**Didi Analysis**

**Quantitative Analysis**

GitHub Link: https://github.com/Kookiecath/DIDI/blob/main/DIDI\_Project\_2021.ipynb

**F-1 Filing - Risk Factors**

“Risk Factors” includes information about the most significant risks that apply to the company or to its securities. DIDI lists the risk factors in order of their importance. In practice, this section focuses on the risks themselves, not how the company addresses those risks. Some risks may be true for the entire economy, some may apply only to the company’s industry sector or geographic region, and some may be unique to the company.

**Top 5 risks that relating to DIDI’s Business:**

1. They are not sure whether they will be able to attract or retain consumers. In this case, this platform will be less appealing to drivers and businesses and their business and financial results may be materially and adversely impacted.
2. They are not sure whether they will be able to attract or retain drivers. In this case, they will have the similar result as the first case.
3. Their business is subject to numerous legal and regulatory risks that could have an adverse impact on our business and future prospects.
4. If the company or drivers or vehicles on the platform fail to obtain and maintain the licenses, permits or approvals required by the jurisdictions where we operate, DIDI’s business, financial condition and results of operations may be materially and adversely impacted.
5. They’re afraid of failing to ensure the safety of consumers and drivers. In this case, their business, results of operations and financial condition could be materially and adversely affected.

**Top 5 risks that relating to ADS(American Depositary Shares) and this offering:**

1. There has been no public market for the shares or ADSs prior to this offering, investors may not be able to resell the ADSs at or above the price they paid, or at all.
2. The trading price of the ADSs is likely to be volatile, which could result in substantial losses to investors.
3. The market price and trading volume for the ADSs may be adversely affected by the decisions of securities or industry analysts.
4. DIDI’s reported financial results may be adversely affected by changes in accounting principles.
5. As a result of being a public company, DIDI is obligated to develop and maintain proper and effective internal controls over financial reporting, and any failure to maintain the adequacy of these internal controls may adversely affect investor confidence in the company and, as a result, the value of the common stock.

**Besides the risks listed on the F-1 filing, one of the biggest risks they are facing right now is: Cyber security and national security concerns. DIDI is under investigation by China’s Cyberspace administration.**

**Description of this incident:**

The cyberspace security review office, an obscure unit of the powerful Chinese Administration of Cyberspace (CAC), on Friday announced a probe into Didi Chuxing on national security grounds, two days after the ride-hailing giant made its initial public offering in New York.

This was followed by another statement on Sunday in which CAC said it had ordered app stores to remove Didi from their platforms. On Monday morning, the cyberspace security review office said it was launching a similar investigation on “national security” grounds into truck-hailing apps Yunmanman and Huochebang, as well as a recruiting app operated by Boss Zhipin.

It is the first time in China that the cyberspace security review office. In addition, it is different from previous antitrust or pricing investigations into Big Tech in China. The probe into Didi is about national security concerns, a more serious issue than monopolistic behaviour and pricing irregularities.

**Possible outcomes:**

According to China’s cybersecurity review regulation issued in 2020, a review generally takes up to 45 working days to complete, but that period can be extended and not include the time that a target company spends preparing documents for the investigation. It means, in implementation, the probe can take months to complete.

The best scenario for Didi is that the review finds no national security risks and that Didi’s app, which was kicked [off local app stores](https://www.scmp.com/tech/big-tech/article/3139786/china-takes-didi-app-stores-two-days-after-beijing-announces) on Sunday, can be made available for download again. In the worst scenario Didi could be ordered to suspend its operations for a rectification, and then as a result, loses its market dominance.

As things stand, Didi has been accused by the cyberspace administration of violating Chinese laws and regulations in its collection and use of personal data. Meanwhile, according to China’s cybersecurity review law, if Didi is found to have sold problematic products and services with national security implications, it could be fined up to 10 times the purchase value and ordered to replace these products and services.

Didi’s stock investors are likely to bear the brunt of any financial losses caused by the probe. Didi’s big corporate backers,  including SoftBank Corp and Uber  are also expected to take losses.

**Capitalization requirements:**

1.     Cash Holdings Evaluation since IPO  (CNY) (yahoo.finance.com)

Total Cash(most recent quarter): 47.43  Billion

Total Cash Per Share (mrq): 109.48

Currency in CNY. All numbers in thousands

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2. Capital Structures Equity

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3. Capital Structure Debt



**Break Even analysis:**

**Revenue:**

Didi reported revenue of $21.7 billion in 2020. In the first quarter of this year, as China recovered from the pandemic, revenue more than doubled from the year before to hit $6.4 billion. Specifically, the company reported net income of $837 mill**ion** before certain payouts to shareholders, and comprehensive net income of $95 million for the quarter.

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| --- | --- | --- | --- |
| Total Revenue in 2020 | Operating Revenue in 2020 | Net Income in 2020 | Revenue in Q1 of 2021 |
| $21.7 Billion | $20.98 Billion | $837 Million | $6.4 Billion |

**Operating Expenses:**

Operating expenses in 2020 was about $3830.4 Million. It includes selling general and administrative  $2862.8 Million and R&D expenses $967.7 Million.

|  |  |  |
| --- | --- | --- |
| **Total Operating Expense** | **Selling General & Admin Expenses** | **R&D Expenses** |
| $3830.4 Million | $2862.8 Million | $967.7 Million |

**DIDI’s Balance Sheet:**

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**Cash flow statement:**

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**Source of income:**

DiDi Chuxing is a Beijing-based vehicle for hire company. It enables its customers to hail taxis and private cars as well as providing social ride sharing, bike sharing, and deliveries. Additionally, DiDi offers automobile services such as electric vehicle charging and car leasing.

DiDi makes money mostly through fares generated through its ride-hailing app, where the company gets a percentage of every fare (ranging from 5% to 20%). However, it also attracts revenue from other avenues such as its delivery service, through which customers can send and receive parcels delivered by DiDi drivers.

Another service offered by DiDi is its electric vehicle charging network; the company partnered with BP in 2019 to provide charging services to both DiDi and non-DiDi car owners. DiDi announced a plan for a car leasing service in 2020.

**Cash flow Projection:**

DiDi Global annual/quarterly cash flow from operating activities history and growth rate from 2022 to 2021. Cash flow from operating activities can be defined as a company's cash flows from operations.

* DiDi Global cash flow from operating activities for the quarter ending March 31, 2021 was $-0.937B
* DiDi Global cash flow from operating activities for the twelve months ending March 31, 2021 was $-0.937B
* DiDi Global annual cash flow from operating activities for 2020 was $0.174B

**Prediction for the future:**

DiDi announced a business strategy in April 2020, including a series of goals based on passenger journeys, active users and market penetration rate. By 2022, the goal is to complete more than 100 million daily trips and serve 800 million active users per month, as well as achieve an 8% penetration rate in China’s mobility market.

DIDI has an entrenched position in China.  It had over 80% of the country's shared mobility market in 2020. With this leading position, Didi could be a big beneficiary of the rise of the Chinese middle class. China's shared-mobility market is forecast to grow 270% over just the next five years, from RMB 233 billion today to RMB 862 billion in 2025, for an average annual growth rate of 29.9%. That's a higher average growth-rate forecast than for the global shared-mobility market.

**Didi's competitors:**

After elbowing Uber out of China in 2016, Didi Chuxing quickly dominated the country’s massive ride-sharing market, but its position is by no means unassailable, as more powerful rivals emerge to threaten its supremacy.

In 2018, several Chinese companies, including the Alibaba-owned mapping firm AutoNavi and the deep-pocketed local services provider Meituan have launched their own ride-hailing platforms. They're providing discounted rides to passengers and luring drivers with more favorable terms, eager to capture a slice of this rapidly growing market.

Analysts say these new entrants have a real chance of chipping away at Didi’s dominance, as they each have deep local market knowledge and competitive advantages Uber never possessed in China.

Below are some comparative statistics for Didi's top competitors:

Graphical user interface

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