



MARLEY SPOON

MARLEY SPOON FORMS STRATEGIC PARTNERSHIP WITH WOOLWORTHS GROUP IN A\$30M FUNDING DEAL

HIGHLIGHTS

- A five-year strategic partnership with Woolworths focused on growing the Marley Spoon and Dinnerly brands in Australia
- A\$30.05 million investment in structured debt and equity funding by Woolworths to support the marketing of Marley Spoon and Dinnerly subscriptions for home-delivered meal kits to its customer base

Berlin, Sydney, 7 June 2019: Marley Spoon AG (“Marley Spoon” or the “Company” ASX: MMM), a leading global subscription-based meal kit provider, has announced today that it has entered into a strategic partnership with Woolworths Group Limited (ASX:WOW, “Woolworths”), operator of Australia’s largest supermarket network.

The agreement includes an investment by Woolworths that will provide A\$30.05 million in funding to Marley Spoon. The investment comprises debt and equity, as outlined in further detail below.

The partnership will see both companies work collaboratively to grow the Marley Spoon brand and Dinnerly, Marley’s Spoon’s budget offering, in Australia, and to identify and implement operational synergies, with an initial exclusive term of five years.

Marley Spoon will benefit from Woolworths’ deep industry experience, with the ability to engage with its large customer base, as well as work with its sourcing and supply chain teams.

The partnership will allow Woolworths to gain valuable insights from Marley Spoon’s manufacturing, distribution and market experience in home-delivered meal kits as it looks to complement its current customer offering.

Part of the proceeds of this investment will be used to fully repay the outstanding senior secured debt facility with Moneda Top-Holding S.a.r.l, currently being ~€5.3m (~A\$8.6m).

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Mutual synergies, as grocery spending shifts to online

Fabian Siegel CEO of Marley Spoon said, "The partnership and investment by Woolworths provides validation that home-delivered meal kits is a growing segment, that can complement the traditional supermarket online offering.

"As grocery spending shifts to online, home-delivered meal kits will play an increasingly large role in helping consumers create healthy weeknight meals and save time. We see this partnership delivering important benefits to both Marley Spoon and Woolworths, with both parties incentivised to grow Marley Spoon's business in Australia.

"We are very excited about this opportunity which will help us to realise our strategic plan and to demonstrate the full potential of this business. The opportunity to improve both our top-line growth, and our contribution margin, along with the injection of further capital, will support the company in its transition to profitability."

Brad Banducci, CEO of Woolworths Group said, "This partnership gives Woolworths exposure to the high-growth ready-to-cook meal kits segment and aligns with our ongoing goal of meeting our customers' needs for healthy and convenient meal solutions.

"Marley Spoon has demonstrated it has a customer focused, innovative and entrepreneurial culture and we are excited to partner with them."

Key Investment Terms

The investment comprises the following debt and equity components totalling A\$30.05m.

The Company has resolved to issue 8,200 fully paid ordinary shares – 8,200,000 CHESS depositary interests – over fully paid ordinary shares ("CDIs") to Woolworths against a cash contribution at an issue price of A\$0.50 per CDI ("Initial Issue"). Woolworths will subscribe for the Initial Issue in cash amounting to A\$4.1m. The shares / CDIs under the Initial Issue are expected to be issued in early June, after which Woolworths will hold approximately 5.52% of the CDIs on issue in the Company.

The parties have entered into a senior secured commercial loan agreement for an amount of A\$25.95m. The loan has a term of six months and bears interest at a fixed rate of 7% p.a.

Under the terms of the commercial loan, in lieu of repayment of a portion of the loan amount in cash, the Company may elect to substitute A\$2.95m as contribution in kind, in respect of Woolworths subscribing for 5,900 fully paid ordinary shares – 5,900,000 CDIs – at an issue price of A\$0.50 per CDI ("Secondary Issue"). This Secondary Issue is expected to occur in June and will result in Woolworths holding approximately 9.12% of the CDIs on issue in the Company. If the Company does not elect to issue the Secondary Issue, Woolworths is entitled to prepayment of an amount of A\$2.95m.

Subject to shareholder approval, the Company may elect to substitute the remainder of the commercial loan for one non-pro rata, senior secured convertible note instrument under German law (*Wandelschuldverschreibung*). The Company proposes to seek shareholder approval to issue the convertible

note instrument and to create corresponding conditional capital to enable the Company to issue CDIs on conversion of the note at an extraordinary general meeting in July 2019.

The convertible note instrument will, if issued, have a nominal amount of A\$23m with a five year term and bears interest at a fixed rate of 7% p.a, only payable if Woolworths redeems the note. Both the commercial loan and the convertible note, if issued, will be secured by a pledge over the shares in Marley Spoon's Australian operating entity, a security interest over that entity's assets and a guarantee by that entity.

Woolworths may convert the convertible note to shares / CDIs under specific circumstances after two years from the issue date until the maturity of the note. In the circumstances where on conversion the CDIs to be issued results in Woolworths holding greater than a 24.9% interest in the Company, then the Company can elect to settle the exceeding portion in cash rather than in CDIs.

The details of the convertible note, including the methodology to determine the number of CDIs to be issued on conversion of the note, are outlined in the Appendix below.

Appendix: Convertible Note Conversion

On conversion of the convertible note, the number of CDIs to be issued to Woolworths will (subject to the Cap I and Cap II below) be calculated as follows ("Conversion Formula"):

$(A\$23m \times \text{"AustCo Growth Factor"}^1) / \text{"Conversion Price"}^2$.

If either of the following calculations results in a number of CDIs which is lower than the number of CDIs resulting from the application of the Conversion Formula, then the number of CDIs to be issued will be the lower number of CDIs calculated as follows:

$A\$23m / \text{"Issue Date Price"}^3$ ("Cap I")

$A\$23m / AUD 0.30$ ("Cap II")

However, in the event that the calculation of Cap I results in a lower number of CDIs than the lower of the number of CDIs resulting from the Conversion Formula and the calculation of Cap II, the Company is obliged to pay Woolworths an additional cash amount which is calculated as follows:

(a) In the event that that the number of CDIs resulting from the calculation of Cap II is higher than the number of CDIs resulting from the Conversion Formula: by multiplying (i) the result of the difference between the number of CDIs resulting from the Conversion Formula and the number of CDIs resulting from the calculation of Cap I with (ii) the Conversion Price.

(b) In the event that the number of CDIs resulting from the Conversion Formula is higher than the number of CDIs resulting from the calculation of Cap II: by multiplying (i) the result of the difference between the number of CDIs resulting from the calculation of Cap II and number of CDIs resulting from the calculation of Cap I with (ii) the Conversion Price.

In case of a conversion event where the CDIs to be issued on conversion would result in Woolworths holding greater than a 24.9% interest in the Company, then the Company can elect to settle the exceeding portion in cash rather than in CDIs.

If shareholder approval is not obtained, the convertible note will not be issued, and Woolworths may demand payment of the outstanding amount under the commercial loan.

¹ the net revenue growth rate of Marley Spoon's Australian business as determined by the most recent reported half year net revenue divided by the net revenue of the first half of 2019

² the 30 trading day volume weighted average price ("VWAP") of CDIs preceding the conversion event

³ 80% of the 30 trading day VWAP of CDIs preceding the day the Company resolves to issue the convertible note

ENDS

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 March 2019, Marley Spoon had over 190,000 active customers across both the Marley Spoon and Dinnerly brands.

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