

Uber

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Brian Nowak: All right. Good afternoon, everyone. We are thrilled to welcome Dara Khosrowshahi with us, the CEO of Uber, for our afternoon day one keynote. Before we get started, I have to read all the important disclosures. Please note that all important disclosures, including personal holdings disclosures and Morgan Stanley disclosures, appear on the Morgan Stanley public website at www.morganstanley.com/researchdisclosures or they are available at the live registration desk.

Some of the statements made today by Uber may be considered forward-looking. These statements involve a number of risks and uncertainties that could cause actual results to differ materially. Any forward-looking statements made today by the company are based on assumptions as of today, and Uber undertakes no obligation to update them. Please refer to Uber's Form 10-K for a discussion of the risk factors that may affect actual results. Dara, it's great to see you live.

Dara Khosrowshahi: Thank you for having me. It's good to be here with real people.

Brian Nowak: I know. We're back. A lot has changed in the last two years, three months, two months, one week. There's always a lot going on. So it's great to --

Dara Khosrowshahi: Change is constant.

Brian Nowak: Change is constant. So maybe let's sort of start with sort of some latest updates on the recovery and what you're seeing in the business. I know you put out a filing this morning. Talk to us about, as we sort of sit here in early March, what are you seeing from a recovery perspective, both on the rides side as well as on the Eats side, top line and profitability?

Dara Khosrowshahi: Absolutely. So we released a filing this morning, updating the trends. And the most recent trends have been surprisingly good, have been better than we had expected. I think it's borne out of the core, which is the Omicron wave. It looks like it's behind us. Let's hope it stays that way. And the world is opening up very quickly.

I think with mask mandates falling away, I think you can expect people not only to get at work, but get back to work. You're hearing more and more companies actually put a stake in the ground as far as return to work. I think, ourselves and many other companies out there, we want our team members back in the office working together, collaborating, et cetera.

So all of that has translated into February trends that, frankly, were better than we had expected. Mobility bookings have been recovered to about 95% of 2019 pre-COVID levels. We're even

seeing travel trends getting at kind of the 90 -- close to the 90% gross bookings level. February was 12% above January in terms of mobility, gross bookings as well.

So all of those trends are quite encouraging, and we see no reason why those trends wouldn't continue going forward. And, obviously, in Q1, we'll give you the actual. That is, I would say, the chief reason why we increased our Q1 guidance from a range of \$100 million to \$130 million in EBITDA to \$130 million to \$150 million in EBITDA, which is pretty significant.

And if you look at our space in terms of both mobility and delivery, our being able to step up both pretty significantly in terms of profitability from Q1 -- from Q4 to Q1, both in terms of mobility and delivery, I think, should set us apart from the rest of the ecosystem and that we think is chiefly, because of really good execution, but also the power of the platform, which I'm sure we'll talk more about.

Our ability to cross-sell our riders into eaters and eaters into shoppers and shoppers into members, that's a very powerful positive feedback loop that's starting to work at scale. And I think it's starting to show up in the numbers in a way that's going to create separation between ourselves and a lot of the monoline competitors out there.

At the same time, even though the reopening is happening faster than we expected it to, our delivery business, for example, I think it was the week of Valentine's week, had its best week ever. The last couple of weeks have been an inch below that best week ever.

So while mobility is opening up, I think a lot of people ask a question, well, is it a trade-off? Is what's good for mobility, not good for delivery? And what we're seeing now is just a secular trend, into people using on-demand services more to get to where you want to go or get anything that you want. The power then of the cross-platform utilization for us puts us in a position where I think as an investor, you can just bet on these secular trends improving.

You can bet on our platform flywheel improving and re-openings may have, like mobility, improve a little bit faster, or delivery improve a little bit faster, but we now have kind of a portfolio that holistically is just going to perform well, kind of, in an all-weather manner.

So we're pretty -- obviously, I think a lot of what's happening in Russia and Ukraine, it's -- incredibly, it's an enormous human tragedy. And I think that's something that is in the forefront of a lot of our minds. We're lucky enough to be in a hyperlocal business. And right now, that hyperlocal business is performing quite well.

Brian Nowak: That's great. The current macro environment of what's happening in Russia and Ukraine, there's a lot of investor discussions about a potential weakening of the European consumer for a variety of reasons associated with that. Can you just talk to us about the way you think about your European exposure for the two businesses? And how would you think about a potential weaker European consumer impacting the slope of the recovery?

Dara Khosrowshahi: Yeah, sure. And a lot of this is speculation. So we'll see how it turns out. First of all, Europe and the U.K. together are about 20% of our overall gross bookings. The European market is Europe and U.K. They're terrific markets and our position, our category position is a leading position in many of the businesses in which we operate in. So Europe is a really, really good market for us.

Europe, in terms of mobility, is actually up substantially versus 2019. It's our second best performing, call it, mega region. LatAm is first, Europe is second. We see no signal whatsoever as to any kind of a weakening in Europe. And if you think about it, is a person in London not going

to go to the pub? Maybe they will go to the pub actually to be with friends during these difficult times.

So we're not seeing any behavior changes on the ground, and we're very much an on-the-ground company. I think one of the other speculations could be kind of the effect of economy. And is this going to flip Europe? Is it going to flip the world into a slower growth or recession? And I think for us, because we're a marketplace business and because we're looking at demand and supply and the balance of both, we tend to be kind of -- we tend to be cycle resistant, so to speak, which is in an absolute dynamite economy, we're going to perform well because of the secular strength that we've got. But if everything is going incredibly well, our cost of supply may increase along with the increase in demand. So you're not going to have like absolute margin increases that you see with other businesses.

Same thing goes as to in weaker economies, which is if consumer demand reduces, then usually, the supply come down as well. The cost of the service then goes down, the service becomes more reliable. So we, as a service, actually become to consumers a cheaper, more reliable service because we've got plenty of supply out there. So when you look at our growth, for example, in what were some pretty tough markets in Latin America, Brazil and Mexico are dynamite markets for us.

So, I think we're relatively cycle-resistant. We'll see what happens, but the secular trend in terms of mobility coming back and markets opening up, delivery becoming more and more a reality that a higher and higher percentage of households depend on. And then the extension of delivery into other categories, I think that's going to overcome any kind of reality of markets being stronger or weaker or somewhere in between. So we're pretty -- we like where we stand. Obviously, we're hoping for a great outcome. But as a company, in terms of growth rate and profitability, I think we're about as safe as you can get.

Brian Nowak: And that supply point, I remember on the S-1, where you laid out the impact of the price of fuel vis-a-vis the cost of owning a car. So as we watch the price of fuel continue to go up, how should we think about the potential impact, the need to subsidize drivers more, how much you can pass through to riders? How do we think about that?

Dara Khosrowshahi: Yes, sure. I mean we've taken the price of fuel fiercely forever because it's a significant cost for our driver base. So this is not kind of a new thing that we're scrambling after. And a couple of notes. One is we have a number of programs, especially as it relates to Uber Pro, our best drivers out there, that effectively get discounts on the cost of fuel for our drivers, and we'll continue to lean into those programs. Because of our size and scale, we think our programs are best in the industry. So on a comparable basis versus our competition, Uber starts to look a little bit better in a tougher fuel environment, which none of us hope for.

Second is that because fuel has been a significant -- a relatively significant portion of any drivers bottom line, drivers are running a business, right? And they're -- we're a part of that business. And I think about their both top line and bottom line as any business should be, our fleet is significantly more fuel efficient than the overall fleet there.

So for example, in Europe, we looked at our top seven or seven big European capitals, and 50% of kilometers driven in those capitals are either through EV or hybrids, 50%. I believe that a driver in Europe is 30 times more likely in Europe to be driving a hybrid or an electric vehicle if they're -- if they drive on the Uber platform than if they drive in general.

So our fleet has been turning -- moving over to be more efficient. That ratio, I think, in the U.S. is about 4-to-1 more efficient. So we have a more efficient fleet because it makes sense, because gas has always been a price that drivers are sensitive to.

If you're looking for a very simple ratio to think about, if, in the U.S. at least, if the cost of gasoline goes up by 20%, okay, which it could, and you want earnings to Uber to be flat, and you want the net earnings for earners to be flat as well, so essentially, you pass on 100% of that 20% cost increase to the consumer, that would translate into a 1% increase in price, which compared to price increases that we've had, for example, this year versus last year, it's just not a lot.

So it's something that we take seriously. We're constantly working with our drivers to drive down all of their costs, whether it's car repair or fuel, et cetera, but within the scope of, call it, larger business trends, even if fuel costs went up by, hopefully, we won't see it, but like 40%. That's a 2% cost increase. That's not going to change trends one way or the other again, assuming that our take is the same and the drivers' take is the same. So that hopefully will show you the size of the issue.

Brian Nowak: That's actually -- that's very helpful. Okay. Let me turn to a couple of bigger picture questions and revisit the Analyst Day of a few weeks ago. You laid out a 2024 bookings guidance of \$165 million to \$175 million of bookings. I want to sort of dig pieces a little more here.

Dara Khosrowshahi: It's a very predictable world. We all knew what was going to happen in 2022.

Brian Nowak: Straight line up there. But as you sort of think about that bookings base in 2024, how should we envision the annual growth of the rideshare business each year over that period? And what are sort of some of the key fundamental drivers to hit those targets you set internally?

Dara Khosrowshahi: Yes, sure. Just general rule, I would say that, the mobility business should grow in the high 20s in terms of bookings and the delivery business should grow at or around 20%. Those are, I would say, our best guesses at this time. And the mobility business growth is really going to benefit from a couple of factors. One is the reopening, and it's happening fast. And we see right now, many, many countries well above 2019 levels.

Obviously, the U.S. is our biggest market and there's no reason why the U.S. isn't going to go above 2019 levels and then some. So we think that will be a nice positive growth factor. We've always seen the core Uber business grow in double-digits, the teens to the 20s, and we don't expect that, that is going to change at all. And then we're investing in some pretty big growth opportunities. One is generally lower cost opportunities of the shared high-capacity vehicles.

Second, for us are hailables (ph), 2-wheelers, 3-wheelers, taxis. This is a multibillion-dollar opportunity. We want every single taxi on Earth to be essentially on the Uber system by 2025. We can drive much higher utilization there, much higher earnings for taxi drivers. And there's no reason why our tech shouldn't be powering taxis as well. And then we are investing aggressively in the enterprise as well. U4B, who we think is a huge opportunity for us that we can lean into.

And then lastly for us is greater segmentation and occasions when someone would -- will use an Uber based on our innovating on product versus in the past, you and I have been talking about Brian is a big user of Uber, Reserve right, for travel. And so if you want to absolutely make sure that your car is there, you might have used the black car, Reserve has that reliability, and it's a premium product. So our gross bookings, let's say, from APC (ph) there increases.

We're also looking at other occasions as well. So if you look at our product in terms of hourly rental or valet car rentals, et cetera, we're going through every single segment where our users

might use their own car or their second car. And we're building a product for each of those segments so that over a long period of time, you're going to come back to Uber more and more versus using a car. And all of these are investments that we've been making for some time and they're ready, kind of there, that inflection point to scale, we think at the right time when everything is reopening.

Brian Nowak: Okay. On the U.S. rideshare side, I thought it was interesting at the Analyst Day where you talked about penetration rates that are a lot higher in Australia, in Brazil than they are in the U.S. So as you sort of think about the path from now to 2024 in the U.S. rideshare industry, how do you think about penetration and bringing new users on, et cetera? And of all the innovation you talked about, what are the keys to sort of get more people on the platform and drive higher frequency in the U.S.?

Dara Khosrowshahi: So a little, let's say, big picture perspective. About 50% of the population aged 18 or older has used an Uber sometime. About 5% of said population uses Uber on a weekly basis, week-to-week basis. So we have a huge population that is familiar with their brand, understands their product, probably has their address in, payments in, et cetera.

So we think the key to continuing this penetration, and by the way, the tailwind of people using Uber more was there anyway and it will continue, but it really is to drive these occasions and segmentations, a Reserve product for you to use Uber during a time when you might not have. Really, really getting deeper in terms of U4B and the enterprise signing of for you for Uber for every single one of their mobility occasions.

Having taxis come on to Uber, which is a huge supply base that's not utilized the way that it should be. All of those are in addition to kind of the secular tailwind are the keys to our increasing penetration in the U.S. And then the power of the platform. The more you use our platform, the more of an occasion we have to, a new opportunity to use Uber, get you to be a member so that you're much more likely to use Uber from -- versus another mode of transportation. All of that, again, helps us increase our penetration.

We are at 50% penetration, but increase our penetration into the occasions in which you might use an Uber. So we feel pretty confident in terms of our road map there and the growth prospects in the U.S. both in terms of category position, but more importantly, in terms of both topline and bottom line.

Brian Nowak: A lot of demand drivers in place, but that means you do need supply. You need the drivers or couriers. You talked about 4.4 million drivers and couriers in 4Q. I think it's still below the 5 million-ish number pre-pandemic. You changed the app and the onboard process now for drivers. As you think about the trip growth going forward that you're expecting on the demand side, how much supply growth do you need to match that? And what are areas you still see ways to increase utilization of the existing driver fleet?

Dara Khosrowshahi: So generally, we think that we can drive trip growth in excess of supply growth and in excess of earner growth as we improve utilization of our earners and especially earners earn both in terms of delivery and driving people as well. And for perspective, last year, we grew earners about 22%, which was a little bit in excess of the increase in mobility trips. But utilization, I think, is a real opportunity for us.

In terms of earner growth, first of all, I'd say the momentum there is positive, right? Last year, we really leaned into earner growth. And now in terms of where we stand with earners, the momentum is positive. Earnings are very high compared to other opportunities. It's a very flexible

kind of work, whether or not you want to -- when you want to work, where you want to work, you can even work on a competitor if you want to as well.

But when we look at our earner base, a low single-digit percentage of the world's population has earned at some point on Uber. So it's a big population. And the base to which we can go back to and say, hey, do you want to come back to earner, do you want to come back to Uber, the earnings opportunities are huge, is incredibly significant. And for perspective, if 4% of earners in the U.S. who drove for us at one point come back and drive for us again, we would double our driver base in the U.S.

So the opportunity for us to go back to that base of folks who have at one point driven on Uber, it's huge. We have the biggest email database in the business. And now we have something different to go back to them with, which is, hey, one is earnings are incredibly high. In more states, California, Washington, we'll see what happens. But in more states, your -- you not only get really good earnings and flexibility, but you're going to get benefits. So the work is becoming more attractive as well.

And as you said, with the earner onboarding, with the flows changing, our earnings kind of onboarding conversion rates are improving. It is faster and easier to deliver food and then we can upsell you into delivering people as well, if you want to phrase it that way. And when I compare us versus our competition, we are by far usually 7 and 30, the preferred platform to drive or deliver in because we give better earnings, our service levels are higher, the utilization is better, and we now really do listen to our earners and treat them with respect.

So I think when we look at kind of the pool; one, the pool of people who have ever driven for Uber; second, our -- how we stack up versus competition; and third, the unique ability for the Uber platform to allow you to do lots of different jobs based on either what you prefer or what the opportunity is or, like, what hours you can work that night, whether you want to deliver food or shop, or deliver an Apple iPhone, or drive a person, all of those create really compelling, I think, advantages versus other gig type or, call it, manual labor that's available out there.

Brian Nowak: Got it. We've also seen you lean into incentives to drivers over the last six, 12 months, U.S., U.K., Brazil, Australia. I guess the question is, how should we think about those incentives being temporary versus permanent? And then as you sort of look ahead to the back half of the year into 2023, are there certain factors you're watching as to how quickly you can pull back those incentives to maybe get the take rates, if you will, back to pre-pandemic levels in some of these markets?

Dara Khosrowshahi: Yes. So I think the first thing that I would say is that take rates for us are not something that we manage to. We're managing to gross bookings growth, overall revenue growth, and more importantly, EBITDA, and free cash flow growth. So take rates, they're kind of an instrument and it's an output that we look at after the fact. We're not trying to manage for take rates one way or the other.

In terms of incentives, we've leaned into incentives when there have been shocks to the system, when there have been very significant or we've leaned to incentives in a big way when there have been very significant changes in terms of, for example, demand in the system. We wanted to make sure that the customer experience on Uber remains the best experience of any competitive ridesharing platform. And so we decided to lean into incentives.

That leaning into incentives has created, I think, very, very strong momentum as it relates to our driver base. We're executing better on the ground, are being able to bring you on for either to

deliver or drive is another benefit that our platform brings. And so that puts us in a position where, again, it's an output, but take rates for mobility are going to be up this year versus last year.

So I think from that standpoint, the environment is a constructive environment. Whether incentives are permanent or not, a certain percentage of your incentives are always going to be permanent, because they're time-based or location-based incentives, okay?

So the driving during peak periods, driving -- getting enough drivers into the core to the extent that we need more drivers in core, that kind of incentive is actually a permanent feature. And then otherwise, on a macro level, we're always investing either in driver incentives or rider incentives sometimes, depending on demand and supply balances in marketplaces on a city-by-city-by-city basis in a hyper automated way.

In general, on a macro basis, we have more demand than supply. So I would say a greater -- in 2022, a higher percentage of our incentives is likely going to go to drivers than riders, but our take rate is going to be up on a year-on-year basis, because the environment is more constructive than I would -- and I think it will continue to be more constructive.

Brian Nowak: Okay. That's helpful. Let's dig on the other side of the business a little bit in delivery. Thank you for the clarity about the way you're thinking about delivering multiyear growth from the Analyst Day. Maybe to unpack that a little bit, talk to us about, if we break apart your delivery growth between core restaurant delivery versus the emerging opportunities like last mile and grocery, how are you thinking about contribution to growth from each of those two buckets in this segment?

Dara Khosrowshahi: So I think that our -- first of all, the core food business is still a significant growth opportunity. It will be a high-teens grower for some period. There's a comp issue. There were -- markets were closed, delivery was booming last year. So I think there's a bit of a comp issue, but we see continually higher monthly active users, high frequency, basket sizes being constructive as well. So the core food business continues to grow at what are strong rates.

We have the platform advantage, which is, for example, our rides business delivers two times the number of new years than all of Google, and TikTok, and Facebook, all of those channels combined, two times every single one of our paid channels at quarter of a cost. So that is a unique differentiated growth vector that we have in our core food business versus anyone else. Then we have a multi-platform benefit, which is 46% of our gross bookings now come from multiple users, multiplatform users spend more and stick around more.

So that is another tailwind for our food delivery business. And then we have membership, which is once we upsell them on multi-platform, we'll upsell them into membership as well. Members have higher frequency, higher retention as well.

So you have a base business that's growing nicely. We have a top brand. You have free traffic coming in. You have multi-platform driving retention. You have Uber 1 driving retention and frequency. So all of those are separate kind of levers that essentially we execute on, to, I think, kind of build a food business that's growing at very substantial rates for a long time.

And then you add to that grocery, alcohol, essentially any category that you want delivered to you within an hour in a local market, that is an enormous market. And then you add to that, advertising opportunity, which we can talk about, and then what we call the direct opportunity, which is separating our fulfillment stack. And essentially offering that fulfillment stack, let's say, to an Apple so that you can get your iPhone cover delivered to you in the same day as well.

So those are all growth opportunities that are substantial. We're in every single one of those businesses, and we're executing against them. So we think that you put it all together and you can have a very attractive growth business, while at the same time, improving our margin profile, which I think is unique, when you look in the delivery space, there's been kind of this trade-off growth or profits and a bunch of our delivery competitors, especially internationally, they're not profitable. Because of that middle layer of the platform that we've got, we're able to grow at rates in excess of the industry while at the same time, improving our EBITDA margins.

Brian Nowak: In the core restaurant delivery industry, it's fascinating. We've gone through so many different waves -- pre-pandemic, discounting, couponing, battles over supply, et cetera, and now it's really in the U.S., we're down to a couple of players. What are the key executional areas that you really focus on ensuring that you're winning customers and you're keeping customers repeating in the food delivery business as you're sort of competing in this duopoly now?

Dara Khosrowshahi: So the first thing I'd say is that we view our competitive marketplace in the U.S. as delivery of anything local to your home within an hour. So from our standpoint, it's not a duopoly, right? Amazon is in that business. And DoorDash is in that business. And you could argue, Target is in that business as well. So the scope kind of our competition is very significant because this is a huge, huge market that we're going against.

If you zero in to, let's say, core food delivery and the other players out there, the significant players are DoorDash and Grubhub and there are some other smaller players. And I think there, it's the basics, which is providing a great service, having excellent selection and being able to deliver predictably within -- well within an hour at -- and getting the food every single time to the home at the promised hour.

And then what we have, which is differentiated, is a membership program, which is with Uber One is a membership program that has content that none of the other -- than the competition can have. If you put all that together with the advantages that we have in terms of platform that I just talked about, a bunch of free new customers coming in, multi-platform increasing frequency, it translates into in Q4, we grew gross transaction value in the US, 10% on a quarter-on-quarter basis. It was faster than any other competitor. And we were able to do so while improving margins, which none of our competitors was able to execute on.

The new factor, I would say, in terms of U.S. competition that we're seeing some promising signal on is the suburbs, which is our position in urban markets, we have the number one position in core urban markets. We love our position there, and we think we can -- it will get better. But in suburbs, we've been working last year on improving our selection. And with suburbs, you need some key enterprise clients, which we have landed. There's some more to go, but we've landed a bunch of key enterprise clients, and we've reorganized our sales force to be hyperlocal so that they really know the SMBs that in Marin County that you really need to have, what are the must-have.

And as we're seeing selection and competitive suburbs improve, we're absolutely seeing constructive signal in terms of category position without the category position outcome being based on spending more money. It's just the system is working better as selection in the suburbs improves. And obviously, again, we have the feedback loop of rides to eats, and eats to grocery and all of it to membership, et cetera. So I do think suburbs is an area that I'm -- that's showing good signal and it's showing signal with positive economics.

Brian Nowak: Okay. Eats International. You've made some pretty unique strategic decisions over the last year or so to just divest some of the markets that were more challenging or you're not going to be number one or number two, et cetera. And so I still want to ask about competition because competition

never rests. And even on a recent earnings call, one of your competitors talked about taking share in Canada and Australia.

So I guess the question is, can you give us a couple of examples where you've made the most progress internationally to deliver both consistent growth and profitability and maybe a couple of the markets where you see a lot of opportunity to execute better to sort of make it a more profitable globe with more countries popping into the profit?

Dara Khosrowshahi: Yes, sure. I think you're referring to DoorDash, correct me if I'm wrong. Companies like this that shall not be named, I think you're talking about them. Listen, I think when I think about the international markets, DoorDash isn't the first company that I think about, honestly. They are relatively early in their growth internationally, they're good executors, we'll see what happens. But one perspective I would have as far as our international competition is, none of them are making money, right? So you have very big scale businesses that are operating internationally, and I don't believe any of them are making money. I think they're hearing what their shareholders hear, they're kind of hearing this desire for a pivot to free cash flow positivity.

And so I think when I step back internationally, the competitive environment, I suspect, is going to get significantly better in terms of spend profile and promos and all that stuff because everyone's got to get to the profitable profile that we have today internationally. So I think international is like -- I don't like this environment, but I like the capital discipline that certainly seems to be increasingly enforced internationally. We think that's a significant positive for international business, which makes money today.

As it relates to our share specifically in those two markets, in Canada, we have actually increased our category position against the number two player there. So we're very happy about our Canadian category position. In Australia, our category position is very strong and stable kind of on a month-on-month, quarter-on-quarter basis. So there may be other things going on in the marketplaces that affect -- there are lots of competitors in these international markets, but we're certainly not seeing any effect there.

When I look at our profitability profile internationally, I think every single market that we compete in, we can get profitable in. Overall, we are profitable, and we use some profit pools from markets that are more mature in terms of customer cohort or in terms of restaurant acquisition, and we're able to pile them into markets like in Japan, for example, that's a really big market, lots of competition out there, but our penetration of restaurants in Japan is single digit. And the growth rates, there's a ton of growth ahead of us in Japan. And so that's a market that we're leaning into.

And there are some other markets that we're leaning into, but the portfolio that we see in terms of the U.S. being now profitable and then our international businesses overall being profitable and the efficiency that we're able to drive into the ecosystem and our platform advantage and the capital discipline coming into the marketplace, all of those are positive. So I'm excited about what's happening internationally.

Brian Nowak: Okay. I wanted to ask -- to go back to cross-platform utilization a little bit. You've gone from 12% of MAPCs to now 17% of MAPCs that are using both rides and Eats. Just as you sort of both in the past as well as going forward, which strategies have worked best to drive that increase in more people using both products? And should we expect more of the same? Or are there other areas where you say, we could do this better? And then just philosophically, why not have one app? Why have two apps instead one app

Dara Khosrowshahi: Yes, sure. So I don't want to be too specific about what's worked best because it's a competitive marketplace out there. I will say that the two surfaces, probably our leading two

surfaces in terms of driving cross-platform usage are the apps themselves, right? You see Eats represented in our Uber -- mainline Uber app and it's represented there, both in terms of just when you launch app, but also we build surprise and delight moments. If you're on your way to work, do you want to pick up a coffee and we'll have it waiting for you when you're driven up to that Starbucks, et cetera.

And those are kind of the experiences that we build with an app. It is quite difficult to build out those kinds of experiences, those entry points and those surprise and delight moments in a way where they don't get in the way of someone who just wants to do something. So it's easy to drive cross-platform usage. It's not easy to drive cross-platform usage and avoid cannibalization as measured over a long period of time, which we have to because we're such a high frequency use case.

The second surface, if you want to call it that, that drives cross-platform usage is CRM channels. Either in-app CRM, text messages, or emails as well. Often those are paired up with promotions. And those are pretty effective services in driving cross-platform usage. The numbers that we look at are the percentage of MAPCs and we have huge amounts of upside there, but also percentage of gross bookings, which is 46% of gross bookings, coming from cross-platform users. And the machinery, the optimization, the machine learning algorithms, and then the experimentation that we have, what about this idea, what about that idea, all lead me to believe quite strongly that those percentages are on the way up and will continue to be an advantage versus our competition.

Two other factors I'll point out, and I'll respond to your last question. One is that as the world is opening up and our Rides business is growing really fast, the cross-platform customer acquisition into Eats is going to be pretty good. As it relates to Eats and cross-platform usage, I would say that the two priorities for us are Eats to grocery and alcohol and other products and then Eats to membership. And we will opportunistically send eaters back to riding and we've done so at really good numbers in the U.K. as well. But that's probably third because the ride business is growing at really good rates anyway. It doesn't need a lot of help.

Have we thought about having a single app? The answer is yes, we've thought about it. We have a single app in terms of for earners, right? And increasingly, we will be sending cross-dispatching opportunities to earners on a live basis. The marketplace is going to optimize not just for what's more efficient for Rides or what's more efficient for Eats. And the optimization functions have largely been separate in the past.

Now, the optimization function is what's best for Uber. That's something that others just can't optimize for. It's impossible. And for rides and eats, we believe that the experience coming into a mobility app or coming into a delivery app, the experiences are different enough where we can have the best of both worlds, which is having the best Rides app, the best Eats app out there and getting still some cross-platform usage on an opportunistic basis.

You see with -- Google isn't going to combine the Google Maps app with the Google Search app. But they have single identity, single experience, payments, et cetera. They make moving across the app so easy and effortless that you just find yourself doing it more and more and more. I think you'll see that increasingly in the Uber ecosystem. It will just be really easy to use the apps together.

Brian Nowak: Yes. I certainly like that. You and I have talked about this before. When I land anywhere from an off an airplane, either I get dinner waiting for me, this week, I get my groceries delivered to my hotel, get all my Gatorades for the week. I see that seamless point.

Dara Khosrowshahi: And those are the surprise and delight moments. And we'll let you expense those Gatorades to Morgan Stanley in a perfectly seamless way.

Brian Nowak: I've also talked about Uber One. I've told many investors in this room and my sales force, it's almost irresponsible to not be Uber One at this point with that money you save. I think the last subscriber number you guys shared was about 6 million. One, any update on that? And two, what are sort of the key execution factors you need to get right to drive that to 6 million, 12 million, 18 million, wherever you want it to go?

Dara Khosrowshahi: Yes, absolutely. So first of all, we have to build the program. I mean to build the back-end and the technology to move from a mostly membership program, hopefully loyalty program into a single program is an engineering challenge, and we wanted to do it right because we're building the Uber One platform not for next week, but for the next 5 years. And I think we are the only -- we have the best content out there. We have the only kind of single local membership, go get membership program out there, which we think is dynamite. So our content now is in the place that we want it to be.

I think if you think about our strategy -- and then the other point I'd make is we are very close to launching Uber One in the U.K. and Germany, that we're super excited about. It will happen within a quarter. So a big part of Uber One is now that we have this content umbrella, expand this content umbrella into more of what I'll call star countries. So that will lead to more Uber One members, first of all.

The second, I'll pull back to cross-platform, which is our strategy is different from other company strategy. The monoline businesses can either go from use of the product to membership or use of the product to loyalty. Ours is use of the product to multiproduct and then to membership. And so if you want to think about how we're executing against each, 46% of our gross bookings come from multiproduct users, 20% of our gross bookings come from members. We have 30 million MAPCs using multi-products.

So that 30 million is our Level 1 number. And then we have 6 million members as of last disclosure. It's higher today at some point. When we're feeling generous, we'll update it. But right now, it's competitive. But think about it as 46% and 20%, 30 million and 6 million as of last and it's higher than that. So we're trying to drive all of those numbers and the relationship between the two. So there's a lot of upside in membership, but our -- just our strategy is differentiated. We have a lever that others don't.

I get a higher lifetime value turning a single-product customer into a multiple product customer because there's essentially zero cost associated with that. It's all free. With membership, you're providing a discount and you're getting higher frequency and higher retention for it. But if I'm a shareholder, I want to focus on the multiproduct first. We are now -- it's an order of operation, and I think that you will find us being significantly more aggressive on the membership front, because the multiproduct machinery is built out really well. And we think now the opportunity with membership is significant.

Brian Nowak: Okay. I want to talk a little bit about the P&L in a little more detail, sort of thinking about the level of investment in both Rides, Eats and across platform. So, as you're managing the business for multi-years and kind of managing for growth, talk to us about how shareholders should think about the incremental margins you're managing to on Rides, on delivery. And then what type of growth in that shared platform R&D do you foresee needing to sort of keep the cross-platform best-in-class offerings coming?

Dara Khosrowshahi: Yes, sure. So what we talked about previously is that about 10% -- our mobility business will drive 10% incremental margins. That means the core mobility business call it X, et cetera, will probably -- the incremental margins for that business are going to be in the teens. And then, we're going to be reinvesting some of that incremental into shared, into taxi, into reserve, et cetera, all of these new products that we're building. But the overall incremental margins will be 10%.

The incremental margins that we see on delivery -- and by the way, that's a long-term incremental margin that may change quarter-over-quarter, but we're pretty confident about that. Otherwise, we wouldn't say it. The incremental margins that we see in delivery, we've talked about 5%, and again, core delivery will be higher than that, and we're going to be using some of that excess incremental margin, reinvesting it in grocery, in direct, and some of the other new areas that we're investing in. And overall, you see kind of a 7% incremental margin for the business going forward.

If you -- and so if you fast forward to 2024, per the targets that we gave, if you have -- in 2024, we want to make sure we've invested in some of these new opportunities at a level where we will continue to grow at 20-plus percent gross bookings growth and we'll continue to throw 7-plus percent incremental EBITDA margins. So that will translate into, we hope, a 20-plus percent grower in terms of top line, a 40-plus percent grower in terms of EBITDA. And our free cash flow conversion is going to get better and better.

Generally, free cash flow will trail EBITDA by about \$1 billion. We're a negative working capital business, which is working capital is actually a positive factor in free cash flow. As the business gets bigger, that benefit gets bigger. So actually, the free cash flow to EBITDA conversion should improve and so that should then put our free cash flow growth profile well in excess of 40% if you're sitting at 2024.

That's our opportunity, and we don't see too many other companies of the size and scale with the position that we're at to have that kind of formula going forward. And we certainly intend to allocate capital in an effective way with our free cash flow. It will be a great problem to have.

Brian Nowak: Okay. The investment in the delivery segment, one of those areas is in grocery and last mile literally that you talked about. One of the questions I often get is, what is Uber investing in there? What do you actually spend the money on in grocery and in last mile to kind of grow that? So that's the first question. Kind of walk us through what you're investing in.

And then secondly, that base is very competitive. So as you sort of are watching the unit economics, the environment, what are you watching just to ensure that long-term, this is going to be a positive unit economic business?

Dara Khosrowshahi: Yes, sure. In terms of grocery, what we're investing in is customer acquisition, introducing more customers into grocery and that maybe traditional marketing or maybe promotions. And usually, the new customer that you acquire is not going to be profitable in, call it, a year, but then over their lifetime, they're profitable. But with the new business, the percentage of new customers that you have as a percentage of your profitable cohorts, it's just much bigger, right?

So part of it is like as your cohorts mature, the business becomes more profitable. And with grocery, we have a really young business that in many markets, it's like it's in its first year of operation. So you don't have any mature cohorts out there to ring the profit generator, so to speak.

A couple of other areas that we invest in is, service, making sure our pick pack service and delivery are up to snuff. And so markets will start being negative VC contribution and then they

go into positive VC contribution as we build out higher frequency and liquidity in a particular market as well.

And then the third for us is selection, which is as we build grocery selection, frequency of customers coming back to our platform increases. As frequency increases, those cohorts become more profitable. So we've run this play on rides, we've run this play on Eats, and the grocery play is absolutely no different than the others. It's about service, selection, and introducing your brand to a new customer base.

When I look at grocery margins on kind of a transactional basis, profit margins are going to be lower than, let's say, Eats, but the basket size is much bigger. So we can often make more money, dollar money, per transaction. If you add to that the advertising opportunity, the advertising opportunity in grocery is enormous. And so when you add in advertising, you get a business that we think is over \$1 trillion in terms of opportunity around the world, but becomes pretty attractive in terms of margins as well.

We're now top one or number two in 8 out of our 10 markets out there. I know a lot of people, we live here and a lot of you may live in SF or you think about the U.S., the international profile that we have and the businesses that we have on the ground globally are something that I think are underestimated. And I think internationally, we're very, very well suited to get to a number one position in the majority of the markets in which we operate in. Within the scope of our delivery business that is going to be more and more profitable going forward.

Brian Nowak: You've largely pursued a third-party approach with that. You have -- you have also a partnership with Gopuff here. You have the new dark store opened in Japan. I guess, is this going to be a situation where country-by-country, you may have different strategies? Or is there something philosophically that you really sort of want to make sure Uber Eats and Uber Delivery has some type of differentiation versus competitors?

Dara Khosrowshahi: Well, I think overall philosophy is, I want to work on the stuff where I can add value. And we have a big brand. We understand logistics. We have better matching pricing algorithms, routing algorithms than I think anyone in the world. We have a marketplace business that is very, very capital efficient, which I really like.

And so I'd like to stick to my core, which is chiefly why we're focused on third-party because there are lots of players out there who are building great grocery operations. They know how to run stores. They know how to negotiate leases. There are some new entries like Gopuff that are kind of trying to build the next generation of that service, and they're really good at what they do, and it's the only thing that they do.

And so our focus is going to be on partnering, just like we did, partner with restaurants, partnering with grocery players, whether they're a big player, a traditional player, quote-unquote, or a new player because that's where we can add value. And what I'm really focused on is our customer experience, is our eater experience. Does an eater who use our grocery service improve in frequency and improve in retention? The answer to both of those are yes. Is grocery yet another benefit for my Uber One program? The answer to that is an absolute yes. I don't need to be the one running the store in order for those three answers to be yes.

We are in markets, in Japan and Taiwan, running our own shops as a test to understand whether those three answers -- higher frequency, higher retention, better Uber One translation, whether those differ, if I'm working with a third party versus running our own stores. Whatever learnings we get there, we're going to give to our customers because ultimately, it can be a win for us, and it could be a win for them.

Brian Nowak: Okay. You talked earlier about the advertising opportunity on the food delivery side. So we'll leave the ride side separate for a second. You talked about \$1 billion of ad revenue by 2024 at the Analyst Day. By our math, it's about 1% of delivery gross bookings. I'll be honest, it seems low. You already have some competitors in the food delivery industry operating higher than that. And then when you layer in grocery and all of the last mile, given the trade spend opportunity, it could even be higher than 1%. So, just as we sort of sit here on the outside, is there any structural reason why that couldn't be 2%, 3%, 4% of gross bookings? And what do you need to execute on to get to those types of levels?

Dara Khosrowshahi: Well, I think that one is grocery and alcohol can be upside to the targets that we put out there. We want -- when we put targets out there, we want to put targets that we can deliver on with a high degree of certainty. And we feel confident about those targets, and we hope to meet or exceed those targets. But generally, I'd say grocery and alcohol should be -- our Drizly business, for example, has 8% advertising as a percentage of bookings.

So that is absolutely a tailwind for our advertising business. The rate delimiting factor in terms of the growth of our advertising business, one is the eater experience, which is you don't want too big of an ad load. You don't -- you want to have the right restaurants, put the right restaurants in front of the eaters. And we will be very careful to make sure that eater experience doesn't suffer, both in terms of in transaction, but then looking at retention metrics as well.

The second rate delimiting factor is the return for our partner spend. We want partners to make a lot of money advertising on Eats. And today, they're making a lot of money advertising on Eats. That provides for a much longer kind of a growth segment. So could the number be above \$1 billion? Absolutely. Will it be above \$1 billion? Absolutely. We think you can get to a 2% level as it relates to core food. And then if you mix in grocery and alcohol, we think the overall number could be substantially higher than that. But we're giving ourselves some time to get there because we want the eater experience and the merchant experience to be first rate.

Brian Nowak: Okay. We chat at least once a year, and we are 43 minutes in. We haven't talked about regulation yet. It has to be the latest -- of any conversation we've had, it has to be the latest and the longest we've gone without talking regulation, which is a good thing. But the European Commission did recently release a proposal that could change the way drivers are classified. I know it is a long way off. There's a lot of puts and takes in negotiation. But just as you're sort of thinking about those 2024 targets you laid out, if there were changes to the classification of drivers in Europe, how would you think about that impacting the bookings trajectory or the profitability targets you laid out?

Dara Khosrowshahi: So I think that the European Commission rules in general are going to meet the reality of the needs of the countries on the ground. And the fact is that every time we speak to our earners, whether they're driving or their couriers, they want flexibility and. And I think we're willing to give the and. And so you see in the U.K., the worker designation, you have flexibility and benefits. And we just think that is unquestionably what our drivers -- earners want. That message eventually does get to regulators. And for example, you see France, there has been very clear indications of regulators in France, that they agree with us that we should provide flexibility and provide benefits as well.

The European, I think, regulatory construct will take a very, very long time to play out. And ultimately, I think kind of the boots on the ground are going to win, and they're going to -- and I think flexibility and is ultimately the way forward. I don't see any significant -- I'm not losing any sleep over this. I think this is the right way forward. Washington, for example, there's a proposal for, again, an IC plus kind of rule making. Prop 22 in California with absolutely clear as a bell

determination as to what the right answer is. So I think we've come up with a formula that works, and ultimately, that's the direction that I see all of us going in.

Brian Nowak: Okay. I want to make sure -- I know we have 12 seconds, we can go over. I want to make sure we cover autonomous just because it does come up a lot in investor discussions I have.

Dara Khosrowshahi: Autonomous in 12 seconds?

Brian Nowak: Autonomous in 12 seconds, not four seconds. There's a lot of discussion of autonomous, a long-term bear case or bull case for Uber? What steps do you see yourself taking to ensure that Uber stays top of funnel for consumers as autonomous experiments grow the next 3, 5, 10 years? And how do you think about it fitting into the overall equation of the company?

Dara Khosrowshahi: Yes. So I think, honestly, it could be either. If we don't get access to autonomous content, then we won't have every single driver in the world, whether they're a person or a robot, and that could be a bear case.

Now, I'm very confident in the bull case, which is if you transition -- every driver prefers the Uber platform because they can earn more, they have high utilization, the service is better. And I think if you get to capital pools, who I believe are going to own these assets just like they own hotels, they are going to want to drive, maximize utilization of these really, really expensive cars with all kinds of sensors on them and in order to earn maximum return on capital.

There are a lot of autonomous players out there. We have a very special relationship with Aurora, but we are talking to other players out there. And I'm very confident that we are going to acquire a lot of autonomous content both for our Rides business, for our delivery business, and our trucking business. I wish we could talk 11 seconds about freight. But that's okay.

But I am very confident that we'll get access to the content. If we get access to the content, it means more vehicles on our network at a lower price, which is going to improve our TAM. So I am very much of the bull case in terms of autonomous. You're going to see quite a number of announcements in terms of autonomous pilots across all of our ecosystem in 2022 with multiple players out there. So stay tuned. I think the bull case -- I think you will agree with the bull case.

Brian Nowak: Bull case playing out. Thanks, Dara.

Dara Khosrowshahi: Thank you.

Brian Nowak: Thank you.