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Why Just Eat may sell Grubhub less than a year after spending $7.3 billion for it

Article

The news: Online food ordering and delivery platform **Just Eat** is considering a partial or full sale of its subsidiary **Grubhub**, per a company statement.

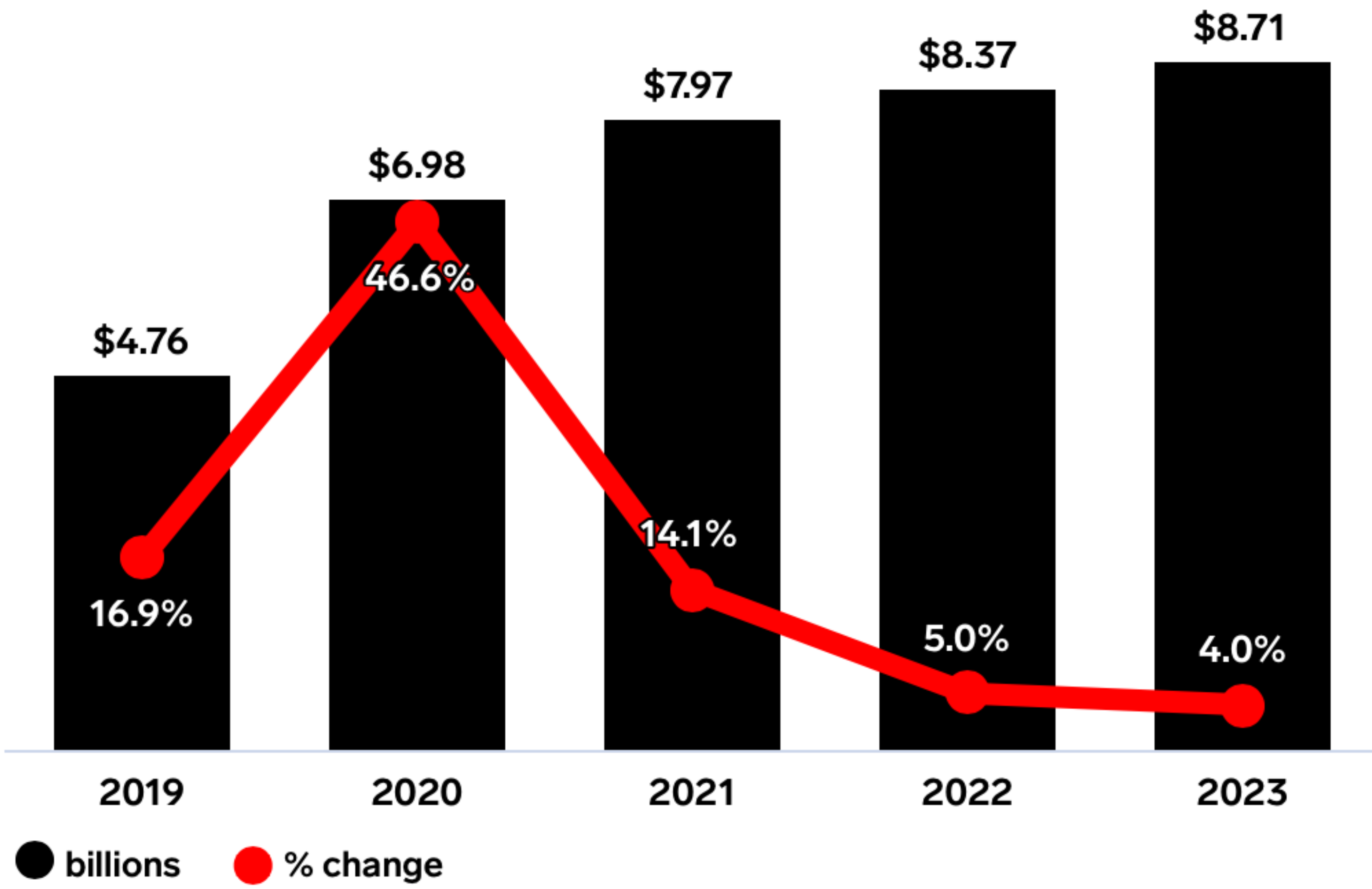
- The announcement comes less than a year after the parent company paid **$7.3 billion** for Grubhub to create the world's largest food delivery company outside China.
- Yet the company's plan hasn't panned out: Just Eat's company-wide orders dropped by 1% in Q1 as it struggled to keep pace with its pandemic-aided numbers when restaurants in many of its markets were shuttered or closed for indoor dining.

More on this: While Netherlands-based Just Eat bought Grubhub to boost its presence in the US market, the latter had already been shedding market share for several years as new competitors moved into the space due to the relatively low barrier for entry.

- Those issues continue: Grubhub's North American orders fell 5% in Q1.
- We expect its US sales growth to decelerate from 14.1% in 2021 to 5.0% in 2022 and 4.0% next year.

Grubhub Restaurant Sales

US, 2019-2023



Source: eMarketer, August 2021

eMarketer | InsiderIntelligence.com

A saturated market: Grubhub's pandemic-related growth was far more modest than its competitors' gains.

- While Grubhub's sales grew **46.6%** in 2020, **DoorDash**'s sales grew **197.9%**, **Postmates**' sales increased **94.1%**, and **Uber Eats**' spiked **107.2%**.
- Some of Grubhub's competitors, such as DoorDash, have diversified their businesses by moving into delivering groceries and other goods, while Grubhub's attempts to expand its offerings have been relatively modest.

The pandemic effect: As people's pandemic-related precautions fade into the rearview mirror, nearly all **food delivery companies are seeing their growth slow significantly** for a variety of reasons, including more people returning to in-person dining, and rising inflation leading some to cut back on discretionary purchases such as food delivery.

- Those trendlines are leading investors to reassess the value of food delivery companies. For example, Just Eat's market value has fallen **70.2%** from its peak, **Delivery Hero**'s shares are down **73.4%**, **Deliveroo**'s shares plummeted **75.5%**, and **DoorDash's** declined **58.8%.**
- It isn't just food delivery companies that have struggled from changing consumer behavior patterns; **Peloton**'s value is down 86.3% from its peak and **Netflix**, which just reported its first decline in subscribers since 2011, has fallen 67.7% from its peak.

The big takeaway: Enhancing its profitability and strengthening its business is Just Eat's priority this year, CEO **Jitse Groen** said.

- While realizing value from one of its large assets makes some sense, it is easier said than done given the widespread challenges facing the food delivery industry.