LYFT OFF? THE "OTHER" RIDE SHARING COMPANY

The "other" ride sharing company!

Lyft: The other ride sharing company

	Uber	*Lyft*
Number of cities in US	150	65
Number of cities	>300	65
Number of countries	60	1
Number of rides - 2014	140	NA
Number of rides (in millions) - 2015E	NA	90
Number of rides (in millions) - 2016E	NA	205
Gross Billings (in millions $) - 2014	$2,000	$500
Gross Billings (in millions $) - 2015E	$10,840	$1,200
Gross Billings (in millions $) - 2016	$26,000	$2,700
Estimated Growth for 2015	442%	140%
Estimated Growth for 2016	140%	125%
Operating loss in 2014 (in millions $)	-$470	<- $50

Narrative Effect

	Lyft	*Uber*
Potential Market	US-centric, ride-sharing company.	Global, logistics company
Growth Effect	Double ride-sharing market in US in next 10 years	Double logistics market globally in next 10 years
Market Share	Weak national networking benefits	Weak global networking benefits
Competitive Advantage	Semi-strong competitive advantages	Semi-strong competitive advantages
Expense Profile	Drivers as partial employee	Drivers as partial employees
Capital Intensity	Low capital intensity	Low capital intensity, with potential for shift to more capital intense model
Management Culture	Aggressive within ride sharing business, Milder with regulators and media.	Aggressive with all players (competitors, regulators, media)

Potential Market	Market size (in millions)
A1. Urban car service (US)	$40,000
A2. All car service (US)	$55,000
A3. Logistics (US)	$100,000
A4. Mobility Services (US)	$125,000

Growth Effect	CAGR (next 10 years)
B1. None	3.00%
B2. Increase market by 25%	5.32%
B3. Increase market size by 50%	7.26%
B4: Double market size	10.39%

Increases overall market to $148 billion in year 10

Network Effects	Market Share
C1. No network effects	5%
C2. Weak local network effects	10%
C3. Strong local network effects	15%
C4. Weak national network effects	25%
C5. Strong national network effects	40%

	Base	*1*	*2*	*3*	*4*	*5*	*6*	*7*	*8*	*9*	*10*
Overall market	$55,000	$60,715	$67,023	$73,986	$81,674	$90,159	$99,527	$109,868	$121,283	$133,884	$147,795
Share of market (gross)	2.18%	4.46%	6.75%	9.03%	11.31%	13.59%	15.87%	18.15%	20.44%	22.72%	25.00%
Revenues as percent of gross	25.00%	24.00%	23.00%	22.00%	21.00%	20.00%	19.00%	18.00%	17.00%	16.00%	15.00%
Annual Revenue	$300	$650	$1,040	$1,469	$1,940	$2,451	$3,002	$3,590	$4,214	$4,867	$5,542
Operating margin	-66.67%	-57.50%	-48.33%	-39.17%	-30.00%	-20.83%	-11.67%	-2.50%	6.67%	15.83%	25.00%
Operating Income	-$200	-$374	-$503	-$576	-$582	-$511	-$350	-$90	$281	$771	$1,386
Effective tax rate	30.00%	31.00%	32.00%	33.00%	34.00%	35.00%	36.00%	37.00%	38.00%	39.00%	40.00%
- Taxes	-$60	-$116	-$161	-$190	-$198	-$179	-$126	-$33	$107	$301	$554
After-tax operating income	-$140	-$258	-$342	-$386	-$384	-$332	-$224	-$57	$174	$470	$831
Sales/Capital Ratio		5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00	5.00
- Reinvestment		$70	$78	$86	$94	$102	$110	$118	$125	$131	$135
Free Cash Flow to the Firm		-$328	-$420	-$471	-$478	-$434	-$334	-$174	$49	$339	$696
Terminal value											$13,453
Present value of FCFF		-$293	-$335	-$336	-$304	-$246	-$171	-$81	$21	$132	$250
Present value of terminal value											$4,828
Cost of capital	12.00%	12.00%	12.00%	12.00%	12.00%	12.00%	11.20%	10.40%	9.60%	8.80%	8.00%
Cumulated cost of capital =		1.1200	1.2544	1.4049	1.5735	1.7623	1.9597	2.1635	2.3712	2.5799	2.7863

Imputed Return on capital

PV of cash flows during next 10 years =	-$1,362
PV of terminal value =	$4,828
Value of operating assets	$3,466
Probability of failure	10%
Adjusted value of operating assets	$3,120

Capital Intensity
F: Status Quo: Sales/Capital = 5.00

Expense Profile	Operating Margin
E1: Independent contractor	40%
E2: Partial employee	25%
E3: Full employee	15%

Competitive Advantages	Slice of Gross Receipts
D1. None	5%
D2. Weak	10%
D3. Semi-strong	15%
D4. Strong & Sustainable	20%

Risk Estimates
G1. Cost of capital at 90th percentile of US companies = 12%
G2. Probability of failure in next 10 years= 10%

Lyft Valuation: September 2015

Ride Sharing Companies: The Pricing Game

Company	*Last VC round investment amount (in US$ millions)*	*Date*	*Lead Investors*	*Imputed Pricing for the company (in US $ millions)*
Lyft	$530.00	May-15	Didi Kuaidi, Carl Icahn	$2,500.00
Uber	$1,000.00	Jul-15	Microsoft	$51,000.00
Didi Kuaidi	$2,000.00	Jul-15	China Investment Fund	$15,000.00
Ola	$310.00	Mar-15	DST Global	$2,300.00
GrabTaxi	$200.00	Jul-15	Coatue Management & others	$1,500.00
BlaBlaCar	$100.00	Jul-15	Index Ventures	$1,600.00

The Drivers of Price

Company	*Estimated Value (Price)*	*Gross Billing in $ millions (2015)*	*Revenues (2015)*	*Operating Profit or Loss (2014)*	*Cities served (2015)*	*# rides*	*Potential Market (in $ millions)*	*# Drivers*
Lyft	$2,500	$1,200	$300	-$100	65	156	$55,000	100000
Uber	$51,000	$10,840	$2,000	-$470	300	1460	$205,000	800000
Didi Kuaidi	$15,000	$12,000	NA	-$1,400	137	2190	$50,000	2600000
Ola	$2,500	$1,200	$150	NA	85	100	$13,000	250000
GrabTaxi	$1,500	$1,000	$50	NA	26	300	$6,000	75000
BlaBlaCar	$1,600	$600	$72	NA	100	NA	$20,000	NA

Pricing Multiples

Company	*Value/Gross Billing*	*Value/Revenues*	*Value/City*	*Value/Ride*	*Value/Potential Market*
Lyft	2.08	8.33	$38.46	$16.03	0.0455
Uber	4.70	25.50	$170.00	$34.93	0.2488
Didi Kuaidi	1.25	NA	$109.49	$6.85	0.3000
Ola	2.08	16.67	$29.41	$25.00	0.1923
GrabTaxi	1.50	30.00	$57.69	$5.00	0.2500
BlaBlaCar	2.67	22.22	$16.00	NA	0.0800
Average	2.38	20.54	70.18	$17.56	0.1861
Median	2.08	22.22	48.08	$16.03	0.2205
Aggregate	2.76	22.98	103.93	$17.24	0.2123

Uber vs Lyft: Big versus Small Narratives

- Uber and Lyft provide contrasting narratives. Uber is a "big narrative" company, pushing into multiple markets and geographies, framing itself as a company that can conquer the world. Lyft is offering a "small narrative", just car service and just in the U.S.
- On the pricing and valuation front, the big narrative will win, for the moment, since these companies are being priced on potential.
- The downside of a big narrative is that it leads to
  - Less focus
  - Higher costs
  - More potential for disappointment

The better investment

- There is nothing inherently good or bad in big or small narratives. Both can be valued, though the narrative differences and value disagreements are likely to be larger with big narrative companies.
- It boils down to price. At the right price, you should be willing to buy either narrative and the at the wrong price, you should buy neither.
- At the most recent pricing ($2.5 billion for Lyft and $51 billion for Uber), Lyft seems to be the better investment, since
  - It is lower than my estimated value of $3.1 billion
  - It is "cheaper" on every pricing metric than not just Uber, but any ride sharing company.

The Race goes on!