Deliveroo shares leap as it upgrades sales targets

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eliveroo took some steps towards City redemption today as it upped its sales forecasts after customers kept ordering food in even as the Covid lockdowns eased and restaurants reopened.

The company whose shares collapsed after its 390p-a-share flotation in March has been battling to restore its reputation among investors and today's short trading statement went some way towards doing that.

The shares jumped 14p to 334.8p, building on the gains it has been making since hitting a trough of 234p in May.

The biggest driver of Deliveroo's growth during the lockdowns was new customers joining the service.

The fear – and one of the reasons investors felt the IPO was overvalued – was that those customers would stop buying or leave the service altogether.

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In the event, Deliveroo said, that had not happened, and the Covid generation of Deliveroo customers were buying just as much as those loyal customers who signed up before the pandemic.

Gross transaction value (GTV) grew 76% in the second quarter of 2021 – the three months ending 30 June – compared with the previous year, with the UK and Ireland being star performers, up 87% to £921 million.

Abroad, growth was up 65% to £818 million, the company said.

As a result, the company led by founder Will Shu said the group was increasing its forecasts for GTV growth for the full year from its initial 30-40% range to 50-60%.

However, its full year gross profit margin is likely to be in the lower half of its previously given guidance, suggesting Deliveroo will make 7.5-7.75% profit from GTV.

Deliveroo makes its money largely by taking a cut of the restaurant's order value; the bigger the order on the delivery rider's bike, the bigger Deliveroo's slice of the profit.

The group today said profitability per order is likely to fall as customers' lives get back to normal, post lockdowns.

This is because Deliveroo – like others in the food delivery market – expects more, but smaller orders as people return to the workplace and go out again in the evenings.

Rather than buy four meals for Mum, Dad and two teenagers, they are more likely to be ordering just for the parents as the offspring head out to Nando's with their friends.

Also, as people end working from home, they are more likely to revert to buying a Deliveroo lunch for one at the office, then cooking for the family when they get home.

Margins are also likely to be hit this year because the group is spending heavily on promotions and marketing campaigns, particularly around encouraging people to move onto its Plus Subscription programme, where in return for a monthly fee, you pay no delivery charge.

While the marketing costs money, the hope is the costs will be outweighed as Plus Subscription members order more often in the long run.