ZACKS | Our Research. Your Success.

Apr 15, 2020

Lyft (LYFT)

$30.50 (As of 04/14/20)

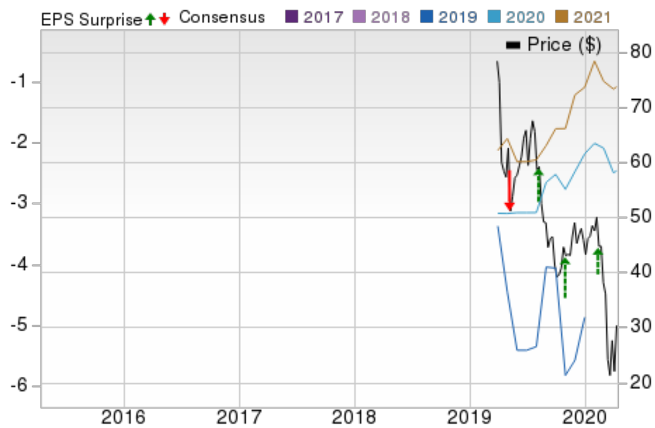
Price Target (6-12 Months): **$32.00**

Long Term: 6-12 Months	**Zacks Recommendation:** (Since: 04/13/20) Prior Recommendation: Outperform	**Neutral**
Short Term: 1-3 Months	**Zacks Rank:** (1-5) Zacks Style Scores: Value: F | Growth: A | Momentum: D	**3-Hold** VGM:D

Summary

Shares of Lyft have declined more than 45% in a year's time, primarily due to escalating expenses. Rising research and development expenses may weigh on the bottom line going forward. The significant decline in demand for rides due to coronavirus further adds to its woes. The company has suspended shared rides for all its markets. The crisis-induced demand slump is likely to get reflected in Lyft's first quarter results. However, Lyft's expansion initiatives are appreciative. In this regard, the Halo Cars acquisition is noteworthy. Its focus on the highly promising market for self-driving cars is encouraging too. The company's focus on profitability is impressive as evidenced by the 28% reduction in its 2019 adjusted EBITDA loss. Lyftexpects to become profitable in terms of adjusted EBITDA in the fourth quarter of 2021.

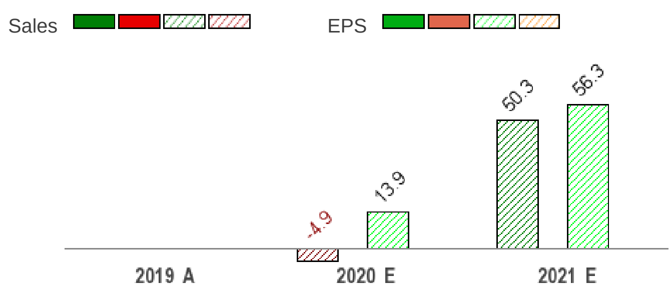
Price, Consensus & Surprise



Data Overview

52 Week High-Low	**$68.33 - $14.56**
20 Day Average Volume (sh)	**10,470,576**
Market Cap	**$9.4 B**
YTD Price Change	**-29.1%**
Beta	**NA**
Dividend / Div Yld	**$0.00 / 0.0%**
Industry	**Internet - Services**
Zacks Industry Rank	**Top 11% (29 out of 253)**
Last EPS Surprise	**28.1%**
Last Sales Surprise	**3.3%**
EPS F1 Est- 4 week change	**-16.7%**
Expected Report Date	**05/05/2020**
Earnings ESP	**-14.6%**
P/E TTM	**NA**
P/E F1	**NA**
PEG F1	**NA**
P/S TTM	**2.6**

Sales and EPS Growth Rates (Y/Y %)



Sales Estimates (millions of $)

	Q1	Q2	Q3	Q4	Annual*
2021	1,287 E	1,427 E	1,480 E	1,507 E	5,169 E
2020	869 E	727 E	928 E	1,057 E	3,440 E
2019	776 A	867 A	956 A	1,017 A	3,616 A

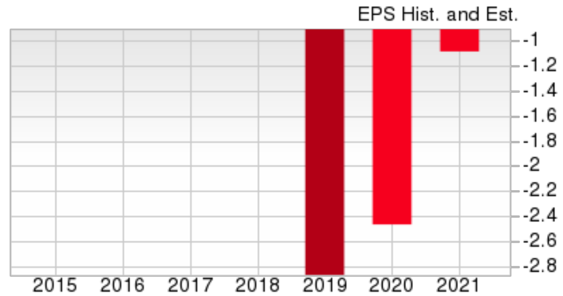
EPS Estimates

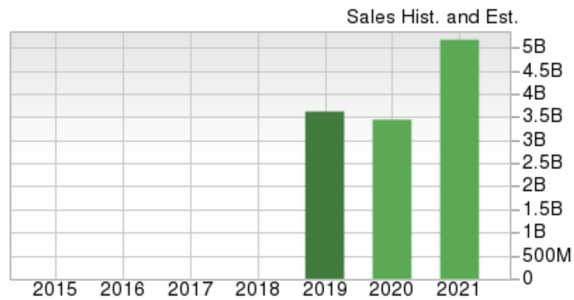
	Q1	Q2	Q3	Q4	Annual*
2021	-$0.49 E	-$0.54 E	-$0.35 E	-$0.32 E	-$1.08 E
2020	-$0.63 E	-$0.70 E	-$0.60 E	-$0.53 E	-$2.47 E
2019	-$9.02 A	-$0.68 A	-$0.41 A	-$0.41 A	-$2.87 A

*Quarterly figures may not add up to annual.

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 04/14/2020. The reports text is as of 04/15/2020.

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. During the fourth-quarter 2019 earnings release, the company stated that it expects first-quarter revenues between $1,055 million and $1,060 million, indicating a year over year surge of 36-37%.

Lyft’s expansion initiatives by means of new deals and acquisitions are encouraging.

▲ 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.

▲ 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 recent acquisition of Halo Cars, a U.S.-based startup that enables drivers to earn money by featuring digital advertisements on top of their vehicles.

▲ 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.

Reasons To Sell:

- 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 coronavirus outbreak poses a major challenge to the company with demand for rides witnessing a steep fall.

- 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 61%. Additionally, such instability in management might prove detrimental to Lyft.

- Additionally, the coronavirus crisis is a major setback for the company, especially given that it derives bulk of its revenues from ride-hailing business. With coronavirus being rampant in the United Sates and approximately 95% of Americans facing stay-at-home orders, demand for rides has declined sharply. According to an estimate in March, ride-hailing demand has fallen approximately 20%. The company has suspended shared rides for all its markets. The crisis-induced demand slump is likely to get reflected in Lyft's first-quarter results.

Last Earnings Report

Lyft Beats on Revenues in Q4

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

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.

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

Partnership With Amazon — Mar 28, 2020

Lyft has entered into a partnership with Amazon by virtue of which the former's drivers can seek job opportunities from the latter. Lyft's drivers are at a major loss given the sharp drop in demand for rides. Hence the drivers working as grocery shoppers, warehouse workers or delivery people with Amazon will be able to make some extra money.

Halo Car Buyout — Feb 21, 2020

Lyft acquired Halo Cars, a U.S.-based startup that enables drivers to earn money by featuring digital advertisements on top of their vehicles. Halo Cars has operations in the U.S. markets of New York and Chicago. Additional details of the deal were not disclosed.

The latest buyout takes Lyft a step forward to achieve its profit goals on an adjusted EBITDA basis in the fourth quarter of 2021 as it may present a good source of revenue for the company.

Valuation

Lyft shares are down 61.1% ever since going public on Mar 29, 2019. Stocks in the Zacks sub-industry declined 11.9%. Shares in the Computer and Technology sector are up 2.3% in the same period. Since Mar 29, the S&P 500 index is down 3.7%.

Our Neutral recommendation indicates that the stock will perform in-line with the market. Our $32 price target reflects 11.72X 2020 sales.

Industry Analysis **Zacks Industry Rank:** Top 11% (29 out of 253)

Top Peers

Baidu, Inc. **(BIDU)**	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
General Motors Company **(GM)**	Underperform

Industry Comparison Industry: Internet - Services

Industry Peers

	LYFT Neutral	X Industry	S&P 500	SOHU Neutral	TSLA Neutral	UBER Neutral
VGM Score	D	-	-	C	D	F
Market Cap	9.35 B	629.83 M	19.79 B	257.34 M	128.73 B	47.83 B
# of Analysts	7	2	14	2	10	12
Dividend Yield	0.00%	0.00%	2.16%	0.00%	0.00%	0.00%
Value Score	F	-	-	A	F	F
Cash/Price	0.31	0.21	0.06	6.14	0.06	0.24
EV/EBITDA	-2.72	3.37	11.74	-11.56	56.67	-5.90
PEG Ratio	NA	2.61	2.15	NA	4.21	NA
Price/Book (P/B)	3.23	2.14	2.65	0.20	17.14	3.18
Price/Cash Flow (P/CF)	NA	15.77	10.40	13.11	86.46	NA
P/E (F1)	NA	27.18	17.72	NA	153.89	NA
Price/Sales (P/S)	2.59	2.25	2.06	0.14	5.24	3.38
Earnings Yield	-8.10%	0.99%	5.46%	-35.67%	0.65%	-8.61%
Debt/Equity	0.13	0.09	0.70	0.02	1.56	0.49
Cash Flow ($/share)	-7.21	0.12	7.01	0.50	8.21	-4.71
Growth Score	A	-	-	F	A	D
Hist. EPS Growth (3-5 yrs)	NA%	24.26%	10.92%	NA	NA	NA
Proj. EPS Growth (F1/F0)	14.04%	0.00%	-2.65%	28.15%	3,448.46%	64.98%
Curr. Cash Flow Growth	138.22%	9.86%	5.93%	-55.16%	36.54%	-668.58%
Hist. Cash Flow Growth (3-5 yrs)	NA%	20.51%	8.55%	-37.14%	54.29%	NA
Current Ratio	1.32	1.59	1.24	1.83	1.13	2.47
Debt/Capital	11.81%	9.66%	42.36%	2.15%	62.18%	33.65%
Net Margin	-71.96%	-6.34%	11.64%	-7.95%	-3.51%	-60.13%
Return on Equity	-167.96%	-3.84%	16.74%	-10.87%	-13.07%	-89.29%
Sales/Assets	0.71	0.62	0.54	0.66	0.77	0.47
Proj. Sales Growth (F1/F0)	-4.88%	2.86%	0.00%	0.69%	12.27%	3.84%
Momentum Score	D	-	-	B	F	D
Daily Price Chg	-0.52%	1.83%	2.56%	-1.65%	9.05%	-0.86%
1 Week Price Chg	37.86%	3.35%	16.01%	15.53%	19.37%	18.80%
4 Week Price Chg	63.45%	12.84%	11.39%	-4.65%	65.01%	46.75%
12 Week Price Chg	-36.43%	-19.97%	-19.33%	-44.12%	29.73%	-26.20%
52 Week Price Chg	-45.78%	-31.80%	-11.64%	-56.59%	159.69%	NA
20 Day Average Volume	10,470,576	127,526	3,452,738	522,789	18,617,892	43,790,676
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	6.73%	0.00%
(F1) EPS Est 4 week change	-16.70%	-2.55%	-6.42%	0.00%	-145.90%	-17.34%
(F1) EPS Est 12 week change	-1.53%	-15.42%	-8.69%	6.79%	-131.17%	2.41%
(Q1) EPS Est Mthly Chg	-9.59%	-1.07%	-11.08%	1.64%	-80,700.44%	-24.49%

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

This report contains independent commentary to be used for informational purposes only. The analysts contributing to this report do not hold any shares of this stock. The analysts contributing to this report do not serve on the board of the company that issued this stock.The EPS and revenue forecasts are the Zacks Consensus estimates, unless indicated otherwise on the reports first page. Additionally, the analysts contributing to this report certify that the views expressed herein accurately reflect the analysts personal views as to the subject securities and issuers. ZIR certifies that no part of the analysts compensation was, is, or will be, directly or indirectly, related to the specific recommendation or views expressed by the analyst in the report.

Additional information on the securities mentioned in this report is available upon request. This report is based on data obtained from sources we believe to be reliable, but is not guaranteed as to accuracy and does not purport to be complete. Any opinions expressed herein are subject to change.

ZIR is not an investment advisor and the report should not be construed as advice designed to meet the particular investment needs of any investor. Prior to making any investment decision, you are advised to consult with your broker, investment advisor, or other appropriate tax or financial professional to determine the suitability of any investment.This report and others like it are published regularly and not in response to episodic market activity or events affecting the securities industry.

This report is not to be construed as an offer or the solicitation of an offer to buy or sell the securities herein mentioned. ZIR or its officers, employees or customers may have a position long or short in the securities mentioned and buy or sell the securities from time to time.ZIR is not a broker-dealer.ZIR may enter into arms-length agreements with broker-dealers to provide this research to their clients.Zacks and its staff are not involved in investment banking activities for the stock issuer covered in this report.

ZIR uses the following rating system for the securities it covers. **Outperform-** ZIR expects that the subject company will outperform the broader U.S. equities markets over the next six to twelve months. **Neutral-** ZIR expects that the company will perform in line with the broader U.S. equities markets over the next six to twelve months. **Underperform-** ZIR expects the company will underperform the broader U.S. equities markets over the next six to twelve months.