MARLEY SPOON

MARLEY SPOON GROUP REPORTS Q3 2023 RESULTS: CONTINUED MARGIN EXPANSION; ON TRACK TO ACHIEVE FY23 OPERATING EBITDA TARGET DESPITE SOFT REVENUE

Berlin, 26 October 2023: Marley Spoon Group SE ("Marley Spoon" or the "Company"), a leading global subscription-based meal kit provider,[1] reported its results for the quarter ending 30 September 2023 ("Q3 2023").

Highlights:

- Softer revenue with Q3 2023 net revenue of €77.6m, a decline of 22.4% year-over-year (YoY) on a reported basis and (14.9)% in constant currency;
- Continued margin expansion with Global Contribution Margin (CM) in Q3 2023 of 31.4%, up 2.6 points vs. the previous corresponding period (PCP);
- Q3 2023 operating EBITDA of €(1.7)m, a decline of €0.7m vs. the PCP;
- Operating Cash Flow of €1.7m in Q3 2023 and quarter end cash balance of €22.7m for Marley Spoon SE; an additional €9.8m before transaction costs in Marley Spoon Group SE leads to a combined quarter-end cash balance of €32.5;

Marley Spoon, a leading global subscription-based meal kit provider, reported a net revenue decline in Q3, echoing the challenges faced in the first two quarters of the year. Continued price sensitivity and diminished consumer confidence persisted and led to a drop in orders. Despite these challenges, the Group achieved continued contribution margin (CM) expansion, with Q3 2023 CM improving 2.6 points vs. the PCP to 31.4%, with contributions from all regions. The CM improvement, combined with the continued implementation of cost-saving measures, helped offset most of the impact of lower net revenue on profit, resulting in an operating EBITDA delivery of €(1.7)m for the quarter and setting the Company on track to achieve its yearly Operating EBITDA target.

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[1] Through its ~85% subsidiary Marley Spoon SE.

Marley Spoon Founder & CEO, Fabian Siegel, highlighted, *"Q3 2023 saw a further decline in revenue in an environment of lower consumer confidence while we further honed our marketing strategy, reducing discounting in favor of cohort quality. During the third quarter this started to yield improvements with early cohort retention rates increasing for the last several weeks. At the same time, we expanded contribution margin again, to 31.4%, driven by all regions. As we continue our operational improvements and cost-saving initiatives, we are on track to achieve our target of improved Operating EBITDA this year. We expect a return to growth next year and are making significant strides on our path to consistent profitability."*

Q3 2023 BUSINESS UPDATE

Q3 2023 saw the continuation of the trend witnessed already in H1 2023, with the macroeconomic environment negatively impacting consumer price sensitivity. In H1 2023, this manifested with lower purchase frequency as well as lower than expected conversion rates that led to higher discounting and subsequently softer cohort retention. The Company course corrected in Q2 2023 by reducing acquisition spend in keeping with its unit economics governance, while in Q3 2023 the Company rolled-out adjusted discounting across all brands and regions. Though launched later than anticipated, the new discount strategy is yielding improved acquisition performance including better early cohort retention over the last several weeks and the Company's lowest historical churn rates. The Company expects these benefits to flow through from Q4 2023 onwards.

In addition, continued focus on customer-facing initiatives such as increased menu choice and improved findability for customers' cuisine or nutritional preferences led to order frequency in Q3 2023 back in line with last year's levels. The Company continues to work on improving order frequency further, which internal data suggests is largely driven by customers' budget concerns, with initiatives such as launching active merchandising and customer loyalty programs across its brands.

Despite the above improvements, the timing of the shift in discount strategy led to a miss in the Company's acquisition delivery this quarter, which, combined with lapping a strong Q3 2022, resulted in Q3 2023 net revenue contracting (14.9)% in constant currency vs. the PCP to €77.6m.

The adverse effect of lower order deliveries was partially offset by the Company's continued focus on growing average order value (AOV) which increased in the quarter by 9% in constant currency, benefiting from several revenue-enhancing activities such as the launch of our premium recipe offering at the end of 2022 as well as the Company's recipe variant offering, which allows customization of selected recipes by switching proteins, upgrading proteins or switching other ingredients. These come in addition to the price increases that were taken at the end of 2022. Strong operational performance helped offset the topline challenges in the quarter, with Contribution Margin improving significantly to reach 31.4%, an expansion of 2.6 points versus the PCP. Q3 2023 Operating Contribution Margin (Operating CM), defined as

CM excluding the impacts of marketing vouchers and fixed costs such as expenses relating to site leases, was up by 3.3 points to 40.3% compared to the PCP.

The strong Contribution Margin performance was driven by all three regions but in particular by significant operational improvements and resulting margin gains in the US, which reached a CM of 31.2% in Q3 2023, up 2.7 points vs. the PCP.

Contribution Margin performance in Europe also improved again significantly in Q3 2023, expanding 5.6 points compared to the PCP, demonstrating continued traction of its ongoing turnaround and cost reduction efforts. This also allowed the region to deliver meaningful Operating EBITDA improvement vs. the PCP of €1.7m, to €(0.5)m.

G&A decreased 20.0% vs. the PCP owing to financial discipline and the Company's continued cost reduction program which is expected to yield incremental process optimizations and cost savings through automation and business service centralization over the coming quarters.

Despite the lower revenue in Q3 2023, due to the strong margin performance and cost control the Company was able to maintain its Operating EBITDA performance, landing at €(1.7)m, down €(0.7)m vs. the PCP, excluding one-time charges associated with severance payments and other restructuring costs.

In Q3 2023 the Company launched and concluded a small holdings cash offer to the remaining 16% of Marley Spoon SE CDI holders as part of its strategy to simplify its capital structure by achieving 100% ownership of Marley Spoon SE with the intention of de-listing Marley Spoon SE from the Australian Securities Exchange, while focusing on its Frankfurt listing.

In October 2023, Marley Spoon welcomed Mr. Daniel Raab as its new global COO, in charge of running Marley Spoon's global operations including central marketing and regional business execution.

MARLEY SPOON SE CONSOLIDATED INCOME STATEMENT (UNAUDITED)

Marley Spoon SE Consolidated Income Statement (unaudited)

€ in millions	Q3 2023	Q3 2022	% vs. PY	Q3 2023 YTD	Q3 2022 YTD	% vs. PY
Revenue	**77.6**	**100.0**	**(22)%**	**255.0**	**311.8**	**(18)%**
Revenue €CC	**85.1**	**100.0**	**(15)%**	**266.6**	**311.8**	**(14)%**
Cost of goods sold	41.5	54.2	(23)%	135.3	170.4	(21)%
% of revenue	53.5%	54.2%	(1)pt	53.0%	54.6%	(2)pt
Gross Profit	**36.1**	**45.8**	**(21)%**	**119.7**	**141.4**	**(15)%**
% of revenue	46.5%	45.8%	1pt	47.0%	45.4%	2pt
Fulfilment expenses	11.8	17.0	(31)%	39.7	55.0	(28)%
% of revenue	15.2%	17.0%	(2)pt	15.6%	17.6%	(2)pt
Contribution margin (CM)	**24.3**	**28.8**	**(15)%**	**80.1**	**86.4**	**(7)%**
% of revenue	**31.4%**	**28.8%**	**3pt**	**31.4%**	**27.7%**	**4pt**
Operating CM %	**40.3%**	**37.2%**	**3pt**	**42.1%**	**37.2%**	**5pt**
Marketing expenses	13.3	14.6	(9)%	46.3	55.3	(16)%
% of revenue	17.2%	14.6%	3pt	18.1%	17.7%	0pt
G&A expenses	17.1	21.5	(20)%	57.5	59.7	(4)%
% of revenue	22.1%	21.5%	1pt	22.5%	19.1%	3pt
EBIT	(6.1)	(7.4)	(17)%	(23.7)	(28.5)	(17)%
Operating EBITDA*	**(1.7)**	**(1.0)**	**66%**	**(5.6)**	**(13.7)**	**(59)%**
% of revenue	(2.2)%	(1.0)%	(1)pt	(2.2)%	(4.4)%	2pt

*Figures exclude one-time charges associated with BCA transaction fees, severance/restructuring costs and a one-time sales tax charge in the US, in the amount of €5.6m YTD 2023 (related costs in Q3 2023 were immaterial).

SEGMENT REVIEW

United States

- Q3 2023 net revenue at €36.8m, (23.8)% vs. the PCP on a reported basis / (16.9)% in constant currency vs. the PCP;
- Strong margin expansion in Q3 2023 in both CM, at 31.2%, up 2.7 points vs. the PCP, and Operating CM at 41.1%, up 4.8 points vs. the PCP;
- Positive Operating EBITDA of €1.8m, a decline of €(1.1)m compared to the PCP.

The US segment generated positive Operating EBITDA for the quarter, despite softer revenue performance. Revenue declined vs. the PCP by 16.9% in constant currency due to a lower subscriber base, partly offset by higher average order value.

Since the start of the year, the Company's marketing strategy required multiple adjustments in regards to new customer discounts in order to achieve the right balance between acquisition scale and subscriber quality. Only towards the end of Q3 did the Company achieve the desired marketing performance in that regard. Order frequency which had been down in H1 2023 recovered and was in line with the prior year toward the end of the quarter. The marketing challenges paired with lower order frequency observed until the end of Q3 led to an overall reduction in the net revenue performance year to date.

At the same time, the US was able to largely offset the impact of the soft revenue on profits with strong operational improvements and cost discipline, leading to an Operating EBITDA of €1.8m for the quarter.

Australia

- Q3 2023 net revenue of €33.8m, down 17.2% on a reported basis and (6.9)% in constant currency, both vs. the PCP;
- Q3 2023 CM at 33.3%, up 1.1 points vs. the PCP, while Operating CM reached 41.4%, an improvement of 0.7 points vs. the PCP;
- Positive Operating EBITDA of €2.3m, a decline of €1.4m compared to the PCP.

Australia generated positive Operating EBITDA for the quarter, while also experiencing revenue decline vs. the PCP, albeit less pronounced than in the other regions. Revenue declined by 6.9% in constant currency.

While the region also faced net revenue challenges related to the Company's marketing performance, they were partially offset by an increase of orders per subscriber and meals per order, as consumer behavior showed stable performance compared to the PCP. Chefgood, the Company’s ready-to-heat brand, showed net revenue growth vs. the PCP.

Despite the revenue decline, the Company improved its contribution margin and contributed €2.3m in Operating EBITDA for the quarter.

Europe

- Q3 2023 net revenue at €7.0m, (36.1)% decline vs. the PCP
- Q3 2023 CM at 22.7%, up 5.6 points compared to the PCP and Operating CM at 31.1%, up 2.7 points compared to the PCP;
- Operating EBITDA excluding headquarter costs amounted to a loss of €0.5m in Q3 2023, an improvement of €1.7m compared to the PCP.

Despite a strong contraction in revenue, the European segment significantly improved Operating EBITDA, operating close to break-even at €(0.5)m (excluding headquarter costs) as a result of its margin improvement and cost reduction programs.

Europe continued to experience weak consumer spending and low confidence as a result of the recessionary macro environment in Germany. This impacted order frequency and meals per order adversely. Combined with similar challenges in regards to the Company's marketing performance throughout H1 and parts of Q3 2023, net revenue contracted by 36.1%.

Nevertheless, Operating EBITDA improved significantly by €1.7m to €(0.5)m due to strong margin expansion of 5.6 points and G&A reduction of 38%.

KEY OPERATING METRICS*

In Q3 2023 Active Subscribers declined (23)% compared to the PCP to 210k, an anticipated outcome of the Company's revised approach to acquisitions. While subscribers declined due to the lower retention rates of customers acquired in H1 and the beginning of Q3 2023, both orders per subscriber and meals per order increased, each by 2%, reflecting a continued desire by our existing subscribers to add more to their boxes as we continue to enhance the meal kit value proposition.

These enhancements also helped improve average order value, which was up 9% in constant currency vs. the PCP, reflecting the Company's continued focus on basket size-generating activities, including its pricing initiatives, Market add-ons, increased recipe choice and the newly launched ability to customize recipes.

Operating KPIs*

	Q3 2023	Q3 2022	% vs. PY
Group			
Active customers[1] (k)	307	383	(20)%
Active subscribers[2] (k)	210	275	(23)%
Number of orders (k)	1,309	1,672	(22)%
Orders per customer	4.3	4.4	(3)%
Orders per subscriber	6.2	6.1	2%
Meals (m)	11.9	14.9	(20)%
Average order value (€, net)	59.2	59.8	(1)%
Average order value (€ constant currency, net)	65.0	59.8	9%
Australia			
Active customers[1] (k)	135	157	(14)%
Active subscribers[2] (k)	80	97	(17)%
Number of orders (k)	618	707	(13)%
Meals (m)	6.0	6.7	(10)%
USA			
Active customers[1] (k)	131	156	(16)%
Active subscribers[2] (k)	94	118	(20)%
Number of orders (k)	545	705	(23)%
Meals (m)	4.7	6.1	(22)%
Europe			
Active customers[1] (k)	41	70	(41)%
Active subscribers[2] (k)	36	60	(40)%
Number of orders (k)	146	260	(44)%
Meals (m)	1.2	2.1	(45)%

*Metrics are for core Marley Spoon and Dinnerly meal kits as well as Chefgood and Bezzie; Q3 2022 meals have been restated to include Chefgood
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

Cash at quarter-end for Marley Spoon SE landed at €22.7m, with €9.8m before transaction costs sitting in Marley Spoon Group SE, which holds the non-redeemed gross proceeds from the business combination between the entities. Combined, the consolidated entity had a quarter-end cash balance of €32.5m.

Cash from operating activities (CFOA) tracked better than the operating EBITDA landing at €1.7m aided by working capital, including inventory improvements driven by the operational focus in the US. The CFOA was offset by investing outflows of €4.4m driven by a payment of ~€0.9m to the former owner of Chefgood in deferred founder consideration, €1.7m in equipment purchases for the new Perth fulfillment center, which opened last quarter as the permanent solution to the previous temporary location, and €1.8m toward intangible assets.

Finally, cash from financing activities amounted to an outflow of €(8.0)m comprising repayments of borrowings of €(8.2)m, €7.8m of which was used to pre-pay, at no penalty, a portion of Marley Spoon's outstanding loan balance with Runway Growth Capital. The principal repayment was accompanied by a reduction of one percentage point in the cash interest rate on the outstanding loan balance, from 8.5% over three-month SOFR to 7.5%. IFRS lease expenses and interest amounted to an additional ~€(2.4)m paid out.

Offsetting the borrowing and IFRS payments was a new asset financing agreement signed in the quarter with National Australia Bank in the amount of €2.5m, the proceeds of which are being utilized for fitting out the new Perth FC, as well as €0.2m in insurance premium financing.

2023 OUTLOOK AND GUIDANCE

Marley Spoon CFO, Jennifer Bernstein, commented, *"In Q3, economic uncertainties and our marketing performance year to date led to reduced sales though trends improved as the quarter progressed and key marketing metrics moved in the right direction in recent weeks, allowing us to reaffirm net revenue guidance. Due to our strong operational performance, we also reaffirm our guidance on CM expansion vs. the PCP. The expected improvement in contribution margin combined with our ongoing focus on cost improvements, also allow us to reaffirm our guidance on Operating EBITDA to be in line with or better than FY 2022, despite the soft revenue."*

Affirmed 2023 guidance:

- High single digit to low double-digit net revenue decline vs. the PCP in constant currency
- Contribution Margin expansion to between 30-32%
- Full year 2023 Operating EBITDA in line with or better than FY 2022

Conference Call

Management will present a business update to investors on a conference call at 9:00 am CEST on 26 October 2023, the details of which have been released separately.

To pre-register for the call, please follow this link:
https://services.choruscall.it/DiamondPassRegistration/register?confirmationNumber=2557415&linkSecurityString=513a69362

About Marley Spoon

Marley Spoon Group SE, through its subsidiary Marley Spoon SE, is a global direct-to-consumer (DTC) meal-kit company. Our Vision is to "Build a better everyday, just for you, just right". We started Marley Spoon in 2014 to help our customers to cook for their families and deal with their busy lives. We also felt there should be a more sustainable way to cook at home, reducing food waste that traditional supermarket supply chains generate. Marley Spoon currently operates various brands in three regions: Australia, the United States, and Europe (Austria, Belgium, Germany, Denmark, and the Netherlands). Our meal-kit brands, Marley Spoon, Martha Stewart & Marley Spoon, and Dinnerly, bring pre-portioned fresh ingredients with tasty and simple recipes and other eating solutions reliably to our customers every week. Our customers just decide what to eat, when to eat, and leave behind the hassle of grocery shopping. Chefgood is our direct-to-consumer ready-to-heat (RTH) service that offers premium-priced, high-quality, healthy, and nutritious RTH meals and eating solutions for our wellness and health-focused customers.

Disclaimer