Strategic M&A and Investments
M&A and investments are always done for strategic reasons, never for financial reasons.
Focus on synergies with Alibaba instead of standalone return of the acquired asset

Success or failure depends on People + Innovation

Outcomes are likely binary

Innovation and transformation drive value creation
CAPITAL ALLOCATION REVIEW
Our 10 most significant investments = 2/3 total invested capital over 2 years

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

<table>
<thead>
<tr>
<th>COMPANY</th>
<th>TYPE OF INVESTMENT</th>
<th>TOTAL INVESTMENT</th>
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<td><strong>YOUKU</strong></td>
<td>Acquisition</td>
<td>$5.5bn&lt;sup&gt;(1)&lt;/sup&gt;</td>
<td>Anchor asset for Entertainment strategy</td>
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<td><strong>Alibaba Group</strong></td>
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**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**
- UCWeb
- Youku

**Improving Customer Experience**
- Gooday
- Cainiao
- Suning

**Expanding Products and Services**
- Ele.me
- Koubei
- Lazada
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
- Warehouse Operation
- Last-Mile Delivery

- Fresh Goods + Cold-Chain Logistics
- Tmall Supermarket
- Alog Logistics
- Last-Mile Delivery
Tmall Electronics: Logistics, After-Sale Service and Omni-Channel

**Logistics (Large Home Appliances)**
- 65 National & Regional Fulfillment Centers
- 1,600+ Retail Outlets
- 5,500+ Service Locations
- 5mn+ sqm warehouse space
- 100 distribution centers
- Delivery and installation services reaching 2,800 counties in China

**Logistics (Electronics)**
- Integration of online/offline inventory and fulfillment
- 12-hour delivery
- Leveraging Suning’s warehouse/distribution network and retail outlets

**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

**Key Stats**
- Doubled the number of large home appliances orders from 2014 to 2015
- Reduced average delivery cost by ~20%
- Delivery and installation services reaching 2,800 counties in China

**Warehouse Space**
- 5mn+ sqm warehouse space
- 6,000+ service locations
- 50 distribution centers
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

- ele.me: Leading online food ordering and delivery platform
- koubei: Same city last-mile delivery service
- SHBJ.COM: Owned-and-operated last-mile delivery service
- 点我达: Crowd-sourced food delivery service
Digital Entertainment: Content and Distribution

CONTENT
- FILM
- MUSIC
- SPORTS

DISTRIBUTION
- MOVIE TICKETING
- ONLINE VIDEO
- OTT TV

ALI PLANET
YOUKU
OTT TV
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