

Uber's stock surges on positive trends despite big Q2 loss

August 2 2022, by MICHAEL LIEDTKE and MICHELLE CHAPMAN



The logo for Uber appears above a trading post on the floor of the New York Stock Exchange, Friday, Aug. 9, 2019. Uber's ride-hailing service continued to gain momentum in the second quarter as consumers headed back to offices and started traveling more amid an easing in pandemic restrictions. Passengers took a total of 1.87 billion trips on Uber during the spring and early summer, a 24% increase from the same time last year. Credit: AP Photo/Richard Drew, File

Uber's effort to meld its pioneering ride-hailing service with food and freight delivery showed progress during the past quarter even though the company sustained a huge loss stemming from a sharp decline in its outside investments.

Looking past Uber's second-quarter loss of \$2.6 billion announced Tuesday, Wall Street celebrated a significant milestone that raised hopes that Uber is on the verge of becoming a self-sustaining business.

The good news arrived Tuesday in the form of a key metric known as free cash flow. Uber generated \$382 million in cash during the April-June period, the first quarter in the company's 13-year history that it didn't hemorrhage money.

Uber has now been profitable for four consecutive quarters under a financial yardstick called EBIDTA, or "adjusted earnings before interest, taxes, depreciation and amortization."

By that measure, Uber earned \$364 million during the second quarter, breezing past industry analyst projections of \$277 million, according to FactSet Research.

Uber still sustained a massive loss that translated into \$1.33 per share primarily caused by declines in Uber's stake in Aurora, a self-driving car company, and a Singapore transportation service called Grab.

CEO Dara Khosrowshahi said Tuesday that he is confident the company will build upon its momentum and possibly surpass a previously set goal of generating \$1 billion in free cash flow annually.

Khosrowshahi said he now believes Uber is in its strongest position since he was hired as the company's top executive nearly five years ago. Khosrowshahi took over after co-founder Travis Kalanick was pushed

out amid a series of scandals, from sexual harassment claims and cover-ups, to allegations of stealing self-driving car technology.

Shares of Uber Technologies Inc., based in San Francisco, jumped nearly 19% to close Tuesday at \$29.25. The stock is still down by 30% this year, and far below its peak of about \$64 reached early last year.

The downturn largely reflects ongoing skepticism about whether Uber will be able to keep charging high enough prices for rides and food delivery to consistently make money over the long term. Through most of its history, Uber had been able to lure customers to its services with low prices that were subsidized by the billions of dollars that it raised from venture capitalists and other investors before becoming a publicly traded company in 2019.

Less than a year later, the pandemic hit and demand evaporated as government lockdowns corralled millions at home and people stopped driving.

Uber's ride-hailing service has now surpassed its pre-pandemic levels, even though Khosrowshahi told analysts Tuesday that demand remains suppressed in several major U.S. cities such as San Francisco, Los Angeles and Seattle where large numbers of people continue to work remotely.

Elsewhere, passengers are returning to Uber in droves and appear willing to pay for the higher fares that the service is charging even in the face of soaring inflation.

Passengers took a total of 1.87 billion trips on Uber during the spring and early summer, a 24% increase compared with the same time last year. That's about 21 million trips per day, on average. The volume also surpassed the 1.68 billion passenger trips that Uber provided during the

second quarter of 2019 before the pandemic upended everything.

Wedbush Securities analyst Daniel Ives said the second quarter suggests Uber can "produce profits while navigating inflationary pressures and pockets of driver shortages that still linger in some cities."

The surge in ridership helped Uber more than double its revenue from the same time last year to nearly \$8.1 billion.

Uber's higher fares and other incentives are making driving for the service a more attractive option, too. Drivers who work exclusively for the ride-hailing service are now making about \$37 per hour while those that also spend some of the time on the food delivery side.

© 2022 The Associated Press. All rights reserved. This material may not be published, broadcast, rewritten or redistributed without permission.

Citation: Uber's stock surges on positive trends despite big Q2 loss (2022, August 2) retrieved 17 April 2024 from <https://techxplore.com/news/2022-08-uber-stock-surges-positive-trends.html>

This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.