

THE WALL STREET JOURNAL.

Uber and Lyft's Platform Premium Already Waned

As legal challenges mounted, ride-hailing firms' valuations have crept closer to other transportation stocks

By Dan Gallagher

August 21, 2020

INSTRUCTIONS: Consider the two articles you read about California. What firm(s) is/are the focus of these articles? What is the industry? What opportunities and threats are suggested in these articles? What tool(s) from your toolbox did you use to identify these opportunities and threats?

Californians have enough problems right now. But for the moment, catching a ride won't be one of them.

Uber Technologies and Lyft had both threatened to shut down their services in the Golden State by midnight Thursday if they didn't win a delay in having to comply with a new state law requiring them to classify their drivers as employees. That delay came through in the final hour of the day's trading, with a state appeals court granting a conditional reprieve to allow the companies to operate as they have been until the matter fully works through the courts. Uber shares were up 6.8% by the closing bell, while Lyft's closed 5.8% higher.

The ruling still seems mixed for the companies. Granting the extension suggests at least some recognition that both Uber and Lyft have come to play an important role in a state where even the largest cities are underserved by public transportation. At the same time, both companies are also now required to submit written plans to the court about how they will ultimately comply with a state law passed last fall requiring them to reclassify their independent contractors as employees should they lose their appeals.

At best, Thursday's ruling kicks the legal can down the road. To counter the new state law, Uber, Lyft and other gig-economy companies are pushing a state ballot

measure set for this November that would allow them to keep their current status—albeit with added protections and benefits for contractors, such as added pay to account for gas and health-care subsidies for drivers who work 15 hours or more a week. A financial analyst noted that the latest ruling “essentially lets the voters decide” how Uber and Lyft will ultimately operate.

Investors, though, have been deciding for a while. Even before the global pandemic, Uber and Lyft shares were both generating largely disappointing returns since going public last year. Thus, while the two ride-hailing providers argue that they are technology platforms for others to market their services, both stocks now trade more like transportation companies—which is also how the Global Industry Classification Standard defines them.

END