Sample Case for Case Presentation at the International Final

Financial Strategy in the Women-Centric Ride-Hailing Subsidy War

Background

The women-centric ride-hailing market emerged as a disruptive force in urban mobility, fueled by growing demand for safety and tailored services. By 2024, this niche commands an $18 billion global valuation, with China alone contributing 65% of total revenue. Since 2022, the market has grown rapidly, driven by rising safety concerns and regulatory mandates for female driver-passenger matching. By 2024, this segment accounts for 18% of China's $85 billion ride-hailing industry.

Two platforms dominate this market: **SheRides** and **LadyCab**.

SheRides, founded in 2020 by tech entrepreneur Clara Wu, is San Francisco-based and pioneered an all-female driver-and-passenger model. Its signature pink-branded app gained traction in Tier 1 Chinese cities, where safety incidents in traditional ride-hailing services drove 78% of female users to switch platforms. SheRides secured early backing from Silicon Valley venture capital firms like Sequoia Capital and Tiger Global.

The company raised $200 million across three funding rounds, with its C-round valuation peaking at $480 million in Q2 2024. However, this left SheRides with a fragile capital structure: 67% debt-to-equity ratio and $27.6 million cash reserves, sufficient for only three months of subsidy-driven operations at the current burn rate of $9.2 million per month.

SheRides' Recent Funding Rounds

Funding Round	Time	Amount ($M)	Valuation ($M)	Equity Dilution
B Round	2023-Q1	80	320	20%
C Round	2024-Q2	120	480	25%

SheRides' rapid expansion came at a cost. Its aggressive subsidies—$8.50 per ride to drivers and $6.20 to passengers—have eroded profitability. The company's revenue declined 9.7% year-over-year in 2023 due to these incentives, resulting in a 12.3% gross margin.

SheRides Financial Snapshot (2023-2024)

Metric	2023	2024 (Q2)
Monthly Active Users (MAU)	2.1M	1.6M
Gross Merchandise Value (GMV)	$98M	$73M

Operating Margin	-14.2%	-21.8%
Cash Reserves	$62M	$27.6M

LadyCab, established in 2018 and Shanghai-headquartered, was founded by ex-Didi executives. It took a different strategic approach, leveraging investments from Didi Chuxing, Tencent, and automaker Geely to build infrastructure, including proprietary driver training centers. LadyCab maintains a stronger financial position with $43.2 million in cash (five months' runway) and a 58% debt-to-equity ratio.

LadyCab's hybrid monetization model—combining ride commissions with premium subscription packages—supports a 19.4% gross margin. However, the company faces operational challenges, including a 14% monthly driver churn rate and recent driver strikes over opaque bonus calculations. LadyCab also holds patents for driver-rating algorithms valued at $28 million.

LadyCab Operating Metrics (2024)

Metric	Value
Driver Churn Rate (Monthly)	14%
Customer Acquisition Cost (CAC)	$9.71
Subsidy per Ride	$1.30

The subsidy war has created a toxic market dynamic, trapping both companies in a cycle of escalating cash burn:

- 62% of drivers and 83% of users operate on both platforms, creating "subsidy arbitrage"
- A 10% subsidy cut triggers 26% user churn for SheRides vs. 19% for LadyCab
- Both platforms claim an 80% market share, but overlapping networks distort true market share

Additional Information

Comparative Performance Metrics

Section	Metric	SheRides	LadyCab
Retention	Driver Retention Rate	82%	86%
	Monthly User Retention	63%	68%
Financial Status	Debt-to-Equity Ratio	67%	58%
	Cash Reserves ($M)	27.6	43.2
Subsidy Sensitivity*	Driver Churn Increase	+18%	+12%
	User Churn Increase	+26%	+19%

*Note: 10% Subsidy Reduction Impact

SheRides Key Financial Data (2024)

Metric	Current Value	Projected Value Without Subsidies
Daily Order Volume	85,000	52,000 (-39%)
Average Order Value (with subsidy)	$6.00	$8.29 (+38%)
Average Driver Subsidy per Ride	$1.21	$0
Average Passenger Subsidy per Ride	$0.89	$0
Gross Margin	12.3%	28.6%
Monthly Cash Burn	$9.2M	$3.1M

SheRides Operational Metrics Comparison

Metric	2023	2024 (Current)	2024 (Post-Merger Projection)
Monthly Order Volume (10,000s)	92	85	153
Operating Cost per Order ($)	$5.21	$5.60	$4.83
Compliance Cost per Order ($)	$0.67	$0.77	$0.59
Customer Acquisition Cost ($)	$8.29	$10.43	$7.00

Post-merger GMV potential: $173M (based on overlapping user analysis)

Post-Merger Synergy Potential

Category	Annual Savings
Operational Cost Reduction	$18.7M
Marketing Overlap Elimination	$9.2M
R&D Consolidation	$13.1M

Scenario

The SheRides board convenes an emergency meeting as cash reserves dwindle to a critical $27.6 million. With current monthly cash burn at $9.2 million, the company faces insolvency within 90 days. Two factions have emerged within the board:

1. **The Growth Coalition**, led by early VC investors, insists on raising a $150 million Series D to "outlast LadyCab." They argue that market leadership justifies aggressive dilution.
2. **The Pragmatists**, including institutional shareholders, advocate for a merger with LadyCab to rationalize costs.

The SheRides board is split between two options:

1. **Pursue a $150 million Series D funding round** to extend the subsidy war, accepting heavy dilution (projected 18-23% equity loss) and stringent investor terms, including a 12-month IPO deadline.

2. **Merge with LadyCab** through a stock swap, leveraging operational synergies but risking antitrust scrutiny and cultural clashes.

As CFO, you must cut through the noise and deliver a clear, finance-driven recommendation for the board that answers: Can SheRides survive another funding round without destroying shareholder value? Would a merger deliver better risk-adjusted returns? Your analysis must quantify trade-offs between dilution pain and merger synergies while addressing liquidity risks.

Things to Consider

1. How would a 20% reduction in driver subsidies impact order fulfillment rates, given LadyCab's parallel pricing strategy?
2. What hidden liabilities (e.g., pending driver litigation, platform maintenance costs) might surface during merger due diligence?
3. Could AI-driven dynamic pricing algorithms replace blanket subsidies to improve unit economics? Can it reduce subsidy dependency without triggering user churn?
4. How do dual-platform drivers (simultaneously on SheRides and LadyCab) distort true market share calculations?

You Must Address the Following in the Presentation

1. **Liquidity Analysis**: Calculate the minimum funding required to sustain operations until Q2 2025 under three scenarios: status quo subsidies, 15% subsidy cuts, and merger-driven cost savings.
2. **Financing Dilution Impact**: Model equity value per share under D Round terms at $480M (C-round valuation) vs. $550M (bull case), factoring in investor liquidation preferences.
3. **Merger Synergy Quantification**: Estimate annual cost savings from combining driver networks, eliminating redundant marketing spend, and consolidating tech infrastructure.
4. **Shareholder Value Comparison**: Contrast projected IRR for existing shareholders under both paths over a 3-year horizon.
5. **Final Recommendation**: Provide a clear recommendation (D Round funding or merger) supported by comprehensive financial analysis. Detail the specific steps for implementation, key milestones, and success metrics for your chosen strategy.