

Uber appetite for Deliveroo wanes with valuation gap at \$2bn

MATTHEW GARRAHAN AND ALIYA RAM
LONDON

Uber's attempt to buy Deliveroo has stalled because the two sides are "miles apart" on a valuation for the food delivery service, according to people briefed on the discussions.

The ride-hailing app is keen to buy or invest in Deliveroo, one of the UK's biggest tech success stories, but a recent offer for the company valued it at less than \$2bn while Deliveroo has pegged its value at \$4bn, according to people briefed on the talks.

It was reported in September that Uber had held early-stage talks to acquire or invest in the London-based start-up, as it expands its Uber Eats arm.

The two sides are still in talks, but a person with knowledge of the discussions said there was such a "significant gap" between them that interest had cooled.

Another person familiar with the talks said Uber's offer had priced Deliveroo at less than the \$2bn valuation it achieved in a round last year.

One person close to Deliveroo said it was trying to raise \$400m at a valuation of \$4bn. Its effort was first reported on the weekend by Sky News.

Deliveroo's main investors, which include Fidelity and T Rowe Price, are seeking an investment or partnership rather than a full sale, according to people close to the two tech companies.

Deliveroo is one of Europe's best-funded start-ups and has ploughed millions of dollars into differentiating itself from rivals, including by building industrial kitchens for restaurants to use as hubs for orders. Uber Eats launched similar "virtual kitchens" more than a year ago.

Deliveroo does not operate in the US, and would offer Uber a chance to expand in Europe, which has emerged as a bright spot for food delivery.

Deliveroo's revenues more than doubled to £277m in 2017, according to public filings, but losses widened 43 per cent to £185m after it spent money recruiting 300 engineers, launching in new cities and opening kitchens.

Any acquisition of Deliveroo by Uber might be complicated by competition concerns. The UK's competition watchdog previously investigated Just Eat's £200m purchase of Hungryhouse, the UK arm of Delivery Hero.

That deal was cleared in 2017, with the Competition and Markets Authority noting that the strong growth of Deliveroo ensured that there would not be any substantial lessening of competition.

Deliveroo declined to comment. Uber also declined to comment.

See Lex