

# Acquisition of **Postmates** by Uber

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# Agenda



Industry Introduction and Analysis



Uber Company Overview



Postmates Company Overview



Merger Rationale



Risks and Downsides

# Industry Introduction: Online Food Delivery

## Size



**\$111.32 B**

## Revenue



**\$26.5 B**

## 2020 Growth



**\$20.2%**

### COVID-19

More consumers staying at home has boosted demand for food delivery.

### Expansion & Innovation

Room to expand and opportunities to redefine industry through innovation.

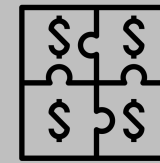
### Price Competition

Intense competition and low switching costs means profitability is a challenge.

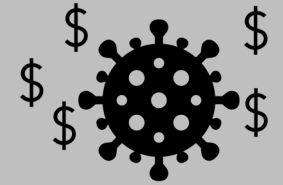
### Anti-trust Scrutiny

Acquisition-fueled growth may be encumbered by antitrust concerns.

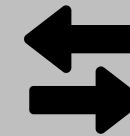
## Current State of the Industry



Consolidation



COVID-19 Demand



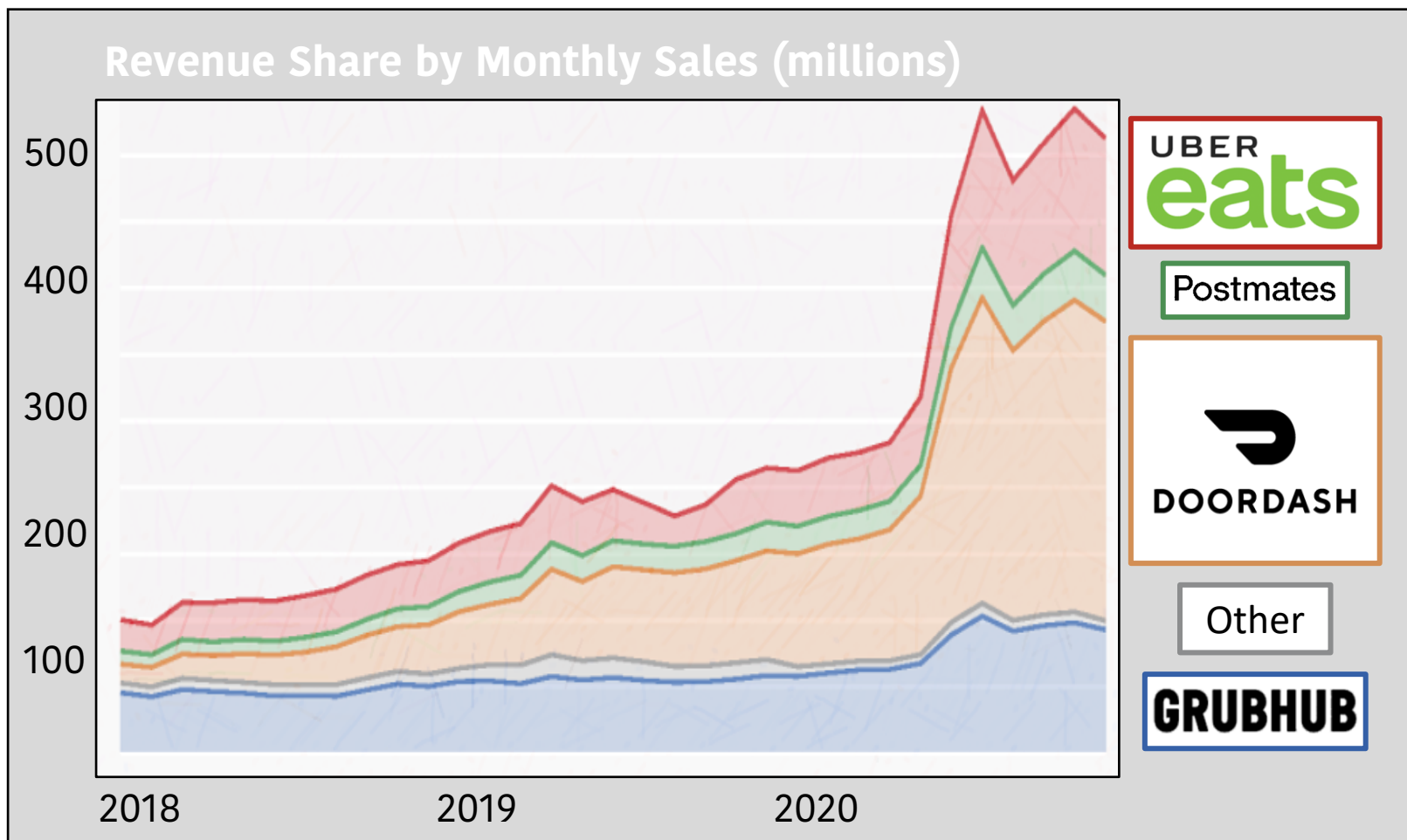
“Promiscuous”  
Customers



Business  
Partnerships

# Major Players & Recent Deals

## Major Players



## Recent Deals

August 2019

DOORDASH  
+  
caviar  
\$410 million

June 2020

JUST EAT  
Takeaway.com  
+  
GRUBHUB  
\$7.3 billion

### Uber's Recent Deals:

Acquired Middle East rival Careem  
Joint venture with Yandex  
Acquired Cornershop  
Acquired Routematch  
Acquired Autocab

### Others:

- Just Eat/Takeaway.com
- Takeaway/Delivery Hero
- GrubHub/Eat24
- Alibaba/Ele.me



# Uber: Business Model, Revenues, & Performance

## Core Business Verticals



Rides



Bike & Scoot



Eats



Freight



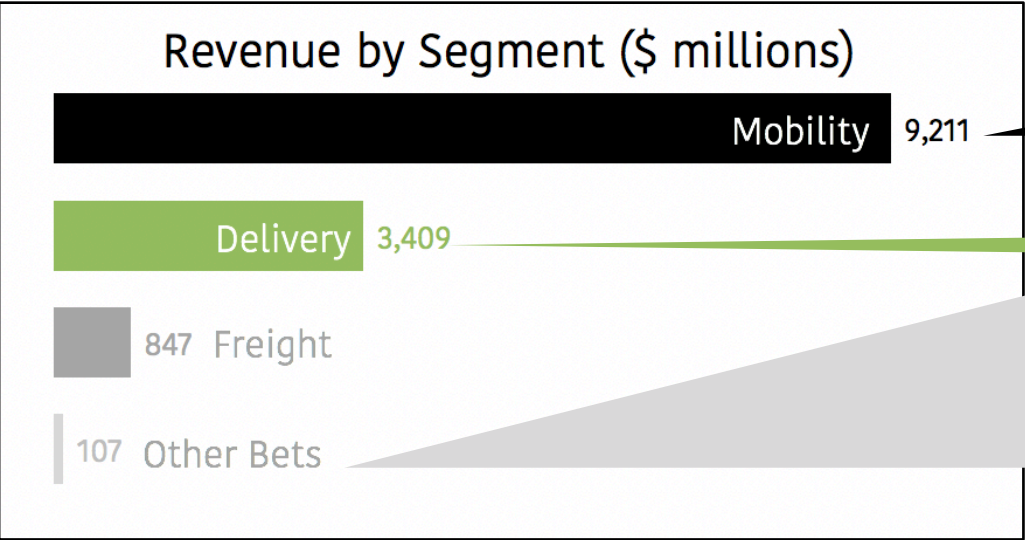
Business



Transit



Advanced Technologies



YOY Q3 2020	November 2020
<b>53%</b> Revenue Decline	<b>50%</b> Bookings Decline

YOY Q3 2020
<b>135%</b> Revenue Growth
November 2020
<b>70%</b> Restaurant Growth

Transit

UberWorks

Incubator



# Uber: Outlook & Competition

## Recent Performance



Net loss of \$1.8B in Q2 of 2020 and stock is below pre-pandemic levels



Rideshare revenues down 67% due to COVID concerns



Food delivery sales rose 103%

## Short-Term Outlook



Dependent on pandemic conditions including vaccine and legal development



Passage of Prop 22 means no more risk of higher costs



Sales expected to rebound by 70.2% in 2021

## Long-Term Outlook



Will continue acquiring targets across business and developing new segments

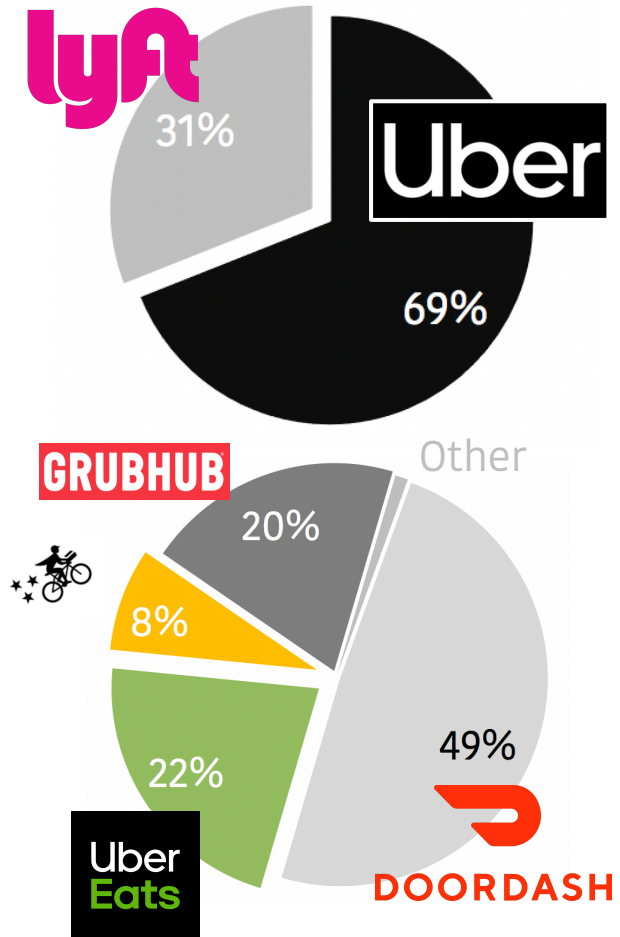


Fuel profitable units to create cash cows and divest from unprofitable ventures



Key is consistent profitability









## Competition



# Postmates: Timeline & Business Overview

## Corporate Timeline

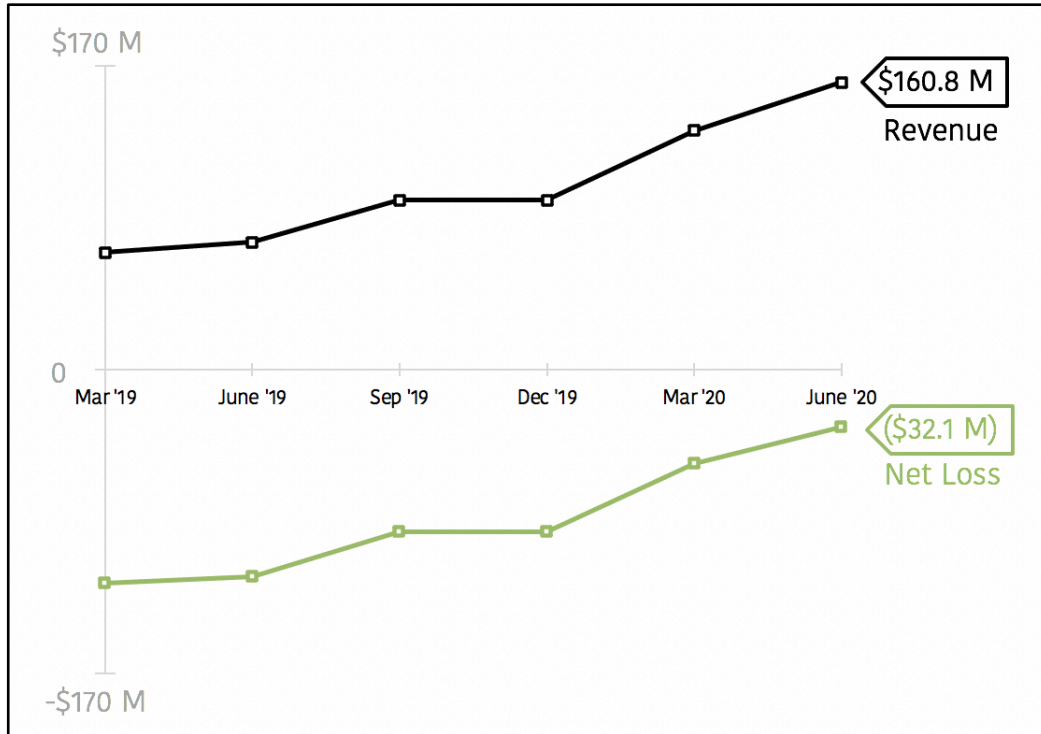


Description	Important Numbers	Platform Model	Key Activities
Goods delivery service with emphasis on local food delivery from restaurants, retailers, and grocery stores through app and website	 <b>3,500</b> cities  <b>550,000</b> drivers  <b>12.6 M</b> customers	<b>Users:</b> Optionality to order from any local partner store from 24/365 running app and receive goods within 1 hour <b>Delivery Workers:</b> Flexibility to make own schedule plus 80% of delivery fee for income <b>Merchants:</b> Access to larger market and more visibility online	 New business partnerships  Hiring drivers  User acquisition  Maintaining updates for app  Processing orders



# Postmates: Performance, Outlook, & Competition

## Recent Performance



**COVID-19 has induced a surge for food delivery demand, which has been good for Postmates' topline growth. However, the company has yet to make a profit**

*Differentiation may lead to above zero territory in the short-term.*

Due to the low margins and high price competition of the industry, the possibility of Postmates' future profitability is dependent on innovation and differentiation. This means emphasizing the “*Anything on demand*” aspect of Postmates and continuing to adjust their fee model for sustainable growth.

*Long-term success means diversifying revenue.*

In order to reach *and* sustain profitability in the long-term, Postmates needs to do more than food delivery—which is their only source of revenue currently. This means investment in other segments like commissary kitchen renting and expanding the categories for delivery beyond food.

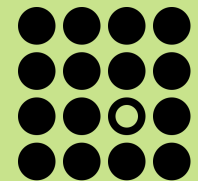
## Competitive Advantages & Disadvantages



**8% Market Share**



**No Presence Overseas**



**Differentiation**

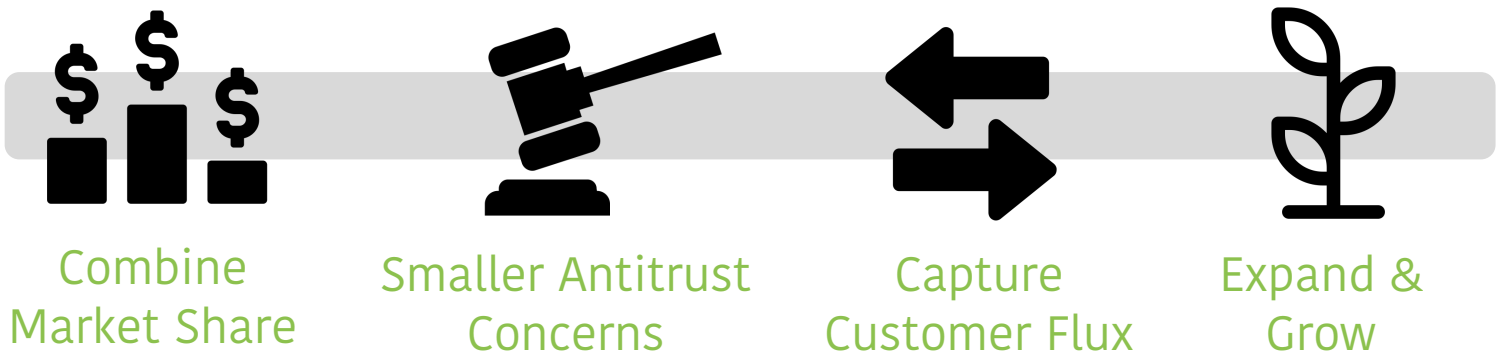


**Innovation**



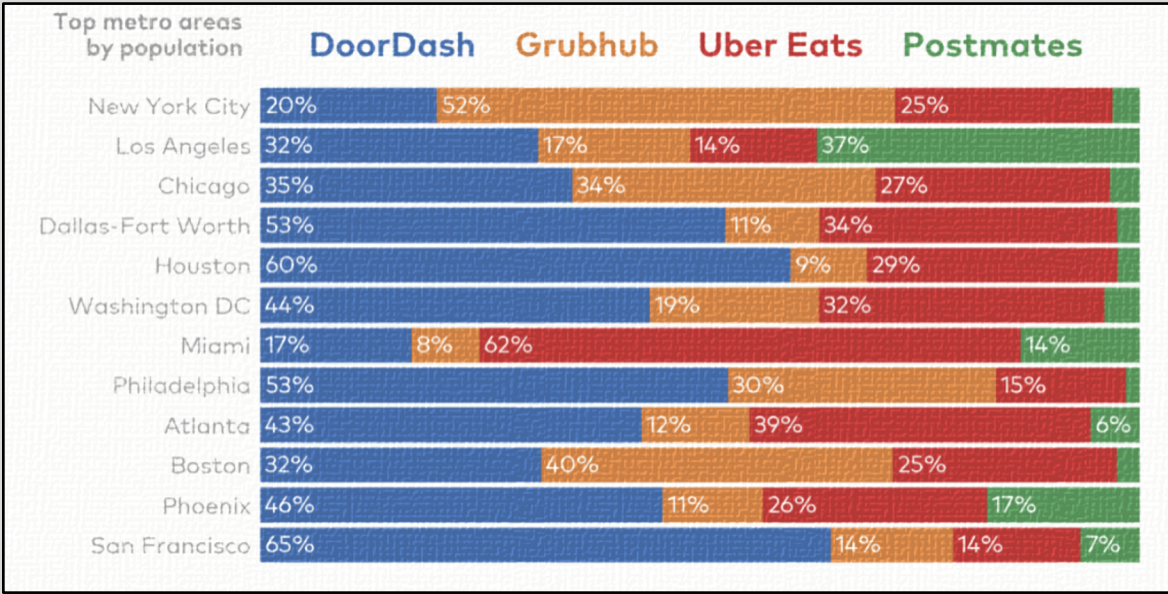
# Merger Rationale

## Get Ahead in the Race for Market Share



Percentage of **customers** who also used a **competitor** in Q3 2020

	Grubhub	DoorDash	Uber Eats	Postmates
Grubhub	–	37%	20%	11%
DoorDash	27%	–	21%	11%
Uber Eats	28%	40%	–	13%
Postmates	31%	40%	26%	–

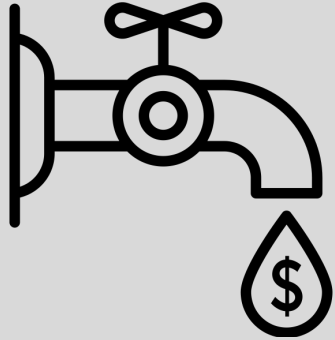


## Compatible and Complementary



# Merger Risks & Downsides

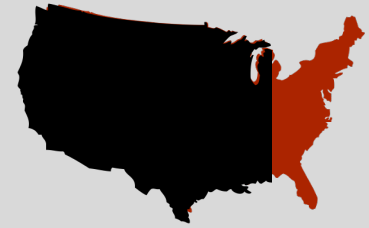
**Negative Cash Flow**



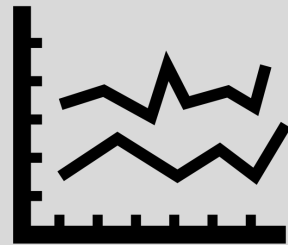
**Antitrust Concerns**



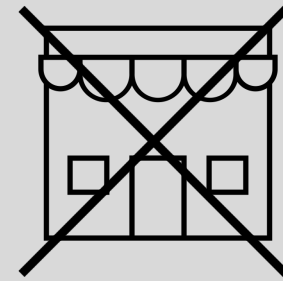
**Low Market Share in East**



**All Stock Deal**

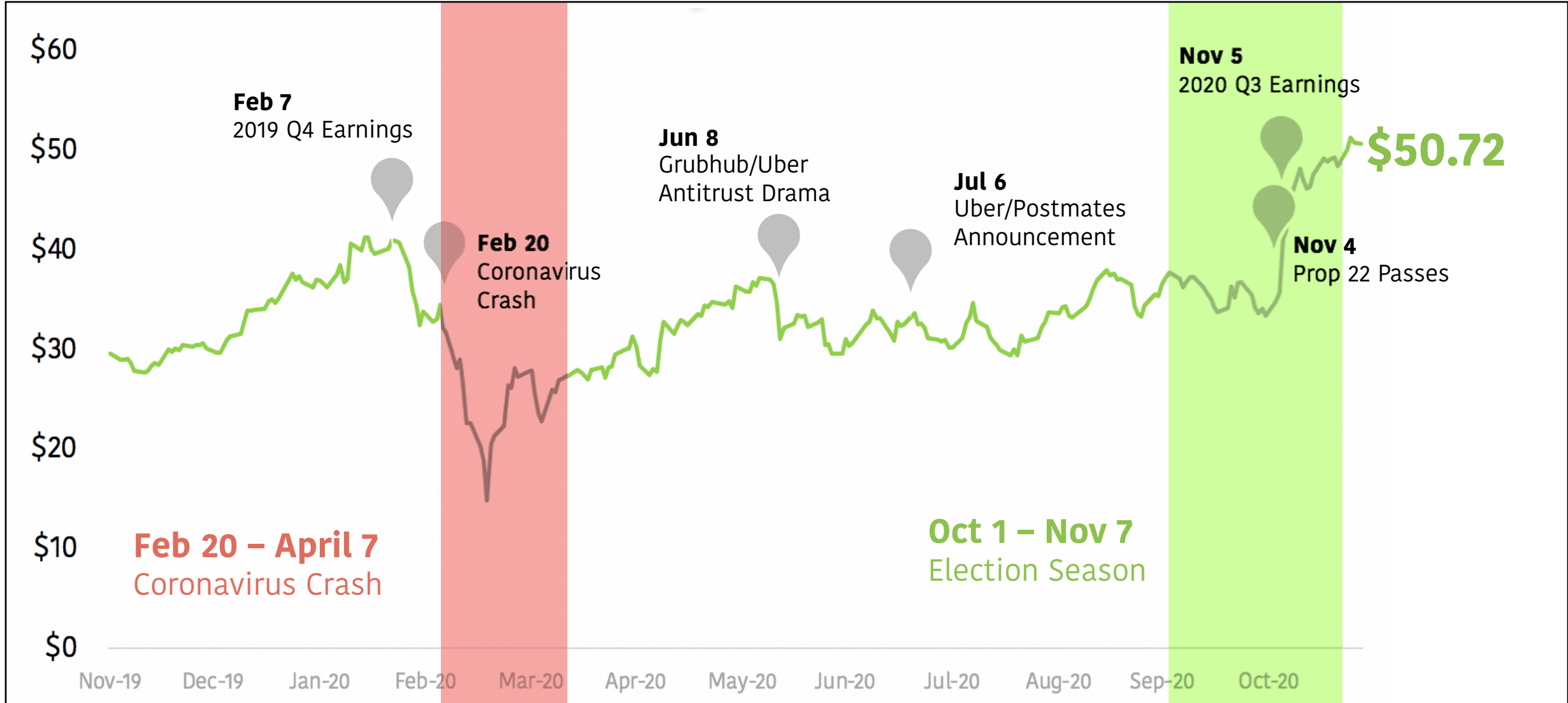


**COVID-19 on Small Restaurants**





# Uber: Annotated Stock Chart



# Discounted Cash Flows

## Discounted Cash Flows Analysis

\$ millions	2021P	2022P	2023P	2024P	2025P
Period	1	2	3	4	5
Total Revenues	\$15,551.38	\$18,629.30	\$22,316.39	\$26,733.23	\$32,024.24
EBITDA	(5,952.73)	(7,130.89)	(8,542.23)	(10,232.90)	(12,258.19)
EBIT	(6,604.29)	(7,911.40)	(9,477.22)	(11,352.94)	(13,599.90)
Tax rate					
EBIAT	(6,604.29)	(7,911.40)	(9,477.22)	(11,352.94)	(13,599.90)
Depreciation & Amortization	\$675.19	\$808.82	\$968.90	\$1,160.67	\$1,390.39
Accounts receivable	51.87	55.35	59.07	63.03	67.26
Inventories	-	-	-	-	-
Prepaid expenses	159.32	218.90	300.77	413.26	567.82
(Accounts payable)	(31.99)	(36.26)	(41.09)	(46.57)	(52.78)
(Accrued expenses)	(1,436.14)	(1,862.28)	(2,414.86)	(3,131.41)	(4,060.57)
(Capital expenditures)	26.69	25.63	24.62	23.65	22.71
Unlevered free cash flows	(7,159.35)	(8,701.23)	(10,579.81)	(12,870.31)	(15,665.07)
Discount Rate (WACC)	0.93	0.86	0.80	0.74	0.69
Present value of free cash flows	(6,645.77)	(7,497.63)	(8,462.39)	(9,555.99)	(10,796.70)
<b>Sum of present values of FCFs</b>	<b>(42,958.47)</b>				

## Exit Multiple Method

Sales	\$ 32,024
EV/Sales	3x
Terminal Value	\$ 96,073
<b>Present Value of Terminal Value</b>	<b>\$ 66,215</b>

## Sensitivity Analysis

WACC	Exit Multiple				
	1x	2x	3x	4x	5x
6%	(21,351)	2,579	26,510	50,440	74,370
8%	(20,814)	981	22,777	44,572	66,367
10%	(20,281)	(397)	19,488	39,372	59,257
12%	(19,756)	(1,585)	16,587	34,758	52,930

<b>Enterprise Value</b>	<b>\$ 23,257</b>
Less: Net debt	10,073
Equity Value	13,184
Diluted Shares Outstanding	1,764
<b>Equity Value Per Share</b>	<b>\$ 7.47</b>

Share  
Price  
Range

High	\$19.56
Low	\$ 5.34



# Comparable Companies

Company Comp Set	Market Data			Financial Data			Valuation Multiples		
Company Name	Stock Price	Market Cap	EV	TBV/Share	Revenue	EBITDA	EV/Sales	P/TBV	EV/Est Sales
Amazon	\$ 3,195	\$ 1,603,266	\$ 1,631,678	135x	\$ 347,945	\$ 43,708	5x	24x	4x
Avis Budget Group	37	2,580	16,258	N/A	6,209	109	3x	N/A	2x
Knight-Swift	41	7,002	7,770	9x	4,593	982	2x	5x	2x
Dazhong	0	1,111	1,279	1x	518	138	3x	1x	N/A
Shanghai Qiangsheng	1	1,403	1,486	N/A	463	49	3x	5x	4x
Lyft	39	12,396	10,968	6x	2,812	(1,522)	4x	7x	4x
Taiwan Taxi Co.	3	168	169	1x	69	17	2x	4x	N/A
FirstGroup	1	1,018	5,409	N/A	10,336	667	1x	N/A	1x
Daiwa Motor	9	37	100	19x	125	(10)	1x	1x	N/A
Flitways Technology	-	1	5	N/A	1	(1)	10x	N/A	N/A
XPO Logistics	106	9,674	16,779	N/A	15,723	1,276	1x	N/A	1x
C.H. Robinson Worldwide	93	12,605	13,851	2x	15,451	689	1x	45x	1x
Grubhub	70	6,496	6,646	N/A	1,658	(22)	4x	N/A	3x
Median	\$ 37	\$ 2,580	\$ 6,646	6x	\$ 2,812	\$ 109	3x	5x	2x

Uber	\$ 51	\$ 89,458	\$ 93,485	3x	\$ 12,982	\$ (4,111)	7x	17x	6x
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## Implied Valuation (\$ millions)

	Multiple	Underlying Value	Implied EV	Implied Share Price
EV/Sales	3x	\$ 12,982	\$ 33,753	\$ 13.42
P/BV	5x	\$ 3.01	\$ 28,702.83	\$ 10.56
EV/Est Sales	2x	\$ 16,516.84	\$ 40,135.92	\$ 17.04

Share  
Price  
Range

## Types of Comparables

Rideshare



Logistics/Freight



Food Delivery



Diversified Giant



## Non-Earnings Multiples

EV/Sales

*Emphasizes revenue over profits*

Price/Tangible Book Value

*For capital-intensive companies*

EV/Projected

*Factors in growth prospects*



# Precedent Transactions

Announcement Date	Acquirer Name	Target Name	Equity Value	Enterprise Value	EV/Revenue	EV/EBITDA
6/10/20	Just Eat Takeaway.com N.V.	Grubhub Inc.	\$ 8,118	\$ 6,646	5.6	125.9
10/22/19	MIH Food Delivery Holdings B.V.	Just Eat plc (nka:Just Eat Limited)	\$ 7,555	\$ 6,031	6.4	50
8/3/17	Grubhub Holdings Inc.	Eat24Hours.com, Inc.	\$ 288	\$ 328	4.7	158.9
Median					5.6	125.9

Uber	Revenue	EBITDA
Underlying Value	12,982	(4,111)
Implied EV	72,699	(517,575)
Equity Value	62,626	(527,648)
Implied Share Price	\$ 35.50	\$ (299.12)

Low	28.88
High	41.39

Share  
Price  
Range

## Data Limitations

*The selection of comparable transactions is not optimal due to the long time range (up to 3 years ago) and the fact that all involve food delivery when that is only Uber's second largest segment. This is due to data restrictions surrounding availability of transaction details.*



# Football Field

