

Uber Technologies

Testing low water

- Uber announced cost-cutting plan to be implemented in a challenging environment.** The ridesharing market experienced an essential decline in rides and revenues reported by Uber and Lyft. The lockdown essentially reduced the number of riders, including airport transfers and ridesharing. Airport rides account for 15% of Uber's Rides' gross bookings and 16% of Rides' segment EBITDA. The riders were down 80% YoY in the US and Canada in April and reached the bottom by mid-April 2020. The market is slowly recovering in May; however, the recovery will take different rates by country. The strong performance of Eats allowed the company a smaller decline estimated at 40% YoY, partially overlapping the drop in Rides. Uber intends to achieve profitability 'in quarters' versus the initial plan to get positive EBITDA in 4Q20 due to COVID-19. The company announced the reduction of 3,700 employees in Customer support and HR to cut expenses, also cutting 31% of the workforce at Careem, its recent Middle East acquisition. The saving expected by Uber may reach \$1bn on an annual basis vs the initial 4Q plan. The company reported strong results of Eats business with some 89% YoY bookings growth in April 2020. Approximately 40% of Uber's drivers active in Rides were engaged in Eats since COVID-19 spread. The company is developing its grocery deliveries and restaurant supply businesses to expand the offering during the lockdown. Uber plans to complete the acquisition of Cornershop, a grocery delivery startup serving customers in Latin America in a few months, expanding into grocery deliveries business. In 1Q20 Uber reported c.30% EBITDA margin in Rides in Jan-Feb, and overall GAAP Revenue up 14% YoY to \$3,543mn, Adjusted Net revenue up 18% YoY to \$3,256mn, Adjusted EBITDA loss of \$612mn compared to a loss of \$869mn in 1Q19, Rides adjusted EBITDA up 203% YoY to \$192mn in 1Q20. Net loss attributable to Uber was \$2,936mn, including \$277mn stock-based compensation expense and pre-tax impairment write-downs of \$2.1bn and pre-tax gain on business divestiture of Uber Eats India operations of \$154mn. Uber's gross bookings were down 5% YoY to \$10,874mn in Rides, up 52% YoY to \$4,683mn in Eats, up 55% YoY to \$198mn in Freights. Overall gross bookings were \$15,776mn, up 8% YoY in 1Q20.
- We revise our forecasts for Uber.** The company was pulling forward the profitability expectations to 4Q2020 before COVID-19. However, the current environment is heavily uncertain to expect a fast recovery of the ridesharing market in 2H20 and even in 2021. The transition to 'work at home' may become a sustainable preference for the next 12-18 months and, with non-zero probability for the medium term. Supporting Uber's case, home deliveries and Eats have strong momentum, changing consumers' preferences beyond the pandemic term. We update our forecast, downgrading 2020 figures, and growth rates for our medium-term forecasts. Our forecast includes restructuring charges of \$215mn and \$30mn for 2020 and 2021, respectively. We revise our forecast and 12-months price target to \$47.2 from \$49.3. We rate the Uber stock BUY. Slow market recovery after COVID-19 and limited ability to cut expenses are among the risks for the stock.

Report date: **1 June 2020**

Uber	
Main exchange	NYSE
Rating	BUY
Current Price, \$	36.3
12M Target price, \$	47.2
Current MCap, \$ mn	62,629

Uber is one of the largest ridehailing companies globally with over 111mn monthly active users in 69 countries. The company offers Uber Eat and Uber Freight services via its platform.

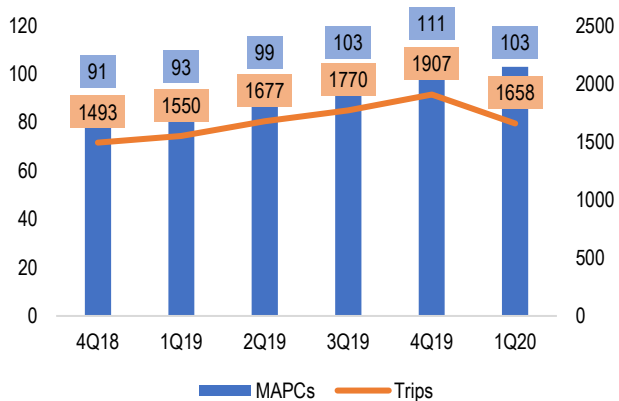
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Figure 1. Uber's key metrics in 1Q20 and 2019

	2018	2019	YoY	4Q18	1Q19	4Q19	1Q20	YoY
Total gross bookings, \$mn	49799	65001	31%	14169	14649	18131	15776	8%
Rides	41513	49700	20%	11479	11446	13512	10874	-5%
Eats	7919	14489	83%	2561	3071	4374	4682	52%
Freight	367	737	101%	126	128	219	198	55%
Monthly active platform consumers, average	91	111	22%	91	93	111	103	11%
Trips	5220	6904	32%	1493	1550	1907	1658	7%
Revenue	11270	14147	26%	2974	3099	4069	3543	14%
Cost of revenue, exclusive of depreciation and amortization shown separately below	5623	7208	28%	1615	1681	1927	1786	6%
Operations and support	1516	2302	52%	408	434	506	503	16%
Sales and marketing	3151	4626	47%	974	1040	1251	885	-15%
Research and development	1505	4836	221%	366	409	608	645	58%
General and administrative	2082	3299	58%	555	423	647	859	103%
Depreciation and amortization	426	472	11%	109	146	101	128	-12%
Total costs and expenses	14303	22743	59%	4027	4133	5040	4806	16%
Loss from operations	-3033	-8596	183%	-1053	-1034	-971	-1263	22%
Interest expense	-648	-559	-14%	-195	-217	-101	-118	-46%
Other income (expense), net	4993	722	-86%	47	260	15	-1795	-790%
Income (loss) from continuing operations before income taxes and loss from equity method investment	1312	-8433	-743%	-1201	-991	-1057	-3176	220%
Net income	977	-8506	-971%	-887	-1012	-1,159	-8,512	741%

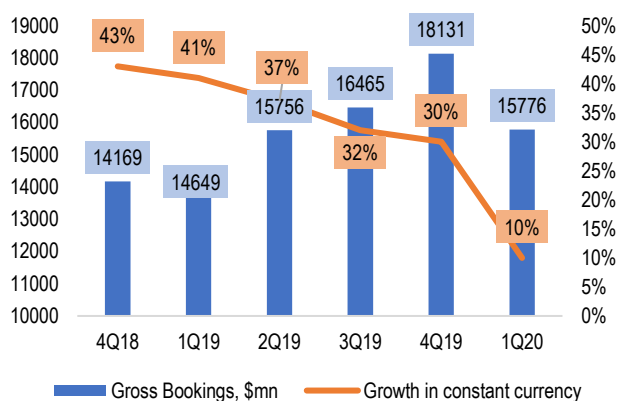
Source: companies' data, Hypothesis Research estimates

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



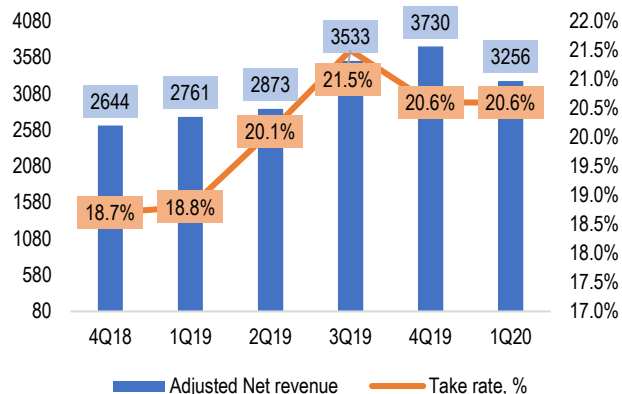
Source: company data

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



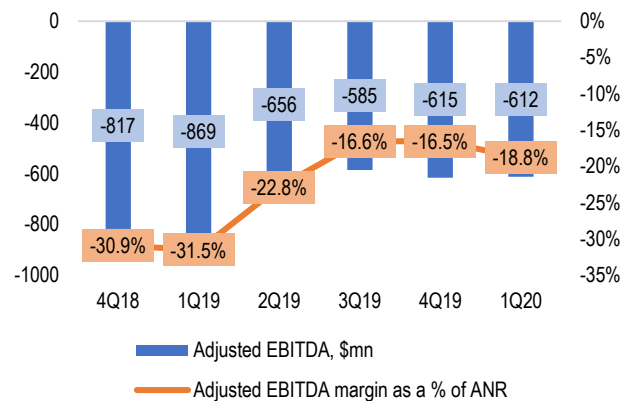
Source: company data

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



Source: company data

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



Source: company data

Figure 6. Uber consolidated statements of operations, \$mn

	2018	2019	2020	2021	2022	2023	2024
Revenue	11,270	14,147	12,435	15,339	18,177	21,306	24,892
Costs and expenses							
Cost of revenue	5,623	7,208	6,776	7,724	8,883	10,126	11,493
Operations and support	1,516	2,302	1,727	1,968	2,244	2,535	2,852
Sales and marketing	3,151	4,626	2,860	1,994	2,363	2,557	2,614
Research and development	1,505	4,836	1,865	1,687	1,909	2,131	2,365
General and administrative	2,082	3,299	2,969	2,821	2,680	2,546	2,418
Depreciation and amortization	426	472	510	535	562	590	620
Total costs and expenses	14,303	22,743	16,921	16,760	18,640	20,485	22,362
Loss from operations	-3,033	-8,596	-4,486	-1,420	-463	821	2,530
Interest expense	-648	-559	-534	-428	-428	-428	-428
Other income (expense), net	4,993						
Income (loss) from continuing operations	1,312	-8,433	-5,020	-1,848	-891	393	2,102
Provision for (benefit from) income taxes	283	45				83	441
Loss from equity method investment, net of tax	-42						
Net income (loss) from continuing operations	987	-8,512	-5,020	-1,848	-891	311	1,660
Net income (loss) including redeemable non-controlling interest	987	-8,512	-5,020	-1,848	-891	311	1,660
Less: net loss attributable to redeemable non-controlling interest, net of tax	-10						
Net income (loss) attributable to Uber Technologies	977	-8,506	-5,020	-1,848	-891	311	1,660
Adjusted EBITDA	-1,867	-3,431	-2,664	427	1,411	2,723	4,461

Source: company data, Hypothesis Research estimates

Figure 7. Uber condensed Balance sheet data, \$mn

	2017	2018	2019	2020	2021	2022	2023	2024	2025
Assets									
Cash and cash equivalents	4393	6406	10873	6169	5748	5051	4512	4530	4251
Restricted cash and cash equivalents	142	67	99	99	99	99	99	99	99
Accounts receivable, net of allowance of \$28 and \$34, respectively	739	919	1214	1067	1316	1560	1828	2136	2446
Prepaid expenses and other current assets	425	860	1299	966	957	1065	1170	1277	1386
Assets held for sale	1138	406	0	0	0	0	0	0	0
Total current assets	6837	8658	13925	8751	8579	8242	8086	8529	8678
Restricted cash and cash equivalents	1293	1736	1095	962	1187	1407	1649	1927	2206
Investments	5969	10355	10527	12632	13264	13529	13529	14882	16370
Equity method investments	0	1312	1364	1364	1364	1364	1364	1364	1364
Property and equipment, net	1192	1641	1731	2197	2393	2647	2940	3264	3589
Intangible assets, net	54	82	71	74	77	80	83	86	90
Goodwill	39	153	167	174	181	188	195	203	211
Other assets	42	51	88	92	95	99	103	107	111
Total assets	15426	23988	31761	29118	30096	30600	31086	33596	35955
Accounts payable	213	150	272	202	200	223	245	267	290
Short-term insurance reserves	469	941	1121	985	1215	1440	1688	1972	2259
Accrued and other current liabilities	2713	3157	4050	3560	4391	5204	6100	7126	8161
Liabilities held for sale	452	11	0	0	0	0	0	0	0
Total current liabilities	3847	4259	5639	4953	6023	7094	8271	9616	10973
Long-term insurance reserves	1527	1996	2297	2019	2491	2951	3459	4042	4629
Long-term debt, net of current portion	3048	6869	5707	9143	10057	9554	7643	6115	3057
Other long-term liabilities	3351	4072	1412	1241	1531	1814	2127	2484	2845
Total liabilities	11773	17196	16578	18956	21781	23177	23352	24201	23545
Total stockholders' deficit	-8557	-7385	14501	9481	7632	6742	7052	8713	11729
Total liabilities, equity, and stockholders' deficit	15426	23,988	31761	29118	30096	30600	31086	33596	35955

Source: company data, Hypothesis Research estimates

Figure 8. Comparable multiples

Company	Market Cap., \$mn	EV, \$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
Netflix	184,599	194,117	65.1	48.3	34.5	42.5	31.8	24.4	7.8	6.6	5.7
Amazon	1,218,196	1,210,147	131.4	64.5	45.3	27.4	19.7	15.9	3.5	3.0	2.6
Best Buy Co	20,171	18,733	15.5	12.9	12.0	7.2	6.5	6.5	0.4	0.4	0.4
EchoStar Corp	3,050	3,109	NaN	NaN	NaN	5.6	5.1	5.0	1.7	1.6	1.5
AT&T	219,878	391,862	9.5	9.1	8.7	6.9	6.8	6.7	2.3	2.3	2.3
eBay	32,000	36,245	14.7	13.2	12.0	10.4	9.5	8.9	3.7	3.4	3.2
Alibaba Group	556,370	540,457	24.2	19.1	14.9	19.4	15.0	11.7	5.8	4.6	3.8
Target Corp	61,167	70,077	23.9	17.9	16.2	11.3	9.6	9.2	0.8	0.8	0.8
Tesla	154,785	162,147	198.0	72.8	46.2	39.5	26.7	20.2	6.1	4.4	3.5
General Motors	37,036	121,614	31.9	6.8	5.5	17.7	10.1	8.4	1.0	0.9	0.9
Volkswagen	76,957	249,543	13.9	6.9	5.3	8.7	6.9	6.0	1.0	1.0	0.9
SNAP	27,377	26,198	NaN	144.3	43.1	NaN	94.8	34.0	12.5	9.0	6.9
Twitter	24,300	20,041	78.5	44.5	36.5	25.0	17.0	14.2	6.1	5.0	4.4
Facebook	641,305	581,016	31.1	22.9	18.6	15.7	12.1	10.1	7.5	6.0	5.0
Apple	1,378,058	1,394,162	25.8	21.8	19.8	19.1	17.0	16.5	5.3	4.7	4.6
Tencent Holdings	528,754	541,842	32.2	26.0	21.3	21.3	18.1	15.5	8.1	6.7	5.6
Alphabet	977,003	864,790	34.3	26.1	21.7	15.1	12.2	10.5	5.1	4.2	3.6
Naver Corp	31,612	30,278	49.6	34.5	27.6	25.1	20.3	17.5	5.1	4.5	4.0
Average			48.7	34.8	22.9	18.7	18.8	13.4	4.7	3.8	3.3
Lyft	9,316	6,829	NaN	NaN	87.6	NaN	NaN	33.2	2.4	1.5	1.2
Uber	62,978	61,907	NaN	NaN	NaN	NaN	NaN	43.1	4.7	3.4	2.7

Source: company data, Hypothesis Research estimates

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