

Global Innovation

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Uber's road to profitability: A transformational journey and investment opportunity for the next decade

Innovation cash kings of the next decade - *In our new series we look at the companies that are 'pivoting to profit' and are at an inflection point of converting customer-driven innovation into shareholder value. This week we take a closer look at Uber.*

Uber has long been a disruptive force in the transportation industry, revolutionising the way we think about getting from point A to point B. Its technology-driven, on-demand model has made it a household name in over 900 metropolitan areas worldwide. We have all experienced the convenience of Uber's value proposition. The historical problem for investors though, was that despite delivering us home safely after a party, Uber did not make a profit in doing so. Then Covid struck and the world stopped moving. Fast forward to 2023 and we are confronted by a very different picture. The company has recently reported profits for the first time, capturing the attention of investors who see long-term value in its transformative business model and ceaseless focus on innovation.

At its core, Uber's business model is an amalgamation of brilliant simplicity and intricate logistics. The company is a classic example of a platform business that connects riders and drivers through an accessible, user-friendly mobile app. It reduces friction in transactions by offering upfront pricing, easy payment systems, and reliable service. The genius lies in its scalability: without owning a single vehicle, Uber expands by acquiring more users and drivers, who are essentially the assets that make the model so lucrative. This asset-light strategy has enabled it to rapidly enter new markets and diversify its services, which now range from food delivery (Uber Eats) to freight logistics (Uber Freight).

Uber's focus on innovation amplifies its power as a business. The company is continually improving its algorithms for routing, pricing, and demand prediction, thereby increasing efficiency and user satisfaction. Investments in autonomous vehicles represent its long-term vision for drastically reducing operational costs, while also minimising human errors and potentially making rides safer. By placing big bets on forward-thinking technology,

Uber hopes to position itself as a future-ready company prepared to adapt to the evolving needs and expectations of consumers.

Pivoting to profitability is a crucial milestone for any technology company, and Uber's recent profitability is particularly remarkable given its historical cash burn. A combination of driving efficiencies across its organisation, scaling back on less profitable endeavours, and increasing revenue from high-margin services have contributed to this positive financial turnaround. The shift to profitability is not merely a short-term achievement; it's a fundamental change in business dynamics that enhances the company's viability and we believe makes it an increasingly appealing investment option.

Achieving profitability demonstrates a degree of fiscal discipline and operational efficiency that investors find comforting. It offers reassurance that management is capable of making prudent decisions to ensure the business's long-term sustainability. Secondly, profitability affords Uber greater capital to invest back into R&D and market expansion, which can further solidify its competitive advantage – over the past year we have seen market share improve alongside Uber's economics as a higher cost of capital has put greater constraints on smaller competitors. Lastly, now that it has proven its ability to be profitable, the company is likely to attract a broader investor base, including those who may have been sceptical before but are now willing to buy into its long-term vision.

Uber's transformation from a cash-draining giant to a profitable entity underscores the potency of its business model, unwavering commitment to innovation, and strategic adjustments to attain financial sustainability. The company's metamorphosis into a profitable enterprise makes it a compelling investment proposition that promises potentially not just short-term gains, but long-term value. As we look to the next decade, Uber is well-positioned to continue reshaping industries and consumer behaviours.

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Key Risks

Past performance does not predict future returns. You may get back less than you originally invested.

We recommend this fund is held long term (minimum period of 5 years). We recommend that you hold this fund as part of a diversified portfolio of investments

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- Do not guarantee a level of income.

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