

Uber shares continue sliding in first full day of trading

May 13 2019, by Cathy Bussewitz



Uber CEO Dara Khosrowshahi center, shakes hands with a trader after his company's initial public offering begins trading at the New York Stock Exchange, Friday, May 10, 2019. He is flanked by Uber's Chief Legal Officer Tony West, left, and board member Ryan Graves, right. (AP Photo/Richard Drew)

Uber shares sunk even further after its disappointing stock market debut as doubts lingered over the company's ability to turn a profit and trade tensions dragged down the overall market.

The ride-hailing giant's stock fell 10% and hovered around \$37 Monday afternoon on Uber's first full day of trading.

The mounting losses followed Uber's disappointing initial public offering. On Friday, it took a \$617 million hit—the largest loss on the first day of trading by a U.S.-based company in recent history, according to Renaissance Capital.

Uber's earliest investors are still making money off the IPO, but "for late-round investors, it's possible by the time they exit they will end up with a loss," said Jay Ritter, finance professor at the University of South Florida.

Among the recent big investors—and perhaps losers—is PayPal, which had disclosed plans to buy \$500 million in Uber stock at the IPO price of \$45.

Uber has had no trouble convincing venture capitalists to pour money into its earlier funding rounds, but with its unclear path to profitability, it's having a more difficult time with Wall Street investors.

"It's clearly a high-risk, high-reward scenario. You're betting on something that may happen 10 years down the road," said Matt Kennedy, senior IPO market strategist at Renaissance Capital, a manager of IPO exchange traded funds. "Public investors are looking at profits and not seeing any, and the company's growth in the last quarter was relatively strong, but I don't think it blew anyone away."



Uber CEO Dara Khosrowshahi, third from left, attends the opening bell ceremony at the New York Stock Exchange, as his company makes its initial public offering, Friday, May 10, 2019. (AP Photo/Richard Drew)

Uber's main U.S. rival, Lyft, is in a similar spiral. Its stock was trading below \$48 on Friday, down 33% from its IPO price of \$72.

It's rare to see shares in a tech company hit so hard upon going public. Over the past five years, just 10% of similar companies finished their first day of trading below their IPO price, Kennedy said.

Uber's revenue last year surged 42% to \$11.3 billion, but the company admits it could be years before it turns a profit.

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