Uber Technologies, Inc.
Q2 2024 Prepared Remarks
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Dara Khosrowshahi, CEO

Uber's growth engine continues to hum, delivering our sixth consecutive quarter of year-over-year (YoY) trip growth above 20%, alongside record profitability. Gross Bookings grew 21% YoY on a constant-currency basis, driven by audience (MAPC) expansion of 14% and frequency (trips per MAPC) growth of 6%, both at all-time highs. Importantly, we achieved these results while both improving our category position in the vast majority of our top markets, while generating record Adjusted EBITDA (up 71% YoY) and free cash flow ($4.8 billion over the last twelve months). We believe that our ability to grow faster than the category while increasing margins reflects the quality of our execution and speed of our innovation, as well as the compounding power of our global platform.

We have large and valuable opportunities ahead of us, and we are energized by the chance to bring our services to more people, in more places, and on more occasions. That's why we continue to add new services to the platform like Uber Caregiver, scheduled UberX Share rides, and Uber Shuttle, all of which were announced at our annual GO–GET event in May. In fact, 35% of Uber consumers now use multiple products, up 4 percentage points YoY. And this strong engagement is not limited to consumers: in Q2, our platform supported a record 7.4 million monthly drivers and couriers (whose earnings grew 23% YoY on a constant-currency basis), while Mobility supply hours per driver reached an all-time high.

As we look ahead, we remain focused on exceptional execution against our targets, maintaining our focus on both growth and profitability, and continuing to make steady progress against our share buyback program. Our strong Q3 guidance demonstrates our confidence in our momentum, and we are working to further scale GAAP profitability by optimizing every line item across our P&L.

Mobility

Mobility had a standout Q2, with Gross Bookings growth accelerating to 27% YoY on a constant-currency basis, due to continued penetration into new geographies and use cases, alongside continued frequency growth. Growth was consistent across use cases, and geographic strength was led by LatAm and APAC, in particular Brazil, Australia, and India.

Underlying this strong growth is the powerful combination of Uber's world-class technology and operations. One great example of this is travel: we continue to improve the travel experience on Uber through both marketplace tech and consumer innovation. We've scaled new pricing and matching algorithms that have meaningfully improved reliability at airports, especially at peak times. If you've landed at an airport recently, you might have noticed a real improvement in our in-app experience, including landing notifications and clearer step-by-step directions to pickup zones. We've also started to introduce new travel-focused products like Uber XXL, which includes vehicles that can fit extra luggage, and are seeing great results.

We also continue to make progress expanding into new segments beyond our core. Uber for Business Gross Bookings growth accelerated YoY, and we now support more than 200,000 organizations around the world. In Q2, we introduced a new level of convenience for executive assistants with the introduction of delegate profiles, allowing EAs to easily manage travel on behalf of the executives they support. Among our low-cost offerings, Moto continues to be especially strong, with trips doubling YoY. (In fact, if our Moto business in Brazil were considered its own country, it would be our fifth largest in terms of Mobility trips.) Importantly, more than 40% of Moto riders are upsold to other Mobility products.

Of course, all of this growth starts with drivers. Our ongoing focus on product and technical innovations in the Uber Driver app continues to pay off, with YoY growth in active drivers outpacing Gross Bookings. As part of our driver growth efforts, we are scaling up our vehicles access program, which allows drivers to receive discounts on vehicle purchases or rentals. Last week, we announced an agreement with BYD to bring 100,000 new electric vehicles onto the Uber platform across key global markets, starting in Latin America and Europe.

Delivery

Delivery Gross Bookings increased 17% YoY on a constant-currency basis for a third consecutive quarter, driven primarily by unit volume growth. We saw healthy order growth across income cohorts in the US in Q2, with items per order up in the majority of our markets. Based on third-party data, we gained category position across all of our top markets YoY and significantly improved our margins, even as we invested for growth. While there have been some concerns about consumer spend on restaurants and delivery, we are not seeing any impact today. In fact, we believe we are strongly positioned in our category as well as the overall industry for several reasons.

First, selection. While we have built leading breadth and depth in terms of merchant selection, with more than 1 million active merchants, we are still nowhere near full penetration. The number of merchants on our platform increased 13% YoY, and we believe we can continue to grow merchant inventory over 10% per year for many years to come. Higher merchant selection improves consumer conversion (especially outside city centers), reduces cost per transaction due to lower distances traveled and more batching opportunities, and gives us more inventory to market against.

Second, affordability. We have made significant progress in making delivery more affordable for consumers through higher merchant-funded offers (up over 70% YoY on a constant-currency basis), lower average delivery fees, and higher membership penetration (now 50% of Delivery Gross Bookings). Our platform creates incredible flexibility for merchants to use promotions and/or advertising to drive conversion or traffic to their storefronts—all the more important in a potentially weaker consumer environment. Indeed, there is a certain countercyclicality that applies here, and merchant churn remains stable.

Third, profitability. We continue to fundamentally improve unit economics as we lower cost per transaction through algorithmic improvements and more efficient batching; grow advertising revenue; increase multi-product usage; improve promotion efficiency; and deliver fixed-cost leverage. Every one of these levers has a specific technical and operational roadmap behind it that remains promising, allowing us to generate profits that we can reinvest back into growth and service quality, while improving margins. This operational formula is working incredibly well and has years of runway ahead of it.

A brief update on our Instacart partnership, which launched nationwide in June, with Uber Eats powering restaurant delivery on the Instacart app. Initial trends are encouraging, particularly in less densely populated areas where Instacart has a highly engaged user base that is additive to ours. In addition to reaching new audiences, we are also seeing that the average basket size of orders originating on Instacart is 20% larger than native Uber Eats orders.

Finally, we made great progress in Grocery & Retail by deepening our selection (active merchants up 9% YoY) and improving reliability, with a clear path to EBITDA profitability through improved unit economics in this large yet still underpenetrated category. Notably, we announced an expanded partnership with Costco, which we believe will reach new audiences in the suburbs and drive larger basket sizes. We also brought on The Vitamin Shoppe, GNC, and Save A Lot in the US and 7-Eleven in Mexico; expanded our selection with Rite Aid to include alcohol delivery; and strengthened our partnership with Lawson convenience stores in Japan.

Freight

Freight Gross Bookings were flat YoY and declined slightly sequentially, pressured by continuing category-wide headwinds. We deepened our partnership with Aurora by launching Premier Autonomy, an industry-first program to democratize access to driverless trucks for carriers of all sizes. We also enhanced our procurement platform to enable carriers to use intelligent search, bidding, upfront pricing, and automated tendering for spot freight fulfillment. Lastly, we expanded Uber Freight's presence in Mexico, which will help facilitate our cross-border efforts.

Platform initiatives

Membership fulfills two important strategic priorities for Uber: it enables us to lower prices to consumers, and it works as a growth lever to improve engagement and retention. Our member base is at an all-time high, as we've seen strong returns from campaigns across all of our top markets. Member retention and Annual Plan adoption also continued to increase YoY, as we launched new features like cancellation-flow improvements and subscription-renewal nudges. We launched Uber One for Students, for $4.99 a month or $48 annually, across the US, offering membership benefits and exclusive promos to the strategically important cohort of college students, with more country launches coming this year. We remain focused on improving the Uber One value proposition through members-only exclusives like discounted rides on Mobility and membership-gated items on Delivery.

Our advertising business performed well in Q2, reaching a revenue run-run rate of over $1 billion. We continued to see strong adoption of Sponsored Listings on Uber Eats, particularly among enterprise advertisers. Importantly, our investments in custom measurement, attribution tools, and growing our commercial sales organization have driven many enterprise brands to move from ad hoc campaigns to evergreen spend. As a result, advertiser retention and spend per advertiser are both up among enterprise brands. On the Grocery & Retail front, we've seen strong, global momentum in Sponsored Items and consumer packaged goods (CPG) display advertising, just 12 months after launch. Mobility advertising growth remained strong, especially as advertisers in more markets adopted video Journey Ads following last quarter's expansion. In Q2, we took a step further by announcing that leading programmatic buyers (Google DV 360, The Trade Desk, Yahoo) can access Journey Ads, making this premium ads surface available to more advertisers.

Autonomous vehicles

Over the quarter we grew AV trips on Uber by 6x YoY, via our 10 partnerships across Mobility, Delivery, and Freight. We also launched airport curbside dropoff with Waymo at Phoenix Sky Harbor International Airport, an exciting new use case. We're helping AV providers manage the daily and weekly peaks and valleys of ride-hail activity so they can ensure as close to full utilization as possible. In addition, our ability to offer seamless first-AV-trip experiences is critical to increasing adoption and earning a rider's trust for long-term retention. As such, our partners have seen high rates of utilization on Uber. With a rapidly growing AV business and industry-leading utilization on the Uber platform, we remain confident that we are the best partner for the commercialization of AVs and are driving better economics for the AV ecosystem overall. We'll have more to announce in the coming months.

Prashanth Mahendra-Rajah, CFO

Financial recap

Q2 was another record quarter for Uber. Gross Bookings growth remained consistent at 21% YoY on a constant-currency basis (our third consecutive quarter), as we generated Gross Bookings of $40.0 billion. Foreign exchange was a headwind of $838 million YoY or approximately 250 bps, roughly in-line with our expectations. This was primarily driven by the devaluation of the Argentine peso against the US dollar, which is a headwind for Mobility.

We grew revenue by 17% YoY on a constant-currency basis to $10.7 billion, which includes a 7 percentage point YoY headwind related to business model changes. As a reminder, these business model changes have no impact on profitability, but negatively impacted reported revenue by $799 million. We expect to lap the majority of these business model changes in the second half of this year.

We converted this strong top-line growth into solid profitability, with all-time high Adjusted EBITDA of $1.6 billion, up 71% YoY, and a record Adjusted EBITDA margin of 3.9% of Gross Bookings, an increase of 120 bps YoY. Our year-to-date results highlight the strong progress we continue to make against the 3-year financial framework we set in February.

On a GAAP basis, we generated income from operations of $796 million, a quarterly record. Income from operations improved quarter-over-quarter (QoQ) due to strong operating performance, fewer discrete charges, and lower stock-based compensation expense. Net income for the quarter was $1.0 billion, which included a $333 million net unrealized pre-tax gain related to the revaluation of our equity investments. Our GAAP net income may continue to see swings from quarter-to-quarter due to equity stakes on our balance sheet.

Turning to our cash flow, we generated $1.7 billion of free cash flow (FCF) in Q2, also a quarterly record. On a trailing twelve month basis, we generated $4.8 billion of FCF, compared to Adjusted EBITDA of $5.3 billion, representing a conversion of nearly 90%. Our strong underlying FCF generation demonstrates the significant earnings power of this business. As a reminder, FCF conversion can fluctuate on a quarterly basis due to working capital seasonality and the timing of cash payments, among other factors, and we encourage investors to evaluate our FCF on an annual basis.

Capital structure

We continue to maintain a strong liquidity position, ending the quarter with $6.3 billion in unrestricted cash, cash equivalents, and short-term investments, up $529 million QoQ. In addition, our equity stakes were marked at $6.2 billion, the majority of which are publicly listed. These equity stakes provide us with strategic insights and we aim to maximize long-term value for Uber and our shareholders.

In May, we reached an agreement to acquire Delivery Hero's foodpanda delivery business in Taiwan for $950 million in cash. In addition, we purchased $300 million in newly issued ordinary shares of Delivery Hero. We are excited about combining Uber's global marketplace expertise with foodpanda's complementary footprint across Taiwan. Our capital allocation priorities remain unchanged: our top priority is investing in growth, including through acquisition opportunities that are aligned with our strategy. We continue to hold a high bar for any M&A opportunities, and our successful organic growth efforts will keep a critical eye on healthy unit economics as we continue to scale globally.

As we ramp our FCF generation over the coming years, we believe we are on a clear path to an investment grade credit rating, which continues to be an important part of our overall capital structure focus. As we generate excess cash, returning capital to shareholders is a key priority, and in Q2 we repurchased $325 million of common stock. As a reminder, we will be thoughtful as it relates to the pace of our buyback. We have started with actions that partially offset stock-based compensation and aim to work our way towards a consistent reduction in share count.

Outlook

Based on quarter-to-date trends, for Q3:

- We expect Gross Bookings between **$40.25 billion and $41.75 billion**, growing **18% to 23%** YoY on a constant-currency basis.
    - Our outlook assumes a roughly 4 percentage point currency headwind to total reported YoY growth, including a roughly 7 percentage point currency headwind to Mobility's reported YoY growth.
    - For perspective, recent strengthening of the US dollar versus other currencies represents an over $400 million expected headwind to Q3 Gross Bookings and is included in our outlook.
- We expect Adjusted EBITDA of **$1.58 billion to $1.68 billion**, which represents **45% to 54%** YoY growth.

Forward-Looking Statements Disclaimer

These prepared remarks include 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 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 and in other filings made with the SEC.

All Q2 growth rates reflect YoY growth and are on a constant-currency basis, unless otherwise noted. Lastly, we ask you to review our earnings press release for a detailed Q2 financial review and our Q2 supplemental slides deck for additional disclosures that provide context on recent business performance.