

# Strategic M&A and Investments



# Capital Allocation Philosophy

M&A and investments are always done for strategic reasons, never for financial reasons

# How We Look at Capital Allocation

Focus on synergies with Alibaba instead of standalone return of the acquired asset

Outcomes are likely binary

Success or failure depends on People + Innovation

Innovation and transformation drive value creation

# CAPITAL ALLOCATION REVIEW



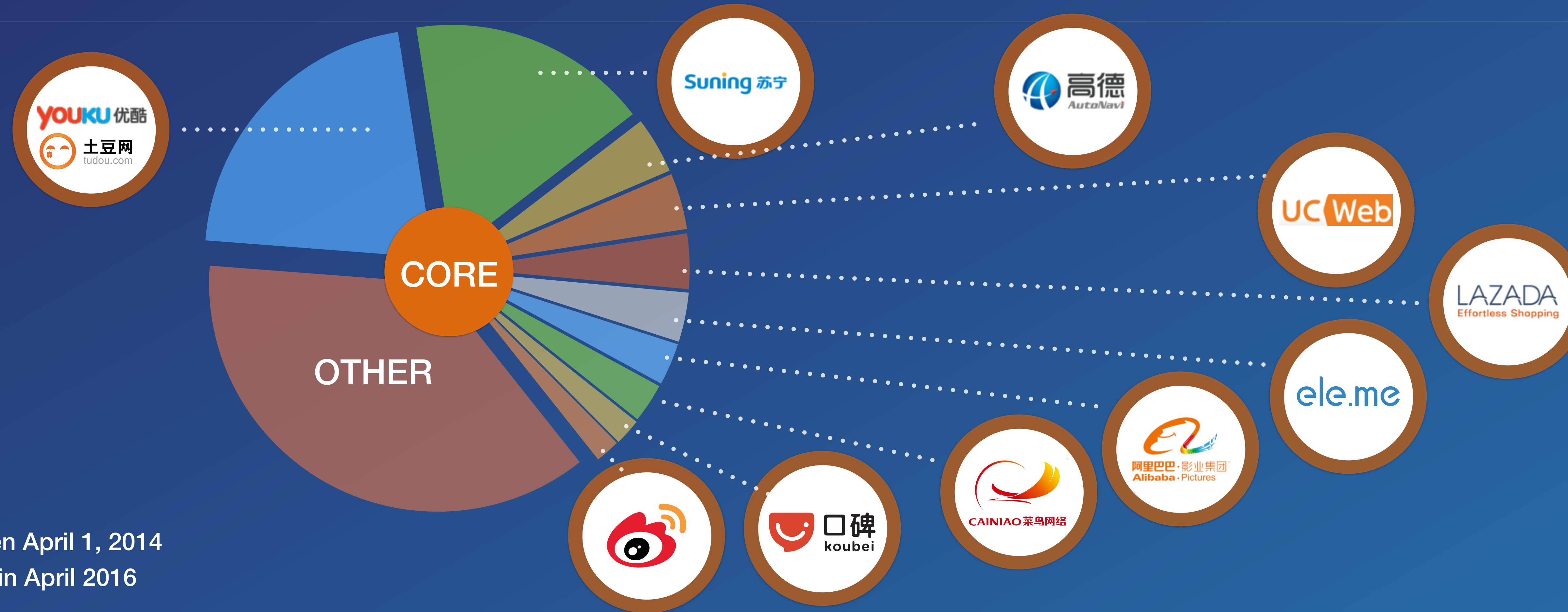


# Strategic Moat Around Our Core Business







Our 10 most significant investments  
= 2/3 total invested capital over 2 years<sup>(1)</sup>

Notes:

1. Aggregate amount of investments with definitive agreements signed between April 1, 2014 and March 31, 2016, as well as investment in Lazada which was completed in April 2016



# Uses of Capital – Strategic Implications

COMPANY	TYPE OF INVESTMENT	TOTAL INVESTMENT	STRATEGIC IMPLICATION
	Acquisition	\$5.5bn <sup>(1)</sup>	Anchor asset for Entertainment strategy
	Investment (20%)	\$4.4bn <sup>(2)</sup>	Enhance competitiveness and omni-channel strategy
	Investment (47%)	\$1.1bn <sup>(3)</sup>	Logistics strategy to enhance customer experience
	Investments (50% and 20%)	\$1.4bn	Establish leading position in Local Services
	Investments (51 % and 8% <sup>(4)</sup> )	\$1.2bn	International strategy to establish leading positions in Southeast Asia and India
	Stock repurchases	\$5.1bn	Re-invest in our own business; accretive transactions
<b>Total</b>		<b>\$18.7bn</b>	<b>~10% of our market cap</b>

Notes: Assume 1 USD = 6.448 RMB.

1. Includes Alibaba's initial investment in Youku Tudou in 2014
2. Net cash outlay of \$2.2bn as Suning subscribed for \$2.2bn in Alibaba stock as part of the transactions
3. Includes two rounds of investments in fiscal year 2014 and fiscal year 2016
4. Joint ownership of Alibaba and Ant Financial in PayTM is approximately 40%

# STRATEGIC M&A AND INVESTMENT PRINCIPLES

# Strategic M&A and Investments: Do's and Don'ts

## WHAT WE WILL DO:

- Strategic cooperation
- Highly negotiated terms and conditions
- Invest in relationships

## WHAT WE WON'T DO:

- Use investment capital for marketing or business development budget
- M&A without people plan
- Participate in auctions



# Measurement of Strategic Value Creation

## INCREASING USER ACQUISITION AND ENGAGEMENT



## IMPROVING CUSTOMER EXPERIENCE



## EXPANDING PRODUCTS AND SERVICES



# Minority Investments vs Controlling-Stake Acquisitions

We choose to make minority investments in some circumstances instead of full acquisitions for the following reasons:

Align interests of  
management team  
to expected outcomes  
and retain good people

Not part of our core  
business, but generate  
strategic synergies through  
an equity relationship

Clear strategic value, but capital  
or integration risk in the near  
term suggests a deliberate and  
phased-in approach

## CASE STUDIES: Strategic Cooperation with Investee Companies





# Tmall Supermarket: Supply Chain and Logistics

## SUPPLY CHAIN



.....  
FRESH GOODS +  
COLD-CHAIN  
LOGISTICS



.....  
LOGISTICS

## WAREHOUSE OPERATION



## LAST-MILE DELIVERY





# Tmall Electronics: Logistics, After-Sale Service and Omni-Channel

- Doubled the number of large home appliances orders from 2014 to 2015
- Reduced average delivery cost by ~20%

## LOGISTICS (LARGE HOME APPLIANCES)



## OMNI-CHANNEL + LOGISTICS (ELECTRONICS)



## OMNI-CHANNEL

- Offline and online network synergies
- Consumer data synergies between Alibaba and Suning
- Alibaba-Suning platforms to form the most efficient distribution channel for electronics brands

## LOGISTICS (ELECTRONICS)

- Integration of online/offline inventory and fulfillment
- 12-hour delivery
- Leverage Suning's warehouse/distribution network and retail outlets

# Koubei Local Services: Food Delivery and Logistics

- Integrated Mobile Taobao and Alipay Wallet to enable closed-loop transactions from traffic to payment
- AutoNavi and Alibaba Cloud provide maps and cloud computing services

The logo for ele.me, featuring the text "ele.me" in a blue, lowercase, sans-serif font, centered within a white circle that has a thick orange border.

.....  
LEADING ONLINE  
FOOD ORDERING  
AND DELIVERY  
PLATFORM



.....  
SAME CITY  
LAST-MILE  
DELIVERY  
SERVICE



Owned-and-  
operated last-  
mile delivery  
service



Crowd-sourced  
food delivery  
service



# Digital Entertainment: Content and Distribution

## CONTENT

FILM

MUSIC

SPORTS

DIGITAL  
ENTERTAINMENT

## DISTRIBUTION

MOVIE TICKETING

ONLINE VIDEO

OTT TV



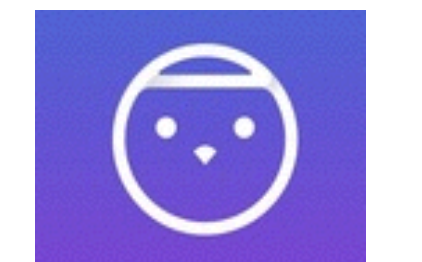
YOUKU 优酷

H.BROTHERS MEDIA

華誼兄弟



阿里音乐  
Alibaba Music



ALI PLANET



阿里体育  
Alisports.com









YOUKU 优酷



阿里数娱

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 口碑 + ele.me	Investments (50% and 20%)	\$1.4bn	Establish leading position in Local Services
 LAZADA + paytm Effortless Shopping	Investments (51 % and 8% <sup>(4)</sup> )	\$1.2bn	International strategy to establish leading positions in Southeast Asia and India
 Alibaba Group 阿里巴巴集团	Stock repurchases	\$5.1bn	Re-invest in our own business; accretive transactions
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