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LYFT, INC

LYFT | \$9.60

Hold | Target Price: \$15

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2Q24 – Fine Quarter but Outlook Underwhelms

2Q24 Revenue +41%, EBITDA Margin +137 bps to +2.6%, EPS \$0.24 vs. Street \$0.17

The issue for Lyft is the comparison to Uber. It is a natural reaction to take Lyft's results / outlook and immediately compare it to Uber's. But there are significant differences that make comparisons of the two less meaningful. Lyft is a near pureplay US rideshare company with their only international market in Canada (LSD of rides) vs. Uber who is a global enterprise in 70 markets (revenue nearing 50/50 domestic/int'l), as well as half their business coming from delivery (Lyft has no exposure). What we think you can deduce from this earnings season is that travel trends in the US domestic market moderated in late June & July, and with limited demand visibility, the assumption is the remainder of 3Q will mirror that trend. This has been a consistent theme within travel – Airbnb called out booking hesitancy starting in July in the US, hotels have cited more moderate leisure demand in the US domestic market. Point here is that although Lyft has plenty of growth potential ahead of it, the macro weakness still impacts the business. In fact, on the margin airport pick-ups / drop-offs grew slower than non-airport rides, which is notable given the cyclical nature of air travel. Uber's scale allows them to mask those headwinds in the US, Lyft's does not.

On the numbers - slightly ahead 2Q accompanied by a soft outlook.

2Q24 results came in slightly better than expectations. Revenue grew 41% y/y to \$1,436 mm vs. the Street expecting \$1,386 mm as the take rate improved 6 pts y/y. Gross bookings grew 16.6% y/y to \$4,019 mm vs. the Street expecting \$4,058 mm. Key KPIs continue to track, with total rides in 2Q increasing 15.4% and active riders up 10% y/y. All in all, EBITDA of \$103 mm came in nearly 5 pts better than expectations as EBITDA as a % of GBV touched 2.6%, exceeding guidance of 2.4%. On the other hand, the forward outlook was a bit underwhelming. Lyft sees gross bookings up 13 to 15% in 3Q vs. expectations of near +17% growth. EBITDA margin as a % of GBV is guided to 2.3%, resulting in an EBITDA range of \$90 to 95 mm, below the Street expecting \$103 mm. The 2024 guide was maintained - mid-teens total rides growth, gross bookings growing slightly below rides, and EBITDA (as a % of GBV) margin of 2.1%.

Rolling out a new subscription price lock. At the core, Lyft is attempting to solve for travel accessibility and convenience. Many of Lyft's consumer initiatives have attempted to make its service more reliable and affordable with the introduction of on-time pickup promise, wait and save, etc. Price lock is a new subscription service (\$3-5 / month) that allows for one to lock in a price on a route and drive certainty of price for a fee. *Continued...*



The price lock initiative is specifically catered to the commuter who might traditionally be impacted by erratic pricing due to weather, demand, and supply. The ultimate goal is to drive loyalty as well as lower surge pricing (down 25% q/q in 2Q), which in turn drives more frequency and growth of the Lyft platform. Details are still a bit hazy at the moment, but the expectation should be this initiative will take a few quarters to ramp.

Bottom line – Lyft stock is down 11% as of writing as the market continues to punish any travel stocks that suggest more moderate demand trends in their outlook. Again, Lyft has plenty of growth potential, but given the limited network to just the US & Canada and no delivery offering, macro factors likely have an outsized impact on quarter-to-quarter results.

Figure 1: Key 2Q24 Results and Forward Guidance

	2Q23		2Q24 Expectations			3Q23				2023		2024 Expectations		
	Actual	Guidance	Actual	Melius	Cons.	Actual	Act. Guide	Melius	Cons.	Actual	Guidance	Act. Guide	Melius	Cons.
Total Rev (\$mm)	1,021		1,436	1,393	1,386	1,158		1,442	1,421	4,404			5,594	5,534
Vs. Year Ago Period			40.6%	36.5%	35.8%			24.5%	22.8%				27.0%	25.7%
Adj. EBITDA	41	\$90 to 100	103	98	98	92	\$90 to 95	100	103	222			352	353
Vs. Year Ago Period			150.9%	137.8%	139.2%			8.8%	12.5%				58.1%	58.9%
Adj. EBITDA Margin	4.0%		7.2%	7.0%	7.1%	7.9%		6.9%	7.3%	5.1%			6.3%	6.4%
% of Gross Bookings	1.2%	~2.4%	2.6%	2.4%	2.4%	2.6%	~2.3%	2.4%	2.5%	1.6%	~2.1%	~2.1%	2.2%	2.2%
Adj. EPS	0.16			0.17	0.16	0.24		0.20	0.17	0.65			0.70	0.53
Gross Bookings (\$mm)	3,446	\$4,000 to 4,100	4,019	4,076	4,058	3,554	\$4,000 to 4,100	4,157	4,147	13,775	Growing slightly faster than rides	Growing slightly faster than rides	16,224	16,214
Vs. Year Ago Period		+16 to 19%	16.6%	18.3%	17.8%		+13 to 15%	17.0%	16.7%				17.8%	17.7%
Active Users (mm)	21.5		23.7	23.4	23.5	22.4		24.4	24.2	21.5			23.5	23.8
Vs. Year Ago Period			10.2%	9.0%	9.3%			8.8%	8.0%				9.7%	10.8%
Rides (mm)	177.9		205.3	205.5	205.2	187.4		215.0	214.1	709.1	mid-teens	mid-teens	826.1	822.9
Vs. Year Ago Period			15.4%	15.5%	15.3%			14.7%	14.2%				16.5%	16.0%
Take Rate	29.6%		35.7%	34.2%	34.2%	32.6%		34.7%	34.3%	32.0%			34.5%	34.1%

Source: Company Reports, FactSet and Melius Research



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