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Can Uber Ever Deliver? Part Ten: The Uber Death Watch Begins

Posted on June 15, 2017 by Yves Smith

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On June 13th Uber announced that its Board had accepted all of the management process recommendations of a study led by Eric Holder of the law firm Covington & Burling.[1] Uber also announced that CEO Travis Kalanick would take a temporary leave of absence and that SVP Emil Michael, Kalanick's closest confidante, had been dismissed. The intent had been to turn the tide of highly negative stories on Uber since the beginning of the year.

Earlier installments in this Naked Capitalism series refrained from predicting Uber's future. However, given a business strategy that depended on achieving global industry dominance, the critical question was always : could Uber achieve that dominance before it burned through its massive $13 billion war chest? Until recently it seems likely that it might, but recent events now strongly suggest that the answer may be no.

While Uber's finances are currently secure (in April it was reported to have roughly $7 billion in cash on hand out of the $13 billion originally provided by investors), it is increasingly difficult to see how Uber can survive in the longer term. For any company to rebound from a major crisis, it must have correctly identified its major problems and workable solutions, and installed strong, positive leadership that staff and other stakeholders can trust to navigate near term turmoil successfully. Uber has done none of these things.

For an immature company like Uber that has always been highly unprofitable to survive a crisis, it must have a clear, widely understood plan that will rapidly reverse the multi-billion dollar losses of recent years, as well as maintain the goodwill of customers, suppliers and outside industry observers through the turnaround process. Recent events have badly undermined goodwill. There is no evidence that Uber has a credible profit turnaround plan. None of the alternative strategic paths that one can imagine appear to have much chance of success.

Mature companies facing crises of culture and executive leadership usually have the cash flow and management depth that will give them the time needed to make major personnel and strategic changes. Uber does not have that time, as it has been burning through its cash for seven years, and its executive ranks have been decimated.

Before laying out Uber's existential crisis, let's quickly summarize recent events.

Uber has endured six months of intensively negative publicity that goes well beyond the sexual harassment issues that the Holder study was intended to address

A February 19th blog post by former Uber engineer Susan Fowler triggered the Holder report.[2] Fowler described her own sexual harassment by senior Uber executives and argued that the Uber's refusal to take any action reflected a systemic toleration of sexual harassment.

But Uber has faced a huge range of other bad publicity this year, including a major lawsuit from Alphabet (Google) alleging that Uber conspired with a former employee of its Waymo driverless car unit to steal critical intellectual property, news that Uber developed software (Greyball) that was used to obstruct law enforcement efforts in Philadelphia and Portland to determine whether Uber was violating local laws, 2016 financial results showing negative EBITDAR contribution of $2.8 billion (suggesting actual losses of over $3 billion), reports that Uber software changes led to passenger overcharges and driver underpayments, reports that SVP Emil Michael tried to silence a woman who filed an HR complaint after a management dinner in Seoul led by Kalanick where escorts were provided for the male Uber executives in attendance, and video showing Kalanick verbally abusing an Uber driver who complained how he had been hurt by recent unilateral Uber compensation changes.

After Fowler's blog post appeared, a spate of news stories described a senior management culture that was highly insular and slavishly loyal to Kalanick. The New York Times said that Kalanick's inner circle, known as the "A-Team" internally, had been expunged of people who had not demonstrated their complete commitment to Kalanick's approach to competition and growth, described senior management as "a Hobbesian environment". It confirmed Fowler's observation that the A-team was "immune to internal scrutiny."[3] A Financial Times story depicted senior management as "the cult of Travis."[4] Uber's board has never exercised any independent oversight over management because Kalanick and two close friends (co-founder Garrett Camp and Ryan Graves, Uber's first employee) control 9 of the 11 board seats.

A spate of executive departures that have left Uber's management in serious disarray generated more bad publicity. In addition to this week's Kalanick and Michael moves, Uber had recently lost its President of Ridesharing (the nominal number 2 position), the CFO, the President of its Asia-Pacific operations, the EVP Engineering, the VPs of Public Policy/Communications, Product Growth and Mapping development and the Head of Driverless Car Development. Some of these were the dismissals of individuals who were PR liabilities in a post-Fowler world; others might be best characterized as "rats fleeing a sinking ship." Uber has been unable to fill its Chief Operating Officer position, which has been open since March, perhaps because of the lack of people who would be attracted to "a Hobbesian environment" at a ccompany losing billions of dollars.

Uber's original whitewash plan has gone badly wrong

Uber's commissioning of the Holder study followed the standard crisis management playbook. It allowed the company to claim the review would be rigorous and independent, but Holder (and Covington & Burling) had done considerable work for Kalanick and Uber prior to the Fowler blogpost, so it wasn't really independent. Predictably, it was not seriously threatening either.

The review was narrowly limited to the discrimination and harassment charges in Fowler's blog post since Uber wanted to focus public attention to diversity and inclusion issues, not core governance issues or the possible causes of intellectual property theft, obstruction of justice, or profitability problems. Board member Arianna Huffington, a strong Kalanick ally, led the review. She gave multiple press interviews claiming the sexual harassment problem was limited and would soon be under control. "Yes, there were some bad apples, unquestionably. But this is not a systemic problem."[5] Immediately prior to the planned June 6th public release of Holder's findings, Uber announced that 20 staff had been fired (none members of Kalanick's A-Team), that two women had been hired into management positions, and that a female Nestle executive would become an independent Board member. The Holder management process recommendations were entirely generic steps such as rethinking Uber's value statement, enhanced Board oversight, increased leadership training, reducing alcohol use at company events, and implementing a more formally structured complaint system.

On June 7th, Kara Swisher of Recode published a story revealing that Eric Alexander (Uber's President for Asia-Pacific and an A-Team member) had somehow obtained the records of a police investigation of a 2014 rape of a Uber passenger by an Uber driver in India, and those records were shared among Alexander, Kalanick and Michael for over a year.[6] Those executives debated whether the evidence could be used to undermine the victim's testimony, and whether the incident had been concocted by a competing taxi company, although Uber eventually settled with the victim and accepted a six month ban from operating in Delhi. This information was apparently leaked to Swisher by an Uber employee who realized that the outside lawyers had not been provided (or ignored) this information. When Swisher contacted Uber to confirm the account, the release of the Holder study was suddenly postponed, and Uber quickly announced Alexander's dismissal.

A new Uber Board meeting was held on Sunday the 11th and lasted all day. Board members had only five days to rethink their plan, but realized that punishment for the rape documents would have to reach the top of the company. When those managers resisted, the Board increased pressure by leaking their demands to the press. Emil Michael was Kalanick's closest confidante and was considered the most powerful member of the A-team. In addition to his involvement with the Seoul escort and Indian rape incidents, he had led efforts in 2014 to intimidate Uber's strongest media critic by threatening to releasing information about her personal life. He had been in charge of Uber's disastrously failed attempt to enter the China market, but there were never negative repercussions because all of this was at Kalanick's direction.

Uber announced Michael's departure on Monday, but Bloomberg reported that "Michael believes that a weak board of directors, a lax internal legal team, coupled with his tight friendship with co-founder Kalanick, ultimately led to his downfall—not the scandals."[7] There were apparently major disagreements among board members about sanctions on Kalanick. Uber announced his leave of absence Tuesday morning without disclosing its expected duration There was also no explanation of how his responsibilities might change after he returns.

Recent events have badly undermined public goodwill towards Uber and the "narrative" explaining Uber's path to profitability is no longer credible

As discussed in parts eight and nine of this series, Uber's public goodwill depended in large measure upon a carefully developed PR/propaganda campaign designed to explain its inevitable success, and divert attention from the lack of evidence of profitability or competitiveness. Among other things, that narrative claimed Uber's global dominance would be driven by cutting edge technological innovations that were so powerful they could overwhelm incumbent competitors anywhere in the world and could eventually displace car ownership, that startup losses would soon give way to robust profits just like other technologically driven startups, that its meteoric growth was the result of consumers choosing their vastly superior services in competitive markets, and resistance to Uber's growth was entirely due to people fighting to preserve a status quo dominated by an Evil Taxi Cartel and corrupt regulators.

Until the events of this year, no one in the mainstream media bothered to scrutinize, much less question Uber's story. But enough doubts has been raised in the last couple years as to whether Uber was really an avatar of economic progress so that Fowler's description of a deeply flawed company was immediately and universally accepted. Last week's Indian rape revelations effectively killed the effort to convince outsiders that the company's only problem was a few bad actors who liked to hit on female staff and should similarly destroy any remaining perception that Uber management can be assumed to be wise or trustworthy.

It is not clear whether Uber will enjoy even a brief respite from its tsunami of negative publicity, as there may be further leaks of past bad behavior. In addition, court findings that Kalanick or other A-

Team members had actively conspired in the Google IP theft would be far more damaging than any of Fowler's statements.

Uber has no ability to earn profits within a competitive taxi industry

Uber could restore its credibility by presenting a convincing strategy to reverse its enormous losses. But no one at Uber has a credible plan and none of this week's actions move Uber closer to developing one.

As previous installments of the Naked Capitalism Uber series have documented in detail, Uber's real problem is that it is a staggeringly unprofitable company with fundamentally uncompetitive economics. It lost $2 billion in 2015, $3 billion in 2016, and another billion in China. It is a higher cost, less efficient producer of taxi service than traditional operators; all of its growth is explained by these multi-billion dollar subsidies as it has flooded markets with additional capacity offering unprofitably low fares.

It has none of the scale or network economies that allowed other startups to quickly grow into profitability. In its fifth year of operation Facebook had achieved 25% profit margins; in Uber's fifth year its profit margins were negative 149%. Absolute Uber losses have continued to worsen with recent growth. Margins improved somewhat in 2016, but only because Uber unilaterally reduced driver compensation by $1 billion, leading to news reports of drivers sleeping in the cars in order to make ends meet. Uber never had any hope of profitability in a competitive market, even at its present scale.

Uber's original strategy for investor returns required global industry dominance but this may no longer be achievable

Travis Kalanick's goal was to build Uber into a globally dominant urban transport company. Its $68 billion valuation reflects the hope that–once dominant–the ubiquity of the Uber platform and market power over passengers and suppliers would give it the kind of power Facebook and Amazon now enjoy. But those companies achieved quasi-monopoly power by inventing entirely new products that people hugely valued or by figuring out how to provide services massively more efficiently than any existing competitor could.

Uber's strategy was always to skip the hard "create real economic value" parts of this process, and focus strictly on the pursuit of artificial market power that global dominance would provide. As noted, Uber's $13 billion investment base was used to fund the predatory competition needed to drive more efficient competitors out of business. This was 1600 times the investment funding Amazon needed prior to its IPO because Amazon could fund its growth out of positive cash flow. By contrast, Uber's carefully crafted "narrative" allowed it to pursue predatory competition for seven years without serious scrutiny of its financial results or whether its anticipated dominance would improve industry efficiency or consumer welfare.

Uber was always an all-or-nothing bet on achieving global dominance. A year or two ago few doubted that Uber would eventually achieve it. But its failure in China and serious pushback in many other overseas markets have effectively killed the "global" part, and the growing losses combined with all the other recent negative events may have killed the perception of inevitable dominance at home.

The Board's attempt to "fix" management culture cannot possibly work but will succeed in killing the culture that drove the company's growth

Kalanick's critical contribution was the creation of this tightly controlled, monomaniacal management culture willing to destroy anyone and anything standing in its way. The bad behavior that has been widely reported in 2017, such as theft of intellectual property and obstruction of justice, has existed over Uber's entire history. Earlier examples include willful lawbreaking, competitor sabotage, journalist intimidation, and willful falsehoods, including ones designed to deceive drivers about their actual compensation.

Kalanick's management culture, while repulsive on many levels, was actually brilliantly aligned with its business strategy and its investors' objectives. Companies that can make money in competitive markets by creating real economic value do not have to create ruthless, hyper-competitive cultures where there are no constraints on management behavior as long as they are totally loyal to the CEO's vision and can rapidly capture share from more efficient competitors. None of Uber's bad behavior was aberrant—it was a completely integral part of its business strategy. Without this culture, Uber would have never grown as rapidly as it has, and would have never had any hope of industry dominance.

The actions announced this week to reform Uber's culture will inevitably fail. Major cultural change in large companies is extraordinarily hard in the best of cases, and this may be one of the worst places to attempt it. The announced changes are based on the false presumption that the cultural "problem" is due to a few bad apples and is limited to diversity and inclusion type issues. They are also based on the false assumption that the company has solid cash flow and management resources that can keep the business strong while the areas affected by the toxic managers undergo some turmoil.

However, a longstanding culture where nothing is valued except the company's growth and everyone in senior management believes that the rules and norms do not apply to them, cannot be suddenly modified to incorporate values such as empathy, inclusiveness and respect for others. Kalanick's tight control of the Board and management ensured absolute focus on his strategic goals and approaches. The Board has weakened that control but has failed to replace it with any other means of ensuring strategic focus.

If the board somehow fosters cultural changes, or more likely, expends considerable energy in trying to do so. the focus on industry dominance will be lost. If they don't take hold, the drumbeat of negative publicity will continue and Uber will lose even more of its public support.

No one at Uber can answer the question of how they can reverse multi-billion dollar losses and become profitable because there is no good answer and all of Uber's potential paths forward are likely to fail

Uber's narrative that its powerful business model will inevitably achieve global dominance is no longer credible and can no longer divert public attention from Uber's dismal economics. If journalists or Uber staff ask Board members or senior managers to lay out the company's strategy and the how it will reverse multi-billion dollar losses, no one has any plausible answers. There are several hypothetical paths. While Uber has enough cash to pursue any of them for a while, none have any serious chance of success.

Uber's could stick with its original plan based for achieving investor returns, which was always based on exploiting market power once dominance was achieved. But no one can say this out loud, so it can't be used to motivate staff, or convince journalists that Uber has emerged from recent crises with strong, positive management that has abandoned the bad behavior of the past. And without ruthless focus and leadership it has virtually no chance of succeeding this way.

A new strategy based on limiting growth to “big but not dominant” in combination with some variety of cost cuts and price increases cannot possibly work given actual Uber economics. It is “big but not dominant” in many markets now yet the company is massively unprofitable. Driver compensation has already been cut to the bone. Many of Uber’s drivers are locked into expensive vehicle financing commitments and cannot quit tomorrow but the number of people willing to work on Uber’s terms is rapidly shrinking. Major capacity cuts and price increases cannot lead to profits. This would quickly kill the brand loyalty low fares had built and would accelerate negative press and the overall downward spiral.

Uber’s massive $68 billion valuation is also a major obstacle going forward. Uber could hypothetically undertake a major restructuring, refocusing on a smaller set of markets but this would require a radical downsizing of the valuation and investor expectations. Uber’s investors have told themselves (and the rest of the world) that their investment in the taxicab industry would produce fabulous wealth, but never clearly explained where these huge returns would come from, or why no one else in taxicab history had ever discovered them. It will be interesting to see how these investors react once people start to ask whether that $68 billion could completely disappear.

[1] Covington & Burling’s 13 page summary of its recommendations to the Uber Board are available at https://drive.google.com/file/d/0B1s08BdVqCgrUVM4UHBpTGROLXM/view. The law firm of Perkins & Cole conducted a linked review of individual sexual harassment claims

[2] Fowler, Susan J., *Reflecting On One Very, Very Strange Year at Uber*, 19 Feb 2017.

[3] Issac, Mike, *Inside Uber’s Aggressive, Unrestrained Workplace Culture,* New York Times, 22 Feb 2017.

[4] Hook, Leslie, *Uber: the crisis inside the ‘cult of Travis*’, Financial Times, 9 Mar 2017.

[5] O’Brien, Sara, *Arianna Huffington: Sexual harassment isn’t a ‘systemic problem’ at Uber,* CNNMoney, 23 Mar 2017.

[6] Swisher, Kara, *A top Uber executive, who obtained the medical records of a customer who was a rape victim, has been fired*, Recode, 7 Jun 2017.

[7] Newcomer, Eric & Stone, Brad, *Uber’s Michael Is Said to Blame Board, Not Behavior, for Ouster*, Bloomberg, 12 Jun 2017

https://www.nakedcapitalism.com/2017/12/can-uber-ever-deliver-part-eleven-annual-uber-losses-now-approaching-5-billion.html

Can Uber Ever Deliver? Part Eleven: Annual Uber Losses Now Approaching $5 Billion

Posted on December 12, 2017 by Yves Smith

By Hubert Horan, who has 40 years of experience in the management and regulation of transportation companies (primarily airlines). Horan has no financial links with any urban car service industry competitors, investors or regulators, or any firms that work on behalf of industry participants

Previous Naked Capitalism Uber analysis now published as a law journal article

My Naked Capitalism series is the only (to my knowledge) analysis of Uber that assembled a complete picture of Uber's profitability over time from the various fragmentary press reports about financial results. It argued that all the available factual evidence about Uber's actual financial performance and competitive economics indicated that Uber's business model could never produce sustainable profits unless it was able to exploit significant anti-competitive market power. None of the contrary claims made by Uber supporters have been backed by any objective economic data. Most media coverage totally ignores the abysmal economics and as a result can't provide coherent explanations of Uber's recent scandals and governance battles.

The material that had originally been presented across ten NC posts is now available in a single article[1]published in the Transportation Law Journal and available at https://papers.ssrn.com/sol3/papers.cfm?abstract_id=2933177. The journal format allows for much more exhaustive documentation of evidence than internet posts, and makes it easier to demonstrate linkages between different aspects of the Uber story.

Newly released data affirm and strengthen my previous finding that Uber is hopelessly unprofitable

Since it is impossible to understand Uber's behavior without first understanding its actual financial performance, I have updated the data that was presented in Section II-A of the TLJ article and in several parts of this NC series.[2]

On December 1st, Eric Newcomer of Bloomberg published a new batch of Uber financial data that had been included in a prospectus related to SoftBank's potential acquisition of Uber shares.[3] The Uber historical P&L table below combines all available data and shows Uber full year results from 2012 to 2016; the estimated 2017 results are the actual 2nd/3rd quarter results reported by Newcomer multiplied by two.[4] Uber has never challenged the accuracy of any of the P&L data that has appeared in the press.

The updated data demonstrates that Uber, in its eighth year of operations, continues to experience P&L losses that are staggering and still steadily growing, The data affirms that since there is no evidence of strong, ongoing profit improvement due to increasing efficiency or powerful scale/network economies, there is no basis for claiming that Uber can rapidly grow into profitability.

The data shows that while margin improvement occurred in 2015/16, it can be entirely explained by cuts in driver compensation unilaterally imposed by Uber, not by improved efficiency. New 2017 data strengthens the finding that the overall Uber business model (the combination of Uber and its nominally independent drivers) is not viable, and that all of Uber's growth to date is due to billions in predatory subsidies. Those unilateral driver compensation cuts still left Uber billions short of breakeven but threatened the rapid growth its valuation was based on; reversing the cuts restored volume growth but pushed annual losses towards $5 billion.

Uber lost $2.5 billion in 2015, probably lost $4 billion in 2016, and is on track to lose $5 billion in 2017.

The top line on the table below shows is total passenger payments, which must be split between Uber corporate and its drivers. Driver gross earnings are substantially higher than actual take home pay, as gross earning must cover all the expenses drivers bear, including fuel, vehicle ownership, insurance and maintenance.

Most of the "profit" data released by Uber over time and discussed in the press is not true GAAP (generally accepted accounting principles) profit comparable to the net income numbers public companies publish but is EBIDTAR contribution. Companies have significant leeway as to how they calculate EBIDTAR (although it would exclude interest, taxes, depreciation, amortization) and the percentage of total costs excluded from EBIDTAR can vary significantly from quarter to quarter, given the impact of one-time expenses such as legal settlements and stock compensation. We only have true GAAP net profit results for 2014, 2015 and the 2nd/3rd quarters of 2017, but have EBIDTAR contribution numbers for all other periods.[5]

<US$millions>	2012	2013	2014	2015	2016	est2017
Total passenger payments		685	2,957	8,900	20,000	36,900
Driver gross revenue			2,462	6,890	13,550	29,560
% pax fares retained by drivers			83%	77%	68%	80%
Uber Revenue	16	104	495	2,010	6,450	7,340
Uber Expense	35	161	1,060	3,330	9,650	11,428
EBIDTAR contribution	(20)	(57)	(585)	(1,330)	(3,200)	(4,088)
EBIDTAR margin	(126%)	(54%)	(118%)	(66%)	(50%)	(56%)
GAAP net income			(671)	(2,660)		(5,040)
GAAP margin			(136%)	(132%)		(69%)

Uber had GAAP net income of negative $2.6 billion in 2015, and a negative profit margin of 132%. This is consistent with the negative $2.0 billion loss and (143%) margin for the year ending September 2015 presented in part one of the NC Uber series over a year ago.

No GAAP profit results for 2016 have been disclosed, but actual losses likely exceed $4 billion given the EBIDTAR contribution of negative $3.2 billion. Uber's GAAP losses for the 2nd and 3rd quarters of 2017 were over $2.5 billion, suggesting annual losses of roughly $5 billion.

While many Silicon Valley funded startups suffered large initial losses, none of them lost anything remotely close to $2.6 billion in their sixth year of operation and then doubled their losses to $5 billion in year eight. Reversing losses of this magnitude would require the greatest corporate financial turnaround in history.

No evidence of significant efficiency/scale gains; 2015 and 2016 margin improvements entirely explained by unilateral cuts in driver compensation, but losses soared when Uber had to reverse these cuts in 2017.

Total 2015 gross passenger payments were 200% higher than 2014, but Uber corporate revenue improved 300% because Uber cut the driver share of passenger revenue from 83% to 77%. This was an effective $500 million wealth transfer from drivers to Uber's investors. These driver compensation cuts improved Uber's EBIDTAR margin, but Uber's P&L gains were wiped out by higher non-EBIDTAR expense. Thus the 300% Uber revenue growth did not result in any improvement in Uber profit margins.

In 2016, Uber unilaterally imposed much larger cuts in driver compensation, costing drivers an additional $3 billion.[6] Prior to Uber's market entry, the take home pay of big-city cab drivers in the US was in the $12-17/hour range, and these earnings were possible only if drivers worked 65-75 hours a week.

An independent study of the net earnings of Uber drivers (after accounting for the costs of the vehicles they had to provide) in Denver, Houston and Detroit in late 2015 (prior to Uber's big 2016 cuts) found that driver earnings had fallen to the $10-13/hour range.[7] Multiple recent news reports have documented how Uber drivers are increasing unable to support themselves from their reduced share of passenger payments.[8]

A business model where profit improvement is hugely dependent on wage cuts is unsustainable, especially when take home wages fall to (or below) minimum wage levels. Uber's primary focus has always been the rate of growth in gross passenger revenue, as this has been a major justification for its $68 billion valuation. This growth rate came under enormous pressure in 2017 given Uber efforts to raise fares, major increases in driver turnover as wages fell, [9] and the avalanche of adverse publicity it was facing.

Since mass driver defections would cause passenger volume growth to collapse completely , Uber was forced to reverse these cuts in 2017 and increased the driver share from 68% to 80%. This meant that Uber's corporate revenue, which had grown over 300% in 2015 and over 200% in 2016 will probably only grow by about 15% in 2017.

If Uber had any ability to exploit the type of powerful efficiency and scale driven improvements that rapidly drove other tech companies towards sustainable profitability, one would see clear-cut evidence in this P&L table. There are undoubtedly a number of things Uber could do to reduce losses at the margin, but it is difficult to imagine it could suddenly find the $4-5 billion in profit improvement needed merely to reach breakeven.

The P&L data illustrates why Uber cannot go public

Under Travis Kalanick, Uber had no interest in an IPO because he fully understood that the full financial disclosures required—including historical cash flows, balance sheets and much greater operational P&L detail—would expose Uber's abysmal economics, and destroy its PR narrative where powerful efficiencies would inevitably lead to success. Dara Khosrowshahi, under pressure from certain Board factions when he was first hired to replace Kalanick, promised an IPO by the end of 2019. This could be a disaster unless Uber somehow finds convincing evidence of profitable economics that it can put in the prospectus.

If Uber had accounting data that could demonstrate billions in efficiencies and a clear path to profits, they have ample incentive to share that data with reporters. Since they have not done that, it is reasonable to assume that evidence does not exist, and the additional data that would emerge during an IPO would actually strengthen the case that (in the absence of significant anti-competitive market power) Uber's business model can never produce sustainable profits.

[1] Horan, Hubert, *Will the Growth of Uber Increase Economic Welfare?* 44 Transp. L.J., 33-105 (2017)

[2] That data, which had been leaked in dribs and drabs between August 2015 and April 2017, included the full years 2012-14, but only selected quarters in 2015 and 2016.

[3] Newcomer, Eric, *Will Uber Ever Stop The Bleeding?*, Bloomberg, 1 Dec 2017. Softbank's tender offer is conditional on acquire a minimum of 14 percent of Uber shares at a price that would reflect a roughly 30% discount from Uber's last valuation. All publically available data is strictly limited to high level corporate P&L numbers; no balance sheet, cash flow or regional/product level reports have been released.

[4]. Data from the Softbank prospectus fills in the missing 2015 and 2016 data, and also provided results for the second and third quarter of 2017. There are some minor discrepancies between data

released at different points in time; the P&L table uses the most recently released data. Limited first quarter of 2017 data had been released in May, but the Uber revenue number was wildly higher than previous or subsequent quarters. Bensinger, Greg, *Uber Posts $708 Million Loss as Finance Head Leaves*, Wall Street Journal, 1 Jun 2017

[5] Neither GAAP profit or EBIDTAR contribution includes expenses not directly related to current operations, such as long-term IT/market development costs, or expenses related to autonomous cars

[6] Given gross passenger payments of $20.0 billion in 2016, driver compensation was reduced by $3 billion due to Uber's unilateral decision to cut the driver's share from 83% (2014) to 68%

[7] See the TLJ article pp.46-49; the Denver/Detroit/Houston study is cited at note 37.

[8] One report cited the need for drivers to work marathon shifts focused on surge pricing periods. Masha Goncharova, *Ride-Hailing Drivers are Slaves to the Surge*, N.Y. Times (Jan. 12, 2017). Another report noted the increasing need for Uber drivers to actually sleep in their cars. Eric Newcomer & Olivia Zaleski, *When Their Shifts End, Uber Drivers Set up Camp in Parking Lots across the U.S.*, Bloomberg News (Jan. 23, 2017). A third report confirmed the marathon shifts and sleeping in cars, and compared Uber drivers to "migrant workers." *See* Carolyn Said, *Long-Distance Uber, Lyft Drivers' Crazy Commutes, Marathon Days, Big Paychecks*, S.F. Chronicle (Feb. 18, 2017).

[9] Observed driver turnover would have been even higher, but most Uber drivers are locked into vehicle financing arrangements, and thus have no short-term ability to move to other jobs.