

Marley Spoon Group SE

Consumer Goods - Germany



Buy (old: Buy)

01.08.2024

EUR 5.40 (old: EUR 7.00)

Solid Q2 results // FY'24 guidance confirmed; chg.

Marley Spoon Group ("MSG") released **solid Q2'24 results with sales coming in at € 87m, +1% yoy** (excluding bistroMD c. € 80m; eNuW: € 78m). As anticipated, cautious consumer behavior in the meal-kit segment continued to weigh on sales as the number of active subscribers fell 17% yoy to 195k (eNuW: 194k) - the effect of which was more pronounced for Europe and Australia than for the US - while revenue from bistroMD partially offset this decline and had a noticeable impact on Q2'24 group sales of c. € 7m (eNuW).

Importantly, after a stabilizing Q1, MSG continued to observe **bottoming-out effects in its subscriber base** (+1% qoq) as well as a **recovery in both order frequency** (+2% qoq to 6.6; +5% yoy) and **basket size** (+5% qoq to € 67; +16% yoy) indicating a somewhat measured but steady return to healthy KPI levels. This positive development was overwhelmingly driven by (1) a higher-quality subscriber base with enhanced retention levels on the back of a rectified voucher strategy in H2'23, (2) higher-priced and larger-sized plan items and (3) a consumer sentiment that is beginning to stabilize.

While topline headwinds persisted, MSG managed to **yet again expand its industry-leading contribution margin in Q2 to 34.6%** (+3ppts yoy, eNuW: 32%) on account of reduced voucher and promotional activity and first cost savings in fulfilment (-8% yoy to € 12.2m) as a result of the FreshRealm partnership. Notably, **for a third quarter in a row, MSG was able to translate a higher contribution margin into a solid positive operating EBITDA margin** (€ 1.1m or 1.2% for Q2) impacted by a more streamlined G&A setup (-12% yoy to c. € 18.5m).

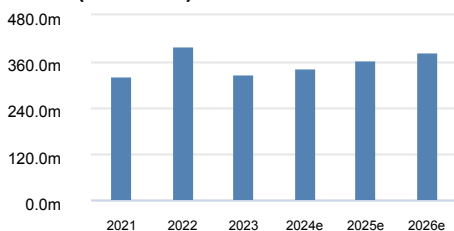
This overall **healthy Q2 performance led the company to confirm its FY'24 guidance**, expecting sales to grow by a single-digit percentage figure and a flat contribution margin of c. 31.5%, with operating EBITDA seen to grow to a positive mid-single-digit figure. While, in our view, this **guidance looks achievable aided by operational progress towards group profitability**, we nonetheless note that the sales recovery to former levels as well as the operational cost downsizing might take longer than expected and therefore reduce our estimates accordingly. Having said that and considering the depressed level at which MSG shares are currently trading at, we reaffirm the attractive risk reward proposition.

We reiterate our **BUY rating with a changed PT of € 5.40**, based on DCF.

Y/E 31.12 (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	322.4	401.2	328.5	343.0	366.4	386.7
Sales growth	26.9%	24.5%	-18.1%	4.4%	6.8%	5.5%
EBITDA	-34.3	-11.5	-72.9	-6.6	12.1	15.6
Net debt (if net cash=0)	17.9	59.6	59.1	51.7	48.9	42.5
FCF	-36.5	-29.4	-23.0	-10.6	16.8	20.4
Net Debt/EBITDA	-0.5	-5.2	-0.8	-7.8	4.0	2.7
EPS pro forma	-173.62	-1.33	-4.27	-1.08	-0.35	-0.20
EBITDA margin	-10.6%	-2.9%	-22.2%	-1.9%	3.3%	4.0%
ROCE	-119.4%	-71.2%	-266.1%	-77.4%	-4.8%	11.7%
EV/sales	0.1	0.2	0.3	0.2	0.2	0.2
EV/EBITDA	-0.8	-8.5	-1.2	-11.8	6.2	4.4
PER	-0.2	-1.0	-0.3	-1.2	-3.7	-6.7
Adjusted FCF yield	-59.0%	-2.9%	-69.2%	9.2%	28.7%	35.8%

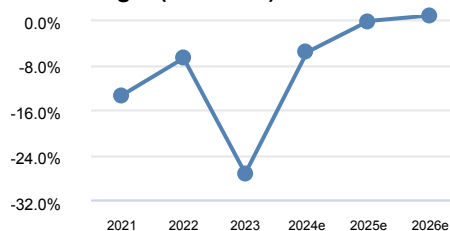
Source: Company data, NuWays, Close price as of 26.07.2024

Sales (2021-26e)



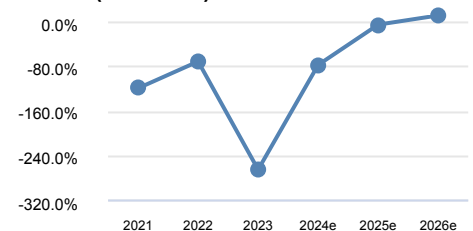
Source: NuWays Research

EBIT margin (2021-26e)



Source: NuWays Research

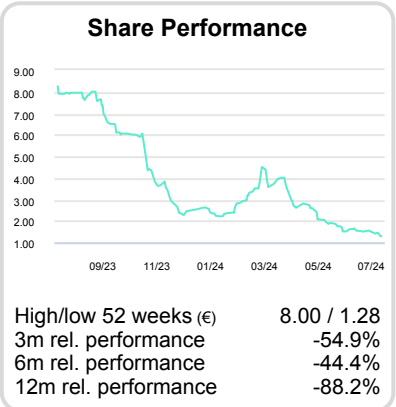
ROCE (2021-26e)



Source: NuWays Research

Company description

Marley Spoon is a global direct-to-consumer meal kit delivery company. The company offers customers meal kits through its two brands Marley Spoon and Dinnerly and ready-to-heat meals through its brand Chefgood. Marley Spoon serves customers in the US, Australia, and Europe.



Market data

Share price (in €)	1.28
Market cap (in € m)	26.4
Number of shares (in m pcs)	20.3
Enterprise value (in € m)	78.1
Ø trading volume (6 months)	1,955

Identifier

Bloomberg	MS1 GR
Reuters	MS1.DE
WKN	A3C81B
ISIN	LU2380748603

Key shareholders

468 Capital	17.2%
BistroMD	15.2%
Sudeep Ramesh Ramnani	11.2%
USV	5.7%
Jai Ashok Mahtani	5.6%
Free Float	19.4%

Estimates changes

	2024e	2025e	2026e
Sales	-4%	-6%	-10%
EBIT	-35%	69%	-44%
EPS	-23%	21%	-89%

Comment on changes

- Changes reflect a delayed ramp up in customer acquisition due to a stronger focus on cost discipline and marketing efficiency, partially offset by lower fulfilment expenses and a higher contribution margin

Guidance

- Single-digit net revenue growth
- Contribution margin flat yoy
- Mid-single-digit pos. Op. EBITDA

Financials

Profit and loss (EUR m)	2021	2022	2023	2024e	2025e	2026e
Sales	322.4	401.2	328.5	343.0	366.4	386.7
Sales growth	26.9%	24.5%	-18.1%	4.4%	6.8%	5.5%
Cost of sales	173.3	216.8	174.1	180.9	191.5	201.6
Gross profit	149.1	184.4	154.4	162.1	174.9	185.1
Sales and marketing	71.2	64.0	55.6	58.8	57.6	62.1
General and administration	64.0	79.0	138.0	76.0	70.6	71.7
Research and development	0.0	0.0	0.0	0.0	0.0	0.0
Other operating income	0.0	0.0	0.0	0.0	0.0	0.0
Other operating expenses	57.3	69.1	50.6	47.3	47.7	48.6
Total operating expenses	192.5	212.1	244.2	182.1	175.9	182.3
Unusual or infrequent items	0.0	0.0	0.0	0.0	0.0	0.0
EBITDA	-34.3	-11.5	-72.9	-6.6	12.1	15.6
Depreciation	7.2	10.6	11.0	8.0	7.2	6.4
Amortisation of goodwill	0.0	0.0	0.0	0.0	0.0	0.0
Amortisation of intangible assets	2.0	5.5	6.0	5.3	5.9	6.4
Impairment charges	0.0	0.0	0.0	0.0	0.0	0.0
EBIT (inc revaluation net)	-43.4	-27.6	-89.9	-20.0	-1.0	2.8
Interest income	2.8	0.1	0.0	0.0	0.0	0.0
Interest expenses	6.0	12.3	3.9	7.4	7.4	7.4
Investment income	0.0	0.0	0.0	0.0	0.0	0.0
Financial result	-3.2	-12.2	-3.9	-7.4	-7.4	-7.4
Recurring pretax income from continuing operations	-46.6	-39.9	-93.7	-27.4	-8.4	-4.7
Extraordinary income/loss	0.1	-0.0	0.0	0.0	0.0	0.0
Earnings before taxes	-46.4	-39.9	-93.7	-27.4	-8.4	-4.7
Income tax expense	0.1	0.1	-0.2	0.0	0.0	0.0
Net income from continuing operations	-46.6	-40.0	-93.5	-27.4	-8.4	-4.7
Income from discontinued operations (net of tax)	0.0	0.0	0.0	0.0	0.0	0.0
Net income	-46.6	-40.0	-93.5	-27.4	-8.4	-4.7
Minority interest	-0.4	-0.3	-6.7	-5.5	-1.3	-0.7
Net profit (reported)	-46.2	-39.7	-86.8	-21.9	-7.1	-4.0
Average number of shares	0.3	30.0	20.3	20.3	20.3	20.3
EPS reported	-173.62	-1.33	-4.27	-1.08	-0.35	-0.20

Profit and loss (common size)	2021	2022	2023	2024e	2025e	2026e
Sales	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales	53.8%	54.0%	53.0%	52.7%	52.3%	52.1%
Gross profit	46.2%	46.0%	47.0%	47.3%	47.7%	47.9%
Sales and marketing	22.1%	16.0%	16.9%	17.1%	15.7%	16.0%
General and administration	19.8%	19.7%	42.0%	22.2%	19.3%	18.5%
Research and development	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other operating expenses	17.8%	17.2%	15.4%	13.8%	13.0%	12.6%
Total operating expenses	59.7%	52.8%	74.4%	53.1%	48.0%	47.1%
Unusual or infrequent items	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBITDA	-10.6%	-2.9%	-22.2%	-1.9%	3.3%	4.0%
Depreciation	2.2%	2.6%	3.3%	2.3%	2.0%	1.7%
Amortisation of goodwill	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Amortisation of intangible assets	0.6%	1.4%	1.8%	1.5%	1.6%	1.7%
Impairment charges	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
EBIT (inc revaluation net)	-13.5%	-6.9%	-27.4%	-5.8%	-0.3%	0.7%
Interest income	0.9%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest expenses	1.9%	3.1%	1.2%	2.2%	2.0%	1.9%
Investment income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Financial result	neg.	neg.	neg.	neg.	neg.	neg.
Recurring pretax income from continuing operations	-14.5%	-9.9%	-28.5%	-8.0%	-2.3%	-1.2%
Extraordinary income/loss	0.0%	-0.0%	0.0%	0.0%	0.0%	0.0%
Earnings before taxes	-14.4%	-9.9%	-28.5%	-8.0%	-2.3%	-1.2%
Tax rate	-0.3%	-0.4%	0.2%	0.0%	0.0%	0.0%
Net income from continuing operations	-14.4%	-10.0%	-28.5%	-8.0%	-2.3%	-1.2%
Net income	-14.4%	-10.0%	-28.5%	-8.0%	-2.3%	-1.2%
Minority interest	-0.1%	-0.1%	-2.0%	-1.6%	-0.3%	-0.2%
Net profit (reported)	-14.3%	-9.9%	-26.4%	-6.4%	-2.0%	-1.0%

Source: Company data, NuWays

Balance sheet (EUR m)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	8.8	25.4	26.6	29.3	32.0	34.6
Property, plant and equipment	48.7	47.4	54.4	48.7	42.2	36.5
Financial assets	2.9	2.9	2.9	2.9	2.9	2.9
FIXED ASSETS	60.4	75.7	83.9	80.9	77.1	74.1
Inventories	9.4	13.1	9.3	10.1	10.7	11.3
Accounts receivable	0.4	0.8	1.5	0.9	1.0	1.0
Other assets and short-term financial assets	3.7	3.2	3.6	3.6	3.6	3.6
Liquid assets	38.7	19.0	12.7	9.6	12.5	18.8
Deferred taxes	0.0	0.0	0.0	0.0	0.0	0.0
Deferred charges and prepaid expenses	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT ASSETS	52.2	36.2	27.2	24.3	27.7	34.7
TOTAL ASSETS	112.6	111.9	111.1	105.2	104.9	108.8
SHAREHOLDERS EQUITY	-16.3	-41.5	-35.2	-27.2	-28.9	-18.8
MINORITY INTEREST	-1.3	-1.6	-8.6	-14.1	-15.4	-16.1
Provisions for pensions and similar obligations	0.0	0.0	0.0	0.0	0.0	0.0
Other provisions and accrued liabilities	1.0	2.3	1.8	1.8	1.8	1.8
Short-term liabilities to banks	7.3	7.8	4.5	4.5	4.5	4.5
Accounts payable	27.6	26.4	26.0	28.0	30.6	33.4
Advance payments received on orders	3.6	1.9	1.4	1.4	1.4	1.4
Other liabilities (incl. from lease and rental contracts)	41.5	44.0	52.2	52.2	52.2	44.0
Deferred taxes	0.0	1.8	1.8	1.8	1.8	1.8
Deferred income	0.0	0.0	0.0	0.0	0.0	0.0
CURRENT LIABILITIES	72.6	72.3	79.5	81.5	84.2	78.8
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	112.6	111.9	111.1	105.1	104.9	108.8
Balance sheet (common size)	2021	2022	2023	2024e	2025e	2026e
Intangible assets	7.8%	22.7%	23.9%	27.9%	30.5%	31.8%
Property, plant and equipment	43.2%	42.3%	49.0%	46.3%	40.2%	33.6%
Financial assets	2.6%	2.6%	2.6%	2.8%	2.8%	2.7%
FIXED ASSETS	53.6%	67.7%	75.5%	76.9%	73.5%	68.1%
Inventories	8.3%	11.7%	8.4%	9.6%	10.2%	10.3%
Accounts receivable	0.4%	0.7%	1.4%	0.9%	0.9%	0.9%
Other assets and short-term financial assets	3.3%	2.9%	3.3%	3.4%	3.4%	3.3%
Liquid assets	34.3%	17.0%	11.5%	9.2%	11.9%	17.3%
Deferred taxes	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Deferred charges and prepaid expenses	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT ASSETS	46.4%	32.3%	24.5%	23.1%	26.5%	31.9%
TOTAL ASSETS	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
SHAREHOLDERS EQUITY	-14.5%	-37.1%	-31.7%	-25.9%	-27.5%	-17.3%
MINORITY INTEREST	-1.1%	-1.4%	-7.8%	-13.4%	-14.7%	-14.8%
Provisions for pensions and similar obligations	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Other provisions and accrued liabilities	0.9%	2.0%	1.6%	1.7%	1.7%	1.7%
Short-term liabilities to banks	6.5%	7.0%	4.0%	4.3%	4.3%	4.1%
Accounts payable	24.5%	23.6%	23.4%	26.6%	29.2%	30.7%
Advance payments received on orders	3.2%	1.7%	1.3%	1.3%	1.3%	1.3%
Other liabilities (incl. from lease and rental contracts)	36.8%	39.4%	46.9%	49.6%	49.7%	40.5%
Deferred taxes	0.0%	1.6%	1.6%	1.7%	1.7%	1.6%
Deferred income	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
CURRENT LIABILITIES	64.5%	64.7%	71.6%	77.5%	80.3%	72.4%
TOTAL LIABILITIES AND SHAREHOLDERS EQUITY	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%

Source: Company data, NuWays

Marley Spoon Group SE

Preview / Review - 01.08.2024



Cash flow statement (EUR m)	2021	2022	2023	2024e	2025e	2026e
Net profit/loss	-46.6	-40.0	-93.5	-27.4	-8.4	-4.7
Depreciation of fixed assets (incl. leases)	7.2	10.6	11.0	8.0	7.2	6.4
Amortisation of goodwill & intangible assets	2.0	5.5	6.0	5.3	5.9	6.4
Other costs affecting income / expenses	6.2	11.8	67.5	12.0	20.0	20.0
Cash flow from operating activities	-14.9	-18.7	-13.2	-0.3	26.6	30.2
Increase/decrease in inventory	-2.8	-3.7	3.8	-0.8	-0.6	-0.6
Increase/decrease in accounts receivable	-0.9	-1.0	-1.2	0.6	-0.1	-0.1
Increase/decrease in accounts payable	13.5	-1.4	-6.7	2.0	2.7	2.7
Increase/decrease in other working capital positions	6.5	-0.6	-0.1	-0.1	-0.1	-0.1
Increase/decrease in working capital	16.3	-6.6	-4.1	1.7	1.9	2.0
Cash flow from operating activities	-14.9	-18.7	-13.2	-0.3	26.6	30.2
CAPEX	-21.5	-10.7	-9.8	-10.3	-9.8	-9.8
Payments for acquisitions	0.0	-7.8	-2.5	0.0	0.0	0.0
Financial investments	0.0	0.0	0.0	0.0	0.0	0.0
Income from asset disposals	0.0	0.0	16.8	24.0	0.0	0.0
Cash flow from investing activities	-21.5	-18.5	4.6	13.7	-9.8	-9.8
Cash flow before financing	-36.5	-29.4	-23.0	-10.6	16.8	20.4
Increase/decrease in debt position	50.9	18.8	-9.9	-10.5	0.0	0.0
Purchase of own shares	0.0	0.0	0.0	0.0	0.0	0.0
Capital measures	0.0	15.9	35.0	8.0	0.0	0.0
Dividends paid	0.0	0.0	0.0	0.0	0.0	0.0
Others	-9.3	-17.0	-22.8	-14.0	-14.0	-14.0
Effects of exchange rate changes on cash	-0.9	0.0	0.0	0.0	0.0	0.0
Cash flow from financing activities	41.6	17.6	2.3	-16.5	-14.0	-14.0
Increase/decrease in liquid assets	4.2	-11.8	-20.6	-27.1	2.8	6.4
Liquid assets at end of period	38.7	19.0	12.8	9.6	12.5	18.8

Key ratios (EUR m)	2021	2022	2023	2024e	2025e	2026e
P&L growth analysis						
Sales growth	26.9%	24.5%	-18.1%	4.4%	6.8%	5.5%
EBITDA growth	3559.8%	-66.3%	531.6%	-90.9%	-282.0%	28.8%
EBIT growth	484.5%	-36.3%	225.0%	-77.8%	-95.1%	-384.0%
EPS growth	-62.3%	-99.2%	222.3%	-74.8%	-67.4%	-44.5%
Efficiency						
Sales per employee	234.1	239.4	166.7	162.6	231.0	194.2
EBITDA per employee	-24.9	-6.9	-37.0	-3.1	7.6	7.8
No. employees (average)	1,377	1,676	1,970	2,110	1,586	1,991
Balance sheet analysis						
Avg. working capital / sales	-5.0%	-4.5%	-4.7%	-5.1%	-5.3%	-5.5%
Inventory turnover (sales/inventory)	18.5	16.5	18.7	17.9	17.9	17.9
Accounts receivable turnover	0.5	0.7	1.7	1.0	1.0	1.0
Accounts payable turnover	58.1	44.4	54.4	56.4	58.4	60.4
Cash flow analysis						
Free cash flow	-36.5	-29.4	-23.0	-10.6	16.8	20.4
Free cash flow/sales	-11.3%	-7.3%	-7.0%	-3.1%	4.6%	5.3%
FCF / net profit	78.3%	73.6%	24.6%	38.8%	neg.	neg.
Capex / sales	-6.7%	-2.7%	-3.0%	-3.0%	-2.7%	-2.5%
Solvency						
Net debt	17.9	59.6	59.1	51.7	48.9	42.5
Net Debt/EBITDA	-0.5	-5.2	-0.8	-7.8	4.0	2.7
Dividend payout ratio	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
Interest paid / avg. debt	15.4%	18.2%	5.1%	11.2%	12.1%	12.1%
Returns						
ROCE	-119.4%	-71.2%	-266.1%	-77.4%	-4.8%	11.7%
ROE	284.0%	95.7%	246.6%	80.5%	24.8%	21.1%
Adjusted FCF yield	-59.0%	-2.9%	-69.2%	9.2%	28.7%	35.8%
Dividend yield	0.0%	0.0%	0.0%	0.0%	0.0%	0.0%
DPS	0.0	0.0	0.0	0.0	0.0	0.0
EPS reported	-173.62	-1.33	-4.27	-1.08	-0.35	-0.20
Average number of shares	0.3	30.0	20.3	20.3	20.3	20.3
Valuation ratios						
P/BV	-0.6	-0.9	-0.8	-1.0	-0.9	-1.4
EV/sales	0.1	0.2	0.3	0.2	0.2	0.2
EV/EBITDA	-0.8	-8.5	-1.2	-11.8	6.2	4.4
EV/EBIT	-0.6	-3.6	-1.0	-3.9	-77.3	24.9

Source: Company data, NuWays

Disclosures

Disclosures regarding research publications of NuWays AG pursuant to section 85 of the German Securities Trading Act (WpHG)

Indication of conflict of interest

It is essential that any research recommendation is fairly presented and discloses interests of indicates relevant conflicts of interest. Pursuant to section 85 of the German Securities Trading Act (WpHG) a research report has to point out possible conflicts of interest in connection with the analysed company. A conflict of interest is presumed to exist in particular if NuWays AG

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Company	Disclosures
Marley Spoon Group SE	2

Historical target price and rating changes for Marley Spoon Group SE

Company	Date	Analyst	Rating	Target Price	Close
Marley Spoon Group SE	04.04.2024	Schüssler, Mark	Buy	EUR 7.00	EUR 3.94
	14.02.2024	Schüssler, Mark	Buy	EUR 8.00	EUR 2.36
	31.01.2024	Schüssler, Mark	Buy	EUR 8.60	EUR 2.20
	14.11.2023	Schüssler, Mark	Buy	EUR 8.20	EUR 4.34

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The adj. FCF method is based on the assumption that investors purchase assets only at a price (enterprise value) at which the operating cash flow return after taxes on this investment exceeds their opportunity costs in the form of a hurdle rate of 7.5%. The operating cash flow is calculated as EBITDA less maintenance capex and taxes.

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Date of publication creation: 01/08/2024 07:54 AM

Date of publication dissemination: 01/08/2024 07:54 AM

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