Just Eat Full Year Results Presentation — Tuesday, 06 March 2018

Peter Plumb: Good morning, everyone. Welcome to Just Eat's 2017 full-year results. I'm Peter Plumb. I'm the chief executive officer, and with me today is Paul Harrison, our CFO, who I think most of you know. I'm also delighted to introduce you to Mike Evans. Mike's here in the audience with us. He joins the board today as non-executive director, and Mike will become chairman following the AGM on the 26th April this year. So I'm delighted to welcome Mike to our session.

Mike Evans: Good morning, everybody. I'm delighted to be here, my first day and really excited by the opportunity and look forward to meeting with you in due course. Thank you.

Peter Plumb: Thank you, Mike. Our formal update will take about 40 minutes this morning. I hope to leave about half an hour for questions at the end. I will start by giving the usual disclaimer, I think this is in your packs. 2017 was an extraordinary year for the group. It was a year of significant change, as you all know. David Buttress, our CEO, stepping down, and, of course, the sad loss of our chairman, John Hughes.

I'd also like to take this opportunity to recognise Andrew Griffith, who's done a great job of chairing this business since April last year. It has been a significant year of achievement for Just Eat. With 45% revenue growth, to 546 million, and an underlying EBITDA growth of 42%, to 163.5 million.

I think these numbers, given the change that happened during the year, truly does demonstrate the quality of both the business and the team at Just Eat. I think it also demonstrates the excellent leadership and stewardship that Paul Harrison gave the business, because Paul was interim CEO for most of 2017 and, indeed, these results we're about to unveil are Paul's.

So the agenda today: Paul will start by talking you through the numbers and the great year we had at Just Eat in 2017. I'll then come back and pick up three key themes. I'll revisit how we delivered the numbers in 2017, because the team really did do what they said they would do.

I'll touch on what I've learnt during my first six months with the business before coming back to you with current trading and the outlook for the year. However, before we begin, please remember that I have only been with the business six months. I've certainly learned a huge amount during that time, but today is pretty much a flavour of what's on my mind and where we're heading.

We will be running a capital markets day in June this year, we'll be releasing the date a little bit later, and I look forward to sharing a lot more of my plans in detail at that session. So with that in mind, I'm delighted to hand over to Paul, our CFO.

Paul Harrison: Thank you, Peter, and good morning. I'm delighted to be here today, to have the opportunity to update you following the conclusion of a strong year for Just Eat. As you know, aside from our core marketplace in 2017, we saw our first full-year contribution from SkipTheDishes, we had a big agenda to pursue in

Australia, and we accelerated our relationships with quick-service restaurant chains, principally in the UK, so I'm going to talk to the results of those initiatives during my presentation.

As the slide says, it was a year of strong delivery. Orders grew 26%, with our fastest growth coming from international markets. Revenue of £546.3 million came in ahead of guidance, which was 515 million to 530 million, and that revenue grew 42% on a constant currency basis, which was faster than order growth.

Really what that reflects is a few things. One, a greater proportion of higher-commission delivery activity, mainly from SkipTheDishes, and gradual migration of our estate toward that headline 14% commission level, and, thirdly, growth in ancillary revenues. Those ancillary revenues, primarily top-placement fees, they now comprise about 8% of group revenue, and we expect them to remain broadly in that proportion, going forward.

I turn, now, to EBITDA. The margin leverage in our core marketplace business allowed us to make the additional investments we made in Canada to enable us to go fast there and, in the UK, to run our delivery pilots. So despite accelerating those investments during '17, EBITDA of 163.5 million is at the top end of the range we guided to throughout that year.

I think this is an interesting way of looking at overall revenue. What we're showing on the slide is headline growth of 45% year on year, but with sterling strengthening against overseas currency, a rebase of our comparative numbers shows the currency-neutral growth rate of 42%.

If we then eliminate the impact of M&A, we get to an organic growth measure. What we've done, here in 2016, is take out the small contribution from the Benelux business that you may recall we sold that year, and Skip, a business we acquired right at the end of '16 and, of course, we take Skip out of '17 as well. What that reveals, as the slide shows, is a strong, currency-neutral organic revenue growth rate of 30%.

Clearly, cash generation is an important and attractive feature of our business. The slide shows, here, that we generated 149 million of cash in 2017, which is up 39% year on year. And if I exclude the cash effect of exceptional items, cash conversion remains at around 100% of profit.

During the year, we concluded a £350 million five-year revolving credit facility, with an expanded consortium of banks. It's this strong cash flow, coupled with the availability of the new facility, that saw us funding the acquisition of Hungry House in early 2018, through our balance sheet. And with a couple of months' trading since that point, we end up with negligible net debt today.

If I turn to my next slide, thoughtful investment in our marketplace has driven further operational leverage, so at a group level, you see here cost of sales has risen from 10% to 18%. Of this increase, roughly half of it is attributable to the inclusion of the delivery costs of SkipTheDishes in the period, but the slide also shows how previous investment into our marketplace has driven leverage, with each of employee costs, marketing and overheads falling as a proportion of revenue, and I think that goes to the disciplined way in which we've grown this group.

Our market, it was a busy year. In the UK, we secured, as you know, the sponsorship of The X Factor television show, and that helped to improve brand awareness and recognition. Indeed, the show's finale was a record order night for our UK business.

Just before I turn to the individual businesses, I'll highlight a few of the group-level metrics. We now have 21.5 million active customers, and with 22% growth in that number, clearly our marketing efforts are working. Our restaurant estate is also in good health, as you can see, and SkipTheDishes, again, was a key driver to this growth.

I think this slide also points, though, to a significant opportunity. Whilst average order frequency improved by 1%, as the slide shows, our customers are still only ordering from us, on average, about eight times a year, and we think we can do better than this over time, and Peter is going to talk to that in a few moments.

Our average revenue per order is up 12%, to £2.92. Of this growth, around half of it was attributable to the delivery activity, including Skip, where commission levels are clearly higher. Other factors include the increase in average market rate commissions that I referred to earlier, though please note we didn't raise headline commission rates anywhere during 2017.

Let's move to our businesses, starting with the UK. This time last year, I talked to a goal of delivering to mid to late-teens order growth in the UK. So I'm pleased, therefore, to report order growth of 19%, at the top of that range, particularly after, if you recall, a relatively slow start to the year. To be clear, of that order growth, delivery represented less than 1% of that figure.

Within that, we saw some notable highlights. In May, we processed our 300 millionth order since launching the business in the UK, and in the month of December, we processed more than 10 million orders. As you see there, revenue growth exceeded order growth, with average commission rates rising to 13.3% from 12.9%, and delivery contributed around £5 million to the revenue number you see on the screen.

As I mentioned earlier, notwithstanding our pilots of the casual dining chains, we maintained that high, 51%, EBITDA margin, and that was right for 2017, but we're now moving beyond the pilot stage with the chains, and Peter's going to talk to that in a few minutes.

I'd like to move, now, to established markets. As a reminder for everybody, these markets include, for us, Canada, France, Ireland, Switzerland, Denmark and Norway. With the arrival of Skip, Canada is now, by some way, our largest market in this segment. More of that in a moment.

As the slide shows, the growth is strong, it's led by Skip, and that's also the reason for the reduction in segmental profit. Excluding Skip, we delivered £18 million of revenue growth, which converted to profit at a 29% margin, which demonstrates that strong leverage effect we see in our marketplace.

Whilst there are a number of strong performances in this segment, a couple I'd call out. I mentioned Demark. It's in our 17th year, our original Just Eat business, still delivering double-digit order growth. And France, where our strategy of diversification away from the capital saw 68% of orders taken from Greater Paris, which is down from 76% a year ago.

As I said, I do want to talk specifically to the standout performance of Skip within the established market segment. What this slide shows, just to be clear, is the actual 2016 full-year performance to facilitate a comparison. What that shows is the revenue growth has materially exceeded our expectations, and it's this that contributed significantly to the two upgrades to revenue guidance we did throughout 2017.

The combined Canadian business now has coast-to-coast coverage across all cities, more than 100,000 people, that's more than 10,000 restaurant partners and agreements with over 50 national and regional restaurant chains. As we said before, Skip is, first and foremost, about winning in Canada, but that said, there is now a clear opportunity to extend its technology and expertise into other markets, and we'll talk about that.

Whilst loss-making, as it expands into new cities and towns in Canada, Skip has demonstrated a clear route to profitability, where it's established critical mass in longer-standing markets.

Let's turn, now, to Australia and New Zealand. If I take you back to my comments about this business a year ago, I talked to a full agenda. Indeed, I referred to some heavy lifting for our Australia business in 2017. As expected, this has clearly impacted order growth, particularly in the second half but, as you see here, we saw stronger revenue growth and we took a disciplined view to cost management, consequently more than doubling underlying EBITDA on a constant currency basis.

I think it's fair to say some of you have challenged why it took until 2017 to get on with the re-platforming and moving to a single brand for this business. We agree, that's a fair challenge, but where have we got to? Today, the Menulog business is on the Just Eat platform and we're making good business in migrating the Eat Now business also to that global platform.

However, there's a population skew for large cities in Australia, and that has, inevitably, attracted new entries to the market. It has become, particularly in those cities, a highly competitive market. And given the characteristics of that market, we therefore think it's essential that we augment our marketplace business with a delivery capability, and for us, that means deploying aspects of Skip's know-how and expertise. And that's going to take time. We're on that this year.

So whilst we're facing into the challenges that we see in this market, I think we've done the right thing in recording a non-cash IFRS-driven impairment charge to goodwill of £180 million, which leaves the carrying value of this business at around £300 million.

In the developing market segment, there's still a huge opportunity. Here, we saw strong order and revenue growth of 49% and 59% respectively. We already have more than a million customers in both Spain and Italy, but there remains a significant opportunity to move customers from telephone to online.

We estimate 85% of takeaway food in Spain is still ordered by telephone, and this number exceeds 90% in Italy. There also remains a great potential to increase our restaurant estate still further. So whilst in Italy we grew it by 45% in 2017, we think there's still a long way to go.

In this segment, our Mexico business is still a small business, but we're going to make some seed investment into this business in 2018, to accelerate its growth in a market that we estimate is worth around £4 billion, when we put together independent and chain restaurants. So in summary for this segment, there remains a long runway for growth, and we'll invest in 2018 to pursue that opportunity.

Continuing in that vein, Brazil has had another excellent year. iFood, our business there, achieved triple-digit order growth, and even stronger revenue growth. Whilst at an EBITDA level, we incorporate our share of the modest losses of this business, it is worth bearing in mind that the very strong order and revenue growth is absent from our group numbers, so whilst we were pleased, in the year, to increase our ownership of this joint venture to 32%, it still only carried £40 million in our balance sheet.

The market for takeaway food in Brazil is valued at about £4 billion, so this business continues to offer very significant potential for future growth, and we're delighted with its performance.

I'm conscious that I've mentioned the theme of delivery a few times already. What I thought I'd be useful to do on this slide is reflect on how we do delivery across the business. We utilise three different models across the group, as I've indicated on the screen here.

In Canada, our Skip business works with independent couriers and, as you see here, last year generated 50 million of revenue and an EBITDA loss of 9 million. As we continue to roll out across new markets, we'll continue to see the business scale rapidly, helped by the use of powerful machine learning to predict demand and aid with route planning.

In contrast, in the UK we're working with third-party couriers. At this still-early stage, we generated 5 million of revenue and EBITDA losses of 12 million. As the year progressed, we saw unit economics improve. By working with third parties, we see an opportunity for our courier partners to combine the delivery of hot food with other delivery services, leading to further improvements in unit economics. Just to give you an idea of the progress we've made in the UK, we ended the year being able to offer KFC to more than 2 million Just Eat customers.

Then, finally, as many of you know, we've operated a delivery business in Denmark for more than ten years, and we employ drivers in the case of that model. In 2017, we extended that operation to a further six cities, and we saw revenues of 4 million and a gross profit of 1 million, as we note here.

I'd like to wrap up with some comments on Hungry House. Clearly, we were really pleased to conclude this transaction at the end of January this year. The slide shows the cost of acquisition, and now we move on to integrate that business into the group.

Our view on integration has not changed. We still anticipate that process taking approximately six months to transfer the restaurant estate and associated revenues over to the Just Eat platform.

So to sum up, 2017 was a great year for Just Eat. We saw a further strong performance in the UK, we saw exceptional growth in SkipTheDishes, now the second-largest business in the group, and great momentum in several other markets, particularly Spain, Italy and Brazil. It's this success that provides a platform to pick up the pace of investment in our business, as Peter's going to discuss. So with that, I'll pass back to Peter. Thank you very much.

Peter Plumb: Thank you, Paul. So as we said at the beginning, a great year for the group, revenues growing by 45% to 546 million. Most importantly, active customers, people using our service, grew by 3.9 million to 21.5 million. And with our revenue estate growing by 14,000 to 82,000, that means Just Eat, as a business, on average, has £40,000 worth of revenue going through each and every one of our restaurant partners.

And that's the true value that Just Eat brings to our restaurant partners around the world. Along the way, last year, as well as the numbers building, our team built. Just beyond 2,900 employees around the world are part of the Just Eat team.

The standouts that I took away from the results when I joined, were our Spanish and Italian business, both of those driving revenues beyond 60% growth. SkipTheDishes, Paul has called out, is now the second-largest business in the group. And, of course, the CMA approval of Hungry House gives us the opportunity to strengthen our UK marketplace business even further, by offering more customers more restaurants through the Just Eat platform.

So it truly was a year the team achieved a great deal in, but as a new CEO, it always helps to check what your predecessor committed to, and I'm pleased to report, as I looked back through David and Paul's presentations, the team have pretty much met the objectives, which you can see in this chart, which we, as a company, set out for ourselves in 2017.

I'd just like to take a few moments to remind you of what we said we would do, and how we've managed to deliver those elements this year. It starts with the UK: continue to grow the UK momentum, it is the bedrock of the Just Eat business. Indeed, it is the biggest part of our business and, as Paul already said, we grew the UK business 28%, to just over £304 million revenue.

Importantly, we grew the number of customers here in the UK by 1.3 million, taking active users up to 10.5 million, and that's about a fifth of all UK adults now use Just Eat for a takeaway occasion.

When we look at our international business, I think it's fair to say it continued at a pace. As a whole, it grew 75% to £243 million but, most importantly, 2.6 million more customers around the world use the Just Eat company, and the restaurant estate grew by a further 13,000 restaurants, expanding our coverage in all of our territories.

Importantly, we set the target of what we call second-tier cities. These are cities with a population of 1 million people or less. The reason we set that goal is these are the most important areas where the marketplace model of

Just Eat, the underpin of our success, really thrives and prospers. These are the smaller cities with less-dense populations, and it's the area we set ourselves the challenge of growing in. And indeed, the team did.

The number of restaurants in tier-two cities and below grew by nearly 5,500, taking 70% of the Just Eat estate to now being in tier-two cities and below. Examples for you. Ireland really led the way with the growth in tier-two cities, but closely followed by Spain, Demark and France, all of whom made impressive gains in those really core areas for this business.

As Paul has mentioned, and I'll talk a little bit more today, branded restaurants had always been on our radar screen last year, and it was a significant test during 2017. It's pretty much fair to say we've worked with nearly all of the leading brands and chains around the world. 13% of the revenues Paul has talked you through came from delivery services around the world. Not all of those are branded restaurants, but they do demonstrate the level of delivery this business is doing for its customers in our different markets.

Finally, we set ourselves the challenge of acquisition platform migration. I think it's fair to say we have some learnings from this, as Paul has already covered, but to recap, M&A is really complicated if you're trying to migrate onto a new platform as the same time as driving double-digit growth, which was our ambition in Australia.

We didn't fully achieve the planned migration, and whilst we were distracted by that work, it's fair to say competitors expanded rapidly in some of the key cities in Australia, resulting in slowing order growth through the year, from double-digit at the beginning to single-digit at the end of 2017. We now have a great deal of work to do. I think we've learnt very clear, important lessons from the Australia market, but it will take a while to put everything in place in our Australia business, as Paul has highlighted to you.

The team did all of this plus, of course, the Hungry House acquisition, so it was quite a year for Just Eat. The team certainly did what they said, however my job, as a new CEO, is all about moving this business onto the next stage of its growth, so I'm going to use the next few slides to share my thoughts and learning so far on the Just Eat business, and where I want to head.

We should start with the market. This is an incredibly young business with a great deal to play for. We're currently in 13 territories around the world, and you'll hear both Paul and I refer to two different markets, and I hope this helps clarify those markets.

The first we refer to as marketplace. Our marketplace business is the two-sided model that Just Eat is renowned for. We estimated the marketplace model, which is the pie chart on the left, to be a market worth £23 billion in the territories in which we operate.

These are the tens of thousands of entrepreneurial independent restaurant owners who cook the food locally, deliver the food to the customer themselves. They're generally a key part of the local community. Just Eat, to put this in perspective, handled about £3 billion worth of meals delivered out of that £23 billion marketplace business.

So that's our core marketplace market in which we play in our territories, but there's a new market emerging, which you will hear talked about a lot. We call that the quick-service chains. This is the opportunity which we term delivery. To play in this market – and we'll talk later – we need to provide delivery services, and we estimate that that market is worth £18 billion on top of the 23.

The market is attracting a huge amount of attention at the moment. These are the players like KFC, Pizza Hut, McDonald's, Subway to name but a few. They're the high-street branded restaurants. These restaurants are beginning to recognise the value of online customers in the growth potential online could offer them.

It's an 18 billion market. It's currently either collected by the customer or delivered by a few players. Both these markets we see having interesting future growth, as a social demographics change and adoption of smartphones and only ordering takes hold. So yes, there's everything to play for for Just Eat in these two markets.

Let's start with marketplace, the independent restaurants delivering food to customers themselves, the £23 billion opportunity. We're doing well. We've got strong growth. We have enviable profitability in this category. We have growing users, growing restaurants. And as I've got into the business, let me share with you the learnings I've made so far.

It starts with our customers, on the left. Customers like the Just Eat service. We have to remember, we are a mass market brand. In our core customer group, the majority of our users are between the age of 18 and 34 years old. Our net promoter score last year, so customers saying how well we did, grew from 18 to 24, and customers, when I talk to them and say, what do you think of Just Eat, will say we're easy, we're conversation and, really importantly, we're a brand for everyone. Just Eat is a brand for everyone.

Our restaurant partners also grew their net promoter score of us from 4 to 16, so we clearly, across our markets, are doing something right for our restaurant partners, but these scores, when you dive into the detail, are markedly different across our different markets, with Canada, our Skip business, leading the way, which really endorses how valuable that business is in the power of its delivery models.

But we must remember what we do for our small independent restaurant. We help those small restaurants be discoverable in the digital world to the 18 to 34-year-olds who live their life on their smartphones, but, most importantly, we provide vital revenues to those restaurants. As I said at the beginning, currently we're delivering about £40,000 worth of orders per restaurant in our estate. When we talk to restaurants, they will point to Just Eat as the best way of growing our business, and we have to keep doing that.

The chart on the right gives you some idea of some data Paul talked about earlier. Customers used us more in 2017 than ever before. A great deal of customers, when you talk to them about takeaway, will call it a treat; takeaway is the chance for us to bond after a really busy week around a takeaway. That's a reoccurring theme of why people use us.

On average, people, last year, used us eight times, but again, this measure varies hugely across our market, with Ireland leading the way with 11 occasions per year, and our growing businesses, like Spain, Italy and Switzerland, only being half that. That the sort of learning we can pass between our markets.

But customers in research will tell us they eat around 25 takeaways a year, so using the skills and the talent we've already got in the business, we need to grow into the headroom of the 25 usage occasions a year from our current eight. Let me share with you a few thoughts on how we're going to do that.

For me, it's all about our marketplace business becoming world class over the long term, and this will take time but I want to share with you my vision and my ambition of where we're going to take our core marketplace business. It all starts with apps. Our 18 to 34-year-old customers spend three hours a day on their smartphones.

App Annie has had a rule out there for a couple of years, they call it the 30-10 rule, and it says, on average, 30 apps are used by a smartphone user a month, and just 10 apps are used on a daily basis. We should be an app-first business, but only 50% of the group's revenues currently come from an app. Again, that varies across our different markets.

So to change this, it's all about investing in our app to make sure that Just Eat continues and leads the market to be the easiest and the best way to order takeaway food.

When we turn to our brands, we rolled out, last year, our new corporate branding pretty much across all of our market, and it's been a huge success. But most importantly, the corporate branding has been complemented by engaging and innovative local initiatives by the entrepreneurial country teams we have in each market.

Things like sponsoring the Dublin Bight, the Geneva tram sponsorship and The X Factor sponsorship here in the UK, all of these help connect local communities to the local restaurants on the Just Eat marketplace platform. The result of this is that our spontaneous awareness last year grew from just 11% to 17%. I'd like it to go even higher in the years ahead.

Finally, our restaurant partners. We have big local sales teams with deep, long-term relationships with the restaurants around the world. To give you an example, in the UK, we have a 52-strong sales team who, last year, made around 40,000 visits to independent restaurants, and we have similar strategies led by country managers around the world. I firmly believe that this element of the Just Eat model really sets us apart from many of the new entrants coming into this market, because our teams build long-term relationships with those independent restaurants.

But there is another ingredient that makes the difference, and we call it order pads. We innovated the order pad. It's the technology on the right that sits in the restaurants, and we know that it improves restaurants' business. It's the vital bridge between the customer, the restaurant owner and ourselves.

Every restaurant should have one, but closing off 2017, only 30% of our restaurants have an order pad. So by accelerating the roll-out of order pads to all of our restaurant partners will make a big difference to not only our restaurant partner's business but the customer service we can deliver to our customers.

Each of these initiatives will take time and investment in the years ahead, but they're the right things to do to continue to power our marketplace business for customers, for restaurant partner and, of course, for shareholders.

So that marketplace business, serving the independent restaurants, the 23 billion market, is really successful and gives us the firepower to seriously invest in new growth markets for this business for the future. So I now turn to the £18 billion quick-service restaurant opportunity that is certainly interesting to both ourselves and our customers.

When you look at it through a customer lens, this isn't a different business; this is just providing a service for our customers, and if they currently consume, they just currently get their car out or go and collect a quick-service meal, and we want to be able to deliver it.

So this year, we've worked with many of the chains around the world, you can see on this chart, and we've learned four key things from the pilots last year. The first one is that chains see big future growth opportunity from online customers. They want to be in the game. We also have learnt the quick-service chains are open to having multiple delivery partners, rather than single exclusive deals. We've also recognised that Just Eat has a unique base of 21.5 million takeaway-loving customers, and this is the bedrock that some quick-service restaurants want to tap into business, most importantly, and generally, they don't want to do the delivery themselves.

So to unlock this market for our customers, we have to find the right delivery model for our business and, as Paul has talked you through, last year we ran three different delivery models around the world, all of which have differing economics.

There's the courier model that Paul's described. Skip gives us a sophisticated platform to build this capability from around the world; the third-party outsource players, where somebody else hires and manages the drivers, hopefully sharing them with other players to keep the economics sensible; and there's the owner-driver model which is profitable in Denmark but is going to be very difficult to scale beyond Denmark, and very uneconomical to do so, and difficult.

So our conclusion is one model certainly does not fit all, it depends very much on the geography of both our customer and our restaurant densities, but we now do know enough. Yes, the economics of delivery are very different to those of our marketplace, but building a delivery capability to complement our marketplace and meet the needs of our 21 million customers, by using their data and using the insights that we have on those customers makes sense.

We have the benefit of optionality. We do not have to do the same model in each market. We will roll out sensibly the right model for the right market for the customers that love Just Eat.

So I hope that gives you a flavour of my long-term view of where I want to take Just Eat. A better marketplace in the 23 billion independent market, and sensibly go into the quick-service market of 18 billion, against our customer needs with the right model. That's our long-term view, but let me focus now on the priorities for 2018.

To start, we'll be investing in 50 million in 2018 against the following priorities. We start with our heartland, the independent restaurant markets, where our priorities will be threefold. We start with our apps: build out our UK and European app to be the best and the easiest way to order takeaway.

We'll increase our investment in brands across Europe to build our awareness in our connection with customers, and we will be rolling out order pads across our core markets in 2018. It's good for our customers and it's great for our restaurants' business.

As we turn to the 18 billion quick-service market, we're not going to stand by and let others take this market. Chains want access to our takeaway-loving customers, so in the UK we will accelerate our delivery capabilities to the customers in the areas in the UK we know customers want that service.

We will significantly increase our investment in Skip to go faster in Canada, and to learn to export that IT to our other territories, starting with Australia, as Paul has already said. Along the way, our tech team will be investing in building tools so customers can access both the local heroes they love from our marketplace model but also the famous brands, where it's appropriate and sensible for that customer.

So this year is about investing more, to build on our strengths and go faster, underpinned by our very successful marketplace model. So what does that mean for 2018? We had a great start to the year, but I hope you've got the message we've clearly got a lot still to do, and that's very exciting.

Our marketplace business continues to deliver strong profits and growth. It's currently trading well and in line with expectations. Our 500-strong technology team are engineering new user experiences for customers in restaurants, whilst finishing the platform migration we started in Australia.

In some cities, though, delivery of quick-service restaurants is growing quickly. As I've already said, we must be part of this game for our customers. We have a bedrock of 21 million active customers to build a business from, and quick-service chains are turning to us from some of this growth.

So our strategic investments in the year are focused on doubling up investment in Skip to go faster, extending out our UK delivery capability, strengthening our brands in Europe and investing seed money in our new emerging businesses for the future.

I'm not in the habit of doing this, but I will give you guidance today anyway. From where I stand today, six months into my role, I see revenues for the year being between 660 million and 700 million.

And underlying EBITDA between 165 million and 185 million based on the investments we've currently shown you. We do have a great team that just need to cross the world and I do look forward to seeing you all at our capital markets day where I hope I can share a bit more colour on the themes I've talked you through today. So at that I'd like to open up the floor to questions. Do we have a roving mike?

Rob Joyce: Good morning I'm Rob Joyce from Goldman Sachs I've got three from me the first one just in terms of the investment about 50 million, the difference between the marketplace and the actual EBITDA could you give us a rough idea how you think you're going to split this and also how we should look at measuring the returns on that investment?

The second one is just in terms of the delivery rollout in Australia I think you said that's going to be more of the SkipTheDishes type rollout and does that mean longer term it's inherently more profitable than the third party market in the UK? And then finally in terms of looking beyond 18 is that investment, does that feel like the peak level of investment you're likely to have to make in delivery of that 50 million?

Peter Plumb: I'll answer some of these now and hand over to Paul, so the first one was 50 million how's it split, delivery versus marketplace? Australia delivery rollout is it the Skip model and will that be more profitable? And 2018 investment is this a peak?

Rob Joyce: And just on the investment how should we think about… sorry it was a sub-clause how should we think about assessing the returns on that investment?

Peter Plumb: Okay well let me start, I'm going to get Paul to talk about the investment and the returns and how we measure. Let me firstly pick upon Australia, very clear we've got a lot of work to do in Australia. We're very clear the market has moved forwards but we have to start by saying it is one of 13 markets for us so let's put it into perspective.

We have significant growth in all our other markets, we're very successful in the other markets so Australia yes we are partway through rollout and yes we want to use it as the testing ground to see whether we can export the Skip capability into a new market. All of that will be learnings for us and all of that will take time and we'll update you as we go with that.

On the 50 million how it is split between delivery and marketplace I'm going to hand over to Paul to get him to give you a perspective on how to think about that investment and I'll also ask Paul to say how to think about that investment perhaps versus future investments.

Paul Harrison: Thanks for your question I think the first thing to say about these initiatives we're operating clearly in a very dynamic market and we will learn as we go and we'll be agile in where we deploy them. So that is one reason why I'm not going to give you a precise breakdown of 50 million today. But what I will say to you is this, we've talked about delivery activity, we've talked about going faster in Canada on the back of the very strong Skip performance, we've talked about taking that Skip know-how and technology to Australia and we've talked about going harder with the quick service restaurant chains in the UK.

In our 2017 numbers you'll have seen that in Canada we invested by reference to the EBITDA performance nine million in that business and you see in these numbers we've invested 12 million in the UK. So if you like there's 21 million invested already in that in the UK so you can imagine therefore that it takes a significant proportion of the 50 million as we build on that investment now. But I wouldn't want you to think about the 50 million as entirely around delivery centric activity, as we referred to in the presentation we do want to go harder in our marketplace business, particularly Mexico.

And then within the BAE within the marketplace we're going to continue to invest as Peter said in brand in markets like Spain and Italy where we think we've got a lot to go for. So not appropriate I think to give a precise breakdown but thematically that's where it goes to.

In terms of returns on this, firstly we do have a capital markets day as Peter's mentioned on the date that we'll confirm very soon in June and we'll talk about the medium-term plans that we have for the business there. I think the additional comment that I'd make to you is when we think about the delivery component of this is we have already seen our Danish business run a profitable delivery business. In Canada with Skip where they've been in markets, towns and cities for between 24 and 36 months they've demonstrated a clear route to profitability.

So in those two more established examples of how we do delivery we have examples of a route to clear profitability. Clearly working with third party couriers in the UK is a newer initiative for us.

Richard Stuber: Hi morning Richard Stuber from Numis, just two please. I think in the UK you say that just under 2% of your revenue is from delivery activities where do you see that on a, say three to give year view? And the second is a related question is in terms of the pounds per order profitability do you see it is broadly similar between a marketplace and a quick service restaurant?

Peter Plumb: I'll ask Paul to talk about profitability as we showed you some slides about early findings. Let's start with the size of the ambition. We are not working to a fixed number with delivery I do want to make it very clear we're very different to other players in this market. We have a very successful marketplace business used by a fifth of all UK adults and we have a brand that's loved and that's what we're building from here in the UK.

The early data I'm seeing and I am still learning is that an average customer has 25 takeaway occasions a year, perhaps more and we're only eight of those. I view delivery very much as meeting the customer's needs so if you look at delivery through a customer lens I want Just Eat in the right regions based on the data that we have to be able to meet more of a customer's need so we're the only brand they use.

So the headroom in delivery is very much to complement the use of our tool as a marketplace and it's that complementing service, not replacement service that Paul and I feel confident that our tests so far are showing it complements our core marketplace business. And our marketplace business and its profitability gives us the permission because we have the brand, the customer data we know exactly where customers are, what they eat and we can build into the needs that they're stating that they want.

So we don't have a target of what they should be it's about meeting the full needs of the customer. And as we go forwards we'll update you on that. Does that answer your question about delivery?

Richard Stuber: Yes.

Peter Plumb: On profitability, Paul will talk you through but do remember delivery of the dynamics market the more you put through it the better the economics get and it's about being sensible with route planning, regions, customer densities to make those economics work. And we're still learning, it's a scale gain, you've seen the early signs of small tests but we're confident if we can get some scale in these regions we can learn more this year.

Paul Harrison: You expressed the question well and since we know that the margin on this activity is never going to be like a marketplace margin. So you're right the question is can in absolute terms we get to the same levels of profitability? It is at this stage too early to say but I think our view is we're going to be very thoughtful and selective about where we deploy delivery services; they will be into urban population dense areas and they will be with relevant chains reflecting the fact that Just Eat is a mass market business so we're not going to be working just with every dining chain out there.

We're going to work with specifically relevant quick service restaurants. Eventual profitability the thesis I hear let's see it is early days.

Marcus: Hi Marcus [unclear] from J.P. Morgan I want to follow up on delivery so you mentioned you looked at the data so far, but is it right from your comments that basically customers who now also went for the quick service chains afterwards went also back to the [unclear] restaurants as well so there is no cannibalisation really that we see it's really the vast majority of [unclear] were incremental? Is that really what we should take from your learnings when you look at the data?

The second question is just on acquisitions and take away both from assets now and Europe again, Romania and Bulgaria did you look at it as well? Should we read anything into this as in it's Just Eat is not doing any further acquisitions or would that just take it too far?

Peter Plumb: Okay Marcus the two questions, delivery so far is a complementary or substitution and M&A is it still on the table those are your two questions. I'll probably let Paul talk a little bit more about M&A. Delivery it is early days, it is something our customers tell us they're interested in and they also and I've shown you the data how much they love our marketplace model. So we would be foolish not to go and learn a little bit more about customer behaviour in this space.

We will build models based on the data we know and as we learn through that we'll come back and update you on our learnings but I'm not going to hypothesise about what the results are going to be. We're demonstrating to you 2017 was a year of great tests. We have optionality across our completely different markets, the Skip model works perfectly in Canada, we're happy with third party here in the UK and Denmark works well.

So we've got the benefit of the breadth of the business, we can tailor the right solution for the right market with the right restaurants as we go but we are a mass market brand. We have the large group of customers who already love our brand, know our service and tell us some of these restaurants are people they want to order from and we'll go into that market and we'll let you know as we learn. But I can't make up data and I'm not going to hypothesise for you but we will share with you.

I want it to be part of the total service and you have to look at delivery through the customer's eyes not as a completely separate business because a customer views takeaway as takeaway and it's their treat and they've deserved it and we're there to help them have it. When we move forwards on M&A, Paul do you want to say a few things?

Paul Harrison: A couple of comments, first of all M&A as you know is an enabler of a strategy it's a means of getting to a strategic objective quicker than organic. I say that because when we talk to you at our capital markets day we're going to talk about fundamentally what we want to do with this business over the course of the next three years. And of course we'll address how M&A might play into that. I'm not going to comment on individual transactions, you wouldn't expect me to, of course though in this relatively small industry we'll remain alive to opportunities as they come along and consider them.

Peter Plumb: Okay next question.

John King: Thanks it is John King at Merrill Lynch, two questions and probably one for Paul and potentially one for Peter. The first one on the guidance we've obviously seen in 2017 how impactful delivery can be to the revenue line and obviously you upgraded your guidance a couple of times through the year, partly because of that.

When we look at the guidance obviously I think relative to where the market was expecting some big investment in delivery and yet the revenues seem relatively aligned, maybe slightly above so I guess maybe just to talk why that delivery investment isn't potentially being more impactful to the top line; perhaps is there some difference in terms of mix from potentially using less of the courier model at least in the assumptions.

That was the first one some revenue guidance and then the second one with the delivery side given this is all about consumers and that makes a lot of sense can you imagine a scenario where delivery might be loss-making into perpetuity on a gross margin basis just simply because it is accretive enough from a customer experience standpoint that that makes sense? Or actually do you believe that either that's very unlikely or that actually if that was the case you wouldn't do it?

Peter Plumb: Okay I'll ask Paul to talk about guidance but let me come back to delivery. I think we've said everything I've got to say on delivery, this is an investment to move this business forwards. We've got a lot to learn. We learnt a lot last year and our marketplace business is in such good health that's the springboard that we're going to explore these services for on the customer and once we've learnt and once we've found the right balance for this group then we'll come back to you.

But I can't hypothesise into the future but I'm glad you've picked up; I'm led by the customer because that's really what this is all about. So I hope that closes off that question.

Paul Harrison: John, you know that we're talking today about going harder at these delivery initiatives, as we came in today I think consensus for 2018 for revenue was 665 million. We're guiding obviously 660/700 so I would say that implied by that guidance is more. But let's be also prudent for this in the case of these markets this is a very early business for us, less so perhaps in Canada where we're more established but in the UK initiative and particularly the Australian initiative let's see how we go.

We're going to take, as you'd expect a relatively cautious view.

John King: And the UK presumably is it going to be primarily outsourced in which case I guess it is… maybe explain the difference in the revenue recognition just for argument's sake around that sort of service there seems to be quite a big difference in the same order you're going to get much less revenue?

Peter Plumb: No that isn't right the revenue we get will be a function of the commission rate and the average order value as always. The question is how much we pay away under the how; under how we do delivery and that looks different at different times. So in the early days before we get meaningful volumes going through in delivery polygons, say in the UK then the cost per order is higher than it is when you've clearly got the throughput that's the delta.

Andrea: Hi Andrea [unclear] from Morgan Stanley three questions please. Just to follow on a couple of John's I know you don't want to hypothesise over the future but can you talk about whether in the areas where you've been doing pilots what type of… if you're seeing average order values that are higher than your marketplace or they're similar because that will be a key determinant on the future profitability of that business?

And the second question is on Hungry House, can you talk a little bit about the integration and what the timeline is for integration of the platform and whether you're going to merge the brands? And just following up on the accounting question from John, when you outsource the delivery are you booking in delivery rates might have a 30% commission, for example, that includes those things?

Are you incorporating also a higher commission level including what you're going to be paying the partners?

Peter Plumb: Your three questions were AOVs are they different for quick service restaurants, Hungry House integration plan and outsourced delivery is there a different fee structure. I'll let Paul talk about the fee structure again clearly we didn't quite get the picture over so we'll try one more time. I think AOVs; in fact Paul is probably best-placed to answer that so I'll stop with Hungry House.

We're really pleased with the way Hungry House integration is going. We've started migrating the new restaurants over to the UK business and as I say really pleased with the fact that increases the choice for our UK customers particularly in the south of England they're very strong. Customers will also be migrated over. The Hungry House brand we don't intend to continue to use in that we would like to focus everybody on Just Eat because that's the brand that's got the fame and the connection across the UK.

We will certainly aim to get the integration done for halfway through the year and all the signs are we might manage it a little bit earlier but obviously there're people elements of that. So all in all very happy with Hungry House, bringing it over and where we're heading. Paul do you want to pick up average order values?

Paul Harrison: Yes, early days you're going to hear me say this time and again I realise, but early days. We're seeing, yes mildly higher average order value, not double Andrea but we are seeing higher order values; average order values. As for the commission, clearly I'm not going to talk about the individual rates but clearly where we're taking on the cost of providing through a third party delivery obligation we're seeking higher commission rate as compared to the marketplace 14%.

I expect those are going to evolve over time as well because let's not forget for the quick service restaurant chains themselves this is also a very early initiative as well. So we're not putting in, quite deliberately fee structures in place that lock either party in for multiple years, this will evolve.

Sylvia: Good morning it is Sylvia [unclear] from Lloyds Bank just two questions for me. First on competition are you seeing competitors coming into this [unclear] as well? Can you please talk a little bit more about where competition is and that's because looking at the EBITDA guidance [unclear] in 2018 it looks like the margin improvement is a bit lower than it used to be?

Then second question on the UK, in the past you used to provide pie chart showing the market share, can you give some colour on how that has changed and especially after the X Factor campaign have you seen any benefit from that? It sounds like some of your competitors have benefited as well, like Domino's?

Peter Plumb: Okay, Sylvia so two questions, competitors in this sector does that mean our margin is being squeezed? I think that's the question I heard and UK market share has X Factor changed that and did a competitor benefit from it? Those are your two questions.

Sylvia: Yes and on the… I meant because Domino in the last presentation they say that on the day of the X Factor final they received the largest number of orders in history.

Peter Plumb: Okay so let me have a go and then I'm sure Paul will add to it. I'm not going to talk about competitors this is a 23 billion market for independents plus an 18 for quick service restaurant and it's growing so this is a young industry. My intent is to explain to you why as a new CEO I want to invest to make sure that our core marketplace bedrock of a business is the best it possibly can be. We have to be world-class and that's about making sure that we do have the best tech team who are focused on making sure our apps are the easiest and best way to order takeaway.

It's about putting order pads into every restaurant so those restaurants prosper and our customers get the best service and it's about building our brand spend. So those are the three cost levers for me that really drive our margin and I want to make sure with this building we build for the future and we're brilliant at all three of those basics. So that's the driver of how we run our marketplace business it's got nothing to do with competition.

On UK market share X Factor I think we're very pleased with the results that the marketing team got from that, particularly the activation in the energy it gave our 28,000 UK restaurant owners many of whom were involved in the idents. And so these marketing campaigns a bit is about fame a lot is about connection. I'm really chuffed that our team here in the UK used X Factor to connect with independent restaurant owners and that's really what that initiative was all about. Again, I'm not going to comment on competitors that's their business.

Paul Harrison: Just on the comment on guidance, of course therefore we'll continue to invest in our marketplace business in the way Peter's described we've got such a strong growth opportunity there. At the same time I think when you run your numbers through you should still see a favourable leverage and I'm happy to work with you on that.

Sean Whitaker: Sean Whitaker from Liberum two questions please. First of all, coming back to Australia it sounds as though, so you think that [unclear] decline in terms of your position more due to specific factors for that market. The concentration of cities and also as well in terms of the migration onto a platform. Would that be, there are no other markets that you have that you think could be vulnerable to a similar swift turnaround in your fortunes just given their market structures or anything else that's happening?

And second just in terms of the 25 orders obviously will vary by market but do you have some more figures you can give us in terms of the split there between the number of orders between independent restaurants and the number of orders between chains that people are doing? I think you mentioned about 25 orders, that's what people have per year it's just quite interesting to get a breakdown between the types.

Peter Plumb: That's going to be the capital markets day we're getting data together on customers, it's something I'm very passionate about; about making sure we understand our customers better. As I get that data that's probably the right format to share more detail with you as we build our plans around the customer. So I can't give you any more data all you need to do is take away at the moment is something we're really digging into and you'd expect us to as a mass market brand.

Australia it is a mixture of things we were very ambitious with what we were trying to achieve; migrate two brands to one, eat now to menu log, two platforms onto one. All of that was going to be difficult whilst growing a business and yes that was a distraction and yes along the way the market has moved and competitors are introducing delivery services in those cities that are prime for it at a pace. Which we've already said to you we will address, I don't know how long it will take us, I don't know what we'll learn along the way but I think we're doing the right thing for that.

And when you step back our 13 territories are all very different each of them has different demographics. But you should take huge comfort in the fact that our international business even with Australia in it grew 75% and that gives you a flavour of the differences across all of our market; in how the marketplace model is working and how we will complement that with delivery models as we see fit and as we learn.

And each country is at a different stage but our tier two focus is all about underpinning our marketplace model which is the springboard for some of the investments we've talked about.

James Lockyer: Hi it is James Lockyer from Peel Hunt I've just got three questions please. Can you talk a bit more about the vendor deals that you've got with your restaurants, how are they progressing and how your consumers are benefiting? I understand that some vendors are benefiting after cover or more than cover the commission they pay away to you. Secondly, in the past you've talked about how you're using your data to benefit the restaurants such as through location suggestions for new branches can you talk about that a bit more?

And just following on from Sylvia's question around the market, in the past you've spoken around 51% of the takeaway market is still over the telephone are you able to give me an update on that number please?

Peter Plumb: So let me just get this right, James vendor deals this is deals such as helping restaurants buy better how are those progressing? Data how's that helping restaurants run better businesses? And then have we got any data that we can update you on telephone to online those were your three questions?

I might ask Paul to pick up on vendor deals because to be honest I can't give you at this stage a big update on it. Perhaps at our capital markets day we can give you a better lens on it. It's a really interesting part of our business and it's a hugely valuable part of our business. What I'm learning is order pads are the biggest value add because we allow the restaurants to be able to see their data and it most importantly allows us to interact with them.

So my focus as you've heard for 2018 is about making sure we develop the right tools, we get order pads in all the restaurants we can and that that improves our customer service and also our service to the restaurants. So that's my primary focus and why it's a priority for 2018. I don't have any update on the data of telephone to online but clearly by focusing on making sure our app is easier to use, by plugging in our order pads to make it seamless with our restaurant partners by definition should improve and make it easier to order online than over the telephone. And so perhaps the capital markets day we can update that data for you but we're addressing the drivers to help change behaviour rather than expecting behaviour just to change itself. We want to be on the front foot. Is there anything you want to add?

Paul Harrison: I think restaurant services remain an important pillar in helping us to make our restaurant partners more successful. There's a slide in the back of the deck gives you an update and it conveys amongst other things that we estimate that we've saved them around about £3 billion since we launched this initiative. So it's a valuable part of our armoury I think in our goal of making restaurant partners more successful.

Peter Plumb: We're going to run out of time soon so can we just take two more people's questions and please limit it to one question each just to allow us to get through two more questions?

Joe: Hi Joe [unclear] from Credit Suisse just one more from me then. So you said how you have these three different models that you can use with regards to delivery logistics and that gives you flexibility can you talk a little bit about the pros and cons of each of the models and why you deploy a specific model in a specific geography?

Peter Plumb: Joe I think that's really one for the capital markets day I've tried to give you a lens of this is a marketplace business that's going to add delivery services for its customers where it's appropriate and build the business out. I'm trying to show you from my point of view we've got optionality it's not one model fits all, we're not wedded to how delivery is done. All I'm wedded to is giving it to the right customers with the right restaurants at a deal that works for us.

So as that emerges then perhaps at the capital markets day where we'll have even more learnings for you I'll share with you in detail a little bit more of where we're going but it wouldn't be appropriate to go any further than we've said now.

Unspecified Questioner: Hi it's [Unclear] from UBS so one question for me please. The CMA document showed that there's a significant part of your independent restaurant that would potentially be willing or would like to add those delivery services so I'm just wondering if that's something you would agree with and if we could see you offering logistic services to the independent restaurants as well.

Peter Plumb: I beg your pardon I missed the little about what the CMA said.

Unspecified Questioner: That around 30% of independent restaurants would consider outsourcing delivery services, those on your Hungry House platform.

Peter Plumb: Okay I don't know whether Paul wants to say anything.

Paul Harrison: I can comment very briefly. The first order priority for us as we think about delivery services is to work with the quick service restaurant chains that are relevant to a mass market. Yes down the line there is a potential opportunity to fill in delivery densities by working with prominent independent restaurants who perhaps they aren't on the platform because they don't do their own delivery but that's a second order priority compared to the QSR initiative we've talked about.

Peter Plumb: Okay I'm really sorry to bring this to a close there have been some amazing questions so thank you very much. We will be running a capital markets day in June and we will release the date as soon as we can and I look forward to getting into more of the detail then. But thank you for your support. Thank you for your questions and have a good day.