



Marley Spoon AG (MMM.ASX)

Consolidating on Q2 Surge

Event:

- FY20Q3 report.

Investment Highlights:

- Marley Spoon (MMM)** delivered a strong quarterly report for FY20Q3a; the company steadily consolidated on its strengthening position, although it didn't quite replicate its stunning Q2 performance.
- Still cycling strong operating metrics:** FY20Q3a operational highlights included Q3 revenue of €69.3M (FSBe €70M) which was +89% vs pcp, as well as a consecutive quarter of positive operating EBITDA of €0.4M, and customers up 2% QoQ to 360k. Similarly, group level meals and orders were both more than double pcp, but broadly flat sequentially.
- Good visibility on cohort behaviour allows EBITDA balance:** costs were higher than our expectations, especially in marketing although the business did invest opportunistically in marketing to continue taking advantage of favourable unit economics and lower CAC. The business impressed with its good short term visibility of cohort behavior to balance an EBITDA positive quarter.
- Australia and US stand out performers:** US in particular was a standout, with Q2 revenue growing 163% vs pcp, while Australia also reported 86% growth. Global contribution margin was 28%, all up 5-6 pts vs pcp, but sequentially down QoQ due to increased sales discounts and covid impacts.
- FY20e guidance was third upgrade in three months:** the company narrowed its FY20e revenue growth guidance to 90-100% from 80-100%, implying €59-72 in Q4e.
- Cash of €16.5M and debt of €11M (excluding convertible debt) at 30 September.** Operating cash flow for the quarter was -€1.3M.

Earnings and Valuation:

- We continue to assume 102% sales growth over FY20e, and forecast FY21e revenue range of 30-50% growth, or €340-393M FY21e revenue.** We continue to expect positive FY20e EBITDA, and we maintain the view the final quantum will be dictated by the company's ongoing opportunism around attractive customer acquisition costs. We hold the view that both the COVID-19 consumer behaviour catalyst and customer persistence will continue into FY21e.
- We have a modestly adjusted valuation range for MMM of \$3.63-4.14/CDI.** We apply a 1.5x EV/S multiple to a FY21e revenue range of €340-393M representing 30-50% growth on FY20e revenue forecast of €262M (102% FY20e revenue growth).

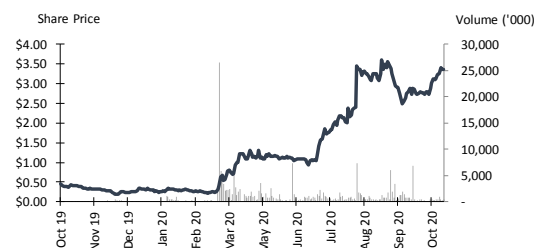
Recommendation:

- We maintain a Buy recommendation on MMM and an unchanged price target range of \$3.60-4.10/CDI,** broadly in line with our valuation range.
- Catalysts for the share price** include: 1) updates on growth in customers, orders, and meals; 2) improving unit economics and contribution margins; and 3) group positive operating EBITDA and profitability.

Disclosure

The analyst does not own MMM securities. Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 160,000 MMM CDIs. Cranport Pty Ltd owns 829,776 MMM CDIs. Refer to end of report for details. **Foster Stockbroking acted as Co-Manager to the \$16.6M placement of 15.9M MMM CDIs at \$1.05/CDI in May 2020.** **Foster Stockbroking received fees for this service.**

Recommendation	Buy
Previous	Buy
Risk	High
Price Target Range (A\$/CDI)	\$3.60-4.10
Previous	\$3.60-4.10
CDI Price (A\$)	\$3.49
ASX Code	MMM
52 week low - high (A\$)	0.20-3.61
Capital structure	
CDIs on Issue (M)	189.2
Market Cap, undil. (A\$M)	660
Net Cash/(Debt) (A\$M)	9
EV (A\$M)	651
12mth Av Daily Volume ('000)	815
Board	
Deena Schiff	Non-Executive Chairman
Christoph Schuh	Deputy Chairman
Robin Low	Director
Kim Anderson	Director
Fabian Siegel	CEO
Julian Lange	CFO
Major Shareholders	
Perennial Value Management	10.8%
Global Founders GmbH	9.6%
AKW Capital GmbH	9.1%
Acacia Partners LP	5.2%
W23 Investments	4.3%
Share Price Graph	



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