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Grab Expands its Runway with Record Debt Funding

By Joshua Trosch, J.D. Candidate 2020 | October 30, 2017

Singapore based ride-sharing start-up, Grab, announced on October 20, 2017, that it was moving forward with the single largest debt financing deal secured by a Southeast Asian company to date, at $700 million.

Originally conceived as a taxi-hailing service, Grab, formerly GrabTaxi, is one of the most popular mobile applications in Southeast Asia, servicing Singapore, Malaysia, Indonesia, the Philippines, Vietnam, Thailand, and Myanmar. It outperforms Uber both in application downloads and market share, accounting for more than 70% of all private vehicle hailing. It's latest round of debt financing comes on the curtails of a larger capital raising venture that has netted the start-up $4 billion to date.

The express purpose of its latest debt financing is to purchase a fleet of vehicles which can be offered with affordable leasing terms to prospective partner-drivers in Singapore and Indonesia, many of whom cannot afford a car given high prices in the former and lack of credit options to purchase a car in the latter.

Grab's ridesharing service is not limited to cars, as it also offers a bike sharing service. GrabBike provides a faster, cheaper, and more efficient more of transportation in many of the heavily congested cities in which the app operates. However, regulatory issues in countries like the Philippines have forced GrabBike to cease operations. Moreover, GrabBike only recently became available in Thailand after transport authorities forced the app to suspend service last year in light of regulatory concerns.

Whether Grab plans to expand its vehicle holdings to other countries in the region in order to counteract legal pushback associated with its expanding bike service remains unknown. However, it certainly raises important questions about how investors should consider the often unanticipated legal obstacles that can emerge from novel tech start-ups.