

China e-commerce giant Alibaba to open sesame with IPO

May 9 2013, by Bill Savadove



Chinese workers walk out of the Alibaba head office building in Hangzhou, in eastern China's Zhejiang province on May 21, 2012. As Alibaba chief Jack Ma steps aside after building the world's largest online retailer, the Chinese firm is preparing a huge stock offer prompting comparisons with Facebook—whose profits it dwarfs.

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In 14 years, [Alibaba](#) Group has grown from a start-up in the eastern city of Hangzhou to an Internet commerce giant which bested [eBay](#) in a public battle for dominance of the vast Chinese market.

Expectations are building for an overseas initial public offer (IPO) as early as this year with 48-year-old founder Ma due to move aside as [chief executive officer](#) on Friday, dropping hints without revealing specific plans.

"The whole world knows Alibaba is going to launch an IPO, but I do not know when," he said just days ago, according to a Chinese newspaper report.

A diminutive former English teacher, Ma set up Alibaba in 1999, convincing friends to fund him with \$60,000 and picking a recognisable name with the aim of helping small firms find treasure by selling through the Internet.

He will remain as chairman to provide strategic direction but will leave daily operations to right-hand man Lu Zhaoxi.

The IPO will give buyers a chance to invest in the Chinese economy, the world's second largest, as well as an Internet success story, analysts said.

"Any [institutional investors](#) who have funds where they want exposure to the Internet and to China are going to be almost automatic buyers of Alibaba," said Bill Bishop, a columnist for The New York Times's DealBook.

China's annual online sales are forecast to reach between \$420 billion and \$650 billion by 2020, by which time it will be the world's largest online retail market, consulting firm McKinsey estimates.

Alibaba, which provides a platform to connect online buyers and sellers, now controls more than 90 percent of the market for consumer-to-consumer transactions in China and over half of business-to-consumer deals, McKinsey said.



Alibaba.com founder Jack Ma is shown in Lima, in 2008. A diminutive former English teacher, Ma set up Alibaba in 1999, convincing friends to fund him with \$60,000 and picking a recognisable name with the aim of helping small firms find treasure by selling through the Internet.

The group includes China's most popular online shopping destination Taobao Marketplace, which marks its 10th anniversary Friday and had more than 800 million product listings and over 500 million registered users last year.

An IPO could value Alibaba at between \$60 billion and \$100 billion,

according to analysts. "They could probably get somewhere in the [Facebook](#) range," said Bishop.

The US social media giant raised \$16 billion when it went public in May last year, valuing the company at more than \$100 billion at the time, but a fall in the share price since has sparked investor anger.

Facebook recorded profits of \$64 million in the fourth quarter of last year. In contrast, Alibaba Group made \$642 million in the same period, the latest available figures show.

Ma sold a 43 percent stake in Alibaba to Yahoo! for \$1 billion in 2005, but relations with the US Internet pioneer were stormy and last May Yahoo! said it had agreed to sell its shares back to Alibaba for more than \$7 billion.

Analysts said a smooth leadership transition, restructuring of business units and recent purchase of a stake in China's dominant microblog provider Sina Weibo all appeared to be preparing Alibaba for an IPO.

"His stepping down won't have a big impact on the current business of Alibaba. It's all about paving the way for establishing a good successor system," said Yang Xiao, an analyst at Beijing-based Analysys International.

But Ma has inspired strong devotion in employees and users, drawing comparisons with Apple co-founder Steve Jobs—although he practises a more open management style.

A devotee of t'ai chi, he has made references to Chinese martial arts in both business strategy and corporate culture.

Porter Erisman, a former Alibaba employee who has made a

documentary about the firm, "Crocodile in the Yangtze", said: "What Silicon Valley is known for, he embodies a lot of that with Chinese characteristics—that spirit of openness, risk-taking, innovation."

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