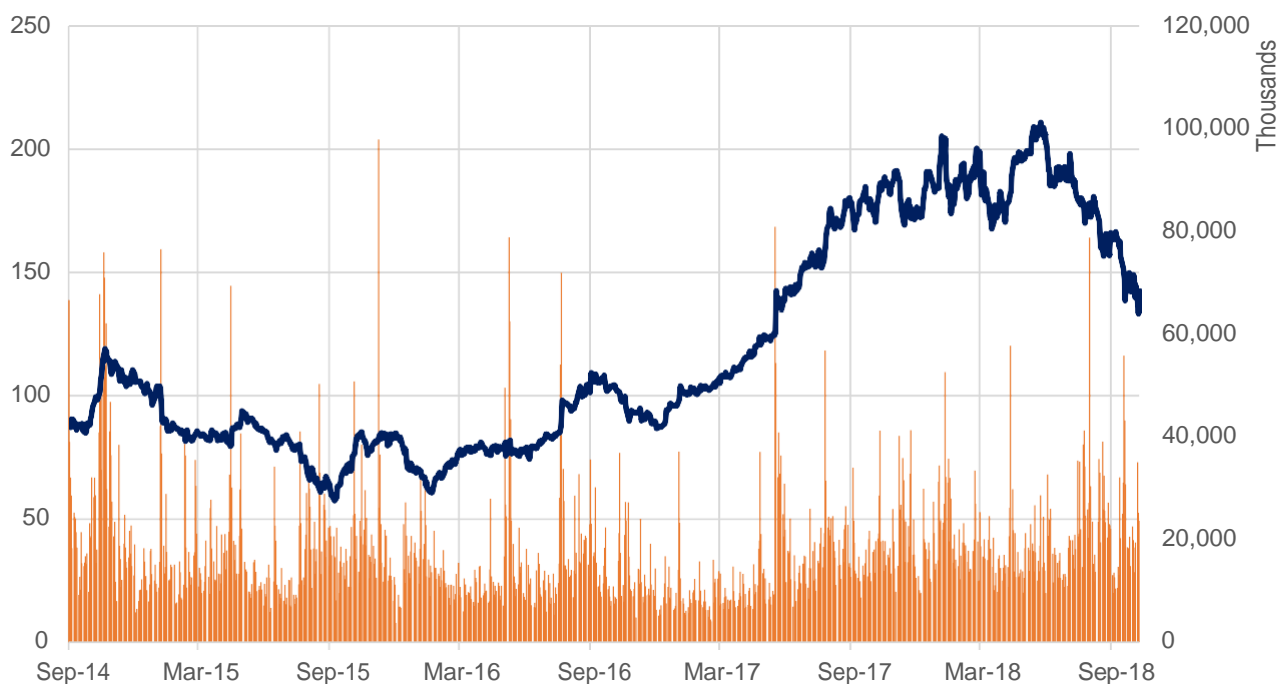


Alibaba Group Holding Limited



Ticker: **BABA**

Beta: **2.45**

EPS: **\$3.37**

P/E Ratio: **42.17x**

Market: **NYSE**

Dividend Yield: **N/A**

Previous Close: **\$136.33**

3y Return: **63.63%**

52-Week Range: **\$130.06 - \$211.70**

1y Return: **(24.92%)**

Avg. Volume: **24,254,730**

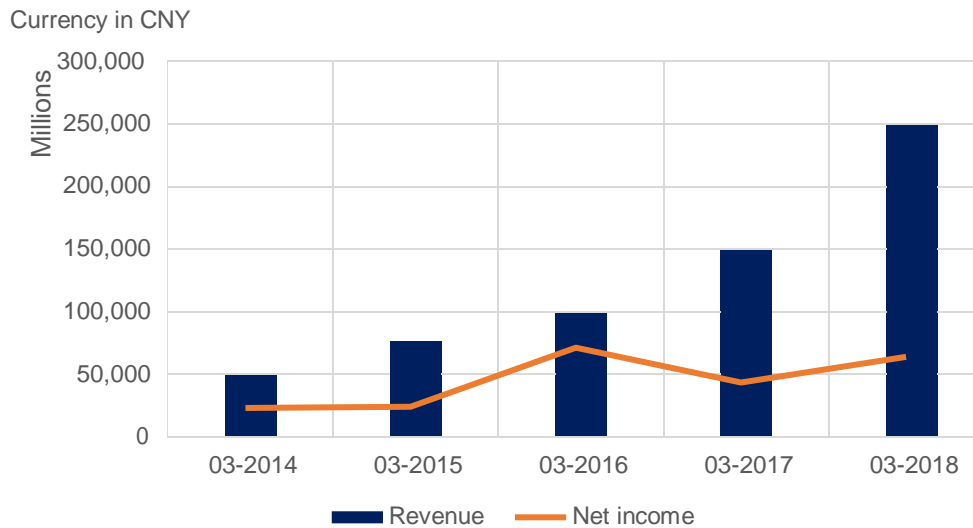
1y Target Est: **\$218.85**

Market Cap: **\$364.545B**

Alibaba Group Holding Limited, through its subsidiaries, operates as an online and mobile commerce company in the People's Republic of China and internationally. The company operates in four segments: Core Commerce, Cloud Computing, Digital Media and Entertainment, and Innovation Initiatives and Others. It operates Taobao Marketplace, a mobile commerce destination; Tmall, a third-party platform for brands and retailers; Rural Taobao program that enables rural residents and businesses to sell agricultural products to urban consumers; 1688.com, an online wholesale marketplace; Alibaba.com, an online wholesale marketplace; AliExpress, a retail marketplace; Lazada, an e-commerce platform; and Lingshoutong, a digital sourcing platform. The company also provides pay-for-performance and display marketing services; and Taobao Ad Network and Exchange, a real-time bidding online marketing exchange in China; and digital payment and financial technology platform services. In addition, it offers cloud computing services, including elastic computing, database, storage, virtualization network, large scale computing, security, and management and application services, big data analytics, a machine learning platform, and Internet of Things and other service for enterprises; and payment and escrow services; and movies, TV drama series, online dramas, variety shows, news feeds, games, literature and music, and other areas through various content platforms, as well as develops and operates mobile browsers. Further, the company provides AutoNavi, a mobile digital map, navigation, and real-time traffic information; DingTalk, a proprietary enterprise communication and collaboration platform; and Tmall Genie, an AI-powered voice assistant, which helps consumers to shop, order local services, search for information, control smart appliances, and play interactive content. The company was founded in 1999 and is based in Hangzhou, the People's Republic of China.

Alibaba continues to benefit from its core e-commerce and retail business. Its strong momentum in domestic market remains positive. Moreover, the company's New Retail strategy is aiding growth in its Tmall Import, Hema fresh food grocery business and Intime Department Stores. Further, Alibaba's strengthening cloud business with its expanding customer base will continue to drive its top-line growth. However, rising competition from domestic as well as foreign ecommerce companies poses risk. Additionally, the company's increasing investments and macro headwinds in China are major concerns. Due to continuation of trade war between China and USA and the fear of further intensification, Alibaba stock slumped 35% from its highest point in June. Chinese stocks in general have been under heavy selling pressure lately, mostly because of investor concerns about the trade war with the U.S. and its possible impact on China's economy and currency value. On the other hand, Alibaba is producing outstanding financial performance, its long-term growth prospects look really promising, and valuation levels are fairly attractive for such a strong business.





Source: Yahoo Finance

As presented on the graph, company revenue shows remarkable growth of about 50% annually in the past four years. The company's net income did not follow such strong revenue growth due to increased investing activity that could further boost company's market share and revenue in the following years.

Looking at the company's financial performance for the quarter ended in March of 2018, it's hard to see why the stock is down lately. Total revenue during the period amounted to \$9.87 billion, increasing by 61% year over year. The company ended the quarter with 552 million users on its China retail marketplaces, an increase of 37 million new users from December 31, 2017. Revenue in the cloud computing business jumped by 103% year over year.

It's not easy to find companies of that size growing at such an impressive speed, since growth tends to naturally slow down as a business gains size over time. However, Alibaba is not only doing great, growth in local currency is even accelerating in comparison to previous quarters.

Alibaba serves about 80% of the Chinese e-Commerce market where population density is very high and China is now leading the race in terms of maximizing the potential of the Internet compared with the West which intensifies benefits of the big market share Alibaba group holds. The low-cost, widely available telecommunication infrastructure in China has increased the popularity of online shopping. According to a research report, China's e-Commerce market is expected to pass \$1.132 trillion in 2018. Therefore, Alibaba that dominates the world's largest e-Commerce market has an edge over its competitors.

Alibaba's gross merchandise value remains (GMV) solid. GMV is defined as the total value of transactions made across the company's marketplace. It is a very important metric for e-Commerce companies. Alibaba's Tmall platform is well positioned to capture the rising demand for high-quality products and services. It accepts only verified stores and sells only genuine products, helping build consumers' trust and in turn increase conversion rates. In order to further expand its GMV, Alibaba launched Tmall global, an extension of Tmall.com, in 2014. This B2C online platform allows foreign merchants to operate their store and deal with Chinese consumers directly, increasing



the number of active buyers on its platforms, thus boosting Alibaba's GMV. The company aims to achieve US\$1 trillion in GMV by fiscal year 2020.

Alibaba continues to witness increasing monetization rates. It is the amount Alibaba earns from the sale of goods on its platforms. The company's focus on foreign brands and other high-quality merchants on its platforms continue to increase the online marketing inventory on both mobile and the PC, thus further improving the monetization rate. Moreover, as the mobile platform offers immense growth potential, monetization for mobile is gaining momentum driven by new and advance mobile apps launched by the company. In fact, management expects mobile monetization rate to approach or exceed that of PC, expanding profits for the company. Talking about the numbers, mobile contributed less than 40% of the company's GMV at the time of its IPO which has now increased to more than 75% at the end of fiscal 2017. It is expected that Alibaba's payment platform will continue to grow, driven by the move toward online shopping all over the world. Its online payment platform includes a lot of services like bank transfers, Alipay account transfers, payment of credit card and utility bills at no extra cost, mobile top-up with credit, bank balance check, bus ticket purchases, online checkout on many sites and in-store payments.

Alibaba is also taking steps to strengthen its position outside China. The company has been looking to international markets to expand its business and its current strategy is to generate earnings through investment in the U.S. In pursuance of this strategy, Alibaba made its first foray into the U.S. retail market in June this year with the launch of a low-profile website with an American name, 11Main.com, a platform for smaller sellers to hawk their wares. The e-Commerce market in the U.S. are expected to grow at double-digit rates over the next few years and this is the potential that the company wishes to tap. The current trade war could slow down the entrance but it is expected to only have a short term impact.

Alibaba is working on the development of what it calls "New Retail" to bridge the gap between online and offline shopping using its big data capacity. It expects that the system will offer brick-and-mortar retailers new ways to evolve across marketing, inventory and distribution networks. These look promising and will not only reshape the retail landscape but also help Alibaba fend off competition. Alibaba's partnership with Bailian is a part of this "New Retail" strategy. It plans to leverage on its big data capacities to explore new retail opportunities across outlet design, technology research and development, customer relationship management, supply chain management, payment and logistics.

The company is growing at full speed, and the future looks clearly promising. With its many strategic expansions and continuous investing in advanced technology Alibaba group posed itself as one of the leaders of improving and reinventing retail on a global scale. With all of this said, at current prices, the short-term dip in Alibaba stock looks like a buying opportunity for the long-term.



About Financijski klub

Financijski klub (the Financial Club) is a specialized student association which aims to provide its members with additional financial education. That being our core business, we organize different projects, lectures, workshops and numerous other social events. The Club has been active since 2005, and is situated at the Faculty of Economics and Business of the University of Zagreb.

With our ongoing activities we have established a significant role within the finance oriented academic population. Through the years, our work has been recognized with numerous Dean's and Rector's Awards, and our members with internships and jobs at leading companies. Our most recent highlight has been the award for outstanding contribution to financial markets education, awarded by the Zagreb Stock Exchange in 2013.

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