

## Lyft (LYFT)

**\$36.08** (As of 06/04/20)

Price Target (6-12 Months): **\$38.00**

Long Term: 6-12 Months

**Zacks Recommendation:**

**Neutral**

(Since: 04/13/20)

Prior Recommendation: Outperform

Short Term: 1-3 Months

**Zacks Rank:** (1-5)

**3-Hold**

Zacks Style Scores:

VGM:D

Value: F

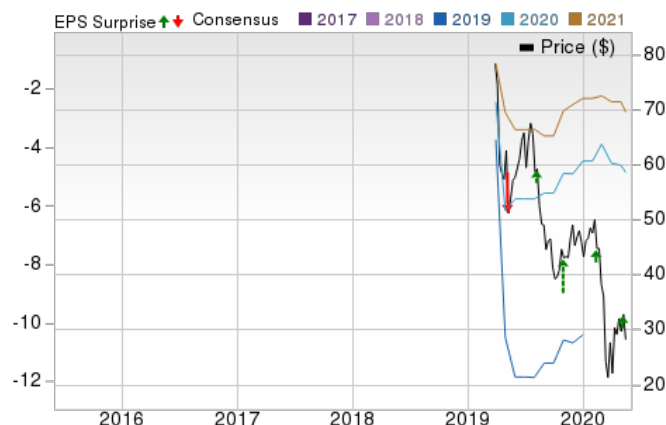
Growth: B

Momentum: D

## Summary

Following the easing of coronavirus-led restrictions, Lyft witnessed a surge in rideshare business. With the relaxation of stay-at-home orders, Lyft saw a larger volume of trips in the last few weekends compared to the weekdays. Based on this positivity, the company lowered its outlook for second-quarter adjusted EBITDA loss. It now expects the metric for the June quarter to not exceed \$325 million, given that the average daily rideshare ride volumes in June is commensurate with the volume levels in May. Despite the recent upsides, shares of Lyft have declined in excess of 5% since the beginning of March. Moreover, the going has been tough for Lyft ever since it went public on Mar 29, 2019 as it incurred huge losses in each of the trailing four quarters, primarily due to its excessive spending ways. The coronavirus pandemic is a further challenge.

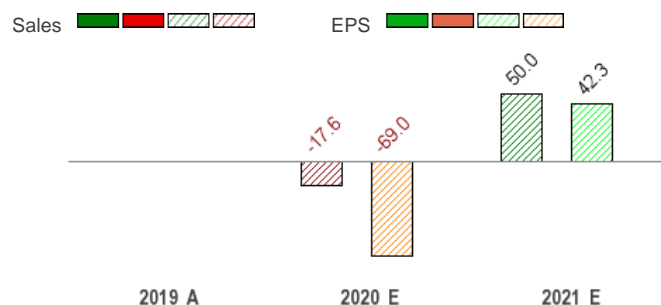
## Price, Consensus & Surprise



## Data Overview

52 Week High-Low	<b>\$68.33 - \$14.56</b>
20 Day Average Volume (sh)	<b>9,467,432</b>
Market Cap	<b>\$11.1 B</b>
YTD Price Change	<b>-16.1%</b>
Beta	<b>1.67</b>
Dividend / Div Yld	<b>\$0.00 / 0.0%</b>
Industry	<b><a href="#">Internet - Services</a></b>
Zacks Industry Rank	<b>Top 13% (34 out of 253)</b>

## Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	<b>42.9%</b>
Last Sales Surprise	<b>10.6%</b>
EPS F1 Est- 4 week change	<b>-4.4%</b>
Expected Report Date	<b>08/05/2020</b>
Earnings ESP	<b>0.0%</b>

## Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,010 E	1,015 E	1,159 E	1,243 E	4,471 E
2020	956 A	435 E	694 E	884 E	2,981 E
2019	776 A	867 A	956 A	1,017 A	3,616 A

## EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-\$0.95 E	-\$0.84 E	-\$0.61 E	-\$0.50 E	-\$2.80 E
2020	-\$0.32 A	-\$1.53 E	-\$1.11 E	-\$0.91 E	-\$4.85 E
2019	-\$9.02 A	-\$0.68 A	-\$0.41 A	-\$0.41 A	-\$2.87 A

\*Quarterly figures may not add up to annual.

P/E TTM	<b>NA</b>
P/E F1	<b>NA</b>
PEG F1	<b>NA</b>
P/S TTM	<b>2.9</b>

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 06/04/2020. The reports text is as of 06/05/2020.

## Overview

Lyft, based in San Francisco, CA, was founded in 2012. The company, however, made its trading debut on the Nasdaq in March this year. Its IPO price was \$72 a share. Lyft completed its IPO on Apr 2, 2019.

During the process, the company sold 32,500,000 shares of Class A common stock. On Apr 9, 2019, Lyft sold 2,996,845 more shares of Class A common stock at \$72 per share.

Lyft, which operates multimodal transportation networks in the United States and Canada, generated net proceeds of \$2.5 billion after deducting underwriting discounts, commissions and offering expenses.

In 2012, Lyft launched the peer-to-peer marketplace for on-demand ridesharing. The networks operated by the company allow access to multiple transportation options through its platform and mobile-based applications. Evidently, Lyft's offerings grant access to a network of shared bikes and scooters for shorter rides, and first-mile and last-mile legs of multimodal trips.

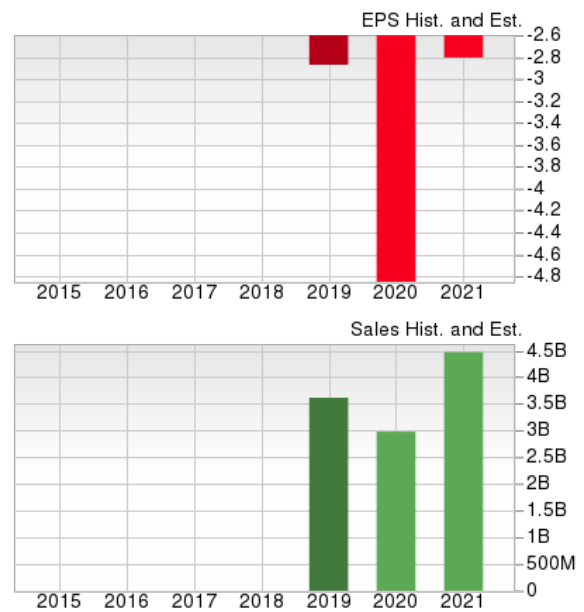
In a bid to attract drivers, passengers and riders of shared bikes and scooters to use its platform Lyft offers various incentives. For example, drivers are offered schemes like minimum guaranteed payments, volume-based discounts and performance-based bonus payments.

Lyft, which currently boasts more than 30 million riders and in excess of 2 million drivers, generates almost its entire revenues from ridesharing activities that connect drivers and passengers. Drivers pay service fees and commissions for using Lyft's proprietary technology platform and other activities aimed at connecting passengers and drivers. Lyft recognizes revenues upon completion of each ride.

Revenues are also realized through Lyft's network of shared bikes and scooters. Revenues are also generated from its Express Drive program from lease income under an arrangement with its third-party Express Drive partners.

In the first quarter of 2020, revenues increased 23% year over year to \$955.7 million. Also, Active Riders (who take at least one ride during a quarter on the company's multimodal platform through its app) increased 3% year over year to 21.21 million during the same period. Revenue per Active Rider also increased 19% to \$45.06.

Lyft's fiscal year coincides with the calendar year.



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## Reasons To Buy:

▲ Lyft's first-quarter performance on the top-line front has been impressive despite a sharp decline in rides since mid-March due to coronavirus woes. Total revenues in the quarter rose 23% on a year-over-year basis, courtesy of a rise in Active Riders (up 3%) and Revenue per Active Rider (19%).

## Lyft Improves Q2 View on 26% Rise in May Rides

▲ Following the easing of coronavirus-led restrictions, Lyft has witnessed a surge in rideshare rides. Lyft revealed that rides increased 26% in May from April although the same was down 70% year over year. With relaxations on stay-at-home orders, Lyft saw a larger volume of trips in the last three weekends compared to weekdays. Based on the uptrend in ride volumes in May from that in April, the company expects adjusted EBITDA loss for the second quarter to not exceed \$325 million, given that average daily rideshare ride volumes in June is commensurate with the volume levels in May. This is an approximate 10% improvement from the company's previous expectation of an adjusted EBITDA loss not exceeding \$360 million in the second quarter.

▲ With every passing day, the market for driverless or self-driving cars is gaining prominence and Lyft aims to become a key player in this space. To this end, on Jun 27, 2019, Lyft announced that it has entered into a partnership with Waymo, a subsidiary of Alphabet. Following the deal, some Lyft users in the Phoenix area are able to take an autonomous ride, powered by Waymo. Notably, Waymo has provided 10 self-driving minivans to Lyft for use in specific areas of Phoenix. The deal with fellow ridesharing company, Gett, inked in November 2019, is an added positive. Further, we are positive about the company's acquisition (completed in February 2020) of Halo Cars, a U.S.-based startup that enables drivers to earn money by featuring digital advertisements on top of their vehicles.. Moreover, Lyft's entry into the rental-car world in December 2019 with Lyft Rentals, is a positive.

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## Reasons To Sell:

- ▼ Due to the coronavirus pandemic, Lyft's operations have been crippled significantly due to a dramatic drop in ride volumes. Moreover, even though the coronavirus impact was limited in the first quarter, the adversity is likely to be greater in the second quarter. Despite the improvement in May with respect to rides, the reading was down 70% year over year. In fact, Lyft recently announced the layoff of 982 employees, which constitute 17% of its total workforce, due to the reduction in demand for its services.
- ▼ Ever since Lyft went public on Mar 29, 2019, the company has incurred huge losses in each of the quarters, primarily due to its excessive spending ways. During 2019, the company's net loss amounted to \$2.6 billion. The same was \$398.1 million in the first quarter of 2020 despite a significant reduction in total expenses.
- ▼ The departure of the highly experienced Jon McNeill from Lyft in July 2019 as its chief operating officer impacted the stock negatively. McNeill, who came from Tesla, joined the company in February 2018. In July, Lyft appointed Lisa Blackwood as its chief accounting officer. As it is, the stock has been struggling since its IPO, having shed more than 43% in a year's time. Additionally, such instability in management might prove detrimental to Lyft.

Ride-share trips declined 75% year over year in April due to coronavirus woes.

## Last Earnings Report

### Lyft Beats on Revenues in Q1

Lyft incurred a loss of 32 cents per share (excluding 99 cents from non-recurring items), narrower than the Zacks Consensus Estimate of a loss of 56 cents. Results were aided by solid revenue growth of 23% on a year-over-year basis to \$955.7 million, courtesy of a rise in Active Riders and Revenue per Active Rider. The top line also surpassed the Zacks Consensus Estimate of \$864.4 million.

Active Riders (riders who take at least one ride during a quarter on Lyft's multimodal platform through its app) increased 3% year over year to 21.21 million in the quarter under review. This San Francisco-based company's Revenue per Active Rider climbed 19% to \$45.06 million. Given the substantial impact of the coronavirus outbreak, the numbers are quite impressive. After a 75% decline in ride-share trips in April, the company is starting to see signs of recovery with relaxation in social distancing norms in the United States. Notably, ride volumes rose 21% in the first week of May.

Coming back to the earnings performance, adjusted EBITDA loss for the first quarter was \$85.2 million compared with \$216-million loss incurred a year ago. The adjusted EBITDA margin came in at 8.9% compared with -27.8% in the first quarter of 2019. Total costs and expenses contracted 29.1% year over year to \$1.37 billion in the quarter.

Contribution improved 42.2% year over year to \$547.4 million. Contribution margin expanded to 57.3% from 49.6% a year ago. Lyft exited the first quarter with unrestricted cash (cash and cash equivalents +short-term investments) of \$2.67 billion compared with \$2.85 at the end of 2019.

Quarter Ending **03/2020**

Report Date	May 06, 2020
Sales Surprise	<b>10.56%</b>
EPS Surprise	<b>42.86%</b>
Quarterly EPS	<b>-0.32</b>
Annual EPS (TTM)	<b>-1.82</b>

## Recent News

### Update on May Rides - Jun 2, 2020

Lyft revealed that rides increased 26% in May from April although the same was down 70% year over year. Since the week ended Apr 12, 2020, rideshare rides rose week over week for 7 successive weeks. On a year-over-year comparison, rideshare rides declined approximately 66% in the week ended May 31, 2020. However, the same was up 5.5% on a week-over-week comparison. Lately, the company has witnessed a surge in rideshare rides in certain cities where coronavirus-led restrictions have been eased. For instance, "rideshare rides increased 73% in Austin, 41% in Denver, 54% in Las Vegas, 59% in Miami, 64% in Nashville, 42% in New York City, 40% in Phoenix, 49% in Salt Lake City and 40% in Seattle in the month of May 2020 versus the month of April 2020. In addition, bike rides on the Lyft platform increased 118% in May 2020 versus April 2020.

### Layoffs Due to Coronavirus – Apr 29, 2020

Lyft announced the layoff of 982 employees, which constitute 17% of its total workforce. Additionally, the company is furloughing 288 workers. These aggressive measures are a part of Lyft's efforts to combat the coronavirus crisis by reducing operating expenses and adjusting cash flows. Due to the workforce reduction, the company expects to record \$28 million-\$36 million in restructuring and related charges. The maximum amount of the expenses will get reflected in the second quarter.

## Valuation

Lyft's shares are down 16.1% and 41.5% in the year-to-date period and over the trailing 12-month period respectively. Stocks in the Zacks sub-industry are up 9.4% in the year-to-date period, while those in the Zacks Computer and Technology sector are up 5.9%. Over the past year, the Zacks sub-industry is up 15.4%, while the sector is up 24.4%.

The S&P 500 index is down 3.6% in the year-to-date period and up 9.4% in the past year.

The stock is currently trading at 3.06X forward 12-month price to sales, which compares to 6.59X for the Zacks sub-industry, 3.74X for the Zacks sector and 3.5X for the S&P 500 index.

Over the past year, the stock has traded as high as 5.14X and as low as 1.01X, with a 1-year median of 3.03X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$38 price target reflects 3.22X forward 12-month sales.

The table below shows summary valuation data for LYFT

Valuation Multiples - LYFT					
		Stock	Sub-Industry	Sector	S&P 500
P/S F 12M	Current	3.06	6.59	3.74	3.5
	1-Year High	5.14	6.59	3.74	3.5
	1-Year Low	1.01	5.05	3.01	2.8
	1-Year Median	3.03	5.73	3.28	3.19
EV/S TTM	Current	2.32	6.24	4.25	3.04
	1-Year High	7.11	6.6	4.43	2.24
	1-Year Low	0.66	4.33	3.13	2.83
	1-Year Median	3.21	5.56	3.86	3.05

As of 06/04/2020

## Industry Analysis Zacks Industry Rank: Top 13% (34 out of 253)



## Top Peers

Company (Ticker)	Rec	Rank
Sohu.com Inc. (SOHU)	Outperform	1
TiVo Corporation (TIVO)	Outperform	NA
Baidu, Inc. (BIDU)	Neutral	4
Expedia Group, Inc. (EXPE)	Neutral	3
General Motors Company (GM)	Neutral	3
Grubhub Inc. (GRUB)	Neutral	3
Tesla, Inc. (TSLA)	Neutral	2
Uber Technologies, Inc. (UBER)	Neutral	3

Industry Comparison Industry: Internet - Services				Industry Peers		
	LYFT	X Industry	S&P 500	SOHU	TSLA	UBER
Zacks Recommendation (Long Term)	Neutral	-	-	Outperform	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	1	2	3
VGM Score	D	-	-	D	D	D
Market Cap	11.07 B	688.87 M	22.58 B	318.54 M	160.23 B	63.17 B
# of Analysts	7	3	14	3	8	11
Dividend Yield	0.00%	0.00%	1.87%	0.00%	0.00%	0.00%
Value Score	F	-	-	D	F	F
Cash/Price	0.28	0.18	0.06	6.16	0.05	0.15
EV/EBITDA	-3.47	1.91	12.93	-7.08	68.96	-8.27
PEG Ratio	NA	2.40	3.06	NA	4.70	NA
Price/Book (P/B)	4.24	2.37	3.09	0.25	15.96	5.22
Price/Cash Flow (P/CF)	NA	14.89	12.17	15.02	105.27	NA
P/E (F1)	NA	31.46	22.17	NA	188.37	NA
Price/Sales (P/S)	2.92	2.47	2.41	0.17	6.16	4.33
Earnings Yield	-13.44%	1.00%	4.27%	-19.58%	0.53%	-9.91%
Debt/Equity	0.15	0.10	0.76	0.00	1.07	0.60
Cash Flow (\$/share)	-7.21	0.10	7.01	0.54	8.21	-4.71
Growth Score	B	-	-	C	C	B
Hist. EPS Growth (3-5 yrs)	NA%	23.83%	10.87%	NA	NA	NA
Proj. EPS Growth (F1/F0)	-68.99%	-9.05%	-10.79%	50.98%	3,429.85%	46.98%
Curr. Cash Flow Growth	138.22%	8.44%	5.48%	10.49%	36.54%	-668.58%
Hist. Cash Flow Growth (3-5 yrs)	NA%	19.91%	8.55%	-29.69%	54.29%	NA
Current Ratio	1.23	1.68	1.29	1.81	1.24	1.68
Debt/Capital	12.95%	12.45%	44.75%	0.00%	53.08%	38.44%
Net Margin	-49.05%	-6.44%	10.59%	-6.00%	-0.55%	-71.48%
Return on Equity	-45.73%	-5.36%	16.26%	-8.61%	-1.86%	-58.70%
Sales/Assets	0.67	0.62	0.55	0.69	0.76	0.47
Proj. Sales Growth (F1/F0)	-17.55%	0.00%	-2.61%	0.19%	9.23%	-5.15%
Momentum Score	D	-	-	B	D	D
Daily Price Chg	4.75%	0.00%	-0.08%	-1.81%	-2.10%	-0.87%
1 Week Price Chg	0.00%	0.00%	4.60%	-4.29%	2.22%	4.28%
4 Week Price Chg	13.52%	3.63%	12.07%	3.97%	10.81%	17.78%
12 Week Price Chg	51.07%	21.62%	25.17%	-1.69%	54.20%	61.12%
52 Week Price Chg	-41.47%	-14.98%	0.34%	-39.40%	319.70%	-18.90%
20 Day Average Volume	9,467,432	119,001	2,537,324	535,180	11,345,638	32,534,646
(F1) EPS Est 1 week change	0.24%	0.00%	0.00%	0.00%	0.00%	0.08%
(F1) EPS Est 4 week change	-4.36%	0.00%	-0.08%	30.52%	0.00%	-41.19%
(F1) EPS Est 12 week change	-24.60%	-5.74%	-16.19%	36.39%	-100.58%	-77.34%
(Q1) EPS Est Mthly Chg	-12.27%	0.00%	0.00%	80.00%	0.00%	-5.63%

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## Zacks Stock Rating System

We offer two rating systems that take into account investors' holding horizons: Zacks Rank and Zacks Recommendation. Each provides valuable insights into the future profitability of the stock and can be used separately or in combination with each other depending on your investment style.

### Zacks Recommendation

The Zacks Recommendation aims to predict performance over the next 6 to 12 months. The foundation for the quantitatively determined Zacks Recommendation is trends in the company's estimate revisions and earnings outlook. The Zacks Recommendation is broken down into 3 Levels; Outperform, Neutral and Underperform. Unlike many Wall Street firms, we have an excellent balance between the number of Outperform and Neutral recommendations. Our team of 70 analysts are fully versed in the benefits of earnings estimate revisions and how that is harnessed through the Zacks quantitative rating system. But we have given our analysts the ability to override the Zacks Recommendation for the 1200 stocks that they follow. The reason for the analyst over-rides is that there are often factors such as valuation, industry conditions and management effectiveness that a trained investment professional can spot better than a quantitative model.

### Zacks Rank

The Zacks Rank is our short-term rating system that is most effective over the one- to three-month holding horizon. The underlying driver for the quantitatively-determined Zacks Rank is the same as the Zacks Recommendation, and reflects trends in earnings estimate revisions.

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The Zacks Style Score is as a complementary indicator to the Zacks rating system, giving investors a way to focus on the highest rated stocks that best fit their own stock picking preferences.

Academic research has proven that stocks with the best Value, Growth and Momentum characteristics outperform the market. The Zacks Style Scores rate stocks on each of these individual styles and assigns a rating of A, B, C, D and F. We also produce the VGM Score (V for Value, G for Growth and M for Momentum), which combines the weighted average of the individual Style Scores into one score. This is perfectly suited for those who want their stocks to have the best scores across the board.

Value Score	F
Growth Score	B
Momentum Score	D
VGM Score	D

As an investor, you want to buy stocks with the highest probability of success. That means buying stocks with a Zacks Recommendation of Outperform, which also has a Style Score of an A or a B.

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