

Turo Peers Burn Out as Car-Sharing IPO Looms: ECM Watch

By Drew Singer / Bloomberg News / January 25, 2022

Weak trading by peers is complicating an initial public offering from car-sharing firm Turo Inc.

Turo, which filed for an IPO earlier this month, is nearing public markets during a crossroads for stocks exposed to the so-called gig economy. Uber Technologies Inc. and Airbnb Inc., for example, have underperformed during the wild market swings that started the year, a trade that resumed on Tuesday.

“A sharp drop in valuations of high-growth software and internet companies since November may not augur well for Turo’s IPO,” Bloomberg Intelligence analyst Mandeep Singh wrote in a note.

Despite the negative tone, potentially big returns for early investors could help this deal press forward, according to analysts at special situations research firm The Edge Consulting Group.

“On preliminary numbers, IAC/InterActiveCorp. could stand to make around \$500 million from Turo’s IPO, nearly doubling its FY19 investment in the peer-to-peer car sharing business,” The Edge Consulting Group’s Chief Executive Officer Jim Osman said in an interview. Like other IPOs, Turo’s price tag ultimately hinges on which companies investors view as the closest peers. A basket of comparable firms contains a range of valuations on an enterprise value-to-forward sales basis from 0.6x at Deliveroo PLC to 12.8x at Airbnb Inc.

Airbnb’s premium level to the average of 4.1x makes it prohibitive as a comparable, Osman said, but competitive pressure may force Turo into some transformative decisions sooner than later. Recent trading patterns compound the threat of heightened competition in the car-rental sector for Turo, according to Singh.

“We believe Turo may have to expand into new categories to increase its scale and network effects, raise the transactional volume and repeat traffic on its platform,” Singh wrote.

Turo’s 40% take rate may be unsustainable, Singh added, citing few obstacles for large ride-sharing peers to enter the car rental space. Traditional players like Hertz Global Holdings Inc. and Avis Budget Group Inc. also present a greater threat after pandemic-driven downsizings move into the rear-view mirror. A representative for Turo declined to comment.

Even before this month’s technology-led selloff, virtually all of Turo’s peers have trailed the market. Uber and Lyft Inc. are down 36% and 23% over the past 12 months, while Hertz has lost 36% since emerging from bankruptcy. Only Avis has traded more strongly, fueled largely by its meme-stock status.

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