



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](#).

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.



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. Syndicated

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

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Date

2025/06/30

Date Created

2019/09/12

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