Deliveroo says losses grow, to exit Netherlands

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Deliveroo, the international delivery food app, announced Wednesday a big increase in losses as investment costs ate into rising revenues, adding it planned to exit its struggling Netherlands market.

Loss after tax jumped 41 percent to £153.8 million ($186 million) compared with the first six months of last year, the British group said in a statement.

Revenue grew 12 percent to £1 billion despite easing COVID curbs and controversy over treatment of its riders.

Deliveroo said the outlook was clouded by strong inflation and the Ukraine war.

However, company founder and chief executive Will Shu expressed confidence in the company's ability "to adapt financially to any further changes in the macroeconomic environment".

Netherlands exit

Deliveroo said it "proposes to consult on ending its operations in the Netherlands", noting it did "not hold a strong local position" in the country.

The company added that it "would require a disproportionate level of investment, with uncertain returns, to reach and sustain a top tier market position".

A planned exit from the Netherlands towards the end of November follows Deliveroo's departure from Spain last year, although the group on Wednesday said it had gained market share in the UK and Italy.

It added that overall marketing and other investment costs, including spend on technology, jumped 29 percent to almost £369 million in the first half.

Deliveroo has enjoyed strong sales growth in a short space of time but faces questions over its sustainability, highlighted by its failed stock market debut which took place in London last year.

Its initial public offering was the capital's biggest stock market launch for a decade, valuing the group at £7.6 billion.

But its share price tumbled on launch day by almost a third from the IPO price of £3.90 as investors questioned Deliveroo's treatment of its self-employed riders.

A French court of appeal last month found Deliveroo guilty of "undeclared work" for classifying a courier as an independent contractor instead of an employee.

In early London trading following Wednesday's earnings update, Deliveroo's share price rose 0.8 percent at 92 pence.

"Stay-at-home stocks like Deliveroo fared extremely well during the pandemic when restaurants and bars were shut and households were forced into lockdown," noted Victoria Scholar, head of investment at Interactive Investor.

"However, the reopening of the economy combined with stiff competition from the likes of Just Eat and Uber Eats and q-commerce (quick-commerce) players like Gorillas and Go Puff, as well as the cost-of-living crisis, have created an extremely challenging environment."