



MARLEY SPOON

Appendix 4C – Q3 2022 & Business Activity Report

CONTINUED GROWTH IN Q3 2022, ON TRACK TO DELIVER FULL YEAR GUIDANCE

Berlin, Sydney, 27 October 2022: Marley Spoon AG (“Marley Spoon” or the “Company” ASX: MMM), a leading global subscription-based meal kit provider, is pleased to share with investors its highlights from the quarter ended 30 September 2022 (“Q3 2022”).

Conference Call

Management will present a business update to investors on a conference call at 5:30 pm AEDT on 27 October, the details of which have been released separately to ASX.

Highlights:

- Q3 2022 net revenue of €100m, +26% growth year-over-year (+13% growth in constant currency)
- Global Contribution Margin (CM) in Q3 at 28.8%, up 160 basis points (bp) vs. the previous quarter and 70 bps better than the previous corresponding period (PCP)
- Q3 Operating EBITDA loss of €(1.0)m¹, an improvement compared to the previous quarter (€(3)m) and the PCP (€(13)m)
- US and Australia both delivered positive Operating EBITDA in the quarter; initiatives under way to turn EU to profitability
- Operating Cash Flow at €3m, including foreign currency tailwinds, and quarter end cash balance of ~€22m
- On track to deliver full year 2022 guidance
- Q4 22 Operating EBITDA expected to be profitable, €2-4m

Marley Spoon CEO, Fabian Siegel, highlighted, "Marley Spoon delivered an improved Operating EBITDA result, in line with our expectations, and good year-over-year growth despite volatile market conditions

¹Q3 2022 Operating EBITDA excludes the impact of one-time charges stemming from a) €56k in severance costs and b) €1.3m for a historical sales tax correction in the US

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and inflationary pressures. We are carefully managing our marketing investment to deliver results in the second half in-line with our internal plan and 2022 guidance. Achieving our growth goals while carefully managing costs underscores the reliability of our business model.

As the business continues to grow healthily, we were also able to expand margins by 160 basis points quarter-over-quarter in an inflationary environment, driven by operational improvements in the US and our ability to pass on cost inflation through the pricing power our brands enjoy.

A review is being conducted of the European business and initiatives are underway to improve the performance and turn the business to profitability. As part of this turnaround plan, the Company has made some leadership changes, including hiring, among others, a new Head of European Production to strengthen the European operations leadership team. In addition, Ebony Morczinek has stepped down as CEO of the EU region, which will now be led by myself directly until further notice.

The increased scale and improved margin led to a sequential improvement of Operating EBITDA both quarter-over-quarter as well as year-over-year, reducing our Q3 2022 Operating EBITDA loss to €(1.0)m.”

Q3 BUSINESS UPDATE

Q3 2022 net revenue grew 26.3% vs. the PCP to €100m. This growth was driven by the United States (+37.2%) and Australia (+24.4%). Europe was slightly down at (2.6%) vs. the PCP driven by reduced order frequency in a market environment of lower consumer confidence.

During the quarter Marley Spoon continued to execute its three-pillar growth strategy, namely investment in growing active subscribers, initiatives to grow basket size and benefiting from inorganic growth through the Chefgood acquisition which complements the Company’s meal kit business.

Active subscribers grew 4% YoY in the quarter to 275k. Continued favourable unit economics and a focus on reactivating customers helped deliver the increase in active subscribers.

Basket size, which grew 28% (14% in constant currency), benefited from a number of revenue-enhancing activities, namely newly launched premium recipes that provide special ingredients or recipes at an additional charge as well as our Market initiative that offers up to 200 additional grocery items to our customers. Our market-leading recipe choice also contributed to the increased basket size by leading to a higher average amount of meals per order compared to the PCP.

Contribution Margin in Q3 2022 was 28.8%, an expansion of 70 bps versus the PCP. Operating Contribution (Operating CM), defined as CM excluding the impacts of marketing vouchers and fixed costs such as expenses relating to site leases, was down 110 bps to 37.0% compared to the PCP. The contribution margin performance was driven by strong operational improvements and resulting margin gains in the US segment and by overall lower marketing voucher spend compared to the prior year. The Australian margin, while improving quarter-on-quarter, continued to be impacted by the ongoing external food supply chain issues, particularly substitutions due to lack of availability or poor quality. Those headwinds however eased throughout the quarter. European margin performance was poor, impacted by energy, logistics and food cost inflation as well as last mile costs driven by labour shortages.

Productivity initiatives, successfully deployed already in the US, are being implemented to improve margin and turn the Europe business to profitability.

The Company's planned sequential reduction in marketing spend throughout the year led to marketing expense as a percent of net revenue of 14.6% in Q3 2022. This, and the Contribution Margin expansion vs. Q2 2022, led to an Operating EBITDA result that was significantly improved versus the prior year and also sequentially vs. the prior quarter, landing at €(1.0)m, excluding one-time charges from severance payments and a historical sales tax correction in the US.

€ in millions	Q3 2022	Q3 2021	% vs. PY	Q3 2022 YTD	Q3 2021 YTD	% vs. PY
Revenue	100.0	79.2	26%	311.8	237.2	31%
Cost of goods sold	54.2	43.0	26%	170.4	128.9	32%
% of revenue	54.2%	54.3%	(0)pt	54.6%	54.3%	0pt
Gross Profit	45.8	36.2	26%	141.4	108.3	31%
% of revenue	45.8%	45.7%	0pt	45.4%	45.7%	(0)pt
Fulfilment expenses	17.0	14.0	22%	55.0	42.9	28%
% of revenue	17.0%	17.7%	(1)pt	17.6%	18.1%	(0)pt
Contribution margin (CM)	28.8	22.2	29%	86.4	65.4	32%
% of revenue	28.8%	28.1%	1pt	27.7%	27.6%	0pt
Marketing expenses	14.6	22.2	(34)%	55.3	54.5	1%
% of revenue	14.6%	28.1%	(13)pt	17.7%	23.0%	(5)pt
G&A expenses	21.5	15.6	38%	59.7	45.7	31%
% of revenue	21.5%	19.7%	2pt	19.1%	19.3%	(0)pt
EBIT	(7.4)	(15.6)	(53)%	(28.5)	(34.8)	(18)%
Operating EBITDA	(1.0)	(12.7)	(92)%	(13.7)	(27.5)	(50)%
% of revenue	(1.0)%	(16.1)%	15pt	(4.4)%	(11.6)%	7pt

*Operating EBITDA in 2022 excludes the impact of severance payments in the amount of €56k in Q3 2022 as well as a one-time sales tax charge in the US of €1.3m in Q3 2022; for Q2 2022 those figures are €0.4m and €0.5m, respectively

SEGMENT REVIEW

United States

- Q3 2022 net revenue was up 37.2% YoY to €48m, +16.4% in constant currency
- Strong margin expansion in both CM, at 28.5%, up 5.3 pts vs. the PCP, and Operating CM at 36.3%, up 2.3 pts vs. the PCP
- The US operated profitably in the quarter, delivering Operating EBITDA of €3.0m

Net revenue grew 37.2% (+16.4% on a constant currency basis) driven by the growth of the Company's subscriber base as well as growth in order value coming from an increase in portion sizes, additional menu offerings as well as pricing taken to offset inflation.

The successful implementation of last year's turnaround plan yielding operational improvements such as increased picking line productivity and enhancements in service reliability, combined with lower

marketing voucher spend in this year's quarter, led to strong contribution margin expansion of 5.3 pts year-over-year to 28.5%, despite across-the-board input cost inflation. Equally, Operating CM expanded 2.3 pts to 36.3%, helping lead to another profitable quarter for the region, with delivery of €3.0m in Operating EBITDA, an improvement of €8.5m YoY.

Australia

- Q3 2022 net revenue up 24.4% YoY to €41m, +14.0% in constant currency
- Q3 2022 CM at 32.2%, down 2.0 pts vs. the PCP, while Operating CM reached 40.3%, down 3.2 pts vs. the PCP
- Operating EBITDA of €3.6m in Q3 2022

Australia experienced a decent quarter despite significant supply chain challenges. Net revenue grew 24.4% YoY in Q3 2022 driven by growth in active subscribers, additional menu offerings, as well as the further consolidation of the Company's newly acquired Chefgood business. A second price increase was also taken in August to counter inflationary headwinds.

Given the ongoing supply chain challenges stemming from severe weather events and overall input cost inflation, contribution margin contracted versus the PCP in Australia, with CM and Operating CM landing at 32.2% and 40.3%, respectively. Substitutions of ingredients that were either unavailable or of poor quality and inflation continued to be the primary drivers of margin pressure, though those pressures eased throughout the quarter.

Despite the headwinds, quarter-on-quarter improvements in margin performance and the ongoing focus on cost discipline led to another profitable quarter, with Operating EBITDA coming in at €3.6m for the quarter, an improvement of €4.7m YoY.

Europe

- Q3 2022 net revenue down by (2.6%) versus the PCP to €11m
- Q3 2022 CM at 17.1%, down ~9 pts compared to the PCP and Operating CM at 28.3%, down 6.0 pts compared to the PCP
- Operating EBITDA loss of €(2.2)m in Q3 2022 excluding headquarter costs

Operations in Europe continued to be challenged by reduced consumer confidence and overall inflationary pressure across all input costs. While active subscribers grew 2% YoY, net revenue slightly declined vs. the PCP driven by lower order frequency. Contribution Margin was impacted by food and fuel inflation leading to material YoY declines. Despite the worsening margin, Operating EBITDA landed at a loss of €(2.2)m excluding headquarter costs, flat year-on-year.

The Company is now focused on reviewing the European business and implementing initiatives to improve the performance and return the region to growth as well as expanding margin and reducing costs to bring the business to profitability. As part of this turnaround plan, the Company has made changes in its European operations' leadership team. In addition, Ebony Morczinek has stepped down as CEO of the EU region, which will now be led by Global CEO Fabian Siegel until further notice.

During the quarter, the Company actively pursued the conversion from an AG to an SE, which is now expected to be completed in Q4.

KEY OPERATING METRICS*

Q3 2022 active subscribers grew 4% compared to the PCP to 275k. This was driven by all regions.

While orders per subscriber were down by 5%, average order value was up 28%, reflecting the Company's focus on basket size-generating activities, including its pricing initiatives, Market add-ons and increased recipe choice.

<i>preliminary & unaudited</i>	Q3 2022	Q3 2021	Variance %
Group			
Active customers (k)	383	413	(7)%
Active subscribers (k)	275	265	4%
Number of orders (k)	1,672	1,691	(1)%
Orders per customer	4.4	4.1	7%
Orders per subscribers	6.1	6.4	(5)%
Meals (m)	14.9	14.4	3%
Avg. Order value (€, net)	59.8	46.8	28%
Avg. Order value (€, net) in CC	53.4	46.8	14%
Australia			
Active customers (k)	157	169	(7)%
Active subscribers (k)	97	93	5%
Number of orders (k)	707	710	(0)%
Orders per subscribers	7.3	7.7	(5)%
Meals (m)	6.7	6.6	2%
USA			
Active customers (k)	156	173	(10)%
Active subscribers (k)	118	114	4%
Number of orders (k)	705	705	(0)%
Orders per subscribers	6.0	6.2	(4)%
Meals (m)	6.1	5.7	7%
Europe			
Active customers (k)	70	71	(1)%
Active subscribers (k)	60	59	2%
Number of orders (k)	260	276	(6)%
Orders per subscribers	4.3	4.7	(8)%
Meals (m)	2.1	2.1	(2)%

*Metrics are for core Marley Spoon and Dinnerly meal kits as well as Chefgood and Bezzie

Active Customers are customers who have made a purchase at least once over the past 3 months.

Active Subscribers are customers who have ordered or skipped a Marley Spoon or Dinnerly meal kit, on an average weekly basis, during the quarter.

CASH FLOW

Marley Spoon ended Q3 2022 with nearly €22m in cash, owing partly to the timing of payments. Cash from Operations was €3.0m at the end of the quarter, tracking better than Operating EBITDA driven by the negative working capital effects of our business model and currency translation.

Cash flow from investing activities landed at €(2.7)m, driven primarily by the Company's continued investment in product development and digital capabilities. The Company also invested ~€900k in PP&E in the US (leasehold improvements and spare parts) and in its Chefgood facility.

Finally, cash from financing activities was €(3.9)m for the quarter, with IFRS lease payments and interest obligations partially offset by financing obtained for the premiums associated with the renewal of the Company's global insurance policies. The interest paid on the Company's debt facilities increased by ~€0.8m quarter-over-quarter on account of the exposure to LIBOR. In addition, net debt has also increased as compared to Q2 2022 to €63.5m due in part to the fact that the Company's largest debt facility is denominated in USD.

Subsequent to the Q3 2022 close, earlier this month the Company paid €1.6m to the former Chefgood owners as part of its earnout payment obligations following the completion of the acquisition of the ready-to-heat business in January 2022.

For the third quarter, cash payments to related parties of the entity were €301 thousand in aggregate. These payments were personnel compensation for key executive management, including the Management Board and the Supervisory Board.

2022 OUTLOOK AND GUIDANCE RE-AFFIRMED

Having delivered another quarter in-line with the Company's expectations, Marley Spoon reaffirms its full year guidance. Marley Spoon CFO, Jennifer Bernstein, commented, "since we issued FY 2022 guidance at the beginning of the year, we have consistently delivered what we set out to achieve, even as macroeconomic conditions worsened far more than anticipated. After hitting our internal targets for three consecutive quarters, we reaffirm our full year guidance, which includes delivering a Q4 2022 with positive Operating EBITDA in the range of €2-4m."

Guidance is affirmed:

- Mid-to-high teens YoY net revenue organic growth plus full year contribution from Chefgood
- Contribution Margin in-line with 2021
- Operating EBITDA better than €(15)m

INVESTOR CONFERENCE CALL

An investor conference call will be held at 5:30 pm AEDT on 27 October 2022. Pre-registration links and dial-in details have been released separately.

This announcement has been authorised for release to ASX by the Board of Directors of Marley Spoon AG.

END

About Marley Spoon

Marley Spoon (MMM:ASX, GICS: Internet & Direct Marketing Retail) is a global direct-to-consumer brand company that is solving everyday recurring problems in delightful and sustainable ways. Founded in 2014, Marley Spoon currently operates in three primary regions: Australia, United States and Europe (Austria, Belgium, Germany, Denmark, Sweden and the Netherlands).

With Marley Spoon's meal-kits, you decide what to eat, when to eat, and leave behind the hassle of grocery shopping. To help make weeknights easier and dinners more delicious, our meal kits contain step-by-step recipes and pre-portioned seasonal ingredients to cook better, healthy meals for your loved ones.

As consumer behaviour moves towards valuing the convenience aspect of online ordering, Marley Spoon's global mission through its various brands, such as Marley Spoon, Martha Stewart & Marley Spoon, Dinnerly, and Chefgood is to help millions of people to enjoy easier, smarter and more sustainable lives.

Appendix 4C

Quarterly cash flow report for entities subject to Listing Rule 4.7B

Name of entity

Marley Spoon AG

ABN

625 684 068

Quarter ended ("current quarter")

30 Sept 2022

Consolidated statement of cash flows	Current quarter € '000	Year to date (9 months) € '000
1. Cash flows from operating activities		
1.1 Receipts from customers	101,819	313,129
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(68,969)	(218,088)
(c) advertising and marketing	(13,794)	(54,528)
(d) leased assets	50	146
(e) staff costs	-	-
(f) administration and corporate costs	(16,078)	(46,962)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	6	26
1.5 Interest and other costs of finance paid	-	-
1.6 Income taxes paid	(29)	(99)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
1.9 Net cash from / (used in) operating activities	3,005	(6,376)
2. Cash flows from investing activities		
2.1 Payments to acquire or for:		
(a) entities	-	-
(b) businesses	17	(6,613) ¹
(c) property, plant and equipment	(895)	(3,676)
(d) investments	-	-

¹ Cash paid for the purchase of Chefgood Pty Ltd net of the opening balance sheet cash balance of the acquired entity.

Consolidated statement of cash flows	Current quarter € '000	Year to date (9 months) € '000
(e) intellectual property	(1,800)	(5,215)
(f) other non-current assets	-	-
2.2 Proceeds from disposal of:		
(a) entities	-	-
(b) businesses	-	-
(c) property, plant and equipment	-	20
(d) investments	-	-
(e) intellectual property	-	-
(f) other non-current assets	-	-
2.3 Cash flows from loans to other entities	-	-
2.4 Dividends received (see note 3)	-	-
2.5 Other (provide details if material)	-	-
2.6 Net cash from / (used in) investing activities	(2,678)	(15,484)

3. Cash flows from financing activities		
3.1 Proceeds from issues of equity securities (excluding convertible debt securities)	-	5,001
3.2 Proceeds from issue of convertible debt securities	-	-
3.3 Proceeds from exercise of options	-	(10)
3.4 Transaction costs related to issues of equity securities or convertible debt securities	(1)	(14)
3.5 Proceeds from borrowings	1,412	25,667
3.6 Repayment of borrowings	(671)	(6,597)
3.7 Transaction costs related to loans and borrowings	-	(199)
3.8 Dividends paid	-	-
3.9 Other (IFRS 16 lease payments and interest paid)	(4,594)	(11,585)
3.10 Net cash from / (used in) financing activities	(3,854)	12,263

4. Net increase / (decrease) in cash and cash equivalents for the period		
4.1 Cash and cash equivalents at beginning of period	29,232	38,659
4.2 Net cash from / (used in) operating activities (item 1.9 above)	3,005	(6,376)

Consolidated statement of cash flows		Current quarter € '000	Year to date (9 months) € '000
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,678)	(15,484)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	(3,854)	12,263
4.5	Effect of movement in exchange rates on cash held	(4,098) ²	(7,455) ²
4.6	Cash and cash equivalents at end of period	21,607	21,607

5.	Reconciliation of cash and cash equivalents at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	Current quarter € '000	Previous quarter € '000
5.1	Bank balances	21,607	29,232
5.2	Call deposits	-	-
5.3	Bank overdrafts	-	-
5.4	Other (provide details)	-	-
5.5	Cash and cash equivalents at end of quarter (should equal item 4.6 above)	21,607	29,232

6.	Payments to related parties of the entity and their associates	Current quarter € '000
6.1	Aggregate amount of payments to related parties and their associates included in item 1	301
6.2	Aggregate amount of payments to related parties and their associates included in item 2	-

² Includes non-cash FX impacts on balance sheet accounts due to currency devaluation.

7. Financing facilities	Total facility amount at quarter end € '000	Amount drawn at quarter end € '000
<i>Note: the term "facility" includes all forms of financing arrangements available to the entity. Add notes as necessary for an understanding of the sources of finance available to the entity.</i>		
7.1 Loan facilities	83,809	83,809
7.2 Credit standby arrangements	-	-
7.3 Other (see 7.6)	1,255	1,255
7.4 Total financing facilities		
7.5 Unused financing facilities available at quarter end		-
7.6 Include in the box below a description of each facility above, including the lender, interest rate, maturity date and whether it is secured or unsecured. If any additional financing facilities have been entered into or are proposed to be entered into after quarter end, include a note providing details of those facilities as well.		
<p>Further details on the financing facilities are included in Section 6.7 (Interest bearing loans and borrowings) within the notes to the financial statements in the Marley Spoon 2021 annual report.</p> <p>During the current quarter, the Company obtained two financing arrangements for its global insurance renewals. One is for €1m at an interest rate of 2.2% per annum, with repayments through Q2 2023. The other is for €0.4m at an interest rate of 4.55% per annum, with repayments also through Q2 2023.</p> <p>During Q2 2022, the Company drew down Tranche 2, US\$20M (€19.3M) of the group's existing debt facility with Runway Growth Capital, which carries the same conditions as the previously drawn (\$53.1M) of the debt facility. Additionally, the Company repaid the €5M account overdraft facility with Berliner Volksbank (BVB) drawn in Q1 2022 and subsequently drew down a new €5M loan from BVB in Q2 2022. This €5M money market loan carries an interest rate of 7% per annum, has been drawn down for 90 days and renews in 90-day increments until repayment in January 2023.</p> <p>During Q1 2022, the Company repaid the outstanding aggregate short-term loan balance of €5M due to BVB by drawing a €5M account overdraft facility with BVB which carried an interest rate of 5.5% per annum.</p> <p>The Company's remaining debt includes asset financing in Australia of €4.6m and the existing €50.7m (\$53.1M) debt facility from Runway Growth Capital.</p>		

8. Estimated cash available for future operating activities	€ '000
8.1 Net cash from / (used in) operating activities (item 1.9)	3,005
8.2 Cash and cash equivalents at quarter end (item 4.6)	21,607
8.3 Unused finance facilities available at quarter end (item 7.5)	-
8.4 Total available funding (item 8.2 + item 8.3)	21,607
8.5 Estimated quarters of funding available (item 8.4 divided by item 8.1)	N/A

8.6 If item 8.5 is less than 2 quarters, please provide answers to the following questions:

8.6.1 Does the entity expect that it will continue to have the current level of net operating cash flows for the time being and, if not, why not?

Answer: N/A

8.6.2 Has the entity taken any steps, or does it propose to take any steps, to raise further cash to fund its operations and, if so, what are those steps and how likely does it believe that they will be successful?

Answer: N/A

8.6.3 Does the entity expect to be able to continue its operations and to meet its business objectives and, if so, on what basis?

Answer: N/A

Compliance statement

- 1 This statement has been prepared in accordance with accounting standards and policies which comply with Listing Rule 19.11A.
- 2 This statement gives a true and fair view of the matters disclosed.

Date: 27 October 2022

Authorised by: 
 Fabian Siegel, Chief Executive Officer,
 Chairman of the Management Board (*Vorstandsvorsitzender*) and Co-Founder

Authorised by: 
 Jennifer Bernstein, Chief Financial Officer,
 Member of the Management Board (*Vorstand*)

Authorised by: 
 Rolf Weber, Chief Operating Officer,
 Member of the Management Board (*Vorstand*)

Notes

1. This quarterly cash flow report and the accompanying activity report provide a basis for informing the market about the entity's activities for the past quarter, how they have been financed and the effect this has had on its cash position. An entity that wishes to disclose additional information over and above the minimum required under the Listing Rules is encouraged to do so.
2. If this quarterly cash flow report has been prepared in accordance with Australian Accounting Standards, the definitions in, and provisions of, *AASB 107: Statement of Cash Flows* apply to this report. If this quarterly cash flow report has been prepared in accordance with other accounting standards agreed by ASX pursuant to Listing Rule 19.11A, the corresponding equivalent standard applies to this report.
3. Dividends received may be classified either as cash flows from operating activities or cash flows from investing activities, depending on the accounting policy of the entity.

Quarterly cash flow report for entities subject to Listing Rule 4.7B

4. If this report has been authorised for release to the market by your board of directors, you can insert here: "By the board". If it has been authorised for release to the market by a committee of your board of directors, you can insert here: "By the [name of board committee – eg Audit and Risk Committee]". If it has been authorised for release to the market by a disclosure committee, you can insert here: "By the Disclosure Committee".
5. If this report has been authorised for release to the market by your board of directors and you wish to hold yourself out as complying with recommendation 4.2 of the ASX Corporate Governance Council's *Corporate Governance Principles and Recommendations*, the board should have received a declaration from its CEO and CFO that, in their opinion, the financial records of the entity have been properly maintained, that this report complies with the appropriate accounting standards and gives a true and fair view of the cash flows of the entity, and that their opinion has been formed on the basis of a sound system of risk management and internal control which is operating effectively.