

Tech Unicorn Investments

By Peter Gutman, J.D. Candidate 2021 | April 7, 2019

Lyft, Inc. made their long anticipated NASDAQ debut on Friday, March 29th and shares [rose 23%](#) in their first day. After the initial surge, the stock settled back down toward the end of the day, [finishing up 8.7%](#). Prior to the debut, Lyft had faced major losses, as well as criticism of their company strategy involving [autonomous driving paired with new laws](#) aiming to get drivers higher pay. Despite the modest gains seen on the first day of trading, the stock found itself in much murkier waters on day two as the stock price [dipped below its I.P.O. price](#). In the end, it faltered 12% and sounded a few investor alarms, as the market begins to gauge investor “appetite for fast-growing but unprofitable tech companies.”

This bumpy start is especially pertinent this year as other major companies plan to go public, including Uber, Slack, Pinterest, Peloton, and Postmates. While the initial surge bodes well for Lyft’s biggest rival, Uber, the subsequent fall may be cause for some tempered concern. The main issue for investors is that they must weigh the chance of missing out as early investors of a so-called tech “Unicorn” with the fears of investing in companies with shaky and [unproven economics](#).

Though the second day losses for Lyft were by no means a positive sign, it was also not at all uncommon for new tech giants, as the same occurred for [Snap, Twitter, and Groupon](#). Many investors have pointed out that the real test for Lyft is to watch its gains in the coming months, especially once Uber debuts alongside them in the market. Lyft announced almost \$1 billion in losses in 2018 and Uber sales have slowed down, while losses continue to pile up as well. The questions for investors continue to pile up, as they will be forced to risk missing out on a possibly great opportunity with the subsequent risk of investing in companies with no track record of profitability and uncertain future sustainability.

