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IPOS

Uber's High-Profile IPO Upsets With Weak Debut

Company's shares closed their first day of trading at \$41.57, blemish for San Francisco-based company



Uber CEO Dara Khosrowshahi, right, walks the floor of the New York Stock Exchange after the opening bell. PHOTO: SPENCER PLATT/GETTY IMAGES

By Corrie Driebusch and Maureen Farrell

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Uber Technologies Inc. UBER -7.62% ▼ skidded into the public markets Friday, falling 7.6% below the ride-hailing giant's already conservative offering price in a bleak debut for the nation's most valuable startup.

The company's shares closed their first day of trading at \$41.57, a rare initial drop for a high-profile stock. That gives Uber a valuation of roughly \$76 billion.

Only eight of the 53 U.S.-listed companies that were worth at least \$10 billion when they went public declined on their first day, according to Dealogic, whose data goes back to 1991.

The drop is a blemish for the San Francisco-based company, which staged one of the most anticipated IPOs ever. It took a conservative approach to pricing the IPO to entice buyers: After

dialing back valuation expectations, Uber priced near the low end of its target range. But the strategy wasn't conservative enough.

After a celebratory bell-ringing ceremony at the New York Stock Exchange, the trading floor got quiet and the mood soured as orders came in and it became clear the stock would open in the red. About 10 minutes before noon, more than 30 million shares changed hands at \$42, kicking off trading below the \$45 IPO price.

The market Uber launched itself into also weighed on investors' appetites. Broad stock markets have slid this week as fears about trade between the U.S. and China are rising. Stocks sold off heavily Friday morning before bouncing back, and the S&P 500 fell 2.2% for the week. Uber's chief rival, Lyft Inc., has also been punished since going public in March.

"We knew we'd have a volatile day ahead of us," Uber Chief Executive Dara Khosrowshahi said in an interview with The Wall Street Journal after trading started. He added that Uber is "a company that has been through a ton of volatility in its history, and we've always come through."

The total money lost by investors who bought shares in the Uber IPO was the most since at least 1975, according to Jay Ritter, a professor at the University of Florida who tracks IPOs back to 1975. At Uber's closing price, investors who bought into the IPO lost \$617 million. The next-biggest loss was Genuity, whose investors lost \$276.5 million the day it was spun out of Verizon in 2000. Other IPOs have performed far worse on a percentage basis, but the amount of money lost is so large in Uber's case because its offering—it raised \$8.1 billion—was so big.

Founded in 2009, Uber broke private financing records, changed the way the world thinks about transportation and rewrote the startup playbook. It also traveled a long and tumultuous road to its IPO. Its co-founder Travis Kalanick was pushed out in 2017 after scandals at the company, including allegations of sexual harassment and discrimination. Mr. Khosrowshahi took the helm shortly thereafter to help prepare the company for an IPO.

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Morgan Stanley was tasked with stabilizing the stock by buying more of it if needed, a coveted role because of the prestige and potential additional revenue it can generate. On Friday, Uber's stock bounced between \$43.50 and \$44.50 much of

the day, but around 3 p.m. any efforts to prop it up stalled. Uber's declines accelerated, and shares closed below their \$42 opening level even as the broader stock market turned positive.

The day began on a more upbeat note at the NYSE. Mr. Kalanick watched as Mr. Khosrowshahi and other executives, employees and drivers rang the opening bell. At a breakfast away from

the trading floor, Mr. Khosrowshahi told Mr. Kalanick, “You are a once-in-a-generation entrepreneur who built a once-in-a-generation company,” according to a person in attendance.

More than a dozen people wearing Uber Eats T-shirts and baseball caps tossed bagels and other breakfast items to brokers and others on the trading floor. As the world awaited Uber’s first trade as a public company, Mr. Kalanick, who had arrived in an Infiniti UberX with his father, left. He and about 100 current and former employees celebrated the IPO over champagne and coffee around the corner.

Uber’s other co-founder, Garrett Camp, and the company’s first hire, Ryan Graves, stayed to help ring the bell that marked the opening of Uber’s trading.

Uber’s IPO is one of the largest on record and the biggest since Alibaba Group Holding Ltd. went public in 2014, but its valuation had fallen recently. At its IPO price, Uber was valued at roughly \$82 billion on a fully diluted basis, below earlier indications of \$90 billion to \$100 billion. Two of the company’s lead underwriters, Morgan Stanley and Goldman Sachs Group Inc., had estimated the firm’s value as high as \$120 billion last year.

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Uber is trying to become the destination for all forms of transportation, but it faces obstacles that threaten to derail it. An onslaught of competition helped inflate Uber’s loss to more than \$3.7 billion for the 12 months ending in March, by far the biggest loss by a U.S. startup in the year before an IPO, according to S&P Global Market Intelligence. Uber’s revenue growth has also flatlined, a problem for a company that pitched itself as one defined by growth.

Uber has attributed its stalling growth to aggressive competition around the globe, with cash-infused rivals pushing deals to woo riders and drivers. Uber has had to fight back with costly

discounts to riders and subsidies to drivers, and it has lost market share in some major markets.

The next test for the company will be in the coming weeks. Lyft traded higher its first day, but its shares slid since and are now 29% below their IPO price. That weak performance made many of Uber’s potential investors wary of how Uber might fare.

Uber, which eschewed the public markets as it grew to be one of the biggest tech startups in the world, is the marquee name in a pack of highly valued companies going public in 2019, a year that could break records in terms of dollars raised in IPOs. In the coming months, WeWork Cos. and Slack Technologies Inc. are also planning their stock-market debuts. Pinterest Inc. and

venture-backed videoconferencing company Zoom Video Communications Inc. have already hit the markets.

As it prepared to go public, Uber attracted the fawning attention of the biggest banks on Wall Street. Around 30 firms were ultimately listed as part of the underwriting team on its regulatory filings. In the end, Morgan Stanley, Goldman Sachs and Bank of America Corp. were the top underwriters on the deal. Uber selected Citadel Securities as its designated market maker, a role that helps determine the opening price of a firm's shares.

—Rolfe Winkler and Eliot Brown contributed to this article.

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