

Ride-hailing company Lyft rises in Wall Street premiere

March 28 2019



Ride-sharing apps have disrupted transportation to the detriment of traditional taxis, but that has not come without controversy

Lyft shares raced out of the starting gate but then throttled back slightly in a strong stock market debut Friday, raising \$2.3 billion in an IPO that

marks a turning point for the ride-hailing business and the so-called "sharing economy."

The six-year old San Francisco-based company, trading on Nasdaq under the ticker "LYFT," opened at \$87.24, up 21 percent from its initial offering price before retreating somewhat. Shares closed the official trading day at \$78.29, up 8.7 percent.

Lyft was first off the line with its stock offering ahead of an expected IPO later this year from its much larger rival Uber. Other hotly-anticipated tech IPOs are expected this year from business collaboration firm Slack and visual discovery engine Pinterest.

Uber and Lyft are among the most prominent firms in the sharing economy, which also includes home-sharing platform Airbnb, and highlight a trend away from ownership to services.

Both companies have driven the smartphone economy to spectacular growth to the detriment of the taxi industry, while also raising questions for automakers about car sales.

"Ridesharing has transformed our lives, making it easier and cheaper to get where we need to go, and it's pioneering an undeniable trend toward transportation as a service," Gene Munster and Will Thompson of the investment firm Loup Ventures said in a research note this week.

These firms, which also are stepping up moves to autonomous rides, have been expanding aggressively—with Lyft gaining market share in the United States and Uber in dozens of international markets.

Uber accounted for 67.3 percent of US rideshare spending in February, while Lyft claimed 30.3 percent of the market in a five percent increase from the same month last year, according to consumer behavior analytics

firm Second Measure.



The Lyft logo is shown on the screen in Times Square after its stock debuted on

Wall Street

The rivals are also vying to become broader transportation platforms that connect consumers to e-scooters, electric bikes and local transit systems.

Big losses

But Lyft lost \$911 million on \$2.2 billion in 2018 revenues. Documents show revenues grew sharply from just \$343 million in 2016, but losses widened as well.

"Lyft will have to sustain strong double-digit revenue growth for a several years before coming close to break even," Briefing.com said in a note, adding that ride-hailing profitability could be enhanced significantly by autonomous driving, an ambition of both of the main players.

"We are still in the very early innings in terms of this transition to the transportation-as-a-service market," Briefing said. "While smaller upstarts continue to enter the space, Uber and Lyft enjoy a duopoly."

Analyst Richard Windsor, who writes the tech blog Radio Free Mobile, argues that Lyft may not be ready for the scrutiny it will face as a publicly-traded firm.

"Lyft is shooting itself in the foot by going public, as I continue to think that the company is not ready for the harsh glare of the public market and it is giving away a big edge that it could have had over Uber," Windsor writes.



Confetti falls as Lyft CEO Logan Green (C) and President John Zimmer (LEFT C) ring the Nasdaq opening bell celebrating the company's initial public offering (IPO) on March 29, 2019 in Los Angeles, California

Controversy

The surge in the industry has not been without controversy.

One issue has been increased congestion: Schaller Consult estimated there are more than 10,000 taxis and ride-hailing vehicles on the road at the center of Manhattan each afternoon, two times the level in 2013.

"One-third of the vehicles are empty, meaning between the drop-off of one passenger and pick-up of the next passenger, clogging the streets

without any mobility benefit to anyone," Schaller said.

Labor practices have also drawn criticism.

Lyft and Uber have been classified as independent contractors, claiming that most drivers prefer the flexible work arrangement, even if it offers fewer benefits and less job security.

Lyft drivers took to the streets of San Francisco earlier this week to protest low pay, pressuring the company as it put its finishing touches on the IPO.

In 2017, Uber paid \$20 million to settle a Federal Trade Commission suit that alleged the company misled drivers on pay.

© 2019 AFP

Citation: Ride-hailing company Lyft rises in Wall Street premiere (2019, March 28) retrieved 13 March 2024 from <https://phys.org/news/2019-03-lyft-ipo-rollout-ride-hailing-economy.html>

<p>This document is subject to copyright. Apart from any fair dealing for the purpose of private study or research, no part may be reproduced without the written permission. The content is provided for information purposes only.</p>
--