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Lyft IPO – Leading the Wolfpack

By Karen Yang, J.D. Candidate 2021 | March 1, 2019

Last October, amidst many rumors, ride-sharing firm Lyft finally selected its underwriters and began the process of filing for an IPO. JPMorgan Chase & Co., Credit Suisse Group AG, and Jefferies Group LLC will lead the offering. Valued at $15.1 billion earlier this year, Lyft's valuation is projected to surpass that number. Investors will be better able to gauge whether Lyft is worth the $25 billion valuation it is seeking after the company makes its IPO filing public.

In contrast, Lyft's top competitor, Uber, has also considered an early 2019 listing, receiving proposals valuing the company up to as much as $120 billion. Unlike Uber, which has a global presence, Lyft is "squarely focused on the booming American ridesharing market." While Uber has dipped into new areas such as delivery (Uber Eats) and shipping (Uber Freights), Lyft has shied from such untested markets. This "presents a much clearer growth story to investors."

Based on their S1 form filed to the SEC, Lyft had an annual revenue of $2.16 billion and $911 million loss in 2018. Compared to the previous year, Lyft has shown steady growth in numbers, up from a $1.06 billion revenue and $688.3 million net loss in 2017.

Despite this upward trend, there are concerns of numbers manipulation to upsell the IPO. The Wall Street Journal has noted that "when Lyft launches certain promotions for riders, it books the ride's full price as revenue, not the discounted price," instead recording the difference as a "sales and marketing expense." Furthermore, Lyft's largest investor Rakuten calculated the company's market share numbers to be 30% higher than what market research firm Second Measure stated.

Apart from Uber, technology companies Airbnb, Slack, Palantir, and Pinterest also aim to make a showing this year. Lyft plans to pitch to investors by mid-March and allow public trading until the end of the month. If all goes well, this first major technology company IPO of the year could lay the groundwork for many successful IPOs to follow. Given the Federal Reserve Chairman Jerome Powell's suggestion that the Fed does not intend to raise interest rates any time soon, coupled with the current bull market, now is a prime time to IPO. However, if the first one to break the ice fails, the pack of technology companies following Lyft may yet hold back and wait for calmer markets.