

Uber



Uber's Bold Move: Targeting Expedia for a "Super App" Vision

OCTOBER 2024

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An insight into the ongoing discussions of Uber's potential takeover of Expedia.

WHAT IS HAPPENING?

Uber is reported to be exploring a potential acquisition of Expedia- the \$20 billion U.S. travel booking company, which would mark its largest acquisition to date.

If the acquisition goes ahead, this deal would signify Uber's most high-reaching move to diversify its business model and take the number. 1 position as the one-stop solution for travel and mobility services.

A NEW TURN FOR UBER:

Uber's potential acquisition of Expedia appears to be a compelling process. In recent years, Uber has expanded beyond taxi services to services such as food delivery, corporate logistics, and its most recent advancement into train ticket bookings. If the company brings Expedia to its portfolio, they may provide a way that makes travel arrangements and mobility services accessible within a single app. It may even position Uber alongside multipurpose platforms like China's WeChat, a model known for effectively building customer loyalty.

Following an impressive rise in Uber's stock and its first profitable year, the timing of this potential acquisition highlights their commitment to enhancing its growth strategy. However, to ensure long-term success, Uber would have to proceed with caution. It is vital that they avoid financial overextension and most importantly seek to safeguard its recently acquired investment-grade credit rating.

POTENTIAL SUCCESSES AND CHALLENGES:

Uber's potential acquisition of Expedia could be a strategic turning point, furthering its aim to become an all-in-one "super app" that offers a versatile range of services. By consolidating Expedia's own travel capabilities, Uber could strengthen its global outreach even further.

Uber's current CEO, Dara Khosrowshahi, who previously led Expedia for 12 years (still serving as an Expedia board member) aims to bring a unique perspective to the acquisition that may be vital for a seamless integration of Expedia's assets into Uber's sphere. However, his involvement raises some concerns. Whilst, Khosrowshahi's connection to Expedia could positively facilitate the discussions and may even expedite the process, it does present ethical considerations. To avoid any conflicts of interest, it is likely that he will step back from any formal deal talks.

The acquisition also raises questions about Uber's "super app" strategy. By expanding into travel signals, Uber aims to become an all-inclusive platform, however this notion has received conflicting views. On one hand, purchasing Expedia could solidify Uber's position as a tech-

driven leader, but would most likely introduce great challenges and long-lasting consequences if the integration fails.

The success of the deal is said to be highly dependant on Khosrowshahi's expertise, his background at Expedia and ties to its chair- Barry Diller. If executed successfully, Uber may secure the title as a top "super app" for logistics, travel and daily services.

MARKET RESPONSE:

Market reactions have varied, with Expedia shares rising by 3.8% following the *Financial Times* report, whilst Uber's shares seeing a 2% dip. The response reflects investors' uncertainty regarding the possible risks that Uber may face if the acquisition is proceeded with. While the deal is viable given that Expedia's market valuation is only a fraction of Uber's \$173 billion market cap, Uber's leadership must carefully assess the financial and operational risks associated with such a major acquisition.

Expedia's strong financial performance, with revenues reaching \$12.8 billion (2023), aligns well with Uber's growth goals and the resurgence of travel demand post-pandemic. However, there are signs of potential slowdown in the travel industry, hence Uber must carefully assess whether the acquisition will produce the expected response they hope for.

FINAL THOUGHTS: IS THIS A BIG REACH?:

The current negotiations may last for a few months, considering the high risks associated with such a milestone deal. Uber will have to tread lightly to ensure that such a financially promising deal will meet its expectations and not lead to a highly costly misstep.

In summary, Uber's potential acquisition of Expedia represents a high-stakes endeavor that could significantly alter the company's position in the global travel and mobility markets if executed successfully.