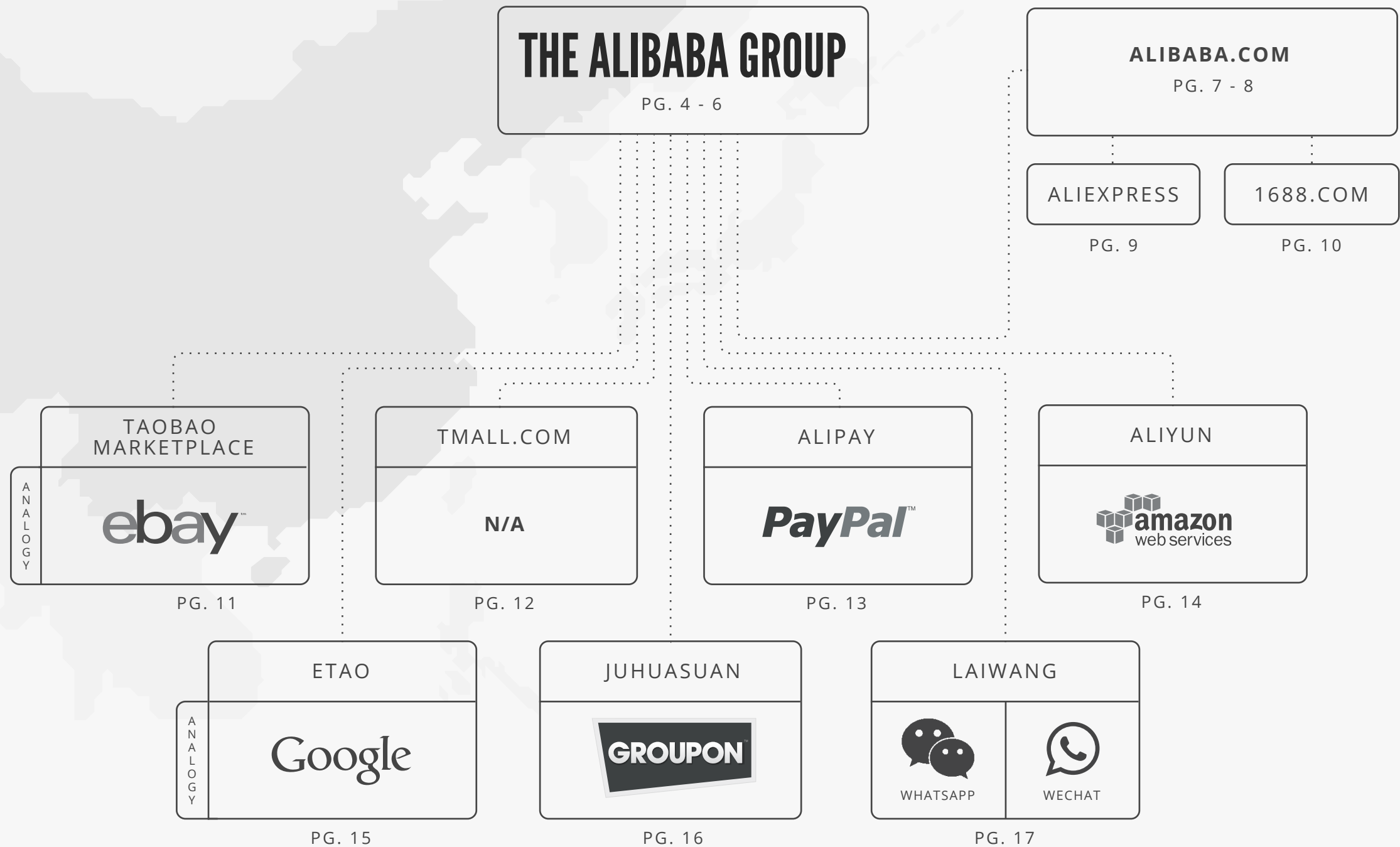


ALIBABA EXPLAINED

What you need to know before the IPO

ALIBABA FAMILY TREE



INTRODUCTION

Alibaba Group—or just “Alibaba”—is a Chinese internet conglomerate that’s been called a combination of Amazon, eBay and PayPal, yet it’s actually much more than that. Among the group’s businesses are the country’s largest B2B ecommerce site, Alibaba.com, and the largest C2C marketplace in China, Taobao Marketplace. In addition to its ecommerce businesses, the company has also expanded into cloud computing, mobile chat and financial services.

News of an upcoming initial public offering has taken both the financial and tech worlds by storm. Analysts are saying Alibaba’s IPO will be even more significant than Twitter’s and Facebook’s—early estimates value the company at \$100-\$150 billion.

The group is comprised of several subsidiaries, many of which are intertwined and offer complementary products and services. Sound confusing? Informerly’s primer breaks down how it all works with basic facts and figures and key talking points about the company’s major subsidiaries.

ALIBABA GROUP

1 of 3

FACTS & FIGURES

YEAR FOUNDED:

1999

LOCATION (HQ):

Hangzhou,
China

CEO:

Jonathan Lu

EXECUTIVE
CHAIRMAN

Jack Ma

EMPLOYEES

+20,000

2012 SALES (TRANSACTIONS):

\$170 BILLION

2013 REVENUES:

\$5 BILLION

2013 REVENUES:

\$1 BILLION

INTERNATIONAL PRESENCE:

More than 70 offices in China, Singapore, India,
the United Kingdom and the United States

OVERVIEW OF COMPANIES

Alibaba Group is made up of various companies focused primarily on ecommerce marketplaces, products and services. The group is also involved in adjacent markets (cloud computing, mobile chat, personal finance), some of which also serve ecommerce functions. For example, sellers on the C2C marketplace, Taobao, use data storage services of the cloud computing company, Aliyun.

Alibaba.com was the group's original business and is considered the flagship company. However, TMall and Taobao have grown so rapidly they now make up the majority of the group's revenue and are the most well-known of the companies.

ALIBABA GROUP

2 of 3

Figure 1: Overview of major companies within the Alibaba Group

ECOMMERCE MARKETPLACES

ALIBABA.COM

B2B

TAOBAO.COM

C2C

1688.COM

B2B (PART OF ALIBABA.COM, FOR DOMESTIC SMALL BUSINESSES)

TMALL.COM

B2C

JUHUASUAN

GROUP BUYING

ALIEXPRESS

B2B (PART OF ALIBABA.COM, FOR INTERNATIONAL SMALL BUSINESSES)

ECOMMERCE PRODUCTS & SERVICES

ALIPAY.COM

ONLINE PAYMENT PLATFORM

ETAO.COM

SHOPPING SEARCH ENGINE

ADJACENT MARKETS

ALIYUN.COM

CLOUD COMPUTING SERVICES

LAIWANG

MOBILE CHAT APP

YUEBAO

INVESTMENT FUND / PERSONAL FINANCE SERVICES

ALIBABA GROUP

3 of 3

TALKING POINTS

Initial Public Offering (IPO): There has been much talk about an anticipated IPO for Alibaba, which would make the private company a publically traded one.

- The event has had financial analysts abuzz since early 2013. Estimated valuations fall around the \$100-\$150B mark. For comparison, Facebook was valued at \$104 billion and Twitter was \$24.9 billion.
- The timing of the IPO has been a moving target. Initially, the date was pegged for January 2014. However, a late 2014 or 2015 IPO is now more likely.
- There remains uncertainty over whether Alibaba will list on the Hong Kong Stock Exchange or in New York (on the NYSE or Nasdaq)

Jack Ma: Jack Ma, 49, was Alibaba's original founder and the company's CEO until May 2013. He now serves as executive chairman and is the individual most often associated with Alibaba. Ma is also considered to be one of the most influential figures in the international ecommerce world writ-large and has been called the "godfather of China's scrappy entrepreneurial spirit." He is known for having a unique ethos and working style, and has been awarded with a number of prestigious recognitions:

- Recognitions: Financial Times "Person of the Year" (2013), one of TIME 100's "World's Most Influential People" (2009), Businessweek "Businessperson of the Year" (2007), one of Barron's 30 "World's Best CEOs" (2008)

MAJOR THEMES

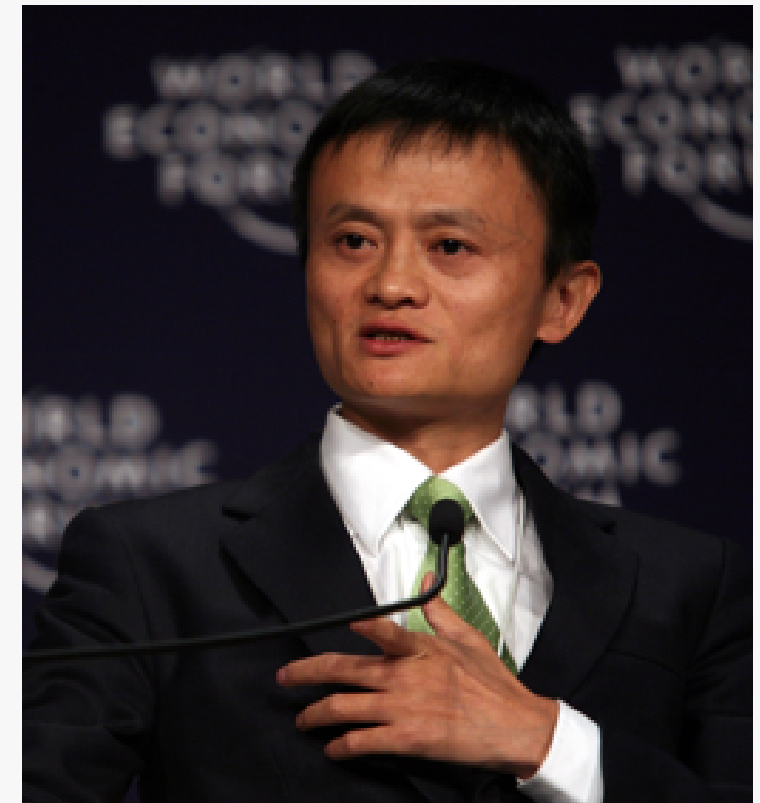
Alibaba has made major moves to expand its role in mobile commerce and shopping through social media platforms.

Mobile has been a centerpiece of CEO Jonathan Lu's strategy since taking over for Jack Ma, and on Singles Day, the biggest Chinese online shopping holiday, 21% of transactions took place over mobile devices, up from 5% just one year ago. Other businesses, such as Laiwang and Alipay, are also increasingly focused on mobile.

Several companies within the Alibaba Group are taking strides to expand their businesses overseas.

The company's overall strategy is to expand into markets where there are large Chinese-reading populations (Singapore, Hong Kong, Malaysia, Taiwan). Individual subsidiaries such as Alipay, Juhuasuan and Aliyun are following suit.

Alibaba's growth has caused other major competitors to shut down their businesses, and at times, the company has pursued an offensive strategy by directly going after major competitors. Google shut down its Chinese shopping search engine site in Dec. 2012 due to competition from eTao, and eBay shut down its China operations in 2006 due to competition from Taobao Marketplace. At an earlier point, Jack Ma had announced he was "going to war" with eBay. There has also been tension between Alibaba's Laiwang and WeChat, a similar mobile messaging app owned by Tencent.



Jack Ma speaks at the World Economic Forum, 2008.

(Credit: World Economic Forum/Natalie Behring)

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ALIBABA.COM

1 of 2

FACTS & FIGURES

LAUNCH DATE:

1999

REGISTERED USERS:

80 MILLION (2012)

NOTE:

1688.com and AliExpress are businesses within Alibaba.com that provide similar services to distinct customer segments (see diagram below for more).

DESCRIPTION

Distinct from “Alibaba Group,” Alibaba.com is the company’s B2B arm: a marketplace for businesses to sell a wide variety of wholesale goods to other businesses. A wide variety of products in 40 industry categories are exchanged – businesses can purchase agricultural items, furniture, fashion accessories, electronics, and even a Boeing 737.

TALKING POINTS

Alibaba.com is going international. In keeping with the strategy of its parent company, Alibaba.com announced its Brazil launch in December 2013 and said it would be used as a stepping-stone for launching into other South American countries. The Middle East and are also targeted regions for further expansion.

Alibaba.com had its own IPO... and then went back to privatization. Long before the Alibaba Group’s anticipated IPO, Alibaba.com launched an its own IPO on the Hong Kong Stock Exchange (HKSE: 1688) in 2007. In June 2012, the company was delisted and became a private wholly-owned subsidiary of Alibaba Group. The privatization was the first step towards a broader IPO for the Alibaba Group.

A scandal involving fraudulent sellers caused top executives to step down. In February 2011, an internal investigation revealed that more than 2,000 sellers had committed fraud with the help of Alibaba.com staff. Because certain sellers avoided authentication measures, buyers ended up paying for goods they didn’t receive. The incident prompted then CEO David Wei and COO Elvis Lee to resign, and the company terminated 1,200 fraudulent sellers.

Figure 2: Distinction between Alibaba.com, 1688.com and AliExpress

ECOMMERCE MARKETPLACES	TYPE	CUSTOMERS	DOMESTIC OR INTERNATIONAL	SERVICES OFFERED
ALIBABA.COM	B2B	LARGE BUSINESSES	INTERNATIONAL	Large quantity orders, including prototype and custom manufacturing
1688.COM	B2B	SMALL BUSINESSES	DOMESTIC	Small quantity orders, direct buyer-seller channel, wholesale group buy channel
ALIEXPRESS	B2B (MOVING TOARDS B2C)	SMALL BUSINESSES	INTERNATIONAL	Small quantity orders, immediate shipment, escrow services

ALIEXPRESS

FACTS & FIGURES

LAUNCH DATE:

APRIL 2010

URL:

aliexpress.com

INTERNATIONAL PRESENCE

Registered buyers in more than 220 countries

NOTE:

AliExpress is a business within Alibaba.com; see Figure 2 on Page 4 for more.

DESCRIPTION

AliExpress is Alibaba.com's international B2B marketplace that focuses on small businesses: small companies and entrepreneurs from around the world can buy smaller quantities of goods at wholesale prices.

TALKING POINTS

AliExpress is getting even more global and moving towards a C2C vibe. AliExpress has recently taken steps to shift its business to international markets and taken on a more aggressive overseas strategy, targeting shoppers in Russia, the Middle East, Eastern Europe and South America. Consumers—and not just businesses—can purchase individual items at wholesale prices, giving it a more C2C rather than B2B feel.

1688.COM

FACTS & FIGURES

LAUNCH DATE:

**MARCH
2010**

NOTE:

1688.com is a business within Alibaba.com; see Figure 2 on Page 8 for more.

REGISTERED USERS:

(in early 2013)

100 MILLION

RECORD TRANSACTION:

On Sept. 4, 2013, 1688 set a record for global B2B marketplaces with \$679 million in total online transactions – 2.52 million total transactions made by 230,000 sellers.

DESCRIPTION

1688.com, part of Alibaba.com, is a domestic B2B website catering to small businesses: a marketplace for Chinese small businesses to buy wholesale goods.

TALKING POINTS

1688.com integrates with Taobao. In the past year, 1688.com has begun focusing more concretely on serving the procurement needs of Taobao suppliers. As of Sept. 2013, approximately 50 to 60 percent of 1688.com transactions were from Taobao, and by the end of 2013, 1688.com was the top choice of Taobao sellers for procurement.

New initiatives provide more interactive services to merchants. 1688.com has recently launched a series of new services, including a direct buyer-seller channel, a wholesale group buy channel, and Tao Gongchang, which gives merchants access to the manufacturing services of makers of international brand name fashion products.

TAOBAO MARKETPLACE

FACTS & FIGURES

LAUNCH DATE:

MAY 2003

PRODUCT LISTINGS:

**800
MILLION**

MERCHANTS

7 MILLION

URL:

taobao.com

POPULARITY:

Taobao is the most popular C2C online marketplace in China and one of the world's top 20 most visited websites.

SINGLES DAY RECORD:

Taobao and Tmall set a record with \$5.7B in sales between the two websites on 11.11.13, "Singles Day," China's largest online shopping festival.

DESCRIPTION

Alibaba's consumer-to-consumer (C2C) arm: Taobao is a place where individuals sell goods to other individuals. For Chinese consumers, it's a go-to place to find low prices and good deals.

ANALOGY

ebay[™]

EBAY

TALKING POINTS

Taobao's expansion caused eBay China to shut down. Taobao was originally launched as a defensive move by Jack Ma to prevent eBay from taking Alibaba's customers. Its rapid expansion was the primary reason eBay shut down its China site in 2006: between 2003 and 2005, Taobao's market share increased from 8% to 59% while eBay China's market share dipped from 79% to 36%.

Taobao recently expanded into Hong Kong, Taiwan and Singapore. The moves were also meant to facilitate an expanded use of Alipay in Southeast Asia.

Social commerce is increasingly becoming a focus through integration with Weibo. Taobao became integrated with the microblogging platform, Weibo, in August 2013, shortly after Alibaba bought an 18% stake in Weibo for \$586 million. The integration allows for consumers to buy products directly off Weibo, China's version of Twitter, and the feature was synched with Alipay in January 2014.

Tmall.com

FACTS & FIGURES

LAUNCH DATES:

APRIL 2008

by Taobao

JUNE 2011

Independent

RETAIL STOREFRONTS:

70,000+

POPULARITY:

Tmall.com is the most visited B2C online retail website in China and has about half of the B2C market in China.

SINGLES DAY RECORD:

Taobao and Tmall set a record with \$5.7B in sales between the two websites on 11.11.13, "Singles Day," China's largest online shopping festival.

DESCRIPTION

Tmall is Alibaba's business-to-consumer (B2C) platform, essentially an online shopping mall. The site hosts web storefronts for thousands of international and Chinese brands, including UNIQLO, L'Oréal, Nike, Gap and the NFL.

TALKING POINTS

Apple opened an official store on Tmall. Although Apple already has its own Chinese online store, it opened one on Tmall as an additional channel to reach consumers in January 2014 – it was a big move that signaled the site's growing significance.

There is an increasing presence of Western brands writ-large. Apple isn't the only Western brand to recognize Tmall's importance: The NFL also launched a store recently as a way to help bring American football culture to China. Tmall also released an online how-to guide in English to encourage Western brands to set up stores on the platform.

ALIPAY

FACTS & FIGURES

LAUNCH DATES:

DEC. 2004

Alibaba website

MARKET SHARE:

**APPROX.
50-60%**

URL:

alipay.com

DAILY TRANSACTION VALUE:

+ \$3 billion
dollars/day

RUN-RATE:

1 trillion (more
than 5x that of
PayPal's run-rate
of \$180 billion)

POPULARITY:

Alipay is the most widely used third-party online payment system in China, and about 50% of all electronic payment services in the country go through Alipay.

RECORD SINGLE-DAY TRANSACTIONS:

171.3 million payments processed on 11.11.13

DESCRIPTION

Alipay is an ePayment service that keeps cash in escrow (held independently by a trusted third party) until goods arrive.

ANALOGY

PayPalTM

PAYPAL

TALKING POINTS

Alipay increases its international presence with efforts in Taiwan and Hong Kong. Alipay announced it was expanding to Taiwan on October 2013, reflecting the Alibaba Group's overall strategy to expand into markets with large Chinese-reading populations. The company also plans to increase its efforts in Hong Kong, where it is already present.

Alipay has recently made several moves to bolster its mobile payment app, Alipay Wallet.

The company recently put the app in Beijing taxis, has allowed movie-goers to pay for tickets through Alipay Wallet, and waived the online fee when transactions are placed with mobile devices.

ALIYUN

aka Alibaba Cloud Computing

FACTS & FIGURES

LAUNCH DATE:

SEPT. 2009

URL:

aliyun.com

POPULARITY:

Aliyun is China's largest cloud-computing platform

DESCRIPTION

Aliyun provides platforms for companies to manage and store data in the cloud. The services are integrated with other Alibaba businesses, and sellers on Taobao can use Aliyun's data mining, data processing and data storage solutions.

ANALOGY



AMAZON WEB SERVICES

TALKING POINTS

Aliyun is planning to expand internationally to take market share from Amazon Web Services and Microsoft. The company plans to do so in March of this year, making it the first Chinese company to enter the international public cloud market. The first destination likely is either the United States or somewhere in Southeast Asia.

Financial markets have become a new target for Aliyun. The company already provides cloud computing services to Chinese banks and is planning for a bigger push into financial markets. It recently received a gold certification for cloud security by the British Standards Institute in December 2013, the first company to do so.

ETAO

FACTS & FIGURES

LAUNCH DATES:

OCT. 2010

Taobao

JUNE 2011

Independent

URL:

etao.com

PRODUCTS INDEXED:

600 MILLION

DESCRIPTION

Alibaba's price comparison site that helps consumers quickly find the best deals through its index of hundreds of million products across hundreds of ecommerce sites. It would be as if you could search eBay, Amazon and Groupon all from the same search engine.

ANALOGY

Google

GOOGLE SHOPPING RESULTS

TALKING POINTS

eTao is taking market share from Baidu. Baidu is considered China's dominant web search engine (China's Google, if you will) and the company had 80% market share in terms of users in 2011. Although eTao is strictly a shopping search engine, competition from it and others have caused Baidu's market share to drop to 67% by May 2013.

eTao is getting into the hotel business. In July 2013, eTao launched hotel.etao.com, a hotel search service, making a push into the online travel sector. The service is also a direct competitor to Qunar, which is majority-owned by Baidu.

JUHUASUAN

FACTS & FIGURES

LAUNCH DATES:

MARCH 2010

Taobao

OCT. 2011

Independent

SALES:

\$3.3 billion in 2012

URL:

juhuasuan.com

RUN-RATE:

1 trillion (more than 5x that of PayPal's run-rate of \$180 billion)

POPULARITY:

Juhuasuan had a 34% market share, nearly twice that of its next largest competitor, Meituan, in Q1 of 2013. It is China's top group-buying site.

DESCRIPTION

Juhuasuan is a daily deals site. It offers short-term "flash sales" in apparel, accessories, electronics, lifestyle services and more through the concept of "collective buying": the more people who purchase something, the cheaper the price.

ANALOGY

GROUPON

GROUPON

TALKING POINTS

Juhuasuan Overseas launched in April 2013, expanding the company into Hong Kong and Taiwan. Juhuasuan will leverage Taobao Marketplace and Tmall.com's existing customer base in Hong Kong and Taiwan and present a challenge to Groupon in both locations.

The Chinese daily deals market is becoming increasingly consolidated. The top five daily deals sites (Juhuasuan, Meituan, and Dianping, Lashou, 55tuan) accounted for 77.3% of all the market in Q1 of 2013. Of that Juhuasuan has 33.6%. Many smaller players have either left the market, or joined forces with others in order to survive.

LAIWANG

FACTS & FIGURES

LAUNCH DATES:

JULY 2012

Soft

SEPT. 2013

Official

REGISTERED USERS:

EST.10-20 MILLION

EXPONENTIAL GROWTH:

Laiwang had 1 million by Oct. 22, just a month after its launch. It gained 5 million new users in one day, shortly after Jack Ma's internal company memo and 10 million total new users in a one-month span from the end of October to the end of November. The company aims to reach 100 million by mid-2014.

DESCRIPTION

Laiwang is Alibaba's mobile chat application that allows users to find friends, form chat groups of up to 500 people and share maps, stickers and audio and video messages.

ANALOGIES



WHATSAPP

LINE

LINE



WECHAT

TALKING POINTS

The Laiwang launch is an integral part of Alibaba's strategy to focus on mobile commerce. It reflects a growing market trend of consumers to make online purchases through their mobile devices.

Alibaba has implemented an aggressive and unique user acquisition strategy. For example, Alibaba founder and former CEO Jack Ma sent an internal memo to employees threatening to withhold bonuses for employees who did not collect 100 external contacts by the end of November 2013. Laiwang also shared the profiles of more than 100,000 female models with users.

Laiwang and WeChat, the dominant mobile messaging app in China, have engaged in various competitive activities to gain market share. In July 2013, Alibaba banned applications that gave sellers' access to WeChat to manage their stores, and then in November 2013, Tencent allegedly blocked invites to Laiwang on WeChat.