

Uber

Business Case: **Forecasting** operations future performance

Business Case

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Strategy Consultant



Professional background



Background

Currently working at McKinsey & Company as a strategy consultant and member of the Strategy, Corporate Finance & M&A team.

As an integrative consultant, I flexibly combine a set of hard and soft skills to work across different industries and functional areas.

I have experience in econometric and business modeling, strategic planning, industrial and sectoral research, and value creation project management.

In addition to my experience in strategic consulting, I have 3+ years of experience in engineering and innovation project management.

Main Experiences

- Capital strategy and financial modeling for a consumer goods player in a BRL 5.0 Bn capital project.
- Portfolio value creation for an Infrastructure Fund company, generating an impact of BRL 185.0 Mn.
- Strategic Sourcing advisory to a leading consumer manufacturing company on design and infrastructure engineering services
- Technology strategy advisory and business case modelling on a growth-tech transformation project for a leading financial services company
- Investment Thesis Assessment for a LatAm Telecommunication company (Market Entry Strategy)
- Initial strategy diagnosis for a regional development bank
- Portfolio optimization for a leading consumer manufacturing company
- Operations event about Procurement and Supply Chain, involving +20 CEOs/CSOs and managers

Main Industries

- Private equity & infrastructure funds
- Consumer manufacturing
- Downstream Oil & Gas
- Water & Waste services
- Financial Services & Development Bank
- Pulp & Paper
- Advanced Industries
- Chemicals & Agriculture

Affiliations, Volunteer work & Others

Afinity groups:

- McKinsey Black Network
- Jews at McKinsey

Volunteer Work – Social Impact

- Partiu Facul: Favela da Rocinha, RJ - Education
- TETO (TECHO) - Transitional Houses
- Cursinho Solidário – Education
- Projeto Emanuel - Homelessness social initiative

Summary

1. Model structure and methodology

2. Key Results and discussions

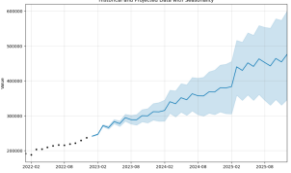

3. Risks & Opportunities for Uber

4. FP&A Funcion



Framework model divides the main projection metrics into demand-based, investment-based, and trend-based metrics

Non-exhaustive

Framework	Examples	Method
Demand-based metrics	<ul style="list-style-type: none">• Active Riders: Seasonality affects this metric by causing predictable increases or decreases in the number of active riders based on the time of year and specific events• Active drivers: During high-demand periods, more drivers may be active to capitalize on increased earnings, while during low-demand periods, fewer drivers may choose to be active• Shopping sessions: Higher demand causes an increase in shopping sessions. The metric only generates value based on the conversion rate to requests and the conversion rate to completed trips	<p>Predictive model using historical data to project lower, upper and base projections</p>  
Investment-related metrics	<ul style="list-style-type: none">• New Riders: Rider Paid Acquisition Spend (marketing, promotional offerings) and higher demand impact the metric, altering Uber's rider base• New drivers: Driver Paid Acquisition Spend and higher demand impact the metric, altering Uber's driver base	<p>Regression to capture correlation between new riders/new drivers and Paid Acquisition Spend</p>
Trend-related metrics	<ul style="list-style-type: none">• Shopping sessions conversion rate: shopping sessions/requests• Request conversion rate: completed trips/requests• Driver utilization rate: Vehicle hours/Supply Hours• ARPU: Net Revenue Per Active Users• Average Rider Miles: Rider Miles/Trip	<p>P&L items extrapolation based on margins and proportion trends</p> <p>P&L items estimated based on operational, financial ratios and scenario-based assumptions</p>

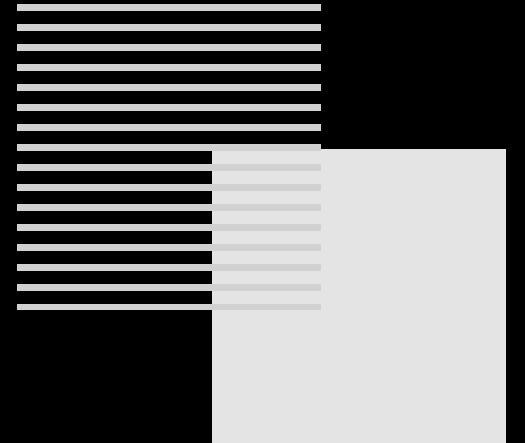
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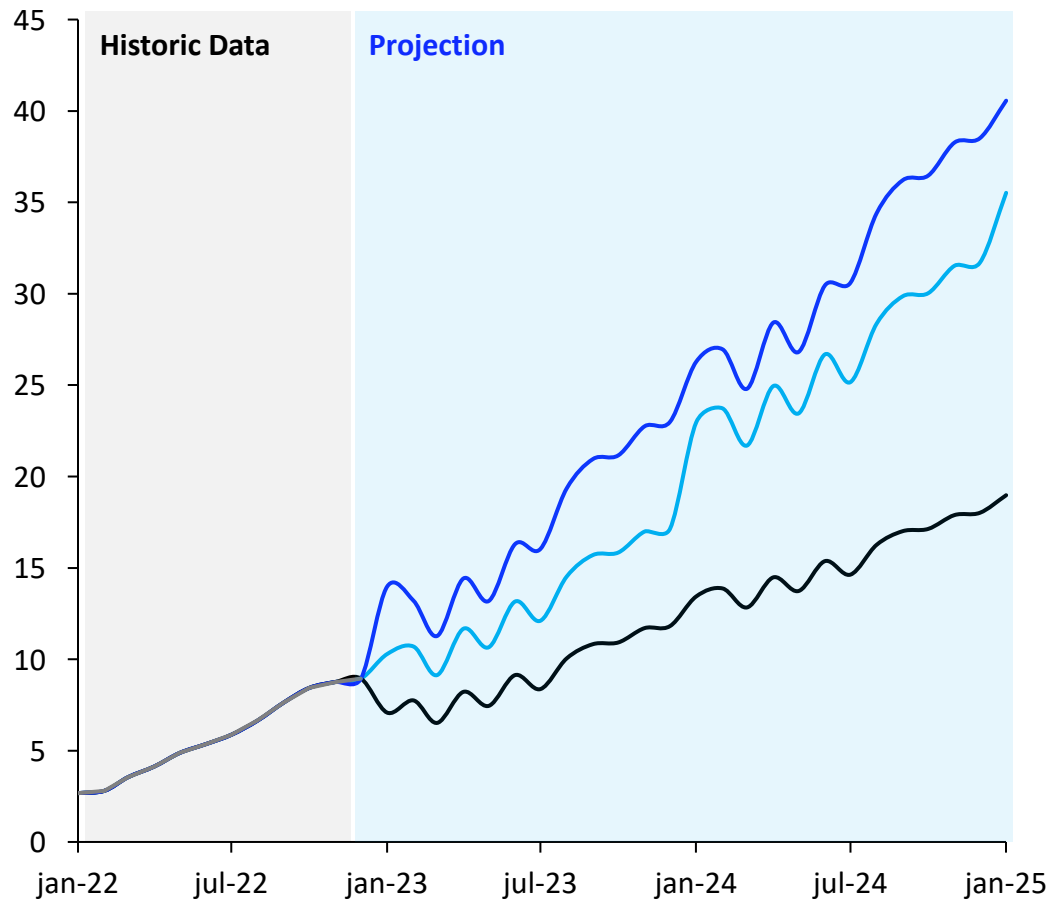
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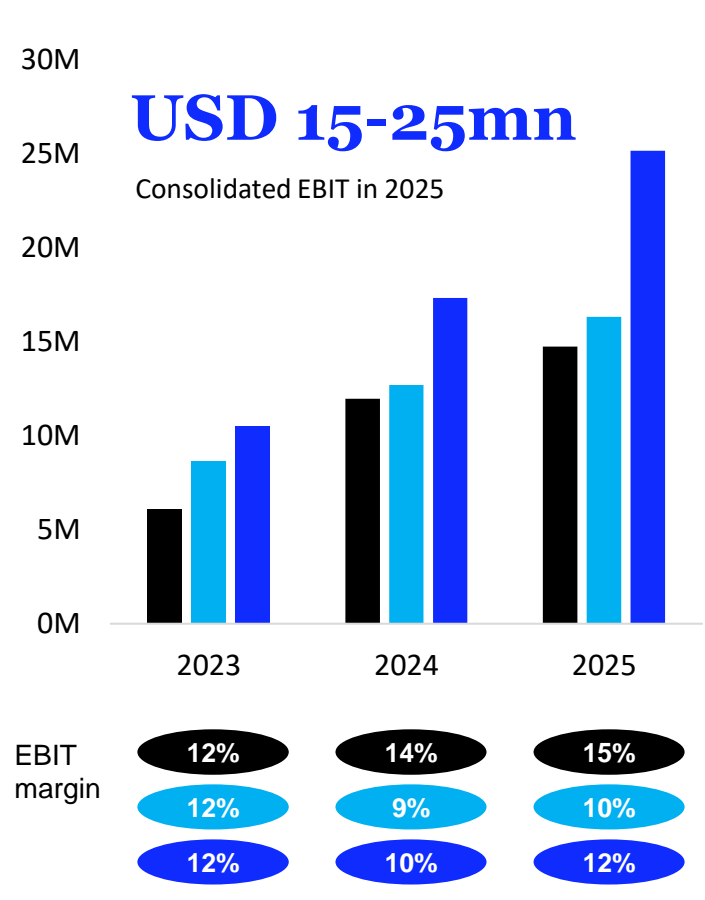


The model forecasts a consolidated EBIT of USD 14.7 – 25.2 mn in 2025, driven manly by **conversion rates** and **growing demand of active riders**

Completed trips (Millions) – Consolidated Operations



EBIT (USD mn)



Scenarios description

Strong Case Scenario

Optimistic increase in rider demand and driver supply fueled by successful marketing campaigns and favorable market conditions
Higher conversion rates driven by platform and process optimization

Base Case Scenario

Continuation of past trends **anticipating a consistent increase in user engagement** and a balanced **supply-demand** ratio, leading to sustainable revenue growth

Weak Case Scenario

Slower increase in rider demand and lower **user engagement/conversion rates**, with a more competitive enviroment, resulting in **minimal user base growth**

City A has steady, slower, and **consistent market growth**; City B is experiencing rapid growth, demonstrating an opportunity to **improve expansion management**

City A

CITY A	Unit	2022	2023	2024	2025
Shopping_Sessions	units	31.805.620	44.187.298	55.308.583	69.666.079
Cash Gross Bookings	USD	25.380.046	40.289.147	52.496.681	66.124.238
Supply_Hours	Hours	8.291.469	8.980.843	8.944.330	13.103.108
Cash Trips	units	13.589.417	19.503.711	24.412.504	30.749.720
U4B Gross Bookings	USD	256.175	410.972	535.495	674.504
Rider Miles	Miles	67.622.385	97.154.680	121.607.067	153.174.916
Vehicle Miles	Miles	67.622.248	74.856.297	74.582.100	109.248.620
Vehicle Minutes	Minutes	233.504.958	259.062.871	258.173.170	378.172.162
Active_Hours	Hours	5.260.462	6.027.882	6.058.837	8.883.597
Rider Paid Acquisition Spend	USD	310.782	501.520	653.480	823.116
Driver Paid Acquisition Spend	USD	79.600	129.399	168.607	212.375
Surged Trips	units	1.970.166	3.281.368	4.198.177	5.301.926
New Driver Trips	units	971.892	982.920	983.805	984.793
New Rider Trips	units	716.698	741.789	760.273	780.907
New Riders	units	192.867	199.094	204.055	209.593
New Drivers	units	7.110	7.118	7.125	7.132
Requests	units	19.708.087	28.072.062	35.886.618	44.575.351
Active Drivers	units	82.319	89.937	89.571	131.218
Active Riders	units	2.553.990	3.370.619	4.191.841	5.277.276

- Steady and consistent growth across all key metrics, indicating stable expansion and gradual, slower market penetration (City A is possibly in a stable phase of the ride-sharing technology adoption curve).
- Moderate increase in operational metrics, growing both supply and active hours to match growing demand.

City B

CITY B	Unit	2022	2023	2024	2025
Shopping_Sessions	units	136.261.619	340.130.208	568.170.600	636.941.335
Cash Gross Bookings	USD	176.284.557	474.894.038	1.078.704.307	1.302.290.201
Supply_Hours	Hours	26.710.311	67.534.921	99.561.142	175.389.114
Cash Trips	units	48.860.492	124.063.573	270.908.643	327.060.594
U4B Gross Bookings	USD	228.517	966.353	2.195.035	2.650.005
Rider Miles	Miles	226.770.180	601.313.319	1.313.044.370	1.585.202.548
Vehicle Miles	Miles	226.767.518	555.795.358	824.821.062	1.454.610.547
Vehicle Minutes	Minutes	874.202.594	2.147.218.169	3.187.646.350	5.621.403.853
Active_Hours	Hours	20.274.765	50.022.694	74.563.589	131.559.567
Rider Paid Acquisition Spend	USD	427.784	1.853.963	4.211.208	5.084.077
Driver Paid Acquisition Spend	USD	2.971.623	12.556.429	28.521.466	34.433.186
Surged Trips	units	16.679.576	42.927.434	93.958.686	113.575.800
New Driver Trips	units	7.942.924	595.350	765.110	827.970
New Rider Trips	units	6.036.743	7.134.764	7.134.764	7.134.764
New Riders	units	2.149.983	2.567.334	2.567.334	2.567.334
New Drivers	units	118.060	9.149	11.757	12.723
Requests	units	65.706.822	169.277.280	369.810.190	446.389.934
Active Drivers	units	440.384	1.071.365	1.579.424	2.782.349
Active Riders	units	10.544.052	25.734.193	42.885.447	48.047.042

- City B is experiencing rapid growth across all key metrics, indicating the behavior of emerging regions in the technology adoption curve (faster expansion)
- OPEX and driver/rider acquisition investments are significantly higher, reflecting the challenge of managing a rapidly expanding operation

Key improvement levers

Non-exhaustive

Levers	Description
Operations Efficiency	<p><u>Improve driver utilization</u> to ensure driver will be active during high demand periods, utilizing/improving data analytics routing models and reducing idle times</p> <p><u>Optimize cost-management</u>, conducting a detailed cost analysis to identify and implement Cost savings measure without compromising service quality</p> <p>Ensure <u>improved Quality processes</u> to avoid platform failures that significantly reduce driver usage</p>
Marketing & Sales	<p><u>Optimize marketing and acquisition strategies</u>, lowering acquisition costs with targeted marketing campaigns in digital platforms</p> <p><u>Increase U4B service adoption</u> to cater a wider range of customers and increase the number of completed trips</p>
User Engagement	<p><u>Enhance user Experience</u> to drive shopping sessions conversion rate through app improvements, ride recommendation and other additional features</p> <p><u>Expand personalized incentives</u> for frequent riders and high performing drivers to increase retention, ARPU and usage rates</p>

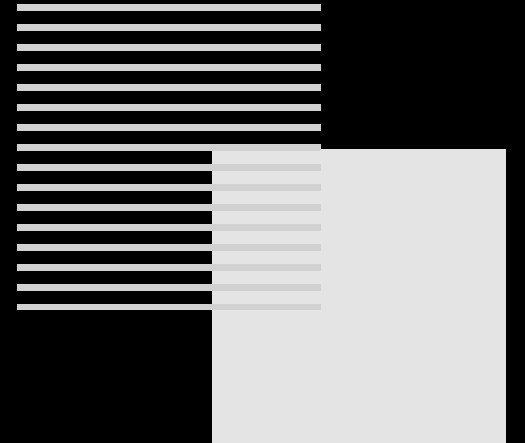
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Risks & Opportunities for Uber

Non-exhaustive

Risks	Description	Opportunities	
Regulatory & Legal	Changes in regulations with potential operational disruptions, costs and limitation of offerings	Diversification	Expanding beyond ride-sharing into areas like freight, and autonomous vehicle, financial services for drivers
Economic downturn	Economic recessions and downturns reducing consumer spending and lowering rider demand	Innovation	Investing in new technologies such as autonomous vehicles and AI-driven operations
Driver supply	Challenges in attracting and retaining sufficient drivers. Resulting in longer wait times for riders, reduced service quality, and increased costs for driver incentives and recruitment	Strategic Partnerships	Collaboration with regional businesses, public sector and tech companies to enhance market penetration
Technology disruptions	Emerging technologies, potential obsolescence of current business models, and increased R&D costs	Sustainability	Investing in electric vehicles and green energy solutions and operational decarbonization improving brand image
Operational risk	Safety incidents, service disruptions, and platform reliability with damage to brand reputation, legal liabilities, loss of rider trust, and increased operational costs	Advanced Analytics & AI	Leveraging data analytics and artificial intelligence for decision-making to improve operational efficiency, better demand forecasting, and personalized marketing strategies
(Cyber)Security and Data privacy	Reaches of data privacy and security with legal liabilities, increased security and compliance costs, and loss of customer trust	Institutional and government contracts	Securing contracts for corporate travel and government transportation services, enhancing market credibility and stable/recurring revenue streams
Inflation	Increases in costs related to fuel, insurance, driver incentives with Reduced profitability and potential need for fare increases, which could impact demand	Social Impact and community engagement	Initiatives to support local communities and social causes to improve public perception, stronger community ties, and positive brand image
Public perception risks	Negative public perception and brand image with decreased rider and driver acquisition, loss of market share, and increased marketing expenses to rebuild reputation		

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FP&A plays a pivotal role in **strategic planning**, covering business and finance functions

		Business Function	Finance Function
Role		Impact	
Planning & Forecasting	Developing long-term strategy and financial forecasts	Helps the business set realistic goals, allocate resources efficiently, and anticipate future financial needs	
Budgeting	Coordinating annual budgeting process	Ensures that the company's financial resources are allocated in a way that supports its strategic goals and operational needs	
Financial Performance Monitoring	Monitoring financial performance (budget vs forecasts, key metrics)	Provides insights into business performance, helping management make informed decisions to stay on track with financial goals	
Risk Management and decision support	Analytical support for major business decisions, scenario planning and risk management	Helps management make data-driven decisions and enhance the company ability to respond to adverse situations, ensuring business continuity and financial stability	
Financial reporting	Collaborating with accounting and finance teams to prepare comprehensive financial reports and presentations for stakeholders	Ensures transparency and accuracy in financial reporting, fostering trust and credibility among stakeholders	
Capital allocation	Assessing the company's capital structure and advises on the optimal allocation of capital resources to maximize returns	Improves capital usage, supporting investment in high ROIC projects and initiatives	
Cost management	Identifying cost reduction opportunities and efficiency improvement, working with departments to implement cost-saving measures	Improves profitability and operational performance	
Governance	Ensuring that financial planning and reporting comply with regulatory and internal requirements	Minimizes legal and compliance risks, maintaining the integrity of the financial reporting process	