

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

**FORM 10-K**

(Mark One)

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

For the fiscal year ended December 31, 2020  
OR

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

**Lyft, Inc.**

(Exact name of Registrant as specified in its Charter)

**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**

(Address of principal executive offices)

**94107**

(Zip Code)

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

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

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes  No

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or 15(d) of the Act. Yes  No

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 definitions 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 checked="" type="checkbox"/>	Accelerated filer	<input type="checkbox"/>
Non-accelerated filer	<input 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 has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

The aggregate market value of the Registrant's common stock held by non-affiliates of the Registrant on June 30, 2020, the last business day of its most recently completed second fiscal quarter, was \$8.4 billion based on the closing sales price of the Registrant's Class A common stock on that date.

On February 22, 2021, the Registrant had 320,128,117 shares of Class A common stock and 8,802,629 shares of Class B common stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's Proxy Statement for the 2021 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein. Such proxy statement will be filed with the Securities and Exchange Commission within 120 days of the registrant's fiscal year ended December 31, 2020

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## NOTE ABOUT FORWARD-LOOKING STATEMENTS

This Annual Report on Form 10-K 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 Annual Report on Form 10-K include statements about:

- our future financial performance, including our expectations regarding our revenue, cost of revenue, operating expenses, capital expenditures, 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;
- 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, on our business 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 adapt our business in California in response to the results of Proposition 22;
- 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 update 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 and potential 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, privacy and data protection;
- our ability to manage and insure risks associated with our Transportation-as-a-Service network, including auto-related and operations-related risks, and our expectations regarding estimated insurance reserves;
- our expectations regarding new and evolving markets and our efforts to address these markets, including autonomous vehicles, bikes and scooters, Driver Centers and Lyft Mobile Services, Flexdrive, Express Drive, and Lyft Rentals;
- 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 service our existing debt; and
- our ability to successfully acquire and integrate companies and assets.

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

You should not rely upon forward-looking statements as predictions of future events. We have based the forward-looking statements contained in this Annual Report on Form 10-K 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 Annual Report on Form 10-K. 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 Annual Report on Form 10-K. 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 Annual Report on Form 10-K 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 Annual Report on Form 10-K to reflect events or circumstances after the date of this Annual Report on Form 10-K 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 Annual Report on Form 10-K, 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

### Item 1. Business.

#### Our Mission

Improve people's lives with the world's best transportation.

#### Overview

Lyft, Inc (the "Company" or "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 believe that cities should be built for people, not cars. Mass car ownership in the twentieth century brought unprecedented freedom to individuals and spurred significant economic growth. However, in the process, city infrastructure became overwhelmingly devoted to cars. Roads and parking lots have replaced too much green space. Mass car ownership strains our cities and reduces the very freedom that cars once provided. Car ownership has also economically burdened consumers and can equate to a substantial portion of a household's transportation spend despite the average car being parked and unused a majority of the time.

Consumers are seeking better ways to get around. They have grown accustomed to the convenience and immediacy of the on-demand economy and expect their experiences to be more simple, flexible and enjoyable. Existing transportation options have failed to meet this shift in consumer demand, creating the opportunity for a better solution.

We believe that the world is at the beginning of a shift away from car ownership to Transportation-as-a-Service ("TaaS"). Lyft is at the forefront of this massive societal change. Our ridesharing marketplace connects drivers with riders via the Lyft mobile application (the "App") in cities across the United States and in select cities in Canada. We believe that our ridesharing marketplace allows riders to use their cars less and offers a viable alternative to car ownership while providing drivers using our platform the freedom and independence to choose when, where, how long and on what platforms they work. As this evolution continues, we believe there is a massive opportunity for us to improve the lives of riders by connecting them to more affordable and convenient transportation options.

We are laser-focused on revolutionizing transportation. We have established a scaled network of users brought together by our robust technology platform (the "Lyft Platform") that powers rides and connections every day. We leverage our technology platform, the scale and density of our user network and insights from a 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 we can offer by shifting demand to better meet supply. We've also taken steps to ensure our network is well positioned to benefit from technological innovation in transportation. As just one example, starting in 2018, we were the first company in our industry to launch a publicly-available commercial open platform 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 ("Light Vehicles") for shorter rides and first-mile and last-mile legs of multimodal trips, information about nearby public transit routes, and Lyft Rentals, an offering for renters 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 grow as communities recover from the COVID-19 pandemic and as more and more people discover the convenience, experience and affordability of using Lyft.

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. For example, in the first quarter of 2020, we acquired Flexdrive, LLC ("Flexdrive"), one of our longstanding partners in the Express Drive program. Through our Express Drive program, drivers can enter into short-term rental agreements for vehicles that may be used to provide ridesharing services on the Lyft Platform. Flexdrive will continue to operate as an independent partner to Lyft and we expect this acquisition to contribute to the growth of our business and help us expand the range of our use cases. We also continue to invest in the expansion of our network of Light Vehicles and autonomous open platform 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 TaaS. Notwithstanding the impact of COVID-19, we plan to continue to invest in the future, both organically and through acquisitions of complementary businesses.

Even as we invest in the business, we remain focused on finding ways to operate more efficiently. For example, in the second and fourth quarters of 2020, we undertook restructuring efforts 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. In addition, we significantly decreased our 2020 capital expenditure spending from our original plan and exceeded our target cost reductions in 2020

by 20%. We also decreased rider incentives to an all-time low in the second quarter of 2020 and maintained them near the historical low through the fourth quarter of 2020, resulting in a significant decrease in sales and marketing expenses.

To advance our mission, we aim to build the defining brand of our generation and to advocate through our commitment to social and environmental responsibility. We believe that our brand represents freedom at your fingertips: freedom from the stresses of car ownership and freedom to do and see more. Through our LyftUp initiative, we're working to make sure people have access to affordable, reliable transportation to get where they need to go - no matter their income or zip code. We've activated more than 500 nonprofit partners through LyftUp to provide free ride credits to those who need them most, including a focus on communities of color. We are also proud to be leaders in the fight against climate change. We've made the commitment to reach 100% electric vehicles ("EVs") on the Lyft Platform by 2030. We believe many users are loyal to Lyft because of our values, brand and commitment to social and environmental responsibility.

Our values, brand, innovation and focused execution have put us in a position to emerge from the COVID-19 pandemic even stronger. We remain confident that demand will return to our platform as we progress through the recovery and as vaccines become more widely available. We continue to believe that users are increasingly choosing a ridesharing platform based on brand affinity and value alignment.

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

The COVID-19 pandemic continues to spread throughout the United States, Canada, and in many other countries globally. The spread of COVID-19 has caused federal and local health officials to enact precautions to mitigate the spread of the virus, including travel restrictions, restrictions on businesses, extensive social distancing measures, and self-quarantine or shelter-in-place guidelines in many regions of the United States and Canada. Beginning in the middle of March 2020 and continuing into the first quarter of 2021, the pandemic and these related responses have caused decreased demand for our platform leading to decreased revenue, 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; and these impacts may continue.

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 I. For more information on the impact of COVID-19 pandemic on our business, see the section titled "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Item 7 of Part II.

### ***Lyft's Market Opportunity***

Transportation is a massive market. Transportation costs are a substantial expenditure for every household, often more than healthcare and entertainment expenditures. We believe we are still in the very early phases of capturing this massive opportunity as rideshare represents a small percentage of vehicle miles travelled. We also believe that we have a significant incremental opportunity to address transportation spend by businesses and organizations. Our market opportunity today includes transportation spend in the United States and Canada. In the transportation ecosystem, we are one of only two companies that have established a TaaS network at scale across the United States.

Changes in society and the transportation industry are catalyzing a complete transformation of the massive transportation market:

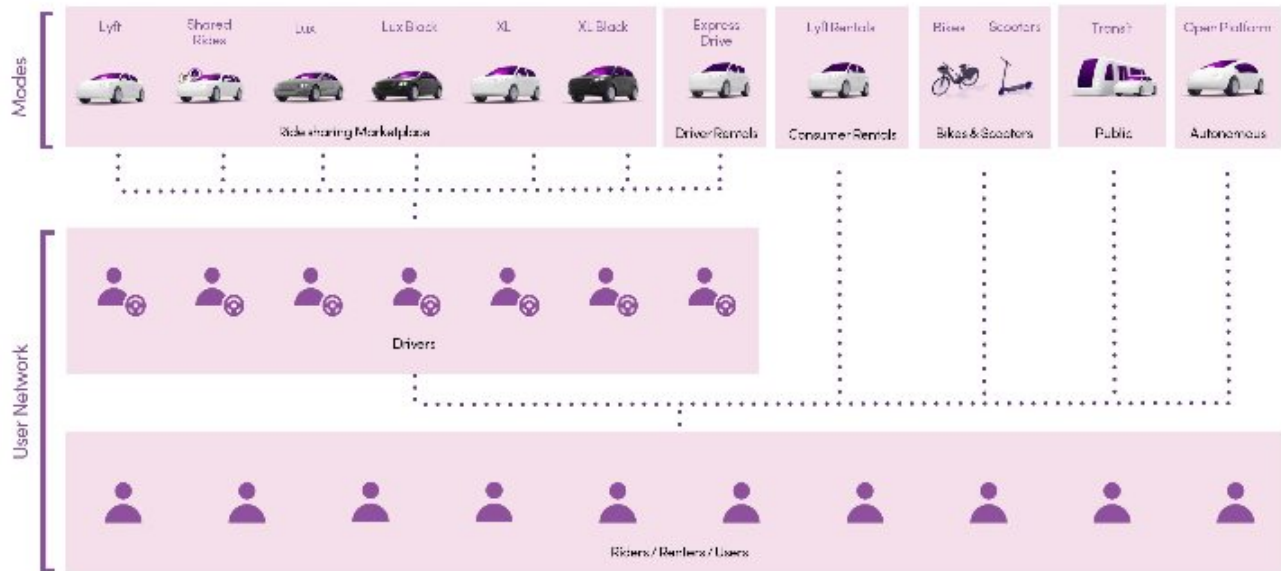
- Consumers increasingly value accessibility and experiences over ownership
- Rise of on-demand services, specifically within the younger demographic
- Greater affinity towards mission-driven brands
- Increased demand for flexible earnings opportunities
- Emergence of new modes of transportation, such as our network of shared bikes and scooters
- Development of autonomous vehicles

### **The Lyft Solution**

#### ***Our Transportation Network***

Our transportation network offers riders seamless, personalized and on-demand access to a variety of mobility options.

# Lyft Transportation Network



Our transportation network is comprised of:

- **Ridesharing Marketplace.** Our core offering since 2012 connects drivers with riders who need to get somewhere. The scale of our network enables us to predict demand and proactively incentivize drivers to be available for rides in the right place at the right time. This allows us to optimize earning opportunities for drivers and offer convenient rides for riders, creating sustainable value to both sides of our marketplace. Our ridesharing marketplace connects drivers with riders in cities across the United States and in select cities in Canada.
- **Express Drive.** Our flexible car rentals program for drivers who want to drive using our platform but do not have access to a vehicle that meets our requirements. Through our Express Drive program, drivers can enter into short-term rental agreements for vehicles that may be used to provide ridesharing services on the Lyft Platform.
- **Lyft Rentals.** In 2019, we launched Lyft Rentals to offer an attractive option for users who have long-distance trips, such as a weekend away. This is a separate consumer offering from Express Drive.
- **Bikes and Scooters.** We have a network of shared bikes and scooters in a number of cities to address the needs of users who are looking for options that are more active, usually lower-priced, and often more efficient for short trips during heavy traffic. These modes can also help supplement the first-mile and last-mile of a multimodal trip with public transit.

Lyft bikes are standard and electric pedal-assist bicycles. Lyft has exclusive city partnerships in a majority of locations where we operate a bikeshare program including New York City, Chicago, San Francisco, Portland and Boston. In 2020, we continued to make inroads with our electric bike fleet which is now available across nine markets.

Users can access Lyft scooters via our Lyft App in six major cities in the United States. When in a service area, users can see available scooters nearby. They can reserve a scooter ahead of time or use the Lyft App to scan the QR code on a nearby scooter to begin a ride.

- **Public Transit.** Available in select cities, our Transit offering integrates third-party public transit data into the Lyft App to offer users a robust view of transportation options around them and allows them to see transit routes to their destinations at no cost. Providing real-time public transit information is another step toward providing effective, equitable and sustainable transportation to our communities, and creating a more seamless and connected transportation network.
- **Autonomous Vehicles.** We have a number of strategic partnerships that offer access to autonomous vehicles. Our Open Platform partnership with Motional (formerly Aptiv) has enabled the commercial deployment of a fleet of autonomous vehicles on our platform in Las Vegas. We have facilitated over 100,000 paid rides in Motional autonomous vehicles with a safety driver since January 2018.

We have established one of the largest transportation networks in the United States and Canada. While network scale is important, we recognize that transportation happens locally and each market has its own unique user network. Our dynamic platform adjusts to the specific attributes of each market on a real-time basis.

### *Drivers*

The drivers on our platform are active members of their communities. They are parents, students, business owners, retirees and everything in between. We work hard to serve the community of drivers on our platform, empowering them to be their own bosses and providing them the opportunity to focus their time on what matters most. Key benefits to drivers on our platform include:

- We offer drivers the flexibility to generate income on their own schedule, so they can best prioritize what is important in their lives.
- Our predictive technology around ride volume and demand enables us to share key information with drivers about when and where to drive in order to maximize their earnings on a real-time basis.
- We procure insurance that helps protect transportation network company (“TNC”) drivers against financial losses related to automobile accidents while on the platform.
- To help us uphold high community standards, we give both drivers and riders the opportunity to rate each other after a ride booked through the Lyft App. If a rider or driver rates the ride three stars or below, they will not be matched together again. Lyft may also follow up with the parties to further understand the ride experience and provide additional support if needed.
- All transactions are processed through our platform, so drivers do not need to worry about carrying cash.
- Our Driver Hubs and certain field locations in major cities serve as gathering places and offer in-person support and a personal connection to Lyft employees. In addition, drivers have access to 24/7 support and earnings tools as well as education resources and other support to meet their personal goals.
- On November 3, 2020, California voters passed Proposition 22, which protects independence and flexibility for drivers in California while providing them with new earnings opportunities and protections, including minimum guaranteed earnings, occupational accident insurance, and contributions towards healthcare coverage.

### *Riders*

We care deeply about the riders on our platform and work to build long-term relationships with them by:

- developing simple, elegant and intuitive solutions;
- focusing intensely on the user experience, including soliciting feedback and following up if necessary on the ride experience;
- engendering a sense of mutual respect and fair treatment; and
- promoting trust and safety within our network.

We believe this approach fuels our word-of-mouth referrals and reinforces our community’s desire to use Lyft over alternatives.

Riders are as diverse and dynamic as the communities we serve. They represent all adult age groups and backgrounds and use Lyft to commute to and from work, explore their cities, spend more time at local businesses and stay out longer knowing they can get a reliable ride home. For the purposes of “Item 1. Business” section, riders are passengers who request rides from drivers in our ridesharing marketplace and renters of a shared bike, scooter or automobile.

We work hard to provide riders with a quality experience every time they open the Lyft App, in order to earn the right to have Lyft be their transportation network of choice. Key benefits to riders include:

- *Selection and Convenience.* We designed the Lyft App with a focus on simplicity, efficiency and convenience. Riders enter their destination and are then presented with a range of transportation options to select from based on their needs and preferences. Our proprietary technology efficiently matches riders with drivers through advanced dispatching algorithms providing faster arrival times, localized pricing and maximum availability. We continuously aim to reduce friction in the booking process with features like “one tap ride” so riders can enter their destinations quickly. Additional modes, such as bikes and scooters, offer riders more options for shorter trips. The more rides that are taken on our platform, the better we are able to offer riders personalized experiences most suitable to the trip being planned.
- *Availability.* We strive to ensure that riders can get a ride when they want one. We leverage our proprietary dispatch platform and data to help drivers and riders connect efficiently and reduce wait times. Our machine learning algorithms continuously train our optimization models and dynamically incentivize drivers to be on our platform when and where riders are seeking



transportation. We are also expanding our network of shared bikes and scooters. The high availability of our platform and the breadth of our offerings have made us the preferred transportation network for millions of riders.

- *Affordability.* Our platform empowers riders to choose from a broad set of transportation options to easily optimize for cost, comfort and time. For our ridesharing marketplace, riders are presented with upfront estimated prices prior to taking the trip so they can anticipate the total cost. We also introduced lower-cost options for riders to get around in select cities, including Wait & Save mode, a network of shared bikes and scooters and Transit with affordability in mind.
- *Safety.* Since day one, we have worked continuously to enhance the safety of our platform and the ridesharing industry by developing innovative products, policies and processes. Before giving a ride on the Lyft Platform, all driver-applicants are screened for disqualifying criminal offenses and driving incidents. All approved drivers are also required to complete mandatory Community Safety Education. We conduct monitoring of active Lyft drivers, which provides us with continuous and rapid notification of disqualifying criminal records and driving infractions.

### **Our Technology Infrastructure and Operations**

We organize our product teams with a full-stack development model, integrating product management, engineering, analytics, data science and design. We focus on affordability, reliability, efficiency, optimization and cohesion when developing our software. Our offerings are mobile-first and platform agnostic. We seek to continuously improve the Lyft Platform and the Lyft App. Our offerings are built on a scalable technology platform that enables us to manage peaks in demand.

We have a commercial agreement with AWS for cloud services to help deliver and host our platform. As a result of our partnership, we believe we are more resilient to surges in demand on our platform or product changes we may introduce. 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. We committed to spend an aggregate of at least \$300 million between January 2019 and June 2022 on AWS services, with a minimum amount of \$80 million in each of the three years. If we fail to meet the minimum purchase commitment during any year, we may be required to pay the difference. We pay AWS monthly, and we may pay more than the minimum purchase commitment to AWS based on usage.

We designed our platform with multiple layers of redundancy to guard against data loss and deliver high availability. Incremental backups are performed hourly or more frequently and full backups are performed daily. In addition, as a default, redundant copies of content are stored independently in at least two separate geographic regions and replicated reliably within each region. We are also investing in iterating and continuously improving our data privacy and security foundation, and continually review and implement the most relevant policies.

### **Our Intellectual Property**

We believe that our intellectual property rights are valuable and important to our business. We rely on trademarks, patents, copyrights, trade secrets, license agreements, intellectual property assignment agreements, confidentiality procedures, non-disclosure agreements and employee non-disclosure and invention assignment agreements to establish and protect our proprietary rights. Though we rely in part upon these legal and contractual protections, we believe that factors such as the skills and ingenuity of our employees and the functionality and frequent enhancements to our solutions are larger contributors to our success in the marketplace.

We have invested in a patent program to identify and protect a substantial portion of our strategic intellectual property in ridesharing, autonomous vehicle-related technology, telecommunications, networking and other technologies relevant to our business. As of December 31, 2020, we held 342 issued U.S. patents and had 446 U.S. patent applications pending. We also held 59 issued patents in foreign jurisdictions and had 223 applications pending in foreign jurisdictions. We continually review our development efforts to assess the existence and patentability of new intellectual property.

We have an ongoing trademark and service mark registration program pursuant to which we register our brand names and product names, taglines and logos in the United States and other countries to the extent we determine appropriate and cost-effective. We also have common law rights in some trademarks. In addition, we have registered domain names for websites that we use in our business, such as [www.lyft.com](http://www.lyft.com) and other variations.

We intend to pursue additional intellectual property protection to the extent we believe it would be beneficial and cost-effective. Despite our efforts to protect our intellectual property rights, they may not be respected in the future or may be invalidated, circumvented or challenged. For additional information, see the sections titled “Risk Factors—Risks Related to Regulatory and Legal Factors—Claims by others that we infringed their proprietary technology or other intellectual property rights could harm our business” and “Risk Factors—Risks Related to Regulatory and Legal Factors—Failure to protect or enforce our intellectual property rights could harm our business, financial condition and results of operations.”

## Our Growth Strategy

Transportation is a massive market. We are in the very early phase of capturing this large opportunity. Our key growth strategies include our plans to:

- *Increase Our Use Cases.* We continuously work to extend our offerings to make Lyft the transportation network of choice across an expanding range of use cases. We offer products to simplify travel decision-making and expand the potential uses for our platform, such as our Lyft Pink subscription plan, Lyft Pass commuter programs, first-mile and last-mile services and university safe rides programs. We also provide centralized tools and enterprise transportation solutions tailored to businesses, such as our Concierge offering, which enables organizations to manage the transportation needs of their customers, employees and constituents.
- *Recovery and Growth Of Our Rider Base.* We see opportunities to recoup and grow our rider base as the COVID-19 pandemic ends. We intend to make incremental investments in our brand and growth marketing to increase consumer preference as the recovery takes hold. We also may offer discounts for first time riders to try Lyft and incentives for existing drivers and riders. We plan to continue to add density to our ridesharing marketplace by attracting and retaining drivers to our platform to further improve the rider experience. Additionally, we are expanding our platform coverage beyond the geographies and markets we currently serve. We also believe we will benefit from demographic trends, such as the growing percentage of the population who are born as digital natives accustomed to on-demand services.
- *Expand Our Transportation Offerings.* We continue to make Lyft an everyday experience for riders through our transportation network designed to address a wide range of mobility needs. For example, in 2018, we launched a network of shared bikes and scooters, and will continue to supplement and scale modes in order to offer riders more transportation options. In 2019, we added Lyft Rentals to add an attractive option for users planning to travel longer distances. More recently in 2020, we launched Wait & Save, where riders can opt for a longer wait time but pay a lower fare than for a standard ride mode. By expanding our transportation offerings, we can offer riders options that best fit their criteria directly from the Lyft App, which increases rider engagement.
- *Grow Our Share of Rider Transportation Spend.* As we continue to increase rider loyalty to our brand and expand our use cases and the breadth of our multimodal offerings, we believe we will also increase our share of rider transportation spend. For example, a rider may start using our ridesharing offering for a night out and then choose Lyft again for travel to the airport. Once they have experienced the reliability and convenience of Lyft, they may incorporate Wait & Save into their daily commute, rent one of our shared bikes or scooters for shorter rides or when connecting to public transit, and rent one of our Lyft Rentals vehicles for long-distance trips, like a weekend away. We are also investing to increase our share of more valuable rides to grow our share of rider transportation spend. In addition, usage of our platform typically increases over time.
- *Increase Value to the Driver Community.* We strive to provide the best and most fulfilling economic opportunities for the community of drivers on our platform. We continuously seek to launch and improve programs and initiatives that enhance the driver experience on our platform. Our Express Drive program connects drivers with rental cars and in the first quarter of 2020, we acquired Flexdrive, one of our longstanding partners in the Express Drive program. We are also investing in Driver Centers, Mobile Services, and related partnerships that offer affordable and convenient vehicle maintenance to the driver community. In addition to helping drivers access and maintain vehicles, we are committed to delivering innovative solutions that offer drivers fast and affordable access to their earnings. For example, we were the first ridesharing company to offer instant payouts to drivers through the Lyft App when we launched Express Pay in 2015. In 2019, we further improved access to driver earnings by launching Lyft Direct, our no-fee bank account and debit card for drivers that allows drivers to receive payment instantly after every ride. In 2020, we launched Essential Deliveries, a pilot initiative which provides drivers with new earnings opportunities by connecting them to government agencies, local non-profits, healthcare organizations, and other companies that need delivery services for items like food, groceries, prescriptions, medical supplies, home necessities, and auto parts. We believe that our efforts to improve the driver experience allows us to increase driver satisfaction and loyalty to Lyft.
- *Invest in Technology to Strengthen Our Network and Increase Efficiency.* Our investments in proprietary technologies and predictive analytics leverage insights derived from the rich set of data generated by our platform. These investments allow us to deliver an affordable, convenient and high-quality experience for riders and increase the earnings of drivers. Our investments in mapping, routing, payments, in-app navigation, matching technologies and data science are key to integrating technology to improve the safety and increase the efficiency of our platform. In addition, we are investing in autonomous vehicle-related technology, which we believe will be a critical part of the future of transportation. We recently announced that we were considering strategic options for our Level 5 self-driving system development program.
- *Pursue M&A and Strategic Partnerships.* In November 2018, we acquired Motivate, the largest bike sharing platform in the United States at the time and in February 2020, we acquired Flexdrive, one of our longstanding Express Drive partners. From time to time, we have made other acquisitions of businesses and technologies. We will continue to selectively pursue acquisitions that contribute to the growth of our current business, help us expand into adjacent markets or add new capabilities to our platform. We believe drivers and riders on our platform will also benefit from a broader partner ecosystem

that expands our marketing and loyalty programs and employee ride solutions. We have built strong relationships with transportation suppliers, state and local governments, and technology solutions providers. We intend to continue to pursue acquisitions and partnerships that contribute to our growth.

## **Competition**

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), Amazon (Zoox), Apple, Argo AI, Aurora, Baidu 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.

We believe that the principal competitive factors in our market include the following:

- coverage and availability of access and service levels;
- scale of network;
- choice of modality;
- product design;
- ease of adoption and use;
- features and platform experience;
- partnerships and integrations with other ecosystem participants;
- brand;
- trust, safety, reliability and privacy;
- customer support;
- continued innovation in new modalities;
- driver payout;
- regulatory relations;
- sustainability; and
- prices.

We believe we compete favorably across these factors. However, many of our competitors and potential competitors are larger and have greater brand name recognition, longer operating histories, larger marketing budgets and established marketing relationships, access to larger customer bases and significantly greater resources for the development of their offerings. For additional information about the risks to our business related to competition, see the section titled “Risk Factors—Risks Related to Operational Factors—We face intense competition and could lose market share to our competitors, which could adversely affect our business, financial condition and results of operations.”

## **Seasonality**

The revenue we generate from our business may fluctuate from quarter to quarter due to seasonal factors including the weather and certain holidays. We expect the demand for our transportation network may decline over the winter season in certain regions and the demand for our network of shared bikes and scooters may increase during more temperate and dry seasons. Our business is also subject to risks related to COVID-19. 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 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.

## **Our Brand and Marketing**

We aim to build the defining brand of our generation. We believe that our brand represents freedom at your fingertips: freedom from the stresses of driving and car ownership, and freedom to do and see more. Our unique values and culture are reflected in our brand. We drive awareness of our brand through our marketing efforts, which highlight our offerings, the simplicity of our user experience and our commitment to community, and we also benefit from the evangelism by our users.

### ***Values and Culture***

Building community and having a positive local impact is fundamental to who we are. We approach working with our partners, cities and municipalities in a collaborative manner and seek to establish mutually beneficial relationships based on trust, respect and a common objective of improving people's lives by improving transportation.

Millions of people lack access to basic needs because they can't get a ride. Through our LyftUp initiative, we're working to make sure everyone has access to affordable, reliable transportation to get where they need to go — no matter their income or zip code.

We built LyftUp to account for those still left behind. LyftUp aims to bridge some of the most serious outstanding transportation gaps. Through our LyftUp programs, we partner with leading organizations, including government agencies and nonprofits, to provide access to free and discounted car, bike, and scooter rides to individuals and families in need.

2020 LyftUp programs included:

- Grocery Access - rides to/from the grocery store for families living in areas without sufficient grocery store access and meal delivery to individuals in need;
- Jobs Access - rides to/from job interviews, job trainings, and/or the first few weeks of a new job;
- Voting Access - rides to the polls;
- Disaster Response - rides to access vital services leading up to and in the wake of disasters and other local emergencies;
- Multimodal Access - deeply discounted bikeshare and scooter share memberships for eligible applicants who qualify for federal/state/local assistance programs;
- Critical Workforce Programs - providing critical workers including first-responders, healthcare, and transit workforce free scooter rides and free memberships to bikeshare programs in response to the COVID-19 pandemic;
- Universal Vaccine Access Campaign - mobilizing a coalition of partners to provide rides to and from vaccination sites for low-income, underinsured, and at-risk communities, as the COVID-19 vaccine becomes more widely available; and
- Community Grants Program - awards ride credits to hyperlocal nonprofit organizations across the country making a difference in their communities.

All of this work directly ties back to Lyft's mission of improving people's lives with the world's best transportation, and we're proud to work with amazing community partners to bring these programs to life.

Lastly, Lyft was founded on the belief that technology will enable us to dramatically reduce carbon emissions from the transportation system. We now offer several lower-carbon modes in the Lyft App: bikes, scooters, and transit. In 2019, Lyft launched access to hundreds of EVs on the Lyft Platform through Express Drive in Seattle, Atlanta, and Denver, and in 2020, Lyft made the commitment to reach 100% electric vehicles on the Lyft Platform by 2030 and joined The Climate Group's EV100 initiative to accelerate the transition to EVs.

### ***Brand Marketing***

Our marketing efforts are designed to educate people about Lyft in creative and memorable ways, generating brand awareness among potential drivers and riders.

- *Lyft-Produced Content.* Lyft will produce content and post on various platforms, such as Undercover Lyft where celebrities are disguised as drivers.
- *Popular Culture.* Ad placement in pop culture such as television series and movies.

- *Marketing Partnerships.* We have marketing partnerships with leading brands, such as J.P. Morgan (Chase), Delta Air Lines, Hilton, and Walt Disney Parks & Resorts.
- *Local Events.* Our goal in sponsoring local events is to boost brand awareness at locally relevant times and use cases.
- *Outdoor Advertising.* To build unaided awareness, we have outdoor billboard campaigns in key markets.
- *Specialty Modes.* In select markets, riders may experience specialty or promotional ride modes for local events and organizations.
- *Lyft Amp.* Lyft Amps are bright, oval-shaped devices that sit on certain drivers' dashboards which enhance the user experience, boost our brand awareness, and help promote safety. Amps assist rider identification of their driver's vehicles and also display a personalized greeting and ETA to inform riders of the estimated time to their destination.

### ***Performance Marketing***

We use a variety of channels to drive adoption of our platform and maintain driver and rider loyalty. We use specific channels and initiatives that enable us to measure the impact of our marketing spend. We currently attract new drivers and riders through a variety of marketing channels, including referrals, affiliate programs, partnerships, display advertising, radio, video, social media, email, search engine optimization and keyword search campaigns. After signup, we continue to engage riders through a variety of initiatives, such as emails, in-app notifications and promotions.

### **Our Proprietary Data-Driven Technology Platform**

Our robust technology platform powers the millions of rides and connections that we facilitate every day and provides insights that drive our platform in real-time. We leverage historical data to continuously improve experiences for drivers and riders on our platform. Our platform analyzes large datasets covering the ride lifecycle, from when drivers go online and riders request rides, to when they match, which route to take and any feedback given after the rides. Utilizing machine learning capabilities to predict future behavior based on many years of historical data and use cases, we employ various levers to balance supply and demand in the marketplace, creating increased driver earnings while maintaining strong service levels for riders. We also leverage our data science and algorithms to inform our product development, such as the introduction of Lyft Pink.

### ***Ridesharing Marketplace Efficiency***

During the matching process, we leverage our proprietary dispatch platform and data to help drivers and riders connect efficiently. Factors such as distance, destination, route, traffic and travel time contribute to determining both driver to rider matching for our rideshare offerings including our Wait & Save mode, as well as rider-to-rider matching for our shared rides offerings, which is currently paused as a result of COVID-19. Prior to a match, we give drivers a simple, reliable signal about where to drive and often an incentive to increase earnings. We also focus on providing predictable, competitive and sustainable prices that optimize value for riders as well as help increase conversion. Our machine learning algorithms continuously train our optimization models and dynamically balance current and future supply and demand within the marketplace.

### ***Optimizing Marketplace Supply***

Once drivers sign up and begin driving, our predictive analytics and dynamic pricing algorithms help us to align driver incentives to encourage drivers to be available, at the right times, in areas of high demand. This helps provide drivers with potentially higher earning opportunities by allowing them to maximize their earnings per hour, which can elevate driver satisfaction, increase supply in peak hours and improve the overall efficiency of the marketplace.

### ***Managing and Anticipating Rider Demand***

Our pricing algorithms use real-time ride cost estimates, demand elasticity and data about traffic, weather and other travel conditions to optimize ride prices and balance supply and demand in our ridesharing marketplace. This allows us to offer consistently competitive ride prices, reduce rider wait times and maximize rider utilization of our platform, which we believe leads to long-term driver and rider loyalty.

### **The Lyft Driver Experience**

We help drivers on our platform generate earnings while maintaining a flexible schedule. For these drivers, it all begins with the Lyft Driver App. After extensive background and safety checks, drivers can gain access to our platform and begin driving.

- *The Lyft Driver App.* Drivers only have to tap 'Go Online' in the Lyft Driver App to begin receiving ride requests. Once matched, drivers will get a notification to accept the ride and receive the rider's pickup spot. On-screen instructions and directions make it easy to pick up riders, navigate to destinations and drop off riders. Drivers and riders may then rate each other at the end of the ride.

- **Driver Dashboard.** In the Lyft Driver App, we offer drivers a dashboard that shows the total earnings they can expect to see transferred to their bank accounts. In this dashboard, we offer detailed views of earnings activity, ride count and time spent, to help drivers understand and maximize their earnings. We provide an in-app Driver Console with additional tools and analytics to help drivers measure ride demand, pinpoint the best times to drive each day, set earnings goals and help them monitor their earnings progress. Drivers also gain real-time visibility into currently available incentives.
- **Lyft Direct.** We offer drivers an online bank account and debit card. Drivers with a Lyft Direct debit card get access to their earnings immediately after a ride is completed without any transfer or rush fees. In addition, drivers who use the card receive cash back on everyday purchases like gas.
- **In-app Tipping.** Lyft was the first ridesharing platform to offer In-app Tipping, making it easy for riders to tip right from the app. 100% of tips from riders go to drivers. We built tipping into the Lyft App to encourage great hospitality, and to make it easy for riders to show their appreciation.
- **Driver Destination Mode.** Destination Mode matches drivers with ride requests that get them closer to their intended destination by a specific time. We allow drivers to set a targeted arrival time so they can maximize earnings until the time they choose to go offline, or we allow them to specify a destination so they only receive priority matched ride requests going in the same direction.
- **Express Drive.** Express Drive is our flexible car rentals program for drivers. It is designed for those who want to drive using our platform but do not have access to a vehicle that meets our requirements. Express Drive offers a preferred weekly rate on cars rented from Hertz and Flexdrive. There are cars available in over 30 cities nationwide through Express Drive and includes EVs in Seattle, Atlanta, and Denver.
- **Driver Hubs.** Our Driver Hubs and service desks are currently in 40 cities across North America. These facilities are used for driver onboarding, answering driver questions and providing free inspections in select markets. They feature access to clean bathrooms and help desks for easy access to the Lyft support team.
- **Driver Centers and Mobile Services.** Lyft Driver Centers offer standard maintenance as well as services and repairs including free diagnostic inspection. Mobile Services bring auto repairs, including preventative maintenance, directly to the driver.
- **Lyft Rewards.** Drivers in over 275 markets are automatically eligible for Lyft Rewards, a driver loyalty program that rewards drivers with features and discounts to help them make the most of their time on the road.

## The Lyft Rider Experience

We provide a variety of offerings to solve the transportation needs of riders. This starts with the Lyft App, which is a core part of the rider experience. To provide riders with the best experience, we are also continually adding new features, rider modes and payment models to address the needs of specific groups of riders, such as businesses and government entities.

### Lyft App

The Lyft App provides a variety of ride modes to fit users' transportation needs. The Lyft App is designed to be fast, simple and purposeful. When a user opens the Lyft App, all ride options available in that location are shown in a unified experience including scooters, bikes, public transit, car rentals, regular rides, larger vehicle rides, and even more.

### Subscription Plans

Offering subscription plans allows us to provide more earning opportunities for drivers and is an important step toward providing transportation options to address the range of riders' budgets and make car ownership optional. Lyft Pink is our subscription program that offers an elevated Lyft experience with preferred pricing to enable users to unlock all that their city has to offer. Lyft Pink members receive valuable benefits such as discounts, relaxed cancellations, priority airport pick-ups, access to unlimited, free, in-network food delivery through our partnership with Grubhub+, and more.

## Lyft Business

Lyft is evolving how businesses large and small take care of their people's transportation needs across sectors including corporate, healthcare, auto, education and government. Our comprehensive set of solutions allows customers to design, manage and pay for ground transportation programs that contribute to productivity and satisfaction while reducing cost, improving transparency and streamlining operations.

### Corporate Business Travel

We partner with leading travel and expense management companies to deliver seamless experiences that are changing how our customers do business by making travel easier for everyone involved. Tools and features such as automated expensing and

centralized payment improve policy adherence for travelers and offer greater visibility for travel managers. Benefits such as real-time reporting on rides and costs as well as detailed ride data and classification make it easier to attribute, reconcile and reimburse expense spend.

### **Concierge**

Originally developed for large healthcare partners to help improve access to quality care, our Concierge offering is now used by organizations of all types to access our network and request or schedule rides for other people. The majority of our ride modes are available through Concierge with features including real-time ride tracking, 24-hour customer support and the option to request a ride for someone as soon as they are ready or schedule a ride up to a week in advance. Organizations can also choose to build a seamless transportation experience in their own applications using the Lyft Concierge API.

Key benefits of Concierge are:

- *Simplifying Transportation for Businesses.* Concierge allows organizations to arrange rides for their customers, guests and patients from one central dashboard, even if they don't have the Lyft App or a smartphone. Customers can reduce cost, save time and streamline transportation with our courtesy ride tool.
- *Improving Healthcare.* Many Americans miss or delay medical care annually because they cannot get a ride to the doctor. Healthcare transportation brokers use our Concierge offering to provide patients with a reliable way to get to important healthcare appointments on time.

### **Lyft Pass**

Lyft Pass allows organizations to cover the costs of rides for their people - from employees and essential workers, to customers, guests, and more - while prioritizing safety, convenience, and flexibility. Lyft Pass allows organizations to create custom transportation programs that work best for their needs, while staying in control of budget and how the programs are used. At the onset of the COVID-19 crisis, we partnered with health systems to help essential healthcare workers on the front lines get to and from work. And today, leading companies are partnering with Lyft to solve their employee's transportation needs.

### **Enterprise Programs**

We offer various enterprise programs, including monthly ride credits for daily commutes, supplementing public transit by providing access to rides for the first and last leg of commute trips, late-night rides home and shuttle replacement rides. Companies can provide monthly Lyft credits as a benefit to employees to ensure convenient and cost-effective late-night transportation from the office.

### **Events**

We enable transportation solutions that can be customized for events such as recruiting events, conferences, celebrations, meetings and company retreats. Organizations or individuals can create in-app experiences and custom codes for attendees to ride to and from events.

### **Our Commitment to Safety**

A strong guiding principle since day one has been to build a community that drivers and riders trust. Trust is the foundation of our relationship with drivers and riders on our platform, and we take significant measures every day that are focused on their safety.

To ensure we are delivering exceptional service levels and upholding high quality standards, we have established our Safety and Customer Care, or SCC (formerly known as Customer Experience and Trust), team as a key part of our organization. With over 400 employees as of December 31, 2020, SCC is in charge of fielding safety and customer support inquiries and is available through multiple channels, including via self-service and assisted support directly within our apps. Our SCC team focuses on driving results based on experience-based metrics including First Contact Resolution, which is the number of support tickets resolved during first contact with a driver or rider, and Net Promoter Score. SCC aims to eliminate bad customer experiences, quickly resolve problems when they occur and maintain trust with drivers and riders. This dedication led our customer support to be recently named number one in Newsweek's 2020 America's Best Customer Service rankings for the Taxi and Ridesharing category.

The ways we promote safety include:

- **Critical Response Line.** Our team of specialists within SCC handle sensitive issues regarding behavior or safety incidents on our platform. Available 24/7, they work with many teams to provide a high quality of care.
- **Driving Record and Background Checks.** Every driver is screened before they are permitted to drive on our platform, starting with professional third-party background and driving record checks. To promote a consistently high-quality experience, we ensure vehicles meet our criteria for vehicle age before drivers are accepted to drive these vehicles on our platform. We conduct monitoring of active Lyft drivers, which provides us with continuous and expeditious notification of

disqualifying criminal records and driving infractions. Any driver who does not meet applicable regulations and our internal safety criteria on both the annual and continuous screenings is barred from our platform.

- **Two-Way Ratings.** Our two-way ratings system helps promote the safety and comfort of the Lyft community by offering a channel for drivers and riders to provide anonymous feedback on their Lyft experiences through the Lyft App. At the end of each ride, drivers and riders are prompted to rate each other on a scale of 1-5 stars. Our ratings system allows drivers and riders to provide anonymous feedback. We take rider ratings and driver feedback very seriously. If a rider rates a driver three stars or fewer, we'll make sure they aren't matched together again. If a rider rates a driver four stars or fewer, they're required to provide more details about the rating to ensure we're constantly tracking user feedback. We regularly review community feedback to inform our policies and product features.
- **Zero-Tolerance Policy.** Lyft maintains a zero-tolerance drug and alcohol policy for drivers on our platform. We also do not allow riders to have open alcohol containers in-ride and can deactivate riders from the platform for violating this policy.
- **Community Safety Education.** All approved drivers are required to complete a mandatory community safety education course.
- **Safety Features.** We continuously invest in new safety features, including increased anti-fraud measures and required feedback for any rides less than four stars. During the ride, we have designed numerous safety features into the Lyft experience and will continue to innovate to ensure the safety of riders and drivers. Some recently designed safety features include:
  - Share Location, which allows riders and drivers to share their location with family and friends;
  - Emergency Help, supported by ADT, which allows drivers and riders to quickly and silently connect with an ADT professional, who can alert authorities if needed;
  - Smart Trip Check-In, in some cases, if we notice your ride has stopped too soon or for an unusual amount of time, Lyft will ask drivers and riders if they need support and, if necessary, give the option to request emergency assistance;
  - In-app photos of the driver and vehicle, with license plate numbers and vehicle information;
  - Real-time ride tracking, digital receipts; and
  - Enhanced identity verification process, which combines driver's license verification and photographic identity verification to prevent identity fraud on our platform.
- **Lyft Insurance Protection.** We provide primary liability coverage for TNC drivers from the moment they are matched with a rider until that rider is dropped off. Our auto liability insurance will apply as primary to a driver's standard personal automobile insurance policy when matched with a rider.
- **Bikes and Scooters.** Safety is a key tenet that guides our work with bikes and scooters. We are providing the necessary education and support for all riders and are working with partners to provide the capital and technology solutions to expand protected bike lanes and reduce speeding. We are working with organizations, like Together For Safer Roads and the Vision Zero Network, that collaborate with local bike and pedestrian advocates to help protect our community members. We are also giving away free helmets to select groups of riders in select markets.

## Government Regulation

We are subject to a wide variety of laws and regulations in the United States and other jurisdictions. Laws, regulations and standards governing issues such as TNCs, public companies, ridesharing, worker classification, labor and employment, anti-discrimination, payments, gift cards, whistleblowing and worker confidentiality obligations, product liability, defects, auto 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, greenhouse gas emissions, background checks, public health, anti-corruption, anti-bribery, and delivery of goods including (but not limited to) medical supplies, perishable foods and prescription drugs 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 TNC industry has also come under increasing scrutiny from non-profit organizations, regulators, and legislators for its environmental impact, specifically increasing greenhouse gas (GHG) emissions. In 2018, California passed first-of-its-kind legislation (the "California Clean Miles Standard and Incentive Program") to mandate that TNCs reduce their GHG emissions on a GHG per passenger-mile basis, with additional requirements that TNCs increase the percentage of zero-emission vehicles on their platforms.



Policymakers recently proposed analogous legislation in Washington state, and other states and the federal government are actively observing the regulatory development process for the California Clean Miles Standard and Incentive Program.

See the sections titled “Risk Factors,” including the subsections titled “Risk Factors—Risks Related to Regulatory and Legal Factors—Challenges to contractor classification of drivers that use our platform may have adverse business, financial, tax, legal and other consequences to our business,” “Risk Factors—Risks Related to Regulatory and Legal Factors—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 conditions and results of operations,” “Risk Factors—Risks Related to Operational Factors—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,” “Risk Factors—Risks Related to Regulatory and Legal Factors—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”, “Risk Factors—Risks Related to Regulatory and Legal Factors—We face the risk of litigation resulting from unauthorized text messages sent in violation of the Telephone Consumer Protection Act” and “Risk Factors—Risks Related to Regulatory and Legal Factors—Climate change may have a long-term impact on our business” for additional information about the laws and regulations we are subject to and the risks to our business associated with such laws and regulations.

## **Human Capital**

Our employees are our human capital and they are our greatest strength and most valuable resource. As of December 31, 2020, we had 4,675 employees in approximately 100 offices and additional locations, including Driver Hubs, Driver Centers, and Service Desks. Approximately 48% of our employees work in our product management, engineering, design and science organizations. Our employees are passionate about our mission to improve people’s lives with the world’s best transportation.

We believe that achieving more diversity in workforce representation is an important priority. We are a company with a diverse customer base, and the more our employees reflect that diversity, the better we can serve our customers, ultimately making our business stronger. As of December 31, 2020, our employee base was 62% male and 38% female, and women represented 34% of our leadership overall. The ethnicity of our U.S. employees was 47% White, 30% Asian, 10% Hispanic or Latinx, 8% Black, and 5% two or more races, American Indian, Alaska Native, Native Hawaiian or other Pacific Islander. Our employee gender and ethnicity information is based on self-identification, and employees who did not disclose their gender or ethnicity have been excluded from the applicable disclosure. As of December 31, 2020, employees who did not disclose gender represented approximately 1% of total employees, and employees who did not disclose ethnicity represented approximately 7% of total U.S. employees.

Building a more representative workforce requires an intentional and comprehensive effort to reach and recruit outstanding candidates, develop talent internally, and open up pathways for advancement. In 2020, we initiated difficult yet necessary conversations to align and inspire our entire organization. We educated our leaders and managers on unconscious bias and practicing empathy, while also encouraging team members to speak openly and honestly about societal inequalities. We launched new initiatives like our revised “Rooney Rule 2.0,” which requires all director level and above roles to consider one woman and one Black or Latinx candidate at the onsite interview stage, and we have partnered with organizations that support emerging talent in communities of color. We will continue to prioritize diversity, inclusion, and representation in the workforce. In December 2020, we released our 2020 Inclusion, Diversity and Racial Equity Report, which is available on our website. We have presented this report annually since 2017 and intend to continue to present this report to make available certain information about our diversity and inclusion efforts.

None of our employees are represented by a labor union. We have not experienced any work stoppages, and we believe that our employee relations are strong.

## **Corporate Information**

We were incorporated in 2007 as Bounder Web, Inc., a Delaware corporation. In 2008, we changed our name to Zimride, Inc. We founded Lyft in 2012 and changed our name to Lyft, Inc. in 2013 when we sold the assets related to our Zimride operations.

**Available Information**

Our website is located at [www.lyft.com](http://www.lyft.com), and our investor relations website is located at [investor.lyft.com](http://investor.lyft.com). Copies of our Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and amendments to these reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act, as amended, are available free of charge on our investor relations website as soon as reasonably practicable after we file such material electronically with or furnish it to the Securities and Exchange Commission (the “SEC”). The SEC also maintains a website that contains our SEC filings at [www.sec.gov](http://www.sec.gov).

We announce material information to the public about us, our products and services and other matters through a variety of means, including filings with the SEC, press releases, public conference calls, webcasts, the investor relations section of our website ([investor.lyft.com](http://investor.lyft.com)), our Twitter account (@lyft) and our blogs (including: [lyft.com/blog](http://lyft.com/blog), [lyft.com/hub](http://lyft.com/hub), [eng.lyft.com](http://eng.lyft.com), [medium.com/LyftLevel5](https://medium.com/LyftLevel5), [medium.com/sharing-the-ride-with-lyft](https://medium.com/sharing-the-ride-with-lyft) and [medium.com/@johnzimmer](https://medium.com/@johnzimmer)) in order to achieve broad, non-exclusionary distribution of information to the public and for complying with our disclosure obligations under Regulation FD.

## 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 Annual Report on Form 10-K, including the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our 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. For the purposes of this “Item 1A. Risk Factors” section, riders are passengers who request rides from drivers in our ridesharing marketplace and renters of a shared bike, scooter or automobile.*

### **Risk Factor Summary**

Our business operations are subject to numerous risks, factors and uncertainties, including those outside of our control, that could cause our actual results to be harmed, including risks regarding the following:

#### *General economic factors*

- the impact of the COVID-19 pandemic and responsive measures;
- natural disasters, economic downturns, public health crises or political crises;

#### *Operational factors*

- our limited operating history;
- our history of net losses and any inability to achieve or maintain profitability in the future;
- competition in our industry;
- the unpredictability of our results of operations;
- uncertainty regarding the growth of the ridesharing market;
- our ability to attract and retain qualified drivers and riders;
- our insurance coverage and the adequacy of our insurance reserves;
- the ability of third-party insurance providers to service our auto-related insurance claims;
- our autonomous vehicle technology and the development of the autonomous vehicle industry;
- our reputation, brand, and company culture;
- illegal or improper activity of users of our platform;
- the accuracy of background checks on potential drivers;
- changes to our pricing practices;
- the growth and development of our network of bikes and scooters and the quality of our bikes and scooters;
- our revenue growth rate and ability to manage our growth;
- actual or perceived security or privacy breaches, as well as defects, errors or vulnerabilities in our technology and that of third-party providers;
- our reliance on third parties, such as Amazon Web Services, vehicle rental partners, payment processors and other service providers;
- our ability to operate our Express Drive and Lyft Rentals programs and our delivery service platform;
- our ability to effectively match riders on our Shared and Shared Saver Rides offering and to manage our up-front pricing methodology;
- the development of new offerings on our platform and management of the complexities of such expansion;
- inaccuracies in our key metrics and estimates;
- our marketing efforts;
- our ability to offer high-quality user support and to deal with fraud;
- systems failures and interruptions in the availability of our website, applications, platform or offerings;
- changes in the Internet, mobile device accessibility, mobile device operating systems and application marketplaces;
- the interoperability of our platform across third-party applications and services;
- factors relating to our intellectual property rights as well as the intellectual property rights of others;
- our presence outside the United States and any future international expansion;

#### *Regulatory and Legal factors*

- the classification status of drivers on our platform;
- changes in laws and the adoption and interpretation of administrative rules and regulations;

- compliance with laws and regulations relating to privacy, data protection and the protection or transfer of personal data;
- compliance with additional laws and regulations as we expand our platform offerings;
- litigation resulting from violation of the Telephone Consumer Protection Act or other consumer protection laws and regulations;
- intellectual property litigation;
- assertions from taxing authorities that we should have collected or in the future should collect additional taxes;
- our ability to maintain an effective system of disclosure controls and internal control over financial reporting;
- costs related to operating as a public company;
- climate change which may have a long-term impact on our business;

#### *Financing and Transactional Risks*

- our future capital requirements;
- our ability to service our current and future debt, and counterparty risk with respect to our capped call transactions;
- our ability to make and successfully integrate acquisitions and investments or complete divestitures, joint ventures, partnerships or other strategic transactions;
- our tax liabilities, ability to use our net operating loss carryforwards and future changes in tax matters;

#### *Governance Risks and Risks related to Ownership of our Capital Stock*

- provisions of Delaware law and our certificate of incorporation and bylaws that may make a merger, tender offer or proxy contest difficult;
- exclusive forum provisions in our bylaws;
- the dual class structure of our common stock and its concentration of voting power with our Co-Founders;
- the volatility of the trading price of our Class A common stock;
- sales of substantial amounts of our Class A common stock;
- our intention not to pay dividends for the foreseeable future; and
- the publication of research about us by analysts.

#### **Risks Related to General Economic Factors**

***The COVID-19 pandemic has disrupted and harmed, and is expected to 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 effects 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 relative to pre-COVID-19 demand, the global slowdown of economic activity (including a 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. During certain periods in the past, these factors have led to a decrease in earning opportunities for drivers on our platform. Changes in travel trends and behavior arising from COVID-19, including as a result of new strains of 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 the second quarter of 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 until the pandemic subsides.
- 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 corporate employees in nearly all of our locations work remotely, limiting employee travel, and cancelling, postponing or holding virtual events and meetings. We may be required to or choose voluntarily to take additional actions for the health and safety

of our workforce and users of our platform, including after the pandemic subsides and with respect to vaccination, 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 real estate footprint, 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 timely and accurately report our financial statements or 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, such as delays in their manufacture and delivery, and we may 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. For example, in 2020, Lyft Rentals temporarily ceased operations, closing its rental locations, as a result of COVID-19. Further, 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. In response, in 2020, 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 delay or prevent us, or our current or prospective partners and suppliers, from being able to develop or deploy autonomous vehicle-related 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-related 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-related technology. These impacts to the development and deployment of autonomous vehicle-related technology may adversely affect our business, financial condition and results of operations.
- 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 have fluctuated 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 speed and efficacy of vaccine distribution; the availability of government funding programs; evolving laws and regulations regarding COVID-19, including those related to disclosure and notification; 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; the extent of any virus mutations or new strains of COVID-19; and the pace of recovery when the COVID-19 pandemic subsides.

***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 or social instability, including any instability surrounding the United Kingdom's exit from the EU (Brexit) and other geopolitical developments, or other catastrophic events, such as the explosion in Nashville on December 25, 2020, 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 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.

**Risks Related to Operational Factors**

***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 and Mobile Services, 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;
- successfully develop new platform features, offerings and services to enhance the experience of users; and
- right-size our real estate portfolio.

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.

***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 \$1.8 billion, \$2.6 billion, and \$0.9 billion in the year ended December 31, 2020, 2019 and 2018, 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 have incurred and will continue to incur additional costs and expenses associated with the passage of Proposition 22 in California including providing drivers in California with new earnings opportunities and protections, including contributions towards health care coverage, occupational accident insurance and minimum guaranteed earnings, and we have incurred and expect to continue to 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. Furthermore, we have expanded over time to include more asset-intensive offerings such as our network of shared bikes and scooters, autonomous vehicles, 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, Mobile Services 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 restricted stock units (“RSUs”) and other equity awards may continue to be a significant expense in future periods, and we have \$905.6 million of unrecognized stock-based compensation expense related to RSUs, net of estimated forfeitures, that will be recognized over a weighted-average period of approximately 2.4 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), Amazon (Zoox), Apple, Argo AI, Aurora, Baidu, 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, or consolidate, 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 and Mobile Services, certain vehicles in the Express Drive program, vehicles for Lyft Rentals and autonomous vehicle technology, including the success of any strategic options we may consider with regard to our assets;
- 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.***

Prior to COVID-19, the ridesharing market grew rapidly, but it is still relatively new, and it is uncertain to what extent market acceptance will continue to grow, particularly after the COVID-19 pandemic, 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 continue to negatively impact the willingness of drivers or riders 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 were 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 and subsequently temporarily suspended rentals of scooters due to concerns with certain aspects of the program. 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, beginning in the latter portion of the second quarter of 2020, we saw a shortage of available drivers relative to rider demand in certain markets where restrictions on social activities and visiting business venues were eased. This imbalance fluctuates for various reasons to the extent that driver availability remains limited, and our revenue may be negatively impacted. In order to improve driver availability, we may increase incentives available to drivers, which could negatively impact revenue. Additionally, following the passage of Proposition 22 in California, we have begun to provide for drivers to receive the earning opportunities described in the ballot measure. Our competitors may attempt to compete for drivers on the basis of these earning opportunities, or drivers may determine that such earning opportunities are not sufficient. Further, other jurisdictions may adopt similar laws and regulations, which we would likely increase our expenses. Notwithstanding the passage of Proposition 22, we are subject to ongoing litigation in California, including efforts to overturn Proposition 22, and in other jurisdictions. If we are unsuccessful in this ongoing litigation in one or more jurisdictions, we may be required to classify drivers as employees rather than independent contractors in those jurisdictions. If this occurs, we will need to develop and implement an employment model that we have not historically used. We may face specific risks relating to our ability to onboard drivers as employees, our ability to partner with third-party organizations to source drivers and our ability to effectively utilize employee drivers to meet rider demand. Similar rulings in other jurisdictions may cause similar effects.

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. Further, incentives we provide to attract drivers 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 riders, including maintaining a competitive price of rides to 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 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. 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 and private business actions in response to the COVID-19

pandemic, such as travel bans, travel restrictions, shelter-in-place orders, increased reliance on work-from-home rather than working in offices, and people and businesses electing to move away from more densely populated cities, 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 and Lyft Rentals vehicles, 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 all 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 December 31, 2020 and 2019 were \$1.1 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. If any of our third-party insurance providers or administrators who handle the claim on behalf of the third-party insurance providers become insolvent, they could be unable to pay any operations-related claims that we make.

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 exceeded and could continue to exceed our applicable aggregate coverage limits, for which we have borne 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 (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 and average claim cost under our deductibles or self-insured retentions differs from historic averages or (vi) an insurance policy is cancelled 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, judicial developments and unexpected events such as the COVID-19 pandemic. 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 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, the adverse development to insurance reserves we experienced in the fourth quarter of 2020 was largely attributable to historical auto losses that are associated with accident liabilities from the end of 2018 and 2019.

***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 and in October 2020, we expanded our rideshare insurance program to include additional third-party insurance-service providers.

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 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.

***We rely on third-party background check providers to screen potential and existing 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 and existing 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.

***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 and certain local regulations regarding minimum earnings standards for drivers have caused us to revise our pricing methodology in certain markets, including New York City and Seattle. 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. The recent passage of Proposition 22 in California will enable us to provide additional earning opportunities to drivers in California, including guaranteed earnings. We expect that this transition will continue to require additional costs and we expect to face other challenges as we transition drivers to this new model, including potential changes to our pricing. 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. Moreover, successful litigation to overturn Proposition 22, or the reclassification of drivers on our platform as employees could reduce the available supply of drivers as drivers leave the platform due to the changes in flexibility under an employment model. 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 and Mobile Services, 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 Transportation Agency ("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. While we entered into a settlement agreement with SFMTA in January 2021 pursuant to which we settled this litigation and SFMTA agreed not to issue permits to other bike share operators in violation of our exclusive rights, 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. A negative determination 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. 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 suspended rentals of bikes and scooters from March through October 2020 as a result of the COVID-19 pandemic and again suspended rentals of scooters from December 2020 through February 2021 due to concerns with certain aspects of the program. While we do not expect any denial or suspension in an individual region to have a material impact, these denials or suspensions 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. For example, as a result of the COVID-19 pandemic, some of our suppliers have been delayed in delivering products, which has resulted in our later than anticipated deployment of products to the market in some cases.

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 classification, valuation or country of origin determinations of our 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 or theft from time to time, which could result in decreased usage of our network of shared bikes and scooters or loss of our bikes or scooters. There can be no assurance we will be able to detect and fix all defects, vandalism or theft of 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.

***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 for use on our platforms. Autonomous driving is a new and evolving market, which makes it difficult to predict its acceptance, its growth, and the magnitude and timing of necessary investments and other trends, including when it may be more broadly or commercially available. 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. We recently announced that we were exploring strategic options for our Level 5 self-driving system development program. 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, if we do so at a slower pace or at a higher cost or if our technology is less capable relative to our competitors, or if our efforts to optimize our strategy with regard to our autonomous vehicle technology development are not successful, our business, financial condition and results of operations could be adversely affected.

***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-related technology for use on our platforms. 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 and deployment 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 or the timing of such acceptance, if at all, 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, service interruptions, 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, service interruptions, 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 or respond to regulatory inquiries, 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.***

Prior to COVID-19, we grew rapidly. In 2020, due to COVID-19 and the related government and public health measures, our revenue declined significantly. Accordingly, our recent revenue growth rate and financial performance, both prior to the effects of COVID-19, and the decline related to COVID-19, should not be considered indicative of our future performance. In 2020, 2019 and 2018, our revenue was \$2.4 billion, \$3.6 billion and \$2.2 billion, respectively, representing a 35% decrease in rate from 2019 to 2020 and a 68% growth rate from 2018 to 2019. We have experienced a decline in revenue in 2020 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. 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 our business recovers from the effects of COVID-19 and we endeavor to return to growth, our revenue growth rates will fluctuate due to a number of reasons, which may include long-term 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 resulting changes to our business model 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. The number of our full-time employees increased from 2,708 as of December 31, 2017, to 4,675 as of December 31, 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, including remote work policies for employees, and to align our operations with our strategies for 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 total 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.

***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, with a minimum amount of \$80 million in each of the three years. 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 as well as third-party vehicle supply, fleet management and finance partners to support our Express Drive Program and Lyft Rentals 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 related to the used car market values, 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 rider 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 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 rider 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 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 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 for competitive reasons, 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, auto repair and collision services, 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 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 providing rideshare and delivery services on the Lyft Platform;
- 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;
- the recent passage of Proposition 22 in California may have an impact on delivery rate cards, which could impact our competitiveness and ability to operate within California; 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. 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.

***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. We currently do not have a timetable for ending this suspension in whole or in part, and 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, 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.

***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, including our diversity, equity and inclusion practices and initiatives;

- 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;
- the provision of employee benefits in the COVID-19 environment; and
- the integration of new personnel and businesses from acquisitions.

From time to time, we have undertaken 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 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. 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.

***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 a variety of productivity, collaboration, travel, data management and security vendors. As our offerings expand and evolve, including to the extent we continue to 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.

***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 have processes for using 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.

***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 offerings. In addition, we have several international offices that support our business. 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, trade compliance, and local regulatory restrictions;
- complying with the U.S. Foreign Corrupt Practices Act and similar laws in other jurisdictions;
- 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;
- political, economic, or social instability, which has caused disruptions in certain of our office locations, including in Belarus;
- operating in jurisdictions where we do not have, or 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, which may result in shutting down international operations or closing international offices. 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 the constantly-evolving laws and standards, including with respect to customs, 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, export controls 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.

### **Risks Related to Regulatory and Legal Factors**

***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, auto 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, healthcare fraud, waste, and abuse, environmental health and safety, background checks, public health, anti-corruption, anti-bribery, import and export restrictions, trade and economic sanctions, foreign ownership and investment, foreign exchange controls and delivery of goods including (but not limited to) medical supplies, perishable foods and prescription drugs 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, auto repair and collision services, 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. See the risk factor entitled "Challenges to contractor classification of drivers that use our platform may have adverse business, financial, tax, legal and other consequences to our business." 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 in December 2020, our appeal was denied. The City of Seattle also adopted the Transportation Network Company Driver Minimum Compensation Ordinance effective January 1, 2021, which sets minimum driver earnings calculations for our rideshare platform as well as other rideshare platforms. 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.

***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, Assembly Bill 5 (as codified in part at Cal. Labor Code sec. 2750.3) codified and extended 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 led 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 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. On June 25, 2020, the California Attorney General and the City Attorneys of Los Angeles, San Diego, and San Francisco 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. On August 12, 2020, we filed a notice of appeal of the court's order and on August 20, 2020, the California Court of Appeal stayed the preliminary injunction pending resolution of the appeal. The Court of Appeal affirmed the preliminary injunction on October 22, 2020. Subsequently, voters in California approved Proposition 22, a state ballot initiative that provides a framework for drivers utilizing platforms like Lyft to maintain their status as independent contractors under California law and Proposition 22 went into effect on December 16, 2020. We filed a petition for rehearing of our appeal with the California Court of Appeal on November 6, 2020, which was denied on November 20, 2020. On December 1, 2020, we filed a petition for review with the California Supreme Court, which was denied on February 10, 2021. The case will now proceed in San Francisco Superior Court. On January 12, 2021, a lawsuit was filed in the California Supreme Court against the State of California alleging that Proposition 22 violates the California Constitution. The Supreme Court denied review on February 3, 2021. Plaintiffs then filed a similar lawsuit in Alameda County Superior Court on February 12, 2021. Separately, 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. We continue to maintain that drivers on our platform are independent contractors in such legal and administrative proceedings and intend to continue to defend ourselves vigorously in these matters, 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.

***The results of Proposition 22 in California have caused us to alter our operations and incur additional costs and we may face additional challenges as we implement these changes.***

The recent passage of Proposition 22 in California led us to continue providing flexible earning opportunities to drivers in California. We expect that this transition will require additional costs and we expect to face other challenges as we transition drivers to this new model, including the logistics of providing the additional earning opportunities, as well as potential changes to our pricing. The change in model may also affect our ability to attract and retain drivers and riders. To the extent similar classification models are adopted in other jurisdictions, we may face similar costs and challenges. Notwithstanding the passage of Proposition 22, we continue to face litigation in California, including to overturn Proposition 22, and in other jurisdictions which may in the future require us to classify drivers as employees if we are unsuccessful in our ongoing litigation.

***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, and may vary by jurisdiction. 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. Our domestic and international intellectual property protection and enforcement strategy is influenced by many considerations including costs, where we have business operations, where we might have business operations in the future, legal protections available in a specific jurisdiction, and/or other strategic considerations. As such, we do not have identical or analogous intellectual property protection in all jurisdictions, which could risk freedom to operate in certain jurisdictions if we were to expand. 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 protect, enforce or 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 intellectual property and 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.

***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, the California Consumer Privacy Act, or CCPA, and the California Privacy Rights Act, or CPRA, which becomes operative on January 1, 2023. 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 CPRA will require new disclosures to California consumers and affords such consumers new data rights and abilities to opt-out of certain sharing of personal information. The CPRA provides for fines of up to \$7,500 per violation, which can be applied on a per-consumer basis. Aspects of the CPRA 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 CPRA 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 expect to 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 and CPRA 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. As we consider expansion of business offerings and markets and as laws and regulations change, we expect to incur additional costs related to privacy, data protection and information security standards and protocols imposed by laws, regulations, industry standards or contractual obligations related to such offerings and face additional risks that such expansion could be inconsistent with, or fail or be alleged to fail to meet all requirements of such laws, regulations or obligations.

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.

***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 and Mobile Services, 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.

***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 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 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 are required to include in our periodic reports commencing with this annual report on Form 10-K. 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.

Additionally, commencing with this annual report on Form 10-K, our independent registered public accounting firm is required to formally attest to the effectiveness of our internal control over financial. 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.

***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 year ended December 31, 2020, we have expended a total of approximately \$20.2 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.

***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.

***Climate change may have a long-term impact on our business.***

We have established environmental programs such as our commitment to 100% electric vehicles (EVs) on our platform by the end of 2030, and requiring our suppliers to ensure the efficient use of raw materials, water, and energy resources via our Supplier Code of Conduct, and we recognize that there are inherent climate-related risks wherever business is conducted. For example, our San Francisco, California headquarters are projected to be vulnerable to future water scarcity and sea level rise due to climate change, as well as climate-related events including wildfires and associated power shut-offs. Climate-related events, including the increasing frequency of extreme weather events and their impact on critical infrastructure in the U.S. and elsewhere, have the potential to disrupt our business, our third-party suppliers, and the business of our customers, and may cause us to experience higher attrition, losses and additional costs to maintain or resume operations. Additionally, we are subject to emerging climate change regulation such as California's Senate Bill 1014, which will impose greenhouse gas and EV requirements on our industry, and failure to meet the future requirements could have adverse impacts on our costs and ability to operate in California, as well as public goodwill towards our company. Finally, we advocate for EV programs that can be efficiently accessed by drivers on our platform and rental car operators, and any failure of such programs to address EV capital costs, EV charging costs, and EV charging infrastructure in the context of transportation network companies' unique needs could challenge our ability to progress toward our 100% EV commitment.

**Risks Related to Financing and Transactional Factors**

***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 in 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.

***If we are unable to make acquisitions and investments, or successfully integrate them into our business, or if we enter into strategic transactions that do not achieve our objectives, 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 acquisitions of Motivate in November 2018 and Flexdrive in February 2020, as well as divestitures, partnerships and other transactions. 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.

In addition, we may divest businesses or assets, enter into joint ventures or strategic partnerships or other strategic transactions. For example, we recently announced that we were exploring strategic options for our Level 5 self-driving system development program. These types of transactions present certain risks; for example, we may not achieve the desired strategic, operational and financial benefits of a divestiture, partnership, joint venture or other strategic transaction. Further, during the pendency of a divestiture or during the integration process of any strategic transaction, we may be subject to risks related to a decline in the business, loss of employees, customers, or suppliers.

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, strategic investments or other transactions, or if we fail to successfully integrate such acquisitions or investments, or if we are unable to successfully complete other transactions or such transactions do not meet the our strategic objectives, our business, results of operations and financial condition could be adversely affected.

***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 9 "Debt" to our consolidated financial statements, for further information on these agreements and our outstanding debt obligations. As of December 31, 2020, we had \$680.0 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 existing or 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. If we or Flexdrive, as applicable, do not comply with these covenants or otherwise default under the arrangements, and do not obtain a waiver or consent from the lenders, then, subject to applicable cure periods, any outstanding debt may be declared immediately due and payable. 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 call transactions, or 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 Calls. 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 Calls 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, 2020, we had \$6.2 billion of federal, \$5.4 billion of state and \$3.4 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.

### **Risks Related to Governance and Ownership of our Capital Stock Factors**

***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 23.17% of the voting power of our outstanding capital stock; and John Zimmer, our co-founder and President and Vice Chair of our board of directors, holds approximately 13.06% 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 December 31, 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 December 31, 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 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 have been filed in California state and federal courts and a derivative action has been filed in Delaware 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, breach of fiduciary duties, and other causes of action 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 have or 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 have or could occur may also depress the market price of our Class A common stock, including if there is short-selling or other hedging transactions.

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 1B. Unresolved Staff Comments.**

None.

**Item 2. Properties.**

Our corporate headquarters are located in San Francisco, California, and consist of approximately 430,000 square feet under lease agreements through May 31, 2030. We maintain additional offices in multiple locations in the U.S. and internationally in London, United Kingdom, Montreal, Canada, Munich, Germany and Minsk, Belarus.

We lease all of our facilities and do not own any real property. We believe our facilities are adequate and suitable for our current needs and that, should it be needed, suitable additional or alternative space will be available to accommodate our operations.

**Item 3. Legal Proceedings.**

See discussion under the heading Legal Proceedings in [Note 8](#) to the consolidated financial statements included in [Part 2, Item 8](#) of this report.

**Item 4. Mine Safety Disclosures.**

Not applicable.

## PART II

### Item 5. Market for Registrant’s Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.

#### Market Information for Common Stock

Our Class A common stock is traded on The Nasdaq Global Select Market under the symbol “LYFT.” Our Class B common stock is neither listed nor traded.

#### Holders of Record

As of December 31, 2020, there were approximately 270 stockholders of record of our Class A common stock. Because many of our shares of Class A common stock are held by brokers and other institutions on behalf of stockholders, we are unable to estimate the total number of beneficial owners represented by these record holders.

As of December 31, 2020, there were six stockholders of record of our Class B common stock. All shares of Class B common stock are beneficially owned by either Logan Green or John Zimmer.

#### Dividend Policy

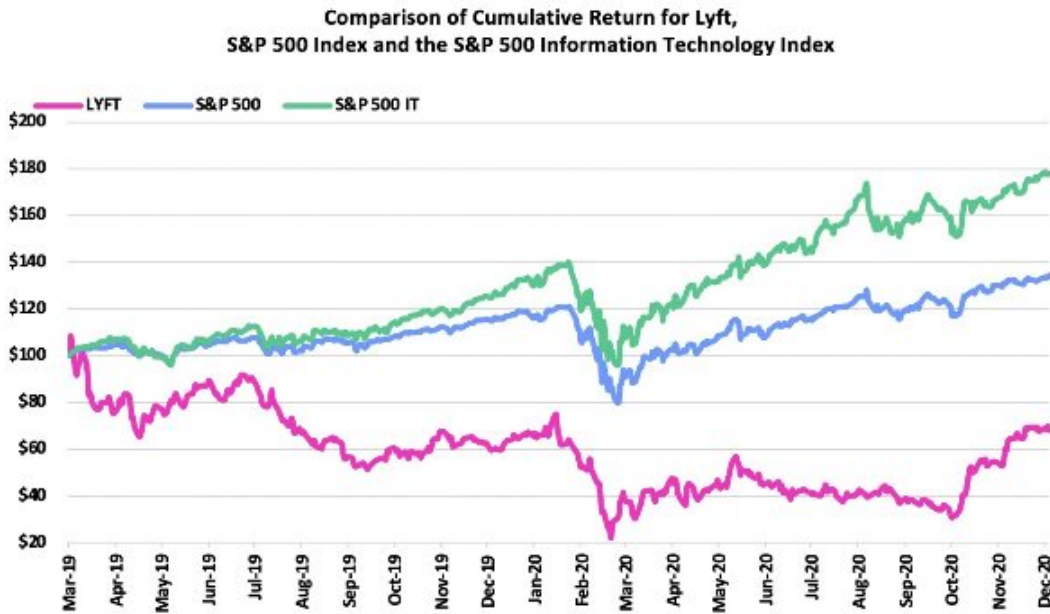
We have never paid cash dividends on our capital stock and we do not anticipate paying any cash dividends in the foreseeable future.

#### Stock Performance Graph

This performance graph shall not be deemed “filed” with the SEC for purposes of Section 18 of the Exchange Act or incorporated by reference into any filing of Lyft, Inc. under the Securities Act.

The graph below compares the cumulative total stockholder return on our Class A common stock with the cumulative total return on the S&P 500 Index and the S&P 500 Information Technology Index. The graph assumes \$100 was invested at the market close on March 28, 2019, which was the first day our Class A common stock began trading. Data for the S&P 500 Index and the S&P 500 Information Technology Index assume reinvestment of dividends. The offering price of our Class A common stock in our IPO, which had a closing stock price of \$78.29 on March 29, 2019, was \$72.00 per share.

The comparisons in the graph below are based upon historical data and are not indicative of, nor intended to forecast, future performance of our common stock.



#### Recent Sale of Unregistered Securities and Use of Proceeds

##### *Recent Sale of Unregistered Securities*

None.

### Use of Proceeds

Our initial public offering of our Class A common stock was effected pursuant to a registration statement on Form S-1 (File No. 333-229996), which was declared effective by the SEC on March 28, 2019.

There has been no material change in the planned use of proceeds from our initial public offering as described in our final prospectus filed with the SEC on March 28, 2019, pursuant to Rule 424(b) of the Securities Act.

### Issuer Purchases of Equity Securities

None.

### Item 6. Selected Financial Data.

The following selected consolidated statement of operations data for the years ended December 31, 2020, 2019, and 2018, and the selected consolidated balance sheet data as of December 31, 2020 and 2019 have been derived from our audited consolidated financial statements included elsewhere in this Annual Report on Form 10-K. The selected consolidated statement of operations for the year ended December 31, 2017 and 2016, and the selected consolidated balance sheet as of December 31, 2017 and 2016, have been derived from our consolidated financial statements that are not included in this Annual Report on Form 10-K. Our historical results are not necessarily indicative of the results that may be expected in the future. You should read the following selected consolidated financial and other data below in conjunction with the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

### Consolidated Statements of Operations Data

	Year Ended December 31,				
	2020	2019	2018	2017	2016
	<i>(in thousands, except for per share amounts)</i>				
Revenue	\$ 2,364,681	\$ 3,615,960	\$ 2,156,616	\$ 1,059,881	\$ 343,298
Costs and expenses <sup>(1)</sup>					
Cost of revenue	1,447,516	2,176,469	1,243,400	659,533	279,011
Operations and support	453,963	636,116	338,402	183,513	97,880
Research and development	909,126	1,505,640	300,836	136,646	64,704
Sales and marketing	416,331	814,122	803,751	567,015	434,344
General and administrative	946,127	1,186,093	447,938	221,446	159,962
Total costs and expenses	4,173,063	6,318,440	3,134,327	1,768,153	1,035,901
Loss from operations	(1,808,382)	(2,702,480)	(977,711)	(708,272)	(692,603)
Interest expense	(32,678)	—	—	—	—
Other income, net	43,669	102,595	67,114	20,527	10,210
Loss before income taxes	(1,797,391)	(2,599,885)	(910,597)	(687,745)	(682,393)
Provision for (benefit from) income taxes	(44,534)	2,356	738	556	401
Net loss	\$ (1,752,857)	\$ (2,602,241)	\$ (911,335)	\$ (688,301)	\$ (682,794)
Net loss per share attributable to common stockholders, basic and diluted	\$ (5.61)	\$ (11.44)	\$ (43.04)	\$ (35.53)	\$ (37.08)
Weighted-average number of shares outstanding used to compute net loss per share attributable to common stockholders, basic and diluted	312,175	227,498	21,176	19,371	18,413

(1) Costs and expenses include stock-based compensation expense as follows:

	Years Ended December 31,				
	2020	2019	2018	2017	2016
	(in thousands)				
Cost of revenue	\$ 28,743	\$ 81,321	\$ 501	\$ 464	\$ 518
Operations and support	15,829	75,212	177	2,549	1,066
Research and development	325,624	971,941	4,107	2,379	2,696
Sales and marketing	23,385	72,046	261	415	974
General and administrative	172,226	398,791	3,531	3,739	4,140
Total stock-based compensation expense	<u>\$ 565,807</u>	<u>\$ 1,599,311</u>	<u>\$ 8,577</u>	<u>\$ 9,546</u>	<u>\$ 9,394</u>

#### Consolidated Balance Sheets Data

	As of December 31,			
	2020 (1)	2019 (1)	2018	2017
	(in thousands)			
Cash and cash equivalents	\$ 319,734	\$ 358,319	\$ 517,690	\$ 1,106,102
Operating lease right of use assets	275,756	441,258	—	—
Total assets	4,678,964	5,691,383	3,760,043	3,016,727
Operating lease liabilities — current	49,291	94,199	—	—
Operating lease liabilities	265,803	382,077	—	—
Long-term debt, net of current portion	644,236	—	—	—
Total liabilities	3,002,801	2,837,299	1,479,277	712,116
Redeemable convertible preferred stock	—	—	5,152,047	4,284,049
Accumulated deficit	(7,300,428)	(5,547,571)	(2,945,330)	(2,033,995)
Total stockholders' equity (deficit)	\$ 1,676,163	\$ 2,854,084	\$ (2,871,281)	\$ (1,979,438)

(1) Includes the impact of the adoption of the new lease accounting standard in 2019. Prior periods have not been revised. See Note 2, *Summary of Significant Accounting Policies*, of the notes to the consolidated financial statements included elsewhere in this Annual Report on Form 10-K for further details.

#### Item 7. 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 the section titled "Selected Consolidated Financial and Other Data" and the consolidated financial statements and related notes thereto included elsewhere in this Annual Report on Form 10-K. This section of this Form 10-K generally discusses fiscal years 2020 and 2019 and year-to-year comparisons between 2020 and 2019. Discussions of fiscal year 2018 and year-to-year comparisons between 2019 and 2018 that are not included in this Form 10-K can be found in "Management's Discussion and Analysis of Financial Condition and Results of Operations" in Part II, Item 7 of the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2019. This 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 Annual Report on Form 10-K. Our historical results are not necessarily indicative of the results that may be expected for any period in the future.

#### Financial Results for the Year Ended December 31, 2020

- Total revenue was \$2.4 billion, a decrease of 35% year-over-year.
- Total costs and expenses were \$4.2 billion, including stock-based compensation expense of \$565.8 million and insurance costs related to changes to insurance reserves attributable to historical periods of \$168.1 million.
- Loss from operations was \$1.8 billion.
- Net loss was \$1.8 billion.
- Cash used in operating activities was \$1.4 billion.
- Unrestricted cash and cash equivalents and short-term investments totaled \$2.3 billion as of December 31, 2020.

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

The COVID-19 pandemic continues to spread throughout 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, extensive social distancing measures and issuing “shelter-in-place” orders in many regions of the United States and Canada. Beginning in the middle of March 2020, the pandemic and these related responses have caused 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. These impacts are ongoing and have continued into 2021.

We continue to closely monitor the impact of the COVID-19 pandemic. Although demand has improved compared to the second quarter of 2020, it remains significantly below the prior year. The exact timing and pace of the recovery remain uncertain. As certain regions have reopened, some have experienced a resurgence of COVID-19 cases and reimposed restrictions. 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, actions by government authorities and private businesses to contain the pandemic or recover from its impact, and the availability and distribution of the vaccine, among other things. Even as 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.

In response to the COVID-19 pandemic, beginning in March and continuing into the first quarter of 2021, we have adopted multiple measures, including pausing our shared rides offerings, distributing thousands of bottles of hand sanitizer, masks and partitions to drivers on our platform, requiring face coverings on all rideshare trips, providing most employees with the option to work from home at least until September 1, 2021, restricting non-critical business travel by our employees, and making adjustments to our expenses and cash flow to correlate with declines in revenues. For example, 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 of directors voluntarily agreeing to forego 30% of their cash compensation for the second quarter of 2020.

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 vested 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 in the second quarter of 2020. In the fourth quarter of 2020, we terminated 45 employees in our continued efforts to reduce operating expenses resulting in an additional \$1.4 million in net restructuring charges. However, these actions have and will only mitigate a limited portion of the negative effects of the pandemic on our business.

In addition to the actions outlined above, we also significantly decreased our planned 2020 capital expenditure spending. We decreased rider incentives to an all-time low in the second quarter of 2020 and maintained them near the historical low through the fourth quarter of 2020, resulting in a significant decrease in sales and marketing expenses.

During the second quarter of 2020, we also issued \$747.5 million in aggregate principal amount of 1.50% convertible senior notes due 2025, or the 2025 Notes. In addition, we entered into privately negotiated capped call transactions with the option counterparties at a cost of approximately \$132.7 million. We believe the net proceeds further improve our financial position for general corporate purposes and improve our ability to execute on capital expenditures, potential acquisitions and strategic transactions as they arise.

We remain confident in our ability to navigate this challenging time and continue to focus on our long-term growth opportunities and our business model, including our ability to be profitable in the future. With \$2.3 billion in unrestricted cash and cash equivalents and short-term investments as of December 31, 2020, we believe we have sufficient liquidity to continue to support our business operations and to take strategic investments that are in the best interests of our employees and other stakeholders. 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 I.

### Recent Developments – Driver Classification

On November 3, 2020, California voters passed the ballot initiative, Proposition 22. Proposition 22 protects independence and flexibility, while providing them new earnings opportunities and protections, including contributions towards health care coverage, occupational accident insurance, and minimum guaranteed earnings. We have incurred additional expenses associated with these new earnings opportunities and protections. We do not expect these changes will have a material impact on our business, results of operations, financial position, or cash flows. See the sections titled “Legal Proceedings” and “Risk Factors” in Items 3 and 1A, respectively, of Part I for additional information.

### Active Riders and Revenue per Active Rider

The COVID-19 pandemic caused a significant decrease in Active Riders and in revenue per Active Rider, though we experienced a recovery in revenue per Active Rider in the second half of 2020 as well as, to a lesser extent, the number of Active Riders. The number of Active Riders is a key indicator of the scale of our community and awareness of our brand. Revenue per Active Rider represents our ability to drive usage and monetization of our platform.

	Active Riders			Revenue per Active Rider		
	2020	2019	Growth Rate	2020	2019	Growth Rate
	<i>(in thousands, except for dollar amounts and percentages)</i>					
Three Months Ended March 31	21,211	20,503	3.5%	\$45.06	\$37.86	19.0%
Three Months Ended June 30	8,688	21,807	(60.1)%	\$39.06	\$39.77	(1.8)%
Three Months Ended September 30	12,513	22,314	(43.9)%	\$39.94	\$42.82	(6.7)%
Three Months Ended December 31	12,552	22,905	(45.2)%	\$45.40	\$44.40	2.3%

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, unless the ride is accessible in the Lyft App.

Beginning in the fourth quarter of 2020, some riders were able to access their Concierge rides in the Lyft App if they already had a Lyft account. Accordingly, Lyft updated the definition of Active Riders to include Concierge riders if the rider’s phone number matches that of a verified Lyft account, allowing the rider to access their ride in the Lyft App. This update resulted in a 0.01% increase, or an additional 927 Active Riders in the fourth quarter of 2020. Prior to the fourth quarter of 2020, all Concierge riders were excluded from the calculation of Active Riders as Concierge rides could not be matched with verified rider accounts.

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. 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.

With the exception of the three months ended March 31, 2020 as compared to the three months ended March 31, 2019, Active Riders in each of the three month periods ended June 30, September 30, and December 31, 2020 was down compared to the same period in 2019. This was primarily due to the implementation of travel restrictions and extensive social distancing measures across North America in response to the COVID-19 pandemic since March 2020. However, relative to the trough in Active Riders for the three months ended June 30, 2020, our Active Riders base increased during the three months ended September 30, 2020 and was stable during the three months ended December 31, 2020 despite the surge in COVID-19 cases and the reintroduction of restrictive measures toward the end of the year. Local recovery trends continue to vary significantly.

Revenue per Active Rider for each of the three months ended June 30, 2020 and September 30, 2020 was down compared to the same period in 2019 reflecting the decline in ride frequency as a result of the COVID-19 pandemic. However, revenue per Active Rider reached an all time high in the three months ended December 31, 2020, reflecting a mix shift toward higher frequency Active Riders as new rider activations declined and lower frequency riders used the platform less often. 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 increased revenue per Active Rider this quarter. In the latter part of the fourth quarter, as COVID-19 cases surged and states and cities implemented restrictive measures intended to curb the spread, ride demand also declined.

### 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. Our IPO was completed on April 2, 2019 and the partial exercise of the

underwriters' option to purchase additional shares was completed on April 9, 2019. Our consolidated financial statements as of December 31, 2019 and for the year then-ended reflect the sale by us of an aggregate of 35,496,845 shares in our IPO, including pursuant to the partial exercise of the underwriters' option to purchase additional shares, 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, and 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 consolidated financial statements as of December 31, 2019 and for the year then-ended reflect stock-based compensation expense of \$1.6 billion primarily associated with the vesting of RSUs for which the requisite service condition was met as of December 31, 2019. The liquidity event condition for RSUs, if any, was satisfied upon the effectiveness of our IPO Registration Statement on March 28, 2019.

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

Our consolidated financial statements and the related notes thereto included elsewhere in this Annual Report on Form 10-K are prepared in accordance with GAAP. The preparation of 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.

We believe that the accounting policies described below involve a significant degree of judgment and complexity. Accordingly, we believe these are the most critical to aid in fully understanding and evaluating our consolidated financial condition and results of operations. For further information, see Note 2 of the notes to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K.

### **Revenue Recognition**

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

We generate substantially all our revenue from our ridesharing marketplace that connects drivers and riders. 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 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 users 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 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.

Revenue generated from single-use ride fees paid by Light Vehicles riders 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.

#### ***Insurance Reserves***

We utilize 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 determined on a quarterly basis by internal actuaries through an analysis of historical trends, changes in claims experience including consideration of new information and application of loss development factors among other inputs and assumptions. On an annual basis, an independent third-party actuary will evaluate the liabilities for appropriateness with claims reserve valuations.

Insurance claims may take years to completely settle, and we have limited historical loss experience. Because of the limited operational history, we make certain assumptions based on currently available information and industry statistics and utilize 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. The impact of these factors on ultimate costs for insurance is difficult to estimate and could be material. However, while we believe 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 significantly vary from the estimated amounts provided for in the consolidated balance sheets. We continue to review our insurance reserve estimates in a regular, ongoing process as historical experience develops, additional claims are reported as settled, and the legal, regulatory and economic environment evolves.

#### ***Stock-Based Compensation***

We incur stock-based compensation expense primarily from RSUs, performance based stock units (“PSUs”), stock options, and stock purchase rights granted under the our Employee Stock Purchase Plan (“ESPP”).

We estimate the fair value of stock options granted to employees, directors and consultants and ESPP purchase rights using the Black-Scholes option-pricing model. The fair value of stock options that are expected to vest is recognized as compensation expense on a straight-line basis over the requisite service period. We recognize compensation expense related to the ESPP purchase rights on a straight-line basis over the offering period, which is typically 12 months.



The fair value of RSUs and PSUs are estimated based on the fair market value of our common stock on the date of grant, which subsequent to our IPO is determined based on the closing price of our Class A common stock as reported on the date of grant. Prior to our IPO, we granted RSUs which vest upon the satisfaction of both a service condition and a performance condition.

Compensation expense for RSUs with service and performance conditions is amortized on a graded basis over the requisite service period as long as the performance condition in the form of a specified liquidity event is probable to occur. The liquidity event condition was satisfied upon the effectiveness of our IPO Registration Statement on March 28, 2019. On that date we recorded a cumulative stock-based compensation expense of \$857.2 million using the accelerated attribution method for the RSUs for which the service condition was satisfied as of March 28, 2019. The remaining unrecognized stock-based compensation expense related to these RSUs is recorded over their remaining requisite service periods. The compensation expense for RSUs granted after March 28, 2019, which vest upon satisfaction of a service-based condition only, is recognized on a straight-line basis over the requisite service period. As of December 31, 2020, the total unrecognized compensation cost related to RSUs was \$905.6 million, which we expect to recognize over the remaining weighted-average period of approximately 2.4 years.

Stock-based compensation expense is based on awards ultimately expected to vest and reflects estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates.

### ***Business Combinations***

We account for our business combinations using the acquisition method of accounting, which requires, among other things, allocation of the fair value of purchase consideration to the tangible and intangible assets acquired and liabilities assumed at their estimated fair values on the acquisition date. The excess of the fair value of purchase consideration over the values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair value of assets acquired and liabilities assumed, we make significant estimates and assumptions, especially with respect to intangible assets. Our estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, not to exceed one year from the date of acquisition, we may record adjustments to the assets acquired and liabilities assumed, with a corresponding offset to goodwill if new information is obtained related to facts and circumstances that existed as of the acquisition date. After the measurement period, any subsequent adjustments are reflected in the consolidated statements of operations. Acquisition costs, such as legal and consulting fees, are expensed as incurred.

### ***Goodwill***

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. Intangible assets resulting from the acquisition of entities accounted for using the purchase method of accounting are estimated by us based on the fair value of assets received. Intangible assets are amortized on a straight-line basis over the estimated useful lives which range from two to twelve years.

Goodwill is not subject to amortization, but is tested for impairment on an annual basis during the fourth quarter or whenever events or changes in circumstances indicate the carrying amount of the goodwill may not be recoverable. As part of the annual goodwill impairment test, we first perform a qualitative assessment to determine whether further impairment testing is necessary. If, as a result of its qualitative assessment, it is more-likely-than-not that the fair value of the reporting unit is less than its carrying amounts, the quantitative impairment test will be required. There was no impairment of goodwill recorded for the years ended December 31, 2020, 2019 and 2018.

### **Recent Accounting Pronouncements**

See Note 2 to our consolidated financial statements included elsewhere in this Annual Report on Form 10-K 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, and we have adopted multiple measures in response to the COVID-19 pandemic. 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 in future periods.

### ***Revenue***

Revenue consists of revenue recognized from fees paid by drivers for use of our Lyft Platform offerings, Concierge platform fees from organizations that use our Concierge offering, and subscription fees paid by riders to access transportation options through

the Lyft Platform. Revenue derived from these offerings are recognized in accordance with ASC 606 as described in the Critical Accounting Policies and Estimates above and in Note 2 of the notes to our consolidated financial statements.

Revenue also consists of rental revenues recognized through leases or subleases primarily from Flexdrive, Lyft Rentals, and our network of Light Vehicles, which includes revenue generated from single-use ride fees paid by riders of Light Vehicles. Revenue derived from these offerings are recognized in accordance with ASC 842 as described in the Critical Accounting Policies and Estimates above and in Note 2 of the notes to our consolidated financial statements.

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.

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

Cost of revenue consists of costs directly related to revenue generating transactions through our multimodal platform which primarily includes insurance costs, payment processing charges, and other costs. Insurance costs consist of insurance generally required under TNC and city regulations for ridesharing and bike and scooter rentals and also includes occupational hazard insurance for drivers. Payment processing charges include merchant fees, chargebacks and failed charges. Other costs included in cost of revenue are hosting and platform-related technology costs, vehicle lease expenses, personnel-related compensation costs, depreciation, amortization of technology-related intangible assets, asset write-off charges, and gains and losses related to the sale of vehicles.

### ***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, facility costs, certain car rental fleet support costs and fees paid to third-parties providing operations support. 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 certain of 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, personnel-related compensation costs, driver incentives for referring new drivers or riders, 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, professional services fees, certain insurance costs that are generally not required under TNC regulations, certain loss contingency expenses including legal accruals and settlements, insurance claims administrative fees, policy spend, depreciation, 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 consolidated statements of operations data:

	Year Ended December 31,		
	2020	2019	2018
	<i>(in thousands)</i>		
Revenue	\$ 2,364,681	\$ 3,615,960	\$ 2,156,616
Costs and expenses			
Cost of revenue	1,447,516	2,176,469	1,243,400
Operations and support	453,963	636,116	338,402
Research and development	909,126	1,505,640	300,836
Sales and marketing	416,331	814,122	803,751
General and administrative	946,127	1,186,093	447,938
Total costs and expenses	4,173,063	6,318,440	3,134,327
Loss from operations	(1,808,382)	(2,702,480)	(977,711)
Interest expense	(32,678)	—	—
Other income, net	43,669	102,595	67,114
Loss before income taxes	(1,797,391)	(2,599,885)	(910,597)
Provision for (benefit from) income taxes	(44,534)	2,356	738
Net loss	\$ (1,752,857)	\$ (2,602,241)	\$ (911,335)

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

	Year Ended December 31,		
	2020	2019	2018
Revenue	100.0 %	100.0 %	100.0 %
Costs and expenses			
Cost of revenue	61.2	60.2	57.6
Operations and support	19.2	17.6	15.7
Research and development	38.4	41.6	13.9
Sales and marketing	17.6	22.5	37.3
General and administrative	40.0	32.8	20.8
Total costs and expenses	176.5	174.7	145.3
Loss from operations	(76.5)	(74.7)	(45.3)
Interest expense	(1.4)	—	—
Other income, net	1.8	2.8	3.1
Loss before income taxes	(76.0)	(71.9)	(42.2)
Provision for (benefit from) income taxes	(1.9)	0.1	0.1
Net loss	(74.1)%	(72.0)%	(42.3)%

### Comparison of Years Ended December 31, 2020, 2019 and 2018

#### Revenue

	Year Ended December 31,			2019 to 2020 % Change	2018 to 2019 % Change
	2020	2019	2018		
	<i>(in thousands, except for percentages)</i>				
Revenue	\$ 2,364,681	\$ 3,615,960	\$ 2,156,616	(35)%	68 %

Revenue decreased \$1.3 billion, or 35%, in the year ended December 31, 2020 as compared to the prior year, driven primarily by a decrease in the number of Active Riders beginning in March 2020 and continuing throughout 2020 due to the implementation of travel restrictions and extensive social distancing measures across North America in response to the COVID-19 pandemic.

We expect to see continued suppression of demand for our platform and resulting negative impacts on revenue for so long as the travel restrictions, extensive social distancing measures and other restrictive measures in response to COVID-19 remain in place

and we cannot predict when such measures may no longer be in place. Even as these measures and travel restrictions have been and will continue to be modified or lifted, we cannot estimate the extent that continued social distancing, altered consumer behavior, reduced travel and commuting and expected corporate cost cutting will impact our business.

### Cost of Revenue

	Year Ended December 31,			2019 to 2020 % Change	2018 to 2019 % Change
	2020	2019	2018		
	<i>(in thousands, except for percentages)</i>				
Cost of revenue	\$ 1,447,516	\$ 2,176,469	\$ 1,243,400	(33)%	75 %

Cost of revenue decreased \$729.0 million, or 33%, in the year ended December 31, 2020 as compared to the prior year. The decrease was due primarily to a decrease of \$371.7 million in insurance costs driven by (i) the negative impact on ride volume due to the COVID-19 pandemic and (ii) a decrease of \$51.0 million in changes to the liabilities for insurance required by regulatory agencies attributable to historical periods. The lower ride volume due to the COVID-19 pandemic also resulted in decreases in transaction fees and web hosting fees to support our platform of \$186.0 million and \$43.4 million, respectively. Bike and scooter related costs also decreased \$48.6 million as a result of a reduction in asset disposals and a reduction in depreciation expenses due to lower capital expenditures in response to the negative impact of the COVID-19 pandemic. In addition, stock-based compensation expense decreased \$48.4 million, 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 year ended December 31, 2019, and (ii) the stock-based compensation benefit related to the restructuring in the second quarter of 2020.

### Operations and Support

	Year Ended December 31,			2019 to 2020 % Change	2018 to 2019 % Change
	2020	2019	2018		
	<i>(in thousands, except for percentages)</i>				
Operations and support	\$ 453,963	\$ 636,116	\$ 338,402	(29)%	88 %

Operations and support expenses decreased \$182.2 million, or 29%, in the year ended December 31, 2020 as compared to the prior year. The decrease was primarily due to a reduction of \$64.6 million in driver onboarding costs and rider and driver support costs as well as a reduction of \$16.9 million in facilities costs as a result of the negative impact of the COVID-19 pandemic. Personnel-related costs also decreased \$32.2 million primarily as a result of the restructuring in the second quarter of 2020. In addition, stock-based compensation expense decreased \$56.6 million, 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 year ended December 31, 2019, and (ii) the stock-based compensation benefit related to the restructuring in the second quarter of 2020.

### Research and Development

	Year Ended December 31,			2019 to 2020 % Change	2018 to 2019 % Change
	2020	2019	2018		
	<i>(in thousands, except for percentages)</i>				
Research and development	\$ 909,126	\$ 1,505,640	\$ 300,836	(40)%	400 %

Research and development expenses decreased \$596.5 million, or 40%, in the year ended December 31, 2020 as compared to the prior year. The decrease was primarily due to a \$609.6 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 year ended December 31, 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 \$47.0 million in autonomous vehicles research and development costs primarily due to the absence of

reimbursements from a co-development partnership which concluded in the fourth quarter of 2019. We recently announced that we were exploring strategic options for our Level 5 self-driving system development program.

### Sales and Marketing

	Year Ended December 31,			2019 to 2020 % Change	2018 to 2019 % Change
	2020	2019	2018		
	<i>(in thousands, except for percentages)</i>				
Sales and marketing	\$ 416,331	\$ 814,122	\$ 803,751	(49)%	1 %

Sales and marketing expenses decreased \$397.8 million, or 49%, in the year ended December 31, 2020 as compared to the prior year. The decrease was due to a \$246.5 million decrease in costs related to incentive programs driven primarily by a reduction in rider incentives beginning in the second quarter of 2020 through the fourth quarter of 2020, a decrease of \$36.3 million in costs associated with driver and rider acquisition and a decrease of \$31.9 million in brand and other marketing. Personnel-related costs also decreased \$12.2 million primarily as a result of the restructuring in the second quarter of 2020. The decrease was also due to a \$47.1 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 year ended December 31, 2019, and (ii) the stock-based compensation benefit related to the restructuring in the second quarter of 2020.

### General and Administrative

	Year Ended December 31,			2019 to 2020 % Change	2018 to 2019 % Change
	2020	2019	2018		
	<i>(in thousands, except for percentages)</i>				
General and administrative	\$ 946,127	\$ 1,186,093	\$ 447,938	(20)%	165 %

General and administrative expenses decreased \$240.0 million, or 20%, in the year ended December 31, 2020 as compared to the prior year. The decrease was due primarily to a \$222.7 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 year ended December 31, 2019, and (ii) the stock-based compensation benefit related to the restructuring events in 2020. There was also a \$50.0 million decrease in the accrual of self-retained general business liabilities and a decrease of \$23.5 million in certain loss contingencies including legal accruals and settlements. These decreases were partially offset by \$44.6 million in policy spend in support of the passage of Proposition 22 in California and an increase of \$28.5 million in consultant and advisory costs.

### Interest Expense

	Year Ended December 31,			2019 to 2020 % Change	2018 to 2019 % Change
	2020	2019	2018		
	<i>(in thousands, except for percentages)</i>				
Interest expense	\$ (32,678)	\$ —	\$ —	— %	— %

Interest expense increased \$32.7 million in the year ended December 31, 2020 as compared to prior years. Interest expense relates 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, Net

	Year Ended December 31,			2019 to 2020 % Change	2018 to 2019 % Change
	2020	2019	2018		
	<i>(in thousands, except for percentages)</i>				
Other income, net	\$ 43,669	\$ 102,595	\$ 67,114	(57)%	53 %

Other income, net decreased \$58.9 million, or 57%, in the year ended December 31, 2020 as compared to the prior year. 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.

### Quarterly Results of Operations

The following table sets forth our unaudited quarterly consolidated results of operations for each of the eight quarters in the period ended December 31, 2020. These unaudited quarterly results of operations have been prepared on the same basis as our audited

consolidated financial statements included elsewhere in this Annual Report on Form 10-K. In the opinion of management, the financial information set forth in the table below reflects all normal recurring adjustments necessary for the fair statement of results of operations for these periods. Our historical results are not necessarily indicative of the results that may be expected in the future and the results of a particular quarter or other interim period are not necessarily indicative of the results for a full year. You should read the following unaudited quarterly consolidated results of operations in conjunction with the section titled “Management’s Discussion and Analysis of Financial Condition and Results of Operations” and our consolidated financial statements and related notes included elsewhere in this Annual Report on 10-K.

*Quarterly Consolidated Statements of Operations*

	Three Months Ended							
	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019
	<i>(in thousands, except for per share data)</i>							
Revenue	\$ 569,880	\$ 499,744	\$ 339,345	\$ 955,712	\$ 1,017,070	\$ 955,598	\$ 867,265	\$ 776,027
Costs and expenses <sup>(1)</sup>								
Cost of revenue	392,128	261,614	251,355	542,419	502,762	580,714	630,136	462,857
Operations and support	98,435	123,136	98,610	133,782	147,112	149,794	151,975	187,235
Research and development	215,180	232,106	203,101	258,739	276,575	288,272	309,833	630,960
Sales and marketing	89,524	78,548	51,822	196,437	194,184	163,858	180,951	275,129
General and administrative	228,040	257,693	221,954	238,440	278,251	263,820	267,286	376,736
Total costs and expenses	1,023,307	953,097	826,842	1,369,817	1,398,884	1,446,458	1,540,181	1,932,917
Loss from operations	(453,427)	(453,353)	(487,497)	(414,105)	(381,814)	(490,860)	(672,916)	(1,156,890)
Interest expense	(12,105)	(12,529)	(6,537)	(1,507)	—	—	—	—
Other income, net	4,903	7,474	12,123	19,169	23,835	29,292	29,668	19,800
Loss before income taxes	(460,629)	(458,408)	(481,911)	(396,443)	(357,979)	(461,568)	(643,248)	(1,137,090)
Provision for (benefit from) income taxes	(2,474)	1,109	(44,799)	1,630	(1,927)	1,909	991	1,383
Net loss	\$ (458,155)	\$ (459,517)	\$ (437,112)	\$ (398,073)	\$ (356,052)	\$ (463,477)	\$ (644,239)	\$ (1,138,473)
Net loss per share, basic and diluted	\$ (1.43)	\$ (1.46)	\$ (1.41)	\$ (1.31)	\$ (1.19)	\$ (1.57)	\$ (2.23)	\$ (48.53)
Weighted-average number of shares outstanding used to compute net loss per share, basic and diluted	320,340	314,530	309,213	304,502	299,604	294,784	288,372	23,459

<sup>(1)</sup> Costs and expenses include stock-based compensation expense as follows:

	Three Months Ended							
	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019
	<i>(in thousands)</i>							
Cost of revenue	7,542	7,021	4,456	9,724	\$ 12,696	\$ 12,078	\$ 15,058	\$ 41,489
Operations and support	4,887	5,310	1,499	4,133	7,034	8,553	8,221	51,404
Research and development	81,631	96,212	52,233	95,548	128,987	153,830	182,918	506,206
Sales and marketing	7,270	6,910	4,455	4,750	6,833	7,969	12,133	45,111
General and administrative	31,979	51,264	43,160	45,823	48,861	59,746	74,908	215,276
Total stock-based compensation expense	\$ 133,309	\$ 166,717	\$ 105,803	\$ 159,978	\$ 204,411	\$ 242,176	\$ 293,238	\$ 859,486

The three months ended March 31, 2019 includes \$857.2 million of stock-based compensation expense related to RSUs, for which the performance-based condition, if any, was satisfied on March 28, 2019, the effective date of our IPO Registration Statement, and the requisite service conditions was met as of December 31, 2019.

Consolidated Statements of Operations, as a percentage of revenue

	Three Months Ended							
	Dec. 31, 2020	Sept. 30, 2020	June 30, 2020	March 31, 2020	Dec. 31, 2019	Sept. 30, 2019	June 30, 2019	March 31, 2019
Revenue	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %	100.0 %
Costs and expenses								
Cost of revenue	68.8	52.3	74.1	56.8	49.4	60.8	72.7	59.6
Operations and support	17.3	24.6	29.1	14.0	14.5	15.7	17.5	24.1
Research and development	37.8	46.4	59.9	27.1	27.2	30.2	35.8	81.3
Sales and marketing	15.7	15.7	15.3	20.6	19.1	17.1	20.9	35.5
General and administrative	40.0	51.6	65.4	24.9	27.4	27.6	30.8	48.5
Total costs and expenses	179.6	190.7	243.7	143.3	137.6	151.4	177.7	249.0
Loss from operations	(79.6)	(90.7)	(143.7)	(43.3)	(37.5)	(51.4)	(77.7)	(149.0)
Interest expense	(2.1)	(2.5)	(1.9)	(0.2)	—	—	—	—
Other income, net	0.9	1.5	3.6	2.0	2.4	3.1	3.5	2.5
Loss before income taxes	(80.8)	(91.7)	(142.0)	(41.5)	(35.1)	(48.3)	(74.2)	(146.5)
Provision for (benefit from) income taxes	(0.4)	0.2	(13.2)	0.2	(0.2)	0.2	0.1	0.2
Net loss	(80.4)%	(92.0)%	(128.8)%	(41.7)%	(34.9)%	(48.5)%	(74.3)%	(146.7)%

Non-GAAP Financial Measures

	Year Ended December 31,			2019 to 2020 % Change	2018 to 2019 % Change
	2020	2019	2018		
Contribution <sup>(1)</sup>	\$ 1,229.5	\$ 1,812.5	\$ 920.8	(32.2)%	96.8 %
Contribution Margin	52.0 %	50.1 %	42.7 %		
Adjusted EBITDA <sup>(1)</sup>	\$ (755.2)	\$ (678.9)	\$ (943.5)	11.2 %	(28.0)%
Adjusted EBITDA Margin	(31.9)%	(18.8)%	(43.7)%		

(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 5 "Supplemental Financial Statement Information" to the 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.

We had restructuring efforts in the second and fourth quarters of 2020 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 (benefit from) 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 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):

	Year Ended December 31,		
	2020	2019	2018
	<i>(in millions)</i>		
Revenue	\$ 2,364.7	\$ 3,616.0	\$ 2,156.6
Less: cost of revenue	(1,447.5)	(2,176.5)	(1,243.4)
Adjusted to exclude the following (as related to cost of revenue):			
Amortization of intangible assets	12.0	19.5	3.7
Stock-based compensation	28.7	81.4	0.5
Payroll tax expense related to stock-based compensation	1.5	1.8	—
Changes to the liabilities for insurance required by regulatory agencies attributable to historical periods <sup>(1)</sup>	204.1	270.3	3.4
Transfer of certain legacy auto insurance liabilities <sup>(2)</sup>	62.5	—	—
Restructuring charges <sup>(3)</sup>	3.5	—	—
Contribution	<u>\$ 1,229.5</u>	<u>\$ 1,812.5</u>	<u>\$ 920.8</u>

- (1) \$204.1 million of insurance expense recorded during the year ended December 31, 2020 reflects changes to reserves estimates of claims from the third quarter of 2020 and earlier periods. \$270.3 million of insurance expense recorded during the year ended December 31, 2019 reflects changes to reserves estimates of claims from the third quarter of 2019 and earlier periods. \$3.4 million of insurance expense recorded during the year ended December 31, 2018 reflects changes to reserves estimates of claims from the third quarter of 2018 and earlier periods.
- (2) The total impact of the transfer of certain legacy auto insurance liabilities on our 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):

	Year Ended December 31,		
	2020	2019	2018
	<i>(in millions)</i>		
Net loss	\$ (1,752.9)	\$ (2,602.2)	\$ (911.3)
Adjusted to exclude the following:			
Interest expense <sup>(1)</sup>	34.3	—	—
Other income, net <sup>(2)</sup>	(43.7)	(102.6)	(67.2)
Provision for (benefit from) income taxes	(44.5)	2.3	0.7
Depreciation and amortization	157.4	108.3	18.8
Stock-based compensation	565.8	1,599.3	8.6
Payroll tax expense related to stock-based compensation	23.7	44.7	—
Changes to the liabilities for insurance required by regulatory agencies attributable to historical periods <sup>(3)</sup>	204.1	270.3	3.4
Costs related to acquisitions	0.4	1.0	3.5
Transfer of certain legacy auto insurance liabilities <sup>(4)</sup>	64.7	—	—
Restructuring charges <sup>(5)</sup>	35.5	—	—
Adjusted EBITDA	<u>\$ (755.2)</u>	<u>\$ (678.9)</u>	<u>\$ (943.5)</u>

- (1) Includes interest expense for Flexdrive vehicles and the 2025 Notes and \$1.6 million related to the interest component of vehicle related finance leases. Refer to Note 7 “Leases” to the 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 consolidated statement of operations in periods prior to the second quarter of 2020.
- (3) \$204.1 million of insurance expense recorded during the year ended December 31, 2020 reflects changes to reserves estimates of claims from the third quarter of 2020 and earlier periods. \$270.3 million of insurance expense recorded during the year ended December 31, 2019 reflects changes to reserves estimates of claims from the third quarter of 2019 and earlier periods. \$3.4 million of insurance expense recorded during the year ended December 31, 2018 reflects changes to reserves estimates of claims from the third quarter of 2018 and earlier periods.
- (4) The total impact of the transfer of certain legacy auto insurance liabilities on our 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 \$32.9 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 \$50.0 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 December 31, 2020, our principal sources of liquidity were cash and cash equivalents of approximately \$319.7 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 December 31, 2020 and 2019 were \$1.1 billion and \$1.4 billion, respectively.

We continue to actively monitor the impact of the COVID-19 pandemic. Beginning in March 2020, the pandemic and responses thereto contributed to a severe decrease in the number of rides on our platform and revenue which had a significant effect on our cash flows from operations. These impacts are ongoing and have continued into 2021. 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, actions by government authorities and private businesses to contain the pandemic or recover from its impact, and the availability and distribution of the vaccine, among other things. We have adopted several measures in response to the COVID-19 pandemic, including pausing our shared ride offerings, distributing thousands of bottles of hand sanitizer, masks and partitions to drivers on our platform, providing most employees with the option to work from home until September 1, 2021, restricting non-critical business travel by our employees, and making adjustments to our expenses and cash flow to correlate with declines in revenues. On

April 29, 2020, we announced a restructuring plan which included the termination of approximately 17% of our employees, furlough approximately 300 employees, and implement temporary salary reductions for all exempt employees and board members. In connection with these decisions, we incurred a net restructuring benefit of \$14.5 million in the second quarter of 2020. In the fourth quarter of 2020, we had an additional restructuring plan which included the termination of 45 employees in our continued efforts to reduce operating expenses resulting in an additional \$1.4 million in net restructuring charges. In addition, we have also implemented an aggressive plan to strengthen our financial position. For example, we significantly decreased our 2020 capital expenditure spending from our original plan and exceeded our target cost reductions in 2020 by 20%. We also decreased rider incentives to an all-time low in the second quarter of 2020 and maintained them near the historical low through the fourth quarter of 2020, resulting in a significant decrease in sales and marketing expenses.

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 our actions will mitigate some or all of the negative effects of the pandemic on our business. With nearly \$2.3 billion in unrestricted cash and cash equivalents and short-term investments as of December 31, 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 travel restrictions and other social distancing measures in response to COVID-19 remain in place. 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, or to refinance our existing or future indebtedness. 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:

	Year Ended December 31,		
	2020	2019	2018
	<i>(in thousands)</i>		
Net cash used in operating activities	\$ (1,378,899)	\$ (105,702)	\$ (280,673)
Net cash provided by (used in) investing activities	740,427	(1,610,843)	(1,043,752)
Net cash provided by financing activities	512,566	1,574,196	852,238
Effect of foreign exchange on cash, cash equivalents and restricted cash and cash equivalents	(74)	328	(246)
Net change in cash, cash equivalents and restricted cash and cash equivalents	\$ (125,980)	\$ (142,021)	\$ (472,433)

## Operating Activities

Cash used in operating activities was \$1.4 billion for the year ended December 31, 2020. This consisted primarily of a net loss of \$1.8 billion and a decrease in the insurance reserve of \$391.4 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 \$565.8 million and depreciation and amortization expense of \$157.4 million.

Cash used in operating activities was \$105.7 million for the year ended December 31, 2019. This consisted primarily of a net loss of \$2.6 billion offset by non-cash stock-based compensation expense of \$1.6 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 \$0.9 billion.

Cash used in operating activities was \$280.7 million for the year ended December 31, 2018. This consisted of a net loss of \$911.3 million, an increase in prepaid expenses and other assets of \$75.6 million and a decrease in accounts payable of \$40.8 million due to the timing of payments, partially offset by an increase in insurance reserves and accrued and other liabilities of \$741.9 million.

### **Investing Activities**

Cash provided by investing activities was \$740.4 million for the year ended December 31, 2020, which primarily consisted of proceeds from sales and maturities of marketable securities of \$5.4 billion and maturities of term deposits of \$645.6 million, partially offset by purchases of marketable securities of \$4.1 billion and term deposits of \$1.1 billion.

Cash used in investing activities was \$1.6 billion for the year ended December 31, 2019, which primarily consisted of purchases of short-term investments of \$6.4 billion, partially offset by proceeds from sales and maturities of marketable securities of \$5.2 billion.

Cash used in investing activities was \$1.0 billion for the year ended December 31, 2018, which primarily consisted of purchases of short-term investments of \$5.5 billion, partially offset by proceeds from sales and maturities of marketable securities of \$4.7 billion.

### **Financing Activities**

Cash provided by financing activities was \$512.6 million for the year ended December 31, 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 year ended December 31, 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 \$0.9 billion.

Cash provided by financing activities was \$852.2 million for the year ended December 31, 2018, which consisted almost exclusively of proceeds from issuances of redeemable convertible preferred stock, net of issuance costs.

### **Contractual Obligations and Commitments**

The following table summarizes our contractual obligations and commitments as of December 31, 2020 (in millions):

	Payments Due by Period <sup>(1)</sup>				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Operating lease commitments	\$ 394.3	\$ 72.3	\$ 130.2	\$ 94.6	\$ 97.2
Financing lease commitments	28.0	21.1	5.7	1.2	—
Noncancelable purchase commitments	232.0	28.0	167.0	17.9	19.1
Long-term debt, including current maturities	680.0	35.8	75.4	568.8	—

(1) The table excludes insurance reserves due to uncertainties in the timing of settlement of these reserves.

### **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 7A. 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 December 31, 2020, we had unrestricted cash, cash equivalents and short-term investments of approximately \$2.3 billion, which consisted primarily of institutional money market funds, certificates of deposits, commercial paper, corporate bonds, U.S. government and agency securities, and term deposits, 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.

As of December 31, 2020, we had long-term debt of \$680.0 million, 84% of which consisted of the fixed-rate Convertible Senior Notes we issued in May 2020. A hypothetical 10% change in interest rates would not have a material impact on our financial condition or results of operations due to immateriality.

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 8. Financial Statements and Supplementary Data.**

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## Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Lyft, Inc.

### ***Opinions on the Financial Statements and Internal Control over Financial Reporting***

We have audited the accompanying consolidated balance sheets of Lyft, Inc. and its subsidiaries (the “Company”) as of December 31, 2020 and 2019, and the related consolidated statements of operations, of comprehensive loss, of redeemable convertible preferred stock and stockholders’ equity (deficit) and of cash flows for each of the three years in the period ended December 31, 2020, including the related notes (collectively referred to as the “consolidated financial statements”). We also have audited the Company’s internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of the Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2020 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2020, based on criteria established in *Internal Control - Integrated Framework* (2013) issued by the COSO.

### ***Change in Accounting Principle***

As discussed in Note 2 to the consolidated financial statements, the Company changed the manner in which it accounts for leases in 2019.

### ***Basis for Opinions***

The Company’s management is responsible for these consolidated financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in Management’s Report on Internal Control Over Financial Reporting appearing under Item 9A. Our responsibility is to express opinions on the Company’s consolidated financial statements and on the Company’s internal control over financial reporting based on our audits. We are a public accounting firm registered with the Public Company Accounting Oversight Board (United States) (PCAOB) and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether due to error or fraud, and whether effective internal control over financial reporting was maintained in all material respects.

Our audits of the consolidated financial statements included performing procedures to assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

### ***Definition and Limitations of Internal Control over Financial Reporting***

A company’s internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company’s internal control over financial reporting includes those policies and procedures that (i) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company’s assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

### ***Critical Audit Matters***

The critical audit matter communicated below is a matter arising from the current period audit of the consolidated financial statements that was communicated or required to be communicated to the audit committee and that (i) relates to accounts or disclosures that are material to the consolidated financial statements and (ii) involved our especially challenging, subjective, or complex judgments. The communication of critical audit matters does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the accounts or disclosures to which it relates.

#### *Valuation of Insurance Reserves*

As described in Note 2 to the consolidated financial statements, the Company utilizes 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.

As of December 31, 2020, insurance reserves totaled \$987 million. Management makes certain assumptions based on currently available information and industry statistics, with the most significant assumption being the loss development factor applied in the actuarial models and utilizes actuarial models and techniques to estimate the reserves. Liabilities are determined on a quarterly basis through an analysis of historical trends, changes in claims experience including consideration of new information and application of loss development factors among other inputs and assumptions.

The principal considerations for our determination that performing procedures relating to the valuation of insurance reserves is a critical audit matter are (i) the significant judgment by management when developing the estimated insurance reserves, which in turn led to a high degree of auditor judgment, subjectivity, and effort in performing procedures relating to the valuation of insurance reserves; (ii) the significant auditor effort and judgment in evaluating audit evidence related to the actuarial valuation methods and the loss development factors; and (iii) the audit effort involved the use of professionals with specialized skill and knowledge.

Addressing the matter involved performing procedures and evaluating audit evidence in connection with forming our overall opinion on the consolidated financial statements. These procedures included testing the effectiveness of controls relating to the valuation of insurance reserves, including the controls over the development of the actuarial valuation methods and the loss development factors. These procedures also included, among others, the involvement of professionals with specialized skill and knowledge to assist in developing an independent estimate of the insurance reserves for certain reserve segments and comparison of this independent estimate to management's actuarially determined reserves. Developing the independent estimate involved testing the completeness and accuracy of historical data provided by management, and independently developing loss development factors.

/s/ PricewaterhouseCoopers LLP

San Francisco, California  
March 1, 2021

We have served as the Company's auditor since 2015.



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

	December 31,	
	2020	2019
<b>Assets</b>		
Current assets		
Cash and cash equivalents	\$ 319,734	\$ 358,319
Short-term investments	1,931,334	2,491,805
Prepaid expenses and other current assets	343,070	397,239
Total current assets	2,594,138	3,247,363
Restricted cash and cash equivalents	118,559	204,976
Restricted investments	1,101,712	1,361,045
Other investments	10,000	—
Property and equipment, net	313,297	188,603
Operating lease right of use assets	275,756	441,258
Intangible assets, net	65,845	82,919
Goodwill	182,687	158,725
Other assets	16,970	6,494
Total assets	<u>\$ 4,678,964</u>	<u>\$ 5,691,383</u>
<b>Liabilities, Redeemable Convertible Preferred Stock and Stockholders' Equity</b>		
Current liabilities		
Accounts payable	\$ 84,108	\$ 38,839
Insurance reserves	987,064	1,378,462
Accrued and other current liabilities	954,008	939,865
Operating lease liabilities — current	49,291	94,199
Total current liabilities	2,074,471	2,451,365
Operating lease liabilities	265,803	382,077
Long-term debt, net of current portion	644,236	—
Other liabilities	18,291	3,857
Total liabilities	<u>3,002,801</u>	<u>2,837,299</u>
Commitments and contingencies (Note 8)		
Stockholders' equity		
Preferred stock, \$0.00001 par value; 1,000,000,000 shares authorized as of December 31, 2020 and December 31, 2019; no shares issued and outstanding as of December 31, 2020 and December 31, 2019	—	—
Common stock, \$0.00001 par value; 18,000,000,000 Class A shares authorized as of December 31, 2020 and December 31, 2019, 314,934,487 and 293,793,151 Class A shares issued and outstanding as of December 31, 2020 and December 31, 2019, respectively; 100,000,000 Class B shares authorized, 8,802,629 Class B shares issued and outstanding as of December 31, 2020 and December 31, 2019	3	3
Additional paid-in capital	8,977,061	8,398,927
Accumulated other comprehensive income (loss)	(473)	2,725
Accumulated deficit	(7,300,428)	(5,547,571)
Total stockholders' equity	<u>1,676,163</u>	<u>2,854,084</u>
Total liabilities, redeemable convertible preferred stock and stockholders' equity	<u>\$ 4,678,964</u>	<u>\$ 5,691,383</u>

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

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

	Year Ended December 31,		
	2020	2019	2018
Revenue	\$ 2,364,681	\$ 3,615,960	\$ 2,156,616
Costs and expenses			
Cost of revenue	1,447,516	2,176,469	1,243,400
Operations and support	453,963	636,116	338,402
Research and development	909,126	1,505,640	300,836
Sales and marketing	416,331	814,122	803,751
General and administrative	946,127	1,186,093	447,938
Total costs and expenses	4,173,063	6,318,440	3,134,327
Loss from operations	(1,808,382)	(2,702,480)	(977,711)
Interest expense	(32,678)	—	—
Other income, net	43,669	102,595	67,114
Loss before income taxes	(1,797,391)	(2,599,885)	(910,597)
Provision for (benefit from) income taxes	(44,534)	2,356	738
Net loss	\$ (1,752,857)	\$ (2,602,241)	\$ (911,335)
Net loss per share, basic and diluted	\$ (5.61)	\$ (11.44)	\$ (43.04)
Weighted-average number of shares outstanding used to compute net loss per share, basic and diluted	312,175	227,498	21,176
<b>Stock-based compensation included in costs and expenses:</b>			
Cost of revenue	\$ 28,743	\$ 81,321	\$ 501
Operations and support	15,829	75,212	177
Research and development	325,624	971,941	4,107
Sales and marketing	23,385	72,046	261
General and administrative	172,226	398,791	3,531

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

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

	Year Ended December 31,		
	2020	2019	2018
Net loss	\$ (1,752,857)	\$ (2,602,241)	\$ (911,335)
Other comprehensive income (loss)			
Foreign currency translation adjustment	(2,187)	162	988
Unrealized gain (loss) on marketable securities, net of taxes	(1,011)	2,430	156
Other comprehensive income (loss)	(3,198)	2,592	1,144
Comprehensive loss	<u>\$ (1,756,055)</u>	<u>\$ (2,599,649)</u>	<u>\$ (910,191)</u>

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

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

	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 (Deficit)
	Shares	Amount	Shares	Amount				
<b>Balances as of January 1, 2018</b>	199,815	\$ 4,284,049	19,916	\$ —	\$ 55,568	\$ (2,033,995)	\$ (1,011)	\$ (1,979,438)
Issuance of Series H redeemable convertible preferred stock, net of issuance cost	6,397	254,162	—	—	—	—	—	—
Issuance of Series I redeemable convertible preferred stock, net of issuance cost	12,429	588,496	—	—	—	—	—	—
Issuance of Series I redeemable convertible preferred stock issued as consideration as part of a business combination	535	25,340	—	—	—	—	—	—
Issuance of common stock upon exercise of stock options	—	—	2,254	—	9,564	—	—	9,564
Issuance of restricted common stock upon early exercise of stock options	—	—	27	—	—	—	—	—
Issuance of restricted stock awards granted in conjunction with a business combination	—	—	241	—	—	—	—	—
Vesting of early exercised stock options	—	—	—	—	207	—	—	207
Stock-based compensation	—	—	—	—	8,577	—	—	8,577
Other comprehensive income	—	—	—	—	—	—	1,144	1,144
Net loss	—	—	—	—	—	(911,335)	—	(911,335)
<b>Balance as of December 31, 2018</b>	<u>219,176</u>	<u>\$ 5,152,047</u>	<u>22,438</u>	<u>\$ —</u>	<u>\$ 73,916</u>	<u>\$ (2,945,330)</u>	<u>\$ 133</u>	<u>\$ (2,871,281)</u>
Issuance of common stock upon exercise of stock options	—	—	10,855	—	18,336	—	—	18,336
Issuance of common stock upon settlement of RSUs	—	—	28,622	—	—	—	—	—
Issuance of common stock under employee stock purchase plan	—	—	404	—	14,767	—	—	14,767
Shares withheld related to net share settlement	—	—	(14,394)	—	(942,982)	—	—	(942,982)
Issuance of common 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
Cancelled escrow shares related to business combination	—	—	(2)	—	(90)	—	—	(90)
Vesting of early exercised stock options	—	—	—	—	2	—	—	2
Stock-based compensation	—	—	—	—	1,599,311	—	—	1,599,311
Other comprehensive income	—	—	—	—	—	—	2,592	2,592
Net loss	—	—	—	—	—	(2,602,241)	—	(2,602,241)
<b>Balance as of December 31, 2019</b>	<u>—</u>	<u>—</u>	<u>302,596</u>	<u>\$ 3</u>	<u>\$ 8,398,927</u>	<u>\$ (5,547,571)</u>	<u>\$ 2,725</u>	<u>\$ 2,854,084</u>

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

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

	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 (Deficit)
	Shares	Amount	Shares	Amount				
<b>Balance 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	—	—	1,039	—	4,673	—	—	4,673
Issuance of common stock upon settlement of restricted stock units	—	—	19,762	—	—	—	—	—
Shares withheld related to net share settlement	—	—	(552)	—	(20,240)	—	—	(20,240)
Issuance of common stock under employee stock purchase plan	—	—	892	—	21,351	—	—	21,351
Equity component of the convertible senior notes issued, net of tax and offering costs	—	—	—	—	139,224	—	—	139,224
Purchase of capped call	—	—	—	—	(132,681)	—	—	(132,681)
Stock-based compensation	—	—	—	—	565,807	—	—	565,807
Other comprehensive loss	—	—	—	—	—	—	(3,198)	(3,198)
Net loss	—	—	—	—	—	(1,752,857)	—	(1,752,857)
<b>Balance as of December 31, 2020</b>	—	\$ —	323,737	\$ 3	\$ 8,977,061	\$ (7,300,428)	\$ (473)	\$ 1,676,163

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

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

	Year Ended December 31,		
	2020	2019	2018
<b>Cash flows from operating activities</b>			
Net loss	\$ (1,752,857)	\$ (2,602,241)	\$ (911,335)
Adjustments to reconcile net loss to net cash used in operating activities			
Depreciation and amortization	157,353	108,429	18,752
Stock-based compensation	565,807	1,599,311	8,577
Amortization of premium on marketable securities	6,461	597	473
Accretion of discount on marketable securities	(14,075)	(39,285)	(23,605)
Amortization of debt discount and issuance costs	21,050	—	—
Deferred income tax impact from convertible senior notes	(46,324)	—	—
Loss on sale and disposal of assets, net	15,216	36,541	—
Other	4,518	(875)	989
Changes in operating assets and liabilities, net effects of acquisition			
Prepaid expenses and other assets	39,573	(119,453)	(75,640)
Operating lease right-of-use assets	61,201	108,600	—
Accounts payable	44,489	5,067	(40,811)
Insurance reserves	(391,398)	568,190	433,735
Accrued and other liabilities	(36,679)	332,363	308,192
Lease liabilities	(53,234)	(102,946)	—
Net cash used in operating activities	<u>(1,378,899)</u>	<u>(105,702)</u>	<u>(280,673)</u>
<b>Cash flows from investing activities</b>			
Purchases of marketable securities	(4,112,677)	(6,448,895)	(5,454,118)
Purchases of non-marketable securities	(10,000)	—	—
Purchases of term deposits	(1,110,317)	(142,811)	—
Proceeds from sales of marketable securities	656,960	1,092,978	900,361
Proceeds from maturities of marketable securities	4,745,926	4,071,165	3,838,464
Proceeds from maturities of term deposits	645,622	—	—
Purchases of property and equipment and scooter fleet	(93,639)	(178,088)	(68,668)
Purchases of other intangible assets	—	—	(2,200)
Sales of property and equipment	30,894	7,131	—
Cash paid for acquisitions, net of cash acquired	(12,342)	(12,323)	(257,591)
Net cash provided by (used in) investing activities	<u>740,427</u>	<u>(1,610,843)</u>	<u>(1,043,752)</u>
<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	—	2,484,029	—
Proceeds from issuance of redeemable convertible preferred stock, net of issuance costs	—	—	842,658
Repayment of loans	(50,639)	—	—
Proceeds from issuance of convertible senior notes	734,065	—	—
Payment of debt issuance costs	(824)	—	—
Purchase of capped call	(132,681)	—	—
Proceeds from exercise of stock options and other common stock issuances	26,067	33,062	9,986
Taxes paid related to net share settlement of equity awards	(20,240)	(942,895)	—
Principal payments on finance lease obligations	(41,682)	—	—
Other	(1,500)	—	(406)
Net cash provided by financing activities	<u>512,566</u>	<u>1,574,196</u>	<u>852,238</u>
Effect of foreign exchange on cash, cash equivalents and restricted cash and cash equivalents	(74)	328	(246)
Net decrease in cash, cash equivalents and restricted cash and cash equivalents	<u>(125,980)</u>	<u>(142,021)</u>	<u>(472,433)</u>
<b>Cash, cash equivalents and restricted cash and cash equivalents</b>			
Beginning of period	564,465	706,486	1,178,919
End of period	<u>\$ 438,485</u>	<u>\$ 564,465</u>	<u>\$ 706,486</u>

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

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

	Year Ended December 31,		
	2020	2019	2018
<b>Reconciliation of cash, cash equivalents and restricted cash and cash equivalents to the consolidated balance sheets</b>			
Cash and cash equivalents	\$ 319,734	\$ 358,319	\$ 517,690
Restricted cash and cash equivalents	118,559	204,976	187,374
Restricted cash, included in prepaid expenses and other current assets	192	1,170	1,422
<b>Total cash, cash equivalents and restricted cash and cash equivalents</b>	<b>\$ 438,485</b>	<b>\$ 564,465</b>	<b>\$ 706,486</b>
<b>Supplemental disclosures of cash flow information</b>			
Cash paid for income taxes	\$ 4,037	\$ 819	\$ 326
Cash paid for interest	12,545	—	—
<b>Non-cash investing and financing activities</b>			
Purchases of property and equipment, and scooter fleet not yet settled	\$ 41,271	\$ 13,070	\$ 8,154
Deferred offering costs accrued, unpaid	—	—	1,689
Right of use assets acquired under operating leases	28,838	264,076	—
Right of use assets acquired under finance leases	6,556	—	—
Redeemable convertible preferred stock issued as part of a business combination	—	—	25,340
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	—
Decrease in goodwill from measurement period adjustments related to business combinations	—	3,240	—
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 consolidated financial statements.

**Lyft, Inc.**  
**Notes to Consolidated Financial Statements**

**1. Description of Business and Basis of Presentation**

***Organization and Description of Business***

Lyft, Inc. 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 riders who need a ride. The Lyft Platform provides a marketplace where drivers can be matched with riders via the Lyft App where the Company operates as a 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, the Express Drive program which is a flexible vehicle rental program for drivers 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. 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"). Refer to Note 5 "Supplemental Financial Statement Information" to the consolidated financial statements for information regarding this transaction.

***Basis of Presentation***

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) and include the accounts of the Company and its wholly-owned subsidiaries. All intercompany balances and transactions have been eliminated.

The Company uses the U.S. dollar predominantly as the functional currency of its foreign subsidiaries. For foreign subsidiaries where the U.S. dollar is the functional currency, gains and losses from remeasurement of foreign currency balances into U.S. dollars are included in the consolidated statements of operations. For the foreign subsidiary where the local currency is the functional currency, translation adjustments of foreign currency financial statements into U.S. dollars are recorded to a separate component of accumulated other comprehensive loss.

***Initial Public Offering***

The Company's registration statement on Form S-1 (the "IPO Registration Statement") related to its initial public offering ("IPO") was declared effective on March 28, 2019, and the Company's Class A common stock began trading on the Nasdaq Global Select Market on March 29, 2019. On April 2, 2019, the Company completed its IPO, in which the Company sold 32,500,000 shares of Class A common stock at a price to the public of \$72.00 per share. On April 9, 2019, the Company sold an additional 2,996,845 shares of Class A common stock at a price to the public of \$72.00 per share pursuant to the exercise of the underwriters' option to purchase additional shares. The Company received aggregate net proceeds of \$2.5 billion after deducting underwriting discounts and commissions of \$70.3 million and offering expenses of \$7.7 million subject to certain cost reimbursements.

Immediately prior to the completion of the IPO, 219,175,709 shares of redeemable convertible preferred stock then outstanding converted into an equivalent number of shares of common stock. Immediately prior to the completion of the IPO, the Company filed its Amended and Restated Certificate of Incorporation, which authorizes a total of 18,000,000,000 shares of Class A common stock, 100,000,000 shares of Class B common stock, and 1,000,000,000 shares of preferred stock. Upon the filing of the Amended and Restated Certificate of Incorporation, 255,007,393 shares of the Company's common stock then outstanding were automatically reclassified into an equivalent number of shares of the Company's Class A common stock. Immediately after the reclassification and prior to the completion of the IPO, a total of 12,779,709 shares of Class A common stock held by Logan Green, John Zimmer and their respective affiliated trusts were exchanged for an equivalent number of shares of Class B common stock pursuant to the terms of certain exchange agreements. As a result, following the completion of the IPO, the Company has two classes of authorized and outstanding common stock: Class A common stock and Class B common stock.



## 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 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 the 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 has spread throughout 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 pausing our shared rides offerings, distributing thousands of bottles of hand sanitizer, masks and partitions to drivers, requiring face coverings in all rideshare trips, providing most employees with the option to work from home until September 1, 2021, restricting non-critical business travel by employees, and making adjustments to expenses and cash flow to correlate with declines in revenue. The Company carried out two restructuring events in 2020, one 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 17 “Restructuring” to the consolidated financial statements for information regarding these restructuring events. 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, including the recording of any credit losses. 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 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.

### *Segment Information*

Operating segments are defined as components of an entity for which separate financial information is available and that is regularly reviewed by the Chief Operating Decision Maker (“CODM”) in deciding how to allocate resources to an individual segment and in assessing performance. The Company’s Chief Executive Officer is the Company’s CODM. The CODM reviews financial information presented on a consolidated basis for purposes of making operating decisions, allocating resources, and evaluating financial performance. As such, the Company has determined that it operates as one operating segment. During the years ended December 31, 2020, 2019 and 2018, the Company did not generate material international revenues and as of December 31, 2020, 2019 and 2018, the Company did not have material assets located outside of the United States.

### *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 riders 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 consolidated statements of operations (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Revenue from contracts with customers (ASC 606)	\$ 2,208,656	\$ 3,465,473	\$ 2,106,021
Rental revenue (ASC 842)	156,025	150,487	50,595
Total revenue	\$ 2,364,681	\$ 3,615,960	\$ 2,156,616

### *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 riders 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 riders 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 rider. 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 rider.

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 rider. The Company’s single performance obligation in the transaction is to connect drivers with riders to facilitate the completion of a successful transportation service for riders. 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 riders on behalf of drivers using the rider’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 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.

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 Light Vehicle riders 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 rider’s authorized payment method. Uncollected fees are included in prepaid expenses and other current assets in the 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) riders 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 riders 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 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, was \$104.7 million, \$120.0 million and \$100.5 million as of December 31, 2020, 2019 and 2018, respectively. The Company’s allowance for credit losses

was \$15.2 million, \$6.2 million and \$2.6 million as of December 31, 2020, 2019 and 2018, respectively. The change in the allowance for credit losses for the year ended December 31, 2020 was related to \$11.7 million of additions for provision for expected credit losses and \$2.7 million of write-offs. The change in the allowance for credit losses for the year ended December 31, 2019 was related to \$5.1 million of additions for provision for expected credit losses and \$1.5 million of write-offs. The change in the allowance for credit losses for the year ended December 31, 2018 was related to \$3.9 million of additions for provision for expected credit losses and \$1.3 million of write-offs.

### ***Incentive Programs***

The Company offers incentives to attract drivers, riders, Light Vehicle riders and Lyft Rentals renters to use the Lyft Platform. Drivers generally receive cash incentives while riders, 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 riders are not the Company's customers, incentives provided to riders 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 riders 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.

#### ***Rideshare Rider Incentives***

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

- (i) *Market-wide marketing promotions.* Market-wide promotions reduce the fare charged by drivers to riders 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 rider, 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 riders. 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 riders. The Company believes that the incentives that provide consideration to riders 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, riders not utilizing an incentive would be charged the full fare. These incentives represent marketing costs. When a rider 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) *Rider referral programs.* Under the rider referral program, the referring rider (the referrer) earns referral coupons when a new rider (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 December 31, 2020 and 2019, the rider referral coupon liability was not material.

#### ***Light Vehicle Rider and Lyft Rentals Renter Incentives***

Incentives offered to Light Vehicle riders and Lyft Rentals renters were not material for the years ended December 31, 2020 and 2019.

For the years ended December 31, 2020, 2019 and 2018, in relation to the driver, rider, Light Vehicle rider and Lyft Rental renter incentive programs, the Company recorded \$390.8 million, \$560.3 million and \$555.4 million as a reduction to revenue and \$135.0 million, \$381.5 million and \$299.2 million as sales and marketing expense, respectively.

### ***Refunds***

From time to time the Company issues credits or refunds to riders unsatisfied by the level of service provided by the driver. There is no legal obligation to remunerate such riders nor does the Company issue such credits or refunds to riders on behalf of the drivers. The Company accounts for credits or refunds, which are not recoverable from the drivers as sales and marketing expenses when incurred. For the years ended December 31, 2020, 2019 and 2018, rider refunds were \$18.8 million, \$33.9 million and \$41.8 million, respectively. The credits and refunds for Light Vehicle riders were not material for the years ended December 31, 2020, 2019 and 2018.

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

Cost of revenue consists of costs directly related to revenue generating transactions through the Company's multimodal platform which primarily includes insurance costs, payment processing charges, and other costs. Insurance costs consist of insurance generally required under TNC and city regulations for ridesharing and bike and scooter rentals and also includes occupational hazard insurance for drivers. Payment processing charges include merchant fees, chargebacks and failed charges. Other costs included in cost of revenue are hosting and platform-related technology costs, vehicle lease expenses, personnel-related compensation costs, depreciation, amortization of technology-related intangible assets, asset write-off charges, and gains and losses related to the sale of vehicles.

### ***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, facility cost, certain car rental fleet support costs, and fees paid to third-parties providing operations support. 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 the Company's autonomous vehicle technology initiatives. Research and development costs are expensed as incurred.

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

Sales and marketing expenses primarily consist of rider incentives, personnel-related compensation costs, driver incentives for referring new drivers or riders, advertising expenses, rider refunds and marketing partnerships with third parties. Sales and marketing costs are expensed as incurred. Advertising expenses were \$102.5 million, \$188.3 million and \$352.3 million, respectively, for the years ended December 31, 2020, 2019 and 2018.

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

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

### ***Stock-Based Compensation***

The Company incurs stock-based compensation expense primarily from RSUs, PSUs, stock options, and ESPP purchase rights.

The Company estimates the fair value of stock options granted to employees, directors, and consultants and ESPP purchase rights using the Black-Scholes option-pricing model. The Black-Scholes model considers several variables and assumptions in estimating the fair value of stock-based awards. These variables include:

- per share fair value of the underlying common stock;
- exercise price;
- expected term;
- risk-free interest rate;
- expected annual dividend yield; and
- expected stock price volatility over the expected term.

The Company estimates the expected term for stock options using the simplified method for “plain vanilla” stock option awards. The expected term of the ESPP purchase rights is estimated using the period from the beginning of the offering period to the end of each purchase period. Since the Company has limited history as a public company and does not yet have sufficient trading history for the Company's common stock, the Company estimates volatility for stock options and ESPP purchase rights using the historical volatility of the stock price of similar publicly traded peer companies. The risk-free interest rate is based on the yield available on U.S. Treasury zero-coupon issues similar in duration to the expected term of the stock options or ESPP purchase rights granted.

The fair value of stock options that are expected to vest is recognized as compensation expense on a straight-line basis over the requisite service period. The Company recognizes compensation expense related to the ESPP purchase rights on a straight-line basis over the offering period, which is typically 12 months.

The fair value of RSUs and PSUs is estimated based on the fair market value of the Company's common stock on the date of grant, which subsequent to the IPO is determined based on the closing price of the Company's Class A common stock as reported on the date of grant. Prior to the IPO, the Company granted RSUs which vest upon the satisfaction of both a service condition and a performance condition.

Compensation expense for RSUs with service and performance conditions is amortized on a graded basis over the requisite service period as long as the performance condition in the form of a specified liquidity event is probable to occur. The liquidity event condition was satisfied upon the effectiveness of the IPO Registration Statement on March 28, 2019. On that date the Company recorded a cumulative stock-based compensation expense of \$857.2 million using the accelerated attribution method for the RSUs for which the service condition was satisfied as of March 28, 2019. The remaining unrecognized stock-based compensation expense related to these RSUs is recorded over their remaining requisite service periods. The compensation expense for RSUs granted after March 28, 2019, which vest upon satisfaction of a service-based condition only, is recognized on a straight-line basis over the requisite service period.

Stock-based compensation expense is based on awards ultimately expected to vest and reflects estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from initial estimates.

### ***Income Taxes***

The Company accounts for income taxes using the asset and liability method. Under this method, deferred income tax assets and liabilities are recorded based on the estimated future tax effects of differences between the financial statement and income tax basis of existing assets and liabilities. These differences are measured using the enacted statutory tax rates that are expected to apply to taxable income for the years in which differences are expected to reverse. The Company recognizes the effect on deferred income taxes of a change in tax rates in the period that includes the enactment date. The Company records a valuation allowance to reduce its deferred tax assets to the net amount that it believes is more-likely-than-not to be realized. Management considers all available evidence, both positive and negative, including historical levels of income, expectations and risks associated with estimates of future taxable income and ongoing tax planning strategies in assessing the need for a valuation allowance.

Under the provisions of ASC 740-10, Income Taxes, the Company evaluates uncertain tax positions by reviewing against applicable tax law for all positions taken by the Company with respect to tax years for which the statute of limitations is still open. ASC 740-10 provides that a tax benefit from an uncertain tax position may be recognized when it is more likely than not that the position will be sustained upon examination, including resolutions of any related appeals or litigation processes, based on the technical merits. The Company recognizes interest and penalties related to the liability for unrecognized tax benefits, if any, as a component of the income tax expense line in the accompanying consolidated statement of operations.

### ***Business Combinations***

The Company accounts for its business combinations using the acquisition method of accounting, which requires, among other things, allocation of the fair value of purchase consideration to the tangible and intangible assets acquired and liabilities assumed at their estimated fair values on the acquisition date. The excess of the fair value of purchase consideration over the values of these identifiable assets and liabilities is recorded as goodwill. When determining the fair value of assets acquired and liabilities assumed, management makes significant estimates and assumptions, especially with respect to intangible assets. Management's estimates of fair value are based upon assumptions believed to be reasonable, but which are inherently uncertain and unpredictable and, as a result, actual results may differ from estimates. During the measurement period, not to exceed one year from the date of acquisition, the Company may record adjustments to the assets acquired and liabilities assumed, with a corresponding offset to goodwill if new information is obtained related to facts and circumstances that existed as of the acquisition date. After the measurement period, any subsequent adjustments are reflected in the consolidated statements of operations and comprehensive loss. Acquisition costs, such as legal and consulting fees, are expensed as incurred.

### ***Cash and Cash Equivalents***

Cash equivalents consist of institutional money market funds and certificates of deposits denominated in U.S. dollars as well as commercial paper and corporate bonds. Cash equivalents are highly liquid, short-term investments having an original maturity of 90 days or less that are readily convertible to known amounts of cash. Also included in cash and cash equivalents are cash in transit from payment processors for credit and debit card transactions, which was immaterial as of each of December 31, 2020 and 2019, and money market deposit accounts that are stated at cost, which approximate fair value.

### ***Restricted Cash and Cash Equivalents***

Restricted cash and cash equivalents consist 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.

### ***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 commercial paper, certificates of deposit, corporate bonds and U.S. treasury bills. 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 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 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 December 31, 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. As a result, the Company classifies these investments as current assets in the accompanying consolidated balance sheets.
- (iii) *Restricted investments.* Restricted investments are comprised of debt security investments in commercial paper, certificates of deposit, U.S. treasury bills, 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 consolidated statements of operations.

### **Concentrations of Credit Risk**

The Company's cash, cash equivalents and short-term investments are potentially subject to concentration of credit risk. Although the Company deposits its cash with multiple financial institutions, the deposits, at times, may exceed federally insured limits. The Company has not experienced any losses on its deposits of cash and cash equivalents. Management believes that the institutions are financially stable and, accordingly, minimal credit risk exists. The Company limits purchases of debt securities to investment-grade securities.

### **Fair Value Measurements**

The Company measures assets and liabilities at fair value based on an expected exit price, which represents the amount that would be received on the sale of an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value may be based on assumptions that market participants would use in pricing an asset or liability. The authoritative guidance on fair value measurements establishes a consistent framework for measuring fair value on either a recurring or nonrecurring basis, whereby inputs used in valuation techniques, are assigned a hierarchical level. The following are the hierarchical levels of inputs to measure fair value:

*Level 1* Observable inputs that reflect quoted prices (unadjusted) for identical assets or liabilities in active markets.

*Level 2* Inputs reflect quoted prices for identical assets or liabilities in markets that are not active; quoted prices for similar assets or liabilities in active markets; inputs other than quoted prices that are observable for the assets or liabilities; or inputs that are derived principally from or corroborated by observable market data by correlation or other means.

*Level 3* Unobservable inputs reflecting our own assumptions incorporated in valuation techniques used to determine fair value. These assumptions are required to be consistent with market participant assumptions that are reasonably available.

The carrying values of the Company's accounts payable and accrued and other liabilities approximate their respective fair values due to the short period of time to payment.

### **Light Vehicle Fleet**

The Company's Light Vehicle fleet consists of bikes and scooters. Scooters are stated at cost less accumulated depreciation and are included in prepaid expenses and other current assets in the consolidated balance sheets. Depreciation is computed using a straight-line method over the estimated useful life of the scooters, which is less than 12 months. As of December 31, 2020 and 2019, the cost of scooters not yet placed in service was \$8.9 million and \$9.7 million, respectively. As of December 31, 2020 and 2019, the carrying value of scooters placed in service was not material. Depreciation expense related to scooters was \$7.2 million, \$35.3 million, and \$5.4 million for the years ended December 31, 2020, 2019 and 2018, respectively. Bikes are included in property and equipment, net in the 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 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 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 consolidated statements of operations. The interest component of finance leases is included in cost of revenue on the 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.

### ***Property and Equipment***

Property and equipment are stated at cost less accumulated depreciation. Depreciation is computed using a straight-line method over the estimated useful life of the related asset, which is generally between two and seven years. Depreciation for property and equipment commences once they are ready for our intended use. Maintenance and repairs are charged to expense as incurred, and improvements and betterments are capitalized. When assets are retired or otherwise disposed of, the cost and accumulated depreciation are removed from the consolidated balance sheet and any resulting gain or loss is reflected in the consolidated statement of operations in the period realized. Leasehold improvements are amortized on a straight-line basis over the shorter of the term of the lease, or the useful life of the assets. Construction in progress is related to property and equipment that has not yet been placed in service for its intended use.

### ***Goodwill and Intangible Assets***

Goodwill represents the excess of the purchase price over the fair value of the net tangible and identifiable intangible assets acquired in a business combination. Intangible assets resulting from the acquisition of entities are accounted for using the purchase method of accounting based on management's estimate of the fair value of assets received. Intangible assets are amortized on a straight-line basis over the estimated useful lives which range from two to twelve years.

Goodwill is not subject to amortization, but is tested for impairment on an annual basis during the fourth quarter or whenever events or changes in circumstances indicate the carrying value of the reporting unit may be in excess of its fair value. As part of the annual goodwill impairment test, the Company first performs a qualitative assessment to determine whether further impairment testing is necessary. If, as a result of its qualitative assessment, it is more-likely-than-not that the fair value of the Company's reporting unit is less than its carrying amount, the quantitative impairment test will be required. Alternatively, the Company may bypass the qualitative assessment and perform a quantitative impairment test. There was no impairment of goodwill recorded for the years ended December 31, 2020, 2019 and 2018.



### ***Impairment of Long-Lived Assets***

The Company reviews long-lived assets, including property and equipment and intangible assets, for impairment whenever events or changes in business circumstances indicate that the carrying amount of the assets may not be fully recoverable. Such events and changes may include: significant changes in performance relative to expected operating results, changes in asset use, negative industry or economic trends, and changes in the Company's business strategy. The Company measures recoverability of these assets by comparing the carrying amounts to the future undiscounted cash flows that the assets or the asset group are expected to generate. If the carrying value of the assets are not recoverable, the impairment recognized is measured as the amount by which the carrying value of the asset exceeds its fair value. There was no impairment of long-lived assets recorded for the years ended December 31, 2020, 2019 and 2018.

### ***Software Development Costs***

The Company incurs costs related to developing the Lyft Platform and related support systems. The Company capitalizes development costs related to the Lyft Platform and related support systems once the preliminary project stage is complete and it is probable that the project will be completed and the software will be used to perform the function intended. The Company capitalized \$12.8 million of software development costs during the year ended December 31, 2020. For the years ended December 31, 2019 and 2018, capitalized software development costs were not material.

### ***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 determined on a quarterly basis by internal actuaries through an analysis of historical trends, changes in claims experience including consideration of new information and application of loss development factors among other inputs and assumptions. On an annual basis, an independent third-party actuary will evaluate the liabilities for appropriateness with claims reserve valuations.

Insurance claims may take 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. The impact of these factors on ultimate costs for insurance is difficult to estimate and could be material. 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 significantly vary from the estimated amounts provided for in the consolidated balance sheets. The Company continues to review our insurance estimates in a regular, ongoing process as historical loss experience develops, additional claims are reported and settled, and the legal, regulatory and economic environment evolves.

### ***Net Loss Per Share***

The Company follows the two-class method when computing net loss per common share when shares are issued that meet the definition of participating securities. The two-class method determines net loss per common share for each class of common stock and participating securities according to dividends declared or accumulated and participation rights in undistributed earnings. The two-class method requires income available to common stockholders for the period to be allocated between common stock and participating securities based upon their respective rights to receive dividends as if all income for the period had been distributed. The Company's redeemable convertible preferred stock contractually entitles the holders of such shares to participate in dividends but does not contractually require the holders of such shares to participate in the Company's losses.

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 securities outstanding for the period. For periods in which the Company reports net losses, diluted net loss per common share attributable to common stockholders is the same as basic net loss per common share attributable to common stockholders, because potentially dilutive common shares are not assumed to have been issued if their effect is anti-dilutive.

### ***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 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 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 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." In January 2021, the FASB further issued ASU 2021-01, which clarifies the scope of the optional relief for reference rate reform provided by ASC Topic 848. These standards provide 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 December 31, 2020, the adoption of this standard did not have a material impact on the 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 will adopt this standard effective January 1, 2021.

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 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 consolidated financial statements.

In October 2020, the FASB issued ASU No. 2020-10, “Codification Improvements”, which updates various Codification Topics by clarifying or improving disclosure requirements to align with the SEC’s regulations, and improving the consistency of the Codification to ensure all guidance that requires or provides an option for an entity to provide information in the notes to financial statements is codified in the Disclosure Section of the Codification. This new standard will be effective for the Company for fiscal years beginning after December 15, 2020. Early adoption is permitted. The Company is currently assessing the impact of adopting this standard on the 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. 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, resulting in a total acquisition consideration paid of \$13.0 million.

Acquisition costs were immaterial and are included in general and administrative expenses in the 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 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 consolidated statements of operations and, accordingly, pro forma financial information has not been presented.

### **Acquisition of Bikeshare Holdings LLC (“Motivate”)**

On November 30, 2018, the Company completed its acquisition of Motivate, a New York-headquartered bikeshare company, for cash consideration of \$250.9 million. The purpose of the acquisition is to establish a solid foothold in the bikeshare market and offer access to new transportation options on the Lyft Platform.

Acquisition costs of \$2.6 million were expensed as incurred and are included in general and administrative expenses in the consolidated statement of operations for the year ended December 31, 2018.

In connection with the acquisition of Motivate, the Company recognized identifiable assets and assumed liabilities based on their respective fair values at November 30, 2018. The following table summarizes the fair value of the assets acquired and liabilities assumed (in thousands):

Cash and cash equivalents	\$	7,248
Prepaid expenses and other assets		20,458
Property and equipment		68,312
Identifiable intangible assets		89,800
Total identifiable assets acquired		185,818
Total liabilities assumed		53,357
Net assets acquired		132,461
Goodwill		118,474
Total acquisition consideration	\$	250,935

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 the expanded platform as well as planned growth in new markets expected to be achieved from the combined operations of the Company and Motivate. The acquisition is considered to be an asset acquisition for tax purposes and goodwill recognized in the acquisition is not deductible for tax purposes. During the fourth quarter of 2019, the Company recorded immaterial measurement period adjustments. The offset of these adjustments were recorded as a decrease to goodwill in the consolidated balance sheet.

An assessment of the fair value of identified intangible assets and their respective useful lives as of the acquisition date are as follows:

	Fair Value (in thousands)	Estimated Useful Life (In years)
Contractual relationships – cities	\$ 61,100	4-12
User relationships	18,700	3
Developed technology	10,000	1
Total intangible assets	\$ 89,800	

The fair value of the contractual relationships – cities was determined using the income approach. In the income approach, the fair value of an asset is based on the expected receipt of future economic benefits such as earnings and cash inflows from current sales projections and estimated costs over the estimated contractual relationship period which varies from four to twelve years. Indications of value were developed by discounting these benefits to their present value.

The fair value of the user relationships and developed technology was determined using the replacement cost approach. In the replacement cost approach, the fair value of an asset is based on the cost of a market participant to reconstruct a substitute asset of comparable utility, adjusted for any obsolescence. The fair value of the asset would include the seller’s expected profit margin in the market and any opportunity costs lost over the period to reconstruct the substitute asset.

For the year ended December 31, 2018, Motivate revenue and net loss included in the Company’s consolidated statement of operations were not material.

Over the approximately five years following the transaction, the Company committed to invest an aggregate of \$100 million in the bikeshare program for the New York metro area. The Company also assumed certain pre-existing contractual obligations to increase the bike fleets in other locations, which are not considered to be material.

### **Other Acquisitions**

In the fourth quarter of 2018, the Company completed two additional business combinations in exchange for cash of \$35.0 million, redeemable convertible preferred stock of \$25.3 million and a liability of \$1.7 million related to indemnification aggregating

to a total consideration of approximately \$62.0 million which are not material to the consolidated financial statements. In the fourth quarter of 2019, the Company completed two business combinations which are not material to the consolidated financial statements.

Pro forma results of operations have not been presented because the effects of the acquisitions were not material to the Company's consolidated financial statements.

#### 4. Goodwill and Intangible Assets, Net

The changes in the carrying amount of goodwill for the years ended December 31, 2020, 2019 and 2018 were as follows (in thousands):

Balance as of December 31, 2018	\$	152,085
Additions		10,947
Foreign currency translation and other adjustments		(4,307)
Balance as of December 31, 2019	\$	158,725
Additions		22,455
Foreign currency translation and other adjustments		1,507
Balance as of December 31, 2020	\$	182,687

Intangible assets, net consisted of the following as of the dates indicated (in thousands):

	December 31, 2020			
	Weighted-average Remaining Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology and patents	3.5	\$ 56,086	\$ 43,434	\$ 12,652
Contractual relationship – cities and user relationships	7.8	79,800	26,607	53,193
Total intangible assets		\$ 135,886	\$ 70,041	\$ 65,845

	December 31, 2019			
	Weighted-average Remaining Useful Life (Years)	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
Developed technology and patents	1.6	\$ 42,887	\$ 26,309	\$ 16,578
Contractual relationship – cities and user relationships	7.7	79,800	13,459	66,341
Total intangible assets		\$ 122,687	\$ 39,768	\$ 82,919

Amortization expense was \$29.2 million, \$35.1 million and \$4.8 million for the years ended December 31, 2020, 2019 and 2018, respectively.

As of December 31, 2020, future amortization of intangible assets that will be recorded in cost of revenue and operating expenses is estimated as follows (in thousands).

Year ended December 31:	
2021	\$ 16,558
2022	10,842
2023	6,095
2024	5,639
2025	5,619
Thereafter	21,092
Total remaining amortization	\$ 65,845

## 5. Supplemental Financial Statement Information

### Cash Equivalents and Short-Term 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 short-term investments as of the dates indicated (in thousands):

	December 31, 2020			
	Cost or Amortized Cost	Unrealized		Estimated Fair Value
		Gains	Losses	
<b>Unrestricted Balances<sup>(1)</sup></b>				
Money market deposit accounts	\$ 174,347	\$ —	\$ —	\$ 174,347
Term deposits	601,000	—	—	601,000
Certificates of deposit	677,602	178	(4)	677,776
Commercial paper	376,771	38	(20)	376,789
Corporate bonds	287,445	115	(41)	287,519
Total unrestricted cash equivalents and short-term investments	2,117,165	331	(65)	2,117,431
<b>Restricted Balances<sup>(2)</sup></b>				
Money market funds	24,757	—	—	24,757
Money market deposit accounts	162	—	—	162
Term deposits	6,506	—	—	6,506
Certificates of deposit	481,154	213	(3)	481,364
Commercial paper	469,193	57	(10)	469,240
Corporate bonds	184,560	67	(26)	184,601
Total restricted cash equivalents and investments	1,166,332	337	(39)	1,166,630
Total unrestricted and restricted cash equivalents and investments	\$ 3,283,497	\$ 668	\$ (104)	\$ 3,284,061

(1) Excludes \$133.6 million of cash, which is included within the \$2.3 billion of cash and cash equivalents and short-term investments on the consolidated balance sheets.

(2) Excludes \$53.8 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 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 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 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 December 31, 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 December 31, 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 December 31, 2020. These estimates may change, as new events occur and additional information is obtained, and will be recognized in the consolidated financial statements as soon as they become known. No credit losses were recognized as of December 31, 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):

	December 31, 2020	
	Estimated Fair Value	Unrealized Losses
Certificates of deposit	\$ 167,793	\$ (7)
Corporate bonds	179,369	(67)
Commercial paper	164,595	(30)
Total available-for-sale debt in an unrealized loss position	\$ 511,757	\$ (104)

#### **Property and Equipment, net**

Property and equipment, net consisted of the following as of the dates indicated (in thousands):

	December 31,		
	2020	2019	2018
Bike fleet	\$ 140,473	\$ 124,380	\$ 65,985
Leasehold improvements	105,169	66,490	39,727
Owned vehicles	112,498	—	—
Finance lease right-of-use assets	28,109	—	—
Computer equipment and software	17,923	14,026	11,366
Furniture and fixtures	5,099	473	262
Construction in progress	19,957	25,139	3,629
	429,228	230,508	120,969
Less: Accumulated depreciation	(115,931)	(41,905)	(11,712)
Property and equipment, net	\$ 313,297	\$ 188,603	\$ 109,257

Depreciation and amortization expense related to property and equipment was \$121.0 million, \$37.9 million, and \$8.6 million for the years ended December 31, 2020, 2019 and 2018, respectively.

### Accrued and Other Current Liabilities

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

	December 31,	
	2020	2019
Ride-related accruals	\$ 196,439	\$ 253,840
Insurance-related accruals	269,849	218,161
Legal accruals	226,408	162,766
Insurance claims payable and related fees	28,318	87,357
Long-term debt, current	35,760	—
Other	197,234	217,741
Accrued and other current liabilities	<u>\$ 954,008</u>	<u>\$ 939,865</u>

### Insurance Reserves

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

	Year Ended December 31,		
	2020	2019	2018
Beginning balance	\$ 1,378,462	\$ 810,273	\$ 376,538
Losses paid	(552,693)	(540,627)	(220,936)
Change in estimates for prior periods	168,131	219,163	3,392
Transfer of certain legacy auto insurance liabilities	(407,885)	—	—
Reserves for current period	401,049	889,653	651,279
Ending balance	<u>\$ 987,064</u>	<u>\$ 1,378,462</u>	<u>\$ 810,273</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. 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 consolidated statements of operations for the year ended December 31, 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, 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.

### Other Income, Net

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

	Year Ended December 31,		
	2020	2019	2018
Interest income <sup>(1)</sup>	\$ 43,654	\$ 102,506	\$ 66,462
Gain (loss) on sale of securities, net	(868)	246	(219)
Foreign currency exchange gains (losses), net	1,818	(523)	229
Other, net	(935)	366	642
Other income, net	<u>\$ 43,669</u>	<u>\$ 102,595</u>	<u>\$ 67,114</u>

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



## 6. Fair Value Measurements

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):

	December 31, 2020			
	Level 1	Level 2	Level 3	Total
<b>Unrestricted Balances<sup>(1)</sup></b>				
Certificates of deposit	\$ —	\$ 677,777	\$ —	\$ 677,777
Commercial paper	—	376,789	—	376,789
Corporate bonds	—	287,519	—	287,519
Total unrestricted cash equivalents and short-term investments	—	1,342,085	—	1,342,085
<b>Restricted Balances<sup>(2)</sup></b>				
Money market funds	24,757	—	—	24,757
Certificates of deposit	—	481,365	—	481,365
Commercial paper	—	469,240	—	469,240
Corporate bonds	—	184,601	—	184,601
Total restricted cash equivalents and investments	24,757	1,135,206	—	1,159,963
Total unrestricted and restricted cash equivalents and investments	\$ 24,757	\$ 2,477,291	\$ —	\$ 2,502,048

(1) \$133.6 million of cash, \$174.3 million of money market deposit accounts and \$601.0 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 \$2.3 billion of cash and cash equivalents and short-term investments on the consolidated balance sheets.

(2) \$53.8 million of restricted cash, \$0.2 million of a money market deposit account and \$6.5 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 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 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 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 year ended December 31, 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 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 December 31, 2020, there were no remeasurement adjustments.

**7. Leases**

***Real Estate Operating Leases***

The Company leases real estate property at approximately 86 locations with 85 commenced leases and one not yet commenced lease having an initial term of 12 months or longer as of December 31, 2020. These leases are classified as operating leases. As of December 31, 2020, the remaining lease terms vary from one month to nine years. For certain leases the Company has options to extend the lease term for periods varying from one to ten years. These renewal options are not considered in the remaining lease term unless it is reasonably certain that the Company will exercise such options. For leases with an initial term of 12 months or longer, the Company has recorded a right-of-use asset and lease liability representing the fixed component of the lease payment. 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 consolidated balance sheet. As of December 31, 2020, the remaining lease terms vary between one month to four 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 December 31, 2020**

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

	December 31, 2020	December 31, 2019
<b>Operating Leases</b>		
<b>Assets</b>		
Operating lease right-of-use assets	\$ 275,756	\$ 441,258
<b>Liabilities</b>		
Operating lease liabilities, current	\$ 49,291	\$ 94,199
Operating lease liabilities, non-current	265,803	382,077
Total operating lease liabilities	<u>\$ 315,094</u>	<u>\$ 476,276</u>
<b>Finance Leases</b>		
<b>Assets</b>		
Finance lease right-of-use assets <sup>(1)</sup>	\$ 28,108	\$ —
<b>Liabilities</b>		
Finance lease liabilities, current <sup>(2)</sup>	20,795	—
Finance lease liabilities, non-current <sup>(3)</sup>	6,593	—
Total finance lease liabilities	<u>\$ 27,388</u>	<u>\$ —</u>
<b>Weighted-average remaining lease term (years)</b>		
Operating leases	6.3	5.6
Finance leases	1.5	—
<b>Weighted-average discount rate</b>		
Operating leases	6.4 %	6.6 %
Finance leases	4.7 %	— %

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

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

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

### Lease Costs

The table below presents certain information related to the lease costs for operating leases for the year ended December 31, 2020 (in thousands):

	Year Ended December 31,	
	2020	2019
<b>Operating Leases</b>		
Operating lease cost	\$ 73,177	\$ 115,419
<b>Finance Leases</b>		
Amortization of right-of-use assets	35,005	—
Interest on lease liabilities	1,980	—
<b>Other Lease Costs</b>		
Short-term lease cost	4,664	4,670
Variable lease cost <sup>(1)</sup>	14,955	16,660
Total lease cost	\$ 129,781	\$ 136,749

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

Rent expense related to noncancelable real estate operating leases was \$33.7 million during the year ended December 31, 2018. Sublease income was immaterial.

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

	Year Ended December 31,	
	2020	2019
<b>Cash paid for amounts included in the measurement of lease liabilities</b>		
Operating cash flows from operating leases	\$ 67,825	\$ 111,152
Operating cash flows from finance leases	1,980	—
Financing cash flows from finance leases	41,682	—

### 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 lease liabilities recorded on the consolidated balance sheet as of December 31, 2020 (in thousands):

	Operating Leases	Finance Leases	Total Leases
2021	\$ 72,283	\$ 21,128	\$ 93,411
2022	73,242	4,409	77,651
2023	56,942	1,290	58,232
2024	52,204	1,139	53,343
2025	42,377	—	42,377
Thereafter	97,284	—	97,284
Total minimum lease payments	394,332	27,966	422,298
Less: amount of lease payments representing interest	(79,238)	(578)	(79,816)
Present value of future lease payments	315,094	27,388	342,482
Less: current obligations under leases	(49,291)	(20,795)	(70,086)
Long-term lease obligations	\$ 265,803	\$ 6,593	\$ 272,396

As of December 31, 2020, the Company had one real estate lease that had not yet commenced. The lease is expected to commence in 2021 with a lease term of one year.

Future lease payments receivable in car rental transactions under the Flexdrive Program are not material since the lease term is less than a month.

## 8. Commitments and Contingencies

### *Noncancelable Purchase Commitments*

In March 2018, the Company entered into a noncancelable arrangement with a web-hosting services provider under which the Company had an obligation to purchase a minimum amount of services from this vendor through June 2021. In January 2019 and May 2020, the parties modified the aggregate commitment amounts and timing. Under the amended arrangement, the Company committed to spend an aggregate of at least \$300 million between January 2019 and June 2022, with a minimum amount of \$80 million in each of the three contractual periods, on services with this vendor. The Company has made payments totaling \$240.6 million under the amended arrangement as of December 31, 2020.

In November 2018, the Company completed the acquisition of Motivate, a New York headquartered bikeshare company. Over the approximately five years following the transaction, the Company committed to invest an aggregate of \$100.0 million in the bikeshare program for the New York metro area. The Company also assumed certain pre-existing contractual obligations to increase the bike fleets in other locations which are not considered to be material. The Company has made investments totaling \$46.9 million as of December 31, 2020.

In May 2019, the Company entered into a noncancelable 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 million on capital equipment for the bike share program through January 2023. The Company has made payments totaling \$15.0 million and investments totaling \$19.7 million as of December 31, 2020.

As of December 31, 2020, the future minimum payments under the Company's noncancelable purchase commitments were as follows (in thousands):

2021	\$	27,990
2022		130,514
2023		36,519
2024		8,800
2025		9,092
Thereafter		19,107
Total future minimum payments	\$	<u>232,022</u>

### *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 cash. As of December 31, 2020 and 2019, the Company had letters of credit outstanding of \$54.2 million and \$55.2 million, respectively.

### *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 consolidated statements of operations in connection with the indemnification provisions have not been material.

## ***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, riders, renters, 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 riders 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.

### ***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 led 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 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. On June 25, 2020, the California Attorney General and the City Attorneys of Los Angeles, San Diego, and San Francisco 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. On August 12, 2020, the Company filed a notice of appeal of the court's order and on August 20, 2020, the California Court of Appeal stayed the preliminary injunction pending resolution of the appeal. The Court of Appeal affirmed the preliminary injunction on October 22, 2020. Subsequently, voters in California approved Proposition 22, a state ballot initiative that provides a framework for drivers utilizing platforms like Lyft to maintain their status as independent contractors under California law, and Proposition 22 went into effect on December 16, 2020. The Company filed a petition for rehearing of its appeal with the California Court of Appeal on November 6, 2020, which was denied on November 20, 2020. On December 1, 2020, the Company filed a petition for review with the California Supreme Court, which was denied on February 10, 2021. The case will now proceed in San Francisco Superior Court. On January 12, 2021, a lawsuit was filed in the California Supreme Court against the State of California alleging that Proposition 22 violates the California Constitution. The Supreme Court denied review on February 3, 2021. Plaintiffs then filed a similar lawsuit in Alameda County Superior Court on February 12, 2021. Separately, 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. 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's chances of success on the merits are still uncertain and any possible loss or range of loss cannot be reasonably estimated.

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 Telephone Consumer Protection Act of 1991, or TCPA, as well as violations of other laws such as the Americans with Disabilities Act, or the ADA, seeking injunctive or other relief. 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, riders or renters 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, renters 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, and a Judicial Council Coordinated Proceeding has been created before the Superior Court of California, County of San Francisco, where the claims of these and other plaintiffs are currently pending. 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, multiple putative class actions and derivative actions have been filed in state and federal courts 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, breach of fiduciary duties, and other causes of action in connection with the IPO. The putative class actions have been consolidated into two putative class actions, one in California state court and the other in federal court. The derivative actions have also been consolidated into one action in federal court in California. 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 February 26, 2021, the California state court struck additional allegations from the consolidated complaint and granted plaintiffs leave to amend. The parties are litigating the plaintiffs' motion to certify a class action. On May 14, 2020, the Company filed a motion to dismiss the consolidated complaint in the California federal court putative class action, and on September 8, 2020, the federal court granted in part and denied in part that motion. The Company filed its answer to this consolidated complaint on October 2, 2020, and the parties are litigating the plaintiff's motion to certify a class action. A joint stipulation to stay the consolidated derivative action was filed by the parties in the California federal court. 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.

## 9. Debt

Outstanding debt obligations as of December 31, 2020 were as follows (in thousands):

	<b>Maturities</b>	<b>Interest Rate</b>	<b>December 31, 2020</b>
Convertible senior notes	May 2025	1.50%	\$ 568,744
Non-revolving Loan <sup>(1)</sup>	2020 - 2023	2.91% - 5.25%	103,305
Master Vehicle Loan <sup>(1)</sup>	2020 - 2022	2.70% - 6.75%	7,947
Total long-term debt, including current maturities <sup>(2)</sup>			\$ 679,996
Less: long-term debt maturing within one year			(35,760)
Total long-term debt			\$ 644,236

(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 consolidated statements of operations (in thousands):

	<b>Year Ended December 31,</b>		
	<b>2020</b>	<b>2019</b>	<b>2018</b>
Contractual interest expense related to the 2025 Notes	\$ 7,008	\$ —	\$ —
Amortization of debt discount and issuance costs	21,050	—	—
Interest expense related to vehicle loans	4,620	—	—
Interest expense	\$ 32,678	\$ —	\$ —

### 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. At the date of issuance, 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.

Based on the Company's closing stock price on December 31, 2020, the if-converted value of the 2025 Notes was \$956.6 million, exceeding the outstanding principal amount.

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

	<b>December 31, 2020</b>
Principal	\$ 747,500
Unamortized debt discount and debt issuance costs	(178,756)
<b>Net carrying amount of liability component</b>	<b>\$ 568,744</b>

As of December 31, 2020, the total estimated fair values (which represents a Level 2 valuation) of the 2025 Notes were approximately \$1.1 billion. 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.

The 2025 Notes are unsecured and do not contain any financial covenants, restrictions on dividends, incurrence of senior debt or other indebtedness, or restrictions on the issuance or repurchase of securities by the Company.

### ***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 Purchasers 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.

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 December 31, 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 48 months. Interest is payable monthly in advance at a fixed interest rate equal to the three-year swap rate plus a spread of 2.10% 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 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 December 31, 2020, Flexdrive was in compliance with all covenants related to the Master Vehicle Loan in all material respects. 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 \$105.3 million and \$8.0 million, respectively, as of December 31, 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 December 31, 2020 were as follows (in thousands):

2021	\$	35,789
2022		54,309
2023		21,066
2024		88
2025		568,744
Thereafter		—
Total long-term debt outstanding	\$	<u>679,996</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 December 31, 2020, the Company was in compliance with all covenants of the VPA.

On March 11, 2019, the Procurement Provider entered into a \$95.0 million revolving credit facility with a third-party lender to finance the acquisition of motor vehicles on behalf of Flexdrive under the VPA. On September 17, 2020, the revolving credit facility was amended, extending the stated maturity date to December 31, 2021 and reducing the borrowing capacity to \$50.0 million. On March 11, 2019, Flexdrive entered into a Limited Non-Recourse Secured Continuing Guaranty and Subordination Agreement with the third-party lender to guarantee the Procurement Provider's performance for any amount borrowed under the revolving credit facility. Flexdrive's maximum exposure to loss under the terms of the guarantee is \$8.6 million as of December 31, 2020, which represents 100% of the outstanding borrowings under the revolving credit facility.

#### **10. Redeemable Convertible Preferred Stock**

The Company previously issued Series Seed, Series A, Series B, Series C, Series D, Series E, Series F, Series G, Series H, and Series I redeemable convertible preferred stock prior to the IPO. Immediately prior to the completion of the IPO on April 2, 2019, all outstanding shares of the Company's redeemable convertible preferred stock converted into an aggregate of 219.2 million shares of Class A common stock.

The authorized, issued and outstanding shares, issue price, conversion price, liquidation preference, and carrying value of the Company's redeemable convertible preferred stock as of December 31, 2018 were as follows (in thousands, except for share and per share data):

	December 31, 2018					
	Shares Authorized	Shares Issued and Outstanding	Issue Price	Per Conversion Price	Liquidation Preference	Carrying Value
Series Seed	6,063,921	6,063,921	\$ 0.23	\$ 0.23	\$ 1,365	\$ 1,332
Series A	8,129,364	8,129,364	0.76	0.76	\$ 6,200	\$ 6,180
Series B	7,067,771	7,067,771	2.10	2.10	\$ 14,860	\$ 14,794
Series C	14,479,445	14,479,445	4.25	4.25	\$ 61,500	\$ 61,440
Series D	24,674,534	24,674,534	10.13	10.13	\$ 250,000	\$ 249,878
Series E	47,099,094	47,099,094	19.45	19.45	\$ 915,870	\$ 913,810
Series F	37,263,568	37,263,568	26.79	26.79	\$ 998,250	\$ 991,336
Series G	18,662,127	18,662,127	32.15	32.15	\$ 599,987	\$ 599,715
Series H	42,771,492	42,771,492	39.75	39.75	\$ 1,700,000	\$ 1,699,726
Series I	21,117,584	12,964,393	47.35	47.35	\$ 613,915	\$ 613,836
	<u>227,328,900</u>	<u>219,175,709</u>			<u>\$ 5,161,947</u>	<u>\$ 5,152,047</u>

The characteristics of the redeemable convertible preferred stock were as follows:

#### ***Voting***

The holders of the redeemable convertible preferred stock had one vote for each share of common stock into which the shares of redeemable convertible preferred stock would have been converted, subject to certain limitations.

#### ***Dividends***

The holders of redeemable convertible preferred stock were entitled to receive noncumulative dividends, when, as and if declared by the board of directors, in proportion to the original purchase price of such shares of redeemable convertible preferred stock. As of December 31, 2020, no dividends have been declared or paid.

#### ***Liquidation Preference***

In the event of any liquidation, dissolution, or winding up of the Company, either voluntary or involuntary, the holders of the then outstanding redeemable convertible preferred stock, were entitled to receive, prior and in preference to any distribution of any of the assets of the Company to the holders of the common stock, a liquidation preference in an amount per share disclosed in the above table (as adjusted for stock splits, stock dividends, and recapitalizations) plus all declared but unpaid dividends on such shares.

If the Company did not have enough assets and funds legally available for distribution to meet this requirement, all of the Company's assets and funds available were to be distributed ratably among the holders of redeemable convertible preferred stock in proportion to the preferential amount per share each such holder was otherwise entitled to receive.

Unless stockholders representing (a) a majority of the then-outstanding redeemable convertible preferred stock, voting together as a single class on an as-converted basis, (b) a majority of the Series C redeemable convertible preferred stock and Series D redeemable convertible preferred stock, voting together as a single class on an as-converted basis, (c) a majority of the Series E redeemable convertible preferred stock, voting as a separate series, (d) a majority of the Series F redeemable convertible preferred stock, voting as a separate series, (e) a majority of the Series G redeemable convertible preferred stock, voting as a separate series, (f) a majority of the Series H redeemable convertible preferred stock, voting as a separate series (provided, however, that the approval of the holders of 71% of the Series H redeemable convertible preferred stock is required under certain circumstances) and (g) a majority of the Series I redeemable convertible preferred stock, voting as a separate series, elect otherwise, a "Deemed Liquidation Event" is defined to include (i) any liquidation, dissolution, or winding up of the Company, (ii) the merger or consolidation of the Company in which the holders of capital stock of the Company outstanding immediately prior to such merger or consolidation do not continue to represent immediately following such merger or consolidation at least 50%, by voting power, of the outstanding capital stock of the resulting or surviving entity or (iii) a sale, lease, transfer or other disposition of all or substantially all of the Company's assets or the grant of an exclusive license to all or substantially all of the Company's intellectual property (other than to a wholly owned subsidiary of the Company). The Company previously classified its redeemable convertible preferred stock outside of stockholders' equity (deficit) because the shares contain liquidation features that are not solely within the Company's control.

## **Conversion**

Each share of redeemable convertible preferred stock was convertible, at the option of the holder, into common stock as determined by dividing its original price per share by the conversion price in effect at the time of conversion. The initial conversion price per share of each series of redeemable convertible preferred stock was equal to its respective original price per share, as indicated in the table above. The initial conversion price per share for each series of redeemable convertible preferred stock was subject to adjustment in accordance with anti-dilution provisions contained in the Company's Amended and Restated Certificate of Incorporation.

Immediately prior to the completion of the IPO on April 2, 2019, all outstanding shares of the Company's redeemable convertible preferred stock converted into an aggregate of 219.2 million shares of Class A common stock.

## **Redemption**

No shares of redeemable convertible preferred stock were unilaterally redeemable by either the stockholders or the Company; however, the Company's Amended and Restated Certificate of Incorporation provided that upon any liquidation event such shares were entitled to receive the applicable liquidation preference.

## **11. Common Stock and Employee Stock Plans**

### **Common Stock**

The Company's amended and restated certificate of incorporation authorizes the issuance of Class A common stock and Class B common stock. The rights of the holders of Class A common stock and Class B common stock are identical, except with respect to voting and conversion. Holders of Class A common stock are entitled to one vote per share and holders of Class B common stock are entitled to 20 votes per share. Shares of Class B common stock are convertible into an equivalent number of shares of Class A common stock and generally convert into shares of Class A common stock upon transfer. Any dividends paid to the holders of Class A common stock and Class B common stock will be paid on a pro rata basis. On a liquidation event, any distribution to common stockholders is made on a pro rata basis to the holders of the Class A common stock and Class B common stock.

The following table summarizes the Company's shares of common stock reserved for issuance as of December 31, 2020:

Options issued and outstanding under the 2008 Plan	1,918,596
RSUs outstanding under the 2008 Plan, the 2018 Plan, and the 2019 Plan	33,602,435
Remaining shares available for future issuance under the 2019 ESPP Plan and the 2019 Plan	66,903,373

### **Equity Award Plans**

#### **2008 Equity Incentive Plan**

In July 2008, the board of directors of the Company adopted the 2008 Equity Incentive Plan (the 2008 Plan) under which the Company may grant options to purchase its common stock and offer to sell and issue restricted shares of its common stock and issue RSUs to selected employees, officers, directors and consultants of the Company. In June 2018, this plan was superseded by the 2018 Equity Incentive Plan (the 2018 Plan) and all reserved shares under the 2008 Plan were transferred to the 2018 Plan.

Under the 2008 Plan, incentive stock options and nonqualified stock options are to be granted at a price that is not less than 100% of the fair value of the underlying common stock at the date of grant; provided, that incentive stock options granted to a person who directly or by attribution owns more than ten percent (10%) of the total combined voting power of all classes of stock of the Company are to be at a price not less than one hundred ten percent (110%) of the fair value of the underlying common stock at the date of grant. Stock options granted to newly hired employees typically vest 25% on the first anniversary of the date of hire and ratably each month over the ensuing 36-month period. The maximum term for stock options granted under the 2008 Plan might not exceed ten years from the date of grant. RSUs granted to newly hired employees typically vest 25% on the first Company-established vest date after the first anniversary of the employee's date of hire and ratably each quarter over the ensuing 12-quarter period for purposes of the service condition. The maximum term for RSUs granted under the 2008 Plan might not exceed seven years from the date of grant.

#### **2018 Equity Incentive Plan**

In June 2018, the board of directors and the stockholders of the Company adopted the 2018 Plan, which serves as the successor to the 2008 Plan and provides for the grant of stock options, stock appreciation rights, restricted stock, and RSUs to employees and consultants of the Company and its subsidiaries and non-employee directors of the Company. A total of 75,504,222 shares of the Company's common stock initially was reserved for issuance under the 2018 Plan, which was increased in June 2018 by an additional 11,836,692 shares. In addition, the shares reserved for issuance under the 2018 Plan also will include any shares subject to stock options, RSUs or similar awards granted under its 2008 Plan that, after the date the Company's board of directors initially approved its 2018 Plan, expire or otherwise terminate without having been exercised in full, are tendered to or withheld by the

Company for payment of an exercise price or for satisfying tax withholding obligations or are forfeited to or repurchased by the Company due to failure to vest (provided that the maximum number of shares that may be added to its 2018 Plan from its 2008 Plan is 75,504,222 shares). Under the 2018 Plan, RSUs granted to newly hired employees typically vest 25% on the first Company-established vest date after the first anniversary of the employee's date of hire and ratably each quarter over the ensuing 12-quarter period for purposes of the service condition. The maximum term for RSUs granted under the 2018 Plan might not exceed seven years from the date of grant. In March 2019, this plan was superseded by the 2019 Equity Incentive Plan (the 2019 Plan) and all reserved shares under the 2018 Plan were transferred to the 2019 Plan.

### 2019 Equity Incentive Plan

In March 2019, the board of directors of the Company and the stockholders of the Company adopted the 2019 Plan which serves as the successor to the 2018 Plan and provides for the grant of stock options, stock appreciation rights, restricted stock, and RSUs to employees and consultants of the Company and its subsidiaries and non-employee directors of the Company. RSUs granted with only service conditions under the 2019 Plan to employees generally vest in a period up to four years.

A total of 44,000,000 shares of the Company's Class A common stock were reserved for issuance pursuant to the 2019 Plan. In addition, the shares reserved for issuance under the Company's 2019 Plan also included (i) those shares reserved but unissued under our 2018 Plan as of immediately prior to the termination of the 2018 Plan and (ii) any shares subject to stock options, RSUs or similar awards granted under the 2018 Plan or 2008 Plan that, after the date the Company's board of directors approved the 2019 Plan, expire or otherwise terminate without having been exercised in full, are tendered to or withheld by the Company for payment of an exercise price or for satisfying tax withholding obligations or are forfeited to or repurchased by the Company due to failure to vest (provided that the maximum number of shares that may be added to the Company's 2019 Plan pursuant to (i) and (ii) is 80,604,678 shares).

The number of shares available for issuance under the 2019 Plan will be increased on January 1 of each year, beginning on January 1, 2020, in an amount equal to the least of (i) 35,000,000 shares, (ii) five 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) such number of shares determined by the administrator. On January 1, 2020, an additional 15,129,789 shares of Class A common stock were reserved for issuance under the 2019 Plan.

The summary of stock option activity is as follows (in thousands, except per share data):

	Options Outstanding			
	Number of Shares	Weighted-Average Exercise Price	Weighted-Average Remaining Contractual Life <i>(in years)</i>	Aggregate Intrinsic Value
Balance as of December 31, 2019	2,957	\$ 5.13	4.7	\$ 112,066
Exercises	(1,038)	4.50		
Forfeitures	—	—		
Cancellations	—	—		
Balance as of December 31, 2020	1,919	\$ 5.47	3.7	\$ 86,095

There were no stock options granted during the year ended December 31, 2020 and 2019. As of December 31, 2020, all outstanding options were fully vested and exercisable.

The aggregate intrinsic value of stock options exercised during the years ended December 31, 2020, 2019 and 2018 was \$36.1 million, \$617.4 million and \$85.0 million, respectively. The aggregate intrinsic value disclosed in the above table is based on the difference between the original exercise price of the stock option and the fair value of the Company's common stock of \$49.13, \$43.02 and \$47.37 per share as of December 31, 2020, 2019 and 2018, respectively.

In the first quarter of 2019, the Company issued 3,162,797 shares of its common stock, valued at \$205.6 million, pursuant to the exercise by the Company's co-founders of all their respective vested and outstanding options (after withholding an aggregate of 3,617,460 shares of common stock subject to such options for payment of the exercise price and satisfaction of the aggregate tax withholding obligations, totaling \$223.5 million, in connection with the exercise of certain of those options). In the second quarter of 2019, these shares of common stock were reclassified into shares of Class A common stock and subsequently exchanged for shares of Class B common stock as described in Note 1 - Description of Business and Basis of Presentation - Initial Public Offering.

The summary of restricted stock unit 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	25,130	28.76	
Vested	(19,762)	43.72	
Canceled	(13,451)	47.03	
Nonvested units as of December 31, 2020	<u>33,602</u>	<u>\$ 41.49</u>	<u>\$ 1,650,577</u>
Expected to vest as of December 31, 2020	<u>32,047</u>		<u>\$ 1,323,220</u>

Included in the grants for the year ended December 31, 2020 are approximately 250,000 PSUs that have a performance criteria tied to the Company's Adjusted EBITDA profitability target. The grant date fair value per share of the PSUs granted in the year ended December 31, 2020 was \$27.14. Compensation cost associated with these PSUs are recognized based on the estimated number of shares that the Company ultimately expects will vest and amortized on a straight-line basis over the requisite service period as these PSUs consist of only one tranche. If in the future, situations indicate that it is not probable that we will achieve the performance criteria, then no further compensation cost will be recorded and any previous costs will be reversed.

The fair value as of the respective vesting dates of RSUs that vested during the years ended December 31, 2020 and 2019 was \$700.9 million and \$1.8 billion, respectively. No RSUs vested during the year ended December 31, 2018. In connection with RSUs that vested in the year ended December 31, 2020, the Company withheld 551,372 shares and remitted tax liabilities of \$20.2 million on behalf of the RSU holders to the relevant tax authorities in cash. In connection with RSUs that vested in the year ended December 31, 2019, the Company withheld 10,777,331 shares and remitted tax liabilities of \$719.5 million on behalf of the RSU holders to the relevant tax authorities in cash.

Effective in the fourth quarter of 2019, the Company changed the default tax withholding method for RSUs from the net settlement method to the sell-to-cover method. As a result, no shares were withheld to settle tax withholding obligations for RSUs that vested and settled in the fourth quarter of 2019. The tax withholding obligations for RSUs held by Section 16 officers of the Company that vest and settle after December 31, 2019 will revert to the net settlement method.

#### **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 December 31, 2020, 1,296,206 shares of Class A common stock have been purchased under the 2019 ESPP. The number of shares reserved under the 2019 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 2019 ESPP.

### Stock-Based Compensation

The Company recorded stock-based compensation expense in the consolidated statements of operations for the periods indicated as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Cost of revenue	\$ 28,743	\$ 81,321	\$ 501
Operations and support	15,829	75,212	177
Research and development	325,624	971,941	4,107
Sales and marketing	23,385	72,046	261
General and administrative	172,226	398,791	3,531
Total stock-based compensation expense	<u>\$ 565,807</u>	<u>\$ 1,599,311</u>	<u>\$ 8,577</u>

In conjunction with one of the acquisitions in 2018, the Company issued 241,390 shares of restricted stock awards to executives of an acquired company with an aggregate grant-date fair value of \$11.4 million. These restricted stock awards are fully vested as of the year ended December 31, 2020. The Company recorded \$4.2 million, \$6.0 million and \$1.4 million as compensation related to these vested restricted stock awards which is included in research and development expense in the consolidated statement of operations for the years ended December 31, 2020, 2019, and 2018, respectively.

As of December 31, 2020 there are no remaining unrecognized compensation costs related to unvested stock options and restricted stock awards. As of December 31, 2019 and 2018, there was \$3.9 million and \$9.6 million of unrecognized compensation cost related to unvested stock options and restricted stock awards, which was recognized over a weighted-average period of 0.7 years and 1.6 years, respectively.

As of December 31, 2020, the total unrecognized compensation cost was \$905.6 million. The Company expects to recognize this expense over the remaining weighted-average period of approximately 2.4 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.

### 12. Tender Offer

In March 2018, the Company facilitated a tender offer whereby an existing stockholder and affiliated entities (the Purchaser) would purchase up to an aggregate of 2,207,792 shares of common stock for \$38.50 per share in cash from certain equity holders (including then-current employees). The Company engaged a third-party broker to facilitate an auction process whereby the Purchaser was selected. At the time of the tender offer, the fair value of the Company's common stock was equal to the tender offer price. Sellers holding options were permitted to cashless exercise options in connection with their participation in the tender offer. The tender offer closed in April 2018 and an aggregate of 1,523,532 shares of common stock were tendered for \$58.7 million.

### 13. Income Taxes

The components of the provision for income taxes for the periods indicated are as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
United States	\$ (1,804,623)	\$ (2,600,858)	\$ (900,642)
Foreign	7,232	973	(9,955)
Loss before income taxes	<u>\$ (1,797,391)</u>	<u>\$ (2,599,885)</u>	<u>\$ (910,597)</u>



The provision for income taxes for the periods indicated are as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
<b>Current provision</b>			
Federal	\$ —	\$ —	\$ —
State	1,201	2,704	1,250
Foreign	1,156	1,901	116
Total current	<u>\$ 2,357</u>	<u>\$ 4,605</u>	<u>\$ 1,366</u>
<b>Deferred provision</b>			
Federal	(36,375)	(269)	—
State	(9,534)	(891)	—
Foreign	(982)	(1,089)	(628)
Total deferred	<u>(46,891)</u>	<u>(2,249)</u>	<u>(628)</u>
Total provision for (benefit from) income taxes	<u>\$ (44,534)</u>	<u>\$ 2,356</u>	<u>\$ 738</u>

A reconciliation of the U.S. federal statutory income tax rates to the Company's effective tax rate is as follows:

	Year Ended December 31,		
	2020	2019	2018
Provision at federal statutory rate	21.0 %	21.0 %	21.0 %
State, net of federal benefit	3.2	7.6	6.0
Permanent tax adjustments	(1.0)	(0.4)	(0.8)
Stock-based compensation	1.0	9.9	0.8
Convertible senior notes	2.7	—	—
Change in valuation allowance	(24.0)	(38.1)	(27.6)
Other adjustments	(0.3)	(0.2)	0.5
Provision for income taxes	<u>2.6 %</u>	<u>(0.2)%</u>	<u>(0.1)%</u>

Deferred income taxes reflect the net tax effects of temporary differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes at the enacted rates. The significant components of the Company's deferred tax assets and liabilities as of the periods indicated were as follows (in thousands):

	December 31,	
	2020	2019
<b>Deferred tax assets:</b>		
Net operating loss carryforwards	\$ 1,697,745	\$ 1,173,732
Insurance reserves	282,857	391,250
Accrued and other liabilities	395,425	369,018
Total deferred tax assets	<u>2,376,027</u>	<u>1,934,000</u>
Less: Valuation allowance	(2,144,548)	(1,751,118)
Deferred tax assets, net of valuation allowance	<u>231,479</u>	<u>182,882</u>
<b>Deferred tax liabilities:</b>		
State income taxes	(108,250)	(92,585)
Operating lease right of use assets	(75,271)	(88,376)
Convertible senior notes	(46,324)	—
Total deferred tax liabilities	<u>(229,845)</u>	<u>(180,961)</u>
Net deferred tax assets	<u>\$ 1,634</u>	<u>\$ 1,921</u>

A reconciliation of the valuation allowance is as follows (in thousands):

	Year Ended December 31,		
	2020	2019	2018
Beginning balance	\$ 1,751,118	\$ 761,728	\$ 507,274
Net changes in deferred tax assets and liabilities	393,430	989,390	254,454
Ending balance	<u>\$ 2,144,548</u>	<u>\$ 1,751,118</u>	<u>\$ 761,728</u>

The valuation allowance increased by \$393.4 million for the year ended December 31, 2020, compared to the increase of \$989.4 million for the year ended December 31, 2019. The Company believes that, based on a number of factors, the available objective evidence creates sufficient uncertainty regarding the realizability of the deferred tax assets such that a valuation allowance has been recorded. These factors include the Company's history of net losses since its inception.

As of December 31, 2020, the Company had U.S. federal, state and foreign net operating loss carryforwards of approximately \$6.2 billion, \$5.4 billion and \$3.4 million, respectively.

The federal net operating loss carryforwards generated through December 31, 2017 expire at various dates beginning in 2030 and will continue to expire through 2037, while federal net operating loss carryforwards generated in 2018 or later do not expire. The state net operating loss carryovers will begin to expire in 2022 and will continue to expire through 2039. The foreign net operating loss carryovers will begin to expire in 2037. Utilization of the net operating loss carryforwards are subject to various limitations due to the ownership change limitations provided by Internal Revenue Code (IRC) Section 382 and similar state provisions.

The Company files income tax returns with the U.S. federal government, various state jurisdictions and certain foreign jurisdictions. The Company's tax returns in all jurisdictions remain open to examination.

The Company began having foreign operations in fiscal year 2017. At that time and prior to the enactment of the Tax Act, the Company had indefinite investment assertion on all of its undistributed earnings from foreign subsidiaries. As a result of the enactment of the Tax Act, the Company has reevaluated its historic assertion and continues to assert these earnings to be indefinitely reinvested.

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 consolidated balance sheets. To date, the Company has not recognized any interest and penalties in its consolidated statements of operations, nor has it accrued for or made payments for interest and penalties. The Company has no material unrecognized tax benefits as of December 31, 2020, 2019 and 2018.

#### 14. 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, PSUs, the 2025 Notes, restricted stock awards, stock purchase rights granted under the Company's ESPP, and early exercised stock options 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 for the periods indicated (in thousands, except per share data):

	Year Ended December 31,		
	2020	2019	2018
Net loss	\$ (1,752,857)	\$ (2,602,241)	\$ (911,335)
Weighted-average shares used in computing net loss per share, basic and diluted	312,175	227,498	21,176
Net loss per share, basic and diluted	<u>\$ (5.61)</u>	<u>\$ (11.44)</u>	<u>\$ (43.04)</u>

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):

	As of December 31,		
	2020	2019	2018
Restricted stock units	33,428	41,685	46,433
2025 Notes <sup>(1)</sup>	19,471	—	—
Stock options	1,919	2,957	13,818
Performance based restricted stock units	175	—	—
ESPP	89	—	—
Restricted stock awards	—	94	220
Redeemable convertible preferred stock (on an if-converted basis)	—	—	219,176
Early exercised options	—	—	—
<b>Total</b>	<b>55,082</b>	<b>44,736</b>	<b>279,647</b>

(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.

## 15. Related-Party Transactions

During each of the years ended December 31, 2019 and 2018, the Company purchased certain advertising-related and other services in the amount of \$18.1 million and \$92.4 million, respectively, from a company that is affiliated with a significant stockholder of the Company, which was recorded to cost of revenue and sales and marketing expenses in the consolidated statements of operations based on the nature of the services. This entity ceased to be a related party in April 2019.

During each of the years ended December 31, 2019 and 2018, the Company purchased certain marketing services in the amount of \$1.9 million and \$4.0 million, respectively, from two companies owned by a significant stockholder of the Company. During the year ended December 31, 2020, the amounts purchased from these related parties as included in the consolidated statement of operations were immaterial.

As of December 31, 2020, 2019 and 2018, amounts due from and to these related parties as included in the consolidated balance sheets were immaterial.

The Company's remaining transactions with related parties were immaterial for the years ended December 31, 2020, 2019 and 2018.

## 16. 401(k) Plan

The Company adopted a 401(k) Plan that qualifies as a deferred salary arrangement under Section 401 of the IRC. Under the 401(k) Plan, participating employees may defer a portion of their pretax earnings not to exceed the maximum amount allowable. The Company does not make contributions for eligible employees.

## 17. Restructuring

### *April 2020 Restructuring Plan*

In April 2020, the Company announced a restructuring plan 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 plan, 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 as well as 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 in the year ended December 31, 2020.

The following table summarizes the above restructuring related charges (benefits) by line item within the Company's consolidated statements of operations where they were recorded in the year ended December 31, 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	<u>\$ (49,806)</u>	<u>\$ 32,130</u>	<u>\$ 3,128</u>	<u>\$ (14,548)</u>

*November 2020 Restructuring Plan*

In November 2020, the Company announced an additional restructuring plan 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 plan, which was substantially completed in the fourth quarter of 2020, the Company recognized a severance and other employee costs of \$1.5 million. This was offset by a stock based compensation benefit of \$0.1 million due to the accelerated vesting of certain equity awards for employees who were terminated. As a result, the Company recognized net restructuring costs of \$1.4 million in the year ended December 31, 2020.

As of December 31, 2020, the remaining liability for restructuring related costs was immaterial.

**Item 9. Changes in and Disagreements With Accountants on Accounting and Financial Disclosure.**

None.

**Item 9A. 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 Annual Report on Form 10-K. Based on such evaluation, our principal executive officer and principal financial officer have concluded that, as of December 31, 2020, our disclosure controls and procedures were effective at a reasonable assurance level.

**Management's Report on Internal Control Over Financial Reporting**

Our management is responsible for establishing and maintaining adequate internal control over financial reporting (as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act). Internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of our financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

Our management, under the supervision of our Chief Financial Officer and Chief Accounting Officer, conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2020 based on the framework in Internal Control-Integrated Framework (2013), issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, management concluded that our internal control over financial reporting was effective as of December 31, 2020.

The effectiveness of our internal control over financial reporting as of December 31, 2020 has been audited by PricewaterhouseCoopers LLP, an independent registered public accounting firm, as stated in their report, which is included in Item 8 of this Annual Report on Form 10-K.

**Changes in Internal Control Over Financial Reporting**

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 fiscal quarter ended December 31, 2020 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.

**Item 9B. Other Information.**

None.

### PART III

**Item 10. Directors, Executive Officers and Corporate Governance.**

The information required by this item, including information about our Directors, Executive Officers and Audit Committee and Code of Conduct, is incorporated by reference to the definitive Proxy Statement for our 2021 Annual Meeting of Stockholders, which will be filed with the SEC, no later than 120 days after December 31, 2020.

**Item 11. Executive Compensation.**

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2021 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2020.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.**

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2021 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2020.

**Item 13. Certain Relationships and Related Transactions, and Director Independence.**

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2021 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2020.

**Item 14. Principal Accounting Fees and Services.**

The information required by this item is incorporated by reference to the definitive Proxy Statement for our 2021 Annual Meeting of Stockholders, which will be filed with the SEC no later than 120 days after December 31, 2020.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules.

#### 1. Financial Statements

The following financial statements are included in Part II, Item 8 of this Form 10-K:

Report of Independent Registered Public Accounting Firm

Consolidated Balance Sheets

Consolidated Statements of Operations

Consolidated Statements of Comprehensive Loss

Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity (Deficit)

Consolidated Statements of Cash Flows

Notes to the Consolidated Financial Statements

#### 2. Financial Statement Schedules

All other schedules have been omitted because they are not required, not applicable, or the required information is otherwise included.

#### 3. Exhibits

The exhibits listed below are filed as part of this Annual Report on Form 10-K or are incorporated herein by reference, in each case as indicated below.

## EXHIBIT INDEX

Exhibit Number	Description	Incorporated by Reference			
		Form	File No.	Exhibit	Filing Date
3.1	<a href="#">Amended and Restated Certificate of Incorporation of the registrant.</a>	10-Q	001-38846	3.1	5/14/2019
3.2	<a href="#">Amended and Restated Bylaws of the registrant, as amended, as currently in effect.</a>	8-K	001-38846	3.1	4/10/2020
4.1	<a href="#">Form of Class A common stock certificate of the registrant.</a>	S-1/A	333-229996	4.1	3/18/2019
4.2	<a href="#">Amended and Restated Investors' Rights Agreement among the registrant and certain holders of its capital stock, dated as of June 27, 2018.</a>	S-1	333-229996	4.2	3/1/2019
4.3	<a href="#">Description of Capital Stock.</a>	10-K	001-38846	4.3	2/28/2020
4.4	<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	5/15/2020
4.5	<a href="#">Form of 1.50% Convertible Senior Notes due 2025 (included in Exhibit 4.4).</a>	8-K	001-38846	4.2	5/15/2020
10.1	<a href="#">Form of Indemnification Agreement between the registrant and each of its directors and executive officers.</a>	S-1	333-229996	10.1	3/1/2019
10.2+	<a href="#">Lyft, Inc. 2019 Equity Incentive Plan and related form agreements.</a>	S-1/A	333-229996	10.2	3/18/2019
10.3+	<a href="#">Lyft, Inc. 2019 Employee Stock Purchase Plan and related form agreements, as amended and restated as of December 2, 2019.</a>	10-K	001-38846	10.3	2/28/2020
10.4+	<a href="#">Lyft, Inc. 2018 Equity Incentive Plan and related form agreements.</a>	S-1/A	333-229996	10.4	3/18/2019
10.5+	<a href="#">Lyft, Inc. 2008 Equity Incentive Plan and related form agreements.</a>	S-1/A	333-229996	10.5	3/18/2019
10.6+	<a href="#">Lyft, Inc. Executive Change in Control and Severance Plan.</a>	S-1	333-229996	10.6	3/1/2019
10.7+	<a href="#">Lyft, Inc. Outside Director Compensation Policy.</a>	S-1	333-229996	10.7	3/1/2019
10.8+	<a href="#">Employment Letter Agreement between the registrant and Logan Green, dated as of March 12, 2019.</a>	S-1/A	333-229996	10.8	3/18/2019
10.9+	<a href="#">Employment Letter Agreement between the registrant and John Zimmer, dated as of March 14, 2019.</a>	S-1/A	333-229996	10.9	3/18/2019
10.10+	<a href="#">Employment Letter Agreement between the registrant and Kristin Sverchek, dated as of March 8, 2019.</a>	S-1/A	333-229996	10.10	3/18/2019
10.11+	<a href="#">Employment Letter Agreement between the registrant and Brian Roberts, dated as of March 13, 2019.</a>	S-1/A	333-229996	10.11	3/18/2019
10.12+	<a href="#">Employment Letter Agreement between the registrant and Eisar Lipkowitz, dated as of July 2, 2019.</a>	10-Q	001-38846	10.1	5/08/2020
10.13(i)	<a href="#">Office Lease between the registrant and SPF China Basin Holdings, LLC, dated as of April 8, 2016 as amended on September 27, 2017, May 31, 2018, June 11, 2018 and September 24, 2018.</a>	S-1/A	333-229996	10.14	3/18/2019
10.13(ii)	<a href="#">Fifth Amendment to Office Lease between the registrant and SPF China Basin Holdings, LLC, dated as of November 18, 2019.</a>	10-K	001-38846	10.14(ii)	2/28/2020
10.14	<a href="#">Sublease between the registrant and Dropbox, Inc., dated as of February 23, 2016.</a>	S-1/A	333-229996	10.15	3/18/2019
10.15+	<a href="#">Form of Restricted Stock Unit Agreement under the Lyft, Inc. 2019 Equity Incentive Plan.</a>	10-Q	001-38846	10.1	11/12/2020
10.16+	<a href="#">Form of Subscription Agreement under the Lyft, Inc. 2019 Employee Stock Purchase Plan.</a>	10-Q	001-38846	10.2	11/12/2020



10.17	<a href="#">Form of Capped Call Transaction Confirmation.</a>	8-K	001-38846	10.2	5/15/2020
21.1	<a href="#">List of subsidiaries of the registrant.</a>				
23.1	<a href="#">Consent of PricewaterhouseCoopers LLP, independent registered public accounting firm.</a>				
24.1	Power of Attorney (included in signature pages hereto).				
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	The following financial information from Lyft, Inc.'s Annual Report on Form 10-K for the fiscal year ended December 31, 2020 formatted in Inline XBRL (eXtensible Business Reporting Language): (i) Consolidated Statements of Operations for the fiscal years ended December 31, 2020, 2019 and 2018; (ii) Consolidated Statements of Comprehensive Income (Loss) for the fiscal years ended December 31, 2020, 2019, and 2018; (iii) Consolidated Balance Sheets as of December 31, 2020 and 2019; (iv) Consolidated Statements of Cash Flows for the fiscal years ended December 31, 2020, 2019, and 2018; (v) Consolidated Statements of Redeemable Convertible Preferred Stock and Stockholders' Equity for the fiscal years ended December 31, 2020, 2019, and 2018; and (vi) Notes to the Consolidated Financial Statements.				
104	The cover page from Lyft, Inc's Annual Report on Form 10-K for the year ended December 31, 2020, formatted in iXBRL (included as Exhibit 101).				

+ Indicates management contract or compensatory plan.

† The certifications attached as Exhibit 32.1 that accompany this Annual Report on Form 10-K 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 Annual Report on Form 10-K, irrespective of any general incorporation language contained in such filing.

#### Item 16. Form 10-K Summary

None.

## SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this Annual Report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

LYFT, INC.

Date: March 1, 2021

By: /s/ Logan Green  
Logan Green  
Chief Executive Officer

## POWER OF ATTORNEY

KNOW ALL PERSONS BY THESE PRESENTS, that each person whose signature appears below constitutes and appoints Logan Green, John Zimmer and Brian Roberts, and each of them, as his or her true and lawful attorney-in-fact and agent with full power of substitution and resubstitution, for such individual in any and all capacities, to sign any and all amendments to this Annual Report on Form 10-K, and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in connection therewith, as fully for all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or the individual's substitute, may lawfully do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, this Annual Report on Form 10-K has been signed below by the following persons on behalf of the Registrant in the capacities and on the dates indicated.

<u>Signature</u>	<u>Title</u>	<u>Date</u>
<u>/s/ Logan Green</u> Logan Green	Chief Executive Officer and Director <i>(Principal Executive Officer)</i>	March 1, 2021
<u>/s/ John Zimmer</u> John Zimmer	President and Vice Chair	March 1, 2021
<u>/s/ Brian Roberts</u> Brian Roberts	Chief Financial Officer <i>(Principal Financial Officer)</i>	March 1, 2021
<u>/s/ Lisa Blackwood-Kapral</u> Lisa Blackwood-Kapral	Chief Accounting Officer <i>(Principal Accounting Officer)</i>	March 1, 2021
<u>/s/ Prashant (Sean) Aggarwal</u> Prashant (Sean) Aggarwal	Chair	March 1, 2021
<u>/s/ Valerie Jarrett</u> Valerie Jarrett	Director	March 1, 2021
<u>/s/ David Lawee</u> David Lawee	Director	March 1, 2021
<u>/s/ Ann Miura-Ko</u> Ann Miura-Ko	Director	March 1, 2021
<u>/s/ Mary Agnes (Maggie) Wilderotter</u> Mary Agnes (Maggie) Wilderotter	Director	March 1, 2021

**Subsidiaries of Registrant**

**Name of Subsidiary**

Pacific Valley Insurance Company, Inc.

**Jurisdiction of Incorporation**

Hawaii

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We hereby consent to the incorporation by reference in the Registration Statements on Form S-8 (No. 333-230591 and 333-236782) of Lyft, Inc. of our report dated March 1, 2021 relating to the financial statements and the effectiveness of internal control over financial reporting, which appears in this Form 10-K.

/s/ PricewaterhouseCoopers LLP

San Francisco, California  
March 1, 2021

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

I, Logan Green, certify that:

1. I have reviewed this Annual Report on Form 10-K 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - (c) 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
    - (d) 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: March 1, 2021

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 Annual Report on Form 10-K 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)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) 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) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
    - (c) 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
    - (d) 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: March 1, 2021

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 Annual Report on Form 10-K of Lyft, Inc. for the fiscal year ended December 31, 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 Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Lyft, Inc.

Date: March 1, 2021

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 Annual Report on Form 10-K of Lyft, Inc. for the fiscal year ended December 31, 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 Annual Report on Form 10-K fairly presents, in all material respects, the financial condition and results of operations of Lyft, Inc.

Date: March 1, 2021

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