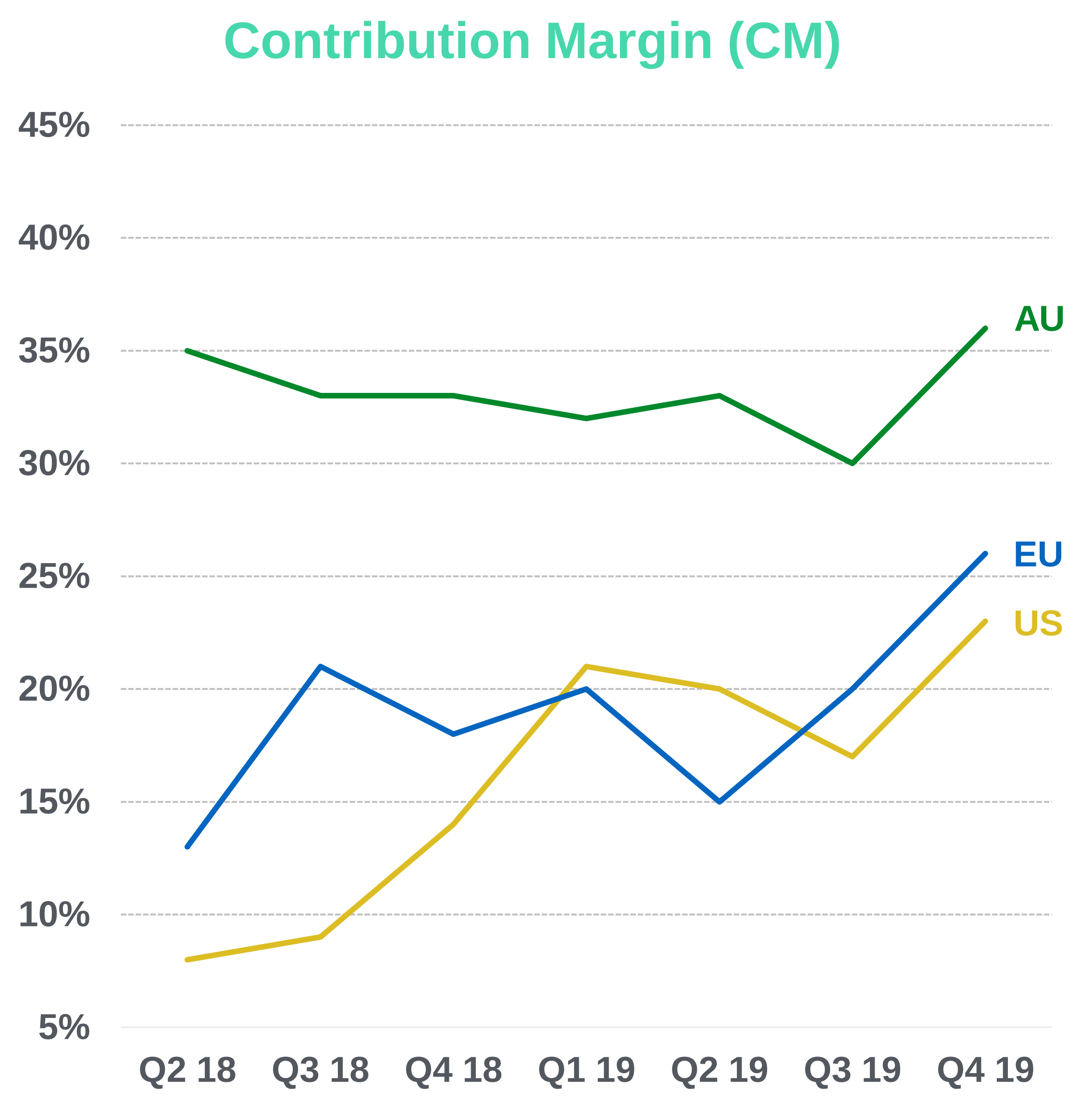

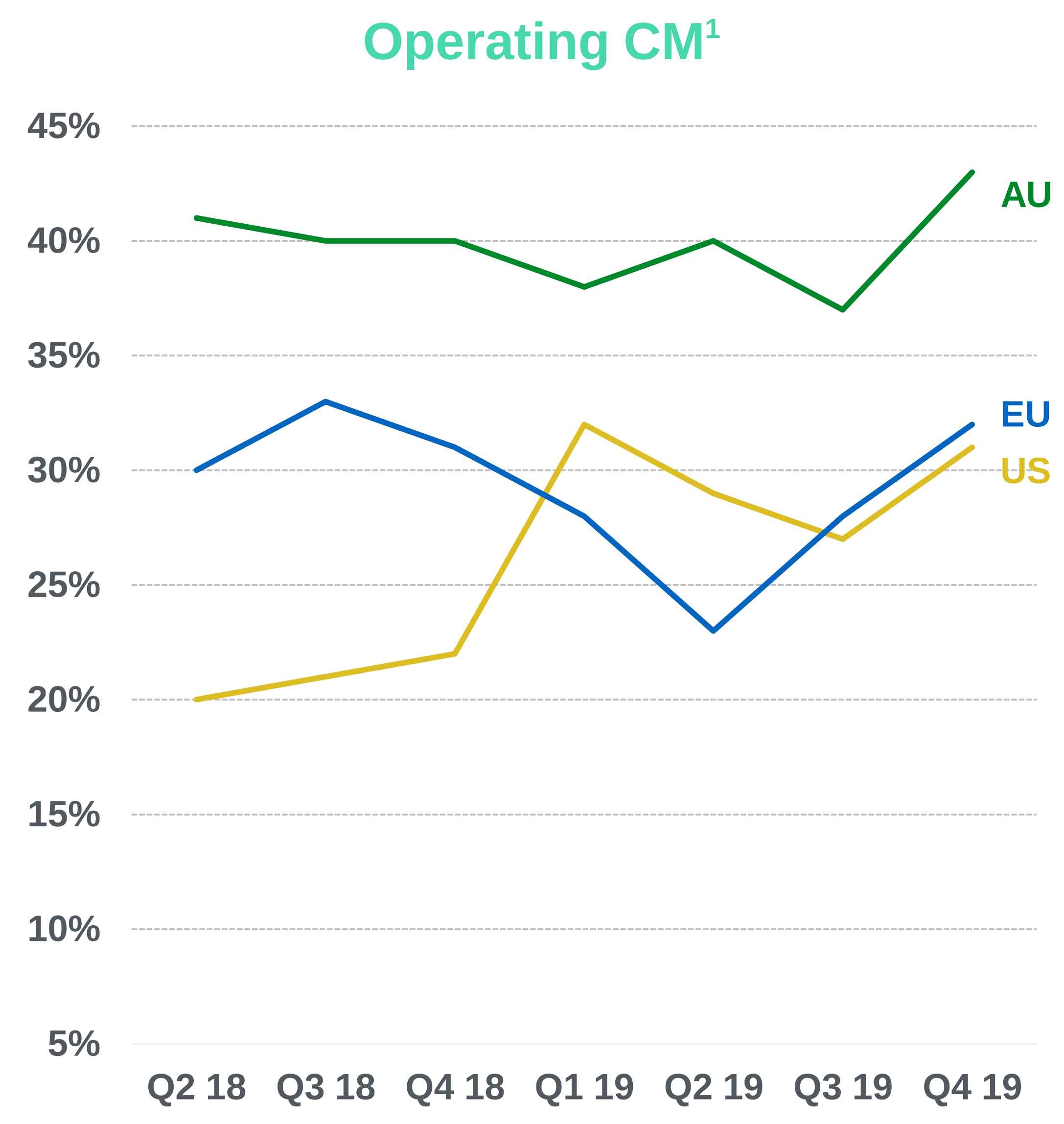

Operating CM demonstrates margin potential as business continues to scale … US and EU closing the CM gap to AU as they scale

1 Operating CM = CM excluding the impacts of marketing vouchers and fixed costs such as manufacturing centre rent

Group income statement snapshot

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€ in millions (audited)	2H19	2H18	VPY	V%	CY2019	CY2018	VPY	V%
Revenue	**68.3**	**52.5**	**15.8**	**30%**	**129.6**	**92.0**	**37.6**	**41%**
Cost of goods sold	37.4	31.2	6.2	20%	71.8	54.2	17.6	32%
% of revenue	*55%*	*59%*	*(4) pts*		*55%*	*59%*	*(4) pts*	
Fulfilment expenses	13.2	10.6	2.7	25%	25.5	18.5	7.0	38%
% of revenue	*19%*	*20%*	*(1) pt*		*20%*	*20%*	-	
Contribution margin (CM)	**17.7**	**10.7**	**7.0**	**64%**	**32.4**	**19.4**	**13.0**	**67%**
% of revenue	*26%*	*20%*	*6 pts*		*25%*	*21%*	*4 pts*	
Operating CM %	*34.6%*	*31.1%*	*3.5 pts*		*34.1%*	*31.6%*	*2.5 pts*	
Marketing expenses	16.2	17.5	(1.3)	(7)%	34.2	30.0	4.2	14%
% of revenue	*24%*	*33%*	*(9) pts*		*26%*	*33%*	*(7) pts*	
G&A expenses	16.5	13.8	2.7	20%	32.9	25.4	7.5	30%
% of revenue	*24%*	*26%*	*(2) pts*		*25%*	*28%*	*(3) pts*	
EBIT	(15.1)	(20.5)	5.5	27%	(34.7)	(36.0)	1.3	4%
Operating EBITDA	**(12.5)**	**(20.3)**	**7.4**	**38%**	**(29.7)**	**(34.4)**	**4.7**	**14%**
% of revenue	(18)%	(39)%	21 pts		(23)%	(37)%	14 pts	

Cash flows

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in EUR million	2019	2018
Operating EBITDA	**(29.7)**	**(34.4)**
Change in working capital	0.8	5.9
Interest & taxes paid, other	(1.2)	(1.2)
Net cash flows from operating activities	**(30.2)**	**(29.7)**
Net cash flows from investing activities	**(6.3)**	**(4.7)**
Net change in equity	4.0	39.7
Proceeds from convertible notes	27.9	-
Net change in borrowings	5.1	1.0
IFRS 16 lease payments	(3.7)	-
Net cash flows from financing activities	**33.3**	**40.7**
Net increase in cash & cash equivalents	**(3.2)**	**6.3**
Cash and cash equivalents at 31 Dec	5.4	8.6

- Continued improvements in **working capital**, mainly driven by payables … inventory flat since end of 2017 despite significant business growth since then
- **Capex** … €4.4m associated with the build out of manufacturing centres, especially Texas (US), and new automation technology, mainly in AU/EU … software €1.8m
- **Financing activities** … mainly driven by convertibles (€28m), loans (€5m) and equity investments (€4m) from Woolworths Group, Union Square and Acacia … first tranche of WTI loan (€7m) offset Moneda loan repayment (€7m)

Successfully financed growth by bringing onboard four reputable investors in 2019 … follow-on US$2.5m investment from USV in January 2020 not reflected here

Capital structure explained

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Equity	CDIs	Fully diluted %
CDIs outstanding	**158,520,000**	**67%**
Management	30,540,451	13%
Other shareholders	127,979,549	54%
CDIs to be issued	**78,698,129**	**33%**
Employee options program	13,296,000[2]	5%
Convertible bonds USV/Acacia	54,116,129[3]	23%
WTI warrants	11,286,000	5%
Fully diluted[1]	**237,218,129**	**100%**
Debt	**EUR million**	
WTI	~6.8	
Berliner Volksbank	2.5	
Woolworths Group[1]	~18.4	
Total excl. USV/Acacia convertibles and equipment financing	**~ 27.7**	

1 Woolworths Group has the right to convert debt into equity. Such conversion could lead to dilution in lieu of repayment and would be subject to Australian segment revenue growth and the CDI price at the time of conversion (with a floor price of $A0.30). For example, dilution would be 13%, if by H1 2021 the Australia segment grew 100% compared to H1 2019, other segments grew 50%, and the share price/revenue multiple would be at 1.5x. For full details refer to the Annual Report 2019.

2 Includes options granted to date, company has up to 20,683,000 to potentially distribute across its various option pools

3 Assumes exchange rates of €0.62 and US$0.68 per A$

Guidance reaffirmed – on path to profitability

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- **Topline** … CY2020 expected to continue to show robust revenue growth, around 30% compared to CY2019

- **Contribution margin** … continue to expand in CY2020 similar to previous years

- **Operating EBITDA** … H2 2019 marks the point at which operating EBITDA losses in each half-year period should be lower than in the PCP ... working towards turning operating EBITDA positive by the end of CY2020

- **Key sensitivities** ... future profitability will be driven by the rate of the expected improvement in the contribution margin; the timing and scale of marketing investments to drive further growth; and the timeframe for the delivery of the anticipated synergy benefits from the strategic partnership with Woolworths Group

Summary and outlook

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Strong CY 2019 topline growth … guidance exceeded
- +41% YOY growth to EUR130m, exceeded prior guidance … reached A$ ~230m run-rate revenue in Q4
- Growth led by US and Australia with >50% YOY … lower CAC vs CY2018
- Growth driven by loyal customer behaviour … +41% revenue with 6% active customer growth, 92% revenue from repeat customers, >64% of orders with “steady state” customers (order # 6+)

Continuous operational improvements … platform to support significant scale
- Contribution margin up 4 pts to 25%, exiting at 28.6% in Q4 … operating CM at 36% in Q4
- US main positive driver YOY with +8 pts … AU stable at best-in-class 33%, Q4-19 at 36%
- Continued margin improvements expected in 2020

On track to reach positive operating EBITDA level by end of 2020 … improving profit trajectory
- H2 EBITDA improved from EUR (20)m to EUR (12)m, representing an operating EBITDA margin improvement from (39%) to (18%) of revenue, exiting at (7%) in Q4
- Strategy of disciplined growth continues … “maintenance” marketing would be 10-11% of sales
- Growth, margin improvement, stable CACs and G&A cost control key to achieving profitability

Meal-kits an early industry in a vast market … multi-year growth run way
- Groceries remains 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
- Continue to focus on innovation through technology investments in manufacturing, software as well as data & personalisation platforms

Company contacts

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Investor relations

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