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About the Weekly Briefing Report

I write the Weekly Briefing Report to provide an immediate view of the market. My premium service (which additionally includes Monthly and Quarterly Briefing Reports) provides a more in-depth view. Learn more and subscribe here.

I value your feedback and I would particularly appreciate your thoughts on the topics you would like me to add to my coverage – contact me at peter@peterbackmanfs.com

My Insight

"Sales are vanity; profit is sanity; cash is reality" so the saying goes. But what are sales?

Accountants try to give a clear view. But there are different views too. For instance, if you want to know how big a restaurant delivery company is, whether they are Doordash based in the USA, VK in Russia, or Deliveroo in the UK, they will headline their GTV (Gross Transactional Value, aka GMV or GOV, different names and slightly different definitions, with lots of room for confusion). But a problem with GTV is that it's like a bank saying that its revenue is the total value of all the transactions it makes when, in fact, it only takes a tiny fraction of this value for itself. GTV isn't inaccurate; it just isn't true. And there are other confusing metrics too such as Like for Likes (aka LfLs, or Same Store Sales on the other side of the Atlantic) which are used as a report of growth.

While metrics such as GTV and LfLs are particularly useful for internal management, they are often also brought into play to convey, to the outside world, some idea of how well a business is performing. Fundamentally, it's sales that count (alongside costs) as a key handmaiden of profit, and that means, when reporting to suppliers, or owners, or to the tax man, sales should be a core metric. So why mention GTV or LfL? In effect their use becomes a form of displacement therapy. They confuse and don't give an unambiguous view of how sales – or profits – are performing.

The problem is often further confounded by the adoption of different definitions – between companies, and by individual companies in different periods. So comparing one company (or period) with another becomes tricky. The result is more (probably unwitting) confusion.

And right now, further confusion is being caused by the varying shutdowns since the start of covid. Shutdowns (when businesses haven't been trading or have only been partially trading) mean base line trading is so low that comparisons – LfLs and others – give outstandingly unrealistic growth figures. A common solution has been to compare current trading against the last pre-covid period (usually 2019). But that is becoming unsustainable because that base period is now over two years in the past. There will have to be a move back to comparisons with the most immediate prior year – currently of course it's 2021 which suits some companies but not others. This particular confusion has been foreseen right from the start of covid – I drew attention to it in my first Weekly Briefing Report when I said that probably the only consolation of lockdowns would be "brilliant comparative figures in a year's time". I would have thought businesses that report these comparatives would have got together to sort out a common position. But they haven't.

So there is reporting confusion all round. Who is going to sort it out?

The Numbers

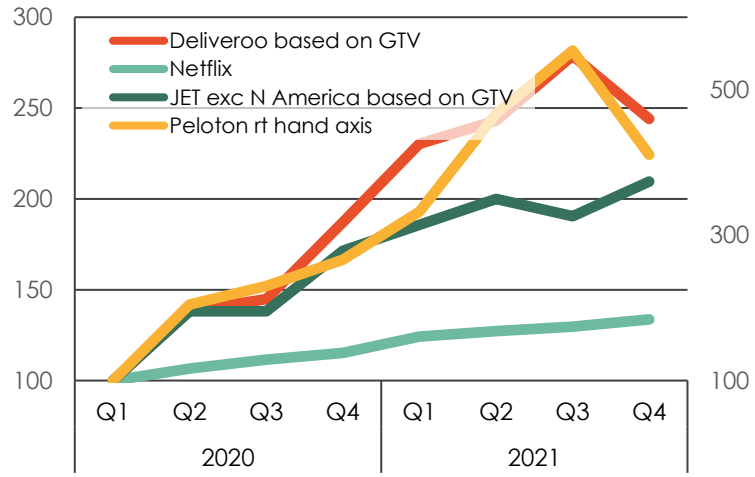
Netflix and Peloton are classified as tech companies – so are Deliveroo and Just Eat Takeaway (JET). Never mind that their outputs are not "tech" but respectively: an evening of binge watching; strenuous home exercise; and a meal delivered to your front door.

Another thing that ties them together is the perception that they were all, unforeseeably, 'made for covid' because each, in its own way, addresses the huge changes opened up by the need to stay at home.

So what lessons are waiting to be learned from the performance of each of these businesses over the last couple of years? For a start, they all grew consistently, quarter by quarter, while the global economy went into reverse for months. The conclusion: they were indeed 'made for covid'.

And here I must introduce the chart alongside. There are some caveats to note. First, the chart shows progression in terms of revenue (for Netflix and Peloton) - but GTV for Deliveroo and JET.

Quarterly comparisons
Based on Q1 2020 =100



Second, the figures are based on January 2020 being set at 100 (I've done this, otherwise the numbers vary too much to give a realistic picture). However, the growth of Peloton far outstripped that of the other companies, so I've had to show its scale on the right hand axis. And finally, the geographical coverage of each company is not consistent because each operates in a separate set of countries.

With those caveats in mind, a look at the chart shows that the quarterly growth rates for each company are varied – and in their variation they may provide some useful insights. Let's see.

During 2020, three of the companies (not Netflix) showed a similar pattern – expansion in Q2, levelling off in Q3 and then expansion again. In 2021 Deliveroo and Peloton initially grew rapidly (Peloton twice as fast as Deliveroo) but then went into reverse in Q4. Meanwhile JET continued slower, but steadier progress. Netflix just grew slowly and steadily throughout the period.

So, in short, Peloton and Deliveroo showed a similar pattern – as did Netflix and JET. Now note that the first two (being launched respectively in 2011 and 2012) are a dozen years younger than Netflix (launched in 1997), Takeaway.com (2000), and Just Eat (2001).

So maybe, like in so many things, age has an influence on the rate of expansion when a great new opportunity arises – specifically in this case, when covid lockdowns called for more tech-enabled services at home. This suggests that, when opportunity beckons, younger companies (just like people?) are more energetic than their slow and steady elders. Tortoises and hares perhaps!

The rest of this report contains a summary of activity over the last week, including plenty of delivery offers:

News in the past month

Financial & Legal

- Northern Ireland no longer requires vaccine passports (except for nightclubs), table service, rule of six
- Restaurants, cafés, pubs lost 37 weeks of sales in cities and large town centres during the pandemic
- England removes requirement for tests for arrivals of fully vaccinated international travellers; Scotland to follow in mid-February
- Scotland relaxes requirements for working from home guidance and rules for indoor social distancing to one metre
- England reduces working from home guidance, mask-wearing and vaccine passports

Retail

- Sainsbury's to sell Carluccio's branded meals

Pubs

- Wells & Co provides 10% rent concession to lessees and tenants
- Marston's LfL sales fell -8.8% in the two months to mid Jan
- Fuller's managed LfL sales down -10% versus 2019 in the 10 months to mid-January; and down by -28% in the month of December

Delivery

- Aldi discontinued deliveries via Deliveroo

Suppliers

- Diageo turnover was up 15.8% to £8bn in the second half of calendar 2021
- Concerns over shortage of CO2 affect food and beer supply chains

Around the World

- McDonald's global same store sales rose 10.8% versus 2019 in the latest quarter; international segment including UK was up 8.2%
- Elior organic growth was 16.7% in the latest quarter and revenue was down -15% on pre-Covid levels.

Delivery Offers in the Week

- Deliveroo: Delicious deals for Veganuary
- Deliveroo: Get £7 off your next order
- UberEats: 40% off groceries
- UberEats: Free items from your local favourites
- UberEats: 30% off from McDonald's
- UberEats: 40% off to help you make it over the (Veganuary) finish line