

Uber sees slowest recovery of ride business in home U.S. market, deliveries more than double

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(Reuters) - Uber Technologies Inc said on Thursday demand for its food-delivery service exploded in the latest quarter, but recovery in its global rides business is being held back by its most important market, the United States.

Uber's recovery will depend much on the course of the pandemic, with a resurgence in virus infections threatening to keep customers wary about returning outside or planning frequent trips far into 2021.

Ride bookings were dragged down by a slow recovery particularly on the U.S. West Coast, while Europe and the Middle East recovered more steadily, down only 36% from last year.

Ride-hailing customers who have returned are proving to be price-sensitive, pressuring margins in what was once Uber's largest and most important segment.

The company now heavily relies on cost reductions and growth at its food-delivery business, Eats, which is gradually reducing losses but remains a drag to Uber's bottom line.

Quarterly revenue and adjusted loss missed Wall Street expectations, but the company nevertheless affirmed its goal to be profitable on an adjusted basis before the end of 2021.

Uber shares were down 2% in after-hours trading as an adjusted third-quarter EBITDA loss of \$625 million (£475 million) was wider than analyst expectations of a \$597 million loss, according to IBES data from Refinitiv.

Non-adjusted earnings per share came in at a loss of 62 cents, compared with a 65-cent loss estimated by analysts.

Gross bookings at Uber's rides mobility unit recovered from their massive drop in April, but remained down 50% from last year on a constant currency basis. But unlike Uber's other units, the rides segment delivered adjusted EBITDA of \$245 million.

FILE PHOTO: Uber's logo is pictured at its office in Bogota, Colombia, December 12, 2019. REUTERS/Luisa Gonzalez/File Photo

Uber executives cautioned that ride demand in Europe, which recovered faster than any other region in the quarter, was likely to decline as several countries on the continent reimposed lockdown measures.

But they said Uber could stomach a continued drop in rides gross bookings of 10% to 20% below pre-pandemic levels and still achieve its profitability target.

Revenue at Uber's delivery unit, including Uber Eats, more than doubled to \$1.45 billion, its highest ever, but the unit continues to lose money despite narrowing losses over the past quarters.

On Thursday, company executives told analysts on a conference call that customers continued ordering food through Eats even after their cities or countries eased restrictions in response to the pandemic. But Uber Chief Executive Dara Khosrowshahi cautioned it was still too early to tell whether that would persist.

Uber continues to spend money to gain market share over food-delivery competitors. The

company is hoping to close its \$2.65 billion acquisition of smaller delivery rival Postmates in the first quarter of 2021 to expand further.

Overall, Uber recorded \$3.13 billion in third-quarter revenue, falling short of analysts' average estimate of \$3.2 billion, according to IBES data from Refinitiv.

Overall, Uber posted a net loss of \$1.1 billion in the months from July to September, including stock-based compensation expenses.

The company has also gradually reduced its stake in noncore business units over the past months. A German company in September acquired Uber's European freight business and Uber has reportedly been seeking options for its Uber Elevate business.

Uber's third-quarter results come just two days after it scored a significant win in its California home market, where voters passed a company-sponsored ballot measure that went at the heart of the gig economy business model Uber helped create.

With a 58% majority, California voters cemented app-based food-delivery and ride-hail drivers' status as independent contractors, not employees entitled to costly benefits including unemployment pay and health insurance.

California drivers instead will receive more limited benefits, including minimum pay rates, healthcare subsidies and accident insurance.

Uber, its smaller rival Lyft Inc, DoorDash, Instacart and Postmates, who jointly spent more than \$200 million on the ballot campaign, hope to turn the California decision into a model for the nation.

Khosrowshahi on Thursday said Uber wanted to engage in dialogues with governments and other states about compromise legislation for gig workers.

Uber is facing challenges by several U.S. states and countries around the world that believe drivers are misclassified and should be employees.

Reporting by Akanksha Rana in Bengaluru and Tina Bellon in New York; Editing by Peter Henderson and Matthew Lewis