Q2'21 Earnings Call Prepared Remarks
August 4, 2021 1:30pm PT

Balaji Krishnamurthy, Head of Investor Relations:

Thank you, operator.

Thank you for joining us today, and welcome to Uber Technologies' second quarter 2021 earnings presentation. On the call today, we have Uber's CEO Dara Khosrowshahi and CFO Nelson Chai.

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

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

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

Following prepared remarks today, we will publish the prepared remarks on our investor relations website, and we will open the call to questions. For the remainder of this discussion, all second quarter growth rates reflect year-over-year growth, and are on a constant currency basis, unless otherwise noted. For July trends, we will be providing comparisons with July 2019 in addition to year-over-year trends. Lastly, we ask you to review our earnings press release for a detailed Q2 financial review, and our Q2 supplemental slides deck for a number of additional disclosures that provide context on recent business performance.

With that, let me hand it over to Dara.

Dara Khosrowshahi, Chief Executive Officer:

Thanks Balaji.

On our last call with you, we said that we would lean in to re-ignite driver and courier growth. We've done so aggressively, and we've made real progress. Matching and balancing supply and demand, market by market, at the right times, at the right places, and at the right price is the key to our marketplace and what we do better than anyone else in the world.

As a result of our driver-focused investments — everything from refreshed digital marketing to more attractive incentives, to good old-fashioned phone calls to folks we haven't seen in a while — monthly active drivers and couriers in the US organically increased by 420,000 from February to July, and we gained an additional 110,000 active couriers from our Postmates migration. In particular, the number of Mobility drivers in the US ended the quarter up 75% YoY in June. We also made several operational and product improvements to the onboarding process that led to nearly a quarter of new drivers signing up to both drive and deliver, and we cut courier onboarding time by over 90%. We continue to see strong earner momentum early in the second half of the year and have been able to taper our short-term incentives as we hit our stride.

The good news is that drivers increasingly want to get back on the road. In June, 60% of inactive drivers told us they intend to start driving again within a month; that's up from 40% in April. And 90% of drivers told us they expect to come back by September.

We are also beginning to see marketplace metrics revert to normalcy in several markets, with surge levels and wait times nearly back to normal in Miami, Atlanta, Dallas, Houston and Phoenix.

But in major cities like New York, San Francisco and Los Angeles, demand continues to outpace supply and prices and wait times remain above our comfort levels.

Our investment in the earner experience is a fundamental, cross disciplinary, and long term initiative for our company. From doubling down on our app quality, to targeted and personalized re-engagement campaigns, to completely redesigning our onboarding flow to make it easier and faster than ever to earn safely, to rolling out unique programs like free language learning from Rosetta Stone or free tuition with ASU - our Earner Super App is unique in the depth and breadth of earnings opportunities we can offer drivers and couriers globally.

We have a lot of work to do—and it's on us to ensure Uber remains the most attractive and rewarding platform for on-demand work in the world.

I do also want to acknowledge the Delta variant. Thanks to the incredible effectiveness of the vaccines, we continued to see GB growth in our business from June to July, despite the impact of the new variants. Where markets are recovering, our Mobility and Delivery businesses are emerging stronger together. As of last week, our total Gross Bookings in New York City, London and Paris are over 30% higher than July 2019, as Mobility has made a nearly full recovery.

Nelson will have more specifics, but we have confidence in our ability to manage through any scenario, just as we have done over the last 500+ days.

Our ambition is to help people go anywhere and get anything. Whether they first came to Uber via Rides, Eats or Freight, consumers, merchants and companies alike are increasingly getting used to doing *more* with Uber.

During the pandemic, we've shown how each of our multiple business lines can provide a hedge against the others. But more exciting is how innovation in our product and brand is driving cross-pollination between our customer bases - in other words, our businesses do provide a hedge, but, more importantly, strength in one business can strengthen the others.

You are well aware by now that the Rides app is acting like a free marketing engine for our Delivery business. What may be less obvious is that *Delivery* is now increasingly driving consumer acquisition for *Mobility*.

That's because in many markets, especially suburbs and smaller towns, Eats is sometimes the *first* way consumers engage with Uber. We've launched proactive efforts to convert these Eats-first consumers into Uber riders. In Q2, over 20% of Mobility's first-time riders in the US and more than 40% of first-time riders in the UK were *existing* Delivery consumers—with this contribution rapidly growing over the last year.

Over time, we expect our growing New Verticals business to increasingly benefit from, and contribute to, our platform. Already, over 3 million consumers are ordering groceries, convenience items, alcohol and more on Uber's apps each month -- and this is before we have even fully addressed the US opportunity. Notably, consumers acquired through one of our New Verticals offerings spend more than twice as much as consumers acquired through our restaurant delivery offering. We are beginning to broadly roll out grocery powered by Cornershop in the US, having doubled our footprint to more than 400 cities in the last few weeks, and expect this to be the next pillar of growth for Uber.

Underpinning all of this is our membership program. Just a year ago we began to roll out Uber Pass in earnest. It now drives 30% of Delivery GBs in the US, and roughly 25% globally. Consumers who regularly engage with both Mobility and Delivery now account for nearly half of our *total company* Gross Bookings. For these consumers in particular, Pass is a no-brainer, and we see a long runway for increased adoption.

We're also seeing the benefits of cross-platform synergies for merchants and other businesses. Uber remains the largest global on-demand delivery platform outside of China, with more than 750,000 monthly active merchants on our platform. And our leadership position continues to grow. We are now the category leader in 8 of our top 10 Delivery markets, with clear #2 positions in the US and UK.

We're proud that Uber Eats, Postmates, and Cornershop helped many small businesses offset the loss of in-store traffic during lockdowns. But as cities reopen, these merchants are

discovering that delivery demand is additive, even as in-store traffic comes back. Merchants have increasingly embraced our Ads offering to drive significant demand amplification at a reasonable cost. Our original goal was to exit this year with $100M of Ads run-rate revenue, but we now expect to surpass that goal and end 2022 with at least $300M in run-rate revenues.

Beyond last-mile delivery, Uber is increasingly powering first- and middle-mile logistics with Uber Freight. Notably, roughly 50% of our freight volumes come from grocery and consumer staples shippers. Freight has successfully disrupted the freight brokerage market with our innovative technology, and is now one of the largest digital freight brokers globally excluding China.

We believe there is a large opportunity to be the preferred end-to-end logistics partner for shippers. 80% of shipper decision-makers manage both full truck loads as well as last-mile shipping, and almost 60% of surveyed customers have last-mile needs. With the pending acquisition of Transplace, we have the potential to create the first end-to-end digital logistics platform that could one day power the movement of goods all the way from the point of production to the consumer.

While none of us can predict the macro future or the effects of the Delta variant going forward, we continue to see Uber gaining momentum, as we expand our services and footprint and become a bigger part of the daily local habits of millions of consumers, earners, merchants, and shippers all over the world.

We see the path to sustainable and improving EBITDA profitability in the next six months, but it's our growth potential over the next 5 to 10 years that has me and this team excited and hungry to Uber On.

Now over to Nelson.

Nelson Chai, Chief Financial Officer:

Thanks, Dara.

As Dara mentioned, we are of course still seeing impacts from the virus. However, on balance, we continued to make good progress, with total Gross Bookings growing from June to July.

Mobility Gross Bookings were at a $39B run-rate in July, with Gross Bookings up 6% MoM and 83% recovered vs. July 2019. US and Canada Mobility Gross Bookings were up 7% MoM and 76% recovered vs. July 2019, while trips were up 9% MoM. EMEA and LatAm were nearly fully recovered on a GB basis vs. July 2019, while APAC was a mixed bag with New

Zealand, Hong Kong and Japan growing vs. July 2019, but India, Australia and Taiwan impacted by ongoing or new lockdowns.

Delivery Gross Bookings were at a $51B run-rate in July, with Gross Bookings up 4% MoM, up 56% YoY and up over 260% vs. July 2019. Delivery has remained relatively steady since March, even as cities reopened. We are witnessing very healthy trendlines in major markets like Sydney, New York, and London, with Paris as an outlier where we have seen some modest pullback.

Next, a word on M&A.

Our business has a huge amount of organic momentum, and we will always aim to have the vast majority of our growth be organic. Indeed, our Delivery business has organically grown at a greater than 100% compound growth rate over the past four years.

At the same time, we do not hesitate to leverage M&A where appropriate, including both acquisitions and divestitures. Just as we divested several assets last year that along with cost rationalization helped improve our cost base by over $1B, we have also made several attractive acquisitions. For instance, our acquisition of Careem has led to markets in the Middle East turning into some of our most profitable markets, operating well above our Mobility long-term margin targets.

More recently, our acquisition of Postmates has helped us establish a #1 position in LA, the second largest Delivery market in the US, while allowing us to execute organically to establish category leadership in NYC at the same time. We have now largely completed the integration process, and expect to deliver on our synergies targets laid out at the time of the acquisition.

Turning to our balance sheet, the past few months have been eventful for Uber's equity investment portfolio, as several of our portfolio companies took steps to become publicly traded companies, including Didi, Zomato, Grab, Aurora, and Joby. At the end of Q2, our equity stakes portfolio was carried at nearly $15 billion, or over $7 per Uber share.

As we have previously noted, some of these stakes are more strategic and others are more financial—with Didi being the clearest example of the latter for us. As we emerge from our post-IPO lockup restrictions, we will evaluate some of these positions, as long as the market is reflecting a reasonable value for them. As we have said previously, we don't intend to run an investment firm, but we have sufficient liquidity to ensure that we have the flexibility to maintain those positions with the aim of maximizing value for Uber and our shareholders.

Finally, turning to outlook.

We were very clear in the spring that our Mobility marketplace in the US was not delivering the magical experience we have all taken for granted, as consumer demand returned faster than drivers as markets opened up. We emphasized that it was NOT OK and we would proactively invest to reenergize supply. As expected, these efforts impacted our margins and Adjusted EBITDA in Q2. At the same time, we also told investors that we have the levers available to achieve total company quarterly Adjusted EBITDA profitability this year. We remain committed to it.

The good news is driver supply has been growing and our marketplace dynamics are improving, drivers on our platform are earning more than other alternatives. Our gross bookings continue to grow and in July our margins are already improving, benefiting from our investment in Q2 to accelerate the flywheel. In July, new driver additions on Uber in the US grew 30% month over month, that's right, over 30% month over month, even as we pulled back on incentives and improved our margins. As our investments taper, we expect Mobility to show strong leverage in the back half. For context, in major markets like Australia, Canada, France, and UAE where supply was organically recovering without significant investments from Uber, our Mobility EBITDA margin in Q2 exceeded long-term targets, ranging from 46% to 67% of revenue. In the US, our take rate in Miami, Atlanta, Dallas, Houston, and Phoenix has nearly reverted to pre-COVID levels in July.

We expect our delivery business to continue to improve its bottom line while growing at scale. Our Delivery business outside the US and Canada was just shy of breaking even in Q2, while we consciously leaned into the US to improve our category position. We expect to start delivering on our Postmates synergy targets in Q3, and deliver additional leverage through improving network efficiencies and lower incentive spend across our global footprint.

We expect Freight to continue to grow and manage its investment levels for the balance of the year and we will continue to manage our corporate overheads.

Pre-COVID, we used to provide guidance around our expected annual Gross Bookings and Adjusted EBITDA, which we believe provides investors with some transparency on our near-term goals, without being overly focused on quarterly fluctuations.

With our business emerging from the pandemic, we believe this quarter is the right time to return to providing guidance around near-term trends. However, there is still a reasonable amount of uncertainty in the world, and as a result, we will provide guidance for Q3 this call.

With that context,

- For Q3, we expect total company Gross Bookings to be between $22-24 billion and total company Adjusted EBITDA to be better than a loss of $100 million
- And for Q4 we expect to achieve total company EBITDA profitability.

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