Uber hits fresh headwinds as shares extend losses

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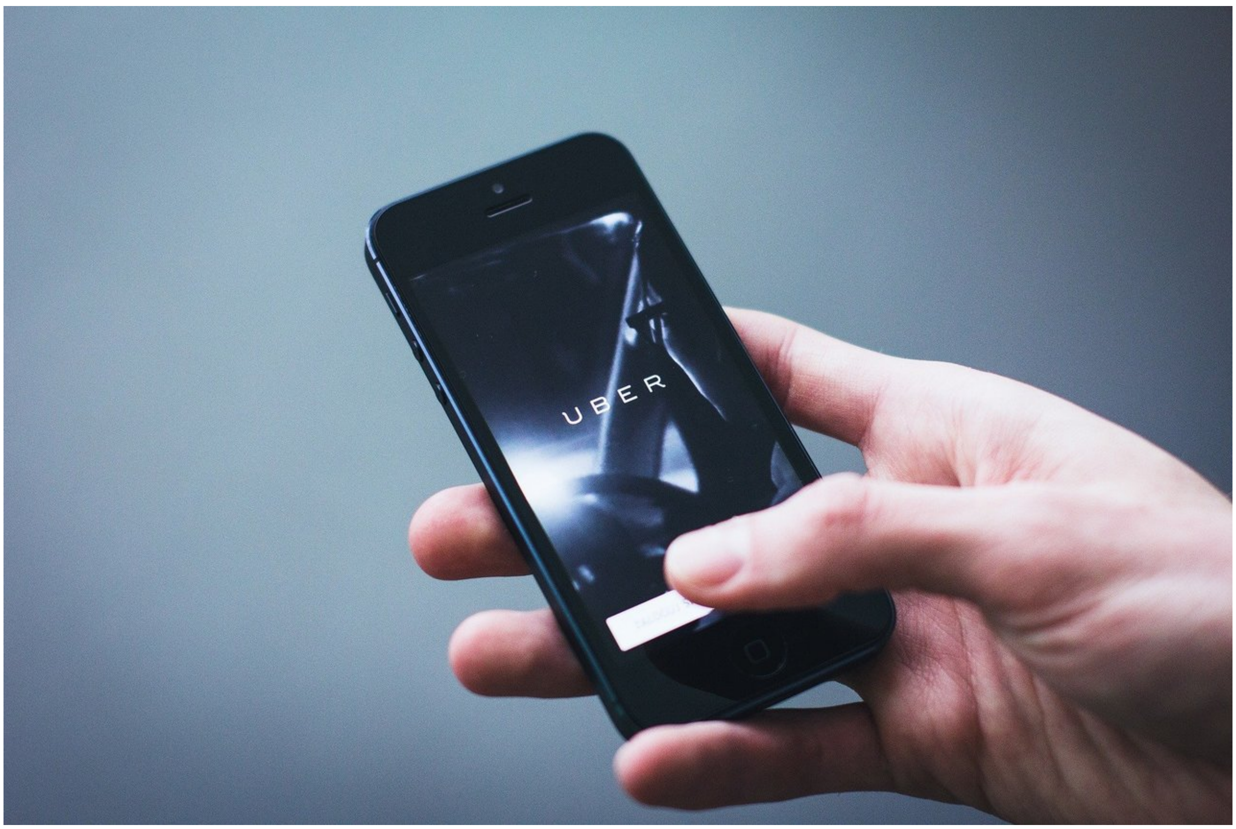

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Uber shares went into a fresh skid Monday—more bad news for the global ride-hailing giant, which endured steep declines in its hotly anticipated market debut last week.

Shares in Uber tumbled 10.75 percent to close at $37.10 on the second day of trade on the New York Stock Exchange.

Valued at some $82 billion in one of the biggest initial public offerings (IPOs) in the technology sector, Uber's debut Friday was a major disappointment, losing 7.6 percent.

The two-day meltdown left the Silicon Valley star with a cumulative loss of more 17.5 percent while ride-hailing rival Lyft has plunged 33 percent since its March debut.

Jay Ritter, a University of Florida professor of finance specializing in IPOs, said it was highly unusual for a high-profile company like Uber to fall so quickly.

"But it's a very difficult company to value, and I expect that there will be big upswings and downswings in the future," Ritter said.

Still, Ritter said the rocky opening is not necessarily an indication of the long-term value of Uber.

"If a year from now its value goes up to $100 billion people will be no longer talking about the first two days of trading," he said.

'Remember Facebook'

Uber chief executive Dara Khosrowshahi urged employees to look past the rough patch on Wall Street and stay focused on better days ahead, according to an internal email obtained by AFP.

"Remember that the Facebook and Amazon post-IPO trading was incredibly difficult for those companies," Khosrowshahi said in the message.

"And look at how they have delivered since. Our road will be the same."

He noted that Monday was a tough day for the stock market overall, not just for the San Francisco-based ride-share company with visions of becoming the "Amazon of transportation."

Khosrowshahi acknowledged that there were versions of Uber's future in which the company does not prosper as hoped, but warned against being distracted by pessimistic voices in the market.

"Sentiment does not change overnight, and I expect some tough public market times over the coming months," he said in the email.

"We will be judged long-term on our performance, and I welcome that."

Troubled road ahead

Richard Windsor, an analyst who writes the Radio Free Mobile blog on technology, said Uber and Lyft have been pressured by their high valuations and intense competition.

Uber and Lyft "are currently engaged in a life or death struggle to become the dominant ridesharing platform in the USA," Windsor said.

"Until this fight is settled, there is very little reason to invest in either company as while they slug it out rock bottom prices and incentives for drivers will continue to plague profitability."

Lyft shares Monday fell nearly six percent to $48.15, extending the steady decline for Uber's smaller US rival.

Daniel Ives of Wedbush Securities said he expected the "valuation digestion process" to take some time and that he remained upbeat on

Uber despite competition with Lyft and the long path to profitability.

"We believe there is a large enough ocean for two boats as the ridesharing market domestically in the US is roughly $1.2 trillion and $5.7 trillion globally," Ives said.

"We expect ridership, drivers, and the monetization opportunities for Uber to increase markedly over the coming years. A core tenet of our bull thesis on Uber is around the company's ability to morph its unrivaled ridesharing platform into a broader consumer engine."

Uber and Lyft face additional troubles, highlighted by last week's protests from some drivers in the US, and regulatory roadblocks in many parts of the world.

Thousands of Uber and Lyft drivers turned off their apps in a US-wide strike last week over revenue-sharing formulas and working conditions.

Rideshare companies maintain that drivers are able to thrive and maintain work flexibility, and that their business model would not work if drivers were treated as wage-based employees.

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