Why Lyft Stock Lost 17% in September

Description

What happened

Shares of **Lyft** (NASDAQ: LYFT) continued to struggle last month as they gave up another 17%, according to data from S&P Global Market Intelligence. There was no specific news driving the stock lower. Rather, it slipped on general concerns about IPO stocks following the busted We Company IPO, along with worries about the general regulatory environment the company faces after California passed a law that will force Lyft and Uber to classify contractors as employees.

So what

The only significant piece of news that directly affected Lyft last month was California's passage of a bill that would make Lyft drivers employees rather than contractors, starting at the beginning of the new year. Both Uber and Lyft fought the bill vigorously since they prefer their drivers to be contractors for a number of reasons, but the California decision is a sign that the regulatory tide may be shifting against the gig economy.

Uber and Lyft plan to fight the bill, including taking the measure to voters in a ballot initiative next year, and the company went as far as to say that the new law would not require it to classify drivers as employees.

Image source: Lyft.

Surprisingly, Lyft shares actually finished Sept. 11, the day the bill passed, higher by 2%, a sign that the market believed the risk from the bill was already priced in.

The other news item weighing on Lyft stock was the meltdown of The We Company's IPO, an event that seemed to signal that many of the so-called unicorns that went public recently, including Lyft, were overvalued, especially those losing gobs of money like the WeWork parent. On Sept. 24, the day that Adam Neumann resigned as CEO of The We Company in a stunning fall from grace, Lyft stock gave up 8%.

Now what

Lyft stock has continued to slide in October on similar concerns about being overvalued. At this point, it has lost nearly 50% of its value from its March IPO at $72 a share. The ridesharing company is growing quickly but also posting wide losses. It forecasts a loss this year of $850 million to $875 million in adjusted earnings before interest, taxes, depreciation, and amortization (EBITDA). With the WeWork collapse, the market has showed it won't be forgiving of such a high-growth, cash-burning business model. Given that, Lyft's slide could continue.

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1. NASDAQ:LYFT (Lyft, Inc.)

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