

## DoorDash (DASH)

### The Most Ridiculous IPO of 2020

### \$40 Price Target



In a year of many interesting IPO's from disruptive data platform Snowflake to leading big data software player Palantir to mobile game engine Unity, there is one IPO that stands out from the rest as not all IPO's are the same...

#### DoorDash (DASH)

There is no business that is more commoditized and competitive than having food delivered from the restaurant to your home. There is zero differentiation between Uber Eats, Postmates, Caviar, Grubhub, DASH, or any local provider. Even worse, this business model has no brand loyalty as the consumer just picks who will deliver their food for the cheapest price.

Yet, DASH is valued at over \$50 billion!

It has been widely reported that the government is looking to crackdown on big tech. There is no easier industry to regulate than food delivery. This is happening as we speak and the race to the bottom has begun.

Below we will explain why this stock should trade to \$40 quickly as insiders eagerly await to dump their shares.

## Putting DASH into Perspective

With DASH direct competitors Postmates, Grubhub, and Uber all trading in a tight valuation range of 3x to 6x sales, DASH is by far the most expensive food delivery company in the world trading at 19x sales.

Just 5 months ago, Postmates was acquired for \$2.65 billion in an all-stock deal or 4x sales (based on annualizing Q2 2020 revenue of \$161 million). At 4x sales, DASH would trade at \$32.

<b>Company</b>	<b>EV/Sales Multiple</b>
Uber	6x
Grubhub	4x
Postmates	4x
<b>Average</b>	<b>5x</b>
<b>DoorDash</b>	<b>19x</b>

<https://techcrunch.com/2020/07/06/uber-takes-out-postmates/>

Even this valuation might be considered expensive for a money losing business that has hit its peak with prices needing to go lower. When you think of leading food delivery technology, you think of Domino's Pizza, which has a market cap of \$15 billion.

In 2019, DASH had 33% share of the US market vs. Grubhub at 32% vs. Uber Eats at 20% and Postmates at 10%. Now that Uber has acquired Postmates, DASH is far from being the most dominant player in the market. Again, this is a highly competitive industry with zero differentiation.

<https://www.cnn.com/2020/01/17/doordash-took-the-lead-in-the-food-delivery-wars-in-2019.html>

Understand that DASH raised capital less than 6 months ago at a valuation of \$16 billion. Nothing has changed except the stock is now >3x more expensive.

<https://techcrunch.com/2020/06/18/after-ipo-delays-doordash-confirms-400m-raise/#:~:text=DoorDash%20has%20confirmed%20that%20it,money%20valuation%20of%20%2416%20billion>

## An Expensive Lesson in Trading IPO's Without Reading the S-1

By no means are we recommending to buy Palantir at these levels, but just compare the most high-tech company to go public this year trading at \$45 billion to food delivery commodity business DASH at over \$50 billion.

It's clear that day traders have recklessly bid up DASH's stock price without doing the proper due diligence. As noted by CNBC's Jim Cramer:

*"It's true that people using market orders took DoorDash to levels that maybe ... were far higher than they thought they'd have paid."*

These same people that were betting on DASH blindly should have read the company's S-1, which clearly states that growth has PEAKED:

*"The circumstances that have accelerated the increase in Total Orders stemming from the effects of the COVID-19 pandemic may not continue in the future, and **we expect the growth rate in Total Orders to decline in future periods.**"*

This is why other Wall Street analysts have called DASH "the most ridiculous IPO of 2020" and stated that the stock "holds no value".

The WSJ, Business Insider, Bloomberg, and New York Magazine share the same pessimistic view of DASH.

- *"Once all restrictions on in-person dining are lifted, the balance of power could shift. Big national chains in particular won't need as much help from online platforms in a more normal world." – WSJ*
- *"Food delivery with third-party apps like Grubhub and Uber Eats is booming, but no one's making money." – Business Insider*
- *"Food delivery looks like another gig-economy dead end. There's no money in bringing meals to consumers." – Bloomberg*
- *"Delivery via smartphone is one of those venture-funded sectors where business executives appear to have taken seriously the old joke about 'losing money on every transaction but making it up on volume.'" – New York Magazine*

<https://www.cnbc.com/2020/12/09/door-dash-debut-is-a-lesson-in-placing-market-orders-jim-cramer-says.html>

<https://www.cnn.com/2020/12/06/tech/food-delivery-pandemic-door-dash/index.html>

<https://finance.yahoo.com/news/door-dash-ipo-is-most-ridiculous-of-2020-and-holds-no-value-analyst-125054305.html>

<https://www.forbes.com/sites/greatspeculations/2020/12/08/doordashs-new-valuation-is-even-more-ridiculous/>  
<https://www.wsj.com/articles/doordash-grubhub-others-could-face-a-pared-down-menu-11608206400>  
<https://www.businessinsider.com/grubhub-uber-eats-postmates-third-party-food-delivery-is-broken-2020-5>  
<https://www.bloomberg.com/opinion/articles/2019-10-31/food-delivery-is-a-dead-end-for-grubhub-doordash-and-postmates?sref=3cTPhknw>  
<https://nymag.com/intelligencer/2020/05/why-do-food-delivery-companies-lose-money.html>

## The Race to the Bottom Has Begun

Food delivery has extremely high elasticity of demand as these business models are completely interchangeable. As Panera Bread CEO noted on CNBC today:

*“DoorDash and Grubhub and Uber Eats... it’s a tough business for them. It’s very competitive. I think the business model is hard.”*

Company	Price	Change	% Change
GRUBHUB (GRUB)	70.86	-0.37	[-0.52%]
UBER (UBER)	50.79	+0.30	[+0.58%]
DOORDASH (DASH)	158.74	+0.69	[+0.43%]

**PANERA BREAD CEO ON PARTNERSHIP WITH DOORDASH, UBER EATS & GRUBHUB**

<https://www.youtube.com/watch?v=YzQJdBHo3tw>

We are now witnessing the race to the bottom occur in real time.

In response to cities across the US putting a 15% third-party restaurant fee cap, DoorDash has added on additional fees to customers to offset these caps.

Just yesterday, Grubhub took a swipe at DoorDash and announced they would be eliminating customer fees this winter in response to DoorDash adding a \$1.50 fee in Chicago to offset the restaurant fee cap.

We are also seeing new local competitors launch such as Nosh, which has been quickly adding new restaurants to its platform with a 15% cap on delivery fees. Prices aren't going up. They will continue to go down.

<https://chicago.suntimes.com/2020/12/8/22164493/after-city-council-caps-delivery-charges-doordash-adds-1-50-chicago-fee-to-all-orders>

<https://chicago.eater.com/2020/12/16/22174736/grubhub-plus-free-delivery-doordash-fee-chicago-happy-village>

<https://www.boulderweekly.com/cuisine/restaurant-owned-nosh-is-a-different-delivery-service/>

## Conclusion

With numerous IPO's and SPAC's hitting the market and giving investors the opportunity to bet on space, electric vehicles, and other disruptive technologies, we don't see how a food delivery can maintain a valuation of over \$50 billion.

See you at \$40.

## Cautious Investing to All

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