NOV 08
Zak Stambor

Instacart’s advertising revenues jump 19%

Article

The news: Solid growth in **Instacart**’s advertising business helped it deliver better-than-expected results in its first earnings release since the grocery delivery company went public in September.

- The company reported adjusted earnings of $163 million in Q3, up a massive 120% year-over-year (YoY), and well ahead of the consensus estimate of $119.5 million. The company attributed the gain to fulfillment efficiencies and its strong advertising performance.
- Revenues were $764 million, up 14% and ahead of estimates.

- Gross transaction volume (GTV), which captures overall sales on Instacart's platform, grew 6% to $7.49 billion and online orders rose 4% to 66.2 million.

In Q4 the company expects GTV to grow 5% to 6%, and its adjusted earnings to be between $165 million and $175 million. "We are confident in our position, even as several macroeconomic factors work against the online grocery industry," CEO **Fidji Simo** wrote in a letter to shareholders.

The context: While the company was an early-pandemic winner as consumers turned to delivery services to avoid physical stores, it has run up against stiff headwinds over the past year.

- The company's core grocery delivery business growth slowed as food prices soared, which drove many consumers to look for opportunities to save, including pulling back on grocery delivery.

The strategy: Instacart sought to push past those challenges by growing its higher-margin advertising and technology businesses.

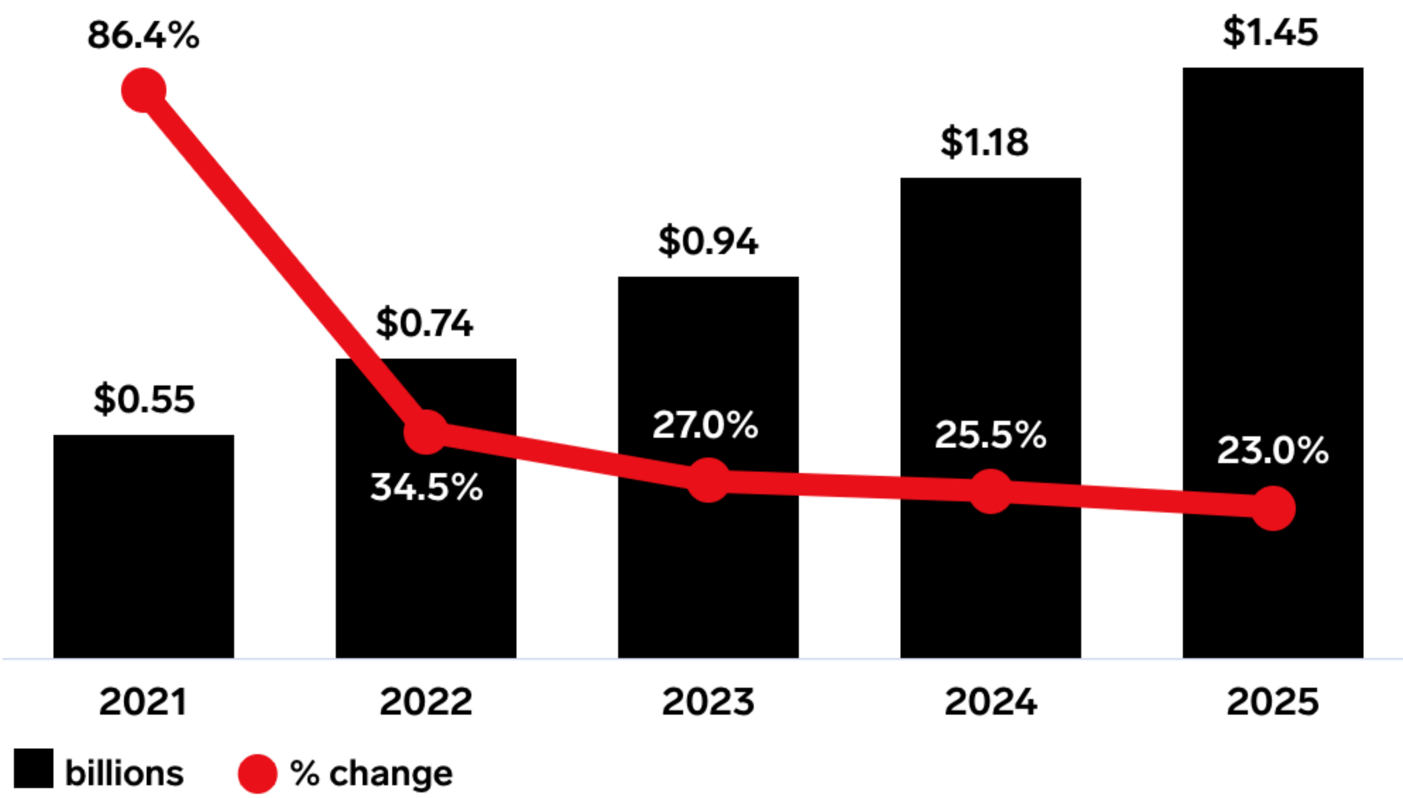
- Instacart Ads, for example, allow consumer packaged goods (CPG) brands to advertise to reach Instacart's customers. The company's ad revenues grew 19% year-over-year to $222 million in Q3. Our forecast expects Instacart's US advertising revenues will grow 27% this year to $940 million.
- The company recently partnered with The Trade Desk to equip advertisers with Instacart purchase data. The information enables advertisers to build category-based audience segments, such as consumers who bought a specific category, but not a brand, as well as lapsed brand purchasers.
- Instacart is also broadening its technology offerings. The company earlier this week announced a partnership with **Sprouts Farmers Market** that will bring its FoodStorm order management system to more than 400 of the grocer's locations.
- The company earlier this year released several AI-powered upgrades to its Instacart Storefront platform including conversational search, which enables consumers to ask open-ended questions, and an in-store mode, which turns retailers' apps into companions for customers in the store. Other on-site technologies include its AI-powered smart carts that enable merchants to leverage its in-store rewards functionality.

The big takeaway: While Instacart plans to lean even further into advertising to bolster its bottom line as it looks ahead, that may be difficult if it isn't able to accelerate its primary grocery delivery business.

- It also faces an array of headwinds, including consumers pulling back on discretionary spending and growing competition from **DoorDash** and **Uber.**

Instacart Ad Revenues

US, 2021-2025



Note: includes advertising that appears on desktop and laptop computers as well as mobile phones, tablets, and other internet-connected devices, and includes all the various formats of advertising on those platforms; net ad revenues after companies pay traffic acquisition costs (TAC) to partner sites

Source: Insider Intelligence | eMarketer, October 2023

Insider Intelligence | eMarketer