Lyft (LYFT): Driving Upside

March 8th, 2026

Executive Summary

Lyft has dropped approximately 30% year-to-date in 2026 and roughly 50% from its 52-week high, a selloff triggered by a Q4 earnings release that showed a revenue miss and weaker-than-expected ride count. The underlying operations, however, continue to deliver record gross bookings, record free cash flow, and the best rider growth in the company's history, with 19 consecutive quarters of double-digit gross bookings growth. What the market is actually pricing is a permanent competitive disadvantage against Uber and existential displacement by autonomous vehicles, a narrative that the financials simply do not support.

At approximately 4.7x trailing FCF and less than 1x forward gross bookings, Lyft trades as though it has no margin expansion path and no durable competitive position. This is a thesis about a great business available at a fair price, an overheated business available for cheaper than ever. Despite the continuous operational successes, the company hasn't traded at such a low multiple ever and, at this price, it is a fantastic stock to own.

This is a value narrative, I don't expect Lyft to overtake Uber or become the king of AVs anytime soon, but I believe that, at current prices, the stock shouldn't need to do those things to overperform.

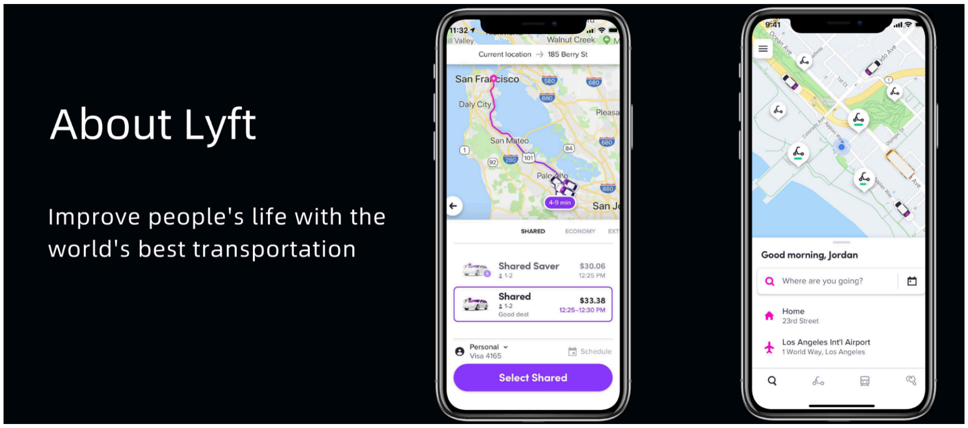
If Lyft simply continues executing as it has through sustaining FCF growth, expanding partnerships, and delivering on its 2027 long-range plan a re-rating to historical higher valuations, which compared to Uber are still low, as they should be, the stock could bounce back significantly. The downside, assuming execution holds, is bounded by the FCF itself.

What Lyft Is

Lyft is a rideshare marketplace operating in the United States and, since mid-2025, in nine European countries following the Freenow acquisition, a deal that roughly doubled its addressable market. The core North American business, which represents over 95% of revenue, functions as a two-sided marketplace matching riders to drivers and earning a take rate on gross bookings net of driver incentives.

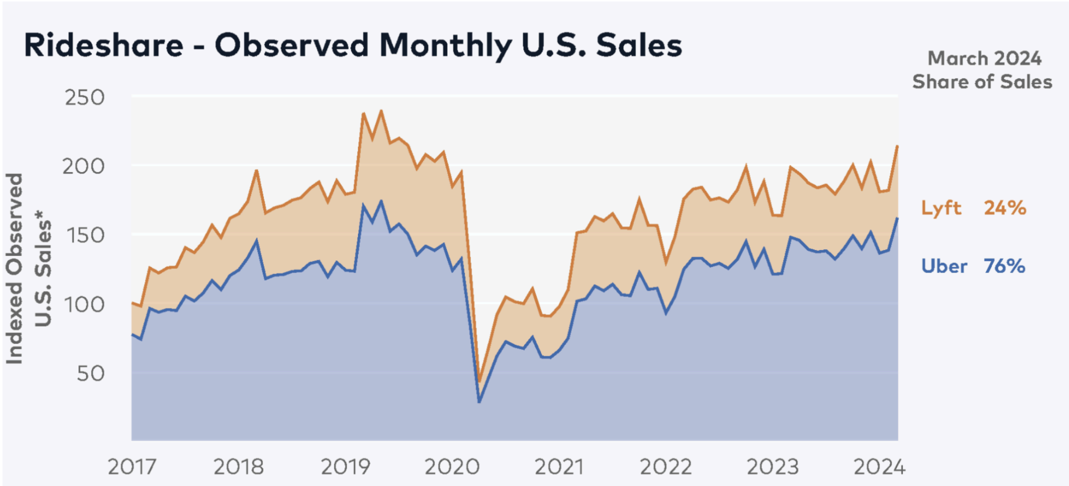
Lyft does not own cars, employ drivers, or guarantee rides, it owns the matching layer between supply and demand, and that layer becomes more valuable with every participant added to either side. When a rider opens the Lyft app, they are accessing a liquidity pool of available drivers. When a driver logs on, they are not starting a shift at a company; they are plugging into a demand aggregator that fills their hours more efficiently than any alternative. Neither side particularly wants to coordinate directly so both sides pay Lyft to do it for them. The take rate, typically in the 30-35% range of gross

bookings, is the price of that coordination.

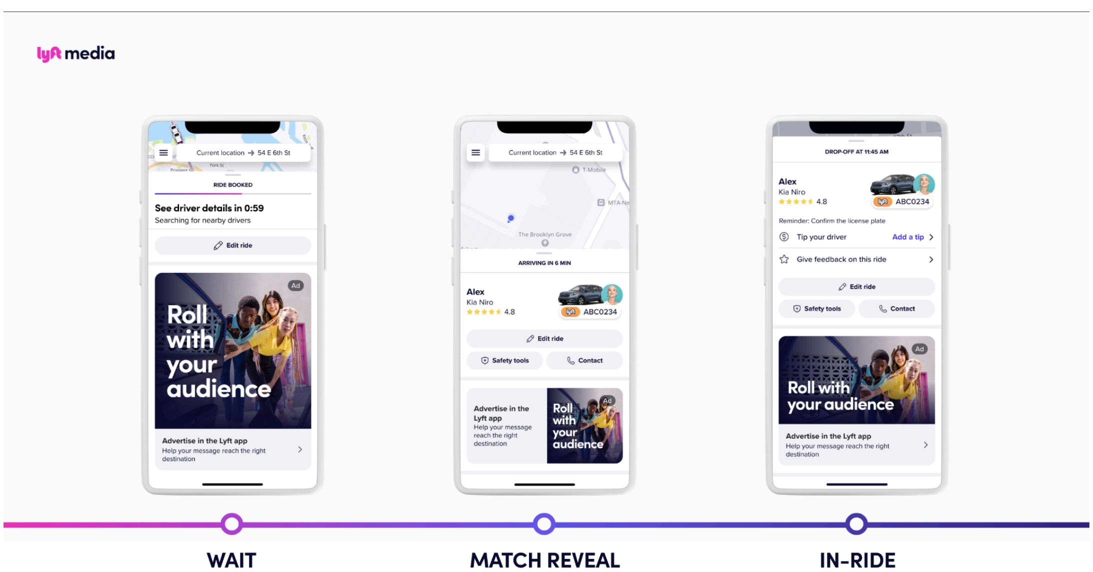


More drivers on the platform means shorter wait times, which attracts more riders and more riders means higher driver utilization, which means better earnings per hour for drivers, which attracts more drivers. Each turn of that flywheel makes the marketplace harder to displace, because a new entrant does not just need better technology, it needs to simultaneously recruit enough drivers to offer competitive ETAs and enough riders to offer drivers competitive earnings, without either side being willing to switch until the other side already has.

This is the cold-start problem that destroyed most of Lyft's early competitors and continues to make the duopoly structure of U.S. rideshare stable. In fact, Uber, the rideshare company that controls over 70% of rides in the US, got a better start in this race and its ability to scale faster allowed them to capture significant market share from Lyft and enjoy higher margins. It is a difficult business to be in because there is always a stronger company with a stronger flywheel effect that will have a stronger moat around them. However, I believe Lyft’s stock price is discounted beyond this point and I believe its management’s ability to generate strong organic growth and margin expansion, which warrants a further look.



Additionally, Lyft Ads is a side of the company that is experiencing incredibly fast growth but hasn’t gotten much attention. Lyft has 51 million annual riders spending meaningful time in the app before, during, and after rides, and that captive attention is valuable to advertisers in ways that other digital websites are not since the ad system knows where they are going, when they will arrive, and often why, which makes contextual targeting unusually precise. The business crossed a $100 million annualized revenue run-rate at the end of 2025, growing approximately 100% year-over-year, and carries a near-zero incremental cost structure because the inventory already exists inside an app Lyft operates regardless. Uber's advertising business is valued at a meaningful premium to its core rideshare operations in most sum-of-the-parts analyses. Lyft Ads does not appear to be in Lyft's current price at all.



The Competitive Moat: Not the strongest but also not non-existent

Let me be clear first. Although Lyft does have a competitive advantage, which I will argue for in the following paragraphs, it would be naive to claim that it is a strong one. The ridesharing space is *largely* driven by two things, which are time, which itself is a product of driver availability and rider demand, and prices, which are variable in order to manipulate the supply and drastically shift consumer usage of Uber and Lyft.

With that in mind, moats in the industry are weak and Lyft as the smaller player compared to Uber does suffer the risk of margin compression as Uber can afford to subsidize more rides and has a stronger flywheel. However, there are ways for Lyft to more firmly hold their portion of the market and protect themselves through pricing power to some extent, and the company has been doing it.

Since early 2023, driver hours have grown year-over-year for 12 consecutive quarters and have nearly doubled in aggregate and, over the same period, ETAs have fallen significantly while ride volume has risen substantially. That combination of more supply, faster service and more demand is the operating signature of a marketplace flywheel accelerating rather than stalling. More drivers on the platform means shorter wait times, which makes Lyft more attractive to riders, which increases ride volume, which improves driver utilization and hourly earnings, which makes driving for Lyft more attractive relative to alternatives, which brings more drivers onto the platform.

The standard bear case treats Lyft as a static second-place competitor surviving on the scraps of markets Uber does not dominate, with no independent gravitational pull of its own. However, this data shows that Lyft is building its own flywheel in markets where it has scale, and that flywheel is now measurably self-reinforcing. Uber's network advantages are real and not closable in aggregate, but network effects in rideshare are local rather than global. A dense Lyft marketplace in Boston or Chicago creates switching friction for both drivers and riders in that city regardless of what Uber's worldwide ride count looks like. CEO David Risher noted on the Q2 2025 earnings call that Lyft's market share was at its highest point in two and a half years, largely because Lyft's own flywheel had reached sufficient velocity to defend and expand its position organically.

Lyft's partnership strategy has been at the center of their revenue and bookings expansion and it has evolved from a customer acquisition tool into a structural retention mechanism. More than one in four North American rides were linked to a partnership in Q4 2025, an all-time high representing 27% growth year-over-year. The DoorDash integration, Lyft's largest partnership ever, has accumulated three million linked accounts with rides nearly tripling since the launch quarter, a velocity that suggests genuine behavioral change rather than novelty-driven trial. The United Airlines

MileagePlus integration, which gives riders mileage points for every Lyft ride, added hundreds of thousands of linked accounts within its first weeks. The same logic applies across the broader partner stack, Alaska Airlines, Chase and Hilton each denominate Lyft loyalty in a different preference that their own customers already value.

What makes the architecture particularly durable is that consumers self-select into whichever partnership aligns with their existing lifestyle, a frequent flyer links their miles, a Chase cardholder activates their rewards, a DoorDash user connects their account, meaning Lyft does not need to win a single universal value proposition but rather meets each rider at the loyalty currency they already care about. The cumulative effect is a rider base increasingly anchored to Lyft not by habit alone but by a web of external reward structures that reinforce the default.

Partnerships and rewards level everyone up.

Partnership strategy wins when it comes to rider loyalty:

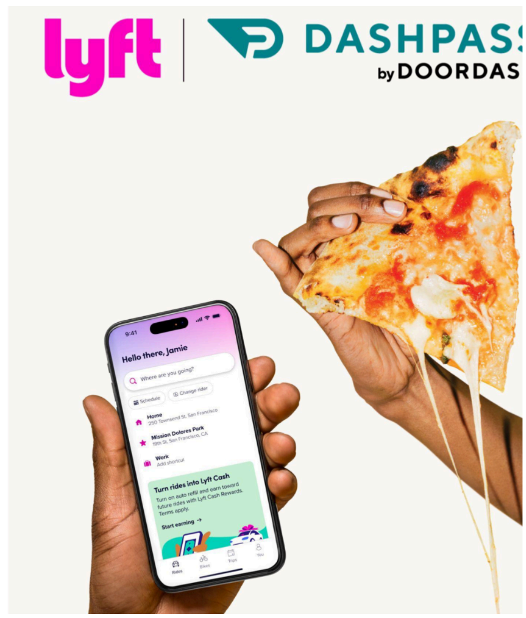
- More than 1 in 4 of our rideshare rides in North America were linked to a partnership in Q4

  DoorDash:
  - Our largest partnership ever
  - Steady rides growth over last several quarters, nearly tripling this quarter compared to launch quarter
  - Nearly 3 million linked accounts as of Q4

  United Airlines:
  - Hundreds of thousands of linked accounts in first few weeks of Q4
  - To date, riders earned more than 100 million United MileagePlus points since launching last November

Rewards are adding value, literally:

- Our Business Travel Rewards program is resonating:
  - Steady growth in cohort with new activations up 26% y/y in Q4



Lyft is also expanding its addressable rider base through specific cohorts of people. Lyft Teen, launched in February 2026, targets U.S. riders aged 13 to 17, a population representing an estimated 15 billion ride TAM. There is a strong secular backdrop to this cohort, where only 25% of 16-year-olds hold a driver's license today compared to 46% in the 1980s, reflecting a generational shift in how young people relate to car ownership and showing that more and more teens are preferring ridesharing services. Lyft Silver addresses the opposite end of the age spectrum with comparable results given that the rider base has nearly doubled since launch, and Silver riders exhibit frequency materially above the platform average. Older adults who rely on rideshare rather than drive themselves tend to be high-frequency, low-churn customers, which is precisely the cohort profile that compounds lifetime value most efficiently. Both these cohort expansions are major developments for Lyft to capture more market share of the US ridesharing industry and both of them contribute positively to the company's moat over time. Kids that have been using Lyft since they were 13 will have an inclination to keep using it as they grow older since that's their status quo and older people who are accustomed to Lyft's service, which has been incredibly popular over the past year, tend not to switch since learning a new system introduces friction.

More products. More family solutions.

In February 2026, we launched **Lyft Teen** across hundreds of cities in the U.S., tapping into a major market:

- **15 billion ride TAM** of 13 to 17-year-olds in the U.S.
- **Only 25%** of 16-year-olds had driver's licenses in 2021, down from 46% in the 80s
- **Rideshare is more affordable** than adding a teenage driver to your insurance, which can raise premiums by $1,000s

With Lyft Teen, there's a Lyft ride for the whole family:

- **Lyft Silver** for older adults
- **Pet Rides** for everyone's favorite furry friends
- **Women+ Connect** for rides even your mother-in-law likes
- **Lyft XL and XXL** von Trapp family style
- **Price Lock** for the commuter who wants to own their mornings
- **Wait & Save** for the budget conscious
- **Business Travel** for the boss who wants sh*t done

However, Uber has offered teen accounts in select markets and has its own senior-focused accessibility initiatives, so Lyft is not pioneering this type of service, but it is successfully catching up to its competitor. The fact that Lyft Silver has nearly doubled its rider base and that Lyft Teen launched with enough infrastructure confidence to go national suggests these are not defensive products designed to match Uber feature-for-feature, but genuine conversion opportunities in cohorts where Lyft can own the relationship from first ride and ways where Lyft can join new markets where Uber has been operating and still be competitive.

Finally, Price Lock, Lyft's commuter subscription priced at $2.99 per month that guarantees fare predictability, saw adoption grow 21% quarter-over-quarter from Q4 2024 into Q1 2025, with a retention rate of approximately 75%, a figure that, for a product in early scaling, suggests genuine utility rather than trial-driven signups. This is an important service for ensuring that riders keep selecting Lyft over and over again as they go about their daily lives instead of making the decision of whether to select Uber or Lyft on a daily basis, which can lead to riders selecting the competitor for any given reason. Signing up someone and making sure they will be a customer for a month, and probably will renovate the service in the next month, is a massive win for customer retention, all while receiving predictable revenue every month.

Informal primary research conducted by myself, including direct conversations with drivers across multiple trips in Chicago over several months and systematic ride-experience comparisons across both platforms is consistent with the competitive dynamics described above and provides ground-level texture that the financial data alone does not capture.

On the supply side, the majority of drivers spoken with reported operating on both platforms simultaneously, switching between apps based on surge availability rather than platform loyalty. Driver-reported take rates were described as roughly equivalent across Lyft and Uber, suggesting neither platform is currently winning the supply side through economics alone. This is consistent with Lyft's reported incentive efficiency improvements and if drivers are not requiring incremental subsidies to stay active on the platform, the cost of supply is stabilizing.

On the demand side, ride-experience comparisons across both platforms over the same period showed pricing and ETA differentials that were minimal in most cases, typically within one dollar and one to two minutes in a high-density market. In a commodity-equivalent environment, platform selection defaulted to loyalty integrations. Riders with active DoorDash or airline mile linkages consistently selected Lyft when price and wait time were effectively equal, while riders without active partnership integrations showed no consistent platform preference. This behavioral pattern at the individual level is the micro-level mechanism behind the macro observation that partnership-linked rides reached one in four North American rides in Q4 2025, showing that loyalty integrations are not just adding rides at the margin, they are resolving the platform selection decision for riders who would otherwise flip-flop based on whichever app loads first

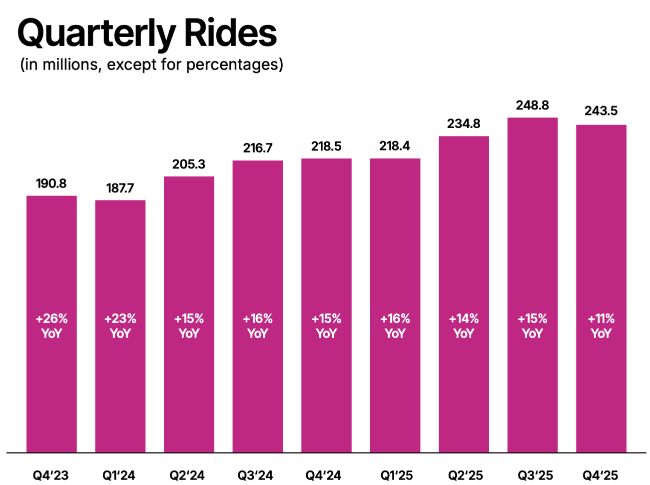
Also, it's important to mention that these advantages are not hard for a competitor like Uber to implement on their own and reduce Lyft's moat. But, just like the cold start problem discussed before, first mover advantage is a real thing in markets like this, and in this instance Lyft is ahead. As I put in the title of the section, I'm not claiming that Lyft has an impenetrable moat, it just has one wider than most people give them credit for.

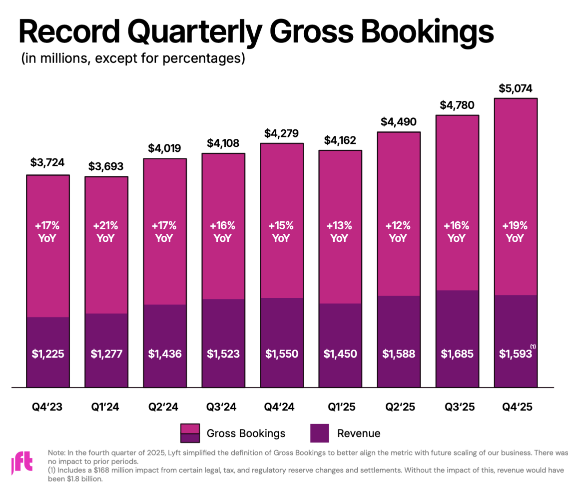
Will Uber Dominate It?

The standard bear case on Lyft reduces to a single line: Uber is structurally dominant, and the gap between the two companies will widen until Lyft becomes irrelevant. Uber's global scale funds cross-subsidization through Uber Eats, its $1B+ marketing budget enables perpetual promotional intensity that Lyft cannot match, and the network effects of a 189 million rider base are simply not closable by a 51 million rider competitor.

In fact, with the amount of money Uber has in cash and short term investments, around $7.6B, they could easily acquire Lyft, which trades at around $5.3B market cap.

However, when looking at the narrative more closely, Lyft's gross bookings grew faster than its ride count over the same period, which is the opposite of what you would expect from a platform losing share on price. This is revenue quality improvement, not competitive deterioration. Lyft's customer incentive efficiency improved 18% year-over-year against a 10% target, while gross bookings grew faster than ride count, which, combined, imply a take rate expansion rather than the subsidy escalation you would expect from a platform losing competitive ground. In a commoditized marketplace where the structurally weaker player is losing ground, the expected behavior is heavier subsidization to retain riders and drivers, a compression of take rate and a deterioration of incentive efficiency. The opposite is happening, Lyft is earning more per booking while spending less per ride to acquire it, a combination that is inconsistent with the share-loss narrative.





The Uber Eats cross-subsidy argument is similarly overstated since Uber Eats operates at approximately zero EBITDA in most markets. It is not a profit engine funding a war chest against Lyft, it is a capital-intensive adjacent business that Uber has chosen to subsidize while Lyft's single-product focus on North American rideshare means its economics are structurally cleaner. Uber's Q4 2025 earnings reinforced this dynamic unexpectedly where EPS missed consensus and Q1 2026 guidance was weak, suggesting that six times Lyft's scale is not yet translating into superior financial execution. The "network wins everything" narrative is harder to sustain when the network leader is missing numbers.

The honest negative in this analysis deserves equal weight, because ignoring it produces a thesis that overpromises. Uber's 189 million global riders versus Lyft's 51 million North American riders is not a gap that closes in any medium-term investment horizon. Lyft is a durable second-place competitor in a two-player North American market, not a share-gain story, and no intellectually honest variant of this thesis should be built on the assumption that Lyft takes meaningful ride share from Uber. The bull case does not require it, it only requires it to be simpler and more achievable: retention of Lyft's existing rider base, continued execution on the FCF growth trajectory already underway, and normalization of a valuation multiple that currently prices the business as though its free cash flow will contract for a decade. The investment case is not that Lyft wins, it is that Lyft survives and compounds at a price that assumes it does not.

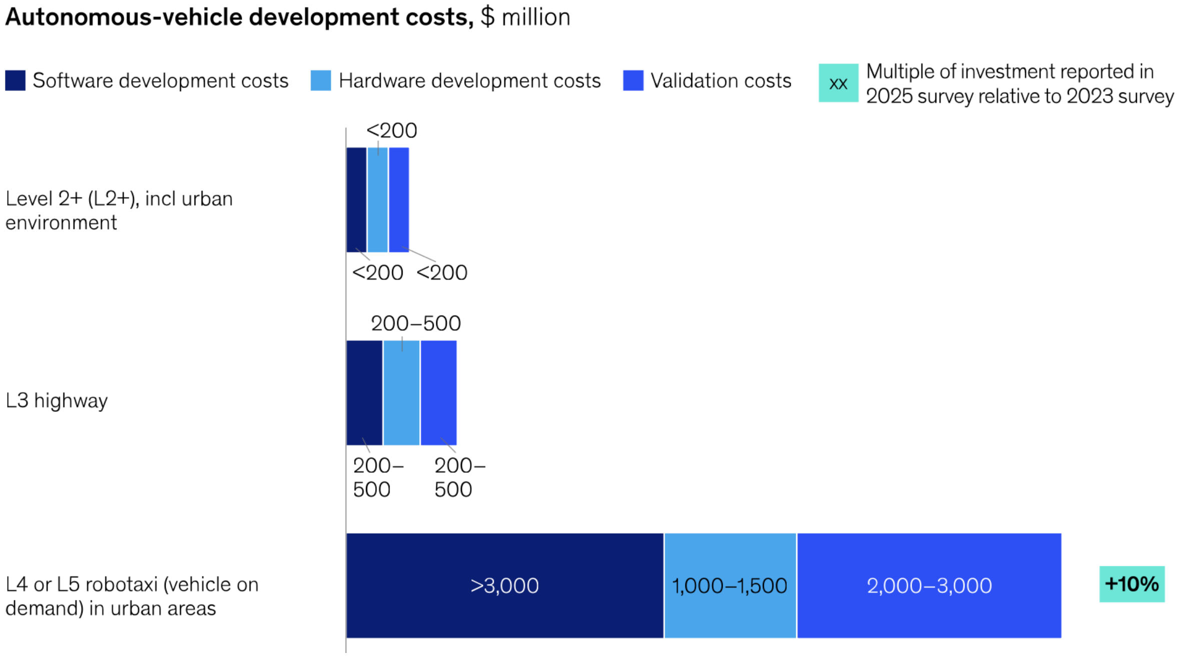
AV Risks Ahead:

The starting point in Lyft's journey in the AV world is Lyft's deliberate exit from proprietary AV development. In 2021, Lyft sold its Level 5 autonomous research division to Toyota for $550 million, a decision that was defensible at a time when AV development is extraordinarily capital intensive and the timeline to commercial deployment was uncertain. However good or bad the reasoning was, this permanently positioned Lyft as a distribution platform rather than a technology developer. Uber made a similar choice when it sold its AV unit to Aurora but the difference is that Uber's global scale of 202 million monthly active users gives it meaningfully more leverage when negotiating deployment terms with Waymo, Cruise, and emerging AV operators.

Waymo One, Waymo's direct-to-consumer app, already exists and is scaling in San Francisco while the company also has a partnership with Uber, meaning that they are simultaneously building its own consumer brand, partnering with the largest rideshare platform in the world, and selectively partnering with Lyft in specific markets like Nashville. The embedded assumption in Lyft's AV narrative is that Waymo will find marketplace distribution more valuable than direct consumer relationships indefinitely. That assumption has not been tested at scale, and the historical precedent, where aggregators lose leverage as suppliers build direct distribution, does not favor Lyft's long-term position. Lyft is, in the most precise sense, one partnership termination away from losing its primary AV proof point.

However, this narrative may also be overblown. Even on the most optimistic commercial schedules, AV penetration in rideshare is unlikely to exceed 5% of total ride volume by

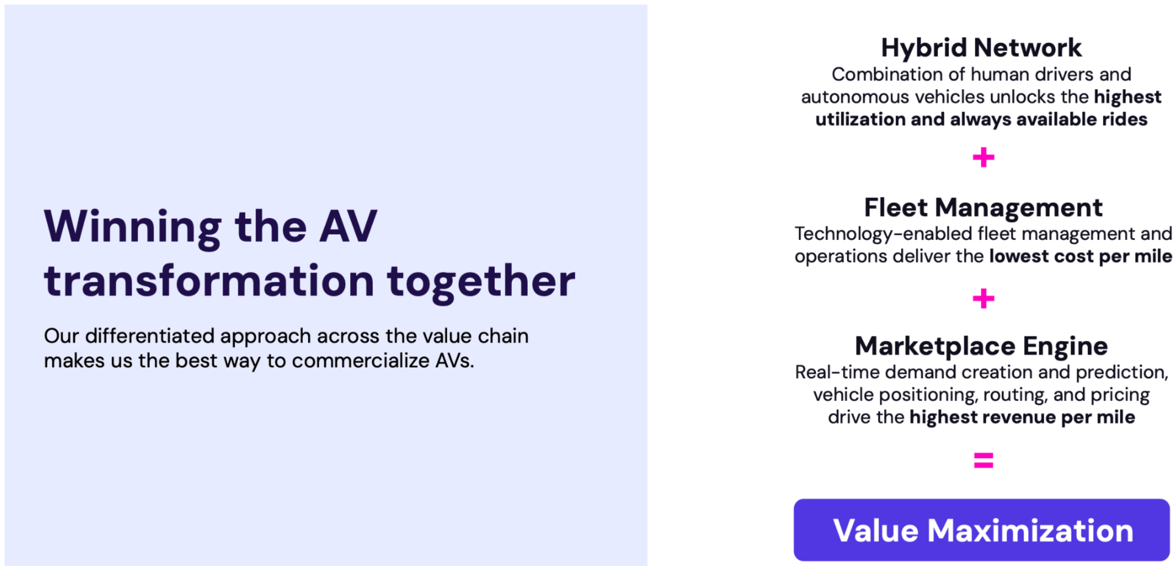
2027. Waymo, the most operationally advanced AV platform in the world, has deployed vehicles in a handful of U.S. cities after years of development and billions in capital investment. McKinsey research shows just how expensive it is to make autonomous cars work at scale.



Additionally, even in San Francisco, the most AV-dense rideshare market in the world, with Waymo operating at meaningful commercial scale and millions of autonomous rides completed, Lyft's San Francisco ride volume grew approximately 10% concurrently with Waymo's expansion. If the displacement thesis were correct, that AV supply cannibalizes existing platform volume, San Francisco should be the first place it appears in Lyft's data. Instead, it seems like the total demand for rides is increasing instead of having more companies competing for the same slice of the pie.

The practical implication is that the human-driver marketplace is the actual business for the foreseeable multi-year investment horizon, and it is a business that Lyft is currently executing well, with 19 consecutive quarters of double-digit gross bookings growth, record FCF, and improving unit economics. The AV transition is a decade-scale structural question, not a 2026 or 2027 binary event, and a valuation of 4.7x trailing FCF is not pricing Lyft as though it participates in that transition at all. The bear case requires AV disruption to arrive faster and more completely than any observed deployment trajectory suggests it will.

Additionally, Lyft’s Flexdrive could be an important source of revenue growth in an AV dominated world. Flexdrive is Lyft's fleet management subsidiary, managing high-mileage vehicle fleets at scale which contains a proprietary predictive maintenance software platform, supply chain relationships with vehicle manufacturers and service providers, and documented fleet cost efficiency that management cites as more than 20% better per mile than third-party fleet operators. AV deployments are fundamentally fleet management problems since vehicles need to be maintained, monitored, repositioned, charged or fueled, and taken out of service when performance degrades, all at a cadence and complexity that consumer-facing AV operators have largely underestimated. Flexdrive's existing infrastructure, software, and operational muscle are applicable to managing AV fleets in exactly the same way they are applicable to managing human-driver vehicle fleets, giving Lyft a credible claim to being a cost-efficient AV fleet operator rather than simply a passive distribution platform that passes rides to whoever owns the cars.



Flexdrive's fleet management capabilities, which, as mentioned management presents as a 20% cost efficiency advantage over third-party operators, are a credible operational hedge in a hybrid human and AV deployment environment. In that scenario, however, Flexdrive becomes a managed services contractor rather than a platform, and managed services businesses do not trade at platform multiples. Still, that multiple is larger than 4.7x FCF.

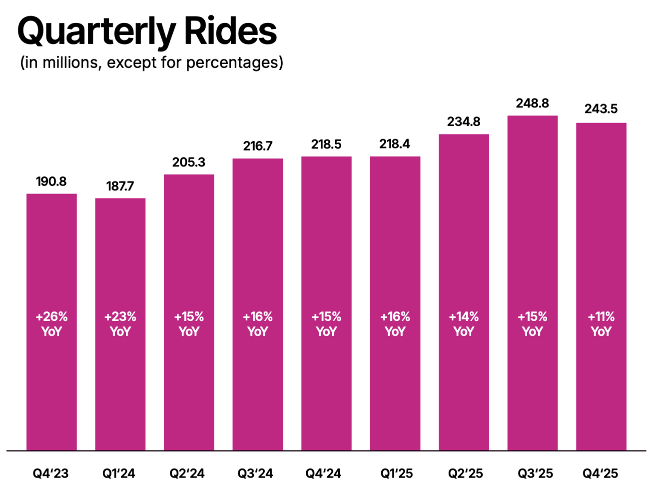
Financial results

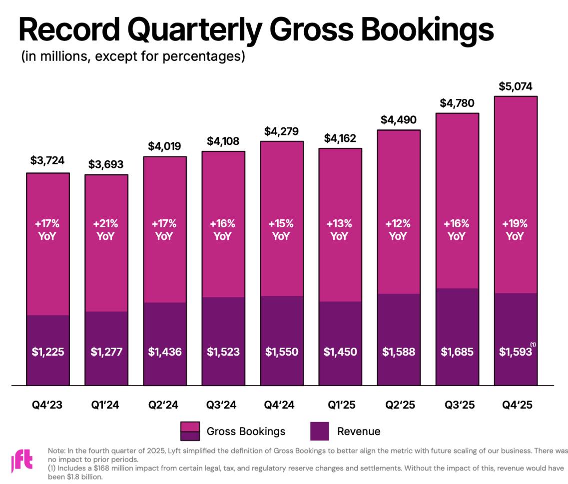
Lyft closed 2025 having set records across every financial metric that matters. Full-year gross bookings reached $18.5 billion, up 15% year-over-year, driven by 51.3 million annual active riders taking 946 million rides, both all-time highs. Quarterly active rider growth accelerated to 18% in Q4, the fastest rate in years, and the business delivered its 19th consecutive quarter of double-digit gross bookings growth. These are not the numbers of a platform under competitive siege, they are the numbers of a marketplace that is getting denser, attracting more riders, and converting that volume into revenue at an improving rate.

What makes the 2025 results more than just a topline story is where the growth flows. Adjusted EBITDA reached $529 million, up 38% on 15% revenue growth — operating leverage of more than two turns, meaning every incremental dollar of gross bookings is flowing to the bottom line at a materially higher rate than the average. The EBITDA margin expanded to 2.9% of gross bookings, up from 2.4% in 2024, continuing a consistent trajectory of margin improvement that management has now outperformed against internal targets for two consecutive years. Free cash flow hit $1.12 billion for the trailing twelve months, a record, and the number that ultimately settles the question of whether this business model works. A company generating over a billion dollars in annual free cash flow trading at a $5.3 billion market cap is not priced for growth — it is priced for decline. The business is not declining.

Q4 2025

For Q4 2025 the company delivered strong results such as an adjusted EBITDA of $154 million growing 37% YoY, the most profitable quarter in company history, on gross bookings that accelerated to 19% growth. The number of total rides, however, decreased slightly as the quarter evolved “During a season of heightened competitive promotions, Lyft prioritized the most durable, profitable demand in the marketplace”, according to their earnings call. Lyft chose not to match that promotional intensity, which meant forgoing some lower-margin rides that would have inflated volume at the expense of unit economics and the result was fewer rides and better financial results (total bookings still went up).

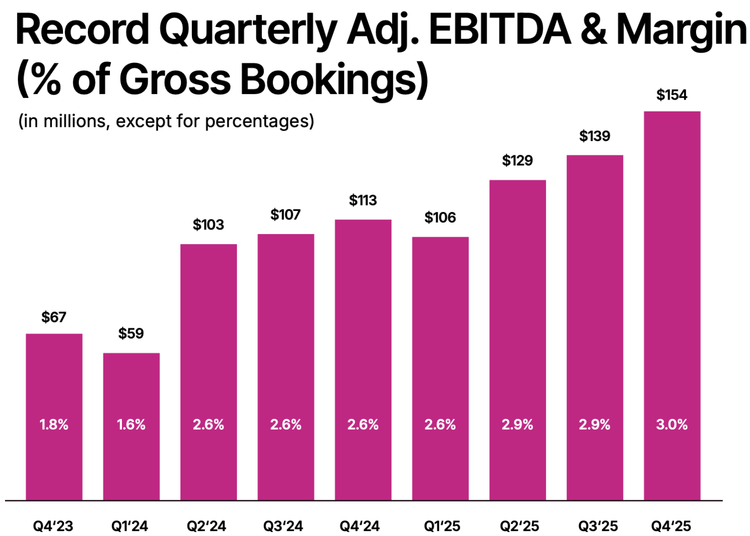




Gross bookings growth accelerated to 19% year-over-year, driven by an increase in rides volume and improved rate mix. Management explicitly guided forward that gross bookings growth will continue to outpace rides growth through the first half of the year as the platform continues incorporating higher-value services including better mix of rides, Freenow, and on-demand luxury cars. The ride count metric is therefore becoming a progressively less meaningful signal of business health as the mode mix shifts since the platform is earning more per booking on fewer rides and is compounding revenue quality.

Even though revenue declined from Q3 to Q4 management has stated that this drop was because of a one time expense related to "legal, tax, and regulatory reserve changes and settlements” and without them revenue would’ve reached $1.8B, higher than Q3’s $1,685 million.

Lyft's operational execution in 2025 systematically outperformed its own internal targets across every metric that matters for margin expansion, and the pattern of consistent outperformance is as analytically significant as the absolute numbers. Customer incentive efficiency improved 18% year-over-year against a 10% internal target, which is especially significant since a platform losing ground in a duopoly does not reduce incentive spend as a share of bookings. The fact that Lyft is becoming more efficient with promotional dollars while simultaneously growing active riders 18% year-over-year and gross bookings 19% is evidence that the platform's organic appeal, driven by density, partnerships, and mode mix, is doing more of the demand generation work than subsidies are.



The $1 billion share repurchase authorization, representing approximately 15% of market capitalization at announcement, also shows that management is confident in the fact that buying back stock is the highest-return use of capital available to the company, a statement that is only credible if management believes the intrinsic value of the business is meaningfully above where the market is pricing it. Yes, much of this buyback will be offset by dilution through Stock Based Compensation, but regardless the return to shareholders will still be there and the message it conveys is the same.

The 2027 plan targets of approximately $25 billion in gross bookings, approximately $1 billion in Adjusted EBITDA, and over $1 billion in free cash flow are very much within target at this point. FY2025 gross bookings need to compound at around 16% over two years, a rate Lyft has already demonstrated it can sustain, having grown gross bookings 15% in FY2025 with acceleration to 19% in Q4. The EBITDA path from $529 million in FY2025 to $1 billion in FY2027 implies roughly 37% compound annual growth, which is aggressive but consistent with the margin expansion trajectory already embedded in the operating model. At 4.7x trailing FCF on a business two years into a four-year plan it has consistently delivered against, the embedded assumption is failure, not execution.

Growth Engines and Catalysts

Despite narratives that the company is poised to stall, I believe there are a few verticals where Lyft is especially well positioned to grow in the next few years, which, combined with management discipline, should boost FCF.

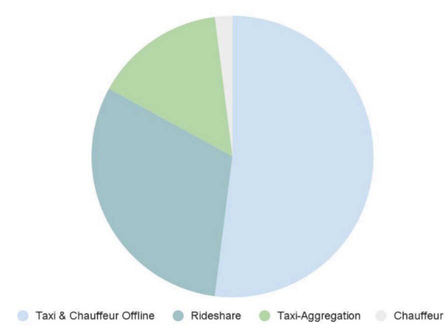
The Freenow acquisition, an established ride-hailing and taxi-hailing platform operating across nine European countries, instantly transforms Lyft from a North American rideshare company into a platform with an international footprint, though most of that exposure is in the Taxi business. Though smaller than Uber internationally and Bolt in Europe, Freenow's presence combined with Lyft's platform presents a solid opportunity for growth in a new market. Nine new country TAMs are being activated at effectively zero incremental customer acquisition cost, because the supply side already exists.

Operationally, driver cancellations on the Freenow platform are at multi-year lows, indicating operational health rather than a distressed asset being absorbed and Freenow provided the geographic footprint that made AV partnerships in London and Hamburg structurally accessible. Even though profit margins for this business are lower given its high exposure to the Taxi business, the $307 million purchase price is buying not just existing European revenue but optionality on AV deployments in two of the world's most strategically important mobility markets.

The European mobility market is large and growing, with strong industry tailwinds, and attractive unit economics.

- €41B industry in 2024 with taxi-aggregation forecasted to drive high-single digit CAGR from 2024 to 2030 [1].
- Significant untapped offline segment, ~50% of total market in 2024.
- Industry growth driven by taxi-aggregation as consumer habits continue to evolve from offline to online.
- European mobility markets exhibit a strong pricing structure, resulting in most markets driving higher average Gross Bookings per ride compared to Lyft's U.S. rideshare business.

FREENOW currently represents €1 billion of a €41 billion opportunity



The Business

- FREENOW is the leading taxi mobility platform in several major European cities, including Dublin, London, Athens, Berlin, Barcelona, Madrid, and Hamburg.
- Approx. 6.3 million riders in 2024.
- Gross Bookings of over €1 billion in 2024 and is Adjusted EBITDA positive.

Online Taxi

- Backbone of FREENOW's marketplace: ~78% of rides in 2024 and ~87% of Gross Bookings.
- Strong relationships with taxi unions, fleet owners, and regulators.
- Majority of vehicles and services are considered premium with faster pickups and drop-offs and access to bus/taxi lanes in certain markets.
- Regulated model: Regulator sets tariffs, FREENOW collects fees and commissions.

Rideshare
15% of rides in '24 and 10% of Gross Bookings

Micro mobility
7% of rides and 3% of Gross Bookings in '24

Expands Lyft across nine key European countries, in over 150 cities

Austria	Italy
France	Poland
Germany	Spain
Greece	UK
Ireland	

Organically, the supply side of Lyft's marketplace continues to compound in ways that reinforce the competitive position organically. Driver hours have grown year-over-year for twelve consecutive quarters, and the platform's improving ETA performance and incentive efficiency suggest that Lyft is attracting and retaining drivers at better unit economics than it did two years ago.

Following on their recent trend, new partnerships accelerate this cycle by adding demand without requiring promotional spend. The DoorDash integration demonstrated that a well-structured partnership can produce excellent results and serves a template that is replicable with other high-frequency consumer platforms. Each new partnership of this kind adds a demand anchor that is structurally stickier than a promotional discount, because the rider is not choosing Lyft based on price at that moment but based on loyalty currency they actually care about.

Lyft Ads is the most underappreciated line in the financial model and almost certainly the most undervalued asset in the current share price. The business exited Q4 2025 at a $100 million annual revenue run-rate, growing approximately 100% year-over-year, with a cost structure that is nearly zero at the margin since the advertising inventory is embedded in rides that are already happening, and the incremental cost of serving an ad unit to a captive rider in a five-minute trip is negligible.

The strategic analog is Uber Advertising, which Uber has explicitly called out as a premium-multiple business within its platform and which analysts now value separately from core rideshare. Lyft Ads is not in the current valuation at any meaningful level, a business growing 100% year-over-year toward $200 million in near-zero-cost revenue deserves a standalone multiple that the current 4.7x trailing FCF price implies is approximately zero. As the ads business scales toward materiality relative to total revenue, the multiple compression argument becomes increasingly difficult to sustain.

Mix improvement is the quietest driver of ARPU expansion in the model and the one that requires the least execution risk to deliver. Black, Black SUV, XL, and Business Travel rides carry meaningfully higher average revenue per ride than standard rideshare and have grown faster than the platform average for multiple consecutive quarters. For example, business travel activations grew 26% YoY.

Higher-revenue rides do not require proportionally higher incentive spend to supply, meaning that revenue per booking rises while overall costs stay flat or even go down as experienced drivers don't need as much incentives/subsidies, which means the mode mix shift is accreting directly to gross margin rather than simply inflating the top line. A platform with improving unit economics, on top of a supply base that is becoming more efficient is a business that should be trading at multiples higher than that of a dying company.

Valuation

Through a reverse DCF we can infer that the market is extremely bearish on the stock, pricing in a FCF growth (decline) of -12.4% (this is the growth that leads to a 0% upside, which would be happening if the market is efficient. This, of course, is mechanically wrong since the multiple compression has drastically reduced the current market cap and it drags the growhh estimates along with it. This means that if the multiple stays the same, if the narrative doesn't change, the market is efficient if the stock's FCF decreases 12% per year. The market is expecting Lyft not to perform well at all in the next few years, regardless of all the positives discussed above.

Current stock price	$13,76	LYFT								
Shares outstanding (million)	410									
Perpetuity growth rate	2,0%									
Desired return (discount rate)	11%									
FCF year 1 (million)	1115,00									
Growth rate year 1-10	-12,40%									
Cash flow estimates	***Year 1***	***Year 2***	***Year 3***	***Year 4***	***Year 5***	***Year 6***	***Year 7***	***Year 8***	***Year 9***	***Year 10***
FCF	1.115,00	976,74	855,62	749,53	656,59	575,17	503,85	441,37	386,64	338,70
Growth		-12,40%	-12,40%	-12,40%	-12,40%	-12,40%	-12,40%	-12,40%	-12,40%	-12,40%
Discounted FCFs	***Year 1***	***Year 2***	***Year 3***	***Year 4***	***Year 5***	***Year 6***	***Year 7***	***Year 8***	***Year 9***	***Year 10***
FCF	1.115,00	976,74	855,62	749,53	656,59	575,17	503,85	441,37	386,64	338,70
Present value	1.004,50	792,74	625,63	493,74	389,65	307,51	242,68	191,52	151,15	119,28
Sum discounted CFs	4.318,41									
Terminal value										
TV (Gordon)	3.763,30									
Present Value TV	1.325,38									
Total equity value										
Total equity value	5.643,78									
Value per share										
Intrinsic Value	13,77									
Upside/downside	0,04%									

FCF Bridge

FY2025 Baseline: **$1.12B FCF**

- (+) Organic FCF growth ~10% from volume growth, partnership flywheel, and mode mix improvement: +$110M
- (-) Freenow integration costs and one-time investments in AV: -$80-100M

- (+) Lyft Ads scaling toward $150M ARR at near-zero incremental cost: +$50M
- Modest FCF growth, consistent with management's "over $1 billion" floor guidance

FY2026: ~**$1.2B FCF**

- (+) Organic FCF growth ~10% from continued volume growth, partnership compounding, and mix: +$115M
- (+) Freenow integration drag rolls off, European synergies begin contributing: +$40M
- (+) Lyft Ads approaching $200M ARR at near-zero incremental cost: +$45M
- (-) Continued AV infrastructure investments -$25M

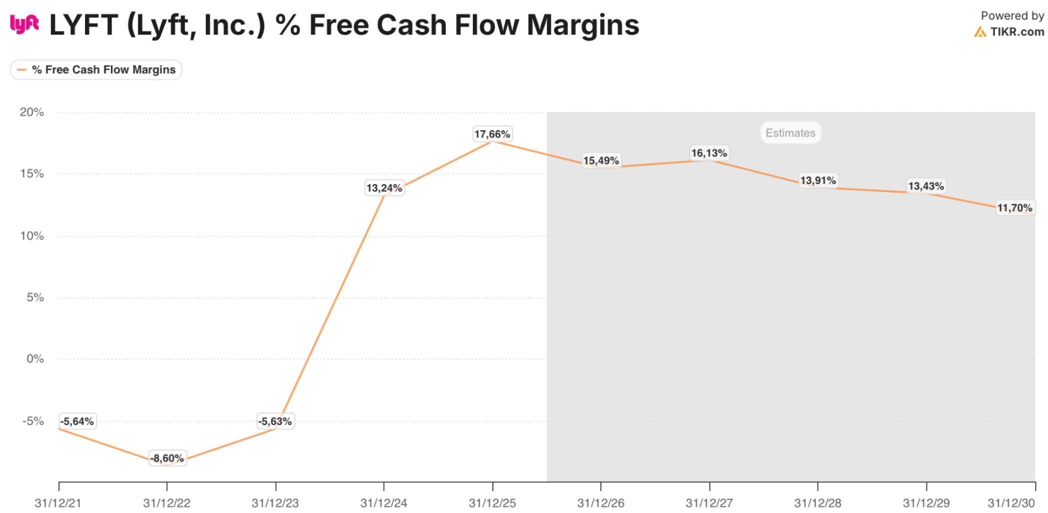
FY2027: **~$1.3B FCF**

Using conservative numbers for bookings growth (2026 was guided at 18% growth, the model projects 12%), normal take rates of 32% (Lyft's usually hovers

around 33%-37%) and FCF margins based on the bridge calculated above and further continuous top line growth and a stable 16% margin until 2028 and a drop to 14% after that, as analysts project, I project an upside potential of 93%, which would value the stock at $26.57.

Current stock price		$13.76	LYFT			
Shares outstanding (million) (Y10)		410				
Perpetuity growth rate		2.0%				
Discount Rate		11%				
Cash flow estimates	***Year 2025***	***Year 2026***	***Year 2027***	***Year 2028***	***Year 2029***	***Year 2030***
Gross Bookings	18,506.00	20,726.72	23,006.66	25,307.33	27,584.98	29,240.08
Gross Bookings Growth		12%	11%	10%	9%	6%
Take rate		35%	32%	32%	32%	32%
Revenue	6,316.00	7,254.35	7,362.13	8,098.34	8,827.20	9,356.83
FCF Margin		16.54%	17.66%	16.00%	14.00%	14.00%
FCF		1,200.00	1,300.00	1,295.74	1,235.81	1,309.96
Discounted FCFs	***Year 0***	***Year 1***	***Year 2***	***Year 3***	***Year 4***	***Year 5***
FCF		1,200.00	1,300.00	1,295.74	1,235.81	1,309.96
Present value		1,081.08	1,055.11	947.43	814.06	777.39
Sum discounted CFs		4,675.08				
Terminal value						
TV (at a 8x FCF exit multiple)		10,479.65				
Present Value TV		6,219.16				
Total equity value						
Total equity value		10,894.24				
Value per share						
Intrinsic Value		26.57				
Upside/downside		93.11%				

Holding FCF margins at 16% through 2028 is conservative relative to FY2025's actual 17.7% and is supported by structural tailwinds from Lyft Ads scaling at near-zero incremental cost, mode mix shifting toward higher-margin rides, and Freenow integration costs rolling off all of which suggest the current margin base is more durable than the headline number implies. The margin decrease in 2029 and 2030 reflect Lyft's increased competition as they grow in scale and have to adjust prices to directly compete with Uber and blend with lower margin businesses like Freenow to fuel geographic expansion. Analysts expect that number to drop as low as 11% but I believe Lyft's increasing partnership, flywheel effects and improved network effects will make their margins stickier than analysts believe.



Gross Bookings Growth follows a natural deceleration curve for a maturing platform and is actually conservative relative to current momentum — Lyft just delivered 15% in FY2025 with Q4 accelerating to 19% and management projects around 18% growth for Q1 2026. The gradual step-down from 12% to 6% reflects the law of large numbers as the gross bookings base approaches and exceeds $25 billion, increasing competition from Uber at scale, and the assumption that AV-driven TAM expansion takes time to materialize in the financials. It is a reasonable base case that does not require Lyft to lose share or gain it.

The Take Rate step-down from 35% to 32% in 2026-2027 directly reflects Freenow dilution. As European taxi volume becomes a larger share of consolidated gross bookings, the blended take rate compresses. This makes sense given Lyft's usual 32-37% take rate and would be in line given adjusted revenue for Q4 2025.

An 8x FCF exit multiple is deliberately conservative for a business with Lyft's profile. For context, the S&P 500 as a whole trades at approximately 20x free cash flow, and high-quality consumer platform businesses with durable network effects and double-digit growth typically command multiples well above that. Lyft at 8x is being valued like a structurally declining business or a capital-intensive industrial — neither of which describes a platform generating $1.3 billion in FCF, growing gross bookings double-digits, with improving unit economics and multiple underpenetrated growth vectors in Lyft Ads, Freenow, and AV fleet management.

Lyft itself usually trades at much higher multiples, floating around 10x in 2025 and trading at 20x-40x in 2024. At a current 4x FCF, the company’s multiples have never been so compressed and I believe as soon as the narrative about their growth proves to be an overreaction the market should re-rate that to at least 8x.

Uber, the most direct comparable, currently trades at approximately 20-25x LTM FCF so even applying a permanent, structural discount to Lyft for being the smaller North American player, lower scale, higher insurance costs, no Eats cross-subsidy, a 50-60% discount to Uber's multiple still produces a number well above 8x. The only scenario in which 8x is the correct terminal multiple is one where the market concludes that Lyft is in secular decline, FCF begins contracting post-2027, and the platform loses relevance as AVs disintermediate the marketplace entirely. That scenario is possible but is not the base case the operating data supports.

Multiple Scenario

In a narrative where the market re-rates Lyft in the next 2 years, by the end of 2027, we can apply the same 8x multiple to the FCF bridge we calculated a few pages ago. In this case, the math would look something like this:

2027 FCF: $1.3B FCF

X 8 FCF multiple

$10.4 B market cap by 2027

This would yield a **37% CAGR** for the next 2 years.

Both the DCF and the multiple scenario produce consistent price targets in the $25-27 range, with the CAGR framing reflecting a two-year re-rating timeline.

At 4x trailing FCF, Lyft's current valuation establishes a structural downside floor that limits long-term risk to the position. A private equity buyer acquiring Lyft at current prices would be purchasing over $1 billion in annual free cash flow for roughly $5.3 billion, a sub-5x entry multiple on a business with improving unit economics and a demonstrated margin expansion trajectory.

Standard LBO underwriting on a platform business of this quality would support a meaningful premium to current prices while still generating attractive returns at modest leverage, particularly given that Lyft's asset-light model and low capex requirements make it an unusually clean FCF story for a leveraged buyout structure. Uber itself holds approximately $7.6 billion in cash and short-term investments, more than enough to acquire Lyft outright at a significant premium to today's price and immediately realize cost synergies that would be transformative at the combined entity level.

This is a scenario that antitrust scrutiny makes unlikely, but it nonetheless establishes a ceiling on how far the stock can fall before strategic logic overwhelms public market pessimism. More broadly, a strategic acquirer seeking distribution scale at the moment of AV commercial deployment would find Lyft's 51 million annual riders and established marketplace infrastructure difficult to replicate organically at any price close to current levels. The practical implication is that the downside at current prices is bounded not just by the FCF multiple but by the acquisition economics and a buyer with a five-year horizon and an 8-10x exit assumption can pay a meaningful premium to today's price and still underwrite a compelling return, which means the public market is currently pricing Lyft below what a rational acquirer would pay for it in a private transaction.

Critical Risks

The most historically grounded risk in this thesis is promotional re-escalation between Lyft and Uber. The 2019-2022 period demonstrated with painful clarity what happens when both platforms compete primarily on price, where driver bonuses inflate, rider discounts widen, and neither company generates meaningful free cash flow regardless of gross bookings growth. Lyft's current margin expansion story is predicated on both companies having learned that lesson and internalized the shareholder destruction it produced. The problem is that this discipline is not a bilateral agreement, it is a unilateral bet that Uber will continue to prioritize profitability over share gains. Unfortunately, the company with more cash at hand has an upper hand in this battle.

Uber's Q4 2025 results showed the company explicitly investing in affordability initiatives to attract new users, and its Uber One membership grew 55% year-over-year, suggesting Uber is competing on loyalty economics rather than pure price, which is a more sustainable competitive dynamic than 2019-era discounting. But if Uber's growth decelerates, or a new entrant creates competitive pressure in key markets, the historical reflex is promotional escalation and Lyft, as the smaller platform with a shallower balance sheet, absorbs that pressure asymmetrically. Lyft’s management's incentive efficiency improvements are real, but they were achieved in a relatively good competitive environment.

AV disintermediation is the risk that is simultaneously most discussed and most underweighted in terms of its structural severity if it materializes. The scenario is that they succeed through channels that bypass Lyft entirely. Waymo One already exists as a direct-to-consumer app with an established brand in San Francisco and Tesla's Robotaxi network, if it deploys at the scale Elon Musk has projected, would route entirely through Tesla's own app with no platform intermediary.

The embedded assumption in Lyft's AV strategy, that AV operators will prefer marketplace distribution over building direct consumer relationships, is a bet on supplier behavior that has historically not aged well in platform businesses. When suppliers gain scale and brand recognition, they typically pursue direct channels to capture the margin the platform extracts. Lyft's counter-argument is that marketplace distribution provides demand aggregation, geographic coverage, and consumer trust that individual AV operators cannot replicate quickly. This risk does not threaten the 2026-2027 investment thesis since AV penetration below 5% of rides by 2027 means the core business is intact, but it is the scenario that needs active monitoring rather than passive assumption.

Red Flags That Would Trigger Position Review

- Gross bookings growth decelerates below 12% for two consecutive quarters
- Customer incentive efficiency improvements reverse (incentives as % of gross bookings increasing YoY)
- Waymo announces an aggressive Waymo One expansion
- Freenow disclosed as operating at a loss materially worse than acquisition underwriting
- Business travel cohort growth stalls below 10%
- Any AV partner (Waymo, Baidu) terminates partnership or announces direct-to-consumer priority strategy

Conclusion

Lyft is a structurally strong business with record FCF, record riders, record gross bookings trading at a valuation that prices in competitive irrelevance and autonomous displacement simultaneously.

The relevant question is not whether Lyft can defeat Uber or develop proprietary AV technology. It cannot, and the thesis does not require it to. The relevant question is whether Lyft can sustain FCF growth while executing the Freenow integration and AV partnerships, and Q4 2025 is direct evidence that it can. It was the most profitable quarter in company history, delivered during a period of heightened competitive promotions, with incentive efficiency and fixed-cost leverage both outperforming targets by a factor of two for the second consecutive year.

The downside is a well-run North American rideshare business generating over $1 billion in annual FCF at a low multiple, with a durable supply flywheel and improving unit economics. The upside is a meaningful re-rating as execution proves the bear case wrong, with incremental leverage from Lyft Ads, Freenow synergies, and mode mix expansion that the current 4x trailing FCF price implies is worth approximately nothing.

LYFT warrants a position at Ribeiro Capital, sized at around 8%-10% to capture the re-rating while the steady FCFs keep the business afloat.