

Uber Technologies (UBER)

\$30.81 (As of 07/28/20)

Price Target (6-12 Months): **\$32.00**

Long Term: 6-12 Months

Zacks Recommendation:

Neutral

(Since: 11/21/19)

Prior Recommendation: Outperform

Short Term: 1-3 Months

Zacks Rank: (1-5)

3-Hold

Zacks Style Scores:

VGM:C

Value: F

Growth: B

Momentum: A

Summary

Uber's Eats business is witnessing a continued surge at a time when coronavirus is restricting people to their homes. The company revealed that second-quarter bookings on Uber Eats have soared more than 100% year over year. Detailed results will be out on Aug 6. Uber's efforts to expand its Eats business are laudable. In this regard, the company's deal to buy Postmates is a major positive. However, significant downturn in the rides business is concerning. Although ride volumes have improved from April lows, it is way below year-ago levels. Notably, Uber now expects to reap profits in 2021, instead of 2020. Frequent management changes and escalating operating expenses are other concerns. Shares of Uber have underperformed its industry in a year's time mainly due to the huge losses it incurred, thanks to high costs.

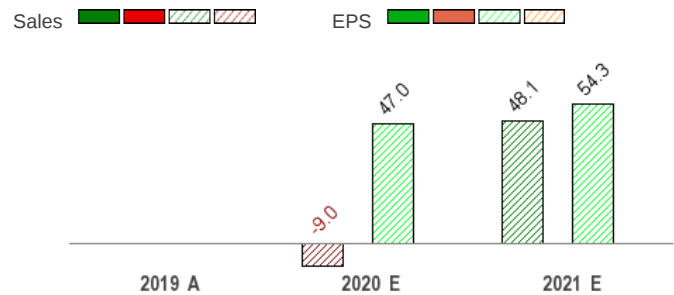
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$45.63 - \$13.71
20 Day Average Volume (sh)	17,705,940
Market Cap	\$53.4 B
YTD Price Change	3.6%
Beta	1.19
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Internet - Services
Zacks Industry Rank	Top 47% (118 out of 253)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	19.0%
Last Sales Surprise	4.8%
EPS F1 Est- 4 week change	0.1%
Expected Report Date	08/06/2020
Earnings ESP	3.6%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	4,284 E	4,565 E	5,161 E	5,412 E	19,075 E
2020	3,543 A	2,169 E	3,085 E	3,902 E	12,877 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	-\$0.50 E	-\$0.45 E	-\$0.39 E	-\$0.34 E	-\$1.65 E
2020	-\$0.64 A	-\$0.78 E	-\$0.62 E	-\$0.49 E	-\$3.61 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	3.7

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 07/28/2020. The reports text is as of 07/29/2020.

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.

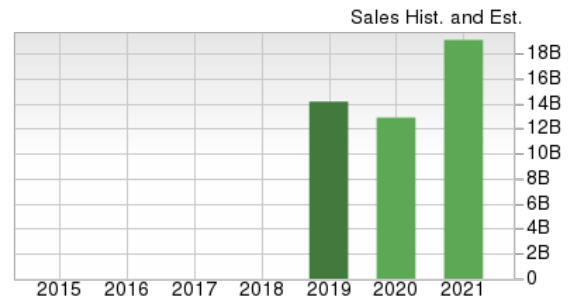
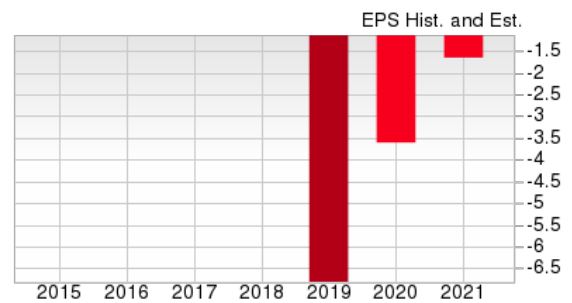
Uber focuses on developing and supporting proprietary technology applications or platforms. These platforms should enable independent providers of ridesharing services, Eats meal preparation and delivery services to transact with riders (for ridesharing services) and eaters (for meal preparation and 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 first quarter of 2020, 69.7% 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 23.1% and 5.6% to the top line respectively in the first 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 initiatives, this July, the company acquired Routematch, a transit software company providing services to more than 500 transit agencies. The acquisition allows Uber to expand its transit-agency customer base. Previously, 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 coming days, 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.
- ▲ 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 Motor 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 in 2020 itself, 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. Additionally, in May 2020, the company terminated its unprofitable Uber Eats services in the Czech Republic, Egypt, Honduras, Romania, Saudi Arabia, Uruguay and Ukraine. This should help the company focus on areas that have a high growth potential. Moreover, as part of its efforts to reduce operating expenses amid challenges posed by the ongoing pandemic, Uber has reduced its workforce by more than 25% so far this year. Last year too, the company reduced its total strength by laying off thousands of employees. Apart from improving efficiencies, the company aims to drive its bottom line in the face of mounting losses through the aforesaid measure. Uber's merger deal with electric scooter and bike rental company, JUMP, is another positive. The merger is anticipated to generate annual EBITDA savings of \$160 million as well as substantial savings on capital expenditures. Additionally, with focus on financial discipline, the company has cut down on its adjusted EBITDA losses over the past few quarters. During the first quarter of 2020, adjusted EBITDA loss narrowed by \$257 million year over year. Losses are expected to keep declining in the subsequent quarters.
- ▲ Although the coronavirus pandemic is hurting Uber's ride-hailing business, the same is causing a surge in its Eats business as more people are staying home and ordering food online. Evidently, the 14.3% rise in Uber's total revenues in the first quarter was primarily due to a 53% jump in Uber Eats revenues. The company revealed that second-quarter bookings on Uber Eats have soared more than 100% year over year. Uber's efforts to expand its Eats business are laudable, given the boom it is witnessing. In this regard, the company's acquisition deal with Postmates, the fourth-largest food delivery company in the United States, is a major positive. The transaction is expected to close in the first quarter of 2021. The acquisition would help Uber strengthen its foothold in Los Angeles and the American Southwest, where Postmates has a strong base. Additionally, the company is seeing a surge in demand for grocery deliveries amid the pandemic. To cater to this increase in demand, the company has launched grocery-delivery services in some Latin American and Canadian cities in partnership with Cornershop. The company is also offering essential goods-delivery services in partnership with Indian companies like Flipkart and BigBasket across the cities of Delhi, Mumbai and Bangalore. It has also tied up with grocery firms and stores in Spain, France and Brazil for delivery services. Moreover, with social distancing norms having been relaxed in the United States, signs of recovery in the rides business are encouraging. Notably, the company has been seeing week-over-week improvement in its rides business. Additionally, we are optimistic about the substantial reduction in sales and marketing expenses (declined 14.9% in the first quarter) due to lower spending on marketing and promotion, mainly in its rides business. The reduced costs should aid the bottom line.

Uber's efforts to expand its Eats operations in response to the surge in business are 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 increased 16.3% year over year in the first quarter of 2020 despite a 14.9% decline in sales and marketing expenses. Additionally, the California Public Utilities Commission's recent ruling that drivers of ride-sharing companies need to be considered as employees is a setback to companies like Uber that hire drivers as temporary workers. Classifying drivers as full-time employees would inevitably raise labor costs for Uber, besides reducing the number of drivers and deterring the company's flexibility to set their hours. Uber is battling a similar case over employee status in the United Kingdom. The legal battle's failure (judgment expected over the next few months) would lead the company to offer its drivers with a host of worker benefits, which Uber is currently exempted from.
- ▼ 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 and an approximate loss of \$2.9 billion in the first quarter of 2020), 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. Upon rejection of its appeal to regain license to operate in the city, the company will lose one of its most important markets with roughly 45,000 drivers.
- ▼ The coronavirus crisis has affected the company's goal of becoming profitable (on an adjusted basis) this year. With coronavirus restricting people to their homes, the company's rides business is taking a hit. Although ride volumes have improved from the April lows (down 80% year over year), it is way below year-ago levels. Given this downturn in the core rides business, Uber now expects to reap profits on an adjusted EBITDA basis in 2021 against its previous expectation of becoming profitable by the fourth quarter of 2020. The significant impact of coronavirus on Uber's rides business is evident from the 5% year-over-year decline in gross bookings from rides in the first quarter. This was the first time ever that gross bookings from rides declined. The company's second-quarter performance is also likely to reflect this weakness in rides business. Moreover, with the ongoing health crisis, Uber announced a financial assistance program for drivers and delivery people during the first quarter. The expenses, recorded as Contra Revenues, are expected to have dented second-quarter revenues (on a reported basis) by \$60-\$80 million.

Significant downturn in rides business is likely to get reflected in second-quarter results.

Last Earnings Report

Uber Incurs Loss in Q1

Uber incurred a loss of 64 cents per share (excluding \$1.06 from non-recurring items) in the first quarter of 2020, narrower than the Zacks Consensus Estimate of a loss of 79 cents. The amount of loss also narrowed significantly year over year. Moreover, total revenues of \$3,543 million surpassed the Zacks Consensus Estimate of \$3,381.5 million. The top line also rose 14.3% year over year owing to a significant rise in Uber Eats revenues.

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 first quarter, majority (69.7%) of the company's revenues came from Rides, which inched up 2% to \$2,470 million. Uber Eats revenues jumped 53% to \$819 million and Freight revenues soared 57% to \$199 million. Revenues from Other bets came in at \$30 million, up 66%. Meanwhile, ATG and Other Technology Programs generated revenues of \$25 million in the reported quarter.

Total revenues grew 13% to \$2,142 million in the United States and Canada. Revenues rose 13% to \$552 million in Europe, the Middle East and Africa as well. Total revenues surged 32% to \$352 million in the Asia-Pacific region and increased 10% to \$497 million in Latin America. Monthly active platform consumers also grew 11% to \$103 million.

Gross bookings from Rides declined 5% to \$10.87 billion. This first-ever decline in rides gross bookings was due to stay-at-home orders across the United States and lockdowns in several other nations. Meanwhile, gross bookings from Eats augmented 52% to \$4.68 billion. Gross bookings from Freight also climbed 55% to \$198 million. Total gross bookings rose 8% to \$15.78 billion.

Additionally, cost of revenues (excluding depreciation and amortization) at Uber escalated on higher driver incentives. Total expenses increased 16.3% year over year to \$4,806 million despite a 14.9% decline in sales and marketing expenses.

Uber exited the first quarter with cash and cash equivalents of \$8.16 billion compared with \$10.87 billion at the end of 2019. Long-term debt, net of current portion, at the end of the quarter was \$5.7 billion compared with \$5.71 billion at 2019-end.

Some Noteworthy Developments

The company recently terminated unprofitable Uber Eats services in the Czech Republic, Egypt, Honduras, Romania, Saudi Arabia, Uruguay and Ukraine. Additionally, in the United Arab Emirates, the company will hand over Uber Eats operations to its subsidiary, Careem. The eight ceased operations and the transferred market accounted for 1% of Eats gross bookings and 4% of Eats adjusted EBITDA losses in the first quarter.

Further, the company announced a workforce reduction plan that would affect approximately 3,700 full-time employees in the customer support and recruiting teams. The company attributed this decision to low trip volumes and the present hiring freeze.

Additionally, Uber entered into a deal with Lime, an electric scooter and bike rental company, to transfer its JUMP e-bike and e-scooter business to the latter. In this regard, Uber is leading a \$170-million investment round in Lime.

Quarter Ending **03/2020**

Report Date	May 07, 2020
Sales Surprise	4.78%
EPS Surprise	18.99%
Quarterly EPS	-0.64
Annual EPS (TTM)	-6.68

Recent News

Agreement With Google Maps — Jul 17, 2020

Uber has entered into a four-year agreement with Google under which the former will get access to the latter's Maps platform for rides and delivery services. The two companies have adopted a new pricing model based on the number of billable trips taken with services rather than the number of requests. The contract also includes tiered volume-based discounts.

Massachusetts Files Lawsuit Against Uber — Jul 15, 2020

Massachusetts has filed a complaint against Uber over alleged misclassification of drivers as independent contractors instead of employees, eligible for worker benefits. The state is also seeking a court order that would require ride-hailing drivers to be categorized as employees.

Grocery Delivery Services in Latin America & Canada — Jul 8, 2020

Uber has partnered with Cornershop, a Chilean grocery-delivery startup, for launching grocery-delivery services in some Latin American and Canadian cities as demand for grocery deliveries surges amid the coronavirus pandemic. The company has witnessed a 176% rise in grocery orders since February. The service is expected to be rolled out in the United States later this month. After initially launching the services in some cities in Brazil, Chile, Colombia, Peru and Canada, Uber plans to extend the same to the rest of the world later this year.

Valuation

Uber's shares are up 3.6% in the year-to-date period but down 27.7% over the trailing 12-month period. Stocks in the Zacks sub-industry and the Zacks Computer and Technology sector are up 16.1% and 15.7% in the year-to-date period respectively. Over the past year, the Zacks sub-industry and the sector are up 21% and 24.8% respectively.

The S&P 500 index is up 0.8% and 8% in the year-to-date period and in the past year respectively.

The stock is currently trading at 3.23X forward 12-month price to sales, which compares to 6.84X for the Zacks sub-industry, 3.95X for the Zacks sector and 3.57X for the S&P 500 index.

Over the past year, the stock has traded as high as 4.33X and as low as 1.34X, with a 1-year median of 3.13X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$32 price target reflects 3.35X forward 12-month sales.

The table below shows summary valuation data for UBER

Valuation Multiples - UBER					
		Stock	Sub-Industry	Sector	S&P 500
P/S F 12M	Current	3.23	6.84	3.95	3.57
	1-Year High	4.33	6.84	3.95	3.57
	1-Year Low	1.34	5.14	2.99	2.81
	1-Year Median	3.13	5.9	3.34	3.29
EV/S TTM	Current	3.53	6.85	4.6	3.17
	1-Year High	5.62	6.85	4.6	3.45
	1-Year Low	1.49	4.43	3.13	2.23
	1-Year Median	3.72	3.81	3.95	3.04

As of 07/28/2020

Industry Analysis Zacks Industry Rank: Top 47% (118 out of 253)



Top Peers

Company (Ticker)	Rec	Rank
Amazon.com, Inc. (AMZN)	Neutral	3
salesforce.com, inc. (CRM)	Neutral	3
Expedia Group, Inc. (EXPE)	Neutral	3
Lyft, Inc. (LYFT)	Neutral	3
Microsoft Corporation (MSFT)	Neutral	3
Oracle Corporation (ORCL)	Neutral	3
Snap Inc. (SNAP)	Neutral	3
Tesla, Inc. (TSLA)	Neutral	3

Industry Comparison Industry: Internet - Services				Industry Peers		
	UBER	X Industry	S&P 500	LYFT	MSFT	TSLA
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	C	-	-	F	B	C
Market Cap	53.42 B	677.09 M	22.47 B	9.05 B	1,532.01 B	273.70 B
# of Analysts	12	3	14	9	14	10
Dividend Yield	0.00%	0.00%	1.84%	0.00%	1.01%	0.00%
Value Score	F	-	-	F	C	F
Cash/Price	0.17	0.17	0.07	0.29	0.09	0.03
EV/EBITDA	-6.95	1.91	13.04	-2.67	25.20	117.00
PEG Ratio	NA	2.44	2.97	NA	2.30	4.87
Price/Book (P/B)	4.42	2.91	3.11	3.47	12.95	27.26
Price/Cash Flow (P/CF)	NA	17.99	12.07	NA	26.84	179.82
P/E (F1)	NA	33.17	21.52	NA	31.60	170.59
Price/Sales (P/S)	3.66	2.38	2.35	2.38	10.71	10.65
Earnings Yield	-11.72%	0.90%	4.34%	-16.68%	3.16%	0.59%
Debt/Equity	0.60	0.10	0.76	0.15	0.57	1.07
Cash Flow (\$/share)	-4.71	0.09	7.01	-7.21	7.53	8.21
Growth Score	B	-	-	B	A	C
Hist. EPS Growth (3-5 yrs)	NA%	18.24%	10.85%	NA	19.44%	NA
Proj. EPS Growth (F1/F0)	47.01%	-13.24%	-7.56%	-71.43%	10.99%	6,557.69%
Curr. Cash Flow Growth	-668.58%	-3.00%	5.47%	138.22%	17.66%	36.54%
Hist. Cash Flow Growth (3-5 yrs)	NA%	19.91%	8.55%	NA	10.19%	54.29%
Current Ratio	1.68	1.68	1.31	1.23	2.52	1.24
Debt/Capital	38.44%	12.02%	44.41%	12.95%	36.24%	53.08%
Net Margin	-71.48%	-7.95%	10.44%	-49.05%	30.96%	1.43%
Return on Equity	-58.70%	-6.23%	15.10%	-45.73%	39.45%	4.53%
Sales/Assets	0.47	0.61	0.54	0.67	0.50	0.74
Proj. Sales Growth (F1/F0)	-8.98%	0.00%	-1.97%	-24.35%	8.57%	16.94%
Momentum Score	A	-	-	F	A	A
Daily Price Chg	-0.58%	0.00%	-0.80%	-1.34%	-0.90%	-4.10%
1 Week Price Chg	-4.21%	-0.57%	0.37%	2.32%	-0.78%	-5.59%
4 Week Price Chg	-0.87%	2.30%	3.64%	-10.66%	-0.73%	36.74%
12 Week Price Chg	9.76%	16.01%	11.56%	10.53%	11.76%	92.20%
52 Week Price Chg	-27.66%	-2.45%	-3.92%	-52.79%	43.94%	509.46%
20 Day Average Volume	17,705,940	129,702	1,867,919	6,704,183	33,727,176	17,470,512
(F1) EPS Est 1 week change	0.17%	0.00%	0.00%	-1.97%	2.52%	411.32%
(F1) EPS Est 4 week change	0.07%	0.00%	0.21%	-1.97%	2.51%	394.64%
(F1) EPS Est 12 week change	-34.79%	0.00%	-1.29%	-6.55%	4.01%	185.94%
(Q1) EPS Est Mthly Chg	1.46%	0.00%	0.09%	-3.22%	3.89%	331.08%

Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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	B
Momentum Score	A
VGM Score	C

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.

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