Transcript

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Paul Harrison: Ladies and gentlemen, good morning. Just before we start the formal presentation this morning a couple of words from me, if I may. This last six months has seen, very sadly, the passing of our chairman, John Hughes. John was a hugely admired chairman, he'd been with Just Eat for six years and is greatly missed in the business and indeed of course in the wider community and I wanted to mark that today.

Having got to know John well over the course of the last year I know that one thing he would be saying is, come on, get on with it, and to that end we are getting on with it. We'll talk about results in a moment but also we're delighted to welcome today our new chief executive, Peter Plumb, and I'm going to ask Peter just to introduce himself. Peter.

Peter Plumb: Thank you, Paul. Well, welcome, everyone, and good morning. I just want to take the opportunity to introduce myself to you. I know some of you might know me through your colleagues from the eight years I did as CEO of Money Supermarket, which I absolutely loved. My plan was to take a little bit of time off in the summer but the board at Just Eat contacted me about this role and it took a very, very short period of time to say yes because I do think this is a phenomenal business and there are amazing parallels between this and Money Supermarket.

Price comparison is a very, very, very competitive market and at Money Supermarket we led the market using customer data and customer insight to really deliver a better service to customers than the competition and I think that's really a theme that I want to bring to Just Eat as we go forward because, you know, there're a couple of things I'm just going to share with you of, when the board spoke to me about this business, why it didn't take very long to say yes.

Firstly I think - and I've seen a lot of digital platforms - Just Eat is the purest-play digital platform I have ever seen. I think it's a phenomenal business and I think David and the team should take huge praise for pioneering this business and taking it global so quickly.

I think secondly it really is a global business. Food is fun. I've spent ten years of my career in the middle working for international European businesses, for people like Pepsico, Pepsi Foods, Disney Consumer Products and Dyson and I really think, you know, a global business that is focused on the customer will be a lot of fun and we'll have a lot of fun with the brand, engaging customers in what is a pioneering service.

You know, in the [unclear] it's a 23 billion business opportunity. I don't know many other businesses and people that stand here today and I'm going to work for 23 billion of it.

I think thirdly and most importantly the team and the people I've met along the process have been so impressive. The results today, I think, are a real accolade to the team. I know you're going to cover them, Paul, so [unclear].

But finally I do want to thank personally Paul. I think Paul has done a tremendous job, he is a role model for CFOs. Throughout the process he has helped me so much understand the business and working with Paul I very, very much look forward to. He is a first-class CFO and I know together we'll have a lot of fun leading this business forwards.

And I do also want to mention Andrew Griffiths, who did step into the interim chairman's role. He has driven such a fantastic process and given me access to absolutely anything and everything I wanted along the way and those two individuals I do just want to publicly thank because that's one of the main reasons I joined.

So I am an observer today so I'm sorry, I won't take any questions. This is Adrian and Paul's show but I will be joining on 18th September. Please give me a bit of time to get my feet under the table. It's a big business, it's been massive growth and there's a lot to get hold of but I do really then look forward to engaging with you all certainly at the prelims as I start getting into the business and working with Paul and laying out the direction in which we're going to head.

So that's all I wanted to say. Thank you all and, Paul, I'll hand back to you for the results.

Paul Harrison: Thank you, Peter. We're greatly looking forward to you joining and thanks for those words. I absolutely promise you that they won't give you very long to get your feet under the table.

Okay, to the most exciting slide; the disclaimer, you've seen it, it's in your pack and on the screen. The structure of today's presentation is similar to that that we've previously done. I'm delighted to be joined by our chief operating officer, Adrian Blair, known to many of you, who will share his perspectives on our first-half performance in a few minutes.

Perhaps just before we dive into the headline numbers let's just remind ourselves of what it is we're here to do, what we're building. Our vision is to crate the world's greatest food community. We're pursuing this by creating a growing and dynamic marketplace connecting more than 75,000 restaurants with 19 million customers, both substantially up on the prior period.

For our restaurant partners, who are mostly SMEs, we provide our leading digital platform with a well-supported global brand. For our customers we offer the widest choice of restaurants from popular local independents to the international brands.

Today we're going to talk about the things we're going to do to deliver an even richer experience for those two communities and we're driving this with a great team and at a time of some change I would also like to thank my colleagues not only on the board but on the executive team and to a wider community within Just Eat who have just done a great job, who've showed great commitment to this business so my thanks to them.

We're really pleased to be reporting these numbers at this halfway stage. Orders up 24% to 80 million; revenues up 44% headline to nearly 0.25 billion now, well ahead of our expectations. Underlying EBITDA up 38% to 34 million and of course we're going to drill down on those numbers in a few minutes.

Let's look at how this breaks down between the UK and our international portfolio. We see UK order growth of 18% in the first half so if you remember, consistent with my mid to high teens order growth prognosis for 2017 that I conveyed back in March. And this has translated to stronger revenue and underlying EBITDA growth. With revenues of £107 million, our international business now accounts for 43% of the group. As recently as the full year 2015 this was only 31%, which talks, I think, a great deal to our growing and successful international business.

Here internationally we grew orders by 35% and revenues by 75% and I think it gives you a sense of the journey we're on when you see that group revenues for all of 2015 were 247.6 million, almost identical to the numbers we're reporting for this first half in 17.

Now, clearly there's an important impact from skip in these numbers and we'll come to the financials soon. However six months or so in we're very pleased with this business, it's exceeding its acquisition case and not only does it see us winning clearly in Canada but it's bringing benefits, and will continue to, to the wider group.

With respect to the proposed acquisition of Hungry House, as most of you know, we're working closely with the CLA; nothing more I can add to that today. I will update you though, of course, in due course when news flows out of that process.

Okay, so we're all about creating the world's greatest food community. Let's quickly recap on how that translates to the priorities we set for 2017. They go to making our 75,400 restaurant partners' businesses even more successful. They go to improving the experience our customers enjoy when they engage with Just Eat and to increasing the choice available to them, so growing their dining occasions.

And we're going to look a little bit more closely at our execution against those priorities. Starting with the things that we've been doing for our restaurants, first and foremost we're growing the top line of our restaurant partners' businesses, adding 19% or over three million more active users, investing a formidable marketing budget to support our restaurant estate and processing £1.5 billion worth of orders in this first half.

More restaurants sought sponsored prominence on our platform, driving top placement revenues by 48% year over year on a constant currency basis. Now, that's all about their top line but we also look to support their bottom line performance and you'll remember we talked about restaurant services back in March. This is where we're using our scale to negotiate exclusive discounted supply agreements on behalf of our restaurant partners, the sort of initiative you can pursue once you've established a really strong marketplace.

So here's an update at what is still a relatively early stage. I think we're delivering clear value for our restaurants. In fact nearly 2,000 of them, as you see, in the UK, taking advantage of these deals and we're saving them a lot of money and indeed it's equivalent to a 1% reduction in commission effectively on average - so much so that in fact for over 50 of them they're now saving more money than they're paying us in commission.

And we'll continue to innovate. I'm going to be particularly interested to see how this partnership goes with Make It Cheaper because this offers the potential to save on utility bills, a material cost again to any restaurant.

Why are we doing this? It isn't for direct financial gain, we're not charging for these new services. However, if you consider that we're faced with competitors in the form of some of the best-resourced global technology players, we're seeking to make our relationships with these restaurant partners ever more valuable to them.

And finally we continue to improve the technology we deploy into restaurants, adding new functionality to our order pad devices which makes a huge difference to our restaurant partners. We now have over 15,000 of those devices in our restaurants and process 59% of UK orders through this platform.

Okay, let's move to customers and what we're doing there. Here we're seeking to offer a broader cuisine and restaurant choice and to improve our customers' experience on our platform. So building on the comments you heard back in March, we're progressing our early-stage relationships with selected dining chains. We've added more than 180 outlets to our platform in this first half but just as a reminder, what are we trying to achieve here?

Firstly we want to give our customers no reason to think that they can't order what they want on our platform so if that includes working with well-known branded dining chains we should respond to that.

Second, we want to drive more orders to independent restaurants so we want both constituents to win under this strategy. Now, it's too early, still too early to be definitive about whether those two hypotheses that I just mentioned are proven to be correct. There are some encouraging results - Adrian will touch on them - but fundamentally we need more time and more learnings under our belt so I appreciate you're going to want data and disclosure that goes to this but it is, at this still early stage, too early in these pilots to provide this. That said, we'll see the activity in the second half and in due course provide you with a fuller update of that experience.

Aside from the branded chains we continue to work towards creating an increasingly flexible and personalised experience on our platform and indeed, as you see here, we're testing a lunchtime proposition, consistent with our goal of growing dining occasions.

I've talked there about sort of platform improvements. They work for both restaurant partners and for customers and they're happening at both an infrastructural level as well as at the front end where we continue to work on subjects like - important topics like platform reliability so I keep my fingers crossed so I'm touching wood here but I will say to you, we had a record-breaking 1.5 million order, UK bank holiday weekend back in April and we saw 100%

uptime on our call platform through the month of June. It's a real credit to the progress, I think, our tech team has made.

As we note on this slide, one of our new services to restaurants and also one that improves the customer experience has been the introduction of delivery polygons, enabling restaurants to create a bespoke delivery area, given factors, variables like traffic flows, etc. Think of this as a major refinement on that classic three-circle poster you often see when you walk into a delivery outlet, delivery food outlet.

Even more exciting; we look forward to a time when all of our businesses will share one global platform and we see these enhancements delivered once for the benefit of everyone, which will be, of course, a much more effective use of our engineering resource.

My final comment in this section is about Skip The Dishes. We're really pleased with the performance of this business over the first six months, over its first six months in the group, achieving first-half revenues in Canadian dollars of 28 million, against our expectations of 40 million for the full year.

Now, as a reminder, Skip is still an early-stage business and is loss-making with its outperformance resulting from a progressive roll-out into new cities so those losses for the moment expand with growth. And this is relevant to the comments I'll make on guidance a little bit later.

The reassurance here lies in the clear profitability Skip demonstrates in those cities where it is established. Clearly the rationale is about creating clear market leadership in Canada and Skip has brought that to us. It also brings expertise in food delivery and we're going to use that, where appropriate, effectively across our markets.

Okay, this is a possibly slightly superfluous slide where I pass from myself to myself but I'll use it to change our attention to the financials. As I said earlier, it's a strong start to the year; revenues up 44% or 38% on a constant currency basis stripping out the FX tailwind. As I mentioned, this is ahead of expectations and this momentum gives us an opportunity to invest further in the business.

Now, this translated to 38% growth in underlying EBITDA, implying a modest reduction of margins from 31.1% in the prior year to 29.8% in the current. This reflects the inclusion of Skip for the reasons I just gave. Excluding Skip group margins grew to 32.7% and adjusted EPS grew by a strong 39%.

Okay, if we take now the usual canter through the segments, I'll start with the UK. As you can see here, revenues were up 27%, comfortably ahead of order growth of 18%, which of course reflects the commission changes implemented back in April 16 and indeed the success of the top placement service.

Our first half performance implies a sequential improvement in order growth in Q2 against Q1 and this was down to execution, driven by stronger marketing and, as I mentioned earlier, platform reliability and this growth was achieved while maintaining the EBITDA margin at the 52% level. We'll continue the marketing investment into the UK in the second half of the year, including of course the recently announced partnership with X Factor.

Okay, let's move to our second-largest market, Australia/New Zealand and, by the way, for these international slides we've moved to an FX-neutral analysis of revenue growth and I'll just remind you of the comments we made back in March; there's a lot to do here in 2017, if we're successful we'll have migrated our two platforms - our two businesses each operating on their own distinct platforms to the core Just Eat platform, we'll have consolidated our efforts around the Menu Log brand and will have diversified our order base to achieve broader national coverage.

Okay, so how are we doing? We're on time. We've still got a lot to do in this year both on a platform and on the brand piece. Seconded senior engineering resources from the UK to Sydney are helping greatly with our efforts and we're starting to see the benefits of our city activation programme.

So so far so good but this remains, as I termed it before, a year of heavy lifting for this business and actually in light of all of that it's good to see they continue to deliver a really solid set of numbers.

Okay, if we move to established markets, our headline numbers show order growth of 36%, revenue growth of 60% and EBITDA margin contracting to 7.5% from 16.4%. Excluding Skip and Benelux - we sold last year - orders were up 20%, revenue was up 24% and underlying EBITDA grew 5%.

To be clear, we've broken with past practice here by disclosing the effect of an in-market acquisition as we recognise the materiality of Skip. We won't do that forever as we, over time, integrate the businesses but it's relevant clearly at this still early stage.

Aside from Skip we saw strong performance in Denmark and Ireland and better geographical dispersion of orders in France given the investment that we're making into city activation in that market.

Next is our developing markets segment, comprising Spain, Italy and Mexico. By some way Spain and Italy are our largest businesses in this segment and they continue to perform strongly. Actually I was over in Spain recently and was struck by two things. I think firstly the strength of our local management team - and that's been a common theme on my travels around the group - but secondly this observation; that still only 15% of the delivered food market in Spain is online - 15, one five. So in both of those markets particularly there's a long way to go. With that growth potential frankly profitability is rightly a secondary consideration but again you can see here that the trend is also positive.

Let's move to Brazil. We now own 32% of our Latin America joint venture so here are the full numbers for the business, reflecting the continued very strong performance in Brazil. Indeed the rate of order growth there exceeds that of just the UK at the equivalent stage of its journey. So with revenue growth of 149% you readily see the desire of the joint venture partners to reinvest a high proportion of profit into growing further the top line of this business.

As for entry into Colombia and Argentina, these remain at a very early stage and we'll report progress to you in due course.

Okay, this slide addresses our three remaining group-level KPIs and they indicate strong trends on both sides of our marketplace; active users - or customers, I should say - rising 19% and restaurant partners growing 14% net of churn.

The 15% growth in average revenue per order reflects several factors; first currency. So as we note here, it grew 13% on a currency-neutral basis. Secondly the impact of Skip where we charge for the delivery services; and third is the benefit of the 2016 commission increases in several markets, notably the UK and Australia.

I'll move to the cost side of the business. The slide analyses the global cost base into its three principal constituents and shows that with strong revenue growth we continue to leverage costs with each major category falling fortunately. In absolute terms of course we continue to invest for growth and we've already referenced several examples of this.

Finally before I hand over to Adrian - I'm changing tack slightly - we remain a highly cash-generative business. As the slide shows, we converted underlying EBITDA to cash at a rate of 93%, consistent with prior year. So I think if you step back, as you can see, the financial characteristics of our business remain very strong indeed, with which I'll pass please to Adrian.

Adrian Blair: Thanks. Thank you, Paul, and good morning, all of you. I said when we spoke back in March there were five big things that we needed to do to be successful in 2017; first get more momentum back into our UK business; secondly continue to develop our international markets; activate second and third-tier cities around the world, scale up our pilots with branded restaurants and integrate the businesses that we've bought over the last few years.

Let me talk to you a bit about what we've done in each of those areas in the last few months. So first up momentum in the UK and just to remind you and put this in context, we're talking here about a £6.1 billion delivered food market, about half of which is online at the moment and, as Paul said, we actually saw sequentially higher growth in Q2 than we had in Q1 and that was really delivered by a couple of things.

The first is superb execution on the part of Graham Caulfield and his team in the UK so Paul mentioned our engagement with restaurants and all the partnerships that we've done to build that. A great, typical manifestation of it is the number of restaurants who actually have branded Just Eat signage on their outlets so we've got 9,000 restaurants now in the UK with branded signs.

And one thing we were particularly pleased about in the first half was the number of restaurants branding their vehicles and their drivers with Just Eat so we estimate one out of every five orders in the UK is now delivered in a branded Just Eat vehicle and that's up from virtually zero a year ago so it's superb execution on both sales and marketing.

Second, we've really seen the brand develop and evolve in the way that we'd hoped when we relaunched it in the back end of last year and a couple of examples of what's happened there; one is we've got household name brands like EE, Coke and Amazon now featuring us in their marketing activity. The image you see there is a Just Eat bike branded in an EE ad and the result of this is we're not only seeing more customers but they're ordering more frequently and you can see our frequency numbers there for the first half of each of the last few years so we've got more customers ordering more frequently than ever before.

Paul also mentioned the momentum that we're seeing in top placement around the world and the UK is no exception to that. We've seen great momentum in our top-placing business, which has grown faster than underlying orders and there's still so much more that we can do there in the ancillary revenue area.

Next up, our international business so Paul mentioned the outstanding growth that we've seen in Spain and Italy, the potential of those markets. He mentioned the outstanding performance of Zil and the above expectation growth that we've delivered in Skip The Dishes but there's actually more. I wanted to talk about a couple of our smaller markets, which we're also developing into stars of the portfolio.

So first up, Denmark; our team in Denmark, led by Karsten Bolt, is in the process of delivering its 16th consecutive year of double-digit revenue growth, which is an outstanding track record in a market that continues to be very profitable.

I remember saying to Amanda, our country manager in Ireland, when she began that we wanted to turn Ireland into another Denmark. With a slightly smaller population, we thought it would be great if we could one day get to the Danish scale and I'm delighted to let you know that in the first half of 2017 we processed more orders in Ireland than in all of Denmark and Norway combined and that business in Ireland continues to grow by more than 30% year on year.

You can see here an image of the Dublin bikes, which was the sponsorship deal we announced just a few days ago and this shows how we've evolved really from a start-up a few years ago to a household name brand in Ireland. We took over from Coke as the headline sponsor until 2020 and I hope you agree with me that those bikes look fantastic and I hope you'll use them in Dublin over the next few years.

Moving on to second-tier city activation, why do we care about this? Well, our biggest competitor everywhere remains the telephone and there are millions of people who still order takeaway on the phone who live in small to medium-sized cities around the world. What we often find when we buy businesses is that they've been less aggressive in this regard than we would have been so they've generally stuck with the bigger cities and not gone so far into the hinterland as Just Eat would have done and that's why it's a particular issue in Australia and France, which are obviously businesses that we've bought over the last few years?

So in the course of this year we're in the process of launching a comprehensive city activation campaign in both of these markets. We've rapidly scaled our restaurant in small and medium-sized cities and we've activated and branded up those restaurants and those cities on a scale that we've never done before in these markets and as a result we're seeing significant growth in outlying areas of both France and Australia.

Next we said that we would scale up the pilots that we're doing with branded restaurants. If you just think about Just Eat for a second and what we really are, we're effectively the largest tool for restaurant discovery in all of the markets where we operate so it's no surprise that a lot of the biggest branded restaurant groups around the world want to be part of that marketplace and want to be visible when people are deciding what to eat.

We've been working over the last few months with several of these leading groups and we're learning a lot. We're learning that - you know, Paul mentioned that we aim to grow our customer base via these partnerships, we aim to drive greater frequency into our core business and of course these partnerships need to work for both sides so they need to work for the brands as well.

And what we're finding is that in some cases all of those assumptions are playing out and in others less so and we expect to learn a lot more over the coming months about - as we continue these pilots, about what works as we scale up.

Next, integrating the businesses that we've bought over the last few years so it's worth reminding you probably that the businesses that we bought off Rocket Internet in 2016 in Spain, Italy, Brazil and Mexico have been fully integrated so those platforms no longer exist and they're fully part of Just Eat.

We're preparing to consolidate our Australian platform into the Just Eat platform as well and that work is well underway. There's a team in Sydney and London fully engaged in that as we speak. We expect Switzerland and France to follow in due course and I was very impressed in Winnipeg recently by the delivery system that our Skip team has developed and we are looking to incorporate elements of that into the Just Eat platform as well.

So overall strong progress in the five areas I mentioned but we're going to continue to be busy with all of them in the second half. And with that I'll hand back to Paul.

Paul Harrison: Thanks, Adrian. Look, in summary, building on Adrian's points there, this slide sets out our focus for the balance of this year. Clearly we're going to retain a laser focus on the UK, building on that momentum we talked about in the first half.

We're going to continue to drive our international businesses with a particular focus on our Australian agenda and as Adrian's just outlined, we'll continue to diversify our national order bases via city activation. We'll develop these early-stage relationships with restaurant partners, those early pilots and we'll continue to share the best learnings we can from acquired businesses.

So if I turn now to guidance, as I hope we've made clear, we're in a strong position both operationally and financially. Revenues for the first half supported by the outperformance of our acquired businesses, notably Skip The Dishes in Canada, were ahead of our original expectations. Reflecting this more positive outlook for the group, we're raising our revenue guidance for full year 17 to between 500 and 515 million of revenue, up from 480 to 495 million.

And in light of that strategy and hopefully as we've explained, we intend to reinvest this revenue outperformance back into the business, including further building on the momentum we see in Skip the Dishes and increased collaboration with certain selected brands of restaurants, notably in the UK.

Notwithstanding this investment and due to the strength of the underlying business, we reiterate today our previous guidance for full year 2017 EBITDA of between 157 million and £163 million. So with that we'll move to your questions. We'll start certainly in the room and if we have time we'll go to the people that have dialled in but perhaps you'd kindly, when you get the microphone, say your name and your institution. Thank you.

Marcus: It's Marcus [inaudible] from JP Morgan. Two questions really; one is on the investment part. Could you tell us a little bit more about the key areas? You also highlighted the different areas so maybe just a quick look at Canada. I see very strong top-line performance but you feel now is the right time to increase the investment in there. Why is that? And it's similar to the UK; why do we see also now this increased spending here?

The second question is on Australia; how do you see, yes, probably the next six months or the next 12 months, that business to be expecting an up-tick in orders maybe in the second half or early next year?

Paul Harrison: Marcus, just let me kick off with that and I'm sure Adrian may add some comments of his own but I think let's look firstly to the investment. With Skip we're seeing, as I mentioned, an outperformance in terms of our expectations. You know, we expected revenues in Canadian dollars to rise on the order of 40 million; we're getting 26 at the first half and we're seeing Skip launch successfully into new cities.

In the initial phase of that investment that is a loss-making activity and therefore takes the form of investment. What I will say to you is though when you look at the cities where Skip has been launched over time - I'm thinking about Winnipeg, Edmonton and Calgary - they're making actually some good profits in those cities so we're convinced that this is a strategy that we should be supporting and doubling down on and that forms part of our investment.

If you think about the dining chains, I think it's fair to say there are offensive and defensive reasons for doing this; offensive because our hypothesis is that this will bring new customers to our platform but also that those customers will place new orders and become new customers, if you like, for our independent restaurants so they win as well.

Now, that's a hypothesis and testing needs to prove out whether that works; do both constituents win? That's important.

But at the same time with some of those chains, not all of those chains, we are playing a part in the delivery service. To be clear, we don't have delivery drivers but we are working with third-party courier companies to provide delivery and in the early stages that brings investment with it as well so we'll report back on that in due time.

But there is a defensive aspect to this as well, to be clear. You know, we face and have always faced very strong competition but that competition is dynamic; the names change over time and, you know, rarely would I name check a competitor but we've seen Uber come into this market and we've seen, you've all seen the relationship they're building with McDonalds. We want to be absolutely sure as best we can that our customers have nowhere else that they need to go to order their food other than the Just Eat platform so it is important that we work with selected chains in a thoughtful and careful manner to explore whether those hypotheses I mentioned prove to be true.

I think in Australia, before I pass to Adrian for any comments he's got, I think we should be a little cautious because I think, as I said to you, it's a [unclear] thing. I'm not myself expecting a big up-tick in order growth in the next six months. We'd be delighted if at the end of this process we saw the Australian business on the Just Eat platform with better city activation, a broader spread of order base; Adrian might comment on that in a moment; and with consolidation around the Menu Log brand but it does make me - that is a big agenda and I just express once again, I reiterate my caution around 2017. Happy with how they're getting on with it but there's a lot to do.

Adrian Blair: [Inaudible] platform which was not designed to operate at the sort of scale that we intend to take it to and so, you know, first things first; we need to address that, we need to get it right and then, you know, growth will follow. But also I think the exciting thing about this platform consolidation is the greater velocity it will enable our technology team to deliver more broadly because, you know, at the moment our technology assets are diversified between several different platforms and obviously as we consolidate in the way that I mentioned, first Australia, subsequently France and Switzerland, all of that effort will then be focused on the core, which is quite exciting.

And then, you know, I should mention as well city activation; it's the potential in cities where Menu Log just historically was very, very small; you know, I think of places like Perth, Adelaide; the potential there is very interesting to us and we're still, you know, relatively early in that process of intensively activating these cities.

Joe: Hi, gents, it's Joe [unclear] from Credit Suisse. A couple of follow-ups on the same themes really. In established markets, even including Skip, you saw profit growth a little bit slower than revenues. Is that just this major investment or are there initiatives in other established markets you can point to?

And secondly, jumping on the branded restaurants, I mean, you're classing this as investment. Should we assume that these relationships are in fact loss-making at least in the first instance or this is just market dilutive? And Adrian touched on that some of the working stuff might not be working. If they continue to lose money is this something you need to do from an investment standpoint or something that you will look to alter [inaudible]?

Paul Harrison: Okay, established market segments. Six of our markets benefited from the rebranding of Just Eat during this period; four of them were in the established segment so there was clearly cost associated with those rebrands. And then I think, as Adrian referred to, the city activation programme in France for example, where the results are good, sees us spending frankly nearly half of our revenues in this period on marketing so that is the right investment, you know, to make to drive a broader order base in France but it is also a reason why in the short term you're quite right to point to the EBITDA slowdown ex Skip.

And just on your point about the defensive and loss-making potentially chain relationships, the nice thing is that the deals that are the most attractive to our customers, which is what we're really interested in, is the working with partners that our customers want to order from; that also improves the economics so it's, you know, low-volume partnerships which will tend to have worse economics than high-volume ones and obviously if it's low-volume it's not doing a very good job defensively anyway so those two factors actually support one another.

You know, your question which clearly goes beyond 17, doesn't it, into sort of what does the future look like here; I think we'd just say, look, these are early and carefully crafted pilots with select restaurants. We're already learning that some of those branded chains are resonating on the platform but some are not and we're going to fine-tune that over the coming months and when we've concluded that we'll give you a fuller update.

So, you know, you're always going to find me saying at this sort of half-year stage that I'm not going to talk really a great deal about the following full year. But I think particularly with regard to this initiative we need a few more months at least under our belt.

Unidentified female speaker: Morning. [Unclear] from Deutsche Bank. Just two questions from me; first on the developing markets. The EBITDA loss improved significantly. Just wondering if you confirm the given for Spain EBITDA factored in the second half of this year and then Italy will follow in 2018 or maybe earlier?

And will the margin improvement coming from developing markets be enough to offset the slowdown in the UK margins so that at the group level you'll still deliver about 300 basis point improvement?

Paul Harrison: We will continue, as the slide indicated, to see margin improvement in developing markets and, yes, it remains our view that Spain will move into profitability this year; I think Italy most probably the year after. Frankly the challenge internally to that has always been let's not forget the - to explore the possibility of doubling down on the investment; that's very much what we're doing in Brazil but nonetheless that is our intended trajectory so margin improvement is intended to continue in the developing segment.

In overall terms on margin, you know, you've seen a sequential improvement in UK margins H2 16 over - in H1 17 compared to H2 16 and for the full year for 2017 we still expect a modest improvement in UK margins year over year. So to be very clear, you know, these investments that we're placing, insofar as they pertain to the UK, are being funded by the momentum that we see in the UK.

Richard Stevens: Hi, Richard Stevens from Numea; two questions, please. First, I know you've had a few months with Skip the Dishes and you've seen their food delivery processes. You alluded that you may look at other markets possibly where you could use that. I don't know if you could give any more colour on the food delivery aspect.

And the second question is on - I don't know if there's any sort of colour you can give on the pressures which your takeaway or the pressures which your restaurant partners are facing given the food cost inflation and labour cost inflation. Are you seeing increased churn in your restaurant partners? Thank you.

Adrian Blair: So I can help a bit with both of those so on Skip the Dishes, it's worth remembering that we've always followed a mixed model with regard to delivery so we've had our own delivery business in Denmark for a long time, we work with partners across most of our markets and the learnings from Skip the Dishes are applicable to both, to both partners and ourselves in Denmark where we deliver ourselves. So as I said, we plan to incorporate elements of that into our technology and processes given how effective they're proving to be in Canada.

The second thing you mentioned was churn and economic pressure on our restaurants so a short answer on churn is no, in percentage terms in the UK for example we've seen slightly fewer restaurants churning than we did in the equivalent period last year and of course we're continuing to sign up many new ones and grow our restaurant base overall but I think that really speaks to what Paul says about these restaurant services that we're providing because we see our role very clearly as being a champion of the independent restaurant sector.

You're all going to get, I think, on the way out the Takeaway Economy report which talks about the impact of the takeaway sector on the UK overall and some of what Just Eat is doing to drive that like setting up the British takeaway campaign. So these things are all part of what we want to do to help restaurants growth both top line and bottom line. Hello, John. No, we'll go Andrea after John.

John King: Thanks, it's John King at [inaudible]. First one actually was just maybe around the pilots in the UK. For clarification really, if you're not doing logistics what are the kinds of things that are, you know, costs you're incurring? Just trying to understand how recurring versus one-off-bases those are in nature.

Second one was, you know, I think over the last 12 months you've had a really nice increase in the blended commission rate. I know there's a bit of impact from Skip in that but even excluding that it feels like, you know, obviously the UK's gone up. Just maybe talk about generally if that's something you think can continue at least at the same rate, does that slow down at all or how do you see that?

And then Adrian, you know, you spoke to the order increase per customer, which I think is a pretty nice start to show that going [unclear] on the UK. I guess, where's that coming from, are they ordering from some of the restaurants that you're adding, perhaps some of those you're bringing on with these partnerships? Or just, you know, give us a little bit of a feel as to how you're managing to do that. Thanks.

Paul Harrison: Thanks, John. We'll double up on the answer to that. I think firstly on commission rates, I think your question is how will they trend, and to be very clear, we have no plans to increase commission rates in any of our markets but of course as restaurants churn, new restaurants come in, they come in typically at the 14% mark, the price we established back in 2016 so that will continue to pick up; we're at 13.1% as a group average at the moment.

I think the - on the partnership with the chains, there is an element of marketing cost so, you know, co-marketing activity that pertains to it but in some instances, in certain of these products but not all, there's the question of sharing in the early economics of the delivery equation with the third party delivery company for working out the sort of share of the economics of that, recognising that if we increased driver efficiency measured in drops per hour that eventually those economics improve but in the early days without that kind of, those polygons, if you like then there's loss-making that attaches to the delivery relationship.

Adrian Blair: Yes, and your question about frequency and what's driving that; so with our business there is no silver bullet, it's, you know, hundreds of little things that go into making us so successful. I mentioned some of those things as I was presenting, you know, like the proportion of our orders that are now being delivered in branded vehicles, which is something we're very proud of. I could speak to, you know, the platform reliability; as you say the greater diversity of restaurants on the platform.

I spoke a bit about our brand and how it's evolved. That's actually leading people to order a more diverse range of cuisines so, you know, we saw dessert and chicken as, you know, some of our fastest-growing cuisine types, not the core staples of, you know, pizza, Chinese, Indian. So we've seen all kinds of factors and I think when you take the whole package together it's that that's making our product better and getting people to use it more often.

Paul Harrison: Andrea.

Andrea: Thank you. Three questions from me, please. The first one, if I can sort of dive in a little bit more in Australia, my understanding is that the order growth fell to close to 12% in the second quarter and if you've been doing well on the expansion then what is driving actually the sort of very low growth in your core cities?

And related to that, what are the changes, what are the specific changes in the platform that you think might make people order more frequently or you might be able to sort of add new customers?

And then the second question - I'll keep it to two since I'm expanding a little bit more - on - it was recently mentioned that the government is going to try to limit the credit card fees on platforms such as yours. I understand that right now you're taking 50p from the restaurants and most of them are just charging that back to the consumer. If they're no longer able to do that are you going to sort of offset that impact? Thank you.

Paul Harrison: So your first point, Andrea, about Australia; the thing above all that I think has been holding us back is operating on a legacy platform and, you know, I've been very clear that that's something we're working on right now. That, getting that piece of work done will improve reliability. It will also improve the underlying consumer feature set so, you know, if I think about the mobile app for example, significant improvements once that splits onto the Just Eat stack.

Plus it's worth remembering the city activation work that I'm talking about is still relatively in its infancy. We've been very pleased so far by how it's gone but remember how long we've been operating in some of these markets like, you know, the UK, Denmark, [unclear], you know, ten years of consecutive double-digit revenue growth. This is a long game, this isn't something where you, you know, work on city activation for six months and then you can tick it off the list. It's something you need to continue to do and the momentum will build as you do it.

Certainly, Andrea, you know, the advantage of being a two-sided marketplace where the restaurants do delivery is our ability to achieve national scale so you look at sort of cities like Newcastle in New South Wales, a coal-mining community; classic Just Eat demographic. Activating those cities, recognising that the central postcodes of cities like Sydney and Melbourne - as indeed is the case in Toronto and Paris - are going to be very competitive; that's where naturally the three-sided players can play so we should play to our strengths and that includes this national diversification of our order base.

You referred to the payment services directive too in your second question there, which as you rightly say, applies to credit card fees. This has been you know we've known about this since indeed 2015 and have been working on it, as you say, not because it very directly affects us in terms of our charge to restaurants isn't caught by, if you like, this legislation but their practice quite often, most often, of passing that on is potentially and we're working with them to help them reposition their services as a means of compensating for that potentially lost revenue to them.

And we're doing some A-B testing in four cities actually in the UK at the moment, working on different services that they could provide their customers that would ensure that they comply with the payment services directive. I'm not going to say much more about those tests at the moment but I think the critical thing is actually in your question; our fee to the restaurants remains intact and the value that we deliver in respect of that fee is very clear to our restaurant partners.

Rob Joyce: Rob Joyce, Goldman Sachs. A couple from me; firstly just on Skip the Dishes, are you able to say what you expect the losses to be in 2017 and what you kind of originally budgeted for?

And the second one is just on the brand chains; completely recognising it's pretty early stages but is there a scenario you can envisage where this isn't a headwind to the sort of long-term margin expectations in the UK that is embedded in expectations?

Paul Harrison: I think, Rob, to that second question, that would certainly be a premature conclusion. I go back to it; we've got some very clear success hypotheses that we'll revisit with the benefit of a bit of time. We're doing this in a very controlled fashion. There are more restaurant chains that are coming to us and want to work with us than we want to work with so, you know, we're saying no to chains that we don't think resonate on our platform so it would definitely be premature and of course we're mindful of the impact on the broader business.

I mean, you know, to be clear, if we step back from this, this part of our business is still going to represent less than 10% of our business in any scenario we can see so we should keep a context, I think, around it.

Look, as to Skip, I think we said on the original CAD40 million prognosis for the top line, we'd expect to lose about $7 million. I'm not going to be too precise but we expect that number to be north of ten million dollars with the success of the momentum we've seen.

Rob Joyce: Thanks very much.

Kieran Donnelly: Hi, it's Kieran Donnelly from Liberum. Three questions from myself; just going back to branded chains - I know it's the early stages again but could you just give us a detail or some general comments on RPU differential between the branded and the independent orders in the UK?

Secondly on the city activation, could you just give us some idea of data points you look at for entering into new cities and how far down the scale you'd be willing to go?

And thirdly, Peter talked about using the platform to gain data on - to drive customer insights. Do you think the platform is where it needs to be to get that data and if so is there investment needed in the platform to upgrade it?

Paul Harrison: Kieran, we'll double up on this one. I think on that third theme, investment is ongoing in the platform to do that. You know, one thing, you know, we observe - let's take the UK market; we've got uniquely 11 years of deep domain knowledge that goes to how you run a restaurant, you know, more effectively in the UK and we can bring that knowledge, that insight to bear and are increasingly doing so for the benefit of our restaurants.

A small example and very briefly; I was in Ireland not long ago and one of the small local chains in Dublin who had four outlets came to us to tell us that they were opening a fifth outlet in a particular postcode. Our response was, why don't you let us, you know, run the data? Their response frankly was, well, run the data but we're doing it. We went back and of course we analysed where their orders were coming from by street, by, you know, very detailed sort of analysis and as a result of that persuaded them that actually if you open your restaurant where you intend you will cannibalise two of your other outlets but if you open it in a different area, you know, you'll prosper, and they changed their minds.

So there's an example of a difference we can make with that very deep domain knowledge and increasingly through order pads, through our parity managers' engagement we're bringing that to bear but Peter's absolutely right, there's much more we can do there, I think.

On the RPU differential, again Adrian may comment here but to my point about being very selective with chains, there is no point, to go to the extreme, in Just Eat putting a Michelin-starred restaurant on its platform; that isn't where our existing nine-plus million customers for example in the UK, you know, transact. So you can imagine therefore that the RPU or the average order value is going to be broadly similar to the core.

And I think city activation; data points, what triggers...?

Adrian Blair: Yes, let me tell you a bit about city activation and how we think about it. So I think about it in terms of three Cs; coverage, conversion and customers so to what extent do we have all of the restaurants we want to have in this city? As we add restaurants the conversation rate of our [unclear] improves so that's a key metric at a city level; and how many customers are there who are ordering takeaway in that city and how many of them have we got.

And you mentioned data and the platform. We're using data more and more to get more sophisticated about how we do city activation so if I think of how we sort restaurant leads, how we score restaurant leads to decide who are the most important ones to sign, these are areas which have come on enormously in the last few years and we're continuing to learn.

You know, one of the nice things about Just Eat is we're quite humble, we've got very open minds, we always want to learn from others and every time we buy a business we look at what do they do better than us; not just a one-way transference of knowledge. And as we've got to know Skip the Dishes, iFood for example, we've learned more and more and more about how to do these things so lots to do still.

Paul Harrison: Clearly, just a final comment on that average revenue per order point, to the extent that we're participating in delivery of course the average revenue per order will go up compared to a restaurant sell-through. Any further questions?

James Lock: Hi, it's James Lock here at Peel Hunt. Two questions from me, please. So currently you've got 1,900 restaurants that are making savings with your group offers. Can you talk about how that's going, you know, what are the most popular, which ones drive the most savings? Obviously, you know, the 1,900; there's a lot of upside there still to go. Are there any barriers to the restaurants, you know, trying to make those savings, is it awareness or inability to take them?

And secondly, mobile orders are now at 75% or 83 in the UK. Can you split that out between mobile web and mobile app and how that splits and economics have changed as you've put updates through and whether part of that increase in average order value is a mix shift to mobile? Thanks.

Paul Harrison: I think I'll kick off on the restaurant services; you know, which ones are resonating? Well, a number of these are quite new, James. The one that's been place the longest - it was put in place in June 16 - was the Booker deal and it's that deal through which most of the stables have been achieved at the minute, applying as it does to the major cost of sales line for restaurants.

Are there any impediments to more restaurants, you know, taking up the service? No, there're not. Frankly what we are developing is a body of case studies with which to showcase the benefits of the services to our restaurant partners so really pleased with this kind of early take-up and a lot more to do.

James Lock: Mobile.

Adrian Blair: Yes, so I believe the app percentage is 46 so that's out of the 75 that you mentioned going via the app. And just one thing to add on restaurant services; we've been quite thoughtful about what are the most important parts of the restaurants' P&L to address and obviously a huge part of their cost is food so the deal that we've done with Booker is absolutely central to those partnerships and that's something we're looking to replicate in some of our other more mature markets.

Paul Harrison: Okay, I think it looks like there're no further hands up. Just to wrap up, thank you very much for coming today. It's a busy day, I know, for many of you. Thank you very much for your questions and we'll be available at the front for any more over the coming minutes. Thank you very much.