



Alibaba

What it does

Alibaba is a Chinese company with businesses in e-commerce, cloud computing, digital media, entertainment, and payments through financial services platform. The group's mission: To make it easy to do business anywhere.

Why we own it

- Online transactions account for 30% of the total Chinese retail market, with Alibaba remaining dominant
- Entrepreneurial spirit remains strong with launch of Taobao Deals
- Sheer size makes it a beneficiary of China's move to living with Covid
- Alibaba Cloud is a technological leader in Chinese cloud market

How it could be worth many times more

- GMV (goods and services) grows at 25% p.a. in next five years
- Continues to adapt away from search-based shopping toward more interactive styles which resonate with younger cohorts
- Alibaba Cloud gains traction in DingTalk and Dropbox like services

Where we might be wrong

- Alibaba turns out to adapt much more favourably and profitably in the context of Common Prosperity than we think.
- Ant Financial continues to be impaired in terms of its opportunity set
- Investments in new initiatives do not bring much benefit

Short 10 questions

Can sales double in the next five years?

1

Take rate improves with more value added on service provision to SME merchants, including mobile advertisement, cloud services.

Ten years and beyond?

2

Cloud computing and financial services.

Competitive advantage?

3

Scale and solid eco-system have been built to capture different opportunity sets in both consumer goods and services industry, including cross boarder premium items such as logistics, finance and entertainment

Is the business culture different?

4

Strong culture fixated on long termism

Customers like you? Contribute to society?

5

They provide comprehensive services to both online shoppers and merchants, committed to economic development in rural china and traditionally underrepresented

Are returns worthwhile?

6

Asset light marketplace model made the business very profitable.

Will they rise or fall?

7

Margins will decrease in the near term with heavy investments into verticals and international expansion, which will pay-off in a longer investment horizon. The margin will be steady, c.40% in the long term.

How is capital allocated?

8

Logistic, cloud infrastructure, M&As inside and outside China.

Could it be worth 5x as much?

9

Chinese consumption continues to rise especially in premium segments – an opportunity that is supplemented by Alibaba's cloud business

What doesn't the market understand?

10

Market is driven by China quarterly GDP numbers.

Risk factors

The views expressed in this presentation are those of the author and should not be considered as advice or a recommendation to buy, sell or hold a particular investment. They reflect personal opinion and should not be taken as statements of fact nor should any reliance be placed on them when making investment decisions.

Potential for profit and loss

All investment strategies have the potential for profit and loss, your or your clients' capital may be at risk.

Stock examples

Any stock examples and images used in this article are not intended to represent recommendations to buy or sell, neither is it implied that they will prove profitable in the future. It is not known whether they will feature in any future portfolio produced by us. Any individual examples will represent only a small part of the overall portfolio and are inserted purely to help illustrate our investment style.

This article contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research and Baillie Gifford and its staff may have dealt in the investments concerned.

All information is sourced from Baillie Gifford & Co and is current unless otherwise stated.

The images used in this document are for illustrative purposes only.

Registered Office:

Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, Scotland

Telephone +44 (0)131 275 2000 bailliegifford.com

Important information

All investment strategies have the potential for profit and loss.

Stock Examples

Any stock examples, or images, used in this presentation are not intended to represent recommendations to buy or sell, neither is it implied that they will prove profitable in the future. It is not known whether they will feature in any future portfolio produced by us.

Any individual examples will represent only a small part of the overall portfolio and are inserted purely to help illustrate our investment style.

Important Information

Baillie Gifford & Co (BG & Co), Baillie Gifford & Co Limited (BG & Co Ltd), Baillie Gifford Overseas Limited (BGO) and Mitsubishi UFJ Baillie Gifford Asset Management Limited (MUBGAM) are authorised and regulated by the FCA in the UK. BG & Co Ltd is an Authorised Corporate Director of OEICs.

Baillie Gifford Investment Management (Europe) Limited (BGE), Baillie Gifford Asia (Hong Kong) Limited 柏基亞洲(香港)有限公司 (BGA) and Baillie Gifford International LLC (BGI) are wholly owned by BGO. BGO and BG & Co Ltd are wholly owned by BG & Co.

BGI and BGO are registered with the SEC in the United States of America.

BG & Co claims compliance with the Global Investment Performance Standards (GIPS®). An example of a compliant composite presentation, a complete list of the Firm's composites and performance results is available on request.

BGO provides investment management and advisory services to non-UK Professional/Institutional clients only.

Persons resident or domiciled outside the UK should consult with their professional advisers as to whether they require any governmental or other consents in order to enable them to invest, and with their tax advisers for advice relevant to their own particular circumstances.

This presentation contains information on investments which does not constitute independent research. Accordingly, it is not subject to the protections afforded to independent research and Baillie Gifford and its staff may have dealt in the investments concerned.

BGE provides investment management and advisory services to European (excluding UK) clients. It was incorporated in Ireland in May 2018. Baillie Gifford Investment Management (Europe) Limited is authorised by the Central Bank of Ireland as an AIFM under the AIFM Regulations and as a UCITS management company under the UCITS Regulation. Baillie Gifford Investment Management (Europe) Limited is also authorised in accordance with Regulation 7 of the AIFM Regulations, to provide management of portfolios of investments, including Individual Portfolio Management ('IPM') and Non-Core Services. Baillie Gifford Investment Management (Europe) Limited has been appointed as UCITS management company to the following UCITS umbrella company; Baillie Gifford Worldwide Funds plc. Through passporting it has established Baillie Gifford Investment Management (Europe) Limited (Frankfurt Branch) to market its investment management and advisory services and distribute Baillie Gifford Worldwide Funds plc in Germany. Similarly, it has established Baillie Gifford Investment Management (Europe) Limited (Amsterdam Branch) to market

its investment management and advisory services and distribute Baillie Gifford Worldwide Funds plc in The Netherlands. BGE also has a representative office in Zurich, Switzerland pursuant to Art. 58 of the Federal Act on Financial Institutions ("FinIA"). The representative office is authorised by the Swiss Financial Market Supervisory Authority (FINMA). The representative office does not constitute a branch and therefore does not have authority to commit Baillie Gifford Investment Management (Europe) Limited.

BGA holds a Type 1 and a Type 2 licence from the Securities and Futures Commission of Hong Kong to market and distribute Baillie Gifford's range of collective investment schemes to professional investors in Hong Kong. BGA can be contacted at Suites 2713-2715, Two International Finance Centre, 8 Finance Street, Central, Hong Kong, Telephone +852 3756 5700.

Important Information Australia

Baillie Gifford Overseas Limited (ARBN 118 567 178) is registered as a foreign company under the Corporations Act 2001 (Cth) and holds Foreign Australian Financial Services Licence No 528911. This material is provided to you on the basis that you are a "wholesale client" within the meaning of section 761G of the Corporations Act 2001 (Cth) ("Corporations Act"). Please advise Baillie Gifford Overseas Limited immediately if you are not a wholesale client. In no circumstances may this document be made available to a "retail client" within the meaning of section 761G of the Corporations Act. This material contains general information only. It does not take into account any person's objectives, financial situation or needs.

Important Information South Korea

BGO is licensed with the Financial Services Commission in South Korea as a cross border Discretionary Investment Manager and Non-discretionary Investment Adviser.

Important Information North America

BGI was formed in Delaware in 2005. It is the legal entity through which BGO provides client service and marketing functions in North America.

The Manager is not resident in Canada, its head office and principal place of business is in Edinburgh, Scotland. BGO is regulated in Canada as a portfolio manager and exempt market dealer with the Ontario Securities Commission ('OSC'). Its portfolio manager licence is currently passported into Alberta, Quebec, Saskatchewan, Manitoba and Newfoundland & Labrador whereas the exempt market dealer licence is passported across all Canadian provinces and territories. BGI is regulated by the OSC as an exempt market and its licence is passported across all Canadian provinces and territories. BGE relies on the International Investment Fund Manager Exemption in the provinces of Ontario and Quebec.

Important information

Important Information South Africa

BGO is licensed with the Financial Sector Conduct Authority in South Africa as a Financial Services Provider (FSP No 44870) in terms of section 8 of the Financial Advisory and Intermediary Services Act, 2002. This licence authorises BGO to carry on financial intermediary services business on behalf of South African clients. BGO is also approved under section 13b(1) of the Pension Funds Act number 24 of 1956, as amended, and is authorised to administer investments on behalf of pension funds.

Important Information Israel

BGO is not licensed under Israel's Regulation of Investment Advising, Investment Marketing and Portfolio Management Law, 5755-1995 (the "Advice Law") and does not carry insurance pursuant to the Advice Law. This presentation is only intended for those categories of Israeli residents who are qualified clients listed on the First Addendum to the Advice Law.

Important Information Japan

MUBGAM is a joint venture company between Mitsubishi UFJ Trust & Banking Corporation and BGO.

Financial Intermediaries

This document is suitable for use of financial intermediaries. Financial intermediaries are solely responsible for any further distribution and Baillie Gifford takes no responsibility for the reliance on this document by any other person who did not receive this document directly from Baillie Gifford.

BGI Principal Office: Calton Square, 1 Greenside Row, Edinburgh EH1 3AN, Scotland.

Telephone: +44 (0)131 275 2000

780 Third Avenue, 43rd Floor, New York, NY 10017.

Telephone: (212) 319 4633

BGE Head Office: 4/5 School House Lane East, Dublin 2 D02 N279, Ireland.

Telephone: +35 315 294 150

BGE Frankfurt Branch: WINX Tower, Neue Mainzer Str. 6-10, 60311 Frankfurt, Germany

**BGE Amsterdam Branch: Atrium Building, Strawinskylaan 3051, 4th Floor,
1077 ZX Amsterdam, The Netherlands**

BGE Representative Office: Bahnhofstr. 10/Börsenstr. 18 CH - 8001 Zürich, Switzerland

bailliegifford.com

Copyright © Baillie Gifford & Co 2022