

# US&C Strategic Context and Ridesharing Priorities

US S&P  
November 2018

**UBER**

Trial Exhibit No.

**P-00177**

# **Key Challenges Facing the US&C Business**

## At a macro level, the US&C business is facing three key challenges as we look forward to 2019

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1

**Category growth is slowing**

2

**Competitive pressure is high**

3

**Downward pressure on profitability**

**Year-over-year growth rates have fallen from ~90% in mid 2016 to ~50% in mid 2017 to 29% in mid 2018.**

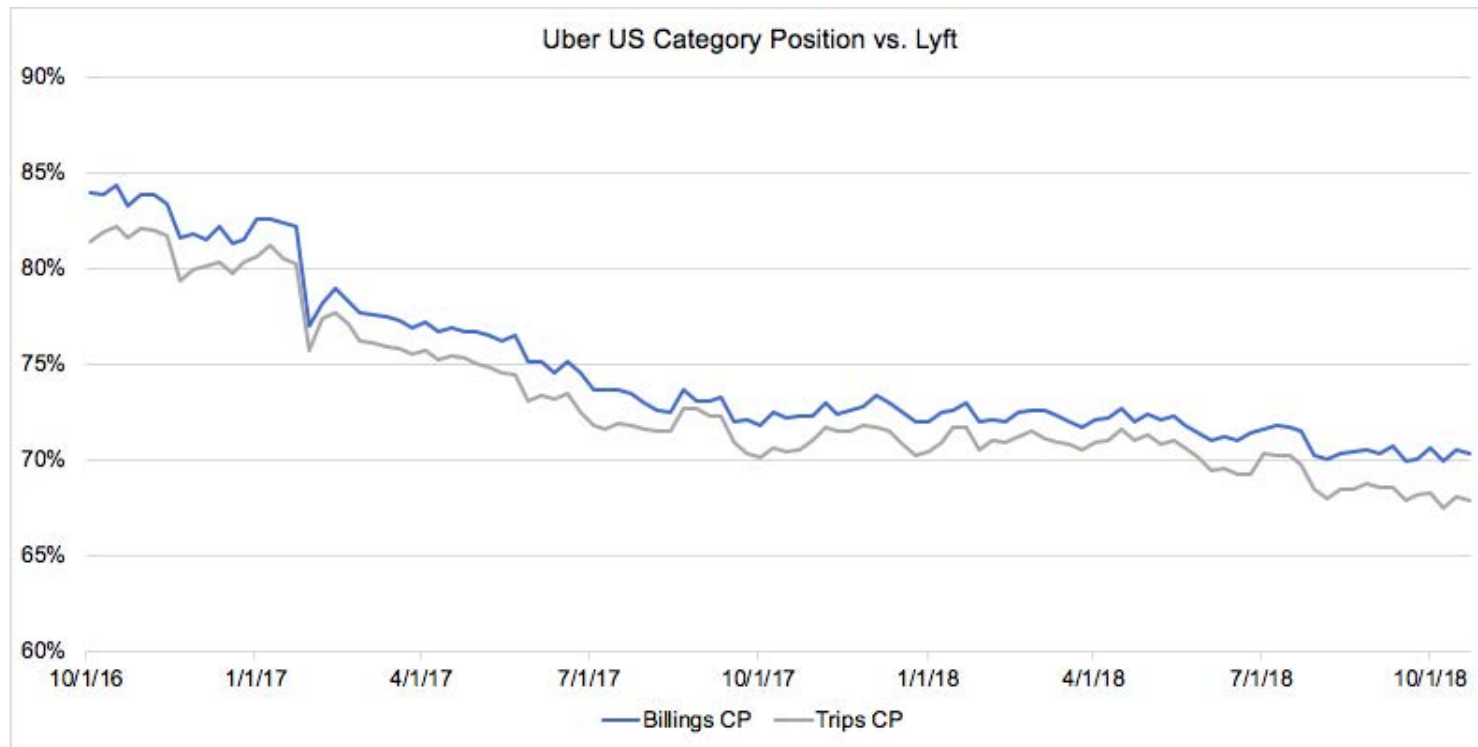
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YoY Category Growth Rate by Week



In addition to the category growing at slower rate, we're capturing less of the category: Trips CP rests at an all time low of ~70%.

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# In the broader space and longer term, we face intense competition for supply and demand from players outside our immediate space.

## Competition for Supply

Food Delivery

**GRUBHUB**



**POSTMATES**

eCommerce / Logistics Platforms



## Supply & Demand Aggregators



Ridesharing Platforms

**Uber** **lyft**

Autonomy Focused Transport

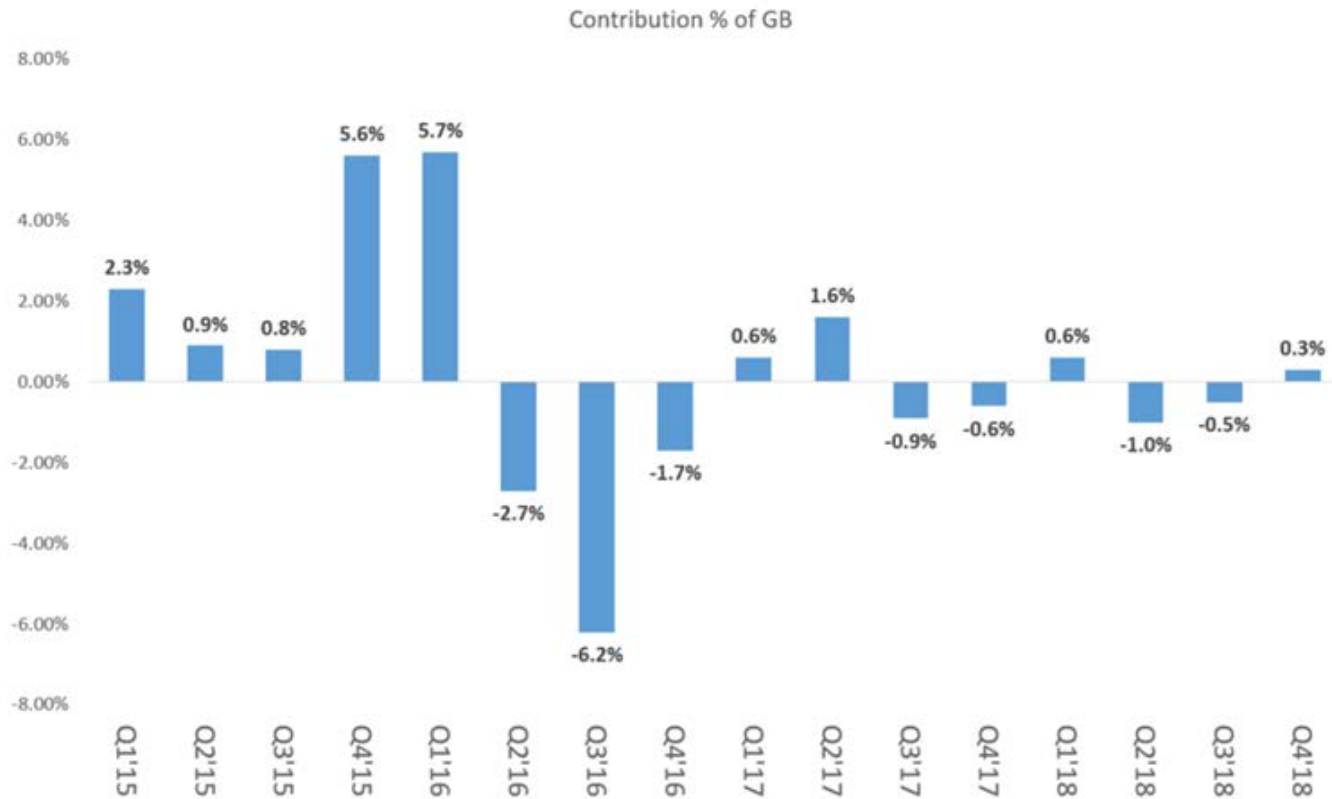


## Competition for Demand

Self Operated Single Modality

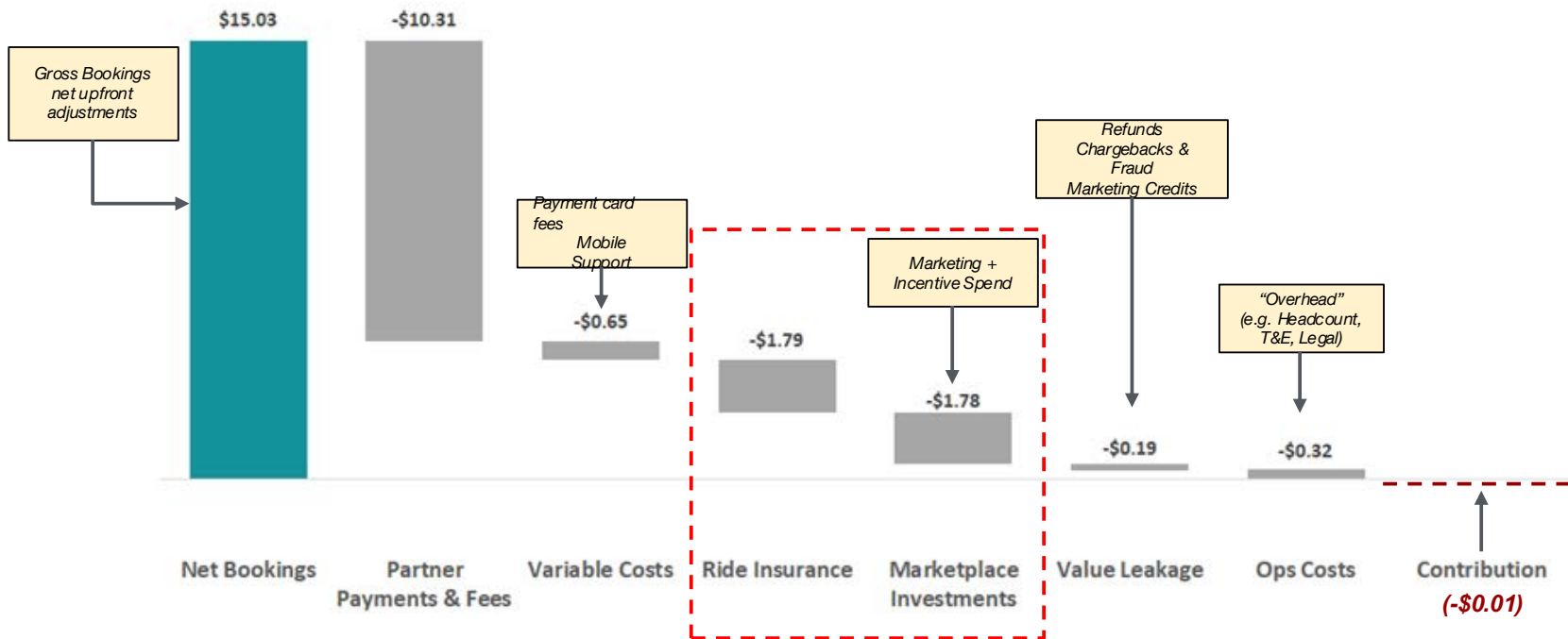


# Despite slowing growth we have not been able to improve our margin profile...



# ... Subsidies erode already thin margins, which - alongside insurance - constitutes more than 20% of our gross bookings.

H1 2018



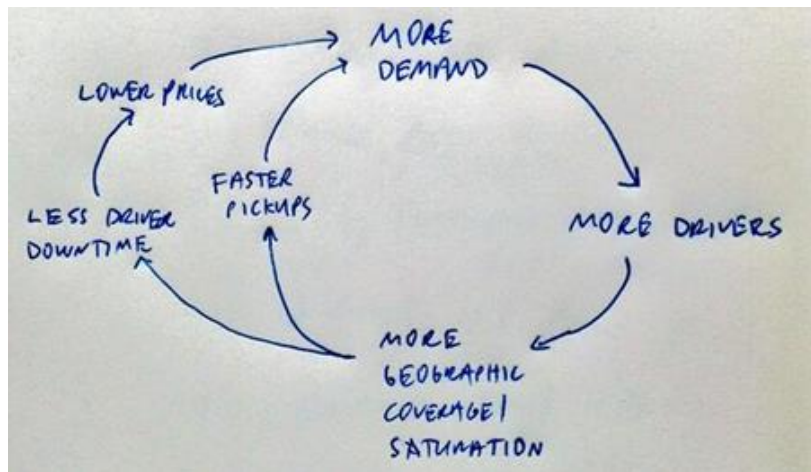
\*Contribution excludes depreciation & amortization

# **Network Effects & Why Supply Matters**

# Our ridesharing business model / flywheel is not as defensible as once commonly thought

1

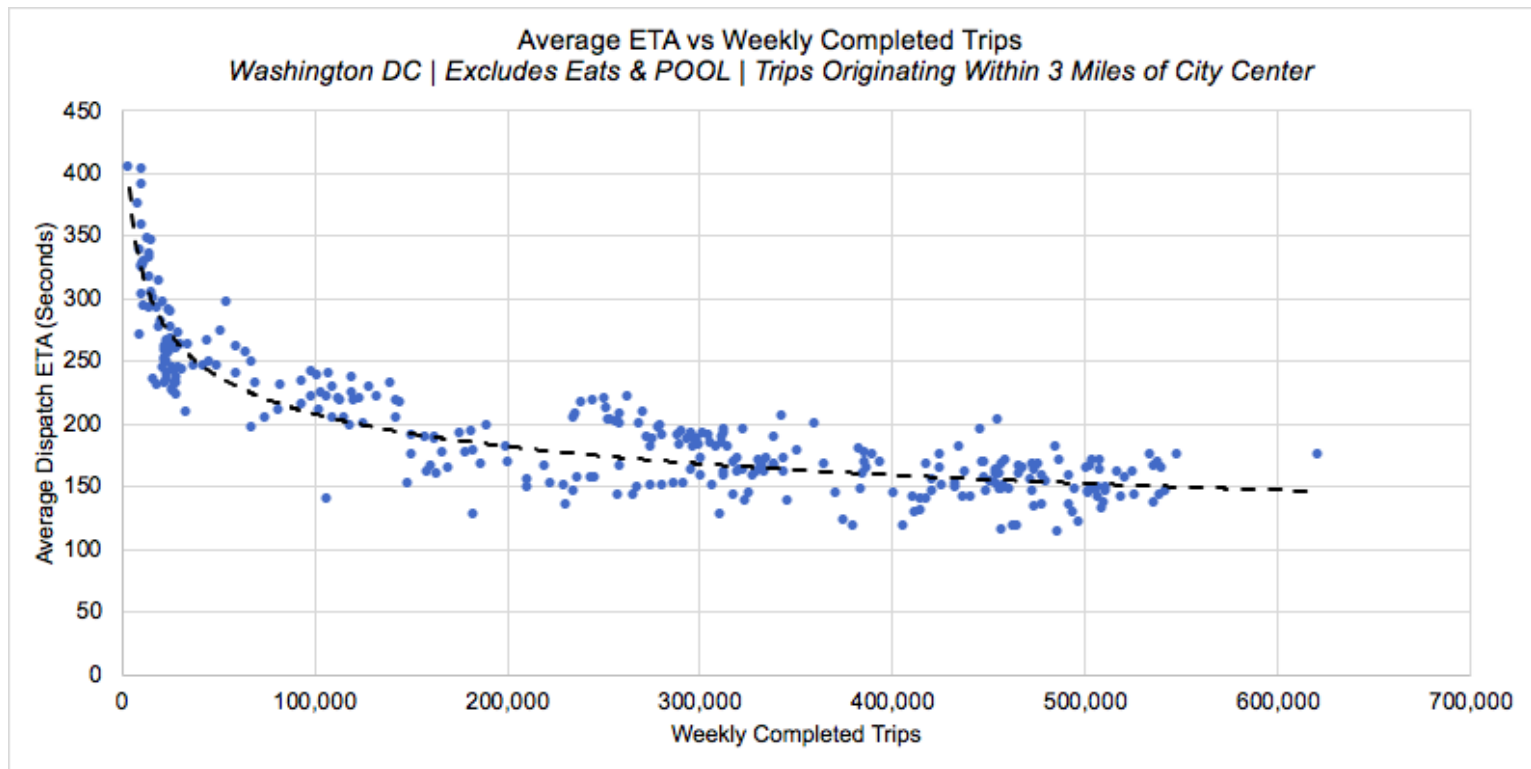
Beyond a level of scale, supply-demand balance is greater predictor of reliability (price + ETAs) than scale itself



2

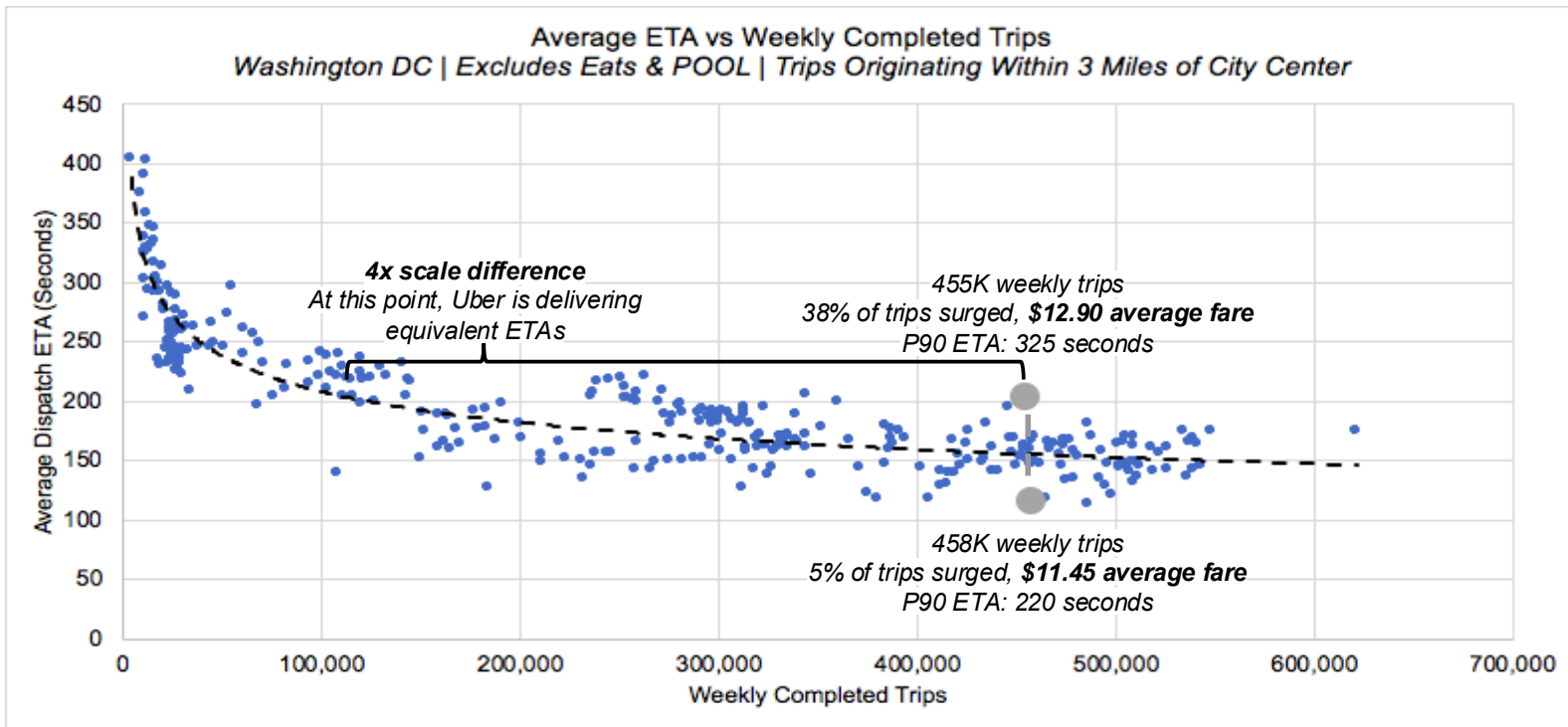
Driving on multiple platforms results in the highest earnings for drivers

## Scale drives very limited competitive advantages beyond a point

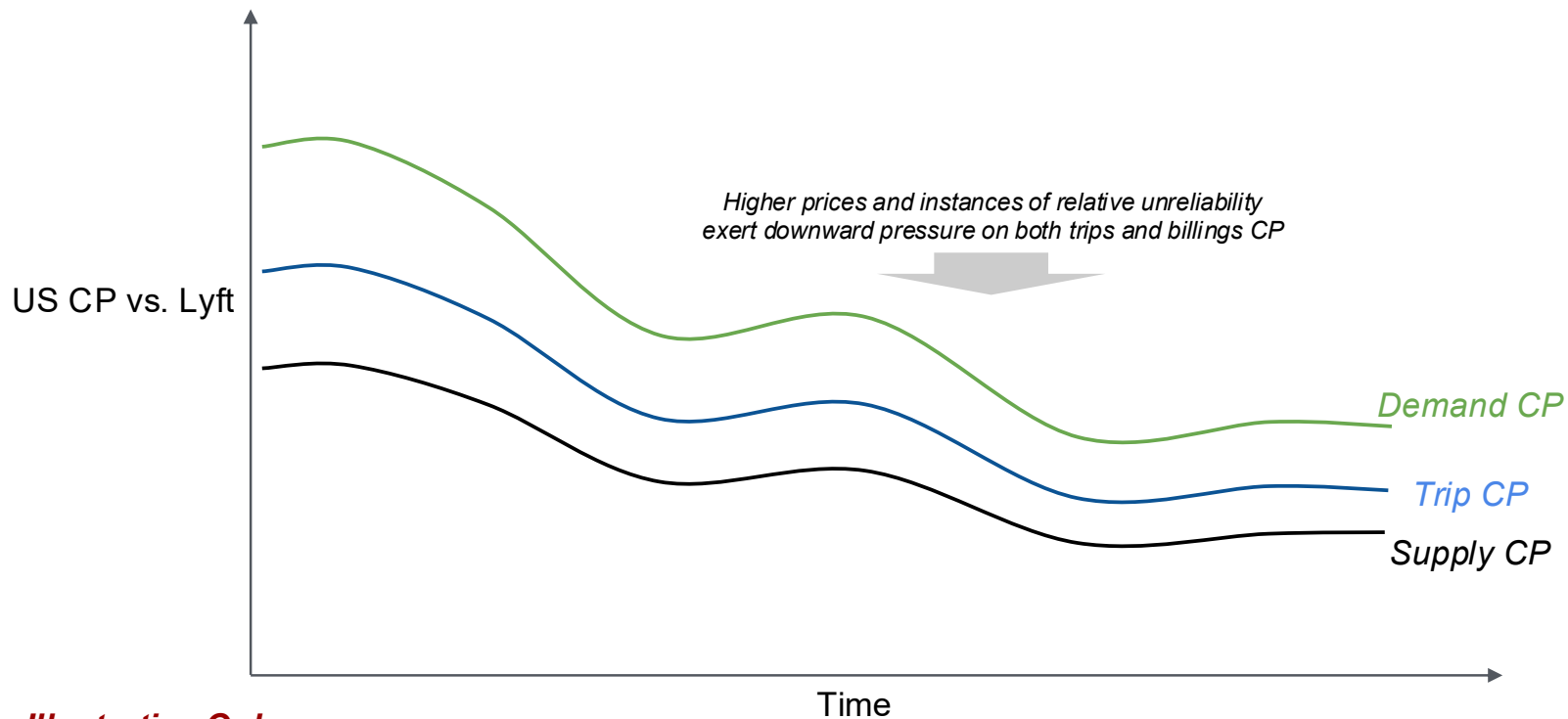


# In order to provide a reliable service, supply leadership and market balance are critical

Acute supply constraint effectively reduces the size of your network by 4x. Higher prices exacerbates this.



**So, in our biggest cities, our supply CP lags our demand CP significantly, resulting in a steady degradation of our trips / booking CP.**

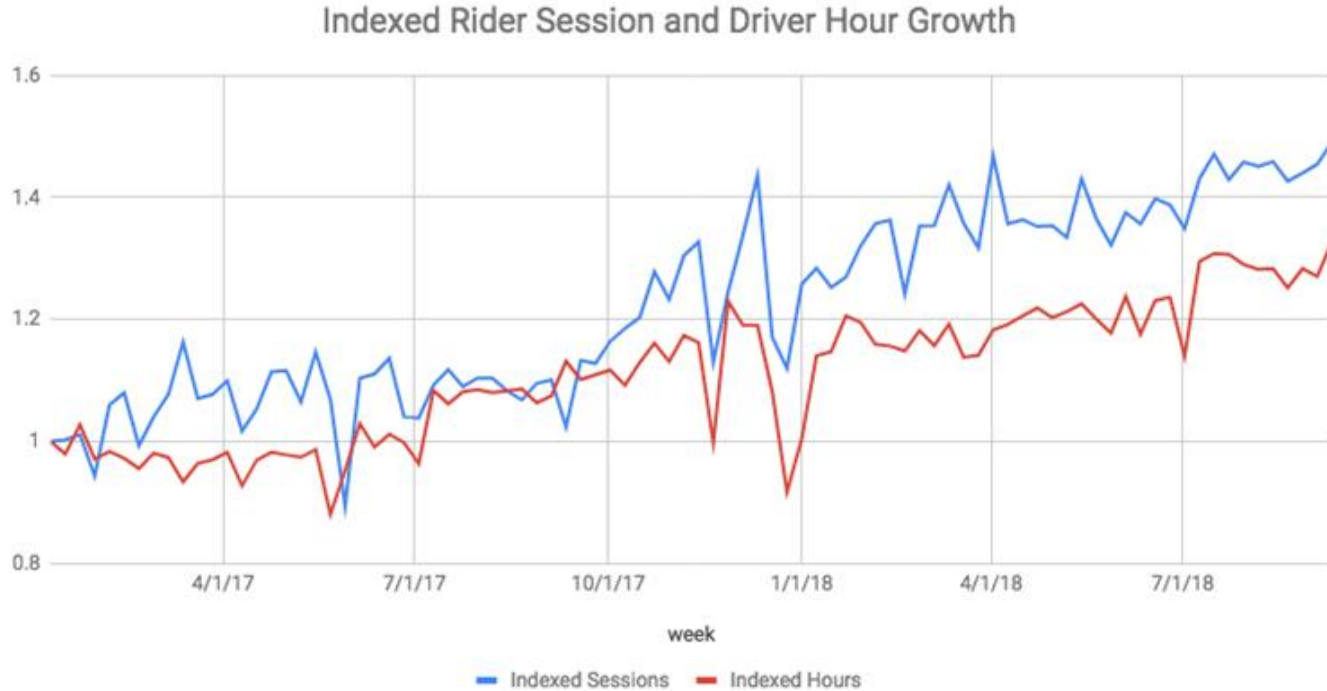


*Illustrative Only*

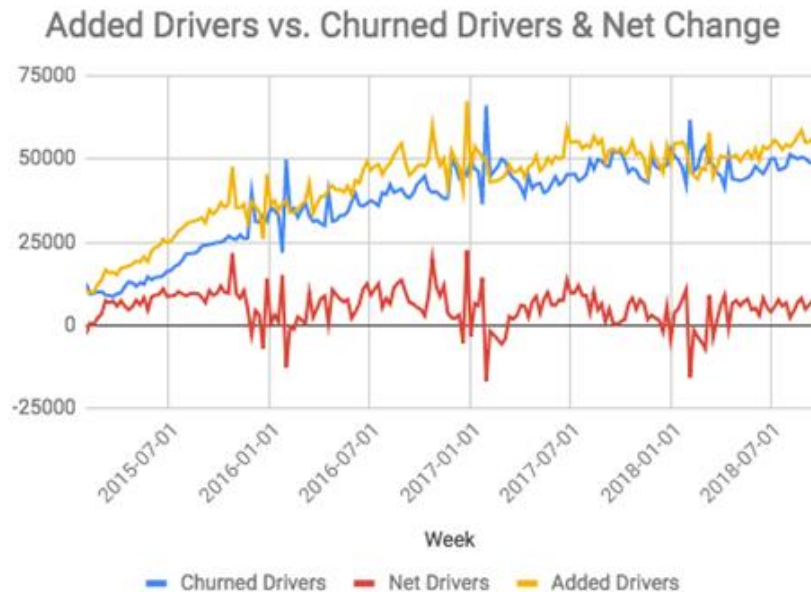
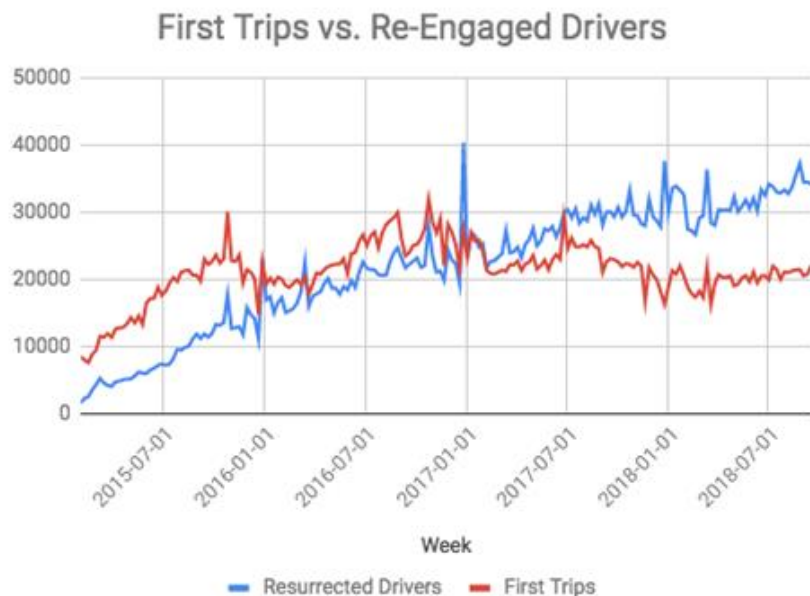
## **Key Driver Trends**

**In general, we've not been able to grow supply to keep up with demand.**

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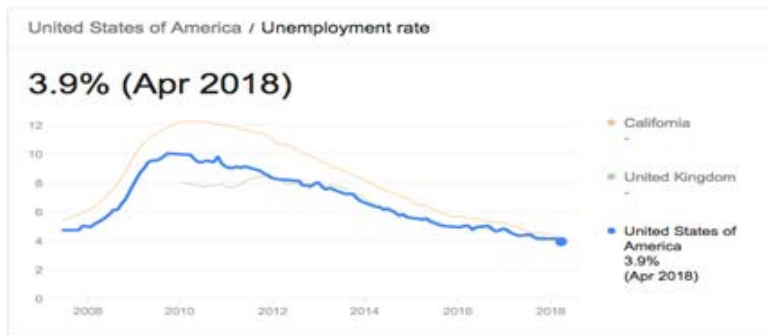


# For the first time, re-engaged drivers accounts for more driver additions than first trips. However, churn remains high making growth challenging.

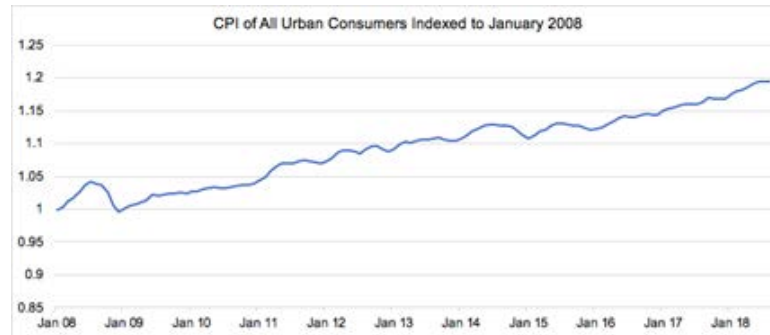


# The macroeconomic climate in the US is putting downward pressure on our ability to grow and retain supply.

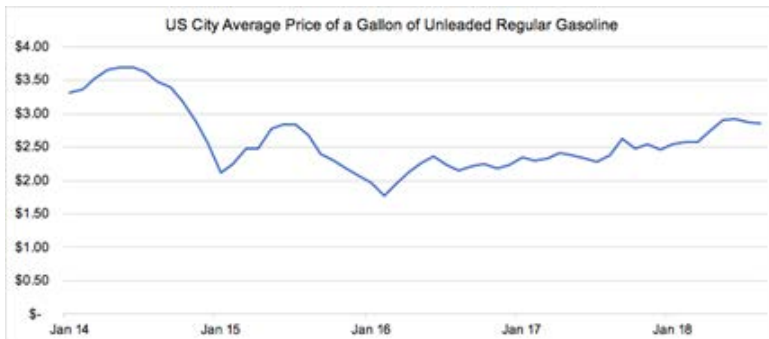
*Unemployment is at 3.9%, a 10-year low*



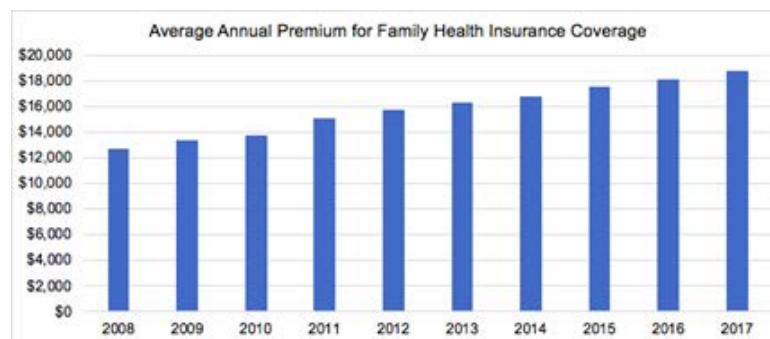
*The average price of goods has increased 20% since 2008*



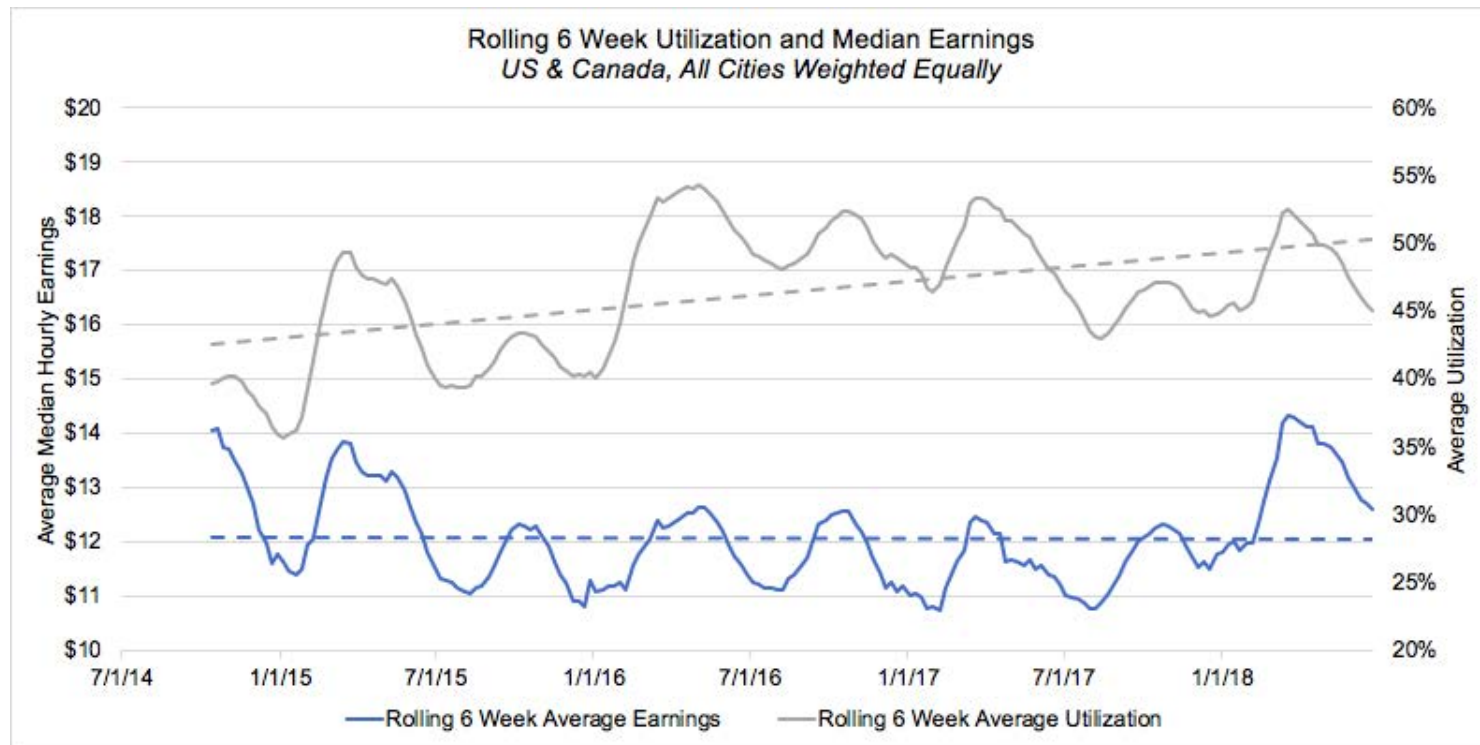
*Gas prices are up 50% since 2016*



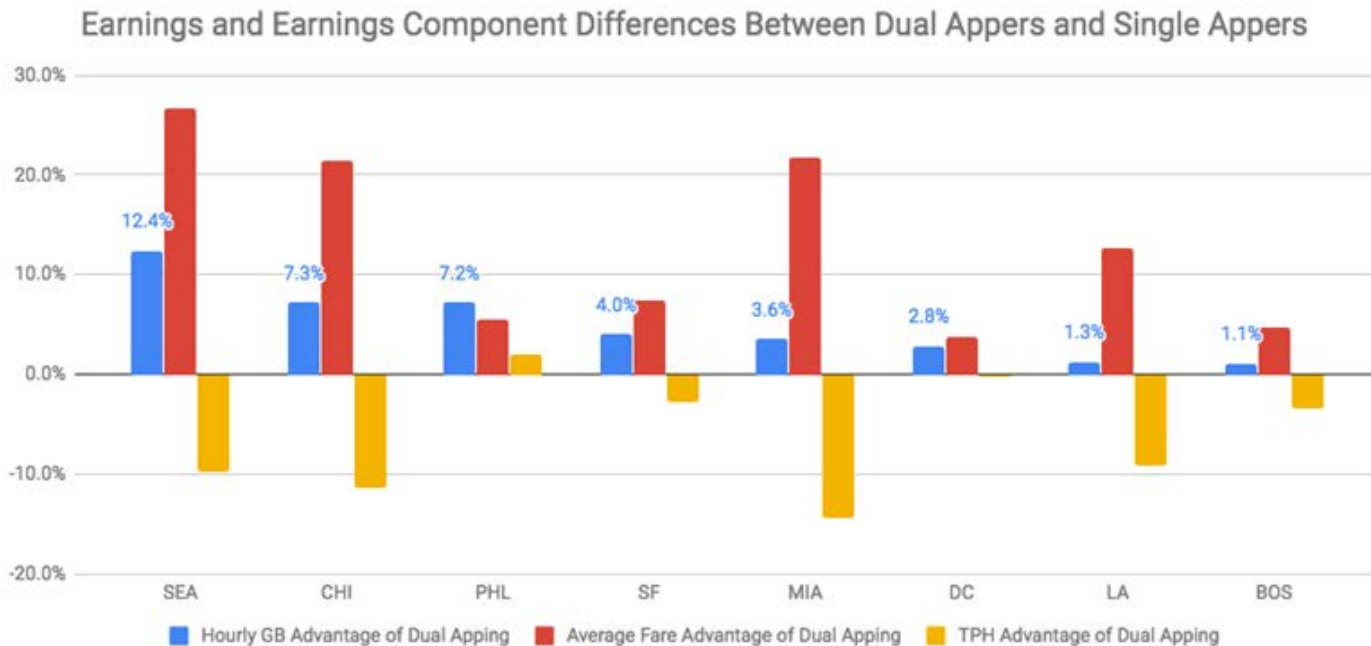
*The average cost to insure a family is up 15% since 2014*



## Meanwhile, driver earnings on Uber are largely flat while utilization is climbing: the amount of work drivers do is increasing much faster than earnings.



# One of the most effective ways to increase earnings power is through dual apping.



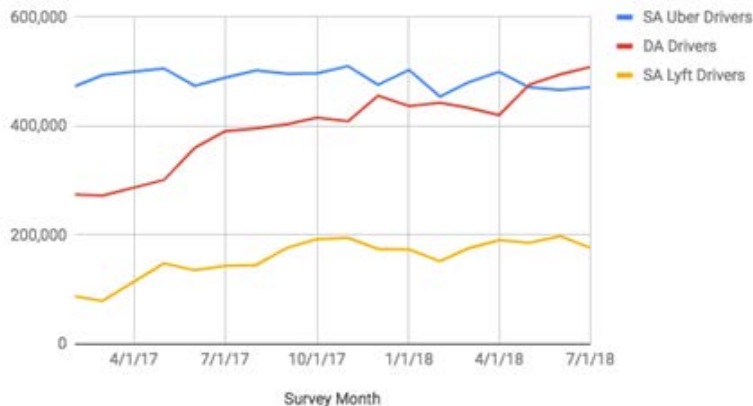
# Infact, we see that Lyft is able to grow single apping supply and overall supply at a faster rate than we have over the last 18 months

## % of Drivers Dual Apping Monthly (Self-Reported)

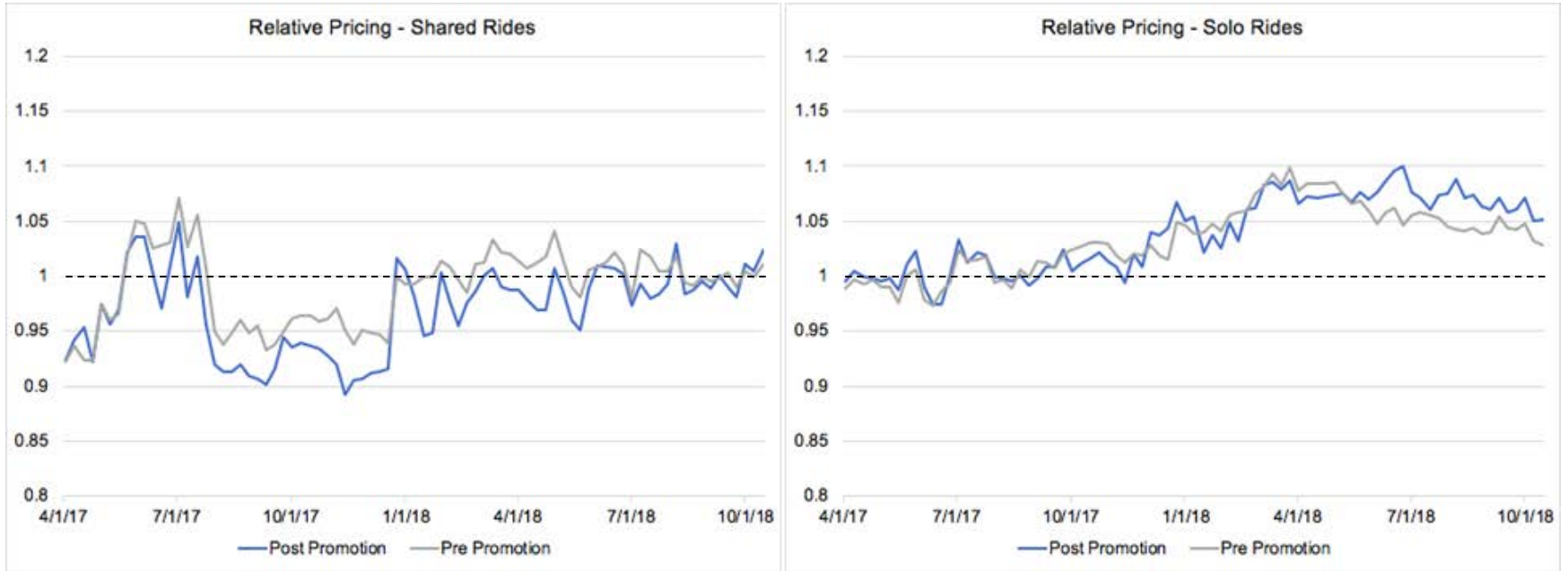


## Distribution of Drivers Across Uber & Lyft

### Rideshare Driver Distribution

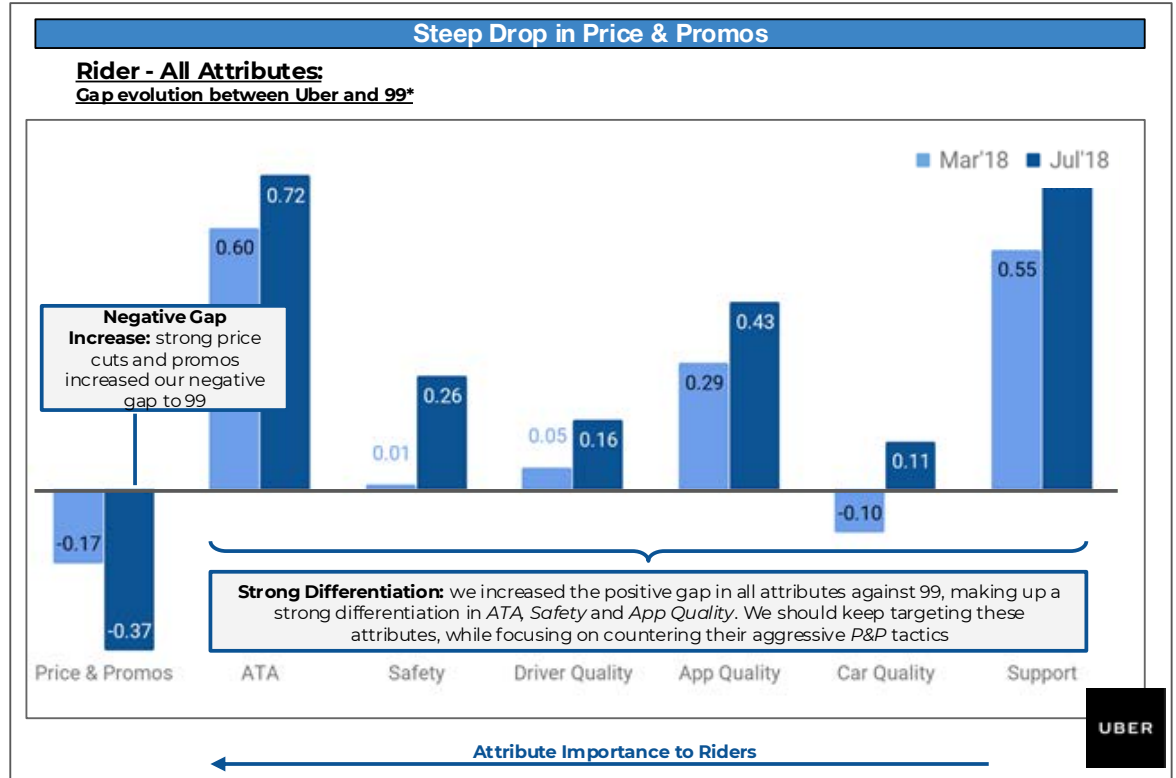
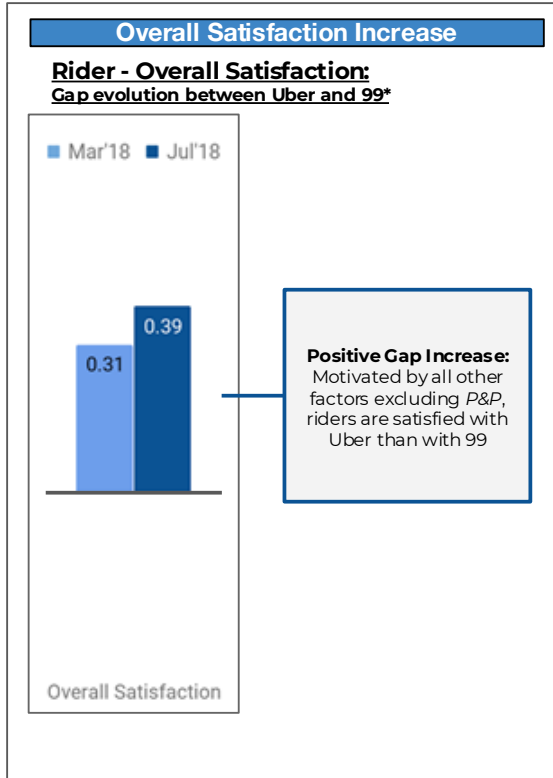


# The net result of this is that we are more expensive than Lyft



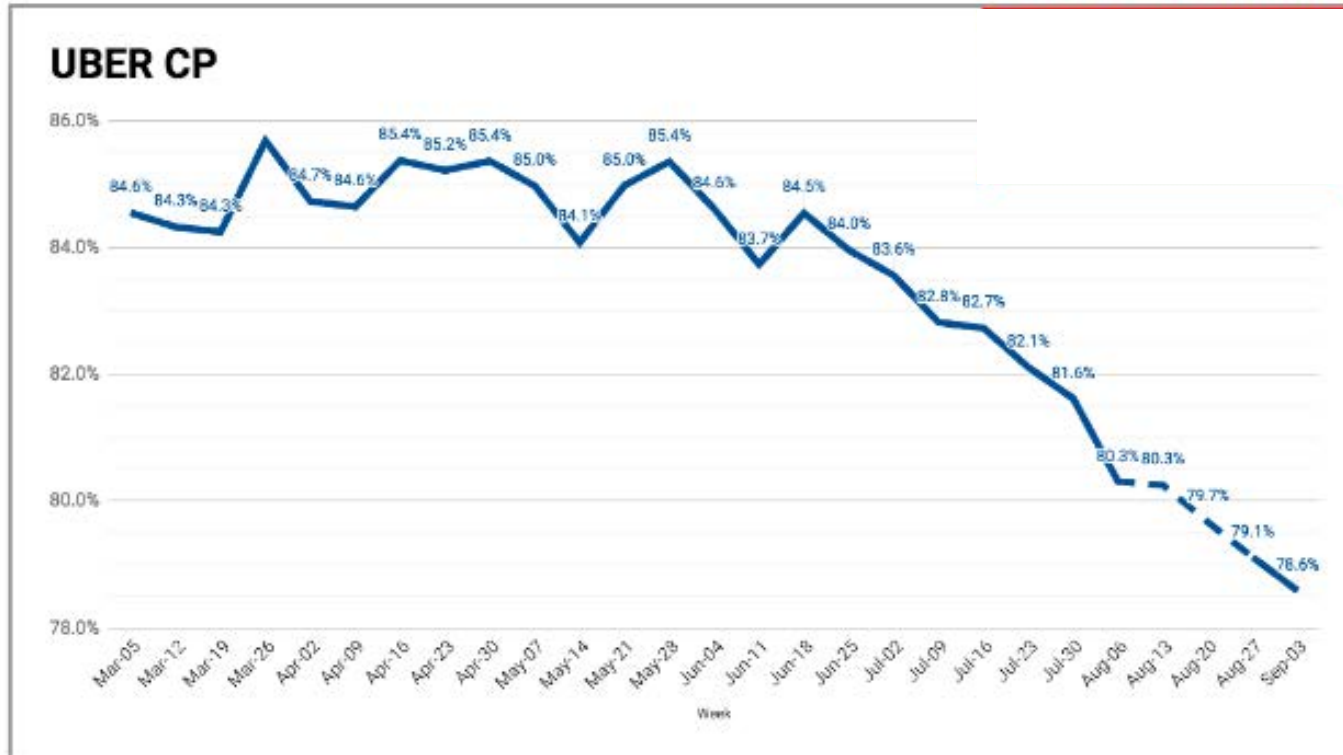
*We are losing to our competitor on the single most important customer value proposition*

On the rider side, we improved our positive gaps in *Overall Satisfaction* and in most service attributes, but we're falling behind in *Price & Promos*



\*Uber score minus 99 score. A positive gap indicates Uber is better perceived than 99, while a negative gap indicates that riders are more satisfied with 99

## How important is price? (Brazil Case Study)



**Globally, we are seeing a few other key themes & challenges**

The tremendous investor appetite we see towards the ridesharing and transportation industry isn't stopping anytime soon.

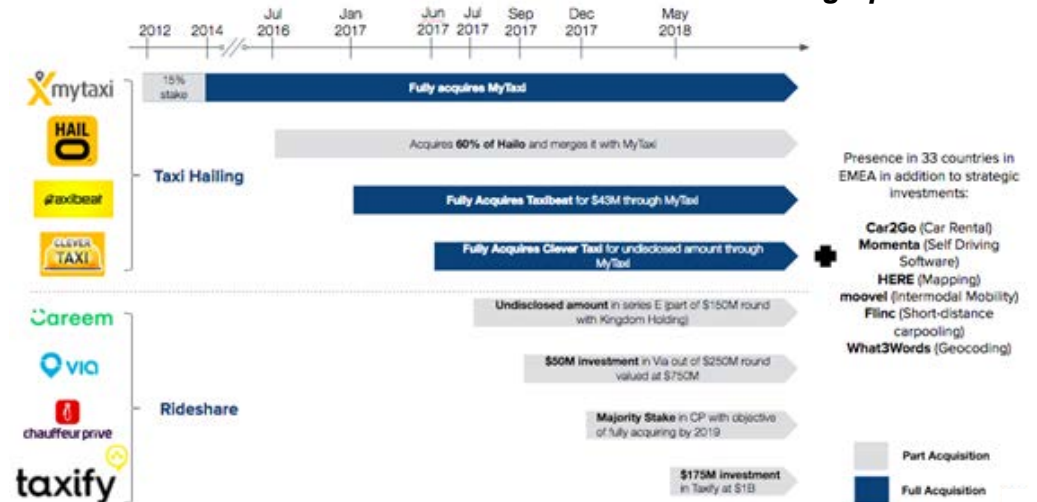
**Saudi Arabia's sovereign fund will also invest \$45B in SoftBank's second Vision Fund**

**Scooter startup Bird raises \$400 million in 4 months and rockets to \$2 billion valuation**

Ridesharing continues to grow globally. A number of strategic investors are long the whole sector, betting on a variety of players that compete with one another (eg Softbank, Daimler, etc).

This means that players inside and outside our direct space will continue to be highly capitalized and **continue to deploy large amounts of subsidies.**

### Timeline of Daimler Involvement in Ridesharing Space





# We face significant headwinds globally on the regulatory, policy and corporate fronts.

Cities around the world are increasingly focused on tackling pollution & congestion and are not currently seeing Uber as a solution to that problem. We should expect to see increased pressure on our rides business with things like: supply caps, congestion charges, EV incentives

The independent contractor (IC) status of our Driver Partners is being challenged in many countries around the world. Factors include the amount of control we exert on driver partners, social safety benefits for employees vs. ICs

Our corporate tax structure makes it very hard for us to de-couple rider and driver fares in countries outside the US.



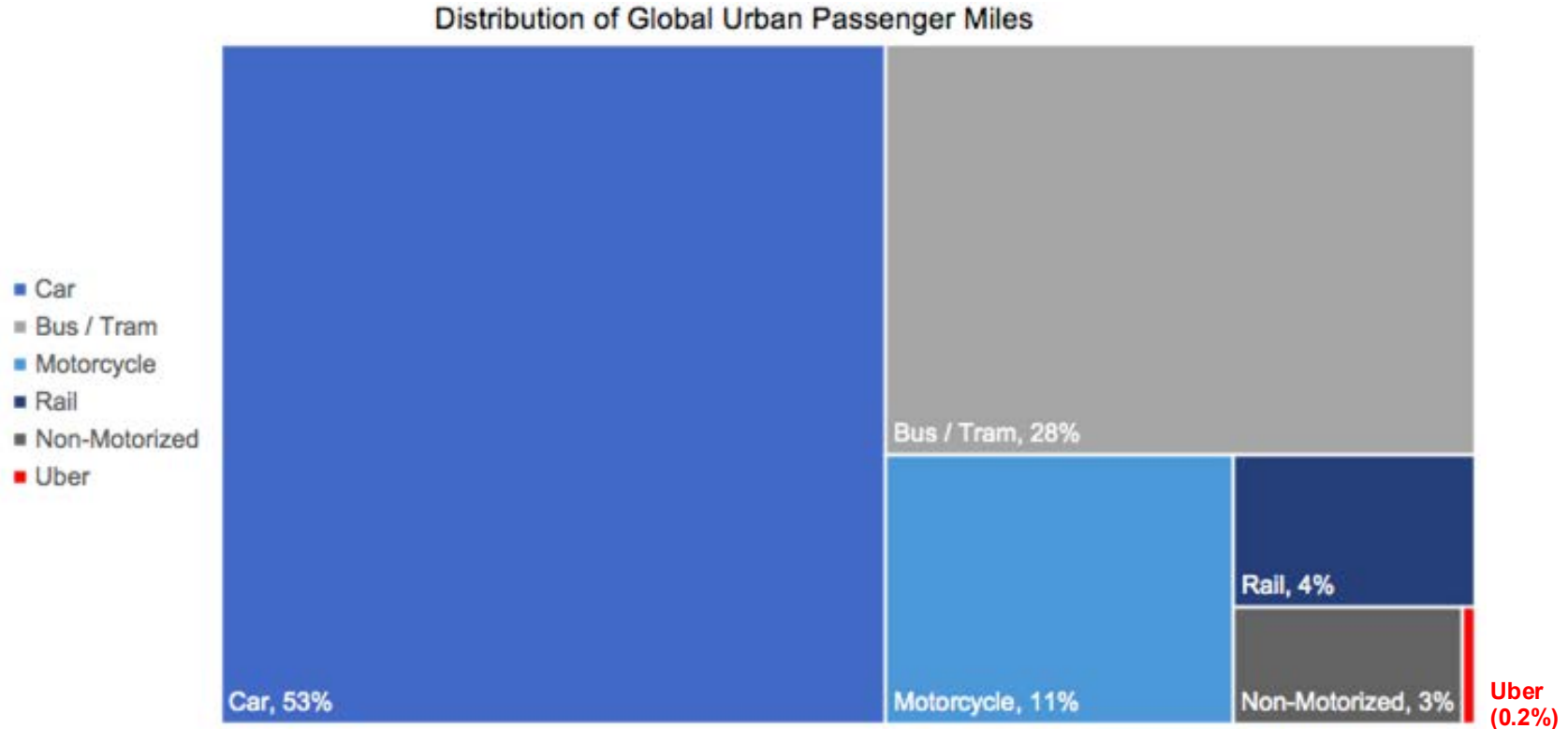
## Uber loses appeal in UK employment rights case

Ride-hailing app had appealed against ruling that drivers were workers with minimum-wage rights and not self-employed



**Rides has a massive opportunity ahead of us**

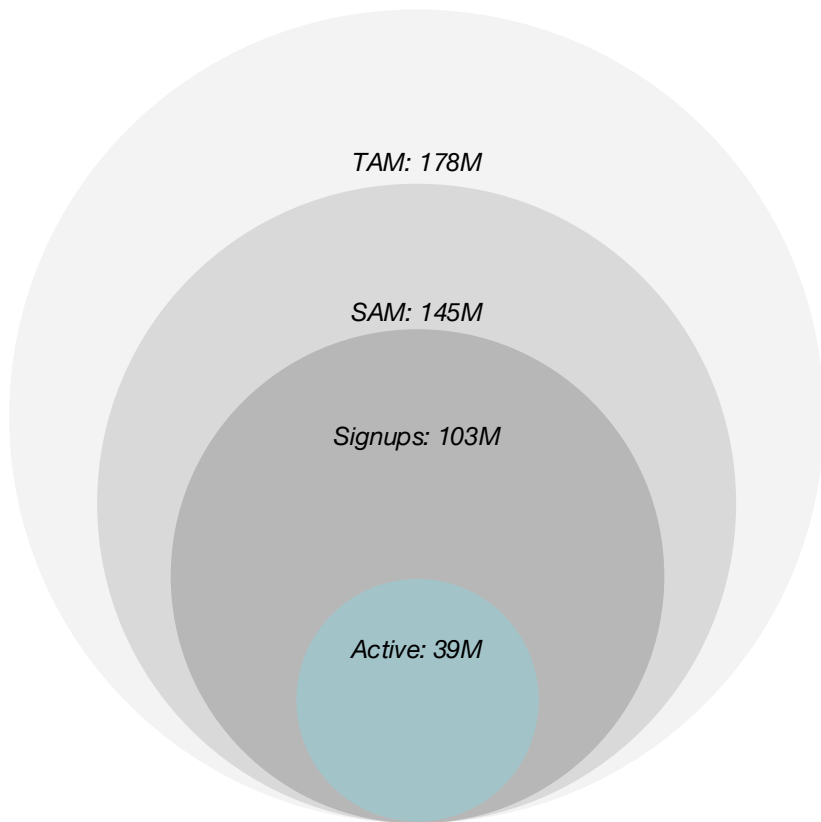
# But the market is far from saturated - we constitute a small fraction of global urban passenger miles



Source: [International Transport Forum Outlook](#), 2017 – data shown for 2015. T = trillion.

<sup>1</sup>Urban agglomerations with population above 300,000, following the definition of UN World Population Prospects (2014 Revision). The full city list contains 1692 cities.

# Our six month active rider count represents just 20% of our TAM, and only 25% of those riders take more than 2 trips per month on average.

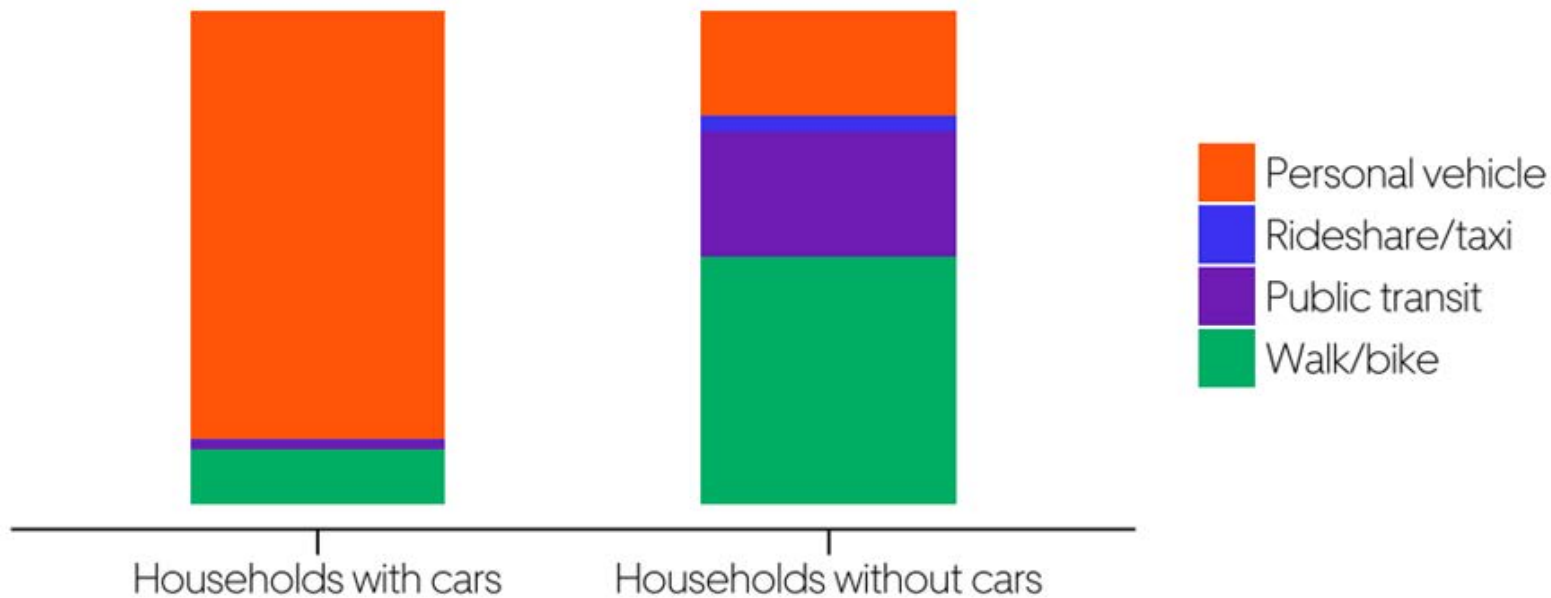


**TAM:** 18+ y/o people with smartphones  
**SAM:** TAM with debit cards

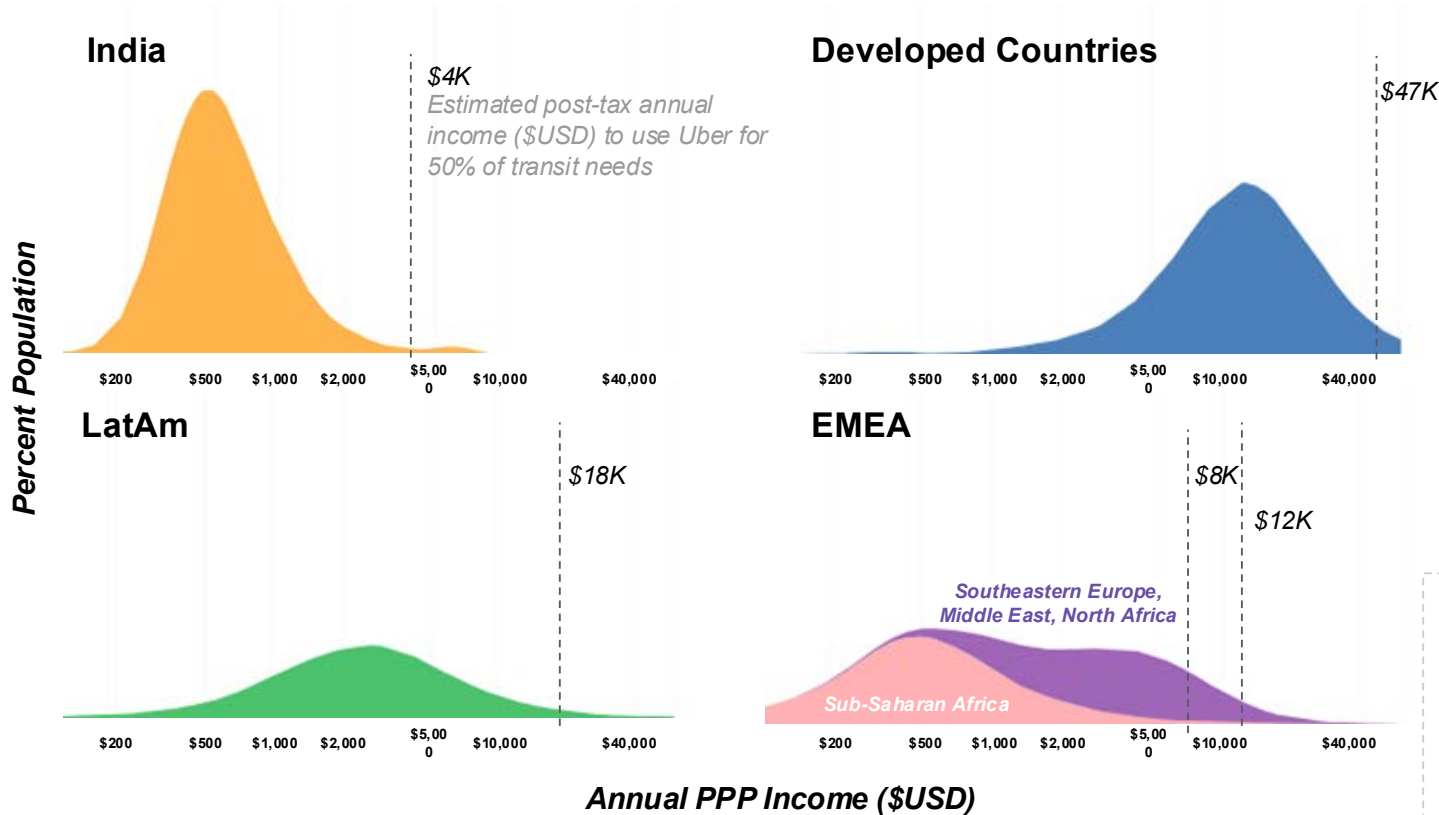
## Even among urban, non-car-owning households - our core target market - rideshare accounts for less than 3% of person trips.

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Person-trips by mode in urban households



# Uber remains an expensive transportation solution for much of our addressable market globally - we need to bring down pricing to access more riders



**Methodology, Assumptions & Sources:**

- Estimate average urban passenger miles per year using per-capita GDP [relationship](#)
- Apply global mix of urban v. non-urban passenger miles and convert to km to estimate urban passenger-km per year by region
- Use a simple average of L28D average uber rider price per km and non-uber price per km (assumed to be 50% of uber price per km)
- Estimate required post-tax income using [consumption](#) data from world bank
- Developed countries defined according to US CIA World Factbook

# The vast majority of transit in many large emerging market megacities happens on private + public bus systems (HCV) at substantially cheaper prices

In markets like Mexico city, our US-centric model does well with the upper-middle earners, but remains uncompetitive vs private bus taxi systems for the middle and lower income families



## Case Study: Mexico City

<u>Price</u>		<u>Weekly Trips</u>
\$15.10 290 pesos	BLACK	15K
\$5.50 105 pesos	X	2.3MM
\$4.33 82 pesos	POOL	160K

1/8 POOL Price { **\$0.50-\$1**  
10-20 pesos

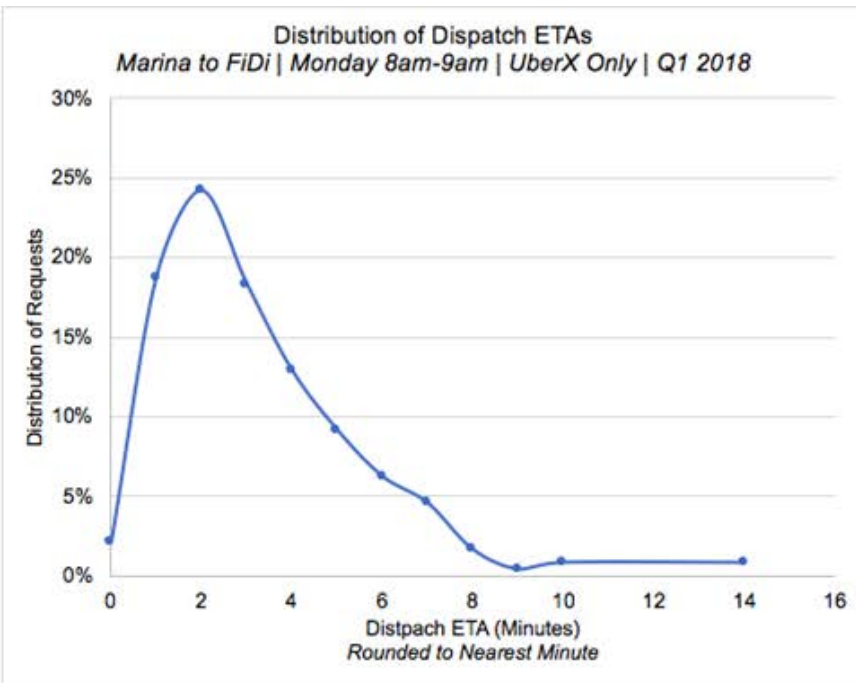
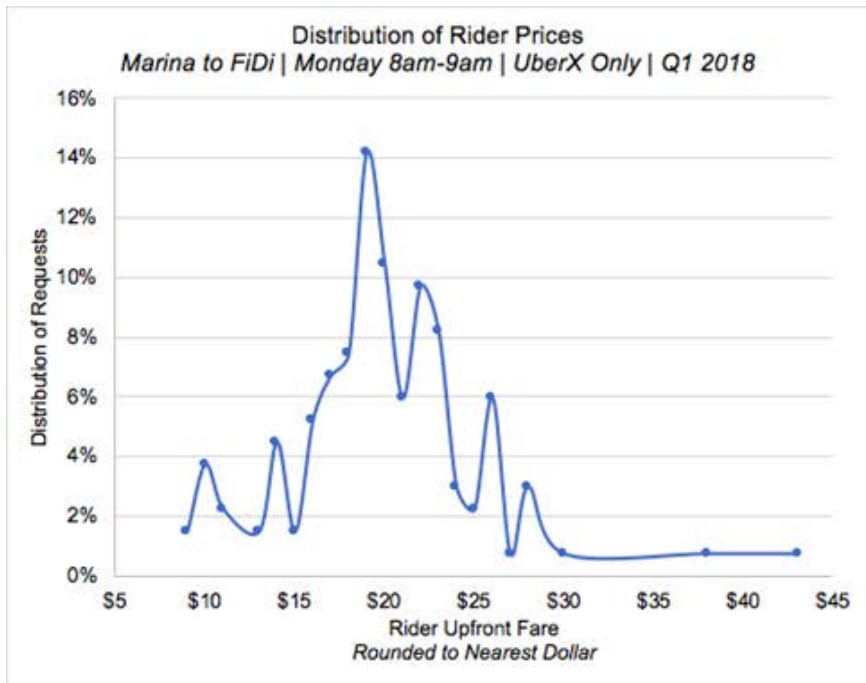
**Private +  
Public Bus  
Systems**

**50MM** } 17x Uber's Trip  
Volume in CDMX

\*Similar opportunities in: Rio de Janeiro, Sao Paulo, Cairo, Manila, Mexico City, Monterrey, Guadalajara, Bogotá, Lima, Jakarta, Cape Town, Johannesburg, Nairobi, Delhi, Mumbai, Bangalore, and many additional

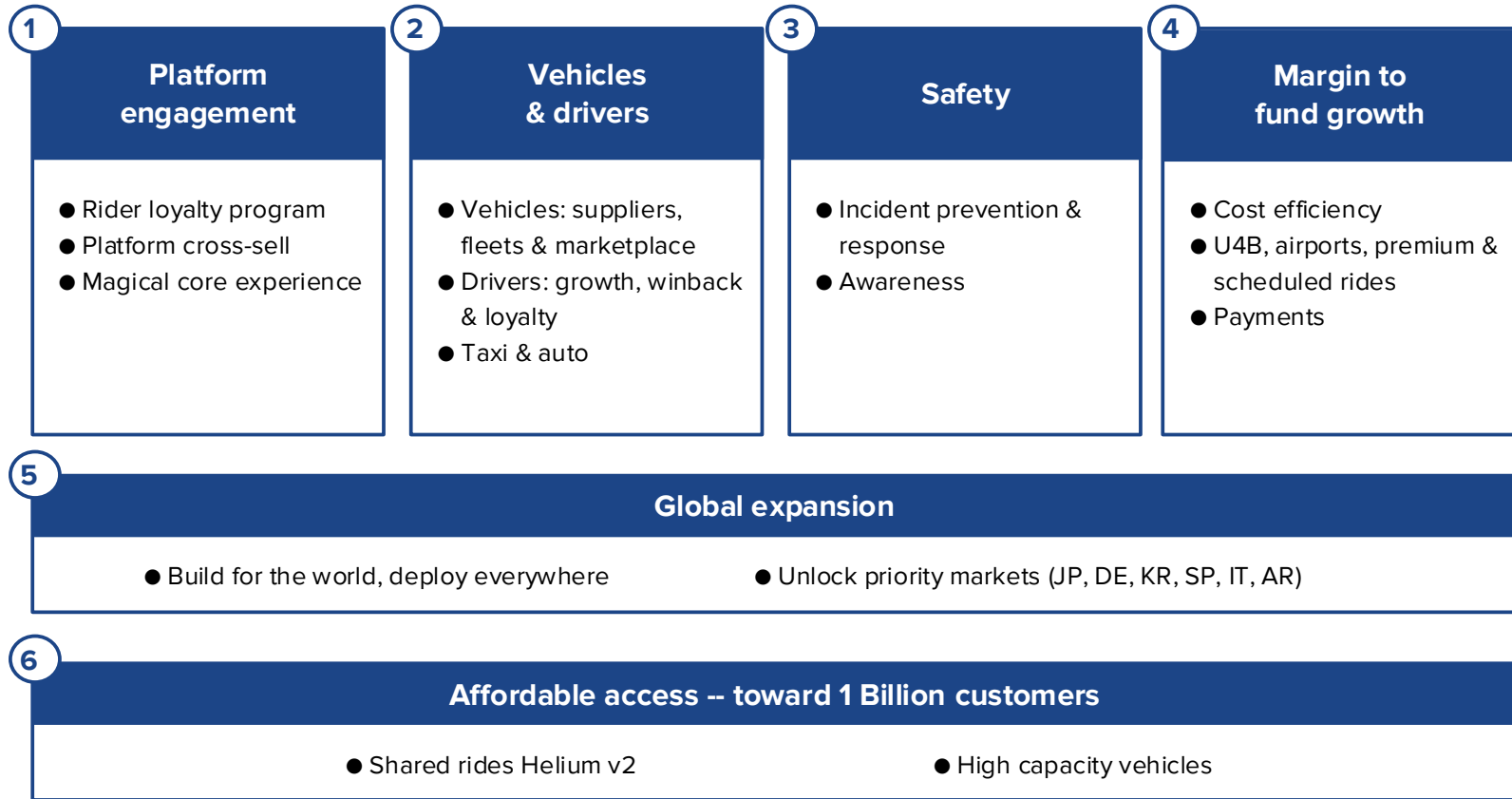
**Another factor is an inconsistent core experience. ETAs and prices are volatile, making Uber a poor choice for habitual use cases.**

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**What is our strategy going forward?**

# Key Rides themes for 2019 Globally



## **Our US&CAN strategy hasn't materially changed as we look to 2019 - we need to continue to focus on the core experience, reward loyalty and deepen competitive moats**

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**1**

**Deliver a consistently excellent core experience.**

**2**

**Reward single platform loyalty.**

**3**

**Lean in to asymmetric advantages.**

## Our strategy hasn't materially changed as we look to 2019 - we need to continue to focus on the core experience, reward loyalty and deepen competitive advantages

---

1

Deliver a consistently excellent core experience.

2

Reward single platform loyalty.

3

Lean in to asymmetric advantages.

- *Be the safest platform*
- *Price and reliability leader for riders*
- *Deliver the highest value (net profit) for drivers to single app on Uber*

# Appendix

# Marketplace

# Our Marketplace may actually not be as efficient as we think it is. We're generally less affordable than our competitor during the busiest times of the week.

Los Angeles Uber vs. Lyft Percent of Trips With Dynamic Pricing

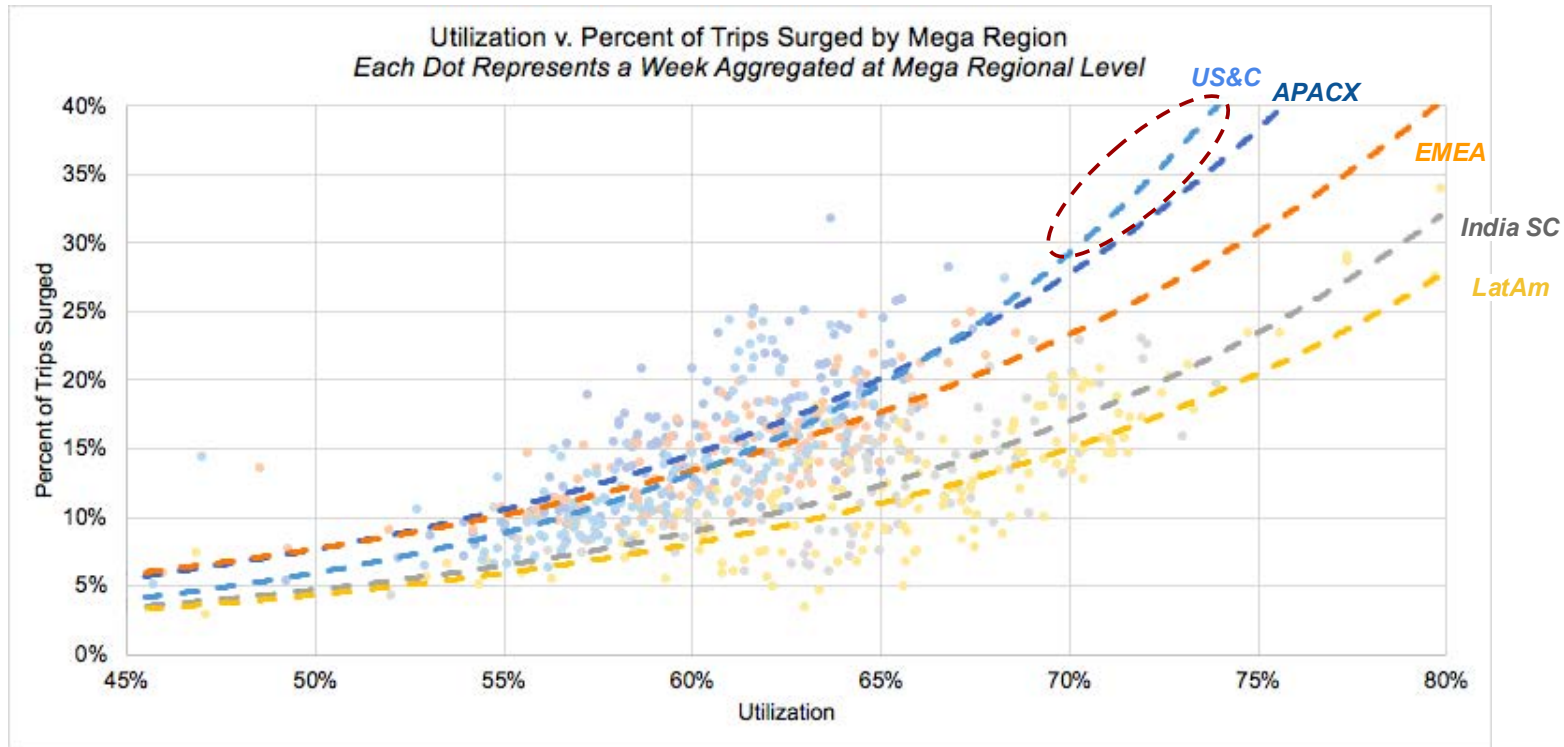


Los Angeles Percent of Surged Trips by Hour & Day

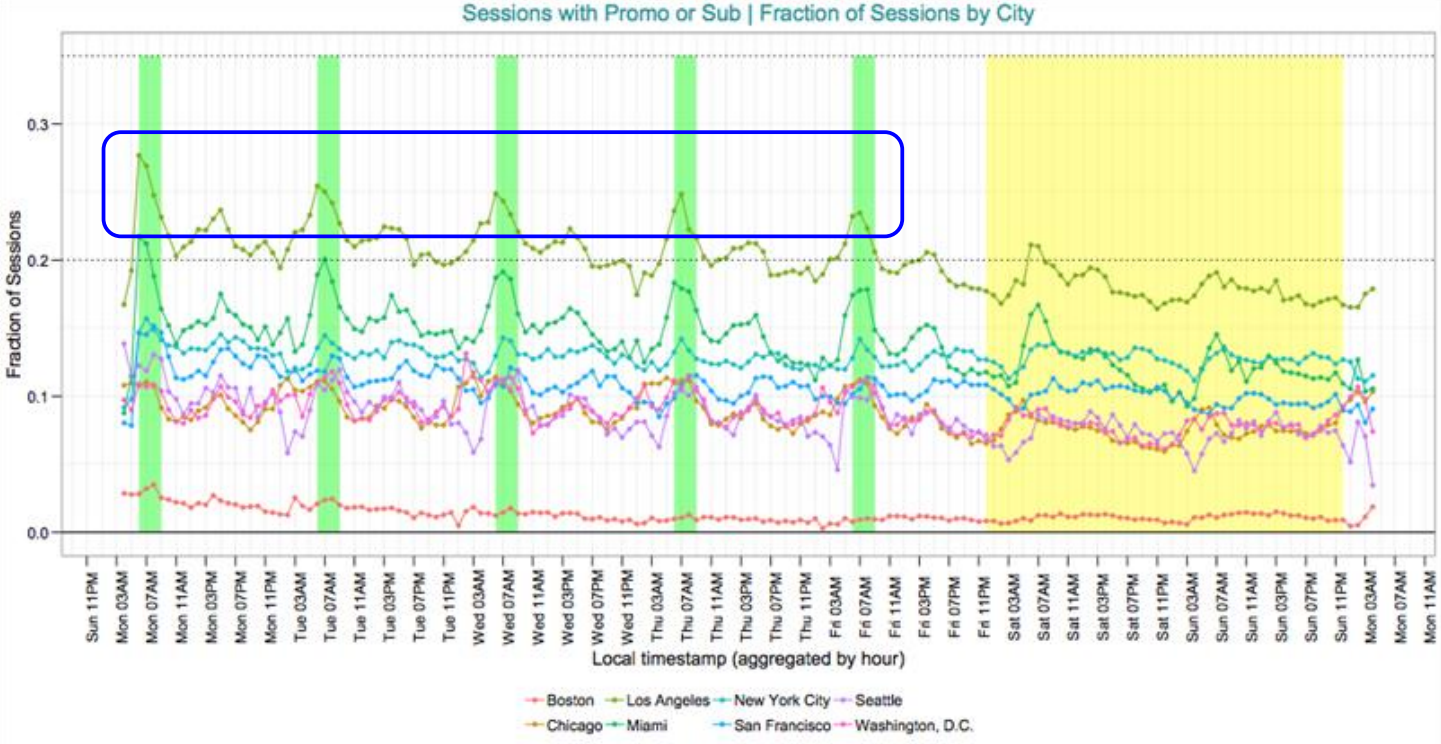
TIME	MON (10/29)	TUE (10/30)	WED (10/31)	THU (11/1)	FRI (11/2)	SAT (11/3)	SUN (11/4)
AM							
12:00-	6.0%	6.6%	4.3%	28.8%	7.9%	15.0%	10.1%
01:00-	4.6%	1.7%	4.2%	40.1%	2.2%	25.6%	31.0% / 36.7%
02:00-	5.2%	6.4%	8.0%	53.3%	1.5%	26.7%	0.1%
03:00-	3.5%	2.3%	0.3%	12.8%	0.3%	1.4%	2.4%
04:00-	18.6%	2.4%	0.7%	22.1%	6.4%	2.5%	3.6%
05:00-	38.0%	1.3%	1.5%	37.5%	9.6%	2.8%	2.9%
06:00-	10.4%	3.7%	7.2%	53.4%	11.5%	2.1%	0.6%
07:00-	65.8%	20.6%	25.8%	70.4%	37.7%	5.3%	0.2%
08:00-	38.3%	7.0%	12.5%	44.7%	38.6%	8.9%	0.3%
09:00-	15.0%	1.7%	1.2%	23.6%	8.7%	12.3%	0.6%
10:00-	1.3%	0.1%	0.1%	2.7%	1.4%	5.2%	0.4%
11:00-	0.5%	0.0%	0.0%	1.0%	1.0%	4.3%	0.6%
PM							
12:00-	0.6%	0.0%	0.1%	3.7%	4.8%	6.3%	0.5%
01:00-	0.9%	0.4%	0.3%	4.1%	6.3%	8.0%	2.1%
02:00-	4.1%	2.2%	3.2%	8.2%	12.3%	2.7%	1.4%
03:00-	18.3%	5.4%	26.2%	27.3%	38.0%	2.9%	1.3%
04:00-	3.5%	0.6%	17.8%	10.4%	12.4%	2.2%	1.8%
05:00-	4.5%	4.2%	42.2%	24.3%	17.4%	4.1%	11.5%
06:00-	10.2%	14.5%	46.4%	39.9%	34.0%	21.0%	7.6%
07:00-	5.9%	4.9%	17.9%	10.8%	20.0%	17.6%	5.8%
08:00-	5.6%	0.1%	9.1%	1.2%	5.8%	6.5%	5.9%
09:00-	5.8%	1.6%	21.5%	3.6%	4.0%	7.6%	13.6%
10:00-	9.5%	2.2%	35.4%	11.7%	2.6%	9.9%	13.5%
11:00-	3.6%	6.4%	27.7%	13.7%	2.8%	11.1%	2.6%

Comparing across other mega regions, we find that at utilizations above 65%, we surge more frequently than every other mega region.

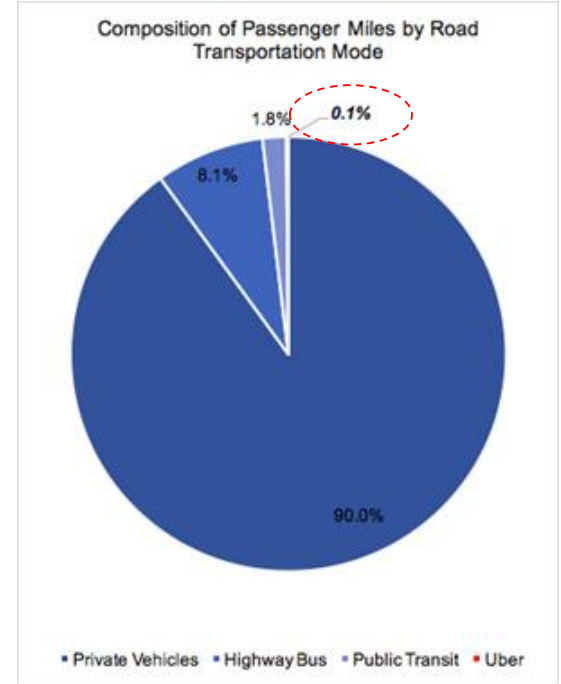
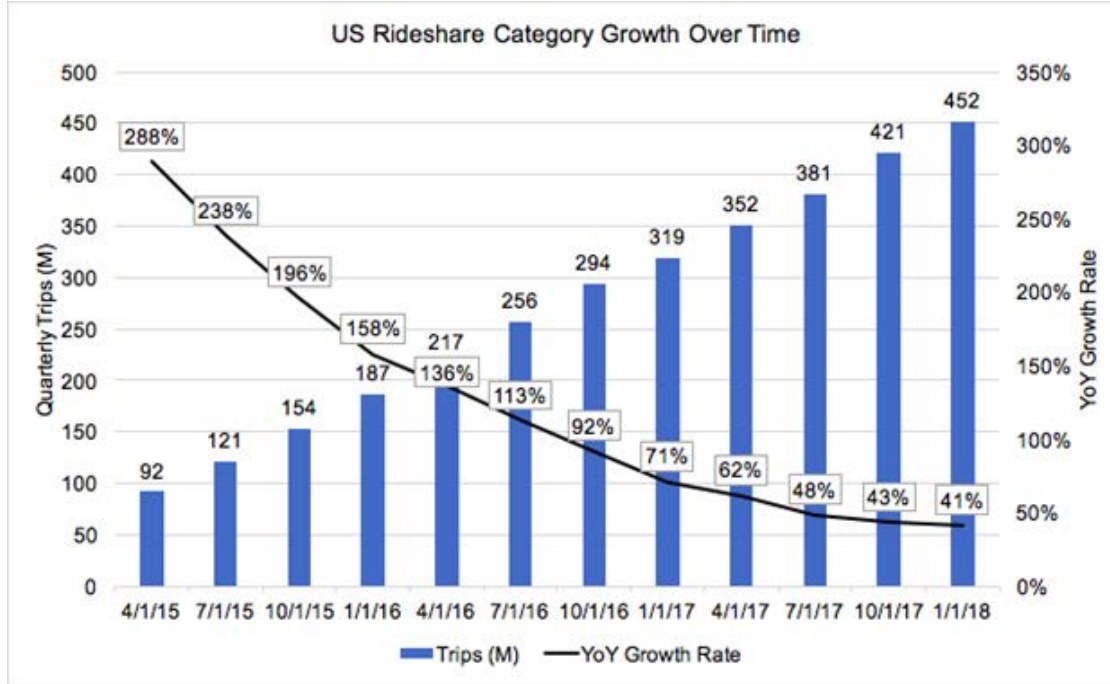
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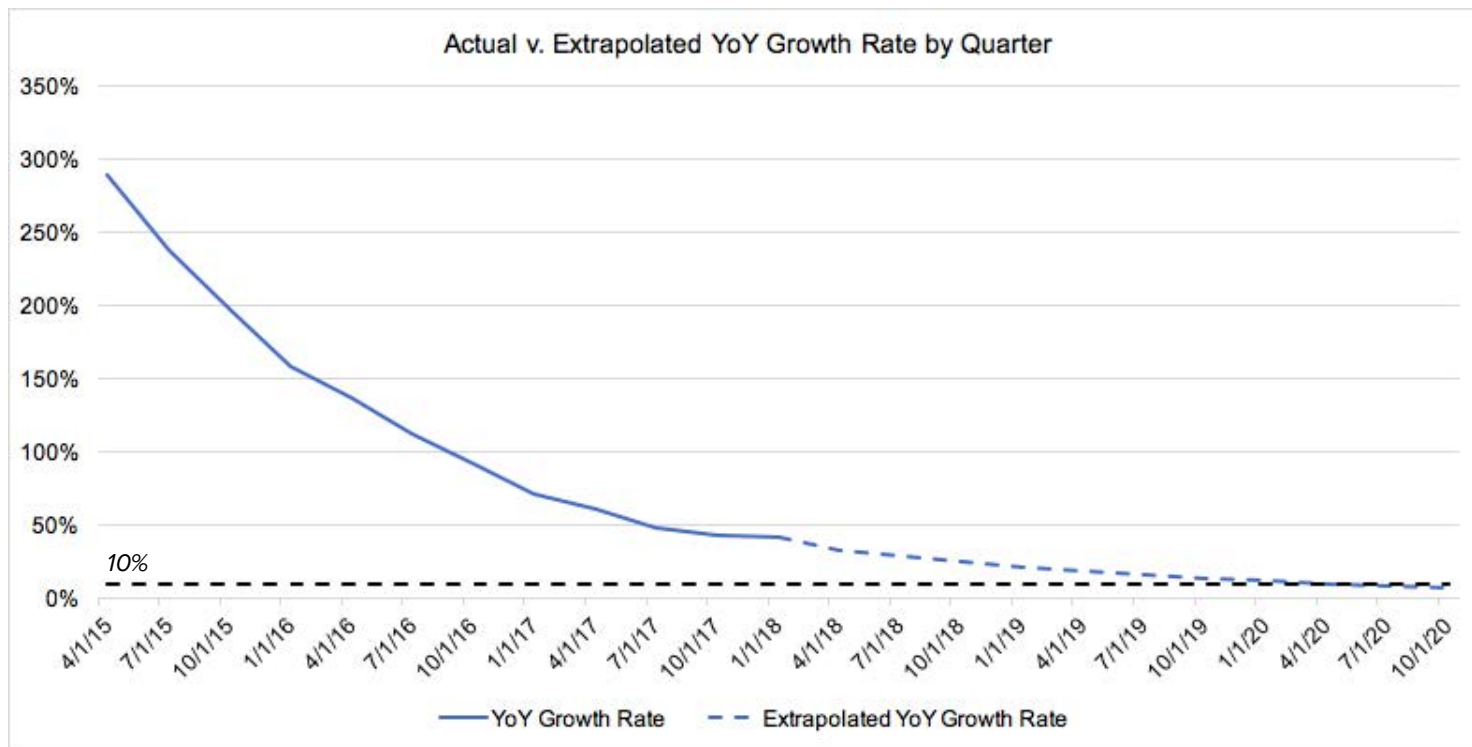
Discounts from promotions and subscriptions are most prevalent during morning rush - our most supply constrained time.



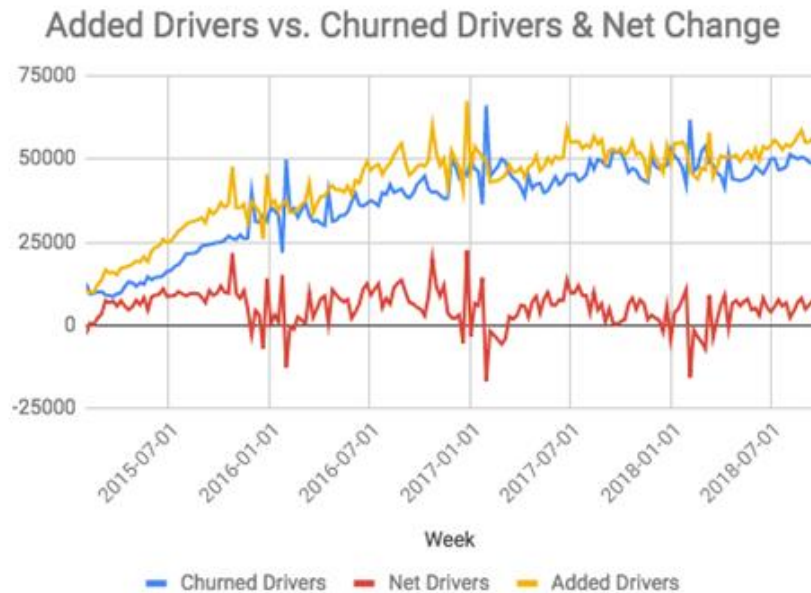
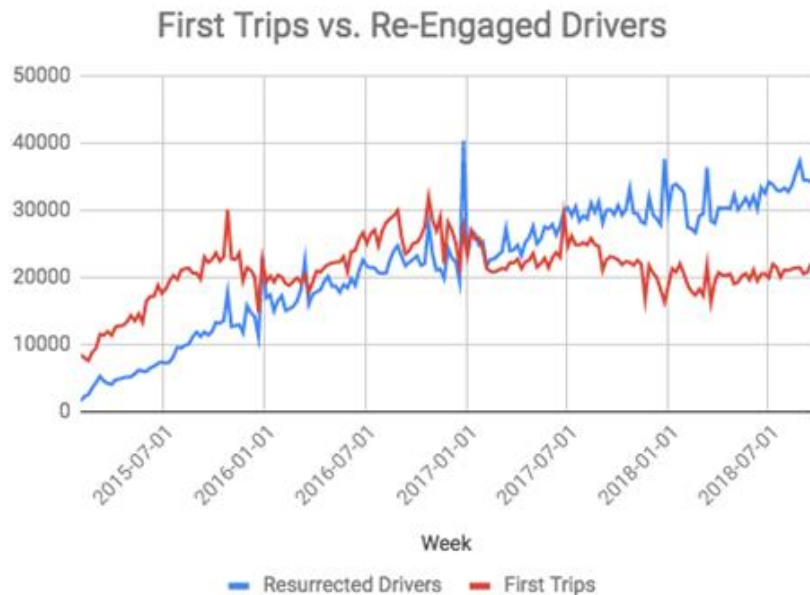
# Growth is slowing in the US & CAN ridesharing category ... though there remains significant headroom in the broader sector.



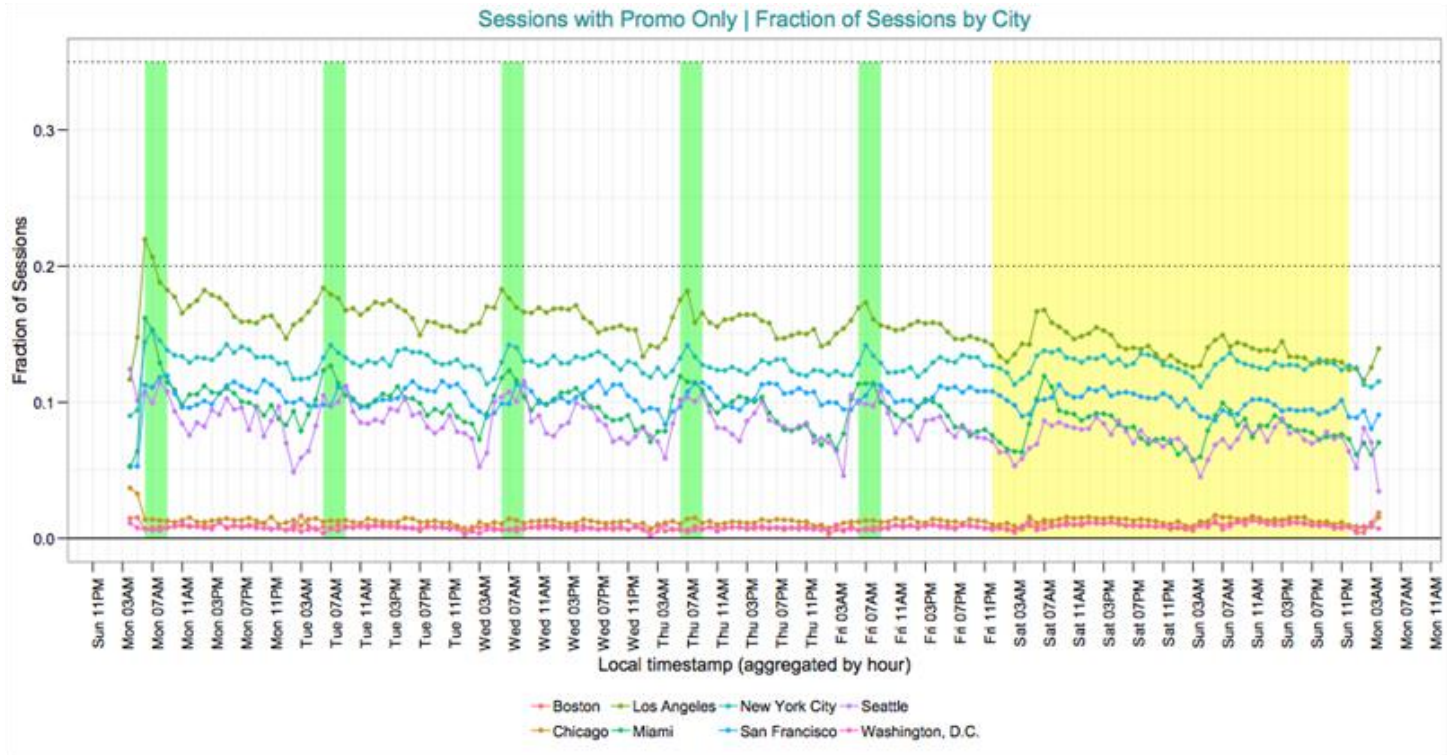
If we extrapolate current category trends, the rides category crosses into single digit year over year growth by the middle of 2020 - significant headwind for future Uber valuation.



# For the first time, re-engaged drivers accounts for more driver additions than first trips. However, churn remains high making growth challenging.



Rider promotions that we deploy into the marketplace are most prevalent during the morning rush period where our supply constraint is most acute.

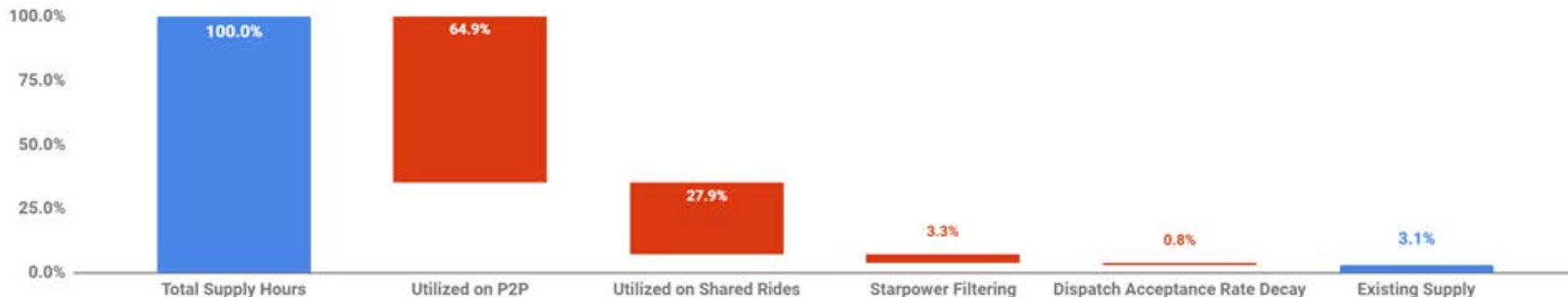


## Further, effective utilization is climbing as filtration products and acceptance rates render “open” supply unable to accept requests.

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- Effective open supply hours would **double** if we could add back the supply hours lost to Starpower and dispatch rejections
- It would **more than triple** if we could add back supply hours spent on single-match shared rides trips

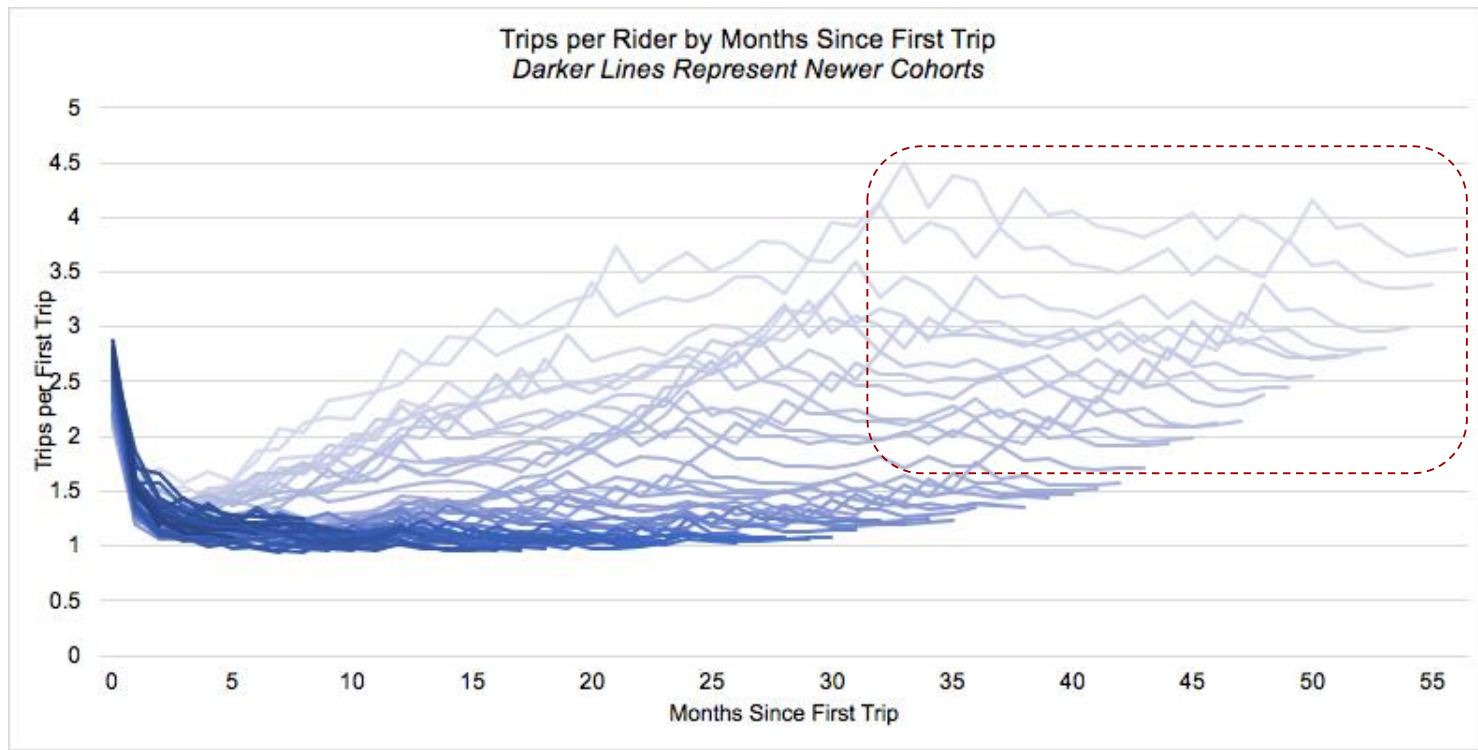
Relative total open supply hours in downtown Los Angeles during AM Rush



## **Key Rider Trends**

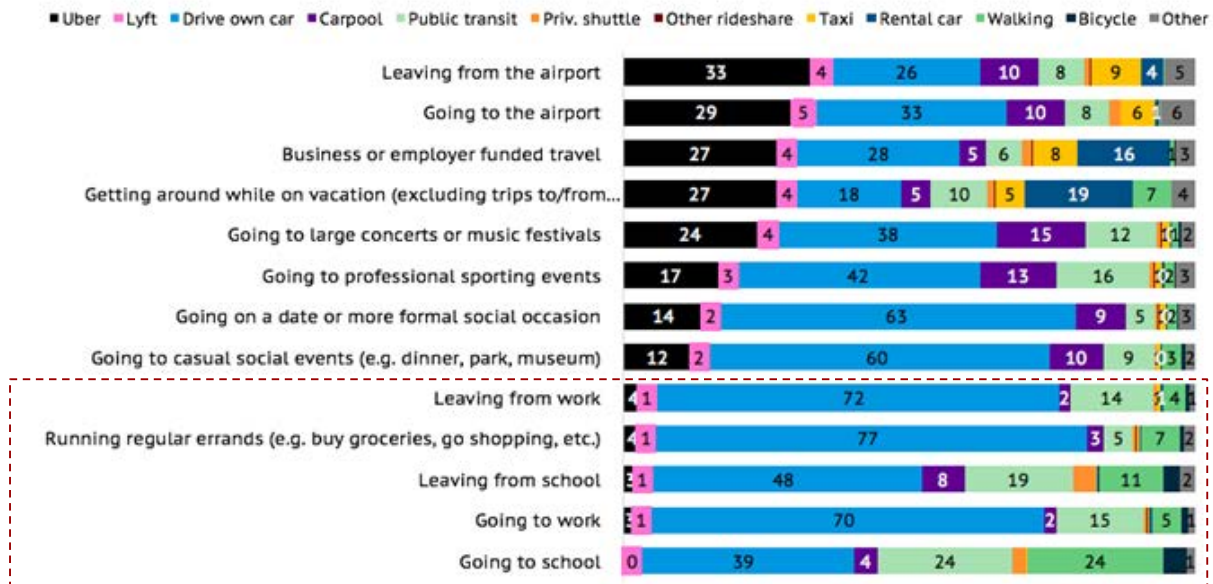
**We're observing a flattening of our reverse churn curve among some of our most tenured cohorts.**

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# While people rely on Uber for obvious use cases like airports, sporting events or social events, few use it for core commuting or errands.

- We only occupy a small share of people's transportation uses. This is true of all types of Riders: dual-appers and even high-frequency riders



Q: Which mode of transportation do you use most often for each of the following occasions?

# One factor resulting in low consideration is high prices relative to public transit or amortized car ownership.

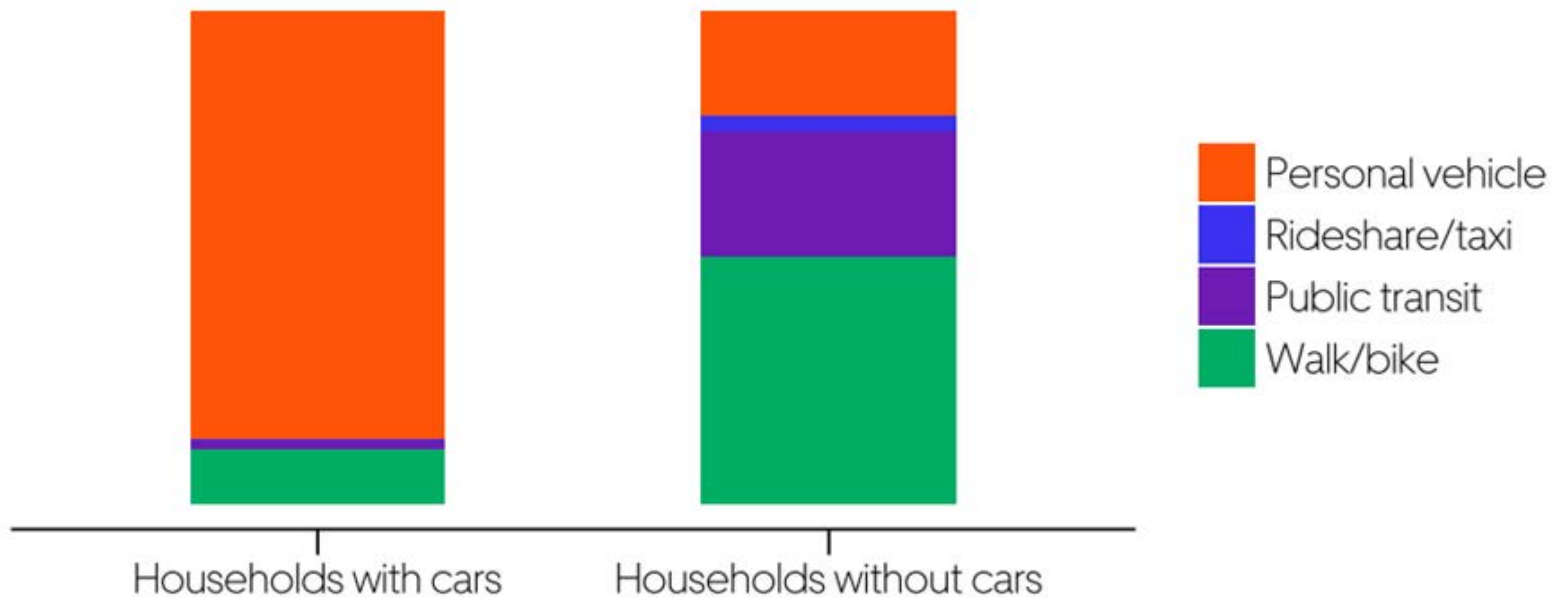
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## Even among urban, non-car-owning households - our core target market - rideshare accounts for less than 3% of person trips.

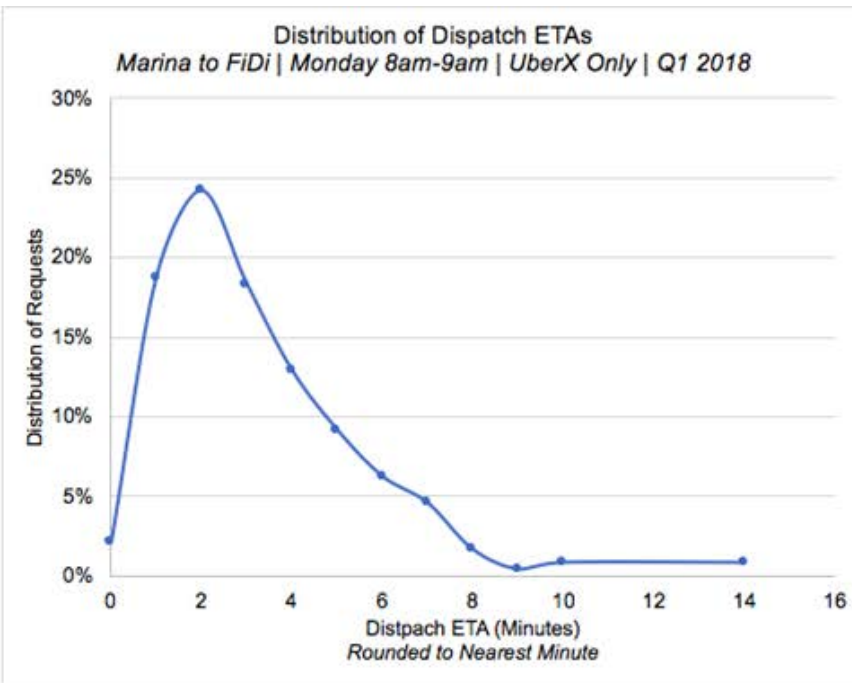
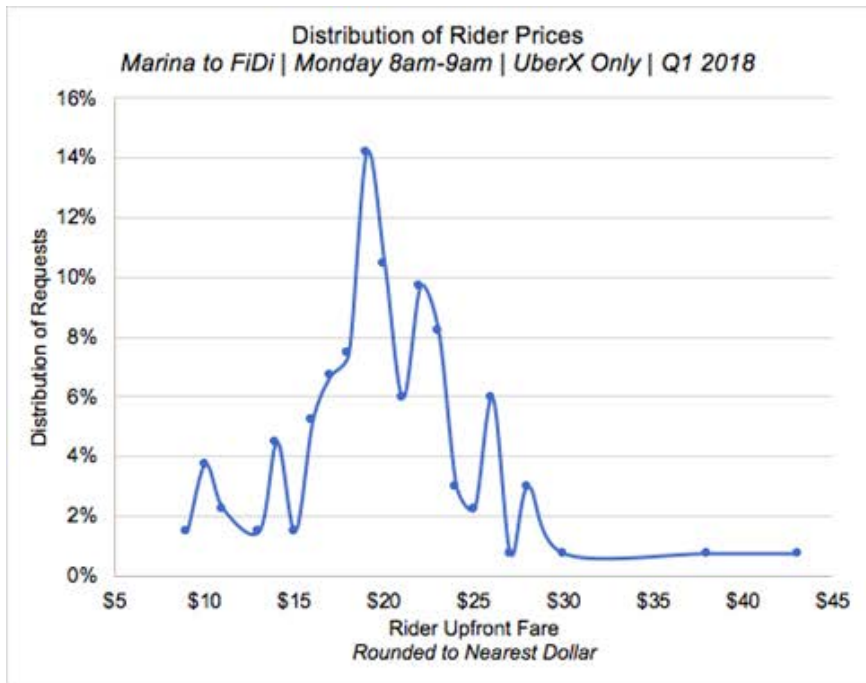
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Person-trips by mode in urban households

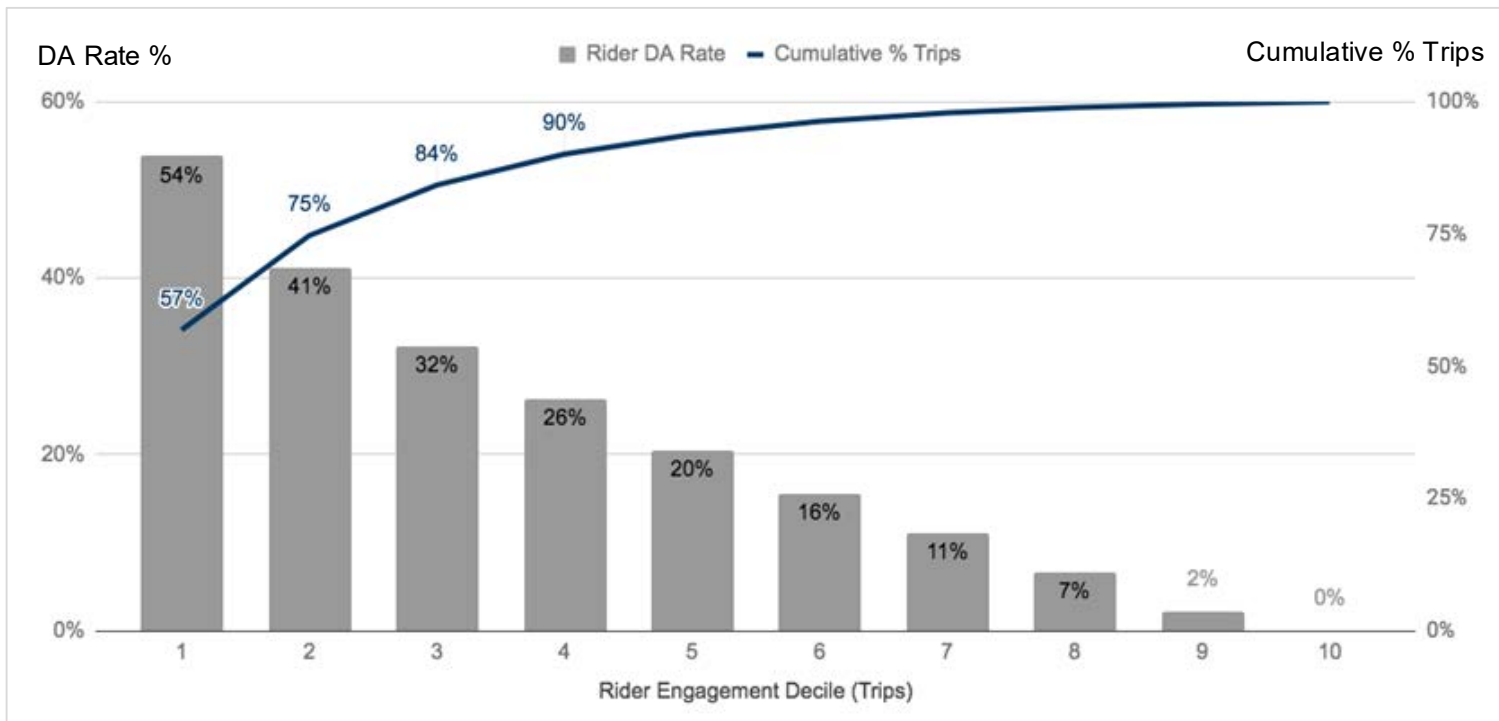


**Another factor is an inconsistent core experience. ETAs and prices are volatile, making Uber a poor choice for habitual use cases.**

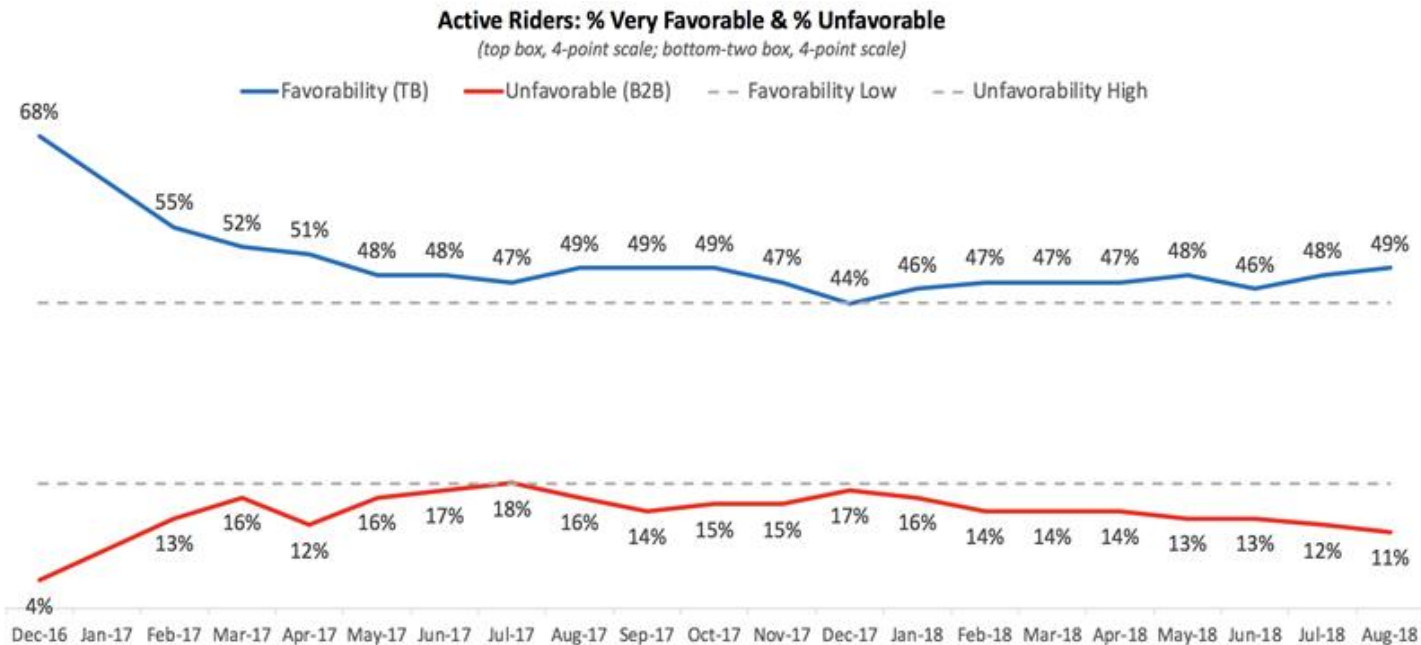
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**This is especially problematic because the category's most engaged riders are most active in these times and places and most likely to cross shop**



# Our brand is recovering, steadily but slowly, from #deleteuber and media fallout from 2017.



## **2019 Where to Play / How to Win**

# Overall approach to developing the US&C 2019 Ridesharing Priorities



# Overall approach to developing the US&C 2019 Ridesharing Priorities



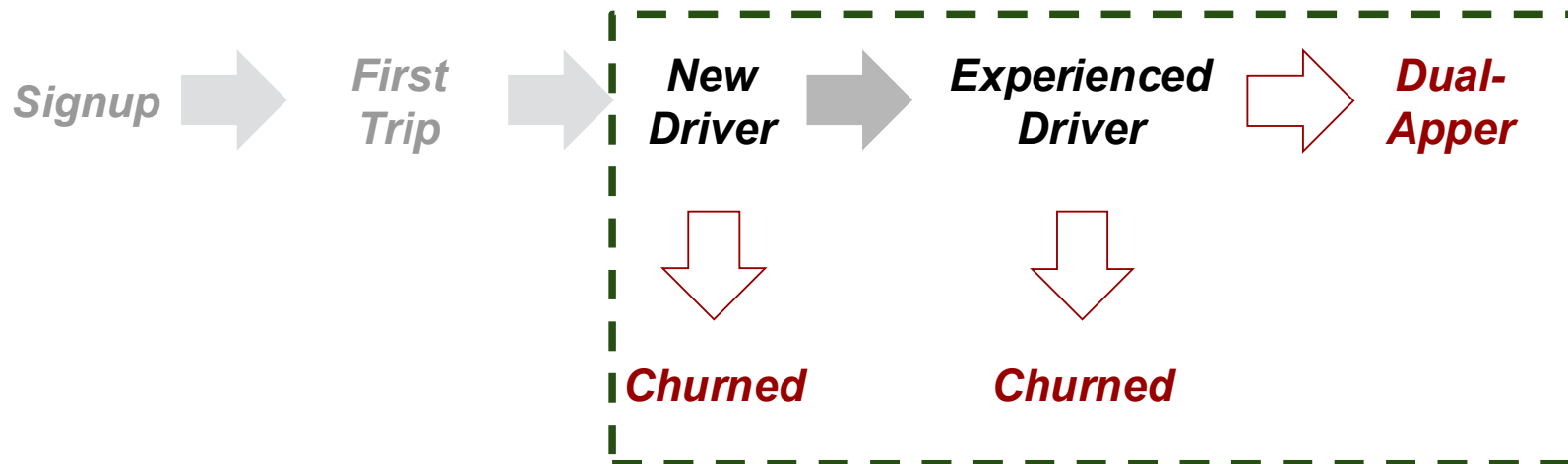
**The ideal outcome is a driver signing up, taking a first trip, navigating the early lifecycle, and then maturing into an experienced, high-value driver**

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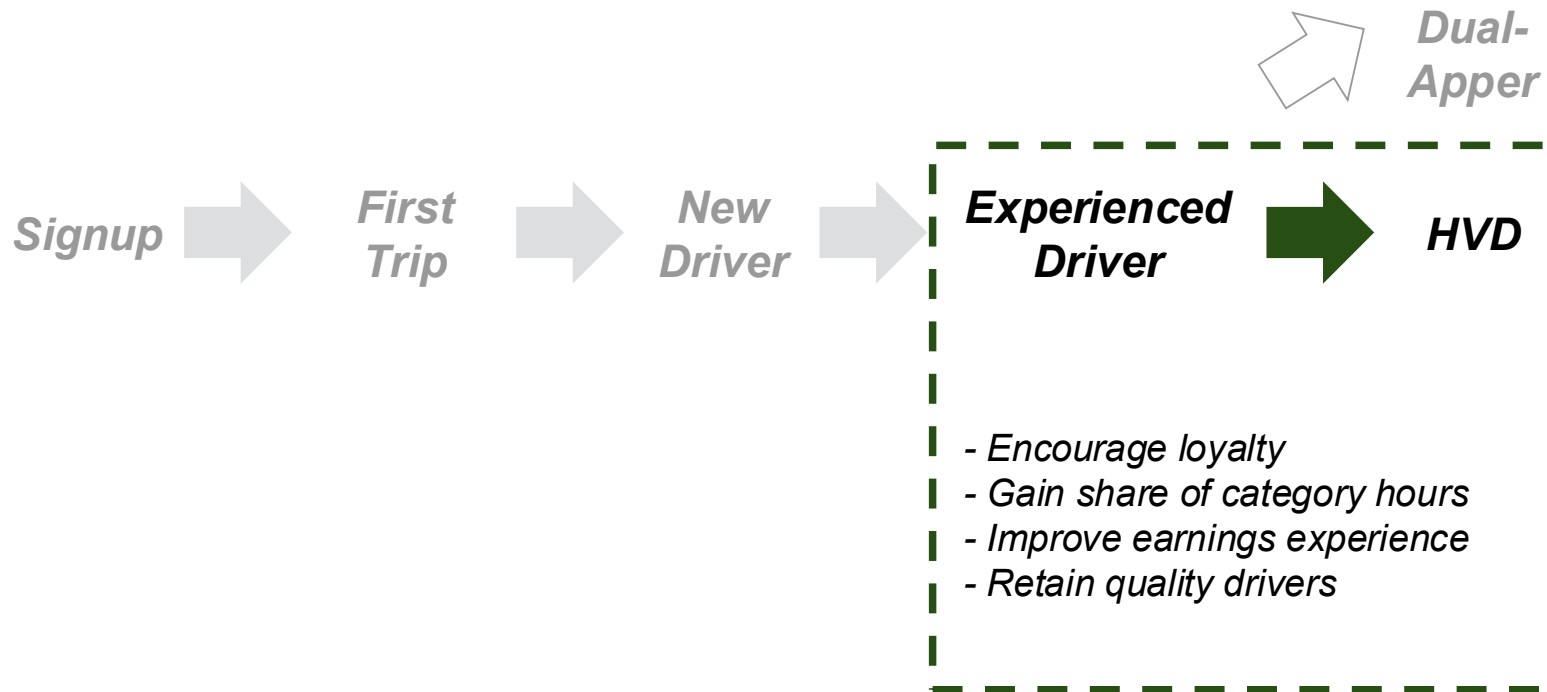
The unfortunate reality is that we have a bit of a leaky bucket. To unlock driver growth in 2019, we need to fix this leaky bucket...

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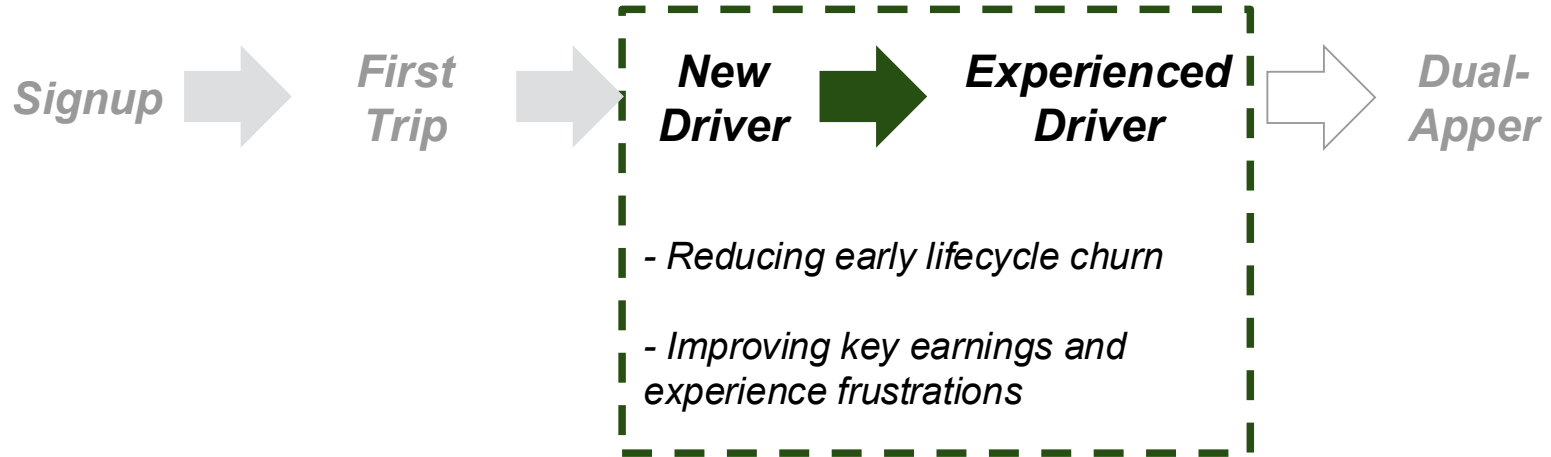
# ...which includes earning loyalty and share of hours from experienced drivers...

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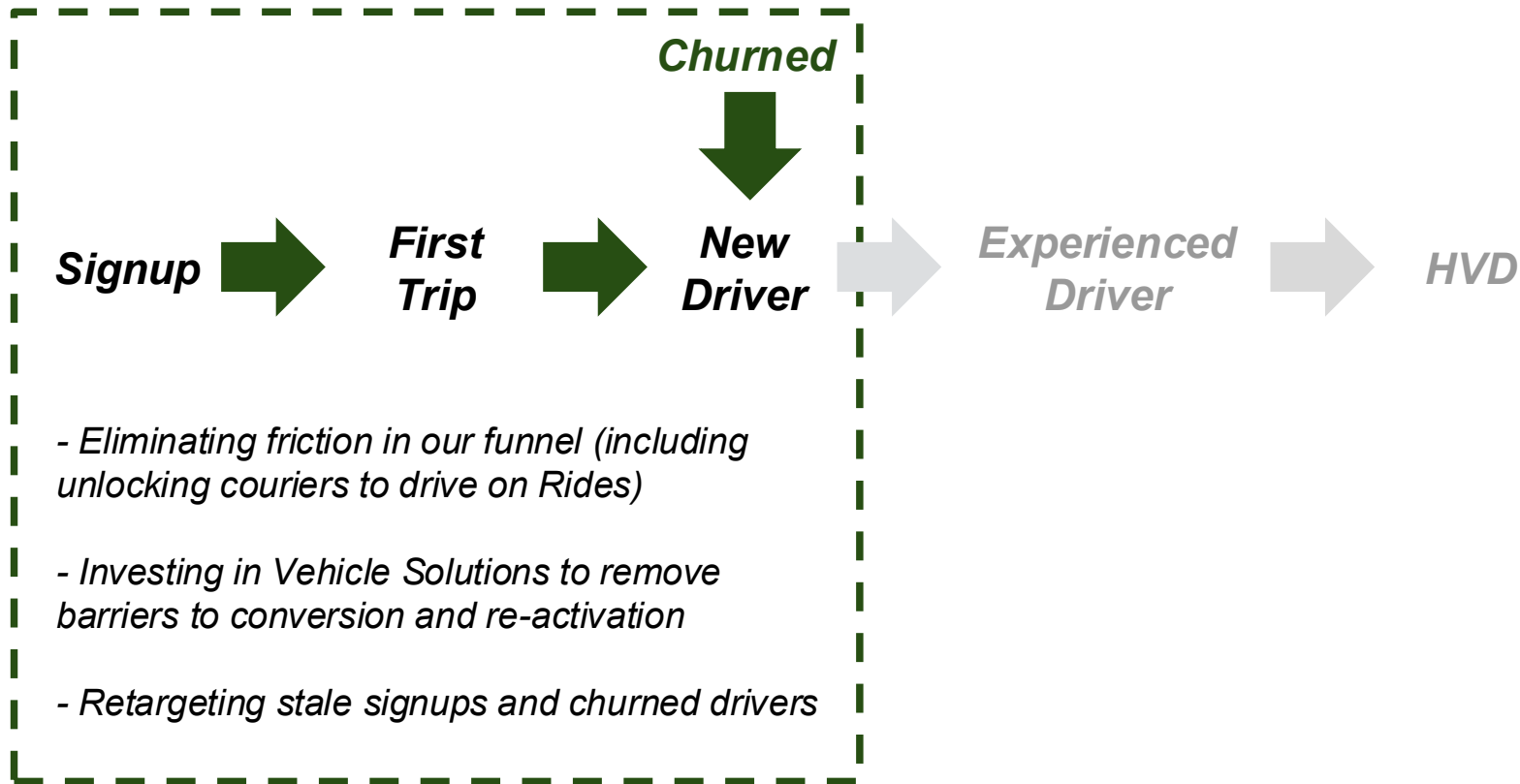
**...and solving our major retention problem for early lifecycle drivers...**

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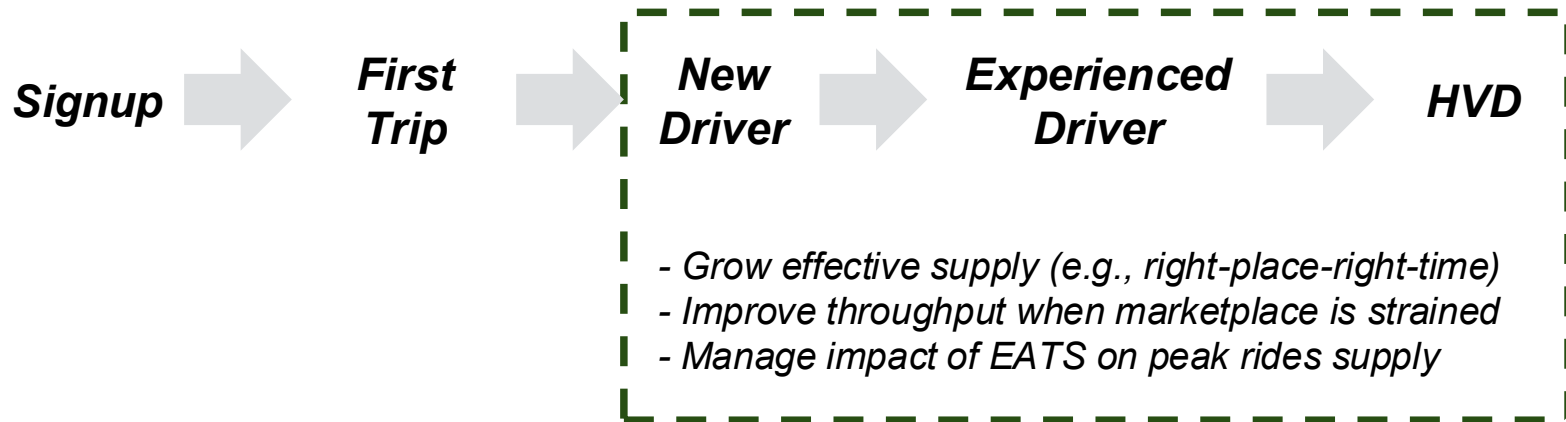
...so that when we make the big bets we need to create a step-change in our number of active drivers, we are in a position to realize the return

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**Given the severity of our supply gap in many key markets, it is also critical that we increase the efficiency of the hours we do currently have**

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# Driver | High-Level Summary of Proposed 2019 Priority Areas

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	<b>P0</b> <i>2019 “Must Wins”</i>	<b>P1</b> <i>Build Capabilities</i>
<b>Strengthen our driver growth foundation</b>	<i>Gain share of category hours</i>	<i>Improve early lifecycle retention</i>
<b>Accelerate growth in # of drivers</b>	<i>Bring back churned drivers</i>	<i>Improve new driver conversion</i>
<b>Improve efficiency of existing supply</b>	<i>Grow effective driver hours</i>	<i>Manage marketplace strain</i>

# Overall approach to developing the US&C 2019 Ridesharing Priorities

## Driver

### Where To Play

*Where will we compete and focus our resources?*

### How To Win

*What is our path to winning within chosen focus areas?*

## Rider

### Where To Play

*Where will we compete and focus our resources?*

### How To Win

*What is our path to winning within chosen focus areas?*

## Marketplace

*What investments do we need to make in Marketplace to win? What are the trade-offs we will need to choose to make?*

## Capabilities: Safety, Compliance, Legal, People, D&I

*What capabilities must we have and invest in to win?*

## Monitoring and Accountability

*What management systems do we need to operationalize the strategy and drive accountability? (e.g., Tracking of key OKRs)*

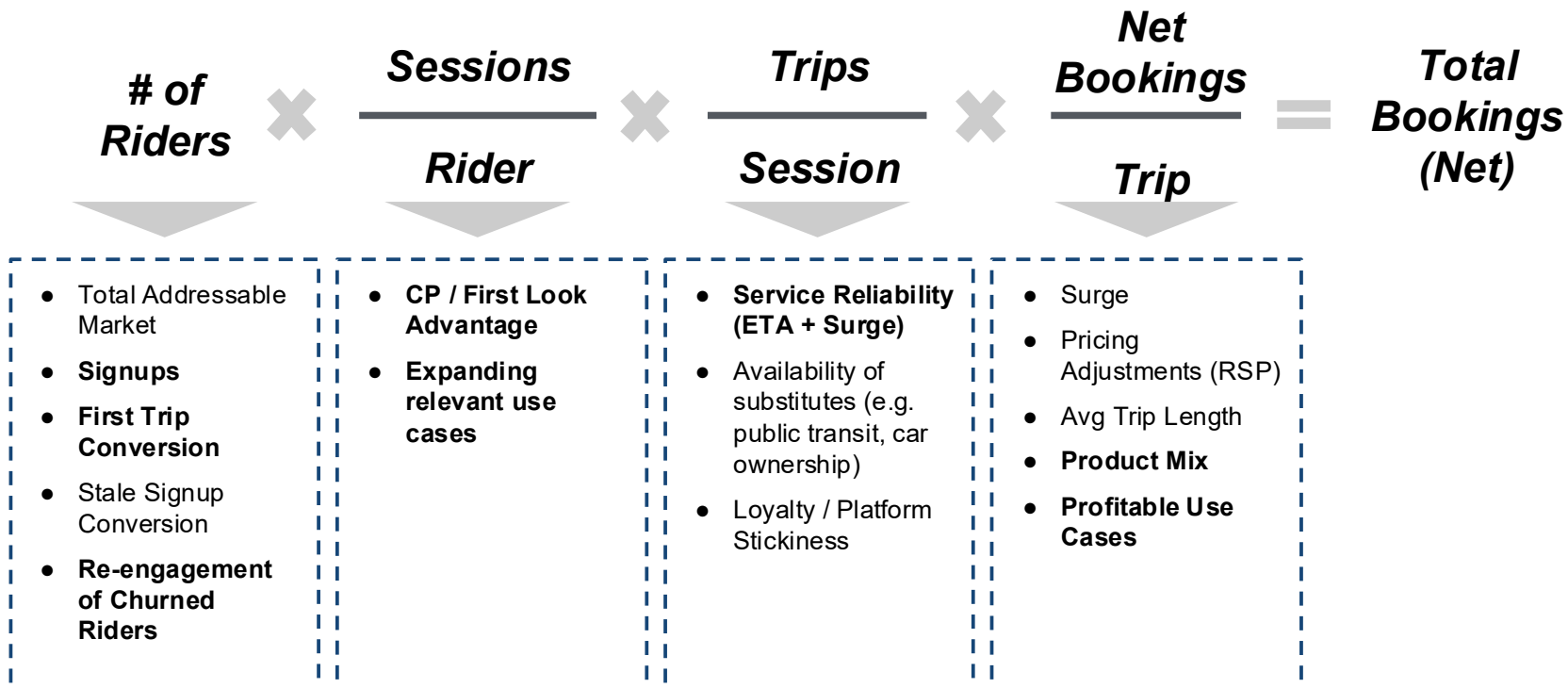
# Our Rider growth framework evaluates the key levers that impact Bookings

---

$$\# \text{ of Riders} \times \frac{\text{Sessions}}{\text{Rider}} \times \frac{\text{Trips}}{\text{Session}} \times \frac{\text{Net Bookings}}{\text{Trip}} = \text{Total Bookings (Net)}$$

- Our rider growth framework is built to maximize Bookings for the following reasons:
  - Our goal should be to maximize net revenue growth as we go public in Q4 2019
  - As we change our mindset from Trips CP towards Billings CP
  - GB is the best proxy we currently have for rider LTV given some of our highest frequency riders over-index on promotions which leads to a lower resulting LTV

# Each lever can be further broken down into a series of sub-levers, some of which are more relevant as strategic focus areas than others



# The lever most relevant to a given market will vary by the health of the marketplace

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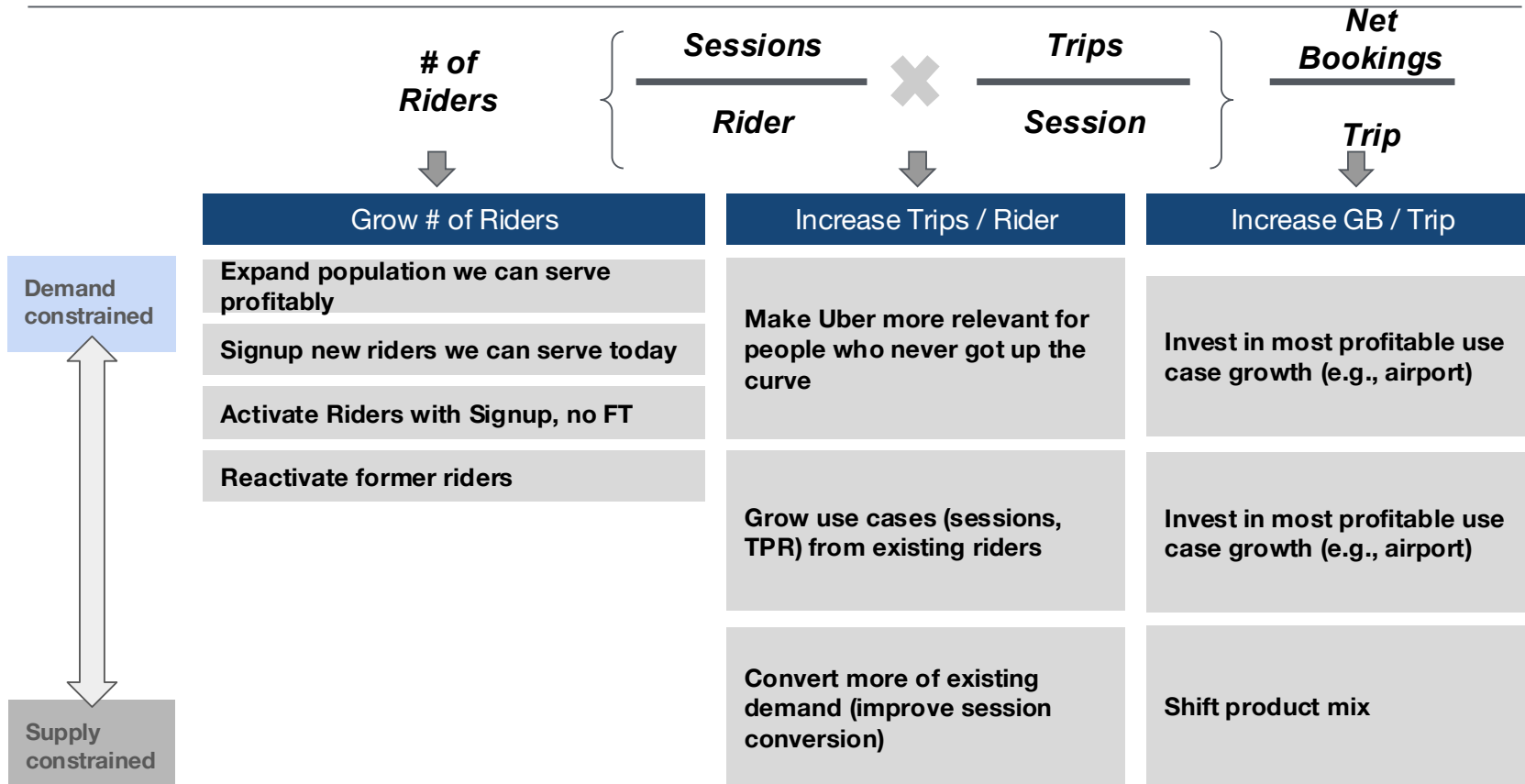
$$\# \text{ of Riders} \times \frac{\text{Sessions}}{\text{Rider}} \times \frac{\text{Trips}}{\text{Session}} \times \frac{\text{Net Bookings}}{\text{Trip}} = \text{Total Bookings (Net)}$$



*Relevance of opportunities by marketplace balance*



# Overall prioritization will reflect if top cities should realistically invest in new riders vs. better capture value from existing demand in the short-med term



## Rider | High-Level Summary of Proposed 2019 Priority Areas

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**Win Economy Rides**  
*(Grow # of Riders)*

**Encourage and reward rider loyalty**

**Improve session conversion from existing riders**

**Re-engage inactive riders**

**Differentiate Profit Pools**  
*(Increase GB/Trip)*

**Move towards a more profitable trip mix**

**Invest in growth of profitable use cases**

**Diversify Use Cases**  
*(Increase Trips/Rider)*

**Expand engagement + Use cases of riders**



# US&C 2019 Priorities

US&C Ridesharing

Dec 2018

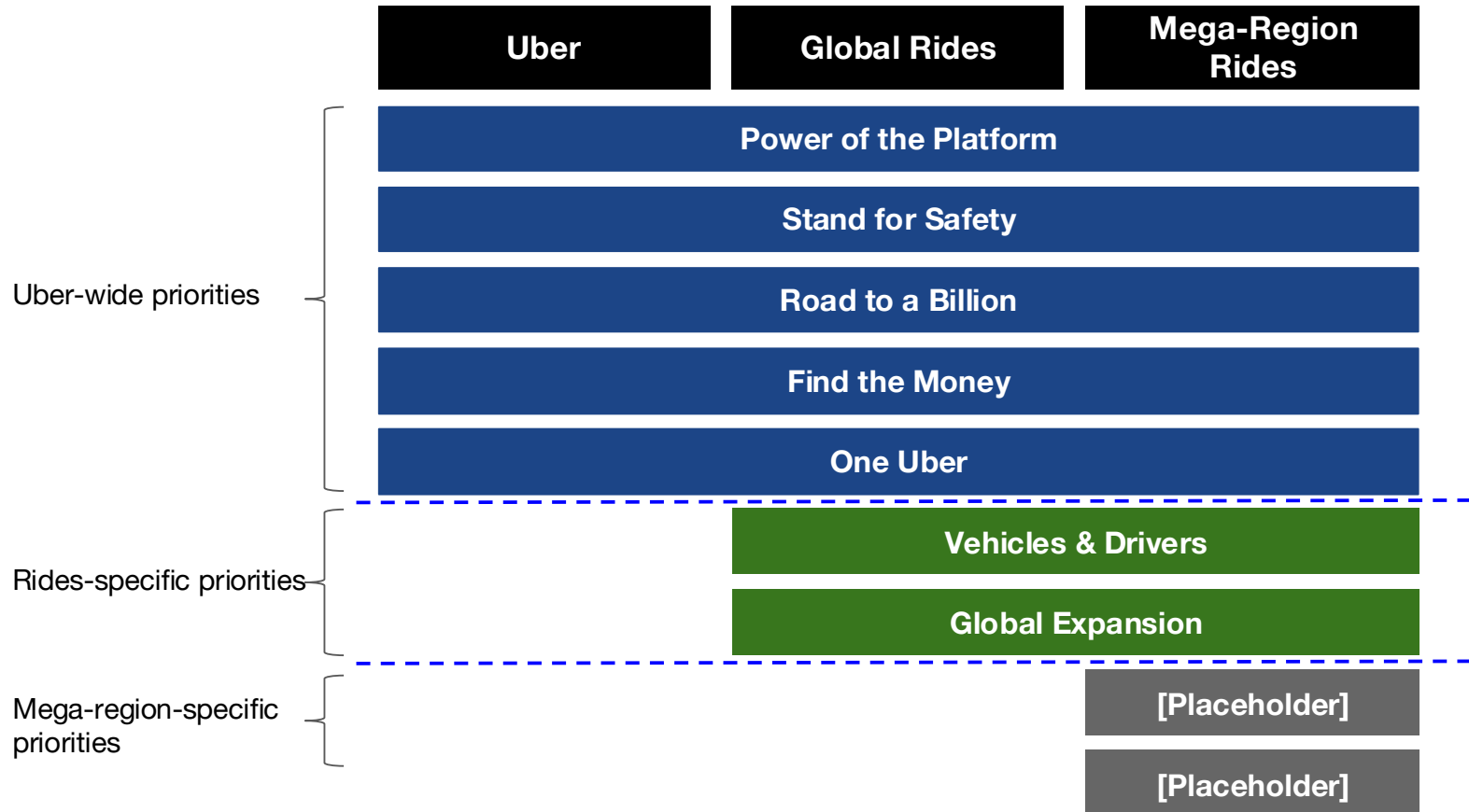
Uber

# 2019 Uber Priorities

# Key Rides Priorities for 2019



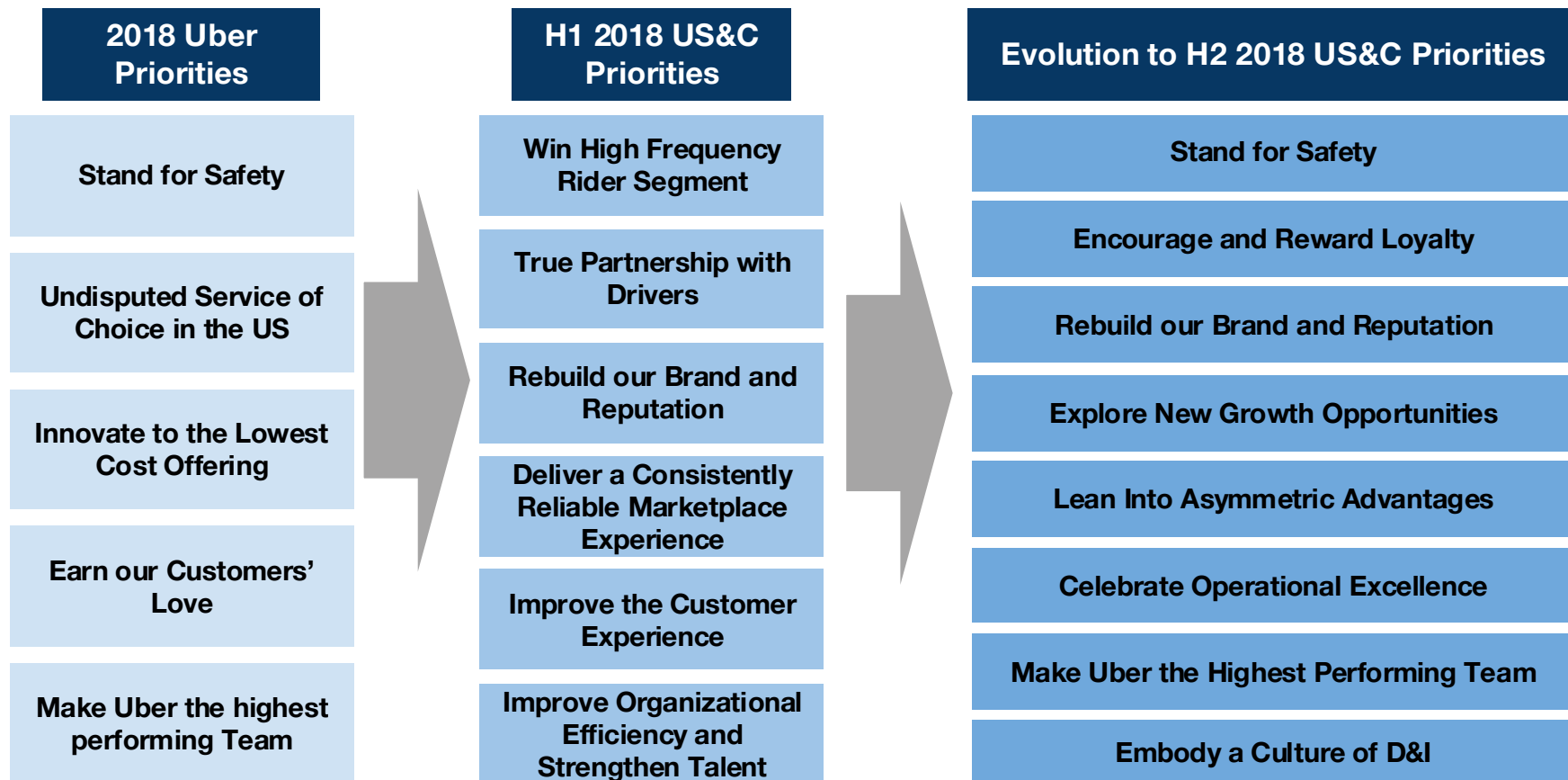
# In 2019, we will not have the ability to draft the US&C priorities to best-fit the global priorities - all mega-regions should have consistent priorities



# 2019 US&C Priorities

# **Quick Review of 2018 US&C Priorities**

# A quick reminder of how the 2018 Uber Priorities mapped to the US&C Priorities

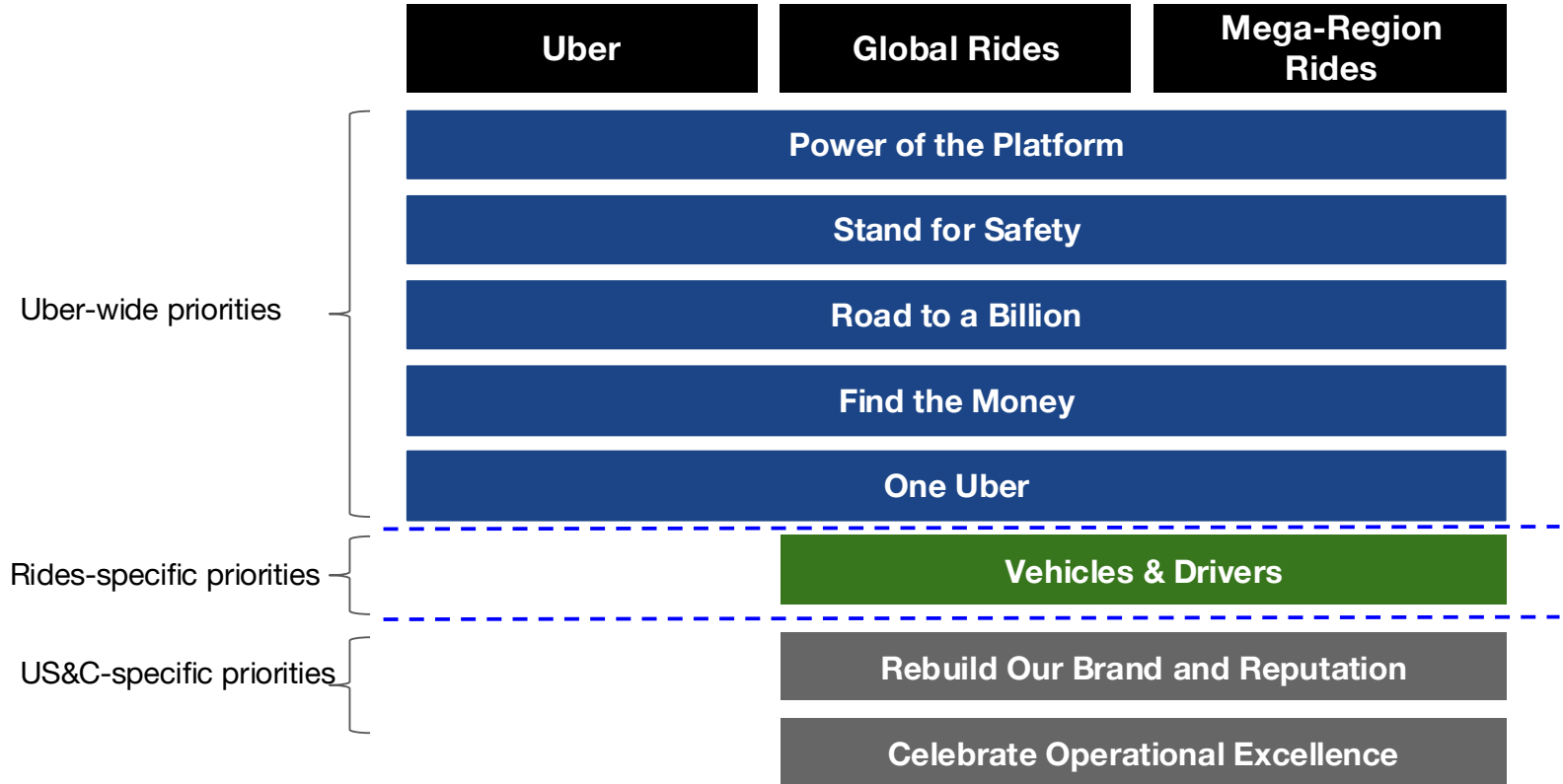


## Sample Project Areas were also provided to the org to provide more clarity and detail on the US&C Priorities

H2 2018 US&C Priorities	Sample Project Areas
Stand for Safety	Incident reduction; Insurance reduction; Safety features for riders & drivers
Encourage and Reward Loyalty	Rider Loyalty; Driver Loyalty
Rebuild our Brand and Reputation	Brand Campaigns 1 & 2; Company Mission Launch
Explore New Growth Opportunities	Cash; UberLite; Taxi; Vehicle Solutions
Lean Into Asymmetric Advantages	Wallet; Driver Debit Card; Cobrand Card; Eats cross sell; Driver cost structure reduction; Premium Re-Launch
Celebrate Operational Excellence	Marketplace experience; Acquisition spend mix optimization; Funnel optimization; Rider & Driver Reengagement
Make Uber the Highest Performing Team	Lightspeed; Cross-functional working relationships with product & tech
Embody a Culture of D&I	ERG empowerment; Mentoring & Recruiting

# 2019 US&C Priorities

# Proposed US&C 2019 Priorities



# Proposed US&C 2019 Priorities

2019 US&C Priorities	Sample Project Areas
Power of the Platform	Uber Rewards, Cross-Selling Across Uber Platform (EATS, NeMo), Wallet, Driver Debit Card, Cobrand Card
Stand for Safety	Incident Prevention, Incident Response, Safety feature awareness
Road to a Billion	Helium Expansion, Everyday Low Pricing on X, UberLite, [Cash?]
Find the Money	Cost Efficiency, U4B, Airport, Premium
One Uber	Diversity & Inclusion, Leadership Development, Norms, Mentoring and Recruiting, Cross-functional working relationships with product & tech
Vehicles & Drivers	Driver Growth, Winback of Churned Drivers, Driver Loyalty, Driver Cost Reduction, [Fleets?]
Rebuild our Brand & Reputation	Brand Campaign 3, Reduce Compliance and Reg Ops risk/exposure, [...]
Celebrate Operational Excellence	Marketplace efficiency; Acquisition spend mix optimization; Funnel optimization; Core Experience focus; Rider & Driver Reengagement

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