Just Eat FY18 Results

Presentation

Peter Duffy

Chief Executive Officer (Interim)

It's half-past, so let's get going. My name is Peter Duffy for those of you I haven't met. I'm the Interim CEO at Just Eat. I'm joined by my friend and colleague Paul Harrison, our Chief Financial Officer. Also in the front row here we have Mike Evans, our Chairman, Mike do you want to just wave so people see you. Also we have two of our main, actually our two biggest country managing directors, we have Graham Corfield from the UK. Graham has been with Just Eat since 2013. And we have Howard Migdal from Canada. Howard actually set an online food delivery business up back in 2006, which I think makes him a founding father of this industry, but he now runs all our operations for the Canadian market as well. Brilliant that they're here, and they'll be around to chat afterwards and add any additional colour to the story that you have.

The agenda we have today is that I will just give some FY18 highlights, Paul will then step up and talk about the numbers. I'll come back and then do something on strategy, and then we'll run a Q&A session, which we very much look forward to, so pretty standard.

If I kick off then by just looking at the FY18 highlights because this has really been a strong and a transformational year for the business. We've continued to demonstrate excellent financial performance. Our revenue was up 43% to £779.5 million, and our underlying EBITDA was up 6% to £173.9 million. That's after the impact of investing £51 million in our key strategic initiatives.

We've continued to invest in our people, in our brands, and in our platforms, and we've helped over 100,000 restaurant partners in the year serve over 221 million orders, that's up 28% year-on-year. Customers are continuing to choose Just Eat as a destination of choice for online food delivery. We've attracted 26 million active customers, that's up 22% year-on-year. We've got 4 million new customers who have joined the platform globally, that means that our average order frequency has also increased, it's improved by 5% on last year, which means that we now have 8.4 orders per customer per year.

Strategically 2018 has also been transformational, because we've invested in driving forward our hybrid marketplace, and in turn that's meant that we've been able to address an £83 billion market opportunity. In the UK we've consolidated our number one position through the acquisition of Hungryhouse, and we've achieved strong order growth of 17%. We delivered outstanding growth in Canada, outstanding, and we've reached full coverage geographically in Quarter 3, and in Quarter 4 we broke even on an EBITDA basis for the first time. We expect the Canadian business overall to deliver its first full year of profit in FY19.

SkipTheDishes, which is not just a company, but its technology and its know-how is now being exported to Australia and the UK where it's powering on new delivery operations that we're rolling out. Across the Group we're partnering with all major QSRs, including McDonalds and KFC. We've acquired Flyt, which is a leading restaurant software platform and that's going to help us accelerate integrating our brands point of sale system, so that's very exciting. Also today we're very, very pleased to be confirming that Just Eat will be fully participating in iFood's current funding round as we're sharing in the exciting growth plans that it has in Latin America.

My presentation later is going to be all about the strategy to create the leading hybrid marketplace, but before I hand over to Paul to take you through the numbers, I thought I'd just share some personal reflections about Just Eat, the industry, and give you perhaps an insight into where I'm coming from.

Firstly on scale and growth. By creating a hybrid marketplace, which let's be clear, we're essentially adding targeted delivery to the existing marketplace business. We're looking at an even bigger market opportunity, the £83 billion in GNV, I spoke about a minute ago. However, I like to think actually about the billions of transactions that make that up, because at that sort of scale and growth, the leverage opportunity that we can get from a range of initiatives that either improve the revenue or the cost side of an individual order are going to be simply immense.

Secondly, is the speed at which customer behaviour is changing. Telephone to online of course, but also their demand for brands as well as independent restaurants. Delivery led competitors only exist because customers want to be served from a broader range of restaurants than the ones which were traditionally available on a marketplace. That means we're going have to adapt our model. For many markets, and for a number of our competitors in fact, that's looking more and more like a hybrid-based approach, not just marketplace, not just delivery, it's about both.

In turn, that then means that we're going to have to curate, and that's the important word I'm going to come back to, we're going to have to curate the beset range of restaurants for our customers, for this very broad customer base who we're going to be targeting in the most hyper local and hyper personalised way. We're not going to be able to just keep adding restaurants to a listing, we're going have to be clever with data, and show the customers the ones that are the most relevant.

Equally we're not going to be able to just have couriers waiting for an order, we're going to have to use artificial intelligence to not just predict, but to also stimulate demand. Delivery economics need to improve, you're going to be hearing more about that later, product need to be more personalised and more dynamic. I'm going to touch on that as well.

But importantly, this is all only going to happen with the application of artificial intelligence to take a lead on algorithmic demand and supply management. Excellence here is going to differentiate tomorrow.

What's so special about Just Eat then? Well, I see the industry coming at this in two ways, you've got delivery organisations that need to move into marketplace, you've got marketplace organisations that need to add delivery, and Just Eat has advantage here. We're the organisation with an unrivalled marketplace foundation, the company who has a number one position in every market where we operate, but who needs to add delivery to varying levels in a number of our markets.

What's the advantage? The advantage is that there are strong network effects with marketplace that create very high barriers to success. We have consistently seen that number two and number three players lose touch with the leader. This is a proposition that consolidates in a way where winner takes most.

Now contrast that with delivery, where we now see branded chains actively seeking to work with two or three fulfilment partners, you'll see today a range of brands that we've signed up in the last few months. Then add to that the know-how and the technology that we have from our proprietary and successful delivery model in SkipTheDishes. It leaves me convinced that we are uniquely advantaged, because we're going to have - it's going to be a much, much tougher task to add a marketplace to a delivery business than to do it our way around.

We go into this with a backbone of this low capital intensive, very high operating leverage model that creates superior profits and returns. Our opportunity then is to overlay in a targeted way a world-class delivery platform that can show a line of sight to future profit if we're rigorous in its implementation. Now that's not just exciting, I think that's unique.

The final point to share, and that's the brief I've got from Mike and the Board as interim CEO, is that very simply they're asking me to energise the organisation to execute at pace. You're going to be hearing this morning about the many initiatives that that involves, but really going forward that's going to be as much about people as it will be about implementation and strategy. We've got a hugely experienced team, we've got country managing directors with a collective 60 plus years of online food delivery knowledge. We have a single global delivery team based out of Canada with the capability to implement a profitable delivery model.

This Company has been built on a culture of entrepreneurialism, a culture of pace, of team work, and actually of fun, that's why we're all here. It's going to be my job to foster that environment with our brilliant, brilliant people and be very clear with them about what we're asking them to do, help them feel accountable for that delivery, and make sure they're motivated to get on with that job at speed.

Later in my session I'm going to be explaining a lot more about why I think hybrid is the winning model, how we're creating this leading hybrid marketplace for our customers, and how we're already accelerating at pace to that execution. But first I'm going to hand over to Paul who is going to take you through the numbers. Paul.

Paul Harrison

Chief Financial Officer

Thank you, Peter. Good morning. Specs I'm afraid, it happens to us all at some stage. In my presentation today I want to look back on 2018 and share with you my reflections on what drove a strong performance, and in particular why the investment we talked about during the year has helped us to refine our strategy, and the near term our plans for 2019. Of course, I'll cover my usual commentary on segmental performance.

We preannounced our headline 2018 numbers back on 21 January, these numbers are not new news today. As you can see they reflect a strong financial performance with both order growth of 28% and revenue growth of 43%. This reflects the growing significance of delivery in our revenue mix, where of course average orders, revenues per order are higher than they are in marketplace.

EBITDA came out in the middle of our guided range with a strong Q4 from Canada covering higher iFood investment. The margin trend of course reflects the investments we talked about a year ago, which I'm now going to cover on the next slide.

When we spoke at the half year, I told you that we expected to incur costs of between £55 and £60 million to accelerate firstly UK delivery, secondly Skip in Canada, including its roll out into Australia, and thirdly to invest in our early stage business in Mexico.

As the slide shows our net investment was lower than we expected at £51 million, and this variance principally reflects our investment in Canada netting better returns with Skip's path to profitability exceeding our expectations. We're really pleased with the results of these initiatives. They've enabled a number of things, firstly the rollout of delivery in the UK, working with a small number of third-party partners. Also to successful introduce Skip to the UK, initially in three cities, late last year. Thirdly, we've accelerated the coverage of Skip in Canada whilst reaching overall profitability during Q4 2018. We've launched a Skip powered delivery service in Australia, signing up a number of key quick service restaurant chains along the way. Finally, we've driven very strong order growth in Mexico.

To underline this progress, this slide looks at our three Skip enabled delivery markets at varying degrees of maturity. In Canada as you can see we now have full coverage of the addressable population, and we're now in an optimisation stage for this business with almost all of our zones now at least gross profit breakeven. As note we're using gross profitability here as it's the best way to show the most variable part of our delivery costs. It avoids a debate that happens further down the P&L with different profit metrics about allocation of costs.

In Australia with its highly urbanised population you can see that already we cover 55% of the addressable population, and we've got 70% of our zones up to gross profit breakeven. There's more to do in Australia, but I think we've made good progress in 2018. In the UK, which is a majority third party delivery today, as many of you know, we've got 35% coverage of the addressable population, and we breakeven in around about 10% of our zones.

Now as Peter is going to discuss in a few minutes, when you have a leading marketplace presence, there are more levers to pull to define economic success. Clearly though we want to move to profitability in delivery in its own right. Now you may recall for those of you who attended our capital markets day that I put up a similar slide at that time. It shows for a sample of cities in Canada how we move to gross profitability over time in each zone as we drive order density and infill zones to improve the economics.

What I've done then here in green is added a sample of Australian zones, and although as you can see we've got fewer data points, given the shorter time we've been operating hybrid here, you start to see a similar trend emerging to that that we saw with SkipTheDishes in Australia during 2018.

Finally, in blue what I've done is added the UK, and you'll see here that we have some areas that are gross profitable already, but it's a less clear trend. This is because we're working still throughout 2018 with a number of third-party delivery providers. However, as I said in November, we introduced Skip to power delivery in certain UK zones. By the end of this year, end of 2019, we will be using Skip supplemented by one other third party fulfilment partner in their already established zones. Overall, we see a clearly positive trend here, especially where we've deployed the Skip model.

How does that experience inform our medium-term aspirations for delivery? Because as we said before, the significance, the resonance of delivery will vary by reporting segment. In the UK a significant proportion of takeaway food cuisines people love are offered only by independents, of course I'm thinking here about Chinese, about Indian, about kebab. We therefore continue to think that in the UK delivery largely covering other cuisines will remain a relatively modest proportion of our revenues as you see.

At the other end of the spectrum the chains heavy Canadian market, without that culture of restaurant self-delivery, will essentially be a delivery market. Australia with its urbanised population and its quick - popular quick service restaurant chains, will see delivery complement our existing leading marketplace positions. Whilst it's earlier days in Europe, we see it sitting somewhere between the UK and Australia.

Now a question we get a lot is whether 2019, in light of all of that, will represent a peak year of investment delivery. If you think about it, under our plans by the end of the year in our largest markets of Canada, UK and Australia, we plan to be present in all relevant zones, moving in 2020 to a phase of optimization. Therefore, under our current plans we do indeed expect 2019 to be our peak year of investment.

Let's move now to look at segmental performance, and I'm going to start as always with the UK. We saw a strong performance in the UK as the numbers on this slide show. Hungryhouse was successfully integrated back into the business back in May 2018 and the platform closed at that time. As you see here revenue growth was well ahead of order growth, reflecting the higher value delivery orders and indeed the extension of the service charge on all orders following the introduction the payment services directive. This had a modest impact on lower value cash orders, which is what's driven that higher average order value you see on the slide.

Underlying EBITDA grew 22% reflecting a really strong performance in marketplace.

Canada delivered an outstanding 2018 as the order and revenue numbers here demonstrate. We successfully launched the French language version of the product for Quebec, and by the end of the year, as I mentioned, we've reached full coverage of the addressable population. We recorded our first ever business wide profit during Q4, and just to steal a little for the 2019 outlook, we anticipate a full year's profitability in 2019 from this business.

Our Canadian business is arguably the best food delivery business in the world, and it's their expertise keep in mind, it's their expertise that we've taking to other markets as we roll out delivery.

If I move now to Australia, I hope we've been very open with you about that market, we were slow to integrate this business, and we were late into delivery in what became a very competitive market. I think you know that. 2018 was about beginning to drive a successful turnaround in Australia. Whilst there remains a lot to do, I think we've made clear progress.

As I mentioned earlier, we firmly established our credentials in delivery and are working now with leading chains such as KFC, such as Hungry Jacks, which for those of you who don't know if Burger King in Australia. Whilst this initiative has contributed materially to the reduction in EBITDA, it's also enabled us to maintain revenues year over year as the slide shows.

For 2019 our plan is to return Australia to top line growth. It's going to be supported, that's going to be supported by accelerated marketing spend, and as I say the delivery roll out. In the short term that will come at the cost and expense of profit, but we believe now this is the right call with the building blocks for this business now in place.

2018 saw a strong performance from our international segment. Just be very clear about this slide for 2018, it's important to note that this includes Mexico, which clearly impacts EBITDA to the tune of £11 million as you saw in my earlier slide. Without this investment the international segment would show of course quite material year over year EBITDA growth.

In Europe these remain earlier stage businesses with considerable marketplace headroom, complemented by third party delivery across our markets. In our larger markets, we saw really good performances in Italy and Spain in 2018, with both countries recording their first ever one million order months. France continued its geographical diversification reducing its dependency on Paris, whilst at the same time making progress with third party delivery partners as it also develops relationships with quick service restaurant chains. Finally, a number of our smaller markets also performed well, most notably Switzerland.

Let me move on now to iFood. This slide shows that once again iFood has delivered a great set of results with triple digit order growth. Indeed, in December 2018 alone, they achieved a remarkable 13 million orders. You see the increase in losses here, which were largely incurred in Q4 as they launched initiatives in delivery, adding marketing to pursue a lower price mass market opportunity this year in Brazil. In our Board's view these are right things to do in that market, and of course there are similarities in some of those strategies to those we've described in other markets. The business itself is run by a management team we rate very highly, and it has consistently as you know exceeded, surpassed expectations.

LATAM is run separately from the rest of Just Eat, and as we note in the RNS, from 2019 onwards we're going to report Mexico and Brazil outside of underlying EBITDA providing you with greater visibility as to its performance. As you know we own 33% of iFood, and as you'll see in a moment, we've called out in our outlook what our share of losses will look like under their plans in 2019. We are supportive of their plans and are maintaining our shareholding in this current funding round for this exciting business.

My next slide reminds us that Just Eat remains a highly cash generative business following another year of strong operating cash flow. As the slide shows, we've used that cash to invest not only in the initiatives I talked to earlier, but also inorganically to strengthen the business. You see these investments including consideration for Hungryhouse, for Skip, and for Flyt.

We've also further invested in iFood, and within CapEx we've extended Orderpad to 32,000 restaurant partners, meaning that the full and growing suite of benefits delivered through Orderpad are now being enjoyed by 55,000 restaurant partners across our estate by the end of the year.

My final slide reaffirms the guidance for 2019 that we issued back on 21 January. If I deal first with LATAM. Under iFood's business plan, we expect that our 33% share of Brazil losses plus 100% of Mexico losses to result in an EBITDA loss in the range of £80 million to £100 million.

Excluding LATAM, we expect to report revenue in the range of £1 billion to £1.1 billion, and underlying EBITDA of between £185 million and £205 million. To give you a sense of the envelope for that, this is going to come from order, revenue and EBITDA growth in marketplace, and in addition we expect a first full year's contribution of profit from Canada, as I mentioned earlier. We're going invest this increased profit to accelerate our delivery initiatives along the pathway to profitability, principally in the UK and in Australia.

All in all, I think a confident and exciting outlook for Just Eat for 2019, with which I'm going to pass back to Peter. Thank you.

Peter Duffy

Chief Executive Officer (Interim)

Thanks, Paul. Me again. As I mentioned earlier, I now want to talk about how we're going to be creating this leading hybrid marketplace, adding world-class delivery to the existing and the successful marketplace business we have. But let's start by going back and just reminding ourselves about the size of the opportunity.

I think the first wave of growth was all about providing customers with the convenience of ordering online, or ordering on an app. Just Eat led this, and it still represents a really big and a significant opportunity across many of our markets. Right up front can I be clear that we expect double-digit order growth in marketplace to continue. But the second wave of growth, it's going to be different, and again we're in a unique position to begin to lead it. Customers are going to be ordering a broader range of new locations online from a collection lunch, to a celebratory treat, from a breakfast, to a healthy midweek choice, or a burger because you're working late. Food delivery is going to be so much more than traditional takeaway.

That means adding delivery to marketplace and doing that put simply means we're going to triple the size of the price we're paying for even before we add in LATAM. I'd like to move on and talk about why we're confident about our long-term success, and why I really believe that hybrid marketplace is the winning model. I think there are three reasons.

Firstly, it offers the best experience for customers, for restaurants, for couriers. Secondly, it's going to drive superior economics, that's both in terms of revenue and cost. And thirdly it's highly defensible, and it's underpinned by our winner takes most marketplace heritage, so let's look at each of those in turn.

Our hybrid marketplace is going to evolve to meet the needs, the demands of our many and varied customers, wherever they are, whatever the moment is, so let me begin by starting with a real example. Imagine that we're in Sydney now, it's probably 9:50 at night, and we're on the way home from a night out, or if you're a banker from work maybe, and you're feeling a little bit peckish. You go to Menulog, and our hybrid marketplace serves up a great range of restaurants. Some of those you'll see are delivered by Menulog, others are going to say delivered by the restaurant. You're choosing a burger from Hungry Jacks, which as Paul has said, is Aussie for Burger King, or you have your choice of a marketplace from Sinatra's Pizza as an alternative. For the customer hybrid is that seamless.

Now as we begin to increase restaurant choice, adding QSRs, independents who need delivery, that can't be an ever longer list for the customer to begin to scroll down, it's going to need curation. Restaurants served to the customer will need to change by the time of day, the location of the customer, by their preferences, by the availability of couriers, lots of supply side, so that's going to have to begin to shift. That's even before we begin to promote dishes as well as individual restaurants.

When I joined Just Eat last June that listing was static, it really may as well have been alphabetical. The first task has been to break that up and make sure that the restaurant listing is presented based on database criteria. In the UK now we're running the first stage of personalisation and we're starting with that search. We're prioritising by the restaurants that a customer orders most frequently from, a restaurant that the customer has highly rated, or a restaurant we think that they would like that they haven't chosen yet. We’re also adding in a supply side element, which means that if we have a delivery restaurant that has supply constraints, we're going to drop that down the ranking real time.

This is just the start of a journey, but it's an area where we're going to be really working at pace. The important point is that we've developed the background environment to do this with increasing sophistication. By the end of this month we would have upgraded all our markets to this new data world, that means we're going to be collecting more data than ever, but importantly we're going to have data from every Just Eat marketplace and delivery business stored in the one data lake. That is then going to be connected to our new CRM system, which means that we can message, we can email, we can contact in whichever way is most appropriate, in a way that's going to enable us to anticipate and stimulate demand at a level of granularity that we just haven't had as an organisation before.

This CRM system starts to begin to roll out globally over the next three months, and it's going to enable us to not just transform our relationship with customers, but also capture marketing efficiencies as we move away from using third party media channels to begin to activate existing customers who we already hold. The algorithmic capability, the artificial intelligence that sits behind it is also going to take a step up from next week actually, when Alberto Villaverde joins us as our Chief Data Officer. Alberto is the man who built EasyJet's proprietary revenue management system, that delivered so many tens of millions of pounds of incremental profit, and I'm very exciting that he's been able to join us.

The hybrid marketplace not only generates a better experience for our customers, but it also gives superior economics for Just Eat. It's a virtuous circle effect. On the revenue side, the greater choice and customer experience drives more new customers, who become more engaged and in turn more loyal. I'm going to show you a slide in a minute on the early stage halo effects that we're seeing in Australia and the UK. That then leads to greater frequency in the form of incremental orders for our restaurant partners, whether they be self-delivery or QSRs. In turn that then generates more data about our customers, which we're going to start to begin to use to build smarter products and services for our restaurant partners. That will not only strengthen the network, but will enhance the experience for them, and in turn drive more restaurants.

What I think is really interesting, this is really interesting, is how hybrid also allows us to optimise the operational efficiency and our costs. The challenging with delivery is that in maximising the utilisation of couriers, you don't want to overstretch them. If your couriers are overly busy, that creates a bad experience for customers and restaurants, essentially longer wait times, less reliability about when the order will arrive. In a delivery only model, you solve this by carrying a surplus of couriers to ensure that there's always one available. But that means that they're not fully utilised, they're potentially not fully utilised, and that obviously impacts on the economics overall.

As anyone whose every worked in an operational business knows, that's particularly an issue in the shoulder periods where demand is lower and more volatile. The benefit of this data hybrid approach is that we're going to be able to use marketplace to manage demand in delivery better. Let me explain what I mean by that.

If couriers are overly busy, if we are going to be able - if they're overly busy what we're going to be able to do is to dynamically push our marketplace restaurants up the search rankings. We're going to encourage more customers then to order through marketplace and thereby ease the pressure on the couriers. Similarly, if the couriers are underutilised, we'll be able to dynamically promote delivery restaurants to channel demand towards them. In time we're going to be able to run real time promotions to begin to encourage that demand.

This is going to get super sophisticated by understanding individual customer preferences, and then translating them essentially into propensity scores that are going to help us target courier capacity to the customers of restaurants who are most likely to respond.

What we started building here is an ecosystem, it's an ecosystem that's going to enable us to optimise profitably by algorithmically matching demand for delivery orders with our available courier capacity. That's going to drive greater courier utilisation and lower costs per order. Of course, it's going to give the best experience for our customers, our restaurants and the couriers themselves. It's another reason why hybrid is going to be a winning model.

Now of course everything I'm saying here is grounded in a successful marketplace business, so I'd like to say just a few things about that, and perhaps I can just begin by reminding ourselves why we're so successful here. We have a superior customer value proposition, and it's driven by the biggest selection of restaurants. The majority of our orders in the UK for example having a delivery free of less than £1.00. We offer price parity with the food you buy in the restaurant, if you go in off the street. But additionally, we have a large and an activated, let me emphasise that, an activated restaurant base.

In the UK we have 10 times more marketplace restaurants than our nearest competitor. On average we account for 30% to 40% of our partners' revenues, and they are supported by the biggest and the most experienced account management team on the street.

Now occasionally when I speak to industry-based observers, I feel like I get a little bit of a London-centric view of life. London is 13% of the Just Eat marketplace business in the UK, which is a huge opportunity, but it's also an important context. We're strong right across the UK, we have heartland cities like Hull, like Liverpool, Middlesbrough, Glasgow, and the same is true right across Europe. We have broad reach.

The important point is that there are relationship managers treating those streets every day, people who don't just know the restaurants, they know the people who run the restaurants. This is a defensible part of our business, competition is something that we've seen before, and we've seen off before, and it's something we're going to see again, and we're going to see off again. To be super clear, we remain confident about the growth prospects and the defendability of the marketplace part of our business. This remains a winner takes most market, and we see a clear path to expanding our hybrid offering, which in turn should drive a virtuous halo back to marketplace.

When I see competitors starting new marketplace, I do think it acknowledges that in countries like the UK, which are majority marketplace, it's never going to be enough to offer delivery only inventory, when the majority of us still order from our favourite restaurant which is around the corner. But we can't be complacent, we're investing more in marketplace, we're boosting our army of feet on the street, we’re adding smarter technology solutions to offer restaurant partners more support, in what is going to be a tough operating environment.

In turn, we're going to be transforming our experience for customers, significantly improving the look and feel, doing things like adding dish level photography, but also this critical personalisation that I'm talking about to curate this brilliant range of restaurants.

We're also going to be improving the experience for the restaurants themselves, with ever deeper inspiration into partners' EPOS systems, and an enhanced Orderpad that's going to make it even easier for them to drive more orders through our platform.

Let me move onto delivery, because this is quite different. Firstly it's the largest branded restaurant chains that are key to building scale. A relationship of say a KFC not only opens hundreds, it could open thousands of locations, and that's clearly a very different proposition to signing up thousands of independent restaurants. We've already done that.

We're finding that our unrivalled customer reach means that branded restaurant groups want to work with us. Today we're already partnering with all major quick service brands worldwide, including McDonalds and KFC, not yet in every market, but we're confident that more and more are going to come online as the exclusivity periods end.

In the UK we're working with high end chains, Gourmet Burger Kitchen. And to answer a question I've been asked a number of times, yes, of course we want to work with the likes of Wagamama, there's no ceiling on who we're going to work with, it's all about serving every occasion for our customers.

Paul has been super clear I hope that 2019 is going to be the year of peak investment and delivery, let me emphasise that. In Canada FY19 is going to be our first full year of profit. Now we have full geographic coverage we're going to be infilling our cities to drive greater restaurant density, which improves the proposition not just for our customers, but it in turn improves our own operational efficiency.

In the UK we're going to be fully rolled out hybrids to all our geographies by the end of the year, and that's underpinned by the know-how and the technology from SkipTheDishes. We'll have one remaining third party delivery partner by the end of the year, and we'll then be building on our great relationships with the leading QSRs to rapidly scale orders, and then drive further restaurant density to improve network efficiency and stability.

In Australia, we will have rolled out to the vast majority of the zones we want to by the end of the year, and again we're going to be looking to improve densities and improving cost per drop. Across Europe, we're working with a smaller number of third-party delivery partners. We've signed up major QSRs including a number of McDonald's restaurants in Spain and France, and within existing guidance, we'll be looking to target the roll out of a Skip model into selected markets in 2019.

One final thing to say, our acquisition of Flyt is really important, because it means we can seamlessly integrate with point of sale systems, enabling us to accelerate the roll out of delivery with branded restaurant groups, and in time provide a better service again to our customers.

Moving into hybrid doesn't just mean incremental revenue, it's got to also mean incremental profits, be that from delivery itself, or from the halo benefit to our marketplace, which I'm going to show you on the next slide.

As Paul outlined, we're gross profit positive in the majority of zones in both Canada and Australia today and we're on a path to profitability in the UK. There are multiple levers at our disposal to drive this, so we can choose to pull them or not depending on the specific conditions in any market even at a city level. On the revenue side we're going to be able to push basket size, average order value, we're going to optimise commission mix, nudge delivery fees through dynamic pricing. On the cost side it's going to be able optimising utilisation of couriers through smarter algorithms, or through increased automation reducing operational costs of delivery. We can also improve our acquisitions costs through improved experience leading to better retention.

Finally, by driving greater restaurant and order density in a city we can shorten the average drive time of our couriers again improving utilisation. This has a big impact on contribution. What we've seen in Canada is that the contribution is almost three times higher when the average journey time is seven minutes than when it's 15 minutes.

Now this part is exciting but I'm going to have to really stress it's very, very early days of the data. What we're looking at here are examples from our longest running hybrid zones, about the halo effects it has on the marketplace business. Using early examples from hybrid cities in the UK and Australia, we've seen the following. Firstly, a 16% uplift in new customer acquisitions compared to prelaunch rates. I thought it was particularly interesting how consistent that was across both markets.

Secondly, customers order more frequently. In the UK, new customers in hybrid zones ordered 11.5 times a year compared to an average of 10 orders across the rest of the country. In Australia, they make six orders a year versus five on a national basis. Now we've annualised that data, because we don't yet have a full 12 months of data from Australia. [As I said], it was early days.

Thirdly and critically, a good chunk of those new orders have been in our marketplace. In the UK, 6.5 out of 11.5 orders were in marketplace. I think that probably reflects the strength of the proposition. In Australia, it's smaller, but it's still two out of six orders. That's more new customers and it's good ones to that.

Now just as interesting, early hybrid data also suggests that our existing customers become more engaged, meaning that they're more active, they're retained for longer and they therefore make more orders per year. In the UK, launching hybrid in a zone has not only driven an extra order overall from 10 to 11 per year, but critically half of those have been in our marketplace as people who use delivery stay active longer.

In Australia, the picture is also positive with launching hybrid in a zone increasing order frequency from five to six on an annual basis. This is driven by delivery which adds 1.5 orders but at the expense of half an order in marketplace, probably again reflecting the relative strength of marketplace business between those two markets. But multiplied across all our hybrid businesses, this early data suggests a material return. The summary is that we've seen more new, really good customers as well as our existing customers ordering more.

Now moving on to team, I've worked with Just Eat now for nine months. I am proud to say that I worked at easyJet for seven years where I was responsible for revenue and all those related activities. In my time, I have been incredibly fortunate to work with the most talented team around me. If I start with our country leaders, we have people who've built the best marketplaces in the sector. They've defended them again and again against generations of competitors. They have on average over six years' sector experience each, which I think is phenomenal for such a young industry.

We've created a world-class global delivery fulfilment team based out of Canada. It's led by a guy called Miguel Rondeau. He's been with Skip since 2016. He's overseen not just the explosive growth in the Canadian market and then its path to profit but also the rollout of delivery into Australia and now into the UK. Miguel has a team of online food delivery experts from SkipTheDishes who focus on driving innovation, cost optimisation across our network globally. We believe this is going to be a crucial and a critical competitive advantage as we extend our marketplace.

SkipTheDishes is therefore comprised of two units, the Canadian market which is led by Howard who we have here in the room, and global delivery which is led by Miguel.

We've appointed Kevin Edwards to oversee both of these areas, to lead SkipTheDishes in Winnipeg and then to help it globalise. Kevin is a seasoned senior executive with extensive international experience. He's going to be hugely valuable in terms of how we begin to change the focus of that business.

This year we've also reorganised our marketing teams to put customers at the heart of everything we do. We've brought together all the areas that are vital for Just Eat to offer the best and the easiest way for a customer to find an order.

Overall my message is that we're confident not just in the breadth but in the depth of our experience, the appropriateness of our leadership for the challenges we face. Therefore I'm going to summarise. In summary, FY19 means three things. It means driving marketplace growth and leverage. It means accelerating targeted rollout of delivery which is supported by SkipTheDishes know-how and technology. It's about step changing the customer, restaurant and courier experience.

This is a great business. It has great people. We have fantastic momentum. Our prospects look amazing. We've reiterated our 2019 guidance this morning. We've got plenty to do. We are resolutely focused on achieving that. We're very excited about creating our aim of being the leading hybrid marketplace for online food delivery.