



Marley Spoon AG (MMM)

Strong Close to the Year, Strong Start to the Next

Event:

- FY20Q4 report.

Investment Highlights:

- Marley Spoon (MMM)** delivered an upbeat quarterly report for FY20Q4a to close out the year, and early trading suggests a strong start to the next. Highlights include doubled revenue for CY20, maiden positive OCF year, three consecutive quarters of positive operating EBITDA, and continued sequential QoQ growth in active subscribers.
- Strong operating metrics to finish the year:** FY20Q4a operational highlights included Q4 revenue of €69M (FSBe €70M) which was +95% vs pcp, as well as a third straight quarter of positive group operating EBITDA of €1M, and active subscribers up 78% vs pcp to 233k.
- Third positive EBITDA quarter in a row, good visibility on cohort behaviour allows EBITDA balance:** We maintain our view the business has a critical mass of active subscribers, excellent visibility on cohort behavior, and favourable unit economics to achieve strong growth from a CF and EBITDA neutral position.
- FY21e guidance for 25-30% revenue growth and CM of 30-31%:** we think 25-30% revenue growth in FY21e is strong guidance from the company, considering MMM's exceptional growth in doubling revenue over CY20. CM expansion from 29% in FY20 will come from operational efficiencies.
- Start of structural shift in demand and unit economics:** management continues to observe persistently rapid paybacks and attractive LTV/CAC metrics, in a period of accelerated growth. Management keeps expecting reversion to pre COVID levels, which has not so far occurred, and anticipates a new normal from online grocery shopping structural shift in its infancy.
- Cash of €34.4M and debt of €21.6M (including €17M convertible debt) at 31 December.** Operating cash flow for the quarter was -€3.6M, driven by seasonal working capital effects.

Earnings and Valuation:

- We have downgraded our FY21e revenue range to 20-40% growth (prior 30-50%), or €305-356M FY21e revenue (prior €340-393M),** more in line with newly provided management guidance, although we view this as a conservative base. We expect minor positive FY21e EBITDA, balanced by the company's desire for growth from an EBITDA and CF neutral position, especially in light of persistent rapid payback and attractive LTV/CAC metrics.
- We have a reduced valuation range for MMM of \$3.39-3.92/CDI (prior \$3.63-4.14).** We apply an increased 1.8x (prior 1.5x) EV/S multiple more in line with peers, as well as reflecting recently achieved positive CF and EBITDA position.

Recommendation:

- We maintain a Buy recommendation on MMM and a reduced price target range of \$3.40-3.90/CDI (prior \$3.60-4.10),** broadly in line with our valuation range.
- Catalysts for the share price** include: 1) updates on growth in active subscribers, orders, and meals; 2) improving unit economics and contribution margins; and 3) positive group operating EBITDA and profitability.

Disclosure

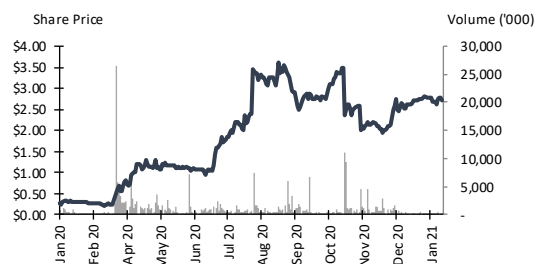
The analyst does not own MMM securities. Foster Stockbroking and associated entities (excluding Cranport Pty Ltd) own 170,000 MMM CDIs. Cranport Pty Ltd owns 777,283 MMM CDIs. Refer to end of report for details.

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)	\$3.40-3.90
Previous	\$3.60-4.10
CDI Price (A\$)	\$2.55
ASX Code	MMM
52 week low - high (A\$)	0.22-3.61
Capital structure	
CDIs on Issue (M)	256.0
Market Cap, undil. (A\$M)	653
Net Cash/(Debt) (A\$M)	20
EV (A\$M)	632
12mth Av Daily Volume ('000)	1,049
Board and Management	
Deena Shiff	Non-Executive Chairman
Christoph Schuh	Deputy Chairman
Robin Low	Director
Kim Anderson	Director
Fabian Siegel	CEO
Jennifer Bernstein	CFO
Major Shareholders	
Perennial Value Management	8.5%
Global Founders GmbH	7.1%
AKW Capital GmbH	6.7%
Acacia Partners LP	3.8%
W23 Investments	3.2%

Share Price Graph



Matthew Chen, CFA
matthew.chen@fostock.com.au

+61 2 9993 8130