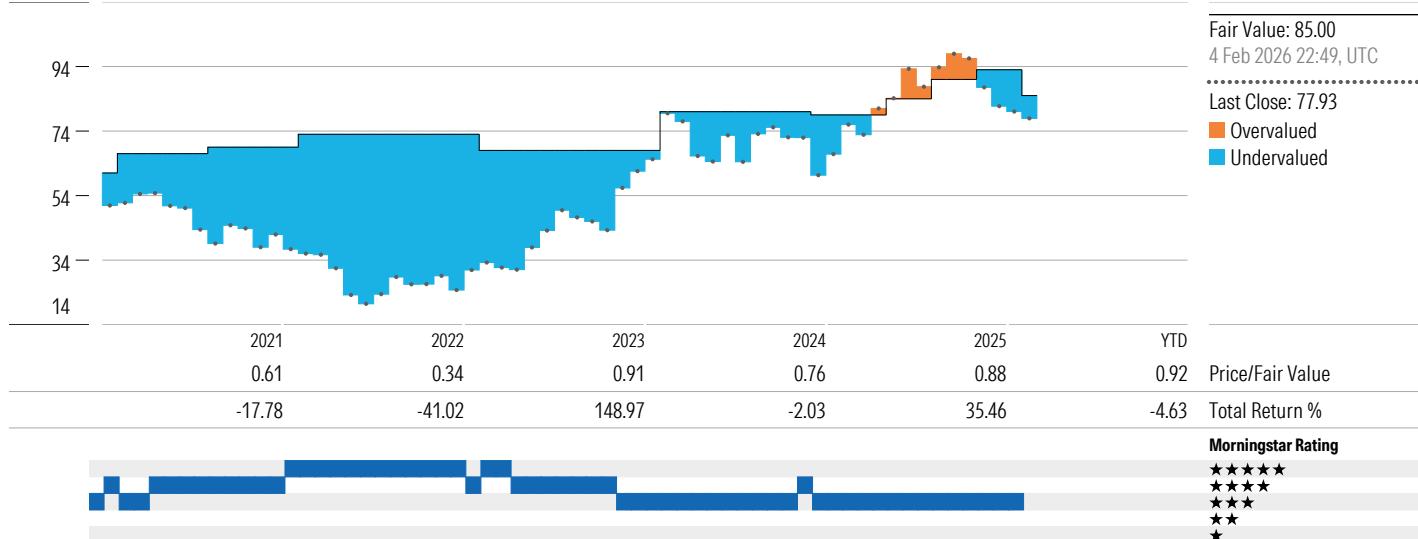


# Uber Technologies Inc UBER ★★★ 4 Feb 2026 22:51, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment <sup>1</sup>
77.93 USD 3 Feb 2026	85.00 USD 4 Feb 2026 22:49, UTC	0.92	153.59 USD Bil 4 Feb 2026	Narrow	Large Blend	Very High	Standard	 7 Jan 2026 06:00, UTC

## Price vs. Fair Value



Total Return % as of 03 Feb 2026. Last Close as of 03 Feb 2026. Fair Value as of 4 Feb 2026 22:49, UTC.

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The primary analyst covering this company does not own its stock.

The ESG Risk Rating Assessment is a representation of Sustainalytics' ESG Risk Rating.

## Uber Earnings: Network Effect Is Strengthening, but Future AV Impact Remains Uncertain

**Analyst Note** Mark Giarelli, Analyst, 4 Feb 2026

Uber's fourth-quarter gross bookings grew 22% year over year, exceeding management's guidance of 20%. The firm estimates slightly lower year-over-year growth (19% at the midpoint) for the next quarter. We suspect guidance and autonomous vehicle uncertainty are the main reasons for the stock decline.

**Why it matters:** Based on all quantifiable network-effect metrics, Uber's two-sided marketplace flywheel remains intact, but persistent uncertainty about the impact of autonomous vehicles and associated headline risk creates a sizable headwind to a positive re-rating for the foreseeable future.

- Core user growth is accelerating (18% year over year, compared with a 15% trailing two-year average), food delivery growth is the highest since 2022, and engagement (trips per user) is stable. Still, durability and value-chain positioning are being questioned amid the introduction of AVs.
- The key long-term tension for Uber is whether it can remove human drivers, remain asset-light, and capture an increasing platform share (all bullish), or whether it must invest heavily in AVs or pay Waymo large spreads under partnership models. We believe the answer is somewhere in between.

**The bottom line:** We maintain our narrow moat rating and lower our fair value estimate to \$85 from \$93, after scaling back our mobility growth assumptions to reflect our view that AV companies—such as Waymo and Tesla—are willing to bypass potential Uber partnerships in favor of controlling the rider relationship directly.

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Sector	Industry
 Technology	Software - Application

## Business Description

Uber Technologies is a technology provider that matches riders with drivers, hungry people with restaurants and food couriers, and shippers with carriers. The firm's on-demand technology platform is currently utilized by traditional cars as well as autonomous vehicles, but could eventually be used for additional products and services, such as delivery via drones or electronic vehicle take-off and landing (eVTOL) technology. Uber operates in over 70 countries, with over 180 million users who order rides or food at least once a month.

- Based on our analysis, asset-light partnerships between AV companies, Uber, and a financing partner (that views AV ownership as a yield vehicle), have the best unit economics, but this hasn't been playing out. Waymo appears to be dragging its feet on partnerships, and we believe this will persist indefinitely.
- Shares appear cheap, but we recommend holding off on investing until the shares trade in the \$60s.

## Business Strategy & Outlook

Mark Giarelli, Analyst, 4 Feb 2026

Uber is the largest on-demand ridehailing provider in the world. It has matched riders with drivers completing trips over billions of miles and, at the end of December 2025, has 202 million customers using its ridehailing or food delivery services at least once a month. We view Uber as a leader in the growing ridehailing and delivery markets, which we expect to grow at least 15% annually until 2032. The firm faces ridehailing competition from players such as Lyft (mainly in the US), but Uber is the clearly superior network. Uber also faces increasing competition from rapidly scaling AV platforms like Waymo and Tesla.

Uber helps people get from Point A to Point B by taking ride requests and matching them with drivers available in the area. Uber generates gross booking revenue from this service (the firm's mobility segment), which is equivalent to the total amount that riders pay. From that, Uber keeps what remains after the driver takes its share.

Uber's business grew more diversified as the pandemic spurred demand for food delivery services. The delivery segment remains resilient despite the receding pandemic, trailing only DoorDash in terms of US food delivery volume, while the ridehailing business faces some concerns relative to AV platforms self-operating and taking market share.

The largest theme going forward is both the threat and the opportunity presented by autonomous vehicles (AVs). AVs could theoretically replace Uber as the primary demand aggregator, or the AV companies could partner with Uber's network and massively reduce Uber's costs, which could dramatically improve operating profit and margins. Uber's network effects—as measured by core user base, engagement, and monetization—are strong. Uber consistently strengthens these metrics by adding new users and collecting data on every trip which allows them to continually improve dynamic pricing and utilization algorithms which, in turn, increases the value proposition to AV companies. All considered, we like the firm's headstart in the ridehail market, but it needs more AV companies to emerge and compete with Waymo and Tesla so it can have better partnership economics.

## Bulls Say

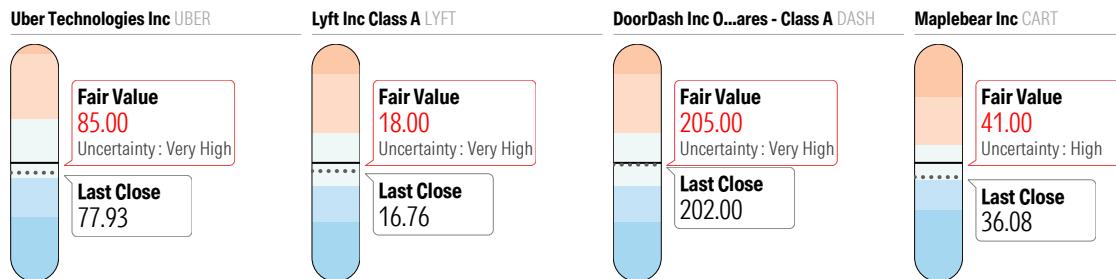
Mark Giarelli, Analyst, 4 Feb 2026

- Uber's role as the premier ridehailing and delivery demand aggregator positions it as the perfect partner for autonomous vehicle companies looking to scale AV fleets and achieve high utilization rates.
- Strong core user base growth reinforces Uber's network effect, generating a virtuous cycle where more

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## Competitors



Economic Moat	 Narrow	 None	 Narrow	 None
Currency	USD	USD	USD	USD
Fair Value	85.00 4 Feb 2026 22:49, UTC	18.00 6 Nov 2025 04:52, UTC	205.00 7 Aug 2025 06:50, UTC	41.00 18 Dec 2025 16:31, UTC
1-Star Price	148.75	31.50	358.75	63.55
5-Star Price	42.50	9.00	102.50	24.60
Assessment	Fairly Valued 4 Feb 2026	Fairly Valued 4 Feb 2026	Fairly Valued 4 Feb 2026	Fairly Valued 4 Feb 2026
Morningstar Rating	★★★ 4 Feb 2026 22:51, UTC	★★★ 3 Feb 2026 23:05, UTC	★★★ 3 Feb 2026 23:08, UTC	★★★ 3 Feb 2026 23:09, UTC
Analyst	Mark Giarelli, Analyst	Mark Giarelli, Analyst	Mark Giarelli, Analyst	Mark Giarelli, Analyst
Capital Allocation	Standard	Standard	Standard	Standard
Price/Fair Value	0.92	0.93	0.99	0.88
Price/Sales	3.34	1.13	7.23	2.85
Price/Book	5.76	11.74	9.17	2.77
Price/Earning	10.40	43.31	101.80	19.82
Dividend Yield	0.00%	0.00%	0.00%	0.00%
Market Cap	153.59 Bil	6.45 Bil	84.40 Bil	9.59 Bil
52-Week Range	60.63–101.99	9.66–25.54	155.40–285.50	34.78–53.50
Investment Style	Large Blend	Small Blend	Large Growth	Small Blend

riders on the platform encourage more drivers to join the platform and vice versa.

- Uber's large user base provides rich data for further improvement to supply demand matching algorithms, enhancing its proprietary fleet management software and value proposition to AV companies.

### Bears Say Mark Giarelli, Analyst, 4 Feb 2026

- AV companies have a superior cost structure because AV companies do not need to pay drivers. AV companies will develop exclusive applications and effectively cut Uber out of the entire market.
- Uber's value proposition to AV companies is fragile and concentrated on lower-margin fleet management services like charging and cleaning.
- Ridehailing is still a relatively new industry, which leaves plenty of room for increasing regulations. The mandatory classification of gig workers as full-time employees could compress margins and hurt the company.

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## Economic Moat Mark Giarelli, Analyst, 7 May 2025

Uber operates as a dynamic marketplace that we believe warrants a narrow moat rating based primarily on network effects. While other rivals also enjoy network effects, none have Uber's scale, which provides Uber with a cost advantage in which fixed costs are spread across more trips. The firm also fosters unmatched engagement, which provides an intangible asset in the form of user data. This user data contributes to virtuous cycles where increased trips leads to more data and more data leads to improved application performance and improved application performance leads to more trips. The strength of Uber's network effect is the critical determinant of its ability to maintain returns above its cost of capital over time.

The network effect can be thought of loosely as supply informing demand and demand informing supply. Supply is drivers and demand is riders or eaters. Ridehailing marketplace companies like Uber incentivize drivers and couriers (supply-side) by creating a marketplace where they can earn wages. At the same time, the ridehailing marketplaces provide an on-demand service for riders and eaters (demand-side). Combining supply and demand creates the network where Uber acts as an aggregator.

The keys to evaluating the strength of a network include various measurements, such as user base growth (monthly active platform consumers, or MAPC), engagement trends (frequency or trips per MAPC), and monetization trends (revenue per trip).

Looking at core user base growth, growth among the market leaders Uber and Dash has matured and stabilized but has been lower and volatile at laggard Lyft. Uber has averaged 15% growth year over year since the start of 2022, while Lyft has had a subpar 10% average growth with swings from 7% to 16% in that timeframe. Importantly, Uber maintains a growth rate that is superior to Lyft's despite its far larger size—indicating that consumers (demand-side) are more attracted to Uber's marketplace network which, in turn, attracts more drivers (supply-side).

Engagement and frequency trends, as measured by trips per MAPC, further quantify the strength of network effects. Uber's consistently high engagement of 16-18 trips per MAPC is superior to DoorDash's 12-15 and Lyft's 8-9. This metric underscores Uber's platform stickiness, suggesting a deeply embedded value proposition for users. The stability of engagement indicates that Uber has evolved from a discretionary service to a daily utility for many of its customers.

Lyft generates the highest revenue per ride, but this figure requires a nuanced lens. Lyft has extremely volatile revenue per trip metrics, indicating a willingness to rapidly shift pricing to preserve market share. On the other hand, Uber's monetization is skewed downward due to its global presence and exposure to lower disposable income economies. Most importantly, Uber's monetization is stable and growing while simultaneously capturing more of the market. According to Uber, the company

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intentionally keeps monetization slightly lower than Lyft to strategically limit Lyft's market share while maximizing Uber's profitability.

In addition to the figures Uber and its peers report directly, we have evaluated data provided by New York City. NYC publishes granular statistics every month regarding paid rides. Looking at more than 1 billion rides over multiple years demonstrates the network effects present on Uber's platform. Uber is gaining market share, scaling more effectively than competitors and effectively charging more per mile without losing customers.

While much harder to quantify, we believe Uber enjoys indirect network effects in the form of intangible assets. The value of Uber's data is increasing as rides accumulate, allowing the firm to improve its marketplace pricing algorithms and utilization rates. This is shown by Uber growing faster and pulling away from its competition as it scales.

In addition to the quantifiable components of the network effect, qualitative and more ambiguous predictors of future cash flows exist, especially the threats and opportunities presented by autonomous vehicles.

As it stands today, Uber is the premier demand aggregator and has the most leverage over both supply and demand. Autonomous vehicle companies like Waymo and Tesla recognize Uber's profitability from aggregation, and thus, are incentivized to develop networks of their own. However, demand is not linear throughout the day, complicating the calculus for AV companies and reflecting Uber's competitive position. Demand for ridehailing has immense concentration around the 8:00 a.m. and 5:00 p.m. rush hours which presents an unsolvable capital allocation issue for AV companies. Either AVs build too much capacity (poor capital allocation) or too little (potentially poor user experience on a nascent platform). Supply on Uber's platform more naturally adjusts to peaks in demand. Effectively, Uber is able to optimize utilization while AVs cannot.

Additionally, we believe the market is underestimating the operational challenges AVs face. Running a decentralized fleet of robotaxis will likely require a significant amount of time and knowledge to maintain a high-quality and efficient operation. By partnering with Uber, an AV company would avoid overinvestment and negative consumer experiences while attaining mutual value creation. Additionally, AV companies can maintain focus on core competencies as OEMs without the headache of fleet utilization.

These operational challenges and the nonlinear demand predicament inform our base case that partnerships and licensing fees between marketplace aggregators and AV companies are the most likely outcome.

## Fair Value and Profit Drivers Mark Giarelli, Analyst, 4 Feb 2026

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Our \$85 fair value estimate represents an enterprise value of 3 times our 2026 revenue estimate. We project that Uber's revenue over the next five years will grow 11% annually, on average, consistent with our understanding of the nascent, but maturing, ride-hail market.

To build our revenue, we developed a model that captures the dynamics of a fast-growing yet maturing technology while also factoring in the incremental adoption of autonomous vehicles (AVs). We forecast gradually decreasing year-over-year growth in gross bookings starting at 15% in 2026 and progressing downward to 8% in 2035, which approximately equates to 15 billion trips in 2027 and 30 billion trips in 2034. We believe Uber's role as the premier demand aggregator in ride-hailing and delivery positions it well amid this potential technological inflection point in the industry, but we also bake in some risk associated with the potential for AV companies to operate their own applications and compete directly with Uber for the long-run.

Uber has diversified segments that contribute to revenue. In the mobility sector, we anticipate continued growth in underpenetrated international and low-population-density markets. In delivery, we believe we are in the early innings of Uber's e-grocery delivery venture, and we like the diversification that this revenue stream brings. We expect consumers to gravitate to convenience as e-grocery catalog sizes continue to improve. Uber's smallest segment, freight, is positioned well to benefit from the increasing digitization of logistics.

We expect revenue to grow faster than key cost of revenue components like car insurance, which should result in gross margin expansion. As of May 2024, there was a staggering 23% increase year over year in insurance premiums according to the consumer price index for motor vehicle insurance. As of March 2025, this increase is 7% year over year. As a result, insurance costs have been a significant headwind to the ride-hailing industry; however, we expect continued moderation in the level of increases over the next few years, which will help improve Uber's margin profile. On research and development, Uber has pulled back from capital-intensive autonomous technology development. This has boosted near-term profitability, but also raises the question of whether Uber gave up too early, as it now lacks some bargaining power when negotiating with Waymo and Tesla. In sales and marketing, Uber has seen a downward trend, which correlates with it achieving critical mass. Currently, there is such brand awareness (a la "ordering an Uber" or "Ubering") that we expect sales and marketing expenses to decrease as a percentage of revenue.

The firm had been unprofitable until 2022. Uber achieved GAAP profitability in 2023, and we project the firm will remain profitable in 2026 and beyond. Uber had struggled with negative operating margins historically, but we expect the 2025 11% adjusted operating margin to expand to nearly 14% by 2028.

## Risk and Uncertainty Mark Giarelli, Analyst, 7 May 2025

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We assign Uber a Very High Morningstar Uncertainty Rating. The main uncertainty and cause of near-term volatility is the potential impact of autonomous vehicles, or AVs, on the ridehailing industry.

AVs present both an opportunity and a risk. A partnership between Uber and an AV firm like Waymo or Tesla could allow for the removal of some human drivers and massive margin expansion for Uber. The risk, however, is that AV companies encroach on Uber's value proposition by quickly rolling out the AVs while simultaneously designing an additional exclusive demand aggregation applications, effectively cutting Uber out.

AV companies understand that Uber profits by being the aggregator of demand. Often within networks, most of the spoils of a transaction flow to the aggregator thanks to ease of application use and zero marginal cost of adding new users. Even though Uber has a massive head start, an AV company with grand ambitions is incentivized to explore this application development avenue.

There are some environmental concerns around carbon emissions that could present themselves as a risk to the business model. Uber operates in a variety of jurisdictions and if any of the regulatory bodies governing these jurisdictions demands a transition to electronic vehicles to reduce carbon emissions, it could compress supply-side participation in the platform or at least cause lags in activity until there is a sizable transition of traditional gas-powered vehicles to electronic vehicles.

Additionally, Uber's business model relies on classification of drivers as part-time gig workers instead of full-time employees, which allows Uber to have a reduced cost structure. Uber has incurred legal expenses and battled this issue before in the courts, notably through Proposition 22 in California. While the ruling was favorable, it is possible that other jurisdictions choose to embark on a crusade against the current classification of part-time workers on the platform.

## Capital Allocation Mark Giarelli, Analyst, 4 Nov 2025

We assess the Capital Allocation Rating for Uber as Standard.

We view Uber's balance sheet as sound, given that we expect the firm to remain profitable.

On the investment front, we view management's performance as fair. While as a first mover the firm aggressively launched ridehailing platforms in many markets around the world, various bumps on the road, such as differences in cultures and laws, prevented the firm from grabbing the number one or two positions in several markets. However, we also applaud Uber's decision to sell several sub-scale operations and take equity stakes in market leaders such as Didi (2016) and Grab (2018). The firm also sold its autonomous vehicle technology business to Aurora in 2020 and invested equity in the company, where Uber now has a 25% stake.

The firm has also made sound acquisitions of various platforms that we think will further enhance and expand its mobility and delivery business segments. These include the acquisitions of Careem, the leading ridehailing service provider in the Middle East, delivery competitors Postmates and Drizzly,

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grocery delivery platform Cornershop, and logistics technology provider Transplace.

One investment strategy we are monitoring is Uber's inclination to purchase autonomous vehicles (AVs) to jump-start its AV network. This approach carries risks, as Uber has regained market trust in recent years by operating as an asset-light software company. But the potential rewards are significant, since it could involve gradually eliminating the company's largest expense—human drivers.

Uber does not distribute dividends but recently announced a \$20 billion share repurchase program. We believe this shareholder distribution program may be somewhat ambitious, given the potential for investing in AV fleets in the near term.

## Analyst Notes Archive

### Uber Earnings: Network Effect Is Strengthening; Future AV Capital Expenditure Is an Uncertainty

Mark Giarelli, Analyst, 4 Nov 2025

Uber's third-quarter earnings exceeded management's forecast for 20% growth in bookings. The firm estimates similar growth for the next quarter and only a 100-basis-point increase in adjusted operating margin, which we suspect is the primary reason for the shares selling off. Why it matters: Despite what we see as an uneven economic recovery, where lower-end consumers have poor sentiment, Uber is capturing demand with low-cost formats, strengthening its network effect. Autonomous vehicles, or AVs, remain an open capital expenditure question, however. An asset-light business model has always been the goal, but it's no longer a certainty given ambiguity over which player in the AV value chain will assume vehicle ownership. Uber believes private equity will step up, but we think this is an outcome management wishes for rather than expects. Monthly active platform consumers, trips, and trip frequency—all metrics we use to quantify network effects—are at all-time highs and accelerating. We are typically cautious about substituting price for volume, but we believe affordability investments are strengthening Uber's offering. The bottom line: We maintain our narrow moat rating while raising our fair value estimate from \$90 to \$93, reflecting a declining insurance cost curve due to the recent legislative victory in California and balancing this with our view that Tesla's Robotaxis pose a significant disruptive threat. After a recent partnership announcement with Toast—where Uber becomes a preferred delivery and advertising platform to Toast restaurants—we believe the runway for food delivery growth and margins is now clearer than ride-hailing growth, considering AV competition in the latter. Operating performance, free cash flow, and network effects are all strong; however, the company is only fairly valued, given AV risks. Should more AV companies, besides Waymo and Tesla, emerge, those risks will diminish, as Uber could then benefit from more profitable partnerships.

### Uber Earnings: Robust Network Effects Paired with Autonomous Uncertainty; Shares Fairly Valued

Mark Giarelli, Analyst, 6 Aug 2025

Uber's second-quarter earnings met its forecast for 18% growth in gross bookings and beat adjusted

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EBITDA expectations. The firm guided to further operating margin expansion next quarter, underscoring stability in high teens growth and beneficial operating leverage. Users reached an all-time high. Why it matters: Operating performance, free cash flow, and network effects are all strong; however, autonomous vehicles are likely to dominate the Uber narrative going forward, whether for good or bad. We like Uber's position in the value chain, but we also acknowledge potential competition. Monthly active platform consumers, trips, trip frequency, and adjusted EBITDA margins are at all-time highs while the delivery business is reaccelerating, all of which signal robust network effects and impressive pricing power. We believe Uber sits in a strategically advantageous demand aggregator role relative to AV car companies. Uber can solve for nonlinear demand throughout the day by flexing human driver supply to meet peak rider demand and ensure high utilization of expensive AVs. The bottom line: We maintain our narrow moat rating, while we increase our fair value estimate to \$90 from \$84 due to reacceleration in the food delivery segment and the increased likelihood of cross-selling and advertising revenue benefits. Despite Uber maintaining an enviable level of network strength, we emphasize our Very High Uncertainty Rating as the future competitive dynamics are in flux due to AVs. We appreciate that Uber is reemphasizing its cross-platform, "super app" strategy with delivery and mobility under one leader, with the belief it will create a more streamlined advertising and autonomous vision across segments.

**Uber Earnings: Moderating Growth, but Increasing Operating Profitability; Raising Valuation** Mark Giarelli, Analyst, 7 May 2025

Uber announced first-quarter earnings where gross bookings narrowly beat management guidance and net revenue slightly missed FactSet analyst expectations for the first time in five quarters. Adjusted EBITDA margin reached an all-time high of 16.2%. Why it matters: We are seeing parallels between the convenience leaders DoorDash and Uber, in which growth is moderating but remains strong, indicative of top-of-class network effects. Uber's total trips, core user base, and engagement trends took a standard first-quarter seasonal dip, but these dips are smaller in consequence relative to previous years thanks to the network's critical mass that has accumulated over time. Operating profitability and operating leverage continue to impress. Adjusted EBITDA grew 35% year over year, with all major cost line items trending downward as a percentage of net revenue thanks to the low marginal cost of servicing more customers. The bottom line: We maintain our narrow moat rating and Very High Uncertainty Rating, while raising our fair value estimate to \$84 from \$79, largely due to a reduction in car insurance headwinds and an improving operating profitability outlook. Uber's platform now has 170 million users relative to DoorDash's 42 million and Lyft's 25 million. We believe this scale creates a robust moat, with a virtuous cycle in which strong demand depth reinforces supply stickiness which then encourages more demand depth. Big picture: We believe that Uber is the ideal partner within the autonomous vehicle supply chain thanks to its ability to drive high utilization of vehicles. Out of the approximately 100 Waymo vehicles exclusively available on the Uber application in Austin, Texas, Uber

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states that these vehicles are now more productive than 99% of all drivers in the city. Correction (May 21, 2025): A previous version of this note misstated the increase in our fair value estimate. It increased to \$84 from \$79.

## Tariffs Won't Break E-Convenience Industry, but Wallets Might, As Second-Order Effects Take Hold

Mark Giarelli, Analyst, 3 Apr 2025

On April 2, President Trump announced a sweeping set of tariffs that range from a 10% tax on every country to varying reciprocal tariffs on perceived bad actors. DoorDash, Uber, and Lyft are less reliant on foreign inputs, but highly reliant on consumer health, which could be affected. Why it matters: Economic theory posits that tariffs have first-order and second-order effects. The first order is dominated by the increasing cost of imports, while second-order effects are wide-ranging and encompass negative headwinds to domestic consumers. If realized, second-order effects can hurt the e-convenience companies. DoorDash, Uber, and Lyft rely on consumer wallets to boost orders, trips, and rides, respectively. If tariffs hike up the prices of everyday goods, we can expect some domestic belt-tightening, which should result in downward compression on demand for convenience offerings. E-convenience businesses are more concerned with matching supply and demand than shipping parcels of cheap inputs from foreign nations. Unfortunately, aggregate demand feeds the E-convenience business model, and a prolonged trade war should put pressure on domestic wallets. The bottom line: We are maintaining our fair values and moat ratings for Uber (narrow), DoorDash (narrow), and Lyft (none) because our long-term company-specific theses remain unchanged. We like that they are less exposed to first-order effects, but we acknowledge the potential for second-order induced pain in the near term. The most important items to watch in the near term are the reaction function between tariffs and domestic prices and the demand elasticity for e-convenience offerings. We believe that core mobility offerings benefit from inelastic demand, but food delivery is more elastic. That said, DoorDash executes well in terms of utilization and engagement. A first-quarter engagement dip can be expected, but if we believe there is a negative trend, we may adjust our valuation.

## We Forecast Autonomous Vehicles Will Be 50% of US and Canada Ride-Hails by 2035

Seth Goldstein, CFA, Senior Equity Analyst, 10 Mar 2025

Robotaxi adoption is set to grow. Waymo and Tesla stand at the forefront of this technological shift, which offers both an opportunity and threat to ride-hailing vendors, Uber and Lyft. Why it matters: The market questions the winners and losers from robotaxis entering the ride-hail market. We see Alphabet's Waymo and Tesla's robotaxi as the biggest winners. However, traditional ride-hailing providers Uber and Lyft should also benefit from the transition. The bottom line: We forecast robotaxis will grow from less than 1% of the ride-hailing market today to 50% by 2035. Currently, Waymo is the only robotaxi provider, but we see Tesla entering the market in the coming years. We forecast Tesla and Waymo will lead the robotaxi transition. Robotaxis will see rapid adoption because they offer cheaper

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ride-hailing rides to consumers and are safer than the average human driver. They will also make around 50% more trips per day than the average human driver, meaning they will require fewer vehicles to capture market share. Wide-moat Alphabet is our top pick, trading in 4-star territory, as it offers the most upside of the names under our coverage with robotaxi exposure. Narrow-moat Tesla, narrow-moat, Uber, and no-moat Lyft trade in 3-star territory. Tesla would disproportionately benefit in a disruption scenario. Between the lines: We see two drivers that will speed up autonomous vehicle deployment: AV vendors becoming profitable and the creation of US federal regulations. Under the Trump administration, we expect a federal regulation will emerge, replacing the state-by-state approval process that is currently required. AV vendors using an asset-light model will improve profitability. This business model where AV vendors sell the AV and then run the AV software is the most profitable option based on our unit economics analysis, and also benefits the ride-hailing vendors, who will partner with AV vendors.

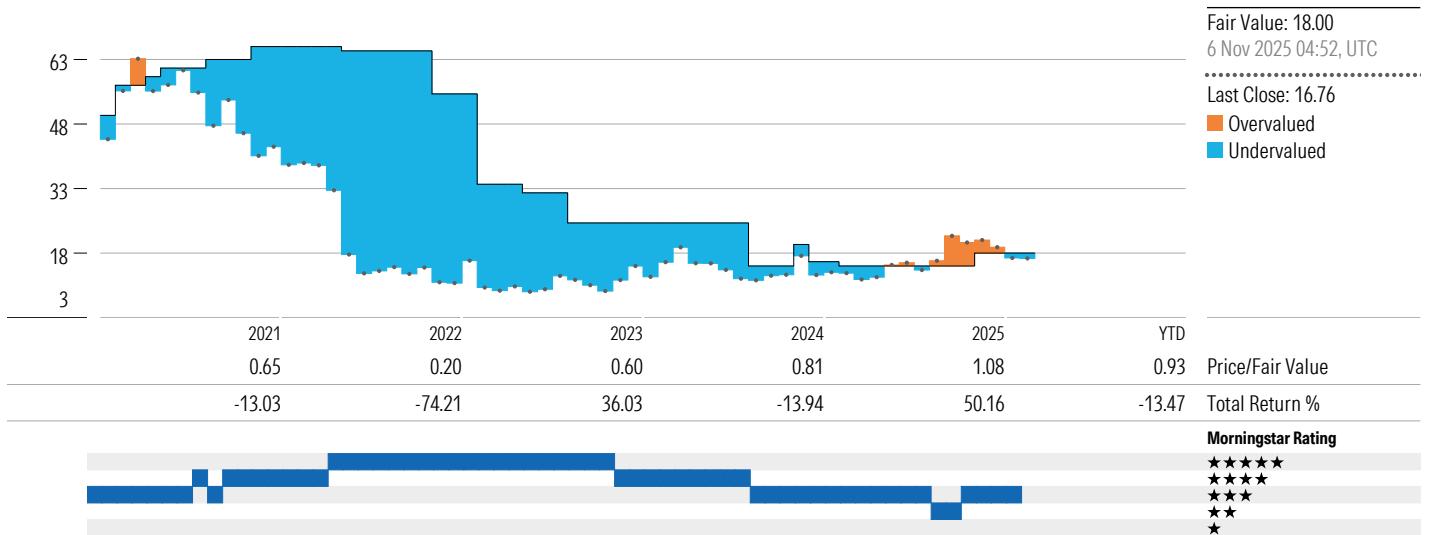
## Uber Earnings: A Decent Quarter for the Ideal Autonomous Vehicle Partner Mark Giarelli, Analyst, 5 Feb 2025

Uber reported earnings that exceeded management guidance while maintaining respectable growth in key network effect metrics, including trips, monthly active platform consumers, or MAPCs, engagement (trips/MAPC), and monetization per user. Despite this, shares are currently trading down in the mid \$60 range due to somewhat weak guidance for 2025, primarily driven by expected currency headwinds. However, we are maintaining our \$79 fair value estimate and view the current pricing as an attractive entry point to this narrow-moat company. Uber's gross bookings for the quarter were \$44.1 billion, representing 17.6% year-over-year growth—but stripping out effects of exchange rate fluctuations, growth was closer to 21% year over year. Our positive outlook is justified by progress on the most important measurables for network health. Quarterly trips surpassed 3 billion for the first time during the quarter, growing at an accelerating rate relative to the previous quarter. Monthly active platform consumers, the demand side of the marketplace, is larger than ever before, and engagement (trips/MAPC) is at an all-time high. Impressively, Uber's engagement level is now twice as great as Lyft's. All these network effect metrics show that the virtuous cycle is intact and solidify Uber's place as the premier demand aggregator in the ride-hailing market. ■■■

**Uber Technologies Inc** UBER ★★★ 4 Feb 2026 22:51, UTC

## Competitors Price vs. Fair Value

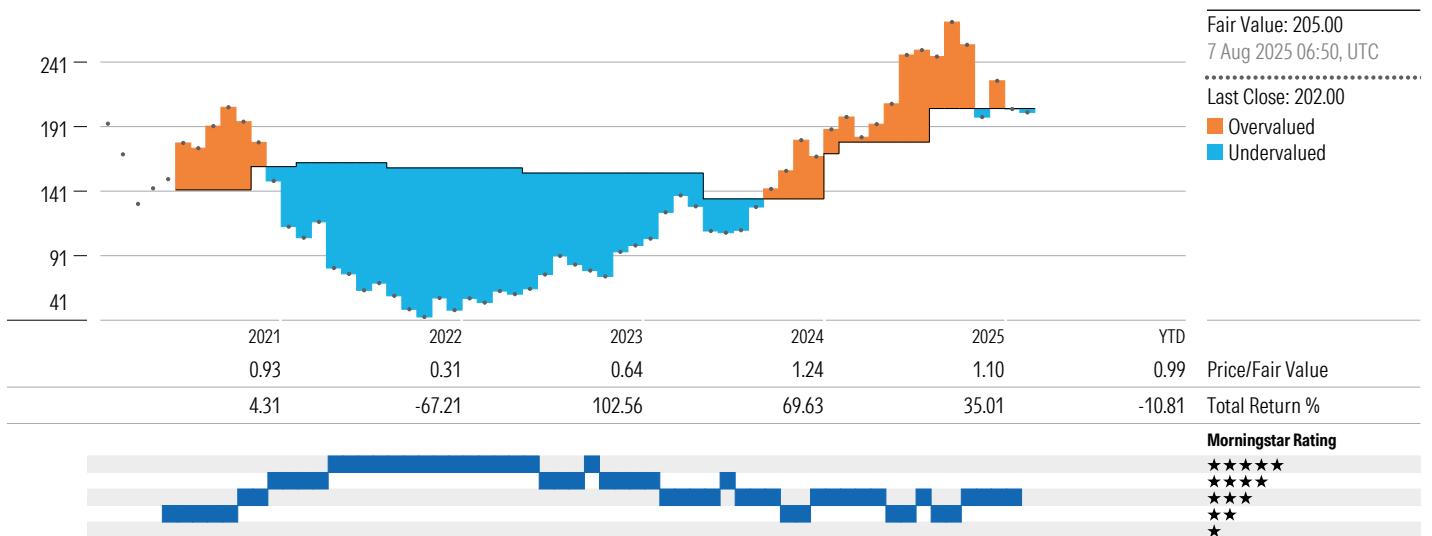
Lyft Inc Class A LYFT



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Total Return % as of 03 Feb 2026. Last Close as of 03 Feb 2026. Fair Value as of 6 Nov 2025 04:52, UTC.

DoorDash Inc Ordinary Shares - Class A DASH

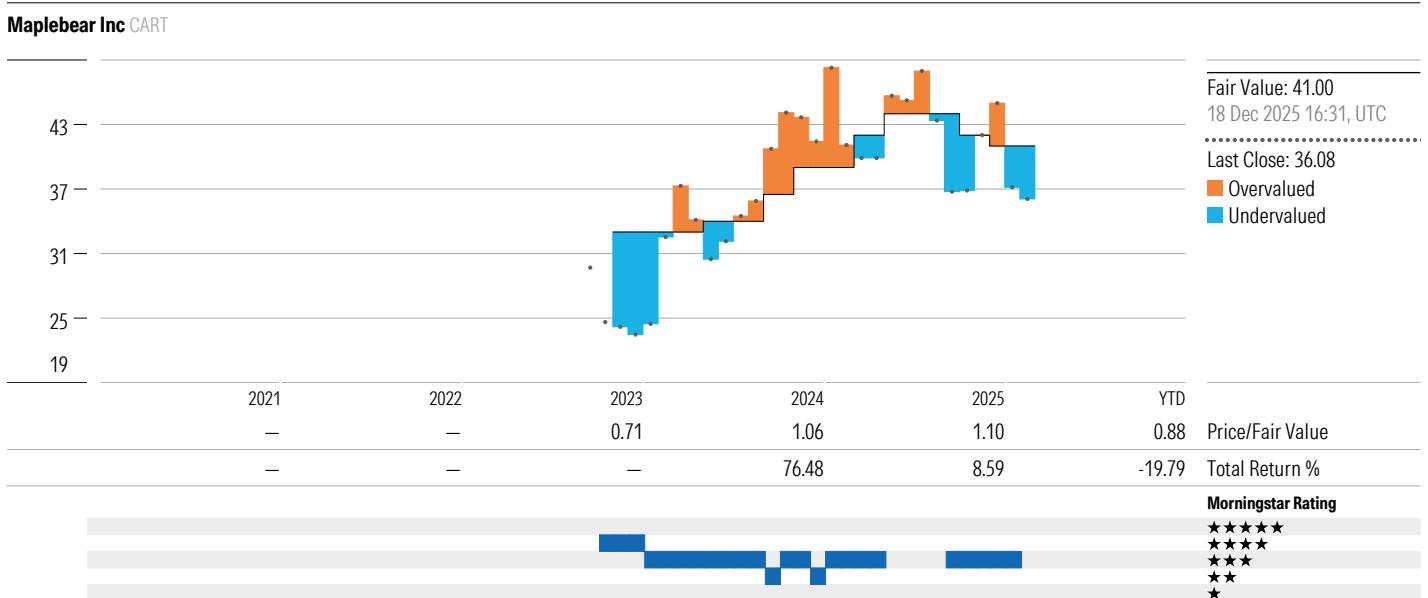


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Total Return % as of 03 Feb 2026. Last Close as of 03 Feb 2026. Fair Value as of 7 Aug 2025 06:50, UTC.

**Uber Technologies Inc** UBER ★★★ 4 Feb 2026 22:51, UTC

## Competitors Price vs. Fair Value



---

Total Return % as of 03 Feb 2026. Last Close as of 03 Feb 2026. Fair Value as of 18 Dec 2025 16:31, UTC.

# Uber Technologies Inc UBER ★★★ 4 Feb 2026 22:51, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment <sup>1</sup>
77.93 USD 3 Feb 2026	85.00 USD 4 Feb 2026 22:49, UTC	0.92	153.59 USD Bil 4 Feb 2026	 Narrow	 Large Blend	Very High	Standard	 7 Jan 2026 06:00, UTC

## Morningstar Valuation Model Summary

Financials as of 04 Feb 2026	Actual			Forecast					
	2023	2024	2025	2026	2027	2028	2029	2030	
Fiscal Year, ends 31 Dec									
Revenue (USD Mil)	37,281	43,978	52,017	58,930	66,183	73,504	80,937	88,541	
Operating Income (USD Mil)	1,110	2,799	5,565	6,900	8,638	10,382	12,127	13,873	
EBITDA (USD Mil)	1,933	3,510	6,284	7,615	9,390	11,173	12,958	14,749	
Adjusted EBITDA (USD Mil)	4,052	6,458	7,444	9,561	11,457	13,365	15,283	17,216	
Net Income (USD Mil)	1,887	9,856	10,053	5,402	6,859	8,324	9,792	11,264	
Adjusted Net Income (USD Mil)	1,887	9,856	10,053	5,402	6,859	8,324	9,792	11,264	
Free Cash Flow To The Firm (USD Mil)	-3,362	5,362	9,863	5,351	7,565	8,989	10,421	11,865	
Weighted Average Diluted Shares Outstanding (Mil)	2,092	2,092	2,120	2,112	2,094	2,073	2,050	2,025	
Earnings Per Share (Diluted) (USD)	0.90	4.71	0.00	2.56	3.28	4.02	4.78	5.56	
Adjusted Earnings Per Share (Diluted) (USD)	0.90	4.71	0.00	2.56	3.28	4.02	4.78	5.56	
Dividends Per Share (USD)	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	
Margins & Returns as of 04 Feb 2026	Actual			Forecast					
	3 Year Avg	2023	2024	2025	2026	2027	2028	2029	2030 5 Year Avg
Operating Margin %	6.7	3.0	6.4	10.7	11.7	13.1	14.1	15.0	15.7 13.9
EBITDA Margin %	—	5.2	8.0	12.1	12.9	14.2	15.2	16.0	16.7 —
Adjusted EBITDA Margin %	—	10.9	14.7	14.3	16.2	17.3	18.2	18.9	19.4 18.0
Net Margin %	15.6	5.1	22.4	19.3	9.2	10.4	11.3	12.1	12.7 11.1
Adjusted Net Margin %	15.6	5.1	22.4	19.3	9.2	10.4	11.3	12.1	12.7 11.1
Free Cash Flow To The Firm Margin %	7.4	-9.0	12.2	19.0	9.1	11.4	12.2	12.9	13.4 11.8
Growth & Ratios as of 04 Feb 2026	Actual			Forecast					
	3 Year CAGR	2023	2024	2025	2026	2027	2028	2029	2030 5 Year CAGR
Revenue Growth %	17.7	17.0	18.0	18.3	13.3	12.3	11.1	10.1	9.4 11.2
Operating Income Growth %	—	-160.6	152.2	98.8	24.0	25.2	20.2	16.8	14.4 20.0
EBITDA Growth %	-52.6	-318.4	81.6	79.0	21.2	23.3	19.0	16.0	13.8 18.7
Adjusted EBITDA Growth %	63.2	136.5	59.4	15.3	28.4	19.8	16.7	14.4	12.7 18.3
Earnings Per Share Growth %	—	-119.5	422.2	-100.0	—	28.1	22.6	19.0	16.5 —
Adjusted Earnings Per Share Growth %	—	-119.5	422.2	-100.0	—	28.1	22.6	19.0	16.5 —
Valuation as of 04 Feb 2026	Actual			Forecast					
	2023	2024	2025	2026	2027	2028	2029	2030	
Price/Earnings	68.4	12.8	—	30.4	23.8	19.4	16.3	14.0	
Price/Sales	1.3	2.9	2.4	2.7	2.4	2.2	2.0	1.8	
Price/Book	10.8	5.8	6.4	5.3	4.5	3.9	3.3	2.8	
Price/Cash Flow	—	—	—	—	—	—	—	—	
EV/EBITDA	13.7	20.5	17.6	17.4	14.5	12.4	10.9	9.7	
EV/EBIT	50.0	47.3	23.5	24.1	19.2	16.0	13.7	12.0	
Dividend Yield %	—	—	—	—	—	—	—	—	
Dividend Payout %	0.0	0.0	—	0.0	0.0	0.0	0.0	0.0	
Free Cash Flow Yield %	—	—	—	—	—	—	—	—	
Operating Performance / Profitability as of 04 Feb 2026	Actual			Forecast					
	2023	2024	2025	2026	2027	2028	2029	2030	
Fiscal Year, ends 31 Dec									
ROA %	4.9	21.9	19.8	7.9	9.0	9.8	10.3	10.6	
ROE %	14.9	43.9	35.8	17.4	19.1	19.9	20.2	20.0	
ROIC %	12.6	13.8	18.8	20.2	22.0	23.5	24.5	25.3	

**Uber Technologies Inc** UBER ★★★ 4 Feb 2026 22:51, UTC

Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment <sup>1</sup>
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<b>Key Valuation Drivers</b> as of 04 Feb 2026		<b>USD Mil</b>
Cost of Equity %	9.0	
Pre-Tax Cost of Debt %	8.0	74,420
Weighted Average Cost of Capital %	8.7	23,454
Long-Run Tax Rate %	21.0	80,826
Stage II EBI Growth Rate %	5.0	
Stage II Investment Rate %	35.0	
Perpetuity Year	15	<b>178,700</b>

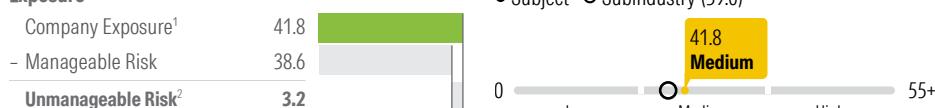
<b>Discounted Cash Flow Valuation</b> as of 04 Feb 2026		
Present Value Stage I		
Present Value Stage II		
Present Value Stage III		
<b>Total Firm Value</b>		<b>178,700</b>
 Cash and Equivalents		8,264
Debt		10,521
Other Adjustments		0
<b>Equity Value</b>		<b>176,443</b>
 Projected Diluted Shares		2,104
<b>Fair Value per Share (USD)</b>		<b>85.00</b>

# Uber Technologies Inc UBER ★★★ 4 Feb 2026 22:51, UTC

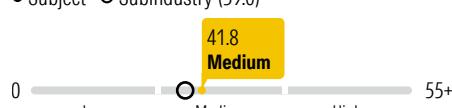
Last Price	Fair Value Estimate	Price/FVE	Market Cap	Economic Moat™	Equity Style Box	Uncertainty	Capital Allocation	ESG Risk Rating Assessment <sup>1</sup>
77.93 USD 3 Feb 2026	85.00 USD 4 Feb 2026 22:49, UTC	0.92	153.59 USD Bil 4 Feb 2026	Narrow	Large Blend	Very High	Standard	 7 Jan 2026 06:00, UTC

## ESG Risk Rating Breakdown

### Exposure



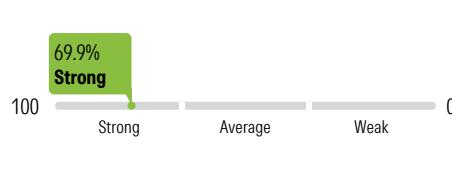
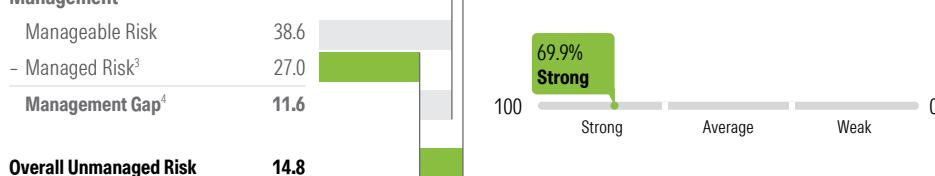
● Subject ○ Subindustry (39.0)



0 Low Medium 55+  
High

- Exposure represents a company's vulnerability to ESG risks driven by their business model
- Exposure is assessed at the Subindustry level and then specified at the company level
- Scoring ranges from 0-55+ with categories of low, medium, and high-risk exposure

### Management



100 Strong Average Weak 0

- Management measures a company's ability to manage ESG risks through its commitments and actions
- Management assesses a company's efficiency on ESG programs, practices, and policies
- Management score ranges from 0-100% showing how much manageable risk a company is managing

## ESG Risk Rating



14.77  
Low

ESG Risk Ratings measure the degree to which a company's value is impacted by environmental, social, and governance risks, by evaluating the company's ability to manage the ESG risks it faces.

1. A company's Exposure to material ESG issues 2. Unmanageable Risk refers to risks that are inherent to a particular business model that cannot be managed by programs or initiatives 3. Managed Risk = Manageable Risk multiplied by a Management score of 69.9% 4. Management Gap assesses risks that are not managed, but are considered manageable 5. ESG Risk Rating Assessment = Overall Unmanaged Risk = Management Gap plus Unmanageable Risk

## ESG Risk Rating Assessment<sup>5</sup>



ESG Risk Rating is of Jan 07, 2026. Highest Controversy Level is as of Jan 08, 2026. Sustainalytics Subindustry: Internet Software and Services. Sustainalytics provides Morningstar with company ESG ratings and metrics on a monthly basis and as such, the ratings in Morningstar may not necessarily reflect current Sustainalytics' scores for the company. For the most up to date rating and more information, please visit: [sustainalytics.com/esg-ratings/](http://sustainalytics.com/esg-ratings/).

## Peer Analysis 07 Jan 2026

Peers are selected from the company's Sustainalytics-defined Subindustry and are displayed based on the closest market cap values

Company Name	Exposure	Management	ESG Risk Rating
Uber Technologies Inc	41.8   Medium	69.9   Strong	14.8   Low
Block Inc	33.6   Low	45.3   Average	19.4   Low
Lyft Inc	37.1   Medium	50.2   Strong	19.7   Low
DoorDash Inc	36.9   Medium	40.7   Average	22.9   Medium
Maplebear Inc	34.8   Low	37.4   Average	22.7   Medium

## Appendix

### Historical Morningstar Rating

#### Uber Technologies Inc UBER 4 Feb 2026 22:51, UTC

Dec 2026	Nov 2026	Oct 2026	Sep 2026	Aug 2026	Jul 2026	Jun 2026	May 2026	Apr 2026	Mar 2026	Feb 2026	Jan 2026
—	—	—	—	—	—	—	—	—	—	★★★	★★★
Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★	★★★	★★★	★★★

#### Lyft Inc Class A LYFT 3 Feb 2026 23:05, UTC

Dec 2026	Nov 2026	Oct 2026	Sep 2026	Aug 2026	Jul 2026	Jun 2026	May 2026	Apr 2026	Mar 2026	Feb 2026	Jan 2026
—	—	—	—	—	—	—	—	—	—	★★★	★★★
Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
★★★	★★★	★★	★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★★	★★★	★★★	★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★★★	★★★★	★★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★

#### DoorDash Inc Ordinary Shares - Class A DASH 3 Feb 2026 23:08, UTC

Dec 2026	Nov 2026	Oct 2026	Sep 2026	Aug 2026	Jul 2026	Jun 2026	May 2026	Apr 2026	Mar 2026	Feb 2026	Jan 2026
—	—	—	—	—	—	—	—	—	—	★★★	★★★
Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
★★★	★★★	★★	★★	★★★	★★	★★	★★★	★★★	★★★	★★★	★★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★	★★	★★★	★★★	★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★	★★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★	★★★★★
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	—	—	—	—

**Maplebear Inc** CART 3 Feb 2026 23:09, UTC

Dec 2026	Nov 2026	Oct 2026	Sep 2026	Aug 2026	Jul 2026	Jun 2026	May 2026	Apr 2026	Mar 2026	Feb 2026	Jan 2026
—	—	—	—	—	—	—	—	—	—	★★★	★★★
Dec 2025	Nov 2025	Oct 2025	Sep 2025	Aug 2025	Jul 2025	Jun 2025	May 2025	Apr 2025	Mar 2025	Feb 2025	Jan 2025
★★★	★★★	★★★	—	—	—	—	★★★	★★★	★★★	★★★	★★
Dec 2024	Nov 2024	Oct 2024	Sep 2024	Aug 2024	Jul 2024	Jun 2024	May 2024	Apr 2024	Mar 2024	Feb 2024	Jan 2024
★★★	★★★	★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★	★★★★
Dec 2023	Nov 2023	Oct 2023	Sep 2023	Aug 2023	Jul 2023	Jun 2023	May 2023	Apr 2023	Mar 2023	Feb 2023	Jan 2023
★★★★	★★★★	—	—	—	—	—	—	—	—	—	—
Dec 2022	Nov 2022	Oct 2022	Sep 2022	Aug 2022	Jul 2022	Jun 2022	May 2022	Apr 2022	Mar 2022	Feb 2022	Jan 2022
—	—	—	—	—	—	—	—	—	—	—	—
Dec 2021	Nov 2021	Oct 2021	Sep 2021	Aug 2021	Jul 2021	Jun 2021	May 2021	Apr 2021	Mar 2021	Feb 2021	Jan 2021
—	—	—	—	—	—	—	—	—	—	—	—

# Research Methodology for Valuing Companies

## Overview

At the heart of our valuation system is a detailed projection of a company's future cash flows, resulting from our analysts' research. Analysts create custom industry and company assumptions to feed income statement, balance sheet, and capital investment assumptions into our globally standardized, proprietary discounted cash flow, or DCF, modeling templates. We use scenario analysis, in-depth competitive advantage analysis, and a variety of other analytical tools to augment this process. Moreover, we think analyzing valuation through discounted cash flows presents a better lens for viewing cyclical companies, high-growth firms, businesses with finite lives (e.g., mines), or companies expected to generate negative earnings over the next few years. That said, we don't dismiss multiples altogether but rather use them as supporting cross-checks for our DCF-based fair value estimates. We also acknowledge that DCF models offer their own challenges (including a potential proliferation of estimated inputs and the possibility that the method may miss shortterm market-price movements), but we believe these negatives are mitigated by deep analysis and our longterm approach.

Morningstar's equity research group ("we," "our") believes that a company's intrinsic worth results from the future cash flows it can generate. The Morningstar Rating for stocks identifies stocks trading at a discount or premium to their intrinsic worth—or fair value estimate, in Morningstar terminology. Five-star stocks sell for the biggest risk adjusted discount to their fair values, whereas 1-star stocks trade at premiums to their intrinsic worth.

Four key components drive the Morningstar rating: (1) our assessment of the firm's economic moat, (2) our estimate of the stock's fair value, (3) our uncertainty around that fair value estimate and (4) the current market price. This process ultimately culminates in our singlepoint star rating.

## 1. Economic Moat

The concept of an economic moat plays a vital role not only in our qualitative assessment of a firm's long-term investment potential, but also in the actual calculation of our fair value estimates. An economic moat is a structural feature that allows a firm to sustain excess profits over a

long period of time. We define economic profits as returns on invested capital (or ROIC) over and above our estimate of a firm's cost of capital, or weighted average cost of capital (or WACC). Without a moat, profits are more susceptible to competition. We have identified five sources of economic moats: intangible assets, switching costs, network effect, cost advantage, and efficient scale.

Companies with a narrow moat are those we believe are more likely than not to achieve normalized excess returns for at least the next 10 years. Wide-moat companies are those in which we have very high confidence that excess returns will remain for 10 years, with excess returns more likely than not to remain for at least 20 years. The longer a firm generates economic profits, the higher its intrinsic value. We believe low-quality, no-moat companies will see their normalized returns gravitate toward the firm's cost of capital more quickly than companies with moats.

When considering a company's moat, we also assess whether there is a substantial threat of value destruction, stemming from risks related to ESG, industry disruption, financial health, or other idiosyncratic issues. In this context, a risk is considered potentially value destructive if its occurrence would eliminate a firm's economic profit on a cumulative or midcycle basis. If we deem the probability of occurrence sufficiently high, we would not characterize the company as possessing an economic moat.

## 2. Estimated Fair Value

Combining our analysts' financial forecasts with the firm's economic moat helps us assess how long returns on invested capital are likely to exceed the firm's cost of capital. Returns of firms with a wide economic moat rating are assumed to fade to the perpetuity period over a longer period of time than the returns of narrow-moat firms, and both will fade slower than no-moat firms, increasing our estimate of their intrinsic value.

Our model is divided into three distinct stages:

## Stage I: Explicit Forecast

In this stage, which can last five to 10 years, analysts make full financial statement forecasts, including items such as revenue, profit margins, tax rates, changes in workingcapital accounts, and capital spending. Based on these projections, we calculate earnings before interest,

after taxes (EBI) and the net new investment (NNI) to derive our annual free cash flow forecast.

## Stage II: Fade

The second stage of our model is the period it will take the company's return on new invested capital—the return on capital of the next dollar invested ("RONIC")—to decline (or rise) to its cost of capital. During the Stage II period, we use a formula to approximate cash flows in lieu of explicitly modeling the income statement, balance sheet, and cash flow statement as we do in Stage I. The length of the second stage depends on the strength of the company's economic moat. We forecast this period to last anywhere from one year (for companies with no economic moat) to 10–15 years or more (for wide-moat companies). During this period, cash flows are forecast using four assumptions: an average growth rate for EBI over the period, a normalized investment rate, average return on new invested capital (RONIC), and the number of years until perpetuity, when excess returns cease. The investment rate and return on new invested capital decline until a perpetuity value is calculated. In the case of firms that do not earn their cost of capital, we assume marginal ROICs rise to the firm's cost of capital (usually attributable to less reinvestment), and we may truncate the second stage.

## Stage III: Perpetuity

Once a company's marginal ROIC hits its cost of capital, we calculate a continuing value, using a standard perpetuity formula. At perpetuity, we assume that any growth or decline or investment in the business neither creates nor destroys value and that any new investment provides a return in line with estimated WACC.

Because a dollar earned today is worth more than a dollar earned tomorrow, we discount our projections of cash flows in stages I, II, and III to arrive at a total present value of expected future cash flows. Because we are modeling free cash flow to the firm—representing cash available to provide a return to all capital providers—we discount future cash flows using the WACC, which is a weighted average of the costs of equity, debt, and preferred stock (and any other funding sources), using expected future proportionate long-term, market-value weights.

## 3. Uncertainty Around That Fair Value Estimate

Morningstar's Uncertainty Rating is designed to capture the range of potential outcomes for a company's intrinsic value. This rating is used to assign the margin of safety required before investing, which in turn explicitly drives our stock star rating system. The Uncertainty Rating is aimed at identifying the confidence we should have in assigning a fair value estimate for a given stock.

Our Uncertainty Rating is meant to take into account anything that can increase the potential dispersion of future

## Morningstar Equity Research Star Rating Methodology



# Research Methodology for Valuing Companies

outcomes for the intrinsic value of a company, and anything that can affect our ability to accurately predict these outcomes. The rating begins with a suggested rating produced by a quantitative process based on the trailing 12-month standard deviation of daily stock returns. An analyst overlay is then applied, with analysts using the suggested rating, historical rating data, and their own knowledge of the company to inform them as they make the final Uncertainty Rating decision. Ultimately, the rating decision rests with the analyst. Analysts take into account many characteristics when making their final decision, including cyclical factors, operational and financial factors such as leverage, company-specific events, ESG risks, and anything else that might increase the potential dispersion of future outcomes and our ability to estimate those outcomes.

Our recommended margin of safety—the discount to fair value demanded before we'd recommend buying or selling the stock—widens as our uncertainty of the estimated value of the equity increases. The more uncertain we are about the potential dispersion of outcomes, the greater the discount we require relative to our estimate of the value of the firm before we would recommend the purchase of the shares. In addition, the Uncertainty Rating provides guidance in portfolio construction based on risk tolerance.

Our Uncertainty Ratings are: Low, Medium, High, Very High, and Extreme.

## Margin of Safety

Qualitative Analysis	Uncertainty Ratings	★★★★★ Rating	★ Rating
Low	20% Discount	25% Premium	
Medium	30% Discount	35% Premium	
High	40% Discount	55% Premium	
Very High	50% Discount	75% Premium	
Extreme	75% Discount	300% Premium	

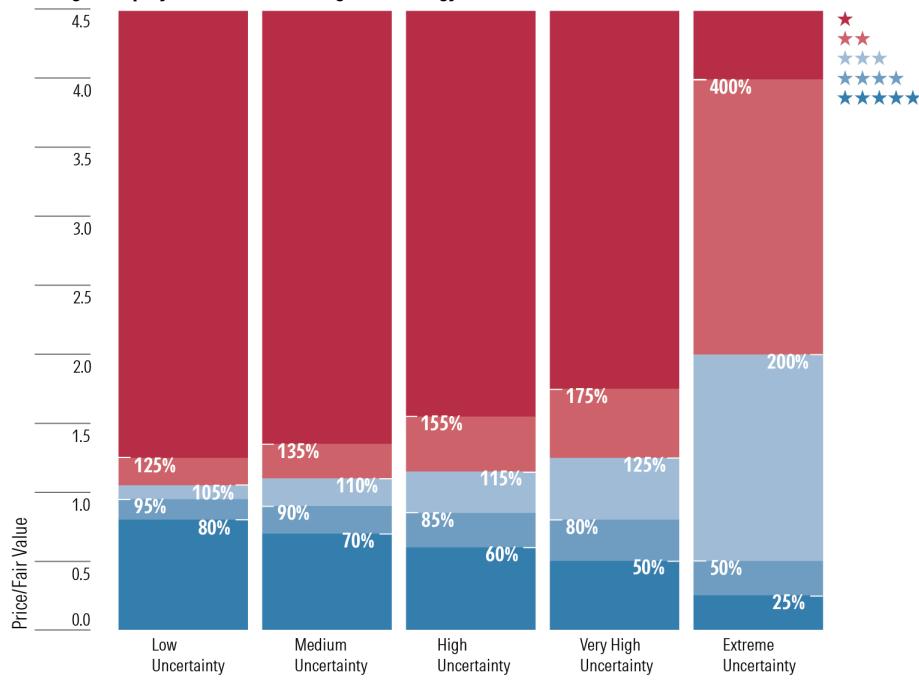
Our uncertainty rating is based on the interquartile range, or the middle 50% of potential outcomes, covering the 25th percentile–75th percentile. This means that when a stock hits 5 stars, we expect there is a 75% chance that the intrinsic value of that stock lies above the current market price. Similarly, when a stock hits 1 star, we expect there is a 75% chance that the intrinsic value of that stock lies below the current market price.

## 4. Market Price

The market prices used in this analysis and noted in the report come from exchange on which the stock is listed which we believe is a reliable source.

For more details about our methodology, please go to <https://shareholders.morningstar.com>

## Morningstar Equity Research Star Rating Methodology



## Morningstar Star Rating for Stocks

Once we determine the fair value estimate of a stock, we compare it with the stock's current market price on a daily basis, and the star rating is automatically re-calculated at the market close on every day the market on which the stock is listed is open. Our analysts keep close tabs on the companies they follow, and, based on thorough and ongoing analysis, raise or lower their fair value estimates as warranted.

Please note, there is no predefined distribution of stars. That is, the percentage of stocks that earn 5 stars can fluctuate daily, so the star ratings, in the aggregate, can serve as a gauge of the broader market's valuation. When there are many 5-star stocks, the stock market as a whole is more undervalued, in our opinion, than when very few companies garner our highest rating.

We expect that if our base-case assumptions are true the market price will converge on our fair value estimate over time generally within three years (although it is impossible to predict the exact time frame in which market prices may adjust).

Our star ratings are guideposts to a broad audience and individuals must consider their own specific investment goals, risk tolerance, tax situation, time horizon, income needs, and complete investment portfolio, among other factors.

The Morningstar Star Ratings for stocks are defined below:

★★★★★ We believe appreciation beyond a fair risk-adjusted return is highly likely over a multiyear time frame. Scenario analysis developed by our analysts indicates that the current market price represents an excessively pessimistic outlook, limiting downside risk and maximizing upside potential.

★★★★ We believe appreciation beyond a fair risk-adjusted return is likely.

★★★ Indicates our belief that investors are likely to receive a fair risk-adjusted return (approximately cost of equity).

★★ We believe investors are likely to receive a less than fair risk-adjusted return.

★ Indicates a high probability of undesirable risk-adjusted returns from the current market price over a multi-year time frame, based on our analysis. Scenario analysis by our analysts indicates that the market is pricing in an excessively optimistic outlook, limiting upside potential and leaving the investor exposed to Capital loss.

## Other Definitions

**Last Price:** Price of the stock as of the close of the market of the last trading day before date of the report.

**Capital Allocation Rating:** Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments,

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and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

Capital Allocation (or Stewardship) analysis published prior to Dec. 9, 2020, was determined using a different process. Beyond investment strategy, financial leverage, and dividend and share buyback policies, analysts also considered execution, compensation, related party transactions, and accounting practices in the rating.

**Capital Allocation Rating:** Our Capital Allocation (or Stewardship) Rating represents our assessment of the quality of management's capital allocation, with particular emphasis on the firm's balance sheet, investments, and shareholder distributions. Analysts consider companies' investment strategy and valuation, balance sheet management, and dividend and share buyback policies. Corporate governance factors are only considered if they are likely to materially impact shareholder value, though either the balance sheet, investment, or shareholder distributions. Analysts assign one of three ratings: "Exemplary", "Standard", or "Poor". Analysts judge Capital Allocation from an equity holder's perspective. Ratings are determined on a forward looking and absolute basis. The Standard rating is most common as most managers will exhibit neither exceptionally strong nor poor capital allocation.

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Sustainalytics' ESG Risk Ratings measure the degree to which company's economic value at risk is driven by environment, social and governance (ESG) factors.

Sustainalytics analyzes over 1,300 data points to assess a company's exposure to and management of ESG risks. In other words, ESG Risk Ratings measures a company's unmanaged ESG Risks represented as a quantitative score.

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Based on their quantitative scores, companies are grouped into one of five Risk Categories (negligible, low, medium, high, severe). These risk categories are absolute, meaning that a 'high risk' assessment reflects a comparable degree of unmanaged ESG risk across all subindustries covered.

The ESG Risk Rating Assessment is a visual representation of Sustainalytics ESG Risk Categories on a 1 to 5 scale. Companies with Negligible Risk = 5 Globes, Low Risk = 4, Medium Risk = 3 Globes, High Risk = 2 Globes, Severe Risk = 1 Globe. For more information, please visit [sustainalytics.com/esg-ratings/](https://sustainalytics.com/esg-ratings/)

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