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Uber Technologies, Inc. (UBER)

Q4 2022 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. My name is Angela and I will be your conference operator today. At this time, I would like to welcome everyone to the Uber Fourth 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.

It is now my pleasure to turn today's conference over to Mr. Balaji Krishnamurthy. Sir, please go ahead.

Balaji Krishnamurthy

Head of Investor Relations, Uber Technologies, Inc.

Thank you, Angela. Thank you for joining us today and welcome to Uber's Fourth 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 the 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, and 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 published.

We published our quarterly earnings press release, prepared remarks and supplemental slides to our Investor Relations website earlier today 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. Uber delivered our strongest quarter ever in Q4 with gross bookings up 26% year-on-year on a constant currency basis. Adjusted EBITDA of $665 million exceeded the high end of our guidance for the sixth quarter in a row and we delivered strong incremental adjusted EBITDA margin of 12%. We reached several new milestones this quarter. We crossed 2 billion quarterly trips and our Mobility consumer base exceeded 100 million for the first time in our history.

At the same time, we're laser focused on making Uber the best platform for earners with over 5.4 million people earning on Uber around the world, another all-time high. Put simply, the Uber platform has never been stronger and we're making great progress building on our platform advantage through advertising and membership.

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Despite any macroeconomic uncertainty, I'm more confident than ever in our prospects. We're entering the year with great momentum, Mobility trip growth is accelerating and Delivery remains resilient, but we are far from complacent, and we'll continue to hold ourselves to high standards of growth and profitability to deliver yet another record year in 2023.

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

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

Angela, please queue up the questions?

QUESTION AND ANSWER SECTION

Operator: Your first question comes from the line of Eric Sheridan with Goldman Sachs. Please go ahead.

Eric J. Sheridan
Analyst, Goldman Sachs & Co. LLC

Q

Thanks so much. Maybe two questions if I could. Dara, as you think forward to 2023 and you sort of aligned an array of products between Delivery and Mobility, how should we be thinking about Uber One as a subscription product and elements have either leaning in behind growth and pushing adoption of the product to create a wider moat around the collection of assets you have versus maybe just letting [ph] virality (00:04:25) build around the subscription product?

How do we think about active versus passive approach to driving the subscription element of the business? And then obviously one of the more recurring themes during earnings season has been elements of continued efficiency and cost cutting within organizations. You guys have laid out an incremental margin strategy but how should we be thinking about your broader views on efficiency inside the organization, especially with respect to some of the corporate costs inside the company's cost structure? Thanks so much.

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

A

Yeah, absolutely, Eric. So in terms of Uber One, we think Uber One is a terrific membership program. It's the only one, if you think about the Uber One benefits we think about that as content. So Uber One has the best content in terms of Mobility subscriptions and movement subscriptions than any other similar subscription. We got over 12 million members up with membership having nearly doubled for 2022, which is terrific.

And our efforts here are quite active. I mean, we are pushing Uber One. You'll see it on our Delivery services. You'll see it on our Mobility services. And we are quite actively continuing to innovate in terms of the benefits that we offer. And the results are pretty spectacular. Members spend monthly 4.1 times the amount that non-members do on a monthly basis. So it creates great stickiness and member retention is 15% greater than non-member retention. So in-period, in the initial month in which we acquire a member, that member is actually loss making because the discounts that we offer are greater than the in-period value of that 4.1x. But over the lifetime of the member, the membership creates a significant moat and a significant growth opportunity for our business.

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You will see membership counts continue to increase and you'll see the percentage of our bookings coming from membership continuing to increase as well. Globally about 25% of our gross bookings come from members. In the US, for example, 40% of our Delivery gross bookings come from members and it's a moat that we will continue to actively develop. Nelson, you want to talk about costs?

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

Sure, so Eric, for us, as you probably recall, our call to action moment was actually in 2020. And if you recall back then, our Mobility business was over 85% of the company's gross bookings. And as we sat here in April of 2020, that business is down 80%. So as you recall, we acted pretty decisively during that time, we took over $1 billion of cost out of our infrastructure and we shuttered down a bunch of businesses. And unfortunately we did have to let go over 20% of our head count.

So we've really focused on efficiency since then. I think you've heard us lay out our plans, and I think Dara mentioned on CNBC in 2021 we wanted to really push hard for EBITDA profitability and again we achieved that metric in 2021. Last year we talked about being free cash flow positive at some point in the year, and again we achieved that metric. And now we're talking about being GAAP operating profit at some point later in the year. And we expect to continue to achieve that metric.

Now, we've done this and you mentioned incremental margins, we've done this because we focused especially on costs and we've been laser focused on it. So, our head count will largely be relatively flat this year. And even if you go back to the build that many companies had over the past few years, we've grown our head count about 10% excluding the Freight business over the period of time, and our gross bookings went from $62 billion in 2019 to $115 billion last year. So just think about that growth and our efficiency.

Where we've hired heads has been in some areas of tech selectively as well as some sales folks on the Delivery business. And you can see that it's certainly been beneficial. So our goal is really to drive incremental margins we've laid out last year at our Investor Day. I think we've overachieved against all of the metrics on the profitability side.

And again as Dara mentioned, the year has started off quite well which is why you saw us raise guidance for the first quarter. And we're going to just continue to leverage our cost base which is driving the incremental margins that you're seeing the throughput on.

Eric J. Sheridan
Analyst, Goldman Sachs & Co. LLC
Q

Great. Thank you.

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

Next question.

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

Brian Nowak
Analyst, Morgan Stanley & Co. LLC
Q

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Thanks for taking my questions. I have two. The first one on frequency and engagement on the platform, you made really good progress now, you're I think 5.4 trips per month versus about 5 last year, but still below I think the peak levels Dara used to talk about in 2019. I guess, the question on frequency is, where have you made the most progress sort of getting that frequency per rider up. And how do you think about the key drivers throughout 2023 to sort of get that back to 2019 levels and beyond?

Then the second one is on the incremental margins. The Delivery incremental margins continued to deliver above your Analyst Day targets. Anything we should think about that are sort of one-time-ish in nature or different competitive dynamics as to why the incremental margins in Delivery shouldn't stay at these elevated levels as we go throughout 2023? Thanks.

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

A

So, I'll handle the first one while Dara takes – I'll handle the second part of that. So, if you think about the incremental margins on the Delivery business, yeah, we've been very pleased with the throughput. So it's been about over 20% if you think about last year. And it's really been driven by three areas or maybe four. But we really did focus on efficiency in the marketplace and we have benefited from the fact that a lot of the players are trying to follow our path to profitability, especially the private companies as external money has been harder to come by. So that benefit has certainly been there and we believe that will continue.

Our own technology gains on really improving the efficiency of our cost per transaction and I think you'll recall we talked about it a fair amount in our third quarter call where we saw a little bit of the step function improvement there and so we – again we expect that to do. And that's on batching and things like that and we've seen the benefit on that.

And then frankly we've augmented the margins of the new business. And so our ads business continues to outperform the targets that we laid out. And so the combination of all three of those is really driving the incremental margins that you mentioned there. And so, we don't necessarily see them changing so much, the pace of the improvement will certainly will slow down.

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

A

And then in terms of the frequency of trips, there are really four factors that I will point to. First of all, we just talked about our membership program as we increased the number of members in our member base and the coverage of members who tend to buy more, who tend to buy more frequently just mathematically you're going to drive frequency up.

Second, for us is the power of the platform. We are constantly cross-promoting between Mobility and Delivery and essentially sending free or cheaper traffic from one platform to the other in a personalized targeted way as well. And so you should expect more opportunities for us to upsell and cross-sell in an intelligent way driven by AI and machine learning.

The third is the breadth of the product that we offer. So for example, with Mobility, with Reserve and low cost, Reserve has been a huge hit for us and we estimate that 50% of reserve trips are actually incremental. They wouldn't have happened otherwise. The other 50% are upsell so to speak. They're more profitable than on demand trips. Grocery is another example of new products that we are adding on at higher selection driving higher frequency as well.

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And then last and certainly not least is the re-opening, right, the shift of spend from products to services is benefiting us. So there is a tailwind in terms of people getting out, people shopping more, people going out to dinner more, et cetera. And that is helping our business as well. So it's really membership, platform, new products and then the macro environment that's helping frequency. And we expect to see that frequency, that 5.4 continue to increase over a period of time. And there's no reason that I see why we shouldn't hit or exceed our all-time highs over a period of time.

Brian Nowak
Analyst, Morgan Stanley & Co. LLC

Q

[ph] Great, excellent (00:13:16). Thank you both.

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

A

You're welcome. Next question.

Operator: Your next question comes from Ross Sandler with Barclays.

Ross Sandler
Analyst, Barclays Capital, Inc.

Q

Hey, guys.

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

A

Hey, Ross.

Ross Sandler
Analyst, Barclays Capital, Inc.

Q

Just a question about – hey – the Upfront Fares and Upfront Destination technology that you shipped. So you noted in a letter that you saw about a 4% increase in conversion. So I guess just some context around that. How does this innovation compare to others that you've shipped in the past in terms of like magnitude of overall impact? And as you look forward over the next couple years, do you see other technology updates that in the future that could be as impactful as what you've done with upfront? Thanks a lot.

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

A

Ross, it's very difficult to predict impact, but I will tell you that the Upfront Destinations and Upfront Fares has been one of our largest releases ever. It takes a huge amount of work in the background in terms of training models, testing it out in various markets to make sure that we got it right. And it was the number one requested feature by driver partners. They want to know what the upfront fare is going to be. They want to know what the destination is going to be.

It's an important part of the information that drivers process through as to whether or not they want to accept a particular trip or not. And it's just been a homerun for us in terms of the number of trips that we're able to drive through the marketplace, so the improved throughput in the marketplace; reduction in cancelations because drivers now know upfront whether or not they are going to accept or not. This is a feature that we are now expanding around the world, so we've launched it in the UK now, outside of London. And for example we see a

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much higher percentage of fulfillment rates than we did previously. And now we're carefully rolling out in London and we will continue to roll it out market by market by market. So, difficult to predict what our engineers are going to come up with. We're very, very happy with this feature. But I would never underestimate the power of our engineers at Uber. So hopefully we'll have another hit like Upfront Fares coming up.

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

A

Next question.

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

Mark Mahaney
Analyst, Evercore ISI

Q

Thanks. Two questions, please. You talk about the impact of these newer Mobility products. Which of those in particular would you single out as having the most impact? And then just talk about the timing of rolling out Upfront Fares and Destinations globally? Thank you.

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

A

Yeah. Absolutely. So I'd say the biggest one for us has been Reserve. If you look overall at the portfolio of new products that we've introduced, those new products counted for about $6 billion of EBITDA – gross bookings, I wish it were EBITDA, but gross bookings for the quarter and it's about 20% of our growth. And that portfolio is growing at about 100% year-on-year. So it will continue to be a larger and larger portion of our overall bookings. And Reserve is the biggest one. We talked about it being over $2 billion. It is a terrific product especially as travel opens up.

Typically, if you think about traveling to and from the hotel and then coming back, there are about four trips that are available to us. And we capture one to one-and-a-half of those trips. So we think there's still a significant runway for us to continue to grow Reserve. I am also very, very interested personally in our low cost product. This is UberX shared, the opportunity for two or three passengers to get into the car, it's more efficient for the marketplace, that's better for the environment. Our dream is to have all of our trips shared in an EV. That would be a beautiful thing in terms of congestion and in terms of the environment as well.

And then lastly and certainly not least is hailables, right. There are two wheelers, three wheelers, but especially taxis. There are over 20 million vehicles that are hailable vehicles in the world. About 4.5 million taxis. It's a huge base of drivers and vehicles that we think we should power – Uber should power because we are the number one kind of source of on-demand movement in the world. And ultimately, we want to wire-up every single vehicle, whether it's a car, or delivery vehicle, or a truck, or a van, or a bus that's available to move people or things all around the world and taxis and hailables are a big part of it.

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

A

Next question, please.

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

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Justin Post
Analyst, Bank of America/Merrill Lynch

Q

Hey, thanks for taking my question. Maybe one for Dara, one for Nelson. On the outlook for 2024, I think there's been some headwinds from FX and some other things. Any updates on that and maybe some of the puts and takes as you think about that that you gave last year?

And then, Nelson, a couple of the cost issues maybe in the quarter, the New York minimum driver fee changes and insurance cost, maybe you could cover those and how you're thinking about the potential impact in 2023? Thanks.

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

A

Well, maybe I'll try to answer both of them. So, in terms of the FX, I mean, we do give you constant currency numbers. The FX has gotten better right now. We don't necessarily put that into our 2024 as we're thinking about 2024. We laid out guidelines last year as you recall. We think we've over delivered against particularly on the bottom line, the incremental margins and the profitability. Our focus is to make sure we continue that path. And again, we are focused on trying to deliver GAAP operating profit at some point this year. And again, we think that we will continue to do well versus the targets we laid out.

But in terms of some other costs, those are things we just have to continue to mitigate. Specifically on New York, a lot of it just has to do with transparency. A lot of it just has to do with making sure that the rule set is correct. The new 6%, again it will get absorbed into the marketplace.

And then your question on insurance, insurance I would tell you is the one line item because we've worked – we've scrubbed our whole company on every single line item and that's the one line item that we frankly haven't made progress on in terms of reducing the cost per trip. A lot of it is just built on what's going on more broadly in the insurance industry as the market continues to be a hard market. A lot of it has to do with the fact that I think even the insurance companies are having the challenges now to do the actuarial work because to repair a car is much different, right. The rearview mirror that was $70 is now $700 with all the electronics.

And so, we frankly and obviously our earners are part of that ecosystem. As you know, we take our charges in the quarter when they come and we've done a good job managing through that. But again, I think insurance will continue to be the one item that we haven't been able to optimize and Dara spends a lot of time working with me and our teams on how we go do that. But if you think about every other line of our P&L, we've actually done a pretty good job in terms of driving efficiencies out and we'll continue to focus in on that.

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

A

And just I realized that I neglected to answer Mark's second question in terms of the rollout of Upfront Fares and Destinations. This is a very complex product that we're rolling out and we have to make sure that our models are properly trained. So we are in the middle of our rollout in the UK, and we'll continue to roll it out across major markets where appropriate. I would expect that Upfront Fare and Destination will be rolled out in all of our markets globally by the end of the year in markets in which we can roll it out. Depending on regulatory issues, et cetera, we may not be able to roll it out in various countries. But I would expect a full rollout by the end of this year in markets where it's appropriate.

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Justin Post
Analyst, Bank of America/Merrill Lynch

Q

Thanks.

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

A

Next question, please.

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

Doug Anmuth
Analyst, JPMorgan Securities LLC

Q

Thanks for taking the questions. I just wanted to circle back on the Delivery margins. Can you just help us, Nelson, perhaps split out some of the improvement across network efficiencies, advertising and marketing incentive optimization? Thanks.

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

A

No. So – look, we're focused on delivering the incremental margins that we laid out. We certainly have delivered way above what we've been talking about long-term. And we expect to continue to try to deliver against the 7% total company. And we're going to continue to look for efficiencies across. And so, what I try to do there is let you know that some of them were very deliberate actions that we took in terms of making sure that we are running and the marketplace is running more efficiently regarding incentives. Some of it is just tech that we deployed, and we deployed the tech in the first half of last year and we really saw those benefits on the cost per trip. And then again, we've talked about some new business things.

And so ads is the easiest example where we've seen that continue to grow. So the ads business, we continue to expect to continue to grow and accelerate the growth and so we'll see the benefits in the margins. I think we'll continue to run efficient marketplace. So, yeah, I think you should expect that we'll continue to drive margins in those businesses but remember we also spend time trying to invest back in. So we've invested and we've talked about it. There's some growth markets like a Japan that we've invested in and again we now are number one in Japan from a category position perspective. So we try to manage – we're going to balance both the growth as well as the margin and the profitability and I don't want to be too prescriptive in terms of exactly what we're doing.

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

A

And I think just on ads for folks out there, we passed $500 million in annual run rate and that's based on increasing the number of active advertisers that we have like 80% on a year-on-year basis. But if you look at the merchant penetration, the percentage of merchants on our Delivery side who are advertising, only 25% of our merchants are active in the auctions that we have going on. So we think there's substantial upside to our advertising business.

We committed to $1 billion in revenue by 2024, and we are progressing very, very well against that target. So you should expect to see more upside. Both by the way in our Delivery business but also in our Mobility business we've seen some really encouraging signal as it relates to journey ads on Mobility which you see on the app, click-through rates over 3%, CPMs of $45, which is pretty amazing.

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And then a new class of ads that we're actually pretty excited about are car tops and tablets where the goal of those advertisings is really to put more dollars in drivers' pockets. We'll run the advertising networks. We'll sell the products, et cetera. But the goal of those products essentially is to get drivers greater earnings on a monthly basis, which then will translate into more drivers on the platform and more dependable Uber for everyone. And that works out for the marketplace and it works out for us as well.

Doug Anmuth
Analyst, JPMorgan Securities LLC

Q

Thank you, both.

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

A

You bet. Next question.

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

Deepak Mathivanan
Analyst, Wolfe Research LLC

Q

Great. Thanks for taking the question. So first on the weekly active user penetration, it seems like in some markets like UK are already above kind of the pre-COVID levels, but it's still below in large markets like US. Is there any broad reason for this lag on the user side and how should we kind of think about this in 2023?

And then for Nelson, as we go into the kind of annual comp cycle, I hate to be the guy that asked the SBC question, but how should we think about the target compensation levels in 2023? Any high-level color you can share on your thoughts there would be helpful?

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

A

Yeah, I'll start on the user trends and then Nelson can talk SBC. The reason for the US trailing is really the West Coast. So if you look at the US, it's really a tale of two coasts. If you look at a Miami or a New York or an Atlanta, or getting off the coast, in Austin, Houston, et cetera, most of the US is at pre-COVID levels. Canada, for example, our neighbors in the north are above 2019 levels as well. But it really is the San Franciscos, Seattles, Portlands, Los Angeleses of our country on the West Coast that are trailing and are off the pace that we see pretty much everywhere else in the world. So I wouldn't generalize the US. Kind of non-West Coast looks great. The West Coast is recovering, and we talked about in January we are having on a daily basis in Mobility in the US trips approach pre-COVID levels as well. So all the trends are moving in the right direction but the West Coast is definitely leaving the US behind the recoveries on a global basis.

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

A

So regarding stock-based comp, so we are looking at all parts of our cost structure, including employee compensation. We recognize and there is a fair amount of noise particularly on the West Coast regarding stock-based compensation. What I would say is that, we expect our employment levels to be – our head count to be relatively stable this year. We will continue to focus on performance management across all of our businesses,

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and so you saw that we took some action in our Freight business in January and now specific to Freight in the marketplace. And there will be some other pockets of that that will happen during the course of the year.

I think you won't see any demonstrable change in stock-based comp but because it takes a long time for that to build out. But we are certainly going to manage our head count very judiciously. And then, the only thing I would add is that, because we are trying to start focusing in on GAAP operating profit, it obviously is part of the calculation. And so we recognize that as well. And so as you think about the progress we've made on EBITDA, on free cash flow and now with our focus there, you can envision the amount of focus that that line will have as we move forward.

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

Next question, please.

Deepak Mathivanan
Analyst, Wolfe Research LLC
Q

[ph] That's helpful (00:29:07). Thank you, both.

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

Lloyd Walmsley
Analyst, UBS Securities LLC
Q

Thanks. Two if I can. First just on Uber One, you talked about a strong pickup in spend and clearly like a nice LTV that covers CAC pretty quickly. But once you're through that kind of start-up cost, what do contributions look like for Uber One members versus like a non-member and how much of a trade-off is the margin for the profit dollars in that plan?

And then secondly, do you think that driver supply is benefiting at all yet from slower economic growth? And to the extent we're seeing some of that or eventually see that, how do you think about pricing and take rate on the Mobility side if you get better and better supply? Thanks.

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

Yeah, look, Lloyd, I don't want to get into too much of the particulars of Uber One because as you can imagine a bunch of the information, the data there is proprietary. But if we get an Uber One member who sticks around for a year, that Uber One member generally will be unprofitable. It's really in the second year where that Uber One member will be profitable and that's just a trade-off between frequency, order – average order value, and margin. And we're actively making that trade-off and driving Uber One penetration.

Another side benefit of Uber One is that our merchant base, an increasing percentage of our merchant base in the Delivery business is willing to pay to have, let's say, advantage exposure to the most valuable members that we have as it relates to the Uber audience. And as you can imagine, the Uber audience is a high demo audience that moves, that spends on services, that gets out of the house. And it's a very, very attractive demographic, both for our merchants and for advertisers as well.

In terms of driver supply, driver supply levels are very, very healthy, right. Drivers are up 35% on a year-on-year basis. New driver count is up 34% on a year-on-year basis. And we have heard from our drivers that inflation is a

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factor that they consider. About 70% of them that are coming on to the platform are coming on to make more money so that they can afford to live in what has been an inflationary world. So we certainly think that the economic environment could be a tailwind there.

And in markets where we have seen economies get weak in the past, then Mexico has been through some recessions, Brazil has been through some recessions, we definitely see weaker economic environments helping out in terms of our driver supply that is a tailwind in terms of trip volumes. It's difficult to tell if that's what we're seeing. You'll remember that for 24 months now, we have been very, very focused on improving Uber as a platform for earners.

Come on in quickly, make a lot of money delivering quickly. Then once we have – then we'll upsell you to driving driver earnings are $35 per utilized hour, so they're at very, very high levels. Driver earnings increased by 37% on a year-on-year basis in terms of constant currency.

So I think just the earnings levels and the service that we are providing our drivers is a tailwind in addition to the economic environment out there, and we put it all together. It results in a service where search levels are coming down, so search levels in January for example in the US are under 20%. ETAs are coming down. ETAs in the US are about 4.5 minutes in January as well. So the marketplace itself is getting a lot more healthy and drivers are earning well at the same time, which is exactly what we want.

Lloyd Walmsley
Analyst, UBS Securities LLC

Q

Okay. Thank you.

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

A

You're welcome. Next question?

Operator: Next question comes from the line of Ron Josey with Citi.

Ronald Josey
Analyst, Citigroup Global Markets, Inc.

Q

Great. Thanks for taking the question. Dara, on Delivery, we're constantly talking about or getting questions on the demand side here just given macro challenges. And from what we're hearing on growth in January for Delivery and accelerated expected growth I guess in February and March, you mentioned habitual in the letter. How much do you think of this growth here in Delivery is category adoption that are convenience, et cetera, or Uber specific as you mentioned maybe competition isn't as great and things along those lines? Thank you.

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

A

Well, I think that overall in the category, the Delivery category has been pretty resilient post-pandemic, certainly more so than a lot of other categories that that benefited from the pandemic. That said, we are growing faster than the category generally if you look at us globally.

Certainly in Europe, we are seeing many of our competitors pull back significantly from what were unhealthy spend levels in the past that didn't make any sense. Maybe they made sense in terms of top line, but they

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certainly didn't make sense in terms of bottom line. And for us in Delivery, we're benefiting from the power of the platform, very cheap audience from our rides business.

Remember, we get more new eaters from our rides app than we do from Google and Facebook and Instagram combined at about a quarter of our cost. So that is a very significant structural advantage that is assisting our Delivery business. You've got our membership business, that again is adding higher frequency, higher spend, more retention as well. We're the only player out there that has membership both on Mobility with Mobility and Delivery benefits as well.

And then you're seeing our tech which is optimization around cost per transaction and then an ad business that we're building that is starting to scale. So the combination of all of those four factors I think is allowing us to outgrow the category, which generally has been more resilient than other categories as well, and I wouldn't expect anything to change going forward. We do think that we should continue to outgrow the category in Delivery going forward based on the environment that we're seeing.

Ronald Josey
Analyst, Citigroup Global Markets, Inc.

Q

Thank you, Dara.

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

A

Next question.

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

A

Welcome. Next question.

Operator: Next question comes from the line of John Colantuoni with Jefferies.

John Colantuoni
Analyst, Jefferies LLC

Q

Hi. Thanks for taking my questions. So Mobility continues to deliver impressive bookings growth. Maybe you could just help give us a sense for how share gains are playing into that versus broader recovery in category usage as we move further past the pandemic.

And assuming you are seeing some share shifts, are you starting to see evidence that the investments you've made in driver supply technology and Uber One are allowing you to leverage your network effect in driving sort of a permanent competitive advantage that could drive ongoing share shifts in certain markets?

And then second question about Freight. Bookings and EBITDA for Freight were a bit behind our expectations. Maybe you could just discuss how it compared to your own expectations in the fourth quarter and some puts and takes of what drove – could have driven that delta relative to your own expectations? Thanks.

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

A

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Yeah, the first thing I'd say, John, is that I've never seen a permanent competitive advantage in my life. And we don't expect to, right. It's – so the advantages that we have in terms of our business and in Mobility, we are gaining category position, and we're gaining category position certainly in the US. We are in Europe and in the UK and Australia, et cetera. We're seeing one of our competitors in France spend a ton of money, which doesn't seem to make any sense whatsoever, but they've done it before and we pushed them back.

And we don't consider spending more money a strategy, right? It's just like that's – maybe that's a strategy, when the only thing that counted was how much money you could raise. And while we see some of our competitors kind of trapped in the spend-more-money strategy, if you want to call it, we are driving, we're using efficiency, we're using technology like Upfront Fares and Destinations, and we're using the power of our platform with membership to win category position the right way. And the right way for us is grow strong top line faster than the category and leverage the bottom line so that you're profitable and you continue to increase profit margins as well.

So right now we are seeing kind of the positive feedback loop of more driver supply leading to more demand, leading to more data so that we can target the demand, so that we can match the right driver to the right rider, whether it's reserve or on demand. That feedback loop is happening.

But we are going to have to stay on our toes to continue to gain category position while improving margins, and we don't take a minute of that for granted. We'll continue to do our best. The results in the last year, year-and-a-half have been really, really good and the trends that we're seeing for now are really good. But the minute we take our foot off the gas is the first minute that a competitor starts to get an advantage over us. So we don't take any of this for granted. Nelson, you want to go?

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

A

Sure, regarding Freight, so, yes, we're watching the same trends you are. Yes, we wish the Freight numbers were better in the fourth quarter. But as you know, there's a little bit of a cyclical nature to what's going on more broadly in the industry.

The business continues to do well, and so as you know, we bought the Transplace business in December of 2021. We spent a fair amount of last year integrating the business and Transplace 4PL business continues to be resilient with everything going on. And what we've seen is our Uber Freight, the historical Uber Freight business has done a very good job using the brand and our tech, our share tech, to really drive out and build out its presence particularly with what I call national brands.

Where we need to spend some more time is really focused on the small and midsized shippers. And so we're doing that right now and we've made some organizational tweaks. We do expect that you'll see us getting some traction there, but the overwhelming cycle that's going on right now more broadly on the freight industry is going to continue to impact our business and so that business will continue to lag likely versus where we would have hoped and certainly versus a year ago where it was a much different dynamic more broadly in freight in this country.

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

A

Operator, we'll take our last question now. Thank you.

Operator: Your last question comes from the line of Nikhil Devnani with Bernstein.

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Nikhil Devnani
Analyst, Sanford C. Bernstein & Co. LLC

Q

Hi. Thanks for taking my questions. Just a couple, please. Looks like the leverage on promotional spending has been quite good. I think it's the third quarter in a row of sales and marketing dollars stepping down. How much more efficient can that line get?

And as a follow on to that, when you think about your ambitions on gross bookings growth, I mean, do you expect to ramp promotional spending down the road or do you feel comfortable about growing the business while continuing to get leverage against that item? Thank you.

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

A

So I'll start on the first one and then Dara can handle the second half of it. So, again, we're focused on really delivering and balancing our growth and our efficiency. So that's been our path. And I talked about when we took our big call to action in 2020. So as a company, we've been focused on growth and efficiency.

We recognize that we put out targets last year. And our goal is to make sure we achieve or overachieve against them, which I believe we have if you think about the last six quarters. And so there are times when we might take some incremental dollars and spend back into a specific marketplace, and that would – there'd be strategic reasons why we would do it. There might be some situations where we would pull back.

And so we have a capital allocation framework that we've had now for the past few years. And it's working well is what I would say. And so I don't want to say, oh, could we actually get very super efficient in the quarter? Maybe. Would we? Likely not. We still think there's a lot of growth. And so our goal is to really think about, as Dara said, kind of where the puck is going and making sure that we are investing behind those growth levers, so we can deliver the kind of top line growth we're doing and over-delivering against the bottom line which we have been doing.

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

A

And Nikhil, in terms of expect our ramping S&M to drive top line, the way I'd describe our activities is it's exactly like Nelson said. Generally, we want to leverage all of our cost lines, the cost of sales, marketing costs. Certainly we want to leverage our operating cost and make sure that we stay lean as a company. It's just much more fun to win as a small team versus big teams.

And that allows us then to lean into different segments of the business that we want to specifically grow, whether that's a specific geo or that's a specific product. You see us with our Super Bowl ad with Uber One. That's an expensive ad, that is leaning into Uber One to drive growth in a very, very strategic product of ours.

So strategically overall, our efficiency, our drive to efficiency across the business then allows us to strategically invest in various geos or various areas. And, yes, that will include investments in marketing. It will include investments in tech as well so that we can strategically grow where we can build an advantage over our competitors. And as long as we keep kind of driving this efficiency every single day, every single week, every single month, every single year, that opens up avenues for us to invest and deliver the bottom line that investors are looking for over the long term.

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Nikhil Devnani

Analyst, Sanford C. Bernstein & Co. LLC

Q

Appreciate the color, thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

All right. I think that's it. Yes, you bet. Thank you, everyone, for joining us. Huge thank you for the Uber team delivering another great quarter. And big thank you to our earners who without whom none of this would be possible. 2022 was a really, really good year for the company. And we're looking for 2023 to be an even better year. Thank you, everyone.

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

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