

# Uber stock set to launch at \$45 a share (Update)

9 May 2019, by Ali Bekhtaoui



Uber's Wall Street debut is a milestone for the ride-hailing sector, but risks include complaints about its business model of using independent contractors

Uber is set for its Wall Street debut Friday with a massive share offering that is a milestone for the ride-hailing industry and the so-called "sharing economy," but which comes with simmering concerns about its business model.

Shares will be priced at \$45 for the initial public offering (IPO), valuing the startup at more than \$82 billion, according to a filing with the US Securities and Exchange Commission.

San Francisco-based Uber was set to begin trading on the New York Stock Exchange under the eponymous ticker "UBER" in one of the largest initial public offerings in the tech sector.

Despite the eye-popping valuation, Uber dialed back some of its earlier ambitions for a value exceeding \$100 billion after a rocky start for US rideshare rival Lyft.

Analyst Daniel Ives of Wedbush Securities said Uber has the potential to be a game-changing

company and "is paving a similar road to what Amazon did to transform retail/ecommerce and Facebook did for social media."

Ives said Uber has the potential to grow as it morphs its ridesharing platform into a more diverse set of services with Uber Eats, Uber Freight, and self-driving vehicle initiatives.

"We view Uber's conservative pricing as a smart and prudent strategy coming out of the box as it clearly learned from its 'little brother' Lyft, and the experience it has gone through over the past month," Ives said in a note to investors.

## Risks to new model

But 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 its US rival 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 with some signs reading "Invest in our lives—Not their stocks."

Uber and Lyft did not immediately comment on the protests.

"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 particular, as we aim to reduce driver incentives to improve our financial performance, we expect

driver dissatisfaction will generally increase."

being underwritten by Goldman Sachs, Morgan Stanley and Bank of America Merrill Lynch and other large banks.



A small group of independent drivers and supporters protest against Uber and other app-based ride-hailing companies near the New York Stock Exchange

### Lyft shares skid

Uber's inauguration as a public company will follow a rocky market debut for Lyft, which has lost more than 15 percent of its value since its March offering.

Lyft's losses in the past quarter widened to \$1.1 billion, according to its first financial report as a public company.

Revenue for California-based Lyft nearly doubled from a year earlier to \$776 million and the number of active riders grew to more than 20.5 million.

Lyft said its losses deepened as a result of \$894 million in costs that included stock-based compensation and related tax expenses in connection with its IPO.

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.

Uber envisions becoming the "Amazon of transportation" in a future where people share instead of owning vehicles.

Uber said in a securities filing Thursday that it had reached 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.

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.

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

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

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

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

Global Equities Research analyst Trip Chowdhry predicted that Uber will eventually have to raise ride prices, causing its customers to seek other options.

Uber will be raising up to \$9 billion in the offering

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