



**ALIGN**  
RESEARCH



## BigDish Plc

 15<sup>th</sup> August 2018

**Disruptive food tech innovator connecting empty tables with empty stomachs**

BigDish has developed a yield management platform for use in the restaurant industry. Currently operating in the Philippines, Hong Kong, Indonesia and the UK, the platform allows restaurants to improve sales by offering variable prices dependent on the time of a reservation.

### ■ Yield management for the restaurant industry

Yield management strategies provide opportunities for companies to maximise revenues by adopting a variable pricing strategy. Using the BigDish platform, restaurants can offer a level of discount (up to 50%) to customers dining at a specific time, thus providing the potential to fill what would otherwise have been an empty table at standard prices.

### ■ Platform live in Asia and acquisition of Pouncer opens up the UK

In Asia BigDish currently has operations in the Philippines, Hong Kong and Indonesia where it has partnered with 450 restaurants. The company has the opportunity to take advantage of strong economic growth in the region which is boosting demand for restaurant dining. The recently acquired Pouncer, the owner of a UK based restaurant booking platform, provides the foundation for expansion in the high value UK market.

### ■ IPO fundraising provides firepower to advance marketing and sales

BigDish listed on the Standard segment of the Main Market of the London Stock Exchange on 2<sup>nd</sup> August 2018, raising £2.22 million (£1,837,000 net) in a placing of 49,391,796 shares at a price of 4.5p per share. The net proceeds of the IPO fundraising provide BigDish with the firepower to advance its corporate strategy, with a ramp-up in marketing campaigns over the coming months expected to result in significant revenue growth.

### ■ Food tech industry deals highlight upside potential

The wider food technology industry has seen a number of significant transactions completed over the past few years. Within BigDish's peer group we identify a Series A funding round from competitor Eatigo which we believe justifies a minimum value for BigDish of 5.5p per share. However, we believe other funding rounds within the industry suggest a value of approaching 9.63p per share should BigDish meet its targets set at IPO. **We initiate coverage with a stance of Speculative Buy.**

**SPECULATIVE BUY**  
**– Price target 9.63p**



#### Key data

EPIC	DISH
Share price	5.125p
52 week high/low	5.375p/4.125p
Listing	Main Market
Shares in issue	285,847,519
Market Cap	£14.65m
Sector	Technology

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## Corporate Background

BigDish Inc. was founded in April 2013 by current Chairman Adrian Bishop as Gourmet Society Digital Ventures Inc. The original business was focused on operating a subscription based restaurant privilege card which offered discounts of 20% at restaurants within the city of Manila, the Philippines. In May 2015, Gourmet Society launched the Gourmet Society app and booked initial revenues in October 2015. Recognising good opportunities in the Philippines market, but disadvantages of the subscription based business model, the focus was then changed towards developing and launching a restaurant yield management platform.

Following several months of development the BigDish platform and restaurant booking system was first launched in beta form in October 2016 in the Philippines through iOS and Android, with Gourmet Society renamed BigDish Inc. in September. Further launches took place in Hong Kong in Q1 2017 and in Indonesia in Q2 2017. Since then BigDish has been focused on signing up new restaurants in its countries of operation and continuing to develop its technology platforms. In addition, a proprietary business intelligence platform was launched in Q2 2017 in order to help restaurant clients better understand consumer behaviour and assist in marketing decisions.

On 19<sup>th</sup> January 2018 BigDish acquired the Philippines based business, Looloo, a discovery website and app containing information, recommendations and reviews on restaurants, hotels and travel in the Philippines. Looloo is popular brand, having over 370,000 followers on Facebook and the Looloo website receiving on average 360,000 unique visitors per month from July to December 2017.

Holding company and listed entity BigDish Plc was incorporated in Jersey in April 2016 and currently owns four wholly owned subsidiaries: BigDish Inc, BigDish Limited, PT. Big Dish Ventures Indonesia and Pouncer Media Limited. The group is headquartered in Manila and currently has a team of eight in-house software developers focused on the continued development of its yield management platform.

The company listed on the Standard segment of the Main Market of the London Stock Exchange on 2<sup>nd</sup> August 2018, raising £2.22 million (£1,837,000 net) in a placing of 49,391,796 shares at a price of 4.5p per share. Also at IPO, outstanding loan notes of c.£1,329,289 (including accrued interest) were converted into 60,097,561 new ordinary shares and BigDish acquired Pouncer, a UK based restaurant booking platform. **The net proceeds of the IPO fundraise provide BigDish with the funds to advance its corporate strategy, with a ramp up in marketing campaigns over the coming months expected to result in significant revenue growth.**



## Operations

Yield management refers to a type of pricing strategy adopted by businesses which sees the price of a good or service varied dependent on its demand. Pioneered by American Airlines in the 1970s, the strategy has been commonly used in the airline and hotel industries in order to maximise the revenues gained from a time limited resource, such as a hotel room or airline seat. If not sold, they are a lost opportunity for revenue. So businesses are looking to gain the maximum amount of revenues they can from what is effectively a “perishable” product.

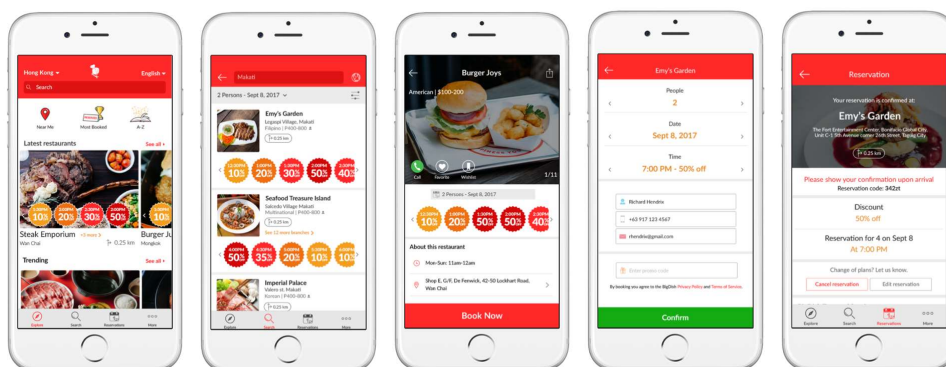
Under yield management strategies, higher prices are charged for products or services during periods of higher demand, with discounts offered at quieter times. The strategy has vast potential, with American Airlines claiming that yield management contributed to an annual increase in revenues of \$500 million following its adoption.

## BigDish Platform

BigDish has taken the yield management concept, combined it with modern technology, and developed a disruptive technology platform (app and website) offering restaurants the ability to attract customers to their establishments by using variable pricing. Using BigDish, customers can choose a level of discount on food pricing offered by a restaurant (up to 50%) depending on what specific time they make a reservation for – as a standard drinks are not discounted. As per the yield management philosophy, customers are offered larger discounts to dine at a restaurant’s off-peak times when demand is lower and when seats might otherwise remain empty if standard prices were charged.

The mobile app is available for iOS and Android devices, with customers able to make location based searches and see individual restaurant profiles, including menus and pricing, before making a booking. Website components include the web app, which has the same features as the app, and, for restaurants, a merchant app and admin panel. **For customers, BigDish is free to use, with the company deriving income by charging restaurants a flat fee per restaurant customer based on the approximate average spend at the restaurant.**

There are low barriers to adoption for customers, with a booking able to be made within a few button clicks. Customers are only required to provide their name, email address and phone number, with no upfront payment, credit card details or voucher code needed (Groupon without the coupon). Instead, the BigDish discount is automatically applied to the customer’s bill at the end of the meal.



For restaurants, the merchant app functions as an interface on which they can keep real-time track of their incoming bookings made through the platform. It also allows restaurants to customise their discounts around key target times and amend deals at the last minute in order to optimise bookings. The admin panel meanwhile contains a self-developed business intelligence dashboard which provides restaurants with data insights on areas such as popular days, times, cuisine types, bookings made, revenues, most active users, and how long in advance customers make their bookings. The data can then be used to develop marketing strategies. Contracts between BigDish and restaurants are typically 12 months in length but can be terminated at any time at no cost.

### Progress to date

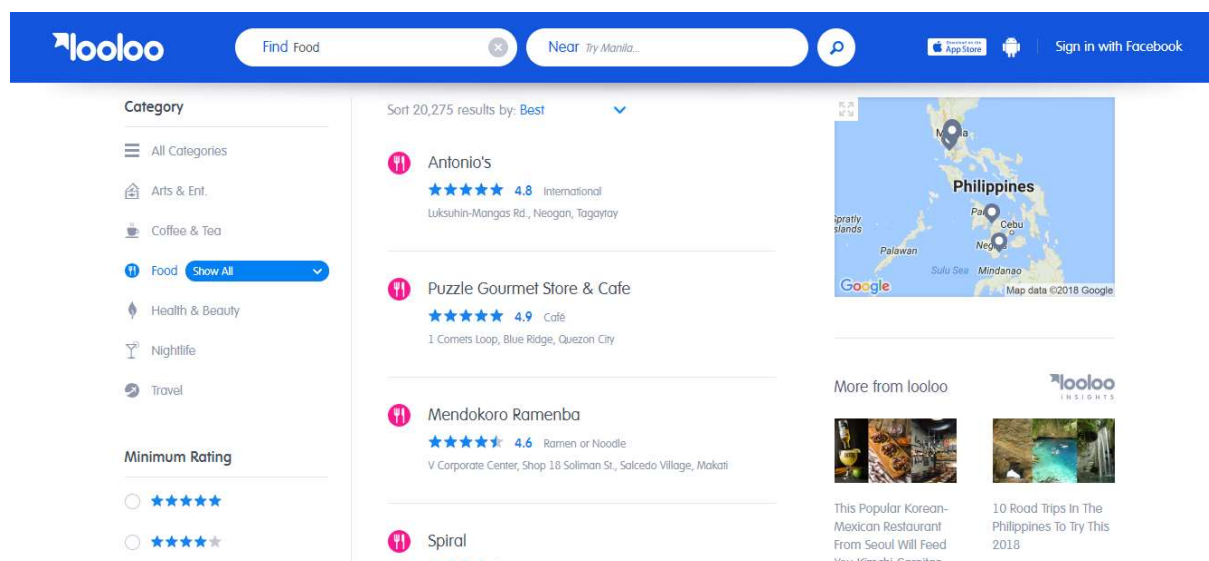
To date, BigDish has mainly focused on the development of its technology platforms and signing up restaurant partners in Asia. It currently has contracts in place and has partnered with 450 restaurants, of which c.250 are based in the Philippines, 100 in Hong Kong 100 in Indonesia. A limited amount of paid marketing activities have been carried out so far (c.\$19,000 worth), mainly to test variables such as cost per app install, to establish a basis for future marketing spend.

Test invoicing and collection of revenues from restaurants began in Q3 2017, initially in Hong Kong, with an automated integrated invoicing system having been integrated into the BigDish platform to enable efficient management of revenues. As the company remains in investment and development mode revenues to date have been negligible but are expected to rise sharply once the IPO proceeds are applied to spend on marketing campaigns.

### Looloo

In January 2018 BigDish acquired certain assets of the Philippines discovery platform Looloo, including trademarks, websites, app, associated social media accounts and user database. The platform was launched in 2012 as a way for Filipinos to discover the best dining, entertainment and travel destinations in Metro Manila and has since expanded to destinations throughout the Philippines through crowd-sourced reviews.

Looloo currently has over 370,000 followers on Facebook, 40,000 on Instagram and 27,000 on Twitter. The websites averaged over 534,000 unique visitors in the last 18 months across looloo.com and looloo iNSIGHTS, and has had over 167,000 app installs across iOS and Android since Q4 2015, as well as over 315,000 reviews written by its users. **Looloo fits in well with the company's strategy, with part of BigDish's growth plans being to use the Looloo website and app to promote the BigDish app in the Philippines.**



## Pouncer

On admission to the LSE, BigDish expanded its geographical reach by completing the acquisition of Pouncer Media Limited (Pouncer), the owner of a UK based restaurant booking platform which has so far built up a decent presence on the south coast of England. Consideration for the deal was \$1,309,668 (c.£969,40635), with £500,000 satisfied through the issue of 11,111,111 new shares on admission at 4.5p per share and the remaining £469,406.35 to be paid in cash or shares following admission. Shares issued at admission to Pouncer Founder Patrick Knight are subject to a lock-in period of 12 months, with a lock-in period of 5 months from admission for other sellers.

Founded in 2011, Pouncer owns and operates TablePouncer, a website and app platform which allows diners to enjoy discounts of up to 50% on restaurant and takeaway bills. TablePouncer currently has over 260 restaurants signed up, mainly in the city of Bournemouth (Tripadvisor lists just over 590 restaurants in Bournemouth), with a recent expansion into other cities including Bath, Brighton, Bristol and London. The platform processed over 225,000 bookings (for 629,000 diners) including over 46,000 bookings (131,000 diners) in 2017. For the 9 months to December 2017 Pouncer Media Limited made revenues of £103,415 and a net loss of £62,398.

The business model was initially based on subscriptions, with diners paying an annual membership fee or a fee per restaurant booking. However, in December 2017 the company switched to BigDish's model of charging the restaurant a fee per diner instead of charging the consumer. This resulted in the number of diners seated in January 2018 rising by 20% compared to the previous month.

Patrick Knight, the existing executive director of Pouncer, will remain as Managing Director of the business and will manage a planned migration of the existing restaurants contracted with Pouncer to the BigDish platform. This will see the TablePouncer website and app taken down in due course, with visitors being encouraged to download the BigDish app and directed to the BigDish website. **The intention is for the business to build a market leading position in every city in the UK that it launches by aiming to sign up a larger number of restaurants than its competitors.**

## **Strategy**

While yield management has been around for decades, BigDish believes that its application within the restaurant sector is currently underutilised. The restaurant sector in general is traditionally a low adopter of technology, so yield management has real potential to disrupt the market. As such, the company's corporate objective is to become one of the leading yield management platforms for the restaurant sector within the countries that it chooses to operate. In terms of restaurant type, BigDish is targeting casual dining, fine dining or buffet style restaurants as users of its platform.

In the near-term the focus will be upon South East Asia and (following the acquisition of Pouncer) the UK, with the company looking to expand into additional territories in the longer term subject to a successful roll-out in the current countries of operation. The platform is expected to be easily scalable due to its low barriers to adoption for both restaurants and consumers, combined with low cost operations based in Asia.

To achieve its goal BigDish is set to ramp-up marketing activities to attract restaurant customers to the platform. This will be combined with an increase in the number of restaurants signed up to the platform, with local business development teams being expanded to drive growth. There will also be a continuing focus on platform development to keep the technology up to date and competitive, led by an in-house team of developers.

### **Asia**

BigDish believes that there are currently no single dominant restaurant yield management platforms operating in Asia. Combined with favourable economic trends (see page 10) the company believes that it is well placed to expand and grow market share in the region. Considering data from dining guides Zomato and OpenRice, BigDish estimates that Manila, Jakarta and Hong Kong have approximately 15,900, 24,700 and 7,050 restaurants respectively, with 10 - 15% of these considered as potential customers and users of the yield management platform. The primary customer target market in Asia is millennials with a disposable income who eat out at least monthly.

As well as partnering with additional restaurants in the Philippines (Metro Manila), Hong Kong and Indonesia (Jakarta), the looloo.com website, app and associated user database will be used to drive increased user traffic to the BigDish restaurant booking app in the Philippines. In the long-term, there is vast potential for further expansion on a city basis, with there being over 30 cities within Asia that have a population in excess of 3 million and a thriving food scene suitable for exploitation by the BigDish platform.

### **UK**

In the UK, BigDish believes there is a significant opportunity to replicate the success seen by Pouncer in Bournemouth and to build additional market leading positions in provincial cities. Bournemouth and Bath will continue to be expanded, with launches into other provincial cities expected in due course following the establishment of the BigDish brand in the UK. BigDish intends to migrate restaurants from the TablePouncer platform to the BigDish platform and will encourage TablePouncer users to download the BigDish app before the TablePouncer platform is terminated. The current management team of Pouncer are expected to stay on board to manage the migration of restaurants and consumers and manage growth of the business in new towns and cities. The target market in the UK is across a broad age range of customers.

**Marketing and use of IPO proceeds**

In order to drive its strategy, £0.5 million of the net proceeds of the IPO placing will be used for marketing, including hiring a number of marketing personnel in four countries. Marketing really is critical here, with campaigns key for increasing the number of platform users, app downloads and driving the number of bookings made, facilitating the signing up of new restaurants and ultimately, increasing the company's revenues. A number of approaches will be used, including spending on a variety of social media strategies such as advertising on popular social media websites which appeal to the relevant target markets, as well as partnering with lifestyle media sites and food blogs. Expenditure will mainly be on a discretionary "pay to play" basis, providing the flexibility to spend more or less depending on the effectiveness of a particular strategy.

In addition, £0.25 million of the IPO proceeds will be used for the recruitment of new business development personnel to support the existing individual country Managing Directors. Another £0.25 million has been allocated to build the BigDish brand in provincial cities in the UK, to assist in the migration of TablePouncer to the BigDish platform and to increase the number of restaurants in the UK. The balance of the proceeds will be used for general working capital and overhead costs. The net proceeds are expected to be sufficient for at least 12 months following admission, however due to the early stage of the business, losses are expected to be generated for at least 12-18 months.



## Targets

BigDish has identified a number of growth targets which it is looking to achieve using the net proceeds of the IPO fundraising, which we present in the table below.

Category	Target	Assumptions
Number of diners	Seated over 1,000,000 diners by the first anniversary of admission	<ul style="list-style-type: none"> <li>Marketing campaign results in excess of 2,000,000 downloads of the BigDish App within 12 months of admission</li> <li>20% of app downloads result in a first time booking</li> <li>Average size of booking: 2.4 to 2.8 customers per booking in each country and reasonable level of repeat diner bookings per annum</li> </ul>
Number of restaurants	Over 2,000 restaurants across all countries by the first anniversary of admission	<ul style="list-style-type: none"> <li>At least 4 sales people per country</li> <li>The rate of restaurant growth will slow down as BigDish gains market share</li> </ul>
Booking fees per diner seated	The current level of booking fees agreed with restaurants can be rolled out on a wider scale (current average booking fee per diner US\$1.0)	
Register user acquisition costs	US\$1.5 for Hong Kong, US\$1 for Indonesia and the Philippines and £1 for the UK (current average cost per install US\$1.6)	<ul style="list-style-type: none"> <li>Success of marketing and advertising campaigns, resulting in download targets of the BigDish App being met as referred to above, reducing overall cost per install</li> </ul>
Market share	An increase in BigDish's market share in the Hong Kong, Indonesia, Philippines and the UK.	<ul style="list-style-type: none"> <li>Costs of campaigns are able to be managed within the limits stated by stopping individual campaigns when costs are too high or conversion rate is too low</li> <li>BigDish estimates that it has around half the number of restaurants signed up to the platform in Hong Kong and the Philippines as its main competitor in Asia (Eatigo). The company is not aware of any definitive market share analysis in any of the jurisdictions in which it operates. The company is aware that other potential competitors whose business models are different or unclear (for example Offpeak) may have more restaurants signed up in comparison to BigDish and accordingly may also be assumed to have market share.</li> <li>In the UK, after a period of re-branding of Pouncer (which is expected to take around 3 months), growth is expected initially through the roll out of BigDish to Bath and other provincial cities. Within the first 6 months after admission BigDish is looking to expand to 3 additional UK cities.</li> </ul>

Source: Company prospectus

## Market Background

The Philippines, Hong Kong and Indonesia are seen as ideal target markets for expansion of the BigDish platform due to favourable economic trends. As incomes rise in these geographies, an emerging middle class has grown which has more disposable income to spend on non-essential items and leisure activities. The restaurant industry benefits as consumers are able to dine out more frequently, thus creating opportunities for BigDish to exploit its yield management platform. We discuss relevant trends in each key market below.

### Indonesia

Indonesia is the largest economy in South East Asia and has seen impressive economic growth since the Asian financial crisis of the late 1990s. According to the Central Intelligence Agency World Factbook, GDP was estimated at \$3.243 trillion on a purchasing power parity basis in 2017, with a growth rate of 5.2% and a GDP per capita of \$12,400. A recent study from the World Bank suggests that today's Indonesian middle class amounts to at least 52 million people, whose consumption accounts for 43% of total household consumption.

Capital Jakarta is the largest city in South East Asia, with an estimated population of 10 million in 2016 (Source: World Population Review). According to an article in TechInAsia in 2014 the Jakarta dining industry grew by 250% in the 5 years to that date, with there being growing demand for more "Westernised" diets. Also driving growth has been a cultural shift towards socialising and staying outside of the home. In addition, with restaurants increasingly partnering with credit card companies to offer discounts, the Indonesian population has already been exposed to and are receptive to the concept of dining discounts.

Also positive for BigDish, a recent report from AlixPartners', *Global Restaurant Outlook: Feeding the Global Consumer*, suggested that international restaurant chain executives have indicated that Indonesia, along with India, China and Vietnam, have been identified as countries targeted as key growth drivers for international development by several restaurant chains.

### Philippines

The World Bank sees The Philippines as one of the most dynamic economies in the East Asia region, with sound economic fundamentals and a globally recognised competitive workforce. GDP growth in 2016 accelerated to 6.8% year-on-year from 5.9% in 2015 on the back of upbeat domestic demand. The CIA World Factbook estimates GDP of \$874.5 billion in 2017 and GDP per capita of \$8,200. President Rodrigo Duterte, elected in 2016, has pledged to make inclusive growth and poverty reduction his top priority and graduate the economy to upper-middle income status by 2022.

Manila is the capital and second largest city in the Philippines and one of 16 cities that comprise Metro Manila, which has an overall population of 12.8 million as per the 2015 census. It is also the world's most densely populated city with 42,857 people per square kilometer, or 111,002 people per square mile.

## **Hong Kong**

Hong Kong is one of the wealthiest cities in Asia, with an estimated GDP of \$453 billion in 2017, growth rate of 3.5% and GDP per capita of \$61,000 (Source: CIA World Factbook), largely driven by a thriving services based economy. The Hong Kong restaurant food and beverage market was valued at \$4.5 billion in 2015 by (Source: *Company Prospectus*) with dining out being a popular alternative to eating at home for the local population.

## **UK**

According to advisory business Moore Stephens, UK-wide restaurant turnover grew by 7% per annum to £40.5 billion in 2015 from £35.6 billion in 2013. However, the industry has come under several pressures in recent months, including from an increased National Living Wage, higher food prices caused by a fall in the value of sterling, and higher inflation and suppressed wage growth putting a strain on consumers' disposable income.

There have been many high profile closures of mid-market, branded casual dining restaurants so far in 2018, with Carluccio's expected to close 30 restaurants as part of a CVA, The Jamie Oliver Restaurant Group closing 12 of its 37 UK restaurants and Byron reported to have shut 16 restaurants. As well as dealing with challenging market conditions, there has arguably been an over-expansion of branded restaurants over recent years, with establishments also having to compete with technology driven competition from the likes of delivery services Deliveroo and Uber Eats.

Despite the current challenges facing the UK restaurant industry as a whole, the market is well established and relatively resilient, with there looking to be good opportunities to use technology, such as BigDish's yield management platform, to improve revenues for restaurant owners. UK diners are used to seeking out and using discounts, especially since a rise in their popularity following the most recent recession, with restaurant owners also open to using yield management pricing models, which can be an effective strategy regardless of market conditions. Additionally, the highly competitive market is favourable for BigDish as restaurants need to find innovative ways to attract diners.

## Financials

For the year to 31<sup>st</sup> December 2017 BigDish Plc made revenues of \$12,460 as initial fees from its restaurant customers were booked in. We note that this was during a beta marketing phase, with the figures largely irrelevant to the long-term investment case. By region, \$5,418 came from Hong Kong, \$1,146 from Indonesia and \$5,896 from the Philippines. While at a very early stage of its business plan, the gross margin of 49% for the period already demonstrates the high profitability of the platform, and we expect the margin to ultimately rise into the high 90% due to the business model's low COGS. After administrative expenses of \$1.05 million and interest expenses of \$111,994, a pre-tax and post-tax loss of \$1.15 million was recorded for the year.

Key balance sheet items at the period end included \$880,594 of goodwill and intangible assets, cash of \$20,515 and borrowings of \$2.07 million. Of the borrowings, \$1,663,878 were in the form of convertible loan notes which are unsecured and attract interest at 5% to 8%, with \$280,000 of other loans that have been converted to a class of shares (not being admitted to trading) that bear no interest and are redeemable at the company's discretion. Financing activities during the year saw \$976,022 raised from convertible loans.

Since the period end, revenue and expenditures of the existing businesses (excluding Pouncer) are said to have been in line with the period to 31<sup>st</sup> December 2017 as the company prepared for its IPO. An additional \$56,000 worth of convertible loan notes were issued during the three months to 31<sup>st</sup> March 2018 to meet expenditure for the period.

## IPO

BigDish listed on the Standard segment of the Main Market of the London Stock Exchange on 2<sup>nd</sup> August 2018, raising £2.22 million (£1,837,000 net) in a placing at 4.5p per share. The funds are to be used as discussed in the strategy section above. Also at IPO, outstanding loan notes of c.£1,329,289 (including accrued interest) were converted into 60,097,561 new ordinary shares.



## **Management**

### **Directors**

#### **Aidan Bishop - Executive Chairman**

Aidan has a number of years of experience in start-up businesses that he has founded in various sectors. He started Gourmet Society Digital Ventures Inc in the Philippines in 2013 which was later renamed and became part of BigDish. Aidan also founded a mining company that was admitted to the London Stock Exchange in April 2016. The company has an advanced gold asset in the Philippines and recently entered South Korea to re-open what was the country's second largest gold mine. Previously, Aidan started a cocoa trading and development company in the Philippines and in 2017 became a founding shareholder and director in Islands Cacao & Chocolate, a UK premium chocolate manufacturer that sources super premium cocoa beans from island origins mostly in South East Asia.

#### **Joost Boer - Chief Executive Officer**

Joost joined the company in October 2014 and has following this time acted as the Chief Executive Officer of BigDish. Mr Boer joined CompareAsiaGroup, the world's largest financial comparison platform (backed by Goldman Sachs), as one of its first employees in September 2013 and became Operations Manager the following month. He subsequently led the expansion into the Philippines in December 2013 and later spearheaded a product overhaul for the entire region. Furthermore, he interim managed CompareAsiaGroup's SEO team of 25 employees for several months. Joost obtained a BSc in International Business and Management from the University of Groningen (Netherlands) in 2011 and subsequently a Masters in Strategic Management from Erasmus University in the Netherlands in 2013.

#### **Jonathan Morley-Kirk - Non-Executive Director**

Jonathan is a chartered accountant with many years of public company experience. He was appointed as a nonexecutive Director of the Company in 11 April 2016. He is currently a non-executive director of Sarossa Capital Plc and has served as Chairman of Fox-Davies Capital from 2003 to 2008 and, previously, he also served as a director of SG Warburg Securities and Samuel Montagu & Co. He is currently a non-executive director of East Siberian Plc (formerly PetroKamchatka), which is listed on the Toronto Stock Exchange and non-executive chairman of Bluebird Merchant Ventures, listed on the London Stock Exchange.

#### **Simon Perree - Non-Executive Director**

Simon co-founded online retailer Play.com in 1998. After selling Play.com in 2011, Simon founded venture capital company NetCap, and has since invested in several online businesses. With over 14 years' experience in ecommerce, he has an in-depth knowledge of internet technology, operations and online marketing. Simon served as non-executive director of Stanley Gibbons Group plc from May 2013 to July 2016, a retail company listed on the London Stock Exchange where he served on the remuneration, audit and nomination committees. Simon currently holds non-executive board positions at other retail, food and investment companies.

## **Senior Management**

### **Stuart Kemp, Chief Financial Officer**

Stuart is an MBA qualified chartered accountant. He has 30 years of experience working across various industry sectors in senior financial, operational and general management roles. He has worked for leading, innovative corporations in the UK, New Zealand and across South-East Asia where he has been able to utilise his significant consultancy experience to ensure the delivery of effective, solution focused approaches to facilitate financial control and business growth.

## **Key Risks**

### **Early stage nature of operations**

To date BigDish has been in investment, development, and test mode, has made minimal revenues and remains loss making. Additionally, while Pouncer is now generating modest amounts of revenue it also remains loss making. Until the company scales up the platform to become cash flow positive it faces funding concerns. The net proceeds of the IPO are expected to be sufficient for at least 12 months following admission to the LSE but the company expects to continue to generate losses for at least 12-18 months following admission. As such, a further fundraising looks likely in the medium-term, which is not uncommon with early stage technology companies.

### **Competition risk**

While the use of yield management in the restaurant industry is in its early stages, existing key competitors in Asia include Eatigo and Offpeak. The early stage nature of the industry is also likely to attract new entrants. In the UK, the company has identified its main competitor as Tastecard, the subscription based discount scheme which charges members £39.99 per annum (BigDish is free for consumers to use). Further competition comes from restaurant reservations platforms and discovery platforms as well as other platforms which offer discounts in restaurants, however BigDish distinguishes itself by having a sole focus on time-based discounted restaurant tables.

### **Marketing risk associated with attracting new customers**

BigDish's revenue growth is directly related to the number of dining customers who sign up for its platform and go on to make a booking. In turn, attracting customers is highly correlated to the use of paid advertising and marketing. Should marketing campaigns fail to sign up sufficient customers who then go on make a booking via the BigDish platform the company may not meet its revenue expectations. There is also the risk that the cost of user acquisition becomes so high as to become unprofitable.

### **Attracting and retaining restaurants**

If BigDish is unable to attract sufficient restaurants to its platform it may be unable to successfully compete in the markets it chooses to operate. In addition, following sign up, restaurants may not choose to continue to use BigDish and use competitors or discounts on their own websites instead. While restaurant contracts are typically for 12 months they do not contain minimum revenue amounts and there is no penalty for termination. Therefore, restaurants could switch to a competitor or cease to use the BigDish App at short notice which will reduce the choice for customers and potential for fees to be made.

### **Currency risk**

BigDish is mainly exposed to the Philippine peso and sterling, with some transactions not being received and paid in the same currency. With the company's reporting currency being in US dollars, movements in value of sterling against the US dollar will affect the financial results on translation. With the shares priced in sterling, currency movements may have an effect on how investors value the company.

## Valuation

The wider food technology industry in which BigDish operates has seen a number of large deals completed in recent years. According to an October 2016 article from dealroom.co, c.£4 billion had been invested in food tech (takeout, delivery, shopping, production, restaurant reviews and table bookings) in Europe alone since 2011.

In London, **Just Eat (JE.)**, the online food order and delivery service, listed on the LSE in April 2014, raising £360 million at a market cap of £1.465 billion. It has gone on to grow to a market cap of £5.57 billion and in January this year completed the £240 million acquisition of competitor Hungryhouse. Also in April 2014, **GrubHub (GRUB)**, the US based online and mobile platform for restaurant pick-up and delivery orders, listed in New York, raising \$192.5 million at a valuation of \$2.67 billion. It currently commands a valuation of \$10.54 billion.

In the discount sector of the market, perhaps the most significant deal of recent times was Bridgepoint Development Capital's reported £100 million acquisition of Tastecard, the UK market leading diners' club, in August 2015. Tastecard, a competitor to BigDish but with a subscription based model, currently claims to have almost 2.5 million members, "thousands" of restaurant partners, with members estimated to spend over £600 million a year in its restaurants.

## Peer transaction analysis

Due to the early stage nature of the business we are not putting together revenue and profit forecasts for BigDish at this stage. Instead, in order to ascribe a valuation to the shares we take note of the ongoing food tech investment trends and look at several transactions amongst what we consider to be the company's closest peers.

### Eatigo

Eatigo is perhaps BigDish's closest peer in terms of business model, location of operations and size, although as a private company details of funding rounds are limited. Founded in 2013, the company is a yield management and restaurant reservation platform operating in Bangkok, Pattaya, Singapore, Kuala Lumpur, Hong Kong, Manila and India, offering time-based discounts of up to 50% on restaurant food. According to the company's website it has seated over 5 million diners at more than 2,000 venues, with the app downloaded by more than 1.5 million users.

BigDish believes that its current stage of development is comparable to Eatigo when in December 2015 (18 months following launch) Eatigo received a Series A investment, estimated at c.\$5 million according to media sources (*Source: Crunchbase*). At time the company reportedly had c.400 restaurant partners and was operating in two countries (*Source: <https://www.techinasia.com/offpeak-restaurant-booking-startup-eatigo-raises-series-a-funding>*)



**With series A rounds typically seeing issuers give away c.15-25% of their equity we therefore estimate that Eatigo was valued at \$20 million (£15.73 million) at the time of its Series A funding (assuming a 25% equity stake was taken). As a floor valuation, applying the same numbers to BigDish, implies a share price of 5.5p at current exchange rates.** This could prove to be a conservative comparable on a restaurant number basis however as BigDish currently has just over 700 restaurant partners signed up across its Asia and UK operations vs Eatigo's 400 at the time of the investment. In addition, BigDish has exposure to the more mature and higher priced UK industry, whereas Eatigo does not operate in the territory.

Eatigo completed a Series B fundraise in October 2016 at which point it reportedly had grown to 700 partner restaurants, with media sources suggesting that c.\$10 million was invested by travel and restaurant website owner TripAdvisor. A further round, described as a pre-Series C fundraise, in July 2018 saw a further raise of c.\$10 million (*Source: Crunchbase*).

In July 2017 the business then acquired the operations of Pune-based (India) Resy, a mobile application that provides last-minute discounts at restaurants, and formed part of its expansion into India. Being interviewed by the Hindu Business Line around that time, Siddhanta Kothari, Chief Financial Officer of Eatigo, suggested the business had a valuation of \$70 million (following the TripAdvisor funding round) and expected to be valued at \$100 million following its launch in the Philippines and India. **The \$70 million (£55.06 million) valuation could therefore be applied as a potential benchmark to BigDish, with its current 700 restaurants being comparable to Eatigo's total at the time of the TripAdvisor fundraise. This would equate to a share price of 19.26p.**

## **Resy**

Resy is a mobile app allowing users to reserve tables at higher end restaurants. It currently works with 10,000 network restaurants in 160 global cities and 15 countries, seating over 1 million diners a week. It raised \$2 million in a seed round in July 2014 and in January 2017 raised \$13 million in a Series A funding round led by Airbnb, reportedly at a valuation of \$70 million. **BigDish management believe the company is currently at a comparable stage of development as Resy at the time of the investment from Airbnb.** Further, in April this year Resy acquired ClubKviar, a reservation platform and concierge service that partners with c.300 restaurants in Spain to facilitate curated dining experiences for its member-only community, for an undisclosed amount.

## **Other transactions**

### **Offpeak**

Offpeak is an online booking and discount platform (offpeak.my) founded in August 2014 in Kuala Lumpur and now also operates in Thailand, Singapore and Vietnam. Offpeak has an estimated 3,000 restaurants signed up and over 61,000 subscribers. In June 2015, Offpeak received an \$800,000 Series A investment from Gobi Partners in addition to a Series A investment from the corporate venture arm of Yahoo Japan in September 2016. However, with no information on the amount of the investment from Yahoo we can not use it as a valuation benchmark.

### **Chope**

Founded in 2011, Chope is a traditional online reservation platform operating in Singapore, Hong Kong, Thailand, Indonesia and China which also offers deals and discounts alongside booking services. In April 2016, Chope acquired MakanLuar, one of Indonesia's leading restaurant reservations platforms. It reportedly has over 2,500 restaurants signed up across Singapore, Hong Kong, China, Thailand and Indonesia. A Series C funding round in June 2015 was led by F&H Management and raised \$8 million at an undisclosed valuation, with \$13 million raised in a Series D round at an undisclosed valuation in October 2017.

## Conclusion

With a fully developed platform in place and the funds from the IPO in the bank, BigDish is now in a good position to aggressively market its disruptive yield management services and grow revenues sharply from its highly scalable platform. The Asian markets in which it operates are showing positive economic trends, with a burgeoning middle class driving demand for restaurant dining and providing excellent opportunities for expansion. In the more mature UK market, BigDish has the potential for higher value fee transactions and to take advantage of an underutilisation of yield management within the restaurant industry.

The challenges over the coming year mainly relate to BigDish increasing the number of customers using its services and the number of restaurants signed up to the platform. Assuming good progress is made on this front, and that the targets provided in the IPO prospectus are met, we believe that the company will be able to justify a valuation at the next funding round at least broadly similar to the \$70 million valuations commanded by Eatigo and Resy mentioned above. **Even discounting this figure by 50%, to be conservative and take into account valuation uncertainties, would give a pre-money price (before the next funding round) of £27.53 million, or 9.63p per share, some 88% above the current share price. We believe this is an achievable figure should the targets set at IPO be met.**

**We initiate coverage of BigDish with a minimum target price of 5.5p and stance of Speculative Buy.**

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