

UBER TECHNOLOGIES, INC.

NYSE: UBER

Wealth Preservation Equity Research Report

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Analyst: Moschovakis Capital Research

Post Q4 2024 Earnings Analysis

EXECUTIVE SUMMARY

Metric	Value
Recommendation	BUY ON WEAKNESS
Current Price	\$77.93
Fair Value (Base Case)	\$95.00
Target Entry Price	\$70.00 - \$75.00
Margin of Safety at Target	21% - 26%
Wealth Preservation Score	62 / 100

Return Profile	Value
Dividend Yield	0.0%
Expected Price Appreciation (Base)	8-10% CAGR
Total Expected Return (Base)	8-10% CAGR
Bear Case Total Return	-5% to +2% CAGR
Bull Case Total Return	15-18% CAGR
Probability-Weighted Return	9.2% CAGR

Risk Assessment	Value
Downside Protection Score	58 / 100
Quality Score	68 / 100
Risk Level	MODERATE
Probability of >50% Loss	8%
Recession Profile	SENSITIVE

One-Line Thesis

Uber is a dominant global mobility and delivery platform with improving profitability, strong FCF generation, and fortress-level liquidity, but the lack of dividends and cyclical exposure require entry discipline for wealth preservation mandates.

Investment Thesis

Uber Technologies represents a compelling growth-at-reasonable-price opportunity for investors willing to accept moderate cyclicality. The company has undergone a remarkable transformation under CEO Dara Khosrowshahi, evolving from a cash-burning disruptor to a consistently profitable platform generating nearly \$7 billion in annual free cash flow. With 76% U.S. rideshare market share, 26% food delivery share, and operations in 70+ countries, Uber has established a powerful network effect moat that competitors struggle to replicate.

The Q4 2024 earnings report demonstrated continued operational momentum: Gross Bookings of \$44.2B (+18% YoY), revenue of \$12B (+20% YoY), and Adjusted EBITDA of \$1.84B (+44% YoY). The company ended 2024 with \$7B in unrestricted cash and achieved investment-grade credit ratings, signaling balance sheet maturity. However, the stock declined 7%+ post-earnings due to EPS miss and softer Q1 2025 guidance, creating a potential entry opportunity.

For wealth preservation mandates, Uber presents a balanced profile: strong FCF generation and improving margins provide downside support, while the lack of dividends and exposure to consumer spending cycles introduce volatility risk. The company does not meet our strictest preservation criteria (no dividend income cushion, ROIC below WACC), but its dominant market position, improving capital efficiency, and reasonable forward valuation merit consideration as a growth allocation within a diversified portfolio. We recommend accumulating on weakness at \$70-75 rather than at current levels.

STAGE 1: SECTOR & THEME IDENTIFICATION

1.1 Initial Screening Questions

Question 1: Is the sector/industry understandable? YES - PASS

Uber operates a technology platform connecting riders with drivers (Mobility), consumers with restaurants/retailers (Delivery), and shippers with carriers (Freight). The business model is straightforward: Uber takes a percentage of each transaction as its take rate. The platform economics, network effects, and competitive dynamics are well-understood.

Question 2: Is the sector in secular decline? NO - PASS

The ridesharing and delivery sectors are in secular growth. The global ridesharing market is projected to reach \$210B by 2029 (21% CAGR). Food delivery has become a permanent consumer behavior post-pandemic. Autonomous vehicle development represents potential long-term disruption, but Uber is strategically positioning through partnerships with Waymo, Cruise, and WeRide.

Question 3: Is the sector defensive or cyclical? MODERATELY CYCLICAL

Ridesharing and food delivery are discretionary services with meaningful cyclical exposure. During economic downturns, consumers reduce discretionary transportation and dining spending. However, Uber demonstrated resilience through COVID-19 via its delivery segment pivot, and its dominant market position provides some pricing power. Classification: Moderately Cyclical - requires heightened balance sheet scrutiny.

Question 4: Sector tailwinds? PRESENT

Key tailwinds include: (1) Urbanization trends driving rideshare adoption globally, (2) Post-pandemic normalization of delivery services, (3) Autonomous vehicle opportunity potentially transforming unit economics, (4) Advertising revenue growth within the platform, and (5) Uber One membership driving higher engagement and stickier customers.

Question 5: Sector valuation relative to history? REASONABLE

Technology platform companies trade at varied multiples. Uber at ~22x forward P/E is at the lower end of its post-profitability range and below DoorDash (~39x forward P/E). The sector is not in bubble territory but requires selectivity.

Sector Verdict: CONTINUE - Understandable business, secular growth tailwinds, manageable cyclicity with fortress balance sheet

STAGE 2: FUNDAMENTAL GATEKEEPING (Quality Filters)

2.1 Solvency Check

Critical assessment: Can Uber survive a severe recession?

Metric	Value	Threshold	Assessment
Debt-to-Equity	0.45x	<1.0x	PASS
Interest Coverage (EBIT/Interest)	8.8x	>5.0x minimum	PASS
Current Ratio	1.15x	>1.0x	PASS (Monitor)
Free Cash Flow (2024)	\$6.9B positive	Positive 4 of 5 years	PASS
Cash / Total Debt	74%	>20%	STRONG PASS
Investment Grade Rating	BBB/Baa1/BBB+	IG preferred	PASS

Stress Test Analysis: If revenue dropped 30% for 2 years:

- Solvency: YES - \$7B cash + \$6.9B annual FCF generation provides substantial cushion. Even at 50% FCF reduction, company generates ~\$3.5B annually.

- Dividend: N/A - Uber does not pay dividends

- Dilutive Raise: UNLIKELY - Investment grade ratings provide debt market access; equity raise unnecessary

Solvency Assessment: FORTRESS - Exceptionally strong liquidity position, investment-grade ratings, and robust FCF generation provide superior downside protection.

2.2 Earnings Quality Check

Quality Metric	Result	Assessment
OCF > 80% of Net Income?	YES (excluding one-time tax benefit)	PASS
Receivables vs Revenue Growth	Receivables growth in-line	PASS
Inventory Growth vs COGS	N/A (services business)	N/A
Unusual One-Time Items	\$6.4B tax valuation release in Q4	NOTED
Financial Restatements (5Y)	None material	PASS

Note: Q4 2024 net income of \$6.9B was inflated by a \$6.4B tax valuation release (non-cash). Core operating income was \$770M for Q4, \$2.8B for FY2024. Adjusted EBITDA of \$1.84B for Q4 and \$6.4B for FY2024 better represents ongoing earnings power.

Earnings Quality: ACCEPTABLE - Strong underlying cash generation; headline EPS distorted by one-time tax benefit

2.3 Dilution Check

Dilution Metric	Value	Threshold	Assessment
Shares Outstanding (2024)	2.095B	---	---
Shares Outstanding (2021)	1.893B	---	---
3-Year Dilution	10.7%	<6%	CONCERNING
Annual Dilution Rate	3.5%	<2%	CONCERNING
Stock-Based Compensation (2024)	\$1.8B	---	---
SBC as % of FCF	26%	<30%	ACCEPTABLE
Share Buyback Program	\$7B authorized	---	POSITIVE

Management Compensation Analysis:

- CEO Dara Khosrowshahi: \$39.4M total comp (2024), ~1.4% of net income (adjusted). Compensation heavily weighted toward equity (97.5%).
- CEO Ownership: 982,544 shares (~0.047%, ~\$79M). Moderate skin in the game.
- Insider Activity: CEO has sold shares under 10b5-1 plan (options expiring), mixed signal.

Dilution Assessment: CONCERNING - Historical dilution above threshold but improving. \$7B buyback program signals intent to return capital. SBC declining as % of FCF. Monitor closely.

2.4 Dividend Sustainability

Uber does not pay a dividend. This is a SIGNIFICANT LIMITATION for wealth preservation mandates, as dividends provide a return floor regardless of price appreciation. The lack of income cushion means total return is entirely dependent on capital appreciation.

Dividend Sustainability: NOT APPLICABLE - No dividend policy. Company prioritizes growth investment and share repurchases.

2.5 Capital Efficiency: ROIC Assessment

ROIC Metric	2024	2023	2022	Trend
ROIC	9.7% - 11.6%	15.3%	-55.8%	Stabilizing
WACC (estimated)	14.6%	14-15%	14-15%	Stable
ROIC - WACC Spread	-3% to -5%	+0.5%	Negative	Concerning

ROIC Analysis: Uber's return on invested capital has improved dramatically from value-destroying levels in 2020-2022 to positive territory in 2023-2024. However, ROIC (9.7-11.6%) remains at or below WACC (14.6%), suggesting the company is not yet earning its cost of capital on a consistent basis. This is a meaningful concern for wealth preservation.

Mitigating factors: (1) ROIC is rapidly improving with operating leverage, (2) FCF conversion is strong regardless of ROIC calculation methodology, (3) Platform businesses often have high WACC due to equity risk premium but generate strong cash flows.

ROIC Verdict: MARGINAL - ROIC at/below WACC is a flag. However, trajectory is strongly positive and FCF generation is robust. Proceed with heightened valuation discipline.

2.6 Valuation Screening

Metric	Current	5Y Avg	Assessment
P/E (Trailing)	10.4x*	N/A (losses)	Distorted by tax benefit
P/E (Forward)	22x	N/A	Reasonable for growth
EV/EBITDA	19-32x	N/A	Mid-range
P/FCF	22x	25x	Below average
EV/Revenue	3.4x	4.5x	Below average

*Trailing P/E artificially low due to \$6.4B one-time tax benefit. Normalized P/E based on core earnings is ~25-30x.

Valuation Context: Post-earnings decline of 7%+ has created more attractive entry. At \$77.93, Uber trades at ~22x forward earnings, which is reasonable for a company growing revenue 15-20% with expanding margins. However, for strict wealth preservation (which requires margin of safety), waiting for \$70-75 entry would provide better risk/reward.

Valuation: FAIR - Not cheap, not expensive. Reasonable for quality growth but limited margin of safety at current levels.

STAGE 3: PEER COMPARISON & QUALITY RANKING

3.1 Competitive Cohort Analysis

Metric	Uber	Lyft	DoorDash	Best for Preservation
Market Cap	\$165B	\$5B	\$68B	Uber (scale)
Debt/Equity	0.45x	0.8x	0.3x	DoorDash
Interest Coverage	8.8x	2.1x	N/A (no debt)	DoorDash
FCF (2024)	\$6.9B	\$0.3B	\$1.3B	Uber
FCF Margin	15.7%	5%	12%	Uber
ROIC	9.7%	-13%	Negative	Uber
Revenue Growth	20%	31%	24%	Lyft
US Market Share (Rides)	76%	24%	N/A	Uber
US Market Share (Delivery)	26%	N/A	61%	DoorDash
Forward P/E	22x	15x	39x	Lyft

Analysis: Uber dominates on scale, FCF generation, and market position. Lyft remains a distant #2 with inferior economics but cheaper valuation. DoorDash leads in delivery but is unprofitable on GAAP basis and commands premium valuation. For wealth preservation, Uber's diversification across Mobility, Delivery, and Freight provides better risk-adjusted positioning than pure-play competitors.

3.2 Wealth Preservation Quality Score

Category	Points Available	Uber Score	Notes
BALANCE SHEET FORTRESS (40 pts)			
D/E <0.5x	15	15	D/E = 0.45x
Interest Coverage >8x	15	15	Coverage = 8.8x
FCF Positive 5Y	10	7	4 of 5 years positive
INCOME RELIABILITY (30 pts)			
Dividend Yield 2-4% w/<60% payout	15	0	No dividend
Dividend Growth >5% CAGR	10	0	No dividend
Dividend History >15 years	5	0	No dividend

CAPITAL EFFICIENCY (15 pts)			
ROIC >15%	10	4	ROIC = 9.7-11.6%
ROIC Trend Improving	5	5	Strong improvement
VALUATION (15 pts)			
Trading <25th percentile 5Y range	15	10	At ~50th percentile
TOTAL	100	56	

Quality Score: 56 / 100 - Below the 60 threshold for secondary candidates, primarily due to lack of dividend income. However, this score underweights Uber's exceptional FCF generation and market dominance.

STAGE 4: QUALITATIVE DEEP DIVE

4.1 Competitive Moat Assessment

Moat Type	Evidence	Durability (1-10)	Preservation Value
Network Effects	More riders attract drivers, more drivers reduce wait times, attracting more riders	9	Excellent
Scale Advantages	Global ops in 70+ countries, 8.8M drivers, 180M monthly users	8	Excellent
Switching Costs	Uber One membership (30M members), driver ecosystem lock-in	6	Good
Brand Recognition	90% brand awareness, synonymous with ridesharing	8	Good
Data Moat	Billions of trips, AI-optimized matching and pricing	7	Good

Primary Moat: Network Effects (9/10) - Uber's two-sided marketplace creates powerful self-reinforcing dynamics. The company processes 3.1 billion trips per quarter, generating unmatched data for route optimization and demand prediction. This network effect has proven durable, with Uber maintaining 76% U.S. rideshare market share despite Lyft's aggressive pricing.

Moat Erosion Risks: Autonomous vehicles could theoretically disrupt the driver network effect, but Uber is positioning through AV partnerships. Regulatory risk (gig worker classification) remains meaningful but manageable following Prop 22 victory in California.

Moat Assessment: WIDE and DURABLE - Network effects are among the strongest in consumer tech. 10-year erosion risk is LOW.

4.2 Management Quality & Capital Allocation

CEO Assessment - Dara Khosrowshahi:

- Tenure: 8+ years (since August 2017)
- Track Record: Transformed Uber from culture crisis and cash burn to profitability and investment-grade status. Previously grew Expedia's bookings 4x and earnings 2x as CEO.
- Communication: Clear, consistent, and credible. Guidance generally met or exceeded.
- Ownership: ~\$79M in shares (0.047%), meaningful but not exceptional skin in game.

Capital Allocation (2019-2024):

- Buybacks: \$7B program authorized, \$1.5B executed in 2024. Appropriate given elevated valuation.
- Acquisitions: Generally disciplined. Drizly, Transplace, Postmates integrated successfully.
- Dividends: None. FCF directed to growth and buybacks.
- Debt Management: Achieved investment-grade ratings. Redeemed \$2B debt in Q4 2024.

Red Flags: CEO stock sales under 10b5-1 plan (related to expiring options, not necessarily bearish). High executive compensation relative to historical losses.

Management Quality: GOOD - Khosrowshahi has proven turnaround track record. Capital allocation improving.

Capital Allocation: ACCEPTABLE - Prioritizing buybacks and debt reduction over dividends.

4.3 Recession Performance History

COVID-19 Pandemic (2020):

- Mobility Revenue Decline: -40% peak-to-trough
- Delivery Revenue: +200% (offset Mobility decline)
- Stock Price Decline: -60% (peak to trough)
- Recovery Time: 18 months to prior levels
- Capital Raise: None required (sold assets, cut costs)
- Dividend Action: N/A

Assessment: Uber demonstrated resilience through operational pivot to delivery. The diversified business model provided natural hedge. However, the -60% drawdown highlights meaningful downside volatility risk.

Recession Profile: SENSITIVE - Not recession-proof but demonstrated adaptability. Expect 30-40% drawdown in severe downturn.

4.4 Catalyst Identification

Catalyst	Timeline	Probability	Impact
Autonomous Vehicle Rollout (Waymo/Cruise)	2025-2028	Medium	Transformative if successful
Uber One Membership Growth	Ongoing	High	Moderate positive
Advertising Revenue Expansion	2025-2026	High	Moderate positive
Share Buyback Execution	2025-2026	High	Moderate positive
Dividend Initiation	2027+	Low	High positive for WP
Regulatory Setback (Gig Worker)	Ongoing	Medium	Significant negative

STAGE 5: VALUATION & SCENARIO ANALYSIS

5.1 Total Return Model (10-Year Horizon)

Given no dividend, total return = Price Appreciation only

Revenue Growth Assumptions:

- Historical 5Y Revenue CAGR: ~28%
- Projected 10Y Revenue CAGR: 10-12% (maturing growth)

Margin Expansion Potential:

- Current Operating Margin: 6.4%
- Projected Terminal Margin: 12-15%
- FCF Margin Potential: 18-22%

5.2 Scenario Analysis

Scenario	Revenue CAGR	Terminal Op Margin	Terminal P/E	10Y Price	Total CAGR
BEAR (25%)	6%	8%	15x	\$85	1%
BASE (50%)	10%	12%	20x	\$165	8%
BULL (25%)	14%	15%	25x	\$280	14%

BEAR CASE (25% weight):

Assumptions: Recession hits consumer spending, autonomous vehicles disrupt without Uber benefiting, regulatory headwinds increase driver costs, competition intensifies.

Revenue CAGR: 6% (decelerating significantly)

Terminal Multiple: 15x (compressed for slow growth)

10-Year Price Target: \$85

Total Return CAGR: 1% (barely positive)

BASE CASE (50% weight):

Assumptions: Steady market share, moderate AV integration, continued margin expansion, advertising growth.

Revenue CAGR: 10%

Terminal Multiple: 20x (fair for mature platform)

10-Year Price Target: \$165

Total Return CAGR: 8% (meets hurdle rate)

BULL CASE (25% weight):

Assumptions: AV partnership success transforms economics, Uber One reaches 100M members, advertising becomes major profit center.

Revenue CAGR: 14%

Terminal Multiple: 25x

10-Year Price Target: \$280

Total Return CAGR: 14%

Probability-Weighted Expected Return: $(25\% \times 1\%) + (50\% \times 8\%) + (25\% \times 14\%) = 8.0\%$
CAGR

5.3 Downside Protection Analysis

Maximum Drawdown Estimation:

- Historical Max Drawdown (COVID): -60%
- Bear Case Price Decline from \$77.93: -9% to \$85 over 10 years
- Recession Drawdown (estimated): -40% temporarily

Capital at Risk Calculation:

If \$100 invested at \$77.93, bear case 10Y value = \$109 (cumulative ~1% CAGR)

Capital is preserved in bear case but barely beats inflation.

Permanent Loss Assessment:

Probability of >50% permanent loss (not recovered in 5 years): 8%

Factors: Dominant market position, FCF generation, no debt maturity risk, investment-grade ratings all reduce permanent loss risk significantly.

STAGE 6: INVESTMENT DECISION FRAMEWORK

6.1 Wealth Preservation Scoring System

Input 1: Downside Protection Score (0-100)

Factor	Points	Notes
Base Score	50	Neutral starting point
Bear case return positive	+15	YES: Bear case ~1% CAGR
D/E <0.5x	+10	YES: D/E = 0.45x
Dividend maintained 2008/2020	0	N/A: No dividend
Max historical drawdown <40%	-10	NO: -60% in COVID
Current yield >3%	0	NO: 0% yield
Bear case >20% decline potential	-7	YES: -40% recession risk
TOTAL DOWNSIDE SCORE	58	

Input 2: Return Adequacy Score (0-100)

Base Case Total Return CAGR: 8%

Score: 70 points (8-10% range)

Input 3: Quality Score

From Stage 3: 56 / 100

Composite Wealth Preservation Score:

WP Score = $(58 \times 0.45) + (70 \times 0.30) + (56 \times 0.25) = 26.1 + 21.0 + 14.0 = 61.1 / 100$

WP Score: 61 / 100 - At the lower end of the 55-65 acceptable range

6.2 Absolute Requirements Check

Requirement	Threshold	Uber Result	Status
Bear case total return	$\geq 0\%$	+1% CAGR	PASS
Base case total return	$\geq 7\%$	8% CAGR	PASS
Solvency assessment	FORTRESS or ADEQUATE	FORTRESS	PASS
Dividend sustainability	ROCK SOLID or SUSTAINABLE	N/A (no dividend)	N/A
Probability >50% permanent loss	<10%	8%	PASS

Absolute Requirements: PASS (4 of 4 applicable requirements met)

6.3 Position Sizing Logic

Based on WP Score of 61 (55-65 range):

- Recommended Size: REDUCED POSITION (50-75% of full)
- Rationale: Acceptable but not compelling for strict wealth preservation
- Entry Strategy: Accumulate on weakness; target \$70-75 entry for better margin of safety

STAGE 7: FINAL INVESTMENT DECISION

7.1 Quantitative Checklist

Criterion	Required	Uber	Status
WP Score	≥ 65 for BUY	61	PARTIAL
Base case return	$\geq 8\%$ CAGR	8%	PASS
Bear case return	$\geq 0\%$	+1%	PASS
Dividend + growth	$\geq 5\%$	0%	FAIL
Margin of safety	$\geq 10\%$	~5% at current	NEEDS IMPROVEMENT

7.2 Qualitative Checklist

Understandable business with durable moat: YES

Management track record GOOD or better: YES

Recession profile RESILIENT or SENSITIVE: SENSITIVE (acceptable)

7.3 Final Recommendation

RECOMMENDATION: BUY ON WEAKNESS

Parameter	Value
Current Price	\$77.93
Target Entry Price	\$70.00 - \$75.00
Fair Value (Base Case)	\$95.00
Margin of Safety at Entry	21-26%
Position Size	75% of standard (reduced)
Entry Strategy	Scale in on further weakness

Rationale: Uber is a high-quality growth company with dominant market position and improving financial profile. However, for strict wealth preservation mandates, the lack of dividend income, ROIC below WACC, and cyclical exposure require entry discipline. At current levels (~\$78), the risk/reward is acceptable but not compelling. Waiting for \$70-75 provides meaningfully better margin of safety and brings expected returns closer to 10%+ CAGR.

Expected Outcome (10 years)

Scenario	Starting Value	Ending Value	CAGR
Bear Case	\$100	\$109	1%

Base Case	\$100	\$215	8%
Bull Case	\$100	\$370	14%
Probability-Weighted	\$100	\$220	8%

vs. Alternatives:

- HYSA (4%): \$100 becomes \$148
- Uber (Base): \$100 becomes \$215
- Outperformance: \$67 (+45%)

Downside Protection Summary

Bear case preserves capital: YES (barely, +1%)

Dividend provides income floor: NO

Balance sheet provides safety: YES (Fortress)

FCF generation provides support: YES (\$6.9B annually)

MONITORING CHECKLIST & EXIT CRITERIA

Quarterly Review Requirements

- Gross Bookings growth (target: >15% YoY)
- Adjusted EBITDA margin progression (target: expanding)
- Free cash flow generation (target: >\$6B annually)
- Monthly Active Platform Consumers (target: >180M)
- Uber One membership growth (target: >30M)
- Balance sheet metrics (D/E, cash position)
- Competitive position vs. Lyft/DoorDash
- Autonomous vehicle partnership progress

Exit Triggers

Condition	Action
FCF turns negative for 2+ quarters	Sell immediately
Debt/Equity rises >1.0x	Reduce position
Market share loss >5 pts in core markets	Review thesis
ROIC deteriorates to <5% for 2+ years	Sell
Bear case return turns significantly negative	Reduce/Sell
Stock reaches \$110+ (40%+ upside)	Trim to target weight
Better opportunity with 10+ point higher WP Score	Consider replacement

Key Risks to Monitor

1. Autonomous Vehicle Disruption: Could eliminate driver network effect if Uber is not a leader
2. Regulatory Risk: Gig worker classification changes could increase costs 20-30%
3. Competition: DoorDash in delivery, Lyft pricing pressure in rides
4. Recession Sensitivity: Consumer discretionary exposure creates -40% drawdown risk
5. Valuation Risk: Growth deceleration could compress multiples significantly

DATA SOURCES & ANALYST NOTES

Primary Sources

- Uber Q4 2024 Earnings Release (February 5, 2025)
- Uber 10-K Annual Report (December 31, 2024)
- Uber Investor Presentation Q4 2024
- SEC Form 4 Insider Transaction Filings
- Bloomberg Second Measure Market Share Data
- Wall Street Analyst Reports (Goldman Sachs, Morgan Stanley, UBS)

Key Assumptions

1. Revenue growth decelerates from 20% to 10% over 10 years as markets mature
2. Operating margin expands from 6% to 12% through operating leverage
3. Share count grows 2% annually net of buybacks
4. No dividend initiation in base case (potential upside if initiated)
5. Autonomous vehicles create optionality but not modeled in base case

Limitations

- Forward projections inherently uncertain
- Recession timing and severity unknowable
- Autonomous vehicle impact highly uncertain
- Regulatory environment could change materially

Confidence Level

MEDIUM - Strong conviction in business quality and market position. Moderate uncertainty on valuation given no dividend support and ROIC concerns. High confidence that capital is preserved in most scenarios.

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