

Uber Technologies, Inc.

Ticker: UBER

Investment Thesis

12/28/2025

Uber is an attractive investment opportunity as the market continues to undervalue the company's improving profitability and long term free cash flow potential. While many investors focus on Uber's earlier years of losses and regulatory uncertainty, the company has entered a phase where profitability is improving and the business is starting to scale more efficiently. Its Mobility segment generates strong cash flow and delivery approaches profitability. Uber is positioned to become a durable free cash flow generator. The current valuation does not fully reflect this transition creating an opportunity for meaningful upside as profitability normalizes and investor perception shifts.

Business Overview

Uber is made up of three primary segments: Mobility, Delivery, and Freight. Mobility is the company's largest and most profitable segment, making up about 57% of total revenue and driven by its ride service business, which benefits from pricing optimization and operating leverage. Delivery represents about 31% of the company's revenue where scale has been achieved and margins continue to improve. Freight contributes to 12% of revenue and is the smallest and least profitable segment, focused on digital freight brokerage and logistics. Uber's business model is asset light and platform based which allows the company to scale revenue without proportionate increases in capital spending.

Growth Drivers

The market current valuation of Uber has the skepticism that is disconnected from the company's improving financial fundamentals. Uber has recently reached profitability. It became profitable in late 2023 with EBITDA remaining positive since early 2024 and free cash flow turning positive in 2023. Since it has reached that point Uber's free cash flow has grown steadily reaching 8.6 billion highlighting a business that is no longer focused on survival but on cash generation and efficiency. Despite this investors continue

to anchor on Uber's historical losses and early stage profitability metrics which does not accurately reflect the company's operating profile. Uber currently trades at a price to earnings multiple of approximately 10.3 which is near the lower end of its historical range and significantly below comparable companies such as Lyft which trades at a higher multiple even though it had weaker profitability. Investors often cite Uber's elevated PEG ratio as evidence of overvaluation but this metric can be misleading for a company that has only recently achieved profitability and is still in the early stages of earnings normalization. As earnings continue to grow the PEG ratio is likely to compress naturally reducing the relevance it has as a bearish signal.

Concerns around Uber's balance sheet and regulatory exposure appear overstated. The company carries long term debt of \$12.3 billion its debt to equity ratio of roughly 0.5 reflects a manageable leverage profile that has been improving over time as profitability strengthens. Regulatory risks also play a role in investor sentiment related to labor classification but many of these risks have already been addressed through pricing adjustments, cost structure changes, and regulatory clarity in key markets. The impact of regulation is likely to be far less severe than the market assumes. Improving profitability in the delivery segment remains underappreciated, as historical losses continue to overshadow recent margin improvements and operational progress. All these factors contribute to a valuation that does not fully reflect Uber's improved earnings power, strengthening balance sheet, and risk profile, creating a disconnect between market perception and the company's underlying fundamentals.

Unit Economics & Profitability Drivers

Uber is improving profitability since its unit economics are improving as each ride and delivery contributes more to profitability than in prior years. As Uber scales each increase in revenue becomes more profitable because the infrastructure of the business does not need proportional increases in cost. This allows a larger share of each additional dollar of revenue to flow through to earnings and free cash flow. In the Mobility segment, higher trip volume improves efficiency, keeps drivers busier, and allows for better pricing, which leads to higher margins as the business grows.

Uber's asset light business model supports margin improvement. Uber is not like traditional logistic companies since it does not own vehicles or have physical infrastructure, keeping capital expenditures relatively stable even as revenue increases. This results in strong operating leverage and improving free

cash flow conversion as the business scales. As Uber grows it becomes disciplined with incentives and promotions, allowing profitability to improve without hurting demand.

The delivery segment also contributes to improving unit economics as scale and operational efficiency increase. Delivery has historically hurt profitability but weighed on overall profitability improved logistics optimization, higher order density, and better cost control have lowered losses. As Delivery moves closer to profitability without needing much additional investment, it helps Uber become a more consistent, cash generating business over time.

Valuation & DCF Analysis

Uber currently trades at a Market cap of \$172 billion while generating \$49.6 billion in trailing twelve months revenue, \$7.6 billion in adjusted EBITDA, and \$8.7 billion in free cash flow. After accounting for net debt of \$3.6 billion Uber's enterprise value implies that the market continues to apply a degree of skepticism toward the durability of margins and long term cash flow growth, despite the company's clear transition into sustained profitability.

From a cash flow perspective Uber's valuation is supported by fundamentals. The company operates an asset light platform with limited capital intensity, allowing a high proportion of operating profits to convert into free cash flow. Analysts expect revenue to grow about 15% per year, while better trip volume, lower incentives, and advertising growth should help margins improve over time. Under reasonable assumptions, including mid teens revenue growth that slows as the business scales, mid 20s EBITDA margins, and an 8.7% cost of capital Uber's long term free cash flow generation supports an intrinsic value above current market levels. This upside is driven by normalized margins and sustained free cash flow growth rather than aggressive assumptions or multiple expansion.

Risks & Thesis Breakers

A primary risk to the investment thesis is regulatory and costs related to labor and insurance, which could limit margin expansion over time. Uber has successfully navigated regulatory changes in many key markets through pricing adjustments but further regulation such as higher mandated wages, benefits, or insurance requirements could increase costs and compress margins. These risks are unlikely to undermine Uber's business model, but they could

slow profitability improvements and limit valuation upside if regulations vary across regions.

A second risk is related to capital allocation and reinvestment decisions especially since Uber is going to pursue new growth initiatives. Management has been explicit that certain investments, most notably autonomous vehicles, will remain unprofitable for several years. As CEO Dara Khosrowshahi stated, “AV is not profitable today... I expect that AV will not be profitable for a few years going forward,” showing that near term margins may face pressure as Uber prioritizes long term strategic positioning. If these investments fail to generate good returns or take longer than expected to scale, free cash flow growth could fall short of expectations.

Uber’s valuation depends on sustained execution and continued margin improvement which may not occur in a straight line. Management has indicated that margin expansion will be slowed to support growth investments. CFO Prashanth Mahendra Rajah noted that the company is “very deliberately moderating the pace of our margin expansion” to balance profitability with reinvestment. If demand growth slows, competitive intensity increases, or reinvestment fails to add operating leverage, investor perception may remain anchored to Uber’s historical narrative. The thesis depends on Uber’s ability to balance reinvestment with free cash flow growth and failure to do so would weaken the long term investment case.

Conclusion

Uber represents an attractive long term investment as the company completes its transition from a growth at all costs platform to a durable free cash flow generator. Uber has demonstrated profitability, improving unit economics, and strong operating leverage across its Mobility business, and Delivery continues to move closer to consistent profitability. Even though there have been clear improvements, the market is fixated on Uber’s historical losses and regulatory uncertainty, resulting in a valuation that does not reflect the company’s strengthened earnings power and cash flow profile. Risks are still there but Uber’s scale, asset light model, and disciplined execution position it well to generate more free cash flow over time. As profitability continues to improve and investor perception shifts, Uber offers meaningful upside for long term investors willing to back continued execution and margin growth.