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Postmates IPO: What Investors Need to Know



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Delivery specialist Postmates filed confidentially for an initial public offering Thursday, [announcing](#) it in a blog post.

The registration had been expected as *The Wall Street Journal* reported in October that the company was interviewing banks as it prepared for an IPO.

The move will intensify already-heated competition in the restaurant delivery space as market-leader **Grubhub** (NYSE: GRUB) has lost market share to UberEats in recent months, causing its stock to nosedive. Postmates also joins peers Uber and Lyft in entering the market as the two ride-hailing companies made confidential IPO filings late last year with plans for a 2019 debut.

Because Postmates' filing is confidential, we don't have any of the company's financial figures like revenue growth or profitability, but here are the key facts investors should know about Postmates.



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Image source: Postmates

What is Postmates?

Founded in 2011, the San Francisco-based company's primary business is providing restaurant delivery through its app and website, using independent contractors to handle the deliveries. The company's business model is similar to Uber, Lyft, and Grubhub, and it claims to have 65 of the top 100 restaurants in the U.S. on its platform. It now operates in around 400 cities in the United States, covering about half of U.S. households.

Among its biggest partners is **Chipotle Mexican Grill** (NYSE: CMG), which counts on Postmates for delivery from more than 300 restaurants. Chipotle, like many other restaurant chains, is increasingly looking to delivery services like Postmates to drive sales. The burrito chain said digital sales jumped 66% in its fourth quarter and now make up 13% of its total sales.

In its most recent funding round last month, Postmates raised \$100 million to score a valuation of \$1.85 billion, which puts it in "tech unicorn" territory and compares to Grubhub's market cap of \$7.3 billion. However, Postmates significantly trails Grubhub market share, which was at 50% nationally as of March 2018 (GrubHub is the parent company of Seamless, an online food ordering system). Second in market share was UberEats with 21%, which is believed to have gained market share since. In third is DoorDash with 15%, and Postmates in fourth at 10%. To counter the market power of the two leaders, DoorDash

and Postmates had held talks about a merger on at least one occasion, but that idea appears to be scotched with Postmates' IPO filing.

Postmates wasn't left behind everywhere as it was the market leader in Los Angeles and Charlotte, N.C., a reflection of the high fragmentation in restaurant delivery market.

Unlike rivals Grubhub and UberEats, Postmates also offers delivery of groceries, packages, and other items, making it more like a traditional messenger service, though restaurant delivery is its biggest business.

An industry in flux

Investors continue to see opportunity in the restaurant delivery space and, according to Grubhub, the U.S. takeout industry is worth \$200 billion, a massive market. Though the market leader is facing rising competition from other app-based providers, it still considers paper menus and traditional offline ordering to be its biggest competition and also its greatest growth opportunity. Shares of Grubhub, which is the only pure-play restaurant delivery stock on the market, have fallen sharply in recent months, down 45% since their high last September as profit growth [has slowed](#) substantially.

Adjusted earnings per share fell in its fourth-quarter report, and the company said Adjusted EBITDA, its preferred profit metric, would likely grow by only single digits in 2019, though revenue was expected to jump around 35%. The market interpreted that as a sign that Grubhub was clamping down to fend off competition from the likes of UberEats, and its fading stock price and slowing growth would seem to bode poorly for Postmates' IPO.

Technology in the form of autonomous vehicles could also disrupt the industry, and Postmates has partnered with **Ford** in a pilot program to experiment with driverless tech to power restaurant delivery. Uber, with its autonomous vehicle technology, would seem to have the advantage if the industry moves in that direction.

Postmates has not yet determined the size or price range of its offering, but investors will get more information as its IPO approaches. Companies that confidentially file must make the filing public 15 days before they begin to shop the offering at so-called roadshows to pitch investors.

With IPOs also expected from [Uber and Lyft](#) in the coming months, 2019 is shaping up to be a big year for delivery and mobility stocks.