

Uber Technologies (UBER)

\$22.60 (As of 03/13/20)

Price Target (6-12 Months): **\$24.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/21/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:D

Value: F

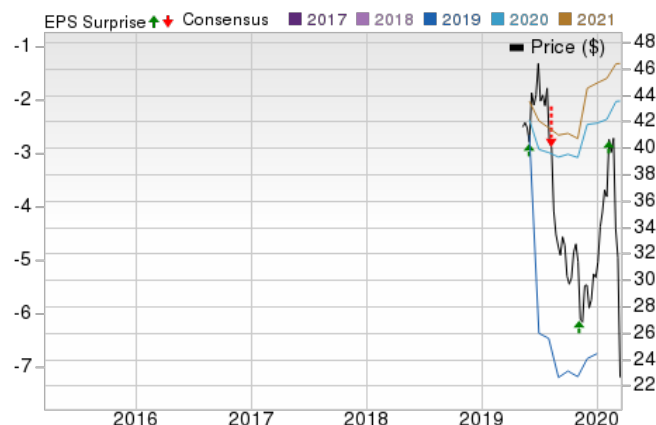
Growth: D

Momentum: A

Summary

Shares of Uber have underperformed its industry ever since it went public on May 10, 2019, mainly due to high costs. Total operating expenses rose 59% in 2019. Consequently, the company incurred loss of more than \$8 billion in the year. Though beneficial for long-term growth, the Eats India divestiture is likely to affect performance in the short term. Additionally, the coronavirus outbreak may take a toll on its revenues from rides, as people mostly stay at home. However, Uber is making substantial efforts to reduce losses. To this end, its sell-off of the Eats India business to Zomato is a major positive. Decline in adjusted EBITDA loss in fourth-quarter 2019 is also appreciative. Additionally, we are optimistic about the company's acquisition of Careem, which has expanded its presence across the Middle East, North Africa and Pakistan.

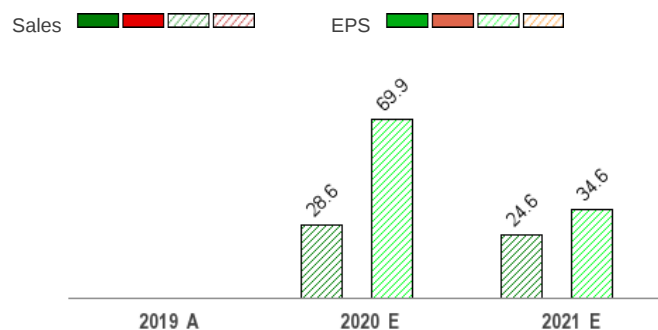
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$47.08 - \$21.13
20 Day Average Volume (sh)	36,889,388
Market Cap	\$39.0 B
YTD Price Change	-24.0%
Beta	NA
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Internet - Services
Zacks Industry Rank	Top 42% (105 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	5.9%
Last Sales Surprise	-0.8%
EPS F1 Est- 4 week change	0.6%
Expected Report Date	NA
Earnings ESP	1.7%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	5,098 E	5,399 E	6,063 E	6,394 E	22,667 E
2020	4,027 E	4,349 E	4,735 E	5,021 E	18,189 E
2019	3,099 A	3,166 A	3,813 A	4,069 A	14,147 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-\$0.31 E	-\$0.32 E	-\$0.25 E	-\$0.27 E	-\$1.34 E
2020	-\$0.64 E	-\$0.58 E	-\$0.49 E	-\$0.34 E	-\$2.05 E
2019	-\$2.26 A	-\$4.72 A	-\$0.68 A	-\$0.64 A	-\$6.81 A

*Quarterly figures may not add up to annual.

P/E TTM	NA
P/E F1	NA
PEG F1	NA
P/S TTM	2.8

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 03/13/2020. The reports text is as of 03/16/2020.

Overview

Uber Technologies, based in San Francisco, CA, was incorporated in Delaware in July 2010. The company went public in May this year. Its IPO price was \$45. Uber closed its IPO on May 14.

During the process, the company issued and sold 180 million shares of its common stock, generating net proceeds of approximately \$8 billion after deducting underwriting discounts, commissions and offering expenses.

Uber has expanded its presence in multiple countries across the globe including the United States and Canada, Latin America, Europe, the Middle East and Asia (excluding China). Currently, it is trying to expand further.

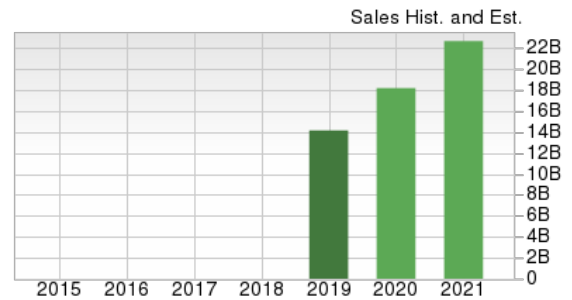
Uber focuses on developing and supporting proprietary technology applications or platforms. These platforms should enable independent providers of ridesharing services, Eats meal preparation and delivery services to transact with riders (for ridesharing services) and eaters (for meal preparation and delivery services).

Driver partners offer ridesharing services to riders through a plethora of offerings based on vehicle type and/or the number of riders. Meanwhile, the restaurant and the delivery partners are responsible for offering meal preparation and delivery services, respectively.

These apart, Uber offers freight transportation services to shippers within the freight industry. The company is also responsible for leasing vehicles to third-parties who often utilize them for providing ridesharing or eats services through its platforms.

Following an organizational change in the third quarter of 2019, Uber started reporting through five segments, namely Rides, Eats, Freight, Other Bets, and Advanced Technologies Group (ATG) and Other Technology Programs.

In the fourth quarter of 2019, 75.1% of the company's revenues came from rides, its core business. Revenues from rides are derived mainly from fees paid by its driver partners for using Uber's platforms and other services. Meanwhile, Uber Eats and Freight contributed 18% and 5.4% to the top line respectively in the fourth quarter. Uber Eats revenues are derived from restaurant and delivery partners. Other Bets, which includes revenues from Uber Freight and other immaterial revenue streams, and ATG and Other Technology Programs accounted for the remaining source of revenues. Uber's fiscal year coincides with the calendar year.



Reasons To Buy:

- ▲ We are impressed by Uber's efforts to expand its presence across the globe. In line with its expansion efforts, in October 2019, the company increased its market share in West Africa by virtue of a boat service in the Nigerian city of Lagos. Also, it started operating in Cordoba, Argentina in September 2019. Cordoba is the third Argentine city with Uber operations. This apart, the company's efforts to reward its drivers through the Uber Pro system are commendable. Additionally, the decision to buy a majority interest in South American online grocery provider Cornershop is aligned with the company's attempts to expand. The transaction is anticipated to close in the second quarter of 2020, subject to regulatory approval. Additionally, Uber's acquisition of Dubai-based Careem for \$3.1 billion has expanded its presence across the Middle East, North Africa and Pakistan. The buyout is anticipated to positively impact its 2020 gross bookings. The same is predicted between \$75 billion and \$80 billion for the current year, indicating a rise of 17-25% on a constant currency basis.
- ▲ With every passing day, the market for driverless or self-driving cars is gaining prominence and Uber aims to become a key player in this space. To this end, on Jun 12, 2019, Uber announced that it will partner with Volvo to build autonomous vehicles for delivering food from restaurants. The companies declared that the car will begin public testing in 2020. Notably, this third-generation version of Uber's self-driving car has significant improvements in its safety features, which includes backup steering, braking, and battery power systems. Per Modor Intelligence, the autonomous delivery robot market is expected to witness a CAGR of more than 49.5% between 2019 and 2024. Moreover, self-driving cars are expected to reduce the number of accidents caused by automotive vehicles in the United States. These cars will also bring down the costs for paying drivers borne by companies like Uber. In an effort to further solidify its position in the autonomous vehicle market, in January 2020, the company entered into a partnership with South Korean carmaker Hyundai Motor Co. to develop flying taxis for Uber Elevate, the aerial division of the former. The air taxis (with a capacity to carry up to four passengers) will ply at a height of around 1,000-2,000 feet to avoid traffic congestion. While the company will conduct demonstration flights this year, it will launch commercial operations in 2023.
- ▲ In a bid to trim losses, Uber sold its online food-ordering business in India to Zomato in January. The unit had performed dismally ever since its launch in India in 2017. Other measures to cut costs and improve efficiencies include the trimming of its workforce. In October 2019, Uber reduced its headcount by roughly 350 employees. In September 2019, the company slashed 8% of its workforce (435 employees). In July, it had laid off staff in the marketing department to the tune of 400 people. Apart from improving efficiencies, the company aims to drive its bottom line in the face of mounting losses through the aforesaid measure. Moreover, improvement in revenues from rides (up 27% in fourth-quarter 2019) is a positive for Uber as bulk of its top line (75.1% in the fourth quarter) comes from this avenue. Revenues from this segment increased significantly in 2019. Additionally, with consistent focus on financial discipline, the company decreased its adjusted EBITDA loss by \$200 million in the fourth quarter of 2019. Losses are expected to keep declining in 2020.

The company's measures to trim losses are appreciative. Significant rise in revenues from rides is also encouraging.

Reasons To Sell:

- ▼ Although the company's spendthrift ways slowed down in the second half of 2019 with an aim for profitability, its expenses are still quite high to put substantial pressure on the bottom line. Total costs and expenses soared 25.2% year over year in the fourth quarter of 2019 (sales and marketing expenses rose 28.4%). The same surged 59% in 2019 (sales and marketing expenses increased 46.8%). Moreover, though beneficial for long-term growth, the divestiture of Eats India business is likely to have an adverse effect on the company's performance over the short term. For instance, the company expects gross bookings to decline slightly in the first quarter sequentially due to the negative impact from the aforementioned sell off. Full year gross bookings are also likely to see some softness in results.
- ▼ Management uncertainty often shakes the confidence of investors in a stock and Uber is no exception. Close on the heels of the IPO lock-up expiration (wherein the stock hit a record low), the company's chief product officer Manik Gupta resigned and left the organization on Dec 13, 2019. Sadly enough, the company has a history of frequent management changes. In June 2019, post the company's announcement regarding its leadership overhaul, its erstwhile chief operating officer (COO) Barney Harford and chief marketing officer Rebecca Messina quit the company. Jill Hazelbaker is now looking after the ride-hailing giant's marketing operations in addition to the company's functions in relation to policy and communications. Moreover, the COO position has been eliminated, with Andrew Macdonald being promoted to the position of senior vice president of Global Rides and Platform. However, if these changes in management fail to yield the desired results, the Uber stock might be hit severely.
- ▼ With Uber losing money massively (loss of more than \$8 billion in 2019), the divestiture by the company's co-founder and former CEO Travis Kalanick is a further dampener for the stock. Kalanick sold his entire stake in Uber worth nearly \$3 billion. He also quit the board on Dec 31, 2019. Additionally, last November, the London transportation regulator revoked Uber's license to operate in the U.K. capital following its failure to meet regulatory demands to operate in the city. Uber is currently appealing against the decision and hence is allowed to operate in the city during the tenure of the legal proceedings. However, in the event of rejection of the appeal, the company will lose one of its most important markets with roughly 45,000 drivers. Additionally, the coronavirus crisis adds uncertainty to the company's outlook and might deter its goal of becoming profitable (on an adjusted basis) by fourth-quarter 2020. With coronavirus now being widespread even in the United States and large-scale school closures and work-from-home orders, Americans are mostly confining themselves to their homes. The restricted road travel may in turn weigh on Uber's revenues from rides.

The company is incurring huge losses due to escalating operating expenses.

Last Earnings Report

Uber Incurs Loss in Q4

Uber incurred a loss of 64 cents per share (or net loss of \$1.1 billion, up 24% year over year) in the fourth quarter of 2019, narrower than the Zacks Consensus Estimate of a loss of 68 cents. Moreover, the amount of loss decreased year over year. However, total revenues of \$4,069 million missed the Zacks Consensus Estimate of \$4,099.8 million but rose 37% year over year.

Following an organizational change in the third quarter of 2019, Uber started reporting through five segments, namely Rides, Eats, Freight, Other Bets, and Advanced Technologies Group (ATG) and Other Technology Programs.

In the fourth quarter, majority (75.1%) of the company's revenues came in from Rides, which increased 27% to \$3,056 million. Uber Eats revenues jumped 68% to \$734 million while Freight revenues soared 75% to \$219 million.

Total revenues grew 41% to \$2,536 million in the United States and Canada. The same rose 27% to \$621 million in Europe, the Middle East and Africa. While total revenues surged 34% to \$359 million in the Asia Pacific region, it increased 31% to \$553 million in Latin America. Monthly active platform consumers also grew 22% to \$111 million.

Gross bookings from Rides improved 18% to \$13.51 billion while the same from Eats augmented 71% to \$4.37 billion. Gross bookings from Freight also climbed 74% to \$219 million. Total gross bookings ascended 28% to \$18.13 billion.

Additionally, cost of revenues (excluding depreciation and amortization) at Uber escalated primarily due to higher driver incentives. Total expenses on sales and marketing shot up 22.1% to \$1.25 billion in the reported quarter.

Uber exited the fourth quarter with cash and cash equivalents of \$10.87 billion compared with \$6.41 billion at the end of 2018. Long-term debt, net of current portion, at the end of the quarter was \$5.71 billion compared with \$6.87 billion at 2018 end.

The company expects to reap profits on an adjusted basis by the fourth quarter of 2020. Previously, Uber expected to achieve EBITDA profit for the full year in 2021.

Quarter Ending **12/2019**

Report Date	Feb 06, 2020
Sales Surprise	-0.75%
EPS Surprise	5.88%
Quarterly EPS	-0.64
Annual EPS (TTM)	-8.30

Recent News

Uber Sells Indian Eats business to Zomato – Jan 21, 2020

In a bid to cut back losses and emerge profitable on an EBITDA basis by 2021, Uber sold its Uber Eats operations in India to local rival Zomato. Uber now owns a 9.99% stake in Zomato in lieu of the sale of its Eats business in India. Uber received approximately \$172 million worth of Zomato shares. Uber has been in talks to offload its loss-making Uber Eats India business (which started in 2017) since late 2018. Per the company, the ailing business is anticipated to have incurred a loss of \$107.5 million in the August-December period last year. Uber will, however, continue to invest in India for expanding its local Rides business.

Uber Enters the Staffing Business – Dec 18, 2019

Uber has been testing its ability to match gig workers to jobs in Chicago and the company is now formally entering the business with a Miami-Dade launch. So, people looking for work can sign up to Uber Works (as it's called), where they can hope to make \$11-16 an hour. Uber is partnering with traditional staffing companies for the jobs, which will "employ, pay and handle worker benefits."

Valuation

Uber shares are down 45.6% ever since going public on May 10, 2019. Stocks in the Zacks sub-industry are down 15.5% while those in the Computer and Technology sector are down 0.9% in the same period. Since May 10, the S&P 500 index is down 6.2%.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$24 price target reflects 11.21X 2020 sales.

Industry Analysis Zacks Industry Rank: Top 42% (105 out of 253)



Top Peers

Lyft, Inc. (LYFT)	Outperform
Microsoft Corporation (MSFT)	Outperform
Amazon.com, Inc. (AMZN)	Neutral
salesforce.com, inc. (CRM)	Neutral
Expedia Group, Inc. (EXPE)	Neutral
Oracle Corporation (ORCL)	Neutral
Snap Inc. (SNAP)	Neutral
Tesla, Inc. (TSLA)	Neutral

Industry Comparison Industry: Internet - Services				Industry Peers		
	UBER Neutral	X Industry	S&P 500	LYFT Outperform	MSFT Outperform	TSLA Neutral
VGM Score	D	-	-	D	F	C
Market Cap	38.96 B	532.18 M	19.05 B	7.41 B	1,208.07 B	99.13 B
# of Analysts	12	3	13	7	14	10
Dividend Yield	0.00%	0.00%	2.31%	0.00%	1.28%	0.00%
Value Score	F	-	-	F	D	F
Cash/Price	0.21	0.20	0.05	0.26	0.11	0.05
EV/EBITDA	-4.70	3.63	11.57	-1.95	19.71	44.13
PEG Ratio	NA	1.60	1.68	NA	2.14	1.70
Price/Book (P/B)	2.59	2.21	2.56	2.56	10.97	13.19
Price/Cash Flow (P/CF)	NA	17.50	10.18	NA	25.00	66.57
P/E (F1)	NA	22.71	14.94	NA	28.28	67.95
Price/Sales (P/S)	2.75	2.05	2.02	2.05	9.00	4.03
Earnings Yield	-9.07%	1.67%	6.67%	-8.65%	3.54%	1.47%
Debt/Equity	0.49	0.11	0.70	0.13	0.64	1.56
Cash Flow (\$/share)	-4.71	0.12	7.01	-7.21	6.35	8.21
Growth Score	D	-	-	A	C	A
Hist. EPS Growth (3-5 yrs)	NA%	24.18%	10.85%	NA	17.68%	NA
Proj. EPS Growth (F1/F0)	69.97%	11.78%	5.99%	27.08%	18.24%	6,087.69%
Curr. Cash Flow Growth	-668.58%	1.43%	6.15%	138.22%	19.70%	36.54%
Hist. Cash Flow Growth (3-5 yrs)	NA%	17.72%	8.52%	NA	11.99%	54.29%
Current Ratio	2.47	1.63	1.24	1.32	2.80	1.13
Debt/Capital	33.65%	9.80%	42.57%	11.81%	39.05%	62.18%
Net Margin	-60.13%	-4.99%	11.64%	-71.96%	33.02%	-3.51%
Return on Equity	-89.29%	-3.58%	16.74%	-167.96%	40.41%	-13.07%
Sales/Assets	0.47	0.62	0.54	0.71	0.48	0.77
Proj. Sales Growth (F1/F0)	28.57%	11.20%	3.54%	28.15%	12.77%	30.58%
Momentum Score	A	-	-	B	F	C
Daily Price Chg	-0.04%	1.21%	8.21%	1.21%	14.22%	-2.49%
1 Week Price Chg	-6.47%	-0.49%	-0.67%	-5.51%	-0.27%	5.31%
4 Week Price Chg	-43.63%	-21.05%	-22.67%	-48.61%	-13.54%	-32.01%
12 Week Price Chg	-24.64%	-19.13%	-20.46%	-47.77%	2.00%	35.29%
52 Week Price Chg	NA%	-33.55%	-10.79%	NA	38.61%	88.52%
20 Day Average Volume	36,889,388	112,078	3,061,271	10,965,195	57,403,764	16,722,424
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	-0.04%	0.00%
(F1) EPS Est 4 week change	0.64%	0.00%	-0.32%	4.07%	-0.41%	-29.68%
(F1) EPS Est 12 week change	16.83%	-1.60%	-0.65%	13.00%	4.94%	-24.47%
(Q1) EPS Est Mthly Chg	0.29%	0.00%	-0.62%	4.49%	-1.33%	-64.47%

Zacks Style Scores

The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	F
Growth Score	D
Momentum Score	A
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

Disclosures

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock. The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment. This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time. ZIR is not a broker-dealer. ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients. Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.

No part of this report can be reprinted, republished or transmitted electronically without the prior written authorization of ZIR.