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Uber Technologies, Inc. (UBER)

Q1 2022 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Emma and I will be your conference operator today. At this time, I would like to welcome everyone to the Uber First Quarter 2022 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions] Thank you.

Mr. Balaji Krishnamurthy, Head of Investor Relations, you may begin your conference.

Balaji Krishnamurthy

Head-Investor Relations, Uber Technologies, Inc.

Thanks, Emma.

Thank you for joining us today, and welcome to Uber's first quarter 2022 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 to 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 the 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.

We published our quarterly earnings press release, prepared remarks and supplemental slides to our Investor Relations website about an hour ago, and we ask you to review those documents if you haven't already. We will open the call to questions following brief opening remarks from Dara.

With that, let me hand it over to Dara.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Thanks, Balaji.

We delivered a very strong quarter across the board with record results on the top and bottom line. After two years of persistent and sometimes unpredictable impact across our business, our Q1 results resoundingly affirm that we're on a strong path emerging out of the pandemic. Our focus on profitable growth, product innovation, and operational excellence over the last two years has set us apart from the pack.

Our Mobility team is demonstrating phenomenal execution, growing both demand and supply faster than competitors and rapidly innovating to roll out new accretive offerings all while delivering record margins despite the macro turbulence that we all see. Delivery has continued to surprise us positively as demand has remained resilient in a re-opening world, and we expect top-line growth and profitability to expand through 2022. Finally, Freight reached its first profitable quarter as well.

We're keenly aware that the market is placing a high value on companies generating and expanding profits as interest rates rise. We're leading the industry in this respect. Our focus over the past three years on profitable growth has resulted in the strong top and bottom line that we delivered in Q1. We're confident that our leadership position, our global scale, and our innovation and platform advantages will allow us to deliver significant profitability and durable growth as investors rightly expect from globally scaled technology platforms.

We're committed to taking all necessary actions to continue to deliver industry-leading margins and free cash flow generation along with a disciplined capital allocation strategy. We've never been more optimistic about our prospects and we're determined to execute as a team to bring that optimism to fruition.

With that, let's go to questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Your first question today comes from the line of Brian Nowak with Morgan Stanley. Your line is now open.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thanks for taking my questions. I have two, the first one sort of on users and on drivers. I was wondering, Dara, in the past you've shared stats about some of your cross-platform adoption, 17% of users in the past, et cetera. Any updates on what you're seeing on the cross-platform adoption for your users and drivers and just some of the benefits of your multiproduct offering integration you're seeing from that? Is the first one.

And then, the second one, just a comment about the expected acceleration in Delivery in the back half. Anything you'd call out there on what you're seeing on user growth, cohort, or anything sort of gives you confidence in the ability to continue to accelerate the Delivery business through a potentially weaker consumer? Thanks.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Yeah. Definitely. As far as our cross-platform usage, it remains strong and consistent really with what we went through with you at Investor Day. And one of the interesting factors that we're seeing is that, as Mobility is opening up, Mobility up, significant number of new riders are coming onto the platform, and that gives us the opportunity to then upsell those new Mobility riders to Eats, to our grocery offerings, and then ultimately to our Uber One membership plan which is the only membership plan globally that offers both Mobility and Delivery offerings as well.

So, what we're seeing is really kind of a swelling of new audience coming in that then we can essentially upsell our cross-platform products and then ultimately membership as well. So we're super optimistic about all of the platform investments that we're making and the potential there.

We've already launched obviously Uber One in the US. We announced launches in Mexico and Germany. We've got a number of other launches teed up for the balance of the year. And I will remind everyone that members spend 2.7 times more than non-members. So, as we move over, as new customers come in, we cross-sell them into the platform, we cross-sell them into membership, we can increase the spend and the lock-in that our platform provides in a way that no other mono-line player can. And we already have the formula down and it's about rolling out Uber One globally and then applying the same formula over and over again.

Then, on the cross-platform side, the side that's invisible to, I'd say, most investors is on the earner side. And we talked about how our efforts to sign up earners now are truly cross-platform. We bring you in not to drive or to deliver, but we bring you in to earn on the Uber platform. The success there has been very, very significant.

You heard, I think, last night one of our competitors in the US having challenges or at least looking to lean into driver supply. Our active drivers in the US and Canada are up 70% on a year-on-year basis in April. New drivers were up 121% year-on-year in April and it's because we're bringing new drivers on, not as Uber Rides, not as Uber Eats, but as Uber as a platform and to earn in any way shape or form that they can on the platform. And that's proving to be a structural advantage from what we can see versus the competition both locally and then we think ultimately globally.

Balaji Krishnamurthy

Head-Investor Relations, Uber Technologies, Inc.

A

And then the question back-half for Delivery?

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Yeah. As far as back-half of the Delivery goes, it really is about the European re-openings and comps. So, some of the countries, France for example, is re-opening. It is spectacular news for Mobility business. It makes the Delivery comps a little bit tougher. So, I think you'll see Q2 growth rates similar to Q1 and then we expect Q3 and Q4 to accelerate. And I think you've also seen for us as a team, we've delivered on what we say we're going to do. So, we're pretty confident of acceleration in the second half.

The other factor that's going to affect the second half is that with new verticals, actually very recently along the Albertsons deal, we are now launching the native stack of Cornershop, essentially grocery, on the Uber Eats platform. It's very, very early, but we see substantial improvement in customer experience. And we see substantial improvements in terms of conversion on the Uber Eats native stack. So, we think that the US growth rate that is already pretty high is going to significantly accelerate in the second half of the year, which again gives us confidence as to Delivery growth rates in the second half of the year.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thanks, Dara.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Sure. Next question.

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

Douglas Anmuth

Analyst, JPMorgan Securities LLC

Q

Thanks for taking the questions. I just wanted to ask two on Mobility product side, Dara. Just if you can talk a little bit about the effort so far with upfront fare and destination info and some of the key benefits and the rollout timing there? And then, also about around UberX Share, how that's reimagined and the key points of differentiation? Thanks.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Yeah. Absolutely. As far as upfront destination, one of the most significant complaints that we get from our earners and our drivers is that they don't know where the upfront destination is. And if you go back to the origins of this business and how pricing was built, pricing originally was based on time and distance and that comes from let's say the taxi days.

But the fact is that based on the destination, the value of a ride which may take the same amount of time and distance for a driver may be very different based on the destination. So, if you're going from the airport into central San Francisco and you're going to get a ride as soon as you drop the person off, that's a pretty valuable ride. If

you carry a passenger same time and distance into the outskirts of the neighborhood and then have to drive back empty for, let's say, 30 or 40 minutes, that's not a ride that's particularly valuable to an earner. And if you're purely basing your charges on time and distance, essentially those two rides are priced equally.

We think that's a bug in our system and it certainly does not serve the best interest of the earners. So, now with our new system, we display the full information of the ride, especially what the destination is. Our algorithms are then able to take signal. Let's say the trip out to the outskirts where the drivers have to come back empty, we will then price up that trip so that the earner trip earns the fair value of that fare and also knows exactly what they're accepting or not accepting. That also improves the consumer experience because cancelation rates, once drivers understand what the destination is, go down as well.

There's a huge amount of technology that had to go into developing this kind of a system, because essentially if pricing systems have to get signal based on earner behavior in order to hone in the pricing to truly price kind of that trip based on the market clarity and price that earners are willing to accept that trip with. So there's a huge amount of ML data work that goes into that system, but we think it's fundamentally a better way. And the feedback that we're getting from our driver partners has been quite positive. It's a big change, though, I'll tell you. And there's a lot of debugging going on. There's a lot of algorithmic work to make sure that the earner experience is as great as it is. But we're very, very optimistic about the fundamental change.

Last thing I'll say about this is, this is one of those invisible or not so invisible benefits of the platform. This is actually how Delivery has been pricing their trips for some period of time. Delivery companies show upfront where you pick something up. They show an upfront fare. It's exactly like introducing upfront fare to Uber riders. And our being a multiplatform, multiproduct business allows us to take learnings from one side of our business, apply it to the other, and instead of kind of starting from scratch, we've already – we're adolescents now using all of the knowledge from our Delivery business and passing it on to the Mobility business. So lots of advantages having a single marketplace team, a single technology team thinking about the best of both worlds and constantly applying learnings for one to the other.

And then as far as UberX goes, UberX Share, we're super excited about the business. I think with Share, we're looking to resolve a fundamental issue that the older pool model had, which is the interest of the rider and the interest of Uber were misaligned, right, which is the rider would ask for a pool trip hoping not to be batched, and Uber obviously would want that trip to be matched in order to achieve the economics that we expect. With UberX Share, there's an upfront discount, and when you are matched with another rider, you get higher discount on your trip. So all of a sudden interests are aligned in this kind of system, and we're very, very encouraged by the early signal that we're seeing.

And we're looking to launch UberX Share into our 15 markets in the next quarter, and we will continue to expand from there. So both upfront fare and UberX Share are areas that we're quite excited about and areas where there's a lot of innovation going in from the teams.

Douglas Anmuth

Analyst, JPMorgan Securities LLC

Thank you, 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 Eric Sheridan with Goldman Sachs. Your line is now open.

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Q

Thanks for taking the question. Maybe two, if I can, on the Delivery business. You grew, as you talked about, earners at a very high rate, especially the US. Can you talk a little bit about the competitive landscape for earners in the Delivery business and where you see yourself vis-à-vis competition from a scale standpoint especially in the markets that you think are the most important to you where it lines up the most with the Mobility business?

And then on the expansion of categories, how important is it to get some of those categories right as stand-alone apps and stand-alone businesses versus them being broadly more folded into the Uber app and getting the platform experience more right than wrong if you look out over the next couple of years vertical versus platform? Thanks so much.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Sure. I think in the US on the earners side, and again, we don't necessarily look at earners now as couriers or drivers because increasingly we want earners to earn however they want to on a particular day. They may want to stay in their little neighborhood, and that accrues more to delivering food because typically you stay within a certain radius. Or they may want to make more money, and right now earnings for drivers, for example, who drive more than 20 hours on our platform in the last quarter were \$39 including tips. So earnings are super, super high, which is great for our earners.

On the courier side, I wouldn't say that there's a huge amount of competition in that we've got plenty of couriers, and from what we can tell, our competitors do as well. It's a very flexible way to earn which our earners appreciate. So we have seen the number of active couriers globally up 34% on a year-on-year basis and in the US and Canada up 79% year-on-year. So we're in very good shape there.

And actually a fair amount of the year-on-year increase in take rate, call it true take rate that you're seeing in the Delivery business, is because we've been able to drive cost per transaction down as a result of higher efficiency in our marketplace because we have plenty of couriers. And as we get more density in our marketplace, essentially the distances that we have to carry food and go pick-up food, et cetera, come reduced. And our algorithms in terms of routing and batching continue to optimize and get better and better and better. That is essentially upside as it relates to net revenue, and it really doesn't cost anything. It just costs engineering time to achieve which is time that we have.

And then as far as the super-app versus multi-app consumer experience, the way that we're doing it is on the consumer side, we're looking to get the best of both worlds. Think about it in the same way that Facebook has a family of apps. They've got Facebook and Instagram and WhatsApp and they are kind of loosely coupled. Same thing with Google. They've got Google and Google Maps and Google Mail, again they are coupled. They have one identity, one payment, et cetera. We're looking to achieve the same thing.

Multiple apps, whether it's Uber, Uber Eats, or Cornershop, your identity is the same, Drizly, your signup is the same. We treat you the same way. Your customer experience is consistently excellent. You've got the Uber One membership that flows across all those apps to save you on delivery fees. And at the same time, within each app we're constantly cross-promoting one platform to the other.

On Rides, we're cross promoting Eats. We're actually super excited we're starting to cross-promote Rides on our Eats app. We frankly weren't sure if it's going to work. We now see signal that it's working. Actually, we're able to resurrect riders back into the re-opening through the Uber Eats app, which is something that we're super excited about.

So all the apps talk to each other, cross-promote each other. We use machine learning algorithms to figure out what is the best promotion to put in front of the right person at the right occasion, and you can imagine lunchtime the promo may be different than drinks time, for example.

On the back end, as it relates to earners, we are a single super-app, and essentially you sign up to earn on Uber. And more and more we will offer you different opportunities to earn based on what we know about your profile, based on time of day, based on where you are, and based on what the opportunities are. And we think that's a very, very significant structural advantage over other players in our industry, none of which has a super-app model.

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Thanks for all the color.

Q

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

You bet. Next question.

A

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

Justin Post

Analyst, BofA Securities, Inc.

Great. Thank you. I guess just given the challenges at Lyft, they talked about on driver incentives. Can you talk about the Mobility supply/demand dynamics and how you're going to manage – what hopes to be a pretty robust opening over the next six months?

Q

And then when you look at your prepared remarks, some interesting stuff on regulatory and new use cases. I just want to see if you feel like you're kind of getting over the hump here on regulatory, if there's real progress there, and why you've kind of decided now to expand some use cases to car rentals and travel. Does that kind of signal that the core business is now kind of on a positive trajectory? Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Yeah. Listen, Justin. Our need to increase the number of drivers on the platform is nothing new, nor is it a surprise. We were on this last year. If you remember, Q2 of last year we were very early, we saw signals, and we leaned-in very aggressively initially with incentives into improving our driver supply. And then we followed up the investment in incentives with tons and tons of innovation in terms of product, in terms of improving the driver sign-up flow, in terms of welcoming drivers to the Uber family and then giving them opportunities, Delivery opportunities, or Rides opportunities.

A

We see the sooner an earner can earn on the platform, the higher our sign-up rate to that first trip. And often we can get earners earning on the platform faster with Delivery than we can with Mobility because of regulations or

background checks, et cetera. So, we're able to engage that earner with money in their pockets really, really early and at the same time, we've invested in experiences where instead of, for example, you're having to upload your documents into our systems, we will go connect to insurance companies, DMVs, et cetera, and as we build out those APIs, essentially, upload those documents automatically versus having you do the hard work and sometimes it works, and sometimes it doesn't and sometimes you may get the document right or wrong.

We have – we talked about upfront destinations for earners as well. So, we have pivoted the company to being earner-centric, innovating for earners, thinking about the earner experience, treating earners with respect and dignity and building for them versus building just for the company. This has been an activity that we've been on for a year and we feel very, very well prepared for the future.

We're constantly watching supply/demand dynamics. We're constantly watching supply hours. Earner retention is improving. Engagement on the platform is improving. So, we feel as good about our driver supply, in general our earner position, as we ever have. That said, we know we have to improve. We have to keep increasing the number of new drivers on the platform. We're focused on resurrecting the number of drivers as well and we're focusing on increasing engagement on the platform because earnings levels are so high.

So, there's a lot of work to do ahead of us. But this is a machine that's rolling. Like this, this, the earner team at all levels, at the operational level, at the technical level, at the engineering level with ML algorithm optimizing, for example, driver incentives, all of it is rolling. And we know all of it has to work well in order for us to hit our really aggressive targets in the balance of the year.

And then, as far as the regulatory process and new use cases, I'd say the new use cases are us playing offense. We have seen the cross-platform initiatives [ph] growing (24:04) from one essential service to the other from Eats to Rides, from Eats to Groceries, et cetera. We know how to cross-promote use cases. There's a huge amount of trust and frequency and comfort with our products. We have yard density. We understand where you are. We have your payment details, et cetera.

So, our adding new use cases such as car rental or travel bookings or adding new supply areas like taxi, they're just natural growth areas for us. And because we've already acquired the customer, because we already have built trust with that customer, we're essentially able to continue to increase engagement with our customer. The more engaged our customers are, the more we retain those customers. And we're able to monetize those MAPCs as a result. So it's kind of a win-win-win on that front.

Justin Post

Analyst, BofA Securities, Inc.

Great. Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Next question?

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

Mark S.F. Mahaney

Analyst, Evercore ISI

Thanks. Two questions, please. There has been a lot of focus on retail marketing, at least across the industry. So, could you just give us a little bit of an update on where you are in terms of putting together advertising revenue? I know you laid out a goal at your Investor Day. Any update on that?

And then, secondly, on the MAPCs numbers, any way to think about what should happen to MAPC growth going into the next quarter? I think that sequential decline I think was a lot of Omicron hit. So, are you back to a point where it's reasonable to expect MAPCs to grow through the balance of the year? Thank you.

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

A

Yeah. I'll start the second one first, which is we're absolutely seeing MAPC growth continue to accelerate post-Omicron. So, for example, while MAPC growth for the quarter was or MAPCs were 115 million, up 17%, for the quarter, in March, they were up at 120 million, up 20% on a year-on-year basis. So we're seeing MAPC growth accelerate and we expect to see that acceleration build into April and the balance of Q2.

We absolutely see the re-opening as a very, very big MAPC driver, especially on the Mobility side. So, expect MAPC to continue to grow and if anything to accelerate into the second quarter.

As far as our advertising business goes, continued strength there. We essentially more than tripled the business on a year-on-year basis and we are very much on track to hit the targets that we laid out during Investor Day.

Mark S.F. Mahaney*Analyst, Evercore ISI*

Q

Thank you.

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

A

Well, next question?

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

Lloyd Walmsley*Analyst, UBS Securities LLC*

Q

Thanks. Two, if I can. Just first, can you talk about the UK Mobility business and where that is on kind of the path back to profitability under the worker classification and VAT charges? Can the UK do you think get back to prior levels of profitability? And where are we on that journey?

And then the second one. In the script, you talked about now expecting to be free cash flow positive for the full year. Any update on how you think about the potential for capital return given your cash position and kind of where the shares are trading? Anything you can share there would be great.

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

A

So, Lloyd, I'll do the second one first, and Dara will do the UK after. So, as you know, we're still coming out of the pandemic. We were clear early on that we were going to focus on making sure we had ample liquidity. I covered

this on Investor Day to let you know that free cash flow largely trails EBITDA by about \$1 billion a year. And so that's why we have the confidence to make the statement that we'll be free cash flow positive this year.

We certainly recognize given what's going on in the market right now, and we encourage all to get towards being free cash flow positive because we think it will be very important as we think about this cycle. As we think about capital return in the future, we certainly are going to be open to it, right. So we recognize that we're not going to get – we don't get paid for hoarding capital.

As you know, in the past, there may be some things we want to do, and we will certainly look at capital return as one of those levers. But, again, I think it was important that as you think about the pragmatic walk that we've taken on capital and on liquidity, importantly, and as you know, we've taken every opportunity to improve our debt in terms of the amount of both extending and reducing the debt.

And so, I think you'll expect and hear more about this as we go into next year, but I think it was important to get to this point where we could declare that we'll be free cash flow positive this year and then we understand capital return. I think if you think of our equity stakes, while they were mark-to-market down, they're very good sources of liquidity. And many of those lockup restrictions expire, if you will, or come due during the course of this year. And so depending on where markets trade as well, we'll have plenty of sources to return capital.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Yeah. And I think as far as the UK goes, let's say, we made tremendous progress in the UK. We moved to the worker model. We're now compliant with merchant status, and we've recently been granted a private hire vehicle operator license for 30 months, which is terrific. Our relationship with the city is second to none, and we're committed to Sadiq Khan's goal of electrifying our fleet by 2025 in London. A real leader in environmental impact and something that we're firmly behind.

We absolutely believe that it is a condition for every operator's license to move to merchant. We have not seen some of our competitors do so, but the TFL has been very, very clear they will – that they will enforce those rules. So we just think of leveling the playing field. It's just a matter of time. And the ones that are ignoring the law are either accruing liability, they're going to pay for it sooner rather – sooner or later, one way or the other. We can't tell you the timing, but it is going to happen.

As it relates to our business on the ground, our [ph] CPID (30:35) position is very strong. So we're very confident as it relates to our category position. And our business has returned to solid profitability. Now we see profitability in the UK healthy and improving into the balance of the year.

Lloyd Walmsley

Analyst, UBS Securities LLC

Q

All right. Thanks, guys.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

You're welcome. Next question.

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

Ross Sandler

Analyst, Barclays

Q

Hey, guys. Just two kind of big picture questions. First is on the Delivery side. So on convenience and grocery, I think there's a debate whether 3P delivery or these new Darkstore concepts are a better business model. So how do you view that? I know most of your businesses started in 3P, but would it make sense to build out 1P grocery or convenience eventually?

And then a second question is on the taxi partnership. So I think you said you want every taxi on the planet on Uber by 2025. Can you just talk about how those partnerships might impact the unit economics in rides? Thanks a lot.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Yeah. Absolutely. As far as grocery goes, 3P versus 1P, our goal, first of all, is [indiscernible] (31:59-32:14)

Balaji Krishnamurthy

Head-Investor Relations, Uber Technologies, Inc.

A

Operator, somebody needs to be muted.

Operator: My apologies about that. Please continue.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Okay. We'll try again. So as far as 3P versus 1P, I think our goal is to provide a great experience as it relates to our eaters and our shoppers who want their groceries and they want it fast. All of our data suggests that getting your groceries inside of an hour is a spectacular experience. I think there is lots of debate as to whether it's got to be 10 minutes or 15 minutes or half an hour. And if anything, we see a bunch of 10 or 15-minute folks move to the half an hour area, which is more of where we are.

We believe we can get a spectacular experience for our grocery shoppers through partnerships with our grocery partners. This is what they do day-in and day-out. And for example, we have a partnership with Carrefour which is a huge player in France where they are adjusting their model. They're taking everything that they've learned in their grocery space, years of experience, and essentially they're reducing the number of goods that they have and reducing the delivery times to that 20-30 minutes, which is a delightful experience.

So we believe that we're able to get the – essentially 100% of experiential benefit of fast grocery through partnership and avoid the kind of capital investments that you have to make in terms of leases, opening up a bunch of stores all over cities in addition, frankly, to the defocusing of the team. What we build, we are building a software layer on top of the physical world. That's what we're good at. We're good at matching demand and supply in a real-time way. We do it more broadly and with audiences that are unrivaled around the globe. And we think building a bunch of dark stores in a few cities doesn't make our network any better, and we have the best real-time network out there.

So everything that we're seeing right now, we're essentially partnering up on 1P, and all, the signal that we see is positive. We are in a very limited way running some tests in a few countries in Taiwan and Japan just to make sure we understand that counterfactual because we want to be intellectually curious.

At this point, we think the partnership way is the route to go. If we ever have to switch, we have the audience. We've got millions of members, so we think it's much easier to go vertical if we ever need to. But right now we don't see any signal that we should be going vertical, especially as it relates to the defocusing of the team.

In terms of taxi, just – this one for us is we think a no-brainer, which is we've talked at the beginning of this call, and a lot of folks have talked about how bringing driver supply on in the US and globally is an incredibly important initiative. We have about 4.5 million total Uber earners all around the world. There are 4 million taxis globally, 4 million taxis versus 4.5 million total Uber earners that we have.

These taxis typically are underutilized relative to our earners. We think that the technology that serves these taxis can be better, and we're to help and partner with them as it relates to technology. We think that the days of you're going on the street and waving your arm to hail taxis, we think those days are over. Like we think any entity that is dependent just on street hail is like a retailer who pretends that the internet never happened.

So this is the time, and we're seeing taxi partners want the benefit of our technology. They want the benefit of our demand. They understand that we're all in it together, and this can be a benefit for us. It can be a benefit for taxi drivers. It can be a benefit for fleet owners, et cetera. So this is a win-win-win, and it's a big opportunity, 4 million taxis on a global basis.

And we are now kind of going country by country, city by city. We're obviously excited about the announcements in New York City and San Francisco, but I want to make sure that our investors and analysts understand we've been at this for a while. Like, we've been signing up taxis in Spain and Japan and in Korea and we have built out an experience set as to how you build out the taxi product and how you optimize the experience for the rider as well. This is another benefit of our being a global company.

We're coming to the US with a confidence and experience that we built in Spain, Japan and a bunch of other markets as it relates to taxi. So, we think it's a huge opportunity and the team is incredibly excited to get going on.

Next question?

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

Deepak Mathivanan

Analyst, Wolfe Research LLC

Q

Great. Thanks for taking the questions. So, first, Dara, given that you have a meaningful competitive advantage on the ride share side and with your driver supply position versus competitors, how do you think about the opportunities to gain share? I mean it seems like you can manage consumer prices at better levels versus competition. Can you talk about opportunity to gain share?

And then, second, on Eats, one of the fears investors have on this space is that every product category that saw benefit from the pandemic is now seeing some form of accelerated reversal maybe due to churn or retention issues. Food delivery has been very resilient. Can you talk about what you're seeing in terms of frequency and usage underlying the bookings growth? Thanks so much.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Yeah. Absolutely. As far as gaining share versus our competition, I'll tell you gaining share isn't a priority for us right now. It's happening naturally in some of the re-openings and it could be because of a mix-shift. For example, travel – the travel category is growing at very, very significant rates and we tend to skew high on the travel category or the Uber for Business category.

So, we are observing some share gain in the US and frankly in most countries around the world, we're observing these kinds of share gains. And it may be that the kind of consumer that's an Uber consumer is higher-end, travels a lot, travels for business, et cetera, is coming to the platform pretty quickly and obviously we're a beneficiary of that.

Our focus is on profitable growth and I think we're able to retrieve profitable, call it, durable growth while gaining share versus our competitors because of the power of the platform. And so, it's kind of naturally happening. It's not something that we have to lean into. And we're a lot less focused on, let's say, our competitors, our competitors' share, as we are the opportunity to grow the business durably to add on new segments such as taxi or hailables, two-wheelers, three-wheelers or lower-cost products whether it's high capacity vehicles, et cetera. That's really the focus and the share will take care of itself, although it has been taking care of itself. And we're quite constructive in terms of share gains.

As far as the delivery re-opening impact and frequency, listen, when you look at our Delivery business, MAPCs were up 4% year-on-year. Basket sizes were up 3% year-on-year. Frequency was up 4% year-on-year. So, all of the core metrics that drive the business are positive. And because of our innovation, as it relates to bringing more earners onto the platform and then the density of the network driving cost per transaction down, we're able to improve the margins of the Delivery business.

So, we're happy with the trends that we see and we think that our frequency is going to also be assisted by our cross-platform usage and a higher penetration of Uber One members into our gross booking space. We are – the penetration of Uber One members is still low generally for us and low compared to some of our competitors. And we see higher frequency with Uber One members. So we think that's a natural tailwind that can maybe combat some of the headwinds that some folks are seeing in the re-opening.

Deepak Mathivanan

Analyst, Wolfe Research LLC

Q

Got it. Thank you so much.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

By the way, one note I didn't answer and I want to answer all questions. I didn't answer the question on taxi margins. So, as it relates to taxi margins, first of all, margins differ by geography. So, for example, in the US, the deals that we've done with the taxi companies should be at quite attractive margins that are consistent with the rest of our business. In some markets, let's say in Japan or some developing markets, our taxi margins are lower, but we consistently have seen we're able to start at lower margins and then increase margins over a period of time.

So when we think about the growth of our Mobility business and the 10% incremental EBITDA margins that we are looking to deliver, our core product, let's say Uber Eats, UberX or Reserve, or Black, those will tend to deliver

higher than 10% incremental margins. We'll use some of those, the incremental above 10%, to invest in products such as taxi, three-wheelers, two-wheelers, et cetera, in order to drive what I'll call durable growth, MAPC growth, et cetera.

And we're constantly balancing the two, and hopefully you've seen as it relates to our execution over the past couple of quarters and years that we have our hands on all the different levers in order to deliver very, very healthy top-line growth and the kind of profitability that investors are especially looking for nowadays.

All right. Next question?

Operator: Our next question comes from the line of James Lee with Mizuho. Your line is now open.

James Lee

Analyst, Mizuho Securities USA LLC

Q

Great. Thanks for taking my questions. Just a follow-up on regulatory update here. Maybe, Dara, can you talk about maybe the ongoing conversation with the New York State given your recent wins in Washington and also pretty strong ongoing support from drivers in Massachusetts? Did these victories kind of help you move the conversation along and also what are the key frictions you're looking to resolve? Thanks.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Hi, James. And thanks for the question. The most important factor that is helping these conversations move forward is that drivers want to be independent contractors. Drivers price flexibility above anything. That's the reason why they earn on our platform. I think everybody knows in the US if you want a job, you can have a job. If you want a full-time job, it's not a problem getting a job. But our opportunity and flexible work opportunities and healthy work opportunities is unique.

You can work for us. You can work for competitors. You can work when you want. You can work where you want, et cetera. It's pretty powerful. And I think that, fortunately or unfortunately, in our Zoom world where white-collar workers now have a lot more flexibility, maybe they also appreciate the value of flexibility in a way that they couldn't appreciate previously.

So, as it relates to New York or any other state, the good news is regulators are more and more aware that – of what drivers want and drivers overwhelmingly want flexibility. And they want other protections and benefits whether it's minimum earnings or other benefits which may change state to state to state.

So, I don't want to comment on New York specifically. We're having promising discussions there. But you never know when kind of the regulatory wins move one way or the other. But generally I would say that the regulatory momentum is positive. You see that in Washington. In Massachusetts, we have a ballot initiative out there. We are very confident of our prospects in Massachusetts.

And essentially we like to see a negotiated settlement in these cities. Certainly we'll look to have a negotiated settlement in Massachusetts, but we're confident if we have to go to the ballot. And hopefully New York will get there, but we can't predict the timing.

James Lee

Analyst, Mizuho Securities USA LLC

Q

Thanks so much.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

You're welcome.

Balaji Krishnamurthy

Head-Investor Relations, Uber Technologies, Inc.

Let's take the last question, operator.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

All right. Last question.

Operator: Our last question today comes from the line of John Blackledge with Cowen. Your line is now open.

John Blackledge

Analyst, Cowen and Company

Great. Thanks. Two questions. What were the Mobility Rides volumes in the first quarter versus pre-COVID levels? And what are the kind of the key use cases where there is headroom to close the gap particularly as we look toward re-opening in the second quarter and the back half of the year?

And then just on grocery and other Delivery, what was that as a percent of Delivery gross bookings in the first quarter? And just discuss any progress that you saw in the quarter and as we [ph] go on (46:10) through the year. Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

So our Rides business is actually fully recovered versus where we were in pre-pandemic level. And in fact even on a trip basis we're more than 95% recovered globally. We still have some room in the US. We're still in the high-70s in terms of recovery there. But we've really seen all use cases come back including airport travel pretty much in-line with pre-pandemic levels. So we're seeing a very, very strong re-opening on the Mobility side.

Balaji Krishnamurthy

Head-Investor Relations, Uber Technologies, Inc.

And on the Delivery side.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

As far as Delivery goes, new verticals' ARR were – continue to be higher than \$4 billion, and we're seeing very, very strong growth there. We're also integrating the new verticals experience in a native way on Uber Eats, and we're seeing really, really promising early signal there.

And when you look at it as of March, less than 10% of users who completed a delivery trip on Uber in the last month ordered new verticals. So there's huge opportunity there. That number is up 400 basis points year-on-year,

but we think that the potential of essentially up-selling new verticals opportunities to our Eats – to our eaters, is very, very young. And there's a ton of upside left there.

John Blackledge

Analyst, Cowen and Company

Thank you.

Balaji Krishnamurthy

Head-Investor Relations, Uber Technologies, Inc.

All right. Great. We can wrap up there.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

All right. Thank you, everyone, for joining us on the call, and great work to the Uber team. Q1 was a super, super strong quarter. We're expecting more of that in Q2. I think this is a quarter where we're starting to show separation against our competitors in terms of execution, and that execution's showing up in the financials in terms of a healthy growth profile that we expect to see for some period. And also profit generation and free cash flow generation coming up this year that we're very, very excited about.

So thanks, everyone, for joining, and we'll talk to you next quarter.

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

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