



## Can Uber and Lyft Shift Out of Neutral?

### Description

The good news for beleaguered **Lyft** ([NASDAQ: LYFT](#)) and **Uber** ([NYSE: UBER](#)) investors is that an analyst is initiating coverage of the ride-hailing duopoly. The bad news is that MKM Partners is rolling out coverage with neutral ratings on both stocks. MKM Partners is slapping a price target of \$32 on Uber and \$45 on Lyft.

The new price goals are much lower than each stock's IPO price. Uber went public at \$45 in May. Lyft hit the market at \$72 two months earlier. Thankfully for investors thinking about initiating a position in one or both companies, the new analyst price targets offer some implied upside from current levels, with both stocks hitting new all-time lows on Wednesday. MKM Partners' price goals are 10% ahead of where Uber closed on Wednesday and 17% above where Lyft is currently perched.

At a time when there has been little to get excited about either company for existing shareholders, this will have to do as a relative positive development.

## Losing money as ridership grows

Timing is the key to [investing in IPOs](#), and it's fair to say that Uber and Lyft could've been market darlings had they gone public a year ago, or maybe two years from now. The two companies that dominate the personal mobility app market are in an undeniably growing niche, and even as growth understandably decelerates, they are both cranking out hearty double-digit revenue gains.

Bookings soared 31% in [Uber's latest quarter](#), and Lyft is growing even faster. The [72% top-line pop](#) that Lyft posted in the second quarter was more than what any of the 30 analysts covering the stock were expecting. Both companies are losing a *lot* of money, and that is why the market has kicked both stocks to the curb. It's just not fashionable to go public without a clear path to profitability, and the same process that shelved the WeWork IPO last month is also weighing on the 2019 debutantes that managed to sneak in under the wire.

None of this suggests that Uber and Lyft are perfect. Uber's revenue and net adjusted revenue are running at less than half of its gross bookings rate as it shells out more money to its drivers to keep

them incentivized. Lyft doesn't have the same profit-mauling ventures like Uber Eats or the push to move its mobility app overseas, but Uber's smaller rival is still years away from turning the corner on the bottom line.

California is also about to make things harder for Lyft and Uber by requiring them to reclassify drivers as employees instead of independent contractors as early as next year, a move that will either force rates in the country's largest state higher or dig the ridesharing duo into a bigger deficit hole.

In a different investing climate, growth investors would be eyeing the booming popularity of the platforms favorably and betting on the transportation industry's disruption. Right now, it's just a matter of exhaling when an analyst initiates coverage and simply settles for a neutral rating.

## **CATEGORY**

1. Investing
2. Tech Stocks

## **POST TAG**

1. Syndicated

## **TICKERS GLOBAL**

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

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## **Author**

rick-munarriz

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