UNIT Monash: Week Five Newsletter

Hey <<First Name>>
Can you believe it's week five already?
The theme of this week's newsletter is the sharing industry. Remember investors and traders, "*sharing is caring*" ... so read up on what happened last week and pass on your new-found knowledge to your mates!

Weekly Market Wrap

UBER (UNLISTED)

(If you can't beat them, buy them)

Uber has announced a $3.1 billion deal to acquire Dubai-based rival Careem Networks FZ, to be paid in the form of $1.4 billion cash and $1.7 billion convertible notes. Utilising Careem's network of 30 million registered users, the deal will see Uber absorbing a significant proportion of the ride-sharing market in North Africa, the Middle East and South Asia. However, according to the agreement, co-founder and current CEO Mudassir Sheikha will continue to lead and operate Careem independently as a subsidiary of Uber. Uber's planned acquisition of Careem comes ahead of its highly anticipated IPO, pitching itself as a one-stop shop for transportation and logistics. Uber is expected to publicly file for an IPO in April, the initiative would stand as one of the New York Stock Exchange's (NYSE) biggest-ever listings. Uber was most recently valued at $76 billion in the private market and has set its sights on valuation as high as $120 billion after going public. Some analysts believe that the valuation is over-optimistic and have commented on a $100 billion valuation being more appropriate based on Uber's past key financial indicators.

LYFT (NASDAQ: LYFT)

(Welcome to the party)

In the past few years, NYSE has become the exchange of choice for big technology companies after Facebook's initial public offering (IPO) was poorly facilitated on the NASDAQ. However, most recently the NASDAQ did score the IPO of San Francisco-based ride hailing firm Lyft. Lyft represents the first public debut of many for the sharing industry, finally stimulating the IPO market after a reasonably quiet start to the year. Both Lyft and Uber filed confidential IPO documents with the Securities and Exchange Commission (SEC) on the same day back in December 2018, but Lyft has since raced ahead of its biggest competitor. This month, Lyft disclosed in its IPO filing with the SEC that it lost $911 million on revenue of $2.2 billion in 2018. Despite these reportings, investors appeared unfazed and eager to take advantage long awaited Lyft IPO and claim a share in the company. After just two days of marketing to investors, Lyft's listing was oversubscribed. In response to the high demand, after marketing 30.8 million shares at $62 to $68 each, Lyft increased the range from $70 to $72 the day before the IPO was set to price. Lyft sold 32.5 million shares, raising $2.34 billion. Lyft shares are currently trading on the NASDAQ Global Select Market under the ticker LYFT. Shares opened Friday morning at $87.24 (21 percent above the IPO price of $72) and drifted downward in the afternoon, closing up 8.7 percent to $78.29. That gives the company a market value of about $22.4 billion.

WEWORK (UNLISTED)

(Double or nothing)

WeWork is a tech company operating within the real estate industry. As it currently stands, WeWork is widely considered one of the fastest growing tech startups of its era. WeWork begun operations in 2010 providing shared workspaces in just two locations and has since experienced explosive growth to 425 locations. WeWork now services a clientele of over 400,000 freelancers, startups, and larger companies. After its latest round of investment, WeWork announced a valuation of $47 billion. SoftBank Group Corp, the Japanese conglomerate, was the first to put money into the company in 2017, and has since committed more than $10 billion. Over the six months, WeWork has undertaken a process of rebranding itself to the WeCompany, providing a variety of services including dormitory housing (WeLive), early childhood education (WeGrow), fitness (WeRise), and social gatherings (Meetup).
Last week, WeWork released some astonishing 2018 earning reports. WeWork's revenue increased by 105.4 percent to $1.8 billion in 2018, up from its 2017 earnings of $886 million. Much of this revenue being attributed to a 116 per cent increase in their membership base among other factors. However, it is very rare tech giants such as WeWork actually turn a profit. Over this same period, WeWork generated a net loss of $1.9 billion, more than doubling its previous net loss of $933 million from 2017. There have been some concerns about whether this level of growth will be sustainable moving forward. Despite criticisms, WeWork appears confident in its business model and announced they currently operate at a 90 percent occupancy rate, with stable corporate clients (American Express, Business Insider, Merck and more) leasing nearly one-third of their 370,00 seats. The company's President and CFO Artie Minson sent a clear message of support by stating that they "expect both revenue and net loss figures to continue growing, as the latter relates largely to upfront construction and long-term rental contract costs." In light of Lyft's IPO, WeWork has commented on the possibility of their own IPO in the future, but they are in no hurry to compete with the likes of Uber and Airbnb to be the next cab off the rank.

Weekly Global Breakdown

Australia

The ASX 200 has capped off the first quarter 9.46 per cent higher, with this being the best quarterly performance since 2009. Tech stocks performed the best on Friday, ending the week 0.71 per cent up, with Afterpay Touch surging 2.26 per cent. Mining giants both weighed on the market, with Rio Tinto and BHP Billiton climbing 0.65 and 1.56 per cent respectively. However, investors will be closely watching Rio Tinto's share price on Monday after Tropical Veronica hit their iron ore production.

The surge in oil prices, with WTI crude oil reporting a 32 per cent increase in the first quarter and the stronger Chinese manufacturing data will be driving the ASX on Monday morning.
Australia markets are set to start off the week in positive territory due to US stocks rallying, with SPI futures pointing to 18-point gain at open.

US

US stocks had a strong finish to the week due to heightened optimism over trade talks between the US and China. Despite the trade disputes between the worlds' two largest economies spanning over nine months, both the US and China has conceded that progress has been made.

Trade talk enthusiasm has helped the Dow Jones Industrial Average edge 0.82 per cent higher and the Nasdaq Composite jump 0.78 per cent higher. Both of these indexes were benefited by the rally in commodities, which counteracted the softer US consumer spending data. However, the yield curve between the three-month bills and 10-year notes were inverted for a week, with the yield curve ending the week marginally positive. With the earnings-reporting season over two weeks away, investors are preparing themselves for the first fall in US profit since 2016.

Asia

Asian equities climbed on the back of encouraging signs of a trade deal being reached between US and China. The renewed prospect of a trade resolution led to the Shanghai and Shenzhen Composites reporting gains of over 3 per cent. Hong Kong's Hang Seng Index was another strong performer on Friday, rising 1 per cent.

China's purchasing managers index was released on Sunday, which demonstrated that China's manufacturing sector clawed back in March to a high of 50.5 from 49.2 in February. The stronger data helped alleviate concerns over a slowing Chinese economy. Thus, Asian markets are expected to open the week higher on the back of stronger than expected China manufacturing data, indicating that the government's stimulus measures may be yielding results.

Europe

European markets were bolstered by the increasing likelihood of a trade resolution and a share price surge from the world's second largest apparel retailer, H&M.
The multinational clothing company, H&M, soared 9.56 per cent higher following posting a less than expected fall in its first quarter profit. This positive news aided the uptick in the retail index, which has reported a 20 per cent gain in the first quarter.

Similarly, European shares also closed the week higher as Theresa May, Britain's Prime Minister, sustained another setback in Parliament after a lost Brexit vote.
Overall, European markets ended higher as a result of promising signs from the trade talks, with France's CAC climbing 0.5 per cent higher and Germany's DAX edging 0.1 per cent higher at close.
Investors remain hopeful about a trade resolution but the Brexit deadlock has continued to undermine investor sentiment.

New to markets? Got Questions?

As we mentioned in previous emails - we started UNIT Monash with the vision of educating the student community in investing and trading to one day strive for financial independence.

We want to create a new concept of peer-to-peer communications about investing and trading. There's a lot of value in sharing experiences, having opinions and shedding light on new ideas. Feel free to get in contact with us via Facebook if you have any enquiries about investment, trading or our upcoming events or if you would like to provide any feedback.

Regards,
UNIT Monash

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