Coronavirus clobbers Uber, leading to $1.8 billion quarterly loss

Enlarge / Passengers load their luggage into their Uber cars Sydney Airport on August 05, 2020.

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The coronavirus pandemic hammered Uber's finances in the second quarter of 2020, the company announced on Thursday. Gross bookings for Uber's core ride-hailing business plunged by 75 percent compared with a year earlier—from $12.2 billion to $3 billion.

That was offset somewhat by rapid growth in Uber's delivery business. Delivery bookings more than doubled from $3.4 billion to $7 billion.

The company lost $1.8 billion in the second quarter on a GAAP basis. Ignoring one-time charges, Uber has been losing around $1 billion per quarter for the last couple of years.

Prospects for 2020 profits are slipping away

Prior to the pandemic, Uber CEO Dara Khosrowshahi was bullish about the company's financial future. After reporting a $1.1 billion loss for the fourth quarter of 2019, Khosrowshahi said

in February that he expected Uber to start generating a profit by the end of 2020.

At the time, Uber's rides business was (just barely) profitable. But it was being dragged down by big losses from Uber Eats, where Uber was spending heavily in pursuit of growth. Uber expected the rides business to become more profitable over time, while losses in the delivery business would decline as growth slowed. We argued at the time that this plan wasn't as crazy as it might seem.

But then the coronavirus hit, and Uber was forced to throw those projections out the window. In May, Uber laid off 3,700 people in an effort to contain mounting losses.

Demand for rides cratered, while demand for deliveries soared. In his Thursday statement, Khosrowshahi argued that Uber's product portfolio had a "natural hedge" since people ordered more takeout even as they cut back on going out.

Still, Uber says that its rides business earned a $50 million profit on an EBITDA (earnings before interest, taxes, depreciation and amortization) basis. The problem is that this figure is nowhere close to offsetting losses and overhead elsewhere—including the delivery business and Uber's expensive self-driving project.

Fortunately, Uber is in no danger of running out of money; it has almost $8 billion in cash and short-term investments. It could easily burn cash at this rate for another year.

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