



MARLEY SPOON

Investor Newsletter - December 2018



Message from the CEO

Dear Investor,

Welcome to our first investor newsletter since listing on the ASX in July this year. We have undertaken this initiative to keep our investors up to date on the Company's latest activities and to share content outside of Company announcements and other formal channels.

As we near the end of 2018, we reflect upon our Company's accomplishments over the year.

Marley Spoon continues to bring delightful, market-fresh and easy cooking back to the people. Compared to cooking with the supermarket, Marley Spoon offers a convenient and competitively priced alternative, leading to more and more customers shifting a

substantial portion of their monthly grocery spending to Marley Spoon. As customers overall get more familiar with online shopping and the overall channel switch from offline to online shopping continues to take hold also in the grocery sector, we expect that we will benefit from this trend as it supports the growth of our market segment.

Strong growth

2018 was a year of strong revenue growth for Marley Spoon. In our most recent update for the September quarter (Q3), we reported net revenue growth to an all-time high of Eur 23.9m, up 15% quarter-on-quarter, at stable customer acquisition cost. This growth was particularly strong in the US market where we had increased revenue of 43% quarter-on-quarter.

Healthy contribution margin

Marley Spoon operates a made-to-order supply chain which avoids most food waste and leads to healthy contribution margins of 22% (H1 2018, including logistics). We expect that our margins will continue to

increase over the coming year, as we start to realize economies of scale in buying our food, go to more food producers directly as well as roll-out computer aided, more efficient production processes throughout our fulfillment centers.

Infrastructure Expansion

In 2018 we invested into our infrastructure by moving into a larger East Coast facility in the US as well as signing a lease for a larger Texas facility. The additional footprint combined with the existing infrastructure in Australia and Europe supports Marley Spoon adequately for the expected growth in 2019. We also started to roll-out computer aided production technology in Australia and the US which will support Marley Spoon to increase productivity as well as product quality. This roll-out will continue in Q1 into more regions.

Brand Positioning

In July we announced the extension of our license and promotion agreement for a further two years with Martha Stewart Living Omnimedia, allowing us to continue co-branding our meal kits in the US as 'Martha and Marley Spoon'. This partnership has been successful to date, and we believe the extension further strengthens our positioning in this key market.

2018 was also the year for Marley Spoon to evolve into a 2-brand company, by successfully launching Dinnerly in Australia and scaling Dinnerly in the US. We believe that Marley Spoon's 2-brand strategy has proven to be successful and we are continuously evaluating how to better serve the market of home cooking.

Product Expansion

We constantly aim to improve our service in order to delight our customers. We have realized that customers wish more choice to fit their individual taste preferences and circumstances. In order to fulfill this need, Marley Spoon increased choice in Australia and Germany to 20 recipes per week in 2018. We expect to continue this roll-out and serve our Marley Spoon customers in most markets with at least 20 weekly choices in H1 2019. With this kind of choice and flexibility, we believe we are a leading company in the global meal kit category.

Outlook 2019

The year 2018 was about investing into growth, expanding our operational capabilities and improving the product for increased customer value. In 2019 Marley Spoon will focus on bringing the business to profitability. The growth we experienced in Q3 allowed the company for the first time to give guidance towards achieving group-wide EBITDA profitability. Our path to profitability will be supported by additional top-line growth as well as improved contribution margins, while continuing to keep infrastructure and overhead costs under control.

The team at Marley Spoon, will continue working towards our vision of bringing delightful, market-fresh and easy cooking back to the people. We believe this is still day One in an industry that is able to solve the problem of weeknight cooking in a better, more sustainable and ultimately more affordable way.

We appreciate your trust and support as an investor and look forward to sharing updates on our progress over the coming months. We wish you and your family a peaceful time over the upcoming holiday season.

Sincerely,
Fabian Siegel
Founder & CEO

Insights from the global meal kit sector

Australians are spending an incredible \$2.6 billion each year on food and drink delivery through companies such as Menulog, UberEats and Deliveroo (increasing 18% in three years). However, the nation is slow to embrace online grocery delivery (3% of total market p/a).

This is changing, with time-poor customers beginning to realise the convenience of shopping for groceries and meals online, and the take-up of meal kit subscriptions growing exponentially.

Meal kits currently constitute just a fraction of the overall \$800 billion food-and-beverage retail market. At the start of 2018, the number of Australian households that purchased a meal kit from Marley Spoon or Hello Fresh totalled 1.5 per cent (approx. 150,000).

But in the US, where the market is more mature and has heightened awareness, 9% of Americans, or 10.5 million households, purchased a meal kit in the six months to March 2018. There are currently 150 meal kit providers in the US.

Thus, there is huge growth potential and market opportunity for Marley Spoon. According to Nielsen, meal kit spending by consumers has been growing three times as fast as spending in established food sectors such as restaurants and grocery stores since 2015.

In addition, meal kit shoppers are high-spend shoppers, spending \$28 more than the average supermarket spend. They're also loyal to their meal kit provider, with more than 65% of customers making a repeat purchase.

Recent media coverage

Marley Spoon received media coverage from a range of publications throughout 2018 – outlined below are a selection of stories covering everything from the benefits of eating together as a family, to how Marley Spoon is competing with major players in Australia's grocery sector.



Local players struggle as recipe box giants scale

Fairfax Media's Cara Waters spoke with Fabian Siegel about the appeal of recipe boxes, and how Marley Spoon can compete with supermarkets such as Woolworths and Coles on price while making a profit on every box it ships. [Click here](#) to read the article.

FINANCIAL REVIEW

Marley Spoon founder Fabian Siegel warns supermarkets off meal kit market

The Australian Financial Review talks with Fabian Siegel about how selling meal kits on supermarket shelves or online is 'unviable' for major supermarket chains Coles and Woolworths. [Click here](#) to read the article.



The BIG benefits of cooking and eating together as a family

Marley Spoon's Creative Culinary Director, Olivia Andrews, wrote a contributed article for Mouths of Moms about the benefits of families coming together to share a meal. [Click here](#) to read the article.



Marley Spoon offers alternative to traditional supermarket business models

Co-Founder and Managing Director of Marley Spoon Australia, Rolf Weber, spoke to Proactive Investors at the ASX Small and Mid-Cap Conference in Sydney. [Click here](#) to watch the interview.



Meal kit service Marley Spoon reports \$31m loss but says prospectus forecast is on track

Small-cap investor publication Stockhead covered Marley Spoon's recent Q3 results. [Click here](#) to read the article.

Q&A with Rolf Weber

Rolf Weber is one of Marley Spoon's Co-Founders, and Managing Director for Australia. He has a highly entrepreneurial background, having been involved in starting several innovative businesses. We took time to speak with Rolf about his experience and how he came to be involved with Marley Spoon.

1. Can you tell us about your background and experience prior to founding Marley Spoon?

I studied engineering and energy economics at university, then started my professional life at PwC as a Management Consultant. 15 years ago I moved to Australia and had exposure to a range of opportunities at Ikea and also as a small business consultant. By the end of 2008, I had co-founded brandsExclusive, an online shopping club and grew this relatively quickly to one of Australia's largest ecommerce businesses at that time. After exiting the business in 2014 and some time off with the family, one of our investors put me in contact with Fabian Siegel and Marley Spoon. I really liked the idea of bringing easy cooking back to the people and got on board as the Managing Director for the Australian Marley Spoon Business.

2. What does your day-to-day role with the company involve?

I share the responsibilities for the Australian business with co-founder and Marketing Director Dave Malcolm. We joke a lot about how he is making all the promises to new and existing customers, while I am responsible to fulfilling these promises. For that we are constantly building and growing our team of passionate people that develop our menus, source and purchase our high quality ingredients, manage our pick and pack operations and of course organise the delivery to our customers.

Other than building the Australian team, setting the local strategy and overseeing the execution, I work very closely with Fabian Siegel, Julian Lange and other global team members on our ongoing strategy.

3. What was the attraction to getting involved with a business in the meal kit sector?

When doing research to determine if I want to get involved in a business model, be it as founder, or as an investor, I ask a few things: Can I add value with my past experiences? On top of that, will I be learning new things and developing as a person? Is the market big enough and early stage? Is there an enduring need for the product? In addition, are the people I'll be working with inspiring and is the vision of the business compelling enough to get others excited?

With Marley Spoon I could answer all these questions with a resounding yes. With regards to the product, it became quickly clear to me that meal kits really do solve a lot of problems our customers and grocery shoppers face every day. Each day they have to answer the question of how can I put delicious food easily on the table. And how do I do this without hassle in our increasingly busy lives. Further, by helping people eat better, I'd also be making a contribution to a better community overall. Lastly, significantly reducing food waste in the process helps having a positive impact on the environment.

4. How has the sector evolved in your opinion?

There are few dynamics at play, all at the same time, which makes being a player in the industry really exciting. Ordering groceries online is becoming more mainstream, with most retailers investing heavily in this capability, and customers learning that online ordering is a viable alternative to going to a store. Secondly, people are seeking more and more convenience across their eating experiences, be it with take-out deliveries, buying ready to heat alternatives, or by getting their groceries pre-prepared for a much easier cooking experience. What we also know is that people still really love cooking, but actually doing it was getting increasingly harder with less and less time available to prepare home cooked meals. The meal kit category and Marley Spoon are perfectly positioned to capitalise on these trends. Adding the

convenience of recurring orders, industry leading choice and customisation, I am looking forward to building Marley Spoon over the coming years.

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ABOUT MARLEY SPOON

Founded in 2014, Marley Spoon is a subscription-based weekly meal kit service that services customers in three primary regions: Australia, United States and Europe (servicing Austria, Belgium, Germany and the Netherlands). As of 30 September 2018, Marley Spoon had over 170,000 active customers across both the Marley Spoon and Dinnerly brands.