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Uber Technologies, Inc. (UBER)

Q1 2021 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Good day and thank you for standing by. Welcome to the First Quarter 2021 Uber Earnings Conference Call. At this time, all participants are in a listen-only mode. After the speakers' presentation, there will be a question-and-answer session. [Operator Instructions]

I would now like to hand the conference over to your speaker today, Balaji Krishnamurthy, Head of Investor Relations. Please go ahead, sir.

Balaji Krishnamurthy

Head-Investor Relations, Uber Technologies, Inc.

Thank you, operator. Thank you for joining us today, and welcome to Uber's First Quarter 2021 earnings presentation. For the first time since the pandemic began, we are pleased to be broadcasting to you live from Uber's office in San Francisco. On the call today we have Uber's CEO, Dara Khosrowshahi; and CFO, Nelson Chai; and Chief Legal Officer, Tony West.

During today's call, we will present both GAAP and non-GAAP financial measures. Additional disclosures regarding these non-GAAP measures, including a reconciliation of GAAP to non-GAAP measures, are included in the press release, supplemental slides and in our filings with the SEC, each of which is posted to investor.uber.com. As a reminder, these numbers are unaudited and may be subject to change.

Certain statements in this presentation and on this call are forward-looking statements. Such statements can be identified by terms such as believe, expect, intend and may. You should not place undue reliance on forward-looking statements. Actual results may differ materially from these forward-looking statements, and we do not undertake any obligation to update any forward-looking statements we make today, except as required by law.

For more information about factors that may cause actual results to differ materially from forward-looking statements, please refer to the press release we issued today as well as risks and uncertainties described in our most recent annual report on Form 10-K for the quarter ended December 31, 2020 and in other filings made with the SEC when available.

Following prepared remarks today, we will open the call to questions. For the remainder of this discussion, all first quarter growth rates reflect year-over-year growth and are on a constant currency basis, unless otherwise noted. For April trends, we will be providing comparisons with April 2019 in addition to year-over-year trends.

Lastly, we have included a detailed Q1 financial review in our earnings press release and Nelson will not go over those details again.

With that, let me hand it over to Dara.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Thanks, Balaji, and thanks everyone for joining us today. We're finally seeing the light at the end of the tunnel. As vaccination rates arise, infections fall and restrictions lift, people quickly breathe a sigh of relief and start moving again. There's pent-up demand to see family and friends; offices, restaurants and bars are reopening; and even

airports are seeing improved traffic. But it's important to recognize that the battle is certainly not over. Cases remain far too high in many places around the world with many tragic consequences. We will continue to do our part on the ground to help beat this virus wherever we can.

The actions we took last year and our team's hard work since then have uniquely positioned us to harness the recovery. Uber has already begun to fire on all cylinders.

On a consolidated basis, we've returned to growth with Q1, our best quarter ever, April, our best month ever and last week, our best week ever, in terms of gross bookings. Even as we invested for growth, the benefits of scale and rigorous cost management drove an adjusted EBITDA improvement of \$253 million year-on-year and \$95 million quarter-on-quarter.

We continue to have a strong balance sheet with significant liquidity and valuable and growing investments in several leading global mobility, delivery and autonomous assets.

Looking ahead, I'm confident that Uber will benefit from the complementary nature of our two large core opportunities – to help people go wherever they want and to get whatever they need.

Just last week we announced several new products focused on the recovery. You can now book a vaccine appointment at Walgreens and your ride there all in the Uber app.

We're also expanding our Reserve product to UberX and to airports, and our Uber Rent product is bringing the magic of Uber to car rentals. You can now rent a car from providers like Avis and Hertz right in your Uber app, and with our new valet feature, someone will drop the car off at your house and pick it up, whenever you want.

We've also added new benefits to Eats Pass, new rides benefits to Eats Pass, further differentiating it from the competition.

I'll dive into each of our segments now starting with Mobility. The Mobility recovery started to pick up pace in March and improved further in April. With strong vaccination rates in several key markets, including the US, we are optimistic that this trend should accelerate going forward.

In April, Mobility GBs were \$31 billion annualized run rate, up roughly 280% year-on-year and 68% recovered versus April of 2019. US regional trends continue to improve in most markets with Miami now back to growth versus 2019, while New York City, New Jersey, Austin, Houston, Dallas, Atlanta, were all up 70% to 80% recovered versus 2019 GB levels.

Overall, US gross bookings improved 5% month-on-month in April, and were 62% recovered versus April of 2019. Outside the US, we see significant improvement in several markets in APAC, including Australia, New Zealand, Taiwan and Hong Kong, which were all positive versus April 2019.

In EMEA we saw early signs of improvement after prolonged lockdowns in Q4 and Q1 with EMEA gross bookings up 10% month-on-month in April. In particular, the UK started reopening in April, with our business seeing a strong recovery almost instantly, improving nearly 60% week-on-week in the first week of reopening. UK GBs are now over 80% recovered versus 2019. In contrast, extremely elevated case counts and renewed lockdowns in India adversely impacted Mobility trends there.

As riders come back to the platform, we're working hard to make sure that their second first trip is as magical as ever. One of our top priorities is to rebuild the driver base. Our research shows that drivers who left the platform last year primarily did so for two reasons – concerns about safety and concerns about there being enough rider demand.

On the safety front we're working hard to improve vaccine access to drivers and we continue to enforce our mask policies and provide free PPE and other supplies that keep both drivers and riders safe.

With demand currently outstripping supply, driver earnings are at historically elevated levels. Median earnings for all online time before tips are around \$37 an hour in New York City and Philadelphia, \$36 an hour in Chicago, and \$33 an hour in Austin, just to name a few cities.

We know that drivers often work simultaneously on other apps so their total earnings are likely even higher; in other words, looking at the more appropriate measure of active time on Uber, median earnings are at or above \$40 an hour in several US cities. In several countries, including the US, we'll continue to lean in with targeted incentives for new and existing drivers to build up significant supply which will enable us to achieve maximum velocity as the recovery plays out.

Now turning to Delivery, which continues to surpass our growth expectations. Q1 gross bookings growth accelerated to roughly 160% year-on-year and reached a \$52 billion annualized run rate in April. We improved our category in several major markets including the UK, Canada, France, Spain, South Africa and Taiwan.

In the US, our category position was stable with some improvement in urban markets in recent weeks. Notably, we continue to strengthen our category position in New York City and suburbs driven by improving restaurant selection.

We continue to broaden our delivery offerings beyond food as consumers become habituated to having anything delivered to their door. Our New Verticals business expanded substantially during the quarter, with an annualized GB run rate nearly doubling from Q4 and reaching \$3 billion in March. We're seeing improving traction in many markets including France, the UK, the US, Canada, Japan, Chile, Brazil and Mexico.

We signed several key partnerships over the past few months, including Rite Aid in the US, Rexall in Canada and Groupe Casino in France, amongst many others. We also announced an exclusive partnership with Gopuff that will expand our selection of convenience and everyday essential items directly from the Eats app.

To capitalize on these tailwinds, we'll remain in a period of elevated investments for the Delivery business, including leaning into courier growth to serve robust demand. Additionally, our profitable markets which generated over \$135 million of EBITDA, and just over \$3 billion of gross bookings, give us additional flexibility to reinvest in growth markets. As a result, we remain on track to reaching EBITDA breakeven for Delivery by year-end.

Finally, turning to Freight; with a renewed focus on the freight opportunity in the US, our team reached an important milestone during the quarter with the business registering its first positive variable contribution quarter, while delivering revenue growth acceleration to 51% as well as EBITDA margin of 23 percentage points year-on-year.

Scale and automation has allowed us to achieve what we believe is industry-leading variable cost per load. Our ML and data capabilities have allowed us to tighten pricing and margins on a target route level. And we have diversified our product offerings to new channels such as APIs directly providing shippers real-time pricing, and

our Market Access product that helps customers quickly and easily source unplanned capacity from the largest digital carrier network, all with one tap.

We're confident about Uber Freight's product market fit in a very large TAM opportunity. As the business continues to scale we now have a clear line of sight to EBITDA profitability as well.

To sum up, I'm as excited as ever about the opportunity ahead for Uber. Our Delivery business continues to grow faster than anyone could have predicted. Our Mobility business is bouncing back in many markets around the world; and Freight is gaining share while improving margins. And because of actions we took this past year, we're returning to growth and even stronger, more focused and ultimately more profitable foundation.

Now, over to Nelson, for some details and the financial outlook.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

Thanks, Dara. I'll provide a high level recap on our performance during the quarter, and our balance sheet before closing out with some outlook for Q2 and the rest of the year. For a detailed financial review of our Q1 results, please refer to the financial highlights section of our earnings press release.

Overall, Q1 performance is better than expectations we had outlined three months ago and we are seeing our business trend in the right direction each week. We continue to execute well despite the slow start to Q1 from extended lockdowns in North America and Europe and despite Mobility gross bookings coming in roughly flat quarter-over-quarter and elevated growth investments in Delivery, our disciplined cost management led to significant total company adjusted EBITDA improvement, meaningfully exceeding our prior outlook.

We also made good progress on the Postmates integration and we expect to substantially migrate Postmates merchants to the Uber Eats platform by mid-year. We remain on track to deliver our expected \$200 million in run rate synergies by year end.

One question we often have been asked over the past few weeks is whether the Mobility recovery has come at the expense of Delivery demand? So far, at a high level, the answer appears to be no. We're seeing encouraging signs of continued use in our Delivery business, even as cities reopen.

For example, in Sydney, where dining fully reopened more than two months ago, Delivery trends remain healthy even as Mobility has fully recovered and returned to growth versus 2019. In fact, Delivery in Sydney continues to be a bigger business for us than Mobility.

Similarly, as New York City has partially reopened dining and other services, Delivery demand has continued to expand. In general, as cities open back up, we appear to be retaining our active Delivery consumers and their larger basket sizes, even if the frequency of ordering moderates somewhat.

Turning to the balance sheet, we recognized a \$1.6 billion gain from our divestiture of our ATG business to Aurora during the quarter. Our Q1 GAAP net loss of \$108 million benefited from this gain, partially offset by the \$600 million UK accrual. We ended the quarter with approximately \$5.7 billion in unrestricted cash, cash equivalents and short-term investments and have access to over \$2 billion from our revolver, providing us with ample liquidity to manage through the recovery ahead.

In addition to our significant cash balance, Uber has several valuable minority investments that were recorded on our balance sheet at nearly \$13 billion at the end of Q1. Over the past quarter, some of these companies have taken steps to become publicly traded, including Grab and Joby, and there are press reports suggesting others may follow in the near future.

While some of these investments are strategic and Uber will remain involved for the foreseeable future, others likely will be significant sources of liquidity. We'll be proactive in maximizing the value from these investments for Uber and our shareholders.

I'll wrap up my comments with a few thoughts around our expectations for Q2 performance and some early views on the second half of 2021. In April, Mobility gross bookings were at a \$31 billion annualized run rate, up roughly 280% from April of last year and 68% recovered versus April of 2019.

We expect the segment's recovery to continue to be driven by improving vaccination rates in the US and several international markets, more than offsetting headwinds in markets like India and Brazil.

With demand continuing to outpace supply, we will be investing to revive the driver base during Q2. Consequently, we expect Mobility take rates to decline sequentially to roughly 20%, which would also pressure Mobility adjusted EBITDA in Q2.

Turning to Delivery, where gross bookings were at a \$52 billion annualized run rate, up over 100% from July of 2020; for the remainder of the year, I would remind you that Delivery gross bookings year-over-year comparisons will become tougher as we continue to face significant forecasting uncertainty in predicting post reopening consumer behavior.

Similar to Mobility, Delivery continues to see demand trends that are outpacing supply additions. That said, we expect our improving scale and network efficiencies to drive sequential improvements in Delivery EBITDA through the rest of the year, even as we remain in investment mode for the segment.

Q2 corporate G&A and platform R&D should increase to between \$450 million and \$480 million, driven by head count investments. And as Dara laid out during Q2, we are leaning in with investments to support the recovery in Mobility and growth initiatives in Delivery.

Beyond Q2, we expect Mobility, Delivery and total company EBITDA margins to significantly improve as Mobility demand continues to recover and the marketplace approaches supply-demand balance. We remain on track to reaching adjusted EBITDA profitability in the second half of the year.

And with that, let's open it up for questions.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Mark Mahaney from ISI Evercore. Your line is open.

Mark S. F. Mahaney

Analyst, Evercore ISI

Q

Thanks. Two questions, please. Dara, could you talk about – provide an update on the synergies that you're seeing between the two segments, Mobility and Delivery and how you're tracking that?

And secondly, since you've got Tony there, could we get some comments on how you – the response or how you think about the risks related to the comments that Labor Secretary Marty Walsh made a week or two ago on gig employees and being treated as full-time employees? Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Yeah, absolutely. As far as the synergies between Mobility and Delivery, we're seeing very consistent trends. I think last time around, we talked about 13% of Eats first-time eaters coming from Mobility, whether it's a super app or CRM notifications, et cetera. And we continue to see those trends. Even as the Eats business continues to get bigger and bigger, what I'm really curious to see, Mark, is what happens when Mobility actually comes back to kind of [audio gap] (00:17:55) because the audience [indiscernible] (00:17:57) on the Mobility side of the business will increase. And even though Eats will be growing as well, hopefully, we'll continue to see similar trends going forward.

And for perspective, the number of first-time eaters, for example, that our Mobility business delivers is actually bigger than the number of first-time eaters that we get out of pay channels for our Delivery business. So as a competitor, we basically have all of our pay channels for free coming from our Mobility business, which is pretty phenomenal. And we think these kinds of synergies can continue.

What we're now starting to explore and see are similar synergies, although, we're a little less mature, between Uber Eats and, for example, Cornershop in the markets where Cornershop has launched as well. So not only do we see our Mobility business driving Delivery and Eats, but we expect to see Delivery and Eats then driving Cornershop, driving Drizly when that deal closes, et cetera, kind of this chain reaction between businesses.

So we're pretty excited about it and by no means do we think we are fully optimized as it relates to this kind of activity. You can also expect that as our membership business grows, what we're trying to do is create more differentiation. And our Delivery membership will start leading into our Mobility membership, and we really think we will have the premier local get-it-within-an-hour membership model anywhere and just a structural advantage that the other players can't match.

Tony, do you want to talk – do you want to answer the second question, please?

Derek Anthony West

Senior Vice President, Chief Legal Officer & Corporate Secretary, Uber Technologies, Inc.

A

So I'm afraid I lost the connection. The second question was?

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Mark, can you repeat yourself?

Mark S. F. Mahaney

Analyst, Evercore ISI

Q

Yes. Tony, just a commentary or reaction to the Labor Secretary's comments about gig – independent contractors should be treated as full-time employees. And just help us think through the risk associated with that or what are the end cases, how long it would take to get some sort of resolution on that issue. Thank you.

Derek Anthony West

Senior Vice President, Chief Legal Officer & Corporate Secretary, Uber Technologies, Inc.

A

Sure. Yeah. Well, look, I think it should surprise no one that the Biden-Harris administration's approach on these issues is similar to the Obama-Biden administration's approach and which is obviously different from the last administration.

And I think that when we look at the makeup of the current administration, it's fair to say that there are individuals who have varying views on these issues. They're not all identical in their outlook. And we think that creates space for some meaningful dialogue.

The fact that the Labor Department has said that they want to engage key companies on this issue, the fact that they said just as late as today that they're not planning to offer new regulations for independent contractors in the near future.

We think all of that creates sort of a real opportunity for a dialogue that can ultimately lead to a solution that gives gig workers the protections they deserve while preserving the innovation that gives them the flexibility that they desire.

So we think there is space here for a conversation. And we're – we continue to kind of look for those opportunities, to talk about opportunities for bolstering independent work with those kinds of benefits and protections.

Mark S. F. Mahaney

Analyst, Evercore ISI

Q

Thank you for the color, Tony.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

And I think from my perspective, what comes through again and again, in any piece of research done by anybody, is that independent workers want to stay independent. They do not want to be full-time employees, that the number one feature as it relates to gig work is flexibility. And what we're talking about is taking it to the next level, which is providing flexibility and protections.

We think that's a really important dialogue to have. And we think that if you listen to drivers and couriers, and then certainly, you listen to voters, the answer is pretty clear, which is flexibility and benefits are the answer going forward. And we hope to have that conversation.

Mark S. F. Mahaney

Analyst, Evercore ISI

Okay. Thank you, Dara.

Q

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

You're welcome. Next question?

A

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

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Thanks for taking my questions. I have two, one for Tony and one for Dara. Tony, just coming back to the Labor discussion, I know you've – you're now living in California with the Prop 22 situation for a while, you made some changes to the UK labor compensation this past quarter.

Q

Just talk to us about sort of what you've learned from operating in those two markets, when you're thinking through driver liquidity and passing through pricing and just sort of managing a profitable network, how scalable those types of platforms – those types of options could be.

Then the second one, Dara, as you talked about sort of the synergies across the platform, any update on the number of members or subscribers you're seeing on the platform now and sort of how fast that side of the business is growing?

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

The first one...

A

Derek Anthony West

Senior Vice President, Chief Legal Officer & Corporate Secretary, Uber Technologies, Inc.

So, I'll answer – sure, I'll start. Look, I think one of the things that we've learned is that the premise, and Dara touched on this in the last answer, the premise that earners on these gig platforms, particularly drivers, prefer independent work, prefer independence, that's borne out.

A

And in Prop 22, you have in California, which is a very Blue state, you have a model that was overwhelmingly approved by the voters. And so not only are voters listening to drivers and to earners on these platforms that are choosing independent work, we see that choice being made over and over again.

In the UK, where we have – we do have sort of a flexible third category that, frankly, we would like to see in other jurisdictions, there we are finding that it's possible to have a solution where you can maintain the flexibility that earners repeatedly choose as well as the benefits and protections that people deserve.

And so one of the things that we have learned is that it's a model that while you won't have a one-size-fits-all in every single jurisdiction because every jurisdiction is very different and you have a sort of a patchwork of different frameworks that you have to deal with, the reality is that these kinds of solutions are workable solutions and they're real resolutions to this issue. And so we'd like to be able to see in other states and in other jurisdictions

solutions that draw upon some of the things we've seen in California, in the UK and in other places where we're able to kind of bolster independent work with these types of benefits and protections.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

And then on membership, our – the number of members continues to grow. This last quarter, we've been focused more actually on converting a higher percentage of our free trial membership into paid memberships, and we're making really good progress there. And what we continue to see as it relates to our members is that consistently, members and especially paid members have much higher engagement metrics, much higher trips per month than non-members.

And you can also see us kind of continuing to increase membership benefits in addition to rides benefits; for example, is our most recent deal with – our most recent relationship with Gopuff, where you can also get Gopuff deliveries for free as well. So right now, the focus is free members to paid members and really starting to push the differentiation of the membership to continue to drive the increased engagement that we're seeing.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Q

Great.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

And Mark, this is Nelson. Let me just jump in on Tony's answer on Prop 22. So we did see a slight increase in costs, right, because of the benefits, and in the Mobility side, we've been able to pass on the regular cost of the rider. And again, we haven't seen any impact from a demand perspective. On the Delivery side, we passed on much of the cost. And again, we have not seen any impact to it from a Demand perspective. And as you know, we've seen this before in places like New York as well. So as Tony said, we're going to continue our dialogue.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Yeah. Clearly, our model has pricing power. And I think in markets, for example, like the UK, what we're looking for is a level playing field and other like companies to do the right thing. And we think in the level playing field, we get the network advantage and the scale advantage and the global advantages that allow us to continue to be the number one player in most of the areas that we focus on.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Q

Great. Thank you all.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

You're welcome. Next question.

Operator: Your next question comes from the line of Lloyd Walmsley from Deutsche Bank. Your line is open.

Lloyd Walmsley

Analyst, Deutsche Bank Securities, Inc.



Thanks. I guess one for Dara and Nelson, one for Tony. Dara and Nelson, can you guys just help us understand a bit more on kind of driver supply challenges into the recovery? It seemed like the food delivery driver supply scaled up really well into the pandemic, but we're having more challenges with driver supply on the Mobility side?

Is that just during the pandemic drivers moved into food delivery? Is it that food delivery drivers aren't as applicable to unemployment insurance? Any – I guess, anything you can share to give us a sense of where supply is coming back or if we have to wait until early December when the unemployment benefits start to tail off would be helpful.

And then, Tony, since we have you, wondering if you can just give us sort of an update around the European regulatory environment. You guys, I think, have made some good progress in markets like Germany, but there have been other markets like Spain and Switzerland changing rules to the negative side. What's the latest on the outlook in Europe and at the kind of federal EU level around regulation? Thanks.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.



Yes, sure. I will start with the driver supply. Listen, I think that the way that I would describe it is that demand is a fast twitch muscle and supply, especially, driver supply, is slow-twitch. And both during times in which we see demand increasing at very high rates, or decreasing, Now, for example, right after the pandemic, we see supply adjustments adjusting to slower.

And the hurdle, so to speak, to drive people in terms of qualification, the regulatory and other requirements, vehicle, right, the hurdles to becoming a driver generally of a person are higher than the hurdles to being a courier for food. So that it just – it's a bit of a heavier lift, getting drivers on board, resurrecting drivers. And as you can imagine, because of the safety concerns of COVID, there is a greater hesitation for some drivers to come on board to drive other people versus, again, drive food.

So the courier supply adjusted pretty quickly. There were really no safety concerns, et cetera. That said, because our Eats business is growing so fast, and our growth even accelerated on top of very high rates last quarter, we need to bring on more couriers. We are seeing – I think one of the advantages that we have in our network is that we have a cross dispatch between drivers who are just driving people and food, which is kind of a network advantage that we have.

We're actually seeing our drivers drive less food and more people, right, because the demand for people is higher, the earnings opportunities are higher now. And we are seeing encouraging signs as it relates to more drivers coming back on, whether they're new drivers that we're recruiting to the platform or drivers that we're resurrecting and telling them to come back because their earnings opportunities are so high.

So I do think that we are leaning in and we have to lean in, but all of the operating metrics that we see are moving in the positive direction and we think that this marketplace will rebalance as it has in the past. It will just take some time and some real focused operational effort, and I'm already seeing green shoots as a result of both.

Tony, do you want to talk to Europe?

Derek Anthony West

Senior Vice President, Chief Legal Officer & Corporate Secretary, Uber Technologies, Inc.

A

Sure. And look, I think, Lloyd, we are actively engaging with policymakers all over the world. And Europe really is at the forefront of those efforts. And really it involves our reminding folks that our position is very much consistent with the end goals of regulators, who we think want to make sure that there is – we're giving drivers the protections that they need, and that we're doing that while retaining this flexibility.

And in Europe, since we're talking, as I said before, we're talking about many different countries with different legal systems, with different forms of employment law, we won't see a one-size-fits-all kind of solution. But what we are finding is that in our engagements, we're able to make progress on having these kinds of conversations.

And so for instance, last quarter, we published a white paper which called on policymakers and platform companies and social representatives around Europe to come together to set a new standard for platform work. We've been hosting business roundtables with members, senior members of European governments. I participated in one just yesterday. So there are lots of efforts that we continue to engage in to try to get to a place where there's value for everyone in a resolution.

Lloyd Walmsley

Analyst, Deutsche Bank Securities, Inc.

Q

Okay. Thank you, guys.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Thank you. Next question.

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

Ross Sandler

Analyst, Barclays Capital, Inc.

Q

Hey, guys. Just want to follow-up on the driver supply question and then one on Eats. So are there any other factors that might be holding back the supply besides the safety issues and stimulus and unemployment benefits. Like I know pre-pandemic, a lot of drivers would either rent cars or they would buy used cars in order to kind of come online. And it seems like both of those are kind of uneconomical, even at \$40 an hour, you can't rent the car these days. So are there other factors like that that are holding back the supply? And any color there.

And then on Eats, thanks for the charts on profitable versus unprofitable markets. Is the biggest function of the difference between those two the timing in the market, the nature of the competition in the market or is it the pace of your new grocery and convenience offerings in some of those markets? Any color on what's driving the difference between the profitable versus unprofitable on the Eats side. Thanks a lot.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Sure. I'll take the first and Nelson can take the second. In terms of driver supply, Ross, the big factors are safety and then earnings opportunities. I think that renting a car or car sourcing relative to the opportunity ahead of ourselves is pretty small. It will be low-single-digit as it relates to supply. And we do have programs to help drivers

who want to secure cars, get cars both in the US and outside of the US. The biggest issue is safety, and we think that issue is being dealt with as it relates to vaccines. And then the earnings opportunities are extraordinary.

So again, the trends that we're seeing, like drivers are coming back exactly as we expected them to, our – the sign-ups are up on a week-on-week basis; and we do think that as we get into Q3, you're going to see the marketplace get back into balance, and we're certainly putting a lot of focus to making sure it does so. So I don't see rental being a problem at all.

Next, Nelson, do you want to talk about...

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

Yeah. In terms of profitability, right now, two of our top five countries are profitable, and we have over 12 countries in total that are currently profitable. And what I would say that the characteristics are we do have definitely a strong market position, we have good basket sizes, and we've been gaining momentum.

And what I would tell you is around the world, our business is actually operating at extremely high pace right now and doing really, really well. And we're really actually getting the leverage that we've talked about in the past. Our capital allocation model is working. So we've exited a number of countries last year, which we talked about on previous calls and we're actually seeing the benefit because we're getting the scale in the marketplaces that we're operating in.

In terms of the marketplaces where we're still in investment mode, I would say they're highly competitive. Some of the companies are still private and they're all going public now and that actually is beneficial as well. But again, we think we actually have a good plan. And as you heard in my commentary and Dara's commentary, as we think about going to the back half of the year, we are confident that our Delivery business can achieve profitability by year-end.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

And then just to add a little bit to what Nelson said, some of the patterns that we see in profitable versus unprofitable markets is in more profitable markets, we're able to – on average profitable markets have lower incentive spend, existing user incentive spend as a percentage of bookings. And this is because you kind of build a cohort of very, very loyal users, and they come back to you out of habit, not necessarily from price. Early on, you use price to really grow your user base.

Second is as your – the percentage of existing users is much larger, starts to deepen, your marketing becomes much more efficient because you don't need to kind of bring on as many new users because your existing users kind of come back again and again and again, which is terrific.

And then as these businesses scale, we are able to scale overheads and we're able to scale variable costs, the cost per transaction, cost of customer service, et cetera, all of these costs can start scaling. So it's – financially, it's incentives, it's marketing costs and then it's scale in terms of variable and fixed costs that get you to a profitable market.

This is pretty consistent. And I think you can see in the chart that we have in the supplementals, both our profitable markets are getting more profitable, and our investment markets we're having to invest less in, which

means that the formula for us, the scale formula is absolutely working. It's not linear in every single country. But overall, we know exactly what we've got to do to get this business to profitability.

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

Justin Post

Analyst, BofA Securities, Inc.

Q

Great. Thanks. A couple questions. Nelson, I'm just wondering, there's a lot of controversy about labor costs. But as you've now had more experience with Prop 22 and you've had more time with the UK changes, any changes to your long-term margin assumptions for the rides or Mobility business versus couple years ago? Or do you think the elasticity or inelasticity in the market will help support that and any offsets on other costs related to the increased benefits?

And then second, maybe just Dara, the normal question. People are always interested in market share with competition. Any update on market share in Latin America or UK would be really helpful. Thank you.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

So Justin, I'll start. So no, we don't see any change in terms of our long-term targets. There has been some – there is price elasticity in there. And then as you know, when we made those targets, we now run a much more efficient business. And so some of the actions that we took last year, some of the execution of our capital allocation model really allow us to kind of lean in and get the leverage. And we're seeing that as the growth continues to come that we can get there, we are seeing the benefit that COVID has bought in terms of larger basket sizes, and as you recall from quarters past, the single biggest determination is actually that.

We're starting to see a little bit of early traction on the ads as well. So as you think about getting to the target profit margins on the Delivery side of the business that will be an important part of it.

But again, we do see that – we're not kind of walking away from those margins right now. We're investing right now in terms of getting back in the post-COVID world. And so again we are very optimistic – and I think you've heard from our commentary, we're pretty optimistic about where we stand right now.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Yeah. And Justin, as far as our category position, it's actually a good news story. We've maintained or improved our category position in a bunch of key markets, like US, UK, Australia, Brazil and France.

I'd say that Mexico is – continues to be quite competitive, both actually on the Mobility and Delivery side. So there's a big battle going on there. But we have local battles all the time. When I kind of step out and look at the picture globally, the picture globally for our Mobility business and Delivery business is really better than it has been in the past two years. It really is improving and fundamentally looking pretty good.

Justin Post

Analyst, BofA Securities, Inc.

Q

Great. Thanks, Dara; thanks Nelson.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

You're welcome.

A

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

Thank, Justin.

A

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Next question.

A

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

Doug Anmuth

Analyst, JPMorgan Securities LLC

Thanks so much. Just on Delivery, we've seen some industry changes in terms of restaurant pricing recently. Just hoping you could talk a little bit about your offerings, how you're thinking about your positioning into reopening, and then also any comments or expectations around commission caps and potential timing there for anything to ease. Thanks.

Q

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Yeah, absolutely. So in terms of restaurant pricing supply, we're – we continue to lean into restaurant partner acquisition. We now have over 700,000 partner restaurants, on a global basis.

We expect to grow our restaurant supply base really for the next five years at least. Our penetration into many markets is still in early days. And clearly, I think restaurants are seeing the benefits of having delivery as a core part of their business.

And even in a reopening scenario, we think that a business that includes both walk-in and delivery is just fundamentally better business. And I think for us, what's interesting is, we have a business – our Mobility business, that's all about getting people out. And we think we can establish some pretty interesting relationships with restaurants as it relates to getting them out and dine in and some promotions there and we can continue to have relationships with our restaurant partners on the Delivery side.

We watch competition on a local basis as far as marketplace pricing goes. We think while everyone's approach is different, we think our pricing models are quite competitive with other players in the marketplace.

And I do think that we are going to have a bit more of a focus on pickup. Our pickup business is actually a pretty small portion of our overall volume. And we think that building up our pickup opportunity as it relates to our restaurant partners is a pretty big opportunity going forward.

And then, as far as fee caps go, they are – I think that it's going to differ city-by-city. We do think that we can adjust the business model where there are fee caps. Essentially, it forces us to increase delivery fees, which we have repeatedly seen as being a net negative as it relates to demand to our restaurant partners. But from a

A

margin standpoint and from kind of a, call it, profitability per order standpoint, we can adjust the model as it relates to fee caps. In markets where there are fee caps, there'll be higher delivery fees, which do hurt demand to restaurants; in markets that don't have fee caps then the marketplace gets to a balance organically, so to speak.

We think the better answer is let the markets take care of themselves, but where there are fee caps, we can certainly adjust accordingly.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Okay. Thank you, Dara.

Q

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

You bet. Next question.

A

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

John Byun

Analyst, Jefferies LLC

Hi, thank you. This is John Byun for Brent Thill. Two questions; one, on the Delivery side, is there a way to think about the trends or the growth rates between the core restaurant food versus everything else combined in terms of all the new initiatives? And then the second question on the Mobility take rate going down in Q2, in terms of the factors, is that mainly for driver supply incentives or is there anything else to think about? Thank you.

Q

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

So I'll let Dara answer the first question. But on the second question, yes. As we said, we're leaning into the second quarter. We're leaning into supply both on the driver and the courier side. And so again, the commentary is really around that, so yes.

A

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Yeah. And as far as the growth rate for food and New Verticals, we talked about the New Verticals being at a \$3 billion run rate in terms of bookings. Our overall business is at over \$52 billion run rate. So I think you can do the math as to the relative size. And the business accelerated Q1 over Q4 both overall and if you just separate the food business on a standalone basis. So any way you look at it, the trends are friends, so to speak, and we think the potential remains enormous.

A

John Byun

Analyst, Jefferies LLC

Thank you.

Q

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Next question.

A

Operator: Your next question comes from the line of Tom White from D. A. Davidson. Your line is open.

Tom White

Analyst, D. A. Davidson & Co.

Q

Oh, great. Thanks for taking my question. There's been a lot of questions on the labor classification issue, but I guess I had a follow-up on Delivery and regulation there. I guess fee caps is one area that's seen kind of some – obviously, increased activity, but there have been others that I think, Andrew Yang, the frontrunner for the mayor in New York is calling for you guys to – food delivery platforms to share customer data. I guess maybe my question is just can you kind of characterize or share how you think about how food delivery regulation may evolve over the next few years? It just seems like regulators are starting to kind of pay attention a bit more and make some noise.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Yeah, Tom, I guess what I would tell you is that we've been regulated on a local basis as it relates to our Mobility business from day one. And these are really important dialogues that you have to have with state regulators, with city regulators. We're guests in every city, we live there. The money flows are local in nature, right? And so we're a local business.

And I think our experience on the Mobility side really prepares us uniquely to make sure that we enter constructive dialogue on the Delivery side. And usually, we already have relationships with local government and local regulators to begin with. So we welcome the dialogue. And again, I think that the business model – we want to have a business model that aligns with the needs of cities going forward.

So if you look at what we've done on safety and how we've been a leader as it relates to safety reporting, if you look at what we've done on sustainability and our pledges to essentially be all-electric by 2030 in many of our major markets and then 2040 all over the world. If you look at our leaning forward on IC+, right – these are all based on dialogue that we've had with regulators and speaking about kind of where the – skating to where the puck is going versus where it's been.

And I think Delivery will be the same situation. It will create a model that not only can thrive short-term, but more importantly, it will create a model that can thrive long-term and a model that serves communities and serves partners as well as our shareholders.

Tom White

Analyst, D. A. Davidson & Co.

Q

Great. Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

You're welcome. Next question.

Operator: Your next question comes from the line of Jason Helfstein from Oppenheimer. Your line is open.

Jason Helfstein

Analyst, Oppenheimer & Co., Inc.

Q

Thanks. I guess I'll ask two questions. One, how do you know that kind of the changes you made in California that have increased pricing hasn't been a drag on demand given that we're still not in normal conditions? Do you have like cohort data or something that tells you that?

And then just secondly, can you just talk a bit more around grocery and kind of – or will we be talking about that more kind of 18 months to 24 months from now, particularly around the US and the UK and kind of your role in that business? Thanks.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Yeah, sure. I think on – Jason, as far as the drag on demand, et cetera, listen, we can't predict exactly what's going to happen in the future. And you're absolutely right, which is that if future kind of patterns significantly differ from the patterns that we observe, then maybe things will be different.

We are able to tell you when we look at pre, post, how the California markets have behaved versus let's say non-California markets, we don't see any significant difference in terms of trends in California versus outside of California that would suggest to us that this isn't going to be a significant kind of economic change as far as growth rates, et cetera, go.

And what we have seen consistently with our businesses is that we got pricing power, generally, and this is a service. And you want a service that is valued by consumers and generally consumers are willing to pay more for. And we've seen that when we have raised prices in California both for our Mobility business and for our Delivery business.

And then, I think the second question grocery, how will we be talking about it. Listen, grocery is a potentially significantly larger total addressable market than food. It is much earlier in the lifecycle development, lifecycle as far as percentage of grocery that has gone online. And for us, I think it's important to know that grocery is a global initiative for us.

So we're going to be growing grocery in Latin America. Cornershop we think can be the unquestioned leader and Cornershop continues to gain share versus its competition because of excellent service in a very, very efficient way.

In the US, we have a very strong competitor in Instacart and others and I think the US is going to be a battle that we're going to be in for some period of time. And then we're making really good progress in Europe and Australia and a number of other countries on the grocery front. So we expect grocery to be a pretty significant percentage of our business 18 to 24 months from now, and more importantly really 5 years for now.

Operator: Your next question comes from the line of John Blackledge from Cowen. Your line is open.

John Blackledge

Analyst, Cowen and Company

Q

Great. Thank you. Two questions; first on driver supply. Are there any key markets outside of the US where you're seeing the driver supply issues or is it more kind of a US-centric issue? And then on the delivery efforts, as the delivery offering evolves and scales to where the consumer can kind of get anything within an hour, how impactful will that be to kind of rising courier utilization rates?

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

So as it relates to the drivers, it is a US issue. We do see in Mexico driver shortages as well, although that has more to do with vehicles than it has to do with, call it, issues of safety or earnings. It's much more on the vehicle side, and we're working with vehicle partners to make it easier for drivers to essentially get cars to earn. But it's really, US and Mexico, the rest of the world is much more in a state of balance, so to speak, than those two markets.

And then as far as the delivery offering, we think right now, actually, courier utilization is pretty high just because of the amount of demand in the marketplace. But as you look at the Uber Eats business growing, our delivery-as-a-service business growing, grocery growing, our adding Drizly into the ecosystem as well, all of this is going to drive courier efficiency and courier utilization, which is going to improve our cost per transaction and the ability for our drivers and couriers to cross-dispatch as needed, we think gives us even a greater efficiency advantage versus our competition.

So we do think that our cost per transaction trends, all else being equal, are going to improve over a period of time as we drive utilization and our cross dispatches is a bit of kind of unique model that we have that many of the others players don't have.

John Blackledge

Analyst, Cowen and Company

Q

Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

All right. Next question.

Operator: Your next question will come from the line of Pierre Ferragu from New Street. Your line is open.

Benjamin Harwood

Analyst, New Street Research LLP

Q

Good evening, this is Ben Harwood standing in for Pierre he's in a bad coverage area and asked me to speak for him. So we just have a question on the introduction of autonomous driving. How much progress have you made here to introduce autonomous cars on your platform? And then what kind of timeline do you have in mind, what are your most advanced experiments and tests at this stage and when should we expect to hear more from you on this front? Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Yeah, Ben on the autonomous side, we have established a very deep partnership with Aurora. Aurora is – we think has a leading team in the business and the merger of ATG and Aurora we think can move forward their efforts pretty considerably. Aurora's first kind of foray to autonomous is going to be in the trucking segment. And that obviously creates potential as it relates to relationships with Freight.

And then Aurora is – and trucking is more of a highway type of activity, which we think makes it kind of an earlier entrée or an easier entrée than trying to be – being autonomous on 100-mile highway trip is a lot easier, let's say,

than being autonomous in a busy city street. That will be an entry into certain types of rideshare trips that, let's say, are easier and the advantage of our being able to dispatch appropriately to a human or to a robot is something that's unique to us and some of the other players, in the industry and then we'll go from there.

But we are – this is a technology that has to be safe, it's going to take time for this technology to hit the big time, so to speak. But we are absolutely in a position to be able to take advantage of autonomous when it's safe to come to market.

Benjamin Harwood

Analyst, New Street Research LLP

Q

Great. Thank you.

Balaji Krishnamurthy

Head-Investor Relations, Uber Technologies, Inc.

A

Operator, let's take a last question.

Operator: Your final question today comes from a line of Itay Michaeli from Citi. Your line is open.

Itay Michaeli

Analyst, Citigroup Global Markets, Inc.

Q

Great. Thanks everybody. Just one quick one for me, on the adjusted EBITDA profitability target by year-end, I was hoping you could provide a bit more context in terms of the various business conditions you would need, maybe talk about take rates and whether OpEx, you expect that to potentially go down from here or is there room to make some additional investments beyond Q2. Anything you can share in terms of the bridge that would be helpful. Thank you.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

So Itay, we believe we have enough levers at our control, in order to deliver against the profitability in the back half of the year. We are – as we said on the call, we are substantially leaning in, right, to both supply on the driver and the courier side to make sure we're there, particularly in the US, as the world continues to open.

We feel really good about where we are. We executed flawlessly last year during a very difficult time to position the company to be where we are today. And so we know the levers now. We believe we can – we have a very high degree of confidence. And we're going to pull the levers. So Dara and I and the rest of the management team is committed to the pulling the levers we need to make sure we get to profitability.

And so again, it's not a bridge per se, other than the fact that we know the levers we can pull to get there, and we will. And so we are definitively going to do what we need to do to get to profitability by the back half of the year.

Itay Michaeli

Analyst, Citigroup Global Markets, Inc.

Q

Great. That's all. That's very helpful. Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

All right. Well, I think that's it. Thank you very much for joining everyone. This quarter, obviously some green shoots starting to form and it's great to see our having our best quarter ever in terms of bookings. I am looking very much forward to our reporting our best quarter ever in terms of revenue in the near future. Thanks for joining, everyone.

Operator: That concludes today's conference call. You may now disconnect.

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