

04-Nov-2021

Uber Technologies, Inc. (UBER)

Q3 2021 Earnings Call

CORPORATE PARTICIPANTS

Balaji Krishnamurthy

Head of Investor Relations, Uber Technologies, Inc.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

OTHER PARTICIPANTS

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

John Byun

Analyst, Jefferies LLC

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Edward Yruma

Analyst, KeyBanc Capital Markets, Inc.

Ross Sandler

Analyst, Barclays Capital, Inc.

Deepak Mathivanan

Analyst, Wolfe Research LLC

Michael McGovern

Analyst, BofA Securities, Inc.

John Blackledge

Analyst, Cowen & Co. LLC

Mark Mahaney

Analyst, Evercore Group LLC

MANAGEMENT DISCUSSION SECTION

Operator: Hello. My name is Brent, and I will be your conference operator today. At this time, I would like to welcome everyone to the Uber Q3 2021 earnings conference call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, we will conduct a question-and-answer session. [Operator Instructions]

Thank you. I would now like to turn today's call over to Mr. Balaji Krishnamurthy, Head of Investor Relations. Please go ahead, sir

Balaji Krishnamurthy

Head of Investor Relations, Uber Technologies, Inc.

Thank you for joining us today, and I want to wish a very happy Diwali to all who celebrated. Welcome to Uber Technologies' third quarter 2021 earnings presentation. On the call today, we have Uber CEO Dara Khosrowshahi and CFO Nelson Chai.

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 at investor.uber.com. As a reminder, 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 risks and uncertainties described in our most recent Annual Report on Form 10-K for the year ended December 31, 2021 and in other filings made with the SEC when available.

Following prepared remarks today, we will publish the prepared remarks on our Investor Relations website, and we will open up the call to questions.

For the remainder of the discussion, all third quarter growth rates reflect year-over-year growth and are on a constant currency basis unless otherwise noted. For October trends, we will be providing comparisons with October 2019 in addition to year-over-year trends.

Lastly, we ask you to review our earnings press release for a detailed Q3 financial review and our Q3 supplemental slides deck for a number of additional disclosures that provide context on recent business performance.

With that, let me hand it over to Dara.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Thanks, Balaji.

Over the last few quarters, we focused on achieving two things. First, we've worked hard to get Uber firing on all cylinders again, driving recovery for Mobility, continued growth for Delivery and scaling our momentum with Freight. Second, we've been disciplined in our execution to ensure growth is sustainably profitable and that we live up to our commitment to shareholders. Our results this quarter demonstrate the incredible progress we've made against these objectives. Reaching total company adjusted EBITDA profitability is an important milestone and one that's even more impressive when you consider where we were as a company just 18 months ago.

In Q3, our Mobility business delivered margins consistent with 2019 highs. Meanwhile, our global Delivery business nearly reached breakeven. In the US and Canada, our multi-quarter investment cycle and strong execution by our Delivery team resulted in us both gaining category share and improving profitability, with adjusted EBITDA growing more than \$130 million quarter on quarter to approach breakeven.

Today's profitability milestone is an important step, but it's just a step. What it comes to delivering on our mission and building a generational company, we know that profitability is a means, not an end. We remain focused on generating positive free cash flow while also making disciplined investments to appropriately fund growth initiatives that will carry us into the future. Uber is at the center of multiple massive opportunities in Mobility, Delivery, and logistics, and our platform is stronger than ever before.

I want to take a minute to update you on our driver and courier recruitment efforts before turning to demand recovery and then a bit on our long-term growth plans. When we first saw demand beginning to outstrip supply in Q2, we made a conscious decision to invest fast and to invest aggressively in attracting drivers back to Uber, with

a focus on the US. The results are clear. We've seen 10 consecutive weeks of active driver growth in the US, resulting in a far better rider experience. The number of active drivers is up more than 65% since January and more than 20% since June.

As a result, the incidence of surge pricing has fallen by nearly half, and wait times are now below the magic five-minute mark on average. We did this while meaningfully reducing incentive levels, and at the same time driver earnings remain near all-time highs due to increased utilization.

We've also continued to grow the number of couriers on Eats in the US, with active couriers up 80% since January and 25% since June. In other words, not only are we approaching our supply/demand balance for Mobility in the US, we've done so while nearly doubling our delivery courier base from its low in Q1.

All in all, our monthly active driver and courier base in the US has grown by nearly 640,000 since January. Against the backdrop of historic labor shortages and an abundance of choice for workers, this is a strong endorsement of Uber's value and the value of independent, flexible work. In a world where flexibility has increasingly become non-negotiable for workers across the economy, we believe Uber will be an even more attractive option going forward.

We've now shifted to hyper-targeted driver growth campaigns geared towards particular markets all the way down to specific neighborhoods and times of day. We're also focused on tech improvements that increase sign-up rates, combining our onboarding process across Mobility and Delivery. So individuals can sign up for both simultaneously and can start delivering while they're waiting to be approved to drive. This is a unique advantage available only to Uber, which has resulted in a 20% to 40% increase in courier and driver activation rates. We expect to roll out this feature as widely as possible in the coming months.

In some non-US markets like the UK and Brazil, the driver base is back to roughly the same size as it was pre-COVID, but it still hasn't kept up with very strong demand, which has grown past 2019 levels. That said, we're comfortable that the bulk of our recruitment spending is behind us, and that by taking learnings from the US and applying them abroad, we can be much more efficient and effective in our approach.

Now a bit on demand recovery. After a period of soft demand driven by the Delta variant, the Mobility recovery has reignited, with Mobility gross bookings expanding 18% over the September and October period.

While several markets around the world, including the UK, Brazil, Germany, Spain, Taiwan, and Hong Kong, are up against 2019, we hit another milestone last week. Our global Mobility business posted its first few days of growth versus 2019. In fact, this year's Halloween weekend eclipsed 2019, demonstrating consumers' excitement to get out and move again. We believe volumes will return to trend line outside of holiday periods, but the underlying trend line continues to get better and better.

Notably, airports are beginning to show meaningful activity, with US airport trips up more than 20% and business airport trips growing nearly 60% over the past two months. We're innovating into this demand with a series of product updates geared towards airports, including the ability to book a car with Uber Reserve up to 30 days in advance with built-in flight tracking, so your ride is ready for you, whether you're early, delayed, or hopefully on time.

Meanwhile, we've continued to see sustained consumer engagement on Delivery, lending further support to our belief that increased demand for all types of fast delivery is structural and will grow for the foreseeable future. Over the past two months, Delivery gross bookings have grown 8% despite reopenings around the world. While

Delivery saw some summer seasonality in parts of Europe, trends have stabilized and even returned to modest growth in those markets.

Even as cities got moving again, Delivery gross bookings posted yet another best week ever last week. In fact, we set a new best week ever for weekly total company gross bookings in seven of the last eight weeks, and October was our best month in our 12-year history, thanks to the work of all of the Uber team members.

Looking ahead, it's our goal to grow both our top line and our bottom line at healthy, consistent and sustainable rates. That means being flawless in our execution and disciplined with our capital allocation for the large opportunities in front of us across Mobility, Delivery, and Freight.

Our Mobility team is raring to go. While the team has appropriately managed costs through the crisis, our Mobility team has been seeding growth opportunities in five areas: low-cost products; category expansion; hailables; enterprise; and further geographic expansion. We believe that the underlying growth characteristics of on-demand mobility and our growth bets can sustain double-digit growth for multiple years while creating more opportunities for drivers.

On low-cost, we've begun to test a reimagined shared rides product with a focus on safety. Uber Reserve is a great expansion of our category from on-demand to advance booking and is now live in 68 countries and is already tracking well ahead of our expectations. We're bringing more traditional street hail modes like taxis and motorbikes onto Uber, allowing us to expand into new geos, offer another choice to riders, and generate more demand for drivers.

On enterprise, we've begun to roll out an employee shuttle product using Uber's tech that our B2B sales team can plug into our corporate discussions. It's a very cool product. It's already rolled out for Uber. And our geographic expansion continues, with growth markets like Germany and Spain showing real momentum and bookings already 40% larger than they were in October 2019. It's important to note that we've been investing in these growth opportunities for years in some cases, so we are not running here from a standing start.

Our Delivery business is even less penetrated. And although there will be some moderation in growth compared to the last 18 months, we expect continued strong growth in the years ahead from both the core restaurant delivery business and our emerging new verticals business.

As cities reopen, we're seeing evidence that delivery complements dine-in, as third-party food delivery has continued to grow, even as seated dining trends have fully recovered to 2019 levels. As the largest food delivery platform outside of China with a leading position in seven of our top countries and second position in virtually all the rest, we believe that we are best positioned to tap into this opportunity.

Outside food delivery, we're increasingly tapping into consumers' growing appetite for the on-demand delivery of everything. Today, we're focused on addressing grocery, convenience, and alcohol through our marketplace, bolstered by the addition of Cornershop and most recently, Drizly through the Uber platform. In addition, with Uber Direct, we're working with retailers to fulfill demand from their own channels in a white label product that uses our delivery tech.

All of our consumer initiatives will be underpinned by our membership program. We built a good foundation with Uber Pass and Eats Pass and recently announced a strong partnership with Hulu and Aeroplan, while further deepening our engagement with American Express. Our team has been hard at work on the next evolution of our membership plan, and stay tuned for more news on that in the coming months.

Lastly with Freight, we see a massive opportunity to disrupt the freight brokerage industry with our technology, which now connects more than 1 million carriers to shippers. This year we've seen a record number of newly authorized carriers entering the market, up 3x versus the end of 2020, as more drivers are choosing to become owner/operators. As one of the leading choices for these new carriers, Freight's total carrier base has grown almost 50% over last year. We're also looking forward to closing on our acquisition of Transplace in Q4 as we move towards our vision of connecting first, mid, and last-mile logistics across the Uber platform.

It was a great quarter and one that should put to rest the many questions we've gotten, not always unfairly, about whether the unit economics of this business work. The answer is a resounding yes. But as I've said to the team, now the real work begins. Looking ahead, as we've done in the past, we'll continue to make investments that will set us up to succeed in the next frontiers of opportunity and deliver exceptional value to all of our stakeholders.

Now over to Nelson.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

Thanks, Dara.

We've consistently noted throughout the year that H1 will be a period of investing for recovery and growth, after which we would demonstrate strong operating leverage in H2. In Q3, we delivered on our commitment to turn adjusted EBITDA profitable by the end of 2021.

Our Mobility business returned to healthy adjusted EBITDA margins despite the significant ongoing headwinds of the pandemic, while Delivery approached breakeven. Across our markets, we continued to see very healthy profitability trends that bolster our confidence in the long-term earnings potential for our business.

For Mobility, 18 of our top 20 markets were adjusted EBITDA profitable. In the US and Canada, our adjusted EBITDA margins expanded to more than 6% of gross bookings. And importantly, in four of our top 10 markets, we're operating above 10% EBITDA margin.

For Delivery, our international and US and Canada businesses were both operating near breakeven in Q3. In addition, the core Uber Eats restaurant delivery business was adjusted EBITDA profitable during the quarter, and we reinvested all of that profitability and more to build a foundation for our new verticals business. We expect to continue to reinvest the vast majority of Uber Eats profits into new verticals expansion in Q4 as well. We are confident that we will see strong returns on these investments over time.

It is important to emphasize the strong execution that underpins these results, as several transitory headwinds continue to impact our business, including food delivery commission caps in the US and Canada, incremental cost of worker classification in the UK, and higher than normal driver incentive spend in some markets. For context, food delivery commission caps and UK worker costs together represented a \$150 million to \$200 million drag to Q3 EBITDA.

Turning to our balance sheet and liquidity position, we continue to maintain a strong liquidity position, ending the quarter with \$6.5 billion in cash and cash equivalents. And our equity stakes were marked at \$13.1 billion. Given the significant movement of Didi stock from June 30 to September 30, we marked down the value of our Didi stake by \$3.2 billion. Conversely, we benefited from the monetization of our Yandex Taxi stake, and we marked

up the value of our stakes in Zomato, Aurora, and Joby, as these companies reach liquidity milestones. The net effect of these moves was a \$2 billion headwind to our GAAP net income.

It's the nature of holding large equity stakes on our balance sheet that our GAAP net income may continue to see swings from quarter to quarter. As we have said previously, we are not a fund manager, and we will monetize the stakes we view as purely financial at the appropriate time while continuing to hold more strategic stakes for the long run. We have sufficient liquidity to give us the flexibility to maintain these positions, with the aim of maximizing value for Uber and our shareholders.

I'll conclude my remarks with an update on recent business trends and Q4 outlook. After a relatively soft summer, we began to make strong progress in the fall, as markets around the world began to open again. Mobility gross bookings crossed the \$44 billion annual run rate in October, with gross bookings up 14% month over month and over 85% recovered versus October of 2019.

EMEA and LatAm remain near full recovery on a gross bookings basis versus October 2019, while the US, Canada, and APAC posted solid improvements through the month. Delivery gross bookings crossed the \$53 billion annual run rate in October, with gross bookings up 9% month over month, up 44% year over year, and up over 220% versus October of 2019. We continue to expect moderation in Delivery year-over-year growth rates from the reopening, although Delivery continues to demonstrate healthy trend lines across most markets, and retention for our consumer cohorts remains strong.

With that context for Q4, we expect total company gross bookings to be between \$25 billion and \$26 billion, representing year-over-year growth of 46% to 52%. And we expect total company adjusted EBITDA to be a profit between \$25 million and \$75 million. Note that this guidance includes contributions from Drizly and projected contributions from Transplace, which we expect to close in Q4, and headwinds from FX and the net effect of a relatively immaterial impact to total company gross bookings and adjusted EBITDA.

With that, let's open it up for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from Brian Nowak from Morgan Stanley. Your line is open.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Q

Thanks for taking my questions. I have two. The first one, Dara, I'd be curious to hear about what you learned about pricing elasticity on rideshare sort of throughout the pandemic and the recovery and pricing. And how should we think about the Rides incremental margin potential as we sort of go forward and you sort of balance profitability with those five key areas of investment?

Then the second one, it sounds like there's an update to Uber Pass coming. Just any numbers at all you can help us sort of understand where you are now within size? What type of uptick do you see in volume or frequency or stickiness, just any stats on Uber Pass right now? Thanks.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Absolutely, Brian. So I think as far as pricing goes, listen, this has been to some extent a giant pricing experiment that no one wanted to get into, but we're seeing the value of our products show through. And even with prices being on average in the US for example, 20% up year on year, we're seeing that as cities reopen, people start using the product, and they use the product a lot.

In terms of use cases, weekend is actually now greater than what it was pre-pandemic. And airports, obviously because of travel, it's coming back fast. But like every single use case is coming back as expected, there are no surprises. And I think it shows the pricing power of our service and the fact that it's an everyday need and just part of both now urban and suburban life as well.

We do think that based on the supply trends that we've seen, and supply trends are definitely getting better, we do think that pricing will ease a bit from the up 20% in Q4. But I think that will result in even healthier trip volume as well.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

And, Brian, the only thing I want to jump in there is that, as you know, because we get a commission on that as pricing increases, it's been beneficial. But I think Dara is right, over time the long-term thing is just making sure we have health in our marketplace.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

And I think as far as Uber Pass goes, I don't want to take the thunder away from the team who has done a bunch of work. Membership now, we've got over 6 million members globally. It accounts for more than 20% of our gross bookings. We think all of those numbers can increase pretty significantly. We continue to see really good engagement from members on the Eats side. Eats members, their trips per month increased by over 50%

members versus non-members. Even basket sizes are higher. Basket sizes are up versus non-members an average of 10%.

When you look at kind of the potential of membership because we are launching it in a ton of markets all over, I would point to one market, Taiwan, where members account for greater than 50% of gross bookings, so we absolutely believe we can get there. And members now in Taiwan are eating with us 15 times per month, which is 3x non-member. So that's the kind of engagement that you can start getting with a service that becomes an everyday part of your use case.

And I think we're just scratching the service here. We're very, very early in our development here. And remember that we have the best membership content, so to speak, than anyone has because our membership will offer not only food, not only grocery and alcohol, but is also going to offer mobility as well. It's a structural advantage that others just don't have access to, and I think one that we're going to press.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Great. Thanks, Dara. Thanks, Nelson.

Q

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

You're welcome. Next question, please

A

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

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Thanks so much for taking my question. Maybe following up on the point you made answering Brian's question, could we just get a better sense of what you're seeing early days in terms of the opportunity set versus the addressable market in non-food delivery in the US and how we should be thinking about the sizing and cadence of those investments going forward when you measure them against the opportunity? Thanks so much.

Q

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Yes, absolutely. So I think as far as non-food goes, grocery is – online grocery delivery clearly has been a very, very growth area in the industry, and certainly with the pandemic took a very, very big jump. But when you look at online grocery penetration, it's still less than 5% of the overall grocery market versus food, which often is more than 10% penetrated. So the penetration of grocery is very, very low as it relates to food.

A

I'd say our opportunity is actually – we have a big incumbent in the US who is a tough competitor, and we are adding content in the US at a really strong pace in terms of partnerships. But outside of the US, there certainly isn't an incumbent out there. We think that we have a very, very good chance of being the non-food leader outside of the US. And in the US because of the power of the platform, we can over a long period of time flip over, especially our members, from delivering – from eating with us, from moving with us, and then getting grocery delivered with us as well.

So we think it's a huge opportunity. The grocery market, these are multi-billion/trillion dollar TAMs. And because of our brand, because of our ubiquitous presence around the globe, and our membership product, we think we can penetrate into this opportunity with much, much less capital than anyone else. Next question.

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

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Hi, Ross.

A

Ross Sandler

Analyst, Barclays Capital, Inc.

Hey, I have two questions. Hey, guys. The Halloween comment is pretty interesting. That's historically one of the biggest, if not the biggest ride-hail days of the year or weekend. So I guess where do we stand on Rides MAPCs [Monthly Active Platform Consumers] versus 2019? And is it just the frequency lower for some of these work and commute day parts? Could you talk about how far off those day parts or those trips are, those categories from 2019 peak levels?

Q

And then the second question is, if we step back and kind of look at the original bull case for ride hail, it was that prices would come down to a low enough level where consumers would start to shift trips over to ride hail and away from public transportation or car ownership. And right now at these prices, it's pretty hard to see that playing out. So how do we get back to that? And if we do see much lower prices a few years out, how confident are you that you can maintain the strong level of unit economics that you're seeing right now? Thanks a lot.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Yes, absolutely. So I think generally, MAPCs now in the US are up about 60%, over 60% on a year-on-year basis. So MAPCs are definitely coming back, frequency is coming back, and volume is coming back year on year. You are correct that if you look at our trends versus, call it, pre-pandemic, GBs are recovered at a higher level than trips. And I'd say that the MAPC trends mirror more our trip trends than our GB trends.

A

I think in terms of kind of pricing and the shift over from other forms of transportation, one point I would make is that we have come back from the pandemic faster than almost any other mode of transportation, despite higher pricing, which goes to the earlier comment that I made about the utility of our product and the pricing power that we've had.

Now, we don't necessarily want that to be a permanent fixture. But I do think with the increased cost of labor and frankly inflation and the increased cost of everything. I do think that prices are going to be up on a year-on-year basis. And as a marketplace, we get a take of that. So our unit economics, you could argue, will be improved.

We are then actively investing in other products that are structurally lower cost. So we are launching an Uber Share pool product. We have been investing for years in a high-capacity product, which is looking more and more attractive as it relates on a unit economic basis, where that can bring the price significantly lower. We think that's a product that we can sell to enterprise, which is pretty cool as well.

And then on a global basis, we're making investments in two-wheelers and three-wheelers, for example. So for example, in Brazil, two-wheelers are just a home run hit because, again, they provide an alternative at a lower cost. It's a great opportunity for drivers and they don't have to buy a car, they have to have a motor bike.

So I think the push to lower cost is going to be more of a structural product push, including, for example, our offering transit on our app. And I think as it relates to pricing, inflation is hitting in every single product, and transportation is one of those products.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

The only other thing I want to add is because you did ask about the times of day. So on a global basis, I think you heard in our comments that we're about 85% recovered in October. And so during workday, which is defined as you can figure out, we're over 95% recovered. On commute, we're over 90% recovered. And where we really haven't seen it come back still is airports continue to lag at about 67% recovered. So we are seeing the recovery, but there are certain times of day, and what we call party and fun times as well is under 80% recovered as well.

Ross Sandler

Analyst, Barclays Capital, Inc.

Q

Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

You're welcome, next question.

Operator: Your next question comes from the line of Justin Post with Bank of America. Your line is open.

Michael McGovern

Analyst, BofA Securities, Inc.

Q

Hey, thanks for taking my question. This is Mike on for Justin. We wanted to ask about the category share trends that you're seeing in Delivery, especially in the US, maybe in October and your willingness to potentially invest in gaining category share.

And then a quick second question. We wanted to ask about the advertising business and the impact that that's had on the delivery take rate. I think you called out a 400 basis point benefit in certain delivery markets for the take rate. So I was wondering. Does that include advertising, or could you dig into that metric a little bit? Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

I'll talk category trends, and then Nelson can talk about ads. Listen, as far as category trends go, we're much more focused internally on building our business in the US. So I think it's a great output that we're able to improve profitability significantly in the US and globally, and we gained CPE in the US. It's a terrific app. Like we're seeing great signal in New York, for example, where we're actually calling in from.

And I'd say the Q4 opportunity for us is now that we have much, much better supply, both on Mobility and Delivery as it relates to drivers and couriers, I think on the Delivery side, we may lean in a little bit to build up a bit of

demand in Q4. So that's contemplated in the guidance that we gave already. We'll be opportunistic. But this is a big category. There are going to be multiple winners, and we're happy about our share progress. It's pretty constructive. And hopefully it will continue into Q4, but it's about building a big business. It's not about stealing share from another player.

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

A

In terms of ads, in Q2 we talked about the fact that our original goal was to exit this year at about a \$100 million growth rate and be in 2022 at \$300 million. And so what I would say is our run rate in Q3 is well over that. So we are very, very confident that we'll exceed both of those targets. The business continues to grow.

I think your specific comment had to do with take rates. And so the only other thing – it's actually in our release, and it just talks about a change in some fees that now come out become part of cost of revenue versus below the line. And so that does have some impact, and it is actually spelled out in our release.

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

A

I think just the other really cool thing about our ad platform is that we're also building an ad product in our Mobility app. So obviously, it's a very, very big audience. As you know, our Mobility MAPCs are actually bigger than our Delivery MAPCs. And really it's a differentiated offering that we can offer to our partners who, as you know, obviously they're very happy about home delivery food, but they want people coming to their restaurants. They want people coming to their stores, and we have an audience that is a premium audience and can be quite a targeted audience that we can offer to these advertisers a very differentiated product from any other player out there. All right, next question.

Operator: Your next question comes from the line of Mark Mahaney with Evercore ISI. Your line is open.

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

A

Hi, Mark.

Mark Mahaney*Analyst, Evercore Group LLC*

Q

Okay, thanks, two things. One, comment on the synergies between the two businesses, Delivery and Mobility, both on the driver side and on the consumer side, any update there?

And then just on the driver incentives, I think that peak quarter was Q2. Just talk about where – and maybe you mentioned this earlier, but just an update on where those driver incentives, what happened to them Q2 to Q3? And is the outlook that you're at a point now where those will steadily continue to decline under most market circumstances? Thanks a lot.

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

A

Let me take the second one – the second question first. And so this is really about take rate. And so as you think about it in the US, we did lean in, which was actually very evident in Q2. What we're going to do, you'll see in Q4 is that you should actually see take rate improve in the US because we are going to be able to continue to taper in

terms of some driver incentives. That being said, Mark, outside the US on the Mobility side, international take rates are seasonally lower in Q4 due to weather. And we actually are leaning in a little bit more in driver supply, particularly as some places like India and Australia recover. And I think the net of all that will be a mix shift. And so you might see some degradation at the total company level on the top line. But again, in the US, you will see improvement in terms of our US take rates.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Mark, in terms of synergy, obviously we have user side synergy and call it, earner side synergy. And the synergy, it continues to improve. It's not a one-time thing, like we're constantly optimizing. So about 50% of, for example, US and UK gross bookings come from cross-platform users. That number is closer to 45% globally and generally increasing. In the US now, Mobility continues to be a very significant customer acquisition tool for Eats. So now a quarter of US first-time eaters are coming from our Rides business, which is pretty extraordinary. For perspective, that's more new users than we get from Google, Apple, Facebook, Instagram, from all of these paid entities combined. So it's free. We have tested that because consumers actually like this super-app that we're building, and the numbers are significant and increasing.

And then on the other side, what's interesting is that 20% of US Mobility first trips are coming from Eaters. So now that we have a very, very big Delivery business, we're able to now cross-platform into, whether it's offers or on the app or off the app, we're able to promote into our Mobility business. That number for the UK, for example, is 40%. I'll repeat it, 40% of UK first trip Mobility users actually came from Eats, were Eats users, which is pretty extraordinary. So we just have this cross kind of pollination of users that's pretty extraordinary.

And listen, in any one year, it's not going to make a giant difference in the business, but it's a compounding of this advantage of essentially free traffic for both our Mobility and Delivery business that over a period of 5 to 7 years becomes very, very significant. And it can either show up in margin or it can show up on share or it can show up in the size of the business.

On the driver side, one thing that's pretty cool is that about a third of our new driver sign-ups now are driving both people and food, so to speak. And that is a higher number than our overall number. So about 25% of our drivers in the US drive both people and food. That number was in the teens pre-pandemic. So it's going up from the teens to 25% overall. And new drivers, a third of them are electing to do both.

So that again is like the iteration of a product getting better and better in terms of kind of pushing both services or offering both services, both on the demand and supply side. So we're not done. I think you will see improved results compounding on top of improved results, which is definitely going to differentiate us over a period of time.

Mark Mahaney

Analyst, Evercore Group LLC

Q

Thanks, Dara. Thanks, Nelson.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

You're welcome.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Next question?

Operator: Your next question comes from the line of Brent Thill with Jefferies. Your line is open.

John Byun

Analyst, Jefferies LLC

Q

Great, thanks so much. This is John Byun for Brent Thill. I had two questions. One, if you could, maybe give an update on the operational integration of Drizly, Postmates, Cornershop, just in general the acquisitions and the partnerships and the geographic availability, how far along you are.

And then second, the Delivery bookings were flat to down a little bit quarter to quarter. I know there was some commentary in the release. But is there anything else you could share as to what it might be? Is it seasonal? Is it quarterly reopening? Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

I think I'll start with Delivery. It's a combination of seasonality and reopenings. So for example, in France, we did see Delivery bookings coming down. As summer months came, in summer months people eat out more and the reopening happened. We're seeing in October Delivery bookings up month on month. And then we think that the momentum that we're seeing in October is going to continue into Q4 as well. So it's a combination of seasonality and reopening, and Q4 is on a very, very strong track.

As far as the integration goes, every integration is different. Postmates is now fully integrated into the Uber stack. So on the front end, it's a product that is distinctive, fun, different in terms of the brand. On the back end, it's running on all of the same machinery, which has allowed us to get some great synergies. Postmates, for example, for the quarter was EBITDA positive as a result of the product synergy that we drove.

As it relates to Cornershop, Cornershop has a huge presence in Latin America. So Cornershop is like the Instacart of LatAm. And so we're going to keep pushing in terms of innovating on the Cornershop app itself. And we are essentially continuing to build a bunch of the grocery features in the Eats app and in the Delivery ecosystem, and over a period of time going to bring essentially our Eats and Cornershop business together. But the Cornershop business on standalone is a really, really great business, and we want to make sure that we keep growing that business.

And then with Drizly, we're going to keep Drizly relatively standalone. I think listen, integration and innovation I think to some extent, cut against each other. Drizly is in the very, very, very early stages of development. There's a ton of growth ahead of Drizly coming out. And as a result, that team is going to be operating largely standalone, but will benefit from front-end cross-promotion from definitely our Eats business. You see more of a presence in the Eats app as it relates to the liquor vertical.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

And the only thing I would add is that when we made the Postmates acquisition, we talked about synergies, and so we've actually realized the synergies that we mentioned at the time of the acquisition.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Yes. Great job to the team on the integration side.

Balaji Krishnamurthy

Head of Investor Relations, Uber Technologies, Inc.

A

You can take the next question.

Operator: Your next question comes from the line of Edward Yruma with KeyBanc Capital. Your line is open.

Edward Yruma

Analyst, KeyBanc Capital Markets, Inc.

Q

Hey, guys. Thanks for taking the question. You indicated, gave some context behind the headwinds due to the fee caps and the UK worker rules. I'm just trying to understand. In the medium term, do you need to seek regulatory relief to improve those, or do you think that there are pricing mechanisms or other ways for you to alleviate some of the pressure from some of these [ph] schemes (42:17)? Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

So I think on the regulatory front, listen, we're certainly not counting as it relates to our go-forward numbers in Q4 or next year on the regulatory environment changing. We're kind of predicting the environment that we operate in.

We think that from a regulatory standpoint, fee caps are poor regulation. And essentially, they force us to increase costs to eaters, and they don't make sense from a regulatory standpoint. They're we think illegal, and we will challenge them appropriately. But I do think that as far as our plans go, we're not counting on regulatory relief there.

Edward Yruma

Analyst, KeyBanc Capital Markets, Inc.

Q

Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Next question? Sure.

Operator: Your next question comes from the line of Deepak Mathivanan from Wolfe Research. Your line is open.

Deepak Mathivanan

Analyst, Wolfe Research LLC

Q

Great, thanks for taking the questions. So the first one, I think you noted that EMEA and LatAm have almost fully recovered on the Mobility business in October. Can you give some color on the marketplace dynamics in these

regions between pricing and volumes? Also, I mean, clearly, not all the use cases in these regions have probably fully recovered, but wondering where you see the incremental usage in these regions.

And then a second question, can you give some additional color on what we should expect on EBITDA trends between the two businesses separately, Rides and Eats, for 4Q? I know there is some seasonality in 4Q Rides take rates, but how should we think about EBITDA? Thank you.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

So I'll handle the second question first, and Dara will do the other one. So in terms of the EBITDA, as you know, the Mobility business continued and had a really great quarter from a bottom line perspective. And I think you heard in my prepared remarks that in places like the US, in Canada where we achieved 6% of EBITDA as a percent of gross bookings, and the fact that four of our top ten marketplaces are actually above 10%. And so I think what you'll see is you'll see that business continuing to improve.

As I said in my remarks around Delivery, we went from a significant loss in Q2 to almost close to breakeven in Q3. And I did point out the fact that our base Uber Eats restaurant delivery business was actually profitable in Q3, and we've reinvested that profitability into our new verticals, which will continue. So I think you should expect that in Q4 that would be the case. And so that's what I would tell you.

And again, we try to put out the bottom line guidance to help. As you know, we had a terrific October, and you heard the numbers around Halloween and what's going on there. But as you also know that the pandemic has been hard to predict at times. And so you should assume that we're going to be a little bit prudent as we're thinking about that. So hopefully, that answers your question.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

And as far as the difference, let's say, between Europe and the LatAm markets and the US, if we think about Europe first, obviously the reopening pace very much depends on vaccinations, whether markets are open or whether markets are not open. I'd say generally, Europe has opened up faster than the US. Another factor in Europe that's a bit different than the US is that the driver supply is more inelastic, in that a higher percentage of drivers in Europe tend to drive more than 30 hours, say, or more than 40 hours.

So during the pandemic, supply didn't go down as much, so that when demand came back, you already had, let's say, excess supply in the market to take up the slack. What we're seeing now in a lot of European markets is that demand is like higher than pre-pandemic. And so we think that the ability for us to grow supply beyond pre-pandemic in Europe is going to take a little bit more time because the markets tend to be a bit more regulated, and the shift just doesn't happen quite as quickly. And part of Q4 is leaning a little bit into those markets based on the results that we've seen in the US and frankly kind of the learnings in the US, which have been really, really significant and really great work by the teams.

Other factors that I'll point to in Europe that's different from the US as far as the use cases go, not that different, but airports haven't come back quite as fast in Europe as the US airport trips. We don't see any reason why that won't normalize, but it's just a factor in there.

I think if you look at the LatAm markets, super-strong markets. Generally, the LatAm markets, we haven't seen, I'd say, the kind of close-downs that you've seen in some of the Western markets. So those markets have been – the lows haven't been as low, the highs haven't been as high, et cetera. They've been a bit more fluid.

Generally, I'd say Mexico, the reopening is a bit slower than we see in the rest of the world, and we're hoping that the reopening happens in a safe and healthy way. Airport trips in LatAm have been coming back at decent rates. And we are seeing now demand in the LatAm markets be very, very strong. And again, we will look to grow supply, driver activations, et cetera in a constructive way.

Balaji Krishnamurthy

Head of Investor Relations, Uber Technologies, Inc.

A

Operator, we can take the final question.

Operator: Your final question comes from John Blackledge from Cowen. Your line is open.

John Blackledge

Analyst, Cowen & Co. LLC

Q

Great, thanks, two questions. First, just given the improvements in driver supply in the quarter, when do you think Uber will be at an appropriate driver supply to meet the rising Mobility demand? And with the driver utilization gains that you discussed earlier, Dara, as things return to normal, would you expect to hold on to those high driver utilization levels?

And then just a quick one, the new Delivery verticals as a percent of Delivery GBs in 3Q, and how should that mix trend over time? Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Sure. I think, listen, on the driver supply side, I don't think we're ever going to have enough drivers. I think we're going to want to keep growing our driver supply base. I remember in Q4 by saying that growing our driver supply base and building our relationship with drivers who use the platform and making this a truly, truly great platform to earn on, flexibly earn on, it's a strategic imperative for the company.

And as we grow the use cases, the Mobility use cases with the new product that I talked about with the pool product and the high-capacity vehicle products and the enterprise high-capacity vehicle product and two-wheelers and three-wheelers, we just think we're going to attract a broader segment of earners onto the platform, along with Delivery. And we are now learning more and through experimentation and data, understanding what the situations are where we can encourage a driver to deliver food and what are the occasions where we can have couriers move people around as well.

So I think we're going to see more earners on our platform for years and years to come. And we are finally getting the right muscle in terms of promoting cross-platform usage, which is going to lead to higher utilization on our platform in terms of time of day and in terms of driver utilization. Structurally, it will be an advantage over the other players. So we want to be that platform that is the one-stop shop for earners that they keep coming back to for a long period of time.

As far as new verticals as a percentage of Delivery bookings, it's in the 6% to 7% range at this point. And obviously, we want to break into double digits next year and the years beyond. We are very, very early in the growth curve. We are in investment mode. But I'd say we're in prudent investment mode. And again, we have the advantage of having audience and it's about cross-promoting to our audience. We got it right from Rides to Eats. We're getting it right from Eats to Rides, and we're going to get it right in terms of Eats to new verticals.

John Blackledge

Analyst, Cowen & Co. LLC



Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

I think that is it. Thank you, everyone, for joining us on the call. A huge thank you to Team Uber in getting to EBITDA profitability. And I'm addressing the team. You've heard it from me many, many times. This is just one step in the growth and development of our company, but a big thank you to the team.

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

Disclaimer

The information herein is based on sources we believe to be reliable but is not guaranteed by us and does not purport to be a complete or error-free statement or summary of the available data. As such, we do not warrant, endorse or guarantee the completeness, accuracy, integrity, or timeliness of the information. You must evaluate, and bear all risks associated with, the use of any information provided hereunder, including any reliance on the accuracy, completeness, safety or usefulness of such information. This information is not intended to be used as the primary basis of investment decisions. It should not be construed as advice designed to meet the particular investment needs of any investor. This report is published solely for information purposes, and is not to be construed as financial or other advice or as an offer to sell or the solicitation of an offer to buy any security in any state where such an offer or solicitation would be illegal. Any information expressed herein on this date is subject to change without notice. Any opinions or assertions contained in this information do not represent the opinions or beliefs of FactSet CallStreet, LLC. FactSet CallStreet, LLC, or one or more of its employees, including the writer of this report, may have a position in any of the securities discussed herein.

THE INFORMATION PROVIDED TO YOU HEREUNDER IS PROVIDED "AS IS," AND TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, FactSet CallStreet, LLC AND ITS LICENSORS, BUSINESS ASSOCIATES AND SUPPLIERS DISCLAIM ALL WARRANTIES WITH RESPECT TO THE SAME, EXPRESS, IMPLIED AND STATUTORY, INCLUDING WITHOUT LIMITATION ANY IMPLIED WARRANTIES OF MERCHANTABILITY, FITNESS FOR A PARTICULAR PURPOSE, ACCURACY, COMPLETENESS, AND NON-INFRINGEMENT. TO THE MAXIMUM EXTENT PERMITTED BY APPLICABLE LAW, NEITHER FACTSET CALLSTREET, LLC NOR ITS OFFICERS, MEMBERS, DIRECTORS, PARTNERS, AFFILIATES, BUSINESS ASSOCIATES, LICENSORS OR SUPPLIERS WILL BE LIABLE FOR ANY INDIRECT, INCIDENTAL, SPECIAL, CONSEQUENTIAL OR PUNITIVE DAMAGES, INCLUDING WITHOUT LIMITATION DAMAGES FOR LOST PROFITS OR REVENUES, GOODWILL, WORK STOPPAGE, SECURITY BREACHES, VIRUSES, COMPUTER FAILURE OR MALFUNCTION, USE, DATA OR OTHER INTANGIBLE LOSSES OR COMMERCIAL DAMAGES, EVEN IF ANY OF SUCH PARTIES IS ADVISED OF THE POSSIBILITY OF SUCH LOSSES, ARISING UNDER OR IN CONNECTION WITH THE INFORMATION PROVIDED HEREIN OR ANY OTHER SUBJECT MATTER HEREOF.

The contents and appearance of this report are Copyrighted FactSet CallStreet, LLC 2021 CallStreet and FactSet CallStreet, LLC are trademarks and service marks of FactSet CallStreet, LLC. All other trademarks mentioned are trademarks of their respective companies. All rights reserved.