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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by and welcome to the Uber Technologies Q3 2020 earnings conference call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions] Please be advised that today's conference is being recorded. [Operator Instructions]

I'd now like to hand the conference over to your speaker today, Ms. Emily Reuter, Investor Relations. Please go ahead, ma'am.

Emily Reuter

Head-Investor Relations, Uber Technologies, Inc.

Thank you, operator. Thank you for joining us today and welcome to Uber Technologies' third quarter 2020 earnings presentation. On the call today we have Dara Khosrowshahi and Nelson Chai. We also have Balaji Krishnamurthy, and this is Emily Reuter from the Investor Relations team.

During today's call, we will present both GAAP and non-GAAP financial measures. Additional disclosures regarding these non-GAAP measures, including a reconciliation of GAAP to non-GAAP measures, are included in the press release, supplemental slides, and our filings with the SEC, each of which is posted to investor.uber.com. I will remind you that these numbers are unaudited and may be subject to change.

Certain statements in this presentation and on this call may be deemed to be forward-looking statements. Such statements can be identified by terms such as believe, expect, intend, and may. You should not place undue reliance on forward-looking statements. Actual results may differ materially from these forward-looking statements, and we do not undertake any obligation to update any forward-looking statements we make today.

For more information about factors that may cause actual results to differ materially from forward-looking statements, please refer to the press release we issued today as well as risks and uncertainties included in the section under the caption Risk Factors and Management's Discussion and Analysis of Financial Condition and Results of Operations in our Annual Report on Form 10-K filed with the SEC on March 2, 2020, and in any subsequent Form 10-Qs and Form 8-Ks filed with the SEC.

Following prepared remarks today, we will open the call to questions. For the remainder of this discussion, all growth rates reflect year-over-year growth and on a constant currency basis unless otherwise noted.

With that, let me hand it over to Dara.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Thanks, Emily, and thanks, everyone, for joining us today.

It's hard to believe that it's been eight months since I first spoke with you about the coronavirus pandemic. Without question, the impact on the world has been one of the most significant events of our lifetimes, and we moved quickly as a company to respond.

We've taken steps to prepare our Mobility business for any recovery scenario and to seize the vastly expanded opportunity ahead for our delivery business, all while improving the overall health of the company by taking out more than \$1 billion in fixed costs, strengthening our balance sheet, and more rigorously allocating capital with a focus on our core segments.

Despite the volatile environment, we steadily recovered gross bookings throughout the last two quarters, with September run rate gross bookings reaching nearly \$65 billion, down just 6% compared to last year. And despite the 50% decline in Mobility gross bookings, we ended Q3 with total company adjusted EBITDA only 7% lower than last year, and we expect to improve adjusted EBITDA year on year in Q4.

Whether consumers want to safely go somewhere safe in their city or get something delivered to their door in 30 minutes, Uber is becoming their go-to app. In September alone, over 80 million people generated more than 425 million trips or deliveries across our platform. What I'm even more proud of, though, is that we connected 3.2 million drivers and delivery people to earnings opportunities and over 560,000 restaurants and small businesses to their customers during an unprecedented economic crisis.

I'll now dive into each of our core segments, starting with Mobility. Unsurprisingly, the Mobility recovery continues to be directly correlated with the level of lockdown restrictions in any given city. When cities start to move, so too does Uber.

Mobility gross bookings continued to improve throughout the third quarter, nearly doubling from Q2 levels and down 50% year on year. We saw Mobility GBs improve 10% month on month versus September to down 44% year on year. That's October mobility gross bookings. LatAm and APAC led the recovery, offset by slower gains in the US and Canada and a modest contraction in EMEA, driven by the new lockdown orders. The US has been an

overall drag on our global recovery. As a point of comparison, Mobility GBs outside of the US were down 34% in October versus down 55% in the US.

But we have some bright spots, even in the US. Since bringing the case count under control over the past few months, New York City has improved significantly, with bookings recovered to 63% of year-ago levels in October. We're seeing Uber recovering faster than taxi and public transit in the city, indicating the deep level of consumer trust we believe stems from our safety technology investments and the reliability of our service.

New York City rider engagement is up double digits year on year, but it's particularly up during non-peak hours, suggesting the emergence of new use cases. As of last week, while New York weekday commute and weekend gross bookings have recovered to roughly 85% of prior-year levels, weekday gross bookings outside of commute hours have recovered to nearly 100% of prior-year levels.

Elsewhere, Brazil, our largest market on trips, recovered to 87% of prior-year levels in October. We're seeing workday commute, weekend use cases nearly fully recovered year on year, with airports of course lagging. All early evidence we see makes it increasingly clear that it's a question of when, not if, our Mobility business will recover. These trends give us the confidence that Mobility will fully recover as public health situation improves and as people return to Uber to get to work, go shopping, or reunite with their friends or family.

Finally, it's important to note that we're continuing to invest in product innovation to drive growth. For instance, our taxi business grew nearly 20% year on year in Q3 and auto-rickshaws and motorbikes are recovering faster than the rest of our Mobility segment. We're leading in and seeing strong momentum with Uber for Business. Nearly 40% of our top 50 enterprise accounts are new since March, driven by increased demand for new products, including specialized commute offerings and guest products such as vouchers.

Now, switching over to our Delivery business, which is benefiting from a massive structural shift in consumer behavior. As I've noted before, consumers are quickly becoming accustomed to the magic of having anything delivered to their door in half an hour, much like the magic of having a car show up in a few minutes. It's my belief that the tailwinds behind this category are so strong that we can continue to deliver exceptional growth while also improving profitability.

In Q3, delivery gross bookings accelerated to a 135% annual growth rate and reached a \$35 billion GB run rate. Adjusted net revenue nearly tripled year on year, expanding take rate to 13.3%, and improving adjusted EBITDA margin as a percentage of ANR by more than 10 points quarter on quarter.

This growth is coming not only from an influx of new users, but also from higher engagement from existing users, with Delivery MAPC [Monthly Active Platform Consumer] growth over 70% and trip growth over 110%, excluding markets that we exited. Eater, restaurant, delivery, driver retention all increased year on year and quarter on quarter. And we continued to add new eaters at an elevated level. We did all of this with consistent improvement in the unit economics of this business in each quarter of this year.

On the competitive front, we improved our category position in most major markets around the world, including growing GBs at triple digits year on year in several large markets, including the US, Canada, the UK, France, Spain, Japan, Taiwan, amongst others.

In the UK, we continued to expand our national footprint outwards from our leading position in London, delivering gross bookings growth of nearly 200%. On a trip basis, we're now only about 30% smaller than the reported numbers from Just Eat Takeaway. This compares to 60% smaller a year ago.

While the US remains one of our most competitive markets globally, we made real progress in the quarter, with GBs up roughly 123% year on year. We improved our position in 11 of the top 15 markets, including New York City, Chicago, Washington DC, Boston, and Atlanta. Bookings in New York City grew more than 150%, sustaining our momentum from Q2, even as the city led the US in reopening. We've also made meaningful progress in corporate ordering with our Uber for Business platform, adding new enterprise customers like Bank of America, Unilever, and Citadel.

We also leaned into a number of growth opportunities during the quarter. We closed our Cornershop transaction in all markets excluding Mexico and scaled our grocery business to over 30 markets, exceeding \$1 billion in annual run rate.

We expanded Uber Eats/Pass to four additional countries, surpassing a combined 1 million paid members across Uber Pass and Eats Pass. We're particularly encouraged by the improved usage trends we see with our Eats Pass members and will continue to roll out our other markets in Q4. Our ads offering is now live in the US, with over 30,000 restaurants running ad campaigns, many with significantly positive ROI.

Even with these substantial growth investments, we continued to make progress towards profitability. In Q3, we had over 10 delivery countries adjusted EBITDA break even or better. While we recognize we still have enormous opportunity for growth and investment in the segment, we're confident that we can lean in and turn delivery EBITDA profitable sometime next year.

Lastly, a quick word on Proposition 22, which we're happy to say passed with a healthy margin in California. This important question has now been settled in the most populous state in the country. California voters listened to what the vast majority of drivers want, new benefits and protections with the same flexibility. Going forward, drivers and delivery people in California will be guaranteed a minimum earnings standard, healthcare contributions, accident insurance, increased safety protections, and more.

We feel strongly that this is the right approach. We should be adding benefits to gig work to make it better, not getting rid of it altogether in favor of an employment-only system. That's why going forward, you'll see us more loudly advocate for new laws like Prop 22, which we believe strike the balance between preserving the flexibility that drives value so much while adding protections that all gig workers deserve. Our proposal for a new pragmatic approach is supported by 82% of drivers and 76% of voters. And it's a priority for us to work with governments across the US and the world to make this a reality.

To sum up, while the last eight months have been tough, for me, for the team, and for the millions of people and businesses who rely on our technology, I'm more optimistic than ever about Uber's future. The tough actions we took, the resilience we've demonstrated give me confidence that we'll emerge from the pandemic on an even stronger foundation, more nimble, more innovative, and more relevant to people's lives than ever before.

Now over to Nelson for more details on the numbers.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

Thanks, Dara.

In spite of the unpredictable environment, I'm pleased with our ability to adapt quickly to respond to the challenges of COVID, stabilizing the business in the case of Mobility, and seizing new opportunities for delivery, all with a relentless focus on cost discipline and a drive towards quarterly adjusted EBITDA profitability in 2021.

I will now discuss key operational metrics as well as non-GAAP financial measures. All comparisons are year over year and on a constant currency basis unless otherwise noted. Total company gross bookings declined 8% but improved 44% quarter over quarter. Adjusted net revenue, or ANR, was \$2.8 billion, down 19%, but again up 47% versus the second quarter. Our ANR take rate was 19.1% of gross bookings, down 238 basis points year over year and up 32 basis points quarter over quarter.

Non-GAAP cost of revenue excluding D&A increased to 46% from 45% of ANR, but down \$320 million on an absolute basis, driven by lower volumes in our Mobility business, resulting in a decrease in insurance and payment costs.

Turning now to non-GAAP operating expenses, which include pro forma adjustments such as stock-based compensation and restructuring charges, operations and support decreased to 12% from 13% of ANR and was down \$119 million on an absolute dollar basis, reflecting the head count reduction actions taken in the second quarter.

Sales and marketing increased to 32% from 30% of ANR but decreased \$152 million on an absolute dollar basis, as we saw lower marketing and promotion spend in our Mobility business.

R&D increased to 14% from 13% of ANR but down \$75 million, primarily driven by a decrease in people spend. G&A increased to 18% from 15% of ANR, but again down 14% from year ago. Quarter over quarter, our spend increased \$76 million but improved as a percentage of ANR by 4 percentage points due to continued top line recovery. Our Q3 2020 total company adjusted EBITDA loss was \$625 million.

Now I'll provide additional segment detail on our segments, starting with Mobility. Mobility gross bookings of \$5.9 billion improved 94% quarter over quarter and was down 50% year over year. And ANR of \$1.4 billion improved 72% quarter over quarter and was down 51% year on year, while take rate of 23.1% improved year over year due to rationalization of incentive spend, mainly in the US and in Canada. Despite a significant headwind to our top line performance, Mobility adjusted EBITDA was \$245 million or 18% of Mobility ANR, improving \$195 million quarter on quarter.

Now to Delivery, we've seen continued tailwinds related to stay-at-home orders as well as the consolidation of Cornershop results this quarter, driving Delivery gross bookings to \$8.6 billion, up 135%. Delivery ANR was \$1.1 billion, up 191% due to an increase in food delivery orders, higher basket sizes from stay-at-home order demand, coupled with network efficiencies, mainly in the US. Delivery ANR take rate was 13.3%, up 256 basis points year over year and up 56 basis points quarter over quarter due to overall improvement in basket sizes and rationalization of incentive spend. Additionally, we realized an 80 basis point benefit year over year from business model changes in some countries that reclassify certain payments and incentives as cost of revenue. Delivery adjusted EBITDA was a loss of \$183 million, or negative 16.1% of ANR, but that represents a \$49 million and 10% improvement quarter over quarter respectively.

On to Freight, which grew ANR 32% to \$288 million, and adjusted EBITDA was a loss of \$73 million. Freight EBITDA margin improved nearly 12 percentage points year over year but weakened 2 percentage points quarter over quarter. The shift in consumer consumption from services to goods as a result of COVID has led to a surge

in demand for freight. Combined with industry-wide driver shortages, this has led to a rise in market rates and pressure on margins across the industry and our Freight business.

Despite the industry headwinds, we are encouraged by the progress made this year. Tech-driven solutions can provide value to shippers and carriers, and we've seen this through the strong growth of digital channels like API-tendered loads and adoption of other SaaS solutions like Uber Freight Enterprise. Over time, these real-time solutions will reduce our exposure to market volatility while also delivering strong economics.

On to ATG and other technology programs, the adjusted EBITDA loss for the quarter was \$104 million. In Q3, we returned our test vehicles to the streets of Washington DC, in addition to continuing operations in the Pittsburgh market.

Our Q3 2020 corporate G&A and platform R&D of \$510 million, which represents the G&A and R&D not allocated to one of our segments, improved 18% and held relatively flat quarter on quarter on an absolute dollar basis. As a percentage of total ANR, corporate G&A and R&D improved 8 percentage points quarter over quarter, as we saw fixed cost leverage from restructuring actions taken in Q2. As a reminder, platform R&D represents over a third of the spend in the category, and the corporate G&A also includes accrued sales taxes and other fees.

In terms of liquidity, we ended the quarter with approximately \$7.3 billion in unrestricted cash, cash equivalents, and short-term investments, and have access to over \$2 billion from our revolver, providing us with ample liquidity to manage through the recovery ahead.

Based on October trends, I'll provide a few comments around our expectations for Q4. In October, Mobility was at a \$28 billion annualized gross bookings run rate. While we expect the recovery to continue, we would highlight two factors to consider in Q4. First, EMEA, which was our most recovered geography in Q3, started experiencing new lockdowns in October, including in France and the UK. EMEA Mobility gross bookings declined 3% month over month in October. And FX will continue to be a drag on year-on-year trends, particularly with LatAm as our most recovered geography today. For context, the Brazilian real depreciated roughly 30% year on year, and we saw a 3 point adverse impact from FX in Q3.

In October, Mobility gross bookings were down 44% year over year on a constant currency basis, or down 47% year over year on a reported basis. We expect Mobility ANR take rates to be relatively flat year on year, consistent with normal seasonal declines, despite adverse geographical mix due to slower recovery in the US. For context, as a percentage of Mobility gross bookings, the US is currently 10 percentage points lower than in 2019.

We expect delivery adjusted EBITDA losses in Q4 to be similar to Q3 levels on an absolute basis, with sequential improvements beyond Q4. As a reminder, we are leaning into delivery opportunities, including incremental brand marketing spending in the US and Europe as well as investments in our growing grocery business. We expect stock-based compensation in Q4 to be \$200 million to \$250 million.

Overall, I'm pleased with the health of the business today and the progress we have made throughout this year. Importantly, we're not letting up on our profitability goals, even with our Mobility gross bookings still down significantly. In Q3 we produced \$245 million in Mobility adjusted EBITDA, up nearly \$200 million quarter on quarter. Put another way, this quarter's Mobility adjusted EBITDA margin of 18% was down only 4 percentage points year on year, demonstrating the structural improvements in profitability we have achieved despite the impact of the pandemic.

Based on our current cost structure, we are confident that we can achieve total company adjusted EBITDA breakeven with Mobility gross bookings 10% to 20% lower than Q4 2019 levels, and we now expect Delivery to be breakeven sometime in 2021.

With that, I'll open it up to questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] And your question will come from the line Brian Nowak of Morgan Stanley. Please go ahead.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Q

Thanks for taking my questions. I have two. Just the first one, on the individual cities or markets where you've seen a sharper recovery in rides, can you just talk to us about what you're seeing on the competitive environment side for either drivers or riders?

Then the second one, congrats on Prop 22. Congrats. Question on that, as we're sort of thinking about it, philosophically talk to us about how you think about Prop 22 now impacting the pricing for the riders as well as strategies that could change the way you think about attracting drivers and maximizing their overall earnings. Thanks.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

All right, thank you very much for the question. As far as the recovering markets and the competitive environment there, I'd say the environment is constructive. A couple of notes: generally, in certain markets, and the US being an example, as the markets come back, we're actually in more of an undersupply position than an oversupply position as these markets come back. Just we have to make sure that drivers understand that it's safe to drive. I think that they're very comforted by the investments that we made in technology and how clear we have been as it relates to our no-mask, no-ride policy, but it takes time. And these are human beings, and what's happening outside is very tough.

So the driver supply coming back is a bit slower than we would want. Some would say that's a first-class problem, and we are putting some incentives into the market in order to make sure that drivers come back and they have great earnings opportunities during a period where economically more and more people need those earnings opportunities.

As it relates to riders, what we are seeing is that the earlier cohort of riders who is coming back tends to be more price-sensitive. These are folks who have to come back to work. They don't have the option sometimes to stay at home. And as a result, we're seeing a cohort that is more price-sensitive in general, which is a little bit different than what we've seen in the past, which will provide some margin pressure for us, although I tell you, if you look at our margins now, we're more than making it up in terms of discipline, et cetera. So as the world returns to normal, we think there will be margin upside as the cohort of riders that kind of come back represents a more fulsome kind of example of the ridership that we had pre-pandemic.

All that said, as it relates to the competitive environment, it's constructive. All the competitors are being rational, and we don't see that changing.

As far as your second question, Prop 22 increases in strategies, listen, I think on Prop 22 for now, what we are really focused on is making sure that we do everything that we can to get the benefits that Prop 22 promises to drivers as quickly as possible. There's some calculation that you have to do in terms of minimum earnings standards, et cetera. So we are very much focused on the execution on Prop 22 as it relates to our drivers and travelers who use the platform. It may have some implication as it relates to rates, but we think that any effect that it has on rates will not have a significant effect on trip volumes one way or the other based on the kinds of sensitivities that we've seen in the past.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Great. Thanks, Dara.

Q

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

You're welcome. Next question.

A

Operator: Your next question will come from the line of Heath Terry of Goldman Sachs. Please go ahead.

Heath P. Terry

Analyst, Goldman Sachs & Co. LLC

Great, thanks. You mentioned the recovery that you're seeing in New York. As you look at the recovery in places like New York, Hong Kong, even what you were seeing in London before the more recent lockdowns, can you give us a sense in terms of the characterization of the type of customers that you're seeing, the level of activity, what you're seeing in terms of business versus leisure versus, obviously, the travel part, which is going to be smaller, and then what that tells you about the pace of the recovery that we can expect in terms of other markets opening back up even as we start to see lockdowns like what we're seeing in Massachusetts happen? So just appreciate any additional insight around the ride-hailing business that you can share based on that.

Q

And then you mentioned sort of the rationality of competition. Interested in any insight into how that carries over to the food delivery business post some of the consolidation that we've seen there. Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Sure. As far as the shape of the recovery, first of all, the shape of recovery, it's a city-by-city recovery that very much depends on the health situation on a local basis, which, as is patently obvious, we can't do anything about other than making sure that our platform is the safest transportation platform out there, and I really do think it is in terms of the technology that we have invested there.

A

We looked at kind of, well, does a recovery, does commute come back faster, workday come back faster, weekend come back faster, et cetera. And on a global basis, there is no tale to tell, which I consider great, which is the business just comes back. And there are some markets where work use cases are coming back faster than non-work use cases.

The one interesting trend that we are seeing is, as I mentioned in New York, that the kinds of use cases that riders are using to engage with Uber seem to be changing, and we are getting kind of a broader demand set at broader hours of the day. So people are using the service. Whereas they might have used it only in commute hours, they're kind of extending the hours, which might be just being more flexible in terms of how they live or might be entirely new use cases and say I've got to go get groceries, and I'm going to use Uber.

The second factor that we are observing is that Uber is coming back faster than other transportation alternatives. I think we all want mass transit to come back. The mass transit systems in many cities have been in a very, very difficult state. We believe in mass transit with the investments that we've made in Routematch, but we're seeing Uber, for example, come back much faster than mass transit.

Same thing as it relates to taxi. For example, when we look at our volumes versus taxi in New York City, Uber is coming much faster than taxi, again, I think because of the investments we made on the platform because of all the information that our riders have and our no-mask, no-ride policy, for example.

So I think to sum it up, the evidence that we're seeing is Uber comes back when cities come back. And if anything, Uber is an advantaged form of transportation versus alternatives as they come back. It's very early. Is this going to translate into long-term behavior? We're kind of seeing food certainly translate into long-term behavior. So we like where we stand, but we, like everyone else, are waiting for the world to open up.

As far as the food delivery space goes, again, nothing of note, we are focused on our own service, making sure that our reliability or dependability, the average time to order, et cetera, all of these areas continue to improve. We're very much focused on optimizing cost per trip and kind of the number of contacts that we have. And the result of all that, along with the Uber brand and our continuing to lead into the Uber brand with, for example, the Tonight I'll be Eating campaign, has resulted in our ability to improve margins and generally improve our competitive position over our competition. So nothing of note to call out on the competitive front one way or the other, other than we're growing faster than our competitors, and we're going to keep it that way.

Heath P. Terry

Analyst, Goldman Sachs & Co. LLC

Great. Thanks, Dara.

Q

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

You're welcome. Next question?

A

Operator: Your next question will come from the line of Justin Post of Bank of America. Please go ahead.

Justin Post

Analyst, BofA Securities, Inc.

Great, thanks for taking my question. I guess I'll focus on the delivery business. You're clearly kind of doubling down as a company, buying Cornershop and Postmates. But just give us a flavor of do you think that business could be bigger than or similar to Rides at maturity?

Q

Secondly, I think you said you expect delivery to be profitable next year. I just want to double-check that. And what's different about the cities that are profitable versus those that aren't? And then third, maybe a Cornershop update. Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Sure, absolutely. I'll start and then, Nelson, if you can take on the delivery profitability question. As far as the soft delivery marketplace, listen, I think that the TAM that we see in this segment is just as big as the transportation TAM. It is very, very significant. And the crisis, the pandemic crisis certainly has introduced new customers to the segment at a velocity that, frankly, we had not anticipated. We could not have anticipated in hindsight. The fact that we doubled down on this category as aggressively as we did for the past two, three years, it's either foresight or being lucky, and it's probably a combination of both.

The point that I would make as it relates to delivery, how big it can get, is the extraordinarily low penetration that we still have in terms of the restaurant universe being on the Eats platform. We talked about 560,000 restaurants being on the platform. In the US, we have about 30% of restaurants in the US. In the UK, we've got about 16% of restaurants. In France, it's 15% of restaurants. In Mexico, Brazil, it's about 10% of restaurants. In Japan, it's less than 5% of restaurants on our service. So that would tell you that the growth that we have going forward is going to be many multiples as we penetrate deeper and deeper into newer restaurants. Now I think that the incremental restaurant that we bring onto the platform probably is not going to be quite as productive as the restaurants already on the platform, but it just tells you that we're very, very early in the penetration here.

I'm not going to make a call as to whether Mobility or Delivery are going to be bigger. I want those teams to fight it out. I think the great thing about Uber is that we've got both. We have a path to profitability for both, and we have a natural hedge as well as global scope that no other company is even close to.

Nelson, do you want to talk about delivery profitability, and then I'll end with Cornershop?

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

Sure. So what happens in countries where we are profitable, we have a very strong what we call competitive position, you call market share across a number of the key cities in the country. This leads to very, very good selection as well as mid-teens type take rates, which we've talked about how important it is impact. It tends to be teams that are really executing well in terms of building the brand investment and then continuing to make some of the operational improvements.

So you've heard Dara actually call out the progress we're making in the UK. And so that has all the makings of how you get a country to be very profitable like we have already in the system. So the result of all this is we tend to have really high customer loyalty, and then we have this great experience. And so in France, for instance, we actually have a 24-minute average delivery time. And so we just really outperform everybody. And so again, there's nothing special. It's just that the teams are doing a great job, and we think that we'll be able to bring more countries towards those type of metrics as we continue down the path.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Great. And then as it relates to Cornershop, it's very early. We love the Cornershop team. And our grocery business now is combined between Cornershop and our Delivery platform, over \$1 billion in run rate. We expect that to be multiples of that \$1 billion next year. So we're leaning forward pretty strongly.

As it relates to Cornershop, we've signed up a number of partners, Eastern Grocers, Red Apple, Sainsbury's, many, many brands all around the world. And we think we're in the very, very early days. Note for investors that

we have not closed Cornershop in Mexico. Mexico is one of Cornershop's leading markets. We are optimistic that we'll receive an approval from COFECE that has been undergoing a rigorous analysis here of the acquisition. We see that the transaction benefits customers, merchants and earners, and allow Uber Cornershop to just bring far more options to consumers for a service that's now classified as essential there. So we think we're looking forward to getting into Mexico, hopefully if COFECE approves the deal. And I think it will showcase Mexico as a real-world class hub for entrepreneurship and foreign investment. Next question?

Operator: Our next question will come from the line of Mark Mahaney of RBC. Please go ahead.

Mark S. F. Mahaney

Analyst, RBC Capital Markets LLC

Q

I'm on, two questions, please. First, I think you provided a little bit of a trading update for Mobility for the December quarter. Could you do the same thing with Eats – or I'm sorry, you did for Mobility, but not for Delivery. Any update on Delivery for the quarter? That growth rate is staggeringly high. Obviously, it's got to come down, but how do you think about the rate at which that comes down?

And then, Dara, you mentioned a couple times these kind of newer cases for Mobility, different times of the day. Do you have just some basic examples of what those kind of newer cases of Mobility would be? Thank a lot.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

So, Mark, I'll handle Q4, and I'll let Dara talk about the use cases. So we do expect you'll continue to see momentum continue kind of where we are today, in the very healthy triple-digit kind of range. I was careful to provide guidance in terms of the segment EBITDA for the quarter in Q4, largely because we are investing behind the business, [ph] we made put (00:36:15). So if that business continues to do extremely well, we're very, very optimistic.

I don't think Dara would have made – we would not have made the commentary about profitability on Delivery at some point next year if we didn't see the efficiency as well as the consumer adoption that's going on.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

And, Mark, in terms of the use cases, listen, they're very broad. And I haven't looked at it personally as to what the use cases are. What's interesting is that the number of trips per rider. Not all ridership is back, but the riders who are starting to use our service, the trips per rider is up significantly. And during these kind of other times, the trips per rider is actually up double digits.

And I think – listen, if you live in a city, Uber is just a utility type of use case. People use it for all kinds of different uses. We've introduced hourly rentals. We've introduced the ability to deliver packages as well. So all of the new use cases that we're introducing essentially broaden the service, and we're certainly seeing that broadening translate into a greater use of the service at different times of the day.

Mark S. F. Mahaney

Analyst, RBC Capital Markets LLC

Q

Okay. Thanks, Dara. Thank you, guys.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

You're welcome, next question.

A

Operator: Your next question will come from the line of Mark Shmulik of Bernstein. Please go ahead.

Mark Shmulik

Analyst, Sanford C. Bernstein & Co. LLC

Yes, hey guys. Thanks for taking the question. A couple if I may. First, you mentioned a bit about kind of what were some of the drivers behind the MAPC number. I would love to – if there's any incremental color you can share in terms of what's making that up in terms of whether it's just returning users, new users? I know you launched a new iOS app, and how that cross-sell might be going would be great to hear.

Q

And then the second one is as we think about the Delivery business, it sounds like ads is now up and running, grocery certainly and top pharma as well. How do we think about the changing economics for the delivery business as all of those kind of new businesses that are sitting within it? Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Sure. As far as MAPC goes, we're seeing very, very significant MAPC growth for the delivery business, as expected. The number of new eaters coming onto the platform remains at elevated levels. And the retention of those eaters has also increased on a year-on-year basis. So we've got more eaters. They're staying longer. They're ordering more, and that translates into very, very strong MAPC growth.

A

We're seeing a good MAPC bounce-back on the Mobility side of the business. And Mobility still, even with Delivery being at the elevated levels that it is, the Mobility business has a significantly higher number of MAPCs than delivery. So Mobility for us, one, is coming back nicely with strong margins, but it's a great loudspeaker that we have as it relates to the new app. And what we're seeing happen is that with zero cannibalization of our Mobility business, we are able to introduce a whole new segment of Rides users to Uber Eats. And often we see them coming back to Uber Eats within the Mobility app itself.

So actually early on, we expected, well, we'll throw them to Uber Eats, download the app, sometimes they'll use the Rides app, sometimes they will have used the Eats app. A double-digit percentage of folks who use the Rides app now were just using kind of the Eats webview inside of the Rides app, which we think is a great sign. So this we think is a pretty strong advantage. It's increasing the frequency of use for our mainline Uber app, and it's introducing a whole new segment to Eats, and it's kind of a growth channel that we have that some of our competition clearly doesn't have.

In terms of the new businesses, the way I'd simplify it is, as it's clearly a very high-margin business and something that we're quite excited about. Grocery and pharma on balance are going to be lower margin than our mainline business because they're just not nearly as mature. So I think grocery and pharma will have negative effects on margin going forward. Ads will have a positive effect. We think we have the capability as it relates to our portfolio to balance the investments and the growth to get our Delivery business to profitability next year.

Mark Shmulik

Analyst, Sanford C. Bernstein & Co. LLC

Q

Great, thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

You're welcome, next question?

A

Operator: Next question will come from the line of Ross Sandler of Barclays. Please go ahead.

Ross Sandler

Analyst, Barclays Capital, Inc.

Hey, guys. Just back to Prop 22, you had provided some stats that if you had rolled this out in 2019, it would have cost you a little bit more in a blog post a few months ago. If we apply that to just the unit economics, you're already above the minimum wage in a lot of markets. So what's the incremental driver earnings or cost that you'll have to absorb post-Prop 22 rolling out, I would say, in all US markets, maybe if you just do a per unit and then maybe a 2022 impact?

Q

And then, back to the frequency and retention for Eats, Dara, you just mentioned that you're seeing a huge uptick. What are you seeing in frequency and retention for Eats customers relative to pre-COVID levels that informs you about your ability to kind of retain some of this GMV that you're seeing right now longer term, and anything that you're seeing in the data that suggests that the uptick is permanent versus temporary? Thanks a lot.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

I'll start with the second and, Nelson, if you can then finish up with the first as far as the economics go. As far as the frequency and retention, listen, it's going to be very difficult to kind of look forward. And one way in which we try to understand what's going to happen post-COVID is to compare markets like a New York or certain countries that have opened up, let's say France before the lockdown, or are in a process of opening up in advance of the other countries and to see whether the retention metrics or the basket size, et cetera, whether these metrics go down. And we haven't seen any evidence of that.

A

There's no question that we are benefiting from the higher MAPC, higher retention, higher basket size, higher frequency of order. As we look at markets that have opened up, we don't see any significant degradation of any of those metrics. We'll watch as we go forward. There's no question in my mind that this represents – fundamentally there's a fundamental behavioral shift that has gone on. I think people aren't going to stop using Amazon. People aren't going to stop using Eats. And we're taking advantage of that, not only to grow our mainline business, but also to get into local commerce adjacencies. And I think we're one of the very few companies in the world to be able to take advantage of that at this kind of scale. Nelson, do you want to talk Prop 22?

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

Yeah. So, Ross, obviously there's a lot of ifs and ands, so it's difficult to really answer it, because you have to do it based on certain volume. But obviously it's very important that we maintain the independent contractor status.

A

It will result in probably a 5% type increase in order to cover the incremental, whether it be minimums, whether it be incremental benefits. And we do expect that much of it will be passed along. Now it could be different depending on city-by-city or the time of day. But again, as Dara said earlier, we do believe that it'll be

manageable. And we don't believe based on the models we run that it will have a material impact in terms of demand.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

And this is specific to the Mobility business.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

Specific to Mobility, yes.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Next question?

Operator: Your next question will come from the line of Eric Sheridan of UBS. Please go ahead.

Eric J. Sheridan

Analyst, UBS Securities LLC

Q

Thanks for taking the question. Maybe one big picture one and one following up on Prop 22. From a big picture perspective, Dara, how should we be thinking about the type of behaviors you're seeing as the product set you offer to consumers continues to widen and the proposition continues to go a little bit deeper in terms of wallet share in local commerce, and what that might mean for sort of spend per customer on an annualized basis? Or maybe even reflecting it back to cost, whether you could see a large inflection point in terms of marketing ROI that might give you a differentiated edge versus your competitors.

And then on Prop 22, with the industry having won, how should we be thinking about what that means for either other states or maybe even a national solution? There's been a lot covered in the press on potential paths forward for the industry to be regulated, not in the form AB5 was, but maybe to find a middle ground here. I would love your perspective on that as well. Thanks.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Absolutely. So, Eric, what we see consistently is that, as we add utility to both our mainline Uber app and our Eats app, and utility means just more to do in kind of an artful, well-designed way, the engagement with our app increases. So again, with our mainline app, as we add choices, et cetera, these choices don't cannibalize the mainline use of the app. And we're very careful to make sure we test and learn and understand what the use cases are so that we're not getting in your way. But in general, as we increase utility, as we increase choice, engagement increases. And as engagement increases, then retention rates, et cetera, increase as well.

We are now in a position to do this for two apps in two very large segments, in Mobility as far as getting deeper into Mobility, not just Rides, but we've got taxi product internationally. We're investing in mass transit and many other bikes and scooters in our partnership with Lime. So we're expanding into other use cases as it relates to transportation. So any time you want to go someplace, you come to us. We have the cross-promotion from our mainline Uber app into our Eats app. And with Eats now, we're expanding from just food now to grocery and

pharmacy and other categories as well. And we're seeing, again, greater engagement, greater retention, higher spend as it relates to these consumers.

We're underscoring this higher engagement with going out and launching Eats Pass and Uber Pass, our subscription products. So our subscription product essentially allow riders or eaters to get a discount for a subscription fee every month. We have over 1 million subscribers. We see the growth there as being very, very significant. And we see the frequency of our Eats Pass and Rides Pass subscribers move up a notch, a significant notch in terms of the number of times that they come back.

So I think that we've got this kind of a structural platform, two apps, one of which is making a transition from Rides to all transportation. The other one that's making a transportation from grocery to all local commerce. The two of them essentially will be cross-promoting each other, and we will have a foundation of a payments platform, a routing platform, but also a membership platform as well. We think this puts us in an enviable position on the competitive front, but it's a lot of work to do for the teams. It's not going to be a plus 50%. It's like all of this work gets you advantages of 2%, 3%, 4% in terms of customer acquisition, lifetime value on a quarter-by-quarter basis. But the compounding effect of all this we think puts us in a very, very strong competitive position.

As far as Prop 22 and your question as to its expansion, listen, we have always come forward. We were the first to come forward with this IC-plus model, the idea that drivers deserve flexibility plus benefits. I wrote a New York Times op-ed about this. We want to have a dialogue with governments and other states. We have had really constructive dialogue in other countries, like India just passed legislation that we think was very constructive. So absolutely, we will have dialogue. And I think with dialogue, usually you wind up at the right place, which is the middle ground. And we think just this IC-plus model, it has huge support with our drivers, it has huge support with the voters. And we think over the long term, it's going to win. Next question?

.....
Operator: Your next question comes from the line of Pierre Ferragu of New Street Research. Please go ahead.

.....
Pierre C. Ferragu

Analyst, New Street Research LLP (US)

Hey, thank you for taking my question. Can you hear me well?

.....
Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Yes.

.....
Pierre C. Ferragu

Analyst, New Street Research LLP (US)

Great. I was looking at your marginal economics between the second and the third quarter in the recovery. And it looks like you – if I look at Rides, you have like a marginal take rate if I take your ANR, like different growth in ANR divided by growth in bookings of 20%. And then on that, you have an EBITDA margin of about 35%.

And so my question was, does that reflect well your economics outside of the US? Because it looks like that's where you got most of your sequential growth. And should we expect once you grow sequentially with a stable mix, should we expect to start seeing your target profitability metrics, 25% take rate and 45% EBITDA margin, showing up on a marginal basis like that?

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

So, Pierre, thank you for the question. Yes, we are seeing continued improvement in the bottom line margin sequentially as the business starts coming back, specifically on Mobility. If you listened to the first quarter call, we actually talked about the fact that if you looked at the February year-to-date number pre-COVID, we were actually getting to about a 30% margin as a percentage of ANR already. And so we knew that we were confident in terms of our ability to get to our longer-term margin targets because of the leverage we have.

With the actions that we took on the productivity side, again, we feel confident that as the world recovers, and you've seen the quarter-over-quarter recovery both at the top and the bottom line for our Mobility business, that we will be able to achieve those longer-term margins. Part of it is that the COVID recovery is real. And so obviously, as places like Paris and London go back into lockdown, that impacts the number of rides and how much people are going out. The fact that all of us are on these calls right now, we're all sitting in our own different homes again. So once we start moving around, we're confident we will get to our longer-term margins. Pre-COVID, we were already getting there on the Mobility side of the business.

And so we do know, especially based on the actions we've taken that we will again. If you look at our Q3 performance, based on the Rides business being down 50% year over year, we think that it showed a very good margin profile. Thank you.

Pierre C. Ferragu

Analyst, New Street Research LLP (US)

Q

And maybe a quick follow-up, a similar question on Delivery. You've increased revenues massively, more than doubled them, and you're still far from your target margin. So I guess it is not that much scaling out that is going to improve profitability in Delivery. So how should we expect that to come through going forward?

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

So again, what we've talked about is the fact – in the earlier question we talked about what is it about the countries where we're profitable today. As you know, our Delivery business, which is really the older Eats business, is a little more than four years old. And so the business has grown tremendously. We run the largest food delivery business outside of China globally now. You've seen the tremendous growth we have.

And so we've made tremendous improvement in terms of improving the bottom line on the efficiency side. We've talked in the past about getting towards those mid-teen type of take rates in that business, which we have in those countries. So as we continue to grow the business, as we continue to grow our competitive position, again, we think that we will be there. But again, the path on the Delivery margins will take a little bit longer, just like it took in terms of getting there for the Rides part of the business.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

And I'll remind you that there are many markets where penetration in terms of restaurant penetration is 10%, 15%, 20%. So we think that the right strategic way forward is to lean in on growth and draw on profitability, and we can do both. We're in a great position to be able to deliver both. Next question?

Pierre C. Ferragu

Analyst, New Street Research LLP (US)

Thank you.

Q

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

You're welcome.

A

Operator: Your next question will come from the line of Alex Potter of Piper Sandler. Please go ahead.

Alexander Eugene Potter

Analyst, Piper Sandler & Co.

Yes, thanks. Maybe just a quick follow-up on that question. You talk about the areas where restaurant participation you're at a 10%, 20%, 30% penetration rate. Regionally, are you talking primarily about suburbs there in the US? And if so, what's the status update? And then I have one follow-up on Freight.

Q

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Generally, our penetration in the cities or larger cities is higher than our penetration in the suburbs. But again, like Nelson said, we really got into this business in a real way four years ago. So we just have lots of expansion room and greenfield in smaller cities, secondary cities, tertiary cities, as well as suburbs. We are certainly making headway in the suburbs in the US. But there are areas like Japan, for example, where we were very much focused on Tokyo and some of the other big cities, but now we're growing at over 300%. And it is an expansion into secondary cities, but also outside of city proper in places like Japan as well. So the move to secondary cities, suburban move, it's not a US-only effort. It really is a global effort.

A

Alexander Eugene Potter

Analyst, Piper Sandler & Co.

Okay, great.

Q

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

You had a Freight question?

A

Alexander Eugene Potter

Analyst, Piper Sandler & Co.

So I guess just on strategic fit, obviously it makes a ton of sense. We talk about Eats basically in the same breath as Mobility and you can cross-sell, and there's so much strategic fit between those businesses. How do you see freight fitting into that? Can you lever all of the work that you have and all of the great position that you have in other businesses into that business, or is it more or less operating in a vacuum?

Q

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

So I wouldn't like to say it's operating in a vacuum. So there is some back-end technology and stuff that we can do in that. But it is a little bit different because it is not a consumer-facing business. We think that Freight is a very

A

attractive business. You know the progress we've made there. But you also know that we recently raised \$500 million from Greenbrier at a roughly \$3.3 billion valuation. And we believe that money, that investment will allow us to fund Freight until it's profitable. The business continues to scale and grow. We love the fact that it's doing it, and we kind of judge it on its own.

Will there ever be a point, I don't know. But right now we kind of like what we're seeing from the freight business right now. The freight marketplace went through a very challenging summer because of the increased demand in terms of trying to get goods shipped across the country. And there's a tight labor supply because of some of the \$600 weekly stuff. But we're working through that. The business is getting better more globally. And so we'll see. So as you know, Uber has had a lot of different businesses. As you know, we've made decisions during the course of the year to really focus in on the core. And we continue to look at how Freight is operating today and will continue to evaluate it.

Dara Khosrowshahi*Chief Executive Officer & Director, Uber Technologies, Inc.*

A

I think the one other mention that I'll make is that there's no question that freight is benefiting from the marketplace technology, pricing technology, the technical staff and the infrastructure that we have. Now Freight is focused on really delivery from warehouse to store. Eats and our Delivery business is focused on delivery from store to last mile, to home. You can't imagine a world that's not a world that will be here tomorrow, but we're not betting for tomorrow, we're betting for three to five years from now, where we start chaining together warehouse to last mile. And again, I think it is a solution that we uniquely are suited to bring, and I think it would be a stage two or three if we get there. All right, next one?

Operator: We have time for one more question from Benjamin Black of Evercore ISI. Please go ahead.

Benjamin Black*Analyst, Evercore Group LLC*

Q

Great, thanks for sneaking me in here. I had two quick ones here. So the first one on grocery, I'd be curious if you could talk about the longer-term opportunities you see in grocery from a top line and also from a margin standpoint and also from the perspective of driving the Uber Pass, just given that grocery is a higher frequency product.

And then secondly, I know you guys mentioned driver supply has been tight on the Mobility side. I'm curious to hear how you see that playing out over the next few quarters and how that relates to your outlook for take rates on the Mobility side in 2021. Thank you.

Dara Khosrowshahi*Chief Executive Officer & Director, Uber Technologies, Inc.*

A

I'll take the first one, and Nelson can take the second one. I think as it relates to grocery, the asset that we have is we have a giant audience in terms of our both Mobility business and Delivery business. So we're able to build a grocery business with an audience already and really deepen that engagement with the audience. And so we think the grocery business can, again, increase engagement, increase retention. And when we look at Cornershop, for example, the percentage of Cornershop volume that comes from Cornershop members – and by the way, it's that we're going to have all of the different memberships talk to each other – is much higher than the percentage of our volume that comes from Eats membership, for example, or our Rides membership.

So we do think the membership/subscription angle is a pretty substantive one as it relates to grocery. Grocery is never going to be a high-margin type of a product, but it is a very, very high engagement product with big basket sizes. And we think it can be a very compelling part of the opportunity here. We're investing carefully. But again, our having the fulfillment stack or having the routing stack or having the couriers or having the audience already gives us a pretty significant advantage in terms of investing and making the economics work for that category. Nelson, do you want to take last one?

Nelson J. Chai*Chief Financial Officer, Uber Technologies, Inc.*

A

Sure. So in terms of driver supply, the first thing I want to make sure that people understand is the take rate is relatively flat year over year, despite some of the shortages and the US mix being a smaller percentage of the total. So I would say that driver supply improved during the quarter, still lags a little bit on the recovery. In the US, what I would say is some of the imbalances are really more kind of weekend late night hours as people are starting to get out more. And then internationally, it's mainly because in places like Brazil and Latin America, where the marketplace and the demand has increased dramatically, trying to keep up with it.

We think it's gotten better. We think there's a little bit more of an imbalance. I'm not going to really kind of comment too many quarters out because there's a lot of this on the recovery, both on the rider and the driver side, but it has improved versus the second quarter. I think a lot of it has to do with our efforts. I think people appreciate a lot of the safety efforts that we've taken, no-mask, no-ride and some of the other enhancements that we've had to try to make drivers more comfortable. I think some of the stimulus as well has put people out there driving a little bit more. And so we are seeing it improve and particularly versus the last quarter.

Benjamin Black*Analyst, Evercore Group LLC*

Q

Thank you so much. I appreciate it.

Dara Khosrowshahi*Chief Executive Officer & Director, Uber Technologies, Inc.*

All right, I think that's the last question. Thank you, everyone, for joining us this quarter. And a huge thank you to the Uber teams. Nelson and I get to talk to you about these numbers, but they're the ones who do all the work. So thank you very much to Team Uber, and we'll talk to you next quarter.

Operator: This concludes today's conference call. Thank you very much for participating. You may now disconnect.

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