

Instacart

4Q preview: Busy 30 days ahead - Results, lock up expiration & easing SNAP comps

Reiterate Rating: NEUTRAL | PO: 30.00 USD | Price: 26.60 USD

4Q: projecting GTV/rev/EBITDA in line with Street

Reports 2/13 and we expect GTV/rev/EBITDA at \$7.80bn/\$803mn/\$175mn, relatively in line with Street at \$7.80bn/\$805mn/\$171mn. Order growth will likely be a top metric (Street at 4.3% y/y) after mgmt. indicated some willingness to spend on incentives/marketing to drive orders. For advertising, guidance at \$20mn in q/q dollar growth suggests a deceleration to 7% y/y, leaving potential for some revenue/EBITDA upside. While 4Q data has been mixed, potential positive for call is commentary suggesting outlook for accelerating growth exiting 1Q as SNAP EBT headwinds start to lap.

Mixed spending data in 4Q

BAC aggregated credit & debit card data indicates Online grocery industry trends accel'd in 4Q'23, while Bloomberg Second Measure (BSM) observed sales data suggests Instacart sales decelerated. BSM data likely reflects SNAP EBT headwinds, which mgmt. indicated are greatest in 4Q'23, but may also suggest competitive impacts (In 4Q, Uber delivery accelerated and Retail & Grocery growth was above 40% y/y). We expect Steet to closely look at take rates (promotions) and marketing spend to help gauge quality of GTV growth and signs of competition. Shopper app metrics remained down y/y in 4Q.

1Q'24 Outlook: data suggests improving trends

For 1Q'24, January BSM estimated y/y sales has improved to to -3.4% y/y (4Q at -5.5%), while January MAUs per Sensor Tower were up 11%, both constructive. We are slightly below Street at GTV/rev/EBITDA of \$7.90bn/\$786mn/\$149mn vs. \$7.91bn/\$791mn/\$150mn. We project order growth to accelerate to 5.5% y/y, with the 1Q exit rate possibly higher given SNAP EBT headwinds lap in February, while AOVs are likely to be flattish y/y. We project advertising growth at 9% y/y on tough comps vs. 2023 buildout of shoppable ads.

Roll forward PO to 2025 ests; Reiterate Neutral

We roll forward our PO basis to '25 ests. Our \$30 PO (\$31 prior) is based on a 50/50 weighting of 3.0x EV/GP and 10x EV/EBITDA (vs. 3.5x/11x 2024 ests. prior), which is a modest discount to peers at 4.2x/13x, reflecting lower top-line growth. While we are constructive on the potential GTV acceleration & GAAP profitability in 2024, we continue to prefer Uber which is growing top-line faster & gaining share in grocery. Reiterate Neutral. We note the IPO-related lock-up of CART shares expires on 2/15.

Estimates (Dec) (US\$)	2021A	2022A	2023E	2024E	2025E
EPS	(1.72)	(0.24)	(20.95)	0.18	0.58
EPS Change (YoY)	14.4%	86.0%	NM	NM	222.2%
Consensus EPS (Bloomberg)			(8.50)	0.69	1.25
DPS	0	0	0	0	0
Valuation (Dec)					
P/E	NM	NM	NM	147.8x	45.9x
EV / EBITDA*	156.0x	28.4x	8.6x	7.3x	6.2x
Free Cash Flow Yield*	-2.9%	3.4%	7.2%	8.9%	9.9%

* For full definitions of *IQmethod*SM measures, see page 10.

12 February 2024

Equity

Key Changes

(US\$)	Previous	Current
Price Obj.	31.00	30.00

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Stock Data

Price	26.60 USD
Price Objective	30.00 USD
Date Established	12 Feb-2024
Investment Opinion	C-2-9
52-Week Range	22.13 USD - 42.95 USD
Mrkt Val (mn) / Shares Out (mn)	7,454 USD / 280.2
Free Float	8.4%
Average Daily Value (mn)	62.48 USD
BofA Ticker / Exchange	CART / NAS
Bloomberg / Reuters	CART US / CART.OQ
ROE (2023E)	-83.5%
Net Dbt to Eqty (Dec-2022A)	-54.6%

GTV: Gross Transaction Value

AOV: Average Order Value

SNAP: Supplemental Nutrition Assistance Program

EBT: Electronic Benefit Transfer

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Timestamp: 12 February 2024 04:00AM EST

iQprofileSM Instacart

iQmethodSM – Bus Performance*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Return on Capital Employed	-3.7%	2.7%	-52.4%	1.7%	3.9%
Return on Equity	-5.9%	-0.8%	-83.5%	1.3%	3.7%
Operating Margin	-4.7%	2.4%	-72.9%	3.4%	7.8%
Free Cash Flow	(217)	253	536	662	737

iQmethodSM – Quality of Earnings*

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash Realization Ratio	NM	NM	NM	12.1x	3.9x
Asset Replacement Ratio	0.8x	0.7x	1.1x	0.8x	0.7x
Tax Rate	NM	NM	17.3%	49.4%	27.5%
Net Debt-to-Equity Ratio	-51.0%	-54.6%	-58.2%	-68.1%	-71.2%
Interest Cover	NA	NA	NA	NA	NA

Income Statement Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Sales	1,834	2,551	3,042	3,264	3,509
% Change	24.2%	39.1%	19.3%	7.3%	7.5%
Gross Profit	1,226	1,831	2,277	2,439	2,622
% Change	39.5%	49.3%	24.4%	7.1%	7.5%
EBITDA	34	187	617	726	849
% Change	-74.6%	450.0%	230.2%	17.5%	16.9%
Net Interest & Other Income	14	9	63	23	11
Net Income (Adjusted)	(113)	(19)	(2,750)	60	206
% Change	2.7%	83.4%	NM	NM	244.3%

Free Cash Flow Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Net Income from Cont Operations (GAAP)	(73)	428	(1,784)	68	206
Depreciation & Amortization	16	34	49	74	91
Change in Working Capital	(192)	124	(111)	(38)	(92)
Deferred Taxation Charge	0	(373)	(387)	84	103
Other Adjustments, Net	45	64	2,824	536	492
Capital Expenditure	(13)	(24)	(56)	(61)	(63)
Free Cash Flow	-217	253	536	662	737
% Change	-121.4%	NM	111.8%	23.6%	11.2%
Share / Issue Repurchase	464	49	404	0	0
Cost of Dividends Paid	0	0	0	0	0
Change in Debt	0	0	0	0	0

Balance Sheet Data (Dec)

(US\$ Millions)	2021A	2022A	2023E	2024E	2025E
Cash & Equivalents	1,146	1,505	2,231	3,463	4,200
Trade Receivables	832	842	851	886	962
Other Current Assets	417	393	222	223	226
Property, Plant & Equipment	28	38	126	147	170
Other Non-Current Assets	538	891	1,240	1,240	1,240
Total Assets	2,961	3,669	4,670	5,959	6,798
Short-Term Debt	0	0	0	0	0
Other Current Liabilities	592	795	758	787	806
Long-Term Debt	0	0	0	0	0
Other Non-Current Liabilities	120	116	82	86	89
Total Liabilities	712	911	840	873	895
Total Equity	2,249	2,758	3,830	5,086	5,902
Total Equity & Liabilities	2,961	3,669	4,670	5,959	6,798

* For full definitions of iQmethodSM measures, see page 10.

Company Sector

Internet/e-Commerce

Company Description

Instacart is the largest Online marketplace for grocery delivery and pick-up in the United States, with more than 7.5mn monthly active customers and 1,400+ retail banners that represent about 85% of the US grocery market. Instacart also offers adjacent services for retail customers through Instacart Enterprise Platform, an end-to-end tech technology solution that powers first-party Online storefronts, and Instacart Ads.

Investment Rationale

Investment Rationale

Instacart is a leading grocery platform TAM with a strong established ecosystem of grocers, shoppers and subscribers, with competitive barriers. Online grocery penetration is expected to expand to close to 30% given the time savings and convenience of buying online, enabling significant growth for leading grocery platforms. However, COVID unwind will likely weigh on growth rates and we look for catalysts to accelerate GTV growth toward sector levels to be more constructive.

Stock Data

Average Daily Volume 2,348,847

Quarterly Earnings Estimates

	2022	2023
Q1	-1.15A	0A
Q2	0A	0A
Q3	0A	-20.86A
Q4	0.91A	-0.09E

4Q preview

Reports 2/13 and for 4Q'23 we project GTV/rev/EBITDA of \$7.80bn/\$803mn/\$175mn, relatively in line with Street at \$7.80bn/\$805mn/\$171mn. The quarter will likely be highlighted by: (1) stable cohort trends as reopening headwinds fade offset by SNAP comp headwinds, (2) seasonally soft advertising growth with 4Q guidance suggesting y/y deceleration after a strong 3Q, (3) new Caper Cart ad initiatives (see [off-platform advertising expands](#)), and (4) new or expanded retailer partnerships (see [Whole Foods partnership](#)). We expect questions on take rate drivers (mgmt. guides to ad investment rate expansion below 20bps for the next few quarters), COVID cohort trends, potential impact from lapping difficult SNAP comps, growth vs. gig competitors, ROI on promotions and advertising spend, Whole Foods deal and implications, and buyback potential given lock-up expiration on 2/15.

4Q spending data is mixed with BAC aggregated credit & debit card data indicating Online grocery industry spending trends accelerated, while Bloomberg Second Measure data indicated decelerating y/y sales trends on the platform. Additionally, mgmt. indicated in 3Q that they are prepared to spend opportunistically on marketing & incentives to drive order growth. As such, we think Street's 5.6% y/y GTV growth for 4Q is achievable, through Street will be watching take rates and marketing spend for signs of competition.

For 1Q'24, we project GTV/rev/EBITDA of \$7.90bn/\$786mn/\$149mn, slightly below Street at \$7.91bn/\$791mn/\$150mn. BAC aggregated data, Second Measure, and Sensor Tower consumer app data all suggest trends accel'd in January, and would support Street's GTV growth projection accelerating 40bps to 6.0% y/y. Acceleration is expected to be driven primarily by order growth (to 5.4% y/y, 110bps accel vs. 4Q), while AOV headwinds (projected to decel 60bps) include the return to pre-COVID spend levels on the platform & smaller basket sizes from diversified use cases (more convenience). We think 2Q'24 is the quarter that could have most acceleration in GTV growth on easing SNAP comps, though gig economy competitors are also targeting SNAP customers.

Recently reported trends from competitors. For traditional grocers, Kroger reported delivery sales for the quarter ended Nov 4 increased 20% y/y (4pt decel), while Albertsons reported digital sales increased 21% y/y (3pt accel) for the quarter ended Dec 2. Walmart reports on C4Q results on Feb 20 and is expected generate 15% y/y digital sales growth (9pt decel), per BofA Food Retailers analyst Robby Ohmes. For gig economy peers, Uber reported 4Q'23 Grocery & Retail grew 40%+ y/y, and relatively stable results from Uber could suggest continued traction for gig economy competitors (Dash, which reports on 2/15, indicated grocery sales doubled y/y in 3Q).

Positives for the quarter could include: (1) cohort data suggesting reopening headwinds from pandemic-cohort trends are unwinding; (2) signs of new customer growth from incentive/marketing spend, (3) advertising upside vs. seemingly conservative guidance; and (4) outlook for acceleration in GTV growth in 1Q given improving traffic trends and easing comps.

Negatives for the quarter could include: (1) take rate compression or elevated marketing expense from increased spend to drive orders; (2) tough SNAP EBT comps pressures GTV more than expected; (3) large deceleration in ad growth, and (4) ongoing concerns on expiration of the post-IPO lockup on 2/15.



Exhibit 1: BofA vs. Street

We project Q4'23 GTV/rev/EBITDA of \$7.80bn/\$803mn/\$175mn vs. Street at \$7.80bn/\$805mn/\$171mn.

	Q4'23E			Q1'24E			FY24E		
	BofA	Street	Variance	BofA	Street	Variance	BofA	Street	Variance
Drivers									
Orders	69.5	69.4	0.1	70.3	70.2	0.1	284.4	282.1	2.3
Y/Y	4.5%	4.3%	0.2	5.5%	5.4%	0.1	5.9%	5.1%	0.8
AOV	\$112.2	\$112.5	-\$0.2	\$112.4	\$112.7	-\$0.3	\$112.1	\$112.9	-\$0.8
Y/Y	1.0%	1.2%	(0.2)	0.3%	0.6%	(0.3)	-0.4%	0.2%	(0.6)
GTV	\$7,800	\$7,800	-\$1	\$7,899	\$7,912	-\$13	\$31,871	\$31,835	\$36
Y/Y	5.5%	5.6%	(0.0)	5.8%	6.0%	(0.2)	5.4%	5.3%	0.1
Transaction Revenue	562	562	(0)	569	570	(2)	2,311	2,290	21
Take Rate	7.2%	7.2%	0.0	7.2%	7.2%	(0.0)	7.3%	7.2%	0.1
Y/Y	6.0%	6.0%	(0.0)	1.7%	2.0%	(0.3)	6.4%	5.5%	0.9
Advertising and Other Revenue	242	248	(7)	217	223	(6)	953	973	(20)
Ad Investment Rate	3.1%	3.2%	(0.1)	2.8%	2.8%	(0.1)	3.0%	3.1%	(0.1)
Y/Y	6.5%	9.5%	(2.9)	8.6%	11.6%	(3.0)	9.6%	11.4%	(1.8)
Total Revenue	\$803	\$805	-\$1	\$786	\$791	-\$5	\$3,264	\$3,264	\$0
Y/Y	6.1%	6.3%	(0.2)	3.6%	4.2%	(0.7)	7.3%	7.2%	0.0
Non-GAAP									
Adj. Cost of Revenue	183	189	(5)	189	194	(6)	769	766	3
Adj. Gross Profit	620	616	4	597	597	1	2,494	2,498	(3)
% margin	77.2%	76.6%	0.6	76%	75%	1	76.4%	76.5%	(0.1)
Adj. Operations & Support	66	66	(0)	65	61	4	262	237	25
Adj. Research & Development	127	129	(2)	129	131	(1)	491	507	(16)
Adj. Sales & Marketing	170	176	(5)	171	176	(5)	693	701	(8)
Adj. General & Administrative	82	82	(0)	82	81	0	322	326	(4)
Total Adj. Operating Expenses	445	453	(8)	448	450	(2)	1,769	1,771	(3)
Adj. Income Operating Income	\$175	\$163	\$12	\$149	\$147	\$2	\$726	\$727	-\$1
% margin	21.8%	20.3%	1.5	19.0%	18.6%	0.4	22.2%	22.3%	(0.0)
SBC	175	181	(7)	145	167	(22)	500	486	14
Other Adjustments	(28)	(6)	(21)	(32)	(6)	(27)	(158)	(120)	(38)
GAAP Net Income	-\$27	-\$24	-\$2	-\$28	-\$25	-\$3	\$68	\$121	-\$52
% margin	-3.3%	-3.0%	(0.3)	-4%	-3%	(0)	2.1%	3.7%	(1.6)
Adj. EBITDA	\$175	\$171	\$3	\$149	\$150	-\$1	\$726	\$718	\$8
% margin	21.8%	21.3%	0.5	19.0%	19.0%	0.0	22.2%	22.0%	0.2

Source: Bloomberg, BofA Global Research estimates

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Data update

Online grocery spending data

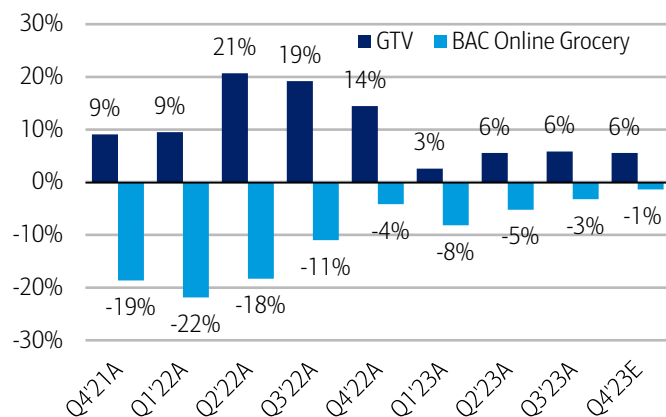
BAC aggregated credit & debit card data suggests Online grocery spending in 4Q declined 1.4% y/y, a 1.9pt improvement vs. 3Q at -3.2% y/y. Trends continued to improve in January, accelerating 1pt vs. December to flat y/y. See the [BofA on USA](#) note for an explanation of the methodology, disclaimers and limitations with BAC aggregated credit and debit card data.

Bloomberg Second Measure

Bloomberg Second Measure credit & debit card spend data indicates observed sales on Instacart declined 5.5% y/y in 4Q, a 3.2pt deceleration from -2.3% in 3Q. After a November low, monthly trends indicate December improved 80bps to -5.6% y/y, and a further 220bps in January to -3.4%. BSM data is 99% correlated with reported GTV trends since 4Q'20, and there could be risk of deceleration in 4Q'23. However, we think there is potential for improvement in 1Q.

Exhibit 2: Y/Y change in GTV vs. BAC aggregated card data

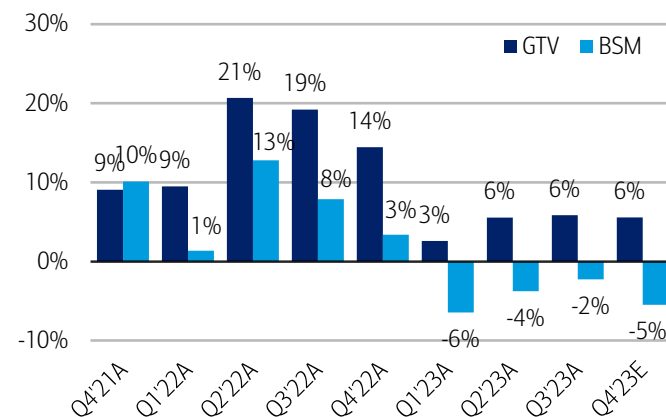
In 4Q, BAC aggregated card data suggests industry accel'd 2pts to -1% y/y



Source: Company reports, Bloomberg, BAC Internal Data, BofA Global Research
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Exhibit 3: Y/Y change in GTV vs. BSM observed sales

In 4Q, BSM observed sales decelerated 3pts to -5% y/y



Source: Company reports, Bloomberg, BofA Global Research
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Exhibit 4: Y/Y change in BAC aggregated credit and debit card data for Online grocery

In January, the Online grocery category declined 20bps y/y, a 1pt acceleration

BAC Y/Y	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2022	-21.8%	-20.7%	-23.0%	-19.6%	-19.1%	-16.0%	-11.0%	-11.8%	-10.2%	-6.2%	-2.2%	-4.1%
2023	-11.7%	-7.1%	-5.6%	-7.2%	-4.6%	-3.7%	-4.4%	-3.2%	-2.0%	-1.7%	-1.2%	-1.2%
2024	-0.2%											

Source: BAC Internal Data

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Exhibit 5: Y/Y change in Bloomberg Second Measure observed sales

In January, observed sales on Instacart declined 3.4% y/y, an improvement vs. 4Q at -5.5% y/y

BSM Y/Y	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec
2022	2.5%	-0.7%	2.1%	9.2%	14.5%	14.9%	16.1%	2.9%	5.2%	2.7%	5.8%	1.8%
2023	-13.0%	-3.7%	-1.5%	-2.6%	-7.2%	-1.2%	-1.7%	-2.4%	-2.7%	-4.5%	-6.4%	-5.6%
2024	-3.4%											

Source: Bloomberg

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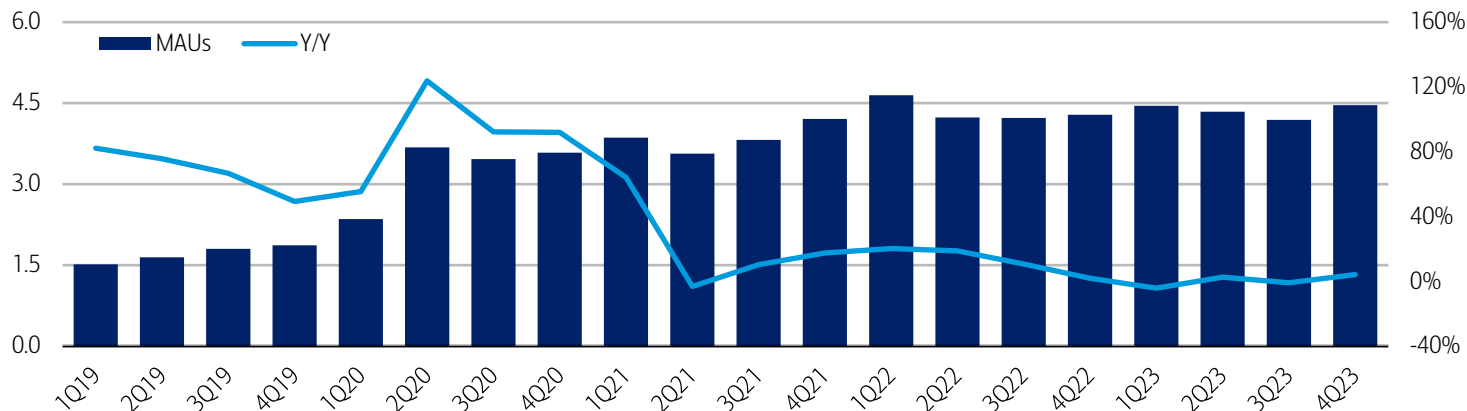


Consumer app metrics

Per Sensor Tower, 4Q average Monthly Active Users were 4.46mn, up 4% vs -1% y/y in 3Q'22, and further improved to 4.96mn in January (11% y/y). January MAUs were only 3% below Instacart's January 2022 peak of 5.12mn during Omicron. Data indicates MAUs used the Instacart app an average of 10.0x per month in 4Q (+1% y/y), though this declined to 9.5x in January (-3% y/y). Downloads declined 8% y/y in 4Q, a 2pt decel vs. 3Q, though accelerated to 6% 1QTD.

Exhibit 6: Instacart consumer MAUs (mn) and Y/Y trends

Per Sensor Tower, consumer MAUs in 4Q'23 increased 4% y/y to 4.46mn

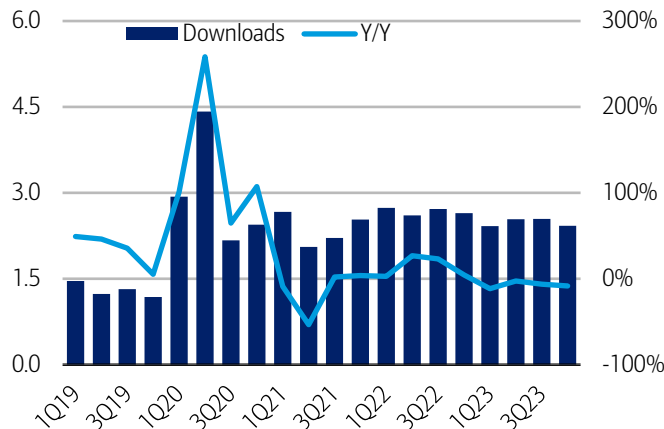


Source: Sensor Tower, BofA Global Research

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Exhibit 7: Instacart consumer Downloads (mn) and Y/Y trends

The consumer app had 2.42mn downloads in 4Q (-8% y/y)

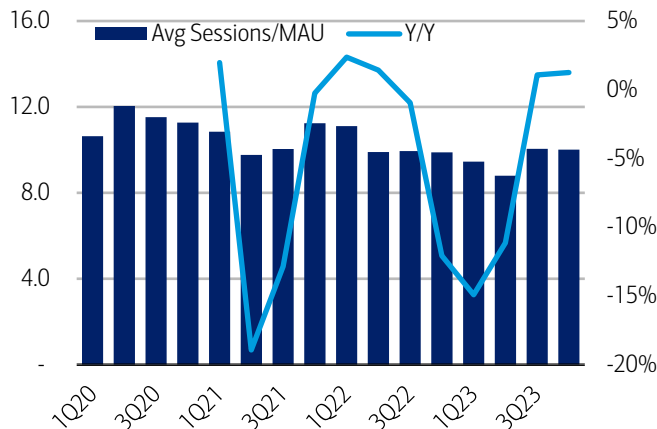


Source: Sensor Tower, BofA Global Research

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Exhibit 8: Instacart consumer Sessions per MAU and Y/Y trends

In 4Q, consumers averaged 10.0 sessions per MAU per month (+1% Y/Y)



Source: Sensor Tower, BofA Global Research

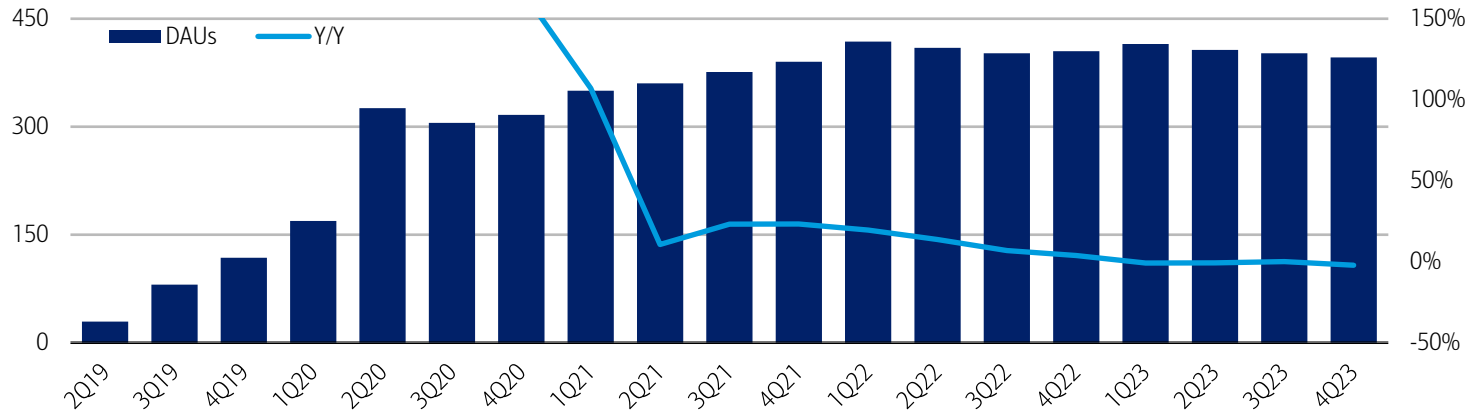
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Shopper app metrics

According to Sensor Tower, Daily Active Users on Instacart's shopper app were 396k on average in 4Q, down 2% y/y, compared to Instacart reporting 600,000+ shoppers, so up to 60-70% of shoppers could be active in any given day. This increased to 404k in January, representing a decline of 4% y/y. Data indicates shoppers spent an average of 25.2hrs in-app per month in 4Q, a decline of 7% y/y (vs. -2% for 3Q) though increased shopper efficiencies could be driving overall time spent down. Downloads declined 12% y/y to 1.13mn in 4Q, a 16pt decel, and decreased further to 16% y/y in January (however, Sensor Tower indicates this was an 8pt acceleration vs. December).

Exhibit 9: Instacart shopper DAUs ('000) and Y/Y trends

Per Sensor Tower, shopper DAUs in 4Q'23 declined 2% y/y to 396k

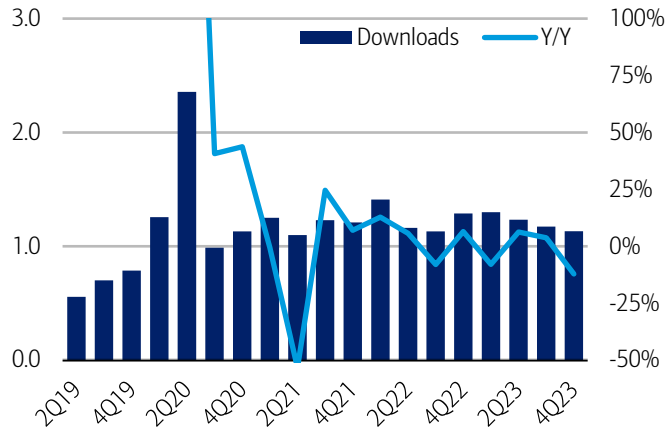


Source: Sensor Tower, BofA Global Research

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Exhibit 10: Instacart shopper Downloads (mn) and Y/Y trends

The shopper app reached 1.13mn downloads in 4Q (-12% y/y)

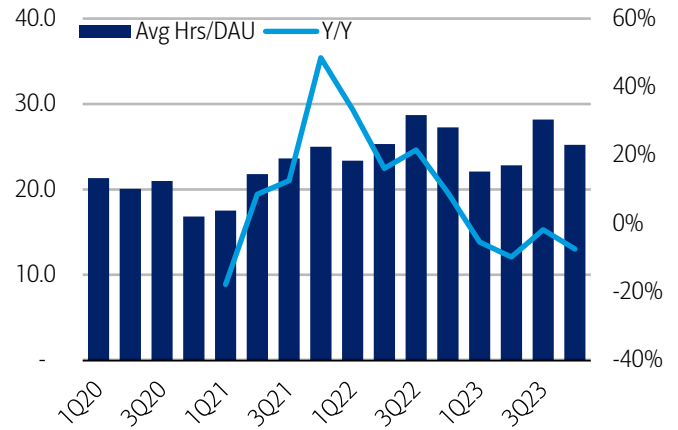


Source: Sensor Tower, BofA Global Research

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Exhibit 11: Instacart shopper Hours per MAU and Y/Y trends

In 4Q, shoppers averaged 25.2 hours per month (-7% y/y)



Source: Sensor Tower, BofA Global Research

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Valuation

We roll forward our PO basis to 2025 estimates. Our \$30 PO (from \$31) is now based on a 50/50 weighting of 3.0x EV/GP and 10x EV/EBITDA (vs. 3.5x/11x 2024 estimates), which is a discount to peers at 4.2x/13x. Our valuation arrives at an Enterprise Value of \$8.2bn, which implies a blended EV/EBITDA multiple of 9.6x. While we are constructive on the potential GTV acceleration and return to GAAP profitability in 2024, we continue to prefer Uber which is growing top-line faster and gaining share in grocery. Including net cash of \$2.1bn, we arrive at an Equity Value of \$10.2bn. Our \$30 PO is based on a fully diluted share count of 337mn.

Exhibit 12: Price objective

Our \$30 PO is based on a 50/50 weighting of 3.0x EV/GP and 10x EV/EBITDA

Metric (\$mn)	2025E	Multiple	Weighting	Value	Comp Avg.	Metric (2025)
Gross Profit	\$2,622	3.0x	50%	7,866	4.2x	EV/GP
EBITDA	\$849	10.0x	50%	8,488	13.0x	EV/EBITDA
Enterprise Value				\$8,177		
(+) Cash				2,066		
(-) Debt				-		
Equity Value				\$10,243		
Share Count				337		
Share Price				\$30		
Current Px				\$26.60		
Upside/(Downside)				13%		

Source: Bloomberg, BofA Global Research estimates

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Exhibit 13: Instacart comp table

Instacart trades at 8.1x 2025 EV/EBITDA, a discount to peers at 13.0x.

Company (\$bn)	Price 02/09/24	EBITDA Margin 2024	EBITDA Margin 2025	Sales Growth 2024	Sales Growth 2025	Gross Margin 2024	Gross Margin 2025	EV/Revenue 2024	EV/Revenue 2025	EV/GP 2024	EV/GP 2025	EV/EBITDA 2024	EV/EBITDA 2025	P/E 2024	P/E 2025	MtkCap (\$mn)	EV (\$mn)
Gig-economy																	
Uber	\$70.91	14%	16%	17%	16%	40%	41%	3.5x	3.0x	8.7x	7.4x	24.8x	18.5x	45x	30x	\$145,923	\$151,715
DoorDash	\$119.31	16%	19%	18%	17%	49%	50%	4.4x	3.7x	9.0x	7.6x	27.2x	20.1x	102x	55x	\$47,510	\$44,103
Upwork	\$14.46	14%	16%	12%	13%	76%	77%	2.4x	2.1x	3.2x	2.8x	17.2x	13.0x	19x	15x	\$1,968	\$1,863
Meituan	\$67.30	11%	14%	19%	18%	35%	37%	1.1x	0.9x	3.1x	2.6x	10.0x	6.8x	14x	9x	\$58,553	\$50,734
Median		14%	16%	17%	16%	49%	50%	3.5x	3.0x	8.7x	7.4x	24.8x	18.5x	45x	30x		
Average		15%	17%	16%	15%	55%	56%	3.4x	3.0x	7.0x	5.9x	23.1x	17.2x	55x	33x		
eCommerce																	
Amazon	\$174.45	20%	21%	12%	12%	48%	49%	2.9x	2.6x	6.1x	5.4x	14.9x	12.6x	35x	27x	\$1,812,079	\$1,879,855
eBay	\$42.43	31%	31%	2%	4%	72%	72%	2.5x	2.4x	3.5x	3.3x	8.1x	7.7x	10x	10x	\$22,021	\$25,575
Etsy	\$78.09	27%	28%	5%	9%	71%	71%	3.7x	3.4x	5.2x	4.8x	13.6x	12.2x	22x	19x	\$9,351	\$10,612
Wayfair	\$52.42	5%	5%	3%	7%	31%	31%	0.7x	0.7x	2.4x	2.2x	16.2x	12.6x	NM	NM	\$6,183	\$9,060
Chewy	\$17.40	4%	4%	5%	7%	29%	29%	0.6x	0.6x	2.2x	2.0x	17.6x	13.7x	34x	23x	\$7,506	\$7,328
Median		20%	21%	5%	7%	48%	49%	2.5x	2.4x	3.5x	3.3x	14.9x	12.6x	28x	21x		
Average		17%	18%	5%	8%	50%	50%	2.1x	1.9x	3.9x	3.5x	14.1x	11.8x	25x	20x		
Comp Median		14%	16%	12%	12%	48%	49%	2.5x	2.4x	3.5x	3.3x	16.2x	12.6x	28x	21x		
Comp Average		16%	17%	10%	11%	50%	51%	2.4x	2.2x	4.8x	4.2x	16.6x	13.0x	35x	24x		
Instacart	\$26.60	22%	24%	7%	8%	76%	76%	2.1x	2.0x	2.8x	2.6x	9.6x	8.1x	41x	22x	\$8,975	\$6,909
Instacart (BofAe, PO)	\$30.00	22%	24%	7%	8%	75%	75%	2.5x	2.3x	3.4x	3.1x	11.3x	9.6x	150x	50x	\$10,243	\$8,177

Source: Bloomberg, BofA Global Research

BofA GLOBAL RESEARCH

Price objective basis & risk

Instacart (CART)

Our PO of \$30 is based on a 50/50 weighting of 3.0x EV/Gross Profit and 10x EV/EBITDA, multiples which are at a discount to the eCommerce and Gig Economy peer group given lower relative growth expectations. Our PO is based on a fully diluted share count of 337mn and is supported by our DCF analysis.

Downside risks are 1) potential that reopening impact on cohorts (returning to in-store shopping) continues for longer than expected, 2) loss of any grocery partners, 3) grocery share gains by Walmart and Amazon impact Instacart's growth/market share, 4) new regulations and changes in driver employment legislation.

Uber (UBER, C-1-9, \$70.91)

Our SOTP applies an EV/2025E Revenue valuation of 3.6x for Mobility, 3.0x revenue for Delivery (implies 0.6x bookings), and 0.7x revenue for Freight, which are slight premiums to peers given potential network effects. Our SOTP valuation implies segment values of \$106bn for Mobility, \$48bn for Delivery, and \$4.2bn for Freight, which implies a Total Enterprise Value for Uber of \$158bn. Based on Net Debt of \$0.6bn and a realizable value of investments of \$8.2bn we estimate a target market cap of \$166bn. Our Price Objective of \$78 is based on 2.1bn shares outstanding. Our PO implies 20x 2025E EBITDA.

Downside risks are 1) multiple compression given macro economic exposure, 2) slowing user/revenue growth due to competitive initiatives from Lyft or DoorDash, 3) new competition from self-driving technology companies, and 4) new regulations, fees, and/or minimum wages.

Analyst Certification

I, Justin Post, hereby certify that the views expressed in this research report accurately reflect my personal views about the subject securities and issuers. I also certify that no part of my compensation was, is, or will be, directly or indirectly, related to the specific recommendations or view expressed in this research report.

US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
BUY				
	Alphabet	GOOGL	GOOGL US	Justin Post
	Alphabet	GOOG	GOOG US	Justin Post
	Amazon.com	AMZN	AMZN US	Justin Post
	AppLovin	APP	APP US	Omar Dessouky, CFA
	DoorDash	DASH	DASH US	Michael McGovern
	DoubleVerify Holdings, Inc.	DV	DV US	Omar Dessouky, CFA
	Electronic Arts	EA	EA US	Omar Dessouky, CFA
	Integral Ad Science Holding Corp.	IAS	IAS US	Omar Dessouky, CFA
	LegalZoom	LZ	LZ US	Michael McGovern
	Match Group	MTCH	MTCH US	Curtis Nagle, CFA
	Meta Platforms Inc	META	META US	Justin Post
	Pinterest	PINS	PINS US	Justin Post
	RH	RH	RH US	Curtis Nagle, CFA
	Roblox Corp. Class A	RBLX	RBLX US	Omar Dessouky, CFA
	Squarespace, Inc.	SQSP	SQSP US	Michael McGovern
	Uber	UBER	UBER US	Justin Post
	Udemy Inc	UDMY	UDMY US	Curtis Nagle, CFA
	Vivid Seats	SEAT	SEAT US	Curtis Nagle, CFA
	Wayfair	W	W US	Curtis Nagle, CFA
	Wix.com	WIX	WIX US	Michael McGovern



US - Internet Coverage Cluster

Investment rating	Company	BofA Ticker	Bloomberg symbol	Analyst
NEUTRAL				
	ACV Auctions	ACVA	ACVA US	Curtis Nagle, CFA
	Airbnb	ABNB	ABNB US	Justin Post
	Beyond Inc	BYON	BYON US	Curtis Nagle, CFA
	Booking Holdings Inc	BKNG	BKNG US	Justin Post
	Bumble	BMBL	BMBL US	Curtis Nagle, CFA
	Digital Turbine, Inc	APPS	APPS US	Omar Dessouky, CFA
	Duolingo	DUOL	DUOL US	Curtis Nagle, CFA
	eBay	EBAY	EBAY US	Justin Post
	Etsy, Inc.	ETSY	ETSY US	Curtis Nagle, CFA
	Expedia	EXPE	EXPE US	Justin Post
	Instacart	CART	CART US	Justin Post
	Magnite, Inc.	MGNI	MGNI US	Omar Dessouky, CFA
	Snap	SNAP	SNAP US	Justin Post
	Take-Two Interactive	TTWO	TTWO US	Omar Dessouky, CFA
	Zillow	ZG	ZG US	Curtis Nagle, CFA
	Zillow	Z	Z US	Curtis Nagle, CFA
UNDERPERFORM				
	Chewy Inc	CHWY	CHWY US	Curtis Nagle, CFA
	Lyft, Inc.	LYFT	LYFT US	Michael McGovern
	Opendoor Technologies	OPEN	OPEN US	Curtis Nagle, CFA
	Peloton	PTON	PTON US	Curtis Nagle, CFA
	Playtika	PLTK	PLTK US	Omar Dessouky, CFA
	Redfin Corp	RDFN	RDFN US	Curtis Nagle, CFA
	Shutterstock	SSTK	SSTK US	Curtis Nagle, CFA

iQmethodSM Measures Definitions**Business Performance**

Return On Capital Employed

Return On Equity
Operating Margin
Earnings Growth
Free Cash Flow

Quality of Earnings

Cash Realization Ratio
Asset Replacement Ratio
Tax Rate
Net Debt-To-Equity Ratio
Interest Cover

Valuation Toolkit

Price / Earnings Ratio
Price / Book Value
Dividend Yield
Free Cash Flow Yield
Enterprise Value / Sales

EV / EBITDA

Numerator

NOPAT = (EBIT + Interest Income) × (1 – Tax Rate) + Goodwill Amortization

Net Income
Operating Profit
Expected 5 Year CAGR From Latest Actual
Cash Flow From Operations – Total Capex

Numerator

Cash Flow From Operations
Capex
Tax Charge
Net Debt = Total Debt – Cash & Equivalents
EBIT

Numerator

Current Share Price
Current Share Price
Annualised Declared Cash Dividend
Cash Flow From Operations – Total Capex
EV = Current Share Price × Current Shares + Minority Equity + Net Debt + Other LT Liabilities
Enterprise Value

Denominator

Total Assets – Current Liabilities + ST Debt + Accumulated Goodwill
Amortization
Shareholders' Equity
Sales
N/A
N/A

Denominator

Net Income
Depreciation
Pre-Tax Income
Total Equity
Interest Expense

Denominator

Diluted Earnings Per Share (Basis As Specified)
Shareholders' Equity / Current Basic Shares
Current Share Price
Market Cap = Current Share Price × Current Basic Shares
Sales

Basic EBIT + Depreciation + Amortization

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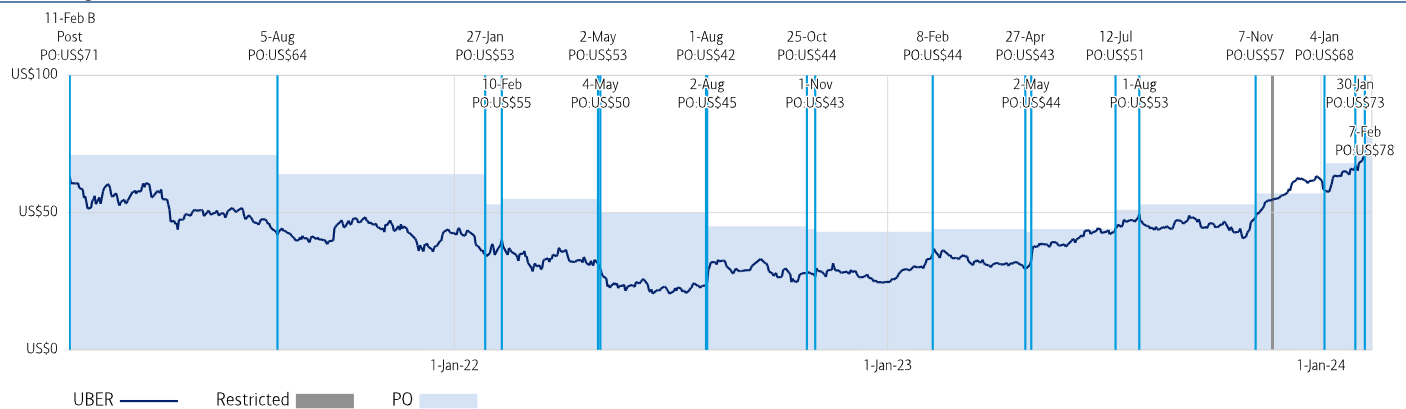
Instacart (CART) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Uber Technologies (UBER) Price Chart



B: Buy, N: Neutral, U: Underperform, PO: Price Objective, NA: No longer valid, NR: No Rating

The Investment Opinion System is contained at the end of the report under the heading "Fundamental Equity Opinion Key". Dark grey shading indicates the security is restricted with the opinion suspended. Medium grey shading indicates the security is under review with the opinion withdrawn. Light grey shading indicates the security is not covered. Chart is current as of a date no more than one trading day prior to the date of the report.

Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

^{R1} Issuers that were investment banking clients of BofA Securities or one of its affiliates within the past 12 months. For purposes of this Investment Rating Distribution, the coverage universe includes only stocks. A stock rated Neutral is included as a Hold, and a stock rated Underperform is included as a Sell.

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Investment rating	Total return expectation (within 12-month period of date of initial rating)	Ratings dispersion guidelines for coverage cluster ^{R2}
Buy	≥ 10%	≤ 70%
Neutral	≥ 0%	≤ 30%
Underperform	N/A	≥ 20%

^{R2}Ratings dispersions may vary from time to time where BofA Global Research believes it better reflects the investment prospects of stocks in a Coverage Cluster.

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