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| --- | --- |
| **Rating:** | BUY |
| **Price (2025/09/12, $):** | $18,32 |
| **Target Price ($):** | $145,46 |
| **52-Week Price Range:** | $12,90 - $15,81 |
| **Market Cap. ($m):** | $6 425,8 |
| **Research Analyst:**  Nkgopoleng Sebake |  |

**Lyft, Inc** (NASDAQ: LYFT)

**BUY RECOMMENDATION**

Solid past performance positions Nasdaq for steady future gains.

**Industry Research – Ridesharing and Mobility**

The global ridesharing industry is experiencing robust growth, driven by increasing urbanization, rising smartphone adoption, and growing preference for on-demand mobility solutions over car ownership. The market is highly competitive, with major players including Uber, Lyft, Didi, and regional providers, creating pressure on pricing and service differentiation.

**Porter’s Five Forces:**

* **Threat of new entrants: Moderate** – regulatory hurdles and network effects protect incumbents, but technology-enabled startups can still enter niche markets.
* **Bargaining power of suppliers: Low** – drivers are independent contractors, but driver retention and incentives are critical.
* **Bargaining power of buyers: High** – riders can easily switch between apps, making loyalty and experience key differentiators.
* **Threat of substitutes: Moderate** – public transit, personal vehicles, and micromobility options (scooters, bikes) provide alternatives.
* **Industry rivalry:** High – competition focuses on pricing, geographic expansion, service quality, and partnerships.

**PEST Analysis:**

* Political/Regulatory: Labor classification rules, safety regulations, and insurance requirements affect cost structure and operations.
* Economic: Macroeconomic factors such as GDP growth, disposable income, and fuel prices influence demand for ridesharing services.
* Social: Increasing preference for sustainable transport, urban mobility solutions, and convenience drives adoption.
* Technological: Advances in app platforms, AI routing, and autonomous vehicles enhance operational efficiency and user experience.

Overall, the ridesharing industry is poised for continued growth, with incumbents leveraging technology, partnerships, and brand recognition to maintain competitive advantage while navigating regulatory and economic challenges.

**Financial Guidance:**

Lyft delivered a strong Q2 2025, reporting record Gross Bookings of $4.49 billion, up 12% year over year, and revenue of $1.59 billion, an 11% increase from Q2 2024. Net income reached $40.3 million, compared to $5.0 million in the prior year, representing 0.9% of Gross Bookings. Adjusted EBITDA grew 26% to $129.4 million, with a margin of 2.9%, while net cash provided by operating activities totalled $343.7 million and free cash flow reached $329.4 million. During the quarter, Lyft repurchased 12.8 million shares for $200 million.

Operationally, Lyft saw 234.8 million rides, a 14% year-over-year increase, and active riders reached a record 26.1 million, up 10% from Q2 2024. The company strengthened strategic partnerships with Baidu, United Airlines, and others, while Lyft Silver adoption and dual-app driver preference continued to grow, supporting engagement and retention.

Looking ahead to Q3 2025, which includes two months post-Freenow acquisition, Lyft expects rides to grow in the mid-teens percentage range year over year. Gross Bookings are projected between $4.65 billion and $4.80 billion, up 13–17% year over year, with Adjusted EBITDA expected to range from $125 million to $145 million, representing approximately 2.7–3.0% of Gross Bookings. Lyft continues to focus on operational excellence, market expansion, and leveraging strategic partnerships to drive long-term growth.

**Fundamentals**

|  |  |  |  |  |  |  |  |
| --- | --- | --- | --- | --- | --- | --- | --- |
| **Financial (Thousands)** | **2024A** | **2025E** | **2026E** | **2027E** | **2028E** | **2029E** | **2030E** |
| Revenue | 5 786 016,0 | 5 988 679,4 | 6 148 195,3 | 6 468 328,0 | 6 798 064,7 | 7 137 693,5 | 7 487 511,2 |
| Net Income | 22 784,0 | 35 400,0 | 52 244,7 | 122 885,5 | 191 149,2 | 246 148,6 | 251 153,4 |
| Adjusted EBITDA | 367 090,6 | 379 051,4 | 395 563,5 | 496 193,8 | 624 598,2 | 793 886,6 | 310 322,1 |
| Free Cash Flow | 743 442,9 | 411 432,1 | 510 855,4 | 637 147,4 | 795 517,4 | 1 005 414,3 | 1 311 248,4 |
| ROE | 2,97% | 3,37% | 3,97% | 7,64% | 10,01% | 11,21% | 10,47% |
| ROA | 0,42% | 0,59% | 0,80% | 1,70% | 2,39% | 2,81% | 2,74% |
| Debt/Equity | 0,7x | 0,5x | 0,4x | 0,4x | 0,3x | 0,3x | 0,1x |
| Debt/EBITDA | 1,5x | 1,5x | 1,4x | 1,2x | 1,0x | 0,8x | 0,9x |

We expect the company to deliver steady top-line growth, with revenue forecast to increase from $5.8 billion in 2024 to $7.5 billion by 2030, supported by structural industry tailwinds and continued market share gains. Net income is projected to expand more rapidly than revenues, rising from $22.8 million in 2024 to over $251 million by 2030, driven by operating leverage and disciplined cost management. Adjusted EBITDA is anticipated to grow strongly, reaching nearly $794 million in 2029, although we forecast a moderation to $310 million in 2030, which may reflect conservative assumptions or cyclical headwinds.

Free cash flow generation is expected to remain robust throughout the forecast horizon, increasing from $743 million in 2024 to over $1.3 billion by 2030. This positions the company to reinvest in growth while also strengthening balance sheet flexibility. We anticipate capital efficiency to improve, with Return on Equity (ROE) increasing from 2.97% in 2024 to 10.5–11.2% by 2028–2030 and Return on Assets (ROA) rising from 0.4% to around 2.7–2.8% over the same period.

We also expect leverage metrics to improve materially, with Debt-to-Equity declining from 0.7x in 2024 to just 0.1x by 2030, and Debt-to-EBITDA falling from 1.5x in 2024 to below 1.0x by 2028. These trends indicate a strengthened credit profile, reduced balance sheet risk, and enhanced financial resilience.

Overall, we forecast that the company will transition from modest profitability and higher leverage to stronger earnings power, improved returns, and a significantly de-risked balance sheet, supporting sustainable long-term value creation for shareholders.

**Valuations**

**Discounted Cashflows**



Our discounted cash flow (DCF) analysis suggests a significant gap between Lyft’s intrinsic value and its current market value. Based on our assumptions, we derive an equity value per share of $8.51, which represents a ~50% downside relative to the current share price of $17.00. The implied equity value of ~$3.5 billion contrasts sharply with the market capitalization of ~$6.9 billion, suggesting that the market is pricing in more optimistic growth and profitability than our model supports.

**Key Assumptions**

We assume a cost of equity of 40.7%, reflecting Lyft’s high beta (2.32) and substantial business risk relative to the market. Our discount rate of 38% incorporates this risk premium and aligns with the company’s volatile cash flows and competitive pressures. We use a perpetual growth rate of 3%, broadly in line with long-term U.S. GDP trends. The terminal value is estimated using both a perpetuity growth approach and an EV/EBITDA exit multiple (18.3x), producing a blended terminal value of ~$9.6 billion.

**Cash Flow Profile**

We forecast robust unlevered free cash flow (FCF) growth, increasing from ~$411 million in 2025 to ~$1.3 billion in 2030. This improvement is driven by expanding EBIT, strong D&A addbacks, and gradually moderating working capital outflows, partially offset by rising capex requirements. Despite this strong FCF trajectory, the high discount rate substantially reduces the present value of cash flows, yielding an enterprise value of ~$3.3 billion, well below current trading levels.

**Valuation Implications**

The implied IRR of ~17% suggests that, under our assumptions, Lyft’s intrinsic cash flow generation does not justify the current equity market valuation. The market appears to be assigning a much lower cost of capital, effectively assuming that Lyft will either (1) scale faster with greater operating leverage, or (2) materially de-risk its business model through improved competitive positioning and regulatory clarity.

**Conclusion**

In our view, Lyft’s valuation is challenging to justify on a fundamental DCF basis. While cash flow growth is strong, the company’s elevated risk profile and high discount rate erode intrinsic value, producing a share price target materially below current trading levels. We believe the stock’s premium valuation reflects market optimism on execution and industry dynamics that our base case does not fully support. Unless Lyft demonstrates faster-than-expected margin expansion or a reduction in business risk, we see limited upside on a cash flow–discounted basis.

**Comparable Company Analysis (Comps)**

I conducted a relative valuation of Nasdaq using a peer group of leading market operators, including S&P Global, Intercontinental Exchange (ICE), CME Group, and Moody’s Corporation. Nasdaq currently trades at $95.57 per share, with a market capitalization of $54.8 billion and enterprise value of $63.7 billion.

Looking at valuation multiples, Nasdaq’s EV/Revenue of 8.6x is below the peer group average of 12.7x and median of 12.8x, suggesting the company is relatively inexpensive on a revenue basis. However, its EV/EBITDA multiple of 26.4x is slightly above the median of 22.2x, reflecting lower EBITDA margins compared to peers such as CME (18.8x) and ICE (19.0x). Nasdaq’s EV/EBIT of 35.4x and P/E of 49.1x are above the peer medians of 27.9x and 38.7x respectively, indicating market expectations of higher future earnings growth or premium positioning despite current profitability being lower than some peers.

Overall, Nasdaq appears undervalued on a top-line basis but premium priced on earnings multiples, reflecting the market’s confidence in its growth potential and margin expansion. This mixed picture complements the DCF analysis, suggesting that while the company may offer upside on revenue growth, its current earnings multiples already price in optimistic forward expectations.

**Valuation and Target Price Analysis**

I valued Nasdaq using two approaches: a Discounted Cash Flow (DCF) analysis and a comparable company (multiples) analysis.

The DCF analysis yields an intrinsic value of approximately $145.52 per share, modestly above the current market price of $95.57. This valuation reflects projected unlevered free cash flows growing from $3.50 billion in 2025 to $5.25 billion in 2029, and a blended terminal value based on a 3% perpetual growth rate and an EV/EBITDA multiple of 26.4x. The model assumes a WACC of 11%, disciplined capital expenditures, and stable margin expansion, producing an enterprise value that, after net debt adjustment, supports the intrinsic share price.

The comparable company analysis shows that Nasdaq trades at an EV/Revenue multiple of 8.6x, below the peer median of 12.8x, suggesting undervaluation on a revenue basis. However, its EV/EBITDA (26.4x), EV/EBIT (35.4x), and P/E (49.1x) multiples are above peer medians, indicating that the market prices in expectations of margin improvement and earnings growth.

**Target Price and Recommendation:** Based on the DCF-derived intrinsic value, I set a target price of $145 per share. This implies a upside of ~52,27% from the current market price, reflecting fair value under current assumptions. While revenue multiples suggest some relative undervaluation, premium earnings multiples indicate that market expectations for growth and margin expansion are already priced in. Overall, Nasdaq appears fairly valued, with limited near-term upside but strong fundamental support from cash flow growth, operational efficiency, and deleveraging.

**Technical Analysis**

**Price Action and Gaps**  
On the daily chart, there is a fair value gap between approximately $89–$90 that has not yet been retested. This gap may act as a short-term support zone if the stock pulls back, providing a potential entry point for investors seeking to add to positions near value-support levels.

**Moving Averages**  
NDAQ is trading above both the 50-day and 200-day moving averages on daily and weekly charts, indicating that the long-term trend remains bullish. On the daily chart, the 50-day MA is closer to the current price, suggesting that shorter-term momentum is still supportive, though near-term consolidation could occur.

**MACD**

* Weekly chart: The MACD (4.47) remains above the signal line (3.84), indicating ongoing upward momentum and no immediate trend reversal.
* Daily chart: A bearish crossover around the 2.20 level signals short-term momentum weakening, which may coincide with minor price corrections.

**RSI**

* Weekly chart: The RSI is around 73.16, above the RSI-based moving average of 68.39, indicating the stock is in an overbought condition in the medium term.
* Daily chart: A bearish crossover at the 70 level suggests near-term price pressure, reinforcing the possibility of a short-term pullback.

**Fibonacci Retracement Levels**  
Key retracement levels to watch are $94, $92.80, and $91.70, which could serve as support zones during any short-term correction. These levels align closely with the fair value gap and moving average support, providing multiple confluences for potential buying interest.

**Summary**  
Overall, Nasdaq remains in a long-term uptrend, supported by both weekly moving averages and positive MACD momentum. However, near-term indicators on daily charts, including bearish MACD and RSI crossovers, suggest the possibility of a short-term pullback toward the $91–$92 price zone

**Risk Management Analysis**

**Macroeconomic & Market Sensitivity**

Nasdaq's performance is highly correlated to global economic conditions (recessions, inflation, interest rates, market volatility). Downturns reduce trading/clearing volumes, listings activity (IPOs, SPACs), and demand for data, analytics, and technology solutions, directly pressuring revenue. Geopolitical instability further exacerbates this risk.

**Intense Competition & Pricing Pressure**

Nasdaq faces fierce competition across all segments (Market Services, Capital Access Platforms, FinTech) from global exchanges, ATSs, MTFs, and new entrants. The industry is characterized by significant price competition, particularly in trading (including rebates), and rapid technological change. Failure to compete effectively threatens market share, pricing power, and margins.

**Technology & Operational Risk**

Business continuity and reputation depend on complex, high-volume technology systems. Failures (cyberattacks, capacity issues, third-party provider outages - notably AWS cloud dependency) or implementation delays can cause significant disruption, financial loss, and reputational damage. Heavy investment in innovation (AI, cloud migration) carries execution and obsolescence risk. Clearing operations expose Nasdaq to counterparty default risk.

**Stringent & Evolving Regulation**

As a global exchange operator and SRO, Nasdaq faces complex, changing regulations (SEC, ESMA, OSC). Compliance is costly, and rule changes (e.g., SEC access fee/rebate model - under litigation, CAT costs, EU MiFID data pricing, DORA) can materially disrupt business models and revenue streams (data, transaction fees). Regulatory failures or conflicts between for-profit and regulatory roles invite fines and reputational harm.

**Financial & Strategic Execution Risk**

High leverage ($9.5B debt) limits flexibility and increases sensitivity to interest rates/economic downturns. Credit rating downgrades would raise funding costs. Integrating large acquisitions (e.g., Adenza) is complex and costly, with significant execution risk to realizing synergies. Future M&A, investments, or divestitures carry inherent financial and operational risks. Dividend payments are discretionary.

**Reputational & Structural Risks**

Damage to Nasdaq's brand from operational failures, compliance issues, cybersecurity breaches, or sustainability reporting shortfalls could impair customer relationships and listings appeal. The holding company structure relies on regulated subsidiaries' ability to upstream dividends, which can be restricted. Ownership and voting rules (5% cap, SEC approval for >20% by members) and anti-takeover provisions limit shareholder influence.

**Recommendations**

**Investment Rating:** Buy

**Entry Price:** $91 - $92

**Exit Target Price:** $145,46

**Current Price (August 2025):** $95.62

**Implied Upside: ~**58,11%

Based on comprehensive valuation and financial analysis, I recommend a Buy rating for *NASDAQ, Inc.* (NASDAQ: NDAQ). The stock presents a compelling investment opportunity driven by strong fundamentals, favorable valuation, resilient earnings capacity, and upside technical positioning.