True Value

The Waymo Wipeout of Uber Shares Has Gone Too Far

Photo via Getty Images

By Anita Ramaswamy

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Uber stock has dropped 8% this year over concerns that the ride-hailing company faces stiff competition from robotaxi operators, most notably Waymo. Sellers are overreacting. Uber can still sustain rapid growth and expand its profit margins while staying competitive in the autonomous-driving race in the years to come.

Plus, its current valuation, which is the lowest since it started to make a profit in 2023, gives little credit to its rapidly expanding food-delivery business, rising operating margin and loads of free cash flow. At its current level, Uber trades at 2.6 times its next year's revenue, versus 4 times for an average of companies in the S&P 500. This steep discount makes no sense.

The Takeaway

Uber shares have fallen 8%, lagging S&P 500's 14% rise

Worries about Waymo taking market share have weighed on stock

Sellers aren't pricing in delivery business's value

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Robotaxi Race

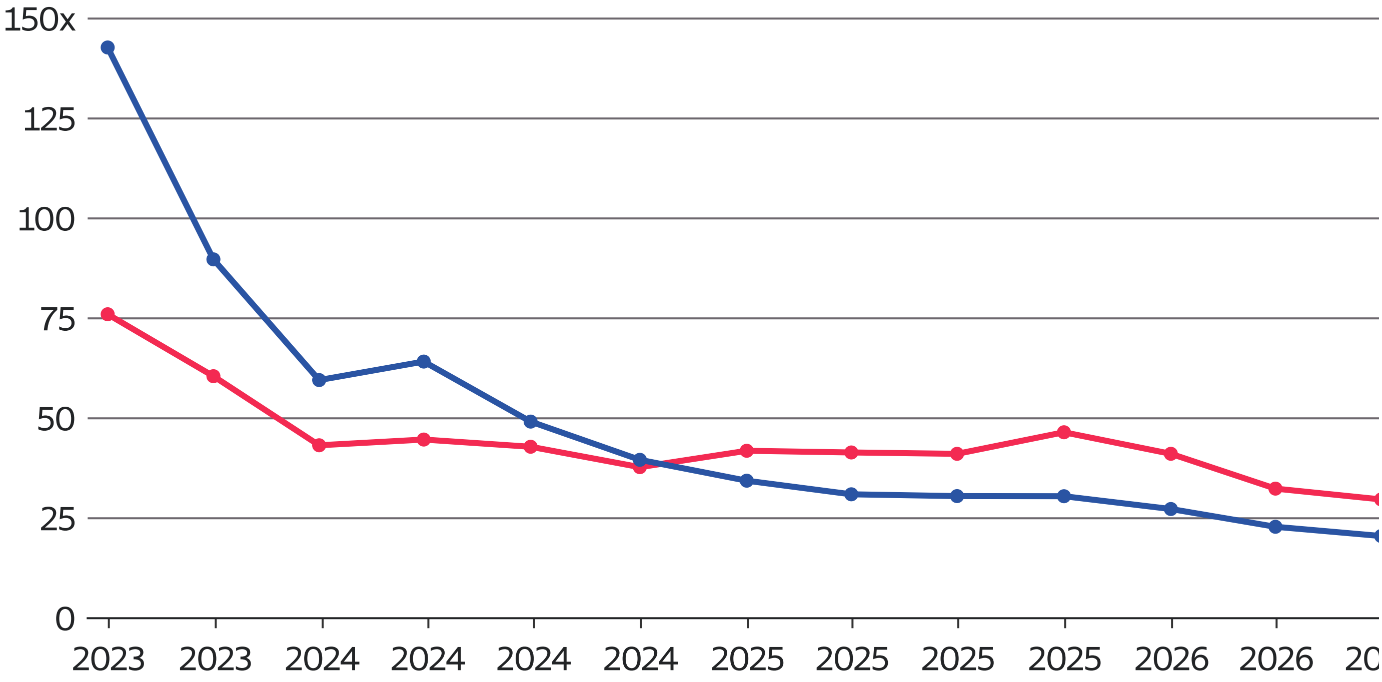
The biggest reason the market has soured on Uber is the notion that Alphabet-owned Waymo is cutting it out of ride hailing. The two have a lengthy relationship: Almost three years ago, Uber started offering Waymo rides on its app in Phoenix, and later Uber added other cities, allowing it to feed growing consumer interest in robotaxis without taking on the steep costs of developing a robotaxi network.

But the two companies are increasingly going their own ways. In May, Uber stopped offering Waymo vehicles on its app in Phoenix, while Waymo continued to offer rides on its own app in the city. And in 2028, Waymo is expected to launch its app in Atlanta and Austin, Texas, rather than only offering the rides via Uber's app. In those cities, Uber will be able to offer rides by other robotaxi services.

Uber doesn't necessarily need Waymo to capture a slice of the robotaxi market. It maintains a massive advantage in the form of its existing network: Other Waymo competitors will want to piggyback on Uber and provide rides through the app. And Amazon's autonomous vehicle division, Zoox, has said it plans to launch its vehicles on Uber in Las Vegas later this year. Uber also has dozens of deals with other operators such as Wayve, a British self-driving startup; Michigan-based robataxi operator May Mobility, and Nuro, which is outfitting Lucid Motors' cars with its autonomous systems.

Dashing Ahead

Uber once commanded a premium to DoorDash on a forward price-to-earnings multiple, but it now trades at its steepest-ever discount to its food-delivery rival.



Note: Multiples represent quarterly and quarter-to-date averages as of Aug. 17. • Source: S&P Global Market Intelligence

Self-driving cars on Uber are in seven markets now and will be in 15 by year's end, said John Blackledge, an equity analyst at TD Cowen: "They've also said they're going to by 2029 support the most autonomous vehicle rides in the world."

It will take years for robotaxis to fully supplant human-driven cars. Over that time, Uber can help robotaxi partners expand, given its existing relationships with local governments, which could make it easier to bring autonomous vehicles to big cities such as New York, Chicago and Boston.

"Uber has dealt with all the local officials over the years, and I think what they're saying now is, 'Well, we can go in and offer in New York a hybrid network,'" a ride-hailing platform that offers passengers rides in robotaxis as well as cars with human drivers, said Blackledge. That could assuage local officials' concerns about robotaxis displacing human workers and fears about the vehicles' ability to operate safely in all environments, he added.

For those autonomous-taxi startups, Uber may offer a quick path to entering many cities —at least until the companies offer their own apps (although whether customers will want to download so many different apps is another question entirely).

What's more, Waymo's growth in markets such as San Francisco where it competes with Uber doesn't seem to be significantly hindering Uber's top-line growth. Broadly, analysts expect Uber's revenue growth this year to slow to 11% from 18% in 2025, largely because of an accounting change for its U.K. operations. Analysts polled by S&P Global Market Intelligence expect growth to pick up again to 15% in 2027, thanks to strong demand for its ride-hailing services. If the company hits its projection for the total value of rides on its platform in the third quarter, that would be the fifth straight quarter in which it has increased bookings more than 20%.

Jefferies analysts cited these bookings and Uber's progress with its U.S. autonomous-vehicle operations when naming it a top stock pick last week. "We believe a bullish story is crystallizing for 2027," they said.

One possible risk to its robotaxi strategy is that Uber might be tempted to stray from its model of supporting other operators' robotaxis and try to develop its own—an endeavor it once attempted and abandoned under former CEO Travis Kalanick. Though having its own robotaxis would help Uber lessen its reliance on other firms, it would also entail a long and costly development process.

Delivery and Valuation

The biggest opportunity for investors, however, is Uber's underappreciated delivery business, which primarily comes from the Uber Eats app. The unit's revenue rose 28% to $5.2 billion in the June quarter, far outpacing the 1% growth in ride hailing over the same period. To be sure, ride hailing is bigger, having generated $7.4 billion in sales over that period—but food delivery is catching up fast.

Compared to rival DoorDash, Uber's delivery business looks cheap. DoorDash is currently valued at around 75 times its 2025 earnings before interest, taxes, depreciation and amortization of $1.2 billion. Uber's delivery business generated $3.7 billion for the same time period. Using DoorDash's valuation multiple would put the value of Uber's delivery business at about $270 billion. Uber's entire market cap right now is just about $150 billion.

In another sign of how sharply investors have taken a hard turn against Uber, the company is currently trading at a record-high discount to DoorDash. That's a reversal from 2023 and most of 2024, when Uber actually traded at a premium to DoorDash on a forward price-to-earnings basis. Today, Uber trades at a forward ratio of 17.7 times, while DoorDash trades at 33 times.

Uber has other options to shore up its stock price as it works to bring robotaxis made by other firms onto its platform. The company announced a $20 billion stock buyback plan last August and has used only around a quarter of that money so far. It can fund its robotaxi ambitions using its steady and growing free cash flow, which totaled $9.8 billion at the end of last year.

Correction: A previous version inaccurately stated Uber's cash is greater than its debt.

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