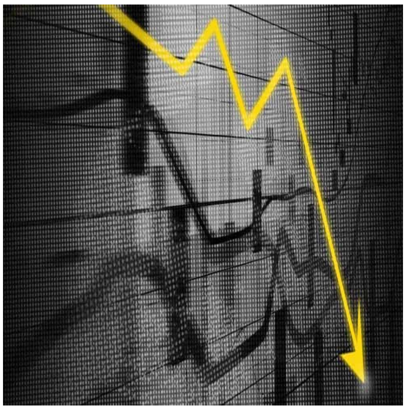

Why Uber Stock Crashed 23% in August

Description

What happened

Shares of **Uber Technologies** (NYSE: UBER) were moving in reverse last month after the ridesharing pioneer reported another underwhelming quarter, featuring slowing revenue growth and wide losses. As a result, the stock fell 23% during August, according to data from S&P Global Market Intelligence.

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Most of the stock's losses for the month came during the second week of August after its second-quarter earnings report came out.

So what

Uber shares actually rose on Aug. 8, gaining 8%, to briefly put it in positive territory for the month, after rival **Lyft** posted strong numbers in its second-quarter report.

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Image source: Uber.

However, Uber promptly gave back those gains the following day after its own report came out. Revenue in the quarter rose just 14% to $3.17 billion, badly missing estimates at $3.36 billion, though gross bookings grew faster, increasing by 31%, or 37% in constant currency, to $15.8 billion. Revenue, adjusted for currency and a one-time driver award associated with the IPO, was up 26%.

More concerning may have been that the company's adjusted EBITDA loss more than doubled in the period, increasing 125% to $625 million, a sign that profitability is only getting further away for the ride-hailing juggernaut. That translated into a per-share loss of $4.72 versus analyst expectations of a $3.12 loss.

The stock continued to decline following the report as news emerged that Uber had instituted a hiring freeze, a warning sign for a growth stock. And **WeWork**'s IPO filing on Aug. 14 inspired skepticism from Wall Street, causing investors to look at IPO stocks like both Uber and Lyft more harshly.

Now what

Uber shares have recovered modestly thus far in September after hitting an all-time low on Sept. 3 even though the news around the stock hasn't much improved. Uber said it would lay off 400 corporate employees in engineering and product, a sign the company is trying to scale back its losses. Uber and

Lyft also appear to be on the losing end of a new California law that would deem their drivers employees instead of independent contractors, a result that will likely increase the companies' expenses.

At this point, Uber looks like a broken IPO. Growth is sharply decelerating, and it's still losing billions of dollars a year. The company has plenty of ideas and several secondary businesses in addition to its core ridesharing operation, but that doesn't really matter if the numbers don't add up. If top-line growth continues to slow, look for the stock to fall even lower.

CATEGORY

1. Investing
2. Tech Stocks

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1. NYSE:UBER (Uber Technologies, Inc.)

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