

Uber Technologies Inc.

Market Mavericks

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11/18/24

Uber

Executive Summary

Investment Strategy

- Fundamental analysis to identify an undervalued technology company with strong growth potential.

Investment Pitch

- Buy 100 shares of UBER.

Current Price vs Analysis Price

- 69.04 (Current) – 90.79 (analysis) = $\$21.75$ (+31.50%)

Rationale

- UBER's dominant market position, consistent financial growth, and robust industry outlook make it a compelling buy.



Company Overview

Founding

- Uber was founded in 2009 by Garrett Camp and Travis Kalanick in San Francisco, revolutionizing urban transportation. Originally launched as UberCab, the company pioneered app-based ride-hailing services, establishing a new era of convenience in mobility solutions.

Business model

- Uber operates a platform-based model connecting drivers and riders. Leveraging dynamic pricing and a commission-based structure, it has diversified into Uber Eats (food delivery), freight logistics, and emerging autonomous vehicle technologies to drive growth and innovation.

Market Position

- In 2023, Uber led the global ride-hailing market with significant market share across all key regions, surpassing competitors through innovation and operational efficiency. Uber Eats also established itself among the top global food delivery platforms, strengthening its multi-segment dominance.

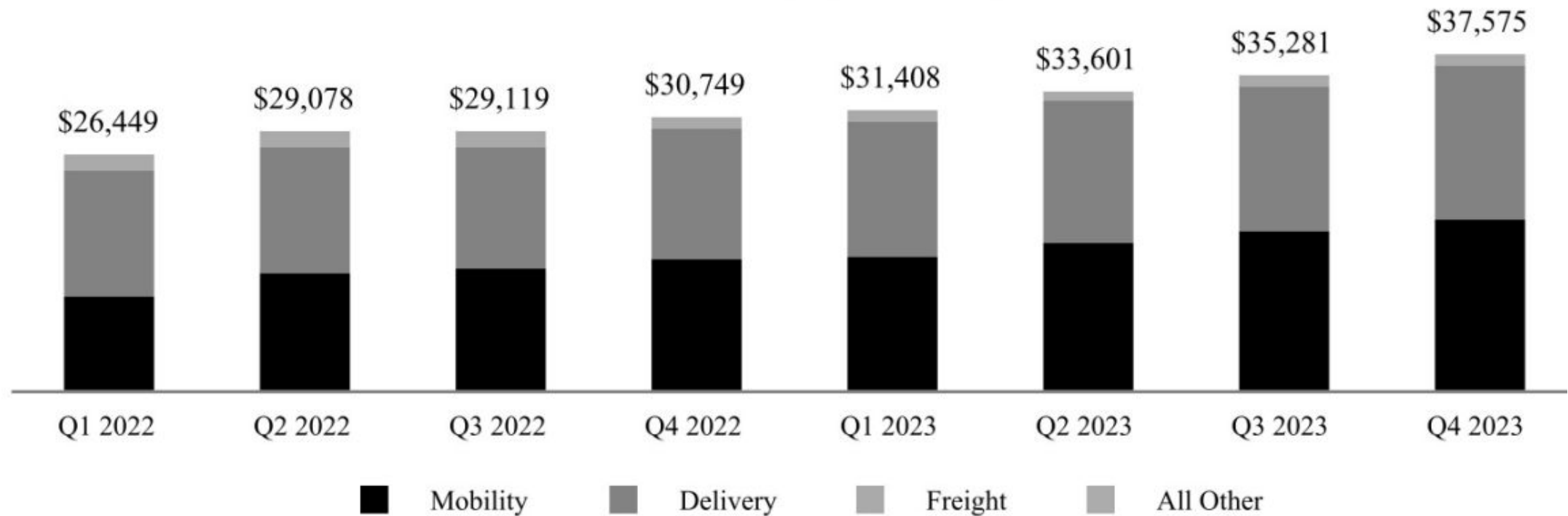
Global Reach

- Uber operates in over 70 countries and 10,000 cities globally, offering localized services across the Americas, Europe, the Middle East, Africa, and Asia-Pacific. With millions of active users, Uber caters to diverse mobility and delivery needs worldwide.



Earnings Analysis

Gross Bookings (in millions)



Investment Thesis

Company Name:	Uber Technologies	Analysis Price:	90.79
Ticker:	UBER	Analysis Date:	11/13/24
Sector:	Technology	Current Price:	69.04
Industry:	Software - Application	Target Price:	HOLD
Shares Out.:	2.11 Billion	Monthly Volume:	~21 Million
Market Cap.:	154.24 Billion	Beta (5y monthly):	1.35

Investment Thesis: BUY 100 Shares of UBER



Industry Analysis- Growth



Shared-Mobility Industry:

U.S. Market Size: \$314.5b

Global Market Size: \$731b

CAGR (5yr): 1.95% (US), 16.5% (GI)

Growth Drivers:

- Rising urbanization and congestion management efforts.
- Expansion of electric and autonomous vehicle fleets.
- Government policies to reduce emissions and promote ride-sharing services.



Food Delivery Industry:

U.S. Market Size: \$70b

Global Market Size: \$466b

CAGR (5yr): 8-10% (US), 10.8% (GI)

Growth Drivers:

- Consumer preference for convenience and meal delivery apps.
- Growth of subscription-based delivery services.
- Technological innovation in logistics, including drone delivery solutions.



Freight Services Industry:

U.S. Market Size: \$1.8t

Global Market Size: \$30.91b

CAGR (5yr): 11-15% (US), 11.3% (GI)

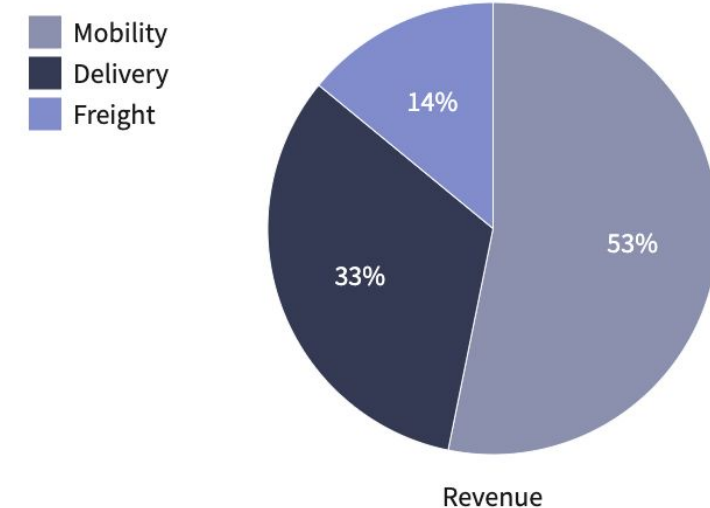
Growth Drivers:

- E-commerce boom driving last-mile delivery and supply chain demands.
- Advancements in digital freight matching platforms.
- Increasing emphasis on sustainability, including electric freight vehicles.

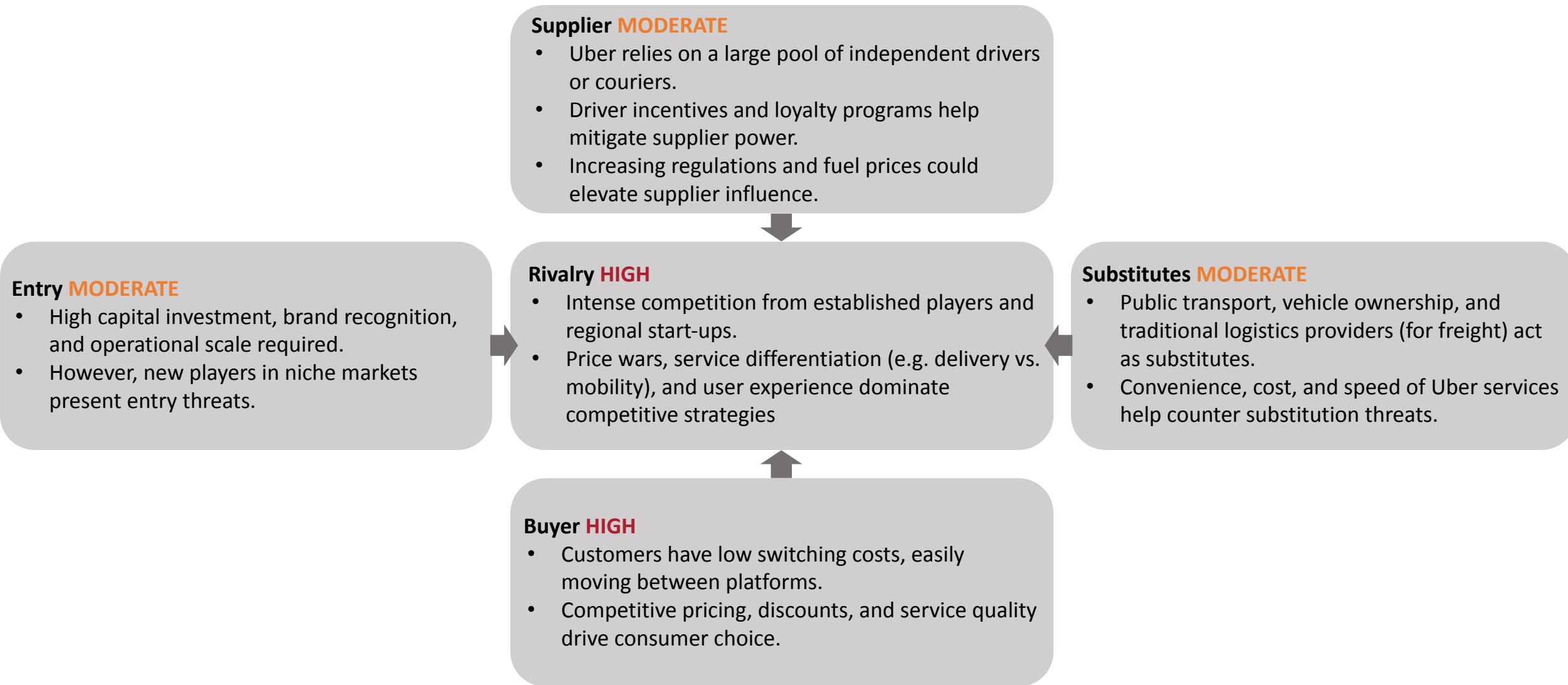


Industry Analysis- Market Share

	U.S. Market	Global Market	Key Metrics
Mobility Market	Uber: 72% (largest) Lyft: 26% Others: 2%	Uber: 37% (largest) Didi: 27% Lyft & others: combined 36%	Global Revenue (2023): \$18.6b - Operates in over 10,000 cities worldwide.
Delivery Market	Uber: 24% Doordash: 65% Grubhub: 8%	Uber Eats: 17% Doordash: 24% Combined others: 59%	Global Revenue (2023): \$12.5b - Operates in over 6,000 cities worldwide.
Freight Market	Uber Freight holds a modest share as part of the growing digital freight brokerage market.	Uber Freight : 2% - Competes with C.H. Robinson and Convoy.	Global Revenue (2023): \$7.4b - Active in North America and Europe, with recent expansions.



Porter's Five Forces



SWOT Analysis

Strengths

- **Brand recognition**
- **Network effects**
- **Tech platform**

Weaknesses

- **Driver Churn**
- **High Costs**
- **Profitability**

Opportunities

- **Self-driving**
- **Delivery**
- **New Markets**

Threats

- **Regulations**
- **Competition**
- **Labor Laws**



Annual Performance History (Price Return)

%	2020	2021	2022	2023	2024
UBER	71.49%	-17.78%	-41.02%	148.97%	12.07%
SP TECH	43.61%	34.74%	-27.23%	56.02%	17.91%
SPX	16.86%	26.89%	-19.44%	24.23%	24.29%

Yahoo Finance



5Y Comparative Return with S&P and S&P Tech Sector



UBER Comp Comparison



UBER Comp Comparison

	UBER	DIDIY	GRAB	DASH	LYFT
Market Value	154.24B	23B	19.05B	69.7B	7.5B
Enterprise Value	159.59B	18.5B	13.79B	64.5B	6.7B
EV/EBITDA	18.9x	14.8x	29.3x	25.3x	13.4x
Revenue	41.95B	27.8B	2.3B	8.6B	4.4B
FCF	5.957B	748.1M (2023)	684M	1.78B	641.2M
ROA	10.6%	0.36%	-1.08%	-1.54%	-1.34%
ROC	20.36%	0.53%	-	-	-2.49%
Total D/E	75.5%	9.9%	5.2%	7%	174%



UBER Liquidity Ratios

	2021	2022	2023	2024 YTD
Cash Ratio	0.48	0.49	0.57	.84
Current Ratio	0.98	1.04	1.19	1.41
Quick Ratio	0.75	0.80	0.93	1.18
Long-Term Debt/ Equity	75.37%	147.22%	102.93%	75.47%
EBITDA to Interest Expense	-5.46	-1.06	3.53	8.72



UBER Annual Performance

	2020	2021	2022	2023	2024 LTM
Return on Assets	-222.54%	-7.16%	-26.02%	3.14%	10.60%
Return on Capital	-31.10%	-9.32%	-38.58%	7.77%	20.36%
Return on Invested Capital	-24.79%	1.34%	-15.66%	2.65%	9.42%
EBITDA Margin	-28.76%	-5.92%	-3.21%	6.45%	11.15%
Operating Margin	-39.39%	-11.91%	-5.93%	4.24%	9.48%



Valuation Assumptions

Valuation Date:	11/18/2024	N Forecasted Years:	5
Revenue Growth Method:	Custom	Exit EV/EBITDA Multiple:	18.4x
Rev. Growth Rate 2024E:	24.5%	WACC Calc. Method:	Bloomberg
Rev. Growth Rate 2025E:	23%	WACC: Cost of Equity:	11.18% 11.28%
Rev. Growth Rate 2026E+:	20%	N Comparable Peers:	4



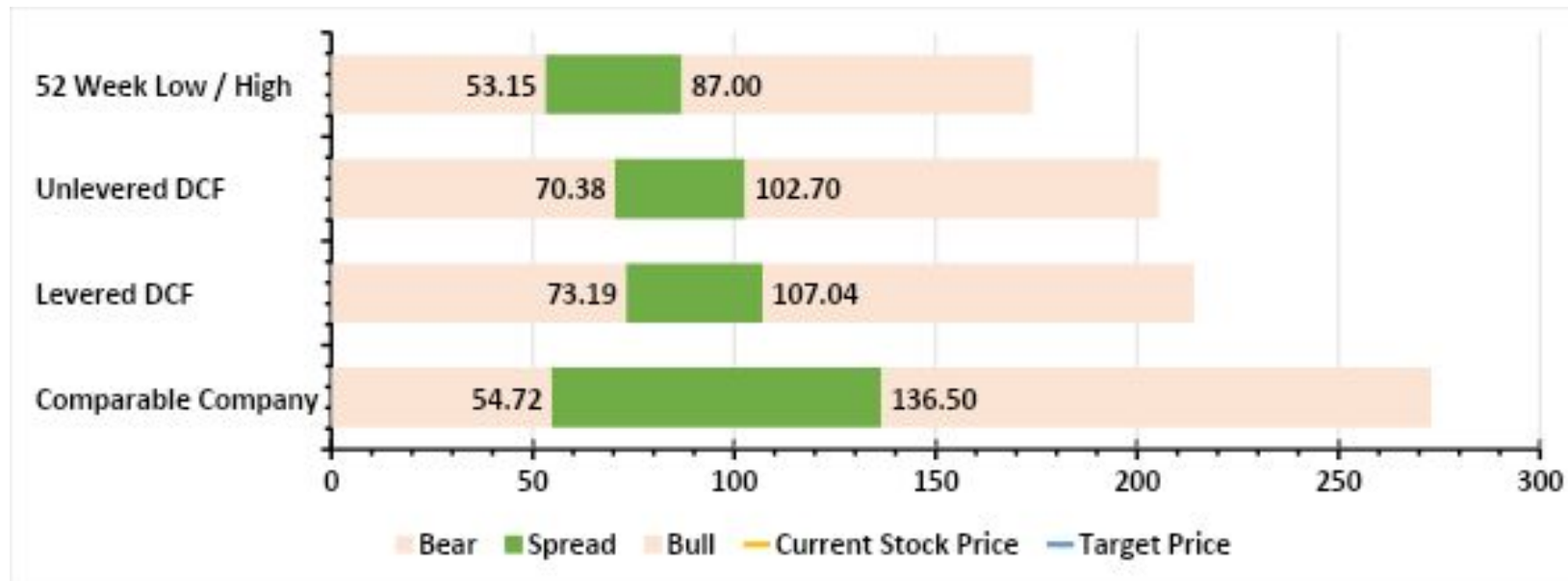
Valuation Model Outcomes

	Estimated Base Value Per Share	Model Weights
Unlevered DCF	\$ 86.56	33.4%
Levered DCF	\$ 90.04	33.33%
Comparable Company	\$ 95.61	33.33%



Valuation Target Price

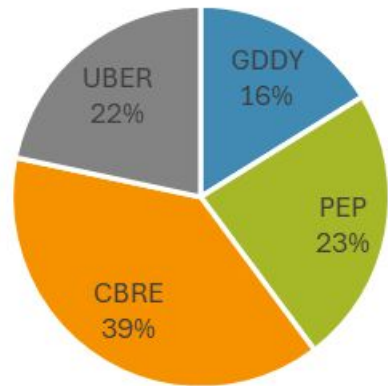
	Current	Bear	Base	Bull
Stock Price	\$69.04	\$66.15	\$90.75	\$115.47
Upside (Downside) \$		(\$2.89)	\$21.75	\$46.25
Upside (Downside) %		(4.18%)	31.51%	67.25%



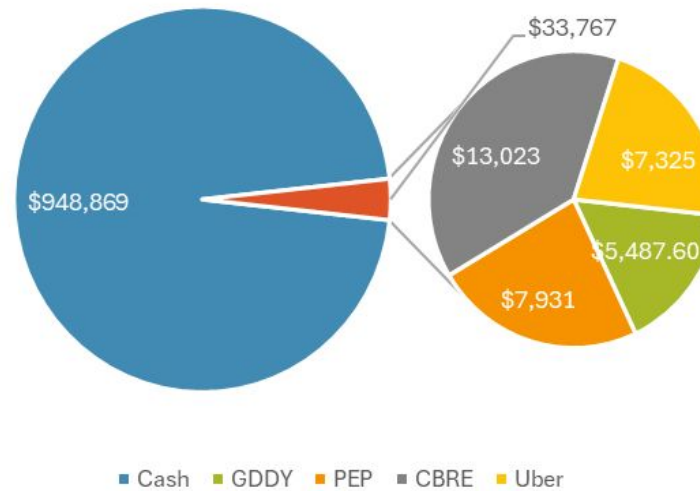
Effect on the Portfolio

Portfolio Breakdown

■ GDDY ■ PEP ■ CBRE ■ UBER

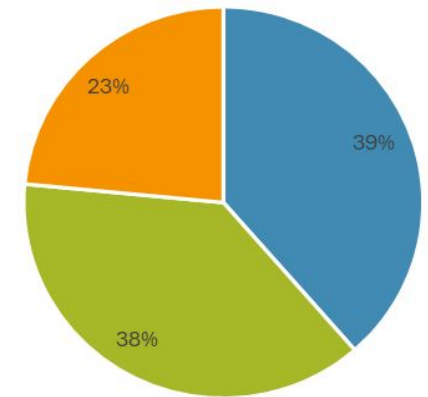


Breakdown of the portfolio



Sector Weights W/O Cash

■ Real Estate ■ Information Technology ■ Consumer Staples



Portfolio	Exp. Return	St. Dev*	Beta*	Sharpe Ratio*	Idio. Risk*	Info. Ratio*
Existing	6.15%	0.75%	0.0289	2.18	-	-
UBER	23.95%	12.87%	1.34	1.51	-	-
Adjusted	6.29%	0.79%	0.0389	2.26	-	-



Conclusion

Investment Thesis: **BUY** 100 Shares of UBER (~\$6,904)

- **Market Leadership:** Uber is a global leader in ride-hailing and food delivery services, operating in over 70 countries and 10,000 cities. Its innovative platform and brand recognition position it as a dominant force in the mobility and logistics sectors.
- **Growth Potential:** Uber demonstrates strong growth potential through market diversification, strategic expansions like Uber Eats and freight logistics, and advancements in autonomous vehicles, all supported by increasing global demand for tech-enabled mobility solutions.
- **Valuation Upside:** Uber's target valuation suggests potential upside driven by strong market trends, operational efficiency, and continued revenue growth in core and adjacent business verticals. Our analysis shows that Uber is currently underpriced and should be priced at 90.79 (31.51% higher).
- **Operating Efficiency and Scale:** Uber capitalizes on economies of scale with its vast global network, enabling efficient operations and higher margins. Its platform-based model ensures consistent user engagement and operational scalability across diverse markets.



Summary & Recommendation

Strategy Merits



- **Performance**

Based on our analysis, we can tell that Uber is undervalued and is a **BUY**.



- **Risk**

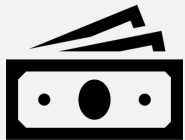
A competitive industry fighting for market share.



- **Effects on Portfolio**

The portfolio's expected return will increase from 6.15% to 6.29%. The Sharpe ratio also increased from 2.18 to 2.26.

Action Plan



- **Recommendation: Yes**

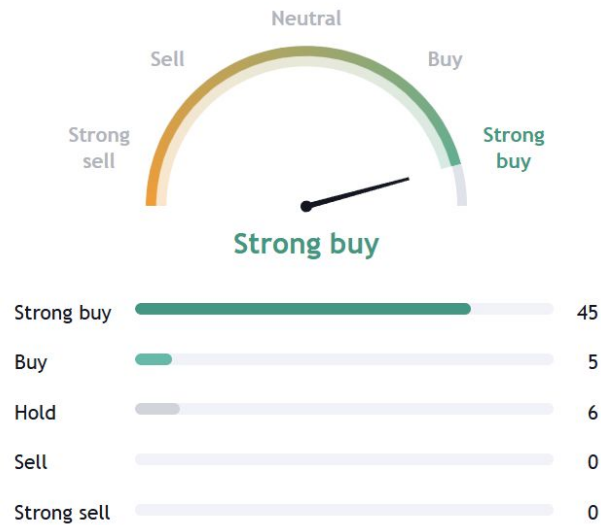
Allocate \$6,904 to purchase 100 amount of UBER shares at \$69.04 per share.



Analyst Recommendations

Analyst rating

Based on 56 analysts giving stock ratings to Uber Technologies, Inc. in the past 3 months.

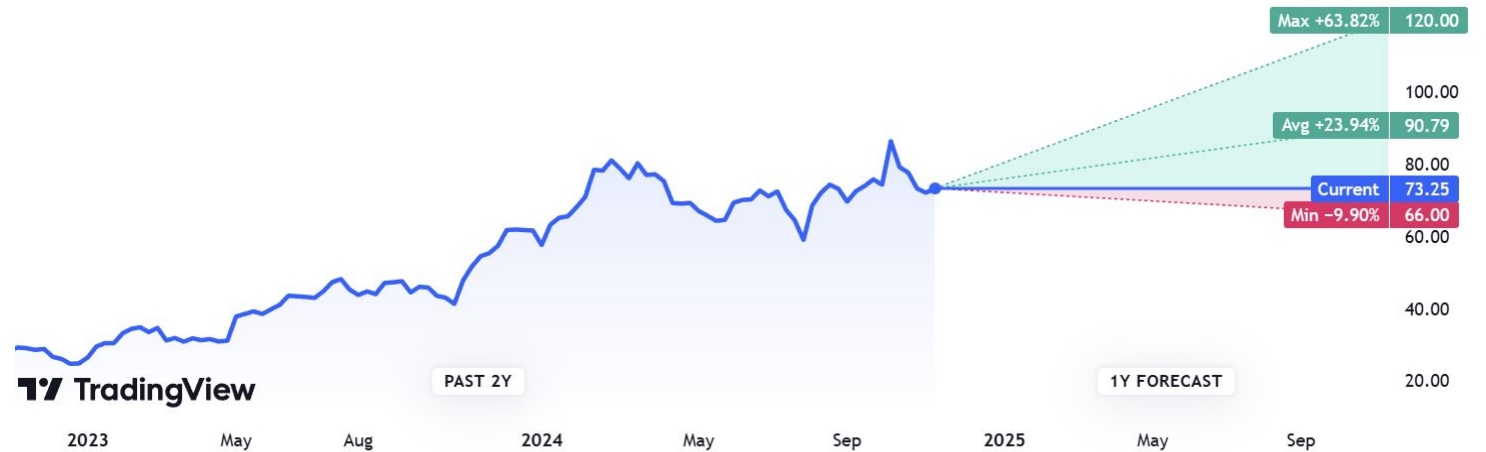


Price target

90.79 USD

+17.54 +23.94%

The 48 analysts offering 1 year price forecasts for Uber Technologies, Inc. have a max estimate of 120.00 and a min estimate of 66.00.



Overview of Valuation Models

FCF Firm - Perpetuity

FCF Firm - EBITDA

FCF Equity - Perpetuity

FCF Equity - EBITDA

Comparable Company

Dividend Discount



Discounted FCFF

Free Cash Flow to the Firm (FCFF):

Also called **Unlevered Free Cash Flow**, is a multi-step calculation used in a Discounted Cash Flow analysis to estimate Enterprise Value (total firm value). FCFF is a hypothetical figure, an estimate of what it would be if the firm was to have no debt.

Corporate Finance Institute: Cash Flow Guide



Discounted FCFE

Free Cash Flow to Equity (FCFE):

Also called **Levered Free Cash Flow**, is used in financial modeling to estimate the equity value of a firm. It only represents the cash flow available to equity investors (interest to debt holders has already been paid).

Corporate Finance Institute: Cash Flow Guide



Comparable Company Analysis

Comparable Company Analysis:

“**Comps**” for short, is a valuation methodology that looks at ratios of similar public companies and uses them to derive the value of another business. Comps is a relative form of valuation, unlike a Discounted Cash Flow (DCF) analysis, which is an intrinsic form of valuation.

Corporate Finance Institute: Comparable Company Analysis



Dividend Discount Model

Dividend Discount Model (DDM):

A quantitative method of valuing a company's stock price based on the assumption that the current fair price of a stock equals the sum of all the company's future dividends discounted back to their present value.

Corporate Finance Institute: Dividend Discount Model



Key Terms

Performance Metrics

- **Alpha (α):** Measures a strategy's performance relative to a benchmark. Positive alpha indicates outperformance.
- **Sharpe Ratio:** Risk-adjusted return based on total risk (Return - Risk-Free Rate) / Standard Deviation.
- **Sortino Ratio:** Similar to Sharpe, but only considers downside risk, ignoring positive volatility.
- **Information Ratio:** Measures returns above a benchmark relative to the tracking error.
- **Treynor Ratio:** Risk-adjusted performance based on beta (Return - Risk-Free Rate) / Beta.

Parameters

- **Market Cap:** Total value of a company's shares (Share Price \times Total Shares Outstanding).
- **P/E Ratio:** Price-to-Earnings Ratio. Measures how much investors pay per dollar of earnings.
- **Rebalance:** Adjusting portfolio holdings to match the desired allocation (e.g., quarterly).

Risk Measures

- **Beta (β):** Measures sensitivity to market movements. A beta of 1 means the stock moves with the market.
- **Idiosyncratic Risk:** Risk unique to a specific asset, not due to market movements (e.g., company-specific events).
- **Systematic Risk:** Market-wide risk that affects all securities (e.g., interest rate changes).
- **Standard Deviation (σ):** Measures volatility by showing how much returns deviate from the average.
- **Max Drawdown:** The maximum observed loss from peak to trough during a specific period.
- **SML (Small Minus Large):** Measures the excess return of small-cap stocks over large-cap stocks.
- **HMB (High Minus Low):** Measures the excess return of high book-to-market stocks over low book-to-market stocks.



Key Terms continued

Valuation Terms

- **EV = Enterprise Value:** the measure of a company's total value. It looks at the entire market value rather than just the equity value, so all ownership interests and asset claims from both debt and equity are included. EV can be thought of as the effective cost of buying a company or the theoretical price of a target company (before a takeover premium is considered).
 - Simple EV = Market Capitalization + Market Value of Debt – Cash and Equivalents
 - Extended EV = Common Shares + Preferred Shares + Market Value of Debt + Noncontrolling Interest – Cash and Equivalents
- **TV = Terminal Value:** the estimated value of a business beyond the explicit forecast period. It is a critical part of the financial model, as it typically makes up a large percentage of the total value of a business. There are two approaches to the DCF terminal value formula: perpetual growth and exit multiple.
 - Perpetual Growth: Used by Academics, assumes business will continue to generate Free Cash Flow at a normalized rate forever.
 - Exit Multiple: Used by Industry, assumes business is sold for a multiple of some metric, typically EBITDA, based on currently observed comparable trading multiples.
 - $TV = \text{Financial Metric (i.e. EBITDA)} \times \text{Trading Multiple}$
- **RV = Relative Valuation:** Models are used to value companies by comparing them to other businesses based on certain metrics such as EV/Revenue, EV/EBITDA, and P/E ratios. The logic is that if similar companies are worth 10x earnings, then the company that's being valued should also be worth 10x its earnings. The two most common types of relative valuation models are **comparable company analysis** and **precedent transactions analysis**.
- **EBITDA = Earnings before Interest, Taxes, Depreciation, and Amortization:**
 - The EBITDA metric is a variation of operating income (EBIT) that excludes certain non-cash expenses. The purpose of these deductions is to remove the factors that business owners have discretion over, such as debt financing, capital structure, methods of depreciation, and taxes (to some extent). It can be used to showcase a firm's financial performance without the impact of its capital structure.
 - EBITDA is not a recognized metric in use by IFRS or US GAAP. In fact, certain investors like Warren Buffet have a particular disdain for this metric, as it does not account for the depreciation of a company's assets.



Key Terms continued

Valuation Terms Continued

- **NOPAT = Net Operating Profit After Tax:** NOPAT stands for Net Operating Profit After Tax and represents a company's theoretical income from operations if it had no debt (no interest expense). NOPAT is used to make companies more comparable by removing the impact of their capital structure. In this way, it's easier to compare two companies in the same industry (i.e., one with no leverage and the other with significant leverage).
- **Spread:** The difference or gap between two related values, such as buying or selling prices.
- **CAGR = Compound Annual Growth Rate:** The measure of an investment's annual growth rate over time, with the effect of compounding considered. It is often used to measure and compare the past performance of investments or to project their expected future returns.
 - $CAGR = (Ending\ Value / Beginning\ Value)^{(1 / No.\ of\ Periods)} - 1$.
- **WACC = Weighted Average Cost of Capital:** Used in financial modeling as the discount rate to calculate the net present value of a business. More specifically, WACC is the discount rate used when valuing a business or project using the **unlevered free cash flow** approach. Another way of thinking about WACC is that it is the required rate an investor needs to consider investing in the business.
- **Unlevered versus Levered:**
 - Levered cash flow is the amount of cash a business has after it has met its financial obligations.
 - Unlevered free cash flow is the money the business has before paying its financial obligations.
 - It is possible for a business to have a negative levered cash flow if its expenses exceed its earnings.
- **Bloomberg's Debt Adjustment Factor:** Represents the average yield above government bonds for a given rating class. The lower the rating, the higher the adjustment factor. The debt adjustment factor (AF) is only used when a company does not have a fair market curve (FMC). When a company does not have a credit rating, an assumed rate of 1.38 (the equivalent rate of a BBB+ Standard & Poor's long term currency issuer rating) is used. The exact calculation of the debt adjustment factor is a Bloomberg proprietary calculation.

