

Marley Spoon (ASX.MMM) Half-year results 2020

August 27, 2020



We change the way people cook...

MARLEY SPOON

MARLEY SPOON

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



21 million meals in H1 2020



Q2 revenue growth 129% on PCP



>90% revenue from
repeat customers



1st positive global operating EBITDA in Q2 2020



Active in 8 countries



CY 2020 guidance upgraded further
to 80% - 100% revenue growth



We make life easier & cooking delightful

MARLEY SPOON

Vertically integrated, direct-to-consumer brand solving an everyday problem for you:
“What are we going to cook tonight?”

We offer an unrivaled value proposition to our customers



Marley Spoon is a source-to-order supply chain

MARLEY SPOON



Customer acquisition
Strong number of
referrals and
marketing strategy



Customer data insight
Enabling customer-centric
menu creations



Preference for
direct sourcing
Ingredients from
producers with others
from trusted suppliers



Efficient in-house
“source-to-order”
manufacturing
Focused on excellence
using standardised
processes



Outsourced logistics
For fast ‘long haul’ and
‘last mile’ delivery
to customers



Happy customers
From quality meal kits and
care supporting customer
retention

Data driven marketing and
product development

Simple supply chain ... in-house
manufacturing ... outsourced logistics

Customer
satisfaction

Flexibility, choice and variety

2-6

portions per recipe

8

Average portions per
order

2-6

meals
per week

16-32

recipes
per week

US Market Size
2019

Supermarkets



Perishable food sales amount to approximately US\$216.69bn¹

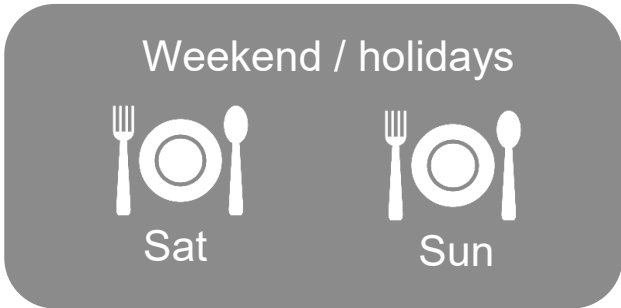
Meal kits



Weeknight cooking



Weekend / holidays



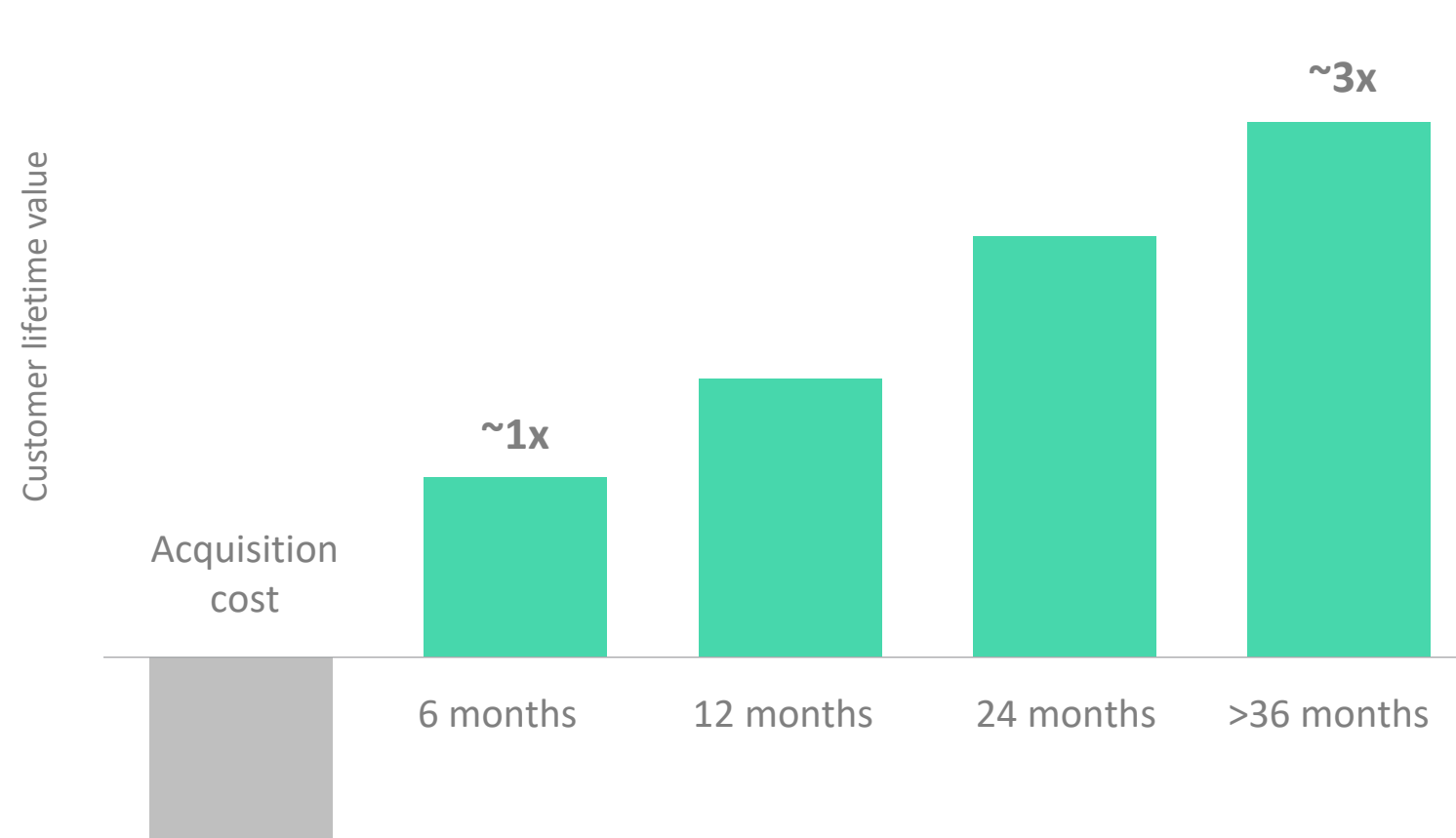
Takeout/
delivery



US\$26.5m²

Marley Spoon is serving the market for weeknight cooking

¹ Statista, "Supermarket sales share of perishable food in the United States in 2018", 2019.
² Statista, "Food delivery industry", 2019.



Key takeaways

- Faster payback and higher IRR (30%+) than many other ecommerce models
- Marley Spoon has achieved these attractive unit economics over the last years, as also outlined two years back in its IPO prospectus
- Currently outperforming due to lower customer acquisitions costs (CACs), better customer behaviour and higher margins

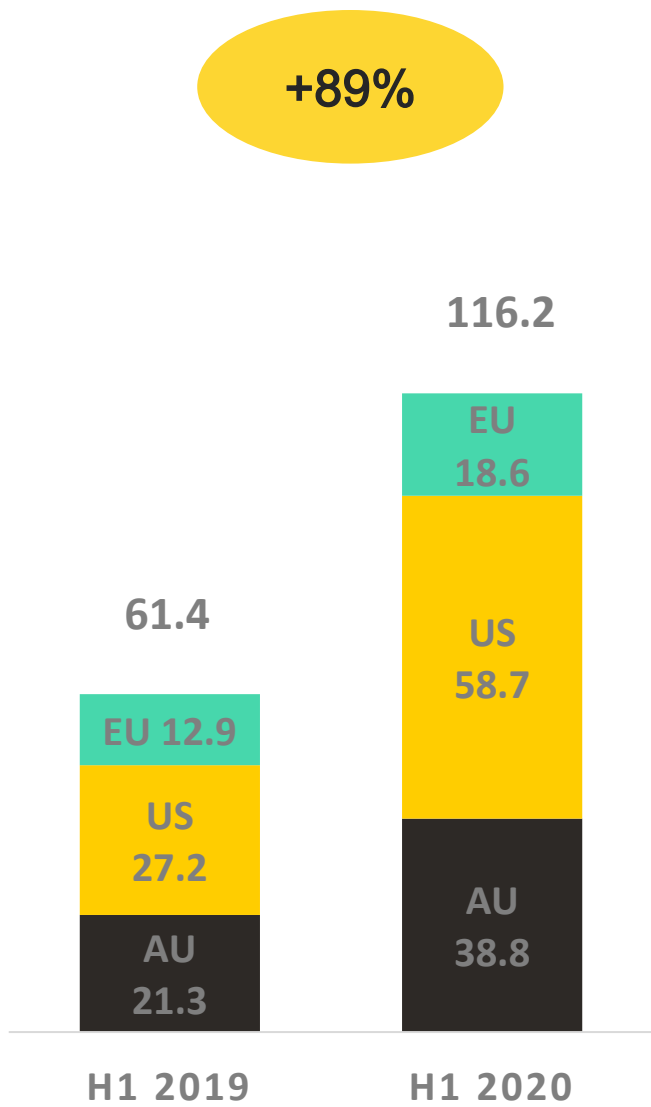
Company targets these unit economics over the longer term ...
currently tracking significantly better

COVID-19 accelerates adoption of online grocery shopping

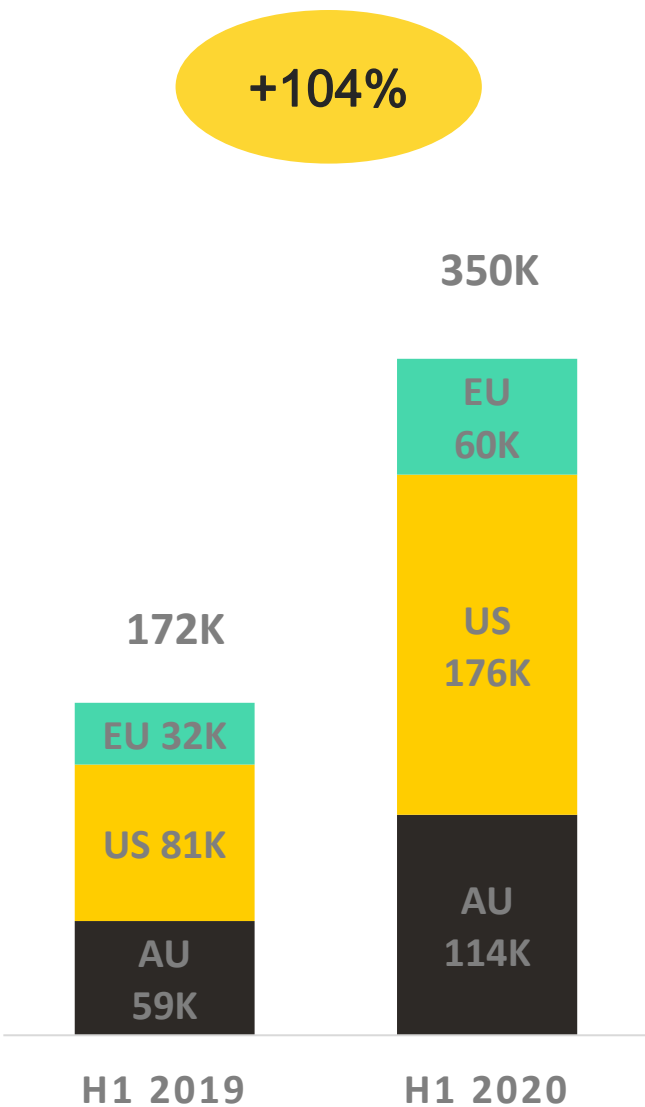
- COVID-19 pandemic contributed to strong growth of Marley Spoon's global business
- Retention of new customers remained strong, customer acquisition costs significantly reduced
- H1 2020 revenue grew 89% to €116.2m versus the prior corresponding period (PCP) ...
Q2 2020 grew 129% to €73.3m
- Global Contribution Margin (CM) in H1 at record 30.1%, up 6 pts year over year (YOY)
- Operating EBTIDA positive in Q2 ... loss of only €(2.0)m for the 1st half of 2020
- 2020 full year guidance upgraded ... 80% - 100% revenue growth expected

Strong growth in all segments

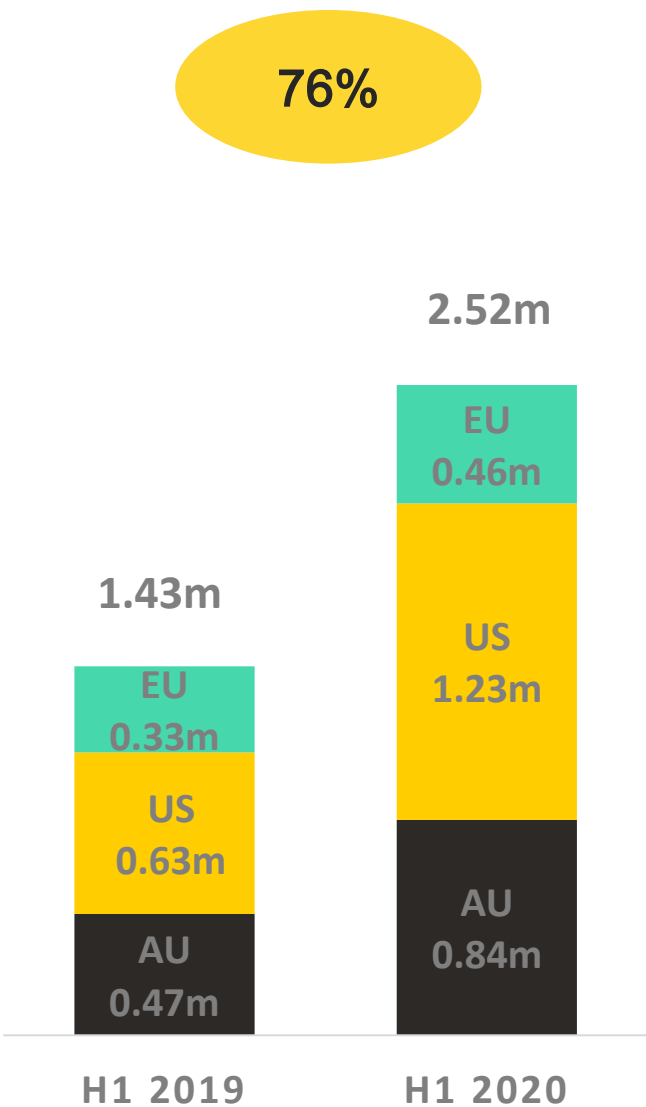
Net revenue (€ millions)



Active customers



Total orders



Very strong performance across all topline metrics in H1 2020

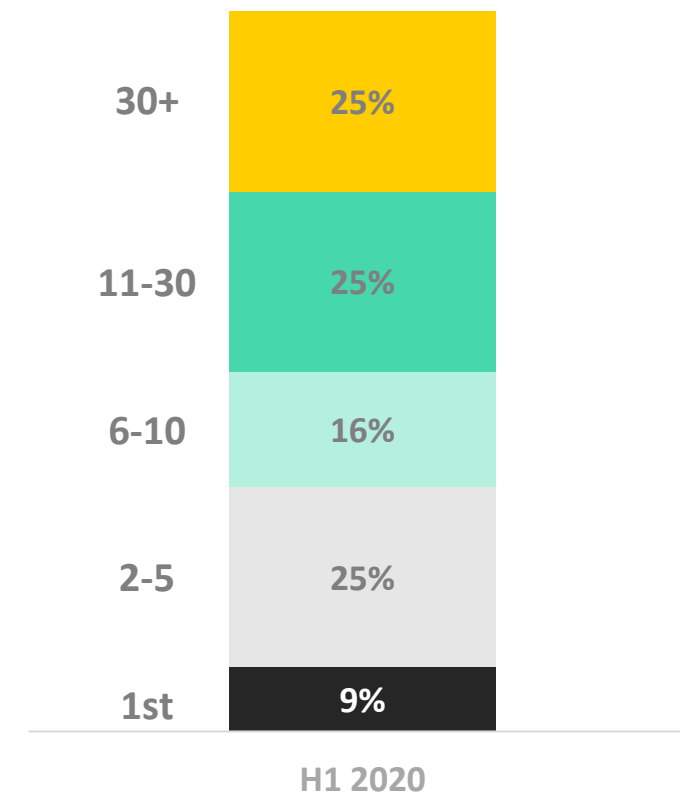


Revenue from repeat customers



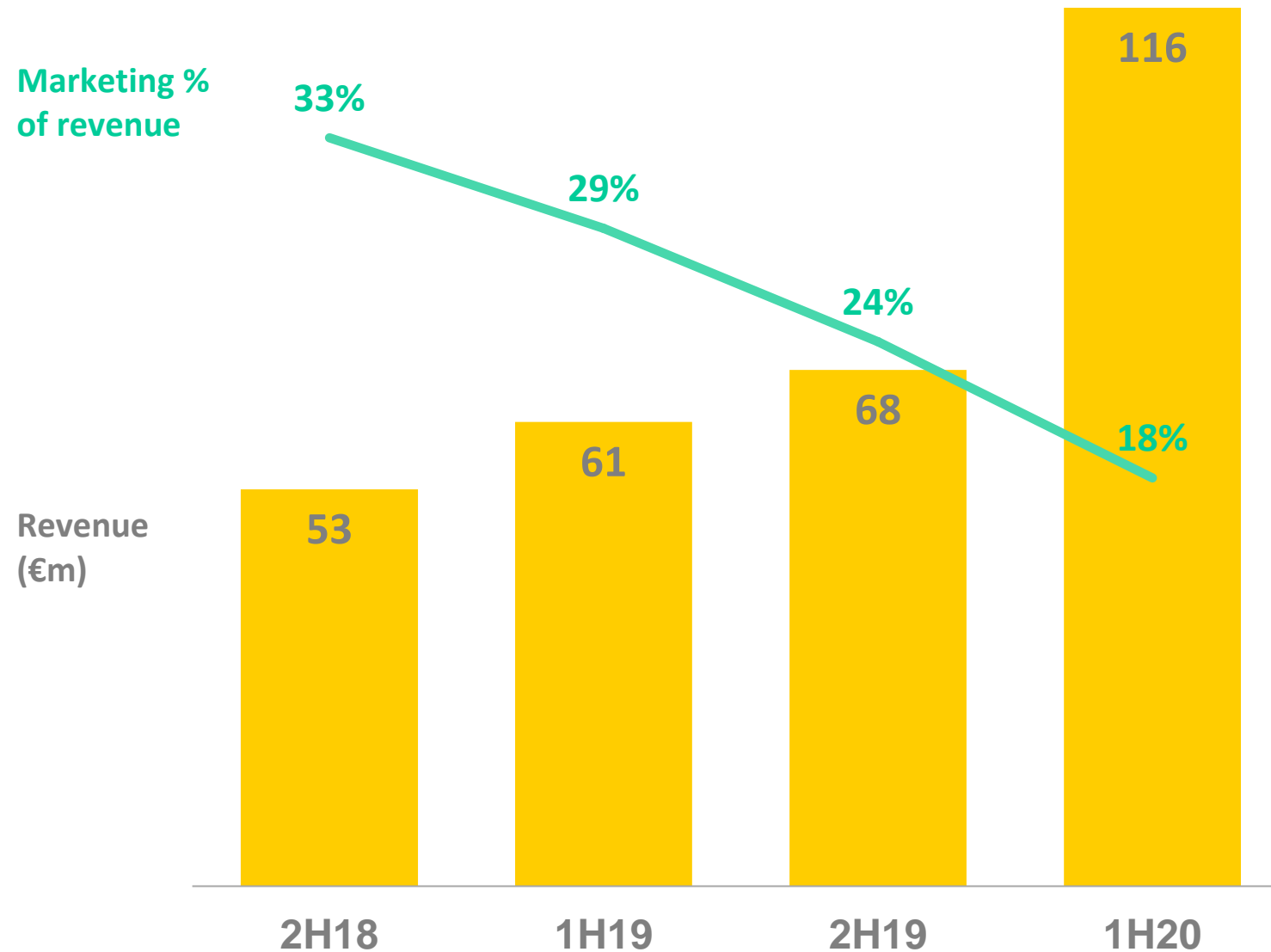
- Track record of customer loyalty with repeat orders maintained at >90% of revenue
- Focus on retaining loyal, high-value customers and drive growth through repeat orders

Revenue breakdown by order frequency



- ~2/3 of revenue from “steady state” customers (6+ orders) ... >A\$300m annualized (based on Q2-20)
- 30+ share increased 1 pt YOY
- 2-10 orders buckets up 2 pts YOY thanks to accelerating new customer acquisitions in Q2

Growing high quality “back book” of loyal customers with consistent repeat orders



Key developments

- Marketing as % of revenue had been trending down pre-COVID already, supporting path to profitability
- Brand maintenance (to maintain topline) pre-COVID modelled at 10%-11% marketing of revenue
- Q2 2020 at only 13% ... CAC continues to be significantly below pre-COVID levels, representing opportunity to grow at much better unit economics

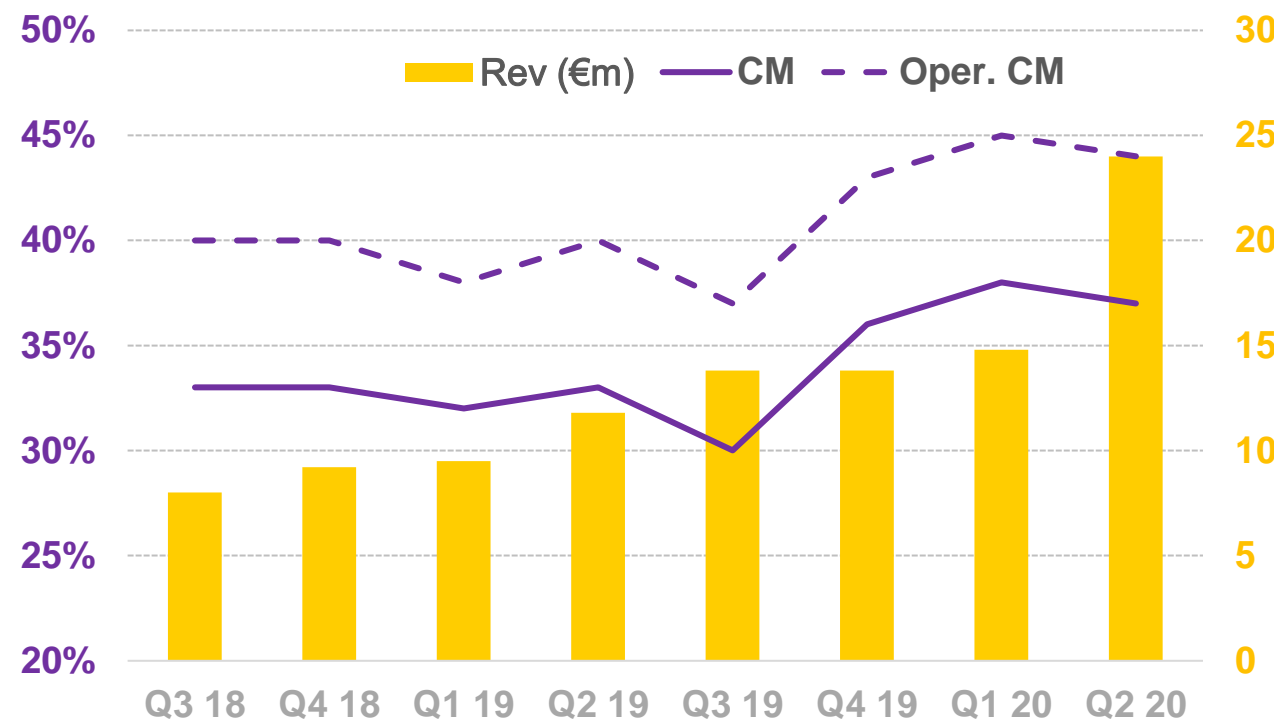
Key metrics – growth across the Group

	Q2 20	Q2 19	V%	H1 2020	H1 2019	V%
Group						
Active customers ¹ (k)	350	172	104%			
Number of orders (m)	1.55	0.73	113%	2.52	1.43	76%
Orders per customer	4.4	4.2	5%			
Meals (m)	13.2	5.4	143%	20.9	10.5	98%
Avg. order value (€, net)	47.1	44.0	7%	45.9	42.8	7%
Australia						
Active customers ¹ (k)	114	59	94%			
Number of orders (m)	0.50	0.26	92%	0.84	0.47	78%
Meals (m)	4.5	2.1	116%	7.3	3.7	97%
USA						
Active customers ¹ (k)	176	81	117%			
Number of orders (m)	0.78	0.31	150%	1.23	0.63	96%
Meals (m)	6.6	2.3	193%	10.1	4.5	126%
Europe						
Active customers ¹ (k)	60	32	87%			
Number of orders (m)	0.27	0.15	75%	0.46	0.33	37%
Meals (m)	2.1	1.1	90%	3.5	2.4	47%

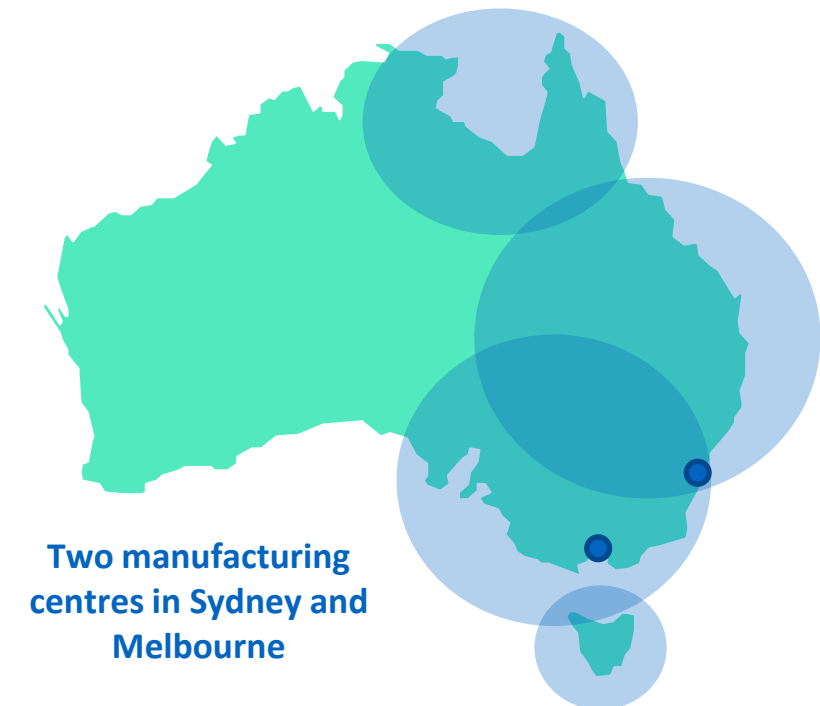
Key developments

- All metrics across all regions significantly increased YOY
- US main growth driver, gaining market share against two listed competitors
- Europe with 3rd strong sequential growth quarter ... Dinnerly (DE) just launched in July

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



Current reach: ~78% of the population



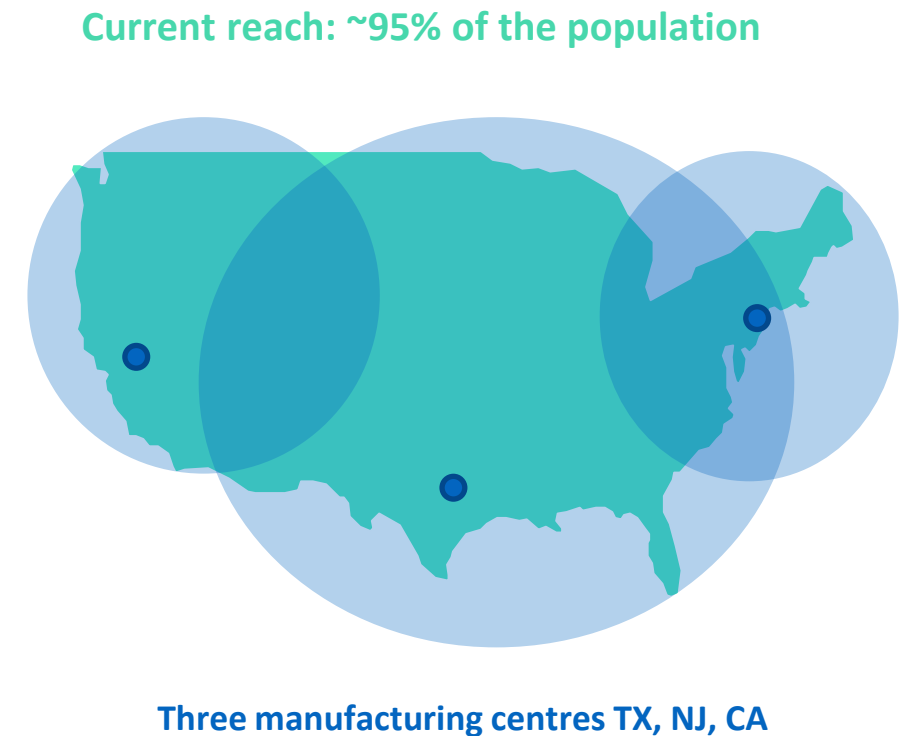
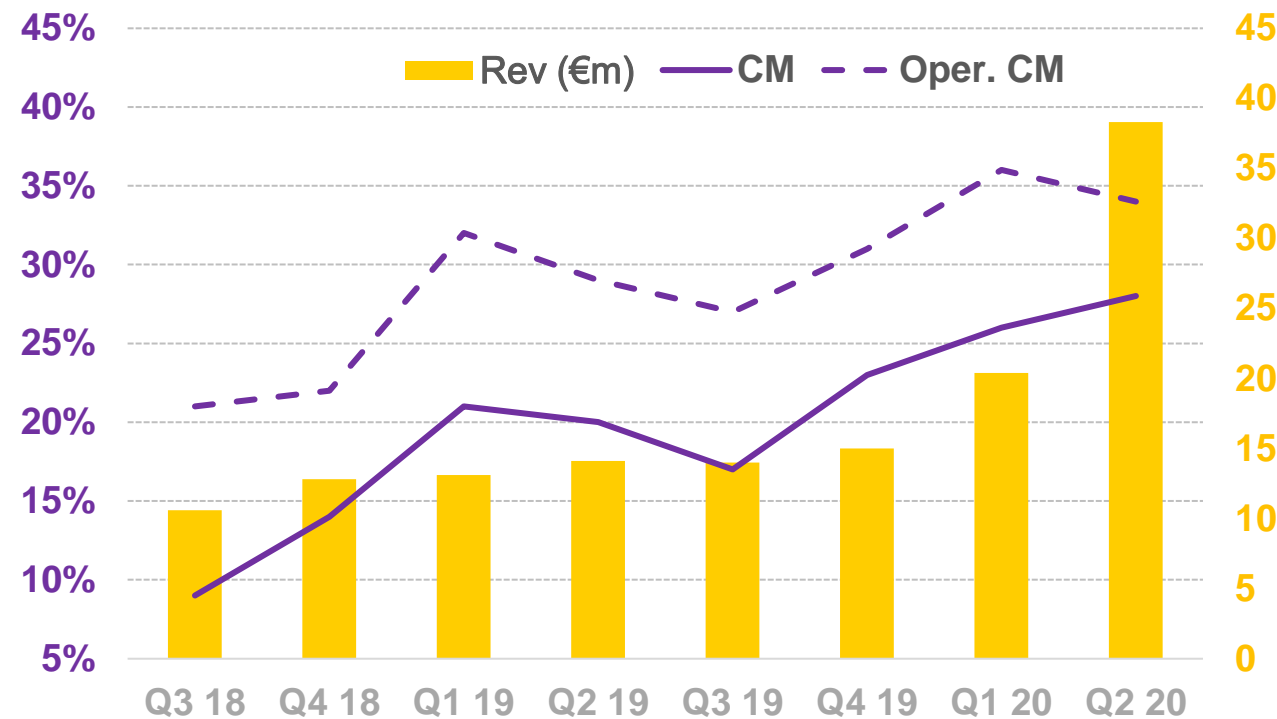
Topline & margin trend

- Stable above 35% CM and 40% Operating CM since price increase for both brands in Q4 2019
- Q1 2020 saw new record highs with 38% CM and 45% Operating CM ... 1 pt decrease in Q2 mainly driven by lower productivity (due to many new team members)
- 62% revenue increase Q2 vs Q1 2020 ... driven by both brands, Dinnerly and Marley Spoon

Updates

- Reached 15% Operating EBITDA of revenue ... positive since Q2 2019
- COVID-19 required temporary shift of production from Melbourne to Sydney, with limited customer impact. As of today, operations have resumed.
- Operational priorities: expand long-term capacity with new Sydney manufacturing centre (H1 2021), extend product offering and strengthen two brand strategy

Numbers preliminary & unaudited



Topline & margin trend

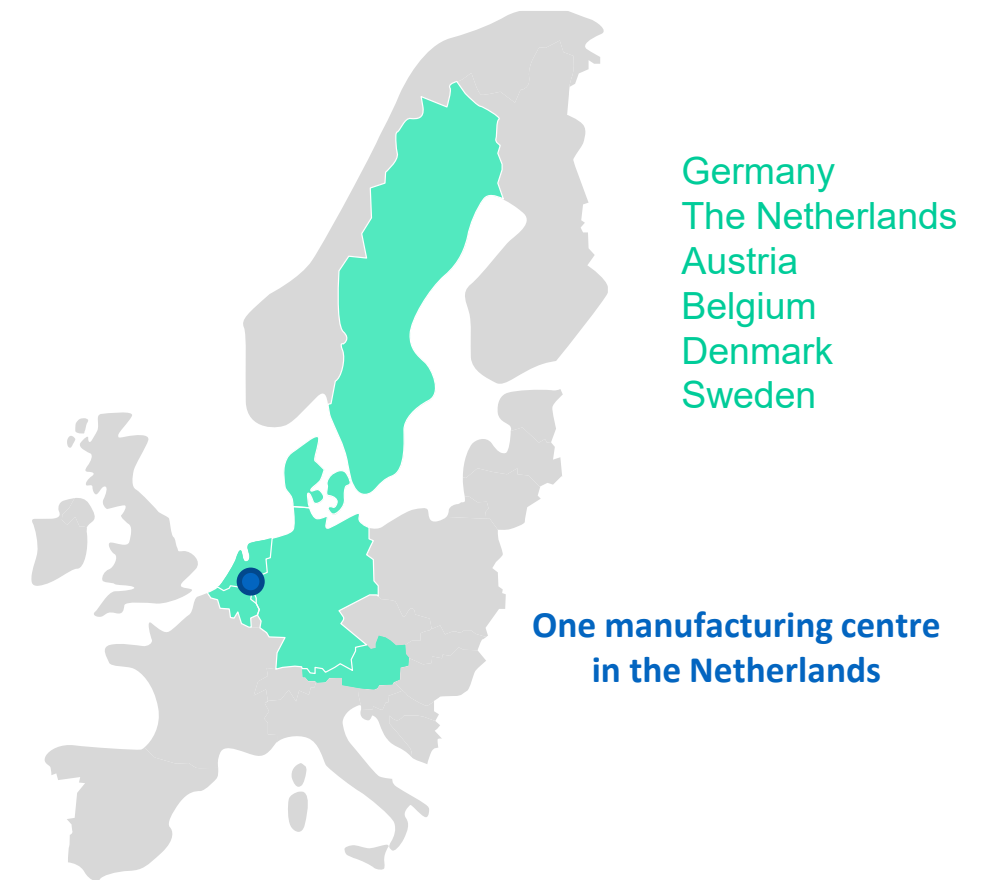
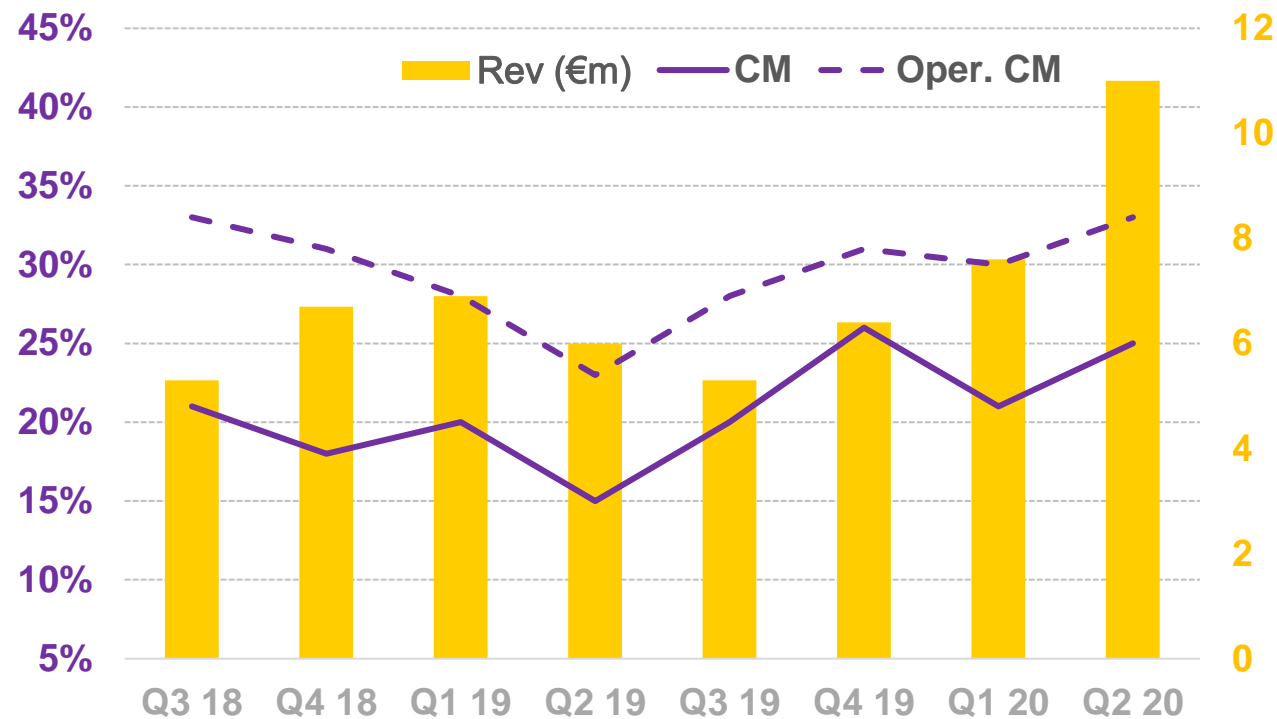
- Segment caught up thanks to strong growth in 1st year after IPO to reach 20%+ CM and 30%+ Operating CM
- 1H 2020 saw new record highs with 27% CM and 35% Operating CM ... 2 pts decrease in Q2 mainly driven by lower productivity and 3rd party logistics related issues
- 88% increase Q2 vs Q1 2020 ... driven by to both brands, Martha & Marley Spoon and Dinnerly

Updates

- Positive Operating EBITDA for the 1st time in Q2 & H1
- Segment benefitted from tripling manufacturing footprint (TX & NJ) in 2018/19 to handle recent growth
- Gained market share on competition with 167% YOY growth in Q2, on constant currency basis
- Operational priorities: ERP and manufacturing 2.0 roll-outs, expand 3rd manufacturing centre/open 4th in 2021

Numbers preliminary & unaudited

H1 2020 regional performance ... Europe



Topline & margin trend

- Margin and topline challenges from roll out of new manufacturing technology and site consolidation successfully overcome in mid-2019
- Continuous topline and margin growth since Q3 2019 ... record Operating CM and CM in H1 2020

Updates

- Launched deliveries to Denmark and Sweden in late 2019 and early 2020 ... good early traction and unit economics
- Launched Dinnerly in Germany in July 2020 ... first meal kit at this price point, like in the US (2017) and AU (2018)
- Operational priorities: Establish Dinnerly & Nordic markets

Numbers preliminary & unaudited

Group income statement snapshot

MARLEY SPOON

€ in millions	2Q20	2Q19	VPCP	V%	1H20	1H19	VPCP	V%
Revenue	73.3	32.0	41.4	129%	116.2	61.4	54.8	89%
Cost of goods sold	38.1	17.9	20.2	113%	60.1	34.4	25.7	75%
<i>% of revenue</i>	<i>52%</i>	<i>56%</i>	<i>(4) pts</i>		<i>52%</i>	<i>56%</i>	<i>(4) pts</i>	
Fulfilment expenses	12.9	6.3	6.6	103%	21.0	12.2	8.8	72%
<i>% of revenue</i>	<i>18%</i>	<i>20%</i>	<i>(2) pts</i>		<i>18%</i>	<i>20%</i>	<i>(2) pts</i>	
Contribution margin (CM)	22.4	7.7	14.7	191%	35.0	14.7	20.3	137%
<i>% of revenue</i>	<i>30%</i>	<i>24%</i>	<i>6 pts</i>		<i>30%</i>	<i>24%</i>	<i>6 pts</i>	
<i>Operating CM %</i>	<i>37%</i>	<i>32%</i>	<i>5 pts</i>		<i>37%</i>	<i>32%</i>	<i>5 pts</i>	
Marketing expenses	9.7	5.9	3.8	65%	21.4	18.0	3.4	19%
<i>% of revenue</i>	<i>13%</i>	<i>18%</i>	<i>(5) pts</i>		<i>18%</i>	<i>29%</i>	<i>(11) pts</i>	
G&A expenses	9.9	8.3	1.5	18%	18.9	16.3	2.5	15%
<i>% of revenue</i>	<i>13%</i>	<i>26%</i>	<i>(13) pts</i>		<i>16%</i>	<i>27%</i>	<i>(11) pts</i>	
EBIT	2.8	(6.5)	9.3	fav.	(5.3)	(19.6)	14.4	(73%)
Operating EBITDA	4.4	(5.1)	9.5	fav.	(2.0)	(17.2)	15.2	(88%)
<i>% of revenue</i>	<i>6%</i>	<i>(16)%</i>	<i>22 pts</i>		<i>(2)%</i>	<i>(28)%</i>	<i>26 pts</i>	

in € millions	H1 2020	H1 2019
Operating EBITDA	(2.0)	(17.2)
Change in working capital	10.6	0.7
Interest & taxes paid, other	(0.6)	(0.7)
Net cash flows from operating activities	8.1	(17.3)
Net cash flows from investing activities	(4.0)	(3.1)
Net change in equity	9.2	2.5
Proceeds from convertible notes	2.3	12.0
Net change in borrowings	(0.1)	9.6
IFRS 16 lease payments	(2.3)	(1.6)
Net cash flows from financing activities	9.1	22.4
Net increase in cash & cash equivalents	13.3	2.0
Cash and cash equivalents	18.4	10.6

**2nd consecutive quarter with positive operating cash flow ...
cash balance up €13 million in the 1st half of 2020**

Numbers preliminary & unaudited

- Given the acceleration in online adoption, Marley Spoon is expecting stronger **revenue growth** than its previously guided year-on-year growth and is therefore upgrading its guidance to 80% - 100% year-on-year revenue growth for CY2020.
- **Contribution Margin** has already exceeded the previously guided level for the year with 29.5% in Q1 and 30.5% in Q2. At this point, the Company is not updating its CM guidance given the continued high uncertainty with regards to the global COVID-19 pandemic.

1. Online grocery: Massive “unclaimed” market

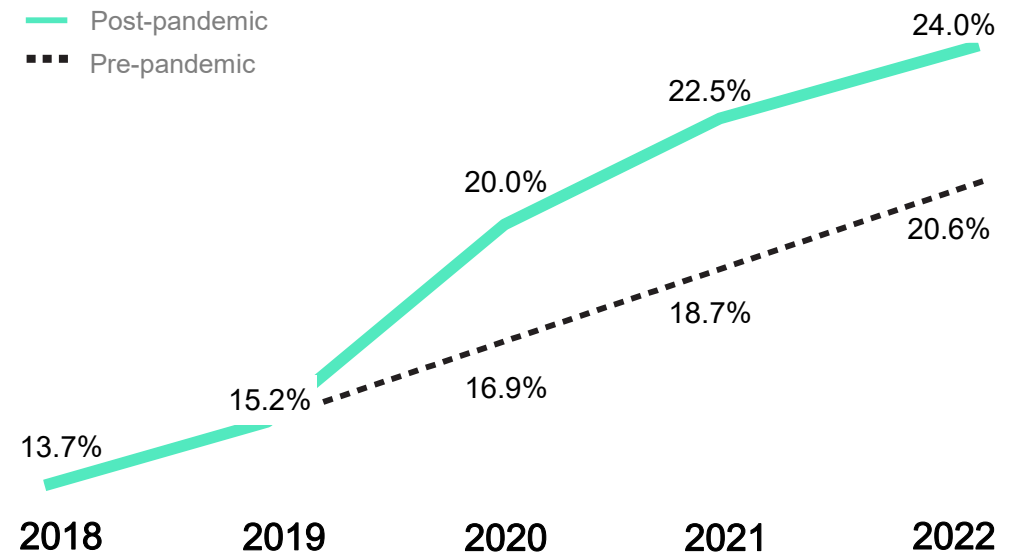


Foods & Groceries
\$5,000bn

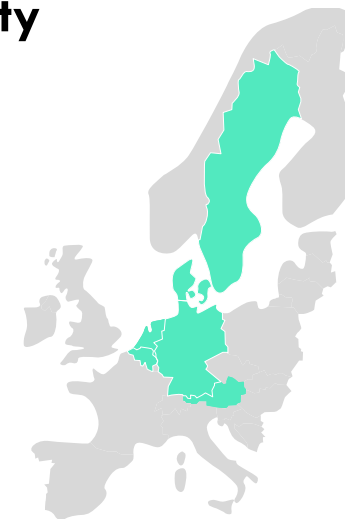
<3%

Online Penetration
end of 2019

2. E-commerce adoption is accelerating



3. Marley Spoon’s global reach of 180m households today forms an ideal platform to capture this global growth opportunity



Germany
The Netherlands
Austria
Belgium
Denmark
Sweden

Online adoption

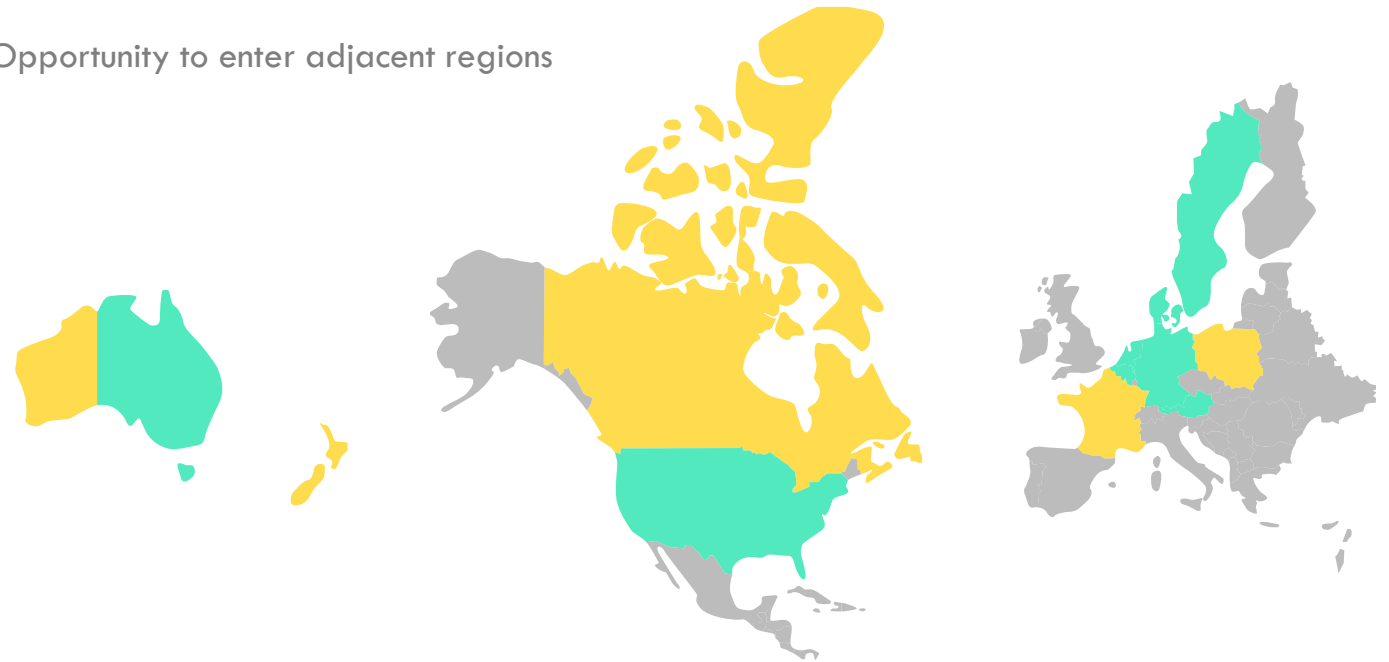


Online grocery market to grow 2x by end of 2021

from 3% → 6%¹

Regional expansion

Opportunity to enter adjacent regions



Product expansion



Breakfast



Lunch



Ready-to-heat



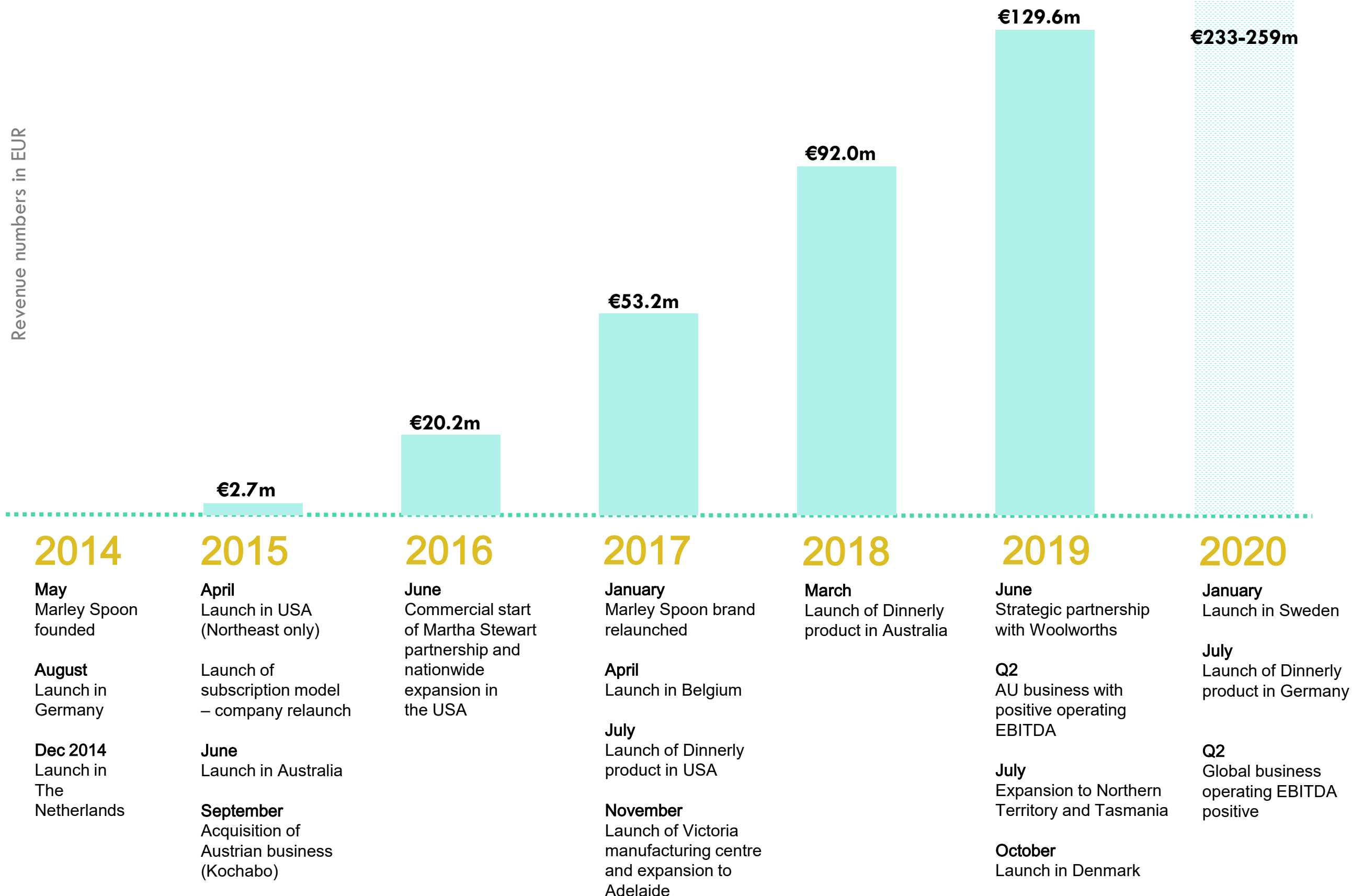
Baking

Marley Spoon still in Day One of its growth and development, with the majority of its growth ahead of it

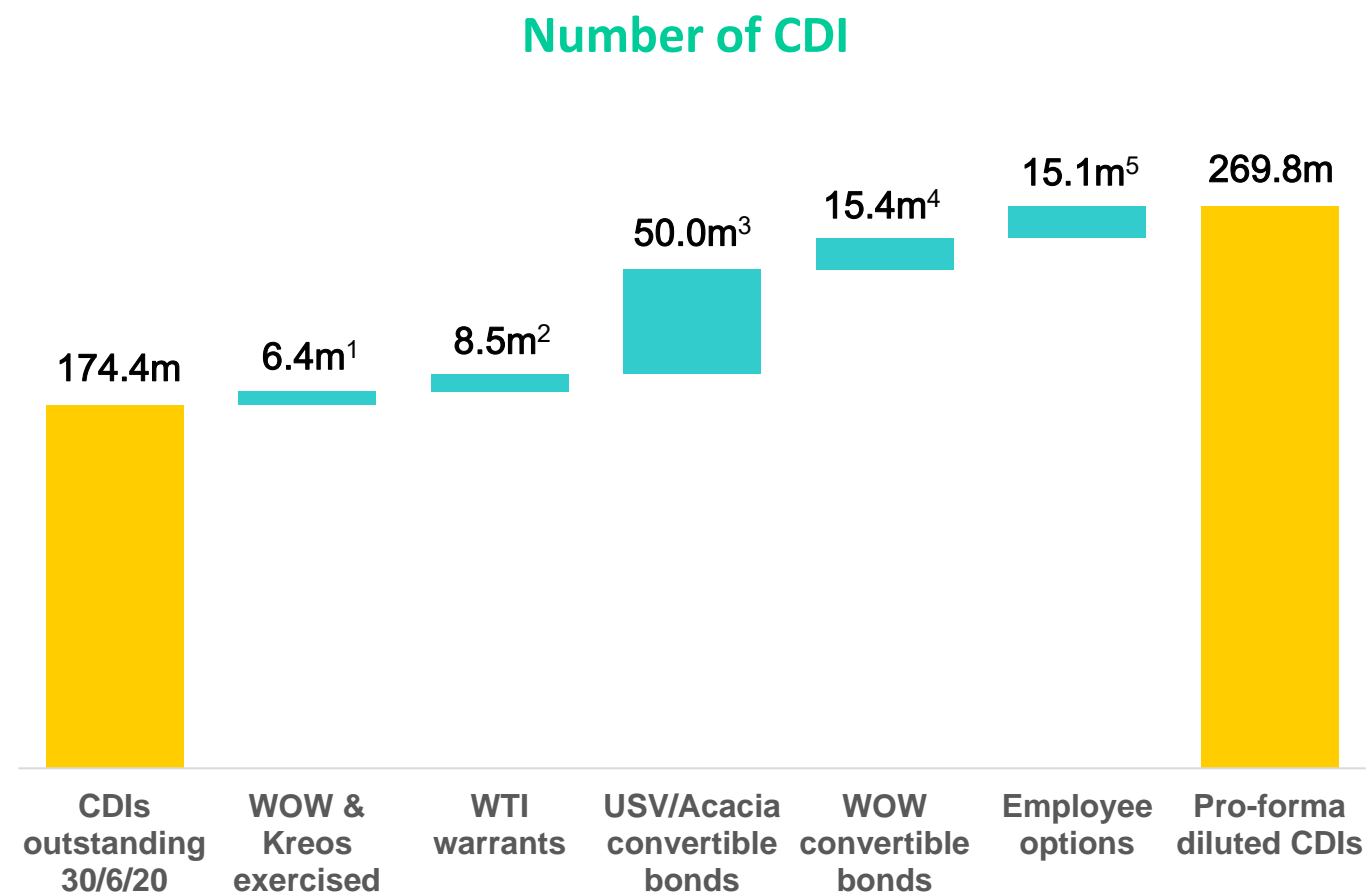
¹ Source: Rabobank International

- ✓ Strong Q2 and H1 2020 topline growth ... guidance exceeded
 - Increased 129% YOY in Q2, 89% for H1, accelerating growth during the COVID19 pandemic
 - Growth led by US with 116% in H1 2020 compared to PCP ... AU 82% ... EU 45%
- ✓ Continuous operational improvements ... platform to support significant scale
 - Contribution margin up 6 pts to record 30% for H1 2020
 - Marketing expenses represented 18% of revenue in H1 2020, 29% in PCP ... Q2 2020 at only 13%
- ✓ Posted first positive operating EBITDA on group level in Q2 2020
 - €4.4 million for Q2 2020 ... compared to a loss of €5.1 million in PCP
 - Loss of €2.0 million for the 1st half of 2020 ... compared to €17.2 million in the PCP
 - AU remains operating EBITDA positive since Q2 2019
- ✓ Capital structure improving
 - Cash balance increased from ~€5m to ~€18m in H1 2020
 - All convertibles “in the money”
 - Only ~€11m of “pure debt” outstanding
- ✓ Early segment in a vast market ... building a \$1B+ business over the coming years
 - Groceries remains one of the largest opportunities as consumer purchasing increasingly shifts online
 - Well positioned to capture future growth with its brands, geographic reach and available capacity
 - Continuing to benefit from special COVID-19 circumstances, timing and extent of normalization still open ... have “value-for-money” Dinnerly product live in all regions now as possible recession hedge

Appendix 1: Company history



Appendix 2 - Capital structure explained



- 1 Woolworths Group converted A\$2.95m convertible loan at A\$0.5 conversion price ... Kreos exercised warrants for ~0.5m CDIs ... both in July / August 2020
- 2 Exercise price A\$0.39 ... assumes USD/AUD exchange rate of 0.51
- 3 Exercise price A\$0.50 ... assumes USD/AUD exchange rate of 0.51
- 4 A\$27m convertible loan, which can be converted from mid-2021 ... CDI number assumes AU business growth factor of 82% (based on H1 2020 vs H1 2019) and conversion CDI price of A\$3.2
- 5 Includes options granted to date, company has up to 27.0 million to potentially distribute across its various option pools

Interest-bearing debt (excl. warrants & convertibles) vs. Cash

	As at 30/6/20
Western Tech (WTI) 42-month term expires in May 2023, repayments start in Q4 2020	€6.9m
Berliner Volksbank Initial 2-year term expires in Jan. 2021, interest only	€2.5m
Equipment financing 3-5 year terms from 2019 & 2020, regular repayments	€1.6m
Total debt outstanding (excl. convertibles)	€11.0m
Cash & cash equivalents	€18.4m

Appendix 3 – Pro-forma debt/equity

<i>in € million</i>	<u>Equity</u> ¹	<u>Debt</u> ²	
As reported June 30, 2020	(93.4)	147.4	Comments
Woolworths A\$3m convertible (converted in Q3)	6.8	(6.8)	<ul style="list-style-type: none"> Most non-current debt on the balance sheet are convertible bonds and warrants that are currently “in the money”
Kreos warrants (converted in Q3)	0.5	(0.5)	
WTI warrants (exercisable at A\$0.39)	11.3	(11.3)	
USV/Acacia convertibles (exercisable at A\$0.50)	55.2	(55.2)	<ul style="list-style-type: none"> Woolworths and Kreos already made first exercises in Q3, lowering debt and increasing equity by ~€7m
Woolworths A\$27m convertibles (exercisable from Jun-21)	17.9	(17.9)	
Total pro-forma adjustments	91.7	(91.7)	
Pro-forma June 30, 2020 (after conversions & exercises)	(1.7)	55.7	

¹ Equity attributable to shareholders of the parent company

² Non-current and current liabilities

Appendix 4 – Net income reconciliation

<i>in € million</i>	<u>H1 2020</u>	<u>H1 2019</u>	
EBIT	(5,269)	(19,621)	Comments
Financing income	369	5	<ul style="list-style-type: none"> Derivatives fair value changes relate to USV, Acacia, and Woolworths convertible bonds as well as WTI warrants
Nominal interest expense on borrowings	(1,926)	(978)	
Interest expense on lease liabilities (IFRS16)	(947)	(773)	
Effects of effective interest method on borrowings	(686)	(246)	
Financing expense	(3,559)	(1,997)	<ul style="list-style-type: none"> Substantial share price appreciation leads to non-cash expense, driving increase in net loss in the first half of 2020 despite improved operations & EBIT
Derivative financial instrument changes in fair value	(59,030)	(71)	
Tax expense	(10)	(54)	
Net loss for the period	(67,499)	(21,738)	

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