

Lyft

FY2021 – robust revenue and margin

- ▶ **Lyft reports \$969.9mn revenue in 4Q21, up 70% YoY and 12% QoQ. The Contribution reached \$578.8mn in 4Q21, up 83% YoY and 13% QoQ. Results are in line with our expectations.**

The company reported \$3,208mn revenue for FY2021 (vs \$3,142mn our forecast), up 36% YoY. The company's contribution margin was 59.7% in 4Q, up 4p.p. YoY. The number of active drivers increased by 49% YoY to 18.7mn in 4Q21. The number of active riders in 4Q was slightly below the previous quarter level of 18.9mn. The Revenue per active rider reached \$51.79 in 4Q21 compared to \$45.40 in 4Q20 and \$45.63 in 3Q21. The drivers behind the revenue per active rider are increased rideshare per ride and longer rides, including airport rides soaring versus the previous year levels. Adjusted EBITDA was \$74.7mn in 4Q21 compared to Adjusted EBITDA loss of \$150mn in 4Q20. Adjusted EBITDA for 2021 was \$92.9mn compared to an Adjusted EBITDA loss of \$755.2mn in 2020. Adjusted net income was \$32.1mn in 4Q21 compared to an adjusted net loss of \$185mn in 4Q20 and an adjusted net income of \$18mn in 3Q21. Net loss was \$1.0bn in FY2021 versus a net loss of \$1.8bn for FY2020 (and versus our forecast of \$1.1bn). Net loss for FY2021 includes \$756mn of stock-based compensation and \$250mn related to changes to the liabilities for the insurance required by regulatory agencies. Overall, the company demonstrated good cost control over 2021, cutting down operations and support expenses from 17% of revenues in 4Q20 to 11% in 4Q21, R&D expense from 38% to 20%, sales and marketing expenses from 16% to 13%, and general and administrative expenses from 40% to 27% respectively. The cash, cash equivalents, and short-term investments were \$2.25bn as of the end of 2021, and restricted investments were \$1bn.

- ▶ **The company's operating performance is adversely affected by Omicron in 1Q22.** The management guidance for 1Q22 includes \$800-859mn revenue and a 56.5% contribution margin. The company expects an Adjusted EBITDA of \$5-15mn for the first quarter of 2022 compared to \$75mn in 4Q21 or some \$65mn Adjusted EBITDA decline. However, the company said the driver supply is resilient and the market situation is improving. Lyft's expenses on driver incentives are likely to grow in 2022. The management estimated Lyft's market share in line with pre-COVID levels. We believe the number of active riders will recover to the 2019 level in 2023-24 only. Less business travel and "working from home" for some workers are remaining trends in the current environment. We lower our forecasts. However, we see Lyft as a more mature player with better cost control. We adjust our forecasts and a 12-months target price to \$56.7 from \$58.3 per share. We re-iterate the BUY rating for Lyft.

Report date: 10 February 2022

Lyft

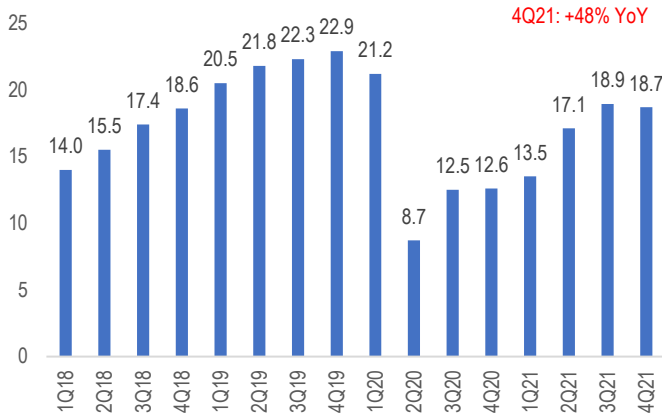
Main exchange	Nasdaq
Rating	BUY
Current Price, \$	44.0
12M Target price, \$	56.7
Current MCap, \$ mn	14,728

Lyft is a ridehailing company operating in the US and Canada.

 Marina Alekseenkova
 Research analyst

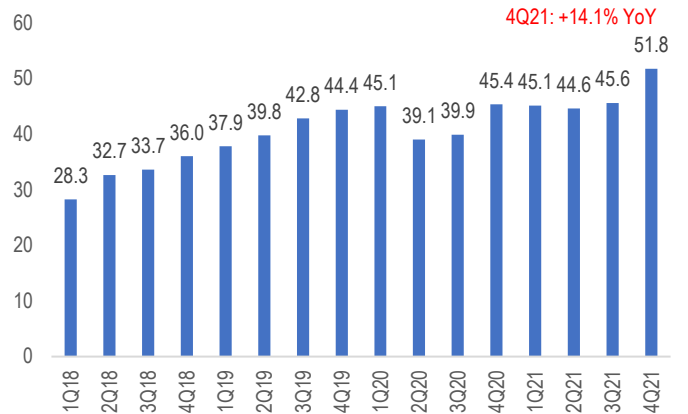
ma@hypothesisresearch.co.uk

Figure 1. Lyft active riders, mn



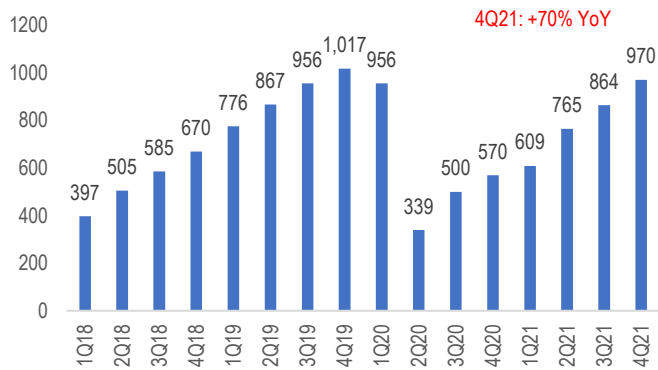
Source: company data

Figure 2. Lyft revenue per active rider, \$



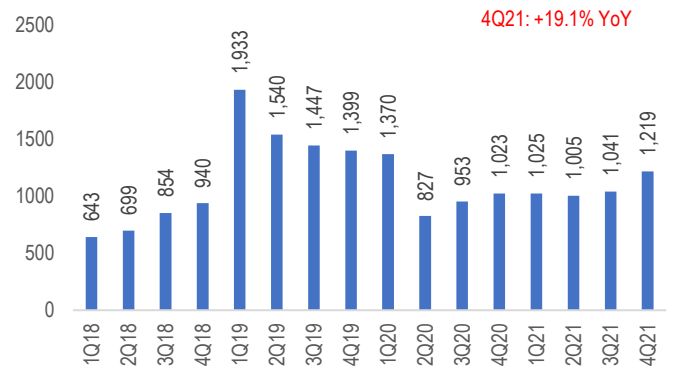
Source: company data

Figure 3. Lyft revenue, \$mn



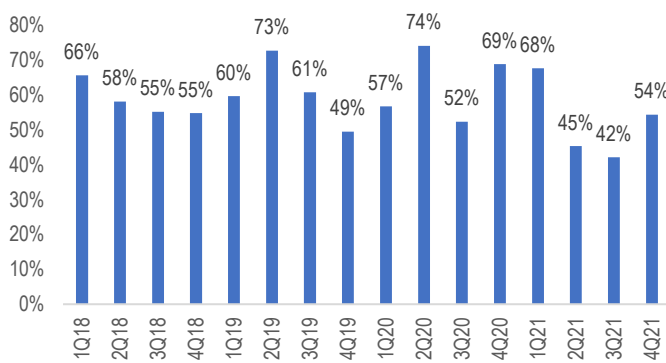
Source: company data

Figure 4. Lyft total costs and expenses, \$mn



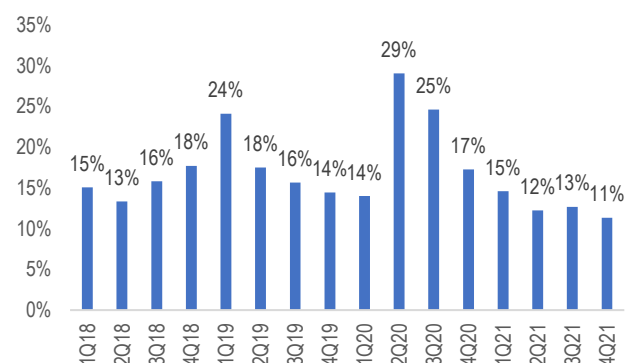
Source: company data

Figure 5. Lyft cost of revenue as % of revenue



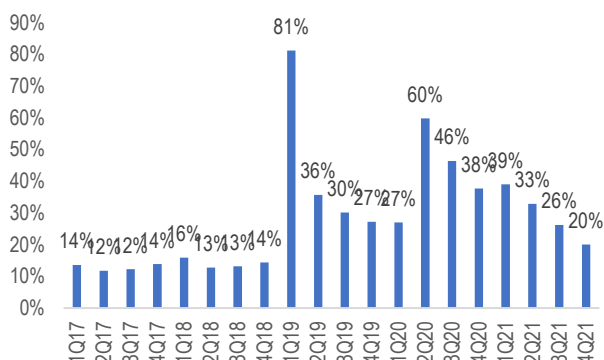
Source: company data

Figure 6. Lyft operations and support cost as % of revenue



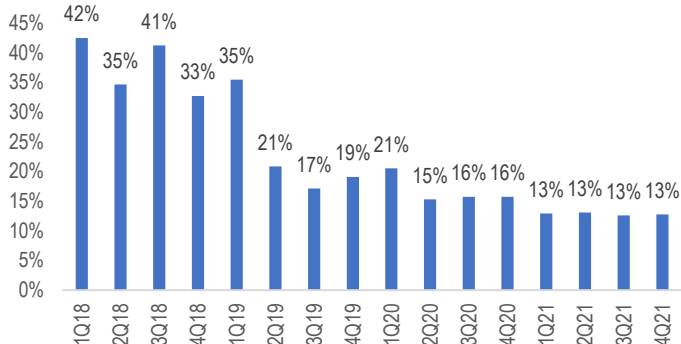
Source: company data

Figure 7. Lyft R&D cost as % of revenue



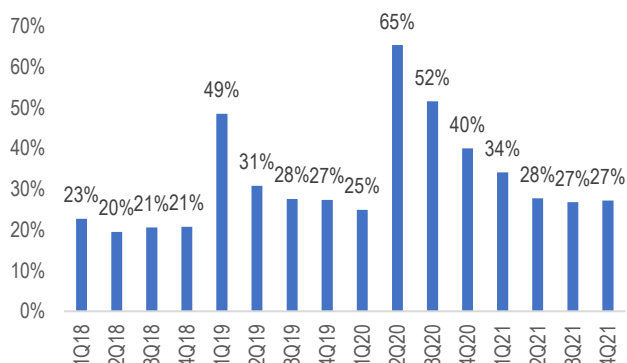
Source: company data

Figure 8. Lyft S&M cost as % of revenue



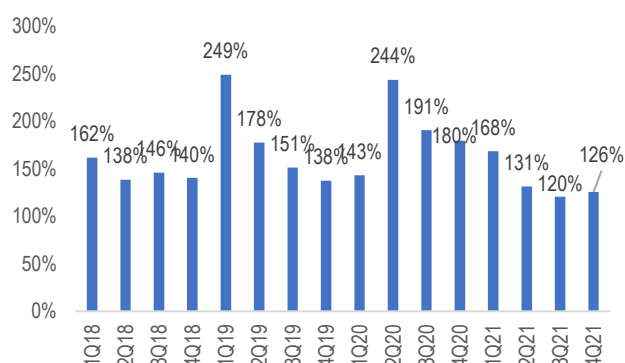
Source: company data

Figure 9. Lyft G&A cost as % of revenue



Source: company data

Figure 10. Lyft total costs and expenses as % of revenue



Source: company data

Figure 11. Lyft operating figures

	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Active riders, mn eop	6.6	12.6	18.6	22.9	12.6	18.7	20.2	21.8	23.3	25.0
Growth, %		91%	48%	23%	-45%	48%	8%	8%	7%	7%
Revenue per active rider, \$ (Dec)	18.5	27.3	36.0	44.4	45.4	51.8	58.0	63.8	68.9	74.4
Growth, %		48%	32%	23%	2%	14%	12%	10%	8%	8%

Source: company data

Figure 12. Lyft consolidated statements of operations, \$mn

<i>\$mn if not otherwise stated</i>	2016	2017	2018	2019	2020	2021	2022	2023	2024	2025
Revenue	343	1,060	2,157	3,616	2,365	3,208	3,881	4,610	5,328	6,157
Costs and expenses										
Cost of revenue	279	660	1,243	2,176	1,448	1,650	1,732	1,784	1,837	1,893
Operations and support	98	184	338	636	454	402	422	443	466	489
Research and development	65	137	301	1,506	909	912	931	922	959	1,108
Sales and marketing	434	567	804	814	416	411	498	692	799	924
General and administrative	160	221	448	1,186	946	916	854	1,014	959	1,108
Total costs and expenses	1,036	1,768	3,134	6,318	4,173	4,291	4,437	4,855	5,020	5,521
Loss from operations	-693	-708	-978	-2,702	-1,808	-1,082	-556	-245	307	635
Interest income, net	7	20	66	0	-33	-52	-87	-118	-134	-150
Other income, net	3	0	1	103	44	136	139	141	144	147
Loss before income taxes	-682	-688	-911	-2,600	-1,797	-998	-504	-222	318	633
Provision for income taxes	0	1	1	2	-45	11	46	121	234	300
Net profit / loss	-683	-688	-911	-2,602	-1,753	-1,009	-551	-343	84	332
EPS, \$/share	-2.4	-2.4	-3.2	-11.4	-5.6	-3.0	-1.6	-1.0	0.2	1.0

Source: company data, Hypothesis Research estimates

Figure 13. Lyft condensed Balance sheet data, \$mn

<i>\$mn if no otherwise stated</i>	2017	2018	2019	2020	2021	2022	2023	2024	2025
Current assets									
Cash and cash equivalents	1,106	518	358	320	457	423	596	882	1,515
Short-term investments	1,285	1,520	2,492	1,931	1,797	1,797	1,797	1,797	1,797
Prepaid expenses and other current assets	173	283	397	343	522	632	750	867	1,002
Total current assets	2,564	2,320	3,247	2,594	2,776	2,851	3,143	3,545	4,314
Property and equipment, net	14	109	189	313	298	627	843	1,004	1,181
Goodwill	0	152	159	183	181	175	170	165	160
Intangible assets, net	4	118	83	66	51	45	39	33	27
Restricted cash and cash equivalents	73	187	205	119	73	77	79	82	85
Restricted investments	361	864	1,361	1,102	1,045	1,097	1,207	1,388	1,596
Other assets	1	9	6	27	127	129	132	135	137
Total assets	3,017	3,760	5,691	4,679	4,774	5,272	5,934	6,723	7,929
Current liabilities	0	0	0	0	0	0	0	0	0
Accounts payable	67	32	39	84	130	136	141	145	150
Insurance reserves	377	810	1,378	987	1,069	1,293	1,536	1,775	2,051
Accrued and other current liabilities	253	606	940	954	1,212	1,519	1,804	2,085	2,409
Total current liabilities	697	1,449	2,451	2,074	2,464	3,012	3,558	4,005	4,611
Other liabilities	15	30	4	18	51	62	73	85	98
Total liabilities	712	1,479	2,837	3,003	3,380	4,428	5,433	6,139	7,012
Total stockholders' equity (deficit)	-1,979	-2,871	2,854	1,676	1,394	843	501	584	917
Total liabilities, redeemable convertible preferred stock and stockholders' equity (deficit)	3,017	3,760	5,691	4,679	4,774	5,272	5,934	6,723	7,929

Source: company data, Hypothesis Research estimates

Figure 14. Lyft 12-month DCF indicative fair Market Cap sensitivity, \$mn

GROWTH RATE	WACC					
	0.5%	7.2%	8.2%	9.2%	10.2%	11.2%
0.5%	16,898	14,476	12,608	11,124	9,917	
1.5%	19,437	16,292	13,960	12,161	10,732	
2.5%	23,049	18,741	15,712	13,466	11,733	
3.5%	28,598	22,227	18,077	15,158	12,993	
4.5%	38,214	27,581	21,440	17,441	14,627	

Source: company data, Hypothesis Research estimates

Figure 15. Comparable multiples – consensus

Company name	Market Cap, \$mn	EV, \$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	1,870,888	1,746,169	24.16	20.66	18.48	14.21	12.36	10.72	5.75	4.98	4.42
Amazon	1,640,408	1,616,660	65.76	44.18	28.70	19.19	14.90	11.56	2.98	2.54	2.21
Apple	2,876,791	2,935,676	28.53	26.66	25.96	22.30	21.58	20.97	7.42	7.01	6.74
Facebook	631,491	584,074	18.78	15.94	14.21	9.71	8.24	7.09	4.40	3.75	3.34
Alibaba Group Holding	343,850	318,392	15.53	14.19	11.80	12.45	10.65	8.63	2.36	2.05	1.78
Tencent Holdings	597,484	621,379	29.15	27.35	22.87	19.20	20.22	16.87	7.01	6.25	5.41
Netflix	183,308	192,673	37.37	28.96	22.88	26.37	21.12	17.07	5.77	5.13	4.59
eBay	37,942	32,485	15.27	13.52	12.08	8.19	7.79	7.43	3.12	2.95	2.85
Target Corp	103,797	110,806	16.30	16.02	14.72	9.80	9.79	9.33	1.04	1.02	0.98
Tesla	963,229	953,750	84.53	68.55	56.99	47.82	36.32	30.65	11.42	8.99	7.59
General Motors	73,697	160,471	7.24	6.90	6.43	9.88	9.16	7.49	1.02	0.95	0.94
Volkswagen	130,433	297,195	6.72	6.00	5.51	6.32	6.05	5.85	1.05	0.99	0.94
SNAP	65,427	63,987	71.69	39.71	22.05	68.91	33.94	19.28	11.31	7.90	5.84
Twitter	30,249	27,089	182.35	50.09	30.80	39.74	19.55	15.23	5.33	4.47	3.75
Naver Corp	45,544	46,296	31.12	26.34	24.52	26.01	21.70	18.40	6.59	5.56	4.32
Lyft	15,177	13,579	55.67	31.22	17.00	33.77	18.07	12.24	3.15	2.50	2.14
Uber	77,973	81,124	NaN	265.82	57.99	60.01	23.61	15.02	3.08	2.45	2.12

Source: Refinitiv

Important disclosures

Analysts certification and disclaimer

This report has been prepared and issued by Hypothesis Research Limited ("Hypothesis") in accordance with Hypothesis policies for managing conflicts of interest arising as a result of publication and distribution of investment research. Hypothesis is authorised and regulated by the Financial Conduct Authority ("FCA"). This report has been prepared by the analyst whose name appears on the front page of this report.

The information contained within the report is intended for use by professional clients and eligible counterparties as defined in section 3 of the FCA Conduct of Business rules. Our research must not be acted on or relied upon by persons in the UK who would be categorised as retail clients.

The report must not be distributed in any other jurisdictions where its distribution may be restricted by law. Persons into whose possession this report comes into should inform themselves about, and observe, any such restrictions.

All information used in the publication of this report has been compiled from publicly available sources that are believed to be reliable, however we do not guarantee the accuracy or completeness of this report. Opinions contained in this report represent those of Hypothesis and the analyst at the time of publication.

Hypothesis does not offer or provide personalised advice. The information provided is not intended to be, and should not be construed in any manner whatsoever as, personalised advice as it does not have regard to the specific investment objectives, financial situation and particular needs of any specific person who may receive this report. The information provided by us should not be construed by any subscriber or prospective subscriber as Hypothesis' solicitation or inducement to buy, sell, subscribe, or underwrite any securities mentioned in this report. Investors should make their own investment decisions based upon their own financial objective and resources.

Hypothesis has a restrictive policy relating to personal dealing and conflict of interest. Hypothesis does not conduct any investment business and, accordingly, does not itself hold any positions in the securities mentioned in this report. However, the respective directors, officers, employees and contractors of Hypothesis may have a position in any or related securities mentioned in this report, subject to Hypothesis' policies on personal dealing and conflict of interests. Hypothesis may perform services or solicit business from any of the companies mentioned in this report.

The value of securities mentioned in this report can fall as well as rise and may be subject to large and sudden swings. In addition, it may be difficult or not possible to buy, sell or obtain accurate information about the value of securities mentioned in this report. Past performance is not necessarily a guide to future performance. Forward-looking information or statements in this report contain information that is based on assumptions, forecasts of future results, estimates of amounts not yet determinable, and therefore involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of their subject matter to be materially different from current expectations.

To the maximum extent permitted by law, Hypothesis, its affiliates and contractors, and their respective directors, officers and employees will not be liable for any loss or damage arising as a result of reliance being placed on any of the information contained in this report and do not guarantee the returns on investments in the products discussed in this publication.

Please find further information and disclaimer on <http://www.hypothesisresearch.co.uk/disclaimer>.