

Uber Technologies Inc

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Uber granted London operating licence following court ruling

Uber Technologies Inc (NYSE:UBER) has been granted a new licence to operate in London after the taxi app was previously banned from operating the capital due to safety concerns.

In a ruling on Monday, Tanweer Ikram, deputy chief magistrate at the Westminster Magistrates Court said despite the company's "historical failings", he found that Uber was now a "fit and proper operator" to hold a private hire vehicle (PHV) operator's licence in the capital.

READ: Uber heads to court in bid to win back London operating licence

Uber initially lost its licence after Transport for London (TfL), the city's transport regulator, uncovered several safety issues at the group including passenger trips with drivers who were fraudulently logging into the app using IDs of other people.

Uber said since then it has made changes to its business model and thus should be able to return to one of its biggest markets, however, TfL refused to renew the operating licence last year, precipitating the recent court battle.

In the ruling, Ikram went on to say he did not find "any evidence of concealment or 'cover up' on the part of [Uber] as regards the driver photo fraud issue".

However, while he felt the company was now able to hold a PHV operator licence, Ikram said he wished to hear from "the advocates on conditions and on my determination as to the length of a licence", potentially setting up yet more disputes over how the company can operate in London in the future.

London, and by extension the UK, remains one of Uber's largest markets, explaining the strong desire for the ride-hailing group to retain its operating licence in the city.

In 2016, shortly before the firm was banned from the capital amid its safeguarding issues, Uber raked in £37m in revenues from London in the full year while the London segment of the business at the time was **valued at £1.1bn**.

While this number was small by comparison to the rest of the business, with London contributing only around 0.6% of Uber's total revenue for 2016, some analysts at the time forecast that by 2021 Uber's UK operation could generate £1.9bn by 2021, around 40% of the country's taxi and private vehicle hire market.

Earnings drag and other risks remain, warns analyst

"This is an important victory for the company and removes a significant regulatory overhang, but the pandemic

Price: 50.8

Market Cap: \$89.6 billion

1 Year Share Price Graph



November 2019 May 2020 November 20

Share Information

Code: UBER

Listing: NYSE

52 week High Low
52.145 13.71

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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continues to exert an enormous drag on earnings and present management with a significant headache over the business model. We should also note that this is not a permanent pass - the mayor of London indicated that Uber would face continuous scrutiny, whilst the company faces ongoing competition in the capital from the likes of India's Ola and Estonia's Bolt. But the decision today unquestionably is a good news story for Uber as it tries to stop its cash burn", said Market.com's Neil Wilson.

"London was and, thankfully for investors, still is a big deal for Uber - with about 3.5mln users, it was the largest market in Europe for the ride-hailing app. London has been dubbed one of the group's 'fab five' cities - along with New York, San Francisco, Los Angeles and Sao Paulo - which account for around a quarter of global revenues. Or at least, they did before the pandemic wrought havoc with the business model. Gross bookings at the core Rides division (now called Mobility) were down by three-quarters in the second quarter as the people stayed home, offices remained shut and lockdowns in several locations remained in place. But while we are travelling a lot less, we are ordering in a lot more: Eats (now dubbed Delivery) rose 113%. Mobility revenue declined 67% year-over-year and Delivery revenue grew 103% year-over-year.", he added.

However, Wilson warned that today's win in the courts was not the end of a long list of regulatory overhangs facing the company.

"The list of legal issues either historic or ongoing is long and broad both in scope and geography. For instance, in California and in Britain it is fighting lawsuits that would force the company to treat drivers as employees. These present ongoing overhang for the stock as, whilst there have been problems about corporate culture and vetting of drivers, by and large the run-ins with the regulators and policymakers pertain to the very structure of the business itself and how it operates; taxation, labour laws and consumer safety are the milking stool of regulatory instability", the analyst said.

Shares in Uber were up 4.3% at US\$35.93 in pre-market trading in New York on Monday.

--Adds analyst comment--

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