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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
Washington, D.C. 20549

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**FORM 10-Q**

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(Mark One)

**QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended June 30, 2020

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number: 001-38846

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**Lyft, Inc.**

(Exact name of registrant as specified in its charter)

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**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**20-8809830**  
(I.R.S. Employer  
Identification No.)

**185 Berry Street, Suite 5000**  
**San Francisco, California 94107**  
(Address of registrant's principal executive offices, including zip code)

**(844) 250-2773**  
(Registrant's telephone number, including area code)

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Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A common stock, par value of \$0.00001 per share	LYFT	Nasdaq Global Select Market

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, smaller reporting company, or an emerging growth company. See the definition of "large accelerated filer," "accelerated filer," "smaller reporting company," and "emerging growth company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer	<input type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input checked="" type="checkbox"/>	Smaller reporting company	<input type="checkbox"/>
Emerging growth company	<input type="checkbox"/>		

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of August 10, 2020, the number of shares of the registrant's Class A common stock outstanding was 303,277,952 and the number of shares of the registrant's Class B common stock outstanding was 8,802,629.

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## NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements within the meaning of the federal securities laws, which statements involve substantial risks and uncertainties. Forward-looking statements generally relate to future events or our future financial or operating performance. In some cases, you can identify forward-looking statements because they contain words such as “may,” “will,” “should,” “expect,” “plan,” “anticipate,” “could,” “intend,” “target,” “project,” “contemplate,” “believe,” “estimate,” “predict,” “potential” or “continue” or the negative of these words or other similar terms or expressions that concern our expectations, strategy, plans or intentions. Forward-looking statements contained in this Quarterly Report on Form 10-Q include statements about:

- our future financial performance, including our expectations regarding our revenue, cost of revenue, operating expenses, including capital expenditures related to asset-intensive offerings, our ability to determine insurance, legal and other reserves and our ability to achieve and maintain future profitability;
- the sufficiency of our cash, cash equivalents and short-term investments to meet our liquidity needs, including repayment of our indebtedness;
- the impact of the COVID-19 pandemic and related responses of businesses and governments to the pandemic on our operations and personnel, on commercial activity and demand across our platform, business operations and results of operations, and on our ability to forecast our financial and operating results;
- the demand for our platform or for Transportation-as-a-Service networks in general;
- our ability to attract and retain drivers and riders;
- our ability to develop new offerings and bring them to market in a timely manner and make enhancements to our platform;
- our ability to compete with existing and new competitors in existing and new markets and offerings;
- our expectations regarding outstanding litigation, including with respect to the classification of drivers on our platform;
- our expectations regarding the effects of existing and developing laws and regulations, including with respect to the classification of drivers on our platform, taxation and privacy and data protection;
- our ability to manage and insure auto-related and operations-related risks associated with our Transportation-as-a-Service network;
- our expectations regarding new and evolving markets and our efforts to address these markets, including autonomous vehicles, bikes and scooters, Driver Centers, Lyft Rentals and Flexdrive;
- our ability to develop and protect our brand;
- our ability to maintain the security and availability of our platform;
- our expectations and management of future growth and business operations, including our recent plan of termination;
- our expectations concerning relationships with third-parties;
- our ability to maintain, protect and enhance our intellectual property;
- our ability to successfully acquire and integrate companies and assets; and
- the increased expenses associated with being a public company.

We caution you that the foregoing list may not contain all of the forward-looking statements made in this Quarterly Report on Form 10-Q.

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Quarterly Report on Form 10-Q primarily on our current expectations and projections about future events and trends that we believe may affect our business, financial condition, results of operations and prospects. The outcome of the events described in these forward-looking statements is subject to risks, uncertainties and other factors, including those described in the section titled “Risk Factors” and elsewhere in this Quarterly Report on Form 10-Q. Moreover, we operate in a very competitive and rapidly changing environment. New risks and uncertainties emerge from time to time and it is not possible for us to predict all risks and uncertainties that could have an impact on the forward-looking statements contained in this Quarterly Report on Form 10-Q. We cannot assure you that the results, events and circumstances reflected in

the forward-looking statements will be achieved or occur, and actual results, events or circumstances could differ materially from those described in the forward-looking statements.

The forward-looking statements made in this Quarterly Report on Form 10-Q relate only to events as of the date on which the statements are made. We undertake no obligation to update any forward-looking statements made in this Quarterly Report on Form 10-Q to reflect events or circumstances after the date of this Quarterly Report on Form 10-Q or to reflect new information or the occurrence of unanticipated events, except as required by law. We may not actually achieve the plans, intentions or expectations disclosed in our forward-looking statements and you should not place undue reliance on our forward-looking statements. Our forward-looking statements do not reflect the potential impact of any future acquisitions, mergers, dispositions, joint ventures or investments we may make.

In addition, statements that “we believe” and similar statements reflect our beliefs and opinions on the relevant subject. These statements are based upon information available to us as of the date of this Quarterly Report on Form 10-Q, and while we believe such information forms a reasonable basis for such statements, such information may be limited or incomplete, and our statements should not be read to indicate that we have conducted an exhaustive inquiry into, or review of, all potentially available relevant information. These statements are inherently uncertain and investors are cautioned not to unduly rely upon these statements.

**PART I – FINANCIAL INFORMATION**
**Item 1. Financial Statements**

**Lyft, Inc.**  
**Condensed Consolidated Balance Sheets**  
*(in thousands, except for share and per share data)*  
*(unaudited)*

	<b>June 30 2020</b>	<b>December 31 2019</b>
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 841,061	\$ 358,319
Short-term investments	1,934,876	2,491,805
Prepaid expenses and other current assets	320,269	397,239
Total current assets	3,096,206	3,247,363
Restricted cash and cash equivalents	210,343	204,976
Restricted investments	971,831	1,361,045
Other investments	10,000	—
Property and equipment, net	353,576	188,603
Operating lease right-of-use assets	297,173	441,258
Intangible assets, net	79,705	82,919
Goodwill	182,797	158,725
Other assets	12,814	6,494
Total assets	<u>\$ 5,214,445</u>	<u>\$ 5,691,383</u>
<b>Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 48,236	\$ 38,839
Insurance reserves	943,636	1,378,462
Accrued and other current liabilities	939,410	939,865
Operating lease liabilities — current	48,282	94,199
Total current liabilities	1,979,564	2,451,365
Operating lease liabilities	293,017	382,077
Long-term debt, net of current portion	623,360	—
Other liabilities	21,945	3,857
Total liabilities	2,917,886	2,837,299
Commitments and contingencies (Note 7)		
Stockholders' equity		
Preferred stock, \$0.00001 par value; 1,000,000,000 shares authorized as of June 30, 2020 and December 31, 2019; no shares issued and outstanding as of June 30, 2020 and December 31, 2019	—	—
Common stock, \$0.00001 par value; 18,000,000,000 Class A shares authorized as of June 30, 2020 and December 31, 2019; 303,273,200 and 293,793,151 Class A shares issued and outstanding, as of June 30, 2020 and December 31, 2019, respectively; 100,000,000 Class B shares authorized, 8,802,629 Class B shares issued and outstanding, as of June 30, 2020 and December 31, 2019	3	3
Additional paid-in capital	8,674,208	8,398,927
Accumulated other comprehensive income	5,104	2,725
Accumulated deficit	(6,382,756)	(5,547,571)
Total stockholders' equity	2,296,559	2,854,084
Total liabilities and stockholders' equity	<u>\$ 5,214,445</u>	<u>\$ 5,691,383</u>

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**Lyft, Inc.**  
**Condensed Consolidated Statements of Operations**  
*(in thousands, except for per share data)*  
*(unaudited)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue	\$ 339,345	\$ 867,265	\$ 1,295,057	\$ 1,643,292
Costs and expenses				
Cost of revenue	251,355	630,136	793,774	1,092,993
Operations and support	98,610	151,975	232,392	339,210
Research and development	203,101	309,833	461,840	940,793
Sales and marketing	51,822	180,951	248,259	456,080
General and administrative	221,954	267,286	460,394	644,022
Total costs and expenses	826,842	1,540,181	2,196,659	3,473,098
Loss from operations	(487,497)	(672,916)	(901,602)	(1,829,806)
Interest expense	(6,537)	—	(8,044)	—
Other income (expense), net	12,123	29,668	31,292	49,468
Loss before income taxes	(481,911)	(643,248)	(878,354)	(1,780,338)
Provision for income taxes	(44,799)	991	(43,169)	2,374
Net loss	\$ (437,112)	\$ (644,239)	\$ (835,185)	\$ (1,782,712)
Net loss per share, basic and diluted	\$ (1.41)	\$ (2.23)	\$ (2.72)	\$ (11.38)
Weighted-average number of shares outstanding used to compute net loss per share, basic and diluted	309,213	288,372	306,857	156,647
<b>Stock-based compensation included in costs and expenses:</b>				
Cost of revenue	\$ 4,456	\$ 15,058	\$ 14,180	\$ 56,548
Operations and support	1,499	8,221	5,632	59,624
Research and development	52,233	182,918	147,781	689,124
Sales and marketing	4,455	12,133	9,205	57,244
General and administrative	43,160	74,908	88,983	290,184

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**Lyft, Inc.**  
**Condensed Consolidated Statements of Comprehensive Loss**  
*(in thousands)*  
*(unaudited)*

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net loss	\$ (437,112)	\$ (644,239)	\$ (835,185)	\$ (1,782,712)
Other comprehensive (loss) income				
Foreign currency translation adjustment	732	420	(612)	667
Unrealized gain (loss) on marketable securities, net of taxes	5,713	2,887	2,991	4,693
Other comprehensive income	6,445	3,307	2,379	5,360
Comprehensive loss	\$ (430,667)	\$ (640,932)	\$ (832,806)	\$ (1,777,352)

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**Lyft, Inc.**  
**Condensed Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)**  
*(in thousands)*  
*(unaudited)*

	Redeemable Convertible Preferred Stock		Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Deficit
	Shares	Amount	Shares	Amount				
<b>Balances as of December 31, 2018</b>	219,176	\$ 5,152,047	22,438	\$ —	\$ 73,916	\$ (2,945,330)	\$ 133	\$ (2,871,281)
Issuance of common stock upon exercise of stock options	—	—	7,121	—	1,599	—	—	1,599
Issuance of common stock upon settlement of restricted stock units	—	—	17,688	—	—	—	—	—
Shares withheld related to net share settlement	—	—	(11,415)	—	(785,004)	—	—	(785,004)
Vesting of early exercised stock options	—	—	—	—	2	—	—	2
Stock-based compensation	—	—	—	—	859,486	—	—	859,486
Other comprehensive income	—	—	—	—	—	—	2,053	2,053
Net loss	—	—	—	—	—	(1,138,473)	—	(1,138,473)
<b>Balances as of March 31, 2019</b>	219,176	\$ 5,152,047	35,832	\$ —	\$ 149,999	\$ (4,083,803)	\$ 2,186	\$ (3,931,618)
Issuance of common stock upon exercise of stock options	—	—	250	—	940	—	—	940
Issuance of common stock upon settlement of RSUs	—	—	3,476	—	—	—	—	—
Shares withheld related to net share settlement	—	—	(1,478)	—	(80,076)	—	—	(80,076)
Issuance of common stock in connection with initial public offering, net of offering costs, underwriting discounts and commissions	—	—	35,497	1	2,483,622	—	—	2,483,623
Conversion of redeemable convertible preferred stock to common stock in connection with initial public offering	(219,176)	(5,152,047)	219,176	2	5,152,045	—	—	5,152,047
Conversion of Class A common stock into Class B common stock in connection with initial public offering	—	—	—	—	—	—	—	—
Cancelled escrow shares related to a business combination	—	—	(2)	—	(90)	—	—	(90)
Stock-based compensation	—	—	—	—	293,238	—	—	293,238
Other comprehensive income	—	—	—	—	—	—	3,307	3,307
Net loss	—	—	—	—	—	(644,239)	—	(644,239)
<b>Balances as of June 30, 2019</b>	—	\$ —	292,751	\$ 3	\$ 7,999,678	\$ (4,728,042)	\$ 5,493	\$ 3,277,132

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**Lyft, Inc.**  
**Condensed Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)**  
*(in thousands)*  
*(unaudited)*

	Redeemable Convertible Preferred Stock		Class A and Class B Common Stock		Additional Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount				
<b>Balances as of December 31, 2019</b>	—	\$ —	302,596	\$ 3	\$ 8,398,927	\$ (5,547,571)	\$ 2,725	\$ 2,854,084
Issuance of common stock upon exercise of stock options	—	—	504	—	2,329	—	—	2,329
Issuance of common stock upon settlement of restricted stock units	—	—	3,838	—	—	—	—	—
Shares withheld related to net share settlement	—	—	(146)	—	(6,763)	—	—	(6,763)
Stock-based compensation	—	—	—	—	159,978	—	—	159,978
Other comprehensive income (loss)	—	—	—	—	—	—	(4,066)	(4,066)
Net loss	—	—	—	—	—	(398,073)	—	(398,073)
<b>Balances as of March 31, 2020</b>	—	\$ —	306,792	\$ 3	\$ 8,554,471	\$ (5,945,644)	\$ (1,341)	\$ 2,607,489
Issuance of common stock upon exercise of stock options	—	—	153	—	757	—	—	757
Issuance of common stock upon settlement of restricted stock units	—	—	4,813	—	—	—	—	—
Issuance of common stock under employee stock purchase plan	—	—	463	—	11,071	—	—	11,071
Shares withheld related to net share settlement	—	—	(145)	—	(4,437)	—	—	(4,437)
Equity component of the convertible senior notes issued, net of tax and offering costs	—	—	—	—	139,224	—	—	139,224
Purchase of capped calls	—	—	—	—	(132,681)	—	—	(132,681)
Stock-based compensation	—	—	—	—	105,803	—	—	105,803
Other comprehensive income (loss)	—	—	—	—	—	—	6,445	6,445
Net loss	—	—	—	—	—	(437,112)	—	(437,112)
<b>Balances as of June 30, 2020</b>	—	\$ —	312,076	\$ 3	\$ 8,674,208	\$ (6,382,756)	\$ 5,104	\$ 2,296,559

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**Lyft, Inc.**  
**Condensed Consolidated Statements of Cash Flows**  
*(in thousands)*  
*(unaudited)*

	Six Months Ended June 30,	
	2020	2019
<b>Cash flows from operating activities</b>		
Net loss	\$ (835,185)	\$ (1,782,712)
Adjustments to reconcile net loss to net cash used in operating activities		
Depreciation and amortization	79,936	54,215
Stock-based compensation	265,781	1,152,724
Amortization of premium on marketable securities	1,735	151
Accretion of discount on marketable securities	(11,784)	(21,357)
Amortization of debt discount and issuance costs	4,120	—
Deferred income tax	(46,324)	—
Loss on disposal of assets	13,957	—
Other	2,301	7,463
Changes in operating assets and liabilities		
Prepaid expenses and other assets	71,285	(79,712)
Operating lease right-of-use assets	33,449	39,951
Accounts payable	4,237	(22,403)
Insurance reserves	(434,827)	397,107
Accrued and other liabilities	(89,635)	212,083
Lease liabilities	(17,694)	(27,021)
Net cash used in operating activities	(958,648)	(69,511)
<b>Cash flows from investing activities</b>		
Purchases of marketable securities	(2,221,963)	(3,581,779)
Purchase of non-marketable security	(10,000)	—
Purchases of term deposits	(363,811)	(105,000)
Proceeds from sales of marketable securities	447,939	647,138
Proceeds from maturities of marketable securities	2,953,281	1,391,360
Proceeds from maturity of term deposit	142,811	—
Purchases of property and equipment and scooter fleet	(56,235)	(68,285)
Cash paid for acquisitions, net of cash acquired	(12,440)	(1,801)
Other investing activities	974	780
Net cash provided by (used in) investing activities	880,556	(1,717,587)
<b>Cash flows from financing activities</b>		
Proceeds from issuance of common stock in initial public offering, net of underwriting commissions, offering costs and reimbursements	—	2,484,230
Repayment of loans	(17,993)	—
Proceeds from issuance of convertible senior notes	734,065	—
Payment of debt issuance costs	(374)	—
Purchase of capped call	(132,681)	—
Proceeds from exercise of stock options and other common stock issuances	14,200	2,541
Taxes paid related to net share settlement of equity awards	(11,199)	(863,955)
Principal payments on finance lease obligations	(18,042)	—
Net cash provided by financing activities	567,976	1,622,816
Effect of foreign exchange on cash, cash equivalents and restricted cash and cash equivalents	(364)	296
Net increase (decrease) in cash, cash equivalents and restricted cash and cash equivalents	489,520	(163,986)
<b>Cash, cash equivalents and restricted cash and cash equivalents</b>		
Beginning of period	564,465	706,486
End of period	\$ 1,053,985	\$ 542,500

	<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
<b>Reconciliation of cash, cash equivalents and restricted cash and cash equivalents to the consolidated balance sheets</b>		
Cash and cash equivalents	\$ 841,061	\$ 417,393
Restricted cash and cash equivalents	210,343	122,983
Restricted cash, included in prepaid expenses and other current assets	2,581	2,124
<b>Total cash, cash equivalents and restricted cash and cash equivalents</b>	<b>\$ 1,053,985</b>	<b>\$ 542,500</b>
<b>Non-cash investing and financing activities</b>		
Purchases of property and equipment, and scooter fleet not yet settled	\$ 24,137	\$ 11,504
Deferred offering costs accrued, unpaid	—	201
Right-of-use assets acquired under finance and operating leases	27,964	99,550
Conversion of redeemable convertible preferred stock to common stock in connection with initial public offering	—	5,152,047
Reclassification of deferred offering costs to additional paid-in capital upon initial public offering	—	7,690
Purchases of property and equipment financed by seller	3,464	—
Settlement of pre-existing right-of-use assets under operating leases in connection with acquisition of Flexdrive	133,088	—
Settlement of pre-existing lease liabilities under operating leases in connection with acquisition of Flexdrive	130,089	—

*The accompanying notes are an integral part of these condensed consolidated financial statements.*

**Lyft, Inc.**  
**Notes to the Condensed Consolidated Financial Statements**  
(unaudited)

## 1. Description of Business and Basis of Presentation

### *Organization and Description of Business*

Lyft, Inc. (the “Company” or “Lyft”) is incorporated in Delaware with its headquarters in San Francisco, California. The Company operates multimodal transportation networks in the United States and Canada that offer access to a variety of transportation options through the Company’s platform and mobile-based applications. This network enables multiple modes of transportation including the facilitation of peer-to-peer ridesharing by connecting drivers who have a vehicle with passengers who need a ride. The Company’s proprietary technology platform (the “Lyft Platform”) provides a marketplace where drivers can be matched with passengers via the Lyft mobile application (the “App”) where the Company operates as a Transportation Network Company (“TNC”).

Transportation options through the Company’s platform and mobile-based applications are substantially comprised of its ridesharing marketplace that connects drivers and riders in cities across the United States and in select cities in Canada, Lyft’s network of shared bikes and scooters (“Light Vehicles”), the Express Drive program which is a flexible vehicle rental program for users who want to drive using the Lyft Platform but do not have access to a vehicle that meets Lyft’s requirements, and Lyft Rentals, a consumer offering for users who want to rent a car for a fixed period of time for personal use.

### *Transfer of Certain Legacy Auto Liability Insurance*

On March 31, 2020, the Company’s wholly-owned subsidiary, Pacific Valley Insurance Company, Inc. (“PVIC”), entered into a Novation Agreement (the “Novation”) with Clarendon National Insurance Company, a subsidiary of Enstar Group Limited (“Clarendon”), and certain underwriting companies of Zurich North America (“Zurich”). Pursuant to the terms of the Novation, on the effective date March 31, 2020, the obligations of PVIC as reinsurer to Zurich for certain legacy auto liability insurance business underwritten between October 1, 2015 and September 30, 2018 (“Legacy Auto Liability”), were assigned to, assumed by, and novated to Clarendon, for cash consideration of \$465.0 million. The Company paid the \$465.0 million cash consideration to Clarendon on April 3, 2020 which is the date when certain Clarendon trust agreements were executed and the trust accounts were established in order to secure the applicable payments subject to Novation. In conjunction with the Novation, Clarendon and PVIC executed a binding letter of intent to enter into an Excess of Loss Retrocession Agreement (“Retrocession Agreement”). The Retrocession Agreement was executed in July 2020 with an effective date of March 31, 2020. The execution of the Retrocession Agreement did not have a material impact on the condensed consolidated financial statements as of June 30, 2020. Refer to Note 4 “Supplemental Financial Statement Information” to the condensed consolidated financial statements for information regarding this transaction.

### *Basis of Presentation*

The accompanying unaudited condensed consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles (“GAAP”) and the requirements of the U.S. Securities and Exchange Commission (the “SEC”) for interim reporting. The accompanying unaudited condensed consolidated financial statements include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated in consolidation.

The condensed consolidated balance sheet as of December 31, 2019 included herein was derived from the audited financial statements as of that date. The accompanying unaudited condensed consolidated financial statements have been prepared on the same basis as the annual consolidated financial statements and, in the opinion of management, reflect all adjustments, which include only normal recurring adjustments, necessary to state fairly the Company’s financial position, results of operations, comprehensive loss, redeemable convertible preferred stock and stockholders’ equity (deficit), and cash flows for the periods presented, but are not necessarily indicative of the results of operations to be anticipated for any future annual or interim period.

## 2. Summary of Significant Accounting Policies

### *Use of Estimates*

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the condensed consolidated financial statements and reported amounts of revenues and expenses during the reporting periods. The Company bases its estimates on various factors and information which may include, but are not limited to, history

and prior experience, expected future results, new related events and economic conditions, which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results could differ materially from those estimates.

Significant items subject to estimates and assumptions include those related to losses resulting from insurance claims, fair value of financial instruments, goodwill and identifiable intangible assets, leases, indirect tax obligations, legal contingencies, valuation allowance for deferred income taxes, and valuation of stock-based compensation.

The outbreak of the coronavirus (“COVID-19”) was declared a pandemic by the World Health Organization in March 2020, and continues to spread in the United States, Canada, and in many other countries globally. The full extent to which the Company’s operations will be impacted by the COVID-19 pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted, including the duration of the pandemic, new information which may emerge concerning the severity of the pandemic and actions by government authorities and private businesses to contain the pandemic or respond to its impact, among other things. The Company has adopted several measures in response to the COVID-19 pandemic, including making adjustments to expenses and cash flow to correlate with declines in revenue, providing most employees with the option to work from home, distributing thousands of bottles of hand sanitizer and masks to drivers, requiring face coverings in all rideshare trips, and restricting non-critical business travel by employees. On April 29, 2020, the Company committed to a restructuring plan which involved the termination of approximately 17% of its employees, furlough of approximately 300 employees, and temporary salary reductions for all exempt employees and board members. Refer to Note 13 “Restructuring” to the condensed consolidated financial statements for information regarding this reduction in workforce. The Company cannot be certain that these actions will mitigate the negative effects of the pandemic on our business. As of the date of issuance of the financial statements, the Company is not aware of any material event or circumstance that would require us to update our estimates, judgments or revise the carrying value of our assets or liabilities. These estimates may change, as new events occur and additional information is obtained, and could lead to impairment of long lived assets or goodwill, or credit losses associated with investments or other assets, and the impact of such changes on estimates will be recognized in the condensed consolidated financial statements as soon as they become known. Actual results could differ from those estimates and any such differences may be material to our financial statements.

### **Revenue Recognition**

The Company generates its revenue from its multimodal transportation networks that offer access to a variety of transportation options through the Lyft Platform and mobile-based applications. Substantially all of the Company’s revenue is generated from its ridesharing marketplace that connects drivers and passengers and is recognized in accordance with Accounting Standards Codification Topic 606 (“ASC 606”). The Company also generates rental revenue from Flexdrive, its network of Light Vehicles, and Lyft Rentals, which is recognized in accordance with Accounting Standards Codification Topic 842 (“ASC 842”).

The table below presents the Company’s revenues as included in the condensed consolidated statements of operations (in thousands):

	<b>Three Months Ended June 30,</b>		<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>	<b>2020</b>	<b>2019</b>
Revenue from contracts with customers (ASC 606)	\$ 312,348	\$ 827,479	\$ 1,230,680	\$ 1,583,372
Rental revenue (ASC 842)	26,997	39,786	64,377	59,920
<b>Total revenue</b>	<b>\$ 339,345</b>	<b>\$ 867,265</b>	<b>\$ 1,295,057</b>	<b>\$ 1,643,292</b>

### **Revenue from Contracts with Customers (ASC 606)**

The Company recognizes revenue for its rideshare marketplace in accordance with ASC 606. The Company generates revenue from service fees and commissions (collectively, “fees”) paid by drivers for use of the Lyft Platform and related activities to connect drivers with passengers to facilitate and successfully complete rides via the App where the Company operates as a TNC. The Company recognizes revenue upon completion of each ride. Drivers enter into terms of service (“ToS”) with the Company in order to use the Lyft Driver App. Under the ToS, drivers agree that the Company retains the applicable fee as consideration for their use of the Lyft Platform and related activities from the fare and related charges it collects from passengers on behalf of drivers. The Company is acting as an agent in facilitating the ability for a driver to provide a transportation service to a passenger. The Company reports revenue on a net basis, reflecting the fee owed to the Company from a driver as revenue, and not the gross amount collected from the passenger.

As the Company’s customary business practice, a contract exists between the driver and the Company when the driver’s ability to cancel the ride lapses, which typically is upon pickup of the passenger. The Company’s single performance obligation in the transaction is to connect drivers with passengers to facilitate the completion of a successful transportation

service for passengers. The Company recognizes revenue upon completion of a ride as its performance obligation is satisfied upon the completion of the ride. The Company collects the fare and related charges from passengers on behalf of drivers using the passenger's pre-authorized credit card or other payment mechanism and retains its fees before making the remaining disbursement to drivers; thus the driver's ability and intent to pay is not subject to significant judgment.

The Company recognizes revenue from subscription fees paid to access transportation options through the Lyft Platform and mobile-based applications over the applicable subscription period in accordance with ASC 606.

#### *Rental Revenue (ASC 842)*

The Company generates rental revenues primarily from Flexdrive, its network of Light Vehicles, and Lyft Rentals. Rental revenues are recognized for rental and rental related activities where an identified asset is transferred to the customer and the customer has the ability to control that asset in accordance with ASC 842.

Under the Flexdrive and Lyft Rentals programs, the Company operates a fleet of rental vehicles comprised of both vehicles owned by the Company and vehicles leased from third-party leasing companies ("head leases"). The Company either leases or subleases vehicles to drivers and Lyft Rentals renters, and as a result, the Company considers itself to be the accounting lessor or sublessor, as applicable, in these arrangements in accordance with ASC 842. Fleet operating costs include monthly fixed lease payments and other vehicle operating or ownership costs, as applicable. For vehicles that are subleased, sublease income and head lease expense for these transactions are recognized on a gross basis in the condensed consolidated financial statements. Drivers who rent vehicles are charged rental fees, which the Company collects from the driver by deducting such amounts from the driver's earnings on the Lyft Platform, or through charging the driver's credit card.

Due to the short-term nature of the Flexdrive, Lyft Rentals, and Light Vehicle transactions, the Company classifies these rentals as operating leases. Revenue generated from single-use ride fees paid by riders of Light Vehicles is recognized upon completion of each related ride. Revenue generated from Flexdrive and Lyft Rentals is recognized evenly over the rental period, which is typically seven days or less.

#### *Enterprise and Trade Receivables*

The Company collects any fees owed for completed transactions on the Lyft Platform primarily from the passenger's authorized payment method. Uncollected fees are included in prepaid expenses and other current assets in the condensed consolidated balance sheets and represent receivables from (i) participants in the Company's enterprise programs ("Enterprise Users"), where the transactions have been completed and the amounts owed from the Enterprise Users have either been invoiced or are unbilled as of the reporting date; and (ii) passengers where the authorized payment method is a credit card but the fare amounts have not yet settled with third-party payment processors. Under the ToS, drivers agree that the Company retains the applicable fee as consideration for their use of the Lyft Platform and related activities from the fare and related charges it collects from passengers on behalf of drivers. Accordingly, the Company has no trade receivables from drivers. The portion of the fare receivable to be remitted to drivers is included in accrued and other current liabilities in the condensed consolidated balance sheets.

The Company records an allowance for credit losses for fees owed for completed transactions that may never settle or be collected. As a result of the adoption of Accounting Standards Update No. 2016-13 "Financial Instruments—Credit Losses" ("ASC 326"), the Company's measurement of the allowance for credit losses has been augmented to reflect the change from the incurred loss model to the expected credit loss model. The allowance for credit losses reflects the Company's current estimate of expected credit losses inherent in the enterprise and trade receivables balance. In determining the expected credit losses, the Company considers its historical loss experience, the aging of its receivable balance, current economic and business conditions, and anticipated future economic events that may impact collectability. The Company reviews its allowance for credit losses periodically and as needed, and amounts are written off when determined to be uncollectible.

The Company's receivable balance, which consists primarily of amounts due from Enterprise Users, were \$96.9 million and \$120.0 million as of June 30, 2020 and December 31, 2019, respectively. The Company's allowance for credit losses was \$19.3 million and \$6.2 million as of June 30, 2020 and December 31, 2019, respectively. The change in the allowance for credit losses for the six months ended June 30, 2020 was related to additions for provision for expected credit losses.

#### *Incentive Programs*

The Company offers incentives to attract drivers, passengers, riders of Light Vehicles and Lyft Rentals renters to use the Lyft Platform. Drivers generally receive cash incentives while passengers, Light Vehicle riders and Lyft Rentals renters generally receive free or discounted rides under such incentive programs. Incentives provided to drivers, Light Vehicle riders and Lyft Rental renters, the customers of the Company, are accounted for as a reduction of the transaction price. As the

passengers are not the Company's customers, incentives provided to passengers are generally recognized as sales and marketing expense except for certain pricing programs described below.

#### *Driver Incentives*

The Company offers various incentive programs to drivers, including minimum guaranteed payments, volume-based discounts and performance-based bonus payments. These driver incentives are similar to retrospective volume-based rebates and represent variable consideration that is typically settled within a week. The Company reduces the transaction price by the estimated amount of the incentives expected to be paid upon completion of the performance criteria by applying the most likely outcome method. Therefore, such driver incentives are recorded as a reduction to revenue. Driver incentives are recorded as a reduction to revenue if the Company does not receive a distinct good or service in exchange for the payment or cannot reasonably estimate the fair value of the good or service received. Driver incentives for referring new drivers or passengers are accounted for as sales and marketing expense. The amount recorded as an expense is the lesser of the amount of the payment or the established fair value of the benefit received. The fair value of the benefit is established using amounts paid to third parties for similar services.

#### *Passenger Incentives*

The Company has several passenger incentive programs, which are offered to encourage passenger activity on the Lyft Platform. Generally, the passenger incentive programs are as follows:

- (i) *Market-wide marketing promotions.* Market-wide promotions reduce the fare charged by drivers to passengers for all or substantially all rides in a specific market. This type of incentive effectively reduces the overall pricing of the service provided by drivers for that specific market and the gross fare charged by the driver to the passenger, and thereby results in a lower fee earned by the Company. Accordingly, the Company records this type of incentive as a reduction to revenue at the date it records the corresponding revenue transaction.
- (ii) *Targeted marketing promotions.* Targeted marketing promotions are used to promote the use of the Lyft Platform to a targeted group of passengers. An example is a promotion where the Company offers a number of discounted rides (capped at a given number of rides) which are valid only during a limited period of time to a targeted group of passengers. The Company believes that the incentives that provide consideration to passengers to be applied to a limited number of rides are similar to marketing coupons. These incentives differ from the market-wide marketing promotions because they do not reduce the overall pricing of the service provided by drivers for a specific market. During the promotion period, passengers not utilizing an incentive would be charged the full fare. These incentives represent marketing costs. When a passenger redeems the incentive, the Company recognizes revenue equal to the transaction price and the cost of the incentive is recorded as sales and marketing expense.
- (iii) *Passenger referral programs.* Under the passenger referral program, the referring passenger (the referrer) earns referral coupons when a new passenger (the referee) completes their first ride on the Lyft Platform. The Company records the incentive as a liability at the time the incentive is earned by the referrer with the corresponding charge recorded to sales and marketing expense. Referral coupons typically expire within one year. The Company estimates breakage using its historical experience. As of June 30, 2020 and December 31, 2019, the passenger referral coupon liability was not material.

#### *Light Vehicle Riders and Lyft Rentals Renters Incentives*

Incentives offered to Light Vehicle riders and Lyft Rentals renters were not material for the three and six months ended June 30, 2020 and 2019.

For the three and six months ended June 30, 2020, in relation to the driver, passenger, Light Vehicle riders, and Lyft Rentals renters incentive programs, the Company recorded \$58.3 million and \$170.5 million as a reduction to revenue and \$4.0 million and \$104.0 million as sales and marketing expense, respectively. For the three and six months ended June 30, 2019, in relation to the driver, passenger, Light Vehicle riders, and Lyft Rentals renters incentive programs, the Company recorded \$150.5 million and \$290.1 million as a reduction to revenue and \$83.5 million and \$204.4 million as sales and marketing expense, respectively.

#### **Investments**

##### *Debt Securities*

The Company's accounting for its debt securities is based on the legal form of the security, the Company's intended holding period for the security, and the nature of the transaction. Investments in debt securities include U.S. treasury bills

commercial paper, certificates of deposit and corporate bonds. Investments in debt securities are classified as available-for-sale and are recorded at fair value.

The Company considers an available-for-sale debt security to be impaired if the fair value of the investment is less than its amortized cost basis. The entire difference between the amortized cost basis and the fair value of the Company's available-for-sale debt securities is recognized in the condensed consolidated statements of operations as an impairment if, (i) the fair value of the security is below its amortized cost and (ii) the Company intends to sell or is more likely than not required to sell the security before recovery of its amortized cost basis. If neither criterion is met, the Company evaluates whether the decline in fair value is due to credit losses or other factors. In making this assessment, the Company considers the extent to which the security's fair value is less than amortized cost, changes to the rating of the security by third-party rating agencies, and adverse conditions specific to the security, among other factors. If the Company's assessment indicates that a credit loss exists, the credit loss is measured based on the Company's best estimate of the cash flows expected to be collected. When developing its estimate of cash flows expected to be collected, the Company considers all available information relevant to the collectability of the security, including past events, current conditions, and reasonable and supportable forecasts.

Credit loss impairments are recognized through an allowance for credit losses adjustment to the amortized cost basis of the debt securities on the balance sheet with an offsetting credit loss expense in the condensed consolidated statements of operations. Impairments related to factors other than credit losses are recognized as an adjustment to the amortized cost basis of the security and an offsetting amount in accumulated other comprehensive income (loss), net of tax. As of June 30, 2020, the Company had not recorded any credit impairments. The Company determines realized gains or losses on the sale of debt securities on a specific identification method.

The Company's investments in debt securities include:

- (i) *Cash and cash equivalents.* Cash equivalents include certificates of deposits, commercial paper and corporate bonds that have an original maturity of 90 days or less and are readily convertible to known amounts of cash.
- (ii) *Short-term investments.* Short-term investments are comprised of commercial paper, certificates of deposit, and corporate bonds, which mature in twelve months or less. The Company considers its investments as available to support its current operations. As a result, the Company classifies these investments as current assets in the accompanying condensed consolidated balance sheets.
- (iii) *Restricted investments.* Restricted investments are comprised of debt security investments in U.S. treasury bills, commercial paper, certificates of deposit, and corporate bonds which are held in trust accounts at third-party financial institutions pursuant to certain contracts with insurance providers.

#### *Non-marketable Equity Securities*

The Company has elected to measure its investments in non-marketable equity securities at cost, with remeasurements to fair value only upon the occurrence of observable transactions for identical or similar investments of the same issuer or impairment. The Company qualitatively assesses whether indicators of impairment exist. Factors considered in this assessment include the investees' financial and liquidity position, access to capital resources, exposure to industries and markets impacted by COVID-19, and the time since the last adjustment to fair value, among others. If an impairment exists, the Company estimates the fair value of the investment by using the best information available, which may include cash flow projections or other available market data, and recognizes a loss for the amount by which the carrying value exceeds the fair value of the investment in the condensed consolidated statements of operations.

#### *Insurance Reserves*

The Company utilizes both a wholly-owned captive insurance subsidiary and third-party insurance, which may include deductibles and self-insured retentions, to insure or reinsure costs including auto liability, uninsured and underinsured motorist, auto physical damage, first party injury coverages including personal injury protection under state law and general business liabilities up to certain limits. The recorded liabilities reflect the estimated ultimate cost for claims incurred but not paid and claims that have been incurred but not yet reported and any estimable administrative run-out expenses related to the processing of these outstanding claim payments. Liabilities are evaluated for appropriateness with claims reserve valuations provided by an independent third-party actuary on a quarterly basis.

Insurance claims may take several years to completely settle, and the Company has limited historical loss experience. Because of the limited operational history, the Company makes certain assumptions based on currently available information and industry statistics and utilizes actuarial models and techniques to estimate the reserves. A number of factors can affect the actual cost of a claim, including the length of time the claim remains open, economic and healthcare cost trends and the results of related litigation. Furthermore, claims may emerge in future years for events that occurred in a prior year at a rate that differs from previous actuarial projections. Reserves are continually reviewed and adjusted as necessary as experience

develops or new information becomes known. However, while the Company believes that the insurance reserve amount is adequate, the ultimate liability may be in excess of, or less than, the amount provided. As a result, the net amounts that will ultimately be paid to settle the liability and when amounts will be paid may vary from the estimated amounts provided for in the condensed consolidated balance sheets.

### **Leases**

The Company adopted ASC 842 using the modified retrospective approach with an effective date as of the beginning of the fiscal year, January 1, 2019. The Company elected the package of transition provisions available for expired or existing contracts, which allowed the Company to carryforward the historical assessments of (1) whether contracts are or contain leases, (2) lease classification and (3) initial direct costs. In accordance with ASC 842, the Company determines if an arrangement is or contains a lease at contract inception by assessing whether the arrangement contains an identified asset and whether the lessee has the right to control such asset. The Company determines the classification and measurement of its leases upon lease commencement. The Company enters into certain agreements as a lessor and either leases or subleases the underlying asset in the agreement to customers. The Company also enters into certain agreements as a lessee. If any of the following criteria are met, the Company classifies the lease as a financing lease (as a lessee) or as a direct financing or sales-type lease (both as a lessor):

- The lease transfers ownership of the underlying asset to the lessee by the end of the lease term;
- The lease grants the lessee an option to purchase the underlying asset that the Company is reasonably certain to exercise;
- The lease term is for 75% or more of the remaining economic life of the underlying asset, unless the commencement date falls within the last 25% of the economic life of the underlying asset;
- The present value of the sum of the lease payments equals or exceeds 90% of the fair value of the underlying asset; or
- The underlying asset is of such a specialized nature that it is expected to have no alternative use to the lessor at the end of the lease term.

Leases that do not meet any of the above criteria are accounted for as operating leases.

### **Lessor**

The Company's lease arrangements include vehicle rentals to drivers or renters under the Flexdrive and Lyft Rentals programs and Light Vehicle rentals to single-use riders. Due to the short-term nature of these arrangements, the Company classifies these leases as operating leases. The Company does not separate lease and non-lease components, such as insurance or roadside assistance provided to the lessee, in its lessor lease arrangements. Lease payments are primarily fixed and are recognized as revenue in the period over which the lease arrangement occurs. Taxes or other fees assessed by governmental authorities that are both imposed on and concurrent with each lease revenue-producing transaction and collected by the Company from the lessee are excluded from the consideration in its lease arrangements. The Company mitigates residual value risk of its leased assets by performing regular maintenance and repairs, as necessary, and through periodic reviews of asset depreciation rates based on the Company's ongoing assessment of present and estimated future market conditions.

### **Lessee**

The Company's leases include real estate property to support its operations and Flexdrive vehicles that may be used by drivers to provide ridesharing services on the Lyft Platform or renters for personal reasons through Lyft Rentals. For leases with a term greater than 12 months, the Company records the related right-of-use asset and lease liability at the present value of lease payments over the term. The lease terms may include options to extend or terminate the lease when it is reasonably certain that the Company will exercise such options. The Company does not separate lease and non-lease components of contracts for real estate property leases, but has elected to do so for vehicle leases when non-lease components exist in these arrangements. For certain leases, the Company also applies a portfolio approach to account for right-of-use assets and lease liabilities that are similar in nature and have nearly identical contract provisions.

The Company's leases do not provide a readily determinable implicit rate. Therefore, the Company estimates its incremental borrowing rate to discount the lease payments based on information available at lease commencement. The Company determines its incremental borrowing rate based on the rate of interest that the Company would have to pay to borrow on a collateralized basis over a similar term for an amount equal to the lease payments in a similar economic environment.

Lease payments may be fixed or variable; however, only fixed payments are included in the Company's lease liability calculation. Operating leases are included in operating lease right-of-use assets, operating lease liabilities — current and operating lease liabilities on the condensed consolidated balance sheets. Lease costs for the Company's operating leases are recognized on a straight-line basis primarily within operating expenses over the lease term. Finance leases are included in

property and equipment, net, accrued and other current liabilities, and other liabilities on the condensed consolidated balance sheets. Finance lease assets are amortized on a straight-line basis over the shorter of the estimated useful lives of the assets or the lease term in cost of revenue on the condensed consolidated statements of operations. The interest component of finance leases is included in cost of revenue on the condensed consolidated statements of operations and recognized using the effective interest method over the lease term. Variable lease payments are recognized primarily in operating expenses in the period in which the obligation for those payments are incurred.

### **Recent Accounting Pronouncements**

#### *Recently Adopted Accounting Pronouncements*

In June 2016, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update (“ASU”) No. 2016-13 “Financial Instruments—Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments”, which requires the measurement and recognition of expected credit losses for financial assets held at amortized cost. This standard replaces the existing incurred loss impairment model with an expected loss model which requires the use of forward-looking information to calculate credit loss estimates. It also eliminates the concept of other-than-temporary impairment and requires credit losses related to available-for-sale debt securities to be recorded through an allowance for credit losses rather than as a reduction in the amortized cost basis of the securities. Effective on January 1, 2020, the Company adopted this standard using the modified retrospective transition method. The adoption had no impact on the accumulated deficit on the condensed consolidated balance sheet as of January 1, 2020.

In August 2018, the FASB issued ASU No. 2018-15, “Intangibles—Goodwill and Other—Internal-Use Software (Subtopic 350-40): Customer’s Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract.” This standard aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software. The implementation costs incurred in a hosting arrangement that is a service contract should be presented as a prepaid asset on the balance sheet and expensed over the term of the hosting arrangement to the same line item in the statements of operations as the costs related to the hosting fees. Effective on January 1, 2020, the Company adopted this standard using the prospective transition method, which did not have a material impact on the condensed consolidated financial statements.

In August 2018, the FASB issued ASU No. 2018-13, “Fair Value Measurement (Topic 820).” This standard modifies disclosure requirements related to fair value measurement by removing certain disclosure requirements related to the fair value hierarchy, modifying existing disclosure requirements related to measurement uncertainty and adding new disclosure requirements, such as disclosing the changes in unrealized gains and losses for the period included in other comprehensive income for recurring Level 3 fair value measurements held at the end of the reporting period and disclosing the range and weighted average of significant unobservable inputs used to develop Level 3 measurements. Effective on January 1, 2020, the Company adopted this standard, which did not have a material impact on the condensed consolidated financial statements.

In March 2020, the FASB issued ASU No. 2020-04, “Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting.” This standard provides optional accounting relief to entities with contracts, hedge accounting relationships or other transactions that reference London Interbank Offered Rate (“LIBOR”) or other interest rate benchmarks for which the referenced rate is expected to be discontinued or replaced. The Company has agreements that have LIBOR as a reference rate with certain lenders. This optional relief generally allows for contract modifications solely related to the replacement of the reference rate to be accounted for as a continuation of the existing contract instead of as an extinguishment of the contract, and would therefore not trigger certain accounting impacts that would otherwise be required. The optional relief can be applied beginning January 1, 2020, and ending December 31, 2022. Effective on January 1, 2020, the Company adopted this standard and plans to apply the amendments in this update to account for contract modifications due to changes in reference rates, if applicable. As of June 30, 2020, the adoption of this standard did not have a material impact on the condensed consolidated financial statements and disclosures.

#### *Recently Issued Accounting Pronouncements Not Yet Adopted*

In December 2019, the FASB issued ASU No. 2019-12, “Income Taxes (Topic 740): Simplifying the Accounting for Income Taxes”, which is intended to simplify the accounting for income taxes by removing certain exceptions and by updating accounting requirements around franchise taxes, goodwill recognized for tax purposes, the allocation of current and deferred tax expense among legal entities, among other minor changes. This new standard will be effective for the Company for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the impact of adopting this standard on the condensed consolidated financial statements.

In January 2020, the FASB issued ASU No. 2020-01, “Investments-Equity Securities (Topic 321), Investments-Equity Method and Joint Ventures (Topic 323), and Derivatives and Hedging (Topic 815): Clarifying the Interactions between Topic 321, Topic 323, and Topic 815”, which clarifies the interaction of the accounting for equity securities under Topic 321 and

investments accounted for under the equity method of accounting under Topic 323, and the accounting for certain forward contracts and purchased options accounted for under Topic 815. This new standard will be effective for the Company for fiscal years beginning after December 15, 2020, including interim periods within those fiscal years. Early adoption is permitted. The Company is currently assessing the impact of adopting this standard on the condensed consolidated financial statements.

In August 2020, the FASB issued ASU No. 2020-06, “Debt—Debt with Conversion and Other Options (Subtopic 470-20) and Derivatives and Hedging— Contracts in Entity’s Own Equity (Subtopic 815-40): Accounting for Convertible Instruments and Contracts in an Entity’s Own Equity”, which simplifies the accounting for convertible instruments by eliminating the requirement to separate embedded conversion features from the host contract when the conversion features are not required to be accounted for as derivatives under Topic 815, Derivatives and Hedging, or that do not result in substantial premiums accounted for as paid-in capital. By removing the separation model, a convertible debt instrument will be reported as a single liability instrument with no separate accounting for embedded conversion features. This new standard also removes certain settlement conditions that are required for contracts to qualify for equity classification and simplifies the diluted earnings per share calculations by requiring that an entity use the if-converted method and that the effect of potential share settlement be included in diluted earnings per share calculations. This new standard will be effective for the Company for fiscal years beginning after December 15, 2021, including interim periods within those fiscal years. Early adoption is permitted, but no earlier than fiscal years beginning after December 15, 2020. The Company is currently assessing the impact of adopting this standard on the condensed consolidated financial statements.

### 3. Acquisitions

#### *Acquisition of Flexdrive Services, LLC (“Flexdrive”)*

On February 7, 2020 (the “Closing Date”), the Company completed its acquisition of Flexdrive for approximately \$20.0 million and treated the acquisition as a business combination. The acquisition is expected to contribute to the growth of the Company's current business, and help expand the range of the Company's use cases and the breadth of the Company's multimodal offerings. Prior to the acquisition, the Company acted as the lessee of Flexdrive's vehicles and sublessor for each vehicle prior to its rental by drivers. As of the Closing Date, the Company had approximately \$133.1 million of operating lease right-of-use assets and \$130.1 million of operating lease liabilities on the balance sheet related to this preexisting contractual relationship with Flexdrive. This preexisting contractual relationship and others were settled on the Closing Date as an adjustment to the purchase price.

Acquisition costs were immaterial and are included in general and administrative expenses in the condensed consolidated statements of operations.

The following table summarizes the fair value of the assets acquired and liabilities assumed at the Closing Date (in thousands):

Cash and cash equivalents	\$	587
Prepaid expenses and other current assets		276
Property and equipment		111,881
Finance lease right-of-use assets		56,014
Identifiable intangible assets - developed technology		13,200
Total identifiable assets acquired		181,958
Loans		134,121
Finance lease & other liabilities		57,265
Total liabilities assumed		191,386
Net liabilities assumed		(9,428)
Goodwill		22,455
Total acquisition consideration	\$	13,027

Goodwill represents the excess of the total purchase consideration over the fair value of the underlying assets acquired and liabilities assumed. Goodwill is attributable to expected synergies and monetization opportunities from gaining control over the Flexdrive platform (“developed technology” intangible asset) and gaining greater flexibility in monetizing the fleet of owned and leased vehicles from the combined operations of the Company and Flexdrive. The acquisition is a taxable business combination for tax purposes and goodwill recognized in the acquisition is deductible for tax purposes.

The fair value of the developed technology intangible asset was determined to be \$13.2 million with an estimated useful life of three years. The fair value of the developed technology was determined using the avoided cost approach. In the

avoided cost approach, the fair value of an asset is based on the future after-tax costs which are avoided (or reduced) as a result of owning (or having the rights to) the asset for three years after the Closing Date. Indications of value were developed by discounting these benefits to their present value.

The results of operations for the acquired business have been included in the condensed consolidated statements of operations for the period subsequent to the Company's acquisition of Flexdrive. Flexdrive's results of operations for periods prior to this acquisition were not material to the condensed consolidated statements of operations and, accordingly, pro forma financial information has not been presented.

#### 4. Supplemental Financial Statement Information

##### Cash Equivalents and Investments

The following tables summarize the cost or amortized cost, gross unrealized gain, gross unrealized loss and fair value of the Company's cash equivalents and investments as of the dates indicated (in thousands):

	June 30, 2020			
	Cost or Amortized Cost	Unrealized		Estimated Fair Value
		Gains	Losses	
<b>Unrestricted Balances<sup>(1)</sup></b>				
Money market funds	\$ 248,500	\$ —	\$ —	\$ 248,500
Money market deposit accounts	276,335	—	—	276,335
Term deposits	621,000	—	—	621,000
Certificates of deposit	722,624	1,006	(104)	723,526
Commercial paper	520,037	636	(2)	520,671
Corporate bonds	366,660	1,136	(18)	367,778
Total unrestricted cash equivalents and investments	2,755,156	2,778	(124)	2,757,810
<b>Restricted Balances<sup>(2)</sup></b>				
Money market funds	41,377	—	—	41,377
Money market deposit accounts	97,072	—	—	97,072
Term deposits	7,811	—	—	7,811
Certificates of deposit	392,634	785	(3)	393,416
Commercial paper	369,760	435	(4)	370,191
Corporate bonds	212,222	705	(8)	212,919
U.S. treasury securities	2,499	—	—	2,499
Total restricted cash equivalents and investments	1,123,375	1,925	(15)	1,125,285
Total unrestricted and restricted cash equivalents and investments	<u>\$ 3,878,531</u>	<u>\$ 4,703</u>	<u>\$ (139)</u>	<u>\$ 3,883,095</u>

(1) Excludes \$18.1 million of cash, which is included within the \$2.8 billion of cash and cash equivalents and short-term investments on the condensed consolidated balance sheets.

(2) Excludes \$59.5 million of restricted cash, which is included within the \$1.2 billion of restricted cash and cash equivalents and restricted short-term investments on the condensed consolidated balance sheets.

	December 31, 2019			
	Cost or Amortized Cost	Unrealized		Estimated Fair Value
		Gains	Losses	
<b>Unrestricted Balances<sup>(1)</sup></b>				
Money market deposit accounts	\$ 217,523	\$ —	\$ —	\$ 217,523
Term deposits	135,000	—	—	135,000
Certificates of deposit	1,275,750	887	(43)	1,276,594
Commercial paper	876,382	181	(68)	876,495
Corporate bonds	247,359	219	—	247,578
Total unrestricted cash equivalents and short-term investments	2,752,014	1,287	(111)	2,753,190
<b>Restricted Balances<sup>(2)</sup></b>				
Money market funds	19,250	—	—	19,250
Money market deposit accounts	7,884	—	—	7,884
Term deposits	7,811	—	—	7,811
Certificates of deposit	608,578	262	(12)	608,828
Commercial paper	791,087	165	(97)	791,155
Corporate bonds	75,828	80	—	75,908
Total restricted cash equivalents and investments	1,510,438	507	(109)	1,510,836
Total unrestricted and restricted cash equivalents and investments	\$ 4,262,452	\$ 1,794	\$ (220)	\$ 4,264,026

(1) Excludes \$96.9 million of cash, which is included within the \$2.9 billion of cash and cash equivalents and short-term investments on the condensed consolidated balance sheets.

(2) Excludes \$56.4 million of restricted cash, which is included within the \$1.6 billion of restricted cash and cash equivalents and restricted short-term investments on the condensed consolidated balance sheets.

The Company's short-term investments consist of available-for-sale debt securities and term deposits. The term deposits are at cost, which approximates fair value.

The weighted-average remaining maturity of the Company's investment portfolio was less than one year as of the periods presented. No individual security incurred continuous unrealized losses for greater than 12 months.

The Company purchases investment grade marketable debt securities which are rated by nationally recognized statistical rating organizations in accordance with its investment policy. This policy is designed to minimize the Company's exposure to credit losses. As of June 30, 2020, the credit-quality of the Company's marketable available-for-sale debt securities had remained stable. The unrealized losses recognized on marketable available-for-sale debt securities as of June 30, 2020 was primarily related to the extreme market volatility associated with COVID-19. The contractual terms of these investments do not permit the issuer to settle the securities at a price less than the amortized cost basis of the investments and it is not expected that the investments would be settled at a price less than their amortized cost basis. The Company does not intend to sell the investments and it is not more likely than not that the Company will be required to sell the investments before recovery of their amortized cost basis. The Company is not aware of any specific event or circumstance that would require the Company to change its assessment of credit losses for any marketable available-for-sale debt security as of June 30, 2020. These estimates may change, as new events occur and additional information is obtained, and will be recognized in the condensed consolidated financial statements as soon as they become known. No credit losses were recognized as of June 30, 2020 for the Company's marketable and non-marketable debt securities.

The following table summarizes the Company's available-for-sale debt securities in an unrealized loss position for which no allowance for credit losses was recorded, aggregated by major security type (in thousands):

	June 30, 2020	
	Estimated Fair Value	Unrealized Losses
Certificates of deposit	\$ 63,943	\$ (107)
Corporate bonds	78,691	(26)
Commercial paper	61,341	(6)
	\$ 203,975	\$ (139)

### Accrued and Other Current Liabilities

Accrued and other current liabilities consisted of the following as of the dates indicated (in thousands):

	June 30, 2020	December 31, 2019
Ride-related accruals	\$ 160,586	\$ 253,840
Insurance-related accruals	248,033	218,161
Legal accruals	183,085	162,766
Insurance claims payable and related fees	66,923	87,357
Long-term debt, current	39,602	—
Other	241,181	217,741
Accrued and other current liabilities	<u>\$ 939,410</u>	<u>\$ 939,865</u>

### Insurance Reserves

The following table provides a rollforward of the insurance reserve for the periods presented (in thousands):

	Six Months Ended June 30,	
	2020	2019
Beginning balance	\$ 1,378,462	\$ 810,273
Losses paid	(318,804)	(205,629)
Change in estimates for prior periods	58,251	137,840
Transfer of certain legacy auto insurance liabilities	(407,885)	—
Reserves for current period	233,612	464,896
Ending balance	<u>\$ 943,636</u>	<u>\$ 1,207,380</u>

On March 31, 2020, the Company's wholly-owned subsidiary, PVIC, entered into a Novation Agreement with Clarendon, and certain underwriting companies of Zurich. Pursuant to term of the Novation, on the effective date March 31, 2020, the obligations of PVIC as reinsurer to Zurich for the Legacy Auto Liability, were assigned to, assumed by, and novated to Clarendon, for cash consideration of \$465.0 million. As a result of the Novation, the Company's obligations related to the Legacy Auto Liability was fully extinguished and novated to Clarendon on March 31, 2020.

The Company paid the \$465.0 million cash consideration to Clarendon on April 3, 2020, the date when certain Clarendon trust agreements were executed and the trust accounts were established in order to secure the applicable payments subject to Novation. The Company derecognized \$407.9 million of insurance reserves liabilities and recognized a loss of \$64.7 million for the net cost of the Novation in the condensed consolidated statements of operations for the six months ended June 30, 2020, with \$62.5 million in cost of revenue and \$2.2 million in general and administrative expense.

In conjunction with the Novation, Clarendon and PVIC executed a Retrocession Agreement in July 2020, pursuant to which PVIC will reinsure Clarendon's losses related to the Legacy Auto Liability in excess of an aggregate limit of \$816.0 million. The Retrocession Agreement was executed in July 2020 with an effective date of March 31, 2020. The execution of the Retrocession Agreement did not have a material impact on the condensed consolidated financial statements as of June 30, 2020.

### Other Income (Expense), Net

The following table sets forth the primary components of other income (expense), net as reported on the condensed consolidated statements of operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Interest income <sup>(1)</sup>	\$ 10,768	\$ 29,979	\$ 32,095	\$ 49,633
Gain (loss) on sale of securities, net	66	40	(896)	123
Foreign currency exchange gains (losses), net	350	135	(164)	(435)
Other	939	(486)	257	147
Other income (expense), net	<u>\$ 12,123</u>	<u>\$ 29,668</u>	<u>\$ 31,292</u>	<u>\$ 49,468</u>

(1) Interest income was reported as a separate line item on the condensed consolidated statement of operations in periods prior to the second quarter of 2020.

## 5. Fair Value Measurements

### Financial Instruments Measured at Fair Value on a Recurring Basis

The following tables set forth the Company's financial instruments that were measured at fair value on a recurring basis as of the dates indicated by level within the fair value hierarchy (in thousands):

	June 30, 2020			
	Level 1	Level 2	Level 3	Total
<b>Unrestricted Balances<sup>(1)</sup></b>				
Money market funds	\$ 248,500	\$ —	\$ —	\$ 248,500
Certificates of deposit	—	723,526	—	723,526
Commercial paper	—	520,671	—	520,671
Corporate bonds	—	367,778	—	367,778
Total unrestricted cash equivalents and investments	248,500	1,611,975	—	1,860,475
<b>Restricted Balances<sup>(2)</sup></b>				
Money market funds	41,377	—	—	41,377
Certificates of deposit	—	393,416	—	393,416
Commercial paper	—	370,191	—	370,191
Corporate bonds	—	212,919	—	212,919
U.S. treasury securities	2,499	—	—	2,499
Total restricted cash equivalents and investments	43,876	976,526	—	1,020,402
Total unrestricted and restricted cash equivalents and investments	\$ 292,376	\$ 2,588,501	\$ —	\$ 2,880,877

(1) \$18.1 million of cash, \$276.3 million of money market deposit accounts and \$621.0 million of term deposits are not subject to recurring fair value measurement and therefore excluded from this table. However, these balances are included within the \$2.8 billion of cash and cash equivalents and short-term investments on the condensed consolidated balance sheets.

(2) \$59.5 million of restricted cash, \$97.1 million of a money market deposit account and \$7.8 million of a restricted term deposit are not subject to recurring fair value measurement and therefore excluded from this table. However, these balances are included within the \$1.2 billion of restricted cash and cash equivalents and restricted short-term investments on the condensed consolidated balance sheets.

	December 31, 2019			
	Level 1	Level 2	Level 3	Total
<b>Unrestricted Balances<sup>(1)</sup></b>				
Certificates of deposit	\$ —	\$ 1,276,594	\$ —	\$ 1,276,594
Commercial paper	—	876,495	—	876,495
Corporate bonds	—	247,578	—	247,578
Total unrestricted cash equivalents and short-term investments	—	2,400,667	—	2,400,667
<b>Restricted Balances<sup>(2)</sup></b>				
Money market funds	19,250	—	—	19,250
Certificates of deposit	—	608,828	—	608,828
Commercial paper	—	791,155	—	791,155
Corporate bonds	—	75,908	—	75,908
Total restricted cash equivalents and investments	19,250	1,475,891	—	1,495,141
Total unrestricted and restricted cash equivalents and investments	\$ 19,250	\$ 3,876,558	\$ —	\$ 3,895,808

(1) \$96.9 million of cash, \$217.5 million of money market deposit accounts and \$135.0 million of term deposits are not subject to recurring fair value measurement and therefore excluded from this table. However, these balances are included within the \$2.9 billion of cash and cash equivalents and short-term investments on the condensed consolidated balance sheets.

(2) \$56.4 million of restricted cash, \$7.9 million of a money market deposit account and \$7.8 million of a restricted term deposit are not subject to recurring fair value measurement and therefore excluded from this table. However, these balances are included within the \$1.6 billion of restricted cash and cash equivalents and restricted short-term investments on the condensed consolidated balance sheets.

The fair value of the Company's Level 1 financial instruments is based on quoted market prices for identical instruments. The fair value of the Company's Level 2 fixed income securities is obtained from an independent pricing service, which may use quoted market prices for identical or comparable instruments or model driven valuations using observable market data or inputs corroborated by observable market data. Level 3 instrument valuations are valued based on unobservable inputs and other estimation techniques due to the absence of quoted market prices, inherent lack of liquidity and the long-term nature of such financial instruments.

During the six months ended June 30, 2020, the Company did not make any transfers between the levels of the fair value hierarchy.

*Financial Instruments Measured at Fair Value on a Non-Recurring Basis*

In March 2020, the Company purchased a non-marketable equity security for total cash consideration of \$10.0 million that is classified in other investments on the condensed consolidated balance sheets. The non-marketable equity security will be remeasured to fair value upon the occurrence of observable transactions for an identical or similar investments of the same issuer or impairment. As of June 30, 2020, there were no remeasurement adjustments.

**6. Leases**

*Real Estate Operating Leases*

The Company leases real estate property at approximately 86 locations with 84 commenced leases and two not yet commenced leases having an initial term of 12 months or longer as of June 30, 2020. These leases are classified as operating leases. As of June 30, 2020, the remaining lease terms vary from approximately six months to ten years. For certain leases the Company has options to extend the lease term for periods varying from two to ten years. These renewal options are not considered in the lease term unless it is reasonably certain that the Company will exercise such options. Any fixed payments related to non-lease components, such as common area maintenance or other services provided by the landlord, are accounted for as a component of the lease payment and therefore, a part of the total lease cost.

*Flexdrive Program*

The Company operates a fleet of rental vehicles through Flexdrive, a portion of which are leased from third-party vehicle leasing companies. These leases are classified as finance leases and are included in property and equipment, net on the condensed consolidated balance sheet. As of June 30, 2020, the remaining lease terms vary from one month to five years. These leases generally do not contain any non-lease components and, as such, all payments due under these arrangements are allocated to the respective lease component.

*Lease Position as of June 30, 2020*

The table below presents the lease-related assets and liabilities recorded on the condensed consolidated balance sheet (in thousands, except for remaining lease terms and percentages):

	June 30, 2020	December 31, 2019
<b>Operating Leases</b>		
<b>Assets</b>		
Operating lease right-of-use assets	\$ 297,173	\$ 441,258
<b>Liabilities</b>		
Operating lease liabilities, current	\$ 48,282	\$ 94,199
Operating lease liabilities, non-current	293,017	382,077
Total operating lease liabilities	<u>\$ 341,299</u>	<u>\$ 476,276</u>
<b>Finance Leases</b>		
<b>Assets</b>		
Finance lease right-of-use assets <sup>(1)</sup>	\$ 48,445	\$ —
<b>Liabilities</b>		
Finance lease liabilities, current <sup>(2)</sup>	32,791	—
Finance lease liabilities, non-current <sup>(3)</sup>	15,377	—
Total finance lease liabilities	<u>\$ 48,168</u>	<u>\$ —</u>
<b>Weighted-average remaining lease term (years)</b>		
Operating leases	6.6	5.6
Finance leases	1.6	—
<b>Weighted-average discount rate</b>		
Operating leases	6.5 %	6.6 %
Finance leases	4.6 %	— %

(1) This balance is included within property and equipment, net on the condensed consolidated balance sheets and was primarily related to leases acquired in the Flexdrive transaction. Refer to Note 3 "Acquisition" to the condensed consolidated financial statements for information regarding this transaction.

(2) This balance is included within other current liabilities on the condensed consolidated balance sheets and was primarily related to leases acquired in the Flexdrive transaction. Refer to Note 3 "Acquisition" to the condensed consolidated financial statements for information regarding this transaction.

(3) This balance is included within other liabilities on the condensed consolidated balance sheets and was primarily related to leases acquired in the Flexdrive transaction. Refer to Note 3 "Acquisition" to the condensed consolidated financial statements for information regarding this transaction.

### Lease Costs

The table below presents certain information related to the lease costs recorded on the condensed consolidated statements of operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
<b>Operating Leases</b>				
Operating lease cost	\$ 18,027	\$ 25,275	\$ 44,257	\$ 48,814
<b>Finance Leases</b>				
Amortization of right-of-use assets	10,194	—	16,361	—
Interest on lease liabilities	540	—	980	—
<b>Other Lease Costs</b>				
Short-term lease cost	1,311	2,199	2,325	3,932
Variable lease cost <sup>(1)</sup>	3,304	3,296	7,044	6,296
Total lease cost	\$ 33,376	\$ 30,770	\$ 70,967	\$ 59,042

(1) Consists primarily of common area maintenance, taxes and utilities for real estate leases, and certain vehicle-related charges under the Flexdrive program.

The table below presents certain supplemental information related to the cash flows for operating and finance leases recorded on the condensed consolidated statements of cash flows (in thousands):

	Six Months Ended June 30,	
	2020	2019
<b>Cash paid for amounts included in the measurement of lease liabilities</b>		
Operating cash flows from operating leases	\$ 29,739	\$ 35,684
Operating cash flows from finance leases	980	—
Financing cash flows from finance leases	18,042	—

### Undiscounted Cash Flows

The table below reconciles the undiscounted cash flows for each of the first five years and total of the remaining years to the operating and finance lease liabilities recorded on the condensed consolidated balance sheet as of June 30, 2020 (in thousands):

	Operating Leases	Finance Leases	Total Leases
Remainder of 2020	\$ 35,014	\$ 19,891	\$ 54,905
2021	76,655	23,186	99,841
2022	72,240	4,581	76,821
2023	55,539	1,325	56,864
2024	50,992	1,145	52,137
Thereafter	137,322	—	137,322
Total minimum lease payments	\$ 427,762	\$ 50,128	\$ 477,890
Less: amount of lease payments representing interest	(86,463)	(1,960)	(88,423)
Present value of future minimum lease payments	\$ 341,299	\$ 48,168	\$ 389,467
Less: current obligations under leases	(48,282)	(32,791)	(81,073)
Long-term lease obligations	\$ 293,017	\$ 15,377	\$ 308,394

As of June 30, 2020, the Company had an immaterial amount of real estate leases that had not yet commenced. These leases are expected to commence in 2020 with lease terms of five to seven years.

## **7. Commitments and Contingencies**

### ***Non-cancellable Purchase Commitments***

In March 2018, the Company entered into a non-cancellable arrangement with a web-hosting services provider under which the Company had an obligation to purchase a minimum of \$150.0 million worth of services from this vendor through June 2021. In January 2019, the parties modified the aggregate commitment amounts and timing. Under the amended arrangement, the Company committed to spend an aggregate of at least \$300.0 million between January 2019 and December 2021, with a minimum amount of \$80.0 million in each of the three years, on services with this vendor. The Company has made payments totaling \$189.7 million under the amended arrangement as of June 30, 2020. In May 2020, the parties extended the commitment period through June 2022 with no change to the aggregate commitment amounts.

In May 2019, the Company entered into a non-cancellable arrangement with the City of Chicago, with respect to the Divvy bike share program, under which the Company has an obligation to pay approximately \$7.5 million per year to the City of Chicago through January 2028 and to spend a minimum of \$50.0 million on capital equipment for the bike share program through January 2023. The Company has made payments totaling \$28.9 million as of June 30, 2020.

### ***Letters of Credit***

The Company maintains certain stand-by letters of credit from third-party financial institutions in the ordinary course of business to guarantee certain performance obligations related to leases, insurance policies and other various contractual arrangements. The outstanding letters of credit are collateralized by restricted cash. As of June 30, 2020 and December 31, 2019, the Company had letters of credit outstanding of \$56.9 million and \$55.2 million, respectively.

### ***Legal Proceedings***

The Company is currently involved in, and may in the future be involved in, legal proceedings, claims, regulatory inquiries, and governmental investigations in the ordinary course of business, including suits by drivers, passengers, or third parties (individually or as class actions) alleging, among other things, various wage and expense related claims, violations of state or federal laws, improper disclosure of the Company's fees, rules or policies, that such fees, rules or policies violate applicable law, or that the Company has not acted in conformity with such fees, rules or policies, as well as proceedings related to product liability, its acquisitions, securities issuances or business practices, or public disclosures about the business. In addition, the Company has been, and is currently, named as a defendant in a number of litigation matters related to accidents or other trust and safety incidents involving drivers or passengers using the Lyft Platform.

The outcomes of the Company's legal proceedings are inherently unpredictable and subject to significant uncertainties. For some matters for which a material loss is reasonably possible, an estimate of the amount of loss or range of losses is not possible nor is the Company able to estimate the loss or range of losses that could potentially result from the application of nonmonetary remedies. Until the final resolution of legal matters, there may be an exposure to a material loss in excess of the amount recorded.

### ***Indemnification***

The Company enters into indemnification provisions under agreements with other parties in the ordinary course of business, including certain business partners, investors, contractors and the Company's officers, directors and certain employees. The Company has agreed to indemnify and defend the indemnified party's claims and related losses suffered or incurred by the indemnified party resulting from actual or threatened third-party claims because of the Company's activities or, in some cases, non-compliance with certain representations and warranties made by the Company. It is not possible to determine the maximum potential loss under these indemnification provisions due to the Company's limited history of prior indemnification claims and the unique facts and circumstances involved in each particular provision. To date, losses recorded in the condensed consolidated statements of operations in connection with the indemnification provisions have not been material.

### ***Independent Contractor Classification Matters***

With regard to independent contractor classification of drivers on the Lyft Platform, the Company is regularly subject to claims, lawsuits, arbitration proceedings, administrative actions, government investigations and other legal and regulatory proceedings at the federal, state and municipal levels challenging the classification of these drivers as independent contractors, and claims that, by the alleged misclassification, the Company has violated various labor and other laws that would apply to driver employees. Laws and regulations that govern the status and classification of independent contractors are subject to change and divergent interpretations by various authorities, which can create uncertainty and unpredictability for the Company.

For example, Assembly Bill 5 (as codified in part at Cal. Labor Code sec. 2750.3) codified and extended an employment classification test set forth by the California Supreme Court that established a new standard for determining employee or independent contractor status. The passage of this bill has led and could continue to lead to additional challenges to

the independent contractor classification of drivers using the Lyft Platform. For example, on May 5, 2020, the California Attorney General and the City Attorneys of Los Angeles, San Diego, and San Francisco filed a lawsuit against the Company and Uber for allegedly misclassifying drivers on the companies' respective platforms as independent contractors in violation of Assembly Bill 5 and California's Unfair Competition Law, and on June 25, 2020, filed a motion for preliminary injunction against the Company and Uber. On August 10, 2020, the court granted the motion for a preliminary injunction, forcing the Company and Uber to reclassify drivers in California as employees until the end of the lawsuit; the injunction is stayed for ten days. On August 12, 2020, the Company filed a notice of appeal of the court's order and requested a stay pending appeal. Further, on July 14, 2020, the Massachusetts Attorney General filed a lawsuit against the Company and Uber for allegedly misclassifying drivers as independent contractors under Massachusetts law, and seeking declaratory and injunctive relief. On August 5, 2020, the California Labor Commissioner filed lawsuits against the Company and Uber for allegedly misclassifying drivers on the companies' respective platforms as independent contractors, seeking injunctive relief and material damages and penalties. Certain adverse outcomes of such actions would have a material impact on the Company's business, financial condition and results of operations, including damages, penalties and potential suspension of operations in impacted jurisdictions, including California. The Company's chances of success on the merits are still uncertain and any possible loss or range of loss cannot be reasonably estimated. Such regulatory scrutiny or action may create different or conflicting obligations from one jurisdiction to another.

The Company is currently involved in a number of putative class actions, thousands of individual claims, including those brought in arbitration or compelled pursuant to the Company's Terms of Service to arbitration, matters brought, in whole or in part, as representative actions under California's Private Attorney General Act, Labor Code Section 2698, et seq., alleging that the Company misclassified drivers as independent contractors and other matters challenging the classification of drivers on the Company's platform as independent contractors. The Company is currently defending allegations in a number of lawsuits that the Company has failed to properly classify drivers and provide those drivers with sick leave and related benefits during the COVID-19 pandemic.

The Company disputes any allegations of wrongdoing and intends to continue to defend itself vigorously in these matters. However, results of litigation, arbitration and regulatory actions are inherently unpredictable and legal proceedings related to these driver claims, individually or in the aggregate, could have a material impact on the Company's business, financial condition and results of operations. Regardless of the outcome, litigation and arbitration of these matters can have an adverse impact on the Company because of defense and settlement costs individually and in the aggregate, diversion of management resources and other factors.

#### ***Unemployment Insurance Assessment***

The Company is involved in administrative audits with various state employment agencies, including audits related to driver classification, in California, Connecticut, Oregon, Wisconsin, Illinois and New Jersey. The Company believes that drivers are properly classified as independent contractors and plans to vigorously contest any adverse assessment or determination. The Company's chances of success on the merits are still uncertain and any possible loss or range of loss cannot be reasonably estimated.

#### ***Indirect Taxes***

The Company is under audit by various domestic tax authorities with regard to indirect tax matters. The subject matter of indirect tax audits primarily arises from disputes on tax treatment and tax rates applied to the sale of the Company's services in these jurisdictions. The Company accrues indirect taxes that may result from examinations by, or any negotiated agreements with, these tax authorities when a loss is probable and reasonably estimable and the expense is recorded to general and administrative expenses.

#### ***Patent Litigation***

The Company is currently involved in legal proceedings related to alleged infringement of patents and other intellectual property and, in the ordinary course of business, the Company receives correspondence from other purported holders of patents and other intellectual property offering to license such property and/or asserting infringement of such property. The Company disputes any allegation of wrongdoing and intends to defend itself vigorously in these matters. The Company's chances of success on the merits are still uncertain and any possible loss or range of loss cannot be reasonably estimated.

#### ***Consumer and Other Class Actions***

The Company is involved in a number of class actions alleging violations of consumer protection laws such as the TCPA as well as violations of other laws such as the Americans with Disabilities Act, or the ADA. The Company disputes any allegations of wrongdoing and intends to continue to defend itself vigorously in these matters. The Company's chances of success on the merits are still uncertain and any possible loss or range of loss cannot be reasonably estimated.

### Personal Injury and Other Safety Matters

In the ordinary course of the Company's business, various parties have from time to time claimed, and may claim in the future, that the Company is liable for damages related to accidents or other incidents involving drivers or riders using or who have used services offered on the Lyft platform, as well as from third parties. The Company is currently named as a defendant in a number of matters related to accidents or other incidents involving drivers on the Lyft platform, other riders and third parties. The Company believes it has meritorious defenses, disputes the allegations of wrongdoing and intends to defend itself vigorously in these matters. There is no pending or threatened legal proceeding that has arisen from these accidents or incidents that individually, in the Company's opinion, is likely to have a material impact on its business, financial condition or results of operations; however, results of litigation and claims are inherently unpredictable and legal proceedings related to such accidents or incidents, in the aggregate, could have a material impact on the Company's business, financial condition and results of operations. For example, on January 17, 2020, the Superior Court of California, County of Los Angeles, granted the petition of multiple plaintiffs to coordinate their claims relating to alleged sexual assault or harassment by drivers on the Lyft Platform. Regardless of the outcome, litigation can have an adverse impact on the Company because of defense and settlement costs individually and in the aggregate, diversion of management resources and other factors.

### Securities Litigation

Beginning in April 2019, several putative class actions were filed in California state and federal court against the Company, its directors, certain of its officers, and certain of the underwriters named in the IPO Registration Statement alleging violation of securities laws in connection with the IPO. These cases have been consolidated into two putative class actions, one in California state court and the other in federal court. On July 1, 2020, the California state court sustained in part and overruled in part the Company's demurrer to the consolidated complaint. The Company filed its answer to this consolidated complaint on August 3, 2020. On May 14, 2020, the Company filed a motion to dismiss the consolidated complaint in the federal court case. On July 20, 2020, the federal court vacated the hearing set on that motion and stated that it will issue a written order on the motion at an unspecified time. The Company believes these lawsuits are without merit and intends to vigorously defend against them. The Company's chances of success on the merits are still uncertain and any possible loss or range of loss cannot be reasonably estimated.

## 8. Debt

Outstanding debt obligations as of June 30, 2020 were as follows (in thousands):

	Maturities	Interest Rate	June 30, 2020
Convertible senior notes	May 2025	1.50%	\$ 551,814
Non-revolving Loan <sup>(1)</sup>	2020 - 2023	3.75% - 5.25%	93,111
Master Vehicle Loan <sup>(1)</sup>	2020 - 2022	4.20% - 6.75%	18,037
Total long-term debt, including current maturities <sup>(2)</sup>			\$ 662,962
Less: long-term debt maturing within one year			39,602
Total long-term debt			\$ 623,360

(1) These loans were acquired as part of the Flexdrive acquisition on February 7, 2020.

(2) The Company had no debt as of December 31, 2019.

The following table sets forth the primary components of interest expense as reported on the condensed consolidated statements of operations (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Contractual interest expense related to the 2025 Notes	\$ (1,402)	\$ —	\$ (1,402)	\$ —
Amortization of debt discount and issuance costs	(4,120)	—	(4,120)	—
Interest expense related to vehicle loans	(1,015)	—	(2,522)	—
Interest expense	\$ (6,537)	\$ —	\$ (8,044)	\$ —

### Convertible Senior Notes

In May 2020, the Company issued \$747.5 million aggregate principal amount of 1.50% convertible senior notes due 2025 (the "2025 Notes") pursuant to an indenture, dated May 15, 2020 (the "Indenture"), between the Company and U.S. Bank National Association, as trustee. The 2025 Notes were offered and sold pursuant to a purchase agreement (the "Purchase

Agreement") with J.P. Morgan Securities LLC and Credit Suisse Securities (USA) LLC, as representatives of the several initial purchasers (the "Initial Purchasers") in a private placement to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the "Securities Act").

The 2025 Notes mature on May 15, 2025, unless earlier converted, redeemed or repurchased. The 2025 Notes are senior unsecured obligations of the Company with interest payable semiannually in arrears on May 15 and November 15 of each year, beginning on November 15, 2020, at a rate of 1.50% per year. The net proceeds from this offering were approximately \$733.2 million, after deducting the Initial Purchasers' discounts and commissions and debt issuance costs.

The conversion rate for the 2025 Notes is 26.0491 shares of the Company's Class A Common Stock per \$1,000 principal amount of 2025 Notes, which is equivalent to an initial conversion price of approximately \$38.39 per share of the Class A Common Stock. The initial conversion price of the 2025 Notes represents a premium of approximately 30% to the \$29.53 per share closing price of the Company's Class A Common Stock on The Nasdaq Global Select Market on May 12, 2020. The conversion rate is subject to adjustment under certain circumstances in accordance with the terms of the Indenture.

The 2025 Notes will be convertible at the option of the holders at any time prior to the close of business on the business day immediately preceding February 15, 2025, only under the following circumstances:

- during any fiscal quarter commencing after the fiscal quarter ending on September 30, 2020 (and only during such fiscal quarter), if the last reported sale price of the Company's Class A Common Stock, for at least 20 trading days (whether or not consecutive) during a period of 30 consecutive trading days ending on, and including, the last trading day of the immediately preceding fiscal quarter is greater than or equal to 130% of the conversion price on each applicable trading day;
- during the five business day period after any five consecutive trading day period (the "measurement period") in which the trading price (as defined in the Indenture) per \$1,000 principal amount of 2025 Notes for each trading day of the measurement period was less than 98% of the product of the last reported sale price of the Company's Class A Common Stock and the conversion rate on each such trading day;
- if the Company calls such Notes for redemption, at any time prior to the close of business on the second scheduled trading day immediately preceding the redemption date; or
- upon the occurrence of specified corporate events.

On or after February 15, 2025, the 2025 Notes will be convertible at the option of the holder until the close of business on the second scheduled trading day immediately preceding the maturity date. Upon conversion, the Company may satisfy its conversion obligation by paying and/or delivering, as the case may be, cash, shares of the Company's Class A Common Stock or a combination of cash and shares of the Company's Class A Common Stock, at the Company's election, in the manner and subject to the terms and conditions provided in the Indenture.

Holders of the 2025 Notes who convert their 2025 Notes in connection with certain corporate events that constitute a make-whole fundamental change (as defined in the Indenture) are, under certain circumstances, entitled to an increase in the conversion rate. Additionally in the event of a corporate event constituting a fundamental change (as defined in the Indenture), holders of the 2025 Notes may require us to repurchase all or a portion of their 2025 Notes at a repurchase price equal to 100% of the principal amount of the Notes being repurchased, plus any accrued and unpaid interest to, but excluding, the repurchase date.

In accounting for the issuance of the 2025 Notes, the Company separated the 2025 Notes into a liability and an equity component. The Company determined the fair value of the liability component to be \$558.3 million calculated as the present value of future cash flows discounted at the borrowing rate for a similar nonconvertible debt instrument. The equity component representing the conversion option was \$189.2 million and was determined by deducting the fair value of the liability component from the par value of the 2025 Notes. The equity component is not remeasured as long as it continues to meet the conditions for equity classification. The difference between the principal amount of the 2025 Notes and the liability component ("debt discount") is amortized to interest expense over the contractual term at an effective interest rate of 8.0%.

Debt issuance costs related to the 2025 Notes totaled \$14.3 million and was comprised of discounts and commissions payable to the Initial Purchasers and third-party offering costs. The Company allocated the total amount incurred to the liability and equity components of the 2025 Notes based on their relative values. Issuance costs attributable to the liability component were \$10.7 million and will be amortized to interest expense using the effective interest method over the contractual term. Issuance costs attributable to the equity component were netted with the equity component in stockholders' equity.

As of June 30, 2020, the if-converted value of the 2025 Notes did not exceed the outstanding principal amount.

The net carrying amounts of the liability component of the 2025 Notes were as follows (in thousands):

	June 30, 2020
Principal	\$ 747,500
Unamortized debt discount and debt issuance costs	(195,686)
Net carrying amount of liability component	\$ 551,814

As of June 30, 2020, the total estimated fair values (which represents a Level 2 valuation) of the 2025 Notes were approximately \$829.8 million. The estimated fair value of the 2025 Notes was determined based on a market approach which was determined based on the actual bids and offers of the 2025 Notes in an over-the-counter market on the last trading day of the period.

### ***Capped Calls***

In connection with the issuance of the 2025 Notes, the Company entered into privately negotiated capped call transactions (the "Capped Calls") with certain of the Initial Purchases or their respective affiliates (the "option counterparties") at a cost of approximately \$132.7 million. The Capped Calls cover, subject to anti-dilution adjustments, the number of shares of Class A Common Stock underlying the 2025 Notes sold in the offering. By entering into the Capped Calls, the Company expects to reduce the potential dilution to its common stock (or, in the event a conversion of the 2025 Notes is settled in cash, to reduce its cash payment obligation) in the event that at the time of conversion of the 2025 Notes its common stock price exceeds the conversion price of the 2025 Notes. The cap price of the Capped Calls will initially be \$73.83 per share, which represents a premium of 150% over the last reported sale price of the Company's Class A Common Stock of \$29.53 per share on The Nasdaq Global Select Market on May 12, 2020, and is subject to certain adjustments under the terms of the Capped Calls.

The Capped Calls meet the criteria for classification in equity, are not remeasured each reporting period and included as a reduction to additional paid-in-capital within shareholders' equity.

### ***Non-revolving Loan***

Following the acquisition of Flexdrive by the Company on February 7, 2020, Flexdrive remained responsible for its obligations under a Loan and Security Agreement dated March 11, 2019, as amended (the "Non-revolving Loan") with a third-party lender. Pursuant to the term of the Non-revolving Loan, Flexdrive may request an extension of credit in the form of advances up to a maximum principal amount of \$300 million to purchase new Hyundai and Kia vehicles, or for other purposes, subject to approval by the lender. Advances paid or prepaid under the Non-revolving Loan may not be reborrowed. Repayment terms for each advance include equal monthly installments sufficient to fully amortize the advances over the term, with an option for the final installment to be greater than the others. The repayment term for each advance ranges from 24 months to a maximum term of 48 months. Interest is payable monthly in arrears at a fixed interest rate equal to the one-month LIBOR plus a spread on the date of the loan which ranges from 2.68% for an advance with a 24 month term and 2.88% for an advance with a 48 month term. The Non-revolving Loan is secured by all vehicles financed under the Non-revolving Loan as well as certain amounts held in escrow for the benefit of the lender. Amounts held in escrow are recorded as restricted cash in the condensed consolidated balance sheet.

The Non-revolving Loan also contains customary affirmative and negative covenants that, among other things, limit Flexdrive's ability to enter into certain acquisitions or consolidations or engage in certain asset dispositions. Upon the occurrence of certain events of default, including bankruptcy and insolvency events with respect to Flexdrive or the Company, all amounts due under the Non-revolving Loan may become immediately due and payable, among other remedies. As of June 30, 2020, the Company was in compliance with all covenants related to the Non-revolving Loan. Further, the Company continued to guarantee the payments of Flexdrive for any amounts borrowed following the acquisition.

### ***Master Vehicle Loan***

Following the acquisition of Flexdrive by the Company on February 7, 2020, Flexdrive remained responsible for its obligations under a Master Vehicle Acquisition Financing and Security Agreement, dated February 7, 2020 as amended (the "Master Vehicle Loan") with a third-party lender. Pursuant to the term of the Master Vehicle Loan, Flexdrive may request loans up to a maximum principal amount of \$50 million to purchase vehicles. Repayment terms for each loan include equal monthly installments sufficient to amortize the loan over the term, with an option for the final installment to be greater than the others and is typically equal to the residual value guarantee the Company provides to the lender. The repayment term for each loan ranges from a minimum term of 12 months to a maximum term of 60 months. Interest is payable monthly in advance at a fixed interest rate equal to the three-year swap rate plus a spread of 2.45% on the date of the loan. Principal amounts outstanding related to the Master Vehicle Loan may be fully or partially prepaid at the option of Flexdrive and must be prepaid under certain circumstances. However, if a loan is terminated for any reason prior to the last day of the minimum loan term Flexdrive will be obligated to pay to the lender, an early termination fee in an amount which is equal to the interest which would

otherwise be payable by Flexdrive to lender for the remainder of the minimum loan term for that loan. The Master Vehicle Loan is secured by all vehicles financed under the Master Vehicle Loan as well as certain amounts held in escrow for the benefit of the lender. Amounts held in escrow are recorded as restricted cash in the condensed consolidated balance sheet.

The Master Vehicle Loan contains customary affirmative and negative covenants that, among other things, limit Flexdrive's ability to enter into certain acquisitions or consolidations or engage in certain asset dispositions. Upon the occurrence of certain events of default, including bankruptcy and insolvency events with respect to Flexdrive or the Company, all amounts due under the Master Vehicle Loan may become immediately due and payable, among other remedies. As of June 30, 2020, Flexdrive was in compliance with all covenants related to the Master Vehicle Loan. Further, the Company continued to guarantee the payments of Flexdrive for any amounts borrowed following the acquisition.

The fair values of the Non-revolving Loan and Master Vehicle Loan were \$95.2 million and \$18.2 million, respectively, as of June 30, 2020 and were determined based on quoted prices in markets that are not active, which is considered a Level 2 valuation input.

Maturities of long-term debt outstanding, including current maturities, as of June 30, 2020 were as follows (in thousands):

Remainder of 2020	\$	20,558
2021		20,323
2022		57,642
2023		12,625
2024		—
Thereafter		551,814
Total long-term debt outstanding	\$	<u>662,962</u>

### **Vehicle Procurement Agreement**

Following the acquisition of Flexdrive by the Company on February 7, 2020, Flexdrive remained responsible for its obligations under a Vehicle Procurement Agreement ("VPA"), as amended, with a third-party ("the Procurement Provider"). Procurement services under the VPA include purchasing and upfitting certain motor vehicles as specified by Flexdrive, providing certain fleet management services, including without limitation vehicle titling, registration and tracking services on behalf of Flexdrive. Pursuant to the terms of the VPA, Flexdrive will make the applicable payments to the Procurement Provider for the procurement services either directly or through an advance made by the Master Vehicle Loan or the Non-revolving Loan. Interest is payable on any unpaid amount based on either the base rate on corporate loans posted by at least seven of the ten largest US banks or LIBOR of interest for one month periods as set forth in The Wall Street Journal plus a spread of 3.00%, as applicable.

The Procurement Provider has a security interest in vehicles purchased until the full specified payment has been indefeasibly paid. The VPA contains customary affirmative and negative covenants restricting certain activities by Flexdrive. As of June 30, 2020, the Company was in compliance with all covenants of the VPA.

## **9. Common Stock**

### **Restricted Stock Units**

The summary of restricted stock unit ("RSU") activity is as follows (in thousands, except per share data):

	Number of Shares	Weighted- Average Grant Date Fair Value	Aggregate Intrinsic Value
Nonvested units as of December 31, 2019	41,685	\$ 52.06	\$ 1,793,305
Granted	21,323	27.79	
Vested	(8,651)	48.13	
Canceled	(7,469)	49.50	
Nonvested units as of June 30, 2020	<u>46,888</u>	<u>\$ 42.14</u>	<u>\$ 1,547,775</u>

In connection with RSUs that vested in the six months ended June 30, 2020, the Company withheld 290,813 shares and remitted tax liabilities of \$11.2 million on behalf of the RSU holders to the relevant tax authorities in cash.

As of June 30, 2020, the total unrecognized compensation cost related to RSUs was \$1.3 billion. The Company expects to recognize this expense over the remaining weighted-average period of 2.7 years. The Company recognizes compensation expense on the RSUs granted prior to the effectiveness of its IPO Registration Statement on March 28, 2019 using the accelerated attribution method. All RSUs granted after March 28, 2019 vest on the satisfaction of a service-based condition only. The Company recognizes compensation expense for such RSUs upon a straight-line basis over their requisite service periods.

#### **2019 Employee Stock Purchase Plan**

In March 2019, the Company's board of directors adopted, and the Company's stockholders approved, the 2019 Employee Stock Purchase Plan (the "ESPP"). The ESPP went into effect on March 27, 2019. Subject to any limitations contained therein, the ESPP allows eligible employees to contribute, through payroll deductions, up to 15% of their eligible compensation to purchase the Company's Class A common stock at a discounted price per share. The ESPP provides for consecutive, overlapping 12-month offering periods, subject to certain reset provisions as defined in the plan. The initial offering period ran from March 28, 2019 through June 30, 2020.

A total of 6,000,000 shares of Class A common stock were initially reserved for issuance under the ESPP, and on January 1, 2020, an additional 3,025,957 shares of Class A common stock were reserved for issuance under the ESPP. As of June 30, 2020, 866,518 shares of Class A common stock have been purchased under the ESPP. The number of shares reserved under the ESPP will automatically increase on the first day of each calendar year beginning on January 1, 2020 in a number of shares equal to the least of (i) 7,000,000 shares of Class A common stock, (ii) one percent of the outstanding shares of all classes of the Company's common stock on the last day of the immediately preceding fiscal year, or (iii) an amount determined by the administrator of the ESPP.

#### **10. Income Tax**

The Company's quarterly tax provision was calculated using a discrete approach, as allowed by ASC 740, Income Taxes, to calculate its interim income tax provision. The discrete method is applied when it is not possible to reliably estimate the annual effective tax rate. The Company believes the use of the discrete method is more appropriate than the annual effective tax rate method at this time because of the uncertainties that have resulted from the COVID-19 pandemic.

A net income tax benefit of \$44.8 million and \$43.2 million was recorded to the income tax provision resulting in an effective rate of 9.29% and 4.91% for the three and six months ended June 30, 2020, and a provision for income taxes of \$1.0 million and \$2.4 million for the three and six months ended June 30, 2019 with an effective tax rate of (0.15)% and (0.13)%. A net income tax benefit of \$46.3 million was recorded to the income tax provision due to the application of ASC 740-20 during the three months ended June 30, 2020. Under intraperiod allocation, a deferred tax liability related to the equity component of the convertible debt is a source of income that can be used to recognize the tax benefit of the current year loss through continuing operations.

The Company's policy is to recognize interest and penalties associated with uncertain tax benefits as part of the income tax provision and include accrued interest and penalties with the related income tax liability on the Company's condensed consolidated balance sheets. To date, the Company has not recognized any interest and penalties in its condensed consolidated statements of operations, nor has it accrued for or made payments for interest and penalties. The Company has no unrecognized tax benefits as of June 30, 2020 and December 31, 2019.

#### **11. Net Loss Per Share**

Basic net loss per share is computed by dividing the net loss by the weighted-average number of shares of common stock outstanding during the period, less shares subject to repurchase. The diluted net loss per share is computed by giving effect to all potentially dilutive common stock equivalents outstanding for the period. For purposes of this calculation, redeemable convertible preferred stock, stock options, RSUs, restricted stock awards, stock purchase rights granted under the ESPP, early exercised stock options and common stock issuable upon the conversion of the 2025 Notes are considered to be common stock equivalents but are excluded from the calculation of diluted net loss per share when including them has an anti-dilutive effect. Basic and diluted net loss per share are the same for each class of common stock because they are entitled to the same liquidation and dividend rights.

The following table sets forth the computation of basic and diluted net loss per share (in thousands, except per share data):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net loss	\$ (437,112)	\$ (644,239)	\$ (835,185)	\$ (1,782,712)
Weighted-average shares used in computing net loss per share, basic and diluted	309,213	288,372	306,857	156,647
Net loss per share, basic and diluted	\$ (1.41)	\$ (2.23)	\$ (2.72)	\$ (11.38)

The following potentially dilutive outstanding shares were excluded from the computation of diluted net loss per share for the periods presented because including them would have had an anti-dilutive effect, or issuance of such shares is contingent upon the satisfaction of certain conditions which were not satisfied by the end of the period (in thousands):

	June 30,	
	2020	2019
Restricted stock units	46,888	42,468
2025 Notes <sup>(1)</sup>	19,471	—
Stock options	2,301	6,443
Restricted stock awards	31	157
ESPP	87	96
Total	68,778	49,164

(1) In connection with the issuance of the 2025 Notes, the Company entered into Capped Calls, which were not included for purposes of calculating the number of diluted shares outstanding, as their effect would have been anti-dilutive. The Capped Calls are expected to reduce the potential dilution to the Company's common stock (or, in the event a conversion of the 2025 Notes is settled in cash, to reduce its cash payment obligation) in the event that at the time of conversion of the 2025 Notes the Company's common stock price exceeds the conversion price of the 2025 Notes.

## 12. Related Party Transactions

The Company's transactions with related parties were immaterial for the three and six months ended June 30, 2020 and 2019.

## 13. Restructuring

In April 2020, the Company announced a restructuring effort to reduce operating expenses and adjust cash flows in light of the ongoing economic challenges resulting from the COVID-19 pandemic and its impact on the Company's business. As a result of the restructuring effort, which was substantially completed in the second quarter of 2020, the Company recognized a stock-based compensation benefit related to the reversal of previously recognized stock-based compensation expenses for unvested stock awards, primarily related to RSUs granted prior to the effectiveness of its IPO Registration Statement on March 28, 2019 using the accelerated attribution method, of \$72.7 million. This was offset by a \$22.9 million charge related to the accelerated vesting of certain equity awards for employees who were terminated, resulting in a net stock-based compensation benefit of \$49.8 million. Additionally, the Company recognized other restructuring charges including severance and other employee costs of \$32.1 million, lease termination and other restructuring charges of \$3.1 million. As a result of the above, the Company recognized a net restructuring benefit of \$14.5 million.

The following table summarizes the above restructuring related charges (benefits) by line item within the Company's condensed consolidated statements of operations where they are recorded in the quarter ended June 30, 2020 (in thousands):

	Stock-Based compensation benefit	Severance and other employee costs	Lease termination and other costs	Total
Cost of revenue	\$ (4,237)	\$ 2,010	\$ 1,529	\$ (698)
Operation and support	(2,830)	8,281	1,060	6,511
Research and development	(37,082)	11,706	—	(25,376)
Sales and marketing	(1,626)	3,071	—	1,445
General and administrative	(4,031)	7,062	539	3,570
Total	\$ (49,806)	\$ 32,130	\$ 3,128	\$ (14,548)

As of June 30, 2020, the remaining liability for restructuring related costs was immaterial.

## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

*The following discussion and analysis of our financial condition and results of operations should be read in conjunction with our condensed consolidated financial statements and related notes thereto included elsewhere in this Quarterly Report on Form 10-Q and in our Annual Report on Form 10-K. As discussed in the section titled "Note About Forward-Looking Statements," the following discussion contains forward-looking statements that involve risks and uncertainties. Factors that could cause or contribute to such differences include those identified below and those discussed in the section titled "Risk Factors" and other parts of this Quarterly Report on Form 10-Q and in our Annual Report on Form 10K. Our historical results are not necessarily indicative of the results that may be expected for any period in the future. Our fiscal year ends December 31.*

### Our Business

Our mission is to improve people's lives with the world's best transportation.

Lyft started a movement to revolutionize transportation. In 2012, we launched our peer-to-peer marketplace for on-demand ridesharing and have continued to pioneer innovations aligned with our mission. Today, Lyft is one of the largest multimodal transportation networks in the United States and Canada.

We are laser-focused on revolutionizing transportation and continue to lead the market in innovation. We have established a scaled network of users brought together by our robust technology platform that powers rides and connections every day. We leverage our technology platform, the scale and density of our user network and insights from our significant number of rides to continuously improve our ridesharing marketplace efficiency and develop new offerings. For example, in May 2020, we expanded the availability of our Wait & Save mode on our ridesharing platform, which is an ideal offering for riders with more flexible schedules that want to leverage the savings that we can offer by shifting demand to better meet supply. In 2018, we were the first to launch a publicly-available commercial autonomous offering in the United States.

Today, our offerings include an expanded set of transportation modes in select cities, such as access to a network of shared bikes and scooters for shorter rides and first-mile and last-mile legs of multimodal trips, information about nearby public transit routes, and Lyft Rentals, an offering to users who want to rent a car for a fixed period of time for personal use. We believe our transportation network offers a viable alternative to car ownership. We anticipate the demand for our offerings will continue to grow over time following the recovery from the COVID-19 pandemic and as more and more people discover the convenience, experience and affordability of using Lyft.

We generate substantially all our revenue from our ridesharing marketplace that connects drivers and riders. We collect service fees and commissions from drivers for their use of our ridesharing marketplace. As drivers accept more rider leads and complete more rides, we earn more revenue. We also generate revenue from riders renting Light Vehicles, drivers renting vehicles through Flexdrive and Lyft Rentals renters, and by making our ridesharing marketplace available to organizations through our Lyft Business offerings, such as our Concierge and Corporate Business Travel programs.

We have made focused and substantial investments in support of our mission. For example, to continually launch new innovations on our platform, we have invested heavily in research and development and have completed multiple strategic acquisitions. We have also invested in sales and marketing to grow our community, cultivate a differentiated brand that resonates with drivers and riders and promote further brand awareness. Together, these investments have enabled us to create a powerful multimodal platform and scaled user network that has resulted in the rapid growth of our business.

We are continuing to invest in the future, both organically and through acquisitions of complementary businesses. In the first quarter of 2020, we acquired Flexdrive, one of our longstanding Express Drive partners. Prior to the acquisition, Flexdrive was a part of the Express Drive program, which allows drivers to enter into short-term rental agreements from third-party operators for vehicles that may be used to provide ridesharing services on the Lyft Platform. We expect the acquisition to contribute to the growth of our business, help us expand the range of our use cases and the breadth of our multimodal offerings. We also continue to invest in the expansion of our network of shared bikes and scooters and autonomous vehicle technology. Our strategy is always to be at the forefront of transportation innovation, and we believe these investments will continue to position us as a leader in Transportation-as-a-Service.

During the first quarter of 2020, we also entered into a Novation Agreement with Clarendon, and certain underwriting companies of Zurich. Pursuant to the terms of the Novation, on the effective date March 31, 2020, the obligations of PVIC as reinsurer to Zurich for certain legacy auto liability insurance business underwritten between October 1, 2015 and September 30, 2018, were assigned to, assumed by, and novated to Clarendon, for consideration of \$465 million. This transaction eliminated the majority of our primary auto insurance liabilities related to periods preceding October 2018 and will allow our insurance risk solutions team to spend less time on legacy claims and instead focus their efforts on managing our go-forward insurance costs, which is an important contributor to our path to profitability.

During the second quarter of 2020, we issued \$747.5 million aggregate principal amount of 1.50% convertible senior notes due 2025, or the 2025 Notes. The proceeds from this offering were approximately \$733.2 million, after deducting the Initial Purchasers' discounts and commissions and debt issuance costs. In addition, we entered into privately negotiated capped call transactions with the option counterparties at a cost of approximately \$132.7 million. As a result of the above, we believe the net \$600.6 million in proceeds further improves our financial position for general corporate purposes and our ability to execute on capital expenditures, and potential acquisitions and strategic transactions as they arise.

### ***Impact of COVID-19 to our Business***

The outbreak of the novel coronavirus, named COVID-19, has been declared a pandemic by the World Health Organization and continues to spread in the United States, Canada, and in many other countries globally. The spread of COVID-19 has caused public health officials to recommend and governments to enact precautions to mitigate the spread of the virus, including travel restrictions and bans, extensive social distancing guidelines and issuing a "shelter-in-place" order in many regions of the United States and Canada. The pandemic and these related responses have caused, and we expect to continue to cause, decreased demand for our platform leading to decreased revenues as well as decreased earning opportunities for drivers on our platform, the global slowdown of economic activity (including the decrease in demand for a broad variety of goods and services), disruptions in global supply chains and significant volatility and disruption of financial markets.

We are actively monitoring the impact of the COVID-19 pandemic. Beginning in the middle of March 2020, the pandemic and responses thereto contributed to a severe decrease in the number of rides on our platform and revenue. This impact continued through the second quarter of 2020 and into the third quarter of 2020. We have adopted several measures in response to the COVID-19 pandemic, including providing most employees with the option to work from home, distributing thousands of bottles of hand sanitizer and masks to drivers on our platform, requiring face coverings in all rideshare trips, making adjustments to our expenses and cash flow to correlate with declines in revenues, restricting non-critical business travel by our employees, and pausing our Shared Rides offerings. As certain markets eased restrictions on social activities and visiting business venues in the latter portion of the second quarter of 2020, we saw an increase in rideshare and bike share ride volume as compared to the beginning of the quarter.

In the second quarter of 2020, in an effort to reduce operating expenses and adjust cash flows in light of the ongoing economic challenges resulting from the pandemic, we announced the following actions:

- Termination of approximately 17% of our employees;
- Furlough of approximately 300 employees;
- Implementation of a reduction in base salary for exempt employees for 12 weeks, ranging from 10% for most non-hourly employees and up to 30% for our senior leadership team; and
- Members of our board voluntarily agreeing to forego 30% of their cash compensation for the second quarter of 2020.

These actions will only mitigate a limited portion of the negative effects of the pandemic on our business. As a result of these actions, we recognized a stock-based compensation benefit related to the reversal of previously recognized stock-based compensation expenses for unvested stock awards of \$72.7 million offset by a charge related to the accelerated vesting of certain equity awards for employees who were terminated of \$22.9 million. Additionally, we recognized other restructuring charges including severance and other employee costs of \$32.1 million and lease termination and other restructuring charges of \$3.1 million, resulting in a net benefit of \$14.5 million for the quarter ended June 30, 2020.

In the second quarter of 2020, revenue and Active Riders decreased of 61% and 60%, respectively, as compared to the same period in the 2019 and decreased 64% and 59%, respectfully, compared to the first quarter of 2020. The extent to which our operations will continue to be impacted by the pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity of the pandemic and actions by government authorities and private businesses to contain the pandemic or recover from its impact, among other things. Even as shelter-in-place orders and travel restrictions have been and will continue to be modified or lifted, we anticipate that continued social distancing, altered consumer behavior, reduced travel and commuting and expected corporate cost cutting will be significant challenges for us. The strength and duration of these challenges cannot be presently estimated. We have implemented an aggressive plan to strengthen our financial position. In addition to the actions outlined above, we decreased rider incentives to an all-time low, resulting in a decrease of total driver, passenger, Light Vehicle riders, and Lyft Rentals renters incentive programs in sales and marketing by 95% in the three months ended June 30, 2020 as compared to the three months ended June 30, 2019 and 96% in the three months ended June 30, 2020 as compared to the three months ended March 31, 2020. We also decreased our planned 2020 capital expenditure spending. In light of the evolving and unpredictable effects of COVID-19, we are not currently in a position to forecast the expected impact of COVID-19 on our financial and operating results for the remainder of 2020.

We remain confident in our ability to navigate this unprecedented time in our history and in our long-term growth opportunities and our business model, including our ability to be profitable in the future. With \$2.8 billion in unrestricted cash and cash equivalents and short-term investments as of June 30, 2020, we believe we have sufficient liquidity to continue business operations and to take action we determine to be in the best interests of our employees and stakeholders and of drivers and riders on the Lyft Platform. For more information on risks associated with the COVID-19 pandemic and our litigation matters, see the section titled “Risk Factors” in Item 1A of Part II.

### Recent Developments – Driver Classification

On August 10, 2020, the Superior Court of California granted a preliminary injunction motion filed by the state of California, forcing us and Uber to reclassify drivers in California as employees until the end of the lawsuit; the injunction is stayed for ten days. On August 12, 2020, we filed a notice of appeal of the court's order and requested a stay pending appeal. If our efforts in this litigation are not successful, however, we will be forced to suspend operations in California while we assess whether, how, and when we can restart operations in compliance with applicable law. This suspension of operations or any required changes to our business model would have a material effect on our business and results of operations. See the sections titled “Legal Proceedings” and “Risk Factors” in Items 1 and 1A, respectively, of Part II for additional information.

We are a member of a coalition that continues to focus on protecting the independence of drivers through the November 2020 California ballot initiative, Proposition 22. This ballot initiative would protect driver independence and flexibility, while providing new benefits and protections, including contributions towards health care coverage, occupational accident insurance, and minimum guaranteed earnings. We have previously provided cash funding to the coalition and may provide additional funding.

### Financial Results for the Three Months Ended June 30, 2020

- Total revenue was \$339.3 million, a decrease of 61% year-over-year.
- Total costs and expenses were \$826.8 million, including stock-based compensation expense of \$105.8 million and insurance costs related to changes to insurance reserves attributed to historical periods of \$17.4 million.
- In April 2020, we announced a restructuring effort to reduce operating expenses and adjust cash flows. Our restructuring charges in the second quarter of 2020 included \$32.1 million of severance and related employee benefit costs and \$3.1 million of lease terminations and other costs. We also incurred a stock-based compensation benefit primarily related to the reversal of previously recognized stock-based compensation expenses for unvested awards of \$49.8 million, resulting in a net restructuring benefit of \$14.5 million.
- Loss from operations was \$487.5 million.
- Net loss was \$437.1 million.
- Cash used in operating activities was \$958.6 million.
- In May 2020, we issued \$747.5 million aggregate principal amount of our 2025 Notes. In connection with the issuance of the 2025 Notes, we entered into privately negotiated capped call transactions at a cost of approximately \$132.7 million.
- Unrestricted cash and cash equivalents and short-term investments totaled \$2.8 billion as of June 30, 2020.

### Active Riders and Revenue per Active Rider

	Three Months Ended June 30,			Three Months Ended March 31,		
	2020	2019	Growth Rate	2020	2019	Growth Rate
	<i>(in millions, except for dollar amounts and percentages)</i>					
Active Riders	8.7	21.8	(60.1)%	21.2	20.5	3.5 %
Revenue per Active Rider	\$ 39.06	\$ 39.77	(1.8)%	\$ 45.06	\$ 37.86	19.0 %

We define Active Riders as all riders who take at least one ride during a quarter where the Lyft Platform processes the transaction. An Active Rider is identified by a unique phone number. If a rider has two mobile phone numbers or changed their phone number and such rider took rides using both phone numbers during the quarter, that person would count as two Active Riders. If a rider has a personal and business profile tied to the same mobile phone number, that person would be considered a

single Active Rider. If a ride has been requested by an organization using our Concierge offering for the benefit of a rider, we exclude this rider in the calculation of Active Riders.

In the fourth quarter of 2019, we updated the definition of Active Riders to include riders who have migrated from the legacy Motivate platform to the Lyft platform, which resulted in a 0.01% increase, or an additional 1,167 Active Riders, in the fourth quarter of 2019. Prior to the fourth quarter of 2019, for Motivate, only riders that had taken a ride or rented a bike or scooter through the Lyft App during the quarter were counted as an Active Rider. This change had no impact on the Active Riders disclosed in any of the prior periods presented.

The decrease in the number of Active Riders in the three months ended June 30, 2020 as compared to the three months ended June 30, 2019 and the three months ended March 31, 2020 was due primarily to the implementation of shelter-in-place orders and other restrictions across North America since March 2020 that reduced travel overall.

Despite the decline in the number of Active Riders, the revenue per Active Rider remained largely consistent in the three months ended June 30, 2020 as compared to the three months ended June 30, 2019. The decrease of Revenue per Active Rider in the three months ended June 30, 2020 as compared to the three months ended March 31, 2020 was due primarily to a decline in ride frequency and the timing of the Active Rider base during the second quarter of 2020. Additions to our Active Rider base at the end of any quarter are generally dilutive to Revenue per Active Rider for the quarter, which resulted in decreased Revenue per Active Rider this quarter as Active Riders returned to the platform in the latter portion of the second quarter of 2020 in cities where restrictions on social activities and visiting business venues were eased.

### **Initial Public Offering**

Our IPO Registration Statement was declared effective on March 28, 2019 and our Class A common stock began trading on the Nasdaq Global Select Market on March 29, 2019. However, our IPO was completed on April 2, 2019 after quarter end and the partial exercise of the underwriters' option to purchase additional shares was completed on April 9, 2019. As a result, our condensed consolidated financial statements as of March 31, 2019 and for the period then-ended do not reflect the sale by us of an aggregate of 35,496,845 shares in the completion of our IPO and pursuant to the partial exercise of the underwriters' option to purchase additional shares, each at the public offering price of \$72.00 per share, for aggregate net proceeds to us of approximately \$2.5 billion, after underwriting discounts and commissions and offering expenses, or the conversion of all outstanding shares of our redeemable convertible preferred stock into an aggregate of 219,175,709 shares of Class A common stock.

Our condensed consolidated financial statements as of March 31, 2019 reflect stock-based compensation expense of \$857.2 million, which we recognized due to the achievement of the liquidity-event condition of our RSUs that had both service-based and performance-based vesting.

### **Critical Accounting Policies and Estimates**

Our condensed consolidated financial statements and the related notes thereto are prepared in accordance with GAAP. The preparation of condensed consolidated financial statements also requires us to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenue, costs and expenses and related disclosures. We base our estimates on historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Actual results could differ significantly from our estimates. To the extent that there are differences between our estimates and actual results, our future financial statement presentation, financial condition, results of operations and cash flows will be affected.

There have been no material changes to our critical accounting policies and estimates as described in our Annual Report on Form 10-K, except as described below.

### **Recent Accounting Pronouncements**

See Note 2 to our condensed consolidated financial statements included elsewhere in this Quarterly Report on Form 10-Q for recently issued accounting pronouncements not yet adopted as of the date of this report.

### **Components of Results of Operations**

As noted above, we expect to see decreased levels of demand for our platform, decreased numbers of new rider activations, and negative impacts on revenue for so long as responsive measures to COVID-19 remain in place. We have adopted several measures in response to the COVID-19 pandemic, including pausing our Shared Ride offerings, providing most employees with the option to work from home, making adjustments to our expenses and cash flow to correlate with declines in revenues, and restricting non-critical business travel by our employees. On April 29, 2020 we committed to a restructuring plan which involved the termination of approximately 17% of our employees, furlough of approximately 300 employees, and temporary salary reductions for all exempt employees and board members. We cannot be certain that these actions will mitigate some or all of the negative effects of the pandemic on our business. In light of the evolving and unpredictable effects of

COVID-19, we are not currently in a position to forecast the expected impact of COVID-19 on our financial and operating results for the remainder of 2020.

### **Revenues and Rental Revenue Recognition**

#### *Revenues from Contracts with Customers (ASC 606)*

We recognize revenue from fees paid by drivers for use of our Lyft platform offerings in accordance with ASC 606 as described in Note 2 of the notes to our condensed consolidated financial statements. Drivers enter into terms of service (“ToS”) with us in order to use our Lyft Driver App.

We provide a service to drivers to complete a successful transportation service for riders. This service includes on-demand lead generation that assists drivers to find, receive and fulfill on-demand requests from riders seeking transportation services and related collection activities using our Lyft platform. As a result, our single performance obligation in the transaction is to connect drivers with riders to facilitate the completion of a successful transportation service for riders.

We evaluate the presentation of revenue on a gross versus net basis based on whether we act as a principal by controlling the transportation service provided to the rider or whether we act as an agent by arranging for third parties to provide the service to the rider. We facilitate the provision of a transportation service by a driver to a rider (the driver’s customer) in order for the driver to fulfill their contractual promise to the rider. The driver fulfills their promise to provide a transportation service to their customer through use of the Lyft platform. While we facilitate setting the price for transportation services, the drivers and riders have the discretion in accepting the transaction price through the platform. We do not control the transportation services being provided to the rider nor do we have inventory risk related to the transportation services. As a result, we act as an agent in facilitating the ability for a driver to provide a transportation service to a rider.

We report revenue on a net basis, reflecting the service fees and commissions owed to us from the drivers as revenue, and not the gross amount collected from the rider. We made this determination of not being primarily responsible for the services since we do not promise the transportation services, do not contract with drivers to provide transportation services on our behalf, do not control whether the driver accepts or declines the transportation request via the Lyft platform, and do not control the provision of transportation services by drivers to riders at any point in time either before, during, or after, the trip.

We consider the ToS and our customary business practices in identifying the contracts under ASC 606. As our customary business practice, a contract exists between the driver and us when the driver’s ability to cancel the trip lapses, which typically is upon pickup of the rider. We collect the fare and related charges from riders on behalf of drivers using the rider’s pre-authorized credit card or other payment mechanism and retain any fees owed to us before making the remaining disbursement to drivers; thus the driver’s ability and intent to pay is not subject to significant judgment.

We earn service fees and commissions from the drivers either as the difference between an amount paid by a rider based on an upfront quoted fare and the amount earned by a driver based on actual time and distance for the trip or as a fixed percentage of the fare charged to the rider. In an upfront quoted fare arrangement, as we do not control the driver’s actions at any point in the transaction to limit the time and distance for the trip, we take on risks related to the driver’s actions which may not be fully mitigated. We earn a variable amount from the drivers and may record a loss from a transaction, which is recorded as a reduction to revenue, in instances where an up-front quoted fare offered to a rider is less than the amount we are committed to pay the driver.

We recognize revenue upon completion of a ride as the single performance obligation is satisfied and we have the right to receive payment for the services rendered upon the completion of the ride.

We offer various incentive programs to drivers that are recorded as reduction to revenue if we do not receive a distinct good or service in consideration or if we cannot reasonably estimate the fair value of goods or services received.

In some cases, we also earn Concierge platform fees from organizations that use our Concierge offering, which is a product that allows organizations to request rides for their customers and employees through our ridesharing marketplace. Concierge platform fees are earned as a fixed dollar amount per ride or a percentage of the ride price depending on the contract and such Concierge platform fee revenue is recognized on a gross basis.

We recognize revenue from subscription fees paid by riders to access transportation options through the Lyft Platform and mobile-based applications over the applicable subscription period.

#### *Rental Revenue (ASC 842)*

We generate rental revenues primarily from Flexdrive, our network of Light Vehicles, and Lyft Rentals. Under the Flexdrive and Lyft Rentals programs, we operate a fleet of rental vehicles comprised of both vehicles owned by us and vehicles leased from third-party leasing companies (“head leases”). We either lease or sublease vehicles to drivers and Lyft Rentals renters, as a result, we are considered the accounting lessor or sublessor, as applicable, in these arrangements in accordance

with ASC 842. For vehicles that are subleased, sublease income and head lease expense for these transactions are recognized on a gross basis in the condensed consolidated financial statements. Drivers who rent vehicles are charged rental fees, which we collect from the driver by deducting such amounts from the driver's earnings on the Lyft Platform, or through charging the driver's credit card.

Revenue generated from single-use ride fees paid by riders of Light Vehicles are recognized upon completion of each related ride. Revenue generated from Flexdrive and Lyft Rentals is recognized evenly over the rental period, which is typically seven days or less. Due to the short-term nature of the Flexdrive, Lyft Rentals, and Light Vehicle transactions, we classify these rentals as operating leases.

### ***Cost of Revenue***

Cost of revenue consists of costs directly related to revenue generating transactions through our multimodal platform, including primarily insurance costs that are generally required under Transportation Network Company and city regulations for ridesharing and bike and scooter rentals, payment processing charges, including merchant fees, chargebacks and failed charges, hosting and platform-related technology costs, personnel-related compensation costs, amortization of technology-related intangible assets, depreciation, asset write-off charges, and vehicle lease expenses.

### ***Operations and Support***

Operations and support expenses primarily consist of personnel-related compensation costs of local operations teams and teams who provide phone, email and chat support to users, bike and scooter fleet operations support costs, driver background checks and onboarding costs, fees paid to third-parties providing operations support, facility costs and certain car rental fleet support costs. Bike and scooter fleet operations support costs include general repairs and maintenance, and other customer support activities related to repositioning bikes and scooters for rider convenience, cleaning and safety checks.

### ***Research and Development***

Research and development expenses primarily consist of personnel-related compensation costs and facilities costs. Such expenses include costs related to our autonomous vehicle technology initiatives. Research and development costs are expensed as incurred.

### ***Sales and Marketing***

Sales and marketing expenses primarily consist of rider incentives, driver incentives for referring new drivers or riders, personnel-related compensation costs, advertising expenses, rider refunds and marketing partnerships with third parties. Sales and marketing costs are expensed as incurred.

### ***General and Administrative***

General and administrative expenses primarily consist of personnel-related compensation costs, certain insurance costs that are generally not required under TNC regulations, professional services fees, certain loss contingency expenses including legal accruals and settlements, insurance claims administrative fees, facility costs, and other corporate costs. General and administrative expenses are expensed as incurred.

### ***Interest Expense***

Interest expense consists primarily of interest incurred on our 2025 Notes, as well as the related amortization of deferred debt issuance costs and debt discount. Interest expense also includes interest incurred on our Non-Revolving Loan and our Master Vehicle Loan.

### ***Other Income (Expense), Net***

Other income (expense), net consists primarily of interest earned on our cash and cash equivalents, and restricted and unrestricted short-term investments.

### ***Provision for Income Taxes***

Our provision for income taxes consists primarily of income taxes in foreign jurisdictions and U.S. state income taxes. As we expand the scale of our international business activities, any changes in the U.S. and foreign taxation of such activities may increase our overall provision for income taxes in the future.

We have a valuation allowance for our U.S. deferred tax assets, including federal and state net operating loss carryforwards, or NOLs. We expect to maintain this valuation allowance until it becomes more likely than not that the benefit of our federal and state deferred tax assets will be realized by way of expected future taxable income in the United States.

## Results of Operations

The following table summarizes our historical condensed consolidated statements of operations data (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue	\$ 339,345	\$ 867,265	\$ 1,295,057	\$ 1,643,292
Costs and expenses				
Cost of revenue	251,355	630,136	793,774	1,092,993
Operations and support	98,610	151,975	232,392	339,210
Research and development	203,101	309,833	461,840	940,793
Sales and marketing	51,822	180,951	248,259	456,080
General and administrative	221,954	267,286	460,394	644,022
Total costs and expenses	826,842	1,540,181	2,196,659	3,473,098
Loss from operations	(487,497)	(672,916)	(901,602)	(1,829,806)
Interest expense	(6,537)	—	(8,044)	—
Other income (expense), net	12,123	29,668	31,292	49,468
Loss before income taxes	(481,911)	(643,248)	(878,354)	(1,780,338)
Provision for income taxes	(44,799)	991	(43,169)	2,374
Net loss	\$ (437,112)	\$ (644,239)	\$ (835,185)	\$ (1,782,712)

The following table sets forth the components of our condensed consolidated statements of operations data as a percentage of revenue:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue	100.0 %	100.0 %	100.0 %	100.0 %
Costs and expenses				
Cost of revenue	74.1	72.7	61.3	66.5
Operations and support	29.1	17.5	17.9	20.6
Research and development	59.9	35.8	35.7	57.3
Sales and marketing	15.3	20.9	19.2	27.8
General and administrative	65.4	30.8	35.6	39.2
Total costs and expenses	243.7	177.7	169.7	211.4
Loss from operations	(143.7)	(77.7)	(69.6)	(111.4)
Interest expense	(1.9)	—	(0.6)	—
Other income (expense), net	3.6	3.5	2.4	3.0
Loss before income taxes	(142.0)	(74.2)	(67.8)	(108.4)
Provision for income taxes	(13.2)	0.1	(3.3)	0.1
Net loss	(128.8)%	(74.3)%	(64.5)%	(108.5)%

### Comparison of the three and six months ended June 30, 2020 to the three and six months ended June 30, 2019.

#### Revenue

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2020	2019		2020	2019	
<i>(in thousands, except for percentages)</i>						
Revenue	\$ 339,345	\$ 867,265	(61)%	\$ 1,295,057	\$ 1,643,292	(21)%

Revenue decreased \$527.9 million, or 61%, in the three months ended June 30, 2020 as compared to the three months ended June 30, 2019, driven by a decrease in the number of Active Riders of 60% in the current quarter compared to the second quarter of 2019 due to the implementation of shelter-in-place orders and other restrictions across North America since March 2020 that reduced travel overall. Despite the decline in the number of Active Riders, the revenue per Active Rider remained largely consistent in the three months ended June 30, 2020 as compared to the three months ended June 30, 2019.

Revenue decreased \$348.2 million, or 21%, in the six months ended June 30, 2020 as compared to the six months ended June 30, 2019, driven primarily by a decrease in the number of Active Riders in the three months ended June 30, 2020 due to the implementation of shelter-in-place orders and other restrictions across North America since March 2020 that reduced travel overall.

We expect to see continued suppression of demand for our platform and the resultant negative impacts on revenue for so long as the shelter-in-place orders and other restrictive measures in response to COVID-19 remain in place. Additionally, in the latter portion of the second quarter of 2020, we have seen a shortage of available drivers relative to rider demand in certain markets where restrictions on social activities and visiting business venues were eased. To the extent that driver availability remains limited, our revenue may be negatively impacted. In order to improve driver availability, we may increase incentives available to drivers, which could negatively impact revenue.

### Cost of Revenue

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2020	2019		2020	2019	
	<i>(in thousands, except for percentages)</i>					
Cost of revenue	\$ 251,355	\$ 630,136	(60)%	\$ 793,774	\$ 1,092,993	(27)%

Cost of revenue decreased \$378.8 million, or 60%, in the three months ended June 30, 2020 as compared to the three months ended June 30, 2019. This decrease was primarily due to the negative impact of COVID-19 on Active Riders and ride volume. Insurance costs decreased \$276.5 million, primarily driven by lower ride volume as well as a decrease of \$123.7 million in changes to the liabilities for insurance required by regulatory agencies attributable to historical periods. Transaction fees decreased by \$66.9 million primarily due to lower ride volumes. There was also a decrease of \$13.9 million in web hosting fees to support our platform.

Cost of revenue decreased \$299.2 million, or 27%, in the six months ended June 30, 2020 as compared to the six months ended June 30, 2019. This decrease was primarily due to the negative impact of COVID-19 on Active Riders and ride volume. Insurance costs decreased \$183.1 million, primarily driven by lower ride volume as well as a decrease of \$79.6 million in changes to the liabilities for insurance required by regulatory agencies attributable to historical periods. Transaction fees decreased by \$72.6 million primarily due to lower ride volumes. There was also a decrease due to a \$42.4 million reduction in stock-based compensation expense primarily attributable to (i) the use of the accelerated attribution method to recognize expenses for RSUs granted prior to the effectiveness of our IPO Registration Statement which resulted in higher stock-based compensation expense for the six months ended June 30, 2019, and (ii) the stock-based compensation benefit related to the restructuring in the second quarter of 2020.

### Operations and Support

	Three Months Ended June 30,		% Change	Six Months Ended June 30,		% Change
	2020	2019		2020	2019	
	<i>(in thousands, except for percentages)</i>					
Operations and support	\$ 98,610	\$ 151,975	(35)%	\$ 232,392	\$ 339,210	(31)%

Operations and support expenses decreased \$53.4 million, or 35%, in the three months ended June 30, 2020 as compared to the three months ended June 30, 2019. The decrease was primarily due to decreases of \$15.7 million in driver onboarding costs, \$10.4 million in rider and driver support costs, \$8.7 million in bikes and scooters fleet operations support costs and \$7.6 million in costs related to Flexdrive as a result of the negative impact of COVID-19. There was also a decrease due to a \$6.7 million reduction in stock-based compensation expense primarily attributable to (i) the use of the accelerated attribution method to recognize expenses for RSUs granted prior to the effectiveness of our IPO Registration Statement which resulted in higher stock-based compensation expense for the three months ended June 30, 2019, and (ii) the stock-based compensation benefit related to the restructuring in the second quarter of 2020.

Operations and support expenses decreased \$106.8 million, or 31%, in the six months ended June 30, 2020 as compared to the six months ended June 30, 2019. The decrease was primarily due to decreases of \$18.6 million in driver onboarding costs, \$16.9 million in rider and driver support costs, \$7.4 million in bikes and scooters fleet operations support costs and \$7.4 million in costs related to Flexdrive as a result of the negative impact of COVID-19. There was also a decrease due to a \$54.0 million reduction in stock-based compensation expense primarily attributable to (i) the use of the accelerated attribution method to recognize expenses for RSUs granted prior to the effectiveness of our IPO Registration Statement which resulted in higher stock-based compensation expense for the six months ended June 30, 2019, and (ii) the stock-based compensation benefit related to the restructuring in the second quarter of 2020.

### Research and Development

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
	<i>(in thousands, except for percentages)</i>					
Research and development	\$ 203,101	\$ 309,833	(34)%	\$ 461,840	\$ 940,793	(51)%

Research and development expenses decreased \$106.7 million, or 34%, in the three months ended June 30, 2020 as compared to the three months ended June 30, 2019. The decrease was primarily due to a \$130.7 million reduction in stock-based compensation expense primarily attributable to (i) the use of the accelerated attribution method to recognize expenses for RSUs granted prior to the effectiveness of our IPO Registration Statement which resulted in higher stock-based compensation expense for the three months ended June 30, 2019, and (ii) the stock-based compensation benefit related to the restructuring in the second quarter of 2020. This was partially offset by an increase of \$14.0 million in autonomous vehicles research and development costs due to the absence of reimbursements from a co-development partnership which concluded in the fourth quarter of 2019 and an increase of \$11.7 million in severance and benefits related to the restructuring in the second quarter of 2020.

Research and development expenses decreased \$479.0 million, or 51%, in the six months ended June 30, 2020 as compared to the six months ended June 30, 2019. The decrease was primarily due to a \$541.3 million reduction in stock-based compensation expense primarily attributable to (i) the use of the accelerated attribution method to recognize expenses for RSUs granted prior to the effectiveness of our IPO Registration Statement which resulted in higher stock-based compensation expense for the six months ended June 30, 2019, and (ii) the stock-based compensation benefit related to the restructuring in the second quarter of 2020. This was partially offset by an increase of \$24.3 million in autonomous vehicles research and development costs due to the absence of reimbursements from a co-development partnership which concluded in the fourth quarter of 2019, an increase of \$20.9 million in other personnel-related costs as a result of an increase in headcount to support our expanded research and development activities in the first quarter of 2020, and an increase of \$11.7 million in severance and benefits related to the restructuring in the second quarter of 2020.

### Sales and Marketing

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
	<i>(in thousands, except for percentages)</i>					
Sales and marketing	\$ 51,822	\$ 180,951	(71)%	\$ 248,259	\$ 456,080	(46)%

Sales and marketing expenses decreased \$129.1 million, or 71%, in the three months ended June 30, 2020 as compared to the three months ended June 30, 2019. The decrease was due to a \$79.6 million or 95% decrease in costs related to incentive programs driven primarily by a reduction in rider incentives in response to the impact of the COVID-19 pandemic on our business, a decrease of \$16.2 million in costs associated with driver and passenger acquisition and a decrease of \$10.2 million in brand and other marketing. The decrease was also due to a \$7.7 million reduction in stock-based compensation expense primarily attributable to (i) the use of the accelerated attribution method to recognize expenses for RSUs granted prior to the effectiveness of our IPO Registration Statement which resulted in higher stock-based compensation expense for the three months ended June 30, 2019, and (ii) the stock-based compensation benefit related to the restructuring in the second quarter of 2020.

Sales and marketing expenses decreased \$207.8 million, or 46%, in the six months ended June 30, 2020 as compared to the six months ended June 30, 2019. The decrease was due to a \$100.4 million decrease in costs related to incentive programs driven primarily by a reduction in rider incentives in the second quarter of 2020 in response to the impact of the COVID-19 pandemic on our business, a decrease of \$32.5 million in costs associated with driver and passenger acquisition and a decrease of \$22.5 million in brand and other marketing. The decrease was also due to a \$48.0 million reduction in stock-based compensation expense primarily attributable to (i) the use of the accelerated attribution method to recognize expenses for RSUs granted prior to the effectiveness of our IPO Registration Statement which resulted in higher stock-based compensation expense for the six months ended June 30, 2019, and (ii) the stock-based compensation benefit related to the restructuring in the second quarter of 2020. The decrease was partially offset by an increase of \$11.8 million in rider reward payments related to our marketing partnerships.

### General and Administrative

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
	<i>(in thousands, except for percentages)</i>					
General and administrative	\$ 221,954	\$ 267,286	(17)%	\$ 460,394	\$ 644,022	(29)%

General and administrative expenses decreased \$45.3 million, or 17%, in the three months ended June 30, 2020 as compared to the three months ended June 30, 2019. The decrease was primarily due to a \$31.0 million reduction in corporate insurance costs and a decrease of \$13.5 million in claims administrative fees. There was also a decrease due to a \$31.7 million reduction in stock-based compensation expense primarily attributable to (i) the use of the accelerated attribution method to recognize expenses for RSUs granted prior to the effectiveness of our IPO Registration Statement which resulted in higher stock-based compensation expense for the three months ended June 30, 2019, and (ii) the stock-based compensation benefit related to the restructuring in the second quarter of 2020. This was partially offset by an increase of \$12.3 million in consultant and advisory costs, \$10.3 million in legal settlements, and \$6.9 million in severance and benefits cost related to the restructuring in the second quarter of 2020.

General and administrative expenses decreased \$183.6 million, or 29%, in the six months ended June 30, 2020 as compared to the six months ended June 30, 2019. The decrease was primarily due to a \$201.2 million reduction in stock-based compensation expense primarily attributable to (i) the use of the accelerated attribution method to recognize expenses for RSUs granted prior to the effectiveness of our IPO Registration Statement which resulted in higher stock-based compensation expense for the six months ended June 30, 2019, and (ii) the stock-based compensation benefit related to the restructuring in the second quarter of 2020. There was also a \$20.9 million reduction in corporate insurance costs. The decreases were partially offset by an increase of \$23.8 million in consultant and advisory costs due to overall growth in our business and \$6.9 million in severance and benefits cost related to the restructuring in the second quarter of 2020.

### Interest Expense

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
	<i>(in thousands, except for percentages)</i>					
Interest expense	\$ (6,537)	\$ —	— %	\$ (8,044)	\$ —	— %

Interest expense increased \$6.5 million and \$8.0 million, in the three and six months ended June 30, 2020, respectively, as compared to the three months ended June 30, 2019. The increases are due to the issuance of our 2025 Notes in May 2020 and the vehicle related debt assumed from the acquisition of Flexdrive in February 2020.

### Other Income (Expense), Net

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	% Change	2020	2019	% Change
	<i>(in thousands, except for percentages)</i>					
Other income (expense), net	\$ 12,123	\$ 29,668	(59)%	\$ 31,292	\$ 49,468	(37)%

Other income (expense), net decreased \$17.5 million, or 59%, and \$18.2 million, or 37% in the three and six months ended June 30, 2020 as compared to the three and six months ended June 30, 2019, respectively. The decrease was primarily related to a decrease in interest income driven by a decline in interest rates and the yield on debt securities and a decrease in our cash equivalents and short-term investments balance.

**Non-GAAP Financial Measures**

	Three Months Ended June 30,			Six Months Ended June 30,		
	2020	2019	Growth Rate	2020	2019	Growth Rate
	<i>(in millions, except for percentages)</i>					
Contribution <sup>(1)</sup>	\$ 117.3	\$ 398.9	(70.6)%	\$ 664.7	\$ 783.8	(15.2)%
Contribution Margin <sup>(1)</sup>	34.6 %	46.0 %		51.3 %	47.7 %	
Adjusted EBITDA <sup>(1)</sup>	\$ (280.3)	\$ (204.1)	(37.3)%	\$ (365.5)	\$ (420.1)	13.0 %
Adjusted EBITDA Margin <sup>(1)</sup>	(82.6)%	(23.5)%		(28.2)%	(25.6)%	

(1) Contribution, Contribution Margin, Adjusted EBITDA, and Adjusted EBITDA Margin are non-GAAP financial measures and metrics. For more information regarding our use of these measures and a reconciliation of these measures to the most comparable GAAP measures, see “Reconciliation of Non-GAAP Financial Measures.”

**Contribution and Contribution Margin**

Contribution and Contribution Margin are measures used by our management to understand and evaluate our operating performance and trends. We believe Contribution and Contribution Margin are key measures of our ability to achieve profitability and increase it over time. Contribution Margin has generally increased over the periods presented as revenue has increased at a faster rate than the costs included in the calculation of Contribution.

We define Contribution as revenue less cost of revenue, adjusted to exclude the following items from cost of revenue:

- amortization of intangible assets;
- stock-based compensation expense;
- payroll tax expense related to stock-based compensation;
- changes to the liabilities for insurance required by regulatory agencies attributable to historical periods;
- transfer of certain legacy auto insurance liabilities; and
- restructuring charges, if any.

For more information about cost of revenue, see the section titled “—Components of Results of Operations—Cost of Revenue.”

Contribution Margin is calculated by dividing Contribution for a period by revenue for the same period.

We record historical changes to liabilities for insurance required by regulatory agencies for financial reporting purposes in the quarter of positive or adverse development even though such development may be related to claims that occurred in prior periods. For example, if in the first quarter of a given year, the cost of claims grew by \$1 million for claims related to the prior fiscal year or earlier, the expense would be recorded for GAAP purposes within the first quarter instead of in the results of the prior period. We believe these prior period changes to insurance liabilities do not illustrate the current period performance of our ongoing operations since these prior period changes relate to claims that could potentially date back years. We have limited ability to influence the ultimate development of historical claims. Accordingly, including the prior period changes would not illustrate the performance of our ongoing operations or how the business is run or managed by us. For consistency, we do not adjust the calculation of Contribution for any prior period based on any positive or adverse development that occurs subsequent to the quarter end. Annual Contribution is calculated by adding Contribution of the last four quarters. We believe the adjustment to exclude the historical changes to liabilities for insurance required by regulatory agencies from Contribution and Adjusted EBITDA is useful to investors by enabling them to better assess our operating performance in the context of current period results.

During the first quarter of 2020, we entered into a Novation Agreement for the transfer of certain legacy auto insurance liabilities between October 1, 2015 and September 30, 2018. Refer to Note 4 “Supplemental Financial Statement Information” to the condensed consolidated financial statements for information regarding this transaction. We believe the costs associated with the transfer of these legacy auto insurance liabilities do not illustrate the current period performance of our ongoing operations despite this transaction occurring in the current period because these costs are non-recurring and the transferred insurance liabilities relate to claims that date back years. We believe the adjustment to exclude these costs related to the transfer of legacy insurance liabilities from Contribution and Adjusted EBITDA is useful to investors by enabling them to better assess our operating performance in the context of current period results and provide for better comparability with our historically disclosed Contribution and Adjusted EBITDA amounts.

In April 2020, we announced a restructuring effort to reduce operating expenses and adjust cash flows in light of the ongoing economic challenges resulting from the COVID-19 pandemic and its impact on our business. We believe the costs associated with the restructuring do not reflect current period performance of our ongoing operations. We believe the adjustment to exclude the costs related to restructuring from Contribution and Adjusted EBITDA is useful to investors by enabling them to better assess our operating performance in the context of current period results and provide for better comparability with our historically disclosed Contribution and Adjusted EBITDA amounts.

For more information regarding the limitations of Contribution and Contribution Margin and a reconciliation of revenue to Contribution, see the section titled “—Reconciliation of Non-GAAP Financial Measures.”

### ***Adjusted EBITDA and Adjusted EBITDA Margin***

Adjusted EBITDA and Adjusted EBITDA Margin are key performance measures that our management uses to assess our operating performance and the operating leverage in our business. Because Adjusted EBITDA and Adjusted EBITDA Margin facilitate internal comparisons of our historical operating performance on a more consistent basis, we use these measures for business planning purposes. We expect Adjusted EBITDA and Adjusted EBITDA Margin will increase over the long term as we continue to scale our business and achieve greater efficiencies in our operating expenses.

We calculate Adjusted EBITDA as net loss, adjusted to exclude:

- interest expense;
- other income (expense), net;
- provision for income taxes;
- depreciation and amortization;
- stock-based compensation expense;
- payroll tax expense related to stock-based compensation;
- changes to the liabilities for insurance required by regulatory agencies attributable to historical periods;
- costs related to acquisitions, if any;
- transfer of the certain legacy auto insurance liability; and
- restructuring charges, if any.

Adjusted EBITDA Margin is calculated by dividing Adjusted EBITDA for a period by revenue for the same period.

For more information regarding the limitations of Adjusted EBITDA and Adjusted EBITDA Margin and a reconciliation of net loss to Adjusted EBITDA, see the section titled “—Reconciliation of Non-GAAP Financial Measures.”

### ***Reconciliation of Non-GAAP Financial Measures***

We use Contribution, Contribution Margin, Adjusted EBITDA and Adjusted EBITDA Margin in conjunction with GAAP measures as part of our overall assessment of our performance, including the preparation of our annual operating budget and quarterly forecasts, to evaluate the effectiveness of our business strategies, and to communicate with our board of directors concerning our financial performance. Our definitions may differ from the definitions used by other companies and therefore comparability may be limited. In addition, other companies may not publish these or similar metrics. Furthermore, these measures have certain limitations in that they do not include the impact of certain expenses that are reflected in our condensed consolidated statements of operations that are necessary to run our business. Thus, our Contribution, Contribution Margin, Adjusted EBITDA and Adjusted EBITDA Margin should be considered in addition to, not as substitutes for, or in isolation from, measures prepared in accordance with GAAP.

We compensate for these limitations by providing a reconciliation of Contribution and Adjusted EBITDA to the related GAAP financial measures, revenue and net loss, respectively. We encourage investors and others to review our financial information in its entirety, not to rely on any single financial measure and to view Contribution, Contribution Margin, Adjusted EBITDA and Adjusted EBITDA Margin in conjunction with their respective related GAAP financial measures.

The following table provides a reconciliation of revenue to Contribution (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Revenue	\$ 339.3	\$ 867.3	\$ 1,295.0	\$ 1,643.3
Less cost of revenue	(251.4)	(630.1)	(793.8)	(1,093.0)
Adjusted to exclude the following (as related to cost of revenue):				
Amortization of intangible assets	3.7	5.3	6.5	10.6
Stock-based compensation expense	4.5	15.1	14.2	56.6
Payroll tax expense related to stock-based compensation	0.3	0.2	1.0	1.4
Changes to the liabilities for insurance required by regulatory agencies attributable to historical periods <sup>(1)</sup>	17.4	141.1	75.8	164.9
Transfer of certain legacy auto insurance liabilities <sup>(2)</sup>	—	—	62.5	—
Restructuring charges <sup>(3)</sup>	3.5	\$ —	3.5	—
Contribution	\$ 117.3	\$ 398.9	\$ 664.7	\$ 783.8

- (1) \$17.4 million and \$75.8 million of insurance expense recorded during the three and six months ended June 30, 2020 reflects changes to reserves estimates of claims from the first quarter of 2020 and earlier periods. \$141.1 million and \$164.9 million of insurance expense recorded during the three and six months ended June 30, 2019 reflects changes to reserves estimates of claims from the first quarter of 2019 and earlier periods.
- (2) The total impact of the transfer of certain legacy auto insurance liabilities on our condensed consolidated statement of operations was \$64.7 million, with \$62.5 million in cost of revenue and \$2.2 million in general and administrative expense.
- (3) Included in restructuring charges is \$2.0 million of severance and other employee costs and \$1.5 million of other restructuring charges. Restructuring related charges for the stock-based compensation benefit of \$4.2 million and payroll taxes related to stock-based compensation of \$0.1 million are included on their respective line items.

The following table provides a reconciliation of net loss to Adjusted EBITDA (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2020	2019	2020	2019
Net loss	\$ (437.1)	\$ (644.2)	\$ (835.2)	\$ (1,782.7)
Adjusted to exclude the following:				
Interest expense <sup>(1)</sup>	7.0	—	8.5	—
Other income, net <sup>(2)</sup>	(12.1)	(29.7)	(31.2)	(49.5)
Provision for income taxes	(44.8)	1.0	(43.2)	2.4
Depreciation and amortization	44.5	31.1	80.0	54.2
Stock-based compensation expense	105.8	293.2	265.8	1,152.7
Payroll tax expense related to stock-based compensation	5.0	3.4	14.9	37.9
Changes to the liabilities for insurance required by regulatory agencies attributable to historical periods <sup>(3)</sup>	17.4	141.1	75.8	164.9
Costs related to acquisitions	—	—	0.4	—
Transfer of certain legacy auto insurance liabilities <sup>(4)</sup>	—	—	64.7	—
Restructuring charges <sup>(5)</sup>	34.0	—	34.0	—
Adjusted EBITDA	\$ (280.3)	\$ (204.1)	\$ (365.5)	\$ (420.1)

- (1) Includes interest expense for Flexdrive vehicles and the 2025 Notes and \$0.5 million related to the interest component of vehicle related finance leases. Refer to Note 6 "Leases" to the condensed consolidated financial statements for information regarding the interest component of vehicle related finance leases.
- (2) Includes interest income which was reported as a separate line item on the condensed consolidated statement of operations in periods prior to the second quarter of 2020.
- (3) \$17.4 million and \$75.8 million of insurance expense recorded during the three and six months ended June 30, 2020 reflects changes to reserves estimates of claims from the first quarter of 2020 and earlier periods. \$141.1 million and \$164.9 million of insurance expense recorded during the three and six months ended June 30, 2019 reflects changes to reserves estimates of claims from the first quarter of 2019 and earlier periods.
- (4) The total impact of the transfer of certain legacy auto insurance liabilities on our condensed consolidated statement of operations was \$64.7 million, with \$62.5 million in cost of revenue and \$2.2 million in general and administrative expense.
- (5) Included in restructuring charges is \$31.4 million of severance and other employee costs and \$2.6 million related to lease termination and other restructuring costs. Restructuring related charges for the stock-based compensation benefit of \$49.8 million, payroll taxes related to stock-based compensation of \$0.7 million and accelerated depreciation of \$0.5 million are included on their respective line items.

## Liquidity and Capital Resources

As of June 30, 2020, our principal sources of liquidity were cash and cash equivalents of approximately \$841.1 million and short-term investments of approximately \$1.9 billion, exclusive of restricted cash, cash equivalents and investments of \$1.2 billion. Cash and cash equivalents consisted of institutional money market funds, certificates of deposits, commercial paper and corporate bonds that have an original maturity of less than three months and are readily convertible into known amounts of cash. Also included in cash and cash equivalents are certain money market deposit accounts and cash in transit from payment processors for credit and debit card transactions. Short-term investments consisted of commercial paper, certificates of deposit, corporate bonds and term deposits, which mature in 12 months or less. Restricted cash, cash equivalents and investments consisted primarily of amounts held in separate trust accounts and restricted bank accounts as collateral for insurance purposes and amounts pledged to secure certain letters of credit.

We collect the fare and related charges from riders on behalf of drivers at the time the ride is delivered using the rider's authorized payment method, and we retain any fees owed to us before making the remaining disbursement to drivers. Accordingly, we maintain no accounts receivable from drivers. Our contracts with insurance providers require reinsurance premiums to be deposited into trust accounts with a third-party financial institution from which the insurance providers are reimbursed for claims payments. Our restricted reinsurance trust investments as of June 30, 2020 and December 31, 2019 were \$1.0 billion and \$1.4 billion, respectively.

We continue to actively monitor the impact of the COVID-19 pandemic. We continued to see a large decline in rides in the second quarter, which had a more significant effect on our revenues and cash flows from operations than the first quarter. The extent to which our operations, financial results and financial condition will be impacted in the next few quarters by the pandemic will depend largely on future developments, which are highly uncertain and cannot be accurately predicted, including new information which may emerge concerning the severity of the pandemic and actions by government authorities and private businesses to contain the pandemic or treat the pace and extent of recovery, among other things. We have adopted several measures in response to the COVID-19 pandemic, including pausing our Shared Ride offerings, providing most employees with the option to work from home, distributing thousands of bottles of hand sanitizer and masks to drivers on our platform, providing separation shields to drivers, making adjustments to our expenses and cash flow to correlate with declines in revenues, and restricting non-critical business travel by our employees. On April 29, 2020, we made the decision to terminate approximately 17% of our employees, furlough approximately 300 employees, and implement temporary salary reductions for all exempt employees ranging from 10% for most employees to 30% for our senior leadership team. In addition, members of our board voluntarily agreed to forego 30% of their cash compensation for the second quarter of 2020. In connection with these decisions, we incurred restructuring and related charges, primarily related to employee severance and benefit costs, and stock-based compensation charges for terminated employees, offset by a benefit related to the reversal of previously recognized stock-based compensation expenses for unvested stock awards of \$72.7 million, resulting in a net benefit of \$14.5 million for the quarter ended June 30, 2020. In addition, we decreased driver, passenger, Light Vehicle riders, and Lyft Rentals renters incentive programs in sales and marketing by 95% year-over-year in the three months ended June 30, 2020 and reduced our capital expenditure plan for 2020.

In May 2020, we issued \$747.5 million aggregate principal amount of our 2025 Notes. The net proceeds from this offering were approximately \$733.2 million, after deducting the Initial Purchasers' discounts and commissions and debt issuance costs. In connection with the issuance of our 2025 Notes, we entered into the Capped Calls at a cost of approximately \$132.7 million.

We cannot be certain that these actions will mitigate some or all of the negative effects of the pandemic on our business. With nearly \$2.8 billion in unrestricted cash and cash equivalents and short-term investments as of June 30, 2020, we believe we have sufficient liquidity to meet our working capital and capital expenditures needs for at least the next 12 months.

Our future capital requirements will depend on many factors, including, but not limited to our growth, our ability to attract and retain drivers and riders on our platform, the continuing market acceptance of our offerings, the timing and extent of spending to support our efforts to develop our platform, actual insurance payments for which we have made reserves, measures we take in response to the COVID-19 pandemic, our ability to maintain demand for and confidence in the safety of our platform during and following the COVID-19 pandemic, and the expansion of sales and marketing activities. As noted above, we expect to see continued suppression of demand for our platform and the resultant negative impacts on revenue for so long as the shelter-in-place orders and other restrictive measures in response to COVID-19 remain in place. Additionally, in the latter portion of the second quarter of 2020, we have seen a shortage of available drivers relative to rider demand in certain markets where restrictions on social activities and visiting business venues were eased. To the extent that driver availability remains limited, our revenue may be negatively impacted. In order to improve driver availability, we may increase incentives available to drivers, which could negatively impact revenue. Further, we may in the future enter into arrangements to acquire or invest in businesses, products, services and technologies. From time to time, we may seek additional equity or debt financing to fund capital expenditures, strategic initiatives or investments and our ongoing operations. In the event that we decide, or are required, to seek additional financing from outside sources, we may not be able to raise it on terms acceptable to us or at all. If we are

unable to raise additional capital when desired, our business, financial condition and results of operations could be adversely affected.

## Cash Flows

The following table summarizes our cash flows for the periods indicated (in thousands):

	<b>Six Months Ended June 30,</b>	
	<b>2020</b>	<b>2019</b>
Net cash used in operating activities	\$ (958,648)	\$ (69,511)
Net cash provided by (used in) investing activities	880,556	(1,717,587)
Net cash provided by financing activities	567,976	1,622,816
Effect of foreign exchange on cash, cash equivalents and restricted cash and cash equivalents	(364)	296
Net change in cash, cash equivalents and restricted cash and cash equivalents	<u>\$ 489,520</u>	<u>\$ (163,986)</u>

### Operating Activities

Cash used in operating activities was \$958.6 million for the six months ended June 30, 2020. This consisted primarily of a net loss of \$835.2 million and a decrease in the insurance reserve of \$434.8 million primarily related to the transfer of certain legacy auto insurance liabilities in the first quarter of 2020. This was offset by non-cash stock-based compensation expense of \$265.8 million.

Cash used in operating activities was \$69.5 million for the six months ended June 30, 2019. This consisted primarily of a net loss of \$1.8 billion offset by non-cash stock-based compensation expense of \$1.2 billion largely driven by the recognition of costs related to RSUs which we started to recognize upon the effectiveness of our IPO Registration Statement on March 28, 2019. Additionally, there was an increase in insurance reserves and accrued and other liabilities of \$609.2 million.

### Investing Activities

Cash provided by investing activities was \$880.6 million for the six months ended June 30, 2020, which primarily consisted of proceeds from sales and maturities of marketable securities of \$3.4 billion, partially offset by purchases of marketable securities of \$2.2 billion and term deposits of \$363.8 million.

Cash used in investing activities was \$1.7 billion for the six months ended June 30, 2019, which primarily consisted of purchases of short-term investments of \$3.7 billion, partially offset by proceeds from sales and maturities of marketable securities of \$2.0 billion.

### Financing Activities

Cash provided by financing activities was \$568.0 million for the six months ended June 30, 2020, which primarily consisted of proceeds from issuance of our 2025 Notes of \$734.1 million offset by the purchase of the Capped Calls for \$132.7 million.

Cash provided by financing activities was \$1.6 billion for the six months ended June 30, 2019, which primarily consisted of proceeds from the issuance of our Class A common stock in our IPO of \$2.5 billion, partially offset by taxes paid related to net share settlement of equity awards of \$864.0 million.

### Contractual Obligations and Commitments

On May 15, 2020, we issued \$747.5 million aggregate principal amount of our 2025 Notes. As of June 30, 2020, the 2025 Notes were not convertible. Refer to Note 8 "Debt" to our condensed consolidated financial statements for additional information.

In connection with the issuance of our 2025 Notes, we entered into the Capped Calls at a cost of approximately \$132.7 million. The Capped Calls cover, subject to anti-dilution adjustments, the number of shares of Class A Common Stock underlying the 2025 Notes sold in the offering. By entering into the Capped Calls, we expect to reduce the potential dilution to its common stock (or, in the event a conversion of the 2025 Notes is settled in cash, to reduce its cash payment obligation) in the event that at the time of conversion of the 2025 Notes its common stock price exceeds the conversion price of the 2025 Notes. Refer to Note 8 "Debt" to our condensed consolidated financial statements for additional information.

In connection with our acquisition of Flexdrive, Flexdrive remained responsible for the Non-revolving Loan, the Master Vehicle Loan and the VPA (each as defined in Note 8 to our condensed consolidated financial statements). As of June 30, 2020, we met all covenants related to these loans and agreements. Refer to Note 8 "Debt" to our condensed consolidated financial statements for additional information.

In conjunction with the Novation, Clarendon and PVIC executed a Retrocession Agreement in July 2020, effective as of March 31, 2020, pursuant to which PVIC will reinsure Clarendon's losses related to the Legacy Auto Liability in excess of an aggregate limit of \$816 million. Refer to Note 4 "Supplemental Financial Statement Information" to our condensed consolidated financial statements for information on this transaction.

In May 2020, we modified our non-cancellable arrangement with a web-hosting services provider by extending the commitment period through June 2022 with no change to the aggregate commitment amounts of \$300.0 million. As of June 30, 2020, there have been no other material changes from the contractual obligations and commitments previously disclosed in our Annual Report on Form 10-K.

#### **Off-Balance Sheet Arrangements**

We did not have during the periods presented, and we do not currently have, any off-balance sheet financing arrangements or any relationships with unconsolidated entities or financial partnerships, including entities sometimes referred to as structured finance or special purpose entities, that were established for the purpose of facilitating off-balance sheet arrangements or other contractually narrow or limited purposes.

#### **ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

We are exposed to market risks in the ordinary course of our business, which primarily relate to fluctuations in interest rates. Such fluctuations to date have not been significant. As of June 30, 2020, we had unrestricted cash, cash equivalents and short-term investments of approximately \$2.8 billion, which consisted primarily of institutional money market funds, certificates of deposits, commercial paper, corporate bonds, U.S. government and agency securities, and a term deposit, which each carry a degree of interest rate risk, and restricted cash, cash equivalents and restricted investments of \$1.2 billion. A hypothetical 10% change in interest rates would not have a material impact on our financial condition or results of operations due to the short-term nature of our investment portfolio.

We do not believe that inflation has had a material effect on our business, results of operations or financial condition. Nonetheless, if our costs were to become subject to significant inflationary pressures, we may not be able to fully offset such higher costs. Our inability or failure to do so could harm our business, results of operations or financial condition.

#### **ITEM 4. CONTROLS AND PROCEDURES**

##### **Evaluation of Disclosure Controls and Procedures**

Our management, with the participation of our principal executive officer and principal financial officer, has evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended, or the Exchange Act), as of the end of the period covered by this Quarterly Report on Form 10-Q. Based on such evaluation, our principal executive officer and principal financial officer have concluded that, as of such date, our disclosure controls and procedures were effective at a reasonable assurance level.

##### **Changes in Internal Control**

There were no changes in our internal control over financial reporting identified in management's evaluation pursuant to Rules 13a-15(d) or 15d-15(d) of the Exchange Act during the period covered by this Quarterly Report on Form 10-Q that materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

##### **Limitations on Effectiveness of Controls and Procedures**

Our management, including our principal executive officer and principal financial officer, do not expect that our disclosure controls and procedures or our internal control over financial reporting will prevent all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with policies or procedures may deteriorate. Due to inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

## **PART II – OTHER INFORMATION**

### **ITEM 1. LEGAL PROCEEDINGS**

We are regularly subject to claims, lawsuits, arbitration proceedings, administrative actions, government investigations and other legal and regulatory proceedings involving personal injury, property damage, worker classification, labor and employment, anti-discrimination, commercial disputes, competition, consumer protection, intellectual property disputes, including patent infringement, compliance with regulatory requirements and other matters, and we may become subject to additional types of claims, lawsuits, arbitration proceedings, administrative actions, government investigations and legal and regulatory proceedings in the future and as our business grows, including proceedings related to product liability, acquisitions, securities issuances or business practices, or public disclosures about our business. We are also regularly subject to claims, lawsuits, arbitration proceedings, administrative actions, government investigations and other legal and regulatory proceedings challenging the classification of drivers as independent contractors or seeking to hold us liable for the actions of independent contractor drivers on our platform. There are inherent uncertainties in these legal matters, some of which are beyond management's control, making the ultimate outcomes difficult to predict. Moreover, management's views and estimates related to these matters may change in the future, as new events and circumstances arise and the matters continue to develop. Except as set forth below, there have been no material changes with respect to Legal Proceedings as disclosed in our Annual Report on Form 10-K.

#### ***Independent Contractor Classification Matters***

With regard to independent contractor classification of drivers on our platform, we are regularly subject to claims, lawsuits, arbitration proceedings, administrative actions, government investigations and other legal and regulatory proceedings at the federal, state and municipal levels challenging the classification of these drivers as independent contractors, and claims that, by the alleged misclassification, we have violated various labor and other laws that would apply to driver employees. Laws and regulations that govern the status and classification of independent contractors are subject to change and divergent interpretations by various authorities, which can create uncertainty and unpredictability for us.

For example, Assembly Bill 5 (as codified in part at Cal. Labor Code sec. 2750.3) codified and extended an employment classification test set forth by the California Supreme Court that established a new standard for determining employee or independent contractor status. The passage of this bill has led and could continue to lead to additional challenges to the independent contractor classification of drivers using the Lyft Platform. For example, on May 5, 2020, the California Attorney General and the City Attorneys of Los Angeles, San Diego, and San Francisco filed a lawsuit against us and Uber for allegedly misclassifying drivers on the companies' respective platforms as independent contractors in violation of Assembly Bill 5 and California's Unfair Competition Law, and on June 25, 2020, filed a motion for preliminary injunction against us and Uber. On August 10, 2020, the court granted the motion for a preliminary injunction, forcing us and Uber to reclassify drivers in California as employees until the end of the lawsuit; the injunction is stayed for ten days. On August 12, 2020, we filed a notice of appeal of the court's order and requested a stay pending appeal. Further, on July 14, 2020, the Massachusetts Attorney General filed a lawsuit against us and Uber for allegedly misclassifying drivers as independent contractors under Massachusetts law, and seeking declaratory and injunctive relief. On August 5, 2020, the California Labor Commissioner filed lawsuits against us and Uber for allegedly misclassifying drivers on the companies' respective platforms as independent contractors, seeking injunctive relief and material damages and penalties. Certain adverse outcomes of such actions would have a material impact on our business, financial condition and results of operations, including damages, penalties and potential suspension of operations in impacted jurisdictions, including California. Such regulatory scrutiny or action may create different or conflicting obligations from one jurisdiction to another.

We are currently involved in a number of putative class actions, thousands of individual claims, including those brought in arbitration or compelled pursuant to our Terms of Service to arbitration, matters brought, in whole or in part, as representative actions under California's Private Attorney General Act, Labor Code Section 2698, et seq., alleging that we misclassified drivers as independent contractors and other matters challenging the classification of drivers on our platform as independent contractors. We are currently defending allegations in a number of lawsuits that we have failed to properly classify drivers and provide those drivers with sick leave and related benefits during the COVID-19 pandemic.

We dispute any allegations of wrongdoing and intend to continue to defend ourselves vigorously in these matters. However, results of litigation, arbitration and regulatory actions are inherently unpredictable and legal proceedings related to these driver claims, individually or in the aggregate, could have a material impact on our business, financial condition and results of operations. Regardless of the outcome, litigation and arbitration of these matters can have an adverse impact on us because of defense and settlement costs individually and in the aggregate, diversion of management resources and other factors.

We are also involved in administrative audits related to driver classification in California, Connecticut, Oregon, Wisconsin, Illinois and New Jersey. These audits relate to our alleged obligation to provide unemployment insurance benefits to

drivers under state law. We dispute that we are obligated to provide such benefits under state law and these proceedings are ongoing.

Except as described above, there have been no material changes with respect to these matters as disclosed in our Annual Report on Form 10-K.

#### ***Patent Litigation***

We are currently involved in legal proceedings related to alleged infringement of patents and other intellectual property and, in the ordinary course of business, we receive correspondence from other purported holders of patents and other intellectual property offering to license such property and/or asserting infringement of such property. We dispute any allegation of wrongdoing and intend to defend ourselves vigorously in these matters. There have been no material changes with respect to these matters as disclosed in our Annual Report on Form 10-K.

#### ***Consumer and Other Class Actions***

We are involved in a number of class actions alleging violations of consumer protection laws such as the TCPA as well as violations of other laws such as the Americans with Disabilities Act, or the ADA. We dispute any allegations of wrongdoing and intend to continue to defend ourselves vigorously in these matters. There have been no material changes with respect to these matters as disclosed in our Annual Report on Form 10-K.

#### ***Personal Injury and Other Safety Matters***

In the ordinary course of our business, various parties have from time to time claimed, and may claim in the future, that we are liable for damages related to accidents or other incidents involving drivers or riders using or who have used services offered on our platform, as well as from third parties. We are currently named as a defendant in a number of matters related to accidents or other incidents involving drivers on our platform, other riders and third parties. We believe we have meritorious defenses, dispute the allegations of wrongdoing and intend to defend ourselves vigorously. There is no pending or threatened legal proceeding that has arisen from these accidents or incidents that individually, in our opinion, is likely to have a material impact on our business, financial condition or results of operations; however, results of litigation and claims are inherently unpredictable and legal proceedings related to such accidents or incidents, in the aggregate, could have a material impact on our business, financial condition and results of operations. For example, on January 17, 2020, the Superior Court of California, County of Los Angeles, granted the petition of multiple plaintiffs to coordinate their claims relating to alleged sexual assault or harassment by drivers on the Lyft Platform. Regardless of the outcome, litigation can have an adverse impact on us because of defense and settlement costs individually and in the aggregate, diversion of management resources and other factors. There have been no material changes with respect to these matters as disclosed in our Annual Report on Form 10-K.

#### ***Securities Litigation***

Beginning in April 2019, several putative class actions were filed in California state and federal court against us, our directors, certain of our officers, and certain of the underwriters named in our IPO Registration Statement alleging violation of securities laws in connection with our IPO. These cases have been consolidated into two putative class actions, one in California state court and the other in federal court. On July 1, 2020, the California state court sustained in part and overruled in part the Company's demurrer to the consolidated complaint. The Company filed its answer to this consolidated complaint on August 3, 2020. On May 14, 2020, the Company filed a motion to dismiss the consolidated complaint in the federal court case. On July 20, 2020, the federal court vacated the hearing set on that motion and stated that it will issue a written order on the motion at an unspecified time. We believe these lawsuits are without merit and we intend to vigorously defend against them.

## ITEM 1A. RISK FACTORS

*Investing in our Class A common stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below, together with all of the other information in this Quarterly Report on Form 10-Q, including the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our unaudited condensed consolidated financial statements and related notes, before making a decision to invest in our Class A common stock. Our business, financial condition, results of operations or prospects could also be harmed by risks and uncertainties not currently known to us or that we currently do not believe are material. If any of the risks actually occur, our business, financial condition, results of operations and prospects could be adversely affected. In that event, the market price of our Class A common stock could decline, and you could lose part or all of your investment.*

### **Risks Related to Our Business and Industry**

***Our limited operating history and our evolving business make it difficult to evaluate our future prospects and the risks and challenges we may encounter.***

We have been focused on ridesharing since our ridesharing marketplace launched in 2012, and our business continues to evolve. We regularly expand our platform features, offerings and services and change our pricing methodologies. This relatively limited operating history and our evolving business make it difficult to evaluate our future prospects and the risks and challenges we may encounter. Risks and challenges we have faced or expect to face include our ability to:

- forecast our revenue and budget for and manage our expenses;
- attract new qualified drivers and new riders and retain existing qualified drivers and existing riders in a cost-effective manner;
- comply with existing and new or modified laws and regulations applicable to our business;
- manage our platform and our business assets and expenses in light of the COVID-19 pandemic and related public health measures issued by various jurisdictions, including travel bans, travel restrictions and shelter-in-place orders, as well as maintain demand for and confidence in the safety of our platform during and following the COVID-19 pandemic;
- plan for and manage capital expenditures for our current and future offerings, including our network of shared bikes and scooters or certain vehicles in the Express Drive program and our fleet of vehicles for Lyft Rentals, and manage our supply chain and supplier relationships related to our current and future offerings;
- develop, manufacture, source, deploy, maintain and ensure utilization of our assets, including our network of shared bikes and scooters, Driver Hubs, Driver Centers, certain vehicles in the Express Drive program, vehicles for Lyft Rentals, and autonomous vehicle technology;
- anticipate and respond to macroeconomic changes and changes in the markets in which we operate;
- maintain and enhance the value of our reputation and brand;
- effectively manage our growth and business operations, including the impacts of the COVID-19 pandemic on our business;
- successfully expand our geographic reach;
- hire, integrate and retain talented people at all levels of our organization; and
- successfully develop new platform features, offerings and services to enhance the experience of users.

If we fail to address the risks and difficulties that we face, including those associated with the challenges listed above as well as those described elsewhere in this “Risk Factors” section, our business, financial condition and results of operations could be adversely affected. Further, because we have limited historical financial data and operate in a rapidly evolving market, any predictions about our future revenue and expenses may not be as accurate as they would be if we had a longer operating history or operated in a more predictable market. We have encountered in the past, and will encounter in the future, risks and uncertainties frequently experienced by growing companies with limited operating histories in rapidly changing industries. If our assumptions regarding these risks and uncertainties, which we use to plan and operate our business, are incorrect or change, or if we do not address these risks successfully, our results of operations could differ materially from our expectations and our business, financial condition and results of operations could be adversely affected.

***The COVID-19 pandemic has disrupted and harmed, and may continue to disrupt and harm, our business, financial condition and results of operations. We are unable to predict the extent to which the pandemic and related impacts will continue to adversely impact our business, financial condition and results of operations and the achievement of our strategic objectives.***

Our business, operations and financial performance have been negatively impacted by the COVID-19 pandemic and related public health responses, such as travel bans, travel restrictions and shelter-in-place orders. The pandemic and these related responses have caused, and are expected to continue to cause, decreased demand for our platform, the global slowdown of economic activity (including the decrease in demand for a broad variety of goods and services), disruptions in global supply chains, and significant volatility and disruption of financial markets.

The COVID-19 pandemic has subjected our operations, financial performance and financial condition to a number of risks, including, but not limited to those discussed below:

- Declines in travel as a result COVID-19, including commuting, local travel, and business and leisure travel, has resulted in decreased demand for our platform which has decreased our revenues. We have also paused our Shared Rides offerings as a result of COVID-19. These factors have, during certain periods in the past, led to a decrease in earning opportunities for drivers on our platform. Changes in travel trends and behavior arising from COVID-19 may continue to develop or persist over time and further contribute to this adverse effect.
- Changes in driver behavior arising from COVID-19 have led to reduced levels of driver availability on our platform beginning in June 2020. To the extent that driver availability is limited, our service levels may be negatively impacted, which may adversely affect our business, financial condition and results of operation.
- In light of the evolving and unpredictable effects of COVID-19, we are not currently in a position to forecast the expected impact of COVID-19 on our financial and operating results for the remainder of 2020.
- The impacts of the COVID-19 pandemic on our business customers have caused a reduction in demand for our Lyft Business offerings and that reduction may persist or expand further in the future.
- The responsive measures to the COVID-19 pandemic have caused us to modify our business practices by having employees in nearly all of our locations work remotely, limiting employee travel, and cancelling, postponing or holding virtual events and meetings. We may in the future be required to or choose voluntarily to take actions for the health and safety of our workforce, whether in response to government orders or based on our own determinations of what is in the best interests of our employees or users of our platform. The effects of the pandemic, including remote working arrangements for employees, may also impact our financial reporting systems and internal control over financial reporting, including our ability to ensure information required to be disclosed in our reports under the Securities Exchange Act of 1934, as amended, is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow for timely decisions regarding required disclosure. To the extent these measures result in decreased productivity, harm our company culture, adversely affect our ability to maintain internal controls, or otherwise negatively affect our business, our financial condition and results of operations could be adversely affected.
- We design and contract to manufacture bikes and scooters using a limited number of external suppliers, and a continuous, stable and cost-effective supply of bikes and scooters that meet our standards is critical to our operations. We also design and contract to manufacture certain assets related to our network of shared bikes and scooters and we rely on a small number of suppliers for components and manufacturing services. We have faced challenges due to the COVID-19 pandemic related to these assets, and we expect to continue to face additional challenges in future periods. These challenges may adversely affect our ability to deploy new bikes and scooters on our network or to implement new features on our network of shared bikes and scooters. These supply chain issues have and may continue to adversely affect our business, financial condition and results of operations.
- The impacts of COVID-19 have and may continue to have an adverse impact on the demand for vehicles rented to drivers through our Express Drive program, and for our fleet rented to users through Lyft Rentals. Further, COVID-19 has and may continue to negatively impact Lyft's ability to conduct rental operations through the Express Drive program and Lyft Rentals as a result of restrictions on travel, mandated closures, limited staffing availability, and other factors related to COVID-19. Lyft Rentals temporarily ceased operations, closing its rental locations, as a result of COVID-19. While Express Drive rental periods renew on a weekly basis, new rental reservations were temporarily blocked, and subsequently re-opened with modified operations to limit the proximity and amount of interactions between associates and drivers, and to address additional cleaning which may be required as a result of COVID-19. These operations are more costly, and vulnerable to shortages of cleaning supplies or other materials required to operate rental sites while minimizing the risk of exposure to COVID-19. As a result of the adverse impact to demand

for rides on the rideshare platform, drivers renting from Express Drive have had and may continue to have a diminished ability to pay their rental fees and we have lowered deposits, potentially resulting in an increase in failed charges for such fees. In response, Lyft and Flexdrive temporarily reduced pricing for Flexdrive rentals in cities most affected by COVID-19, and have waived rental fees for drivers who are confirmed to have tested positive for COVID-19 or requested to quarantine by a medical professional. Further, Lyft has faced significantly higher costs in transporting, repossessing, cleaning, and storing unrented and returned vehicles from both fleets. These impacts to the demand for and operations of the different rental programs have and may continue to adversely affect our business, financial condition and results of operation.

- The COVID-19 pandemic may adversely delay or prevent us, or our current or prospective partners and suppliers, from being able to develop or deploy autonomous vehicle technology, including through direct impacts of the COVID-19 virus on employee and contractor health; shelter-in-place orders by local, state, or federal governments negatively impacting operations, including our ability to test autonomous vehicle technology; impacts to our supply chains or those of our current or prospective partners and suppliers; or economic impacts limiting our or our current or prospective partners or suppliers ability to expend resources on developing and deploying autonomous vehicle technology. These impacts to the development and deployment of autonomous vehicle technology may adversely affect our business, financial condition and results of operations.
- Many of the public health measures in response to the COVID-19 pandemic were implemented in March 2020, and thus had a more significant impact on our results of operations for the quarter ended June 30, 2020. In response to the effects of the COVID-19 pandemic on our business, we have taken certain cost-cutting measures, including lay-offs, furloughs and salary reductions, which may adversely affect employee morale, our culture and our ability to attract and retain employees. As the severity, magnitude and duration of the COVID-19 pandemic, the public health responses, and its economic consequences are uncertain, rapidly changing and difficult to predict, the pandemic's impact on our operations and financial performance, as well as its impact on our ability to successfully execute our business strategies and initiatives, remains uncertain and difficult to predict. As the United States begins to reopen, the recovery of the economy and our business is likely to fluctuate and vary by geography. Further, the ultimate impact of the COVID-19 pandemic on our users, customers, employees, business, operations and financial performance depends on many factors that are not within our control, including, but not limited, to: governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic (including restrictions on travel and transport and modified workplace activities); the impact of the pandemic and actions taken in response local or regional economies, travel, and economic activity; the availability of government funding programs; general economic uncertainty in key markets and financial market volatility; volatility in our stock price, global economic conditions and levels of economic growth; the duration of the pandemic; and the pace of recovery when the COVID-19 pandemic subsides.

***We have a history of net losses and we may not be able to achieve or maintain profitability in the future.***

We have incurred net losses each year since our inception and we may not be able to achieve or maintain profitability in the future. We incurred net losses of \$0.8 billion and \$1.8 billion in the six months ended June 30, 2020 and 2019, respectively. Our expenses will likely increase in the future as we develop and launch new offerings and platform features, expand in existing and new markets and continue to invest in our platform and customer engagement, or as a result of the COVID-19 pandemic. These efforts may be more costly than we expect and may not result in increased revenue or growth in our business. For example, we may incur additional costs and expenses associated with the COVID-19 pandemic, including sales, marketing and costs relating to our efforts to mitigate the impact of the COVID-19 pandemic through enhanced sanitization procedures and health safety programs. Furthermore, we have expanded over time to include more asset-intensive offerings such as our network of shared bikes and scooters, autonomous vehicles, Express Drive program, Flexdrive and Lyft Rentals. We are also expanding the support available to drivers at our Driver Hubs, our driver-centric service centers and community spaces, Driver Centers, our vehicle service centers, and through our Express Drive vehicle rental program. These offerings require significant capital investments and recurring costs, including debt payments, maintenance, depreciation, asset life and asset replacement costs, and if we are not able to maintain sufficient levels of utilization of such assets or such offerings are otherwise not successful, our investments may not generate sufficient returns and our financial condition may be adversely affected. In addition to the above, a determination in, or settlement of, any legal proceeding that classifies a driver on a ridesharing platform as an employee may require us to significantly alter our existing business model and operations (including potentially suspending or ceasing operations in impacted jurisdictions), increase our costs and impact our ability to add qualified drivers to our platform and grow our business, which could have an adverse effect on our business, financial condition and results of operations, and our ability to achieve or maintain profitability in the future. Additionally, stock-based compensation expense related to RSUs and other equity awards may continue to be a significant expense in future periods, and we have \$1.3 billion of unrecognized stock-based compensation expense related to RSUs, net of estimated forfeitures, that will be recognized over a weighted-average period of approximately 2.7 years. Any failure to increase our revenue sufficiently to

keep pace with our investments and other expenses could prevent us from achieving or maintaining profitability or positive cash flow on a consistent basis. If we are unable to successfully address these risks and challenges as we encounter them, our business, financial condition and results of operations could be adversely affected.

If we are unable to generate adequate revenue growth and manage our expenses, we may continue to incur significant losses in the future and may not be able to achieve or maintain profitability.

***We face intense competition and could lose market share to our competitors, which could adversely affect our business, financial condition and results of operations.***

The market for TaaS networks is intensely competitive and characterized by rapid changes in technology, shifting rider needs and frequent introductions of new services and offerings. We expect competition to continue, both from current competitors and new entrants in the market that may be well-established and enjoy greater resources or other strategic advantages. If we are unable to anticipate or successfully react to these competitive challenges in a timely manner, our competitive position could weaken, or fail to improve, and we could experience a decline in revenue or growth stagnation that could adversely affect our business, financial condition and results of operations.

Our main ridesharing competitors in the United States and Canada include Uber and Via. Our main competitors in the bike and scooter sharing market include Lime and Bird. Our main competitors in the consumer vehicle rental market include Enterprise, Hertz, and Avis Budget Group as well as emerging car-share marketplaces. We also compete with certain non-ridesharing transportation network companies and taxi cab and livery companies as well as traditional automotive manufacturers, such as BMW, which has an ongoing presence in the transportation network market in Europe.

Additionally, there are other non-U.S.-based TaaS network companies that may expand into the United States and Canada. There are also a number of companies developing autonomous vehicle technology that may compete with us in the future, including Alphabet (Waymo), Apple, Baidu, Uber, Argo AI, Zoox (pending acquisition by Amazon) and General Motors (Cruise) as well as many other technology companies and automobile manufacturers and suppliers. We anticipate continued challenges from current competitors as well as from new entrants into the TaaS market.

Certain of our competitors have greater financial, technical, marketing, research and development, manufacturing and other resources, greater name recognition, longer operating histories or a larger user base than we do. They may be able to devote greater resources to the development, promotion and sale of offerings and offer lower prices than we do, which could adversely affect our results of operations. Further, they may have greater resources to deploy towards the research, development and commercialization of new technologies, including autonomous vehicle technology or bikes and scooters, or they may have other financial, technical or resource advantages. These factors may allow our competitors to derive greater revenue and profits from their existing user bases, attract and retain qualified drivers and riders at lower costs or respond more quickly to new and emerging technologies and trends. Our current and potential competitors may also establish cooperative or strategic relationships amongst themselves or with third parties that may further enhance their resources and offerings.

We believe that our ability to compete effectively depends upon many factors both within and beyond our control, including:

- the popularity, utility, ease of use, performance and reliability of our offerings compared to those of our competitors;
- our reputation, including the perceived safety of our platform, and brand strength relative to our competitors;
- our pricing models and the prices of our offerings and the fees we charge drivers on our platform;
- our ability, and our ability compared to our competitors, to manage our business and operations during the COVID-19 pandemic and related governmental, business and individuals' actions that have been and continue to be taken in response to the pandemic (including restrictions on travel and transport and modified workplace activities);
- our ability to attract and retain qualified drivers and riders;
- our ability, and our ability compared to our competitors, to develop new offerings;
- our ability to establish and maintain relationships with partners;
- our ability to develop, manufacture, source, deploy, maintain and ensure utilization of our assets, including our network of shared bikes and scooters, Driver Hubs, Driver Centers, certain vehicles in the Express Drive program, vehicles for Lyft Rentals and autonomous vehicle technology;

- changes mandated by, or that we elect to make, to address, legislation, regulatory authorities or litigation, including settlements, judgments, including those related to the classification of drivers on our platform, injunctions and consent decrees;
- our ability to attract, retain and motivate talented employees;
- our ability to raise additional capital as needed; and
- acquisitions or consolidation within our industry.

If we are unable to compete successfully, our business, financial condition and results of operations could be adversely affected.

***Our results of operations vary and are unpredictable from period-to-period, which could cause the trading price of our Class A common stock to decline.***

Our results of operations have historically varied from period-to-period and we expect that our results of operations will continue to do so for a variety of reasons, many of which are outside of our control and difficult to predict. Because our results of operations may vary significantly from quarter-to-quarter and year-to-year, the results of any one period should not be relied upon as an indication of future performance. We have presented many of the factors that may cause our results of operations to fluctuate in this “Risk Factors” section. Fluctuations in our results of operations may cause such results to fall below our financial guidance or other projections, or the expectations of analysts or investors, which could cause the trading price of our Class A common stock to decline.

***The ridesharing market and the market for our other offerings, such as our network of shared bikes and scooters, are still in relatively early stages of growth and if such markets do not continue to grow, grow more slowly than we expect or fail to grow as large as we expect, our business, financial condition and results of operations could be adversely affected.***

The ridesharing market has grown rapidly since we launched our ridesharing marketplace in 2012, but it is still relatively new, and it is uncertain to what extent market acceptance will continue to grow, if at all. In addition, the market for our other offerings, such as our network of shared bikes and scooters, is new and unproven, and it is uncertain whether demand for bike and scooter sharing will continue to grow and achieve wide market acceptance. Our success will depend to a substantial extent on the willingness of people to widely-adopt ridesharing and our other offerings. We cannot be certain whether the COVID-19 pandemic will negatively impact the willingness of drivers or passengers to participate in ridesharing or the willingness of riders to use shared bikes or scooters. In addition, we have paused our Shared Rides offerings, and we are temporarily restricted from operating our bike share and scooter share programs in one jurisdiction due to public health and safety measures implemented in response to the COVID-19 pandemic. If the public does not perceive ridesharing or our other offerings as beneficial, or chooses not to adopt them as a result of concerns regarding public health or safety, affordability or for other reasons, whether as a result of incidents on our platform or on our competitors’ platforms, the COVID-19 pandemic, or otherwise, then the market for our offerings may not further develop, may develop more slowly than we expect or may not achieve the growth potential we expect. Additionally, from time to time we may re-evaluate the markets in which we operate and the performance of our network of shared bikes and scooters, and we have discontinued and may in the future discontinue operations in certain markets as a result of such evaluations. Any of the foregoing risks and challenges could adversely affect our business, financial condition and results of operations.

***If we fail to cost-effectively attract and retain qualified drivers, or to increase utilization of our platform by existing drivers, our business, financial condition and results of operations could be harmed.***

Our continued growth depends in part on our ability to cost-effectively attract and retain qualified drivers who satisfy our screening criteria and procedures and to increase utilization of our platform by existing drivers. To attract and retain qualified drivers, we have, among other things, offered sign-up and referral bonuses and provided access to third-party vehicle rental programs for drivers who do not have or do not wish to use their own vehicle. If we do not continue to provide drivers with flexibility on our platform, compelling opportunities to earn income and other incentive programs, such as volume-based discounts and performance-based bonuses, that are comparable or superior to those of our competitors, or if drivers become dissatisfied with our programs and benefits, we may fail to attract new drivers, retain current drivers or increase their utilization of our platform, or we may experience complaints, negative publicity, strikes or other work stoppages that could adversely affect our users and our business. For example, in the latter portion of the second quarter of 2020, we have seen a shortage of available drivers relative to rider demand in certain markets where restrictions on social activities and visiting business venues were eased. To the extent that driver availability remains limited, our revenue may be negatively impacted. In order to improve driver availability, we may increase incentives available to drivers, which could negatively impact revenue.

If drivers are unsatisfied with our partners, including our third-party vehicle rental partners, our ability to attract and retain qualified drivers who satisfy our screening criteria and procedures and to increase utilization of our platform by existing drivers could be adversely affected. We frequently test driver incentives on subsets of existing drivers and potential drivers, and these incentives could fail to attract and retain qualified drivers or fail to increase utilization by existing drivers, or could have other unintended adverse consequences. In addition, changes in certain laws and regulations, including immigration, labor and employment laws or background check requirements, may result in a shift or decrease in the pool of qualified drivers, which may result in increased competition for qualified drivers or higher costs of recruitment, operation and retention. Other factors outside of our control, such as the COVID-19 pandemic or other concerns about personal health and safety, increases in the price of gasoline, vehicles or insurance, or concerns about the availability of government or other assistance programs if drivers continue to drive on our platform, may also reduce the number of drivers on our platform or utilization of our platform by drivers, or impact our ability to onboard new drivers. If we fail to attract qualified drivers on favorable terms, fail to increase utilization of our platform by existing drivers or lose qualified drivers to our competitors, we may not be able to meet the demand of our riders, including maintaining a competitive price of rides to our riders, and our business, financial condition and results of operations could be adversely affected.

***If we fail to cost-effectively attract new riders, or to increase utilization of our platform by our existing riders, our business, financial condition and results of operations could be harmed.***

Our success depends in part on our ability to cost-effectively attract new riders, retain existing riders and increase utilization of our platform by current riders. Our riders have a wide variety of options for transportation, including personal vehicles, rental cars, taxis, public transit and other ridesharing and bike and scooter sharing offerings. Rider preferences may also change from time to time. To expand our rider base, we must appeal to new riders who have historically used other forms of transportation or other ridesharing or bike and scooter sharing platforms. We believe that our paid marketing initiatives have been critical in promoting awareness of our offerings, which in turn drives new rider growth and rider utilization. However, our reputation, brand and ability to build trust with existing and new riders may be adversely affected by complaints and negative publicity about us, our offerings, our policies, including our pricing algorithms, drivers on our platform, or our competitors, even if factually incorrect or based on isolated incidents. Further, if existing and new riders do not perceive the transportation services provided by drivers on our platform to be reliable, safe and affordable, or if we fail to offer new and relevant offerings and features on our platform, we may not be able to attract or retain riders or to increase their utilization of our platform. As we continue to expand into new geographic areas, we will be relying in part on referrals from our existing riders to attract new riders, and therefore we must ensure that our existing riders remain satisfied with our offerings. If we fail to continue to grow our rider base, retain existing riders or increase the overall utilization of our platform by existing riders, we may not be able to provide drivers with an adequate level of ride requests, and our business, financial condition and results of operations could be adversely affected. Further, government actions in response to the COVID-19 pandemic, such as travel bans, travel restrictions and shelter-in-place orders, have decreased and may continue to decrease utilization of our platform by riders. In addition, if we do not achieve sufficient utilization of our asset-intensive offerings such as our network of shared bikes and scooters, autonomous vehicles, Lyft Rentals vehicles, or certain vehicles in Express Drive, our business, financial condition and results of operations could be adversely affected.

***We rely substantially on our wholly-owned subsidiary and deductibles to insure our auto-related risks and on third-party insurance policies to insure our operations-related risks. If our insurance coverage is insufficient for the needs of our business or our insurance providers are unable to meet their obligations, we may not be able to mitigate the risks facing our business, which could adversely affect our business, financial condition and results of operations.***

From the time a driver becomes available to accept rides in the Lyft Driver App until the driver logs off and is no longer available to accept rides, we, through our wholly-owned insurance subsidiary and deductibles, often bear substantial financial risk with respect to auto-related incidents, including auto liability, uninsured and underinsured motorist, auto physical damage, first party injury coverages including personal injury protection under state law and general business liabilities up to certain limits. To comply with certain United States and Canadian province insurance regulatory requirements for auto-related risks, we procure a number of third-party insurance policies which provide the required coverage in such jurisdictions. In most U.S. states, our insurance subsidiary reinsures a portion, which may change from time to time, of the auto-related risk from some third-party insurance providers. In connection with our reinsurance and deductible arrangements, we deposit funds into trust accounts with a third-party financial institution from which some third-party insurance providers are reimbursed for claims payments. Our restricted reinsurance trust investments as of June 30, 2020 and December 31, 2019 were \$1.0 billion and \$1.4 billion, respectively. If we fail to comply with state insurance regulatory requirements or other regulations governing insurance coverage, our business, financial condition and results of operations could be adversely affected.

We also procure third-party insurance policies to cover various operations-related risks including employment practices liability, workers' compensation, business interruptions, cybersecurity and data breaches, crime, directors' and officers' liability and general business liabilities, including product liability. For certain types of operations-related risks or future risks related to our new and evolving offerings, such as a scaled network of autonomous vehicles, we may not be able to, or may choose not to, acquire insurance. In addition, we may not obtain enough insurance to adequately mitigate such

operations-related risks or risks related to our new and evolving offerings, and we may have to pay high premiums, self-insured retentions or deductibles for the coverage we do obtain. Additionally, if any of our insurance providers becomes insolvent, it could be unable to pay any operations-related claims that we make. Certain losses may be excluded from insurance coverage including, but not limited to losses caused by intentional act, pollution, contamination, virus, bacteria, terrorism, war and civil unrest.

The amount of one or more auto-related claims or operations-related claims has and could continue to exceed our applicable aggregate coverage limits, for which we have and could continue to bear the excess, in addition to amounts already incurred in connection with deductibles, self-insured retentions or otherwise paid by our insurance subsidiary. Insurance providers have raised premiums and deductibles for many types of claims, coverages and for a variety of commercial risk and are likely to do so in the future. As a result, our insurance and claims expense could increase, or we may decide to raise our deductibles or self-insured retentions when our policies are renewed or replaced to manage pricing pressure. Our business, financial condition and results of operations could be adversely affected if (i) cost per claim, premiums or the number of claims significantly exceeds our historical experience and coverage limits, (ii) we experience a claim in excess of our coverage limits, (iii) our insurance providers fail to pay on our insurance claims, (iv) we experience a claim for which coverage is not provided, (v) the number of claims under our deductibles or self-insured retentions differs from historic averages or (vi) an insurance policy is canceled or non-renewed.

***Our actual losses may exceed our insurance reserves, which could adversely affect our financial condition and results of operations.***

We establish insurance reserves for claims incurred but not yet paid and claims incurred but not yet reported and any related estimable expenses, and we periodically evaluate and, as necessary, adjust our actuarial assumptions and insurance reserves as our experience develops or new information is learned. We employ various predictive modeling and actuarial techniques and make numerous assumptions based on limited historical experience and industry statistics to estimate our insurance reserves. Estimating the number and severity of claims, as well as related judgment or settlement amounts, is inherently difficult, subjective and speculative. While an independent actuary firm periodically reviews our reserves for appropriateness and provides claims reserve valuations, a number of external factors can affect the actual losses incurred for any given claim, including but not limited to the length of time the claim remains open, fluctuations in healthcare costs, legislative and regulatory developments and judicial developments. Such factors can impact the reserves for claims incurred but not yet paid as well as the actuarial assumptions used to estimate the reserves for claims incurred but not yet reported and any related estimable expenses for current and historical periods. Additionally, we have encountered in the past, and may encounter in the future, instances of insurance fraud, which could increase our actual insurance-related costs. For any of the foregoing reasons, our actual losses for claims and related expenses may deviate, individually or in the aggregate, from the insurance reserves reflected in our condensed consolidated financial statements. If we determine that our estimated insurance reserves are inadequate, we may be required to increase such reserves at the time of the determination, which could result in an increase to our net loss in the period in which the shortfall is determined and negatively impact our financial condition and results of operations. For example, in 2019 we experienced adverse development to insurance reserves that was largely attributable to historical auto losses that predate our relationship with our new third-party administrators for insurance claims.

***We rely on a limited number of third-party insurance service providers for our auto-related insurance claims, and if such providers fail to service insurance claims to our expectations or we do not maintain business relationships with them, our business, financial condition and results of operations could be adversely affected.***

We rely on a limited number of third-party insurance service providers to service our auto-related claims. If any of our third-party insurance service providers fails to service claims to our expectations, discontinues or increases the cost of coverage or changes the terms of such coverage in a manner not favorable to drivers or to us, we cannot guarantee that we would be able to secure replacement coverage or services on reasonable terms in an acceptable time frame or at all. If we cannot find alternate third-party insurance service providers on terms acceptable to us, we may incur additional expenses related to servicing such auto-related claims using internal resources. We may, from time to time, explore the possibility of selling portions of retained insurance risk to third-parties. This may cause us to incur additional expenses in the total cost of this risk. For example, in the first quarter of fiscal 2020, we entered into a Novation Agreement to transfer nearly all of our primary auto insurance liabilities related to periods preceding October 2018 to a third-party.

Any negative publicity related to any of our third-party insurance service providers could adversely affect our reputation and brand and could potentially lead to increased regulatory or litigation exposure. Any of the foregoing risks could adversely affect our business, financial condition and results of operations.

***Our business is subject to a wide range of laws and regulations, many of which are evolving, and failure to comply with such laws and regulations could harm our business, financial condition and results of operations.***

We are subject to a wide variety of laws in the United States and other jurisdictions. Laws, regulations and standards governing issues such as TNCs, ridesharing, worker classification, labor and employment, anti-discrimination, payments, gift cards, whistleblowing and worker confidentiality obligations, product liability, defects, maintenance and repairs, personal injury, text messaging, subscription services, intellectual property, consumer protection, taxation, privacy, data security, competition, unionizing and collective action, arbitration agreements and class action waiver provisions, terms of service, mobile application accessibility, autonomous vehicles, bike and scooter sharing, insurance, vehicle rentals, money transmittal, non-emergency medical transportation, environmental health and safety, background checks, public health, anti-corruption, anti-bribery, and delivery of goods including (but not limited to) medical supplies and perishable foods are often complex and subject to varying interpretations, in many cases due to their lack of specificity. As a result, their application in practice may change or develop over time through judicial decisions or as new guidance or interpretations are provided by regulatory and governing bodies, such as federal, state and local administrative agencies.

The ridesharing industry and our business model are relatively nascent and rapidly evolving. When we introduced a peer-to-peer ridesharing marketplace in 2012, the laws and regulations in place at the time did not directly address our offerings. Laws and regulations that were in existence at that time, and some that have since been adopted, were often applied to our industry and our business in a manner that limited our relationships with drivers or otherwise inhibited the growth of our ridesharing marketplace. We have been proactively working with federal, state and local governments and regulatory bodies to ensure that our ridesharing marketplace and other offerings are available broadly in the United States and Canada. In part due to our efforts, a large majority of U.S. states have adopted laws related to TNCs to address the unique issues of the ridesharing industry. New laws and regulations and changes to existing laws and regulations continue to be adopted, implemented and interpreted in response to our industry and related technologies. As we expand our business into new markets or introduce new offerings into existing markets, regulatory bodies or courts may claim that we or users on our platform are subject to additional requirements, or that we are prohibited from conducting our business in certain jurisdictions, or that users on our platform are prohibited from using our platform, either generally or with respect to certain offerings. Certain jurisdictions and governmental entities, including airports, require us to obtain permits, pay fees or comply with certain reporting and other compliance requirements to provide our ridesharing, bike and scooter sharing, Flexdrive, Lyft Rentals and autonomous vehicle offerings. These jurisdictions and governmental entities may reject our applications for permits, revoke existing or deny renewals of permits to operate, delay our ability to operate, increase their fees, charge new types of fees, or impose fines and penalties, including as a result of errors in, or failures to comply with, reporting or other requirements related to our product offerings. Any of the foregoing actions by these jurisdictions and governmental entities could adversely affect our business, financial condition and results of operations.

Recent financial, political and other events have increased the level of regulatory scrutiny on larger companies, technology companies in general and companies engaged in dealings with independent contractors, such as ridesharing and delivery companies. Regulatory bodies may enact new laws or promulgate new regulations that are adverse to our business, or, due to changes in our operations and structure or partner relationships as a result of changes in the market or otherwise, they may view matters or interpret laws and regulations differently than they have in the past or in a manner adverse to our business. For example, a new law in California, known as Assembly Bill 5 (as codified in part at Cal. Labor Code sec. 2750.3), codifies and extends an employment classification test in *Dynamex Operations West, Inc. v. Superior Court*, which established a new standard for determining employee or independent contractor status. The passage of this bill has led to and could continue to lead to additional challenges to the independent contractor classification of drivers using the Lyft Platform. For example, on May 5, 2020, the California Attorney General and the City Attorneys of Los Angeles, San Diego, and San Francisco filed a lawsuit against us and Uber for allegedly misclassifying drivers on the companies' respective platforms as independent contractors in violation of Assembly Bill 5 and California's Unfair Competition Law, and filed a motion for preliminary injunction on June 25, 2020, seeking a court order that we and Uber be restrained from classifying drivers as independent contractors, among other things. On August 10, 2020, the court granted the motion for a preliminary injunction, forcing us and Uber to reclassify drivers in California as employees until the end of the lawsuit; the injunction is stayed for ten days. On August 12, 2020, we filed a notice of appeal of the court's order and requested a stay pending appeal. On July 14, 2020, the Massachusetts Attorney General filed a lawsuit against us and Uber for allegedly misclassifying drivers on the companies' respective platforms as independent contractors under Massachusetts wage and hour laws, seeking declaratory and injunctive relief. On August 5, 2020, the California Labor Commissioner filed lawsuits against us and Uber for allegedly misclassifying drivers on the companies' respective platforms as independent contractors, seeking injunctive relief and material damages and penalties. Such regulatory scrutiny or action may create different or conflicting obligations from one jurisdiction to another, and may have a negative outcome that could adversely affect our business, operations, financial condition, and results of operations. Additionally, we have invested and from time to time we will continue to invest resources in an attempt to influence or challenge legislation and other regulatory matters pertinent to our operations, particularly those related to the ridesharing industry, which may negatively impact the legal and administrative proceedings challenging the classification of drivers on our

platform as independent contractors if we are unsuccessful or lead to additional costs and expenses even if we are successful. These activities may not be successful, and any negative outcomes could adversely affect our business, operations, financial condition and results of operations.

Our industry is relatively nascent and is rapidly evolving and increasingly regulated. We have been subject to intense regulatory pressure from state and municipal regulatory authorities across the United States and Canada, and a number of them have imposed limitations on or attempted to ban ridesharing and bike and scooter sharing. For example, in December 2018, the New York City Taxi & Limousine Commission adopted rules governing minimum driver earnings calculations and utilization rates applicable to our ridesharing platform, as well as certain other ridesharing platforms. In January 2019, we filed an Article 78 Petition through two of our subsidiaries challenging these rules before the Supreme Court of the State of New York, which was denied in May 2019. In December 2019, we appealed this decision and litigation is ongoing. Other jurisdictions in which we currently operate or may want to operate could follow suit. We could also face similar regulatory restrictions from foreign regulators as we expand operations internationally, particularly in areas where we face competition from local incumbents. Adverse changes in laws or regulations at all levels of government or bans on or material limitations to our offerings could adversely affect our business, financial condition and results of operations.

Our success, or perceived success, and increased visibility may also drive some businesses that perceive our business model negatively to raise their concerns to local policymakers and regulators. These businesses and their trade association groups or other organizations may take actions and employ significant resources to shape the legal and regulatory regimes in jurisdictions where we may have, or seek to have, a market presence in an effort to change such legal and regulatory regimes in ways intended to adversely affect or impede our business and the ability of drivers and riders to utilize our platform.

Any of the foregoing risks could harm our business, financial condition and results of operations.

***If we are unable to efficiently develop our own autonomous vehicle technologies or develop partnerships with other companies to offer autonomous vehicle technologies on our platform in a timely manner, our business, financial condition and results of operations could be adversely affected.***

We partner with several companies to develop autonomous vehicle technology and offerings, including, at times, the development of jointly-owned intellectual property, and we continue to devote resources towards developing our own autonomous vehicle technology. Autonomous driving is a new and evolving market, which makes it difficult to predict its acceptance, growth, the magnitude and timing of necessary investments and other trends. Our initiatives may not perform as expected, which would reduce the return on our investments in this area, and our partners may decide to terminate their partnerships with us. In addition, the COVID-19 pandemic may adversely delay or prevent us, or our current or prospective partners and suppliers, from being able to develop or deploy autonomous vehicle technology. If we are unable to efficiently develop our own autonomous vehicle technology or to develop and maintain partnerships with other companies to offer autonomous vehicle technology on our platform, or if we do so at a slower pace or at a higher cost or if our technology is less capable relative to our competitors, our business, financial condition and results of operations could be adversely affected.

***Our reputation, brand and the network effects among the drivers and riders on our platform are important to our success, and if we are not able to maintain and continue developing our reputation, brand and network effects, our business, financial condition and results of operations could be adversely affected.***

We believe that building a strong reputation and brand as a safe, reliable and affordable platform and continuing to increase the strength of the network effects among the drivers and riders on our platform are critical to our ability to attract and retain qualified drivers and riders. The successful development of our reputation, brand and network effects will depend on a number of factors, many of which are outside our control. Negative perception of our platform or company may harm our reputation, brand and networks effects, including as a result of:

- complaints or negative publicity about us, drivers on our platform, riders, our product offerings or our policies and guidelines, including our practices and policies with respect to drivers, or the ridesharing industry, even if factually incorrect or based on isolated incidents;
- illegal, negligent, reckless or otherwise inappropriate behavior by drivers or riders or third parties;
- a failure to provide drivers with a sufficient level of ride requests, charge drivers competitive fees and commissions or provide drivers with competitive fares and incentives;
- a failure to offer riders competitive ride pricing and pick-up times;
- a failure to provide a range of ride types sought by riders;
- concerns by riders or drivers about the safety of ridesharing and our platform in light of the COVID-19 pandemic;

- actual or perceived disruptions or defects in our platform, such as privacy or data security breaches, site outages, payment disruptions or other incidents that impact the reliability of our offerings;
- litigation over, or investigations by regulators into, our platform or our business;
- users' lack of awareness of, or compliance with, our policies;
- changes to our policies that users or others perceive as overly restrictive, unclear or inconsistent with our values or mission or that are not clearly articulated;
- a failure to detect a defect in our autonomous vehicles or our bikes or scooters;
- a failure to enforce our policies in a manner that users perceive as effective, fair and transparent;
- a failure to operate our business in a way that is consistent with our stated values and mission;
- inadequate or unsatisfactory user support service experiences;
- illegal or otherwise inappropriate behavior by our management team or other employees or contractors;
- negative responses by drivers or riders to new offerings on our platform;
- accidents, defects or other negative incidents involving autonomous vehicles or bikes and scooters on our platform;
- perception of our treatment of employees and our response to employee sentiment related to political or social causes or actions of management;
- modification or discontinuation of our community or sustainability programs;
- political or social policies or activities; or
- any of the foregoing with respect to our competitors, to the extent such resulting negative perception affects the public's perception of us or our industry as a whole.

If we do not successfully maintain and develop our brand, reputation and network effects and successfully differentiate our offerings from competitive offerings, our business may not grow, we may not be able to compete effectively and we could lose existing qualified drivers or existing riders or fail to attract new qualified drivers or new riders, any of which could adversely affect our business, financial condition and results of operations. In addition, changes we may make to enhance and improve our offerings and balance the needs and interests of the drivers and riders on our platform may be viewed positively from one group's perspective (such as riders) but negatively from another's perspective (such as drivers), or may not be viewed positively by either drivers or riders. If we fail to balance the interests of drivers and riders or make changes that they view negatively, drivers and riders may stop using our platform, take fewer rides or use alternative platforms, any of which could adversely affect our reputation, brand, business, financial condition and results of operations.

***Illegal, improper or otherwise inappropriate activity of users, whether or not occurring while utilizing our platform, could expose us to liability and harm our business, brand, financial condition and results of operations.***

Illegal, improper or otherwise inappropriate activities by users, including the activities of individuals who may have previously engaged with, but are not then receiving or providing services offered through, our platform or individuals who are intentionally impersonating users of our platform could adversely affect our brand, business, financial condition and results of operations. These activities may include assault, theft, unauthorized use of credit and debit cards or bank accounts, sharing of rider or driver accounts and other misconduct. While we have implemented various measures intended to anticipate, identify and address the risk of these types of activities, these measures may not adequately address or prevent all illegal, improper or otherwise inappropriate activity by these parties from occurring in connection with our offerings. Such conduct could expose us to liability or adversely affect our brand or reputation. At the same time, if the measures we have taken to guard against these illegal, improper or otherwise inappropriate activities, such as our requirement that all drivers undergo annual background checks or our two-way rating system and related policies, are too restrictive and inadvertently prevent qualified drivers and riders otherwise in good standing from using our offerings, or if we are unable to implement and communicate these measures fairly and transparently or are perceived to have failed to do so, the growth and retention of the number of qualified drivers and riders on our platform and their utilization of our platform could be negatively impacted. Further, any negative publicity related to the foregoing, whether such incident occurred on our platform, on our competitors' platforms, or on any ridesharing platform, could adversely affect our reputation and brand or public perception of the ridesharing industry as a whole, which could negatively affect demand for platforms like ours, and potentially lead to increased regulatory or litigation exposure. Any of the foregoing risks could harm our business, financial condition and results of operations.

***Challenges to contractor classification of drivers that use our platform may have adverse business, financial, tax, legal and other consequences to our business.***

We are regularly subject to claims, lawsuits, arbitration proceedings, administrative actions, government investigations and other legal and regulatory proceedings at the federal, state and municipal levels challenging the classification of drivers on our platform as independent contractors. The tests governing whether a driver is an independent contractor or an employee vary by governing law and are typically highly fact sensitive. Laws and regulations that govern the status and misclassification of independent contractors are subject to changes and divergent interpretations by various authorities which can create uncertainty and unpredictability for us. For example, a new law in California, known as Assembly Bill 5 (as codified in part at Cal. Labor Code sec. 2750.3), codifies and extends an employment classification test in *Dynamex Operations West, Inc. v. Superior Court*, which established a new standard for determining employee or independent contractor status. The passage of this bill has led to and could continue to lead to additional challenges to the independent contractor classification of drivers using the Lyft Platform. For example, on May 5, 2020, the California Attorney General and the City Attorneys of Los Angeles, San Diego, and San Francisco filed a lawsuit against us and Uber for allegedly misclassifying drivers on the companies' respective platforms as independent contractors in violation of Assembly Bill 5 and California's Unfair Competition Law, and filed a motion for preliminary injunction on June 25, 2020, seeking a court order that we and Uber be restrained from classifying drivers as independent contractors, among other things. On August 10, 2020, the court granted the motion for a preliminary injunction, forcing us and Uber to reclassify drivers in California as employees until the end of the lawsuit; the injunction is stayed for ten days. On August 12, 2020, we filed a notice of appeal of the court's order and requested a stay pending appeal. On July 14, 2020, the Massachusetts Attorney General filed a lawsuit against us and Uber for allegedly misclassifying drivers on the companies' respective platforms as independent contractors under Massachusetts wage and hour laws, seeking declaratory and injunctive relief. On August 5, 2020, the California Labor Commissioner filed lawsuits against us and Uber for allegedly misclassifying drivers on the companies' respective platforms as independent contractors, seeking injunctive relief and material damages and penalties. We continue to maintain that drivers on our platform are independent contractors in such legal and administrative proceedings, but our arguments may ultimately be unsuccessful. A determination in, or settlement of, any legal proceeding, whether we are party to such legal proceeding or not, that classifies a driver of a ridesharing platform as an employee, could harm our business, financial condition and results of operations, including as a result of:

- monetary exposure arising from or relating to failure to withhold and remit taxes, unpaid wages and wage and hour laws and requirements (such as those pertaining to failure to pay minimum wage and overtime, or to provide required breaks and wage statements), expense reimbursement, statutory and punitive damages, penalties, including related to the California Private Attorneys General Act, and government fines;
- injunctions prohibiting continuance of existing business practices;
- claims for employee benefits, social security, workers' compensation and unemployment;
- claims of discrimination, harassment and retaliation under civil rights laws;
- claims under new or existing laws pertaining to unionizing, collective bargaining and other concerted activity;
- other claims, charges or other proceedings under laws and regulations applicable to employers and employees, including risks relating to allegations of joint employer liability or agency liability; and
- harm to our reputation and brand.

In addition to the harms listed above, a determination in, or settlement of, any legal proceeding that classifies a driver on a ridesharing platform as an employee may require us to significantly alter our existing business model and/or operations (including suspending or ceasing operations in impacted jurisdictions), increase our costs and impact our ability to add qualified drivers to our platform and grow our business, which could have an adverse effect on our business, financial condition and results of operations and our ability to achieve or maintain profitability in the future.

We have been involved in numerous legal proceedings related to driver classification. We are currently involved in several putative class actions, several representative actions brought, for example, pursuant to California's Private Attorney General Act, several multi-plaintiff actions and thousands of individual claims, including those brought in arbitration or compelled pursuant to our Terms of Service to arbitration, challenging the classification of drivers on our platform as independent contractors. We are also involved in administrative audits related to driver classification in California, Connecticut, Oregon, Wisconsin, Illinois and New Jersey. See the section titled "Legal Proceedings" for additional information about these types of legal proceedings.

***We rely on third-party background check providers to screen potential drivers, and if such providers fail to provide accurate information, or if providers are unable to complete background checks because of court closures or other unforeseen government shutdown, or we do not maintain business relationships with them, our business, financial condition and results of operations could be adversely affected.***

We rely on third-party background check providers to screen the records of potential drivers to help identify those that are not qualified to utilize our platform pursuant to applicable law or our internal standards. Our business has and may continue to be adversely affected to the extent we cannot attract or retain qualified drivers as a result of such providers being unable to complete certain background checks because of court closures or other government shutdown related to the COVID-19 pandemic, or to the extent that they do not meet their contractual obligations, our expectations or the requirements of applicable law or regulations. If any of our third-party background check providers terminates its relationship with us or refuses to renew its agreement with us on commercially reasonable terms, we may need to find an alternate provider, and may not be able to secure similar terms or replace such partners in an acceptable time frame. If we cannot find alternate third-party background check providers on terms acceptable to us, we may not be able to timely onboard potential drivers, and as a result, our platform may be less attractive to qualified drivers. Further, if the background checks conducted by our third-party background check providers do not meet our expectations or the requirements under applicable laws and regulations, unqualified drivers may be permitted to provide rides on our platform, and as a result, our reputation and brand could be adversely affected and we could be subject to increased regulatory or litigation exposure.

We are also subject to a number of laws and regulations applicable to background checks for potential and existing drivers on our platform. If we or drivers on our platform fail to comply with applicable laws, rules and legislation, our reputation, business, financial condition and results of operations could be adversely affected.

Any negative publicity related to any of our third-party background check providers, including publicity related to safety incidents or data security breaches, could adversely affect our reputation and brand, and could potentially lead to increased regulatory or litigation exposure. Any of the foregoing risks could adversely affect our business, financial condition and results of operations.

***We are regularly subject to claims, lawsuits, government investigations and other proceedings that may adversely affect our business, financial condition and results of operations.***

We are regularly subject to claims, lawsuits, arbitration proceedings, government investigations and other legal and regulatory proceedings in the ordinary course of business, including those involving personal injury, property damage, worker classification, labor and employment, anti-discrimination, commercial disputes, competition, consumer complaints, intellectual property disputes, compliance with regulatory requirements, securities laws and other matters, and we may become subject to additional types of claims, lawsuits, government investigations and legal or regulatory proceedings as our business grows and as we deploy new offerings such as autonomous vehicles, Driver Centers, our network of shared bikes and scooters and deliveries, including proceedings related to product liability or our acquisitions, securities issuances or business practices. We are also regularly subject to claims, lawsuits, arbitration proceedings, government investigations and other legal and regulatory proceedings seeking to hold us liable for the actions of independent contractor drivers on our platform. See the section titled “Legal Proceedings” for additional information about these types of legal proceedings.

The results of any such claims, lawsuits, arbitration proceedings, government investigations or other legal or regulatory proceedings cannot be predicted with certainty. Any claims against us, whether meritorious or not, could be time-consuming, result in costly litigation, be harmful to our reputation, require significant management attention and divert significant resources. Determining reserves for our pending litigation is a complex and fact-intensive process that requires significant subjective judgment and speculation. It is possible that a resolution of one or more such proceedings could result in substantial damages, settlement costs, fines and penalties that could adversely affect our business, financial condition and results of operations. These proceedings could also result in harm to our reputation and brand, sanctions, consent decrees, injunctions or other orders requiring a change in our business practices. Any of these consequences could adversely affect our business, financial condition and results of operations. Furthermore, under certain circumstances, we have contractual and other legal obligations to indemnify and to incur legal expenses on behalf of our business and commercial partners and current and former directors and officers.

A determination in, or settlement of, any legal proceeding, whether we are party to such legal proceeding or not, that involves our industry, could harm our business, financial condition and results of operations. For example, a determination that classifies a driver of a ridesharing platform as an employee, whether we are party to such determination or not, could cause us to incur significant expenses or require substantial changes to our business model.

In addition, we regularly include arbitration provisions in our Terms of Service with the drivers and riders on our platform. These provisions are intended to streamline the litigation process for all parties involved, as arbitration can in some cases be faster and less costly than litigating disputes in state or federal court. However, arbitration may become more costly for

us or the volume of arbitration may increase and become burdensome, and the use of arbitration provisions may subject us to certain risks to our reputation and brand, as these provisions have been the subject of increasing public scrutiny. In order to minimize these risks to our reputation and brand, we may limit our use of arbitration provisions or be required to do so in a legal or regulatory proceeding, either of which could increase our litigation costs and exposure. For example, effective May 2018, we ended mandatory arbitration of sexual misconduct claims by users and employees.

Further, with the potential for conflicting rules regarding the scope and enforceability of arbitration on a state-by-state basis, as well as between state and federal law, there is a risk that some or all of our arbitration provisions could be subject to challenge or may need to be revised to exempt certain categories of protection. If our arbitration agreements were found to be unenforceable, in whole or in part, or specific claims are required to be exempted from arbitration, we could experience an increase in our costs to litigate disputes and the time involved in resolving such disputes, and we could face increased exposure to potentially costly lawsuits, each of which could adversely affect our business, financial condition and results of operations.

***Changes to our pricing could adversely affect our ability to attract or retain qualified drivers and riders.***

Demand for our offerings is highly sensitive to the price of rides, the rates for time and distance driven and incentives paid to drivers and the fees we charge drivers. Many factors, including operating costs, legal and regulatory requirements or constraints and our current and future competitors' pricing and marketing strategies, could significantly affect our pricing strategies. Certain of our competitors offer, or may in the future offer, lower-priced or a broader range of offerings. Similarly, certain competitors may use marketing strategies that enable them to attract or retain qualified drivers and riders at a lower cost than us. This includes the use of pricing algorithms to set dynamic prices depending on the route, time of day and pick-up and drop-off locations of riders. In the past, we have made pricing changes and spent significant amounts on marketing and both rider and driver incentives, and there can be no assurance that we will not be forced, through competition, regulation or otherwise, to reduce the price of rides for riders, increase the incentives we pay to drivers on our platform or reduce the fees we charge the drivers on our platform, or to increase our marketing and other expenses to attract and retain qualified drivers and riders in response to competitive pressures. Furthermore, the economic sensitivity of drivers and riders on our platform may vary by geographic location, and as we expand, our pricing methodologies may not enable us to compete effectively in these locations. Local regulations may affect our pricing in certain geographic locations, which could amplify these effects. For example, state and local laws and regulations regarding pricing during the COVID-19 pandemic have imposed limits on prices for certain rides. We have launched, and may in the future launch, new pricing strategies and initiatives, such as subscription packages and driver or rider loyalty programs. We have also modified, and may in the future modify, existing pricing methodologies, such as our up-front pricing policy. Any of the foregoing actions may not ultimately be successful in attracting and retaining qualified drivers and riders.

While we continue to maintain that drivers on our platform are independent contractors in legal and administrative proceedings, our arguments may ultimately be unsuccessful. A determination in, or settlement of, any legal proceeding, whether we are party to such legal proceeding or not, that classifies a driver utilizing a ridesharing platform as an employee, may require us to revise our pricing methodologies to account for such a change to driver classification. We have also launched, and may in the future launch, certain changes to the rates and fee structure for drivers on our platform, which may not ultimately be successful in attracting and retaining qualified drivers. While we do and will attempt to optimize ride prices and balance supply and demand in our ridesharing marketplace, our assessments may not be accurate or there may be errors in the technology used in our pricing and we could be underpricing or overpricing our offerings. In addition, if the offerings on our platform change, then we may need to revise our pricing methodologies. As we continue to launch new and develop existing asset-intensive offerings such as our network of shared bikes and scooters, autonomous vehicles, Driver Hubs, Driver Centers, Express Drive program and Lyft Rentals, factors such as maintenance, debt service, depreciation, asset life, supply chain efficiency and asset replacement may affect our pricing methodologies. Any such changes to our pricing methodologies or our ability to efficiently price our offerings could adversely affect our business, financial condition and results of operations.

***If we are unable to efficiently grow and further develop our network of shared bikes and scooters, which may not grow as we expect or become profitable over time, and manage the related risks, our business, financial condition and results of operations could be adversely affected.***

While some major cities have widely adopted bike and scooter sharing, there can be no assurance that new markets we enter will accept, or existing markets will continue to accept, bike and scooter sharing, and even if they do, that we will be able to execute on our business strategy or that our related offerings will be successful in such markets. For example, in May 2019 the San Francisco Municipal Transit Authority ("SFMTA") opened a public permit application process for bike share operators in violation of our exclusive right to operate a bike share program in San Francisco's public rights-of-way. In June 2019, we filed an action for injunctive and declaratory relief through one of our subsidiaries to protect its negotiated right to exclusivity for a bike share program and, in July 2019, the court granted a preliminary injunction preventing the SFMTA from issuing any permits in violation of those exclusive rights. A negative determination in this ongoing litigation or in other legal disputes regarding bike and scooter sharing, including an adverse determination regarding our existing rights to operate, could adversely

affect our competitive position and results of operations; other jurisdictions in which we currently hold, or may in the future hold, exclusive rights to operate could follow suit in issuing permits in violation of such exclusive rights or in making a determination that we do not hold exclusive rights to operate. Additionally, we may from time to time be denied permits to operate, or be temporarily restricted from operating due to public health and safety measures, our bike share program or scooter share program in certain jurisdictions. For example, the city of Miami indefinitely suspended rentals of bikes and scooters as a result of the COVID-19 pandemic. While we do not expect any denial in an individual region to have a material impact, these denials in the aggregate could adversely affect our business and results of operations. Even if we are able to successfully develop and implement our network of shared bikes and scooters, there may be heightened public skepticism of this nascent service offering. In particular, there could be negative public perception surrounding bike and scooter sharing, including the overall safety and the potential for injuries occurring as a result of accidents involving an increased number of bikes and scooters on the road, and the general safety of the bikes and scooters themselves. Such negative public perception may result from incidents on our platform or incidents involving our competitors' offerings.

We design and contract to manufacture bikes and scooters using a limited number of external suppliers, and a continuous, stable and cost-effective supply of bikes and scooters that meets our standards is critical to our operations. We expect to continue to rely on external suppliers in the future. There can be no assurance we will be able to maintain our existing relationships with these suppliers and continue to be able to source our bikes and scooters on a stable basis, at a reasonable price or at all. We also design and contract to manufacture certain assets related to our network of shared bikes and scooters and we rely on a small number of suppliers for components and manufacturing services.

The supply chain for our bikes and scooters exposes us to multiple potential sources of delivery failure or shortages. In the event that our supply of bikes and scooters or key components is interrupted or there are significant increases in prices, our business, financial condition and results of operations could be adversely affected. Changes in business conditions, force majeure, any public health crises, such as the COVID-19 pandemic, governmental or regulatory changes and other factors beyond our control have and could continue to affect our suppliers' ability to deliver products on a timely basis. As a result of the COVID-19 pandemic, some of our suppliers have been delayed in delivering products.

We incur significant costs related to the design, purchase, sourcing and operations of our network of shared bikes and scooters and we expect to continue incurring such costs as we expand our network of shared bikes and scooters. The prices and availability of bikes and scooters and related products may fluctuate depending on factors beyond our control including market and economic conditions, tariffs, changes to import or export regulations and demand. Substantial increases in prices of these assets or the cost of our operations would increase our costs and reduce our margins, which could adversely affect our business, financial condition and results of operations. Further, customs authorities may challenge or disagree with our classifications or valuation of imports. Such challenges could result in tariff liabilities, including tariffs on past imports, as well as penalties and interest. Although we have reserved for potential payments of possible tariff liabilities in our financial statements, if these liabilities exceed such reserves, our financial condition could be harmed.

Our bikes and scooters or components thereof, including bikes and scooters and components that we design and contract to manufacture using third-party suppliers, may experience quality problems, defects or acts of vandalism from time to time, which could result in decreased usage of our network of shared bikes and scooters. There can be no assurance we will be able to detect and fix all defects or vandalism in our bikes and scooters. Failure to do so could result in lost revenue, litigation or regulatory challenges, including personal injury or products liability claims, and harm to our reputation.

The revenue we generate from our network of shared bikes and scooters may fluctuate from quarter to quarter due to, among other things, seasonal factors including weather. Our limited operating history makes it difficult for us to assess the exact nature or extent of the effects of seasonality on our network of shared bikes and scooters, however, we expect the demand for our bike and scooter rentals to decline over the winter season and increase during more temperate and dry seasons. Our network of shared bikes and scooters is also subject to risks related to COVID-19, as discussed above. In particular, travel bans and restrictions, as well as shelter in place orders have decreased demand and we are unable to predict when and to what extent these public health and safety measures may be eased, how riders of shared bikes and scooters will respond to the easing of such measures, and whether additional measures may need to be implemented in the future, any of which may continue to result in decreased demand notwithstanding usual seasonality. Additionally, from time to time we may re-evaluate the markets in which we operate and the performance of our network of shared bikes and scooters, and we have discontinued and may in the future discontinue operations in certain markets as a result of such evaluations. Any of the foregoing risks and challenges could adversely affect our business, financial condition and results of operations.

***The autonomous vehicle industry may not continue to develop, or autonomous vehicles may not be adopted by the market, which could adversely affect our prospects, business, financial condition and results of operations.***

We have invested, and plan to continue to invest, in the development of autonomous vehicle technology for use on our platform. Autonomous driving involves a complex set of technologies, including the continued development of sensing, computing and control technology. We rely both on our own research and development and on strategic partnerships with third-

party developers of such technologies, as such technologies are costly and in varying stages of maturity. There is no assurance that this research and development or these partnerships will result in the development of market-viable technologies or commercial success in a timely manner or at all. In order to gain acceptance, the reliability of autonomous vehicle technology must continue to advance.

Additional challenges to the development of autonomous vehicle technology, all of which are outside of our control, include:

- market acceptance of autonomous vehicles;
- state, federal or municipal licensing requirements and other regulatory measures;
- necessary changes to infrastructure to enable adoption;
- concerns regarding electronic security and privacy; and
- public perception regarding the safety of autonomous vehicles for drivers, riders, pedestrians and other vehicles on the road.

There are a number of existing laws, regulations and standards that may apply to autonomous vehicle technology, including vehicle standards that were not originally intended to apply to vehicles that may not have a human driver. Such regulations continue to rapidly evolve, which may increase the likelihood of complex, conflicting or otherwise inconsistent regulations, which may delay our ability to bring autonomous vehicle technology to market or significantly increase the compliance costs associated with this business strategy. In addition, there can be no assurance that the market will accept autonomous vehicles, and even if it does, that we will be able to execute on our business strategy or that our offerings will be successful in the market. Even if we are able to successfully develop and implement autonomous vehicle technology, there may be heightened public skepticism of this nascent technology and its adopters. In particular, there could be negative public perception surrounding autonomous vehicles, including the overall safety and the potential for injuries or death occurring as a result of accidents involving autonomous vehicles and the potential loss of income to human drivers resulting from widespread market adoption of autonomous vehicles. Such negative public perception may result from incidents on our platform or incidents on our partners' or competitors' platforms. Any of the foregoing risks and challenges could adversely affect our prospects, business, financial condition and results of operations.

***We could be subject to claims from riders, drivers or third parties that are harmed whether or not our platform is in use, which could adversely affect our business, brand, financial condition and results of operations.***

We are regularly subject to claims, lawsuits, investigations and other legal proceedings relating to injuries to, or deaths of, riders, drivers or third-parties that are attributed to us through our offerings. We may also be subject to claims alleging that we are directly or vicariously liable for the acts of the drivers on our platform or for harm related to the actions of drivers, riders, or third parties, or the management and safety of our platform and our assets, including in light of the COVID-19 pandemic and related public health measures issued by various jurisdictions, including travel bans, restrictions, social distancing guidance, and shelter-in-place orders. We may also be subject to personal injury claims whether or not such injury actually occurred as a result of activity on our platform. For example, third parties have in the past asserted legal claims against us in connection with personal injuries related to the actions of a driver or rider who may have previously utilized our platform, but was not at the time of such injury. We have incurred expenses to settle personal injury claims, which we sometimes choose to settle for reasons including expediency, protection of our reputation and to prevent the uncertainty of litigating, and we expect that such expenses will continue to increase as our business grows and we face increasing public scrutiny. Regardless of the outcome of any legal proceeding, any injuries to, or deaths of, any riders, drivers or third parties could result in negative publicity and harm to our brand, reputation, business, financial condition and results of operations. Our insurance policies and programs may not provide sufficient coverage to adequately mitigate the potential liability we face, especially where any one incident, or a group of incidents, could cause disproportionate harm, and we may have to pay high premiums or deductibles for our coverage and, for certain situations, we may not be able to secure coverage at all.

As we expand our network of shared bikes and scooters, we may be subject to an increasing number of claims, lawsuits, investigations or other legal proceedings related to injuries to, or deaths of, riders of our bikes and scooters, including potential indemnification claims. In some cases, we could be required to indemnify governmental entities for claims arising out of issues, including issues that may be outside of our control, such as the condition of the public right of way. Any such claims arising from the use of our bikes and scooters, regardless of merit or outcome, could lead to negative publicity, harm to our reputation and brand, significant legal, regulatory or financial exposure or decreased use of our bikes and scooters. Further, the bikes and scooters we design and contract to manufacture using third-party suppliers and manufacturers, including certain assets and components we design and have manufactured for us, could contain design or manufacturing defects, which could also lead to injuries or death to riders. There can be no assurance we will be able to detect, prevent, or fix all defects, and failure

to do so could harm our reputation and brand or result in personal injury or products liability claims or regulatory proceedings. Any of the foregoing risks could adversely affect our business, financial condition and results of operations.

***Our bikes and scooters may experience quality problems from time to time, which could result in product recalls and removal from service, injuries, litigation, enforcement actions and regulatory proceedings, and could adversely affect our business, brand, financial condition and results of operations.***

We design, contract to design and manufacture, and directly and indirectly modify, maintain and repair, bikes and scooters for our network of shared bikes and scooters. Such bikes and scooters may contain defects in their design, materials and construction, may be improperly maintained or repaired or may be subject to vandalism. These defects, improper maintenance or repair or vandalism have in the past unexpectedly interfered, and could in the future unexpectedly interfere, with the intended operations of the bikes or scooters, and have resulted, and could in the future result, in other safety concerns, including alleged injuries to riders or third parties. Although we, our contract manufacturers and our third-party service providers test our bikes and scooters before they are deployed onto our network, there can be no assurance we will be able to detect or prevent all defects.

Failure to detect, prevent or fix defects and vandalism, or to properly maintain or repair our bikes and scooters could result in a variety of consequences including product recalls and removal from service, injuries, litigation, enforcement actions and regulatory proceedings. The occurrence of real or perceived quality problems or material defects in our current or future bikes and scooters could result in negative publicity, regulatory proceedings, enforcement actions or lawsuits filed against us, particularly if riders or third parties are injured. Even if injuries to riders or third parties are not the result of any defects in, vandalism of, or the failure to properly maintain or repair our bikes or scooters, we may incur expenses to defend or settle any claims and our brand and reputation may be harmed. Any of the foregoing risks could also result in decreased usage of our network of shared bikes and scooters and adversely affect our business, brand, financial conditions and results of operations.

***Our revenue growth rate and financial performance in recent periods may not be indicative of future performance and such revenue growth rate or growth in demand for our offerings may slow over time.***

We have grown rapidly over the last several years, and therefore, our recent revenue growth rate and financial performance should not be considered indicative of our future performance. In 2019 and 2018, our revenue was \$3.6 billion and \$2.2 billion, respectively, representing a 68% growth rate from 2018 to 2019. However, we have experienced a decline in revenue due to decreased demand for our ridesharing platform in light of the COVID-19 pandemic, and we expect that our revenue growth rate and financial performance in future quarters will continue to be harmed while responsive measures to COVID-19, such as travel bans and restrictions and shelter-in-place orders, remain in place. In the quarters ended June 30, 2020 and 2019, our revenue was \$339.3 million and \$867.3 million, representing a decrease of 61%. You should not rely on our revenue for any previous quarterly or annual period as any indication of our revenue or revenue growth in future periods. As we grow our business, our revenue growth rates will slow in future periods due to a number of reasons, which may include impacts of the COVID-19 pandemic on our business, slowing demand for our offerings, increasing competition, a decrease in the growth of our overall market or market saturation, increasing regulatory costs and challenges and our failure to capitalize on growth opportunities.

***If we fail to effectively manage our growth, our business, financial condition and results of operations could be adversely affected.***

Since 2012, we have generally experienced rapid growth in our business, the number of users on our platform and our geographic reach, and we expect to continue to experience growth in the future. This growth has placed, and may continue to place, significant demands on our management and our operational and financial infrastructure. Employee growth has occurred both at our San Francisco headquarters and in a number of our offices across the United States and internationally. For example, the number of our full-time employees has increased from 2,708 as of December 31, 2017, to 4,973 as of June 30, 2020. However, in the second quarter of 2020, we implemented a plan of termination to reduce operating expenses and adjust cash flows in light of the ongoing economic challenges resulting from the COVID-19 pandemic and its impact on our business, which plan involved the termination of approximately 17% of our employees. Steps we take to manage our business operations and future growth may adversely affect our reputation and brand, our ability to recruit, retain and motivate highly skilled personnel.

Our ability to manage our growth and business operations effectively and to integrate new employees, technologies and acquisitions into our existing business will require us to continue to expand our operational and financial infrastructure and to continue to retain, attract, train, motivate and manage employees. Continued growth could strain our ability to develop and improve our operational, financial and management controls, enhance our reporting systems and procedures, recruit, train and retain highly skilled personnel and maintain user satisfaction. Additionally, if we do not effectively manage the growth of our business and operations, the quality of our offerings could suffer, which could negatively affect our reputation and brand, business, financial condition and results of operations.

***Any actual or perceived security or privacy breach could interrupt our operations, harm our brand and adversely affect our reputation, brand, business, financial condition and results of operations.***

Our business involves the collection, storage, processing and transmission of our users' personal data and other sensitive data. An increasing number of organizations, including large online and off-line merchants and businesses, other large Internet companies, financial institutions and government institutions, have disclosed breaches of their information security systems and other information security incidents, some of which have involved sophisticated and highly targeted attacks. Because techniques used to obtain unauthorized access to or to sabotage information systems change frequently and may not be known until launched against us, we may be unable to anticipate or prevent these attacks. Unauthorized parties have in the past gained access, and may in the future gain access, to our systems or facilities through various means, including gaining unauthorized access into our systems or facilities or those of our service providers, partners or users on our platform, or attempting to fraudulently induce our employees, service providers, partners, users or others into disclosing rider names, passwords, payment card information or other sensitive information, which may in turn be used to access our information technology systems, or attempting to fraudulently induce our employees, partners or others into manipulating payment information, resulting in the fraudulent transfer of funds to criminal actors. In addition, users on our platform could have vulnerabilities on their own mobile devices that are entirely unrelated to our systems and platform, but could mistakenly attribute their own vulnerabilities to us. Further, breaches experienced by other companies may also be leveraged against us. For example, credential stuffing attacks are becoming increasingly common and sophisticated actors can mask their attacks, making them increasingly difficult to identify and prevent. Certain efforts may be state-sponsored or supported by significant financial and technological resources, making them even more difficult to detect.

Although we have developed systems and processes that are designed to protect our users' data, prevent data loss and prevent other security breaches, these security measures cannot guarantee security. Our information technology and infrastructure may be vulnerable to cyberattacks or security breaches, and third parties may be able to access our users' personal information and payment card data that are accessible through those systems. Additionally, as we expand our operations, including having employees or third-party relationships in jurisdictions outside the United States, or expand work-from-home practices of our employees (including increased use of video conferencing), our exposure to cyberattacks or security breaches may increase. Further, employee error, malfeasance or other errors in the storage, use or transmission of personal information could result in an actual or perceived privacy or security breach or other security incident. Although we have policies restricting the access to the personal information we store, our employees have been accused in the past of violating these policies and we may be subject to these types of accusations in the future.

Any actual or perceived breach of privacy or security could interrupt our operations, result in our platform being unavailable, result in loss or improper disclosure of data, result in fraudulent transfer of funds, harm our reputation and brand, damage our relationships with third-party partners, result in significant legal, regulatory and financial exposure and lead to loss of driver or rider confidence in, or decreased use of, our platform, any of which could adversely affect our business, financial condition and results of operations. Any breach of privacy or security impacting any entities with which we share or disclose data (including, for example, our third-party technology providers) could have similar effects. In addition, any actual or perceived breach of security in any autonomous vehicles, whether ours or our competitors', could result in legal, regulatory and financial exposure and lead to loss of rider confidence in our platform, which could significantly undermine our business strategy. Further, any cyberattacks or security and privacy breaches directed at our competitors could reduce confidence in the ridesharing industry as a whole and, as a result, reduce confidence in us.

Additionally, defending against claims or litigation based on any security breach or incident, regardless of their merit, could be costly and divert management's attention. We cannot be certain that our insurance coverage will be adequate for data handling or data security liabilities actually incurred, that insurance will continue to be available to us on commercially reasonable terms, or at all, or that any insurer will not deny coverage as to any future claim. The successful assertion of one or more large claims against us that exceed available insurance coverage, or the occurrence of changes in our insurance policies, including premium increases or the imposition of large deductible or co-insurance requirements, could have an adverse effect on our reputation, brand, business, financial condition and results of operations.

***Changes in laws or regulations relating to privacy, data protection or the protection or transfer of personal data, or any actual or perceived failure by us to comply with such laws and regulations or any other obligations relating to privacy, data protection or the protection or transfer of personal data, could adversely affect our business.***

We receive, transmit and store a large volume of personally identifiable information and other data relating to the users on our platform. Numerous local, municipal, state, federal and international laws and regulations address privacy, data protection and the collection, storing, sharing, use, disclosure and protection of certain types of data, including the California Online Privacy Protection Act, the Personal Information Protection and Electronic Documents Act, the Controlling the Assault of Non-Solicited Pornography and Marketing Act, Canada's Anti-Spam Law, the Telephone Consumer Protection Act of 1991, or TCPA, the U.S. Federal Health Insurance Portability and Accountability Act of 1996, or HIPAA, Section 5(c) of the Federal

Trade Commission Act, and the California Consumer Privacy Act, or CCPA. These laws, rules and regulations evolve frequently and their scope may continually change, through new legislation, amendments to existing legislation and changes in enforcement, and may be inconsistent from one jurisdiction to another. For example, the CCPA, which became operative on January 1, 2020, requires new disclosures to California consumers and affords such consumers new abilities to opt-out of certain sales of personal information. The CCPA provides for fines of up to \$7,500 per violation, which can be applied on a per-consumer basis. Aspects of the CCPA and its interpretation and enforcement remain unclear. The effects of this legislation potentially are far-reaching, however, and may require us to further modify our data processing practices and policies and incur additional compliance-related costs and expenses. The CCPA and other changes in laws or regulations relating to privacy, data protection and information security, particularly any new or modified laws or regulations that require enhanced protection of certain types of data or new obligations with regard to data retention, transfer or disclosure, could greatly increase the cost of providing our offerings, require significant changes to our operations or even prevent us from providing certain offerings in jurisdictions in which we currently operate and in which we may operate in the future.

Further, as we continue to expand our platform offerings and user base, we may become subject to additional privacy-related laws and regulations. For example, the collection and storage of data in connection with the use of our Concierge Platform by healthcare partners subjects us to compliance requirements under HIPAA. HIPAA and its implementing regulations contain requirements regarding the use, collection, security, storage and disclosure of individuals' protected health information, or PHI. In 2009, HIPAA was amended by the HITECH Act to impose certain of HIPAA's privacy and security requirements directly upon business associates of covered entities. Contracted healthcare entities including healthcare providers, health plans, and transportation brokers using our Concierge offering are either covered entities or business associates under HIPAA. We must also comply with HIPAA as we use and disclose the PHI of riders in our capacity as a business associate of other contracted healthcare entities. Compliance obligations under HIPAA include privacy, security and breach notification obligations, and could subject us to increased liability for any unauthorized uses or disclosures of PHI determined to be a "breach." If we knowingly breach the HITECH Act's requirements, we could be exposed to criminal liability. A breach of our safeguards and processes could expose us to civil penalties that range from \$100 - \$50,000 per violation, with an annual maximum per violation calendar year cap of \$1.5 million for identical incidences and the possibility of civil litigation.

Additionally, we have incurred, and may continue to incur, significant expenses in an effort to comply with privacy, data protection and information security standards and protocols imposed by law, regulation, industry standards or contractual obligations. In particular, with laws and regulations such as the CCPA imposing new and relatively burdensome obligations, and with substantial uncertainty over the interpretation and application of these and other laws and regulations, we may face challenges in addressing their requirements and making necessary changes to our policies and practices, and may incur significant costs and expenses in an effort to do so. In particular, with regard to HIPAA, we may incur increased costs as we perform our obligations to our healthcare customers under our agreements with them.

Despite our efforts to comply with applicable laws, regulations and other obligations relating to privacy, data protection and information security, it is possible that our practices, offerings or platform could be inconsistent with, or fail or be alleged to fail to meet all requirements of, such laws, regulations or obligations. Our failure, or the failure by our third-party providers or partners, to comply with applicable laws or regulations or any other obligations relating to privacy, data protection or information security, or any compromise of security that results in unauthorized access to, or use or release of personally identifiable information or other driver or rider data, or the perception that any of the foregoing types of failure or compromise has occurred, could damage our reputation, discourage new and existing drivers and riders from using our platform or result in fines or proceedings by governmental agencies and private claims and litigation, any of which could adversely affect our business, financial condition and results of operations. Even if not subject to legal challenge, the perception of privacy concerns, whether or not valid, may harm our reputation and brand and adversely affect our business, financial condition and results of operations.

***As we expand our platform offerings, we may become subject to additional laws and regulations, and any actual or perceived failure by us to comply with such laws and regulations or manage the increased costs associated with such laws and regulations could adversely affect our business, financial condition and results of operations.***

As we continue to expand our platform offerings and user base, we may become subject to additional laws and regulations, which may differ or conflict from one jurisdiction to another. Many of these laws and regulations were adopted prior to the advent of our industry and related technologies and, as a result, do not contemplate or address the unique issues faced by our industry.

For example, the use of our Concierge offering by healthcare contracted entities and transportation brokers with which we partner may subject us to certain healthcare-related laws and regulations. These laws and regulations may impose additional requirements on us and our platform in providing rides to healthcare partners. Additional requirements may arise related to processing of payments, the collection and storage of data and systems infrastructure design, all of which could increase the costs associated with our offerings to healthcare transportation partners. With respect to our healthcare rides provided to Medicaid or Medicare Advantage beneficiaries, we are subject to healthcare fraud, waste and abuse laws that impose penalties for violations. Significant violations of such laws could lead to our loss of provider enrollment status, which could potentially result in exclusion from the federal programs as a provider. Further, we may in certain circumstances be or become considered a government contractor with respect to certain of our services, which would expose us to certain risks such as the government's ability to unilaterally terminate contracts, the public sector's budgetary cycles and funding authorization, and the government's administrative and investigatory processes. Furthermore, in response to the COVID-19 pandemic, in April 2020 we began piloting a delivery service and rides matched through the Lyft platform have been deemed an essential service by COVID-19 shelter-in-place orders in numerous jurisdictions, which may subject us to additional laws and regulations, including limits on pricing.

Despite our efforts to comply with applicable laws, regulations and other obligations relating to our platform offerings, it is possible that our practices, offerings or platform could be inconsistent with, or fail or be alleged to fail to meet all requirements of, such laws, regulations or obligations. Our failure, or the failure by our third-party providers or partners, to comply with applicable laws or regulations or any other obligations relating to our platform offerings, could harm our reputation and brand, discourage new and existing drivers and riders from using our platform, lead to refunds of rider fares or result in fines or proceedings by governmental agencies or private claims and litigation, any of which could adversely affect our business, financial condition and results of operations.

***We primarily rely on Amazon Web Services to deliver our offerings to users on our platform, and any disruption of or interference with our use of Amazon Web Services could adversely affect our business, financial condition and results of operations.***

We currently host our platform and support our operations using Amazon Web Services, or AWS, a third-party provider of cloud infrastructure services. We do not have control over the operations of the facilities of AWS that we use. AWS' facilities are vulnerable to damage or interruption from natural disasters, cybersecurity attacks, terrorist attacks, power outages and similar events or acts of misconduct. Our platform's continuing and uninterrupted performance is critical to our success. We have experienced, and expect that in the future we will experience, interruptions, delays and outages in service and availability from time to time due to a variety of factors, including infrastructure changes, human or software errors, website hosting disruptions and capacity constraints. In addition, any changes in AWS' service levels may adversely affect our ability to meet the requirements of users. Since our platform's continuing and uninterrupted performance is critical to our success, sustained or repeated system failures would reduce the attractiveness of our offerings. It may become increasingly difficult to maintain and improve our performance, especially during peak usage times, as we expand and the usage of our offerings increases. Any negative publicity arising from these disruptions could harm our reputation and brand and may adversely affect the usage of our offerings.

Our commercial agreement with AWS will remain in effect until terminated by AWS or us. AWS may only terminate the agreement for convenience after September 30, 2022, and only after complying with certain advance notice requirements. AWS may also terminate the agreement for cause upon a breach of the agreement or for failure to pay amounts due, in each case, subject to AWS providing prior written notice and a 30-day cure period. In the event that our agreement with AWS is terminated or we add additional cloud infrastructure service providers, we may experience significant costs or downtime in connection with the transfer to, or the addition of, new cloud infrastructure service providers. Any of the above circumstances or events may harm our reputation and brand, reduce the availability or usage of our platform, lead to a significant short term loss of revenue, increase our costs and impair our ability to attract new users, any of which could adversely affect our business, financial condition and results of operations.

In January 2019, we entered into an addendum to our commercial agreement with AWS, pursuant to which we committed to spend an aggregate of at least \$300 million between January 2019 and December 2021 on AWS services. In May 2020, we amended the addendum to extend the commitment period through June 2022 with no change to the aggregate commitment amounts. If we fail to meet the minimum purchase commitment during any year, we may be required to pay the difference, which could adversely affect our financial condition and results of operations.

***We rely on third-party and affiliate vehicle rental partners for our Express Drive program, and if we cannot manage our relationships with such parties and other risks related to our Express Drive and Lyft Rentals program, our business, financial condition and results of operations could be adversely affected.***

We rely on third-party and affiliate vehicle rental partners as well as third-party vehicle supply, fleet management and finance partners to supply vehicles to drivers for our Express Drive program. If any of our third-party vehicle rental partners or third-party vehicle supply, fleet management and finance partners terminates its relationship with us or refuses to renew its agreement with us on commercially reasonable terms, the availability of vehicles for drivers in certain markets could be adversely impacted, and we may need to find an alternate provider, and may not be able to secure similar terms or replace such partners in an acceptable time frame. Similarly, in the event that vehicle manufacturers issue recalls or the supply of vehicles or automotive parts is interrupted, including as a result of public health crises, such as the COVID-19 pandemic, affecting vehicles in these partners' fleets, the supply of vehicles available from these partners could become constrained. For example, in September 2019, GM issued a recall affecting the 2018 Chevy Malibu, which affected a moderate portion of the fleet provided by Lyft's rental partners. In addition, in May 2020, Hertz filed for bankruptcy protection, which may affect their ability to meet the requirements of our Express Drive program. If we cannot find alternate third-party vehicle rental providers on terms acceptable to us, or these partners' or Lyft's fleets are impacted by events such as vehicle recalls, we may not be able to meet the driver and consumer demand for rental vehicles, and as a result, our platform may be less attractive to qualified drivers and consumers. In addition, due to a number of factors, including our agreements with our vehicle rental partners and our auto-related insurance program, we incur an incrementally higher insurance cost from our Express Drive program compared to the corresponding cost from the rest of our ridesharing marketplace offerings. In the first quarter of 2020, Lyft acquired one of the rental partners in the Express Drive program, Flexdrive, as a wholly-owned subsidiary of Lyft. While wholly-owned by Lyft, Flexdrive will continue operating as an independent company, maintaining its own governance, management, personnel and assets, including its fleet. If Lyft and Flexdrive are unable to manage costs of operating Flexdrive's fleet and potential shortfalls between such costs and the rental fees collected from drivers, we may update the pricing methodologies related to Flexdrive's offering in Lyft's Express Drive program which could increase prices, and in turn adversely affect our ability to attract and retain qualified drivers.

Any negative publicity related to any of our third-party and affiliate vehicle rental partners, including publicity related to quality standards or safety concerns, could adversely affect our reputation and brand and could potentially lead to increased regulatory or litigation exposure. Any of the foregoing risks could adversely affect our business, financial condition and results of operations.

***Our Express Drive and Lyft Rentals programs expose us to certain risks, including with respect to decreases in the residual value, or reductions in the utilization, of vehicles in the fleet.***

For the Lyft Rentals consumer car rental business and, through our subsidiary Flexdrive, for vehicles rented to drivers through our Express Drive program, we source a portion of the fleet from a range of auto manufacturers. To the extent that any of these auto manufacturers significantly curtail production, increase the cost of purchasing cars or decline to sell cars to us on terms or at prices consistent with past agreements, despite sourcing vehicles from the used car market and other efforts to mitigate, we may be unable to obtain a sufficient number of vehicles to operate our Express Drive or Lyft Rentals businesses without significantly increasing our fleet costs or reducing our volumes. Similarly, where events, such as natural disasters or public health crises such as the COVID-19 pandemic, make operating rental locations difficult or impossible, or adversely impact passenger demand, the demand for or ability to rent vehicles in Lyft Rentals or the Express Drive program has been and could continue to be adversely affected, resulting in reduced utilization of the vehicles in the fleet. Reduced utilization has increased and could continue to increase costs of maintaining the fleet or storing or moving unused vehicles.

The costs of the fleet vehicles may also be adversely impacted by the relative strength of the used car market. We currently sell vehicles through auctions, third-party resellers and other channels in the used vehicle marketplace. Such channels may not produce stable used vehicle prices. It may be difficult to estimate the residual value of vehicles used in ridesharing, such as those rented to drivers through our Express Drive program. Further, market events, such as the COVID-19 pandemic, have affected the demand for or pricing in the used vehicle market. For example, as a result of the COVID-19 pandemic, other operators of large fleets, such as rental companies, are reportedly seeking to place large volumes of vehicles into the resale market, which have driven down the price and corresponding residual value of used vehicles. A reduction in residual values for vehicles in our fleet could cause us to sustain a substantial loss on the ultimate sale of such vehicles or require us to depreciate those vehicles at a more accelerated rate while we own them. If we are unable to obtain and maintain the fleet of vehicles cost-efficiently or if we are unable to accurately forecast the residual values of vehicles in the fleet, our business, financial condition and results of operations could be adversely affected.

***We rely on third-party payment processors to process payments made by riders and payments made to drivers on our platform, and if we cannot manage our relationships with such third parties and other payment-related risks, our business, financial condition and results of operations could be adversely affected.***

We rely on a limited number of third-party payment processors to process payments made by our riders and payments made to drivers on our platform. If any of our third-party payment processors terminates its relationship with us or refuses to renew its agreement with us on commercially reasonable terms, we would need to find an alternate payment processor, and may not be able to secure similar terms or replace such payment processor in an acceptable time frame. Further, the software and services provided by our third-party payment processors may not meet our expectations, contain errors or vulnerabilities, be compromised or experience outages. Any of these risks could cause us to lose our ability to accept online payments or other payment transactions or make timely payments to drivers on our platform, any of which could make our platform less convenient and attractive to users and adversely affect our ability to attract and retain qualified drivers and riders.

Nearly all of our riders' payments and driver payouts are made by credit card, debit card or through third-party payment services, which subjects us to certain payment network or service provider operating rules, to certain regulations and to the risk of fraud. We may in the future offer new payment options to riders that may be subject to additional operating rules, regulations and risks. We may be also subject to a number of other laws and regulations relating to the payments we accept from our riders, including with respect to money laundering, money transfers, privacy and information security. If we fail to comply with applicable rules and regulations, we may be subject to civil or criminal penalties, fines or higher transaction fees and may lose our ability to accept online payments or other payment card transactions, which could make our offerings less convenient and attractive to our riders. If any of these events were to occur, our business, financial condition and results of operations could be adversely affected.

For example, if we are deemed to be a money transmitter as defined by applicable regulation, we could be subject to certain laws, rules and regulations enforced by multiple authorities and governing bodies in the United States and numerous state and local agencies who may define money transmitter differently. For example, certain states may have a more expansive view of who qualifies as a money transmitter. Additionally, outside of the United States, we could be subject to additional laws, rules and regulations related to the provision of payments and financial services, and if we expand into new jurisdictions, the foreign regulations and regulators governing our business that we are subject to will expand as well. If we are found to be a money transmitter under any applicable regulation and we are not in compliance with such regulations, we may be subject to fines or other penalties in one or more jurisdictions levied by federal or state or local regulators, including state Attorneys General, as well as those levied by foreign regulators. In addition to fines, penalties for failing to comply with applicable rules and regulations could include criminal and civil proceedings, forfeiture of significant assets or other enforcement actions. We could also be required to make changes to our business practices or compliance programs as a result of regulatory scrutiny.

For various payment options, we are required to pay fees such as interchange and processing fees that are imposed by payment processors, payment networks and financial institutions. These fees are subject to increases, which could adversely affect our business, financial condition, and results of operations. Additionally, our payment processors require us to comply with payment card network operating rules, which are set and interpreted by the payment card networks. The payment card networks could adopt new operating rules or interpret or re-interpret existing rules in ways that might prohibit us from providing certain offerings to some users, be costly to implement or difficult to follow. We have agreed to reimburse our payment processors for fines they are assessed by payment card networks if we or the users on our platform violate these rules. Any of the foregoing risks could adversely affect our business, financial condition and results of operations.

***We rely on other third-party service providers and if such third parties do not perform adequately or terminate their relationships with us, our costs may increase and our business, financial condition and results of operations could be adversely affected.***

Our success depends in part on our relationships with other third-party service providers. For example, we rely on third-party encryption and authentication technologies licensed from third parties that are designed to securely transmit personal information provided by drivers and riders on our platform. Further, from time to time, we enter into strategic commercial partnerships in connection with the development of new technology, the growth of our qualified driver base, the provision of new or enhanced offerings for users on our platform and our expansion into new markets. If any of our partners terminates its relationship with us, including as a result of COVID-19-related impacts to their business and operations, or refuses to renew its agreement with us on commercially reasonable terms, we would need to find an alternate provider, and may not be able to secure similar terms or replace such providers in an acceptable time frame. We also rely on other software and services supplied by third parties, such as communications and internal software, and our business may be adversely affected to the extent such software and services do not meet our expectations, contain errors or vulnerabilities, are compromised or experience outages. Any of these risks could increase our costs and adversely affect our business, financial condition and results of operations. Further, any negative publicity related to any of our third-party partners, including any publicity related to quality standards or

safety concerns, could adversely affect our reputation and brand, and could potentially lead to increased regulatory or litigation exposure.

We incorporate technology from third parties into our platform. We cannot be certain that our licensors are not infringing the intellectual property rights of others or that the suppliers and licensors have sufficient rights to the technology in all jurisdictions in which we may operate. Some of our license agreements may be terminated by our licensors for convenience. If we are unable to obtain or maintain rights to any of this technology because of intellectual property infringement claims brought by third parties against our suppliers and licensors or against us, or if we are unable to continue to obtain the technology or enter into new agreements on commercially reasonable terms, our ability to develop our platform containing that technology could be severely limited and our business could be harmed. Additionally, if we are unable to obtain necessary technology from third parties, we may be forced to acquire or develop alternate technology, which may require significant time and effort and may be of lower quality or performance standards. This would limit and delay our ability to provide new or competitive offerings and increase our costs. If alternate technology cannot be obtained or developed, we may not be able to offer certain functionality as part of our offerings, which could adversely affect our business, financial condition and results of operations.

***If we are not able to successfully develop new offerings on our platform and enhance our existing offerings, our business, financial condition and results of operations could be adversely affected.***

Our ability to attract new qualified drivers and new riders, retain existing qualified drivers and existing riders and increase utilization of our offerings will depend in part on our ability to successfully create and introduce new offerings and to improve upon and enhance our existing offerings. As a result, we may introduce significant changes to our existing offerings or develop and introduce new and unproven offerings. For example, in 2018, we launched our scooter sharing offering on our platform in certain markets and in April 2020, we began piloting a delivery service platform in response to the COVID-19 pandemic. If these new or enhanced offerings are unsuccessful, including as a result of any inability to obtain and maintain required permits or authorizations or other regulatory constraints or because they fail to generate sufficient return on our investments, our business, financial condition and results of operations could be adversely affected. Furthermore, new driver or rider demands regarding service or platform features, the availability of superior competitive offerings or a deterioration in the quality of our offerings or our ability to bring new or enhanced offerings to market quickly and efficiently could negatively affect the attractiveness of our platform and the economics of our business and require us to make substantial changes to and additional investments in our offerings or our business model. In addition, we frequently experiment with and test different offerings and marketing strategies. If these experiments and tests are unsuccessful, or if the offerings and strategies we introduce based on the results of such experiments and tests do not perform as expected, our ability to attract new qualified drivers and new riders, retain existing qualified drivers and existing riders and maintain or increase utilization of our offerings may be adversely affected.

Developing and launching new offerings or enhancements to the existing offerings on our platform involves significant risks and uncertainties, including risks related to the reception of such offerings by existing and potential future drivers and riders, increases in operational complexity, unanticipated delays or challenges in implementing such offerings or enhancements, increased strain on our operational and internal resources (including an impairment of our ability to accurately forecast rider demand and the number of drivers using our platform) and negative publicity in the event such new or enhanced offerings are perceived to be unsuccessful. We have scaled our business rapidly, and significant new initiatives have in the past resulted in, and in the future may result in, operational challenges affecting our business. In addition, developing and launching new offerings and enhancements to our existing offerings may involve significant up-front capital investments and such investments may not generate return on investment. Further, from time to time we may reevaluate, discontinue and/or reduce these investments and decide to discontinue one or more offerings. Any of the foregoing risks and challenges could negatively impact our ability to attract and retain qualified drivers and riders, our ability to increase utilization of our offerings and our visibility into expected results of operations, and could adversely affect our business, financial condition and results of operations. Additionally, since we are focused on building our community and ecosystems for the long-term, our near-term results of operations may be impacted by our investments in the future.

***If we are unable to successfully manage the complexities associated with our expanding multimodal platform, our business, financial condition and results of operations could be adversely affected.***

Our expansion into bike and scooter sharing, other modes of transportation, vehicle rental programs and delivery services has increased the complexity of our business. These new offerings have required us to develop new expertise and marketing and operational strategies, and have subjected us to new laws, regulations and risks. For example, we face the risk that our network of shared bikes and scooters, our Nearby Transit offering, which integrates third-party public transit data into the Lyft App, and other future transportation offerings could reduce the use of our ridesharing offering. Additionally, from time to time we may reevaluate our offerings on our multimodal platform and decide to discontinue an offering or certain features. Such actions may negatively impact revenue in the short term and may not provide the benefits we expect in the long term. If

we are unable to successfully manage the complexities associated with our expanding multimodal platform, including the effects our new and evolving offerings have on our existing business, our business, financial condition and results of operations could be adversely affected.

***Our new delivery service platform may not be successful and may expose us to additional risks.***

In response to the COVID-19 pandemic, we are piloting a new delivery service platform for a period of time to assess its feasibility. This offering, which began in April 2020, currently allows businesses to send essential goods, including meals and medical supplies, from one location to another. Drivers are provided the opportunity to opt-in to receive delivery requests and are currently paid based on the driver rate card for a standard Lyft ride. Delivery is not currently available in all markets and therefore not all drivers have the opportunity to receive delivery requests at this time. We face a number of challenges that may affect the ultimate success of this offering, including:

- the market for this offering may not be sustained following the COVID-19 pandemic, or may not develop at all;
- we may be unable to attract and retain drivers for this offering, and drivers currently using our platform may not opt-in to drive for this offering, which may create shortages of driver supply;
- we may be unable to attract and retain businesses to participate in this offering;
- we may fail to develop an effective pricing model for this offering that incentivizes drivers and businesses to use this offering while maintaining margins for us;
- our competitors may have more experience with respect to business or consumer deliveries, greater brand recognition in the delivery space, or greater financial or other resources that enable them to derive greater revenue, attract and retain drivers and businesses for their similar offerings, and more efficiently provide their offerings;
- we may incur additional costs and expenses associated with providing business or consumer delivery services, including insurance-related and other costs;
- we may be subject to litigation in a number of areas, including personal injury and automotive liability, and we may be unsuccessful in compelling to arbitration claims brought by drivers using the Lyft rideshare and delivery platforms;
- we are subject to a variety of laws and regulations that are costly to comply with and may affect the profitability of this offering, including laws and regulations regarding pricing, and any failure to comply with such laws and regulations will adversely affect our deliveries offering; and
- we may fail to effectively respond to market developments in a timely manner, or at all.

Additionally, the development of this delivery service platform may divert resources, including management's attention, from our other offerings and adversely affect their development. If we are unable to develop and grow our delivery service platform, or unable to do so cost-effectively, whether as a result of our own actions or market conditions more generally, our business, financial condition and results of operations could be adversely affected.

***Our metrics and estimates, including the key metrics included in this report, are subject to inherent challenges in measurement, and real or perceived inaccuracies in those metrics may harm our reputation and negatively affect our business.***

We regularly review and may adjust our processes for calculating our metrics used to evaluate our growth, measure our performance and make strategic decisions. These metrics are calculated using internal company data and have not been evaluated by a third-party. Our metrics may differ from estimates published by third parties or from similarly titled metrics of our competitors due to differences in methodology or the assumptions on which we rely, and we may make material adjustments to our processes for calculating our metrics in order to enhance accuracy, because better information becomes available or other reasons, which may result in changes to our metrics. The estimates and forecasts we disclose relating to the size and expected growth of our addressable market may prove to be inaccurate. Even if the markets in which we compete meet the size estimates and growth we have forecasted, our business could fail to grow at similar rates, if at all. If investors or analysts do not consider our metrics to be accurate representations of our business, or if we discover material inaccuracies in our metrics, then the trading price of our Class A common stock and our business, financial condition and results of operations could be adversely affected.

***Our marketing efforts to help grow our business may not be effective.***

Promoting awareness of our offerings is important to our ability to grow our business and to attract new qualified drivers and new riders and can be costly. We believe that much of the growth in our rider base and the number of drivers on our platform is attributable to our paid marketing initiatives. Our marketing efforts currently include referrals, affiliate programs, free or discount trials, partnerships, display advertising, television, billboards, radio, video, content, direct mail, social media, email, hiring and classified advertisement websites, mobile “push” communications, search engine optimization and keyword search campaigns. Our marketing initiatives may become increasingly expensive and generating a meaningful return on those initiatives may be difficult. Even if we successfully increase revenue as a result of our paid marketing efforts, it may not offset the additional marketing expenses we incur.

If our marketing efforts are not successful in promoting awareness of our offerings or attracting new qualified drivers and new riders, or if we are not able to cost-effectively manage our marketing expenses, our results of operations could be adversely affected. If our marketing efforts are successful in increasing awareness of our offerings, this could also lead to increased public scrutiny of our business and increase the likelihood of third parties bringing legal proceedings against us. Any of the foregoing risks could harm our business, financial condition and results of operations. Further, in response to the COVID-19 pandemic, we have slowed our marketing efforts across certain platforms, which may limit the effectiveness of our other marketing efforts and limit awareness of our offerings.

***Any failure to offer high-quality user support may harm our relationships with users and could adversely affect our reputation, brand, business, financial condition and results of operations.***

Our ability to attract and retain qualified drivers and riders is dependent in part on the ease and reliability of our offerings, including our ability to provide high-quality support. Users on our platform depend on our support organization to resolve any issues relating to our offerings, such as being overcharged for a ride, leaving something in a driver’s vehicle or reporting a safety incident. Our ability to provide effective and timely support is largely dependent on our ability to attract and retain service providers who are qualified to support users and sufficiently knowledgeable regarding our offerings. Our number of Active Riders has decreased from 14.2 million for the quarter ended March 31, 2018 to 8.7 million for the quarter ended June 30, 2020. As we continue to grow our business and improve our offerings, we will face challenges related to providing quality support services at scale. If we grow our international rider base and the number of international drivers on our platform, our support organization will face additional challenges, including those associated with delivering support in languages other than English. Furthermore, the COVID-19 pandemic may impact our ability to provide effective and timely support, including as a result of a decrease in the availability of service providers and increase in response time. Any failure to provide efficient user support, or a market perception that we do not maintain high-quality support, could adversely affect our reputation, brand, business, financial condition and results of operations.

***Failure to deal effectively with fraud could harm our business.***

We have in the past incurred, and may in the future incur, losses from various types of fraud, including use of stolen or fraudulent credit card data, claims of unauthorized payments by a rider, attempted payments by riders with insufficient funds and fraud committed by riders in concert with drivers. Bad actors use increasingly sophisticated methods to engage in illegal activities involving personal information, such as unauthorized use of another person’s identity, account information or payment information and unauthorized acquisition or use of credit or debit card details, bank account information and mobile phone numbers and accounts. Under current card payment practices, we may be liable for rides facilitated on our platform with fraudulent credit card data, even if the associated financial institution approved the credit card transaction. Despite measures that we have taken to detect and reduce the occurrence of fraudulent or other malicious activity on our platform, we cannot guarantee that any of our measures will be effective or will scale efficiently with our business. Our inability to adequately detect or prevent fraudulent transactions could harm our reputation or brand, result in litigation or regulatory action and lead to expenses that could adversely affect our business, financial condition and results of operations.

We have also incurred, and may in the future incur, losses from fraud and other misuse of our platform by drivers and riders, including in connection with programs we put in place in response to the COVID-19 pandemic. For example, we have experienced reduced revenue from actual and alleged unauthorized rides fulfilled and miles traveled in connection with our Concierge offering. If we are unable to adequately anticipate and address such misuse either through increased controls, platform solutions or other means, our partner relationships, business, financial condition and results of operations could be adversely affected.

***We face the risk of litigation resulting from unauthorized text messages sent in violation of the Telephone Consumer Protection Act.***

The actual or perceived improper sending of text messages may subject us to potential risks, including liabilities or claims relating to consumer protection laws. For example, the TCPA restricts telemarketing and the use of automated SMS text

messages without proper consent. This has resulted and may in the future result in civil claims against us. The scope and interpretation of the laws that are or may be applicable to the delivery of text messages are continuously evolving and developing. If we do not comply with these laws or regulations or if we become liable under these laws or regulations, we could face direct liability and our business, financial condition and results of operations could be adversely affected.

***If we fail to effectively match riders on our Shared and Shared Saver Rides offering and manage the related pricing methodologies, our business, financial condition and results of operations could be adversely affected.***

Shared and Shared Saver Rides enables unrelated parties traveling along similar routes to benefit from a discounted fare at the cost of possibly longer travel times. With a Shared or Shared Saver Ride, when the first rider requests a ride, our algorithms use the first rider's destination and attempt to match them with other riders traveling along a similar route. If a match between riders is made, our algorithms re-route the driver to include the pick-up location of the matched rider on the active route. For Shared and Shared Saver Rides, drivers earn a fixed amount based on a number of factors, including the time and distance of the ride, the base fare charged to riders and the level of rider demand. We determine the rider fare based on the predicted time and distance of the ride, the level of rider demand and the likelihood of being able to match additional riders along the given route, and such fare is quoted to the riders prior to their commitment to the ride. The fare charged to the riders is decoupled from the payment made to the driver as we do not adjust the driver payment based on the success or failure of a match. Accordingly, if the discounted fare quoted and charged to our Shared or Shared Saver Rides riders is less than the fixed amount that drivers earn or if our algorithms are unable to consistently match Shared or Shared Saver Rides riders, then our business, financial condition and results of operations could be adversely affected.

In light of the COVID-19 pandemic, we have suspended Shared and Shared Saver Rides on our platform. While we believe these suspensions are in the best interests of drivers and riders on our platform, these suspensions have adversely affected our business and results of operations. To the extent we continue to suspend these offerings during the COVID-19 pandemic, or demand for these offerings is adversely affected following the end of these suspensions, our business, financial condition and results of operations could be adversely affected.

***If we fail to effectively manage our up-front pricing methodology, our business, financial condition and results of operations could be adversely affected.***

With the adoption of our up-front pricing methodology, we quote a price to riders of our ridesharing offering before they request a ride. We earn fees from drivers either as the difference between an amount paid by a rider based on an up-front quoted fare and the amount earned by a driver based on the actual time and distance for the trip or as a fixed percentage of the fare charged to the rider, in each case, less any applicable driver incentives and any pass-through amounts paid to drivers and regulatory agencies. As we do not control the driver's actions at any point in the transaction to limit the time and distance for the trip, we take on risks related to the driver's actions which may not be fully mitigated. We may incur a loss from a transaction where an up-front quoted fare paid by a rider is less than the amount we committed to pay a driver. In addition, our riders' price sensitivity varies by geographic location, among other factors, and if we are unable to effectively account for such variability in our up-front prices, our ability to compete effectively in these locations could be adversely affected. If we are unable to effectively manage our up-front pricing methodology in conjunction with our existing and future pricing and incentive programs, our business, financial condition and results of operations could be adversely affected.

***Systems failures and resulting interruptions in the availability of our website, applications, platform or offerings could adversely affect our business, financial condition and results of operations.***

Our systems, or those of third parties upon which we rely, may experience service interruptions or degradation because of hardware and software defects or malfunctions, distributed denial-of-service and other cyberattacks, human error, earthquakes, hurricanes, floods, fires, natural disasters, power losses, disruptions in telecommunications services, fraud, military or political conflicts, terrorist attacks, computer viruses, ransomware, malware or other events. Our systems also may be subject to break-ins, sabotage, theft and intentional acts of vandalism, including by our own employees. Some of our systems are not fully redundant and our disaster recovery planning may not be sufficient for all eventualities. Our business interruption insurance may not be sufficient to cover all of our losses that may result from interruptions in our service as a result of systems failures and similar events.

We have experienced and will likely continue to experience system failures and other events or conditions from time to time that interrupt the availability or reduce or affect the speed or functionality of our offerings. These events have resulted in, and similar future events could result in, losses of revenue. A prolonged interruption in the availability or reduction in the availability, speed or other functionality of our offerings could adversely affect our business and reputation and could result in the loss of users. Moreover, to the extent that any system failure or similar event results in harm or losses to the users using our platform, we may make voluntary payments to compensate for such harm or the affected users could seek monetary recourse or contractual remedies from us for their losses and such claims, even if unsuccessful, would likely be time-consuming and costly for us to address.

***We may require additional capital, which may not be available on terms acceptable to us or at all.***

Historically, we funded our capital-intensive operations and capital expenditures primarily through equity issuances and cash generated from our operations. To support our growing business, we must have sufficient capital to continue to make significant investments in our offerings. In May 2020, we issued \$747.5 million aggregate principal amount of our 2025 Notes and from time to time, we may seek additional equity or debt financing, including by the issuance of securities. If we raise additional funds through the issuance of equity, equity-linked or debt securities, such as our 2025 Notes, those securities may have rights, preferences or privileges senior to those of our Class A common stock, and our existing stockholders may experience dilution. Further, we have secured debt financing which has resulted in fixed obligations and certain restrictive covenants, and any debt financing secured by us in the future would result in increased fixed obligations and could involve additional restrictive covenants relating to our capital-raising activities and other financial and operational matters, as well as liens on some or all of our assets, which may make it more difficult for us to obtain additional capital and to pursue business opportunities.

We evaluate financing opportunities from time to time, and our ability to obtain financing will depend, among other things, on our development efforts, business plans and operating performance and the condition of the capital markets at the time we seek financing. Additionally, COVID-19 may impact our access to capital and make additional capital more difficult or available only on terms less favorable to us. We cannot be certain that additional financing will be available to us on favorable terms, or at all. If we are unable to obtain adequate financing or financing on terms satisfactory to us, when we require it, our ability to continue to support our business growth and to respond to business challenges could be significantly limited, and our business, financial condition and results of operations could be adversely affected.

***Our company culture has contributed to our success and if we cannot maintain this culture as we grow, our business could be harmed.***

We believe that our company culture, which promotes authenticity, empathy and support for others, has been critical to our success. We face a number of challenges that may affect our ability to sustain our corporate culture, including:

- failure to identify, attract, reward and retain people in leadership positions in our organization who share and further our culture, values and mission;
- the increasing size and geographic diversity of our workforce;
- shelter-in-place orders in certain jurisdictions where we operate that have required many of our employees to work remotely;
- the inability to achieve adherence to our internal policies and core values;
- competitive pressures to move in directions that may divert us from our mission, vision and values;
- the continued challenges of a rapidly-evolving industry;
- the increasing need to develop expertise in new areas of business that affect us;
- negative perception of our treatment of employees or our response to employee sentiment related to political or social causes or actions of management; and
- the integration of new personnel and businesses from acquisitions.

From time to time, we may engage in workforce reductions in order to better align our operations with our strategic priorities, managing our cost structure or in connection with acquisitions. For example, in response to the effects of the COVID-19 pandemic on our business, we have taken certain cost-cutting measures, including lay-offs, furloughs and salary reductions, which may adversely affect employee morale, our culture and our ability to attract and retain employees. These actions may adversely affect our ability to attract and retain personnel and maintain our culture. If we are not able to maintain our culture, our business, financial condition and results of operations could be adversely affected.

***We depend on our key personnel and other highly skilled personnel, and if we fail to attract, retain, motivate or integrate our personnel, our business, financial condition and results of operations could be adversely affected.***

Our success depends in part on the continued service of our founders, senior management team, key technical employees and other highly skilled personnel and on our ability to identify, hire, develop, motivate, retain and integrate highly qualified personnel for all areas of our organization. We may not be successful in attracting and retaining qualified personnel to fulfill our current or future needs and actions we take in response to the impact of the COVID-19 pandemic on our business may harm our reputation or impact our ability to recruit qualified personnel in the future. For example, in April 2020, in response to the effects of the COVID-19 pandemic on our business, we took certain cost-cutting measures, including lay-offs, furloughs and salary reductions, which may adversely affect employee morale, our culture and our ability to attract and retain

employees. Also, all of our U.S.-based employees, including our management team, work for us on an at-will basis, and there is no assurance that any such employee will remain with us. Our competitors may be successful in recruiting and hiring members of our management team or other key employees, and it may be difficult for us to find suitable replacements on a timely basis, on competitive terms or at all. If we are unable to attract and retain the necessary personnel, particularly in critical areas of our business, we may not achieve our strategic goals.

We face intense competition for highly skilled personnel, especially in the San Francisco Bay Area where we have a substantial presence and need for highly skilled personnel. To attract and retain top talent, we have had to offer, and we believe we will need to continue to offer, competitive compensation and benefits packages. Job candidates and existing personnel often consider the value of the equity awards they receive in connection with their employment. If the perceived value of our equity awards declines or we are unable to provide competitive compensation packages, it may adversely affect our ability to attract and retain highly qualified personnel, and we may experience increased attrition. Certain of our employees have received significant proceeds from sales of our equity in private transactions and many of our employees have received and may continue to receive significant proceeds from sales of our equity in the public markets, which may reduce their motivation to continue to work for us. We may need to invest significant amounts of cash and equity to attract and retain new employees and expend significant time and resources to identify, recruit, train and integrate such employees, and we may never realize returns on these investments. If we are unable to effectively manage our hiring needs or successfully integrate new hires, our efficiency, ability to meet forecasts and employee morale, productivity and retention could suffer, which could adversely affect our business, financial condition and results of operations.

***If we are unable to make acquisitions and investments, or successfully integrate them into our business, our business, results of operations and financial condition could be adversely affected.***

As part of our business strategy, we will continue to consider a wide array of potential strategic transactions, including acquisitions of businesses, new technologies, services and other assets and strategic investments that complement our business, such as our acquisition of Motivate in November 2018. We have previously acquired and continue to evaluate targets that operate in relatively nascent markets, and as a result, there is no assurance that such acquired businesses will be successfully integrated into our business or generate substantial revenue.

Acquisitions involve numerous risks, any of which could harm our business and negatively affect our financial condition and results of operations, including:

- intense competition for suitable acquisition targets, which could increase acquisition costs and adversely affect our ability to consummate deals on favorable or acceptable terms;
- failure or material delay in closing a transaction;
- transaction-related lawsuits or claims;
- difficulties in integrating the technologies, operations, existing contracts and personnel of an acquired company;
- difficulties in retaining key employees or business partners of an acquired company;
- diversion of financial and management resources from existing operations or alternative acquisition opportunities;
- failure to realize the anticipated benefits or synergies of a transaction;
- failure to identify the problems, liabilities or other shortcomings or challenges of an acquired company or technology, including issues related to intellectual property, regulatory compliance practices, litigation, revenue recognition or other accounting practices, or employee or user issues;
- risks that regulatory bodies may enact new laws or promulgate new regulations that are adverse to an acquired company or business;
- theft of our trade secrets or confidential information that we share with potential acquisition candidates;
- risk that an acquired company or investment in new offerings cannibalizes a portion of our existing business; and
- adverse market reaction to an acquisition.

If we fail to address the foregoing risks or other problems encountered in connection with past or future acquisitions of businesses, new technologies, services and other assets and strategic investments, or if we fail to successfully integrate such acquisitions or investments, our business, results of operations and financial condition could be adversely affected.

***Our business could be adversely impacted by changes in the Internet and mobile device accessibility of users and unfavorable changes in or our failure to comply with existing or future laws governing the Internet and mobile devices.***

Our business depends on users' access to our platform via a mobile device and the Internet. We may operate in jurisdictions that provide limited Internet connectivity, particularly as we expand internationally. Internet access and access to a mobile device are frequently provided by companies with significant market power that could take actions that degrade, disrupt or increase the cost of users' ability to access our platform. In addition, the Internet infrastructure that we and users of our platform rely on in any particular geographic area may be unable to support the demands placed upon it. Any such failure in Internet or mobile device accessibility, even for a short period of time, could adversely affect our results of operations.

Moreover, we are subject to a number of laws and regulations specifically governing the Internet and mobile devices that are constantly evolving. Existing and future laws and regulations, or changes thereto, may impede the growth and availability of the Internet and online offerings, require us to change our business practices or raise compliance costs or other costs of doing business. These laws and regulations, which continue to evolve, cover taxation, privacy and data protection, pricing, copyrights, distribution, mobile and other communications, advertising practices, consumer protections, the provision of online payment services, unencumbered Internet access to our offerings and the characteristics and quality of online offerings, among other things. Any failure, or perceived failure, by us to comply with any of these laws or regulations could result in damage to our reputation and brand a loss in business and proceedings or actions against us by governmental entities or others, which could adversely impact our results of operations.

***We rely on mobile operating systems and application marketplaces to make our apps available to the drivers and riders on our platform, and if we do not effectively operate with or receive favorable placements within such application marketplaces and maintain high rider reviews, our usage or brand recognition could decline and our business, financial results and results of operations could be adversely affected.***

We depend in part on mobile operating systems, such as Android and iOS, and their respective application marketplaces to make our apps available to the drivers and riders on our platform. Any changes in such systems and application marketplaces that degrade the functionality of our apps or give preferential treatment to our competitors' apps could adversely affect our platform's usage on mobile devices. If such mobile operating systems or application marketplaces limit or prohibit us from making our apps available to drivers and riders, make changes that degrade the functionality of our apps, increase the cost of using our apps, impose terms of use unsatisfactory to us or modify their search or ratings algorithms in ways that are detrimental to us, or if our competitors' placement in such mobile operating systems' application marketplace is more prominent than the placement of our apps, overall growth in our rider or driver base could slow. Our apps have experienced fluctuations in number of downloads in the past, and we anticipate similar fluctuations in the future. Any of the foregoing risks could adversely affect our business, financial condition and results of operations.

As new mobile devices and mobile platforms are released, there is no guarantee that certain mobile devices will continue to support our platform or effectively roll out updates to our apps. Additionally, in order to deliver high-quality apps, we need to ensure that our offerings are designed to work effectively with a range of mobile technologies, systems, networks and standards. We may not be successful in developing or maintaining relationships with key participants in the mobile industry that enhance drivers' and riders' experience. If drivers or riders on our platform encounter any difficulty accessing or using our apps on their mobile devices or if we are unable to adapt to changes in popular mobile operating systems, our business, financial condition and results of operations could be adversely affected.

***We depend on the interoperability of our platform across third-party applications and services that we do not control.***

We have integrations with Google Maps Navigation, Concur, Certify, Expensify and a variety of other productivity, collaboration, travel, data management and security vendors. As our offerings expand and evolve, including as we develop autonomous technology, we may have an increasing number of integrations with other third-party applications, products and services. Third-party applications, products and services are constantly evolving, and we may not be able to maintain or modify our platform to ensure its compatibility with third-party offerings following development changes. In addition, some of our competitors or technology partners may take actions which disrupt the interoperability of our platform with their own products or services, or exert strong business influence on our ability to, and the terms on which we operate and distribute our platform. As our respective products evolve, we expect the types and levels of competition to increase. Should any of our competitors or technology partners modify their products, standards or terms of use in a manner that degrades the functionality or performance of our platform or is otherwise unsatisfactory to us or gives preferential treatment to competitive products or services, our products, platform, business, financial condition and results of operations could be adversely affected.

***Defects, errors or vulnerabilities in our applications, backend systems or other technology systems and those of third-party technology providers could harm our reputation and brand and adversely impact our business, financial condition and results of operations.***

The software underlying our platform is highly complex and may contain undetected errors or vulnerabilities, some of which may only be discovered after the code has been released. We rely heavily on a software engineering practice known as “continuous deployment,” which refers to the frequent release of our software code, sometimes multiple times per day. This practice increases the risk that errors and vulnerabilities are present in the software code underlying our platform. The third-party software that we incorporate into our platform may also be subject to errors or vulnerability. Any errors or vulnerabilities discovered in our code or from third-party software after release could result in negative publicity, a loss of users or loss of revenue and access or other performance issues. Such vulnerabilities could also be exploited by malicious actors and result in exposure of data of users on our platform, or otherwise result in a data breach as defined under various laws and regulations. We may need to expend significant financial and development resources to analyze, correct, eliminate or work around errors or defects or to address and eliminate vulnerabilities. Any failure to timely and effectively resolve any such errors, defects or vulnerabilities could adversely affect our business, financial condition and results of operations as well as negatively impact our reputation or brand.

***Claims by others that we infringed their proprietary technology or other intellectual property rights could harm our business.***

Companies in the Internet and technology industries are frequently subject to litigation based on allegations of infringement or other violations of intellectual property rights. In addition, certain companies and rights holders seek to enforce and monetize patents or other intellectual property rights they own, have purchased or otherwise obtained. As we gain an increasingly high public profile and the number of competitors in our market increases, the possibility of intellectual property rights claims against us grows. From time to time third parties may assert, and in the past have asserted, claims of infringement of intellectual property rights against us. See the section titled “Legal Proceedings” for additional information about these types of legal proceedings. In addition, third parties have sent us correspondence regarding various allegations of intellectual property infringement and, in some instances, have initiated licensing discussions. Although we believe that we have meritorious defenses, there can be no assurance that we will be successful in defending against these allegations or reaching a business resolution that is satisfactory to us. Our competitors and others may now and in the future have significantly larger and more mature patent portfolios than us. In addition, future litigation may involve patent holding companies or other adverse patent owners who have no relevant product or service revenue and against whom our own patents may therefore provide little or no deterrence or protection. Many potential litigants, including some of our competitors and patent-holding companies, have the ability to dedicate substantial resources to assert their intellectual property rights. Any claim of infringement by a third-party, even those without merit, could cause us to incur substantial costs defending against the claim, could distract our management from our business and could require us to cease use of such intellectual property. Furthermore, because of the substantial amount of discovery required in connection with intellectual property litigation, we risk compromising our confidential information during this type of litigation. We may be required to pay substantial damages, royalties or other fees in connection with a claimant securing a judgment against us, we may be subject to an injunction or other restrictions that prevent us from using or distributing our intellectual property, or we may agree to a settlement that prevents us from distributing our offerings or a portion thereof, which could adversely affect our business, financial condition and results of operations.

With respect to any intellectual property rights claim, we may have to seek out a license to continue operations found to be in violation of such rights, which may not be available on favorable or commercially reasonable terms and may significantly increase our operating expenses. Some licenses may be non-exclusive, and therefore our competitors may have access to the same technology licensed to us. If a third-party does not offer us a license to its intellectual property on reasonable terms, or at all, we may be required to develop alternative, non-infringing technology or other intellectual property, which could require significant time (during which we would be unable to continue to offer our affected offerings), effort and expense and may ultimately not be successful. Any of these events could adversely affect our business, financial condition and results of operations.

***Failure to protect or enforce our intellectual property rights could harm our business, financial condition and results of operations.***

Our success is dependent in part upon protecting our intellectual property rights and technology (such as code, information, data, processes and other forms of information, knowhow and technology), or intellectual property. We rely on a combination of patents, copyrights, trademarks, service marks, trade dress, trade secret laws and contractual restrictions to establish and protect our intellectual property. However, the steps we take to protect our intellectual property may not be sufficient or effective. Even if we do detect violations, we may need to engage in litigation to enforce our rights. Any enforcement efforts we undertake, including litigation, could be time-consuming and expensive and could divert management attention. While we take precautions designed to protect our intellectual property, it may still be possible for competitors and other unauthorized third parties to copy our technology and use our proprietary information to create or enhance competing solutions and services, which could adversely affect our position in our rapidly evolving and highly competitive industry. Some license provisions that protect against unauthorized use, copying, transfer and disclosure of our technology may be unenforceable under the laws of certain jurisdictions and foreign countries. The laws of some countries do not provide the same level of protection of our intellectual property as do the laws of the United States and effective intellectual property protections may not be available or may be limited in foreign countries. As we expand our international activities, our exposure to unauthorized use, copying, transfer and disclosure of proprietary information will likely increase. We may need to expend additional resources to defend our intellectual property rights domestically or internationally, which could impair our business or adversely affect our domestic or international operations. We enter into confidentiality and invention assignment agreements with our employees and consultants and enter into confidentiality agreements with our third-party providers and strategic partners. We cannot assure you that these agreements will be effective in controlling access to, and use and distribution of, our platform and proprietary information. Further, these agreements do not prevent our competitors from independently developing technologies that are substantially equivalent or superior to our offerings. We also enter into strategic partnerships, joint development and other similar agreements with third parties where intellectual property arising from such partnerships may be jointly-owned or may be transferred or licensed to the counterparty. Such arrangements may limit our ability to protect, maintain, enforce or commercialize such intellectual property rights, including requiring agreement with or payment to our joint development partners before protecting, maintaining, licensing or initiating enforcement of such intellectual property rights, and may allow such joint development partners to register, maintain, enforce or license such intellectual property rights in a manner that may affect the value of the jointly-owned intellectual property or our ability to compete in the market.

We may be required to spend significant resources in order to monitor and protect our intellectual property rights, and some violations may be difficult or impossible to detect. Litigation to protect and enforce our intellectual property rights could be costly, time-consuming and distracting to management and could result in the impairment or loss of portions of our intellectual property. Our efforts to enforce our intellectual property rights may be met with defenses, counterclaims and countersuits attacking the validity and enforceability of our intellectual property rights. Our inability to protect our proprietary technology against unauthorized copying or use, as well as any costly litigation or diversion of our management's attention and resources, could impair the functionality of our platform, delay introductions of enhancements to our platform, result in our substituting inferior or more costly technologies into our platform or harm our reputation or brand. In addition, we may be required to license additional technology from third parties to develop and market new offerings or platform features, which may not be on commercially reasonable terms or at all and could adversely affect our ability to compete.

Our industry has also been subject to attempts to steal intellectual property, particularly regarding autonomous vehicle development, including by foreign actors. We, along with others in our industry, have been the target of attempted thefts of our intellectual property and may be subject to such attempts in the future. Although we take measures to protect our property, if we are unable to prevent the theft of our intellectual property or its exploitation, the value of our investments may be undermined and our business, financial condition and results of operations may be negatively impacted.

***Our platform contains third-party open source software components, and failure to comply with the terms of the underlying open source software licenses could restrict our ability to provide our offerings.***

Our platform contains software modules licensed to us by third-party authors under "open source" licenses. Use and distribution of open source software may entail greater risks than use of third-party commercial software, as open source licensors generally do not provide support, warranties, indemnification or other contractual protections regarding infringement claims or the quality of the code. In addition, the public availability of such software may make it easier for others to compromise our platform.

Some open source licenses contain requirements that we make available source code for modifications or derivative works we create based upon the type of open source software we use, or grant other licenses to our intellectual property. If we combine our proprietary software with open source software in a certain manner, we could, under certain open source licenses, be required to release the source code of our proprietary software to the public. This would allow our competitors to create similar offerings with lower development effort and time and ultimately could result in a loss of our competitive advantages. Alternatively, to avoid the public release of the affected portions of our source code, we could be required to expend substantial time and resources to re-engineer some or all of our software.

Although we monitor our use of open source software to avoid subjecting our platform to conditions we do not intend, the terms of many open source licenses have not been interpreted by U.S. or foreign courts, and there is a risk that these licenses could be construed in a way that could impose unanticipated conditions or restrictions on our ability to provide or distribute our platform. From time to time, there have been claims challenging the ownership of open source software against companies that incorporate open source software into their solutions. As a result, we could be subject to lawsuits by parties claiming ownership of what we believe to be open source software. Moreover, we cannot assure you that our processes for controlling our use of open source software in our platform will be effective. If we are held to have breached or failed to fully comply with all the terms and conditions of an open source software license, we could face infringement or other liability, or be required to seek costly licenses from third parties to continue providing our offerings on terms that are not economically feasible, to re-engineer our platform, to discontinue or delay the provision of our offerings if re-engineering could not be accomplished on a timely basis or to make generally available, in source code form, our proprietary code, any of which could adversely affect our business, financial condition and results of operations.

***We have expended and intend to expend substantial funds in connection with the tax withholding liabilities that arise upon the settlement of RSUs, which may have an adverse effect on our financial condition and results of operations. We have also implemented “sell-to-cover” for certain employees in which shares of our Class A common stock are sold into the market on behalf of RSU holders upon vesting and settlement of RSUs to cover tax withholding liabilities and such sales will result in dilution to our stockholders.***

We have expended and intend to expend substantial funds to satisfy tax withholding and remittance obligations in connection with the settlement of RSUs. Since the initial settlement date for the RSUs that vested upon the effectiveness of our registration statement on Form S-1 related to our initial public offering, or our IPO Registration Statement, we have withheld shares and remitted tax withholding amounts on behalf of holders of RSUs at the applicable statutory rates. During the quarter ended June 30, 2020, we have expended a total of approximately \$4.4 million to satisfy tax withholding and remittance obligations in connection with the settlement of such RSUs.

To satisfy future tax withholding and remittance obligations, we may withhold shares and remit tax withholding amounts on behalf of the holders of RSUs at the applicable statutory rates. The tax withholding due in connection with such RSU net settlement will be based on the then-current value of the underlying shares of our Class A common stock, and we would expect to withhold and remit the tax withholding liabilities at the applicable statutory rates on behalf of the RSU holders to the relevant tax authorities in cash. We have also implemented “sell-to-cover” to satisfy tax withholding obligations, in which shares with a market value equivalent to the tax withholding obligation will be sold on behalf of the holder of the RSUs upon vesting and settlement to cover the tax withholding liability and the cash proceeds from such sales will be remitted by us to the taxing authorities. Such sales will not result in the expenditure of additional cash by us to satisfy the tax withholding obligations for RSUs, but will cause dilution to our stockholders.

***Taxing authorities may successfully assert that we should have collected or in the future should collect sales and use, gross receipts, value added or similar taxes and may successfully impose additional obligations on us, and any such assessments or obligations could adversely affect our business, financial condition and results of operations.***

The application of indirect taxes, such as sales and use tax, value-added tax, goods and services tax, business tax and gross receipts tax, to businesses like ours and to drivers is a complex and evolving issue. Many of the fundamental statutes and regulations that impose these taxes were established before the adoption and growth of the Internet and e-commerce. Significant judgment is required on an ongoing basis to evaluate applicable tax obligations and as a result amounts recorded are estimates and are subject to adjustments. In many cases, the ultimate tax determination is uncertain because it is not clear how new and existing statutes might apply to our business or to drivers' businesses.

In addition, local governments are increasingly looking for ways to increase revenue, which has resulted in discussions about tax reform and other legislative action to increase tax revenue, including through indirect taxes. For example, it is becoming more common for local governments to impose per trip fees specifically on TNC rides. As one example, voters in San Francisco approved “Proposition D” in November of 2019, which imposes a percentage-based tax on TNC rides originating in the city. Such taxes may adversely affect our financial condition and results of operations.

We are subject to non-income taxes, such as payroll, sales, use, value-added and goods and services taxes in the United States and various foreign jurisdictions, and we may face indirect tax audits in various U.S. and foreign jurisdictions. In certain jurisdictions, we collect and remit indirect taxes. However, tax authorities have raised and may continue to raise questions about or challenge or disagree with our calculation, reporting or collection of taxes and may require us to collect taxes in jurisdictions in which we do not currently do so or to remit additional taxes and interest, and could impose associated penalties and fees. A successful assertion by one or more tax authorities requiring us to collect taxes in jurisdictions in which we do not currently do so or to collect additional taxes in a jurisdiction in which we currently collect taxes, could result in substantial tax liabilities, including taxes on past sales, as well as penalties and interest, could discourage drivers and riders from utilizing our offerings or could otherwise harm our business, financial condition and results of operations. Although we have reserved for potential payments of possible past tax liabilities in our financial statements, if these liabilities exceed such reserves, our financial condition could be harmed.

Additionally, one or more states, localities or other taxing jurisdictions may seek to impose additional reporting, record-keeping or indirect tax collection obligations on businesses like ours. For example, taxing authorities in the United States and other countries have identified e-commerce platforms as a means to calculate, collect and remit indirect taxes for transactions taking place over the Internet, and are considering related legislation. After the U.S. Supreme Court decision in *South Dakota v. Wayfair Inc.*, certain states have enacted laws that would require tax reporting, collection or tax remittance on items sold online. Requiring tax reporting or collection could decrease driver or rider activity, which would harm our business. This new legislation could require us or drivers to incur substantial costs in order to comply, including costs associated with tax calculation, collection and remittance and audit requirements, which could make our offerings less attractive and could adversely affect our business, financial condition and results of operations.

As a result of these and other factors, the ultimate amount of tax obligations owed may differ from the amounts recorded in our financial statements and any such difference may adversely impact our results of operations in future periods in which we change our estimates of our tax obligations or in which the ultimate tax outcome is determined.

***If we fail to maintain an effective system of disclosure controls and internal control over financial reporting, our ability to produce timely and accurate financial statements or comply with applicable regulations could be impaired.***

As a public company, we are subject to the reporting requirements of the Exchange Act, the Sarbanes-Oxley Act of 2002, or the Sarbanes-Oxley Act, and the listing standards of the Nasdaq Global Select Market. The Sarbanes-Oxley Act requires, among other things, that we maintain effective disclosure controls and procedures and internal control over financial reporting. We are continuing to develop and refine our disclosure controls and other procedures that are designed to ensure that information required to be disclosed by us in the reports that we will file with the SEC is recorded, processed, summarized and reported within the time periods specified in SEC rules and forms and that information required to be disclosed in reports under the Exchange Act is accumulated and communicated to our principal executive and financial officers. We are also continuing to improve our internal control over financial reporting. We have expended, and anticipate that we will continue to expend, significant resources in order to maintain and improve the effectiveness of our disclosure controls and procedures and internal control over financial reporting.

Our current controls and any new controls that we develop may become inadequate because of changes in the conditions in our business, including increased complexity resulting from any international expansion or from the expanded work-from-home practices of our employees in response to COVID-19 shelter-in-place orders. Further, weaknesses in our disclosure controls or our internal control over financial reporting may be discovered in the future. Any failure to develop or maintain effective controls, or any difficulties encountered in their implementation or improvement, could harm our results of operations or cause us to fail to meet our reporting obligations and may result in a restatement of our financial statements for prior periods. Any failure to implement and maintain effective internal control over financial reporting could also adversely affect the results of periodic management evaluations and annual independent registered public accounting firm attestation reports regarding the effectiveness of our internal control over financial reporting that we will eventually be required to include in our periodic reports that will be filed with the SEC. Ineffective disclosure controls and procedures and internal control over financial reporting could also cause investors to lose confidence in our reported financial and other information, which would likely adversely affect the market price of our Class A common stock. In addition, if we are unable to continue to meet these requirements, we may not be able to remain listed on the Nasdaq Global Select Market. We are not currently required to comply with the SEC rules that implement Section 404 of the Sarbanes-Oxley Act and are therefore not required to make a formal assessment of the effectiveness of our internal control over financial reporting for that purpose. As a public company, we are required to provide an annual management report on the effectiveness of our internal control over financial reporting commencing with our second annual report on Form 10-K.

We expect our independent registered public accounting firm will be required to formally attest to the effectiveness of our internal control over financial reporting commencing with our second annual report on Form 10-K. At such time, our independent registered public accounting firm may issue a report that is adverse in the event it is not satisfied with the level at

which our internal control over financial reporting is documented, designed or operating. Any failure to maintain effective disclosure controls and internal control over financial reporting could have an adverse effect on our business, financial condition and results of operations and could cause a decline in the market price of our Class A common stock.

***Servicing our current and future debt may require a significant amount of cash, and we may not have sufficient cash flow from our business to pay our indebtedness. Our payment obligations under such indebtedness may limit the funds available to us, and the terms of our debt agreements may restrict our flexibility in operating our business or otherwise adversely affect our results of operations.***

In May 2020, we issued our 2025 Notes in a private placement to qualified institutional buyers. In addition, in connection with our acquisition of Flexdrive, which is now a wholly-owned subsidiary, Flexdrive remained responsible for its obligations under a Loan and Security Agreement, as amended, with a third-party lender, a Master Vehicle Acquisition Financing and Security Agreement, as amended, with a third-party lender and a Vehicle Procurement Agreement, as amended, with a third-party; and, following the acquisition, we continued to guarantee the payments of Flexdrive for any amounts borrowed under these agreements. See Note 8 "Debt" to our condensed consolidated financial statements, for further information on these agreements and our outstanding debt obligations. As of June 30, 2020, we had \$663.0 million of indebtedness for borrowed money outstanding.

Our ability to make scheduled payments of the principal of, to pay interest on or to refinance our indebtedness depends on our future performance, which is subject to economic, financial, competitive and other factors beyond our control. Our business may not generate cash flow from operations in the future sufficient to service our debt and make necessary capital expenditures. If we are unable to generate such cash flow, we may be required to adopt one or more alternatives, such as selling assets, restructuring debt or obtaining additional debt financing or equity capital on terms that may be onerous or highly dilutive. Our ability to refinance any future indebtedness will depend on the capital markets and our financial condition at such time. We may not be able to engage in any of these activities or engage in these activities on desirable terms, which could result in a default on our debt obligations. In addition, any of our future debt agreements may contain restrictive covenants that may prohibit us from adopting any of these alternatives. Our failure to comply with these covenants could result in an event of default which, if not cured or waived, could result in the acceleration of our debt.

In addition, our indebtedness, combined with our other financial obligations and contractual commitments, could have other important consequences. For example, it could:

- make us more vulnerable to adverse changes in general U.S. and worldwide economic, industry and competitive conditions and adverse changes in government regulation;
- limit our flexibility in planning for, or reacting to, changes in our business and our industry;
- place us at a disadvantage compared to our competitors who have less debt;
- limit our ability to borrow additional amounts to fund acquisitions, for working capital and for other general corporate purposes; and
- make an acquisition of our company less attractive or more difficult.

Further, the LIBOR is expected to be phased out as a benchmark by the end of 2021. If new methods of calculating LIBOR are established or if other benchmark rates used to price indebtedness or investments are established, the terms of any existing or future indebtedness or investments, including the terms of Flexdrive's debt instruments, may be negatively impacted, resulting in increased interest expense or lower than expected interest income.

In addition, under certain of our and our subsidiary's existing debt instruments, we and Flexdrive are subject to customary affirmative and negative covenants regarding our business and operations, including limitations on Flexdrive's ability to enter into certain acquisitions or consolidations or engage in certain asset dispositions. Any debt financing secured by us in the future could involve additional restrictive covenants relating to our capital-raising activities and other financial and operational matters, which may make it more difficult for us to obtain additional capital to pursue business opportunities, including potential acquisitions or divestitures. Any default under our debt arrangements could require that we repay our loans immediately, and may limit our ability to obtain additional financing, which in turn may have an adverse effect on our cash flows and liquidity.

Any of these factors could harm our business, results of operations and financial condition. In addition, if we incur additional indebtedness, the risks related to our business and our ability to service or repay our indebtedness would increase.

***We are subject to counterparty risk with respect to the capped call transactions.***

In connection with the issuance of our 2025 Notes, we entered into the Capped Calls. The option counterparties are financial institutions, and we will be subject to the risk that any or all of them might default under the capped call transactions. Our exposure to the credit risk of the option counterparties will not be secured by any collateral. Past global economic

conditions have resulted in the actual or perceived failure or financial difficulties of many financial institutions. If an option counterparty becomes subject to insolvency proceedings, we will become an unsecured creditor in those proceedings with a claim equal to our exposure at that time under the capped call transactions with such option counterparty. Our exposure will depend on many factors but, generally, an increase in our exposure will be correlated to an increase in the market price and in the volatility of our Class A common stock. In addition, upon a default by an option counterparty, we may suffer adverse tax consequences and more dilution than we currently anticipate with respect to our Class A common stock. We can provide no assurance as to the financial stability or viability of the option counterparties.

***Our reported results of operations may be adversely affected by changes in GAAP.***

GAAP is subject to interpretation by the FASB, the SEC and various bodies formed to promulgate and interpret appropriate accounting principles. A change in these principles or interpretations could have a significant effect on our reported results of operations and could affect the reporting of transactions completed before the announcement of a change. For example, in May 2014, the FASB issued ASU No. 2014-09, Revenue from Contracts with Customers (Topic 606), which superseded nearly all existing revenue recognition guidance. It is difficult to predict the impact of future changes to accounting principles or our accounting policies, any of which could negatively affect our reported results of operations.

***Our ability to use our net operating loss carryforwards and certain other tax attributes may be limited.***

As of December 31, 2019, we had \$4.2 billion of federal, \$3.8 billion of state and \$8.3 million of foreign net operating losses (“NOLs”) available to reduce future taxable income, which will begin to expire in 2030 for federal, 2022 for state and 2037 for foreign tax purposes. It is possible that we will not generate taxable income in time to use NOLs before their expiration, or at all. Under Section 382 of the Internal Revenue Code of 1986, as amended, if a corporation undergoes an “ownership change,” the corporation’s ability to use its pre-change NOLs to offset its post-change income may be limited. In general, an “ownership change” will occur if there is a cumulative change in our ownership by “5-percent shareholders” that exceeds 50 percentage points over a rolling three-year period. Similar rules may apply under state tax laws. Our ability to use net operating loss to reduce future taxable income and liabilities may be subject to annual limitations as a result of prior ownership changes and ownership changes that may occur in the future.

The Tax Act, as modified by the Coronavirus Aid, Relief, and Economic Security (“CARES”) Act, among other things, includes changes to the rules governing NOLs. NOLs arising in tax years beginning after December 31, 2017 are subject to an 80% of taxable income limitation (as calculated before taking the NOLs into account) for tax years beginning after December 31, 2020. In addition, NOLs arising in tax years 2018, 2019, and 2020 are subject to a five year carryback and indefinite carryforward, while NOLs arising in tax years beginning after December 31, 2020 also are subject to indefinite carryforward but cannot be carried back. Our NOLs may also be subject to limitations in other jurisdictions. For example, California recently enacted legislation suspending the use of NOLs for taxable years 2020, 2021, and 2022 for many taxpayers. In future years, if and when a net deferred tax asset is recognized related to our NOLs, the changes in the carryforward/carryback periods as well as the new limitation on use of NOLs may significantly impact our valuation allowance assessments for NOLs generated after December 31, 2017.

***Our presence outside the United States and any future international expansion strategy will subject us to additional costs and risks and our plans may not be successful.***

We have started expanding our presence internationally. In 2017, we launched our offerings in Canada and we may continue to expand our international operations. Operating outside of the United States may require significant management attention to oversee operations over a broad geographic area with varying cultural norms and customs, in addition to placing strain on our finance, analytics, compliance, legal, engineering and operations teams. We may incur significant operating expenses and may not be successful in our international expansion for a variety of reasons, including:

- recruiting and retaining talented and capable employees in foreign countries and maintaining our company culture across all of our offices;
- competition from local incumbents that better understand the local market, may market and operate more effectively and may enjoy greater local affinity or awareness;
- differing demand dynamics, which may make our offerings less successful;
- public health concerns or emergencies, such as the COVID-19 pandemic and other highly communicable diseases or viruses;
- complying with varying laws and regulatory standards, including with respect to data privacy, tax and local regulatory restrictions;
- obtaining any required government approvals, licenses or other authorizations;

- varying levels of Internet and mobile technology adoption and infrastructure;
- currency exchange restrictions or costs and exchange rate fluctuations;
- operating in jurisdictions that do not protect intellectual property rights to the same extent as the United States; and
- limitations on the repatriation and investment of funds as well as foreign currency exchange restrictions.

Our limited experience in operating our business internationally increases the risk that any potential future expansion efforts that we may undertake may not be successful. If we invest substantial time and resources to expand our operations internationally and are unable to manage these risks effectively, our business, financial condition and results of operations could be adversely affected.

In addition, international expansion has increased our risks in complying with various laws and standards, including with respect to anti-corruption, anti-bribery, export controls and trade and economic sanctions. We cannot assure you that our employees and agents will not take actions in violation of applicable laws, for which we may be ultimately held responsible. In particular, any violation of the applicable anti-corruption, anti-bribery and similar laws could result in adverse media coverage, investigations, imposition of significant legal fees, loss of export privileges, severe criminal or civil sanctions or suspension or debarment from U.S. government contracts, or substantial diversion of management's attention, all of which could have an adverse effect on our reputation, brand, business, financial condition and results of operations.

***Our business could be adversely affected by natural disasters, public health crises, political crises, economic downturns or other unexpected events.***

A significant natural disaster, such as an earthquake, fire, hurricane, tornado, flood or significant power outage, could disrupt our operations, mobile networks, the Internet or the operations of our third-party technology providers. In particular, our corporate headquarters are located in the San Francisco Bay Area, a region known for seismic activity. In addition, any public health crises, such as the COVID-19 pandemic, other epidemics, political crises, such as terrorist attacks, war and other political instability, or other catastrophic events, whether in the United States or abroad, could adversely affect our operations or the economy as a whole. For example, COVID-19 has led to certain business disruptions as described in our other risk factors, including travel bans and restrictions, and shelter in place orders that have resulted in declines in demand for our services, as well as adverse effects on drivers and riders on our platform, our suppliers and the economy, all of which have had and may continue to have an adverse effect on our business, financial condition and results of operations. The impact of any natural disaster, act of terrorism or other disruption to us or our third-party providers' abilities could result in decreased demand for our offerings or a delay in the provision of our offerings, which could adversely affect our business, financial condition and results of operations. All of the aforementioned risks may be further increased if our disaster recovery plans prove to be inadequate.

Our business and results of operations are also subject to global economic conditions, including any resulting effect on spending by us or our riders. If general economic conditions deteriorate in the United States or in other markets where we operate, discretionary spending may decline and demand for ridesharing may be reduced. An economic downturn resulting in a prolonged recessionary period may have a further adverse effect on our revenue.

***Operating as a public company requires us to incur substantial costs and requires substantial management attention. In addition, certain members of our management team have limited experience managing a public company.***

As a public company, we incur substantial legal, accounting and other expenses that we did not incur as a private company. For example, we are subject to the reporting requirements of the Exchange Act, the applicable requirements of the Sarbanes-Oxley Act, the Dodd-Frank Wall Street Reform and Consumer Protection Act, the rules and regulations of the SEC and the listing standards of the Nasdaq Global Select Market. For example, the Exchange Act requires, among other things, we file annual, quarterly and current reports with respect to our business, financial condition and results of operations. We are also required to maintain effective disclosure controls and procedures and internal control over financial reporting. Compliance with these rules and regulations has increased and will continue to increase our legal and financial compliance costs, and increase demand on our systems. In addition, as a public company, we may be subject to stockholder activism, which can lead to additional substantial costs, distract management and impact the manner in which we operate our business in ways we cannot currently anticipate. As a result of disclosure of information in filings required of a public company, our business and financial condition will become more visible, which may result in threatened or actual litigation, including by competitors.

Certain members of our management team have limited experience managing a publicly traded company, interacting with public company investors and complying with the increasingly complex laws pertaining to public companies. Our management team may not successfully or efficiently manage our transition to being a public company subject to significant regulatory oversight and reporting obligations under the federal securities laws and the continuous scrutiny of securities analysts and investors. These new obligations and constituents will require significant attention from our senior management

and could divert their attention away from the day-to-day management of our business, which could adversely affect our business, financial condition and results of operations.

### **Risks Related to Ownership of Our Class A Common Stock**

***The dual class structure of our common stock has the effect of concentrating voting power with our Co-Founders, which will limit your ability to influence the outcome of important transactions, including a change in control.***

Our Class B common stock has 20 votes per share, and our Class A common stock has one vote per share. Our Co-Founders together hold all of the issued and outstanding shares of our Class B common stock. Accordingly, Logan Green, our co-founder, Chief Executive Officer and a member of our board of directors holds approximately 23.72% of the voting power of our outstanding capital stock; and John Zimmer, our co-founder and President and Vice Chairman of our board of directors, holds approximately 13.36% of the voting power of our outstanding capital stock. Therefore, our Co-Founders, individually or together, will be able to significantly influence matters submitted to our stockholders for approval, including the election of directors, amendments of our organizational documents and any merger, consolidation, sale of all or substantially all of our assets or other major corporate transactions. Our Co-Founders, individually or together, may have interests that differ from yours and may vote in a way with which you disagree and which may be adverse to your interests. This concentrated control may have the effect of delaying, preventing or deterring a change in control of our company, could deprive our stockholders of an opportunity to receive a premium for their capital stock as part of a sale of our company and might ultimately affect the market price of our Class A common stock. Each Co-Founder's voting power is as of June 30, 2020 and includes shares of Class A common stock expected to be issued upon the vesting of such Co-Founder's RSUs within 60 days of June 30, 2020.

Future transfers by the holders of Class B common stock will generally result in those shares converting into shares of Class A common stock, subject to limited exceptions, such as certain transfers effected for estate planning purposes. In addition, each share of Class B common stock will convert automatically into one share of Class A common stock upon (i) the date specified by affirmative written election of the holders of two-thirds of the then-outstanding shares of Class B common stock, (ii) the date fixed by our board of directors that is no less than 61 days and no more than 180 days following the date on which the shares of Class B common stock held by our Co-Founders and their permitted entities and their permitted transferees represent less than 20% of the Class B common stock held by our Co-Founders and their permitted entities as of immediately following the completion of our initial public offering, or IPO, or (iii) nine months after the death or total disability of the last to die or become disabled of our Co-Founders, or such later date not to exceed a total period of 18 months after such death or disability as may be approved by a majority of our independent directors.

***We cannot predict the impact our dual class structure may have on our stock price.***

We cannot predict whether our dual class structure will result in a lower or more volatile market price of our Class A common stock or in adverse publicity or other adverse consequences. For example, certain index providers have announced restrictions on including companies with multiple-class share structures in certain of their indexes. In July 2017, FTSE Russell and S&P Dow Jones announced that they would cease to allow most newly public companies utilizing dual or multi-class capital structures to be included in their indices. Affected indices include the Russell 2000 and the S&P 500, S&P MidCap 400 and S&P SmallCap 600, which together make up the S&P Composite 1500. Beginning in 2017, MSCI, a leading stock index provider, opened public consultations on their treatment of no-vote and multi-class structures and temporarily barred new multi-class listings from certain of its indices; however, in October 2018, MSCI announced its decision to include equity securities "with unequal voting structures" in its indices and to launch a new index that specifically includes voting rights in its eligibility criteria. Under the announced policies, our dual class capital structure makes us ineligible for inclusion in certain indices, and as a result, mutual funds, exchange-traded funds and other investment vehicles that attempt to passively track those indices will not be investing in our stock. These policies are still fairly new and it is as of yet unclear what effect, if any, they will have on the valuations of publicly traded companies excluded from the indices, but it is possible that they may depress these valuations compared to those of other similar companies that are included. Because of our dual class structure, we will likely be excluded from certain of these indexes and we cannot assure you that other stock indexes will not take similar actions. Given the sustained flow of investment funds into passive strategies that seek to track certain indexes, exclusion from stock indexes would likely preclude investment by many of these funds and could make our Class A common stock less attractive to other investors. As a result, the market price of our Class A common stock could be adversely affected.

***The trading price of our Class A common stock may be volatile, and you could lose all or part of your investment.***

The trading price of our Class A common stock may be volatile and could be subject to fluctuations in response to various factors, some of which are beyond our control. These fluctuations could cause you to lose all or part of your investment

in our Class A common stock. Factors that could cause fluctuations in the trading price of our Class A common stock include the following:

- price and volume fluctuations in the overall stock market from time to time, including fluctuations due to general economic uncertainty or negative market sentiment, in particular related to the COVID-19 pandemic;
- volatility in the trading prices and trading volumes of technology stocks generally, or those in our industry, including fluctuations unrelated or disproportionate to the operating performance of those technology companies;
- changes in operating performance and stock market valuations of other technology companies generally, or those in our industry in particular;
- sales or purchases of shares of our Class A common stock by us, our officers, or our significant stockholders, as well as the perception that such sales or purchases could occur;
- failure of securities analysts to maintain coverage of us, changes in financial estimates by securities analysts who follow our company or our failure to meet these estimates or the expectations of investors;
- the financial projections we may provide to the public, any changes in those projections or our failure to meet those projections;
- announcements by us or our competitors of new offerings or platform features;
- investor sentiment and the public's reaction to our press releases, other public announcements and filings with the SEC, or those of our competitors or others in our industry;
- rumors and market speculation involving us or other companies in our industry;
- short selling of our Class A common stock or related derivative securities;
- actual or anticipated changes in our results of operations or fluctuations in our results of operations;
- actual or anticipated developments in our business, our competitors' businesses or the competitive landscape generally;
- litigation involving us, our industry or both, or investigations by regulators into our operations or those of our competitors;
- developments or disputes concerning our intellectual property or other proprietary rights;
- announced or completed acquisitions of businesses, services or technologies by us or our competitors;
- new laws or regulations or new interpretations of existing laws or regulations applicable to our business;
- changes in accounting standards, policies, guidelines, interpretations or principles;
- any significant change in our management or our board of directors; and
- general economic conditions and slow or negative growth of our markets.

In addition, in the past, following periods of volatility in the overall market and the market price of a particular company's securities, securities class action litigation has often been instituted against these companies. For example, as disclosed above, beginning in April 2019, several putative class actions were filed in California state and federal court against us, our directors, certain of our officers, and certain of the underwriters named in our IPO Registration Statement alleging violation of securities laws in connection with our IPO. Although we believe these lawsuits are without merit and we intend to vigorously defend against them, such matters could result in substantial costs and a diversion of our management's attention and resources.

***Sales of substantial amounts of our Class A common stock, or the perception that such sales could occur, could depress the market price of our Class A common stock.***

The market price of our Class A common stock could decline as a result of sales of a large number of shares of our Class A common stock in the market, and the perception that these sales could occur may also depress the market price of our Class A common stock.

Certain stockholders are entitled, under our investors' rights agreement, to require us to register shares owned by them for public sale in the United States. In addition, we filed a registration statement to register shares reserved for future issuance under our equity compensation plans. As a result, subject to the satisfaction of applicable exercise periods, the shares issued upon exercise of outstanding stock options or upon settlement of outstanding RSU awards will be available for immediate resale in the United States in the open market.

Sales of our Class A common stock may make it more difficult for us to sell equity securities in the future at a time and at a price that we deem appropriate. These sales could also cause the trading price of our Class A common stock to fall and make it more difficult for you to sell shares of our Class A common stock.

***Delaware law and provisions in our amended and restated certificate of incorporation and amended and restated bylaws could make a merger, tender offer or proxy contest difficult, thereby depressing the market price of our Class A common stock.***

Our status as a Delaware corporation and the anti-takeover provisions of the Delaware General Corporation Law may discourage, delay or prevent a change in control by prohibiting us from engaging in a business combination with an interested stockholder for a period of three years after the date of the transaction in which the person became an interested stockholder, even if a change of control would be beneficial to our existing stockholders. In addition, our amended and restated certificate of incorporation and amended and restated bylaws contain provisions that may make the acquisition of our company more difficult, including the following:

- any amendments to our amended and restated certificate of incorporation or our amended and restated bylaws require the approval of at least two-thirds of our then-outstanding voting power;
- our dual class common stock structure, which provides our Co-Founders, individually or together, with the ability to significantly influence the outcome of matters requiring stockholder approval, even if they own significantly less than a majority of the shares of our outstanding Class A common stock and Class B common stock;
- our board of directors is classified into three classes of directors with staggered three-year terms and directors are only able to be removed from office for cause;
- our stockholders are only able to take action at a meeting of stockholders and are not able to take action by written consent for any matter;
- our amended and restated certificate of incorporation does not provide for cumulative voting;
- vacancies on our board of directors are able to be filled only by our board of directors and not by stockholders;
- a special meeting of our stockholders may only be called by the chairperson of our board of directors, our Chief Executive Officer, our President or a majority of our board of directors;
- certain litigation against us can only be brought in Delaware;
- our amended and restated certificate of incorporation authorizes undesignated preferred stock, the terms of which may be established and shares of which may be issued without further action by our stockholders; and
- advance notice procedures apply for stockholders to nominate candidates for election as directors or to bring matters before an annual meeting of stockholders.

These provisions, alone or together, could discourage, delay or prevent a transaction involving a change in control of our company. These provisions could also discourage proxy contests and make it more difficult for stockholders to elect directors of their choosing and to cause us to take other corporate actions they desire, any of which, under certain circumstances, could limit the opportunity for our stockholders to receive a premium for their shares of our Class A common stock, and could also affect the price that some investors are willing to pay for our Class A common stock.

***Our amended and restated bylaws designate a state or federal court located within the State of Delaware as the exclusive forum for substantially all disputes between us and our stockholders and also provide that the federal district courts will be the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act, each of which could limit our stockholders' ability to choose the judicial forum for disputes with us or our directors, officers or employees.***

Our amended and restated bylaws provide that, unless we consent in writing to the selection of an alternative forum, to the fullest extent permitted by law, the sole and exclusive forum for (1) any derivative action or proceeding brought on our behalf, (2) any action asserting a claim of breach of a fiduciary duty owed by any of our directors, officers or other employees to us or our stockholders, (3) any action arising pursuant to any provision of the Delaware General Corporation Law, our amended and restated certificate of incorporation or our amended and restated bylaws or (4) any other action asserting a claim that is governed by the internal affairs doctrine shall be the Court of Chancery of the State of Delaware (or, if the Court of Chancery does not have jurisdiction, the federal district court for the District of Delaware), in all cases subject to the court having jurisdiction over indispensable parties named as defendants. Our amended and restated bylaws also provide that the federal district courts of the United States are the exclusive forum for resolving any complaint asserting a cause of action arising under the Securities Act.

Any person or entity purchasing or otherwise acquiring any interest in any of our securities shall be deemed to have notice of and consented to these provisions. These exclusive-forum provisions may limit a stockholder's ability to bring a claim in a judicial forum of its choosing for disputes with us or our directors, officers or other employees, which may discourage lawsuits against us and our directors, officers and other employees. If a court were to find the exclusive-forum provisions in our amended and restated bylaws to be inapplicable or unenforceable in an action, we may incur additional costs associated with resolving the dispute in other jurisdictions, which could harm our results of operations.

***If securities or industry analysts do not publish research or publish inaccurate or unfavorable research about us, our business or our market, or if they change their recommendations regarding our Class A common stock adversely, the market price and trading volume of our Class A common stock could decline.***

The trading market for our Class A common stock depends in part on the research and reports that securities or industry analysts publish about us, our business, our market or our competitors. The analysts' estimates are based upon their own opinions and are often different from our estimates or expectations. If any of the analysts who cover us change their recommendation regarding our Class A common stock adversely, provide more favorable relative recommendations about our competitors or publish inaccurate or unfavorable research about our business, the price of our securities would likely decline. If one or more of these securities analysts cease coverage of us or fail to publish reports on us regularly, we could lose visibility in the financial markets and demand for our securities could decrease, which could cause the price and trading volume of our Class A common stock to decline.

***We do not intend to pay dividends for the foreseeable future.***

We have never declared nor paid cash dividends on our capital stock. We currently intend to retain any future earnings to finance the operation and expansion of our business, and we do not expect to declare or pay any dividends in the foreseeable future. As a result, stockholders must rely on sales of their Class A common stock after price appreciation as the only way to realize any future gains on their investment.

## **ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS**

Not applicable.

## **ITEM 3. DEFAULTS UPON SENIOR SECURITIES**

Not applicable.

## **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## **ITEM 5. OTHER INFORMATION**

Not applicable.

**ITEM 6. EXHIBITS**

We have filed the exhibits listed on the accompanying Exhibit Index, which is incorporated herein by reference.

**EXHIBIT INDEX**

Exhibit Number	Description	Incorporated by Reference			Filing Date
		Form	File No.	Exhibit	
4.1	<a href="#">Indenture, dated as of May 15, 2020, between Lyft, Inc. and U.S. Bank National Association, as trustee</a>	8-K	001-38846	4.1	5/15/20
4.2	<a href="#">Form of 1.50% Convertible Senior Notes due 2025 (included in Exhibit 4.1)</a>	8-K	001-38846	4.2	5/15/20
10.1	<a href="#">Form of Capped Call Transaction Confirmation</a>	8-K	001-38846	10.2	5/15/20
31.1	<a href="#">Certification of Principal Executive Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				
31.2	<a href="#">Certification of Principal Financial Officer pursuant to Exchange Act Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.</a>				
32.1†	<a href="#">Certifications of Principal Executive Officer and Principal Financial Officer pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.</a>				
101.INS	XBRL Instance Document – the instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the Inline XBRL document.				
101.SCH	XBRL Taxonomy Extension Schema Document.				
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.				
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.				
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.				
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.				
104	The cover page from the Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2020 has been formatted in Inline XBRL				

+ Indicates management contract or compensatory plan.

† The certifications attached as Exhibit 32.1 that accompany this Quarterly Report on Form 10-Q are deemed furnished and not filed with the Securities and Exchange Commission and are not to be incorporated by reference into any filing of Lyft, Inc. under the Securities Act of 1933, as amended, or the Securities Exchange Act of 1934, as amended, whether made before or after the date of this Quarterly Report on Form 10-Q, irrespective of any general incorporation language contained in such filing.

**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

**LYFT, INC.**

Date: August 13, 2020

By: /s/ Logan Green

Chief Executive Officer  
*(Principal Executive Officer)*

Date: August 13, 2020

By: /s/ Brian Roberts

Chief Financial Officer  
*(Principal Financial Officer)*

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Logan Green, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lyft, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2020

By: /s/ Logan Green

Logan Green

Chief Executive Officer

(Principal Executive Officer)

**CERTIFICATION OF PERIODIC REPORT UNDER SECTION 302 OF  
THE SARBANES-OXLEY ACT OF 2002**

I, Brian Roberts, certify that:

1. I have reviewed this Quarterly Report on Form 10-Q of Lyft, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and have:
  - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - (b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - (c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 13, 2020

By: /s/ Brian Roberts

Brian Roberts  
Chief Financial Officer  
(Principal Financial Officer)

**CERTIFICATIONS OF CHIEF EXECUTIVE OFFICER AND CHIEF FINANCIAL OFFICER  
PURSUANT TO  
18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO  
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Logan Green, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Lyft, Inc. for the fiscal quarter ended June 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Lyft, Inc.

Date: August 13, 2020

By: /s/ Logan Green  
Name: Logan Green  
Title: Chief Executive Officer  
(Principal Executive Officer)

I, Brian Roberts, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that the Quarterly Report on Form 10-Q of Lyft, Inc. for the fiscal quarter ended June 30, 2020 fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and that the information contained in such Quarterly Report on Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of Lyft, Inc.

Date: August 13, 2020

By: /s/ Brian Roberts  
Name: Brian Roberts  
Title: Chief Financial Officer  
(Principal Financial Officer)