DoorDash Pitch （NASDAQ: DASH）

January 2024

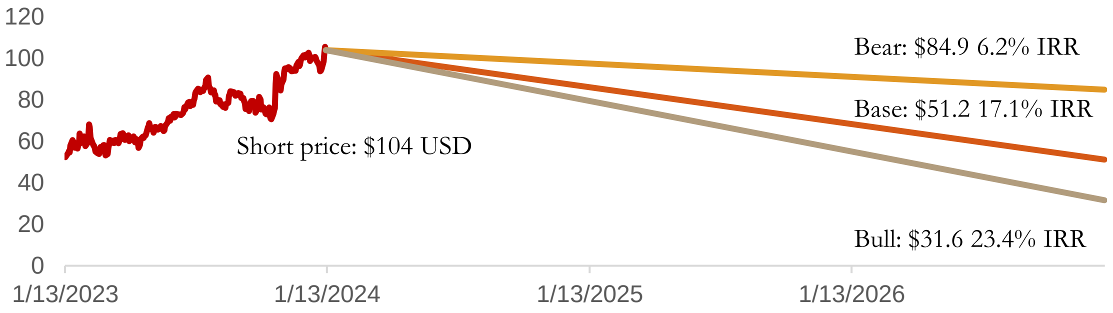
DOORDASH

Pacific Investment Research

Executive Summary

DOORDASH

Return Profile



Valuation Snapshot

DoorDash (NASDAQ: DASH) is an online food order/delivery aggregator with 65% market share in the U.S and appears in Europe. The firm provides similar services to businesses in addition to restaurants, such as grocery, retail, pet supplies, and flowers.

Market Cap	$41.47 B	EBITDA Margin	15.9%
Stock Price	$104.13	Net Debt	-$3,328 M
EV/Revenue	5.0x	3yr Sales CAGR	43.8%

Why This Opportunity Exists

I. Market prices in ~9.5% long-term revenue growth, but GOV growth likely slows down over the next five years given stagnant AOV and order frequency growth with limited ideal user TAM; unfavorable platform fee structure vs competitors likely pressures take rate and domestic market saturation limits share gains

II. Despite market optimism around margin expansion with fixed costs leverage, we believe Wolt integration and international expansion will increase near term S&M and G&A spend, risk in labor regulations and gig worker treatment increase driver incentive needs

III. Market expects DASH's Wolt acquisition and non-restaurant verticals (grocery, convenience) to provide significant revenue boost, but existing competition and logistics challenge for grocery limits growth runway, require upfront investments and pressure take rate

Our Investment Thesis

I. Revenue: We believe excessive demand growth induced during COVID is likely unsustainable with resumption of in-person dining. As evident in stagnant order frequency and AOV growth, the on demand delivery industry nature and market saturation limits GOV growth and further market share gains.

II. Margin: We believe DASH's operational efficiency strategy will hit a bottleneck because of labor costs and international expansion; timeline of profitability becomes uncertain with Wolt integration

III. Vertical/TAM expansion: We believe DASH's expansion into non-restaurant delivery verticals will be less successful than expected. In particular, grocery delivery take rate is half of restaurants, and competition from Instacart will divert merchant/consumer interests, limiting incremental MAU and partner growth

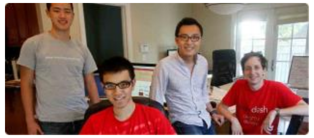
Company Overview

DOORDASH

- DoorDash is a U.S. technology company that connects consumers with local businesses and operates in more than 25 countries around the globe. DoorDash The company allows consumers to place customized orders and track status through mobile or web applications. DoorDash operates in the food delivery services industry, primarily within the U.S. market.
- Products and services:
  - DoorDash Marketplace and Wolt Marketplace: provide a suite of services that enable merchants to transact with customers and fulfil orders through Dashers
  - DashPass and Wolt+: membership products that provide zero delivery fees and reduced service fees
  - Platform Services: DoorDash Drive and Wolt Drive: white-label delivery fulfillment services; DoorDash Storefront: own branded online ordering experience

2013

Tony Xu, Evan Moore, Stanley Tang and Andy Fang launched Palo Alto Delivery on Stanford campus.



2015

By end of 2015, DoorDash expanded to 22 markets in the US and Canada, hitting 1 million deliveries. Competitive strategy was to partner with large, established restaurant chains.

2016

Launched DoorDash Drive, white-label delivery platform

2018

Launched DashPass, subscription membership program for no delivery fees

2019

Overtook Grubhub to become No. 1 food delivery player in the US, been on top ever since, owning 65% of the market today

2020

Began trading on NYSE on Dec 9, 2020, IPO price at $102 per share and closed at $190 on the first day

Added DashMart and on-demand delivery from grocery and convenience stores

2021-22

Acquired Wolt for $8.1B, a Finnish food-delivery company with operations in 23 countries

Bought Chowbotics, maker of robot vending machine that prepares custom salads

Bought Bbot, contactless ordering and payment platform

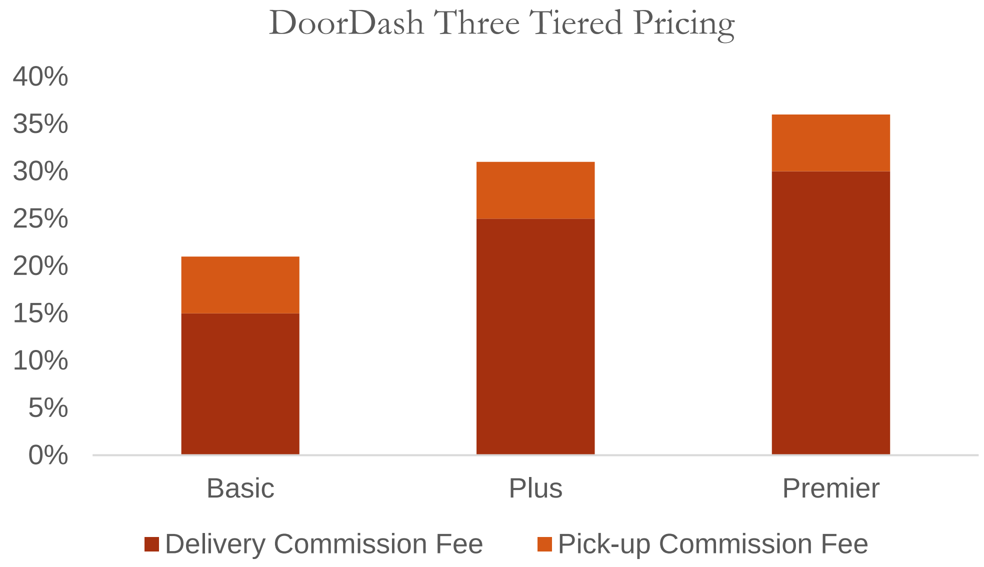
Source: Business Insider

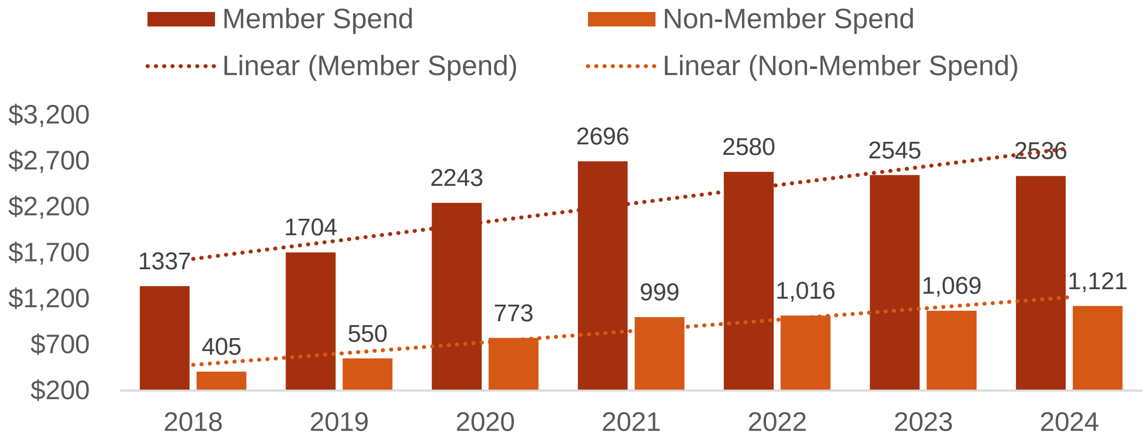
Pricing Model

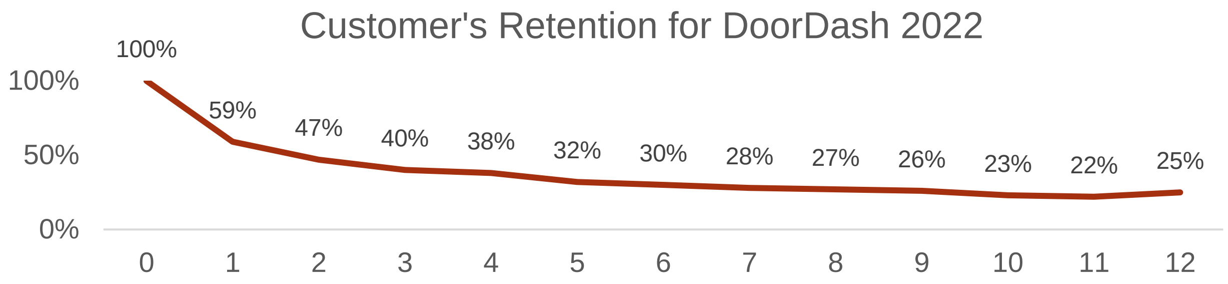
DOORDASH

- **Restaurant Partners: Three-tiered pricing**
  - Basic (15%): stay listed on the app, reduces radius and adds fees
  - Plus (25%): access to DoorPass, expands the radius and reduces fees,
  - Premier (30%): access to DoorPass, expands the radius and reduces fees, guarantee of at least 20 orders/month

- **Membership's effectiveness**
  - On average member spend 2.74 times more than non-member. However, since 2021, the member spend slightly but constantly decreases.
  - Membership fee remains $9.99 since 2018.
  - Customers' retention for DoorPass is low







User and Merchant Portrait

DOORDASH

Users

Frank, 27
Parent, Engineer

Jim, 21
College Student

Younger adults use DoorDash the most

60% of those aged 18-24 and 45% of those aged 25-34 use the apps at least once per month, compared to only 7% of those 55 and older.

Merchants

Major restaurants
Eg. Chipotle

Top Grocers and Retailers
Eg. Sprouts Farmers Market

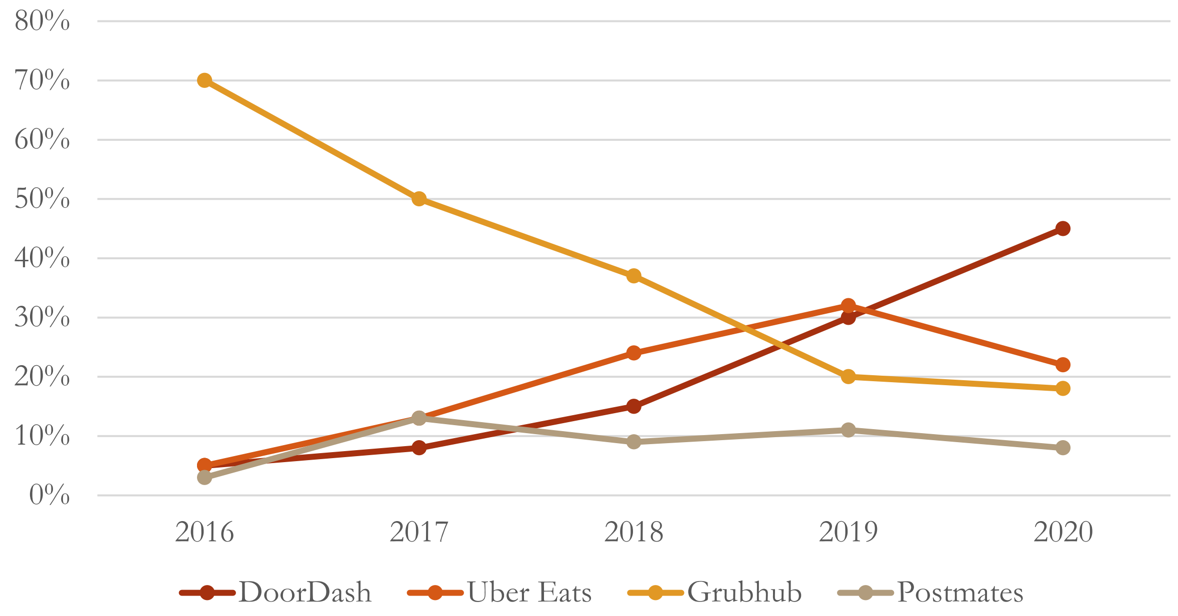
Top restaurants and retailers are DoorDash's main partnership target

Industry Overview

DOORDASH

- **US** Online Food Delivery Market
  - Market Size:
    - Expected $ 29.1 bn for 2023
    - Projected $ 68.6 bn for 2032
  - CAGR: to grow annually by 9.8%
  - DoorDash U.S market share rapidly grows in the past five years

DoorDash US Market Share vs Competitors



- **DoorDash acquired Wolt in 2021**
  - Wolt had 3% market share in 2020
  - Wolt has most market in Northern Europe
    - Finland: 23 locations; Main Competitor: Foodora
      - Foodora has more sites in certain cities than Wolt, esp. in Finland
    - Sweden: 12 locations; Main Competitor: HelloFresh
      - HelloFresh delivers meal kit
    - Denmark: 9 locations; Main Competitor: JustEat
      - JustEat has the feature of price comparison embedded
    - Japan: 9 locations; Main Competitor: UberEat
      - UberEat's promotion can also be applied to transportation
- **DoorDash international:**
  - CAGR: Expected to grow annually by 10.3 %
  - Market Size:
    - $ 254.52 bn for 2023
    - $ 505.50 bn projected for 2030

foodora

Hello FRESH

JUST EAT

Source: Impactful Insights, Precedence Research, E-sign House, Statista

Industry Driving Factors

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COVID-induced demand is disappearing

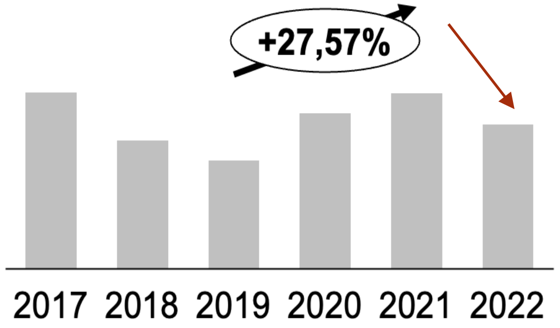
The expenditure on food delivery apps skyrocketed during the COVID-years but the effect has been disappearing

Grocery shopping has become the primary reason people use delivery apps

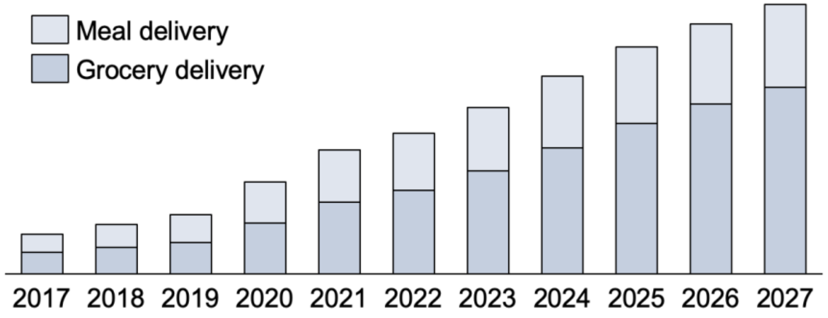
Apps like Uber Eats has also partnered with PetSmart, Staples, Party City...etc

Losing of users

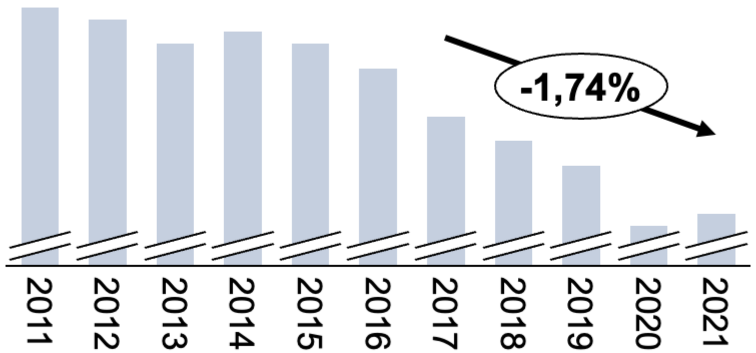
Due to the decline in the birth rate, the primary users of DoorDash, the younger population, has been decreasing



U.S. household expenditure on delivery services



Market size of the global online food delivery sector



Crude birth rate in the United States

Source: Statista

Competitor Landscape

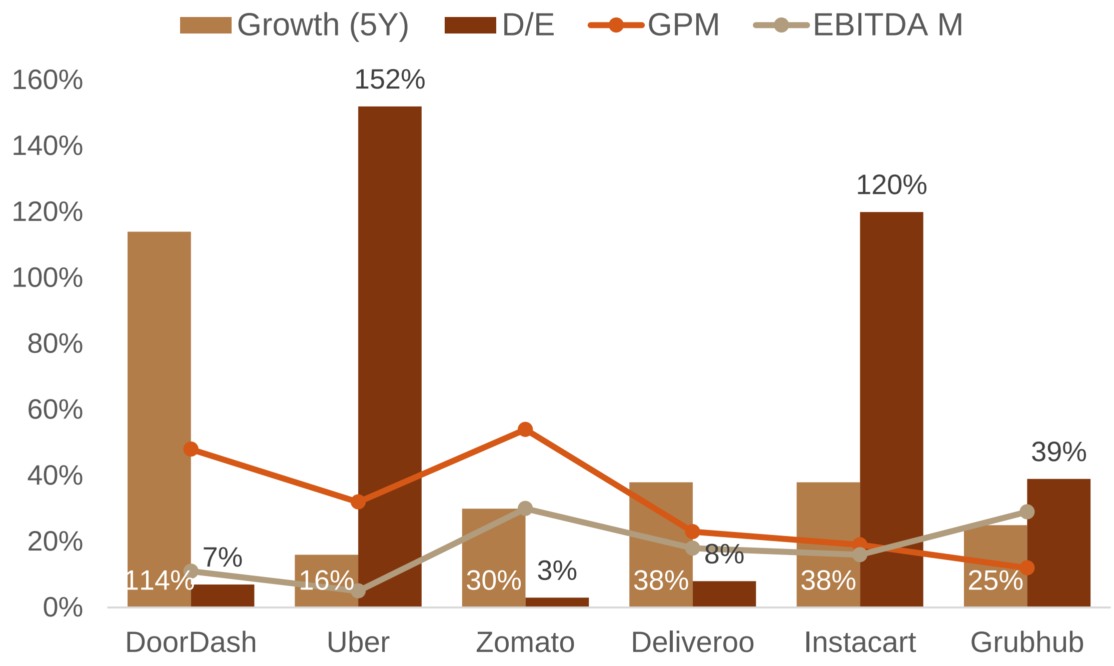
Overall, DoorDash doesn't have a competitive advantage in terms of delivery fees, commission fees, and food prices.

	Delivery Fee	Commission Fee	Subway - Streak & Cheese
DoorDash	15%	Basic: 15%, Plus: 25%, Premier: 30%	Subtotal $7.59 Delivery Fee ~~$1.99~~ $0.00 Fees & Estimated Tax $3.82 **Total** ~~US$13.40~~ **US$11.41**
Uber Eats	$0 to $8	Lite: 15%, Plus: 25%, Premium: 30%	Subtotal US$7.59 Delivery fee US$1.49 Delivery discount -US$1.49 Taxes & Other Fees US$2.82 **Total** ~~US$11.90~~ **US$10.41**
Grubhub	10%	Basic: 5%, Plus: 10%, Premium: 15%	Items subtotal $7.59 Delivery fee $0.00 Other fees $3.14 Tax $0.82 **Total** **$11.55**

Source: Companies' websites and apps

Competitor Landscape

- UberOne can also save money when calling taxi, making the membership more appealing than DashPass
- Grubhub is subscription based, the number of subscriber is guaranteed
- Deliveroo is prominent in Britain, where Dash is difficult to further dominate since the lack of customer foundation
- Instacart provides groceries and household products more quickly than Dash



Uber	Food delivery platform operated by Uber, a ride-sharing platform.
GRUBHUB	Link individuals and companies with local caterers; helps users get additional discounts on their orders and track their orders live.
DOORDASH	**An online food order demand aggregator that offers delivery and pickup for various types of businesses.**
deliveroo	Headquartered in London, generates revenue through commissions, user fees, restaurant sign-up fees, and packaging sales.
instacart	Online grocery pickup and delivery service provider currently in the United States and Canada.

Source: Pitchbook, Seeking Alpha (Jan 2023)

Thesis I: Industry Nature and Market Saturation Limit Revenue Growth Drivers

DOORDASH

Industry Nature

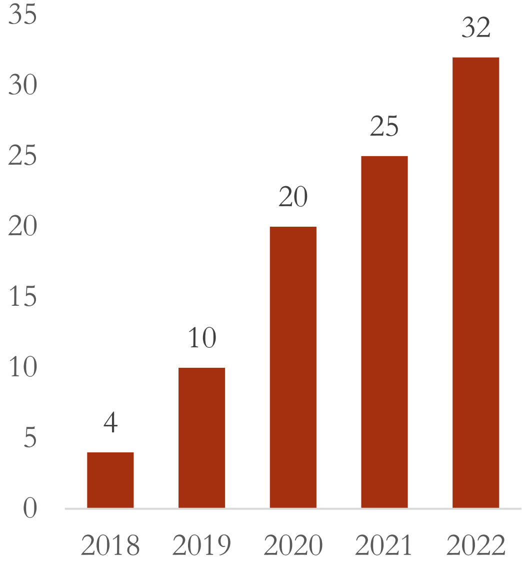
"Food is the most resilient and highest frequency category" -- Tony Xu, Chief Executive Officer

- "Resilient" means better performance under pressure, but conservative growth
- "Highest frequency": for how high?

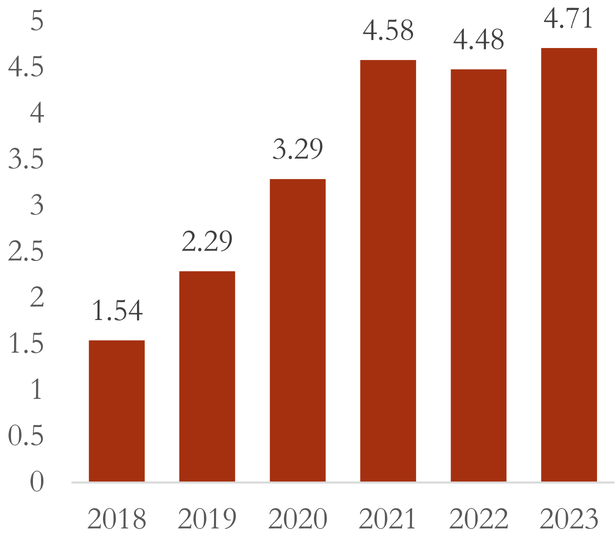
Gross Order Value Driving Factors

Gross Order Value = Monthly Active Users * Order Frequency * Average Order Value

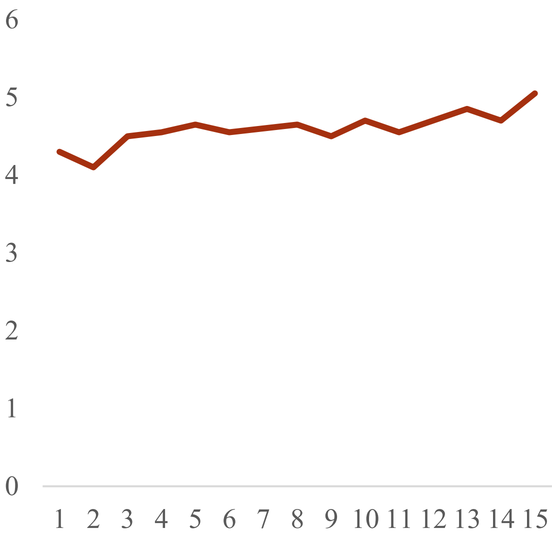
DoorDash Global Users (mn)



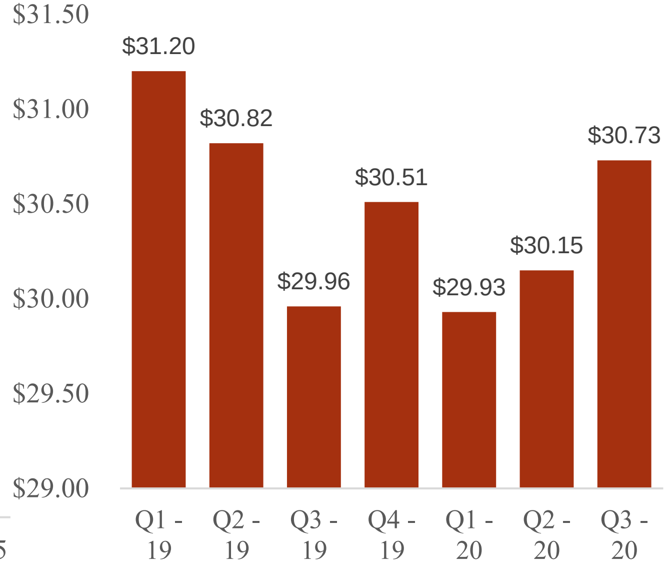
DoorDash Orders/MAU per Month



Average Monthly Orders per User (Jan 2021 - Mar 2022)



Average Order Value



Source: Backlinko, Company Data

Thesis I: Industry Nature and Market Saturation Limit Revenue Growth Drivers

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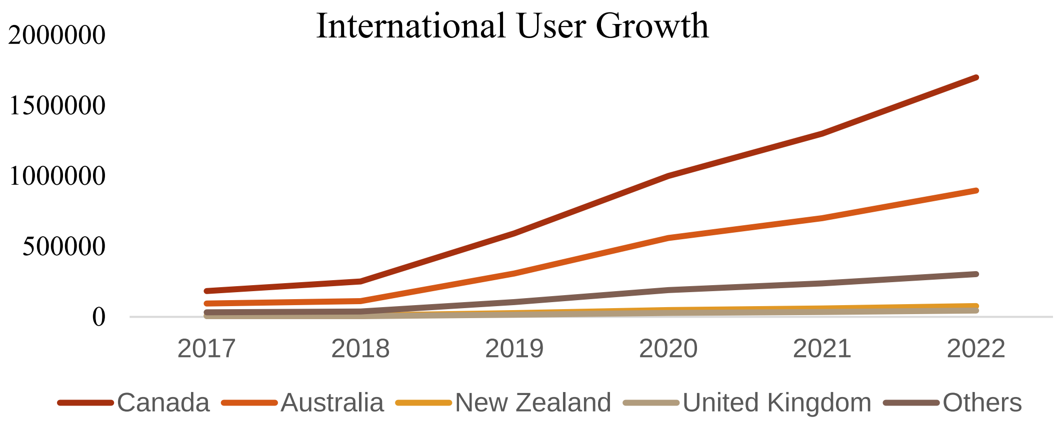
Monthly Active Users Growth by Market growth

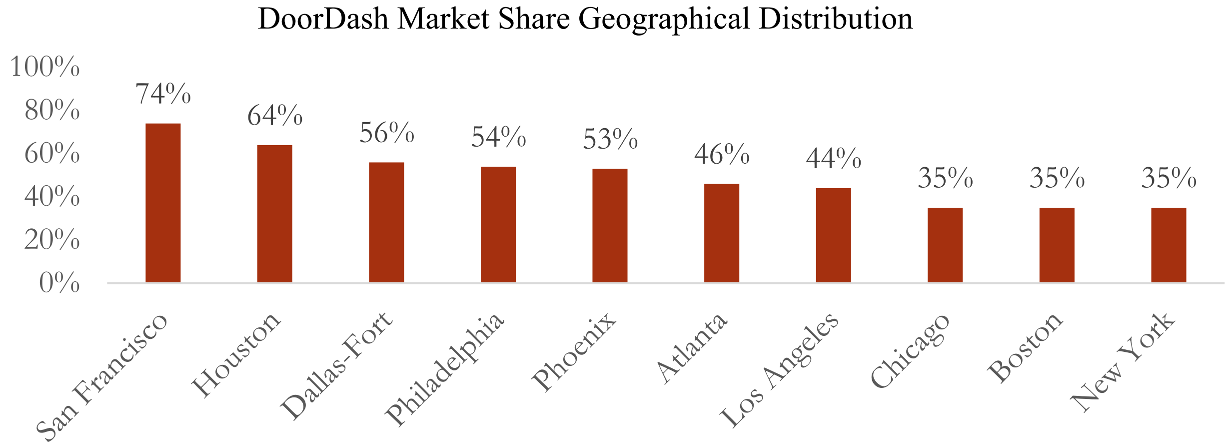
“In the convenience or grocery or alcohol segments, almost half of new customers that come into the industry in the US come to DoorDash first." – Tony Xu, Chief Executive Officer

- **US non-restaurant as new verticals**: More than 100,000 non-restaurant businesses on DoorDash spanning grocery, convenience, flowers, gifts, party supplies, office supplies and healthcare products and more.
- **International market**
- **Strong current market position in US restaurant**:
  - Number of Restaurants: Over 500,000 merchants, each restaurant cover customer of certain taste and location and price.
  - Wide Courier network: 2 million monthly active Dashers, each Dasher covers some users.
- **Overall, DoorDash is currently at good position**



However, the contribution of expansion to revenue growth is doubtful.

- **Long runway:** 9% of TAM in the US restaurant category, Current 1% of overall market, 7% of available homes, not as good as competitor Amazon Primes.
- **Narrow age demographics leading to limited customer base**: DoorDash target the younger adult segment, with 34% of consumers aged 18-24 using food delivery apps. US age 18-24 population is 31 million.
- **Older generations tend to cook at home**: Another DoorDash target market is busy parents, of which 16% use food delivery apps.
- **Highly Varying Geographic Distribution**: Market share varies largely between regions, so the launch of expansion to the international or US suburban market is not a key driver.
- **New verticals do not bring new DoorDash users**: 70% to 90% customers who shop on DoorDash’s platform are net new customers to DoorDash's grocery and convenience store partners



Source: Backlinko, Business of Apps, Company Data, Restaurantdive

Thesis I: Industry Nature and Market Saturation Limit Revenue Growth Drivers

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Current Strategies for Average Order Value

- **DoorDash recommended strategies to restaurants:** Encouraging to order in more restaurants for one meal, offering alcohol, reminder of tipping, same delivery and in-store prices.
- **Classic In-app promotions:** Buy-one-get-one-free, percentage off and dollar-off .
- **"DD Perks":** A free month of unlimited deliveries
- **Increased average order value for DashPass member**: DashPass members spend more than twice as much as non-member
- **Low Average Order Value**: Average order value was $37.28, only 20% spent more than $50, and remains low

Current Strategies for Order Frequency

- **Increased order frequency for new users**: "Newer cohorts are starting out at a higher level than many of the older cohorts" – Ravi Inukonda, Chief Financial Officer
- **"Bringing users back" strategy**: "We're not trying to drive the order frequency of just restaurants or new verticals. The way we think about it is how do bring more users back." - Ravi Inukonda, Chief Financial Officer
- **Dasher side improvements**: "We've redesigned the Dasher app; given Dashers the opportunity to both own by and by effort. The combination improves order frequency on the Dasher side." -- Ravi Inukonda, Chief Financial Officer
- **Acquisition of Wolt:** Brings highly active users.

Limits for Average Order Value

- **Product quality cannot increase AOV**:
  - DoorDash reported to have improved the quality of service, including speed and accuracy, leading to lower product failure
  - Quality only make customer loyalty, not new customers because new demand is not created
- **Company positioning brings upper limit:**
  - Food is not luxury
  - DoorDash target customer is middle-class and lower, and the number of customers living in low-income communities increased by 50% by 2021
  - DoorDash's business strategy is large sales and low unit profit, reporting to have improved the affordability for both non-DashPass and DashPass cohorts

Limits of Order Frequency

- **Average order value has negative relationship with order frequency**: human consume limited quantity of food, grocery and medicine; new verticals like medicine has long shelf life.
- **Few food delivery occasions after COVID**: On average, Americans are deciding to order takeout or delivery 4.5 times a month, compared to eating at a restaurant an average of 3 times a month.
- **Life habit limit grocery order frequency**: For groceries and other products for delivery, order frequency is limited to once per week.
- **Stereotypes for food delivery:** Stereotypes are unhealthy and for lazy people, so order frequency remains low.
- **Drive-thru order remain strong:** DoorDash's estimates don't account for the 70% of fast-food sales that come from drive-thru orders

Source: Company Data, USfoods, Mosaic

Thesis I: Industry Nature and Market Saturation Limit Revenue Growth Drivers

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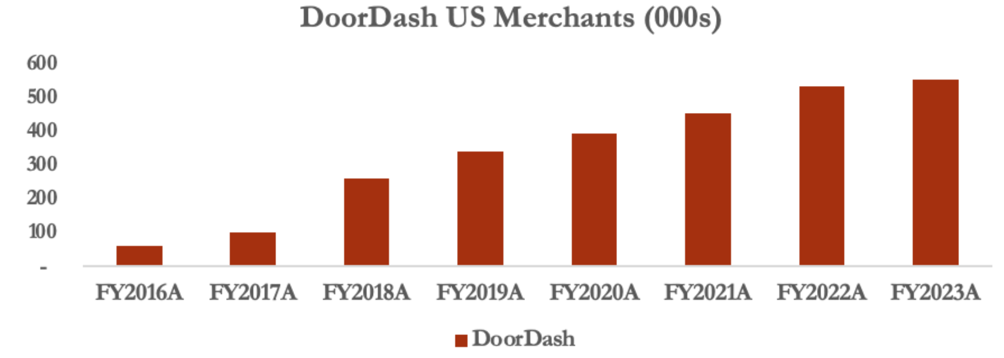
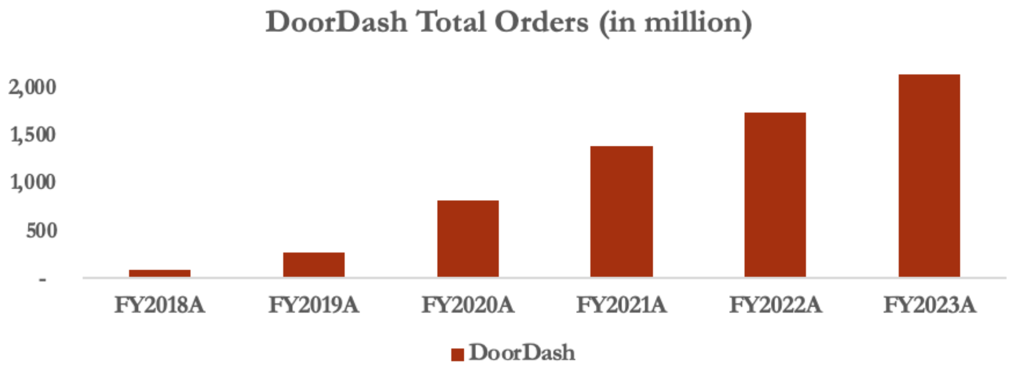
Historical increase in number of US merchants



Continuous increase in the number of total order with declining growth rate



Constant growth in GOV, GOV per order, and total order

GOV	66.6 Bn USD
Total orders	21.4 Bn
Take rate	12.9%

GOV per order	31
Revenue per order	4

In 2022, growth in revenue was 27% increase in Marketplace GOV

Marketplace Gross Order Value (GOV) Growth:
- In 2022, Marketplace GOV surged to $53.4 billion, reflecting a substantial 27% increase from the previous year.
- Key Drivers: Primarily propelled by organic growth in Total Orders and the strategic acquisition of Wolt.

Anticipated Slowdown in GOV Growth:
- Projections indicate an anticipated slowdown in GOV growth, with estimated rates of 18% and 15% for 2024 and 2025, respectively.
- The observed growth may face challenges in sustaining the same momentum in the upcoming years.

Source: Company Data

Thesis I: Industry Nature and Market Saturation Limit Revenue Growth Drivers

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DoorDash's competitive leadership positioned in restaurant merchants secured its market share

- DoorDash secured about 65% of Market Share of meal delivery monthly sales for August 2023, compared to Uber Eats of 23%
- Since 2020, DoorDash merchant's CAGR is as 12% which is lower than it's main competitor Uber Eats' CAGR of 15%, however, it's still exceeding Uber Eats in terms of number of merchants by 60,000 in the end of 2023
- The highly fragmented market in turns increase the number of merchants to be on DoorDash's marketplace, especially for lower to middle market merchants
- ***"a lot of [these] brands have just realized like there are distinct customers who will only order from DoorDash, only order from Uber whatever. So they want to be on everything." -- Former Senior Director - Head of SMB Account Management at DoorDash***

Decrease in growth rate of dashers count due to less attractive earning profile

- Adverse weather conditions may affect consumer demand and Dasher availability. Thus, it is critical to maintian and increase Dashers count for stability and minimized delivery time
- Average total payment per trip for Dashers is $8, inclusive of tips
- Dashers count growth has been facing stressed from more appealing drivers earning profile of Uber Eats, from both delivery and ride-sharing fees, and Instacart, which has a robust driver network utilizing algorithms for batch ordering

Valuations are skeptical about DoorDash achieves long-term substantial growth in MAU to drive GOV

At FY2023 Earning Call, DoorDash provides over 32 million MAU benefit from its technology investment to provide more user-friendly interface and optimized delivery routes

- User order frequency grown at a CAGR of 25% since 2018 and now stands at ~4.7 orders per user per month
- Given limited improvement in take rate, and lowering growth in MAU given exclusive partnerships and increasingly fragmented market, the order frequency came into importance to increase profitability in a greater degree
- Some other key drivers to MAU growth includes launch of DoorPass to increase the frequency of orders: DashPass users drives growths in order frequency who order 2x the rate of no-DashPass users
- US MAU usually order restaurants delivery nearly four times a month, thus stratgic price-to-value proposition of DashPass would drive growth in the # of members to further drive increase in order frequency

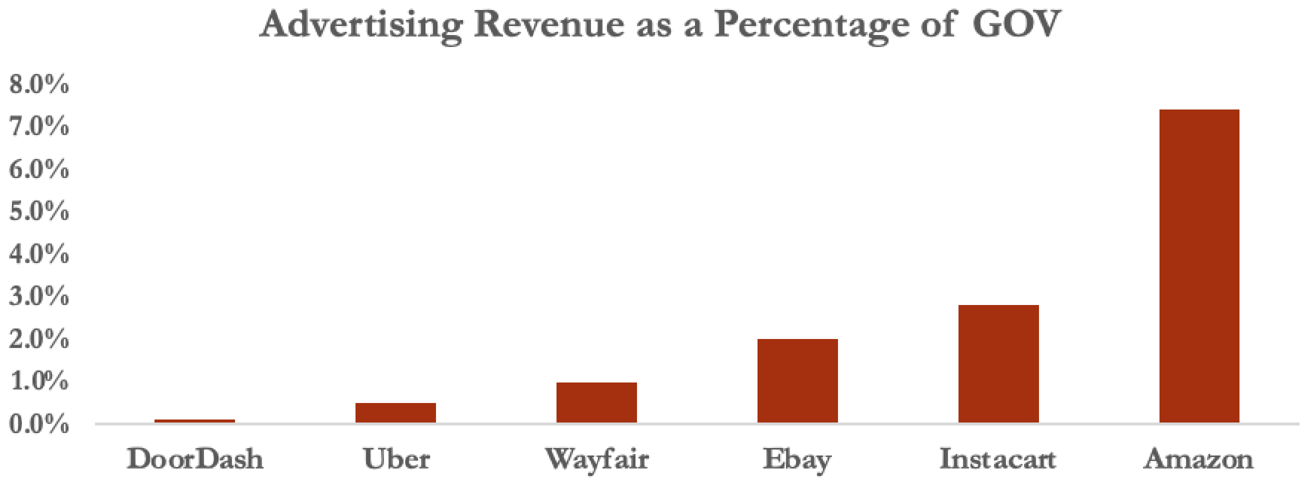
- The introduction of DashPass has driven growth in order frequency, but the overall profitability may be challenged by further taking share from Uber Eats, and retain the stickiness of customers

Source: Company Data, 10 K, Annual Reports

Thesis I: Industry Nature and Market Saturation Limit Revenue Growth Drivers

DoorDash’s immature advertising business put pressure on further attracting merchants compared to its competitors

- Doordash anticipates approximately $2 billion in advertising revenue over the medium term, benefiting from a 300 basis points (bps) take rate tailwind compared to 2023 levels
- However, its advertising penetration remains low, based on annual run-rate revenue, stands at about 0.1% of Gross Order Value (GOV) for Doordash.
- This figure is significantly lower than its primary competitor Uber, which boasts a 0.5% advertising penetration, and falls notably behind Instacart with a substantial 2.8%, making its advertising channels to be less incentive due to less revenue generated
- Although it is conservative to estimate DoorDash will at least reach the 0.5% of Uber, in short-term horizon, the immaterial advertising penetration throw significant disadvantage intaking over market share

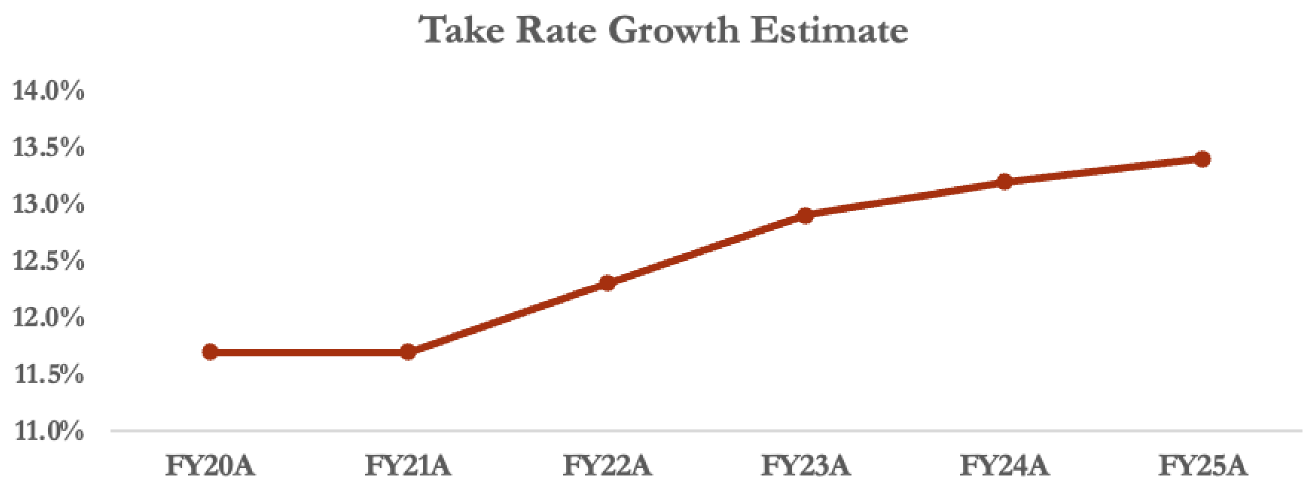


Thesis I: Industry Nature and Market Saturation Limit Revenue Growth Drivers

DOORDASH

Stiff competition and fragmented market challenges further increase in take rate

- In July 2023, Domino's deliver DPZ announced exclusive partnership with Uber Eats and its Postmates delivery market in the US to integrate Domino on Uber Eats marketplace, improved Uber Eats's supply of merchants
- Exclusive partnerships placed stress in increasing take rates for "Sugarfish" brands, for example, McDonald placed significant lower take rate compared to the average, with other restaurants are paying -5% average due to aggressive presence in local markets
- The current blended take rate is at about DoorDash faces challenges in increasing its take rate, which is currently around 17.5%
- Higher penetration in the enterprise space, where take n rates are generally lower, necessitates an upward adjustment over time to further drive the increase of blended take rate to 20% - 25%



Source: Company's 10 K, valuation

Thesis II: Operational efficiency hits a bottleneck because of margin expansion risks

DOORDASH

EBITDA Margin Expansion Risks

Labor cost and regulation

- **Higher wages for Dashers:** Dashers who deliver in NYC will now earn at least $29.93 per hour of active time, nearly twice NYC's $15 minimum wage for other workers. (2023 Dec) Dashers were making $1.45 per hour on average in 2020
- **Low base pay:** DoorDash's base contribution for each order ranging from $2-10+
- **Reclassification of Dashers into employee:** 90% of Doordash drivers work 10 or fewer hours per week, Dashers on average work 4 hours per week; but if reclassified, increased compensation.

New vertical expansion costs

- **Customer acquisition cost:** DoorDash spends about $6 to acquire each new customer
- **Low control over pricing in new verticals:** DashMart merchants are in control of delivery fees and zones.
- **High marketing expenses to sustain growth:** DoorDash still plans to rapidly grow, which requires strong marketing

Non-competitive courier treatment

- **DoorDash Salary structure:**
  - Earn by Time: Hourly minimum rate plus 100% of tips.
  - Earn Per Offer: Minimum amount for an order plus 100% of tips.
- **Mutiple complaints online:** "UberEats sends me an order for twice as much" "Unlike DoorDash, Uber allows the customer to tip more afterwards" "Uber is safer to use when driving as I just click X to deny an offer, while DoorDash makes me click a small button from a list of reasons."
- **Overall, DoorDash either have to increase wage or give incentives to compete**

Worrying signals affecting employees and customers

- **Pessimistic signal of employee layoff:** DoorDash recently announced the layoff of 1250 corporate workers
- **Constant and low subscription fee:** Subscription fee remain constantly low at $9.99 2018-2023, even with inflation and increased restaurant coverage, worsening unit economics

Source(s): Company Data, Querysprout, Thrivemyway, Mosaic

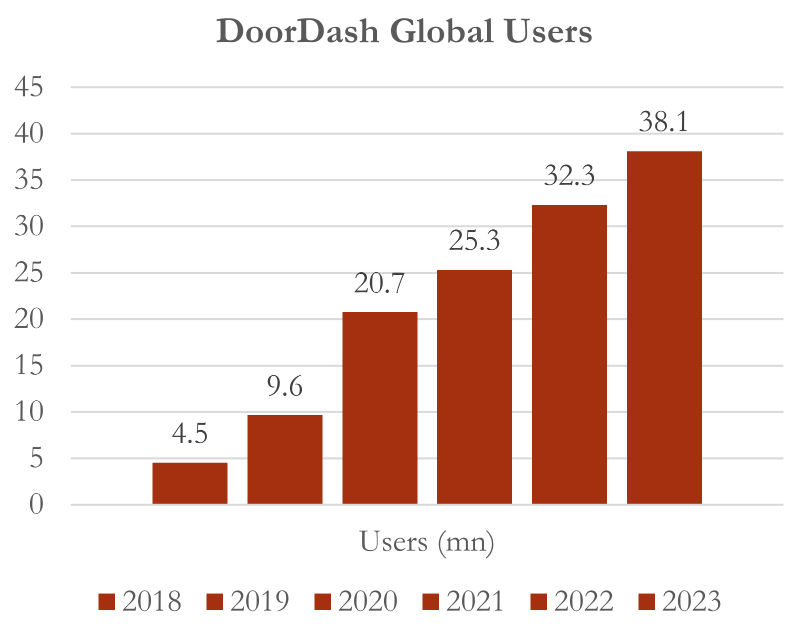
Thesis II: Risks of achieving near-term profitability of the expansion into international markets

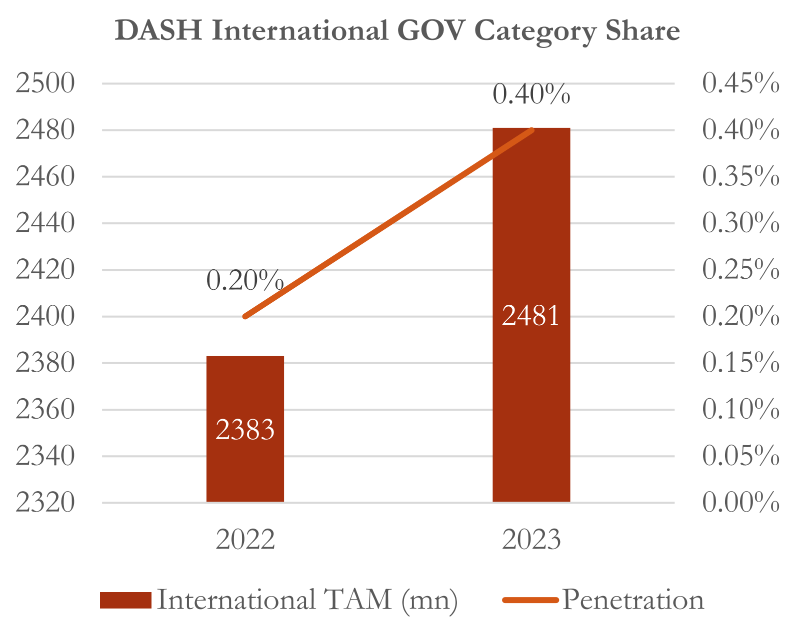
DOORDASH

DoorDash could achieve further revenue growth through expanding geographically with the 2022 acquisition of Wolt

- DoorDash has been expanding its footprint outside the US since 2015 but accelerated its international growth ambitions with the 2022 acquisition of Wolt, which expanded the company's operations from 4 to 27 countries.
- Management holds a positive attitude on Wolt as an opportunity to grow DoorDash's international business to multiples of what it is today, allowing DoorDash to invest and expand more efficiently than they could have done on our own and on a faster timeline.

Quotes from Management:
"Wolt is meeting our expectations, which are really high to start with…We are growing at multiples of what anyone else is growing internationally, and we are also improving our unit economics at the same time"





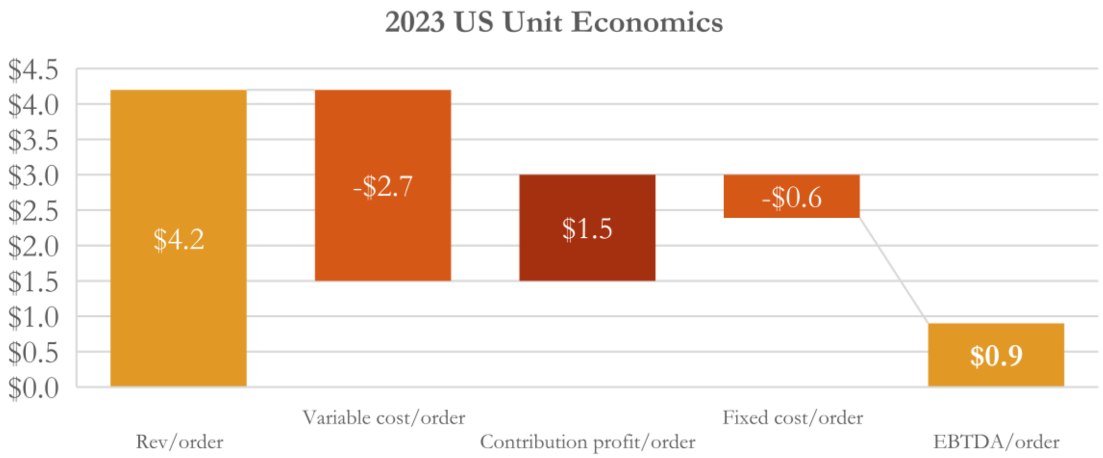
- Wolt itself sees a substantial expansion potential as most of its geographies is unpenetrated, (<1%) in the estimated international TAM, showing a long runway for growth in its international business.
- While international markets are generally more fragmented, DoorDash/Wolt is generally the largest or second largest operator in the vast majority of markets in which it operates and has been a share gainer in essentially all of its international markets over the last 12 months. It also has a meaningful competitive advantage relative to its rivals as it can apply its learnings from the US to international growth markets.

Source(s): DB Research, DoorDash Data

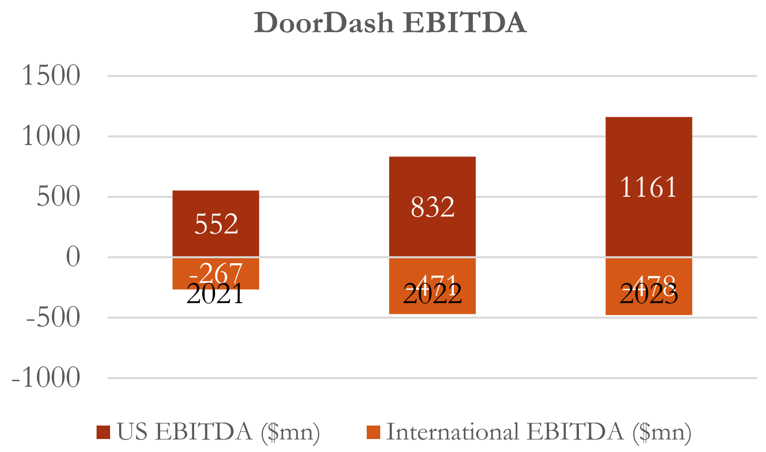
Thesis II: Risks of achieving near-term profitability of the expansion into international markets

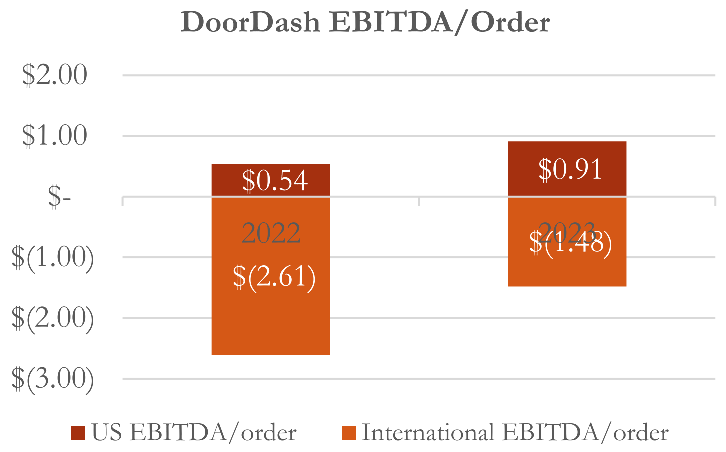
However, uncertainty of profitability pertains as Doordash continues geographical expansion into international markets.

- Performance of the Wolt/Doordash's International Unit



- Even though unit economics of Wolt and the international unit of DoorDash has been improving, its 2023 International Unit Economics appear to be unprofitable.





Thesis II: Risks of achieving near-term profitability of the expansion into international markets

However, uncertainty of profitability pertains as Doordash continues geographical expansion into international markets.

- Moreover, there exists a greater regulatory cost burden building in international markets like Canada, Australia, Ausria, Czechia, and Denmark. It would be unlikely for DoorDash's international business to reach margin parity with the US.

Country	Regulation regarding gig workers
Canada	Ontario introduced legislation in 2022 regarding a minimum wage for workers of ride hailing companies of 155/hour
Australia	2024 legislation will see workers retain their independent contractor status with the potential to earn a minimum rate per order or per job
New Zealand	A 2022 court ruling classified workers as employees of the platform and are subject to ride hailing both protection and benefits of the company.
Austria	Workers are classified as employees entitled to benefits such a sick and annual leave
Czechia	Workers are classified as employees subjecting them to the country's minimum wage either working as a freelancer of partnering with fleets
Denmark	Workers are classified as employees and making the responsibility of the platform to pay the minimum salary of 2,500 Euros/month in addition to labor and social rights

- DoorDash is currently in self-funding its operations/expansion into new geographies using profitability from core US restaurants/Drive with the goal of long-term share gains. Despite the great potential that expansion into international markets presents, incremental challenges such as new competition, requirements to invest to take share, more challenging logistics and unit economics exist. As such, these investments may take longer to scale or prove to be more expensive to build, with existing sellside research expects International not breakeven until 2025.
- During earnings call, DoorDash management highlights company's focus on reinvesting in the business and growing internationally. We believe this move could be an area for expansion and revenue growth, but remain doubtful on its ability to reach near-term profitability.

Source(s): DB Research

Thesis III: Competition hinders success of expansion into non-restaurant delivery as a growth driver

DOORDASH

US Non-restaurant delivery presents an attractive opportunity for growth and expansion

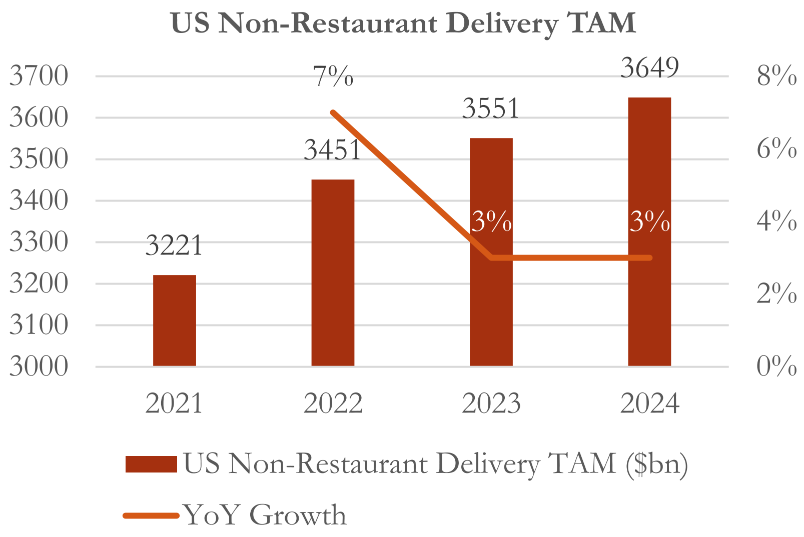
- Doodash has been relentless expanding in terms of adding supply and maintaining merchant supply advantages in the US, offering consumers the greatest variety in terms of choice and the most comprehensive offering
- Aside from continuing to offer more choices in the US Restaurant segment, Doodash is eagerly building up its non-restaurant segments.

DoorDash's delivery offering in non-restaurant categories

Grocery Delivery	First ventured into grocery delivery back in 2018, offering white-label delivery for Walmart's online grocery program; Operates multiple partnerships across the massive grocery space, including Wegmans, Gelson's, Sprouts, and Aldi.
Convenience	Serving as the market leader in convenience store delivery via partnerships with 7-Eleven, Walgreens, CVS, Wawa, as well as through operations of its first-party convenience offering, Dashmarts.
Retail	Expanding its delivery offering from PetSmart and Petco in the pet category, Dick's Sporting Goods in sporting goods, Office Depot and OfficeMax in office supplies, and Sephora in beauty.

- In aggregate, this market is estimated to represent a TAM of ~$3.6trn of which DoorDash captures only 10bps at an estimated GOV of $4.4bn. By excluding these scaled retailers, we believe that this market is sufficiently large to allow for growth from both DoorDash, and these scaled incumbents in the coming years.

Quotes from Management:
"More specifically, when I look at the new verticals area, last year, we mentioned that third-party convenience was **positive on a unit economic basis**. It has continued to grow from that point, both grocery as well as DashMart. There's been a step change improvement in the unit economics compared to last year."



Thesis III: Competition hinders success of expansion into non-restaurant delivery as a growth driver

DOORDASH

Competition from existing players casts shadow on Doordash's category expansion

- Despite Management's positive attitude toward DoorDash's further expansion in non-restaurant delivery, the non-restaurant delivery unit remains unprofitable, and DoorDash has to face more competition from existing players and invests across different areas as it expands into new categories.
- One notable competitor in the grocery and convenience store delivery space is Instacart.

	Offerings	Advantages	Disadvantages
DoorDash	100,000+ non-restaurant stores Orders in grocery are very "convenience-like" and represent more of the weekly top-up than the larger basket fulsome grocery order. Existing partnerships limited to pickup services.	Can offer competitive rates and bring incremental users/revenue to grocers; has a large existing user base to cross-sell grocery; leverages dense delivery network for last-mile and batching orders	Grocery is very different from restaurant delivery operationally; low take rates could limit profitability
Instacart	80,000+ retail locations Comprehensive offering across the retail area. Deep partnerships including various value-added services, such as real time inventory management, advertising services, market insights, making it more appealing for potential partners.	First in grocery delivery, and thus has more in-depth grocery data/insights	Not able to offer incremental users and revenue

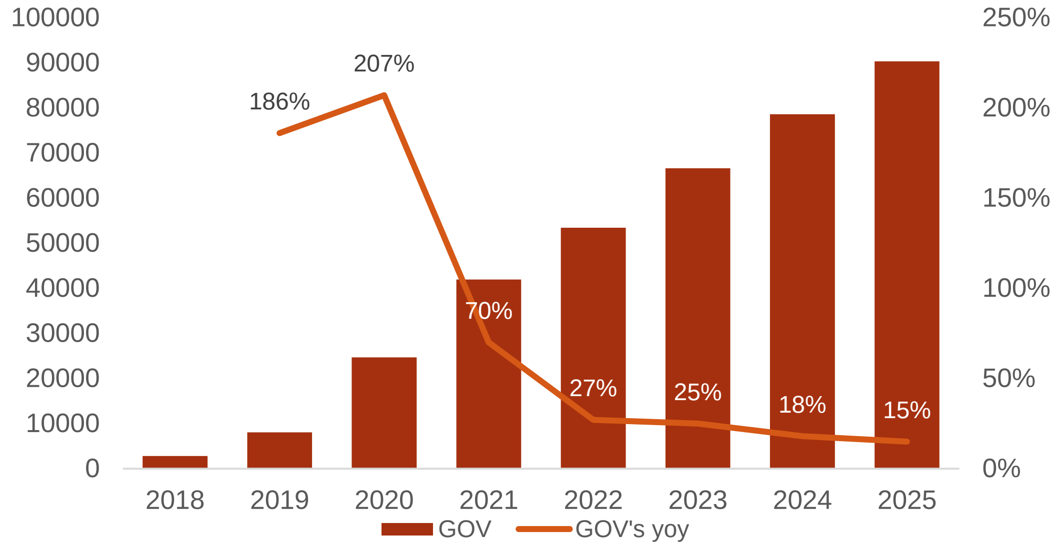
DoorDash AOV: $23

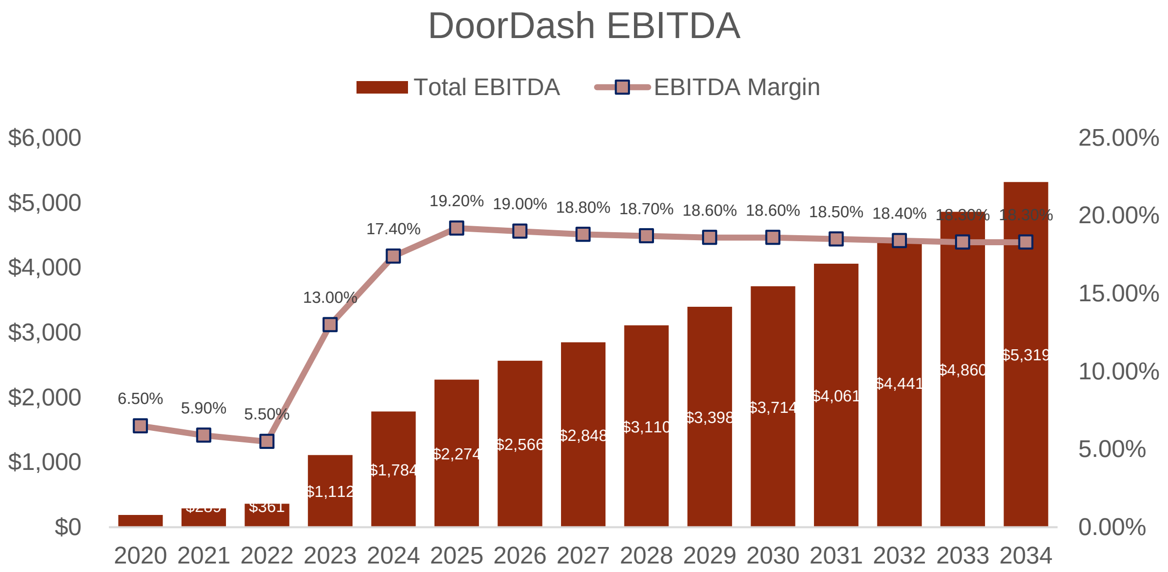
Instacart AOV: $~112

- Despite some advantages of DoorDash based on its existing network of delivery and customers, it doesn't have real competitive advantages in the grocery and convenience space, let alone overcoming the strong presence of Instacart.
- We believe that the non-restaurant delivery could be a major area for revenue growth as DoorDash continues to leverage its existing user base and improve operational efficiency to improve unit economics, and there's positive signs from management's attitude. However, fierce competition from established competitors who have more industry-specific expertise and data/insights can hinder DoorDash's near-term profitability.

Source(s): Capital IQ, Pitchbook, Tegus

Aggregate GOV & EBITDA Forecast





	Total Orders	GOV/order	Take Rate
2020	816	30.2	11.70%
2021	1390	30.2	11.70%
2022	1736	30.8	12.30%
2023	2174	31	12.90%
2024	2512	31.3	13.20%
2025	2864	31.5	13.40%

Base Case Cost Assumptions

- Cost of revenue: -100 – 150bps
- S&M: -100 – 300bps: lower CAC with network effects
- R&D: -100bps : relatively lower prospectives in future development
- G&A: -100 – 200bps : fixed costs leverage
- D&A: 0 : stable as a % of revenue

Valuation: DCF

DOORDASH

FY reporting period	2024	2025	2026	2027	2028	2029	2030	2031	2032	2033	2034
Midpoint	6/30/2024	6/30/2025	6/30/2026	6/30/2027	6/29/2028	6/29/2029	6/29/2030	6/29/2031	6/28/2032	6/28/2033	6/28/2034
Time to midpoint	0.475	1.475	2.475	3.475	4.475	5.475	6.475	7.475	8.475	9.475	10.475
Discount factor	0.948	0.846	0.755	0.674	0.602	0.538	0.480	0.429	0.383	0.342	0.305
CFO	2,062	2,417	2,739	3,049	3,331	3,687	4,082	4,519	5,002	5,537	6,130
Less: stock comp	(1,036)	(968)	(1,110)	(1,251)	(1,385)	(1,533)	(1,697)	(1,878)	(2,079)	(2,302)	(2,548)
Less: net capex	(524)	(611)	(701)	(790)	(874)	(968)	(1,072)	(1,186)	(1,313)	(1,454)	(1,609)
FCF	**502**	**838**	**928**	**1,008**	**1,072**	**1,186**	**1,313**	**1,454**	**1,610**	**1,782**	**1,972**
Cash flow to equity growth		66.9%	10.8%	8.6%	6.3%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%
NPV of CF	476	709	701	680	645	638	631	623	616	609	602
Period	0	1	2	3	4	5	6	7	8	9	10
Fair value/share	48.28	54.08	60.57	67.83	75.97	85.09	95.30	106.74	119.55	133.89	149.96
% Upside	(53.1%)	(47.5%)	(41.2%)	(34.2%)	(26.3%)	(17.4%)	(7.5%)	3.6%	16.0%	29.9%	45.5%
% IRR		(47.5%)	(23.3%)	(13.0%)	(7.3%)	(3.8%)	(1.3%)	0.5%	1.9%	3.0%	3.8%
CFO/share	5.25	6.15	6.97	7.76	8.48	9.39	10.39	11.50	12.74	14.10	15.61
CFO growth		17.2%	13.3%	11.3%	9.3%	10.7%	10.7%	10.7%	10.7%	10.7%	10.7%

Enterprise Value - GGM		
Terminal Growth Rate		*6.0%*
Terminal Value		36,131
Present value of terminal cash flows		11,023
Present value of forecasted cash flows		6,929
Enterprise Value	**$**	**17,952**
Implied Terminal EV/EBITDA Multiple		6.22x
Implied Current EV/EBITDA Multiple		16.11x

Enterprise Value - Terminal Multiple		
Terminal Year EBITDA	$	5,805
Exit EV/EBITDA		7.00x
Terminal Value		40,636
Present Value of Terminal Value		12,397
Present value of Forecasted Cash Flows		6,929
Enterprise Value	**$**	**19,327**
Implied Terminal Growth Rate		*6.9%*

Valuation		
Valuation Methodology		GGM
Enterprise Value	$	17,952
Cash		2,898
Debt		(511)
Fair Equity Value	$	21,362
Shares Outstanding (thousands)		392.8
Fair Value per Share	**$**	**54.39**
Current Share Price	$	103.05
Upside		**(47.2%)**