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Uber Technologies, Inc. (UBER)

Q4 2021 Earnings Call

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MANAGEMENT DISCUSSION SECTION

Operator: Ladies and gentlemen, thank you for standing by. My name is Brent and I will be your conference operator today. At this time, I would like to welcome everyone to the Uber Q4 2021 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 call over to Mr. Balaji Krishnamurthy, Head of Investor Relations. Please go ahead.

Balaji Krishnamurthy

Head-Investor Relations, Uber Technologies, Inc.

Thank you, operator. Thank you for joining us today and welcome to Uber Technologies' fourth quarter 2021 earnings presentation. On the call today, we have Uber 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 quarterly report on Form 10-Q for the quarter ended September 30, 2021, 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 fourth 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 Q4 financial review and our Q4 supplemental slides deck for additional disclosures that provide context on recent business performance. With that, let me hand it over to Dara.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Thanks, Balaji. We had a strong quarter to close out 2021 on a high note. Our results continued to demonstrate both how eager people are to move around their cities as restrictions ease up and how delivery has become an important part of their daily lives.

Gross bookings of \$25.9 billion came in at the high end of our guidance range with MAPCs of 118 million, reaching an all-time high. Continued strong execution by our team delivered \$86 million of adjusted EBITDA,

nicely above our guidance range. In Q4, we continued to see strong recovery in our Mobility business. December gross bookings nearly recovered to 2019 levels and approached a \$50 billion annual run rate in the first few weeks of the month.

Meanwhile, Delivery volumes stayed strong as we continued to improve the profitability profile of that business. Delivery reported its first adjusted EBITDA profit, including for the first time in the US, even as Uber Eats became the fastest-growing delivery player in America.

Uber Freight closed the transformative acquisition with Transplace during the quarter. It's never been clearer that our supply chains are in dire need of technical innovation. And along with Transplace; Uber Freight, now at \$1 billion quarterly run rate, is well positioned to bring digital native change to the enormous logistics ecosystem.

Looking back at 2021, we had a great year. I can't say it went exactly as I predicted. But our teams have shown an incredible ability to remain agile and manage through change effectively. Despite COVID and all of its unpredictability, we now have reported our second adjusted EBITDA profitable quarter and we expect to generate significant and improvement profitability in 2022.

Of course, COVID remains a part of our lives. We started to see some impact of the Omicron wave late in December. The silver lining is that the impacts are becoming more muted as we learn to live with the virus. Lockdowns are less strict and vaccines are available across the world.

Omicron also arrived at a time of year when we usually see seasonal declines. So while Mobility gross bookings decreased 21% from December to January, that's only about 10 points worse than what we typically see at this time of year. On a trips basis, the decline was even more muted, down just 15% month-on-month with pricing coming down meaningfully as marketplace balance improved.

It appears that the Omicron impact on our Mobility business has come and gone relatively quickly, even faster than the global case counts. We're beginning to see several major economies in Europe relaxing COVID restrictions, including the UK, the Netherlands, Denmark and Norway, with more countries expected to take similar actions soon. In the last two weeks, the Mobility recovery has rapidly resumed with both trips and gross bookings recovering and Mobility gross bookings last week up 25% month-on-month.

I'll quickly touch on driver supply, which continues to improve. We made steady progress through product innovation, more targeted marketing and on-the-ground operational refinements to onboard more drivers and couriers faster. Nearly 325,000 people started to work on Uber in the quarter, bringing our total global active earner base to 4.4 million people, the largest it's been since the second quarter of 2020.

One important call-out is that while the Omicron wave acted as a temporary deterrent to demand, supply has been much more stable. As a result, surge and wait times have improved to their lowest level in the year. Recent internal research has shown that Uber is by far the preferred choice amongst drivers. And we're confident that our marketplace will be more, not less, balanced going forward.

Turning now to Delivery which exceeded our expectations and performed better than we typically see in January likely in part to Omicron. This relative overperformance has moderated just as the Mobility trends have improved. Overall trends continue to be very healthy. And there's no question now that Delivery is here stay, both in food and other verticals.

Delivery reached an important milestone in Q4 generating \$25 million in segment-adjusted EBITDA and marking the first profitable quarter of many to come. And as I said on our last call with you, we view the turn to EBITDA profitability as a big moment but ultimately just a step along the way to creating a self-sustaining and incredibly valuable business.

With this milestone accomplished, Delivery is well-positioned to self-fund growth in grocery, retail and local commerce. And let me underscore we expect significant EBITDA profit generation even after those investments.

Finally, it's worth spending a few minutes on a couple of our growth initiatives across the company. Our advertising business ended the year with around \$225 million in run rate revenue, well above the \$100 million target we laid out earlier this year. While much of the attention has been focused on sponsor listing for Uber Eats, we have a roadmap to build a much broader business including in Mobility. We also closed the acquisition of Drizly during the quarter, which will be a nice addition to our advertising efforts.

Our new verticals businesses, which includes grocery, alcohol, convenience and other non-restaurant efforts, grew nearly 10% quarter-on-quarter in Q4 on an organic basis reaching a best month ever in December. We continued to make progress in improving non-restaurant merchant selection in the US. And as a result, the US grew at 3 times the rate of our global new verticals business during the quarter.

Internationally, we continue to have a strong lead in grocery and other verticals. We're working to build on that lead with new quick commerce offerings. And we're intentionally taking a partner-led approach here with encouraging signs of adoption. For example, in France, Carrefour Sprint stores have represented nearly 20% of new verticals orders in Paris and with significantly higher per store productivity than other new verticals merchants in market.

Uber for Business also reached a milestone during the quarter with managed U4B gross bookings surpassing its previous high from 2019 with well over \$1 billion in annual run rate GBs. Over the next few years, U4B's enterprise offerings, which importantly spans both Mobility and Delivery, will significantly outpace our consumer business and become a meaningful contributor to growth and profitability.

Before I hand it over to Nelson, plug for everyone to tune into our Investor Day tomorrow morning, which you can live-stream on our website. Over the past few quarters, we've talked a lot about the power of the platform and the potential for Uber's complementary services to contribute to lower cost of acquisition and higher lifetime value. We're looking forward to discussing our strategy, our plans for each of our business and the growing advantage of our platform in a lot more detail tomorrow.

Uber is emerging from the pandemic stronger than ever. As long as we execute on the opportunities in front of us, we're exceptionally well-positioned to deliver strong, profitable growth with significant expansion in profitability and cash flow generation over the coming quarters and years. Now, over to Nelson.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

Thanks, Dara. Q4 was a strong quarter in all dimensions with solid gross bookings, adjusted EBITDA and margin performance for all of our businesses.

Mobility gross bookings grew 67% and the segment generated a healthy adjusted EBITDA margin of 5.1% of gross bookings, up 80 basis points year-over-year even as take rates declined 160 basis points year-over-year primarily due to our driver supply investments. Excluding those investments, Mobility incremental margins would

have approached 10% on a year-over-year basis. With marketplace balance in a much better spot than at any point in 2021, we are confident that Mobility's incremental margins will improve meaningfully in 2022.

Delivery gross bookings grew 33% and reached its first adjusted EBITDA profitable quarter with a \$25 million EBITDA profit in Q4 as core food delivery profitability expanded to more than cover our investments into grocery and other new initiatives. Importantly, we recorded our first adjusted EBITDA profit for Delivery in the US and Canada, expanding margins 180 basis points of gross bookings year-over-year while gaining category share in the US.

Freight closed the previously announced transaction of Transplace during Q4, significantly expanding Freight's scale and the scope of our offering by combining Freight's digital freight brokerage technology with Transplace's managed transportation platform. Both Freight and Transplace are entering 2022 with strong momentum with healthy onboarding of new logos. And we are excited to demonstrate the potential of the combined asset.

Looking ahead to full year 2022, we continue to expect to deliver incremental EBITDA margins as a percentage of gross bookings of around 10% for Mobility and over 5% for Delivery. In addition, we expect Freight to generate positive adjusted EBITDA in 2022. While we continue to invest in platform R&D to ensure our products continue to be the best out there, we expect to deliver healthy leverage on that line as well. Taken together, those commitments translate to a meaningful profitability expansion for Uber 2022.

Turning to our balance sheet and liquidity position. We continue to maintain a strong liquidity position ending the quarter with \$4.3 billion of cash and cash equivalents. And our equity stakes were marked at \$12.5 billion. We benefited from the change in value of Grab and Aurora as these companies reached liquidity milestones as well as gains from selling some of our interest in Yandex. These benefits were partially offset by the significant movement in Didi stock from September 30 to December 31 as we marked down the value of our Didi stake by \$1.3 billion. The net effect of these moves was a \$1.4 billion tailwind to our GAAP net income.

As I have previously noted, our GAAP net income may continue to see swings from quarter-to-quarter from the large equity stake on our balance sheet. While we intend to monetize some of our financial stakes at an appropriate time, we have sufficient liquidity to give us the flexibility to maintain 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 Q1 outlook. It's important to note that typical seasonality during Q1 is for Mobility and Delivery trips and gross bookings to be flat quarter-over-quarter. Given Omicron-related demand impact, we expect Mobility gross bookings to decline quarter-over-quarter while Delivery is likely to be flat to up modestly.

In aggregate, we estimate these demand impacts to be \$1 billion to \$1.2 billion of drag in Q1 gross bookings. Additionally, Q1 will represent the first full quarter of Transplace contributions, which is expected to add an incremental \$600 million in quarter one to Freight gross bookings relative to Q4.

Despite the meaningful gross bookings impact, we are confident that the breadth of our business will allow us to expand profitability. With that context for Q1, we expect total company gross bookings to be between \$25 billion and \$26 billion, representing year-over-year growth of 28% to 33%. And we expect a total company adjusted EBITDA profit between \$100 million and \$130 million for the quarter.

With that, let's open it up to questions. Thank you.

QUESTION AND ANSWER SECTION

Operator: [Operator Instructions] Your first question comes from the line of Doug Anmuth with JPMorgan. Your line is open.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Q

Thanks for taking the questions. Just wanted to ask you about drivers and couriers. I think you talked about 4.4 million and I believe that's relative to 5 million pre-COVID. Just curious kind of what those factors are. Maybe if you were at a similar level in terms of overall bookings, just what kind of efficiencies you might see relative to pre-COVID and whether you would need a similar kind of number of drivers and couriers at that point. And then also, if you could just talk a little bit about Uber One, what you're seeing early on here given a very compelling value proposition versus previous subscription offerings. Thanks.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Yeah, absolutely, Doug. So as it relates to drivers and couriers, first factor that we're seeing that's really encouraging is that the onboarding rate and onboarding conversion rates are happening much more successfully. This is because we essentially onboard earners and then we give them work opportunities rather than onboarding them either as a driver or as a courier. And as a result, earners can start earning much faster on our platform. So we're seeing a lot of positive input into the platform. It's also great because earners can earn during a period when everyone is trying to get back on their feet without as much government help as we had previously.

So it works out for everyone and it definitely helps out for our marketplace. While we haven't done the specific analysis of like how many earners do we need on a GB basis, it's my strong instinct that our marketplace has gotten more efficient. This is because we are now cross-dispatching between driving people and driving things. That creates higher utilization for earners and makes for a more efficient marketplace.

We're also seeing, on the Delivery side, as the marketplace grows and essentially densifies, we got more restaurants on the marketplace. We have more consumers ordering. And as a result, the average length of a delivery is coming down so that, essentially, delivering is becoming more efficient from a network perspective.

So network efficiency is up. The efficiency essentially relies – the efficiency results in earners being busy a higher percentage of the time when they're looking for opportunities. And as you can see, kind of the marketplace metrics are coming down in terms of surge, in terms of ETAs and delivery times are first rate. So the efficiency trends that we're seeing are quite encouraging.

As far as Uber One goes, it's very early. And last quarter, we talked about having over 6 million members around the world. And the early signal that we're seeing for Uber One is very encouraging. It's a consumer value proposition that's quite compelling because pricing is equal to the pricing of our competition, but our content is better. It's content in terms of free delivery and discounts on rides and that discounts on rides in a world that is increasingly opening, thank God, is going to become more and more valuable. So we believe we have a content advantage over our competition that is going to show up over time and is going to compound upon itself.

Doug Anmuth

Analyst, JPMorgan Securities LLC

Thank you, Dara.

Q

Balaji Krishnamurthy

Head-Investor Relations, Uber Technologies, Inc.

Next question, please.

A

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Sure.

A

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

Thanks so much for taking the question. I know we're going to talk more longer term tomorrow. But just maybe taking a step back on some of the shorter-term dynamics. In terms of the Mobility business, we talked with one of your competitors last night about the dynamic of product mix and geo mix in the US. Can you give us a little bit of color on what you're seeing globally from geo mix and opened versus closed environments or product mix like airport rides versus business rides or elements of that in terms of how that might be driving elements of December into January and how should we think about that as the quarter evolves? Thanks so much.

Q

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Yeah, absolutely. I think generally the trends that Lyft talked about during their call are fairly consistent with our trips. So for example, we saw airport GBs up about 200% year-on-year, about 175% in the US. In December, rides tend to get longer, holiday rides, et cetera. So we saw similar trends in terms of length of trip, et cetera, which certainly is encouraging. I'd say nothing significant there one way or the other.

A

Eric J. Sheridan

Analyst, Goldman Sachs & Co. LLC

Thank you.

Q

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Next question. You're welcome.

A

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

Justin Post

Analyst, Bank of America Merrill Lynch

Great, thanks. Wonder if you can talk a little bit more about the driver incentives in the quarter and how you see kind of the take rates evolving. Is there some big upside there as you look forward to the next couple of years? And how that flows through the margins? Thanks a lot.

Q

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

So first of all, I think if you remember, Justin, when we did the Q3 call, we actually highlighted that that was going to be the fact. And a lot of it just had to do with marketplaces opening and closing because of the pandemic. And so we knew when we talked to you that places like Australia were going to open and then we are going to lean in.

I think you heard in my prepared remarks if you actually backed out for some of that, we would have seen the incremental margins that we've talked about. And there is a little bit of seasonality. But again, what I would say is that our goal is to make sure that we continue to overachieve both on the top line but as well as on the bottom line and the profitability and expanding the margins. And so we did that and we knew we did that.

And so because of that, we will take opportunities at some point to continue to build supply. We are entering this year, as you heard in our comments, in probably our best supply situation we've had since the pandemic started and certainly in 2021. And so again, we think that'll be beneficial as we go into 2022. You'll hear us talk a little bit more about it. But yes, I think that you should – we believe that we will see good margin expansion as we think about 2022.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

And Justin, I'd also remind you that we manage to EBITDA dollars and margins and free cash flow dollars and margins as a percentage of GB and revenue margin is an input as part of it. There are algos that are constantly balancing between pricing in order to maximize getting the next ride and/or driver side pricing that is optimal as well.

So the revenue margin that you see, it's more of an output. Like at the end of the month or at the end of the quarter, we like look at our revenue margins. But we're managing to the business. We're trying to maximize gross bookings. We're trying to maximize trips. And frankly, we're trying to maximize throughput. So our marketplace delivers maximum earnings to the earners on that marketplace because it means it becomes a much more attractive marketplace for earners to participate in.

One area of upside I would tell you that you have seen in our Delivery margins, which is like Delivery growth was great. We're able to gain share and margins increased. It's because we're optimizing around cost per trip. As the network is densifying, cost per trip is coming down pretty substantially, especially in the US. And we think there's more to come. And that's just pure goodness because couriers are busy. You're getting your food quickly. It's revenue margin upside and we can reinvest that revenue margin essentially in gaining share.

Justin Post

Analyst, Bank of America Merrill Lynch

Q

Great. Thank you, Nelson. Thank you...

Balaji Krishnamurthy

Head-Investor Relations, Uber Technologies, Inc.

A

Next question, please.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

Thank you, Justin.

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

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Hi, Brian.

A

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Q

Two. The first one I wanted to ask about the category share gains in the US food delivery. Any specific sort of adjustments you've made or strategic developments that you've done that have really sort of driven that? And how do you think about still existing low-hanging fruit areas to further improve the food delivery market share? And then, secondly, Dara, just curious to hear kind of qualitatively how you think about some of the key drivers of the multiyear consumer rideshare side of the business and you're thinking through one and other pricing mechanisms, et cetera.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Sure, absolutely. As far as the first question in the US goes, I'd say it's core execution. None of this is wizardry. Our selection in the US is improving. Our selection in suburbs is getting much better. Still not where it needs to be, but it's getting much better. I talked about cost per trip coming down, which allows us to reinvest in the top line, whether it's in marketing or it's incentives.

Membership as a percentage of our gross bookings is increasing. So we're getting more frequency coming through the system. And something that we'll talk more about tomorrow is that the cross-platform activity across both Mobility and Delivery continues to increase. That is chiefly, at this point, benefiting the Delivery business. It's an attribute that is completely unique to Uber and it is becoming more of a factor.

So there's like these three kind of eaters that are coming through the system that aren't available to our competitors. New eaters as a percentage of our total gross bookings every quarter is actually pretty small because we have a really big base of eaters who are loyal to us who keep coming back. But when you have new eaters quarter after quarter after quarter after quarter, it starts compounding. And we believe that we're starting to see the effects of that compounding happen last quarter and certainly this quarter and we hope that it will continue. If it doesn't, we're not doing our jobs.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

And the only point I'd add is we did make a change in terms of our leadership in the US at the beginning of the year. And he and his team deserve kudos because it really was a focused – and he and the team have come in and done a terrific job. And so again, we have a lot of confidence going into next year. And you're right, it wasn't for me just the fact that we continue to gain competitive positioning versus our competitors. But we did it in a way where we are now going to be profitable doing it. And so again, a lot of it goes to him and the team because we have a big team of folks here and they really operated well.

Your second point is on Mobility, I believe. And so the only thing I'd say there is I think tomorrow you'll get a very, very good overview of our long-term strategy and then how it impacts our medium to long-term views both in terms of compounding revenue as well as profitability. Just as the marketplaces come back, here's one easy stat

for you. We added 20 million new riders just in Q4 in our Mobility business. So if you think about the network effect and our ability to operate across our 10,000 cities in our leadership position, you can think about that leverage that we have globally that nobody else has. And so as the world is coming back, I think that we'll spend a lot of time tomorrow. [ph] Mac (00:27:07) will spend a lot of time tomorrow talking about how we're going to continue to grow at scale and a lot of the untapped areas that we're driving.

Brian Nowak

Analyst, Morgan Stanley & Co. LLC

Dara, thanks...

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

...next question. Sure.

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. I wanted to talk about the new ads update. So you're running well ahead of plan with the \$225 million [Technical Difficulty] (00:27:37). Just your overall outlook on advertising, how big that could be and maybe how Drizly coming into the fold might have jumpstarted or accelerated...

Balaji Krishnamurthy

Head-Investor Relations, Uber Technologies, Inc.

Hey, Ross, you're coming through very muffled. But if you don't mind repeating the question, we'll try and get you a response.

Ross Sandler

Analyst, Barclays Capital, Inc.

Just the outlook on the ads business and how Drizly might be helping accelerate that plan. Thanks.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Hey, Ross. So the ad business, we talked about hitting a \$225 million run rate in Q4. Well above our targets. The momentum in the business is great. Keep in mind that the vast majority of that is Delivery. And we are building out ad products that run across Mobility and Delivery and grocery. Drizly is going to be a part of our ad operations. For example, Drizly advertising as a percentage of gross bookings is about 80% which is pretty significant. That's not in the numbers that we read you out on because Drizly has been part of our numbers partial in Q4. But with the mix of higher grocery, higher alcohol; you should expect that to be essentially upside in terms of our advertising revenue and the growth ahead.

Balaji Krishnamurthy

Head-Investor Relations, Uber Technologies, Inc.

Next question.

Operator: Your next question comes from the line of Lloyd Walmsley with UBS. Your line is open.

Lloyd Walmsley

Analyst, UBS Securities LLC

[indiscernible] (00:29:17)...

Q

Balaji Krishnamurthy

Head-Investor Relations, Uber Technologies, Inc.

Hi, Lloyd.

A

Lloyd Walmsley

Analyst, UBS Securities LLC

Hey, guys. So I guess the first one following up on Justin's question. So do you feel like [indiscernible] (00:29:26) invest in driver supply? And I guess as more drivers come back into the marketplace and pricing comes down, do you see any of them kind of turning back off? Is there more sensitivity from drivers to maintaining that higher prices? Or is it mostly just you stimulate to get them back on and then they stay on?

Q

And then the second one is it sounds like a big effort on improving the driver onboarding flow to get them on the road faster. I guess beyond that beginning period where maybe a driver can only drive for Delivery, are you seeing a big uptick in the percent of drivers that drive for both Delivery and Mobility on an ongoing basis that can kind of help drive that efficiency or sustain that efficiency?

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Yeah, absolutely. We watch driver retention trends very closely. And obviously, in January with the Omicron wave, we wanted to make sure – as demand came down; we were watching the number of drivers on the platform, the number of suppliers, et cetera. And what we've seen are pretty encouraging signs that drivers have stayed on the platform. In general, I would tell you that demand in the platform, both in terms of Mobility and Delivery, is a fast twitch muscle. It moves much faster. And earner supply on a platform, it's a slow twitch muscle. It'll respond more slowly than demand, so to speak.

A

Now that we're seeing the Omicron bounce-back, we're pretty confident that our supply situation is looking good right now. And it's going to look good for the balance of the year. But it's always something that we're watching. And generally, retention rates are quite good.

We are actively looking to sign up drivers, a higher percentage of drivers to work across platform. And whereas our algorithms previously were, I'd say, more highly tuned towards Mobility-only or Delivery-only; our algorithms are now being tuned to the Uber marketplace and so are cross-dispatching in a much more fluid elegant way. And that's only going to improve. These are, I would say, relatively early iterations. And you should expect to see more cross-platform activity both on the consumer side but also on the earner side. And again, we'll have a lot more to say about that tomorrow at Investor Day.

Lloyd Walmsley

Analyst, UBS Securities LLC

All right. Thank you.

Q

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

You're welcome. Next question.

A

Operator: Your next question comes from the line of Brad Erickson with RBC Capital Markets. Your line is open.

Brad Erickson

Analyst, RBC Capital Markets LLC

Hi there. Nelson, I think you mentioned that you expect now over 5% of marginal Delivery bookings to drop to EBITDA. So it sounds like there's maybe a bit of a discretionary component there. So I guess I was just wondering sort of what the philosophy is to allow that upside or any potential upside to flow through. Or will it be reinvested and I guess, if so, how?

Q

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

So again, I think as Dara mentioned earlier, so the 5% is incremental margins as we continue to grow the business. We're not optimizing for that number. We're optimizing to grow our gross bookings and to grow our bottom line, our adjusted EBITDA. And that is really just an output, obviously, one we watch and that you guys spend a lot of time watching it. And so again, I'm really just trying to get some direction. We'll address a little bit more of the mid- to – the medium-term kind of modeling, if you will, tomorrow. But again, we do expect that the incremental margin will be around 5% for our Delivery business.

A

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

And we do think that the 5% represents a balanced viewpoint. It allows us to reinvest where we see growth ahead of us. It allows us to be quite competitive. Again, we have the platform advantage versus our competition, which is just a structural advantage that we have. And then it's also responsible to our shareholders because ultimately we want to be a growth business. But we want to be a profitable growth business and we want to be improving margins going forward.

A

Balaji Krishnamurthy

Head-Investor Relations, Uber Technologies, Inc.

Next question.

A

Brad Erickson

Analyst, RBC Capital Markets LLC

Thanks.

Q

Operator: Your next question comes from the line of Deepak Mathivanan with Wolfe Research. Your line is open.

Deepak Mathivanan

Analyst, Wolfe Research LLC

Great. Thanks for taking the questions. Two quick ones. So first, following up on the driver incentives and the incremental margins. You noted that you expect incremental margins on the rides business to be like 10% for

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2022. How should we generally think about the sensitivity of driver incentives through the year to that? Is that something that you can achieve even if markets come back in elevated strength globally and then maybe driver shortages kind of are more widespread geographically?

And then sort of a second question on the Eats side. It seems like MAPCs, frequency, basket size were all stable quarter-to-quarter. Can you talk about whether there were any geographical discrepancies maybe in some countries where we've been reopened for a while compared to other markets? Thank you so much.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

So first of all, in terms of your question on the drivers part. That is an annual number. And so there may be some quarter-to-quarter fluctuations because you're right. If COVID has actually shown us anything, we expect the unexpected. And so we are highly confident we'll be able to manage that on an annual basis. There may be a quarter here or there.

And in terms of your question about our ability to do it; yes, we optimize our marketplace every single day across our 10,000 markets. And as you can tell from what we achieved in Q4, we've gotten pretty good at it, particularly as the Mobility business has come back post-pandemic. And so we feel pretty good about where we sit today. And so again, we're highly confident if you look at the past couple of quarters in terms of our ability to generate the 10% incremental margin on the Mobility side.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

And then I'd say on the MAPC side, we pretty much saw strength across the board. If there are any callouts; the US Mobility MAPCs on a year-on-year basis, because the US had closed down on a comparable basis more than other geos, was super strong. And even on a quarter-on-quarter basis, audience in Q4 for our Mobility business grew versus Q3. But it's been actually remarkably consistent. And the growth that you see in both Mobility and Delivery has been global. There are lots of ups and downs. But the really great thing that we're seeing now is that the diversification within our portfolio of Mobility and Delivery and then the geographic diversification allows us when something is weak, we can lean in to help things out.

When one geo is particularly strong, we can take some of that strength and reinvest it in other areas. The diversification of our portfolio is really coming into play. And we kind of saw it in January. No one wants to go through another COVID wave or the Omicron wave. The business was pretty darn resilient in January, which is why in Q1 – you can see our guidance – it's stronger than Q4. That speaks to the portfolio approach really coming to the fore.

Balaji Krishnamurthy

Head-Investor Relations, Uber Technologies, Inc.

A

Deepak, did we answer all of your questions?

Deepak Mathivanan

Analyst, Wolfe Research LLC

Q

Yeah.

Balaji Krishnamurthy

Head-Investor Relations, Uber Technologies, Inc.

A

I think there was...

Deepak Mathivanan

Analyst, Wolfe Research LLC

Sorry, I know that was a lot. Thank you so much.

Balaji Krishnamurthy

Head-Investor Relations, Uber Technologies, Inc.

Okay.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

You're very welcome. Next question.

Operator: Your next question comes from James Lee with the Mizuho Group. Your line is open.

James Lee

Analyst, Mizuho Securities USA LLC

Great. Thanks for taking my question. I just want to get some regulatory update here. I think in the UK, I think your license is up for renewal this quarter. And maybe how should we think about financial implications on the reclassification to worker clients and also moving to merchant model? And also in the US, any update from the California appeal and the development in key states like New York and Massachusetts? Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

Yeah, absolutely. I think on the UK license, we're in constructive dialogue with TfL. I'd say our relationship with the City of London is better than it's ever been. About 10% of our kilometers now in London are EV or clean. And we're looking to drive that up very actively in partnership with the city. So that relationship has really changed. And we're very hopeful that we get the license renewal, but we never take anything for granted. So we'll see, although we're pretty confident of our position.

The worker reclassification that we underwent in the UK was the right thing to do. There isn't a level playing field yet. We believe there should be a level playing field. We're paying it for financially now because our earners in the UK, our workers are getting lots of benefits that our competition essentially doesn't have to pay. But sometimes the right thing to do is expensive. And in this case in the UK, it's expensive. But we think with time, there will be a level playing field. There's no question about it. The only question is when it happens.

And I think like long term – short term, being a good citizen, being a good company on the ground sometimes hurts financially. The long term, you get gains. We want to be in the UK. We want to be in London for the next 10, 15, 20 years and that means doing the right thing. And I think we are in the UK. It'll resolve itself. I can't tell you when. I think as far as California goes, it's running through the process. We're very confident of our position. But I don't really have anything to share one way or the other.

Balaji Krishnamurthy

Head-Investor Relations, Uber Technologies, Inc.

Thank you for the question. Next question.

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

Jason Stuart Helfstein

Analyst, Oppenheimer & Co., Inc.

Q

Thanks. I'm just going to ask one. Just when you think about Uber Pass and specifically restaurants and Delivery, are there any deficits in capabilities or coverage in major markets versus your largest competitors and kind of how you think about that? Thank you.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

Yeah, Jason. It's Uber One now. We still have to rebrand it. As far as coverage goes, our selection in urban markets, I think, is excellent and is on par or better than our competition, although it can always get better. I think it's the selection in suburbs. Our CP in suburbs still trails DoorDash. We are seeing our selection improve. We have reorganized our sales team to be much more local, to be on the ground to understand what that neighborhood restaurant is. And I'd say there may be a few exceptions, but the vast majority of restaurant partners want to work with more than one partner.

And we are the second player but by far the biggest second player in the US. And we have a great sales team now. And our systems are much, much better in partnering up with those restaurants. So in the suburbs today, we do have certain gaps. And we're going to work really, really hard to make up for those gaps certainly by the end of 2022. Next question.

Operator: Your next question comes from the line of Edward Yruma with KeyBanc Capital Markets. Your line is open.

Edward Yruma

Analyst, KeyBanc Capital Markets, Inc.

Q

Hey. Thanks for taking the question. It seems like a lot of private capital is pushing into ultrafast delivery. I know you're even partnering with Gopuff, private in this space. I guess kind of how do you view this space right now and what do you do partnership versus what do you do on your own. Thank you.

Nelson J. Chai

Chief Financial Officer, Uber Technologies, Inc.

A

Well, so as you know, we are right now primarily doing partnerships. And so we have a wonderful partnership with Carrefour in France as well. And we have a partnership with Gopuff here in the US. We are doing a little bit of testing on our own mainly because there's a couple places in Taiwan and Japan where we're doing some testing. We want to understand the whole value prop and the different parts of the value chain.

I guess our view is that we definitely want to care about making sure that we have a good product delivered to our consumers. There is a lot of private capital at it. I do think over time that there'll be some normalization between the private and the public markets, if you will. And so what I would say is you'll hear tomorrow we are going after this new vertical space. We're doing it with primarily a partnership approach. And I think we are leveraging both our capabilities and trying to maintain more of an asset-light model, which I think will be beneficial.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

A

I think the only thing to add to Nelson's commentary is that we have an enormous global footprint, which is unique amongst a lot of other players out there. We're in 32 delivery markets and every single market has different regulatory issues. Every single city is different. And so the partner approach allows us to essentially penetrate into the many, many geographies and the many, many cities in which we operate faster in a capital-light way.

Our goal is, with quick commerce, to get quick commerce to as many eaters in the world as possible as quickly as possible. We think we can move faster because we have partners who are on the ground. They understand cities, the cities in which they operate in. They have a long history. And ultimately, we think the partner-led approach is a better approach. We'll see if that turns out to be true or not. But we're pretty confident in the early signal that we're seeing. Next question.

Balaji Krishnamurthy*Head-Investor Relations, Uber Technologies, Inc.*

A

Operator, we'll take one last question.

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

John Blackledge*Analyst, Cowen and Company*

Q

Great, thanks. Two questions. First, what were other Delivery verticals outside of Eats as a percent of Delivery gross bookings in the fourth quarter? And then second, with the Car Next Door acquisition, could you discuss kind of the rationale? And do you expect to enter additional markets with that type of offering? Thank you.

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

A

Yeah, absolutely. I'll start with the second one first. As far as Car Next Door goes, you'll hear more about this in Investor Day tomorrow. But essentially, we want Uber rides to be a complete mobility solution. And that means essentially being there for you on any occasion where you need a car to ultimately replace, first, your second car, but ultimately, car ownership. And Car Next Door allows us to have relevancy for those situations where you need a car for over a weekend, et cetera.

We have partnerships with Avis, Hertz, et cetera. But part of the magic of Uber is P2P, is managing a supply and demand kind of two-sided marketplace. Car Next Door is a two-sided rental marketplace, a great business in Australia. Australia is a spectacular market for us in both Mobility and Delivery. So it's coming into a market with a lot of strength. And yes, our ambition is absolutely to go global. And we have an audience here. This is the playbook that we run. With new verticals, we're going global. With Eats, we went global. And I think with peer-to-peer car rentals; yeah, we'll go global. We'll make sure we do it in the right way. Nelson, do you want to talk about new verticals as a percentage of GBs?

Nelson J. Chai*Chief Financial Officer, Uber Technologies, Inc.*

A

Yeah. So in the fourth quarter, new verticals approached about a \$4 billion run rate. And so if you think about it; in Q4, we were at \$54 billion run rate for the total delivery marketplace. So it's pretty simple math.

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

A

And I think one of the cool other metrics other than GBs that we measure is what percentage of our monthly active platform customers are ordering from new verticals. So in Q4, about 12% of our monthly actives had a new vertical order in kind of our focus markets because we're not yet deep in every single market out there. That's another metric that we closely track. As that MAPC number goes up, gross bookings will go up as well.

Dara Khosrowshahi

Chief Executive Officer & Director, Uber Technologies, Inc.

All right. That's it, everyone. Thank you very much for joining us on the call and just shout out to the Uber team. It's been a long year. I think the team really turned it around in the second half. We delivered a great Q4. And I'm more confident than ever in our prospects for 2022 because of the work that the team has done. So thanks, everyone.

Operator: Ladies and gentlemen, thank you for your participation. This concludes today's conference call. You may now disconnect.

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