

COMPANY DEEP-DIVE

Former Executive Says That Uber’s International Business Should Continue To Grow Double-Digits With Increased Operating Leverage

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| 17 Apr 2025 | 15 Apr 2025 | Former | Investor-Led (Buy-Side) | UBER |

SMART SUMMARY

Transcript Highlights

- In the expert's opinion, Uber can sustain double-digit growth in EMEA by leveraging operating efficiencies as the business scales and increasing the mix of high-margin advertising revenue. This positions the company well to gain share in emerging markets like Africa that have greater room for growth versus more mature regions.
- The expert believes ridesharing still presents the bigger long-term opportunity over food delivery, given the larger market size and revenue per trip. However, growth prospects remain strong for delivery by expanding into grocery and convenience delivery.
- Compared to competitors, Uber is poised for above-market growth in emerging EMEA countries while matching mature market growth rates. Progressing autonomous vehicles could boost margins, but are unlikely to displace Uber's platform reach and scale.

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Expert Bio

Expert was an Executive at Uber, responsible for developing and setting strategy with the Regional Managers. Expert reported to a General Manager, ~2 levels from the C-suite.

Employment History

 Self-Employed (Private)

Self-Employed • December 2024 - Present • 4 mos

 The South African LGBT+ Management Forum (Private)

Director • February 2018 - February 2025 • 7 yrs

 Amazon (Public)

Head of Seller Success • September 2023 - December 2024 • 1 yr, 3 mos

 Uber (Public)

Strategy & Planning Lead, EMEA Customer Experience - New Verticals (short-term assignment) • May 2023 - August 2023 • 3 mos

Relevant Role

 Uber (Public)

Head of Strategy & Planning, Sub-Saharan Africa • September 2020 - August 2023 • 2 yrs, 11 mos

 Uber (Public)

Eater Operations Lead, Uber Eats South Africa • April 2020 - August 2020 • 4 mos



Uber (Public)

Restaurant Operations Lead, Uber Eats South Africa • October 2018 - March 2020 • 1 yr, 5 mos



Monitor Deloitte (ex Monitor Group) (Private)

Consultant • June 2017 - October 2018 • 1 yr, 4 mos

Interview Transcript

Analyst 00:00:00

The call will be recorded so it can be transcribed. Second, you understand the definition of material non-public information and agree not to disclose such information during the interview. You confirm you don't have a non-disclosure agreement or anything preventing you from speaking at the companies discussed during the call. If there's something I ask you and you can't answer it, just let me know, and we can move on. Finally, you agree not to discuss details of your current employer. Do agree?

Expert 00:00:19

I agree.

Analyst 00:00:23

Great. The focus of the call today is on food delivery and your former employer, Uber. Wanted to focus on two topics. One is on the evolution of food delivery and the outlook going forward. I know your expertise but to the extent that you have more perspective, either globally or on the overall strategy and outlook as it relates to the whole company would be helpful, or the whole industry as it relates to Uber in particular.

Analyst 00:00:52

Similar question on the evolution of Uber and the outlook going forward, obviously, with the emphasis given your expertise on food delivery inside of the outlook. Would be curious to get your perspective of how big Africa is. It sits inside of EMEA as they disclose it, and get a sense of the profitability and what you think quantitatively, how much of an impact do you think that Africa can be relative to the overall company. Before we jump into that, can you walk through your career background experience, please, and then we can get into those topics?

Expert 00:01:32

Sure. I'd say I started my career out in management consulting for almost five years and then moved across to Uber Eats, leading two teams and operations, and then moving to head of strategy and planning for sub-Saharan Africa, specifically in Uber Eats. I spent almost five years there as well and then moved on to Amazon to launch the South African marketplace in 2023 onwards, up until end of last year.

Analyst 00:02:13

Great. How has the industry changed, I think, from 2018 through either 2023 when you left or to today? What were some big changes that you observed in the industry?

Expert 00:02:28

Sure. From a food delivery perspective, I think 2018, the food delivery industry was still pretty nascent. The large focus was getting all the restaurants that you can. The primary focus was selection. First, getting all the restaurants that you need on the app at quite a high, it's called marketplace fee, to influence your profitability, first focusing on the large enterprises, your KFCs, McDonald's, etc., because those give you the share, and are most popular obviously because of the volume of stores that they have. They give you more coverage, etc., and then moving on to more longer-tail selection.

Expert 00:03:18

I'd say the first two or three years of Uber Eats, obviously, it launched earlier in U.S., Europe, etc., but it followed a similar playbook. You first start with your bigger-scaled restaurants or food merchant, and then you move across to your long-tail selection, which is "your local favorites" that your customers are looking for.

Expert 00:03:43

If customers can find KFC, McDonald's, etc., in every other app, including their own apps, how do you differentiate? You do that by going off the smaller guys, the more local, unique selection. That was the big play, I would say. Lots of focus on selection, lots of focus on speed as a differentiator and also on experience, I would say. Do customers get their orders when they order them? Big focus on operations in terms of efficiencies and cancellation rates, etc.

Expert 00:04:17

I would say that that's the marker, and even as they launch into different countries, that's the strategy that you'll find plays out. I would say from around COVID time, about 2020, big shift into more, let's call it, everyday, it started as essentials, meaning your convenience items, etc., like pharma health, all of those. That was mainly impacted by the shift.

Expert 00:04:52

As different countries had different protocols of lockdown, some locking down, especially in sub-Saharan Africa, you found that restaurants were not considered essentials and therefore could not operate on online delivery platforms. There was a big shift towards pivoting towards your convenience, groceries, etc., as people stayed put at home.

Expert 00:05:18

That was, I would say, the biggest shift that impacted your food delivery businesses to pivot into more convenience and groceries. Actually, even if they had spotted that play before, I'd say that's what made it double down. That's what made these businesses double down on that particular line of business from around 2019, 2020 onwards.

Expert 00:05:43

This became a big differentiator, I think. What you'll find is all of the food delivery platforms tend to offer the same value proposition over time. You first compete on the selection, then you compete on your speed, and you compete on your reliability. The differentiator becomes competing on, I suppose, other lines of business like grocery, convenience, etc., big focus from that perspective that started to come into play.

Expert 00:06:21

Now, you also find that these grocery convenience stores also started to have their own online delivery presence serving the same purpose as Uber Eats was trying to serve at that point in time. You start to experience a different shift, one with the quick convenience players coming in and competing primarily on speed, getting it to you as quickly as possible.

Expert 00:06:49

That's really forced also the evolution of Uber Eats from just signing up your big convenience players to going into dark stores because if you can prop up more dark stores everywhere, you can reduce the speed of delivering to customers and enter the quick commerce players as well that were doing the same thing, offering a relatively similar value proposition. Everyone started competing on that dark-store model, making sure that you have as much selection as close as possible to the customer to be able to deliver to that customer as quickly as possible.

Expert 00:07:29

I would say the third big shift that really happened was probably, as I mentioned, as these grocery and convenience players start to have their own online presence and becoming more and more reluctant to sign up to your marketplaces just because they have thinner margins than restaurants, if you're charging a marketplace fee in the high teens, etc., it becomes prohibitive to them to list their selection at the right price point.

Expert 00:08:09

Uber Eats started to pivot towards Uber Direct, which is more around the last mile fulfillment piece. If you can't get these stores to sign up into your marketplace, can you still make income from the last mile fulfillment using your vast network of couriers, etc.? I think that was probably the third big shift that happened.

Expert 00:08:33

This was closer to, I would say, 2021 into 2022, where this last mile fulfillment became a really big discussion. It was born out of a little bit of friction of getting the really big retail players to sign up to a marketplace for a variety of reasons, but still trying to make some earnings using the large supply network of couriers. I'll say those are the three big shifts.

Expert 00:09:04

I think given those shifts, obviously, there's been a shift to profitability with a lot more pressure to become profitable to prove the use case for delivery, because as you know, it's a very low-margin business. There was a really big shift to advertising as a big push to get Uber Eats on because that would definitely help margins.

Expert 00:09:29

Obviously, the ads business in general is a really big business, but specifically to improve net revenue margins from an Uber Eats perspective, this was a real big game-changer. I think it's one that came in, I would say, 2021, so to speak, as there was a big drive overall from a company perspective to get the delivery business to profitability. In summary, I would say those are the four pushes.

Analyst 00:10:02

Basically, it was a nascent market selection, speed, experience. You had COVID rates were big shift to more everyday essentials, driven in part by the lockdowns. You had online focused on more on last mile fulfillment, and then lastly, focus on profitability and shifting more to advertising to augment or help support the low-margin business there.

Analyst 00:10:28

If we look at Uber's financials here and we see the way they have North America, United States, and Canada, but if you look, this extends maybe one year beyond when you were there. U.S. and Canada grew at, I'm just doing the math here, 22%, 23% CAGR from 2019-2024. This includes both rideshare and Eats, so it's a lumped-in number.

Analyst 00:11:02

If we look at some of their other regions like for example, if we look at APAC 44%, double the growth rate, but on a much lower base than when we look at EMEA, for example, which included Africa in there and sub-Saharan Africa, would you say that Africa, for example, inside of EMEA had then grew by 2024? Do you have a sense of how much was the mix between, let's say, rideshare versus Eats within those numbers?

Expert 00:11:45

From the broader EMEA or sub-Saharan Africa?

Analyst 00:11:52

EMEA and Africa as well.

Expert 00:11:55

I would say it was closer to an equal mix of rights to food delivery. Food delivery EMEA and contribution of Africa to EMEA is definitely on the lower end. I think Africa's not, from a ridesharing perspective, higher mix, but from a food delivery perspective, a much lower mix. It just depends.

Expert 00:12:34

If you aggregate it, for example, I don't know the aggregated number of Africa into EMEA if you consider both rideshare and delivery, however, looking at it by separating the lines of business, for example, the contribution of Africa in EMEA from a rideshare perspective is a lot higher than the contribution of food delivery into EMEA. Does that make sense?

Analyst 00:13:02

You're saying Africa rideshare was more meaningful than Africa food delivery.

Expert 00:13:08

Yes. 100%.

Analyst 00:13:18

In EMEA, I'm just using some round numbers here, if it's a \$12.5 billion of revenue, let's say last year in calendar 2024, just rough split.

Expert 00:13:30

About.

Analyst 00:13:42

If you look at mobility, which is rideshare, and you look at delivery, on an aggregate basis, what the company discloses, delivery has grown faster than mobility. Is that fair to say that delivery also, overall, maybe EMEA has grown faster than rideshare just goes off of a lower base?

Expert 00:14:08

Yes, 100%.

Analyst 00:14:11

Similar there. These tend to be scale businesses. If we were to look at mobility margins for the company overall or the way that they disclose it as a percentage of revenue, they also do gross bookings, but in the percentage of revenue, have gotten into the mid-20s and delivery and these had been unprofitable business became profitable, but if you look at delivery, those margins have marked higher.

Analyst 00:14:50

They have the negative. They cross positive in 2022 and then 2023 and 2024 and are narrowing the gap. Delivery at 18% margin last year and 29% on mobility, is mobility over-earning and that number goes down, or is delivery under-earning and can reach mobility, or how do you think about that?

Expert 00:15:22

You mean from a net revenue percentage perspective?

Analyst 00:15:29

I was talking more profitability from a margin perspective. Can delivery eventually get to mobility margins, and can those margins go even higher?

Expert 00:15:45

That's a really difficult one. I would say it all depends on how much more they can scale the ads business because I think that's the key profit driver. Actually, for example, on all other cost bases, the biggest one being, let's say, earnings to drivers, if you move the

earnings or rather to couriers, if you can reduce something like earnings to courier, that probably has a higher impact on your profitability, but all other cost lines, they quite fixed in that way.

Expert 00:16:36

The way that I would think about their potential to outrun mobility profit margins would be the ability to scale the ads business and the ability to reduce courier costs. That one is a difficult one because in each region, you get a lot of regions, let's say, government agencies putting regulations around minimum earnings, etc. That makes it very difficult to play around with earnings, reduce earnings, let's say, how much you pay per trip to a courier. You rely on efficiencies of volume, but there's only so many trips a courier can do per hour, for example.

Expert 00:17:26

That one is dependent on major transformations like autonomous deliveries, for example. Even then, there's also some hardware cost implications, etc., but only if the investment in autonomous delivery can drive down the cost below courier earnings. Would it actually improve the profit margins?

Expert 00:17:54

The other piece that I think is a really big driver is ads. The more they invest in ads and the more the ads business contributes, the higher that profit margin will be. It's difficult to say. Will it outstrip because I think that's the biggest lever from a profitability perspective.

Analyst 00:18:16

Let me ask you another way, taking a step back, which is, can delivery continue to grow at such a rapid rate? I'm using the overall numbers, but can it continue to grow at a 40% CAGR or 30% CAGR, or 20% CAGR for several years?

Expert 00:18:42

I think it's possible. I think it all comes down to the mix of products that delivery can offer and how much more efficient those products can become over time, which is what would grow. For example, the higher the penetration of grocery and retail, which is probably the key driver of the growth that you're seeing in delivery, the more there's higher penetration of that, the faster it will grow.

Expert 00:19:17

For example, I would say food delivery in the traditional sense, restaurant, that doesn't have a lot more room to deliver double-digit growth because within the delivery space, they consider both restaurants, they also consider your grocery retail, and they consider Uber Direct. That's all lumped into the delivery business.

Expert 00:19:42

I think the one that has probably reached, let's call it, an area where there's unlikely to be more double-digit growth is food delivery in the traditional sense, like restaurants, but there's still a lot to play for from a grocery retail, and there's a big opportunity still in the Uber Direct space, both from a growth in terms of top line and also efficiency from a cost perspective. Does that make sense?

Analyst 00:20:11

Sure. In a vacuum, if we were to isolate though, if this business, let's say continue to grow at a double-digit rate, where the mix of business, let's say similar in terms of how much is advertising and how much is core food delivery, though, would just that growth alone meaning, if you grew a 10% or 20% CAGR, will that growth alone result in higher margins because of the operating leverage in the scale, or would margins stay the same or would they go down because the incremental cost is of that trip is, let's say, less efficient, that marginal trip is less efficient? What happens to margin just in a vacuum based on as revenue grows?

Expert 00:21:04

It grows. You get higher leverage, I think, the fixed cost base. The ads business is almost a zero-cost business. The more it grows, the more it trickles down to the bottom line. Do you know what I mean? It barely has any costs basically, from an ad perspective, which is why I said that that is the big, I think, driver that would create that.

Expert 00:21:33

From a product mix perspective, if we take away ads and we look at the mix of grocery retail to traditional restaurants to Uber Direct, I would say the more there is scale, the more that will translate to better margins because there's still a lot to play for from a fixed-cost versus trip volume perspective. Does that make sense?

Analyst 00:22:00

Sure. The point though is that for Uber, you think that they can continue to grow at a double-digit rate, and given the market and given what they're doing, supported by higher profitability, given the operating leverage as they continue to grow, and then as more of the business, let's say, becomes advertising, given that improvement. Is that fair to say?

Expert 00:22:29

Yeah.

Analyst 00:22:36

If we were to look at the business today, right now, mobility is roughly twice as big relative to delivery, \$25 billion of revenue last year versus under \$14 billion for delivery. It's largely concentrated in U.S. and Canada. Which do you think is the bigger market? Do you think it's mobility or do you think it's delivery?

Expert 00:23:10

That's a trick question. It's a big debate. I still think it's mobility actually. I think there's a bigger business in mobility than there is in food delivery. Mainly, if you look at it from a revenue perspective per trip, mobility will always have the higher per trip revenue.

Expert 00:23:40

I suppose because mobility is also diversifying into other product lines, it's giving them the trip volume as well, introducing high-capacity vehicles, introducing your, let's call it, Uber career model etc., from that perspective, I think mobility is still the bigger business, or the bigger opportunity, bigger market than delivery.

Analyst 00:24:20

Maybe reiterate that point again, though, why rideshare is just because more people need to get around than necessarily to get something delivered to them.

Expert 00:24:30

Yes.

Analyst 00:24:39

There's a debate, let's say, in the U.S. or in North America. It's perhaps more mature on the rideshare side, but I wonder if it's maybe the same for food delivery. Do you get the sense that at some point, does autonomy take over, whether it be rideshare and/or food delivery, and then does that disintermediate something like an Uber where there's another platform that can deliver it and there's no need, let's say, for drivers, whether it be on either side? Is that something you see happening internationally, or that's a long way away you're not even ever going to happen in your mind?

Expert 00:25:20

Can you rephrase that question just so I make sure I understand it correctly?

Analyst 00:25:26

In the U.S., there's a perceived risk that autonomous vehicles, let's say, in rideshare will disintermediate, will effectively render some of these rideshare platforms less important or unimportant because someone will hail a car, for example, just by using the autonomous vehicle that will show up. You don't need a driver for it. Why do you need a Uber, for example?

Analyst 00:25:59

I think that in some of these international markets, Africa, they're behind relative to the United States. You'd also imagine that for food delivery as well, that the driver, you have to share in the revenue that this would be there. Is that something that's discussed? Is this a risk internationally, or it's just still so nascent here and there's so much growth that's not even a factor at this point?

Expert 00:26:29

I think it's still nascent, but it is discussed. The conversations on autonomous vehicles started, I would say, probably around 2022. Uber's investment into Waymo, etc., and autonomous vehicles, this has been a discussion point for a while in terms of how does Uber get ahead of or participate in the autonomous transportation space?

Expert 00:27:00

I think from that perspective, the bet is if they invest in it and integrate into the ridesharing app as you know it, by offering some, I suppose, incentives to customers to use it. It also makes sense to Uber to invest in autonomous vehicles because it drives down the price from a driver-earnings perspective to a certain degree. All to say that it's nascent. It is discussed, however, it's positioned as an investment opportunity for Uber to get in early and integrated into the current ridesharing model versus seeing it necessarily as a threat. Does that make sense?

Analyst 00:27:47

Sure. From a competitive perspective, though, whether it be Africa or for EMEA in general, how do you think Uber's set up competitively? Can they outgrow the market? They grow in line with the market. Do they grow slower than the market? In other words, do you think they'll gain share, they'll lose share? What do you think happens?

Expert 00:28:16

This is part of the autonomous vehicle discussion, just general outlook?

Analyst 00:28:20

Yeah. I was curious that that came up in conversation, moving on from that.

Expert 00:28:28

Okay. The trouble with EMEA is it's an aggregate of a lot of different markets. There is a point of view of sub-regionally, i.e., Europe versus Middle East versus Africa, what that outlook looks like. Obviously, with Europe having almost a higher share of relative importance to the other countries that make up EMEA.

Expert 00:28:59

From that perspective, I think the general outlook is Uber is either in more mature or established markets growing at about the same rate as competitors, whereas in the more emerging EMEA markets, which are more your Africa, Middle East, it's more of outgrowing the competitor.

Analyst 00:29:28

It varies by market and varies by product or service line.

Expert 00:29:39

Yeah. Usually. There's no presence of, for example, food delivery in Middle East for Uber Eats.

Analyst 00:29:55

Sure. Do you get a sense that Uber is emphasizing, or the strategy internationally is more on rideshare or on delivery, or is it very specific to the individual markets?

Expert 00:30:11

It's very specific. The thinking is to prioritize one business line over the other. It's very specific to the specific market conditions of that country. For example, as you might have seen in some of these statements, Germany launched food delivery quite "late" in terms of the other food delivery players quite late in Germany, about two or three years ago. The rideshare business has been there for a while. There's no prioritization of one business line over the other as a general global strategy. It's more market by market depending on the different regulations and conditions to operate, overindexing on one versus the other.

Analyst 00:31:12

Just tying everything together, to go back, you talked about the evolution of food delivery, the four key changes 2018 when you joined the nascency, but came then selection, speed, experience. We had COVID where it was a big shift to everyday essentials and convenience items due to the lockdowns and expanding beyond that. It came down to differentiation and then speed.

Analyst 00:31:42

You talked about the shift then to online and last-mile fulfillment, and then overall, it came down to profitability. That was done through a combination of operating leverage and efficiency and then a shift to more advertising to augment margins as it became a bigger mix of business. Within EMEA itself, it's a mix of rideshare and food delivery. Split in terms of rideshare versus delivery. Probably sounds like it will outgrow other areas of the world just off of a lower base.

Analyst 00:32:17

I think that Africa is a smaller mix, particularly in food delivery, more nascent. Just me reading between the lines that maybe, perhaps can outgrow some of those growth rates, but sounds like in EMEA, I think they could continue to sustain a double-digit growth rate, get some operating leverage, particularly as the mix of business shifts to advertising, they grow with it.

Analyst 00:32:42

You think that the opportunity here, it's still somewhat earlier stages, particularly relative to U.S. or some of these other markets so they can continue to grow there, but it will come down to how much they can grow the mix of business, these efficiencies we talked about before.

Analyst 00:33:07

Autonomy is certainly a topic of discussion that's come up. The playbook going forward, it varies by region or subregion. It's harder to piece it together, but you think that depending upon the market, there's some opportunities for Uber to grow in those markets. That's just meant to be a quick summary. Is that fair?

Expert 00:33:35

Yeah. That's it.