

RESEARCH PROJECT ON
Financials of UBER

***FOR THE PARTIAL FULFILMENT OF THE REQUIREMENT
FOR THE AWARD OF***

BACHELOR OF BUSINESS ADMINISTRATION

**Under the guidance of:
Ms. Nitya Garg**

**Submitted by:
Shanu Kumar
Bachelor of Business Administration
Sem 6
2018-2021**



School of Business, Galgotias University

CERTIFICATE

This is to certify that the research project on “Financials of UBER” has been prepared by Mr. Shanu Kumar under my supervision and guidance. The project report is submitted towards the partial fulfillment of 3 year, full time Bachelor of Business Administration

Name and Signature of Faculty : Ms. Nitya Garg

Date:

DECLARATION

I, Shanu Kumar, EnRoll No 18021010785 ,student of BBA of School of Business, Galgotias University, Greater Noida, hereby declare that the research project on “Financials of UBER” is an original and authenticated work done by me.

I further declare that it has not been submitted elsewhere by any other person in any of the institutes for the award of any degree or diploma.

Name of the Student

Shanu Kumar

Table of Content

S.No.	CONTENT	Pg. No.
1	Certificate	2
2	Declaration	3
3	Executive Summary	5
4	Introduction	6
5	Research Findings & Discussion	7-12
6	Balance sheet of Uber	13-16
7	Conclusion	17-18
8	References	19

EXECUTIVE SUMMARY

Uber Technologies commonly known as Uber, is an American multinational ride-hailing company. The company is based in San Francisco and has operations in over 785 metropolitan areas worldwide. Its platforms can be accessed via its websites and mobile apps.

As in this research paper we are focusing on financial of Uber as how their financial rises or falls and why it fails in INDIA.

So as of 2019, Uber is estimated to have over 110 million worldwide users. In the United States, a 67% market share for ride-sharing in early 2019 and a 24% market share for food delivery in 2018.

UberEats was taken over by Zomato after it failed to make an impact in the food delivery segment, a senior Swiggy official said that the enterprise failed because it couldn't customise to Indian market.

Uber lost \$2.9 billion in the first quarter of 2020, its biggest loss in three quarters. The company also reported \$3.54 billion in revenue. Gross bookings in its ride-hailing business fell 3 %, while bookings in its Uber Eats division were up more than 54 % year over year.

Uber India had in May announced its decision to lay off around 600 full-time employees due to the impact of the coronavirus crisis. Uber has found that its delivery business can make up for some of the losses. In fact, the company this month officially launched grocery delivery.

INTRODUCTION

Uber Technologies, Inc., commonly known as Uber, is an American multinational ride-hailing company offering services that include peer-to-peer ridesharing, ride service hailing, food delivery (Uber Eats), and a micromobility system with electric bikes and scooters. The company is based in San Francisco and has operations in over 785 metropolitan areas worldwide. Its platforms can be accessed via its websites and mobile apps.

As in this research paper we are focusing on financial of Uber as how their financial rises or falls and why it fails in India.

So as of 2019, Uber is estimated to have over 110 million worldwide users. In the United States, a 67% market share for ride-sharing in early 2019 and a 24% market share for food delivery in 2018. Uber has been so prominent in the sharing economy that the changes in industries as a result of it have been referred to as uberisation, and many startups have described their products as "Uber for X" The National Bureau of Economic Research estimated that, in 2015, Uber had accounted for \$6.8 billion in consumer surplus.

Uber, which had been severely impacted by the coronavirus pandemic and the subsequent lockdown, is seeing green shoots of recovery across India. Globally, for the second quarter of the year, Uber saw its gross bookings come down by 35% to \$10.2 billion, while its revenue was down by 29% year-on-year to \$2.24 billion.

It had recently announced its expansion in its thriving auto rickshaw business in India by placing more autos outside metro stations in Delhi NCR, Kolkata and other cities.

Research Findings & Discussion

Research Objective :

- To study the issues of Uber during pandemic
- Health Risk of Uber Drivers
- Why Uber fails to make profit in 2020
- To study the reason behind Uber Eats failure in India
- To study the benefits of drivers of Uber

Findings & Discussion :

The beginning of the year 2020 saw the spread of COVID-19 across the world. Taking a lesson from countries across the world, India went into a nationwide lockdown from 24 March 2020 and a subsequent phase-wise unlocking from 1 June 2020. During the lockdown, movement was allowed only after obtaining permission from the competent authority for providing or availing select essential services. The COVID-19 pandemic has been one of the world's worst global crises and has disrupted the global economy at a massive scale, with billions of people forced to stay at home to contain the spread of infection. Among sectors that were immensely impacted by the pandemic were the platform economy and geographically tethered on-demand gig, respectively.

Drivers work on demand and get paid only when rides are booked and completed. Since India discovered its first coronavirus case on 30 January, offices, shops, restaurants, hotels and other venues started to close and the public became increasingly wary of venturing out, bringing down the demand for transportation. The earnings of drivers, who mostly depend on their jobs as their primary source of income, plummeted.

Beginning on 24 March, a nationwide lockdown was imposed and services of ridehaling companies like Uber was prohibited. During the lockdown, whose repeated extensions lasted until June, some cities and states allowed Uber to restart limited services to procure essential commodities and provide rides for medical emergencies. For instance, Uber partnered with the online grocery store Big Basket and e-commerce firm Flipkart for the delivery of essential goods. Nevertheless, the demand for transportation be it for people or goods continued to be low.

During the lockdown months, Uber had a 80-percent year-on-year decline in its global business in April. As the country attempts to open up gradually, the demand for transportation remains low, as continued work from home is encouraged and rising infection numbers prevent people from making unnecessary trips outside their homes. As a consequence, drivers have lost substantial amounts of their income; with neither regular or minimum income, nor access to unemployment benefits, drivers have little else to fall back on and therefore face severe financial difficulties.

Some drivers own the vehicles that they use to provide the taxi services, while others have purchased the cars on finance and pay the amount in installments over a certain period. Another option for drivers is to lease or rent a car, which means they have to pay regular loans and rents to whoever owns the car, which can be a third party or the ride-hailing company itself.

Drivers are exposed to the risk of getting infected with the highly contagious coronavirus. Passengers are potential carriers and a transmission could occur during or after the ride, when they interact and exchange cash, or through touching of contaminated surfaces (e.g. door handles, buttons). The health risk is particularly high for older drivers and those with pre-existing health conditions. In addition, drivers who facilitate medical emergencies or deliver essential goods are also at high risk, because they might have to hand over purchased goods to people who are home-quarantined with COVID-19, or drive infected people to a hospital.

In case drivers start to feel unwell or fall sick, they are unlikely to seek medical help, as they typically have neither health insurance, which would cover the cost of treatment, nor are they entitled to sick leave. Therefore, drivers face a dangerous trade-off between the risks to their health and that of not being able to pay for food, rent and bills. Due to severe economic pressure, many drivers may be left with no option than to venture out on the roads and continue to drive as long as possible. Thereby, infected drivers would not only risk their own health, but also endanger their passengers and the people, who they live with or care for.

Uber announced insurance policies for their drivers who are infected or quarantined because they are suspected to be an active COVID-19 case or have pre-existing health conditions. Uber's policy is focused on drivers who are still actively driving. Eligible drivers can apply for financial assistance through their website and claim compensation for up to 14 days to cover COVID-19 and other illnesses that require hospitalisation. Several articles about this insurance policy have been reviewed, but none mentioned its coverage.

Uber acknowledge that drivers have lost substantial amounts of their income and need immediate cash support. Uber has announced the setting up of its "Uber Care Driver Fund" (in partnership with an online donation platform and a social enterprise) to give grants to drivers to help meet their and their family's immediate needs. Uber has already deposited an initial INR 250 million, and is partnering with a crowd funding organisation to raise the other half and take the total amount to INR 500 million.

Uber lost \$2.9 billion in the first quarter of 2020, its biggest loss in three quarters. The company also reported \$3.54 billion in their revenue. Gross bookings in its ride-hailing business fell 3%, while bookings in its Uber Eats division were up more than 54% year over year, thanks to increased demand for food deliveries.

Uber's ride-hailing business has dropped a result of widespread shutdown orders due to the pandemic. The company announced this week that it would lay off 3,700 full-time employees, or about 14% of its workforce.

Still, the pandemic has thrown a pull in Uber's plan to be profitable by the end of the 2020. The company's \$2.9 billion net loss for the quarter was an increase of 163% over the previous quarter. Gross booking, or total customer payments to Uber before payments to drivers and other fees or discounts, fell 14.5% from the previous quarter.

In may, Uber India had announced its decision to lay off around 600 full-time employees due to the impact of the coronavirus crisis. Globally, Uber reportedly reduced its workforce by nearly 6,700 people amid Covid-19 and decided to cut investment in non-core projects.

Such had been the impact of the pandemic on the ride-hailing major that it reportedly decided to shut 45 offices globally, including one in Mumbai, resulting in job loss for many.

While rides have started returning in some cities as countries around the world start to reopen their economies, reaching the pre - Covid level still appears too far away.

In the meantime, Uber has found that its delivery business can make up for some of the losses. In fact, the company officially launched grocery delivery.

"In 2nd quater, it's become increasingly clear that grocery delivery is not only popular, but often a necessity. We expect to see this trend continue as people across the world look for new ways to save time and stay safe," Uber said in a statement on July 7, while announcing its grocery delivery business.

There are some challenges that Uber faces :

1. Taxes :

Uber faces problem relates to the employer-employee relationship. If Uber is dismissed as being a technology company, governments can argue that the entire ride payment is revenue for Uber and subject to city and state taxes. Uber already faces complaints from various governments that it shirks its tax liabilities onto its drivers and that the drivers are often non-compliant about paying their taxes.

2. The Risk of being an Uber driver :

Uber drivers face incredible risk when working in cities or countries that have banned the company. Airport authorities have been cracking down on Uber drivers. The authorities have begun charging Uber drivers access fees to drop-off and pick-up customers at the airport. The access fees increase the cost of a ride for consumers, making the service less competitive when compared to traditional taxis.

3. The bottom line :

Uber is a company that disrupted the transportation system. In its role as a liaison between customers and drivers, the company takes a cut and the platform is among the most successful in the world. But Uber is struggling to attain profitability. In its first report as a public company, Uber said it lost more than \$1 billion on \$3.1 billion in revenue during the first quarter of 2019.

UberEats was taken over by Zomato after it failed to make an impact in the food delivery segment, a senior Swiggy officer said that the enterprise failed because it couldn't customise to Indian market.

UberEats was sold to Zomato in Feb 2020 for an enterprise value of nearly \$350 million in an all stock deal.

Uber has rolled out a new on-demand cash out feature for its drivers in India. Through the new program, drivers will be able to collect their earnings from the company any time of the week instead of waiting for the fixed weekly cash.

However, the drivers will be able to take out the money once they have earned a minimum of ₹200

To help drivers in these challenging times, we've rolled-out an 'On Demand cash-out feature' which allows them the flexibility to cash out at any day of the week, instead of waiting for their weekly cash outs.

Uber, which had been severely impacted by the coronavirus pandemic and the subsequent lockdown, is seeing green shoots of recovery across India.

The Uber has been ramping up its offerings in India. It had recently announced its expansion in its thriving auto rickshaw business in India by placing more autos outside metro stations in Delhi NCR, Kolkata and other cities. In August 2020, Uber's auto and bike offerings were already at 80% of their pre - COVID booking levels.

Uber is making efforts to protect their drivers and passengers from COVID -19. They have developed health advisories to educate drivers and create awareness of the threats due to the virus. Safety-related information material is provided in walk-in centres across cities or in the in-app resource center. Further, drivers are reminded to frequently use hand sanitisers, wear face masks, and clean their vehicles. Uber is procuring and supplying drivers with precautionary materials such as sanitisers, face masks, and disinfectants. In addition, passengers are requested to use sanitisers, wash hands, and practice coughing and sneezing etiquette. And they are not allowed to book cab without wearing mask, as they have to click a photo of face wearing mask after that you can book a ride.

The focus of precautionary measures is to educate drivers and encourage the use of sanitisers, disinfectants and masks. These efforts came late and only after safety concerns have been raised in the media and the Indian Federation of App-based Transport Workers requested the distribution of health advisories and protective material to their drivers. Nevertheless, journalists found that the reality on the ground is that many drivers are still unaware of risks and best practices for mitigation, are not wearing masks nor using sanitisers, and vehicles did not appear sanitised. In Hyderabad, drivers have initiated protests for safety kits, as companies have failed to provide them despite repeated appeals. Moreover, the measures can only help improve hygiene, while effective protection against infection remains limited due to the nature of the travel mode, driver and passengers sit in close proximity of each other and cannot practice social distancing.

Uber orders drivers, who display symptoms or have been tested positively, to self-isolate, and temporarily suspends their accounts.

Uber announced insurance policies for their drivers who are infected or quarantined because they are suspected to be an active COVID-19 case or have pre-existing health conditions. Uber's policy is focused on drivers who are still actively driving. Eligible drivers can apply for financial assistance through their website and claim compensation for up to 14 days to cover COVID-19 and other illnesses that require hospitalisation.

Uber's fear was that as their drivers are vulnerable to getting infected and could contribute to the spread of the virus, which will cause the public to view their services as unsafe and thereby negatively impact their future corporate development. Therefore, Uber has responded with initiatives to prevent infections among drivers and passengers, handle suspected and actual infections, cover medical COVID19-related expenses, and provide financial support to drivers.

Balance sheet of Uber

Fiscal year is January-December. All values USD Millions.			
	2020	2019	2018
Cash & Short Term Investments	7,077	11,412	6,473
Cash Only	5,897	10,972	6,473
Short-Term Investments	1,180	440	-
Cash & Short Term Investments Growth	-37.99%	76.30%	42.73%
Cash & ST Investments / Total Assets	21.28%	35.93%	26.98%
Total Accounts Receivable	1,537	1,642	1,335
Accounts Receivables, Net	1,073	1,214	919
Accounts Receivables, Gross	1,128	1,248	953
Bad Debt/Doubtful Accounts	-55	-34	-34
Other Receivables	464	428	416
Accounts Receivable Growth	-6.39%	23.00%	44.17%
Accounts Receivable Turnover	7.25	7.92	8.44
Other Current Assets	1,268	871	850
Prepaid Expenses	407	571	265
Miscellaneous Current Assets	861	300	585
Total Current Assets	9,882	13,925	8,658
Net Property, Plant & Equipment	3,088	3,325	1,641
Property, Plant & Equipment - Gross	4,104	4,699	2,587
Buildings	711	40	93

Land & Improvements	66	76	67
Construction in Progress	170	863	832
Computer Software and Equipment	763	1,054	909
Leased Property	602	563	322
Other Property, Plant & Equipment	518	509	364
Accumulated Depreciation	1,016	1,374	946
Total Investments and Advances	11,625	12,986	13,403
LT Investment - Affiliate Companies	1,079	1,364	1,312
Other Long-Term Investments	10,546	11,622	12,091
Intangible Assets	7,673	238	235
Net Goodwill	6,109	167	153
Net Other Intangibles	1,564	71	82
Other Assets	984	1,287	51
Tangible Other Assets	984	1,287	51
Total Assets	33,252	31,761	23,988
Assets - Total - Growth	4.69%	32.40%	55.50%
Asset Turnover	0.34	-	-
Return On Average Assets	- 20.82%	-	-
Liabilities & Shareholders' Equity			
All values USD Millions.	2020	2019	2018
ST Debt & Current Portion LT Debt	1,030	388	198
Short Term Debt	826	196	61
Current Portion of Long Term Debt	204	192	137
Accounts Payable	235	272	150
Accounts Payable Growth	- 13.60%	81.33%	- 29.58%
Income Tax Payable	203	194	157

Other Current Liabilities	5,397	4,785	3,754
Accrued Payroll	325	403	261
Miscellaneous Current Liabilities	5,072	4,382	3,493
Total Current Liabilities	6,865	5,639	4,259
Current Ratio	1.44	2.47	2.03
Quick Ratio	1.44	2.47	2.03
Cash Ratio	1.03	2.02	1.52
Long-Term Debt	9,344	7,373	9,323
Long-Term Debt excl. Capitalized Leases	7,680	5,707	8,887
Non-Convertible Debt	7,680	5,707	8,887
Capitalized Lease Obligations	120	143	436
Provision for Risks & Charges	2,318	2,367	2,076
Deferred Taxes	818	1,027	1,072
Deferred Taxes - Credit	818	1,027	1,072
Other Liabilities	153	172	466
Other Liabilities (excl. Deferred Income)	153	172	466
Total Liabilities	19,498	16,578	17,196
Total Liabilities / Total Assets	58.64%	52.20%	71.69%
Preferred Stock (Carrying Value)	-	-	14,177
Redeemable Preferred Stock	-	-	14,177
Common Equity (Total)	12,266	14,190	-7,385
Additional Paid-In Capital/Capital Surplus	35,931	30,739	668
Retained Earnings	-23,130	-16,362	-7,865
Cumulative Translation	-581	-231	-228

Adjustment/Unrealized For. Exch. Gain			
Unrealized Gain/Loss Marketable Securities	46	44	40
Common Equity / Total Assets	36.89%	44.68%	- 30.79%
Total Shareholders' Equity	12,266	14,190	6,792
Total Shareholders' Equity / Total Assets	36.89%	44.68%	28.31%
Accumulated Minority Interest	1,488	993	-
Total Equity	13,754	15,183	6,792
Liabilities & Shareholders' Equity	33,252	31,761	23,988

Conclusion

Uber has responded with several measures, and this analysis has led to four conclusions.

First, precautionary measures being promoted by Uber among their drivers are often not followed and can, at best, improve hygiene, but not effectively protect against infection.

Second, there is no effective mechanism to identify COVID-19-positive drivers and one can expect that many of them continue to work, rather than to self-report and stay in quarantine.

Third, Uber announced policies to cover COVID-19-related medical expenses, but few drivers have benefited from such, and it is unclear whether actual paid amounts are sufficient to fully cover cost of medical treatment.

Fourth, Uber has set up funds, from which grants for emergency support should be distributed, and endowed them with an aggregate amount of INR 200 million, which is a drop in the bucket when compared to the number of drivers. Overall, these results suggest that COVID-19-related measures are more appearance than substance, and provide neither sufficient health protection nor adequate financial support.

The first priority for policy responses must be to ensure that they cover the basic and immediate needs of drivers. This can include access to food and rations distributions and income support. As drivers of Uber are capable of using digital technologies, it is possible to process applications for temporary income support online, and deliver transfers through digital payments. Moreover, ridehailing companies should share more data on provided assistance, which would help to identify drivers that are still in need, and to deliver support in a targeted manner.

AND,

Uber has to fix its business model to make it profitable in a sustainable way. Uber's growth is slowing down, and the costs are not slowing down, as there are many reasons but fundamentally, the issue is that Uber competes in both markets: riders and drivers. So, they can't pay drivers less and they cannot charge riders more, basically breaking the main assumptions that underline its growth strategy.

There are some ways, Uber could become Profitable:

1. **Increase fare for riders:**

This scenario is the most obvious place for Uber to start when considering how to become profitable. Uber has already signaled it will start to do this, as it attempts to stem operating losses. We might have noticed it happening for our own rides.

2. Switch the higher cost of paying drivers with the lower long term cost of maintaining a fleet of autonomous cars :

It's no secret that Uber is researching and developing autonomous vehicles. Many other companies like Tesla, Waymo ,and Cruise are in the game too.

It's not just because self-driving cars almost certainly are the future of transportation. More practically, it's because Uber's current operating models demonstrate they can't profitably pay their drivers. One way to lower those costs is by eliminating and paying engineers to maintain a fleet of autonomous cars instead.

References

- <https://www.uber.com/in/en/>
- <https://en.wikipedia.org/wiki/Uber>
- <https://knowledge.wharton.upenn.edu/>
- <https://www.investopedia.com/>
- <https://www.statista.com/statistics/1104054/india-coronavirus-covid-19-daily-confirmed-recovered-death-cases/>
- <https://www.wsj.com/market-data/quotes/UBER/financials/annual/balance-sheet>