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Uber Technologies, Inc. (UBER)

Q2 2024 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Hello, and welcome to the Uber Q2 2024 Earnings Conference Call. All lines have been placed on mute to prevent any background noise. After the speakers' remarks, there will be a question-and-answer session. [Operator Instructions]

I would now like to turn the conference over to Deepa Subramanian, Vice President, Investor Relations, Corporate Finance. Please go ahead.

Deepa Subramanian

Vice President, Investor Relations and Corporate Finance, Uber Technologies, Inc.

Thank you, operator. Thank you for joining us today, and welcome to Uber's second quarter 2024 earnings presentation. On the call today, we have Uber CEO, Dara Khosrowshahi; and CFO, Prashanth Mahendra-Rajah.

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.

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 as well as the risks and uncertainties described in our most recent Form 10-K and in other filings made with the SEC.

We published our quarterly earnings press release, prepared remarks and supplemental slides to our Investor Relations website earlier today, and we ask you to review those documents, if you haven't already. We will open the call to questions following brief opening remarks from Dara. With that, let me hand it over to Dara.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Thanks, Deepa. Q2 was another record quarter for Uber and further demonstrated our ability to deliver profitable growth at scale. Gross bookings grew 21% on a constant currency basis, consistent with trip growth. Our audience expanded 14% while frequency grew 6%, supported by 7.4 million drivers and couriers globally. At the same time, adjusted EBITDA grew 71% year-on-year and we generated record quarterly GAAP operating income.

These are super strong results that we're proud of, but I also understand there are two big questions out there that I want to address before we head into Q&A.

First, the strength of the consumer and how Uber will perform in a recession. Based on what we're seeing today, the Uber consumer is in great shape. Our audience is bigger than ever and using our services more frequently than ever. While our consumers tend to be higher income, we're not seeing any softness or trading down across any income cohort.

Where the current macroeconomic fears materialize, we're confident that Uber can perform well because of the countercyclical nature of our platform. On the Mobility side, more driver supply brings down prices for riders and improves reliability, and on the Delivery side, merchants are investing in performance channels like ours for growth, improving selection and affordability for consumers.

In fact, in Q2, the number of first-time consumers on Uber Eats in the US was higher than at any point over the past five quarters. It's clear that delivery is much more habitual than many assumed, made even more so by our Uber One membership, which now covers 50% of Delivery gross bookings.

We'll continue to drive consistent top line growth while expanding GAAP operating income. Our track record of making and then exceeding our commitments should give investors confidence that we build the capital discipline and operational muscle to perform well in any scenario.

Second, autonomous. Put simply, Uber is uniquely positioned to offer tremendous value for AV players looking to deploy their technology at scale. While the operation of a ride-hail network may seem simple, our technology obscures a huge amount of complexity. We support roughly 1 million trips per hour and our average ETA globally is approximately 4 minutes. That's possible because of marketplace tech that makes over 10 million predictions per second and more mundanely, we handled more than 25 million lost items in just last year alone.

We also know that a key factor in AV commercialization will be asset utilization. AV players will need to ensure that their expensive assets are being used as close to 24 hours a day as possible, while also managing the daily and weekly peaks and valleys of ride-hail activity. Uber can provide enormous demand without AV players needing to invest capital towards acquiring customers or building the marketplace tech that delivers reliability at the standard that consumers have come to expect.

Let's all say that Uber will be an indispensable partner for AV players of all sorts. We're in late-stage discussions with additional global AV players to join our platform and will have more announcements in the coming weeks and months.

Thanks to the Uber team for another great quarter. With that, operator, let's open the call for questions.

QUESTION AND ANSWER SECTION

Operator: Thank you. [Operator Instructions] Your first question comes from the line of Brian Nowak with Morgan Stanley. Your line is open.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Q

Thanks for taking my questions. I have two. The first one on AV. Dara, I appreciate the color and even the extra color in the press release. Question is sort of any more detail on what you're seeing in Arizona around incrementality of rides from the partnership? How do we think about sort of the relative unit economics? And philosophically, what is your strategy of reinvesting dollars to sort of drive more AV growth versus sort of delivering profitability?

And then the second one on Mobility specifically. Can you talk to us a little bit about what you're seeing on Mobility MAPC versus frequency growth drivers? Just so we can sort of break apart what's driving that growth in the quarter for Mobility? Thanks.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Sure, absolutely, Brian. Thanks for the question. So I don't want to speak specifically to Arizona because obviously, we have Waymo as a partner there, and I want to hold confidentiality, et cetera, as any partner should. But when we look more broadly at our operations with the various AV players that we see, what we do see is that the utilization that these AV players are able to develop on our network is significantly higher than the utilization we believe that they're able to run out without a network on a 1P basis. So 3P utilization is significantly higher than 1P utilization.

And if you think about the role of the marketplace, the role of the marketplace is to drive utilization of fixed assets. I mean it's – in the end, it's why a McDonald's or Starbucks or even Domino's now works with us. They have direct channels to consumers, but they also work through the marketplace to bring demand, more demand to their stores, so to speak.

And we think the same will be true of AV players, which is as long as we're able to drive higher utilization and the utilization that we drive, the incrementality, we think significantly exceeds the take rate that we will charge on average for Mobility, not including insurance costs or global take rate is around 20%, so you'd have to drive 25% increase in utilization. We believe that those utilization numbers are possible, and we think that we can exceed those kinds of utilization numbers.

So right now, the economics and the math are definitely working. I think the additional benefit that we bring to these players is, we have a dynamic dispatch model that can determine where does the pickups and drop-offs

that an autonomous player can effectively play with? You know the pickup point is easy, it's within a block, same thing with the drop-off points.

And then what are the circumstances when we should dispatch human for particular pick up or drop off if the route is complex or the pick-up or drop-off has some special circumstances? So we're able to essentially allow autonomous players to dispatch in situations where we know that they will succeed.

So all in all, the early data is quite encouraging. And as I said, we've had lots of discussions with other players out there. We don't think this will be a winner-take-all market. And we think that we will continue to have the most liquid and largest marketplace that will consume that will be – that will have humans and AV players as part of it during this pre-long hybrid period as autonomous is developing and regulators are trying to figure out exactly how to regulate it.

Prashanth, do you want to take the second one?

Prashanth Mahendra-Rajah

Chief Financial Officer, Uber Technologies, Inc.

A

I will. Thanks, Dara. I think, Brian, your question was on Mobility growth. So maybe I'll start with just restating how we did for Q2 and our outlook for Q3. So for Q2, the results that we printed, if you do it at a constant currency, very strong at 27% year-over-year growth.

For Q3, we're looking for sort of a repeat in that mid-20s range, again, on a constant currency basis. But when you dig into why do we have such confidence in the Mobility business, I would take you back to the framework we talked about in February that Mobility over the three years that we gave you should be growing at the mid-teens or better, and that's coming from a couple of items.

On the user side, we still believe that we have a pretty massive TAM that we can go after. We're continuing to drive product innovation, and we talked about a couple of those at GO-GET earlier this year, and we're continuing to find new demographics and areas to continue to expand in.

Maybe one data point on TAM that I think is helpful for folks is our monthly penetration of consumers, and we define that as folks who are over 18 years, is less than 20% across our top 10 countries. So a lot of room to run there.

Another key driver will be frequency, which I think folks understand to be how our monthly actives – how many times our monthly actives engage with the platform. We are launching new products, continuing to improve reliability so that when you call for an Uber, we're able to get you one at a time that you're looking for and, of course, the benefits of membership. Only about half of our riders take one to two trips per month. So again, plenty of upside there to continue to drive this as a more frequent daily use case.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

And then, Brian, I think you had asked about our strategy to reinvest to drive, let's say, AV growth versus profits. Generally, we are able to lean into our newer products. So for example, if you look at Moto, which are two-wheelers in Latin America and a number of developing countries.

If you look at our shared product, UberX Share, where we get more than one passenger in a vehicle or even taxis, those newer products are growing faster than the base business and their margins are substantially lower than

the base business, but we're able to – as we scale, we are able to leverage our cost base, our technology, improvements in terms of targeting, in terms of CPT, allow us to have a profit envelope to be able to reinvest into our newer products, AV is one of those new products, while overall increasing profit margins. This is something that we've been doing for years, and we think AV will be part of the same equation.

So I don't – AV is not something that we're going to look to make substantial profits for from over the next 5 to 10 years. And that's just fine because we'll be able to build a lot of liquidity in the marketplace to kind of continue along the path that we have been operating in over the past 5 years.

Brian Nowak*Analyst, Morgan Stanley & Co. LLC*

Great. Thank you, both.

Dara Khosrowshahi*Chief Executive Officer & Director, Uber Technologies, Inc.*

You're welcome. Next question.

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

Doug Anmuth*Analyst, JPMorgan Securities LLC*

Thanks so much for taking the questions. Dara, can you just talk more about the importance of the BYD partnership as you bring new EVs into global markets and then perhaps how that can tie into AV over time? And then Prashanth, just if you could talk more about the drivers of Delivery profitability, good upside there in the quarter? And what gives you the confidence on the clear path to EBITDA profit in Grocery & Retail as well? Thank you.

Dara Khosrowshahi*Chief Executive Officer & Director, Uber Technologies, Inc.*

Yeah, absolutely, Doug. So I'll start with BYD. The electrification of our fleet is an incredibly important initiative for us. We are – if you look at Uber, Uber drivers are switching over to electric 5 times kind of the speed that normal drivers are. And if there's any driver that you want to switch over to EVs, it's an Uber driver because Uber drivers also drive around 5 times the miles of a regular driver as well.

So it's a very targeted segment that we're going after and we're hoping that kind of governments can help us go after as well. The number one reason why some drivers hesitate to move over to EVs is affordability. And the fact is that BYD, when you look at cost and quality, BYD is really second to none in terms of any manufacturer out there.

We're very, very excited with the partnership. We are – we believe we're going to bring over 100,000 new BYD EVs onto the Uber platform across some of our most important global markets out there. And we've always talked about climate being a team sport, we are going to be leaders in terms of climate change and having BYD as a partner is just terrific to see.

More recently, BYD has committed to very, very significant investments in the AV space and judging from what they have accomplished in the EV space, I would not – I would make a bet on them in AV as well. But the

investment that they're making in AV is in the billions, and we're very much looking forward to partnering with them on both EVs and AVs. Prashanth? Go on.

Prashanth Mahendra-Rajah*Chief Financial Officer, Uber Technologies, Inc.*

A

Yes. So I think your question was on Delivery profitability. So although we don't want to draw attention to incremental margins, we did have a pretty terrific quarter for incremental margins in Delivery, 10% for the second quarter. So putting a little context around that.

We are clearly seeing the benefits of scale as it runs through the Delivery business, and we still have many levers that we're continuing to tune to drive that profitability in Delivery, that includes some incredible tech that the team has built that continues to drive down the cost per transaction – cost per trip in terms of operational improvements.

We've got great improvements in advertising. I think we mentioned in the prepared remarks, that's now running in excess of \$1 billion on a run rate basis and continuing to find ways both operationally and with tech to reduce some of our other costs like refunds and appeasement, which are still a bit of a drag on the Delivery segment.

The fact that we were able to grow Delivery profitability while continuing to have very strong growth in Grocery really is a good indicator of how much strong growth we're seeing in that profitability. I think Delivery EBITDA was up like 25 basis points sequentially, and that is despite a Grocery growing at a substantially faster rate than Delivery.

In Grocery profitability, it's what we've talked about in the past. It is using the power of the platform, we can bring down the customer acquisition costs and drive those cost efficiencies. We've got 15% of our Eats customers are now using Grocery, that's up about 200 basis points year-over-year as of the middle of the year, and we're seeing retention on Grocery also improving. I mentioned the ads revenue.

And then also starting given that our selection is improving, we're also driving down consumer promotions and continuing to add more and more merchants on to the platform. We mentioned Costco. And I think in the press release or prepared remarks, we also mentioned a couple of other grocers. So all in all, things are on track to where we gave you in our three-year model, and grocery is continuing to be a strong story for our Delivery business.

Dara Khosrowshahi*Chief Executive Officer & Director, Uber Technologies, Inc.*

A

Just one very encouraging trend on Grocery & Retail is that ad spend on Grocery & Retail more than tripled on a year-on-year basis. Obviously, that's a very high-margin product, and we are continuing to expand kind of our CPG product now into a bunch of new countries. So the momentum there is terrific to see.

Prashanth Mahendra-Rajah*Chief Financial Officer, Uber Technologies, Inc.*

A

Next question, please?

Doug Anmuth*Analyst, JPMorgan Securities LLC*

Q

Thank you.

Operator: Your next question comes from the line of Eric Sheridan with Goldman Sachs. Your line is open.

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Q

Thanks so much for taking the questions. Maybe two, if I could, coming back to the Delivery business. Building on the last set of comments. How do you think about the potential longer term for increased utility, increased frequency as you layer more supply into the Delivery network? And what you continue to learn about the relationship of evolving the experience for consumers and what it means for platform growth over longer period of time?

And then also on the Delivery side, we've seen a lot of market consolidation and market rationalization in some of the countries around the globe, how do you think about the asset portfolio on Delivery and your current marketing positioning against some of those industry dynamics you're seeing on the capital side? Thanks so much.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Yeah, Eric. So what we're seeing in terms of Delivery is the long-term growth is incredibly promising and especially our ability to expand into the adjacent category of Grocery & Retail. The Grocery & Retail TAM is actually bigger than the online food delivery TAM, so not only do we believe we've got a long runway in online food delivery, but we're just getting started as it relates to Grocery & Retail.

We now have 1.1 million merchants on the platform, it's up 13%. Our merchant penetration in most countries still is very low, well under 50%. And every time we add a merchant, because we have more diversity of choice, average conversion tends to improve for consumers who are kind of searching for their favorite restaurant or favorite desert place and each merchant gives us actually another item to market against as it relates to search engine optimization or search engine marketing in third-party channels as well.

So new merchants add conversion, choice and actually are another item to market against. And we're very, very long way in terms of full merchant penetration in the marketplace. And it all results in either retention being up globally in every single mega region, just in June on a year-on-year basis. So right now, we believe there's a very, very long run rate for growth.

The more consumers use our products in a multiproduct way, whether it's a Mobility user using Delivery or Delivery user buying from Grocery & Retail, the more they transact on the platform, multiproduct consumers spend 3 times more than single product consumers. And for us, the more products we add to the marketplace, the more kind of this benefit adds on to it and then on top of that, you add our membership product as well, which is now over 50% of bookings.

So the volumes are strong. We are not having to buy our way into strong volumes. We're kind of earning our way into strong volumes, and I think the fundamentals are going to be there for some time to come.

In terms of our portfolio. We had made the strategic decision a few years ago, it's probably three or four years ago to exit markets that we didn't think we could either be the number one or number two, and if we're the number two, the ability to move to a number one position. We've gained category position in Delivery in every one of our top 10 markets on a year-on-year basis. It's a function of the great execution of our operations team, the technology that we're shipping and then the power of the platform. There's no other global player who operates

both in Mobility and Delivery or has as broad a platform as we do. So we're very happy with our portfolio, so to speak, and I think the results speak for themselves.

Prashanth Mahendra-Rajah

Chief Financial Officer, Uber Technologies, Inc.

A

Eric, as someone who's been in the business coming up now on my one-year anniversary soon, I'm surprised – I was surprised to learn how sticky the food delivery business is. It is very habitual. And we've got great data that shows that stickiness is improving. I think I looked back five, six quarters of data, and it gets better every quarter in terms of either retention. So there's clearly the trajectory to follow what we're seeing in Mobility.

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Q

Appreciate it. Thank you.

Prashanth Mahendra-Rajah

Chief Financial Officer, Uber Technologies, Inc.

A

You're welcome. Next question.

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

Justin Post

Analyst, BofA Securities, Inc.

Q

Thank you. I wonder if you could revisit the consumer downturn scenario. What would you expect to happen from Mobility if we do have a recession or a bigger downturn as far as maybe trade down or looking for lower price rides, the impact on bookings and profitability?

And then, Prashanth, maybe you could talk about, it looks like you've turned the corner on independent contractor deals in Massachusetts, other areas, what happens to your cost when you sign those deals, and can you cover it with higher fees or what are the business model impacts of signing those deals? Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Yeah, Justin. In terms of a consumer downturn scenario on Mobility, we see these circumstances in a number of markets. LatAm has been through a bunch of cyclical trends, et cetera. And usually, a downturn – kind of the leading indicator of a downturn is a weak job market.

We might be seeing it. In some of the Western markets, we might not, it's very difficult to tell. But when there's a weaker job market, typically, our driver supply on the Mobility side significantly improves. We're a very, very flexible work platform, average earnings per utilized hour for drivers in the US, for example, is \$33 per utilized hour. So it's highly flexible, and the earnings per utilized hour are strong.

So typically, what we see is improvement in driver supply. As driver supply improves, surge comes down, ETAs improve, the service itself becomes more compelling and as a result, volumes typically turn out to be quite sticky.

In addition to those trends, we are actively investing in affordability, right? The membership program essentially brings prices down for both Mobility and Delivery, and we're investing in products such as two-wheelers and

three-wheelers and UberX Share, all of whom provide discounts of, let's say, 25% to 50% of, let's say, the price of an UberX as well.

So we think that we can thrive in upturns and downturns. And I think that the team has proven that they've kind of execution capability to be able to perform in any kind of a market. And listen, we're watching trends very, very quickly, and I do believe we'll be able to adjust as needed. Prashanth, do you want to talk about Massachusetts?

Prashanth Mahendra-Rajah

Chief Financial Officer, Uber Technologies, Inc.

A

Yeah. I will. Justin, maybe I'll also just start by just reminding folks that we have three different sort of broad models on how we go to market in our operating framework for folks. So we have the traditional independent contractor, which is how most people think of Uber, and that is the model that the company was largely built on. And then over time, we've adapted to now the IC+ model, which is what you referred to for Massachusetts, and that's where we enter into agreements to provide some level of benefits.

And then there are still some countries that we use a fleet model where an independent company sort of handles the actual execution on the ground, and we serve as feeding them the global or the in-country demand or the in-city demand.

So specifically in Massachusetts, we reached a deal with the Attorney General that settled on a set of standards for earners. That includes how we measure or how we define time on the platform, certain health care, family and medical leave benefits as well. As a consequence for that, the Attorney General dropped their action against Uber, and we're no longer in pursuit of a ballot issue in Massachusetts, like we had very successfully done in California.

The consequence of that is we will factor that into our operating model in Massachusetts. But as we've said back in February on our Investor Day, we still have plenty of runway to focus on operational costs. So while this will be built into the cost structure that we push to the market, we continue to believe that there's plenty of runway ahead for us to continue to drive down our operating costs through the support costs and payments and a variety of other measures that we continue to sort of grind out those basis points that will continue to make Uber an affordable option for all.

Justin Post

Analyst, BofA Securities, Inc.

Q

Great. Thank you.

Prashanth Mahendra-Rajah

Chief Financial Officer, Uber Technologies, Inc.

A

You're welcome. Next question, operator.

Operator: Your next question comes from the line of Nikhil Devnani with Bernstein. Your line is open.

Nikhil Devnani

Analyst, Sanford C. Bernstein & Co. LLC

Q

Hi. Thanks for taking my question. Dara, I wanted to ask a two-parter on autonomous vehicles. First, can you help us understand how much of the rideshare demand takes place during peak hours and mornings and evenings? I would imagine that utilization math around the peak is really at the core of your value prop to partners.

And then second, the partnership model makes a lot of sense to us for both sides, but there is a world where providers choose not to partner, they choose to compete more directly. So my second question is around, I guess, what the plan B is for Uber in the event that leading players choose not to extend partnerships or engage in partnerships? How do you navigate that scenario? Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Yeah, absolutely. So in terms of peak and trough, while we haven't disclosed the numbers, there are very, very significant peaks during rush hour both ways, obviously, in the mornings and going at home during kind of after hours, drinks, et cetera.

And we are able to shape demand and supply, actually demand through surge when we need to and supply, obviously, positioning our drivers through incentives, either on a temporal basis or on a geographic basis, if there's concert going on, et cetera.

The good news there is that through our incentive structure, essentially those are variable cost for us, we will pay more during those peak periods and then when we don't need supply, we can take incentives out. So we have a model where essentially we're able to shape supply to match demand in a variable basis. I think that in an AV world, the car is there at all times, so you kind of have to pay the overhead for the car and the amortization of the car during all periods.

So we think kind of a hybrid network that can – that consists of both humans and robots can handle the peaks and valleys much more effectively than a pure-play network.

In terms of AV partnerships, et cetera, I would tell you, Nikhil, that based on the conversations that we're having, we are highly, highly confident of being able to acquire AV content, if you want to call it that on a global basis. The fact is this is not turning out to be a winner-take-all market.

Originally, I think that was a concept why Uber wanted to develop the technology itself. But every single OEM is investing in some L2 or L3 technology. If you look at some of the newer tech coming in terms of imitation learning technologies that have taken kind of the imagination of folks through LLMs, that same technology we believe can potentially introduce a new wave of AV through imitation learning at substantially lower capital cost that was necessary historically.

So we think there are going to be many, many AV providers. If there are many, many AV providers, the marketplace and our marketplace is by far the largest marketplace, global marketplace, both from Mobility, Delivery and then Freight as well, the marketplace will have a very, very strong position.

So at this point, we don't see any signal that a plan B will be necessary. Also take note that we have investments, strategic investments and a number of AV players. Aurora, we're working with Waymo, for example, and there are other investments that we have in AV players to make sure that kind of plan A is the right plan going forward.

So far, I'd say so good. And as I mentioned in my remarks, we will have more partnerships to announce in the next week, weeks and months. And I think the market will see and you'll see that plan B isn't necessary.

Nikhil Devnani

Analyst, Sanford C. Bernstein & Co. LLC

Q

Thanks, Dara.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

You're very welcome. Next question, operator.

A

Operator: Your next question comes from the line of John Colantuoni with Jefferies. Your line is open.

John Colantuoni

Analyst, Jefferies LLC

Great. Thanks for taking my questions. Given the continued progress on Mobility frequency, I was curious if we could go back to some disclosure you provided about a year ago showing that pre-COVID cohorts in the US and Canada had lower frequency than more recent cohorts. How has Mobility usage progressed over – across cohorts over the past year? And what does that progression tell you about the opportunity to keep driving frequency higher through multiproduct adoption?

Q

And second, the \$1 billion in advertising run rate suggests over 50% growth, which is really strong, but a bit of a deceleration from more like 80% exiting last year. Talk about how restaurants are balancing investments in sponsored listings versus merchant-funded offerings, which you mentioned grew over 70% year-on-year in the quarter? Thanks.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

So John, in terms of Mobility frequency, while we're not going to disclose specifically what frequency looks like, I would say that when we look at lower-cost products, when you look at UberX Share, Hailables, two-wheelers, three-wheelers, the frequency of some of the newer products is significantly higher than the frequency of, call it, the X products, et cetera.

A

When you look at the overall frequency numbers for both Mobility and Delivery, they're up on a year-on-year basis, it is absolutely helped by multiproduct usage, it is absolutely helped by membership as well. So whether you look at cohorts, whether you look at new customers, high income, low income, the frequency numbers for us in both Mobility and Delivery are very, very constructive.

You want to talk about ads, Prashanth?

Prashanth Mahendra-Rajah

Chief Financial Officer, Uber Technologies, Inc.

Sure. So I think the question – your question, John, again, was on merchant-funded offers, how are we – or on offers in general, how are we seeing that in – on an impact for the business? So I would tell you to think about it in two elements.

A

First, as we're able to drive, and we see very strong cooperation from merchants in using merchant-funded offers to drive their demand, it is actually being a very helpful way for them to address their need to attack the affordability question that folks are asking.

So that can come through a variety of different things that they're putting on to the platform. It could be a buy one, get one. It could be, hey, if you spend a certain amount, you get a certain percentage off. We're seeing extremely

strong growth in the use of merchant-funded offers and the tech that we have is allowing them to be quite creative in how they want to apply that and when. I think that's something that's quite unique to us.

And as a result of that, we are seeing a very good support of their business growth. And in a time when I think there's more macro concerns around what's happening with some of the large enterprise customers, we are seeing our SMBs really lean in more and are seeing strong growth in this.

I'd also say that when we look at the category levels that folks are shopping at on the merchant side, we're continuing to see folks shopping at what we would have categorized as a more expensive or I think it's a \$2 sign category versus the single dollar sign.

So we're again seeing folks not trading down at SMBs because some of that is being supported by the RFO or the restaurant-funded offers that we are enabling them to support.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

And then just on the sponsored listings part of the business. The growth continues pretty significantly. We're a bit over 1% of Delivery gross bookings through advertising. We had a target of 2-plus-percent. We think that target is certainly achievable. And actually for Grocery & Retail, we think that the number can be well over 2% based on what we see in terms of competitors, what we see in terms of what Amazon is doing.

The focus for us with sponsored listings right now is increasing the number of monetizable impressions per user session through introducing new ad formats and placements and really increasing the monetization of search in a smart way that doesn't hurt the core consumer experience. So we have hold out to make sure that advertising is a complement to our eater experience and at the same time is a targeted way for merchants to reach our audience.

And if you think about sponsored listings, sponsored listings tends to kind of improve audience for a particular merchant and then merchant-funded offers because of the price nature of those offers tend to improve conversion as well. For Uber profitability, the sponsored listings business is more profitable for Uber, but we think merchant-funded offers are a very important strategic part of our drive to improve the affordability of the overall marketplace.

And increasingly, we're working with merchants to be able to move money from sponsored listings to merchant-funded offers in a back-and-forth and a targeted way to achieve what their goals are. So the team is doing a great job. We're – we continue to invest in our sales team and the technical teams continue to ship some pretty impressive product out there.

Prashanth Mahendra-Rajah

Chief Financial Officer, Uber Technologies, Inc.

A

Let me give you one metric we haven't shared before and that is, globally, restaurant-funded offers or merchant-funded offers have grown 70% year-over-year.

John Colantuoni

Analyst, Jefferies LLC

Q

Thank you, both.

Prashanth Mahendra-Rajah

Chief Financial Officer, Uber Technologies, Inc.

A

All right. Can we get the next question? Thank you.

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

Ross Sandler

Analyst, Barclays Capital, Inc.

Hey, guys. One more follow-up on ads. With talk about, talked about getting to 1.6% of gross bookings for ride-hail ads, so I know we talk about Delivery ads quite a bit. But what's the status of your ride-hail side advertising business of late?

And then the letter mentioned the Instacart initial kind of read, could you provide a little more color on what you're seeing thus far from the Instacart partnership? Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Yeah, absolutely. So for Mobility ads, we haven't introduced the target in terms of the percentage of gross bookings. We are very, very sensitive to the fact that people come to Uber looking for a ride first and to the extent that we introduce them to some of the premium brands that are advertising with us we want to make sure that, that experience is an excellent experience for the rider and also an excellent experience for the advertiser and it's resulting in some very strong ad engagement from riders. Click-through rates are over 2.5% compared to industry averages that are less than 1%.

So I think for us, the focus is more on quality versus quantity. And I think that we'll continue that focus going forward. The contribution of advertising is very, very positive in terms of newer ad formats that we are introducing, improving targeting capabilities and then also investments in measurement and attribution for our ad partner.

So we're very, very happy with the progress here, but I don't want to put a percent target because the experience of the rider comes first.

In terms of Instacart and the trends there. We're very encouraged by the trends there. We talked about Instacart baskets being 20% higher than our base basket sizes, and we're seeing the demand come from a lot of suburban markets. It kind of matches the Instacart's kind of geographic penetration. So we do think that the incrementality of the volume from Instacart is quite strong, and I'd say so far the partnership has been an excellent one.

Prashanth Mahendra-Rajah

Chief Financial Officer, Uber Technologies, Inc.

Maybe just a reminder to folks, we only went live in the second quarter of 2024, where Uber Eats is live on the Instacart app. So it's still early days.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

All right.

Prashanth Mahendra-Rajah

Chief Financial Officer, Uber Technologies, Inc.

Can we take our final question?

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Yeah. Sure.

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Operator: Your final question comes from the line of Mark Mahaney with Evercore. Your line is open.

Mark Mahaney

Analyst, Evercore ISI

Q

Okay. Thanks. Two questions, please. On the TAM comment, Prashanth, that you made earlier. I think you said in your top 10 markets, less than 20% penetration, my recall is that about a year ago, you had said it was a little under 10%, so you've had nice growth there. Are there particular markets where you could – like what are your lead markets? Like how high have you seen that penetration go? I assume that we're – that you're going to be able to go higher than 20%, but any clues you've seen in the markets that you've been in to tell you how high that could go would be helpful?

And then could you also talk overall about subsidies and incentives for drivers and consumers and where those are now? And is this something that's kind of a flat line expense going forward? Is there more leverage as a percentage of bookings or even in absolute dollars? How do you think about those incentives and subsidies going forward? Thanks a lot.

Prashanth Mahendra-Rajah

Chief Financial Officer, Uber Technologies, Inc.

A

Yeah. Thank you for the question. I think a good frame of reference or an example to help you with that TAM. If the United States was to move to the TAM penetration that we're seeing in the UK that's worth another \$13 billion in gross bookings. So call it 8% to 8%-or-so of our current run rate just by moving the US to the UK.

So we know the opportunity is there. We are seeing – Brazil, I think, is another great example where we're seeing really explosive growth. The frequency in Brazil is a really impressive number that also, I think, is a great metric for how we have confidence that as we continue to feed more markets and continue to expand our Mobility products availability, reliability into more geographies that's going to continue to provide runway.

And that sort of links into your second question, which is as we think about balancing supply and demand, the – I would say the overall sentiment at a global level today is that supply is in a better position than it has historically been. That may not be true in all markets, but at a global level it is.

What that allows us to do is to pivot those incentive dollars into driving demand. And one of the challenges, I think, as the leadership team Uber faces is we have so many areas that we could pivot those dollars into and they greatly exceed our ability to fund within our financial framework that we gave you.

So much of the time is spent on capital allocation to ensure that we are both making decisions that are right for the near term in terms of continuing to make sure the market is liquid, but also providing the right incentives that we need to continue to fund future growth products. I think our Teens product as an example, which is one that we've launched and I may ask Deep to help me here with the metric, I think Teens user base, if you is up – was it up 100%, Deepa? Is that – am I remembering the number right? Yes, up 100% was – and that's a relatively new product that we've launched, but that takes some investment to increase awareness about the product.

But once you've done that – sorry, it's trips – it was trips that were up. So it's – those are the trade-offs I think that we continue to make a decision on. This quarter, we opened up Hungary – sorry, no, we opened up Luxembourg, and last quarter, we opened up Hungary. So we're continuing to find new geographies as well as expanding in existing countries into new areas. So look for us to continue to make that balance while trying to stay within that great operating framework we gave you of driving mid-to-high-teens GB growth with high 30s to 40% EBITDA over the next three years.

Mark Mahaney*Analyst, Evercore ISI*

Thank you, Prashanth.

Prashanth Mahendra-Rajah*Chief Financial Officer, Uber Technologies, Inc.*

And I think with that, we're going to wrap the call. Did we – and we'll turn it back to you, Dara.

Dara Khosrowshahi*Chief Executive Officer & Director, Uber Technologies, Inc.*

Yeah. Thank you very much, everyone, for joining the call, and a huge thank you to the team at Uber, Prashanth and I and Deepa get to talk to investors about all the accomplishments and the consistent execution of the team, but it's actually the teams on the ground, the technical teams who deliver in good markets, bad markets, uncertain markets, and we certainly wouldn't have the kind of execution that we've had without everyone at Team Uber contributing. So big thank you to Team Uber.

Prashanth Mahendra-Rajah*Chief Financial Officer, Uber Technologies, Inc.*

And just a reminder, we're going to be in – on the West Coast, in Chicago, in New York and in Europe in the coming quarters. So very accessible for folks, so reach out to Deepa, if you want to see us.

Dara Khosrowshahi*Chief Executive Officer & Director, Uber Technologies, Inc.*

Awesome. We'll talk to you next quarter. Thank you again.

Operator: This concludes today's conference call. We thank you for joining. You may now disconnect.

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