

Uber Technologies Inc

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RBC initiates Uber at 'outperform', says profit potential underappreciated by the market

Ride hailing and food delivery giant Uber Technologies Inc (NYSE:UBER) is having its profit potential underappreciated by the market according to analysts at RBC, who on Tuesday initiated the stock with an 'outperform' rating and a target price of US\$62.

In a note, the Canadian bank said the company, which flopped on its initial public offering (IPO) on the New York Stock Exchange last month, had a dominant position in the global ridesharing and takeaway delivery markets which had helped it generate "unusual" levels of scale and growth.

READ: Uber posts US\$1bn loss in first set of results since disappointing flotation

While there was controversy around the company's profit potential, mainly due to an expected US\$4bn loss (LBITDA) for its 2019 financial year, RBC said the company could achieve profitability through its long-term pricing power, a reduction in driver and rider incentives as competition reduces, and using scale to leverage insurance costs and reduce other operating expenses.

"Uber's current losses are clearly very sizeable, and we expect the company's losses to remain very high (EBITDA losses of US\$3bn+) for the next two years before beginning to improve in 2021."

"While it is rare to see companies go public with losses of this magnitude, we believe there is some evidence of leverage in the model supporting a potential path to profitability", RBC said.

Analysts also said they saw "significant option value" for the company in new businesses such as freight.

In pre-market trading in New York on Tuesday, Uber shares were 0.4% lower at US\$41.10, a 34% discount to RBC's target price.

Price: 28.49

Market Cap: \$48.6 billion

1 Year Share Price Graph



May 2019 August 2019 December 20

Share Information

Code: UBER

Listing: NYSE

52 week High Low
47.08 25.58

Sector: Software & services

Website: www.uber.com

Company Synopsis:

Uber is evolving the way the world moves. By seamlessly connecting riders to drivers through our apps, we make cities more accessible, opening up more possibilities for riders and more business for drivers. From our founding in 2009 to our launches in hundreds of cities today, Uber's rapidly expanding global presence continues to bring people and their cities closer.

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