

Lyft (LYFT)

\$48.46 (As of 02/12/20)

Price Target (6-12 Months): **\$56.00**

Long Term: 6-12 Months

Zacks Recommendation: **Outperform**

(Since: 10/24/19)

Prior Recommendation: Neutral

Short Term: 1-3 Months

Zacks Rank: (1-5)

2-Buy

Zacks Style Scores:

VGM:D

Value: F

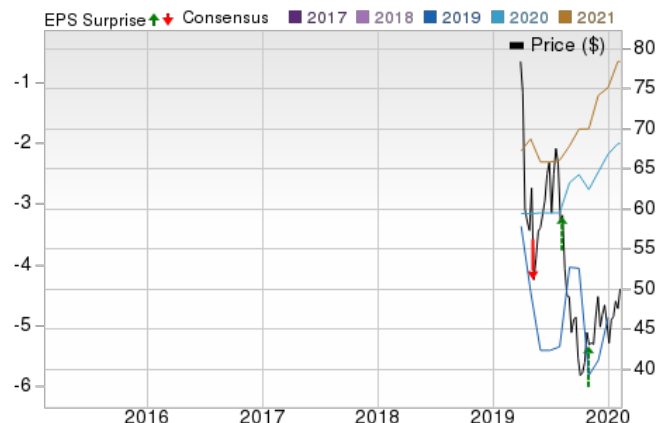
Growth: B

Momentum: A

Summary

Lyft reported strong fourth-quarter results with revenues rising 51.9% year over year to \$1 billion (generated \$1 billion revenues for the first time) on the back of a robust rise in Active Riders. During 2019, revenues rose 68%. Additionally, adjusted EBITDA loss improved 28% in the period. The company's projections for revenues and adjusted EBITDA loss for the first quarter and the full year also hold promise. Lyft expects to become profitable in the fourth quarter of 2021. Further, we are positive about the company's acquisition of Flexdrive. Its focus on the highly promising market for self-driving cars is encouraging too. However, rising research and development expenses may weigh on the bottom line going forward. In fact, due to escalating costs, Lyft's shares have plunged more than 38% since going public on Mar 29, 2019.

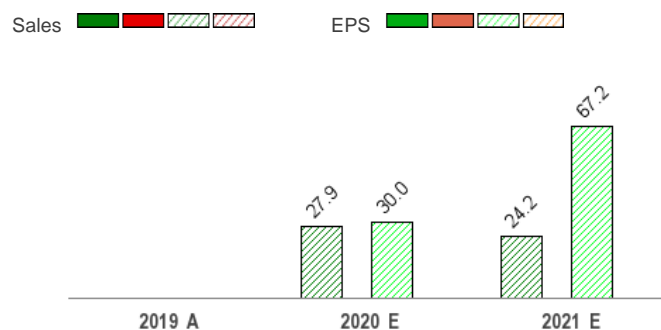
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$88.60 - \$37.07
20 Day Average Volume (sh)	7,851,509
Market Cap	\$14.4 B
YTD Price Change	12.7%
Beta	NA
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Internet - Services
Zacks Industry Rank	Top 39% (98 out of 254)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	28.1%
Last Sales Surprise	3.3%
EPS F1 Est- 4 week change	0.1%
Expected Report Date	05/05/2020
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	1,337 E	1,399 E	1,494 E	1,503 E	5,746 E
2020	1,058 E	1,132 E	1,199 E	1,252 E	4,625 E
2019	776 A	867 A	956 A	1,017 A	3,616 A

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	-\$0.41 E	-\$2.01 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	NA
P/E F1	NA
PEG F1	NA
P/S TTM	4.0

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 02/12/2020. The reports text is as of 02/13/2020.

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.

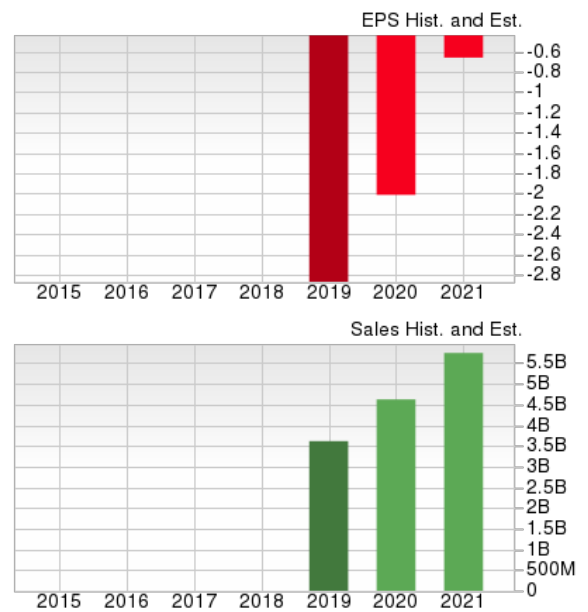
In a bid to attract drivers, passengers and riders of shared bikes and scooters to use its platform Lyft offers various incentives. For example, drivers are offered schemes like minimum guaranteed payments, volume-based discounts and performance-based bonus payments.

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 fourth quarter of 2019, revenues increased 51.9% year over year to \$1,017.1 million. Also, Active Riders (who take at least one ride during a quarter on the company's multimodal platform through its app) increased 23% year over year to 22.91 million during the same period. Revenue per Active Rider also increased 23% to \$44.4.

Lyft's fiscal year coincides with the calendar year.



Reasons To Buy:

- ▲ Lyft has been putting up an impressive performance successively on the top-line front owing to growth in Active Riders. Total revenues soared 68% in 2019. Revenue per Active Rider increased in double digits during 2019. In fact, Lyft reported revenues of \$1 billion (up 51.9%) for the first time during the fourth quarter of 2019. With the uptrend in Active Riders anticipated to continue, the company expects first-quarter revenues between \$1,055 million and \$1,060 million, indicating a year over year surge of 36-37%. Also, Lyft expects 2020 revenues in the \$4,575-\$4,650 million range, implying a rise of 27-29%.
- ▲ 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 is making consistent efforts to achieve this target as evidenced by the 28% reduction in its 2019 adjusted EBITDA loss to \$679 million. Adjusted EBITDA loss for the first quarter of 2020 is anticipated to improve 33-35% year over year to \$140-\$145 million. The same for 2020 is expected in the band of \$450-\$490 million, indicating a betterment of 28-34%. We are also upbeat about the company's acquisition of Flexdrive, concluded on Feb 7 for approximately \$20 million. As a result of the buyout, Lyft's assets and liabilities related to Flexdrive are expected to increase by approximately \$75-\$80 million at the end of the first quarter of 2020, compared with 2019 end.
- ▲ 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.
- ▲ 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.

Backed by robust growth in Active Riders, Lyft's revenue view for the first quarter and the full year holds promise.

Risks

- Although Lyft significantly reduced its expenses since the third quarter of 2019, considering its aim for profitability, it is still high enough to take a toll on earnings going forward. Exorbitant expenses on research and development may weigh on the bottom line going forward. As an evidence, research and development expenses escalated more than 100% in 2019. Additionally, the company's performance in 2020 is likely to be affected by a \$130-million increase in expenses pertaining to the enhancement in autonomous self-driving technology and certain other factors.
 - 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 38%. 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.
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Last Earnings Report

Lyft Beats on Revenues in Q4

Lyft incurred a loss (excluding 78 cents from non-recurring items) of 41 cents per share in fourth-quarter 2019, narrower than the Zacks Consensus Estimate of a loss of 57 cents. Results were aided by solid revenues that soared 51.9% on a year-over-year basis to \$1,017.1 million, courtesy of robust growth in Active Riders and Revenue per Active Rider. The top line also surpassed the Zacks Consensus Estimate of \$984.5 million. Notably, this was the fourth earnings report for Lyft since going public on Mar 29.

Quarter Ending **12/2019**

Report Date	Feb 11, 2020
Sales Surprise	3.31%
EPS Surprise	28.07%
Quarterly EPS	-0.41
Annual EPS (TTM)	-10.52

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 23% year over year to 22.91 million. This San Francisco-based company's Revenue per Active Rider also rose 23% to \$44.4 million.

Adjusted EBITDA loss for the fourth quarter was \$130.7 million compared with \$251.1 million loss incurred a year ago. The adjusted EBITDA margin came in at -12.9% in the reported quarter compared with -37.5% in the fourth quarter of 2018.

Contribution improved 80% year over year to \$549.5 million. Contribution margin expanded to 54% from 45.5% a year ago. Lyft exited the fourth quarter with unrestricted cash (cash and cash equivalents +short-term investments) of \$2.85 billion compared with \$2.04 billion at 2018 end.

Q120 Outlook

For the first quarter of 2020, the company anticipates revenues between \$1,055 million and \$1,060 million, indicating a year over year surge of 36-37%. The midpoint (\$1.06 billion) of the guided range is marginally above the Zacks Consensus Estimate of \$1.05 billion. Adjusted EBITDA loss is expected in the range of \$140-\$145 million.

2020 Outlook

For the current year, revenues are estimated in the \$4,575-\$4,650 million band, implying a rise of 27-29%. The midpoint (\$4.61 billion) of this guided range is above the Zacks Consensus Estimate of \$4.6 billion. Additionally, adjusted EBITDA loss is forecast in the bracket of \$450-\$490 million.

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 the Bay Area, customers can choose between a Volkswagen Passat or a Volkswagen Atlas SUV.

Valuation

Lyft shares are down 38.1% ever since going public on Mar 29, 2019. Stocks in the Zacks sub-industry gained 5.5%. Shares in the Computer and Technology sector are up 24.2% in the same period. Since Mar 29 the S&P 500 index is up 17.6%.

Our Outperform recommendation indicates that the stock will better than the market. Our \$56 price target reflects 16X 2020 sales.

Industry Analysis Zacks Industry Rank: Top 39% (98 out of 254)



Top Peers

Baidu, Inc. (BIDU)	Neutral
General Motors Company (GM)	Neutral
Grubhub Inc. (GRUB)	Neutral
Sohu.com Inc. (SOHU)	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 Neutral	TSLA Neutral	UBER Neutral
VGM Score	D	-	-	D	D	F
Market Cap	14.43 B	901.70 M	24.53 B	433.09 M	138.30 B	70.36 B
# of Analysts	6	3	13	2	11	11
Dividend Yield	0.00%	0.00%	1.75%	0.00%	0.00%	0.00%
Value Score	F	-	-	D	F	F
Cash/Price	0.21	0.17	0.04	3.71	0.04	0.18
EV/EBITDA	-12.75	5.14	13.98	-9.48	83.84	27.18
PEG Ratio	NA	2.36	2.09	NA	2.45	NA
Price/Book (P/B)	4.82	3.05	3.29	0.34	20.10	4.47
Price/Cash Flow (P/CF)	NA	21.90	13.69	22.06	121.59	NA
P/E (F1)	NA	29.30	19.19	NA	97.80	NA
Price/Sales (P/S)	3.99	3.14	2.68	0.23	5.63	4.97
Earnings Yield	-4.15%	1.34%	5.21%	-22.74%	1.02%	-4.99%
Debt/Equity	0.12	0.10	0.71	0.02	1.64	0.46
Cash Flow (\$/share)	NA	0.14	6.92	0.50	6.31	NA
Growth Score	B	-	-	C	A	D
Hist. EPS Growth (3-5 yrs)	NA%	24.13%	10.85%	NA	NA	NA
Proj. EPS Growth (F1/F0)	29.85%	18.92%	7.30%	35.85%	5,935.00%	69.75%
Curr. Cash Flow Growth	32.66%	-7.03%	8.56%	-55.16%	-713.59%	-140.11%
Hist. Cash Flow Growth (3-5 yrs)	NA%	16.08%	8.36%	-37.14%	50.43%	NA
Current Ratio	1.49	1.70	1.23	1.80	1.08	2.82
Debt/Capital	10.73%	9.97%	42.91%	2.15%	63.38%	32.21%
Net Margin	-71.96%	-5.00%	11.81%	-6.29%	-3.51%	-60.13%
Return on Equity	-279.94%	-3.62%	16.92%	-8.16%	-13.68%	-109.84%
Sales/Assets	0.74	0.62	0.54	0.62	0.79	0.48
Proj. Sales Growth (F1/F0)	27.23%	14.45%	3.96%	2.20%	29.52%	28.57%
Momentum Score	A	-	-	C	F	D
Daily Price Chg	-10.16%	0.02%	0.64%	1.66%	-0.92%	-0.05%
1 Week Price Chg	5.14%	1.78%	2.47%	0.94%	14.99%	11.96%
4 Week Price Chg	2.93%	0.00%	1.87%	-12.38%	47.98%	17.82%
12 Week Price Chg	10.26%	4.63%	6.69%	11.97%	117.84%	47.16%
52 Week Price Chg	NA%	-7.50%	16.42%	-47.53%	148.98%	NA
20 Day Average Volume	7,851,509	65,022	2,019,212	373,431	23,433,936	32,514,164
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	0.00%	13.17%
(F1) EPS Est 4 week change	0.09%	0.00%	-0.06%	0.00%	3.86%	16.30%
(F1) EPS Est 12 week change	8.66%	0.00%	-0.19%	49.19%	16.56%	17.10%
(Q1) EPS Est Mthly Chg	0.00%	0.00%	-0.16%	0.00%	-25.00%	-1.70%

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	B
Momentum Score	A
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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