

# Lyft

## 3Q2020 results review

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**Report date:** 13 November 2020

**Lyft**

Main exchange	Nasdaq
Rating	BUY
Current Price, \$	36.5
12M Target price, \$	44.1
Current MCap, \$ mn	11,468

Lyft is a ridehailing company operating in more than 300 cities of the US and Canada.

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- Lyft releases 3Q20 financial results reflecting quarterly improvement in the number of riders and revenue.** Lyft reported revenue of \$499.7mn, up 47% QoQ from \$339.3mn in 2Q20, and compared to \$955.6mn in 3Q19. The number of active riders grew 44% QoQ to 12.5mn, while revenue per active rider was up 2% QoQ in 3Q20. Lyft's contribution was \$248.8mn in 3Q20 compared to \$479.2mn in 3Q19, down 48% YoY. The contribution margin reached 49.8% in 3Q, above the expected 45%. Adjusted EBITDA loss was \$239.7mn in 3Q20 vs \$129.1mn loss in 3Q19. The company's net loss, including \$170.7mn stock-based compensation and \$0.7mn changes in liabilities insurance, was \$459.5mn in 3Q20 versus \$463.5mn in 3Q19. Slower than expected ridesharing market recovery postpones the company's profitability target. However, Lyft is on track to realize annualized fixed cost savings of \$300mn by 4Q20 compared to the previously planned figures. The company implied a temporary salary reduction, fixed costs cut, and insurance expense optimization. In August, Lyft is planning to offer drivers the new benefits and insurance following the decision in California that already reflected in a positive market reaction. The company was focusing on partnerships with corporate clients and the healthcare sector with Lyft Pass, as well as partnerships. The delivery sector provided opportunities for drivers during the pandemic and justified Lyft's partnership with the delivery platform Grubhub.
- We revise our forecasts due to slower ride recovery.** Lyft's intention to reach EBITDA profitability and provide profitable growth beyond 2021 might be achievable once the company follows the cost control measures implemented during the pandemic. In 4Q20, the seasonal rides fluctuation with lower bikes and scooters revenue and festive season headwinds may result in fewer rides per active rider. However, the improving number of riders and some increase in revenue per rider shall drive the company's revenue higher. The number of active riders may increase by 0.8-1.0mn in 4Q20, according to the management. The management expects some 11-15% QoQ revenue increase in 4Q20 and OPEX up 1% QoQ, contributing to the margin improvement. The company targets an adjusted EBITDA loss of \$190mn in 4Q20. Lyft plans to achieve adjusted EBITDA profitability by 4Q21 even with 5-10% fewer rides than it was initially planned in 2019. We adjust our forecast and 12-months price target to \$44.1 from \$58.3. We rate LYFT BUY.

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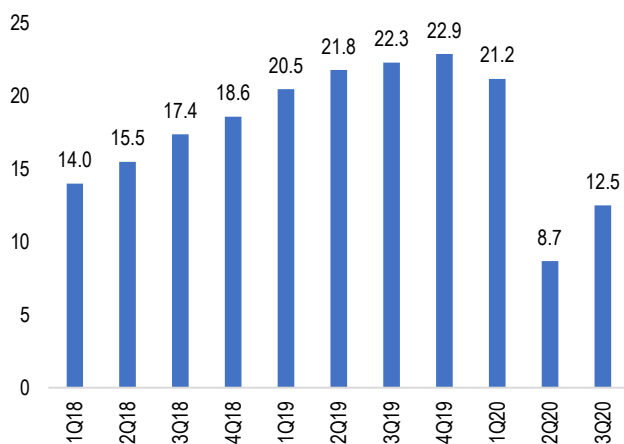
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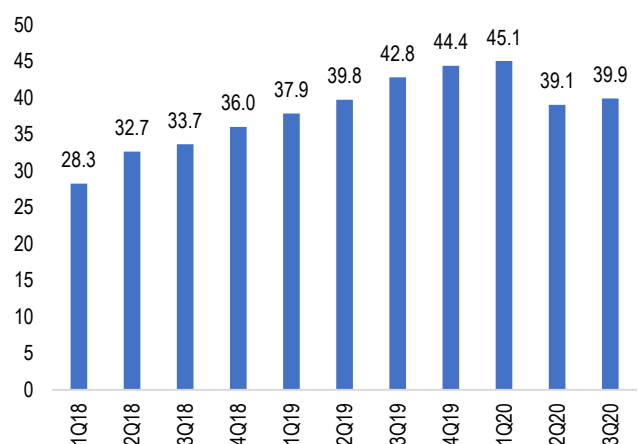
**Figure 1. Lyft's key metrics**

<i>in \$mn, if not otherwise stated</i>	1Q18	2Q18	3Q18	4Q18	1Q19	2Q19	3Q19	4Q19	1Q20	2Q20	3Q20	3Q20 YoY
Lyft Active Riders, mn	14	16	17	19	21	22	22	23	21.2	8.7	12.5	-44%
Revenue per Active Rider, \$	28	33	34	36	38	40	43	44	45	39	40	-7%
Revenue	397.2	504.9	585	669.5	776	867	956	1017	956	339	500	-48%
Cost of revenue	260.6	293.2	322.6	367	462.9	630	581	503	542	251	262	-55%
Operations and support	59.9	67.4	92.5	118.6	187.2	152	150	147	134	99	123	-18%
Research and development	63.1	64.4	77.2	96.1	631	310	288	277	259	203	232	-19%
Sales and marketing	168.7	175.1	241.1	218.9	275.1	181	164	194	196	52	79	-52%
General and administrative	90.2	98.5	120.3	139	376.7	267	264	278	238	222	258	-2%
Total costs and expenses	642.5	698.6	853.7	939.6	1932.9	1,540	1,446	1,399	1,370	827	953	-34%
Loss from operations	-245.3	-193.7	-268.7	-270.1	-1156.9	-673	-491	-382	-414	-487	-453	-8%
Interest income	11.5	15.3	19.6	20.1	19.7	30	29	24	21	-7	-13	-144%
Other income (expense)	-0.1	-0.3	0.4	0.7	0.1	0	1	0	-4	12	7	1066%
Loss before income taxes	-233.9	-178.7	-248.7	-249.3	-1137.1	-643	-462	-358	-396	-482	-458	-1%
Provision for income taxes	0.4	0.2	0.5	-0.4	1.4	1	2	-2	2	-45	1	-42%
Net loss attributable to common stockholders	-233.5	-178.5	-249.2	-248.9	-1135.7	-644	-463	-356	-398	-437	-460	-1%

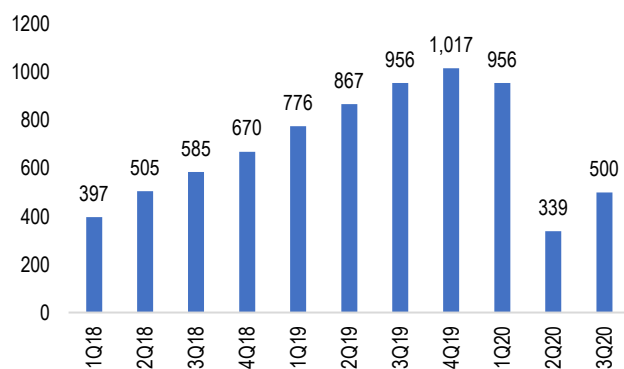
Source: companies' data, Hypothesis Research estimates

**Figure 2. Lyft active riders, mn**

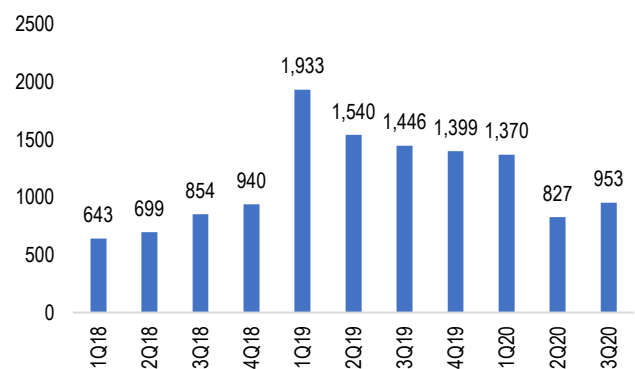
Source: company data

**Figure 3. Lyft revenue per active rider, \$**

Source: company data

**Figure 4. Lyft revenue, \$mn**

Source: company data

**Figure 5. Lyft total costs and expenses, \$mn**

Source: company data

**Figure 6. Lyft key operating figures and consolidated statements of operations, \$mn**

<i>in \$mn, if not otherwise stated</i>	2016	2017	2018	2019	2020	2021	2022	2023	2024
Active riders, mn eop	6.6	12.6	18.6	22.9	13.9	16.7	18.4	19.9	21.0
Growth, %	0%	91%	48%	23%	-39%	20%	10%	8%	6%
Revenue per active rider, \$	18.5	27.3	36.0	44.4	41.5	42.3	44.9	49.4	51.8
Growth, %	0%	48%	32%	23%	-7%	2%	6%	10%	5%
<b>Revenue</b>	<b>343</b>	<b>1,060</b>	<b>2,157</b>	<b>3,616</b>	<b>2,345</b>	<b>3,228</b>	<b>3,764</b>	<b>4,471</b>	<b>4,977</b>
Cost of revenue	279	660	1,243	2,177	1,320	1,386	1,469	1,557	1,619
Operations and support	98	184	338	636	480	537	602	662	715
Research and development	65	137	301	1,506	928	646	753	671	746
Sales and marketing	434	567	804	814	406	710	753	805	896
General and administrative	160	221	448	1,186	978	581	489	447	448
Total costs and expenses	1,036	1,768	3,134	6,319	4,112	3,860	4,065	4,142	4,424
Loss from operations	-693	-708	-978	-2,703	-1,768	-632	-302	330	552
Interest income, net	7	20	66	103	-33	31	18	17	16
Other income, net	3	0	1	0	46	0	0	0	0
Loss before income taxes	-682	-688	-911	-2,600	-1,755	-601	-284	347	568
Provision for income taxes	0	1	1	2	-41	-14	-60	73	119
Net profit / loss	-683	-688	-911	-2,602	-1,714	-587	-224	274	449

Source: company data, Hypothesis Research estimates

**Figure 7. Lyft condensed Balance sheet data, \$mn**

<i>\$mn</i>	2017	2018	2019	2020	2021	2022	2023	2024
Total current assets	2,564	2,320	3,247	2,545	2,099	2,221	2,986	3,107
Property and equipment, net	14	109	189	336	491	644	766	867
Goodwill	0	152	159	154	149	145	140	136
Intangible assets, net	4	118	83	77	71	65	59	53
Restricted cash and cash equivalents	73	187	205	115	140	151	162	170
Restricted investments	361	864	1,361	1,200	1,080	972	875	787
Other assets and investments	1	9	7	26	26	27	28	28
Total assets	3,017	3,760	5,691	4,739	4,451	4,684	5,561	5,756
Total current liabilities	697	1,449	2,451	2,171	2,357	2,746	3,259	3,625
Total liabilities	712	1,479	2,837	3,155	3,454	3,911	4,514	4,260
Total stockholders' equity (deficit)	-1,979	-2,871	2,854	1,584	997	773	1,047	1,496
Total liabilities and stockholders' equity (deficit)	3,017	3,760	5,691	4,739	4,451	4,684	5,561	5,756

Source: company data, Hypothesis Research estimates

Figure 8. Comparable multiples - consensus

Company name	Market Cap, \$mn	Enterprise Value, \$mn	P/E Fwd 1Y	P/E Fwd 2Y	P/E Fwd 3Y	EV/ EBITDA 1Y fwd	EV/ EBITDA 2Y fwd	EV/ EBITDA 3 fwd	EV/ Revenues 1y fwd	EV/ Revenues 2y fwd	EV/ Revenues 3y fwd
Alphabet	1,183,680	1,066,107	33.72	28.32	23.98	16.67	13.77	11.74	5.97	4.93	4.24
Amazon	1,574,189	1,556,361	89.73	68.41	48.00	28.46	22.23	17.53	4.09	3.46	2.95
Apple	2,031,545	2,053,699	30.33	27.61	24.24	23.03	22.02	19.66	6.55	6.24	5.73
Facebook	787,496	732,404	29.37	26.41	21.13	16.87	14.19	11.72	8.71	7.02	5.85
Alibaba Group Holding	718,752	697,434	25.94	21.46	17.14	21.99	17.28	13.93	6.58	5.03	4.17
Tencent Holdings	713,203	727,502	39.42	31.17	24.90	27.87	23.00	18.85	10.10	8.16	6.80
Netflix	216,815	224,470	78.42	54.18	39.57	44.47	35.34	26.94	8.99	7.63	6.54
eBay	32,888	37,109	14.03	12.77	11.20	9.79	9.29	8.41	3.67	3.38	3.11
Target Corp	79,944	86,957	21.57	20.25	18.49	11.24	10.91	10.49	0.98	0.99	0.96
Tesla	395,398	396,069	176.79	100.71	81.90	63.69	44.52	37.40	12.77	8.64	6.86
General Motors	58,054	143,386	8.73	6.91	6.34	11.48	9.50	8.87	1.19	1.05	1.00
Volkswagen	91,240	260,358	16.62	6.90	5.62	8.38	6.30	5.91	1.01	0.92	0.88
SNAP	57,305	56,230	NaN	172.47	63.77	3,636.54	112.29	48.86	23.01	16.12	12.10
Twitter	34,701	30,480	NaN	49.85	39.56	29.52	22.49	18.23	8.43	6.86	5.93
Naver Corp	41,199	39,801	55.78	34.42	27.27	28.24	22.63	19.29	7.91	6.98	5.93
<b>Lyft</b>	<b>11,560</b>	<b>9,495</b>	<b>NaN</b>	<b>NaN</b>	<b>NaN</b>	<b>NaN</b>	<b>NaN</b>	<b>55.13</b>	<b>4.03</b>	<b>2.88</b>	<b>2.10</b>
Uber	81,539	83,245	NaN	NaN	NaN	NaN	NaN	72.04	6.69	4.63	3.54

Source: Thomson Reuters

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