BUSINESSMAN OF THE YEAR

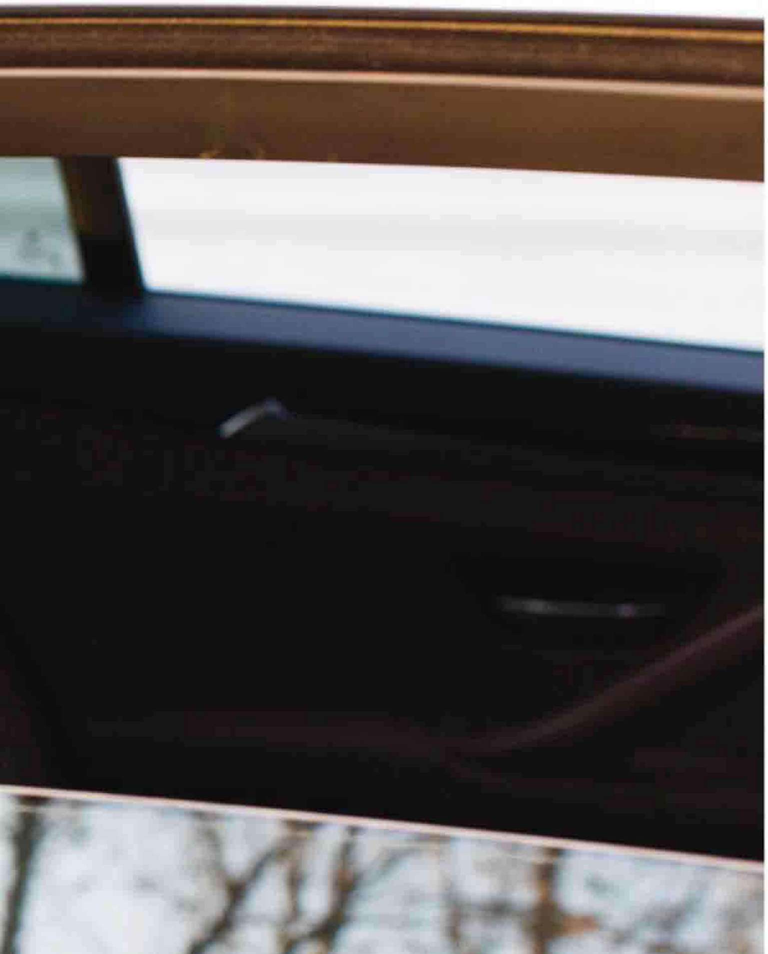
Cheng Wei Uber Alles: "It was an epic battle. We had a great rival."

JASPER JAMES FOR FORBES

Backseat Driver

Vanquishing and consolidating rivals, attracting key allies and financing, Cheng Wei has China's Didi Chuxing in the car-hailing fast lane.

BY YUE WANG



At first Cheng Wei seems the antithesis of Travis Kalanick, who is known for his forward manner as the CEO of Uber Technologies. Cheng, the founder of Chinese ride-service Didi Chuxing, Uber's counterpart, is bespectacled and cherubic. With his humble demeanor, the 33-year-old can easily pass as a fresh college graduate.

But this summer Cheng shot to global fame for a single reason: He became the only entrepreneur to stop Uber's relentless advance. After burning through billions of dollars in an attempt to subdue its Chinese rival, Uber admitted defeat. In August Kalanick sold the company's China unit to Didi for $1 billion in cash, along with an 18% ownership stake in the combined entity, which is valued at $35 billion. Cheng and Kalanick have joined each other's boards, without voting rights.

The victory culminates Didi's rapid rise, achieved on the streets as well as in executive suites. Under Cheng the company attracted 300 million users in 400 Chinese cities in just four years. The service, which lets consumers digitally hail and pay for taxis, private cars, limousines and commuter buses, commands 85% of China's ride-sharing market, which Beijing research firm Analysys International estimates will reach 122 billion yuan ($17.7 billion) by end of this year and 286 billion yuan in 2018. (Uber had 10% before quitting the country.) For Cheng's role as operator and consolidator, he is FORBES ASIA's 2016 Businessman of the Year.

Cheng seems to genuinely admire his vanquished rival. He says Uber was more nimble and invested in China than Western technologists tend to be. Kalanick, who spent one in five days in the country last year, did what Uber had never done before or since: He set up a separate China entity and brought in local investors that included search engine giant Baidu and the state-controlled Guangzhou Automobile Group in an effort to help Uber avoid some of the restrictions foreign companies face.

"It was an epic battle. We had a great rival," Cheng tells me at Didi's headquarters, located in Beijing's outskirts with a view of the Fragrant Hills to the west. "Uber adapted very quickly. The company wasn't like Google or Yahoo in the early days."

Uber's strategy, to some extent, worked. China became its largest international market, accounting for more than a third of the company's trip volume, after it spent more than $1 billion a year to attract Chinese drivers and passengers with generous bonuses.

But Didi did things better. In 2014 Cheng hired Jean Liu from Goldman Sachs, where she was a managing director in Asia Pacific, as the company's president. Daughter of Liu Chuanzhi, founder of China's largest PC maker, Lenovo Group, she helped Didi with record fundraising. Shortly after Uber announced in June a massive $3.5 billion funding round from Saudi Arabia's sovereign-wealth arm, Didi said it raised $7.3 billion in both equity and debt, including a surprise $1 billion investment from Apple. Some big-name global hedge funds and Asian heavyweights joined in. On the basis of such funding FORBES christened Cheng a billionaire this year.

Didi counts Chinese Web giants Alibaba and Tencent among its investors, as well; they promote its ride services on their hugely popular Alipay e-wallet and WeChat social media apps. Tencent took it one step further. It blocked Uber's WeChat accounts, so its marketing messages couldn't get across to the app's more than 800 million users, Uber senior vice president Emil Michael complained to *Bloomberg* last year. Tencent first blamed the issue on technical glitches but later said Uber China violated its WeChat public account policies.

"It was a team approach," said Jeffrey Towson, a professor of investment at Peking University's Guanghua School of Management. "It wasn't just Didi. It was Team Didi."

Didi also defended its home turf by "stabbing Uber right in the belly," according to cofounder and angel investor Wang Gang. Last year the company invested $100 million in Uber's U.S. rival Lyft. The move sought to pressure Kalanick's core business unit, which churns out profits to sustain his global expansion.

"Uber is like an octopus," says Wang, who estimates his unspecified Didi stake is now worth $1 billion. "China is one of its tentacles, and simply lashing out at it is useless. We must cut Uber's core U.S. unit and make it bleed there."

Uber made the first call for a truce in June, and a deal was reached quickly, Cheng says. He says the Chinese government didn't help him in any way, crediting instead Didi's better product.

"We have 3,000 engineers working on the Didi app, and we developed technologies to predict vehicle supply and demand," he says. "It was a fight with real swords and spears."

Didi attracted local talents and investors because Cheng is humble and open to their suggestions. On his office wall Cheng has hung, in Chinese calligraphy, the word *xuxin*, which translates as "being modest."

"The most important thing I have learned after founding Didi is that you can't be proud," he says. "You have to be modest and listen to outside ideas to be successful."

Born in a small town in the landlocked Jiangxi Province, Cheng didn't excel at China's all-important college entrance examinations. He turned over the pages too quickly and missed the last three mathematics tests. In the end he got into Beijing University of Chemical Technology, considered

Our October 2015 cover of Didi Kuaidi's Jean Liu captured Uber's struggle in China.

second-tier to the prestigious Peking and Tsinghua Universities, to major in business administration.

After graduation Cheng went through half a dozen jobs, including manager at a foot-massage chain and a mobile-phone component supplier. He even applied to be a tourist guide.

A life-changing opportunity came in 2005. He grew determined to work in China's burgeoning Internet sector and came knocking at Alibaba's Shanghai office with his résumé in hand. "Alibaba said, 'We want young men like you,'" he recalls. "I am really thankful toward the company." It was there that he met his future cofounder Wang, who for a time was his boss.

At the e-commerce group, Cheng proved good at selling advertisements to local merchants. Within six years he was made a manager at Alibaba affiliate Ant Financial in Beijing.

But Cheng wasn't content. For months, with Wang, he broached ideas for a startup—a furniture retail site perhaps or an online-education company. In the end they settled on taxi-hailing, because everyone was complaining about not getting a cab in Beijing. They hired a contractor to code the first version of a mobile application.

In 2012 the Didi app wasn't an immediate hit. Smartphone penetration had yet to take off, and Chinese cabbies indeed were plenty busy. (Beijing's taxis still number 66,000, despite rapid population growth in the past decade.) Finally, Cheng persuaded a small taxi firm on the outskirts to try. He also hired a "professional taxi hailer," whose only duty was hopscotching the city's busy roads using the app to convince drivers that the platform had real orders.

The service went mainstream after a snowstorm that November, when many trapped commuters turned to Didi. Daily orders passed 1,000 for the first time. Shortly afterward, Cheng got his first outside investment from GSR Ventures, which put $3 million in the firm.

That got Tencent's attention. In early 2013 Cheng and Wang agreed to meet Tencent's then-head of investment, Richard Peng.

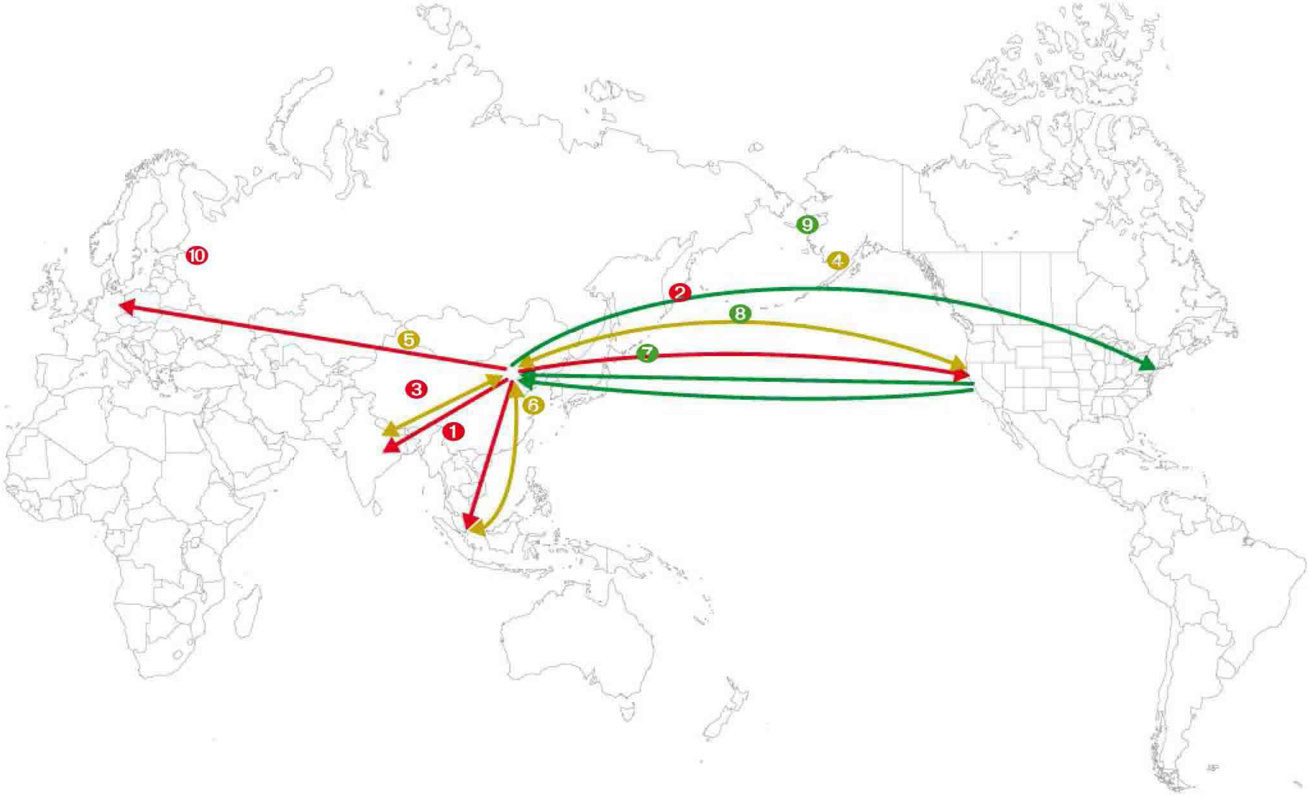
The pair initially were reluctant to deal, owing to old rivalries. "They are from Alibaba. They really didn't want Tencent's investment," recalls Peng, who left Tencent last year to start his own firm, Yuansheng Capital.

But Peng offered generous terms. Tencent valued Didi at $60 million at the time, 50% higher than other investors were seeing. After lengthy talks, including a meeting with the company's billionaire founder Pony Ma later that year, Cheng said yes.

In 2014 Tencent invested $15 million. (The company has since put more than $1 billion in Didi, Peng estimates.) With its war chest full, Didi managed to shove aside most rivals, including the Sequoia Capital-backed Yaoyao

CAR SERVICE THAT CROSSES THE OCEANS

Didi Chuxing's global connections from Bangalore to Silicon Valley.



❶ In August 2015 Didi Chuxing took part in a $350 million round of investment in Malaysian ride-sharing firm GrabTaxi. It was the company's first foreign investment.

❷ In September 2015 Lyft said Didi invested $100 million in the company.

❸ In November 2015 Didi participated in Indian ride-sharing company Ola's $500 million Series F funding round.

In December 2015 Didi, ❹ Lyft, ❺ Ola and ❻ GrabTaxi announced a strategic partnership where the four companies would work together on technology and products. The companies said then they would start rolling out joint-partner products in early 2016.

❼ In May Apple invested $1 billion in Didi, as part of the company's $7.3 billion funding round completed in June.

❽ In August 2016 Uber sold its China unit to Didi. Under the terms of the deal Uber will receive 17.7% of economic interests, including a share of future profits, in the merged company. Cheng Wei and Travis Kalanick will hold seats on each other's boards, without voting rights.

❾ In November Didi announced a partnership with Avis where the two companies will provide Chinese travelers overseas car-rental services via the Didi app. ❿ In the same month Didi formed a partnership with Volkswagen Group to set up high-end mobility services.

Zhaoche, which had both taxi and limousine services. There was only one domestic competitor left: the Alibaba-backed Kuaidi. With Uber eyeing the China market in late 2014, the two companies opted to merge so they could turn the combined firepower toward a common foreign foe. Kuaidi's CEO, Dexter Lv, quit the company shortly after the deal, leaving Cheng Wei in charge.

"Dexter's decision not to run the company was a precondition for the negotiations," Didi investor Wang recalls. "He wasn't as insistent on managing the merged company as Cheng Wei was." (Lv couldn't be reached for comment.)

The fight with Uber was a financial bloodbath. At the height of the subsidy war, Didi alone went through 40 million yuan ($5.8 million) in one day, according to Wang. The company was prepared to keep bleeding subsidies for a few years were it not for Uber's peace call, he says.

Didi's losses over the past year may match its U.S. rival's, according to Wang Xiaoyan, an analyst at Shanghai-based 86 Research. She thinks Didi should break even by early next year as it asks riders to pay more. Cheng declines to provide Didi's financials but says profitability isn't an immediate goal. By Analysys International's figures, 2016 revenues are close to $3 billion.

Didi for now will remain distinctly Chinese—no overseas managers have

FARE GAME

Didi Chuxing is matching up better against the ride-sharing pioneer.

	FOUNDER	AGE	FOUNDING YEAR	TOTAL FUNDS RAISED	EST. VALUATION	NOTABLE INVESTORS	DAILY RIDES	OPERATING BASE
UBER	TRAVIS KALANICK	40	2009	$13 BIL	$69 BIL	BENCHMARK, JEFF BEZOS, GOLDMAN SACHS, MICROSOFT	5.5 MILLION	73 COUNTRIES WORLDWIDE
DIDI	CHENG WEI	33	2012	$11.2 BIL	$35 BIL	ALIBABA, TENCENT, DST GLOBAL, APPLE, TIGER	20 MILLION	CHINA, BUT WITH PARTNERSHIPS ABROAD

SOURCES: PREQIN; DIDI MEDIA REPORTS.

come on board. But Cheng is buying stakes in ride-sharing companies in markets abroad, with more investments and possibly acquisitions in the pipeline, he says.

Didi has formed a series of alliances with Uber's smaller rivals. Aside from Lyft, it invested in ride-sharing firms Ola in India and GrabTaxi in Southeast Asia, so China's 110 million overseas tourists can hail local cars through the Didi app. In early November the company announced a partnership with global car-rental firm Avis, also for China's outbound travelers.

"We will definitely compete with Uber globally again," Wang says. "Uber has shares in us now, but it doesn't mean we are giving up global markets."

Cheng has a more conciliatory tone. "Uber and us are good partners now," he says. "We will compete, but it won't be as bad as what happened in China." (Uber hasn't replied to multiple inquiries for this story.)

Didi, meanwhile, is investing in autonomous driving and big data technologies, so it can predict traffic conditions and passenger demand more accurately. It is also expanding into services such as auto finance, Cheng says without providing more details.

"We want to be the largest one-stop transportation platform in the world," he says. "We are working on everything that relates to transportation."

But China still is a challenge after its biggest cities proposed harsher ride-sharing regulations following the central government's July decision to legalize the sector. Beijing, Shanghai, Shenzhen and Hangzhou, for example, drafted rules on driver residency and vehicle status. Didi has said that not even 3% of its 410,000 private-car drivers in Shanghai meet the city's proposed requirements.

Didi is investing in big-data technologies: "We want to be the largest one-stop transportation platform in the world."

IMAGINECHINA

Many local taxi companies are government-linked entities that lose a big chunk of their business to Didi's private car services. Protests have broken out in cities across China, as angry cabbies sought to boycott the Didi platform.

If strictly enforced, the rules could shrink Didi's business by 40%, as they would drastically reduce the pool of available cars and drivers, says Teng Bingsheng, a professor at the Cheung Kong Graduate School of Business.

(In September China's Ministry of Commerce also opened an antitrust look into the Didi-Uber China merger. Didi says Uber's revenues didn't meet the threshold for such a review, and analysts dismiss the chances of such a high-profile deal being nixed.)

Didi is actively giving feedback to the draft rules, Cheng says. Perhaps mindful of the influence his young company has achieved, he is confident the authorities are softening up. Meanwhile, Didi is working with 150 taxi firms to off-load unfulfilled private-car orders to cab drivers with good service records.

"It doesn't have to be life or death between the new industries and the old industries," he says. "The trend of opening up the ride-sharing market is obvious."

So it was, even in 2012, to a business grad of the Chemical Technology University who chose not to become a tourist guide. F