



SKILLFIN
LEARNING

Question : Is Zomato share price Rs. 40 or Rs. 170?

Valuation done by different experts range from 40 to 170 - 4x difference in valuation.

Very significant gap in a high value company rarely seen - experts are clueless

Assuming business can be turned profitable and reach 35% margins in 5-6 years

For investor, what is long term revenue growth implied in share price?

| Price Scenario | Implied Growth | Source |
|----------------|----------------|---------------|
| 40 | 15% | Damodaran |
| 70 | 23% | IPO |
| 130 | 32% | Today price |
| 170 | 36% | Highest price |

Based on simple DCF model solving for long term implied growth assuming margins stabilized at 35% in 5-6 years onwards and long term terminal growth is 8-10%.

| Zomato Revenue Drivers | FY 2021 | FY 2031 | |
|--|---------|---------|----|
| Population | 136 | 166 | cr |
| Target customer base | 50 | 61 | mn |
| # of meals in a year | 1095 | 1095 | |
| % of meals I will order from outside | 10% | 30% | |
| # of meals I will order from outside | 5475 | 20022 | mn |
| % of meals I will order online | 30% | 50% | |
| # of meals ordered online | 1643 | 10011 | MN |
| Average meal value Rs. | 200 | 300 | |
| Total value of food ordered online Rs. | 328500 | 3003298 | mn |
| Zomato market share | 40% | 40% | |
| `Food ordered on Zomato online | 131400 | 1201319 | |
| Zomato commission | 25% | 25% | |
| Discount | 10% | 10% | |
| Net commision | 15% | 15% | |
| Zomato revenue | 19710 | 180198 | mn |
| Actual Revenues | 19938 | | mn |