

Uber Technologies

3Q2020 results review

► **Uber reports a QoQ improvement in its Mobility and Delivery businesses in 3Q 2020.**

The company's MAPCs increased to 78mn in 3Q20 (versus 77.3mn in our estimates) compared to 55mn in 2Q20 and 103mn in 3Q19. The number of trips increased to 1,150mn in 3Q20 (1,205mn in our estimates) vs 737mn in 2Q20 and 1,770mna year ago. Gross bookings (GB) increased by 44% QoQ to \$14,745mn, a 10% YoY decline (8% decline in constant currency). Uber reported gross bookings are only 6% below last year's figure in constant currency in September 2020. Uber's adjusted net revenue was \$2,813mn in 3Q20, down 20% YoY, and compared to \$1,918mn in 2Q20. The take rate reached 19.1% in 3Q20 vs 18.8% in 2Q20. Uber reported \$3,129mn revenue in 3Q20 (vs \$3,349mn our forecast) up from \$2,241mn in 2Q20. A 40% QoQ increase in revenue was driven by a 73% QoQ jump in Mobility revenue, a 20% QoQ increase in Delivery revenues, and a 36% QoQ Freight revenue growth. The company reported a 25% QoQ decline in adjusted EBITDA loss in 3Q to \$625mn. The Mobility segment EBITDA was up from \$50mn in 2Q20 to \$245mn in 3Q20, while Delivery and Freight losses were \$182mn and \$73mn respectively. The company cut operations and support costs by 37% QoQ and R&D by 16% QoQ in 3Q20. As a result, total operating expenses added 10% QoQ, supporting a margin improvement. The Mobility business demonstrated a good recovery in several core markets, including New York keeping up with restrictions' lift. Drivers are coming back on the platform slower than expected, leaving some upside for the post-CVD margin. After an impressive performance in 2020, the Delivery business has potential due to still low penetration of the Eats platform services with only 30% of restaurants involved in the US, a 60% in the UK, a 10% in Mexico and Brazil, a 5% in Japan. Uber completed Cornershop acquisition for the total consideration of \$361mn and plans to close the Postmates deal in 1Q21. Uber's management is optimistic about the expansion of deliveries revenue using Cornershop and potentially Postmates in the coming quarters. The Delivery segment plans to expand into food deliveries and launch subscription products. Uber expects to achieve profitability sometime in 2021.

► **The global pandemic situation limits market recovery in terms of both riders and drivers.**

The performance of the Mobility segment was in line with expectations in 3Q20, supporting our FY revenue forecast. The company demonstrated good control over operating costs during the pandemic. However, the second wave in Europe, the US, and other regions does not allow the market to fully recover yet, keeping flat QoQ expectations for financials in 4Q20. The decision to approve ride-hailing drivers' status as independent contractors in California, rather than employees, was a very positive event for ridehailing stocks. Proposition 22 sets an exception for ride and delivery companies in the state labor law and offers some benefits to drivers. According to Uber's CEO, the benefits and protection, such as healthcare contributions and insurance, will be added to overall policies but without taking out drivers' flexibility. We keep our forecast and 12-months price target to \$45.8. We change our rating from BUY to HOLD.

Report date: 10 November 2020

Uber

Main exchange	NYSE
Rating	BUY
Current Price, \$	48.4
12M Target price, \$	45.8
Current MCap, \$ mn	84,312

Uber is one of the largest ride-hailing companies globally. The company offers Delivery and Freight services via its platform.

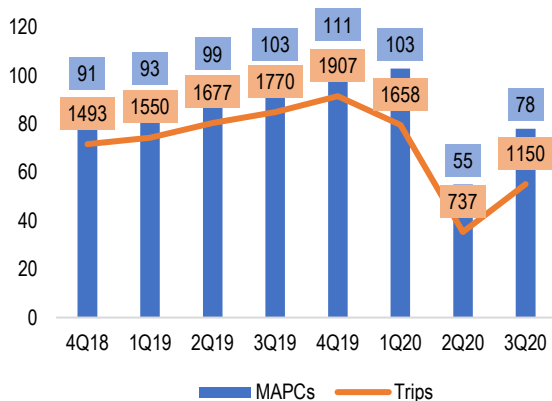
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Figure 1. Uber's key metrics in 1Q20 and 2019

	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	YoY
Total gross bookings, \$mn	14169	14649	15756	16465	18131	15776	10224	14745	-10%
Rides/Mobility	11479	11446	12188	12554	13512	10874	3046	5905	-53%
Eats/Delivery	2561	3071	3386	3658	4374	4682	6961	8550	134%
Freight	126	128	167	223	219	198	212	290	30%
Monthly active platform consumers (order at least once a month, averaged over each month in the quarter), 4Q average	91	93	99	103	111	103	55	78	-24%
Trips	1493	1550	1677	1770	1907	1658	737	1150	-35%
Revenue	2974	3099	3166	3813	4069	3543	2241	3129	-18%
Cost of revenue, exclusive of depreciation and amortization shown separately below	1615	1681	1740	1860	1927	1786	1252	1614	-13%
Operations and support	408	434	864	498	506	503	582	365	-27%
Sales and marketing	974	1040	1222	1113	1251	885	736	924	-17%
Research and development	366	409	3064	755	608	645	584	493	-35%
General and administrative	555	423	1638	591	647	859	565	711	20%
Depreciation and amortization	109	146	123	102	101	128	129	138	35%
Total costs and expenses	4027	4133	8651	4919	5040	4806	3848	4245	-14%
Loss from operations	-1053	-1034	-5485	-1106	-971	-1263	-1607	-1116	1%
Interest expense	-195	-217	-151	-90	-101	-118	-110	-112	24%
Other income (expense), net	47	260	398	49	15	-1795	-44	151	208%
Income (loss) from continuing operations before income taxes and loss from equity method investment	-1201	-991	-5238	-1147	-1057	-3176	-1761	-1077	-6%

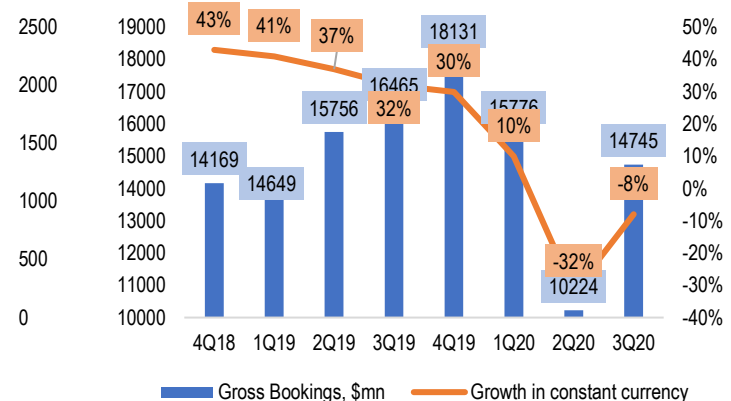
Source: companies' data, Hypothesis Research estimates

Figure 2. Uber's MAPCs (mn) and trips (mn)



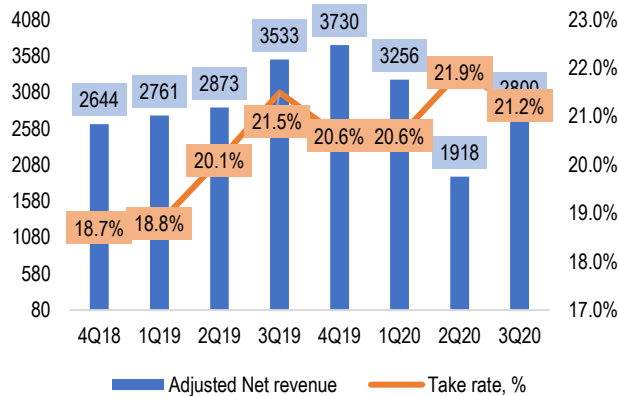
Source: company data

Figure 3. Uber's Gross Bookings (\$mn) and Gross Bookings growth in constant prices (%)



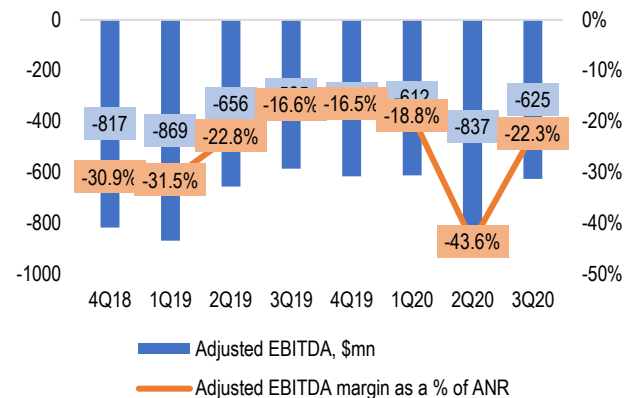
Source: company data

Figure 4. Uber's Adjusted Net Revenue (\$mn) and take rate (%)



Source: company data, Hypothesis Research

Figure 5. Uber's Adjusted EBITDA (\$mn) and Adj EBITDA margin (% of ANR)



Source: company data

Figure 8. Comparable multiples

Company name	Market Cap, \$mn	Enterprise Value, \$mn	P/E Fwd 1Y	P/E Fwd 2Y	P/E Fwd 3Y	EV/ EBITDA 1Y fwd	EV/ EBITDA 2Y fwd	EV/ EBITDA 3 fwd	EV/ Revenues 1y fwd	EV/ Revenues 2y fwd	EV/ Revenues 3y fwd
Alphabet	1,191,992	1,074,419	33.99	28.55	24.17	16.80	13.87	11.83	6.02	4.97	4.27
Amazon	1,577,375	1,559,547	89.91	68.55	48.10	28.55	22.31	17.58	4.10	3.47	2.96
Apple	1,977,650	1,999,804	29.53	26.87	23.60	22.42	21.44	19.14	6.38	6.08	5.58
Facebook	794,019	738,927	29.61	26.63	21.31	17.02	14.31	11.82	8.78	7.08	5.90
Alibaba Group Holding	786,069	764,744	28.31	23.40	18.73	24.10	18.95	15.27	7.22	5.51	4.57
Tencent Holdings	735,641	749,945	40.81	32.18	25.51	29.35	24.58	20.04	10.40	8.40	7.00
Netflix	207,865	215,519	75.22	52.00	37.99	42.72	33.99	25.94	8.64	7.33	6.29
eBay	33,309	37,530	14.21	12.93	11.35	9.90	9.39	8.50	3.71	3.42	3.14
Target Corp	77,551	84,564	21.07	19.72	18.13	10.98	10.64	10.23	0.95	0.97	0.93
Tesla	399,313	399,984	178.54	101.71	82.71	64.32	44.96	37.77	12.90	8.73	6.93
General Motors	55,764	141,096	8.38	6.76	6.15	11.30	9.35	8.73	1.17	1.03	0.98
Volkswagen	87,706	256,903	15.63	6.62	5.35	8.22	6.20	5.81	0.99	0.91	0.87
SNAP	61,238	60,163	NaN	184.31	68.14	3,890.93	120.14	52.28	24.62	17.24	12.94
Twitter	34,351	30,130	NaN	49.58	38.90	29.22	22.34	17.99	8.33	6.79	5.88
Naver Corp	41,541	40,151	56.96	34.96	27.70	28.61	22.91	19.54	8.02	7.08	6.02
Lyft	11,762	9,698	NaN	NaN	161.33	NaN	NaN	56.09	3.97	2.73	2.06
Uber	84,978	86,684	NaN	NaN	NaN	NaN	NaN	75.01	6.97	4.82	3.68

Source: company data, Hypothesis Research estimates

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