

Lyft (LYFT)

\$29.70 (As of 08/27/20)

Price Target (6-12 Months): **\$31.00**

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:F

Value: F

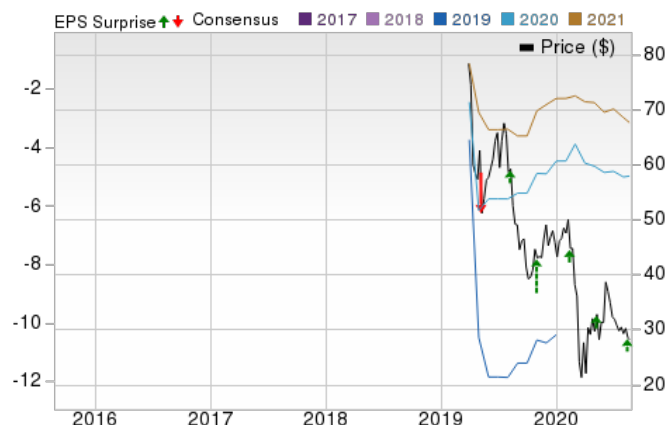
Growth: D

Momentum: D

Summary

Gradual improvement in Lyft's rides business is encouraging. Rideshare rides jumped 78% in July from April. Substantial rise in bike revenues is also a positive. Weekly bike rides surged more than 200% in June from April. Despite the challenging environment, Lyft has maintained its adjusted EBITDA profitability target for the fourth quarter of 2021. Significant cost-cutting measures should help the company achieve this goal. However, with coronavirus concerns continuing, ride volumes are way below the year-ago levels. Although a significant improvement from April, ride-share trips were down 54% year over year in July. 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 quarters. This is partly reflected in Lyft's shares underperforming its industry in a year's time.

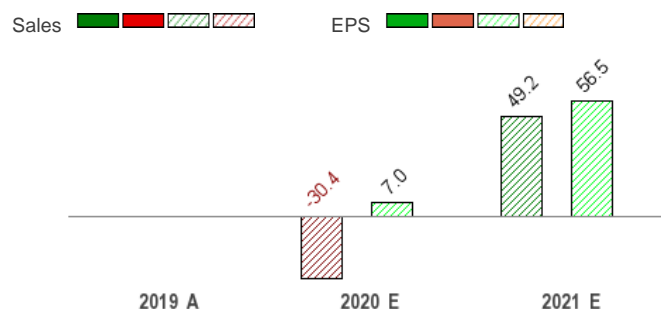
Price, Consensus & Surprise



Data Overview

52 Week High-Low	\$54.50 - \$14.56
20 Day Average Volume (sh)	11,429,130
Market Cap	\$9.3 B
YTD Price Change	-31.0%
Beta	1.57
Dividend / Div Yld	\$0.00 / 0.0%
Industry	Internet - Services
Zacks Industry Rank	Top 42% (107 out of 252)

Sales and EPS Growth Rates (Y/Y %)



Last EPS Surprise	45.6%
Last Sales Surprise	3.5%
EPS F1 Est- 4 week change	10.5%
Expected Report Date	11/04/2020
Earnings ESP	0.0%

Sales Estimates (millions of \$)

	Q1	Q2	Q3	Q4	Annual*
2021	766 E	848 E	1,007 E	1,012 E	3,758 E
2020	956 A	339 A	522 E	703 E	2,518 E
2019	776 A	867 A	956 A	1,017 A	3,616 A

EPS Estimates

	Q1	Q2	Q3	Q4	Annual*
2021	-\$0.42 E	-\$0.32 E	-\$0.18 E	-\$0.09 E	-\$1.16 E
2020	-\$0.32 A	-\$0.86 A	-\$0.85 E	-\$0.57 E	-\$2.67 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	2.8

The data in the charts and tables, including the Zacks Consensus EPS and Sales estimates, is as of 08/27/2020. The reports text is as of 08/28/2020.

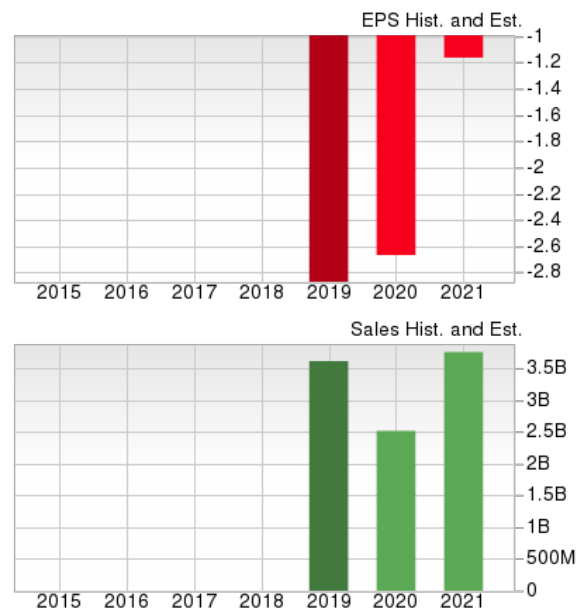
Overview

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. Lyft plans to switch to electric vehicles entirely by 2030, i.e., every single vehicle on its platform would be electric.

In second-quarter 2020, revenues decreased 61% year over year to \$339.3 million. Also, Active Riders (who take at least one ride during a quarter on the company's multimodal platform through its app) declined 60% year over year to 8.69 million during the same period. Revenue per Active Rider also dipped 2% to \$39.06 million. Lyft's fiscal year coincides with the calendar year.



Reasons To Buy:

▲ Following the easing of coronavirus-led restrictions, Lyft has witnessed a significant rebound in ride volumes from the lows in April. Rideshare rides have been improving on a month-on-month basis since May. Notably, rideshare rides jumped 78% in July from April. Additionally, growth in the company's bike-share operations despite the coronavirus-related challenges is encouraging. Weekly bike rides surged more than 200% at the end of June from that in April. In the second quarter, bike revenues increased not only quarter-over-quarter but also year-over-year.

Lyft's cost-cutting measures are encouraging. Substantial rise in bike revenues is also a positive.

▲ Despite the challenging environment, Lyft has maintained its adjusted EBITDA profitability target for the fourth quarter of 2021. Thanks to significant cost-cutting measures, the company expects to become profitable in 2021 itself despite 20-25% fewer rides due to coronavirus-led disruptions. Through sustained cost-reduction efforts, it expects to generate \$300 million of annualized fixed-cost savings by the end of this year. In order to preserve cash to tackle the challenges, the company also plans to reduce capital expenditures significantly. For 2020, capex is expected to be \$125 million compared with \$150 million anticipated previously, which again is a reduction from the company's original capex plan of roughly \$400 million for the year.

▲ 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. To enhance the car-rental experience for its riders, the company has announced a partnership with Sixt, a leader in the car-rental industry. Once the partnership is rolled out in the next few months, customers nationwide can experience a seamless car-rental service. Notably, Lyft plans to switch to electric vehicles entirely by 2030, i.e., every single vehicle on its platform would be electric in a decade's time.

Reasons To Sell:

- ▼ Lyft's operations have been crippled significantly due to low ride volumes, thanks to coronavirus confining people mostly to their homes. After the dramatic drop in ride volumes in April (down 75% year over year), ride-share trips have increased but was still down 70%, 61% and 54% in May, June and July respectively. Amid this downturn in the rides business, total revenues declined 21.2% in the first six months of 2020 due to fall in Active Riders and Revenue per Active Rider. Given the ongoing coronavirus concerns, a recovery in rides business is quite uncertain. Due to reduction in demand for rides, Lyft laid off 982 employees, which constitutes 17% of its total workforce, in April.
- ▼ 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 \$835.18 million in the first half of 2020 despite a significant reduction in total expenses.
- ▼ In May, California filed a lawsuit against Lyft, accusing the company of violating Assembly Bill 5 (AB5). This refers to a new state law (which took effect from Jan 1) that requires companies hiring gig workers to classify them as employees. Ever since then, Lyft, which hires drivers as temporary workers, has been embroiled in a legal battle with California as it tries to maintain the independent-contractor status for its drivers. Earlier in August, a California judge granted the state's request for a preliminary injunction requiring the company to categorize its drivers as employees. Although the injunction order has been stayed for a while as the court reviews Lyft's appeals on the driver-classification case, in the event of the injunction being upheld, the company might be forced to make significant changes in its business model. After all, classifying drivers as full-time employees would inevitably raise labor costs for Lyft, besides reducing the number of drivers and deterring the company's flexibility to set their hours. With the company already under significant pressure due to the downturn in its rides business, the driver-status issues in California only add to its woes.

Significant downturn in the rides business due to coronavirus-related woes is concerning. The driver misclassification issues in California further add to its woes.

Last Earnings Report

Lyft Beats on Revenues in Q2

Lyft incurred a loss (excluding 55 cents from non-recurring items) of 86 cents per share in second-quarter 2020, narrower than the Zacks Consensus Estimate of a loss of \$1.58.

Total revenues of \$339.3 million also beat the Zacks Consensus Estimate of \$328 million. However, the top line declined approximately 61% year over year due to a fall in Active Riders (riders who take at least one ride during a quarter on Lyft's multimodal platform through its app) and Revenue per Active Rider. Results reflect a significant downturn in the company's core ridesharing business, thanks to coronavirus keeping people homebound.

Active Riders declined 60% year over year to 8.69 million in the quarter under review. This San Francisco-based company's Revenue per Active Rider dipped 2% to \$39.06 million.

Adjusted-EBITDA loss for the second quarter was \$280.3 million compared with \$204.1 million loss incurred a year ago. The adjusted-EBITDA loss margin came in 82.6% compared with 23.5% in second-quarter 2019. Total costs and expenses contracted 46.3% year over year to \$826.84 million in the quarter.

Contribution deteriorated 70.6% year over year to \$117.3 million. Contribution margin fell to 34.6% from 46% a year ago. Lyft exited the second quarter with unrestricted cash (cash and cash equivalents + short-term investments) of \$2.77 billion compared with \$2.85 billion at the end of 2019.

Quarter Ending **06/2020**

Report Date	Aug 12, 2020
Sales Surprise	3.45%
EPS Surprise	45.57%
Quarterly EPS	-0.86
Annual EPS (TTM)	-2.00

Recent News

Stay Granted in Driver Classification Case — Aug 20, 2020

Lyft has been granted an emergency stay on a preliminary injunction that would have forced it to categorize its drivers as employees. The injunction order was set to go into effect on Aug 20. Meanwhile, the court is reviewing Lyft's appeals on the driver-classification case.

While oral arguments in this case are set to begin in mid-October, Lyft must submit a briefing by early September confirming that it has developed a plan to make its drivers employees in case the injunction is upheld and Proposition 22 (Prop 22) fails to pass in California.

Prop 22 is a November ballot initiative funded by gig economy companies such as Lyft and its rival Uber, which is embroiled in the same legal battle due to its similar business model of classifying drivers as independent contractors. With Prop 22, California voters get a chance to decide whether their drivers should be classified as employees or independent contractors. However, this initiative requires Lyft and Uber to provide their drivers with a number of worker benefits, including a certain amount of guaranteed earnings, a healthcare stipend and accident insurance for on-the-job injuries, which they are currently exempted from.

Transformation to 100% Electric Vehicles by 2030 — Jun 19, 2020

Lyft plans to switch to electric vehicles entirely by 2030, i.e., every single vehicle on its platform would be electric in a decade's time. Through this move, the company aims to reduce greenhouse gas emissions. Although upfront costs of electric vehicles are currently greater than gas-powered cars, electric vehicles mean reduced costs for drivers in the long run, since they have lower fuel and maintenance expenses.

Valuation

Lyft shares are down 31% and 40.3% in the year-to-date period and over the trailing 12-month period respectively. Stocks in the Zacks sub-industry and the Zacks Computer and Technology sector are up 28% and 27.7% in the year-to-date period respectively. Over the past year, the Zacks sub-industry and the sector are up 39.3% and 43.2% respectively.

The S&P 500 index is up 8.2% and 19.5% in the year-to-date period and in the past year respectively.

The stock is currently trading at 2.78X forward 12-month price to sales, which compares to 6.87X for the Zacks sub-industry, 4.31X for the Zacks sector and 3.82X for the S&P 500 index.

Over the past year, the stock has traded as high as 3.68X and as low as 1.01X, with a 1-year median of 2.86X. Our Neutral recommendation indicates that the stock will perform in-line with the market. Our \$31 price target reflects 2.9X 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	2.78	6.87	4.31	3.82
	1-Year High	3.68	6.87	4.31	3.82
	1-Year Low	1.01	5.13	2.99	2.81
	1-Year Median	2.86	5.91	3.42	3.31
EV/S TTM	Current	2.27	7.51	5.01	3.42
	1-Year High	3.98	7.65	5.05	3.46
	1-Year Low	0.66	4.46	3.13	2.24
	1-Year Median	2.64	6.06	4.05	3.09

As of 08/27/2020

Industry Analysis Zacks Industry Rank: Top 42% (107 out of 252)



Top Peers

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

Industry Comparison Industry: Internet - Services				Industry Peers		
	LYFT	X Industry	S&P 500	SOHU	TSLA	UBER
Zacks Recommendation (Long Term)	Neutral	-	-	Neutral	Neutral	Neutral
Zacks Rank (Short Term)	3	-	-	3	3	3
VGM Score	F	-	-	B	B	F
Market Cap	9.27 B	753.38 M	23.67 B	819.49 M	417.22 B	57.49 B
# of Analysts	3	3	14	3	10	12
Dividend Yield	0.00%	0.00%	1.64%	0.00%	0.00%	0.00%
Value Score	F	-	-	B	F	F
Cash/Price	0.31	0.18	0.07	2.03	0.02	0.15
EV/EBITDA	-2.93	4.38	13.33	-3.68	177.42	-7.81
PEG Ratio	NA	2.25	3.05	NA	7.27	NA
Price/Book (P/B)	4.04	2.86	3.18	0.83	38.90	5.61
Price/Cash Flow (P/CF)	NA	17.02	12.81	38.63	272.65	NA
P/E (F1)	NA	39.51	21.68	NA	254.43	NA
Price/Sales (P/S)	2.84	2.94	2.50	0.45	16.23	4.21
Earnings Yield	-8.99%	0.67%	4.43%	-9.77%	0.39%	-11.74%
Debt/Equity	0.40	0.13	0.74	0.09	0.98	0.80
Cash Flow (\$/share)	-7.21	0.09	6.94	0.54	8.21	-4.71
Growth Score	D	-	-	A	A	C
Hist. EPS Growth (3-5 yrs)	NA%	18.99%	10.41%	NA	NA	NA
Proj. EPS Growth (F1/F0)	7.08%	-2.01%	-4.94%	37.13%	6,668.46%	43.45%
Curr. Cash Flow Growth	138.22%	6.94%	5.22%	10.49%	36.54%	-668.58%
Hist. Cash Flow Growth (3-5 yrs)	NA%	19.91%	8.50%	-29.69%	54.29%	NA
Current Ratio	1.56	1.72	1.35	1.69	1.25	1.64
Debt/Capital	28.52%	16.13%	43.86%	8.49%	50.80%	45.35%
Net Margin	-50.64%	-8.84%	10.25%	-7.66%	1.43%	-51.00%
Return on Equity	-50.10%	-2.46%	14.66%	-4.15%	4.19%	-38.83%
Sales/Assets	0.59	0.59	0.50	0.69	0.72	0.45
Proj. Sales Growth (F1/F0)	-30.35%	0.00%	-1.43%	-3.51%	19.39%	-10.00%
Momentum Score	D	-	-	F	A	F
Daily Price Chg	0.61%	0.00%	0.43%	-5.43%	3.97%	1.55%
1 Week Price Chg	1.47%	0.41%	-1.45%	0.35%	24.19%	2.80%
4 Week Price Chg	0.75%	1.62%	3.75%	8.69%	50.51%	8.47%
12 Week Price Chg	-17.67%	13.61%	3.95%	157.27%	159.00%	-9.96%
52 Week Price Chg	-40.28%	14.77%	2.75%	99.33%	909.77%	0.12%
20 Day Average Volume	11,429,130	157,123	1,887,168	1,106,770	14,000,203	23,712,572
(F1) EPS Est 1 week change	0.00%	0.00%	0.00%	0.00%	12.11%	0.00%
(F1) EPS Est 4 week change	10.53%	1.05%	0.79%	-75.39%	76.67%	-6.01%
(F1) EPS Est 12 week change	8.19%	3.45%	3.43%	-28.24%	21,962.46%	-6.56%
(Q1) EPS Est Mthly Chg	-9.69%	0.00%	0.00%	-2,650.00%	6.58%	3.07%

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	D
Momentum Score	D
VGM Score	F

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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