

Your Uber has arrived, on Wall Street

May 10 2019, by Cathy Bussewitz And Michael Liedtke



This March 20, 2018, file photo shows the Uber app on an iPad in Baltimore. Uber is about to embark on a wild ride on Wall Street with the biggest and most hotly debated IPO in years. Uber's shares begin trading on the New York Stock Exchange, Friday, May 10, 2019. (AP Photo/Patrick Semansky, File)

Uber's next stop is the stock market, where it hopes to pick up more investors willing to bet on a ride-hailing market brimming with potential

and conspicuously lacking in profits.

The world's largest ride-hailing service reached a major milestone Thursday when Uber priced its long-awaited initial public offering at \$45 price per share to set the stage for its stock to begin trading Friday morning.

The IPO came in at the lower end of Uber's targeted price range of \$44 to \$50 per share. The caution may have been driven by escalating doubts about the ability of ride-hailing services to make money since Uber's main rival, Lyft, went public six weeks ago.

Even at the tamped-down price, Uber now has a market value of \$82 billion—five times more than Lyft's.

No matter how Uber's stock swings Friday, the IPO has to be considered a triumph for the company most closely associated with an industry that has changed the way millions of people get around. That while also transforming the way millions of more people earn a living in the gig economy.

"We're going to be measuring success in three to five to 10 years, not in one day," said CEO Dara Khosrowshahi in an interview with CNBC on the steps of the New York Stock Exchange less than two hours before the opening bell.

Uber's IPO raised another \$8.1 billion as the company it tries to fend off Lyft in the U.S. and help cover the cost of giving rides to passengers at unprofitable prices. The San Francisco company already has lost about \$9 billion since its inception and acknowledges it could still be years before it turns a profit.

That sobering reality is one reason that Uber fell well short of reaching

the \$120 billion market value that many observers believed its IPO might attain.



The statue of Fearless Girl stands in front of the New York Stock Exchange before Uber, the world's largest ride-hailing service, holds its initial public offering, Friday, May 10, 2019. (AP Photo/Mark Lennihan)

Another factor working against Uber is the cold shoulder investors have been giving Lyft's stock after an initial run-up. Lyft's shares closed Thursday 23% below its April IPO price of \$72.

Uber "clearly learned from its 'little brother' Lyft, and the experience it has gone through," Wedbush Securities analysts Ygal Arounian and

Daniel Ives wrote late Thursday.

The jitters about an intensifying U.S. trade war with China also have roiled the stock market this week.

Despite all that, Uber's IPO is the biggest since Chinese e-commerce giant Alibaba Group debuted with a value of \$167.6 billion in 2014.

"For the market to give you the value, you've either got to have a lot of profits or potential for huge growth," said Sam Abuelsamid, principal analyst at Navigant Research.

Uber boasts growth galore. Its revenue last year surged 42% to \$11.3 billion while its cars completed 5.2 billion trips around the world either giving rides to 91 million passengers or delivering food.

Uber might be even more popular if not for a series of revelations about unsavory behavior that sullied its image and resulted in the ouster of its co-founder, Travis Kalanick, as CEO nearly two years ago.

The self-inflicted wounds included complaints about rampant internal sexual harassment , accusations that it stole self-driving car technology , and a cover-up of a computer break-in that stole personal information about its passengers. What's more, some Uber drivers have been accused of assaulting passengers, and one of its self-driving test vehicles struck and killed a pedestrian in Arizona last year while a backup driver was behind the wheel.



A banner for Uber is draped on the front of the New York Stock Exchange before the world's largest ride-hailing service holds its initial public offering, Friday, May 10, 2019. (AP Photo/Mark Lennihan)

Uber hired Khosrowshahi as CEO to replace Kalanick and clean up the mess, something that analysts say has been able to do to some extent, although Lyft seized upon the scandals to gain market share.

Kalanick remains on Uber's board, although he isn't expected to be on the podium to help ring the opening bell at the New York Stock Exchange to herald the company's debut Friday. Instead, he will be left standing on the sidelines while the spotlight shines on other Uber executives, although Kalanick can still savor his newfound wealth. At \$45 per share, his stake in Uber will be worth \$5.3 billion. Hundreds, if

not thousands, of other Uber employees are expected to become millionaires in the IPO.

Meanwhile, scores of Uber drivers say they have been mistreated by the company as they work long hours and wear out their cars picking up passengers as they struggle to make ends meet. On Wednesday, some of them participated in strikes across the United States to highlight their unhappiness ahead of Uber's IPO but barely caused a ripple. A similar strike was organized ahead of Lyft's IPO to the same effect.

In its latest attempt to make amends, Uber disclosed Thursday that it reached a settlement with tens of thousands of drivers who alleged they had been improperly classified as contractors. The company said the settlement covering most of the 60,000 drivers making claims will cost \$146 million to \$170 million.

Now, Uber will focus on winning over Wall Street.

Uber may be able to avoid Lyft's post-IPO stock decline because it has a different story to tell than just the potential for growth in ride-hailing, says Alejandro Ortiz, principal analyst with SharesPost. Uber, he said, has plans to be more than a ride-hailing company by being all things transportation to users of its app, offering deliveries, scooters, bicycles and links to other modes of transportation including public mass transit systems.

"Whether or not that pitch will work kind of remains to be seen. It's nearly impossible to tell now," he said. "Obviously the risk to the company now is they have a lot more shareholders that they have to convince."

© 2019 The Associated Press. All rights reserved.

Citation: Your Uber has arrived, on Wall Street (2019, May 10) retrieved 24 May 2024 from <https://phys.org/news/2019-05-uber-wall-street.html>

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.