Business Management

Internal Assessment - Research Project

Sustainability: "To what extent can Uber rely on its current growth strategies to reverse its operating losses in the long run?"

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Introduction

Uber, an American multinational, ride-hailing company founded in 2009, holds today a diverse product-services portfolio: peer-to-peer ridesharing, ride service hailing, food delivery and micro-mobility.[1] Uber is a two-sided online marketplace, connecting drivers (suppliers) with passengers (customers), being both its customers, so business needs to stimulate mutual demand.[2] Its platforms are accessible via its websites and mobile apps. ^ On trip request submission, drivers are automatically notified on customer's location and destination and customers on distance and fare. [4] Drivers, paid 75-80% of the ride's fare, are independent contractors, not employees. Uber doesn't own cars; instead, its contractors bring their own.[5]In 2017, Uber was towards worldwide domination [6], operating in 785 metropolitan areas[7] and was among the fastest growing Silicon Valley startups. Uber has a different Product(Service) Life Cycle for different markets, but generally belongs to the growth stage due to its exponentially growing Sales Revenue. Inspite over a decade and the growth strategies, Uber hasn't yet achieved profitability. Therefore, this research project will investigate Uber's economic sustainability : **"To what extent can Uber rely on its current growth strategies to reverse its operating losses in the long run?"**

'Supporting document 4: "Uber Announces Results for Fourth Quarter and Full Year 2019." Uber Technologies, Inc. - Uber Announces Results for Fourth Quarter and Full Year 2019, 6 Feb. 2020, investor.uber.com/news-events/news/press-release-details/2020/Uber-Announces-Resulls-for-Fourth-Quarter-and-Full-Year-2019/.

"Supporting document 2: "How Uber Makes - And Loses - Money." CB Insights Research, 2017, Retrieved February 17, 2020 from CB Insights: www.cbinsights.com/research/report/how-uber-makes-money/. 'ibid

^Pocket-lint. "Whal Is Uber and How Does It Work?" Pocket, 12 June 2019, www.pocket-lint.com/apps/news/uber/139559-what-is-uber-and-how-does-it-work

*Supporting document 2: "How Uber Makes - And Loses - Money." CB Insights Research, 2017, Retrieved February 17, 2020 fromCB Insights: www.cbinsights.com/research/report/how-uber-makes-money/.

°Supporting document 1: Carson, Biz. "Where Uber Is Winning The World, And Where It Has Lost." Forbes, 2018, Retrieved February 10, 2020 from Forbes:

www.forbes.com/sites/bizcarson/2018/09/19/where-uber-is-winning-the-world-and-where-it-has-lost/#5b5a02d64d6e. "Uber." W kipedia, W kimedia Foundation, 17 Feb. 2020, en.wikipedia.org/wiki/Uber

Methodology

This commentary will evaluate the sustainability of Uber and should Uber continue its existing growth strategies for profitability. It is based on: A Forbes's article about Uber global dominance, including mergers with rivals, CB Insights discussing how Uber earns revenue and runs expenses, charts and statistics mainly used from Buildfire and Uber Investor and finally, a paper describing Uber's growth failure in Netherlands. The extra sources provided detailed charts and financial comparisons to rivals.

List of supporting Documents

Title of Supporting Documents	**Source**	Web Link
1."Where Uber Is Winning The World, And Where It Has Lost."	Forbes	https://www.forbes.com/sites/bizcarson/2018/09/19/where-uber-is-winning-the-world-and-where-it- has-lost/#5d900c9c4d6e
2.How Uber Makes -And Loses- Money	CB Insights	https://www.cbinsights.com/research/report/how-uber-makes-money/
3.Uber Revenue and Usage Statistics (2019)	Buildfire	https://buildfire.com/uber-statistics/
4.Uber Announces Results for Fourth Quarter and Full Year 2019	Uber Investor	https://investor.uber.com/news-events/news/press-release-details/2020/Uber-Announces-Results-for-Fourth-Quarter-and-Full- Year-2019/
5.Institutional entrepreneurship in the platform economy: How Uber tried (and failed) to change the Dutch taxi law	ScienceDirect	https://www.sciencedirect.com/science/article/pii/S2210422418301631

Tool	Purpose
Ansoff Matrix	to analyze and evaluate Uber's current major growth strategies
Revenue and Cost Analysis	to explain Uber's suffering from operating losses,
SWOT analysis	to summarize the main internal and external factors affecting the business corporate strategy and financial performance.

Findings and Discussion:

Revenue and Cost

Year	2020	2019	2018	2017	2016
Revenue	11,139	13,000	10,433	7,932	3,845
Cost of Revenue	5,154	6,061	4,786	4,160	2,228
Gross Profit	5,985	6,939	5,647	3,772	1,617
Net Income	-6,768	-8,506	997	-4,033	-370

Table 1 : Uber Revenue and Cost 2016-2020 Source: Macro Trends.net

Year	2020	2019	2018	2017	2016
Revenue Growth %	-14.32%	24.6%	31.53%	106.2%	
Gross Profit Margin %	53.7%	53.4%	54.1%	47.6%	42.1%
Net Income (Value)	-6,768	-8,506	997	-4,033	-370
Net Profit Margin%	-60.8%	-65.4%	9.6%	-50.8%	-9.6%

Table 2 : Uber Net Income and /margin calculations 2016-2020

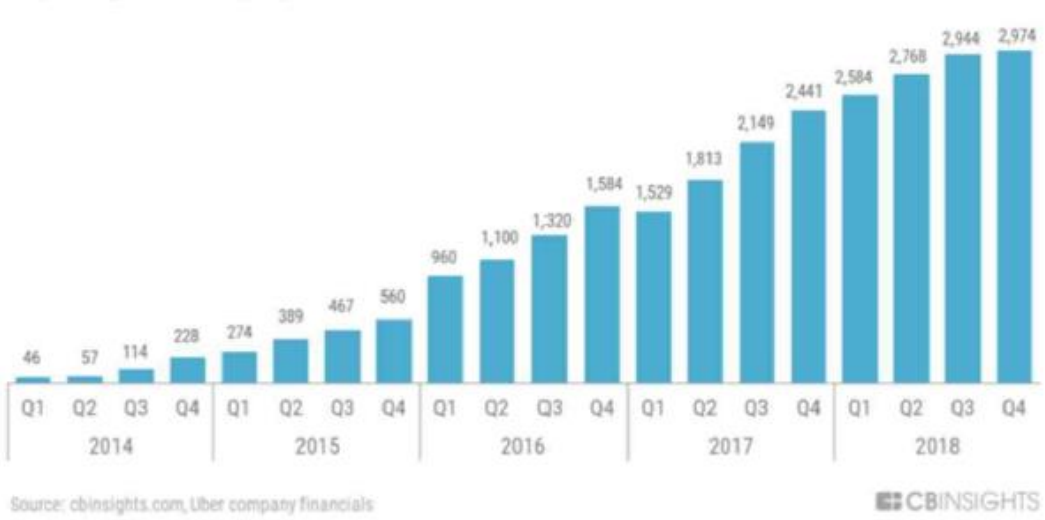

Figure 1 Uber's Quarterly Net Revenue (2014-2019 in $M)

Uber's net revenue grew exponentially, the highest year-on-year growth of 106.2% (Table 2)was observed in 2017 in comparison to 2016. The rideshare model, eliminates the need for the business to invest in physically buying / leasing vehicles, maintenance, parking etc, thereby reducing large amounts of operational costs of fixed nature and this reduces the pressure on demand for natural resources such as land.

Gross Profit margins are close to an average of 50% as the major variable expenses are the drivers commissions. However, high platform, training costs and expenses, exceeding by far the revenues, leading to losses.

Uber's urgency to become economically sustainable in order to provide monetary gain to its founders/shareholders/ investors (risk takers) continues is clearly evident.

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[8]Supporting document 2: "How Uber Makes - And Loses - Money." CB Insights Research, 2017,

Retrieved February 17, 2020 from CB Insights:
www.cbinsights.com/research/report/how-uber-makes-money/.

[9]ibid

[10]ibid

[11]Supporting document 4: "Uber Announces Results for Fourth Quarter and Full Year 2019." Uber Technologies, Inc.
- Uber Announces Results for Fourth Quarter and Full Year Z019, 6 Feb. 2020, investor.uber.com/news- events/news/press-release-details/2020/Uber-Announces-Results-for-Fourth-Quarter-and-Full-Year-2019/.

[12]ibid

[13]How Can a Company Lose $ 5.2 Billion in Revenue of $ 3.2 Billion? Uber Shows How." 2019,newsbeezer.com/how-can-a-company-lose-5-2-billion-in-revenue-of-3-2-billion-uber-shows-how/

'Sustainability Definition https://www.investopedia.com/terms/s/sustainability.asp

Macro Trends.net Updated Mar 30, 2021https://stockanalysis.com/stocks/uber/financials/

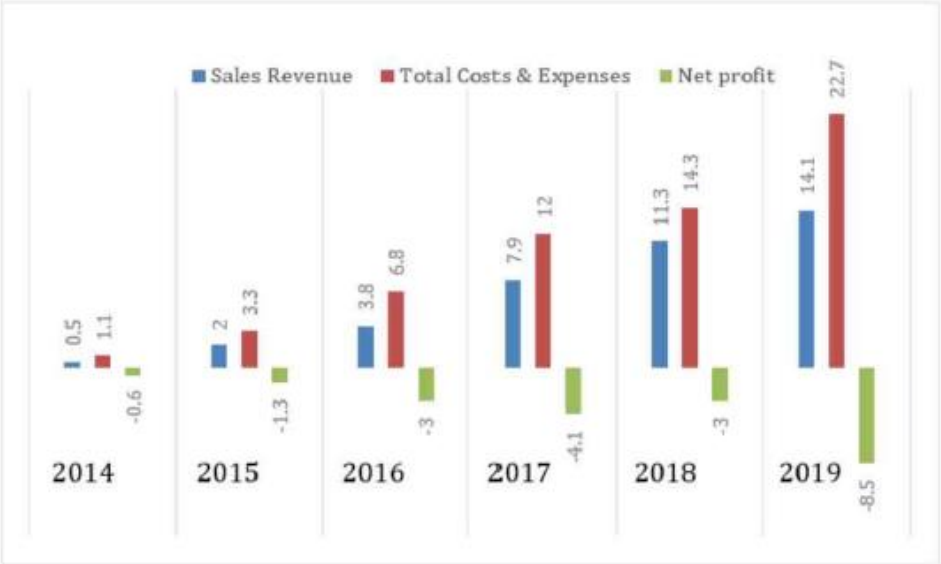

Figure 2 Uber's Sales Revenue, Total Costs &Expenses, Net Profit (2014-2019 in $B)

Fig.2, created by the author, uses the formula: Net Profit = Sales Revenue—(Total Costs + Expenses).[12,13]

A major issue of Uber's profitability is that it is a two-sided market, which suggests that drivers' price changes immediately affect riders. More drivers indicate lower fares for passengers; however, expenses for upkeep of applications, marketing, training costs are rising, thus giving negative net income and negative net income margins. The limitation of competing in both markets is that Uber cannot reduce drivers' wages and charge passengers more. This denotes a relatively small profit margin.[14]

Peter Cohan, Contributor at Forbes pens the problem with ride-sharing -- a so-called two-sided market -- is that there are low barriers to entry and the switching costs are low on both the supply side -- the drivers -- and the demand side -- consumers. As a result, the industry features "numerous players offering virtually the same services. They are in a spending arms race to draw new drivers and consumers, bidding up ads on Facebook and Google and forking out hefty bonuses to new drivers," according to the Wall Street Journal.[15] Big brands often make pledges to sustainability, but it often takes a long time to achieve sustainability goals.

[14]Supporting document 2: "How Uber Makes - And Loses - Money." CB Insights Research, 2017, Retrieved February 17, 2020 from CB Insights: www.cbinsights.com/research/report/how-uber-makes-money/.

[15]Cohan Peter. 13 April 2019, Why Uber lacks a sustainable competitive advantage https://www.forbes.com/sites/petercohan/2019/04/13/why-uber-lacks-a-sustainable-competitive-advantage/?sh=692ed5fe2065

Growth Strategy

Uber's fundamental intensive external growth strategies are market development and penetration, imperative in enabling it to increase its market share and sales revenue (Fig.2).

a) Market Penetration

Market penetration is the lowest risk growth strategy, compared to the other Ansoff matrix strategies, because of not having to face the "unknown". It helped Uber gain monopoly power in U.S. market. Nevertheless, challenges still exist in the markets where its presence is consolidated. In the U.S., Uber's market share declined from 74% (2017) to 70% (2019) (Fig.3 [16]), so sales revenue is reducing in an ever-increasing market.

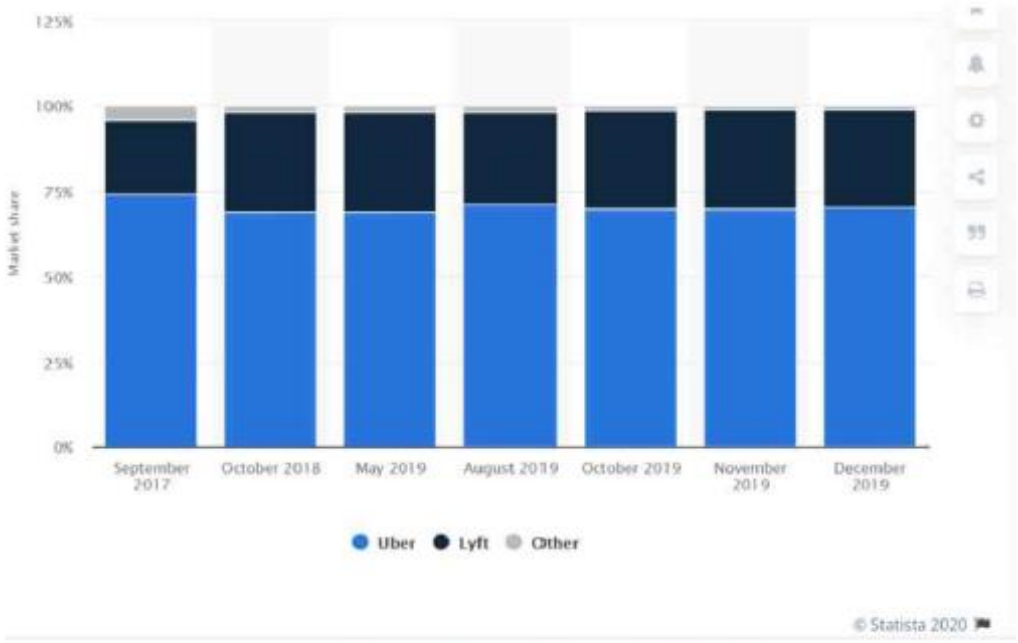

Figure 3 Uber's USA market share (2017-2019)

The #DeleteUber campaign prompted hundreds of thousands of consumers to stop using the Uber platform within days. Subsequently, Uber's reputation was further harmed when an employee published a blog post alleging, among other things, that we had a toxic culture and that certain sexual harassment and discriminatory practices occurred in our workplace."[16]

[16]Cohan Peter. 13 April 2019, Why Uber lacks a sustainable competitive advantage
https://www.forbes.com/sites/petercohan/2019/04/13/why-uber-lacks-a-sustainable-competitive-advantage/?sh=692ed5fe2065

The #DeleteUber 2018-campaign became a predominant obstacle, reducing its U.S. population market share to 8%. [17] Competitor Lyft, gained market share as a result of its perceived superiority over Uber on the customer preference criterion. having its U.S. ride-hail market share of 28%, to Uber's 70% (2018), increasing to 35% (May 2018), from 20% in the fall of 2016, according to CNBC. [18]

'Uber is unprofitable because it lacks a moat -- a *sustainable competitive advantage*. Competitive advantage is measured by profit share -- a company's share of an industry's profits. By this definition it means that a competitive advantage is impossible if an industry lacks profitability. Based on the financial results of Lyft and Uber, there are no profits to be had in the ride-sharing industry. For instance, Lyft posted a $900 million loss in 2018 and Uber topped that with a $3 billion loss from operations'.

[16]Mazareanu, E. "U.S. Ride-Hailing Market Share 2019." Statista, 4 Feb. 2020 www.statista.com/statistics/910704/market-share-of-rideshare-companies-united-sates/.

[17]Supporting document 2: "How Uber Makes - And Loses - Money." CB Insights Research, 2017, Retrieved February 17, 2020 from CB Insights:www.cbinsights.com/research/report/how-uber-makes-money/.

[18]Supporting document 3: Blair, Ian. "Uber Revenue and Usage Statistics (2019). ' Business of Apps, 10 May 2019, Retrieved February 22, 2020 from Buildfire:www.businessofapps.com/data/uber-statistics/.

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b) Market Development

Market development is Uber's barebone strategy, demonstrated by its world-wide expansion (60 countries). It is of moderate risk, with the potential to increase market and customer base, thus satisfying the higher sales revenue prerequisite, leading to profit. Monopoly power is a crucial advantage, should Uber achieve its growth- strategy and become the market leader. Uber expands in size, with a hope to enable economies of scale, and build a brand image could become the absolute entry barrier for competitors in this industry, thus ensuring high market share. Globalization and technological advancements (mobile app.) were crucial to Uber's expansion. Nevertheless, Uber's product life cycle (growth phase) suggests huge expenses and no profits as yet.

This expansion strategy has limitations and challenges related to local interests, backed by state regulations and stakeholder conflicts that bound its market development. Upon Uber's app launch, the regulatory institutions were overlooked. Uber wanted to adjust the existing taxi law to its own services[19], with drivers' own cars, without an official taxi license. Therefore, the very competitive prices can jeopardize the taxi industry, which complies with government regulations (permit, diploma, car requirements)[20]. In Europe and Germany, Uber operates a very limited taxi service. Spanish taxi drivers won by striking against ride-hailing companies. The Greek taxi industry with huge bargaining power with the state and the BEAT mobile app. at the time (2018) were insuperable obstacles. In the Netherlands, Uber's incoherent approach to lobby for new regulations led to its services restriction with licensed drivers only. [21] These conditions require capital expenditure (research development) and can make the business unprofitable, e.g. Uber's Southeast Asia business was sold to Grab (2016).[22]

[19]Supporting document 5: Pelzer, Peter, et al. "Institutional Entrepreneurship in the Platform Economy: How Uber Tried (and Failed) to Change the Dutch Taxi Law." Environmental Innovation and Societal Transitions, vol. 33, 2019, pp. 1—12., doi:1 0.1016/j.eist.2019.02.003. Retrieved February 25, 2020

[20]ibid

[21]ibid

[22]Supporting document 2: "How Uber Makes - And Loses - Money." CB Insights Research, 2017, Retrieved February 17, 2020 from CB Insights: www.cbinsights.com/research/report/how-uber-makes-money/.

Speaking of capital, Uber's advantage -- it clearly dominates the U.S. ride sharing market --but because investors are willing to fund rivals the capital lets rivals replicate Uber's basic strategy while charging low fares and paying up for drivers.

For example, Lyft raised over $4 billion since the start of 2018—and more than $2 billion in its March 29 IPO— "and lured numerous riders as Uber struggled with scandals that hurt its brand. Lyft also aggressively offered discounted fares in recent months," according to Forbes. This put the brakes on Uber's growth. For example, in its S1, Uber said that its revenues have been diminished due to "heavy subsidies and discounts by our competitors" which the company has been matching "in order to remain competitive."

An article in Forbes, stated that in the last quarter of 2018, this price war cost Uber growth in the revenue it gets from ride-sharing. Total fares paid by riders rose 9% but its adjusted revenue -- which tracks Uber's share of rider fares paid -- was unchanged.

This trend is likely to persist -- Uber expects that its "take rate" -- will "decrease in the near term."[23]

[23]Peter, Cohan Why Uber Lacks A Sustainable Competitive Advantage https://www.forbes.com/sites/petercohan/2019/04/13/why-uber-lacks-a-sustainable-competitive-advantage/?sh=692ed5fe2065 Apr 13, 2019,04:36pm

c) Other growth strategies

Uber-Yandex joint venture (2019) and acquisition of rival Careem (2019)[24], might seem a beneficial growth strategy, due to increased customer base, yet, could be detrimental for profitability, since both are operating on losses.
The growth strategy and the challenges in every new expansion contribute significantly to overhead costs. The penetration strategies through low prices to attract potential customers and face the competition by local apps, and the promotion costs fueled Uber's expenses. Poor working conditions for employees, drivers' dissatisfaction and the 12.5% monthly labor turnover in 2018 (only 20% of drivers remain on Uber's platform after one year) increased recruitment and training expenses. Without driver's cost, Uber would save 75% /fare.[25]

The ride-hailing market is ever-increasing, meaning increasing industry's total sales revenue, businesses' revenues and long term profits (Fig.4).[26] Yet, major rideshare companies are barely surviving (Didi, Grab and Lyft)[27].

Figure 4 Yearly Taxi Pickups in New York City vs. Ride-Hailing Apps (Uber, Lift, and others)

[24]Supporting document 1 : Carson, Biz. "Where Uber Is Winning The World, And Where It Has Lost." Forbes, 2018, Retrieved February 1 0, 2020 from Forbes: www.forbes.com/sites/Dizcarson/2018/09/19/where-uber-is-winning-the-world-and-where-it-has-lost/#5b5a02d64d6e

[25]Supporting document 2: "How Uber Makes - And Loses - Money." CB Insights Research, 2017, Retrieved February 17, 2020 from CB Insights:www.cbinsights.com/research/report/how-uber-makes-money/.

[26]Supporting document 3: Blair, Ian. "Uber Revenue and Usage Statislics (2019)." Business of Apps, 10 May 2019, Retrieved February 22, 2020 from Buildfire: www.businessofapps.com/data/uber-statistics/.

[27]Supporting document 1 : Carson, Biz. "Where Uber Is Winning The World, And Where It Has Lost." Forbes, 2018, Retrieved February 1 0, 2020 from Forbes: www.forbes.com/sites/bizcarson/2018/09/19/where-uber-is-winning-the-world-and-where-it-has-lost/#5b5a02d64d6e

Product diversification is Uber's new growth strategy for achieving profitability. Focusing more internally and making services more innovative and efficient, e.g implementation of Uber Air (2023)[28], can lead to prosperity.[29]

Concluding, Uber's market share and overall growth face many challenges globally and the growth strategies contribute significantly to overhead costs, harming profitability. Yet, focusing internally suggests a business model that, based on innovation, could bring long-term profitability.

[28]Hawkins, Andrew J. "Hyundai Will Make Flying Cars for Uber's Air Taxi Service." The Verge. The Verge, 6 Jan. Z0Z0, www.theverge.com/2020/1/6/21048373/hyundai-flying-car-uber-air-taxi-ces-2020.

[29]Supporting document 4: "Uber Announces Results for Fourth Quarter and Full Year 2019." Uber Technologies, Inc. - Uber Announces Results for Fourth Quarter and Full Year 2019, 6 Feb. 2020, investor.uber.com/news- events/news/press-release-details/2020/Uber-Announces-Results-for-Fourth-Quarter-and-Full-Year-2019/.

S.W.0.T Analysis

The S.W.O.T analysis is necessary to summarize the weaknesses needed to be addressed and identify potential market opportunities or threats before deciding on the best strategy.

Strengths	Weaknesses
1. First mover advantage[30] 2. Widely known[31] 3. Favorable view among core users in both markets[32] 4. High demand due to low, competitive prices[33] 5. Innovation[34] 6. Growth in other types of transportation[35] 7. Self-driving cars[36]	1. High labor turnover[37] 2. Public image: immoral worker conditions[38] 3. Easily imitated (just an app.)[39] 4. Unpredictable business model
Opportunities	**Threats**
1. Growing ride-hailing market[40] 2. Taxi-Riders' dissatisfaction due to high prices and waiting time[41] 3. More drivers mean less pickup time[42]	1. Low barriers to entry[43] 2. Rising competition from other ride-hailing business models of sharing economy[44] 3. Conflicts with local authorities[45] 4. New unfavorable legal regulations[46]

[30]Supporting document 2: "How Uber Makes - And Loses - Money." CB Insights Research, 2017, Retrieved February 17, 2020 from CB Insights: www.cbinsights.com/research/report/how-uber-makes-money/.

[31]Supporting document 3: Blair, Ian. "Uber Revenue and Usage Statistics (2019)." Business of Apps, 10 May 2019, Retrieved February 22, 2020 from Buildfire: www.businessofapps.com/data/uber-statistics/.

[32]ibid

[33]Supporting document 2: "How Uber Makes - And Loses - Money." CB Insights Research, 2017, Retrieved February 17, 2020 from CB Insights: www.cbinsights.com/research/report/how-uber-makes-money/.

[34]Supporting document 4: "Uber Announces Results for Fourth Quarter and Full Year 2019." Uber Technologies, Inc. - Uber Announces Results for Fourth Quarter and Full Year 2019, 6 Feb. 2020, investor.uber.com/news-events/news/press-release-details/2020/Uber-Announces-Results-for-Fourth-Quarter-and-Full-Year-2019/.

[35]ibid

[36]Supporting document 2: "How Uber Makes - And Loses - Money." CB Insights Research, 2017, Retrieved February 17, 2020 from CB Insights: www.cbinsights.com/research/report/how-uber-makes-money/.

[37,38,39]ibid

[40]Supporting document 3: Blair, Ian. "Uber Revenue and Usage Statistics (2019)." Business of Apps, 10 May 2019, Retrieved February 22, 2020 from Buildfire: www.businessofapps.com/data/uber-statistics/.

[41,42]ibid

[43]Supporting document 1 : Carson, Biz. "Where Uber Is Winning The Woñd, And Where It Has Lost." Forbes, 2018, Retrieved February 1 0, 2020 from Forbes: www.forbes.com/sites/bizcarson/2018/09/19/where-uber-is-winning-the-world-and-where-it-has-lost/#5b5a02d64d6e.

[44]ibid

From the SWOT Analysis it is concluded that Uber has the potential of being profitable. Uber's popularity among drivers and passengers and the high demand resulting from fares' competitive prices are factors that could boost its net profits. The ever-increasing ride-hailing may suggest higher sales revenue. However, its high labor turnover increases operating costs (drivers' marketing and training). Nevertheless, with innovation (self-driving cars) and internal growth [47], Uber has the potential of meeting long-term profitability. Furthermore, the rising competition can slow down its growth therefore reducing revenue and the different countries' legalities have proven to be a barrier that Uber sometimes can't overcome.

[45]Supporting document Z: "How Uber Makes - And Loses - Money." CB Insights Research, 2017, Retrieved February 17, 2020 from CB Insights: www.cbinsights.com/research/report/how-uber-makes-money/.

[46]ibid

[47]Supporting document 4: "Uber Announces Results for Fourth Quarter and Full Year 2019." Uber Technologies, Inc. - Uber Announces Results for Fourth Quarter and Full Year 2019, 6 Feb. 2020, investor.uber.com/news- events/news/press-release-details/2020/Uber-Announces-Results-for-Fourth-Quarter-and-Full-Year-2019/.

Conclusion

Market development and penetration strategies can be beneficial for Uber expansion leading to monopoly power, economies of scale, a greater customer base and benefits from globalization. However, its current growth poses several threats worldwide, except for the U.S., mainly regarding unfavorable legal regulations, conflicts with local authorities and rising competition, therefore increasing operating costs. Consequently, Uber should consolidate its market presence and scale back its operations[48] signifying the end of a growth era.[49] Change may be due in Uber's strategies could be a resolution as suggested from the analysis. Focusing on internal growth strategies through continuous innovation of new services, which fits Uber profile, since it has already once enjoyed the first mover advantage. To conclude in the words of analyst Peter Cohan, Uber's market share lead is a pyrrhic victory since the company is losing money. The share prices of Uber could rise if it can grow revenues much faster than investors expect. But since it competes in inherently unprofitable markets without sustainable competitive advantage,[50] its fate may be in danger.

[48]Supporting document 2: "How Uber Makes - And Loses - Money." CB Insights Research, 2017, Retrieved February 17, 2020 from CB Insights: www.cbinsights.com/research/report/how-uber-makes-money/.

[49]Supporting document 4: "Uber Announces Results for Fourth Quarter and Full Year 2019." Uber Technologies, Inc. - Uber Announces Results for Fourth Quarter and Full Year 2019, 6 Feb. 2020, investor.uber.com/news- events/news/press-release-details/2020/Uber-Announces-Resultsfor-Fourth-Quarter-and-Full-Year-2019/.

[50]Peter, Cohan Why Uber Lacks A Sustainable Competitive Advantage https://www.forbes.com/sites/petercohan/2019/04/13/why-uber-lacks-a-sustainable-competitive-advantage/?sh=692ed5fe2065 Apr 13, 2019,04:36pm

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Supporting Documents

"To what extent can Uber rely on its current growth strategies to reverse its operating losses in the long run?"

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MAY 2020

Appendix 1: Supporting Document 1

MLA 8 Citation: Carson, Biz. "Where Uber Is Winning The World, And Where It Has Lost." *Forbes*, Forbes Magazine, 21 Feb. 2019, www.forbes.com/sites/bizcarson/2018/09/19/where-uber-is-winning-the-world-and-where-it-has-lost/#6f78b70e4d6e.

Sep 19, 2018
Biz Carson Former Staff

Where Uber Is Winning The World, And Where It Has Lost

Three years ago, Uber was marching towards global domination. In 2018, the new Uber is picking and choosing its battles. In some markets, that has meant a complete departure after Uber merged its business with homegrown rivals in Russia, China and Southeast Asia. In the Middle East, Uber is reportedly looking to take the opposite approach and acquire challenger Careem outright. Forbes breaks down where Uber is facing challenges versus opportunities around the globe:

Regulation Risks: Europe

Uber's rough ride continues in Europe where regulations threaten Uber's future success. It's vowed to do a full reset in Germany where it only operates a taxi business. Other countries like Spain are cracking down in the face of taxi blowback.

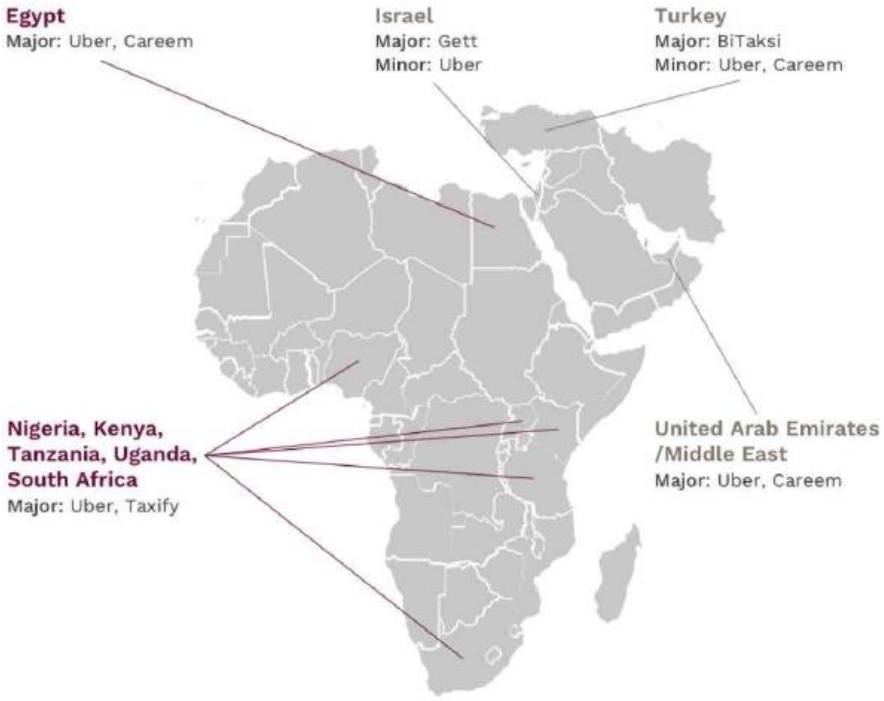
Uber overcame a few tough regulatory hurdles after a rough start in France and the United Kingdom, but the battle for other markets is far from over. Uber has vowed to do a "reset" in Germany, where it operates a very limited service in Berlin. Spanish taxi drivers continue to strike against ride-hailing companies, including its homegrown service Cabify. The government ended a six day strike in August by agreeing to pass new regulations that would limit licenses at a ratio of one permit for every 30 taxi

permits. Meanwhile in Russia, Uber opted to merge with Yandex rather than go it alone. The deal, which was announced in June 2017 and closed in February 2018, meant that Uber invested $225 million in the new combined business while Yandex invested $100 million.

Didi Chuxing, or "Didi," dominates China's ride-hailing market following Uber's exit in 2016. That deal had Uber selling its China branch to Didi in exchange for a stake of the company and ended a subsidy war that was bleeding cash from both sides. Since then, Didi has looked outside of China for growth opportunities, expanding to Japan and Latin America. In 2018, several challengers, including Alibaba's AutoNavi, Ctrip and Meituan have dipped their toes into China's ride-hailing business. Grab also won the war against Uber in its home territory of Southeast Asia after it acquired Uber's ride-sharing and food delivery business in March. Uber, in turn, received a 27.5% stake in Grab's business. Grab has a firm lock on most of Southeast Asia but Go-Jek is reportedly trying to raise money to give Grab a chase. Go-Jek expanded to Vietnam in September as Go-Viet and has also lined up a local team to a launch in Thailand.
Uber is still left fighting in India against rival Ola where the two have been locked in a costly battle for years over dominance in India's ride-hailing market. The rivalry is more awkward now that both companies share a mutual large investor: SoftBank. The tie-up has sparked rumors that the two sides could one day marge or Uber could bow out like it has done with Grab and Didi, but Uber has remained steadfast that the Grab deal would be the last of its kind.
South Korea has been impenetrable for ride-hailing companies, and the country charged Uber with breaking the law after its failed launch in 2015. The dominant app today is Kakao Taxi, a taxi-hailing service, while Uber has been limited to its Uber Black service, only employing high-end taxis. In Japan, where ride-sharing is still prohibited by law, Uber only recently warmed up to partnering with local taxi companies to act like an on-demand dispatcher. Meanwhile, Didi and its major investor, SoftBank, have teamed up to launch Didi Mobility Japan, its own taxi-booking service.

Opportunity Area: Africa & the Middle East

Uber faces two main challengers: Taxify and Careem. Uber is reportedly in talks to acquire Careem outright, ending a costly battle across the Middle East. In Africa, Taxify seems to be surging.



Australia has turned into a new battleground for ride-hailing companies as Aussies have been slow to catch onto the services. While Uber may be most dominant now, Ola launched its first expansion outside of India to Australia. Meanwhile

Estonia-based Taxify and Didi have also launched in Australia. GoCatch, its local rival, has failed to handle the influx of international competition.

Uber and Taxify are the two global ride-hailing competitors on the ground in sub-Saharan Africa. Taxify hasn't spread to northern Africa yet, leaving Careem and Uber in a two-way battle. According to a Bloomberg report, Uber is in talks to acquire Dubai-based Careem for north of $2 billion. The move would end a costly war for dominance in the MENA region. In Israel, homegrown Gett has a strong grip on the market. Turkey, on the other hand, remains a mess for ride-hailing companies as Careem pulled out to only focus on a high-end taxi service. Instead, local taxi app BiTaksi has the stronghold.

Uber's Home Turf: The Americas

Competition, both foreign and at home, is starting to threaten Uber's foothold in the Americas. China's Didi bought 99, Brazil's ride-hailing giant, to gain instant market share and it's expanded into Mexico, the latest battleground.

Everything Uber knows how to do it learned first in its home country, from winning over (or wearing down) regulators to lashing out at Lyft, its biggest U.S. rival. Gett merged its U.S. operations with New York-based Juno, but is now reportedly considering selling Juno and exiting the U.S. market entirely. Uber counts Mexico as its third-largest market, but it's not without increased pressure from rivals. China-based Didi expanded into Mexico in 2018, leveling up the competition. In South America, Didi made a power grab when it bought Brazil's 99 in January, jumping into a war with Uber over Latin America's largest economy. Elsewhere in Latin America, Uber and Spain-based Cabify are making slow progress in gaining market dominance. Countries like Argentina have largely banned Uber and there are still frequent protests against the ride-hailing companies.

Appendix 2: Supporting document 2

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How Uber Makes — And Loses — Money

Uber is the quintessential two-sided marketplace, but the real mechanics and drivers of its business are poorly understood. We look at where Uber makes money, where it spends it, and what profitability looks like.

As one of the fastest-growing and most controversial startups to ever come out of Silicon Valley, Uber has always upset expectations.

In an industry where keeping your cost of customer acquisition low is key to scaling your growth, Uber has been comfortable spending huge sums acquiring drivers and incentivizing users.

While most software companies stress the importance of retention, Uber has allowed its churn rate to reach nearly 13% monthly.

And despite the fact that most people know Uber first and foremost as a ride-hailing company, the fastest-growing unit at the company is Uber Eats, which generated $1.5B in revenue in 2018 — more than GrubHub.

With its much-anticipated IPO last week, Uber finally opened itself up to the scrutiny of the public markets. So far, the results have not been encouraging. The company priced shares at the the bottom of the range. Prices then fell more than 15% within the first few days of trading, reflecting concerns around profitability and a general market downturn. This was the ninth worst IPO debut in history in terms of share price drop.

To better understand how Uber makes (and loses) money, we looked at Uber's public financial and user data, statements from senior team members at Uber, and texts like Brad Stone's The Upstarts formed from interviews with leaders there.

We took apart the costs and revenues of running Uber, geographical effects on both, the future bets the company is making, and how all of this ties into the story Uber is telling about its long-term viability as a business.

How Uber works

The two-sided marketplace is one of the fundamental internet business models. Take a group of buyers and a group of sellers, connect them via a technological intermediary like a website or mobile app, and collect a fee from each transaction.

Make using your platform easier, faster, or more powerful than the traditional method of connecting those buyers and sellers, and you have a business.

Ebay was the first major two-sided marketplace success — today, however, companies like Uber and Airbnb have made it more popular and powerful than ever.

Each company in this space has improved upon the experience and economics of the system that it supplanted: eBay, by making it possible to buy and sell anything to anyone on the planet; Airbnb, by making it possible to rent out or book a room to/from anyone on the planet; and Uber, by allowing taxi passengers and its drivers to find each other without relying on the luck of a curbside hail.

Bill Gurley, general partner at Benchmark and early investor in Uber, lists ten criteria to consider when evaluating two-sided marketplace businesses:

- Is it a qualitatively better customer experience?
- Does it provide an economic advantage?
- Can the technology make the marketplace more powerful?
- Is the current market highly fragmented?
- Is supplier signup currently high-friction?
- Is the market large enough?
- Can the market be expanded?
- How often will people transact on the platform?
- How do you get paid?
- Does adding to the network make the network more powerful?

For Gurley, satisfying just seven or eight of these categories could make a marketplace business a good investment with a high chance of success. His primary example for most of them, and one of the few companies that could make a claim to satisfying all of these categories, is Uber.

Today, Uber has used these criteria to expand its marketplace to six continents and over 700 cities, across which it provides about 16M trips every day. In 2018, Uber customers traveled about 26B miles in total with the company, and Uber saw $41.5B in gross bookings from its ride-hailing business, making $9.2B in related revenue.

Uber's double-sided marketplace

The main advantage of Uber's two-sided marketplace has been its efficiency.

The medallion cab system operates through forced scarcity — there can only ever be a certain number of cabs on the road in any given city. As a result, fares are high. Cabs never seem to be around when you need them, like late at night or in the pouring rain. And over time, these problems get worse — as the population of a city grows, the cab population often doesn't.

Uber, on the other hand, has become more valuable the larger its network has grown. For Uber, growth means faster pickup times, more drivers on the road, and potentially lower prices for riders. It also means more revenue for Uber. It fits all the criteria of the ideal marketplace business.

The core value of that marketplace is reliability. Old-school taxis find fares either by driving around and picking them off the street

(street hail), or having a dispatcher (with phoned-in customer requests) instructing them on where to go.
In other words, "supply" can meet "demand" in one of two ways: through a loosely-organized, semi-random process of discovery, or through a direct routing by a dispatcher middleman.

For taxis, that has meant:

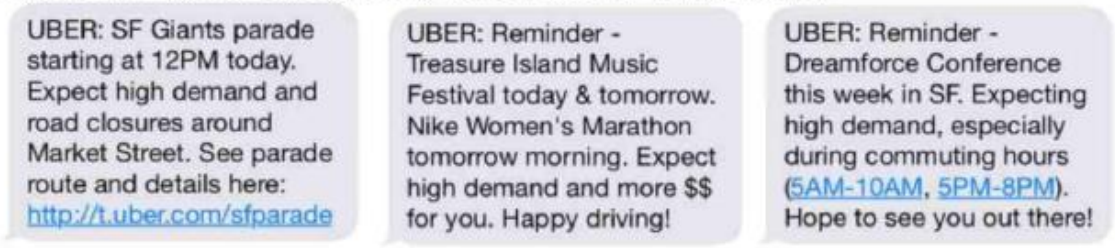
- **Poor supply allocation for drivers.** Traditional cabs only have a passenger in the car 30–50% of the time. To find a fare, they're dependent on taxi stands, centralized dispatchers, or being hailed from the street — they have no other way to know where to go next.
- **Low supply liquidity for riders.** Traditional cabs congregate in urban cores and high-transit areas, leaving outer boroughs, suburbs, and "less profitable" areas under served. Riders in these areas are often unable to get a cab at all, or face long waits.

With Uber, on the other hand, users request rides directly through the app. The nearest driver is dispatched to their location, and they can be hailed again immediately after drop-off, creating:

- **Better supply allocation for drivers.** Uber drivers have passengers in their cars more often, meaning less time and money wasted.
- **Higher supply liquidity for riders.** With surge pricing moving drivers from area to area, finding a ride is more reliable.

This last point — surge or dynamic pricing creating liquidity — is one of the pillars of the Uber business model.

In the Uber model, drivers and riders can find each other more quickly and more reliably.
Surge pricing, while sometimes a deterrent to riders, helps Uber meet fluctuating levels of demand with an optimal level of supply. By ramping up prices (and driver payouts) at times of low supply, the company makes sure that drivers are on the road and passengers are getting picked up.
In addition to increasing the supply to high-demand areas, surge pricing also helps control customer demand, as those unwilling to pay a higher price will find other means of transportation, while others will pay for the surge.
Because of surge pricing, Uber can also continue to hire contractors who work flexible hours, rather than set schedules with set pickup areas — crucial for keeping costs down, but also for constantly repopulating its high-churn employee base (see "Driver Acquisition & Retention").
Surge pricing works by providing a financial incentive for drivers to change location. Drivers receive a text or in-app notification informing them that surge pricing has been "turned on" in a specific area.



Texts sent from Uber to encourage drivers to get on the road during surge periods.
Since then, Uber's business model has retained the same basic dynamics. Its two biggest initiatives since UberX — Uber Pool and Uber Eats — aim to increase driver utilization even further. With Pool, it adds more passengers to the car. With Eats, drivers move around more than just people.
Everywhere, Uber is experimenting with layering more value onto the latent, global logistics network that it has built with its fleet of nearly 4M drivers.
Once the underlying technology is vetted and scaled, autonomous vehicles could transform the company's business model further — and the company is already experimenting with this technology. Without the cost of the driver, Uber would be able to keep another 75% of every fare. Drivers are the biggest (but not the only) cost of doing business for Uber. Below, we look at the massive expenses associated with becoming the most popular ride-hailing app.

Uber's cost centers

Uber became a darling of Silicon Valley investors by nullifying many of the greatest costs of running a traditional taxi service.
Uber doesn't pay its drivers as employees, it pays them as independent contractors. Uber doesn't own cars, its contractors bring their own. Uber (as a pure ride-hailing service) has no physical assets to manage. The company just coordinates the meeting of supply and demand, and takes a cut.
That model — or more specifically, Uber's method of going about it — wound up being quite expensive.
Uber's losses today are the stuff of startup legend.
Uber's operating loss in 2016 amounted to more than $3B. It increased 35% to $4.1B in 2017 and fell back to $3B in 2018, still extremely high given Uber's maturity, low driver wages, IPO, and slowing growth.
While Uber's basic business model is quite capital efficient, it has continued to struggle with its costs, which has been driven by a number of factors:

- Constant geographical expansion: Uber set out to conquer the world, believing that being the first mover could give the company an early advantage — but doing so meant spending

hundreds of millions of dollars to start up, lobby, and often fight in unfamiliar markets.

- Commodification of ride-sharing: Because Uber has little valuable IP, and local companies and VCs have an incentive to gain a ride-sharing monopoly in their own areas, Uber has spent hundreds of millions fighting well-capitalized local competitors, attempting to drive its revenues down and costs up.
- Poor overall driver retention: While part-time work and flexibility are core to the Uber driver experience, its ~13% monthly churn rate on drivers means hefty sales, marketing, and promotional spend designed to keep people signing up and driving for the platform.

To rein in costs, Uber has been doubling down on its core markets while also expanding its offering beyond just car rides to incorporate bikes, scooters, and public transportation options into its platform.

Driver acquisition & retention

The cost of acquiring drivers has been one of the most expensive parts of running Uber since its inception. In Uber's early years, new drivers got sign-up bonuses as high as $2,000 or $5,000 just for completing a few rides on the app.

Today, referral bonuses have been scaled down significantly, but Uber still spends billions per year marketing itself to new drivers, paying out on other incentives, and financing driver vehicles. In 2018, Uber spent more than $3.1B on sales and marketing, plus nearly $900M on excess driver incentives.

Part of the problem for Uber is driver churn. Only about 20% of drivers remain on Uber's platform after one year, The Information has reported — equivalent to about 12.5% monthly churn.

Uber, thus far, has largely been able to counteract the deleterious effects of high churn through its high take rate and short payback period.

Between the middle of 2017 and approximately June 2018, Uber grew from approximately 2M to 3M drivers worldwide. At 12.5% monthly churn, that kind of growth would have meant consistently adding about 450,000 new drivers to the platform per month.

Over that same period, the company spent an average of about $230M per month on sales and marketing and about $110M per month on partner incentives. Uber's acquisition spend has always been tilted towards drivers — referral bonuses for drivers coming in at $200 — $5,000 compared to $20 — $40 for riders.

If we set aside 80% of all Uber's monthly sales & marketing spend for driver acquisition, plus partner incentives, we end up with an average driver acquisition cost of about $650.

Today, according to its S-1 filing, Uber has 3.9M drivers around the world. Each month, those drivers generate a little more than $3.4B in gross bookings. Of this, Uber makes about $900M: that works out to a revenue per driver per month of about $230.

This means Uber earns back what it spent to acquire a driver within just about three months. At a 12.5% monthly churn rate, you lose about a third of your drivers after three months, but the impact of this is difficult to model precisely.

Uber argues that its drivers churn out by design, because Uber is less a "job" and more an "in-between" and part-time solution. Uber certainly hasn't run out of drivers yet. But Uber's already-low retention rate and relatively high take rate make it harder to see how Uber will cut driver acquisition costs in the future or decrease churn.

Despite ads claiming drivers could earn $90,000 a year or on average, make $25 an hour, the average take-home pay of an Uber driver in the United States today — after expenses — is still only about $10 an hour. At 40 hours a week with a family of two, that is near or at the poverty line.

Uber's driver acquisition process hasn't slowed significantly, but the churn and wage problems represent one of the most significant costs involved in running the company and one of the biggest potential long-term threats.

Uber and its team are well aware — in the S-1 filing, Uber's team reports that they "aim to reduce Driver incentives to improve our financial performance" and that they "expect Driver dissatisfaction will generally increase" as a result. While Uber "aim[s] to provide an earnings opportunity comparable to that available in retail, wholesale, or restaurant services or other similar work," the fact remains that many drivers remain dissatisfied with that earnings opportunity, and their churn rate is a good indication of that fact.

The expensive driver acquisition machine that Uber has needed to build to circumvent that churn rate stands in stark contrast to Uber's relatively cheap, efficient, and effective customer acquisition process.

Customer acquisition & retention

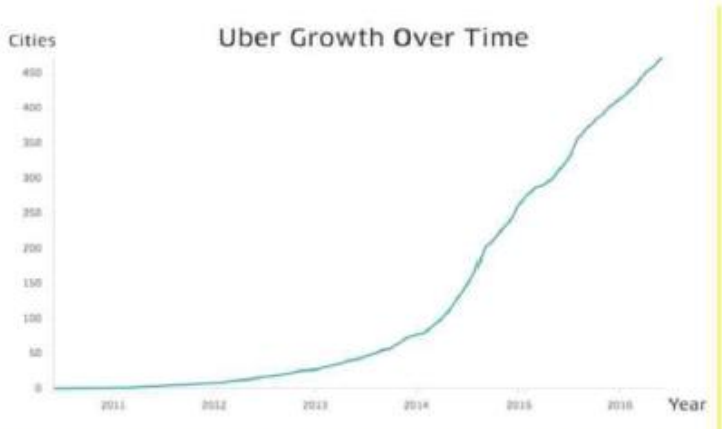
Uber's customer acquisition, especially early on, has been driven in large part by local network effects and financial incentives for new users.

Rider churn is not a significant problem — Uber's share of the US ride-hailing market is at 70% and climbing. Its cost of customer acquisition is relatively low — with the cutting of incentives, may be even lower than what we've modeled here.

Over its first few months, Uber was only used by a few dozen different riders every weekend. Six months later, it had about 3,000 active users. By the end of 2013, it was live in almost a hundred

cities with roughly 80K new sign-ups per week.
In order to stimulate demand, new Uber users would receive as much as $20 just for downloading the app and taking their first ride.
Other Uber promotions have been more spur of the moment — free rides at SXSW, free barbecue delivery, cats & dogs delivered through Uber.
Today, these referrals are far fewer and further between, and Uber's customer acquisition costs appear to have settled down.
Part of Uber's ongoing success in maintaining its customer base has been the natural network effects of running a reliable ride-hailing business (especially one that has a majority share of the market) — 95% of its early users learned about Uber from a friend.
The most significant obstacle to Uber's customer growth to date was the #DeleteUber campaign, and data from Second Measure shows it did have an effect on Uber's customer base, reducing its share of the market to about 8% of the US population. By March, however, the company was back to its pre-scandal market share.
Even with about 15% of the US population between them, Uber and Lyft continue to expand, picking up more customers month-over-month.
Lyft, however, does pose a threat to Uber.
Lyft has proven it can grow in the commoditized ride-hailing space just as steadily as Uber — in 2018, it actually grew faster. At the same time, it sends a signal to investors that Uber's moat may not be as wide as once thought.
By 2016, Lyft was only spending $5 — $10 per new user it acquired, and events like those leading up to the #DeleteUber campaign only fueled its user acquisition engine.
Lyft had 28% of the US ride-hail market to Uber's 70% as of September 2018, a number that had increased to about 30% as of March 2019.
Still, Uber's natural referral mechanics and incentive programs, combined with the average spend of an Uber user, have allowed the company to quickly expand its user base at relatively low cost. And even with increased competition from Lyft, there is little indication that Uber's customer acquisition costs have gone up significantly.

Expansion costs
Uber was founded on the idea of aggressive expansion. Just months after going live in New York City and Chicago, Uber stunned employees and investors by going online in Paris. London, Mexico City, and Taiwan followed.
Uber's geographic expansion took off in earnest in 2013. By the middle of 2014, Uber was in more than 150 cities — today, it is in more than 600.

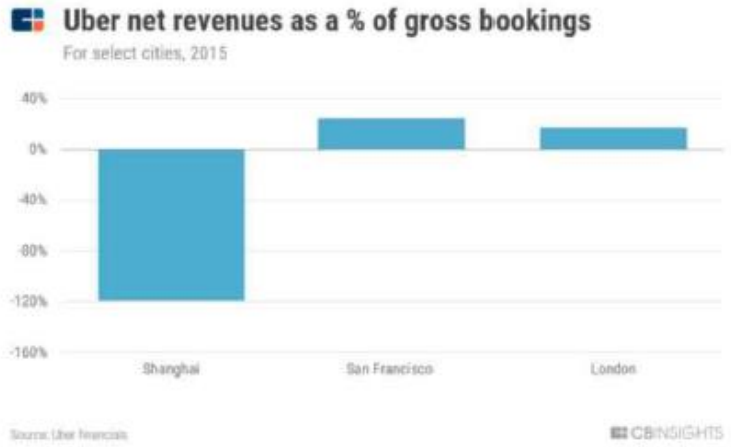


Uber's expansion started slow, but accelerated dramatically starting in 2013 — by 2015, the company had already brought Uber to 275 different cities.

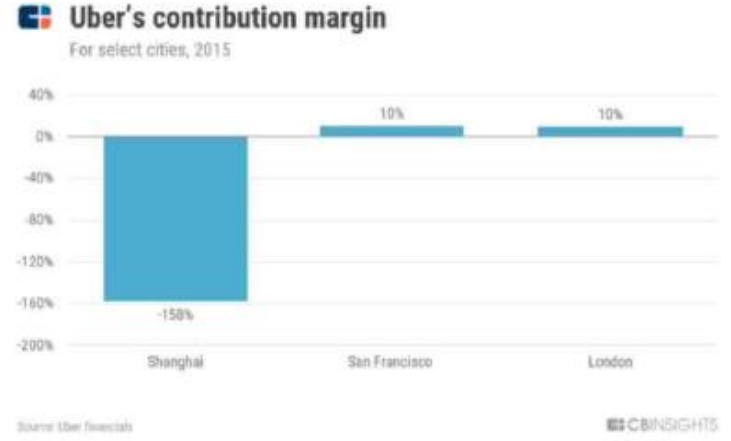
But from Russia to southeast Asia to China, the cost of conquering global markets has been high.
Uber's business has been commoditized. For that reason, its local competitors — often tied to the local community and supported by the state — have had to do little more than temporarily outspend Uber in order to gain their own foothold. In many of these international markets, those competitors have successfully beaten Uber back.
The London Uber Eats team decided, for example, that with the number of existing food delivery services in the area, it would have to promise delivery in 30 minutes or less if it wanted to capture users for the product.
The promotion did help grow the product. But about a year later, amid criticism of unfair competitive practices and failure to ensure its drivers' safety, Uber lost the ability to renew its license to operate in London. However, in June 2018, Uber was granted a 15-month license to operate in the city.
Uber's expansion into any new market comes with a variety of new, variable costs:

- Higher driver commissions
- Driver incentives
- Driver onboarding (e.g. mobile devices)
- Increased sales & marketing spend
- Insurance/other operating expenses

Where Uber's geographic expansion has failed, it has not managed to bring those costs under control.
In 2013, Uber entered mainland China with its launch in Shanghai. In 2015, leaked documents showed that Uber was still losing a huge amount of money just in that one urban market. To attract both drivers and users, it was paying nearly 140% of its gross bookings (the top-line revenue number) to drivers in incentives.



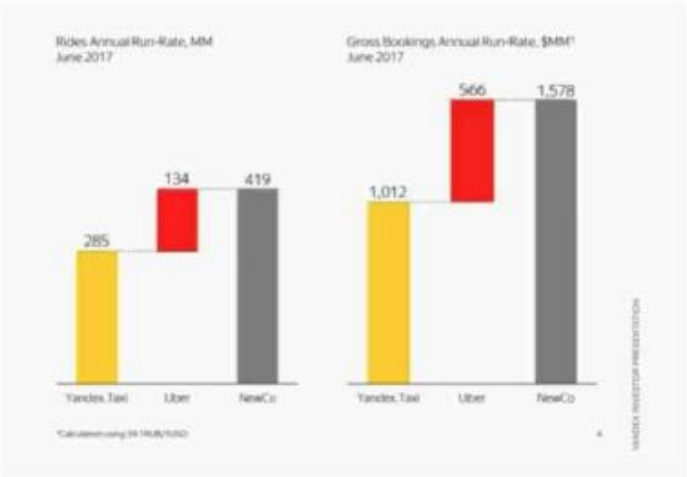
And while net revenue margin looks bad, contribution margin looks worse.
Uber had struggled to achieve positive net revenue in markets like London, but Shanghai's contribution margin (a measure of how profitable the region itself is for Uber) circa 2015 was at -157% to London's 9.7% and San Francisco's 10%.
Because contribution margin accounts for all the direct costs associated with revenue in a certain region, it's a better tool for understanding the relative costs of geographical expansion for Uber — and in this case, it's a good tool for showing just how expensive Uber's entrance into China was for the company.



In Shanghai, Uber appears to never have gotten close to profitability, with a worse than -150% contribution margin.

Competing in the Chinese market proved extremely challenging for Uber, which had little experience in Asia and was going up against a company, now Didi Chuxing, with the blessing of the Chinese government. All in all, Uber spent about $2B trying to overcome local regulations, find drivers, and attract users to its platform.
Didi raised billions in the early summer of 2016, hired 5,000 employees, and worked its way to 85% market share in the Chinese ride-hailing market. "Uber's large institutional investors," Brad Stone writes in his book The Upstarts, "were worried, and began pressing [then-CEO] Kalanick to negotiate a truce."
In August 2016, Uber decided to exit China for strategic reasons, announcing a merger with Didi through which Uber sold its China operations to Didi in exchange for a 17.7% stake of the company.
Uber has continued to retreat from especially challenging markets since its China exit, mainly so that the company can focus on its core markets.
Uber's expansion into Russia proceeded in a similar way. In Russia, Uber faced an already-existing and

highly-profitable competitor run by Russia's largest search engine company, Yandex. Uber never caught up.
By July 2017, Uber exited Russia, merging its operations with Yandex. At the time, Yandex.Taxi had more than 2x Uber's rides and bookings run rate.



Similarly, Uber's expansion into southeast Asia ended because Grab, the company's largest regional competitor, raised $2B and began spending aggressively on customer and driver acquisition. Uber, in the end, couldn't keep up.
"It's time for Uber to swallow its pride and face a hard truth: Instead of attempting to conquer the world, it should be cutting deals with competitors and making a graceful retreat in markets too tough to dominate," wrote Alison Griswold in Quartz.
Investors have generally agreed. After exiting southeast Asia, Uber was able to record a profit on its balance sheet for the first time — $2.5B in Q1'18 — a positive signal for investors with an IPO on the horizon.

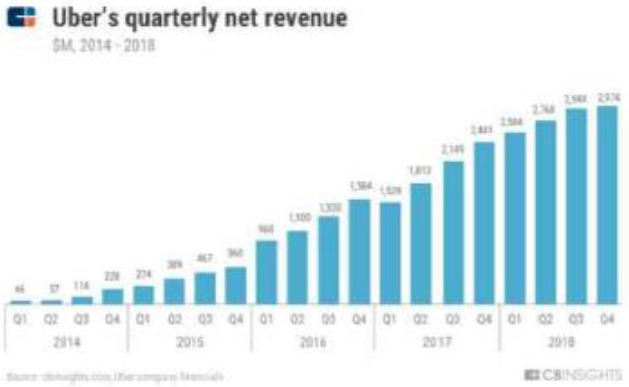
Uber's costs are still comparatively higher than most unicorn tech startups. The problem isn't just one of physical expansion. The problem is that each locale Uber expands into is different — they have different regulations, different technological needs, and different cultures around ride-hailing. These differences make for an intimidating set of everyday challenges for Uber.

Regulation-based costs

While Uber doesn't own cars or employ drivers (as employees), it still must do a lot more groundwork to expand into a new city than your average tech startup. Once it does, it must often deal (especially outside the US) with governments that have more restrictive labor laws or transport regulations.
Regulations and legal problems have been a consistent and expensive problem for Uber around the world.
Uber escaped regulation early on in the San Francisco and Washington D.C. markets primarily by appealing to its fast growth and enthusiastic user base. Its primary "defense" (known as "Travis' Law" internally) was that people loved its service so much that any city or local government that banned the company would face a grassroots wrath. The company has not had such luck everywhere — dealing with European regulators or Asian authorities has made it difficult for Uber to get a real foothold abroad.
In Germany, Uber was forced to have each of its drivers acquire a commercial driver's license, and it planned to pay €100 — €200 per driver to do so. 34 Uber drivers had their vehicles impounded in Cape Town, South Africa, which Uber paid to undo. In Hong Kong, Uber has paid legal bills and bail for drivers imprisoned on suspicion of working for "an illegal car-hailing service." Regulations have in some cases directly affected the expense of bringing on new drivers.
In 2016, Uber created a chart of the cities in which driver onboarding was the most and least expensive (in both money and time). New York City, where potential Uber drivers had to pay fees of up to $3,000 to start driving and get through several weeks of classes, was by far the most expensive city in which Uber had launched.
Uber has used its significant lobbying budget to try to reduce regulations in places like New York City — it spent more than $6.6 million in NYC just in 2015 fighting a proposed vehicle cap measure, according to NY Post. Uber beat the regulation then, but in 2018, the City Council approved a new measure instituting a ride-hail cap.
In other places, it has spent large sums of money to curry favor with local communities. After a London court refused to renew Uber's license to operate in the city, the company undertook a massive (successful) diplomatic effort to reverse the decision, part of which included rolling out new financial insurance packages to cover driver losses due to health or injury. Recently, Uber announced it would be investing $200M in Canada — where many provinces have banned Uber before — as it expands and builds out a new branch of the company in Toronto.

Uber's revenue centers

Despite the high costs involved in running the business, Uber has been able to grow its valuation and keep investors happy because of its industry leadership in core markets, majority share of several large markets globally, and its ability to grow revenue at a fast pace.
From 2012 to 2018, Uber's net revenue per quarter rose from $1.4M to $2.97B.



Uber grew revenue exponentially for its first 4 years, ending 2016 at $1.584 billion a quarter.

Uber has an incredibly advantaged role in its marketplace — by owning the network, it takes between 20-30% of each fare that takes place. Over time, it has been able to increase the amount of money it takes from each transaction on its platform, and it has been able to drive growth to even higher margin and value-added services.

In more recent years and quarters, however, there's been reason to fear that Uber's growth is beginning to meaningfully slow. In 2017, Uber grew revenue by more than 100% year-over-year from $3.8B to $7.9B. In 2018, Uber made $11.3B in net revenue, 42% percent more than the year prior. From Q2'18 to Q3'18, Uber's revenue increased 6.4%, and between Q3'18 and Q4'18, there was an increase of just 1%.

While no company of Uber's scale is likely to be able to maintain sky-high growth forever, this slowing growth has been enough to give some investors pause about the company, especially considering its mounting losses and thin driver pay margins.

The basics of car ride/fee distribution

The average fare on Uber is a mixture of (relatively) fixed costs based on distance and time spent, and dynamic costs based on location, time of day, and your personal profile.

First, users pay a variable base rate. They pay a rate based on the distance they're going and the time it will take to get there. They cover various local fees and taxes, and may pay a service or booking fee.

About 75 — 80% of the total fare a rider pays goes to the driver, and between 20 — 25% goes to Uber — though this can differ based on a driver's tenure and location.

Uber uses its take to pay taxes, credit card fees, sales & marketing, insurance, and other operating expenses, and pockets the rest.

Uber's dynamic pricing includes surge rates, city and neighborhood-based variations in price, and also personalized pricing rates based on who you are or where you're going.

In an interview with Bloomberg, an Uber representative said a person's "propensity to pay more to travel a certain route at a certain time of day" factors into the price of individual Uber rides.

But certain Uber services are also simply more dynamically-priced than others. When you take an UberX, you pay per-minute and per-mile. When you take an Uber Pool, you pay a dynamically generated rate based primarily on how many other passengers will join you in the car.

This kind of pricing — decoupled from the cost of providing the service — is primary in Uber's newest (and some of its most profitable) services, and it also offers Uber the biggest opportunity to drive further revenue.

Competition

Uber has dealt with competition since its launch. The product invites it — drivers can easily drive for two or three ride-hailing services simultaneously (because they are independent contractors, not employees), and riders can switch over by just opening another app.

Today, however, Lyft — Uber's main competitor in the US — poses more of a problem for Uber than ever before. Because of the high commoditization of ride-hailing and Lyft's now very well-capitalized team, Uber is ramping up investments in adjacent businesses such as bikes and scooters, in addition to food delivery.

Uber does have one key advantage over most competitors, and that's scale. Scale is important because the main lever in this business is price. Price is what users care about — when they find lower prices on one ride-hailing service, they switch. That means if Lyft lowers its prices, Uber must lower its prices, and so on. But Uber has always been able to sustain lower prices for longer. If it needs to, thanks to the money raised, it can afford to lower prices for riders and pay drivers higher surge prices, pulling both riders and drivers to its platform.

Appendix 3: Supporting Document 3

MLA 8 Citation: Blair, Ian. "Uber Revenue and Usage Statistics (2019)." Business of Apps, 10 May 2019, Retrieved February 22, 2020 from Buildfire:
www.businessofapps.com/data/uber-statistics/.

Uber Revenue and Usage Statistics (2019)

Uber has revolutionized the way we travel.

This ridesharing mobile app connects riders with drivers in just a couple of clicks and charges the rider's credit card automatically. No cash or currency is exchanged in the vehicle.

Uber is a more convenient and affordable way to get around than a traditional taxi cab. Plus, it's a way for drivers to earn some extra money on the side, while driving their own vehicles.

The Uber business model is very simple. They connect riders with drivers and take a percentage of all transactions.

But at the end of the day, Uber is just a mobile app.

Users download it from the Apple App Store and Google play store, the same way they would download any other app — including yours.

So for those of you who have a mobile app or plan to build one, it's always a great idea to follow the lead of those who succeeded before you. To say Uber is a success is an understatement.

Don't get me wrong; I'm not saying that you'll be the next Uber or completely revolutionize an industry the way they have, but don't sell yourself short. Either way, you can still learn from their business model and path to success.

This guide will cover the latest Uber revenue and usage statistics. You'll see how this business has been booming, and how you can apply those same concepts to your own app.

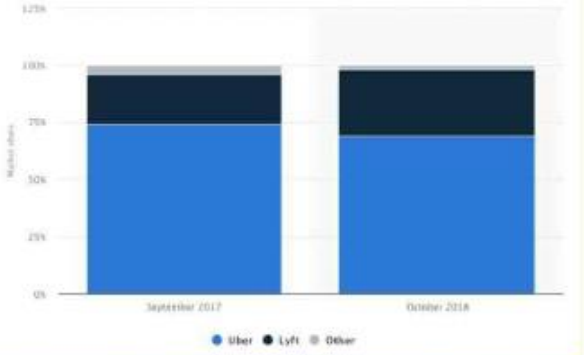
Key Uber Statistics

- Uber has a global market value of $72 billion.
- Uber generated $12 billion in gross bookings in the most recent quarter.
- There are more than 75 million active Uber riders across the world.
- Uber is available in more than 80 countries worldwide.
- Uber has completed more than 5 billion rides.
- Over 3 million people drive for Uber.
- In the United States, Uber fulfills 40 million rides per month.
- The average Uber driver earns $364 per month.

Uber United States Market Share

While the idea of Uber was born in Paris back in 2008, the company's first ride took place in San Francisco. That's where the Uber headquarters is still located today.

With that in mind, I think it makes sense to look at the US market share before we analyze any international data.



Based on the graphic alone, it's clear that Uber controls the market share here in the United States. But with that said, they aren't poised for domination in the coming years.

Let's look at the last two years. In 2017, Uber had a 74% market share in the US, compared to Lyft at 22%. In 2018, Uber controlled 69% of the market share, while Lyft rose to 29%.

As you can see, Lyft is slowly but surely taking a percentage of the ridesharing industry in the US. However, the lion's share is still going to Uber.

But based on this trend, it appears that these figures will start to balance out over the course of the next few years. We'll take a closer look at Uber's competitors as we continue through this guide.

Uber Global Penetration

Three years after the concept of Uber was developed in Paris, they launched in that same city with their first international ride in 2011.

Over the next few years, Uber would begin launching in other cities across the world.

- 2012 — London, United Kingdom
- 2013 — Mexico City, Mexico
- 2013 — Taipei City, Taiwan
- 2013 — Johannesburg, South Africa
- 2013 — Bangalore, India
- 2014 — Beijing, China
- 2014 — Lagos, Nigeria
- 2015 — Nairobi, Kenya

The list goes on and on. Uber began penetrating markets in every corner of the world. Here's a look at where Uber is available today.

It's quite remarkable how this company has been able to penetrate markets worldwide over the span of a decade.
This just goes to show you the power of mobile applications. Anywhere users can download a product from an app store is a potential market for your business. Uber clearly recognized this and expanded accordingly.

Uber Competition

As we've briefly mentioned, Uber has competitors.
When the concept first came to fruition, taxi cabs were the biggest competition. But today, there are other ridesharing apps, like Lyft, that have a similar business model.
We'll take a closer look at these competitors with real data to see where Uber stacks up.

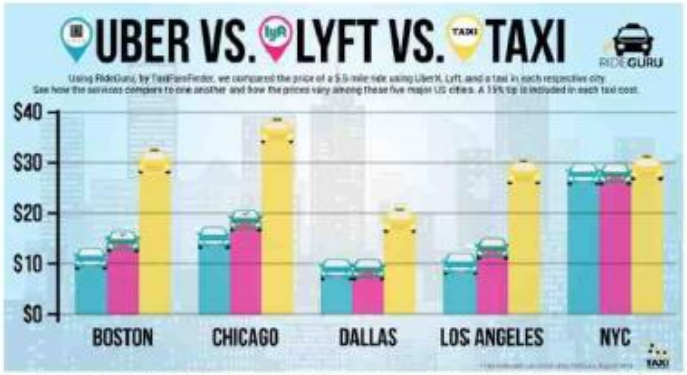
Ridesharing vs. taxi cabs

New York City seems like the taxi capital of the world. Whenever I picture a NYC street, I'm thinking of the roads covered with yellow cabs.
But over the last five years, ridesharing usage has been able to penetrate and ultimately surpass the taxi cab market share in New York. Here's a comparison of taxi rides to ridesharing apps on an annual basis in NYC.

The growth rate of ridesharing in New York City is nothing short of astonishing.
Rideshares grew by more than 3,400% in just four years. While on the flip side, the number of taxi rides decreased by 26% over nine years.
Clearly, the trends are tilting in favor of ridesharing, which is good news for Uber.

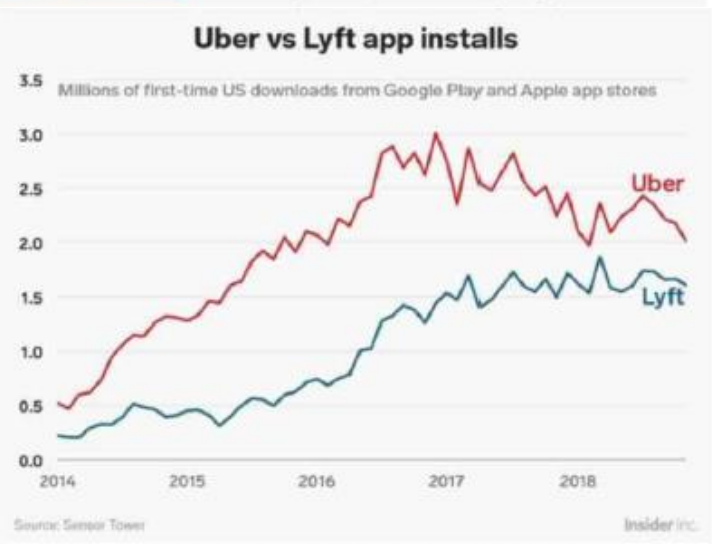
Uber vs. Lyft vs. Taxi cost

Now let's take a look at the cost of an Uber ride compared to the competition. Here's the average cost of a 5.5-mile ride in five major US cities.

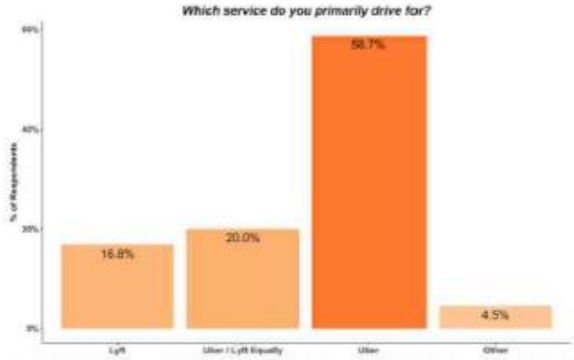


For the most part, Uber is cheaper across the board and significantly less expensive in some cities than others. If you're going to take a taxi in Boston, the rate is going to be nearly 3x higher than an Uber.
In terms of ridesharing apps, the cost of an Uber ride is slightly less than Lyft, according to the data from this study.

Keep in mind; this information analyzed UberX, which is an economic way to travel. The pricing for other Uber services, such as UberSELECT, UberXL, or UberBLACK will be more expensive.
I know it's only a matter of opinion, but it's hard to argue that Uber is not a better service than a traditional taxi. So the fact that this business has been able to offer a product that's better than the competition, at a lower rate, is one of the reasons why they've been so successful.
Nobody wants to pay more money for an inferior service. Even if you look at NYC, where the prices are the same. We previously saw how ridesharing had surpassed taxis in that area. So it's clear that when consumers are presented with different options at a similar price point, they are still choosing to use ridesharing apps.
App installs — Uber vs. Lyft
Based on everything we've seen so far, it's clear that other ridesharing apps pose a bigger threat to Uber than taxis.
So let's see how many people are downloading the Uber app compared to the Lyft app.



As you can see from this graph, Lyft is right on the heels of Uber in terms of app installs.
Earlier we saw data showing that Uber is slowly starting to lose some of its market share to Lyft, and this data backs up that claim as well.
To me, this says that consumers are more open to other ridesharing options.
In an effort to retain their users, Uber implements customer loyalty programs to keep people from switching to Lyft.
Uber Driver Statistics
Unlike other businesses, Uber needs more than just customers for their business model to work. This platform simply wouldn't be able to operate without drivers.
Drivers use the same app as riders, but have a different profile and dashboard.
Compared to other ridesharing services, the majority of drivers primarily drive for Uber exclusively.



Furthermore, 47.7% of drivers are signed up for two on-demanded services. 17.9%, 6.9%, and 5.9% are signed up for three, four, and more than five services, respectively.
Even though so many of these drivers have signed up for other apps and services, it's encouraging for Uber that nearly 60% drive them almost exclusively.
Uber wants riders to get connected with a driver almost instantly. If users have to wait a long time for their ride to show up, it won't be as good of an experience for the customer.
46% of Uber drivers have been on the platform for less than a year. Just 11% of them have been driving Uber for three years or more.

Average monthly earnings per driver

So how much do Uber drivers make?
Let's look and see their average earnings compared to other sharing platforms.

How much do people make in the sharing economy?

AVERAGE AND MEDIAN MONTHLY INCOME PER SHARING ECONOMY WORKER

RANK	COMPANY	AVERAGE/MO	MEDIAN/MO
1	Airbnb	$924	$440
2	TaskRabbit	$380	$110
3	Lyft	$377	$210
4	Uber	$364	$155
5	Doordash	$229	$100
6	Postmates	$174	$70
7	Etsy	$151	$40
8	Fiverr	$103	$60
9	Getaround	$98	$70
	OVERALL	$299	$109

As you can see, the average Uber driver makes $364 per month, which is slightly lower than the average Lyft driver.
Here's a more in-depth breakdown of those monthly figures.

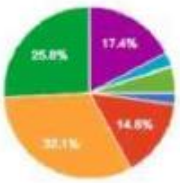
- 45% earn $99 or less
- 39% earn $100 – $499
- 11% earn $1,000 – $1,499
- 2% earn $1,500 – $1,999

That's right. Just 13% of all Uber drivers make more than $1,000 per month.

Average hourly earnings per driver

Now you know how much drivers make per month, but that doesn't tell us what their time is worth. Here is some additional data on the average hourly earnings for Uber drivers.

How much do you earn per hour before expenses?



Less than $5 per hour	19	2.2%
$5 to $9.99 per hour	128	14.8%
$10 to $14.99 per hour	277	32.1%
$15 to $19.99 per hour	223	25.8%
$20 to $29.99 per hour	150	17.4%
$30 to $39.99 per hour	22	2.5%
$40 or more per hour	2	0.2%
Prefer not to say	42	4.9%

On average, an Uber driver makes $15.68 per hour. That's not bad, considering the Federal minimum wage in the US is $7.25 per hour.

However, that hourly rate for drivers is before expenses. Remember, Uber drivers are responsible for their own vehicles, so you have to factor in things like:

- Gas
- Insurance
- Depreciation
- Maintenance

Lyft drivers earn a bit more money at $17.50 an hour, on average. But Lyft drivers are also happier. 75.8% of people who drive for Lyft say they are satisfied, but just 49.4% of Uber drivers are satisfied with their driving experience.

Appendix 4: Supporting Document 4

MLA 8 Citation: "Uber Announces Results for Fourth Quarter and Full Year 2019." Uber Technologies, Inc. - Uber Announces Results for Fourth Quarter and Full Year 2019, 6 Feb. 2020, investor.uber.com/news-events/news/press-release-details/2020/Uber-Announces-Results-for-Fourth-Quarter-and-Full-Year-2019/.

Uber Announces Results for Fourth Quarter and Full Year 2019

February 06, 2020

Revenue of $4.1 billion, growing 37% year-over-year or 39% on a constant currency basis

Rides Adjusted EBITDA of $742 million, with continued margin expansion

SAN FRANCISCO--(BUSINESS WIRE)-- Uber Technologies, Inc. (NYSE: UBER) today announced financial results for the fourth quarter and full year ended December 31, 2019.

Financial Highlights for Fourth Quarter 2019

- Gross Bookings grew $4.0 billion year-over-year to $18.1 billion, representing 28% year-over-year growth, or 30% on a constant currency basis, with Rides and Eats growing 20% and 73% year-over-year, respectively, on a constant currency basis.
- Revenue grew 37% year-over-year, or 39% on a constant currency basis, up from 30% in the third quarter of 2019.
- Adjusted Net Revenue ("ANR") grew 41% year-over-year, or 43% on a constant currency basis, despite seasonal impacts on both Rides and Eats ANR take rates. Take rates expanded over 200 bps and 300 bps year-over-year for Rides and Eats, respectively.
- Net loss attributable to Uber Technologies, Inc. of $1.1 billion, which includes $243 million in stock-based compensation expense.
- Rides Adjusted EBITDA delivered a $742 million profit and 24.3% margin as a percentage of Rides revenue, or 24.4% margin as a percentage of Rides ANR, covering our Corporate G&A and Platform R&D cost by $98 million, and achieving absolute dollar and margin improvement in every quarter of 2019.
- Eats Adjusted EBITDA of $(461) million, driven by increased investments in several key markets that delivered category position improvement.
- Adjusted EBITDA of $(615) million, reflecting year-over-year margin improvement of over $200 million.
- Unrestricted cash, cash equivalents and short-term investments were $11.3 billion.

"2019 was a transformational year for Uber and I'm gratified by our progress, steadily delivering against the commitments we've made to our shareholders on our path to profitability," said Dara Khosrowshahi, CEO. "We recognize that the era of growth at all costs is over. In a world where investors increasingly demand not just growth, but profitable growth, we are well-positioned to win through continuous innovation, excellent execution, and the unrivaled scale of our global platform."

"Our revenue growth continued to accelerate in Q4, with adjusted net revenue up 43% year-over-year in constant currency," said Nelson Chai, CFO. "We consistently outperformed our adjusted EBITDA targets in 2019, including in the fourth quarter. Our focus on disciplined capital allocation is part and parcel to achieving our financial goals, and the recent sale of our India Eats business further demonstrates that commitment."

Operating Highlights for the Fourth Quarter 2019

Platform

- **Global brand strength drove 2019 download leadership in 2 key segments** - Most downloaded app globally in both Rideshare (Uber app) and Food Delivery (Uber Eats) categories on both the Apple App Store and Google Play Store (source: Sensor Tower); Identified as one of the top 100 U.S. brands, ranked #1 on the most innovative brand and great consumer experience rankings, by WPP and Kantar (source: Kantar).
- **Robust MAPC growth** - We added 20 million MAPCs year-over-year to reach 111 million, while cross platform users grew 68%.

Rides

- **Rides premium category continued rapid expansion** - We launched Uber Comfort in Latin America and EMEA, following the success of our U.S. launch. Comfort helped to drive 54% year-over-year growth in our premium Rides offerings globally.
- **UberX trip growth remained robust** - Rides trips grew 23% in Q4, with trips ex-shared rides growing 26%, consistent with Q3.
- **Key new markets growing rapidly** - High-priority new markets (Argentina, Germany, Japan, South Korea and Spain) delivered Gross Bookings growth in Q4 that was more than four times overall Rides Gross Bookings growth, on a constant currency basis.
- **Airport business outgrows overall Rides** - In Q4 2019 our Airport business outgrew overall Rides. We now serve over 650 airports globally and continue to see our airport riders prefer our premium products. In 2020, we will continue to roll out our PIN product (riders receive a PIN and take it to the driver next in line rather than seeking out a specific driver), which has been well-received by riders and by airports.
- **Uber for Business (U4B) expanding** - Gross Bookings from our business travel offering continued to accelerate in Q4 to $1.2 billion, fueled by 75% growth in managed business accounts and through vertical initiatives such as Uber Health, which itself grew over 300% YoY and now works with some of the largest non-emergency medical transportation (NEMT) brokers in the U.S.
- **U.S. Rides insurance carrier added** - We added Liberty Mutual as a U.S. Rides insurance provider. We also expanded our partnerships with Progressive and Farmers, two existing U.S. Rides insurance partners. During Q4 2019, Rides insurance costs were down year-over-year and quarter-over quarter as a percentage of Gross Bookings and ANR.
- **Appealing London TfL decision** - Uber will continue to operate in London as we appeal Transport for London's decision to not renew our license. We also plan to roll out additional systems to strengthen identity confirmation of drivers, including a facial matching process, which we believe are the most robust in the industry.
- **Released U.S. Safety Report** - Published the first comprehensive publication of its kind, sharing details on Uber's safety progress and data related to reports of the most serious safety incidents occurring on our platform.

Other Segments

- **Eats achieves comparable Gross Bookings in a top 10 Rides country** - As proof of the strength of our platform, in only three years since launch, Eats has achieved comparable Gross Bookings to Rides in Australia despite Rides having launched eight years ago.
- **Eats subscriptions continue expansion** - Eats subscriptions rolled out to all U.S. cities (ex-California) and to Taiwan and South Africa, our first international markets to launch this product.
- **Freight continued to expand its offering to carriers** - In-app bundles, which allow carriers to book multiple loads at once, have reduced empty miles versus non-Uber Freight matched bundles. We also launched a web portal geared towards trucking fleets in late Q3, with web-based carriers scaling to an average of 10% of overall supply in Q4.
- **JUMP launched new markets and won permits in key cities** - Launched scooters in San Francisco, bikes in Rome, and scooters in São Paulo. JUMP also won permits to expand in key markets such as Washington, D.C. and four markets across Australia and New Zealand, which complement the Uber Platform. In Washington, D.C., our permit win will make us the largest combined dockless fleet operator in the city across bikes and scooters.

Recent Developments

- **Divested India Eats business** - Zomato, a popular food app in India, acquired our food delivery business in India, in-line with our strategy to focus on markets where we can achieve a leading position. Eats ANR take rate would have been 10.1% in Q4 2019 excluding the impact of Uber Eats in India.
- **Completed the previously announced acquisition of Careem** - We completed the Careem acquisition following the approval of the transaction in Egypt, Jordan, Saudi Arabia and the United Arab Emirates, which represent substantially all of the major markets where regulatory approval was required. We have not received regulatory approval in Pakistan, Qatar and Morocco to date and the transaction will not close in these countries until approval from the relevant competition authorities is obtained.
- **Introduced new product features in California** - Introduced a number of product and policy changes in California to further strengthen the independence of drivers and delivery people, protect their ability to work flexibly, and clarify Uber's role as a marketplace.

Webcast and conference call information

A live audio webcast of our fourth quarter and year ended December 31, 2019 earnings release call will be available at https://investor.uber.com/, along with the earnings press release and slide presentation. The call begins on February 6, 2020 at 1:30 PM (PT) / 4:30 PM (ET). This press release, including the reconciliations of certain non-GAAP measures to their nearest comparable GAAP measures, is also available on that site.

We also provide announcements regarding our financial performance, including SEC filings, investor events, press and earnings releases, and blogs, on our investor relations website (https://investor.uber.com/).

About Uber

Our mission is to ignite opportunity by setting the world in motion.

We revolutionized personal mobility with Ridesharing, and we are leveraging our platform to redefine the massive meal delivery and logistics industries.

We are a technology platform that uses a global network, leading technology, operational excellence and product expertise to power movement from point A to point B. We develop and operate proprietary technology applications supporting a variety of offerings on our platform. We connect consumers with independent providers of ride services, restaurants and food delivery services, public transportation networks, e-bikes, e-scooters and other personal mobility options. We use this same network, technology, operational excellence and product expertise to connect shippers with carriers in the freight industry. We are also developing technologies that provide autonomous driving vehicle solutions to consumers, networks of vertical take-off and landing vehicles and new solutions to solve everyday problems.

Forward-Looking Statements

This press release contains forward-looking statements regarding our future business expectations which involve risks and uncertainties. Actual results may differ materially from the results predicted, and reported results should not be considered as an indication of future performance. Forward-looking statements include all statements that are not historical facts and can be identified by terms such as "anticipate," "believe," "contemplate," "continue," "could," "estimate," "expect," "hope," "intend," "may," "might," "objective," "ongoing," "plan," "potential," "predict," "project," "should," "target," "will," or "would" or similar expressions and the negatives of those terms. Forward-looking statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These risks, uncertainties and other factors relate to, among others: competition, managing our growth and corporate culture, financial performance, investments in new products or offerings, our ability to attract drivers, consumers and other partners to our platform, our brand and reputation and other legal and regulatory developments. In addition, other potential risks and uncertainties that could cause actual results to differ from the results predicted include, among others, those risks and uncertainties included under the captions "Risk Factors" and "Management's Discussion and Analysis of Financial Condition and Results of Operations" in our prospectus filed with the Securities and Exchange Commission pursuant to Rule 424(b) under the Securities Act of 1933, as amended, on May 13, 2019 and in our Quarterly Report on Form 10-Q for the quarter ended September 30, 2019. All information provided in this release and in the attachments is as of the date of this press release and any forward-looking statements contained herein are based on assumptions that we believe to be reasonable as of this date. Undue reliance should not be placed on the forward-looking statements in this press release, which are based on information available to us on the date hereof. We undertake no duty to update this information unless required by law.

Non-GAAP Financial Measures

To supplement our financial information, which is prepared and presented in accordance with generally accepted accounting principles in the United States of America ("GAAP"), we use the following non-GAAP financial measures: Adjusted Net Revenue; Rides Adjusted Net Revenue; Eats Adjusted Net Revenue and Adjusted EBITDA as well as revenue and Adjusted Net Revenue growth in constant currency. The presentation of this financial information is not intended to be considered in isolation or as a substitute for, or superior to, the financial information prepared and presented in accordance with GAAP. We use these non-GAAP financial measures for financial and operational decision-making and as a means to evaluate period-to-period comparisons. We believe that these non-GAAP financial measures provide meaningful supplemental information regarding our performance by excluding certain items that may not be indicative of our recurring core business operating results.

We believe that both management and investors benefit from referring to these non-GAAP financial measures in assessing our performance and when planning, forecasting, and analyzing future periods. These non-GAAP financial measures also facilitate management's internal comparisons to our historical performance. We believe these non-GAAP financial measures are useful to investors both because (1) they allow for greater transparency with respect to key metrics used by management in its financial and operational decision-making and (2) they are used by our institutional investors and the analyst community to help them analyze the health of our business.

UBER TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share amounts which are reflected in thousands, and per share amounts)
(Unaudited)

	As of December 31,	
	2018	2019
Assets		
Cash and cash equivalents	$ 6,406	$10,873
Short-term investments	—	440
Restricted cash and cash equivalents	67	99
Accounts receivable, net of allowance of $34 for both years	919	1,214
Prepaid expenses and other current assets	860	1,299
Assets held for sale	406	—
Total current assets	8,658	13,925
Restricted cash and cash equivalents	1,736	1,095
Collateral held by insurer	—	1,199
Investments	10,355	10,527
Equity method investments	1,312	1,364
Property and equipment, net	1,641	1,731
Operating lease right-of-use assets	—	1,594
Intangible assets, net	82	71
Goodwill	153	167
Other assets	51	88
Total assets	$ 23,988	$31,761
Liabilities, mezzanine equity and equity (deficit)		
Accounts payable	$ 150	$ 272
Short-term insurance reserves	941	1,121
Operating lease liabilities, current	—	196
Accrued and other current liabilities	3,157	4,050
Liabilities held for sale	11	—
Total current liabilities	4,259	5,639
Long-term insurance reserves	1,996	2,297
Long-term debt, net of current portion	6,869	5,707
Operating lease liabilities, non-current	—	1,523
Other long-term liabilities	4,072	1,412
Total liabilities	17,196	16,578
Commitments and contingencies		
Mezzanine equity		
Redeemable non-controlling interests	—	311
Redeemable convertible preferred stock, $0.00001 par value, 946,246 and zero shares authorized, 903,607 and zero shares issued and outstanding, respectively; aggregate liquidation preference of $14 and $0, respectively	14,177	—
Equity (deficit)		
Common stock, $0.00001 par value, 2,696,114 and 5,000,000 shares authorized, 457,189 and 1,716,681 shares issued and outstanding, respectively	—	—
Additional paid-in capital	668	30,739
Accumulated other comprehensive loss	(188)	(187)
Accumulated deficit	(7,865)	(16,362)
Total Uber Technologies, Inc. stockholders' equity (deficit)	(7,385)	14,190
Non-redeemable non-controlling interests	—	682
Total equity (deficit)	(7,385)	14,872
Total liabilities, mezzanine equity and equity (deficit)	$ 23,988	$31,761

UBER TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except share amounts which are reflected in thousands, and per share amounts)
(Unaudited)

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2019	2018	2019
Revenue	$ 2,974	$ 4,069	$11,270	$14,147
Costs and expenses				
Cost of revenue, exclusive of depreciation and amortization shown separately below	1,615	1,927	5,623	7,208
Operations and support	408	506	1,516	2,302
Sales and marketing	974	1,251	3,151	4,626
Research and development	366	608	1,505	4,836
General and administrative	555	647	2,082	3,299

Depreciation and amortization	109	101	426	472
Total costs and expenses	4,027	5,040	14,303	22,743
Loss from operations	(1,053)	(971)	(3,033)	(8,596)
Interest expense	(195)	(101)	(648)	(559)
Other income (expense), net	47	15	4,993	722
Income (loss) before income taxes and loss from equity method investment	(1,201)	(1,057)	1,312	(8,433)
Provision for (benefit from) income taxes	(322)	25	283	45
Loss from equity method investment, net of tax	(10)	(9)	(42)	(34)
Net income (loss) including non-controlling interests	(889)	(1,091)	987	(8,512)
Less: net income (loss) attributable to non-controlling interests, net of tax	(2)	5	(10)	(6)
Net income (loss) attributable to Uber Technologies, Inc.	$ (887)	$ (1,096)	$ 997	$ (8,506)
Net income (loss) per share attributable to Uber Technologies, Inc. common stockholders:				
Basic	$ (1.97)	$ (0.64)	$ —	$ (6.81)
Diluted	$ (1.98)	$ (0.64)	$ —	$ (6.81)
Weighted-average shares used to compute net income (loss) per share attributable to common stockholders:				
Basic	449,501	1,710,260	443,368	1,248,353
Diluted	449,744	1,710,260	478,999	1,248,353

UBER TECHNOLOGIES, INC.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Year Ended December 31,	
	2018	**2019**
Cash flows from operating activities		
Net income (loss) including non-controlling interests	$ 987	$ (8,512)
Adjustments to reconcile net income (loss) to net cash used in operating activities:		
Depreciation and amortization	426	472
Bad debt expense	71	92
Stock-based compensation	170	4,596
Gain on extinguishment of convertible notes and settlement of derivatives	—	(444)
Gain on business divestitures	(3,214)	—
Deferred income tax	35	(88)
Revaluation of derivative liabilities	501	(58)
Accretion of discount on long-term debt	318	82
Payment-in-kind interest	71	10
Loss on disposal of property and equipment	59	10
Impairment on long-lived assets held for sale	197	—
Loss from equity method investment	42	34
Gain on debt and equity securities, net	(1,996)	(2)
Non-cash deferred revenue	—	(52)
Gain on forfeiture of unvested warrants and related share repurchases	(152)	—
Unrealized foreign currency transactions	53	16
Other	1	23

Change in assets and liabilities, net of impact of business acquisitions and disposals:		
Accounts receivable	(279)	(407)
Prepaid expenses and other assets	(473)	(478)
Collateral held by insurer [1]	—	(1,199)
Operating lease right-of-use assets	—	201
Accounts payable	(39)	95
Accrued insurance reserves	943	481
Accrued expenses and other liabilities	738	960
Operating lease liabilities	—	(153)
Net cash used in operating activities	(1,541)	(4,321)
Cash flows from investing activities		
Proceeds from insurance reimbursement, sale and disposal of property and equipment	369	51
Purchase of property and equipment	(558)	(588)
Purchase of equity method investments	(412)	—
Purchase of non-marketable debt securities	(30)	—
Purchase of non-marketable investments	—	(100)
Purchases of marketable securities	—	(441)
Proceeds from maturities and sales of marketable securities	—	2
Proceeds from business disposal, net of cash divested	—	293
Acquisition of businesses, net of cash acquired	(64)	(7)
Net cash used in investing activities	(695)	(790)
Cash flows from financing activities		
Proceeds from issuance of common stock upon initial public offering, net of offering costs	—	7,973
Taxes paid related to net share settlement of equity awards	—	(1,573)
Proceeds from issuance of common stock related to private placement	—	500
Proceeds from issuance of subsidiary preferred stock units	—	1,000
Proceeds from exercise of stock options, net of repurchases	27	19
Proceeds from the issuance of common stock under the Employee Stock Purchase Plan	—	49
Repurchase of outstanding shares	(10)	—
Issuance of term loan and senior notes, net of issuance costs	3,466	1,189
Principal repayment on term loan	(19)	(27)
Principal repayment on revolving lines of credit	(491)	—
Principal payments on capital and finance leases	(89)	(138)

Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs		1,750		—
Dissolution of joint venture and subsequent proceeds		38		—
Repurchase of stock subject to put options related to Yandex		—		(74)
Other		(32)		21
Net cash provided by financing activities		4,640		8,939
Effect of exchange rate changes on cash and cash equivalents, and restricted cash and cash equivalents		(119)		(4)
Net increase in cash and cash equivalents, and restricted cash and cash equivalents		2,285		3,824
Cash and cash equivalents, and restricted cash and cash equivalents				
Beginning of period		5,828		8,209
Reclassification from assets held for sale during the period		96		34
End of period, excluding cash classified within assets held for sale	$	8,209	$	12,067
Reconciliation of cash and cash equivalents, and restricted cash and cash equivalents to the condensed consolidated balance sheets				
Cash and cash equivalents	$	6,406	$	10,873
Restricted cash and cash equivalents-current		67		99
Restricted cash and cash equivalents-non-current		1,736		1,095
Total cash and cash equivalents, and restricted cash and cash equivalents	$	8,209	$	12,067

(1) In Q4 2019, James River Group withdrew all funds held in trust as collateral for current and future claim settlement obligations under the indemnification agreement. The $1.2 billion of operating cash outflow for 2019 represents this withdrawal of collateral from restricted cash. This change in the form of collateral had no impact on our claim settlement obligations or insurance reserves.

Other Income (Expense), Net

The following table presents other income (expense), net (in millions):

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2019	2018	2019
			(Unaudited)	
Interest income	$ 35	$ 50	$ 104	$ 234
Foreign currency exchange gains (losses), net	(3)	(40)	(45)	(40)
Gain on business divestitures (1)	6	—	3,214	—
Gain (loss) on debt and equity securities, net (2)	12	1	1,996	2
Change in fair value of embedded derivatives	(10)	—	(501)	58
Gain on extinguishment of convertible notes and settlement of derivatives	—	—	—	444
Other	7	4	225	24

Other income (expense), net	$ 47	$ 15	$ 4,993	$ 722

(1) During the year ended December 31, 2018, gain on business divestitures primarily includes a $2.2 billion gain on the sale of our Southeast Asia operations to Grab Holding Inc. ("Grab") and a $954 million gain on the disposal of our Uber Russia/CIS operations recognized in the first quarter of 2018.

(2) During the year ended December 31, 2018, gain on debt and equity securities, net represents a $2.0 billion unrealized gain on our non-marketable equity securities related to Didi recognized in the first quarter of 2018.

Stock-Based Compensation Expense

The following table summarizes total stock-based compensation expense by function (in millions):

	Three Months Ended December 31,		Year Ended December 31,	
	2018	2019	2018	2019
		(Unaudited)		
Operations and support	$ 4	$ 23	$ 15	$ 454
Sales and marketing	3	13	9	242
Research and development	5	136	65	2,958
General and administrative	13	71	83	942
Total	$ 25	$ 243	$ 172	$ 4,596

Through May 9, 2019, no stock-based compensation expense had been recognized for certain awards with a performance condition based on the occurrence of a qualifying event, such as an initial public offering ("IPO"), as such qualifying event was not probable. Upon the Company's IPO in May 2019, the performance condition was met and $3.6 billion of stock-based compensation expense was recognized related to these awards.

Supporting document 5

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Original Research Paper

Institutional entrepreneurship in the platform economy: How Uber tried (and failed) to change the Dutch taxi law

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ABSTRACT

Platform innovations like Uber and Airbnb allow peers to transact outside established market institutions. From an institutional perspective, platform companies follow a reverse innovation process compared to innovation within traditional regulatory systems: they first launch their online platform and ask for government permission only later. We analyze the emergence of Uber as an institutional entrepreneur in The Netherlands and the strategies it employed in a failed attempt to get its UberPop service legalized through changes in Dutch taxi law. We conclude that Uber's failure to change the Dutch taxi law stemmed from the difficulty to leverage pragmatic legitimacy among users into favorable regulatory changes in a highly institutionalized regime, because Uber's institutional work strategies were not aligned.

1. Introduction

Among the fundamental questions in the social sciences is how institutions evolve. One source of institutional change are new technologies, products and services; in particular, innovations of a more radical kind underlying socio-technical transitions. Such innovations profoundly depart from existing norms and practices, and often do not comply with formal or informal institutions that have resulted from the past (Garud et al., 2002; Kaplan and Tripsas, 2008). In some cases, radical innovations even challenge the mental categories that developers, users and regulators apply in thinking about technology and markets. As a consequence, the introduction of radical innovations is often surrounded with controversies and regulatory struggles
A notion that has become influential in the study of institutional change is that of "institutional entrepreneurship" (DiMaggio, 1988). Institutional entrepreneurs are: "change agent[s] who initiate divergent changes, that is, changes that break the institutional status quo in a field of activity and thereby possibly contribute to transforming existing institutions or creating new ones" (Battilana et al., 2009, p. 67). Such entrepreneurs engage in "institutional work" activities (Lawrence and Suddaby, 2006), referring to the strategies and processes through which they try to achieve institutional change. Often, they meet resistance by incumbents, who act as institutional defenders trying to prevent such change from happening.
While the observation that radical innovations and socio-technical transitions are accompanied by institutional change is certainly not new (Van den Belt and Rip, 1987), the analysis of such change processes in terms of institutional entrepreneurship and institutional work is rather recent (Bakker, 2014; Bohnsack et al., 2016; Fuenfschilling and Truffer, 2016; Kukk et al., 2016; Rogers et al., 2016; Moors et al., 2018). Institutional work analysis in the context of radical innovation may well increase our understanding of innovation and entrepreneurship more generally, as it would emphasize that innovation is not only – and in some cases not even primarily – about technological advance or gauging market demand, but also about actively challenging and creating institutions in a way that an innovation becomes legitimate and accepted. At the same time, it remains to be seen if the general framework of institutional work can be easily transferred to processes of innovation, in which institutional and material orders are reshaped at the same time (Latour, 1983).
We study institutional work in the context of platform innovation by looking at the introduction of UberPop by Uber in The Netherlands in Summer 2014. Uber's innovation concerns the introduction of mobile phone app that allows unlicensed chauffeurs to connect with passengers to provide taxi trips. One of the – stated – objectives of UberPop is to make urban transport systems more efficient, safe and clean, as such contributing to sustainable mobility. UberPop can be considered a two-sided online marketplace bringing together large numbers of suppliers (drivers) with customers (passengers). As such, it is part of the "platform economy" where a platform can be defined more broadly as a technology that mediates social and economic interactions online, often through apps (Kenney and Zysman, 2016). By now, examples of such online platforms can be found in a wide range of fields, including the second-hand market (Ebay), e-commerce (Amazon), accommodation (Booking.com, Airbnb), cleaning (Helpling), and online freelance work (Upwork). A "platform innovation", then, can be defined as the introduction of a new digital medium (app, website) that actors use to develop, provide and use products or services (Gawer, 2014). We deliberately use the term

platform economy rather than sharing economy; the latter chiefly refers to the utilization of idle capacity through peer-to-peer platforms, whereas the former refers to the broader phenomena of online mediated social and economic interaction (Frenken and Schor, 2017).

Despite its popularity among users and its alleged contribution to sustainable mobility, the introduction of the UberPop app by the company Uber caused controversy around the world as the platform enables drivers to provide paid taxi services with their own car and without an official taxi license. As a result, the UberPop service can be offered at very competitive prices, threatening the business of incumbent taxi suppliers who comply with government regulations (permit, diploma, car requirements). Not surprisingly, licensed chauffeurs in many cities around the world protested against UberPop's "unfair competition" as they saw their revenues declining. The Netherlands was no exception to this, resulting in controversy in the media as well as violence on the streets by licensed chauffeurs against unlicensed UberPop chauffeurs. At the same time, Uber campaigned for deregulation and actively lobbied with members of parliament to get such changes in the Dutch taxi law implemented. Uber can thus be considered as an institutionalentrepreneur par excellence. It ignored existing regulatory institutions when introducing their app, and subsequently engaged in various forms of institutional work in an attempt to change the existing taxi law in a way that would legalize UberPop. Despite Uber's efforts undertaken for over 18 months, an evaluation report by the national government deemed legalization of UberPop undesirable. Not long after, Uber decided to stop the UberPop service in the Netherlands altogether by abandoning the app, and continued their service with licensed drivers only.

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7. Conclusions

Against the backdrop of the ongoing controversies regarding the rapid rise of online platforms and debates about their regulation, we analyzed how Uber tried to change the Dutch taxi law to legalize the UberPop service. We approached our case by answering two research questions: what were the strategies deployed by Uber as they engaged in institutional work? And why did Uber fail to get their UberPop service institutionalized? In short, we found that Uber employed five institutional strategies, but by applying them simultaneously and betting mostly on pragmatic legitimacy, incoherence crept into the approach. Uber's combined approach to continue operating the UberPop platform while at the same time trying to lobby for new regulations, proved an incoherent approach in the Dutch context. As a result, Uber did not become part of a constructive political process of "co-creation" that led to changes in the taxi law. On the contrary: Uber's approach provided ample opportunities for incumbent national taxi lobby and municipalities of large cities to have their wishes heard by the national government: to maintain the status quo…