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Uber Technologies, Inc. (UBER)

Q4 2023 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good morning. My name is Krista and I will be your conference operator today. At this time, I would like to welcome everyone to the Uber Fourth Quarter 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] We ask that you limit yourself to one question and one follow up and then re-queue for any additional questions. Thank you.

I would now like to turn the conference over to Alax Wang, Head of Investor Relations. Alax, you may begin your conference.

Alaxandar Wang
Head of Investor Relations, Uber Technologies, Inc.

Thank you, Krista. Thank you for joining us today and welcome to Uber's Fourth Quarter and Full Year 2023 Earnings Presentation. On the call today we have Uber CEO, Dara Khosrowshahi; and CFO, Prashanth Mahendra-Rajah.

During today's call we'll 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.

Certain statements in this presentation and on this call are forward-looking statements. You should not place undue reliance on forward-looking statements. Actual results may differ materially from these forward-looking

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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 Form 10-K and other filings made with the SEC. 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'll open the call to questions following brief opening remarks from Dara and Prashanth. With that, let me hand it to over to Dara.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Thanks, Alax. Q4 was a standout quarter to cap off a standout year. Trip growth of 24% year-on-year outpaced bookings growth for the fourth quarter in a row, powered by strong audience trends and record engagement, as consumer activity remained healthy all around the world. At the same time adjusted EBITDA of $1.3 billion exceeded our Q4 outlook with GAAP operating income of $652 million.

Looking back, 2023 was an inflection point for Uber, proving that we can continue to generate strong, profitable growth at scale. These results and our Q1 outlook demonstrate that we're starting 2024 with tremendous momentum and reliable execution. I'm energized by the pace of innovation I'm seeing across the company, and I'm looking forward to another exciting year ahead.

And now, here is Prashanth.

Prashanth Mahendra-Rajah

Chief Financial Officer, Uber Technologies, Inc.

Thank you, Dara. And let me add my welcome to our Q4 earnings call. As a reminder, we will be hosting an investor update next week on Wednesday, February 14 to present an updated view of our strategy and capital allocation plans. As such, we kindly ask that you keep your questions today focused on our fourth quarter and full year 2023 results.

And with that, let's open the call to questions.

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QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] And please limit yourself to one question and one follow up. Your first question comes from the line of Doug Anmuth from JPMorgan. Please go ahead.

Doug Anmuth
Analyst, JPMorgan Securities LLC

Q

Thanks so much for taking the question. As you come off of 2023 where you've grown bookings 20% and achieved positive GAAP operating income and net income and driven meaningful free cash flow, can you just talk more about your top priorities as you enter 2024? How will you shift Uber to become more of an everyday product? And what are some of the key strategic investment areas that you are most focused on? Thanks.

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

A

Yeah. Great question, Doug. So I think for us the good news is that the strategy remains largely the same. If I were to broaden in terms of mobility, first and foremost, it's about making certain that our supply position, the number of drivers that we have on the road and engagement of those drivers continues to be healthy, because that is what drives overall marketplace health. And you can never forget about the basics.

The number of drivers we have on the platform was up 30% year-on-year with engagement also being up 10%. So we still – drivers are the heart of the business. And as long as we've got drivers who are earning as they are, for example in the US, $33 per utilized hour and staying on the platform for longer, the platform stays healthy. We have more people coming in.

At the same time, we're augmenting that base platform with a number of new initiatives that we've got in place, newer products. This is our U4B enterprise business that's actually showing nice strength early in the year. Reserve for folks who are willing to pay more for better reliability for those travel locations, for example, low-cost product, as well, and then taxis, and two-wheelers and three-wheelers. So you've got a base business that's growing at fast rates, typically gaining category position against many competitors, and then augmented by some of these faster-growing products.

In delivery, it's very similar, which is adding more restaurants, making sure the reliability of services is excellent. You've seen that business actually accelerate its growth, from 16% top line to 17%, while significantly increasing margins as well. And that's augmented by new services such as grocery, which is now $7 billion run rate, and growing at very healthy rates. And then advertising, which we told you would be a billion-dollar run rate business next year, which is going to surpass that. We're already at a $900 million plus run rate just in Q4 of this year. So again, strong base business, augmented by these new exciting businesses that add both top line and margin as well.

And then all of it is going to be undergirded by the power of the platform. First and foremost, that's our technology platform. All of the algos we have that are matching drivers to riders or matching couriers to go pick up something at a grocery store and deliver at home on time. So it's a technical platform that's doing all the matching, routing driven by AI. And then other factors like our membership program, which is up to 19 million members. And then of course, cross-selling across the platform, which continues to increase. Uber users who buy across platform, let's say if they take an UberX and order on Uber Eats will on average order three times more than those who don't.

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So I think as we look forward, it's more of the same and increasing the scale of each of these efforts because, as you can see, we're growing faster than competition on a global basis. We continue to improve margins. And now that we're profitable, that creates other possibilities as well. So I think that's where we are kind of. If next year is the same as this year, just with bigger numbers, I'll be happy.

Doug Anmuth
Analyst, JPMorgan Securities LLC

Q

Great. Thank you, Dara.

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

A

You're welcome.

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

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

Q

Thanks so much for taking the question. Maybe following up on Doug's broader question and spreading it out around the globe. Curious if there were any geographic areas you wanted to call out exiting 2024 and looking into 2024 where you see elements of either improved market share position or elements of driving the utility around Uber One and linking more mobility activity with more delivery activity that we should keep an eye on as we move deeper into 2024. Thanks so much.

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

A

Yeah. Eric, what I'll start with is actually delivery. And what we're quite happy to see is that, for example, our delivery business, which again accelerated gross bookings growth this year, grew category position in 10 out of its top 10 markets. So the growth that you see from us in with delivery is substantially in excess of the category. It's partially and mostly the great execution of the team in terms of the basics, which is adding more selection, bringing in more consumers, bringing in more couriers, making sure that the reliability of the service improves and making sure that errors improve as well, you know, you don't get your food late.

But then again, it is that power of the platform, right, which is our Uber Eats business is getting significant free traffic from rides or close to free traffic from rides. And then, of course, the membership program continues to be a larger and larger portion of our business. Now about 45% of delivery gross bookings are coming from membership. And that just mathematically draws frequency.

And if you look at delivery, audience is up, frequency is up, basket size is up as well. So the growth comes. It's very broad growth and more of the growth this year is coming from transactional growth versus pricing growth relative to last year. Last year was more pricing growth and transaction growth. Now it's the other way around. And that really is broad.

In mobility, I would say standouts were Latin America and APAC. Again, we had very strong broad growth around the world but we've seen very strong growth, particularly in the Asia-Pacific. The Japanese market is super strong. Korea is starting to come up. Australia remains very strong, Taiwan, et cetera. So all of these markets are strong. I think it's augmented by taxis. India for us is super strong and that we are gaining category position versus our big competitor there and we think we are the larger player making a lot of progress with two-wheelers.

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And then Latin America it's really two-wheelers Moto. It's a lower-cost product that is the hero. It's a newer product. Trip growth there is incredibly healthy so Latin American trip growth was absolutely stand out this year.

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

Q

Thank you.

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

A

Next question? You bet.

Operator: Your next question comes from the line of Brian Nowak from Morgan Stanley. Please go ahead.

Brian Nowak
Analyst, Morgan Stanley & Co. LLC

Q

Thanks. Good morning, guys. I have two. One for Dara, one for Prashanth. Dara, you've talked a lot over the 2023 period about increasing frequency and increasing engagement on the overall platform. Can you just talk to us about operationally and from an investment perspective, what are the key areas you need to invest in to continue to turn more [indiscernible] (00:11:30) into wows and wows into awws, et cetera? How do you do that operationally?

And then the second one, Prashanth, you've had a little time on top of the hood and now sort of under the hood. Just talk to us about maybe one or two of the things that you think are most surprising and underappreciated internally versus externally now you've sort of gotten to know the company a little better?

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

A

Yeah. Absolutely. I like your phraseology there. Listen, I think in terms of frequency, I know there is a bunch of sexy stuff that people talk about but the most important factor in terms of frequency is being a service that is reliable and predictable every single day for every single occasion. So for mobility, it's making sure that ETAs are at constructive levels, making sure that surge typically is less than let's say 20% of sessions. And both of those are moving in the right direction and especially in Q1 they're moving in the right direction.

And then for delivery, just taking out any errors in terms of you're missing a drink, et cetera, or making sure that if we make a delivery promise of 25 minutes, we deliver in 25 minutes. So I think those are the basics. Now the advantage or one of the advantages that we have is the platform, which is, as we see, our users engage with more than one product, those users tend to come back more often and tend to stick around for longer. So we have now a team that is essentially using AI algorithms. And there are a number of promotions that we have lined up.

So if you're going to work, if we know that you're commuting to work for breakfast, we may have a promotion for you to pick up a coffee at Starbucks. If you're coming home from work and we know it's around 6:30 and that's when you order dinner, we may say, why don't you order a pizza? It'll be home for your family by the time you get there. All of these occasions, they're different occasions that we can target the right person, with the right offer, at the right price. All of that now is algorithmically driven. And it's pretty powerful because it's gone from I'd say like programming. A third of the time, let's throw this promotion, and a third of the time let's throw another promotion.

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As it turns algorithmic, as it becomes much more targeted and personalized, the power of the platform increases, and that generally just mathematically moves frequency the right direction. The last point that I would make is, again, membership too is it's just a tailwind for us for frequency. We've got 19 million members, up significantly on a year-on-year basis. Members buy more, they stay longer, and just mathematically, members will account for higher percentage of gross bookings, which means a higher percentage of customers are going to stick around for longer and transact more frequently.

Prashanth, do you want to take the second question?

Prashanth Mahendra-Rajah
Chief Financial Officer, Uber Technologies, Inc.

A

Yes. Right. Great. Good morning, Brian, and thank you for giving me a softball to start with. So if I think about kind of my observations over the last three months now under the hood, using your expression, I would say what I found most surprising is just the level of excitement and energy within the organization in the focus they have on building products for users, for earners and for partners. It's a very mission-driven company. I know that's an expression you often hear a lot of tech companies use. But I'm really experiencing it within the four walls of Uber.

I'll say the other learning that has been very encouraging for someone coming in is just the internal conviction and plans around driving profitable growth. And there's a tremendous runway that this organization has over the next couple of years to continue focusing not just on growth but also making sure that that growth comes with significant profit leverage.

Operator: Your next question comes from the line of Ross Sandler from Barclays. Please go ahead.

Ross Sandler
Analyst, Barclays Capital, Inc.

Q

Great. Dara, the mobility incremental margin bounced back pretty nicely to 10%. You guys said on the last quarter this would move around a bit. So how do we think about the outlook on that going forward? And as these new areas like Reserve, which has higher margin but taxi or shared rides has lower margin, as those come in and the mix starts to change, how do we think about mobility incrementals going forward? Thanks a lot.

Prashanth Mahendra-Rajah
Chief Financial Officer, Uber Technologies, Inc.

A

Yeah. Good morning, Ross. I'm going to take that question. So before I jump into incremental margins, maybe I'll just take a minute to talk about. As we go forward we'd like to focus really on EBIT dollar growth. Given the power of the platform, the leverage that we're generating off of our revenue growth, we're pretty excited about the absolute EBIT dollar growth we're going to be able to generate over the coming quarters. And we think that's a better metric for us because it allows us to really share with you a better proxy for our ability to generate cash flow.

Having said that, I do want to talk specifically to incremental margins. So you're referring to that in Q4 incremental margins grew sequentially for the mobility business. And as a reminder, that can bounce around a little bit based on mix and also based on the investment decisions that we make. So I wouldn't put too much focus on continued expansion of incremental margins. We feel very comfortable that the overall incremental margins for Uber are going to continue to be something that is going to pull the overall profitability of the company up. But remember that we will always be making investments in areas such as our growth bets that you referred to, whether it be

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hailables or in new geographies, that are going to put some pressure on that. But overall look for continued growth in EBITDA margins but probably a little less acceleration in incremental margins.

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

Justin Post
Analyst, BofA Securities, Inc.

Q

Great. Thanks. I'll ask couple things we get a ton of questions on. First, just on mobility pricing and ability to drive growth, where do you think you are on that? Mostly for UberX. And how do you see pricing in 2024? And do you see that maybe as a headwind for growth, or any issues with that? And then second on insurance. Can you just confirm one month is in higher rates are in the March guidance and how you're thinking about maybe the step up in 2Q, if anything we need to think about? Thank you.

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

A

Yeah. Absolutely. So I think in terms of mobility pricing, Justin, mobility pricing has been relatively flat on a year-on-year basis, really for the full year this year. And kind of when you go back to pre-COVID levels, we're up now in the 20s. But compared to like a bunch of other products, we're probably – I think cost of Uber has increased similarly to many other products.

So we actively work to make sure our supply position is in the right position. We actively work to make sure our own cost levers, et cetera, are getting more efficient so that we can keep price at the prices that they are at now and drive the majority of our growth in terms of transactional growth. And you can see that in on the overall numbers, which is overall company growing transactions 24% and gross bookings growing 21% on a constant currency basis. So we're actively looking to keep a lid on price, so to speak.

And then what we're doing in terms of targeting different demographics is there is a certain segment of folks who are willing to pay a premium for higher reliability or nicer cars in Black or Reserve. And then, of course, for the more cost-conscious consumer we're offering UberX Share and some of the other products as well, two-wheelers or three-wheelers in some of the developing countries. So, we don't see price at this point as a factor that is restricting growth. And if anything, you can see the growth of the company continues to be very, very strong. We've been growing faster than the category.

And then on top of this base, of course, you have all of the new products that we're building, U4B and hailables, et cetera. That portfolio is now at an $11 billion run rate and it's growing 80% on a year-on-year basis. So we think the growth vectors that we've got in place are strong. And we look forward to continuing to grow the top line at very healthy levels this coming year while delivering margins at the same time.

Prashanth, do you want to talk insurance?

Prashanth Mahendra-Rajah
Chief Financial Officer, Uber Technologies, Inc.

A

Not really but I'll take that question, yes. So as a reminder, maybe we'll say that remember that we provide automotive liability insurance on behalf of our drivers. So it's a benefit we provide to them and in turn, we build that into our pricing. Certainly, this is a space that has been facing significant cost pressure. You're going to be seeing similar inputs from or outputs from both the personal and the commercial auto insurance companies. As a

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data point, we'd say, we'd point you to the latest CPI print which had motor vehicle insurance up 20% year-over-year.

So in this more inflationary environment, we are taking a number of steps to actively manage our costs. First, I'd call out that we can use the data that we have access to in the technology environment to really drive safety technology. And that includes things that we've talked about before like reducing left turns, giving alerts to drivers when they're approaching challenging intersections, enabling both audio and video recording during trips so that there can be evidence of liability, which can be helpful to us. In addition, we have an excellent risk management program. We have a good partnership with our carriers and we maintain these relationships over a longer term.

But what is helpful there as well is we have our own captive insurance company. And that allows us to retain more risk where necessary, particularly in harder insurance pricing markets when it could be for a particular geography or locality. And then lastly, on the regulatory side, we've got a really strong policy team that is working on reforms state-by-state. So we've seen some good progress, positive legislation in Florida, in Virginia and Georgia, working on some other states as well. And we're also active in a number of states, including California.

And you might have seen some activity on this in the last couple of weeks where we see an opportunity to really educate the new legislatures given there's a fairly high level of turnover that's expected at the state level, 40 or so seats that are going to open up. And we've indicated that we're willing to put as much as $30 million into our Uber innovation pack, which is really focused on helping to identify business-friendly legislators for the California State.

Wrapping up at the overall 2024 level, I would say that the insurance cost per trip for the US, that's certainly going to be a headwind. We've got these multiple cost mitigation efforts that we're going to continue to factor. And really, Justin, to your question, all of that is priced into the guide. So you should expect all that to be reflected in the outlook we're giving.

Operator: Your next question comes from the line of Mark Mahaney from Evercore ISI. Please go ahead.

Mark Mahaney
Analyst, Evercore ISI

Q

Yeah. Thanks. Let me ask two questions, please. On the advertising revenue growth, it's been better than maybe we all thought a year or two ago. What do you think have been the biggest kind of growth surprises? What parts of the all advertising platforms that you have, have done the best for you?

And then in terms of Uber One, you've got, whatever, 19 million users. It's a really good number. I know it's a product that kind of like Prime over time can have more, not more, not just bells and whistles, but more really great features and functionality added to it. Can you just give a sense of what some of those new incremental features and functionality would be that consumers would really appreciate? Thank you.

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

A

Absolutely. So, Mark, in terms of ads, we're very happy with the progress on ads. I'd say that we're not surprised because we've got a terrific team, both on the sales side and the tech side, and they have been executing what they promised. Now, the biggest area of strength on advertising are still the smaller businesses that advertise on our platforms. These are your neighborhood restaurant who wants to get, increase their business by 20% and puts in a certain dollar amount into the Uber ad system that we bid on for them. These advertisers on average are earning 8 times their spend.

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We've got about 550,000 businesses now advertising on our platform. It's up 75%. And that is the majority of our advertising revenue. And it's about bringing on more advertisers onto the platform or getting them to increase spend. If you're making 8 times your investment, well, increase your spend from $200 a week to $300 a week to $400 a week. That is absolutely something that we're focused on. And, frankly, it's in the interest of our advertisers based on the return on ad sales that they're seeing.

Some of the faster growing areas of advertising are with enterprise price clients and CPG clients. Enterprise advertisers, sometimes they look for additional bells and whistles. They may want to target a certain demographic. They may want to target a certain daypart, for example. One of our big enterprise consumers wanted to target breakfast, as an example. Or they may want to only bring on new customers who haven't eaten at that establishment before. So we're building out much more mature toolset for those kinds of advertisers – more reporting. More reporting on incrementality of the ad spend as well.

And then for CPG companies, especially in the grocery part of our business, which is one of the fastest-growing segments of the business, we built out, for example, sponsored items for grocery. These CPGs, they are advertising in Albertsons. They're advertising in grocery shelves right now. They advertise on Instacart. So, essentially, we're rebuilding those kinds of products to get them in front of an audience, an Uber Eats audience that's not only global but is growing very, very quickly. So any CPG advertiser who wants a growing audience and a global growing audience should get in front of our audience.

And then, of course, there's our journey ads, which is advertising on mobile. These are people who are going out, who are impressionable, who may see higher level branded, higher CPM brand advertising in the Uber app as well. That part of the business continues to grow and that team had, frankly, a terrific Q4.

When you look at membership, which we're very excited about, membership really had a bit of a sprint at the end of the year. We had holiday promos on free trials. We moved a bunch of our Uber One members to annual memberships that reduces kind of the turnover or increases the retention of the members.

So right now, I'd say the focus of the team has been launching in more countries. We are in 25 countries. Making sure that features like annual membership upsell, that increased retention, are available all over the world. Next year you will see some bells and whistles, I would say more on the mobility front in terms of surprising and delighting the customer if it's an upsell or if you're, let's say, in an airport. But I want to save those surprises and delights for when we're ready to announce them. But stay tuned.

Prashanth Mahendra-Rajah
Chief Financial Officer, Uber Technologies, Inc.
A

And maybe just to wrap it up, just put some numbers out there so that you have them. Again, 19 million members across the 25 countries that Dara mentioned. And again, I want to go back to the data he pointed out earlier. About 45% of our delivery gross bookings is coming from members. So it is definitely driving the frequency which is elemental to the growth algorithm.

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

All right. Next question?

Operator: Your next question comes from the line of Ron Josey from Citi. Please go ahead.

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Ronald Josey
Analyst, Citigroup Global Markets, Inc.

Q

Great. Thanks for taking the question. Maybe two deeper dives. Specific ones, Dara and Prashanth. I wanted to – maybe sticking with the delivery side on grocery and retail – I think I saw gross bookings are now on a $7 billion run rate. Maybe, Dara, talk to us about the progress of grocery now that I think the infrastructure's built out and how you think about integrating grocery within delivery and food going forward.

And given the conversations around frequency as a big opportunity to improve overall usage going forward, would love to get an update on UberTEENS. I think we saw that is now expanding to newer markets. But here in the States talk to us about demand for UberTEENS and where that might go. Thank you.

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

A

Yeah. Absolutely. As far as grocery and retail goes, we're very happy with the progress there. Like you said, $7 billion of gross bookings and really the focus that we have now on grocery and retail is upsell to the Uber Eats customer.

Our grocery and retail business is now fully native. We have sunset the Cornershop app all over the world. We certainly haven't sunset that team. That team is now actually leading many parts of our grocery and retail business. But the upsell is about showing at the right occasions grocery to an eater. So for example, after you've completed your order, maybe you want a bottle of wine from a nearby liquor store or you want some dessert, et cetera. It's those occasions that can introduce in a very natural way the Uber Eats customer to grocery and retail.

And then what we will look to do after that is promote. There's a supermarket around the corner, do you want to do a top-up shop or do you want to do your weekly shop on that supermarket as well? So it's a lot of basic tackling including getting more retailers on board. And steadily, we're increasing the number of eaters who also order grocery and retail. It's now up to 14% and that is a percentage that you will continue to see move up throughout the year. So that is essentially what we're doing. Again, we expect big things from grocery and retail.

Prashanth, do you want to talk about kind of the investment philosophy there? And then we'll get to UberTEENS.

Prashanth Mahendra-Rajah
Chief Financial Officer, Uber Technologies, Inc.

A

Sure. Yeah. Ron, I think when we think about the unit economics for groceries, we feel pretty good about the direction we're headed and how this will grow into a profitable business. A couple of the levers that we have access to is clearly the power of the platform allows us to have an efficiency at the fulfillment level which is very hard for others to obtain given the scale that we have and the courier network that we've built out.

In addition, with roughly 150 monthly users, we can provide a very attractive platform to advertisers to come onto the platform, advertise for the grocery business, but also potentially have access to a much broader set. So we feel good that unit economics will get to a point where this is going to be a great business for us. I'll say that for 2024, while this business will not be in the black, it is going to be doing better than it was in 2023. So the trajectory is going in the right direction. And then let's have Dara finish up on UberTEENS before we go to our last question

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

A

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On UberTEENS, as a parent of a teen, I can tell you that UberTEEN is one of our all-time favorite new product out there. Obviously, the parent has to invite the teen to use the product. We continue to expand in a number of markets. And one thing that's very interesting in terms of UberTEEN is that we're actually seeing the frequency of use of UberTEENS, I guess this shouldn't be a surprise, be just as high as the frequency of adults. So once teens get their hands on the product and it is a very safe product, they use it every day to get around.

And I think the reason why parents really love the product is they're the ones inviting their teens to the product. They can rest assured that only the best drivers that are on the platform who have been there the longest, who have the best ratings can pick up a teen. There is automatic pin dispatch to make sure that your teen gets in the right car. That sometimes is a worry. You can track your teen automatically to make sure know when they get picked up, know when they get dropped off, and you as a parent can directly contact that driver just in case you have any questions if the car stops and you are worried about it, et cetera. So the out-of-the-box tech that comes with UberTEEN, which is really an amalgamation of a number of safety innovations that we've led on in the industry make it a product that has been an absolute hit.

And I think we're pretty comfortable that once those teens turn into grown-ups, Uber is going to be their first choice for mobility. So this is a product that today is a product that is looking great in terms of frequency and customer satisfaction but it's also a product that's designed for growth not just today but tomorrow.

Operator: Our final question comes from the line of Deepak Mathivanan from Wolfe Research. Please go ahead.

Deepak Mathivanan
Analyst, Wolfe Research LLC

Q

Great. Thanks for taking the question. Dara, upfront fares has been live in the US for a few quarters now and has definitely has been a huge factor in 2023. Can you talk about the opportunities to expand this into more international markets, and also perhaps integrate it with a wider range of mobility products beyond UberX in 2024?

And then just a follow up on the grocery side. What are some of the key product initiatives for 2024 for building out the grocery vertical? And do you see opportunities to accelerate product buildout and maybe even retail partnerships through acquisitions? Thank you so much.

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

A

Yeah. So in terms of upfront fares, we're very pleased with the rollout of upfront fares in the US and a number of other markets. And I'll remind our investors too that we actually originally rolled out upfront fares on the delivery side of the business. So delivery was built out upfront fares in terms of couriers, knowing where they're picking up, dropping off, and what the fare was going to be.

Based on the knowledge there and working on that product, we determined that this is a product that could work for mobility as well because the number one issue that drivers were asking for is I want to know where my destination is, which wasn't available. So it's just an example of the power of the platform there, which is something that we do on the delivery side and innovate on the delivery side finds its way on the mobility side. And again, we were the first in the US to debut upfront fares. And drivers absolutely love the destination information that they're getting.

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I'd say on upfront fares actually we're less focused on launching it globally as we are on tuning the product itself. What you observed in terms of upfront fares now that drivers know where they're going and whether they're accepting some trips or not accepting some trips, is understanding that drivers are quite idiosyncratic in terms of their desires. There are some drivers who want long trips, some that want short trips, some that want to go to the airport, some that don't want to go to the suburbs, et cetera.

So I think that what we can do better is actually targeting of different trips to different drivers based on their preferences or based on behavioral patterns that they are showing us. That really is a focus going forward, offering the right trip, at the right price, to the right driver, which is a win-win-win. The rider wait time is lower. Drivers are seeing the trips that they want at the right price. And the network gets more and more efficient.

And I would also say that the nature of upfront fares, you've gone from just flat time and distance to now kind of point estimates for every single trip based on the driver, it accrues to players who have the kind of data skills and the amount of data that we have. We have more of these point estimates. We make more of these point estimates than anyone else. We're making these point estimates both in mobility and delivery. We're doing it globally. So all things being equal, our AI algorithms are going to be able to learn more and are going to be able to be more accurate than anyone else's, which is an advantage that over a period of time is absolutely going to accrue to us.

In terms of grocery new product initiatives, again, I think the focus for us is actually continuing to build out our merchant base. We continue to sign up new merchants all over the world. Some of the wins in the US were Big Lots and Sprouts Farmers Market. Eataly as well. So one is just driving the choice in the marketplace.

And then I do think in terms of our catalog, one of the areas that we're quite focused on is making sure that the catalog is mature and searchable. And when you search for chocolate milk, you get exactly what you're looking for. And I do think that the searchability of the catalog and a lot of the basics that we have in grocery can get better and better. We're very excited about the potential there. And as we continue to add on more merchants all over the world, we think this business will continue to grow and eventually get to profitability.

Operator: That concludes our question-and-answer session. I will now turn it back to management for closing remarks.

Prashanth Mahendra-Rajah

Chief Financial Officer, Uber Technologies, Inc.

Thank you, Krista. Thank you all for joining us today. As we wrap up the Q&A, I did want to share a quick organizational announcement. As part of career development for the exceptional finance talent here at Uber, Alax Wang, who has done an incredible job leading IR, will be expanding his scope to include some FP&A responsibilities in addition to his role in IR. And I'm delighted to announce that Deepa Subramanian, the former CFO of our Delivery business, will be expanding her scope to be the VP of IR and Corporate Finance. This will be a gradual transition, but I wanted to let you know that you'll be working with both of them in the coming quarters. So please join me in congratulating them both.

And we appreciate your time. Look forward to talking to all of you again next week.

Operator: This concludes today's conference call. Thank you for your participation. And you may now disconnect.

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