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## Instacart's IPO: Everything You Need to Know

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<https://www.btcc.com/en-US/academy/financial-investment/instacarts-ipo-everything-you-need-to-know>

Instacart's parent company, Maplebear, is behind the recent surge in popularity of online grocery shopping. Even though Instacart's IPO isn't the most anticipated this year, its arrival will still be anxiously anticipated by many. But could you explain the company's main focus? What information is necessary for a potential investor to make a decision about the IPO? In this post, we'll delve into the specifics to help you make an informed investment decision.

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## What Is Instacart?

On page one of Instacart's S-1, CEO Fidji Simo wrote, "Instacart is a grocery technology company." This is appropriate and appears often in the document, but let's elaborate on the meaning of the term. The firm developed an e-commerce platform for supermarkets that is simple for retailers to adopt, straightforward for shoppers to use, and replete with actionable data and analytics. Instacart's smartphone app is comparable to other food delivery services, and consumers aren't incorrect to make that association. The similarities are evident, but where Instacart differs is in the fact that its value lies not just with individual users but with businesses as a whole.

Consumers can use the company's namesake app to shop at grocers (and other non-food businesses), but few realize that Instacart is also responsible for those stores' in-house ordering systems. One of Instacart's three main sources of income (together with the Instacart Marketplace and Instacart Ads) is the Instacart Enterprise Platform, which reflects this trend. The value proposition for investors is that grocery stores will choose Instacart's service over developing their own platform, that they will employ this technology to discover and collect insights that increase their sales, and that as a result, they will continue to increase their spending with Instacart.

Instacart does not disclose the contribution proportion using these terms, but rather shares 'transaction revenue' and 'advertising and other revenue' groups. The former has consistently made up more than half of revenue over the past few years. The Instacart Marketplace likely still produces the majority of revenue at the present time, but the Instacart Enterprise Platform is likely to become the primary driver in the near future. Investors shouldn't hold Instacart Ads to the same standards as the advertising income of Alphabet or Meta. However, business-to-business (B2B) sales are preferable to consumer sales because they typically entail large-scale, long-term contracts, making it easier for business leaders and investors to forecast the company's financial future.

One may make the case that customers are more loyal to the convenience of a nearby supermarket than to any one particular food brand found there. Furthermore, consumers tend to forego brand loyalty in favor of price flexibility, especially in times of economic uncertainty. It is in your best interest as a grocer to do anything you can to keep your consumers coming back, but in a volume-based market with limited margins, pricing is a tough place to compete. Instacart (and its potential investors) don't have to worry about this because their platform provides neutral ground for customers to find whoever best meets their demands. With so many grocery stores to choose from (85% of U.S. grocers, according to Instacart), the outcome of any local economy is likely to have little effect on Instacart's bottom line. Rather than trying to pick a victor among store owners, investors who wish to diversify into the grocery market could do better to team up with a tech company like Instacart.

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## Statistics for Instacart

First, we'll examine Instacart's profit and loss statement. The company's top line looks strong, with a compound annual growth rate (CAGR) of 19.9% from 2020 to 2022. With \$1.475 billion in sales booked through the first half of 2023, things are looking good. The company's cost of goods sold (COGS) has been rising in a fairly steady, linear fashion. From \$954 million in 2020 to \$1,769 million in 2022, Instacart's operating expenses have increased at a rapid clip. The good news is that Instacart's costs are beginning to stabilize in 2023, an indication of the company's fiscal discipline. The six-month 2023 figure is roughly comparable to the six-month 2022 figure, but with a significantly greater gross profit figure. Two more sections that investors should pay attention to are "Provision for (benefit from) income taxes" and "Undistributed earnings attributable to preferred stockholders." Income taxes and the impact of preferred shareholders on current and future common shareholders effectively cancelled each other out last year, but now that Instacart is showing a net profit and is going public, it is crucial that investors understand these factors must be accounted for in projections.

The financials of Instacart appear to be in good shape, as expected. At \$1,838 million, the company's cash balance is the highest it has ever been, and a greater proportion of the less liquid line items are being moved into this category than in prior periods. More risk-taking investors might view the company's cash on hand as a liability and push for it to be put to use instead of being hoarded. However, it is far too soon to implement a strategy of dividend payments or stock buybacks. Cash on hand is currently the greatest alternative because neither significant debt nor big PPE purchases are imminently required. On the other hand, operating cash flow just started being positive in 2022. The majority of Instacart's cash in the prior two years came from financing activities, especially the sale of convertible preferred stock. The cash reserves maintained by the corporation are thus an example of a "war chest" or "safety net" strategy. Even though Instacart's balance sheet is in good shape right now, investors should pay attention to the cash flow statement and consider the impact of potential dilution on their forecasts.

When researching Instacart, investors are likely to come across at least three important numbers:

- The organization is able to connect with 95% of homes in North America.
- The corporation has alliances with over 85 percent of the grocery stores in the United States.
- The typical monthly expenditure of an active Instacart user is \$317.

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## **Is Instacart Stock a Good Investment?**

This question can be analyzed by investors from two angles:

Investors can extrapolate that Instacart will become not just the incumbent leader, but also easily the most dominating player in the digital grocery order industry if they consider the fact that just 12% of grocery orders are done online (per the company filing). Unlike Instacart, rivals like WalmartWMT -0.4% and TargetTGT -1.4% don't invest as heavily in grocery-specific technology or have as strong of a relationship to the environment in which grocery orders are placed. Considering Instacart's loyal customer base and potential for expansion, the stock price of the company is a simple buy.

Instacart's home market is highly competitive, suggesting that the company is nearing or has already reached its growth plateau for the foreseeable future. Therefore, further upside is limited to either international expansion or the creation of an altogether new revenue stream. Although these strategies may appear simple to scale, many large technology companies have already tried and failed. The increasing GTV (gross transaction value) and monthly spending numbers for Instacart are easily explained by the general trend of increasing consumer spending on food; if this trend were to reverse, so would Instacart's key performance indicator trends. Furthermore, Instacart's upside will be restricted once the average monthly order quantity approaches the average monthly consumer spending on groceries (\$438 as of 2021).

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## Instacart IPO Stock Price Forecast

While the future and investment value of Instacart are open to discussion, the company's present IPO aspirations are not. Using the midpoint of the price range, we can estimate that the company will raise \$594 million from the sale of 22 million shares at \$26 to \$28 each. In its S-1 filing, Instacart also mentioned a \$175 private placement deal with PepsiCoPEP -0.8% for convertible preferred stock. Instacart is worth between \$8.58 and \$9.24 billion if there are 330 million shares outstanding (based on the company's S-1 and anticipated offering).

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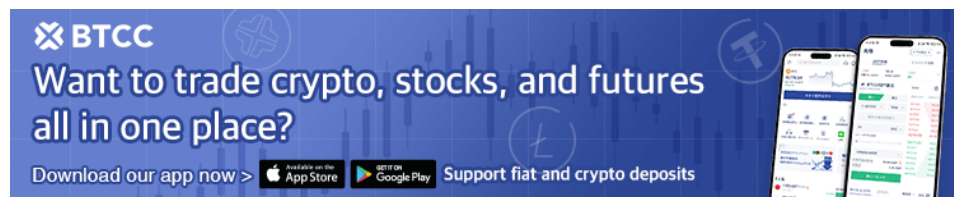
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# When Will Instacart IPO Go Public?

This article will be updated once a firm date for Instacart's IPO has been announced. Speculation is that September 20 will be the company's debut day of trade, but this is very early in the process.

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## How To Buy Instacart's IPO?

When Instacart goes public, it will likely trade under the symbol "CART" on the Nasdaq. Investors should have no trouble purchasing shares so long as they are able to access this exchange and their broker does not place limits on investing in new IPOs. However, investors should be aware that trading could be suspended for a variety of market "irregularities," and that their orders could not be completed at the price they requested. Gains in the short term are quite unlikely, although investors should anticipate some degree of volatility.

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## Conclusion

It's safe to call Instacart's initial public offering (IPO) one of the year's most significant. Investors of various sizes will be interested in your company because of its technological emphasis, strong finances, and market leadership. You can see what might happen on the first day of trading by looking at chip designer Arm (ARM), which we covered before it went public. The stock price for the day, \$63.59, was an increase of approximately 25% from the opening price. Doable equivalents with Instacart seem possible. Arm is much more important to its sector and environment than Instacart, so probably not, but the market obviously has a need for tech IPOs despite the lack of activity. Traders will likely cash in their ARM gains after the IPO and send the stock down.

If you're interested in Instacart but worried about getting burned by the typical early volatility of a newly listed tech stock (as we discussed above), try purchasing in gradually throughout the first day and week of trade. Otherwise, always perform your own research and enter any investment or trading endeavor with a firm strategy in mind. Have fun!