

Internet/e-Commerce

Rideshare trends: Legislation and Second Measure data update

Price Objective Change

Legislation remains complex but expect more clarity in '24

Per recent media articles, 2024 will see legislative proposals for driver pay and employment status in several cities and states, including Chicago, Colorado, Massachusetts and Minnesota. In Minnesota, a task force was formed by Gov. Tom Walz to make a recommendation for 2024 legislation regulating pay and working conditions for drivers, but it has yet to agree on a consensus recommendation. Uber has offered a framework similar to its deal in NYC, offering Minnesota drivers \$30 per hour while on a trip (above NYC's \$26 per hour), or, alternatively, \$1.17 per mile plus \$0.34 per minute, but is asking for assurances on independent contractor classification. *Our Take: With NY as an example, we think the industry is more likely to reach driver pay deals in several states, with 2024 offering more legislative clarity independent contractor classification for the industry (though less regulatory uncertainty is already priced in, in our view).*

Data from Second Measure suggests a solid end to Q4

Bloomberg Second Measure data indicates that Uber's Observed Sales (equivalent to Gross Bookings, including Delivery) grew 19% Y/Y in the week of 12/24, accelerating 11pts from 8% growth in the prior week ended 12/17. Though the recent Dec. acceleration is most likely due to weekend & Christmas timing, Uber's growth has improved since October, up from 1% in October to 6% in November and tracking at a 9% weekly average so far in Dec. Uber's average y/y growth for all 4Q weeks QTD was 5%, which compares to 3% in 3Q (average of all weeks), and compares to -2.4% for Lyft's 4Q average Y/Y (see data on next page). Lyft and DoorDash's weekly y/y revenue trends were relatively consistent with 3Q for first 10 weeks of 4Q, and then also accelerated in last two weeks of December. *Our Take: Growth per Second Measure data continues to trend well below reported bookings for all three gig economy companies, but suggests Uber improved from when the company guided in early Nov.*

Uber: Rolling forward PO basis to 2025 ests; PO to \$68

For Uber, we are rolling forward our valuation basis to 2025 estimates from 2024. Our PO is now based on a sum-of-the-parts analysis that values the Mobility segment at 3.0x 2025 EV/Sales (unchanged multiple), 3.0x for Delivery (unchanged), and 1.0x for Freight. Our \$68 PO (\$57 prior) suggests a 18x 2025 EBITDA multiple vs current stock value at 15x, a premium to overall eCommerce at 13x, which we believe is warranted given Uber's projected EBITDA growth of 30%+ for '24/'25. Our PO represents 22x 2025 FCF. Reiterate Buy.

Lyft: DCF adjusts for movement in rates; PO to \$10.50

We also raise our Lyft PO to \$10.50 from \$9.75 to reflect recent declines in the 10-year Treasury yield. Our Lyft PO is based on a discounted cash flow analysis that assumes Lyft captures 27% of the \$100bn+ US ridesharing market in 2032. We assume Lyft generates \$8.2bn in revenue based on a 29% take rate, and assume \$310mn in operating income based on a 4% operating margin (translating to approx. 7% EBITDA margin). We still apply a WACC of 15% and a terminal multiple of 9x (vs 7x prior) to determine a market value for Lyft of \$6.9bn, which represents a \$10.50 per share. Reiterate U/P on Lyft.

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12641506

Timestamp: 04 January 2024 11:00PM EST

04 January 2024

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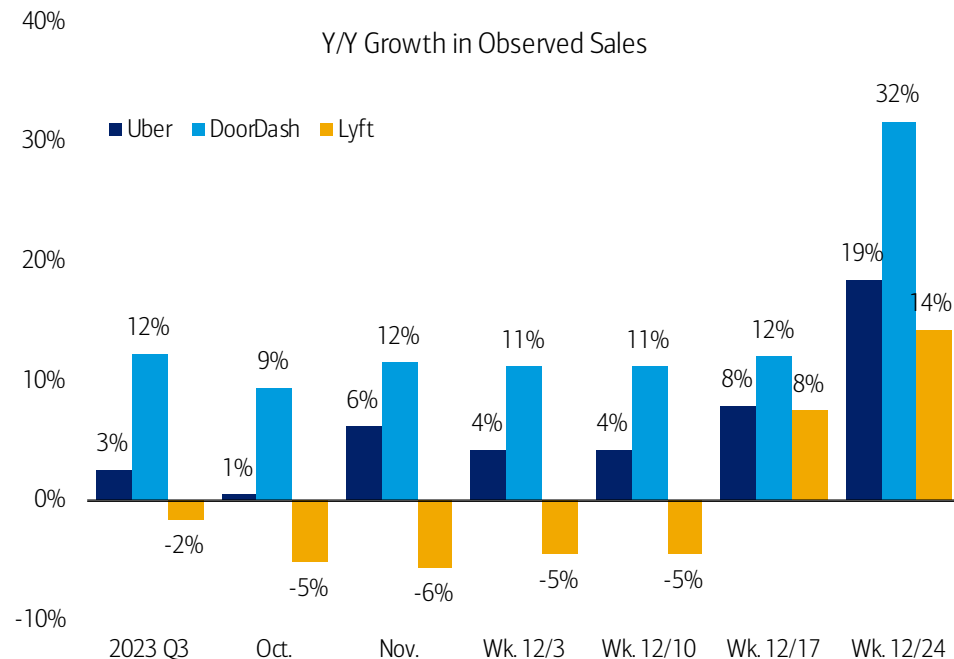
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Second measure weekly data

Exhibit 1: Y/Y Growth in Observed Sales

Per Bloomberg Second Measure data, Uber sales include both mobility and delivery



Source: Bloomberg Financial LP – ALTD <GO>

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Uber PO – 2025 Estimates

Exhibit 2: Uber PO – 2025 Estimates

Our PO is now based on a sum-of-the-parts analysis that values the Mobility segment at 3.0x 2025 EV/Sales (unchanged multiple), 3.0x for Delivery (unchanged), and 1.0x for Freight

Segment	2025E Revenue	Multiple	Enterprise Value
Mobility	\$29,217	3.0x	\$87,650
Delivery	\$15,903	3.0x	\$47,710
Freight	\$6,134	1.0x	\$6,134
Enterprise Value			\$141,494
Net Cash			
2024E Cash			\$8,175
2024E Debt			(\$9,252)
Add: 2022E Net Cash			(\$1,077)
Minority-owned Affiliates			
Investments (B/S)			\$5,141
Less: Liquidity and Valuation Discount			25%
Add: FV of Investments			\$3,856
Market Capitalization			\$144,273
Diluted Shares Outstanding			2108
Price Objective			\$68

Source: BofA Global Research estimates

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Exhibit 3: Stock Mentioned

Stock prices and ratings mentioned in this report

BofA Ticker	Bloomberg ticker	Company name	Price	Rating
LYFT	LYFT US	Lyft, Inc.	US\$ 12.99	C-3-9
UBER	UBER US	Uber Technologies	US\$ 57.8	C-1-9

Source: BofA Global Research

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Price objective basis & risk

Lyft, Inc. (LYFT)

Our PO of \$10.50 is based on our DCF that assumes a Total Addressable Market of \$2tn based on 5.4% penetration of the TAM, which implies a ridesharing market of \$107bn in 2032. We assume Lyft generates \$28bn in bookings in 2032 based on 27% share of the U.S. ridesharing market, and we assume Lyft generates \$8bn in revenue based on a 29% take rate. We assume \$310mn in operating income in 2032 based on a 4% GAAP operating margin, which implies an approximately 7% EBITDA Margin. We apply a WACC of 15% and a terminal multiple of 9x to determine a market value for Lyft of \$6.9bn (which represents \$10.50 per share) based on a present value of free cash flows of \$3bn and a terminal value of \$2bn.

Upside risks are: 1) Poised for multiple inflection in a scenario of easing monetary policy, 2) Easing labor market leads to better driver supply, 3) capable of improved unit economics after fixed cost cuts, 4) still room for mobility recovery.

Downside risks are: 1) Potential for a slowing travel recovery, 2) Quality of earnings with insurance adjustments and high SBC levels, 3) Gas prices still a risk, 4) Narrower focus means narrower TAM, 5) New regulations and fees, and 6) Autonomous operators could become competitors.

Uber (UBER)

Our SOTP applies an EV/2025E Revenue valuation of 3.0x for Mobility, 3.0x revenue for Delivery (implies 0.6x bookings), and 1.0x revenue for Freight, which are slight premiums to peers given potential network effects. Our SOTP valuation implies segment values of \$88bn for Mobility, \$48bn for Delivery, and \$6.1bn for Freight, which implies a Total Enterprise Value for Uber of \$141bn. Based on Net Debt of \$1.1bn and a realizable value of investments of \$3.9bn we estimate a target market cap of \$144bn. Our Price Objective of \$68 is based on 2.1bn shares outstanding.

Downside risks are 1) multiple compression given macro economic exposure, 2) slowing user/revenue growth due to competitive initiatives from Lyft or DoorDash, 3) new competition from self-driving technology companies, and 4) new regulations, fees, and/or minimum wages.

Analyst Certification

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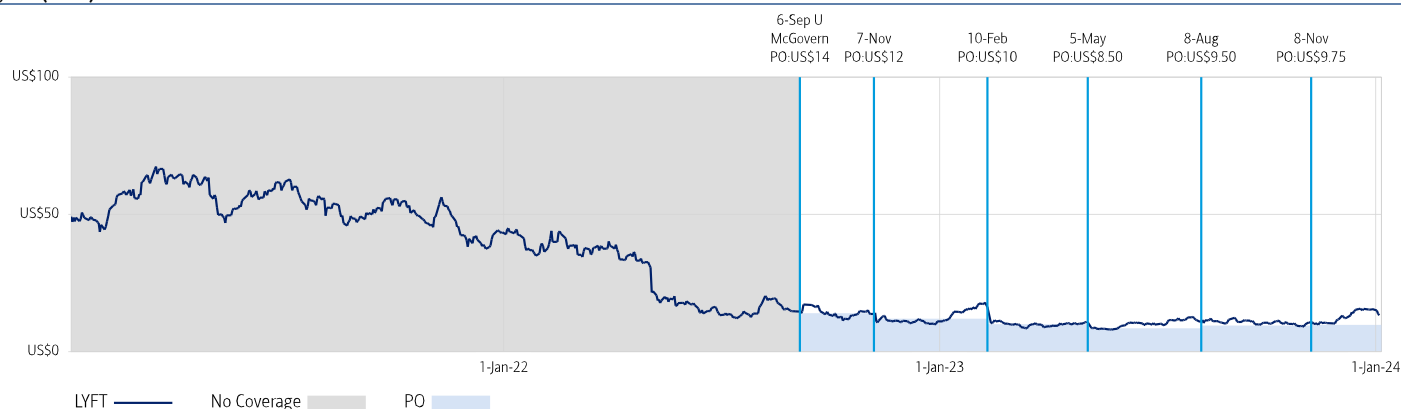


US - Internet Coverage Cluster

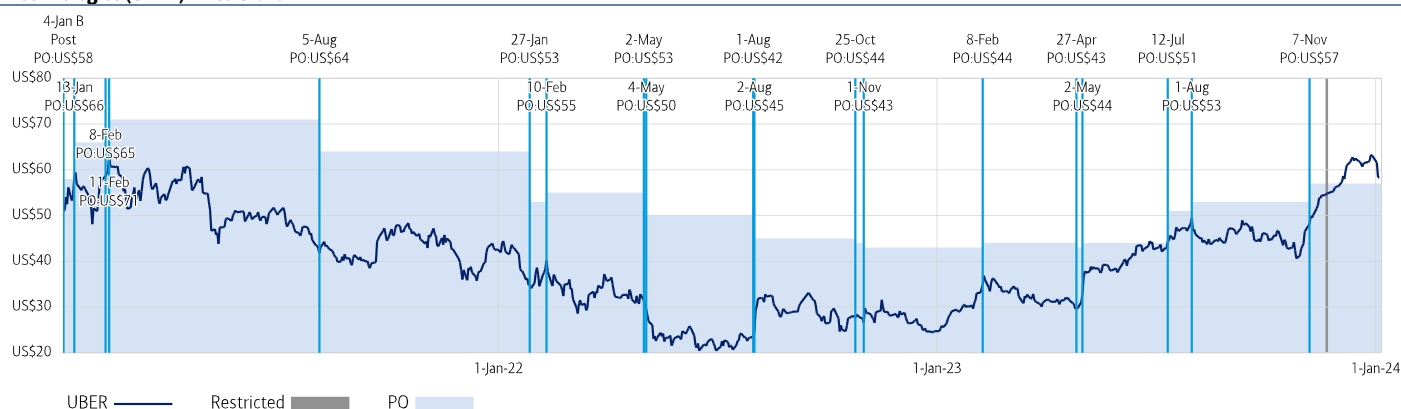
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	Alphabet	GOOG	GOOG US	Justin Post
	Amazon.com	AMZN	AMZN US	Justin Post
	AppLovin	APP	APP US	Omar Dessouky, CFA
	DoorDash	DASH	DASH US	Michael McGovern
	Electronic Arts	EA	EA US	Omar Dessouky, CFA
	Expedia	EXPE	EXPE US	Justin Post
	LegalZoom	LZ	LZ US	Michael McGovern
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	Pinterest	PINS	PINS US	Justin Post
	RH	RH	RH US	Curtis Nagle, CFA
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	Zillow	ZG	ZG US	Curtis Nagle, CFA
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	Beyond Inc	BYON	BYON US	Curtis Nagle, CFA
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	Bumble	BMBL	BMBL US	Curtis Nagle, CFA
	Digital Turbine, Inc	APPS	APPS US	Omar Dessouky, CFA
	Duolingo	DUOL	DUOL US	Curtis Nagle, CFA
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	Lyft, Inc.	LYFT	LYFT US	Michael McGovern
	Opendoor Technologies	OPEN	OPEN US	Curtis Nagle, CFA
	Peloton	PTON	PTON US	Curtis Nagle, CFA
	Redfin Corp	RDFN	RDFN US	Curtis Nagle, CFA
	Shutterstock	SSTK	SSTK US	Curtis Nagle, CFA

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Lyft, Inc. (LYFT) Price Chart

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Uber Technologies (UBER) Price Chart

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Equity Investment Rating Distribution: Technology Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	215	53.09%	Buy	111	51.63%
Hold	97	23.95%	Hold	45	46.39%
Sell	93	22.96%	Sell	24	25.81%

Equity Investment Rating Distribution: Global Group (as of 31 Dec 2023)

Coverage Universe	Count	Percent	Inv. Banking Relationships ^{R1}	Count	Percent
Buy	1895	53.62%	Buy	1083	57.15%
Hold	832	23.54%	Hold	454	54.57%
Sell	807	22.84%	Sell	383	47.46%

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Underperform	N/A	≥ 20%

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