

Uber acquires Mideast competitor Careem for \$3.1 billion

March 26 2019, by Aya Batrawy And Fay Abuelgasim



In this June 24, 2018 photo, Ammal Farahat, who has signed up to be a driver for Careem, a regional ride-hailing service that is a competitor to Uber, opens the Careem app on her mobile phone before she starts driving, in Riyadh, Saudi Arabia. Ride-hailing service Uber announced on Tuesday, March 26, 2019 it has acquired Mideast competitor Careem for \$3.1 billion, giving the San Francisco-based firm the commanding edge in a region with a large young, tech-savvy population. (AP Photo/Nariman El-Mofty)

Ride-hailing service Uber announced on Tuesday it has acquired Mideast competitor Careem for \$3.1 billion, giving the San Francisco-based firm the commanding edge in a region with a large, young, tech-savvy population.

It comes as Uber's losses widened last year ahead of plans for an initial public stock offering this spring.

Uber said the purchase consists of \$1.7 billion in convertible notes and \$1.4 billion in cash. It marks the largest technology transaction in the Middle East—outside of Israel—and propels the Dubai-based firm to legendary status among the region's budding tech startup scene.

Under the deal, Careem will keep its brand and app unchanged, at least for now, and will operate as a wholly owned subsidiary of Uber led by its own original founders.

Uber CEO Dara Khosrowshahi said the acquisition of Careem marks "an important moment for Uber as we continue to expand the strength of our platform around the world."

In a memo to staff, Khosrowshahi said that keeping the Careem app intact allows Uber to try out new ideas across both brands. Over time, the firms will integrate part of their networks, he said.

The deal is expected to close in the first quarter of 2020 and is subject to regulatory approval in several countries.



In this Sept. 5, 2018 file photo, Uber CEO Dara Khosrowshahi speaks during the company's unveiling of the new features in New York. Ride-hailing service Uber announced on Tuesday, March 26, 2019 it has acquired Mideast competitor Careem for \$3.1 billion, giving the San Francisco-based firm the commanding edge in a region with a large young, tech-savvy population. (AP Photo/Richard Drew, File)

Egyptian regulators expressed concerns Tuesday of a merger leading to a monopoly in the market, which they cautioned could lead to price increases, degraded service quality and limited consumer choice. Egypt's competition authority invited third parties to come forth with their concerns by the end of April as part of its investigation into the proposed deal.

Uber's stiffest competitor in the Middle East had been Careem, which launched in 2012—three years before Uber entered the local market.

Careem, founded by two former management consultants at McKinsey & Co., is popular in countries like Egypt and Pakistan because it allows customers to use cash, while Uber was initially a credit card-only system. Last year, Careem was said to be exploring a bus service for Egypt's lower-income riders.

Despite Uber's regional launch in 2015 and services like Uber Eats, which delivers food, Careem maintained the lead operating in more than 100 cities across 15 countries. The company was valued at about \$1 billion in a 2016 funding round and an estimated \$2 billion last year.



In this June 24, 2018 file photo, Careem co-founder Abdullah Elyas sits at a desk at the Careem office, in Riyadh, Saudi Arabia. Ride-hailing service Uber announced on Tuesdayh 26, 2019, Marc it has acquired Mideast competitor Careem for \$3.1 billion, giving the San Francisco-based firm the commanding edge in a region with a large young, tech-savvy population. (AP Photo/Nariman El-Mofty, File)

Dubai now has three of the region's most high-profile startup success stories. In 2017, Amazon purchased Mideast online retailer Souq.com for reportedly close to \$700 million. A decade ago, Yahoo acquired Dubai-based Arab-language internet site Maktoob.

Careem's CEO Mudassir Sheikha described the acquisition as a "milestone" for the company and for budding entrepreneurs in the region. Under the deal, he will lead Careem's business under Uber and report to a board comprised of three Uber representatives and two from Careem.

"This has put our region on the map and has shown it's a great place to build some of the best technology in the world," Sheikha said in a statement to Careem customers.

Saudi Technology Ventures, one of Careem's investors, said the local ride-hailing firm succeeded by using its deep local knowledge and expertise to cater to the needs of young people.

Other Careem investors include Kingdom Holding, chaired by Saudi Prince Alwaleed bin Talal, German car manufacturer Daimler AG, Japanese tech firm Rakuten and Mideast venture capital firm Wamda. Uber's investors include Saudi Arabia's sovereign wealth fund, which has a \$3.5 billion stake in the ride-sharing app.



This June 12, 2018, file photo shows the Uber app on a phone in New York. Ride-hailing service Uber announced on Tuesday, March 26, 2019 it has acquired its Mideast competitor Careem for \$3.1 billion, making it the largest-ever technology purchase in the region. (AP Photo/Richard Drew, File)

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