Uber Technologies, Inc.
Q3 2022 Prepared Remarks
November 1, 2022

Dara Khosrowshahi, CEO

Uber delivered another strong quarter, with constant-currency Gross Bookings up 32% year-on-year (YoY), driven by MAPC growth of 14% YoY and Trip growth of 19% YoY. Our strong topline trends, combined with continued discipline on costs, translated into Adjusted EBITDA of $516 million, well above our guidance, and healthy free cash flow of $358 million. I'm encouraged by how well Uber's core business is performing, even as the global macroeconomic environment remains uncertain.

Underlying this performance are several trends that represent tailwinds for us: cities reopening, travel booming, and, more broadly, a continued shift of consumer spending from retail to services. We've seen these trends continue into the fourth quarter, with October tracking to be our best month ever for both Mobility and total company Gross Bookings.

However, if the last few years have demonstrated one thing, it's the importance of not taking anything for granted. With continued rigor around costs, discipline on headcount, and a balanced capital allocation approach, all supported by our leading technical and operating capabilities, we are well positioned to deliver expanding profitability over the coming quarters.

With over $1 billion in Adjusted EBITDA and $693 million in free cash flow so far this year, we have demonstrated how our global scale and the unique advantages of our platform are combining to generate meaningful profits—and we are confident in our ability to build on this momentum.

Mobility

Our Mobility business posted an excellent quarter, with Gross Bookings, Adjusted EBITDA, and Adjusted EBITDA margin all at record highs. Driver-focused product innovation and operational improvements have resulted in a significantly healthier marketplace, with surge and ETAs both lower than last quarter.

Mobility active drivers were on par with September 2019 levels. That recovery continued into Q4, with the number of active drivers in nearly all of our largest markets growing month-on-month in October, consistent with a broad-based trend we are seeing around the world. Importantly, drivers are increasingly engaging at a higher rate with our platform, with driver supply hours more than fully recovered vs. 2019.

We rolled out Upfront Fares and Upfront Destination across much of the US, allowing drivers to see how much they'll earn and where they're going before they choose to accept a trip. We are encouraged by the positive early signals we're observing with regards to reliability, cancellation rates, and driver supply hours. We continue to refine the advanced marketplace and pricing technology that underpins this feature, allowing us to further improve the driver experience as we work to expand these features globally.

We continued to make progress on our electrification efforts, with new partnerships to help drivers access electric vehicles. We announced a partnership with EV provider Moove to bring 10,000 EVs to London by 2025, as well as deals with Stellantis and Free2Move in France, bp Pulse in the UK, and Splend in Australia. We also announced a national expansion of Comfort Electric to 25 cities across North America. While we have a lot of work ahead of us, smart policies and infrastructure investments have helped us make great progress in places like California and London, where EVs accounted for nearly 9% and over 15% of miles driven, respectively, in Q3.

On the demand side, active riders are rapidly returning as well and are now above September 2019 levels. Mobility MAPCs increased 22% YoY in Q3, with demand recovering across all use cases, led by airport trips. We have also seen a healthy uptick in consumer engagement driven by Mobility, with Uber trips per MAPC increasing to 5.3 per month, up from close to 5.0 per month over the past year. There is still significant runway to recover to pre-pandemic levels (5.7 trips per month in Q4 2019).

Importantly, we're also working to broaden Mobility use cases to drive growth, whether that's via pre-booking, hailables, shared rides, micromobility, or car rentals. In Q3, we expanded Uber Reserve to multiple markets in Latin America, the Middle East, and North Africa. Habituating consumers to pre-booked travel on Uber unlocks a significant untapped opportunity for us, as pre-booked trips constitute just 1% of Uber trips globally. Finally, we launched our taxi product in several new cities, including New York City, Paris, and Brussels, as we march towards our goal of getting every taxi on Uber by 2025. Taxis on Uber recently crossed a $1 billion annualized Gross Bookings run rate. Adding more modes of transportation to the platform doesn't just bring in new consumers, it increases per-rider spend and overall retention.

Delivery

Q3 Delivery Gross Bookings accelerated slightly vs. Q2, growing 13% YoY on a constant-currency basis with continued strength in the US and more moderate category growth in Europe.

Gross Bookings in the US & Canada were up 19% YoY on a constant-currency basis, with stable category position, and a record-high Adjusted EBITDA margin (1.7% of US & Canada Delivery Gross Bookings). Notably, we recently added Little Caesars as a partner in the US, following the addition of Wingstop last quarter. We now have the vast majority of large enterprises on Uber

Eats, which are instrumental to improving our overall product quality in many markets, including the suburbs.

Our international Delivery business accelerated vs. Q2, up 8% YoY on a constant-currency basis, outpacing the broader category and accelerating against easier comps in H2. We remain the category leader in a majority of our international markets and believe that we gained online food delivery category position across 75%+ of our international footprint (as measured by Gross Bookings) while expanding profitability, despite sizable FX headwinds.

We've been laser-focused on Delivery profitability in 2022, and the results speak for themselves. Delivery margins are expanding significantly as a result of improved network efficiencies, the increasing contribution of Advertising, and continued marketing and incentive optimization, all resulting in YoY incremental margin of 23% as a percentage of Gross Bookings, well above our goal of 5%+ on a full-year basis. Strong marketplace, algorithmic, and core technical innovation has driven a 25% decrease in cost per trip in the US & Canada since the beginning of 2021, with no loss in service quality.

Our scale, technical leadership, and operational discipline have allowed us to expand Delivery profitability while investing strategically in grocery, convenience, and alcohol. We've had a busy quarter of selection growth, adding merchants like Office Depot, The Body Shop, and Dollarama in the US & Canada; Co-op, Boots, and Iceland in the UK; and many others globally. We are also seeing encouraging consumer adoption signals from our revamped grocery product experience, with over 10% of users who made a Delivery order during the month also ordering New Verticals. We are confident that New Verticals will be profitable and will strengthen the value of our platform over time.

As we've said before, we won't chase growth for growth's sake. While the Delivery category is one of the few "pandemic winners" that continues to grow with a healthy topline, we welcome the newfound capital discipline amongst our peers. We will be measured with our investments, and will look to expand profitability while maintaining or growing our category position. Our scale and marketplace tech allow us to improve network efficiencies, and our platform gives us an acquisition and retention advantage for both consumers and earners. We believe these advantages will allow us to invest through the cycle and emerge stronger than competitors, all while demonstrating continued profit expansion for Delivery.

Freight

Our Freight business reached an important milestone, completing the integration of Uber Freight and Transplace as a single independent organization, set up within Uber, and soon operating more autonomously. We are confident that this setup will allow the Freight team to move faster to address the tremendous opportunity in the logistics industry.

Stepping back, the freight and logistics category tends to be a barometer for the state of the macroeconomy. Over the past few months, there has been a lot of commentary on a weakening environment for freight, and our Freight business was not immune from those trends. With weaker demand, spot volumes and rates were softer than expected across the industry, which drove a top- and bottom-line miss against our expectations for Q3. We expect these cyclical industry trends to continue in Q4, and potentially into the first half of 2023, with growth moderating as a result.

Looking past the near-term headwinds, we are confident that Freight's technology and marketplace flywheel will drive a cost advantage. We are well positioned to deepen our engagements with shipper customers, while delivering profitable growth over time.

Advertising

Advertising continues to grow nicely, reaching a $350 million revenue run-rate during Q3. We recently unveiled Uber Journey Ads, a new ad format for brands to connect with consumers throughout the entire ride or delivery process. The interest from advertisers to date has been extremely positive, with pilots showing two to six times the brand performance lift compared to other benchmarks. We now offer brands and advertisers a variety of formats and tools on our platform, as well as comprehensive reporting and analysis. We remain confident in our goal of generating over $1 billion of advertising revenue by 2024.

Autonomous vehicles

Given the state of AV technology today, we believe AV operators will need to rely on network partners to meet consumer expectations as they work to deploy AVs commercially. As the world's largest platform cutting across mobility, delivery, and logistics, we are the network partner of choice. In Q3, we made significant progress in bringing new AV operators onto the Uber network, announcing 10-year agreements with Nuro and Motional.

Motional will be the first AV operator to conduct both deliveries and rides on Uber, creating new opportunities and growth for consumers and merchants. We will launch a pilot program later this year using Motional's all-electric Hyundai Ioniq 5 AVs.

Nuro, the first company to obtain an autonomous deployment permit in California, will deliver meals and goods to Uber Eats consumers through AVs that run on public roads. The partnership will launch later this year.

Lastly, our Freight pilot with Aurora expanded further in Texas, adding new lanes and new shippers.

These agreements underscore the value of our platform advantages to autonomous partners and advance Uber's strategy to be a global solution for consumers to go anywhere and get anything.

Nelson Chai, CFO

Financial recap

We executed well in Q3, with Gross Bookings growing 32% YoY on a constant-currency basis to $29.1 billion. Foreign exchange was a headwind of roughly $1.4 billion YoY (or roughly 620 bps) and an incremental headwind of roughly $380 million (or roughly 160 bps) relative to our Gross Bookings guidance, adjusting for which our results would have been at the midpoint of our guidance range. At a segment level, Mobility Gross Bookings reached an all-time high, driven by growing consumer engagement across use cases, while Delivery was roughly flat sequentially. Freight Gross Bookings decreased sequentially largely on continued macroeconomic headwinds impacting the brokerage business.

Adjusted EBITDA of $516 million was significantly better than our guidance range, with strong results across our segments (note: foreign exchange was a $70 million YoY headwind). This result represents an Adjusted EBITDA margin of 1.8% of Gross Bookings and an incremental margin of 8.5% YoY, above our commitment to deliver at least 7% incremental margins for the full year. Mobility Adjusted EBITDA was $898 million, reaching another record-high margin of 6.6% of Gross Bookings. Delivery Adjusted EBITDA significantly improved both sequentially and YoY to $181 million, with a margin of 1.3% of Gross Bookings. Freight remained modestly profitable on an Adjusted EBITDA basis, despite difficult category headwinds.

Balance sheet and liquidity

We continue to maintain a strong liquidity position, ending the quarter with $4.9 billion in cash and cash equivalents, up $468 million quarter-on-quarter. Our equity stakes were marked at $4.4 billion. During Q3, our equity stakes portfolio continued to be impacted by overall market and company-specific volatility, driving a $512 million unrealized pre-tax loss related to the revaluation of our equity investments. Our GAAP net income may continue to see swings from quarter to quarter due to the large size of equity stakes on our balance sheet. While we intend to monetize some of our stakes at an appropriate time, 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. Notably, we monetized our entire equity stake in Zomato during the quarter, generating net proceeds of approximately $376 million.

Free cash flow (FCF) and capital allocation

We generated $358 million of FCF, down modestly from Q2 due to the timing of cash flows. Year to date through Q3, we have generated FCF of $693 million, compared to Adjusted EBITDA of $1,048 million.

Our capital allocation approach prioritizes investments in attractive markets where we are positioned to win, with a focus on initiatives that strengthen our platform. These initiatives support our expanding profit margins by lowering our customer acquisition costs and increasing the lifetime value of consumers and earners. We manage the level of our investments into these initiatives based on signals around their product-market fit and their financial sustainability at maturity. Even as we have invested in several growth initiatives, including geographic expansion, advertising, Uber for Business, Delivery's New Verticals, taxis, two- and three-wheelers, and others, we are now demonstrating our ability to generate significant profitability and expand excess free cash flow. We are committed to delivering profitable growth and are highly disciplined in this strategy.

We are at an inflection point in our profitability and FCF generation. As our cash flows ramp, and with the potential monetization of our equity stakes, we will evaluate opportunities to drive shareholder value with excess capital. Over time, we aim to optimize our capital structure to achieve investment-grade credit ratings, and we will measure return of capital to shareholders against other potential uses. Ultimately, we will drive the most value for our shareholders through a long-term focus on profitable growth through the cycle, maximizing our FCF per-share generation capacity.

Outlook

As a global business, the dramatic moves in several currencies against the US dollar throughout 2022 have driven significant FX translation headwinds to our topline (note: on a YoY basis, FX is expected to be a $1.8 billion headwind to Gross Bookings in Q4).

We encourage investors to evaluate our topline performance on a constant-currency basis. We remain committed to demonstrating improving Adjusted EBITDA and Adjusted EBITDA margin performance, despite the FX impacts to the top line.

Given this backdrop, we are providing more granularity than typical to contextualize our Q4 Gross Bookings guidance. Based on quarter-to-date trends, for Q4:

- We expect total company Gross Bookings to grow **23% to 27%** on a constant-currency basis. Our outlook assumes a roughly 7 percentage point currency headwind in Q4, based on our exchange rate forecasts. On a reported basis, our outlook translates to Gross Bookings between $30.0 billion and $31.0 billion, representing reported YoY growth of 16% to 20%.

    - We expect Mobility Gross Bookings to be up roughly mid-to-high 30% YoY on a constant-currency basis, in line with typical seasonal trends. On a reported basis, we expect Mobility to be our largest segment by Gross Bookings in Q4 2022, for the first time since Q1 2020.
    - We expect Delivery Gross Bookings growth to remain steady in the low-teens percent YoY (constant currency), with moderately slower US & Canada category growth offset by an acceleration in the rest of the world.
    - We anticipate Freight Gross Bookings to be down sequentially, reflecting the ongoing category headwinds from macro trends.
- We expect total company Adjusted EBITDA of **$600 million** to **$630 million**.

With our year-to-date performance and Q4 outlook, we are on track for full-year Gross Bookings of $115 billion to $116 billion, up 32% to 33% on a constant-currency basis, with Adjusted EBITDA of $1.65 to $1.68 billion, translating to an incremental margin of 10%. Despite a meaningful FX headwind to the topline, we expect our 2022 Gross Bookings performance to be relatively inline with our Investor Day plan, with Adjusted EBITDA significantly ahead. Our performance thus far should give investors confidence in our ability to deliver on our 2024 commitments.

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, when available.

All third-quarter growth rates reflect year-over-year growth and are on a constant-currency basis, unless otherwise noted. Lastly, we ask you to review our earnings press release for a detailed Q3 financial review and our Q3 supplemental slides deck for additional disclosures that provide context on recent business performance.