

LYFT – The Amateur Short

Shorting disruptive companies that dominate a megatrend simply because they lose money is a sure way to go broke.

Let's first start by saying this is not a trade. The principal of Citron has been an investor in Lyft for the past 2 years and we have increased our position in the open market.

Over the last 25 years, we have shorted more stocks than anyone reading this article. From Wayfair to HubSpot to our initial Tesla short, most all bad recommendations had one common theme:

Money losing companies with high growth and large TAM.

Goldman Sachs expects the ride hailing industry to grow to \$285 billion by 2030.

This is the exact same short thesis that is being passed around on Lyft by the "amateur shorts". Under this method, you would have been short AMZN, NFLX, SQ, and the list goes on.

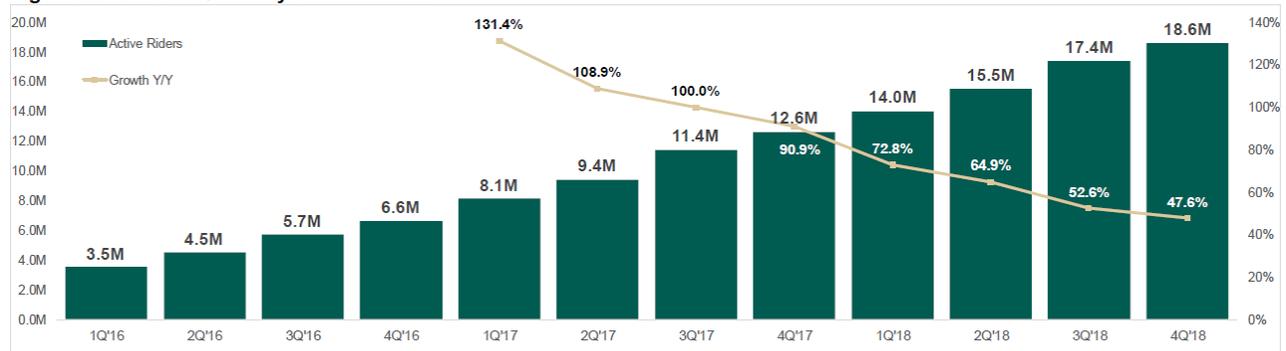
The entire ride share market in the US only accounts for 1% of miles traveled today.... we have only just begun. Below are 5 reasons not to be short Lyft.

1. Compounder

- Lyft has grown active riders more than 5x from Q1'16 to 18.6 million in Q4'18.
- The % of 18-year-olds using ridesharing is exponentially higher than the % of 70-year-olds using the service (i.e., the # of active riders will grow significantly as the population ages).
- There are 13 million people in the US between the ages of 15 to 17 years old. Over the next 17 years, there are over 73 million people who will turn 18 and turn to Lyft to get around.

<https://datacenter.kidscount.org/data/tables/101-child-population-by-age-group#detailed/1/any/false/871,870,573,869,36,868,867,133,38,35/62,63,64,6,4693/419,420>

Figure 22: LYFT – Quarterly Active Riders



Source: Company data, D.A Davidson & Co.

2. Upward Sloping Cohort Curves

Lyft is in a rare class of businesses along with Amazon and Alibaba where people use the service more and more over time and don't need to be reacquired. This is in stark contrast to most other consumer businesses like Wayfair and/or Carvana where a customer's purchases do not increase.

Businesses like Lyft and Amazon save life's most precious commodity, time, and therefore have the greatest pricing power as well.

THIS IS THE CHART YOU DO NOT SHORT

Figure 23: LYFT – Revenue per Active Rider



Source: Company data, D.A Davidson & Co.

3. The Trend is Real

In a recent sell recommendation, a second-tier broker commented on Lyft:

The Thesis:

“Valuation for the new stock is tough because the company is already a well-known brand, but its business model relies on an ongoing societal change that may or may not continue, Ward said in the Tuesday initiation note.”

What??

Millennials Are Foregoing Car Ownership for Ride Sharing

- The % of American 16-year-olds with driver’s licences has declined from 46% in 1983 to 26% in 2016.
- In 2018, over 300K Lyft customers got rid of their car.

This is not a trendy video game or a GoPro camera.... this is a way of life that is saving people time and ensuring safety. Ridesharing is not a fad... it is a megatrend.

4. Massive Valuation Discount to Uber Despite Taking Share

Uber is valued at six times Lyft’s valuation at \$120 billion though Lyft is rapidly taking share from Uber with US market share growing from 22% in 2016 to 39% in 2018. In 2018, revenue grew 103% YoY at Lyft vs. 43% at Uber.

5. Blue Sky Narratives

Lyft can tell the story of Autonomous Driving and the future of margins.

In 2018, Lyft celebrated 5,000 paid self-driving rides in Las Vegas.

<https://blog.lyft.com/posts/lyft-aptiv-5000>

More importantly, what Citron believes will be the future of ridesharing is a subscription model that if executed properly is the ultimate blue sky.

You want money losing companies?? We can write pages.

Why does the media not get this story right?

Can someone please tell me why this is the most highly shorted stock trading today?

Cautious Investing to All

These reports have been prepared by either Citron Research (“Citron Research”) or Citron Capital, LLC (“Citron Capital”). Citron Research and Citron Capital are referred to collectively as “Citron” and each individually as a “Citron Entity.” Each report specifies the publisher and owner of that report. All reports are for informational purposes only. Under no circumstances should any of these reports or any information herein be construed as investment advice, or as an offer to sell or the solicitation of an offer to buy any securities or other financial instruments.

Citron Research produces research reports on publicly traded securities, and Citron Capital is an investment adviser registered with the SEC. The reports are the property of the applicable Citron Entity that published that report. The opinions, information and reports set forth herein are solely attributable to the applicable Citron Entity and are not attributable to any Citron Related Person (defined below) (other than the Citron Entity that published the report).

By downloading, accessing, or viewing any research report, you agree to the following Terms of Use. You agree that use of the research presented in any report is at your own risk. You (or any person you are acting as agent for) agree to hold harmless Citron Research, Citron Capital and each of their affiliates and related parties, including, but not limited to any principals, officers, directors, employees, members, clients, investors, consultants and agents (collectively, the “Citron Related Persons”) for any direct or indirect losses (including trading losses) attributable to any information in a research report. You further agree to do your own research and due diligence before making any investment decision with respect to securities of the issuers covered herein (each, a “Covered Issuer”) or any other financial instruments that reference the Covered Issuer or any securities issued by the Covered Issuer. You represent that you have sufficient investment sophistication to critically assess the information, analysis and opinion presented in any Citron report. You further agree that you will not communicate the contents of reports and other materials made available by Citron to any other person unless that person has agreed to be bound by these Terms of Use. If you access, download or receive the contents of Citron reports or other materials on your own behalf, you agree to and shall be bound by these Terms of Use. If you access, download or receive the contents of Citron reports or other materials as an agent for any other person, you are binding your principal to these same Terms of Use.

You should assume that, as of the publication date of a Citron report, Citron Related Persons (possibly along with or through its members, partners, affiliates, employees, and/or consultants), Citron Related Persons clients and/or investors and/or their clients and/or investors have a position (long or short) in one or more of the securities of a Covered Issuer (and/or options, swaps, and other derivatives related to one or more of these securities), and therefore may realize significant gains in the event that the prices of a Covered Issuer’s securities decline or appreciate. Citron Research, Citron Capital and/or the Citron Related Persons may continue to transact in Covered Issuers’ securities for an indefinite period after an initial report on a Covered Issuer, and such position(s) may be long, short, or neutral at any time hereafter regardless of their initial position(s) and views as stated in the Citron research. Neither Citron Research nor Citron Capital will update any report or information to reflect changes in positions that may be held by a Citron Related Person.

This is not an offer to sell or a solicitation of an offer to buy any security. Neither Citron Research nor any Citron Related Person (including Citron Capital) are offering, selling or buying any security to or from any person through any Citron research reports. Citron Research is affiliated with Citron Capital. Citron Capital is an investment adviser registered with the SEC. Citron Capital does not render investment advice to anyone unless it has an investment adviser-client relationship with that person evidenced in writing. You understand and agree that Citron Capital does not have any investment advisory relationship with you or does not owe fiduciary duties to you. Giving investment advice requires knowledge of your financial situation, investment objectives, and risk tolerance, and Citron Capital has no such knowledge about you.

The research and reports made available by Citron reflect express the opinion of the applicable Citron Entity as of the time of the report only. Reports are based on generally available information, field research, inferences and

deductions through the applicable Citron Entity's due diligence and analytical process. To the best of the applicable Citron Entity's ability and belief, all information contained herein is accurate and reliable, is not material non-public information, and has been obtained from public sources that the applicable Citron Entity believe to be accurate and reliable, and who are not insiders or connected persons of the Covered Issuers or who may otherwise owe a fiduciary duty, duty of confidentiality or any other duty to the Covered Issuer (directly or indirectly). However, such information is presented "as is," without warranty of any kind, whether express or implied. With respect to their respective research reports, Citron Research and Citron Capital makes no representation, express or implied, as to the accuracy, timeliness, or completeness of any such information or with regard to the results to be obtained from its use. Further, any research report contains a very large measure of analysis and opinion. All expressions of opinion are subject to change without notice, and Citron does not undertake to update or supplement any reports or any of the information, analysis and opinion contained in them.

In no event shall Citron Research, Citron Capital or any Citron Related Persons be liable for any claims, losses, costs or damages of any kind, including direct, indirect, punitive, exemplary, incidental, special or, consequential damages, arising out of or in any way connected with any information presented in any Citron report. This limitation of liability applies regardless of any negligence or gross negligence of Citron Research, Citron Capital or any Citron Related Persons. You accept all risks in relying on the information presented in any report.

You agree that the information in any Citron research report is copyrighted, and you therefore agree not to distribute this information in any manner without the express prior written consent of the applicable Citron Entity. If you have obtained Citron research reports in any manner other than as provided by Citron, you may not read such research without agreeing to these Terms of Use. You further agree that any dispute between you and Citron and their affiliates arising from or related to this report or viewing the material presented herein shall be governed by the laws of the State of California, without regard to any conflict of law provisions. The failure of Citron Research or Citron Capital to exercise or enforce any right or provision of these Terms of Use shall not constitute a waiver of this right or provision. You agree that each Citron Related Person is a third-party beneficiary to these Terms of Use. If any provision of these Terms of Use is found by a court of competent jurisdiction to be invalid, the parties nevertheless agree that the court should endeavor to give effect to the parties' intentions as reflected in the provision and rule that the other provisions of these Terms of Use remain in full force and effect, in particular as to this governing law and jurisdiction provision. You agree that regardless of any statute or law to the contrary, any claim or cause of action arising out of or related to Citron report or related material must be filed within one (1) year after the occurrence of the alleged harm that gave rise to such claim or cause of action, or such claim or cause of action be forever barred.