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Half Year 2017 Results

Takeaway.com reports 53% revenue growth in the first half of 2017

Statement of Jitse Groen, CEO of Takeaway.com

“In the first half of 2017 we have taken further steps in the execution of the plan laid out at the time of our Initial Public Offering (IPO). We firmly believe that only sizeable market-leading positions in large food delivery markets will generate high and sustainable EBITDA levels. It is therefore of the utmost importance to grow our already significant market positions, especially in Germany and Poland, to a similar scale as our Dutch operations, where we have demonstrated such profitability. Takeaway.com is well on track to achieve this objective.

Our net loss for the period is a result of significant investments we have made in our organisation and in marketing. The rapid growth of Scoober also required accelerated investments. That being said, we expect absolute losses to decrease going forward, in line with our medium-term profitability targets. It is important to understand that revenue growth will be the major driver for margin improvement, rather than a deceleration of our investments.”

• Takeaway.com processed 32.0 million orders in the first six months of 2017, representing an order growth of 43% compared with the first half of 2016, further cementing its market leadership positions in its five Leading Markets (the Netherlands, Germany, Poland, Belgium and Austria).
• Revenue grew 53% to €77.4 million in the first six months of 2017 compared with the first half of 2016. Revenue growth exceeded order growth, mainly driven by increased commission rates in the Germany and Other segments.
• The Netherlands segment continued to show strong order growth of 31%, and revenue growth of 35%, in the first six months of 2017 compared with the first half of 2016. The Netherlands’ adjusted EBITDA further increased to €20.5 million in the first six months of 2017 compared with €16.3 million in the first half of 2016, resulting in an adjusted EBITDA margin1 of 59%, post headquarter costs and including the accelerated Scoober investments.

• Takeaway.com demonstrated its strong revenue generation capability in Germany with 63% top line growth, well in excess of 44% order growth. Takeaway.com remains committed to significant investments in Germany in order to further expand its market share.
• Management believes the company has further outgrown competitors in the Other segment with its Polish brand now being approximately five times larger than the nearest competitor and its Austrian brand being more than 40% larger than the number two, both in terms of orders. Revenue grew in Poland by 133%, and in Austria by 61%, in the first six months of 2017 compared with the first half year of 2016.
• Adjusted EBITDA2 for the company was minus €15.5 million in the first six months of 2017, caused by significant investments in marketing, Scoober and further professionalising the organisation, as part of its growth strategy. Although these investments will continue to increase, management expects losses to decrease going forward.
• Management reiterates the medium-term objectives as communicated in the Q1 2017 trading update.

Takeaway.com N.V. (AMS: TKWY), hereinafter the "company", or together with its group companies the "group" or "Takeaway.com", the leading online food delivery marketplace in Continental Europe, hereby reports its financial results for the first six months of 2017.

Performance highlights

Thousands unless stated otherwise	H1 2017	H1 2016	H1 2017 to H1 2016 (% change, except where indicated)
Restaurants (#)[1,2]	31,289	27,090	16%
Active Consumers[1,2]	10,167	7,539	35%
Orders[3]	31,984	22,342	43%
Netherlands	*12,918*	*9,873*	*31%*
Germany	*11,257*	*7,810*	*44%*
Other	*7,809*	*4,659*	*68%*
Returning Active Consumers as % of Active Consumers (%)[1]	58%	55%	3pp
Orders per Returning Active Consumer (#)	10.8	10.2	0.6
Average Order Value (€)	19.17	19.15	0.02
GMV (in € millions)	613.3	428.7	43%

[1] Excludes United Kingdom, for which operations were discontinued in August 2016, to enable like-for-like comparison

[2] Number as at 30 June

[3] White label orders have not been included in the number of orders, H1 2017: 15 thousand; H1 2016: 312 thousand

€000	H1 2017	H1 2016	H1 2017 to H1 2016
			(% change)
Revenue	77,360	50,459	53%
Netherlands	*34,775*	*25,731*	*35%*
Germany	*27,017*	*16,544*	*63%*
Other	*15,568*	*8,184*	*90%*
Gross profit	65,176	43,709	49%
Marketing expenses	(58,851)	(36,254)	62%
Adjusted EBITDA	(15,467)	(8,149)	(90)%
Netherlands [1]	*20,516*	*16,330*	*26%*
Germany [1]	*(23,837)*	*(17,886)*	*(33)%*
Other [1]	*(12,146)*	*(6,593)*	*(84)%*
Loss for the period	(21,837)	(11,540)	(89)%

[1] Includes allocation of headquarter expenses

Medium-term objectives

Management reiterates the following medium-term objectives:

• Takeaway.com aims for order growth to exceed 25% per annum in the medium-term (targeting greater than 30% compounded annual growth rate (CAGR) from 2015 to 2018);
• Takeaway.com is seeking to achieve revenue growth which continues to exceed order growth after 2016;
• Takeaway.com is seeking to achieve a positive EBITDA margin for both its Germany segment and the company as a whole within two to three years following its IPO; and
• The company aims for adjusted EBITDA in the Netherlands to continue to increase.

The group's ability to achieve these objectives will depend upon a number of factors outside of its control, including significant business, economic and competitive uncertainties and contingencies.

Our People

Our people are critical to the success of our business and we made significant investments in our organisation in the first six months of 2017. During this period, we strengthened our staff across all markets (including Scoober drivers) and at headquarter level, with average FTE increasing to 938 FTE as at 30 June 2017 from 720 FTE as at 31 December 2016.

For the first time, we introduced an equity-based compensation plan for our senior managers, an important part of our efforts to attract and retain top-quality staff.

CFO update and financial review

The financial information included in the CFO update and financial review is derived from the condensed consolidated interim financial statements, as integrated into this document.

Condensed consolidated statement of profit or loss and other comprehensive income for the six months ended 30 June

€000	H1 2017	H1 2016	H1 2017 to H1 2016
			(% change)
Revenue	77,360	50,459	53%
Cost of sales	(12,184)	(6,750)	80%
Gross profit	**65,176**	**43,709**	**49%**
Staff costs	(14,612)	(9,199)	59%
Other operating expenses	(70,042)	(44,279)	58%
Long-term employee incentive costs	(373)	(47)	692%
Finance income and expense, net	(41)	(418)	(90)%
Share of loss of joint ventures	(75)	(47)	59%
Loss before income tax	**(19,967)**	**(10,281)**	**(94)%**
Income tax expense	(1,870)	(1,259)	49%
Loss for the period	**(21,837)**	**(11,540)**	**(89)%**
Other comprehensive income / (loss) for the period	157	(4)	
Total comprehensive loss for the period	**(21,680)**	**(11,544)**	**(88)%**

Revenue

€000	H1 2017	H1 2016	H1 2017 to H1 2016
			(% change)
Commission revenue	69,714	44,644	56%
Online payment services revenue	5,574	3,718	50%
Other revenue	2,072	2,097	(1)%
Total revenue	**77,360**	**50,459**	**53%**

In the first six months of 2017, Takeaway.com generated a total revenue of €77.4 million, a 53% increase from €50.5 million in the first half of 2016. Revenue growth was predominantly achieved organically during this period, with the acquisition of the Just Eat Benelux business in August 2016 contributing in particular to the growth in Belgium compared with the first half of 2016. The increase in revenue in the first six months of 2017 was the result of growth in orders in each of our Leading Markets, the increased average commission rates across all our Leading Markets as well as an increase in online payment services revenue.

Commission revenue was €69.7 million in the first six months of 2017, representing 90% of total revenue compared with 88% in the first half of 2016. This increase was driven by increasing average commission rates across all our markets, following an increase of our commission rates in all Leading Markets, except from the Netherlands, per the start of 2017 and the increasing share of Scoober orders carrying higher commission rates, and which currently represents 1.2% of total orders.

The percentage of orders paid online increased to 54% in the first six months of 2017 from 51% in the first half of 2016, driving an increase in revenue from online payments to €5.6 million in the first six months of 2017 from €3.7 million in the first half of 2016.

Cost of Sales

The group's Cost of Sales was €12.2 million in the first six months of 2017, which represented an 80% increase from €6.8 million in the first half of 2016. The increase in Cost of Sales was significantly higher than the growth in orders as a result of higher delivery costs driven by the acceleration of Scoober. This added €4.7 million to the Cost of Sales in the first six months of 2017 compared with the first half of 2016.

Gross margin

Gross margin declined to 84% in the first six months of 2017 from 87% in the first half of 2016, mainly due to the increased Scoober related Cost of Sales.

Staff costs

Staff costs were €14.6 million in the first six months of 2017, representing a 59% increase from €9.2 million in the first half of 2016. This increase is the result of investments in our organisation. We expanded our customer service and sales teams in all markets, intensified our investments in our technology and product teams and increased our marketing staff. In addition, the listing of shares in the company and increasing regulatory requirements necessitated further investment in headquarter staff. Apart from the delivery drivers, which are recorded in the Cost of Sales, the growth of our Scoober offering has also required further addition of support and management staff in that area.

Included in Staff costs are the (one-off) employee bonus share expense of €1.7 million, which relates to cost of shares granted by a number of shareholders to employees at the IPO on 30 September 2016 in accordance with IFRS standards. These shares are cash- and equity-neutral for Takeaway.com.

Other operating expenses

Other operating expenses comprise Marketing expenses, Depreciation and amortisation expenses, and Other.

€000	H1 2017	H1 2016	H1 2017 to H1 2016
			(% change)
Marketing expenses	58,851	36,254	62%
Depreciation and amortisation expenses	2,355	1,620	45%
Other	8,836	6,405	38%
Total other operating expenses	**70,042**	**44,279**	**58%**

The largest component of Other operating expenses is Marketing expenses. Marketing expenses in the first six months of 2017 increased by 62% compared with the first half of 2016. This increase is the result of the continuation of our strategy and intensified efforts after the IPO to further develop market-leading positions in our Leading Markets. Marketing expenses as a percentage of revenue improved in all segments in the first six months of 2017.

Our Depreciation and amortisation expenses were €2.4 million in the first six months of 2017. This related primarily to the amortisation of intangible assets recognised as the result of the acquisitions of Yourdelivery (Lieferando.de and Pyszne.pl) in April 2014 and Just Eat Benelux in August 2016.

The Other operating expenses were €8.8 million in the first six months of 2017, which represented a 38% increase from €6.4 million in the first half of 2016. This increase in the first six months of 2017 was mainly driven by additional staff-related expenses in line with the FTE growth and investments in new organisational systems.

Long-term employee incentive costs

Long-term employee incentive costs increased to €0.4 million in the first six months of 2017 following the introduction of an equity-based compensation component for senior management.

Finance income and expenses, net

Our net finance expense was €41 thousand in the first six months of 2017, representing a 90% decrease compared with a net finance expense of €0.4 million in the first half of 2016. The decrease in the first six months of 2017 is the result of the cancellation of our overdraft facility, which was in place in the first half of 2016.

Share of loss of joint venture

Takeaway.com owns 66% of Takeaway.com Asia BV, which owns 99% of the shares and voting rights of Vietnammm. Takeaway.com Asia BV is accounted for as a joint venture using the equity method of accounting given that joint control exists in terms of decision-making. Takeaway.com's share of loss in the joint venture was €0.1 million in the first six months of 2017, compared with €47 thousand in the first half of 2016.

Income tax expense

The group's income tax expense amounted to €1.9 million in the first six months of 2017 from €1.3 million in the first half of 2016. This increase was a consequence of higher taxable profits in our Dutch fiscal unity. Takeaway.com has historically not been profitable in its non-Dutch entities and, as a result, has accumulated tax losses in these entities which can be carried forward to offset future taxable income, if any and if not expired in the relevant countries.

Loss for the period

As a result of the factors described above, the group incurred a net loss of €21.8 million in the first six months of 2017, representing an 89% increase from a loss of €11.5 million in the first half of 2016.

Condensed consolidated statement of financial position

€000	2017 June 30	2016 December 31
Non-current assets	91,831	92,262
Current assets	10,331	10,449
Cash and cash equivalents	107,859	134,591
Total assets	**210,021**	**237,302**
Share capital and share premium	251,261	251,261
Other reserves	3,492	1,307
Accumulated deficits	(86,655)	(64,818)
Total shareholders' equity attributable to equity holders	**168,098**	**187,750**
Non-current liabilities	6,447	6,930
Current liabilities	35,476	42,622
Total shareholders' equity and liabilities	**210,021**	**237,302**

Non-current assets, mainly consisting of goodwill, other intangible assets, and property and equipment, decreased to €91.8 million as at 30 June 2017, mainly due to amortisation and depreciation expenses offset by capital expenditures in IT and office equipment.

Changes in working capital can vary in the short term, as payments from restaurants are received on a daily basis while we pay restaurants on a weekly basis, but changes in working capital are generally insignificant over the course of a particular year. Operating working capital is structurally negative due to the difference between the restaurant and consumer payment cycles. Operating working capital amounted to minus €25.1 million as at 30 June 2017 compared with minus €21.5 million3 as at 31 December 2016, a decrease of €3.6 million which was primarily driven by the timing of restaurant and other creditor payments.

Cash and cash equivalents decreased to €107.9 million as at 30 June 2017 from €134.6 million as at 31 December 2016, a decrease of €26.7 million driven by net cash used in operating activities of €20.5 million, primarily reflecting the net loss for the period of €21.8 million, and net cash used in investing activities mainly driven by the payments of the, year-end 2016 outstanding, hold-back in relation to the Just Eat Benelux acquisition and the share-based payments taxes of 2016 as well as capital expenditures made in the first six months of 2017.

Shareholders' equity decreased to €168.1 million as at 30 June 2017 from €187.8 million as at 31 December 2016 following the allocation of the loss for the six months ended 30 June 2017 to accumulated deficits and exchange differences on foreign operations.

Condensed consolidated statement of cash flows for the six-month period ended 30 June

€000	H1 2017	H1 2016
Net cash generated / (used) in operating activities	(20,457)	1,608
Net cash (used) in investing activities	(6,304)	(1,321)
Net cash generated by financing activities	-	-
Net cash and cash equivalents generated / (used)	**(26,761)**	**286**
Effects of exchange rate changes of cash held in foreign currencies	29	22
Net increase / (decrease) in cash and cash equivalents	**(26,732)**	**308**

Net cash used in operating activities amounted to €20.5 million in the first six months of 2017 compared with €1.6 million received in the first half of 2016. Net cash used in operating activities was primarily driven by our greater operating losses. Our positive operating cash flow in the first half of 2016, despite operating losses, was due to the overdraft facility, which was in place at that time.

Net cash flow used in investing activities was €6.3 million in the first six months 2017, principally related to the hold-back payment in relation to the Just Eat Benelux acquisition as well as capital expenditures made.

No cash was generated by financing activities in the first six months of 2017 and 2016 respectively.

Segment information

The Netherlands

Thousands unless stated otherwise	H1 2017	H1 2016	H1 2017 to H1 2016
			(% change, except where indicated)
Orders	12,918	9,873	31%
• Restaurant delivery services %	1.0%	0.0%	1.0pp
GMV	€ 259,578	€ 197,091	32%
Revenue	€ 34,775	€ 25,731	35%
• Commission rate	12.2%	12.0%	0.2pp
Adjusted EBITDA[1]	€ 20,516	€ 16,330	26%
• Adjusted EBITDA margin (%)	59%	63%	(4)pp

[1] Includes allocation of headquarter expenses

In the Netherlands, Takeaway.com processed 12.9 million orders in the first six months of 2017, representing a growth rate of 31% compared with the first half of 2016. GMV grew by 32% during that same period, affected by the increasing share of Scoober orders for which the basket value is higher than for non-delivery orders. Revenue in the Netherlands grew by 35% to €34.8 million in the first six months of 2017 from €25.7 million in the first half of 2016, outpacing order growth. This increase was driven by a slight increase in the average commission rate, primarily reflecting the increasing share of Scoober orders, as well as an increase in online payments to 72% in the first six months of 2017 from 65% in the first half of 2016.

Marketing expenses in the Netherlands as a percentage of revenue slightly improved compared with the first half of 2016. Our scale benefits partly offset the pressure on the EBITDA margin as a result of the increasing share of the Scoober business (with a structurally higher cost base), as well as investments to further professionalise our organisation in line with our guidance at the time of the IPO. Adjusted EBITDA, including allocated headquarter expenses, increased to €20.5 million in the first six months of 2017 compared with €16.3 million in the first half of 2016. As a percentage of revenue, an adjusted EBITDA of 59% was realised in the first six months of 2017 compared with 63% in the first half of 2016.

Germany

Thousands unless stated otherwise	H1 2017	H1 2016	H1 2017 to H1 2016 (% change, except where indicated)
Orders	11,257	7,810	44%
• Restaurant delivery services %	1.9%	0.7%	1.2pp
GMV	€ 224,885	€ 153,903	46%
Revenue	€ 27,017	€ 16,544	63%
• Commission rate (%)	10.6%	8.9%	1.7pp
Adjusted EBITDA[1]	€ (23,837)	€ (17,886)	(33)%
• Adjusted EBITDA margin (%)	(88)%	(108)%	20pp

[1] Includes allocation of headquarter expenses

Orders processed in Germany grew by 44% during the first six months of 2017 compared with the first half of 2016. GMV grew by 46% during that same period, primarily driven by the increasing share of Scoober, for which the basket value is higher than for non-delivery orders. Revenue in Germany grew to €27.0 million in the first six months of 2017, representing a 63% increase from €16.5 million in the first half of 2016. The reason for the revenue growth in excess of order growth was the increased average commission rate following the standard commission rate increase as from January 2017.

Despite continuing our strategy of intensifying our marketing efforts following the IPO in order to accelerate the growth of our market share, marketing expenses as a percentage of revenue slightly improved compared with the first half of 2016.

Our adjusted EBITDA margin in Germany improved in the first six months of 2017 compared with the first half of 2016, driven by the significant revenue growth.

Other

Thousands unless stated otherwise	H1 2017	H1 2016	H1 2017 to H1 2016 (% change, except where indicated)
Orders	7,809	4,659	68%
• Restaurant delivery services %	0.4%	0.0%	0.4pp
GMV	€ 128,795	€ 77,698	66%
Revenue	€ 15,568	€ 8,184	90%
• Commission rate (%)	11.1%	9.5%	1.6pp
Adjusted EBITDA[1]	€ (12,146)	€ (6,593)	(84)%
• Adjusted EBITDA margin (%)	(78)%	(81)%	3pp

[1] Includes allocation of headquarter expenses

Orders processed in the Other segment (which includes Poland, Belgium, Austria, France, Switzerland, Portugal, Luxembourg and, until August 2016, the United Kingdom) increased by 68% compared with the corresponding period in 2016, primarily driven by high growth in Poland, Belgium and Austria. GMV growth was slightly lower than order growth due to the increasing Polish share of segment orders, where the average order value is around half the level of our other markets. Revenue in the segment grew by 90% to €15.6 million in the first six months of 2017 from €8.2 million in the first half of 2016. The substantial growth in revenue as compared to GMV and order growth was a result of an increase in the average commission rate driven by commission rate increases in Poland, Belgium and Austria at the start of 2017, as well as growth in Scoober orders.

Marketing expenses as a percentage of revenue improved in the Other segment, despite higher brand awareness marketing expenditures in Poland, which we view as strategic given the low penetration and high growth rates in Poland and, to a lesser extent, marketing expenditures increased in Belgium and Austria. The adjusted EBITDA margin slightly improved in the first six months of 2017 compared with the first half of 2016, driven by increased revenue.

Outlook

To maintain our strong growth, we will continue to invest significantly in our offering to consumers and restaurants, in conformity with the guidance given by the company at our full year results announcement. We will do this through investments in marketing, product development, expansion of Scoober, recruitment of staff at all levels and organisational infrastructure. As a result, we anticipate a loss at group level for the year 2017 but expect the absolute amount of future losses to decrease going forward.

Principal risks and uncertainties

The risks outlined in the 2016 Annual Report continued to apply in the first six months of 2017. The key operational risks we face are as follows:

• Our ability to maintain and improve our competitive position and its effect on marketing expenses;
• Our ability to keep pace with long-term developments in website and mobile applications and e-commerce relative to our competitors;
• Maintenance of our reputation and consumer awareness of our brand;
• Our ability to attract and retain highly-qualified staff;
• Dependence on technology for day-to-day operations;

• Our compliance with laws and regulations;
• Exposure to fraud;
• Our ability to maintain a high level of IT security; and
• Reliance on intellectual property.

The Management Board, having responsibility for risk management with oversight from the Supervisory Board, believes that Takeaway.com's risk management framework operated effectively during the first six months of 2017. The Management Board believes that all the aforementioned risks were effectively mitigated within the boundaries of our risk appetite and is not aware of any incidents that substantially impacted the business during this period. For further details on the mitigating factors and potential impacts related to these risks, please refer to the 2016 Annual Report.

In Control Statement by the Management Board

With reference to the statement within the meaning of Article 5:25d (2)(c) of the Financial Supervision Act, the Management Board states, to the best of its knowledge, that:

• The condensed consolidated interim financial statements as at and for the six months ended 30 June 2017 give a true and fair view of the assets, liabilities, financial position, and profit or loss of the company and the undertakings included in the consolidation taken as a whole; and
• The Half Year 2017 Results provide a fair view of the information required pursuant to Article 5:25d paragraph 8 and 9 of the Financial Supervision Act.

Just Eat Takeaway