



To: Investors US
Date: March 31, 2014
From: AL
Subject: DDDD - DoorDash Due Diligence

I am having amnesia and déjà vu at the same time.

- Steven Wright (Academy Award winning comedian, actor and writer)

Introduction

DoorDash graduated from the Summer 2013 class with the dream of building a real-time local delivery network for local commerce. Their first entry into this vision was to focus on local delivery from restaurants that offered take out but did not have the infrastructure to do their own delivery and quickly found that restaurants that manage delivery were also more than happy to outsource their operation to DoorDash.

Market

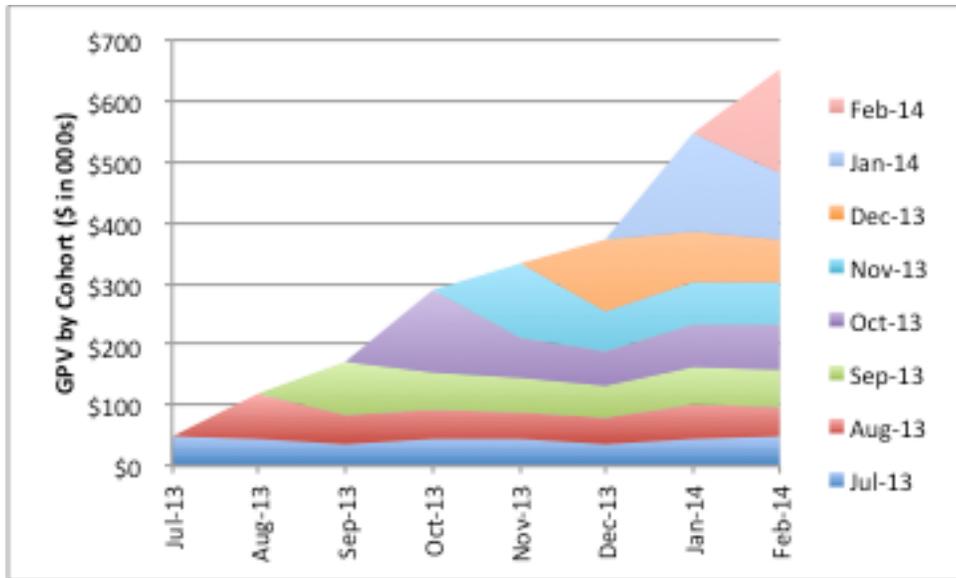
According to Grubhub's S-1 and the National Restaurant Association, there is over \$67B restaurant takeout volume in the US. Only 15% of restaurants delivery, suggesting \$57B is addressable by the company. DoorDash's TAM in revenue would be \$11.4B, if take rate is 20% or \$8.6B if take rate is 15%.

Team

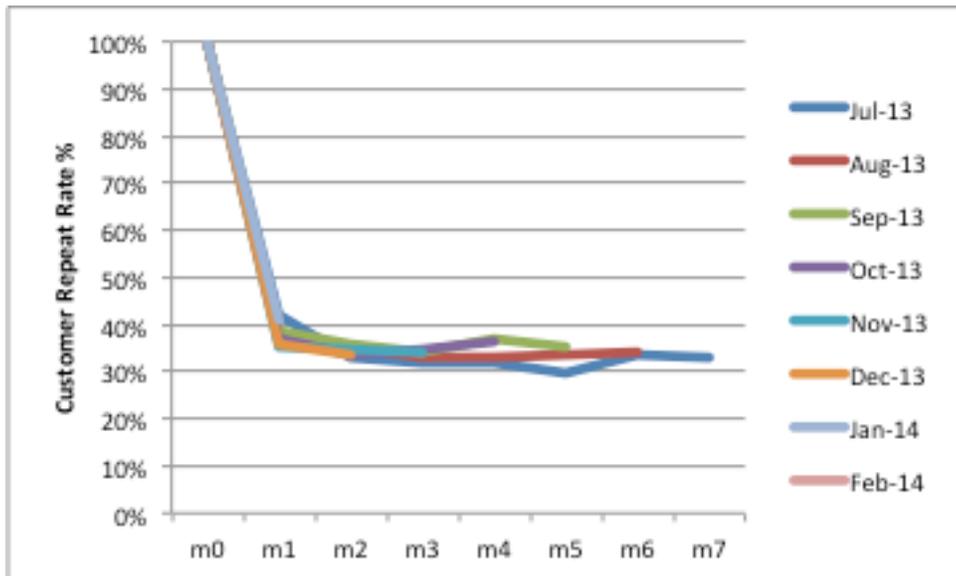
The founders are smart and scrappy. They started out driving for Papa John's, UberX, Lyft, Sidecar, to learn how these companies operated and how they recruit drivers. They are observant that local delivery is a different business than the transportation business and that logistics software around batching will become a competitive advantage for them. They test out their own system by being a driver for busy shifts. Founder Tony has a heart to help local merchants, as his parents operated a small restaurant. In 8-9 months, the company has proven an incredible amount while being capital efficient. They raised \$2.4m and still have \$1.7m in net cash (cash on hand + restricted cash – net future payments to drivers and merchants).

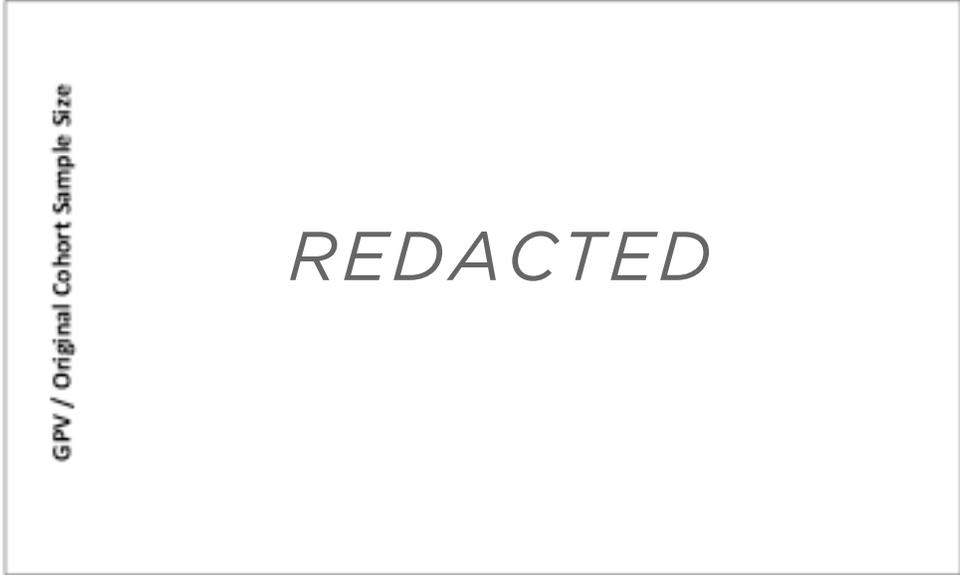
Business Diligence

The company has gotten to an impressive Gross Processing Volume (GPV), which is the sum of order volume, commission, delivery charge, and driver tip that now exceeds a \$10M annual run-rate. The company's take rate of GPV is over 21%, which gives the company an annual revenue run-rate of over \$2m. Stacked revenue by cohort suggests an almost subscription like revenue stream after the first month:

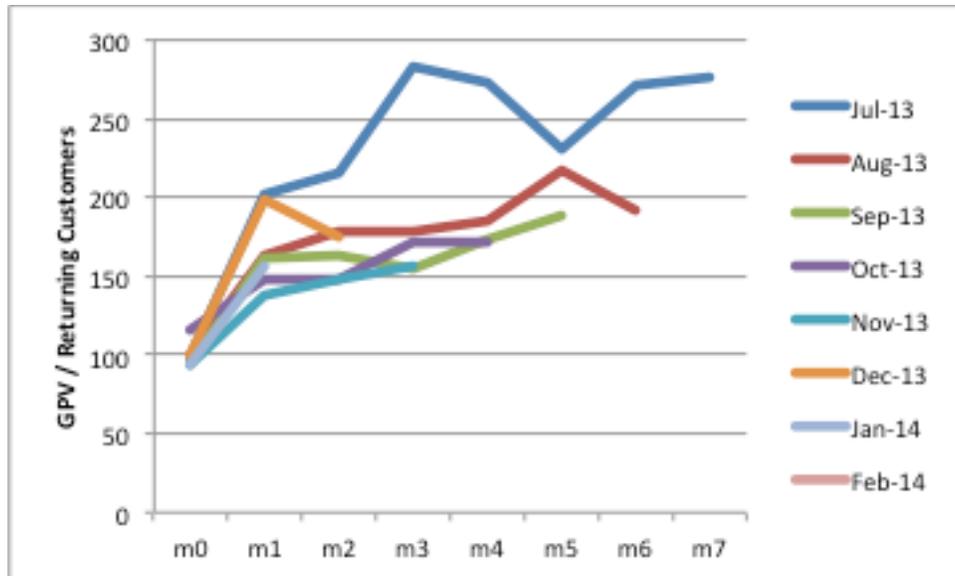


After the initial month, DoorDash returning user base drops to 40% of the initial month cohort size, but future months decline but all stay above 30%:





Until perhaps consumers reach their limit of takeout food from restaurants, all of this suggests a very sticky business where returning users continue to spend more and more. The first cohort from July 2013 might be an anomaly, but certainly, this graph below shows GPV for returning customers by cohort to start from \$100 to \$120 and increase to almost \$200 over time:



Key Questions

We have a few questions and concerns that we wish we could diligence before making an investment decision.

1/ Competition. There seems to be increasing competition in this space. We looked at Grubhub in the past and the company is now public. They have a marketplace approach of taking orders and passing it onto restaurants that do deliver. This might be a superior business financially, but offers a less compelling value proposition to restaurants. Postmates and Caviar were established before DoorDash. In some sense, TaskRabbit also serves this market. Irrational competition destroys value and we are concerned that this market may lead to commoditization and a race to the bottom.

2/ Unit economics. While the company claims 20% contribution margin before marketing, they continue to burn more and more cash. Customer acquisition is the main driver of burn, as well as driver and merchant acquisition. Will this be one-time acquisition costs or recurring costs, especially to get customers and drivers to come back.

3/ Capital Intensity. DoorDash has been capital efficient and claims to be a 3-sided marketplace that will have natural network effects and will continue to be capital efficient. Will this be the case? Will competition lead to irrational investments in growth? Will our margins compress? Will all this lead to massive capital consumption?

Pre-Parade

If everything goes right, DoorDash will emerge as the leader in the restaurant delivery space. The local logistics network and know-how will allow them to expand their use case to other areas and allow all local merchants to delivery to consumers. DoorDash becomes the hyper-local on-demand delivery network.

Pre-Mortem

Consumers loves the value proposition, but are not willing to pay for it. Merchants grovel about DoorDash's take-rate. Intense competition drives the business to economic profit of zero or worse. We have middling hyper-local business that works in only rich neighborhoods.

Deal Dynamics & Recommendation

The company is likely to get a number of term sheets today. We recommend leaning forward and getting our questions answered. From what we know today, we continue to be enthusiastic and recommend investing \$7m-\$10m for 25%.