BerkeleyLaw
UNIVERSITY OF CALIFORNIA
Berkeley Center for
Law and Business

Berkeley Center for Law and Business
University of California, Berkeley
School of Law
Boalt Hall #7200
Berkeley, CA 94720-7220

Growth-Minded Food Delivery Company DoorDash Files Confidentially For IPO

By Savannah Jo Dowling, J.D. Candidate 2022 | March 11, 2020

On-demand food delivery company, DoorDash, announced last week that it privately filed to go public. Privately filing may give the company a chance to prepare for a potential IPO while avoiding "public scrutiny," according to TechCrunch. The company, which also operates in Australia, Puerto Rico, and Canada, is estimated to be leading the domestic market.

DoorDash was last valued at $13 billion and has raised $2.1 billion in capital during its lifetime as a private company. Its early backers include Khosla Ventures, Sequoia Capital, and Kleiner Perkins, which led sizeable rounds for the company from 2013 to 2016. In March 2018, DoorDash raised a $535 million Series D led by Softbank's Vision Fund and went on to raise more than $1 billion following that round. The acceleration in capital infusions is not surprising—DoorDash operates in a cash-intensive, competitive industry. With players like GrubHub, Uber Eats, and Postmates, which have money-filled war chests of their own, along with a slew of smaller regional competitors, capital infusions can keep the marketing spend going.

Of course, with likely significant spending on owning market share, growth is expected to be taking a back seat to profitability for DoorDash, much like its competitor Uber Eats. Uber Eats was a major driver of growth for Uber in its fourth quarter of 2019, reporting $734 million in GAAP revenue—a 68 percent increase over the year-ago quarter. But the service reported an adjusted EBITDA loss of $461 million during that same period. In November, the company announced a new ad platform for Uber Eats, pointing to an effort to exploit additional sources of revenue on the platform.

Why is that important? Should DoorDash pursue a flotation, investors may look to Uber Eats—its growth *and* its losses—in assessing DoorDash. Some speculate that the WeWork debacle has increased investor skepticism of companies with "growth-first, profitability-second" strategies—even if they are technology (rather than real-estate) driven. DoorDash, unlike other companies, has not cut staff, but has slowed hiring ahead of the filing, according to Techcrunch, Whether the company decides to move forward in this chilling, virus-minded market, and whether investors will subsequently buy into its long-game strategy (at that hefty valuation) will be interesting to see.