**In Deal With Didi, Uber Frees Itself to Expand in Other Markets**

Uber Technologies Inc. is selling its China operations to fierce rival Didi Chuxing, ending an expensive price war and freeing it up to focus on other markets and possibly an initial public offering.

The truce brings to an end a bruising battle between the two companies for leadership in China’s fast-growing ride-hailing market. Uber has already lost $2 billion in China in two years there, people familiar with the matter have said, prompting investors to pressure the company to cut a deal. As part of the arrangement, Didi will invest $1 billion in Uber’s global company, people familiar with the matter said.

Uber has said that it’s profitable in the U.S. and Canada, but losses in developing markets have undercut that hard-fought progress. The huge losses in China have been one of the main sticking points holding up Uber’s potential IPO, according to people familiar with the matter.

“The biggest existential threat to Uber over the last two months was that in China they were losing capital in a way that potentially threatened the rest of their worldwide operations,” said Arun Sundararajan, a New York University professor. “The fact is that in the short term it may seen as a loss, but in the long run it’s a good move. Now they can focus on the rest of the world.”

With China settled, Uber can turn to other countries where it’s fighting for market share, such as Grab in Southeast Asia, Ola in India and Lyft Inc. in the U.S.

Didi is buying Uber’s brand, business and data in the country, the Chinese company said in a statement. Uber Technologies and Uber China’s other shareholders, including search giant Baidu Inc., will receive a 20 percent economic stake in the combined company. Didi founder Cheng Wei and Uber Chief Executive Officer Travis Kalanick will join each other’s boards.

“Didi Chuxing and Uber have learned a great deal from each other over the past two years,” said Cheng, who is also CEO, in the statement. “This agreement with Uber will set the mobile transportation industry on a healthier, more sustainable path of growth at a higher level.”

Didi’s valuation after the deal will be $35 billion, said people familiar with the matter, asking not to be named because the details aren’t public. Uber was last valued at almost $68 billion and the arrangement has “removed the big roadblock for an Uber IPO,” Sundararajan said. “Losing money in China would’ve given many pre-IPO investor pause.”

Last year, China’s ride-hailing leaders Didi and Kuaidi joined forces, creating a homegrown juggernaut to fight off Uber. The merged company Didi Chuxing brought together backers Alibaba Group Holding Ltd. and Tencent Holdings Ltd., the country’s most valuable internet businesses. Apple Inc. joined in this year with a $1 billion investment in Didi, in a round that valued the company at about $28 billion. The Chinese government passed a new rule last week that [legalized](http://www.bloomberg.com/news/articles/2016-07-28/china-said-to-legalize-uber-didi-ride-hailing-as-battle-rages) ride-hailing services, paving the way for further expansion of these businesses.

Uber’s investors had been [clamoring](http://www.bloomberg.com/news/articles/2016-07-20/uber-investors-said-to-push-for-didi-truce-in-costly-china-fight) for the company to sell off its China assets and focus on more promising opportunities.

“As an entrepreneur, I’ve learned that being successful is about listening to your head as well as following your heart,” Kalanick wrote in a blog post obtained by Bloomberg before publication. “I have no doubt that Uber China and Didi Chuxing will be stronger together.”

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The deal is subject to government approval. While the combination of the top two players in a market would often raise regulatory scrutiny, officials will have to determine the range of competition. "The ministry of commerce has to define the size of the market and see if the car-hailing business Didi and Uber are offering can be replaced by similar services,” said [Deng Zhisong](https://www.linkedin.com/in/jet-zhisong-deng-327b5b33), senior partner at Beijing-based law firm Dentons. “If you count taxi services and public transportation, the car-hailing sector will not have a market share that significant.”

The purchase of Uber’s China business may complicate Didi’s alliance with other ride-hailing startups around the world. Didi had agreed to work with Lyft, Ola and Grab to create a global force to take on Uber. Grab CEO Anthony Tan said in a statement on Monday that the impending deal is a victory for Didi and underscores how the ride-hailing business favors domestic players.

In China, Uber ventured where few U.S. technology companies have succeeded. In 2005, Yahoo! Inc. made a similar deal, selling its businesses in China to Alibaba, along with a $1 billion investment -- one of the Silicon Valley company’s best bets.

"China is such a tough market, in terms of regulation, competition and culture; they faced challenges on so many fronts," said Li Yujie, an analyst at RHB Research Institute Sdn in Hong Kong. "Cooperating with rather than fighting Didi might not be such a bad idea."

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Read the text and answer the questions

1. Why did Uber have to sell their Chinese operation to Didi Chuxing?

Because they have lost $2 billion in China in 2 years.

1. What will Didi Chuxing have to do for Uber?

They will have to invest $1 billion in Uber.

1. Why was Uber’s situation in China catastrophic for the company?

Because their huge losses threatened the economic and financial stability of the company.

1. Why are Uber Technologies and Uber China-owned companies’ shareholders happy?

Because they are making more money.

1. What is Uber free to do now that the deal with Didi Chuxing is sealed?

They can enter the Stock Exchange and have an IPO: Initial Public Offering

1. What makes it possible for the hail-riding business to expand in China now?

Because the government has made it a legal business.

1. Paradoxically, what could be an obstacle to the expansion of the hail-riding business?

If the business faces competition from taxi services and public transportation.

1. What shows that Didi was determined to buy Uber?

Because they had many partners to help them: Lyft, Ola .....

1. What makes it hard for US companies to succeed in China?

Because their ventures fail and they have to sell out: Uber, Yahoo!inc

1. Is Li Yujie optimistic about the chances of US companies to thrive on the Chinese market?

No, "China is such a tough market, in terms of regulation, competition and culture; they faced challenges on so many fronts," said Li Yujie, an analyst at RHB Research Institute Sdn in Hong Kong. "Cooperating with rather than fighting Didi might not be such a bad idea."