Q3’21 Earnings Call Prepared Remarks
November 4, 2021 2:00pm PT

Balaji Krishnamurthy, Head of Investor Relations:

Thank you, operator.

Thank you for joining us today and welcome to Uber Technologies’ third 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 third quarter growth rates reflect year-over-year growth, and are on a constant currency basis, unless otherwise noted. For October trends, we will be providing comparisons with October 2019 in addition to year-over-year trends. Lastly, we ask you to review our earnings press release for a detailed Q3 financial review, and our Q3 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, CEO:

Thanks, Balaji.

Over the last few quarters, we have focused on achieving two things. First, we’ve worked hard to get Uber firing on all cylinders again—driving recovery for Mobility, continued growth for Delivery, and scaling our momentum with Freight. Second, we’ve been disciplined in our

execution, to ensure our growth is sustainably profitable and that we live up to our commitments to shareholders.

Our results this quarter demonstrate the incredible progress we have made against these objectives.

Reaching total-company Adjusted EBITDA profitability is an important milestone, and one that is even more impressive when you consider where we were as a company just 18 months ago.

In Q3, our Mobility business delivered margins consistent with 2019 highs. Meanwhile, our global Delivery business nearly reached breakeven. In the US & Canada, our multi-quarter investment cycle and strong execution by our Delivery team resulted in us both gaining category share and improving profitability, with Adjusted EBITDA growing more than $130 million quarter-on-quarter to approach breakeven.

Today's profitability milestone is an important step—but it's just a step. When it comes to delivering on our mission and building a generational company, we know that profitability is a means, not the end.

We remain focused on generating positive free cash flows, while also making disciplined investments to appropriately fund growth initiatives that will carry us into the future. Uber is at the center of multiple massive opportunities in mobility, delivery and logistics, and our platform is stronger than ever before.

I now want to take a minute to update you on our driver and courier recruitment efforts, before turning to demand recovery and our long-term growth plans.

When we first saw demand beginning to outstrip supply in Q2, we made a conscious decision to invest fast—and to invest aggressively—in attracting drivers back to Uber, with a focus on the US.

The results are clear: we've seen 10 consecutive weeks of active driver growth in the US, resulting in a far better rider experience. The number of active drivers is up more than 65% since January and more than 20% since June. As a result, the incidence of surge pricing has fallen by nearly half, and wait times are now below the magic 5 minute mark on average. We did this while meaningfully reducing incentive levels, and, at the same time, driver earnings remained near all-time highs due to increased utilization.

We've also continued to grow the number of couriers on Eats in the US, with active couriers up 80% since January and 25% since June. In other words, not only are we approaching supply/demand balance for Mobility in the US, we've done so while nearly doubling our Delivery courier base from its low in Q1.

All in all, our monthly active driver and courier base in the US has grown by nearly 640,000 since January. Against a backdrop of historic labor shortages and an abundance of choice for

workers, this is a strong endorsement of Uber's value—and the value of independent, flexible work. In a world where flexibility is increasingly becoming a non-negotiable for workers across the economy, we believe Uber will be an even more attractive option going forward.

We have now shifted to hyper-targeted driver growth campaigns geared toward particular markets, all the way down to specific neighborhoods and times of day. We're also focused on tech improvements that increase signup rates, combining our onboarding process across Mobility and Delivery, so individuals can sign up for both simultaneously—and can start delivering while they are waiting to be approved to drive. This is a unique advantage available only to Uber which has resulted in a 20-40% increase in courier and driver activation rates. We expect to roll this feature out as widely as possible in the coming months.

In some non-US markets like the UK and Brazil, the driver base is back to roughly the same size as it was pre-COVID, but still hasn't kept up with very strong demand, which has grown past 2019 levels. That said, we are comfortable that the bulk of our recruitment spending is behind us, and that by taking learnings from the US and applying them abroad, we can be much more efficient and effective in our approach.

Next, turning to demand recovery.

After a period of soft demand driven by the Delta variant, the Mobility recovery has reignited with Mobility Gross Bookings expanding 18% over the September and October period. While several markets around the world—including the UK, Brazil, Germany, Spain, Taiwan and Hong Kong—are up against 2019, we hit another milestone last week: our global Mobility business posted its first few days of growth vs. 2019. In fact, this year's Halloween weekend eclipsed 2019, demonstrating consumers' excitement to get out and move again. We believe volumes will return to trendline outside of holiday periods, but the underlying trendline continues to get better and better.

Notably, airports are beginning to show meaningful activity, with US airport trips up more than 20%, and business airport trips growing nearly 60% over the past two months. We are innovating into this demand, with a series of product updates geared towards airports, including the ability to book a car with Uber Reserve up to 30 days in advance, with built-in flight tracking so your ride is ready for you whether you're early, delayed or (hopefully) on time.

Meanwhile, we've continued to see sustained consumer engagement on Delivery, lending further support to our belief that increased demand for all types of fast delivery is structural and will grow for the foreseeable future. Over the past two months, Delivery Gross Bookings have grown 8% despite reopenings around the world. While Delivery saw some summer seasonality in parts of Europe, trends have stabilized and even returned to modest growth in those markets. Even as cities got moving again, Delivery Gross Bookings posted yet another best week ever last week.

In fact, we set a new best week ever for weekly total company Gross Bookings in 7 of the last 8 weeks, and *October was the best month in our 12-year history*.

Looking ahead, it's our goal to grow both our top line and our bottom line at healthy, consistent and sustainable rates. That means being flawless in our execution and disciplined with our capital allocation for the large opportunities in front of us across Mobility, Delivery and Freight.

Our Mobility team is raring to go. While the team has appropriately managed costs through the crisis, our Mobility team has been seeding growth opportunities in 5 areas: lower cost product, category expansion, hailables, enterprise, and further geographic expansion. We believe that the underlying growth characteristics of on demand mobility and our growth bets can sustain double-digit growth for multiple years, while creating more opportunities for drivers.

On low cost, we've begun to test a reimagined Shared Rides product, with a focus on safety. Uber Reserve is a great expansion of our category from on demand to advance booking, and is now live in 68 cities and is already tracking well ahead of our expectations. We're bringing more traditional street-hail modes like taxis and motorbikes onto Uber, allowing us to expand into new geos, offer another choice to riders, and generate more demand for drivers. On Enterprise, We've begun to roll out an employee shuttle product, using Uber's tech, that our B2B sales teams can plug into our corporate discussions. And, our geographic expansion continues, with growth markets like Germany and Spain showing real momentum and bookings already 40% larger than they were in October 2019.

It's important to note that we have been investing in these growth opportunities for years in some cases, so we are not running from a standing start.

Our Delivery business is even less penetrated, and although there will be some moderation compared to the last 18 months, we expect continued strong growth in the years ahead—from both our core restaurant delivery business and our emerging New Verticals business.

As cities reopen, we are seeing evidence that delivery complements dine-in, as third-party food delivery has continued to grow even as seated dining trends have fully recovered to 2019 levels. As the largest food delivery platform globally outside of China, with a leading position in 7 of our top 10 countries and a second position in virtually all the rest, we believe we are best positioned to tap into this opportunity.

Outside food delivery, we're increasingly tapping into consumers' growing appetite for the on-demand delivery of, well, everything. Today, we are focused on addressing grocery, convenience and alcohol through our marketplace, bolstered by the addition of Cornershop and most recently Drizly to the Uber platform. In addition, with Uber Direct, we're working with retailers to fulfill demand from their own channels with a white-label product that uses our delivery tech.

All of our consumer initiatives will be underpinned by our membership program. We have built a good foundation with Uber Pass and Eats Pass, and recently announced strong partnerships with Hulu and Aeroplan, while further deepening our engagement with American Express. Our team has been hard at work on the next evolution of our membership plan—stay tuned for more on that in the coming months.

Lastly, with Freight, we see a massive opportunity to disrupt the freight brokerage industry with our technology, which now connects more than 1 million carriers to shippers. This year, we have seen a record number of newly authorized carriers enter the market, up 3x vs. the end of 2020, as more drivers are choosing to become owner-operators. As one of the leading choices for these new carriers, Freight's total carrier base has grown almost 50% over last year. We are also looking forward to closing our acquisition of Transplace in Q4, as we move towards our vision of connecting first-, mid- and last-mile logistics across the Uber platform.

It was a great quarter, and one that should put to rest the many questions we've gotten—not always unfairly—about whether the unit economics of this business work. The answer is a resounding yes. But as I've said to the team, now the real work begins. Looking ahead, and as we've done in the past, we will continue to make investments that will set us up to succeed in the next frontiers of opportunity, and to deliver exceptional value for all of our stakeholders.

Now over to Nelson.

Nelson Chai, CFO:

Thanks, Dara.

We have consistently noted throughout the year that H1 would be a period of investing for recovery and growth, after which we would demonstrate strong operating leverage in H2. In Q3, we delivered on our commitment to turn Adjusted EBITDA profitable before the end of 2021. Our Mobility business returned to healthy Adjusted EBITDA margins despite the significant ongoing headwinds of the pandemic, while Delivery approached breakeven.

Across our markets, we continued to see very healthy profitability trends that bolster our confidence in the long-term earnings potential for our business.

- For Mobility, 18 of our top 20 markets were Adjusted EBITDA profitable. In the US & Canada, our Adjusted EBITDA margin expanded to more than 6% of Gross Bookings. Importantly, 4 of our top 10 markets were operating above 10% EBITDA margin.
- For Delivery, our international *and* US & Canada businesses were both operating near breakeven in Q3. In addition, the core Uber Eats restaurant delivery business was Adjusted EBITDA profitable during the quarter, and we reinvested all of that profitability and more to build the foundation for our New Verticals business. We expect to continue to reinvest the vast majority of Uber Eats profits into New Verticals expansion in Q4 as well. We are confident that we will see strong returns on these investments over time.

It's important to emphasize the strong execution that underpins these results, as several transitory headwinds continued to impact our business, including food delivery commission caps in the US & Canada, incremental costs of worker classification in the UK, and higher-than-normal driver incentive spend in some markets. For context, food delivery commission caps and UK worker costs together represented a $150 to $200 million drag to Q3 EBITDA.

Turning to our balance sheet and liquidity position. We continue to maintain a strong liquidity position, ending the quarter with $6.5 billion in cash and cash equivalents, and our equity stakes were marked at $13.1 billion.

Given the significant movement in Didi's stock from June 30 to September 30, we marked down the value of our Didi stake by $3.2 billion. Conversely, we benefited from the monetization of our Yandex Taxi stake, and we marked up the value of our stakes in Zomato, Aurora and Joby as these companies reached liquidity milestones. The net effect of these moves was a $2 billion headwind to our GAAP net income.

It's the nature of holding large equity stakes on our balance sheet that our GAAP net income may continue to see swings from quarter to quarter. As we have said previously, we are not a fund manager and we will monetize the stakes we view as purely financial at the appropriate time, while continuing to hold more strategic stakes for the long run. We have sufficient liquidity to give us the flexibility to maintain all of these positions, with the aim of maximizing value for Uber and our shareholders.

I'll conclude my remarks with an update on recent business trends and Q4 outlook.

After a relatively soft summer, we began to make strong progress in the fall as markets around the world began to reopen again.

Mobility Gross Bookings crossed a $44B annual run-rate in October, with Gross Bookings up 14% MoM and over 85% recovered vs. October 2019. EMEA and LatAm remained near full recovery on a GB basis vs. October 2019, while US & Canada and APAC posted solid improvements through the month.

Delivery Gross Bookings crossed a $53B annual run-rate in October, with Gross Bookings up 9% MoM, up 44% YoY and up over 220% vs. October 2019. We continue to expect moderation in Delivery YoY growth rates from the reopening, although Delivery continues to demonstrate healthy trendlines across most markets and retention for our consumer cohorts remains strong.

With that context, for Q4:

- We expect total company Gross Bookings to be between **$25 and $26** billion, representing year-over-year growth of ***46% to 52%***
- We expect total company Adjusted EBITDA to be a profit of **$25 to $75** million.

Note that this guidance includes contributions from Drizly and projected contributions from Transplace which we expect to close in Q4, and headwinds from FX, with the net effect of a relatively immaterial impact to total company Gross Bookings and Adjusted EBITDA.

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