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Lead Plaintiff Rick Keiner and the Class

8 **UNITED STATES DISTRICT COURT**
9 **NORTHERN DISTRICT OF CALIFORNIA**

10 *In re Lyft, Inc. Securities Litigation*

Lead Case No. 4:19-cv-02690-HSG

12 This document relates to:
13
14 All Actions

Consolidated Amended
Class Action Complaint for
Violations of Federal Securities Laws

Demand for Jury Trial

1 1. Lead Plaintiff Rick Keiner (“Lead Plaintiff” or “Plaintiff”), individually and on
2 behalf of all others similarly situated, alleges the following based upon the investigation of
3 plaintiff’s counsel, which included a review of: U.S. Securities and Exchange Commission
4 (“SEC”) filings by Lyft Inc. (“Lyft” or “the Company”) and other of Lyft’s competitors;
5 securities analysts’ reports and advisories about the Company; press releases and other public
6 statements issued by the Company; and media reports about the Company. Plaintiff believes that
7 substantial additional evidentiary support will exist for the allegations set forth herein after a
8 reasonable opportunity for discovery.

9 **Introduction**

10 2. Plaintiff, on behalf of the Class, brings claims against all Defendants for
11 violations of Sections 11, 12(a)(2), and 15 of the Securities Act of 1933 (the “Securities Act”).

12 3. The issuance of Lyft common stock in connection with the initial public offering
13 (“IPO” or “Offering”) was registered under the Securities Act of 1933, as amended, pursuant to
14 Lyft’s registration statement on Form S-1 (File No. 333-229996) declared effective on March 28,
15 2019 (the “Registration Statement”). This case arises from untrue statements of material fact
16 made in those offering documents, the omission of material facts necessary in order to make the
17 statements contained in the Registration Statement not materially false or misleading, as well as
18 the omission of material facts required to be stated therein.

19 4. Lyft is a ridesharing company. Beginning in 2012, Lyft sought to revolutionize
20 transportation by launching its peer-to-peer marketplace for on-demand ridesharing.

21 5. On March 28, 2019, Lyft offered 32.5 million shares to the public through an IPO
22 at a price of \$72.00 per share for total proceeds of \$2.34 billion.

23 6. Unbeknownst to investors, however, certain of the Registration Statement’s
24 representations were materially misleading, omitted information necessary in order to make the
25 statements not misleading, and omitted material facts required to be stated therein. Specifically,
26 the Registration Statement misled investors with respect to: (1) the potential for severe
27 reputational damage and legal liability due to rampant sexual assaults committed by Lyft drivers;
28 (2) the Company’s actual national market share; (3) the key metrics promoted by the Company

1 to investors as important measurements of the Company's financial performance and growth
2 were about to be abandoned; (4) the Company was days away from closing its first quarter with a
3 massive loss; (5) safety issues regarding the Company's bike sharing business jeopardized the
4 Company's growth plans; and (6) labor conflicts with the Company's drivers, all of which were
5 known to, but concealed by Defendants at the time of the IPO.

6 7. The Securities Act provides for strict liability for untrue and misleading
7 statements and omissions of material facts made in connection with public securities offerings, in
8 order to protect investors and maintain confidence in the public markets.

9 8. Lyft is strictly liable for any and all material untrue statements or omissions
10 contained in the Registration Statement. Furthermore, because this case involves a Registration
11 Statement, Defendants also had an independent, affirmative duty, which they failed to fulfill: (1)
12 to provide adequate disclosures about "any known trends or uncertainties that have had or that
13 the registrant reasonably expects will have a material favorable or unfavorable impact on net
14 sales or revenues or income from continuing operations," (Item 303 of SEC Reg. S-K, 17 C.F.R.
15 § 229.303(a)(3)(ii)); and (2) to disclose a "discussion of the most significant factors that make
16 the offering speculative or risky," (Item 105 of SEC Reg. S-K, 17 C.F.R. § 229.105).

17 9. The Registration Statement failed to adhere to the requirements of the Securities
18 Act and disclosure requirements provided by SEC regulations.

19 10. *First*, Lyft and its rival, Uber, dominate the rideshare market, with the two
20 comprising roughly 98% of the total market. Lyft has always held a smaller share of that market
21 than Uber and has sought to differentiate itself by cultivating a reputation as a "safe, progressive
22 alternative." To that end, Lyft built a reputation as a company that cares about women, safety,
23 and social issues.

24 11. Lyft's focus on the strength of its reputation was a key selling point to IPO
25 investors.

26 12. Contrary to the public image that Lyft had created and touted in the Registration
27 Statement, news articles and class action complaints would later reveal that Lyft had a pervasive
28 problem with sexual assaults committed by its drivers dating back several years and that

1 continued in the months immediately preceding the IPO. Lyft avoided taking the necessary steps
2 to curb the sexual assault problem out of fear that doing so would result in its drivers being
3 classified as employees rather than independent contractors, which would trigger certain legal
4 and financial obligations. Additionally, at the time of the IPO, Lyft lacked basic safety features
5 such as a “panic button” or a “continuous background check” policy to screen out problematic
6 drivers.

7 13. Lyft failed to disclose these pervasive sexual assault and safety issues in the
8 Registration Statement. Indeed, the Registration Statement makes no reference to sexual assault
9 at all.

10 14. Almost immediately after the IPO, Lyft faced an avalanche of negative press and
11 lawsuits that revealed just how serious Lyft’s problems were. Far from being the safe, socially
12 conscious alternative to Uber, attorneys litigating sexual assault cases against both Uber and Lyft
13 reported seeing a disproportionate number of cases against Lyft. Similarly, a September 2019
14 lawsuit alleges that Lyft “stone-wall[ed]” law enforcement and that “many of the assault victims
15 have been told by detectives handling their case that Lyft’s Trust and Safety team are often
16 unresponsive to the detectives’ requests.” These cases involve sexual assaults that occurred
17 *before* the IPO.

18 15. *Second*, according to the Registration Statement and Prospectus filed in
19 connection with the IPO, Lyft estimated that its ridesharing marketplace “is available to over
20 95% of the U.S. population, as well as in select cities in Canada.” Lyft represented that its “U.S.
21 ridesharing market share was 39% in December 2018, up from 22% in December 2016.”

22 16. In the immediate wake of the IPO, investors and analysts raised concerns that
23 Lyft’s reported market share over 39% may have been overstated and that Lyft’s true market
24 share was likely only 24% to 28%.

25 17. These concerns were exacerbated on April 11, 2019, when Uber filed its Form S-
26 1 with the SEC in anticipation of its IPO. Uber’s Form S-1 claimed a market share greater than
27 65%, casting further doubt on Lyft’s claim of 39% market share.
28

1 18. *Third*, the Registration Statement repeatedly emphasized Lyft’s continuous
2 increases in “Bookings” and “Revenue as a Percentage of Bookings” as key metrics of
3 performance and growth.

4 19. These key metrics were important. In the lead up to the IPO, a major question for
5 investors was whether Lyft would ever become profitable.

6 20. The Registration Statement failed to disclose, however, that despite highlighting
7 the importance of these key metrics, the Company planned to, and did abandon them when it
8 reported its first earnings as a public company just weeks after the IPO.

9 21. Lyft’s sudden removal of these metrics was ill-received. One article criticized the
10 Company’s decision, writing “Lyft had highlighted gross bookings in its IPO filing and in
11 particular its take rate, For the company to suddenly stop sharing those figures in its first
12 quarterly earnings report is a surprise.”

13 22. *Fourth*, the Registration Statement made no mention of the fact that at the time of
14 the IPO, Lyft was just three days away from closing out the first quarter of 2019 with a record
15 \$1.14 billion loss.

16 23. Lyft attempted to downplay the significance of the loss by attributing it to
17 compensation charges related to the IPO. However, Lyft’s adjusted loss, which excluded roughly
18 \$894 million in stock-based compensation and other adjustments, came in at \$211 million or
19 approximately \$9 per share. Even the adjusted loss, which many analysts criticized for its use
20 unconventional accounting methods, came in at nearly three times analysts’ expected losses of
21 \$3.77 per share.

22 24. *Fifth*, in November 2018, Lyft acquired Bikeshare Holdings LLC’s (“Motive”)
23 technology and corporate functions for \$251 million. In 2017, Motive was the largest bikeshare
24 operator in North America with revenue of approximately \$100 million. This acquisition enabled
25 Lyft to add bikes to its suite of services. According to its Form S-1, Lyft acquired Motive to
26 “establish a solid foothold in the bikeshare market and offer access to new transportation options
27 on the Lyft Platform.”
28

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