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Chapter 1

Introduction

1.1 Overview

As founder and CEO of Uber, Travis Kalanick is an example of a resilient leader (Business, 2015), who stands by his principles and is comfortable with negotiation (Bhattacharya, 2015). Kalanick has demonstrated on countless occasions that as an entrepreneur, he always tries to push the limits (Smith, 2014), further reinforcing his risk-taking behaviour and mind-set. However, a recent scandal involving Uber's senior vice president Emil Michael raised the question of whether Kalanick's approach to leadership had fostered an insensitive, thuggish, hyper-aggressive culture within the organisation. Michael proposed that Uber start spying on journalists to dig up dirt on the personal lives of journalists who wrote negatively about the company (Withnall, 2014) in response to an article which highlighted the overt sexism and misogyny that Uber appeared to embrace, with direct regard to Kalanick's gross public comments that his company should be called "Boober" because of the sexual attention he gets, as a result of Uber's continued growth and success (Lacy, 2014).

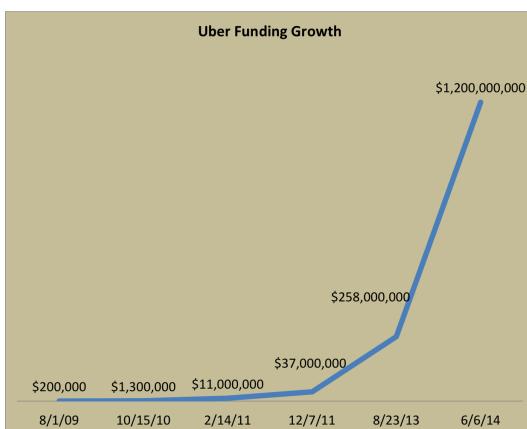


Figure 1.1 Uber Funding Growth (Ferenstein, 2014)

Despite Kalanick's misgivings, Uber continues to grow exponentially see Figure 1.1, recently completing a new round of funding that values the five-year-old company at close to \$51 billion (MacMillan and Demos, 2015). An appraisal of Kalanick's leadership credentials is necessary in order to determine his contribution to the company's success. Consequently, the focus of this section is Uber's founder and CEO, Travis Kalanick – specifically, the characteristics which assert his title as an entrepreneur. As this term "entrepreneur" is relevant to multiple academic contexts, such an appraisal will need to be espoused from models stemming from the fields of psychology, economics and sociology.

1.2 Psychological Conceptions

Psychologists tend to focus on aspects of the entrepreneur's personality, viewing them as an individual who is typically driven to experiment, perform and succeed. In addition, by starting to work on their own, entrepreneurs gain the independence required to make their own decisions (Groenewald et al., 2006). Kalanick demonstrated such traits at an early stage when starting his first company, Scour.com,

a peer-to-peer search engine which could find media content on the internet (Kessler, 2013). Shortly after launching in 1998, Scour.com faced two major lawsuits over copyright infringement (Huffstutter, 2000), and as the company was not able to raise money to continue operations, it filed for bankruptcy protection in order to protect itself from the impending lawsuits.

Unperturbed by the occasion, Kalanick quickly moved on to start Red Swoosh in 2001, a relatively unsuccessful peer-to-peer file sharing company which he subsequently sold to Akamai for \$15 million in 2007. Long-term investors in Red Swoosh, asserted that Kalanick was focused, tireless and never revealed a loss of faith during this period, a testament to his hardiness (Mishkin, 2015). Hardiness is a personality characteristic which is resistant to stress (Kobasa, 1979). According to Cardwell & Flanagan (Cardwell and Flanagan, 2008), hardy individuals such as Kalanick demonstrate three characteristics:

1. Control of their lives.
2. A strong sense of purpose combined with involvement in the world around them.
3. A view that challenges are an opportunity to overcome and develop rather than threats or stressors.

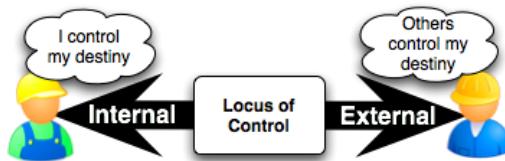


Figure 1.2 Locus of Control (Shead, 2007)

Kalanick's positive reaction to his initial failures demonstrates that he had an internal locus of control (Rotter, 1966), which was complemented by a high sense of self-efficacy (Bandura, 1994). Individuals with an internal locus of control have a stronger belief that they can control their own environment, and will be more likely to exploit an entrepreneurial opportunity compared to people with an external locus of control (Engler, 2009). However this requires a supplementary belief – self-efficacy, which reflects “confidence in the ability to exert control over one’s own motivation, behaviour, and social environment” (Carey and Forsyth, 2015). Furthermore, self-efficacy is characterised by being assured that one will accomplish a particular goal – and to expand on this in a more present context, it can be supported by how Kalanick confidently speaks of Uber aim’s to “push rates so low that Uber rides could be a viable alternative to owning car, and possibly using public transport” (Mishkin, 2015).

1.3 Economic Conceptions

Kalanick is a model “Schumpeterian” entrepreneur, having disrupted the transportation service industry with the creation of Uber’s smartphone app – an innovative offering which uses GPS technology to match customers with nearby private drivers, then allows them to track the journey in real time from beginning to end, and pay the fare without ever having to reach into their wallets (Gatehouse, 2014). Schumpeter’s entrepreneur is an agent of change, which brings about creative destruction through the introduction of new products, processes and services – upsetting the conventional manner of doing things. For instance in this context, to own a taxi in New York, you require a medallion, a city-issued licence which is required in order to legally pick up passengers flagging on the street. However, since the inception of Uber, taxi medallion prices have been falling in major cities throughout the United States (cf. Figure 1.3), due to Kalanick’s increasing workforce of private drivers. Kalanick claims that Uber neither own nor operate a taxi service, therefore the company’s private drivers, which are employed as contractors, do not have to adhere to regulations.



Figure 1.3 New York City Taxi Medallion Prices (Barro, 2014)

Schumpeterian opportunities	Kirznerian opportunities
Disequilibrating	Equilibrating
Requires new knowledge	Does not require new knowledge
Very innovative	Less innovative
Rare	Common
Involves creation	Limited discovery

Figure 1.4 Opportunity Recognition

Unlike Schumpeter's entrepreneur, a creator of disequilibrium in the market –(Kirzner, 1973) saw the entrepreneur as a seeker of imbalances, which they aim to remove by means of their entrepreneurial activity see Figure 1.4. Kirzner's entrepreneur does not create anything new, but simply recognises and exploits what is already there, which others are not aware of (Landstrom, 2010). In a recent interview with The Wall Street Journal newspaper (Kessler, 2013), Kalanick recalls a conversation with Garrett Camp in 2007, in which Camp said: “I just want to push a button and get a ride. Travis, let’s go buy 10 Mercedes S-Classes, let’s go hire 20 drivers, let’s get parking garages and let’s make it so us and a 100 friends can push a button and an S-Class would roll up, for only us, in the city of San Francisco, where you cannot get a ride. This wasn’t about building a huge company, this was about us and our hundred friends”. From this, Kalanick became alert to the opportunity that he could also recruit limousine drivers not on a call. Instead of idly waiting for work, they could pick up and drop off potential customers in the local area. Afterwards, Kalanick went on to employ private drivers, which were vetted by Uber, in order to meet growing demand. Like Kirzner's entrepreneur, Kalanick was able to identify market ignorance with respect to a certain opportunity and act on it (Hindle and Klyver, 2011).

In the case of Kalanick, there is a strong argument for integrating both the Schumpeterian and Kirznerian perspectives in order to appreciate that Uber’s success is a result of technology and product oriented disruptive innovation (Schumpeterian) and market oriented strategy (Kirznerian). Without an intersection of the two views, Kalanick would not have succeeded as an entrepreneur.

1.4 Sociological Conceptions

It could be argued that certain subtleties of Kalanick’s entrepreneurial characteristics are socially embedded. Reynolds and Pope, 1991 asserts that sociological background is one of the decisive “push” factors to become an entrepreneur – e.g. marginalised groups overcome all obstacles and strive for success to make life better, spurred on by their disadvantaged backgrounds (Simpeh, 2011).

An entrepreneur can complement their business resources by relying on their contacts. The contacts

that lead to successful outcomes form part of their “social capital”, and become a key component of their entrepreneurial networks (Burt, 1995). As noted in section 1.3, Kalanick’s conversations with Camp, an entrepreneur who at the time had just sold his company “StumbleUpon” to eBay for £75m (Gonzalez, 2007), led to the launch of Uber. From these discussions, it can be asserted that Kalanick talked about the possibility of starting a business with close contacts, as he did not want his intentions to be immediately made public, in case he later perceived that he took that the wrong course of action. This narrative provides a useful bridge to the Knightian theory of entrepreneurship, which focuses on the entrepreneur’s role in an ambiguous environment. As the presence of uncertainty requires Kalanick to bear the burden of incorrect decisions, he exercises caution early on, allowing him to tolerate any imminent risks. Moreover, Kalanick’s approach gives primacy to the nature of his interaction with the environment – in lieu with the motivation phase in (Wilken, 1979) stage theory.

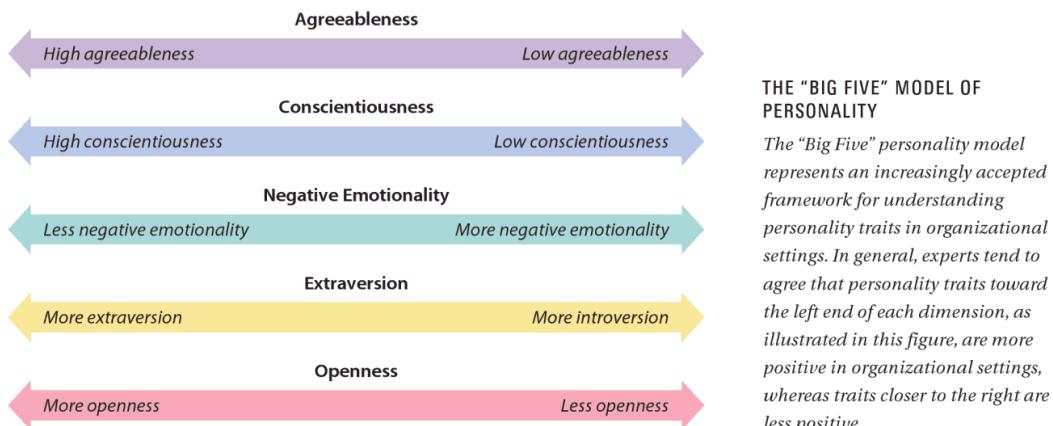


Figure 1.5 The Big Five Model of Personality

According to (Obschonka et al., 2013) – The regional distribution and correlates of an entrepreneurship-prone personality profile in the United States, Germany, and the United Kingdom: A socioecological perspective. The entrepreneurial profile of personality traits in Figure 1.5, can be geographically clustered, as it correlates to a higher rate of entrepreneurial activity within a region.

The entrepreneurial profile was not as common in less supportive entrepreneurial climates and historically industrial regions (e.g. Indiana and Ohio), as in these areas, the ability to follow rules, not to innovate was valued and considered true success (O’Connor, 2013). With regards to Kalanicks sociological background, he was raised in California, a state located on the West Coast of the United States. Obschonka et al., 2013 concluded that the entrepreneurial trait profile was highest in the West and South, citing historical migration patterns in the U.S. as a possible reason. According to Rentfrow, Gosling, and Potter, 2008, it could have been the more entrepreneurial early settlers who ventured from the East Coast. However, this perspective raises questions about the heritability of personality traits.

1.5 Disadvantages of the Trait-Focused Approach

A trait-focused approach (cf. Figure 1.6) to entrepreneurship fails to take situational contexts into account, which is important as some individuals have the traits to help them emerge as entrepreneurs, but not the traits that allow them to become successful entrepreneurs. As determined in section 1.4, there can be a number of sociological and situational factors which directly influence entrepreneurship, so it is difficult to have a list of traits in isolation to the context in which the entrepreneurial activity

State	Sample size	Entrepreneurial personality profile
Alabama	11,985	38 (-0.57)
Alaska	4,316	6 (1.21)
Arizona	12,570	7 (1.10)
Arkansas	4,424	43 (-0.89)
California	71,873	15 (0.59)
Colorado	11,446	2 (1.82)
Connecticut	6,836	28 (-0.25)
Delaware	1,881	31 (-0.35)
District of Columbia	2,155	1 (2.86)
Florida	27,423	12 (0.65)
Georgia	18,807	11 (0.65)
Hawaii	2,940	32 (-0.40)
Idaho	3,178	24 (0.08)
Illinois	27,739	17 (0.49)
Indiana	13,515	41 (-0.80)
Iowa	6,514	35 (-0.49)
Kansas	6,976	16 (0.49)
Kentucky	7,827	48 (-1.55)
Louisiana	6,519	49 (-1.58)
Maine	3,540	36 (-0.49)
Maryland	12,286	39 (-0.73)
Massachusetts	16,153	33 (-0.42)
Michigan	21,938	26 (-0.15)
Minnesota	14,532	22 (0.22)
Mississippi	3,609	51 (-2.02)
Missouri	12,565	21 (0.22)
Montana	1,945	10 (0.75)
Nebraska	4,410	9 (1.02)
Nevada	3,531	5 (1.47)
New Hampshire	3,255	46 (-1.09)
New Jersey	16,576	44 (-0.95)
New Mexico	4,077	8 (1.04)
New York	32,602	29 (-0.29)
North Carolina	16,428	27 (-0.22)
North Dakota	2,372	23 (0.16)
Ohio	24,018	45 (-1.00)
Oklahoma	8,095	34 (0.45)
Oregon	10,211	14 (0.60)
Pennsylvania	25,915	37 (-0.56)
Rhode Island	2,021	47 (-1.27)
South Carolina	5,918	30 (-0.31)
South Dakota	1,572	4 (1.50)
Tennessee	10,661	40 (-0.77)
Texas	45,432	19 (0.39)
Utah	8,365	3 (1.78)
Vermont	1,637	42 (-0.87)
Virginia	18,091	25 (-0.10)
Washington	17,890	13 (0.60)
West Virginia	3,412	50 (-1.88)
Wisconsin	15,863	18 (0.40)
Wyoming	1,536	20 (0.35)

Figure 1.6 Entrepreneurship Profile State Ranking (Obschonka et al., 2013)

occurs.

Chapter 2

Business Analysis

2.1 Knowledge and Information

As discussed in section 1.4, Uber launched in 2009 when Kalanick and Camp wanted to tackle the taxi problem in San Francisco. By May 2011, Uber started operating in New York, and then slowly expanded its service to Washington D.C., Chicago, Boston and Paris. In July 2012, Uber introduced UberX, a low-cost service which connected any car owner which passed a background check to a passenger through the Uber app (Haider, Donaldson, and Nourinejad, 2015). Over time, Uber's business model has become very data-driven, and leveraging it's information trove effectively is crucial to the company's strategy.

2.1.1 Surge Pricing

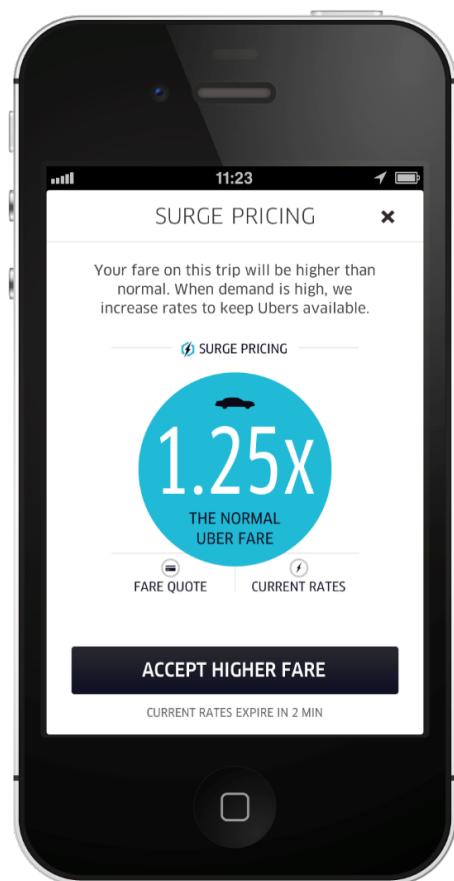


Figure 2.1 Surge Pricing (Uber, 2013)

Uber's pricing algorithm automatically detects situations of high demand and low supply, increasing the price of the journey depending on the scale of the shortage (Dan, 2014). The price hike encourages more drivers to work when needed. This method of Big Data-informed pricing is similar to that used by hotel chains and airlines to adjust rates to meet demand. However, rather than simply increasing prices at weekends or holidays, it uses predictive modelling to estimate demand in real-time (Marr, 2015). Furthermore, unlike hotel rooms, the supply of Uber drivers is never always fixed, and according to Gurley, 2014 (A Deeper Look at Uber's Dynamic Pricing Model), most drivers would prefer not to be working at busy times.

2.1.2 *UberPool*

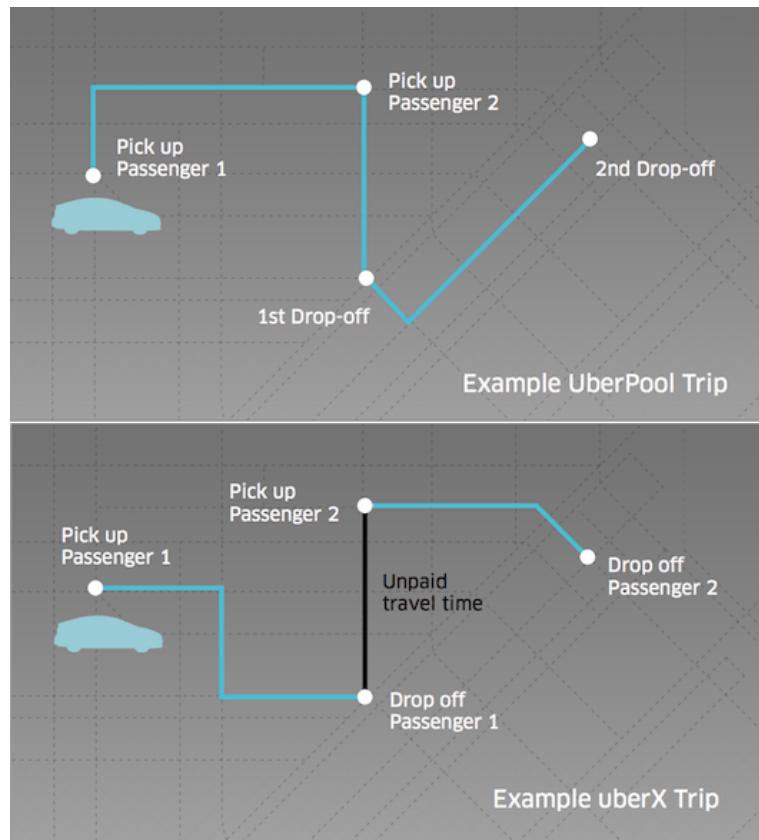


Figure 2.2 UberPool v.s. UberX (Uber, 2014b)

Uber's car-pooling service UberPool allows users to find others near to them, which according to Uber's data, make similar journeys at similar times. Once a match has been found, users can decide to opt in or out of the carpool. Directors, 2014 said that the service raised the prospect of a perpetual trip, describing it as "the trip that never ends the driver picks one passenger up, picks another passenger up, drops off the first passenger, but then picks up passenger number three and drops off passenger number two... when this is really liquid that driver will always be carrying somebody".

2.1.3 Rating Systems

Uber's service relies on a detailed rating system – users and drivers can rate each other in order to build up trust and help both parties to make decisions about who they want to share a ride with (Marr, 2015). When a driver falls below a certain rating threshold their account is deactivated (Cook, 2015).

2.1.4 Patent Applications

Uber has filed a number of patents, but according to Decker and Saitto, 2014, many of them have been rejected by the U.S Patent and Trademark Office for “obviousness”. Most of the company’s patent applications appear to be for standard business models that have been around for a long time.

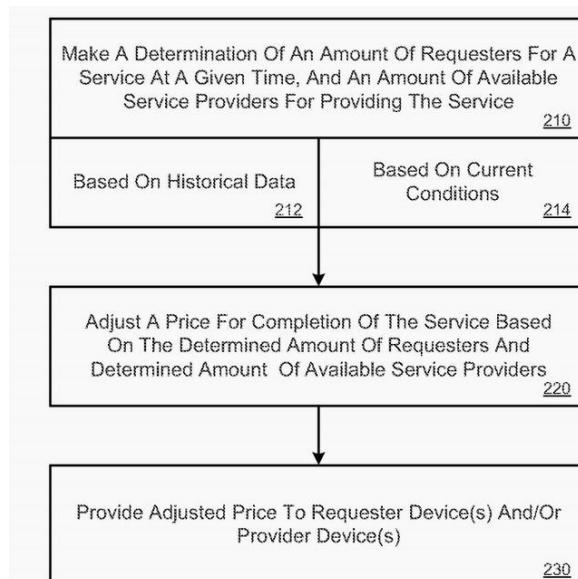


Figure 2.3 Patent for Surge Pricing ()

For example, it could be argued that Uber’s surge pricing algorithm discussed in section 2.1.1 (cf. Figure 2.2) simply involves using a computer to do a type of pricing that businesses have done for decades.

2.1.5 Allegations of Data Misuse

Uber has been accused of having a casual disregard for user privacy on a number of occasions. For example, the launch party of Uber Chicago featured a screen that showed where certain “known” individuals were currently riding in Uber cabs. The usage of consumers personal information for “entertainment purposes” equates to the illegal sharing of location information, and Uber breaching its contract with its users (Sims, 2014). Moreover, it raises a morality question of the ease at which a malicious Uber employee could start stalking particular users’ if they had access to this ‘God View’ tool, especially in connection to Michael’s comments, which were espoused in section 1.3 In the past, the company’s executives have used the tool to index trips taken in Uber cars by journalists –

with two former employees describing the procedure of tracking customers as very easy (Canedo, 2014).

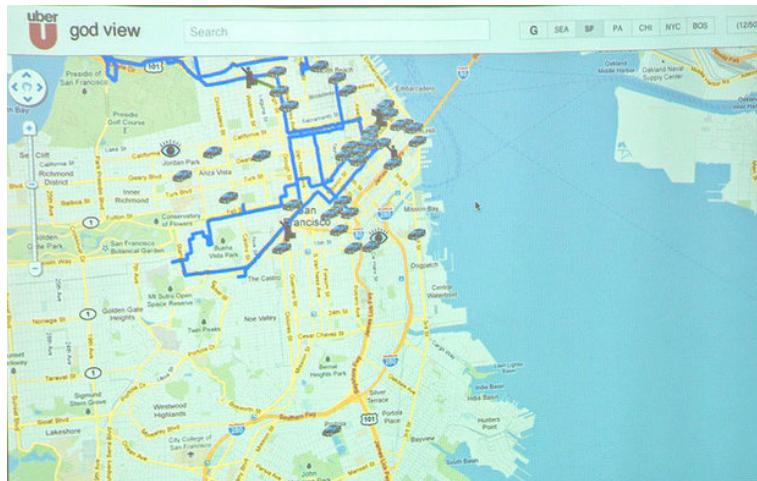


Figure 2.4 ‘God View’ Tool (Uber, 2011)

Correspondingly, the launch of the company’s Uber Partner app contained a design flaw which gave all Uber driver’s access to nearly 1000 sensitive scanned documents (cf. Figure 2.5). In May 2014, a database containing the details of thousands of drivers was hacked and Uber did not notice until September. Even then, it did not notify any drivers that their details were at risk (McCallion, 2015).

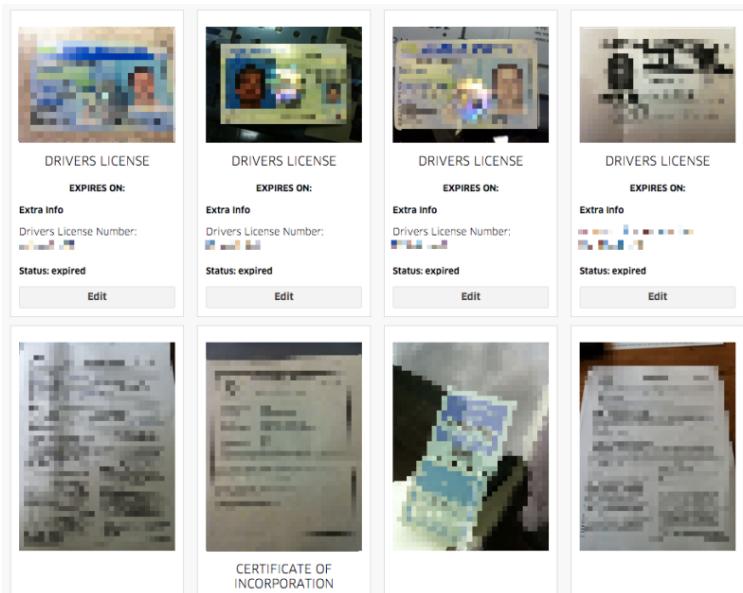


Figure 2.5 Uber Data Breach (Biddle, 2015)

2.2 Key People

There were a few key individuals who, alongside Kalanick, have helped develop Uber as a company:

2.2.1 Ryan Graves, Head of Global Operations

Ryan Graves has been at Uber since launch, and has overseen the company's growth from 1 to 200+ employees. He has a background in organisation scaling, business development, product management and corporate restructuring (Crunchbase, 2015).

2.2.2 Thuan Pham, Chief Technology Officer

Thuan Pham, was hired in April 2013, and is responsible for making technology decisions at Uber. He has been described as good at providing feedback, and capable of pushing himself and others to execute and grow beyond current limitations (Keyani, 2015).

2.2.3 Salle Yoo, General Counsel

Salle Yoo, was hired in July 2012, and is responsible for managing Uber's legal and regulatory issues, especially when entering new markets, a process which has proven to be challenging for the company as it faces scrutiny in cities with strict transport laws. According to Yoo: "when you go into an industry that hasn't seen innovation in 100 years and you bring a product that the regulations have not addressed... there is going to be a period of time where you have to educate on what you are as a company and the value that you bring" (Johnson, 2015).

2.3 Networks

In terms of networking, Kalanick initially relied on Camp's business nous which helped launch Uber (as discussed in section 1.3 and 1.4). Over time, the company has announced partnerships with:

2.3.1 Morgan Stanley

Uber has been included in the aforementioned investment bank's corporate travel policy as the recommended transportation option for all employees (Uber, 2014a). As a potentially lucrative IPO looms for the company, currently valued at \$50 billion, this could be viewed as an attempt by Morgan Stanley to demonstrate a more thorough familiarity with the service in order to increase the likelihood of being selected as the lead underwriter (Popper, 2015).

2.3.2 Carnegie Mellon University

Initially, Carnegie Mellon and Uber trumpeted a collaborative partnership, which involved the institution working closely with the ride-hailing service to develop driverless car technologies. However, the tie-up quickly became more combative, as Uber poached 40 of the institution's researchers and scientists to staff the company's new R&D centre in Pittsburgh. Uber envisions that autonomous cars will one day replace its contract drivers, and Carnegie Mellon's National Robotics Engineering Training Centre was picked by the company as the one place with enough talent to build the required team instantly (Ramsey and MacMillan, 2015).

2.3.3 Hilton Worldwide

Hilton teamed up with Uber to increase the functionality of its app, Honors. The app now makes use of anonymised data from Uber to recommend the most popular venues to guests and act as travel guide, as well as allowing users to request rides (Kokalitcheva, 2015).

2.3.4 Intact Worldwide

Intact teamed up with Uber to create an insurance policy geared towards ride-sharing services to better legally protect drivers in case of a motor accident (Owram, 2015).

2.3.5 Bluesmart

Bluesmart teamed up with Uber to make it easier for smart luggage owners to reunite with their suitcases if they go astray, by sending an Uber driver to the airport to pick up the missing luggage and delivering it to the user's house as quickly as possible. Furthermore, Bluesmart's upcoming app will include a "Request an Uber" feature, which will use the suitcase's GPS tracker to detect when its owner has landed in an airport, and if this is the case, will automatically start searching for available cars and ask the user if they want an Uber ordered for them (Heim, 2015).

2.4 Physical Resources

As Uber isn't a taxi company, but a service that connects passengers to drivers, then it does not need to own any of its own vehicles. Consequently, Uber can be thought of as a layer that sits on top of a large supply system and acts as an intermediary service (Goodwin, 2015). According to (Panzarino, 2013) Leaked Uber Numbers, Which We've Confirmed, Point To Over \$1B Gross, \$213M Revenue. Uber processes around 1M requests every week, and completes 800k each week. In order to enable high availability and deliverability, the company has invested in data centres to improve their computing, storage and networking capacities. Furthermore, in order to accommodate a ballooning headcount as the company grows, Uber is planning to move to a new downtown San Francisco HQ.

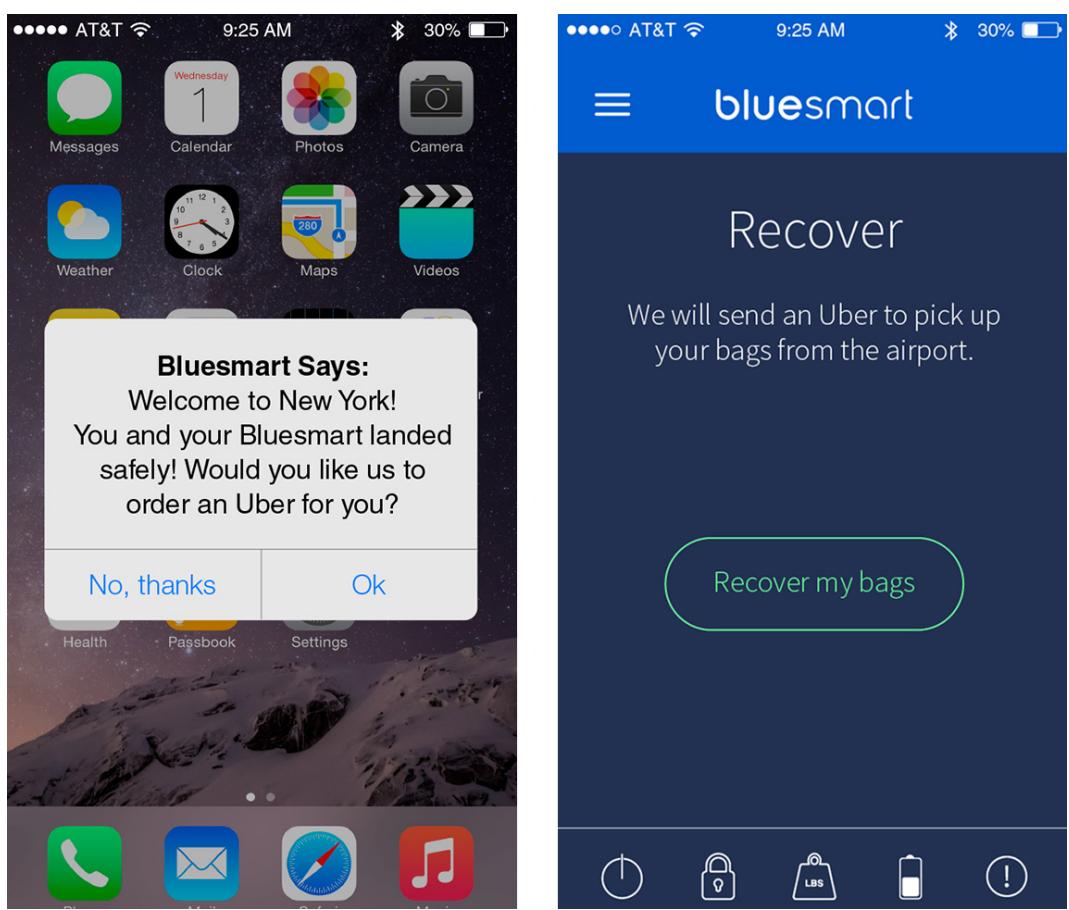


Figure 2.6 Bluesmart Uber Integration (Bluesmart, 2015)

2.5 Funding

Funding Rounds (13)					UPDATE
Date	Amount / Round	Valuation	Lead Investor	Investors	
Sep, 2015	\$1.2B / Private Equity	—	Baidu	1	
Aug, 2015	\$100M / Private Equity	—	—	1	
Jul, 2015	\$1B / Series F	—	—	3	
Feb, 2015	\$1B / Series E	—	—	4	
Jan, 2015	\$1.6B / Debt Financing	—	—	1	
Dec, 2014	\$600M / Series E	—	—	1	
Dec, 2014	\$1.2B / Series E	\$40B	—	5	
Jun, 2014	\$1.2B / Series D	\$18.2B	Fidelity Investments	8	
Aug, 2013	\$258M / Series C	\$3.5B	Google Ventures	4	
Dec, 2011	\$37M / Series B	—	Menlo Ventures	12	
Feb, 2011	\$11M / Series A	\$60M	Benchmark	6	
Oct, 2010	\$1.25M / Angel	—	First Round	16	
Aug, 2009	\$200k / Seed	—	—	2	

Figure 2.7 Uber Funding Rounds ()

In August 2009, Uber received \$200k in funding from founders Kalanick and Camp which was used to develop the mobile app beta and test out their idea (Joshi, 2015). Between October 2010 and September 2015 (cf. Figure 2.7), the company has raised \$10B in funding, setting a new record for a U.S. tech company. The fundraising has gone towards the company's expansion to more than 300 cities across the world, the cost of increasing legal fees, the development of new enterprise services and investment in technological innovations such as driverless cars (Bradshaw and Robinson, 2015).

Chapter 3

The Market Environment

3.1 Micro Environment

A company's micro-environment consists of small forces which can be controlled by management and have a direct impact on business operations.

3.1.1 SWOT Analysis

Strength – S <ul style="list-style-type: none">• Highly recognisable brand• High standard of service with verified drivers• Uber have no responsibilities towards the drivers, as they are not hired• Modern cashless payment system• Market for taxis in most places• Very little competition (biggest competitor is Lyft)• High valuation means high investment• Highly convenient for drivers flexible hours and part-time opportunities	Weaknesses – W <ul style="list-style-type: none">• It is very easy to copy the idea without any backlash, potentially stealing drivers and clients from Uber with better offers• No loyalty of drivers to Uber, questionable relationship• Unpredictable business model• For most customers there is a lack of incentive to remain loyal to Uber• Uber records client pick-up and drop-off leading to potential privacy issues• Cost of vehicle upkeep is high whereas driver pay is relatively low
Opportunities – O <ul style="list-style-type: none">• Annoyance with the waiting times and high prices of cab companies• Exploitation of large, new markets such as India where taxis are expensive and inconvenient• Tapping into small town markets where there are no cab companies• Cheaper electric cars which increase the profit margin of drivers by reducing car upkeep costs• Growing number of drivers reduces the wait times, increasing public profile• Offer of additional services such as school runs, pet-vet transport and the transport of patients to hospitals.	Threats – T <ul style="list-style-type: none">• Drivers with low profit margins may leave and create bad publicity, discouraging new drivers from joining• Legal regulations in certain countries will ban Uber from operating (e.g. Germany)• Large number of drivers results in increasing number of frauds and scandals occurring• Growing competition (and ease of creating such competition) dilutes the Uber monopoly in certain markets• Google's not-yet-developed self-driving cars would eliminate the need for a company such as Uber

Figure 3.1 SWOT Analysis

3.2 Macro Environment

The macro-environment consists of large forces which cannot be controlled by management but must be controlled to meet business requirements.

3.2.1 PESTLE Analysis

Issue	Impact on Business
Political <ul style="list-style-type: none">• 1• 2• 3• 4	<ul style="list-style-type: none">• 1• 2• 3• 4
Economic <ul style="list-style-type: none">• 1• 2• 3• 4	<ul style="list-style-type: none">• 1• 2• 3• 4
Sociological <ul style="list-style-type: none">• 1• 2• 3• 4	<ul style="list-style-type: none">• 1• 2• 3• 4
Technological <ul style="list-style-type: none">• 1• 2• 3• 4	<ul style="list-style-type: none">• 1• 2• 3• 4
Legal <ul style="list-style-type: none">• 1• 2• 3• 4	<ul style="list-style-type: none">• 1• 2• 3• 4
Environmental <ul style="list-style-type: none">• 1• 2• 3• 4	<ul style="list-style-type: none">• 1• 2• 3• 4

Figure 3.2 PESTLE Analysis

Chapter 4

Conclusion

CONFIDENTIAL U B E R			
(In thousands)	2013 (Unaudited)	Q1 2014 (Unaudited)	Q2 2014 (Unaudited)
Net Revenue	\$ 104,405	\$ 45,641	\$ 56,999
Cost and Expenses			
Cost of Revenue	51,869	22,212	32,325
Operations and Support	41,931	18,091	16,710
Sales and Marketing	34,189	32,371	41,466
Research and Development	13,457	7,988	12,262
General and Administrative	17,668	15,563	59,381
Depreciation and Amortization	1,970	1,070	1,678
Total Costs and Expenses	161,084	97,295	163,822
Loss from Operations	(56,679)	(51,654)	(106,823)
Other Income (Expense)	149	(631)	(2,004)
Provision for Income taxes	-	-	-
Net Loss	\$ (56,530)	\$ (52,285)	\$ (108,827)

Figure 4.1 Uber's Net Revenue (Uber, 2015a)

Uber has yet to turn a profit (Figure 4.1; Figure A.1; Figure A.2). According to Newcomer and Cao, 2015, the company is generating \$470M in operating losses on \$415M in revenue. In addition, the company appears to be spending aggressively in China, as it experiments with the UberPool service. Note that this is prior to the company subtracting any internal costs, such as R&D. As humans are currently taking home 80% of the revenue from daily transactions, we recommend that Uber continue their shift towards autonomous cars – as over time (cf. Figure 4.2), they will see an increase in overall profitability.

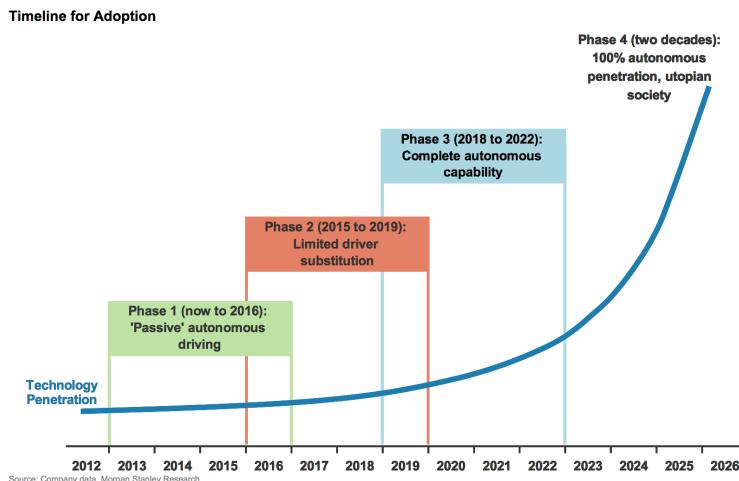


Figure 4.2 Timeline for the Adoption of Autonomous Vehicles (Owyang, 2015)

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Appendix A

Uber Financials

Summary P&L							CONFIDENTIAL
Profit & Loss (All \$ in '000s)	Q1'12	Q2'12	Q3'12	Q4'12	Q1'13	Q2'13	
Net Revenue	\$1,442	\$2,130	\$4,310	\$8,263	\$12,994	\$19,331	
Cost of Sales	2,291	2,494	4,178	5,702	8,815	10,514	
Gross Margin	(849)	(364)	132	2,561	4,180	8,818	
Operating Expenses:							
Ops	1,228	1,963	2,742	4,314	5,911	8,395	
R&D	553	624	797	1,786	1,609	2,224	
Quality	133	263	301	503	420	535	
S&M	88	250	237	248	264	459	
G&A	564	793	979	1,793	2,048	3,323	
Total Opex	2,565	3,892	5,058	8,644	10,252	14,936	
Other Expense (Income)	99	96	566	977	1,256	2,017	
EBIT	(\$3,514)	(\$4,352)	(\$5,492)	(\$7,060)	(\$7,329)	(\$8,135)	

Figure A.1 Uber's Profit and Loss Summary (Uber, 2015b)

(in thousands)	Q2 2014 [Unaudited]	2013 [Unaudited]	CONFIDENTIAL U B E R
ASSETS			
CURRENT ASSETS:			
Cash and cash equivalents	\$ 1,161,922	\$ 236,291	
Accounts receivable	21,436	12,614	
Prepaid expenses and other current assets	15,930	7,287	
Total current assets	\$ 1,200,287	*\$ 256,173	
PROPERTY AND EQUIPMENT — Net			
Restricted Cash	54,004	9,383	
Other Assets	26,094	10,010	
	4,350	1,679	
TOTAL ASSETS	*\$ 1,284,735	*\$ 277,245	
LIABILITIES AND STOCKHOLDERS' EQUITY			
CURRENT LIABILITIES:			
Accounts payable	\$ 55,472	\$ 11,859	
Accrued liabilities	38,021	16,178	
Other Current Liabilities	20,913	13,534	
Total current liabilities	\$ 114,406	\$ 41,010	
Long Term Liabilities	12,395	6,760	
TOTAL LIABILITIES	\$ 126,801	\$ 47,770	
STOCKHOLDERS' EQUITY:			
Preferred stock	\$ 1,501,701	\$ 318,756	
Additional paid-in capital	5,768	4,564	
Accumulated Other Comprehensive (Loss) Income	(991)	(137)	
Accumulated deficit	(345,544)	(93,728)	
Total stockholders' equity	*\$ 1,157,934	*\$ 229,475	
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,284,735	\$ 277,245	

Figure A.2 Uber's Cash Flow Statement (Uber, 2015b)