

How would Uber's balance sheet be impacted by its \$2 billion bond issuance?

Uber Technologies Inc. issued \$2 billion of bonds in October 2018. The total bond issuance included \$500 million of five-year bonds with a 7.5% coupon and \$1.5 billion of eight-year bonds with an 8% coupon. This bond issuance is Uber's first bond offering, but it has taken out loans with private investors totaling \$2.65 billion to date.

Uber is currently privately held, but is preparing for its initial public stock offering, expected in 2019. In its marketing materials for the bond issuance, Uber revealed that it was profitable in the past year in South America and Europe, but had losses in North America due to competition with Lyft. Overall, Uber had adjusted earnings before interest, taxes, depreciation and amortization of negative \$698 billion through the end of June 2019.

Questions

1. How would Uber's balance sheet be impacted by the \$2 billion bond issuance on the date of issuance?
2. How much in cash interest would Uber pay on this bond issuance in 2019?
3. If Uber is not profitable, why do you think creditors would be willing to purchase Uber's bonds?