



UBER IPO

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With the UBER IPO imminent and the offering gathering attention we look at the offering, the business and the prospects. There is a lot of hype surrounding the offering, but it is easy to get caught up in the buzz. The numbers all seem big (except the profit), but is it justified and is it really worth a look?

The Backdrop

This IPO will offer investors a prime opportunity to participate in the initial offering. It is worth considering once the hype has been stripped back the offering has also presented a lot of controversy regarding numbers and future prospects with the big question everyone is asking... when will they make a profit? The company has apparently grown in value from zero to over \$100bn in the last 10 years despite in 2018 posting an operating loss of \$3bn.

The problem for investors is this unknown, and whether it is really a concern. They are pricing it in line with some of the other large US IPO's of recent years like Facebook, which raised \$16bn through its 2012 offering, while Visa Inc raised almost \$18bn in 2008 and Alibaba Group Holding Ltd made roughly \$25bn in 2014. However, Uber is a far more complex proposition with operations widespread across varying sectors making it a tricky task to value the business overall.

Initial Launch

UBER was initially launched as an on-demand equivalent to taxis, but the business has since expanded and moved into several different market places. In addition to offering the well known ride-hailing services, the company has now got its new mobility offering, which offers bikes and scooter options. Uber also operates a food delivery business, Uber Eats, which competes against the likes of Just Eat, Deliveroo, Grubhub. Uber have also said that they are trying to apply its on-demand model to the shipping industry as well, through a proposition called Uber Freight, which connects carriers with the most appropriate shipments available on the platform and gives carriers upfront, transparent pricing and the ability to book a shipment with the touch of a button.

Figures and Reporting

Recent figures have shown Revenue rose to \$11.3bn in 2018 from \$7.9bn a year earlier, an increase of 43%, which initially does sound impressive, however taking a longer-term view Uber's revenue more than doubled in 2017, so the company's growth rate has actually slowed. Not a major concern but again just wanting to strip out some of the fizz and put it into context.

Uber have said they will classify some of its newer ventures in an "Other Bets" category when reporting. This essentially means that areas like Uber Freight and New Mobility will be ring fenced into a separate area to give investors a better sense of how the company's more proven businesses are going.

Uber IPO filing key highlights:

- 91m monthly users
- Uber gets 22 cents from each dollar spent on its ridesharing app and 10 cents from each dollar spent on Uber Eats
- 81.4% of revenues come from ridesharing, with 13% from Uber Eats
- Uber Eats saw 149% revenue growth in 2018 compared to 33% from ridesharing

And in Comparison to Their recently listed peer LYFT

2018 Revenue

Uber: \$11.3bn

Lyft: \$2.2bn

2018 Loss

Uber: \$1.85bn

Lyft: \$911m

Total Cities

Uber: 700+ (globally)

Lyft: 300+ (across U.S. and Canada)

2018 Booking revenue from ride-hailing service

Uber: \$41.5bn

Lyft: \$8.1bn

Users in 2018

Uber: 91m (including other services like Uber Eats)

Lyft: 30.7m

Drivers in 2018

Uber: 3.9m

Lyft: 1.9m

Rides in 2018

Uber: 5.2bn (includes scooter and bike rides, Uber Eats deliveries)

Lyft: 619m

Our View

UBER has undoubtedly achieved a great amount in a relatively short period, but investors still face the risk of investing in a company that isn't currently profitable. There has also been more than a couple of regulatory concerns for the company. Uber is currently subject to US and international investigations into several issues, including a data breach in 2016. There is also the concern that drivers could get classed as employees of the firm. Potentially creating huge additional costs for the firm.

Their market's are also crowded, in the ridesharing arena there's competition from LYFT and OLA, whilst UBER EATS also faces strong competition from the likes of Just Eat and Deliveroo. Uber freight is making decent progress but it is still one of many start-ups in the trucking community.

The problem they also have is that most of their key markets are fickle, with virtually no cost for end users switching from one service to another is a constant risk. They can go wherever they see the best prices, choice and service. Uber have stated they are willing to spend heavily to beat off the competition to counteract this, which does make sense, but it could also place that profit for the business even further out of reach in the near term.

That all being said Uber's a tech company at heart. Its shares will list under the name Uber Technologies Inc. The business model is a well-tested model in the tech stock sector building scale first and asking questions about profits later. Investors shouldn't entirely shun such companies, but they should question the journey to profitability carefully, and acknowledge the risk of not getting there anytime soon.

How to Participate

As a multi asset broker we can offer clients the opportunity to either buy shares in a physical portfolio for those that want to buy and hold and can also offer the ability to take advantage of short-term moves using a CFD. It really comes down to your view and how you want to participate. We will also be on hand to offer advice on entry levels to try and help guide you through the initial trading.

About Atlantic Capital Markets

We are a multi-Asset brokers offering clients the ability to buy the shares either in a traditional fashion with standard shares or taking advantage of leverage and purchase via a CFD.

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