



Lyft: Growth Strategy and Sentiment Analysis

Aug 2023



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Company Sentiments and Growth Forecast (Q2 FY23)



Mayirp View

Growth Strategy: Neutral

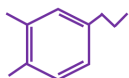
- ✓ Focus on improving service for riders and ensuring a great driver experience. This includes launching new features like Wait and Save, which helps riders save money on rides, and investing in driver training and support.
- ✓ Continue to innovate on the product side including developing new features that make it easier and more convenient for riders to get around, such as the recently launched Express Pool feature.
- ✓ Intention to capitalize on secular trends, such as the move back to work and school. These trends are driving increased demand for ridesharing services.
- ✓ Looking at offering competitive pay and benefits, as well as making it easy for drivers to sign up and get started and implementing cost-saving measures, such as ride-sharing with other passengers.

Revenue Growth: Negative

- ✓ Lyft's ridership grew by 18% year-over-year in the second quarter of 2023, reaching the second highest level in company history.
- ✓ The number of drivers using Lyft grew by more than 20% in the second quarter of 2023, compared to the same quarter last year.
- ✓ Increasingly competitive industry, as Uber and other companies continue to grow their businesses. This competition has put downward pressure on prices, which will affect Lyft's revenue growth.
- ✓ The cost of insurance has been rising in recent years, and this has put pressure on Lyft's margins. The company has been working to offset these higher costs by raising prices and improving its risk management practices.

Profitability: Negative

- ✓ Significant decline expected in profitability as the company competes on a war-zone of mobility services
- ✓ Contribution margin decreased by 18 percentage points YoY. This is a significant decline, and it is mainly due to higher insurance costs and lower revenue per ride.
- ✓ Operating expenses as a percentage of revenue decreased by 24% YoY due to cost restructuring initiatives, such as reducing marketing expenses and streamlining operations.
- ✓ Adjusted EBITDA margin of approximately 7%. This is below the company's target of 10%. The decline in profitability is a concern



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Company Sentiments and Growth Forecast (Q2 FY23)

Earnings Call Sentiments and Highlights

Positive: 40%

Neutral: 31%

Negative: 29%

- ✓ Rideshare rides up 18% YoY, active riders at multi-year highs.
- ✓ Reduced Prime Time pricing impact by 35% from Q1.
- ✓ 40% YoY growth in Wait and Save trips.
- ✓ \$1.021B Q2 revenue, 3% YoY increase.
- ✓ 42% contribution margin, up 10% points YoY.
- ✓ Positive driver feedback, 70% brand familiarity.
- ✓ Focus on innovation and growth.

- ✓ Uncertainty about insurance renewal impact on costs.
- ✓ Insurance costs affecting cost per ride, contribution margin.
- ✓ Moderating take rate, micro Mobility business significance.
- ✓ Outlook uncertainty, conservative revenue growth.
- ✓ No Contra revenue guidance, unannounced long-term targets.
- ✓ Slow Q3 outlook growth, potential future challenges.

Company Sentiments and Growth Forecast: Detailed Overview (1/5)

Time	Positive	Negative	Positive Driver	Negative Driver
5 mins	64%	11%	✓ Rideshare rides grew 18% year on year, accelerating for the second quarter in a row. ✓ Standard rides reached the second highest level in company history. ✓ Active riders and drivers reached multi-year highs. ✓ Share of rides affected by Prime Time pricing dropped by 35% compared to Q1. ✓ More ride intents converted into rides taken.	✓ No negative sentiments expressed in the statement.
10 mins	47%	28%	✓ Driver feedback on the launch has been positive, with more than half of drivers saying the changes have improved their overall experience using Lyft. ✓ There has been a 25% increase in preference for Lyft among drivers who use both Lyft and Uber since Q4 of last year. ✓ The number of drivers using Lyft grew by more than 20% in Q2 compared to Q2 last year. ✓ Driver hours increased by more than 35%. ✓ Wait and Save trips grew by more than 40% year on year in Q2. ✓ Lyft averages more than 150,000 wait and save rides per week in New York City alone in Q2. ✓ Lyft has strong brand recognition, with over 70% of US adults ages 18 to 65 being familiar with Lyft.	✓ No negative sentiments expressed in the statement.

Company Sentiments and Growth Forecast: Detailed Overview (2/5)

Time	Positive	Negative	Positive Driver	Negative Driver
15 mins	33%	7%	✓ Strong driver growth and a strong mix of new and returning riders. ✓ Frequency of rides reaching the highest level in more than two years. ✓ Momentum across use cases, with standout growth in commute and early morning trips. ✓ Highest volume of airport rides since 2019. ✓ Solid financial performance in Q2, with revenue of \$1.021 billion, up 3% YoY. ✓ Bike and scooter system sales showing strong growth YoY ✓ Contribution margin of 42%, in line with guidance and a 10 percentage point increase from Q2 of last year. ✓ Q2 adjusted EBITDA of \$41 million, exceeding the high end of guidance range. ✓ Solid cash position with unrestricted cash, cash equivalents, and short-term investments of approximately \$1.7 billion.	✓ Lower revenue per ride, resulting in a decrease in revenue per active rider by 5% from Q2 of 2022. ✓ Non-recurring legal cost classified as contra revenue in the quarter. ✓ Higher insurance costs and lower revenue per ride leading to an 18 percentage point decline in contribution margin YoY. ✓ Operating expenses of \$410 million, down 24% YoY due to cost restructuring initiatives ✓ Operating expenses were lower than guidance by approximately \$20 million.
20 mins	82%	3%	✓ Anticipate contribution margin of approximately 45%, reflecting a sequential improvement of roughly 3 percentage points. ✓ Expect operating expenses as a percentage of revenue to be 40-41%. ✓ Expect adjusted EBITDA of \$75-85 million and an adjusted EBITDA margin of approximately 7%. ✓ Preliminary view suggests revenue will grow low to mid single digits quarter over quarter in the fourth quarter. ✓ Expect continued strong ride share growth and improvement in cost structure.	✓ Fourth quarter adjusted EBITDA margin as a percentage of revenue expected to be slightly lower than Q2 2023. ✓ Uncertainty regarding the impact of insurance renewals on costs. ✓ Need to refine the view on fourth quarter expectations in the Q3 earnings call. ✓ No specific information provided on prioritized projects or resource allocation.

Company Sentiments and Growth Forecast: Detailed Overview (3/5)

Time	Positive	Negative	Positive Driver	Negative Driver
25 mins	55%	15%	✓ The company is focused on improving service for riders and ensuring a great driver experience. ✓ They are proud of their product innovation, such as the "Wait and Save" feature and airport work. ✓ They are experiencing growth due to a secular move towards back to school and back to work. ✓ They have more innovation planned for the rider and driver side, which they believe will drive further growth. ✓ The Q3 outlook assumes continued strong ride share growth in the back half of the year.	✓ There is a concern about cost headwinds that could hamper investments and potentially slow down growth. ✓ There is uncertainty about the impact of lapping or comparing growth to the year-ago period.
30 mins	51%	7%	✓ The company is committed to helping San Francisco recover by helping people get back to work. ✓ The company has arrangements with Cisco, Netflix, and other companies to help people get back to work. ✓ There is a lot of investment going on to ensure continued growth. ✓ The company is focused on getting the best rates and negotiating with providers to minimize costs. ✓ The company wants to avoid passing any of the cost onto customers.	✓ The company has insurance renewal costs that need to be spread out over time. ✓ The cost of insurance is a basic cost that the company has to deal with. ✓ The company wants to find ways to absorb as much of the cost as possible before passing it onto customers. ✓ The insurance costs may impact the ability to reinvest capital in the business in Q4. ✓ The impact of insurance renewals may result in low single-digit year-over-year revenue growth.
35 mins	32%	32%	✓ The company expects consistent pricing in the market quarter over quarter. ✓ There have been improvements in driver satisfaction, and the company plans to continue innovating in this area. ✓ The company is focused on increasing transparency for drivers and providing them with more control and independence. ✓ The regulatory landscape has calmed down, and the company feels good about where they are.	✓ The sustainability of double-digit Rideshare volume growth beyond 2023 is uncertain. ✓ Cash burn remains a challenge, and bridging the gap to sustainable free cash flow generation is a priority. ✓ The company has incurred costs related to insurance payments and restructuring programs. ✓ Capital expenditures have been high but are expected to moderate in the second half of the year.

Company Sentiments and Growth Forecast: Detailed Overview (4/5)

Time	Positive	Negative	Positive Driver	Negative Driver
40 mins	28%	27%	✓ There is a lot of growth potential in different segments. ✓ Frequency of usage is increasing, indicating higher user engagement. ✓ Opportunities for growth are expected with the return to work, school, and winter travel. ✓ The company is focused on competing on service and differentiation rather than changing pricing dramatically. ✓ The share of rides affected by surge pricing has decreased, which is good for riders and overall marketplace health.	✓ The take rate is expected to be lower year over year. ✓ Insurance costs are rising, leading to higher cost per ride. ✓ The combination of lower take rate and higher volume results in a wider range of outcomes for revenue in the fourth quarter.
45 mins	42%	23%	✓ The company expects growth in the future with the introduction of new products. ✓ The management is focused on providing guidance and metrics to track progress. ✓ The company aims to build differentiated products and services with higher margins. ✓ The headcount reduction has resulted in increased agility and quick decision-making.	✓ The take rate is moderating year over year and is expected to continue in the back half. ✓ There may be compression in contribution margin due to insurance costs. ✓ The company expects ebitda margin in line to slightly below the level seen in Q2 2023. ✓ The company is managing costs for the long term but will not pass them on to customers if possible.
50 mins	4%	77%	✓ Lyft has made a strategic choice to build a healthy business for the long term instead of focusing on growth at all costs. ✓ Lyft has invested in the non-emergency healthcare segment, which has seen a 40% year-on-year growth in rides. ✓ Lyft has partnerships with 120 colleges and universities for transportation services. ✓ Lyft's brand is perceived positively by both drivers and riders, which can be a strong advantage in the market.	✓ Market share is not discussed in detail, but it is mentioned that it is not a leading indicator and is currently going up. ✓ No specific geographies are mentioned as being stronger since the implementation of competitive pricing.

Company Sentiments and Growth Forecast: Detailed Overview (5/5)

Time	Positive	Negative	Positive Driver	Negative Driver
55 mins	37%	35%	✓ Miami saw a four percentage point increase, which is great to see. ✓ The company is doing some work in Miami to drive this growth. ✓ The company sees Miami as a market for experimentation and testing. ✓ The micro Mobility business is growing fast, with over 100,000 bike rides in New York City alone. ✓ The company opened a third station in Golden Gate Park, San Francisco, which is significant for the city. ✓ Bikes are becoming increasingly important in transportation ecosystems, as seen in cities like London and Paris.	✓ The micro Mobility business is still a relatively small portion of the overall business. ✓ Financially, the micro Mobility business is not super significant. ✓ The revenue outlook for the next quarter looks a little light compared to typical sequential revenue growth. ✓ There may be assumptions or conservatism in the outlook that could explain the slower growth.
60 mins	5%	80%	✓ The company expects a more efficient use of Contra revenue, with a decline in incentive costs and a healthier balance between supply and demand. ✓ The team is described as focused, hardworking, and working well together. ✓ The company sees continued opportunity for healthy unit economics and contribution.	✓ The company did not provide specific guidance for Contra revenue for the next two quarters, indicating uncertainty. ✓ Long-term targets have not been announced yet, leaving some uncertainty about future performance. ✓ The mention of insurance and contribution margins potentially shaking out early next year suggests potential challenges in those areas.