

Instacart is bullish as order trends improve

Article

The news: Instacart beat Q1 expectations handily as bad weather drove shoppers to order more groceries online.

- Revenues increased 8% year over year (YoY) to \$820 million, outpacing estimates of \$794.5 million.
- Gross transaction value (GTV) rose 11% YoY, again beating analyst estimates. For Q2, Instacart expects GTV of between \$8 billion and \$8.15 billion, ahead of Wall Street's projections.

- The company's ad business also picked up during the quarter. Advertising and other revenues rose 9% YoY to \$217 million.

Behind the numbers: Instacart's strong quarter and bullish outlook show that the company's efforts to rejuvenate growth and stay top-of-mind with consumers are bearing fruit.

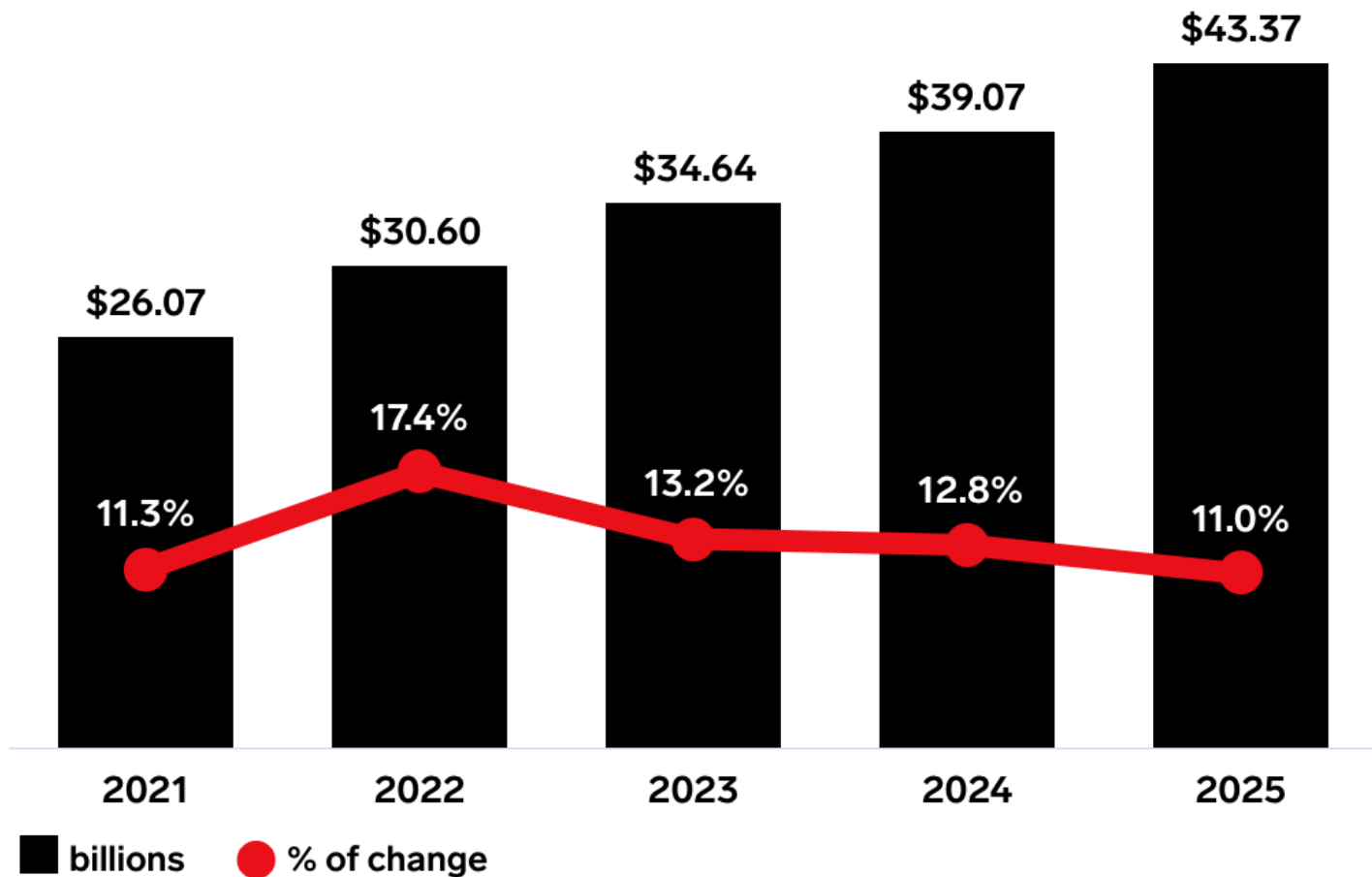
- The company relied more heavily on incentives to boost acquisition and order frequency, and reactivate customers, which ate into its transaction revenues but enabled it to grow orders by 9% and average order value by 2%.
- Instacart is betting that its new restaurant delivery **partnership with Uber Eats**, as well as a growing roster of non-food retailers (which now includes **Kohl's**), will drive more customers to use its app more often, and boost **Instacart+** sign-ups.
- That in turn will bolster its retail media offering, a key prong in its long-term growth prospects. Instacart recently inked a deal with NBCU to bring its first-party customer data to ads on the latter's streaming content, and is trying to expand the reach of its Caper Carts—which support in-store advertising—with the help of grocers like **SaveMart, Kroger, and Schnucks**.

Looking ahead: We expect Instacart's grocery sales to climb 12.8% this year to \$39.07 billion, although its grip on grocery delivery is slowly loosening thanks to growing competition from **DoorDash**, Uber, and grocers themselves.

- The company's **share of grocery delivery intermediary sales** will fall to 69.9% this year, while DoorDash's share will tick up to 12.6%.
- That will likely intensify its search for partners like Uber that can help make its platform more appealing to customers.

Instacart Grocery Sales

US, 2021-2025



Note: sales of grocery products ordered via Instacart's site/app; excludes taxes and tips; includes pickup and delivery

Source: EMARKETER Forecast, November 2023