



# MARLEY SPOON

## Appendix 4C – Q2 2020 & Business Activity Report

### MARLEY SPOON DELIVERS STRONG Q2 REVENUE GROWTH AND POSITIVE OPERATING EBITDA ON A GLOBAL BASIS

**Berlin, Sydney, 29 July 2020:** 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 30th June 2020 ("Q2 2020") (unaudited).

Management will present a business update to investors on a conference call at 5.30 pm AEST on Wednesday 29<sup>th</sup> July – call details have been released separately.

#### Q2 HIGHLIGHTS

- COVID-19 pandemic accelerates long-term adoption of online grocery shopping, leading to strong growth of Marley Spoon's global business
- Retention of new customers remained strong, customer acquisition costs significantly reduced
- Q2 2020 revenue at €73.3m, +129% versus the prior corresponding period (PCP)
- Global Contribution Margin (CM) in Q2 at record 30.5%, up 6 pts year over year (YOY)
- Positive global Operating EBITDA of €4.5m
- 2020 full year guidance upgraded – at least 70% revenue growth expected in 2020 (previously ~30%)

#### COMPANY INFORMATION:

Fabian Siegel, Marley Spoon  
CEO  
fabian@marleyspoon.com

#### INVESTOR QUERIES:

Michael Brown, Pegasus  
0400 248 080  
mbrown@pegasusadvisory.com.au

#### REGISTERED ADDRESS:

Paul-Lincke-Ufer 39/40  
10999 Berlin  
Germany

Marley Spoon CEO, Fabian Siegel, highlighted, *"The COVID-19 pandemic has changed lives globally. Due to the crisis we continue to see an accelerated adoption of online shopping for all kinds of goods, including groceries. The resulting surge in demand for our brands has led to strong growth, a record margin and a full quarter of profitability."*

*"We are grateful for the business received from existing and new customers, who entrusted us with feeding their families in these uncertain times. Many of these new customers that discovered the benefits of our meal kit brands are remaining with us and are enjoying cooking in a better way compared to the old supermarket way."*

*Given our reduced customer acquisition costs, higher growth rate and associated scale benefits, we now expect significantly better results for the full year than we did previously, and are upgrading guidance."*

## **Q2 2020 BUSINESS UPDATE**

The outbreak of COVID-19 and government countermeasures caused a surge in demand for Marley Spoon's home delivered meal kits in all markets and an acceleration in the adoption of online grocery shopping throughout the quarter.

Existing customers increased their order frequency with larger average order sizes at the end of Q1 and in early Q2, which started to normalize during the second half of the quarter. New customer acquisition has remained strong at attractive cost per acquisition throughout Q2. The new customers acquired during Q2 show equally strong or better retention as the Company normally experiences for new customer additions. This has allowed the Company to continue to build up its back book of recurring revenue business in Q2, which accounts for the vast majority of Marley Spoon's revenue.

To date the Company has been able to manage this significant scale up, upholding high levels of food safety and fulfilment rates, as well as safeguarding the health of its employees. In order to meet this increased demand, Marley Spoon created additional capacity throughout the quarter, mostly by staffing up and increasing the number of shifts in its manufacturing centres. The Company ended Q2 with extra capacity to support future growth.

Overall, Marley Spoon has reported a record revenue of €73.3 million for the second quarter in 2020, an increase of 129% on PCP, or 130% excluding the impacts of foreign exchange (FX) movements.

This growth was achieved with improved marketing efficiency. Marketing expenses as a percentage of revenue represented 13% of revenue in the quarter, compared to 18% in the PCP.

Globally, CM reached a record of 30.5% and Operating Contribution Margin (Operating CM), defined as CM excluding the impacts of marketing vouchers and fixed costs such as expenses relating to site leases, ended at 37% in Q2, close to the Q1 all-time high. Both numbers highlight the strong operational performance as well as the resilience and flexibility of Marley Spoon's operating model.

The strong growth paired with strong operational performance allowed the Company to post its first global Operating EBITDA profit of €4.5 million for the quarter compared to a loss of €5.1 million in Q2 2019.

## **CASH FLOW**

After positive operating cashflow (CFOA) in Q1, the Company also generated a positive CFOA of €7.6m in the 2<sup>nd</sup> quarter of 2020.

The cash balance increased from €5.9 million at the end of Q1 to €18.4 million at the end of Q2, which includes the impact of an equity raise of net €9.2 million and capital expenditures of €2.6 million. The Company successfully reached the milestones to draw the second US\$7.5 million tranche from its debt provider WTI in the first half of 2020, but chose not to draw these funds before the contractual deadline at the end of July 2020.

## **SEGMENT REVIEW**

### **Australia**

- Q2-20 revenue up 103% compared to PCP, or 109% excluding FX impacts
- CM at 37%; Operating CM reached 44%, up 4 pts YOY
- Operating EBITDA 15% of revenue in Q2, or €3.6 million

The Australian business delivered strong growth and a record result in Q2 with revenues of €24.0 million, with both of the Company's brands contributing, and a CM of 37%, which is an increase of 4 points on the PCP. This margin performance was achieved despite supply chain challenges due to the COVID19 pandemic and additional health and safety measures put in place. After avoiding negative impact in Q1 due to bush fire and flooding related disruptions, the Q2 performance further demonstrates the resilience and flexibility of Marley Spoon's supply chain and operating model, with CM only down 1 pt vs Q1 2020 despite the massive growth and unprecedented circumstances.

## United States

- Q2-20 revenue up 171% versus PCP, or 167% excluding FX impacts
- CM improved to 28%; Operating CM 34%, up 5 pts YOY
- Positive Operating EBITDA for the first time in Q2 of €4.6 million

Revenues in the US rose to €38.3 million, helped by strong growth in both Martha & Marley Spoon and Dinnerly, with CM increasing by 8 points to 28%. Similar to the other regions, the US faced procurement and logistics related disruptions due to the COVID-19 pandemic and had to put additional health and safety measures in place in its manufacturing centres. Furthermore, the region saw the strongest growth and therefore required the most new hires and extensions of production shifts, impacting Operating CM, which was down 2 points compared to Q1.

## Europe

- Q2-20 revenue up 83% versus PCP
- CM was at 25%; Operating CM 33%, up 10 pts YOY
- Operating EBITDA loss of €3.7 million including global headquarter costs

Growth in Marley Spoon's business in Europe has picked up and revenue increased to €11.0 million for the quarter, putting Europe back on its growth path. CM for Q2 increased significantly by 11 points compared to PCP to 25%, mainly driven by higher productivity and scale benefits in purchasing despite similar COVID-19 related challenges as in the other two regions. CM also increased sequentially from Q1 2020, which is a particularly strong achievement by the European team given the circumstances.

## KEY OPERATING METRICS

Marley Spoon ended Q2 with 350,000 active customers, up 104% YOY, which on average generated 4.4 orders in the quarter, up from 4.2 orders per customer in the PCP. On average, Q2 net order value was up to €47.1, a rise of 7% on the PCP.

<i>preliminary &amp; unaudited</i>	<b>Q2 20</b>	<b>Q2 19</b>	<b>V%</b>
<b>Group</b>			
Active customers <sup>1</sup> (k)	350	172	104%
Number of orders (k)	1,551	726	114%
Orders per customer	4.4	4.2	5%
Meals (m)	13.2	5.4	143%
Avg. order value (€, net)	47.1	44.0	7%
<b>Australia</b>			
Active customers <sup>1</sup> (k)	114	59	94%
Number of orders (k)	502	261	92%
Meals (m)	4.5	2.1	116%
<b>USA</b>			
Active customers <sup>1</sup> (k)	176	81	117%
Number of orders (k)	780	312	150%
Meals (m)	6.6	2.3	193%
<b>Europe</b>			
Active customers <sup>1</sup> (k)	60	32	87%
Number of orders (k)	269	152	77%
Meals (m)	2.1	1.1	93%

<sup>1</sup> Active Customers are customers who have purchased a Marley Spoon or Dinnerly meal kit at least once over the past 3 months

## H2 2020 Strategy

Going forward into the 2<sup>nd</sup> half of 2020, the Company intends to take advantage of growth opportunities presenting themselves and will continue to invest into customer acquisition as long as unit economics targets are being met. The continued investment in the business will be balanced with the intent to continue to build up the cash balance over the next quarters.

The Company plans to continue to expand its capacity in order to capitalize on these additional growth opportunities. As consumer behaviour continues to switch towards online shopping, Marley Spoon intends to continue to reinvest the majority of its profits for the foreseeable future into the business.

## **2020 GUIDANCE**

- Given the acceleration in online adoption, Marley Spoon is expecting stronger revenue growth than its previously guided ~30% year-on-year growth and is therefore upgrading its guidance to at least 70% growth for CY2020.
- Globally, CM 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.

## **INVESTOR CONFERENCE CALL**

An investor conference call will be held at 5:30 pm AEST on 29 July 2020. 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 (ASX:MMM) is a global subscription-based meal kit service that is bringing delightful, market fresh and easy cooking back to the people. 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, 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, Marley Spoon creates meal kits that contain step-by-step recipes and pre-portioned seasonal ingredients to cook better, healthy meals with their loved ones.

As consumer behaviour moves towards valuing the convenience aspect of cooking, Marley Spoon's global mission through its three brands Marley Spoon, Martha & Marley Spoon, and Dinnerly, is to help millions of people to cook better and also live smarter by radically reducing food waste.

## Appendix 4C

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

**Name of entity**

Marley Spoon AG

**ABN**

Not applicable

**Quarter ended ("current quarter")**

30 June 2020

<b>Consolidated statement of cash flows</b>	<b>Current quarter € '000</b>	<b>Year to date (6 months) € '000</b>
<b>1. Cash flows from operating activities</b>		
1.1 Receipts from customers	73,781	116,812
1.2 Payments for		
(a) research and development	-	-
(b) product manufacturing and operating costs	(47,031)	(72,998)
(c) advertising and marketing	(10,795)	(18,357)
(d) leased assets	-	-
(e) staff costs	-	-
(f) administration and corporate costs	(8,081)	(16,802)
1.3 Dividends received (see note 3)	-	-
1.4 Interest received	7	9
1.5 Interest and other costs of finance paid	(250)	(541)
1.6 Income taxes paid	(3)	(10)
1.7 Government grants and tax incentives	-	-
1.8 Other (provide details if material)	-	-
<b>1.9 Net cash from / (used in) operating activities</b>	<b>7,628</b>	<b>8,113</b>

<b>2.</b>	<b>Cash flows from investing activities</b>		
2.1	Payments to acquire:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment	(1,692)	(2,153)
	(d) investments		
	(e) intellectual property	(961)	(1,801)
	(f) other non-current assets		
2.2	Proceeds from disposal of:		
	(a) entities		
	(b) businesses		
	(c) property, plant and equipment		
	(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)		
<b>2.6</b>	<b>Net cash from / (used in) investing activities</b>	<b>(2,653)</b>	<b>(3,954)</b>

<b>3.</b>	<b>Cash flows from financing activities</b>		
3.1	Proceeds from issues of equity securities (excluding convertible debt securities)	9,961	9,961
3.2	Proceeds from issue of convertible debt securities		2,267
3.3	Proceeds from exercise of options		
3.4	Transaction costs related to issues of equity securities or convertible debt securities	(737)	(782)
3.5	Proceeds from borrowings		395
3.6	Repayment of borrowings	(310)	(310)
3.7	Transaction costs related to loans and borrowings	19	(126)
3.8	Dividends paid		
3.9	Other (provide details if material) <sup>1</sup>	(1,202)	(2,274)
<b>3.10</b>	<b>Net cash from / (used in) financing activities</b>	<b>7,732</b>	<b>9,132</b>

<sup>1</sup> IFRS 16



<b>4.</b>	<b>Net increase / (decrease) in cash and cash equivalents for the period</b>		
4.1	Cash and cash equivalents at beginning of period	5,867	5,433
4.2	Net cash from / (used in) operating activities (item 1.9 above)	7,628	8,113
4.3	Net cash from / (used in) investing activities (item 2.6 above)	(2,653)	(3,954)
4.4	Net cash from / (used in) financing activities (item 3.10 above)	7,732	9,132
4.5	Effect of movement in exchange rates on cash held	(206)	(356)
<b>4.6</b>	<b>Cash and cash equivalents at end of period</b>	<b>18,368</b>	<b>18,368</b>

<b>5.</b>	<b>Reconciliation of cash and cash equivalents</b> at the end of the quarter (as shown in the consolidated statement of cash flows) to the related items in the accounts	<b>Current quarter € '000</b>	<b>Previous quarter € '000</b>
5.1	Bank balances	18,368	5,867
5.2	Call deposits		
5.3	Bank overdrafts		
5.4	Other (provide details)		
<b>5.5</b>	<b>Cash and cash equivalents at end of quarter (should equal item 4.6 above)</b>	<b>18,368</b>	<b>5,867</b>

**6. Payments to related parties of the entity and their associates**

- 6.1 Aggregate amount of payments to related parties and their associates included in item 1
- 6.2 Aggregate amount of payments to related parties and their associates included in item 2

**Current quarter  
€ '000**

172

-

Note: if any amounts are shown in items 6.1 or 6.2, your quarterly activity report must include a description of, and an explanation for, such payments

**7. Financing facilities**

*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.*

	<b>Total facility amount at quarter end € '000</b>	<b>Amount drawn at quarter end € '000</b>
7.1 Loan facilities	45,961	45,961
7.2 Credit standby arrangements	-	-
7.3 Other (please specify)	-	-
7.4 <b>Total financing facilities</b>	45,961	45,961

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.

Further details on the financing facilities are included in section "6.7 Interest bearing loans and borrowings" within in the notes to the financial statements in the Marley Spoon 2019 annual report. Additionally, effective 29 January 2020, the Company and USV entered into another unsecured commercial loan agreement, this time in the aggregate amount of USD 2.5m, with a term of 3 years. It bears interest at a fixed rate of 12% p.a., which will only become payable if the Company does not elect to substitute the loan with convertible bonds in the same aggregate amount.

<b>8. Estimated cash available for future operating activities</b>	<b>€ '000</b>
8.1 Net cash from / (used in) operating activities (Item 1.9)	8,113
8.2 Cash and cash equivalents at quarter end (Item 4.6)	18,368
8.3 Unused finance facilities available at quarter end (Item 7.5)	-
8.4 Total available funding (Item 8.2 + Item 8.3)	18,368
8.5 <b>Estimated quarters of funding available (Item 8.4 divided by Item 8.1)</b>	N/A

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

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:

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:

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:

## 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: 29 July 2020

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

Authorised by:   
Julian Lange, Chief Financial 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.
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.