



zomato

Mid Covid-19 Performance Report

JULY 2020 – ZOMATO'S 12TH BIRTHDAY

Hello world.

We have been publishing our annual report in the first week of April for the last 3 years. Typically, our annual reports outline our performance during the last year, and some narrative on what we think the future holds in store for us. This year, when the pandemic hit the world, our past became irrelevant, and the future uncertain. We decided to delay our annual report by a few months (some perks of being a private company).

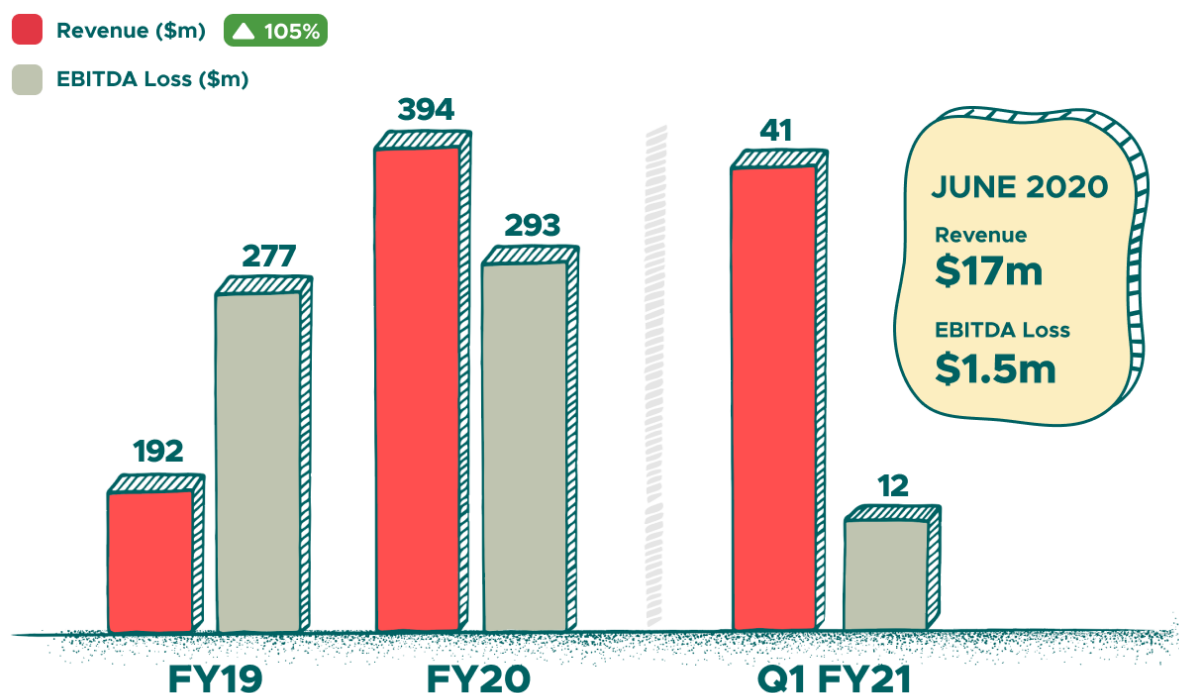
Right now, in the middle of July, as our future seems more predictable, we decided to publish this performance report for the last 5 quarters combined.

This performance report consists of three parts –

- 1 – Financial performance (FY19 vs FY20, Q1 FY21)
- 2 – Business segment performance (2a - India Food Delivery, 2b - Dining Out, 2c – B2B Supplies)
- 3 – Social Responsibility (Feeding Foundation)

1 – Financials (FY19 vs FY20, Q1 FY21)

Our revenue in FY20 grew by 105% as compared to FY19 while the costs grew by only 47% in the corresponding period. Moving our business towards profitability was a core focus for us in FY20 and we made significant progress along that journey.



All numbers are basis management information system and may vary from Indian Auditing Standards. Q1 FY21 numbers are unaudited. All data is converted to USD at a constant exchange rate of 1 USD = INR 75

Our business has negligible capex and debt and hence EBITDA loss is almost same as cash loss

In the last few quarters, as is evident from the charts above, we fast tracked our efforts towards making our business profitable and drive efficiency into our spends. While COVID-19 has impacted the size of our business, it has accelerated our journey to profitability. In terms of the size of the business, COVID-19 has set us back by a year or so – but a year is only a small blip when you are building a company for the next 100 years.

Having said that, COVID-19 has positively impacted the health of our business – we seem to have gained 2-3 years along this vector. In July 2020, we estimate our monthly burn rate to land under \$1m, while our revenue should land at ~60% of pre-COVID peaks (\$23m per month). We expect to make complete recovery over the next 3-6 months while continuing to maintain tight control on costs/profitability.

Now, let's dive deep into our three business segments –

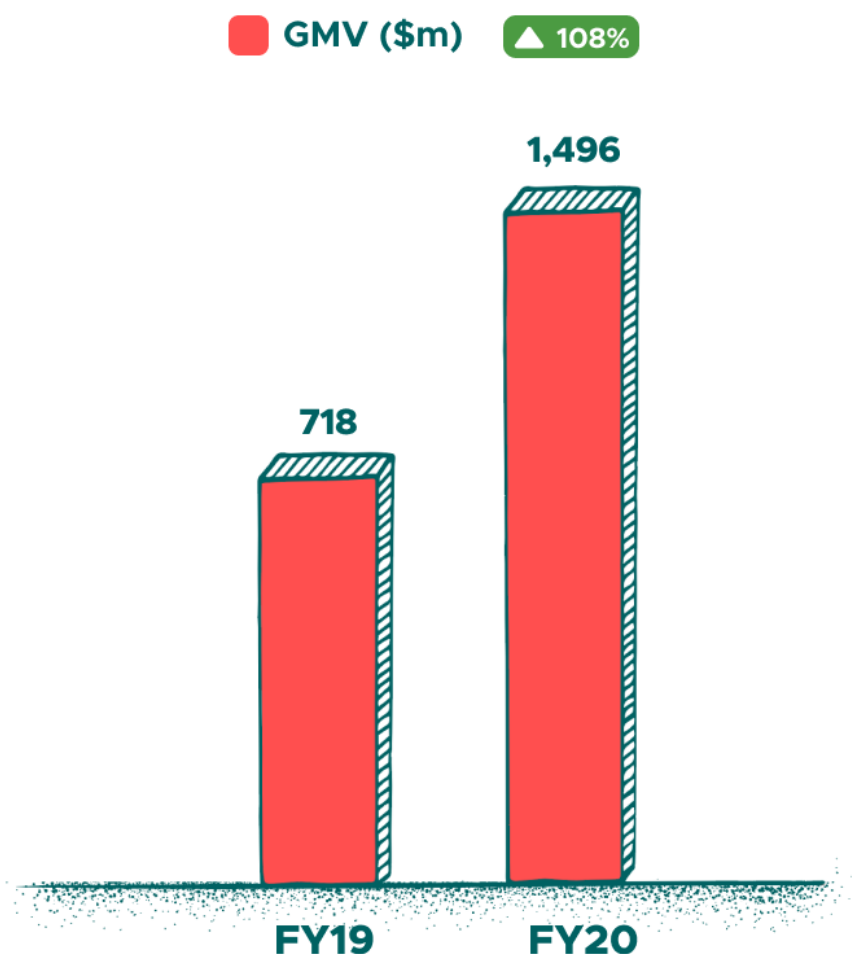
2a – India Food Delivery

FY20 was a defining year for food delivery in India. While FY19 saw hyper-competition between 4 well-funded food delivery players, FY20 ended with a two player market structure.

Zomato's FY20 India Food Delivery GMV grew by 108% over FY19.

We acquired Uber Eats India business in January 2020 which helped propel us to market leadership in this hotly contested space. The transition of users and merchants from Uber Eats India to Zomato was swift, and so well coordinated by both the teams that we were able to transfer and retain 97% of the combined GMV on the Zomato app.

Right after the rise of COVID-19 cases in India towards the end of March, our food delivery GMV hit its lowest point in two years – GMV was 80% down in the last week of March 2020, compared to our peak pre-COVID-19 week (in mid February).



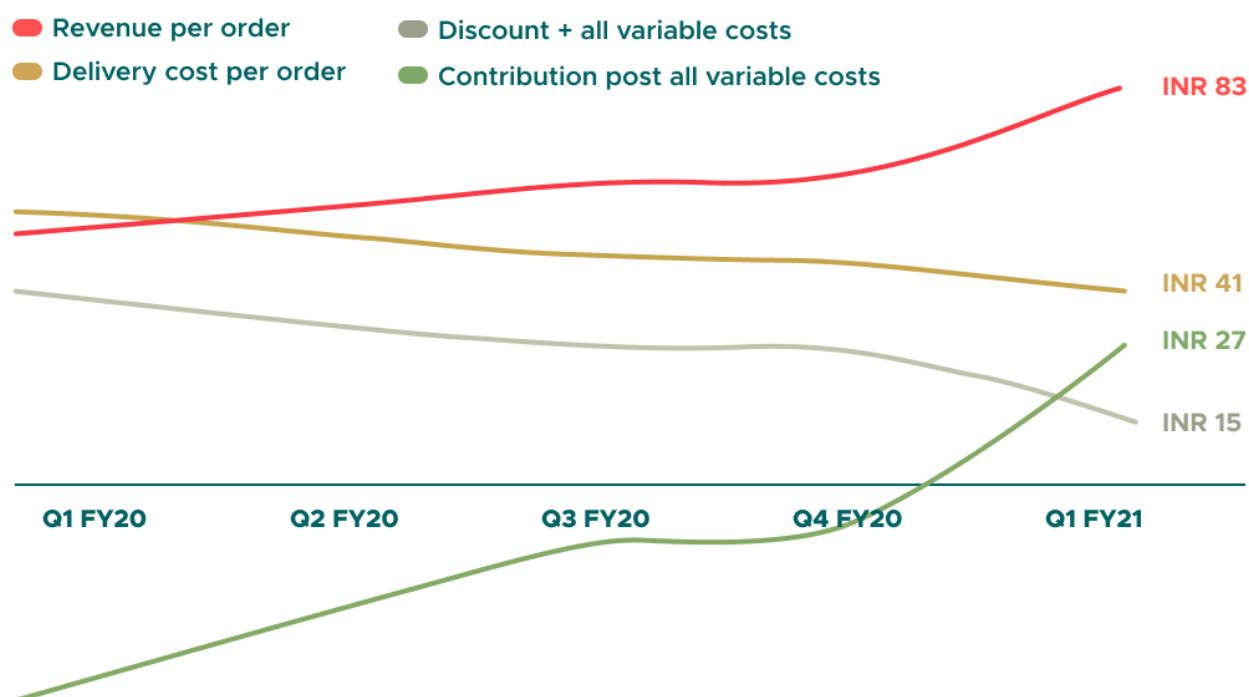
As of now, our food delivery GMV has recovered to 60% of pre-COVID levels. We have taken a number of important steps to ensure safety of our food delivery customers, which has been a significant driver of the rebound in our business so far.

Most of the remaining delta in demand is due to young professionals in large cities migrating to their parents' homes (often in small town India) where home cooked food is the norm, especially during a pandemic.

As offices start opening up, these professionals are now starting to move back to the larger cities. We expect sharp recovery in our order volumes as lockdowns continue to ease and the operating environment continues to improve.

The unit economics of our food delivery business have improved consistently over the last 18 months. In Q1 FY20, we used to make a contribution margin of ₹47 per order; in Q1 FY21, we made a contribution margin of ₹27 per order.

Food Delivery Unit Economics

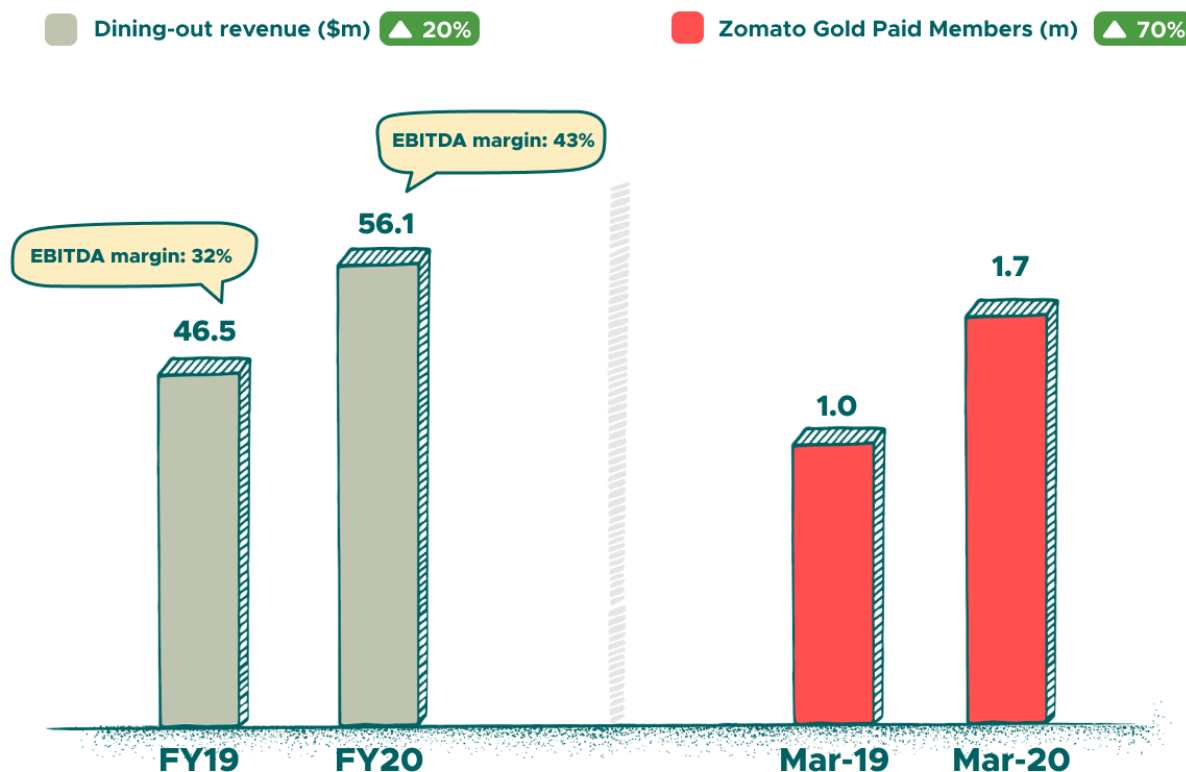


Improvement in contribution margin is driven by drop in subsidies, reduction in delivery cost, and increase in average order values.

We do not believe that the current contribution margin in our business is sustainable in the long term. Over time, we expect contribution margin per order to normalise between ₹15-20 per order. Net EBITDA for this business segment is expected to improve, as the growth in order volume hereon should offset any corresponding drop in contribution margin.

2b – Dining Out

Our dining out business grew steadily in spite of headwinds (e.g. logout campaign against Zomato Gold by restaurants in India) with significant gains in EBITDA margins across India and our international markets in FY20.



This business is fast moving towards being a transaction-led business where the focus is to close-the-loop with restaurants by encouraging users to pay their eating-out bills through the Zomato app.

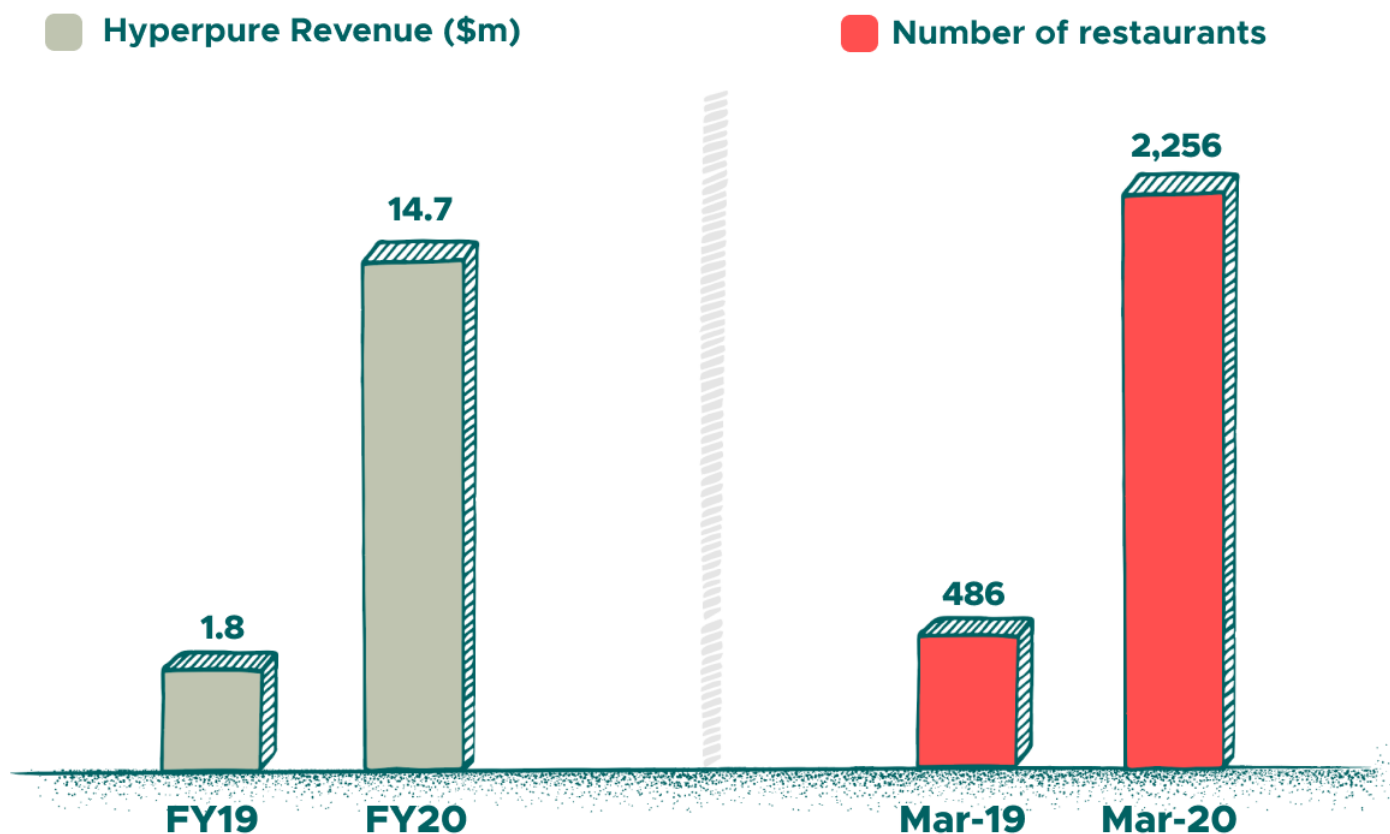
Last month, we rebranded Zomato Gold to Zomato Pro with an enhanced value proposition for both users and restaurants (more details here <https://www.zomato.com/blog/zomato-pro>). Deals on Zomato Pro are now only available if a user pays their restaurant bill through the Zomato app.

Our dining out business segment is the hardest hit as restaurants remain shut for dining-out – leading to almost negligible revenue across advertising and Zomato Pro. The recovery here is going to be slow. Users will be concerned about social distancing and hygiene and restaurants will need to reorganise themselves to be able to build trust with users on these fronts.

To help our industry, we have launched ‘Contactless Dining’ in India and 8 more countries. With Contactless Dining, users can enjoy visiting a restaurant without touching any menu cards or interacting with the restaurant staff.

2c – B2B Supplies (Hyperpure)

Hyperpure is growing strongly, and we believe that we have early indications of a strong product-market fit. Until now, we have only been serving Delhi and Bangalore with Hyperpure. We have covered a lot of ground in the last two years, and we are now expanding rapidly into new cities.



3 – Social Responsibility (Feeding Foundation)

The Zomato Feeding Foundation aims to be the largest and most impactful not-for-profit aimed at solving hunger in the developing world.

The COVID-19 crisis hit the daily wage community badly – leading to widespread hunger across the country. Springing into action, Feeding India (the India chapter of Zomato Feeding Foundation) launched ‘Feed the Daily Wager’ campaign to raise money and provide food support to daily wagers who lost their livelihood during the COVID-19 lockdown. Feed the Daily Wager collected ₹32 Cr (~\$4.2m) which was used to distribute over 65 million meals (in the form of ration kits, see photo below) to the daily wage community.



Over the last few weeks, the Feeding Foundation has also started working to reduce hunger in Philippines, and Indonesia.

At Zomato, we deeply appreciate the trust our countrymen put in us to make us one of the largest and most impactful social campaigns in the country during the COVID-19 crisis. We are deeply grateful to the thousands of volunteers and partners who helped us (help them) make thousands of tonnes of food reach the needy.

Working with the Feeding Foundation team will make you realise (if you don't already) that the world is full of nice people who want to help make it a better place. We sometimes feel that the world is going to hell, but there's plenty of good out there – it just doesn't get seen as much.

We aim to grow our Feeding Foundation community multiple folds going forward. Solving hunger is a massive problem, but a solvable one if all of us just started caring about it enough.

Team updates

In order to quickly reduce our costs during the initial days of the COVID-19 crisis, we had requested our staff to volunteer for salary cuts. 75% of our employees volunteered for partial salary cuts resulting in a total reduction of 14% in our payroll costs. As of today, all the original salaries have been re-instated, and our net losses of under \$1m for July reflect the increased payroll cost already.

We strongly believe that a founder in an organisation is not a title, but only a mindset.

We announced Mohit Gupta (MG, he leads our food delivery business, among other things) as a founder at Zomato. While the foundation of Zomato was built before MG joined us, he has been instrumental in significantly strengthening it over the last two years. What he and his team has built is a very large part of our business, and our DNA today.

When I introduced the Founders Program a little over a year ago (refer to our annual report for FY19), I outlined a few qualities that founders must exhibit. These qualities include trustworthiness, commitment and resilience among other things. MG checks all these boxes and more. MG never shies away from telling me, or anyone, the truth.

MG is very committed towards building Zomato for the long term, and has extremely high levels of ownership. His resilience to continue building and aim for victory even during the toughest times, is something a number of people at Zomato lean on as we continue to build Zomato.

The way the coronavirus suddenly hit the entire world made me realise that our world runs on an assumption of certainty, while there is none. Nobody, no matter how big or small, poor or rich, has any control over many important aspects of the way this world works. The world will change when it has to. Tough times will happen when they have to. The only way to weather what the world throws at us is by following the old adage - 'tough times don't last, tough people do'.

Being tough means that you handle pressure cooker situations calmly, and continue to find ways to get out of them. The path to building a company is non linear – you need to make enough of the right calls to make sure that you catch the tailwind, and not make so many bad calls that you get caught in the headwind.

That's all for now. We wish everyone the best of health, and we hope that the world gets over the pandemic soon.



Deepinder Goyal
Founder & CEO, Zomato