

Uber shifts into reverse in disappointing Wall Street debut

May 10 2019, by Ali Bekhtaoui



Uber CEO Dara Khosrowshahi talks to traders after the opening bell at the New York Stock Exchange where the ride-hailing giant's shares slipped in their first trading session

Uber shares skidded Friday in a disappointing Wall Street debut following a massive public offering from the global ride-hailing giant.

After pricing at \$45 for the [initial public offering](#) (IPO)—translating to a [market value](#) of \$82 billion— Uber shares began the trading day lower, and closed with a loss of 7.6 percent at \$41.57.

The decline, in a volatile session for Wall Street, came amid doubts over Uber's path to profitability despite one of the biggest tech IPOs ever.

The drop was a "big disappointment" and suggested lower demand than expected for a major name like Uber, said Matt Kennedy, senior IPO market strategist at Renaissance Capital.

Kennedy said that both Uber and US rival Lyft were lower on concerns about hefty losses at the ride-hailing services.

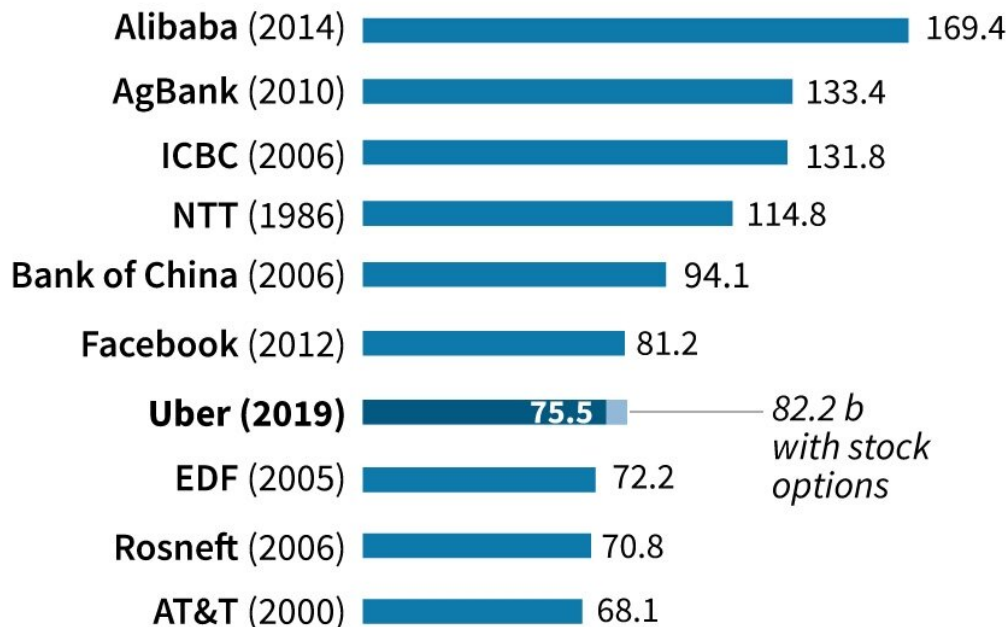
"Silicon Valley may not care about losses, but Wall Street does," he said.

Ross Gerber of the investment firm Gerber Kawasaki said Uber had been overhyped, despite concerns about its business model, and estimated Uber's value at no more than \$60 billion.

"I don't buy ride sharing and the current economics," Gerber tweeted. "Questionable employment practices. And an unsustainable pricing structure. We're passing on \$[uber](#) and \$lyft for now."

Top stock exchange listings by market value

Company market value excluding stock options at IPO*, in \$ billions



Source: Dealogic/AFP bureaus

*Initial public offering © AFP

Graphic showing the 10 companies with the largest market value at the time of their initial public offering (IPO), including Uber.

Despite the staggering valuation, Uber dialed back some of its earlier ambitions for a value exceeding \$100 billion after a rocky start for Lyft earlier this year.

Lyft, meanwhile, slumped more than seven percent, bringing its shares down about 29 percent since its March debut.

NYSE fanfare

Chief executive Dara Khosrowshahi and an Uber team rang the opening bell on the New York Stock Exchange after the firm raised about \$8.1 billion in the IPO.

While Uber has lost billions since launching its first rides in 2011 in San Francisco, the company is aiming to develop a global brand that helps transform local transportation.

Whether Uber can drive to profitability using this model as it disrupts traditional taxi and [transport services](#) is a key question.

Daniel Ives at Wedbush Securities was upbeat on Uber despite the weaker-than-anticipated valuation.

Ives said in a research note that Uber has "established itself as the clear number one player in the ridesharing industry and is paving a similar road to what Amazon did to transform retail/ecommerce and Facebook did for social media."



The "Fearless Girl" statue, by sculptor Kristen Visbal, stands outside the New York Stock Exchange (NYSE) ahead of the market debut for ride-hailing firm Uber

Risks to business model

Some of the risks surrounding Uber and its rivals were highlighted Wednesday as thousands of drivers turned off their apps in a US-wide strike over pay and working conditions.

The strikes targeting Uber and Lyft highlighted a dilemma for rideshare firms, which have faced challenges from regulators and traditional taxi operators for using a business model relying on independent contractors.

One group protested outside the New York Stock Exchange, some holding signs that read "Invest in our lives—Not their stocks."

"While we aim to provide an earnings opportunity comparable to that available in retail, wholesale, or restaurant services or other similar work, we continue to experience dissatisfaction with our platform from a significant number of drivers," Uber said in a filing with securities regulators.

In a securities filing on Thursday, Uber said it had reached an agreement with a large majority of the roughly 60,000 drivers contesting their status as independent contractors and who had instituted arbitration proceedings against the firm.

The company anticipates the total cost of the individual settlements, combined with attorneys' fees, will fall between \$146 million and \$170 million.

Uber maintained it was sticking to its plans on how it classifies drivers.



Drivers hold up a protest sign in front of the New York Stock Exchange to express displeasure over ride-hailing working conditions as Uber made its market debut

"Our business would be adversely affected if drivers were classified as employees instead of independent contractors," the company said.

Uber's IPO was underwritten by Goldman Sachs, Morgan Stanley, Bank of America Merrill Lynch and other large banks.

Sharing the future

Uber envisions becoming the "Amazon of transportation" in a future

where people share instead of owning vehicles.

If all goes to plan, commuters could ride an e-scooter to a transit station, take a train, then grab an e-bike or e-scooter to complete a journey using the Uber smartphone app.

Uber is also taking to the sky with an Elevate project to have electric aircraft carry people between "skyports," taking off and landing vertically.

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