Uber Technologies, Inc.
Q1 2023 Prepared Remarks
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Dara Khosrowshahi, CEO

Uber is off to a strong start in 2023, with constant-currency Gross Bookings up 22% year-on-year (YoY). Trips outpaced Gross Bookings growth, growing 24% YoY (compared to our outlook for 20%+ growth), with MAPCs up 13% YoY and Trips per MAPC up 10% YoY. Our clear lead on driver preference has allowed us to better serve this growing demand: 5.7 million drivers and couriers earned $13.7 billion (including tips) on Uber during the quarter, both all-time highs. The combination of these strong topline trends and continued cost rigor translated to Adjusted EBITDA of $761 million and record free cash flow of $549 million.

Our robust outlook for Q2 extends our track record of delivering strong growth and profitability. As the operating environment adjusts to a period of tighter capital availability and higher interest rates, we are well positioned to improve our competitive position across our key markets.

Our strategy remains to build best-in-class verticals across Mobility and Delivery and to amplify that leadership position through the power of our platform. We're extending our common technical foundations by sharing marketplace innovations across all of our products, driving both cost efficiencies and more reliable marketplaces. In addition, our global scale affords us a significant data advantage compared to regional competitors, empowering us to develop cutting-edge AI that can be trained across larger data sets. For example, on the consumer side, we are using an ultra-low latency deep neural network to predict highly accurate ETAs for rides and deliveries. On the earner side, we have developed advanced computer vision algorithms that have allowed us to more reliably and cost-efficiently process documents, resulting in faster onboarding times. We are still in the early stages of using large data models to power improved user experiences and efficiencies across our platform, with much more to come.

We are also leveraging our platform to incubate and scale promising new growth vectors like hailables, Uber for Business, grocery, advertising, and Uber Direct. We will continue to take a disciplined approach to funding these efforts and will hold ourselves to high standards of both growth and profitability. Net headcount was down modestly QoQ, and after our performance management actions in Q1, we now expect to hold headcount flat to down through the coming quarters. More deliberate performance management of both our employees and our businesses has allowed us to redeploy resources towards high-priority projects without adding net headcount. We expect this focus on headcount efficiency to be ongoing as we look to deliver further leverage against our fixed-cost base beyond 2023.

Mobility

We delivered strong Mobility Gross Bookings growth and a record Adjusted EBITDA margin, driven by improving marketplace health and increasing consumer engagement. Mobility trips grew 32% YoY in Q1, accelerating from 24% YoY in Q4, as consumer engagement reached a post-pandemic high and we lapped Omicron impacts. The US, Canada, and Latin America all delivered Gross Bookings and Trips growth above typical seasonal trends, and, notably, Brazil reached an all-time high of 7.7 trips per MAPC in March. Even more encouragingly, after lagging other regions in the recovery through 2021 and 2022, the rideshare category in the US & Canada is now growing faster in 2023. US & Canada trips grew 40% YoY in Q1, outpacing overall Mobility trends, as improving marketplace balance is driving lower fares (7% lower from a peak in Q2 2022) and better conversion of shopping sessions.

By rolling out innovative new Mobility products, we have not only attracted new drivers and riders to the platform, but they are engaging with us more often. Consequently, we are seeing constructive category position trends across most of our major markets with expanding profitability, even as our competitors continue to compete on incentives and price. In the US & Canada, we continue to hold a strong category position with record profit margins, even as we reduced our combined driver and rider incentives per trip in the US & Canada by 42% YoY and 12% QoQ in Q1.

In Q1, Mobility active drivers were up 35% YoY, reflecting an increase of over 1 million active drivers. Driver engagement (or monthly supply hours per active driver) in the US & Canada was up over 15% compared to 2019 levels and nearly 10% YoY (see Q1 2023 supplemental data), while driver churn was down substantially. Combined with higher engagement, weekly earnings for active drivers in the US & Canada were up over 40% vs. 2019. Internationally, we recently reached all-time highs for monthly active drivers in the UK, France, Brazil, Australia, and India, among others. These strong trends would not be possible without our early prioritization of supply growth coming out of the pandemic, which has been sustained and reinforced by our driver-focused approach, including through product and technical innovations in the Uber Driver app.

Our lead on driver preference is resulting in a better rider experience and strong consumer engagement trends. In fact, consumers in the US & Canada who started using Uber *after* the pandemic are engaging with the platform more frequently and spending significantly more than those who started *before* the pandemic (see Q1 2023 supplemental data). These trends are not limited to North America, and our international business continues to reach new heights on driver and consumer engagement as well.

These consumer engagement gains are also being driven by our growing portfolio of new Mobility products beyond UberX, which together continued to grow over 100% YoY in Q1, exceeding $6 billion in annualized Gross Bookings. Notably, we expanded Uber Reserve to additional markets in EMEA, with the product now available in over 50 countries. Uber Reserve continues to show strong product market fit, particularly with Airport trips, with over 20% of our Airport drop-off Gross Bookings now booked through Reserve. We also continued executing towards our goal of getting every taxi on Uber by 2025, launching our taxi product in Munich and São Paulo and expanding to 100% of taxis in New York City. Finally, we made progress towards scaling our new shared rides product, UberX Share, which is designed to operate with positive unit economics for Uber, while offering a lower-cost alternative to consumers. We expect UberX Share to become our newest billion-dollar Gross Bookings product in the coming quarters.

With our global scale and deeper local density, we are increasingly separating from smaller regional competitors both on driver preference and on the breadth of Mobility products we offer consumers.

Delivery

Delivery continued to grow at a healthy rate, with improving category position in a significant majority of our large markets alongside meaningfully expanded profitability. Delivery Gross Bookings grew 12% YoY on a constant-currency basis, with acceleration in February and March, exiting the quarter at 14% YoY. Delivery trips, MAPCs, and order frequency all remained at or near all-time highs in the quarter.

Delivery margins expanded to nearly 2% of Gross Bookings as a result of improved network efficiencies, the increased contribution of advertising, and continued marketing and incentive optimization. In 2022, we steadily benefited from tech and operational improvements that drove meaningful cost per trip improvements in the US & Canada. We are now rolling out these improvements to other markets.

Last year, we also kicked off a workstream to significantly reduce order defects on our platform. Refunds and appeasement (R&A) costs are one of the largest components of Delivery's operating costs, and a defective order can cost even more over the long run if it results in consumer churn. To put these costs in perspective, for every 10 basis points of defect-rate improvement, we save over $15 million of R&A spend annually. The true savings are larger once we factor in the opportunity cost of lost engagement and the incentive spend needed to retain an unhappy consumer. We are seeing positive early signals and have ambitious goals for this initiative.

As we look ahead, we will continue to make operational and category position improvements in restaurant delivery. The US & Canada business has performed particularly well. Our selection has improved significantly in recent quarters, especially with SMBs, with active merchants in the US & Canada up 10% YoY in Q1. We've also leaned into Uber One to help lower the total cost to consumers, and Uber One adoption in the US & Canada reached an all-time high in the quarter.

Outside of the US & Canada, we are seeing constructive category position trends across key markets in EMEA and APAC (including the UK, Australia, and Japan), driven by Uber One adoption, as well as a relative investment advantage against regional competitors due to our global scale. In particular, we had another standout quarter in the UK, gaining multiple points of category position YoY. In Japan, we have gained over 10 points of category position YoY, and are continuing to increase our lead against competitors in a market that is one of the largest Delivery markets globally.

Even as we expand Delivery profitability, we are strategically investing in New Verticals like grocery, convenience, and alcohol, which we believe will be profitable and strengthen the value of our platform over time. New Verticals exceeded $5 billion of annualized Gross Bookings in Q1, growing nearly 35% YoY on a constant-currency basis. These new categories also open up new earnings opportunities for couriers, especially as we improve our shopping experience by addressing commonly raised issues, like out-of-stock items and substitutions. We continue to make strong progress on New Verticals selection, including last month's partnership with Coles, Australia's second-largest grocer, in which couriers will pick and pack groceries. We have also added partners like the Liquor Control Board of Ontario (LCBO) in Canada, PetSmart in the US, and Mexican pharmacy Benavides.

Freight

Uber Freight continued to be pressured by category-wide headwinds. Freight demand was muted even when taking into account seasonal factors, which drove a top- and bottom-line miss against our expectations. Despite the challenging macro market, the Freight business continues to expand its solutions to better support shippers throughout the entire freight lifecycle, as well as offer steady and reliable partnership to shippers who are increasingly turning to managed services to help navigate ongoing market complexity.

We remain proactive in our approach to managing the business and are taking advantage of a slower market to accelerate streamlining areas of the business and to implement structural cost improvements. Looking past the near-term headwinds, we are confident that Freight's technology, shipper platform, and marketplace flywheel will drive a long-term cost advantage and profitable growth over time.

Advertising

Our Advertising business continues to scale, as our advertiser base grew over 70% YoY to more than 345,000 businesses of all sizes. In Q1, we saw many new advertisers come to Uber during one of the biggest advertising moments of the year: the Super Bowl. To attract additional advertisers, we continue to invest in new products and advertiser tools like Post-Checkout Ads on Uber Eats, which enable non-restaurant merchants to advertise in the Eats app. Further, we launched a self-service platform for Cartop Ads, which gives drivers a way to earn more revenue and spotlight local businesses.

We'll have more product updates to share at our annual GO-GET showcase on Wednesday, May 17 in New York, where we'll focus on family, friends, and travel. And later this summer we'll host GO-GET Zero, our first sustainability and electrification product event, in London.

Nelson Chai, CFO

Financial recap

We delivered strong results in Q1, with Gross Bookings growing 22% YoY on a constant-currency basis to $31.4 billion, near the midpoint of our guidance range. Foreign exchange was a headwind of roughly $855 million YoY (or roughly 320 bps), in line with our expectations. At a segment level, Mobility Gross Bookings reached another all-time high, driven by growing consumer engagement across use cases, while Delivery Gross Bookings grew 12% YoY on a constant-currency basis. Freight Gross Bookings decreased sequentially, and missed our expectations, largely due to continued macroeconomic headwinds impacting the brokerage industry. Excluding Freight, we generated Gross Bookings growth of 25% YoY on a constant-currency basis.

Adjusted EBITDA of $761 million was significantly better than our guidance range, with strong results across Mobility and Delivery (note: foreign exchange was a $46 million YoY headwind). This result represents an Adjusted EBITDA margin of 2.4% of Gross Bookings and an incremental margin of 12% YoY. We continued to deliver Adjusted EBITDA outperformance, driven by disciplined cost management across the board. During the quarter, we took action to reduce headcount in underperforming areas, and actively managed performance in R&D and the rest of the company. As a result, we expect to demonstrate further operating leverage over the coming quarters.

Mobility Adjusted EBITDA was $1.06 billion, reaching another record-high margin of 7.1% of Gross Bookings. Delivery Adjusted EBITDA significantly improved both sequentially and YoY to $288 million, with a margin of 1.9% of Gross Bookings. Freight Adjusted EBITDA was a loss of $23 million.

On a GAAP basis, we reported a loss from operations of $262 million, compared to losses of $142 million and $482 million in Q4 2022 and Q1 2022, respectively. GAAP operating losses expanded QoQ due to higher legal, tax, and regulatory reserve changes and settlements, partially offset by lower depreciation and amortization (D&A) expense and lower stock-based compensation (SBC) expense.

Balance sheet and liquidity

We continue to maintain a strong liquidity position, ending the quarter with $4.2 billion in unrestricted cash, cash equivalents, and short-term investments, with our equity stakes marked at $5.4 billion. During Q1, we recognized a $320 million unrealized pre-tax gain related to the revaluation of our equity investments. Our GAAP net income may continue to see swings from quarter-to-quarter due to the large size of equity stakes on our balance sheet. We continue to have sufficient liquidity to give us the flexibility to maintain these positions, with the aim of maximizing long term value for Uber and our shareholders. Notably, we completed the sale of our remaining equity interest in MLU B.V., our joint venture with Yandex, to Yandex for $702.5 million in April 2023.

In Q1, we refinanced all of Uber's term loans, extending the full $2.5 billion to a 2030 maturity, while lowering the financing spread by 75 bps.

Free cash flow (FCF) and capital allocation

We generated $549 million of FCF in Q1, an increase of $596 million YoY, compared to Adjusted EBITDA of $761 million.

As we have previously discussed, we are focused on achieving investment-grade credit ratings over the coming years. During Q1, our credit rating was upgraded by both S&P and Moody's, and our credit remains on a positive outlook at both agencies. Our commitment to achieving investment-grade credit ratings should provide investors comfort that we will methodically continue to scale profitability through the coming years, while being disciplined on capital allocation and managing our capital structure. This means that we will have a high bar for any M&A opportunities, and our organic growth efforts will have a critical focus on unit economics as we continue to scale globally.

Over the next few quarters, we will evaluate returning excess capital to shareholders as our cash flows ramp, and with any potential further monetization of our equity stakes over the long term.

We believe that our approach will position us to have the lowest cost of capital relative to our competitors, serving as a significant competitive advantage and allowing us to continue to grow our scale and platform advantages over the long run.

Outlook

Based on quarter-to-date trends, for Q2:

- We expect Gross Bookings between **$33 billion and $34 billion**, growing **18% to 22%** excluding Freight and on a constant-currency basis. Including Freight, we expect Gross Bookings growth of 15% to 19% on a constant-currency basis.
  - We expect **trips to grow at least 20% YoY**.
  - Our outlook assumes a roughly 2 percentage point currency YoY headwind in Q2.
  - In addition, we expect Freight Gross Bookings to be roughly flat QoQ.
- We expect Adjusted EBITDA of **$800 million to $850 million**.

As we approach GAAP profitability, we are providing some additional visibility into our GAAP P&L:

- **Q2:** We expect a significant improvement in GAAP operating income in Q2 with lower legal, tax, and regulatory costs more than offsetting a modest sequential increase in SBC (reflecting a full quarter of our March 2023 RSU grants).
- **D&A:** In Q1, our D&A consisted of $91 million in depreciation and $116 million in amortization costs (with total D&A down 19% YoY). We expect D&A to continue to decline over the coming quarters, driven by real estate and data center footprint management, and with the run-off of prior years' acquisition-related amortization costs.
- **SBC:** We expect annual SBC to be **less than $2 billion in 2023** and to **decline YoY in 2024**, with headcount flat to down in 2023 and relatively flat in 2024.

We remain focused on delivering quarterly GAAP operating income profitability in 2023, and we expect to scale GAAP profitability significantly beyond 2023.

Dara Khosrowshahi, CEO

Over the last two years, we have consistently delivered results that have exceeded both investor expectations and our own internal plans. Even as we have performed well, we are acutely aware that expectations have only continued to increase for scaled platforms like ours.

We are working to accelerate our path to GAAP net income by optimizing every single line item across our entire P&L—including stock-based compensation, depreciation, amortization, and interest expenses.

Put simply, we remain committed to best-of-breed cash flow growth, irrespective of the demand environment. The Uber platform has never been stronger, our own expectations have never been higher, and we intend to leave no doubt as to the scope of our ambitions for exceptionally profitable growth.

Forward-Looking Statements Disclaimer

These prepared remarks include both GAAP and non-GAAP financial measures. Additional disclosures regarding these non-GAAP measures, including a reconciliation of GAAP to non-GAAP measures, are included in the press release, supplemental slides and our filings with the SEC, each of which is posted to investor.uber.com.

Certain statements in this presentation and on this call are forward-looking statements. You should not place undue reliance on forward-looking statements. Actual results may differ materially from these forward-looking statements, and we do not undertake any obligation to update any forward-looking statements we make today, except as required by law.

For more information about factors that may cause actual results to differ materially from forward-looking statements, please refer to the press release we issued today and in other filings made with the SEC, when available.

All first-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 Q1 financial review and our Q1 supplemental slides deck for additional disclosures that provide context on recent business performance.