A. To Our Shareholders

Edward Boyes Thomas Griesel Dominik Richter Christian Gaertner

Letter by the Management Board

Dear HelloFresh shareholders,

Our mission for the last 12 years at HelloFresh has been “to change the way people eat forever”. With our two scaled business lines, meal kits and ready-to-eat (RTE), we have pioneered two entirely new and attractive digital-first fast-moving consumer goods (FMCG) business models in the last 12 and 4 years, respectively. We are grateful for the positive impact we have on so many of our customers' lives.

Building a business is hard and ours in particular requires a lot of muscles to work together seamlessly. Looking back on 2023, we performed some of our best work in years across many domains, while also coming up against multiple challenges we had not encountered before. We began to tackle a lot of hard problems, which will help us to improve the customer value proposition in the long run and become strong assets for all of the current and future business units under the HelloFresh Group umbrella. For example, we delivered world-class technology predictably, made our first forays into leveraging AI, launched attractive offerings for new meal occasions and significantly expanded the coverage of our own last mile operations in different geographies. We successfully laid the supply chain foundations to significantly scale our RTE customer base over the next several years, while at the same time improving our talent density across the whole group. A lot of the stellar work our teams performed was just enough to mitigate the different obstacles that were thrown at us, and, ultimately we did not achieve the financial outcomes we were striving for at the beginning of the year.

While we appreciate that sustainable, linear growth is not only more desirable for our shareholders but also much easier to digest for our organization and culture, this is unfortunately not always a reality in life. Growth in nature, life and business tends to be non-linear, and we had to learn this the hard way in 2023, navigating both a tough macroeconomic environment and the Covid aftermath. Understandably, this has caused disappointment to our co-owners and ourselves.

Still, 2023 marked the fifth consecutive year of profitable, self-funded growth, in which we delivered over 1bn meals to our customers, up 4x since 2019. We achieved yet another year of profitable revenue growth in constant currency across both of our operating segments, North America and International. We also continued to generate strong Cash Flow from Operations, which we used to modernize and automate our fulfillment footprint, pay the earn-out for the acquisition of

Factor and initiated a share and convertible bond buy back program in Q4. In addition, we invested in a number of new product groups that will allow us to further diversify our revenue streams and set us up for sustainable future growth. Most notably, we scaled our RTE business unit, Factor, by 60% over the course of last year and c.10x since acquiring the business three years ago, making it one of the fastest growing businesses at scale globally. We successfully found product-market fit for two additional business units, our premium butcher brand, Good Chop, and our human-grade pet food brand, The Pets Table. Despite all of these investments we returned to producing positive Free Cash Flow (FCF) in 2023 and aim to grow FCF per share materially in the midterm, given that our infrastructure expansion is almost complete.

We achieved this in an uncertain economic environment marked by low consumer confidence, elevated cost of living and continued inflationary pressures across all of our input factors such as ingredients, labor, transportation and utilities. This dynamic environment required a lot of proactive management and making harsh trade-offs, both on the short-term tactical as well as on the longer-term strategic level. While we would claim that we got a lot of these decisions right, there were also areas where we clearly fell short, such as (i) our view on how quickly we would re-accelerate growth in our meal kit business and (ii) the timeline for the initial ramp-up of our new additional US RTE production site.

In our meal kits business we experienced a temporary slowdown in 2023 in both Operating Segments, similar to the general trend many consumer companies saw over the past two years, albeit with a lag due to the nature of our business model with high repeat rates. We worked hard on behalf of our customers to mitigate material inflationary pressures and outsized price increases to offer ongoing great value. A lot of the success of these measures did not translate directly into better profitability or higher growth in the meal kit business, given the material headwinds we had to overcome. Nonetheless, we still managed to expand our Group contribution margin by c. 1.3pp YoY.

Were we too optimistic in some of our assumptions? With the benefit of hindsight, it’s easy to make that argument. We saw positive early signs in summer and expected these to continue for the remainder of the year. However, this expected improvement is taking longer to materialize than we had hoped for. As large shareholders of the company ourselves, we share your frustrations. At the same time, we are determined and incentivized to make the right long-term decisions for the company.

Where does this leave us for 2024 and beyond?

In our meal kit business, we saw unprecedented growth in a favorable market environment during the pandemic. Scaling our customer base and order volumes during that time felt anything but a walk in the park. Yet, looking back, we certainly benefited greatly from free traffic, powerful word-of-mouth, a relaxed labor market and a low inflation environment, giving us great operational leverage. As the tide turned strongly, starting in H2 '22, we have focused on stabilizing both our Revenue and AEBITDA in the meal kit segment at the high rates we achieved during the pandemic, as we build the muscles required for the next leg of growth. We initiated a company-wide program to continuously improve the value we bring to customers which has shown promising early results. In 2024 and beyond, we will continue to focus on improving our service levels, launch more flexible delivery options and an assortment with more breadth, both within the menu and in our HelloFresh Marketplace. None of these are quick fixes but, in the long run, a more desirable product always leads to higher demand and a more defensible market position. Customer happiness and retention are leading indicators and have trended very positively already in the last year. With all the work underway, we are convinced that we can return our meal kit segment to sustainable growth in the mid-term, while expanding back toward double-digit AEBITDA margins over time.

In 2023 we have exercised strict discipline on overall G&A and headcount development, however, we see opportunities to simplify our operating model and generate additional savings, which will benefit both our expense line and improve the velocity of decision-making.

Our growth in 2024 will primarily come from our currently underpenetrated RTE business units where we can fully leverage our growth playbook, with many proven growth strategies available to deploy in order to close the existing gap in penetration and brand recognition to our more mature meal kit markets. Opening up additional delivery days, investing into a wider assortment for our customers and diversifying our marketing mix will be the key building blocks to penetrate these markets at higher rates and ultimately increase both absolute and relative profitability as well as free cash flow for the RTE segment.

The internationalization of our RTE business outside the US has commenced successfully in 2023, with launches in Canada, Belgium and the Netherlands. We plan to bring Factor to additional geographies in 2024 and see tremendous potential to scale the recently launched RTE markets further.

Our two biggest product groups, meal kits and RTE, have grown into two profitable multi-billion business lines with many moats around them. In addition, we have successfully launched the online butcher, Good Chop, and the pet food brand, The Pets Table. Across both existing and future product groups, we are uniquely positioned to capitalize on our globally leading expertise in food, marketing, subscription management, technology and data. This enables us to realize significant synergies across the Group and scale our businesses faster and more effective than any of our stand-alone competitors.

Our geographic footprint, our revenue and profit mix as well as our organizational structure have evolved a lot over the last five years. We expect this trend to continue, as we find and scale the next billion-dollar business lines and build HelloFresh into a digital-native, next generation FMCG group, with diverse streams of revenue and free cash flow at different levels of maturity.

The pandemic allowed us to pull forward demand we had only planned to capture in future periods, but at the same time posed a lot of disruption to the organization and set us up against some very tough benchmarks. Looking at our financial fundamentals as well as our internally developed capabilities over longer periods, we are proud of where we are today and excited about the future prospects. But we acknowledge that the path to getting here was anything but linear in recent years.

In order to achieve the long-term impact we desire we must meet and exceed the high expectations we place in ourselves and our teams. Thank you for your ongoing trust and being part of our journey to “change the way people eat forever”.

Berlin, 14 March 2024

Dominik Richter
Chief Executive Officer

Thomas Griesel
Chief Executive Officer International

Christian Gaertner
Chief Financial Officer

Edward Boyes
Chief Commercial Officer