MARLEY SPOON DELIVERS 78% YOY GROWTH AS THE US RAMPS UP

2018 FULL YEAR FINANCIAL RESULTS

Highlights

- Net revenue of €92M, up 78% ex FX with strong growth across all regions, particularly in the US
- 91% of 2018 revenue from repeat customers
- Continued increase in contribution margin due to ongoing productivity improvements and purchasing scale benefits
- Operating EBITDA loss of €34.3M reflects investment in marketing to capitalise on strong acquisition momentum; 9 pts YOY improvement as % of net revenue
- ~€22m financing announced in January 2019
- Company re-iterates guidance on reaching profitability by 2020

Berlin, Sydney, 27 February 2019: Marley Spoon AG ("Marley Spoon" or the "Company" ASX: MMM), a leading global meal kit provider, has released its full year audited results for financial year ending 31 December 2018.

Marley Spoon's result reflects a year of accelerated sales growth across all of its regions – US, Europe and Australia – driven by new customer acquisitions and repeat orders from existing customers.

For the full year, the Company reported net revenue of €92M (€95M on a constant currency basis) up 78% ex FX on €53.2 million in 2017. 91% of this revenue was generated by repeat customers, testament to the strong recurring revenue base the Company has built over the last few years. Marley Spoon customers purchased over 15 million portions throughout last year.

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In 2018, Marley Spoon increased its investment in marketing to capitalise on the opportunity to acquire more customers than ever before at stable cost per acquisition (CAC) of €66. This led to growth of net revenue in the US by 101% to €37.1 million; Australia was up 74% to €32.3 million (both on a constant currency basis); and Europe lifted by 56% to €22.7 million.

Subsequent to the reporting period, Marley Spoon announced it had entered into €22 million financing package. This package includes the offer of €12 million under a convertible bond instrument, of which €10 million is from Union Square Ventures and €2 million is from an existing non-related minority shareholder. The Company will seek approval at an extraordinary general meeting in March 2019 to issue the convertible bonds and to create corresponding conditional capital to enable the company to issue CDIs upon conversion of the bonds.

"This has been a watershed year for Marley Spoon. We have delivered exceptional growth in sales across all of our regions, particularly in the US where our two-brand strategy is enabling us to capture two distinct segments of the market," said Marley Spoon CEO Fabian Siegel.

"We have also made a number of operational improvements that enhance the choice and experience for our customers, such as the introduction of 20 menu items in Europe and Australia. The investment in infrastructure, including our move to new facilities in the US and the planned rollout of new manufacturing technology, will help to enhance our productivity and quality, and reinforce our innovation leadership in the global meal kit segment."

Healthy contribution margins, ongoing improvement expected

Although slightly below the prospectus forecast, contribution margin (net revenue minus costs of goods sold and fulfilment expenses, CM) continued to improve year over year, from 16.5% to 21.1%. This underscores the attractive unit economics of the business, and is expected to continue to improve as the Company realises greater economies of scale as it grows.

Australia and Europe tracked above prospectus, with contribution margins of 33% and 19%, respectively. In the US, contribution margin only slightly improved from 11% to 12% remaining behind expectations.

Two challenges in the US operations prevented the Company from achieving the expected margin improvement: firstly, the shift to a new logistics supplier enabling Monday deliveries for customers; and secondly, the move to a new facility on the East Coast in October of 2018. Both items had temporary impact, with the complete transition to a new logistics supplier finalised in Q3 of 2018, and the new East Coast facility fully operational as of early 2019.

"We expect that our margins will continue to increase over the coming year as we start to realize economies of scale in sourcing food - particularly as we go to more producers directly – and as we roll out computer-aided and more efficient processes throughout our manufacturing centres. In the mid-term, we believe our US business can achieve a similar contribution margin profile as our Australian business of 30% and above. All in all, we expect contribution margin to reach mid to high 20s on a global basis in 2019," said Mr. Siegel.

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Operating EBITDA performance + profitability guidance reaffirmed

As a result of its increased investment in marketing, the Company reported an operating EBITDA loss of €34.3 million. This is in line with the revised guidance delivered at the Company's quarterly update in January. Compared to prior year, operating EBITDA as a percentage of net revenue increased by 9 pts from (46%) to (37%) due to an improvement in CM and general & administrative (G&A) expenses as a percentage of net revenue, only partially offset by higher marketing expenses.

Marketing spend increased by 91% to €30 million (vs €15.7 million, 2017), while customer acquisition costs remained stable, at €66 per customer (vs €67 in 2017). The impact of the increased investment in marketing was evident in late Q3 and early Q4, when new customer acquisitions rose substantially, especially in the US. A lot of the financial benefit of these acquisitions is expected to flow through in 2019.

Consistent with the previous periods, G&A expenses rose just 25% to €25.4 million (vs €20.3 million, 2017) reflecting the Company's ability to continue achieve growth without significantly adding to non-manufacturing headcount and infrastructure. Over the past year, the G&A expenses as a percentage of net revenue have fallen 11 pts to 28%.

The Company reported an increased net loss after tax of €41.2 million compared to €28.5 million in 2017, driven by higher marketing spend.

Given Marley Spoon's positive year on year performance against all key metrics – active customers, total orders, operating leverage and margin development – the Company is reaffirming its guidance to achieve profitability on an operating EBITDA basis by 2020.

"The additional marketing investment in 2018 enabled us to capitalise on the tailwinds in the business and achieved customer growth that will allow us to benefit from increased scale going forward," Mr Siegel said.

"In 2019, our focus is on progressing towards profitability. We are confident of the continued top-line growth opportunity over the coming years, particularly because we are in such a large category that has just started to switch from offline to online shopping. Based on this confidence, we decided for 2019 to adopt a strategy of more measured growth carefully managing overhead costs, and focussing on ongoing contribution margin improvement – in order to reach profitability by 2020."

Investor Conference Call

An investor conference call will be held on Wednesday, 27 February 2019 at 9.30am AEDT. If you have not already pre-registered for the call, you may join using the dial in details below.

Conference ID: 513522

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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 31 December 2018, Marley Spoon had over 173,000 active customers across both the Marley Spoon and Dinnerly brands.

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