

## **Lyft (LYFT) Post-Earnings Review**

Lyft is a software transportation company that acts as a marketplace connecting riders seeking on-demand transportation with independent drivers offering their vehicle and service. The core of its business is their ability to match a rider with a driver the fastest and most cost effective way possible and the company makes money by charging a 20%-30% commission from every ride taken in its platform. The company operates almost solely in North America (most locations in the US and Toronto in Canada). Lyft's core ridesharing marketplace dominates its top line, generating roughly 85% or more of total revenue. The remaining 15% or less comes from a collection of ancillary services, primarily vehicle rental (including bikes, and scooters), subscription fees (Lyft Pink and Concierge) and an emerging advertising business integrated in the app and in many drivers' cars if they chose to do so. More recently, the company has started to dive deeper into the autonomous vehicle business, with promises of growth in the future.

### **Understanding the sector**

The ride-sharing market is a very fractured one globally, with Uber being the only company with a noteworthy worldwide presence and many regional leaders, such as Lyft in North America, Bolt in the UK and so on. Uber is the clear global leader, operating in over 70 countries and [still maintaining](#) approximately 65% U.S. market share whereas Lyft holds the #2 U.S. position with roughly 24% domestic share. Lyft originally pioneered the idea of what we call ride-sharing today, where a user orders a ride on-demand and is transported by a driver, back when Uber was still focusing on higher end customers and not appealing to a day-to-day service. Uber, however, had better funding secured from venture capitalists and managed to subsidize drivers for many years, which allowed the company to gain market share compared to Lyft's more expensive less profitable (for drivers) rides. This hyper growth business model fueled by driver subsidies in new geographies greatly decreases margins (with Uber and Lyft taking years to turn in positive net income) but accelerates revenue, and, once a certain market share or niche is carved in the market the companies focus on margin improvement by dialing down the subsidies.

So the question now becomes "how can platforms win new users"? Platforms win their drivers and riders through powerful network effects, pricing incentives, and differentiated app features. A denser driver network reduces wait times and cancellations, making larger platforms more attractive to riders, and, in turn, drivers gravitate toward apps offering guaranteed-earnings promotions, sign-on bonuses and lower commission rates, boosting take-home pay and engagement. Riders respond to dynamic pricing guarantees and seamless payment integrations that reward frequent use. Finally, partnerships with local taxi regulators (such as Free Now, which will be discussed later) and memberships & locked prices for recurring routes and times further attracts users due to predictable income, spending and waiting times.

The ride-sharing market is set for continued rapid expansion, with global revenues [projected](#) to grow up to USD 430 billion by 2032 at a 15% CAGR. International markets such as Southeast Asia and India represent the fastest-growing regions due to under-penetration and rising platform adoption by a large population, though the main players in those regions are local hegemony and not Uber. Apart from a growth in volume of passengers transported,

other developments are expected to generate more revenue for these platforms. Autonomous-vehicles are expected to grow in popularity over the next decade and accelerate the amount of “drivers” on the street and in-app advertising/data services promise new revenue streams by leveraging their strong user base and low marginal costs, reinforcing the sector’s trajectory toward scale and sustainable profitability

## Understanding the company

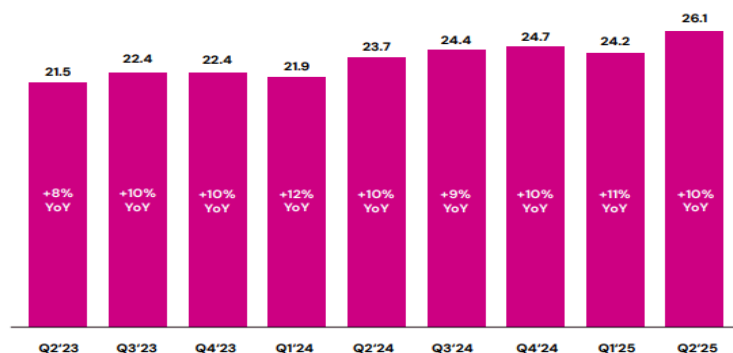
Lyft’s unit economics have steadily improved as management shifts focus from hyper-growth incentives toward higher-margin offerings, driving adjusted-EBITDA margin above 2.5% and delivering its first positive net income in early 2025. To gain ground on Uber, Lyft is executing a multifaceted strategy, combining geographic expansion via its Free Now acquisition (more on that later), robotaxi partnerships with Baidu, enhanced loyalty and subscription ride services while leveraging its user base and driver friendly policies.

Over the past year, Lyft has transitioned from deep promotional discounts (which incentivizes more drivers and riders, but decreases margins) toward promoting premium ride options, which carry higher take-rates and have lifted its adjusted-EBITDA margin to roughly 2.6% of gross bookings in Q1 2025, which led to the company reporting its first quarterly net profit in Q2 2024. Management’s “margin makeover” has been aided by scaling efficiencies, such as ride-matching algorithms that reduce waiting time, and a leaner operating structure, positioning Lyft on a clearer path to sustainable profitability from now on.

More recently, earlier today, Lyft delivered its strongest quarter ever in Q2 2025, with improving margins, record user engagement, a bunch of strategic partnerships and feature rollouts, and, perhaps most importantly robust cash-flow generation and shareholder return. Adjusted EBITDA margin widened to 2.9% of gross bookings, net income margin reached 0.9%, and free cash flow topped \$329 million. Active Riders rose to 26.1 million and total rides hit 234.8 million as key partnerships with Baidu and United Airlines hit the platform alongside enhancements to Lyft Silver (a program to make ride-sharing easier for the elderly) and Lyft Pink (their subscription service). Financially, gross bookings climbed 12% to \$4.5 billion, revenue grew 11% to \$1.6 billion, and Lyft repurchased 12.8 million shares for \$200 million, which we will talk more about soon.

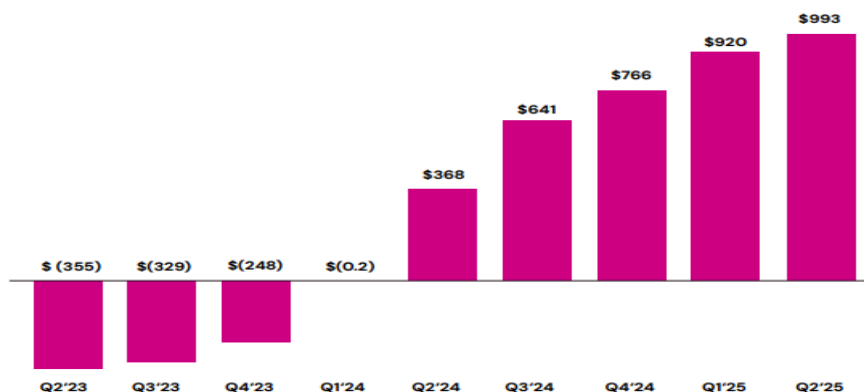
## Quarterly Active Riders

(in millions, except for percentages)



## Free Cash Flow (TTM)

(in millions)



### QUARTERLY HIGHLIGHTS

#### Executed a Record Quarter. Again.

Q2'25



**26.1 million**  
**Active Riders**  
took **234.8**  
**million Rides**



**Gross**  
**Bookings:**  
**\$4.5 billion,**  
**+12% YoY**



**Adjusted**  
**EBITDA Margin**  
(% of Gross Bookings):  
**2.9%**<sup>(1)</sup>



**Free Cash Flow:**  
**\$993 million**  
(trailing 12 months)

Perhaps the most important [piece of information](#), however, is a data point that driver preference for Lyft on dual-app devices more than quadrupled to 29 points compared to 6 points last year. This means that now 29% of drivers that have the option to drive for Uber or Lyft prefer to drive for Lyft, meaning that they are, indeed, solidifying their market share and can make a strategic focus on margin expansion now.

Part of this increase in driver preference comes from Lyft's reputation for transparent earnings and driver incentives, which can be best exemplified by its "Personal Power Zone". Lyft's Personal Power Zones are driver-incentive areas that appear on the driver app when there's high rider demand nearby, clearly marking purple and pink zones that guarantee fixed cash bonuses on the next trip; pink zones offer larger bonuses that increase the longer a driver stays within the zone. Uber and Lyft already have an adaptive system for pricing, increasing or decreasing prices of rides according to supply and demand, but the initiative to explicitly show drivers where to be to make more money make this system even more efficient since drivers will actively displace themselves to get bonuses and, in turn, make riders' waiting times decrease in a high demand situation. This system is a big win-win for the company that fosters loyalty, for the riders who will have decreased waiting times in these scenarios, and drivers who get bonuses and higher pay given the cash bonus and demand shock.

Finally, a new system, Lyft's Earnings Assistant, leverages real-time and historical marketplace data to deliver personalized, AI-driven shift plans and visual maps that pinpoint high-earning windows so drivers can optimize their routes without guesswork. At no extra cost, it reduces waiting time and the cognitive load of manual planning, enabling drivers to focus on maximizing rides rather than hunting for demand. Early driver feedback and industry reports highlight increased satisfaction as drivers appreciate the AI-powered support that tangibly boosts earnings potential, reinforcing Lyft's reputation as a driver-first platform.

On the user-side, Lyft's partnerships have been great to increase consumer loyalty. Earlier today it announced a collaboration with United Airlines so that United MileagePlus members earn miles on all Lyft rides, complementing earlier integrations with Alaska Airlines Mileage Plan and Delta SkyMiles. A similar deal exists with Hilton and their benefit plan Hilton Honors. In the food-and-beverage space, Lyft Pink subscribers receive a free year of Grubhub+ delivery benefits, and the company also partners with DoorDash DashPass to offer discounted meal delivery to riders. Corporate-travel customers benefit from integrations with business-expense platforms like Concur and Chase for Business, enabling seamless receipt capture and unified billing across personal and work rides. Through these partnerships, Lyft increases rider engagement and loyalty without compromising margins or having to offer subsidies and acquires new riders at a low cost, having offerings and opportunities for any type of customer and their respective interests in using the service.

#### GROWTH STRATEGY

### Partnerships Drive Us Further. Literally.

#### Fuels growth –

- Over 50 million rides were connected to a partnership in Q2'25, an increase of over 25% year over year.

#### Expands margin –

- During Q2, riders connected to a partner were 1.5x more likely to choose a high value mode and took rides that are 1.3x longer, on average.

#### Generates activations –

- The Freenow acquisition makes us a global partner and allows us to expand current partnerships, like Chase, while creating new partnership opportunities across Europe.
- Our United Airlines partnership will launch later in 2025, and is expected to start driving a financial impact in 2026.



### Geographic expansion and Self-Driving partnership

As mentioned before, Lyft is still seen, and rightfully so, as a regional player, having 100% of its revenue tied to North America and most of it being only in the US. However, Lyft is making a key move to improve their international presence, and doing so through a very different, and perhaps cost effective, way than Uber. While Uber, as explained before, used their cash reserves to subsidize rides in every new geography they entered to first get market share, Lyft is approaching internationalization through strategic acquisitions. This way, Lyft gets access to a broad and reliable user base from another company and can get

its operations running as soon as possible without having to gain a user base from scratch using heavy cash incentives and compete with the other companies in the region.

Lyft's international expansion can be best exemplified by its €175 million acquisition of Free Now, which nearly doubles its addressable market and provides instant entry into nine European countries with a great access to a large taxi fleet across the continent. Free Now is Europe's leading transportation platform operating a platform used by more than 50 million annual riders, aggregating taxi services, private-hire vehicles and even scooters and bikes. They operate a different business model, different from ride-sharing where anyone can become a platform driver. Instead they partner with commercial drivers (mainly taxi drivers and hired fleets) to offer a safer and better driving quality. Lyft's acquisition, expected to close in H2 2025, provides immediate European market entry and leverages Free Now's break-even unit economics and over €1 billion in gross bookings achieved in 2024. By combining Lyft's 26.1 million active riders with Free Now's 50 million annual users, Lyft's addressable annual user base jumps to over 76 million, and its total annual [personal-vehicle trip TAM](#) nearly doubles from 161 billion to more than 300 billion trips globally. This will allow Lyft to have a solid entry point into Europe without much competition since Free Now has a solidified user base and validated product, which can make room for sustained revenue expansion for Lyft.

Another front where analysts are expecting to be a game changer for the ride-sharing world is the introduction of self-driving cars. Lyft has struck a partnership with China's Baidu to pilot robotaxi services in Europe beginning in 2026, more or less in line with competitors who aim to roll new or updating self-driving models in late 2025 or early 2026. Their launch in Germany and the UK will mark the first big launch of a self-driving vehicle in Europe, since most firms like Tesla, Waymo and Uber are focusing on rolling out models in North America. Lyft's model of using partnerships to roll out their self-driving services allows them to enjoy a great possible upside and be connected to a possibly extended partnership while limiting their downside and cash loss to the value of the deal, whereas companies like Tesla are pouring millions into R&D just to have an underwhelming new model launch in 2025.

## Valuation

Another important aspect to be discussed about Lyft is its share repurchase program. After years of issuing a lot of stock-based compensation to its employees and diluting shareholders, in Q1 2025 Lyft's management team announced a bold plan to drastically reduce sharecount in the company.

# Lyft shares rise as company ups buyback to \$750 million

PUBLISHED THU, MAY 8 2025 4:13 PM EDT | UPDATED THU, MAY 8 2025 4:59 PM EDT

In today's earnings report they announced a repurchased total of \$200 million worth of shares in Q2 2025 at around \$15.60 per share, meaning that there's still a \$550 million amount to be used for that in the coming quarters.

Considering that they will continue to have some form of share repurchase program and that they will keep offering stock based compensation to their employees, I project that they will buy shares more aggressively this year, with the current program, and slow down but keep doing it over the next few years. The current repurchase program isn't extraordinary or financed by a one-off cash generation, it is mostly sustainable and it is being done due to the undervaluation of the stock. As the stock rises, the % of shares repurchased will slow down to around 2% per year. The Free Now acquisition will be done with all cash, causing no disturbances in the share base.

Considering the acquisition of Free Now, expected to be completed in the latter half of 2025, and their rapid expansion into Europe as well as a slow, yet efficient, penetration of the US market, I expect the company to grow revenues faster than today over the next year but slowing down in the future as the effects of the acquisitions, subscriptions and partnerships dial down. Using the 15% expected growth of the sector as a starting point, I project a 13%-10% revenue growth throughout the next few years. The lower number reflects their lack of a tangible competitive advantage and pricing power, which will slow them down compared to market hegemony or platforms in fast growing regions like SE Asia, but is partially offset by the Free Now acquisition coming soon.

I expect their Free Cash Flow margins to remain stable as they grow without much cost increase in the US and use their cash reserves to acquire Free Now. This quarter they reported around 20% in Free Cash Flow margins (\$329 million in FCF / \$1600 million in revenue), their best FCF margin ever. Management didn't provide a forecast for FCF next quarter but given their expectations of flat margins for EBITDA, I expect FCF to behave similarly. Their margins are getting in line with Uber's, showing how mature Lyft's business is becoming. Adding a margin of safety to that 20% given that they may panic and resort to subsidies to improve their presence in Europe soon, I project a 14% margin for the company.

Finally, in terms of multiples, Lyft is extremely undervalued compared to Uber when looking at Price/Levered FCF. Uber trades at around 30x, compared to Lyft's 7x. Of course, predicting that Lyft will rise up to match their competitor's multiple is way too optimistic given that Uber has a bigger domain of the industry, has more presence in more places and has a proven model for expansion and user retention as well as a diversified business encompassing food delivery. While I understand that matching the 30x multiple is a little too much, I also understand that 7x is too little for a company with negative debt, solid growth opportunities, an increasingly loyal user base (both from riders and drivers) and improving margins. Going back to 11x, which is what they were trading for in late 2024, seems reasonable given these facts and expectations. These predictions yield a solid 21% CAGR, which is why I'm keeping the stock in my portfolio in the high-single-digits or low-double-digits percentage weight.

Lyft offers a great return on investment for the time being given its solidification of margins, growth opportunities and effective capital allocation. With a great business that has been able to break into the ride-sharing market without spending extra money on expenses I expect Lyft to be a more dominant player in the market even though the product itself is very commodified. I will be monitoring their dual-app driver preferences to try to understand how their preference shapes out in the long run.

	Revenue (M) (TTM)	Revenue Growth	FCF margin	Share count (M)	share change		
Y0	\$6.111,00	13%	12%	424	-5%	Company	LYFT
Y1	\$6.859,60	12%	12%	402,8	-3%	Rev. growth change	-0,75%
y2	\$7.648,45	12%	12%	390,716	-2%		
y3	\$8.470,66	11%	12%	382,90168	-2%		
y4	\$9.317,73	10%	12%	375,2436464	-2%		
y5	\$10.179,62	9%	12%	367,7387735	-2%	Future MKT Cap(M)	\$13.437,09
						Multiple	11
Y5 FCF	\$1.221,55			current share price	\$14,04	per share	\$36,54
						return (CAGR)	21,08%