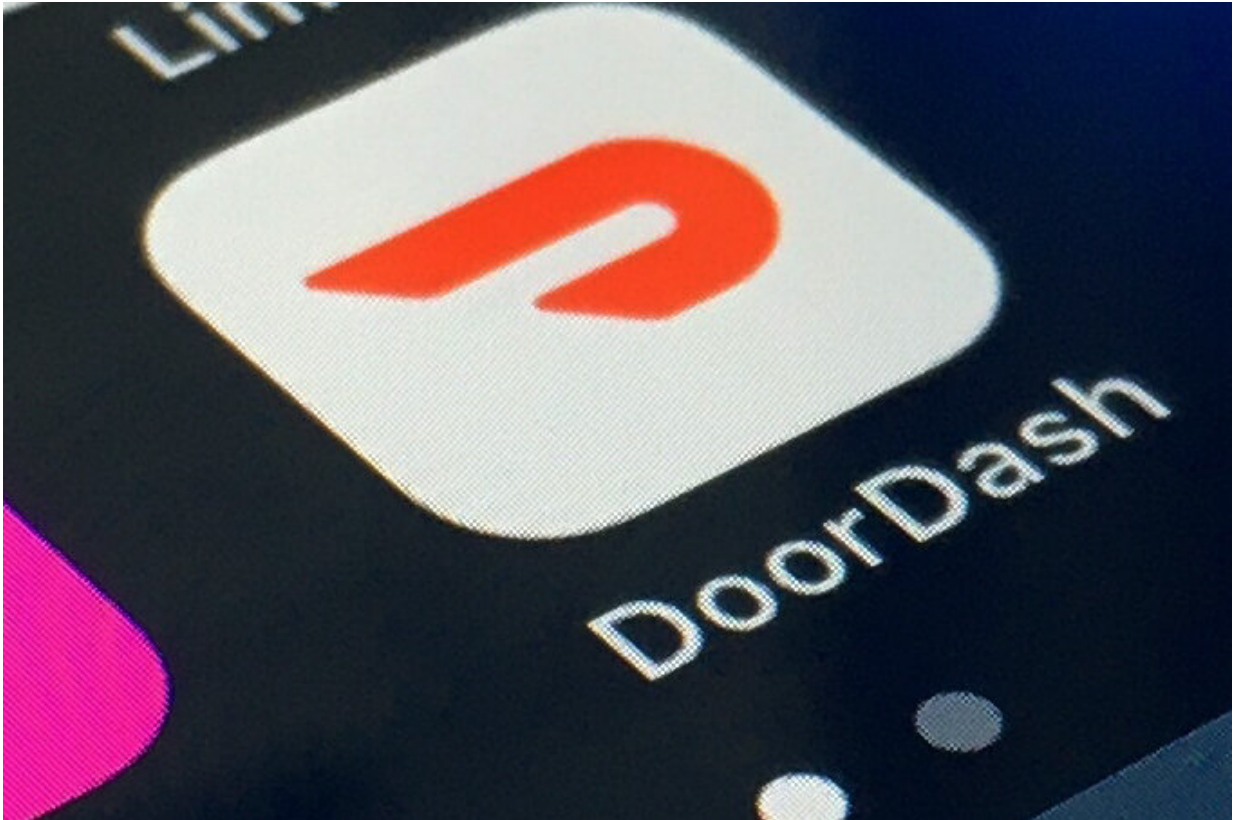


Delivery giant DoorDash plans IPO

November 13 2020, by Cathy Bussewitz and Tom Krisher



The DoorDash app is shown on a smartphone on Thursday, Feb. 27, 2020 in New York. DoorDash Inc. is planning to sell its stock to the public, capitalizing on the growing trend of consumers embracing app-based deliveries as much of the world stays home during the pandemic. The company filed papers signaling its intent for initial public offering Friday, Nov. 13. (AP Photo)

Delivery giant DoorDash Inc. is planning to sell its stock to the public,

capitalizing on the growing trend of consumers embracing app-based deliveries as much of the world stays home during the pandemic.

The San Francisco-based company filed papers signaling its intent for initial public offering Friday.

"Technology has changed consumer behavior and driven a wave of demand for convenience," the company said in its prospectus. "Recent events have further accelerated these trends, pulling the future of e-commerce forward for businesses large and small."

Its revenues reflect the explosion in demand for delivery. Last year, DoorDash generated \$885 million in revenue. During the first nine months of 2020, revenue more than doubled that to \$1.9 billion. It was already growing before the pandemic. In 2018 it brought in \$291 million in revenue.

But DoorDash has lost money each year since its founding and the company warned potential investors the losses could continue as the company anticipates increasing expenses. It had a net loss of \$667 million in 2019 and \$149 million in the first nine months of 2020. The company did turn a profit of \$23 million in the second quarter this year, but followed that with a \$43 million loss in the third quarter.

DoorDash said it expects to spend substantial resources developing its platform, including "expanding our platform offerings, developing or acquiring new platform features and services, expanding into new markets and geographies, and increasing our sales and marketing efforts."

DoorDash, which was founded in 2013 in Palo Alto, California, has more than 18 million customers and 1 million "dashers" who deliver food in the U.S., Canada and Australia. It has more than 390,000

merchants in its network.

The announcement came a week after delivery companies scored a major victory in California, where voters passed Proposition 22, which allows app-based delivery companies to treat drivers as contractors instead of employees. Before that passed, they were facing a future where they would have to treat drivers as employees with access to costly benefits such as overtime and sick days. Ride-hailing and delivery companies won an exception, and instead they'll offer limited benefits such as health care subsidies to drivers who clock 25 hours per week.

It's clear DoorDash waited to start the IPO process until after the vote on California's Proposition 22, said Wedbush analyst Daniel Ives.

"That would have been an uphill battle had Prop 22 not passed in California," Ives said. "That puts a dark cloud in the rearview mirror and really opens the spigot for investor appetite."

DoorDash says it has captured 50% of the food delivery market in the U.S., followed by Uber Eats, Grubhub and Postmates. But the food delivery market is "fragmented and intensely competitive," and its competitors have made acquisitions or strategic agreements to work together, the company warned. "In addition, certain of our competitors have recently acquired kitchens to enable them to produce and deliver food directly to consumers," the company said.

With the novel coronavirus surging across most of the U.S. and other parts of the world, Ives sees even more growth for DoorDash and its main competitors next year. It's possible that DoorDash will start making money in 2021, he said.

"The gold mine of growth is this COVID pandemic," Ives said. "You've seen growth rates two or three times the best case scenarios given it's the

core artery for consumers not just in the U.S., but worldwide, to get their food."

DoorDash will see continued growth in the next 12 to 18 months because the U.S. and other markets will probably see some form of pandemic lockdowns return as the virus worsens, he said.

"No industry has benefited more than food delivery," he said. "In a horrific backdrop, a silver lining has been, from an economic perspective, it's been a huge positive for these workers, drivers and restaurants that could utilize companies like DoorDash in this environment."

DoorDash has not yet disclosed how many shares it will sell or how much money it hopes to generate with the offering.

Co-founder and CEO Tony Xu said that as child, after his family immigrated to the U.S. from China, he helped his mom, who had been a doctor in China, by washing dishes at a Chinese restaurant while she served food. "DoorDash exists today to empower those like my Mom who came here with a dream to make it on their own," he said.

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