Jan 13, 2020

Lyft (LYFT)

$46.06 (As of 01/10/20)

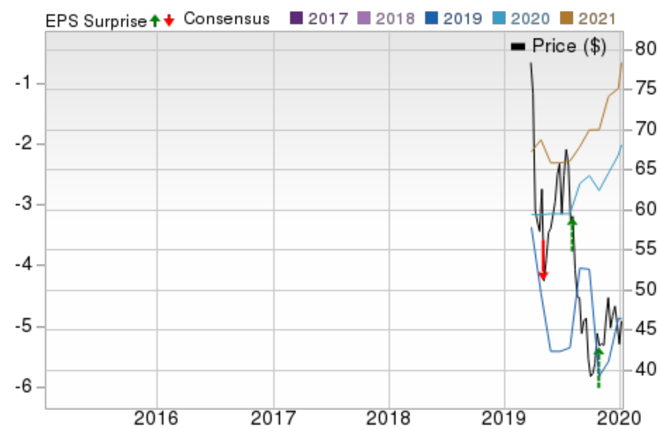
Price Target (6-12 Months): **$53.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 10/24/19) Prior Recommendation: Neutral	**Outperform**
Short Term: 1-3 Months	**Zacks Rank:** (1-5)	**2-Buy**
	Zacks Style Scores:	VGM:D
	Value: F | Growth: A	Momentum: D

Summary

Akin to the past few quarters, Lyft's fourth-quarter 2019 performance is likely to have been aided by robust growth in active riders. The company expects its quarterly revenues to be between $975 million and $985 million backed by Active Rider growth. Also, Lyft expects full-year 2019 revenues to have been in the $3.57-$3.58 billion range, implying a 66% jump from 2018 levels. The company's focus on the highly promising market for self-driving cars is also encouraging. Anticipating the strong Active Rider growth to continue, Lyft expects to be profitable in terms of Adjusted EBITDA in fourth-quarter 2021, a year ahead of what was widely expected. However, Lyft's shares have plunged more than 41% since going public on Mar 29, 2019, mainly due to rising sales and marketing expense (up 6% in the first nine months of 2019).

Price, Consensus & Surprise



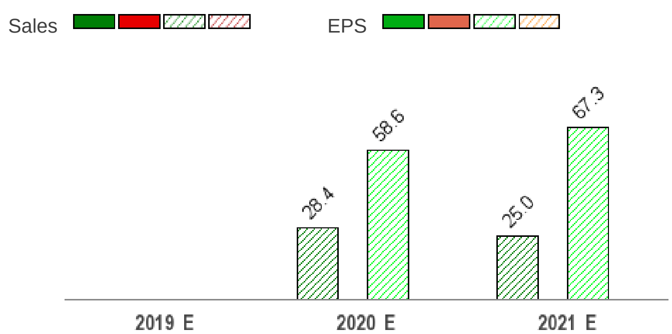
Data Overview

52 Week High-Low	**$88.60 - $37.07**
20 Day Average Volume (sh)	**5,340,517**
Market Cap	**$13.7 B**
YTD Price Change	**7.1%**
Beta	**NA**
Dividend / Div Yld	**$0.00 / 0.0%**
Industry	**Internet - Services**
Zacks Industry Rank	**Bottom 37% (160 out of 254)**

Last EPS Surprise	**42.3%**
Last Sales Surprise	**4.7%**
EPS F1 Est- 4 week change	**0.0%**
Expected Report Date	**02/11/2020**
Earnings ESP	**0.0%**

P/E TTM	**NA**
P/E F1	**NA**
PEG F1	**NA**
P/S TTM	**4.2**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	1,337 E	1,399 E	1,494 E	1,503 E	5,757 E
2020	1,055 E	1,134 E	1,202 E	1,256 E	4,606 E
2019	776 A	867 A	956 A	984 E	3,587 E

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-$0.33 E	-$0.25 E	-$0.17 E	-$0.08 E	-$0.66 E
2020	-$0.53 E	-$0.47 E	-$0.42 E	-$0.42 E	-$2.02 E
2019	-$9.02 A	-$0.68 A	-$0.41 A	-$0.57 E	-$4.88 E

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 01/10/2020. The reports text is as of 01/13/2020.

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.

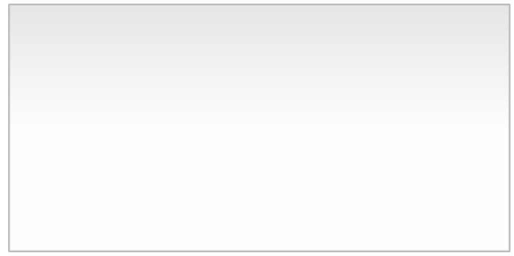
During the process, the company sold 32,500,000 shares of Class A common stock. On Apr 9, 2019, Lyft sold 2,996,845 more shares of Class A common stock at $72 per share.

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.

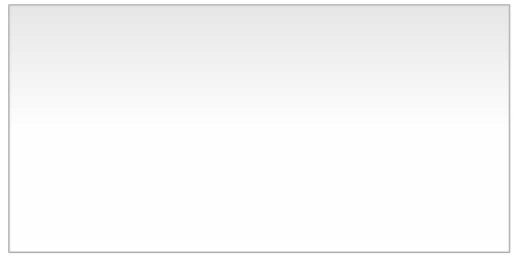
In 2012, Lyft launched the peer-to-peer marketplace for on-demand ridesharing. The networks operated by the company allow access to multiple transportation options through its platform and mobile-based applications. Evidently, Lyft's offerings grant access to a network of shared bikes and scooters for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

EPS Hist. and Est.



Sales Hist. and Est.



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 third quarter of 2019, revenues increased 63.4% year over year to $955.6 million. Also, Active Riders (who take at least one ride during a quarter on the company's multimodal platform through its app) increased 28% year over year to 17.39 million during the same period. Revenue per Active Rider increased 27% to $33.63.

Lyft's fiscal year coincides with the calendar year.

Reasons To Buy:

Anticipating strong rider growth in the remainder of the year, Lyft raised its 2019 revenue guidance. Lyft’s efforts to become a key player in the driverless car space are also encouraging.

- Lyft has been putting up an impressive performance successively on the top-line front owing to growth in Active Riders. Total revenues soared 74.8% in the first nine months of 2019. Revenue per Active Rider increased 21.7%, 33.9% and 27% in the first, second and the third quarter of 2019, respectively. Lyft's fourth-quarter 2019 performance is likely to have been aided by robust growth in active riders as well. Detailed results are scheduled to be released on Feb 11. The company expects its quarterly revenues to be between $975 million and $985 million backed by Active Rider growth. Also, Lyft expects full-year 2019 revenues to have been in the $3.57-$3.58 billion range, implying a 66% jump from 2018 levels.

- Lyft expects to earn profits in terms of Adjusted EBITDA in the fourth quarter of 2021. This is a year ahead of what market watchers had previously anticipated. The company's focus on profitability instead of scale contributed to the bullish forecast. Its Adjusted EBITDA loss improved in third-quarter 2019 to $128.1 million compared with a loss of $263.2 million incurred a year ago. Additionally, the same for the fourth quarter is now anticipated to have been in the $160-$170 million range (loss of $251 million reported in the year-ago period), better than a loss of $240-$245 million expected previously. For 2019, adjusted EBITDA loss is estimated to have been in the band of $708-$718 million, suggesting an improvement from the prior outlook of $850-$875 million.

- 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, 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, is an added positive.

- Lyft was included in the Russell 1000 Index, following the completion of FTSE Russell Indexes annual reconstitution on Jun 28, 2019. The inclusion of the stock in this highly sought-after index, which tracks the 1,000 largest companies in the United States, bodes well for the liquidity position of the stock. Moreover, Lyft's entry into the rental-car world in December 2019 with Lyft Rentals, is a positive.

Risks

- Although Lyft significantly reduced its sales and marketing expenses in the third quarter, considering its aim for profitability, it is still high enough to take a toll on earnings going forward. For instance, sales and marketing expenses increased 6% to $584.83 million in the first nine months of 2019. Moreover, the fourth-quarter performance is likely to have been hurt by high costs as certain sales and marketing investments were pushed into the fourth quarter from the third. Apart from cost headwinds, the fourth quarter is likely to have witnessed some seasonal softness.

- 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 is struggling after its IPO, having shed more than 41%. Additionally, such instability in management might prove detrimental to Lyft.

- The bill passed by legislators in California during September, 2019, is a threat for the business models of companies like Lyft. This is because, the bill, which came into effect from Jan 1, 2020, has forced Lyft to reclassify its drivers as employees and not independent contractors.

Last Earnings Report

Lyft Beats on Revenues in Q3

Quarter Ending	09/2019
Report Date	Oct 30, 2019
Sales Surprise	4.65%
EPS Surprise	42.25%
Quarterly EPS	-0.41
Annual EPS (TTM)	NA

Lyft incurred a loss (excluding $1.16 from non-recurring items) of 41 cents per share in third-quarter 2019, narrower than the Zacks Consensus Estimate of a loss of 71 cents. Results were aided by solid revenues that soared 63.4% on a year-over-year basis to $955.6 million, courtesy of robust growth in Active Riders and Revenue per Active Rider. The top line also surpassed the Zacks Consensus Estimate of $913.2 million. Notably, this was the third earnings report for Lyft since going public on Mar 29.

Active Riders (riders who take at least one ride during a quarter on Lyft's multimodal platform through its app) in the quarter under review increased 28% year over year to 17.39 million. This San Francisco-based company's Revenue per Active Rider rose 27% to $33.63 million.

Adjusted EBITDA loss for the third quarter was $128.1 million compared with a loss of $263.2 million incurred a year ago. The adjusted EBITDA margin came in at -13.4% in the reported quarter compared with -45% in the third quarter of 2018.

Contribution improved 82% year over year to $479.2 million. Contribution margin expanded to 50.1% from 45% a year ago. Lyft exited the third quarter with unrestricted cash (cash and cash equivalents +short-term investments) of $3.11 billion compared with $2.04 billion at 2018 end.

Q4 Outlook

The company anticipates revenues between $975 million and $985 million in the fourth quarter, indicating a year over year surge of 46-47%. Adjusted EBITDA loss is now anticipated to be $160-$170 million, better than a loss of $240-$245 million expected previously.

2019 Outlook

For 2019, revenues are estimated in the range of $3.57-$3.58 billion, implying an approximate 66% year over year rise (previous view: $3.47-$3.50 billion). Additionally, adjusted EBITDA loss is forecast in the band of $708-$718 million, suggesting an improvement from the prior guidance of $850-$875 million. The company expects to earn profits in terms of Adjusted EBITDA in the fourth quarter of 2021.

Recent News

Lyft Introduces Rental-Car Service in California — Dec 12, 2019

Lyft enters the rental-car world with Lyft Rentals. This rental-car service is available through its app to select customers in the Bay Area and Los Angeles.

The company will not levy additional charges on the basis of mileage or refueling costs. Riders will also obtain credits of up to $20 each way for rides to and from its rental lots in Los Angeles, San Francisco and Oakland. Users can rent cars for maximum two weeks. The cars available for rent are Mazda 3 sedan and Mazda CX-5 SUV in Los Angeles whereas in in the Bay Area, customers can choose between a Volkswagen Passat or a Volkswagen Atlas SUV.

Valuation

Lyft shares are down 41.1% ever since going public on Mar 29, 2019. Stocks in the Zacks sub-industry gained 2.3%. Shares in the Computer and Technology sector are up 17.4% in the same period. Since Mar 29 the S&P 500 index is up 14.3%.

Our Outperform recommendation indicates that the stock will better than the market. Our $53 price target reflects 17.82X 2020 sales.

Industry Analysis **Zacks Industry Rank:** Bottom 37% (160 out of 254)

Top Peers

Sohu.com Inc. **(SOHU)**	Outperform
Baidu, Inc. **(BIDU)**	Neutral
General Motors Company **(GM)**	Neutral
Grubhub Inc. **(GRUB)**	Neutral
TiVo Corporation **(TIVO)**	Neutral
Tesla, Inc. **(TSLA)**	Neutral
Uber Technologies, Inc. **(UBER)**	Neutral
Expedia Group, Inc. **(EXPE)**	Underperform

Industry Comparison Industry: Internet - Services

Industry Peers

	LYFT Outperform	X Industry	S&P 500	SOHU Outperform	TSLA Neutral	UBER Neutral
VGM Score	D	-	-	F	D	F
Market Cap	13.71 B	860.23 M	24.03 B	535.87 M	86.18 B	58.01 B
# of Analysts	5	2.5	13	2	7	10
Dividend Yield	0.00%	0.00%	1.78%	0.00%	0.00%	0.00%
Value Score	F	-	-	D	F	F
Cash/Price	0.24	0.16	0.04	3.27	0.07	0.24
EV/EBITDA	-11.97	5.95	14.04	-8.59	53.50	22.00
PEG Ratio	NA	2.56	2.02	NA	2.28	NA
Price/Book (P/B)	4.58	3.39	3.32	0.42	12.52	3.69
Price/Cash Flow (P/CF)	NA	20.86	13.52	27.30	75.77	NA
P/E (F1)	NA	28.12	18.82	NA	79.69	NA
Price/Sales (P/S)	4.20	2.60	2.63	0.29	3.53	4.44
Earnings Yield	-4.39%	1.33%	5.31%	-18.37%	1.25%	-7.20%
Debt/Equity	0.12	0.09	0.72	0.02	1.64	0.46
Cash Flow ($/share)	NA	0.14	6.94	0.50	6.31	NA
Growth Score	A	-	-	D	A	D
Hist. EPS Growth (3-5 yrs)	NA%	23.67%	10.56%	NA	NA	NA
Proj. EPS Growth (F1/F0)	58.66%	21.95%	7.49%	35.85%	2,287.47%	64.55%
Curr. Cash Flow Growth	32.66%	0.09%	14.83%	-55.16%	-713.59%	-140.11%
Hist. Cash Flow Growth (3-5 yrs)	NA%	16.56%	9.00%	-37.14%	50.43%	NA
Current Ratio	1.49	1.74	1.23	1.80	1.08	2.82
Debt/Capital	10.73%	9.97%	42.99%	2.15%	63.38%	32.21%
Net Margin	-76.34%	-5.73%	11.08%	-6.29%	-3.39%	-63.57%
Return on Equity	NA%	-4.29%	17.16%	-8.16%	-13.42%	-209.48%
Sales/Assets	0.71	0.62	0.55	0.62	0.79	0.47
Proj. Sales Growth (F1/F0)	28.40%	14.73%	4.20%	2.20%	23.31%	32.38%
Momentum Score	D	-	-	F	F	B
Daily Price Chg	1.03%	0.00%	-0.33%	-0.65%	-0.66%	0.12%
1 Week Price Chg	-5.78%	0.00%	-0.30%	13.09%	2.93%	3.98%
4 Week Price Chg	-1.16%	5.54%	1.71%	37.01%	32.94%	18.54%
12 Week Price Chg	10.54%	3.80%	6.05%	34.32%	82.52%	4.26%
52 Week Price Chg	NA%	-10.15%	22.39%	-27.99%	38.61%	NA
20 Day Average Volume	5,340,517	71,025	1,580,816	333,837	13,029,008	28,495,632
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 4 week change	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
(F1) EPS Est 12 week change	19.68%	-4.46%	-0.50%	49.19%	75.11%	19.18%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%

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.

Zacks Style Scores

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	A
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.

Disclosures

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