Swiggy | Unlisted

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Swiggy: Hits profitability in food delivery; Instamart near CM break-even

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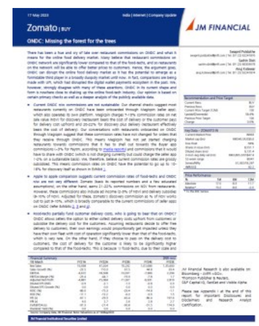
Sriharsha Majety, CEO and co-founder of Swiggy (unlisted), in a blog post today announced that the company's food delivery business (started in 2014) had turned profitable (after factoring in 'ALL' corporate costs attributable to the business but excluding ESOPs) in Mar'23. This, in effect, means both large incumbents in India's broadly duopoly online food delivery market have now turned profitable in their core businesses; Zomato (BUY, TP INR 100) had achieved this milestone in 2QFY23. The blog also indicated that Swiggy's 3-year old Instamart (Quick Commerce) business is also expected to turn contribution-neutral over the next few weeks. While Swiggy is yet to go public, these developments are in line with our earlier assessment that internet companies will not only be prioritising profitability but will also be communicating the path forward explicitly. As such, we continue to expect positive surprises within our coverage in the near term, such that accelerated profitabilty at a consolidated level is now more realistic than earlier expected by the market. While demonstrating profitability is a welcome trend, we believe these companies should also simultaneously take meticulous steps to ensure exponential expansion of their respective categories (albeit macro factors may cause adverse impact in the near term). We believe investor conviction on potential profitability and timeline could lead to a re-rating event for listed internet companies while easing the path to public market listing for unlisted names like Swiggy.

- **Food delivery profitable; company expects to outpace industry growth:** Swiggy today announced that it had joined a select group of global food delivery platforms that had achieved profitability in their food delivery vertical. The company said that it had turned profitable after factoring in 'ALL' corporate costs attributable to the business (but excluding ESOPs) in Mar'23 led by a sharp focus on innovation and strong execution. It highlighted that having started its journey at a time when there was high competitive intensity (10-12 players) and the business model was considered unviable by many, it had differentiated itself basis a full-stack food-tech offering that offered an integrated experience to the consumer, right from ordering to delivery. The company believes many geographies and consumer segments are still underserved and says that it will continue to focus on outpacing industry growth by "continuously investing in the right levers." Lastly, the company believes it has taken tremendous strides towards improving the end-customer experience (basis industry-best NPS scores, repeat and retention rates), restaurant partner experience (basis NPS improving by over 100% in the past 8 quarters) and delivery partner experience (basis initiatives like the Swiggy Skills Academy, on-demand and free ambulance service, and an enhanced insurance policy).

- **Peak of investments in Quick Commerce business over:** Swiggy mentioned that it had pioneered the Quick Commerce (QC) category 3 years back as it believed that it offered a strong consumer proposititon and considered it strategically important. This led to the company making disproportionate investments in Instamart in the past. Having reached a scale wherein Instamart is now one of the leading QC businesses globally, it believes the peak of investments in the business is over and says that it has taken strong strides towards achieving profitability in the business. As such, the company expects to turn contribution-neutral in Instamart over the next few weeks.

- **Dineout and other businesses:** Swiggy mentioned that the Dineout business (that it had acquired last year) was now fully integrated, and with more than 21k+ restaurant partners across 34 cities the company is now a leader in the dining out category. Further, the company claimed that its core strength is the ability to run low-investment but high-value experiments such as Maxx, Minis, and InsanelyGood, amongst others.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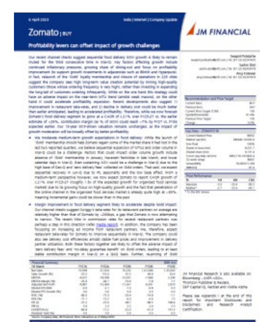
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