Voyant Europe

Comprehensive Analysis

HelloFresh SE (HFGG.DE – €72.66) December 13, 2021*

HelloFresh SE (HFGG.DE) curates and delivers personalized at-home meal kits and ready-made meals directly to customers. The Company operates fulfilment centers globally and locally sources most of its inventory on a just-in-time basis. The Company primarily utilizes outsourced logistics services and operates its own delivery services in certain geographies. The Company was founded in 2011 and is headquartered in Berlin, Germany. Its fiscal year ends 12/31.

Thesis Summary

We are concerned increased meal kit and ultra-fast grocery competition may pressure revenue growth, customer acquisition, and/or retention. Our concerns are heightened given guidance for limited price increases despite guidance for increased marketing spend and input cost inflation. We believe competition may drive elevated customer acquisition costs and marketing spend. In our view, guidance to continue to materially outpace market growth may be difficult to achieve. We are concerned HelloFresh's active customer and limited retention rate disclosures may understate true active customers, mask customer churn, and obfuscate analysis. We believe a pandemic-related demand increase may be difficult to sustain as restrictions ease. A sequential active customer decline and competitor commentary about declining customer order rates heighten our concerns. We are concerned input cost inflation, contribution margin deterioration, and guidance for elevated employee costs suggests profitability may be pressured. In our view, elevated inventory levels suggest write-off/discounting risk may be elevated and margins may be pressured. Our concerns are heightened given elevated inventory relative to next-quarter revenue. Depressed cash flow levels driven by inventory cash consumption heightens our earnings sustainability concerns. In our view, persistent payable extensions may be unsustainable and suggests cash flow may be pressured as payable levels normalize. We are concerned elevated assets under construction and a persistent capex surge suggest depreciation may ramp and/or highlights potentially aggressive cost capitalization.

Catalysts and Timing

- Intense competition drives customer additions/retention pressure and/or outsized marketing spend
- Pandemic demand subsides and churn increases
- Price increase reluctance despite elevated costs drives margin pressure
- The Company writes off overbuilt inventory

Company Data

Country/Exchange	Germany/FSE
Reporting Currency	EUR
Accounting Standard	IFRS
Shares Outstanding (mil)	173.9
Float (mil)	160.5
Average Volume (mil)	€66.2
52 Week Range	€53.15 - €97.50
Dividend Yield	0.0%
Market Cap (bil)	€12.6
Net Cash (bil)	€0.6
Enterprise Value (bil)	€12.0
FY 20 Rev (mil)/Rev Growth	€3,749.9 / 107.3%
FY 20 AEBITDA (mil)	€505.2
FY 20 GM %/Change	66.0% / 140 bps
FY 20 AEBITDA margin %/Chg	13.5% / 1,090 bps

Historical Earnings

	Actual	Expected	Surprise
Q3 21	€0.13	--	--
Q2 21	€0.46	--	--
Q1 21	€0.59	--	--

Estimate Drift

	EST	1M Ago	6M Ago	1YR Ago
Q4 21 Rev	€1,510.8	€1,436.6	€1,318.0	--
FY 21 Rev	€5,801.1	€5,770.7	€5,268.7	€4,279.8
FY 22 Rev	€7,258.7	€6,912.5	€6,082.3	€4,948.1
Q4 21 EPS	€0.34	--	--	--
FY 21 EPS	€1.63	€1.62	€1.95	€1.55
FY 22 EPS	€1.65	€1.92	€2.27	€1.93

Peers Mentioned In This Report

- Albertsons Companies Inc. (ACI)
- Blue Apron Holdings Inc. (APRN)
- DoorDash Inc. (DASH)
- Goodfood Market Corp. (FOOD.TO)
- Getir (private)
- Sunbasket (private)

*** All research is completed as of 4:00PM – 4:15PM Eastern Time unless otherwise noted.**
Please refer to the end of this report for an updated version of *The Short List*.

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Background and Bull Story

Company Background

Company description: HelloFresh SE (HFGG.DE) curates and delivers personalized at-home meal kits and ready-made meals directly to customers. The Company operates fulfilment centers globally and locally sources most of its inventory on a just-in-time basis. The Company primarily utilizes outsourced logistics services and operates its own delivery services in certain geographies. The Company was founded in 2011 and is headquartered in Berlin, Germany. Its fiscal year ends 12/31.

Background on meal delivery services: HelloFresh sells at-home meal kits and ready-made meals primarily through its websites via a subscription-based and/or a la carte model. Meal kits and ready-made meals are delivered on a customer-specified day and time on a weekly basis. Customers typically select a meal plan based on their dietary preferences, household size, and number of meals/recipes per week. In addition, certain ready-made meals are available at select grocery retailers. The Company's meal kits contain pre-portioned ingredients and recipes to be cooked at home. The Company offers meal kits through its HelloFresh, Green Chef, EveryPlate, and Chef's Plate brands. The Company's ready-made meals can be heated in the microwave or oven and are typically ready in minutes. The Company offers ready-made meals through its Factor75 and Youfoodz brands.

Brand Analysis	Brands
Meal kits	HelloFresh, Green Chef, EveryPlate, Chef's Plate
Ready-made	Factor75, Youfoodz

Background on at-home meal kit pricing: HelloFresh offers meal kits at various price points depending on the customer's location and desired quantity. In the US, meals are typically priced between $7.49 and $11.99 per serving, plus shipping. In Germany, meals are typically priced between €4.44 and €7.75 per serving, plus shipping. In addition, the Company typically offers discounts/promotions for new customers. Specifically, on its 2021 Capital Markets Day Conference Call on 12/08/21, the Company represented initial customer orders are discounted approximately 50.0%, and discounts gradually decline over the customer's next three to four orders.

> As you know, as a new customer, you receive a certain level of price incentives from us. Typically, only first 3 to 4 deliveries on a decreasing magnitude. So an illustrative round numbers, let's assume, gross average order value is EUR 60. You get a 50% discount on your first order. So net average order value is EUR 30. (CFO Mr. Christian Gartner, 2021 Capital Markets Day Conference Call, 12/08/21)

Meal Kit Cost Per Serving Analysis	4 Meals Per Week	8 Meals Per Week	12 Meals Per Week	16 Meals Per Week
Cost per serving (Germany)	€7.75	€5.75	€5.08	€4.44
Cost per serving (US)	$11.99	$8.99	$7.99	$7.49

Background on ready-made meal pricing: HelloFresh offers its ready-made meals at various price points depending on the customers desired quantity and location. In the US, meals are typically prices between $11.50 and $15.00 per serving, plus shipping. In Australia, ready-made meals are typically sold a la carte and are priced between AUD 9.95 and AUD 14.95 per serving. In addition, the Company typically offers discounts and/or promotions for new customers.

Ready-Made Cost Per Serving Analysis	4 Meals Per Week	8 Meals Per Week	12 Meals Per Week	A La Carte
Cost per serving (Australia - Youfoodz)	--	--	--	AUD 9.95 - AUD 14.95
Cost per serving (US – Factor75)	$15.00	$12.38	$11.50	--

Fulfilment and logistics: In its FY 20 Annual Report, HelloFresh represented it utilized internally developed online ordering and logistics management technology to estimate demand and operate a just-in-time inventory delivery model. The Company represented its fulfilment centers receive perishable inventory on a daily basis and dry goods inventory on a weekly basis and it only orders from suppliers what has been confirmed to sell to customers. The Company primarily utilizes third party logistics services for meal delivery and operates its own logistics network in Belgium, Netherlands, Luxembourg, and Australia.

Results by segment: In FY 20, the US accounted for 55.3% (50.6%) of revenue (segment AEBITDA), while international accounted for 44.7% (49.4%). In FY 20, the Company operated in 14 countries.

FY 20 Segment Analysis (as % of total)	Revenue	Segment AEBITDA
US	55.3%	50.6%
International	44.7%	49.4%
Total	100.0%	100.0%

Seasonality: Over the past three years, Q4 has accounted for 28.7% of revenue on average. In its H1 20 Interim Report, the Company represented customer orders and new customer acquisitions were typically lower during the summer months.

Seasonality Analysis (as % of total)	Q4	Q3	Q2	Q1
FY 20 quarterly revenue contribution	29.6%	25.9%	25.9%	18.6%
FY 19 quarterly revenue contribution	28.3%	24.4%	24.1%	23.2%
FY 18 quarterly revenue contribution	28.3%	23.6%	25.0%	23.1%
Three-year-average	28.7%	24.6%	25.0%	21.7%

Competition: HelloFresh's meal kit delivery brands compete with other meal kit delivery services including Blue Apron, Home Chef, Marley Spoon, Goodfood, Ocado, Gousto, and Sunbasket, among others. The Company's ready-made meal brands compete with other ready-made meal services including Freshly, Blue Apron, Thistle, and Fresh n' Lean, among others.[1] In addition, HelloFresh competes with smaller local brands and indirectly competes with other online and offline grocery delivery services, supermarket chains, restaurants, and takeout delivery platforms.

Bull Story: Pandemic Demand & Geographic, Menu, & Ready-Made Meal Expansion

Pandemic guided to drive sustainable meal kit demand: In FY 20, revenue surged 107.3% year-over-year to €3,749.9 million, the highest growth rate publicly reported. On its Q4 20 Conference Call on 03/01/21, HelloFresh represented the pandemic accelerated at-home meal kit demand in its mature geographies and highlighted enhanced e-commerce adoption in less developed markets. On its 2021 Capital Markets Day Conference Call on 12/08/21,

[1] Blue Apron Holdings Inc (APRN), Home Chef (subsidiary of KR), Marley Spoon AG (MMM.AX), Goodfood Market Corp (FOOD.TO), Ocado Group plc (OCDO.L), Gousto (private), Sunbasket (private), Freshly (subsidiary of NESN.S), Thistle (private), Fresh n' Lean (private).

HelloFresh represented the pandemic triggered "fundamental changes" in consumer behavior and highlighted strong work-from-home trends. HelloFresh guided for pandemic-related trends to expand its addressable market and create sustainable demand growth.

> We believe that the meals at home opportunity will continue to grow and that the current pandemic has triggered some fundamental changes to consumer behavior. (CEO Mr. Dominik S. Richter, 2021 Capital Markets Day Conference Call, 12/08/21)

Revenue Growth Analysis (€ in millions)	FY 20	FY 19	FY 18	FY 17	FY 16
Revenue	€3,749.9	€1,809.0	€1,279.2	€904.9	€597.0
Year-over-year change	*107.3%*	*41.4%*	*41.4%*	*51.6%*	--

Geographic expansion guided to drive growth: In its FY 20 Annual Report, HelloFresh highlighted its geographic expansion as a key growth strategy and guided to launch services in two to three new geographies in FY 21. On its Q3 21 Conference Call on 11/02/21, the Company represented it launched operations in Norway in Q2 21 and Italy after the quarter ended Q3 21 and guided to launch Japanese operations in Q4 21. On its 2021 Capital Markets Day Conference Call on 12/08/21, the Company indicated the Norway, Italy, and Japan launches expanded its international addressable market by 50.0%. In its 2021 Capital Markets Day Presentation on 12/08/21, the Company guided to expand into four additional countries in FY 22. Accordingly, we estimate the Company guided to expand operations to 21 countries by FY 22.

Country Analysis	FY 22 Guidance	FY 21 Guidance	FY 20	FY 19	FY 18	FY 17
Countries	21	17	14	13	12	10
Year-over-year	*23.5%*	*21.4%*	*7.7%*	*8.3%*	*20.0%*	--

Expanded menu options and convenience to drive increased addressable market penetration: In its 2021 Capital Markets Day Presentation on 12/08/21, HelloFresh represented it served 4.5% (3.5%) of its US (international) addressable market. HelloFresh highlighted expanding its market penetration was a significant growth opportunity and guided to increase penetration by expanding menu options and improving convenience. The Company guided to increase its menu options from 35 weekly recipes in FY 21 to 50 to 100 weekly recipes over the medium term. Specifically, the Company guided to offer at least 5 vegetarian and/or vegan meals per week. In addition, the Company guided to decrease customer lead times (time between order and delivery) from 4.0 days to 2.5 days at midpoint.

> Over time, as we expand our core menu, you should expect to see more and more of that menu dedicated to convenient options to allow us to penetrate more of this convenient-seeker segment. (CCO Mr. Edward Boyes, 2020 Capital Markets Day Conference Call, 12/10/20)

Menu Option Analysis	Mid Term Guidance	FY 21	FY 20	FY 19	FY 18	FY 17
Menu options per week	50-100	35	28	15	9	6

Ready-made acquisitions expand addressable market: On 12/31/20, HelloFresh completed its acquisition of Factor75, a US-based ready-made meal company, for €219.8 million. Factor75 generated approximately €93.0 million of revenue in FY 20. In its FY 20 Annual Report, the Company highlighted the ready-made meal market represented a significant growth opportunity. In its Press Release on 07/13/21, HelloFresh announced an agreement to acquire Australia-based ready-made meal manufacturer, Youfoodz for €82.0 million. The Youfoodz acquisition closed on 10/27/21. The Company guided for Youfoodz to be consolidated in November and December results and contribute 0.4% to FY 21 revenue growth. On its Q3 21 Conference Call, the Company represented it "doubled down" on the ready-made meals market and reiterated its guidance for the ready-made meal market to drive growth.

YouFoodz is really something where we doubled down on the ready meals business. We've told you about the very encouraging results from our Factor 75 acquisition in the U.S. last year, which has broadened our U.S. total addressable market. And hence, that success has made it an easy decision to actually take over YouFoodz. We will try to introduce the HelloFresh playbook next year and really see this as a multiyear grower in our overall portfolio. The ready-to-eat space really remains a large area of investments in future growth for us. (CEO Mr. Dominik S. Richter, Q3 21 Conference Call, 11/02/21)

Ready-made Acquisitions (€ in millions)	Acquisition Date	Acquisition Size
Factor75	12/31/20	€219.8
Youfoodz	10/27/21	€82.0

Valuation: On 11/02/21, HelloFresh reported Q3 21 revenue of €1,415.5 million, 6.3% above the consensus estimate. The Company reported Q3 21 adjusted earnings of €0.13. As of the date of this publication, HelloFresh shares traded at 1.8x next twelve-month revenue, 27.4% above its peer group.

Valuation Analysis	NTM P/S
HelloFresh SE (HFGG.DE)	1.8x
Blue Apron Holdings, Inc. (APRN)	0.4x
Marley Spoon AG (MMM.AX)	0.4x
Goodfood Market Corp. (FOOD.TO)	0.7x
Ocado Group PLC (OCDO.L)	4.0x
Peer average	1.4x
above (below) peer average	*27.4%*

Voyant's Earnings Risk Assessment

We are concerned increased meal kit and ultra-fast grocery competition may pressure revenue growth, customer acquisition, and/or retention. Our concerns are heightened given guidance for limited price increases despite guidance for increased marketing spend and input cost inflation. We believe competition may drive elevated customer acquisition costs and marketing spend. In our view, guidance to continue to materially outpace market growth may be difficult to achieve. We are concerned HelloFresh's active customer and limited retention rate disclosures may understate true active customers, mask customer churn, and obfuscate analysis. We believe a pandemic-related demand increase may be difficult to sustain as restrictions ease. A sequential active customer decline and competitor commentary about declining customer order rates heighten our concerns. We are concerned input cost inflation, contribution margin deterioration, and guidance for elevated employee costs suggests profitability may be pressured. In our view, elevated inventory levels suggest write-off/discounting risk may be elevated and margins may be pressured. Our concerns are heightened given elevated inventory relative to next-quarter revenue. Depressed cash flow levels driven by inventory cash consumption heightens our earnings sustainability concerns. In our view, persistent payable extensions may be unsustainable and suggests cash flow may be pressured as payable levels normalize. We are concerned elevated assets under construction and a persistent capex surge suggest depreciation may ramp and/or highlights potentially aggressive cost capitalization.

Intense Competitive Environment May Drive Marketing Spend Surge, In Our View

HelloFresh competes with many direct and indirect competitors: In its FY 20 Annual Report, HelloFresh represented it operated in a "very competitive" environment. HelloFresh competes directly with large international and individual local meal kit providers and ready-made meal services. Competing at-home meal kit providers include Blue Apron, Home Chef, Marley Spoon, Goodfood, Ocado, Gousto, and Sunbasket, among others. In addition, HelloFresh competes indirectly with online and offline grocery delivery services, supermarket chains, restaurants, and takeout delivery platforms, among others.

> We operate in a very competitive environment. Customers have many choices when it comes to what and where to eat, including offerings from direct meal-kit competitors, traditional offline grocery retailer, online and offline grocer deliver service providers, going to a local restaurant, picking up pre-packaged meals or having prepared food delivered to their homes. Market participants in all of these areas are direct or indirect competitors. (FY 20 Annual Report)

Meal kit delivery partnerships offer additional customer choices and drive elevated competition: Throughout the course of our research, we identified certain recent competitor partnerships created to offer consumers expanded meal kit delivery choices. We are concerned competitor partnerships and expanded customer choices may drive elevated competition and pressure revenue and/or compel HelloFresh to increase marketing spend. We have included certain recent meal kit delivery partnership commentary below:

- **Sunbasket partners with Instacart to offer a la carte meal kits and ready-made meals:** On 10/04/21, Sunbasket announced a partnership with Instacart, an online grocery delivery platform, to sell its meal kits and ready-made meals on the Instacart Marketplace.[2] Sunbasket represented the partnership enabled customers to order its meal kits and ready-made meals a la carte on the Instacart Marketplace (meal kits and ready-made meal are only available via subscription model through Sunbasket.com). In our view, Sunbasket's Instacart partnership highlights increased meal kit and ready-made meal competition.

- **DoorDash partners with Albertsons to deliver meal kits:** In its Press Release on 06/21/21, DoorDash announced a new partnership with Albertsons Companies Inc. (ACI) to offer on-demand grocery delivery. DoorDash represented the partnership offered DoorDash customers more than 40,000 Albertsons grocery items and highlighted its specialty items, prepared meals, and meal kit delivery services. We believe DoorDash's

[2] https://www.prnewswire.com/news-releases/sunbasket-becomes-first-direct-to-consumer-meal-delivery-service-available-on-instacart-nationwide-301391828.html

Albertsons partnership, including meal kit and prepared meals, highlights expanded competitor offerings and may pressure HelloFresh revenue growth and market share.

> The partnership includes both immediate and long-term initiatives, including supporting the expansion of Albertsons' first-party grocery delivery business with DoorDash Drive, launching a custom loyalty program, expanding delivery hours, and offering a unique selection including specialty items, prepared meals, meal kits and new concepts. (DASH Press Release, 06/21/21)

Ultra-fast grocery delivery may pressure growth and/or drive elevated marketing spend, in our view: Throughout the course of our research, we identified certain ultra-fast grocery delivery service launches and/or expansions. While we acknowledge ultra-fast grocery delivery services may compete indirectly with HelloFresh, we believe new ultra-fast grocery delivery services may provide customers additional choices and pressure meal kit demand. We are concerned elevated ultra-fast grocery delivery competition may pressure HelloFresh revenue growth and/or drive elevated customer acquisition and/or retention costs. We have included certain recent ultra-fast delivery expansion commentary below:

- **DoorDash launches ultra-fast grocery delivery service:** In its Press Release on 12/06/21, DoorDash (DASH) announced the launch of its ultra-fast grocery delivery service in New York City and guided to expand to new locations over the next year. DoorDash represented its new service offered over two thousand items including fresh and frozen groceries, snack, and locally sourced products, among others. DoorDash highlighted customer orders were fulfilled "instantly" with delivery in ten to fifteen minutes.

- **Goodfood launces one-hour or less grocery delivery:** In its Press Release on 12/06/21 Goodfood (FOOD.TO) announced the launch of its on-demand quick delivery services in Montreal. Previously, Goodfood offered same-day grocery delivery in select markets. Goodfood represented its on-demand quick delivery services offered thirty-minute delivery.

- **Getir expansion into US market:** On 11/11/21, Getir (private), a Turkish ultra-fast grocery delivery service, launched operations in Chicago, Illinois and guided to expand to New York and Boston in the near-term.[3] On it's The Twenty Minute VC Podcast on 09/16/21, Getir guided to expand to over 300 US cities over the long term.[4]

Competitor capital raise and guidance for increased marketing spend highlights competitive pressure: In its Press Release on 11/04/21, Blue Apron announced it closed a $78.0 million equity capital raise. Blue Apron highlighted its focus on attracting new customers and guided to use the proceeds to accelerate its growth strategy and acquire new customers. Based on our understanding of representations made to us by Blue Apron, we believe the capital raise proceeds will be primarily allocated to marketing spend focused on customer growth and increasing average order value.[5] Blue Apron represented it previously decreased its marketing spend to focus on enhanced product quality and operational efficiencies. In addition, in its Q3 21 10Q, Blue Apron guided to "significantly" increase FY 22 marketing expenses. In our view, Blue Apron's capital raise and guidance to increase marketing expenditure highlights an intensified competitive environment.

> As part of the acceleration of our growth strategy using the proceeds from the Capital Raise that closed in November 2021, **we plan to significantly increase marketing expenses in the fourth quarter of 2021 and in 2022**. (APRN Q3 21 10Q) [emphasis added]

Elevated customer acquisition costs in more competitive environment may pressure margins, in our view: Previously, on its 2020 Capital Markets Day Conference Call on 12/10/20, HelloFresh represented it cut back marketing expenses throughout FY 20 due to capacity constraints. However, the Company guided for marketing expense/customer acquisition costs to increase to approximately 16.0% of revenue at midpoint as its capacity

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[3]https://www.reuters.com/business/retail-consumer/turkish-delivery-company-getir-launches-us-operations-2021-11-11/
[4]https://open.spotify.com/episode/4fuWvdVhtH1fIkQf6YR2ly?go=1&sp_cid=245c3b4703949b2b94959adc73ea8940&t=30&utm_source=embed_player_p&utm_medium=desktop&nd=1
[5] Throughout the course of our research, we communicated with Blue Apron's investor relations department and appreciate their timely and thorough response to our inquiries.

situation improved. In the twelve months ended Q3 21, marketing expenses as a percent of revenue increased 90 basis points year-over-year to 14.2%. In addition, marketing expense per net customer addition increased 130.7% year-over-year to €404.10, albeit from a depressed base (declined 66.3% in Q3 20). While we acknowledge marketing expenses per net customer addition remained below Q3 19 levels, we are concerned the Company's guidance suggests marketing expenses may continue to ramp and drive elevated customer acquisition costs as competition increases (discussed above) and pandemic-related tailwinds abate (discussed herein).

> As our capacity situation debottlenecks, we also want to be more forceful on the marketing side, i.e., you should expect our marketing expenses as a percentage of revenues turning back to a more normal 15% to 17%. We are also assuming here a certain normalization on customer acquisition costs. (CFO Mr. Christian Gaertner, 2020 Capital Markets Day Conference Call, 12/10/20)

Customer Acquisition Analysis (€ in millions except per customer metrics)	12M Ended Q3 21	12M Ended Q2 21	12M Ended Q1 21	12M Ended Q4 20	12M Ended Q3 20	12M Ended Q3 19
Marketing expenses	€784.0	€698.8	€569.1	€469.7	€418.6	€399.9
Net customer additions	1,940,000	3,500,000	3,100,000	2,320,000	2,390,000	770,000
Marketing expense per net add	€404.12	€199.66	€183.58	€202.46	€175.15	€519.35
Year-over-year change	*130.7%*	*(7.7%)*	*(20.3%)*	*(53.5%)*	*(66.3%)*	*(4.0%)*
Marketing as % of revenue	14.2%	13.8%	12.7%	12.5%	13.3%	24.1%
Year-over-year change	*90 bps*	*(80 bps)*	*(610 bps)*	*(990 bps)*	*(1,080 bps)*	*(180 bps)*

Reluctance to increase prices despite increased costs heightens our elevated competition concerns: On its Q2 21 Conference Call, the Company represented it did not implement price increases and indicated it did not plan to increase prices in the near future. On its Q3 21 Conference Call, the Company highlighted its focus on maintaining attractive prices relative to competitors. On its 2021 Capital Markets Day, the Company guided for "broadly stable" FY 22 pricing despite increased competitor pricing. **In our view, HelloFresh's guidance suggests the Company may be competing on price to acquire and/or retain customers. Given increased customer acquisition/marketing costs and inflationary input cost pressure (discussed herein), the Company's reluctance to raise prices heightens our concerns about an increasingly competitive environment.**

> We've actually seen almost all of our competitors increase prices, which we like because that makes us more price competitive than the direct comparison. **We haven't done any large-scale price increases and will most likely not do them.** (CEO Mr. Dominik S. Richter, Q2 21 Conference Call, 08/09/21) [emphasis added]

Guidance to materially outpace meal kit market growth may be difficult to achieve, in our view: On its 2021 Capital Markets Day Conference Call on 12/08/21, HelloFresh guided for FY 22 revenue growth of 23.0% at midpoint. In its Global Meal Kit Delivery Service Market Report 2021, ResearchandMarkets.com guided for the global meal kit delivery market to grow at an 11.0% compound annual growth rate (CAGR) from FY 21 to FY 25.[6] Accordingly, we believe HelloFresh guided to outperform the market by approximately 1,200 basis points at midpoint in FY 22. While we acknowledge HelloFresh is the meal kit market leader and historically outperformed market growth, we are concerned increased direct and indirect competition may make continued material market outperformance difficult to achieve.

Active Customer and Retention Metrics May Be Misleading, In Our View

Background on active customers: In its FY 20 Annual Report, the Company defined active customers as the number of customers who received at least one meal box within the quarter. The metric includes first-time customers, customers who received a free or discounted box, and customers who ordered a box during the period

[6] https://www.businesswire.com/news/home/20211208005872/en/Global-Meal-Kit-Delivery-Service-Market-Report-2021-Market-is-Poised-to-Grow-by-11.12-Billion-During-2021-2025-Growing-at-a-CAGR-of-over-11---ResearchAndMarkets.com

and subsequently canceled their subscription.

> Active customers refer to the number of uniquely identified customers who received at least one box within the preceding three months (including first-timers and trial customers, customers who received a free or discounted box and customers who ordered during relevant period but discontinued their orders and registration with us before period end) counted from the end of the relevant period. (FY 20 Annual Report)

Active customer metric may be misleading, in our view: On its Q3 21 Conference Call, the Company highlighted active customers increased 39.0% year-over-year to 6.94 million customers. In our view, representing customers who have canceled their subscription and/or received free boxes as "active customers" may be misleading. Accordingly, we are concerned the Company's active customer disclosure may not reflect the true active customer count as of period end (i.e. active customers may be overstated to the extent the metric includes customers that ordered during the period but cancelled their subscription before period end) and may obfuscate analysis.

Background on revenue retention rate: The Company discloses revenue retention by "cohort" indicating the period in which the customer ordered their first box (the Company does not disclose specific revenue retention figures but periodically discloses a revenue retention chart). On its Q3 21 Conference Call, the Company disclosed its retention rate represented revenue generated from a specific customer group over time as a percent of revenue generated in the base period (i.e. when the customers ordered their first box). In addition, the Company represented its retention rate included customers who had churned and subsequently reactivated, even if they were not a customer in a prior period.

> **Analyst:** The first one is on Slide 9, the revenue retention. Could you just help us or have me to understand how it's built?
>
> **CEO Mr. Dominik S. Richter:** This is the same view that we had shown back at IPO, and I think in one of the Capital Markets Day, which basically looks at how much revenue do we generate with a starting cohort in the first quarter? And how does that develop over future quarters? So that, hence, includes everyone who has churned, and it also includes reactivations. So customers coming back, even if they haven't been a customer in the quarter prior to measuring it. (Q3 21 Conference Call, 11/02/21)

Limited retention/churn disclosure may mask customer churn levels and obfuscate analysis: Previously, on its 2020 Capital Markets Day Conference Call on 12/10/20, HelloFresh represented customer retention was "hard to define" and highlighted there was no official IFRS definition. In addition, the Company does not disclose specific retention and/or churn metrics. Given customers typically on-board at a significant discount (i.e. 50.0%), we are concerned certain customers may have been offered similar discounts and/or promotions to reengage. Further, we believe retained customers may disproportionately positively impact the revenue retention rate (i.e. full priced orders are compared to discounted orders in the cohort base period). In our view, the lack of customer retention disclosure (i.e. focus on revenue retention <u>not</u> customer retention) and/or gross customer additions disclosure may mask material customer churn. Accordingly, we believe the Company's revenue retention metric may be misleading.

Pandemic-Driven Demand May Be Difficult To Sustain, In Our View

Pandemic provided a material meal kit demand benefit, in our view: Previously, in its H1 20 Interim Report, HelloFresh highlighted a pandemic-driven demand shift to online food orders and meal kit deliveries. In FY 20, meals delivered surged 113.9% year-over-year, <u>the highest growth rate publicly reported</u>. On its Q4 20 Conference Call on 03/01/21, the Company highlighted "pulled forward" demand throughout the pandemic and represented lockdowns drove higher orders per customer. In our view, HelloFresh received a material demand benefit throughout the pandemic.

> Despite the adverse overall economic environment, HelloFresh has meaningfully increased its growth rate in H1 2020. Among other factors, **the company's growth was supported by the fact that due to the COVID-19 pandemic, the shift to online food purchases has accelerated and more people looked for ways to receive fresh food delivered to their home.** (H1 20 Interim Report) [emphasis added]

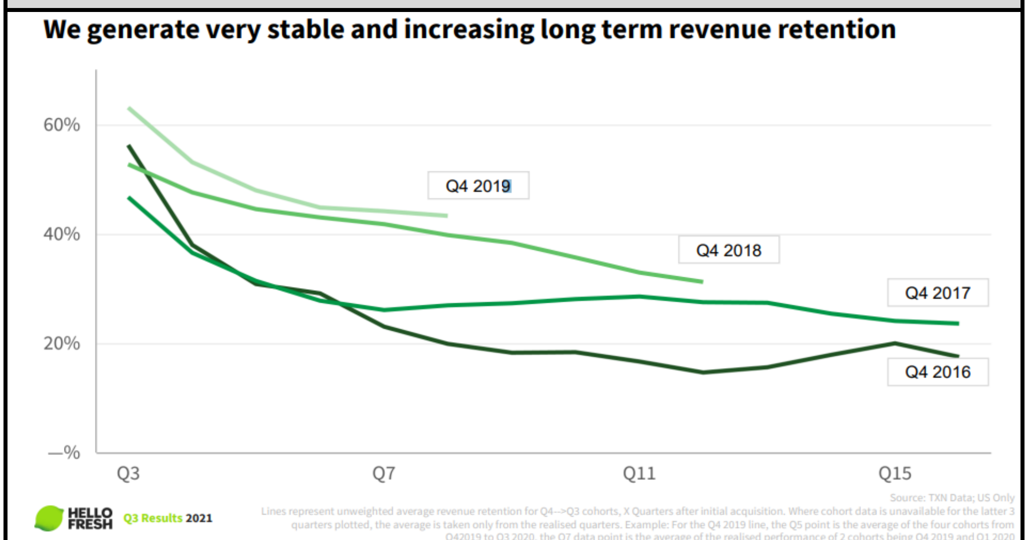
Meals Growth Analysis	FY 20	FY 19	FY 18	FY 17
Meals delivered (in millions)	601.2	281.1	198.4	137.5
Year-over-year change	*113.9%*	*41.7%*	*44.3%*	--

Q3 21 sequential active customer loss suggests active customer retention may be pressured: In Q3 21, active customers declined 9.6% sequentially to 6,940,000, the largest sequential decline publicly reported. On its Q3 21 Conference Call, the Company highlighted normal customer seasonality despite reporting its first Q3 sequential decline since the Company's IPO.[7] **In our view, the sequential active customer decline suggests new customers added throughout the pandemic may be more difficult to retain and customer retention/active customer growth may be pressured as global pandemic-related restrictions are eased.**

Active Customer Analysis	Q3 21	Q2 21	Q1 21	Q4 20	Q3 20	Q3 19
Active customers	6,940,000	7,680,000	7,280,000	5,290,000	5,000,000	2,970,000
Sequential change	*(9.6%)*	*5.5%*	*37.6%*	*5.8%*	*19.6%*	*8.3%*

Pandemic driven retention rate strength may be difficult to maintain, in our view: In its Q3 21 Earnings Presentation, HelloFresh disclosed a chart (see below) highlighting recent retention strength. On its Q3 21 Conference Call, the Company highlighted strong order rates and revenue retention rates. In our view, recent cohort (e.g. Q4 19 and Q4 18 cohorts) retention rates may have materially benefited from work-from-home and other pandemic-related trends. In addition, we believe the pandemic may have compelled certain customers in older cohorts (e.g. Q4 16 cohort) to reactivate their subscriptions. Accordingly, we are concerned retention rates may have materially benefitted from the COVID-19 pandemic and may be difficult to maintain as pandemic-related restrictions ease.

Revenue Retention Analysis



Source: Q3 21 Earnings Presentation, 11/02/21

[7] HelloFresh shares began trading on 11/01/17.

Competitor commentary suggests customer order rates may be pressured as restrictions ease: On its Q3 21 Conference Call on 10/28/21, Marley Spoon, a meal kit delivery HelloFresh competitor, guided for customer order frequency to decline as pandemic-related restrictions were eased. Specifically, Marley Spoon highlighted a "volatile" demand environment and guided for both new and existing customer order frequency to decline. While we acknowledge Marley Spoon guided to retain its newly acquired customers, we believe Marley Spoon's commentary suggests customer order frequency may be pressured. Given the similar nature of Marley Spoons' customers to HelloFresh, we are concerned HelloFresh customer order rates may be pressured restrictions are eased.

> What we expect is that this increase in new customers that we -- that trial Marley Spoon and Dinnerly during the lockdowns, we expect them to stick around. We do expect, however, also for Q4, as we modeled it that **the frequency as lockdowns ease will be negatively impacted of the base customers, not just the new customers that we just acquired, but all the customers that we have in the base** that are now maybe seeing their friends going to restaurants. (MMM.AX CEO Gilbert Fabian Siegel, Q3 21 Conference Call, 10/28/21)

Input Cost Inflation And Reluctance To Raise Prices May Drive Margin Pressure

Increased input costs may drive continued margin pressure, in our view: In Q3 21, adjusted EBITDA (AEBITDA) margin declined 620 basis points year-over-year to 5.6%, albeit from an elevated base (increased 830 basis points in Q3 20). On its Q3 21 Conference Call, the Company highlighted elevated procurement, fulfilment, marketing, and labor expenses and guided for certain inflationary pressures to persist. As mentioned, the Company highlighted a reluctance to increase prices as it focused on customer additions/retention. In our view, a reluctance to increase prices despite guidance for persistent cost inflation suggests margins may remain pressured.

AEBITDA Margin Analysis ($ in millions)	Q3 21	Q2 21	Q1 21	Q4 20	Q3 20	Q3 19
AEBITDA margin	5.6%	10.1%	11.0%	15.7%	11.8%	3.5%
Year-over-year	*(620 bps)*	*(570 bps)*	*200 bps*	*810 bps*	*830 bps*	*1,120 bps*

Reduced FY 21 margin & weaker-than-expected FY 22 AEBITDA guidance highlights margin pressure: Previously, on its 2020 Capital Markets Day Conference Call on 12/10/20, the Company guided for FY 21 AEBITDA margin of 10.5% at midpoint. On its Q1 20 Conference Call, the Company raised its FY 21 AEBITDA guidance 50 basis points to 11.0% and highlighted strong Q1 21 AEBITDA margin performance driven by favorable customer acquisition costs. On its Q2 21 Conference Call on 08/09/21, the Company reduced its FY 21 AEBITDA guidance 170 basis points to 9.3% at midpoint. The Company attributed the guidance reduction to increased technology and data investments and elevated fulfilment expenses related to a production capacity ramp-up. In addition, on its 2021 Capital Markets Day Conference Call on 12/08/21, the Company guided for FY 22 AEBITDA of €540.0 million at midpoint, 15.3% below the consensus estimate of €637.3 million. In our view, the FY 21 guidance reduction and weaker-than-expected FY 22 guidance highlights increased and unexpected margin pressure.

AEBITDA Guidance Analysis (€ in millions)	FY 21
Initial guidance per 2020 Capital Markets Day Presentation	10.5%
Revised guidance per Q1 21 Conference Call	11.0%
Revised guidance per Q2 21 Conference Call	9.3%
Reiterated guidance per Q3 21 Conference Call	9.3%
Above/(below) initial guidance	*(120 bps)*
Year-over-year change	*(420 bps)*

Contribution margin deterioration highlights elevated inflationary pressure: In its FY 20 Annual Report, the Company disclosed contribution margin included revenue less procurement and fulfilment expenses and highlighted contribution margin was an operating performance indicator. In Q3 21, procurement (fulfilment) expenses as a percent of revenue increased 30 basis points (420 basis points) year-over-year to 34.6% (43.4%). Accordingly, contribution margin declined 460 basis points 22.0%. On its Q3 21 Conference Call, the Company attributed the margin weakness, in part, to certain one-time hurricane and quarantine-related headwinds and guided for the one-time items to abate in Q4 21. In addition, the Company highlighted elevated ingredient, labor, logistics, and fuel costs and guided for inflationary pressures to persist. In our view, persistently elevated procurement and fulfilment expenses may continue to pressure margins.

Contribution Margin Analysis (as % of revenue)	Q3 21	Q2 21	Q1 21	Q4 20	Q3 20	Q3 19
Revenue	100.0%	100.0%	100.0%	100.0%	100.0%	100.0%
Less: procurement expenses	(34.6%)	(34.3%)	(33.8%)	(32.6%)	(34.3%)	(35.5%)
Less: fulfilment expenses	(43.4%)	(40.1%)	(38.3%)	(36.8%)	(39.1%)	(37.1%)
Contribution margin	22.0%	25.6%	27.9%	30.6%	26.6%	27.4%
Year-over-year	*(460 bps)*	*(40 bps)*	*(70 bps)*	*170 bps*	*(80 bps)*	*160 bps*

Higher employee costs heighten our margin pressure concerns: In FY 20, average full-time employees increased 24.5% year-over-year to 5,455 employees, while employee expenses surged 62.7% to $419.4 million. Accordingly, average cost per employee increased 30.5% to €76,890.64, the largest increase publicly reported. In addition, on its 2021 Capital Markets Day Conference Call on 12/08/21, the Company guided to increase wages by 10.0% in FY 22. In our view, the Company's guidance suggests elevated employee costs and the associated margin pressure may persist as global supply chains remain strained.

> What we are planning with is versus 2021 round about a ballpark 10% increase in wages versus 2021. (CFO Mr. Christian Gaertner, 2021 Capital Markets Day Conference Call, 12/08/21)

Employee Cost Analysis	FY 20	FY 19	FY 18	FY 17
Average employees	5,455	4,377	3,496	2,023
Employee expenses (€ millions)	€419.4	€257.8	€195.1	€107.5
Average cost per employee	€76,890.64	€58,905.52	€55,814.62	€53,138.90
Year-over-year change	*30.5%*	*5.5%*	*5.0%*	--

Elevated Inventory Levels Highlight Potential Margin Pressure, In Our View

Background on inventory accounting and just-in-time delivery: In its FY 20 Annual Report, the Company disclosed it operates a just-in-time inventory system. The Company highlighted its weekly business cycle and represented it typically carries low inventory levels. The Company utilizes first-in, first-out (FIFO) accounting and unused ingredients within the planned week are written off. As mentioned, in its FY 20 Annual Report, the Company disclosed it received perishable inventory on daily basis, dry goods inventory on a weekly basis, and only orders from suppliers what has been confirmed to sell to customers.

> We operate on very low inventory basis for all perishable products, as we only order from our suppliers what we have confirmed to sell to our customers. (FY 20 Annual Report)

Inventory level surge highlights elevated margin risk, in our view: In Q3 21, inventory surged 141.8% year-over-year to €187.6 million, while revenue increased 45.9% to €1,415.5 million. Accordingly, inventory-to-revenue surged 65.7% to 0.133, the highest level publicly reported. In addition, DSIs surged 61.8% year-over-year to 33.2 days. The Company did not discuss inventory levels on its Q3 21 Conference Call or in its Q3 21 Interim Report. We are concerned inflation-driven higher per-unit inventory costs may drive margin pressure and elevated inventory levels suggest the Company may have overestimated demand.

Inventory Analysis (€ in millions)	Q3 21	Q2 21	Q1 21	Q4 20	Q3 20
Inventory	€187.6	€166.2	€142.9	€113.7	€77.6
Revenue	€1,415.5	€1,555.0	€1,442.9	€1,108.5	€970.2
Inventory-to-revenue	0.133	0.107	0.099	0.103	0.080
Year-over-year change	*65.7%*	*46.8%*	*37.1%*	*19.0%*	*8.1%*
DSI	33.2 days	26.4 days	23.7 days	24.3 days	20.5 days

Elevated inventory relative to next-quarter-revenue highlights potentially overestimated demand: In Q3 21, inventory relative to next quarter revenue increased 77.4% year-over-year to 0.124, the highest level in at least five years. Elevated inventory relative to next quarter revenue heightens our overestimated demand concerns. Given the perishable nature of the Company's products, we are concerned the Company may be compelled to write off higher amounts of inventory and/or offer material discounts to the extent demand fails to materialize.

Inventory Analysis (€ in millions)	Q3 21	Q2 21	Q1 21	Q4 20	Q3 20
Inventory	€187.6	€166.2	€142.9	€113.7	€77.6
Next-quarter revenue (Q4 21 consensus)	€1,510.8	€1,415.5	€1,555.0	€1,442.9	€1,108.5
Inventory-to-next quarter revenue	0.124	0.117	0.092	0.079	0.070
Year-over-year change	*77.4%*	*60.9%*	*76.9%*	*24.9%*	*9.9%*

The Company may understate inventory write-off/discounting risk, in our view: As mentioned, the Company highlighted it operated a just-in-time inventory model and represented it only ordered from suppliers what has been confirmed to sell to customers. In Q3 21, DSIs increased 61.8% year-over-year to 33.2 days (i.e. over one month). Therefore, we believe the Company's commentary about just-in-time inventory ordering may be misleading and inventory write-off/discounting risk may be understated.

DSI Analysis	Q3 21	Q2 21	Q1 21	Q4 20	Q3 20
DSI	33.2 days	26.4 days	23.7 days	24.3 days	20.5 days
Year-over-year change	*61.8%*	*63.7%*	*32.5%*	*22.9%*	*12.1%*

Ingredients inventory may be at higher risk of write-offs and/or discounting, in our view: The Company discloses inventory composition (i.e. ingredients, packaging, and other inventory) in its Annual Reports. In Q4 20, ingredients as a percent of total inventory increased 500 basis points year-over-year to 80.5% from an elevated base (increased 1,060 basis points in Q4 19). Given the perishable nature of food ingredients, we believe ingredient inventory may be at higher risk of write-offs. To the extent ingredient inventory remained elevated throughout Q3 21, we would be concerned about elevated inventory write-off and/or discounting risk.

Inventory Composition Analysis (€ in millions)	Q4 20	Q4 19	Q4 18	Q4 17	Q4 16
Ingredients	€91.5	€33.3	€14.6	€9.6	€6.6
Total inventory	€113.7	€44.1	€22.5	€13.8	€ 0.1
Ingredients as a % of inventory	80.5%	75.5%	64.9%	69.6%	65.3%
Year-over-year change	*500 bps*	*1,060 bps*	*(470 bps)*	*420 bps*	--

Factor75 acquisition and ready-made meal expansion does not rationalize inventory build, in our view: In its FY 20 Annual Report, the Company disclosed its acquired Factor75 for $219.8 million, a US-based ready-made meal company, which closed on 12/31/20. The Company disclosed the acquisition included €1.9 million in inventory. Accordingly, we estimate Q4 20 baseline inventory-to-revenue increased 17.0% year-over year to 0.101 (Q4 20 reported inventory-to-revenue increased 19.0% to 0.103). Given the relatively immaterial (in our view) acquired Factor75 inventory balance, we believe it is unlikely the Factor75 acquisition and increased ready-made meal exposure rationalized the inventory level surge in recent periods.[8]

Baseline Inventory Analysis (€ in millions)	Q4 20
Inventory	€113.7
Less: Acquired Factor75 inventory	€1.9
Baseline inventory (Voyant estimate)	€111.8
Revenue	€1,108.5
Baseline inventory-to-revenue	0.101
Reported inventory-to-revenue	0.103
Baseline above (below) reported	*(1.7%)*

Menu expansion may increase inventory risk in the medium term: As mentioned, the Company guided to increase its menu options from 35 weekly recipes in FY 21 to 50 to 100 weekly recipes over the medium term. While we acknowledge menu expansion may increase customer retention and/or new customer additions, we believe expanded menu options may increase medium term inventory management and/or write-off risk.

Depressed Cash Flow Levels Heighten Our Earnings Sustainability Concerns

Cash flow level decline driven by inventory cash consumption highlights earnings sustainability risk: In Q3 21, twelve-month cash from operations (CFO) increased 36.8% year-over-year to €581.7 million, while AEBITDA increased 54.1% to €570.6 million. Accordingly, CFO-to-AEBITDA declined 11.2% to 1.019, the lowest seasonal level in three years. In addition, inventory consumed €103.4 million of cash. In our view, a cash flow level deterioration driven by working capital cash consumption highlights elevated earnings sustainability risk.

[8] While the Company did not attribute the recent inventory build to the ready made meal shift, we assessed the impact of the recent Factor75 acquisition on inventory levels.

Cash Flow Analysis ($ in millions)	12M Ended Q3 21	12M Ended Q2 21	12M Ended Q1 21	12M Ended Q4 20	12M Ended Q3 20
Cash flow from operations (CFO)	€581.7	€631.4	€677.7	€601.5	€425.2
AEBITDA	€570.6	€605.5	€601.3	€505.2	€370.2
CFO-to-AEBITDA	1.019	1.043	1.127	1.191	1.149
Year-over-year change	*(11.2%)*	*(13.5%)*	*(11.0%)*	*31.2%*	*(18.9%)*
Cash provided/(consumed) by inventory	(€103.4)	(€94.5)	(€90.9)	(€73.9)	(€48.8)

Payable surge may have driven an unsustainable cash flow benefit, in our view: In Q3 21, accounts payable (days payable outstanding) surged 86.6% (28.4%) year-over-year to €456.5 (82.5 days). In the twelve months ended Q3 21, payables provided €188.9 million of cash. In our view, persistent payables extension may be unsustainable. Accordingly, we are concerned cash flow may be pressured as payables return to normalized levels.

Cash Flow Analysis ($ in millions)	12M Ended Q3 21	12M Ended Q2 21	12M Ended Q1 21	12M Ended Q4 20	12M Ended Q3 20
Cash provided/(consumed) by accounts payable	€188.9	€190.3	€215.2	€154.9	€121.3

Capex Surge Suggests Depreciation May Ramp, In Our View

Elevated capital expenditures suggest depreciation and amortization may ramp, in our view: In the twelve months ended Q3 21 capital expenditure surged 220.3% year-over-year to €173.3 million, while depreciation and amortization increased 76.7% to €79.0 million. Accordingly, capex-to-depreciation and amortization surged 81.3% to 2.194 from an elevated base (increased 26.8% in Q3 20). In our view, the capital expenditure-to-depreciation and amortization surge suggest depreciation and amortization may ramp as projects are placed into service and margins may be pressured.

Capex Analysis (€ in millions)	12M Ended Q3 21	12M Ended Q2 21	12M Ended Q1 21	12M Ended Q4 20	12M Ended Q3 20
Capital expenditure (capex)	€173.3	€125.9	€97.0	€84.5	€54.1
Depreciation & amortization (D&A)	€79.0	€65.2	€52.1	€47.0	€44.7
Capex-to-D&A	2.194	1.931	1.862	1.798	1.210
Year-over-year change	*81.3%*	*56.2%*	*57.4%*	*84.4%*	*26.8%*

Assets under construction surge highlights depreciation ramp risk, in our view: In Q4 20, assets under construction as a percent of net plant, property, and equipment (PPE) increased 660 basis points year-over-year to 8.1%. Given the FY 21 capex surge, we believe assets under construction may have remained elevated throughout FY 21 year-to-date. Elevated assets under construction levels heighten our concerns about a depreciation ramp as capex projects are completed and assets are placed into service.

Assets Under Construction Analysis (€ in millions)	Q4 20	Q4 19	Q4 18	Q4 17	Q4 16
Assets under construction (AUC)	€21.3	€2.6	€5.6	€0.8	€0.1
Net PPE	€263.1	€179.6	€62.4	€37.2	€38.3
AUC as % of net PPE	8.1%	1.4%	9.0%	2.2%	0.3%
Year-over-year change	*660 bps*	*(750 bps)*	*680 bps*	*190 bps*	--

Guidance for capex to remain elevated heightens our concerns: On its Q2 21 Conference Call, the Company raised its FY 21 capital expenditure guidance 28.6% to €225.0 million, the second consecutive FY 21 capex guidance increase. The Company attributed the guidance increase to additional capacity expansions amid higher-than-expected revenue growth. In its 2021 Capital Markets Day Presentation on 12/08/21, the Company guided for FY 22 capex to more than double year-over-year to €500.0 million at midpoint to support additional fulfillment center construction. While we acknowledge additional capacity may support the Company's expected growth, the guidance for continued capex growth heightens our concerns about a depreciation ramp and highlights potentially aggressive cost capitalization.

Capex Analysis (€ in millions)	FY 22 Guidance	FY 21 Guidance	FY 20	FY 19	FY 18
Capex	€500.0	€225.0	€84.5	€38.8	€23.5
Year-over-year change	*122.2%*	*266.3%*	*117.8%*	*65.1%*	*79.8%*

Risk to Our Thesis and Conclusion

Risks to our thesis: The following developments could present challenges to our thesis:

- HelloFresh wins customers over direct and indirect competitors.
- The Company retains customers acquired throughout the pandemic.
- Inflationary pressures subside and/or the Company raises price without customer loss.
- Inventory levels normalize without material write-offs and/or margin pressure.
- Geographic and recipe expansion drive growth.

Conclusion: We are concerned increased meal kit and ultra-fast grocery competition may pressure revenue growth, customer acquisition, and/or retention. Our concerns are heightened given guidance for limited price increases despite guidance for increased marketing spend and input cost inflation. We believe competition may drive elevated customer acquisition costs and marketing spend. In our view, guidance to continue to materially outpace market growth may be difficult to achieve. We are concerned HelloFresh's active customer and limited retention rate disclosures may understate true active customers, mask customer churn, and obfuscate analysis. We believe a pandemic-related demand increase may be difficult to sustain as restrictions ease. A sequential active customer decline and competitor commentary about declining customer order rates heighten our concerns. We are concerned input cost inflation, contribution margin deterioration, and guidance for elevated employee costs suggests profitability may be pressured. In our view, elevated inventory levels suggest write-off/discounting risk may be elevated and margins may be pressured. Our concerns are heightened given elevated inventory relative to next-quarter revenue. Depressed cash flow levels driven by inventory cash consumption heightens our earnings sustainability concerns. In our view, persistent payable extensions may be unsustainable and suggests cash flow may be pressured as payable levels normalize. We are concerned elevated assets under construction and a persistent capex surge suggest depreciation may ramp and/or highlights potentially aggressive cost capitalization.

Disclaimer and Disclosure

This report was produced by Voyant Advisors, LLC ("Voyant"). The following Research Analysts employed by Voyant contributed to this report: Graeme Lazarus, Dayne Burzinski, Miles Trevelyan, and Ryan DesJardin. Voyant's home office is at 15373 Innovation Dr, Suite 365 San Diego, CA 92128. The firm's home office is where information about the valuations herein are located, unless otherwise indicated in the report.

At the time of this report, Voyant expects to provide updates on a quarterly or semi-annual basis depending on the frequency of when the above company discloses material financial results. We will cease providing updates if we are discontinuing research coverage as disclosed on the front page of this report in the Thesis Summary.

Voyant has not provided previous recommendations concerning the same financial instrument or issuer during the preceding twelve-month period.