Founder and Chief Executive Officer's Letter

WILL SHU
FOUNDER & CEO

Opening thoughts

I've shared before that I'm not a particularly retrospective person, but these letters force me to stand back and reflect on what we have achieved and how that sets us up for the future. When I think back to our first annual report in 2021, it is clear to me that we are a very different company now – we offer much more to consumers, riders and merchants. Our business model and performance is stronger and more resilient. Looking back further, the Company is fundamentally different to the one Greg and I launched in 2013. We now bring the entire neighbourhood to your door! We are really proud of the evolution and innovation and growth continue to be at the heart of what we do.

The business is far bigger, and far more multi-faceted than I ever would have thought. But in many ways, we are completely the same: we still believe we are in the early days of the industry, we are ambitious, we are innovative, we are curious and we are utterly obsessed with creating a better experience for our users. At the core, we are at our happiest when we are solving the toughest problems for consumers, merchants and riders, whether that is making sure you don't have missing fries, creating a more efficient logistics network, or figuring out how to further revolutionise our proposition for consumers, riders and merchants. Some things never change.

Growth since 2023 has not been easy, but we made a lot of progress on creating a sustainable foundation. In 2024, we delivered two important financial output metrics. Firstly, we delivered a profit, and secondly we generated positive free cash flow – this is a big step forward for the Company. While the macro continued to be tough in the UK and the rest of Europe in 2024, we did see growth improve, with increasingly encouraging signs in order frequency and customer retention through the year. That being said, I am dissatisfied with where growth is currently. Driving sustainable growth is therefore our number one priority for 2025 and beyond. The initiatives that we are pursuing, alongside the improvements we have seen in the broader environment, give me conviction that we will deliver this.

Key progress in 2024

Profitability and FCF milestones

We continued to make significant progress on profitability in 2024, as our strategy to manage our markets hyperlocally continues to bear fruit.

Alongside hitting the two milestones of positive free cash flow and profit, we grew adjusted EBITDA by 52% year-on-year to £130 million (2023: £85 million).

The profitability improvement came from a combination of topline growth and continued discipline in the cost base. The topline performance has been driven by increased order volumes, higher GTV per order and the growing contribution of our high-margin advertising revenue business, which reached 1.4% of GTV in Q4 2024 (Q4 2023: 1.0%).

Within the cost base, we continued to identify opportunities for efficiencies in our delivery network. For example, we rolled out multi pick-up stacking, allowing us to pick up orders from different merchants and deliver them to multiple consumers, while continuing to protect the consumer and rider experience. This unlock has enabled us to stack significantly more orders year-on-year, resulting in some significant network efficiencies. In parallel, we've also reduced rider wait time at merchants by 3% year-on-year which in an industry where seconds really matter is material. We've done this through collecting more live data points from our merchants, rather than relying on estimates, enabled by a number of new features, such as an order ready button to let partners control their prep times, a rider check-in function to regulate rider arrivals and rider receipt scanning to reduce mix-ups.

Founder and Chief Executive Officer's Letter continued

In other areas, we also continued to optimise. In marketing, we laid the foundations to drive greater efficiency – rolling out tooling that enables the marketing teams to both target users and create different campaign types faster and with significantly less engineering support. In overheads, we have started to optimise our location strategy leveraging our tech hub in India and EU hub in Manchester, while improving self-serve tooling and automation across a number of areas in the business.

In early 2025 we made the difficult decision to exit the Hong Kong market. As a founder, it is never easy to make these types of decisions, and I want to thank our colleagues in Hong Kong for their commitment. Unfortunately, the dynamics of the market have fundamentally changed, leading us to consider our strategic options. With Hong Kong representing just 5% of Group GTV in 2024 and having never positively contributed to Group adjusted EBITDA, the financial performance of the market was not strong enough to merit the investment that would be required to compete strongly. Therefore, we decided it would not serve shareholders' best interests to continue to operate in Hong Kong. Whilst I am very proud of the work the team have done in the market over the years, I know that this is the right decision for the business.

Growth

As I have remarked throughout the year, GTV growth wasn't great in 2024. But it was better than 2023, and it was encouraging to see a few things: food inflation started to decline markedly in the UK and the rest of Europe; our initiatives started to work; and there was a return to real wage growth in the UK in the second half of 2024. Obviously it's not always easy to associate our outputs one-to-one with our initiatives or the macro but certainly growth improved throughout 2024. We are early in 2025, and there continues to be a lot of uncertainty, but we are feeling increasingly optimistic.

Innovation in Plus loyalty programme

One of our focus areas for 2024 was to significantly invest in growing our Deliveroo Plus programme, as we aim to become a Plus-first business by 2026 – meaning the majority of our orders will come from Plus subscribers. Our intention was to transform Plus into a true loyalty programme, rather than just a simple free delivery subscription (price arbitrage) programme. I am pleased to say that we made great progress on this in 2024, taking our Plus programme to another level, with the biggest innovations since its inception. Our Gold programme changed for the better. Simply put, we greatly enhanced the value for consumers. We added two important new features to the programme in UKI and France: an on-time-promise, which allows customers to have the confidence that the order will be delivered in a timely manner, and also our credit-back programme, which allows a 10% credit back for restaurant orders above a minimum spend. We saw paying subscribers of Plus Gold rise by 30% in UKI and France since this enhanced programme was launched in May 2024. We also see that Plus Gold users have double the frequency of our Pay-As-You-Go consumers. We think having a 30% bigger base of highly engaged users in a short amount of time is a big win. We also launched a new programme: Plus Diamond. Diamond is focused on our highest frequency and most valuable customers: these are the types of customers who will order everyday and likely have the highest service and delivery expectations. They also tend to reside in large cities and are highly affluent. For these customers we are really creating a great loyalty programme: there are exclusive merchants, there is a generous on-time promise and also a special customer service team. These users have more than double the frequency of Gold users, and have increased their frequency since joining Diamond. It's early, but we're pleased with what we're seeing.

Price/Value

Price/value has always been a key pillar in the CVP, but its importance has increased dramatically over the last 24 months. The bottom line is that things got too expensive for people over the last two years and this impacted growth, particularly in the restaurant segment. In this context, we have done a lot of work to reinforce value using both direct and indirect levers. Through indirect levers, like our commercial architecture and value programme, we have seen thousands of restaurants reducing markups. We also helped consumers find more competitively priced restaurants, through in-app merchandising, delivering millions of pounds of savings to consumers – we call this "Deliveroo's Choice". These encouraging signs saw us extend the value programme to France during the year. At the same time, we've taken the opportunity to invest in pricing, through one of our direct levers, targeted promotions, to further reinforce value perception. So what did we achieve? We managed to, on average, decrease markups on our platform in the UKI by 200 bps. Obviously 200 bps is not only a large number, but also an average – we managed to convince many of our top merchants to reduce markups significantly – and those merchants who are featured in Deliveroo's Choice – have seen a 15% uplift in Gross Merchandise Value ('GMV').

Founder and Chief Executive Officer's Letter continued

Delivery experience

We continue to believe that the key to unlocking growth in the industry is through building consumer trust. Our work on price integrity is one way of addressing this, but it also involves building a flawless delivery experience. As such a key focus area for 2024 was fixing defects that merchants directly cause or contribute to – for example orders that arrive with items missing, or orders that are cancelled or rejected by merchants. Our progress here has been good: we introduced an improved item substitution flow, forced scanning for grocery products with barcodes, optimised receipt layouts to aid partners packing their orders, rolled out order number scanning for riders at restaurants and introduced more signals to better understand when a restaurant is truly open for deliveries. These actions reduced cancellations and rejections by 12% year-on-year and order inaccuracy by 5% year-on-year. And of course it benefits merchants, in terms of lower refund rates, but also commissions, the delivery experience is part of our commercial programme, and we have seen this truly align interests across the marketplace.

Selection

Finally, on selection, we continue to offer market-leading selection, adding an additional c.3,000 restaurant, grocery and retail sites, predominantly through the roll-out of retail and continued expansion of grocery. Within the restaurant segment, we have signed or renewed hundreds of restaurant partners on an exclusive basis including Joe & the Juice, Nando's, Wingstop, Pho, Dishoom and Bleecker Burger in the UK and SALT in the UAE, as well as a number of local independent favourites. We also continued to expand selection by increasing the delivery area available to consumers, increasing the selection they see in the app, giving them greater choice.

Grocery

Our grocery business continued to perform extremely well in 2024, with strong double-digit growth across the year. This growth was broad-based across markets and has seen grocery reach 16% of Group GTV in the second half (vs 13% in H2 2023). Progress has predominantly been driven by an improved service, consumer experience and increased partner and product selection.

On service, we have continued to ship improvements to our picking app, such as mandatory barcode scanning and dynamic pick times. With almost 80% of grocery orders now delivered through our own proprietary picking technology, these have increased picker accuracy, reduced the incidence of defects and driven better pick efficiency. We also made several improvements to our consumer facing proposition, including scaling top-up orders (which accounted for around 10% of new grocery customers globally in Q4 2024), launching new promo mechanics including £ / % off and multi-buy and integrating partner loyalty schemes, for example Co-op member pricing.

On selection, we launched with Iceland, Morrisons Daily and ASDA Express, alongside expanding coverage of existing partners, such as Co-op and Sainsbury's in the UK. In addition, we had a renewed focus on adding exclusive specialist grocers across our markets. Knowing that larger ranges are the key to driving conversion and growing basket size, we have expanded the number of partners offering ranges of 10-15k stock keeping units ('SKUs') across the UK, France and Italy. This has enabled further penetration of mid-sized grocery baskets, those in the £30-60 range, with growth of these baskets continuing to outpace other sized grocery baskets in 2024.

The result of this is that Grocery MACs grew by 20%, and even the oldest grocery cohorts (2019) are still seeing double-digit percentage increases in spend year-on-year. We believe we have a true first-mover advantage in a clear societal shift in how people are consuming groceries, and it is still the very beginning.

Retail

It remains early days for our retail business, having launched in the UK and UAE in November 2023, but we are continuing to scale. During the past year we have been focused on expanding to new markets, driving awareness of the proposition, and expanding selection in our priority categories, such as DIY, Flowers, Health and Beauty, and Pets.

In terms of partner selection, we more than doubled the number of retail sites trading on the platform. In the UK, we added major retailers such as B&Q, The Perfume Shop, Not On The High Street, Wilko and Accessorize, as well as expanding the number of sites with existing partners, such as Screwfix. In the UAE, we have added some big name brands such as Holland & Barratt, Toys R Us and Lush, as well as a number of local independent favourites like Al Nahdi Pharmacy and Sol Flowers. We continue to have a strong pipeline of retailers in discussions and look forward to announcing more partnerships with major brands in the coming months.

From a tech perspective, our retail business utilises the same underlying platform as grocery, and therefore benefits from the majority of improvements outlined above. Our retail specific technology investments have mainly focused on either critical unlocks for key partners such as enabling riders to return high value items, or improvements to our consumer facing proposition to drive purchase. In particular, we have focused on developing repeatable and scalable capabilities to support seasonal and deal events such as Valentine's Day and Black Friday as we have seen that these are peak trading occasions for immediate/on-demand missions. Some of these, such as deal and discount merchandising and intent based targeting, have also proved a critical lever to drive awareness.

Founder and Chief Executive Officer's Letter continued

Advertising

We are continuing to scale our advertising business, which is a key profit driver over the medium term. The bulk of this revenue currently comes from our sponsored positioning and search results products for restaurants and grocers, which drive strong return on advertising spend ('ROAS') for partners. The growth in revenue has been driven by the development of new inventory, giving merchants more real estate to advertise on the platform, as well as an increase in the number of merchants and brands advertising on our platform, with 78,000 partner sites running campaigns throughout 2024 (2023: 68,000). We also see existing advertisers placing more ads, with around 90% of all partners who place an ad, returning to place another within a month. We have more to do on FMCG and non-endemic advertising, but we remain confident in our ability to hit our target of >2% of GTV by 2026.

We have also enhanced our advertising proposition to merchants, providing more guidance to partners in terms of the bids and budgets they require to get maximum return. Additionally, we have provided more targeting options to suit partner needs: for example giving them the ability to run campaigns focused during particular days of the week or hours of the day, or aimed at particular audiences. Machine learning models have driven an improvement in relevance of ads and our approach to ad inventory leading to better click-through rates and improved ROAS. Finally, we have launched branding and awareness ad formats, like banners and merchandising cards for partners to advertise new product launches and build their brand story.

Supporting riders and merchants

In a tight and competitive labour market, we continue to provide hundreds of thousands of riders with work that they value, balancing flexibility, attractive earnings and security into an attractive proposition. As ever, we've sought to improve the experience for our riders. We have developed new features such as: 'rider check-in' at restaurants to make sure that riders' orders are completed more efficiently, and so riders can complete more deliveries per hour; enabled riders to return undeliverable retail items and earn more in the process; and we have strengthened features to prevent unauthorised riders from accessing the platform, and to protect registered riders' earnings. We have also sought to make riders safer on the road, with first aid courses in Italy, safety training in Singapore and an anti-discrimination agreement with unions in France. In the UK, we agreed to increase riders' minimum pay guarantee with the GMB Union and launched a first-of-its-kind Respect Charter, bringing together riders and restaurant partners so that our service is conducted with courtesy and consideration of others. We also want to give riders new opportunities when they work, which is why we introduced a new global partnership with Lynx Educate, so riders and their families across markets have access to courses from financial management, to languages, to digital skills. We continue to see strong rider application pipelines and rider retention rates, as well as a satisfaction score of 82%, which shows we have an attractive proposition.

For merchants, we enhanced the quality of support we provide to help them grow, including overhauling our Partner Hub to enable partners to access more data to help them understand and guide their performance. This included the launch of a mobile-app, putting this data in partners' pockets in real-time. We have also developed features to help simplify their site operations, introducing 'Order Ready' or 'Need More Time' functionality on their tablet to help manage the coordination of food preparation with rider arrival. In October 2024, we held our second 'Food Forward' partner conference, bringing together over 300 of our top merchants, providing an opportunity for them to gain insight into consumer trends and engage with industry experts and members of our Executive Team. Finally, we continued to expand our partnership ecosystem, launching more B2B partnerships to provide services and benefits to our partners, for example Amazon Business provides free Amazon Business Prime and discounts to subscribed partners, and YouLend offer partners easy and secure access to funding, with competitive rates and repayments.

Our Focus for 2025

As mentioned at the outset, our mission and strategy remains unchanged, meaning many of our focus areas for 2025 are consistent with those in 2024. Our strategic framework has a multi-year focus, meaning we won't always launch new initiatives every year. Some years will be about laying the foundations for future years, and other years will see initiatives that are running smoothly graduate to being part of business as usual. 2024 saw us do a lot of foundational work, which will enable us to drive the business forwards in 2025 through the following initiatives.

Further step change our Plus loyalty programme

We have built a strong foundation in Loyalty with material steps forward in 2024 in improved propositions of our one of a kind tiered subscription programme. Our focus for the coming year will be to continue to scale the programme with a larger and more engaged user base in order to deliver on our ambition to become a Plus first business by 2026.

The next step for us in this journey is to scale the programme by delivering clarity of the proposition to customers, encouraging trials across new missions and verticals to improve usage, and leveraging new partnerships and benefits to enhance the value we provide to our loyal customers. In addition to this, we will optimise the user journey and experience across all stages, building a more efficient Plus lifecycle, fuelling further retention and increased frequency on our platform.

With over 8 years of experience in the subscription programme space, we have strong user demographics, and are confident the programme will continue to play an important role in driving growth for Deliveroo.

Founder and Chief Executive Officer's Letter continued

Continue to scale our Grocery and Retail businesses globally

Even though we launched grocery in 2018, we're still early in the journey, with around 70% of our consumers yet to try grocery and around half of our users who have never visited a grocery menu in the app. Those numbers are significantly higher for retail. This represents a giant opportunity. As such, growth across these verticals is a key focus area for 2025 as we bring even more of the neighbourhood to consumers' doors, and both businesses are critical contributors to our target of mid-teens percentage GTV growth in the medium term.

The strategy is therefore similar for both grocery and retail, we will: (i) continue to improve selection and coverage through new and existing partners, (ii) drive awareness and category adoption through the launch of new features and targeted merchandising, (iii) continue to expand our missions into mid-sized baskets for grocery and into new categories for retail, through range expansion and enhanced technology, (iv) deliver value for money to consumers and improve service, and (v) develop new capabilities to drive further growth, including multi-partner shopping, scheduled orders and the launch of 'Deliveroo Express', our new white-label proposition for grocers and retailers.

Improve in-app merchandising

Merchandising remains a significant opportunity going forward. As mentioned previously, we will evolve our in-app experience to drive greater awareness of our Retail and Grocery offerings to the millions of users who visit the Deliveroo app every month. I am also very excited about helping our users discover amazing new partners while reducing friction through the ordering experience. We will introduce new ways for users to browse through the app such as a navigation bar at the bottom of the screen and new filters to help users refine choice, for instance, by distance or rating. Discovering new local gems has been one of the most rewarding experiences for me personally as a user. We will launch a dedicated destination within the app to help our users discover these amazing local gems, aided by more immersive photography and videos. For users who simply want to quickly reorder their favourite go-to meals, we will make this possible with just a few clicks through our new reorder destination. We are also redesigning our new customer sign up experience from scratch, giving users the ability to tailor the app experience to match their personal preferences. Through these investments in merchandising, I believe we can drive increased conversion and long term user retention.

Deliver further marketing efficiency

During 2024, we made good foundational progress on our marketing efficiency strategic pillar. We delivered a number of improvements to drive efficiency, such as launching enhanced user-level targeted promos, partner co-funded promotions, new promo mechanics, improved marketing tooling and automated CRM journeys aimed at improving the lifecycle of new cohorts. In 2025, we will leverage the improvements made in 2024 to increase marketing efficiency through more targeted and personalised promotions, increased co-funding by partners and further performance marketing optimisations.

Reignite restaurant growth

The restaurant category has lagged in growth over the last few years. The primary reason is pretty straightforward – orders became less affordable. We have made a lot of progress on price/value and will continue to do so. We have also achieved a lot on the selection side as mentioned above. There is always a lot of industry chatter about market share gains and losses, and we certainly understand the competitive intensity in this market as well as anyone, but the reality is, restaurant delivery use cases are fairly concentrated in the UK and Europe. People use restaurant delivery primarily as a treat, and mostly towards the end of the week. Our focus will be on extending use cases and targeting those occasions where we think restaurants can play a far bigger role. Our view is that the market can absolutely be a lot larger in the restaurant segment, and we will lead the charge on that.

GenAI/Automation opportunity

Chat GPT 3.5 came out in November 2022, and like everyone else, I was pretty blown away. I used it relentlessly for days, but in the end, I found that I was primarily using it for fun, creating songs, poems and other humorous messages. The business applications of the tool, I could clearly imagine in my head, but I wasn't sure when the models would support this activity. There has been a huge amount of hype around this, but in the last six months it has become clear that these tools are not only ready, but will transform businesses and workforces in a much shorter amount of time than most people think.

At Deliveroo, we already provide accelerated customer service resolutions through automation, but soon AI agents will fulfil the interactions in a very high quality way with natural language policies (instead of code). That interaction experience will not only apply to support, but will also apply to certain areas of discovery and ordering. The shift from a human-to-UI to a human-to-agent to an agent-to-agent experience will happen for certain parts of our user base. Making sure we can provide the best experience in that context will be important.

Our workforce will change as well. Development teams, of course, already use AI as a co-pilot, but these tools are rapidly getting far better. These agents tackle areas like code refactors, dependency updates, migrations and code reviews, freeing up our developers for more strategic tasks. Imagine each one of our engineers as a super technical manager with a virtual agent team. I get pretty excited about that, and it is starting to happen today.

Beyond engineering, imagine a scenario where bespoke qualitative or quantitative requests across the business can be driven by AI agents in the Company: Why did market share increase in a certain city over the last year? Give me the granular history of how we improved efficiency in our logistics algorithm over time? How do we best market a particular partner? Agents doing this type of work can mean people can get better answers much faster.

Founder and Chief Executive Officer's Letter continued

Looking ahead

Growth isn't where we want to be yet. But the signs in user behaviour are encouraging. Although the macro is volatile. In spite of that, I am very excited and optimistic about the opportunity ahead – we have identified areas of investment and efficiency, and we will continue to relentlessly march towards a better and better CVP. Therefore we are confident in our medium-term targets.

Closing thoughts

Overall, 2024 was a really positive year for Deliveroo. We delivered a strong set of financial results alongside significant operational progress. There is much for teams across the business to be proud of and I want to thank them for their hard work during the year.

As mentioned throughout this letter, we have made significant foundational improvements in 2024, which will help drive the business forwards in 2025 and beyond. Importantly, we've done this whilst making significant strides in profitability and free cash flow, whilst continuing to grow – albeit slower than we would have liked. This sets us up well for the future.

The way I see it, the inputs are looking good – we have a robust plan and a great team to deliver on it. We're an engine ready to go, and as Deliveroo heads into its thirteenth year I couldn't be more excited and optimistic about the huge opportunity that we have ahead of us.

Yours sincerely,

WILL SHU
FOUNDER AND CHIEF EXECUTIVE OFFICER

12 March 2025