

Stock Pitch Short - Aurora Innovation 8/15/2023

	Actuals				Projected				
	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022	2023	2024	2025	2026	2027	T
Consolidated Statements of Operations - USD (\$) shares in Millions, \$ in Millions									
Income Statement									
Collaboration revenue	\$ 0	\$ 82	\$ 68	74.8	82.3	90.5	99.6	109.5	
% Growth			-17%	10%	10%	10%	10%	10%	
Operating expenses:									
Research and development	(179)	(697)	(677)	-690	-789	-852	-946	-1036	
% of Revenue		-850%	-996%	-923%	-959%	-941%	-950%	-946%	
Selling, general and administrative	(39)	(116)	(129)	-124	-146	-155	-174	-190	
% of Revenue		-141%	-190%	-166%	-178%	-172%	-175%	-173%	
Goodwill impairment	0	0	(1,114)	0	0	0	0	0	
% of Revenue		0%	-1638%	0%	0%	0%	0%	0%	
Total operating expenses	(218)	(813)	(1,920)	(814)	(935)	(1,007)	(1,120)	(1,225)	
Loss from operations	(218)	(731)	(1,852)	(739)	(853)	(916)	(1,020)	(1,116)	
% of Revenue		-891%	-2724%	-988%	-1037%	-1013%	-1025%	-1019%	
Other income (expense):									
Change in fair value of derivative liabilities	0	(20)	114	\$47.00	\$80.50	\$63.75	\$72.13	\$67.94	
Other income (expense), net	4	(9)	15	\$3.00	\$9.00	\$6.00	\$7.50	\$6.75	
Loss before income taxes	(214)	(760)	(1,723)	(689)	(764)	(847)	(941)	(1,041)	
Income tax benefit	0	(5)	0	0	0	0	0	0	
% Tax	0.00%	0.66%	0.00%	0%	0%	0%	0%	0%	
Net loss	\$ (214)	\$ (765)	\$ (1,723)	\$ (689)	\$ (763)	\$ (847)	\$ (940)	\$ (1,041)	

Summary

Aurora Innovation is a self-driving technology company which incorporates technology, Aurora Driver, into numerous different vehicles. The company's goal is to improve the quality and safety of trucking using its self-driving technology and strives for wide scale implementation for delivering goods. The company also created next generation sensing technology which combines camera, radar, and lidar via its Aurora FirstLight Lidar to implement long range sensing and simulation detection of objects. Although the company has strategic partnerships with Toyota and Uber, the firm's business model of trucking food delivery automation remains unsustainable in the long term. The company's financial statements have also shown slowing revenue growth and unsustainable expenses which will result in a market selloff of the stock.

Business Description:

Aurora Driver - Autonomous software, hardware for trucking and local goods delivery
Aurora Driver as a Service via Aurora Horizon - Driverless trucking subscription service
Technology Innovation Services - next generation Lidar and sensor technology

Investment Case:

1. The company has been losing cash flow for the past three years, and the revenue has been declining for the year 2022. The company currently trades at ~ \$3.0 per share, and according to a discounted cash flow model, if the revenue increases by 10% (conservative) each year for the next five years, the company's share price will be at \$.45 per share.
2. Aurora's competitive industry of self driving automation of food delivery is unsustainable for the near term industry outlook. Revenue generation will be difficult for the company

as the competition will look toward industry leaders for self-driving automation technology. In addition, the risk of autonomous food delivery will take many more years of testing before full scale implementation. As the goal of Aurora and the company's vision is scalable implementation, the future outlook is not positive for the firm.

3. The company has been heavily expensing research and development which is 996% of revenue in 2022, and sg&a is 190% of revenue in 2022. These expenses are unsustainable and will result in the stock price being corrected in the current marketplace.

Risks:

- The major risk is that the company is partnering with a well branded firm. The company has partnered with Toyota and Uber technologies to bring implementation of their products and services. Although they have not promised revenue generation, any further partnerships may increase the stock value and increase revenue. However, many of these partnerships will not result in revenue generation
- Any company which is willing to acquire the company will increase the value of the stock price. If a company acquired the Lidar technology, the company's value will increase in the marketplace.

Capex								
PPE		94	91					
CAPEX				19	21	23	25	28
% of Revenue				28%	28%	28%	28%	28%
NWC								
Total current assets		1,677	1,118					
Total current liabilities		91	83					
Net working Capital		1,586	1,035	1293	1337	1517	1644	1822
% of Revenue		1934%	1522%	1728%	1625%	1677%	1651%	1664%
Free Cash Flow								
Adj EBITDA	-194	-529	-1545	206	221	246	269	296
- Taxes	0	(5)	0	0	0	0	0	0
- Capex	0.0	0.0	19.0	20.9	23.0	25.3	27.8	30.6
- Increase in NWC			(551)	258	44	180	126	178
Free Cash Flow			-1013.0	-72.7	153.4	40.4	115.0	87.7
Discounted Cash Flow			-1013.0	-72.7	153.4	40.4	115.0	131.5

Enterprise Value	\$260.46
Add Cash	\$262.00
Less Debt	\$11.00
Equity Value	\$511.46
Shares Outstanding	1,143
Price Per Share	\$0.45

	Actuals			Projected					I
	Dec. 31, 2020	Dec. 31, 2021	Dec. 31, 2022	2023	2024	2025	2026	2027	
EV/EBITDA	-1.34x	-0.49x	-0.17x	1.27x	1.18x	1.06x	0.97x	0.88x	
ROA	-0.11x	-0.38x	-0.86x	-0.34x	-0.38x	-0.42x	-0.47x	-0.52x	
ROE	-0.12x	-0.43x	-0.97x	-0.39x	-0.43x	-0.47x	-0.53x	-0.58x	