

CLIF MARRIOT: I'm really thrilled to be joined by Jitse Groen, the CEO and Founder of Just Eat Takeaway. Jitse is one of the most experienced executives in the food tech space and saw his company grow from a small Dutch food delivery business to being the largest player in the space outside China.

So Jitse, just maybe going back to the founding of Takeaway.com. You started it in 2000 as a student at the age of 21. How was it growing that business when, really, the internet was at its infancy? I assume you were getting orders by fax. How did you take it from that embryonic stake and grow it from there?

JITSE GROEN: I did not start a food delivery website to make money. I started a food delivery website to solve a problem. The problem was, indeed as you said, that we wanted to order food at a family party. I was a student in the east of Holland at the only campus that Holland has and one of the few campuses in Europe. Obviously, in the US there are quite a lot of campuses, but in Europe most students actually live in cities rather than on campus.

The thing that we had, though, on campus was broadband internet. And of course, you know, the university sold this as a research network. But you know, and everybody was sharing mp3 files and all of that. So, safe to say there was quite a lot of experimenting going on on those networks. And you could see that ordering your food online at some point in the future would be more convenient than calling a restaurant. But you need to be wary that, of course, only in 2003 people at home actually had broadband internet.

So, for the first few years [PH] the website did absolutely nothing. I think it took us two years to get to 200 orders a day, or so. So, yeah, literally especially in the first couple of years you could count the orders that we were doing on a specific day.

CLIF MARRIOT: How did it evolve from there? So, you were doing 200 orders a couple years later, how quickly did it grow from there? And walk us through that kind of next five to ten years of transition.

JITSE GROEN: For us, actually, you know, you need to be conscious of the fact that nobody had money for delivery back in the year 2000. It was only in 2006, I believe, that Just Eat received the first investment. They used that investment in the UK. And Just Eat, obviously as you probably know, is a Danish

company from its origins. So, there was no investment in food delivery. And that has a lot to do with the way food delivery websites typically grow. They grow by adding new users.

And of course, if you have no users, it's very difficult to add new users because there's no budget. So, you would have to market your website. Back then there was no Google. I mean, I guess that's also quite important. We were using AltaVista at some point, which you can probably still remember, to direct customers.

And the first way for us to attract new customers was using these search engines, but it was also putting our domain name on these leaflets from the restaurants [PH]. And this is how we slowly-- and the thing is with food delivery websites that, you know, if you have some sites, you are very likely to grow faster than anybody else. So, let's say if you do 1 million orders, everybody is going to believe that should be in a good position to add, let's say, 100,000 new customers every month. While, of course, if you have 1,000 orders, you're never going to add 100,000 new customers in a month. And typically, that dynamic has played out in most of the countries worldwide in the way how food delivery websites grew.

Now, as I said, nobody in Holland, and I had 30 - 40 competitors in Holland alone, nobody had money. So that was really helpful. You know? So, then it comes down to who's the most stubborn person in the country? You know, I think it was me. And you know, this is how we got to a decent size over the course of these first couple of years until, let's say, 2007 is when we had enough money to do something else than AltaVista/Google. And we could actually put these really giant billboards on the side of the Dutch highways. And you learn a lot by doing that because you realize that if you put a really giant sign there and you have 2 million cars passing by that sign every single week, that it does absolutely nothing for your business. You know? So, you only realize that after you spend the money. So, obviously, that was very refreshing [PH] for me to figure that out.

In any event, at some point we could afford eight of those billboards. And then you do see some sort of an effect. But the effect is only brand awareness. It's not, per se, on your orders. So, we had a, let's call it, rather lengthy curve. It was not very steep, it was length.

CLIF MARRIOT: There you go. I like that analogy. So, maybe we fast forward. So, you talk about 2007, we fast forward to 2012,

I think is the year you took external capital and you started to internationalize the business. How difficult was it to kind of make that leap? You had a good business in Holland, but then to make that leap and continue growing, how difficult was that? And walk us through the thought process there.

JITSE GROEN: Yeah, so I need to take a step back. We opened our first businesses in Brussels and in Germany back in 2008. We did so because it was possible. There was no big plan. It was just the internet, so you know, you translate the website to German for Germany, and you start signing up restaurants. Also there you learn quite a lot. You know, the problem in Europe, as you probably know because you've been living in Europe for quite some time, is that we have borders and that we speak different languages. So that automatically means that when you move one kilometer over the Dutch border, nobody knows you. So, all the networks effects, the brand awareness, the rest, it's completely useless in another country. So it's very different from the US where you might have, you know, your TV spot that also airs in the different states or you have some, you know, spill over effects. You don't have them here.

So, you know, everything essentially in other countries, especially in the beginning, was more expensive and less efficient. And I'm talking back to a six, seven, eight, nine, ten times less efficient than whatever you would do in Holland. Also again, for us, that was a huge important thing to understand. We understood that if we, back then, put ten euros into Holland, we would get nine euros back. And if we put ten euros into Germany, we would get one euro back. And so obviously, that's interesting to figure out.

The good thing for us is that we were growing in Holland. We've always been profitable in Holland. And the Dutch website was just generating ever more EBITDA. And with that EBITDA we managed to invest more money in Belgium and more into Germany.

For Belgium, it was enough. You know, the Belgian market has always been quite a lot smaller than the Dutch market. The Dutch market is exceptionally large because people have been ordering food for the past 40 years. The Dutch market is very good. It's still the third largest market in Europe. Whereas Holland is not the third largest country in Europe, but it's the third largest food delivery market. Of course we all know that the UK and Germany are bigger now.

But for Belgium, that investment was fine. We became the largest

in Belgium. We had competition from Just Eat back then in Belgium.

For Germany though, yeah. I mean the German website was as large as the Belgian website. But unfortunately, Germany is, says, ten times larger than Belgium. So, yeah, then you know your marketing budget is too small. You're getting too little new users. And we said, well, you know, this is all great having this fantastic Dutch website, but I always had the feeling that that could cause two problems. Problem one could be that somebody would say, "Hey Jitse, great Dutch website. Can I please buy it from you?" And now, obviously, you deal with investors quite a lot, Clif, so this sounds like a great idea. But I'm an entrepreneur. It doesn't sound like a great idea to me if somebody comes in and buys the business that you know is going to be a lot bigger in a couple of years. Right? So as an investor, maybe, you know, if you can make a 30 percent return, you're going to be happy. As an entrepreneur, I'm looking at a website going, well, maybe the website can become 50 times larger and therefore a return of 30 percent makes no sense to me. So that's a difference in perception. Okay? That's problem one. Somebody could come in and buy it. And somebody back then was Just Eat. Right? Let's face it. Just Eat was back then the largest food delivery website on earth [PH]. So, that was a really realistic threat for our business.

The other option is that people would say, "Hey, this is a fantastic market, this Dutch market, because look at this really nice and shiny Dutch business. Let's also go into Holland." It would not make any sense because of the network effects. Right? I mean, we would always grow fast, even if you throw a lot of money at that market. But yeah, I mean, look, unfortunately not everybody knows that. So, you know, you would still be in that position. And I thought, well okay, so this Dutch position is untenable. If we just stick to the Dutch website.

That for me was an important trigger to actually raise capital. The German market we thought, well, this is really an interesting market. We're clearly too small to handle it now. But if we raise capital, we should be able to overtake [UNINTEL] because [UNINTEL] was the incumbent in Germany.

Unfortunately for me, other people had the same idea. I did not know that, of course, back then. My good friend Jörg, Of course, who is currently our COO because we later acquired Lieferando in 2014, he also started a food delivery website. They raised back then, I think, about 15 million in total which was a lot of

money for this sector in 2012. He was there. And of course we had Delivery Hero starting also. I think it's a nice anecdote that Delivery Hero actually started because Jörg refused to sell Lieferando. You know, everything is connected now.

CLIF MARRIOT: Obviously from there you then merged with Just Eat. Not an easy process to get that done given the entrance of a competing bidder. And this earlier this year you announced the acquisition of Grubhub. Maybe walk us through the Grubhub transaction. It's obviously a bold leap to go to the US. Why do it? And what's the rationale for doing it?

JITSE GROEN: If you look at the situation in the US, and us going in there, I think you need to take into consideration that we have always had this dream [PH]. We went into Germany not because it was necessary-- you know, sometimes I hear people say, "Yeah, but it was necessary for you to go into Germany." No it was not. You know? The Dutch website is probably worth around 2 billion. There's nothing wrong with that. You know? Taking a risk back then to reduce our EBITDA to zero, and even in 2016 with the IPO, people were saying, "Well, sorry, this is a negative value for the company." Well, you know, I'm an entrepreneur. I don't think about, okay, what's the company worth now. I think, okay, what's it going to be worth in a couple of years. You know? And for us the US is the new Germany. And that sounds maybe a little bit strange. But the situation in the US with only three dominant players, only three-- I mean the US compared to Europe, still in Europe we would have 30 competitors or so. Right? You know? This would be incomprehensible. We're looking at the US with only two serious competitors. And we actually believe that Grubhub has the more interesting revenue in the US. So we're focusing just on profitable positions. And we're expanding those profitable positions.

You know, sometimes we're investing money into adjacent positions to the profitable positions because we believe that also that will return some investment money.

CLIF MARRIOT: One area where some of your competitors are, and in particular some of your German competitors are going, is quick commerce. It's obviously a big topic right now given COVID and the desire to get, as you said, toilet paper and baked beans to people. What do you think of that business model and how do you think that evolves? How sustainable is that business model over time?

JITSE GROEN: Yeah, depends a little bit on the market. But in general these things are meant to increase the GMV. And I think you should track the gross profit of these businesses because they're going down. Some of the competitors that we face have negative gross margin. And you explain to me how you're going to ever make money if already you're at gross margin. Right?

So, I'm not arguing that people don't like grocery delivery, because obviously if we're going to deliver your toilet paper for two euros, you're probably going to do that if you need toilet paper. But you know, and there's even a company in Berlin that will deliver you grapes without delivery costs for two euros. Now, that's fantastic service. Don't get me wrong. But it doesn't make any sense. Look, I mean, the cost of a delivery person in Europe for us is around 14 - 15 euros an hour. And they do two drops an hour. So you're looking at a seven euro cost just for the delivery. And well, the grapes cost money as well. So, I'm not sure how this business model then would work.

So, we are very skeptical of those things. You also need to wonder [UNINTEL] because apparently now in COVID, this is the big new thing for our competition, why wasn't it the big thing before COVID? Because you know, business model should be the same, right? I mean, it should be no different. So, I'm going to predict to you that when COVID goes away, a lot of the grocery delivery goes away. And maybe I'm going to be wrong. That's perfectly fine. But that's my prediction.

CLIF MARRIOT: So, I mean, maybe one last question on the sector and then maybe a closing question on leadership. So, on the sector, where do you think food tech is going in five to ten years? Obviously, I think we all know where we are now in terms of ordering food online. Do you think it changes dramatically in the next five to ten years? And what are the big trends that are going to change?

JITSE GROEN: No, it will change dramatically. Our penetration in Holland is 34 percent of the Dutch population that has ordered with us in the last year. In Germany it's only 15 percent. So, Germany will move up to the Dutch figure and the Dutch figure we believe is going to go up to 78 percent of the population. We don't believe there will be many phone orders anymore in a couple of years. There are still a lot now. Sometimes that's [UNINTEL]. But a lot of people pick up the phone. So that will happen.

There's a dramatic shift in the amount of orders that people

place because, also, the coverage is increasing. So, now you can order McDonald's, salads, sushi, [UNINTEL], pizza, etcetera, lunch. We've seen [UNINTEL] breakfast. So, there are more moments.

You know, I'm from Holland. People in Holland typically only eat dinner. There was no lunch. I see that even in Holland there is quite a big lunch [UNINTEL] right now. So, the amount of moments that people use our service increases. And I think it's important for us to figure out a way to further increase those moments and to [UNINTEL] costs. Because we always try to be cheaper than everybody else. I think an important aspect of this is that marketplace is always cheaper than logistics because these restaurants are not in the highest rated on the [UNINTEL] list, etcetera, etcetera. It's always much cheaper for especially [UNINTEL]. And also our logistical network, we try to keep it a lot cheaper than our competition because, you know, why would you order with us if it's the same product as the competition? You know? Doesn't make sense. So you need to distinguishes a little bit. And I think cost is a major driver of the consumer behavior.

CLIF MARRIOT: Any advice you'd give for our population of people around entrepreneurship, leadership, anything that you've learned over your 20 years of being an entrepreneur and would like to pass on to them?

JITSE GROEN: The problem is, you know, a lot of people have a good idea. Then they figure out it's difficult. And then they stop. And the issue is, and I've seen myself, it took us seven years to become something that was similar to a successful company. You know? So, in the end, unfortunately, running a business is really, really hard work for a really, really long time. And you can see that with all the successful businesses. It takes ages before you even notice that they exist. Right? I mean if ask people, even in Holland, oh, when did Takeaway start in Holland? They will say 2007. They haven't noticed the first seven years. You know? So in the end it's about hard work and it's about dedication and focus. And even today grocery delivery, we're not doing it. And it's very easy for us to do it. Right? I mean, we have the logistical network. We just drive to a grocery store and we deliver groceries. And we could easily have 5 million orders in grocery. We could do it. But it would distract us from the mission, and it would distract us from the things that are important for this business. So, yes, focus is incredibly important. And dedication.

CLIF MARRIOT: That's great.

JITSE GROEN: [UNINTEL].

CLIF MARRIOT: That's great. Well, congratulations to you for all your success. And thank you very much for spending time with our employees and for everything you've done with Goldman Sachs. So, thank you very much Jitse.

JITSE GROEN: Thanks everybody. Good luck.

CLIF MARRIOT: Thank you.

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