

## A. To Our Shareholders



Thomas Griesel

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### Letter by the Management Board

Dear shareholders,

Our mission is (and always has been) to “change the way people eat, forever”. We reference our mission often, both internally and externally, to look beyond quarterly earnings and short-term metrics and to remind ourselves both of our reason to exist and the vast ambitions we continue to have.

For the first eight years we pursued our mission exclusively through our activities in pioneering, scaling and winning in the large market for home cooking, with our to-date still largest and most profitable business line, meal kits. But food consumption comes in many different shapes and forms, among them many that do not rely on home cooking. And so over the last 4 years we also successfully established a strong position in the ready-to-eat meals product group, scaling our brands by c. 20x over this time period, while achieving EBITDA profitability and massively improving our underlying unit economics.

In addition, we have also made great progress in further diversifying our TAM and revenues with our still early-stage forays into pet food, premium butchery services and most recently into health supplements. While these are still comparably small, we are excited about these markets and the growth opportunities they offer to develop HelloFresh into a diversified, digital-native FMCG company over the next decade.

We believe it is helpful to pause for a second and put our 2024 results in perspective over a 5-year trajectory. To builders like us, a five year period is a conundrum: it feels very short in following our long-term mission but incredibly long in many other aspects:

- Revenue has grown from €1.8bn to €7.7bn, a ~34% CAGR;
- AEBITDA has grown almost nine-fold from €47m to €399m;
- Revenue per Customer increased by ~80%;
- Annual FCF has expanded from negative in 2019 to positive €73.3m; and

- Our diluted share count (taking into account all potentially dilutive equity instruments, including vested equity-based compensation) has decreased from 173m in 2019 to c.171m shares.

Over that time period we have also profoundly changed our Value Chain across all domains and developed best in class capabilities that will help all current and future brands under the Group's umbrella to succeed. For example, we have insourced almost all of our Fulfilment Operations, scaled our Last Mile Logistics to a meaningful percentage of all worldwide deliveries and roughly quadrupled the number of meals offered to consumers per week.

However, we also had our fair share of missteps, developed a lot of scar tissue and learned some profound lessons that will guide our investments and resource allocation going forward. Even though the development over that period was anything but linear, we have always stayed true to our overarching philosophy and to our core operating principles, most notably along four main pillars:

- A laser focus on leading input metrics, that fundamentally drive customer success and long term value creation;
- A deeply rooted Experimentation Culture that guides long-term decisions, even if it slows down short-term wins sometimes;
- Thoughtful development of our organizational design and its people; and
- High standards for any incremental projects, with clear stage gates before committing additional resources.

Remaining true to these principles is not always easy but will allow for making sustainable improvements that collectively change the trajectory of the businesses we are in. They have helped us to transform in 5 years from a company with one product line (meal kits) in ten geographies to the globally active, multi-category company with deep moats that we are today.

We've discussed in recent quarters that improving our unit economics and right-sizing our costs are our biggest priorities for now. They are equally critical to improve financial performance in the short-term and to provide the right foundation for long-term success. In 2024 specifically, we have started to turn the corner and taken out costs across several major categories, never forgetting the operating principles that brought us here. Those categories include in particular:

- Marketing: We transitioned our marketing strategy to focus on maximizing mid-term absolute profits, resulting in considerably smaller but, we expect, ultimately more profitable and healthier customer cohorts in the long term;
- Direct Cost: We saw strong productivity improvements in 2024, a 11 % increase as measured by the leading input metric of 'labor minutes per box';
- G&A: We started to realize headcount efficiencies by combining teams and simplified our leadership levels, resulting in better operating leverage and faster decision-making; and
- Fulfilment Network: We have meaningfully scaled back our capital investments in 2024 and started to remove existing excess capacity from our network. This will lead to lower indirect costs, in turn improving future contribution margins.

For 2025, aligning our cost structure to the current size of the business will remain our biggest priority. Improved unit economics and lower fixed costs will contribute to much better cash flow generation, even if this comes at somewhat lower volumes. That is why we have decided to expand and extend our efficiency program until 2026. At the same time, it is very clear to us that we need to make strategic investments on new products and meal moments that will lead to higher customer satisfaction. We are convinced that we will collectively come out of this period as a much stronger company on the other side, with better unit economics, profitability and a much improved customer offering.

Returning to growth eventually begins with a new focus on and execution against our purpose – helping millions of customers around the world to make better food choices, empowering them to master their busy schedules while not compromising on health, taste, deliciousness or convenience. This is true for all the verticals we operate in.

As a digital-native food business we can only win in the long-term if we are positioned to 'wow' our customers week in, week out. Breaking through today's trade-offs between cost, quality, deliciousness, health, and convenience will lead to dramatic shifts in consumer spending and we will allow us to be a net beneficiary in that exciting future.

The TAM a business operates in is always determined by the product you sell (in our case: meals, affordability, service levels). If we want to grow beyond our current TAM we need to change "our product" materially and find ways to meet customer expectations beyond our current core product, both to reach new customers and retain a much higher share of customers for longer. While price and service quality play a big role in overall customer satisfaction, the biggest

contributor to customer experience and the largest driver of long-term retention is the size and deliciousness of our menus.

With an increasing share of revenue from loyal, tenured customers who are generally more quality-sensitive (and less price-sensitive) than a typical trialist, we will seek to invest into the value we give in each plate of food. Over the last 3 years, we increased our prices more slowly than overall food prices, and fought hard to maintain quality and gross margins with relatively lower prices for the customer. In the next phase, we will put a greater emphasis on noticeably levelling up quality and deliciousness. The combination of more high value ingredients, recipes, and meal types available to our customers will create an even bigger ‘wow factor’ for our customers than it does today.

After spending the last two years scaling our fulfillment and cooking operations, - and more recently the rightsizing of the network (work in progress) and strong productivity gains -, we will turn our focus increasingly towards offering much broader menu choice, both in meal kits and ready-to-eat. Right now we do a good job of solving for convenience, catering to mass market taste, and helping consumers with ease of preparation and peace of mind. However, each customer is individual in their needs, time investment, taste, budget, and nutritional goals. Hence, it is our core belief that scaling the number of meal options available to our customers every week will help us to better cater to diverse needs and provide a clear path to increase the size of the TAM we operate in.

Both selection and quality improvements will satisfy a much larger percentage of our potential customer base, allowing us to retain them for longer and monetize them better, ultimately reinvigorating growth for the Group.

All of our current business lines have massive potential to grow into much larger businesses than they are today, yet all of them are incredibly hard to execute against, with each of them coming with its own set of challenges and opportunities. It will take operational excellence and attention to the details to succeed. We genuinely like hard businesses and this has helped us to succeed against hundreds of competitors, small and large, since our start 14 years ago. It is our core belief that if you do well in such business lines, the moats offered by their complexities and intricacies will lead to high defensibility and outsized profit pool capture. It will be hard work, but we are excited about the journey ahead and continuing to follow our mission “to change the way people eat, forever”.

Thank you for your continued support and confidence.

Berlin, 12 March 2025

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Chief Executive Officer

**Thomas Griesel**  
Chief Executive Officer  
International

**Christian Gaertner**  
Chief Financial Officer

**Edward Boyes**  
Chief Commercial Officer