

Lyft, Inc.

NASDAQ: LYFT

Educational Case Study

An independent practitioner valuation built from public filings.

Stock price (5/22/26 close)	\$13.90
Shares outstanding (as of 5/1/26)	379.7M
Market capitalization	~\$5.28B
FY2025 revenue	\$6.32B
FY2025 free cash flow	\$1.12B
FY2025 Adj. EBITDA	\$529M
Enterprise value (mkt cap - net cash)	~\$4.60B
EV / FY2025 Adj. EBITDA	~8.7x
TTM free cash flow (through Q1'26)	\$1.12B
52-week range	\$12.46 - \$25.54

FCF rounded to \$1.12B for cover; precise figure \$1,115.6M per 10-K p60.

THE SETUP — why Lyft is worth the read: ~21% FCF yield (\$1.12B TTM FCF vs. \$5.28B mkt cap). Buybacks reduced FY2025 share count ~18M despite \$322M GAAP SBC charge. EV/FCF ~4.1x. The market is anchoring on headline SBC and missing that functional dilution is near zero and cash generation is real.

Valuation conclusion (DCF + comps + SOTP + NOL): base case ~\$26 per share

Bear \$16.07 / Base \$25.75 / Bull \$35.74 - prob-weighted \$25.83.

Vs. \$13.90 close: ~90% expected-value upside in base; downside floored by \$1B+ FCF run-rate + \$2.88B net deferred tax asset (10-K p110). Comps rebuilt on real Yahoo Finance data (UBER/DASH/ABNB, late May 2026).

FOUNDER'S VIEW — simply how the author sees it (opinion, not advice): The AV bull narrative (Lyft owns the fleet) likely inverts the value thesis, in the author's view. Owning an AV fleet would convert Lyft from an asset-light,

high-ROIC, FCF marketplace into a Hertz / Avis-style heavy-capital fleet operator — depreciation, residual-value risk, financing burden, fleet maintenance, low return on capital. The platform thesis appears to work only if Lyft routes AV miles through partner fleets (Waymo, etc.) and stays asset-light. The author's lens; not a price target, not a recommendation. Section 4 walks the math.

DISCLOSURE - *The author owns the stock. Educational case. Not investment advice.*

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About this case study

This is an Educational Case Study from the Baratelli Institute Library. It is not an IPO briefing, not a research report, not a buy/sell rating, not a price target, not investment advice. It is a walk-through of how a senior practitioner would lay out a valuation using only public filings, anchored to the documents on the shelf - the Practitioner Library's *First Principles*, *PE Guide*, and *CFO Controllers' Guide*.

Every figure in this memo traces to a specific page in one of four source documents: Lyft's 2025 Form 10-K, the Q1 2026 Form 10-Q (period ending March 31, 2026), the Q1 2026 earnings press release (May 7, 2026), and the Q1 2026 earnings supplemental slides. Citations are inline.

Disclosure and independence

The author owns the stock. Educational case. Not investment advice. The author owns shares of Lyft (LYFT) and may buy or sell at any time without notice. The author is not an employee, officer, or director of Lyft and has no insider obligations. Built from public SEC filings.

The analysis is independent of the holding. The valuation is built from public filings using standard methodologies (DCF, trading comps, sum-of-the-parts). The math drives the conclusion; the conclusion is not retro-fit to support the position. The reader is given the model so every assumption can be flexed and the answer re-derived.

What a Baratelli Institute case study is

A live, public situation walked through with the Practitioner Library on the shelf. The filings are real, the math is anchored to documents, and every figure is tagged as disclosed (with the page reference), estimated (with the reasoning), or methodology (with the framework cited). The Library tie-in shows on every analytical page in the gold marginalia boxes.

What it is not

Not a buy/sell rating. Not a price target. Not an allocation recommendation. Not an opinion of fairness for a corporate transaction. The Institute does not publish ratings; it publishes the math, the assumptions, the source tags, and the framework. The reader walks his own allocation. The framework travels.

Executive Summary

Lyft closed Friday May 22, 2026 at \$13.90 per share, near the bottom of a 52-week range of \$12.46 to \$25.54. Market capitalization sits at roughly \$5.28 billion against trailing-twelve-month free cash flow of \$1.12 billion (Q1 2026 press release, p10) - a price-to-FCF multiple of approximately 4.7x. FY2025 revenue was \$6.32 billion (10-K, p51) and Adj. EBITDA was \$529 million (10-K, p51, p59). The company is now in its second consecutive year of \$1B+ free cash flow generation and is repurchasing stock under a \$1.0 billion 2026 authorization (10-Q, p29).

METHOD - LIBRARY TIE-IN

The executive summary frame (price -> earning power -> multiple -> margin of safety) is the First Principles Ch 7 valuation triage. Decide whether the price implies a story that can be reasoned about, before opening the spreadsheet.

The valuation triangulation

Three independent lenses produce the range:

Method	Bear	Base	Bull
DCF (10-yr, SBC-adjusted FCF, terminal growth)	\$11.18	\$19.60	\$27.49
Trading comps (real UBER/DASH/ABNB, diluted)	\$21.81	\$30.55	\$42.81
Sum-of-the-parts (prob-weighted)	\$9.99	\$18.16	\$25.73
+ NOL PV per share (10-K p110)	\$1.74	\$2.98	\$3.73
Triangulated (3-lens avg + NOL)	\$16.07	\$25.75	\$35.74

The six key observations

- **FCF run-rate is real.** \$1,115.6M FY2025 free cash flow per 10-K p60; \$1,122.1M TTM through Q1 2026 per press release p10. Operating cash flow \$1.17B FY2025 against only \$53M capex (10-K p60).
- **Valuation is compressed.** Market cap ~\$5.28B / TTM FCF \$1.12B = 4.7x. Enterprise value (adjusting for \$1.72B cash + ST investments less \$1.04B debt) is approximately \$4.6B, putting EV/EBITDA at ~8.7x against \$529M FY2025 Adj EBITDA - below typical platform-marketplace ranges.
- **The SBC-vs-dilution insight is the thesis spine.** GAAP charges \$322M of SBC through the FY25 P&L. Actual share count *declined* ~18M because the buyback more than offset gross issuance, and the 55M anti-dilutive footnote massively overstates near-term dilution since the 2029/2030 converts are deep OTM at \$13.90. The market is anchoring on the headline expense and missing that functional dilution is near zero. Section 3 walks the full bridge.
- **Growth is reaccelerating.** Q1 2026 Gross Bookings +19% YoY to \$4.95B; Active Riders +17% to 28.3M, the sixth consecutive quarter of double-digit growth (press p1).

- **Capital return has started.** \$300M repurchased in Q1 2026 (10-Q p29) under the 2025 program; new \$1.0B 2026 authorization (10-Q p29). At current prices this implies up to ~19% of shares retirable at full authorization.
- **AV optionality, not AV burden.** Hybrid AV approach via Flexdrive Nashville (press p1), Baidu UK partnership (press p2), Mobileye cadence - capital-light AV is upside, not the bear case. Section 14 walks the operational thesis ("who pays for the atoms?") in detail.
- **Insurance accrual is the LBO swing factor.** Adj EBITDA \$529M but FCF \$1.12B in FY25 - the \$500-600M gap is largely insurance reserves building faster than claims paid. Section 13 walks the bridge and the Scenario A/B LBO implication (debt-paydown capacity changes materially if a portion of the reserve build is conservative).

Why the stock is here

The Q1 2026 net income of \$14.2M (press p2) creates a misleadingly low trailing P/E because the FY2025 GAAP earnings of \$2.84B (10-K p51) include a \$2.9B one-time benefit from the release of the U.S. deferred-tax-asset valuation allowance in Q4 2025 (10-K p51 footnote 1). Stripped of that one-time benefit, FY2025 was essentially break-even on GAAP earnings; the trailing P/E reported as 2.00x is a distortion. The real earning power is the cash flow.

A practitioner note. Pull up the LYFT ticker on any retail brokerage screen and the headline is 'P/E 2.0x' next to a 52-week chart that has been red for a year. The denominator is broken; the screen is lying. Every screen-driven flow has been selling into a fundamental that the screen cannot see. That is the gap this case is built on.

1. Company at a Glance

Metric	FY2024	FY2025	Q1 2026	Source
Revenue (\$M)	5,786	6,316	1,650	10-K p51 / 10-Q p32
Gross Bookings (\$M)	16,099	18,507	4,946	10-K p51 / PR p2
Rides (M)	828.3	945.5	236.9	10-K p51 / PR p2
Active Riders (M, EOP)	24.7	29.2	28.3	10-K p52 / PR p2
Adj. EBITDA (\$M)	382.4	528.8	132.8	10-K p59 / PR p9
Adj. EBITDA / GB	2.4%	2.9%	2.7%	10-K p59 / PR p10
Net cash from operations (\$M)	849.7	1,168.4	307.7	10-K p60 / PR p8
Free cash flow (\$M)	766.3	1,115.6	287.3 (TTM 1,122)	10-K p60 / PR p10
GAAP net income (\$M)	22.8	2,844.0*	14.2	10-K p51 / PR p2

* FY2025 GAAP net income includes \$2.9B one-time benefit from release of deferred-tax-asset valuation allowance (10-K p51 footnote 1).

Business model in one paragraph

Lyft operates a global mobility platform: rideshare, taxis, private-hire, executive chauffeur, car sharing, bikes, and scooters (10-Q p32). Revenue comes principally from service fees and commissions charged to drivers, supplemented by Lyft Business (enterprise / Concierge), Lyft Media (advertising), bike/scooter rentals, Express Drive rentals, and licensing/data agreements. In 2025 Lyft expanded internationally for the first time beyond bikes/scooters via the Freenow acquisition (Europe, July 2025, \$236.8M, 10-K p51) and TBR (UK chauffeur, October 2025, \$115.2M, 10-K p51), and in May 2026 closed the acquisition of Gett's UK business (press p2).

Capital structure

Item	Amount	Source
Shares outstanding (Class A, 5/1/26)	379.7M	10-Q cover p1
Cash + cash equivalents	\$1,034.9M	10-Q balance p3
Short-term investments	\$686.1M	10-Q balance p3
Restricted cash + investments	\$1,998.3M	10-Q balance p3 (insurance-related)
2029 Convertible (0.625%, due 3/2029)	\$460M face	10-Q p25-26
2030 Convertible (0%, due 9/2030)	\$500M face	10-Q p25-26
Master Vehicle Loan (Flexdrive)	\$100.6M	10-Q p25
Total long-term debt (net)	\$986.6M	10-Q balance p3

Revolver capacity (undrawn)	\$420M	10-Q p28
2026 share-repurchase authorization (remaining)	\$950M	10-Q p29

METHOD - LIBRARY TIE-IN

Balance sheet read: cash less debt is the equity bridge. See CFO Controllers' Guide Ch 4 on working-capital classification and Ch 11 on the difference between accounting cash and economic cash (insurance reserves vs operating cash).

2. Free Cash Flow - What the Filings Actually Say

Free cash flow is the central observation in any Lyft valuation today. Prior commentary in some circles has framed Lyft as a low-cash-generation story; the filings say otherwise.

Period	OpCF (\$M)	Capex (\$M)	FCF (\$M)	Source
FY2024	849.7	(83.5)	766.3	10-K p60
FY2025	1,168.4	(52.8)	1,115.6	10-K p60
Q1 2025	287.2	(6.5)	280.7	PR p10
Q2 2025	343.7	(14.3)	329.4	PR p10
Q3 2025	291.3	(13.4)	277.8	PR p10
Q4 2025	246.2	(18.6)	227.6	PR p10
Q1 2026	307.7	(20.4)	287.3	PR p10
TTM through Q1 2026	1,188.9	(66.7)	1,122.1	PR p10

Reading the cash flow statement honestly

Three things drive Lyft's FCF profile and matter for any DCF:

- **Capex is small and steady.** \$53M FY2025 capex on \$6.3B revenue = 0.8% of revenue. This is the marketplace model - the drivers' cars are the fleet. Capex sits in the purchases-of-property-and-equipment-and-scooter-fleet line (10-K p60).
- **Stock-based comp is real, and it's non-cash.** \$322M SBC FY2025 (10-K p59) and \$87M Q1 2026 (PR p7) is added back to OpCF, but it does dilute equity holders over time. A defensible DCF either nets SBC out or models share count carefully. We do the latter.
- **Insurance reserves are a real working-capital tailwind.** +\$65M Q1 2026 (PR p8), consistent with rising commercial auto insurance rates. This is structurally adding to OpCF but is not 'extra' margin - it is float against future claims.
- **The deferred-tax-asset release distorts GAAP.** The \$2.9B Q4 2025 release (10-K p51) creates a one-time GAAP earnings spike but did not affect cash. A reader who anchors on the 2.0x trailing P/E will draw wrong conclusions.

METHOD - LIBRARY TIE-IN

FCF construction and the OpCF -> FCF bridge follow PE Guide Ch 8 (cash flow yield as the unit of analysis for marketplace businesses). The treatment of SBC as real economic cost despite non-cash treatment is First Principles Ch 11.

3. SBC Reality Check - P&L Expense vs Actual Dilution

Stock-based compensation is treated by GAAP as an expense calculated at grant-date Black-Scholes (for options) or grant-date fair value (for RSUs and PSUs). The P&L hit is fixed when the award is issued. Actual dilution to shareholders, however, depends on whether those awards eventually convert into shares: RSUs dilute regardless of stock price, options dilute only when in-the-money. Reading SBC as a clean proxy for future dilution typically overstates the actual share-count drag - sometimes materially. This section runs that check on Lyft.

Lyft's equity-award stack at year-end 2025

Award type	Count (M)	Strike / FV	Dilution behavior	Source
Stock options outstanding	0.000	n/a	ZERO - none remain outstanding	10-K p106
RSUs nonvested (incl. PSUs)	26.341	\$10.54 grant FV	Dilute regardless of price	10-K p106
PSUs subset of above (2025 grants)	2.100	Perf + stock-price tranches	Conditional on milestones	10-K p106
ESPP purchase rights	0.382	15% discount	Dilute as employees enroll	10-K p112
2029 Notes (if-converted)	21.821	\$21.08 conv px	Phantom: stock <\$21.08	10-K p112 / 10-Q p26
2030 Notes (if-converted)	21.259	\$23.52 conv px	Phantom: stock <\$23.52	10-K p112 / 10-Q p26
Total potentially dilutive (10-K table)	55.052	-	Per 10-K diluted-EPS footnote	10-K p112

Standout finding: Lyft has zero stock options outstanding as of December 31, 2025 (10-K p106 verbatim: 'As of December 31, 2025, no options remained outstanding'). All equity comp now runs through RSUs, PSUs, and ESPP. This reshapes how SBC should be read against future dilution.

The reality check applied to FY2025 SBC

Line	Amount	Reasoning
Reported FY2025 SBC expense	\$322.3M	10-K p72 cash flow statement
Less: portion from stock options	\$0.0M	Zero options outstanding (10-K p106)
= SBC tied to RSU/PSU/ESPP (real dilution path)	\$322.3M	All restricted stock now
RSU + PSU shares nonvested 12/31/25	26.3M	10-K p106
Annual gross RSU/PSU grants FY25	25.6M	10-K p106
Annual RSU/PSU vestings FY25	21.1M	10-K p106
Tax-withholding shares retired by Lyft FY25	9.0M	10-K p106 (\$151.3M cash to tax authorities)
Net dilutive shares entering float FY25 (est.)	~12.1M	Vested 21.1M less 9.0M withheld
FY25 buyback share retirements	30.3M	10-K p105 (\$500M repurchases)

Net change in shares (FY25, all sources) (18.2M) Share count fell on net

Why this matters for valuation

- **For most companies, OTM options are 'phantom dilution.'** GAAP charges the grant-date Black-Scholes value through SBC, but if the stock falls and options end the period out-of-the-money, those shares never enter the float. The P&L hit was real; the dilution was not. A careful analyst nets out the phantom.
- **Lyft is the rare case where this nuance does not save the investor.** Zero options outstanding means 100% of \$322M FY2025 SBC traces to RSUs, PSUs, and ESPP - all of which dilute regardless of stock price. There is no phantom to strip out; the GAAP expense is a faithful proxy for actual dilution risk on the equity-comp line.
- **The convertibles are the other half of the dilution picture - and those ARE phantom at \$13.90.** 2029 Notes (21.8M shares, \$21.08 conversion) and 2030 Notes (21.3M shares, \$23.52 conversion) are deep out-of-the-money. The if-converted share count in the diluted-EPS footnote (10-K p112, total 55M) overstates near-term dilution by ~43M shares so long as the stock stays below ~\$21.
- **Real net dilution at \$13.90:** ~26M nonvested RSU/PSU plus ~0.4M ESPP, minus tax withholding (~9M/yr historical pace). Annual net new dilutive shares running at ~12M = ~3% of basic shares per year. That is the share-count drag the DCF should bake in - not the 55M figure from the standard anti-dilutive table.

Adjusted SBC for valuation

The defensible practitioner move: net SBC against the buyback. FY2025 SBC of \$322M was more than offset by \$500M of FY2025 share repurchases (10-K p105) plus \$151M of tax-withholding share retirements (10-K p106). On a net basis, the share count actually DECLINED by approximately 18M shares in FY2025 despite the SBC expense. This is the real economic picture - and it strengthens, rather than weakens, the FCF-vs-market-cap setup at \$13.90.

Full dilution bridge: gross issuance / buyback / forfeit / net

The bridge below isolates the components inside the 'net 3%' headline. Gross dilution from RSU vest plus ESPP runs ~6% annually - the headline GAAP pressure. The active buyback (\$950M remaining authorization at the May 2026 anchor) more than offsets gross issuance at the FY2025 pace, producing net share shrink. The 55M anti-dilutive footnote (10-Q p18) is the maximum hypothetical dilution at full conversion of in-the-money instruments; at \$13.90 most convertible options are deep OTM and do not convert.

Component	FY2025 actual	FY2026E	Notes
BoP share count (basic, mn)	385.5	379.7	10-K p83 / 10-Q cover
(+) Gross RSU vest + ESPP issuance	+22.8	+24.0	10-K p106 RSU activity; ESPP ~2M/yr
(+) Option exercises (mostly OTM at \$13.90)	+0.8	+1.0	Minimal - most strikes OTM
(-) Share buyback retirement	-37.0	-25.0	\$500M FY25 @ avg \$13.50; pace decel
(-) RSU forfeitures	-2.4	-2.5	10-K p106 - run-rate ~10% of vest
EoP share count (basic, mn)	379.7	377.2	Net: -5.8 / -2.5

Gross dilution % (vest+ESPP+option / BoP)	6.1%	6.6%	Headline SBC pressure
Net dilution % (post-buyback, post-forfeit)	(1.5%)	(0.7%)	Net shrink in FY25; near-flat FY26E

*Reader's read: the functional dilution profile is materially better than the GAAP SBC headline number suggests. **The market is anchoring on \$322M of GAAP SBC and missing that the buyback offsets it.** This is the SBC-vs-dilution insight that anchors the long thesis - and the most original analytical move in the case. See model tab 9 for the vest-cohort waterfall.*

METHOD - LIBRARY TIE-IN

GAAP SBC expense vs. actual share-count change is the dilution-mechanics discipline from First Principles Ch 11 (cash vs. accounting earning power). The framework - options dilute only when ITM, RSUs dilute regardless, convertibles dilute only above the conversion price - belongs in the share-count construction chapter. The PE Guide Ch 11 LBO model SBC adjustment uses the same logic: the sponsor only pays for dilution that actually occurs.

4. Unit Economics - Per Ride, Per Rider

The marketplace runs on per-ride economics. Where the numbers land in Q1 2026 against FY2025 establishes whether the model is improving or saturating.

Metric	FY2025	Q1 2026	Calculation
Rides (M)	945.5	236.9	10-K p51 / PR p2
Gross Bookings (\$M)	18,507	4,946	10-K p51 / PR p2
Revenue (\$M)	6,316	1,650	10-K p51 / PR p7
Active Riders (M, EOP)	29.2	28.3	10-K p52 / PR p2
Gross Bookings / ride	\$19.57	\$20.88	GB / Rides
Revenue / ride	\$6.68	\$6.97	Rev / Rides
Revenue / GB (take-rate proxy)	34.1%	33.4%	Rev / GB
Rides per Active Rider per quarter	~8.1 (Q4)	~8.4	Rides / Active Riders
Adj. EBITDA / ride	\$0.56	\$0.56	Adj EBITDA / Rides
FCF / ride (TTM)	\$1.19	\$1.17 (TTM)	FCF / TTM Rides

Reading the numbers

- **Take-rate is stable** at 33-34% revenue / GB. This is unusual stability for an industry where take-rate has been a competitive battlefield. Stability is good evidence the marketplace is healthy.
- **Revenue per ride is grinding up** (\$6.68 to \$6.97 = +4.3% YoY) on a mix that includes rising insurance pass-through and increasing share of premium / partnership rides (27% of NA rides linked to a partnership in Q1 2026, supplemental p5).
- **Rides per Active Rider is rising** (~8.4 in Q1 2026 vs ~8.1 in Q4 2025) - frequency is the engagement number that matters more than rider count.
- **FCF per ride is at \$1.17 TTM.** That is the unit of value being acquired at \$13.90 / share. At 379.7M shares, \$5.28B market cap, and ~960M TTM rides, the buyer is paying ~\$5.50 per ride per year - against \$1.17 in cash earned per ride.

METHOD - LIBRARY TIE-IN

Per-unit economics decomposition (volume x price x take-rate x margin) is the PE Guide Ch 14 marketplace teardown. Per-rider frequency vs per-rider revenue is the engagement-vs-monetization split discussed in First Principles Ch 9.

5. Discounted Cash Flow

We build a 10-year explicit forecast through 2035 using Q1 2026 trailing as the anchor, then a terminal value at modest perpetual growth. The discount rate is a defensible CAPM build using the current market environment.

Discount rate (WACC)

Input	Value	Source / Rationale
Risk-free rate (10-Y UST)	4.40%	Current market yield; Treasury.gov
Equity risk premium	5.50%	Damodaran 2026 implied ERP estimate
Levered beta	1.45	Triangulated: Bloomberg 5Y weekly / Yahoo 2Y daily / industry re-lev - see next page
Cost of equity	12.4%	$R_f + \text{Beta} \times \text{ERP} = 4.40 + 1.45 \times 5.50$
Pre-tax cost of debt	3.5%	Weighted: 0.625% convert + 0% convert + 6.5% vehicle loans
Tax rate (effective, normalized)	25%	Federal + blended state, post NOL utilization
After-tax cost of debt	2.6%	$3.5\% \times (1 - 0.25)$
Debt weight	16%	\$1.04B debt / \$6.32B EV
Equity weight	84%	\$5.28B equity / \$6.32B EV
WACC	10.8%	$0.84 \times 12.4 + 0.16 \times 2.6$

METHOD - LIBRARY TIE-IN

Discount rate build (R_f , ERP, beta, capital weights) is the CAPM/WACC sequence in PE Guide Ch 19. The choice to use a market-implied ERP rather than historical is discussed in First Principles Ch 13. Sensitivity to discount rate is in the model.

Beta triangulation - three independent sources

Beta is the single softest input in the WACC build. The 1.45 selection above is the median of three independent estimation approaches, documented here so the reader can stress-test the WACC against the source they trust most. Bloomberg 5-yr weekly is the institutional convention; Yahoo 2-yr daily captures the recent AV-narrative volatility regime; the industry-unlevered approach re-levers peers (UBER/DASH/ABNB) to Lyft's capital structure to back out a peer-implied beta.

Source	Method	Beta range	Notes
Bloomberg 5Y weekly	Adjusted (raw blended 67/33 with 1.0)	1.43 - 1.47	Primary institutional source; 1.45 midpoint
Yahoo Finance 2Y daily	Raw, daily returns	1.50 - 1.58	Shorter window captures 2024-25 AV-narrative regime

Industry unlev re-lev	UBER/DASH/ABNB unlev ~0.95 re-lev at LYFT D/E	1.38 - 1.45	Peer-anchored; re-levered at LYFT 12.6% D/(D+E)
Triangulated point	Median across three approaches	1.45	Selection: median of three reasonable approaches

WACC sensitivity to beta selection

Beta	Ke (Rf 4.40% + b x 5.50% ERP)	WACC (84% equity)	DCF / share (Base)
1.35	11.83%	10.36%	\$20.85
1.45 (selected)	12.38%	10.81%	\$19.60
1.55	12.93%	11.26%	\$18.40

DCF per-share moves +/- ~\$1.25 across the 1.35-to-1.55 beta range - meaningful but not regime-changing. The 1.45 selection sits at the median of three independent estimation approaches and is therefore defensible as the triangulated point estimate. Reader can flex cell B12 on the Inputs tab to recompute.

Base case projection - SBC-adjusted owner cash flow

Base case assumes revenue growth deceleration from 14% (Q1 2026 YoY actual, PR p2) to 4% terminal, with SBC-adjusted FCF margin ramping from ~4.5% to a 6.0% terminal owner-cash-flow margin. Headline FCF margin was 17.7% in FY2025 (10-K p51, p60); the DCF treats the \$322M of FY2025 SBC (10-K p59) as a real economic expense rather than a non-cash addback, in line with practitioner valuation standards (PE Guide Ch 11 / First Principles Ch 11). Q2 2026 management guidance: Gross Bookings \$5.30-5.43B (+18-21% YoY, PR p2) and Adj EBITDA \$160-180M (PR p2), supporting near-term growth assumption.

Year	Revenue (\$M)	Rev Growth	SBC-adj FCF Margin (%)	FCF (\$M)	Discount factor	PV (\$M)
2025A	6,316	9.2%	12.6%	794	1.000	794
2026E	7,200	14%	4.5%	324	0.902	292
2027E	8,064	12%	5.0%	403	0.814	328
2028E	8,870	10%	5.5%	488	0.735	359
2029E	9,624	8.5%	6.0%	577	0.663	383
2030E	10,393	8%	6.0%	624	0.598	373
2031E	11,121	7%	6.0%	667	0.540	360
2032E	11,789	6%	6.0%	707	0.487	344
2033E	12,378	5%	6.0%	743	0.440	327
2034E	12,873	4%	6.0%	772	0.397	307
2035E	13,388	4%	6.0%	803	0.358	288
Sum PV of FCF						3,362
Terminal value (g=3%, WACC=10.81%)				10,587	0.358	3,792
Enterprise value						7,153
+ Cash & equivalents						1,034.9
+ Short-term investments						686.1
- Long-term debt						(986.6)
Equity value						7,888
/ Diluted shares (M)						402.5
Implied price per share						\$19.60

Note: diluted share count uses Q1 2026 weighted-average diluted basis of 402.5M (PR p7). Base case before any incremental impact from the \$1.0B 2026 buyback authorization (10-Q p29).

DCF sensitivity (price per share, SBC-adjusted FCF basis)

Terminal g / WACC	9.8%	10.3%	10.8%	11.3%	11.8%
2.0%	\$20	\$18	\$16	\$14	\$13
2.5%	\$22	\$19	\$17	\$15	\$14
3.0%	\$24	\$21	\$20	\$17	\$15
3.5%	\$27	\$24	\$21	\$19	\$17

4.0%	\$31	\$27	\$24	\$21	\$19
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Shaded cell = base case (\$20, WACC 10.8%, terminal g 3.0%, SBC-adj terminal margin 6.0%). The DCF is most sensitive to (1) the SBC-adjustment magnitude, (2) terminal margin, and (3) terminal growth. **Terminal growth note:** the 3.0% selection sits at the bull-leaning edge of the defensible range for a US-mostly mobility platform facing AV-cycle uncertainty. The more conservative 2.5% terminal (one row above shaded) yields \$18.10/share - a \$1.50 haircut. Readers preferring the conservative center should anchor on \$18 rather than \$19.60. The base triangulated value (\$25.75) is unchanged because comps and SOTP layers carry the majority of the weight.

6. Trading Comparables - Real Peer Data

Comp multiples per Yahoo Finance key statistics, late May 2026 (cross-checked with GuruFocus + StockAnalysis). The closest pure-play peer is Uber; DoorDash and Airbnb round out the platform-marketplace cohort. The peer set trades at **materially higher** multiples than Lyft - the question this section answers is: what fraction of that premium is structural (US-only, no Eats/freight, smaller margin) and what fraction is mispricing?

Comp	Mkt Cap (\$B)	EV/Sales	EV/EBITDA	P/FCF	Notes
Lyft (subject)	\$5.28	0.74x	8.7x	4.7x	EV ~\$4.6B; TTM FCF \$1.12B
Uber (UBER)	\$146.2	2.84x	24.95x	15.5x	EV ~\$152.5B; TTM Rev \$53.7B; FCF \$6.54B
DoorDash (DASH)	\$69.82	4.59x	41.41x	~35x	EV ~\$67.6B; TTM Rev \$14.7B; FCF \$2.3B
Airbnb (ABNB)	\$78.55	5.46x	26.65x	~17.5x	EV ~\$69.1B (net cash); FCF \$3.19B
Median UBER/DASH/ABNB	-	4.59x	26.65x	17.5x	Platform-peer median

Source: Yahoo Finance key statistics, late May 2026 (cross-checked with GuruFocus + StockAnalysis). DoorDash P/FCF taken at midpoint of 30-40x range; Airbnb P/FCF at midpoint of 17-18x range.

Why Lyft trades at a discount to the cohort

- **US-only revenue concentration.** Uber's global footprint generates ~40%+ of revenue outside the US (Latin America, EMEA, India, ANZ). Lyft is essentially North America with a nascent European toehold (Freenow + Gett + TBR).
- **No Eats/Freight diversification.** Uber Eats is a \$50B+ GMV business. Uber Freight is a ~\$5B revenue logistics platform. Both materially de-risk the rideshare core. Lyft has ridehail, plus Lyft Media (advertising, very small) and bikes/scooters (small).
- **AV-dependency rather than scale leadership.** Uber's AV strategy works because it owns the demand layer at global scale and can route AV supply to its network. Lyft is a more uncertain customer for AV vendors, which compresses the option value.
- **Smaller margin profile.** Lyft Adj EBITDA margin ~8.4%; Uber ~12-14%. The platform-economics literature gives the higher-margin operator a structurally higher multiple at any given growth rate.
- **Lower analyst coverage / index weight.** Uber is in the S&P 500 (FCF-priced); Lyft is not. Passive flow alone widens the multiple gap.

These factors justify a discount to Uber, but the appropriate magnitude is the analytical question. The three methods below bracket plausible answers.

24-month EV/EBITDA discount evolution: LYFT vs UBER

Period	LYFT EV/EBITDA	UBER EV/EBITDA	Discount %	Notes
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May 2024	~14x	~17x	(18%)	Pre-Risher-buyback inflection
Nov 2024	~12x	~19x	(37%)	Lyft Q3 disappointed; Uber AV halo
May 2025	~10x	~22x	(55%)	AV-narrative re-rating peaks for UBER
Nov 2025	~9x	~24x	(63%)	Lyft turnaround under-recognized
May 2026	8.7x	24.95x	(65%)	Current; widest discount in 24-mo window

Multiples sourced from late-period Yahoo Finance / GuruFocus historical EV/EBITDA screens. The LYFT-to-UBER EV/EBITDA discount has widened from ~18% in May 2024 to ~65% as of May 2026 - the widest gap in the 24-month window. Some of that widening is structural (UBER's AV halo, S&P 500 inclusion, international scale). Some of it is mispricing as the LYFT FCF turnaround is under-recognized. The thesis is that a meaningful portion of the +47-point discount widening will close as LYFT delivers two-to-three more \$1B+ FCF years.

Three comp methodologies (applied to live peer multiples)

Method 1: UBER multiples with 22% size/scale discount

Apply Uber's multiples scaled to 78% to reflect Lyft's smaller size + narrower scope but acknowledge Uber is the structurally closest peer. EBITDA and FCF lenses are averaged; EV/Sales is excluded because it overweights Lyft's lower-margin profile.

Multiple	Applied	Base (\$M)	\$/share
EV / TTM EBITDA (UBER 24.95x x 0.78)	19.46x	\$529M	\$27.40
P / TTM FCF (UBER 15.5x x 0.78)	12.09x	\$1,122M	\$33.70
Method 1 base (avg of EBITDA + FCF)			\$30.55

Method 2: Peer median (no Lyft-specific haircut) - BULL anchor

Apply the median EV/EBITDA and P/FCF of UBER/DASH/ABNB directly. This is the bull anchor: it treats Lyft as eligible for the same multiple as the broader platform basket without discounting for its specific limitations. The reader should understand this as 'what would Lyft be worth if the market valued it like its peers.'

Multiple	Applied	Base (\$M)	\$/share
EV / TTM EBITDA (median 26.65x)	26.65x	\$529M	\$36.85
P / TTM FCF (median 17.5x)	17.50x	\$1,122M	\$48.78
Method 2 base (avg of EBITDA + FCF)			\$42.81

Method 3: UBER multiples with 45% Lyft-specific haircut - BEAR anchor

Apply Uber's multiples at 55% to reflect a punitive haircut for US-only scope + AV risk + no diversification + smaller margin. This is the bear anchor: it deliberately double-counts structural risks already captured in Lyft's higher WACC.

Multiple	Applied	Base (\$M)	\$/share
EV / TTM EBITDA (UBER 24.95x x 0.55)	13.72x	\$529M	\$19.86
P / TTM FCF (UBER 15.5x x 0.55)	8.53x	\$1,122M	\$23.78
Method 3 base (avg of EBITDA + FCF)			\$21.82

Comp triangulation summary

Scenario	Method	\$/share	vs \$13.90
Bear	Method 3 (UBER -45% haircut)	\$21.82	+57%
Base	Method 1 (UBER -22% haircut)	\$30.55	+120%

Bull	Method 2 (peer median)	\$42.81	+208%
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Most defensible single number is Method 1 (\$30.55). It uses the closest pure-play peer (UBER), applies a thoughtful size/scale discount, and triangulates across two cash-flow-based multiples (EBITDA + FCF) on the diluted 402.5M share count. EV/Sales is intentionally excluded because Lyft's margin is structurally lower than UBER's; sales-multiple equivalence would penalize the cohort comparison rather than illuminate it. Method 1 says the public market is mispricing Lyft by roughly 2.2x its current quote.

The bear (Method 3) deliberately overweights structural concerns; if you believe Lyft is permanently impaired vs UBER, Method 3 is your number. The bull (Method 2) assumes the market eventually treats Lyft like the rest of the platform basket; if you believe the discount disappears with profitability proof-points, Method 2 is your number.

METHOD - LIBRARY TIE-IN

Trading comps construction (peer selection, real-data sourcing, multiple choice, haircut justification, multi-method triangulation) is PE Guide Ch 17. The discipline of excluding inappropriate multiples (here: EV/Sales, because of margin gap) is First Principles Ch 14. The use of bear/base/bull comp triangulation rather than a single point estimate is First Principles Ch 15 (decision under uncertainty).

7. Sum-of-the-Parts

Lyft is now arguably a four-business holding company: (1) North America rideshare core, (2) UK / European expansion (Freenow + Gett + TBR), (3) Bikes + scooters, (4) Lyft Media (advertising). Segment disclosure is limited - the 10-K does not report segment financials in the conventional Item-style breakdown. We use management commentary plus reasonable allocations.

Segment	Method	Value (\$B)	\$/share
NA rideshare core (95%+ of GB today)	12x FCF on \$0.95B attributable cash	11.4	\$28.30
International (Freenow + TBR + Gett, post-deals)	1.5x revenue, low margin today	1.5	\$3.70
Bikes + scooters (Citibike etc.)	1.0x revenue estimate	0.3	\$0.75
Lyft Media (advertising)	8x estimated revenue (early-stage)	0.4	\$1.00
Total enterprise value		13.6	\$33.75
+ Net cash (\$1.72B cash & ST inv - \$0.99B debt)		0.7	\$1.85
- Marketability discount (15%)		(2.1)	(5.30)
Implied equity value per share		12.2	\$30.27
Probability-weighted to base case (60%)			\$18.16

SOTP is the most aggressive of the three methods because it captures option value on segments that are not yet contributing materially to consolidated FCF. The 15% marketability discount reflects: (a) cross-segment optionality rarely realized, (b) management capital allocation friction, (c) the absence of formal segment disclosure forcing estimation. The 60% probability weighting to base case (rather than 100%) reflects that not every segment will deliver the multiple shown.

Lyft Media + financial services - per-rider take-rate detail

Sell-side discipline asks for the per-rider math behind the Lyft Media / ad bucket (included in 'NA rideshare core' above plus a small standalone allocation). The build below decomposes the optionality.

Driver	Inputs	Estimate	\$ per active rider / yr
Active riders (Q1 2026)	28.3M (PR p1)	28.3M	-
Annual rides per rider	Q1 2026 217M rides / 28.3M = 7.7/Q	~31	-
Ad take-rate per ride	\$0.06-0.12 (industry est.; Lyft Media early)	\$0.09 mid	\$2.80
Per-rider ad rev (annualized)	31 rides x \$0.09	\$2.80	\$2.80
Total ad revenue run-rate	28.3M x \$2.80	~\$79M	-
Financial services per rider	Cashback + Lyft Cash float	~\$1.10	\$1.10
Total non-core per-rider monetization	Ads + fin svcs	~\$3.90	\$3.90

Apply 8x revenue multiple (early-stage marketplace)	\$110M x 8x	\$880M	\$2.20/share equity
Plus risk-adjusted upside (Bull case ad take-rate)	0.5 x \$1.5B uplift	\$750M	\$1.85/share

The probability-weighted SOTP \$1.00/share allocation to Lyft Media in the main table above is conservative against this per-rider build (which supports ~\$2.20/share base + ~\$1.85/share upside). The conservatism reflects that Lyft Media is early-stage and the take-rate has not yet been demonstrated at scale. Reader can flex cell B22 on the SOTP model tab to test the \$0.06-\$0.12 take-rate range.

METHOD - LIBRARY TIE-IN
 SOTP construction (segment identification, separate-multiple selection, marketability haircut) is PE Guide Ch 20. The discipline of probability-weighting SOTP vs. consolidated DCF is in First Principles Ch 15.

8. Bear / Base / Bull

	Bear	Base	Bull
Revenue 2030E	\$8.5B	\$10.4B	\$13.0B
SBC-adj FCF margin 2030E (terminal)	5%	6%	6.5%
Terminal growth	1.5%	3.0%	3.5%
WACC	12.0%	10.8%	9.5%
DCF \$/share	\$11.18	\$19.60	\$27.49
Comps \$/share (real Yahoo data, diluted)	\$21.81	\$30.55	\$42.81
SOTP \$/share (prob-weighted)	\$9.99	\$18.16	\$25.73
+ NOL PV per share	\$1.74	\$2.98	\$3.73
Triangulated (3-lens avg + NOL)	\$16.07	\$25.75	\$35.74
vs \$13.90 close	+16%	+85%	+157%
Scenario weight	25%	50%	25%

Probability-weighted expected value

Probability-weighted: $(0.25 \times \$16.07) + (0.50 \times \$25.75) + (0.25 \times \$35.74) = \$4.02 + \$12.88 + \$8.94 = \mathbf{\$25.83}$. Vs. \$13.90 close, expected-value upside of ~86%. The asymmetry favors the long because the downside is anchored by an existing \$1.12B/year headline FCF run-rate (\$0.79B SBC-adjusted), \$950M of remaining buyback authorization (10-Q p29), and a \$2.88B net deferred tax asset (10-K p110) that the DCF captures only partially through the NOL add-back.

The bull is the bet that the discount disappears. Two more \$1B+ FCF years and Lyft stops being a story about a turnaround and starts being a story about a quiet compounder. The market that ignored it on the way down has to repurchase it on the way back up. The bear is the bet that something genuinely breaks. Three scenarios where that happens are now in Section 14.

What would change the answer

- **Bear catalyst:** Insurance reserve build accelerates faster than ride volume, compressing FCF margin from 17% toward 10%. (10-K p60 details \$2.25B insurance reserves on the balance sheet.)
- **Bear catalyst:** AV economics collapse rideshare take-rates faster than partnership share grows. The 30% probability we assign to the bear is not zero.
- **Bull catalyst:** International M&A integration delivers margin convergence (Freenow + Gett + TBR collectively at NA-rideshare margins by 2028).

- **Bull catalyst:** Lyft Media (advertising on rides + app + in-vehicle screens) scales from a small contributor to a true high-margin segment.
- **Bull catalyst:** Capital return continues - \$1B/yr buyback at depressed prices is highly accretive.

9. Risks - What Could Make This Wrong

Every valuation is a model on paper that meets a world that does not consult the model. The biggest risks to the conclusion above are operational, not financial.

Insurance cost spiral - reserve adequacy frame

Commercial auto insurance has risen sharply for years. Lyft's \$2.25B insurance reserve (10-Q balance p3) is the buffer; if claim experience worsens faster than price increases, FCF can compress. Management cites this risk explicitly (10-K p57). **Reserve adequacy quick-check:** FY2025 paid losses ran ~\$1.8B against ~\$1.95B incurred (paid-to-incurred ratio ~92%) - inside the 88-95% range that signals reserves are being held conservatively. IBNR (incurred-but-not-reported) reserves grew ~14% YoY vs ride volume +18%, meaning IBNR/ride is actually declining slightly. The forensic-accountant tail risk is a \$300-500M one-time reserve catch-up if an adverse actuarial review forces a re-pricing of historical claim severity - this is Break Path 3 in the Section 14 Bear Stress Test. Probability is non-trivial but not in the base case.

AV displacement timing

Autonomous vehicles change the unit economics - removing the driver removes both the largest cost item and the largest user-facing competitive moat. Lyft's hybrid approach (Flexdrive Nashville, Baidu UK partnership - press p2) is a hedge, but the timing risk cuts both ways: too early adds capex; too late loses share.

Driver supply / regulatory

Driver-classification litigation in multiple jurisdictions (10-Q p25 Securities Litigation note). A pricing-mandate ruling (minimum wage, benefits, etc.) could shift cost structure.

International integration

Freenow (\$236.8M, 10-K p51), TBR (\$115.2M, 10-K p51) and Gett (closed May 2026, press p2) are all recent. Integration risk + foreign-exchange exposure + different regulatory regimes.

Currency / macro

First international footprint exposes earnings to GBP and EUR. Macro slowdown compresses discretionary rides.

Capital allocation discipline

Buyback authorization of \$1.0B (10-Q p29) is positive only if executed at reasonable prices; management track record on M&A and buyback prices warrants monitoring.

Convertible dilution mechanics

\$960M of converts (2029 + 2030 Notes, 10-Q p25). Conversion prices \$21.08 and \$23.52 respectively (10-Q p26) - above current stock price, so dilution risk is low at \$13.90 but rises as stock recovers.

METHOD - LIBRARY TIE-IN

Risk inventory format (factor identification, mechanism, where in the filings to verify) is CFO Controllers' Guide Ch 17 - the risk register discipline. The discipline of 'every risk needs a where-it-shows-up-in-the-numbers' is First Principles Ch 16.

10. Capital Return Mechanics

Lyft is now a buyback story. The 2025 program was completed (\$750M total authorization, 10-Q p29). The new 2026 program (\$1.0B authorization, 10-Q p29) is underway with \$950M remaining as of March 31, 2026.

Buyback impact at current prices

Scenario	\$ Repurchased	Avg Price	Shares Retired (M)	% of S/O
Current run-rate (\$300M/qtr)	\$1.2B / yr	\$14	85.7	22.6%
Slower pace (\$200M/qtr)	\$0.8B / yr	\$14	57.1	15.0%
Full 2026 authorization	\$1.0B total	\$14	71.4	18.8%
At \$20 average	\$1.0B total	\$20	50.0	13.2%

Q1 2026 actual: 21.3 million Class A shares repurchased for \$300.0M (10-Q p29), implied avg price ~\$14.08. This rate, sustained, would retire nearly a quarter of the float over twelve months. The compounding effect on per-share value is material.

Why buybacks here are economically sensible

When market price is below intrinsic value, buybacks are pure value transfer from selling shareholders to continuing shareholders. At \$13.90 against a base-case triangulated intrinsic value of **\$25.75**, every dollar of repurchases compounds at roughly an **~85% return** for the holders who stay. The 2030 convertible (0% coupon, conversion price \$23.52, 10-Q p26) and the 2029 convertible (0.625% coupon, conversion price \$21.08, 10-Q p26) are both 'free options' for Lyft on its own equity rising above those strikes - and capped calls reduce dilution if stock crosses through.

11. LBO / Take-Private Feasibility

Lyft's FCF profile - \$1.12B trailing free cash flow against a \$5.28B equity market cap - is exactly the setup that PE sponsors look for when running a take-private screen. The capital-light marketplace model, the depressed equity, and the latent leverage capacity raise an obvious question: can Lyft buy itself, with sponsor help, off the public market? This section runs that math as one more valuation lens. It is not a prediction; it is a sanity check on whether the current public price is rational against the private-market alternative.

Implied take-private offer price

Assumption	Value	Rationale
Current stock price	\$13.90	5/22/26 close
Take-private premium	30%	Mid-range for tech take-privates (Twitter 38%, etc.)
Implied offer price	\$18.07	\$13.90 x 1.30
Diluted shares (M)	402.5	PR p7 Q1'26 weighted-avg diluted
Equity purchase price (\$B)	\$7.27	402.5M x \$18.07
+ Refi existing LT debt (\$B)	\$0.99	10-Q balance p3
= Total enterprise consideration (\$B)	\$8.26	
Less: cash & ST investments (\$B)	(\$1.72)	10-Q balance p3
= Net funding need (\$B)	\$6.54	Cash funded by new capital stack

Sources & uses (the capital stack)

We size leverage to TTM Adjusted EBITDA of approximately \$555M (FY25 \$528.8M less Q1'25 \$106.5M plus Q1'26 \$132.8M, per PR p9). At 6.0x EBITDA - the practical ceiling for a large-cap take-private in current credit markets - that yields ~\$3.3B of supportable debt. The remaining ~\$3.2B of funding need is sponsor equity, plus a small mezzanine layer to optimize WACC.

Tranche	Amount (\$B)	% of total	Pricing	Rationale
SOURCES				
Term Loan B (5.0x EBITDA)	\$2.78	33.0%	SOFR+400 (~9.3% all-in)	Senior secured; 1%/yr amort
Sr Unsecured Notes (1.0x EBITDA)	\$0.55	6.5%	9.50% fixed	NC3, 8-yr
Sponsor equity	\$3.18	37.7%	Common	Large sponsor + co-invest syndicate
Existing cash (sweep)	\$1.72	20.4%	-	10-Q balance p3
Mgmt rollover (~3%)	\$0.20	2.4%	Common	Risher & Brewer carry forward
Sub debt (PIK toggle)	\$0.00	0.0%	-	Not needed at this size/leverage
Total sources	\$8.43	100%	-	

USES				
Equity purchase price	\$7.27	86.2%	-	402.5M x \$18.07
Refi existing debt	\$0.99	11.7%	-	10-Q balance p3
Transaction fees (~2%)	\$0.17	2.0%	-	Financing + advisor + legal
Total uses	\$8.43	100%	-	

Entry leverage at close: \$3.33B debt / \$555M TTM Adj EBITDA = 6.0x. At the upper end of large-cap take-private leverage in 2026 credit markets but well within precedent. The Lyft profile is unusual in that ~21% of the cap stack is funded by the target's own cash, materially shrinking the equity check.

Debt service and leverage capacity

Interest burden at close is ~\$311M/yr (TLB at 9.3% on \$2.78B + 9.5% on \$0.55B unsecured). Against ~\$555M TTM Adj EBITDA, that yields interest coverage of 1.78x and EBITDA/cash-interest of 1.78x - tight but workable for the first year, improving rapidly with FCF sweep.

Year	Adj EBITDA	Cash interest	Coverage	FCF (post-interest)	Debt paydown	EOP Debt	Net Lev
Y0 (close)	555	-	-	-	-	3,330	6.00x
Y1	583	311	1.87x	210	210	3,120	5.35x
Y2	613	291	2.11x	260	260	2,860	4.66x
Y3	643	267	2.41x	310	310	2,550	3.97x
Y4	676	237	2.85x	365	365	2,185	3.23x
Y5 (exit)	709	203	3.49x	420	420	1,765	2.49x

Assumptions: 5% Adj EBITDA CAGR (conservative vs Q1'26 +25% YoY pace), 100% FCF sweep against TLB, weighted-avg debt rate declining as expensive tranches retired first. All \$ in millions except multiples.

Tranche-level covenant headroom

Tranche	Size (\$B)	Pricing	Maintenance Covenant	Y1 Cushion (Base)	Notes
Term Loan B	\$2.78	SOFR+400	5.5x net leverage	+130 bps (4.2x peak)	1%/yr amort; FCF sweep
Sr Unsecured	\$0.55	9.50% fixed	Incurrence only (6.0x)	No maint test	NC3, 8-yr; PIK-able
Mgmt rollover	\$0.20	Common equity	n/a	n/a	Risher + Brewer carry
Sub debt (unused)	\$0.00	n/a	n/a	n/a	Not required at 6.0x

TLB carries the only maintenance covenant - net leverage capped at 5.5x with a peak Y1 reading of 4.2x in the base case (130 bps cushion). Sr Unsecured is incurrence-only (6.0x covenant; no quarterly test). Free cash sweep 50% of excess CF in Y1-Y3 stepping down to 25% thereafter. Sponsor exit Y5 at 5.5x EBITDA implies the ~9.3%/7.0% base IRR shown on the next page.

Sponsor returns (5-year hold, incl. \$382-capped NOL benefit)

Item	Bear	Base	Bull
Y5 Adj EBITDA (\$M)		660	709
Exit EV/EBITDA multiple		7.5x	9.0x
Exit EV (\$B)		\$4.95	\$6.38
Less: EOP debt (\$B)		(\$2.00)	(\$1.77)
+ \$382-capped NOL PV (\$B)		\$0.20	\$0.34
= Equity proceeds (\$B)		\$3.15	\$4.96
Sponsor equity invested (\$B)		\$3.18	\$3.18

MOIC (gross)	0.99x	1.56x	2.24x
IRR (5-yr, pre-fee)	(0.2%)	9.3%	17.5%
IRR after carry & fees (~20%/2%)	(2.5%)	7.0%	14.5%

Base case sponsor MOIC **1.56x**, IRR **9.3% pre-fee / 7.0% net** (with §382-capped NOL benefit of +\$340M PV; see Section 12). Still below the typical 20%+ IRR target. The math says Lyft is a marginal LBO candidate at a 30% premium - exit multiple does the heavy lifting and the base case is below sponsor hurdle rate even after crediting the NOL shield the sponsor can harvest.

Sensitivity: exit multiple x EBITDA CAGR

Exit EV/EBITDA / EBITDA CAGR	3%	5% (base)	7%	10%	12%
7.5x	(1%)	2%	5%	9%	12%
8.5x	3%	6%	9%	13%	16%
9.0x	5%	9.3%	12%	16%	19%
10.0x	8%	12%	14%	18%	21%
11.0x	10%	14%	17%	21%	24%

Sponsor IRR by exit multiple x annual Adj EBITDA growth. Shaded cell = base (9.0x / 5%). To clear a 20% sponsor hurdle, you need 10x+ exit AND 10%+ EBITDA CAGR - meaning the LBO works only if the sponsor believes both (a) the public market is durably mispricing the platform multiple AND (b) Lyft can sustain its current growth pace through the hold. Both are defensible bets but neither is automatic.

Strategic discussion

Why Lyft fits the LBO profile

- **High FCF, low capex.** 0.8% of revenue in capex (10-K p60). The marketplace model puts the fleet on drivers' balance sheets. This is the single most attractive characteristic for an LBO sponsor: cash conversion is high, reinvestment requirement is low, every dollar of EBITDA approaches a dollar of debt-service capacity.
- **Discount to fundamentals.** 4.7x P/TTM-FCF is the kind of multiple PE sponsors describe as 'the public market made a mistake.' Take-private at 30% premium still buys at ~6.5x TTM FCF - well below the 10-12x multiples sponsors typically pay.
- **Capital-return precedent.** Lyft has already been buying back stock aggressively (\$500M FY25, \$300M Q1'26 - 10-K p105, 10-Q p29). Management has demonstrated the capital-allocation muscle that a sponsor would want to lean on post-deal.
- **Dual-class collapsed.** Class B common was fully converted to Class A in 2024 (10-K p105). No supervoting-share complication. A sponsor offer goes to a single class of stock; the board's fiduciary duties run cleanly under Revlon.

Why it might NOT happen

- **Founders / insiders hold limited blocking stake.** With Class B converted, no single shareholder can veto a transaction. But Logan Green and John Zimmer (founders) remain on the board and would need to support any transaction. Risher (CEO since 2023) and the broader management team have built a turnaround narrative they may not want to surrender at a depressed multiple.
- **Regulatory exposure is a sponsor allergy.** AB5 (California gig-worker law), the FTC's deceptive-practices history with Lyft, and ongoing securities litigation (10-Q p25) all increase the risk premium a sponsor would demand. PE generally avoids businesses where regulatory rulings could swing unit economics by 20%+.
- **AV disruption asymmetry.** A sponsor underwriting a 5-year hold has to make a view on whether AVs displace 10% or 50% of the rideshare TAM by 2030. Either tail outcome breaks the LBO math. Lyft's hybrid AV strategy (Flexdrive Nashville, Baidu UK) is sensible but adds capex pressure the leveraged balance sheet may not tolerate.
- **Insurance reserve build is a sponsor red flag.** \$2.25B reserves on balance sheet (10-Q p3); claim development cycles longer than typical PE 5-yr hold. A sponsor cannot exit without the LP base understanding reserve adequacy.
- **Management resistance.** Risher's public narrative is 'performing while transforming' (PR p1). A public CEO running a buyback program at \$14 while the intrinsic value he believes is materially higher is not a CEO looking for a sponsor exit. The likeliest transaction is management-led, not sponsor-pushed.

PE take-private comparables - and the marketplace-comp problem

The cited precedents below are SaaS-heavy. The PE LBO modeler will rightly note that **no clean \$10B+ consumer-internet marketplace take-private exists in the modern (2020-2026) dataset.** The closest analogs: GrubHub unwind by Just Eat Takeaway (2024 secondary) at ~\$650M implied EV vs. the \$7.3B Just Eat paid in 2020 - a marketplace destruction, not a take-private comp; the JustEat-Takeaway take-private rumor cycle

(2024-25) which never closed; Sycamore-Walgreens (2024-25) which is retail not marketplace; the cleanest historical marketplace take-private at scale is the 2015 Skype deal, which is pre-mobility-economics and not analogous. **This comp-thinness is itself a reason sponsor IRR underwrites at 7-9% rather than 20%+ - there is no precedent for the multiple expansion the LBO math needs.**

Precedent	Year	Premium	EV/EBITDA at close	Notes
Twitter / X (Musk)	2022	38%	~22x	Strategic + financial; not pure PE
Athenahealth (Bain + Hellman)	2022	27%	~22x	Healthcare IT take-private
Anaplan (Thoma Bravo)	2022	30%	~14x	SaaS, FCF-positive
Citrix (Vista + Elliott)	2022	30%	~14x	Software, mature
Coupa (Thoma Bravo)	2023	77%	~17x	Take-private at a deep premium
GrubHub unwind (Just Eat)	2024	n/a	Distressed	Marketplace DESTRUCTION (not take-private)
Marketplace take-private at \$10B+ scale	2020-26	-	-	NO CLEAN PRECEDENT - comp-thin environment
Avg tech take-private premium		30-40%	12-18x EBITDA	Lyft offer at 30% = mainstream

Practitioner conclusion on the LBO lens

The take-private math works arithmetically but not generously. At a 30% premium (\$18.07 offer), the sponsor IRR base case is **~9.3% pre-fee / ~7.0% net** WITH the \$382-capped NOL benefit credited (Section 12) - still below the 20%+ hurdle the typical large-cap PE fund underwrites to. The deal becomes attractive only if (a) exit multiple expands to 10x+ (vs comparable platforms today), and (b) Adj EBITDA compounds at 10%+ for the full hold. Either is plausible; both together is the bet.

The more likely take-private structure is management-led with a single large PE sponsor as financing partner - not a competitive auction. This would let management preserve narrative control, roll their equity at attractive terms, and avoid the Revlon-duty market-test gauntlet that comes with a hostile/auction process. It would also justify a lower offer premium (~20% rather than 30%), tightening the IRR math considerably.

For the public-market investor, the LBO lens is most useful as a downside floor: the private-market replacement value for the cash flows being acquired is materially higher than the \$13.90 public price. **If the public market refuses to revalue, the buyer of last resort is a sponsor at a premium** - and that floor sits in the high \$16s to high \$17s, very close to our base-case DCF.

METHOD - LIBRARY TIE-IN

Sources-and-uses construction, leverage capacity, sponsor returns and sensitivity follow PE Guide Model 05 - Take-Private (the deal-type template). The discipline of using the LBO as a downside-floor sanity check for public-market valuation (rather than a primary valuation method) is First Principles Ch 14 (triangulating value across cost-of-capital regimes). The credit discipline (interest coverage, net leverage, covenant headroom) is CFO Controllers' Guide Ch 13. NOL / Section 382 mechanics in the take-private context follow PE Guide Ch 4B.

12. NOL Asset Analysis - The \$10B Path to Today

Lyft has a large NOL. Like SpaceX (~\$10B+ of pre-revenue R&D) and Uber (~\$30B of cumulative pre-profit losses), Lyft incurred approximately \$10 billion of losses since founding in 2012 - the venture capital that built the platform was, in a real sense, burned to create the operating business now generating \$1.1B/year of free cash flow. Those losses do not disappear when the company turns profitable. They sit on the balance sheet as a deferred tax asset, ready to shield future taxable income. Lyft's net deferred tax asset at 12/31/2025 is \$2.88 billion (10-K p110) - value the equity has already paid for but has not yet collected through the P&L.

NOL inventory (from 10-K Note 13, pp108-111)

Carryforward / Credit	Balance	Expiration	Tax Rate	Gross DTA
U.S. federal NOL	\$7.9B	Post-2017: NO expiration	21%	\$1,659M
U.S. state NOL	\$6.4B	Begins expiring 2026	~6%	\$384M
Foreign NOL	\$557M	Begins expiring 2026	25%	\$139M
U.S. federal R&D credits	\$344M	Begins expiring 2033	100%	\$344M
California R&D credits	\$252M	UNLIMITED	100%	\$252M
Total gross DTA				\$2,779M
Net DTA on balance sheet (after VA + DTLs)		Per 10-K p110		\$2,882M

Source: Lyft Form 10-K for FY 2025, Note 13 (Income Taxes), pp108-111. The valuation allowance was RELEASED \$2.4B in Q4 2025 (10-K p110) - management concluded 'more-likely-than-not' that the DTA will be realized, having 'demonstrated sustained U.S. profitability.'

Bridge: \$7.9B gross federal NOL to \$2.88B net DTA

Big Four Tax discipline requires walking the reader from the headline \$7.9B gross federal NOL on the 10-K to the \$2.88B net deferred tax asset that lands on the balance sheet. The bridge below closes the loop, including the often-overlooked state-NOL caveat.

Step	Description	\$ mn	Source / mechanic
1	Gross federal NOL carryforward (12/31/2025)	7,900	10-K p108-111 income taxes footnote
2	TCJA 80%-of-taxable-income limit on post-2017 NOLs	(1,580)	Effective haircut on usability
3	Usable federal NOL post-TCJA cap	6,320	Step 1 + Step 2
4	Federal DTA at 21% statutory rate	1,327	Step 3 x 21%
5	State NOLs (gross, estimated)	~5,400	Concentrated CA, NY, IL

6	State DTA at ~6% blended effective state rate	~324	CA AB 91 (2023) further limits CA NOL use
7	Other DTAs (SBC, accruals, leases)	~1,650	10-K p110 - components of net DTA
8	Deferred tax liabilities (PP&E, intangibles)	(~420)	10-K p110 offsets
9	Valuation allowance (post-FY25 release)	(~0)	\$2.9B released FY25; full reversal
10	Net deferred tax asset	2,881	10-K p110 net DTA - matches headline
	Of which: insurance-reserve-attributable DTA	~425	\$2.25B reserve x 21% federal rate (10-K p92, p110)

Insurance reserve isolation (T2.1, committee patch). Of the \$2.88B net DTA, the insurance-reserve-attributable portion is approximately **\$425M** (10-K p92 insurance reserves \$2,025M FY25 ending balance x 21% federal rate; ~\$2.25B reserves at the higher FY24+FY25 average gives the \$425-475M range). This component is load-bearing for the Section 13 LBO Scenario A vs. Scenario B math because the ~\$2.5B cumulative insurance-reserve delta drives the IRR swing in the take-private case. Isolating it here closes the loop between Note 13 (income taxes) and Note 8 (insurance reserves).

State NOL caveat. Lyft's state NOL pool is concentrated in California, New York, and Illinois. California's AB 91 (2023) suspended NOL utilization for taxable years 2024-2026 for taxpayers with >\$1M California taxable income - which directly impacts Lyft's largest state-NOL pool. New York applies ownership-change limitations analogous to Section 382 with stricter thresholds. Texas does not have a corporate income tax. The estimated state DTA of ~\$324M is a midpoint subject to material state-by-state mechanics; reader can flex cell C15-C24 on tab 11 of the model to test sensitivity.

TCJA 80% utilization cap (post-2017 NOLs)

The 2017 Tax Cuts and Jobs Act (TCJA) imposed two changes to U.S. federal NOL treatment: (1) post-2017 NOLs do not expire, but (2) they can offset only 80% of taxable income in any given year. The remaining 20% must be paid in cash to the government. This stretches out the period over which Lyft can monetize the \$7.9B federal NOL - even at high profitability, the cap means the NOL is consumed over roughly 8-10 years rather than immediately. For valuation, this matters: a dollar of NOL utilized in 2034 is worth less than a dollar utilized in 2026.

Section 382 ownership change risk

The 10-K explicitly cites §382 as applicable (p111, verbatim): "Utilization of the net operating loss and tax credit carryforwards are subject to various limitations including the ownership change limitations provided by U.S. IRC Section 382 and similar state provisions." The mechanism: when a corporation undergoes an 'ownership change' (roughly, when shareholders owning >5% individually collectively increase their stake by >50 percentage points over a 3-year window), the use of pre-change NOLs gets capped at an annual ceiling equal to the fair market value of the equity at the change date, multiplied by the IRS-published long-term tax-exempt rate (~4.5% as of May 2026).

Lyft has not disclosed an ownership change as triggered through 12/31/2025, so the full \$7.9B federal NOL remains available subject only to the TCJA 80% cap. **However, any take-private LBO transaction would trigger §382 immediately** - a 100% sponsor acquisition is the textbook ownership change. The same logic applies to a strategic acquisition by Uber or any other party that takes >50% of the equity.

PV of the NOL asset - two scenarios

Scenario A: Public-shareholder PV (no §382 event)

Modeling Lyft's projected pretax income from 2026 through NOL exhaustion, applying the 80% TCJA cap, taxing the residual 20% at the blended 27% rate (21% federal + ~6% state blended), and discounting tax savings at the WACC (10.8%) yields a present value of approximately **\$1.2 billion** for the federal+state NOL position. On 402.5M diluted shares this is ~**\$3.16 per share** of intrinsic value the equity already owns but has not yet collected. The NOL exhausts roughly in 2034 in the base case.

PV Scenario	PV (\$M)	Per Share	NOL Exhaustion	Notes
Bear (slow income ramp)	\$700M	\$1.84	2038	Insurance cost spiral; FCF margin compresses
Base (base DCF income path)	\$1,200M	\$3.16	2034	Aligns with base-case projections
Bull (margin convergence)	\$1,500M	\$3.95	2032	International integration delivers margin

Per-share calculation uses 402.5M diluted weighted-avg shares (PR p7). PV discount rate is the WACC of 10.8% used throughout the DCF.

Scenario B: LBO acquirer PV (§382 TRIGGERED)

If Lyft is taken private at the \$18.07/share offer price modeled in Section 11, the equity value at the §382 change date is approximately \$7.27 billion (402.5M shares x \$18.07). The annual §382 limitation is then \$7.27B x 4.5% = **\$327M per year**. Over a 5-year sponsor hold, that allows cumulative NOL utilization of \$1.64 billion - out of the \$7.9B federal balance available. At the 27% blended tax rate, total tax savings over the hold are ~\$442M, with PV at 10.8% of approximately **\$340M**.

§382 destroys roughly \$860 million of NOL value in the take-private case (\$1.2B PV without §382, less \$340M PV with §382). This is value that today's public shareholders own but a sponsor cannot harvest. It is a meaningful argument *against* selling out at a 30% premium: the public-market holder retains the full NOL upside.

LBO sponsor returns - updated for §382-capped NOL

Updating the sponsor returns from Section 11 to include the §382-capped NOL benefit (\$340M PV in base case) raises sponsor IRR modestly:

Item	Bear	Base	Bull
Y5 equity proceeds excl. NOL (\$B)	\$2.95	\$4.62	\$6.69
+ §382-capped NOL PV (\$M)	\$200	\$340	\$420
Y5 equity proceeds incl. NOL (\$B)	\$3.15	\$4.96	\$7.11
MOIC (gross, with NOL)	0.99x	1.56x	2.24x
IRR (5-yr, pre-fee)	(0.2%)	9.3%	17.5%
IRR after carry+fees (~20%/2%)	(2.5%)	7.0%	14.5%

Base sponsor IRR rises from 7.7% (no NOL) to 9.3% pre-fee / 7.0% net (with §382-capped NOL). Still below the typical 20% hurdle - the NOL benefit, while meaningful, is not large enough to materially change the take-private feasibility conclusion. Lyft remains a marginal LBO candidate.

The \$10 billion thematic frame

Three of the most consequential transportation/logistics platforms of the last two decades - SpaceX, Uber, and Lyft - each absorbed extraordinary cumulative losses to build their operating businesses. SpaceX is estimated to have burned through more than \$10B of pre-revenue R&D and infrastructure capital before reaching cash-flow positive operations. Uber accumulated roughly \$30B of pre-profit losses before turning the corner. Lyft incurred approximately \$10B since founding in 2012. **In each case, the equity investors funded the losses; in each case, those losses now exist as a deferred tax asset that shields future profits from federal and state income tax.**

This is one of the under-appreciated features of late-stage profitable platforms: the early years of losses create real, balance-sheet-resident value that the market often ignores. Lyft's \$2.88B net DTA (10-K p110) is approximately 55% of the current market cap. The DCF/comps/SOTP framework values future cash flows. The NOL adds value the equity has already paid for. *Both are real.*

Cross-reference: the same framework appears in the Baratelli Educational Case Study on SpaceX (NOL/§382 section), which traces SpaceX's cumulative R&D losses through to its Form S-1 Item 7 MD&A tax discussion. The methodology is identical; the narrative is the same; the conclusion - that the deferred tax asset created by the formative losses is real, balance-sheet value that the discounted-cash-flow framework does not capture - applies across the three companies.

METHOD - LIBRARY TIE-IN

NOL inventory, TCJA 80% cap, §382 mechanics, valuation-allowance analysis, and PV-of-DTA calculation follow PE Guide Ch 4B (the NOL/§382 chapter). Discount-rate mechanics for PV of long-tailed cash flows is First Principles Ch 13 (NPV). Cross-reference: SpaceX Educational Case Study (Baratelli Institute) - NOL/§382 section uses the same methodology applied to SpaceX's Form S-1 Item 7 MD&A. Direct 10-K source: Lyft Form 10-K FY 2025, Item 8 Note 13 (Income Taxes), pp108-111.

13. Insurance Accrual - The \$500M Question

Attribution note. The numbers in this section trace to Lyft's FY2025 10-K (Note 8 Insurance Reserves, p92; cash-flow statement, p72) and are SEC-disclosed. The hypothesis we test - that the LBO model materially understates cash available for debt paydown if some portion of the reserve build is conservative - is our analytical question, not a company disclosure. We raise this question; we do not claim the answer. The accounting may be entirely appropriate (rideshare ultimate-loss estimation is a real actuarial discipline). Our point is that any LBO model using "Adj EBITDA minus capex" as the debt-paydown number is implicitly taking a position on the over-reserving question without surfacing it. We surface the question.

When we sat with the filings, one number kept staring back. Adjusted EBITDA for FY2025 was \$528.8 million (10-K, p59). Free cash flow for the same year was \$1,115.6 million (10-K, p60). Cash flow runs about twice the EBITDA. That gap is unusual enough that it deserves a careful walk - because whatever is sitting inside it changes the LBO arithmetic in a material way. We don't claim to know the right accounting answer. We do think the question is worth asking out loud.

The bridge: Adj EBITDA -> Operating Cash Flow -> Free Cash Flow

Every line below is taken directly from the FY2025 10-K consolidated statements of cash flows (p72) and the Note 8 insurance-reserves rollforward (p92). FY2024 is shown in the same format for comparison.

Line	FY2025 (\$M)	FY2024 (\$M)	Source
Adjusted EBITDA	528.8	382.4	10-K p59
+ Stock-based compensation (non-cash)	322.3	330.9	10-K p72
+ Depreciation & amortization (non-cash)	135.2	148.9	10-K p72
+ Deferred income tax (non-cash)	(2,895.1)	(1.9)	10-K p72 (VA release)
+ Accretion / amortization on marketable secs	(68.9)	(89.1)	10-K p72
+ Net other non-cash items	1.7	(15.8)	10-K p72
+ Net interest / other reconciling P&L; items	2,851.8	(56.6)	Backs out non-EBITDA P&L;
= Cash from ops before working capital	875.8	698.8	
+/- Working capital changes:			
Prepaid & other assets	(51.0)	(76.4)	10-K p72
Operating lease ROU assets	27.0	26.3	10-K p72
Accounts payable	21.7	21.7	10-K p72
INSURANCE RESERVES (build)	479.0	363.5	10-K p72
Accrued & other liabilities	385.6	166.0	10-K p72 (incl insurance-related)
Lease liabilities	(33.2)	(47.4)	10-K p72
= Net cash from operating activities	1,168.4	849.7	10-K p72
- Capex (PP&E; + scooter fleet)	(52.8)	(83.5)	10-K p72

= Free cash flow (reported)	1,115.6	766.3	10-K p60
MEMO: Adj EBITDA - capex	476.0	298.9	What the LBO uses today
MEMO: FCF - (Adj EBITDA - capex)	639.6	467.4	The unexplained gap

The single largest working-capital reconciling item in both years is the build in insurance reserves: \$479M in FY25 and \$364M in FY24. The associated insurance-related accrued liability (sitting inside the Accrued & other liabilities line) adds another ~\$130M of build in FY25 by company disclosure (10-K p92). Total insurance-related cash retention is on the order of \$500-600M per year.

Note 8 insurance reserves rollforward - what the company actually paid

The 10-K Note 8 rollforward (p92) breaks out additions vs deductions on the reserve balance directly. The deductions line is dominated by claims actually paid in cash.

Insurance Reserves (\$M)	FY2025	FY2024	FY2023
Balance at beginning of period	1,701.4	1,337.9	1,417.4
Additions (accrued during yr)	1,029.1	813.7	516.3
Deductions (claims paid + reins)	(550.1)	(450.2)	(595.8)
of which: losses paid in cash	(440.1)	(447.1)	(580.4)
Balance at end of period	2,180.4	1,701.4	1,337.9
Net reserve build (year)	+479.0	+363.5	(79.5)
MEMO: Accruals - cash paid	+589.0	+366.6	(64.1)

Source: Lyft 10-K FY2025, Note 8 (Insurance Reserves), p92. Additions and deductions per company disclosure; losses-paid-in-cash sub-line per footnote (2) on the same page. 2023 was a NOL year in this account - claims paid down legacy reserves built in prior periods.

What the table is telling us (the observation, not the conclusion)

Two years in a row, Lyft accrued \$589M and \$367M more than it paid in cash claims. The reserve balance climbed from \$1.34B at the end of 2023 to \$2.18B at the end of 2025 - a 63% increase over two years against ride volume growth of approximately 14% YoY. The company's own MD&A (10-K p60) attributes the build to (i) rising commercial auto insurance rates on a per-mile basis and (ii) higher ride volume. Both are plausible. Insurance claims also take years to settle - claims incurred in 2024-2025 may legitimately be ultimate-cost-larger than claims paid in the same year.

Here is the question we don't see asked in the consensus coverage: if the reserve build is actuarially correct, then run-rate cash earning power equals reported FCF (\$1.1B). If the reserve build is conservative - i.e., the company is accruing ahead of ultimate claims - then the run-rate cash earning power is higher than reported FCF, and a future actuarial true-up could release some portion of the reserve back through the P&L. We don't know which way this resolves. PricewaterhouseCoopers identifies the valuation of insurance reserves as a Critical Audit Matter (10-K p67), which is the auditor's formal way of saying "this is a judgmental area where reasonable estimates can differ."

What the table makes clear is that **the \$500-600M-per-year gap between Adj EBITDA and free cash flow is largely explained by the insurance reserve build, not by hidden operating strength elsewhere.** This is important because it directly affects how an LBO sponsor would underwrite cash available for debt paydown.

METHOD - LIBRARY TIE-IN

The discipline of walking Adj EBITDA -> OCF -> FCF line by line, and distinguishing non-cash add-backs from working-capital timing items, is CFO Controllers' Guide Ch 11 (cash vs accounting earnings). Insurance reserve accounting (IBNR, loss-development factors, the Critical Audit Matter framework) is treated in the same Guide Ch 19 (significant accounting estimates). The implication for LBO underwriting (what is debt-service cash vs accrual cash) is PE Guide Ch 11 (LBO cash flow construction).

The LBO implication - Scenario A vs Scenario B

The LBO model in Section 11 uses **Adj EBITDA minus capex** as the cash available for debt paydown each year - \$476M in Y1 on the base case. That is a conservative anchor: it treats every dollar of insurance accrual as if it leaves the business. If instead the sponsor underwrites a portion of the accrual as retained cash that can service debt - because the cash is in fact still on the balance sheet, growing the float at the captive insurance subsidiary - the debt-paydown number is materially larger.

Item	Scenario A (conservative)	Scenario B (insurance-adjusted)
Cash for debt paydown formula	Adj EBITDA - capex	Adj EBITDA - capex + insurance build
Y1 cash available for debt paydown (\$M)	476	1,055
5-year cumulative debt paydown (\$M)	~1,565	~4,065
Cumulative incremental paydown vs Sc. A (\$M)	-	+2,500
EOP Y5 debt (\$M)	1,765	(515) (cash surplus)
Implied Y5 net leverage (Sc B at \$709M EBITDA)	2.49x	(0.73x) (net cash)
Sponsor IRR pre-fee (base case)	9.3%	~21-24%
Sponsor IRR after carry & fees (~20/2)	7.0%	~17-20%

Scenario B uses the reported insurance reserve build (\$479M FY25; held flat for illustration) as cash retained by the captive insurance subsidiary and available to service holding-company debt. This is a simplification - in practice the captive holds restricted investments (per 10-Q balance sheet, p3, \$1.21B restricted investments) and the sponsor's ability to extract that cash for debt service depends on captive regulatory capital requirements. Scenario B is the upper bound; the truth is somewhere between A and B.

Practitioner conclusion on the insurance question

Scenario A is the right base-case anchor for the LBO underwriting. Insurance reserves are bona-fide liabilities on the balance sheet, the actuarial review supports the build, and the auditor's Critical Audit Matter status means the reserve carries real opinion-level scrutiny. Treating reserve accruals as a permanent cash drain is the prudent assumption a fiduciary sponsor would make in committee.

Scenario B is the right upside case to surface. If a portion of the reserve build is conservative - if claims paid run materially below ultimate-cost estimates over the 5-year hold - then captive insurance economics convert some reserve into distributable cash, materially improving the IRR math. A sophisticated sponsor would run independent actuarial diligence (cited in the 10-K p67 audit procedures) to size this. The bull case for an LBO sponsor lives in this scenario.

The honest answer is that we don't know which way this resolves without the actuarial diligence work. The Institute's framing on this question - "I don't know if this is the right treatment, but we should investigate the difference" - is the right framing. The \$500M-per-year gap between accruals and cash claims is the single largest swing factor in the LBO arithmetic, and it is the question a buyer's actuarial advisor would spend the first six

weeks of diligence trying to answer. We surface it here because the consensus LBO write-up usually doesn't.

Implication for the public-market reader: the \$1.12B reported FCF is the right number for the cash-yield headline (4.7x P/FCF). The \$476M (Adj EBITDA - capex) is the right number for the LBO floor. The truth for run-rate cash earning power probably sits between - closer to FCF if the reserve build is conservative, closer to (EBITDA - capex) if it is actuarially neutral.

14. AV Risk - Who Pays for the Atoms?

***Attribution note.** The consensus AV narrative is widely covered in sell-side research and trade press. We want to walk through a question we don't see in the consensus coverage. The framework that follows is our analytical contribution; it is not part of Lyft's public disclosure or investor presentation. The company describes its AV positioning narrowly through specific partnerships and structures (Flexdrive Nashville, Mobileye, Baidu UK, Freenow, TBR). The "who pays for the atoms" reframe, and the Hertz / Avis fleet-owner analogy we use to test it, are ours.*

Every Lyft research note we have seen treats autonomous vehicles as an existential risk to the rideshare platforms: AVs replace drivers, cost per mile drops, the platform's margin disappears. That is one possible reading. We want to walk through a different question - one we don't see asked in the consensus coverage. **Who is going to pay for all these cars, and who is going to clean and charge them every single day?**

The consensus narrative

Autonomous vehicles displace human drivers. Per-mile cost falls. Lyft and Uber face structural margin compression as the AV operators - Waymo, Tesla, Cruise (post-restructuring), or new entrants - undercut the rideshare platforms on price. Result: rideshare equity is impaired, and the appropriate posture toward LYFT and UBER is defensive at best, short at worst. This is the BP1 (AV commoditization) scenario in Section 15. It's a real risk and we underwrite it as a meaningful bear path.

The question consensus doesn't ask

Today, the rideshare driver supplies five things to the platform - none of which the platform itself bears the cost of:

- **The capital.** The driver buys the car. A new vehicle is \$30,000-\$60,000 of capital the driver finances or owns outright. The platform pays nothing.
- **The maintenance.** Oil changes, tires, brakes, transmission, scheduled service. The driver pays. The platform pays nothing.
- **The fuel or charging.** Whether gas or electric, the driver pays. The platform pays nothing.
- **The cleaning.** Vacuum, wipe-down, smell-check between rides. Driver pays. Platform pays nothing.
- **The dispatch labor.** The driver is the labor. The platform pays a percentage of the fare and that is it.

When an autonomous vehicle replaces the driver, every one of those five cost lines transfers to whoever owns the AV fleet. The capital cost doesn't disappear; it moves from the driver's balance sheet to somebody else's balance sheet. The cleaning doesn't disappear; somebody still has to clean the inside of the car. The charging doesn't disappear; somebody still has to plug it in and pay for the electricity. The economic question becomes: **who writes the check, and what does their P&L look like?**

The Hertz / Avis comp (our analogy)

This analogy is ours, not the company's. A fleet of autonomous vehicles is, in operating terms, a fleet of cars that need to be stored, maintained, cleaned, charged, parked, and dispatched. That is the rental car business with dispatch logistics added on. Hertz Global Holdings carried roughly \$15 billion of long-term debt at its most recent reporting; Avis Budget Group carried roughly \$13 billion. Both companies have had their equity impaired multiple times over the last fifteen years because the fleet-ownership model is capital-intensive, exposed to residual value risk on the underlying vehicles, and operationally complex. Adding autonomous-driving capability does not make the fleet less capital-intensive - it adds sensor arrays, software updates, regulatory compliance, and remote-operations staffing.

The honest read on AV economics is that **the entity that owns the AVs takes on Hertz-Avis style capital intensity** while trying to earn rideshare-style platform margins. Those two profiles do not historically coexist comfortably.

The long and short of it: the entity that owns the AV fleet is taking on long-term, capital-heavy asset commitments while trying to be priced like a lightweight platform. Hertz and Avis have run that arithmetic for forty years, and the equity has been impaired multiple times along the way. **That is the question worth asking before underwriting a wholesale displacement of rideshare by AV** - not whether the technology arrives, but who carries the balance sheet after it does.

Lyft's actual position - fleet management, not fleet ownership

What is the reported and disclosed direction of travel for Lyft on AV? The Q1 2026 earnings materials cite three specific structures: **Flexdrive Nashville** (the company's own fleet leasing and management infrastructure, mentioned in the May 7, 2026 press release p1); **the Mobileye partnership** for AV technology cadence; and **the Baidu UK partnership** for European autonomous deployment (press release p2). These are partnership and fleet-management structures - not balance-sheet fleet ownership. The Freenow acquisition (July 2025, \$237M, per 10-K p51) and the TBR acquisition (October 2025, \$115M, per 10-K p51) add European multimodal and premium chauffeur operations - again, marketplace and management layers, not fleet ownership.

If this is the durable strategic direction - and we want to flag clearly that this is our reading of the disclosed positioning, subject to revision as the company communicates further - then Lyft is positioning itself to be the **fleet management layer**, not the fleet owner. In real estate, the property manager earns 4-10% management fees on assets-under-management without taking on the capital risk of owning the buildings. That is a structurally better business than owning the buildings, because the fee stream compounds while the capital risk sits on someone else's balance sheet.

If Lyft has positioned correctly, the AV revolution does not impair Lyft - it expands the addressable market for fleet-management services. A Waymo fleet still needs dispatch logistics, demand aggregation, rider-side app distribution, and operational coordination at the metro level. Those are the things a marketplace platform with 30M active riders and a decade of operational know-how can supply. The fee structure on fleet-management-as-a-service is meaningfully better than the 20-25% take rate on rideshare today, because the platform is not bearing driver supply costs.

The CLF parallel - the atoms-not-bytes exercise

This is the same exercise as the Cleveland-Cliffs greenfield replication table in the Baratelli CLF case study. "OK, you want to replace all these drivers with AVs. How big of a check are you going to write to buy the cars? Who is going to handle operations?" The atoms-not-bytes argument applies. The AV revolution is not a software cost reduction; it is a capital reallocation that does not eliminate the underlying atoms - the cars, the depots, the charging infrastructure, the cleaners, the mechanics, the dispatchers, the field staff. Software replaces the driver. Atoms remain.

When the consensus models AV displacement of rideshare, the implicit assumption is that all of those atoms become free, or close to free. They don't. They get reassigned to the AV fleet owner's P&L. The question for the rideshare investor is not whether AV happens - it will - but where the capital and operating costs land, and who captures the platform economics on the other side of the transition.

Investment implication - bear, consensus, and reframe

Reading	Lyft position	Equity implication
Consensus bear	Rideshare platform; AV displaces drivers; margin compresses	Equity impaired; multiple compresses to distressed

Consensus base	Rideshare platform with AV optionality via partnerships	Equity range-bound; AV as binary risk
Reframe (this section)	Fleet-management layer; AV expands TAM for management fees	Equity structurally undervalued; AV is tailwind, not threat
Reframe caveat	If Lyft tries to OWN the fleet, Hertz/Avis capital-intensity profile applies	Capital intensity destroys platform multiple

Why this matters for the valuation

The DCF, comps, and SOTP framework in Sections 5-7 does not explicitly value an AV-fleet-management upside. The bear case (Section 15, BP1) explicitly underwrites the AV-displacement downside. **If the reframe in this section is correct, the asymmetry is even more favorable than the headline triangulation suggests** - the downside is underwritten in the bear paths, while the upside (a structurally better business model as the AV transition matures) is not in any of the three valuation lenses. The reader who buys the reframe will assign higher probability weight to the bull case and lower weight to the BP1 path.

The reader who does not buy the reframe - who believes Lyft will be displaced rather than transformed by AV - is correctly weighting BP1 as the dominant scenario. **We are not claiming this question is settled.** We are claiming it is the right question to ask, and we do not see it asked in the consensus coverage. The position-sizing decision flows from the reader's view on the answer.

Verification note

Lyft's specific fleet-management activities domestically and internationally are described in the Q1 2026 earnings press release and supplemental slides at the level of partnership announcements (Flexdrive Nashville, Mobileye, Baidu UK, Freenow, TBR). A reader who wants to underwrite the reframe in this section should pull Lyft's next investor day deck and the FY2026 10-K when filed; those documents will likely clarify the segment-level economics of fleet management vs core rideshare, which the current 10-K does not break out separately (10-K p51 discusses segment disclosure limitations).

METHOD - LIBRARY TIE-IN

The atoms-not-bytes greenfield replication exercise is First Principles Ch 8 (replacement cost as a check on growth narratives) and is applied at length in the Baratelli Cleveland-Cliffs Educational Case Study. The fleet-ownership-as-real-estate parallel is PE Guide Ch 14 (capital-intensive vs platform business models). The risk-register practice of separating consensus bear from reframed bull is CFO Controllers Guide Ch 17. Cross-link: the atom-bearing-business-priced-like-a-platform trap is developed in First Principles Ch 9 (business model misclassification).

15. Bear Case Stress Test

The comp-discount bear above (\$16.07) is still a 16% premium to the \$13.90 close - it is a bear of the multiple, not of the business model. An L/S construction needs a real business-model bear. The three break paths below stress the actual operating cash flow and tell the reader what equity value Lyft is worth in each genuinely adverse scenario. **These scenarios sit below the comp-discount bear and are not probability-weighted into the headline triangulation** - they are the asymmetric-risk frame for a position sizer.

Break path	Trigger	FCF impact (annual)	Equity value path
BP1: AV commoditization (2027-28)	Cruise / Waymo / Tesla FSD-ride launch in 3-5 LYFT-heavy metros; rider WTP for human-driver-only platform compresses 15-25%	-\$300M to -\$500M (rev -8% to -12%; take-rate squeezed)	~\$9-11/sh - implies LYFT trades at 7-9x distressed FCF
BP2: UBER selective price war	UBER reallocates pricing aggression to 3-5 US metros where LYFT shares >25%; LYFT defends with subsidies	-\$200M to -\$400M (CAC +30%; contribution margin -200bps for 4-6 qtrs)	~\$10-12/sh - share loss 200-400bps in target metros
BP3: Insurance reserve true-up	Adversarial actuarial review forces \$300-500M reserve catch-up (one-time); FY2026 GAAP loss; covenant scrutiny	One-time hit; FCF run-rate intact post-reset; new reserves +\$50-80M/y r ongoing	~\$11-13/sh - one-time book hit; tail risk: regulatory

Break Path 1: AV commoditization (the structural break)

The mechanism: Cruise (GM, post-restructuring), Waymo (Alphabet), or Tesla FSD-ride launches a ride-hail product at materially lower per-ride cost in 3-5 LYFT-heavy metros (NYC, SF, LA, Boston, Chicago) by 2027-28. Rider willingness-to-pay for the human-driver-only platform compresses by 15-25%. Lyft's take-rate is squeezed both because rider price falls AND because driver supply requires subsidization. Annual FCF drops \$300-500M. At 9-12x stressed FCF, equity value falls to \$9-11/sh. **This is the existential bear.** Mitigant: Lyft's hybrid AV strategy (Flexdrive Nashville, Baidu UK partnership, Mobileye cadence) means the company is positioned to host AV supply rather than be displaced by it - but only if the partnership economics close before the standalone AV economics undercut Lyft on price.

Break Path 2: UBER selective price war (the share-loss break)

The mechanism: UBER decides Lyft's \$5B market cap and ~30% US share is worth attacking directly. UBER reallocates pricing aggression to 3-5 US metros where LYFT holds >25% share. LYFT defends with subsidies to retain rider count and driver supply. Customer acquisition cost rises 30%, contribution margin compresses 200 bps for 4-6 quarters. Annual FCF drops \$200-400M, market share loses 200-400bps in target metros. Equity settles \$10-12/sh. **This is the gentlest of the three bears** - UBER has historically been disciplined on profitability and a price war hurts its own margins too. Probability low but non-zero, especially if UBER's AV economics arrive faster than expected and it needs to defend the human-driver demand layer.

Break Path 3: Insurance reserve true-up (the one-time book bear)

The mechanism: an adversarial actuarial review or regulatory mandate forces Lyft to book a \$300-500M one-time insurance reserve catch-up. FY2026 GAAP results into the red. The convert covenants (10-Q p25) face scrutiny. The buyback program likely pauses. Equity settles \$11-13/sh on the one-time book hit, then recovers as the run-rate FCF is largely intact post-reset (though ongoing reserves rise \$50-80M/yr). **This is the least-tail bear** because the cash impact is largely a balance-sheet timing recognition rather than a permanent operating impairment. But it triggers covenant and confidence issues that compound the price impact.

Reader's takeaway

The real-bear range is \$9-13/sh - a 7% to 35% downside from the \$13.90 close, vs. the comp-discount bear's \$16.07 (which implies +16% even on the bear). The asymmetric construct survives the stress test: probability-weighted upside (~86% to \$25.83) still exceeds the stress-test downside (~35% to ~\$9), though no longer by the wide margin the comp-discount bear suggests. **Position sizing should reference the stress range, not the comp bear.** The L/S reader looking for a clean short on the other side would underwrite BP1 (the AV-commoditization break) as the cleanest pair-trade hypothesis; the long-only reader should size around BP2/BP3 because BP1 hits Uber too.

METHOD - LIBRARY TIE-IN

Bear-case stress testing (separating multiple bear from business-model bear, tracking equity-value paths under structural disruptions) is First Principles Ch 16 (margin of safety) plus CFO Controllers' Guide Ch 17 (risk register). The discipline of underwriting position size against the stress range rather than the comp bear is the asymmetric-thesis construction in PE Guide Ch 21.

16. Reader's Frame - Catalysts, Invalidators, Liquidity

The case is built. This section equips the reader with the three frames a portfolio manager actually needs to underwrite a position: what to watch (catalyst clock), what kills the thesis (lines in the sand), and how to enter and exit (liquidity).

Catalyst clock - 12 to 18 month event calendar

Catalyst	Window	What to watch for	Thesis impact
Q2 2026 earnings	early-Aug 2026	Post-Q1 rideshare unit economics; ad-revenue scaling	Confirms FCF run-rate
Q3 2026 earnings	early-Nov 2026	Buyback pace under \$950M auth; expected \$200-300M/qtr	Share-count compounding
AV partnership newsflow	Continuous	Mobileye cadence; Waymo/Cruise reactive announcements	Optionality vs. risk re-rating
FY 2027 guidance	Feb 2027	First full-year guide that embeds AV-scenario assumptions	Sets the multiple
Index inclusion review	Q1-Q2 2027	If FCF run-rate sustained, S&P 400/500 candidacy emerges	Passive flow re-rating

Twelve-to-eighteen-month window assumes the cash narrative continues to compound against the \$13.90 anchor. Each catalyst is a moment where the discount can compress; collectively they are the duration over which the thesis should resolve.

Lines in the sand - long-thesis invalidators

Three quarterly data points would tell the reader the long is wrong. Tracking these explicitly is the discipline of being willing to be wrong before the position blows up.

Metric	Invalidator threshold	Why it matters
FCF run-rate	Two consecutive quarters of FCF <\$50M (i.e., annualized <\$200M)	Invalidates the cash-yield thesis - the central anchor of the long
Active rider growth (US)	Two consecutive quarters of negative YoY growth in core US	Signals AV competitive scenario arriving faster than modeled (BP1)
Insurance reserve	Any single-quarter catch-up >\$200M	Implies auto-insurance unit economics being repriced (BP3)

Liquidity and borrow cost - position sizing context

Practical execution. At \$5.28B market cap with ~\$60-90M of typical daily \$-volume, a 200-300bps single-name position for a \$1B portfolio (\$2-3M position) clears the market in well under one trading day - liquidity is unconstrained at this size. **Borrow cost** is currently ~50-150 bps annualized per prime-broker-equivalent S3 Partners quotes for a non-special name (LYFT short interest ~6-9% of float per public data, modest by hedge-fund-target standards). **Exit window** for a 200-300bps position over 1-3 trading days is unconstrained; a 500-1000bps position would need 5-10 trading days to unwind without market impact. The float supports both

directional long and pair-trade short construction without material slippage.

METHOD - LIBRARY TIE-IN

Catalyst-clock construction and lines-in-the-sand discipline are First Principles Ch 17 (the buy-decision and the sell-decision). Liquidity and borrow-cost framing for position sizing is PE Guide Ch 22 (entry/exit mechanics for public-market positions). The 'be willing to be wrong before the position blows up' discipline is the risk-register practice in CFO Controllers' Guide Ch 17.

17. Conclusion - Updated Triangulated Valuation

With the comp methodology rebuilt on real verified peer multiples (Yahoo Finance, late May 2026) and the NOL asset added back as a separate balance-sheet item, the triangulated valuation range materially repositions to the upside vs the prior analysis.

Valuation lens	Bear	Base	Bull
DCF \$/share (SBC-adjusted)	\$11.18	\$19.60	\$27.49
Comps \$/share (real, diluted)	\$21.81	\$30.55	\$42.81
SOTP \$/share (prob-weighted)	\$9.99	\$18.16	\$25.73
Average (3 lenses)	\$14.33	\$22.77	\$32.01
+ NOL PV per share	\$1.74	\$2.98	\$3.73
Triangulated \$/share	\$16.07	\$25.75	\$35.74
vs \$13.90 close	+16%	+85%	+157%
LBO offer (30% premium)	\$18.07	\$18.07	\$18.07
Scenario weight	25%	50%	25%

Probability-weighted expected value: $0.25 \times \$16.07 + 0.50 \times \$25.75 + 0.25 \times \$35.74 = \mathbf{\$25.83 \text{ per share}}$ - or ~86% upside from the \$13.90 close. The LBO offer (\$18.07) sits cleanly within the bear-to-base range, consistent with the practitioner read that a take-private would not be a generous exit for long-term equity holders.

Reader action items

- Open the model XLSX (now 11 tabs). Tab 6_Comps lets the reader flex multiples for each method. Tab 11_NOL lets the reader flex the income-ramp assumption that drives PV.
- Refresh peer multiples before relying on this analysis. The May 2026 data will move; the model is structured so the reader can update Lyft/Uber/DASH/ABNB rows directly.
- Watch Q2 2026 actuals vs guidance (Gross Bookings \$5.30-5.43B, Adj EBITDA \$160-180M; PR p2). A miss compresses the base; a beat supports the bull.
- Monitor §382 ownership-change activity (no current trigger disclosed, but 13D/13G filings or sponsor approaches would change the NOL calculus).
- Monitor share-repurchase pace - the \$1B remaining authorization (10-Q p29) at today's discount is highly accretive.

How this case study connects to the Practitioner Library

Throughout this memo the gold marginalia boxes identify the specific chapter of *First Principles*, the *PE Guide*, or the *CFO Controllers' Guide* that supplies the methodology behind each move. NOL/§382 mechanics in the

take-private context are *PE Guide* Ch 4B. Trading comps with real-data discipline is *PE Guide* Ch 17. Discount-rate mechanics for long-tailed cash flows is *First Principles* Ch 13. The parallel SpaceX NOL analysis is in the Baratelli Educational Case Study on SpaceX.

The math is the math. The author's holding is disclosed. The reader decides.

Source Index

Citation	Document	Date
10-K	Lyft Inc., Annual Report on Form 10-K for FY ended December 31, 2025	Filed Feb 2026
10-Q	Lyft Inc., Quarterly Report on Form 10-Q for period ended March 31, 2026	Filed May 2026
PR	Lyft press release, 'Lyft Reports Strong Q1 2026 Financial Results'	May 7, 2026
SUP	Lyft Q1 FY26 Earnings Supplemental Slides	May 7, 2026
Comps	Yahoo Finance key statistics (cross-checked GuruFocus + StockAnalysis)	Late May 2026

Disclaimer & Disclosure

Ownership disclosure

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Public sources only

All inputs to this analysis are sourced from Lyft's public SEC filings (Form 10-K for FY2025, Form 10-Q for the quarter ended 3/31/2026), the May 7, 2026 earnings press release, and the Q1 2026 earnings supplemental slide deck - all freely available on Lyft's investor relations site and via EDGAR. Peer trading multiples are from public sources (Yahoo Finance key statistics, GuruFocus, StockAnalysis) cross-checked at late-May 2026. This is an outside-observer analysis using filings any reader can pull.

Not investment advice

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Sources & verification

All financial figures in this memo are taken directly from Lyft's SEC filings or the company's official Q1 2026 press release and earnings supplemental slides. Peer trading multiples are sourced from Yahoo Finance key statistics, late May 2026, cross-checked with GuruFocus and StockAnalysis. Inline citations identify the source document and page number for every figure. The current stock price (\$13.90) reflects the May 22, 2026 NASDAQ close.

Forward-looking statements

This memo contains forward-looking statements about Lyft's future operating performance. These statements are estimates based on the information available at the date of writing and are subject to risks, uncertainties, and assumptions that may cause actual results to differ materially. Lyft's own forward-looking-statement disclosures in its filings and press releases apply.

Methodology references

Marginalia boxes throughout the memo cite specific chapters of the Practitioner Library: *First Principles*, the *PE Guide*, and the *CFO Controllers' Guide*. These references point the reader to the chapter where the underlying valuation framework is developed in full. The library is available at baratelliinstitute.com.

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