Uber kicks off its bid to become a public company



Uber filed documents with the Securities and Exchange Commission to become a public company Thursday, in what is expected to be one of the biggest tech IPOs in history. The company said it lost $10 billion since 2016, underscoring the precarious nature of Uber's business.

Uber says it will continue to bleed cash as it seeks to recruit more drivers, find new customers, and generally grow its share of the ride-share market in its paperwork: "Many of our efforts to generate revenue are new and unproven, and any failure to adequately increase revenue or contain the related costs could prevent us from attaining or increasing profitability."

The company is seeking a valuation of between $90 billion and $100 billion, as was previously reported Reuters. Its rival Lyft went public on March 29th at $72 a share; its share price has since fallen 11 percent to $61.01 at the close of trading today. That has likely influenced Uber's IPO, in which the company aims to sell around $10 billion worth of stock.

The IPO has been a long time coming, and the company's filing with the SEC is expected to be heavily scrutinized in the days to come. Uber says it brought in $11.3 billion in revenue in 2018, up 42 percent from the previous years. The company posted net income of $997 million in 2018, but a loss of $1.85 billion.

The company said it lost $10 billion since 2016
That income has been dwarfed by the company's losses, according to a document required by the SEC for public offerings from companies based in the U.S. Uber has a total deficit of $7.9 billion – with losses of $3 billion in 2017

and $4 billion in 2018. The company will have to increase its revenue and decrease its expenses to achieve profitability in many markets, including the US, the company says in its document.

Of course, Lyft said the same thing, and still managed to sell millions of shares in its public debut. Some investors are similarly bullish about Uber's future, especially as it relates to autonomous driving technology. And the company's customer base is huge and growing: the filing revealed Uber had 91 million users on its platforms at the end of 2018.

In the filing, the company provides a lengthy list of risk factors that offer a sobering look at Uber's business model. The classification of drivers as independent contractors is necessary to Uber's financial future, the company says, and any attempt to reclassify them as full-time employees would result in huge monetary losses.

> *If, as a result of legislation or judicial decisions, we are required to classify Drivers as employees (or as workers or quasi-employees where those statuses exist), we would incur significant additional expenses for compensating Drivers, potentially including expenses associated with the application of wage and hour laws (including minimum wage, overtime, and meal and rest period requirements), employee benefits, social security contributions, taxes, and penalties. Further, any such reclassification would require us to fundamentally change our business model, and consequently have an adverse effect on our business and financial condition.*

Some drivers have sued the company, claiming they are misclassified as independent contractors. The company has won some key court cases, and settled others, but still faces regulatory efforts in many markets around the world that could result in the reclassification of drivers.

Uber said it would give drivers "a Driver appreciation reward"
In an effort to reward long-time drivers, Uber said it would give drivers "a Driver appreciation reward" in an amount equal to $100 for 2,500 rides, $500 for 5,000 rides, $1,000 for 10,000 rides, or $10,000 for 20,000 rides. These bonuses, which were previously reported, are intended for drivers to use to purchase stock in Uber at the IPO price, as companies legally can't provide stock to non-employees. Drivers can also just keep the cash, too.

There have many numerous instances over the years of Uber drivers assaulting their passengers, and the company warns there is likely to be more in the future. Riders also can engage in criminal activity, and Uber admits there's little it can do about it. Even reporting on these incidents can hurt Uber's brand, the company says, which is why Uber is compiling its own "transparency report" on sexual assault and harassment in an effort to get ahead of the story.

The company, which got its start as an app-based luxury car service in San Francisco in 2009, is now one of the most dominant transportation services in the world, controlling over 60 percent of the US market and logging billions of rides all over the world.

Uber is now in the process of trying to build itself into a one-stop shop for many different modes of transportation, including bikes, scooters, car sharing, and public transportation. In the future, Uber aims to also have autonomous vehicles and electric aircraft available on its platform.

Uber is in the process of trying to build itself into a one-stop shop for transportation
Last year, a self-driving Uber vehicle ran over a pedestrian in Tempe, Arizona – the first time a person had been killed by autonomous vehicle. The crash was a huge setback for Uber and the entire industry, and has led to growing skepticism about

the predictions about self-driving cars. Uber pulled hundreds of autonomous cars from the road in Arizona, California, and Pennsylvania, and has since overhauled its entire self-driving program. The company has gradually resumed testing, and is now operating only a handful of vehicles in a small geographic area in Pittsburgh.

In the filing, the company struck a cautious note about its autonomous future. Uber says it spent $457 million in 2018 on its various futuristic projects, including autonomous vehicles and flying cars. But Uber's competitors in the autonomous space, which the company names as Waymo, Cruise Automation, Tesla, Apple, Zoox, Aptiv, May Mobility, Pronto.ai, Aurora, and Nuro, may eventually launch products that "prove more effective than our autonomous vehicle technologies." Uber notes that Waymo has already introduced a limited ride-hailing service in Arizona, and concedes that other competitors could launch similar services before Uber can do the same.

The company also has high hopes for electric bikes and scooters that it operates in dozens of cities under its Jump brand. Uber thinks dockless e-bikes and scooters could drastically reduce passenger car trips under three miles, but also acknowledges that it wields little control over the complex supply chain associated with bikes and scooters.

"We depend on a limited number of suppliers for our dockless e-bikes, and on a single supplier for our e-scooters that also supplies our primary competitors," the filing says. "It is possible that we may not be able to obtain a sufficient supply of dockless e-bikes and e-scooters in a timely manner, or at all."

"A new path forward"

It's been a tumultuous journey for Uber to get to this point: regulatory fights, accusations of hacking and spying, sexual misconduct by top executives, allegations of harassment and gender discrimination, numerous lawsuits and fines, crimes

committed by drivers (including a mass shooting), claims of stolen self-driving technology, and the ousting of the company’s co-founder and CEO.

But now many of those people stand to make millions — if not billions — of dollars as the company roars onto the stock exchange. Travis Kalanick, who was ousted as CEO in 2017 but still owns 8.3 percent of the company’s pre-IPO shares valued at roughly $9 billion, will likely see his wealth multiply by billions of dollars.

But the company is trying to put the Kalanick era behind it, and that’s clear in the filing. Uber says it is on a “new path forward” under the leadership of CEO Dara Khosrowshahi; the phrase is repeated a total of seven times in the document.

https://www.theverge.com/2019/4/11/18306119/uber-ipo-valuation-stock-public-market-2019