

My Food Bag Group Limited

Bagging a large share of NZ's meal kit market

My Food Bag Group (ASX:MFB) is an online food delivery business and New Zealand's longest standing meal kit provider. The company dual listed on the ASX and NZX on March 5, raising NZ\$54.8m at \$1.85/share to give a market capitalisation at listing of NZ\$448.5m. Existing shareholders sold 155.3m into the listing. Based in Auckland, MFB was launched in 2013 offering meal kit delivery (bags of ingredients along with recipes), with its Bargain Box product launching in 2016 and its Fresh Start product launched in 2017. The company moved into ready-made meals with the launch in 2019 of its new brand Made. The same year it launched My Plant Based bag. MFB now offers 12 different food bags, with choices covering Gluten Free, Weight Loss, Plant-based, Vegetarian, Gourmet, Kid-Friendly & other dietary preferences as well as its ready-made meal offering. MFB outperformed its prospectus forecasts delivering revenue of NZ\$190.7m, up 24%, and proforma EBITDA of NZ\$29.0m up 78%. It attributed margin improvements in FY21 to supply chain optimisation and an acceleration of online shopping during the COVID-19 pandemic. MFB has also launched a soft plastics recycling program and is focused on reducing its environmental impact.

Business model

MFB delivers meal kits and ready-made meals direct to consumers in NZ. Customers choose from 12 kits with a range of options accommodating dietary preferences, servings and frequency or from a selection of ready-made meals. Around 98% of ingredients are sourced from over 200 different NZ-based providers. MFB has a nationwide delivery network and chilled assembly centres in both the North and South Islands. Revenue is driven by delivery volumes from active customers ordering frequently and the average order value. MFB utilises both a website and mobile app for ordering and customer feedback, and in the final quarter of FY21 had 66,492 active customers.

Benefitting from COVID in FY21, FY22 guidance reaffirmed

MFB reported FY21 revenue of NZ\$190.7m, up 24% on the previous corresponding period and NZ\$1.2m ahead of its prospectus forecasts. Proforma EBITDA was NZ\$29.0m, up 78% of FY20 and \$0.5m ahead of prospectus. NPAT adjusted for the period was NZ\$16.7m while reported NPAT of NZ\$2.4m included NZ\$14.1m in one time IPO transaction costs. The stronger than forecast result was driven by new products and the accelerated shift to online shopping as a result of COVID-19. MFB delivered 4.8m meals during FY21 and has delivered over 88 million meals since launch. The company reaffirmed its FY22 guidance at its AGM last month and is forecasting revenue of NZ\$186.4m, EBITDA of NZ\$34.2m and NPAT of NZ\$20.1m. Revenue is slightly down on FY21 to recognise the sharp lift in demand it experienced when New Zealand was in severe lockdown last April/May. MFB also reaffirmed its plan to pay twice yearly dividends following its interim and annual results with the first dividend of NZ\$0.03/share to be paid in December and fully year paid in June NZ\$0.04/share.

Focused solely on the NZ market vs ASX-listed peers

Alternate ASX-listed meal-kit delivery companies including Youfoodz (ASX:YFZ) and MarleySpoon Ag (ASX:MMM) don't currently have a presence in NZ, though HelloFresh (XTRA:HFG) operates in NZ and has announced a scheme implementation deed with Youfoodz to acquire 100% of YFZ share capital. YFZ provides ready-made meals, which could be a direct competitor to MFB's Made offering in NZ if HFG chooses to expand its offering in NZ. MMM and HFG both trade at a premium to MFB on an EV/Sales basis.

Historical earnings and ratios (in NZ\$m)

Year end	Revenue (NZ\$m)	Gross Profit	EBITDA Adj.*	NPAT Adj.* (NZ\$m)	NPAT Rep.	EPS Adj.* (c)	EV/Sales (x)	EV/EBITDA (x)	PER (x)
03/18a	149.0	29.8	11.1	5.0	5.0	na	na	na	na
03/19a	156.0	34.3	13.6	7.2	7.2	na	na	na	na
03/20a	153.3	32.7	16.3	8.5	8.2	3.5	2.2	20.1	37.3
03/21a	190.7	48.8	29.0	16.7	2.4	7.0	1.8	11.5	18.7

Source: Company data *EBITDA, NPAT and EPS adj for one-time, non-cash items

Retailing

10th September 2021

Share details

ASX Code	MFB
Share price	\$1.30
Market Capitalisation	\$315.1M
Shares on issue	242.4M
Net debt at 31/03/2021	NZ\$14.3M
Free float	71.94%

Share performance (since listing)



Upside Case

- Utilises infrastructure and logistics knowledge to expand into other business lines
- Average order size and returning customers increase with additional product offerings
- NZ Post deal for Sunday delivery expands market

Downside Case

- Competition from HFG expanding YFZ to NZ
- Peddalling strong comparative period in FY21
- Slower economy causes lower orders

Catalysts/upcoming events

- Delivering on FY22 prospectus forecasts
- Payment of first dividend in December 2021

Comparable companies (Aust/NZ)

Maggie Beer Holdings (ASX:MBH), Marley Spoon Ag (ASX:MMM), Youfoodz Holdings (ASX:YFZ)

Top 5 shareholders*

Waterman Private Capital	15.74%
Harbour Asset Management Ltd	11.09%
Milford Asset Management Ltd	7.59%
Devon Funds Management Ltd	6.16%
Cecilia Robinson	3.06%

*Source: Refinitiv Eikon

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FINANCIAL SERVICES GUIDE

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