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Subject: Fwd: Lyft meeting

Date: Fri, 01 Sep 2017 00:59:42 +0000

Attachments: image001.jpg

My analyst met with LYFT CFO for an update and I thought I would pass along in case you are interested. Sounds pretty +ive to me but we don't own it.

Begin forwarded message:

From: Joyce Jen <[REDACTED]>

Date: August 31, 2017 at 8:38:03 PM EDT

To: InvestmentTeam <[REDACTED]>

Cc: "[REDACTED]" <[REDACTED]>

Subject: Lyft meeting – RBC bus tour

Key Takeaways:

- Focused on US ride-share only, no international, no other services like Lyft eats
- Biggest distinction of them vs Uber is the experience
- Sees world shaking out as KO vs PEP
- In several markets have over 50% market share now
- Growth got a lift after the Uber issues from earlier this year, but has accelerated from there
- Can't control D b/c will be highest at commute times and that's dictated by work hours
- Biggest issue / barrier to growth is getting more drivers
- Thinks competition at this point will be hard – a new entrant today needs to spend tens of billions to get to where Uber and Lyft are now
- Ride share will be won by AV
- They are partnered with Waymo, but can't talk about any details
- Biggest hurdle for AV right now is cost of the tech

Brian Roberts, CFO

Founders: Logan Green and John Zimmer

- Founded zimride in 2007
- Traditional ride share
- Sold to enterprise in 2013
- Sounded lyft in 2012

Transportation as a service

- 2015 \$2.25T of spend in US consumer transportation
- Ride sharing will be majority of future state
- Today \$2.15T car ownership
- \$12B taxi and limo
- \$9k annual cost per vehicle
- Vehicle payments, insurance, fuel, parking, mtc, registration
- Avg usage = used 4% of the time
- Believe transportation in the future will be bundled
- Future => Mileage Subscription Plans

- \$200B mkt telco (VZ, T)

Where?

- Phase = 1/1/2017
- US pop coverage 51%
- 8/31/17 = 94% coverage
- Launched 40 states since
- Statewide in 40 states, have service in 48 states
- Historically focused on big cities
- Now have best coverage in US of any ride sharing co

Critical scale and unprecedented growth

- Mo's of consec 100% yoy ride growth? 50
- All US, not international
- All cities = 50
- Top 20 cities = also 50
- New users today look like orig users back in 2012
- # of cities with >1M monthly rides
- Today = 9 cities
- July '16 = 3
- July '15 = 0
- The first 3 ½ yrs vs 2016 vs YTD 2017 keeps accelerating
- Q1 15 = 11% share (series E)
- Q4 15 = 16% share (series F)
- Q4 16 = 20% share (series G)
- Today = 31% share
- Today RR of over \$5B of GMV
- Certain cities do have filings of mkt share
- Do have licensed drivers where that data is available
- NYC one city that reports
- Get, Juno shrinking in that mkt
- Sharp uptick from Uber issues?
- Did get tailwind, but given how they are tracking in Q3, would call it a big blip that has accel'd from that point
- Does matter how you get there

Secret sauce

1. It matters how you get there (mission to treat ppl well)
 - Founders approach and mission = really to improve the world, make the world greener, etc.
 - Drivers will say Lyft treats them a lot better than Uber
 - Riders area also nicer
2. Focus
 - Not looking at other markets = food, international, flying cars
 - Stuck with the one mkt
 - One of the number one things is around safety
 - Lots of jurisdictions elsewhere in the world where felt like cldn't keep drivers or riders safe
 - Wake up and go to sleep focused on US
 - Not to say won't ever go int'l
 - Can do it lots of ways (JVs, etc)
3. Service level obsession
 - Without scale, can't get same level of service
 - Magic number = 3 minute ETA
 - Big kink in the line of ride growth when can hit that level
 - Then brand and experience wins
4. Founders-led with stable executive team

- 2 founders better ability to attract talent
- 5. Partner with the best
 - Fun halo, no darkness to the brand
 - Have partnered with SBUX, DIS, GOOGL / Waymo, key airlines (DAL, LUV, JBLU), TMUS, HTZ, GM, Jaguar / Land rover

What about autonomous?

- Human Drivers = today
- Human Self-driving = next 10 yrs
- Will happen faster but take longer than ppl think
- Will see driverless cars soon, but will take time
- Can run on a programmed route pretty safely
- Will evolve over time to take into account all the diff scenarios you might see
- Analogy = launching 5G if you cldn't fall back on 4G
- Power of a hybrid network = know where they are and where they are going
- Will also be curve on consumer adoption
- Can shape S to a certain extent with humans
- Impossible to shape D
- Every day there is a morning and evening commute
- Can't build toward the peak with autonomous, will have too much under-utilization

Outperforming 2017 plan

- Gross bookings
- Active passengers
- Rides per passenger
- Completed rides
- Contrib margin
- EBITDA

Top-tier investors

- KKR, AB, PSP, Baillie Gifford
- GM, Jaguar, Rakuten, BABA, Tencent
- Janus, Coatue, Fortress
-

Metrics

- Have more than doubled # of active passengers this yr
- And freq incr'd by DD %'s

Passenger churn

- When he started, wld pay a fortune on passenger acq
- Have pretty much turned off free rides for new users
- Retention = if someone paying for that first ride, the quality of that passenger is better
- Went from CPA in mid-\$40's few yrs ago to single digit
- A16Z, Founders Fund, Mayfield (zimride)

Driver churn

- Have found there are just diff types of drivers
- There is a certain use case in mind for some ppl
- Some are tgt-ing specific # of \$'s
- When hit their tgt, go away
- Then have a new tgt and they are back
- So hard to measure churn b/c have these drivers that are super active and come back
- Some drivers are clearly FT

- FT driver can make over \$100k of gross revs rt now
- Clearly have ppl who intend to do it, sign up and then never start
- A&A = approved but not activated
- Have done a good job re-activating drivers
- Lyft is about community so create good resources for them
- CPAs have been in a good place given the value
- More around just needing drivers
- Not the time now to optimize that
- Rt now, favoring growth over pure optimization

Any mkts where north of 50% share?

- Have multiple
- 5 yrs ago, wld have been an outrageous thought
- Uber has been trying to kill them for 5 yrs
- There are some cities where passengers and drivers have made a choice
- West coast more lopsided than central and east coast
- Uber started first with black cars and limos
- Lyft started with P2P
- When Uber saw Lyft model working, took it took the east coast and rolled out fast

Moats around the business model

- Both co's started focusing on P2P 5 yrs ago
- When he joined Travis was big on talking about how this is winner take all, network effect
- Need to differentiate b/w D-side and S-side network effects (like FB and LNKD)
- Ride sharing is a S-side network effect (like mobile carriers)
- Have raised a lot of capital
- It's expensive building up those service levels
- For a new entrants, very expensive to do it today
- \$10's of B's to do it today to build something nation wide
- To build to 2-3 minute ETAs
- No one will try to do it with human drivers
- Ride share will be won on AV
- Goes back to – matters how you get three
- Drivers and partners who won't work with Uber b/c culture so toxic
- Trying to lean in on what they do better
- And their focus has been on treating drivers better
- Will be more and more like KO-PEP

Uber ride passes

- Lyft focused on sustainable growth
- Think will be difficult for Dara to keep bleeding money
- Everyone has a negative surge exp that marks their exp with the brand
- Think having consistent prices
- LTV = ppl who use regular rides at commute time are least valuable to them
- Highest LTV = off-peak passenger going to the airport

How to create loyalty on the S side?

- Used to have something called power driver bonus
- Over time, morphed to # of rides
- Tried to encourage better kind of S
- Got bonus for newer car
- B/ca way for them to pay for that upgraded car
- That's coming down as a %
- Will be certain times of day when you just have a surplus

- Used to be that peak times were weekends, but not commute D has changed that
- Isn't lack of driver loyalty concerning if S-side network effect is that key?
- Big lawsuit against Juno by their drivers for stealing from them
- Juno tried to juice both sides by giving passenger discounts and driver commissions
- Passenger discounts have entirely gone away b/c running out of money (why had to sell)
- Games you can play in the ST, but had to do LT and at scale
- Lots of diff strats by Lyft and Uber to keep drivers on the platform
- Important to have diff modes = shared rides for ex
- As you create route density, create matching density
- Shuttle mode more like fixed route

Can you partner with cities in the future for their municipal transportation services?

- Founder Logan grew up in LA, hated traffic
- Developed a zip car like program for ride share
- Realized quickly how broken it is, all based on subsidies, rates don't make sense
- Are partnering with some cities
- Have taken one bus route offline and giving citizens subsidies for free rides and everyone happier

Waymo partnership

- Both co's have confirmed there is an agreement but can't go into detail
- Believe in open autonomous networks
- Obviously have a lot of D and data
- Have announce down self-driving effort

GOOGL Maps ride share feature where you can compare prices

- Both Lyft and uber have in their terms of service in API feeds, can't use wo
- Both co's agree that GOOGL maps provides a lot of value, makes sense for them
- Get a lot of new users from that
- For them, v valuable, one of their best partnerships

Biggest hurdle to AV?

- Today, it's cost of technology
- Look at the cost of Lidar
- Think even TSLA will change their tune on that soon
- SW can amortize over time
- HW is expensive, custom, long lead times
- That's barrier #1
- You could need crazy high utilization and only certain metros where time and distance rates are at a level where can try to make it work in NT
- Most of the pilots today are free, just to get the experience
- Very long time before viable across the US

Take rates to drivers

- Take rates in US have been increasing
- 2 components:
- Service fee
- Commission = historically 20%, grandfathered older drivers
- New drivers are at 25%
- Fare = time and distance
- Service fee goes 100% to Lyft
- Uber has a booking fee
- Those fees have increased across every city in the US
- For private rides, north of 30% take rate now

Calculus of combined cost of driving

- EXPE ex of agency + merchant model
- Lyft Line = shared product
- Wldn't accept Line rides if had to take payout risk
- They launched first, Uber copied quickly
- Both co's taking arb opportunity to match better
- If car going to a place where need S, will discount even more

Focus = Other areas that could be more tangential for you?

- When he joined, Uber had 30-40x the capital, that was part of the drive to focus
- When looked in the US, just saw so much opp
- So much to do in the core, no need to think about adjacencies yet
- Amazing how many HH's are using ride share to fill in fewer cars in the home
- 4-5M ppl turn 18 ea yr and can use ridesharing
- Brand tends to skew stronger with digital natives

Independent contractor discussion seems to have died down – is there room for that in the future and what does that do to the model?

- Don't think will see that change
- Lots of drivers drive for multiple platforms and maybe do deliveries too
- All abt treating their drivers better and giving them benefits, but prob won't happen
- They are a lead gen platform for drivers
- Can imagine both co's are focused on making dispatch decisions focused on loyaty

How is pricing trending?

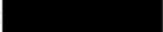
- Look at blended price
- Q2 yoy with 3-4 cents
- NY trips = higher gross bookings per ride

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