



Why Lyft Stock Dropped 20% Last Month

Description

What happened

Shares of **Lyft** ([NASDAQ: LYFT](#)) decelerated again last month, losing 20% according to data from [S&P Global Market Intelligence](#). The company actually delighted investors with its second-quarter earnings report, but that was not enough to buck the tide in the market against high-priced [IPO stocks](#) like Lyft and rival **Uber** ([NYSE: UBER](#)). Additionally, investors balked as the We Company, the parent of WeWork, filed for its IPO, putting further pressure on Uber and Lyft.

As you can see from the chart below, it was an eventful month for Lyft stock, which moved up and down several times, but in the end finished down 20% for the month of August.

So what

Lyft shares popped briefly on August 8 after its second-quarter earnings report came out, as shares finished up 3% after gaining nearly 10% at one point during the session. The company topped its own guidance with another quarter of strong revenue growth, with sales jumping 72% to \$867 million. It also raised its full-year revenue growth forecast to between 61% and 62% from a previous range of 52% to 53%, a promising sign.



Image source: Lyft.

However, the following session the stock gave up all those gains and then some after rival Uber posted disappointing numbers indicating slowing ridesharing growth and a wide loss. For reasons that seem [misguided](#), the market has traded these two stocks in tandem, so good news or bad news for one is treated as the same for the other. However, the reality is that they are direct competitors fighting each other for market share.

The following week, Lyft stock tumbled again after WeWork parent the We Company [filed to go public](#), revealing a number of problems, including poor corporate governance and wide losses. The filing seemed to confirm to investors that IPO stocks like Uber and Lyft are overvalued.

Finally, Lyft passed an important test on August 19 when its lockup period expired, allowing insiders to sell. Those investors largely held the stock, however, and the price remained steady.

Now what

Lyft shares have continued to limp through September, hitting an all-time low yesterday as the company faces regulations in California that would force Lyft, Uber, and their peers to classify drivers as employees rather than independent contractors, a move that would increase Lyft's expenses and could pave the way for similar legislation in other states.

With fast growth and huge losses from the company, investors can expect continued volatility from Lyft, but last month's plunge in both its stock and Uber's makes it clear that the honeymoon period for these IPO stocks is over.

CATEGORY

1. Investing
2. Tech Stocks

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1. Syndicated

TICKERS GLOBAL

1. NASDAQ:LYFT (Lyft, Inc.)
2. NYSE:UBER (Uber Technologies, Inc.)

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