

10-Feb-2021

Uber Technologies, Inc. (UBER)

Q4 2020 Earnings Call

CORPORATE PARTICIPANTS

Balaji Krishnamurthy

Head of Investor Relations, Uber Technologies, Inc.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

Tony West

Senior Vice President, Chief Legal Officer, and Corporate Secretary, Uber Technologies, Inc.

OTHER PARTICIPANTS

Justin Post

Analyst, BofA Securities, Inc.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Eric J. Sheridan

Analyst, UBS Securities LLC

Ross Sandler

Analyst, Barclays Capital, Inc.

Mark Shmulik

Analyst, Sanford C. Bernstein & Co. LLC

Douglas Anmuth

Analyst, JPMorgan Securities LLC

Lloyd Walmsley

Analyst, Deutsche Bank Securities, Inc.

Jason Helfstein

Analyst, Oppenheimer & Co., Inc.

Youssef Squali

Analyst, Truist Securities, Inc.

John Blackledge

Analyst, Cowen and Company

MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by, and welcome to Uber's Q4 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]

I would now like to hand the conference over to your speaker today, Balaji Krishnamurthy, Investor Relations. Thank you. Please go ahead, sir.

Balaji Krishnamurthy

Head of Investor Relations, Uber Technologies, Inc.

Thank you, David. Thank you for joining us today, and welcome to Uber Technologies' fourth quarter and full year 2020 earnings presentation. On the call today we have Uber's CEO, Dara Khosrowshahi, and CFO, Nelson Chai. This is Balaji Krishnamurthy 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 are 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, except as required by law.

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 the risks and uncertainties described in our most recent quarterly report on Form 10-Q for the quarter ended September 30, 2020 and in other filings made with the SEC when available.

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 are 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.

Thank you, Balaji, and thanks to everyone joining us today. Since our last earnings call, the world has made considerable progress in the fight against COVID. While there's still a lot of work we do, we're cautiously optimistic that this progress will continue, and in fact, accelerate over the next quarters.

However long the recovery takes, Uber's business remain well positioned. Despite renewed lockdowns in Q4, we ended the year with total company gross bookings nearly flat year on year in December, with the gross bookings turning positive in January. Disciplined execution and increased scale in our Delivery business allowed us to improve our adjusted EBITDA by \$161 million year on year in Q4.

This quarter marks the completion of a series of portfolio actions that began in Q2, with the goal of focusing the company on its two massive core opportunities of Mobility and Delivery. We executed 17 transactions in 2020, including acquisitions that increased our run rate gross bookings by over \$6 billion and divestitures of non-core operations that, combined with other cost optimization actions, reduced our annualized EBITDA losses by over \$1 billion.

These transactions, coupled with disciplined operational execution and continued product innovation, has put us on a stronger and more focused foundation heading into 2021. As such, we have increased confidence in our ability to reach breakeven this year while continuing to invest in long-term initiatives close to our core.

Looking ahead, our strategic priority in 2021 is to continue to harness the power that our platform with its multiple and growing product offerings can uniquely provide. Wherever you need to go, whatever you need to get, Uber can help.

We believe our highly engaged consumer base on delivery will drive stronger mobility growth as cities reopen. On the flip side, we expect Mobility to become an increasingly powerful acquisition channel for our Delivery business. For instance, our redesigned Uber super app already generated more than 10% of first-time eaters in Q4.

We plan to accelerate cross-platform usage through a renewed focus on our Uber Pass and Eats Pass membership program. We believe these will only become more valuable as we add new benefits and verticals like pharmacy and alcohol. Memberships ramped up significantly in Q4 with over 5 million members across 16 countries, and we have aggressive global expansion plans in 2021.

Now, I'll dive into each of the core segments. First, Mobility, which continues to be affected by lockdowns around the world. Mobility GBs improved modestly in the fourth quarter, up 15% from Q3 levels, but still down 47% year on year. In January, gross bookings were down 47% year on year, declining 10% month on month post elevated holiday activity in December.

We're seeing extremely encouraging trends in APAC and Latin America with gross bookings in those two regions down only 25% to 30% in January. Two of our largest markets, Brazil and Australia, were down only 10% to 20% in January, while Taiwan grew 16% year on year.

The recovery in these markets demonstrates consumers' pent-up desire to start moving again, while Uber is continuing to gain share versus other modes of transportation. Over the next six months, we'll begin to prepare our business to go from preservation mode to reposition. This means investing in new Mobility products such as Uber Reserve, rentals, transit, taxis and motorbikes, and rolling out new segmented offerings like Uber Comfort.

We will focus on reengaging riders for their second first trips and reengaging drivers to meet ramping demand. If we do these things right and the public health situation improves as expected, we're bullish that we can deliver strong growth and expanding margins in the second half of the year.

Now turning to Delivery, where we continue to execute well against the massive expansion in the category. We narrowed our focus to market that we consider attractive and where we can win, and we're now number one or number two in nearly the entirety of our Delivery footprint.

At the same time, we're scaling our next strategic leg of 10-plus year growth, expanding our offerings into adjacencies beyond food delivery into broader instant, on-demand local commerce.

Q4 gross bookings grew 128% and reached a \$44 billion run rate in December. Revenue more than tripled and adjusted EBITDA margin as a percentage of revenue improved 100 points year on year. We've seen our business accelerate in January to over 150% year on year growth, as Delivery continues to provide the natural hedge in lockdowns.

It's become clear that the pandemic has increased consumers' appetite for on-demand delivery of not just food but all goods, and we take a major step to address this enormous opportunity.

Our acquisition of Cornershop opened up grocery delivery for Uber, where we rapidly expanded globally. With Postmates, we bolstered our local commerce capability through their delivery-as-a-service offering that already counts Walmart, Apple and 7-Eleven as customers. In December, delivery-as-a-service represented 18% of Postmates orders, and we intend to scale this out further along with our Uber Direct product.

Last week, we announced our agreement to acquire Drizly, which will add the leading online alcohol marketplace to our portfolio. Drizly is growing at 300% year on year and is already profitable on an EBITDA basis. These new initiatives will remain an investment priority going forward. And in 2021, we expect to invest \$200 million to \$250 million pre-integration synergies to grow the business by meaningful multiples.

While we leaned into growth, we also made significant progress overall on overall delivery profitability. In Q4, we had 15 countries generating over \$100 million of EBITDA on just over \$2.5 billion of gross bookings. We remain confident that delivery will turn EBITDA profitable in 2021, although we will not hesitate to lean in during the first half of the year.

While the external environment remains uncertain, I am more optimistic than ever about Uber's future. We've established the world's largest mobility platform with a leading position in every major region that we operate in. In five years, we built the world's largest food delivery platform outside of China, which is growing substantially faster than the category, and which we're using to expand into high potential adjacencies.

These two platforms are synergistic and are powered by many common components, built by the most talented tech team in the business. We're lean, we're focused, and we're operating at global scale, and we will innovate relentlessly to make consumers' lives a bit easier and to create more earnings opportunities for drivers, couriers and our merchant partners. Uber is ready to go.

Now over to Nelson for more details on the numbers.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

Thanks, Dara. We continue to execute well against the tough operating environment for our Mobility business, investing for growth in Delivery, while improving total company adjusted EBITDA for both year on year and quarter on quarter. During the quarter, we completed significant portfolio realignment actions, including our divestiture of ATG and acquisition of Postmates.

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 were down 4%, but up 16% quarter over quarter. Revenue was \$3.2 billion, down 15%, but up 13% quarter over quarter. Our revenue take rate was 18.5% of gross bookings, down 221 basis

points year over year and down 62 basis points quarter over quarter as our business mix continued to shift towards delivery.

Non-GAAP cost of revenue, excluding D&A, increased to 45% from 43% of revenues, but down \$177 million on an absolute dollar basis, driven by lower volumes in our Mobility business.

Turning now to non-GAAP operating expenses, which exclude pro forma adjustments, such as stock-based compensation and restructuring charges. Operations and support was down \$123 million year on year, reflecting continued leverage from head count reduction actions taken in the second quarter.

Sales and marketing decreased \$209 million as a result of lower marketing and promotion spend in our Mobility business. R&D was down \$126 million, primarily driven by decrease in head count related spend. G&A was the down \$80 million year on year and quarter on quarter. Our spend decreased \$10 million and improved as a percentage of revenue by 2 percentage points and continued top line recovery. Our Q4 2020 total company adjusted EBITDA loss was \$454 million, improving \$161 million year over year and \$171 million quarter over quarter.

Now I'll provide additional detail on our segments. Starting with Mobility, Mobility gross bookings of \$6.8 billion improved 15% quarter over quarter, but was down 47% year on year. And revenue of \$1.5 billion improved 8% quarter over quarter, but was down 51% year over year.

Revenue take rate of 21.7% declined 90 basis points year over year, with a 40 basis point impact from a one-time driver litigation settlement in Q4, and with lower take rate geographies such as LatAm recovering faster than expected.

Despite a significant headwind to our top line performance, Mobility adjusted EBITDA was \$293 million or a 20% of Mobility revenue, improving \$48 million quarter over quarter.

Now on to Delivery, we've seen continued tailwinds related to stay-at-home orders, driving Delivery gross bookings to \$10.1 billion, up 128%. We consolidated Postmates in December, which contributed 8 points to year-on-year growth. Delivery revenue of \$1.4 billion, up 220%, is significantly outpacing gross bookings growth. Delivery revenue take rate was 13.5%, up 391 basis points year on year and up 21 basis points quarter on quarter. The year-over-year expansion was driven by higher basket sizes, improved network efficiencies, and an increase in subscription revenue from Eats Pass. Additionally, we realized a 100 basis point benefit year on 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 \$145 million or negative 10.7% of revenue. That represents a \$38 million or 5.4 percentage point quarter-over-quarter improvement respectively.

Now on to Freight, which grew revenue 43% year on year to \$313 million and adjusted EBITDA loss was \$41 million. Freight EBITDA margin improved 12 percentage points quarter over quarter and year on year. Market rates remained elevated in Q4, putting constrained pressure on both industry margins and shipper supply chains. In this challenging environment, we've seen strong adoption of our digital offerings, like API book loads and Uber Freight Enterprise. Technology enables us to provide shippers real-time and transparent access to carriers. And as a result, we saw a 45% quarter-on-quarter increase in active user bases of these products.

Additionally, Freight's technology now provides for automated visibility into nearly 80% of loads moved, resulting in better service at lower operating costs. We feel good about the progress that Freight business is making, and we are encouraged by the numerous awards the team has won for service and technology from both industry pundits and our larger shippers.

On to ATG and Other Technology Programs, the adjusted EBITDA loss for the quarter was \$72 million. As a reminder, we divested ATG and Uber Elevate during the quarter, with both transactions closing in January.

Our Q4 2020 corporate G&A and platform R&D of \$489 million, which represents the G&A and R&D not allocated to one of our segments, improved 24% year on year and slightly improved quarter over quarter on an absolute basis. As a percentage of total revenue, corporate G&A and platform R&D improved 3 percentage points quarter over quarter, as we saw fixed cost leverage.

In terms of liquidity, we ended the quarter with approximately \$6.8 billion of 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 January trends, I'll provide a few comments around our expectations for Q1 performance. In January, Mobility gross bookings were at a \$25 billion annualized run rate, down 47% year on year on a constant currency basis or down 49% on a reported basis. COVID caseloads remain elevated with associated movement restrictions in many of our largest markets, including the US, the UK, Canada, and France. We are targeting Mobility take rates relatively flat quarter over quarter, consistent with normal seasonality, although market mix based on COVID cases may impact take rate positively or negatively.

Turning to Delivery, where I'll provide some color around quarter-over-quarter EBITDA progression expectations, given the continued influx of new consumers to the category, particularly in markets like Europe, we are continuing to lean into delivery opportunities, including with incremental brand marketing spend, customer acquisition spend, as well as investments in our growing grocery and other new verticals.

In Q4, incremental spend for Grocery Postmates was offset by one-off benefits. During Q1 we expect incremental investment of roughly \$40 million to \$50 million towards Postmates, groceries and other new verticals. For Postmates in particular, we expect to narrow the losses as we move through integration and remain on track to delivering the \$200-plus million at run rate synergy goal we disclosed last year.

As we progress throughout the year, the Delivery EBITDA should improve significantly, and we remain confident in achieving breakeven at some point in 2021. Putting it all together, we expect total company gross bookings to return to year-on-year growth in Q1 despite the current COVID impacts in Mobility, as Delivery continues to drive strong growth. Based on current Mobility gross booking levels and anticipated Delivery investments, we expect Uber's Q1 adjusted EBITDA to be flat or down quarter over quarter before we start seeing meaningful improvement throughout the rest of the year.

We are pleased with the progress we've made in the last year. Uber is now on a stronger footing with a strong liquidity position of nearly \$7 billion in cash. And while the bulk of our portfolio rationalizations are behind us, we will continue to focus on activities that drive value to our shareholders, including monetizing our equity stakes, as we have done recently with a small portion of our DiDi stake, and executing strategic transactions such as Drizly. We remain on track to turn the EBITDA profitable in 2021, and we are confident that Uber can deliver sustained strong top line growth as we move past this pandemic.

And with that, we'll open it up for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instruction] Your first question comes from the line of Justin Post with Bank of America. Your line is open.

Justin Post

Analyst, BofA Securities, Inc.

Great. I hope you can hear me okay, I'm actually in an Uber. I got stuck. A couple questions. I guess first...

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Justin, you can ask questions from an Uber anytime.

Justin Post

Analyst, BofA Securities, Inc.

It sounds like more of your markets have turned profitable for delivery. So I'm guessing what is enabling that? Is it scale? Are you finding operational efficiencies? And are any markets at your long-term target?

And then I guess a second question, just how are trends in the US? Obviously, you're going to be compared to your public comps. Just how are you doing on delivery and rides in the US market share-wise? Thanks.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Yeah, sure. I think basically on delivery, the general business is scaling as we bring more restaurants onto the platform, as we bring more users onto the platform or couriers onto the platform. Essentially, we get to drive the network for density. As the network gets more dense, essentially a courier has less miles to cover for the average delivery. And our algorithms are getting smarter in terms of routing, in terms of wait time with restaurants, and optimizing every last percentage in order to drive cost per transaction efficiency, which then helps our net revenue, and also really helps courier earnings because they are being productive a higher percentage of the time that they are on our network.

That, in addition to just the business scaling up, right, if you're tripling revenue, I can tell you that we're certainly not tripling head count or tripling overheads. So you just have revenue synergy, which is pretty beneficial. And we continue also to benefit from basket size increases. And as basket size increase, the cost of the delivery stays the same and again, that accrues to margin as well.

So I would say there's not a single element that is responsible for the improvement in margins, but it's many elements coming together. And frankly, it's the team and the technology focused on continuing to drive hyper efficiency and in every part of the business.

I think the last part I would say is that as your customer base – as your established customer base becomes a higher percentage of your overall customer base, you've seen us increase our membership base from 1 million to 5 million, as you get a higher percentage of members, as you get a higher percentage of customers who have

been with you for a period of time, your marketing costs should come down as a percentage of bookings or revenue.

We're not there yet. We're leaning in. But I think that as I look forward two, three, four years on the Delivery business there's more efficiency, but right now, we're finding a lot of new customers. And on the marketing side, generally, we are leading in and also getting the additional benefit of new leaders through our Mobility business.

As far as the trends versus other players in the US, I'd say that no surprises. Obviously, Lyft, who's our largest competitor, released their numbers yesterday. I would say that there are no surprises as it relates to their numbers. They're a strong operator. And I would say that generally, we see our trends roughly comparable to their trends. Although from an insurance side, we've been pretty consistent in executing well there. So we kind of don't have these surprises, so to speak.

As it relates to the Delivery business, we are in the US growing at very significant rates, triple-digit rates. We see January trends in the US actually improving over already strong trends that we saw in Q4. We can't exactly tell how we're doing versus all of our competition in the US, but we think that we're more than holding our own. And frankly, there's more to do there with a real focus being on improving our restaurant selection, which I think holds significant upside for us.

Justin Post

Analyst, BofA Securities, Inc.

Great. Thanks, Dara.

Q

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

You're welcome. Next question?

A

Operator: Your next question comes from the line of Brian Nowak with Morgan Stanley. Your line is open.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Thanks for taking my question. I have two. First one, Dara, with all the cost reductions and the adjustments you made to the business throughout 2020, and now with the rides business kind of continuing to evolve, how do you think about sort of the long-term rides profitability now? Do you sort of remove those costs and the mix of the business continues evolving?

Q

And the second question on Uber Pass, any you can share with us about frequency or user behavior of Uber Pass members versus non-members? And then you mentioned sort of being more aggressive to drive adoption. What types of strategies have you not yet really deployed to drive that growth of that Uber Pass?

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Yes. I'll start with Uber Pass and then I'll have Nelson talk about the long-term P&L. As far as Uber Pass goes, listen, we are very early in the development of Pass. I mean we started leading into Pass middle of last year. We built that Eats Pass essentially in front of the mainline Uber Pass team had built. And as a result, you see pretty significant acceleration. I think the last time we talked to you, we had 1 million paid members, and we got 5 million total members with that number expected to go up very significantly in 2021.

A

While I want to give away competitive information, the frequency of Pass members is significantly higher than the frequency of non-Pass members. So going out and acquiring Pass member is, while it may be unprofitable in period, if you look at the frequency increases and apply them to some reasonable lifetime value estimates, this becomes a very, very strong profit pool for us that either we can pull to the bottom line or we can use to reinvest in other appropriate markets. With that, Nelson, do you want to talk on margins?

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

So, Brian, we haven't updated our long-term margin, but, again, we believe we'll continue to make progress towards it. And as you know, even given the COVID restrictions, as you heard in my prepared comments, we were at 20% in Mobility in the fourth quarter. As you know, in the first quarter of last year, we were at higher – around 30%. And so we're pretty confident in our ability to do that. The incremental margins we're seeing are kind of in the mid-40s versus Q3. And again, a lot of it just has to do with us continuing to leverage against and get the efficiencies against our fixed cost base. And so, we're pretty optimistic that as we get more COVID recovery, as people start moving, that we think we're very bullish in terms of the profitability profiles for our Mobility business.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

The other factor to add there is, Nelson and I are constantly managing the business based on portfolio of kind of profits and opportunities. And while we talk about the Delivery business and rightly so, based on the growth of our business right now, as it relates to Mobility, when we look at the Germanys of the world, Japan, Argentina, new markets to get into, as we look at the opportunity to power taxi technology and hailables in general, when we think about the opportunity of shared rides when things open up, and then we look at our transit team, there are many, many growth opportunities in the Mobility segment.

So I do think that we will take some of the incremental margins that we see in Mobility and reinvest in growth opportunities because we expect our Mobility business to grow at very attractive rates for years and years and years. And I think we're one of the few companies around that can afford to invest in those areas. And I think taxis are going to want more demand. Obviously, you've heard about transit needing help in terms of tech and in terms of cost effectiveness, and we want to help. We want to be part of the solution, but it's also a great opportunity for us.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

And Brian, actually, one last thing is I would say that you've heard us talk in the past about where we did see recovery. In the past, we talked about being 10% or 20% down in terms of getting towards breakeven. And so obviously, we have more room now because of the actions we took. And so again, we're feeling much better about it. But as Dara said, we are going to take some of that profitability and invest back in. So it doesn't necessarily change the full year outlook on when we're going to achieve total company profitability, but we certainly have more degrees of freedom. And so, again, Dara covered and we covered in our prepared remarks, all the actions we took last year. And so we feel very good about how we're set up moving forward.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Q

Great, thank you both.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

You're welcome. Next question.

A

Operator: Your next question comes from the line of Eric Sheridan with UBS. Your line is open.

Eric J. Sheridan

Analyst, UBS Securities LLC

Thanks so much for taking the questions. Maybe a few on the concept of what you've already seen in some of the markets with Mobility that have started to improve. Curious, just maybe following up on the last answer and some of the comments you made in the prepared remarks. Just what form is that taking in either stoking demand, growing or retaining the user base on the customer side as opposed to investing more heavily on the supply side and investing – a deepening on the supply side in the markets that have recovered and/or have started the process of recovering? And how should we be thinking about that being applied more globally and what we should be watching for in terms of the form those investments might take? Thanks guys.

Q

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Sure, Eric. I think that the team that we have on the Mobility side is – has dealt with the significant changes in volumes in Mobility and a pretty incredible rate, right? Like Q2, we were able to drive segment EBITDA profitability.

A

So as the markets come back, one is that we're seeing both social use cases come back. So social use cases been a bunch of the markets that have come back are like over 100% year on year and Workday Community has come back. The only use case that hasn't come back is airport. And the teams are very closely watching the balance between supply drivers who are coming on to the platform and demand which are our riders who are also coming back onto the platform. And what's really exciting is that the coronavirus and everything that's happened, it's actually changed the nature of some of our riders using the Mobility use case.

So if you look at, for example, Brazil, we are at 90-plus percent recovery in Brazil, yet 30% of our riders who happen to be very, very high value riders hasn't even come back. So our business is already 90% back and then 30% of high-value riders, of total riders, who happen to be very high value, they haven't even started to ride again.

So we're seeing some pretty attractive signs. The team has been able to balance the marketplace pretty effectively. I do think that if I'm worried about one thing going into the second half of the year is are we going to have enough drivers to meet the demand that we're going to have in the Mobility segment, but I think this team has proven themselves over and over again. And as the Mobility business comes back, we will look to continue to fund some of the new use cases, hailables, transit, et cetera. But frankly, we've been doing that anyway because those kinds of long-term bets are bets that we should be pushing during good or bad times. Does that answer your question, Eric?

Eric J. Sheridan

Analyst, UBS Securities LLC

It does. Thanks for the color. And by the way, Happy New Year to whole team. Hope everyone is safe and well. Thanks a lot.

Q

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Thank you. Next question?

Operator: Your next question comes from the line of Ross Sandler with Barclays. Your line is open.

Ross Sandler

Analyst, Barclays Capital, Inc.

Q

Hey, guys. A couple of questions on Delivery. We've heard some grumblings about increased competition in each business in the UK, Japan and Australia. So, has your outlook changed at all for those three big countries and is still on track for breakeven? And is that \$40 million of incremental investment is that for each or is that for these adjacencies like Cornershop and Postmates, et cetera?

And then the second one is Drizly, from what we understand, this is an ad marketplace, you kind of break even on the transaction, and then the EBITDA is coming from the advertising side. So, I guess how does that fit in? And then, are there any practices that they're doing that could be applied to Cornershop, Eats or the rest of Uber? Thanks a lot.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Got it. I'll let Nelson talk about the investment. But as far as the competitive environment goes, listen, the only environment we've known in Delivery is competitive. We were relatively late to the game. There were a bunch of market players who had already been, in some cases, incumbent. And I think based on the results that you're seeing, we are able to make progress, grow the business, grow faster than the category, and improve margins. And I think that speaks to the power of the platform. It speaks to the fact that we have access to many, many common components as it relates to our tech platform, our identity platform, risk, insurance, et cetera, and it speaks to the power of the Uber brand and of teams who are local and understand our market deeply.

So I wouldn't characterize the competitive environment as getting any better or worse. I would characterize it as continuing to be intense, but it's been that way since we started. Nelson, do you want to talk through investments?

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

Sure. So in terms of the investment, I think we said there was going to be probably an incremental \$40 million to \$50 million in the first quarter, and that is for Postmates groceries as well as other adjacencies. In terms of your question specifically around food delivery, again, you've heard us talk in the past, we have a capital allocation model. We go through it every month. We continue to lean and invest and grow.

You are right. We are in very competitive marketplaces, as Dara mentioned, but we believe we're winning in places like the UK and Japan, where we're seeing high triple-digit type of growth, or we saw it in the quarter, and we are continuing to improve the economics. And then obviously, there are some marketplaces like Australia, as you called out, and others that we've called out in the past in terms of not just being very, very strong from a top line perspective, but also very good from a margin perspective as well. And we can see...

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

The number of markets that are profitable that then we can use to either reinvest or we can use to increase our overall profit profile, just the quantum number of markets is increasing and the dollars that those markets are contributing to the P&L are also improving. So those are good trends, but again, it's within the context of a very competitive marketplace. And with these kinds of category growth, I certainly wouldn't count on it getting any better.

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

A

And then the only thing I would add is that I think you heard in my prepared remarks, we will deliver against the \$200 million of synergies in Postmates when we announced the transaction. And so as those synergies come in, again, it will be less in terms of the drag as it is in the first quarter. But again, as Dara mentioned, there are some areas that we will continue to invest for growth.

Balaji Krishnamurthy*Head of Investor Relations, Uber Technologies, Inc.*

A

Operator, next question.

Operator: Your next question comes from the line of Mark Shmulik with Bernstein. Your line is open.

Mark Shmulik*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Yes, hi. Thanks for taking my question. A couple, if I may. The first, I just wanted to follow up on Eric's question. One of the things you mentioned that are in some of those international markets, like Australia, where 30% of those super-users haven't returned. Can you share a little bit of color on...

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

A

Sorry, that was Brazil to be specific.

Mark Shmulik*Analyst, Sanford C. Bernstein & Co. LLC*

Q

Sorry, Brazil, yes. Can you share color on and who is kind of driving that demand? Is it just other kind of returning users or any kind of cross-sell that you're seeing from kind of the Delivery side as the customer acquisition channel?

And then second question, just I think you called it the super apps. And as we just kind of look ahead, any updates on the roadmap there and the timing on how you think about integrating the different pieces into that super app? Thank you.

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

A

Sure. In terms of the user base, I think that it's increasingly become apparent that Uber as a transportation platform is recovering faster than other transportation offerings in most of the markets in which we operate. And I think it reflects the investment that we made in safety, the technology that we invest in to make sure that drivers are masked up, and the trust that investors have – sorry, that riders have in the platforms that we're building. So

we see our service come back faster than taxi. In many cases, we see our volumes come back faster than transit. And it's because of consumer trust and it's because of investments that we're making.

So we are seeing new customer acquisition. It's a customer base that tends to be a bit more price-sensitive. So generally, I would tell you that our trips are growing faster than bookings generally, if you look at many of these markets. And the consumer who – V who don't need to go to work, that can work remotely. That's the consumer who hasn't come back. And when that consumer comes back, we think it will be an enormous tailwind because we'll have a bunch of new customers who have switched over from other forms of transportation, and then we'll have our loyal base coming back as well. So we think the setup is actually a pretty good setup.

I think one factor that has been a little bit surprising to us is that we've also seen non-urban riders come onto the platform with new use cases, et cetera. So in many times, we've seen core come back. We've seen kind of the outer boroughs come back, but we've also seen suburbs come back as well. And again, I think it's because we're a trusted form of transportation, you get a lot of information regarding our platform, and we've invested in, I think we're seeing the results of those investments. What was the second question again?

Mark Shmulik

Analyst, Sanford C. Bernstein & Co. LLC

Q

Just around the super app and the timeline and roadmap?

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Again, I don't want to give away the roadmap. That's competitive. But the team is – I'd say there are two factors as it relates to the roadmap. One is that we're adding more categories. And as a result, you will see a super app that is more complete.

And then just as important as adding more categories is that we're adding – we're using machine learning technology to make sure that the choices that we surface to you as either a rider or an eater are the best, most personalized choices. And as you can imagine, we have more data than anyone else in the field. We understand not only usage within Mobility and within Delivery, but across the two. So the combination of more choice and more personalization we think is pretty powerful. And the 10% of new eaters that I pointed out in Q4, that was with the super app being available for the first quarter in Android. So like that number is going to go up.

And what we haven't really driven is delivery back to Mobility in a big way. Our focus has been more on Mobility to Delivery, but we see real potential as far as Delivery to Mobility or delivery to alcohol or delivery to grocery, and those are all areas that we're focused on.

Balaji Krishnamurthy

Head of Investor Relations, Uber Technologies, Inc.

A

Next question, operator?

Operator: Your next question comes from the line of Doug Anmuth with JPMorgan. Your line is open.

Douglas Anmuth

Analyst, JPMorgan Securities LLC

Q

Great, thanks for taking the question. Dara, you may have touched on it briefly on Drizly and the acquisition, but just wondering if you can help us understand more just the rationale kind of from a build versus buy perspective and then also a little bit more around the unit economics of the business? Thanks.

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

A

I think for us, as far as build versus buy, it went down to – we got to know the Drizly team. We were super, super impressed with them. And I think that while at a high level, it's easy to say, well, this is delivery of all things, and it's delivery of food or delivery of grocery or delivery of alcohol, actually, each of these verticals can be quite idiosyncratic. And it is hard when you have a generalized platform to go in really, really deep as far as, for example, how do you search for products.

So as one small example, people who come to the Uber Eats app tend to search restaurant first, merchant first and then product. People who come to Drizly tend to search product first and then merchant. What are you looking for? Do you want IPA? They go product first, then the Drizly team is able to identify the merchants who are able to fulfill that product based on a combination of speed and price, and then you dig, and then you go merchant second. That's just one example of how these two products that seem similar, and over a period of time, are going to come together, they're actually in these early iterations, and it's the details that really, really count, quite idiosyncratic, quite different. With alcohol, you've got the regulatory environment, which is different from state to state to state. As you know, we're highly, highly regulated company on a local basis. And we just saw Drizly team who built, who built fast, who built profitably and also did it the right way.

So I think putting together like a product that is first-class, merchant base that is highly penetrated and introducing them to the giant audience that we have, that's a pretty powerful combination. And you've seen it kind of executed on in other tech companies. And I think, we will be able to turbocharge Drizly growth, hopefully, and also leave that team to execute the way that they've been executing, which is at a very, very high level. Next question.

Douglas Anmuth*Analyst, JPMorgan Securities LLC*

Q

Excellent. Are there any...

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

A

Go ahead, sorry.

Douglas Anmuth*Analyst, JPMorgan Securities LLC*

Q

I was just going to follow up and ask if there was any more color just on how you think about unit economics and take rate in the business?

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

A

Yeah. So this is Nelson. So as you might expect, the take rates, the basket sizes are larger versus the traditional ride or even a food delivery. And then, as Dara mentioned, it is a little bit different because it's mostly a 2P business. And so what they do is they connect local merchants. And so if you've not used the product, you should. They do a wonderful job. And then what they do is that they're competing. And so – and they're providing,

in most cases, the courier. If not, they do use third-party couriers as well. And so the economics actually are quite good.

And as Dara mentioned earlier, they are profitable today. And as you know, they are small and we think they have a huge opportunity to continue to grow, but navigating through all of the various state-by-state liquor. So if you're in the state of Pennsylvania, you actually can't buy liquor, you can only buy beer, and it differs by state. And so they've done a very, very good job in terms of setting it up. But again, we like the unit economics a lot. The basket prices are very strong.

Douglas Anmuth

Analyst, JPMorgan Securities LLC

Great, thank you both.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

We also think the media opportunity there is pretty interesting as it is in the delivery space generally.

Balaji Krishnamurthy

Head of Investor Relations, Uber Technologies, Inc.

Okay. Next question, operator?

Operator: Your next question comes from the line of Lloyd Walmsley with Deutsche Bank. Your line is open.

Lloyd Walmsley

Analyst, Deutsche Bank Securities, Inc.

Thanks guys. I have two questions, if I can. Just first, can you just talk a little bit more about your strategy for passing along the kind of Prop 22 costs? Are you passing the entire amount along to customers or keeping it in California? What are you seeing kind of competitors do and customers react?

And then the second one, can you talk about Uber Direct? How big of a priority is that for this year? And besides maybe grocery, what are some of the focus areas in terms of your partnerships? And anything you can share on kind of unit economics for that would be helpful. Thanks.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

Okay. So I'll cover Prop 22. So, first of all, we believe Prop 22 was the right outcome for drivers and riders and Uber. And the price increases are manageable when compared to the 100-plus increase associated with traditional employment that we would have seen us exit most markets in California, and not just us, but our other competitors as well.

So for Mobility, we've increased prices to account for most of the new costs, although we've absorbed a small amount ourselves. And for delivery, the cost impacts are larger than Mobility. And while the price increases have accounted for the majority of the cost to the customer, but we have seen slightly bigger impact on Mobility. And so I guess the short answer is, we have seen some cost. We do think it's right. We passed a fair amount on the consumers, but we've also absorbed a fair – some ourselves.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

And then on Uber Direct, as we mentioned, the direct business is about 18% of Postmates business in Q4. It's a much, much smaller percentage of Uber's overall business. And our focus on the Enterprise has mostly been as it relates to U4B and now Eats for Business where we've seen incredible Enterprise growth, but it's – Bank of America, for example, using Eats for Business.

So this is actually a – I would consider it a relatively greenfield opportunity for Uber. We have – we focused on initially kind of a consumer-to-consumer package delivery through Uber Connect, which has been very interesting. But the Enterprise business is one where, frankly, we're going to take the lead from the Postmates team, who has built out those capabilities, already has merchant relationships with Apple, with Walmarts and many others. And with our scale and our geographic footprint, which is broader, we think we can scale that business out quite attractively.

The unit economics of the business that we've seen with Postmates are encouraging. And we think that it will be additive business and margins that are generally comparable on a bottom line basis because you're not going to get kind of revenue – net revenue margins that are the same as a marketplace business. But from a bottom line kind of variable contribution margin basis, we think the unit economics are going to be roughly comparable. But it's a pretty cool promising business, and we're looking forward to the Postmates' team and building on their efforts.

Lloyd Walmsley

Analyst, Deutsche Bank Securities, Inc.

Q

All right. Thank you.

Balaji Krishnamurthy

Head of Investor Relations, Uber Technologies, Inc.

A

You're welcome. Next question, operator?

Operator: Your next question comes from the line of Jason Helfstein with Oppenheimer. Your line is open.

Jason Helfstein

Analyst, Oppenheimer & Co., Inc.

Q

Thanks. Two questions. Nelson, can you unpack maybe the quarter-to-quarter decline in the Mobility or the decline in – excuse me, Mobility take rate? And then maybe comment a bit how we should think about it in the first quarter. And then, Dara, I mean, we're all kind of working through our TAM models. And just maybe how are you thinking about ramping grocery versus convenience versus pharmacy versus alcohol? And just how you think about US versus international because I think the business is kind of right now at the unit economics by geography? Thanks.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

So the big driver of the take rate change for Mobility is really just mix. You heard Dara talk earlier about the fact that Brazil is almost 80% – 85%, 90% of where it was pre-crisis. And so Brazil, which, as you know, is one of our larger marketplace, has come back a lot faster than a place like the US and parts of Western Europe. And so it's really just mix shift-related.

I think you heard in my prepared comments on the call, we expect take rates to be largely flattish in the first quarter, but again, there could be some variability based on mix shift. And as we see more recovery in some of the markets like the US or like parts of Western Europe, you should see the mix shift benefit as that happens.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

And then as far as the adjacencies and how we think about the adjacencies, obviously, Cornershop has been a part of our business for longer, for a bit of time now. It's a team that, again, has really built that business quite effectively with a relatively small amount of capital. So they have built a pretty efficient cost base and a service that really driving is a significant amount of loyalty as far as their customer base goes.

So listen, I think if I were to order it, I think the grocery opportunity is very significant. And when you look at the percentage of consumers who have ordered grocery delivery, have used grocery delivery versus, let's say, food delivery, actually, grocery delivery is substantially behind in terms of adoption than food delivery. So we think the opportunity with grocery is significant. We don't think that the markets have been one. We have – obviously, the Cornershop team has a big presence already in Latin America. Uber has a very big presence in Latin America. So the LatAm markets are absolutely a priority.

But I think Europe and the US are very high potential markets. In the US, I think our approach is going to be more merchant-led. We'll look to sign up significant merchants. And obviously, then we will expand in geographies that match up those merchants. And Europe, we're going to be quite opportunistic. So certain countries like France, for example, we are off to a really, really strong start there organically through the mainline Uber service.

So I think grocery, we're kind of working on all fronts, but the global scope that we have is unique. We're going to scale the business. We anticipate scaling the business at multiples of the run rate that we're at now, which is \$1.5 billion run rate. And the unit economics, we don't have to kind of prove out the unit economics. The Cornershop team has already proven out the unit economics. So it's about taking attractive unit economics, scaling and really investing and building the merchant relationships over a period of time.

Balaji Krishnamurthy

Head of Investor Relations, Uber Technologies, Inc.

A

All right. Next question?

Operator: Yes. Your next question comes from the line of Youssef Squali with Truist Securities. Your line is open.

Youssef Squali

Analyst, Truist Securities, Inc.

Q

Great. Thank you. Two questions, please. One is actually just a follow-up to that question, Dara. Maybe focusing on grocery and convenience store opportunity, so the competitive landscape seems to be pretty intense, probably even more intensive than Delivery. Can you just speak to the competitive advantages that you see Uber is having relative to your key competitors? And kind of what are the key issues that still need to be ironed out before you kind of basically maybe accelerate the investments there beyond what Nelson just said earlier, about Q1. And then on Prop 22, it's now been challenging core by some drivers in the labor union. Does that worry you? And where are you in your discussions with policymakers in other states, I guess, especially given the new administration? Thanks a lot,

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Sure. I think on grocery, I'll keep it simple. We have over 90 million monthly active platform consumers right now on the platform. And we have proven with our Mobility business being able to drive consumers to our Delivery app, basically for free, the ability to move consumers and audience across this platform because they trust Uber, they trust our brand. We have all their information. They trust us with their payment information, and they trust us with their location.

So we've already done it, and I think we can do the same with grocery because we've essentially already proven out the unit economics. We don't need to make the unit economics work. The unit economics already work. We have a global audience. And that's we think a substantial strategic advantage versus our competition. It's really the merchant relationships that we have to work on. And in many markets, we are in great shape, and in some markets, we have to develop those merchant relationships.

On Prop 22, we've got Tony West, our Chief Legal Officer, on the line, I think. Tony, are you on and can you comment on it?

Tony West

Senior Vice President, Chief Legal Officer, and Corporate Secretary, Uber Technologies, Inc.

A

Sure. But could you just repeat the Prop 22? I know it was driver support, but I didn't get the full question.

Youssef Squali

Analyst, Truist Securities, Inc.

Q

Yeah. So I was just saying that it's basically been a challenging quarter, by I know at least one labor union and some drivers. And so is that something that worry you – worries you at this point? And just broadly speaking, where are you in your discussions with policymakers in other states to try to use Prop 22 as a blueprint for other geographies?

Tony West

Senior Vice President, Chief Legal Officer, and Corporate Secretary, Uber Technologies, Inc.

A

So taking that last question first, those conversations are ongoing. And we were very clear after Prop 22 that we thought it was a good model, a good base from which to have conversations about how you have an independent contractor-plus model, one that allows for benefits in addition to the flexibility and independence that we know earners prefer. So those conversations are ongoing in various venues around the country.

And with regards to the lawsuit, you may have seen that the California Supreme Court actually denied the lawsuit, said it was not properly brought at the Supreme Court level. We expect that that lawsuit will probably show up again in some other form in a lower court. But on the merits, it's not one that particularly concerns us.

Youssef Squali

Analyst, Truist Securities, Inc.

Q

All right, thank you.

Balaji Krishnamurthy

Head of Investor Relations, Uber Technologies, Inc.

A

Operator, let's take the last question.

Operator: Certainly. Your last question comes from John Blackledge with Cowen. Your line is open.

John Blackledge

Analyst, Cowen and Company

Q

Great, thanks, two questions. First on Mobility, could you just discuss views on the business recovery over the next two years, maybe parsing out commuting versus business/airport travel? And then on Delivery, how do you view the long-term profit profile for the new verticals relative to each long-term profit profile? Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Sure. I'll get the one on Mobility and, Nelson, maybe you can talk about the profit profile. Listen, I think as far as the Mobility recovery goes, this year the recovery timing is going to be very much dependent on when and how cities open up. So while we can't predict quarters, we can certainly predict direction. And I think we've proven out in big markets like Brazil and Australia, which is, as these markets open up, the business comes back, and it will start growing again. This is a business that has grown for many, many years. It's fundamentally a better way of moving.

And I think what's really encouraging is that we are seeing a new customer base come onto our platform during these very difficult times. And when you combine that with a customer base who is going to start going to work again, who's going to start going out again, our loyal customer base historically, I think you're going to have a very strong growth profile.

So there's no doubt in my mind that that as we go to look at next year, 2022 or 2023, our Mobility business will grow at substantial double-digit rates. And I believe that we will take share from other modes of mobility because we have demonstrated the safety of the platform, the efficacy of the platform, the ease of use, the dependableness and the affordability of the platform as well. So I'm very, very optimistic as it relates to Mobility trends.

What I'm even more optimistic about are the investments that we're making in other modes of transport and helping the transit agencies of the world recover and rebound of powering taxis with our routing, our e-hail technology, our pricing technology, et cetera. These I think will be incremental positives. And putting it all together, I think it adds up to essentially a platform for any kind of transport in your city and a unique platform in terms of the scale and global scope.

I think that travel – internal company business travel will probably come back a bit slower. So it may take a couple of years to come back. Companies have cut down on it. They're using Zoom, et cetera. So I think that will be a slow return, but I think external travel, salespeople going to visit clients. Once you've got a salesperson win a client with a personal visit versus someone who just tries to win a client on Zoom, they're going to have plenty of folks traveling out just like they have for years and years and years.

So internal travel, business travel may be a little slow to recover, but external business travel we think will recover very quickly. And I think leisure travel will bounce back really quickly and significantly, not just this year, but the next two or three years.

So we're pretty optimistic. Again, we can't predict near-term timing. But when we look over a couple years, the trends are there. And I think we've got a great kind of investment profile as well as profit and cost profile as the business comes back. Nelson, do you want to take the second question?

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

Sure. So in terms of new verticals in Delivery, it's actually too early to comment and be too specific. But hopefully, we've proven to be pretty disciplined in terms of how we view investment. And we've been talking about it with our investors and all of you folks over the past quarters in terms of how we go through our research allocation. You've seen and you saw during the course of 2020 the number of different actions we've taken, including not just acquiring, but also moving away from things that we didn't think made sense from a long-term profit perspective.

We are going to continue to test and try a lot of different things. You probably heard Dara talk before about the fact that we really want to own the next hour. And so in doing so, we are trying to figure out over the course of the next few years as we move through COVID recovery what are those things that we have the right to play, and you will see us lean in.

And as you know, we've announced that we're doing some pharmacy-type things in the place like New York. We've already talked a little bit about Drizly on the call. You've heard us talk a little bit about Cornershop and grocery. So we think there are a number of different verticals that you're going to see us continue to build on. And it's all about building and bringing in more people into the community. And so you hear about how many people, active users we have and so we will continue to build on it. We will be disciplined in terms of the economics.

And you heard on Drizly, one of the things we really like was just the basket sizes. And you've heard us talk in the past about the way you drive margin as you get scale, you have economies, you get good basket sizes and you can generate margins. And so we'll continue to do that.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

I think just the only thing to add is like, I think that it's pretty simple in that our customer acquisition costs will structurally be lower, all things being equal, than our competitors' customer acquisition costs. And in these early markets, because all of these markets are in very, very early adoption, customer acquisition costs tend to be very significant as a percentage of, let's say, economics. What I'm really excited about with our membership program, now it's 5 million ever strong, is that our membership program just becomes more and more powerful.

We'll be the only membership program that is providing discounts on food, providing discounts on rides, free grocery delivery, free alcohol delivery, et cetera. We will have the deepest and most meaningful local membership – high-frequency local membership model. And what that'll result in is not only a structural advantage in terms of customer acquisition costs, but also, hopefully, an advantage in terms of customer retention and lifetime value.

And then underneath all of that, we've built the payments ecosystem. We built the identity ecosystem. We have teams on the ground in every single 180 cities. So overhead costs and our operational costs should actually be more efficient than any of the other players. So like better cap, better LTV, more attractive margin profile, you put that together and you have the makings of – we did it in Mobility, we did it in food. We're going to do it in Delivery.

John Blackledge

Analyst, Cowen and Company

Q

Thank you so much. Super helpful.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

You're welcome. All right. I think, Balaji, that was the last question, if I'm correct. Is that right?

Balaji Krishnamurthy

Head of Investor Relations, Uber Technologies, Inc.

A

Yes. Yes.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

All right. Great. Just I did want to say a special thank you to the Uber teams. 2020, I think, has been a super difficult year for the world. It's been a really difficult year for us as a team, but I'm just incredibly proud of how the team stood up. We asked ourselves a question like, how can we help our community first, how can we help our drivers first, our couriers first? And the team really, really stepped up this year. We've got a huge amount of work ahead of us, but you really stepped up. So thank you for that.

As far as our investors go, we will talk to you next quarter. And thank you for your interest, and thank you for your investment.

Operator: Ladies and gentlemen, this concludes today's conference call. Thank you for participating. You may now disconnect.

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