INVESTOR'S EDGE

No reason yet to hop into Uber and Lyft

Until they show profits, only take a small, speculative position in the companies

"All's fair in love, war, and ride-sharing."
— Marc Andreessen

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Though not as young as I used to be, my wife and I can still hang out with the younger crowd on any given Friday or Saturday night ... until about 10 p.m. or so. In fact, if you happen to see me out, please say hello. I'll buy you a beer. Or, if you have made some money on my many winning stock picks for Investor's Edge readers, you can buy me one!

Let's just make sure we both get a safe ride home. And sometimes, that means getting an Uber.

Since Uber and Lyft's arrival to Syracuse in 2017, the ride-sharing apps have taken off in popularity, providing a safe and convenient ride home from the bar, to a Syracuse football game, or to the airport.

The two companies have announced their separate bids to go public this spring, spurring much interest and excitement among investors. So, let's take a look at the two competitors and their potential investment opportunities.

Ride-sharing companies such s Uber and Lyft provide a platform for individuals to obtain rides from a private vehicle driven by its owner. You simply type into the app your desired destination and order a ride to pick you up at your current location.

Unlike hailing a taxi or riding the bus, using a ride-sharing service is completely cashless, paid for and processed through the ride-sharing app. You are able to save a preferred debit or credit card in the app to automatically use each time you ride.

Uber and Lyft both allow real time GPS tracking of your driver as he makes his way to pick you up, as well as your trip progress during your ride.

Between the convenience, flexibility, and on average lower fares, using a ride-sharing service such as Uber or Lyft has become immensely popular. In fact, roughly a third of all Americans have reported using a ride-sharing service.

Uber is the king of ride-sharing, present in more than 70 countries around the world, including 300 major cities. The company has dominated as the first mover in its industry and commands roughly 60 percent market share in the United States.

Along with traditional ride-sharing, Uber operates a variety of other ventures including its fast-growing food delivery service Uber Eats, a carrier/courier system called Uber freight, and other transportation services.

Lyft on the other hand, is like the smaller, rebellious younger brother to Uber. Newer to the scene, Lyft operates only in the United States and parts of Canada, holding about 40 percent market share in the ride-sharing industry.

Unlike Uber, which is able to pursue acquisitions and other ventures because of its size, Lyft almost solely focuses on traditional ride-sharing and represents a "pure-play" ride-sharing investment.

Last Friday, Lyft began trading on the New York Stock Exchange, debuting with a price of $72 per share at a value of about $23 billion. In its first day of trading, the stock initially surged more than 20 percent, before cooling off to close at $78.29. By the following Monday morning, the stock had already plunged below its IPO price.

Uber will begin trading publicly sometime later this spring and, given its size and scale, is expected to have a much larger valuation of about $120 billion.

Both companies are aggressively spending money to maintain and grow their market share, and going public will help provide them the capital to do so. As ridesharing has become more mainstream, both Uber and Lyft have seen their revenues rise, but also have accelerated their losses.

In fact, Lyft posted a $900 million loss for all of 2018 and actually lost $1.47 for every ride it gave! Uber posted a larger $1.8 billion loss during the same time frame. In all likelihood, profitability is a good five or more years away for both companies.

There is no doubt that Uber and Lyft are growing companies that offer a disruptive service, but I see no reason to "hop in" and buy shares now, pun intended.

Indeed, to be a successful investor, you must know what you are looking for when considering a stock. It's called investor discipline. I demand a company show positive earnings power and a healthy fundamental track record. Therefore, I recommend readers pass on investing in either of these unprofitable companies.

I will caveat by saying that if you want to take a small, speculative position here, go for it. But please, don't let your portfolio get taken for a ride!

Jim Burns, a chartered financial analyst, is president of J.W. Burns & Co. The opinions expressed here are his and do not necessarily reflect those of The Post-Standard. Readers should do research before deciding on an investment. Contact him at jburns@jwburns.com.

Lyft co-founders John Zimmer, front second from left, and Logan Green, front second from right, celebrate the company's initial public offering in Los Angeles.
Ringo H.W. Chiu, Associated Press, file

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